

FIGURES | T25 CHINA TECH DISTRICT RENTAL INDEX | Q3 2021

Q3 2021

T25 China Tech District Rental Index

146.5

T25 Rental Index

▼ -0.1%

Q-O-Q change

14.4%

T25 Vacancy rate

▼ -1.2 ppts

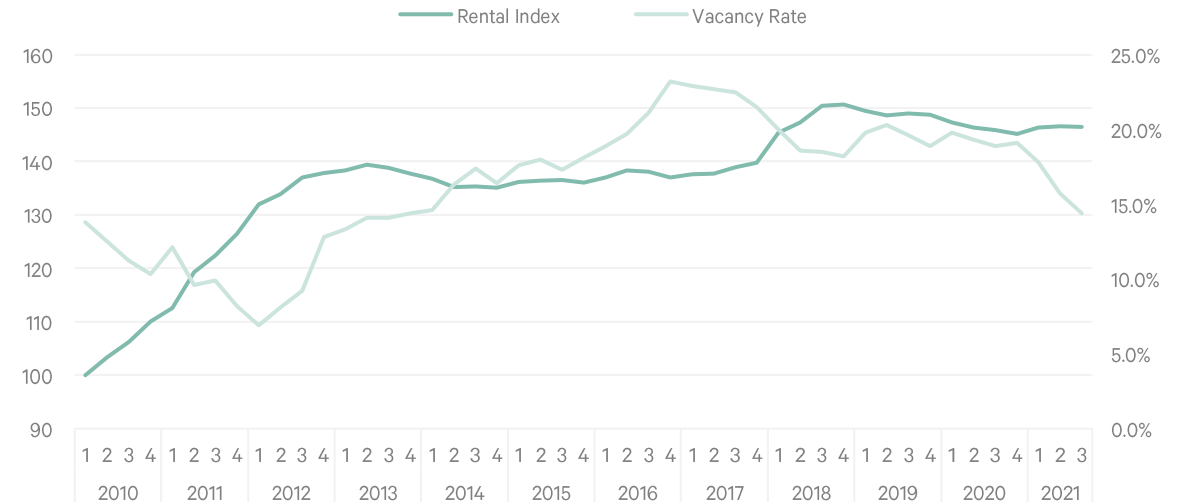
Q-O-Q change

Note: Arrows indicate change from previous quarter.

KEY T25 RENTAL INDEX TRENDS IN Q3 2021

- CBRE’s T25 China Tech District Rental Index stood at 146.5 in Q3 2021. Year-to-date cumulative growth is 0.9% compared to a 0.6% decline in the Nationwide Office Rental Index.
- Fourteen tech districts recorded higher rents on q-o-q basis in Q3 2021, on par with that in the previous quarter.
- Solid leasing demand further pushed down the overall vacancy rate in the 25 tech districts to 14.4% in Q3 2021, the lowest since Q4 2013. Vacancy in the 25 tech districts is now 7 ppts below that in the nationwide office market, the largest gap since records began.
- Fifteen tech districts recorded declines in vacancy this quarter, with eight registering the lowest vacancy rate since the onset of the COVID-19 pandemic.
- Net absorption in the 25 tech districts registered 678,478 sq. m. in Q3 2021, representing growth of 22.1% and 50.2% on Q3 2020 and Q3 2019, respectively.
- The overall net absorption rate in the 25 tech districts reached 2.5%, 0.2 ppts above the nationwide office net absorption rate.

FIGURE 1: Tech District Rental Index and Vacancy Rate



Source: Like-for-Like Rental Index (2010 Q1=100) , CBRE Research, November 2021

Office leasing demand continues to improve

Nationwide new office supply in the 18 major cities tracked by CBRE reached 1.47 million sq. m. in Q3 2021, with stock in tier I cities accounting for 80% of the total.

Leasing demand sustained the strong growth momentum witnessed in previous quarters, with nationwide net absorption totalling 2.03 million sq. m., a figure on par with the previous quarter. Demand from tier I cities contributed 73% of the total. This quarter's robust demand further pushed down the overall vacancy rate by 0.8 ppts q-o-q to 21.4%, with 13 of the 18 major cities tracked by CBRE recording a drop in vacancy.

