

# Guangzhou Grade-A Office Market Report



Q3 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 still soft

In Q3, Guangzhou's office leasing market cooled slightly, with the net absorption area declining to 22,073 sqm. The average rent in the Guangzhou Grade-A office market remained largely stable, edging down by only 0.1% QoQ to RMB 134.8 per sqm per month. However, with new supply entering the market and demand softening, the overall vacancy rate rose by 0.5 percentage points from Q2, reaching 12.6%.

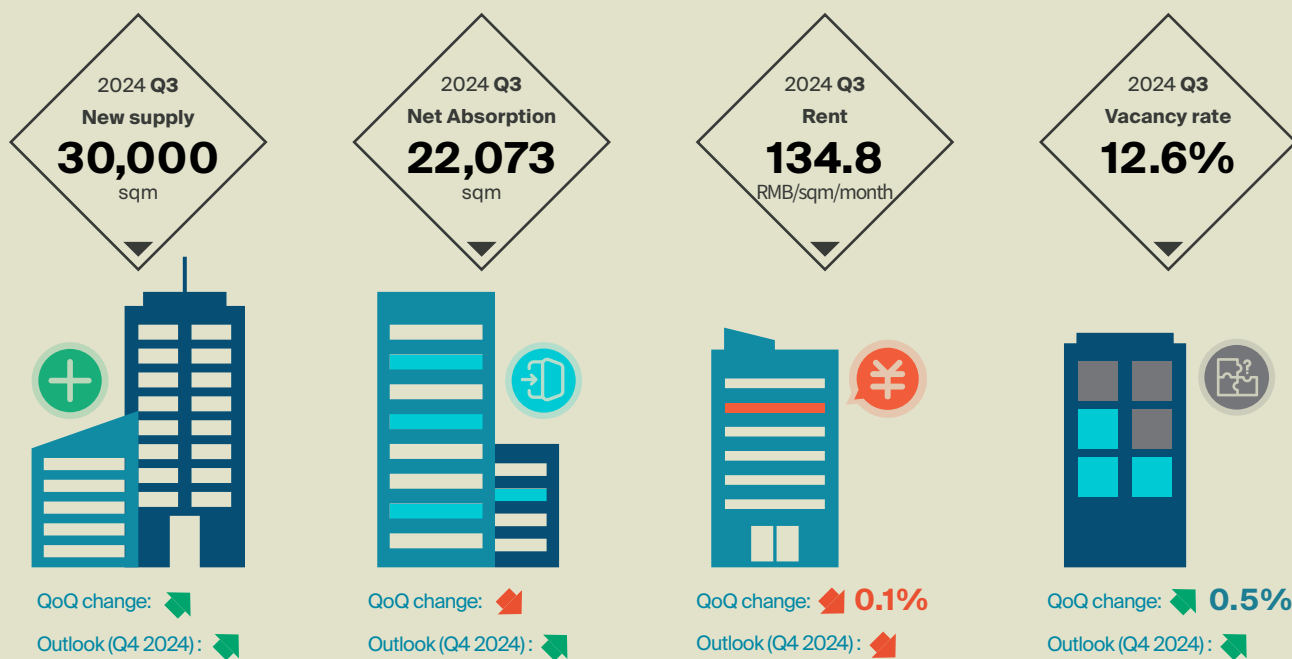
Demand remained resilient, driven especially by new enterprises and expansion demand, indicating a solid foundation for market recovery. The

top drivers of leasing activity in Q3 were the TMT sector, public services and finance. In the TMT segment, internet platforms and gaming companies led the charge with robust growth. On the investment front, one en-bloc transaction was recorded in Q3, involving an office asset sale valued at RMB 1.96 billion. This marked a mild recovery in the en-bloc transaction market, indicating growing investor confidence.

Looking ahead to Q4, market sentiment is expected to improve, fuelled by monetary easing and economic stimulus policies. Several

