Leasing demand accelerates as investment volume sets new first-half record

+4.7%	+1.3%	-5.7%
GDP (H1 2026, Y-o-Y)	Retail Sales (H1 2026, Y-o-Y)	Fixed Asset Investment (H1 2026, Y-o-Y)

Source: National Municipal Statistics Bureau, CBRE Research, July 2026.

Executive Summary

- **Office:** Nationwide net absorption reached 570,000 sq. m. in Q2 2026, a rise of 9% q-o-q. New set-up and expansion volume grew nearly 30% y-o-y, underpinned by marginal increases in demand. New supply reached 850,000 sq. m., flat q-o-q but a drop of 24% y-o-y. Average vacancy was largely unchanged at 25%. The nationwide average rental index fell 2.2% q-o-q, closing out H1 2026 with a 4.0% decline, narrowing by 1.6-pps. y-o-y.
- **Retail:** New nationwide shopping mall supply totalled 700,000 sq. m., slightly below the previous quarter's figure. Average vacancy edged down 0.1-pps. q-o-q to 7.5%. Average ground-floor rents fell 0.5% q-o-q, bringing the H1 2026 decline to 1.0%.
- **Logistics:** Nationwide logistics net absorption reached 2.73 million sq. m. a rise of 119.6% q-o-q. Third-Party Logistics (3PL) tenants accounted for 54% of new leasing, driven by seasonal e-commerce promotions and upgrading and consolidation in South China. New supply remained elevated at 2.13 million sq. m. while rents fell 2.5% q-o-q nationwide.
- **Investment:** A total of 109 commercial real estate investment transactions worth a combined RMB 83.9 billion were completed in Q2 2026, a rise of 39% q-o-q. Investment volume for H1 2026 reached RMB 144.2 billion, setting a new record for a first half period.

FIGURE 1: Quick Statistics

Office	q-o-q	y-t-d	y-o-y
Rent	-2.2%	-4.0%	-9.0%
Vacancy Rate	+0.0 pps.	+0.3 pps.	+1.2 pps.
Retail	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-0.5%	-1.0%	-2.2%
Vacancy Rate	-0.1 pps.	+0.0 pps.	+0.1 pps.
Logistics	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-2.5%	-4.4%	-10.5%
Vacancy Rate	-0.9 pps	-0.2 pps	-0.9 pps
Investment	**q-o-q**	**y-t-d total, y-o-y**	**y-o-y**
Total volume[1]	+39.2%	+1.9%	+26.5%

Note 1: Transactions include deals above US$10 million in the office, retail, mixed, industrial, hotel and other commercial sectors
Source: CBRE Research, Q2 2026.

Economy

China's GDP grew by 4.7% y-o-y in H1 2026, remaining within expectations. Q2 2026 growth slowed to 4.3% y-o-y and 0.9% q-o-q, however, as the economy continued to face structural headwinds from supply-demand imbalances. Counter-cyclical macro policy support is therefore expected to be stepped up in the coming months.

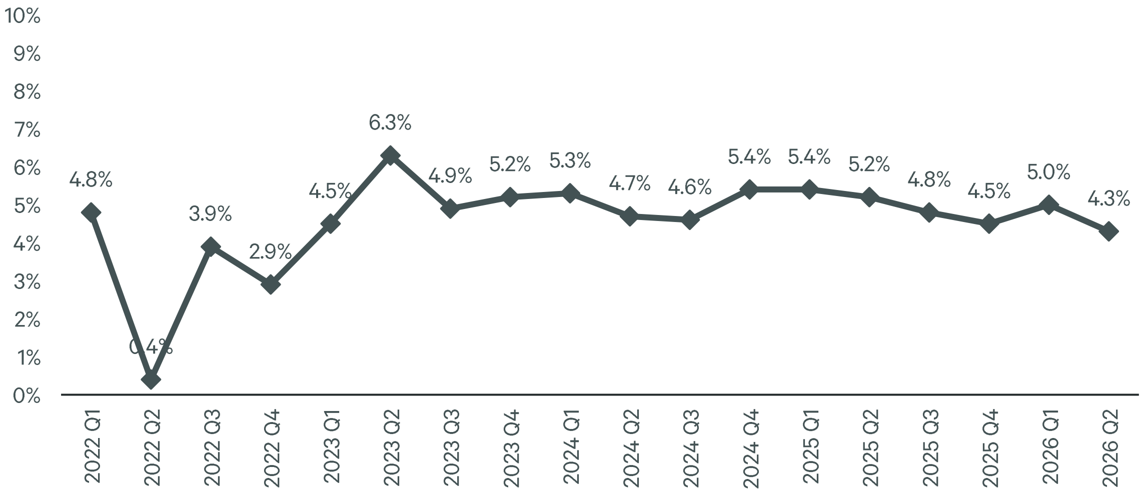
China's total trade volume exceeded RMB 25 trillion for the first time in H1 2026, a rise of 16.9% y-o-y. Trade growth of 18.4% y-o-y in Q2 2026 was the strongest single-quarter reading since Q3 2021. The country's export mix continued to shift toward advanced manufacturing, with integrated circuits, automobile and high-tech product exports rising 34.2% y-o-y, 69.6% y-o-y and 52.2% y-o-y, respectively, over the same period.

