

Leasing market remains active with the rental decline narrowing down



Beijing Grade-A Office Market Report

Q2 2021

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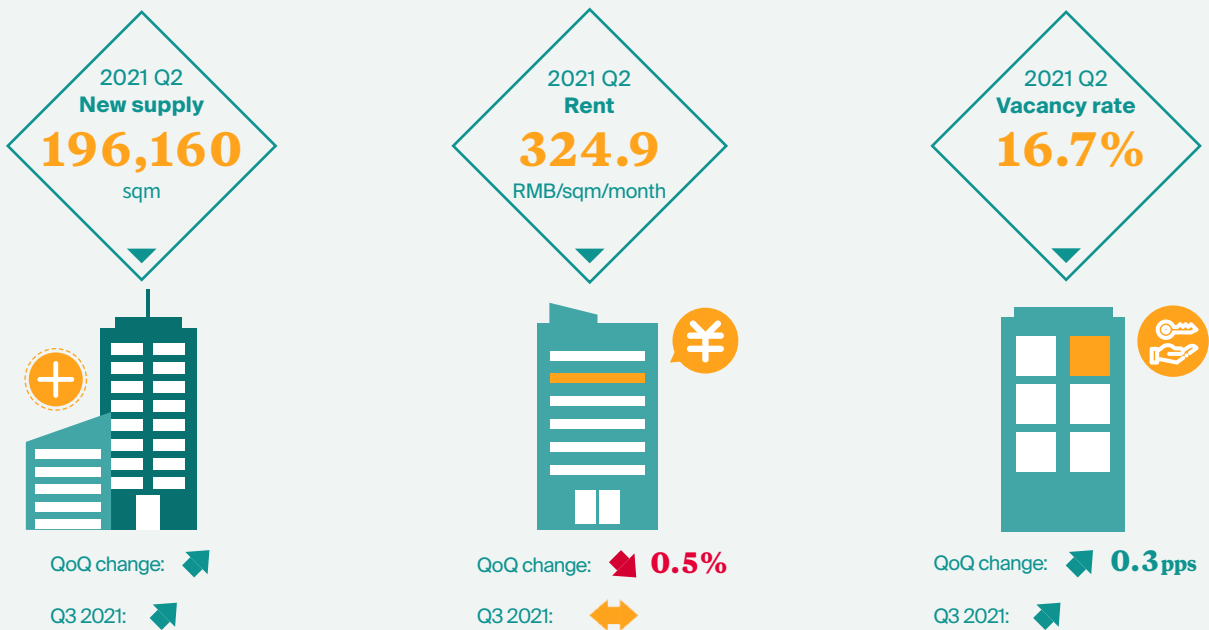
OVERVIEW AND OUTLOOK

In the second quarter of 2021 (Q2 2021), the average Grade-A office rent fell by 0.5% QoQ to RMB324.9 per sqm per month with the rental decline gradually narrowing down. The total new supply of Grade-A office space reached 196,160

sqm, pushing up the vacancy rate by 0.3 percentage point QoQ to 16.7%. Although there were some new completions in the market, the net absorption has still reached nearly 130,000 sqm. Amid an active market, we expect the office rent to