Average office rents fell for a fifth consecutive quarter in Q3 2021, but the rate of decline slowed to just 0.02% q-o-q.

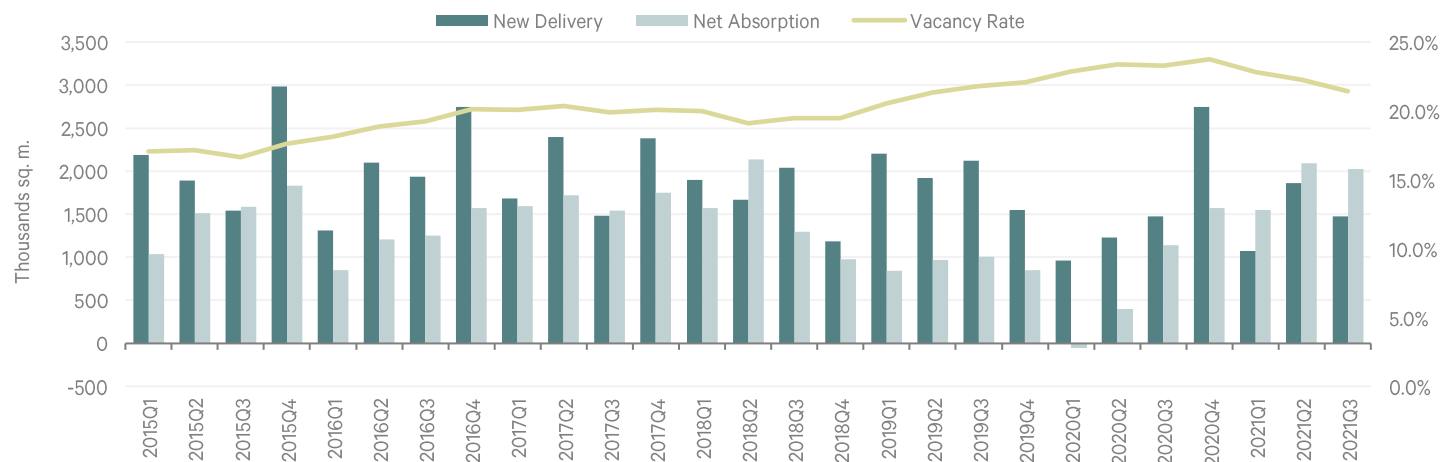
TMT retains status as main driver of leasing demand

Companies in the TMT sector continue to drive leasing demand nationwide, accounting for 30% of leasing volume in Q3 2021 and 34% of the total for the first nine months of the year.

While China's recently issued 'double reduction' policy has exerted a negative impact on demand from online education providers, forcing several major companies in the sector to consolidate their office space or shut down their business entirely, the influence of the contraction of this sector on the prime office market was relatively limited. Occupiers in the TMT sector remain active, with leading tech companies continuing to dominate large-scale transactions. Highlights include software service and e-commerce firms further expanding in tech-driven cities including Beijing, Shanghai, Shenzhen, Chengdu, Hangzhou and Xi'an.

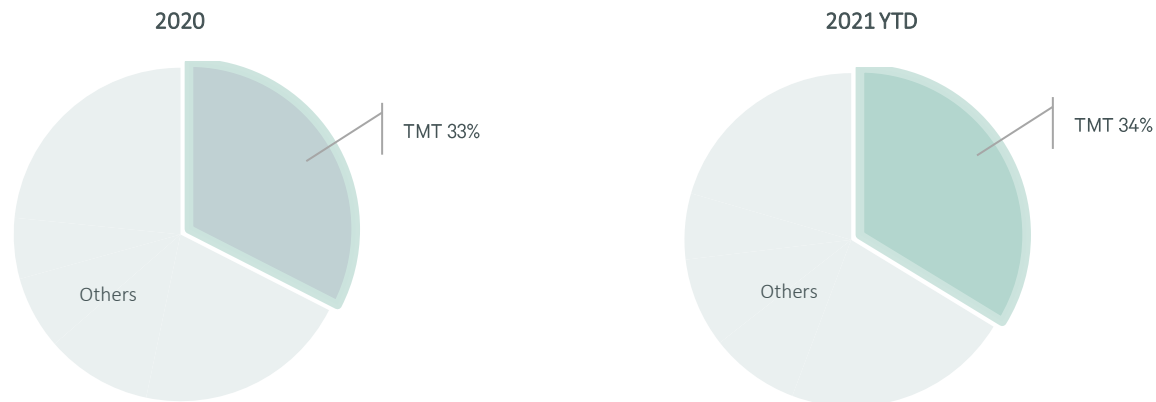
Click [here](#) to view the 2021 Q3 China MarketView for more information.

