

FIGURES | CHINA | Q1 2026

# Solid first quarter GDP growth underpins steady office leasing activity and upturn in retail property investment

+5.0%

GDP  
(Q1 2026, Y-o-Y)

+2.4%

Retail Sales  
(Q1 2026, Y-o-Y)

-1.7%

Fixed Asset Investment  
(Q1 2026, Y-o-Y)

Source: National Municipal Statistics Bureau, CBRE Research, April 2026

## Executive Summary

- **Office:** Net absorption increased by 7% q-o-q to 520,000 sq. m. in Q1 2026. Leasing volume involving new set up and expansion grew 24% y-o-y, reflecting improved demand momentum. New supply declined by 32% q-o-q but rose 11% y-o-y to 830,000 sq. m.. Average vacancy edged up by 0.3 percentage points q-o-q to 25%, while rents dropped by 1.9% q-o-q.
- **Retail:** Seasonal factors contributed to a pronounced slowdown in supply and demand this quarter, with new supply and net absorption in major cities declining by 80% q-o-q to 230,000 sq. m. and 160,000 sq. m. respectively. Average vacancy was stable at 7.5%. Landlords continued to offer preferential terms to secure tenants, pulling down average rents by 0.5% q-o-q.
- **Logistics:** Nationwide logistics net absorption totalled 1.25 million sq. m. in Q1 2026, a decline of 59% q-o-q and 49% y-o-y, owing to a rise in short-term lease terminations and ongoing cross-border e-commerce consolidation. New supply totalled 2.57 million sq. m.. Vacancy rose by 0.8 percentage points q-o-q to 19.4%. Average asking rents fell 2% q-o-q to RMB 26.6 per sq. m.
- **Investment:** 72 transactions totaling RMB 45.8 billion were recorded this quarter, marking a decline of over 35% y-o-y and q-o-q. However, market sentiment and value discovery strengthened as institutional activity achieved a recent peak. Investment appetite for retail properties remained robust, while core-city offices continued to be keenly sought after.

FIGURE 1: Quick Statistics

Office	q-o-q	y-t-d	y-o-y
Rent	-1.9%	-1.9%	-9.6%
Vacancy Rate	+0.3 pps.	+0.3 pps.	+1.5 pps.
Retail	q-o-q	y-t-d	y-o-y
Rent	-0.5%	-0.5%	-1.9%
Vacancy Rate	+0.0 pps.	+0.0 pps.	+0.4 pps.
Logistics	q-o-q	y-t-d	y-o-y
Rent	-1.9%	-1.9%	-11.6%
Vacancy Rate	+0.8 pps	+0.8 pps	-1.2 pps
Investment	q-o-q	y-t-d total, y-o-y	y-o-y
Total volume <sup>1</sup>	-37.9%	-39.2%	-39.2%

Note 1: Transactions include deals above US\$10 million in the office, retail, mixed, industrial, hotel and other commercial sectors  
Source: CBRE Research, Q1 2026.

### Economy registers strong first quarter growth

Despite external geopolitical volatility, China's GDP grew by 5% y-o-y in Q1 2026, a 0.5 percentage point acceleration from Q4 2025. The robust first quarter performance will provide a solid foundation for China to achieve its full-year growth target.

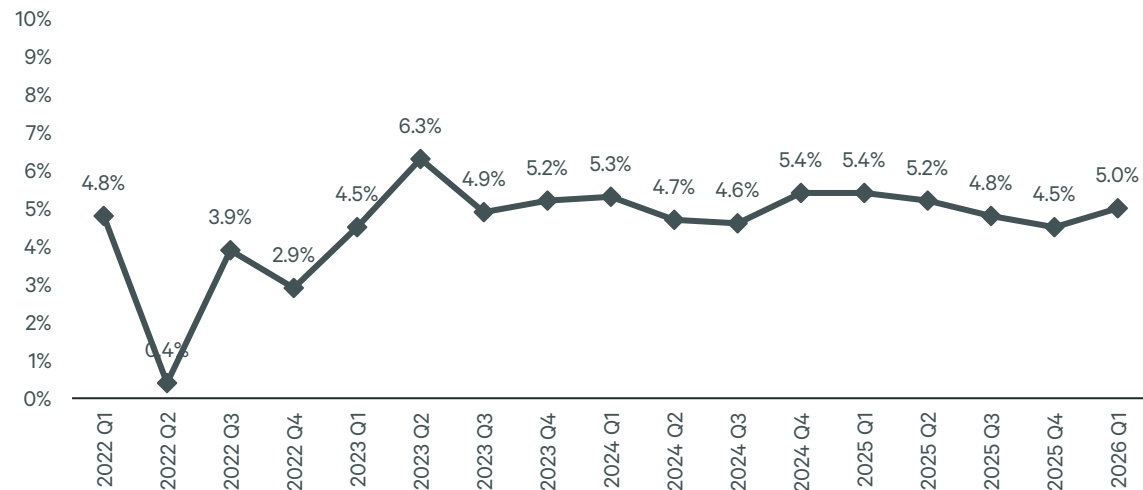
Total retail sales increased by 2.4% y-o-y in Q1 2026, up 0.7 percentage points from Q4 2025. Owing to the high base effect following the implementation of the "Trade-in" policies early last year, growth in the household appliances and furniture categories moderated to 0% y-o-y and 1.9% y-o-y, respectively. Conversely, sales growth for gold, silver, and jewellery, as well as apparel, accelerated to 12.6% y-o-y and 9.3% y-o-y, indicating strengthening momentum in discretionary consumption.

Fixed asset investment witnessed a turnaround, rebounding from a 3.8% y-o-y contraction in 2025 to growth of 1.7% y-o-y in Q1 2026. Infrastructure investment led the recovery, rising 8.9% y-o-y. The manufacturing sector reported 6.4% y-o-y growth in investment, primarily driven by the equipment and high-tech manufacturing segments. Output for 3D printing equipment, lithium-ion batteries, and industrial robots recorded robust growth of 54% y-o-y, 40.8% y-o-y, and 33.2% y-o-y, respectively.

China's foreign trade scale reached a historic high for a first quarter in Q1 2026, surging by 15% y-o-y. Export growth hit a five-year quarterly peak of 11.9%, primarily buoyed by a recovery in external demand, China's stable and reliable supply chain capabilities, and a strategic upgrading of the export structure. High-tech products demonstrated exceptional performance, with exports of electric vehicles, lithium-ion batteries, and wind turbines (including parts) surging by 77.5% y-o-y, 50.4% y-o-y, and 45.2% y-o-y, respectively.

