

# Shanghai Grade-A Office Market Report



Q3 2024

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

## ► The office market continues to experience a downturn

In the third quarter (Q3), the Shanghai Grade-A office market saw a decline in both new supply and average rents, and the vacancy rate continued to rise. In terms of supply, four new projects totalling 190,221 sqm of office space were completed, representing a 50.4% decrease from Q2. The introduction of new projects, along with weak market demand, led to an overall vacancy rate increase to 21.1%, up by 0.3 percentage points QoQ. Owing to insufficient demand and a decline in transaction volume, the market's net absorption dropped to 51,346 sqm. The average rent for Grade-A office buildings continued to decline by 3.2% QoQ to RMB7.27 per sqm per day, although the rate

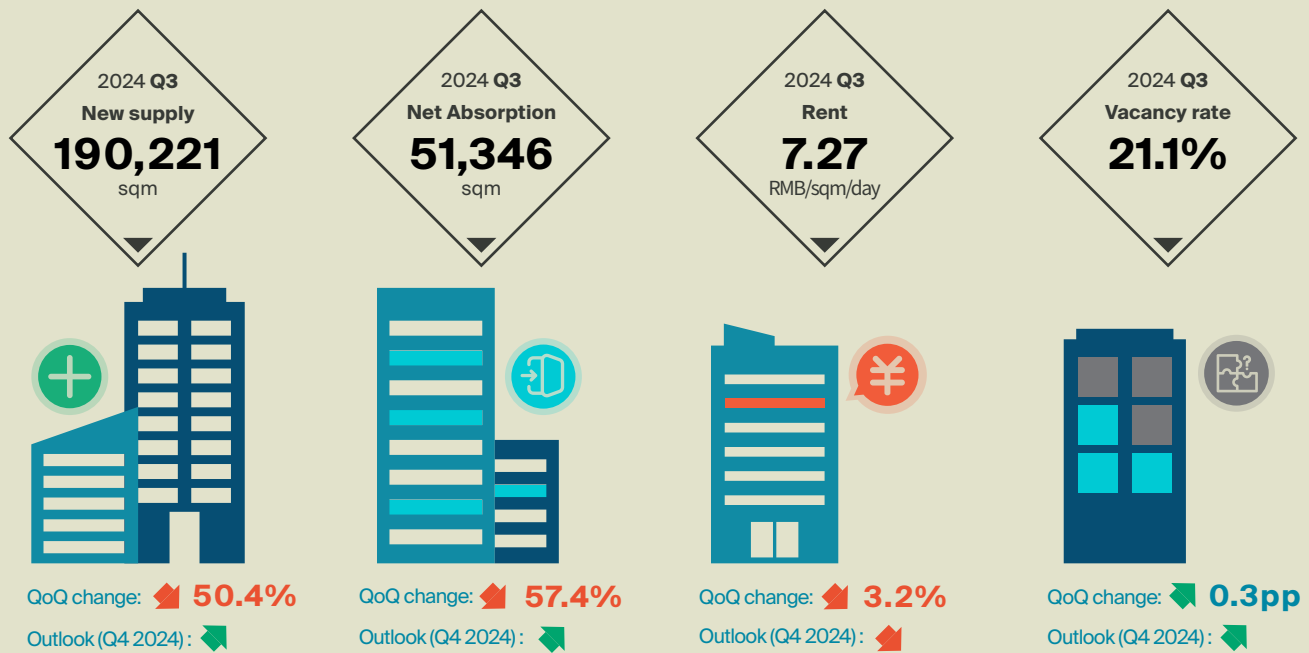
of decline narrowed compared that in Q2. The financial securities, asset management, and education and training sectors were relatively active in the leasing market, with their leasing transaction volume accounting for over a quarter of the total.

Nearly 700,000 sqm of office space is expected to be launched in the market in Q4. We believe that given the supply pressure and lack of demand, flexible leasing arrangements and negotiation flexibility will be crucial for landlords to successfully reduce market inventory.

