

FIGURES | BEIJING | Q2 2024

# Logistics vacancy hits record high; insurance firms underpin investment

+6.0%

GDP  
(Q1 2024, Y-o-Y)

+1.0%

Retail Sales  
(Jan to May 2024, Y-o-Y)

+11.1%

Fixed Asset Investment  
(Jan to May 2024, Y-o-Y)

Source: CBRE Research, Beijing Municipal Statistics Bureau, Jul 2024

## Executive Summary

- **Office:** Expansion was limited as occupiers retained a cautious approach. CBD vacancy decreased over the quarter, with Wangjing experiencing the largest decline. Landlords of high-rent and older buildings provided more rental incentives.
- **Retail:** Three new malls were launched this quarter, all in non-prime areas. Retailers and F&B groups targeting the mass market dominated short-term demand. Some malls that originally quoted higher rents displayed more rental flexibility.
- **Logistics:** Three new projects were delivered in Pinggu and Daxing Airport in Q2 2024. Net take-up was negative for a second consecutive quarter while vacancy hit a historical high. Rents declined across all submarkets.
- **Business Park:** Over 70% of new leases signed by TMT firms involved relocations. Life sciences demand slowed over the quarter. Landlords in Greater ZGC continued to aggressively cut rents. Rental growth in life sciences parks turned negative.
- **Investment:** Insurance institutions remained active, completing the three largest deals this quarter. Corporate and private buyers turned more cautious and selective.

Table 1: Quick Statistics

Office	q-o-q	y-t-d	y-o-y
Rent	-2.7%	-4.6%	-8.3%
Vacancy	-0.3 pp	0 pp	+2.0 pp
Retail	q-o-q	y-t-d	y-o-y
Rent	+0.0%	+0.5%	+0.9%
Vacancy	0.0 pp	-0.3 pp	-0.5 pp
Logistics	q-o-q	y-t-d	y-o-y
Rent	-1.9%	-3.2%	-3.1%
Vacancy	+7.0 pp	+8.4 pp	+8.4 pp
Business Park	q-o-q	y-t-d	y-o-y
Rent	-1.4%	-2.2%	-3.8%
Vacancy	+0.1 pp	+0.8 pp	+3.4 pp
Investment	q-o-q	y-o-y	y-t-d total, y-o-y
Total volume	+87.4%	+127.4%	+51.3%
Domestic	+176.2%	+110.5%	+61.4%

Note: Office rent is the weighted average striking face rent for GFA, excl. mgmt. fee and incl. tax. Retail rent is the simple average shopping mall G/F asking rent for NLA, excl. mgmt. fee and incl. tax. Logistics rent is the weighted average asking rent for GFA, incl. mgmt. fee and excl. tax. Business Park rent is the weighted average asking rent for GFA, incl. mgmt. fee and incl. tax. Transactions include deals above US\$10 million in the office, retail, mixed, industrial, hotel and other commercial sectors.

Source: CBRE Research, Q2 2024.

## Office

**Net Absorption**  
48,000 sq. m.

**Vacancy**  
-0.3 pp q-o-q

**Face Rent**  
-2.6% q-o-q

### Absorption picks up in CBD and Wangjing

No new office buildings came on stream in Beijing in Q2 2024, ensuring new supply in H1 2024 fell 57% y-o-y. Although new demand remained subdued, leasing volume increased by 30% q-o-q. However, both the number of deals and total area transacted declined in H1 2024, falling by 15% and 8% y-o-y, respectively. Over 70% of new leases involved relocations, primarily within the same or neighbouring area. The CBD, Wangjing, ZGC, Olympic, and Lize were the focus of relocation demand.

Expansion was limited as occupiers retained a cautious approach. TMT exhibited stronger demand, fueled by software, big data, and telecoms firms. Finance demand was stable, with slight growth from funds and fintech, but weaker interest from insurance and securities. Professional services firms continued to pursue flight-to-quality relocations.

