

# Shenzhen Grade-A Office Market Report



Q1 2023

This report focuses on the Grade-A office market in Shenzhen, including information about supply and demand, rents, vacancy rates and office investment market

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# Overview and Outlook

## ► Leasing activity steadily picks up, but tenants remain cautious

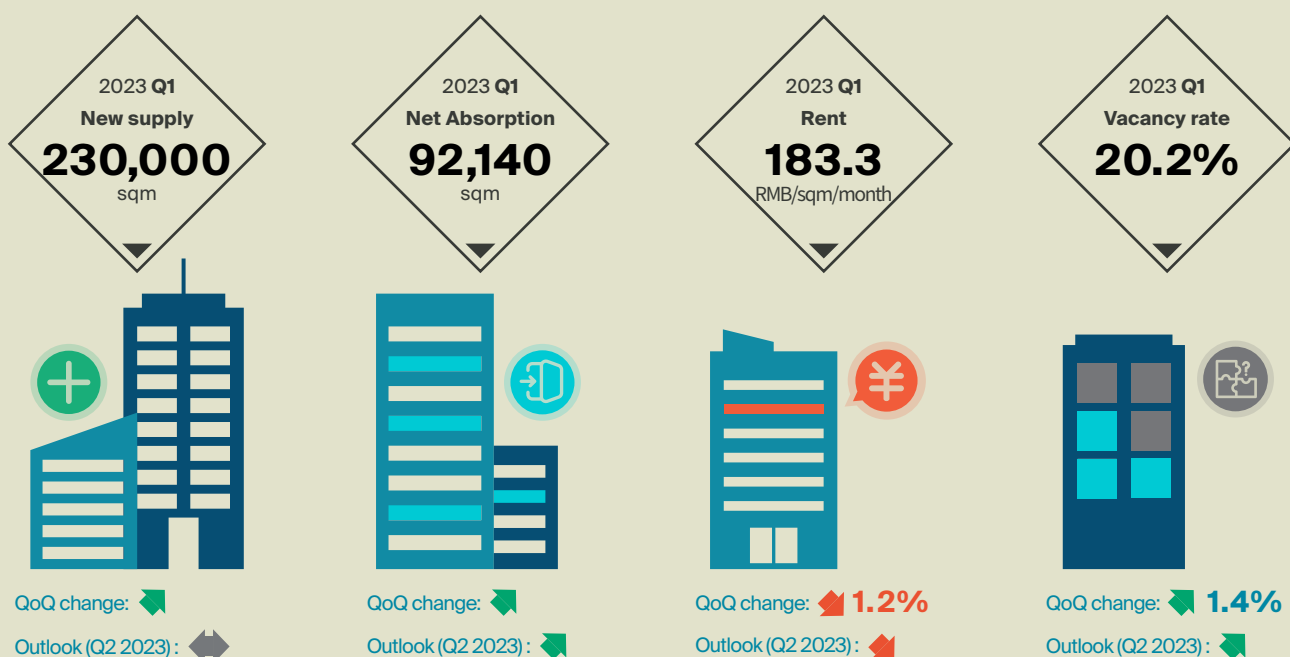
In Q1, the leasing demand recovered as expected, with net take-up returned to positive value to 92,000 sqm. New supply puts upward pressure on the vacancy rate, the vacancy rate increased by 1.4% QoQ to 20.2%. On the rental front, the average rents in Shenzhen continued to decline, fell by 1.2% QoQ to 183.3/sqm/month since the landlords continue to adopt the “price for volume” strategy.

Technology industry dominated the investment market. Four major transactions were recorded in Q1, with a total transaction price of about RMB597 million.

Looking ahead to Q2 2023, Qianhai submarket will experience an intensive delivery of new supplies. As it will still take time for the economy to recover and confidence to rebuild,

rental demand will continue to increase steadily but there will not be a V-shaped rebound like in 2021. To sum up, the vacancy rate, especially in Qianhai submarket with huge new supply, will continue to rise. The rent will gradually bottom out driven by the overall economic recovery.