Retail sales growth returned to positive territory in June, rising 1.0% y-o-y. This brought first-half growth to 1.3%, indicating still-subdued overall consumer spending. Categories benefiting from prior government subsidies, including home appliances, furniture and automobiles recorded negative growth due to a high base effect. Sales for mobile devices, apparel and cosmetics posted growth of 14.4% y-o-y, 6.7% y-o-y and 6.3% y-o-y, respectively, pointing to a moderate pickup in discretionary consumption.

Manufacturing upgrading and AI continued to propel economic growth in the first six months of the year. High-tech manufacturing value-added rose 13% y-o-y in H1 2026, while equipment manufacturing grew 9.3% y-o-y over the same period, driving rapid fixed asset investment growth in integrated circuits, electronic specialty materials and lithium batteries.

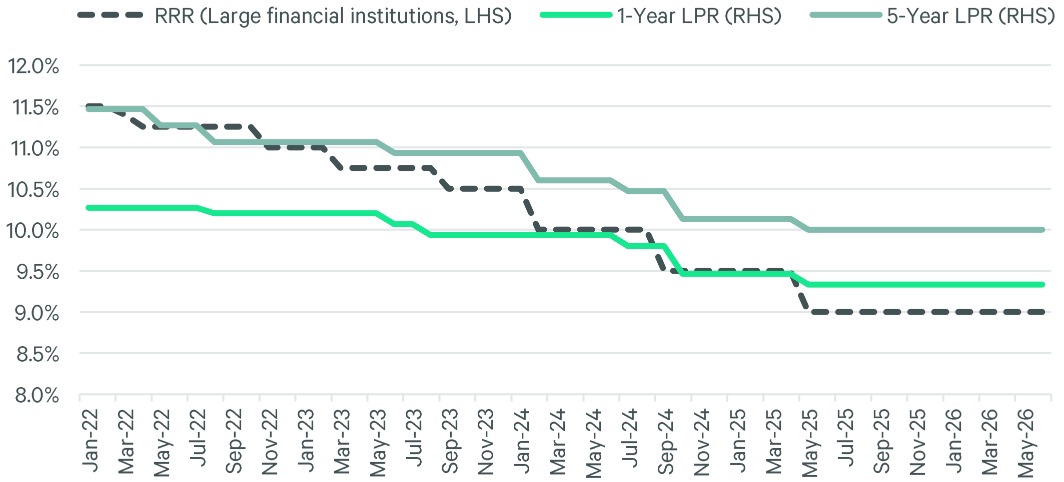
While the residential sector remained subdued, early stabilisation signals are emerging. Real estate development investment fell 18% y-o-y in H1 2026 while and new residential sales area and value declined 11.6% and 13.6% y-o-y, respectively. However, secondary market transaction area rose 10.2% y-o-y. Tier I cities are spearheading price stabilisation, with both new and second-hand residential prices recording steady growth over the past four months.

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



Source: National Statistics Bureau, Q2 2026.

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



Source: PBoC, CBRE Research, Q2 2026.

