February 2022

CUSHMAN & WAKEFIELD
戴德梁行

BEIJING WINTER OLYMPICS 2022

MILESTONE EVENT DRIVES URBAN RENEWAL

CUSHMAN & WAKEFIELD GREATER CHINA RESEARCH

CONTENT

P3

Introduction

P4

Driving Rapid Development of City Infrastructure

P7

Unique "Double Olympics" Status Promotes Further Sustainable Development

P8

Significant Tertiary Industry Growth Points to Exploding Office Market Demand

P10

High-Tech Firms to Continue to Lead the Office Market

P12

Commercial Transformation and Urban Renewal to Promote Organic Consumption Upgrading in Key Business Districts

P14

Conclusion

INTRODUCTION

Milestone public events, such as premiere sports competitions and exhibitions, are important catalysts in accelerating urban development. Such events typically draw in vast numbers of participants and spectators and can generate high-visibility global media coverage, boosting the host city's social-economic development and attracting investment and talent inflows. In turn, this injection of energy can help to revitalize existing urban districts and to strengthen overall market competitiveness. Significant knock-on effects include benefits for the host city's infrastructure, tourism, and real estate sectors, as well as for longer-term branding enhancements.

Milestone public events are characterized by the ability to:

- Attract high numbers of participants and spectators
- Generate widespread media coverage
- Spur investment activity into the host city
- Create legacy benefits for the host city and adjacent populations

Having successfully hosted the Summer Olympic Games in 2008, and winning the bid to host the 24th Winter Olympic Games in 2022, Beijing has now become the first city worldwide to stage both the Summer Olympic Games and the Winter Olympic Games. Delivering two Olympic events has been a major coup for Beijing, and a historic mark in promoting the city's development and renewal. And with 14 years of development since 2008, the city has seen great changes in its economy, population, urban planning and positioning.

The 2008 Summer Olympics event primarily focused on Beijing's emergence on the world stage, while the objectives for the 2022 Winter Olympic Games concentrate more on the city's industrial upgrading, green and sustainable development, and residents' well-being, while also highlighting urban renewal in the context of the Beijing-Tianjin-Hebei integration plan.

As with other international landmark events, the legacy plan for the 2022 Winter Olympics will aim to generate long-term positive impacts on Beijing's social-economic development. As the city increasingly clarifies its positioning, its urban renewal efforts will seek to leverage the opportunities presented by the Games to reshape its overall development landscape.

In this summary report we consider the key implications and projected benefits from the 2022 Winter Olympics for Beijing's infrastructure development, and how the event may help spur and shape urban renewal projects in the city.

