

# Guangzhou Office Occupier Survey 2023

REPORT

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CBRE  
Guangzhou RESEARCH

November 2023



# Executive Summary

## Resumption of revenue growth to drive stronger expansionary intentions

**78%** of companies expect to see revenue growth in 2023, while **18%** expect a return to pre-pandemic levels. Firms in the **business services** and **life sciences** are most optimistic.

**40%** of respondents intend to increase their office footprint over the next three years, a slight improvement on the 33% who expanded their workspace over the past three years.

**58%** of companies plan to control real estate's proportion of overall operating costs in the next three years. In addition to renewals, occupiers intend to monitor upgrading and expansion opportunities during the upcoming supply-peak.

## Offices remain primary place of work; space efficiency lags national average

Average office utilisation in Guangzhou is **64%**, slightly lower than the nationwide average, but significantly higher than that in Europe and the U.S.

**37%** of foreign companies intend to continue to increase the number of shared workstations, while 30% of domestic firms plan to increase the quantity of dedicated seats.

The main challenges affecting the implementation and adjustment of workplace strategies were identified as employee habits and space layout by **62%** and **65%** of respondents, respectively.

## Strong potential for growth in demand for green buildings

While **more than 70%** of companies **prefer green buildings** when evaluating potential locations, the supply of green certified buildings in Guangzhou lags other tier I cities in China.

**24%** of companies are willing to pay a premium to help landlords upgrade properties and retrofit them with green features, with tenants' willingness to do so higher in Tianhe Sports Center and Yuexiu, where green building penetration is lower.

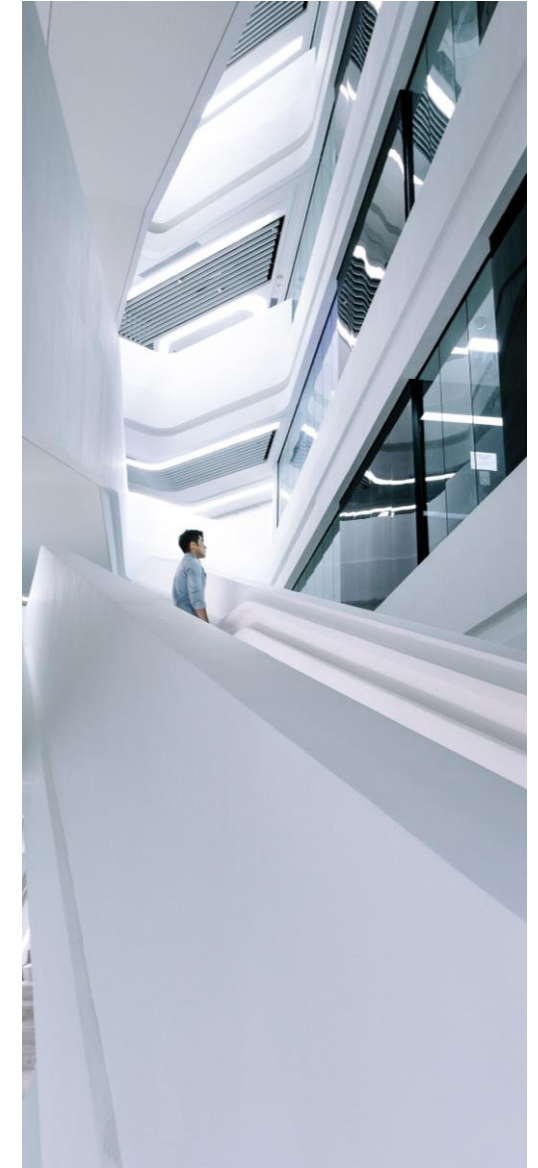
Listed companies or unicorn companies are increasingly focusing on other ESG elements.

## Core areas manage to retain tenants but emerging areas become more prominent

Over the next three years, **34%** of respondents intend to locate their offices in emerging areas, a **figure 9-pps higher** than the percentage of respondents currently situated in these zones.

Zhujiang New Town and Tianhe Sports Centre were identified by around **90%** and **83%** of CBD based respondents, respectively, as future office locations.

Finance tenants displayed stronger demand for offices in areas with **comprehensive retail facilities and an attractive environment**, while TMT companies tended to prioritise areas with **industry support** and **properties with specifications** suited to their operations.



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# Demand

Moderate expansion expected as occupiers stay cost-sensitive and seek lease flexibility

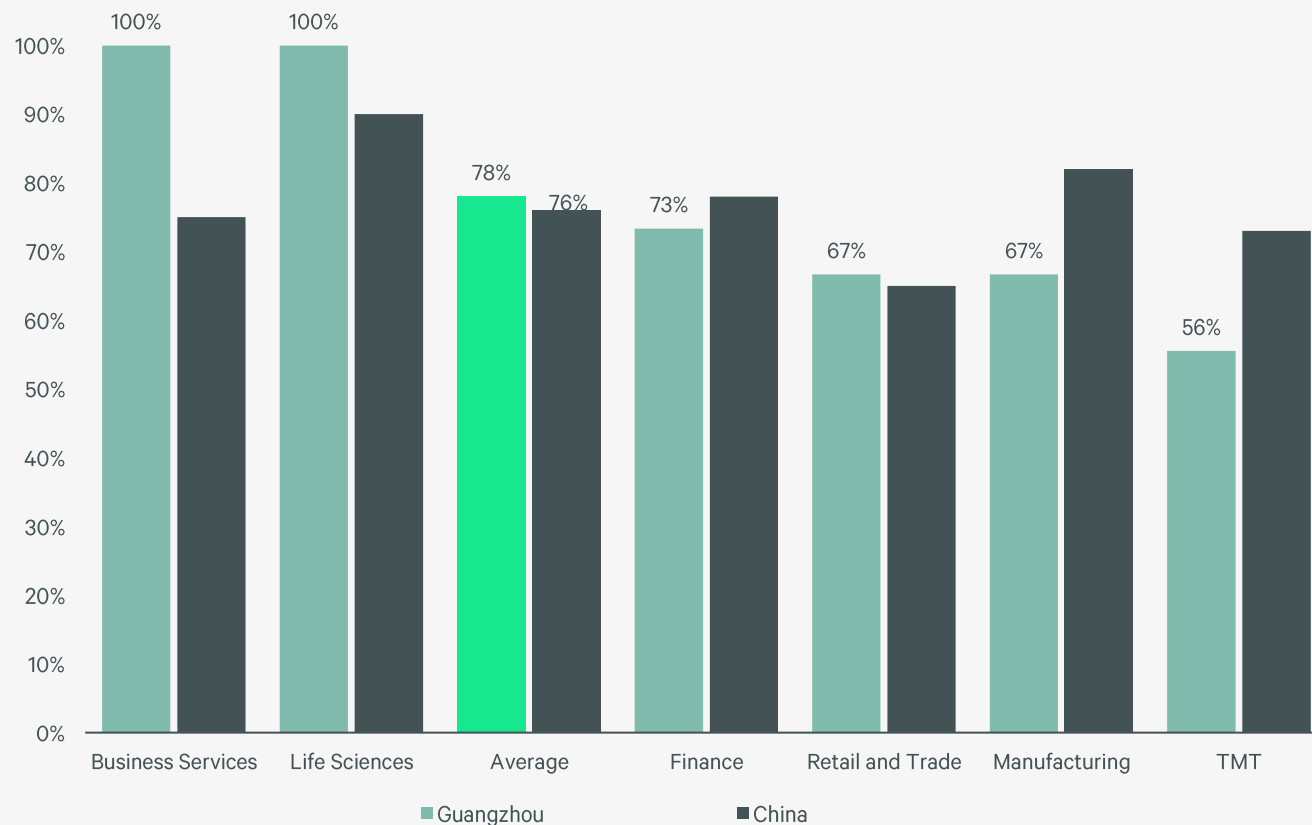
## Significant majority of companies expect return to revenue growth in 2023

Demand for office space has historically been closely linked to economic growth. As the impact of the pandemic began to recede from the end of last year, Guangzhou's GDP growth rebounded from just 1% y-o-y in 2022 to 4.7% in H1 2023. Companies' confidence in the business outlook has since improved significantly. **78% of respondents expect revenue growth to resume within 2023**, slightly higher than the national average, while 18% expect revenue growth to return to pre-pandemic levels.