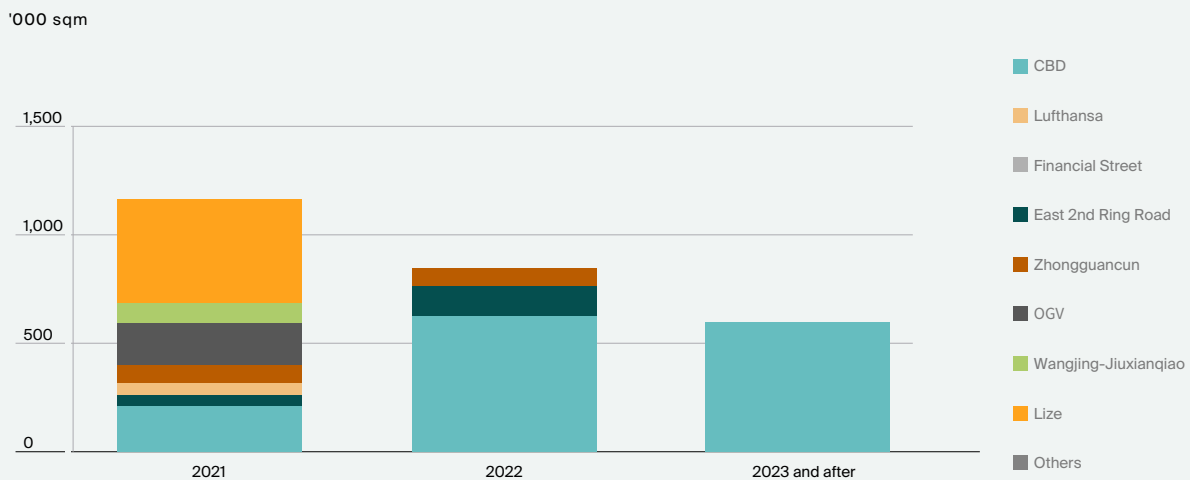
remain stable. As a total of 250,000 sqm of new office space will be completed in next quarter, the vacancy rate is facing an upward pressure.

FIGURE 1: Beijing Grade-A office market indicators^[1]



Source: Knight Frank Research
 [1] Rent refers to average effective rent

FIGURE 2: Beijing office development pipeline, 2021-2023 onwards



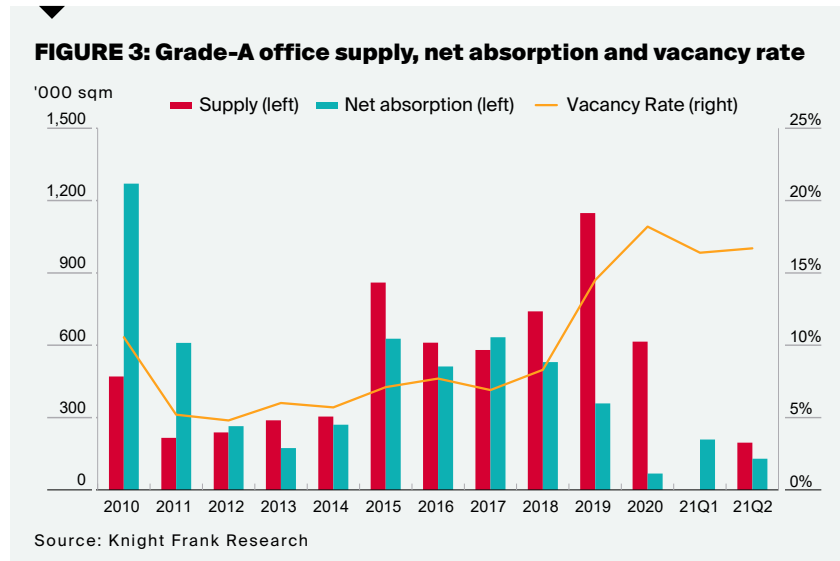
Source: Knight Frank Research

SUPPLY AND DEMAND

In Q2, three new office projects were completed in Beijing's Grade-A office market, including Taikang Tower in CBD Zhongfu Plot, HEXA International Plaza in East 2nd Ring Road and RAY Zone in Lize Financial Business District. Amongst, Taikang Tower is mainly occupied by the landlord for self-use with a leasable area of approximately 24,000 sqm; Beijing HEXA International Plaza is a renovated office building. In Q2, there were a total of 196,160 sqm new office space being added to the Beijing market.

In Q2, the new supply pushed up the vacancy rates by 0.3 percentage point QoQ to 16.7%. The net absorption reached 128,426 sqm. Dominated by the financial, Internet and tech sectors, the office leasing market remained active.

In the third quarter (Q3), Fairy Centre in Wangjing-Jiuxianqiao area and Ping'an Fortune Centre are expected to be completed and will bring approximately 250,000 sqm



office space to the market. In terms of leasing demand, the online education industry is facing the most stringent supervision ever. Under the strict supervision, the online education

industry may enter into a low tide period and will have a negative impact on leasing demand. Therefore, it is expected that the average vacancy rate of Beijing will continue to increase in Q3.

