Guangzhou Grade-A Office Market Report

Q1 2025

This report focuses on the Grade-A office market in Guangzhou, including information about supply and demand, rents, vacancy rates and the office investment market

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Overview and Outlook

Resilient recovery amid intensified supply-demand dynamics

In Q1 2025, Guangzhou's Grade A office market continued its supply-driven adjustment cycle. Net effective rents declining by 3.7% QoQ to RMB 128.8 per sqm per month and the vacancy rate rising 1.4 percentage points to 14.7%. The only notable addition to market stock was Chengxiang Tower, which contributed approximately 75,000 sqm of new space. Although net absorption rebounded to 4,353 sqm from negative figure in Q4 2024, indicating a short-term demand recovery, persistent inventory pressure remained evident.

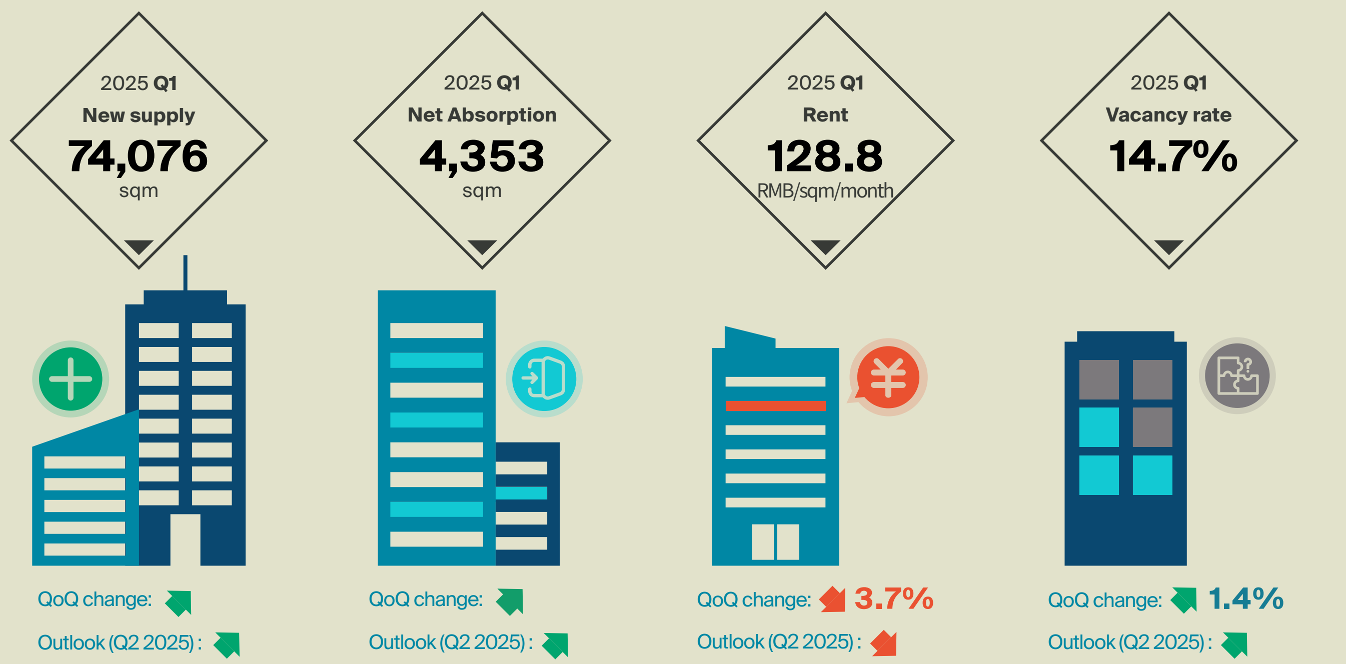
From a demand structure perspective, leasing activity was primarily driven by the TMT sector (59.0%), manufacturing (16.6%), and professional services (9.3%). The growth in TMT sector growth was fueled by large-scale transactions in digital media, film production, and software development. Manufacturing demand was underpinned by expansions in cosmetics R&D and medical equipment enterprises, while professional services saw growth in health consulting and education training offsetting contractions in traditional legal services.

Relocation accounted for 52.2% of leasing transactions, reflecting corporate cost-optimization strategies. Meanwhile, new leases and newly established setups accounted for 34.0%, highlighting resilient expansion momentum in selected industries.

