Shanghai Grade-A Office Market Report

Knight Frank

Q2 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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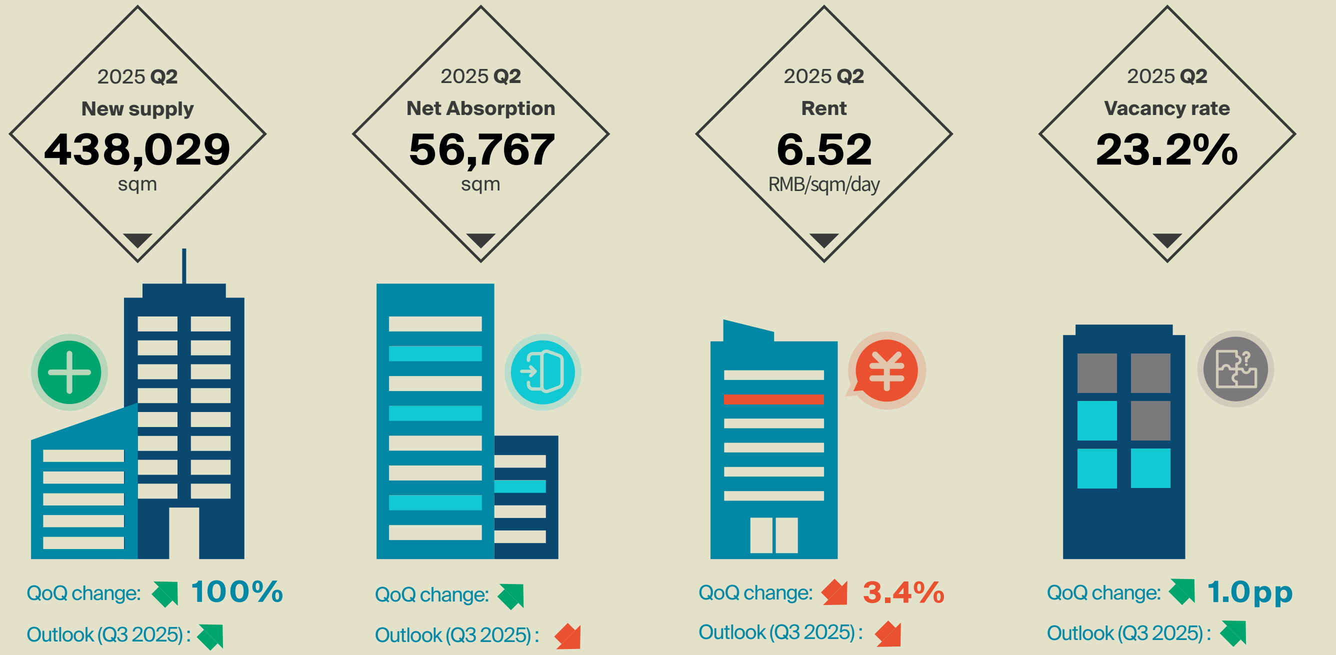
Overview and Outlook

New supply in core areas to increase in the second half of the year

In the second quarter (Q2), the overall office market rent in Shanghai continued to decline to RMB6.52 per sqm per day, driven by significant reductions in quoted rents by landlords. Seven new projects totalling 438,029 sqm of office space were completed and delivered. The influx of new supply caused the market vacancy rate to rise to 23.2% in Q2. However, the rent reduction has had a positive effect, with an increase in enterprise renewal and relocation activities, leading to a rebound of net absorption to 56,767 sqm. Leasing demand from financial, retail and professional service companies were the main drivers of market activity, with the counter-trend expansion of retail brands being a notable highlight.

