

Leasing demand driven by financial sector



Beijing Grade-A Office Market Report

Q2 2022

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OVERVIEW AND OUTLOOK

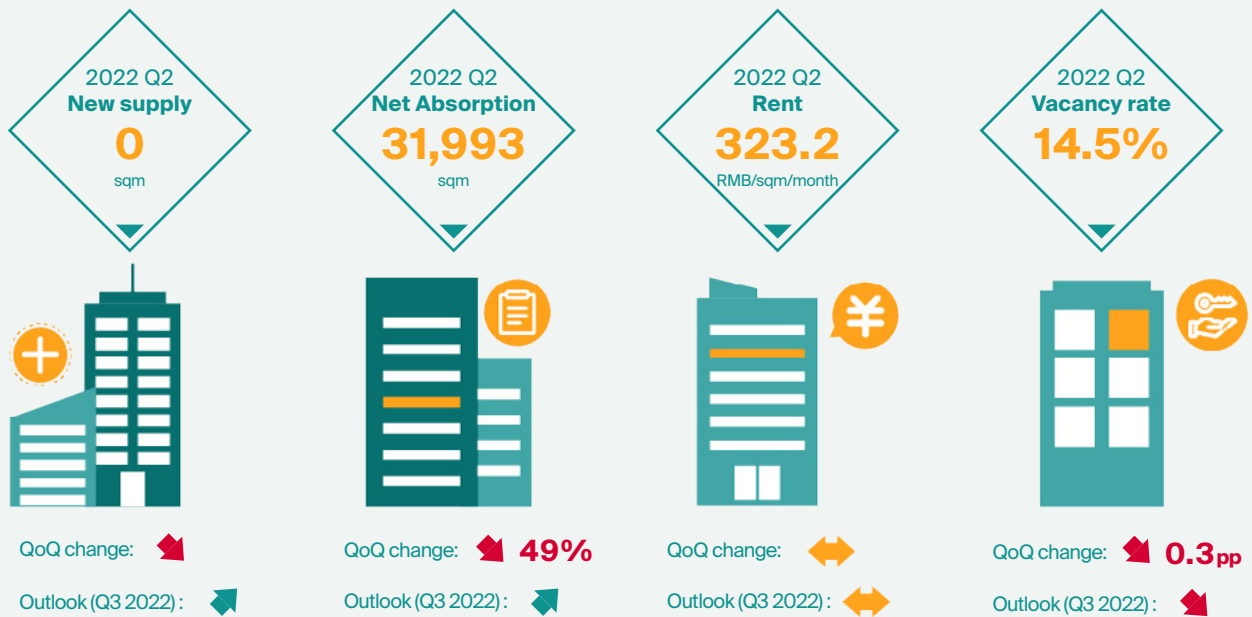
In the second quarter of 2022 (Q2 2022), Beijing's Grade-A office market was stable with the average rent staying at RMB323.2 per sqm per month. In Q2, there was no new project completed in the Grade-A office market. As of Q2 2022, the inventory of Beijing's Grade-A office market remained unchanged at 12.31 million sqm. The average vacancy

rate decreased by 0.3 percentage point to 14.5%.

In Q2, Beijing Chaoyang District experienced large-scale lockdowns, covering office submarkets including CBD area, Lufthansa area, part of the East 2nd Ring Road area and Wangjing-Jiuxianqiao area. Therefore, the leasing

