Guangzhou Grade-A Office Market Report

Q1 2026

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

Concentrated Supply Release Deepens Market Pressure

In Q1 2026, impacted by a concentrated influx of new supply , the supply and demand balance in the Guangzhou Grade A office market experienced phased pressure, driving the vacancy rate up to 18.5%. The city recorded approximately 140,800 sqm of new supply, primarily from projects such as the Suofeiya Development Center, Guangzhou ABC Building, and Guangzhou International Trading Centre. Net absorption during the same period was -15,859 sqm, indicating that a portion of space released to the market was not effectively offset by new leasing activity.

From a structural perspective, the current adjustment has not been driven by a significant contraction in demand. Instead, against a backdrop of uncertainty, occupiers are optimizing space utilisation through consolidation and relocation, resulting in new leasing being insufficient to offset space being returned to the market.

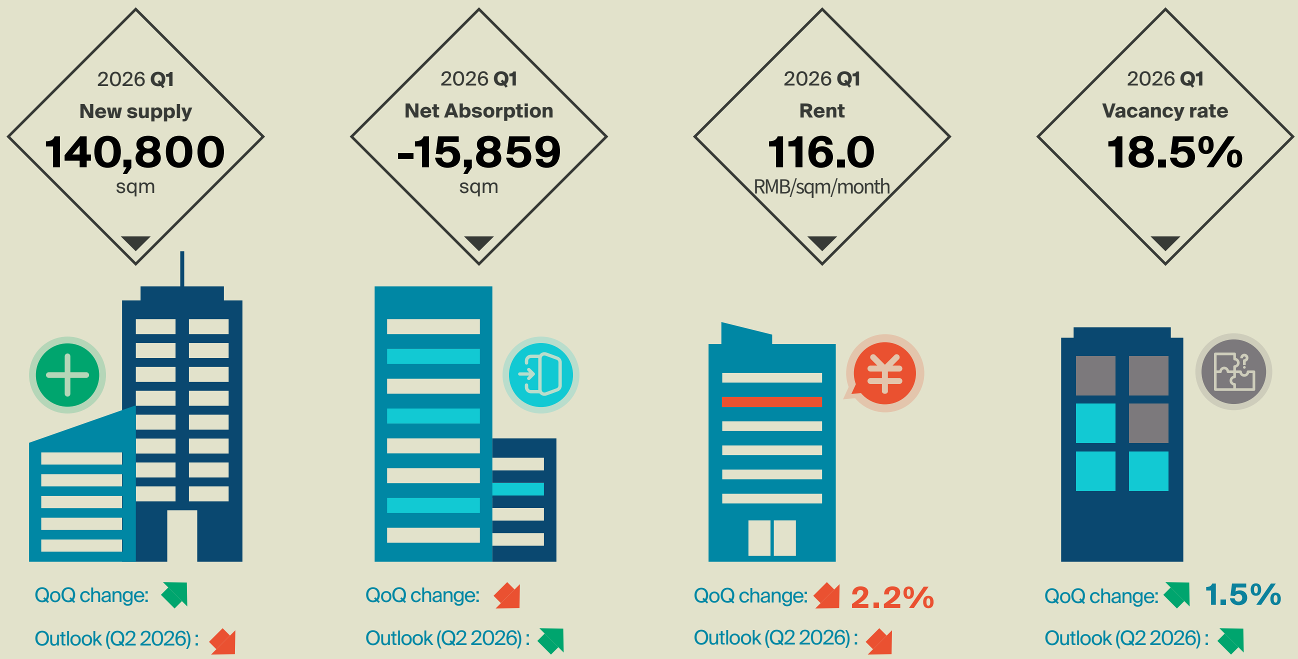
In terms of rent, the market's average rent decreased by 2.2% QoQ to RMB 116.0 per sqm per month, continuing the downward trend observed previously. Against the backdrop of increasing supply pressure, landlords generally yielded a portion of upfront returns and adjusted lease structures in exchange for signing certainty, keeping actual effective rents under continuous pressure.

