Shenzhen Grade-A Office Market Report

Q1 2026

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

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Overview and Outlook

Absorption Improves but Fundamentals Remain Unchanged and Prices Stay Under Pressure

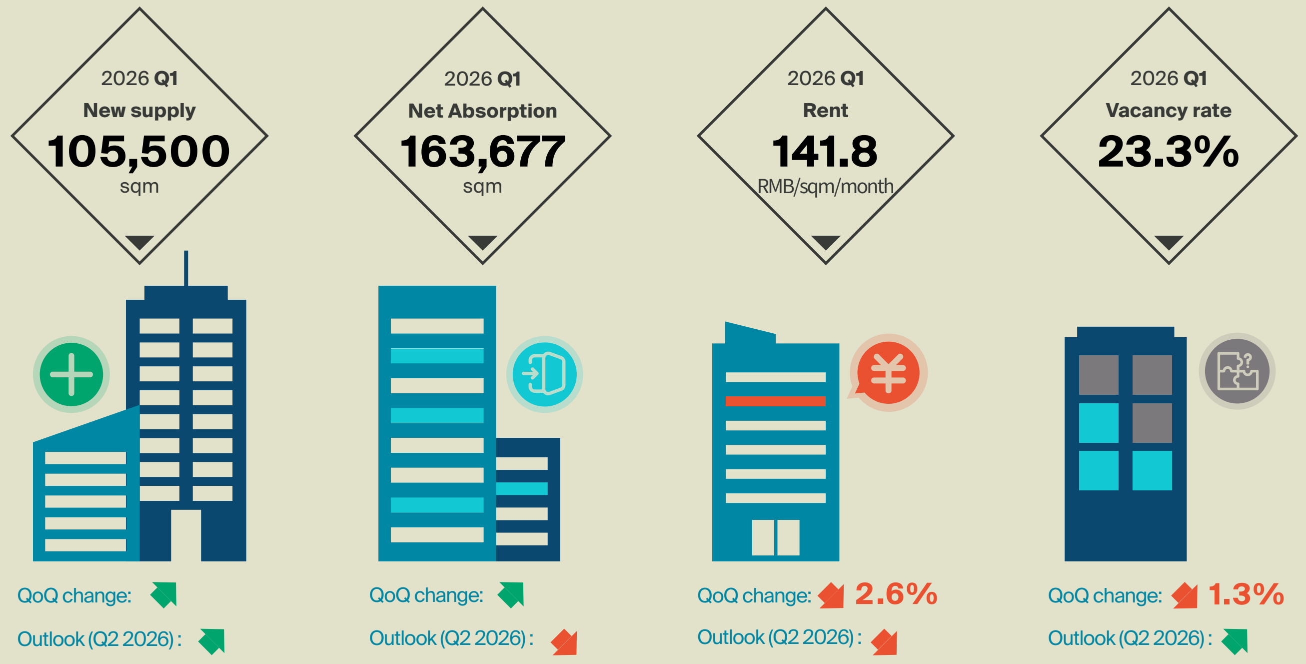
In Q1 2026, the Shenzhen Grade A office market exhibited a transitional phase characterized by "improved absorption but persistent price pressure". Citywide net absorption reached 163,677 sq m, hitting a new single-quarter high in recent years. Meanwhile, new supply stood at approximately 106,000 sqm, reflecting a temporary slowdown in the supply pace. This drove the vacancy rate down by 1.3 percentage points QoQ to 23.3%. However, demand release was primarily driven by price adjustments, and market pricing power remained heavily tilted towards tenants. Average effective rent dropped to RMB 141.8 per sq m per month, with the QoQ decline widening to 2.6%.

From a demand perspective, TMT and professional services remained core drivers, while the hospitality sector emerged as a key incremental source, supported by visa-free transit policies and a rebound in travel-related consumption. In terms of leasing structure, new set-ups (74.3%) and expansions (6.8%) together accounted for over 80% of transactions, indicating selective expansion amid cautious market sentiment.

The investment market remained subdued, with only one en-bloc transaction recorded during the quarter: CIMC sold the Qianhai CIMC International Business Center for approximately RMB 2.534 billion, equivalent to a unit price of RMB 29,813 per sqm. Citywide en-bloc transactions remained restrained, with pure financial investment institutions showing a strong wait-and-see sentiment. Ongoing price adjustments and liquidity pressures continue to reshape pricing benchmarks in core locations.