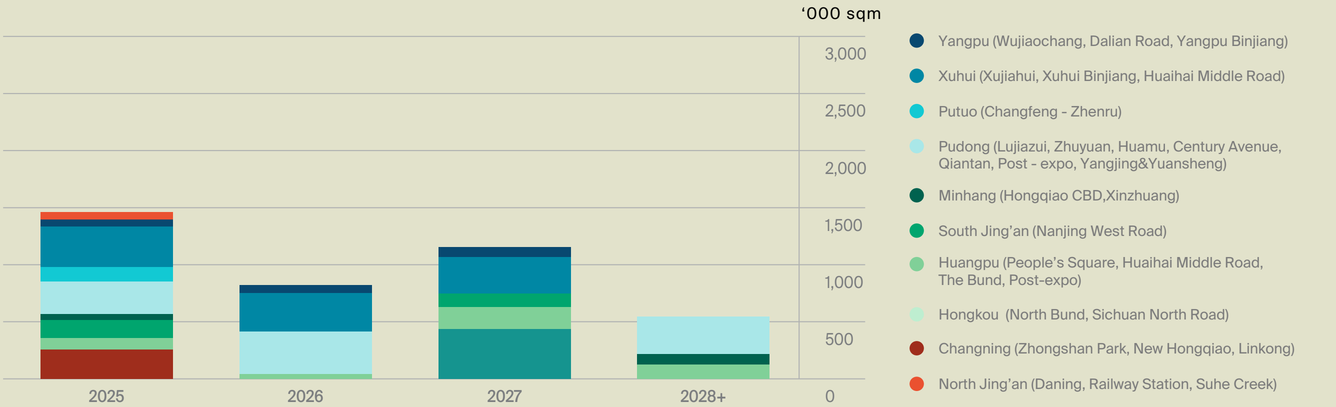
In the second half of the year, over 700,000 sqm of office space is expected to enter the market, among which high-quality office buildings from core CBDs will account for more than 60% of this new supply. At the current rental level, the completion and delivery of high-quality projects in core CBD areas are anticipated to reflux market demand in the areas and attract tenants with specific office location requirements. We expect that the recovery of leasing demand in core CBD areas will bolster overall market confidence.

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

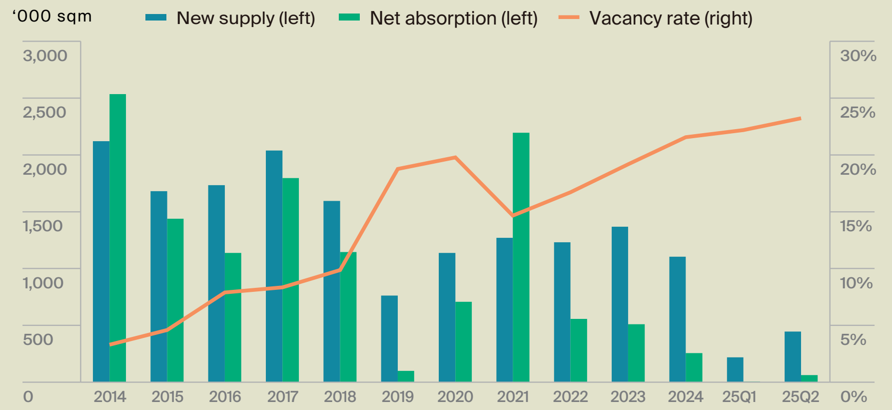
Increasing demand for lease expansion from retail brand enterprises

In Q2, the Shanghai Grade-A office market witnessed a supply peak, with seven new projects completed and delivered, bringing 438,029 sqm of new supply, a QoQ increase of 100%. The total market supply in the first half of the year reached 657,082 sqm, a QoQ increase of 73%. The newly completed and delivered projects were mainly located in emerging markets, including The Pier in Yangjing & Yuansheng (62,000 sqm), New Bund Origin T1 in Qiantan (23,280 sqm), China Overseas Centre Tower B – a project converted from for-sale to for-lease in Zhenru-Changfeng (76,575 sqm), and The West Bund Financial Hub Plot F by Hongkong Land in Xuhui Binjiang (76,750 sqm). In addition, Todtown Tower by Sun Hung Kai in Xinzhuang (50,000 sqm), A.F.A in New Hongqiao (98,000 sqm) and JIC in Jing'an (51,424 sqm) were also completed and delivered in this quarter.

In Q2, leasing activities were primarily driven by enterprise renewals and relocations. Due to limited market demand and the prevailing tenant market conditions, landlords commonly reduced rents, provided subsidies, and offered customised services to retain tenants. Cost saving remained a priority for enterprises, leading to a significant proportion of relocations from core CBDs to new projects in emerging markets.

In Q2, the leasing demand in Shanghai's Grade-A office market mainly came from financial, retail and professional services companies. Leasing demand from domestic companies was more concentrated in the financial and professional services industries, while that from foreign companies remained focused on the retail brand and professional services sectors. Given the current leasing market downturn, some companies also chose to expand and upgrade their office spaces. Continuous consumption subsidies boosted activity in the home appliance and automobile markets, while new retail brands generated demand for expanding office space to actively explore the market actively. This brought positive momentum to the leasing market. For example, Hyundai Motor expanded its spaces by 1,400 sqm in The Roof, and Italian eyewear brand Luxottica expanded its spaces by 2,500 sqm in ICC Phase II.

