

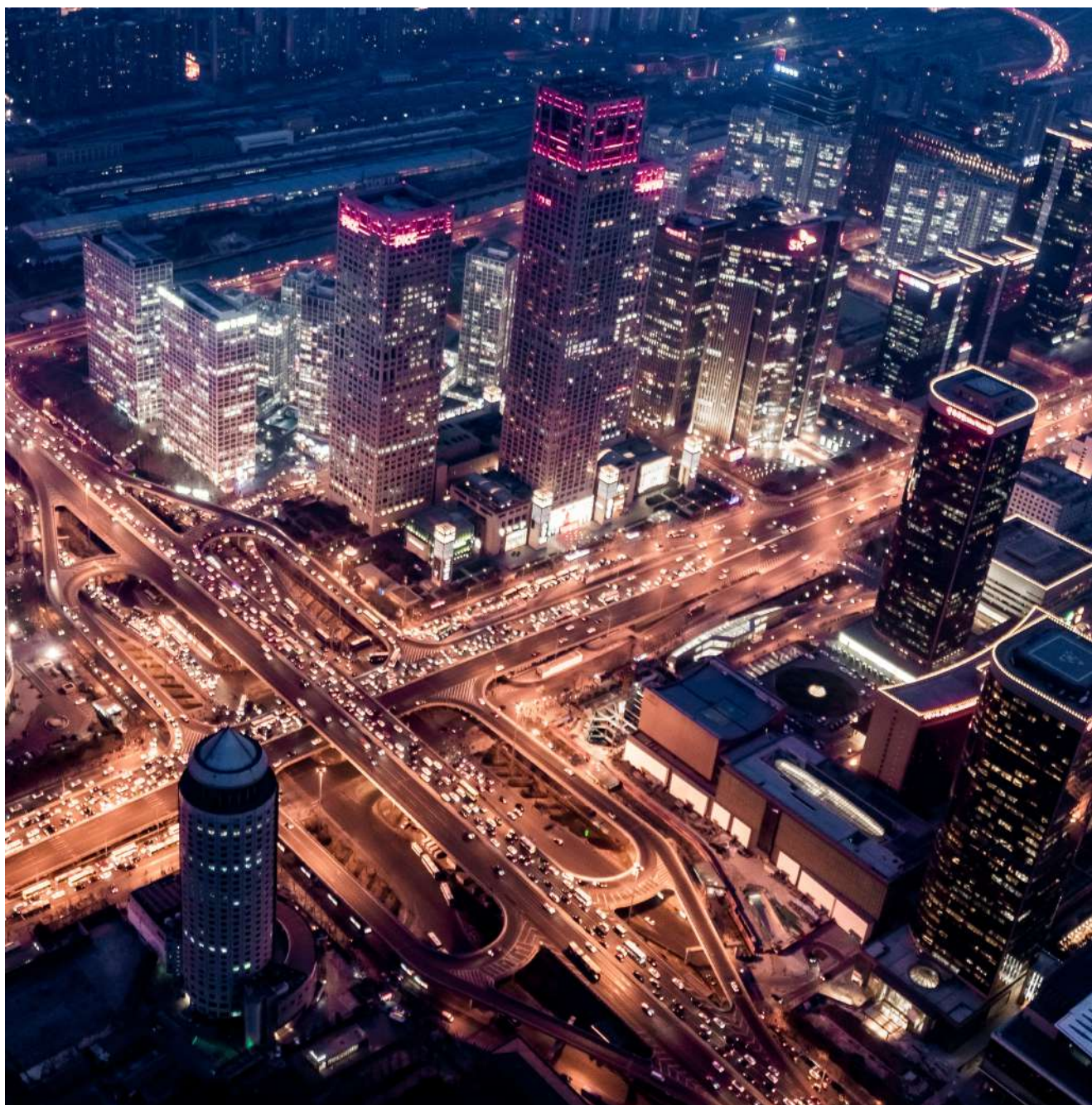
*Green and low-carbon become key development directions*



