Shanghai Grade-A Office Market Report

Q1 2025

This report focuses on the Grade-A office market in Shanghai, with information about supply and demand, rents, vacancy rates and the office investment market

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Overview and Outlook

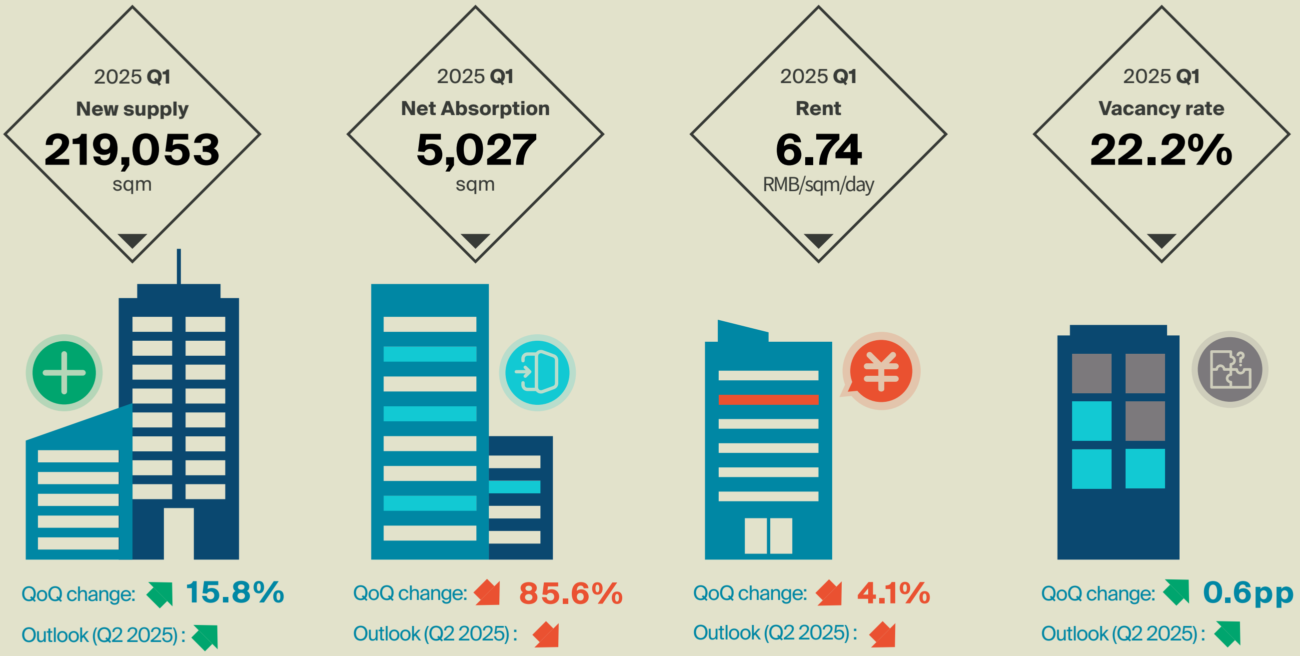
Market demand remains weak

In the first quarter (Q1), the overall office market rent in Shanghai continued to decline to RMB6.74 per sqm per day, while the market vacancy rate continued to rise slightly to 22.2%. Four new projects totalling 219,053 sqm of office space were completed and delivered. Weak demand, coupled with continued supply increases, led to a net absorption of only 5,027 sqm in the Grade-A office market in Q1, a significant drop of 85.6% QoQ. The market vacancy rate also increased by 0.6 percentage points to 22.2% under the pressure of slow absorption. Financial, TMT, retail and professional services companies were the main sources of market demand.

The economic data from the government work report in March provided strong support for market confidence. However, the pressure of tariffs on trade exports is expected to increase economic uncertainty, posing significant challenges to the office market.