Office

Net Absorption
-7% y-o-y

Vacancy
+1.2 pps. y-o-y

Rent
-9.0% y-o-y

Rental decline narrows amid sustained recovery in leasing demand

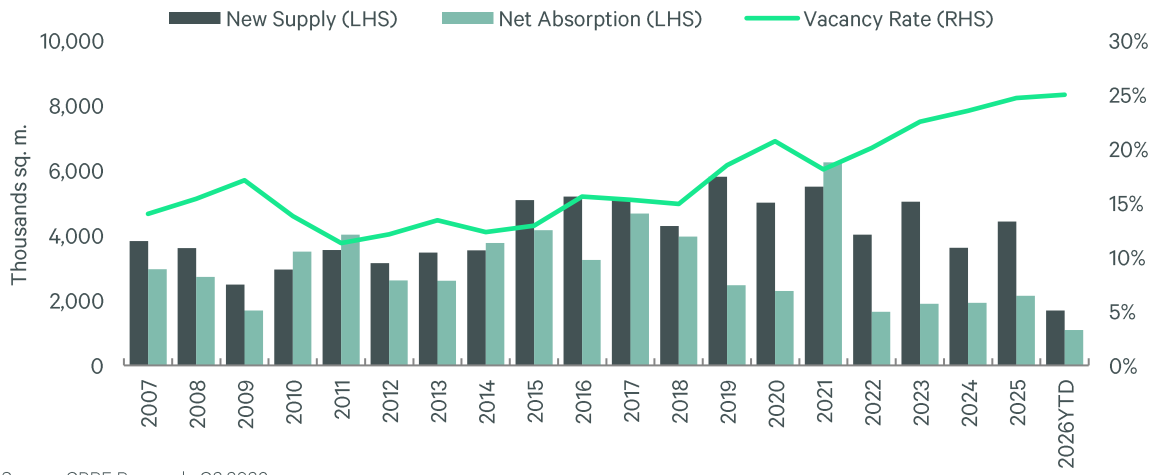
Nationwide net absorption reached 570,000 sq. m. in Q2 2026, a rise of 9% q-o-q. Shanghai and Beijing recorded growth in net absorption for a fourth consecutive quarter, while Hangzhou, Chengdu and Wuhan posted their highest net absorption for a second quarter period in five years. Shenzhen was the lone exception, recording negative net absorption as several tech giants relocated to self-built headquarters. Net absorption totalled 1.09 million sq. m. in H1 2026, on par with the level recorded in H1 2025. New leasing volume rose 12% y-o-y in the first six months of the year, with new set-up and expansion volume growing nearly 30% y-o-y, underpinned by marginal increases in demand.

New supply reached 850,000 sq. m. in Q2 2026, flat q-o-q but a drop of 24% y-o-y. Over 90% of new projects added this quarter were in cities in the south and east. 83% of new stock was contributed by greater and emerging business districts such as Shenzhen Houhai, Guangzhou International Finance City, Hangzhou Qianjiang Century City and Shanghai Huamu. Nationwide new supply totalled 1.69 million sq. m. in H1 2026, a decline of 10% y-o-y. Average vacancy was largely unchanged at 25%. The nationwide average rental index fell 2.2% q-o-q, closing out H1 2026 with a 4.0% decline, narrowing by 1.6-pps y-o-y.