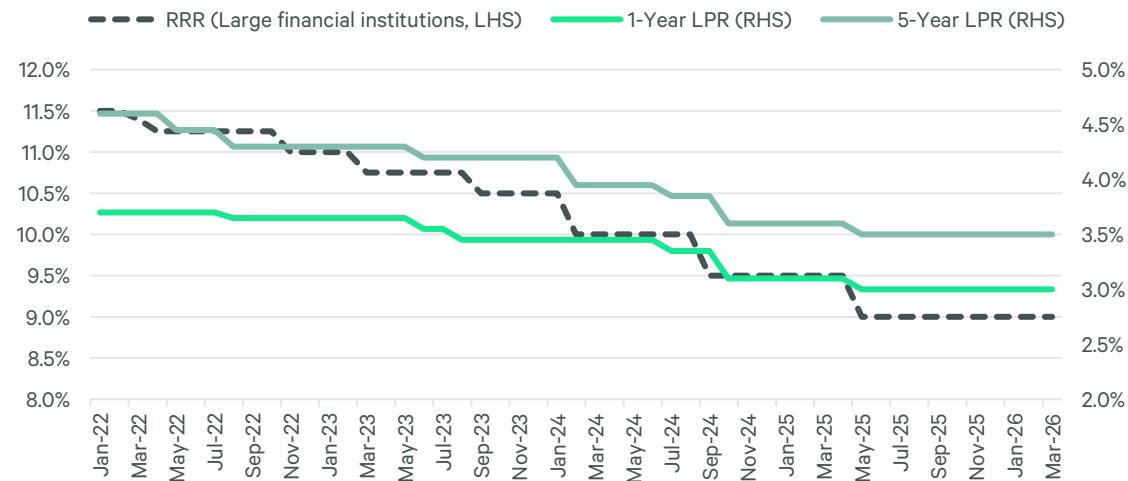
Bolstered by the implementation of supportive government policies, the commodity housing market exhibited a trend of narrowing declines and localised recovery in Q1 2026, with new residential sales even registering a "mini-peak" in March. For the first three months of the year, the sales area of newly built commodity residential properties decreased by 13.1% y-o-y, with the pace of decline narrowing by 2.8 percentage points compared to the January-February period. The March 2026 sales price index for newly built commodity housing in 70 major cities indicated that prices in the tier I cities of Beijing, Shanghai, Guangzhou and Shenzhen as well as selected tier II cities in Eastern China, have begun to stabilise on a m-o-m basis.

FIGURE 2: China GDP Growth (% Y-o-Y)



Source: National Statistics Bureau, Q1 2026.

FIGURE 3: Reserve Requirement Ratio (RRR) and 1-year Loan Prime Rate (LPR)



Source: PBoC, CBRE Research, Q1 2026.

Office

Net Absorption  
-7% y-o-y

Vacancy  
+1.5 pps. y-o-y

Rent  
-9.6% y-o-y

**Net absorption remains stable while rents continue to decline**

Nationwide office net absorption edged up by 7% q-o-q to 520,000 sq. m. in Q1 2026. Multiple large-scale transactions contributed by companies in the business service and consumer products sectors helped Shanghai achieve nearly 150,000 sq. m. of net absorption, ranking first among the cities tracked by CBRE. Major innovation hubs including Beijing, Shenzhen, Chengdu, and Hangzhou, collectively contributed 54% of total demand. Other key trends this quarter included landlords engaging in office to hotel conversions, with several deals recorded in prime locations of Shanghai, Guangzhou, Shenzhen and Chengdu.

New leasing volume increased by 7% y-o-y, while new set-up and expansion volume grew by 24% y-o-y, reflecting a marginal improvement in demand momentum.

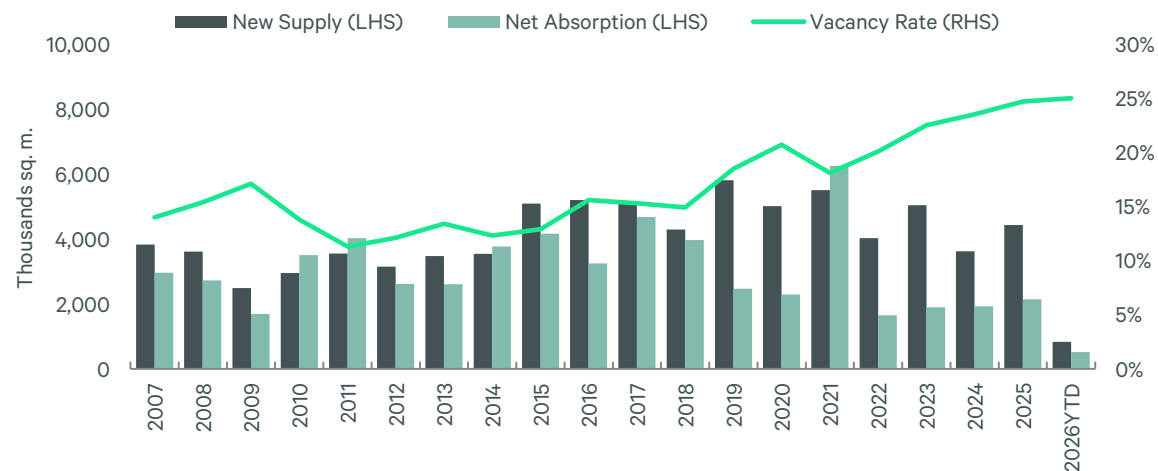
Quarterly new supply declined by 32% q-o-q but increased 11% y-o-y to 830,000 sq. m., with 90% of new stock located in east China and south China, and greater and emerging CBDs accounting for 85%.

Nationwide office average vacancy rose 0.3 percentage points q-o-q to 25% by the end of the quarter, while average rents dipped by a further 1.9% q-o-q.