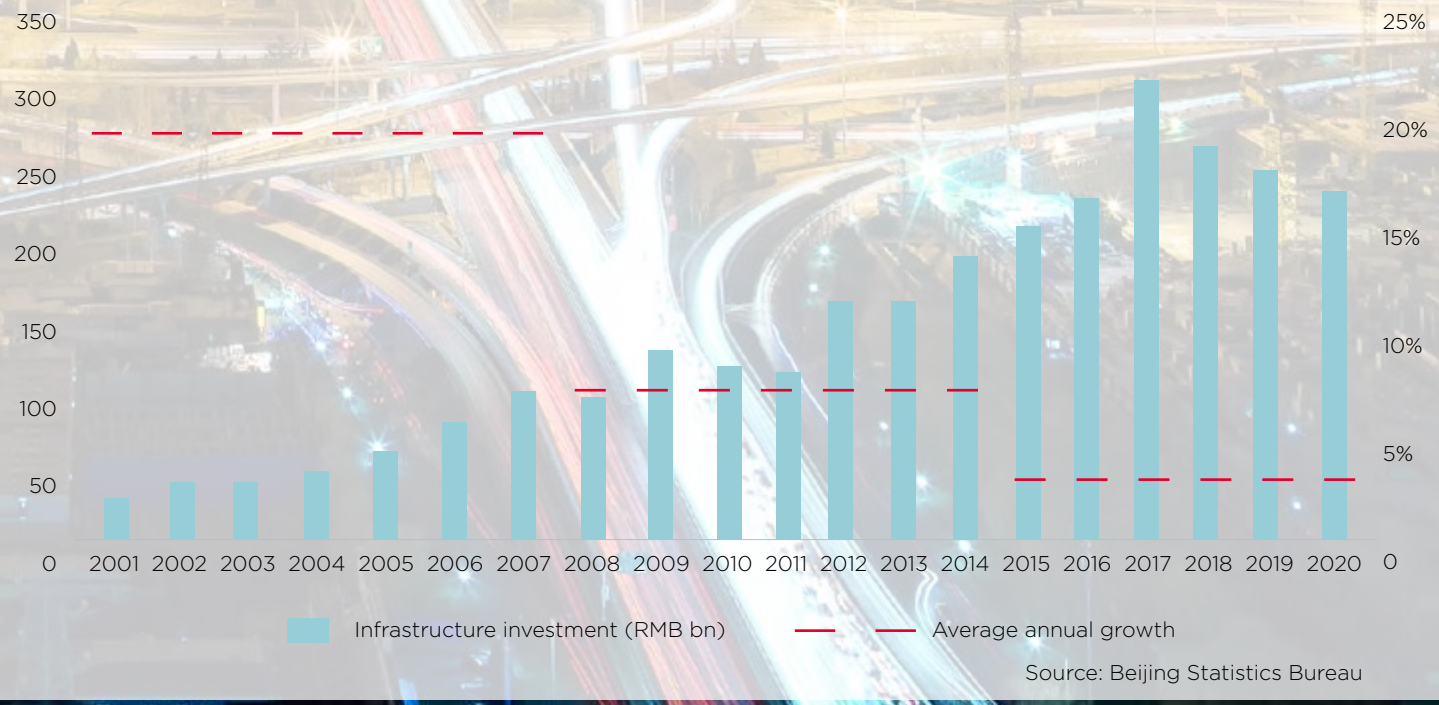
DRIVING RAPID DEVELOPMENT OF CITY INFRASTRUCTURE

Data from the Beijing Municipal Bureau of Statistics shows that Beijing's infrastructure investment grew by an average annual rate of 23.1% from 2001 to 2007, in the run-up period to hosting the 2008 Summer Olympics — far exceeding the 8.8% seen in the post-Olympic period and the 2.6% rate following the successful bid for the Winter Olympics.

Development of the high-speed rail network has seen average daily train departure numbers at Beijing South Railway Station expand from 131 in 2008 to 568 in 2020, with annual passenger throughput now reaching 150 million. The opening of the T3 terminal will bring the capital's airport traffic through the terminus throughout the year. Combined inbound and outbound annual passenger numbers have risen from approximately 56 million during the 2008 Summer Olympics to 108 million in 2019.

During preparations for the 2022 Winter Olympics, Beijing's urban renewal planning has focused more on coordinated development of the regional economy. The opening of the Beijing-Zhangjiakou high-speed rail line and Yan-Chong expressway have greatly shortened journey times from Beijing to the Yanqing and Zhangjiakou Olympic competition areas. Daxing International Airport operations have also effectively expanded the reach of the Beijing-Tianjin-Hebei area, further promoting transport integration within the coordinated development of Beijing-Tianjin-Hebei.

Figure 1: Beijing Infrastructure Investment and Growth Rate (2001-2020)



Source: Beijing Statistics Bureau

Table 1: Infrastructure Construction for the Olympic Games in Selected Cities

TOKYO 1964	• Improved roads • Development of seaport • Real estate industry significantly developed • Multiple hotels are put on the market	• Improved water supply system • Construction of sewage treatment plant • Improved public health facilities • Construction of 22 new highways and two underground lines
Munich1972	• Redevelopment of the 280-hectare site Olympic Village for future use by 10,000 people • Restoration of historical blocks and pedestrian streets	• Improvement of public transport • New shopping centers and hotels • Two new expressways
	• Improved health and hygiene related projects • Improved water quality, air pollution and waste disposal • Construction of three new subway lines, 47 bus lines, and airport line extensions	• Building of a new cultural space: Seoul Art Center • Repair of important historical sites • City expansion from Jiangbei to Jiangnan
Barcelona '92	• Built 15 new venues, renovated 10 existing venues and used 43 existing facilities • Restructured rail network, built the coastal Ring Road, developed the Olympic Village and the new Wharf	(Olympic port), restructured the sewage treatment system and enhanced the coastline. • Upgrading of technology and telecommunications systems
Sydney 2000	• Focus on environmental sustainability and protection • Cooperation with Greenpeace	• Facilities with "green" design principles including energy conservation and recycling, solar energy, and water recycling
	• Improvement and extension of underground subway lines • New wharf light railway • Newly introduced high-speed tram	• New international and domestic aircraft routes • New Olympic venues • Reconstruction and expansion of original venues

