Shanghai Grade-A Office Market Report

Q1 2026

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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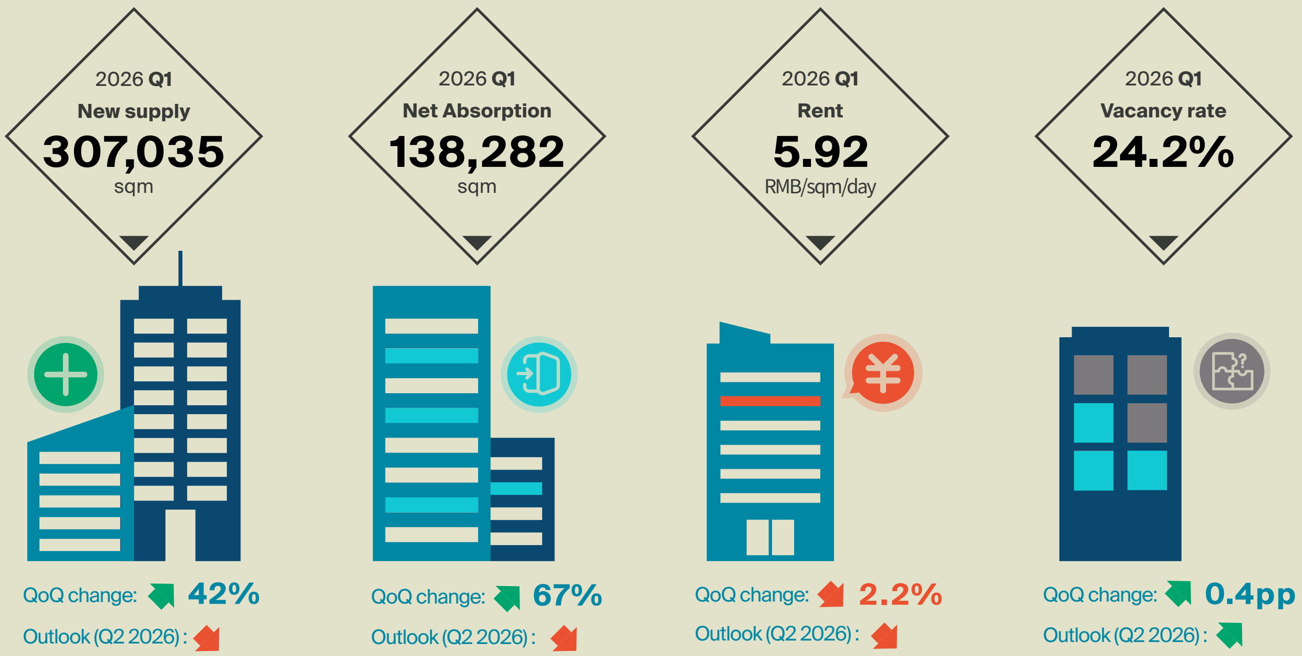
Overview and Outlook

Net absorption rebounds, sending positive signals

In the first quarter (Q1), Shanghai's Grade-A office market showed solid resilience. The city recorded new supply of 307,035 sqm, up 42% quarter-on-quarter (QoQ), and mainly from Nanjing West Road, Xujiahui and the Post-expo area. Despite the sizeable supply, with demand gradually recovering, the average vacancy rate rose by only 0.4 percentage point to 24.2%. Net absorption reached 138,282 sqm, surging 67% QoQ, driven primarily by occupiers' relocations, upgrades and office consolidation. Average rent was RMB5.92 per sqm per day, down 2.2% QoQ, with the pace of decline narrowing by 1 percentage point.

