

*Robust leasing demand from the Internet and  
hi-tech sectors*



# Beijing Grade-A Office Market Report

Q4 2020

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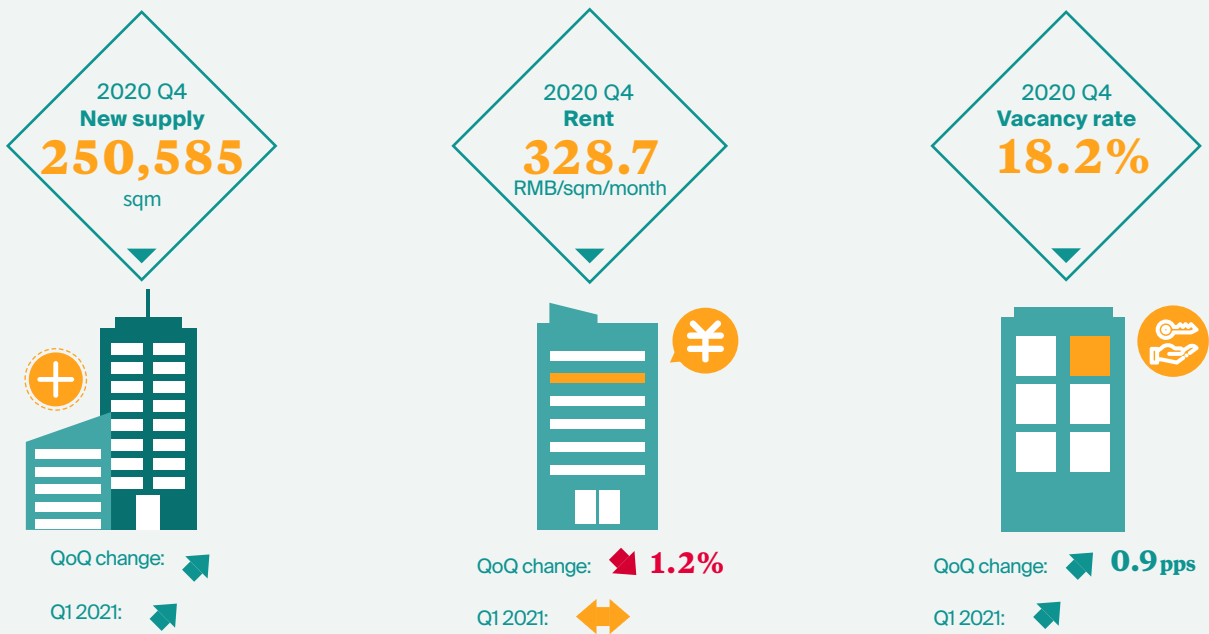
# OVERVIEW AND OUTLOOK

Driven by the Internet and hi-tech sectors, Beijing Grade-A office leasing market was active in the fourth quarter of 2020 (Q4 2020). The net absorption reached over 100,000 sqm, five times as much as that in Q3. The overall vacancy rate

increased by 0.9 percentage point QoQ to 18.2% while the average rent fell 1.2% QoQ to RMB328.7 per sqm per month. Looking forward to 2021, we expect a supply peak to occur in the first quarter (Q1), with over 450,000 sqm of new office