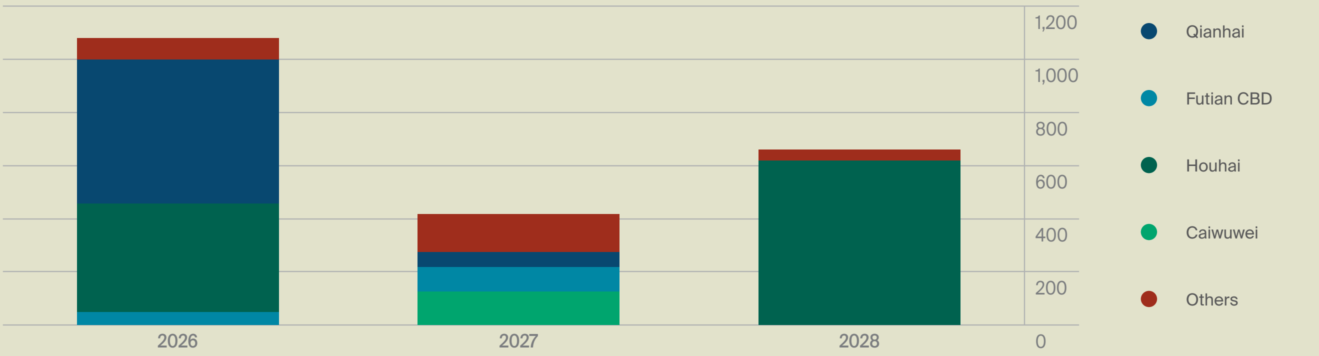
Looking ahead to Q2 2026, the absorption peak in Q1—driven by substantial rent concessions and the concentrated move-in of newly established enterprises—has not fundamentally reversed the underlying supply-demand imbalance. As a large volume of previously delayed projects prepares to enter the market, the vacancy rate is likely to rise again. Meanwhile, corporate expectations for cost control remain strong, making it highly probable that net absorption in Q2 will retreat from its current highs. Under persistent destocking pressure, landlords' rental bottom lines will continue to be tested. As a result, the pace of rental decline is unlikely to narrow and may remain flat or even widen, pushing the market into a deeper clearing cycle.

Fig 1: Shenzhen Grade-A office market reference index[1]



Source: Knight Frank Research
[1] Rent refers to average effective rent
Owner-occupied office area is based on new supply

Fig 2: Shenzhen office development pipeline, 2026-2028



Source: Knight Frank Research
Others include Chegongmiao, Shekou and Bao'an CBD
Projected supply in 2026 includes projects already on the market
Caiwuwei represents Luohu district

Rental Level

Prices Continue to Test the Bottom as Competitive Landscape Diverges

In Q1 2026, the average effective rent for Grade A offices citywide in Shenzhen continued its downward trajectory, dropping further to RMB 141.8 per sqm per month. The QoQ decline reached 2.6%, widening by 0.7 percentage points from the previous quarter. The sustained rental decline highlights that, amid elevated existing stock and the continuous influx of new supply, the market remains in a price-driven absorption phase.

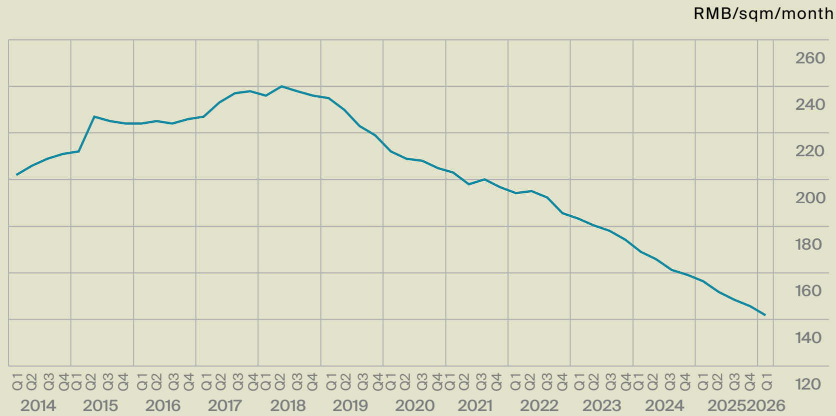
Under pressure from both inventory clearance and new supply, landlords' leasing strategies have fully pivoted towards intensive, substantive concessions. To maintain face rents, some projects under severe absorption pressure have maximized the use of rent-free periods. For certain newly signed leases, rent-free incentives have stretched to 10–15 months.