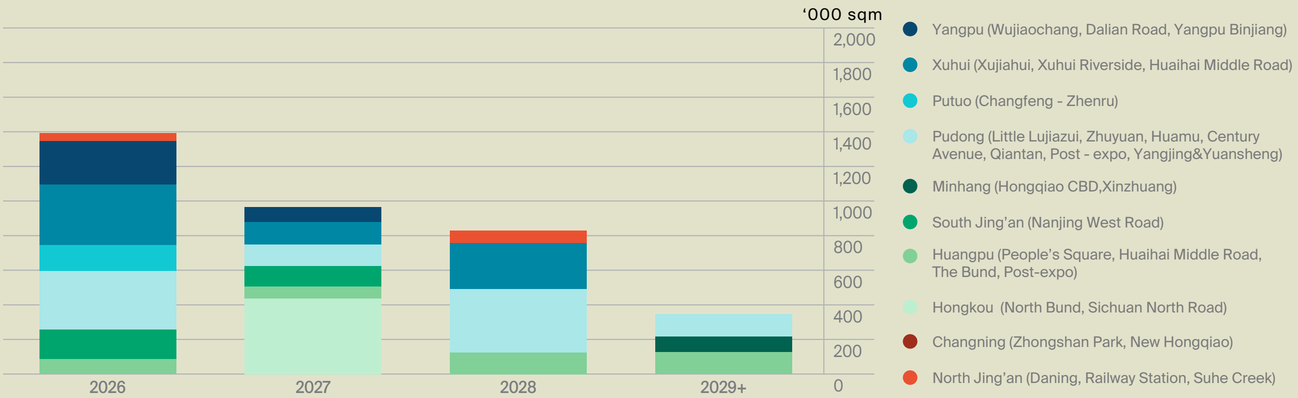
Looking ahead, the supply pipeline is expected to remain brisk in the short term. Landlords' leasing pressure and rent concessions are likely to persist, while policy support should help stabilise expectations. China's 2026 'Two Sessions' reaffirmed a more proactive macro stance, emphasising expanding domestic demand and advancing technological innovation and industrial upgrading. Shanghai also set an annual target of around 5% GDP growth and R&D spending of about 4.6% of GDP and will continue promoting the development of the "Five Centres" and the "AI+" initiative. As demand from finance, technology, professional services and headquarters-driven industrial chains gradually materialises, rents in prime assets in core areas may stabilise earlier; however, the citywide average rent is still likely to trend downward over the year.

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, 2026-2029+



Source: Knight Frank Research

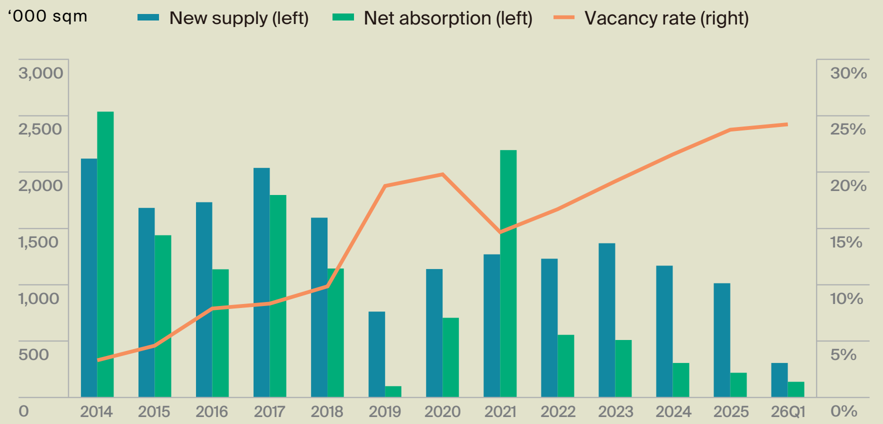
Supply and Demand

Rising law firm leasing demand supports absorption

In Q1, Shanghai's Grade-A office market saw the first concentrated wave of completions this year. Three new projects entered the market, adding around 307,035 sqm of new supply. Among them, Three Shanghai ITC Tower B (approx. 200,000 sqm) was the largest addition. Together with CRLand Centre (80,000 sqm) and Huanbo Tower (27,035 sqm), these completions expanded the Xujiahui, Nanjing West Road and Post-Expo submarkets.

