

*The epidemic outbreak delayed market supply and demand,
rent was on a downward trend*



Shenzhen Office Market Report

Q1 2022

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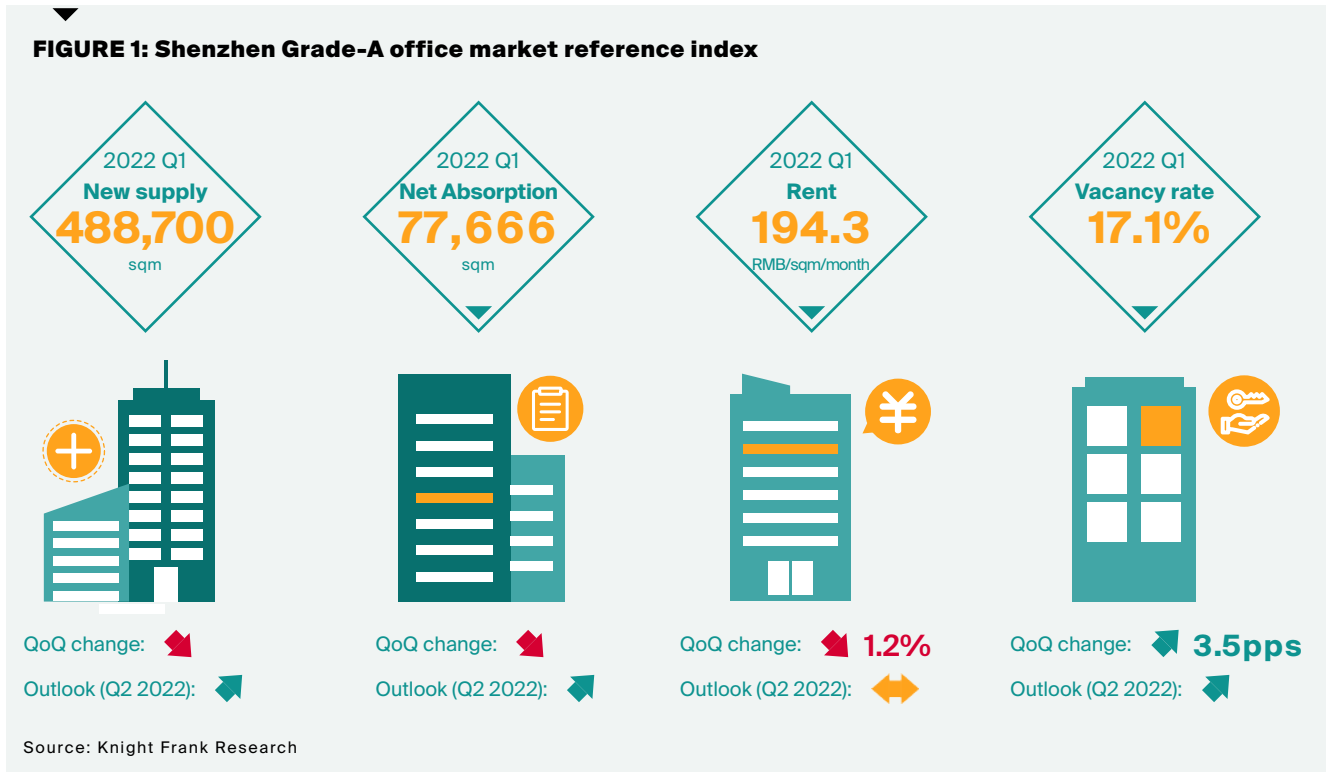
OVERVIEW AND OUTLOOK

In Q1 2022, the average rent of Grade-A office market in Shenzhen recorded RMB 194.3 per sqm per month, down 1.3% QoQ. New supply of Grade-A office reached 488,700 sqm. Due to the rapid growing new supply and the current

epidemic outbreak, the demand of the leasing market was postponed. The vacancy rate increased by 3.5-percentage points to 17.1% QoQ, and the net absorption fell to 77,666 sqm, drastically dropped by 55% from Q1 2021.

It is expected that in Q2 2022, the new supply of Shenzhen office market will remain high, the vacancy rate will be pushed up and the rent is likely to remain flat in the short term.