By submarket, Houhai was hit on multiple fronts, including the completion of self-built headquarters by major tech and financial institutions, lease surrenders by anchor tenants, and the release of surplus space into the market. This significantly intensified price competition among buildings in the area, causing Houhai's rent to plunge by 12.6% QoQ, the steepest drop in the city.

In contrast, after undergoing prolonged rental adjustments, the Qianhai area strongly absorbed citywide relocation and new setup demand. Its rent saw a slight counter-cyclical uptick this quarter, though the marginal utility of rent adjustment strategies is gradually weakening. Futian adopted a defensive "stabilization" strategy. By locking in tenants less sensitive to rent fluctuations—such as foreign investment banks, top-tier law firms, and large multinational corporations—Futian managed to secure its fundamental baseline.

Looking ahead to Q2 2026, market expectations of a continued rental downtrend will further solidify. With the influx of a large amount of high-quality new supply, the faint signs of stabilization seen in some areas during Q1 could easily be offset by the impact of this incremental volume. In a market environment where tenants' bargaining power is continuously rising, the marginal boost to absorption from traditional "rent-free leverage" is diminishing. The underlying pricing competition—between core and non-core areas, and between new and old buildings—will become more direct. Therefore, the citywide rent decline is estimated to remain at current levels or even widen next quarter.

Fig 3: Shenzhen Grade-A office rental trend



Source: Knight Frank Research

Table 1: Major Shenzhen Grade-A office sub-market indicators, Q1 2026

Submarket	Rent (RMB / sqm / month)	Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
Luohu	119.1	↓2.4%	28.3%	↓1.0%
Futian CBD	169.1	↓1.7%	19.3%	↑1.6%
Futian-Chegongmiao	138.6	↓1.0%	23.2%	↓1.6%
Nanshan- High-tech Park	128.6	↓0.8%	13.2%	↓1.6%
Nanshan- Houhai	151.4	↓12.6%	31.7%	↓1.5%
Nanshan- Shekou	151.8	0.0%	25.2%	↓2.0%
Nanshan- Qianhai	128.9	↑1.7%	28.3%	↓4.6%
Bao'an CBD	119.3	↓0.2%	26.1%	↓1.5%

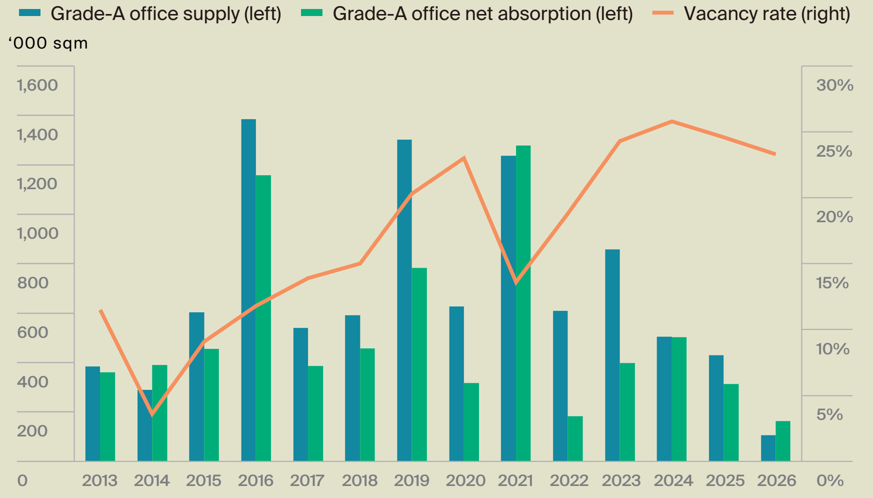
Source: Knight Frank Research
Note: Owing to database adjustments, some data may be different, specific values are based on Q1

Supply and Demand

Short-Term Repair Coexists with Medium-Term Pressure

In Q1 2026, the release of supply in Shenzhen's Grade A office market remains relatively restrained, recording two new completions totaling approximately 110,000 sqm namely East Bay International Center and Xinyi Technology Building. In contrast, the robust leasing demand this quarter—as evidenced by a net absorption of 163,677 sqm—formed a sharp contrast with the cautiousness on the supply side. Facing an intensely competitive market and continuously declining rents, developers of some large-scale projects originally slated for a Q1 launch chose to proactively slow down their interior fit-outs or extend public leasing periods to avoid rental pricing falling below initial expectations upon launch. This proactive delay on the supply side objectively created a highly valuable buffer period for inventory absorption, leading to a 1.3 percentage point QoQ drop in the vacancy rate to 23.3%.