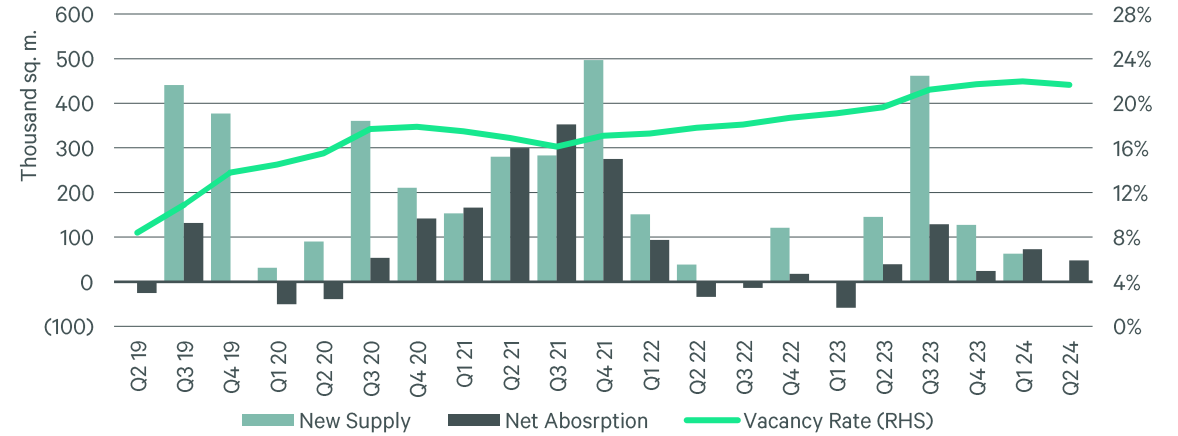
Due to a reduction in large-scale lease terminations compared to the same period of last year, net absorption increased slightly in y-o-y terms to 121,000 sq. m. in H1 2024. Driven by upgrading demand, Grade A buildings accounted for 84% of net take-up. Overall vacancy fell slightly q-o-q, thanks to significant leasing activity in selected submarkets. CBD vacancy declined q-o-q after six consecutive quarterly increases, while Wangjing experienced the largest decline in vacancy of any submarket. Lease terminations resulting from consolidation, downsizing, or relocation pushed up vacancy in Tongzhou, Wangfujing, E2R, Lufthansa, and Financial Street.

### High-rent and older buildings lead rental decline

Rents fell across all submarkets in Q2 2024 as tenants focused on cost saving. High-rent and older buildings and submarkets faced more occupancy challenges and therefore offered more rental incentives. Average face rents decreased by 2.7% q-o-q to RMB 275.8 per sq. m. per month.

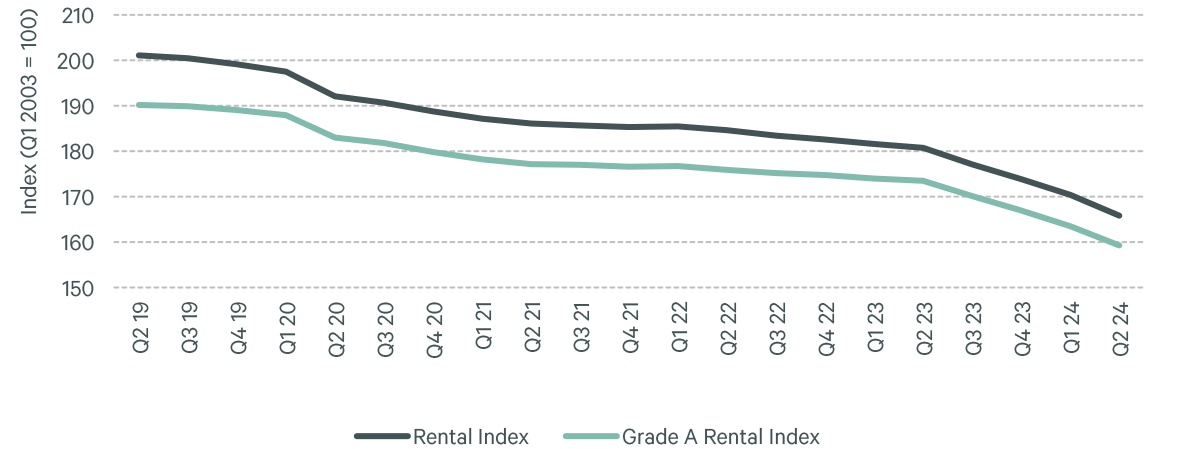
Three new properties providing 260,000 sq. m. of new office space will be delivered in Lize and Tongzhou in H2 2024. The new additions will push up vacancy and ensure rents continue to decline. While rents remain a key criterion, tenants are placing more weight upon factors such as transportation, building infrastructure, sustainability, property management, amenities, delivery time, convenience, and lease flexibility. High-quality, well-managed and well-located buildings offering attractive incentives will therefore be more likely to achieve high occupancy in H2 2024.

