Shanghai Grade-A Office Market Report

Q2 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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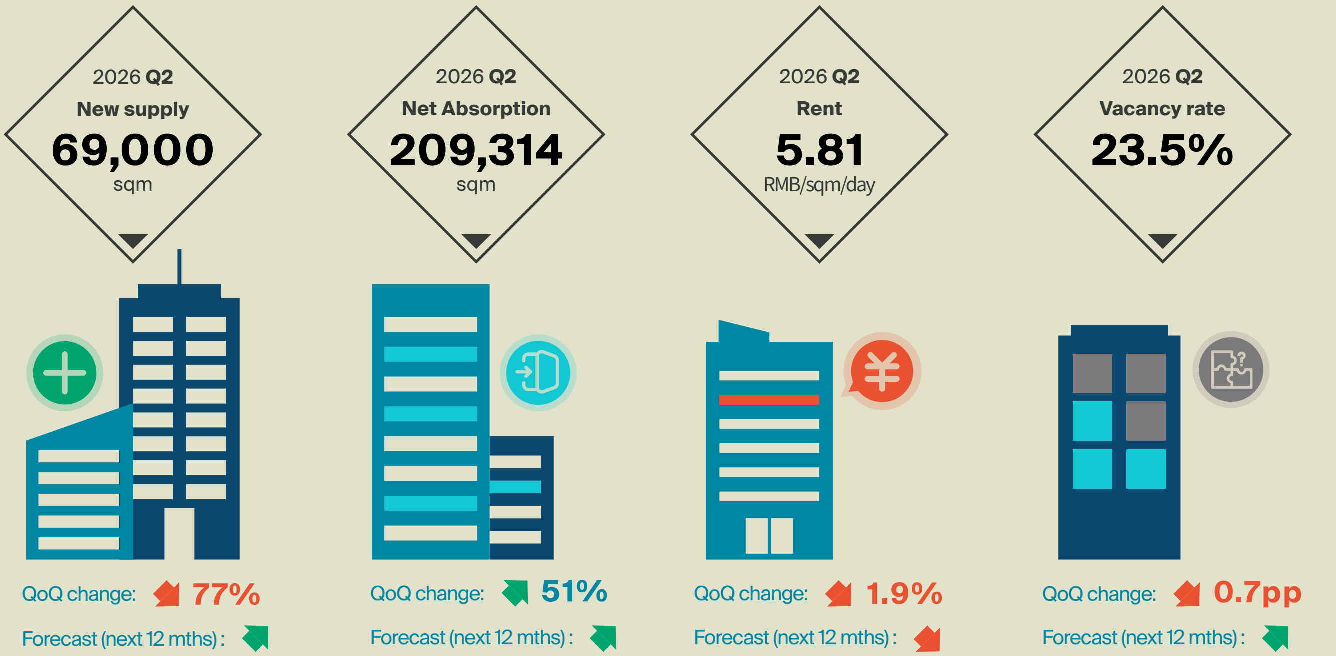
Overview and Outlook

Slower pace of supply and firmer leasing demand lead to a near-term improvement

In the second quarter (Q2), the Shanghai Grade-A office market saw a near-term improvement, supported by a slower pace of new supply and firmer leasing activity. New supply across the city totalled approximately 69,000 sqm, down markedly from Q1. Driven by new leases and expansion requirements from occupiers in the technology, biopharmaceutical, financial and retail sectors, the vacancy rate fell by 0.7 percentage points to 23.5%, while net absorption rose by 51% QoQ to 209,314 sqm. Average rents continued to trend downwards during the quarter, although the pace of decline narrowed, falling by 1.9% QoQ to RMB5.81 per sqm per day. Against a backdrop of stronger leasing volumes and slower supply additions, rental negotiation room narrowed for some schemes in core submarkets.

