

*There is an active demand for leasing in the emerging
business district represented by Pazhou*



Guangzhou Office Market Report

Q3 2021

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A NUMBER OF OFFICE LEASING TRANSACTIONS WITH LARGE AREA WERE RECORDED IN EMERGING BUSINESS DISTRICTS

In Q3 2021, the delivery of Jiayu Center, TCL Mansion and Dongsheng Yunding Building increased 126,000 sqm of new supply to Guangzhou Grade-A office market, pushing the stock up to 6.42 million sqm.

Guangzhou's economy continued to maintain a steady recovery. From Q1 to Q3 of 2021, the total retail sales of social consumer goods in Guangzhou increased by 12.8% YoY. The fixed asset investment increased by 19.8% YoY. In the first three quarters, Guangzhou, 524,400 new market entities of all kinds have registered, up to 36.73% YoY, higher than the average growth rate of 10.66% in Guangdong Province. The number of newly registered market entities in Guangzhou is higher than that in Shanghai (416,600 market entities), Shenzhen (379,500 market entities) and Beijing (190,300 market entities), which is the top of another first-tier city.

In Q3 2021, due to the impact of new supply, the vacancy rate of Grade-A office market in Guangzhou increased by 0.6 percentage points to 8.1% QoQ, and the average rent decreased by 0.6% QoQ to RMB 170 per sqm per month.

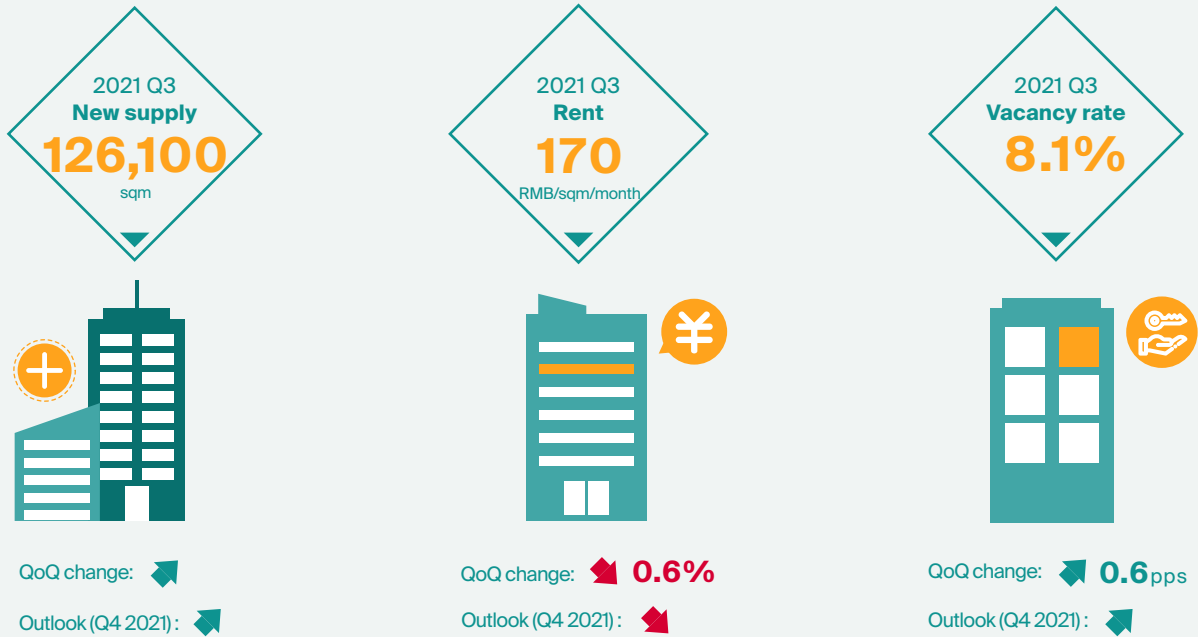
The office leasing market continued the

active trend as the last quarter, and office leasing demands grew further under the stable economic recovery. With the demonstration of positive market signals, office landlords in areas with numerous transaction activities regained confidence for the future market, thus increasing the rental level or reducing incentives.

