

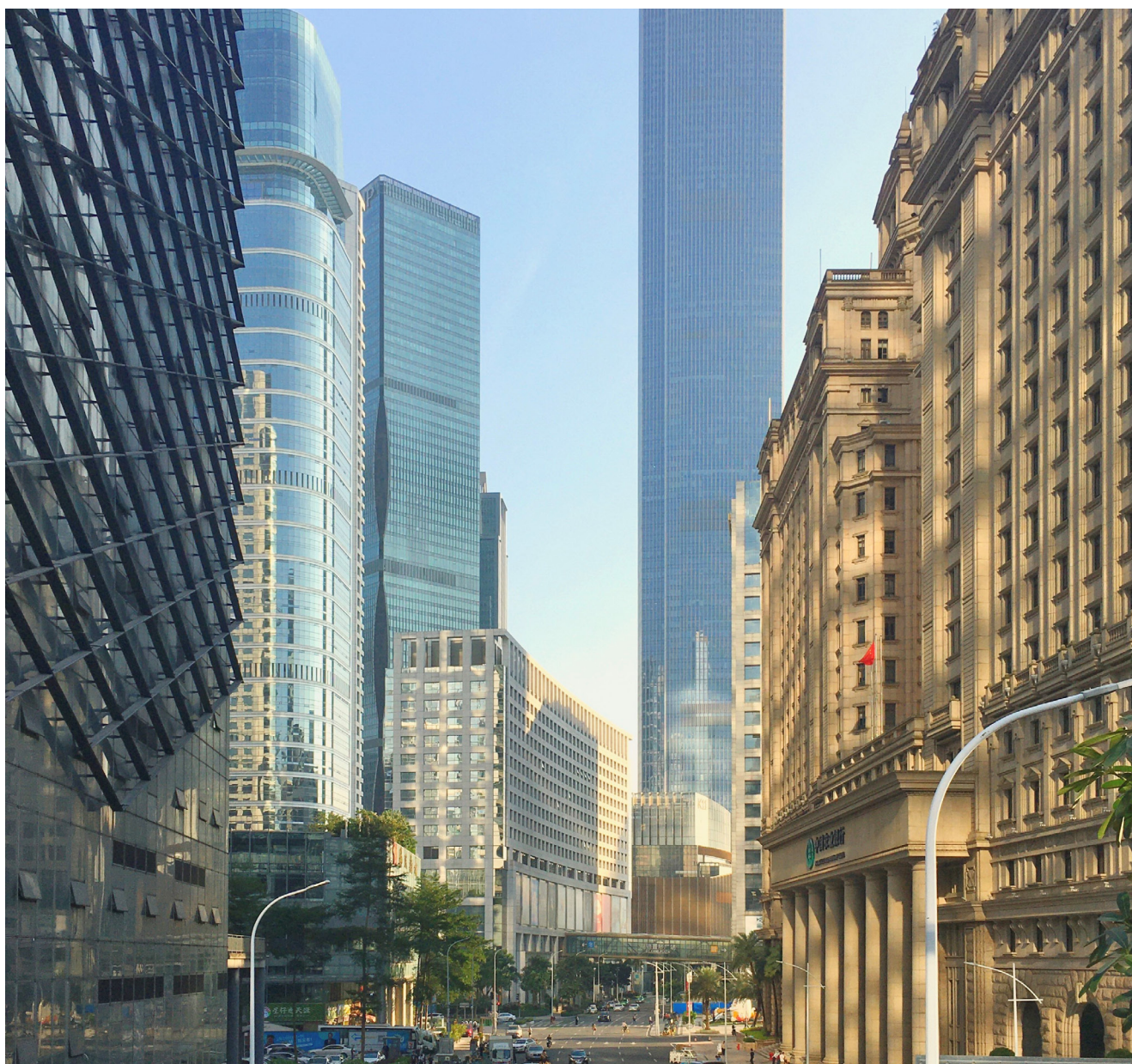
*In this quarter, due to COVID-19, the number of office leasing inquiries by online education centres and e-commerce enterprises increased.*



# Guangzhou Office Market Report

Q4 2020

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# LEASING DEMAND FOR GUANGZHOU GRADE-A OFFICE MARKET HAS RECOVERED AND RENTS STABILIZED GRADUALLY

*In Q4 2020, Trendy National Building was delivered, bringing 80,000 sqm new supply to Guangzhou Grade-A office market, which has led to an increase of the overall stock to 5.984 million sqm.*

The economy in Guangzhou continued to recover in a positive momentum, as consumer demand continued to recover, and the cumulative growth in fixed asset investment was growing fast. From January to October 2020, total retail sales of consumer goods in Guangzhou decreased by 5.5% YoY. The decline was 0.7 percentage points less than the previous three quarters. The cumulative growth in fixed asset investment increased by 8.1% YoY, and the increase was 1.8 percentage points higher than the previous three quarters. Real estate investment increased by 2.8% YoY, turning to a positive index since this year, rose by 4.8 percentage points as compared to the previous three quarters.

