

Leasing demand is strong and office rents bounce back



Beijing Grade-A Office Market Report

Q4 2021

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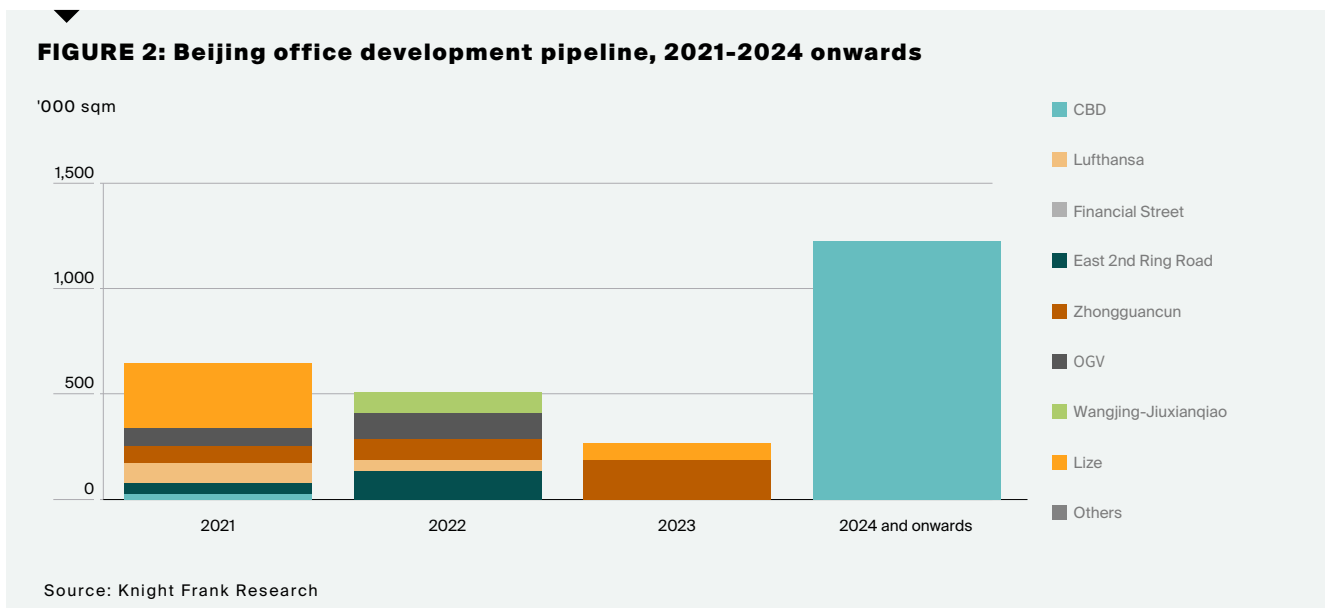
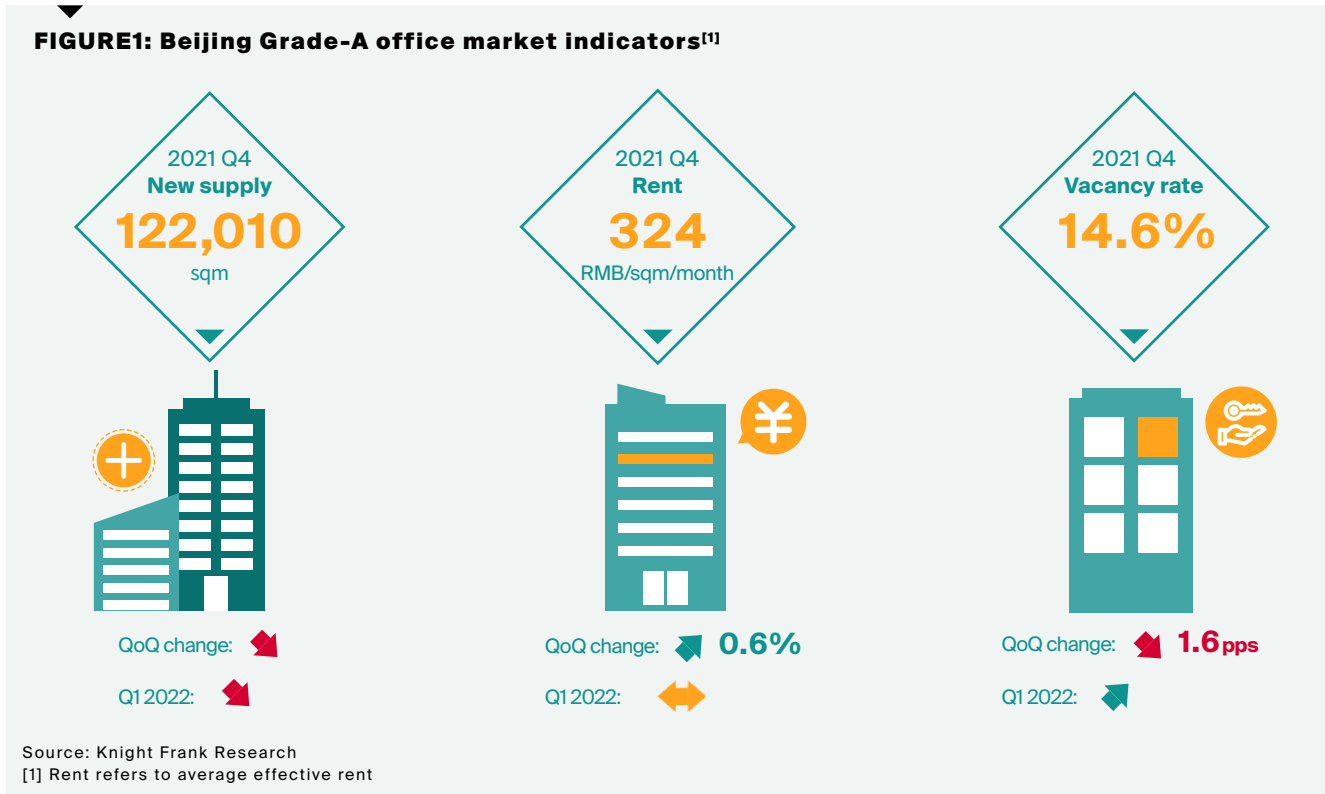