FIGURE 2: Nationwide Office New Supply, Net Absorption and Vacancy Rate



Source: CBRE Research, November 2021

FIGURE 3: Share of Leased Office Space by Industry



Source: CBRE Research, November 2021

Tech district rental index holds firm

Supported by solid leasing demand, CBRE’s T25 Tech District Rental Index stood at 146.5 in Q3 2021, on par with the previous quarter’s figure. The index has achieved cumulative growth of 0.9% in the year-to-date, compared to a 0.6% decline in the Nationwide Office Rental Index.

Fourteen tech districts recorded quarterly increases in rents in Q3 2021, with Shanghai Caohejing, Hangzhou Jiangcun and Hangzhou Future Science City registering the top three strongest gains. Rents in five tech districts including Beijing Z-park & Dongsheng, Shanghai Zhangjiang, and Caohejing & Guangzhou Pazhou, where occupancy is close to 90% or above, rose to new highs this quarter.

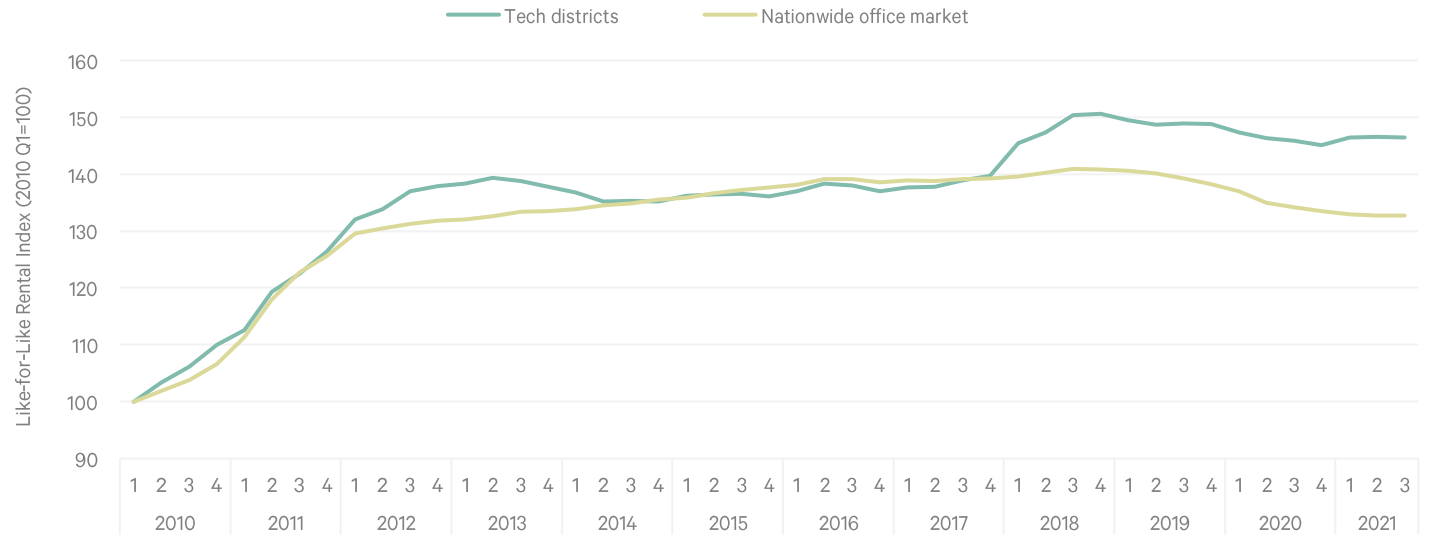
Due to landlords offering discounts to improve occupancy ahead of upcoming supply, seven tech districts registered rental declines over the quarter.

