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Resetting the Office Supply- Demand Balance:

China's Office Market in the 15th Five-Year Plan

CBRE RESEARCH
CHINA

JUNE 2025



CBRE



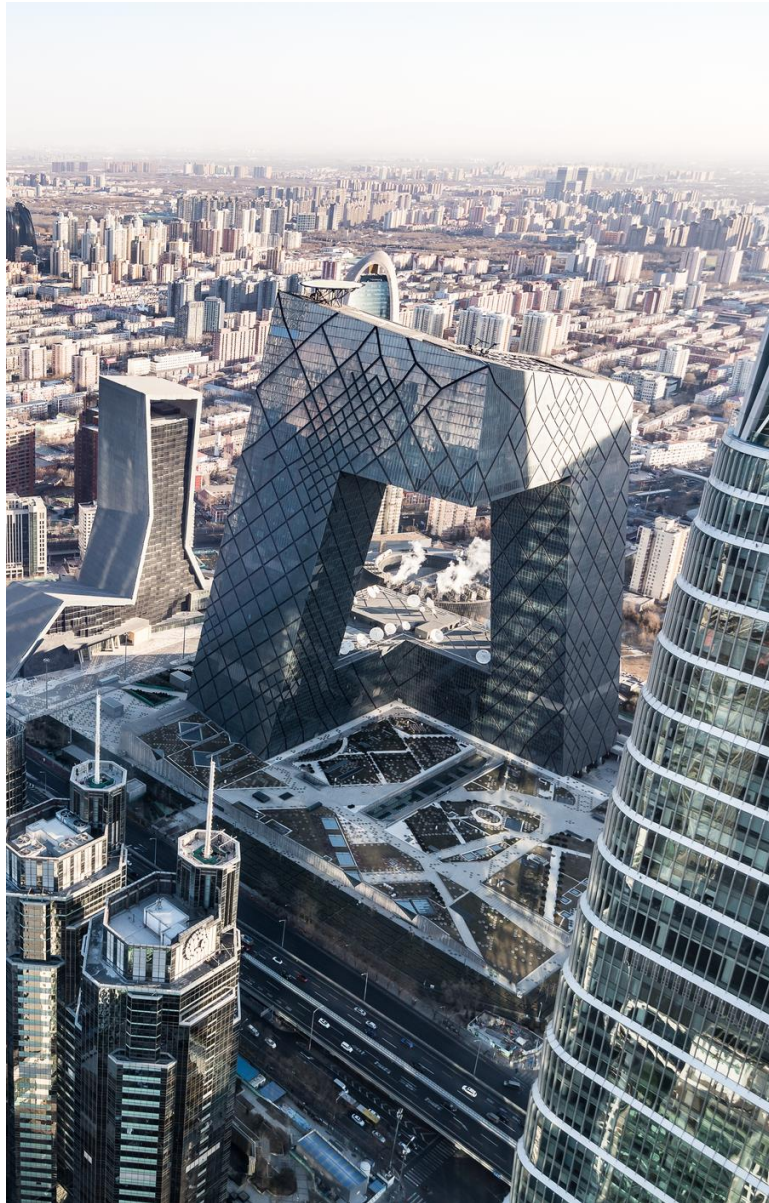
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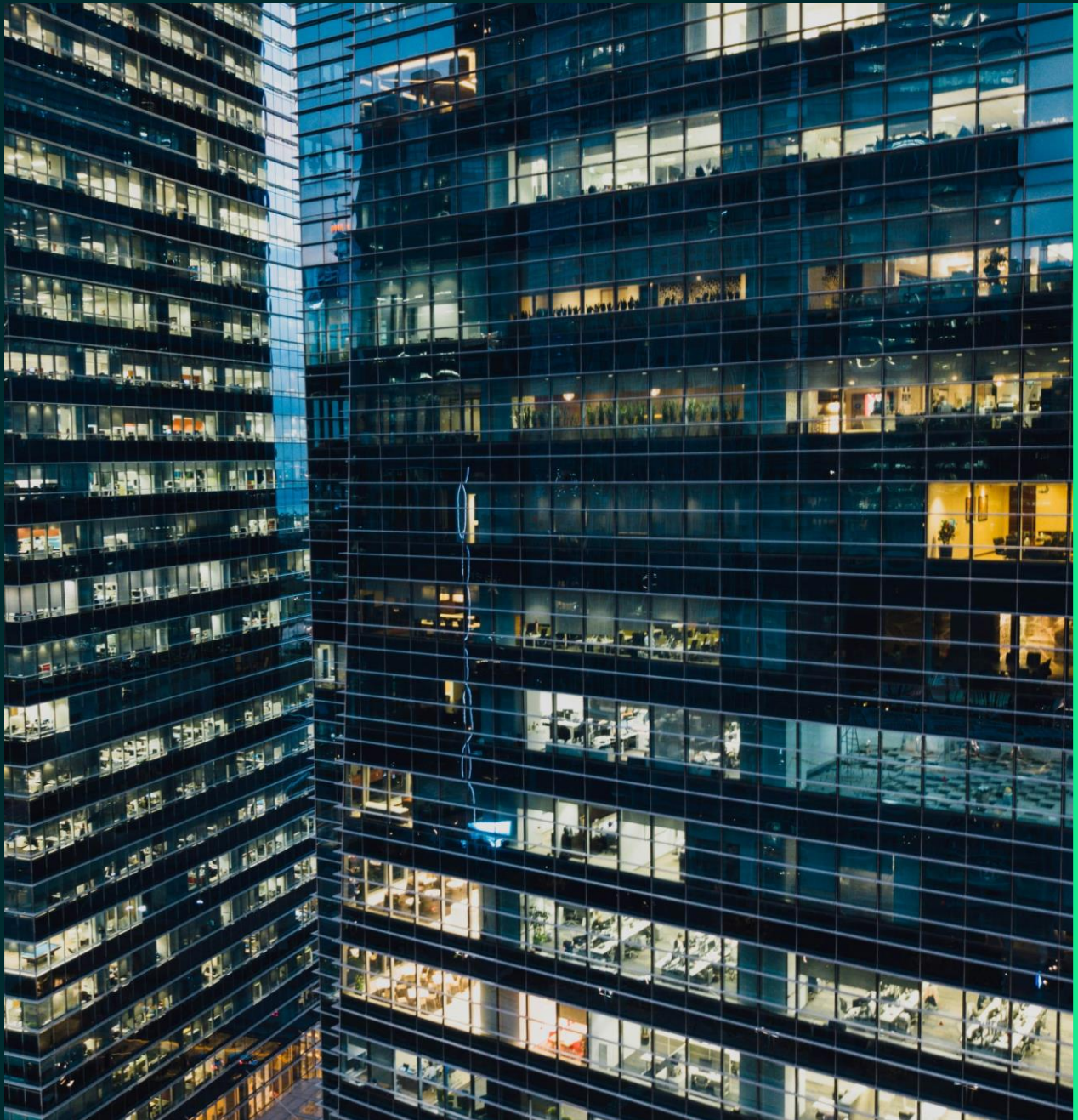
This year marks the culmination of China's 14th Five-Year Plan. Since 2020, the economy and commercial real estate market has witnessed high-quality development driven by the adoption of the "3060" goals; dual-cycle strategy; the launch of REITs; and technological innovations such as artificial intelligence. There have been numerous challenges, however, including the COVID-19 pandemic; trade conflict with the U.S.; aging population; and real estate deleveraging.

This CBRE report analyses the dynamics of China's commercial real estate market over the past five-years and explains how we expect the market to develop during the 15th Five-Year Plan period from 2026-2030.

Key Messages

- While demand has undergone a cyclical decline, oversupply has been the most prominent factor affecting the office market in tier I cities.
- Office land supply decreased in the years after the 13th Five-Year Plan due to the combined impact of urban planning and industry deleveraging.
- Beijing authorities' measures to control and reduce office land supply have proven to be highly effective and will significantly improve the supply-demand balance during the 15th Five-Year Plan period. In Shanghai, the supply of new office buildings in major business districts is expected to decline after 2028.
- The total floor area of office buildings aged 30 years or above will reach 10.2 million sq. m. from current 1.1 million sq. m. by the end of the 15th Five-Year Plan in 2029, making now the opportune moment for landlords to conduct building renovations and upgrades.
- Conversion of idle land and ageing buildings will be essential to limiting stock reduction; rebuilding the supply-demand balance; and transforming pure business districts into comprehensive dynamic areas. Establishing a vertical ecosystem will play a key role in helping landlords improve operational performance.





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01

Managing oversupply

Oversupply has underpinned a steady increase in China's office vacancy rate over the past decade.