Source: Cushman & Wakefield Research

UNIQUE "DOUBLE OLYMPICS" STATUS PROMOTES FURTHER SUSTAINABLE DEVELOPMENT

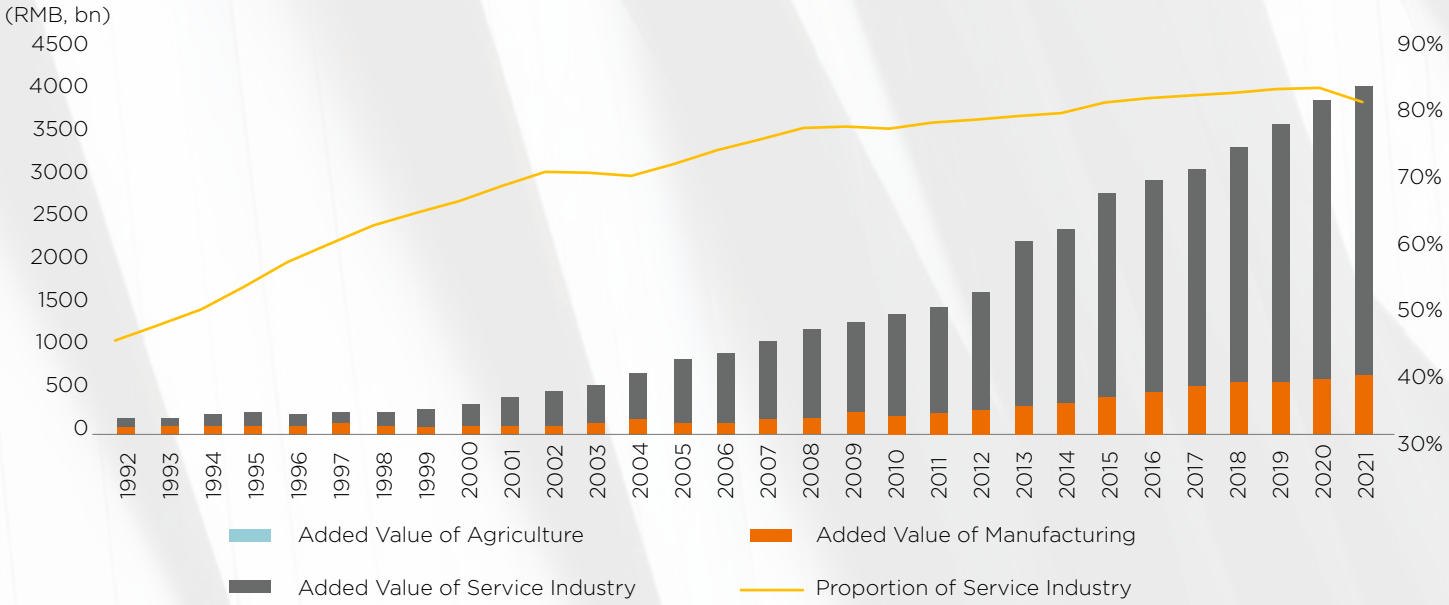
Since successfully winning the 2008 Summer Olympics bid in 2001, and driven by the vision of a "Green Olympics," Beijing's urban afforestation coverage has expanded from 36% in 2001 to nearly 49% in 2020. The city has also vigorously introduced clean energy sources, with energy consumption derived from coal dropping dramatically from 2001 to 2020.

For the 2022 Winter Olympics, Beijing will pursue low-carbon operations in line with the national goals of achieving peak carbon emissions by 2030 and carbon neutrality by 2060. The city's stated commitment for the Games is to achieve full carbon-neutral status, and to pursue targets for low-carbon energy use, low-carbon venues, and low-carbon transportation. Commitments include the use of 100% renewable power at all venues during the Games.

SIGNIFICANT TERTIARY INDUSTRY GROWTH POINTS TO EXPLODING OFFICE MARKET DEMAND

Beijing Municipal Bureau of Statistics data show that, as at the end of 2020, added-value from Beijing's tertiary industry sector reached RMB3.03 trillion, up more than threefold on 2008 and more than 11 times that of 2001. The tertiary industry sector's share of GDP has also grown notably, from 69% in 2001, to 78% in 2008 and on to 84% in 2020. The growth of the tertiary industry has directly boosted demand in Beijing's office and retail markets. In the post-2008 Olympic period, demand in the Beijing office market exploded, with a shortage of new supply causing rents to soar. Between 2009 and 2011, Beijing office market rents doubled and have remained at a high level.

