

*A number of large area leasing transactions were recorded in Pazhou Sub-market*

# Guangzhou Office Market Report

Q1 2021



# TMT AND PROFESSIONAL SERVICES ENTERPRISES ARE ACTIVE IN GUANGZHOU GRADE-A OFFICE MARKET

*In Q1 2021, ICC, Vanke Centre and Mingfeng Mansion were delivered, bringing 281,500 sqm new supply to Guangzhou Grade-A office market. The overall stock of Grade-A office reached 6.265 million sqm by Q121.*

The economy in Guangzhou continued its strong recovery momentum since the second half of last year. From January to February 2021, total retail sales of consumer goods in Guangzhou increased by 33.8% YoY. The cumulative growth in fixed asset investment increased by 49.8% YoY. Real estate investment increased by 36.9% YoY.

In Q1 2021, given the abundant new supply, the vacancy rate of the Guangzhou Grade-A office market rose by 0.7 percentage points QoQ to 8.3%. The average rent of the Guangzhou Grade-A office market was trending positively, with positive growth recorded for the first time since the epidemic, rising by 0.7% QoQ to RMB 170 per sqm per month.

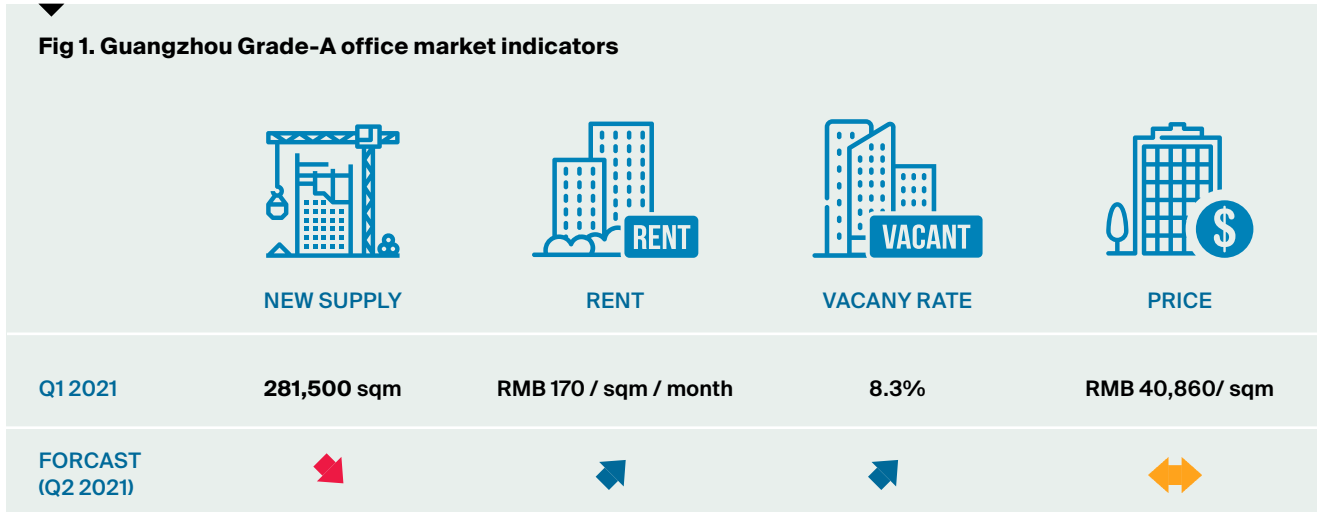
The market was active in this quarter.

TMT, professional services, and education enterprises were the active sectors in the office leasing market, with high demand for expansion of office spaces. For companies with the intentions to relocate offices, leasing cost was still an important factor to affect the relocation decision. Owing to the relatively small volume of new supply, core business districts such as Zhujiang New Town and Tianhe North inclined to be a “landlord market”, characterised by relatively low rental bargaining space. As such, Pazhou sub-market, which has larger rental negotiation space and high quality office buildings, became a favourable location for enterprises with relocation intentions.

In order to implement a more flexible corporate development, some enterprises

would consider short-term lease before committing to a long-term lease when relocating. This in turn will help optimize the short-term cash flow of some co-working operators. In addition to short-term rental clients, the attractiveness of co-working projects to long-term rental clients continued to increase. In this quarter, many co-working projects recorded transactions with a large number of seats. Meanwhile, some co-working brands have accumulated a considerable number of tenant groups through high-quality operations, thus showing an aggressive expansion momentum. During the quarter, several co-working brands successfully expanded new projects in business districts such as Tianhe North, Yuexiu, and Haizhu.