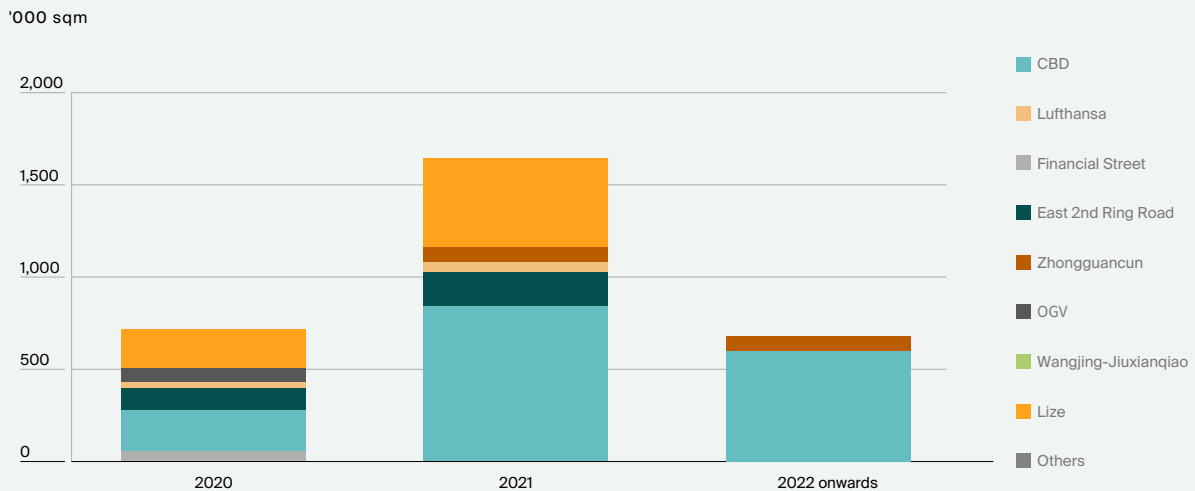
space completion, which will drive up the vacancy rate. With the recovery of China's economy and the increasing market activity, the average rent is expected to remain stable.

**FIGURE 1: Beijing Grade-A office market indicators<sup>[1]</sup>**



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

**FIGURE 2: Beijing office development pipeline, 2020-2022 onwards**

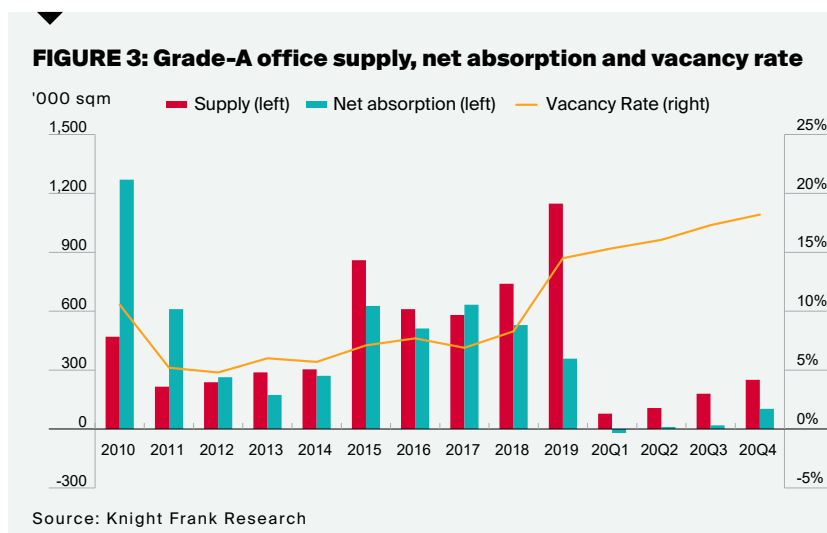


Source: Knight Frank Research

# SUPPLY AND DEMAND

In the fourth quarter (Q4), a total of 250,000 sqm new office space was added to the Beijing office market. The new projects are mainly concentrated in Olympic Games Village area and Lize area. The total annual new supply reached 615,199 sqm, of which 60% of the new space is located in the non-core areas. Looking forward to Q1 2021, it is expected that Taikang Tower in CBD Zhongfu Plot, the renovated project HEXA International Plaza in East 2nd Ring Road, Ray Zone and Ping'an Xingfu Centre in Lize area will be completed, bringing over 450,000-sqm office space to the market.

In Q4, though the large amount of new supply pushed up the vacancy rate by 0.9 percentage point QoQ to 18.2%, the office market has showed recovery in leasing demand. New demand was mainly from the Internet and high-tech sectors (online education, e-commerce). Amongst, the vacancy rate in high-performing Wangjing-



Jiuxianqiao area led by companies of e-commerce with office space requirements of over 20,000 sqm dropped by 5 percentage points QoQ; Yizhuang area dominated by

expansion demand from e-commerce, hi-tech and pharmaceutical companies also performed well with the vacancy rate decreasing by 5.7 percentage points QoQ.