FIGURE 1: Shenzhen Grade-A office market reference index



RENTAL MOVEMENT

In Q1, Shenzhen’s average rent of Grade-A office was on a downward trend, decreased by 1.2% QoQ to RMB 194.3 /sqm/month. After the intensive supply in 2018, the rental movement stayed on a downward trend.

Qianhai’s sub-market recorded growth in rent, with an increase of 0.6% to 170.4/sqm/month QoQ, which is also the seventh consecutive quarter of growth. The continuous growth of Qianhai’s rental values was attributable to the government’s guidance of Qianhai enterprise settlement rent subsidy policy, coupled with the industrial agglomeration and the continuous improvement of business districts. Today, Qianhai is the top choice for TMT and financial industry to settle in Shenzhen.

FIGURE 2. Shenzhen Grade-A office rental and price

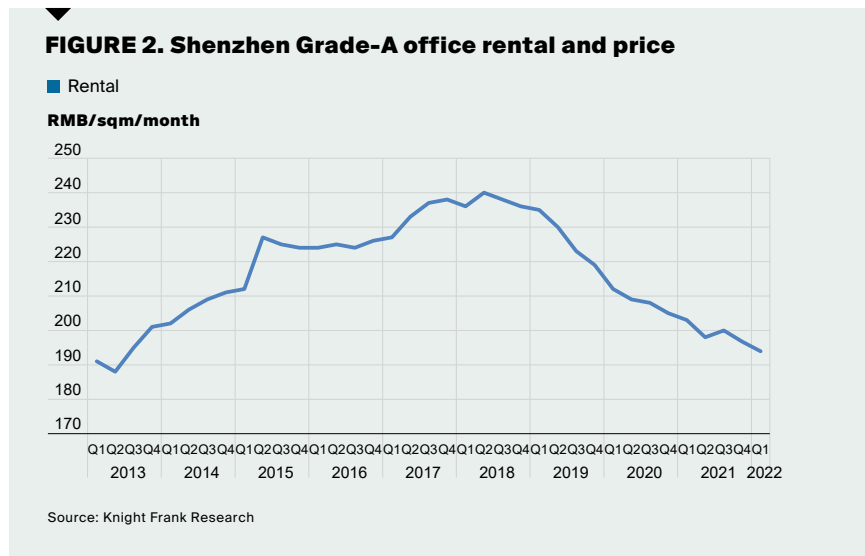


Table 1. Major Shenzhen Grade-A office sub-market indicators, Q1 2022

District	Rent (RMB / sqm / month)	Rental % changes (QoQ)	Vacancy Rate	Vacancy Rate Percentage Change (QoQ)
Caiwuwei	160.0	↓3.0%	16.2%	↓2.1
Futian CBD	227.7	↑0.6%	15.1%	↑1.8
Futian - Huaqiang North	182.5	↑5.8%	18.4%	↓3.1
Futian - Chegongmiao	217.5	↓1.1%	9.0%	↑0.1
Nanshan - Houhai	204.7	↓0.6%	17.6%	↑4.0
Nanshan - Qianhai	170.4	↑0.6%	26.6%	↑15.2
Nanshan - Shekou	183.3	↑4.8%	20.2%	↓1.1
Nanshan - High-tech Park	170.7	↓0.7%	15.6%	↑0.1
Bao'an CBD	153.0	↔	16.3%	↓0.3

Source: Knight Frank Research

Note: The data of some regions may be different due to quarterly database adjustment

SUPPLY AND DEMAND

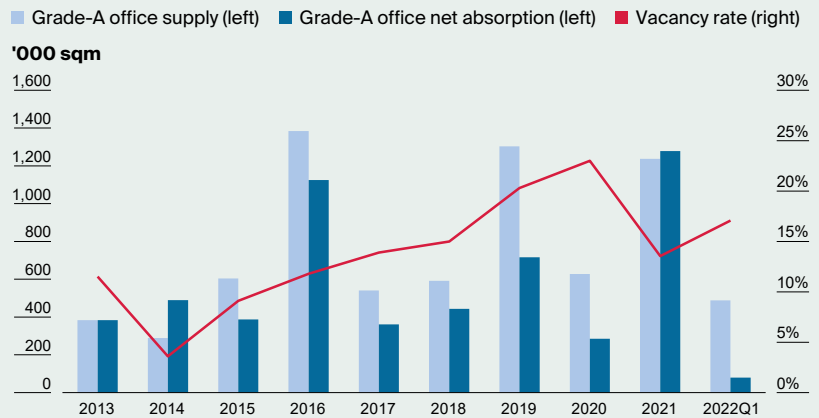
There were three new office projects in Q1, namely Qianhai Horoy Center, Lenovo Houhai Center and New Times Square II in Shekou, bringing a total of 480,000 sqm of office space.

