2025
China Office Real Estate Market Outlook Mid-Year Review

REPORT

CBRE CHINA RESEARCH
JULY 2025

Mid-year Review and Outlook

Nationwide office demand improved in H1 2025, with net absorption for the period in line with CBRE's forecast made at the beginning of the year. However, an influx of new stock compelled landlords to cut rents in the first six months of the year to secure tenants, leading to a larger-than-expected rental decline.

TMT and consumption related industries displayed strong leasing demand. CBRE maintains its pre-existing net absorption forecast of 20% y-o-y growth for 2025.

Landlords are expected to reduce rents further in H2 2025 to drive up occupancy. CBRE has revised down its full-year rental decline forecast to 9.9%.

Figure 1: 2025 Office Market Mid-Year Outlook

	Forecast in January 2025	Forecast in July 2025		Values in H1 2025 (y-o-y change)
New supply (million sq. m.)	6.4	5.6	↓	188 (+36%)
Net absorption (million sq. m.)	2.3	2.3	→	117 (+41%)
Vacancy (%)	26.7	25.5	↓	23.8[1] (+0.3%)
Rental growth (%)	-6.7	-9.9	↓	-5.5[2] (-9.4%)

Source: CBRE Research, July 2025.

Note 1: H1 2025 actuals; Note 2: H1 2025 YTD

Office

	Forecast in January 2025	Mid-Year Review	
01	Office demand is expected to improve marginally in 2025, with occupiers displaying moderate expansionary intentions.	• Office leasing demand exhibited a gradual recovery from the bottom in H1 2025. Nationwide net absorption increased by 11% q-o-q in Q2 2025. For H1 2025, net absorption reached 1.17 million sq. m., up 41% y-o-y. While this figure was 4% higher than the average for the same period of the past five years, it was still only 64% of the average in the five years prior to the COVID-19 pandemic. Tier I cities led the rest of the country, with net absorption for H1 2025 some 19% higher than the average in the past five years, and 72% of the average in the five years before the pandemic.	✓ (Exceeded expectations)
02	Consumption and strategic emerging industrial sectors will lead incremental demand. Expansion by non-banking financial institutions is expected to stabilise and recover.	• TMT outperformed in the first six months of the year, with the volume of new leases increasing by 37% y-o-y, accounting for 28% of the total for the period. Leasing volume by AI-related tenants grew 61% over the same period, with Beijing, Shenzhen and Shanghai attracting nearly 80% of such demand. Ongoing consumption stimulus ensured retail and consumer service tenants[3] remained active. The volume of new leases by occupiers in these categories increased by 22% y-o-y, with their proportion of overall leases rising to 15% from 13%. • New leases by non-banking financial institutions increased by 15% y-o-y, underpinning a 9% y-o-y rise in the volume of new leases for the overall financial industry.	✓ (In line with expectations)
03	Occupier leasing strategy in 2025 will focus on renewal vs. relocation decisions. Occupiers will strive to achieve an optimal balance of cost, location, and quality.	• Total leasing volume of relocation, upgrading and renewal transactions exceeded 80% in H1 2025, a rise of 5 percentage points y-o-y. • Zhongguancun and Chaoyang CBD in Beijing, Financial City in Chengdu, Futian CBD in Shenzhen and Zhujiang New Town in Guangzhou comprised the five core CBD areas with the largest volume of new leases. Among emerging CBDs, Shenzhen Qianhai, Guangzhou Pazhou, Shanghai Huamu, Zhenru and Xuhui Riverside, where many new projects were completed in H1 2025, attracted a steady flow of leasing activity.	✓ (In line with expectations)
04	The rental fall will continue but the rate of decline is projected to narrow in most cities.	• During H1 2025, landlords were seen cutting rents further to attract and retain tenants while also offering greater flexibility in terms of lease restructuring and fit-out subsidies. National office rents fell by 5.5% in the first six months of the year, the largest decline since 2010.	✓ (Below expectations)

Note 3: Including consumer service and education, sports and entertainment, accommodation and F&B, retail and trade.

✓ Exceeded expectations ✓ In line with expectations ✓ Below expectations

Source: CBRE Research, July 2025.