TMT returns as top demand driver aided by AI and tech expansion

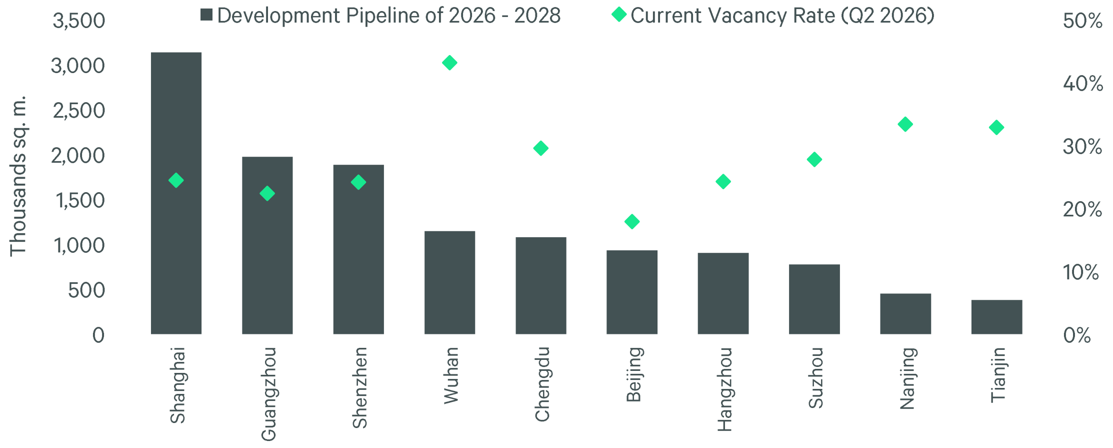
TMT accounted for 25% of office leasing volume in Q2 2026, reclaiming top position among demand drivers. Firms involved in AI and related upstream and downstream enterprises displayed strong expansionary momentum during the period, with leasing volume rising 71% q-o-q and 35% y-o-y. Nearly half of new leases signed by companies in the sector this quarter were new set-up or expansion transactions. Large-scale new leases were recorded in Beijing Zhongguancun, Shenzhen High-tech Park, Qianhai and Suzhou SIP this quarter. A flurry of activity in Beijing and Shanghai pushed up leasing volume by ToC Internet service firms by 130% q-o-q in Q2 2026.

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



Source: CBRE Research, Q2 2026.

FIGURE 5: Vacancy Rate and Development Pipeline

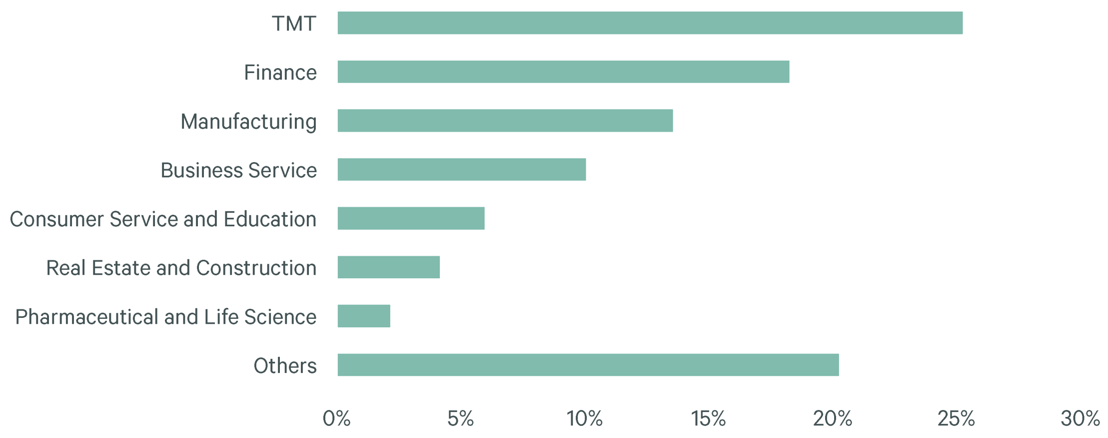


Source: CBRE Research, Q2 2026.

Finance ranked second with 18% of quarterly leasing volume. The proportion of incremental transactions rose 10-pps. q-o-q to 29%, driven primarily by insurance and fund companies. Leasing volume contributed by quantitative funds surged 370% q-o-q, with deals mainly located in Shanghai Lujiazui, Huaihai Road and Shenzhen Futian CBD. AMAC and QIML data show 29 new RMB 10 billion-plus private fund managers were registered in H1 2026, 55% of which were quantitative funds.