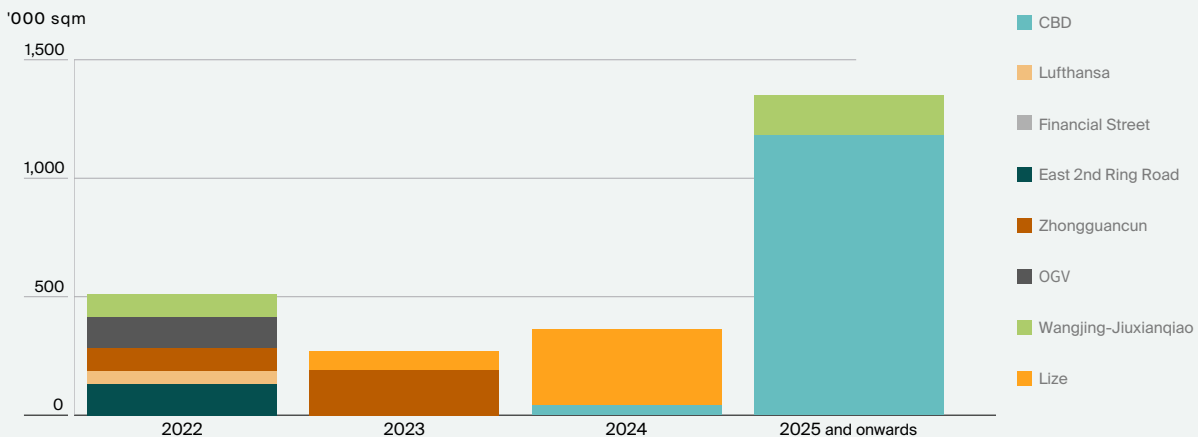
demand of Beijing's Grade-A office market has slowed down in Q2. Looking forward to the second half of 2022 (H2 2022), more than 400,000 sqm of new office space will be completed in Beijing's Grade-A office market. We expect that the vacancy rate to rise slightly in the third quarter and rents to remain stable.

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



Source: Knight Frank Research
 [1] Rent refers to average effective rent
 [2] pp refers to percentage point

FIGURE 2: Beijing office development pipeline, 2022-2025 onwards

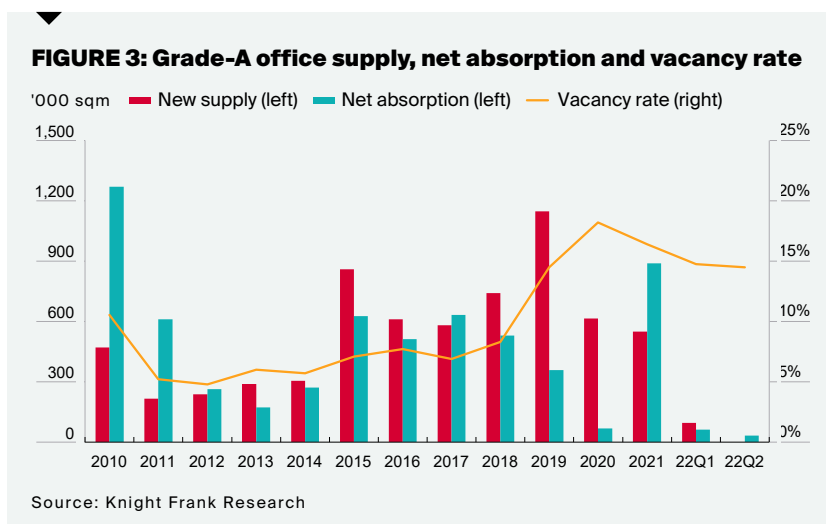


Source: Knight Frank Research

SUPPLY AND DEMAND

In Q2, there was no new project completed in the core area of Beijing's Grade-A office market, and the inventory remained at 12.31 million sqm. Due to local lockdowns in some areas, many landlords started to promote their buildings through online marketing. In terms of leasing transactions, the financial sector continued to lead the Beijing's office leasing market, and industries in various financial segments such as investment banking, funds, securities and insurance showed steady growth trends; the pharmaceutical industry ranked the third among all sectors in Q2, with major transaction types of small-sized new lease and expansion lease. Adversely affected by lockdowns in various regions, the demand for office space in Beijing slowed down, with a net absorption of 31,993 sqm, down 49% QoQ. However, as there was no new completion in Q2, the average vacancy rate of Grade-A office space slightly declined, dropping 0.3 percentage point QoQ to 14.5%.

Looking forward to H2 2022, HEVOL



EDIFICE in Zhongguancun area, North Star Centre in Olympic Games Village area and Cinda Centre in East 2nd Ring Road area will be completed, bringing over 400,000 sqm of

office space in H2 2022. Supported by increasing new supply, we expect that the vacancy rate to increase and the rent to remain stable.

RENTS

The average rent of Beijing's Grade-A office market remained stable at RMB323.2 per sqm per month in Q2. Affected by the pandemic, Beijing experienced a large-scale remote work, suppressing economic activities in Q2. In the office leasing market, tenants' leasing decisions were suspended or postponed in this situation. As a result, the level of leasing activity in the Beijing's office market was relatively low and the rents remained stable in Q2.