**Fig 1: Shenzhen Grade-A office market reference index<sup>[1]</sup>**

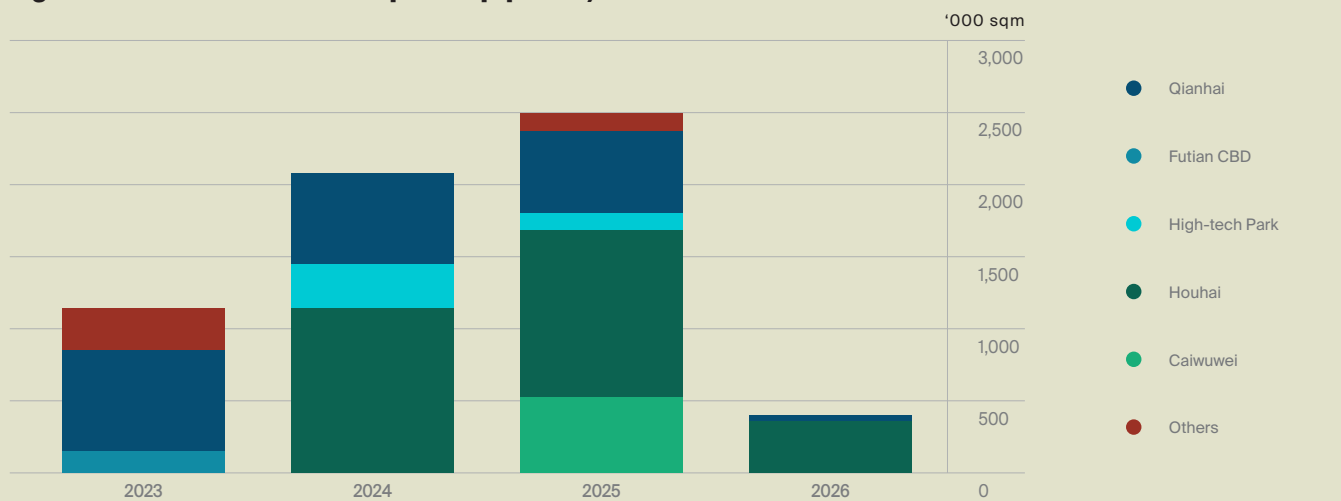


Source: Knight Frank Research

[1] Rent refers to average effective rent

Note: Only lettable area is calculated in the new supply, i.e., owner-occupied office area is not included  
Some data may differ due to database adjustments

**Fig 2: Shenzhen office development pipeline, 2023-2026**



Source: Knight Frank Research

Others including Huaqiang North, Chegongmiao, Shekou, Bao'an CBD

# Rental Level

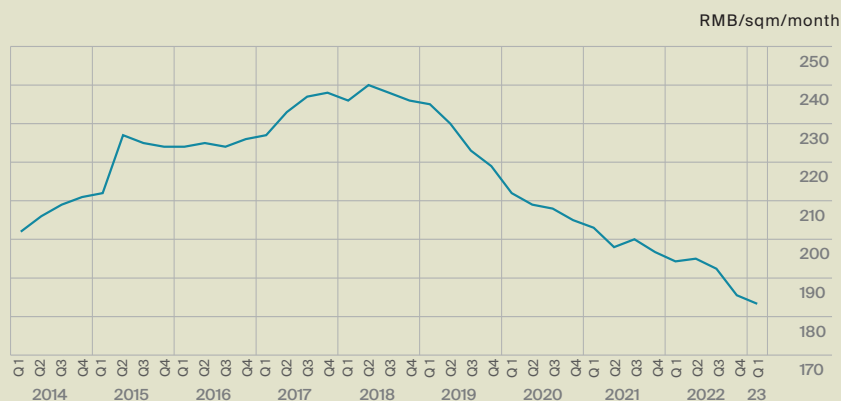
## ► It will take time for a full recovery of leasing demand

After Chinese New Year was traditionally a peak season for rental demand, but it will take time for a full recovery of leasing demand, with most landlords continue reducing rent to attract tenants since the leasing demand was still relatively weak.

Rents in Shenzhen were 183.3/sqm/month, excluding the impact of database adjustments, it decreased by 1.2% QoQ. All submarkets recorded a quarterly decrease, reflecting that cost control was the main theme.

It is noteworthy that rents in Shenzhen was on a downward trend since 2018 and has now entered its fifth year. Rent decreased by 14% over three years and 22% over five years. On the other hand, most leasing contracts signed for a period of 3 to 5 years. In other words, most of the tenants have reached the point of renegotiation.