TMT and professional service enterprises still drove the growth of leasing demands. They showed a strong interest to relocate or expand their offices. In addition, some enterprises preferred to consolidate multiple existing office spaces in terms of their real estate asset management strategy, resulting in noticeable office leasing enquiries in the market. Pazhou, a representative of emerging business district, favored by the companies with large-area leasing demands during the quarter, due to a lack of new supply in the mature business districts. Under the influence of industrial agglomeration effect, TMT and FMCG enterprises increasingly interested in the office

projects in Pazhou, raising the rental expectations of some landlords while pushing up the rental level. However, most landlords still kept the rents low for accelerating the office leasing volume. We expect more than four new office projects of approximately 450,000 sqm will be delivered to the market in Q4 2021, which are mainly in the Pazhou business district. Meanwhile, with the implementation of the 14th Five-Year Plan in Guangzhou and various administrative districts, the effect of Guangzhou's major business districts in attracting capital inflows will become more evident, and the relocation of enterprises and more and more investments will contribute to the downsize of office space and the increase in rents in various areas of Guangzhou. In all over the market, the steady increasingly leasing demand is expected to lead to a further reduction in office building vacancy rate, and market rents are expected to continue to increase.

FIGURE 1: Guangzhou Grade-A office market indicators

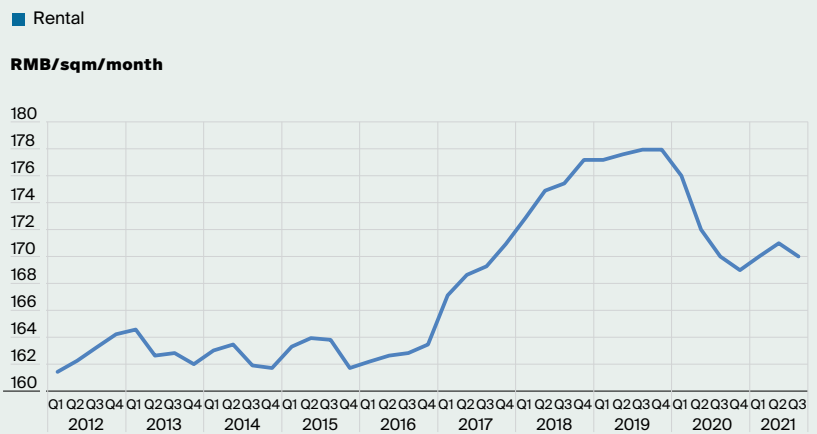


Source: Knight Frank Research

RENTS AND PRICES

Despite there were new supplies delivered in the Pazhou sub-market during the quarter, the decline in average rent in Pazhou sub-market was mitigated by the leasing performance of several quality office buildings in Pazhou. Average rent in the sub-market dropped 1.4% QoQ to RMB 143 per sqm per month, while average rent in other sub-markets remained relatively stable, with most just experiencing slight changes.

FIGURE 2. Guangzhou Grade-A office rental



Source: Knight Frank Research

Table 1. Major Guangzhou Grade-A office sub-market indicators, Q3 2021

Submarket	Rent (RMB / sqm / month)	Rent Change QoQ	Vacancy Rate	Vacancy Rate Change QoQ
Zhujiang New Town	197	↓0.5%	6.7%	↑1.1 pps
Tianhe North	170	↔	9.5%	↓0.8 pps
Yuexiu	136	↑0.7%	10.0%	↑0.7 pps
Pazhou	143	↓1.4%	10.0%	↔

