Shenzhen Grade-A Office Market Report

Q2 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

Take-up recovery extends, rents still correcting, submarket gaps widen

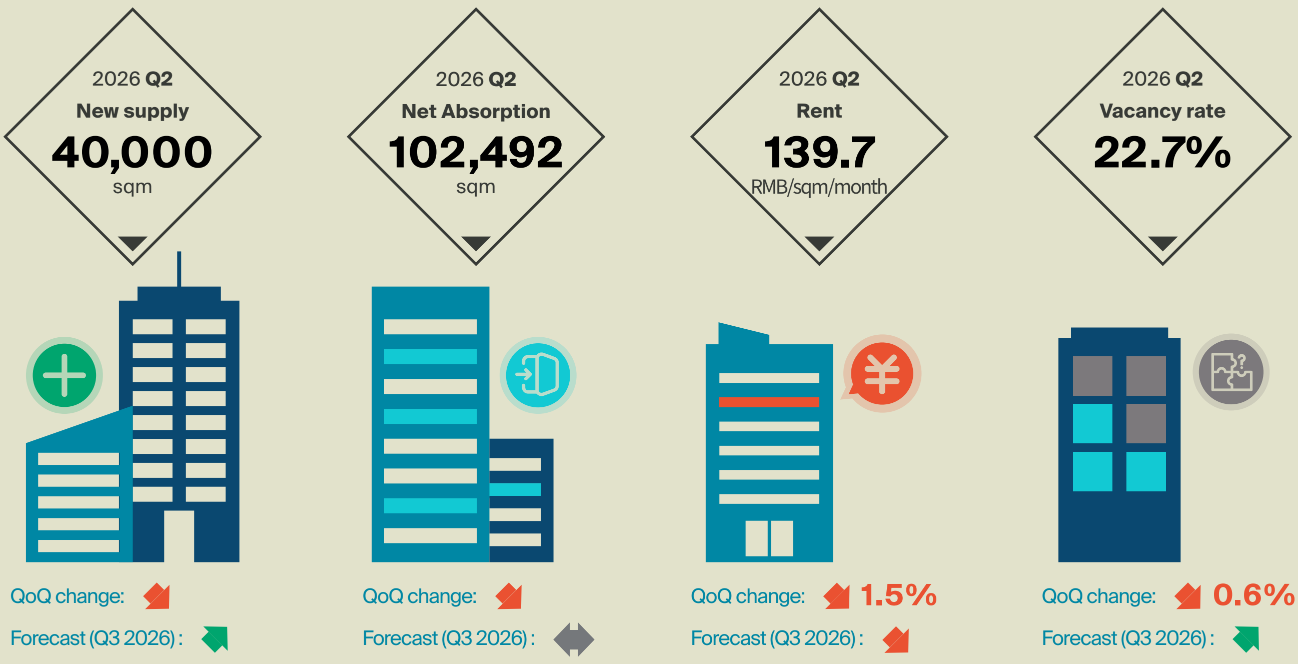
Shenzhen's Grade A office market extended its Q1 recovery into Q2 2026, albeit at a slower pace, with take-up remained continuing to be driven by landlord concessions. New supply eased to 40,000 sq m as project completions slowed. Net absorption stood at 102,492 sq m — down from Q1 but still well ahead of new supply — pulling the citywide vacancy rate down another 0.6 ppt to 22.7%, marking the second consecutive quarter improvement.

Rents continued to correct. Citywide average effective rents fell 1.5% QoQ to RMB139.7 sqm/mth, a smaller decline than the 2.6% recorded in Q1, although there are still no signs of a market turnaround. Given ample existing stock, a heavy pipeline and cost-conscious occupiers, landlords continued to offer on flexible lease terms, and headline concessions remained the key driver behind deal flow and take-up.

Relocations continued to dominate, accounting for 65.4% of leasing activity, while renewals represented nearly one-fifth. New set-ups eased from their Q1 peak, suggesting that take-up was fuelled less by expansion and more by existing tenants upgrading building quality and location as rents favour them. By sector, TMT led with 52.0% of leased area, driven by smart logistics, insurtech, AI and robotics, and telecoms digitalisation. Professional services followed at 35%, underpinned by steady requirements from law firms and management consultancies serving outbound Chinese corporates. En-bloc office deals remained scarce. Capital gravitated towards assets with dependable cash flow, a wider pricing cushion, or scope for owner occupation and repositioning. A broader pickup in office investment still hinges on rents stabilising, vacancy pressure easing and further repricing.

