

# Guangzhou Grade-A Office Market Report



Q2 2024

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

► The market is gradually recovering, but growth momentum is slow

In Q2 2024, the leasing market for Grade A office buildings in Guangzhou experienced a mild recovery, with a slight increase in net absorption area to 31,618 sqm. Rental prices in the city, however, continued to face significant downward pressure, declining to RMB 135.0 per sqm per month, for a QoQ decrease of 1.7%. Owing to the dual impact of weak demand and significant tenant turnover in some submarkets, the overall vacancy rate in the city increased by 0.5% QoQ to 12.0%.

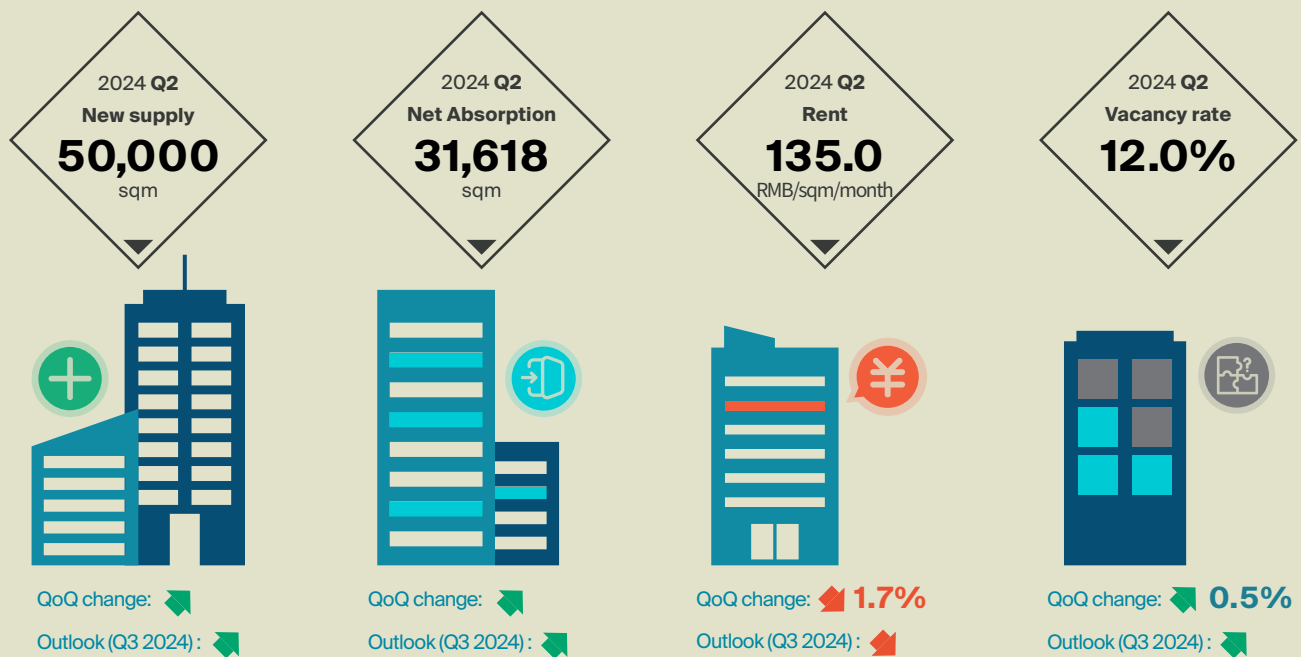
The TMT, manufacturing and professional services sectors were the three main sources of leasing demand

in Q2, with TMT and manufacturing recording particularly impressive leasing performance. There was also strong demand for new leases, which were the primary driver in the leasing market, reflecting the orderly recovery of the market environment. In terms of major transactions, only one deal was recorded in Q2, involving a transaction value of RMB 216 million. Overall market demand remained relatively subdued, however, due to the impact of declining rental prices.

