

Leasing market continued to be active



Guangzhou Office Market Report

Q4 2021

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OVERVIEW AND OUTLOOK

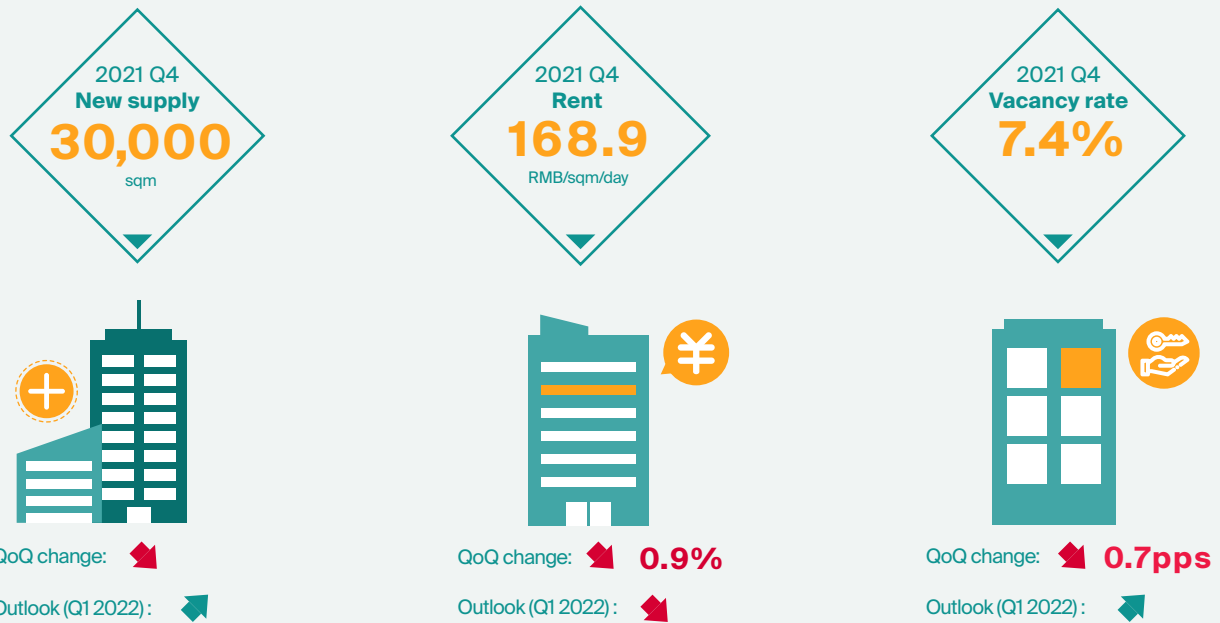
In this quarter, the leasing market continued to be active. The annual net absorption reached a five-year high of 460,000 sqm, exceeding the total of the past two years. Meanwhile, the vacancy rates of Grade-A office market in Guangzhou remained relatively low,

down 0.7% to 7.4% QoQ. Rents decreased slightly by 0.9% QoQ to RMB 168.9 per sqm per month. In general, there is a trend of concession strategy in Guangzhou office rental market.

In 2022, it is expected that nearly 1.07

million sqm of new supply will enter the market. It is expected to further improve the bargaining power tenants, push up vacancy rate and put office rental under pressure.

FIGURE 1: Guangzhou Grade-A office market reference index



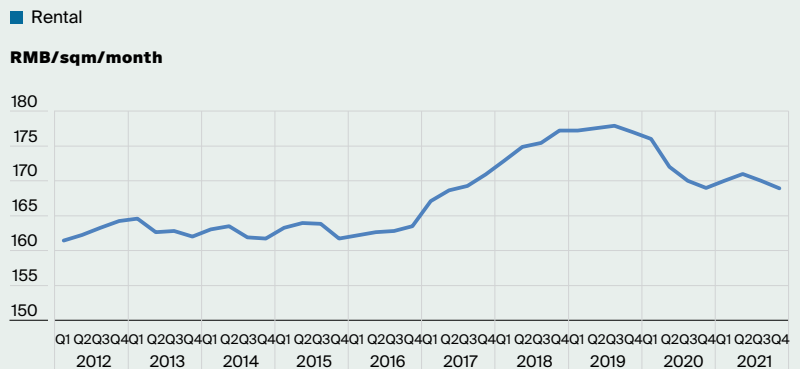
Source: Knight Frank Research

RENTS LEVEL

In Q4, the average rent of Grade-A office market in Guangzhou fell 0.9% QoQ to RMB168.9 per sqm per month, the lowest since the epidemic, and roughly fell back to the level in the second half of 2017. At present, rent levels have remained low for a long period, mainly due to the intensified competition in the market; and landlords were willing to slash rents in order to secure leases.