Recently, a series of proactive monetary policies were introduced,

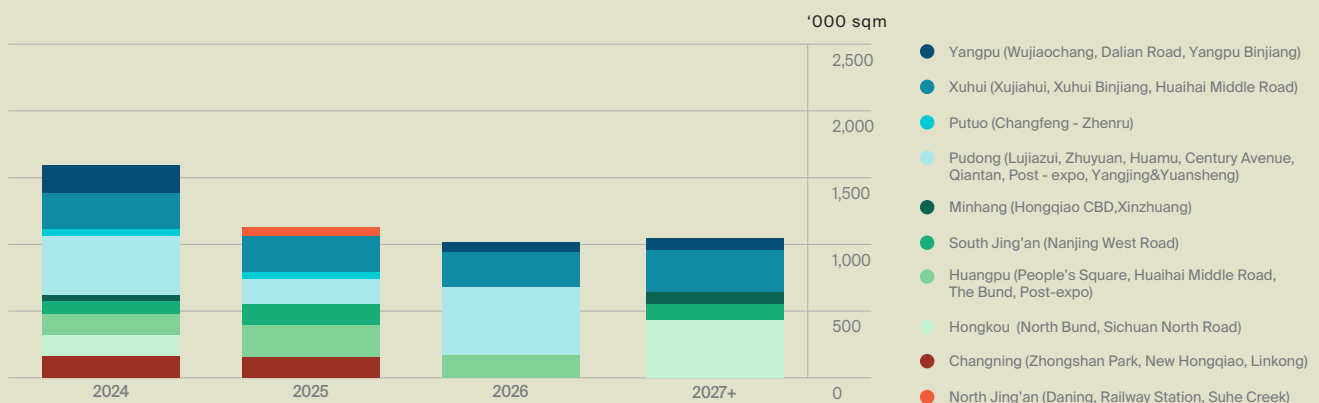
including interest rate cuts, reserve requirement ratio reductions and liquidity releases. At the same time, fiscal expansion policies are being strengthened, with relevant departments intensifying counter-cyclical adjustment measures in fiscal policy, which will instil confidence for stable economic development in the future. Although we expect the cumulative effects of these fiscal and monetary adjustment policies to take time to manifest themselves, they will have a significant positive impact on the long-term stable development of the economy. Regarding the office market, we remain cautious about the short-term recovery of market demand and the rebound of rents.

**Fig 1: Shanghai Grade-A office market indicators<sup>[1]</sup>**



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

**Fig 2: Shanghai office development pipeline by district, 2024-2027+**



Source: Knight Frank Research



# Supply and Demand

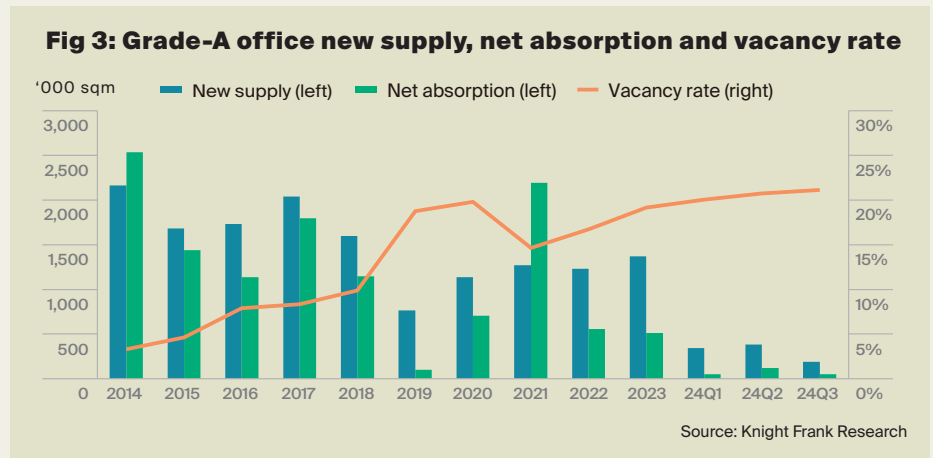
## ► Active leasing by financial, and education and training institutions

