

*Active adjustment on the supply and a slight recovery on the demand*



# Shenzhen Office Market Report

Q2 2022

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# OVERVIEW AND OUTLOOK

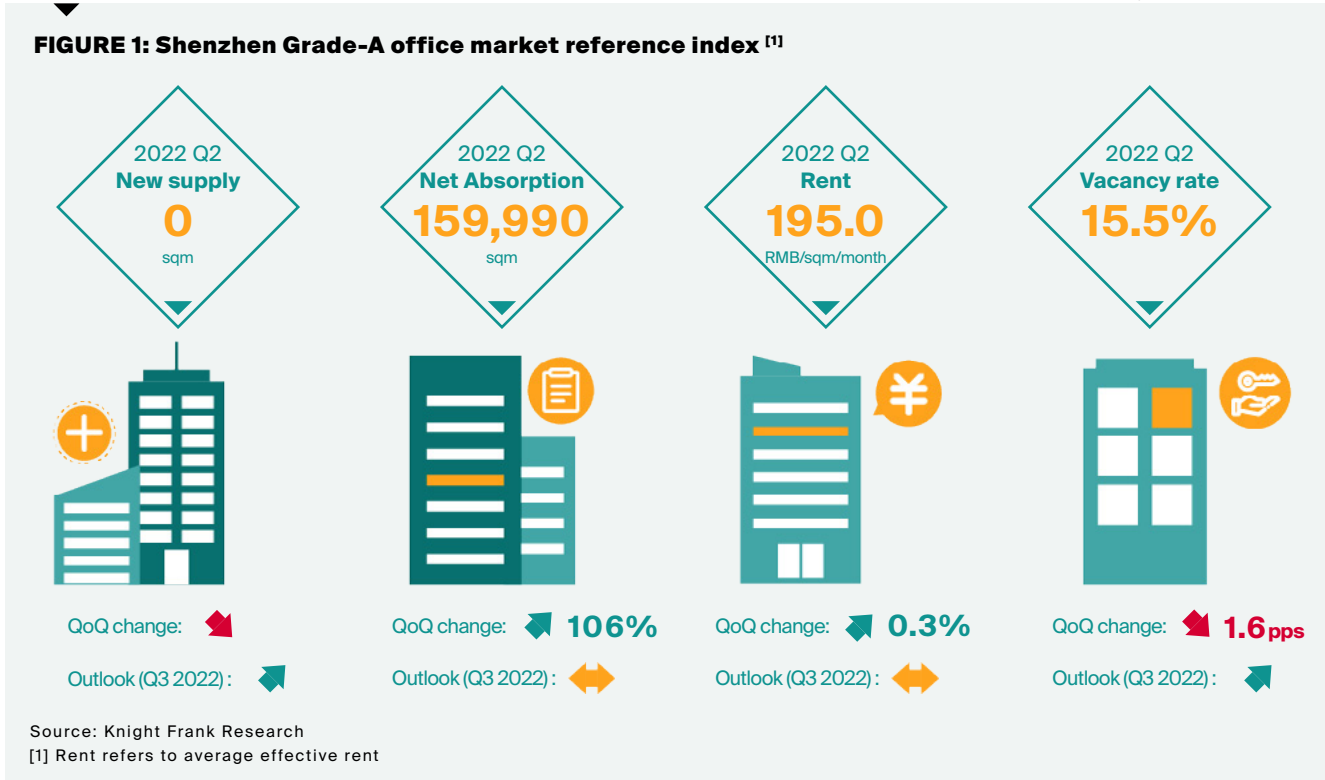
In Q2 2022, the average rent of Grade-A office market in Shenzhen recorded RMB 195.0/sqm/month, slightly grew 0.3% QoQ. The net absorption significantly increased by 106% QoQ, but still less than half the level of the Q2 2021, indicating

the weakening of demand recovery. There was no new supply and the vacancy rate decreased by 1.6-percentage points to 15.5% QoQ.