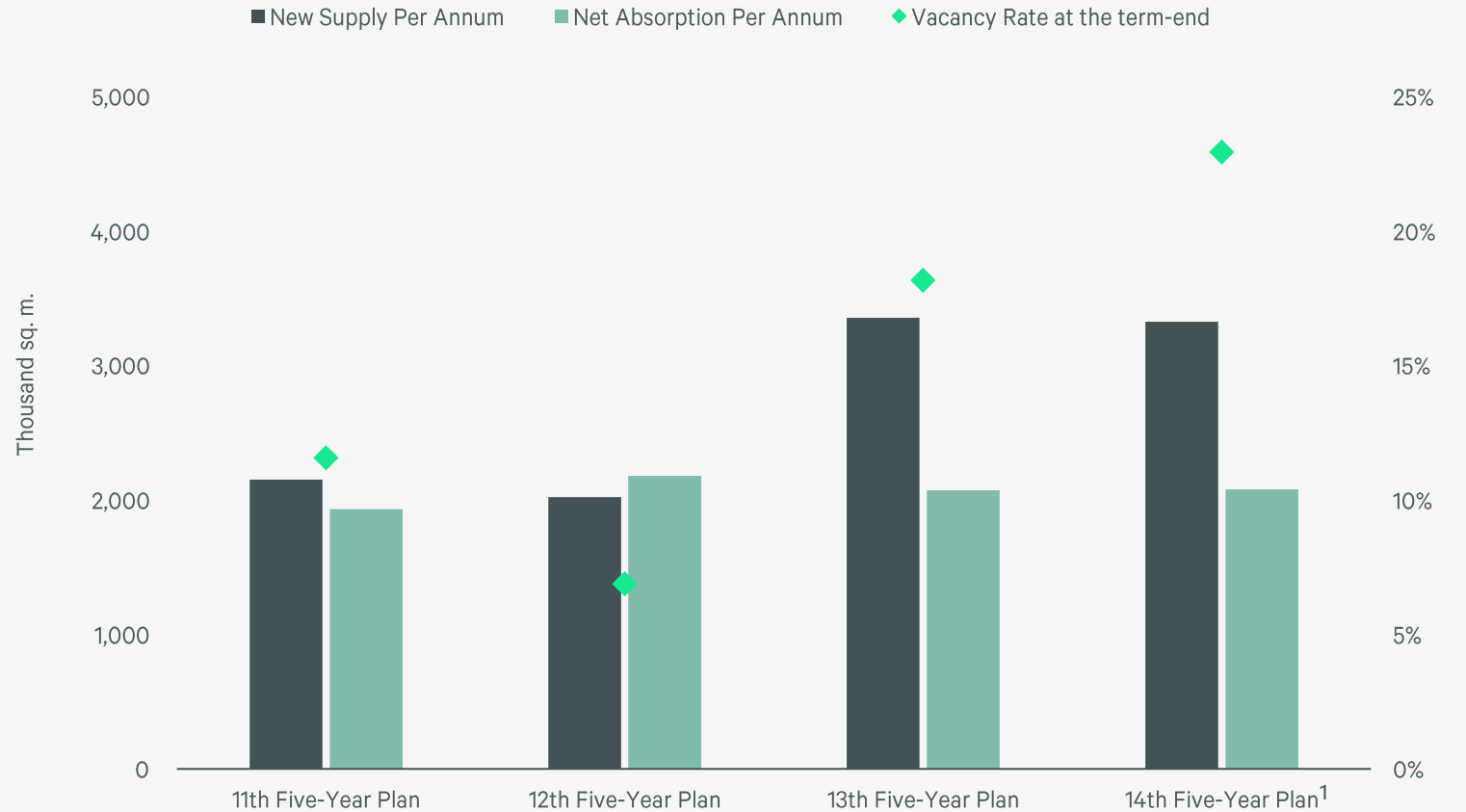
Controlling new supply is a top priority

Recent years have seen China's office market grapple with rising vacancy and falling rents. During 2024, nationwide office vacancy reached a record high 23.5%, while rents dropped 6.9% y-o-y, the largest annual decline in history.

While investors and landlords remain concerned by the lack of recovery momentum in office leasing demand witnessed since 2023, office net absorption in the four tier I office markets in each five-year period has stayed unchanged over the past fifteen years. Average new supply of 3.3 million sq. m. per annum during the 13th Five-Year Plan and 14th Five-Year Plan – a rise of more than 60% compared to the 12th Five-Year Plan – has been the main reason for the increasing vacancy rate. Trade conflict with the U.S. and the COVID-19 pandemic have also played a role by inhibiting new leasing demand.

CBRE believes that **a supply-side adjustment is the most necessary and effective way to restore balance to the office market**, especially in a macro environment in which China's economy continues to undergo structural transformation and confront external challenges. With the government already acting on the policy, real estate, and land market front, **China's office market is now entering a new era characterised by tight control over new supply and the optimisation of existing stock.**

Figure 1: Office Supply, Net Absorption and Vacancy Rate in Tier I Markets over the Past 20 Years



Note 1: Data for 2025 during the 14th Five-Year Plan are predicted value.
Source: CBRE Research, May 2025.

02

Transforming land supply policy

Office land supply in tier I markets declined after the 13th Five-Year Plan due to changes to urban planning regulations



Urban planning set to take on key role

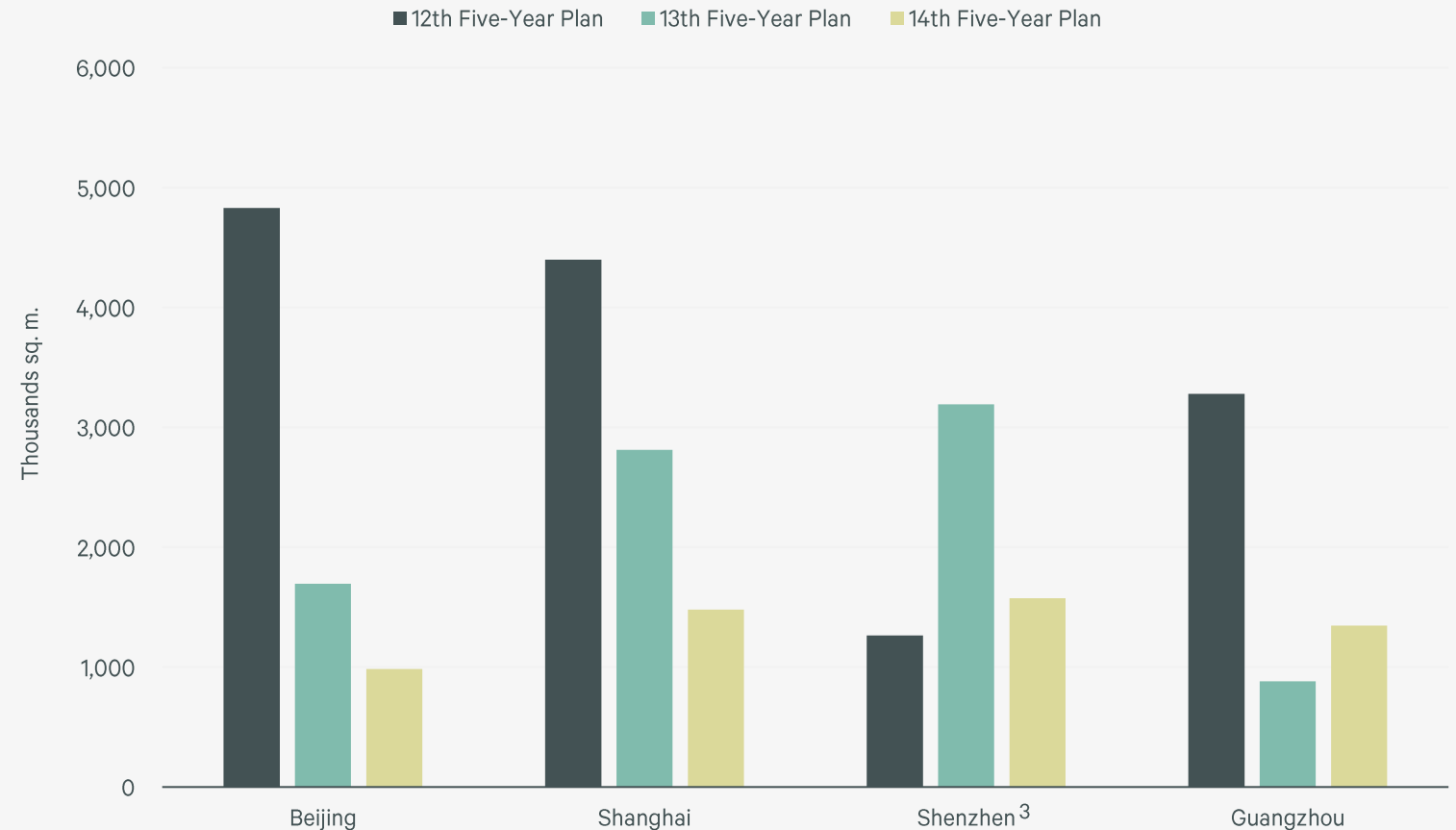
Land supply is the leading indicator of real estate development and construction. CBRE's analysis of historical data shows that current office oversupply in tier I cities is the outcome of a land supply peak that occurred during the 12th Five-Year Plan. **The supply of office land in Beijing and Shanghai has steadily dropped since the 13th Five-Year Plan, with annual land supply during the 14th Five-Year Plan equivalent to 19% and 34%, respectively, of the volumes during the 12th Five-Year Plan. The scale of land supply in Shenzhen also began to decline after peaking during the 13th Five-Year Plan.**

Urban planning has played a prominent role in both enhancing and curtailing new office land supply, with these cities rapidly developing new business districts during the 11th Five-Year Plan and the 12th Five-Year Plan, such as Lize and Wangjing in Beijing, Hongqiao CBD, North Bund and Xuhui Riverside in Shanghai, and Qianhai in Shenzhen.

In 2015, Beijing became the first city in China to regulate commercial real estate construction with the release of "The Catalogue of Prohibitions and Restrictions on New Industries in Beijing". The policy prohibited newly planned large-scale commercial real estate projects within the East, West, North Fifth Ring Road and South Fourth Ring Road, and was further strengthened during the 13th Five-Year Plan period.

The 2035 Urban Master Plan and 14th Five-Year Plan controlled the scale of commercial land supply in Shanghai and Shenzhen, respectively (See Page 8).

Figure 2: Planned GFA of All Office-Related Land² Transacted in Tier I Cities



Note 2: Office-related land includes pure office-used land and mixed-use land that involves the office sector.

Note 3: A large volume of M0 land – a type of industrial land for new industrial projects and related facilities – has been allocated to the construction of office buildings in Shenzhen since 2017.

Source: Wind, CBRE Research, May 2025.