On the demand side, net absorption rebounded markedly, reflecting occupiers' selective willingness to lease in new projects and higher-quality buildings. Among disclosed transactions, a relocation of about 90,000 sqm by HYPERGRYPH at Xuhui Vanke Centre Phase III drew the most attention. Multiple relocation, expansion and new-lease cases were recorded across the core submarkets—Little Lujiazui, Nanjing West Road and Huaihai Middle Road—as well as emerging areas such as North Bund, Qiantan and Huamu. This suggests that activity was mainly driven by office consolidation, quality upgrades and cost-optimisation strategies moves. With both new supply and take-up increasing, the vacancy rate rose only slightly, indicating that while the market faces absorption pressure, quality projects still demonstrate strong leasing appeal thanks to superior specifications and operation standards.

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



Source: Knight Frank Research

Notably, continued momentum in external trade and sustained investment in technological innovation, new energy and new materials R&D have supported business expansion among trade, logistics and resources & chemicals companies, helping revive their office leasing demand. In Q1, finance, professional services, retail, manufacturing and TMT sectors accounted for over 70% of market transactions. Law firms stood out in particular: more than 40% of professional services demand came from law firm relocations, and their leasing activity increased multiple-fold QoQ. Rising demand for specialised legal advisory services — driven by companies expanding overseas, tech IPOs and REITs issuance — has boosted law firms' workloads and, in turn, their needs to upgrade office space.

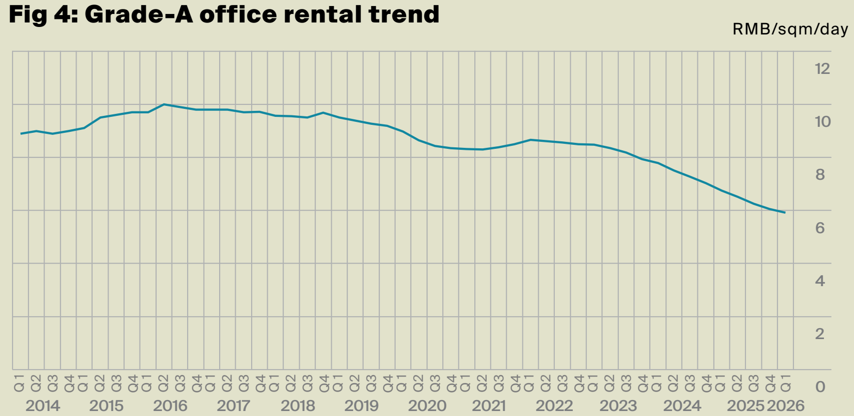
Rents

Market rent decline narrows

In Q1, Shanghai's average Grade-A office rent fell to RMB5.92 per sqm per day, down 2.2% QoQ, with the rate of decline narrowing by 1 percentage points compared with the previous quarter. Concentrated new supply, intensified competition among existing buildings, and stronger tenant bargaining power in renewal and relocation negotiations remained the key factors weighing on rents. However, as demand gradually improves, landlords' willingness to make further sharp price cuts has begun to ease.

QoQ rent declines in core CBDs and CBDs (1.8% and 1.7%, respectively)

Fig 4: Grade-A office rental trend



Source: Knight Frank Research

were notably smaller than in emerging submarkets (2.4%). Prime locations, stable growth in relocation and new-lease demand from rent-resilient occupiers supported the prime market and helped slow the pace of decline. By contrast, landlords in emerging areas continued to prioritise price-for-volume strategies due to dual leasing pressure from existing vacancy and newly completed projects.

