Beijing Grade-A Office Market Report

Q1 2025

This report focuses on the Grade-A office market in Beijing, including information about supply and demand, rents, vacancy rates and the office market trends

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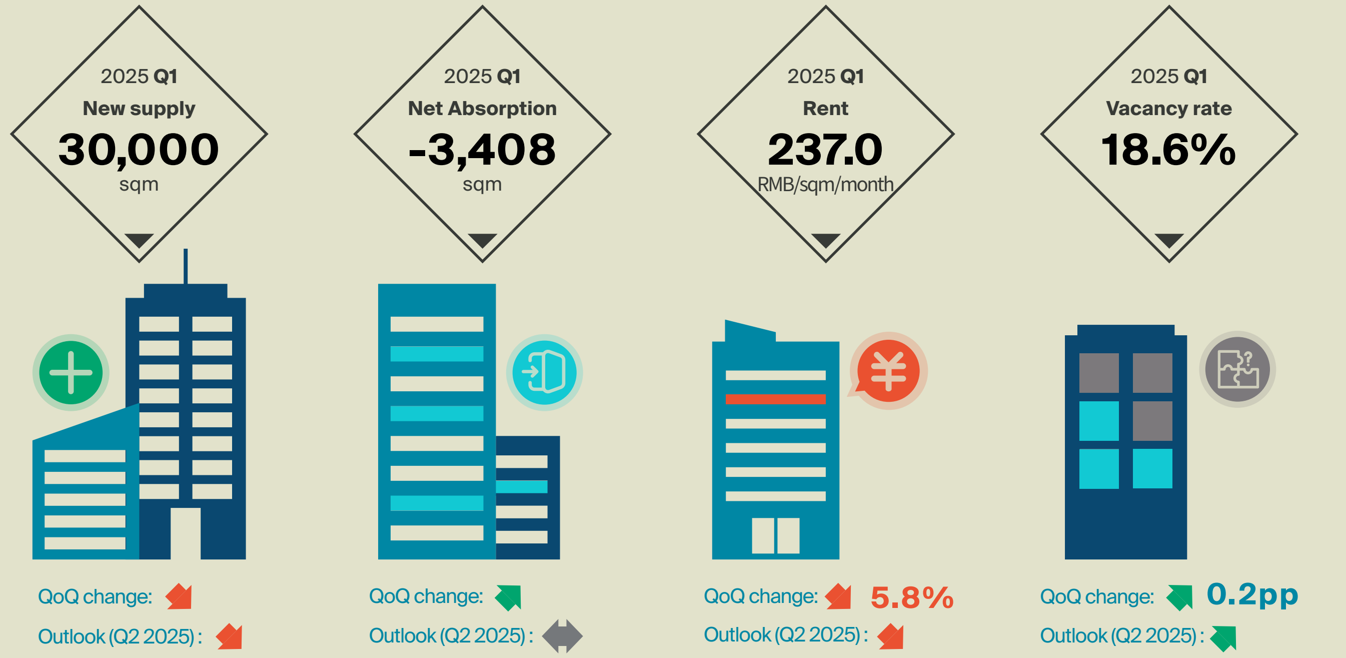
Overview

Market activities are boosted by price for volume strategies

In the first quarter of 2025 (Q1 2025), as companies continued to reduce costs and increase efficiency, landlords adopted a strategy of exchanging price for volume. They retained existing tenants by lowering renewal rents and offering rent-free periods, while also attracting new clients by providing longer fit-out periods and customised fine renovations. These incentives boosted the activity level of leasing office buildings, leading to a slight market recovery.