FIGURE 2: Office Supply and Demand



Source: CBRE Research, Q2 2024

FIGURE 3: Office Rental Index



Source: CBRE Research, Q2 2024

## Retail

**Net Absorption**  
362,800 sq. m.

**Vacancy**  
0.0 pp q-o-q

**Rent**  
0.0% q-o-q

### Mass consumption dominates demand

Three new shopping malls (Xibeiwang MIXC ONE, Changping Super Hopson One and Polpas) were launched in Q2 2024, all properties are located in non-prime areas, overall vacancy rate remained flat q-o-q at 7.7%.

With shoppers remaining cautious and continuing to downgrade consumption, retailers and F&B targeting the mass market dominated leasing demand. The F&B segment, represented by mass catering and bakery & dessert shops, accounted for 44% of new leases signed in H1 2024, with the likes of Ucan, Yee3, and The Matcha Tokyo all launching new outlets in mature projects. Fashion followed with 29% of new openings. New openings in this segment included Hollister setting up stores in both Beijing APM and SOLANA; footwear brands Keen and Banana in launching new shops at Chaoyang Hopson One; and Lululemon unveiling its new largest store in North China at Taikooli South. Other active categories included children’s education and entertainment as well as the lifestyle sector. Demand from New Energy Vehicle (NEV) stores and showrooms continued to weaken.

### Owners find it challenging to recruit high-end brands

Sales in Beijing’s leading malls increased by 5-15% y-o-y during the Dragon Boat Festival. Most existing projects continued to tweak their tenant-mix by recruiting high foot traffic and high consumption frequency brands but found it challenging to recruit brands in high-end categories due to consumption downgrading, which impacted their leasing performance. Average shopping mall ground floor rents were flat q-o-q on a like-for-like basis at RMB 31.8 per sq. m. per day. Projects with stable occupancy, a high-quality customer base, and strong appeal to retail brands drove up rents in Wangfujing and Sanlitun. Some malls that had originally quoted higher rents, especially those in the CBD, Dongcheng Others and Zhongguancun, were seen adopting a more flexible attitude this quarter.

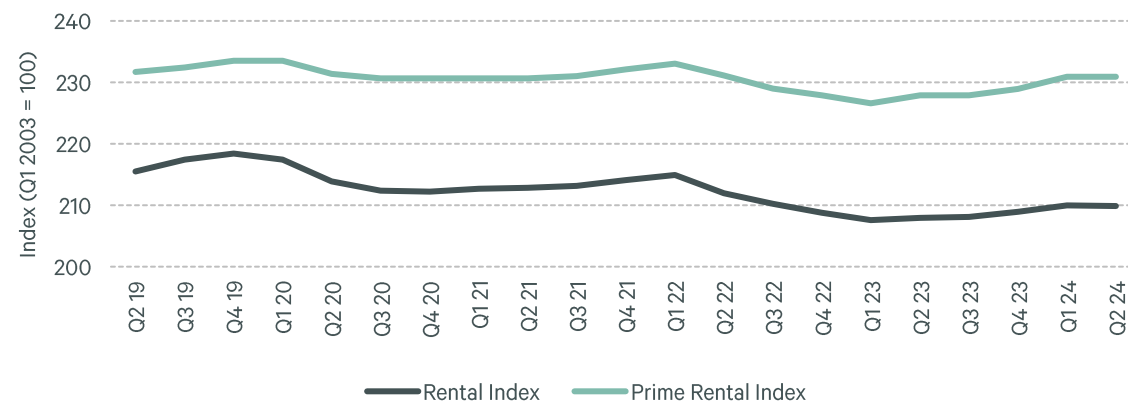
H2 2024 will see the completion of several decentralised projects by leading developers, pushing up full-year supply to 1 million sq. m.. Beijing Municipal Bureau of Commerce recently announced schemes to promote the integration of multiple consumption formats and high-quality development; providing guidance for entities’ renovation and upgrading; exploring emerging consumption scenarios; generating outstanding products’ services; and optimising commercial environments.