Looking ahead to Q3, the overall market in Guangzhou should see over 100,000 sqm of new supply. Since these

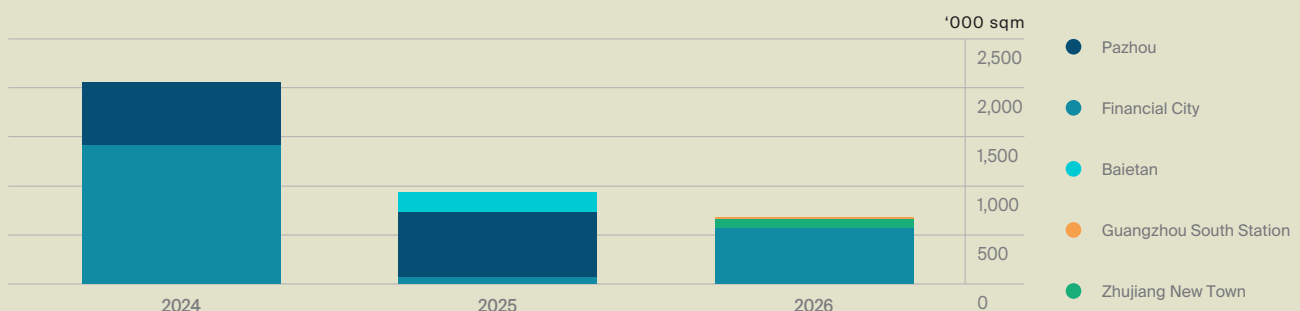
new projects generally commenced pre-leasing activities well in advance and have demonstrated a high degree of price flexibility, coupled with the favourable cyclic upturn of leasing activity, the city's net absorption area is expected to see a new round of growth momentum. However, the macroeconomic environment has yet to show structural improvement, and overall leasing demand in the city remains weak. The vacancy rate should continue to rise due to the impact of new supply, and Guangzhou's citywide Grade A office rents are expected to maintain their downward trend because of severe leasing pressure.

**Fig 1: Guangzhou Grade-A office market reference index<sup>[1]</sup>**



Source: Knight Frank Research  
[1] Rent refers to average effective rent

**Fig 2: Guangzhou office development pipeline, 2024-2026**



Source: Knight Frank Research  
Note: Projected supply in 2024 includes projects already on the market

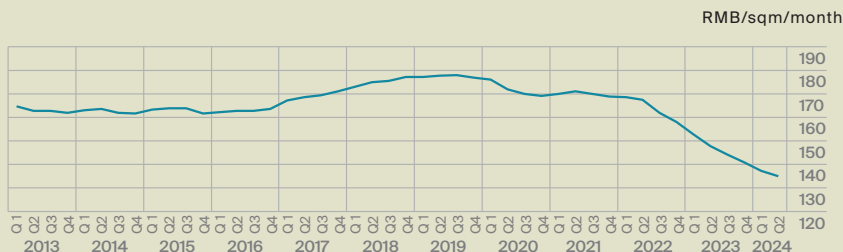
# Rental Level

## ► Continued downward trend in rental prices

In Q2, the office leasing market in Guangzhou continued its downward trend, with rental prices falling to RMB 135.0 per sqm per month, for a QoQ decrease of 1.7%.

Despite significant rental adjustments in the Zhujiang New Town and Tianhe North regions in the previous quarter, these two major submarkets demonstrated relatively stable rental performance in Q2. Zhujiang New Town, in particular, even experienced a mild recovery in rental prices, indicating a certain level of market resilience. Meanwhile, the Yuexiu and Pazhou submarkets, which showed robust performance in Q1, faced greater price adjustment pressure in Q2. Rental prices in the Yuexiu district decreased by 1.4%

**Fig 3: Guangzhou Grade-A office rental trend**



Source: Knight Frank Research

QoQ, reflecting an accelerated pace of market adjustments.

Looking ahead to Q3 2024, the Financial City will see an influx of over 100,000 sqm of new office supply.

This may further impact the market, resulting in more competitive rental conditions. Overall rental prices in the Guangzhou market are expected to continue their downward trend for the foreseeable future.

**Table 1: Major Guangzhou Grade-A office sub-market indicators, Q2 2024**

Submarket	Rent		Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
	RMB/sqm/mth	RMB/sqm/day			
Tianhe North	128.8	4.2	0.0%	6.9%	↑0.4%
Zhujiang New Town	152.7	5.0	↑0.4%	11.4%	↓0.2%
Yuexiu	115.3	3.8	↓1.4%	8.7%	↑2.3%
Pazhou	122.8	4.0	↓0.3%	17.5%	↑0.1%
Financial City	99.8	3.3	/	17.7%	/

Source: Knight Frank Research

# Supply and Demand

## ► Moderate recovery but lack of stable support

In Q2, Guangzhou witnessed the first new supply of the year, as Poly South Finance Tower added 50,000 sqm of new office space to the market. Stimulated by this new supply, overall market activity in the city experienced a slight increase, and leasing demand saw moderate growth, resulting in net absorption of 31,618 sqm. Notably, Financial City, benefiting from the impressive leasing performance of new supply, led the city in terms of net

absorption area. Zhujiang New Town followed closely behind, achieving a net absorption area of over 10,000 sqm in Q2, driving a 0.2% QoQ decrease in the vacancy rate. In contrast, the Yuexiu submarket faced severe challenges with tenant turnover, leading to a 2.3% QoQ increase in the vacancy rate, reflecting price adjustment pressure in this submarket amid market competition.