OVERVIEW AND OUTLOOK

In the fourth quarter of 2021 (Q4 2021), the average Grade-A office rent has stopped the decline and bounced back, increased by 0.6% QoQ to RMB324 per sqm per month. The new supply of Grade-A office reached 122,010

sqm. As of Q4 2021, the total stock of Beijing Grade-A office market reached 12.21 million sqm. In Q4, strong leasing activities were continued, the average vacancy rate decreased by 1.6 percentage point QoQ whilst the

net absorption achieved 297,580 sqm. Looking forward to 2022, we expect more than 500,000 sqm office space to be completed, the average vacancy rate to increase, but the average office rent to remain stable.

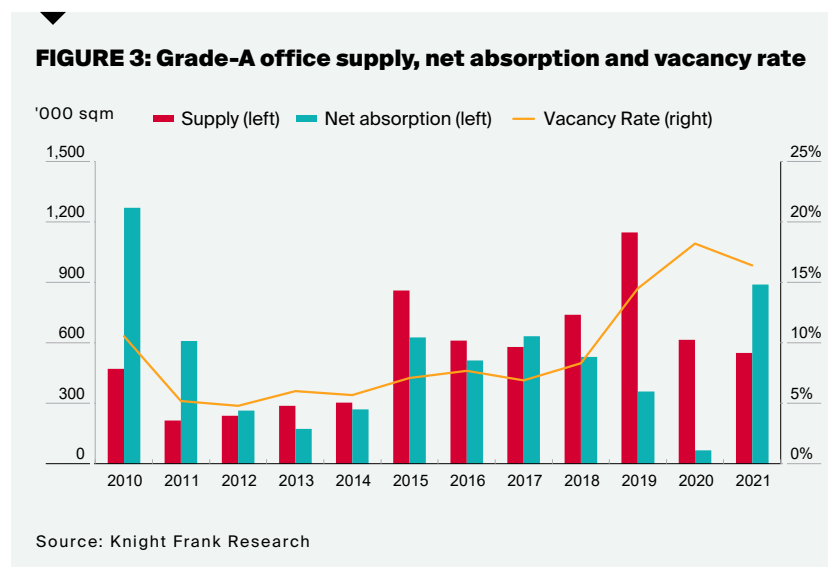


SUPPLY AND DEMAND

In Q4, two new office projects were completed in Beijing including No.33 Xiaoyun Road in Lufthansa area and DH3 Building A in Zhongguancun area. Amongst, No.33 Xiaoyun Road has a total office GFA of 65,010 sqm; DH3 Building A has a total office GFA of 57,000 sqm. In this quarter, a total of 122,010 sqm new office space was added to the Beijing's office market. In 2021, the total new supply of Beijing Grade-A office market has reached 550,000 sqm.

In Q4, the average vacancy rate decreased by 1.6 percentage points QoQ to 14.6%. The net absorption reached 297,580 sqm, which increased by 17% QoQ. In terms of leasing transaction, Internet and tech sectors contributed more than two-third of the absorption. Amongst, the Internet and tech giant had large expansion, while for the financial sector, leasing transactions were dominated by securities company.

