

Intelligent Investment

Reassessing Beijing Office Asset Value

A New Analysis Framework of Office Performance Drivers

REPORT

CBRE China Research
May 2025






Introduction

Recent years have seen a range of cyclical and structural factors including the onset of a new supply peak, the emergence of the new economy and the adoption of changing workstyles begin to influence Beijing office performance.

Despite strong headwinds facing the broader market, selected projects are displaying resilient performance. This report by CBRE utilises a framework incorporating six factors (submarket maturity, subway accessibility, building age, retail & flexible office amenities, sustainability and property management) to provide recommendations to occupiers and investors seeking to improve locational and operational strategies.

Innate Endowment

-  Submarket Maturity
-  Subway Accessibility
-  Building Age

Active Management




-  Retail & Flexible Office Amenities
-  Sustainability
-  Property Management

Figure 1: Six-Factor Analysis Framework of Office Performance Drivers



Source: CBRE Research, May 2025.

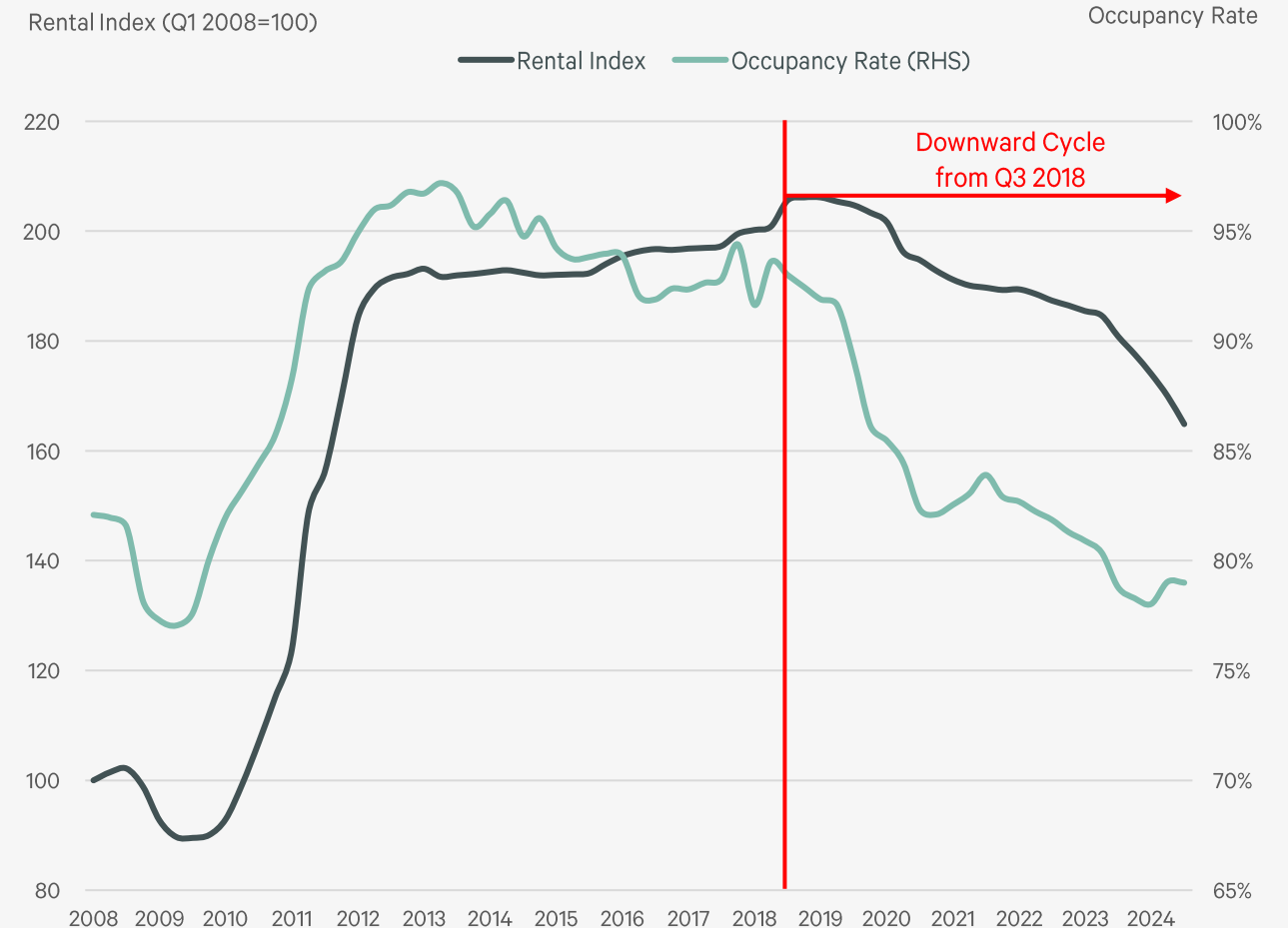
Methodology

The Beijing office market's two key indicators - rents and occupancy - commenced a downward cycle from Q3 2018 (Figure 2).

For the purposes of this report, CBRE selected 148 prime mature office buildings with an occupancy rate of over 80% or above before end-2019. We then calculated their change in cash flow area efficiency (Formula: occupancy rate \times rent) between two periods: Q3 2018 - Q4 2019 and Q3 2023 - Q4 2024.