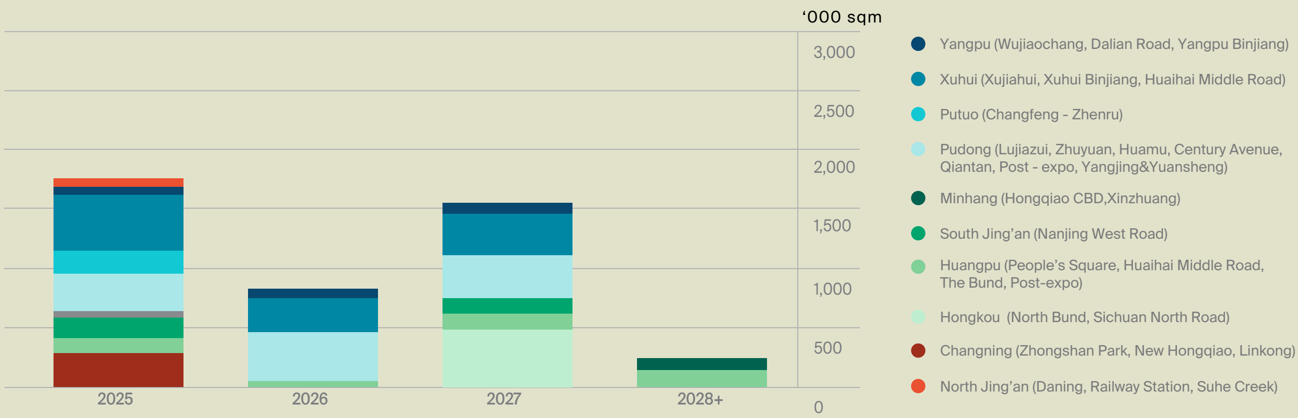
In 2025, nearly 1.4 million sqm of office space are planned to be launched into the market. Under the current economic pressure, the large amount of new supply will intensify market competition. We believe that as the negative impact of global tariff increases gradually releases, the costs for companies, especially those related to export trade, will significantly increase, further suppressing their demand for office space. Consequently, we expect the market rent to continue its downward trend in the short term, and the market vacancy rate to continue rising.

Fig 1: Shanghai Grade-A office market indicators[1]



Source: Knight Frank Research
[1] Rent refers to average effective rent

Fig 2: Shanghai office development pipeline by district, 2025-2028+



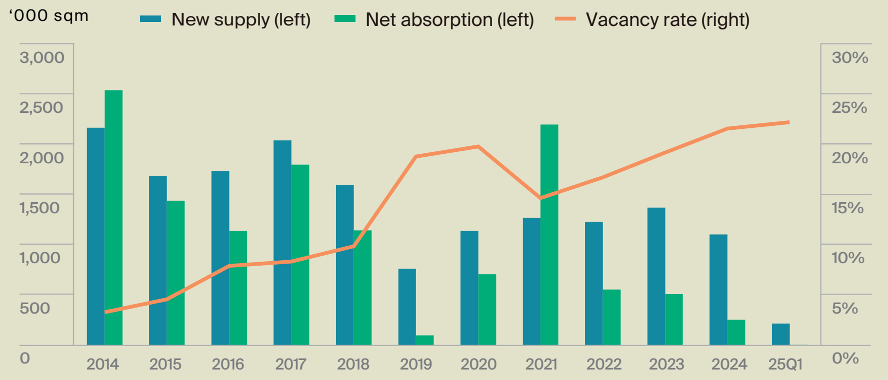
Source: Knight Frank Research

Supply and Demand

Renewals and relocations account for 80% of the market

In Q1, four new projects were completed, adding 219,053 sqm of new supply to the market. Pudong became the main area of new supply, with three projects completed and delivered: APEX Centre (97,216 sqm) in Post-expo Pudong, Infinite New Bund (74,837 sqm) in Qiantan, and Century Fortune Plaza (30,000 sqm) on Century Avenue. In Puxi, the Four Seasons Hotel renovation project—Fungseng Commercial Centre in the Nanjing West Road business district — was also completed and delivered this quarter, bringing 17,000 sqm of office space to the market.

Fig 3: Grade-A office new supply, net absorption and vacancy rate



Source: Knight Frank Research

Leasing transactions in Q1 mainly came from enterprise renewals and relocation activities, accounting for 80% of the market. Due to the flexibility provided by landlords in terms of renewal periods and rents, many companies with expiring leases chose to renew their existing office leases after comparing relocation costs and renewal expenses. In this quarter's relocation leasing activities, new projects with established commercial amenities delivered in the past two years were favoured by companies with relocation needs, such as The Summit in Huamu and CPIC Xintiandi Commercial Centre in Xintiandi, both recording multiple leasing transactions this quarter. More relocation demand in the market still came from companies' passive choices to control leasing budgets. It is worth noting that in this quarter's new leasing transactions, domestic professional services companies and foreign automobile manufacturing companies increased their demand for office space in Shanghai, with leasing transactions of over 1,000 sqm in emerging business districts.

