

*Average rent was recorded as a positive growth for the first time since the pandemic in Shenzhen office market*



# Shenzhen Office Market Report

Q3 2021

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# AVERAGE RENT WAS RECORDED AS A POSITIVE GROWTH FOR THE FIRST TIME SINCE THE PANDEMIC

*In Q3, the delivery of Xunlei Technology Tower brought 23,000 sqm new supply to the Shenzhen Grade-A office market and pushed the stock to 8.38 million sqm.*

In Q3 2021, the vacancy rate of the Shenzhen Grade-A office market was 16.4%, dropped 1.8 percentage points QoQ. The pent-up office leasing demands impacted by COVID-19, was further unleashed in this quarter. Average rent was recorded as a positive growth for the first time since the outbreak, with rising 1.0% QoQ to RMB 200 per sqm per month.

Benefiting from the factors such as high-end positioning of the area and diverse investment policies, Qianhai sub-market was still the prior choice for many

enterprises with relocation intention. It continued to attract high-quality enterprises to settle in, thus driving the average vacancy rate of Qianhai sub-market to drop by 8.7 percentage points QoQ to 19.4%, which leasing performance ranks the first among all sub-markets in this quarter. The vacancy rate of some landmark office buildings in Qianhai fell by 20 to 40 percentage points QoQ, driving their rents up by 10 to 20% QoQ.

Shenzhen's positive prospects have promoted companies to expand or new

set up offices in the city, boosting the leasing demands in the local office market. Although the rental level of the Grade-A office market in Shenzhen was gradually stabilizing, a large amount of new supply will be delivered in the market in the next three years, which was expected to maintain the fierce competition among office landlords. However, high-quality tenants will still have the advantage in leasing negotiation.

**FIGURE 1: Shenzhen Grade-A office market indicators**



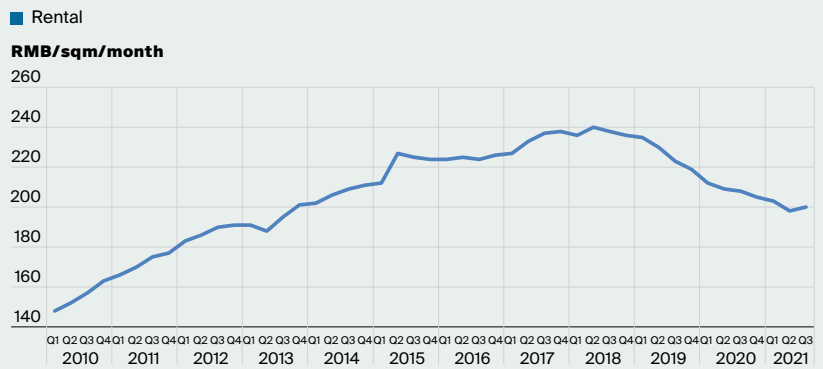
Source: Knight Frank Research

## RENTS AND PRICES

Driven by the positive performance of market, average rents in all business districts showed an upward trend during the quarter. Average rents of the Grade-A offices in core business districts rose 1.4% QoQ to RMB 210 per sqm per month. A sharp drop in the average vacancy rate in Qianhai sub-market pushed its average rents up 5.1% QoQ to RMB 164 per sqm per month.

In addition, the average rent in the secondary business districts rose slightly 0.4% QoQ to RMB 185 per sqm per month, while the average rent in the emerging business districts dropped 7.4% QoQ to RMB 183 yuan per sqm per month.

**FIGURE 2. Shenzhen Grade-A office rental and price**



Source: Knight Frank Research

**Table 1. Major Shenzhen Grade-A office sub-market indicators, Q3 2021**

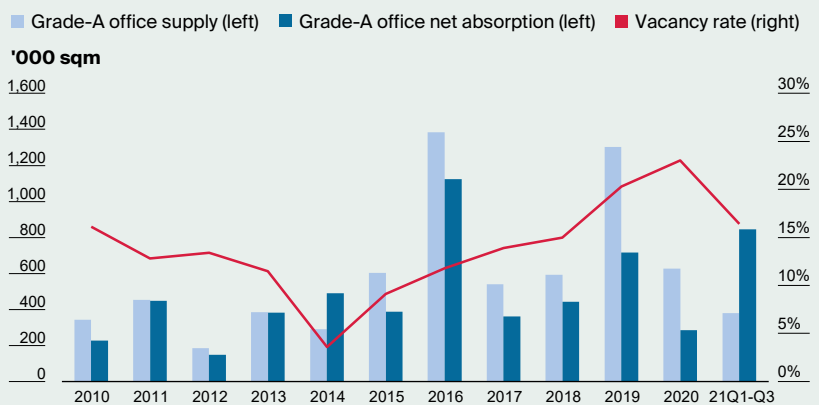
District	Rent (RMB / sqm / month)	Rent Change (QoQ)	Vacancy Rate	Vacancy Rate Change (QoQ)
Caiwuwei	169	↔	21.6%	↓ 1.5
Futian CBD	232	↔	14.6%	↓ 0.4
Houhai	215	↔	11.7%	↑ 0.5
Qianhai	164	↑ 5.1%	19.4%	↓ 8.7
Huaqiang North	175	↔	22.1%	↔
Chegongmiao	216	↑ 2.9%	9.3%	↓ 3.8
Shekou	193	↔	35.7%	↔
Nanyou	165	↔	4.4%	↔
High-tech Business Park	172	↓ 1.1%	21.5%	↓ 0.9
Bao'an CBD	183	↑ 7.4%	10.8%	↓ 3.2

