Shanghai Grade-A Office Market Report

Knight Frank

Q3 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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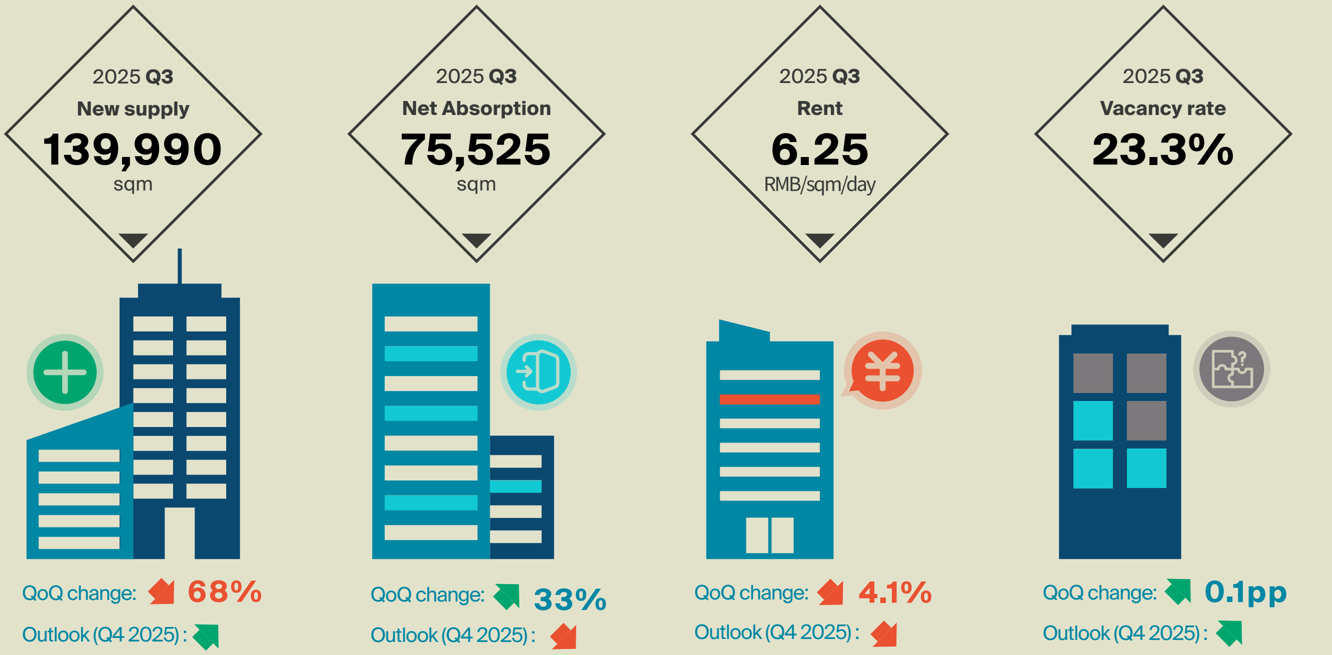
Overview and Outlook

Market rents continue to decline

In the third quarter (Q3), amid continued pressure on office space absorption, most landlords further reduced asking rents, bringing the average rental level in Shanghai to RMB6.25 per sqm per day. On the supply side, two new projects totalling 139,990 sqm were completed and delivered, a 68% QoQ decline. Against the backdrop of a slight increase in vacancy rate to 23.3%, net absorption reached only 75,525 sqm. The leasing activity was primarily driven by financial institutions and professional services firms, while co-working brands bucking the trend with expansion emerged as a market highlight.