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



Source: Knight Frank Research
The supply and net absorption of Grade A office space in 2025 is accumulated
The 2026 vacancy rate is for Q1

Looking at the transaction breakdown this quarter, the hospitality, TMT, and professional services sectors were the main sources of leasing demand. The hospitality sector topped the demand list, accounting for 42.5%. Benefiting from the dividends of China's expanded transit visa exemption policy and a rebound in business and cultural tourism consumption, several leading hotel groups accurately seized the "rent arbitrage" window, concentrating nearly 30,000 sqm of new operational footprint in the Qianhai and Houhai core areas. The TMT sector followed closely with a 31.5% demand share, characterized by significant expansion needs from frontier tech companies in AI and drones. Professional services showed resilience, with accounting and law firms maintaining incremental growth. Driven by the accelerating pace of Chinese enterprises expanding overseas, demand from professional services will maintain long-term resilience.

In terms of transaction nature, new setups (74.3%) and expansions (6.8%) were the highlights of this quarter's leasing activities. The emergence of a large number of "new setup" and "expansion" transactions with genuine expansion intent demonstrates that, under the expectation of a macroeconomic bottoming out, the decision-making methodology of some enterprises is shifting from defensive contraction to opportunistic expansion.

Looking ahead to Q2 2026, as several large-scale projects that cautiously delayed delivery in Q1 are gradually pushed to the open market, the supply side may once again face a concentrated volume test. On the demand side, the temporary vitality brought by specific industries (such as hospitality) is difficult to scale and replicate in the short term. Lacking strong, universal expansion momentum across all industries, Q2's net absorption is expected to struggle to sustain Q1's high volume, returning to a normal range of mild recovery.

Table 2: Major Shenzhen Grade-A office leasing transactions, Q1 2026

District	Building	Tenant	Area (sqm)	Transaction Type
Nanshan	Nanshan Chuangzhi Yuncheng	DJI	18,000	New Setup
Nanshan	Qianhai Exchange Plaza	Atour	13,000	New Setup
Nanshan	Shunyuan Financial Centre	Hampton by Hilton	8,000	New Setup
Nanshan	Qianhai Kerry Centre	EY	3,000	Expansion
Nanshan	Qianhai Hengchang Building	Deepglint	2,000	New Setup
Nanshan	Hongyi Building	Huajin Asset Management	1,944	Relocation
Bao'an	Unicentre	Tong Ren 4 Season	1,600	Relocation+Expansion

Source: Knight Frank Research

Note: all transactions are subject to confirmation

Investment Market

Limited Market Activity, with Liquidity Driving Transaction Releases

In Q1 2026, the Shenzhen office investment market recorded only one en-bloc transaction: CIMC sold the East Tower of the Qianhai CIMC International Business Center for RMB 2.534 billion. Reportedly, the underlying asset has a GFA of approximately 84,998 sqm, equivalent to a unit price of RMB 29,813 per sqm. It is estimated that this transaction will indirectly reduce the group's net profit attributable to the parent company by approximately RMB 1.08 billion.