Looking at the demand structure, the TMT, finance, and professional services sectors remained the primary sources of demand, although activity was largely driven by internal optimisation. From the nature of the transactions, relocation demand dominated, while the proportions of renewals and expansions increased slightly, reflecting that enterprises are more inclined to optimize office efficiency through internal adjustments and locational reallocation.

No major en-bloc transactions were recorded during the quarter, and the investment market remained subdued. Market pricing is more focused on cash flow stability, and transactions are more likely to centre on assets with clear risk boundaries.

Looking ahead to Q2, the market exhibits the characteristic of "persistent transactions amid pressured destocking." The mismatch between the pace of supply release and the demand adjustment cycle will continue to shape short-term performance. It is expected that the vacancy rate will remain under pressure in the short term, and rents will maintain a downward trajectory. The market is still in the middle of its adjustment cycle, and future performance will depend on the pace of supply and the recovery of demand.

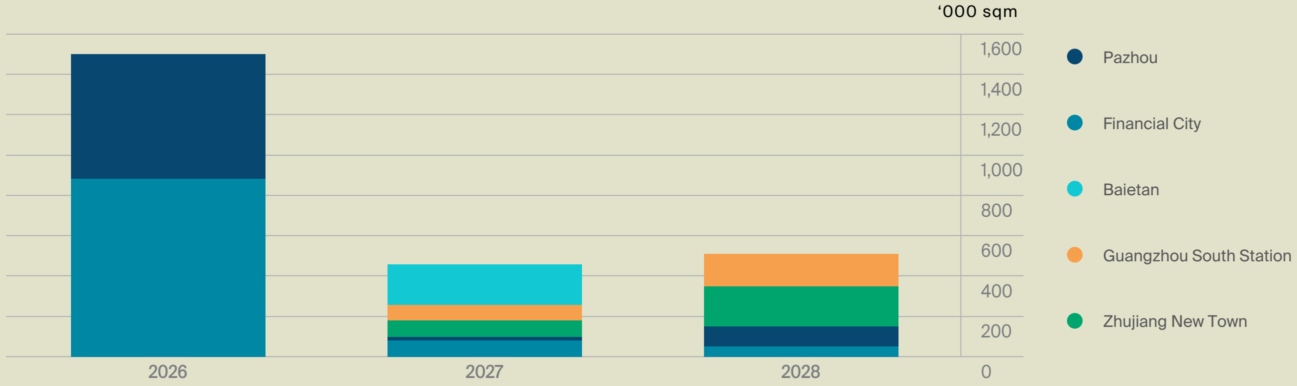
Fig 1: Guangzhou Grade-A office market reference index[1]



Source: Knight Frank Research

[1] Rent refers to average effective rent

Fig 2: Guangzhou office development pipeline, 2026-2028



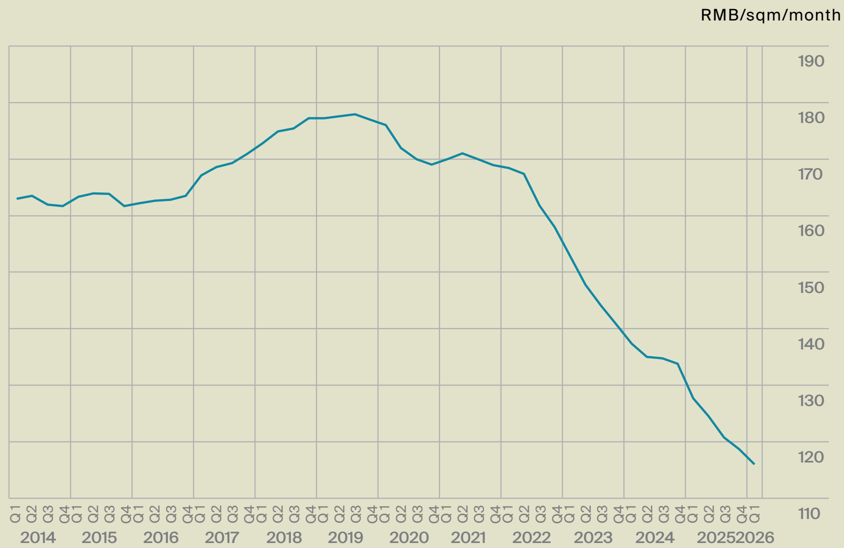
Source: Knight Frank Research
Note: Projected supply in 2026 includes projects already on the market