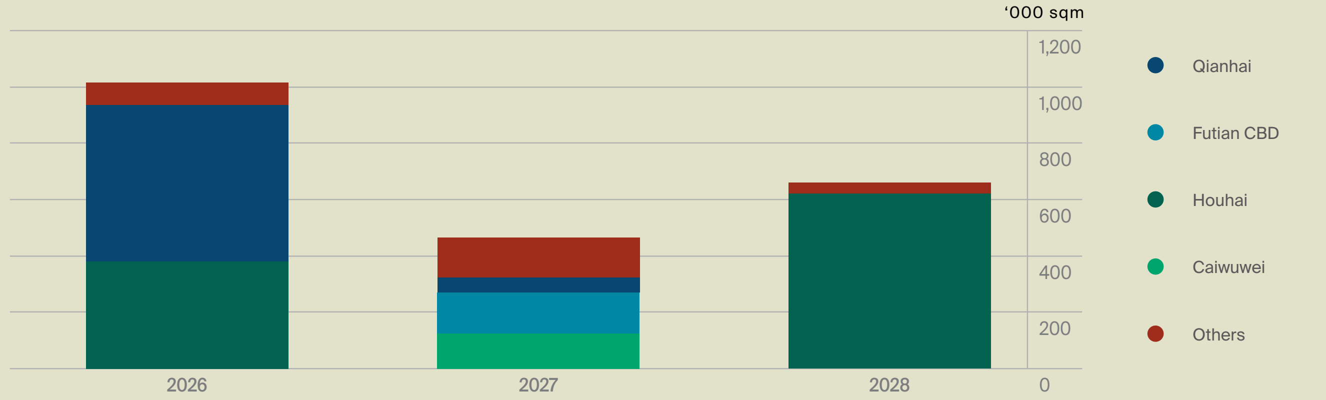
Looking into 2H 2026, a decisive improvement in market fundamentals looks unlikely in the near term. The full-year pipeline is still substantial, and if projects deliver as scheduled, supply-demand pressures will resurface in the second half, leading to a temporary uptick in citywide vacancy. On the demand side, technology, professional services and finance-related businesses should remain the main drivers of demand, but corporate expansion appetite is muted. Net absorption is likely to normalise rather than repeat Q1's peak. Overall, we expect 2H to follow a similar pattern: moderate rental declines, an increasingly split vacancy picture across submarkets, and take-up driven by tenants moving within the

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



Source: Knight Frank Research
[1] Rent refers to average effective rent

Fig 2: Shenzhen office development pipeline, 2026-2028



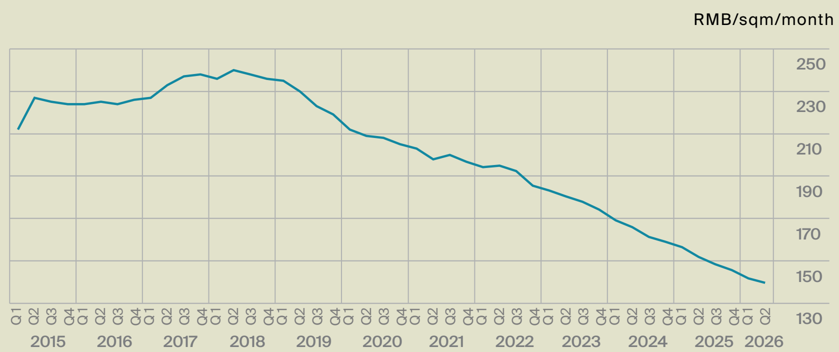
Source: Knight Frank Research
Others include Chegongmiao, Shekou and Bao'an CBD
Projected supply in 2026 includes projects already on the market
Caiwuwei represents Luohu district

Rental Level

The correction continues, and the market splits further

Citywide average effective Grade A rents slipped further to RMB139.7 sqm/mth in Q2 2026, down 1.5% QoQ, a narrower move than Q1's 2.6% pullback. Two themes stood out. First, the pace of citywide rental adjustment eased marginally, reflecting reduced willingness among landlords to offer further rent reductions following the substantial concessions made in the first quarter. Second, rental corrections became increasingly concentrated in emerging submarkets and areas carrying the heaviest supply overhang, while established core CBDs held up comparatively well.