Updates to 2025 Forecast

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Supply and Demand

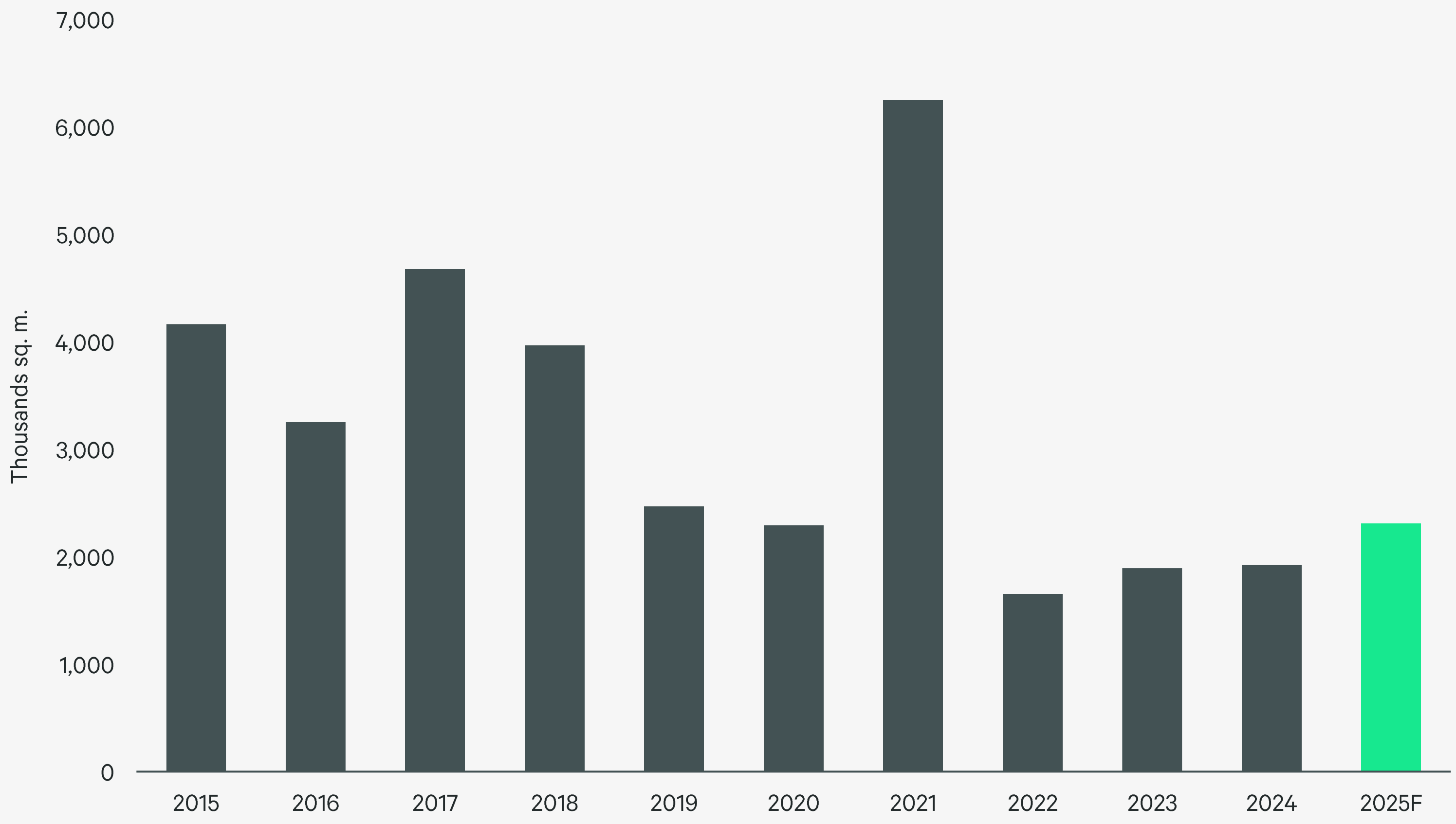
- Mainland China-based respondents to CBRE's June 2025 Asia Pacific Leasing Sentiment Survey indicated that enquiries about relocations, lease renewals and restructures accounted for nearly 80% of requests. While this was largely unchanged from six months ago, the proportion of new set-up enquiries rose slightly. Based on current market dynamics and economic fundamentals, **CBRE predicts that the pace of absorption will remain stable. We therefore maintain our previous forecast for full-year net absorption to increase by 20% y-o-y to 2.3 million sq. m..**

- Strategic emerging industrial sectors will continue to promote the recovery of office leasing demand over the remainder of the year. Newly registered enterprises of artificial intelligence and chips nationwide increased by 36% and 31% y-o-y, respectively, in H1 2025[4]. The preliminary results of CBRE's 2025 China Office Occupier Survey reveal that 28% of surveyed enterprises plan to set up new offices or expand over the next three years. Among them, **tenants from TMT and advanced manufacturing are especially optimistic (37%).** These demand drivers will continue to benefit leasing demand in tech-focused cities such as Beijing, Shanghai, Shenzhen and Hangzhou.

- Landlords are expected to delay the completion of new office stock to align with the pace of demand recovery or consider en-bloc sales of upcoming supply. CBRE has therefore revised down its full-year supply forecast by 12% to 5.6 million sq. m. With 3.7 million sq. m. of new stock coming on stream in H2 2025, an increase of 68% y-o-y, nationwide office vacancy is projected to increase to 25.5% by the end of the year.

Note 4: Data from Qichacha. Number for newly registered enterprises of artificial intelligence was as of April 2025.

FIGURE 2: National Office Demand Forecast



Source: CBRE Research, July 2025.