Figure 2: Beijing GDP Trend and Tertiary Industry Share



Note: Added value from the agriculture sector was approximately RMB11 bn for year 2021, accounting for less than 0.3% of Beijing's GDP.

Source: Beijing Statistics Bureau

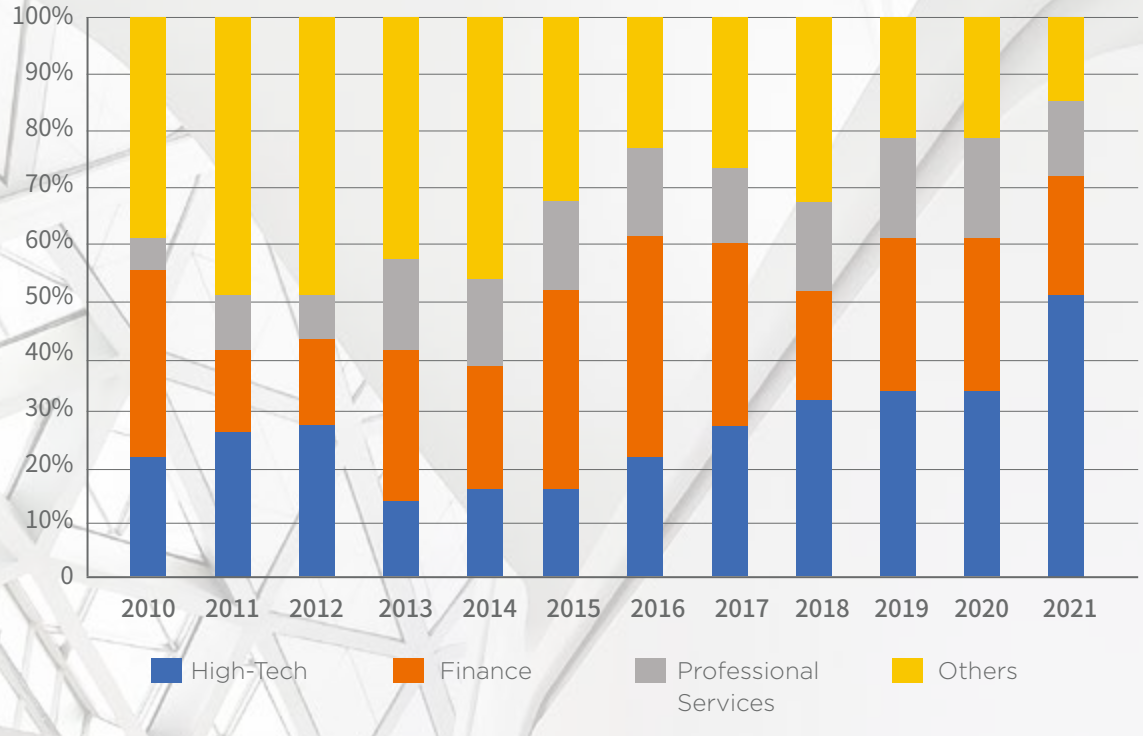
HIGH-TECH FIRMS TO CONTINUE TO LEAD THE OFFICE MARKET

As China's national scientific and technological innovation center, Beijing has continuously expanded its investment in scientific research. In the office market, leasing transactions from high-tech enterprises have shown a clear upward trend since 2015. In 2021, technology firms accounted for 55.5% of all office market leasing transactions in the city.

Looking ahead, technology innovation and high-tech fields will continue to be a focus of Beijing's industry development. Cushman & Wakefield research data shows that the average rental level for Beijing Grade A office properties in Q3 2021 was at RMB332 per sq m per month. Rents for Grade B properties were at RMB231 per sq m per month, close to that for Grade A properties in Shanghai.

Such high market rental levels are not attractive to highly cost-sensitive firms with tight margins. Consequently, we expect to see renewal and transformation of older industrial properties and factories in prime areas of the city evolving into new industrial office parks. Such core locations will provide high-quality office spaces while re-activating older or obsolete assets, thereby improving market efficiency.

