

Leasing activity picks up and rents in some business districts stabilized



Beijing Grade-A Office Market Report

Q3 2021

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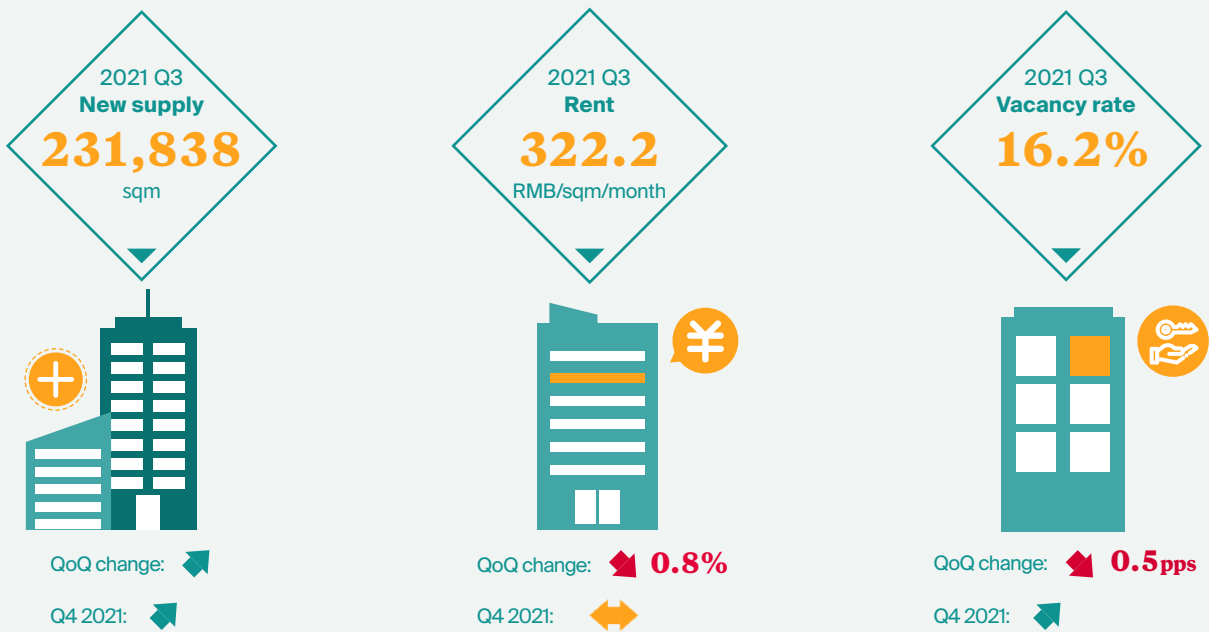
OVERVIEW AND OUTLOOK

In the third quarter of 2021 (Q3 2021), the average Grade-A office rent continued to decline, fell by 0.8% QoQ to RMB322.2 per sqm per month. The new supply of Grade-A office reached 231,838 sqm. Strong leasing

activities were recorded in each submarket during the quarter, the average vacancy rate decreased by 0.5 percentage point QoQ whilst the net absorption achieved approximately 250,000 sqm. With an addition of

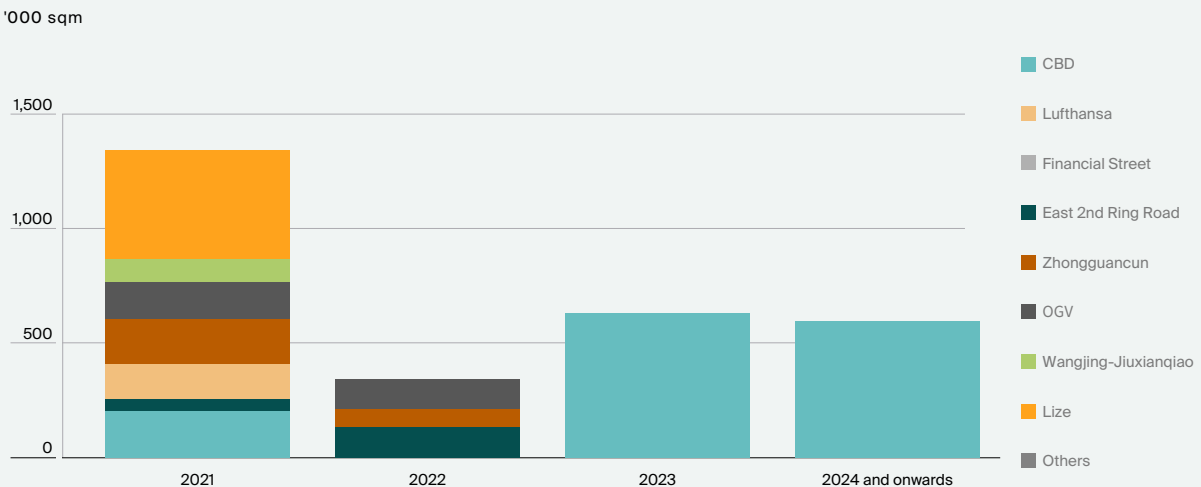
nearly 280,000 sqm of new office space in the coming quarter, we expect the average vacancy rate to increase, but the average office rent to remain stable amid improved market sentiment.