Going forward, we expect some new office

projects completion will be delayed due to the economic uncertainty and the pandemic. In short term, the issue of oversupply exists, the liquidity / lettable rate of the stock will be slower compared to last year, the vacancy rate will be pushed up and the rent is likely to remain flat.

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

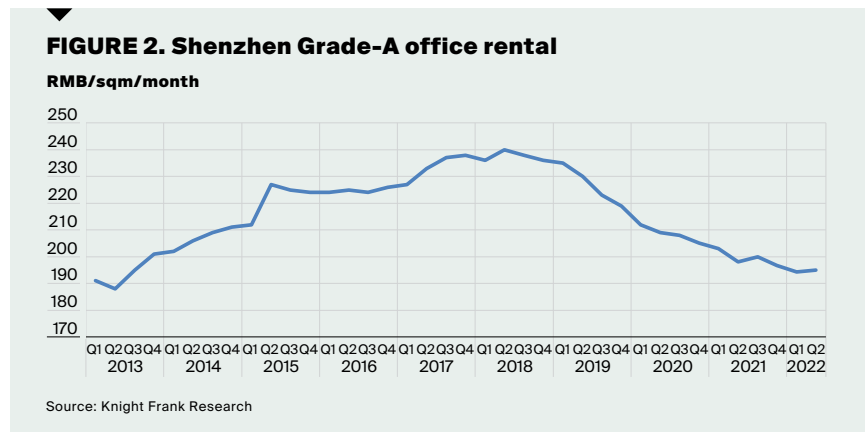


# RENTS LEVEL

In Q2, the rents in Shenzhen rebounded to RMB 195.0/sqm/month, up 0.3% QoQ, which was also the second growth since the pandemic in 2020. Similarly, the main reason for this rebound was the delayed demand released. Additionally, Shenzhen has launched relief measures to support the enterprises, such as rent reduction and the loan interest discount, some non-state-owned enterprises were affected by these measures and were considering rent concessions.

Most submarkets across the city recorded rental rebounded and the top three sub-markets with a QoQ increase were: Futian-Huaqiang North, Bao'an CBD and Nanshan-Qianhai, all recorded over 3% increase. The rapid reduction of vacant space was a key reason for the landlords

**FIGURE 2. Shenzhen Grade-A office rental**



to increase the rent, Futian- Huaqiang North and Nanshan-Qianhai both showed a significant drop-in vacancy rate of over 3%.

It is noteworthy that Qianhai's sub-market

recorded the eighth consecutive quarter of rental growth, with an QoQ increase of 3.2% to RMB 175.9, representing a 15% increase in rent over the past two years.

**Table 1. Major Shenzhen Grade-A office sub-market indicators, Q2 2022**

District	Rent (RMB / sqm / month)	Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
Luohu	157.9	↓1.3%	15.3%	↓0.9
Futian CBD	222.5	↓2.3%	14.1%	↓1.0
Futian-Huaqiang North	190.0	↑4.1%	14.5%	↓3.9
Futian - Chegongmiao	215.0	↓1.1%	9.2%	↑0.2
Nanshan - Houhai	210.0	↑2.6%	15.0%	↓2.6
Nanshan - Qianhai	175.9	↑3.2%	23.2%	↓3.4
Nanshan - Shekou	185.0	↑0.9%	17.4%	↑2.8
Nanshan - High-tech Park	171.2	↑0.3%	14.1%	↓1.5
Bao'an CBD	158.0	↑3.3%	15.7%	↓0.6

