

*The relocation plans of most companies proceeded as scheduled and were not severely affected by the pandemic.*



# Guangzhou Office Market Report

Q2 2021

knightrank.com.cn



# THE OFFICE LEASING MARKET CONTINUED TO BE ACTIVE

*In Q2 2021, the delivery of GMC Plaza brought 35,000 sqm new supply to Guangzhou Grade-A office market.  
The overall stock of Grade-A office reached 6.3 million sqm by Q2 2021.*

Guangzhou's economy continued to recover. In the first half of 2021, Guangzhou's regional GDP increased by 13.7% YoY, with an average growth rate of 5.2% in two years; the total retail sales of consumer goods in Guangzhou was increased by 19.0% YoY, with an average growth rate of 3.3% in two years; the cumulative growth in fixed asset investment increased by 26.5% YoY, with an average growth rate of 13.3% in two years; real estate investment increased by 22.1% YoY.

In Q2 2021, the vacancy rate of the Guangzhou Grade-A office market dropped by 0.8 percentage points QoQ to 7.5%, while the average rents continued its upward trend with an increase of 0.6% QoQ to RMB 171 per sqm per month.

Professional services, TMT, and biomedical enterprises were active in the office leasing market, with high demand for expansion of office spaces. While those have been suffered from the epidemic,

such as immigration and study abroad agency, showed a strong tendency to cut down their office spaces in Q2.

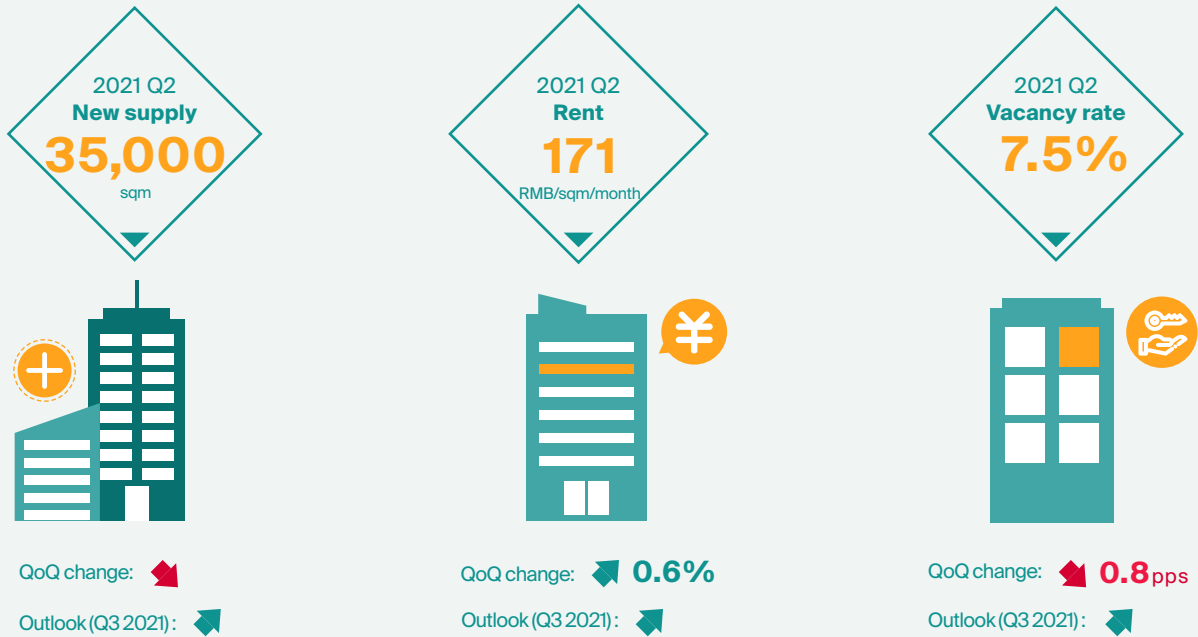
Some office buildings with high quality located in matured submarkets like Zhujiang New Town and Tianhe North, the room for rental negotiation was narrowed, due to outstanding leasing performances along with higher rent expectations of landlords. Meanwhile, there were buildings with relatively low-quality in core areas, their landlords offered more favorable renewal conditions to retain tenants.