**Business services** and **life sciences** firms are the most optimistic. Economic uncertainty and changes to the regulatory environment in recent years have contributed to growing demand for business services such as consulting, compliance, and commercial litigation. Using the legal sector as an example, the total number of law firms in Guangzhou reached 906 by the end of 2022, an increase of 59 from the end of the previous year.

As one of the three emerging pillar industries in Guangzhou, the value added of the biomedical healthcare industry will maintain relatively fast growth of 10% per annum during the 14th Five-Year Plan period, which will provide a solid foundation for growth in office demand from related companies.

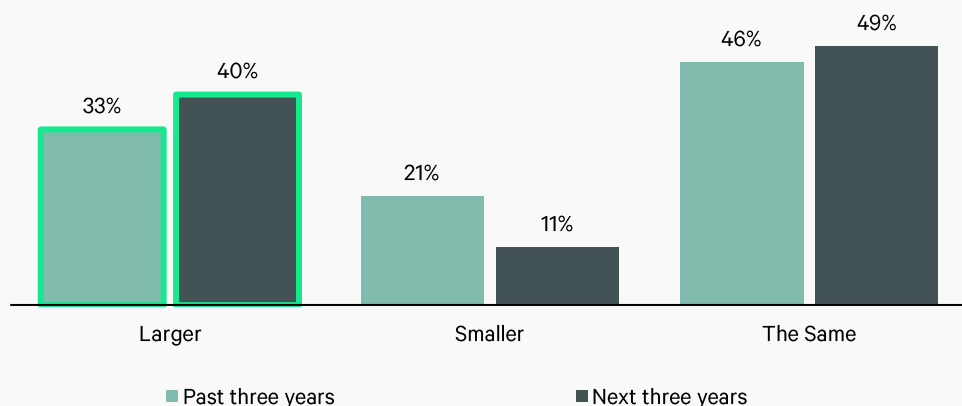
Figure 1. Proportion of companies expecting revenue growth in 2023 (by sector)



Source: CBRE Research, November 2023

# Strong expansionary intentions to drive office demand recovery

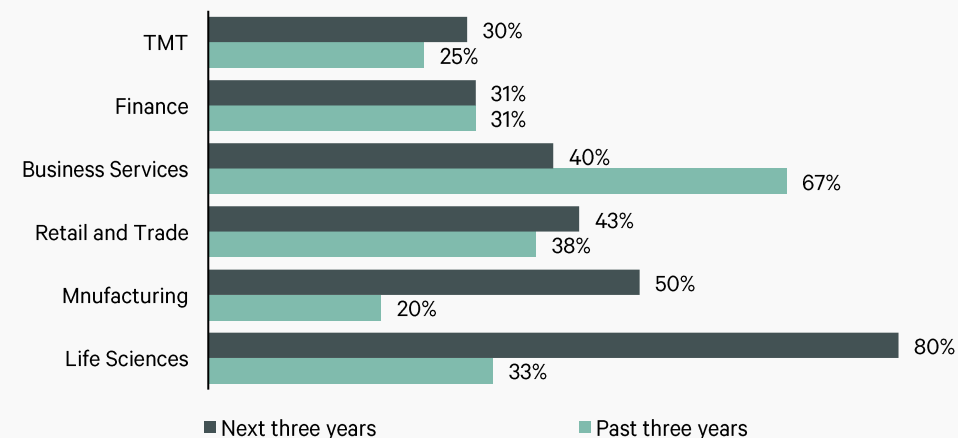
Figure 2. Changes in total office space in the past three years (2020-2022) compared to the next three years (2023-2025)



**As prospects for revenue growth improve, so are occupiers' intentions to expand.** About 40% of respondents stated that they have plans to add to their office footprint over the next three years, a percentage higher than that displayed over the past three years. In addition, compared to the 21% of respondents who downsized in the past three years, only 11% of respondents to this year's survey plan to reduce their office footprint between now and 2025.

Almost all sectors displayed greater expansionary demand compared to that over past three years. Life sciences and manufacturing exhibited the strongest intentions along with the sharpest rate of increase; a factor likely related to Guangzhou's strategy of fostering developing manufacturing industries.

Figure 3. Proportion of companies increasing their office space in the past three years compared to the next three years (by sector)



One of the few exceptions to the expansion trend has been the business services sector, with fewer companies planning to add more office space after aggressive growth over the past three years. **This is because the sector underwent a period of rapid expansion and consolidation in recent times and will continue to expand in the next three years, albeit at a slower pace.** CBRE's 2022 Guangzhou Grade A Office Tenant Profile found that the proportion of business services companies – especially law firms – in prime office space increased significantly during 2017-2022, with the average leased area for a single firm rising from 631 sq. m. in 2017 to 809 sq. m. in 2022.

Source: CBRE Research, November 2023

# Supply peak to facilitate upgrading and expansion; occupiers target lease flexibility

When asked to identify any changes to the proportion of real estate rental costs to overall operating costs they expect to witness over the next three years, nearly 60% of respondents selected “remain unchanged”. This result was reflected by the result of the survey question related to leasing strategy, which saw 52% of respondents choose “renewal” as their preferred option.

Flight to quality was named the second most popular leasing strategy. Some 30% of respondents who plan to keep rental costs’ proportion of overall real estate costs unchanged also stated their intention to upgrade over the next three years. CBRE data show that over 2.3 million sq. m. of new Grade A office space is due to come on stream in Guangzhou from 2023-2025, with 87% of new stock located in Pazhou and Finance City. **Abundant new high-quality supply in emerging areas will provide an opportunity for tenants to upgrade while controlling costs.**

18% of respondents, most of which are finance and business services firms, plan to increase rents’ proportion of overall real estate costs. 67% intend to renew their current leases, indicating the continued strong attraction of core areas. As of Q2 2023, vacancy in the CBD (including Zhujiang New Town and Tianhe Sports Centre) stood at 10.9%, a relatively low level. With no new supply due to be completed in these areas from 2023-2025, options in the CBD will be limited.

Those tenants planning to reduce rents’ proportion of overall real estate costs mostly plan to renew leases; re-negotiate existing leases; and seek more flexible terms for any adjustment in space size. These two strategies ranked third and fifth among all surveyed companies.

Figure 4. Changes in businesses' planned proportion of real estate rental costs to overall operational costs in the next three years.

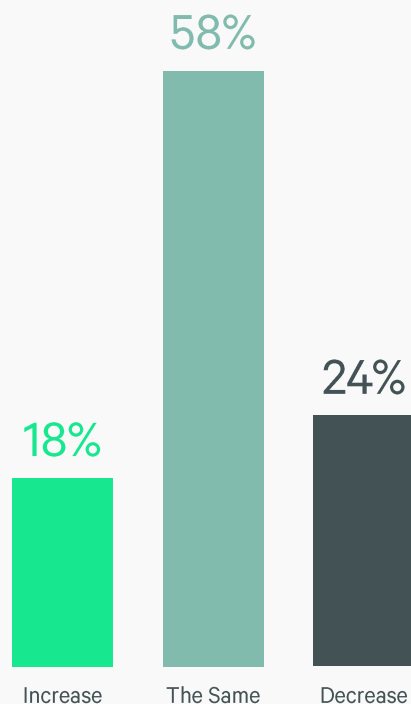


Figure 5. Preferred real estate strategy for businesses in future (broken down by different rental cost planning scenarios) <sup>1</sup>

Corporate real estate strategy	Overall proportion	Categorised by business rental cost planning (proportion of real estate rental costs to overall operating costs)		
		Increase	The same	Decrease
<b>Renew lease for existing office</b>	<b>52%</b>	<b>67%</b>	<b>49%</b>	<b>50%</b>
<b>Flight-to-quality</b>	<b>25%</b>	<b>33%</b>	<b>30%</b>	6%
<b>Renegotiate existing lease to benefit from market adjustments</b>	<b>20%</b>	17%	<b>19%</b>	<b>25%</b>
<b>Expand existing space</b>	18%	<b>42%</b>	<b>19%</b>	0%
<b>Exercise lease expirations or contraction options</b>	15%	17%	11%	<b>25%</b>
<b>Relocate to core areas</b>	6%	0%	11%	0%
<b>Decentralise into more locations (e.g. hub and spoke)</b>	6%	8%	5%	6%
<b>Consolidate to fewer total locations</b>	5%	8%	3%	6%
<b>Relocate to non-core areas</b>	5%	8%	3%	6%
<b>Sublease excess space</b>	5%	0%	5%	6%