Rental Level

Rents Continue to Trend Downward, With Market Divergence Persisting

In Q1, the citywide rent fell by 2.2% QoQ to RMB 116.0 per sqm per month, with the decline widening compared to the previous quarter, indicating continued downward pressure and no clear signs of stabilization in the near term. Fundamentally, the rent adjustment reflects a repricing of office space in the "cost-efficiency" dimension. Under sustained destocking pressure, landlords' strategies have shifted from singular price adjustments to lease structure optimization, yielding upfront returns to improve destocking efficiency, causing the scissors gap between nominal rents and actual effective rents to widen continuously.

Fig 3: Guangzhou Grade-A office rental trend



Source: Knight Frank Research

At the submarket level, Tianhe North recorded the largest decline (-5.5% QoQ), mainly due to aging building stock losing competitiveness as rental benchmarks in core areas adjust downward. This has led some occupiers seeking higher- quality office space to relocate alternative locations. By contrast, Yuexiu District maintained stable rents, supported by its solid base of traditional government/enterprise and financial services, demonstrating strong defensiveness. The flat QoQ rent in the Pazhou sub-market this quarter indicates that the earlier strategy of trading price for volume has effectively promoted the large-scale agglomeration of technology and e-commerce industries. Meanwhile, Financial City sub-market, currently recording a rent of RMB 92.3 per sqm per month, holds a certain appeal for space consolidation demands from the central area due to its lower leasing costs.

Looking ahead to Q2, against the backdrop of continuous new supply releases, rents will remain under pressure in the short term, and the market is still in a destocking-oriented adjustment phase. It is expected that comprehensive gaming at the lease level will become more intense, and landlords may have to accept longer-term and deeper effective rent concessions in exchange for stable cash flows.

Table 1: Major Guangzhou Grade-A office sub-market indicators, Q1 2026

Submarket	Rent		Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
	RMB/sqm/mth	RMB/sqm/day			
Tianhe North	109.7	3.6	↓5.5%	12.7%	↑5.2%
Zhujiang New Town	132.5	4.4	↓1.8%	15.0%	↑1.2%
Yuexiu	100.8	3.3	0.0%	9.8%	↓0.2%
Pazhou	103.5	3.4	0.0%	21.8%	↓1.8%
Financial City	92.3	3.0	↓1.1%	56.6%	↓2.2%

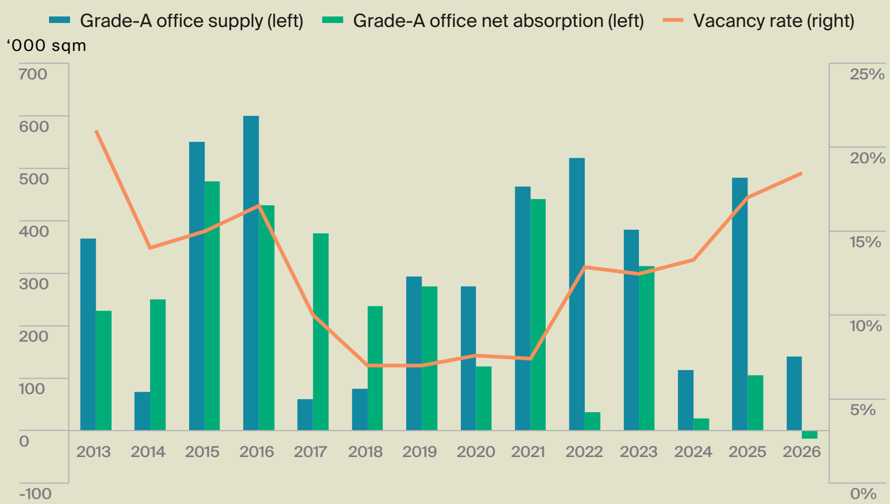
Source: Knight Frank Research

Supply and Demand

A Structural Mismatch Between Supply Expansion and Demand Adjustment

In Q1, Guangzhou's Grade A office market saw a concentrated wave of new completions totaling 140,800 sqm, significantly higher than the previous quarter, respectively from the Suofeiya Development Centre, Guangzhou ABC Building, and Guangzhou International Trading Centre. On the demand side, influenced by enterprises' cautious overall expansion intentions and the release of surrendered stock, the citywide net absorption recorded -15,859 sqm. The leasing momentum in Q1 primarily originated from enterprises' internal space restructuring.

