

Office



Office market saw steady leasing demand recovery

New project achieved decent absorption, driving strong leasing demand overall.

- In Q3/2024, one new Grade A office project in Zhongguancun was launched into the Beijing office market. The citywide Grade A office stock stands at 15.24 million sqm (including self-use areas).
- The leasing demand in the Beijing office market continued to pick up with a quarterly net absorption of 79,885 sqm, up 42% quarter-on-quarter (QoQ).
- Thanks to the increasing absorption, Beijing Grade A office vacancy rate decreased by 0.4 percentage points (ppts) QoQ to 19.4%.
- Grade A office rents declined by 6.3% QoQ to an average of RMB263.3 psm pmth .
- By 2024, Beijing Grade A office market is expected to remain active due to increased demand in the first three quarters. As the supply and demand sides undergo the rebalancing process , the market is likely to experience sustained improvements.

“In Q3/2024, Beijing’s Grade A office market further recovered, led by strong leasing demand release. On the supply side, a new project was completed with a strong pre-leasing performance. Meanwhile, demand remained steady this quarter, and market activity is quickly picking up. The government’s comprehensive real estate supporting policies launched in late September is expected to provide positive momentum and opportunities for Beijing’s office market.”

VINCENT LI, SAVILLS RESEARCH

Savills team

Please contact us for further information

RESEARCH

James Macdonald
 Senior Director
 China
 +8621 6391 6688
 james.macdonald@savills.com.cn

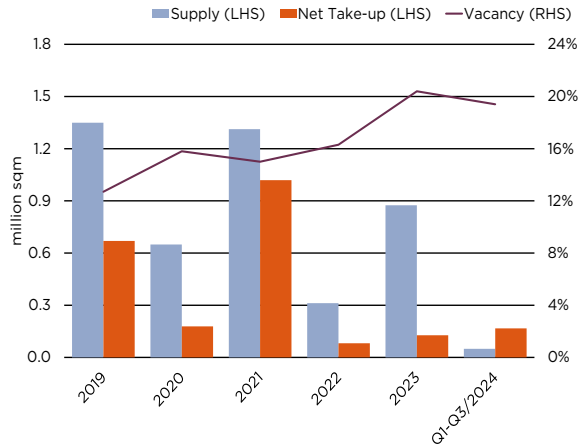
Vincent Li
 Director
 North China
 +8610 5925 2044
 vincentx.li@savills.com.cn

COMMERCIAL

Leon Lian
 Senior Director
 North China
 +8610 5925 2088
 leon.lian@savills.com.cn

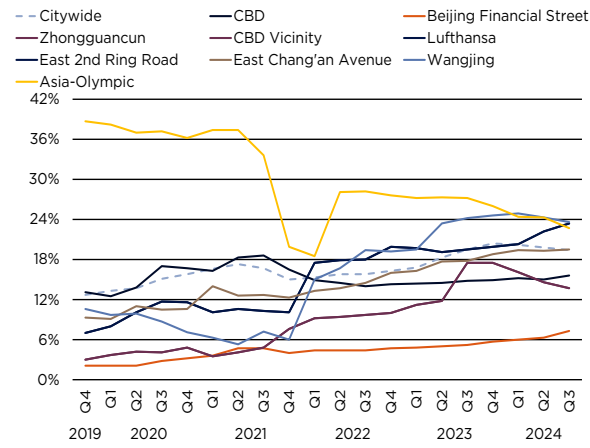
Savills plc
 Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