**Fig 1. Guangzhou Grade-A office market indicators**



Source: Knight Frank Research

## RENTS AND PRICES

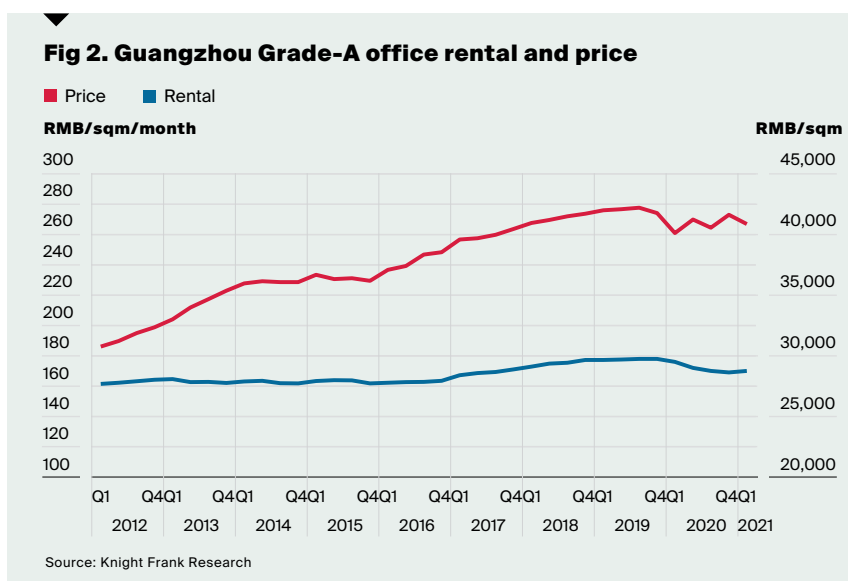
In Q1 2021, the average rent of Grade-A office market in Guangzhou was RMB 170 per sqm per month, rose 0.7% QoQ.

Driven by active leasing activity, the average rent in each sub-market in this quarter showed an upward trend. Among them, due to the high rental level of some new supply projects, Pazhou sub-market enjoyed the largest increase in average rent, rising 2.1% QoQ to RMB145 per sqm per month.

Affected by the new supply, the vacancy rate of Zhujiang New Town and Tianhe North sub-markets increased compared to the previous quarter. Despite Pazhou sub-market also had new supply, due to the flexible leasing strategy adopted by some landlords, some projects had attracted large numbers of tenants, and achieved outstanding results in leasing. This has led the vacancy rate in the Pazhou sub-market to drop 4.5 percentage points QoQ to 9.5%.

For the strata-title market, the average selling price of office buildings in Guangzhou during Q1 was RMB 40,860

**Fig 2. Guangzhou Grade-A office rental and price**



Source: Knight Frank Research

per sqm, decreased 1.8% QoQ. Emerging business districts were still hot spots for transactions. A notable transaction during the quarter included: Waterfront Plaza office building project located in Nansha District, recorded a bulk transaction of 2,100 sqm in this quarter, with a unit price of RMB 21,000 per sqm.

In addition, in this quarter, there was a high-quality office property in Pazhou for sale with a volume of 20,000 sqm and average selling price of RMB 50,000 per sqm.

**Table 1. Major Guangzhou Grade-A office sub-market indicators, Q1 2021**

Submarket	Rent (RMB / sqm / month)	Rent Change QoQ	Vacancy Rate	Vacancy Rate Change QoQ
Zhujiang New Town	196	↑ 1.0%	6.6%	↑ 1.0
Tianhe North	170	↑ 0.6%	11.2%	↑ 6.3
Yuexiu	135	↑ 1.7%	11.0%	↓ 0.8
Pazhou	145	↑ 2.1%	9.5%	↓ 4.5