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, 2021-2024 onwards



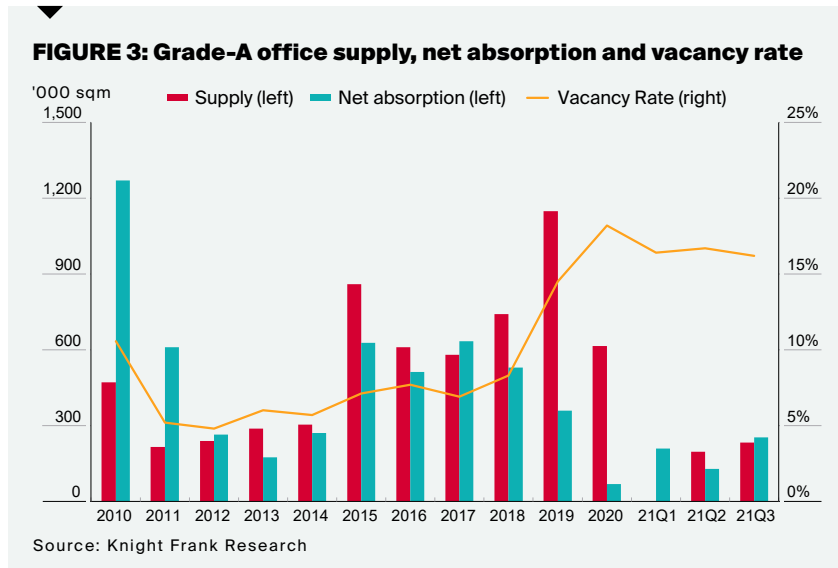
Source: Knight Frank Research

SUPPLY AND DEMAND

In Q3, two new office projects were completed in Beijing including Dingcheng Times Plaza in Olympic Games Village area and Ping'An Fortune Centre in Lize Financial Business District. Amongst, Dingcheng Times Plaza has a total office GFA of 81,838 sqm and was fully leased by Meituan upon its completion; Ping'An Fortune Centre has a total office GFA of 150,000 sqm. In this quarter, a total of 231,838 sqm new office space was added to the Beijing's office market.

In Q3, the average vacancy rate decreased by 0.5 percentage point QoQ to 16.2%. As the enthusiasm for the office market remained unabated, the net absorption reached 253,553 sqm, which was twice as much as that in Q2, reaching the historical high level during the post-pandemic period. Among all the submarkets, Lize Financial Business District recorded the best performance. With a number of large-scale leasing transactions, it contributed more than one-third of the absorption. Most of the leasing demand was still dominated by the financial, Internet and tech sectors, while professional services sector also got expansion plans.

Looking forward to the fourth quarter



(Q4), Fairy Land Centre in Wangjing-Jiuxianqiao area, No.33 Xiaoyun Road and DH3 Building A in Zhongguancun area will be completed, supplying approximately 280,000-sqm office space to the Beijing office market.

During the year-end period, we expect the leasing demand to become weak and the new supply to face a low absorption rate. Therefore, the vacancy rate is expected to increase while the rent to remain stable in Q4.

RENTS

In Q3, the average rent of Beijing's Grade-A office market fell by 0.8% QoQ to RMB322.2 per sqm per month. During the quarter, there were considerable differences between business districts. In some core business districts, the average rents were stable and showed signs of recovery whilst the rents in some business districts continued to decline under high pressure of absorption rates. As most newly-completed projects are located in the non-core business districts at low rental level, leading to the drop of overall Grade-A rent. Consequently, the average Grade-A office rent continued its downward trend in this quarter.