# RENTS

As the impact of the COVID-19 pandemic has not completely dissipated, the rent continued its downward trend in Q4. The average rent of Beijing's Grade-A office market decreased by 1.2% QoQ to RMB328.7 per sqm per month.

The average rent of East 2nd Ring Road area and Lufthansa area decreased by 1.6% and 2.1% QoQ to RMB302.7 and RMB315 per sqm per month respectively. However, Lufthansa area recorded better absorption figure with vacancy rates decreased by 1.3% QoQ. It is expected that the rate of rental decline will slow down in the coming quarter.

In Olympic Games Village area, the new completions in Q4 have bolstered regional competitiveness. The average rent increased slightly by 0.9% QoQ to RMB323.6 per sqm per month.

In Q4, the average rent in CBD area decreased slightly by 0.4% to RMB358.2 per sqm per month; the average rent in Financial Street area remained unchanged at RMB636.3 per sqm per month. The average rent of Lize and Yizhuang remained at RMB172.4 and RMB126 per sqm per month.

In Q4, the rent appreciation was still under considerable pressure in each submarket.

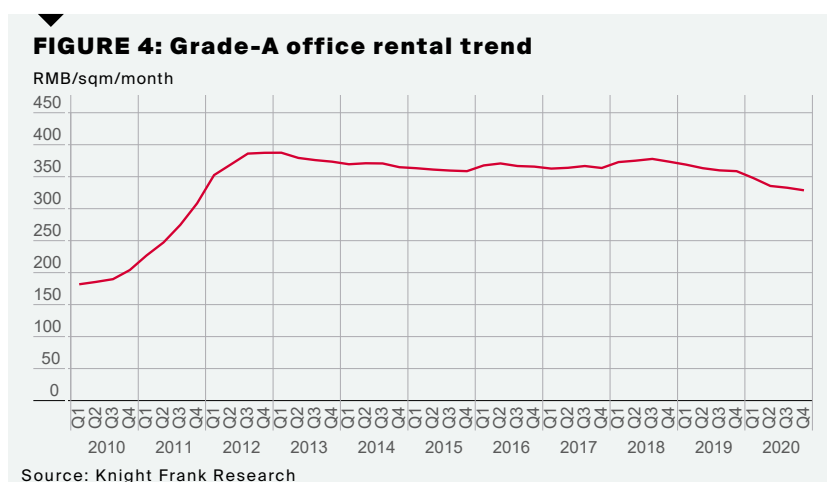


TABLE 1: Major Grade-A office leasing transactions, Q4 2020

Submarket	Building	Tenant	Area (sqm)	Type
CBD	CP Centre	Asset Pro	1,600	New Lease
East 2nd Ring Road	Zhaotai International Centre AB	Founder Securities	20,000	New Lease
OGV	Vanke Times · Wangjing	China-Europe Green Fund Promotion Association	7,800	New Lease
Wangjing-Jiuxianqiao	ZGC Financial Building	Miss Fresh	7,600	New Lease
Wangjing-Jiuxianqiao	LSH Plaza	Yuantiku	7,000	New Lease

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

However, with the gradual recovery of the market and the increasing market

activity, the office rent may bounce back after falling for a while.

# INVESTMENT MARKET

In Q4, the en-bloc property sales market continued to attract both domestic and overseas investors. Office buildings and mixed-use developments were the main types of transacted assets. Amongst, urban renovated office projects were still preferred by overseas investors.