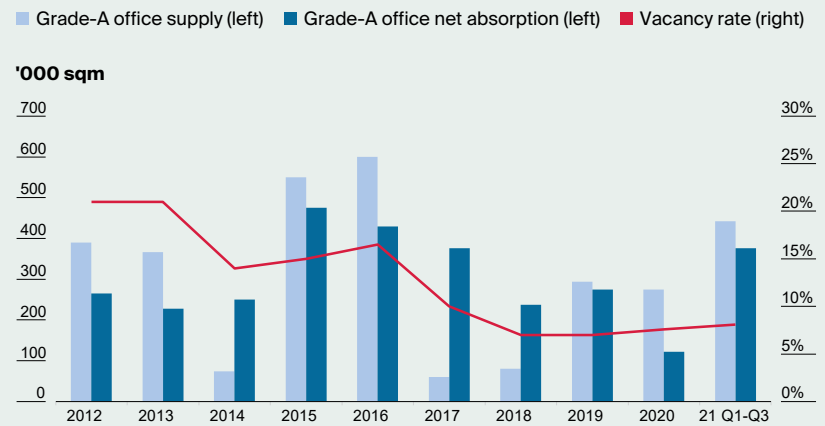
Source: Knight Frank Research

SUPPLY AND DEMAND

In Q3 2021, the delivery of Jiayu Center, TCL Mansion and Dongsheng Yunding Building pushed the stock of Grade-A office market in Guangzhou to 6.42 million sqm, with a growth of 2.0% QoQ. The active performance of the market kept the net absorption at a relatively high level of 78,000 sqm in this quarter. And currently, the vacancy rate of Guangzhou’s Grade A office building is 8.1%, taking up 8% MoM. However, from Q1 to Q3 2021, accumulative net absorption in Guangzhou Grade-A office market has tripled from the same period last year.

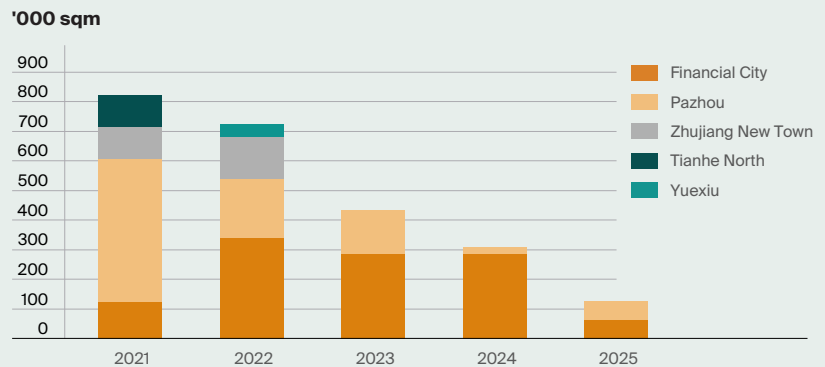
During the quarter, a number of large-scaled leasing transactions were recorded in the emerging business districts. Typical examples include a new lease of 30,000-sqm of office space in Tianhe Times E-Park by Blue Moon; a new lease of 7,000-sqm of new office space in the Xiaomi Mansion by Hero Games; a new lease of 5,000-sqm of office space in Pingyun Square by Kuaishou. TMT and professional services companies continue to lead the demand side of the office market.

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, Q3 2021

District	Building	Tenant	Area (sqm)	Transaction Type
Tianhe Intelligence City	Tianhe Times E-PARK	Blue Moon	30,000	New Lease
Pazhou	Xiaomi Building	Hero Games	7,000	New Lease
Pazhou	Fosun International Centre	Philips	4,400	New Lease
Pazhou	TCL Mansion	Guangzhou Huole Computer Service	4,000	New Lease
Pazhou	TCL Mansion	French information technology	1,900	New Lease
Pazhou	Dongsheng Yunding Mansion	Xiaohutuxian	3,000	New Lease
Pazhou	Xiaomi Mansion	CMBC	500	New Lease
Tianhe North	Tianhe Mansion	Kaikeba	4,200	New Lease
Tianhe North	Guangzhou Environmental Trade Center	CSCEC Shanghai Design and Research Institute	2,800	New Lease
Tianhe North	Guangzhou Environmental Trade Center	Guangzhou Baoneng energy	2,300	New Lease
Tianhe North	ICC	ATAGO	240	New Lease
Tianhe North	ICC	Andun IP	200	New Lease
Tianhe North	ICC	DAELIM	180	New Lease
Tianhe North	Fortune Plaza	U-MAN Education	460	New Lease
Zhujiang New Town	Pingyun Square	Kuaishou	5,000	New Lease
Zhujiang New Town	Guangzhou CTF Finance Centre	Kingdee	3,500	New Lease
Zhujiang New Town	Guangzhou CTF Finance Centre	Yingke Lawyer	3,500	New Lease
Zhujiang New Town	Yuexiu Financial Building	Zhengrong real estate	2,000	Expansion
Zhujiang New Town	Vanke Centre	Guangdong Zhizhan Health Industry	1,400	New Lease
Yuexiu	Lumina	Nott software	1,100	New Lease
Yuexiu	Lumina	Consulate of Hungary	800	New Lease
Yuexiu	Guangdong International Mansion	SONY	450	New Lease
Haizhu	Biological resources building	China Ping An	1,100	New Lease