Note 1: The question is multiple-choice, thus the sum of options does not equal 100%  
Source: CBRE Research, November 2023

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# Workplace strategy

Occupiers look to enhance space efficiency as well as improve space flexibility

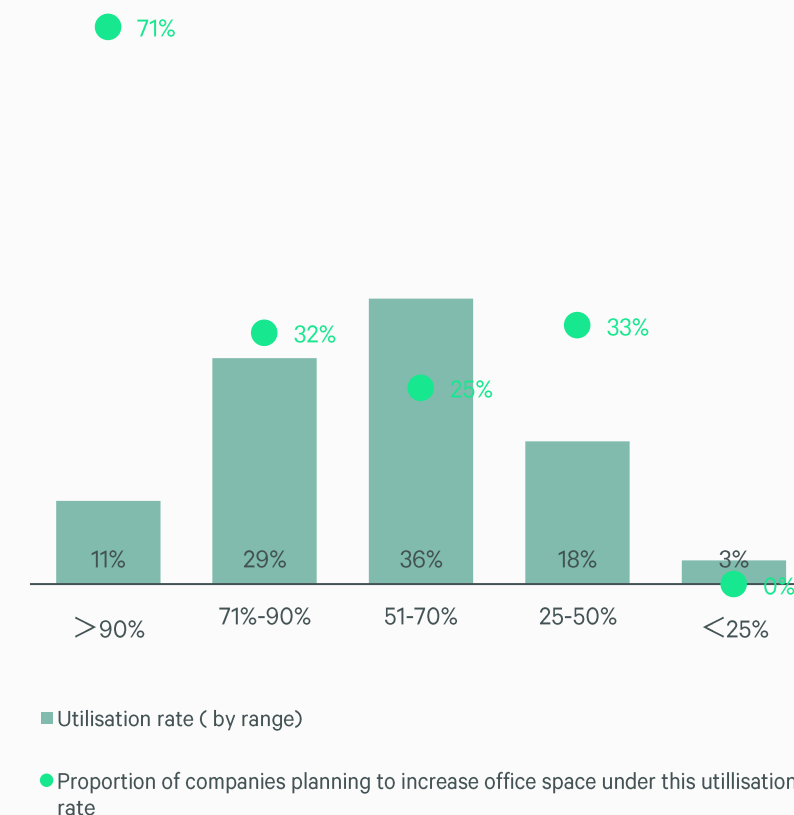
## Firms in China remain office-based; space utilisation yet to improve

Average office utilisation in China is 67%, the highest globally and significantly above that in the U.S. and Europe. **While companies in the west have adopted and retained hybrid working, most companies in China, especially domestic ones, retain office-based arrangements.** The pandemic has consequently exerted relatively less stress on office demand in China than in other regions.

The median office utilisation rate of Guangzhou is 64%, 3-pps below the national average. The proportion of respondents with an office utilisation rate of above 70% is 39%, 10-pps below the national average.

**Respondents with an office utilisation rate of above 90% displayed the strongest expansionary appetite**, with 71% of them intending to enlarge their footprint.

Figure 6. Space utilisation rates and companies' intentions to enlarge their office footprint



Note 2: The average office utilization rate is calculated based on the median  
Source: CBRE Research, November 2023

Figure 7. Average office utilisation rate by market <sup>2</sup>

China	67%
Asia Pacific	65%
<b>Guangzhou</b>	<b>64%</b>
Americas	50%
Europe, Middle East and Africa	50%

# Occupiers enhance space efficiency by adjusting workstation configuration; foreign companies favour shared desks

## Adopting shared desks based on mode of business

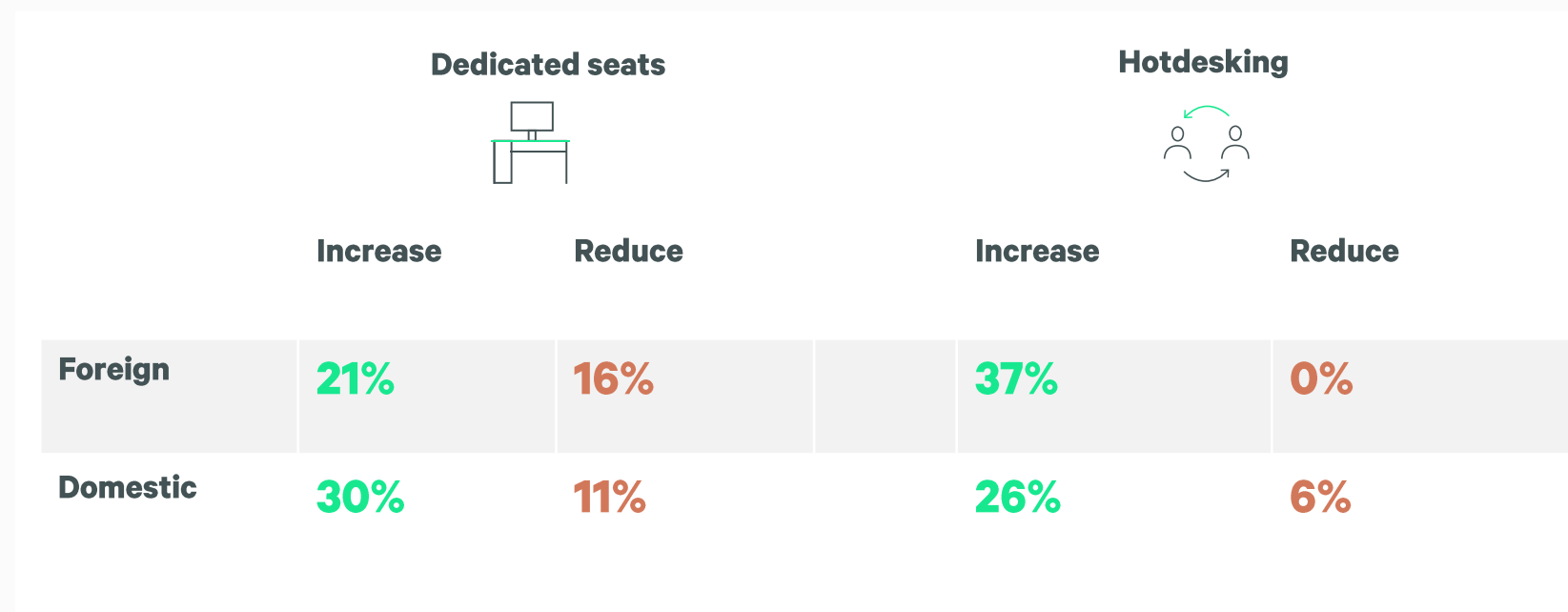
### operation is a popular workplace strategy to

**improve space utilisation.** The survey uncovered clear differences between domestic and foreign companies in terms of implementing hotdesking.

Over the next three years, 37% of foreign corporates plan to increase shared desks while just 5% (net percentage<sup>3</sup>) intend to increase dedicated seats. This is a consequence of these companies' headquarters implementing flexible working during the pandemic as well as having more sophisticated workplace solutions.

Domestic companies' intentions to add more shared desks substantially lagged their foreign counterparts. However, with adoption of workplace strategy set to strengthen significantly in the medium to long term, CBRE expects more local firms to implement more efficient and activity-based modes of working.