# Beijing Office Market Report

Q1 2022

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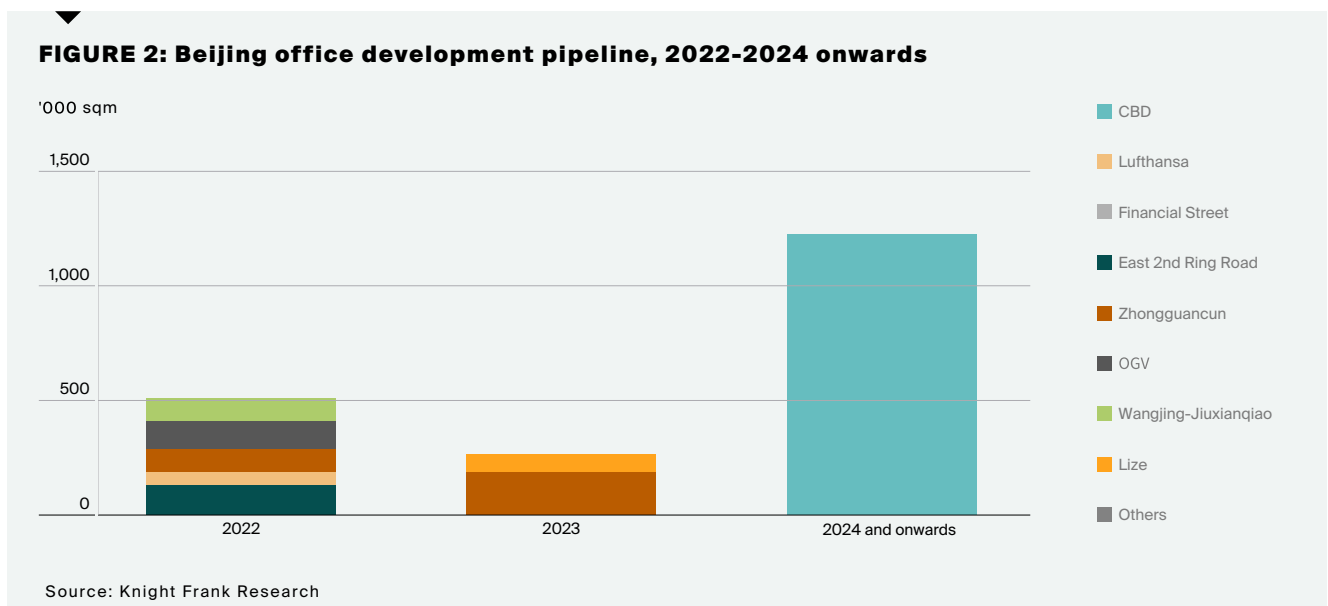
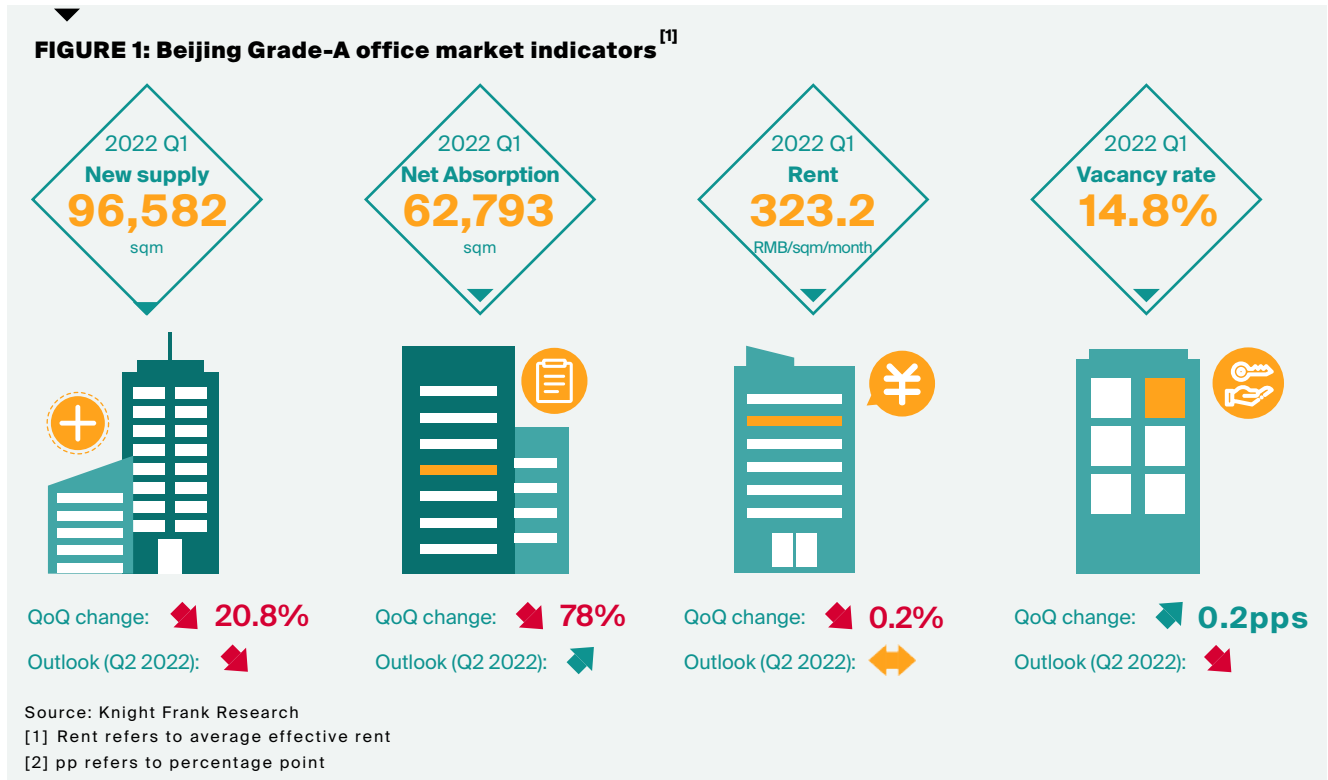