Looking forward to 2022, we expect that approximately 500,000 sqm office space will be completed, the new supply covered the areas of Zhongguancun, Wangjing-Jiuxianqiao



and Olympic Games Village. In the first quarter of 2022 (Q1 2022), Fairy Land Centre in Wangjing-Jiuxianqiao area will be completed, supplying approximately

100,000-sqm office space to the Beijing office market. Therefore, the vacancy rate is expected to increase while the rent to remain stable.

RENTS

In Q4, the average rent of Beijing's Grade-A office market increased by 0.6% QoQ to RMB324 per sqm per month, and it was the first rebound since Q3 2018. With the improving macroeconomic situation, and the market activity gradually recovered, Beijing Grade-A office market is expected to enter a plateau period.

As the area with the most high-quality Grade-A office buildings, the average rent in CBD area has bounced back in Q3 and continued to increase by 0.1% QoQ to RMB354.5 per sqm per month in Q4.

Benefited from the strong demand of the Internet and tech sectors, as well as the completed high-quality projects, the average rent in Zhongguancun increased by 0.8% QoQ to RMB362.6 per sqm per month.

The average rent in Lufthansa area decreased by 1% QoQ to RMB302.6 per sqm per month. The high vacancy rates and continued new supply in Lufthansa area led to the continued decline in average rent.

The average rents of Wangjing-Jiuxianqiao and Financial Street areas stabilized and remained at RMB237.7 and RMB628.3 per sqm per month respectively.

The average rents in Fengtai and Yizhuang areas remained at RMB144.2 and RMB125.2 per sqm per month respectively.

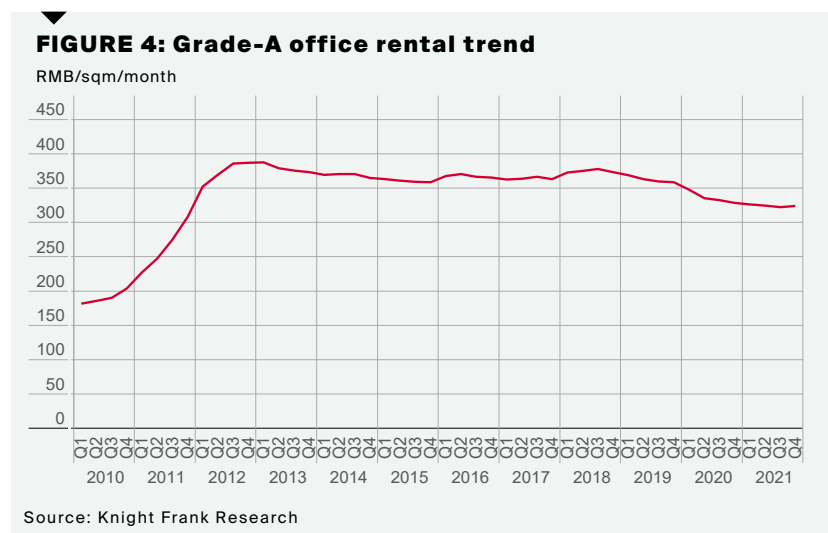


TABLE 1: Major Grade-A office leasing transactions, Q4 2021

Submarket	Building	Tenant	Area (sqm)	Type
OGV	Asia Financial Centre	Tencent	100,000	New Lease
CBD	CITIC Tower	CITIC Securities	43,000	New Lease
Wangjing - Jiuxianqiao	POSCO Centre	Taobao	9,500	New Lease
Lufthansa	World Profit Centre	China Securities	5,000	New Lease

Source: Knight Frank Research

Note: all transactions are subject to confirmation

INVESTMENT MARKET

In Q4, Beijing's real estate en-bloc sales market was active, covering office, apartments and logistic parks. Amongst, the office property has still got the highest attention by the investors. In Q4, three office en-bloc sales to domestic purchasers were recorded in Beijing.

On 27 September, Financial Street Holdings transferred 100% equity of Beijing Desheng Investment Co., Ltd. and related debts to Kailong Equity