In Q4 2020, impacted by the new supply, the vacancy rate of the Guangzhou Grade-A office market rose by 0.8

percentage points QoQ to 7.6%, while the average rent declined slightly by 0.6% QoQ to RMB 169 per sqm per month.

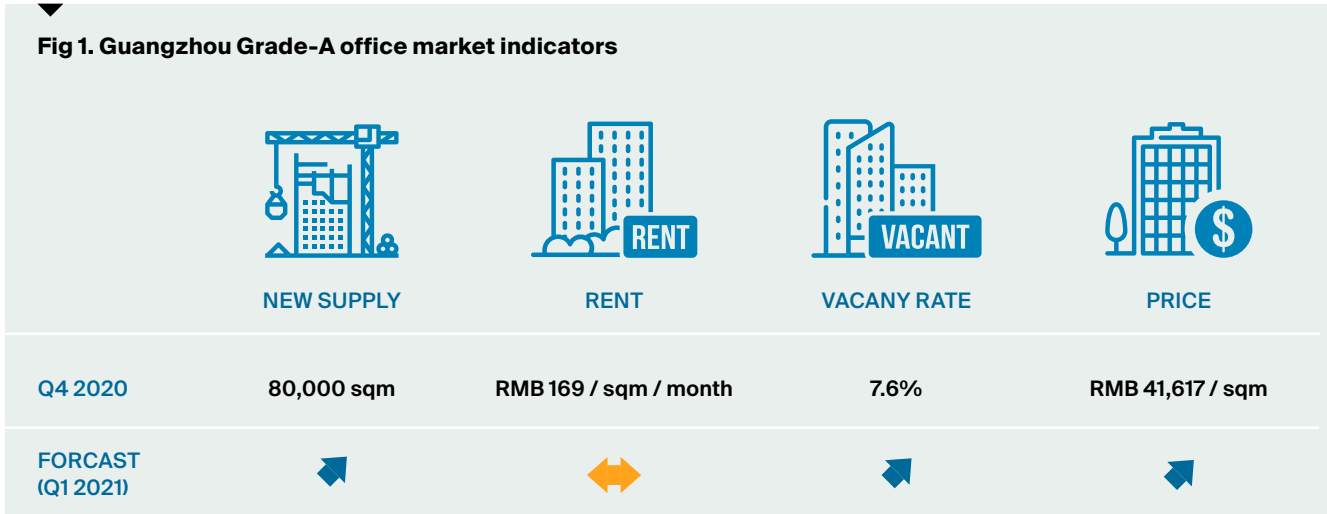
The negative impact of the epidemic on the Guangzhou Grade-A office market was further alleviated and the market recovered significantly. For some Grade-A office buildings which are located in the core business district, due to the prominent property quality, superior property management level and other factors, their rents were on the upward trends while their occupancy situation was excellent. In addition, a number of leasing expansion transactions within the same building were recorded for a Grade-A office building, with the vacancy rate dropping by about 10 percentage points YoY.

Affected by the epidemic, some co-working facilities with large number of

small companies had seen abundant cases of withdrawal, resulting in operational pressure for the operators. However, those co-working brands which have better operation and management were not affected. In addition to the traditional office projects, co-working projects were also considered to be set up in commercial podium buildings and other types of properties.

Due to the limited land resources in Guangzhou, in order to guarantee the value of projects, some developers also intended to renovate the old office buildings or mixed-use projects with office properties in prime locations, so as to win more profits for project development.