Traditional prime submarkets in core CBDs continued to lead in rent levels. Average rents in the three prime submarkets — Little Lujiazui, Nanjing West Road and Huaihai Middle Road — reached RMB7.90, RMB9.32 and RMB7.29 per sqm per day, respectively. Litle Lujiazui posted the largest QoQ decline among the three prime submarkets at 2.2%, facing not only intensified within-submarket competition but also competitive pressure from Qiantan, The Century Avenue and The Bund. Landlords in Little Lujiazui continued to lower quoted rents to retain tenants, widening the negotiation room between landlords and occupiers.

Across the market, landlords continued to offer more flexible incentives — such as longer rent-free periods, fit-out subsidies and stepped-rent clauses — to secure quality tenants. Some newly launched projects also adopted more competitive initial asking rents to speed up leasing, putting further downward pressure on the overall market rent. While rents are expected to remain soft in the near term, projects with strong locational advantages and established industry clustering are likely to stabilise earlier as demand continues to recover.

Table 1: Major Grade-A office leasing transactions, Q1 2026

Submarket	Building	Tenant	Area (sqm)	Type
Xuhui Other Area	Xuhui Vanke Centre Phase III	HYPERGRYPH	90,000	Relocation
North Bund	North Bund FC Jinmao Plaza	TF Securities	12,000	Relocation
Huamu	The Summit Building 2	Zhong Wen Law Firm	5,600	Expansion
Qiantan	FUSION NEW BUND	AgiBot	6,000	New Lease
Little Lujiazui	SWFC	Sumitomo Corporation	3,300	Renewal

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Investment Market

Owner-occupiers and value-focused buyers remain active

In Q1 2026, Shanghai's office investment market remained active, with 19 transactions involving offices and business parks and total consideration exceeding RMB10 billion. Deals spanned districts including Huangpu, Xuhui and Qingpu, with structures ranging from equity transfers to asset acquisitions. Buyers included financial institutions, industrial capital and corporate owner-occupiers. During the quarter, assets such as Central Park · Huangpu (office component), Platinum, Crystal Hongqiao Tower 1, No 319 Jianguo West Road and Hongqiao BU Centre changed hands, indicating that despite ongoing adjustment in the leasing market, assets in core locations—especially those with repositioning potential or owner-occupier value—can still attract capital. Investment decisions are increasingly focused on cashflow stability, holding costs and post-acquisition operational upside. However, price expectations between buyers and sellers still require further alignment, keeping the pace of large-scale transactions relatively cautious. In terms of deal characteristics, standalone buildings, smaller-size assets and properties with potential for industry-led occupancy are more likely to transact earlier, while pure income-oriented assets typically require longer negotiation cycles. Looking ahead, office assets with scarce locations, clear exit pathways or value-add potential through improved operations are expected to continue attracting selective allocation from long-term capital and local buyers.

Table 2: Major office bulk transactions, Q1 2026

Property	Buyer	Seller	District	Transacted GFA (sqm)	Acquisition Structure
Central Park · Huangpu (office component)	Yuxiao Group	Hong Kong Shanghai Alliance Holdings Limited / Apollo Global RE	Huangpu	27,318	Equity Transaction
Crystal Hongqiao T1	SANWA SUPPLY	Tishman Speyer/ Shanghai New Changning/ Mitsubishi Estate	Changning	4,000	Asset Transaction