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

INVESTMENT MARKET

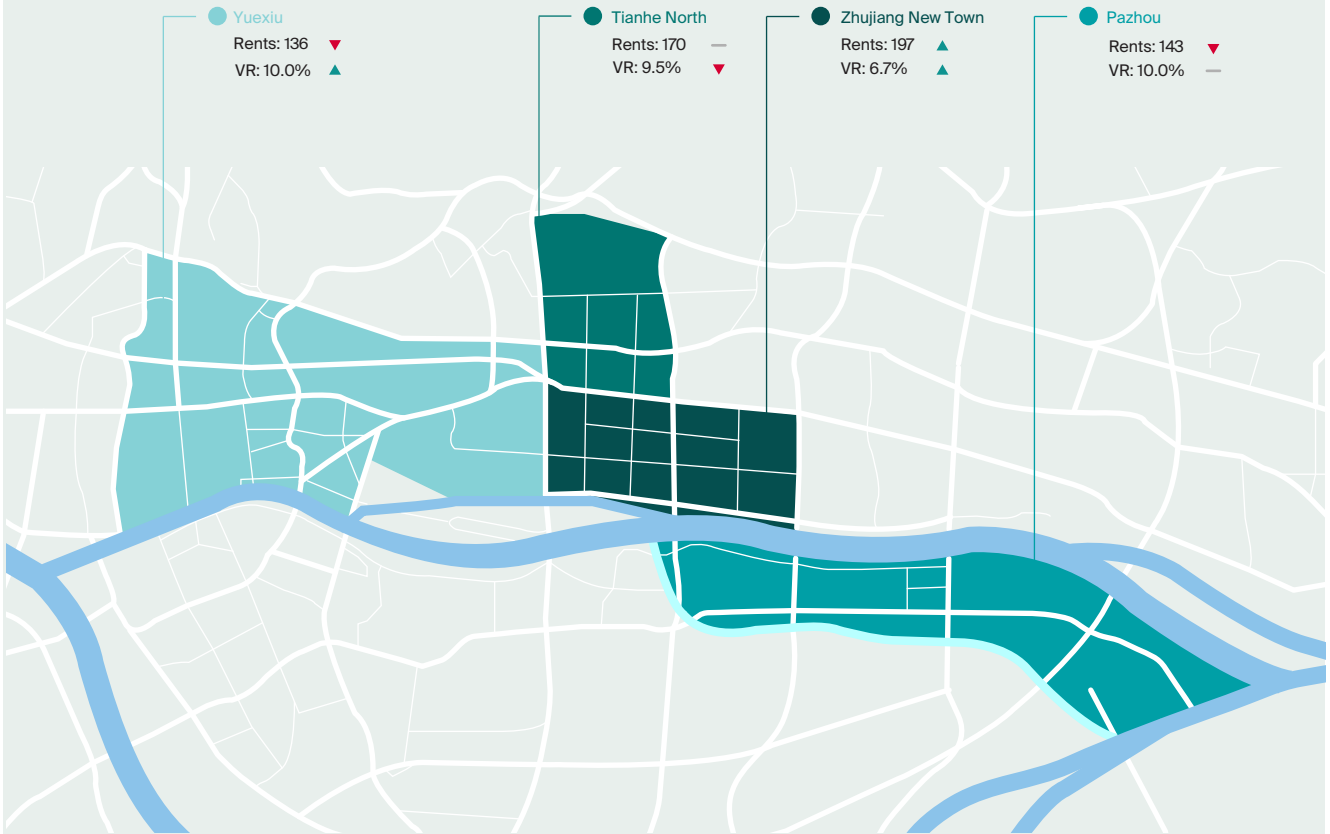
There was no office en-bloc transactions recorded in the Guangzhou office investment market. However, the strata-title sale market in emerging business districts such as Yuzhu, Huangpu and Guangzhou International Financial City

remained active, with game and software companies purchasing office units in the areas. Besides, there is more than 100 units and their areas up to 70,000 sqm in Grade-A office building in Huangpu District for public sale which is included

GID, Guangzhou Daily Yunhui and so on, and the high part of the project can also be sold with naming rights, which caught the eyes in the market.

GUANGZHOU GRADE-A OFFICE MARKET DASHBOARD Q3 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.

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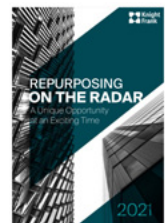
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