The average rent in CBD area continued its upward trend, increasing 0.5% QoQ to RMB362.2 per sqm per month. The average rent has increased for four consecutive quarters since the second half of 2021 and is gradually returning to the pre-epidemic level.

The average rent in the Zhongguancun area increased slightly by 0.2% QoQ to RMB364.3 per sqm per month. The leasing demand in this area is dominated by technology and internet companies due to the strong industrial agglomeration effect. Leasing types in this area include relocation, renewal and expansion. In addition, the average rent in Zhongguancun area has maintained a relatively stable level due to the incentives of the technology industry.

The average rents in both the East 2nd Ring Road area and Lufthansa area decreased by 0.2% and 1.0% QoQ to RMB297.8 and RMB298.9 per sqm per month, respectively. The average vacancy rates have remained

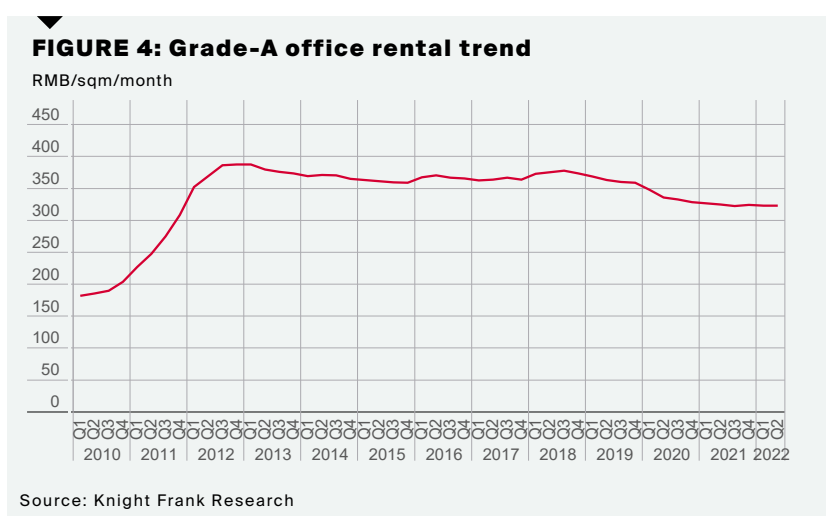


TABLE 1: Major Grade-A office leasing transactions, Q2 2022

Submarket	Building	Tenant	Area (sqm)	Type
OGV	North Star Centre	China AMC	30,834	New Lease
OGV	North Star Times Tower	HiteVision	6,674	Relocation
CBD	IFC	Taikang Life Insurance	4,500	New Lease
CBD	China Life Financial Centre	CICC	20,000	Expansion

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

high since the COVID-19 pandemic, and the new supply has continued to put pressure on vacancy rates, resulting in a downward trend on rents.

The average rent in the Wangjing-

Jiuxianqiao area rose 0.7% QoQ to RMB238.2 per sqm per month. Average rents in the Lize Financial Business District, Fengtai and Yizhuang remained stable at RMB173.3, RMB144.2 and RMB126.3 per sqm per month, respectively.