FIGURE 4: Q3 2021 T25 China Tech District Rental Index

T25 Rental Index		Numbers of Districts Recording Higher and Lower Rents					
Rental Index	Q-O-Q Change	Up	Q-O-Q Change	Stable	Q-O-Q Change	Down	Q-O-Q Change
146.5	-0.1%	14	-	4	-2	7	+2

Source: CBRE Research, November 2021

FIGURE 5: Tech District and Nationwide Office Rental Index Comparison



Source: CBRE Research, November 2021

Tech district vacancy rate declines

Strong demand further pushed down the overall vacancy rate in the 25 tech districts by 1.2 ppts q-o-q and 4.5 ppts y-o-y to 14.4% in Q3 2021, the lowest reading since Q4 2013.

Overall vacancy in the 25 tech districts was 7 ppts below that for nationwide office vacancy as of quarter's end, the largest gap since records began.

While fifteen tech districts recorded lower vacancy in Q3 2021, seven less than in the previous quarter, the rate of decline in vacancy in seven tech districts accelerated amid robust leasing demand. Shenzhen Qianhai, Chongqing Zhaomushan and Shanghai Caohejing recorded the largest declines in vacancy over the quarter. Ten districts registered higher vacancy, mainly due to new supply in areas such as Shanghai Wujiaochang and Xuhui Riverside.

Vacancy in eight out of 25 districts fell to its lowest point since the onset of the COVID-19 pandemic. Nine of the 25 tech districts recorded a vacancy rate of below 10% this quarter. Beijing Zhongguancun, Wangjing, Shangdi, Z-Park, Dongsheng and Shanghai Caohejing reported sub-5% vacancy.

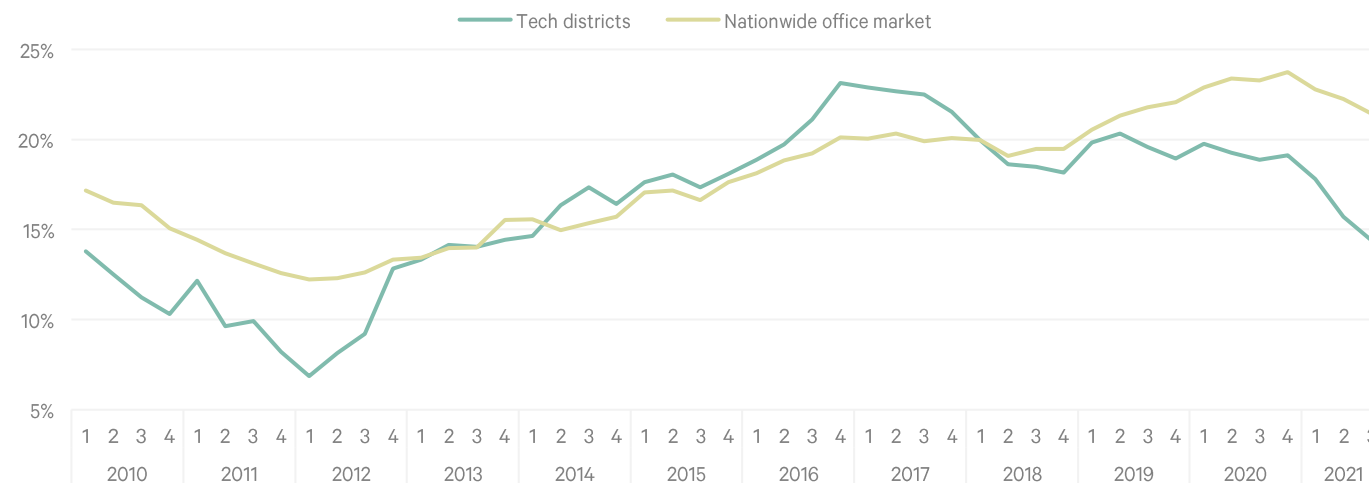
Four districts in Central and Western China and emerging markets in Shanghai and Shenzhen recorded vacancy of over 25%. However, vacancy in these areas declined from the previous quarter.