Figure 3: Urban Master Plan and Regulations on Land Supply in Tier I Cities over the Past 20 Years

Time	Beijing		Shanghai		Shenzhen		Guangzhou	
	Name of Document	Key Content	Name of Document	Key Content	Name of Document	Key Content	Name of Document	Key Content
11 th Five-Year Plan	2008	Opinions on Promoting the Development of Beijing Financial Industry	To develop the CBD, West Zone of Zhongguancun, and Lize					
	2010		Outline of the Integrated Development Plan for the Yangtze River Delta Region	To develop Hongqiao CBD				
11 th Five-Year Plan	2011	Beijing's 12 th Five-Year Plan	To develop Wangjing		China's 12 th Five-Year Plan	To develop Qianhai	Guangzhou's 12 th Five-Year Plan	To focus on the development of city centres including Zhujiang New Town and Panzhou
	2012		12 th Five-Year Plan for the Areas along Two Sides of Huangpu River	To construct EXPO and surrounding areas, Bund-Lujiazui-North Bund area and Xuhui Riverside		The State Council approved Qianhai to execute 22 pilot policies	Master Plan of Development for Guangzhou (2011-2020)	To establish two centres: Beijing Road and Zhujiang New Town (involving Financial City and Pazhou)
	2013				Detailed Control Plan for Shenzhen Bay Super Headquarters Base	To develop Shenzhen Bay Super Headquarters Base		
	2015	The Catalogue of Prohibitions and Restrictions on New Industries in Beijing	Prohibited newly planned large-scale commercial real estate projects within the East, West, North Fifth Ring Road and South Fourth Ring Road					

Source: Government regulations and policies, CBRE Research, May 2025.

(yellow-coloured cells) Development Regulations for City and CBD Planning
 (green-coloured cells) Regulations on Controlling of Land and Commercial Constructions

Figure 3: Urban Master Plan and Regulations on Land Supply in Tier I Cities over the Past 20 Years (Cont'd)

Time	Beijing		Shanghai		Shenzhen		Guangzhou		
	Name of Document	Key Content	Name of Document	Key Content	Name of Document	Key Content	Name of Document	Key Content	
13 th Five-Year Plan	2016		13 th Five-Year Plan for the Areas along Two Sides of Huangpu River	To develop South Bund, Xuhui Riverside-Qiantan, EXPO site, Xinhua-Minsheng-Yangjing areas in Pudong and Yangpu Riverside	Shenzhen's 13 th Five-Year Plan	To transform Futian CBD into CAZ	2016 Guangzhou Government Work Report	To accelerate the integrated development of Pazhou Internet Innovation Cluster, Financial City and Zhujiang New Town	
	2017	Master Plan of Development for Beijing (2016-2035)	To encourage the usage of existing land, urban renewal and control building height in the city centre	Master Plan of Development for Shanghai (2017-2035)					To build up 7 CAZ in Shanghai, gradually control office land supply, accelerate the upgrading and renovation of existing office buildings
	2018	Positive and Negative Lists for Constructive Land Use	To limit the change of land use into large commercial projects						
14 th Five-Year Plan	2021		14 th Five-Year Plan and Development Goal till 2035	To decide the scale of commercial land per need and allow some undeveloped commercial land to be converted into residential land and build rental housing					
	2022		Action Plan of Upgrading the Commercial Districts in Shanghai (2024-2026)	To match the annual commercial land supply with real demand and optimise the regulation of the supply rhythm and self-owned ratio for office and retail land					
	2023	Regulations on Urban Renewal in Beijing	A comprehensive plan considering urban renewal and control of commercial projects						
	2024		Action Plan for Promoting the Renewal and Upgrading of Commercial Buildings in Shanghai (2024-2027)	To classify buildings and execute different upgrading and revamping measurements					
	2025								Master Plan of Development for Shenzhen (2021-2035)

Source: Government regulations and policies, CBRE Research, May 2025.

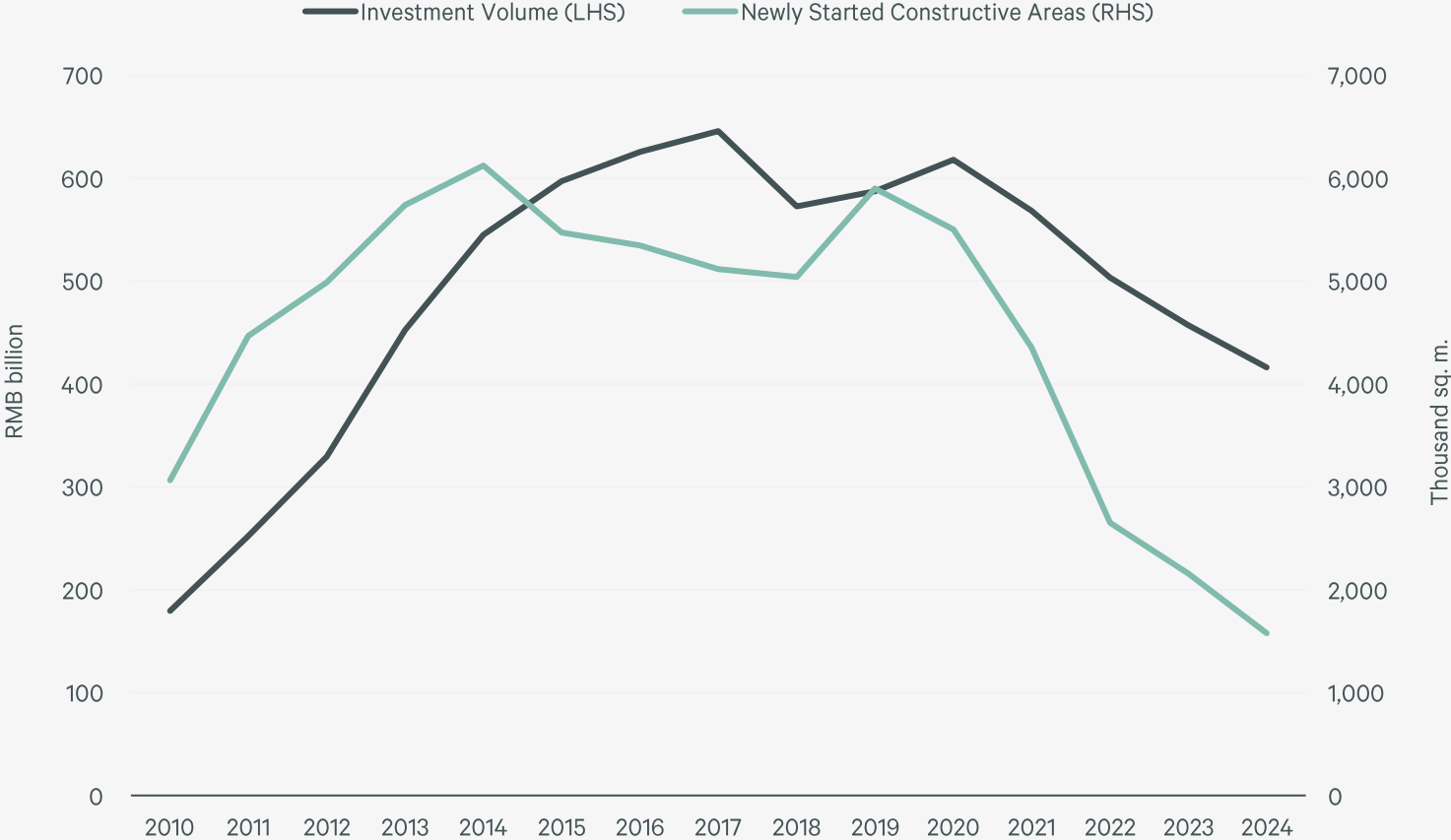
(yellow-colored cells) Development Regulations for City and CBD Planning
 (green-colored cells) Regulations on Controlling of Land and Commercial Constructions

Real estate deleveraging to accelerate the consumption of stock, reducing office supply

In August 2020, China's Ministry of Housing and Urban-Rural Development along with the People's Bank of China (PBoC) launched a new financing regulation referred to as the "three red lines". The measure, which tightened supervision over real estate developers' leverage ratio, has brought about a substantial cooling of development and construction activity in recent years. In 2024, the total land area of new office projects commencing construction nationwide averaged 1.58 million sq. m. per month, less than 30% of the figure in 2020.

CBRE believes that the structural transformation driven by deleveraging has made the 14th Five-Year Plan period a milestone in the development of China's real estate industry. Over the next five to ten years, the accelerated clearance of development capacity will gradually cause a supply trough. Office supply will commence a medium- to long-term downward trend along with the adjustment of urban planning regulations and the transformation of the real estate industry.

Figure 4: Investment Volume and Total Land Area of New Office Construction Starts Per Month