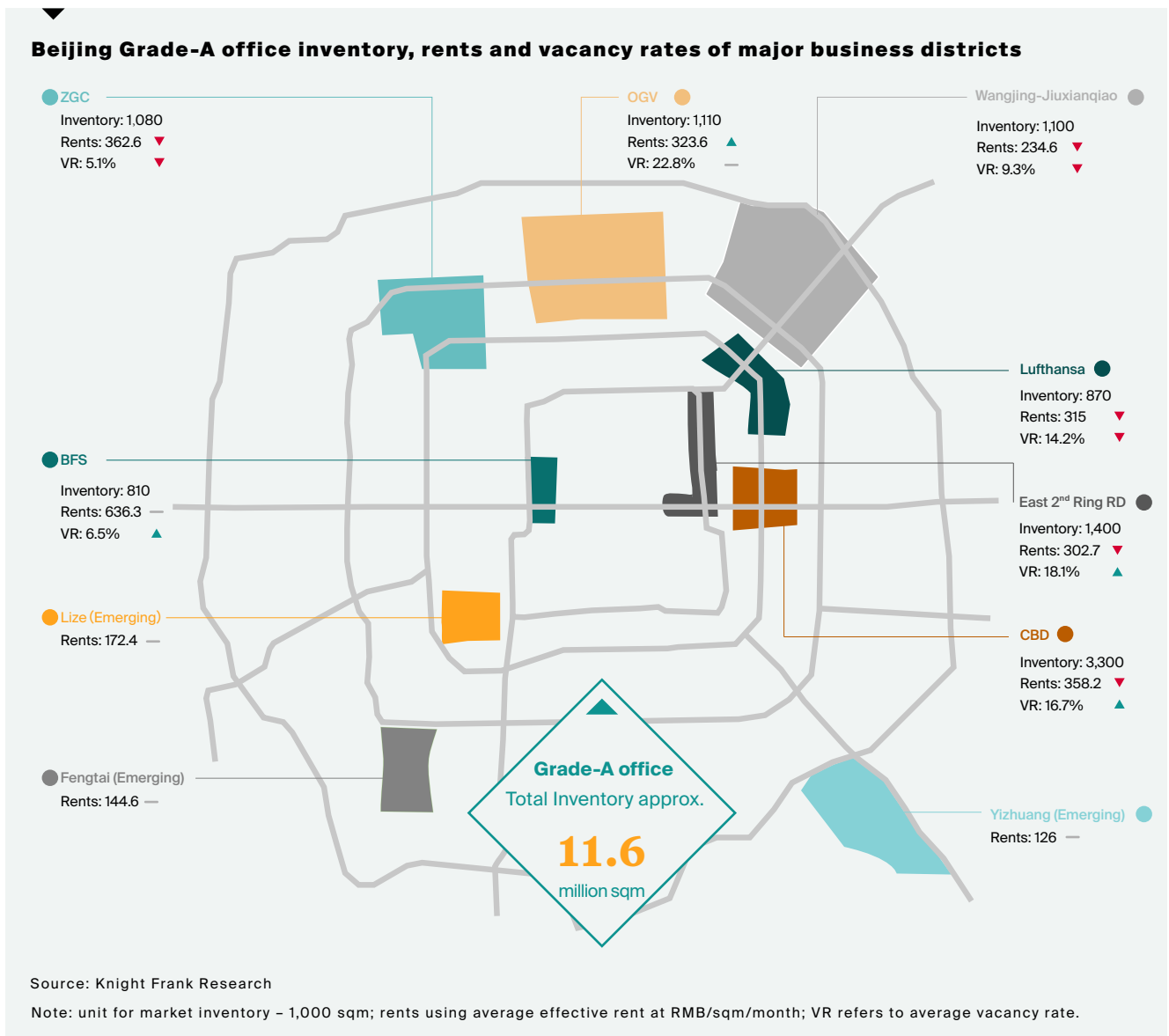
On 22 December, Financial Street Holdings

announced to transfer 100% of the project company and the corresponding creditor's rights with Vanke to Ping An Life Insurance at a price of RMB3.71 billion. Financial Street-Vanke Fengke Centre was developed and operated by the project company.

On 28 December, GLP has successfully acquired Yingdu Mansion Block D in

Zhongguancun, which is also the first market exit of C-REITs in Beijing. Located on Zhichun Road, Haidian District, Beijing, the project has a total GFA of over 30,000 sqm. It is close to Zhichun Road Station, the interchange station of Subway Line 13 and Line 10. It is a large-scale mixed-use development comprising office buildings, apartments and a shopping mall.

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**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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