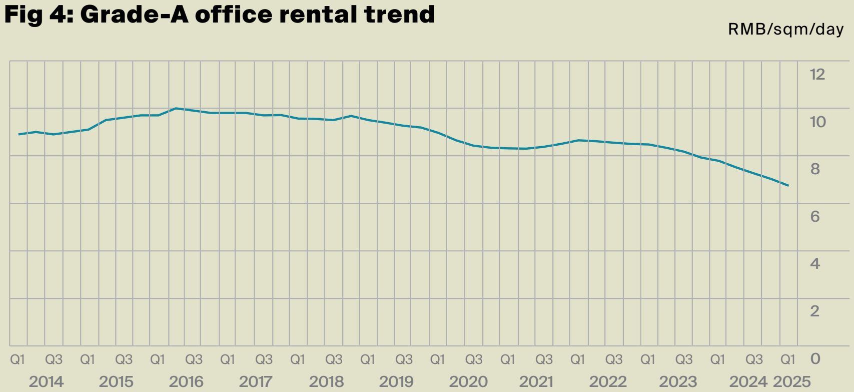
In Q1, the main sources of leasing demand in the Shanghai's Grade-A office market were financial, TMT, retail, and professional services companies. In the retail, professional services, and automobile manufacturing industries, the leasing demand from European and American companies remained significant. Domestic companies' leasing activities were mainly concentrated in the TMT, financial, and professional services sectors. Meanwhile, the demand for flexible office space continued to rise, prompting co-working brands to lease large areas of office space to conduct business, resulting in an increase in the number of such leasing transactions.

Rents

The CBD area faces intensifying pressure on absorption and significant rental decline

In Q1, the rent in the Grade-A office market continued to decline by 4.1% QoQ to RMB6.74 per sqm per day, with varying degrees of rent decline in different submarkets. Both CBD and emerging business districts saw significant rental declines, with QoQ declines of 4.3% and 4.6% to RMB6.49 and RMB5.63, respectively. To attract potential tenants, existing projects around new developments in emerging business districts launched a series of preferential measures, not only continuously lowering rents but also providing customised services and even renovation subsidies, leading to intense competition.

Fig 4: Grade-A office rental trend



Source: Knight Frank Research

With limited market demand, prime locations in the core CBDs, newer buildings and lower rents in emerging business districts has created competition with the CBDs, exacerbating the pressure on the latter. This has led to substantial rent cuts by landlords in CBDs this quarter.

In Q1, the market rent in the core CBDs declined to RMB9.21 per sqm per day, a QoQ decline of 3.7%. Enterprises renewals in the core CBDs were prominent in leasing and renewal activities this quarter, accounting for 16% and 43%, respectively. Landlords continued to lower rents and provide greater incentives, which were key factors in encouraging expiring tenants to renew their leases. In Q1, the market rent in Nanjing West Road area declined by 4.3% QoQ to RMB9.91 per sqm per day, making it the submarket with the largest rent decline in the core CBDs. Driven by demand for lease renewals from professional services and retail sectors, Nanjing West Road was also the submarket with the most frequent renewal activities in the core CBDs.

Table 1: Major Grade-A office leasing transactions, Q1 2025

Submarket	Building	Tenant	Area (sqm)	Type
Little Lujiazui	Jin Mao Tower	East West Bank	2,500	Renewal
People's Square	Ciro's Plaza	CC Space	2,250	New Lease
Nanjing West Road	Wheelock Square	Tod's	2,100	Renewal
Huamu	The Summit	LYNK&CO	1,300	Relocation
Hongqiao CBD	The Hub	TOYOTA	1,000	New Lease
Huaihai Middle Road	CPIC Xintiandi Commercial Centre	Stephenson Harwood	900	Relocation