Pazhou sub-market continued to attract tenants. There was a new Grade-A office building, delivering in the second half of 2021, had accomplished its leasing for a small office area. In the meantime, the massive new supply in Pazhou, attracted several well-known companies for site inspections. Apart from traditional tenants, co-working space operators with asset-light strategy were also planning to

set up businesses in Pazhou.

Affected by the local outbreak of epidemic at the end of the quarter, the volume of site inspections underwent a large shrinkage, while the relocation plans for most tenants were still progressing as scheduled. In order to reduce and minimize the impact of the epidemic on enterprises, and promote the stable and healthy development of the economy, The Guangzhou Government released "Measures for Actively Responding to the Impact of the COVID-19 and Relieving the Burden of Enterprises" on 22 June. The measures include rent reduction and exemption, tax reduction, aiming to support companies located in high and medium risk areas, and areas under closed-off management to overcome difficulties. Thus, it is expected to help reducing the number of companies from surrendering the office spaces, and stabilise Guangzhou office leasing market.

**FIGURE 1: Guangzhou Grade-A office market indicators**



Source: Knight Frank Research

## RENTS AND PRICES

Zhujiang New Town sub-market was the driver to push up the rental level in Guangzhou Grade-A office market, its average rent increased by 1% to RMB 198 per sqm per month. Average rents in other office sub-markets in Guangzhou remained the same as the previous quarter.

The leasing market was active for many sub-markets, resulting in low vacancy rates. Yuexiu sub-market had the most significant progress among all sub-markets, with a drop of 1.7 percentage points QoQ to 9.3%. Whereas, the vacancy rate in Pazhou sub-market rose 0.5 percentage points to 10.0%, due to the new supplies.

**FIGURE 2. Guangzhou Grade-A office rental**



Source: Knight Frank Research



**Table 1. Major Guangzhou Grade-A office sub-market indicators, Q2 2021**

Submarket	Rent (RMB / sqm / month)	Rent Change QoQ	Vacancy Rate	Vacancy Rate Change QoQ
Zhujiang New Town	198	↑1.0%	5.6%	↓1.0
Tianhe North	170	↔	10.3%	↓0.9
Yuexiu	135	↔	9.3%	↓1.7
Pazhou	145	↔	10.0%	↑0.5

Source: Knight Frank Research

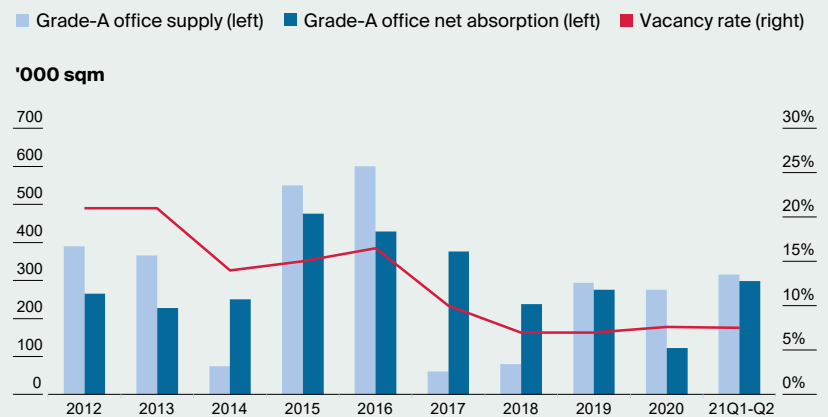
## SUPPLY AND DEMAND

In Q2 2021, the delivery of GMC Plaza led to an increase of the total stock of Grade-A office market in Guangzhou by 0.6% QoQ to 6.30 million sqm.

Core business districts were still the first option for most companies with relocation intentions, while the strengthened of industrial agglomeration effect in Pazhou attracted strong leasing demand. In the second half of 2021, it is estimated that there will be over 330,000 sqm of new supply delivered in Pazhou sub-market, providing more options for enterprises with office upgrade or relocation needs.