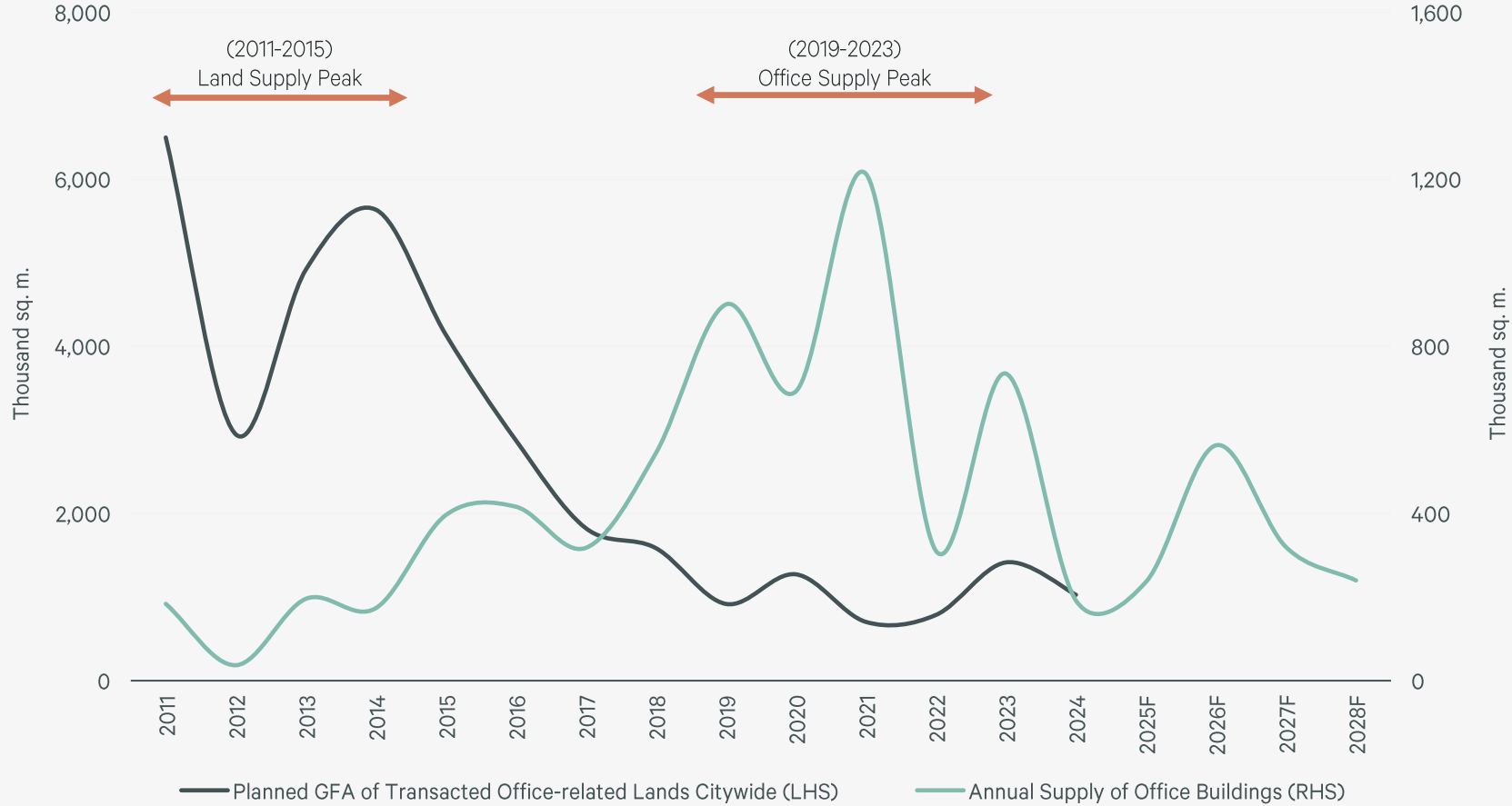
Source: National Statistics Bureau, CBRE Research, May 2025.

Beijing's office market to benefit from reducing office land supply

CBRE data show the most recent peak in Beijing's office supply occurred in 2019-2023, some five to ten years after the peak in land supply during the 12th Five-Year Plan.

The impact of reducing office land supply will emerge late into the 14th Five-Year Plan and throughout the 15th Five-Year Plan. CBRE forecasts annual office supply in Beijing from 2024 to 2028 will reach 310,000 sq. m., 60% lower than the peak in the previous five years. With average annual net absorption over the past 15 years standing at 360,000 sq. m., **the supply-demand balance is set to be greatly improved during the 15th Five-Year Plan, provided net absorption remains at this annual average.**

Figure 5: Planned GFA of Transacted Office-related Land and Annual Supply of Office Buildings in Beijing



Source: Wind, CBRE Research, May 2025.

Office land supply in Shanghai's city centre CBDs falls since 14th Five-Year Plan

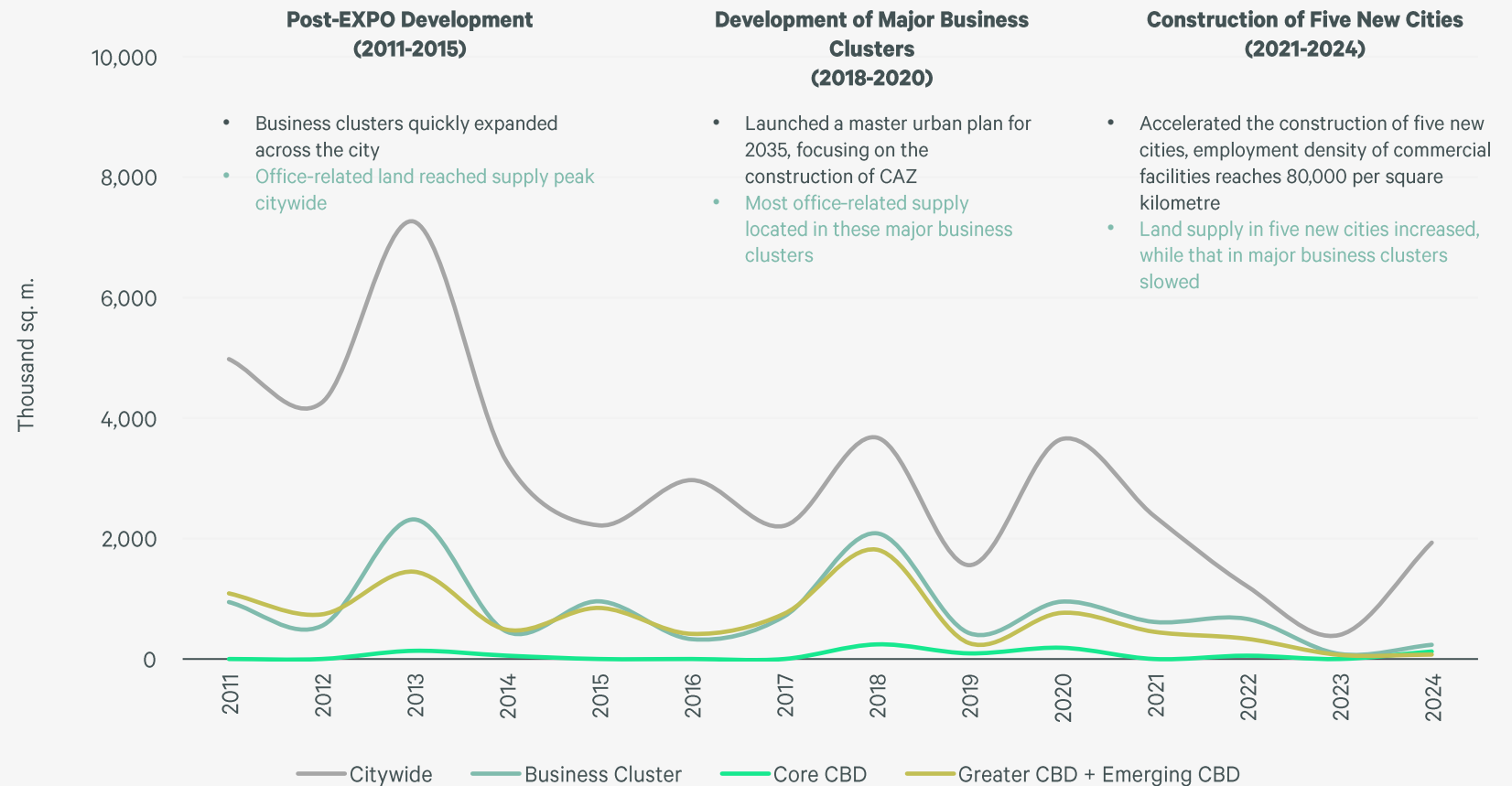
As in Beijing, office land supply in Shanghai reached a citywide high during the 12th Five-Year Plan, before commencing a downward trend.

However, Shanghai authorities accelerated the development of emerging business districts during the 13th Five-Year Plan, spurred by the launch of the city's 2035 Urban Master Plan. This led to a second wave of office land supply between 2018-2020 in business clusters including the Central Activity Zone and the City Sub-centre.

Although office land supply in Shanghai's five new cities - Jiading, Qingpu, Songjiang, Fengxian, and Nanhui - increased during the 14th Five-Year Plan, **supply in business clusters in the city centre fell significantly. Average annual supply between 2021-2024 was 400,000 sq. m., down 44% and 38%, respectively, compared to the level during the 13th Five-Year Plan and the 12th Five-Year Plan.**

Office land supply in Shanghai's core CBDs has long been scarce, with planned GFA of accumulated land supply less than 900,000 sq. m. in the past 14 years, just 2% of the total.

Figure 6: Planned GFA of Transacted Office-related Land in Shanghai⁴



Note 4: Business clusters involve Central Activity Zones set in 'Master Plan of Development for Shanghai (2017-2035)', City Sub-centres of Wujiaochang, Huamu and Zhenru set in 'Master Plan of Development for Shanghai (1999-2020)', and Hongqiao CBD set in 'Outline of the Integrated Development Plan for the Yangtze River Delta Region'. Core CBDs involve Nanjing West Road, Huaihai Middle Road & Xintiandi, Little Lujiazui. Greater CBDs involve Xujiahui, Century Avenue, Hongqiao, Railway Station, The Bund, People's Square, Sichuan Road North, North Bund, Huamu, Huangpu Riverside. Emerging CBDs involve Qiantan, Wujiaochang, Expo & Houtan, Hongqiao CBD, Xuhui Riverside, Daning and Zhenru.