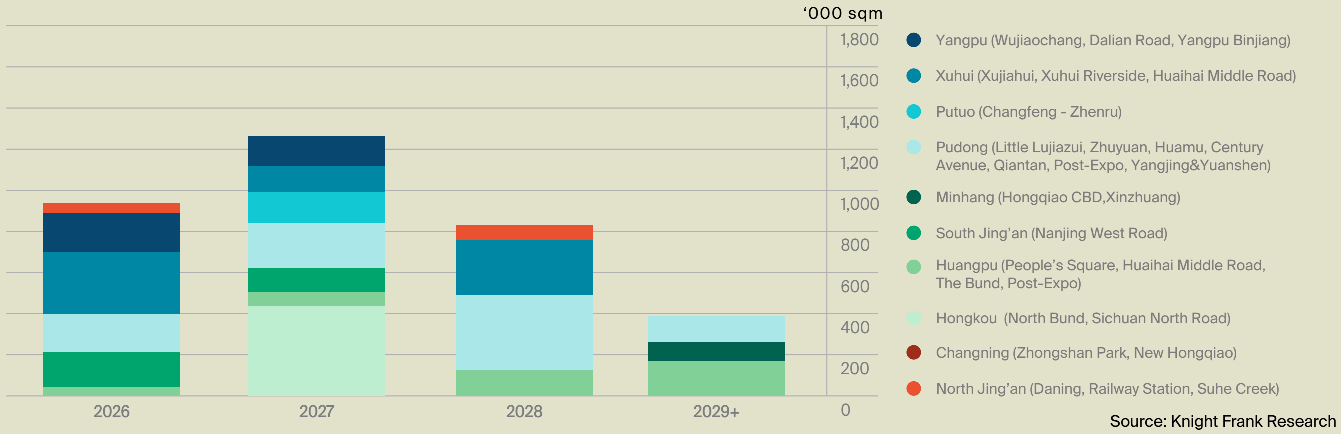
Looking ahead, Shanghai's office market is expected to remain under pressure from elevated existing vacancy and the future supply pipeline. Rents are likely to continue a mild downward trend in the short term, although quality buildings and key submarkets with strong industry clustering advantages are expected to stabilise earlier. In H2, leasing demand is likely to be driven mainly by upgrade-led relocations, cost optimisation, efficiency gains and portfolio consolidation. The financial services, technology, professional services, healthcare, trade and logistics sectors are expected to remain the main contributors to leasing activity. As more occupiers take advantage of the current rental adjustment window to optimise their office locations, core CBDs and emerging submarkets with strong transport connectivity and well-established amenities are expected to maintain relatively stable occupier interest. However, a more broad-based market recovery will still depend on an improvement in macroeconomic expectations and stronger corporate expansion appetite.

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



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

Fig 2: Shanghai office development pipeline by district, 2026-2029+



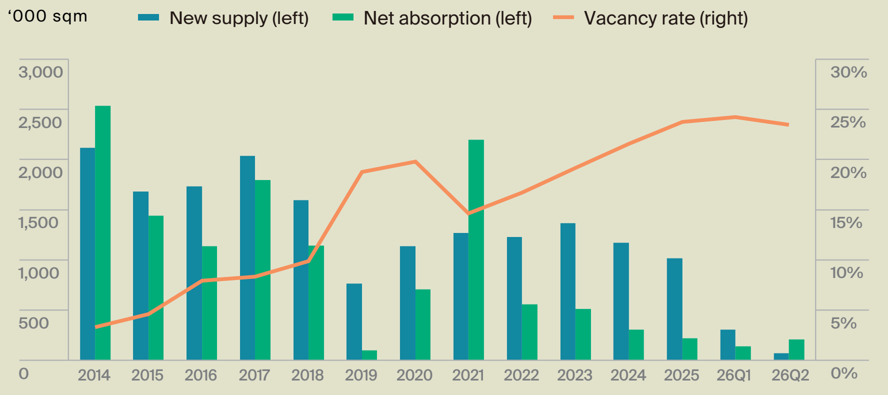
Source: Knight Frank Research

Supply and Demand

Demand from growth sectors supports leasing momentum

In Q2, K11 Phase II, also known as K11 ATELIER Huaihai, was completed in the core Huaihai Middle Road submarket, bringing 44,000 sqm of new Grade-A office space to the market. Compared with Q1, when several large-scale schemes reached completion at the same time, the pace of new supply eased in Q2, allowing the market some near-term capacity to absorb previously accumulated vacancy.

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



Source: Knight Frank Research

On the demand side, leasing momentum improved in Q2. In Q1, occupiers were largely focused on taking advantage of rental corrections to reduce occupational costs, while expansion requirements remained limited and the recovery in net absorption was relatively modest. In Q2, however, the market recorded a rise in new set-ups, new leases and expansion requirements, supporting a stronger level of take-up. More occupiers began to make use of the current rental adjustment window to upgrade their premises, expand their teams or consolidate office footprints across different districts. Smaller transactions remained active, while the share of mid-sized deals of 1,000 to 3,000 sqm increased by seven percentage points QoQ. The share of larger transactions above 5,000 sqm also rebounded, suggesting a stronger willingness among occupiers to upgrade, expand and consolidate their office portfolios. New leases and expansions by companies in the TMT, finance, biopharmaceutical, retail and professional services sectors continued to underpin demand during the quarter, contributing to the increase in net absorption. Supported by more favourable financing conditions, more active capital markets and stronger business expansion expectations, listed and pre-IPO technology companies recorded increased office requirements from R&D, operations and management teams, providing further support to take-up in core CBDs and key emerging submarkets.