On the investment front, the en-bloc transaction market remained subdued, with no transactions exceeding RMB100 million were recorded throughout the quarter. Notably, a full-floor unit in IGC East Tower remained unsold despite being listed for over two months, underscoring investors' cautious stance toward asset liquidity.

Looking ahead to Q2, over 200,000 sqm of new supply is expected to enter the market. Combined with the existing stock of more than 1.4 million sqm, the supply-demand imbalance is set to intensify. While the leasing momentum may emerge through lease restructurings and upgrade-driven relocations, the persistent supply-side pressure is likely to prolong the recovery period. A broader market stabilization may hinge on the release of incremental demand following a more orderly recovery of macroeconomic fundamentals.

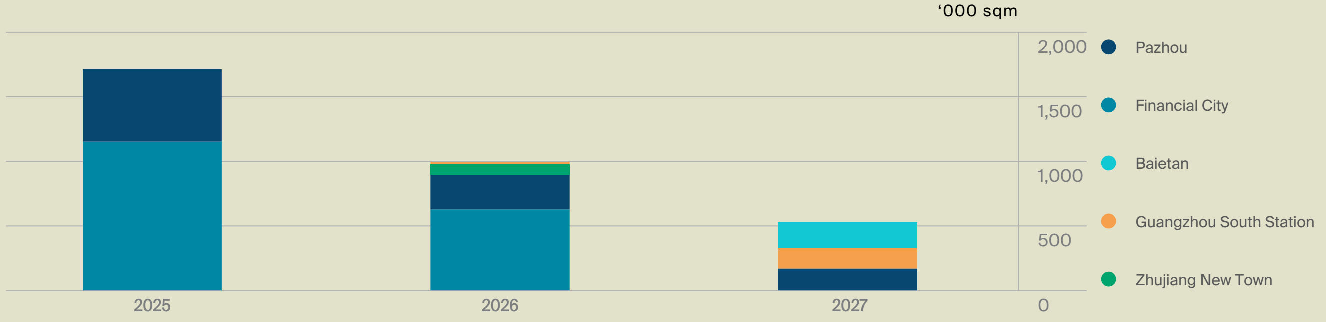
Fig 1: Guangzhou Grade-A office market reference index[1]



Source: Knight Frank Research

[1] Rent refers to average effective rent

Fig 2: Guangzhou office development pipeline, 2025-2027



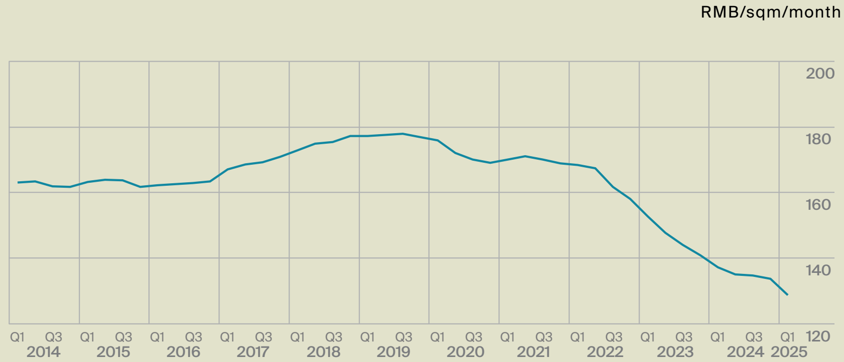
Source: Knight Frank Research

Rental Levels

Rent levels remain under pressure amid growing supply-demand imbalance

In Q1 2025, Guangzhou's Grade A office market continued its supply-driven downturn, with rents further declining by 3.7% QoQ to RMB 128.8 per sqm per month, marking an accelerated rate of decline compared to the previous quarter. Rental contractions were recorded across all submarkets. Financial City led the downturn with an 8.5% QoQ drop, driven by a surge in new supply and intensifying inventory pressure. In Tianhe North, aging infrastructure and delayed upgrades contributed to an accelerating tenant migration to newer business hubs. This, in turn, forced landlords to offer deeper rental concessions, resulting in a 5.0% decline in average rents. Meanwhile, Zhujiang New Town proactively adjusted its rental range to attract cost-sensitive occupiers amid increasing competition from emerging areas such as Pazhou and Financial City, highlighting a growing "volume-over-price" leasing strategy.