**Finance and TMT remain top two demand engines; manufacturing achieves record share of leasing volume**

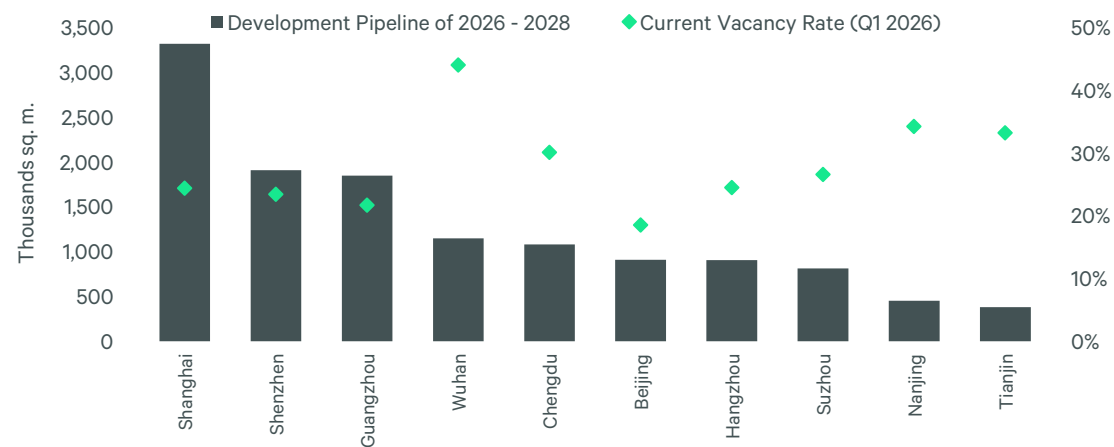
Leasing volume from finance firms rebounded in Q1 2026, ensuring the sector regained top spot in the ranking of demand drivers with a 21% share of leasing transactions. Non-banking financial institutions accounted for 88% of leasing volume, with 80% of this total involving relocations.

FIGURE 4: China Office New Supply, Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2026.

FIGURE 5: Vacancy Rate and Development Pipeline



Source: CBRE Research, Q1 2026.

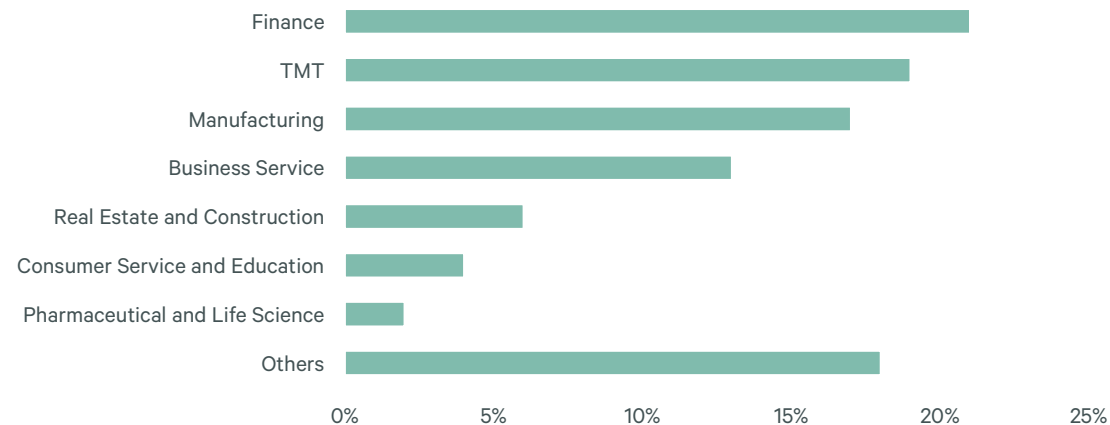
### AI firms continue to expand office footprint

The active IPO financing market and buoyant emerging sectors such as commercial real estate REITs fueled leasing activity from the securities and fund segment, with leasing volume from these categories increasing by 81% q-o-q and 18% y-o-y, respectively. These transactions were primarily recorded in Beijing Chaoyang CBD, Shenzhen Qianhai, Shanghai North Bund, Guangzhou Zhujiang New Town, Hangzhou Qianjiang Century City, and Chengdu Financial Street.

TMT accounted for 19% of leasing volume, making the sector the second biggest demand driver in Q1 2026. Leasing activity from the AI sub-sector maintained a stable upward trend, with new leasing volume growing by a further 17% y-o-y, the bulk of which was concentrated in Beijing Zhongguancun, Shenzhen Qianhai, and Guangzhou Pazhou.

The FMCG and 3C electronic products sub-sectors were active in moving to new office space, with quarterly relocation volume from these sectors increasing by 24% q-o-q and 33% y-o-y, respectively. This ensured the manufacturing sector maintained its position as the third largest contributor to demand for a second consecutive quarter, while also recording a 17% share of leasing volume, a new high.

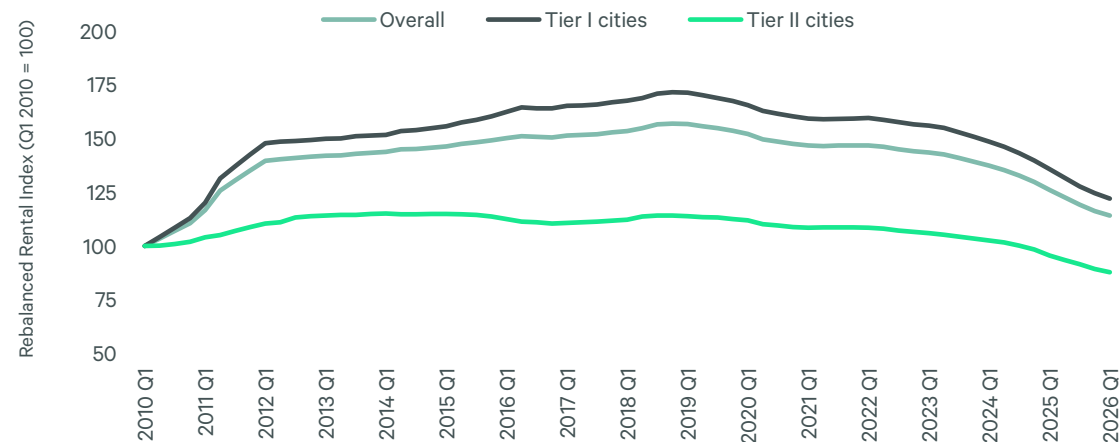
FIGURE 6: Proportion of Leased Office Space by Industry<sup>2</sup>



Note 2: Office leasing transactions include new set up, expansion, relocation and upgrading.

Source: CBRE Research, Q1 2026.

FIGURE 7: China Office Rental Index<sup>3</sup>



Note 3: China Office Rental Index calculated by nationwide office market average face rent.

Source: CBRE Research, Q1 2026.