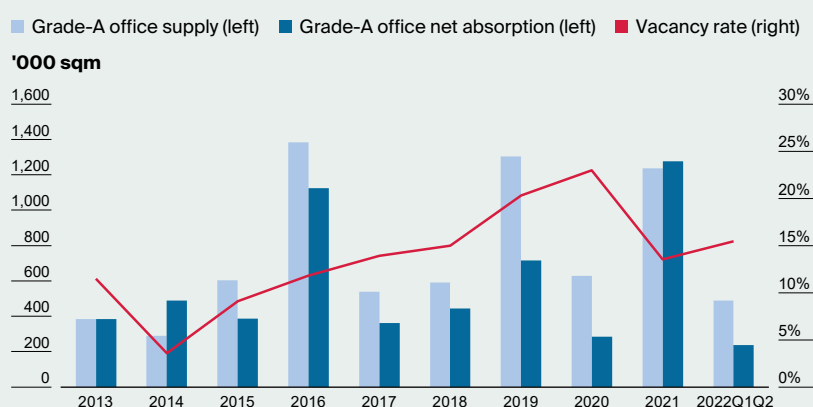
Source: Knight Frank Research

## SUPPLY AND DEMAND

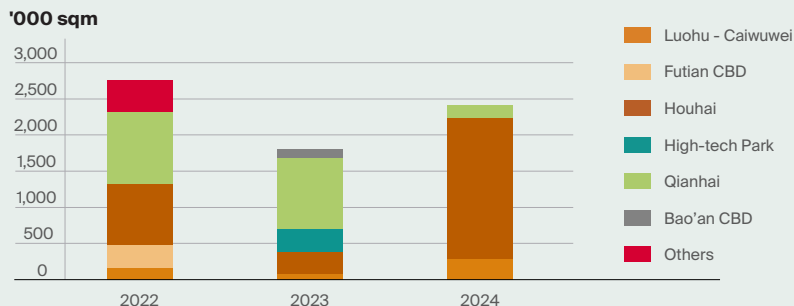
In Q2, several projects were delayed, only three projects were launched and all for owner-occupied use. Leasing demand slightly picked up, the net absorption was increased QoQ, but still less than half the level of the Q2 2021, indicating the weakening of demand recovery. Besides, potential tenants were more cautious and rational, paid more attention to the overall cost of leasing. In addition to the usual preferential terms such as rent increments and rent-free periods, units with high utility rates, low renovation costs and even small units were preferred.

The technology sector industry, such as semiconductor, was relatively active in this quarter, for example Erised Semiconductor (Shenzhen) Co., Ltd. leased 1,700 sqm of office space in Qianhai Horoy Center, Iczoom Electronic Electronics Co., Ltd. leased 1,100 sqm of office space in Sunhope E-Metro.

Due to the uncertainty of expectations and the occasional pandemic, many new projects will be postponed, only 210,000 sqm new supply will be expected to be provided in Q3. In addition, the supply pressure is expected to be eased in the future. In this quarter, Qianhai and Bao'an announced some land use planning changes, converting some office area into apartment and residential

**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, Chegongmiao, Shekou  
Source: Knight Frank Research

land use, to reduce the office supply. However, in the short term, the problem of oversupply still exists. When the landlords face financial pressure, they

will inevitably offer competitive rental quotations, and the rent in the city will remain low.

**Table 2. Major Shenzhen Grade-A office leasing transactions, Q2 2022**

District	Building	Tenant	Area (sqm)	Transaction Type
Houhai	CASC Square	China Bohai Bank	8,000	New Lease
Qianhai	Qianhai Horoy Center	Erised Semiconductor (Shenzhen) Co., Ltd	1,700	New Lease
Futian	Sunhope E-Metro	Iczoom Electronic Electronics Co., Ltd	1,100	New Lease