In Q3, the pace of new project launches in Shanghai's Grade-A office market slowed, with four new projects completed and delivered, adding a total of 190,221 sqm of new supply to the market, for a QoQ decrease of 50.4%. In Q3, new projects were concentrated primarily in the CBD expansion areas and emerging business districts, including Qiantan 54 in Pudong (11,221 sqm), the Youyou Centre renovation project in Zhongshan Park, Puxi (20,000 sqm), the INLET developed by Chongbang Group on Sichuan North Road, Puxi (100,000 sqm), and Buildings A and B of Zhongyin Plaza in the North Bund, Hongkou (59,000 sqm).

In Q3, overall demand in Shanghai's Grade-A office market remained weak, with a continuous decrease in new leases, renewals and relocation activity among companies. Among the existing market demand, the TMT (Technology, Media, and Telecommunications), financial and professional services sectors still held significant market share, serving as the primary sources of demand in Q3.

In Q3, domestic enterprises represented over 70% of total demand, solidifying their position as the dominant force in the office leasing market. Leasing demand from foreign enterprises was concentrated primarily in the retail, professional services and manufacturing sectors.

There is a trend for non-R&D



enterprises and corporate support departments to relocate from business parks to Grade-A office buildings in emerging business districts. Amid the ongoing downward trend in rents, Grade-A office buildings that are reasonably priced and well-equipped with surrounding amenities remain attractive to companies in the business parks.

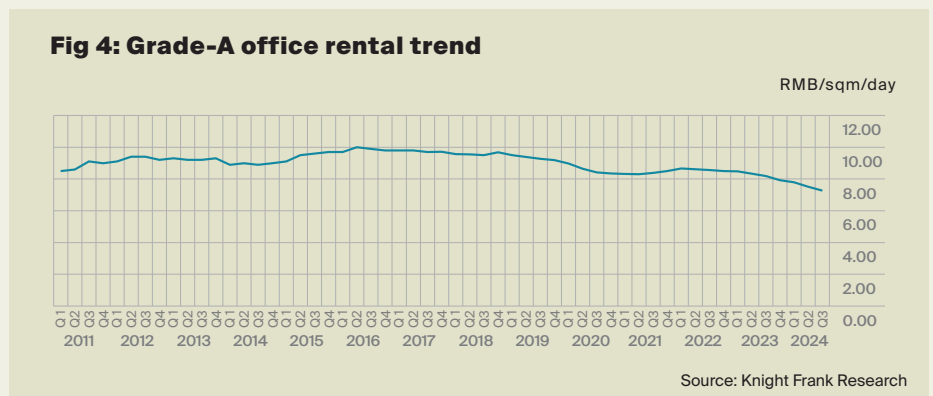
In Q3, the central bank's interest rate cuts, reserve requirement ratio reductions, and liquidity releasing monetary policies, combined with the market undervaluation of domestic asset prices, attracted active participation from both domestic and foreign investors. These factors have stimulated the issuance of bank credit, research and trading activity by securities firms and investment financing operations by asset management companies, increasing

demand for new leases and relocations from financial enterprises that require business expansion and office upgrades in core CBDs and CBDs. There was also notable leasing activity by education and training enterprises in the professional services sector. The "Opinions of the State Council on Promoting High-Quality Development of Service Consumption", released in August 2024, clearly states the need to "enhance the service quality of social training institutions to meet public demand", signalling a positive trend for quality education and training policies. The significant increase in business demand from education and training institutions has driven the need for office upgrades and expanded office space. In Q3, the Shanghai office market recorded several leasing transactions involving education and training institutions.