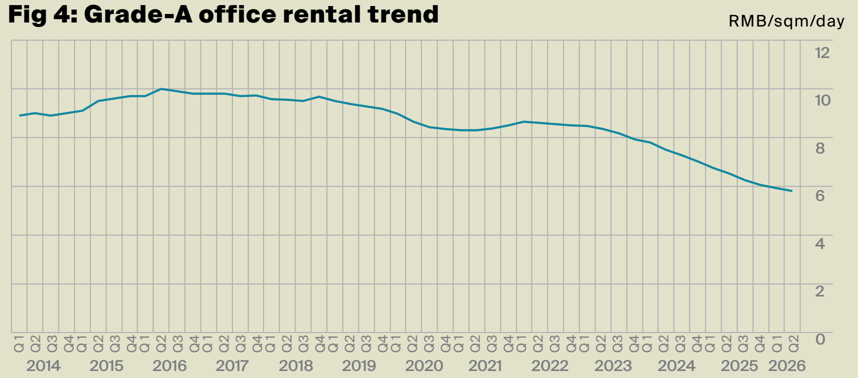
Domestic companies remained the key source of leasing demand in Q2, with decision-making centred on cost control, space efficiency and flexibility to support future business expansion. In terms of location strategy, these occupiers continued to value the corporate profile and accessibility offered by core CBDs such as Little Lujiazui, Nanjing West Road and Huaihai Middle Road, while also showing greater interest in emerging submarkets including Qiantan, North Bund, Hongqiao CBD, Xuhui Riverside and Post-Expo, where more competitive rents and larger floorplates can better support consolidation requirements. Foreign companies remained relatively cautious, placing greater emphasis on asset quality, international-standard amenities, transport accessibility and employee commuting convenience. Their leasing activity was mainly concentrated in renewals and selective space adjustments.

Rents

Core submarkets show greater rental resilience

In Q2, the average rent for Shanghai Grade-A offices continued to decline, falling by 1.9% QoQ to RMB5.81 per sqm per day. With corporate leasing budgets still constrained and competition among landlords remaining intense, landlords continued to attract quality tenants through rental concessions, longer rent-free periods, fit-out contributions and more flexible payment terms. Supported by prime locations, high-quality building specifications and established tenant bases, the three core submarkets of Nanjing West Road, Huaihai Middle Road and Little

Fig 4: Grade-A office rental trend



Source: Knight Frank Research

Lujiazui recorded more moderate rental adjustments during the quarter. This provided some support to overall market rents and contributed to the continued narrowing of rental declines.

By submarket, Nanjing West Road, Huaihai Middle Road and Little Lujiazui continued to command some of the highest rents in the city in Q2. Rather than making sizeable cuts to headline rents, landlords in these core submarkets were more inclined to retain tenants through discreet incentives. As a result, the average QoQ rental decline across the three core submarkets was well below the citywide average. Among emerging submarkets, Qiantan, Xuhui Riverside and Post-Expo continued to appeal to occupiers seeking better value, newer building specifications and the ability to accommodate larger space requirements. Improved leasing activity provided some support to rents, leading to a marked narrowing in QoQ rental declines in these submarkets during the quarter.

Table 1: Major Grade-A office leasing transactions, Q2 2026

Submarket	Building	Tenant	Area (sqm)	Type
Xuhui Riverside	Lumina Shanghai Phase One	Luxshare Precision Industry	4,400	New Lease
Nanjing West Road	HKRI Taikoo Hui	Eli Lilly	2,200	Renewal with Expansion
North Bund	Raffles City the Bund	UBI Quant	2,300	Renewal with Expansion
Little Lujiazui	DBS Tower	Tullett Prebon SITICO	5,200	Renewal
Xuhui Riverside	Lumina Shanghai Phase Two	Tencent	15,000	Expansion

Source: MSCI Real Assets, Knight Frank Research
Note: All transactions are subject to confirmation

Investment Market

Owner-occupiers and value-led buyers continue to anchor transaction activity

In Q2, Shanghai's office investment market recorded eight transactions involving office and business park assets, with total consideration exceeding RMB4 billion. In H1, total office transaction volume surpassed RMB15 billion. Market sentiment remained cautious in Q2, with investors placing greater emphasis on assets offering stable income streams and future repositioning potential. Buyers with owner-occupation requirements, sector introduction capabilities or the ability to enhance asset operations were more willing to take advantage of the current market window. Small-lot assets in core locations, repositioning opportunities and assets offering pricing advantages continued to generate transaction opportunities.