GRAPH 1: Supply, Take-up And Vacancy, 2019 to Q3/2024



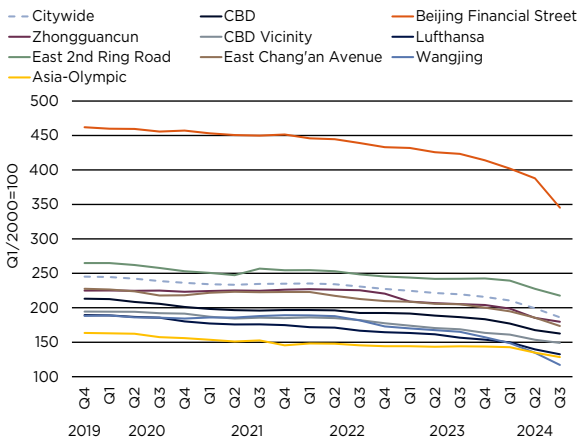
Source Savills Research

GRAPH 2: Vacancy Rates In Each Submarket, Q4/2019 to Q3/2024



Source Savills Research

GRAPH 3: Rental Indices In Each Submarket, Q4/2019 to Q3/2024



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 Q3/2024, DH3 Tower B in Zhongguancun was launched into the Beijing Grade A office market. The total stock of Grade A office space in the city grew to 15.24 million sqm (including self-use areas).

The leasing demand in the Beijing office market continued its upward trend with a quarterly net absorption of 79,885 sqm, up 42% QoQ. In the first three quarters of 2024, the total net absorption totaled 167,000 sqm, a significant increase of 56% YoY. It is noteworthy that the Beijing office market has recorded positive net absorption for five consecutive quarters since Q3/2023, with the recent three quarters seeing positive growth.

In this quarter, most submarkets recorded positive absorptions, with Zhongguancun, Tongzhou and East 2nd Ring Road performing exceptionally well. Benefiting from decent pre-leasing of DH3 Tower B, Zhongguancun achieved 33,000 sqm of net absorption this quarter. Driven by proactive leasing policies, Tongzhou Canal Business District attracted financial giants, resulting in a major net absorption of 32,000 sqm. East 2nd Ring Road favoured by state-owned enterprises due to its advantageous location, saw a significant increase in market activity compared to the first half of the year, with an absorption recorded at 26,000 sqm.

VACANCY RATES AND RENTS

Driven by solid absorptions, the citywide Grade A office vacancy rate decreased slightly by 0.4 ppts to 19.4%. In terms of submarkets, Tongzhou Business District saw

a significant decline in vacancy as large new leases were completed, dragging the vacancy rate down by 7.7 ppts QoQ to 58.2%. The vacancy rate in the East 2nd Ring Road also dropped 3.4 ppts to 18.3%, and the vacancy rate in the Asia-Olympic fell to 22.7%, down 1.6 ppts QoQ and 4.5 ppts YoY.

In terms of rents, most corporate tenants still prefer cost-cutting strategies with limited leasing budgets, while the majority of office landlords adopted more aggressive “price-for-volume” strategies to attract quality tenants. As a result, the citywide average rent fell to RMB 263.3 psm pmth, a 6.3% QoQ decline. Specifically, average rents in various submarkets saw decreases overall. Across the major submarkets, rents in Zhongguancun experienced a decline of 3.7% QoQ to RMB 294.5 psm pmth, while rents in Beijing Financial Street had more than 10% of large decrease QoQ to RMB 493.5 psm pmth.

MARKET OUTLOOK

Looking ahead to Q4/2024 and the upcoming 2025, Beijing office market will continue to improve with moderate supply and persisting absorption. A clear signal of recovery was also seen in the office space leasing demand picking up significantly in the first three quarters of the year. With the implementation of a series of major economic stimulus policies announced in late September, leasing demand is expected to see further growth in the last quarter of 2024. As a result, the office market has potential for more new lease, relocation and expansion cases in the short to medium term.

TABLE 1: Major Leasing Transactions in Q3/2024

COMPANY	INDUSTRY	ORIGIN	PROJECT	LOCATION	GFA (SQ M)
China Investment Corporation	Finance	Domestic	Cinda Center	East 2nd Ring Road	40,000
China Everbright Bank	Finance	Domestic	New Everbright Centre Tower 5A	Tongzhou	25,000
Pelliot	Retail & Trade	Domestic	KWG International Finance Plaza	Tongzhou	4,000
Vinda Paper Group	Manufacturing	Domestic	Pacific Eagle Center	Shijingshan	1,900
Danaher Corporation	Healthcare	International	Jiaming Center	CBD Vicinity	1,516

Source Savills Research