**Fig 1. Guangzhou Grade-A office market indicators**



Source: Knight Frank Research

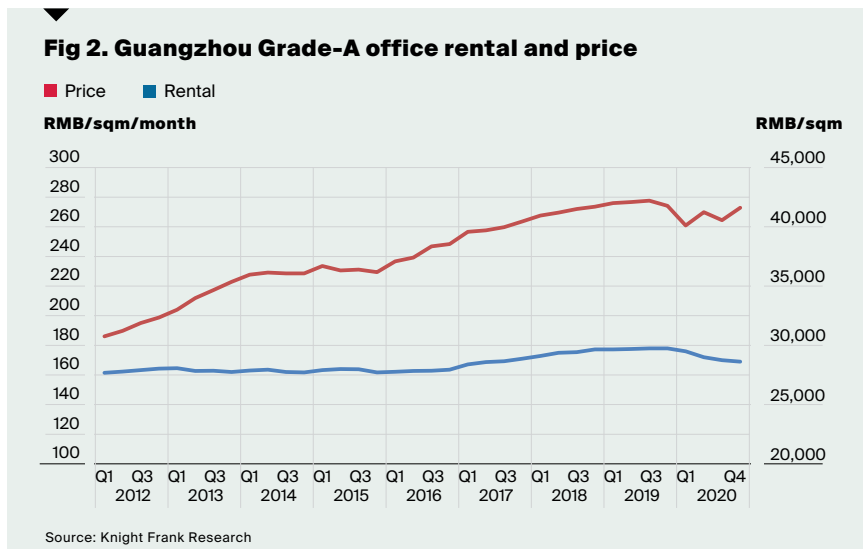
## RENTS AND PRICES

In Q4 2020, the average rent of Grade-A office market in Guangzhou was RMB 169 per sqm per month, dropped slightly 0.6% QoQ. The average rent gradually stabilized.

In this quarter, the rental level in each sub-market was stable, while the rents in Zhujiang New Town sub-market showed an upward trend, rising 1% QoQ to RMB 194 per sqm per month. Affected by the new supply, the rents in Yuexiu and Pazhou sub-markets was stable with a slight drop. However, as the leasing market has become more active, the rental decline of Yuexiu and Pazhou sub-market narrowed by 3.6 percentage points and 1.4 percentage points QoQ respectively.

For the strata-title market, the average selling price of office buildings in Guangzhou during Q4 was RMB 41,617 per sqm, increased 2.6% QoQ. Office properties for sale in the new business districts were still favored by buyers. A notable transaction during the quarter include:

**Fig 2. Guangzhou Grade-A office rental and price**



Source: Knight Frank Research

Huaxin Zhihui office building project located in Wanbo CBD, recorded a bulk transaction of 1,200 sqm in this quarter, with a unit price of RMB 23,000 per sqm. Furthermore, in this quarter, there were

high-quality office buildings for sale in Tianhe North and other prime business districts, which has attracted substantial attentions from the market.

**Table 1. Major Guangzhou Grade-A office sub-market indicators, Q4 2020**

Submarket	Rent (RMB / sqm / month)	Rent Change QoQ	Vacancy Rate	Vacancy Rate Change QoQ
Zhujiang New Town	194	↑1.0%	5.6%	↓0.5
Tianhe North	169	↔	4.9%	↓1.2
Yuexiu	133	↓0.7%	11.8%	↑1.4
Pazhou	142	↓0.7%	14.0%	↑7.0

Source: Knight Frank Research

**Table 2. Major Guangzhou Grade-A office strata-title sales transactions, Q4 2020**

District	Building	Area (sq m)	Unit Price (RMB / sq m)
Panyu	Huaxin Zhihui	1,200	23,000

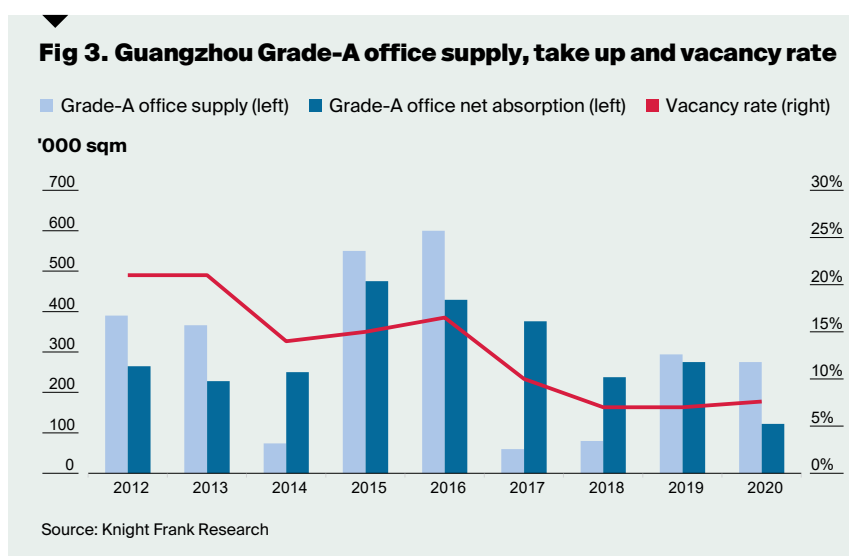
Source: Knight Frank Research  
Note: all transactions are subject to confirmation

## SUPPLY AND DEMAND

In Q4 2020, Trendy National Building was completed and delivered in Guangzhou, which increased the stock of Grade-A office market in Guangzhou to 5.984 million sqm. Impacted by the new supply, the vacancy rate of Pazhou sub-market rose 7 percentage points QoQ to 14%.