By buyer profile, owner-occupiers, industrial capital, local private buyers and selected long-term capital remained the key sources of transaction support. Owner-occupiers continued to focus on location, space suitability and acquisition cost, while value-led buyers assessed whether pricing had sufficiently reflected market adjustments and whether cash flow could be improved through repositioning, leasing-up and operational enhancement. In H2, investors are expected to remain selective, with activity likely to be concentrated in core-located assets, lower-ticket-size opportunities, strata-saleable assets and properties with clear industrial-use attributes.

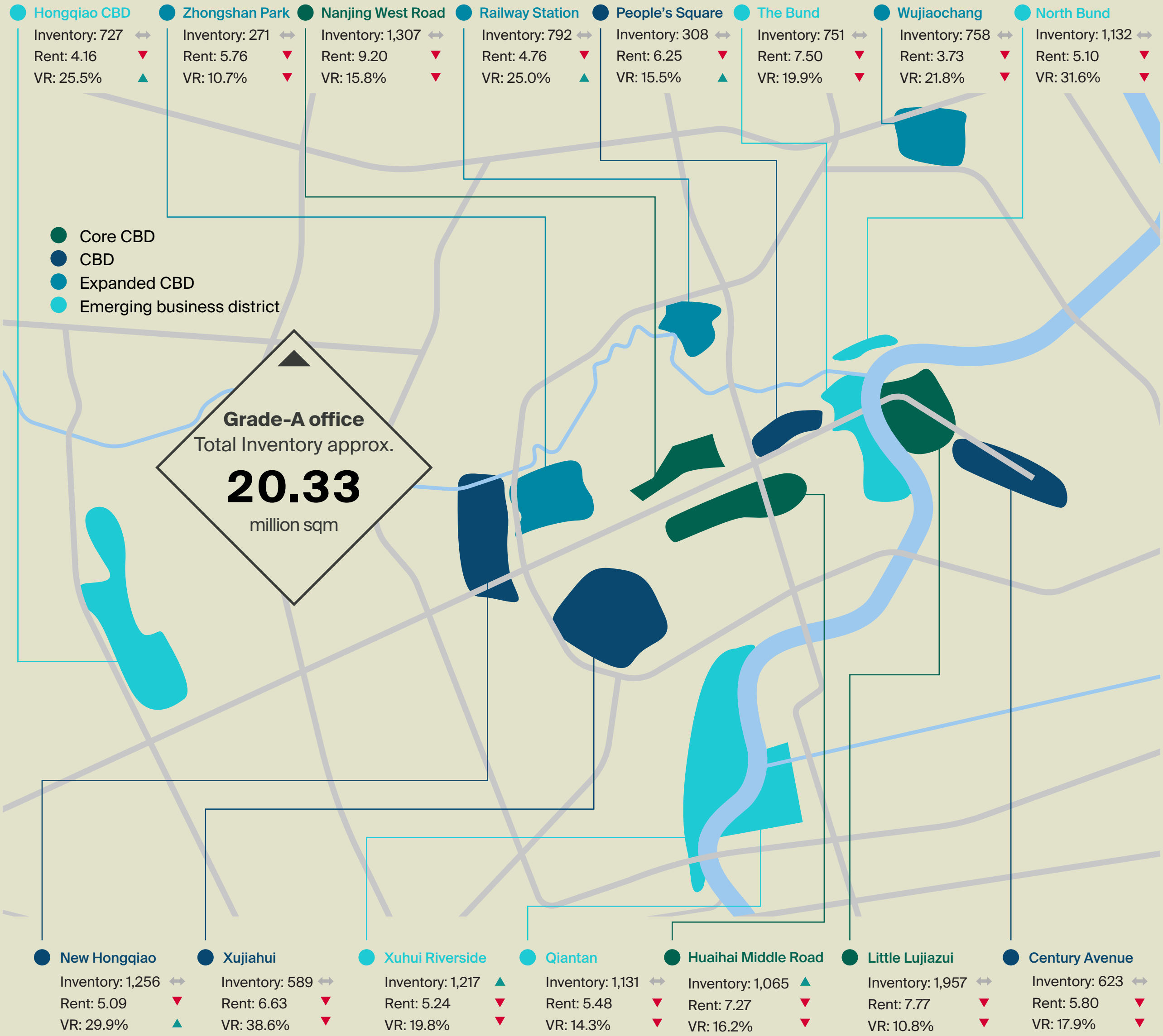
Table 2: Major office bulk transactions, Q2 2026

Property	Buyer	Seller	District	Transacted GFA (sqm)	Acquisition Structure
West Link Centre Block A	MeiG Smart Technology	Silk Road Fund	Minhang	15,367	Equity Transaction
Blockchain Valley and Yunhui Digital Intelligence Centre 15-17F	Shanghai Kaicheng Holdings	Shanghai Shibei	Jing'an	34,966	Asset Transaction

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

Shanghai Grade-A office market dashboard Q2 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 net 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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