

FIGURES | T25 CHINA TECH DISTRICT RENTAL INDEX | Q1 2022

Q1 2022

T25 China Tech District Rental Index

147.8

T25 Rental Index

▲ +0.3%

Q-O-Q change

15.8%

T25 Vacancy rate

▲ +0.9 pp

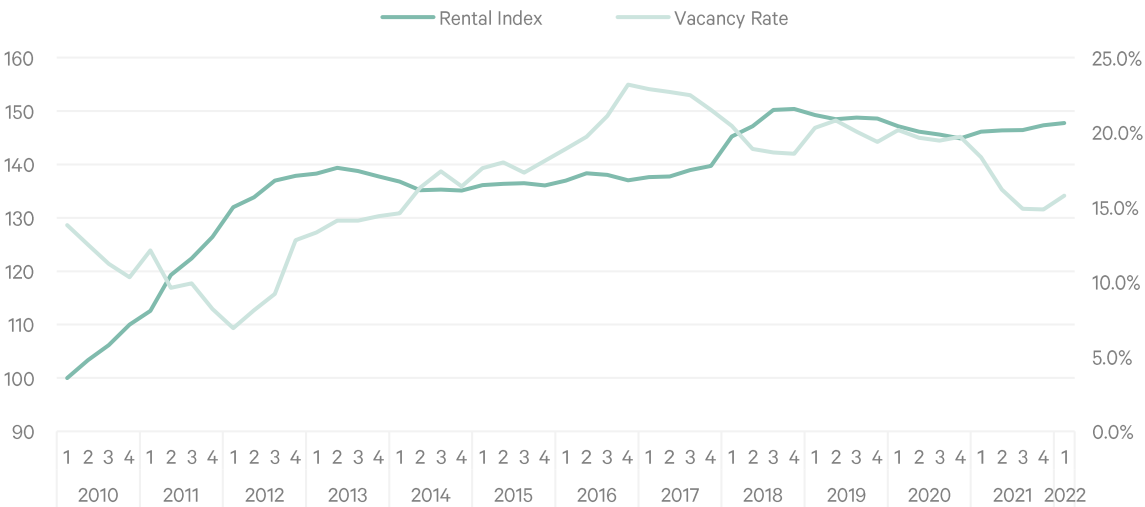
Q-O-Q change

Note: Arrows indicate change from previous quarter.

KEY T25 RENTAL INDEX TRENDS IN Q1 2022

- CBRE’s T25 Tech District Rental Index rose by 0.3% q-o-q to 147.8 in Q1 2022. Y-o-y growth reached 1.1%, outperforming the 0.2% y-o-y decline in the Nationwide Office Rental Index.
- Ten of the 25 tech districts tracked by CBRE registered quarterly rental growth this quarter, six fewer than in Q4 2021.
- Weaker demand pushed up overall vacancy by 0.9 pp q-o-q to 15.8%.
- Twelve tech districts recorded higher vacancy, primarily due to ongoing consolidation by leading tech companies, many of which have slowed their pace of expansion and/or relocated to self-built premises.
- Net absorption totalled 178,041 sq. m., a decline of 81% q-o-q and 71% y-o-y.
- The net absorption rate fell to 0.6%, lagging the nationwide office net absorption rate by 0.6 pp.

FIGURE 1: Tech District Rental Index and Vacancy Rate



Source: Like-for-Like Rental Index (2010 Q1=100), CBRE Research, April 2022

Pandemic resurgence and TMT consolidation weigh on leasing demand

Nationwide new office supply in the 18 major cities tracked by CBRE totalled 1.42 million sq. m. in Q1 2022, representing a decline of 42% q-o-q but an increase of 33% y-o-y. Non-core areas of Wuhan and Shenzhen Qianhai accounted for roughly 50% of new stock.

