

Office Q4 2023

¥149.7

Rent (PSM/MO)

12-Mo.
Forecast**-3.7%**

Rental Growth (QoQ)

18.7%

Vacancy Rate

Source: Cushman & Wakefield Research

**GUANGZHOU ECONOMIC INDICATORS
Q1-Q3 2023**

4.2%
GDP Growth

1H 2023: **4.7%** 12-Mo. Forecast: **4.7%**

5.1%
Service Sector GDP Growth

1H 2023: **5.8%** 12-Mo. Forecast: **5.8%**

1.0%
CPI Growth

1H 2023: **1.2%** 12-Mo. Forecast: **1.2%**

-6.6%
Real Estate Development Investment Growth

1H 2023: **-4.8%** 12-Mo. Forecast: **-4.8%**

Source: Guangzhou Statistics Bureau, Moody's Analytics, Cushman & Wakefield Research

New Supply Continues to Expand, Rents Retreat Further

The Guangzhou Grade A office market saw a total of 461,000 sq m of new supply in 2023, expanding citywide stock to 6.5 million sq m. The overall average rental level continued to retreat in Q4, dropping back both q-o-q and y-o-y to record RMB149.7 per sq m per month. Despite the weakening demand, the rise in leasable area has intensified local competition. In response, to help drive occupancy, landlords have resorted to rent reductions, resulting in a continued downward trend across the city. By submarket, rental declines were less severe in both Zhujiang New Town and Yuexiu Business District, where gradual growth in occupancy at new projects has prompted landlords to adjust rental expectations.

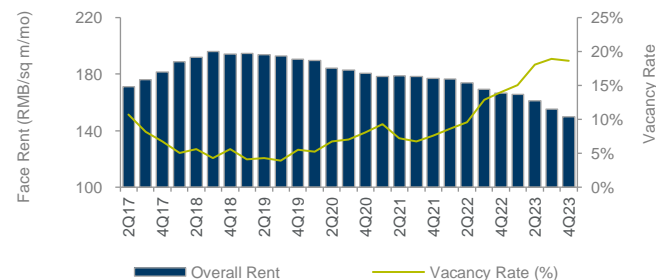
Companies Seize Upgrade Opportunities, Net Absorption Returns to Positive Territory

The oversupplied market environment has prompted occupiers to upgrade office spaces, with some companies taking the opportunity to consolidate existing spaces or to move to higher-quality buildings. The limited new demand in the market means landlords are also now focusing on stabilizing existing preferred tenants. Consequently, lease renewals accounted for a greater share of total transactions in 2023 compared to prior years. However, citywide net absorption climbed back into positive territory in Q4, with the overall vacancy rate easing slightly to 18.7%.

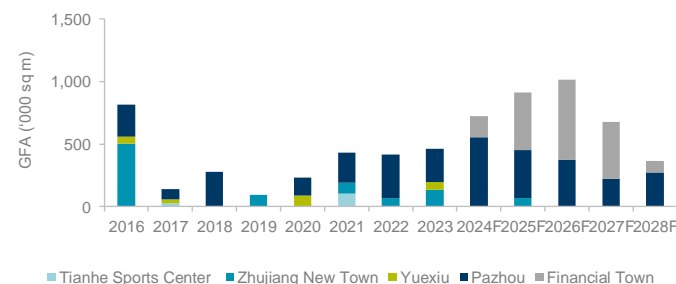
By industry demand, the commercial and retail sector performed strongly in Q4 to take a 31.8% share of the total leased area, chiefly driven by demand from e-commerce related companies clustering in Pazhou district. The professional services sector was stable, accounting for 27.1% of total leased area. In particular, the legal, leasing, healthcare and taxation subsectors all recorded multiple transactions. By location, Zhujiang New Town was the most preferred submarket for site selection in 2023, taking a dominant 44.5% share of citywide total leased area.

Outlook

Guangzhou's Grade A office market will see 2.6 million sq m of new supply in the coming three years, mainly located in the Pazhou and Financial Town submarkets. In the mature area, only Zhujiang New Town has planned new supply. As new projects in the core business districts welcome their first tenants, vacancy rates in mature districts may stabilize, but a full recovery of the market still depends on macroeconomic developments.

GRADE A OFFICE RENT & VACANCY RATE

Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY

Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (SQ M)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION TILL 2028 (SQ M)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Tianhe Sports Center	963,132	11.62%	0	¥151.75	US\$1.99	€ 1.81
Zhujiang New Town	3,289,426	15.45%	69,200	¥165.06	US\$2.16	€ 1.97
Yuexiu	450,426	18.19%	0	¥127.48	US\$1.67	€ 1.52
Pazhou	1,791,960	28.51%	1,806,486	¥126.02	US\$1.65	€ 1.50
GUANGZHOU GRADE A TOTAL	6,494,944	18.68%	3,689,942	¥149.71	US\$1.96	€ 1.78
Financial Town	-	-	1,814,256	-	-	-

* Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT.

1 USD = 7.0939 RMB = 0.9103 EUR as on Dec.15, 2023

KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
YY HQ	Pazhou	MI YUAN	4,100	Relocation
IFC	Zhujiang New Town	Guan Ling Law Firm	2,100	Expansion
Trendy International Centre	Pazhou	DiDi	2,000	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Yuexiu Fortune Center	Financial Town	-	58,545	2024
GZ Business Center	Pazhou	-	157,590	2025
JCG	Financial Town	-	130,000	2025
Rootcloud HQ	Pazhou	-	67,729	2025

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