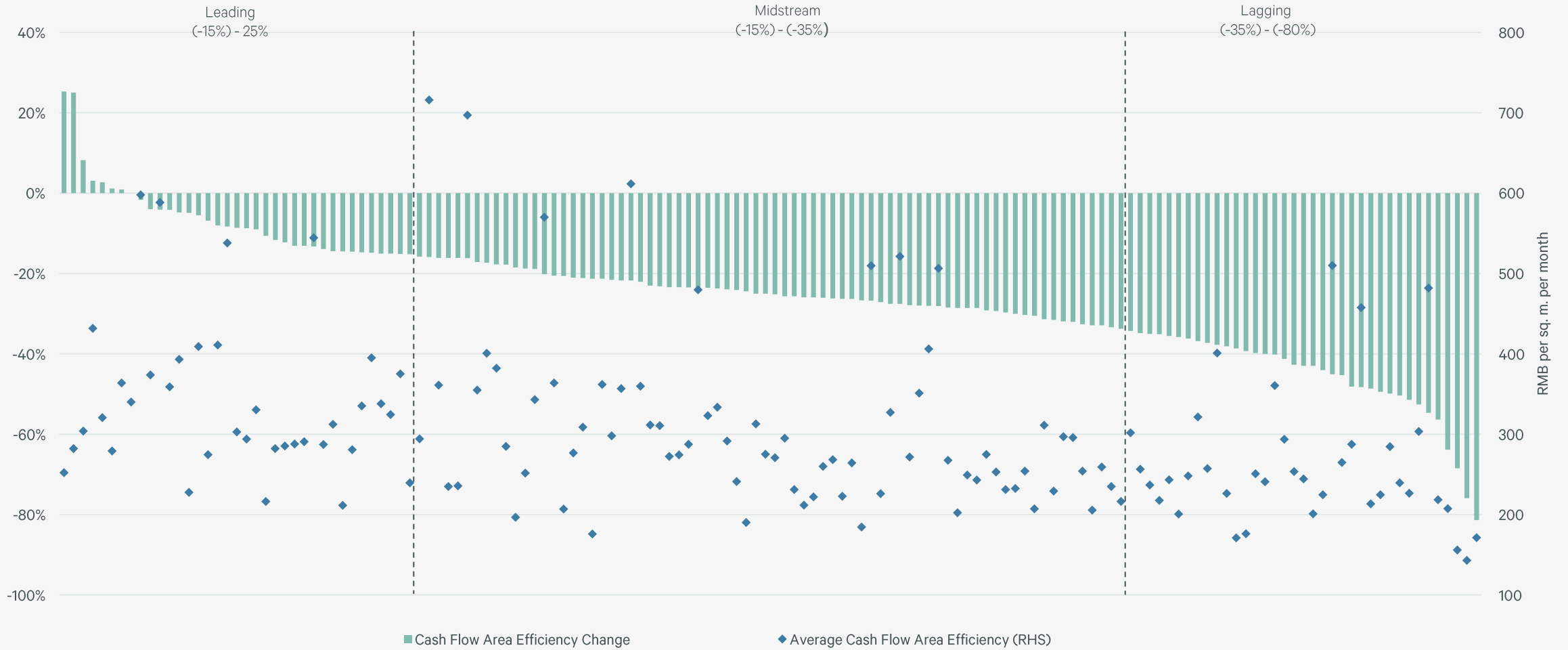
Projects were divided into three groups based on the change in cash flow area efficiency (Figure 3). The top 25% were placed in the leading group (above -15%), the middle 50% were in the midstream group, and the bottom 25% were in the lagging group. Cross-analyses were conducted between project attributes and performance groups.

Figure 2: Beijing Prime Office Historical Rental Index and Occupancy Rate



Note: Based on all prime office samples, weighed average.
Source: CBRE Research, May 2025.

Figure 3: Cash Flow Area Efficiency Change and Average Cash Flow Area Efficiency



Note: Based on 148 samples.
Source: CBRE Research, May 2025.



Decoding Value Drivers

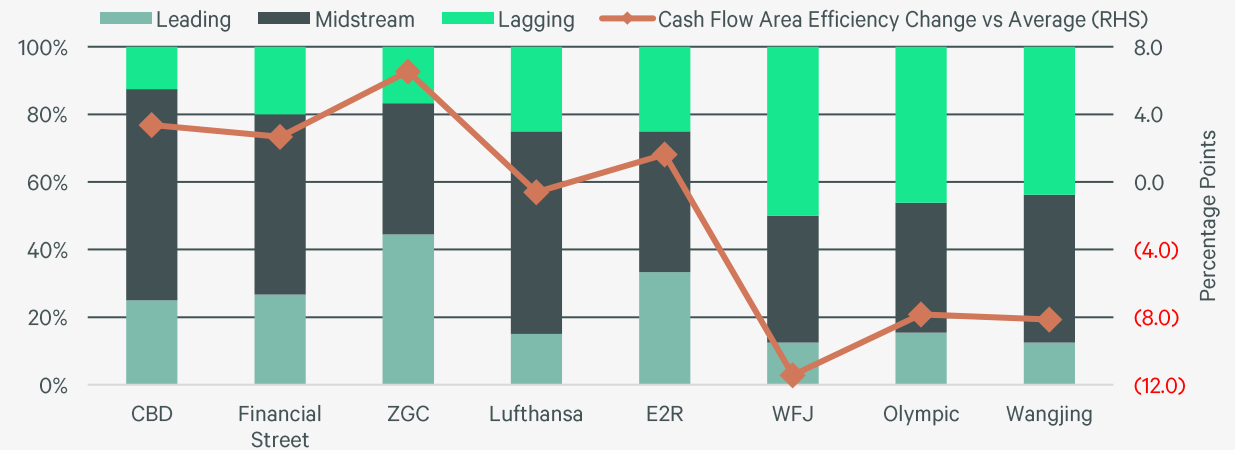
Six-Factor Analysis Framework of Office
Performance Drivers

Submarket Maturity

CBRE’s analysis of the difference in performance over time reveals that submarket attributes exert a defensive effect on project performance. For example, Beijing’s most mature core submarkets, the CBD (despite dense new supply during the period) and Zhongguancun (despite the TMT industry downturn) still outperformed other submarkets (Figure 4). CBRE’s analysis also uncovered polarisation among projects within the same submarket, especially in Financial Street, Zhongguancun, Wangfujing, Olympic, and Wangjing (Figure 5).

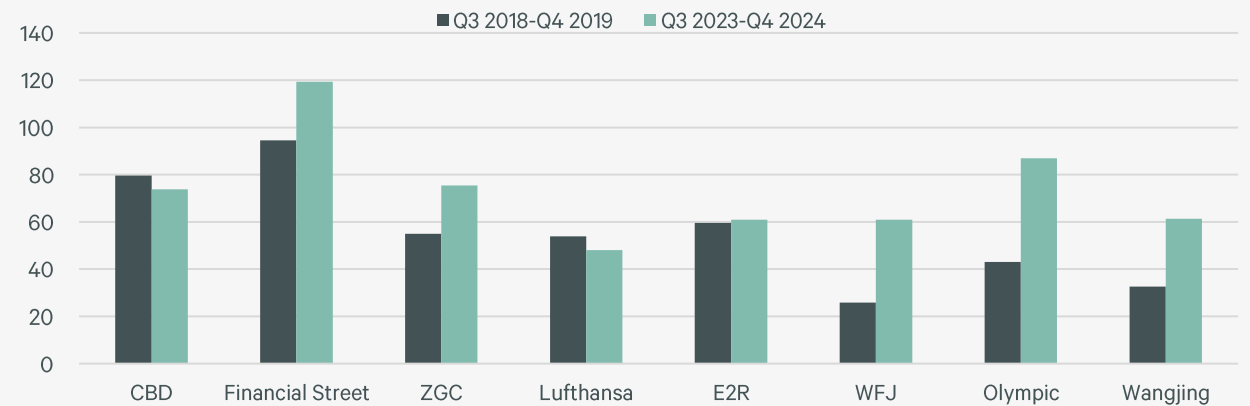
Submarkets endow office buildings with inherent advantages such as history, positioning, clustering and transportation infrastructure. However, subsequent project performance hinges on factors including building hardware configuration, amenities, services and operational expertise. With the market shifting in favour of tenants in recent years, individual office building performance has become increasingly polarised and dependent upon management capability.