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Investment Market

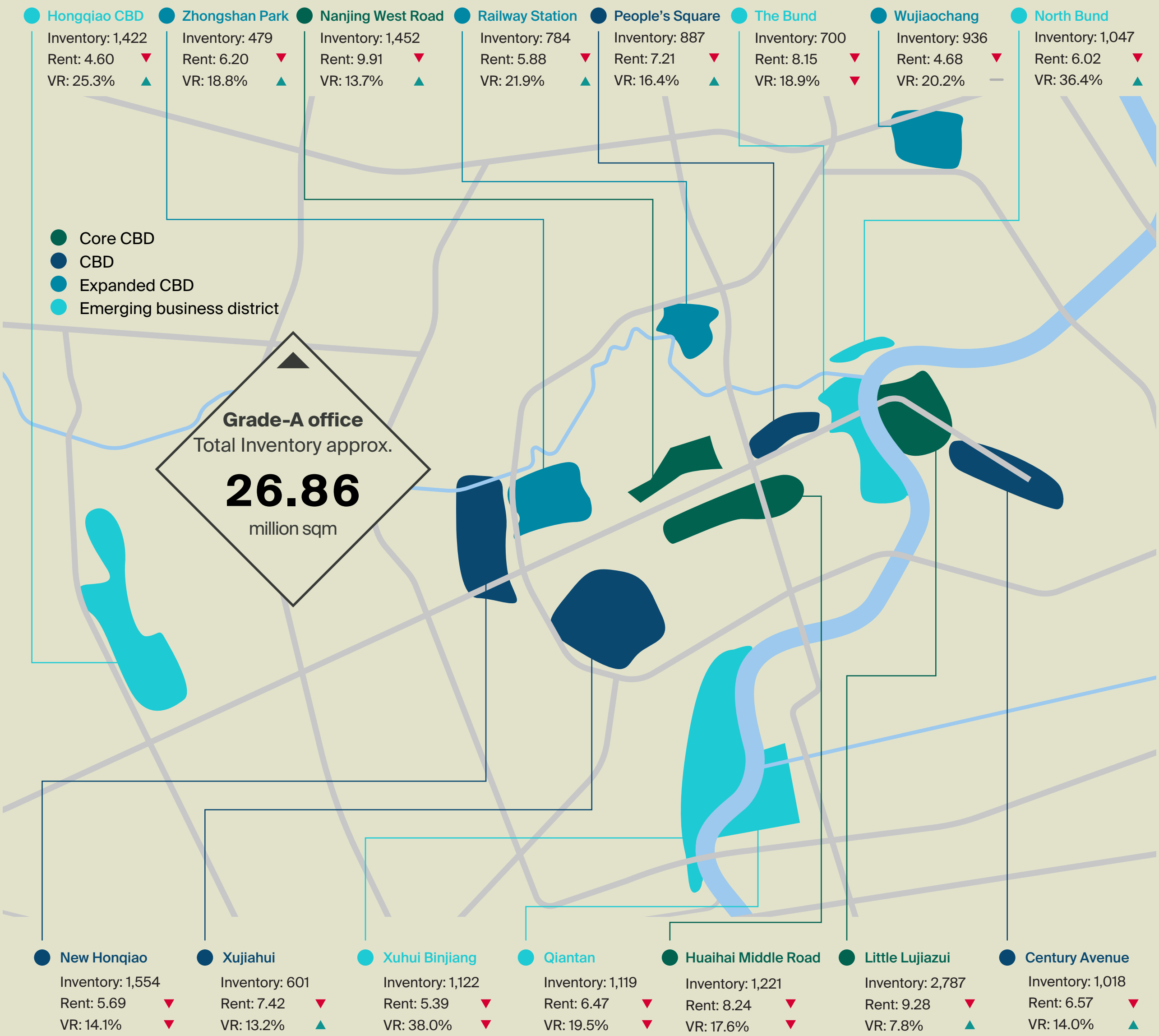
Insurance capital continues to acquire quality office buildings

In Q1 2025, the Shanghai's office investment market recorded seven major transactions, involving a total amount of approximately RMB12.8 billion. Most of these transactions were Grade-A office buildings and standard office buildings in business parks, with transaction amounts below RMB1.0 billion.

The most significant transaction in Q1 was the acquisition of One Museum Place, initiated by China Post Life Insurance. In January, China Post Life Insurance announced that the company, as the leading investor, officially signed the investment agreement for the special real estate fund of One Museum Place in Shanghai. In this transaction, China Post Life Insurance served as the leading investor of the acquiring fund. A subsidiary of the US-based Hines Group, which is the developer and operator of One Museum Place, will also continue to participate in managing operations. The Abu Dhabi Investment Authority (ADIA) will also be one of the investors in the acquisition fund, jointly holding One Museum Place with China Post Life Insurance. It is reported that the consideration for this transaction is RMB10.8 billion. One Museum Place has a total land area of approximately 17,900 sqm and a total gross floor area of approximately 184,000 sqm. It comprises a 60-storey super-tall office tower, a four-storey large multifunctional retail podium, and a four-storey basement.

Shanghai Grade-A office market dashboard Q1 2025

Shanghai Grade-A office inventory, rents and vacancy rates of major business districts



Source: Knight Frank Research

Note: unit for market inventory – 1,000 sqm; rents using average effective rent at RMB/sqm/day; 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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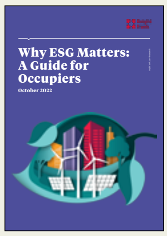

Why ESG Matters for Occupiers

Quantifying ESG in Real Estate