Seasonal fluctuations in business activity; a surge in COVID-19 infections in several cities; consolidation within the TMT industry; and relocations by new owner-occupiers weighed on leasing demand this quarter. Nationwide net absorption in the 18 major cities reached 1.05 million sq. m., representing declines of 42% q-o-q and 32% y-o-y. However this figure was still 31% above the average first-quarter for the past three years.

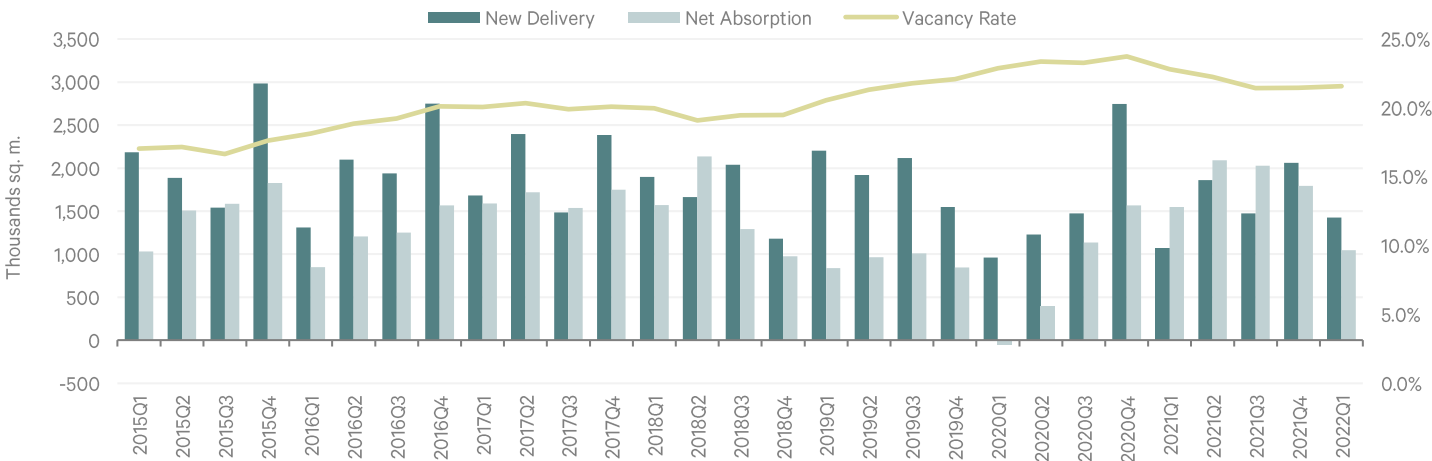
Overall demand from TMT weakens

TMT firms were the single largest driver of office leasing demand this quarter, accounting for 26% of overall leasing volume. However, demand from the sector contracted by 33% y-o-y owing to consolidation within the industry and relocations by firms to buildings they had recently developed or purchased for self-use.

Active TMT subsectors included companies focused on AI, cloud computing, chip development and internet services, with the likes of SenseTime, Xiaomi Chip Development, Beisen Cloud and Computing all completing major leasing deals in Q1 2022.

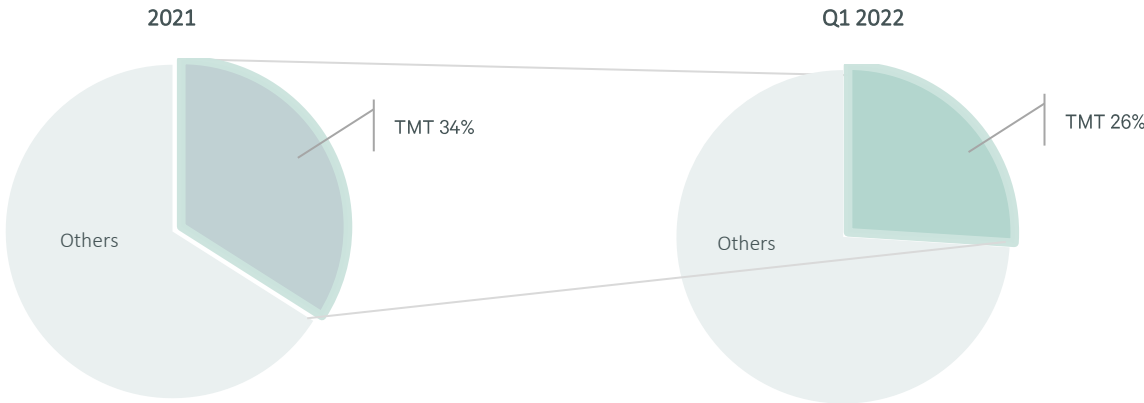
Click [here](#) to view the 2022 Q1 China MarketView for more information.