Figure 8. Corporate demand for dedicated seating and hotdesking in the next three years



Note 3: net percentage = percentage of increase – percentage of reduce  
Source: CBRE Research, November 2023

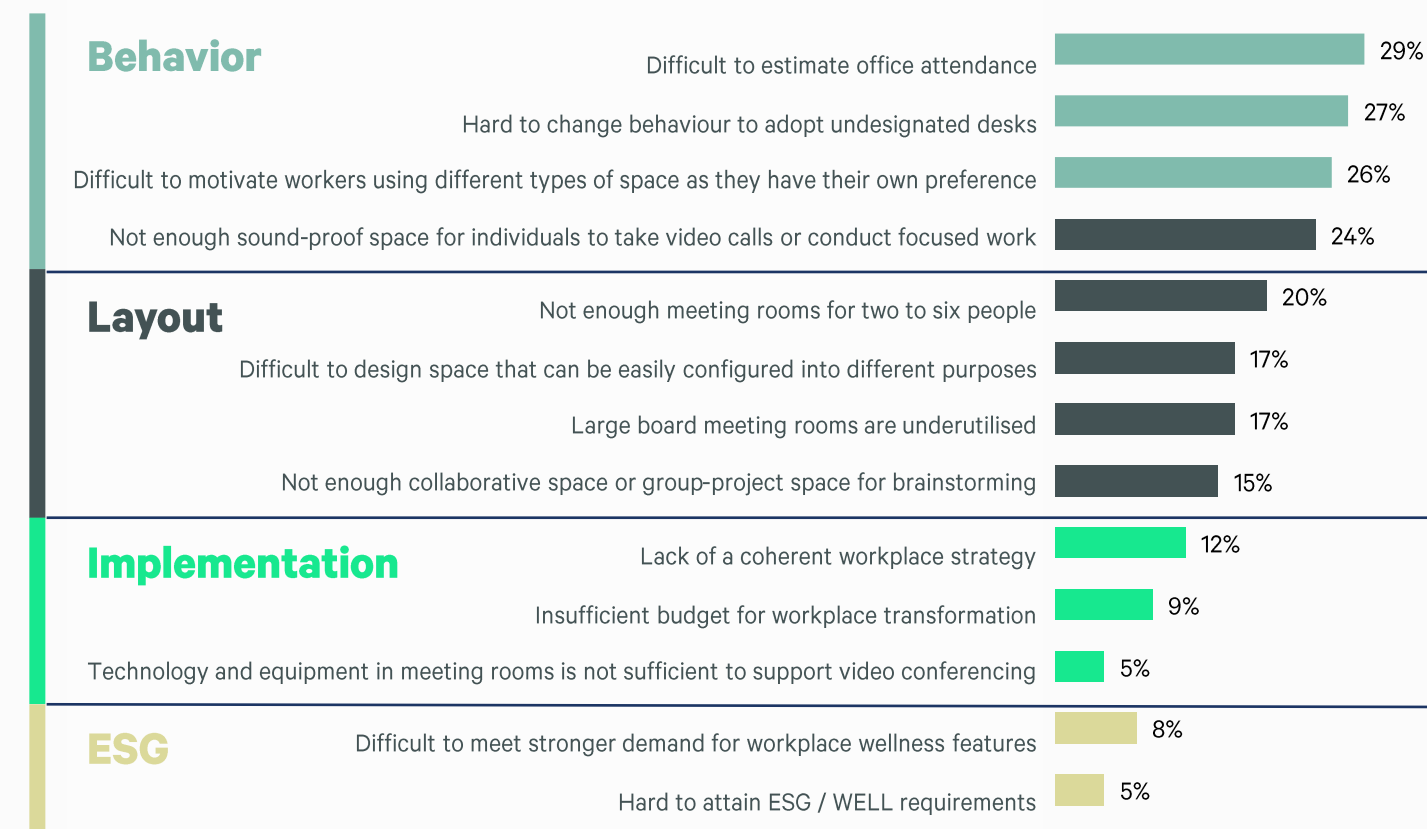
# Understanding employee behaviour will be key to formulating effective workplace strategies

Companies believe employee behaviour and space layout to be the main factors affecting the implementation of workplace strategies, with 62% and 65% of respondents identifying one or more factors under these two categories, respectively.

Challenges identified by respondents such as estimating office attendance and a mismatch between space configuration and actual needs imply stronger demand for improving space efficiency. To overcome these challenges, CBRE suggests setting up or hiring specialist consultants to formulate solutions. These may involve utilising real estate technology to provide in-depth understanding and analysis of employee behavioural patterns and developing scientific and efficient workplace strategies suited to each companies' business characteristics.

When executing workplace strategies, companies should place a strong emphasis on change management as they gently ease employees into a new working environment.

Figure 9. Current challenges faced by office occupiers when implementing workplace strategies



Source: CBRE Research, November 2023

03

# Environmental, Social & Governance (ESG) Performance

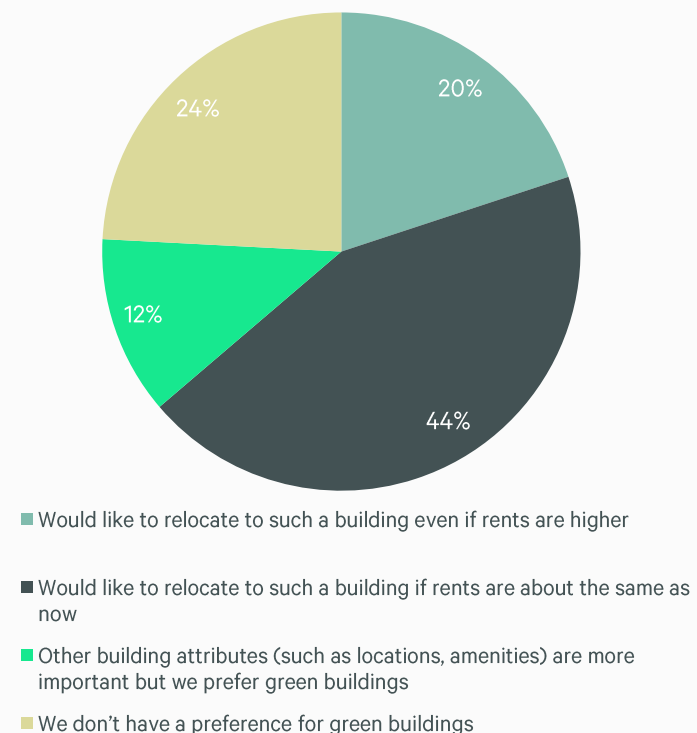
Though not a must, green certification is a preferred factor in office space selection

## Occupiers prefer green buildings

More than 70% of companies stated that they prefer green buildings when making relocation decisions. 20% of respondents are willing to pay a premium for space in green buildings, typically of up to 5%, while 44% of respondents believe that for the same rent, green-certified buildings should be given priority. At the same time, 24% of companies would like landlords to upgrade properties by adding green features and would consider paying for retrofitting work.

**Although green certification has become a preferred factor in office building selection in Guangzhou, it is not yet a decisive one.** Just 5% of survey respondents stated that "buildings with green certification (such as LEED, WELL, etc.)" are one of the three most important factors driving office location decisions.

Figure 10. Occupiers' views of office buildings with green certification (such as LEED, WELL, etc.)



Source: CBRE Research, November 2023

24%  
of companies would  
consider paying for  
green renovations.

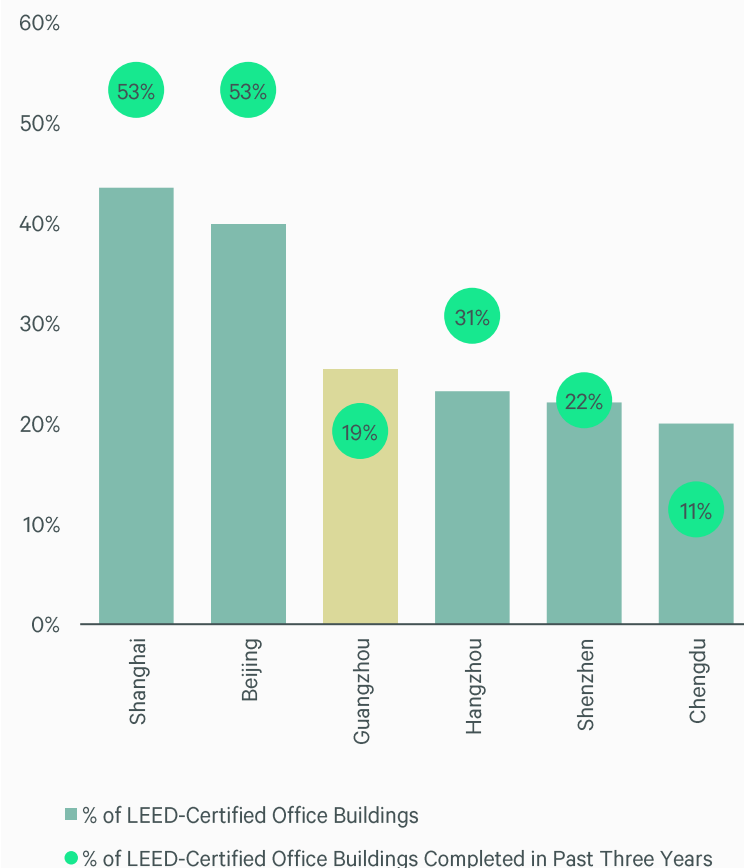
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## Guangzhou needs more green buildings

Although respondents indicated a strong preference for green buildings, **the limited availability of green certified office properties in Guangzhou poses a challenge**. As of Q2 2023, the total GFA of LEED certified properties in Guangzhou accounted for just 25% of total office stock in the city. Of the new office supply completed in Guangzhou over the past three years, the proportion of LEED certified stock accounted for just 19%, a proportion that lags well behind other tier I cities in China.