Besides, rents in all sub-markets were relatively stable. Affected by the new supply in Pazhou sub-market, the rents in Pazhou dropped the most, with a decrease of 0.9% QoQ and 10.8% YoY.

FIGURE 2. Guangzhou Grade-A office rental



Source: Knight Frank Research

Table 1. Major Guangzhou Grade-A office sub-market indicators, Q4 2021

Submarket	Rent			Rent Change QoQ	Vacancy Rate	Vacancy Rate Change QoQ
	RMB/sqm/mth	USD/sqf/mth	EUR/sqf/mth			
Zhujiang New Town	195.7	2.8	2.5	↓0.6%	6.9%	↑0.2
Tianhe North	170.1	2.5	2.2	↑0.1%	7.7%	↓1.8
Yuexiu	136.1	2.0	1.8	↔	6.3%	↓3.7
Pazhou	141.8	2.1	1.8	↓0.9%	9.6%	↓0.4

Source: Knight Frank Research

SUPPLY AND DEMAND

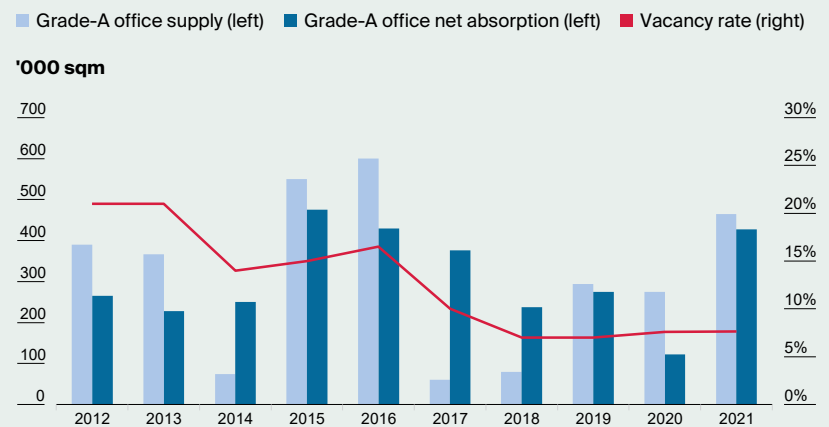
In Q4, the supply of Grade A office buildings in Guangzhou increased by 30,000 sqm, and the city's stock rose to 6.44 million sqm.

The active market continued to maintain a relatively high net absorption in this quarter. The cumulative net absorption reached 460,000 sqm, exceeding the total net absorption in the previous two years and reaching a new high in recent five years.

From the perspective of lease transactions, the lease demand of TMT, financial and professional service enterprises remained stable, ranking the top three. Meanwhile, the vacancy rate in the city remained low, at 7.4%, with a slight decrease of 0.7% QoQ. It is noteworthy that in Pazhou, an emerging region, the new supply has increased by 250,000 sqm this year. The annual vacancy rate remains at about 10%. At present, the vacancy rate of Pazhou is 9.6%, down 0.4% QoQ and 4.4% YoY.

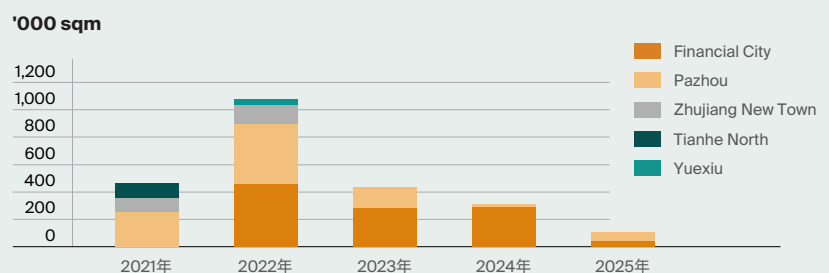
Next year, the new supply of the city is expected to be as high as 1.07 million sqm, 2.3 times that of this year. More than 80% of the supply is in Pazhou and the Financial city. Projects with large volume include T2 of Yuehai Financial Center (130,000 sqm of office space) in Zhujiang New Town and phase II (over 150,000 sqm) of Poly Financial Daduhui (East Tower) in the Financial City.

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

In general, it is expected that the follow-up market will face continuous supply pressure, the vacancy rate will rise, and

the rent level is likely to continue to decline.