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



Source: CBRE Research, April 2022

FIGURE 3: Share of Leased Office Space by Industry



Source: CBRE Research, April 2022

Rental record moderate growth

Although tech industry growth continued to moderate due to increased regulatory oversight, CBRE’s T25 Tech District Rental Index rose by 0.3% q-o-q to 147.8 in Q1 2022, mainly driven by rental growth in tech districts in Shanghai and Chengdu. The period saw landlords of several projects in Chengdu tech districts and Shanghai Caohejing raise asking rents due to limited availability.

Ten of the 25 tech districts tracked by CBRE registered quarterly rental growth in Q1 2022, with Chengdu Financial City and Shanghai Caohejing each recording gains of over 1.0% q-o-q. Eight tech districts located in Beijing, Shanghai and Chengdu have recorded rental growth over the past four quarters, with Beijing Beiqing Road, Shanghai Zhangjiang and Caohejing each achieving y-o-y growth of above 4.0% in Q1 2022.

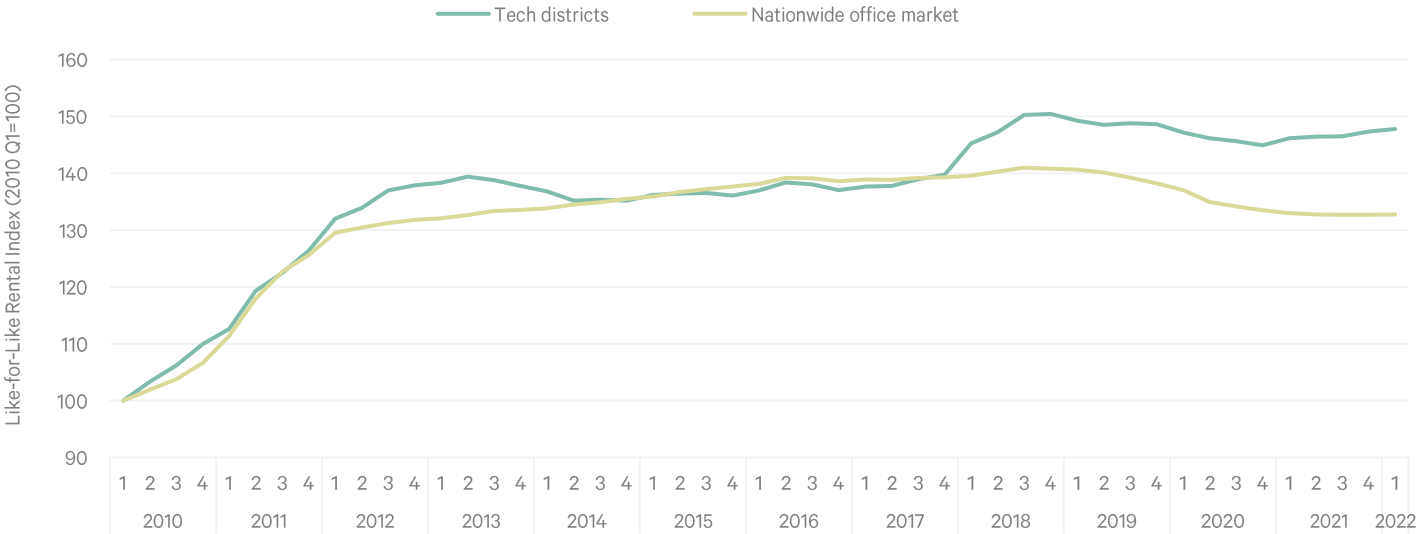
Seven tech districts including Beijing BEZ, Guangzhou Pazhou, Shenzhen Houhai and Hangzhou Future Science City saw rents decline this quarter as the industrywide slowdown and pandemic resurgence weighed on expansionary demand. Eight tech districts saw rents stabilise, mirroring the flat trend for nationwide office rents.