Figure 4: Project Performance Distribution and Cash Flow Area Efficiency Change - by Submarket



Source: CBRE Research, May 2025.

Figure 5: Project Cash Flow Area Efficiency Standard Deviation - by Submarket



Source: CBRE Research, May 2025.

Subway Accessibility

Subway accessibility is a critical factor informing occupier decision-making in Beijing, with prospective tenants demanding offices within 500 m. of a subway exit as a minimum requirement. Office buildings located closer to subway stations displayed a higher leading ratio and a lower lagging ratio. Their average cash flow area efficiency was also more resilient in the overall downward market.

On the submarket level, CBRE found that the contrast in performance caused by subway accessibility was more significant in submarkets with a lower portion of projects within 500 m. from a subway exit, such as Financial Street, the E2R and Olympic. Due to the tenants' unique preference for a quiet, collegial office environment, Zhongguancun is the only submarket without such correlation (Figure 6).



Building Age

When CBRE grouped projects according building age, the cash flow area efficiency change was higher at both ends and lower in the middle (Figure 7). Newer buildings (<10 years) possessed the highest proportion of leading projects with the advantage of high hardware specifications (Figure 8).

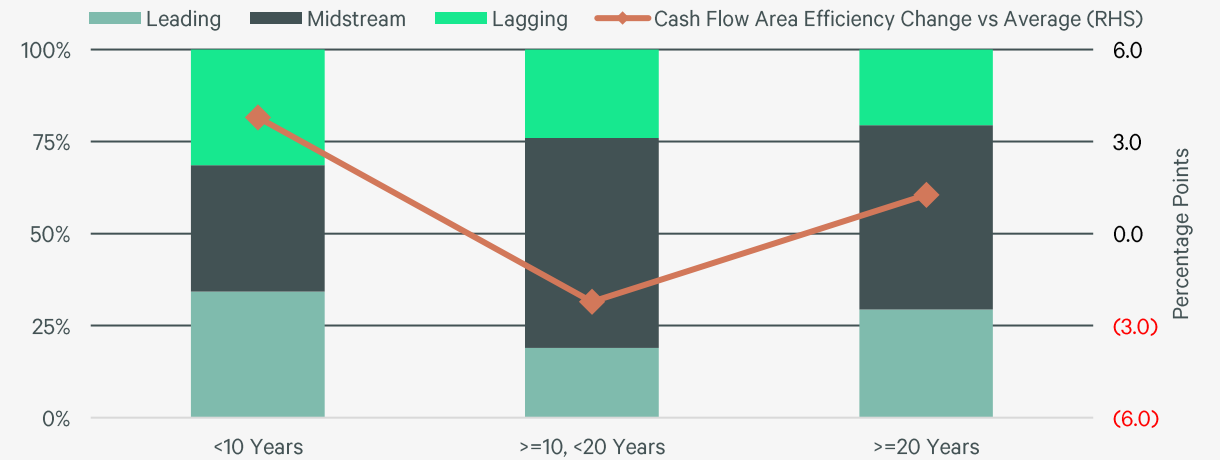
However, tenants do not purely favour new buildings. Low lagging ratios and high leading ratios reflect the fact that older buildings (>=20 years) often benefit from active management advantages such as operational experience and amenities, which can offset the lack of advanced hardware.

By submarket, CBRE found that older projects in the core CBDs of Financial Street and Zhongguancun outperformed. Such buildings are mostly landmark properties in these submarkets and host numerous corporate headquarters and mature tenants. They therefore possess defensive attributes amid the market downturn.

Management capabilities required for landlords vary across the different project phases. In newer buildings (<10 years), the differentiation between leading and lagging projects rested upon the owners' ability to leverage and highlight their design and hardware advantages.

Landlords of older buildings (>=20 years) maintaining a leading position or preventing rapid value depreciation performed well in terms of brand investment, tenant relationship management and asset maintenance and renovation.

Figure 7: Project Performance Distribution and Cash Flow Area Efficiency Change - by Building Age



Source: CBRE Research, May 2025.

Figure 8: Project Dynamics - by Building Age

Building Age	GFA per floor (sq. m.)	Floor Height (m.)	Elevator (unit per k sq. m.)	Portion of projects within 500m from subway exit	Portion of projects containing retail amenities	Portion of projects owned by reputable developer*	Management Fee (RMB per sq. m. per month)
<10 Years	2,637	2.86	22	74%	67%	33%	33.0
>=10, <20 Years	2,394	2.75	18	66%	71%	39%	32.5
>=20 Years	2,502	2.63	16	71%	74%	42%	34.3

*Reputable developers include those of Premium Grade A buildings, or those who own at least two prime office buildings in Beijing, among which at least one is Grade A.

Source: CBRE Research, May 2025.