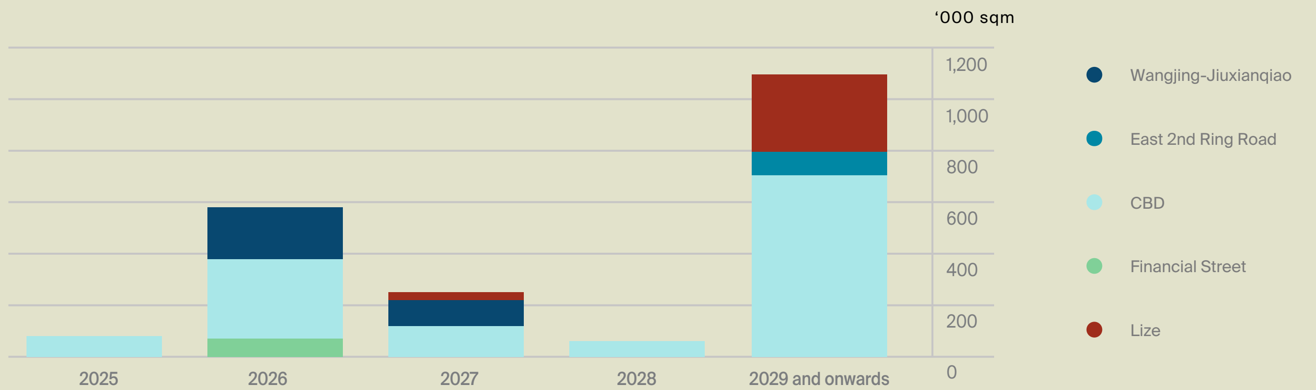
In Q1 2025, the average rent for Grade-A office buildings in Beijing decreased by 5.8% QoQ to RMB237 per sqm per month. The decline was narrower compared to the previous quarter. One new project, totalling 30,000 sqm, was completed and delivered this quarter, bringing the total stock of Grade-A office buildings in the city to 12.125 million sqm. The average vacancy rate of Beijing was 18.6%, with a rise of 0.2 percentage points QoQ, which was a smaller increase compared to Q4 2024. Influenced by the new supply, the net absorption failed to turn positive and remained negative at -3,408 sqm.

Fig 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

Fig 2: Beijing office development pipeline, 2025-2029 and onwards



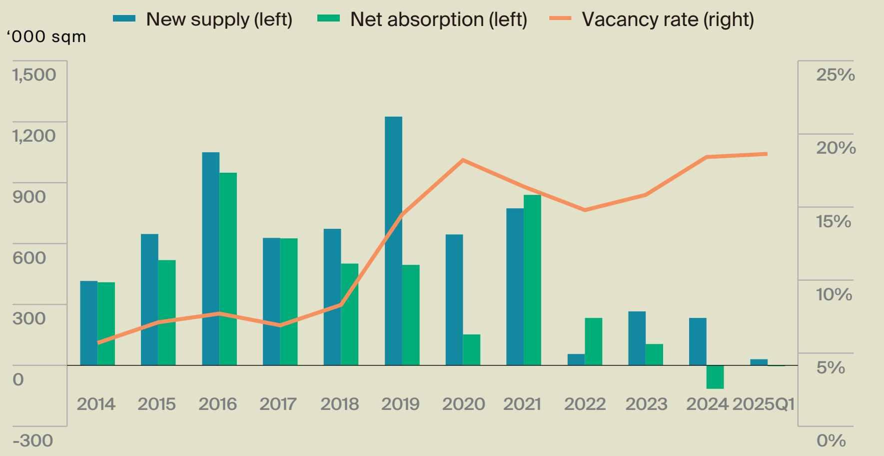
Source: Knight Frank Research

Supply and Demand

Limited new supply in Q1

In Q1 2025, the new supply of Grade-A office buildings in Beijing was limited, with only one new project completed and delivered: China Overseas Financial Centre Tower 1. Located in the southern expansion area of Beijing Financial Street, Tower 1 of China Overseas Financial Centre is primarily for leasing, with a total gross floor area (GFA) of 32,614.43 sqm and an office GFA of approximately 30,000 sqm. Looking ahead to the next three quarters of 2025, it is expected that only the Qijiayuan Diplomatic Office Building (tentative name) will be completed and delivered in the third quarter, with an office GFA of approximately 80,000 sqm.