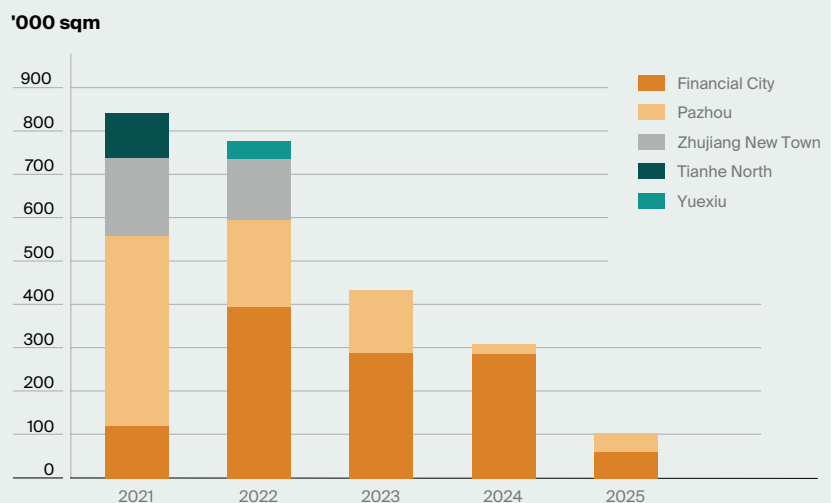
In this quarter, the office leasing market remained active. TMT, finance, professional services, biomedical were the active sectors in the office leasing market, while online education sector was less active at the end of the quarter due to the amendments on education policies. Emerging industries were the major tenants of large-scale lease transactions in this quarter. Related deals included the new lease of a 30,000 sqm office by ByteDance in Trendy National Building in Pazhou and the new lease of a 10,000 sqm office by XPeng Motors in Country Garden Ecology Creative Office.

**FIGURE 3. Guangzhou Grade-A office supply, take up and vacancy rate**



Source: Knight Frank Research

**FIGURE 4. Guangzhou Grade-A Office Market Future Supply Forecast**



Source: Knight Frank Research

**Table 2. Major Guangzhou Grade-A office strata-title sales transactions, Q2 2021**

District	Building	Tenant	Area (sqm)	Transaction Type
Pazhou	Trendy National Building	ByteDance	30,000	New Lease
Tianhe Smart City	Country Garden Ecology Creative Office	XPeng Motors	10,000	New Lease
Tianhe North	ICC	Cinda Asset Management	6,000	New Lease
Haizhu	KWG FBS	Leyo Pharm	4,400	New Lease
Yuexiu	Lumina	Hong Kong Broadband Network	2,300	New Lease
Zhujiang New Town	Siyou Vanke Center	Netthink Technology	2,078	New Lease
Zhujiang New Town	Agile Center	Kujiale	2,000	New Lease
Tianhe North	Zhongtai International Plaza	Jinglong Group	1,800	New Lease
Tianhe North	OneLink Walk	JEOL	1,800	New Lease
Tianhe North	Zhongtai International Plaza	17 Edu & Tech	1,700	New Lease
Tianhe North	OneLink Walk	Fineland Real Estate Investment	1,555	Expansion
Zhujiang New Town	Tiande Plaza	GF Venture Capital	1,500	New Lease
Zhujiang New Town	The Pinnacle	Beijing DHH Law Firm	1,000	Expansion
Tianhe North	OneLink Walk	Ernest Borel	1,000	New Lease
Yuexiu	Lumina	Yuetengyun	800	New Lease
Tianhe North	ICC	POSCO	700	New Lease
Yuexiu	Lumina	TOTO	660	New Lease
Zhujiang New Town	IFC	Boliton	550	Expansion
Zhujiang New Town	IFC	Zhuque E-sports	530	New Lease
Zhujiang New Town	IFC	Pioneer Futures	275	New Lease
Yuexiu	Lumina	Emperor Entertainment Group	250	New Lease
Tianhe North	ICC	Gucheng Intellectual Property Agency	250	New Lease
Zhujiang New Town	GT Land Plaza	Goodyear Tires	170	New Lease
Tianhe North	ICC	ZPlus	150	New Lease
Yuexiu	Atlas (Guangzhou Hotel)	Mediterranean Shipping Company	90 seats	New Lease

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

## INVESTMENT MARKET

With the steady recovery of the domestic economy and the Guangzhou office market, investors were more confident on the office investment market of Guangzhou, while the rent growth became one of the significant factors for investors' decision making.