The average rent in CBD area slightly increased by 0.1% QoQ to RMB354.5 per sqm per month. Olympic Games Village area was another area with the rebounding rent. The average rent recorded a QoQ increase of 0.2% to RMB324.2 per sqm per month.

Due to the relatively high vacancy rates in East 2nd Ring Road area and Lufthansa area, most of the landlords offered favorable leasing terms to improve rate of absorption. Therefore, the average rents of these two areas decreased by 1.2% and 1.7% QoQ to RMB295.7 and RMB305.8 per sqm per month respectively.

The activity level in Lize Financial Business District (Lize FBD) increased substantially. With the launch of several prime developments and the improved infrastructure, Lize FBD has become more

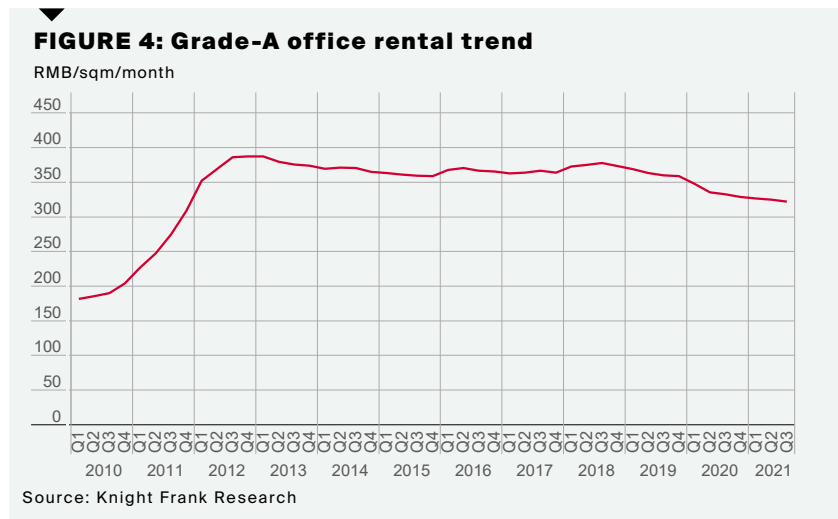


TABLE 1: Major Grade-A office leasing transactions, Q3 2021

Submarket	Building	Tenant	Area (sqm)	Type
CBD	Emperor Group Centre	Kangda Law Firm	7,000	New Lease
Wangjing-Jiuxianqiao	LSH Plaza	Alibaba	14,500	New Lease
Lize	AZIA Centre	Harvest Fund	7,000	New Lease
Lize	PingAn Financial Centre	Amazon	35,000	New Lease

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

competitive. The average rent increased by 1.1% QoQ to RMB175.4 per sqm per month.

Benefited from the strong demand of

the financial, Internet and tech sectors, the average rents of Wangjing-Jiuxianqiao and Financial Street areas remained at RMB2377 and RMB628.3 per sqm per month respectively.

INVESTMENT MARKET

In Q3, Beijing’s real estate en-bloc sales market was relatively weak, with slight decreases in both transaction area and consideration when compared to those in the past two quarters. As the market has entered the adjustment period, investors have adopted a wait-and-see attitude, trying to seek for better investment opportunities in this changing market.