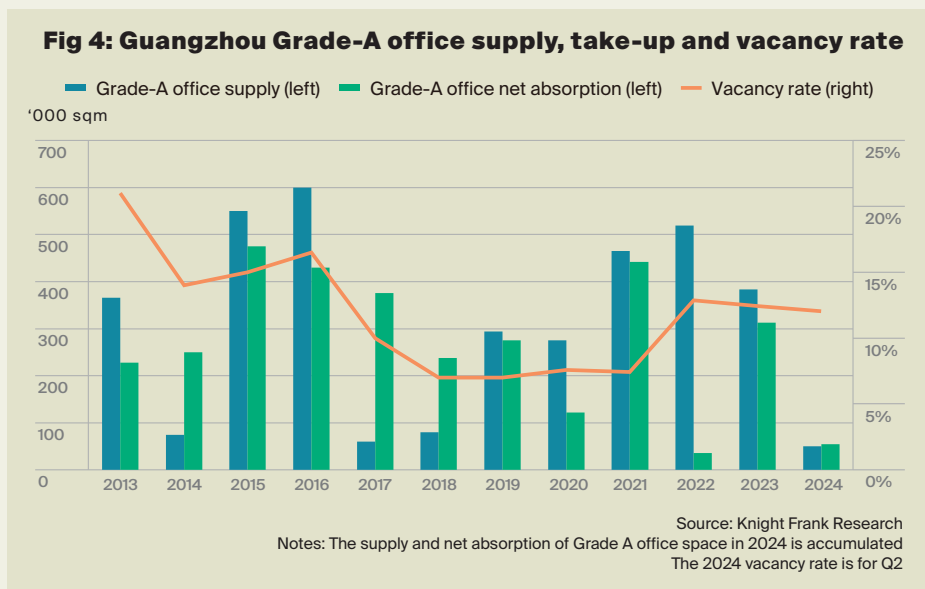
New leasing demand became the

major force in the market, accounting for a significant 34.7% proportion, indicating that the market environment is gradually improving. At the same time, market demand showed distinct diversification, with the proportion of rent reductions and lease restructuring similar to that of rent expansion. Some companies are focusing on reducing costs and improving efficiency, while others are seizing the opportunity for business expansion, reflecting the

complexity and flexibility of market demand.

The TMT sector emerged as the core driving force in the leasing market in Q2, with strong demand from e-commerce platforms, advertising and media, and streaming operations, which accounted for 29% of total leasing demand in the city. Following closely behind was the manufacturing sector, with significant growth in demand from companies in the household appliances, household chemicals and precision instruments segments. The professional services sector ranked third, and demand for oversea education consultancies and law firms remained robust, with the former demonstrating a stronger willingness to expand.

Looking ahead to Q3 2024, considering that the growth momentum of leasing demand in the office market is still gaining strength and with estimated new supply of approximately 100,000 sqm expected to be released



in the Financial City submarket, this may stimulate a slight increase in net absorption area citywide through more competitive rental strategies. Given the overall weak demand, however,

the vacancy rate is expected to face significant upward pressure, and the overall market is expected to continue to wait for further release of demand.

**Table 2: Major Guangzhou Grade-A office leasing transactions, Q2 2024**

District	Building	Tenant	Area (sqm)	Transaction Type
Pazhou	Baodi Plaza	JD.Com	7,000	New lease
Zhujiang New town	Kinggold Century Centre	Alpha Group	4,600	In-house expansion
Pazhou	TCl Building	Lingjiang Network	3,100	Relocation
Pazhou	Poly Zhongyue Plaza	Lekan Technology	2,800	New lease

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

## Market Trends

### ► En-bloc transaction demand for office buildings remains subdued

In Q2 2024, the investment market for office buildings in Guangzhou saw a slight increase in activity, recording one en-bloc transaction valued at RMB 216 million. The transaction involved a unit in Guangzhou Haihao International Tower.