FIGURE 4: New Supply and Selected Leasing Transactions

New Supply	Submarket	GFA (sq. m.)	Landlord
Xibeiwang MIXC ONE	Others	67,000	China Resources
Changping Super Hopson One	Others	270,000	Hopson Commercial Property
Polpas	Olympic Village	55,000	BIG
New Openings	Sector	Property	Submarket
The Matcha Tokyo	Bakeries & Dessert	China World Mall	CBD
YVMIN	Jewelries	Sanlitun Taikooli South	Sanlitun
Carbonstar	Sports	Chaoyang Joy City	Others
To Summer	Fragrance	WF Central	Wangfujing
Tong Ren Seasons	F&B	APM	Wangfujing
Yee 3	Café & Tea	Chaoyang Hopson One	Outer CBD

Source: CBRE Research, Q2 2024

FIGURE 5: Retail Rental Index



Note: Prime retail submarkets are CBD, Wangfujing, Sanlitun and Xidan  
Source: CBRE Research, Q2 2024

## Logistics

Net Absorption  
-35,300 sq. m.

Vacancy  
+7.0 pps q-o-q

Rent  
-1.9% q-o-q

### Rents start to fall as vacancy hits historical high

Three new projects providing 293,000 sq. m. of space were delivered in Pinggu and Daxing Airport in Q2 2024, while another facility by an owner-occupier was added in Majuqiao. New supply for the first six months of the year hit a historical high, reaching 332,000 sq. m.. 3PLs accounted for 54% of total leasing volume in H1 2024, up 13% y-o-y from the same period of last year. Due to the contraction in tenants' own business volume and profit margins, the period witnessed a steady flow of lease terminations and downgrading relocations. Net take-up was negative for a second consecutive quarter, bringing the H1 2024 figure to -54,000 sq. m.. Vacancy rose to an historical high of 23.4%.

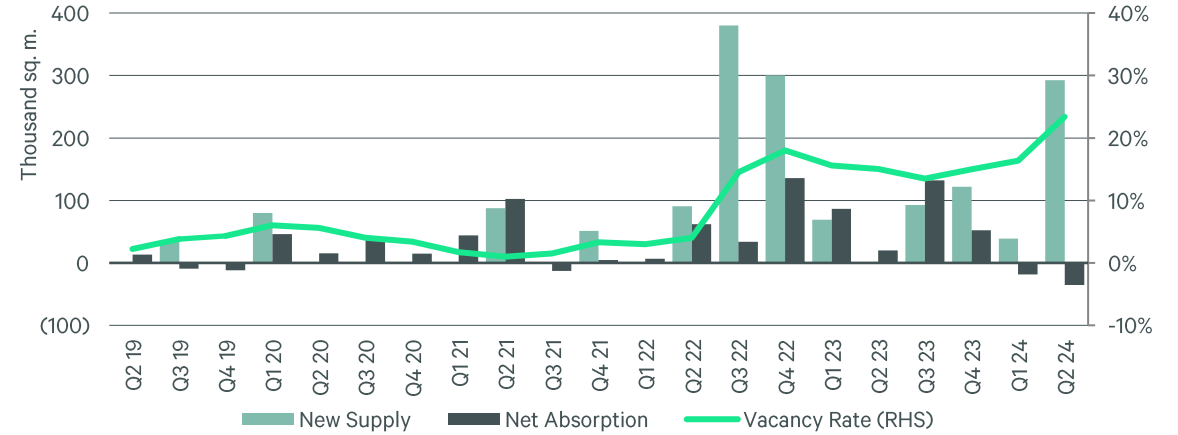
Rentals continued to decline from January's highs, with average rents falling 1.9% q-o-q on a like-for-like basis to RMB 54.1 per sq. m. per month. In addition to Pinggu, which reported a significant drop in rents due to fierce competition for tenants, all other submarkets logged rental declines due to a lack of demand, with Daxing Airport, Tongzhou and Shunyi Others witnessing the sharpest falls.