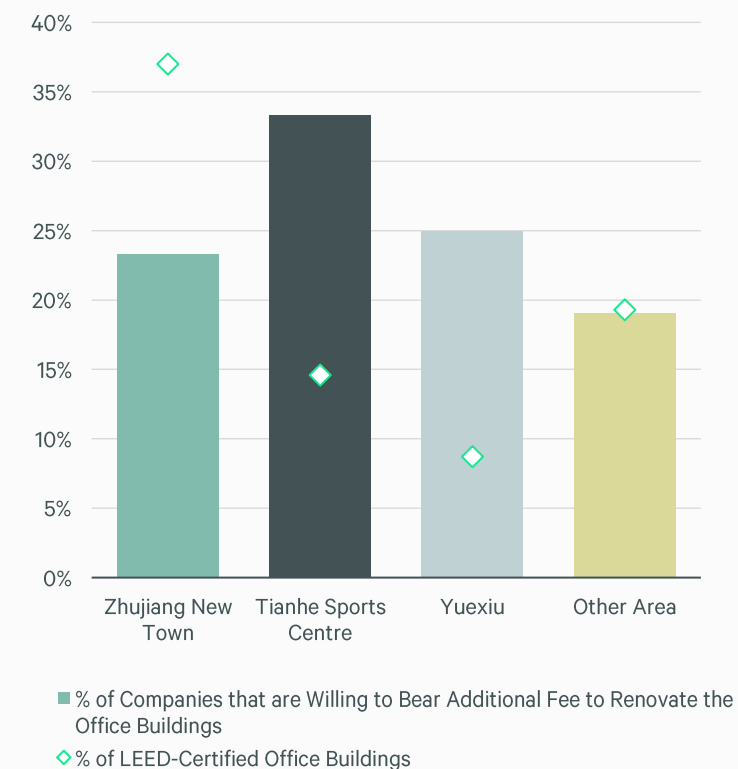
Tianhe Sports Centre and Yuexiu have relatively lower penetration rates of LEED-certified buildings than other districts. Tenants currently located in these two areas consequently displayed a stronger willingness to bear the cost of upgrading buildings with green features, with some 33% of respondents in Tianhe Sports Centre stating their interest in doing so.

Figure 11. Percentage of Grade A office buildings with LEED certification (by GFA)



Source: CBRE Research, November 2023

Figure 12. Percentage of companies willing to bear additional expenses (such as increased property management fees, etc.) for landlords to upgrade the building in line with ESG standards (by office submarket)



# More tenants implement or consider other ESG measures

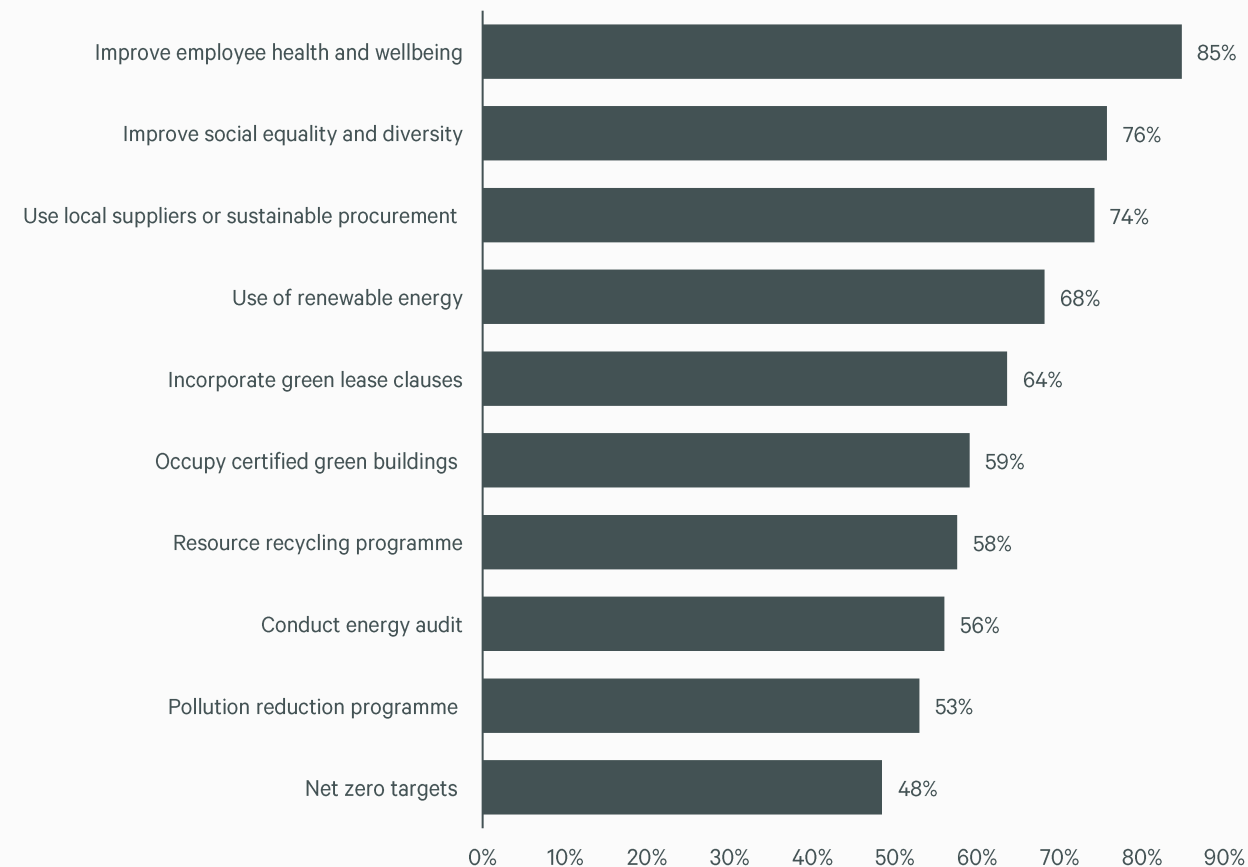
In addition to preferring green buildings, **more firms in Guangzhou are implementing or planning other ESG related measures.** Figure 13 shows that nine out of the ten measures named in the survey have been implemented or considered by more than half of respondents, implying broad-based acceptance.

Office occupiers' adoption of ESG principles and practices is being driven by the increasing number of enquiries for the disclosure of sustainable information from stock exchanges, investors and government bodies; recognition that ESG is an increasingly important measurement of a companies' reputation; and awareness that strong ESG performance correlates with the ability to obtain financing.

Around 64% of respondents stated that they are considering the inclusion of green lease clauses in the process of office selection. Some local listed corporations and unicorns are asking for environmental-related specifications and operation of office buildings, particularly features such as green certification, renewable energy and purchasing green power.

CBRE advises landlords and investors to be prepared for ESG to exert a stronger impact on the Guangzhou office market in the medium to long term. The coming years are expected to see the government launch more measures to lower the carbon emissions of commercial buildings to ensure China meets its "30-60" decarbonisation goal. CBRE's analysis shows that the earlier a market's net zero target is, the more common green leases are. In addition, with performance evaluations of ESG investment set to be augmented, data relating to the environmental performance of properties will facilitate both financing and leasing.