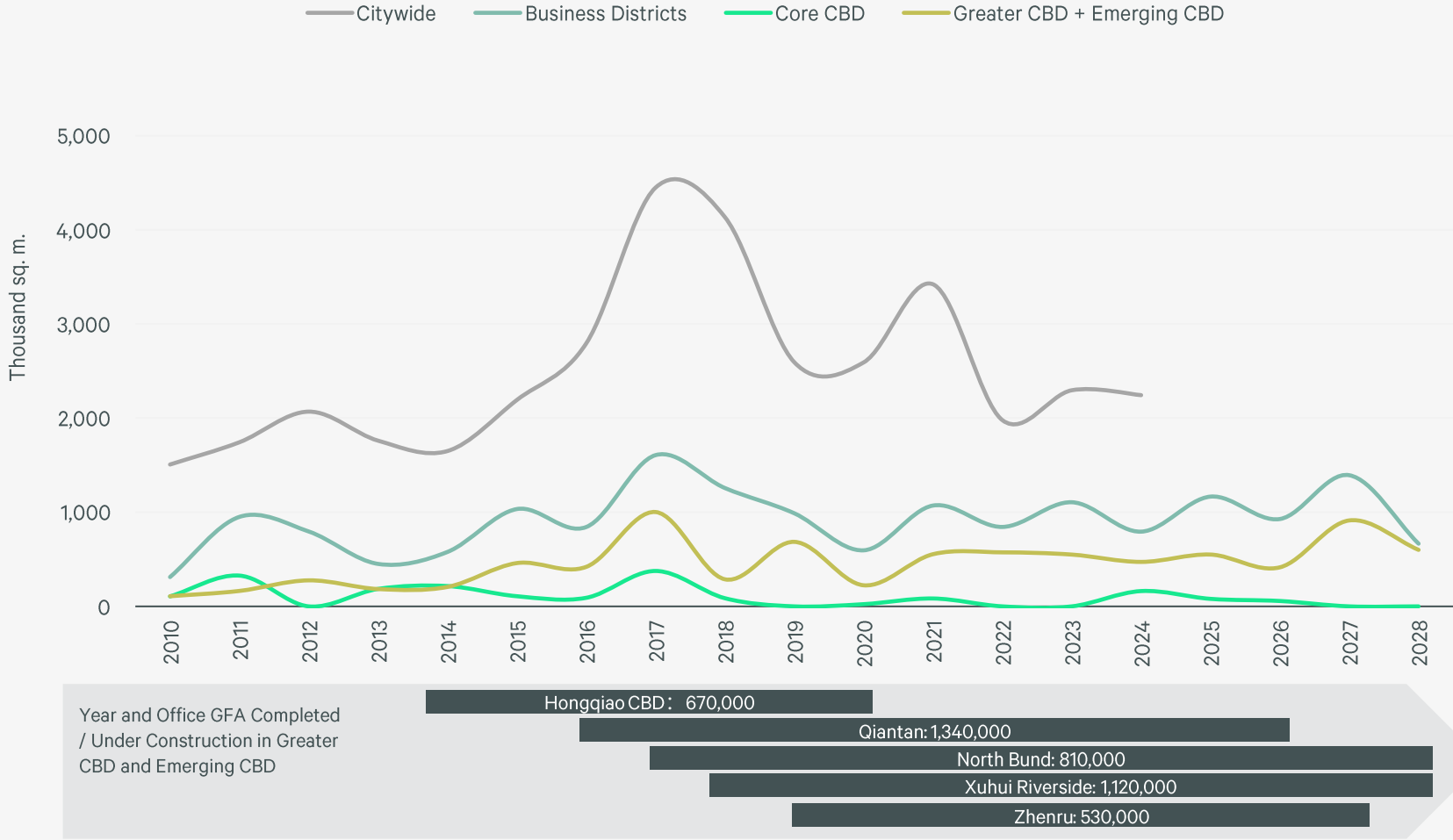
Source: Wind, CBRE Research, May 2025.

New office supply to fall later in the 15th Five-Year Plan period

Shanghai's office market reached a supply peak between 2015 and 2017, which was a result of the two waves of new land supply witnessed during the 12th Five-Year Plan and 13th Five-Year Plan. The period saw a steady flow of new office supply in the city's greater CBDs and emerging CBDs.

Considering the typical five-to-ten-year construction period; the timing of Shanghai's two land supply waves; and shifting urban planning and land market trends since the 14th Five Year Plan, **CBRE expects new office supply in major business clusters in Shanghai's city centre to decrease after 2028. The rebalancing between supply and demand will occur earlier in core CBDs.**

Figure 7: Completed and Forecasted Area of Shanghai Office Buildings by District⁵



Note 5: Citywide data refers to annual completed office areas sourced from Shanghai Statistics Bureau. Source: Shanghai Statistics Bureau, CBRE Research, May 2025.

03

Accelerating urban renewal

A period of rapid upgrading and renewal of office buildings is expected during the 15th Five-Year Plan



An opportune moment for office renovations and upgrades

Converting or changing the use of existing land and projects will be another effective way to relieve supply pressure. CBRE data show the **total nationwide GFA of office buildings aged 30 years or above will reach 10.22 million sq. m. in 2030 from the current 1.14 million sq. m.**

Since 2023, several local governments have released policies to allow adjustments to the usage of existing buildings. In 2024, the central government issued a special bond fund to repurchase and withdraw existing land stock. **Several plots of commercial land in the Xuhui, Hongkou and Jing'an districts of Shanghai have since been changed to residential use**, with similar cases also occurring in cities such as Shenzhen, Guangzhou and Hangzhou (See Page 16).

Last year's Third Plenary Session of the 20th Central Committee confirmed the issue of extension and expiration of industrial and commercial land use rights as one of the reform tasks to be completed before the end of 2029. CBRE expects this to facilitate the upgrading and renewal of commercial properties across China.

Figure 8: National and Local Policies Regarding Change of Land Use and Land Purchase

Time	Region	Name of Policy	Summary
2024 May	China	Notice on the implementation of Policies and Measures for the Proper Disposal of Idle Land	To withdraw idle land per regulation, adjust planning, then relaunch.
2024 July	China	Decision on Further Comprehensively Deepening Reform and Promoting Chinese Modernisation	To encourage the mixed development and utilisation of land, proper conversion of uses, and revitalise existing land and inefficient land; Formulate policies for the extension and expiration of industrial and commercial land use rights.
2024 November	China	Notice on Using Local Government Special Bond Funds to Recover the Stock of Idle Land.	To use special bond funds to purchase the land that enterprises are unable or unwilling to continue development of. Pertains to residential land and commercial land upon which construction has not yet commenced.
2024 December	China	Guiding Catalogue of High-quality Development of Industries Supported by Natural Resource Elements (2024)	To transform commercial and office stock into pension institutions and medical institutions.
2025 May	China	Opinions on Continuously Advancing Urban Renewal Initiatives	To strengthen the renovation and utilisation of existing houses such as old factories, inefficient buildings, and properly conduct conversion per needs
2023 March	Beijing	Regulations on Urban Renewal in Beijing	Existing buildings are allowed to convert use after being approved according to law.
2023 September	Beijing	Notice on further refining technical requirements for revamping existing non-residential buildings into apartments, dormitories and affordable rental housing	Set up clear technical requirements for the renovation of existing non-residential buildings to ensure rental housing.
2024 April	Shanghai	Work Guidelines for Promoting and Standardising the Use of Existing Buildings to Supply Old-age Service Facilities	Use existing commercial, office, community buildings or industrial and logistics buildings to set up old-age service facilities.
2024 May	Shenzhen	Notice on Revamping Existing Non-residential Housing into Affordable Rental Housing (Revised Draft for Comment)	Convert idle and inefficient use of commercial, office, hotels, factories, R&D, warehouses, education and other non-residential facilities into affordable rental housing.
2024 May	Wuhan	Notice on Further Optimising Policies and Measures to Promote the Stable and Healthy Development of the Real Estate Market	Convert existing office and commercial buildings into residential or rental housing according to law.
2024 June	Shanghai	Action Plan for Promoting the Renewal and Upgrading of Commercial Buildings in Shanghai (2024-2027)	To classify buildings and execute different upgrading and revamping measurements.
2024 June	Chengdu	Implementation Opinions on Promoting the Redevelopment of Inefficient Land by Urban Renewal Vehicle	To withdraw and purchase idle and inefficient land. Encourage conversion from non-residential to the facilities supporting new industry.
2024 December	Guangzhou	Measures on the Administration of Placement-type Affordable Housing (Trial)	Support the use of idle and inefficient industrial, commercial, office and other non-residential land to build allotment-type affordable housing, change land use, and not pay the land price.
2025 March	Shanghai	Measures to Promote Innovative Development of the Service Industry in Shanghai	Support qualified inefficient office and retail buildings to be converted into hotels within a certain period.

Source: CBRE Research, May 2025.

Figure 9: Recent Examples of Existing Land Use Conversion

City	Name of the Land Plot	Location	Land Area (sq. m.)	Use of Land After Conversion		
				Time of Conversion	Use of Land (Before Conversion)	Use of Land (After Conversion)
Shanghai	Land 051-11 in Hengfu Scenic Area	Enclosed by Huashan Road, Guangyuan Road, Tianping Road and Kangping Road	4,707	May 2025	Office, Mixed Use	Residential
Shanghai	Land 053-b-1 in Neighborhood 053 of Jiangning Community, Jing'an	Enclosed by Datian Road, Xinzha Road, No.2 Shimen Road and South Suzhou Road	16,800	April 2025	Office	Residential, Retail
Shanghai	Land 314-01 in Neighborhood 314, Hongkou	Enclosed by Tongzhou Road, East Yuhang Road, Xinjian Road, Zhoujiazui Road	6,288	April 2025	Office	Residential, Retail
Shanghai	Land 315-11 in Neighborhood 315, Hongkou	Enclosed by Gongping Road, East Yuhang Road, Gaoyang Road, Zhoujiazui Road	19,446	April 2025	Office, Retail, Residential	Residential
Shanghai	Land xh128D-07 in Xuhui Riverside	Enclosed by Zhaofeng Road, Damuqiao Road, No.2 Zhongshan South Road, Longhua Middle Road	83,600	May 2024	Office, Mixed Use	Residential
Shenzhen	Land DU10 and DU13 in Houhaiwan-Dongjiaotou Area	A land plot in Houhai Financial Headquarter Base	239,587	July 2024	Office, Retail	Residential, Retail
Hangzhou	Land SC080201-27 in City East New Town	Enclosed by Huanzhan West Road and Xintang Road, Land SC080201-28, Land SC080201-28, San Road	32,600	April 2025	Office, Retail	Residential
Hangzhou	Land XH030203-01 in Jiangcun Wenxin	Enclosed by Chongren Road, Qingchuan Street, Hongde Road, Wenyi West Road	80,000	April 2024	Office, Retail	Residential, School, Cultural and Service Amenities
Guangzhou	Land 1 and 12 in Nandaganwei on Gongye Avenue, Haizhu	Enclosed by Yuexiu Tianhui Jiangwan, China Overseas Guanlanfu, Haizhu Creative Park, Harbor City by Guangzhou Grandbuy	15,500	November 2024	Office, Retail	Residential
Wuhan	Land B2 of Tianjie Phase I, Jiangnan and Land A on Tianjie Phase III (Hepingli)	Enclosed by Yanhe Avenue, Youyi South Road, Minquan Road	37,825	December 2024	Office, Retail, Green Area	Residential, Office, Green Area
Fuzhou	Land L-3 of 350102-HS-L, Gulou	Enclosed by Wushan West Road, Runhejun, Douchi Road, West Second Ring Road	23,700	September 2024	Office, Retail	Office, Retail, Residential

Source: CBRE Research, May 2025.