## Retail

**Net Absorption**  
+2387% y-o-y

**Vacancy**  
+0.0 pps y-o-y

**Rent**  
-1.9% y-o-y

### Leasing slows due to weaker supply and demand but vacancy remains steady

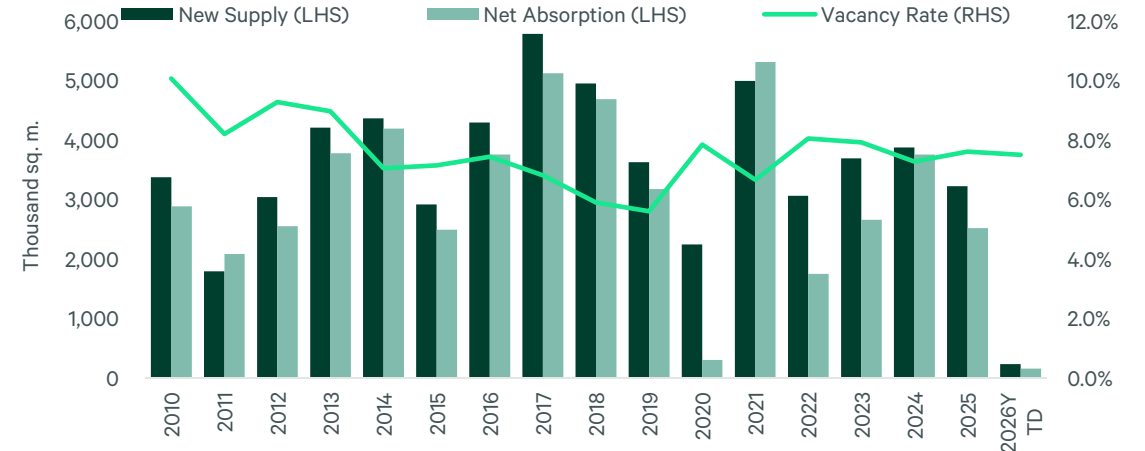
Seasonal factors contributed to a pronounced slowdown in retail supply and demand in Q1 2026, with new supply and net absorption in major cities each declining by 80% q-o-q to 230,000 sq. m. and 160,000 sq. m. respectively. Average vacancy remained stable at 7.5%. Several large-scale shopping malls remained under renovation in Shenzhen and Hangzhou, while the relatively low pre-leasing rate in new shopping malls in Shanghai and Nanjing slightly pushed up vacancy in these cities.

With retailers prioritising quality over quantity, landlords continue to attract tenants by offering preferential leasing terms. This pulled down average ground floor asking rents by 0.5% q-o-q.

### F&B demand picks up during holiday season; womenswear, electronics, and toy retailers outperform

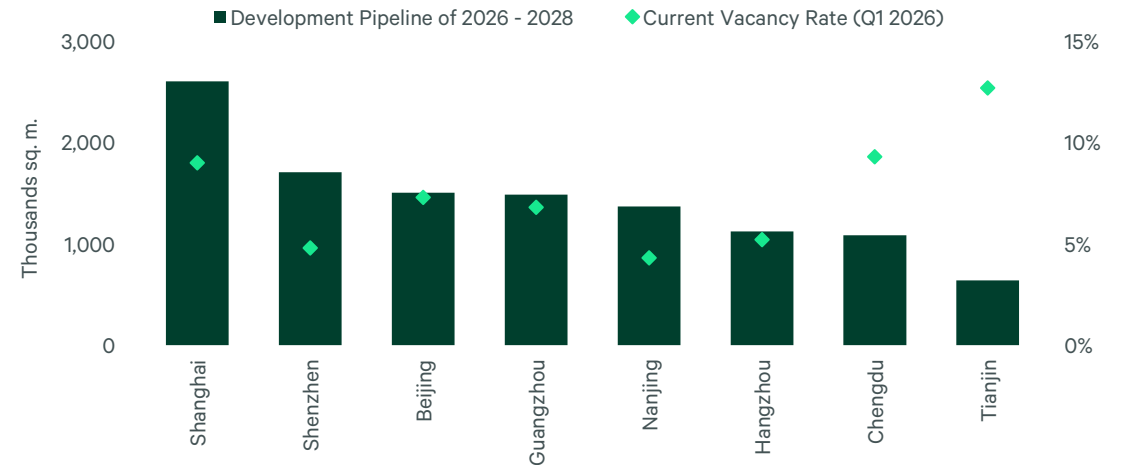
F&B sector expansion strengthened over the quarter, with new openings accounting for 49% of the total, the highest share of any sector. Coffee shops, tea outlets and Asian and local specialty cuisines led the charge. Brands such as Manner, Mo Yogurt, and Yulian Tea House all opened new stores during the period, while brands including Heytea, Yee3, and CHAGEE collaborated with cross-industry IPs to launch merchandise and limited-edition beverages, strengthening customer loyalty. Specialty dining concepts such as conveyor-belt sushi, Jiangxi, Hunan cuisine, and hot pot embarked upon a new phase of expansion this quarter, with these brands proving especially popular among consumers due to their value for money and suitability for various social occasions.

FIGURE 8: China Retail New Supply, Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2026.

FIGURE 9: Vacancy Rate and Development Pipeline



Source: CBRE Research, Q1 2026.

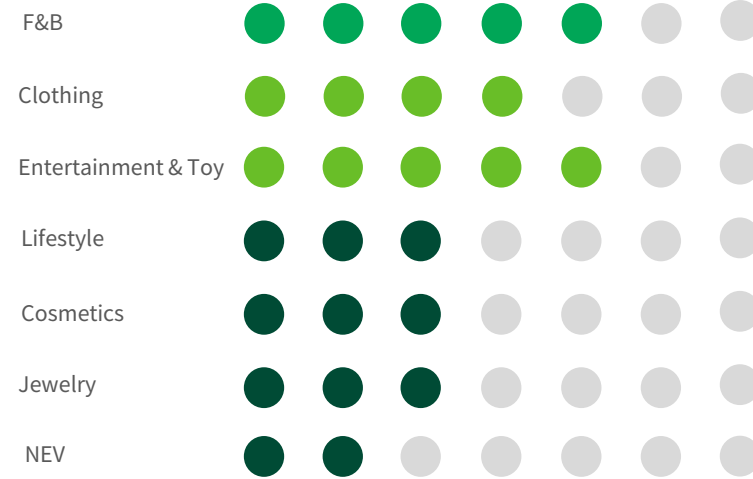
### Self-indulgent consumption trend gains momentum

Womenswear, electronics, and the goods economy underpinned new store openings in the retail sector, accounting for 40% of the total. Korean and domestic women’s apparel brands such as mmlg, One Moment, and DAZZLE opened new stores in Shanghai, Guangzhou, Chengdu, Hangzhou, and Nanjing, respectively. Other highlights included French brand Lemaire, known for its luxury and minimalist aesthetic, opening its first flagship stores in Beijing’s Sanlitun Taikoo Li and Shanghai’s Wukang Road.