INVESTMENT MARKET

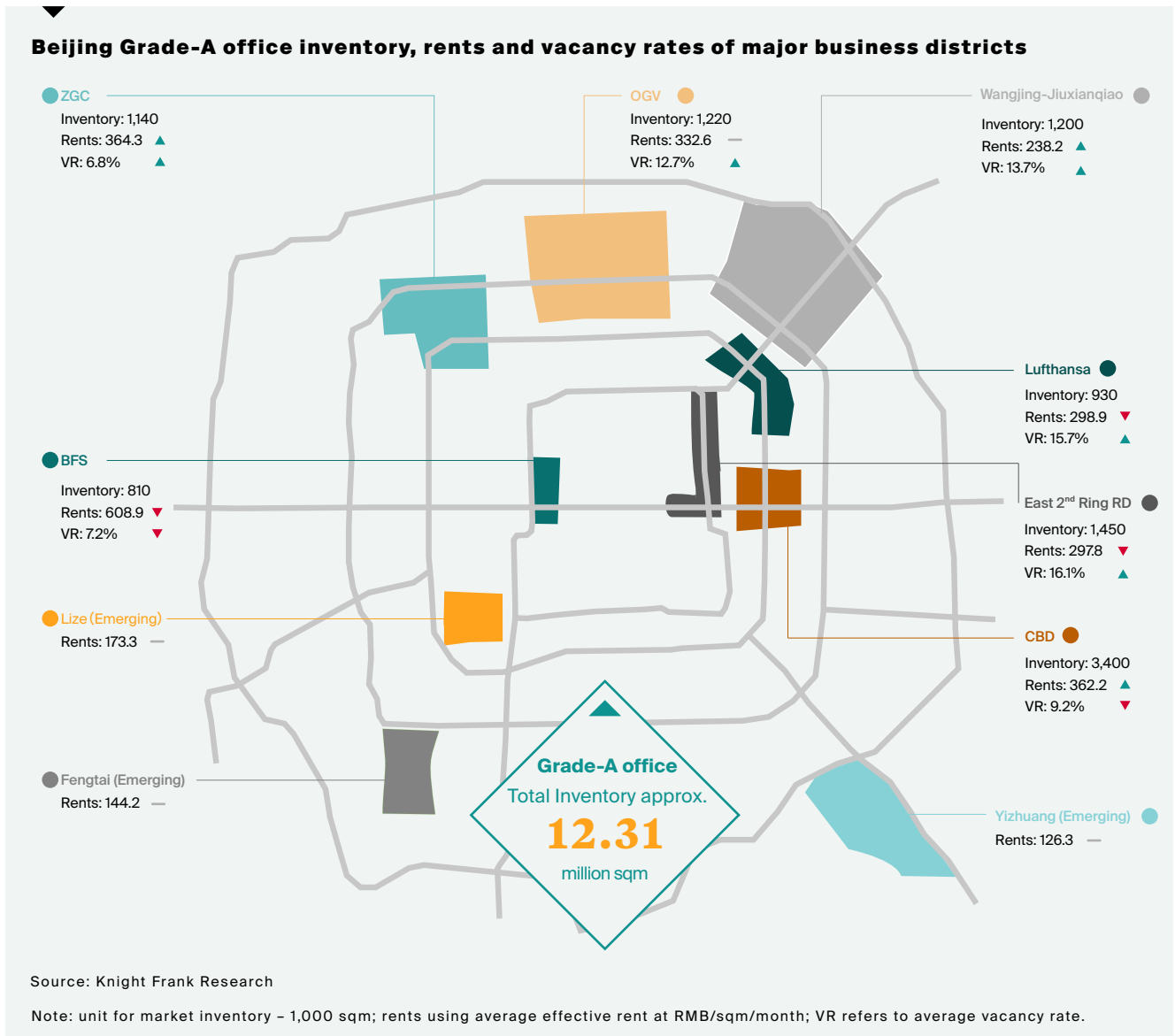
In Q2, there were two en-bloc sales transactions recorded in Beijing's real estate investment market. In terms of asset types, the attractiveness of urban renewal project has increased; in addition, high-quality office buildings in the core area have also favoured investors.

On 7 June, Gold Union Assets announced that its subsidiary successfully completed the acquisition of the No.17 Qianliang Hutong project in Dongcheng District which is their

fifth project in Beijing. Located at the northern end of Wangfujing Street in the core area of Beijing, the project was formerly known as Beijing Fudi Phoenix Hotel, with a total area of approximately 18,000 sqm. The project has three floors underground and seven floors aboveground. Gold Union Assets will entrust the Base Serviced Apartment and Gold Union Commercial to operate and create a benchmark project in East 2nd Ring Road area that integrating retail business, creative office and serviced apartment.

On 14 June, Ping An Life Insurance Co., Ltd. acquired the equity of Ray Zone in Lize Business District, Fengtai District, Beijing, from Sino-Ocean Group for a total price of RMB5.015 billion. Located at E06 land plot in Lize Financial Business District, Ray Zone is one of the three projects jointly developed by Ping An Life and Sino-Ocean Group. The Sino-Ocean company holds the project Ray Zone by holding 34.5% equity of the project company.

BEIJING GRADE-A OFFICE MARKET DASHBOARD (Q2 2022)



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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