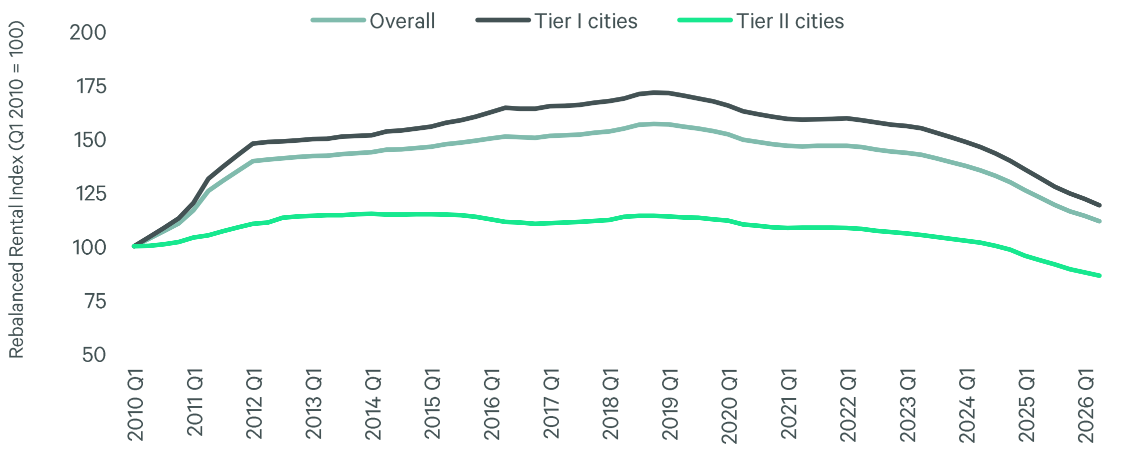
3C electronics and robotics relocation demand remained strong, with leasing volume rising 63% and 171% q-o-q, respectively in Q2 2026. Manufacturing surpassed business services for a third consecutive quarter to rank third, contributing 14% of leasing volume during the quarter. Demand from non-conventional leasing demand drivers including office-to-hotel conversions, office-to-residential conversions and third-party office space providers continued to pick up, with transactions of this type recorded in Shanghai, Guangzhou, Shenzhen, Hangzhou and Chengdu.

FIGURE 6: Proportion of Leased Office Space by Industry[2]



Note 2: Office leasing transactions include new set up, expansion, relocation and upgrading.
Source: CBRE Research, Q2 2026.

FIGURE 7: China Office Rental Index[3]



Note 3: China Office Rental Index calculated by nationwide office market average face rent.
Source: CBRE Research, Q2 2026.

Retail

Net Absorption -15% y-o-y | Vacancy +0.1 pps y-o-y | Rent -2.2% y-o-y

Rental decline to persist amid ongoing brand consolidation

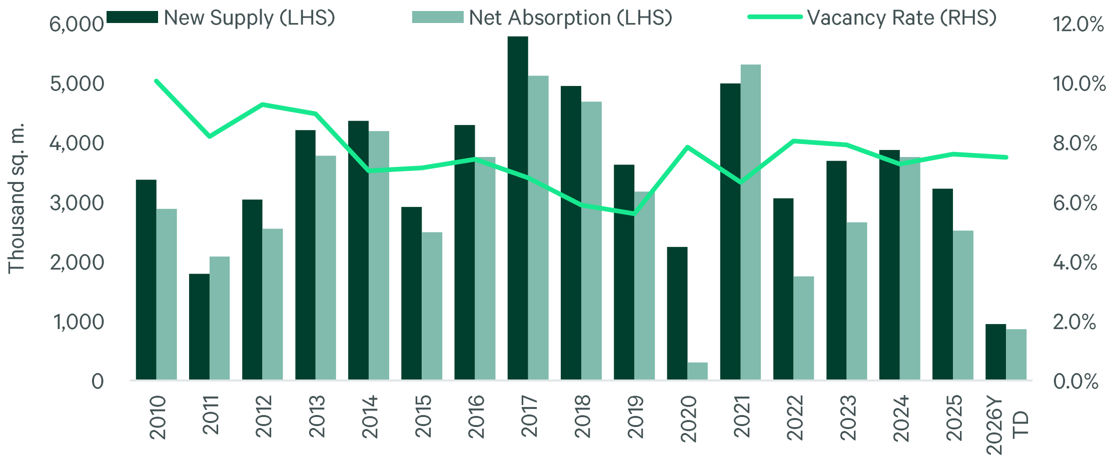
New nationwide shopping mall supply totalled 700,000 sq. m. in Q2 2026, slightly below the previous quarter's figure. Shanghai accounted for nearly 70% of new space, with Guangzhou and Hangzhou the only other cities recording new project completions. Average vacancy edged down 0.1-pps. q-o-q to 7.5%. Vacancy in major cities was either stable or fell slightly q-o-q, with Guangzhou the exception as weaker pre-leasing in new projects and the repositioning of existing stock led to a modest uptick.