Growth in “self-indulgent consumption” is fuelling the expansion of smart imaging products such as DJI and insta 360, which combine technological features with outdoor sports applications. In Q1 2026, DJI opened a total of 19 stores across eight major cities, while insta 360 opened nine stores, including its largest flagship store globally at Shenzhen Uniwalk Qianhai, which saw extremely high foot traffic on its opening day.

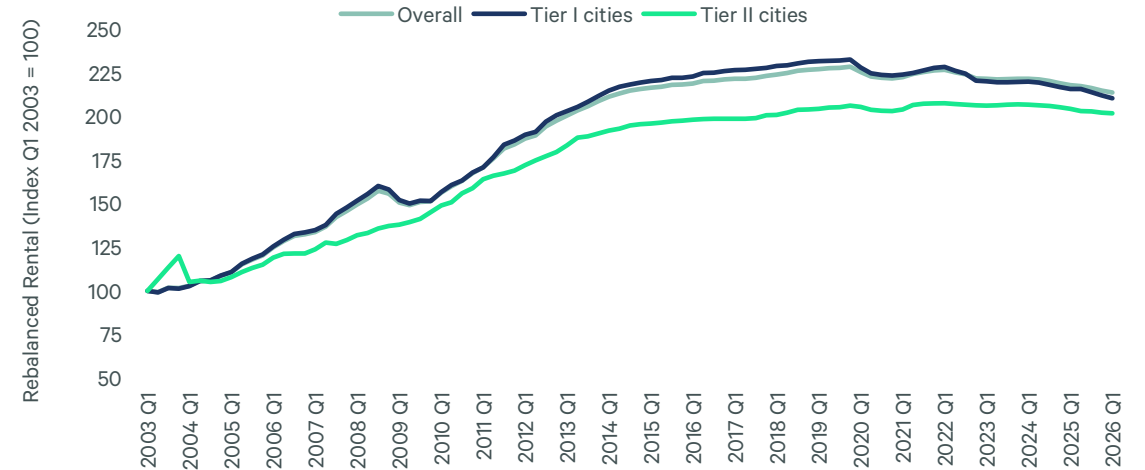
Goods economy brands such as Pop Mart, TOP TOY, Miniso Friends, and Sanrio continued to expand into prime districts in major cities this quarter. Other activity involved new stores set up by retailers in experiential sectors such as medical aesthetics, wellness, and fitness.

FIGURE 10: New Store Opening Momentum by Trade Category



Source: CBRE Research, Q1 2026.

FIGURE 11: China Shopping Mall Ground Floor Rental Index<sup>4</sup>



Note 4: China shopping mall ground floor rental index calculated by nationwide shopping mall average asking rent. Source: CBRE Research, Q1 2026.

## Logistics

Net Absorption  
-49.1% y-o-y

Vacancy  
-1.2% y-o-y

Rents  
-11.6% y-o-y

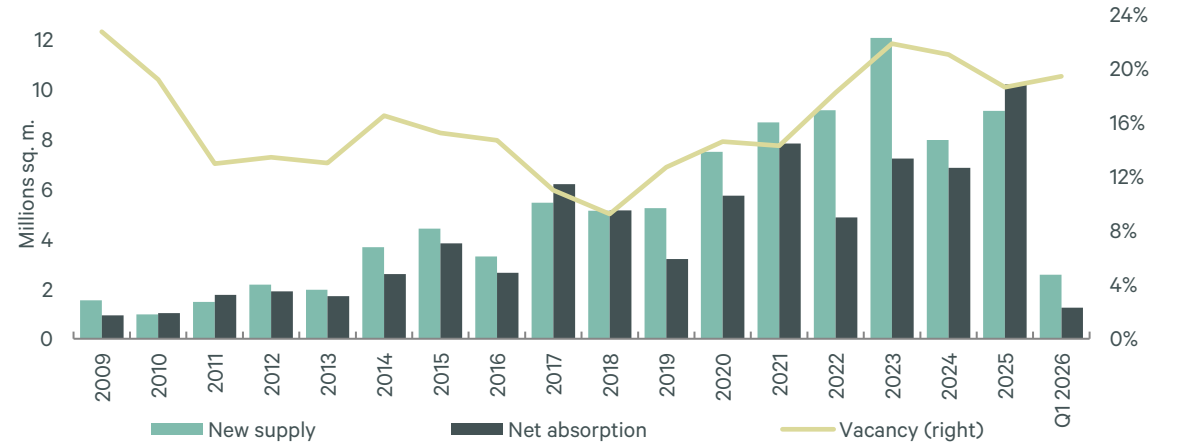
### Net absorption drops sharply due to short-term lease terminations and cross-border e-commerce consolidation

Nationwide logistics net absorption totalled 1.25 million sq. m. in Q1 2026, marking declines of 59% q-o-q and 49% y-o-y. The period witnessed further consolidation in the cross-border e-commerce segment, leading to a significant drop in net leasing area. During the quarter, Shein vacated 350,000 sq. m. in Huizhou and consolidated its operations into its self-built park in Zhaoqing, while Temu vacated a small facility in Guangzhou while leasing two new warehouses in Foshan.

3PLs accounted for the largest share of new leasing volume at 42.2%, an increase of 40% from the same quarter of 2025. Within this sector, supply chain logistics firms exhibited robust growth driven by the manufacturing and consumer goods sectors, with numerous new leases signed this quarter by supply chain service providers in the chemical, auto parts, and consumer goods industries. While logistics for general e-commerce remained active, lease terminations due to consolidation and restructuring increased significantly compared to last year. In addition to seasonal factors, the waning effect of government subsidies was another contributing factor to this quarter's slower leasing volume. Although a new round of subsidies for 2026 has been disbursed, the incremental impact has been limited. Sales of household appliances and furniture were flat at 0% y-o-y and grew by 1.9% y-o-y this quarter, respectively, compared to growth of 19.3% y-o-y and 18.1% y-o-y, respectively, during the same period of 2025. Sluggish growth in the home appliance and furniture sectors led to temporary lease terminations nationwide, with cities on the outskirts of tier I cities including Tianjin, Kunshan, Jiaxing, and Changshu particularly hard hit.

The manufacturing sector's share of new leasing volume rose to 20%, with the automotive industry remaining the largest tenant group. During the quarter, new leases were signed by new energy vehicle and traditional automotive manufacturers in Beijing, Shanghai, and Chongqing, for purposes including delivery centres and auto parts warehouses. In addition to the automotive sector, this quarter also saw several large-scale new leases for robotics and 3D printing.