RENTS

In Q2, the average rent of Beijing's Grade-A office market fell slightly by 0.5% QoQ to RMB324.9 per sqm per month. The overall leasing market was still at the stage of adjustment, so most landlords have adopted more flexible leasing terms to improve the overall vacancy rate and revenue of their projects.

The average rent in CBD area fell by 0.2% QoQ to RMB354.2 per sqm per month. The average rents of East 2nd Ring Road area and Lufthansa area decreased by 0.4% and 0.6% QoQ to RMB299.1 and RMB310.9 per sqm per month respectively.

The average rents in Zhongguancun and Wangjing-Jiuxianqiao areas showed an upward trend in Q2, increasing by 0.6% and 1.4% QoQ to RMB362 and RMB237.7 per sqm per month respectively. The average rent in Olympic Games Village remained stable at RMB323.9 per sqm per month compared with the previous quarter.

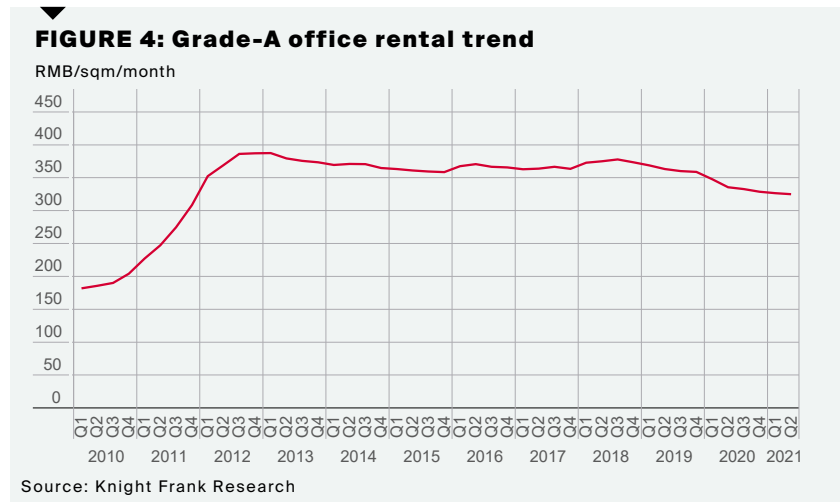


TABLE 1: Major Grade-A office leasing transactions, Q2 2021

| Submarket | Building | Tenant | Area (sqm) | Type |
|-----------|---------------------------|--------------------|------------|-----------|
| CBD | China Life Finance Centre | Tian Yuan Law Firm | 4,950 | New Lease |
| CBD | Samsung Tower | Tencent | 32,300 | New Lease |
| OGV | BIG Investment Tower | Capital Securities | 16,000 | New Lease |