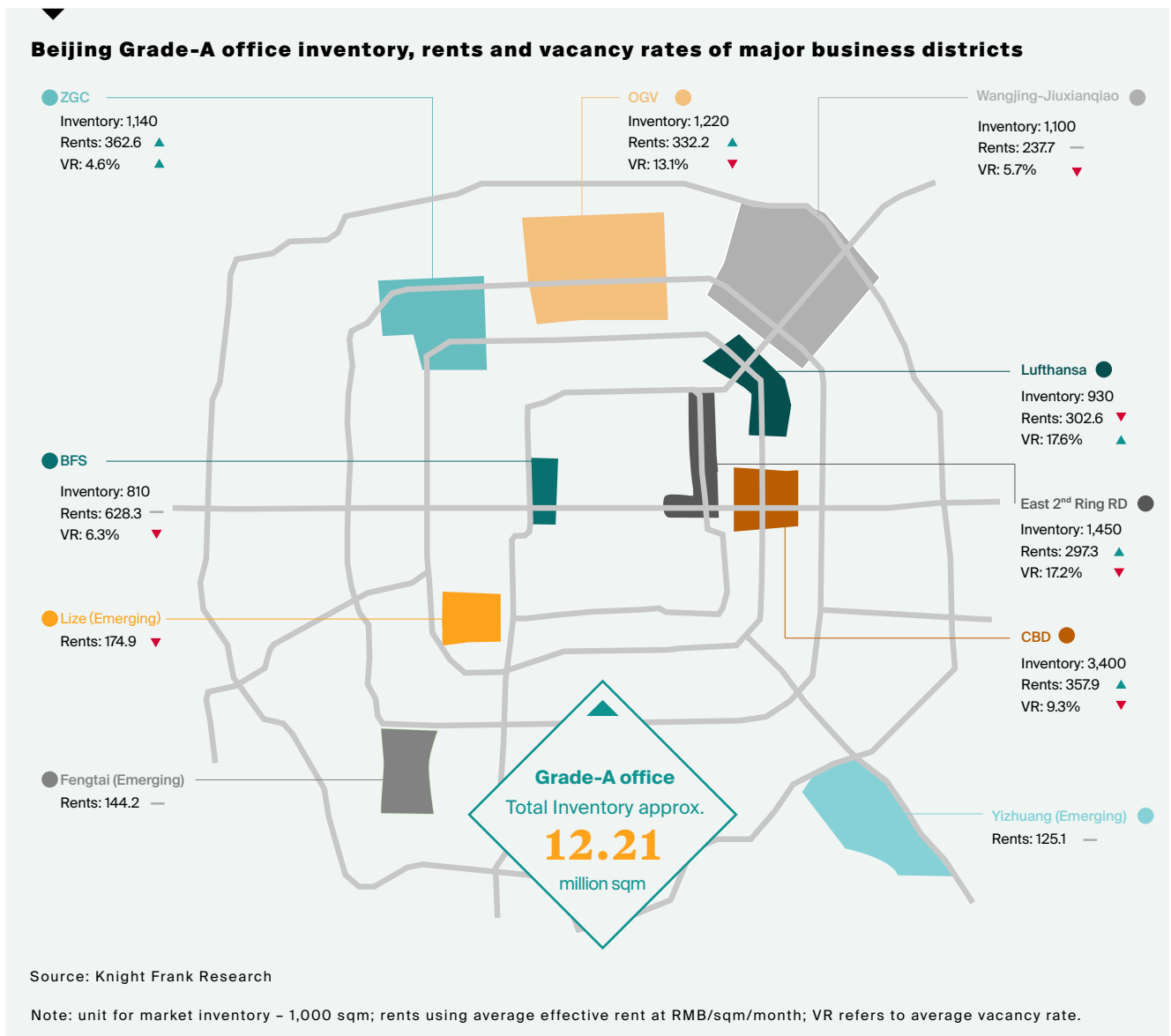
Investment Management Co.,Ltd, with a transaction price of RMB1.575 billion. Desheng Investment Co., Ltd held part of the Desheng International Centre, located at No. 83 Deshengmenwai Street, Xicheng District, Beijing, and the project has a total GFA of approximately 229,500 sqm.

On 30 November, Lerong Building (formerly known as LeEco Building), the headquarters of LeTV, was successfully sold to Beijing Hengying

Property Management Co., Ltd. for RMB570 million.

On 23 December, TRS Information Technology Co., Ltd. announced that it has purchased 1st-7th floor 1 above ground of the T5 R&D and design building in the Zhongguancun Xisanqi (Jingyu) Science and Technology Park from Beijing Jinyu Innovation and Technology Incubator Co., Ltd. The total transaction price is approximately RMB427 million.

BEIJING GRADE-A OFFICE MARKET DASHBOARD (Q4 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.

Research & Consultancy



Laurence Zhu
Senior Director,
Head of Research & Consultancy, China
+86 21 6032 1769
laurence.zhu@cn.knightfrank.com



Regina Yang
Director, Head of Research & Consultancy,
Shanghai & Beijing
+86 21 6032 1728
regina.yang@cn.knightfrank.com



Martin Wong
Director, Head of Research & Consultancy,
Greater China
+852 2846 7184
martin.wong@hk.knightfrank.com



Amy Cui
Senior Analyst, Research & Consultancy,
Beijing
+86 10 6113 8039
amy.cui@cn.knightfrank.com

Beijing Office Services



Demi Zhu
Senior Director, Head of Office Services,
Beijing
+86 10 6113 8021
demi.zhu@cn.knightfrank.com

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