Source: Knight Frank Research

**Table 2. Major Guangzhou Grade-A office strata-title sales transactions, Q1 2021**

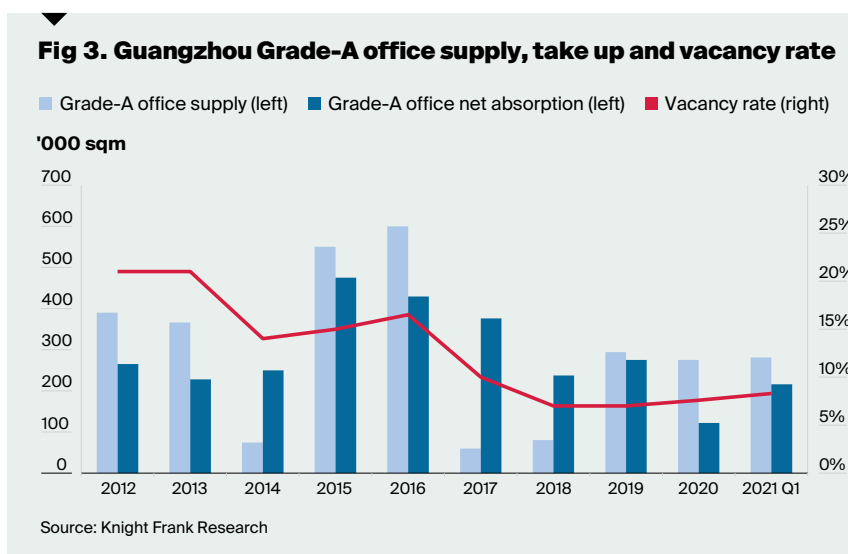
District	Building	Area (sq m)	Unit Price (RMB / sq m)
Nansha	Waterfron Plaza	2,100	21,000

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

## SUPPLY AND DEMAND

In Q1 2021, ICC, Vanke Centre and Mingfeng Mansion were delivered in Guangzhou, which led to an increase of the total stock of Grade-A office market in Guangzhou to 6.265 million sqm.

In this quarter, the amount of inquiries from insurance, law, TMT, education enterprises on office leasing increased. Many large-scale lease transactions were recorded in emerging business districts. Some examples include Perfect Diary’s expansion to a 30,000 sqm of office space in Art Port, Haizhu District; Miniso rented a 20,000 sqm of office space in Mingfeng Mansion; Oriental Yuhong rented a 10,400 sqm of office space in Trendy National Building.



**Table 3. Major Guangzhou Grade-A office leasing transactions, Q1 2021**

District	Building	Tenant	Area (sq m)	Transaction Type
Haizhu	Art Port	Perfect Diary	30,000	Expansion
Pazhou	Mingfeng Mansion	Miniso	20,000	New Lease
Pazhou	Trendy National Building	Oriental Yuhong	10,400	New Lease
Tianhe North	Tianhe Mansion	Fenbi Education	6,000	New Lease
Pazhou	Trendy National Building	Dashenlin	5,200	New Lease
Zhujiang New Town	Zhuguang Jiayu Centre	Code Mao	3,000	New Lease
Haizhu	Guangdong Modern Advertising Creative Centre	Xiwei Gas	2,000	New Lease
Zhujiang New Town	Litong Plaza	Grant Thornton	2,000	New Lease
Yuexiu	Galaxy Asian Financial Center	EIC Education	2,000	Expansion
Tianhe North	ICC	Arup	1,400	New Lease
Yuexiu	Lumina	Huatai Property&Casualty Insurance	1,300	New Lease
Zhujiang New Town	Zhuguang Jiayu Centre	Fuji Xerox	1,000	New Lease
Tianhe North	Huancheng HNA Plaza	Indonesian Consulate	1,000	New Lease
Yuexiu	Lumina	STARR	300	New Lease
Zhujiang New Town	Wework (Yuexiu Financial Tower)	Dentsu	300 seats	New Lease
Yuexiu	Wework (Yuexiu New Metropolis Building)	Julive	150 seats	New Lease
Zhujiang New Town	Wework (Yuexiu Financial Tower)	Hyatt Hotel	137 seats	New Lease
Yuexiu	TEC (Lumina)	Air Sea Worldwide Logistics	37 seats	New Lease

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

## INVESTMENT MARKET

In Q1 2021, we have seen an entire building which was originally for sale turned out to be listed in office leasing market. The rental income generated would help the landlord to secure a portion of income.

It is expected that in 2021, when domestic TMT companies and unicorn companies have abundant funds, more

self-use buyers will consider purchasing properties for self-holding, increasing the proportion of real estate projects in corporate assets, thereby prompting self-use buyers to become an important part of the demand side of the office investment market in Guangzhou. In this quarter, high-quality office projects in Pazhou sub-market were also inquired by some self-use buyers. With the gradual

improvement of the Guangzhou Grade-A office market, it is expected that buyers' worries about the office investment market due to the epidemic will gradually disappear.

# MARKET OUTLOOK

In January 2021, New World China officially announced its decision to move the company’s headquarters from Hong Kong to Guangzhou. In addition, New World Group stated that after setting up headquarters in Guangzhou, New World China will have the opportunity to drive itself and related resources such as industries, talents, technologies and capital to gather in Guangzhou.

Also in January, Miniso acquired a commercial land in Pazhou West District with transaction value of RMB 1.729 billion. The relevant agreement stipulated that the

land bidder or its related enterprises must complete the establishment of its regional headquarters in Haizhu District, Guangzhou.