Source: Knight Frank Research

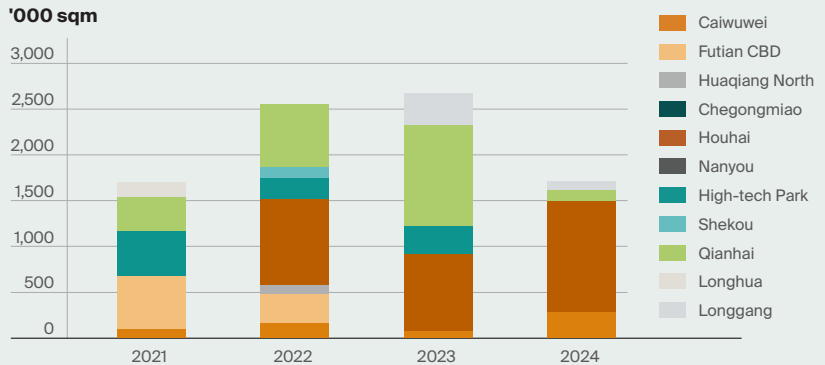
## SUPPLY AND DEMAND

In Q3 2021, the delivery of Xunlei Technology Building pushed the market stock of the Shenzhen Grade-A office market to 8.35 million sqm, with an expansion of 0.3% QoQ. Supported by a strong economic recovery, net absorption in the Shenzhen Grade-A office market exceeded 800,000 sqm during Q1 to Q3 2021, surpassing the level for the whole of 2019.

TMT enterprise was still an important force to drive the market transaction, especially the leading enterprises. Typical transactions included: the new lease of a 10,000 sqm office by Huawei in Bojin Commercial Centre and the new lease of a 10,000 sqm office by Shopee in China Energy Storage Building.

**FIGURE 3. Shenzhen Grade-A office supply, take up and vacancy rate**

Source: Knight Frank Research

**FIGURE 4. Shenzhen Grade-A Office Market Future Supply Forecast**

Source: Knight Frank Research

**Table 2. Major Shenzhen Grade-A office leasing transactions, Q3 2021**

District	Building	Tenant	Area (sq m)	Transaction Type
<b>Chegongmiao</b>	Bojin Business Centre	Huawei	10,000	New Lease
<b>High-tech Park</b>	China Energy Storage Building	Shoppe	10,000	New Lease

Source: Knight Frank Research  
Note: all transactions are subject to confirmation

**Table 3. Major Shenzhen Grade-A office future new supply, Q4 2021**

District	Building	Area (sq m)
<b>Futian CBD</b>	Dabaihui Square	130,000
<b>Futian CBD</b>	C Future City	213,900

Source: Knight Frank Research

## INVESTMENT MARKET

There were two en-bloc transactions recorded during this quarter, both of which were sold to self-use buyers from different industries. The strong purchase demand of self-use buyers in Shenzhen office market demonstrated enterprises' confidence in Shenzhen's development prospects.

Shenzhen Daotong Technology Co., Ltd.

intended to use its own funds or self-raised funds to acquire the ownership of Rainbow Technology Building, the property of Shenzhen Tsinghua Rainbow Nanomaterials High-tech Co., Ltd., with a total transaction area of about 28,000 sqm.

The south tower of Qianhai CTF Financial Tower was successfully

signed online in August, and the whole project will be sold to the world's top 500 financial institutions after completion. The transaction object includes one commercial unit and eighteen office units with a GFA of more than 49,000 sqm and a total transaction price of more than RMB 3.2 billion.

## MARKET OUTLOOK

In September, 'the Plan for Comprehensively Deepening the Reform and Opening-up of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone' issued by the CPC Central Committee and the State Council, was released. Qianhai Cooperation Zone will be built into an experimental platform for comprehensively deepening reform and innovation of the Guangdong-Hong Kong-Macao Greater Bay Area, and a gateway hub for high-level opening-up. The plan confirms to further expand the development space of Qianhai Cooperation Zone. The total area of Qianhai Cooperation Zone will be expanded from 14.92 sqkm to 120.56 sqkm.

Subsequently, the Qianhai Cooperation

Zone proposed 12 aspects and 44 measures to promote Qianhai to become a new international city center. The plan includes the 6 aspects, which proposes to benchmark against the world's first-class, refine the "two-stage" development goals. By 2025, the area of newly industrial land for sale to Hong Kong-funded enterprises will account for no less than 1/3; A significant breakthrough will be made for building a new system with open economy; Playing a more important role in the development of the Guangdong-Hong Kong-Macao Greater Bay Area. By 2035, the employment population of Hong Kong will increase dramatically; Business environment will reach world-class level; Being a city with strong capabilities for allocating with global resources, innovative

planning, and coordinating development.

The expansion of the Qianhai Free Trade Zone and the promulgation of related supporting measures are important benefits for the development of the Qianhai area. It is expected that this measure will gradually attract companies registered in Qianhai but operating in other areas to return to Qianhai, while attract more Hong Kong-funded enterprises and talents to take live in Qianhai, further promoting the positive development of the office market there.

# SHENZHEN GRADE-A OFFICE MARKET DASHBOARD Q3 2021

**FIGURE 5. Shenzhen office rents and vacancy rates of major business districts**



Source: Knight Frank Research

Note: rents using average effective rent at RMB/sqm/month; VR refers to average vacancy rate.

**We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.**

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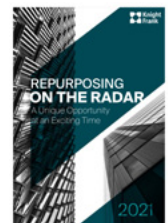
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