Source: Knight Frank Research
Note: all transactions are subject to confirmation

INVESTMENT MARKET

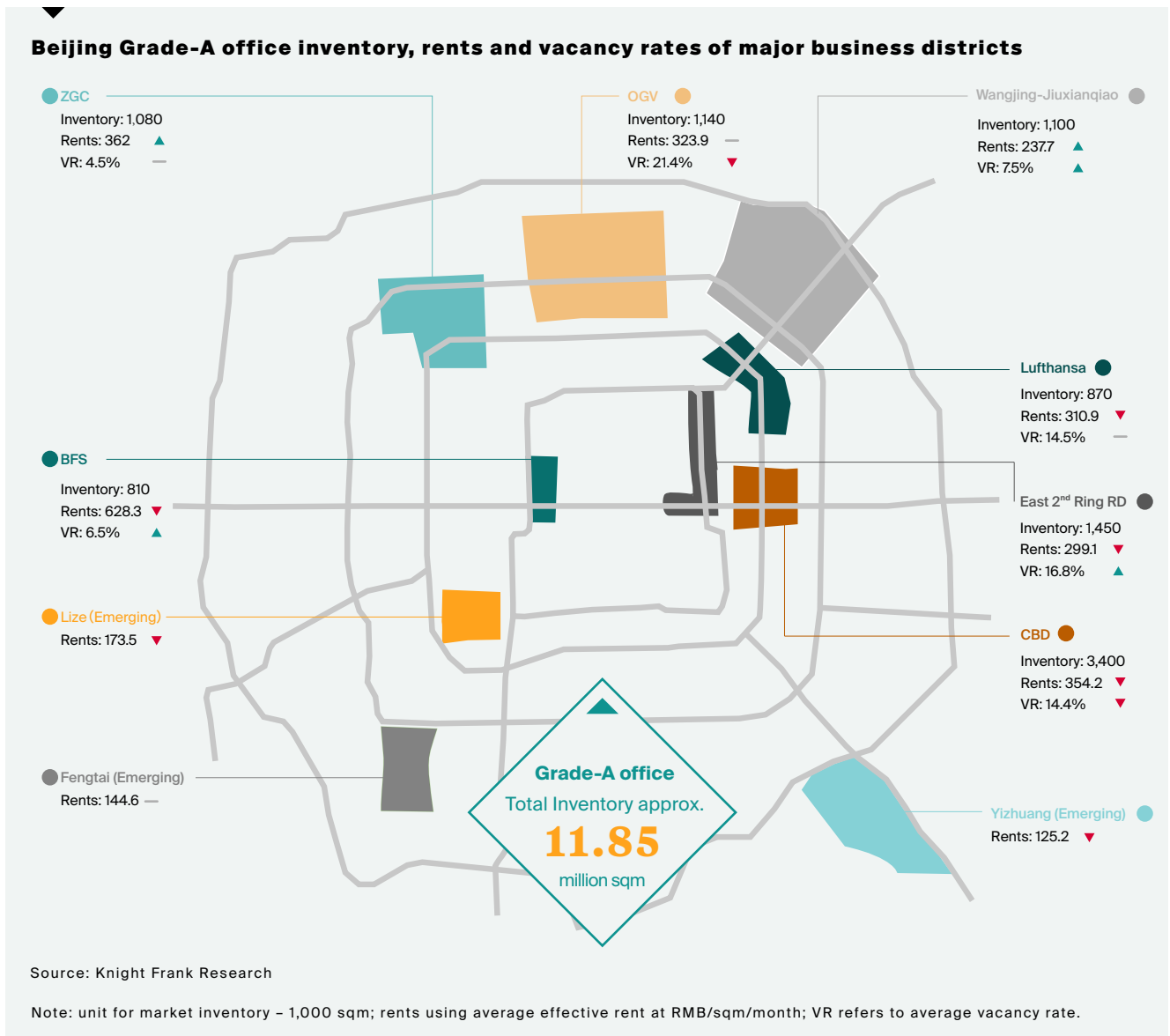
Foreign funds continued to invest in the Beijing's real estate market, leading to an active office en-bloc sales market. In Q2, the total transaction amount of office en-bloc sales market reached over RMB12 billion. Major buyers were overseas funds and domestic financial institutions including banks and insurance companies.

On 13 May, ACR Asset Management

announced that it has completed the acquisition of Beijing Dimond Plaza from Sino-Ocean Capital through its real estate private equity. Located in the Zhongguancun Software Park, the core area of the Shangdi sub-district, the Dimond Plaza is a low-density garden R&D building, with a total GFA of approximately 23,000 sqm. The building is currently wholly occupied by a tech giant.

On 8 June, Hexie Health Insurance announced that it has acquired Beijing SK Tower for RMB9.06 billion. Located at No. A 6 Jianguomen Outer Street, Chaoyang District and adjacent to Chang'an Street, the project is known as one of the landmark office buildings in Beijing's core CBD area. SK Tower is a 35-storey office building with a total GFA of 107,627 sqm.

BEIJING GRADE-A OFFICE MARKET DASHBOARD



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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