### Demand rises in Pan-Beijing

Around 102,000 sq. m. of new supply was delivered in Langfang's Bei'sanxian this quarter. 3PLs accelerated expansion in regions offering cost and location advantages, contributing 50% of total leasing volume in H1 2024. Demand from the manufacturing sector increased over the period, accounting for 27% of the total. Net take-up reached 351,000 sq. m. in H1 2024, led by Gu'an. Vacancy continued to fall along with rents, with declines led by submarkets adjacent to Beijing such as Guangyang EDA, Bei'sanxian, Gu'an and Langfang EDA, where landlords have been more willing to adopt a price-for-volume strategy. 60,000 sq. m. of new supply was delivered in Tianjin Jinnan this quarter. Net take-up recovered from Q1 2024's trough, rising to 175,000 sq. m. in Q2 2024, led by Wuqing, Beichen and Baodi. Vacancy rose to 35.0% while rents decreased across all submarkets.

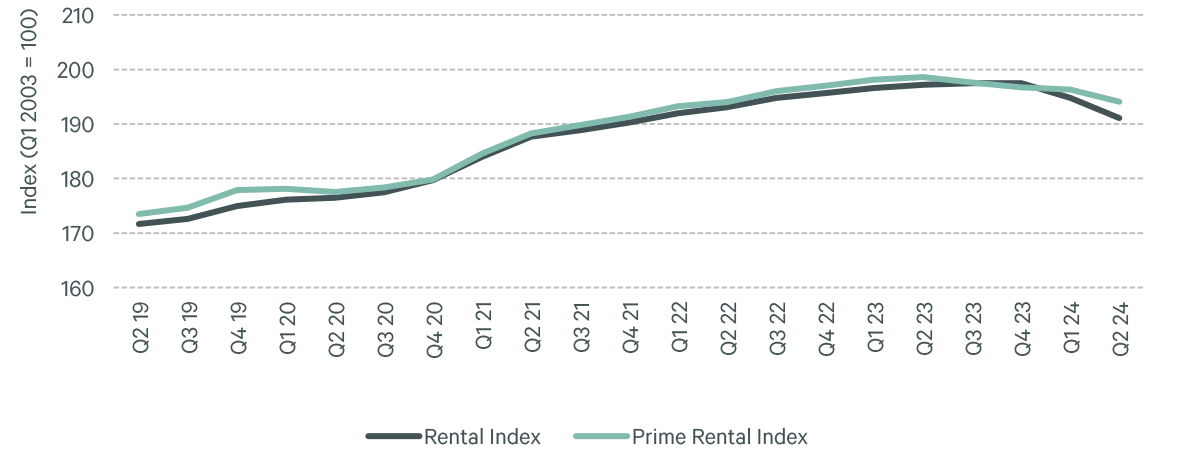
Overall supply in Greater Beijing will temporarily slow in H2 2024, with just 80,000 sq. m. of new stock due in Beijing Majuqiao. Langfang and Tianjin will see the addition of 357,000 sq. m. and 104,000 sq. m., respectively, mainly in areas adjacent to Beijing. Beijing authorities recently launched incentives for upgrading and renovating warehouse and logistics facilities and technology, a move that is likely to benefit demand from trade logistics, cold chain logistics, and wholesalers of agricultural products. This will further assist the high-quality development of the Greater Beijing logistics market.