Figure 13. Percentage of companies that have incorporated ESG elements into their real estate strategies<sup>4</sup>



Note 4: Includes both 'Implemented on a large scale', 'Implemented on a small scale' and 'Planning / considering' options  
Source: CBRE Research, November 2023

04

# Location

Greater CBD grows in importance but tenants stay loyal to core areas

# Greater CBD grows in importance but tenants stay loyal to core areas

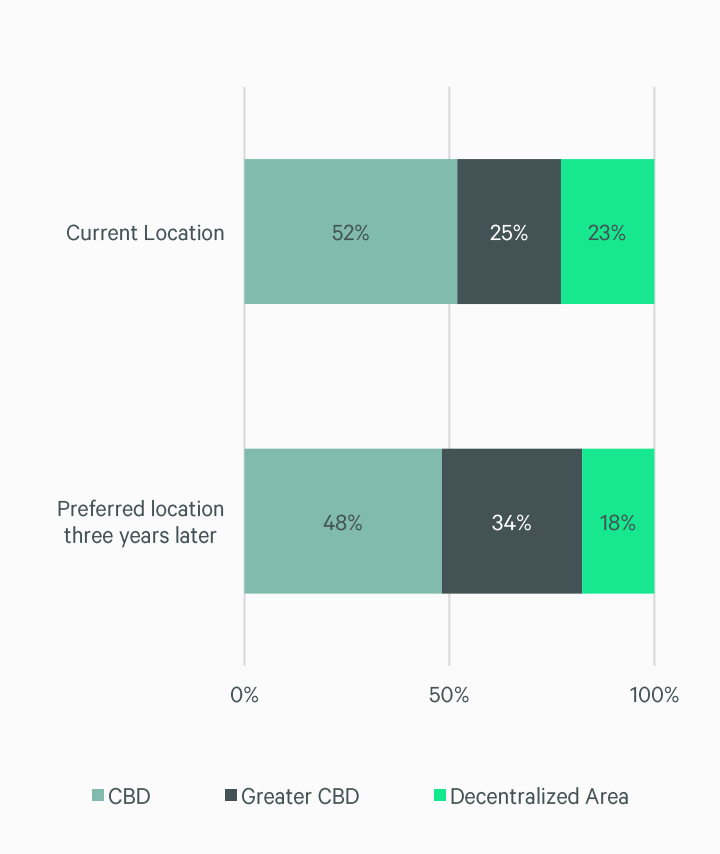
The coming years will see a boom in new office supply in the Greater CBD, especially in Pazhou and Finance City. These two submarkets will account for 44% of Guangzhou's total office stock in 2026, up from 30% in 2022.

The years from 2023-2026 will therefore provide a window of opportunity for tenants to upgrade, consolidate and expand to new emerging business hubs. **34% of respondents are considering these emerging areas as potential office destinations over the next three years, 9-pps higher than the percentage of respondents currently situated in the two districts.** The number of enterprises willing to consider the Greater CBD as a potential office location is 85% higher than that of the companies which are already situated there.

The survey uncovered some variation in the origin of firms planning to move to Pazhou and Finance City in the coming three years.

- Respondents from Zhujiang New Town prefer Finance City.
- Yuexiu-based enterprises showed more interest in relocation to either Pazhou or Finance City due to a slowdown in new supply in traditional business area.
- Compared to Finance City, Pazhou is more attractive to tenants from decentralised areas such as Panyu, Baiyun and Nansha.

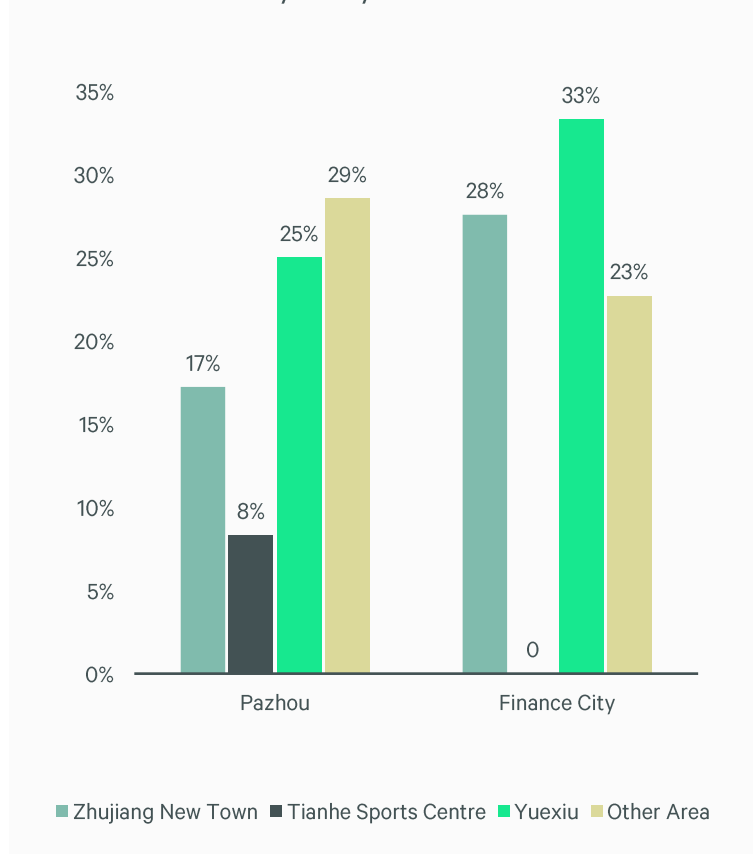
Figure 14. Percentage of companies and their favoured destinations<sup>5</sup>



Note 5: CBD refers to Zhujiang New Town and Tianhe Sports Centre; Greater CBD refers to Yuexiu, Pazhou and Finance City.

Source: CBRE Research, November 2023

Figure 15. Percentage of companies preferring to be located in Pazhou and Finance City three years from now<sup>6</sup>



Note 6: Percentages refer to the number of respondents preferring to be located in Pazhou / Finance City three years later divided by the total number of respondents in the respective location they are currently situated in.

# CBD-based tenants are most likely to not move

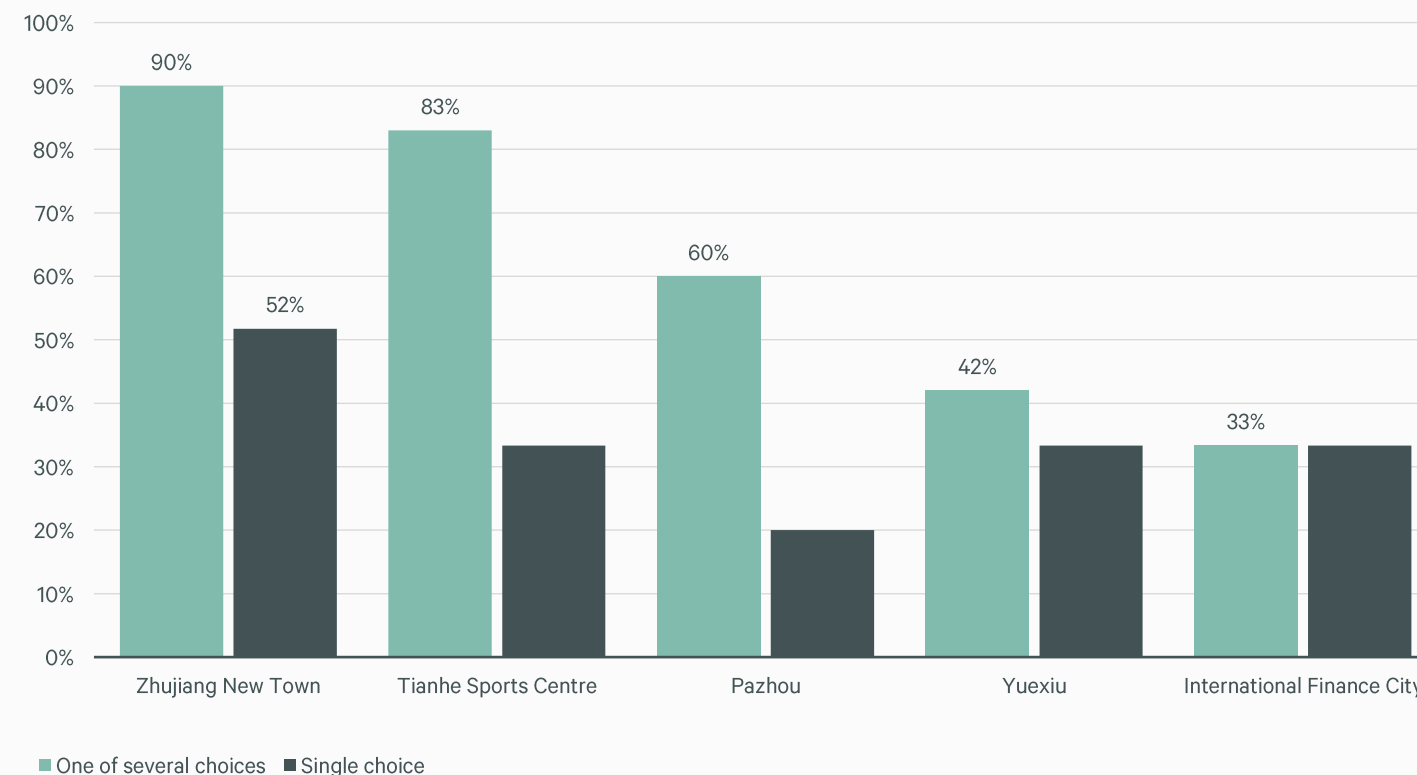
While the rise of emerging business areas may herald the onset of an era of decentralisation in the Guangzhou office market, **Zhujiang New Town and Tianhe Sports Centre remain attractive to tenants, especially to firms already based in these areas.**