FIGURE 6: Q3 2021 T25 China Tech District Vacancy rate

T25 Vacancy Rate		Numbers of Districts Recording Higher and Lower Vacancy					
Vacancy Rate	Q-O-Q Change	Up	Q-O-Q Change	Stable	Q-O-Q Change	Down	Q-O-Q Change
14.4%	-1.2 ppts	10	+8	0	-1	15	-7

Source: CBRE Research, November 2021

FIGURE 7: Tech District and Nationwide Office Vacancy Rate Comparison



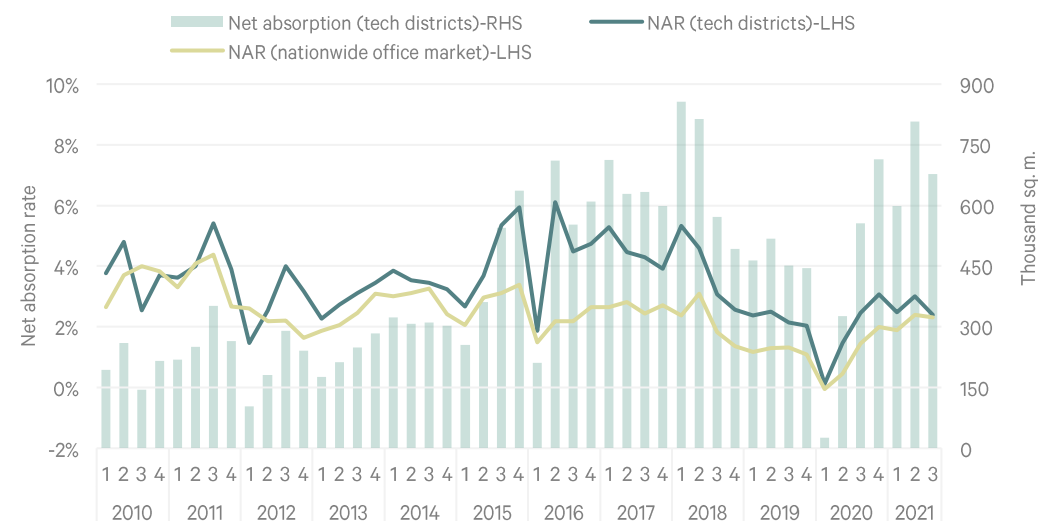
Source: CBRE Research, November 2021

Leasing demand in tech districts remains robust

Net absorption in the 25 tech districts stood at 678,478 sq. m. in Q3 2021, representing increases of 22.1% and 50.2% on Q3 2020 and Q3 2019, respectively. Shenzhen Qianhai, Hangzhou Future Science City and Shenzhen Hi-Tech Park were the leading districts in terms of net absorption this quarter. The overall net absorption rate in the 25 tech districts stood at 2.5% in Q3 2021, 0.2 ppts above the nationwide office net absorption rate.

Growing TMT companies account for 70% of leasing volume in the 25 tech districts in the year-to-date, 7 ppts higher than the figure for Q1 2021. The upbeat outlook for the tech sector continues to attract investment in start-ups, leading to rapid expansion and hence strong demand for office space. However, leading tech companies still dominate large-scale deals, particularly in tier I cities. 47% of leased space in tech districts in Beijing this quarter was accounted for by leading TMT companies. In terms of activity by sub-industry, demand from online education firms weakened over the quarter due to the impact of the ‘double reduction’ policy, with such firms accounting for 12% of leasing volume in the year-to-date, compared to 28% in Q1 2021. Both B-to-C and B-to-B internet service firms were active, as the pandemic prompts more companies in this segment to pursue digitalisation strategies. Demand from e-commerce platforms continues to rise, with companies in this category accounting for 10% of total leased space in the year-to-date, compared to 5% in Q1 2021.