FIGURE 6: Logistics Supply and Demand



Source: CBRE Research, Q2 2024

FIGURE 7: Logistics Rental Index



Note: Prime logistics submarkets are Shunyi Airport, Majuqiao, Jingnan and Daxing Airport  
Source: CBRE Research, Q2 2024

## Business Park

Net Absorption  
24,500 sq. m.

Vacancy  
+0.1 pp q-o-q

Rent  
-1.4% q-o-q

### Increase in relocations by TMT firms; life sciences demand slows

One new project consisting of several small standalone office buildings was delivered in Daxing CBP in Q2 2024, adding 40,000 sq. m. new space to the market. New supply for H1 2024 fell by 57% y-o-y to 170,000 sq. m., with new developments added during the period mainly for office use. Absorption was limited due to abundant supply.

Net absorption totalled 94,000 sq. m. in H1 2024, a rise of 23% y-o-y. TMT, life sciences, resources and utilities accounted for 31%, 28% and 16% of new leases, respectively. Leasing slowed noticeably from the previous quarter, with over 70% of new leases signed by TMT firms involving relocations, limiting overall market net absorption. During the quarter, numerous life sciences tenants with R&D functions either downsized, surrendered, or relocated. Expansion and relocation by state-owned resources and utility enterprises made a significant contribution to net absorption in Q2 2024.

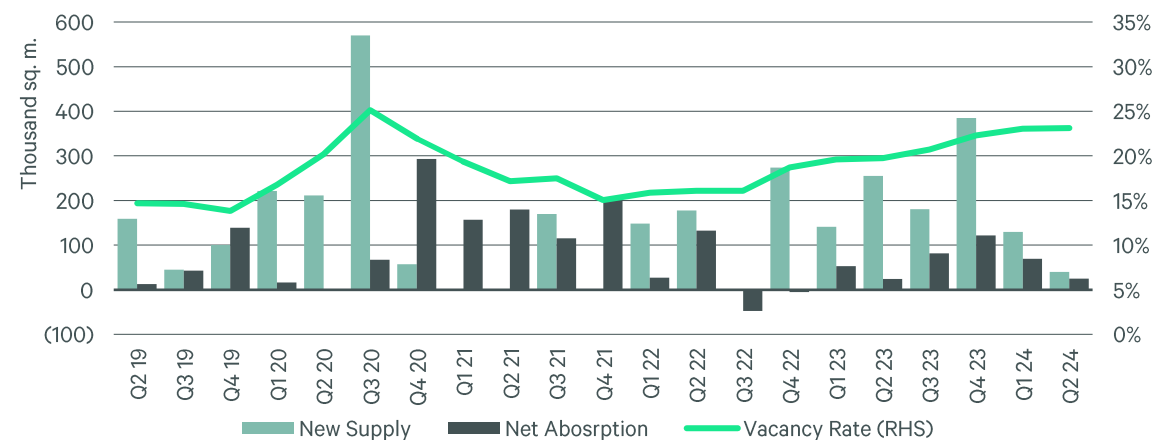
Overall vacancy increased by 0.1 pps. q-o-q to 23.1%, with that in the Greater ZGC cluster falling 5.7 pps. q-o-q to 20.8% after landlords significantly cut rents. Conversely, vacancy in the Beiqing Rd submarket spiked 2.2 pps. q-o-q to 15.6% as TMT and life sciences R&D firms surrendered space. In BDA and Daxing, projects hosting manufacturing functions continued to perform well thanks to the mature industrial environment, with net absorption in each submarket reaching 20,000 sq. m. during H1 2024.

### Rental decline accelerates in office-use projects; life sciences parks face pressure

Overall asking rents fell 1.4% q-o-q to RMB 153.3 per sq. m. per month. Landlords from Greater ZGC continued to aggressively cut rents, leading to a drop of 2.1% q-o-q in Q2 2024. BEZ and Shunyi recorded rental declines of 1.5% and 2.7% q-o-q, respectively, due to weak sentiment. Rents in life sciences parks fell by 0.8%.