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 2026 is accumulated
The 2026 vacancy rate is for Q1

Looking at the demand structure, industry agglomeration trends have become increasingly pronounced. The financial sector accounted for over 22% of the transactions, demonstrating strong counter-cyclical balance sheet expansion capabilities; it served as the largest demand engine this quarter and still firmly favors traditional core areas such as Zhujiang New Town. The TMT industry accounted for 20.8% of transactions, with the artificial intelligence and robotics sub-sectors showing striking growth. The professional services industry accounted for 15.3% of the transactions, with steady demand from law firms and auditing enterprises. It is worth noting that the trend of technology enterprises spilling over from Zhujiang New Town to the Financial City and Pazhou in pursuit of better cost-performance and industrial synergy has become increasingly prominent.

In terms of transaction nature, relocation demand accounted for 60%, with enterprises' core objectives focusing on two paths: "quality replacement within the core area" and "seeking cost-performance in emerging business districts." New setup and expansion demands rebounded slightly, indicating that while controlling costs, enterprises have begun to undertake a certain degree of expansion and adjustment.

From the perspective of regional distribution, transactions are increasingly concentrating in Pazhou, reflecting the attractive effect of price and lease term advantages on demand. As the traditional core area, Zhujiang New Town maintained stable transaction volume, primarily supported by high-quality clients and upgrading demands. Tianhe North and Yuexiu, however, were dominated by existing demand and lacked obvious incremental drivers.

Overall, the key challenge in the current market lies in the structural mismatch between the pace of supply releases and the demand adjustment cycle. Active leasing transactions have not translated into effective destocking. Looking ahead to Q2, current market demand has slightly weakened, and with continuous volume increases on the supply side, the supply-demand gap is unlikely to narrow substantially in the short term. Destocking pressure will persist, and the vacancy rate is expected to continue its upward trend.

Table 2: Major Guangzhou Grade-A office leasing transactions, Q1 2026

District	Building	Tenant	Area (sqm)	Transaction Type
Tianhe North	Onelink Centre	Taikang Insurance	3,087	Expansion
Financial City	Grantral Centre	Weimob	2,000	Relocation
Zhujiang New Town	Yuexiu Financial Tower	Pacific International Lines	800	Renewal
Zhujiang New Town	GT Land Plaza	Guangzhou Weilán Technology Co., Ltd	780	Expansion