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



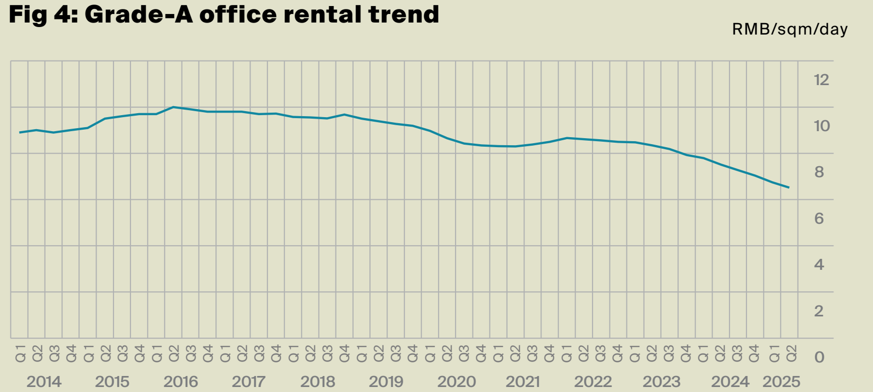
Source: Knight Frank Research

Rents

Multiple submarkets see a new round of rent adjustments

In Q2, the rent in the Grade-A office market dropped 3.4% QoQ to RMB6.52 per sqm per day. The market rents in core CBD area and emerging business districts fell significantly to RMB8.83 and RMB5.48 per sqm per day, with QoQ declines of 4.1% and 2.7% respectively. The sluggish absorption of office buildings in core CBD areas, coupled with the increased willingness of companies with expiring leases to move out, forced landlords to significantly lower their rent quotations to attract tenants. Landlords in emerging markets faced with intensified competition pressure due to the completion and delivery

Fig 4: Grade-A office rental trend



Source: Knight Frank Research

of a large amount of new supply. The slow absorption of new projects has led landlords to re-adjust their leasing strategies and rent quotations to achieve space absorption, resulting in landlords of existing projects responding to fierce market competition by reducing rents and providing more flexible leasing terms.

In Q2, the market rents in multiple submarkets of the Pudong market all recorded significant QoQ declines, among which the rents in submarkets such as Little Lujiazui, Huamu and Qiantan fell by an average decrease of about 7%. The market rent in Little Lujiazui dropped below RMB9 to RMB8.78 per sqm per day, a QoQ decrease of 5.3%, making it the quarter with the largest rent decline in recent quarters. Many tenants with expiring leases in CBDs moved to emerging markets with cheaper rents, leading landlords to significantly lower their rent quotations to cater to the market in order to facilitate transactions. The Sichuan North Road submarket in Puxi also saw landlords take the initiative to cut rents significantly due to the mass exodus of tenants this quarter. The rent in Sichuan North Road dropped 6.1% QoQ to RMB4.55 per sqm per day.

Table 1: Major Grade-A office leasing transactions, Q2 2025

Submarket	Building	Tenant	Area (sqm)	Type
North Bund	AIA Financial Centre	Everest Medicines	3,300	Relocation
Huaihai Middle Road	ICC Phase II	Luxottica	2,500	Renewal with expansion
Huaihai Middle Road	The Roof	Hyundai Motor	1,400	Renewal with expansion
Post-Expo	EXPO Place Tower 1	Lead Fund	1,194	Relocation
Post-Expo	One East	Interspace	1,100	Renewal
Huamu	THE SUMMIT Tower 1	WeTech	480	New Lease

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Investment Market

Standard R&D office buildings in business parks gain popularity

In Q2 2025, the Shanghai office investment market recorded 11 major transactions, involving a total amount of over RMB5 billion, among which nearly half of the transactions were standard R&D office buildings in business parks. In the first half of the year, the Shanghai office investment market accumulated 18 transactions, with a total transaction value of approximately RMB18 billion.

In Q2, several notable transactions highlighted developer's interest in acquiring high-quality office projects in urban areas. For example, XMXYG Group acquired Ciro's Plaza, located in the prime area of Nanjing West Road, from a consortium including PAG and Goldman Sachs for approximately RMB2.1 billion. Meanwhile, some new tech elites chose to acquire standard R&D buildings for self-use or as long-term investments. For instance, Espressif Systems purchased three R&D buildings at No. 3, Lane 235, Yubei Road, Pudong, namely Yu Cloud, from Lujiazui Group for RMB437 million, to serve as its R&D headquarters.