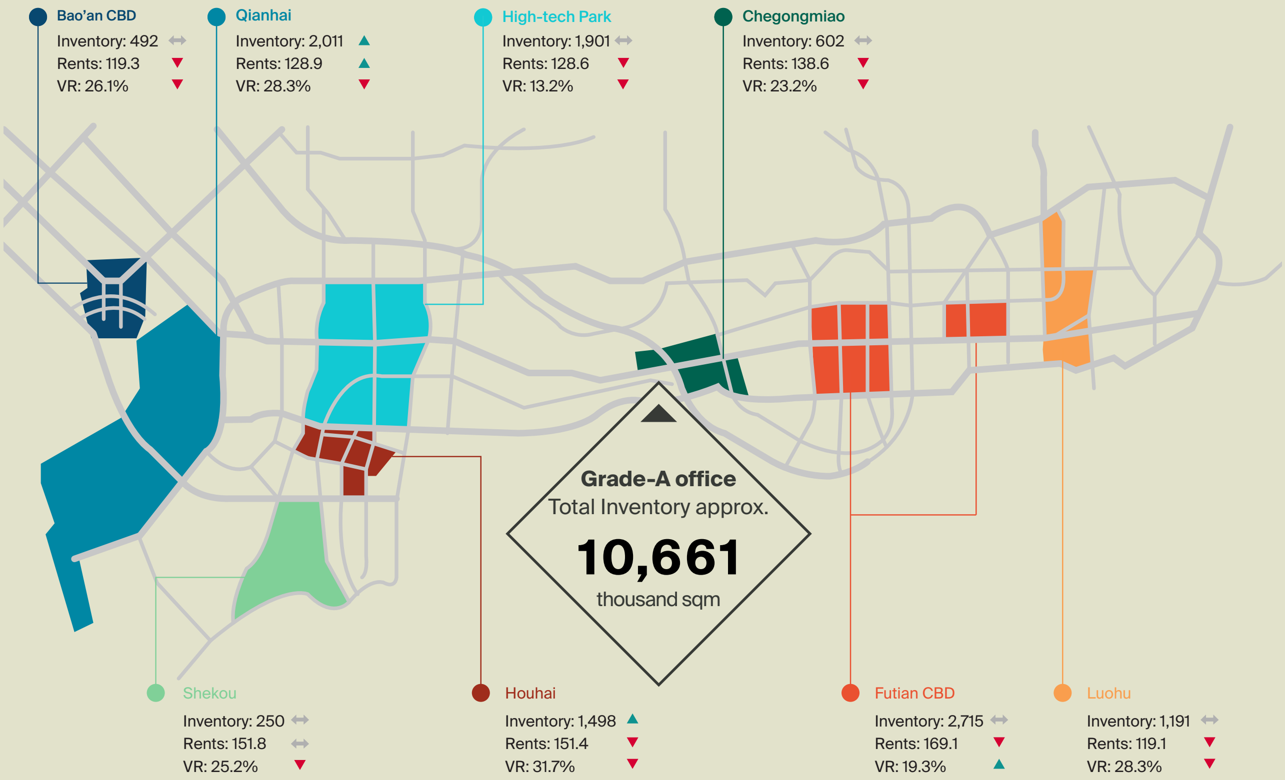
This transaction reflects a broader market reality. In order to accelerate cash collection, optimise business structures, and materially reduce leverage, many developers with asset heavy portfolios are forced to abandon expectations of book value premiums. They are adopting proactive discount strategies in exchange for liquidity safety. The substantive execution of such "price-for-volume" strategies in the investment market indicates that the pricing system for core-area properties is being re-anchored.

Meanwhile, targeted easing of macro credit policies provides some support for en-bloc transactions. During the quarter, the policy lowering the minimum down payment ratio for commercial property loans to no less than 30% took effect, significantly reducing the capital threshold for buyers and driving up transaction heat in both the primary and secondary office markets. Against this backdrop, owner-occupier corporate buyers with industrial backgrounds and robust financial strength became the absolute mainstay of acquisitions. Taking advantage of asset prices hovering at historic lows, industrial capital acquired core-area landmark properties not only to effectively lock in long-term operational costs but also to optimize their underlying asset structures. For landlords holding fully leased, stable, high-quality assets, public REITs remain the preferred exit channel to seek higher valuations.

Looking ahead to Q2 2026, en-bloc transaction activity is expected to remain subdued. Based on the expectation that the rental decline will remain flat or even widen next quarter, net operating income projections for underlying assets will face persistent downward pressure. This implies that static asset return rates will struggle to quickly meet the yield thresholds of financial investment institutions, further delaying the timing for a full-scale entry of foreign and traditional financial capital. At a stage where rent trends show no clear bottom, the gap in pricing expectations between buyers and sellers remains difficult to bridge. It is highly probable that en-bloc transactions in Q2 will abandon pure financial investment logic. Instead, they will continue to be dominated by underlying acquisitions from industrial capital driven by self-use needs, as well as distress sales by some developers aiming to optimize their balance sheets.

Shenzhen Grade-A office market dashboard Q1 2026

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
Owing to database adjustments, some data may be different, specific values are based on Q1

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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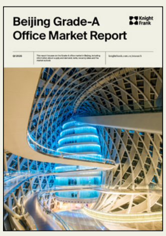

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