# OVERVIEW AND OUTLOOK

In the first quarter of 2022 (Q1 2022), Beijing Grade-A office market was stable, and the average rent fell slightly by 0.2% QoQ to RMB323.2 per sqm per month. In Q1, the new Grade-A office supply reached 96,582 sqm. As of Q1 2022, the inventory of Beijing's Grade-A office market reached 12.31 million sqm. The average vacancy rate increased by 0.2 percentage point to 14.8%.

The Beijing 2022 Winter Olympic Games, the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC), also known as the "Two Sessions" were successfully held in Q1. "Ski Economy" has injected new vitality into Beijing. The "Green Olympics" promoted by the Winter Olympics and the "green low-carbon development" promoted by China's "Two

Sessions" will drive the development of related industries and bring greater opportunities. Looking forward to the second quarter (Q2), in anticipation of a limited new supply and an increasing net absorption, the vacancy rate in Q2 is expected to decline further and the rent to remain stable.

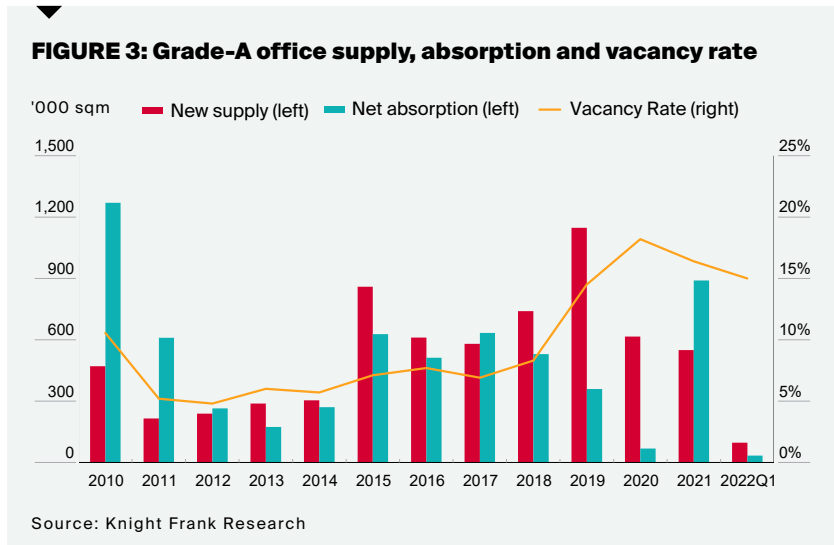


# SUPPLY AND DEMAND

In Q1, Fairy Land Centre in Wangjing-Jiuxianqiao area was completed, bringing 96,582 sqm new office space to Beijing's Grade-A office market. The office project consists of four Grade-A office towers A, B, C and D. Its location is only 200 metres away from Subway Line 12 of Jiuxianqiao Station.

In Q1, the average vacancy rate increased by 0.2 percentage point to 14.8%. Affected by the traditional low season Chinese Lunar New Year, the leasing demand slowed down and the net absorption decreased. The net absorption arrived at 62,793 sqm with a decrease of 78% QoQ. Among the leasing transactions, the demand of technology sector was strong; the financial sector was dominated by fund and investment companies. For professional services sector, law firm saw strong expansion needs and the co-working sector had a new round of expansion in the last six months.