Retailers continued to consolidate store portfolios with a focus on flagship investment, further widening the performance between prime and secondary markets. Average ground-floor rents fell 0.5% q-o-q, bringing the H1 2026 decline to 1.0%.

F&B expansion maintains strong momentum

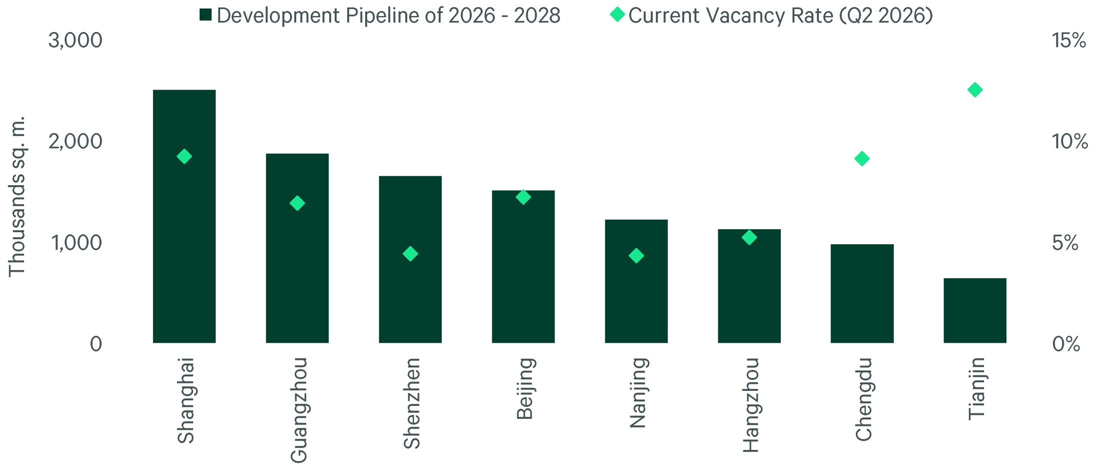
F&B accounted for 44% of new openings in Q2 2026, led by coffee and tea, light-catering and local, Japanese and Korean specialty restaurants. Consumers' focus on value-for-money supported further expansion by the likes of Sushiro and Hama Sushi this quarter. Following the precedent set by DQ and M Stand, groups including Pizza Hut, Huang Ji Huang and Wei Jia Liang Pi entered the burger segment to explore new growth avenues. Other activity included ice cream brand Yeah Gelato opening several new stores in Beijing, Shanghai, Guangzhou and Chengdu.

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



Source: CBRE Research, Q2 2026.

FIGURE 9: Vacancy Rate and Development Pipeline



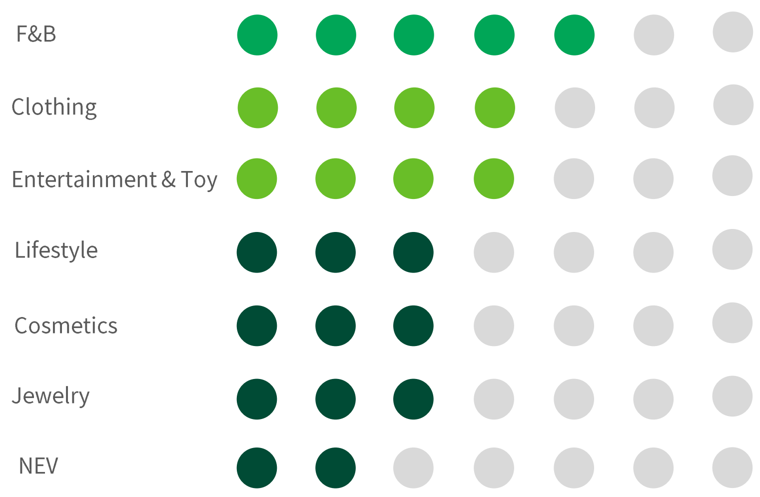
Source: CBRE Research, Q2 2026.