Table 2: Major Grade-A office en-bloc transactions, Q2 2025

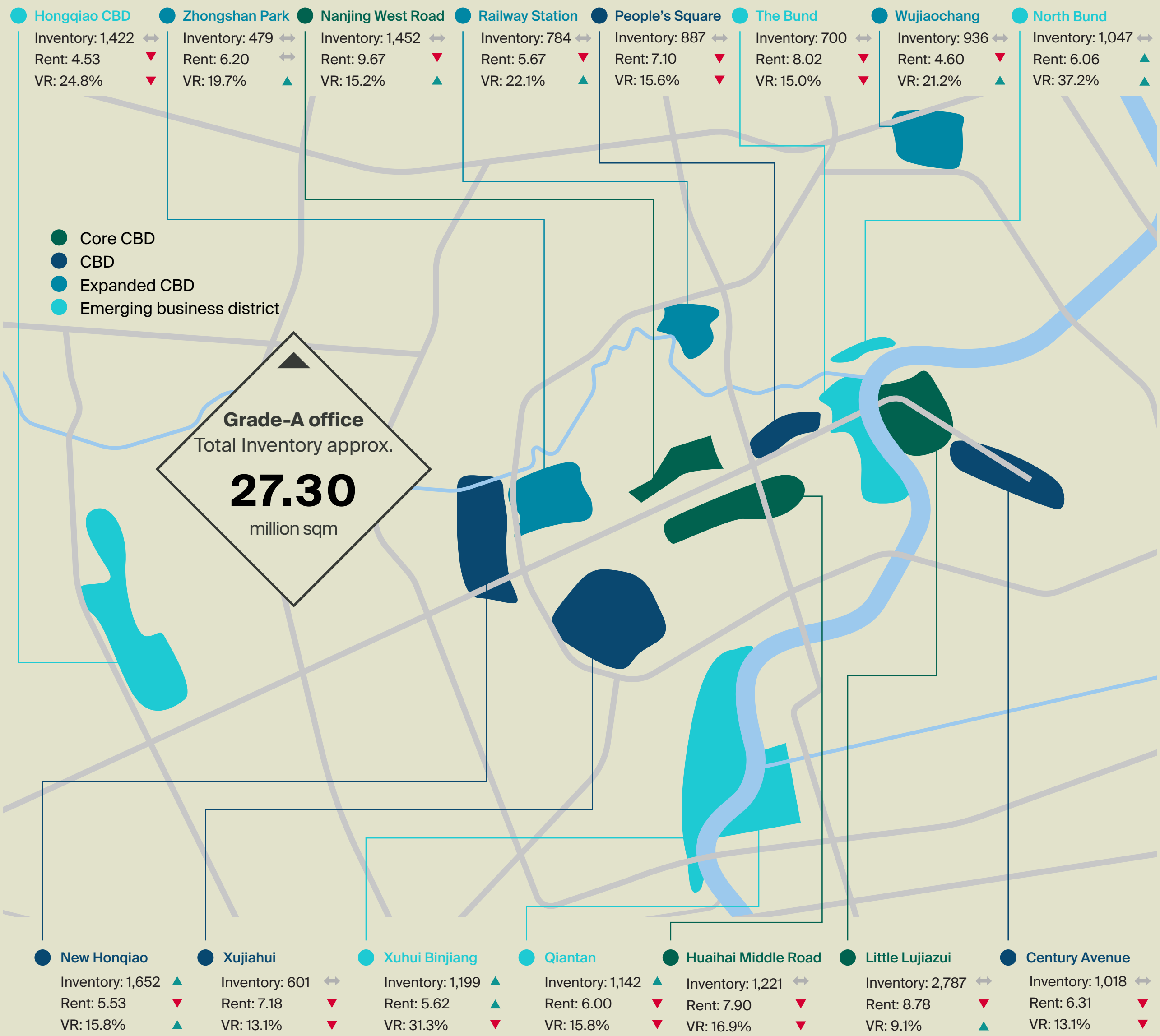
Property	District	Transacted GFA (sqm)	Acquisition Structure
Ciro's Plaza	Huangpu	70,395	Equity Transaction
Yu Cloud 3 R&D Buildings	Pudong	12,997	Asset Transaction
Financial Street Joy Centre Tower C	Jing'an	5,206	Asset Transaction
GLP I-Park Shanghai Yunchuang	Minhang	43,095	Asset Transaction

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Shanghai Grade-A office market dashboard Q2 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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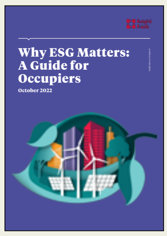

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