Looking forward to Q2 2022, no new Grade-A office projects in Beijing are expected to be completed. Therefore, we



expect the vacancy rate to decrease while the rent to remain stable. A total of nearly 400,000-sqm office space will be completed in the second half of this year, they will be located in Zhongguancun, Olympic Games Village and East 2nd Ring Road. Thanks for the host of

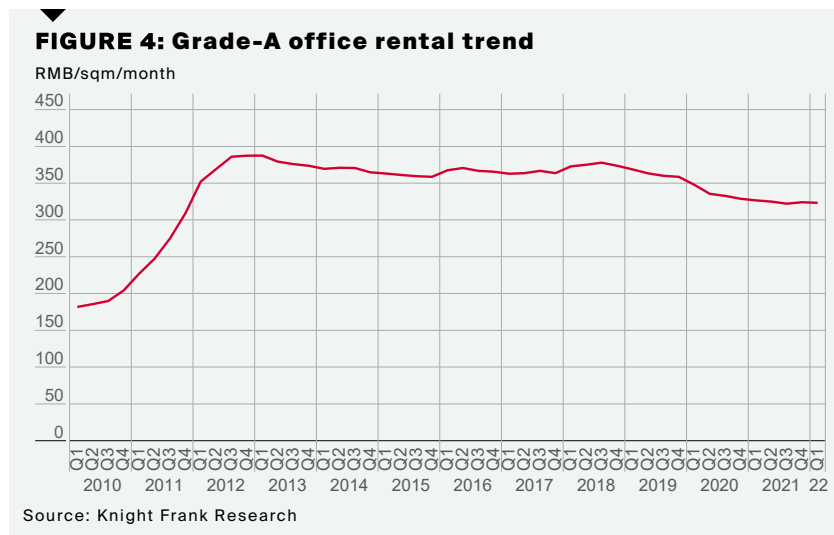
"Green Winter Olympics" and "China's Two Sessions", the related industries will be provided with greater support from the government. The leasing demand of winter sports, green energy, energy saving, and environmental conservation may continue to grow and expand.

# RENTS

In Q1, the average rent of Beijing's Grade-A office market slightly decreased by 0.2% QoQ to RMB323.2 per sqm per month. The recurrence of COVID-19 pandemic has adverse impact on economic prospects. The landlords in some areas had to offer competitive rents to increase occupancy. Therefore, there were room for rental negotiation. However, the rents of premium Grade-A office buildings in the core areas remained strong.

The average rent in CBD area continued its upward trend, increasing by 0.7% QoQ to RMB360.5 per sqm per month in Q1. Benefiting from the huge supply of high-quality office buildings and good business environment, the average rent in CBD area has increased steadily in recent quarters.

The average rent in Zhongguancun and Olympic Games Village areas increased by 0.2% and 0.1% QoQ to RMB363.4 and RMB332.6 per sqm per month respectively.



**TABLE 1: Major Grade-A office leasing transactions, Q1 2022**

Submarket	Building	Tenant	Area (sqm)	Type
CBD	Parkview Palace	Bayer	15,000	New Lease
CBD	FFC	Hylands Law Firm	2,200	Expansion
East 2 <sup>nd</sup> Ring Road	ZT International Centre Tower C	Distrii	7,000	New Lease
OGV	Cheng'ao Building	Grab	6,500	New Lease

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



The average rent in Financial Street area fell by 1.4% QoQ to RMB619.1 per sqm per month. The vacancy of some buildings in this area has put pressure on landlords to lower asking rents since the outbreak of COVID-19. Meanwhile, with the continuous improvement of infrastructure in Lize Financial Business District. It has diversified the leasing demand for office buildings in the

Financial Street area.

The average rent in East 2nd Ring Road area rebounded in Q1, increasing by 0.3% QoQ to RMB298.3 per sqm per month. The average rent in Lufthansa area decreased by 0.2% to RMB298.3 per sqm per month.

The average rent of Wangjing-Jiuxian-

qiao decreased by 0.5% QoQ to RMB236.6 per sqm per month. Affected by the business environment, some Internet companies are facing consolidation and upgrading. The weak leasing demand of these companies has led to an increase in vacancy rate and a decrease in rent.