Retailers accounted for 38% of new openings this quarter. Highlights included domestic womenswear labels W.Management, Rico Vea and Muhuaxiang opening multiple new stores in major cities. Also in Q2 2026, U.S. designer womenswear brand Sea New York, which first entered China in Q4 2025, opened new stores at Beijing Sanlitun Taikoo Li and Shanghai Xuhui Riverside Westbund Central.

Sports and toy brands turned more active this quarter. Salomon, Wilson and Montbell extended their footprint from prime markets such as Guangzhou Tianhe Road, Hangzhou Wulin and Nanjing Xinjiekou to non-prime locations including Shanghai Pudong Jinqiao and Chengdu North City. To coincide with the 2026 FIFA World Cup, several sports brands launched co-branded IP collaborations and event pop-ups selling jerseys and tournament merchandise at shopping malls.

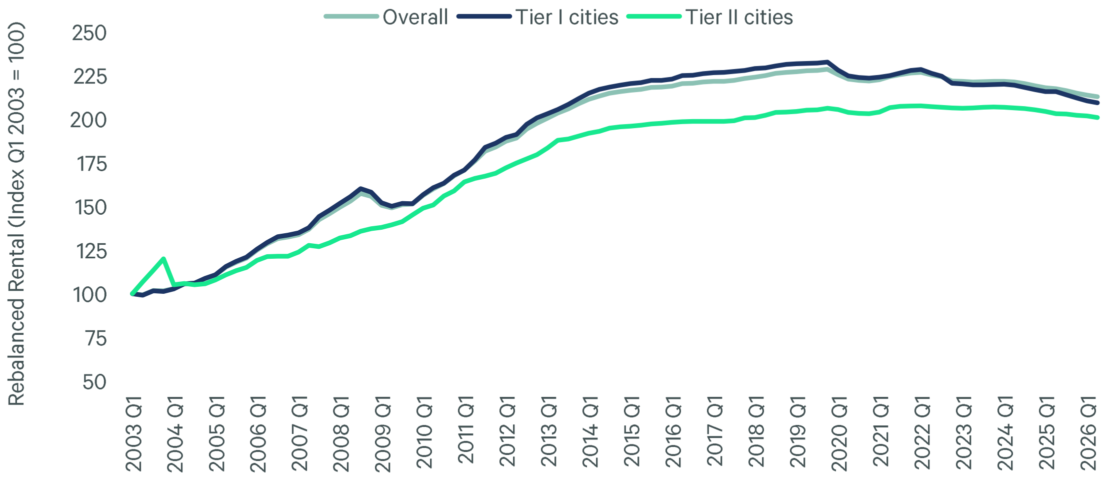
Pop Mart, MINISO and Sanrio continued their multi-city rollout in Q2 2026, with MINISO opening its MINISO LAND Asia No.1 at Beijing Wangfujing Street along with a SELECT MINISO flagship at the renovated Shanghai New 600 YOUNG.

FIGURE 10: New Store Opening Momentum by Trade Category



Source: CBRE Research, Q2 2026.

FIGURE 11: China Shopping Mall Ground Floor Rental Index[4]



Note 4: China shopping mall ground floor rental index calculated by nationwide shopping mall average asking rent.
Source: CBRE Research, Q2 2026.

Logistics

Net Absorption +11.9% y-o-y

Vacancy -0.9% y-o-y

Rents -10.5% y-o-y

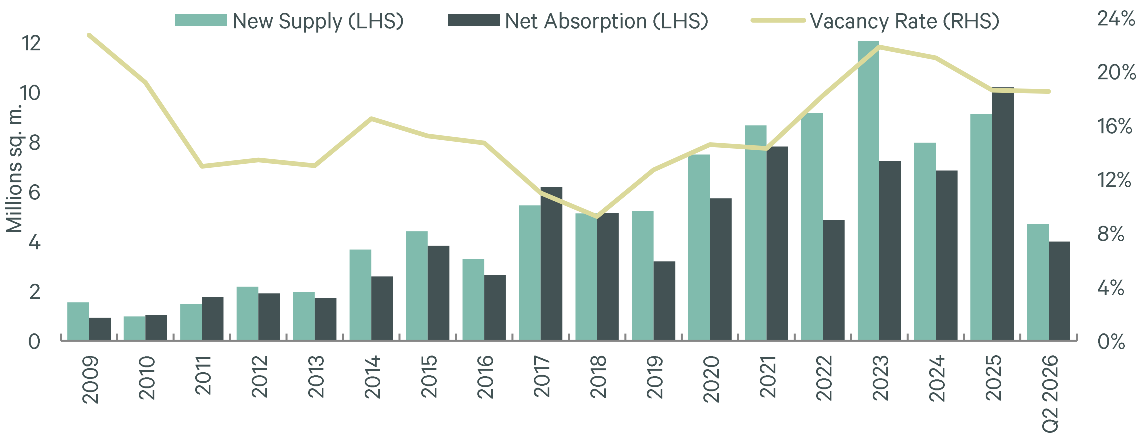
Lower rents activate upgrade-driven demand