Office building conversions successfully decrease stock and upgrade buildings globally

Office conversion is a common practice worldwide. **Of the 40 office markets monitored by CBRE in the U.S., more than 750 office buildings with a total GFA of 71 million sq. ft. were earmarked for conversion or had already been converted by Q3 2024.**

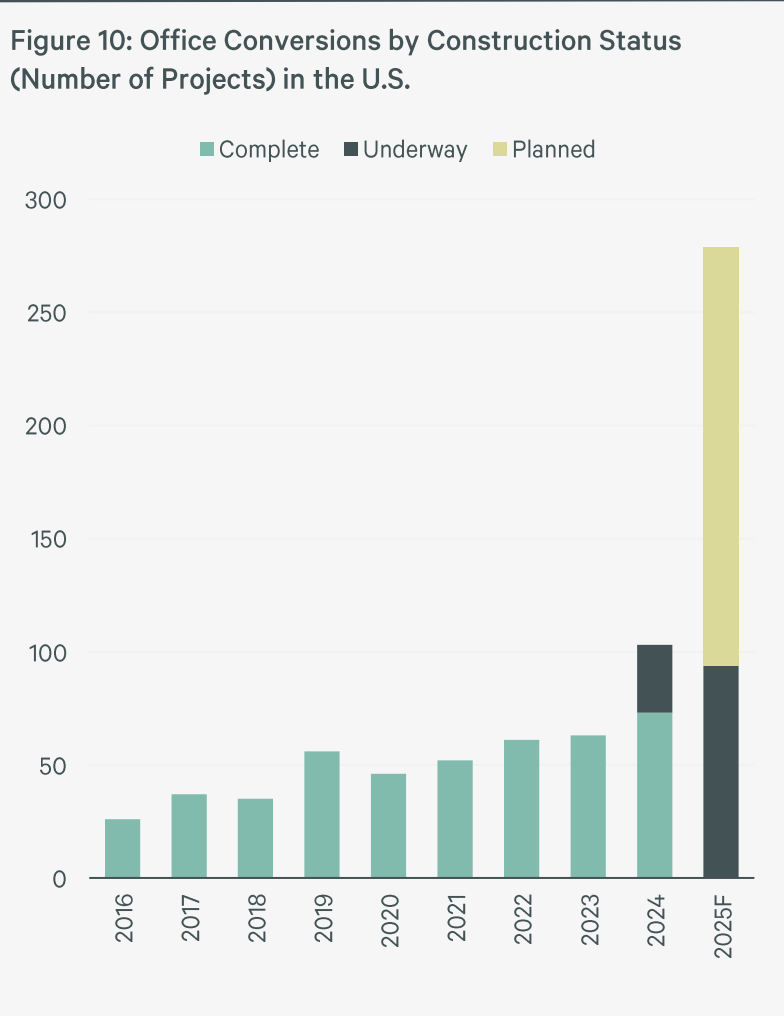
The vacancy rate of U.S. rental apartments in city centres is only 5.3%, while that for office buildings is as high as 19.6%. The accumulated rental increase since 2020 has been 22% for the former and only 1% for the latter, making rental apartments the most popular option for conversion. By Q3 2024, over 70% of all office buildings being or planned to converted will become rental apartments, 26 percentage points higher than a year ago⁶.

In 2022 and 2023, investors bought about 2.1 million sq. ft. of office floor area in London city centre for conversion purposes. Medical facilities (50%) and hotels (34%) ranked as the top two options⁷.

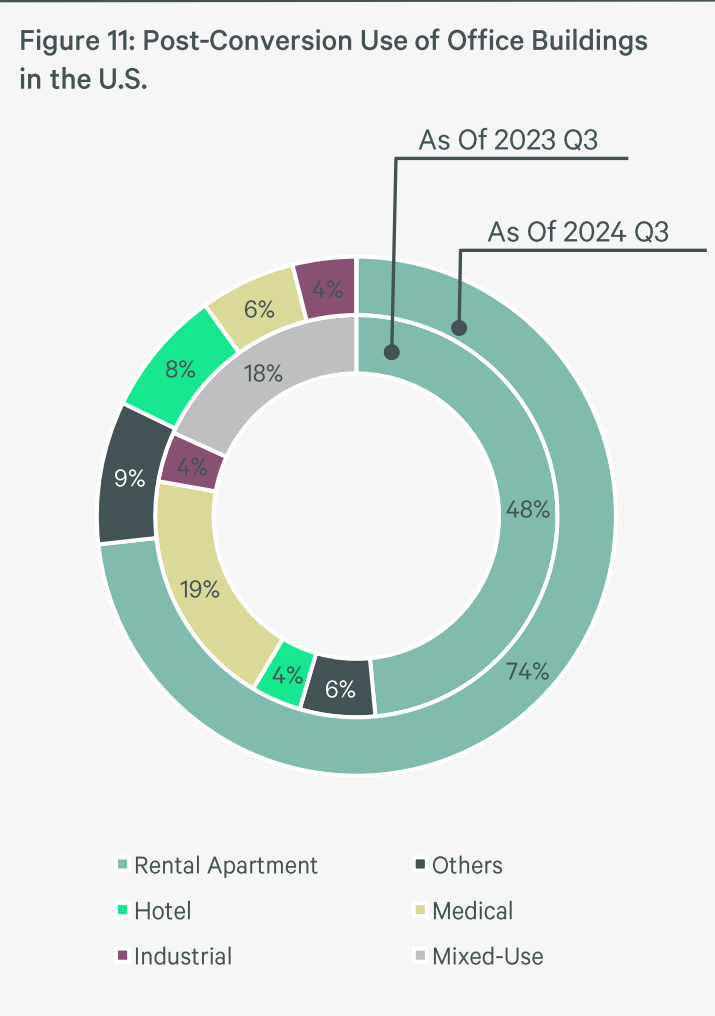
Note 6: 'Rise in Office Conversions May Help to Reinvigorate Cities', CBRE US Research, September 2023.

'Strong Office Conversion Pipeline Will Boost Business-Centric Downtowns', CBRE US Research, November 2024.

Note 7: 'Adapt to attract: London's ever-changing investment market', CBRE UK Research, June 2023.



Source: CBRE Research, 2024.



Source: CBRE Research, 2024.

Office conversion a win-win solution for both building and submarket

Office conversion involves both the optimal utilisation of a single building as well as boosting the overall vitality of the entire business cluster. Demand for amenities and services such as retail, medical care and education by the working and living population within a city's business clusters increases along with the rise in real estate supply. CBRE data show **office buildings in areas with more diversified property types perform better**. In the U.S., the vacancy rate for all categories of office buildings in mixed-use areas is lower than that for buildings in pure office clusters⁸.

Shanghai Qiantan illustrates the success of comprehensive dynamic regional development. The area's diverse offering makes it both a CBD and a 24-hour vitality city. Since the completion of the first office building in the district in 2016, office net absorption in Qiantan has significantly outperformed the average in other emerging CBDs.

Note 8: 'Shaping Tomorrow's Cities: Fostering Resilient and Vibrant Urban Environments', CBRE U.S. Research, 2024.

Note 9: Ratios for office, retail, residential, medical, education and entertainment types are calculated on planned GFA, while green area is based on constructive land area.

Note 10: Selected office buildings sized between 50,000 and 100,000 sq. m. with a stabilised occupancy rate of 80% or above for more than six months. Data as of Q1 2025.

Figure 12: Vacancy Rates by Building and District Type in the U.S.