Source: Knight Frank Research

Note: all transactions are subject to confirmation

Investment Market

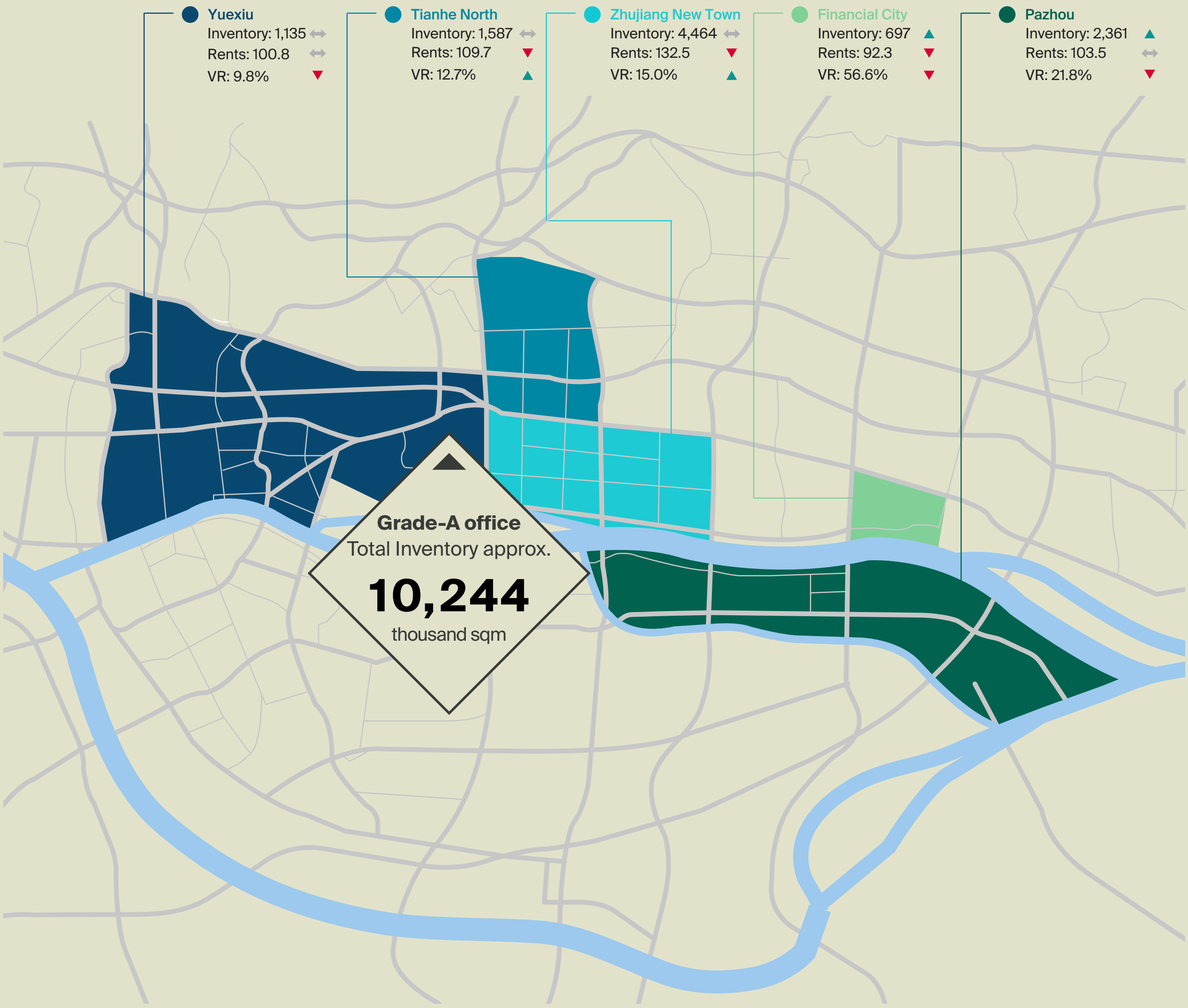
Activity remains limited, with a cautious market tone

In Q1 2026, the Guangzhou office investment market recorded no en-bloc transactions. Market activity remained dominated by strata-title sales and small-lot transactions , with investors generally maintaining a cautious stance toward office assets. During the same period, the activity level of commercial property judicial auctions rebounded slightly, recording 1 en-bloc transaction: a commercial asset in the Heping Business Center, Haizhu District, was transacted at RMB 161 million. The subject property was sold with existing leases in place , reflecting that capital prefers mature commercial assets in core locations with more predictable cash flows. The land transfer market showed relatively strong performance, with several large-scale transactions involving commercial and mixed-use land. Notably, the Machang plot in Tianhe's Zhujiang New Town emerged as the landmark transaction of the quarter, transacting at RMB 23.604 billion, while Liwan and Panyu also saw successful transfers of commercial and business land, primarily supported by state-owned enterprises and city investment platforms. Overall, the market showed a pattern of "weak office investment, stable commercial assets, and active land transactions," with capital shifting toward assets offering stronger cash flow visibility and location advantages.

Looking ahead to Q2, the same pattern is expected to persist. Office investment sentiment remains cautious; commercial assets in core locations with leases will attract more capital interest, and judicial auction activity will see a minor increase. Land transfers will be dominated by commercial and business plots, with SOEs and city investment platforms remaining the primary land acquirers, overall presenting characteristics of "asset divergence and prioritizing certainty."

Guangzhou Grade-A office market dashboard Q1 2026

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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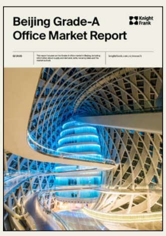

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