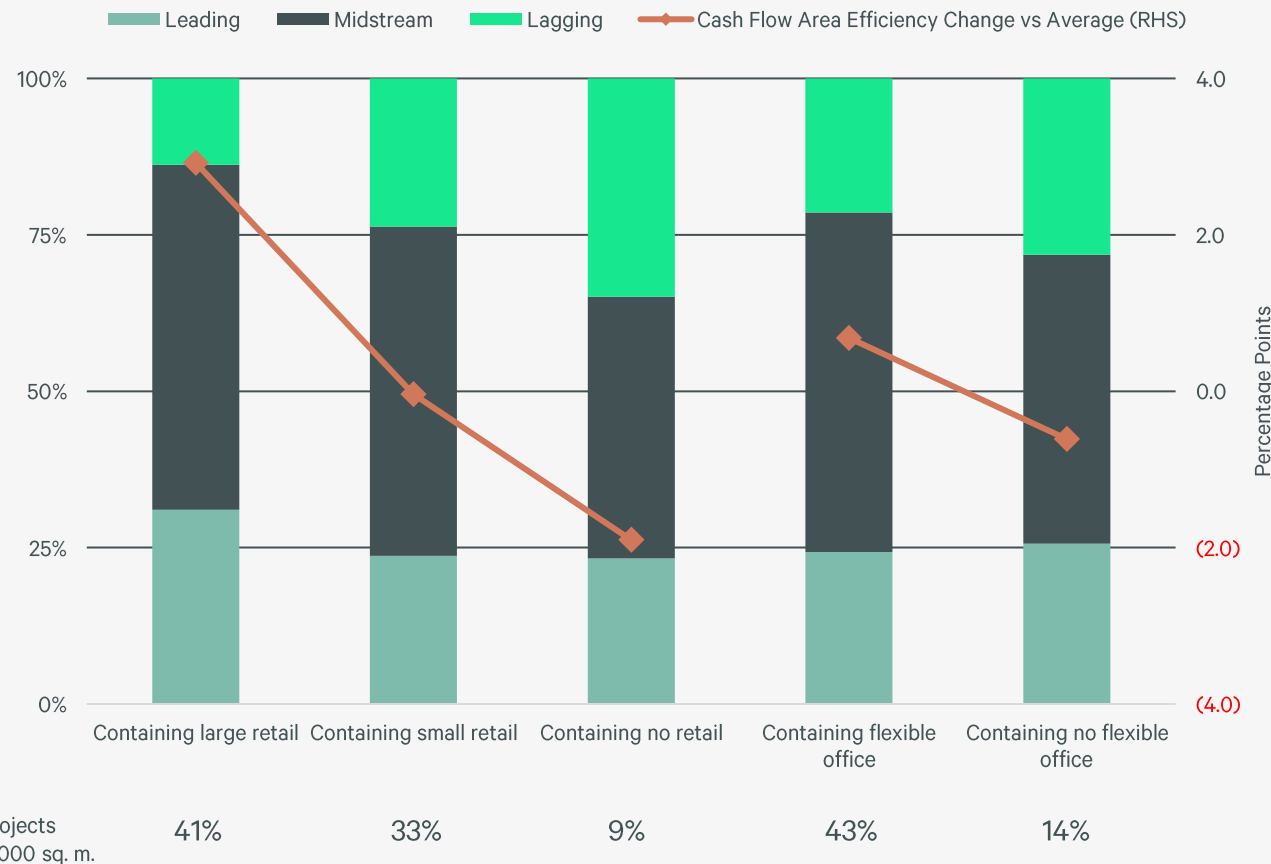
Retail & Flexible Office Amenities

Buildings possessing retail amenities (either large or small) displayed lower lagging ratios, indicating that retail amenities can endow offices with defensive qualities. Buildings with large-scale retail amenities exhibited the highest leading ratio, demonstrating that a comprehensive and high-profile retail offering can enhance the competitive advantage of office buildings (Figure 9 left), particularly in ZGC and Wangjing.

Projects with flexible office amenities showed a lower lagging ratio (Figure 9 right), especially in ZGC, Financial Street, E2R and Olympic, which have a lower flexible office penetration rate. Flexible offices can provide transitional solutions for tenants in need of short-term expansion or contraction. This not only helps landlords strengthen tenant retention but can also cultivate incremental demand.

Large-scale projects possess greater physical space and a larger tenant pool to support retail and flexible office amenities, providing more opportunities to enhance performance. While small-scale projects rely more heavily on surrounding amenities, precise positioning and collaboration with external resources can enable owners of such assets to mitigate their inherent limitations.

Figure 9: Project Performance Distribution and Cash Flow Area Efficiency Change - by Amenities



Source: CBRE Research, May 2025.

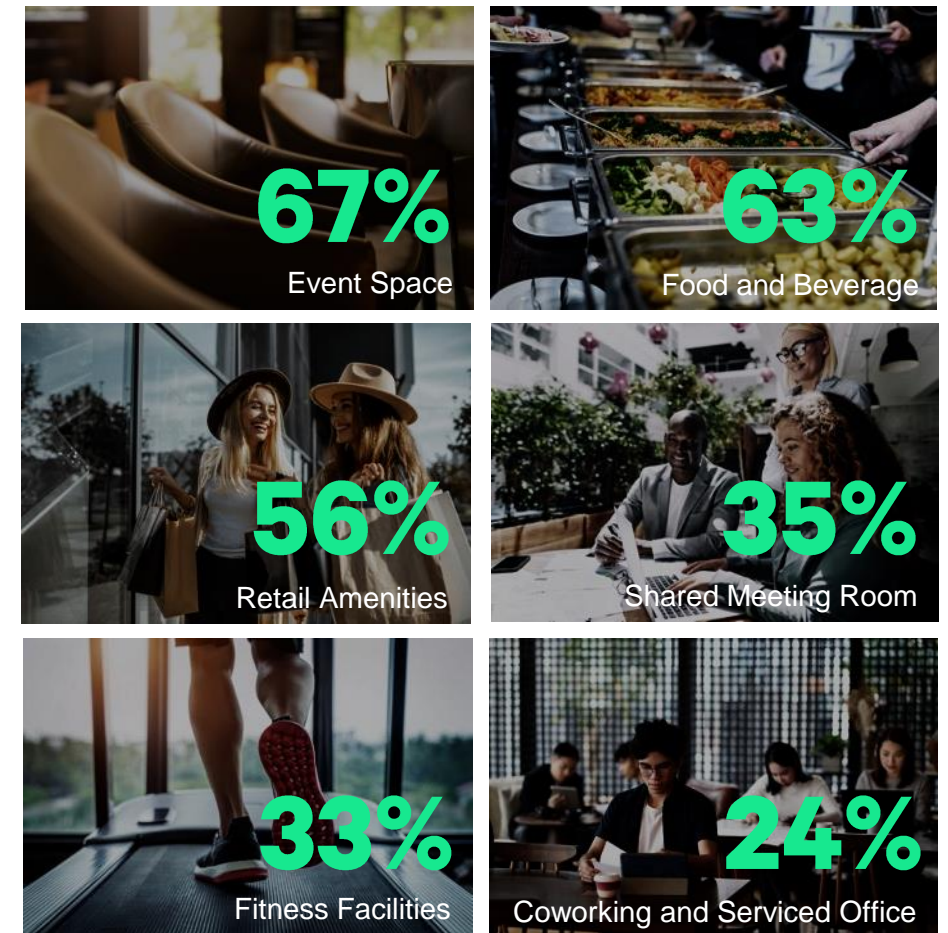
Optimising Amenities in Buildings with Limited Scale

Respondents to CBRE's 2024 China Office Occupier Survey named amenities and services as the second most important factor informing their location decisions, second only to cost. Event space, F&B, and retail were identified as the most sought-after amenities.