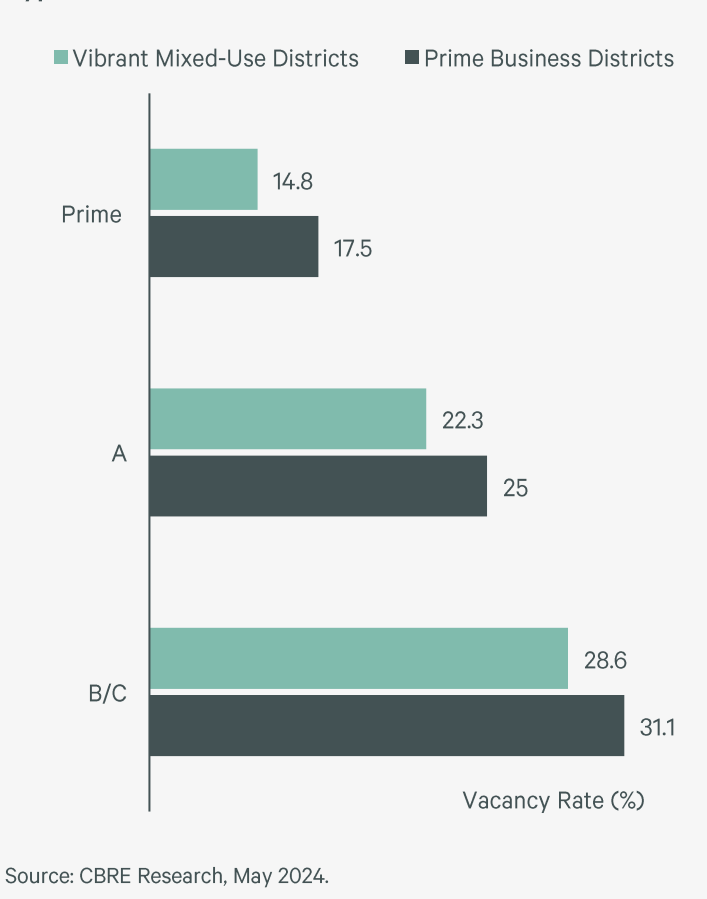


Figure 13: Ratio of GFA / Land Area by Property Type in Qiantan⁹

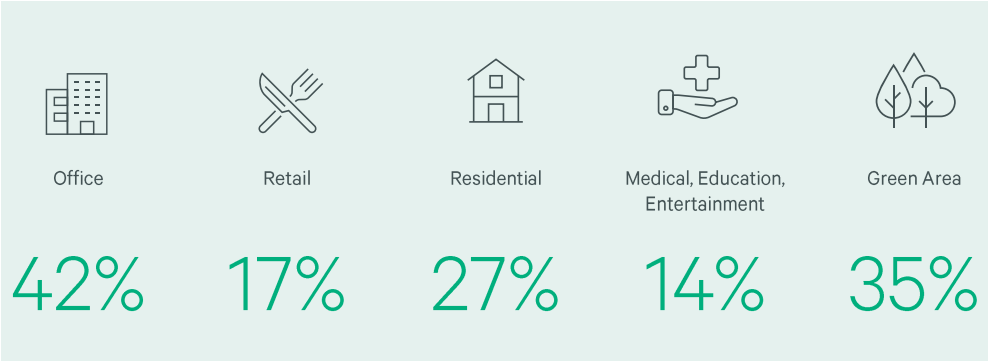


Figure 14: Comparison between Qiantan and Other Emerging CBDs in Shanghai¹⁰

	Time to Stabilise for Projects Completed between 2016 and 2017	Average Occupancy Rate for Projects Completed after 2022
Qiantan	24 months	55%
Other Emerging CBD	30 months	34%

Source: CBRE Research, May 2025.

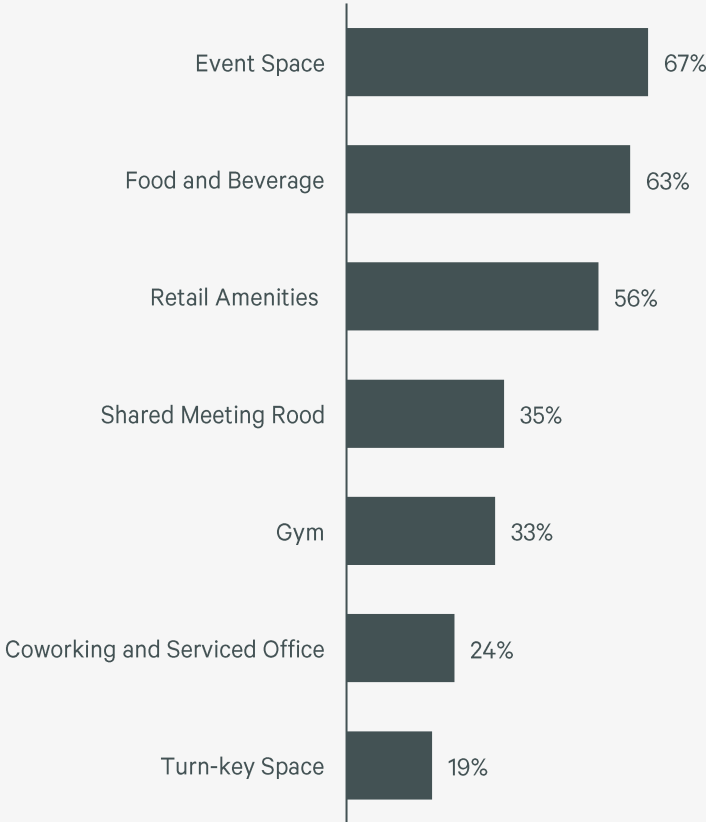
Space should be transformed to meet tenants' needs

In addition to changing building, revamping selected floors into functional areas can help landlords to improve the tenant experience and enhance the performance of their properties.

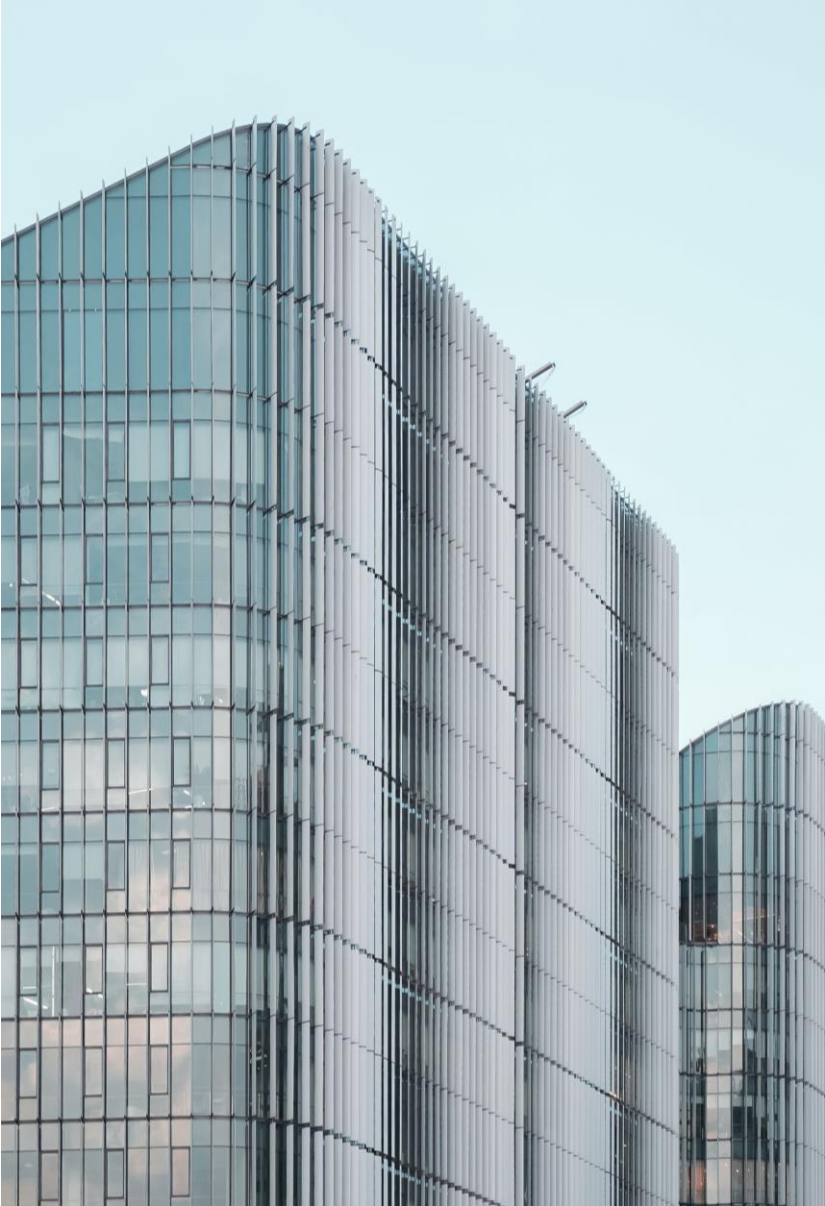
CBRE's 2024 China Office Occupier Survey found that **71% of occupiers stated that supporting facilities and services would affect their decision to renew their lease or relocate to another building, with only cost ranked as a more important factor.**

Occupiers pay especially close attention to flexible space such as event areas and shared meeting rooms, as well as catering and retail amenities.

Figure 15: Importance of Amenities in Occupiers' Renewal vs. Relocation Analysis



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



Landlords must establish holistic building ecosystems

In addition to traditional office facilities, CBRE recommends landlords consider integrating living, entertainment, social and other uses into office buildings to create vertical ecosystems that facilitate synergies between the various components.

Asia Building in Shanghai's Huangpu District is a successful case of a landlord transforming a pure office building into a multifunctional cultural facility. The project was driven by the introduction of the Shanghai New Performing Arts Space Operation Standard in 2019, which allowed small-sized art spaces with no less than 50 performances per year, no less than 100 seats or an area of no less than 200 sq. m. to operate in office buildings, shopping malls and business parks.

Beginning in 2020, the owner of Asia Building began to convert some spaces into arts venues, with the relevant floors having been retrofitted with fire protection according to safety requirements. By 2024, the building was home to a total of 19 arts spaces with a total of 3,248 seats and a total area of 4,700 sq. m.. Many of the arts tenants also leased office space elsewhere in the building.

Other examples from elsewhere around Asia Pacific include a 182-metre high-rise building in Shibuya, Tokyo, which has vertically integrated theater, exhibition and retail functions into office space. The office building features a "Theatre Orb" which can accommodate 2,000 spectators.

Recent years have seen such initiatives obtain more flexibility and support at the policy level. **The Action Plan for Promoting the Renewal and Upgrading of Commercial Buildings in Shanghai (2024-2027)** issued in June 2024 requires that existing buildings should be classified and upgraded, and allows integrated comprehensive functions according to building users' needs. **A similar regulation was issued in Beijing at the end of 2024** to encourage the complex, intensive and efficient use of building space to incorporate functions such as culture, sports, education, medical care, social welfare and business services.