In this quarter, due to COVID-19, the number of office leasing inquiries by online education centres and e-commerce enterprises increased. While seeking expansions, these companies look for larger office spaces. While some high-quality enterprises looked for upgrading the office spaces, most of them still aimed to reduce leasing costs.

Professional service and real estate enterprises were important tenants of leasing transactions with large area in



this quarter. Some examples include CCB Fintech rented a 6,500 sqm of office space in IFC; Guangdong Yide Group rented a

2,150 sqm of office space in Tiande Plaza; Kings Law Firm rented a 1,000 sqm of office space in ICC.

**Table 3. Major Guangzhou Grade-A office leasing transactions, Q4 2020**

District	Building	Tenant	Area (sq m)	Transaction Type
Zhujiang New Town	IFC	CCB Fintech	6,500	New Lease
Zhujiang New Town	Tiande Plaza	Guangdong Yide Group	2,150	New Lease
Tianhe North	ICC	Kings Law Firm	1,000	New Lease
Zhujiang New Town	Tiande Plaza	Market Pioneer	950	New Lease
Pazhou	Trendy National Building	BEIJING-HYUNDAI	600	New Lease
Zhujiang New Town	Central Tower	Harvest Fund	500	New Lease
Yuexiu	TEC (in Lumina)	Fresenius Kabi	50 Seats	New Lease

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

## INVESTMENT MARKET

In Q4, there were two en-bloc transactions recorded in the investment market of office building in Guangzhou.

In October 2020, Guangdong Dongsheng Group acquired East Tower of TCL Mansion as its new headquarters building. The project is located in the core area of Pazhou Artificial Intelligence and Digital Economy Pilot zone, with a GFA of 44,000 sqm.

In addition to office projects, mixed-use

projects with office property were also sought-after by investors.

In December 2020, Zhuguang Holding Group acquired the remaining 49% of the commercial land in Tianhe District from Guangdong Zhuguang Group Co., Ltd. with RMB 900 million. The acquired asset is a land plot located in the east of Huangpu Avenue, Tianhe District, with a total land area of about 63,600 sqm. The land will be developed into a mixed-use project

integrating office properties, shopping centers and high-end apartments. The project is already planned within the Guangzhou International City, according to Zhuguang Holding Group. The acquisition of the site will provide the buyer with a strategic opportunity to further develop its business in Guangzhou given the geographical and traffic location advantages and great development potential of the project.

## MARKET OUTLOOK

The 14th five-year Plan of Guangdong Province was formally put forward, and Guangzhou city is frequently mentioned in the plan: Nansha District, Guangzhou, will be built as a demonstration zone for comprehensive cooperation among Guangdong, Hong Kong and Macao and developed into an import trade promotion and innovation demonstration zone. Guangzhou Futures Exchange will be

regarded as the core for improving the quality of listed companies and increasing the proportion of direct financing. Revitalizing the old cities in Guangzhou will be supported and its functions as a provincial capital will be strengthened. Also, Guangzhou will be built into an international transportation hub, an educational and medical center, and a gateway for cultural exchanges with other countries.

In addition to policy supports from the government, various districts also promoted the introduction of high-quality talents and high-tech industries, boosting the vigorous development of the economy in Guangzhou.

In November 2020, Several Policy Opinions on Promoting High-quality Economic Development in Tianhe District of Guangzhou were officially issued. Incentives

will be given to key enterprises in the financial industry, modern commerce and trade industry, high-end professional services, software industry, digital culture industry and other key enterprises to settle down in Tianhe District. For newly settled software enterprises, the single support fund can be up to RMB 150 million. Furthermore, policies have been strengthened to encourage key talents, and newly introduced international top talents can receive up to RMB 10 million as resettlement fees.