Landlords of smaller scale projects in Beijing with space constraints are advised to consider the following steps to optimise their amenity offering:

- Conduct in-depth research on the tenant mix and office population within the building; select appropriate business formats and brands; and provide operational guidance for retailers.
- Improve connectivity between office buildings and retail amenities.
- Maximise the mix of F&B and service-oriented formats within retail amenities and consider office amenity needs over rental income as the primary criterion for tenant selection.
- Provide evidence to demonstrate the traffic and flow of the building's office population and its alignment with retailers' target customer base to provide confidence and support to potential high profile retail tenants.
- Assist retailers in driving external foot traffic to diversify their revenue streams, such as by tapping into non-business consumption demand during weekends.
- Collaborate with retailers to design and host membership services, themed events, and exclusive discounts tailored for office tenants.
- Create flexible, open, shared, and mixed-use social spaces.
- Explore shared investment and return models to enhance information sharing and operational synergy with operators of flexible offices, cafeterias, conference and event facilities.

Figure 10: Importance of Amenities in Occupiers' Renewal vs. Relocation Analysis



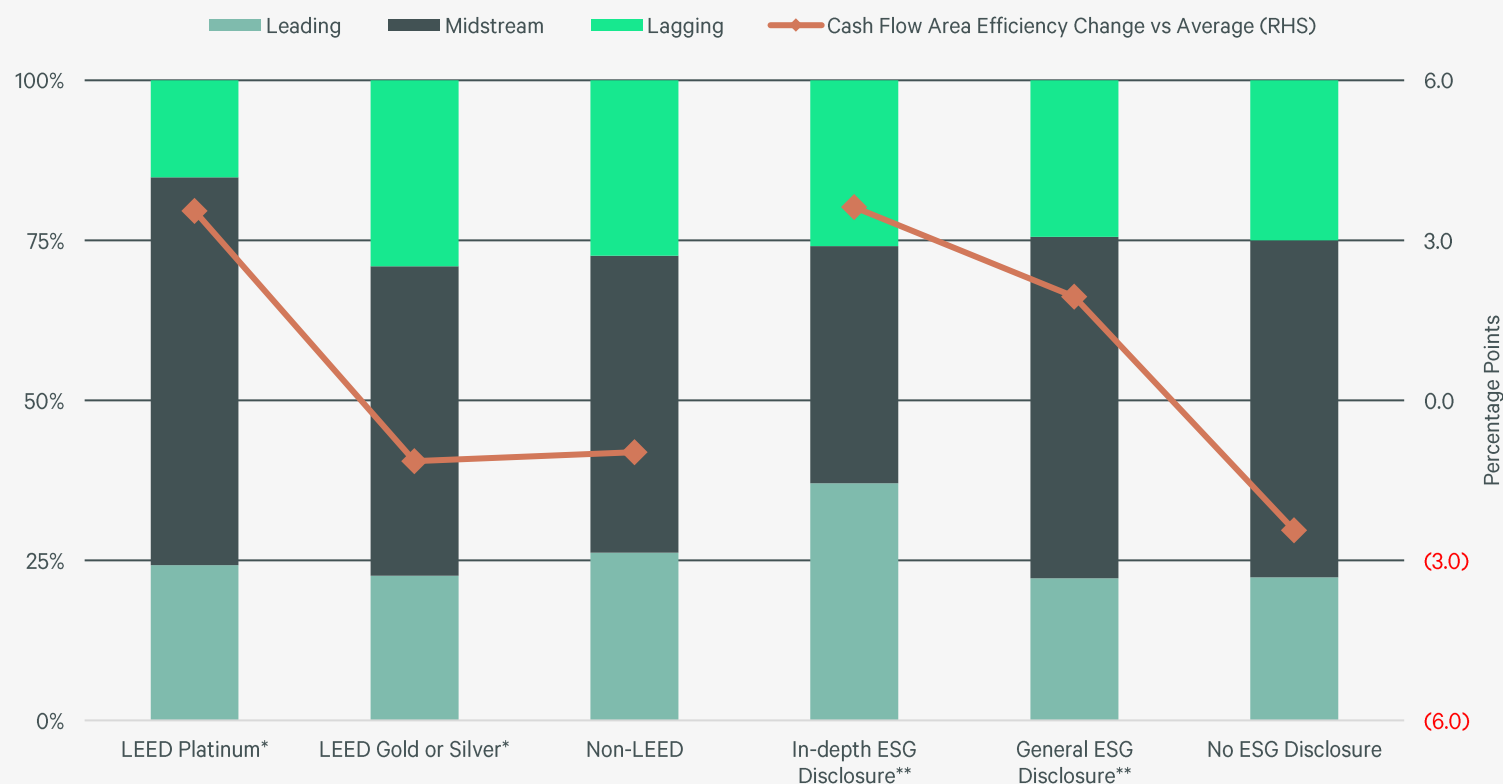
Source: China Office Occupier Survey 2024, CBRE Research, September 2024.

Sustainability

CBRE’s 2024 China Office Occupier Survey found that Beijing office tenants are accelerating their green transition, such as by leasing space in green-certified buildings while seeking brown discounts for non-green certified properties. CBRE’s analysis of cash flow area efficiency demonstrates that LEED Platinum projects exhibit stronger defensive qualities, as indicated by their lower proportion of underperforming assets (Figure 11 left). Amid the increasing prevalence of green certification, tenants are no longer interested in merely obtaining basic green credentials; they now demand higher certification tiers.