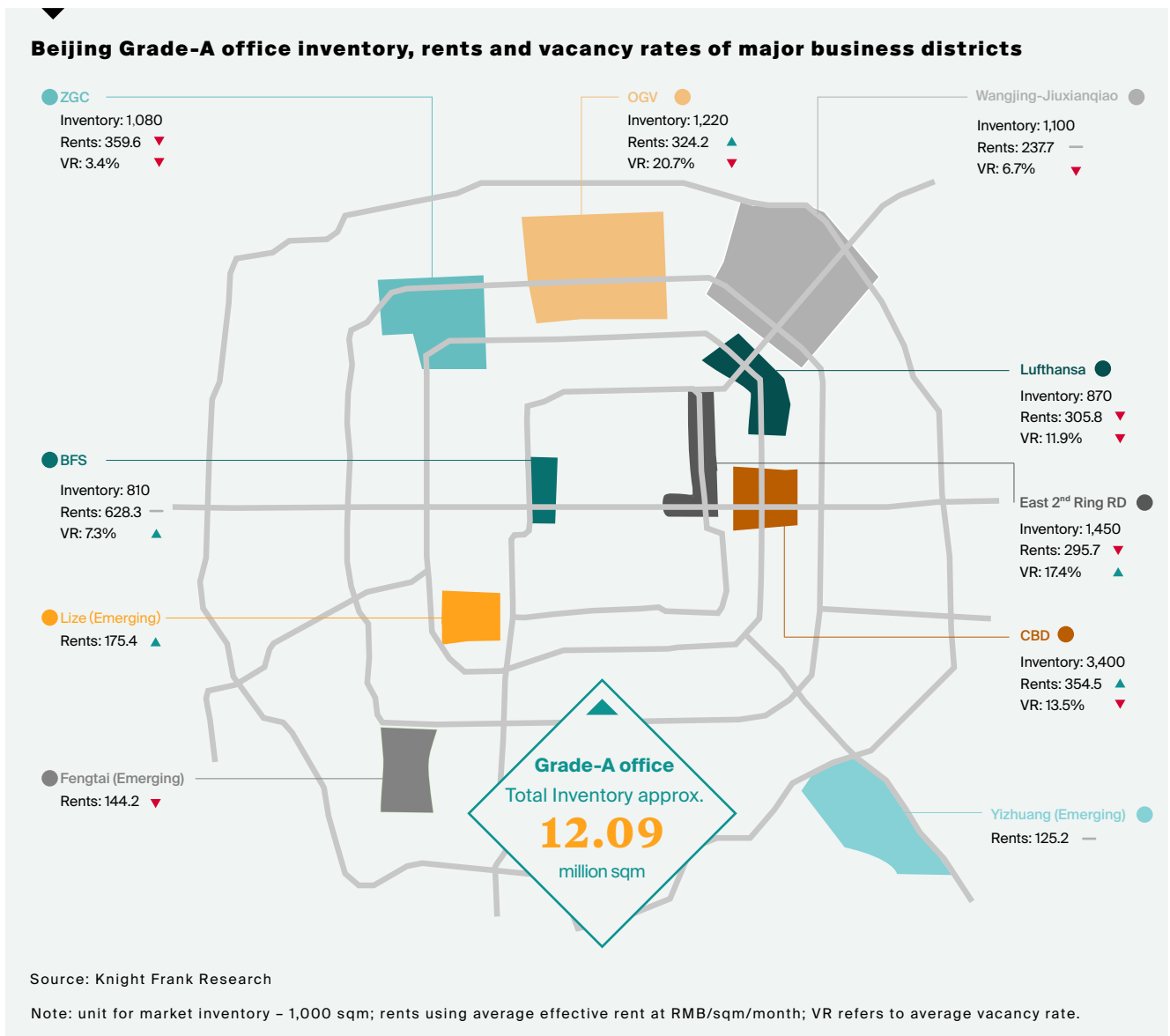
Beijing recorded an en-bloc sale through legal auction in Q3. On 29 July,

Beijing Zhuorui Property Management Co., Ltd. won the Floor 1-4, No.3 Building, No.13 Yard, Gongti North Road, Chaoyang District, Beijing and another 5 buildings (Shimao Gongsan), with a transaction price of RMB1.645 billion. Established in May 2020, Beijing Zhuorui Property Management Co., Ltd. was the wholly owned subsidiary of Zhongzhi Chuangxin Investment Company.

On 29 August, Zhongrong International

Trust (ZRT), a subsidiary of Zhongzhi, acquired Beijing Tianyuan Xiangtai Tower in Asia Olympic Games area. The project has 30 floors above ground and 5 floors underground, with an underground retail space of approximately 8,000 sqm and an office standard floor plate of approximately 2,325 sqm. ZRT raised its stake in Beijing Tianyuan Xiangtai Property Co., Ltd from 54.48% to 100%, and thus hold 100% of the property.

BEIJING GRADE-A OFFICE MARKET DASHBOARD (Q3 2021)



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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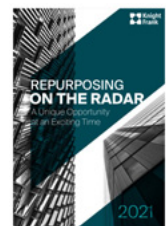
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