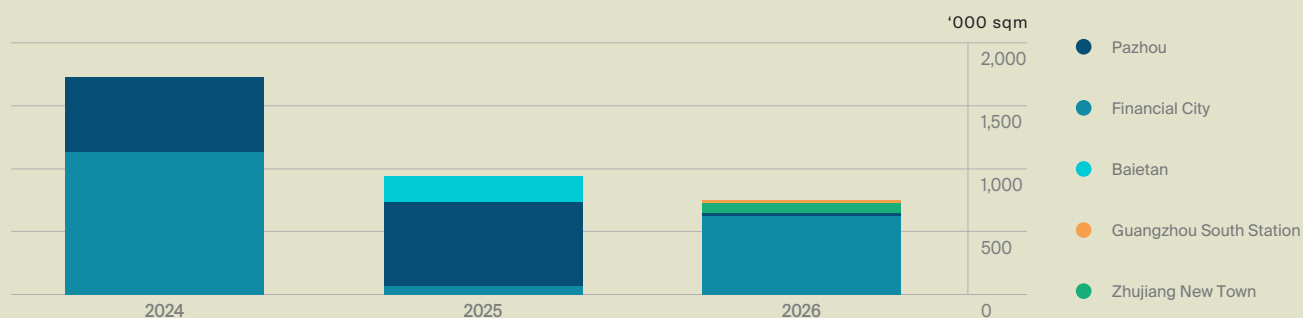
delayed office projects are likely to enter the market by year-end, adding over 100,000 sqm of new supply. Given that the market's average annual net absorption over the past decade has been approximately 300,000 sqm, with only 80,000 sqm absorbed so far this year, a wave of pent-up demand may be released in the coming months. This simultaneous increase in supply and demand is expected to reinvigorate the office market. While rental rates and vacancy levels may still face some pressure, both are expected to remain within a manageable cyclical range, avoiding significant volatility.

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

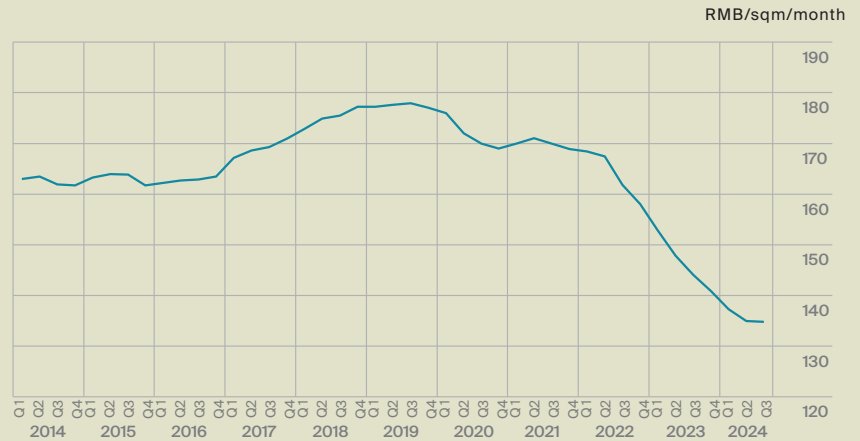
## ► Guangzhou office rental market stabilizes amid downward pressure

In Q3, office rents in Guangzhou showed signs of stabilizing, although the market remained under downward pressure. The average office rent across the city dipped to RMB 134.9 per sqm per month, marking a marginal 0.1% decline from Q2. This reflects the narrowing trend in rental declines over the year, indicating that the market may be approaching a turning point.

Most submarkets in Guangzhou maintained stable rental levels, with only a mild QoQ fluctuation. However, Zhujiang New Town stood out by adopting more aggressive pricing strategies to retain and attract tenants, resulting in a notable 2.2% quarterly drop in rents.

In Q4, over 100,000 sqm of new office supply is expected to hit the market, primarily from projects delayed earlier in the year. This influx of new stock could temporarily challenge the current stabilization trend, potentially adding downward pressure to rents. However, with the macroeconomic recovery continuing to gain momentum, the rental market is expected to weather this pressure. While rental declines may persist in the short term, they are likely to remain within reasonable cyclical fluctuations, avoiding sharp disruptions.

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



Source: Knight Frank Research

**Table 1: Major Guangzhou Grade-A office sub-market indicators, Q3 2024**

Submarket	Rent		Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
	RMB/sqm/mth	RMB/sqm/day			
Tianhe North	128.5	4.2	↓0.2%	76%	↑0.7%
Zhujiang New Town	149.3	4.9	↓2.2%	11.3%	↓0.1%
Yuexiu	115.2	3.8	0.0%	8.2%	↓0.5%
Pazhou	122.4	4.0	↓0.3%	19.5%	↑2.0%
Financial City	104.4	3.4	↓0.3%	31.7%	↑14.0%