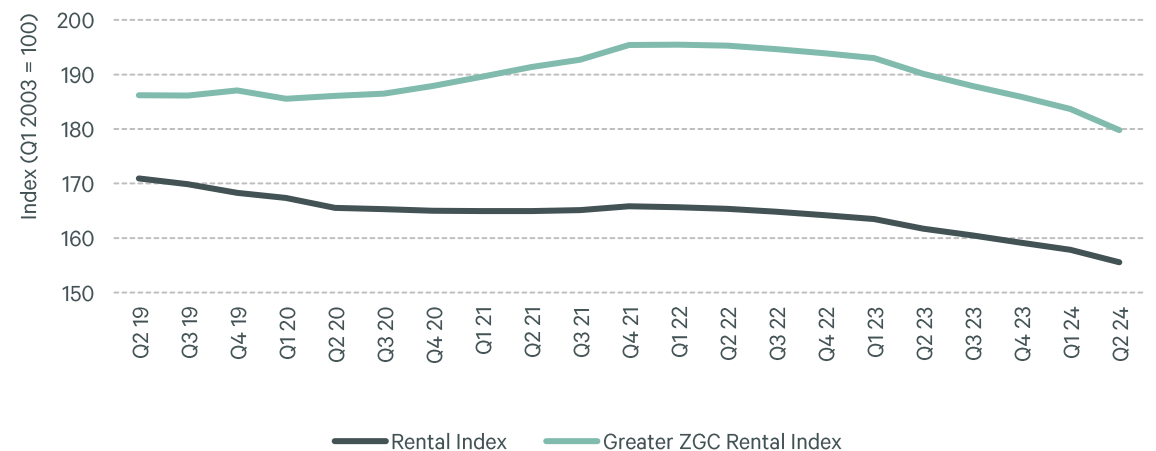
Three new projects totaling 188,000 sq. m. are expected to come on stream in H2 2024. New stock will be located in Z-park, BDA and Daxing and will include two life sciences parks. CBRE expects the recently issued "Beijing Action Plan to Accelerate Pharmaceutical and Healthcare Innovation (2024-2026)" to further support innovation and boost industry capabilities, driving demand for life science parks in the short- to medium-term.

FIGURE 8: Business Park Supply and Demand



Source: CBRE Research, Q2 2024

FIGURE 9: Business Park Rental Index



Note: Greater ZGC contains Shangdi, Z-Park, Beiqing Road and Dongsheng  
Source: CBRE Research, Q2 2024

## Investment

Transaction Volume  
+87% q-o-q

Transaction Number  
8

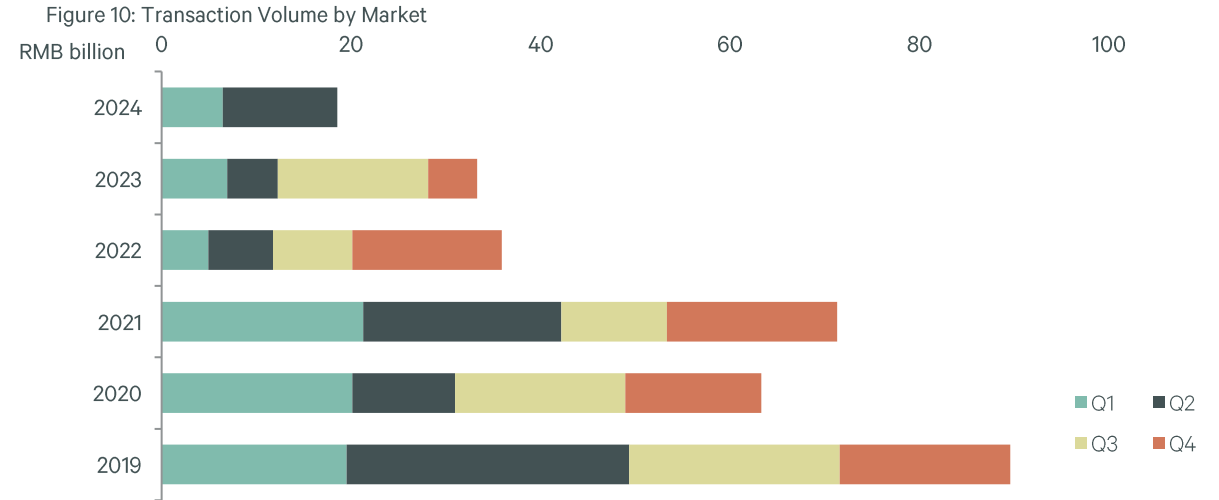
### Insurance firms accelerate acquisitions