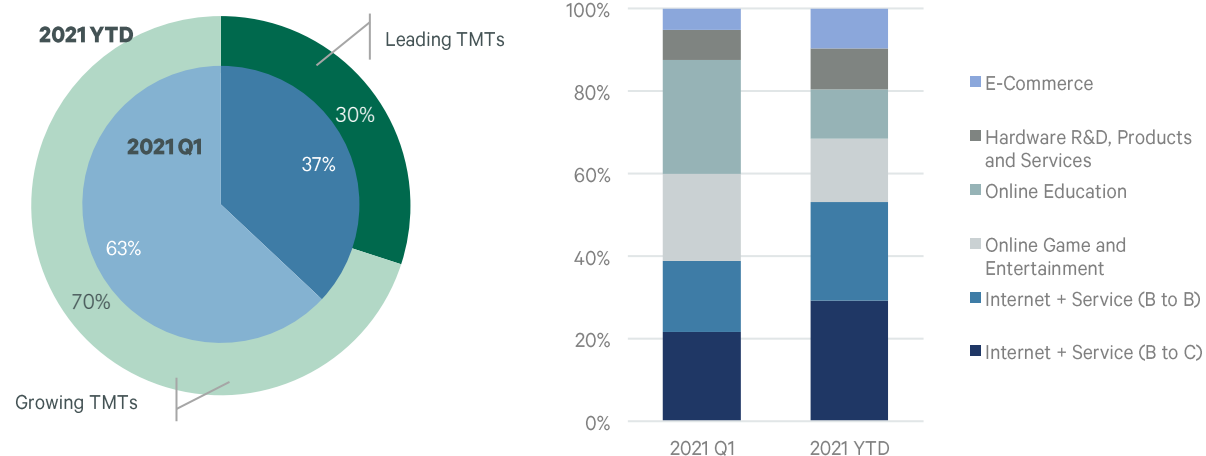
FIGURE 8: Tech District and Nationwide Office Market Net Absorption Rate (NAR)* Comparison



Note*: Net Absorption rate = net absorption in the quarter under review / total occupied space in previous quarter

Source: CBRE Research, November 2021

FIGURE 9: Share of Leased Space by Size and TMT Sub-industry in the 25 Tech Districts



Note*: Leading tech companies include the top 20 internet companies ranked by the Internet Society of China (ISC) in 2020 and Chinese tech unicorns with a valuation above USD 10 billion identified by CB Insights.

Headline Data for T25 China Tech Districts

City	Name of Tech District	Vacancy / Q-o-Q Change	Face Rent / Q-o-Q Change
Beijing	Zhongguancun	2.0% ▲	329 ▲
Beijing	Olympic Area	23.3% ▼	323 ▼
Beijing	Wangjing	4.6% ▼	260 ▲
Beijing	Shangdi	2.1% ▲	164 ►
Beijing	Z-Park	4.6% ▲	170 ►
Beijing	Dongsheng	0.4% ▼	194 ►
Beijing	Beiqing Road	8.3% ▼	120 ▲
Beijing	BEZ	10.9% ▼	172 ▼
Shanghai	Xuhui Riverside	42.8% ▲	192 ▼
Shanghai	Wujiaochang	20.7% ▲	180 ▲
Shanghai	Hongqiao HQ	22.0% ▼	193 ▲
Shanghai	Zhangjiang	10.8% ▼	134 ▲
Shanghai	Caohejing	2.4% ▼	150 ▲

City	Name of Tech District	Vacancy / Q-o-Q Change	Face Rent / Q-o-Q Change
Guangzhou	Pazhou	9.9% ▲	151 ▲
Shenzhen	Houhai	18.7% ▼	216 ▼
Shenzhen	Hi-Tech Park	15.6% ▲	165 ▲
Shenzhen	Qianhai	32.2% ▼	160 ▲
Hangzhou	Future Science City	22.7% ▲	96 ▲
Hangzhou	Jiangcun	2.6% ▼	122 ▲
Chengdu	Dayuan	12.2% ▼	80 ▲
Chengdu	Financial City	13.7% ▼	86 ▲
Wuhan	Optics Valley	23.7% ▲	90 ▼
Xi'an	Hi-Tech	30.3% ▼	81 ▼
Chongqing	Dahua	22.7% ▲	65 ▼
Chongqing	Zhaomushan	22.8% ▼	82 ►
Total		14.4% ▼	-0.1% ▼

Source: CBRE Research, November 2021 Rental Unit: RMB per sq. m. per month

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