Fig 3: Grade-A office supply, net absorption and vacancy rate



Source: Knight Frank Research

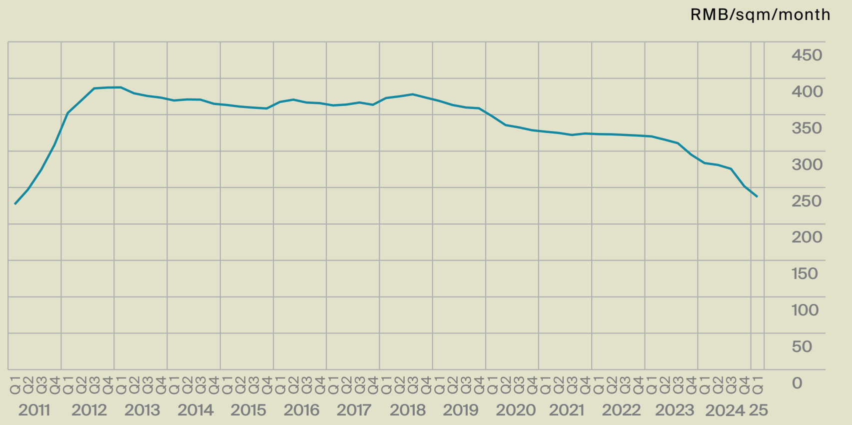
In Q1, the high-tech and financial sectors continued to be the main drivers of leasing transactions, accounting for 27% and 22% of the transaction area, respectively. Among them, the leasing demand of the financial sector increased significantly. This was partly due to the continuous decline in rents in the Financial Street area, making it more attractive for financial companies. Additionally, the increase in mergers and acquisitions in the financial sector also stimulated leasing transactions. With the rebound in market activity and the slowdown in the new supply, the vacancy rate of Grade-A office buildings in Beijing narrowed to a QoQ increase of 0.2 percentage points, rising to 18.6%. Influenced by the new supply, the net absorption remained negative at -3,408 sqm.

Rents

Cost reduction and efficiency improvement are main drivers of transactions

In Q1, the rent of Grade-A office buildings in Beijing decreased by 5.8% QoQ to RMB237 per sqm per month and the rate of decline narrowed compared with the previous quarter. However, the overall rent for Grade-A office buildings in Beijing has not yet bottomed out. To meet market demand, landlords' strategy of "exchanging price for volume" will continue to dominate the leasing market in 2025. This trend will also help companies reduce their office leasing costs.

Fig 4: Grade-A office rental trend



Source: Knight Frank Research

In terms of sub-markets, the rent in the Financial Street area, which is the highest among all the areas in Beijing, dropped to RMB414.5 per sqm per month, with a QoQ decrease of 2.76% and down 33% compared to Q1 2022. At the same time, the vacancy rate in the Financial Street area decreased by nearly 3 percentage points QoQ. The significant drop in rent has enhanced the attractiveness of office buildings in Financial Street to financial companies, boosting the leasing activity levels, with some companies returning to the Financial Street from other areas. The rent in the CBD decreased by 9.97% QoQ to RMB262.8 per sqm per month, with the vacancy rate remaining nearly unchanged, reflecting low market activity in the area. Due to the relocation of some leading companies, the vacancy rate in the Olympic Games Village area has increased, and the rent has decreased to RMB236.5 per sqm per month.

Table 1: Major Grade-A office leasing transactions, Q1 2025

Submarket	Building	Tenant	Area (sqm)	Type
ZGC	DH3 Building	ByteDance	12,702	Expansion
East 2nd Ring Road and East Chang'an Avenue	Easyhome Plaza	Guodu Futures	1,500	Relocation
CBD	Taikang Tower	Changjiang Securities	3,200	Relocation
ZGC	Raycom Infotech Park	Century Games	2,000	Expansion

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Owing to policy support, there is a relatively large amount of new leasing demand in the Zhongguancun area. At the same time, companies are strongly motivated to enhance office quality to attract talents. However, in Q1, the rent in Zhongguancun area dropped to RMB260.8 per sqm per month, and the vacancy rate also increased. This change is mainly attributed to the limited supply of high-quality Grade-A office buildings in the area. Therefore, some companies relocated to newly completed high-quality business parks and office projects in Haidian District, resulting in a rise in vacancy rates and a decrease in rents in Zhongguancun.