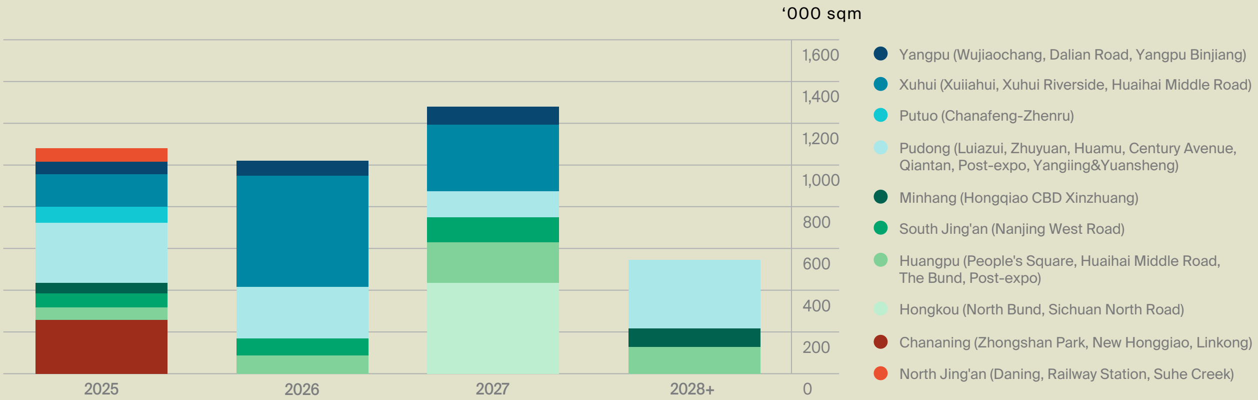
Over the next 12 months, nearly 600,000 sqm of new projects are expected to enter the market in emerging areas. The phased influx of new supply, coupled with sluggish absorption of existing inventory, is set to intensify market competition. In the short term, Shanghai's office market is likely to remain a tenant-driven, with landlords continuing to offer rental reductions and enhanced leasing incentives to attract clients and actively reduce vacancy levels.

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+

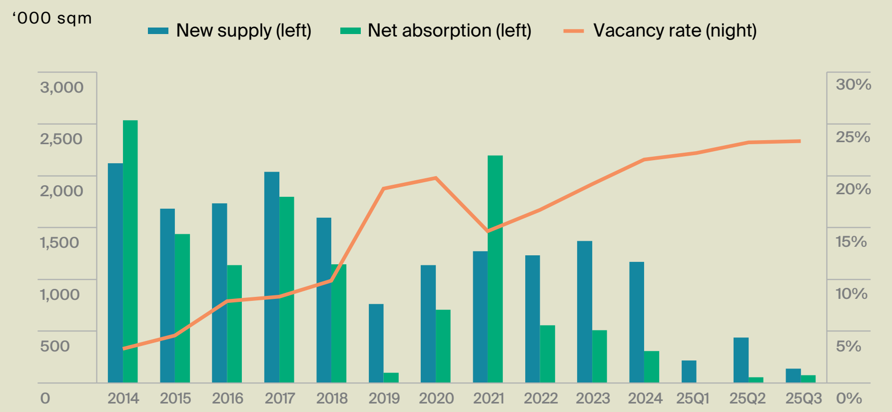


Source: Knight Frank Research

Supply and Demand

Rising demand for co-working spaces drives expansion among co-working brands

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



Source: Knight Frank Research

In Q3, the pace of newly launched project in the market slowed considerably, with only two new projects completed and delivered, adding 139,990 sqm of new supply, a QoQ decrease of 68%. Both newly completed projects are located in non-core areas of Puxi, including SML Phase 2 (59,190 sqm) and Xuhui Vanke Centre Phase Three T2 in the Shanghai South Station area of Xuhui District (80,800 sqm).

In Q3, leasing activities were dominated by corporate lease renewals and relocations. Amid cost-cutting and efforts to enhance operational efficiency, tenants with expiring leases either negotiated rent reductions upon renewal or relocated to nearby buildings offering lower rental rates. Fuelled by considerations of cost-savings, there was a noticeable rise in relocation demand linked to corporate resource integration, as well as an increase in lease restructuring during the lease term.

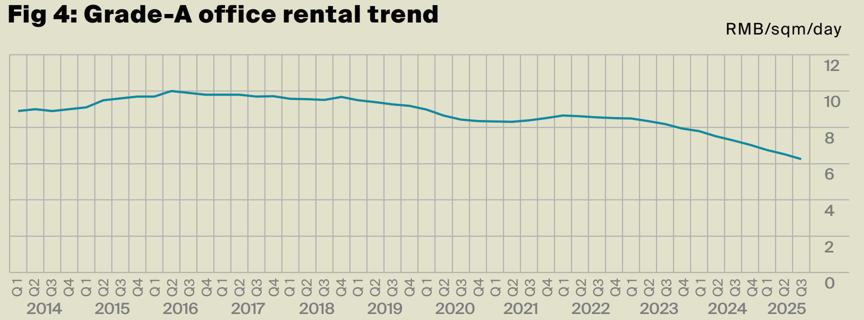
Leasing demand in Q3 was primarily driven by the finance, professional services, retail, and TMT enterprises, which together accounted for over 60% of total leasing transactions. Within the professional services sector, law firms showed a notable increase in demand for office upgrades. Amid sustained declines in market rents and sluggish demand, law firms capitalised on substantial rent reductions in core CBDs to actively upgrade their office spaces, enhancing their brand image. In the financial sector, persistently low deposit rates and a buoyant secondary market drove influxes of incremental capital, fuelling business expansion among securities and asset management firms and consequently increasing their demand for office upgrades. Notably, non-tech enterprises—such as logistics, trade and media companies—relocating from creative industrial parks to Grade-A office buildings made a significant contribution to the absorption of vacant space during the quarter.

