

# Office



## New supply gap in Q3

Lease renewals and relocations continued to dominate the leasing market.

- Despite the prudent leasing sentiment, local government made continual efforts to attract investment and strengthen market confidence. Meanwhile, landlords implemented more positive leasing strategies to stimulate market digestion.
- No new supply was completed in Q3/2024, and the total stock remained at 7.1 million sqm by quarter end.
- Lease renewals and relocations continued to dominate the leasing market in Q3/2024, taking up 74.8% of the total quarterly leases.
- The citywide vacancy rate edged down by 0.4 ppt QoQ to 18.1% by end-Q3/2024.
- Finance industry outperformed others in terms of leasing transaction volumes, contributing 16.3% to the quarter new leases, while consumer services industry achieved the largest QoQ increment in transaction area, concluding several headline leasing deals.
- The citywide average rent decreased to RMB139.1 psm pmth by end-Q3/2024, with rental index down 0.7% QoQ and 4.8% YoY.
- Due to intensified leasing competition, landlords are expected to maintain or further sharpen their competitive edges to achieve higher occupancy rates by year's end.

“Landlords remained proactive in attracting tenants and pursuing market digestions in the face of persistently challenging market conditions.”

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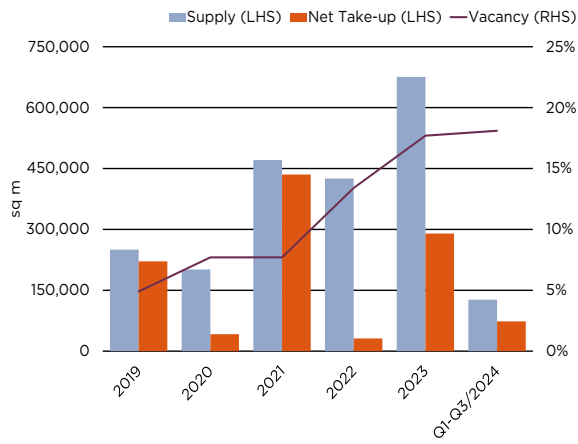
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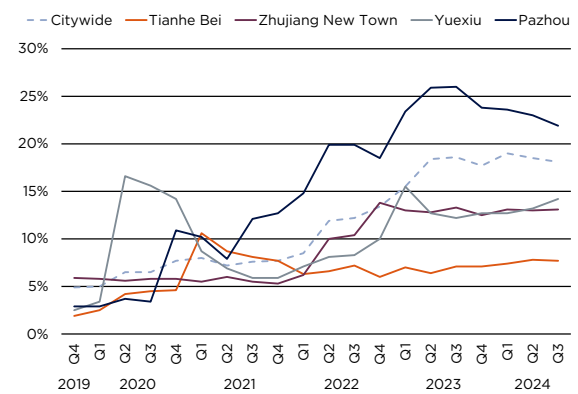
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**GRAPH 1: Grade A Office Supply, Net Take-Up And Vacancy Rate, 2019 To Q3/2024**



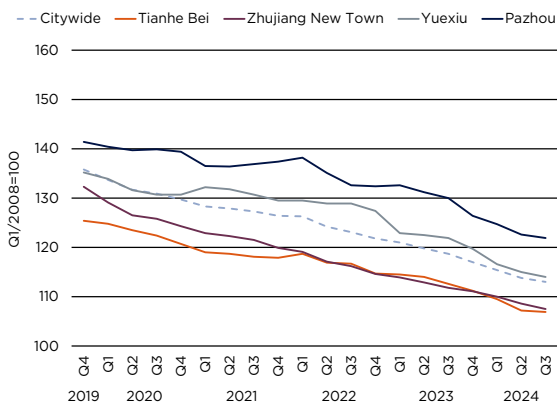
Source Savills Research

**GRAPH 2: Vacancy Rates by Submarket, Q4/2019 To Q3/2024**



Source Savills Research

**GRAPH 3: Rental Indices by Submarket, Q4/2019 To Q3/2024**



Source Savills Research

**MARKET OVERVIEW**

There was a large room for general market sentiment to improve in Guangzhou's Grade A office property market throughout Q3/2024, which was not a surprise due to the global economic downturn and softened domestic demand. Against this backdrop, local government agencies made continual efforts, including holding expos and trade fairs on multiple industries (cross-border e-commerce, cultural and tourism industry, ACG, etc.) and unveiling measures to promote the integrated development of domestic and foreign trade, attract investment and strengthen market confidence. Meanwhile, landlords remained proactive in attracting tenants and pursuing market digestions in the face of persistently challenging market conditions. Benefitting from these, Guangzhou's office vacancy rate decreased in Q3/2024.

**SUPPLY**

No new project was handed over to the market in Q3/2024, and the citywide stock remained at 7.1 million sqm by quarter end.

**DEMAND**

New office leasing demand was limited given prudent occupier sentiment throughout Q3/2024, and lease renewals and relocations continued to dominate the market during the quarter, taking up 74.8% of the quarterly new leases. The citywide net take-up for Q3/2024 was 27,038 sqm, down 29.9% QoQ, and the average quarterly net take-up for the first three quarters of 2024 dropped to 24,510 sqm, only accounting for 58.4% of the past five-year quarterly average level (2019-2023) of 41,943 sqm. Despite that, Pazhou and the International Financial Town continued to outperform other areas in absorption and achieved positive net take-ups of 19,770 sqm and 13,325 sqm, and vacancy rates of these two areas decreased 1.1 ppts and 2.3 ppts QoQ, respectively. Benefitting from this and the lack of new supply, the citywide vacancy rate continued its downward trend in Q3/2024, edging down 0.4 ppt QoQ to 18.1% by end-Q3/2024.

During this quarter, leases undertaken by financial institutions contributed 16.3% to the quarterly new leases as banks, insurance companies, and securities companies were more willing to open up leasing activities during Q3/2024. This made finance the leading industry in Q3/2024 in terms of transaction volumes, surpassing professional services and IT industries, which were top sources in Q2/2024. Meanwhile, the consumer services industry achieved the largest QoQ increment in the citywide total transaction area in Q3/2024, up 4.6 ppts to 15.9%, supported by the conclusions of several headline leasing deals.

**RENTS**

Considering limited corporate real estate budgets of most new and/or existing office occupiers, landlords remained flexible in deal negotiations, offering more favourable lease terms such as lowering rents, extending rent-free period, providing fit-out units, and offering more options/solutions for relocation/consolidation to facilitate the deal closing. The citywide average rent decreased to RMB139.1 psm pmth by the end of Q3/2024 with rental index down 0.7% QoQ and 4.8% YoY.

**OUTLOOK**

Although the global environment remains challenging for Q4/2024 given the monetary policy uncertainty in some advanced economies and the ongoing Middle East conflict, the recent government policies and initiatives on the real estate market are set to nurture more market confidence in general. This is expected to enhance domestic demand and facilitate the development of major economic sectors such as the real estate and capital markets. In the short term, landlords are expected to maintain or further sharpen their competitive edges to achieve higher occupancy rates by year's end due to intensified leasing competition.

**TABLE 1: Notable Leasing Transactions, Q3/2024**

TENANT NAME	INDUSTRY	PROJECT	SUBMARKET	LEASING AREA (SQ M)
Dinghe Insurance	Finance	Yuexiu Financial Tower	Zhujiang New Town	3,000
CZBank	Finance	Lumina Guangzhou	Yuexiu	1,300

Source Savills Research