Source: Knight Frank Research

# Supply and Demand

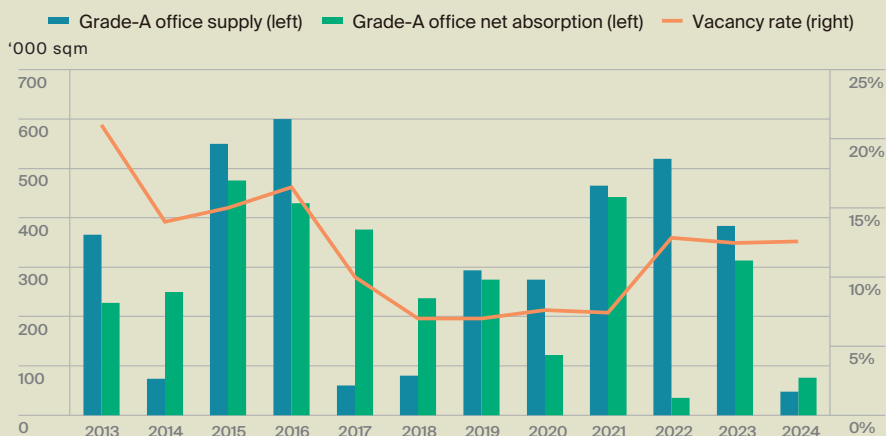
## ► Weak demand, but rebound expected in Q4

In Q3, Pazhou Center East Tower was the only new supply added to Guangzhou's office market, contributing approximately 30,000 sqm. However, the market experienced a significant slowdown in leasing activity, with net absorption area dropping by 30% QoQ to 22,000 sqm. The influx of new supply impacted the Pazhou submarket, driving vacancy rates up by 2 percentage points. Adjustments to the sample pool in the Financial City submarket resulted in a sharp increase in its vacancy rate. Other submarkets remained stable, with only a moderate change in the vacancy rate.

Relocation activity dominated leasing demand in Q3, accounting for 58% of total leasing transactions. Although the number of new tenants decreased, this segment still demonstrated resilience, taking up 25% of leasing demand. Notably, expansion activity outpaced contractions by a ratio of 2:1, further reinforcing the market's gradual stabilization.

The TMT sector continued to drive demand, contributing 36.8% of total leasing activity, with internet platforms and gaming companies leading the charge. Public services followed closely, accounting for 10.9%, supported by demand from visa centres, consulates and government agencies. Financial services overtook professional services to rank third, representing 10% of leasing demand. Within this sector, the insurance industry saw robust growth in

**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 2024 is accumulated. The 2024 vacancy rate is for Q3.

July and August, generating nearly 80% of the financial sector's newly leased space during the quarter.

With the recent rollout of the central government's economic stimulus package and the implementation of further interest rate and reserve requirement cuts in late September 2024, market sentiment has improved. The financial sector, in particular, stands to benefit from policy tools like swap facilities and repo-backed loans, potentially driving an uptick in leasing demand.

Despite only about 80,000 sqm of

net absorption so far this year—well below the 10-year annual average of 300,000 sqm—a wave of pent-up demand is expected to materialize in Q4. While some tenants have opted for cost-efficient, non-Grade-A office space, there is still substantial unmet demand in the market. As new supply and delayed projects enter the market in Q4, Guangzhou's office market is poised for both supply and demand growth, with vacancy rates likely to remain in a healthy range.

**Table 2: Major Guangzhou Grade-A office leasing transactions, Q3 2024**

District	Building	Tenant	Area (sqm)	Transaction Type
Pazhou	Galuminium Group Co., Ltd. headquarters building	VFS.Global	6,000	New Setup
Zhujiang New town	Pearl River Investment Building	Meituan	4,894	Relocation
Pazhou	Poly Zhongyue Plaza	Chicheng Network Technology +Uniteman Tech	2,600	Relocation
Tianhe North	Teem Tower	Harbour Life Insurance	2,300	Relocation

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

# Investment Market

## ► Signs of Recovery in En-bloc Transactions

Guangzhou's office investment market showed signs of recovery in Q3, with a significant transaction valued at RMB 1.96 billion.

