

Office Q4 2023

12-Mo.
Forecast

¥297.9
Rent (PSMMO)



-3.2%
Rental Growth (QOQ)



18.7%
Vacancy Rate



Source: Cushman & Wakefield Research

BEIJING ECONOMIC INDICATORS Q3 2023

Indicator	Q2 2023	12-Mo. Forecast
5.1% GDP Growth	5.5%	▲
6.1% Tertiary Sector Growth	6.6%	▲
0.6% CPI Growth	0.7%	▲
2.6% Real Estate Development & Investment Growth	9.8%	▲

Source: Beijing Statistics Bureau / Oxford Economics / Cushman & Wakefield Research

Market Rents Continue to Retreat as Leasing Market Performance Remains Sluggish

The Beijing office market welcomed 242,250 sq m of new supply in Q4 2023, taking annual new supply to 606,794 sq m, up 43.2% y-o-y. The leasing market remained in a slow recovery in the quarter, with some tenants seeking to reduce floor space or surrender leases, in turn dropping quarterly net absorption to -22,865 sq m citywide and -42,334 sq m in the five core submarkets. Full-year citywide net absorption was at 147,985 sq m, down by 14.5% y-o-y. The new supply combined with the fall-off in leasing transactions continued to push up the vacancy rate, with overall vacancy finishing up 2.7 percentage points y-o-y at 18.7%, and core submarket vacancy finishing up 1.6 pp y-o-y at 12.6%. The overall average market rental level continued to decline. The citywide average rental level retreated 3.2% q-o-q and 7.3% y-o-y to RMB297.9 per sq m per month, and rental in the five core submarkets dropped 2.4% q-o-q and 7.1% y-o-y to RMB348.5 per sq m per month.

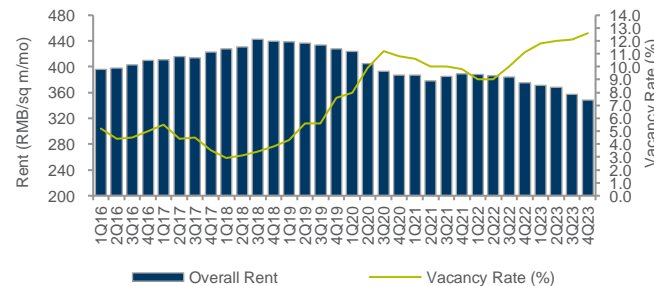
TMT Sector Leads Leasing Transactions, Renewal Becoming the Preferred Choice of Tenants

The weaker economy and decline in corporate performance have made renewal the primary choice for tenants upon lease expiry. This trend of lease renewal transactions became more evident in Q4, accounting for 42% of total transactions by area, up 11.4 percentage points q-o-q. For the full-year 2023, lease renewals accounted for 36.2% of the total annual transaction area, up 10.9 percentage points compared with 2022. The TMT, finance, and professional services sectors continued to be the major drivers of leasing demand in Q4, accounting for 40.6%, 15.2%, and 11.0% of total transactions by area, respectively. The energy sector ranked fourth, with a 10.4% share of the total by area.

Beijing Set to Continue to Develop Strategic Emerging Industries

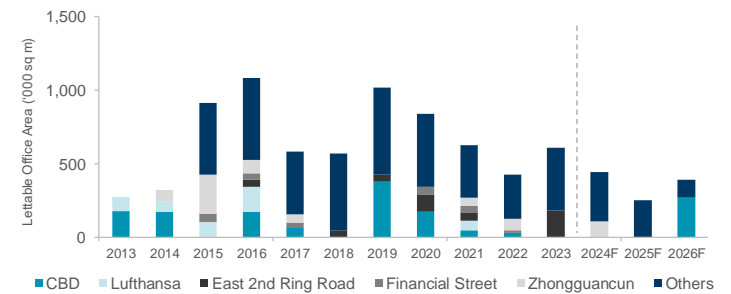
Ahead, just 1.08 million sq m of new supply is now expected to enter the market by the end of 2026, of which 40% will be launched in 2024. The large volume of new supply into the market next year will drive up the city's vacancy rate, exerting further pressure on landlords, and the average rental level is expected to further retreat. In 2025 and 2026, with limited new supply and an expected stronger economic environment and corporate performance, leasing demand should gradually pick up. At the 2024 Central Economic Work Conference, the government re-emphasized science and technology innovation. As the national center of scientific and technological innovation, Beijing has prioritized high-tech industrial development for years. Several strategic emerging industries, such as the digital economy, artificial intelligence, bio-manufacturing, commercial aerospace, quantum technology, life sciences, and new energy, will become important supplements to Beijing office leasing market demand.

GRADE A CBD RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (2024-2026) (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
CBD	3,297,236	13.0%	270,000	335.83	4.40	4.00
Financial Street	1,655,800	5.3%	0	562.93	7.37	6.71
Lufthansa	1,073,303	17.7%	0	279.92	3.67	3.34
East 2 nd Ring Road	1,591,110	18.2%	0	285.21	3.74	3.40
Zhongguancun	1,183,972	9.8%	110,000	335.04	4.39	3.99
BEIJING GRADE A CBD TOTAL	8,801,421	12.6%	380,000	348.53	4.56	4.15
WangJing-Jiuxianqiao	922,342	21.2%	280,000	237.88	3.12	2.84
Olympic Games Village (OGV)	1,135,884	17.9%	65,700	316.94	4.15	3.78
Beijing Development Area (BDA)	614,648	20.6%	0	106.59	1.40	1.27
Li'ze Financial Business District	1,190,676	34.7%	20,000 (For Lease)	181.19	2.37	2.16
Tongzhou Canal Business District	399,886	68.9%	339,000 (For Lease)	144.76	1.90	1.73
Others*	573,953	38.6%	0	232.89	3.05	2.78
BEIJING GRADE A SUBURBAN TOTAL	4,837,389	29.7%	704,700	216.73	2.84	2.58
BEIJING GRADE A OVERALL TOTAL	13,638,810	18.7%	1,084,700	297.94	3.90	3.55

*Other projects not classified in the above submarkets.

Effective Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT and rent-free periods factored in.

Exchange Rate: 1USD = 7.0938814 CNY = 0.91026438 EUR as of December 15th, 2023

KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Poly Plaza	WangJing-Jiuxianqiao	KKWorld	3,569	Relocation
China Central Place	CBD	Beijing Zhonglun W&D Law Firm	3,075	Relocation
SK Tower	CBD	Dentsply Sirona Dental Solutions (Shanghai) Co., Ltd	1,075	Renewal

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sino-Ocean-Grand Canal Place Tower I	Tongzhou	N/A	112,000	Q1 2024
King Region Group Project	Zhongguancun	N/A	110,000	Q1 2024
China National Convention Center II	OGV	N/A	34,000	Q4 2024

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