FIGURE 4: Q1 2022 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
147.8	+0.3%	10	-6	8	+6	7	-

Source: CBRE Research, April 2022

FIGURE 5: Tech District and Nationwide Office Rental Index Comparison



Source: CBRE Research, April 2022

Vacancy rises q-o-q but falls y-o-y

Weaker demand pushed up overall vacancy in the 25 tech districts by 0.9 pp q-o-q to 15.8% in Q1 2022. However, this still represented a decline of 2.5 pp y-o-y.

As of quarter’s end, overall vacancy in the 25 tech districts was 5.6 pp lower than in the nationwide office market, with the gap narrowing from the 6.6 pp and 6.7 pp observed during Q4 2021 and Q3 2021, respectively.

Thirteen tech districts registered lower vacancy in Q1 2022. The slower decline in vacancy observed in six tech districts including Shanghai Xuhui Riverside, Shenzhen Hi-Tech Park and Chongqing Zhaomushan was due to weaker demand as supply remained largely the same as the previous quarter.

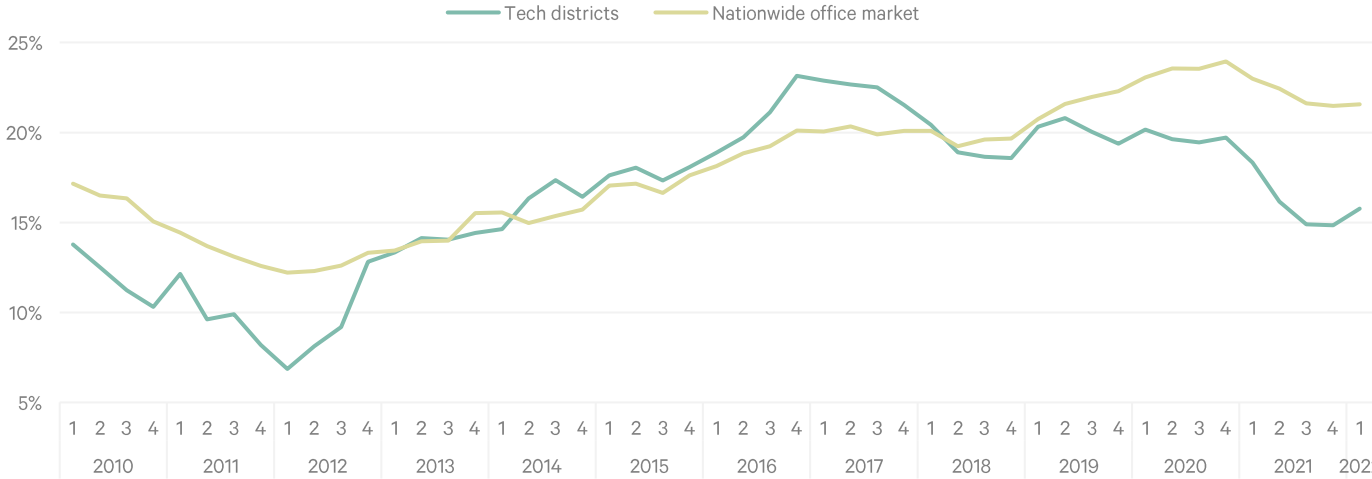
Twelve tech districts recorded higher vacancy as demand weakened on the back of slower expansion and relocations by tech occupiers to self-built premises. Beijing Dongsheng registered its highest vacancy rate since 2011 due to the addition of a substantial volume of new supply this quarter.

