



## Beijing office market picked up slowly but steadily

Absorptions increase and vacancies improve.

- In Q2/2024, no new Grade A office project was launched in the Beijing office market, maintaining the citywide Grade A office stock at 15.21 million sqm (including self-use areas).
- The leasing demand in the Beijing office market continued its upward trend from the previous quarter, with a quarterly net absorption of 56,000 sqm, up 84% quarter-on-quarter (QoQ).
- Thanks to the increasing absorption, Beijing Grade A office vacancy rate decreased by 0.4 percentage points (ppts) QoQ to 19.8%.
- Meanwhile, Grade A office rents declined by 5.2% QoQ to an average of RMB280.3 psm pmth, down 10.3% year-on-year (YoY).
- In the second half of 2024, Beijing's Grade A office market is expected to continue its recovery while several new projects may be launched. Therefore, the Beijing office market is restructuring the balance between supply and demand simultaneously.

“In the first half of 2024, Beijing's Grade A office market recovered steadily. With no new supply projects and a gradual recovery in demand, market activity showed signs of improvement. In the remainder of 2024, Beijing's office market is expected to see several new projects, further stimulating competitions and potentially causing new fluctuations in vacancy rates.”

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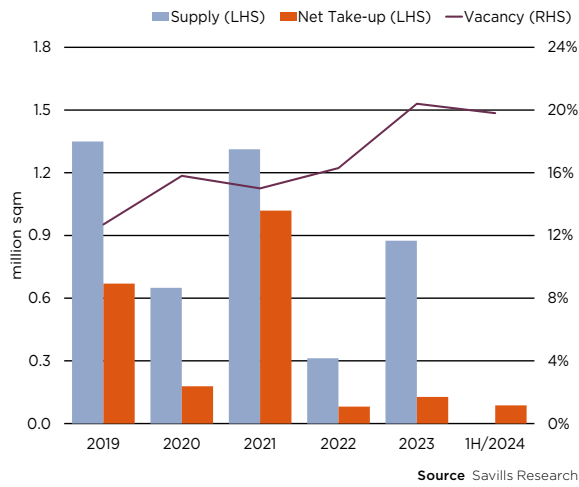
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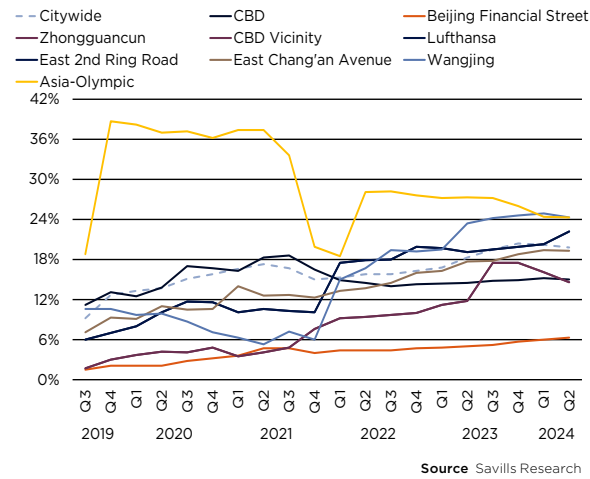
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**GRAPH 1: Supply, Take-up And Vacancy, 2019 to 1H/2024**



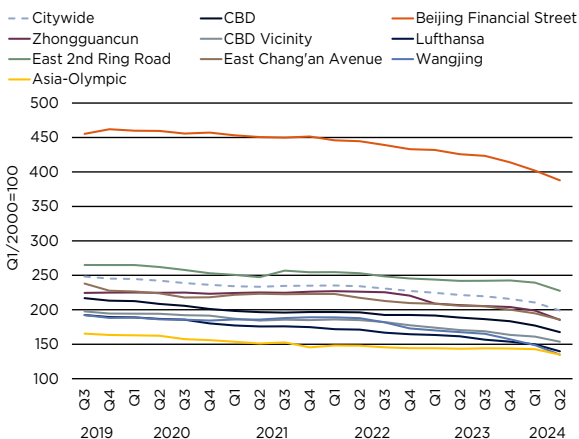
Source Savills Research

**GRAPH 2: Vacancy Rates In Each Submarket, Q3/2019 to Q2/2024**



Source Savills Research

**GRAPH 3: Rental Indices In Each Submarket, Q3/2019 to Q2/2024**



Note All submarkets are based on an index value of 100=Q1/2000, excluding: ZGC - 100=Q1/2002; Wangjing - 100=Q3/2008; Asia-Olympic - 100=Q4/2010; Lize starting - 100=Q4/2017