In Q3, co-working space demonstrated robust demand in Shanghai's office market, accounting for over 20% of new leasing transactions. Flexible lease terms, comprehensive amenities, and cost-effective rental rates proved highly attractive to short-term transitional users, small-scale trading firms, and early-stage tech startups. Additionally, the rapid growth of self-media driven by AI advancements and the emergence of "one-person companies" further fuelled demand for co-working spaces. These operators effectively alleviated landlords' pressure in absorbing vacant space. Their rent payment models — either "rent plus profit-sharing" or "pure profit-sharing" — reduced leasing costs, enabling sustained expansion and creating a win-win scenario for both landlords and co-working brands.

Rents

Market rents decline, but some sub-markets show signs of positive momentum

Fig 4: Grade-A office rental trend



Source: Knight Frank Research

In Q3, sluggish office space absorption and intensified competition between new projects and existing inventory continued to incentivize landlords to offer rental discounts as a primary leasing strategy. Grade-A office market rents continued to drop by 4.1% QoQ to RMB6.25 per sqm per day, among which rents in expanded CBDs saw a sharper drop of 7.2% QoQ, while those in core CBDs narrowed their decline to 4.2% to RMB8.46 per sqm per day amid increased relocation demand from financial institutions and law firms.

Nanjing West Road stood out as one of the few sub-markets with only a marginal rental decline, with rents edging down 0.8% QoQ to RMB9.60 per sqm per day, leveraging its status as prime business district to attract high-paying tenants such as foreign retail brands, financial institutions and consulting firms. Other resilient sub-markets, including Qiantan, Xujiahui and Century Avenue also showed resilience. Notably, Qiantan, as the primary spillover destination from Little Lujiazui's demand, saw its rents dip 0.8% QoQ to RMB5.95 per sqm per day.

Table 1: Major Grade-A office leasing transactions, Q3 2025

Submarket	Building	Tenant	Area (sqm)	Type
Huaihai Middle Road	CPIC Xintiandi Commercial Centre	Changjiang Pension	10,000	Relocation
Huaihai Middle Road	ICC Phase I	Bausch Lomb	5,000	Renewal
Post-Expo	IMP Global Metropolis Shanghai T2	LingShi Technology	4,000	Relocation
Little Lujiazui	SWFC	V&T LAW FIRM	4,000	Relocation
Nanjing West Road	Plaza 66 Phase I	Vistra Tricor	3,000	Relocation
New Honqqiao	Oriental Pearl Triumph Centre	WeWork	1,900	New Lease

Source: Knight Frank Research

Note: All transactions are subject to confirmation

Investment Market

Owner-occupier buyers emerge as key participants in Q3

In Q3 2025, the Shanghai's office investment market recorded five major en-bloc transactions, totalling approximately RMB3.5 billion, with owner-occupier buyers emerging as the dominant buyers.

Among these transactions, institutional buyers show strong interest in undervalued office assets, leading to several notable acquisitions. For example, Cinda acquired Jiacheng Plaza, a mixed-use commercial complex in Jing'an District, from Hong Kong Bestride Holdings Limited for approximately RMB885.6 million. Another major deal this quarter involved the purchase of T Centre Building 1 in Zhenru, Putuo District, where a government entity acquired the property from CITIC Pacific for RMB2.168 billion, covering an area of 84,765 sqm.