FIGURE 12: China Warehouse Net Absorption, Completions and Vacancy (million sq. m.)



Source: CBRE Research, Q1 2026.

FIGURE 13: Logistics Vacancy Rate in major cities



Source: CBRE Research, Q1 2026.

### New logistics stock concentrated in south China

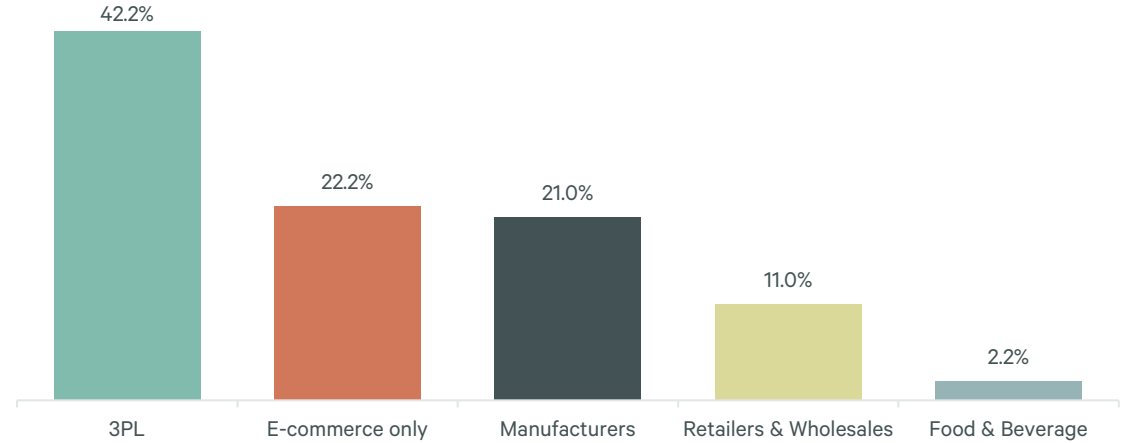
New supply this quarter totaled 2.57 million sq. m., remaining flat y-o-y but down 23% q-o-q. Of this figure, 74% was in south China. East China saw no new supply added for the first time since 2009.

Nationwide vacancy rose by 0.8 percentage points q-o-q to 19.4%. In south China, the vacancy rate surged significantly from 11.4% at the end of last year to 17.9 by the end of Q1 2026, while east China reported lower vacancy for a fourth consecutive quarter. Cities with single-digit vacancy rates nationwide include Ningbo, Chongqing, Chengdu, and Qingdao.

### Quarterly decline in rents continues to narrow

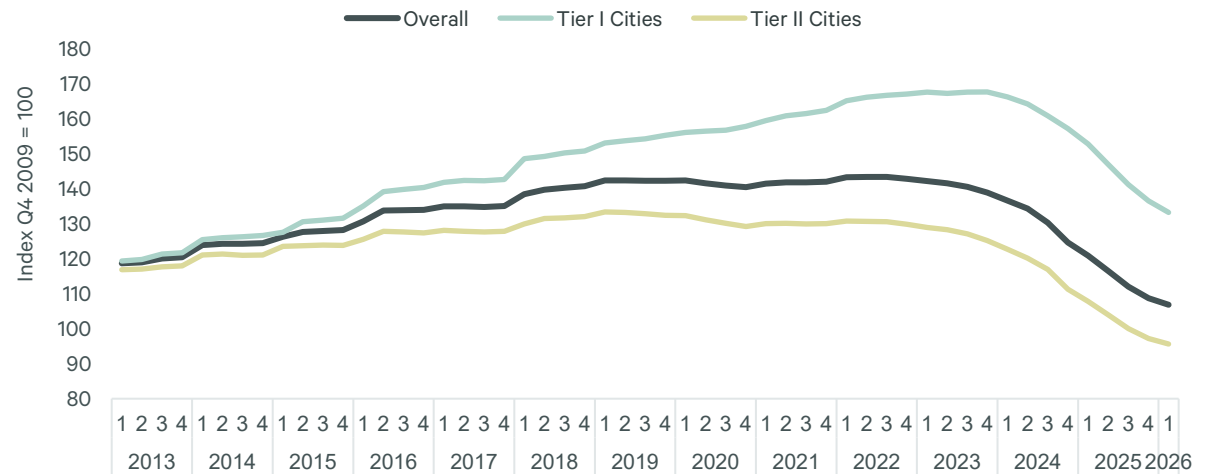
National average asking rents fell to RMB 26.6 per sq. m. per month in Q1 2026, down 2% q-o-q and 11.7% y-o-y, with the q-o-q decline continuing to narrow compared to the previous quarter. Rent declines narrowed in all regions this quarter except South China.

FIGURE 14: Proportion of Leased Logistics Space by Industry



Source: CBRE Research, Q1 2026.

FIGURE 15: China Industrial Rental Index



Source: CBRE Research, Q1 2026.

## Investment

Investment Turnover  
-39.2% y-o-y

Investment Turnover  
-37.9% q-o-q

### Investment volume contracts despite institutional activity hitting recent high

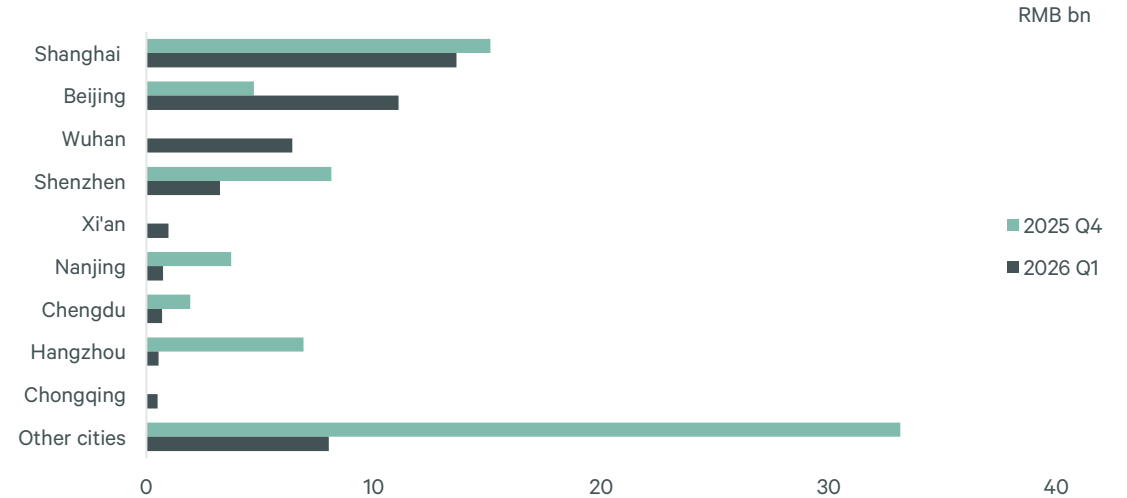
A total of 72 commercial real estate investment transactions with a combined value of RMB 45.8 billion were recorded in Q1 2026, representing declines of over 35% y-o-y and q-o-q. However, market sentiment and value discovery strengthened over the quarter. Investment-motivated buyers contributed RMB 20.9 billion to total investment volume, a rise of 25% q-o-q. Institutional investors were particularly active, with quarterly transaction volume reaching RMB 17.6 billion, the second-highest level since 2023.