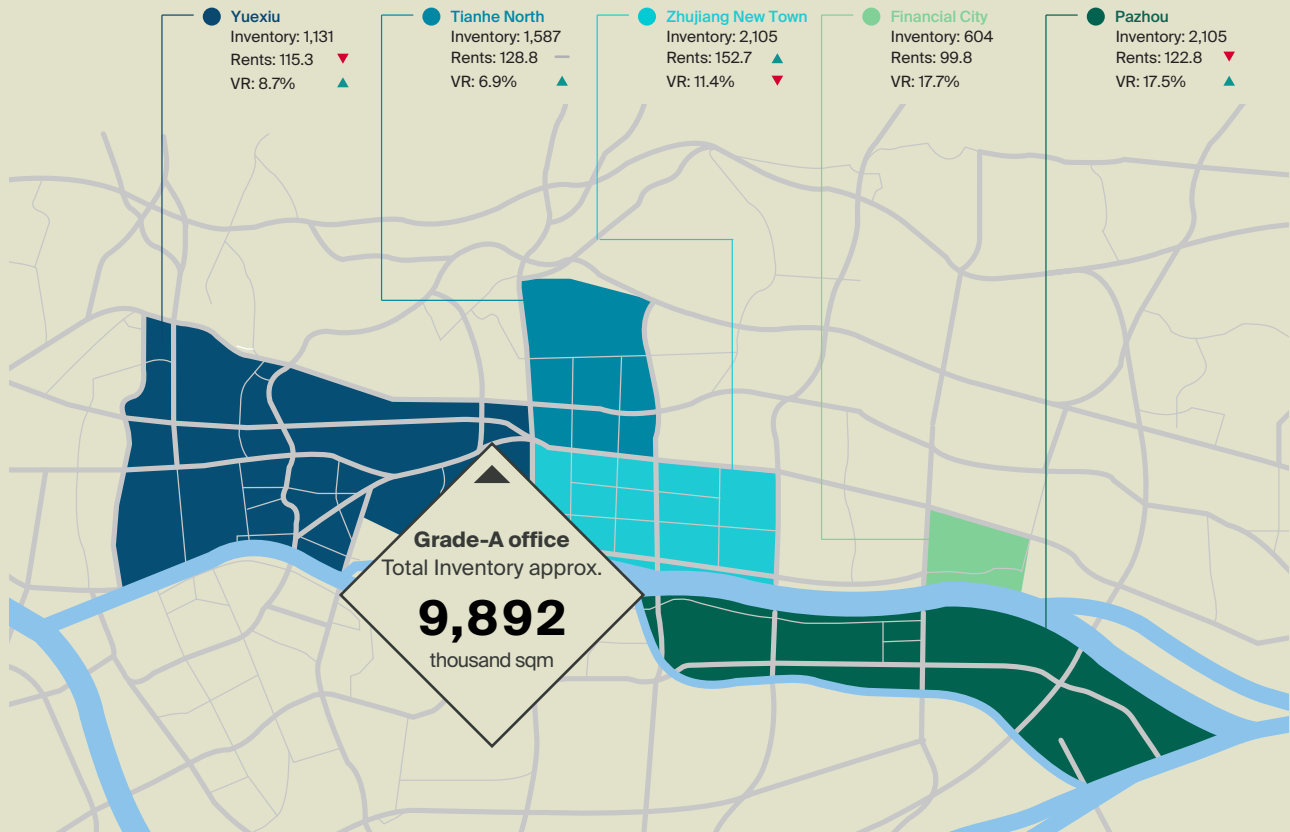
Against the backdrop of continued downward pressure on office rental

prices in Guangzhou, office projects in the city are facing the challenge of declining revenue. To alleviate debt pressure and accelerate asset realisation, some developers have had to lower their expectations on prices for en-bloc transaction properties to stabilise and enhance their investment returns, and stimulate latent demand. However, en-bloc

transaction buyers have generally adopted a cautious wait-and-see approach, resulting in continued market pressure for destocking. In addition to office buildings, there were notable transactions in mixed-use projects and industrial projects in Q2, demonstrating overall market activity and potential in specific sectors.

# Guangzhou Grade-A office market dashboard Q2 2024

## 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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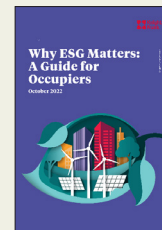
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