Table 2: Major Grade-A office en-bloc transactions, Q3 2025

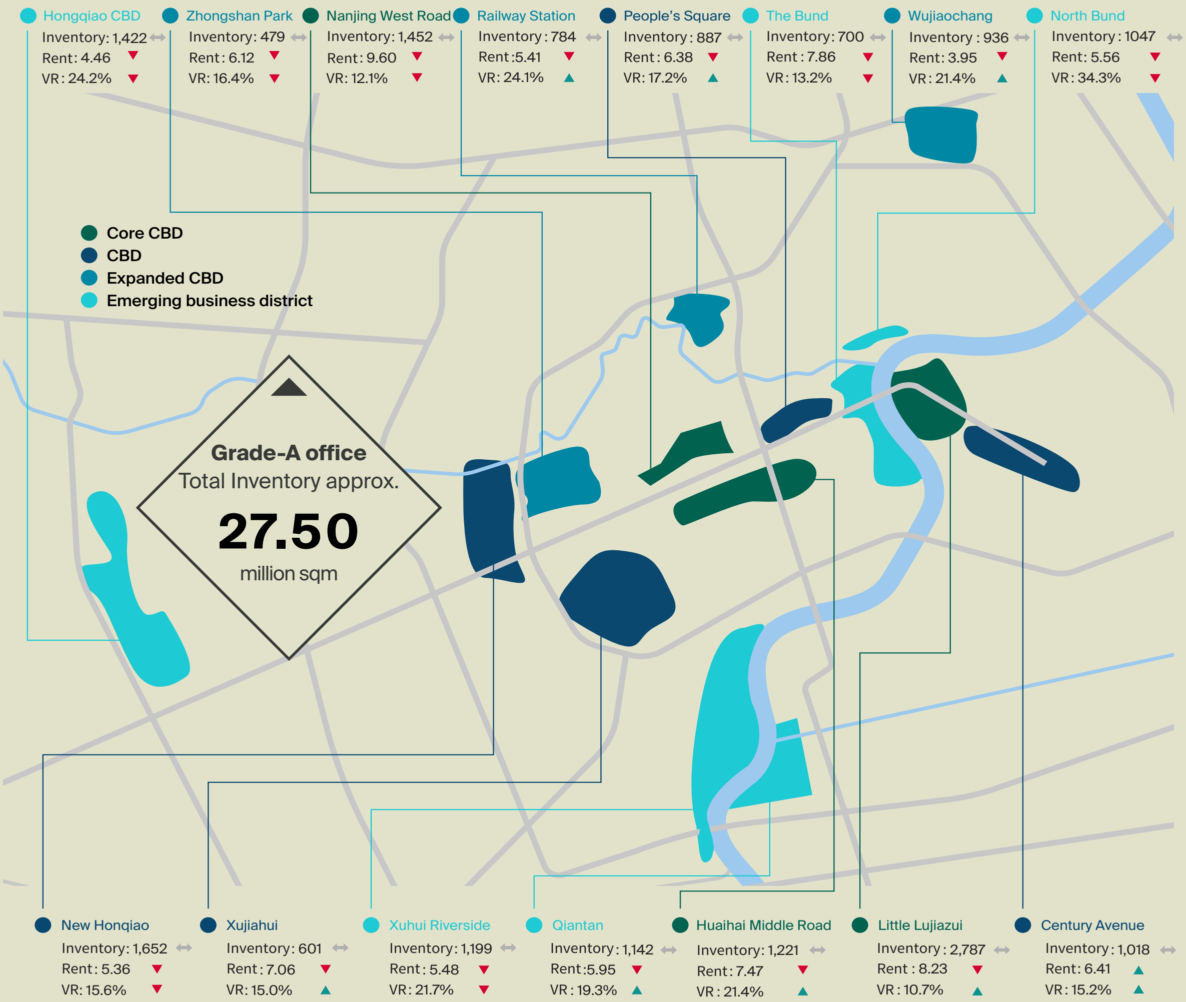
Property	Buyer	Seller	District	Transacted GFA (sqm)	Acquisition Structure
T Centre Building 1	Government institution	Citic Pacific Properties	Putuo	84,765	Asset Transaction
Jiacheng Plaza	China Cinda Asset Management	Bestride Holdings Limited	Jing'an	43,891	Court Auction
Tahoe Building	Shanghai Shunsheng Construction Development	Tahoe Group	Jing'an	25,471	Court Auction

Source: RCA,Knight Frank Research

Note: All transactions are subject to confirmation

Shanghai Grade-A office market dashboard Q3 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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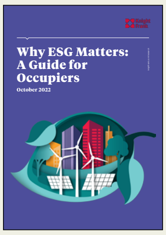

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