### Robust buying momentum seen in retail sector; strong focus on core-city offices

Investment appetite for retail properties remained healthy this quarter. Driven by several large-scale portfolio deals, quarterly investment volume in the sector reached RMB 21.2 billion, a 62% increase q-o-q and accounting for 46% of total investment volume. Major deals included the acquisition of an IKEA Livat portfolio by GoHigh Capital and several insurers, as well as joint investment in a China Resources MixC portfolio by China Asset Management and CITIC Goldstone Fund. Office transactions totalled RMB 10.6 billion, with demand heavily concentrated in core cities. Beijing, Shanghai, and Shenzhen collectively contributed 96% of office investment volume, signaling flight to quality and a strong focus on core locations.

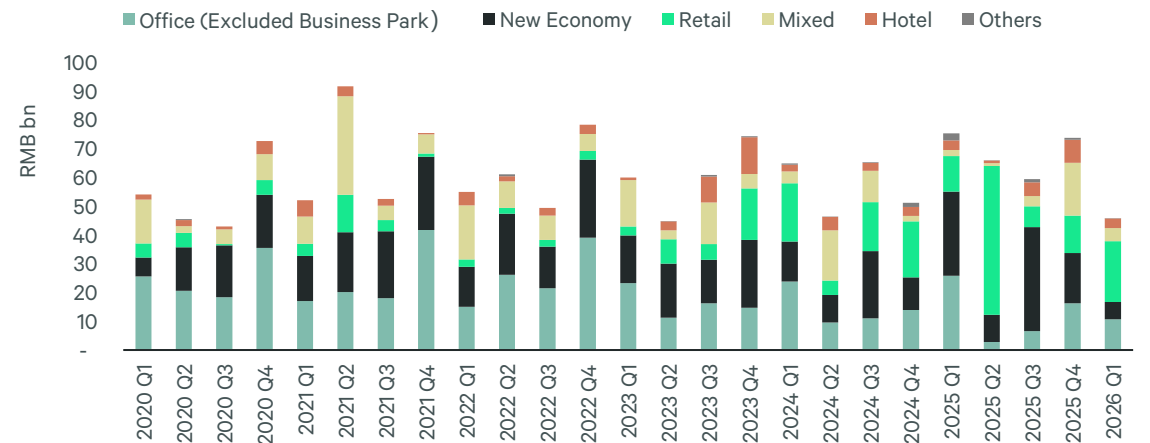
The new economy sector recorded approximately RMB 6 billion in investment volume, or 13% of the total. Rental housing contributed RMB 2.5 billion, with key deals including China Life Capital's acquisition of the Shanghai Cozi Yangpu portfolio and CDH Investments' purchase of Shanghai Suhe Base. The logistics sector contributed RMB 1.3 billion, with assets traded this quarter primarily located in east China, such as CTF Enterprises' acquisition of TPG's Yangtze River Delta logistics portfolio.

FIGURE 16: Transaction Volume by Market<sup>5</sup>



Note 5: Transactions include deals above US\$10 million in the Office, Retail, Mixed, Industrial, Hotel and Other commercial sectors.  
Source: CBRE Research, RCA, Q1 2026.

FIGURE 17: Transaction Volume by Sector<sup>6</sup>



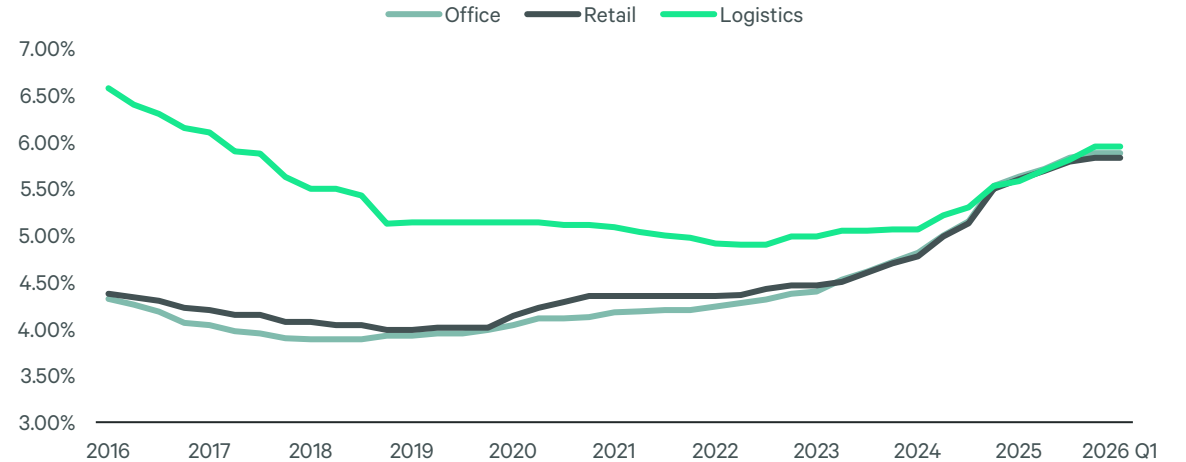
Note 6: New economy sector includes logistics, business parks, residential for income generating, data centres, cold storage and self storage.  
Source: CBRE Research, Q1 2026.

### Cap rates reach high-level plateau

In the securitisation market, 16 commercial real estate REITs were filed this quarter. The proposed fundraising volume of RMB 60 billion accounts for 52% of the cumulative issuance of all asset-backed REITs. Furthermore, 11 inter-institutional real estate REITs with a total value of RMB 24.5 billion were approved during Q1 2026. While the acceleration of asset securitisation will facilitate capital recycling for investors, it has also created a degree of capital diversion from the private equity market in the short term.