Demand for office leasing was active in the first half of Q1. But due to epidemic outbreak in March, all activities in the city have been suspended for a week. Hence, the vacancy rate of Grade A office in Shenzhen rose by 3.5% to 17.1% QoQ. The net absorption was 77,666 sqm, decreased by 55% YoY. The intensive new supply in Houhai's sub-market was also the main reason for boosting up the vacancy rate of the city.

State-controlled financial industry showed the strongest leasing demand in this quarter, followed by TMT, while the demand of E-commerce and professional services has slowed down. It is noteworthy that the demand of foreign enterprises has significantly improved, and the number of rental inquiries and visits has increased significantly.

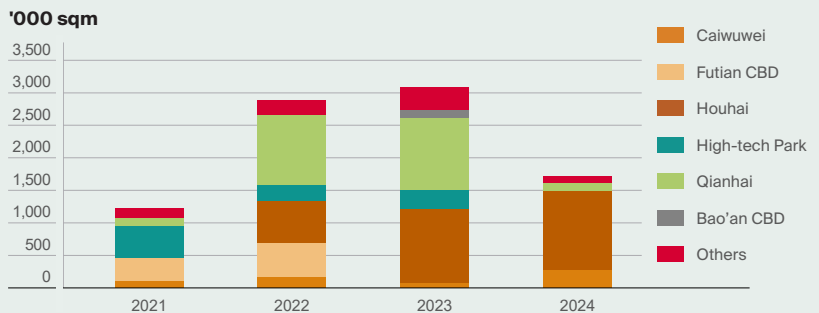
More than 730,000 sqm of new supply will be provided in Q2 2022. These new office projects are in Futian, Qianhai and Houhai's sub-market. The subsequent market is facing continuous supply pressure. However, considering that there is still delayed demand in the

FIGURE 3. Shenzhen Grade-A office supply, take up and vacancy rate



Source: Knight Frank Research

FIGURE 4. Shenzhen Grade-A Office Market Future Supply Forecast



Others: Huaqiang, North, Chegongmia, Shekou, Longhua and Longgang
Source: Knight Frank Research

market to be released, demand will keep growing and the vacancy rate will rise slightly. Furthermore, rent is likely to remain flat because Shenzhen has

launched relief measures to support the enterprises, such as rent reduction and the loan interest discount due to the epidemic outbreak.

Table 2. Major Shenzhen Grade-A office leasing transactions, Q1 2022

District	Building	Tenant	Area (sqm)	Transaction Type
Baoan	Hengmingzhu International Financial Center	Rlx Technology Inc.	15,000	New Lease
Futian	Ping An Finance Center	Hylands Law Firm	3,200	New Lease
Futian	Ping An Finance Center	Snapchat	2,000	New Lease