When asked to name their preferred office location three years from now, some 90% and 83% of respondents in Zhujiang New Town and Tianhe Sports Centre, respectively, said they would consider remaining in their current submarket. Around 52% of respondents based in Zhujiang New Town – the highest of any submarket – selected the area as their single option, meaning that they do not have any plans to leave.

The financial and business services sectors continue to favour the CBD and Greater CBD, with Zhujiang New Town named as the preferred location over the next three years by 83% of respondents from these industries.

TMT firms' location preferences were slightly different, with 62% of such firms naming decentralised areas as their optimal office location, and 31% intending to move out of their current location to new submarkets.

Figure 16. Percentage of respondents planning to remain in their current submarket three years from now



Source: CBRE Research, November 2023

# Attractive public facilities encourage tenants to remain in current submarket

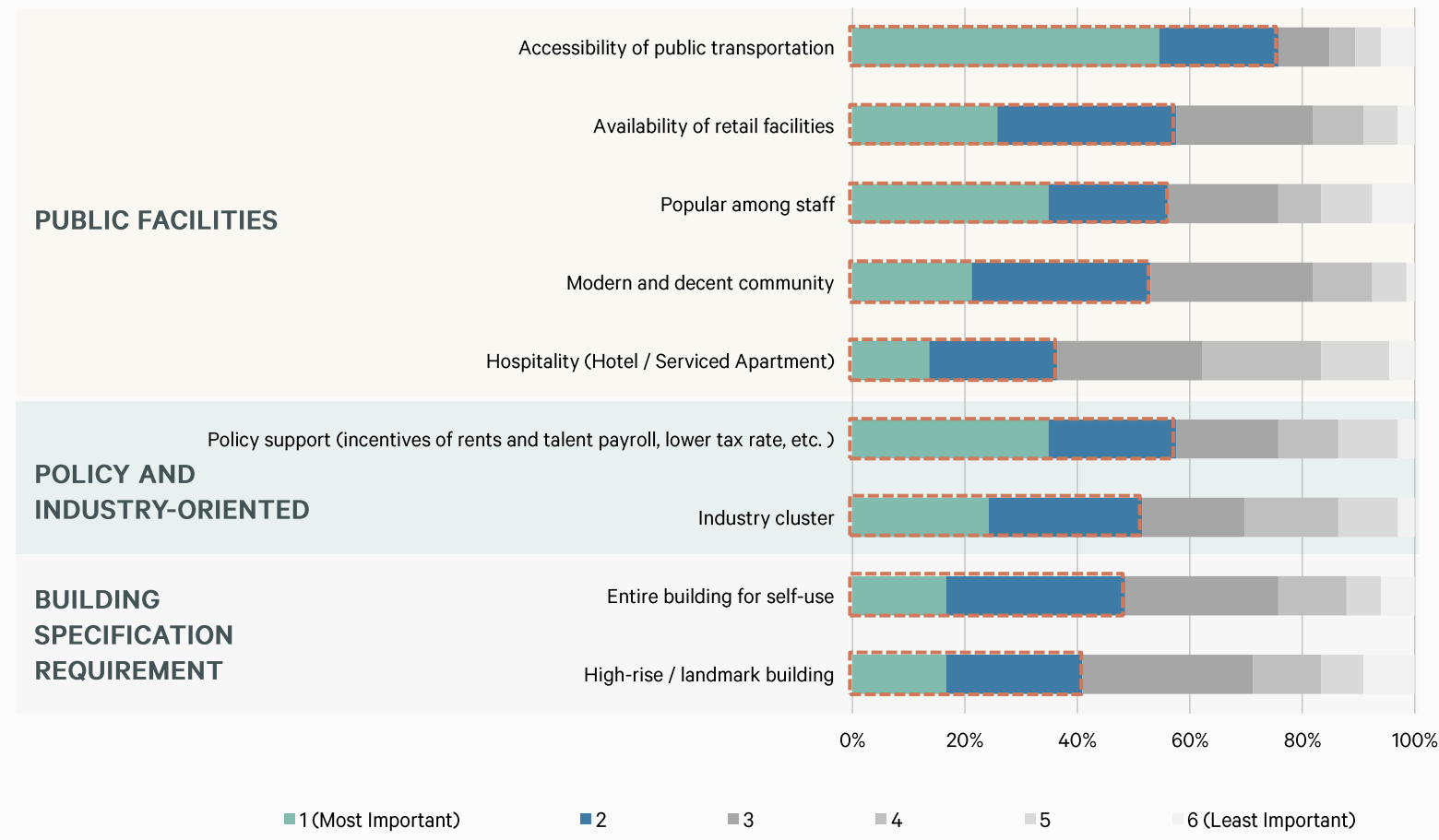
**Tenants' high levels of satisfaction with Guangzhou's CBD mainly derives from the best-in-class public facilities located in the area.**

Accessibility to public transportation and retail facilities are the two most sought-after features, selected by 76% and 58% of respondents, respectively.

The availability and quality of facilities that can support businesses is key. CBRE's 2022 China Live-Work-Shop Report found that 90% of employees working in CBD areas were satisfied with transportation and supporting facilities, significantly higher than the rate in the Greater CBD (77%) and decentralised areas (17%).

Supportive industrial policies or those hosting clusters of specific sectors were named as most sought-after features by 58% and 52% of respondents, respectively, indicating that industry-related factors are also important in decision making.