More buyers were considering purchasing office properties for self-use. In addition to popular business districts such as Zhujiang New Town and Pazhou, other areas like Guangzhou International Financial City, Huangpu, and Huadu were also favored by self-use buyers.

Despite self-use buyers were interested in the office projects for sale, some landlords preferred to sell the whole property in order to reduce the financial pressure.

# MARKET OUTLOOK

In May 2021, the “Outline of the 14th Five-Year Plan for National Economic and Social Development of Guangzhou and the Long-Range Objectives Through the Year 2035” (“the Plan”) was officially implemented. The Plan has focused on the development on substantial economics and the strategic growth engine for emerging industry. Three emerging industries, composed of the intelligent & new energy vehicle, the next generation information technology, and biomedical & health industries. The plan projects three major emerging industries as mainstay industries of Guangzhou, which is composed of intelligent & new energy vehicle, the next generation information

technology, and biomedical & health industries.

Besides, the Plan also clarifies the developmental positions of eleven subordinated districts of Guangzhou: Tianhe is planned to act as the core functional hub of the city, while Haizhu is expected to establish a digital economic demonstration district, and Huangpu is targeted to be the “Eastern Integrated Development Core” of downtown Guangzhou.

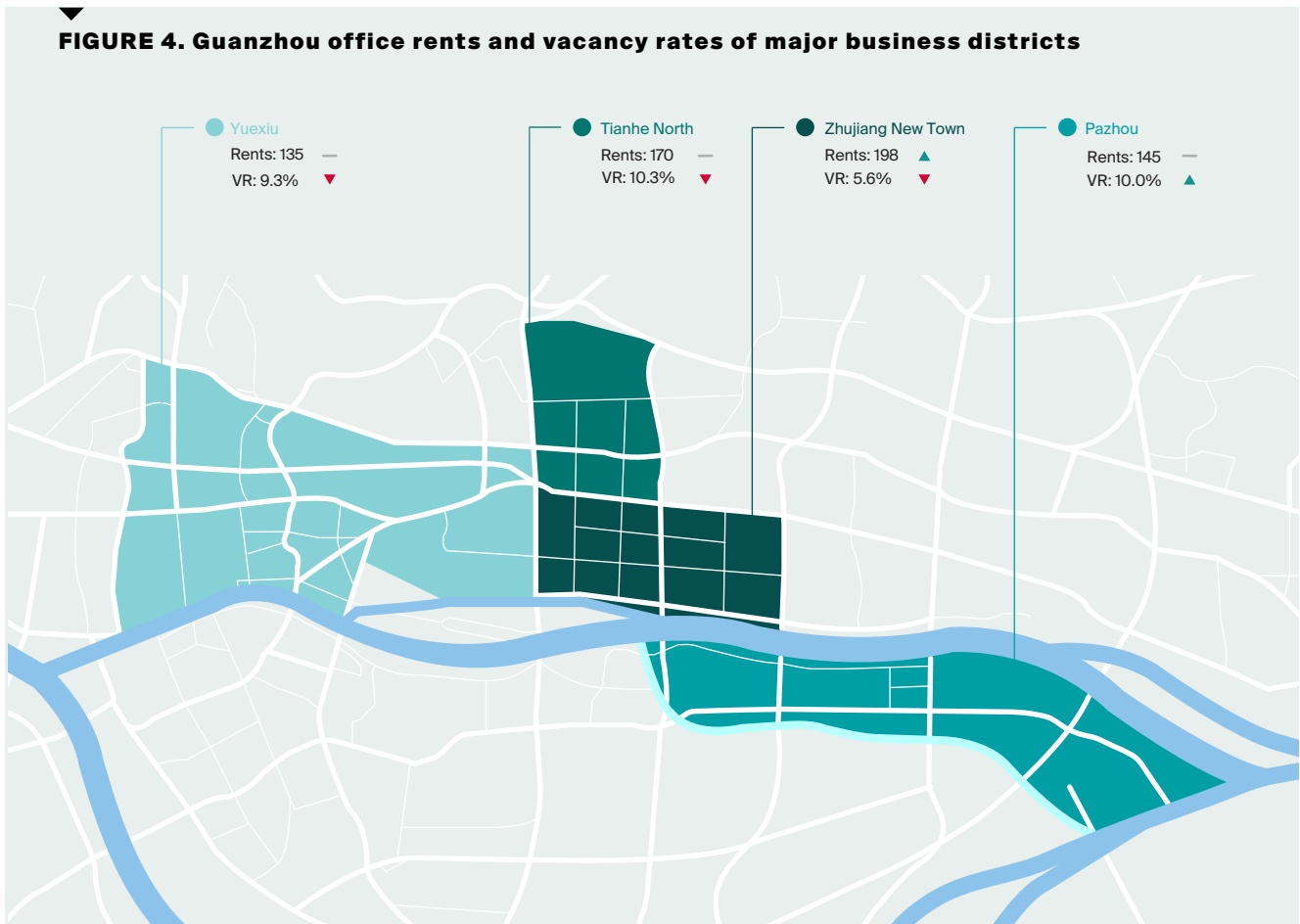
The recent development of the projects in Huangpu were matched with the development strategies of the 14th Five Year