The deal involved By-Health's acquisition of the Guangbao Yunhui commercial office project, with a total gross floor area of 56,970 sqm. The transaction price amounted to RMB 34,404.07 per sqm. The acquisition was carried out in two key phases. In the first phase, completed in June 2023, By-Health purchased 51 property units through asset transactions. The second phase, initiated in August 2024,

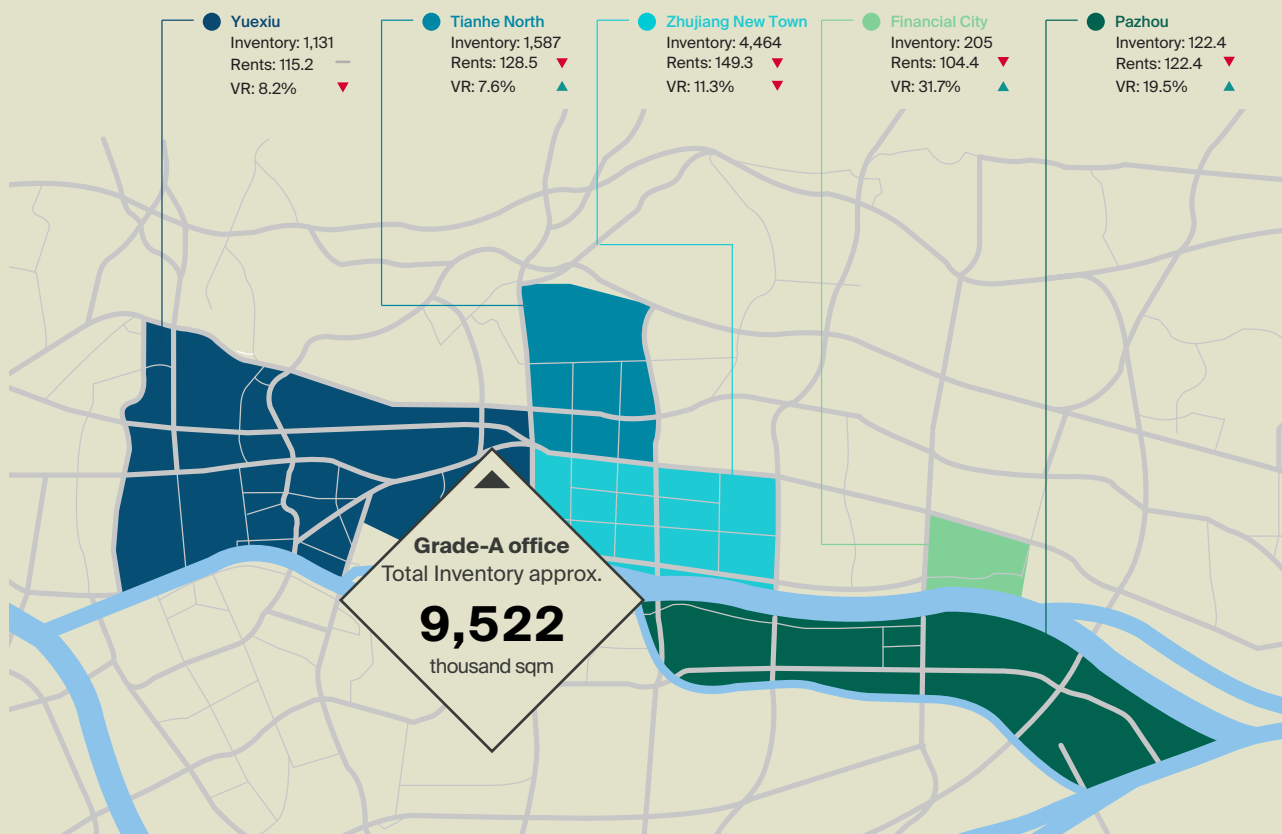
involved the full equity acquisition of Guangbao Yunhui's holding entity, Guangbao Yinglong. Upon completion of the acquisition, By-Health secured full ownership of the commercial office project, along with the corresponding land use rights.

The prolonged rental decline over the past 13 consecutive quarters has left some office properties undervalued, creating attractive opportunities for investors. With the U.S. Federal Reserve's recent 50-basis-point rate cut and the Chinese government's monetary easing policies, Guangzhou

is likely to attract more external capital in the coming months. Investors seeking safe-haven assets may increasingly focus on undervalued properties with a favourable rent-to-sale ratio and attractive returns. These assets are expected to draw heightened interest from institutional buyers, further supporting the recovery of the large-scale transaction market. This renewed interest could provide fresh momentum to the office market, fostering both liquidity and confidence in the investment landscape.

## Guangzhou Grade-A office market dashboard Q3 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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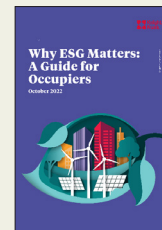
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