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



Source: Knight Frank Research

The negotiations balance will tilt towards tenants, and the rent will

continue to decline. Optimistically, rent will gradually stabilize in 2023.

**Table 1: Major Shenzhen Grade-A office sub-market indicators, Q1 2023**

Submarket	Rent (RMB / sqm / month)	Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
Luohu	156.9	↓3.2%	20.4%	↑2.8
Futian-Huaqiang North	166.7	↓2.9%	18.1%	↑2.7
Futian CBD	220.0	↓3.0%	12.1%	↓4.2
Futian-Chegongmiao	198.1	↓10.5%	38.6%	↑27.5
Nanshan- High-tech Park	164.5	↓0.4%	13.3%	↓2.1
Nanshan- Houhai	206.4	↓1.3%	21.7%	↑4.9
Nanshan- Shekou	182.5	↓3.1%	37.9%	↑25.2
Nanshan- Qianhai	159.6	↓4.4%	25.4%	↓0.7
Bao'an CBD	148.6	↓4.7%	29.1%	↑14.7

Source: Knight Frank Research

Note: Due to database adjustment, some data may be different, specific values are based on this quarter

# Supply and Demand

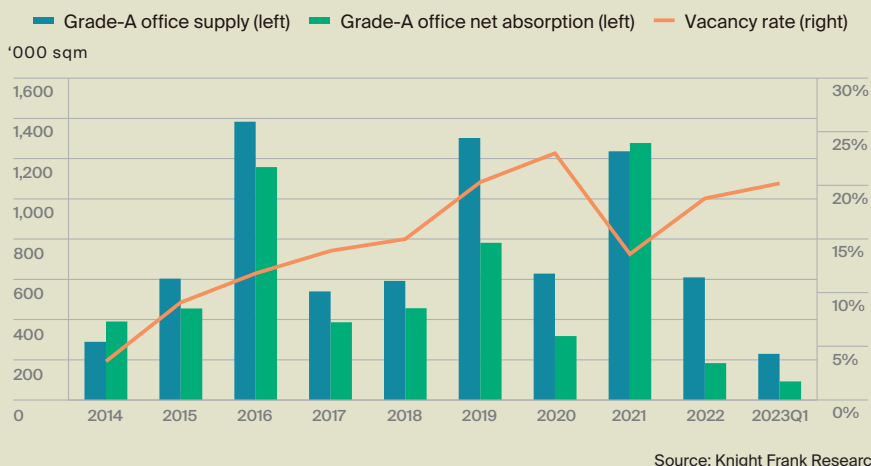
## ► Enquiries from various industries have significantly rebounded

In Q1, two projects were launched, including Block C of Shenzhen Science and Technology City Phase I in Futian CBD and the C Future City East and West Tower in Chegongmiao.

In terms of leasing transactions, enquiries from various industries have significantly rebounded, and TMT sector contributed the large-scale leasing transactions. For instance, Narwal leased 18,000 sqm of office space of Cloud Technology Building, MINIEYE leased 4,000 sqm of Skyworth Semiconductor Design Building, and Red Arrow Technology Company leased 2,500 sqm of Hengyu Qianhai Financial Center.

In 2023, the new supply in Shenzhen is expected to reach 1.37 million sqm, while based on historical data from the past ten years, there were only two years when the net absorption exceeded 1 million. In other words, the rental market in Shenzhen is likely to

**Fig 4: Shenzhen Grade-A office supply, take-up and vacancy rate**



maintain the situation of “oversupply”, and the vacancy rate tend to rise. It is recommended that the landlords

actively adjust the service strategies according to customer needs in order to stabilize the occupancy rate.

**Table 2: Major Shenzhen Grade-A office leasing transactions, Q1 2023**

District	Building	Tenant	Area (sqm)	Transaction Type
Nanshan	Cloud Technology Building	Narwal	18,000	New Lease
Nanshan - High-tech Park	Skyworth Semiconductor Design Building	MINIEYE	4,000	Renewal
Nanshan- Qianhai	Hengyu Qianhai Financial Center	Redarrow Technology	2,500	New Lease

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

# Investment Market

## ► Buyers mainly came from the technology sector

In Q1 2023, there were four en bloc transactions, with a total transaction amount of RMB597 million.