Table 2. Major Guangzhou Grade-A office strata-title sales transactions, Q4 2021

District	Building	Tenant	Area (sqm)	Transaction Type
Zhujiang New Town	Pearl River Tower	Industrial Bank	20,000	New Lease
Zhujiang New Town	Qiaoxin International Building	Carlsberg	5,000	New Lease
Pazhou	Opai HQ Building	Zhaolong	10,000	New Lease
Pazhou	Dongsheng Yunding Mansion	Xuanwu wireless technology	6,000	New Lease
Pazhou	Mingfeng Mansion	Wilson information	2,200	New Lease

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

INVESTMENT MARKET

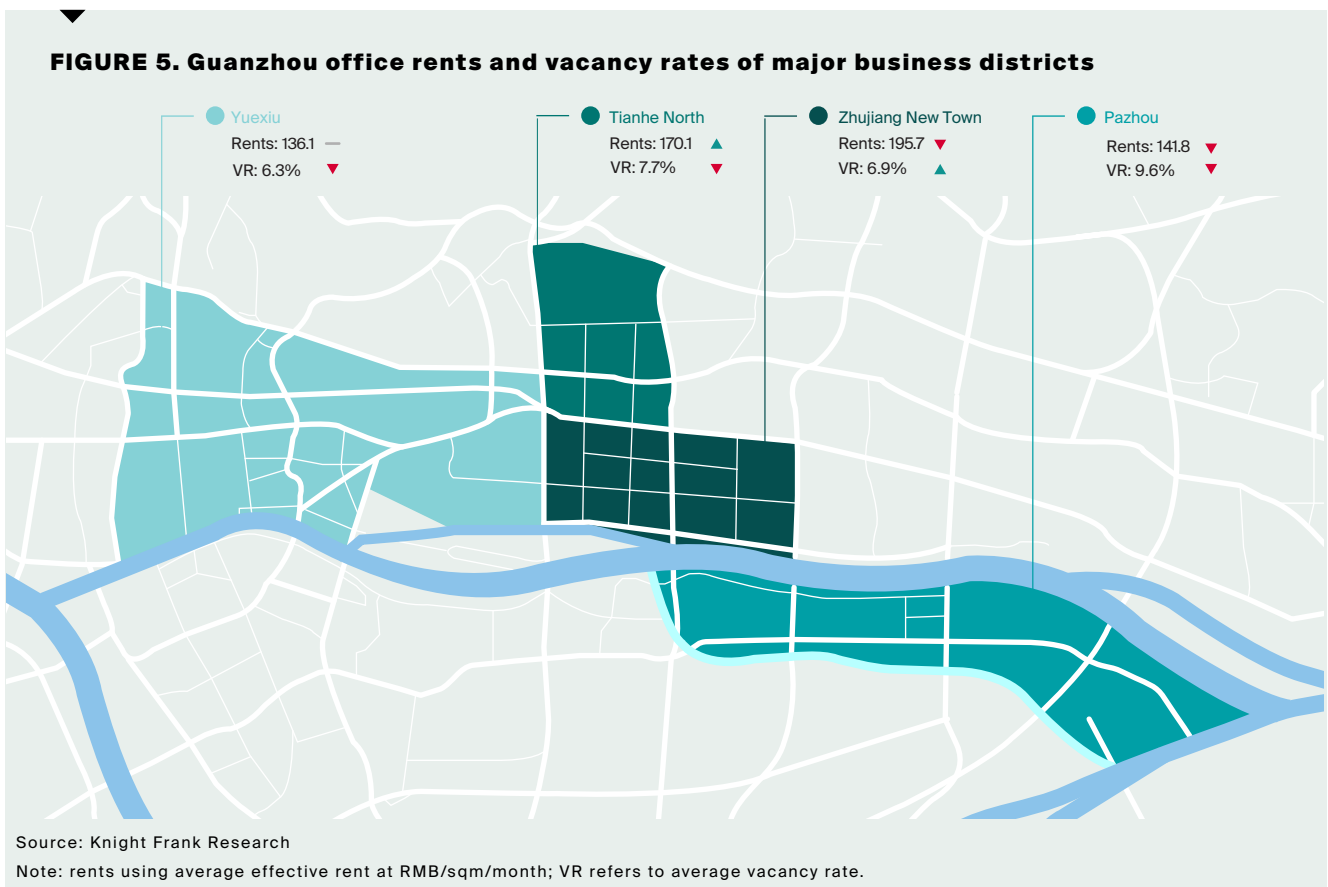
In final quarter of this year, the investment market of Guangzhou office buildings recovered significantly, and the trading volume and turnover increased significantly compared with Q3. The largest deal was the office building of Yuexiu Financial Building, for a transacted amount of RMB 7.793 billion. The buyer was Yuexiu REIT 2018 Company Limited, which is wholly

owned by Yuexiu real estate fund. The other deal is Guangzhou Suikai Power Industry Co., Ltd. to sell Greenland Central Square Office Building, with an amount of 52.84 million yuan. In addition, the benchmark office building Poly Nanfang Finance and Economics Building, Huijin Center and Huijin East Wing in the Financial City plate recorded full floor transactions. The

whole transaction was recorded in HNA building in Tianhe North.

Throughout the year, Zhujiang New Town maintained high activity level, with 18 transactions and a total turnover of RMB 23 billion. Besides, the proportion of foreign investment increased significantly to more than 70% compared with last year.

GUANGZHOU GRADE-A OFFICE MARKET DASHBOARD Q4 2021



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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