



Leasing activities increase

Quarterly net take-up peaked in seven quarters.

- Shenzhen's GDP increased by 5.9% YoY to RMB1,730.2 billion as of end-1H/2024, continually outperforming all other first-tier cities.
- Two new projects with a combined lettable GFA of 148,050 sqm were completed during Q3/2024, expanding the total stock by 6.1% YoY to 11.4 million sqm as of quarter-end.
- In Q3/2024, citywide net take-up increased by 10.9% QoQ to 93,251 sqm.
- The citywide vacancy rate structurally edged up by 0.1 ppt QoQ to 29.9% at the end of the quarter.
- The citywide average rent of the Shenzhen Grade A office property market declined by 2.1% QoQ and 6.7% YoY on a rental index basis, to RMB156.2 psm pmth by the end of Q3/2024.
- New supply will still be abundant in Q4/2024, with approximately 173,709 sqm scheduling for delivery, all located in emerging areas.

“Q3 was so far the best season of 2024 in terms of leasing transaction volume. Some particular submarkets such as Qianhai and Shenzhen Bay SHB managed to attract an increasing amount of relocation leasing demand for financial considerations and premise upgrade.”

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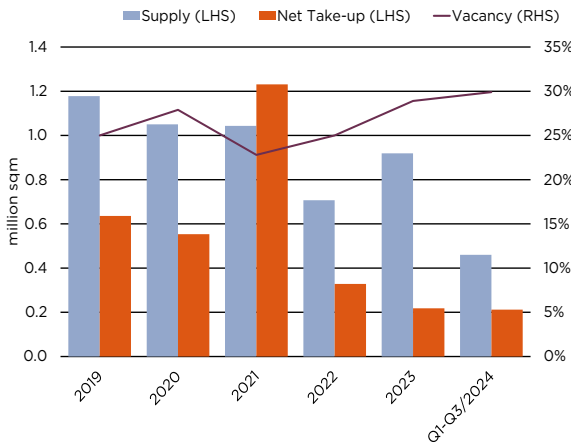
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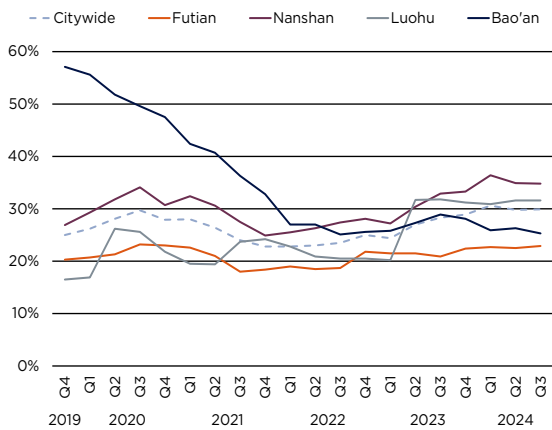
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GRAPH 1: Shenzhen Grade A Office Market New Supply, Net Take-up And Vacancy Rate, 2019 To Q3/2024



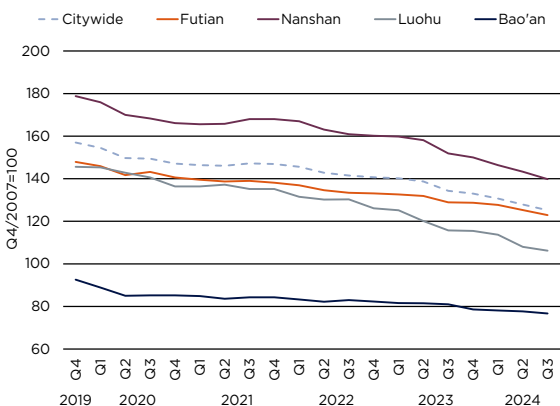
Source Savills Research

GRAPH 2: Shenzhen Grade A Office Market Vacancy Rate, Q4/2019 To Q3/2024



Source Savills Research

GRAPH 3: Shenzhen Grade A Office Market Rental Index, Q4/2019 To Q3/2024



Note Calculation of rental indices for all submarkets starts from Q4/2007 except for: Bao'an—Q1/2018

Source Savills Research

MARKET OVERVIEW

According to the Shenzhen Statistics Bureau, Shenzhen's GDP increased by 5.9% YoY to RMB1,730.2 billion as of end-1H/2024, continually outperforming all other first-tier cities. Notably, strategic emerging industries (ie., IT, biotech and new energy) output grew by 11.7% YoY to RMB760.3 billion. Simultaneously, Shenzhen's business entities have exceeded 4.29 million and the city saw the largest start-up density nationwide for nine consecutive years. In Q3/2024, local government agencies' swift responses towards attracting investment work as well as landlords' price strategies refinements led to an increase in transaction activity.

SUPPLY

Two new projects with a combined leaseable GFA of 148,050 sqm were completed during Q3/2024, expanding the total stock by 6.1% YoY to 11.4 million sqm as of quarter-end.

DEMAND

The improving business environment, rental subsidies and other incentive policies in Shenzhen continue to attract many qualified enterprises to set up offices here. Meanwhile, the softened rental movements enabled many cost-sensitive corporations to enjoy higher quality premises at lower corporate real estate costs through relocation. That partly explained as to why relocation demand accounted for nearly half of the citywide leases during this quarter. Overall, as leasing inquiries and transactions increased in Q3/2024, the quarterly net take-up spiked by 10.9% QoQ to 93,251 sqm. Notably, Qianhai outperformed its peers with its quarterly net take-up accounting for 70.1% of the citywide total due to the aforementioned reasons. Despite that, the sluggish pre-leasing rates of new projects continued to be a main reason of an increase in the citywide vacancy rate, which structurally edged up by 0.1 ppt QoQ to 29.9% as of quarter-end.

In Q3/2024, IT (especially software & services companies), financial (banks, securities and investment companies) and professional service companies (law &

accounting firms) were the major demand generators. Office leasing transactions with a deal size of 3,000 sqm and above continued to increase since the beginning of this year. Simultaneously, leasing demand from manufacturing, retail & trade and consumer service companies was relatively active.

RENTS

Despite the increase in net absorption, the citywide average rent of the Shenzhen Grade A office property market declined by 2.1% QoQ and 6.7% YoY on a rental index basis, to RMB156.2 psm pmth by the end of Q3/2024. Rental indexes in core areas and emerging areas decreased by 2.6% and 1.9% QoQ, respectively.

MARKET OUTLOOK

On 29 September 2024, the State Council approved a national territorial spatial plan of the Shenzhen municipality for 2021-2035, stressing to thoroughly leverage the GBA's role as the core engine for in-depth cooperation and coordinated development with Hong Kong and Macao. Upon receiving more detailed guidelines, the government is expected to support the mid- to long-term development of industries related to the office property market such as IT, modern services, AI and advanced manufacturing. In view of the Shenzhen office market outlook for Q4/2024, the tone of lowering rents in exchange for higher occupancies will remain.