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

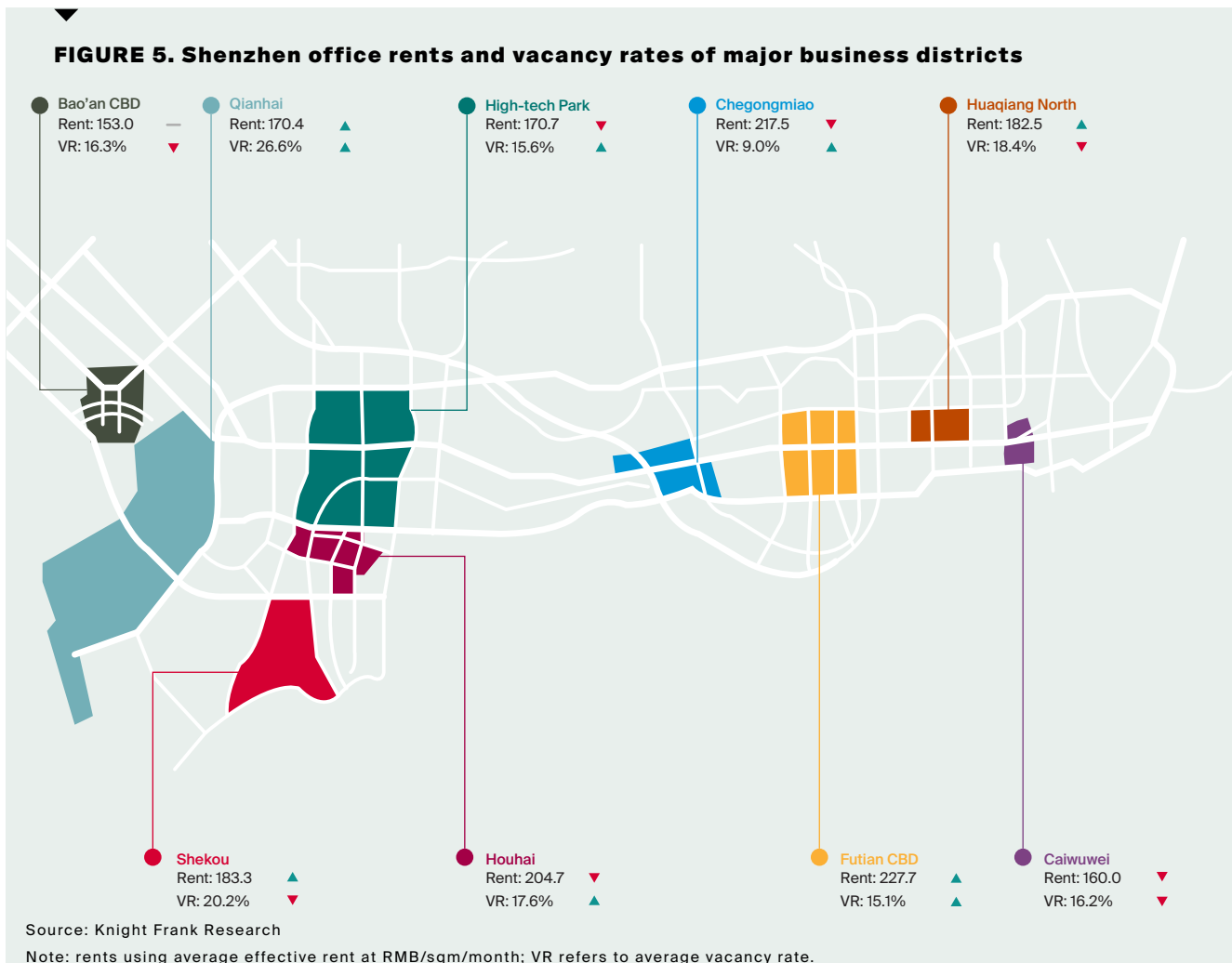
INVESTMENT MARKET

In Q1, there was no major transaction record in Shenzhen’s office investment market. However, investors, particularly those self-use potential buyers, have been paying close attention to the market.

In the short and medium term, the new supply of Shenzhen office market will remain high, while landlord’s cash flow might be put under pressure. In addition, with the increasing disposal of assets, the negotiation power will also be

increased. As a result, self-use buyers and investors will drive the purchasing demand and the investment market in Shenzhen will remain active in the future.

SHENZHEN GRADE-A OFFICE MARKET DASHBOARD Q1 2022



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Research & Consultancy



Laurence Zhu
Senior Director,
Head of Research & Consultancy, China
+86 21 6032 1769
laurence.zhu@cn.knightfrank.com



Regina Yang
Director, Head of Research & Consultancy,
Shanghai & Beijing
+86 21 6032 1728
regina.yang@cn.knightfrank.com



Martin Wong
Director, Head of Research & Consultancy,
Greater China
+852 2846 7184
martin.wong@hk.knightfrank.com



Stephen He
Analyst, Research & Consultancy
Guangzhou
+86 20 3877 1477
stephen.he@cn.knightfrank.com

Shenzhen Office Services



Ken Kan
Managing Director,
Head of South China Office Services, Shenzhen
+86 755 6661 3141
ken.kan@cn.knightfrank.com

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