Figure 17. Most sought after sub-market features



Source: CBRE Research, November 2023

# Public facilities important for financial occupiers; government support and building specifications for TMT

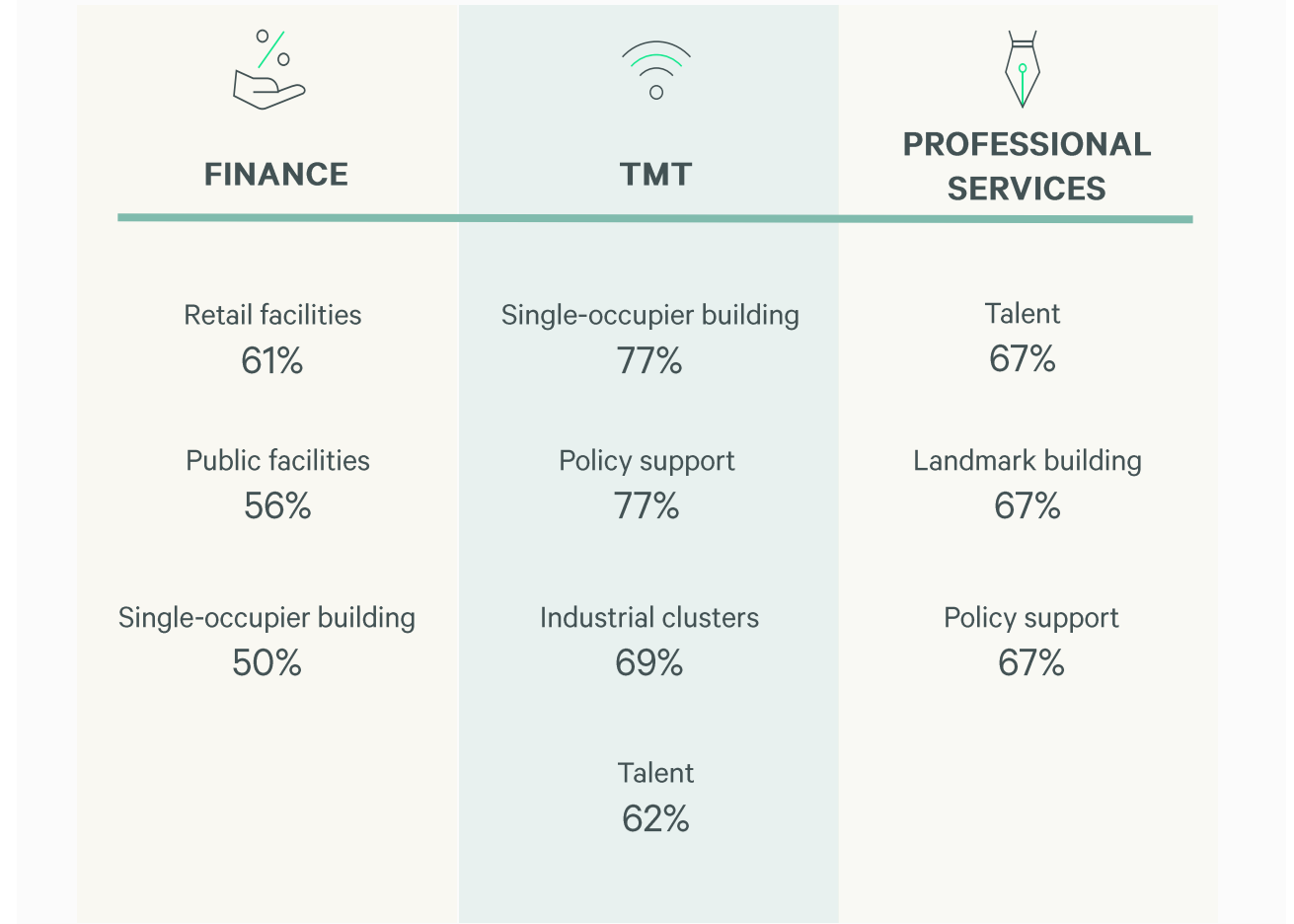
In addition to accessibility of public transportation, which was generally considered as a decisive feature by most respondents, a few sectors exhibited their own unique considerations.

Financial sector firms tend to rank the quality of public facilities more highly when making location decisions. Companies in the sector also have a preference for small standalone buildings, with 50% of such respondents selecting this feature.

More than three-quarters of TMT companies choose standalone properties as their most important criteria when evaluating potential locations. Submarkets with special government incentives and pre-existing clusters of TMT firms are most favoured by the sector. 62% of TMT enterprises ranked a location's ability to attract talent as important. CBRE believes Pazhou, Tianhe Smart City and Science City are the submarkets most suited to meeting the above requirements.

Talent attraction and the availability of a landmark building were the most sought-after features among business services companies, as firms look to boost their image and recruit talent. 67% of respondents from the sector also value locations where policy support from the government is available.

Figure 18. Most important features influencing location decisions



Source: CBRE Research, November 2023

# Recommendations for occupiers and landlords

## Leasing strategy

### Occupiers:

- ◆ Capitalise on the upcoming supply peak to complete upgrading and consolidation moves on attractive terms.
- ◆ Ensure leasing terms are flexible to cope with sudden changes in the business environment.

### Landlords:

- ◆ Prioritise tenant retention.
- ◆ Target tenants with strong growth potential, especially firms in the business services, pharmaceutical, and finance sectors.
- ◆ Offer competitive leasing terms in regard of payment, deposits, and fit-out allowances.
- ◆ Regularly renovate and upgrade lobbies and other common areas and maintain a high level of property management.

## Workplace strategy

### Occupiers:

- ◆ Provide more shared workstations to improve office utilisation and enhance flexibility.
- ◆ Optimise the amount of space allocated to collaborative and individual areas based on preferred working styles.
- ◆ Increase the number of small-size meeting rooms to facilitate collaboration and communication within small groups.

### Landlords:

- ◆ Equip properties with shared spaces as a value-add service for temporary use by tenants.
- ◆ Provide a range of office renovation services to tenants. This can also serve as an additional revenue stream.

## ESG

### Occupiers:

- ◆ Lease space in buildings with green certification.

### Landlords:

- ◆ Monitor government incentive schemes for the upgrading and renovation of aged buildings.
- ◆ Obtain green certification for new and existing properties to attract tenants and obtain rental premiums. Accept that green retrofitting may one day be compulsory.
- ◆ Create intelligent buildings that can provide key energy saving data to clients.

## Location

### Occupiers:

- ◆ Select buildings in districts where firms in similar industries are clustering.
- ◆ Move to or stay in the CBD or Greater CBD to avail of attractive rents and well-developed public facilities.

### Landlords:

- ◆ Ensure buildings in the Greater CBD offer more services including workplace renovations and community amenities to offset shortcomings in public facilities.
- ◆ Develop standalone small blocks capable of accommodating single tenants, which are especially attractive to TMT occupiers. Decentralised areas with low density land requirements in are most suitable for hosting these kinds of office buildings.

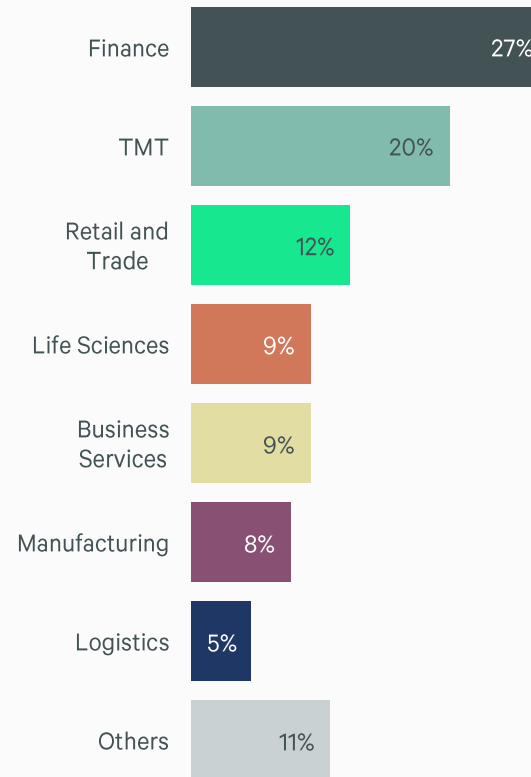
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# Survey Profile

## Survey Profile

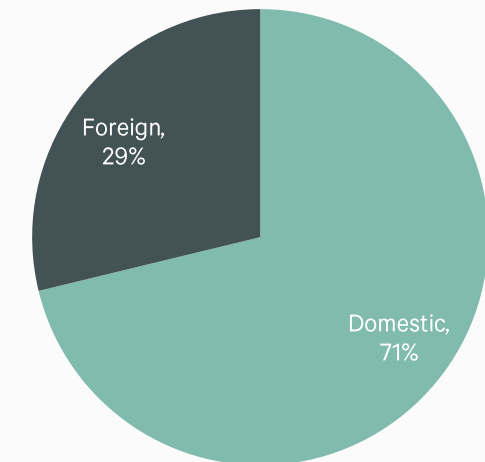
CBRE's 2023 China Office Occupier Survey was conducted from March 22, 2023, to April 21, 2023. A total of 315 respondents participated in the survey, which asked corporate occupiers a range of questions covering issues such as future portfolio planning, workplace design and improvements, and Environmental, Social and Governance (ESG) goals. This report analyses the responses from the 66 Guangzhou-based respondents who participated in the survey.

Figure 19. Responses by industry



Source: CBRE Research, November 2023

Figure 20. Responses by origins



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