LEED certification is just one aspect of sustainability performance. As occupiers accelerate the adoption of ESG, landlords are diversifying their sustainability initiatives and communicating these efforts to tenants and stakeholders through ESG reports. Of the 148 office buildings in Beijing analysed by CBRE, 49% of owners now regularly publish ESG reporting. By grading the breadth and depth of these disclosures, CBRE detected clear disparities in the proportion of leading projects and cash flow cash flow area efficiency changes across three categories: in-depth disclosure, general disclosure, and no disclosure (Figure 11 right). This underscores how sustainability has become a key differentiator for leading office buildings in Beijing.

Figure 11: Project Performance Distribution and Cash Flow Area Efficiency Change - by Sustainability



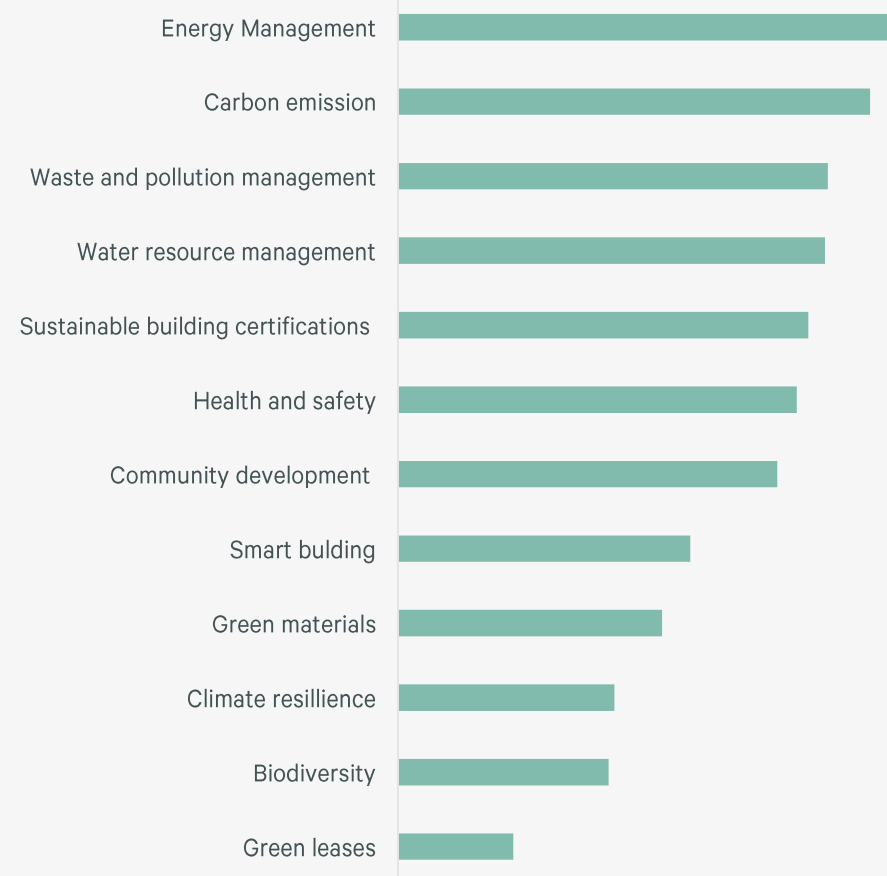
*There are 33, 29 and 1 sample for LEED Platinum, Gold and Silver, respectively.
 **General disclosure means simple qualified description for goals, measures or tools in landlord ESG reports (total 45). In-depth disclosure means containing cases, quantified statistics or certification, etc. (total 27).
 Source: CBRE Research, May 2025.

Sustainability Attributes Value

Sustainability initiatives and performance represent one of the most frequently used and critical elements in communication between landlords and tenants. After collecting and analysing ESG reports from 50 office landlords in Beijing, CBRE scored these reports based on content quality for various sustainability measures (Figure 12). This analysis summarises the key measures currently adopted and disclosed by office landlords, which include:

- **Improving energy efficiency** and **transitioning to renewable energy** represent the most feasible sustainability technologies and practices. These are particularly crucial steps for landlords and occupiers seeking to achieve net-zero carbon emissions targets. Led by Hong Kong-funded developers, some Beijing office owners have already started procuring green electricity for their own or tenants' use.
- The disclosure of **carbon footprint** and **net-zero targets** is the most direct demonstration of landlords' commitment to and investment in sustainability. High-quality ESG reports provide detailed and quantified carbon footprint data; state timelines for achieving net-zero targets; and set out specific environmental actions to reach decarbonisation.
- **Sustainable building certifications** represent the most common landlord sustainability practices. In addition to LEED, certifications such as China's national green building standards, WELL, BREAM, Fitwell and GRESB are gaining broader adoption and recognition.
- While **green leases** are still in their infancy in China, interest and willingness to consider adoption have grown rapidly in recent years. By defining the rights and obligations of both landlords and tenants in lease terms, the two parties can share the costs and benefits of green retrofits and operations, thereby creating a green partnership.
- **Water resource management, waste and pollution management, health and safety, and community development** were also frequently mentioned in Beijing office landlords' sustainability reporting.

Figure 12: Ranking of Landlord Sustainability Disclosure Quality



Source: From Public Resources, CBRE Research, May 2025.

Property Management

Property management fees are generally more stable than rents and do not fluctuate to the same extent. CBRE data show that only 1% of Beijing office buildings surveyed by CBRE reported a decrease in property management fees over the past six years.

Property management fees are a direct parameter for evaluating a project’s management quality. CBRE found clear disparities in leading and lagging ratios along with cash flow area efficiency changes across different property management fee tiers (Figure 13). This highlights the role of property management in determining building performance.