Fig 3: Shenzhen Grade-A office rental trend



Source: Knight Frank Research

At the submarket level, the biggest quarterly declines occured in Houhai (-3.2% QoQ), Bao'an CBD (-3.0%) and Shenzhen High-tech Park (-2.5%). In Houhai, extra leasable space released by HQ-type buildings, the exit of several anchor tenants and expectations of concentrated future deliveries kept landlords leaning on rent and lease-term concessions to sustain occupancy. In Bao'an CBD and High-tech Park, leasing pressure and selective tenant outflows meant landlords had to offer further concessions which led to larger headline adjustments.

By contrast, Futian CBD rents were down just 0.5% QoQ and Shekou was flat. This highlights the cushioning effect of their established business ecosystems and relatively stable occupier bases. Qianhai gave back 0.8% after a small uptick in Q1, indicating that, despite continued success in attracting relocation demand, landlords still need to adopt differentiated pricing strategies to maintain their competitive edge in the market.

Looking ahead, Q3 is set to bring more of the same on the downside. If 2H completions proceed as scheduled, the addition of new Grade-A stock will intensify competition among comparable buildings, and occupancy-focused landlords are likely to keep leaning on both rent and lease-term concessions. We expect the QoQ decline in citywide average effective rents to be broadly similar to Q2, while Houhai and Bao'an CBD — where leasing pressure is greatest — could see more visible rental adjustments.

Table 1: Major Shenzhen Grade-A office sub-market indicators, Q2 2026

Submarket	Rent (RMB / sqm / month)	Rental % changes (QoQ)	Vacancy Rate	Vacancy rate percentage change (QoQ)
Luohu	117.3	↓1.5%	27.9%	↓0.4%
Futian CBD	168.3	↓0.5%	18.0%	↓1.3%
Futian-Chegongmiao	136.1	↓1.8%	20.4%	↓2.8%
Nanshan- High-tech Park	125.4	↓2.5%	13.8%	↑0.6%
Nanshan- Houhai	146.5	↓3.2%	33.1%	↑1.4%
Nanshan- Shekou	151.8	0.0%	23.3%	↓1.9%
Nanshan- Qianhai	127.9	↓0.8%	25.5%	↓2.8%
Bao'an CBD	115.7	↓3.0%	27.9%	↑1.8%

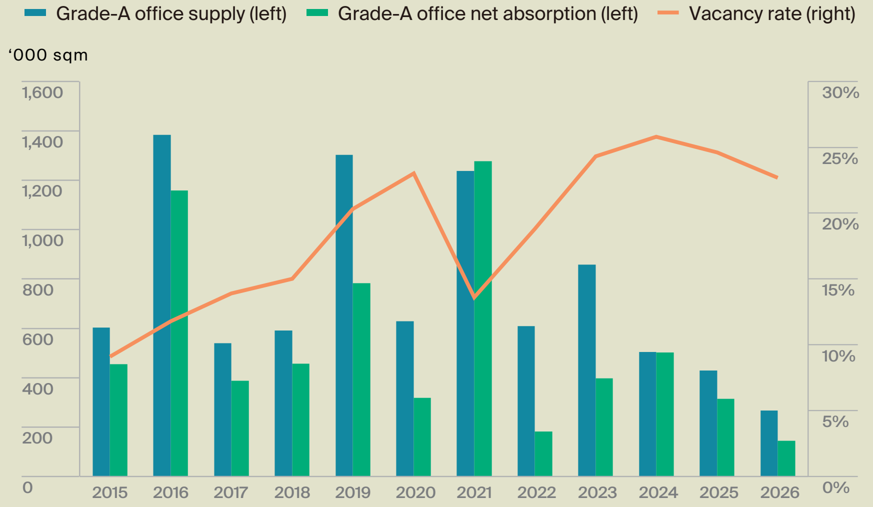
Source: Knight Frank Research
Note: Owing to database adjustments, some data may be different, specific values are based on Q2