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

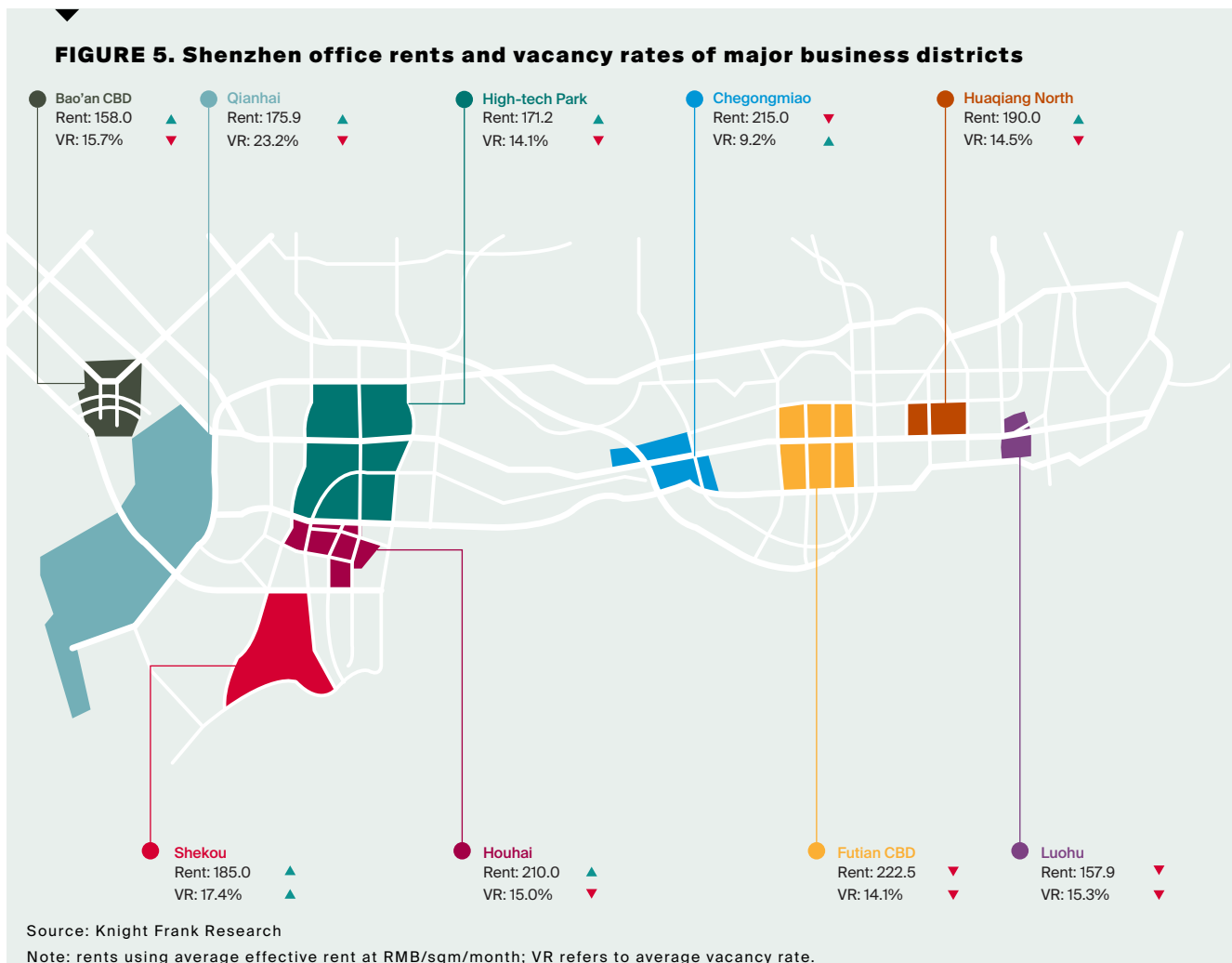
## INVESTMENT MARKET

In Q2, there was one en-bloc office transaction. On 31 May, Shenzhen Liantronics Co., Ltd sold 21 self-owned properties (with a total GFA of 10,288 sqm) from 17th to 19th floor of the office in Shenzhen Bay Science and Technology Park to Chipone Technology (Beijing) Co., Ltd at a price of RMB 418 million.

Since 2022, the real estate market policy has been loosened in other cities, but the regulation of Shenzhen has not been significantly relaxed. On the one hand, the financial pressure of the landlords with high leverage ratio tends to be increased, so the assets with greater bargaining power were gradually

increasing. On the other hand, potential buyers are more concerned about the value preservation in assets, and with a cautious wait-and-see attitude is the mainstream.

## SHENZHEN GRADE-A OFFICE MARKET DASHBOARD Q2 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.**

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