The four transactions sorted in descending order of transaction amount were –Shenzhen Jiaji Technology purchased 7,513 sqm of Block C of Shenzhen Smart Plaza, with a transaction amount of approximately

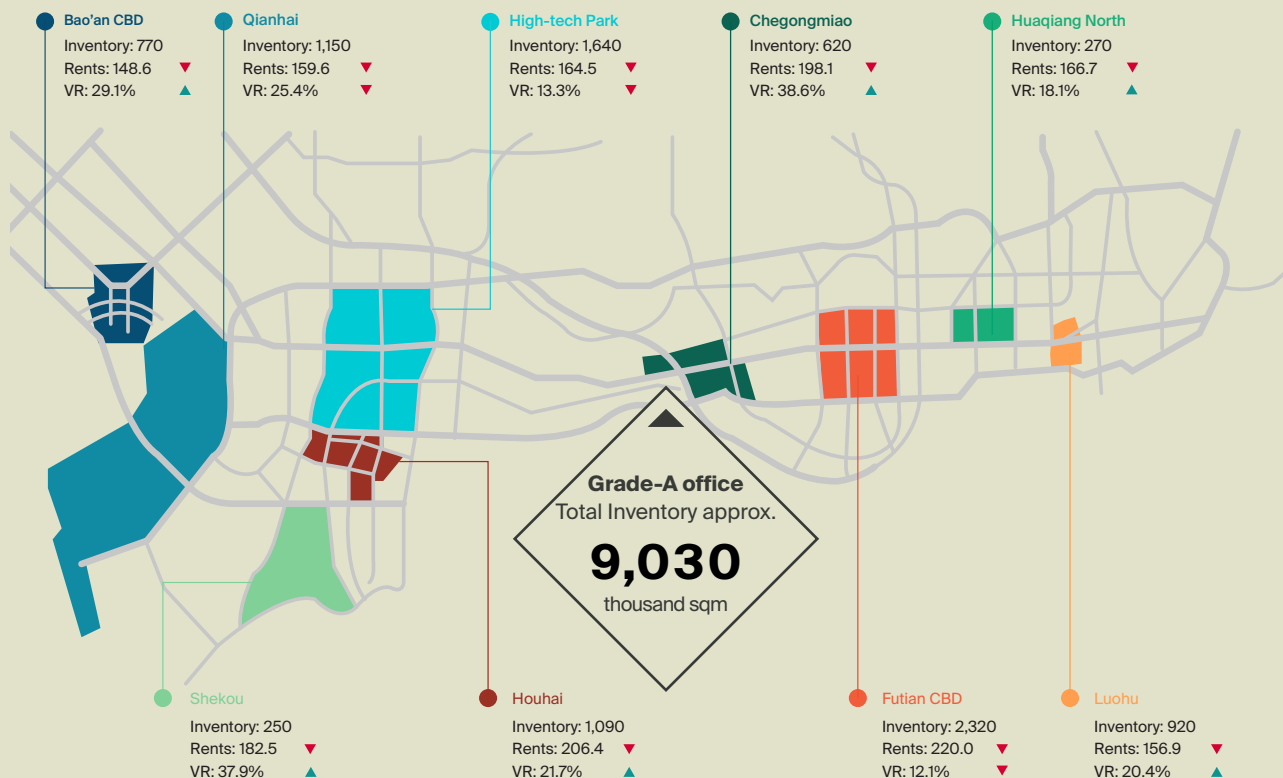
RMB250 million; Shenzhen XinYichang Technology Co., Ltd. purchased Ruiwan Building with a transaction amount of approximately RMB120 million; Block E of China Resources Land Building, with a total area of 3,265 sqm and a total amount of approximately RMB227 million.

In Q1, the sellers were still mainly

real estate developers, including China Resources, OCT, etc. Buyers mainly came from the technology sector. It is expected that with the gradual stabilization of the real estate industry, en bloc office transactions will continue to remain active given local economic recovery.

# Shenzhen Grade-A office market dashboard Q1 2023

Shenzhen 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.  
 Due to database adjustment, some data may be different, specific values are based on this quarter

**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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