## MARKET ACTIVITIES

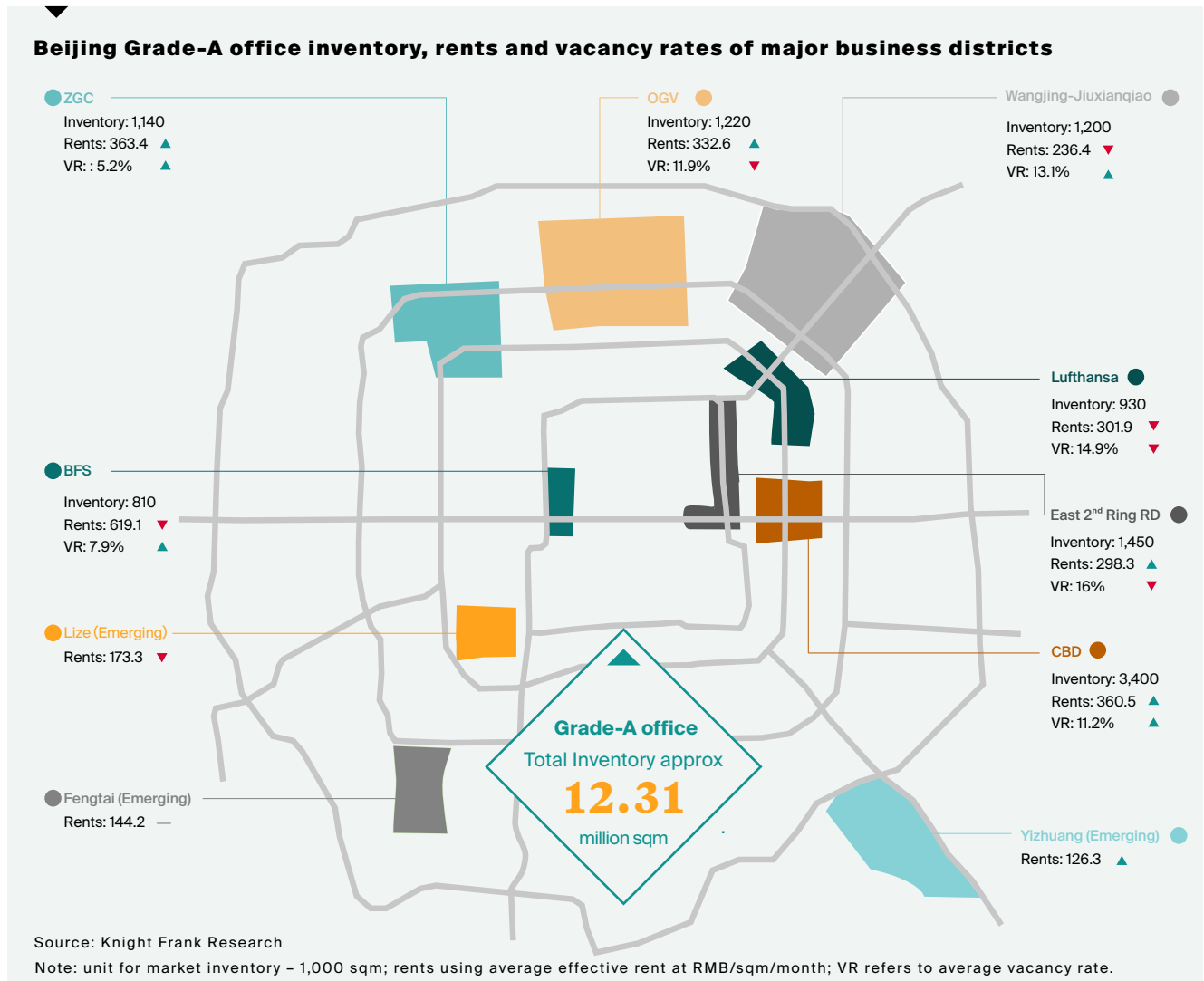
In order to achieve "carbon neutrality", the global energy consumption structure is experiencing a transformation towards green and low-carbon development. Low carbon, green and energy saving have become hot topics in both Beijing Winter Olympics and China's "Two Sessions". Beijing Winter Olympics was actively promoting low-carbon projects, such as using clean energy vehicles, using a large number of photovoltaic and wind power generation. The hydrogen energy has also received much attention from China's "Two Sessions". Moreover, the future development of hydrogen

energy and the growing trend of fuel cell vehicles have become hot topics too. They have been widely used in the fields of industrial, transportation, power generation & power grid and constructions. Therefore, green energy and environmental conservation will become one of the vital ways to achieve the "dual carbon" goal in the future.

In terms of policies, according to Beijing's high-tech industry development plan during the "14th Five-Year Plan" period in 2021, green energy, energy saving and environmental

conservation will focus on places in Changping, Fangshan and Daxing districts, and plan to achieve a revenue of RMB550 billion by 2025. In 2021, the Zhongguancun Hydrogen Energy Business Park was launched in Fangshan, Yanqing districts. With the government's policy support, it is believed that the "green" industry will continue to upgrade and develop, bringing more leasing demand to the Beijing's office and business park markets.

## BEIJING GRADE-A OFFICE MARKET DASHBOARD Q1 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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