When considering how to balance the asset management goals of cost reduction with efficiency enhancement, landlords must strike a balance and achieve a mutual benefit between short-term and long-term interests. They must optimise OpEx in the short term and channel saved costs into impactful CapEx to improve tenant experience, resulting in a virtuous cycle of asset and financial performance in the long term. Specific measures include:

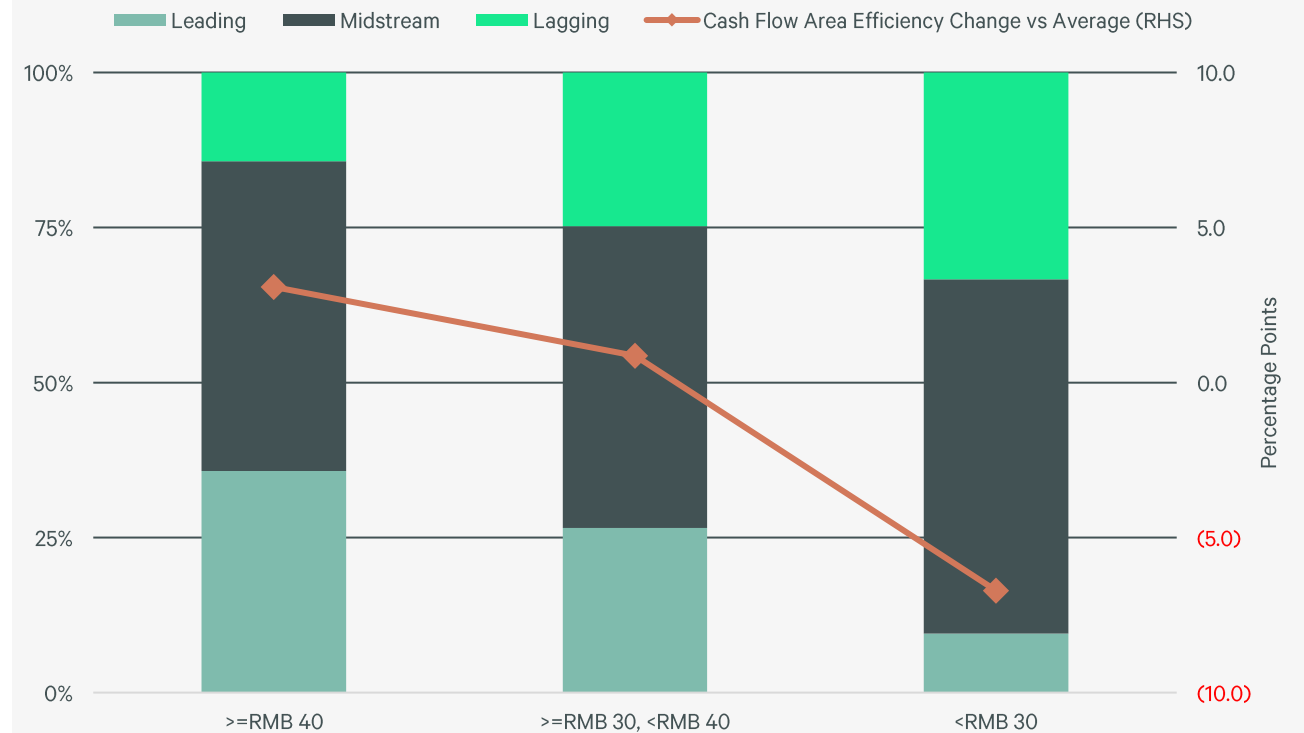
OPTIMISE OPEX

- ✓ Reduce energy consumption
- ✓ Outsource non-core functions
- ✓ Centralise procurement for scale cost advantages

Reassess CapEx

- ✓ Tenant experience and demand assessment
- ✓ Facility status assessment
- ✓ Operational risk assessment
- ✓ Renovation investment return evaluation
- ✓ Asset value impact assessment

Figure 13: Project Performance Distribution and Cash Flow Area Efficiency Change - by Property Management



Source: CBRE Research, May 2025.

Case Study

The landlord of an office building in the Beijing CBD achieved zero CapEx when upgrading its energy management platform, leading to OpEx savings.



- The primary bottlenecks in the landlord's previous energy management platform stemmed from inaccurate and non-real-time data collection, limited coverage of property management personnel, and insufficient professional expertise.
- CBRE developed a comprehensive energy management platform solution for the landlord and introduced specialised service providers to oversee the operation and maintenance of power distribution rooms and cooling equipment rooms. All renovation costs were covered by service providers. Specific measures included:
 - **Workflow Optimisation:** Reduced manual inspection frequencies, enabled real-time data monitoring by professionals through a backend system to facilitate remote guidance, and improved management efficiency. Additionally, some original in-house staff were transitioned to outsourced roles, leading to a 17% reduction in personnel costs.
 - **Upgraded Management Tools:** CBRE implemented a visualised integrated energy management platform to consolidate the management of critical mechanical and electrical systems such as cooling stations and heat exchange stations. Point location and communication resources were reserved for future equipment control to enable closed-loop equipment management. A secondary electrical metering intelligent monitoring system was established to analyse, compare, and track operational hours. These steps reduced energy waste and usage, leading to a projected 3% reduction in energy costs.
 - By bundling highly related outsourcing services, the building owner achieved cost reduction and risk control, projecting a 9% reduction in operational costs.

Case Study

The owner of an office building in E2R carried out engineering system renovation, screening and prioritising CapEx goals to improve tenant experience.



- The owners' almost 20-year-old building was suffering from functional problems affecting its electrical equipment. Spare-parts had been discontinued, were difficult to purchase or beyond repair. The aging of some equipment led to frequent breakdowns, requiring urgent capital-intensive renovation.
- CBRE evaluated and set renovation goals based on the following criteria:
 - Influence factors: These included risks and potential hazards in operation and management; risks of violating laws and regulations; obstacles to meeting the original design functions of systems or equipment as well as the needs of newly added functions in the later stage; the impact of building aging on quality and management efficiency, energy efficiency and costs.
 - Degree of influence: All goals were divided into three levels (A, B, and C) for screening and evaluation, which served as the main reference for the priority of rectification.
 - Renovation costs: These were determined in combination with specific renovation plans. For example, different options for renovation plans; choices of different brands and qualities of equipment; the subjective profit expectations of construction suppliers; the cost-spreading factors of one-time or multiple renovations; and the deviation between the enquiry price and the actual quotation.
- In the first-round implementation plan, with the goal of preventing potential safety hazards for customers, CBRE selected initiatives providing a strong economic benefit and experience, such as sewage disposal, water leakage prevention, and lighting improvement, as priority measures.

An aerial photograph of a modern city skyline at dusk. The sky is a deep, dark blue. In the foreground, several prominent skyscrapers are visible. On the left, a tall, slender tower with a grid-like facade. In the center, a large, curved structure resembling a bridge or a modern building with a complex, angular design. To the right, another tall, slender tower with a similar grid-like facade. The city extends into the distance with numerous smaller buildings and a dense urban layout. The overall atmosphere is one of a bustling, modern metropolis.