Supply and Demand

Supply eases as tenants leverage lower rents to reshape their footprints

New Grade A supply slowed further in Q2 2026, with just one project — a 40,000 sqm completion in Houhai — entering the market, a sharp drop from Q1. Faced with current leasing conditions, several developers postponed the completion of fit-out and formal launch of new schemes to avoid competing directly with neighbouring existing stock. The slower pace of supply also provided existing buildings more time to absorb vacant space, contributing the citywide vacancy rate to drop another 0.6 ppt to 22.7%. Net absorption reached 102,492 sqm — off from the Q1 peak, but still comfortably ahead of new supply. As a result, the market continued to exhibit a pattern of slowing supply growth alongside ongoing vacancy absorption.

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 Q2

Tenant decision-making this quarter focused on reassessing occupancy costs, building quality and location efficiency, rather than expansion. By sector, TMT led at 52.0% of leased area, with smart logistics, insurtech, AI and robotics, and telecoms digitalisation. Tech demand therefore remained supportive, though it was carried by a handful of large deals rather than any broad-based sector-wide push. Professional services followed at 35% share, with law firms and management consultancies focused on outbound advisory keeping requirements ticking over. Within finance, private equity and insurtech continued to see selective leasing activity.

Relocations again accounted for the largest share of leasing activity, representing 65.4% of leased area, confirming that most tenants are not simply taking more space, but are instead rebalancing quality and location while maintaining control over total occupancy costs under control. Renewals accounted for close to one-fifth of leasing activity, while the retention of major logistics and technology tenants highlights landlords' growing focus on securing stable income streams during the current rental adjustment cycle. New set-ups fell sharply from the more than 70% share recorded in Q1, as the earlier wave of demand was largely absorbed. Incremental take-up increasingly came from small-and medium-sized demand from emerging financial and advanced-manufacturing companies.

On tenant flows, Qianhai continued to pick up demand from High-tech Park, Houhai and new-to-market names from outside the district. Across both core and decentralised submarkets, activity was dominated by intra-submarket moves, renewals and footprint optimisation resulting in occupier movement being largely driven by adjustments within the existing stock.

Supply will remain the key variable shaping market performance in Q3 2026. The 2026 pipeline remains substantial, with a significant proportion concentrated in Houhai and Qianhai. If projects deliver as planned, citywide vacancy could pick up temporarily. Some headquarter projects are partly owner-occupied, which should soften their direct impact on the open leasing market — but marketable space will keep landlord-side competition intense. On the demand side, cost control is expected to remain a primary consideration in occupier decision-making. Leasing demand in Q3 is likely to be driven mainly by flight-to-quality from advanced-manufacturing and outbound-focused firms, new Hong Kong and international financial occupiers establishing a presence in Qianhai, and flexible-office operators and landlord-led workspace platforms targeting SMEs. Citywide net absorption is expected to return to more normalised levels rather than repeat the elevated performance recorded in Q1.

Table 2: Major Shenzhen Grade-A office leasing transactions, Q2 2026

District	Building	Tenant	Area (sqm)	Transaction Type
Nanshan	Qianhai Trading Plaza	Betterwood Information Technology	12,500	Relocation
Nanshan	Qianhai Holdings Building	Hive Box Technology	7,500	Renewal
Nanshan	Ping An Credit Card Building	GienTech	5,000	Relocation
Nanshan	Qianhai Exchange Square	Yuanxu Xinsheng	4,983	Relocation
Futian	Shenzhen Kaifa Plaza	Jingsh Law Firm	3,800	Relocation
Bao'an	Satcom Tower	Weiduli Electronics	1,200	Relocation
Luohu	KK100	League Shipping	800	Relocation