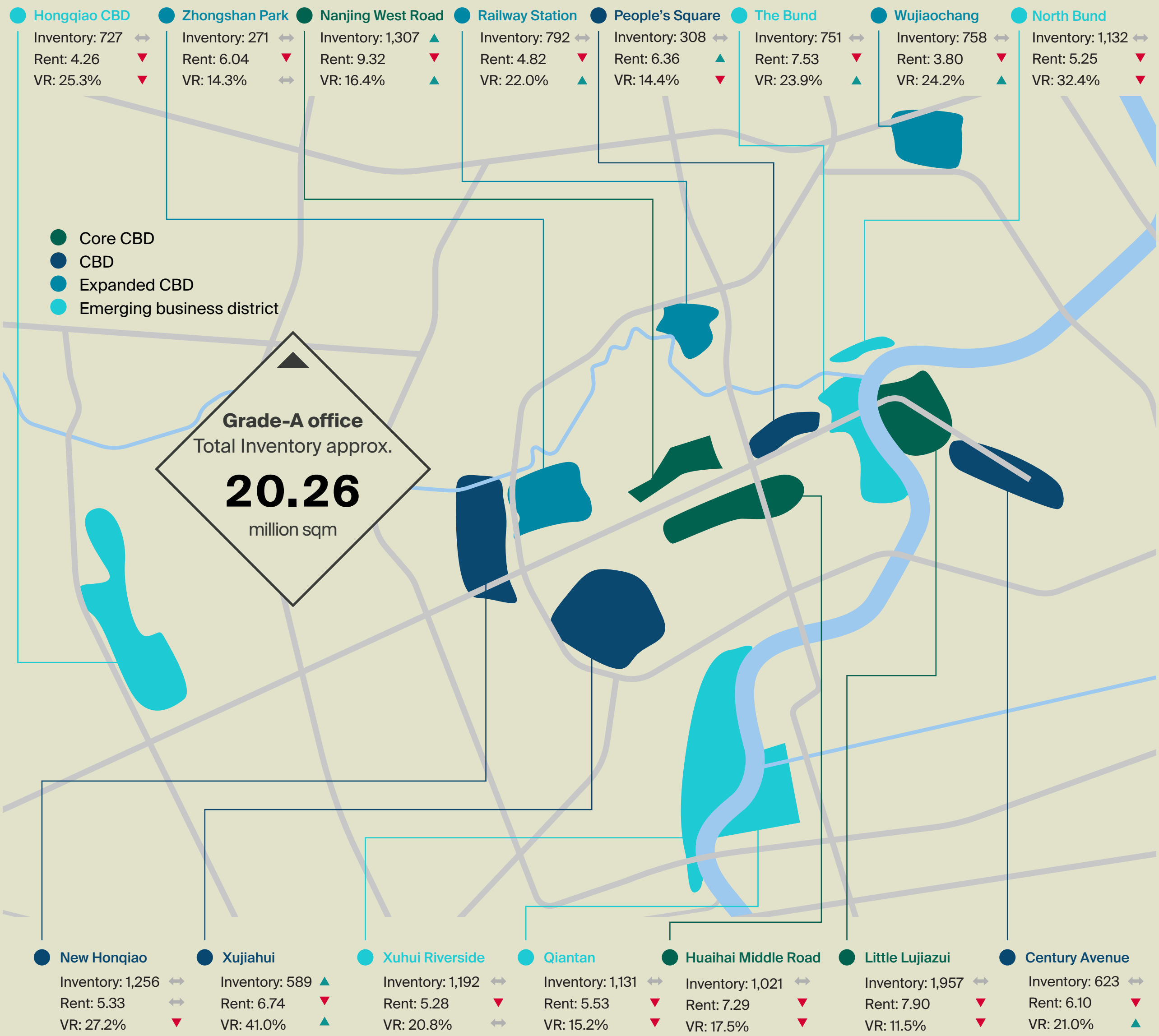
Property	Buyer	Seller	District	Transacted GFA (sqm)	Acquisition Structure
No 319 Jianguo West Road	Fangda Carbon New Material	Shanghai Dongfang Huafa Enterprise Development/ Shanghai Hongbang Enterprise Development	Xuhui	2,998	Asset Transaction
Platinum	Shenzhen Jingfa Industrial Group	ARA Asset Management	Huangpu	43,374	Equity Transaction
Hongqiao BU Centre	Anhui Xingxing Garments	Shanshan Holdings/ Shanghai Zhongjiu Investment/ Zhenro Group/ Shanghai Yahao Cultural Communication	Qingpu	3,852	Asset Transaction

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Shanghai Grade-A office market dashboard Q1 2026

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.
Adjustments were made to Grade-A office building stock this quarter, and figures are not directly comparable with the previous quarter.

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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