

Office Q4 2023

12-Mo. Forecast

**¥186.5**  
Rent (PSM/MO)



**-2.6%**  
Rental Growth (QOQ)



**26.1%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## SHENZHEN ECONOMIC INDICATORS Q1-Q3 2023



Note: Growth figure is y-o-y growth;  
Source: Shenzhen Statistics Bureau; Moody's Analytics;  
Cushman & Wakefield Research

## Annual Supply Exceeds 845,000 sq m, Citywide Vacancy Rate Climbs to 26.1%

Shenzhen's Grade A office market welcomed 215,760 sq m of new supply in Q4 2023, bringing total Grade A stock to 8.09 million sq m. The supply influx has buoyed absorption, but also exerted significant pressure on market rents and vacancy. The annual Grade A office supply for 2023 jumped 41.4% y-o-y to 845,530 sq m, with annual net absorption surging 77.2% y-o-y to reach 392,599 sq m. Meanwhile, citywide average rents dropped 8.4% y-o-y to RMB186.5 per sq m per month, and the citywide vacancy rate climbed 3.2 percentage points y-o-y to record 26.1%. The changes in the indicators indicate slowing new demand at the year-end, with cost reduction remaining the primary focus of the demand side.

## Landlords Trim Rents to Meet Occupiers' Cost-Control Strategies

Landlords in core business districts have become more responsive in response to the market oversupply. To retain core clients with high rental capacity such as financial, law and consulting firms, landlords are offering more competitive rental discounts and longer rent-free periods. In addition, landlords are partnering with third-party suppliers to provide customized renovation and other value-added services to reduce total relocation costs for tenants. Competition between submarkets also continues, with local district-level governments providing a range of subsidies to attract and retain quality companies.

In the demand side, the significant decline in rents in mature submarkets and the availability of new prime office space make it an opportune time for tenants to upgrade spaces. Demand from the finance, professional services and trade sectors was stable in Q4, together accounting for more than 70% of the total leased area, whereas the TMT sector dropped to 12%. The finance industry has remained a pillar of Grade A office demand through 2023, accounting for over 30% of total leased area, with traditional subsectors such as banks, securities and insurance taking the lead.

## New Supply Wave Set to Continue, Landlords Will Need to Be Proactive

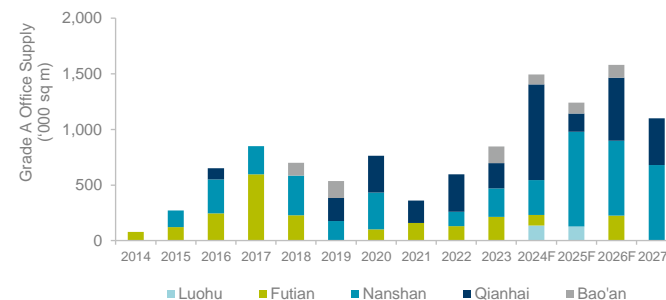
More than 1.4 million sq m of new Grade A office space is projected to enter the Shenzhen market in 2024, exerting further downwards pressure on overall average rents. The combination of oversupply and shortage of new demand will require landlords to be more proactive. However, the Shenzhen government launched the *20 Initiatives on Financial Support for Sci-tech Innovation* in October 2023, providing greater support for emerging industry sectors such as AI, cloud computing and big data, and we expect the development of these emerging sectors will in turn generate new demand ahead.

## GRADE A RENT & VACANCY RATE



Source: Cushman & Wakefield Research

## GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	22.8%	263,572	¥ 151.27	US\$1.98	€1.80
Futian	3,467,697	20.2%	321,614	¥ 203.62	US\$2.67	€2.43
Nanshan	2,263,310	27.4%	1,839,560	¥ 187.45	US\$2.45	€2.23
Qianhai	1,398,075	37.1%	1,587,975	¥ 160.17	US\$2.10	€1.91
Bao'an	418,280	34.3%	304,635	¥ 172.22	US\$2.26	€2.05
<b>SHENZHEN GRADE A TOTAL</b>	<b>8,089,175</b>	<b>26.1%</b>	<b>4,317,356</b>	<b>¥ 186.45</b>	<b>US\$2.44</b>	<b>€2.22</b>

Face Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three year lease term with VAT.  
 Exchange Rate: 1RMB=0.1410USD=0.1283EUR (2023.12.15)

#### KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Shenzhen Galaxy Twin Towers	Bantian	Keyence	6,300	Relocation
Rongchao Building	Futian	Matrix Design	5,800	Relocation
Qianhai CTF Finance Tower	Qianhai	ICBC	3,200	Relocation
One Excellence I	Qianhai	Quant-cloud	2,700	Expansion

#### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
China Venture Capital Building	Qianhai	-	118,595	2024
MUCFC Tower	Qianhai	-	70,000	2024
Dajia Insurance Shenzhen Headquarters	Nanshan	-	130,000	2025

#### Zhang Xiao-Duan

Senior Director,

Head of Research

South & Central China

+86 755 2151 8116 / [xiaoduan.zhang@cushwake.com](mailto:xiaoduan.zhang@cushwake.com)  
[cushmanwakefield.com](http://cushmanwakefield.com)

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