Source: Knight Frank Research

Note: all transactions are subject to confirmation

Investment Market

Repricing rolls on; cash flow and exit visibility move up the agenda

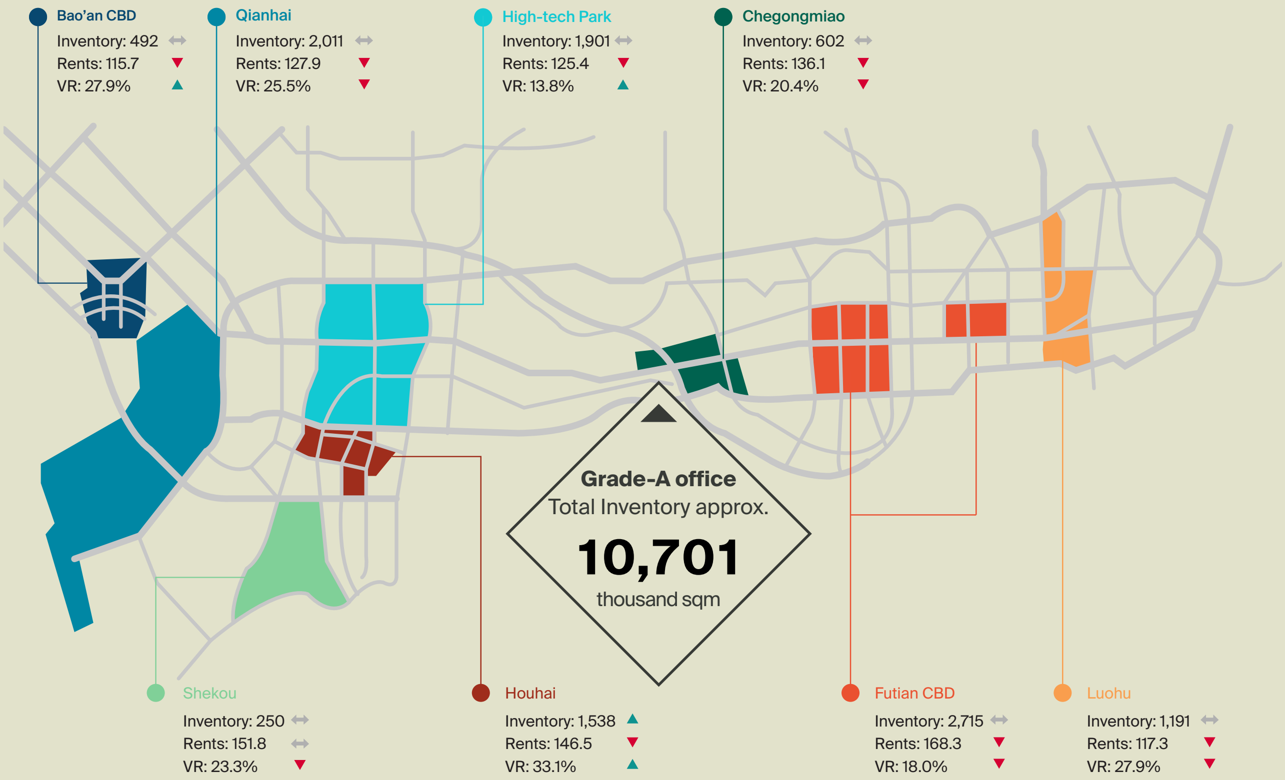
Shenzhen's office investment market remained subdued in Q2 2026, with no headline Grade A en-bloc transactions publicly disclosed. Softer rents, lower yields and a persistent bid-ask gap suppressed traditional office investment. That said, en-bloc transaction activity did not come to a standstill; instead, divergence across asset classes became more pronounced. Capital gravitated to assets offering stable cash flow, attractive pricing, or opportunities for owner-occupation and repositioning. Shenzhen recorded 24 en-bloc transactions in H1 2026, half of them (12) were completed through judicial auction. Industrial assets were the standout performer, accounting for 50% of total transaction value.

These shift suggests that investor strategy is shifting away from capital-appreciation potential towards greater emphasis on operating income, owner-occupier value, and exit strategies. Industrial facilities, business parks, hotels, rental apartments and existing assets with repositioning potential that generate stable rental income continue to attract the strongest interest. Traditional office investment, by contrast, still requires rentals to stabilise, vacancy pressures to ease and further repricing before activity broadens out.

In the near term, office investment activity is expected to be driven primarily by owner-occupiers, balance-sheet-motivated disposals and opportunistic acquisitions where pricing has already adjusted materially. A meaningful return of purely financial investors will likely require stronger evidence of market stabilisation.

Shenzhen Grade-A office market dashboard Q2 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 Q2

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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