Fig 3: Guangzhou Grade-A office rental trend



Source: Knight Frank Research

Submarket performance revealed an increasing divergence, as structural imbalances in supply and demand exerted dual pressures—from continued supply expansion and sluggish absorption of existing stock. Financial City and Pazhou remained the primary sources of new supply, where elevated inventory levels triggered a downward spiral of rent reductions and rising vacancies, as landlords competed aggressively to secure tenants. Tianhe North, hindered by outdated infrastructure and a less competitive industry ecosystem, struggled to attract upgrading tenants, accelerating their migration to newer business hubs. Although Zhujiang New Town remains a traditional core location, its rent premium has been steadily eroded by intensified price competition from adjacent submarkets, reflecting a broader market transition from location-led decision-making to cost-driven strategies.

Looking ahead to Q2 2025, more than 200,000 sqm of new supply is expected to enter the market, in addition to an existing inventory exceeding 1.4 million sqm. This will deepen the supply-demand mismatch. Historical data shows that the average quarterly net absorption over the past three years has been only around 30,000 sqm, suggesting that Guangzhou's office market will remain in a prolonged destocking phase. The continued influx of new supply is likely to prompt landlords of existing properties to adopt more aggressive pricing strategies. The downward rental trend is expected to deepen, with certain non-core submarkets potentially experiencing more significant corrections.

Table 1: Major Guangzhou Grade-A office sub-market indicators, Q1 2025

Submarket	Stock (000sqm)	Rent		Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
		RMB/sqm/mth	RMB/sqm/day			
Guangzhou	9,614	128.8	4.2	-3.7%	14.7%	1.5%
Tianhe North	1,587	122.3	4.0	-5.0%	8.3%	0.5%
Zhujiang New Town	4,464	143.2	4.7	-4.3%	11.9%	0.8%
Yuexiu	1,131	106.9	3.5	-0.8%	8.8%	0.8%
Pazhou	2,153	114.3	3.8	-5.8%	24.6%	4.6%
Financial City	279	97.3	3.2	-8.5%	43.5%	16.0%

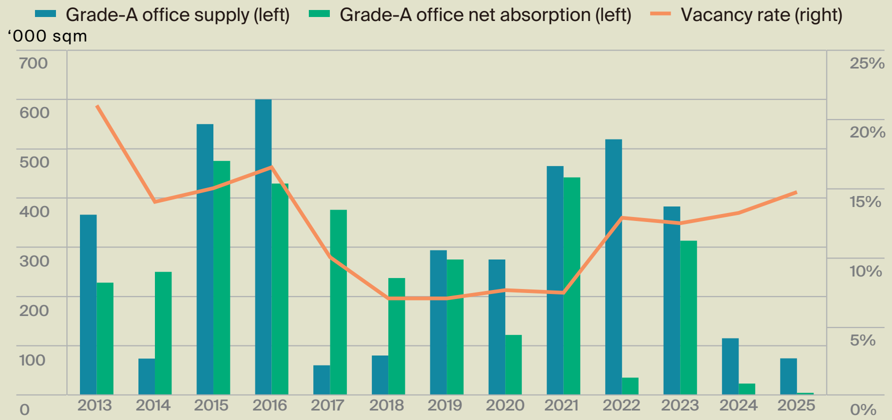
Source: Knight Frank Research

Supply and Demand

Demand recovery lags behind supply-side pressure

In Q1 2025, Guangzhou's Grade A office market operated under complex supply-demand dynamics, characterized by a delicate balance between a tentative recovery in demand and mounting inventory pressures. Chengxiang Tower, the sole new completion during the quarter, delivered approximately 75,000 sqm of new supply, driving the citywide vacancy rate up by 1.4 percentage points QoQ to 14.7%. Despite intensifying supply-side pressure, signs of recovery on the demand side became increasingly evident—net absorption rebounded from negative range in Q4 2024 to 4,353 sq m, signaling a phase of tentative recovery. However, this rebound remains fragile, as demand momentum continues to lag behind supply expansion.