Outlook and Recommendations

Maximising the Impact of Active Management Strategies

CBRE advises Beijing office landlords to conduct a systematic analysis of the advantages and disadvantages of their properties' current inherent attributes along with their possible future transformation. By enhancing proactive management attributes, property owners can establish a differentiated competitive edge. CBRE's recommendations are as follows:

- New subway stations are scheduled to open (or there will be further expansion of underground passages) in submarkets such as the CBD, Olympic, and Lize. This will raise the competition threshold for subway accessibility, requiring landlords to increase their investment in improving other factors.
- In the next five years, Beijing's office stock over 20 years old will increase by nearly 3.5 million sq. m., rising to account for 34% of total volume. Improving property management, forensically planning capital expenditure; and regularly upgrading hardware and amenities can slow down the depreciation of hardware in these projects and improve tenant experience.
- There is still significant room for improvement in the sustainability of old buildings. Addressing their shortcomings can substantially enhance project value.
- Based on the current provisions of proactive management factors in each submarket, CBRE recommends owners of buildings in Wangjing focus on improving retail amenities; owners of buildings in Financial Street, E2R and Olympic focus on improving flexible office amenities; owners of buildings in Lufthansa, E2R and Olympic focus on enhancing sustainability; owners of buildings in Lufthansa and Wangjing focus on improving property management; and owners of buildings in Zhongguancun focus on improving retail & flexible office amenities, sustainability and property management.



Appendix

Statistics Profile

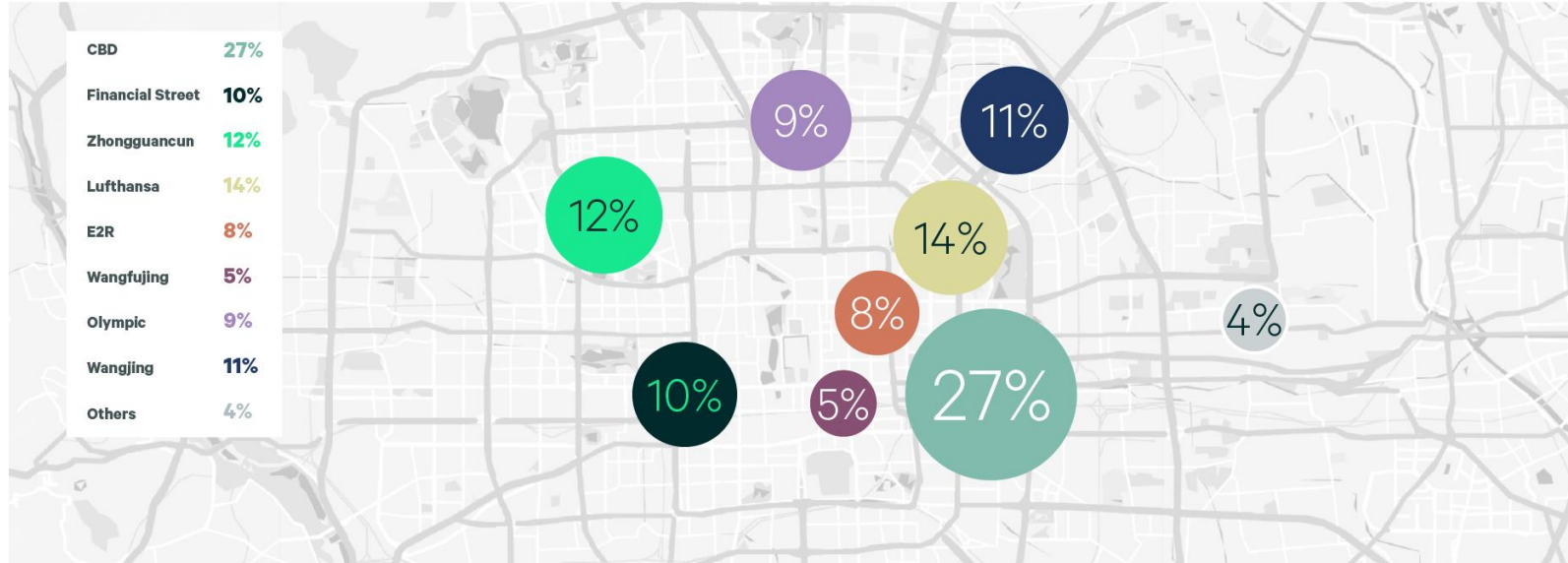


148 Prime Office Buildings

9.84 Million sq. m.

CBRE

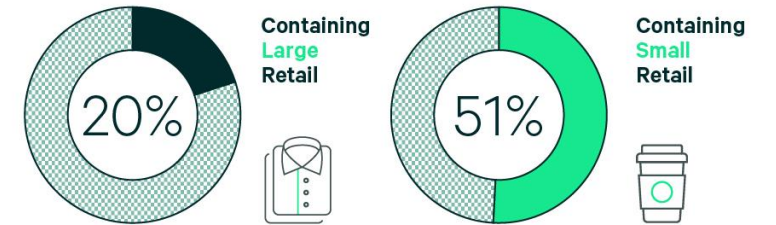
Proportion of Prime Office Buildings by Submarket



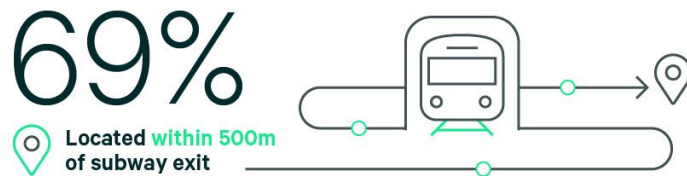
Sustainability



Amenities



Subway Accessibility



Building Age



Property Management Fee



Containing Flexible Office



Source: CBRE Research, May 2025. Note: Above average is arithmetic mean; percentage is based on building number.

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Contacts

Research

Sam Xie

Head of Research
China
sam.xie@cbre.com

Tin Sun

Head of Research
Northern China
tin.sun@cbre.com

Dancy Su

Associate Director
Northern China Research
dancy.su@cbre.com

Business Line

Christina Liu

Regional Managing Director
Northern China
christina.liu@cbre.com

Molly Yuan

Head of A&T | Office | Occupier
Northern China
molly.yuan@cbre.com

Hans Zhou

Head of Property Management
Northern China
hans.zhou@cbre.com

Abby Wang

Head of A&T | Office | Investor Leasing
Northern China
abby.wang@cbre.com