## Rents

## ► Further narrowing of the rental gap between emerging business districts and CBDs

In Q3, the average Grade-A office rent in the city continued to decline by 3.2% QoQ to RMB7.27 per sqm per day. As enterprises sought to reduce leasing costs, many opted to relocate from the core CBDs and CBDs. Landlords continued to lower rents to reduce market vacancy rates, resulting in QoQ rental declines of 3.6% and 3.5% in these two areas, respectively. In the core CBDs, the market rent fell below RMB10 per sqm per day, reaching RMB9.94 per sqm per day, marking a recent low.



The leasing market in the emerging business districts and CBD expansion areas continued its downward trend in Q3; however, the QoQ average rent decline narrowed, with both areas experiencing a 1.9% drop, significantly less than the average decline of over 3 percentage points in Q2.

The Qiantan and Huamu submarkets in Pudong, as well as the North Bund submarket in Puxi, have shown strong rental resilience, which is a key factor contributing to the slight decline in rents in the emerging business districts. Supported by demand from industries with strong rent-paying capability, such as finance, professional services and high-end manufacturing, the Qiantan and Huamu submarkets maintained stable rents of RMB7.19 per sqm and RMB6.91 per sqm per day, respectively. The strong demand from financial

**Table 1: Major Grade-A office leasing transactions, Q3 2024**

Submarket	Building	Tenant	Area (sqm)	Type
Little Lujiazui	Jinmao Tower	Sensteed Hi-tech Group	4,800	New Lease
Xujiahui	Grand Gateway 66	Jiahui Peiyou	3,400	New Lease
Huamu	Kerry Parkside	Foresight Fund	2,924	Renewal
Qiantan	Tishman Crystal Plaza T1	Zhuzi Play	2,200	Renewal
North Bund	Raffles City the Bund	Mingshi Fund	2,200	Relocation
Wujiaochang	Guozheng Centre Building 1	Tianji Education Group	1,400	New Lease

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

institutions moving into the North Bund market in Puxi has become a key factor in stabilising rents and

preventing significant further declines in the area.

# Investment Market

## ► Surge in demand from investment buyers

In Q3 2024, the Shanghai's office investment market recorded 17 major transactions, involving a total amount of over RMB7.5 billion. Demand from investment buyers for office properties significantly increased, with nearly 40% of the transaction volume coming from these buyers, representing a QoQ increase of about 20 percentage points in market share. In Q3, owner-occupier buyers consisted primarily of

state-owned enterprises and industrial companies from other provinces and cities.

The low prices of domestic assets, U.S. interest rate cuts, and corresponding reductions in interest rates and reserve requirements by domestic financial institutions, along with the release of liquidity in the financial market, are expected

to continue to attract capital in the domestic investment market. This will increase asset allocation demand for office property from both foreign and domestic investors. We believe that as market demand recovers, property owners will shift away from their previous urgency to sell, leading to higher acquisition costs for interested buyers.