FIGURE 6: Q1 2022 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
15.8%.	+0.9 pp	12	+2	0	-	13	-2

Source: CBRE Research, April 2022

FIGURE 7: Tech District and Nationwide Office Vacancy Rate Comparison



Source: CBRE Research, April 2022

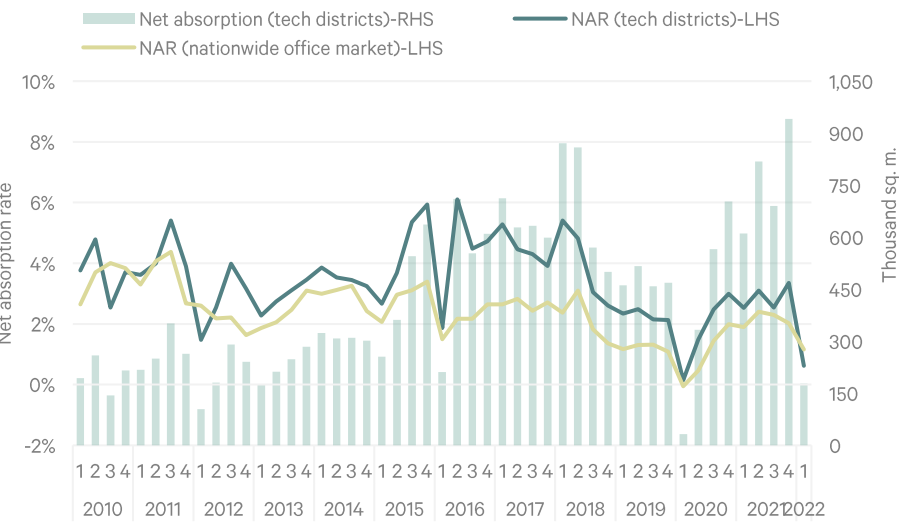
Leasing demand temporarily loses momentum

Weaker expansionary demand ensured overall net absorption in the 25 tech districts totalled just 178,041 sq. m. in Q1 2022, representing a decline of 81% q-o-q and 71% y-o-y. Seven tech districts including Beijing Olympic, Wangjing and Hangzhou Future Science City registered negative net absorption due to lease terminations resulting from consolidation by leading tech companies and occupiers’ preference for self-built offices. The net absorption rate in the 25 tech districts fell to 0.6% in Q1 2022, 0.6 pp below the nationwide office net absorption rate. This marked the first time in ten years that the net absorption rate in the 25 tech districts had fallen below the nationwide office net absorption rate.

Leading tech companies contributed 28% of total leasing volume in the 25 tech districts in Q1 2022, 17 pp lower than in Q4 2021 and 8 pp lower than in Q1 2021, Leasing volume contributed by leading companies registered a q-o-q decline of 27%. A meeting by the Political Bureau of the Communist Party of China Central Committee on April 29 signalled a new stage in platform economy supervision, declaring that rectifications for the platform economy will be completed and regular supervision will be initiated to support its standardised and sound growth. Specific rules will be rolled out to promote the development of the platform economy to solve the problem of resource allocation inefficiency and create new economic growth points and jobs by encouraging new platform-related business models. As leading companies in new businesses related to government strategic plans, such as AR/VR and advanced internet services connected with Intelligent Connected Vehicles (ICV), step up their investment, demand could rebound in H2 2022.