Figure 3: Beijing Office Transactions: High-Tech Sector Share of Demand (2010-2021)



Source: Cushman & Wakefield Research

COMMERCIAL TRANSFORMATION AND URBAN RENEWAL TO PROMOTE ORGANIC CONSUMPTION UPGRADING IN KEY BUSINESS DISTRICTS

In March 2019, the Beijing Municipal Bureau of Commerce published a first set of measures encouraging notable retail brands to establish first stores in the city. Bureau data shows that a total of 878 retailers established such a first store presence by the end of 2019. The Bureau then issued a second set of measures, “First Store Version 2.0,” building on the earlier framework and setting out detailed action points for the whole cycle of introducing new brands to the city. With the implementation of “Version 2.0,” the number of retailers’ first stores in Beijing for the first three quarters of 2021 will reach 696. The Bureau has also stated that it plans to attract more than 3,000 domestic and foreign brands to open their first stores in Beijing by 2025.

In the coming years, with the realization of the International Consumption Center City initiative, we can expect Beijing to develop multiple new consumption centers.
In the core city area, more traditional commercial districts and older commercial projects will be upgraded and transformed. More significantly, driven by the easing of Beijing's non-capital functions and the projected benefits from the Winter Olympics, Beijing's emerging business districts are set to welcome further consumption upgrades.

CONCLUSION

Milestone public events can often act as catalysts to effectively stimulate urban development and hence drive cities' advancement. Fourteen years after successfully delivering its first Olympics, Beijing now presents significantly new characteristics, concepts and development paths in terms of urban renewal.

China's economy has experienced four decades of rapid growth. The purely growth-oriented development strategy of prior years has dramatically changed the country overall, although such rapid growth has yet to fully produce the full social and environmental benefits of the planned urban development. In some respects, rapid economic growth has exacerbated social and environmental issues. In response, the government is now pivoting to direct more attention to identifying shortcomings in urban renewal policies, and in promoting citizens' wellbeing and the environment, prioritizing these ahead of sweeping demolition and brand new construction projects.

As the capital city, Beijing's development strategy is to decentralize industries with a non-capital function, by diminishing the numbers of manufacturing firms and logistics and wholesale market operators. However, this "reduction-based development" approach means Beijing cannot easily balance the interests of all parties by "making the cake bigger." Beijing's urban renewal policies must consequently be increasingly measured and targeted, given the challenges for the city to replicate the urban development exploration undertaken and the experiences of other first-tier cities.

Despite this, we believe that Beijing's urban renewal efforts in the post-Winter Olympics era will be able to successfully achieve a balance between reduction-based development, alleviation and remediation work, and organic renewal, while securing appropriate funding channels.

Ahead, we see ongoing and sympathetic organic renewal in Beijing creating a model for other cities across the country. As well, we can expect the municipal government to focus urban renewal work in the next five years on the objectives of improving citizens' livelihoods and welfare, such as with the transformation of old communities and shanty town areas. Such efforts should yield significant improvements to ordinary people's quality of life in the city.

RESEARCH CONTACTS

James Shepherd
Head of Research
Greater China
james.shepherd@cushwake.com

Shaun Brodie
Head of Research, East China
Head of Occupier Research
Greater China
shaun.fv.brodie@cushwake.com

Xiaoduan Zhang
Head of Research
South China
xiaoduan.zhang@cushwake.com

Ivy Jia
Head of Research
West China
ivy.jia@cushwake.com

Keith Chan
Head of Research
Hong Kong
keith.chan@cushwake.com

Wendy Hsueh
Head of Research
Taiwan
wendy.hj.hsueh@cushwake.com

This report was compiled and edited by Simon Graham, Editor, Business Development Services, Greater China, from an original Chinese language research report authored by Sabrina Wei, Chief Policy Analyst and Head of North China Research Team. To better serve our clients our Greater China Research Team has established Centers of Excellence in various focus areas such as Capital Markets, Industrial, Logistics and Retail. Sabrina also leads the Research Centre of Excellence for Government Policy. If you have any queries related to North China or Government Policies, please contact:

Sabrina Wei
Chief Policy Analyst
Head of Research, North China
sabrina.d.wei@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms in the world, with approximately 50,000 employees in over 400 offices and 60 countries. In Greater China, a network of 22 offices serves local markets across the region, earning recognition and winning multiple awards for industry-leading performance. The firm had global revenues of $7.8 billion in 2020 across core services including valuation, consulting, project & development services, capital markets, project & occupier services, industrial & logistics, retail and others. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Disclaimer

This report has been produced by Cushman & Wakefield for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield shall not be liable to any reader of this report or any third party in any way whatsoever.Cushman & Wakefield shall not be held responsible for and shall be released and held harmless from any decision made together with any risks associated with such decision in reliance upon any expression of opinion in the report. Our prior written consent is required before this report can be reproduced in whole or in part.

© 2022 Cushman & Wakefield All rights reserved.