Outlook

Market activity increases with mild changes in rent and vacancy rate

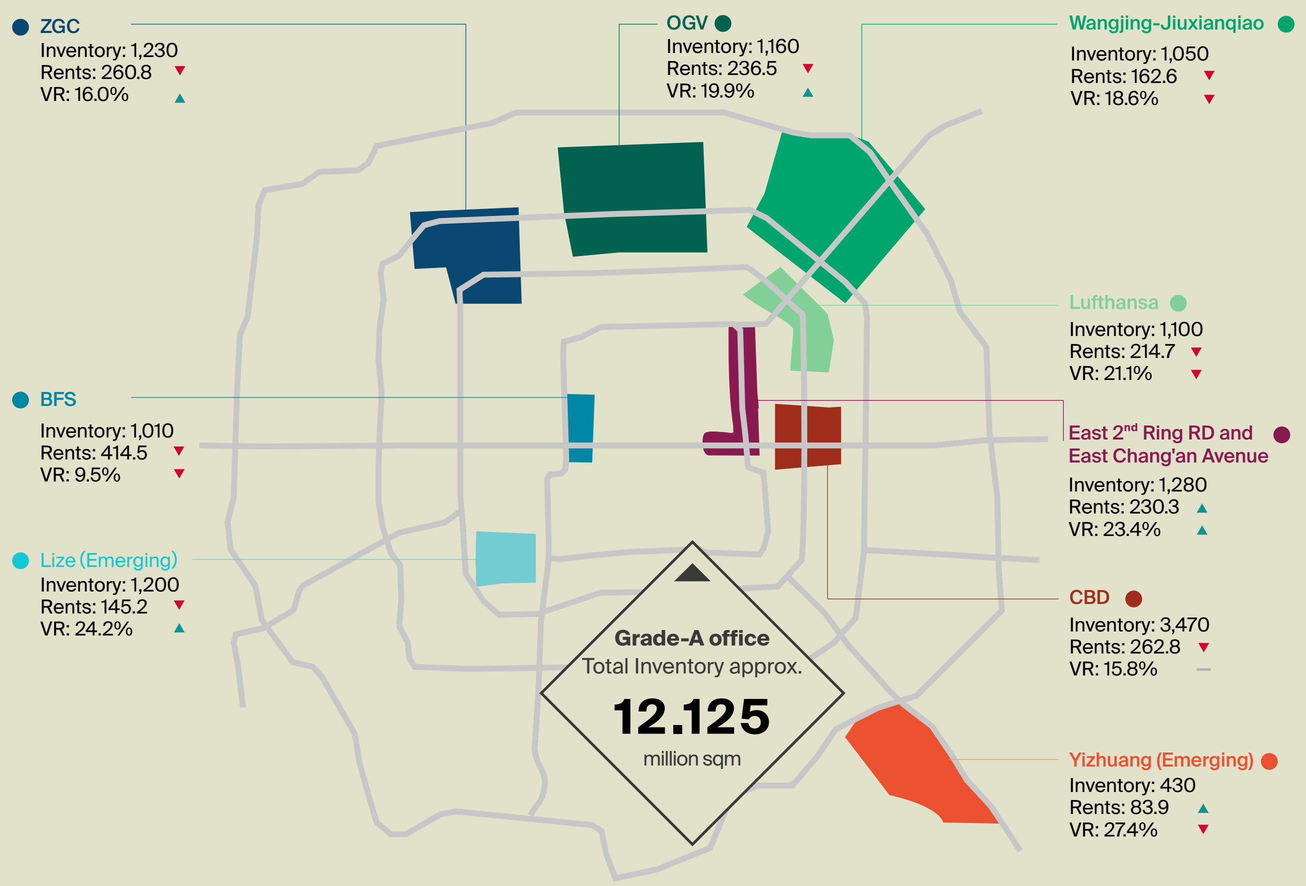
2026 is projected to be a peak year for future supply, with an estimated 580,000 sqm of new office space added to the market. Among these, two projects in the CBD area, namely the CBD Z3 and Z6 projects, are expected to be completed, amounting to approximately 310,000 sqm. Additionally, it is expected that 420,000 square meters will be completed and delivered by 2029, primarily in the CBD area.

“Two Sessions” of 2025 have proposed continued support for technology companies and the promotion of the integration of technological and industrial innovation. At the same time, Beijing is increasing its policy support for technology enterprises, which will bolster the sustained growth of the high-tech industry. Furthermore, the government will enhance efforts to support trade-in of old consumer goods. In the future, the growth of the consumer goods industry may become a new driving force for the development of office market.

As rents in core areas such as Financial Street and CBD continue to decline, the reduction in office costs in these areas may increase their attractiveness to companies, which could contribute to lower vacancy rates. It is expected that in the future, the leasing market of Grade-A office buildings in Beijing will still focus on reducing costs and increasing efficiency, as well as trading price for volume. This will consistently boost market activity, and the trends of rents and vacancy rates will remain relatively stable.

Beijing Grade-A office market dashboard Q1 2025

Beijing Grade-A office inventory, rents and vacancy rates of major business districts



Source: Knight Frank Research

Note: unit for market inventory – 1,000 sqm; rents using average effective rent at RMB/sqm/month; VR refers to average vacancy rate.
Given that since Q1 2025, Knight Frank has implemented annual adjustments to the office supply database, the stock data presented in this quarter's report is not directly comparable to those in previous reports.
The Tongzhou area is not included in the current office stock reported by Knight Frank.

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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