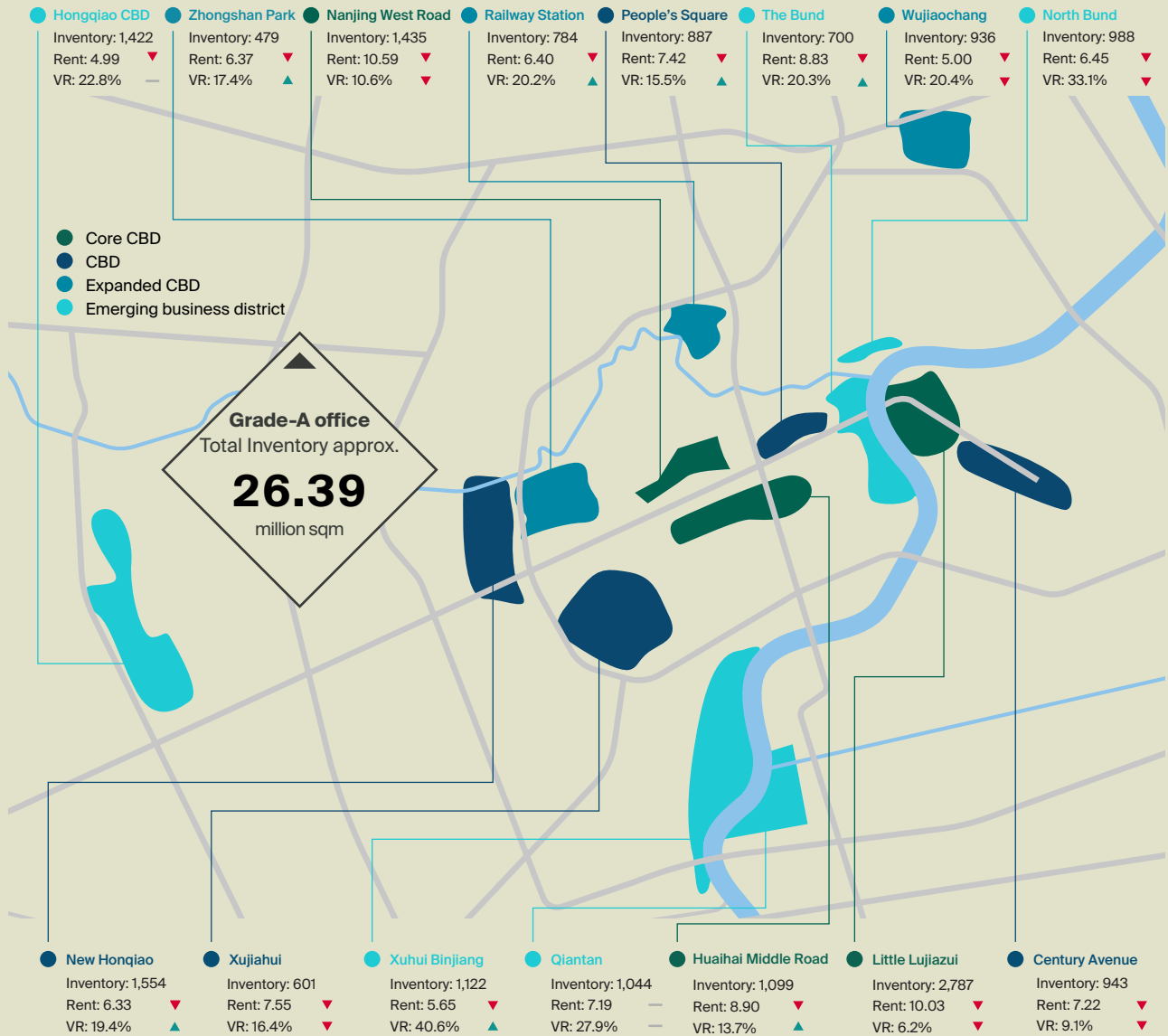
**Table 2: Major Grade-A office en-bloc transactions, Q3 2024**

Property	Purchaser	Seller	District	Transacted GFA (sqm)	Acquisition Structure
Orstar City Phase 2 Building 1	Henan Investment Group	Yuyuan Tourist Mart	Putuo	59,631	Asset Transaction
Sansheng Hongye Building	Shanghai Wanlong Business Management	Shanghai Sansheng Hongye Investment (Group) Co Ltd	Huangpu	21,051	Asset Transaction
Creator MIX-Anbo Road	CCB Housing Rental Fund	Shanghai Creator Industrial	Yangpu	19,963	Domestic equity
Midtown Jing An	XIC	Amcorp Properties/ Chelsfield Group/ KHI Holdings/Pamfleet	Jing'an	38,194	Domestic equity
EBA Centre Block B	Shanghai Lizhen Automobile Service Consulting Co Ltd	Everbright Jiabao/China Everbright	Yangpu	3,751	Asset Transaction
Macrolink International Centre Block 8	Jiangsu Jingfan Vehicle Parts Co Ltd	/	Minhang	2,245	Asset Transaction
New Bund World Trade Centre Building A	Zhangliang Malatang	Lujiazui Group	Pudong	3,496	Asset Transaction

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

# Shanghai Grade-A office market dashboard Q3 2024

## 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/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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