Plan. In June 2021, the Baoneng NEV Group, a subsidiary of Baoneng Group, was settled in the Guangzhou Development District. The state-owned enterprise affiliated to the Guangzhou Development District will invest RMB12 billion to Baoneng NEV to collaborate in building a global competitive NEV group.

Looking ahead, by 2025, the added value of Guangzhou’s strategic emerging industries accounted for 35% of regional production, becoming the main driver of Guangzhou’s economic development. The focus on emerging industries is expected to further stimulate the demand for office space from high-tech companies in Guangzhou.

# GUANGZHOU GRADE-A OFFICE MARKET DASHBOARD Q2 2021

**FIGURE 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.**

### Research & Consultancy



**Laurence Zhu**  
Senior Director,  
Head of Research & Consultancy, China  
+86 21 6032 1769  
laurence.zhu@cn.knightfrank.com



**Regina Yang**  
Director, Head of Research & Consultancy,  
Shanghai & Beijing  
+86 21 6032 1728  
regina.yang@cn.knightfrank.com



**Martin Wong**  
Director, Head of Research & Consultancy,  
Greater China  
+852 2846 7184  
martin.wong@hk.knightfrank.com



**Omega Ou**  
Analyst, Research & Consultancy,  
Guangzhou  
+86 20 3877 1477  
omega.ou@cn.knightfrank.com

### Guangzhou Office Services



**Even Huang**  
General Manager,  
Guangzhou  
+86 20 3877 1477  
even.huang@cn.knightfrank.com



**Aaron Huang**  
Associate Director,  
Office Services  
+86 20 3839 2062  
aaron.huang@cn.knightfrank.com

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



Financial Sector  
in Focus -  
Shanghai  
Occupier Report



Beijing Office  
Market Report  
Q2 2021



Shanghai Office  
Market Report  
Q2 2021



Guangzhou Office  
Market Report  
Q1 2021



Shenzhen Office  
Market Report  
Q1 2021



Shanghai Logistics  
Warehouse Market  
Report  
Q1 2021

**Knight Frank Research Reports are available at [knightfrank.com.cn](http://knightfrank.com.cn)**

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: ©Knight Frank 2020: This document and the material contained in it is general information only and is subject to change without notice. All images are for illustration only. No representations or warranties of any nature whatsoever are given, intended or implied. Knight Frank will not be liable for negligence, or for any direct or indirect consequential losses or damages arising from the use of this information. You should satisfy yourself about the completeness or accuracy of any information or materials and seek professional advice in regard to all the information contained herein. This document and the material contained in it is the property of Knight Frank and is given to you on the understanding that such material and the ideas, concepts and proposals expressed in it are the intellectual property of Knight Frank and protected by copyright. It is understood that you may not use this material or any part of it for any reason other than the evaluation of the document unless we have entered into a further agreement for its use. This document is provided to you in confidence on the understanding it is not disclosed to anyone other than to your employees who need to evaluate it.