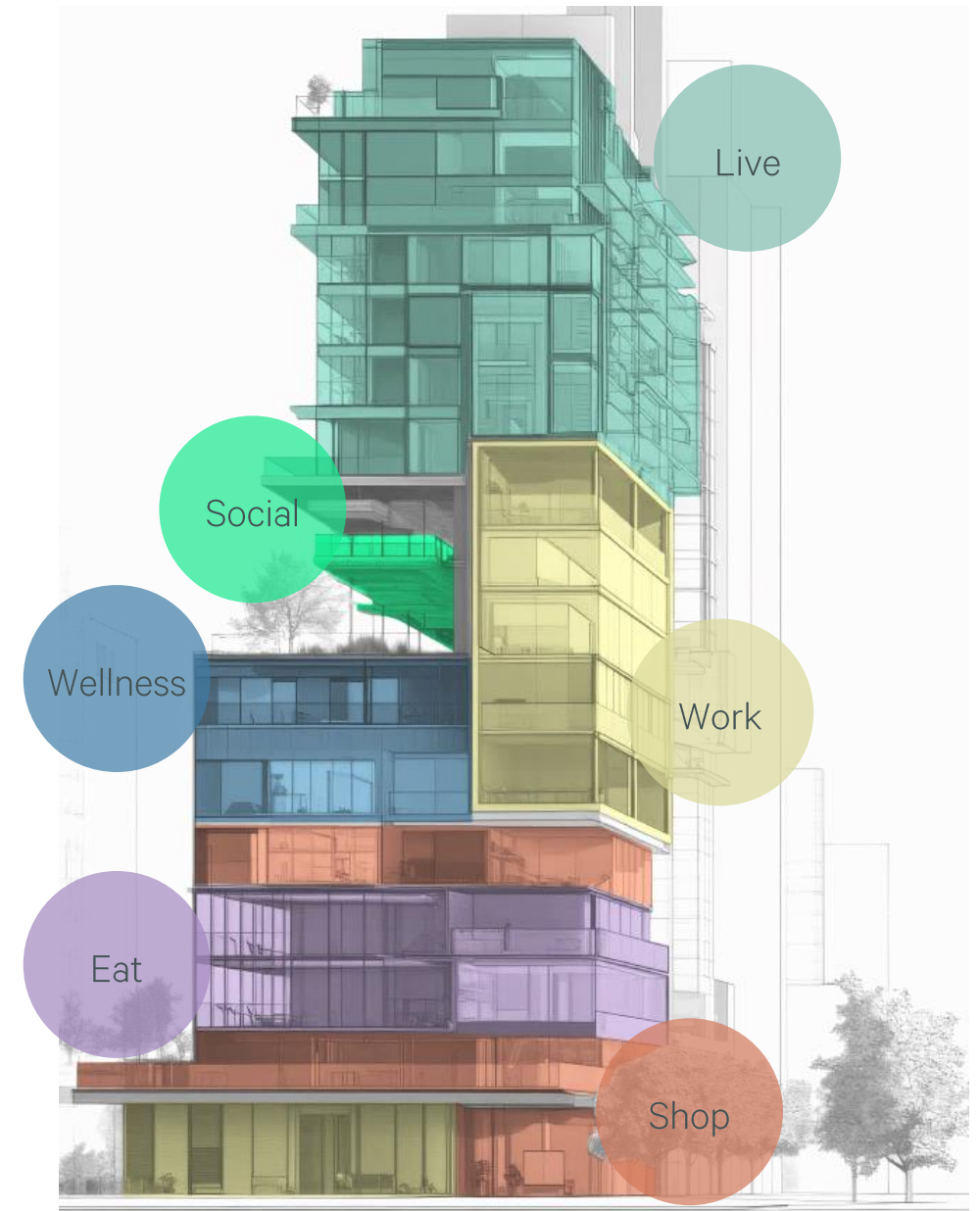
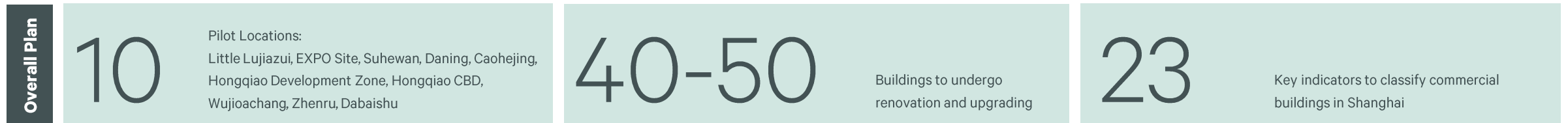


Figure 16: Key Contents of the Action Plan for Promoting the Renewal and Upgrading of Commercial Buildings in Shanghai (2024-2027) and the Shanghai Comprehensive Evaluation Guidelines for Office Buildings



Implement by Classes	Grade	Scoring System	Score	Development Guideline
	Premium A	Four Aspects: Location (20+5), Construction Situation (34+5), Quality Business Service (46+5), Social Contribution and Economic Benefit (0+10) (basic score + additional score / 100+25)	No less than 90	Focusing on the core functions of the "five centres" goal, introducing leading companies in the industry chain to enhance concentration and output intensity of buildings
	A		Above 75	Introducing high-quality companies per building industry positioning, improving operation and service ability
	B		Above 60	Allowing partial renovation per actual needs and positioning, improving services and property management ability
	C		Less than or equal to 600	Improving property management ability, securing daily maintenance, converting building function per actual need
	Idle and Inefficient			Conversion, renovation and retreat

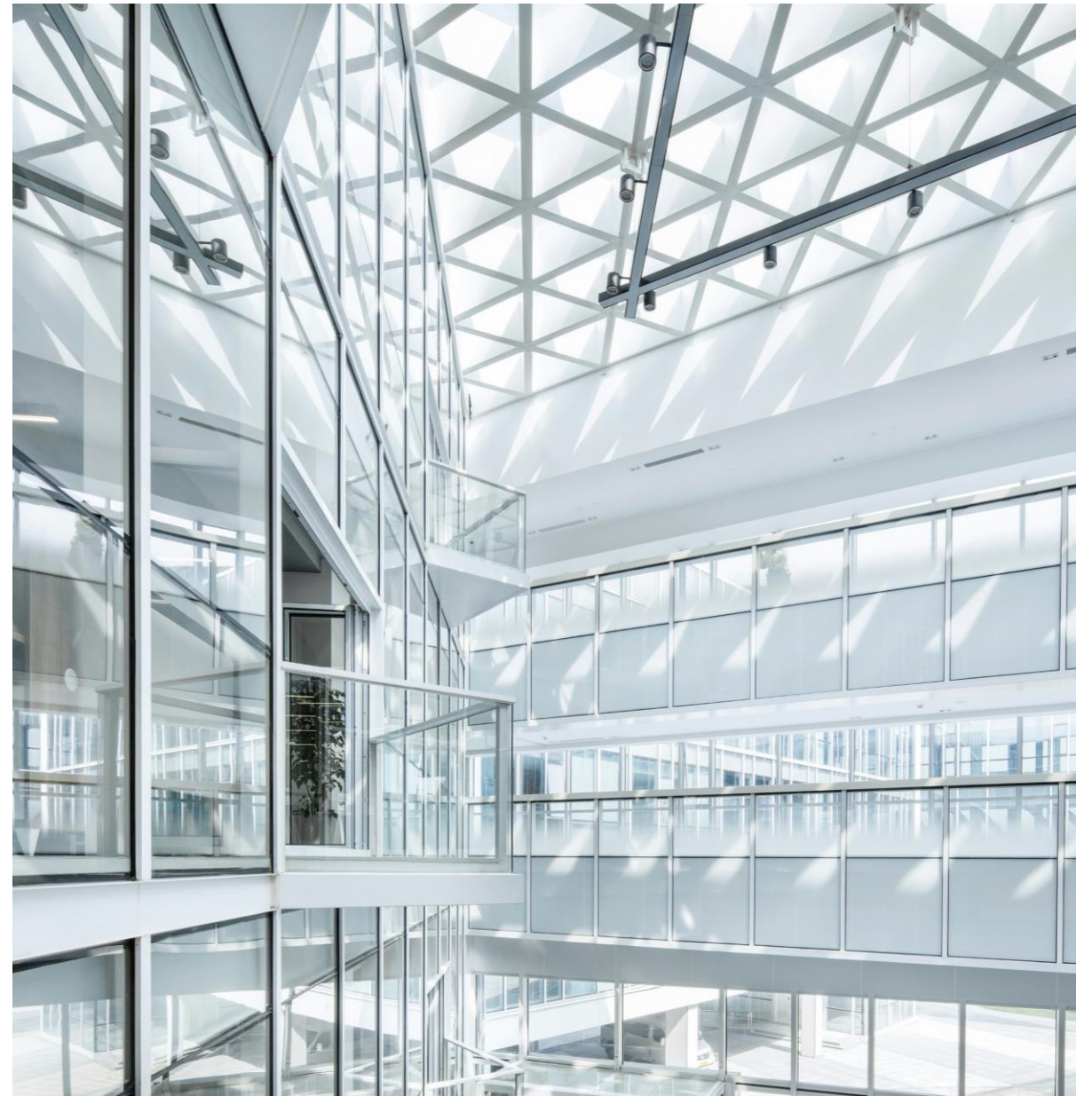
Source: Shanghai Municipal Bureau of Planning and Natural Resources, CBRE Research, May 2025.

Conclusion and Recommendations

China's rising office vacancy rate and accelerating rental decline were a direct consequence of office oversupply during the 14th Five-Year Plan period. Although demand has weakened over the past two years, CBRE believes that supply-side regulation is the most urgently needed measure to resolve the current supply-demand imbalance affecting the office market.

The development of China's office market over the past two decades shows that it typically takes five to ten years to develop an office building from the acquisition of the land site to project completion. The peak of office supply currently being witnessed in tier I cities is a direct consequence of the peak of land supply which occurred during the 12th Five-Year Plan. Since 2015, Beijing, Shanghai and Shenzhen have successfully controlled land supply and office construction through effective urban planning, leading to a significant reduction in office land supply during the 14th Five-Year Plan. CBRE believes that the recent high level of new office completions in tier I cities is now coming to an end, leading to a significant improvement in the supply-demand balance during the 15th Five-Year Plan.

While controlling new office supply with the support of state and local governments for the storage of idle land and the renovation of commercial buildings will be key, building renewal is set to emerge as a prominent trend during the 15th Five-Year Plan. This strategy will both reduce existing office stock and spur the upgrading and transformation of traditional business districts to comprehensive dynamic areas; improve building operational performance; and create more urban renewal investment opportunities.



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