A total of 17 commercial real estate investment transactions amounting to RMB 18.6 billion were completed in Beijing in H1 2024, an increase of 51% y-o-y. Eight deals totaling RMB 12.1 billion were signed in Q2 2024, led by two off-market transactions each exceeding RMB 3 billion. Excluding these two big deals, activity in both Q2 2024 and H1 2024 remained subdued.

Insurance institutions completed the three largest deals in Q2 2024, including two mixed-use properties and one senior housing building, accounting for 84% and 73% of total investment volume in Q2 2024 and H1 2024, respectively. The largest single deal this quarter was New China Life's acquisition of a core asset in the CBD, which includes office, retail and hotel components. China Life also paid RMB 3.1 billion to acquire a 49.895% stake in Indigo Ph2, jointly developed by Sino-Ocean and Swire. The same buyer added to its exposure in the senior housing sector, acquiring Yuenianhua Nursing Home developed by China Resources in Changping. Corporate and private buyers accounted for 19% of investment volume in H1 2024, with 36% of their total outlay related to self-use office purchases and the remainder focusing on hotel and retail assets. These buyers have turned more selective in recent months, however, with investment volume logging a 54% q-o-q decline in Q2 2024. They nevertheless maintained a keen interest in high quality distressed assets available at auction, completing several office and hotel transactions in Wangjing and Haidian, respectively.

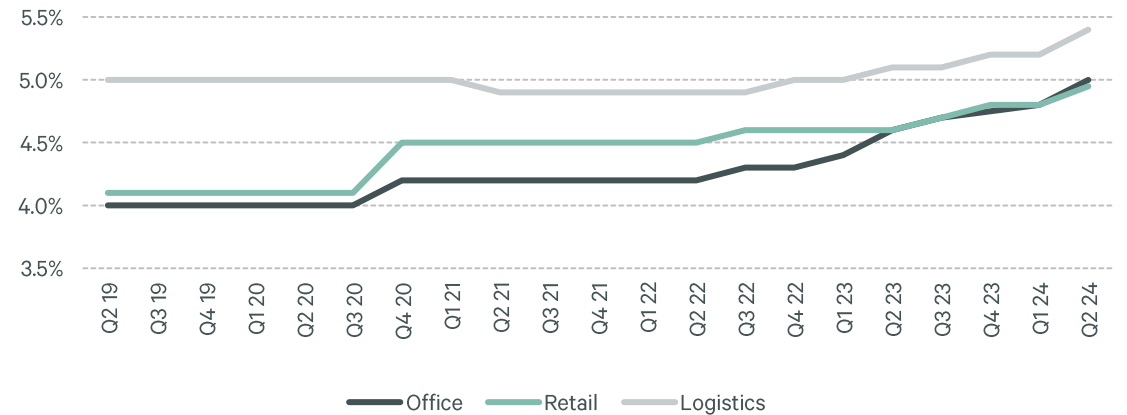
### Cap rates rise across all sectors

Driven by increased availability and falling asset prices, transactions involving assets in core locations increased in H1 2024, accounting for 62% of total deal volume. The slower-than-expected recovery of leasing fundamentals in the office, retail, and logistics sector, coupled with relatively subdued sentiment in the capital markets, led to further cap rate expansion across all sectors in Q2 2024. Industrial parks and multifamily assets with relatively stable leasing fundamentals and benefiting from REITs remained a focus for investors, with the narrowing price gap and introduction of more high-quality assets to the market set to boost transaction volume in these sectors in the coming months.



Source: CBRE Research, Q2 2024

Figure 11: Yield Trends



Source: CBRE Research, Q2 2024

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