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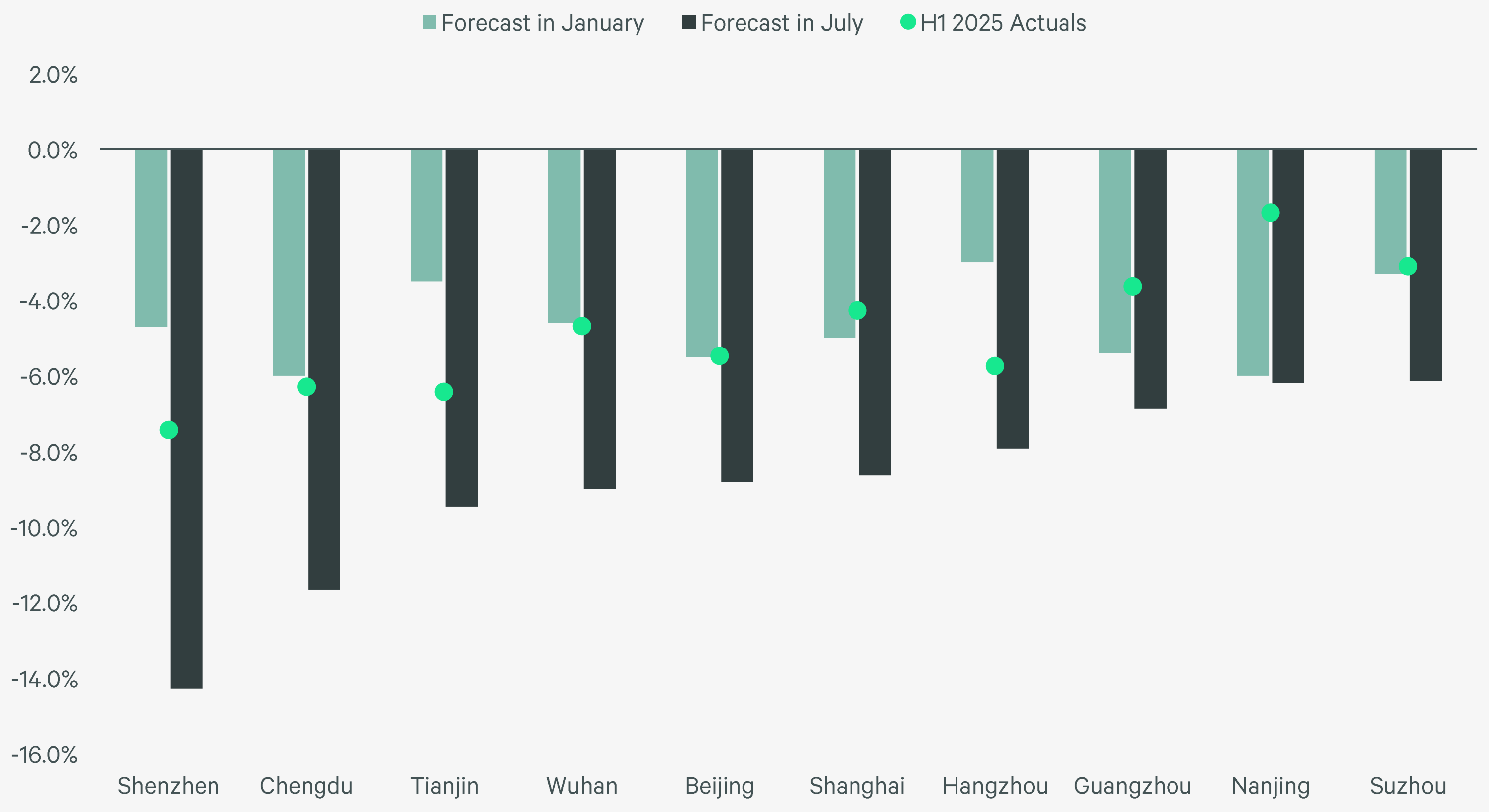
Rents

- **Cost will remain the focus of occupiers' real estate strategy in the short term.** CBRE's 2025 China Office Occupier Survey found that 76% of tenants will renew leases or relocate when landlords reduce rents, the same proportion as last year.

- The influx of 3.7 million sq. m. of new supply in H2 2025 will further intensify competition between landlords in most cities except Beijing. Despite many landlords' having already cut rents in the first six months of the year, rents will face continuous downward pressure in H2 2025. **CBRE has therefore revised down its full-year nationwide office rental forecast by 9.9% y-o-y,** 3.2 percentage points greater than the forecast made at the beginning of the year.

- With new supply set to push up the vacancy rate even further in H2 2025, the rate of rental decline in Shanghai, Shenzhen and Guangzhou is expected to mirror that seen in the first half of the year. However, the rental decline in Beijing, which is scheduled to see the completion of just one new project, is expected to lose momentum. Tier II cities will continue to witness a steady downward rental trend, with upcoming new projects exceeding 300,000 sq. m. expected to significantly accelerate the rental decline in Nanjing.

FIGURE 3: National Office Face Rents Forecast



Source: CBRE Research, July 2025.

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