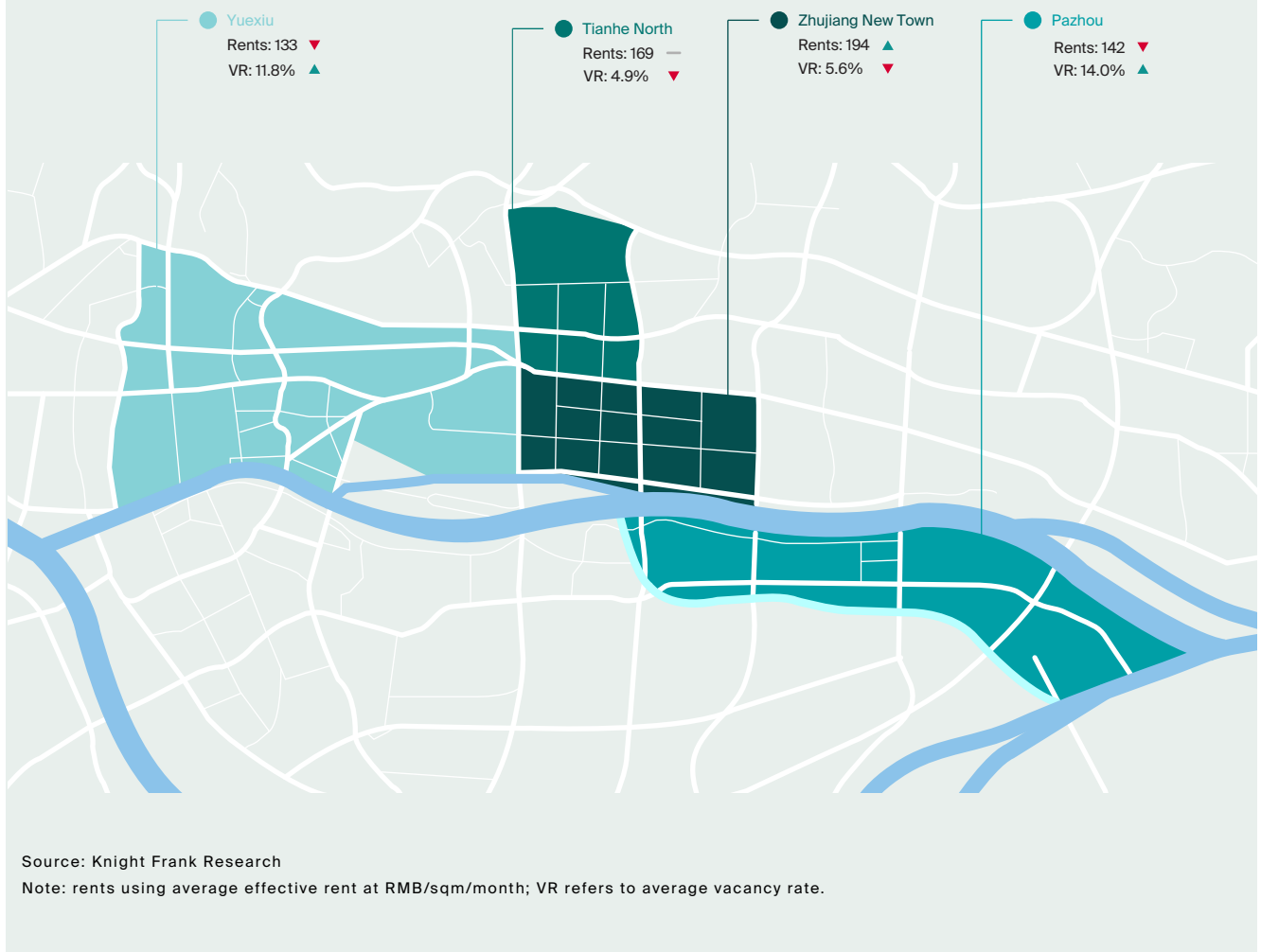
In December 2020, Huawei Technologies Co., Ltd. won the land plot of Overseas Chinese Sugar Factory in Baiyun District, Guangzhou with RMB 339 million. The land is planned to be occupied by advanced industry and developed into Huawei Guangzhou Research and Development Center. The center is planned to be engaged in the research and development of intelligent vehicles, cloud computing, Internet of Things and other technical fields. The total land area of the project is about 178.94 Mu, and the planned

GFA is about 166,000 sqm.

Driven positively by policies, talents, industries and other factors, it is expected that the development of high-tech industry, professional service industry, financial industry, trade industry and other industries in Guangzhou will be further stimulated. Against this backdrop, the office rental demand of these industries will grow healthily in Guangzhou.

## GUANGZHOU OFFICE MARKET DASHBOARD

**Fig 4. Guanzhou office rents and vacancy rates of major business districts**



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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