Source Savills Research

**SUPPLY AND DEMAND**

In Q2/2024, the Grade A office market in Beijing saw no new projects. The total stock of Grade A office space in the city remained at 15.21 million sqm (including self-use areas).

The leasing demand in the office market showed a steady recovery with improved market activity and drove the quarterly net absorption up 84% QoQ to 56,000 sqm. In the first half of 2024, the total net absorption reached 87,000 sqm, achieving a significant YoY increase. It is also worth noting that Beijing Grade A office market has been recording positive absorption for four consecutive quarters since Q3/2023.

In terms of submarkets, mature submarkets such as Zhongguancun, CBD and its vicinity, East 2nd Ring Road and Asia-Olympic all recorded positive absorptions in Q2/2024. Zhongguancun recorded 19,000 sqm of net absorption in this quarter, boosted by ongoing new leases and expansions by giant tech companies in recent quarters. Lize, as a hot spot for office leasing transactions, maintained stable absorptions this quarter, with vacant space decreasing by 18,000 sqm. Meanwhile, CBD and its vicinity saw a rebound in leasing activities in Q2, with net absorption recorded at 6,300 sqm and 4,400 sqm, respectively.

**VACANCY RATES AND RENTS**

Due to the absence of new supply and a significant increase in net absorption, vacancy rates in several submarkets dropped, leading to a slight decrease in the citywide Grade A office vacancy rate by 0.4

ppts to 19.8%. Among the submarkets, the vacancy rate in Zhongguancun decreased by 1.5 ppts to 14.6% thanks to landlords' efficient leasing strategies, and the vacancy rate in Lize was 32.1%, down 1.4 ppts both QoQ and YoY.

Despite a significant increase in overall market activity in the first half of the year, potential tenants still have limited budget and tend to be cost-saving; landlords continued to feel the weight of vacancy rates and as a result lower rents to trade for the volume, leading to a continued decline in citywide average rent in Beijing Grade A office to RMB 280.3 psm pmth, down 5.2% QoQ and 10.3% YoY. Average rents across all submarkets experienced declines, while Wangjing saw an average rent of RMB189.3 psm pmth, down 8.8% QoQ. Additionally, Tongzhou, Lufthansa, Zhongguancun, Asia-Olympic, and CBD all experienced over 5% of QoQ rental decreases.

**MARKET OUTLOOK**

Looking into the second half of 2024, Beijing office market will continue to have a gradual recovery. As demand for new leases, relocations, and expansions picks up, the activity of Beijing office market is expected to further improve. New Grade A office projects are expected to enter mostly at the end of the year, which may temporarily push up vacancy rates but also provide new options for the market. In sum, under the circumstances, both landlords and tenants need to seize the opportunity during the adjustment period.

**TABLE 1: Major Leasing Transactions in Q2/2024**

COMPANY	INDUSTRY	ORIGIN	PROJECT	LOCATION	GFA (SQ M)
Beijing Arbitration Commission	Public Organisation	Domestic	CP Center	CBD	10,000
CETC	Information Technology	Domestic	Ideal International Plaza	Zhongguancun	8,000
China South To North Water Diversion Group	Utilities	Domestic	Lize Ping An Finance Center	Lize	7,000
Duolingo	Consumer Services	International	Jiaming Center	CBD Vicinity	1,500
Baili Bio	Healthcare	Domestic	Gemdale Plaza	CBD	1,200

Source Savills Research