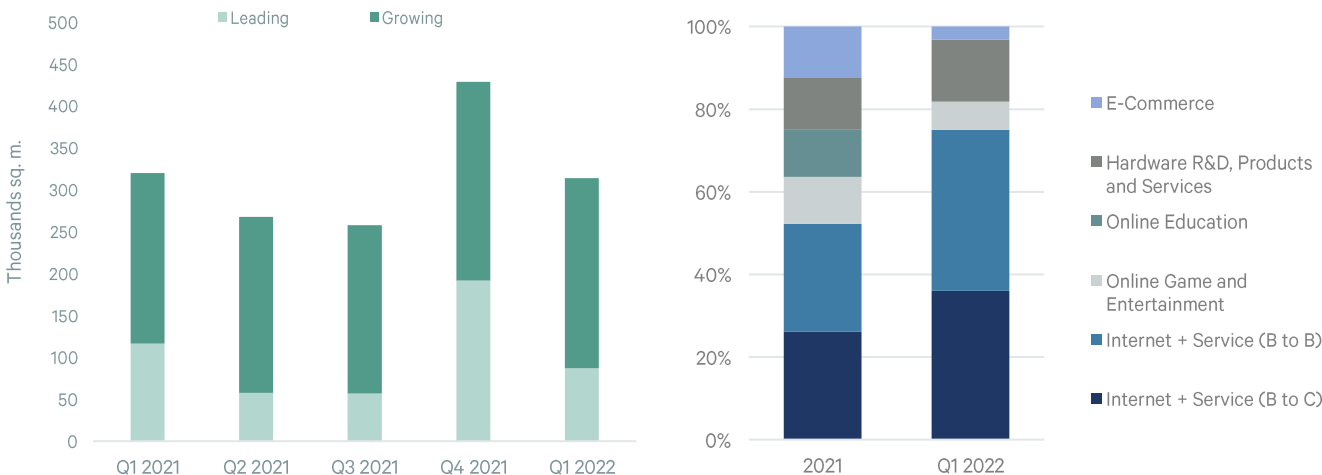
Referring to activity by sub-sector, demand from e-commerce, online gaming and entertainment platforms weakened over the quarter due to pandemic-related restrictions on transportation and the tighter supervision of online game licenses. Both B-to-B and B-to-C internet services companies increased their share of leasing volume, collectively accounting for 75% of space leased in the 25 tech districts in Q1 2022. The steady development of AI, cloud computing and chip development sub-industries drove further demand from related internet services firms along with R&D companies over the quarter.

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, April 2022

FIGURE 9: 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	4.9% ▼	333 ►
Beijing	Olympic Area	17.0% ▲	318 ►
Beijing	Wangjing	14.7% ▲	260 ►
Beijing	Shangdi	1.0% ▼	164 ▼
Beijing	Z-Park	7.1% ▲	179 ▲
Beijing	Dongsheng	18.3% ▲	194 ►
Beijing	Beiqing Road	3.1% ▼	130 ▲
Beijing	BEZ	10.7% ▼	172 ▼
Shanghai	Xuhui Riverside	34.2% ▼	201 ▲
Shanghai	Wujiaochang	19.9% ▼	180 ▲
Shanghai	Hongqiao HQ	14.5% ▼	195 ▲
Shanghai	Zhangjiang	11.8% ▼	137 ▲
Shanghai	Caohejing	7.2% ▲	155 ▲
Guangzhou	Pazhou	17.7% ▲	150 ▼
Shenzhen	Houhai	19.2% ▲	215 ▼
Shenzhen	Hi-Tech Park	11.9% ▼	168 ▲
Shenzhen	Qianhai	32.8% ▲	164 ►
Hangzhou	Future Science City	19.6% ▲	95 ▼
Hangzhou	Jiangcun	16.8% ▲	109 ►
Chengdu	Dayuan	12.9% ▲	80 ▲
Chengdu	Financial City	14.8% ▼	88 ▲
Wuhan	Optics Valley	23.4% ▼	89 ►
Xi'an	Hi-Tech	31.1% ▼	80 ▼
Chongqing	Dahua	23.4% ▲	65 ▼
Chongqing	Zhaomushan	19.4% ▼	82 ►
Total		15.8% ▲	0.3% ▲

Source: CBRE Research, April 2022 Rental Unit: RMB per sq. m. per month

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