Investment intent is trending upward as a floor for asset prices begins to emerge. Following a four-to-five-year upward trajectory, average cap rates across all asset classes in tier I cities have entered a high-level plateau phase.

FIGURE 18: Tier I Cities Average Net Yields



Source: CBRE Research, Q1 2026.

## Outlook

### OFFICE

Office leasing market performance in Q1 2026 was characterised by strong momentum from the technology, consumption and finance sector. The strong start to the year has led CBRE to maintain its forecast for full-year net absorption to achieve moderate growth of 10%~15%, reaching around 2.4 million sq. m..

Around 4 million sq. m. of new stock is expected to be released over the next three quarters. The continuation of a short-term supply-demand imbalance will continue to weigh on rents, leading to a forecasted full-year decline of 8%, a narrower fall than 2025. Rents in major cities are projected to decline by 4%~13%.

Nationwide new office development starts during the 14th Five-Year Plan fell by 56% y-o-y compared to the 13th Five-Year Plan. Supply is expected to gradually decline by 2027, creating an improved supply-demand dynamic.

### RETAIL

With around 4.2 million sq. m. of new shopping mall supply set to open this year, competition for tenants will remain intense. Other factors compelling property owners to offer attractive terms to attract and retain tenants include the limited recovery in consumption sentiment; retailers' pursuit of expansion with consolidation; and the numerous properties currently undergoing and trade mix restructuring. Vacancy is projected to rise to 8.5% by year's end while rents are forecasted to continue to decline slightly.

The accumulation of resources in prime areas of tier I cities, coupled with local government incentives to attract flagship stores and first movers, will continue to underpin the resilient performance of leading shopping malls in Shanghai's and Beijing's core retail districts. Rents in these two cities are therefore expected to stabilise before other markets. Elsewhere, trade mix restructuring in shopping malls across cities including Guangzhou, Shenzhen, and Chengdu will continue to weigh on rents in the short term.

### LOGISTICS

Although export growth was robust in Q1 2026, reaching 14.7%, the high base effect and the Middle East conflict meant growth fell to 2.5% in March. The Middle East conflict and the ongoing consolidation of the cross-border e-commerce sector are expected to continue to weigh on demand for high-standard warehouses. On the supply side, approximately 6.8 million sq. m. of new stock is expected to enter the market over the next three quarters, with nearly 70% located in south China and north China. South China, impacted by both supply and demand pressures, will continue to face significant downward pressure in rents. Rental declines in other regions will narrow by varying degrees compared to last year. CBRE forecasts the national average rental decline will narrow to around 7% in 2026, with the vacancy rate hovering at around 19%.

### INVESTMENT

With cap rates stabilising at high levels, investment sentiment is expected to gradually improve. Sectors benefiting from structural trends, such as data centres and rental housing, as well as operation-driven retail assets and logistics facilities hitting a cyclical turning point, will remain investors' primary focus.

Recent market dynamics indicate an increased appetite among investors for bottom-fishing core-city offices and hotels. This coincides with increasing government support for revitalising stagnant assets. Authorities in Shenzhen recently introduced "Implementation Measures for Functional Conversion of Existing Non-Residential Buildings", while Shanghai hosted exchange activities focused on the renovation and upgrading of commercial office buildings. These policy shifts are expected to create new investment opportunities in urban renewal while helping to improve the supply-demand balance in the office leasing market.

## Rental Cycle

FIGURE 19: China Office Rental Cycle Q1 2026

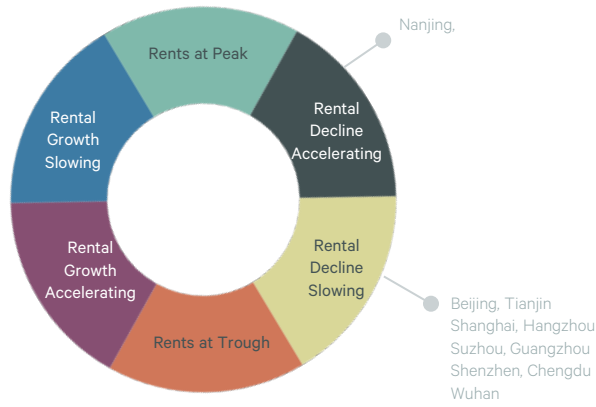


FIGURE 20: China Retail Rental Cycle Q1 2026

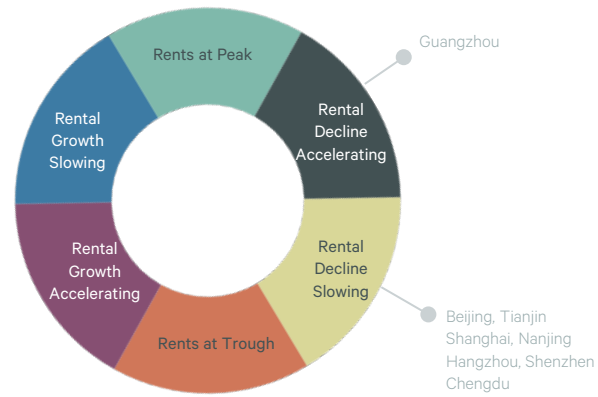
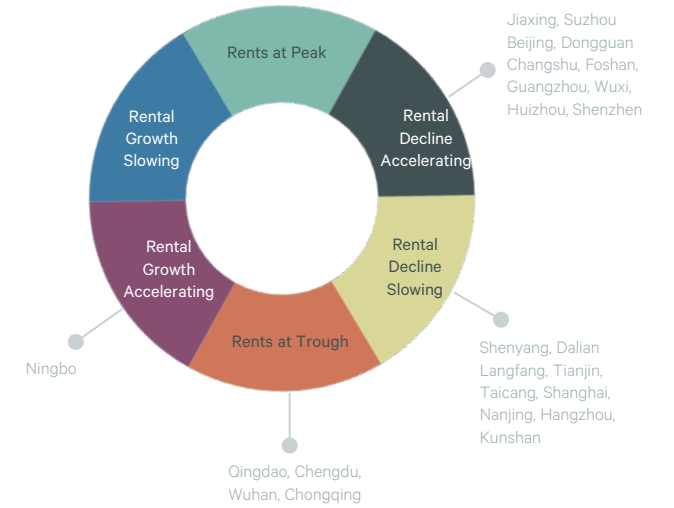


FIGURE 21: China Logistics Rental Cycle Q1 2026



\* Office cycle calculated by citywide face rent, retail shopping mall cycle calculated by citywide shopping mall ground floor asking rent, logistics cycle calculated by citywide asking rent.  
Source: CBRE Research, Q1 2026.

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