Fig 4: Guangzhou Grade-A office supply, take-up and vacancy rate



Source: Knight Frank Research
Notes: The supply and net absorption of Grade A office space in 2025 is accumulated
The 2025 vacancy rate is for Q1

From a sectoral perspective, demand was primarily driven by the technology, media, and telecommunications (TMT), manufacturing, and professional services sectors. The TMT industry led with 59.0% of total leasing volume, supported by two large-scale transactions exceeding 10,000 sqm each in the film & media and software development segments, Additionally, sustained leasing activity from livestreaming e-commerce and gaming companies contributed to the strength of the TMT sector. Manufacturing (16.6%) followed, driven by expansions in cosmetics R&D and medical equipment enterprises, while professional services (9.3%) saw growth in health consulting and education training offsetting contractions in traditional legal services. Notably, the combined momentum of the TMT and manufacturing sectors highlights the ongoing impact of Guangzhou's industrial upgrading initiatives in underpinning office demand.

On the transaction front, cost-sensitive strategies continued to shape corporate leasing behavior. Relocation demand remained the dominant driver, comprising 52.2% of total leasing activity, though this marked a slight QoQ decline, suggesting a partial completion of corporate cost restructuring efforts. Meanwhile, new leases and new setups demonstrated notable resilience, accounting for 34.0% of leasing activity—primarily fueled by expansion from film & media firms and regional repositioning by trading companies. This structurally diverse demand reflects an evolving tenant decision-making landscape, as tenants balance cost optimization with strategic business expansion, contributing to a gradual reshaping of market dynamics.

Looking ahead to Q2 2025, the market is expected to enter a phase of structural adjustment. While delayed transaction effects from Q1 may support a further uptick in net absorption, the influx of new supply and persistent inventory pressure are likely to drive the vacancy rate higher. Ongoing rental corrections are prompting reassessment among tenants, with accelerated activity anticipated from renewals and flight-to-quality relocations. Nonetheless, a sustained recovery remains contingent upon broader macroeconomic stabilization to unlock incremental demand. While aggressive rent adjustments may unlock value-driven opportunities and set the stage for medium- to long-term stabilization, the widening supply-demand imbalance may prolong the adjustment cycle.

Table 2: Major Guangzhou Grade-A office leasing transactions, Q1 2025

District	Building	Tenant	Area (sqm)	Transaction Type
Financial district	Hanyin Plaza	Sun Entertainment	5,600	New Setup
Tianhe North	Taikoo Hui	Rednote	2,800	Relocation
Zhujiang New Town	Tiande Centre	Sofit	2,000	New Setup
Zhujiang New Town	IMP	Native Password	1,600	Relocation

Source: Knight Frank Research

Note: all transactions are subject to confirmation

Investment Market

Structural divergence amid market adjustment

In Q1 2025, Guangzhou's en-bloc office transaction market continued its prolonged recalibration, with market activity declining significantly and no transaction exceeding RMB 100 million during the quarter. Speculative capital has largely exited, and the focus has shifted toward the absorption of existing assets along with the cautious release of self-use demand.

Specifically, commercial properties at Huapu Plaza in Zhujiang New Town and Jeton Metropolis in Yuexiu were forced into liquidation after multiple failed auctions, failing to attract buyers even when listed at RMB 106 million and RMB 102 million, respectively, underscoring the severe liquidity constraints in the en-bloc investment market. Additionally, the entire 38th floor of the East Tower at IGC (covering 2,026.88 sqm) was placed for auction on January 31 at a reserve price of RMB 118 million (RMB 58,217.56 per sqm) and remained unsold by the end of the reporting period. These cases reflect investors' cautious stance toward rental yield return cycles for core assets and their growing sensitivity to asset pricing.