With the number of corporate headquarters in Guangzhou growing, it is expected to effectively increase the attractiveness of Guangzhou and stimulate the demand for the local office leasing market. As a result, the implementation and promotion of various major projects are also promoting the development of the office market in various regions of Guangzhou.

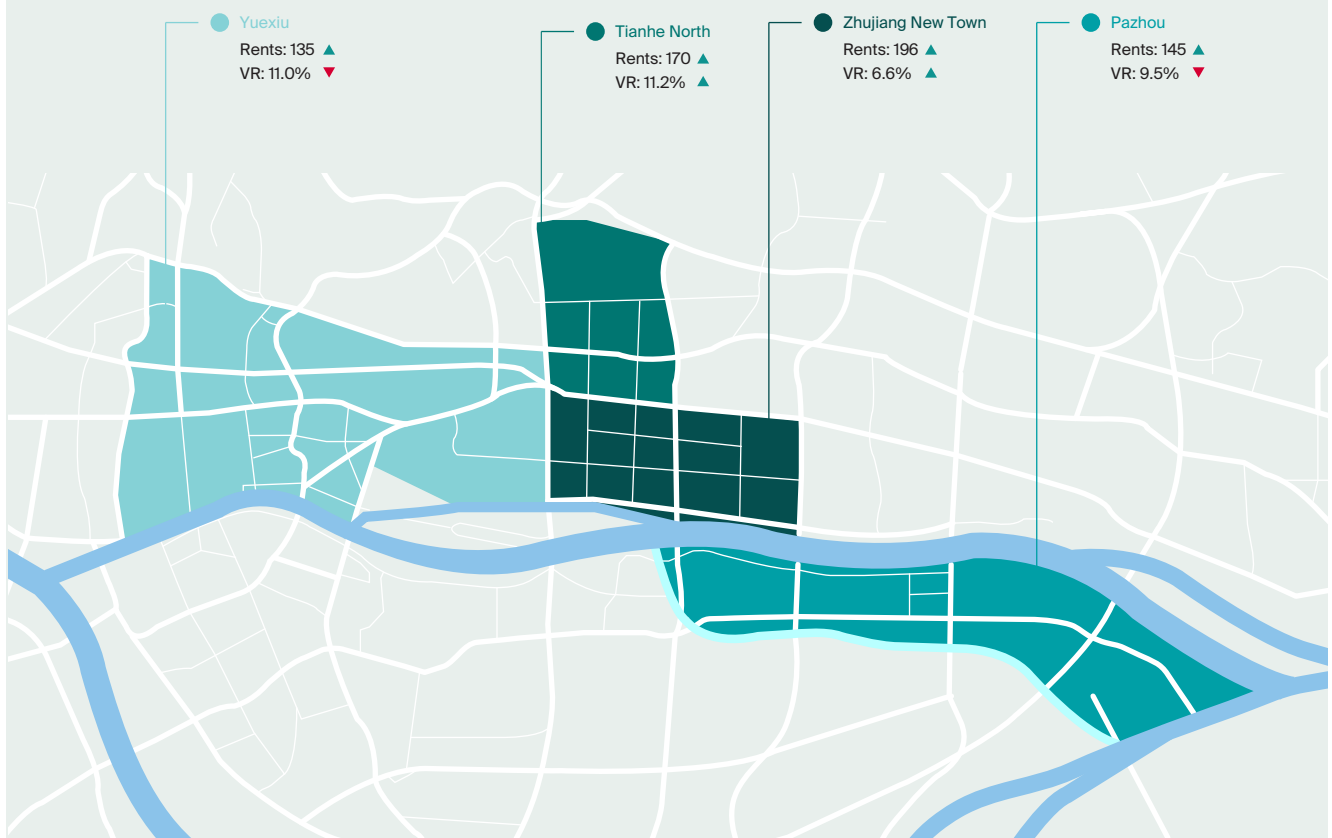
In February 2021, the first mixed-ownership

exchange in China, Guangzhou Futures Exchange, officially settled in Nansha. Meanwhile, the first section (Wanqingsha-Xian Village) of Guangzhou Metro Line 18, which connects Nansha, Panyu, Haizhu, Tianhe and other areas, is scheduled to operate in this June.

Thanks to the inflow of capital and talents, improved transport infrastructure and other positive factors, the development of the Guangzhou Grade-A office market in 2021 is expected to be positive and robust.

# GUANGZHOU OFFICE MARKET DASHBOARD

**Fig 4. Guanzhou office rents and vacancy rates of major business districts**



Source: Knight Frank Research

Note: 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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