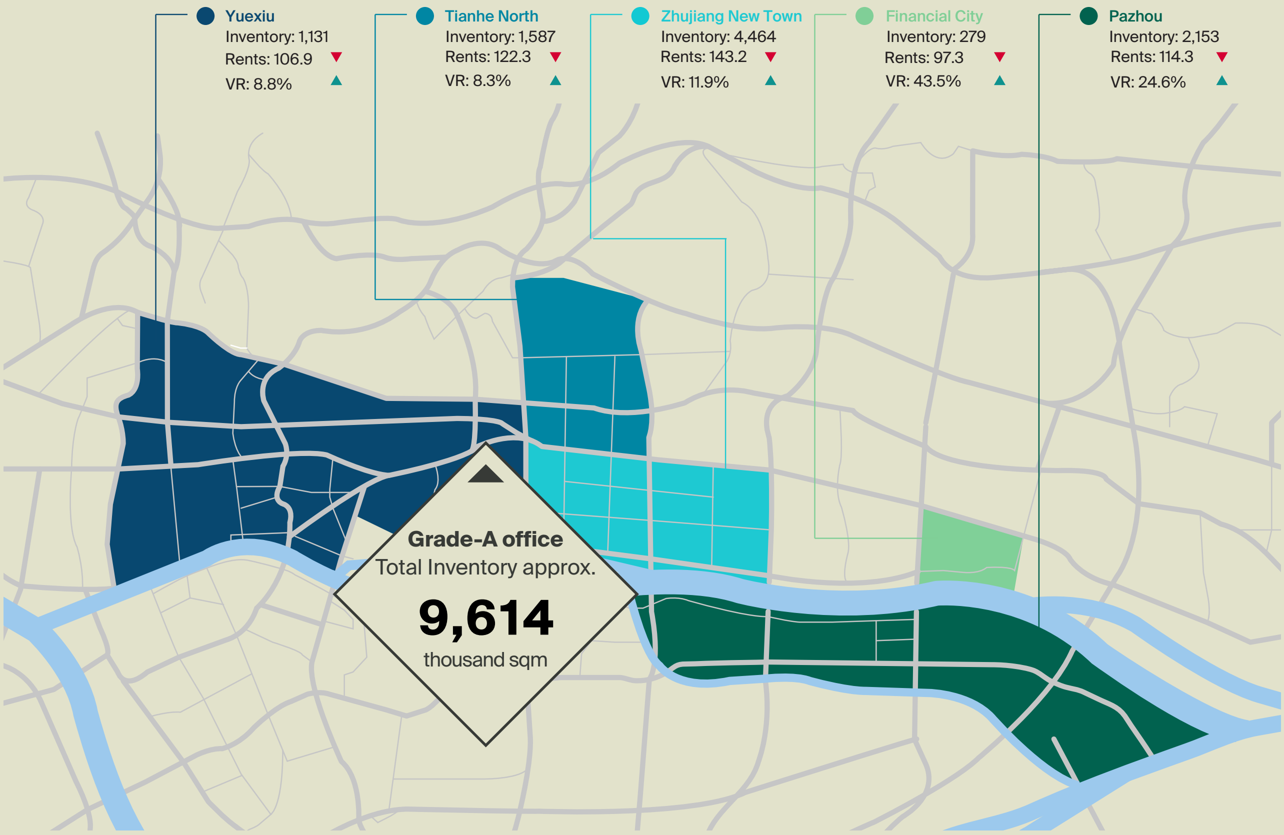
In stark contrast to the office sector's sluggish performance, the industrial land market demonstrated resilience, supported by robust self-use demand from manufacturing enterprises. In Nansha, the 2025NGY-2 plot was sold for RMB 170 million to Guangdong Huachuang Intelligent Healthcare Industrial Co., Ltd., which plans to develop the Huachuang Intelligent Healthcare Industrial Park. In Huadu, the J11-KGW03 (parcels 1 and 2) industrial plots, with a combined net area of approximately 99,000 sqm, were acquired by Guangzhou Huadu Wangu Makerspace Tech Park Development Co., Ltd. These transactions, driven primarily by manufacturers' self-use requirements, reflect a clear preference for cost-effective, customizable industrial facilities in non-core locations.

The divergence between office and industrial land markets stems from a fundamental mismatch between asset attributes and evolving industrial trends. Grade A office rents in Guangzhou continue to face downward pressure, while vacancies remain elevated. The imbalance between supply and demand has eroded the investment appeal of office assets. Meanwhile, manufacturing enterprises are increasingly acquiring land for themselves, enabling vertically integrated "R&D + production" setups—further diverting traditional office leasing demand.

Looking ahead to Q2 2025, market divergence is expected to deepen under the combined effects of de-globalization and strengthening domestic demand. Export-oriented manufacturers may face further contractions amid ongoing trade frictions, while domestic demand-led sectors such as beauty tech and livestreaming e-commerce are more likely to expand through leasing of existing assets or customized industrial park developments, rather than traditional office acquisitions. As such, the en-bloc office investment market is expected to remain a buyer's market over the long term. Core assets will need to redefine their value proposition through functional repositioning—such as conversion into R&D offices or incubation hubs—or by offering superior investment returns. Ultimately, market stabilization will depend on a return to rational rental yield levels and incremental demand driven by emerging industries—a process that may extend into late 2025.

Guangzhou Grade-A office market dashboard Q1 2025

Guangzhou 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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