Nationwide logistics net absorption reached 2.73 million sq. m. in Q2 2026, a rise of 119.6% q-o-q. However, first-half net absorption contracted by 18% y-o-y to 4.0 million sq. m..

3PL tenants accounted for 54% of new leasing volume this quarter, with express and less-than-truckload (LTL) carriers expanding on the back of seasonal e-commerce promotions, and supply chain and contract logistics firms remaining active. Wholesale and retail tenants increased their share of new leasing area to 18%, ranking second, with solid demand seen from snack foods, apparel and chain supermarket operators in Beijing, Shanghai and Chengdu.

South China net absorption reached 1.09 million sq. m. in Q2 2026, the highest in six quarters. Despite the expected moderation in cross-border e-commerce expansion, take-up remained robust, reflecting upgrading and consolidation demand from 3PLs and retailer responding to rapid rental declines. A similar dynamic was observed in Beijing's Pinggu area, where substantial rental discounts attracted manufacturing tenants upgrading or relocating from surrounding areas.

FIGURE 12: China Logistics New Supply, Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2026.

FIGURE 13: Logistics Vacancy Rate in Major Cities

Source: CBRE Research, Q2 2026.

South China continues to dominate new supply

Nationwide new supply remained elevated at 2.13 million sq. m. this quarter. H1 2026 supply totalled 4.7 million sq. m., up 19.3% y-o-y but down 15% q-o-q.

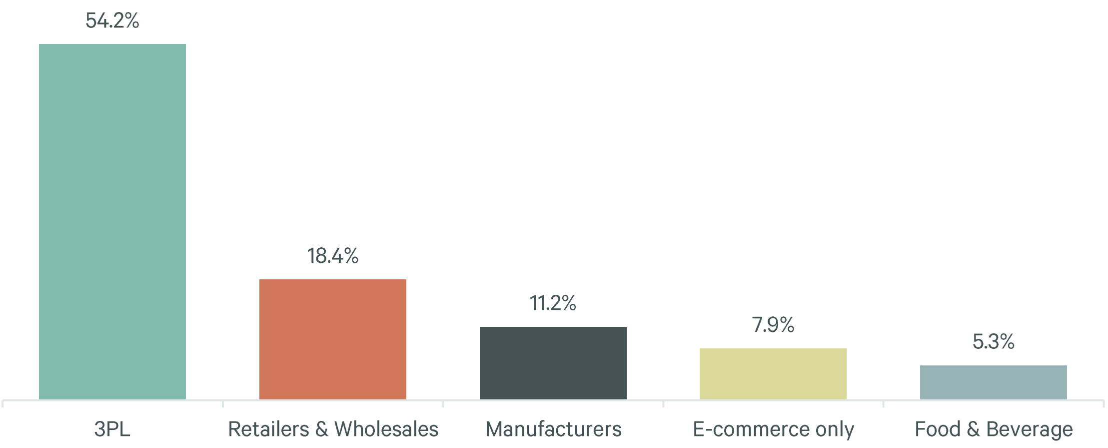
New stock in H1 2026 was heavily skewed geographically, with south China accounting for 62% of the first-half total and limited completions seen in central and western China. New supply in east China and north China continued to decline both y-o-y and q-o-q.

Nationwide average vacancy fell 0.9-pps. q-o-q and y-o-y to 18.5%. Vacancy in east China dropped below 20% for the first time in three years while that in west China edged up slightly but remained low at 8.2%.

Rental decline in east China narrows markedly

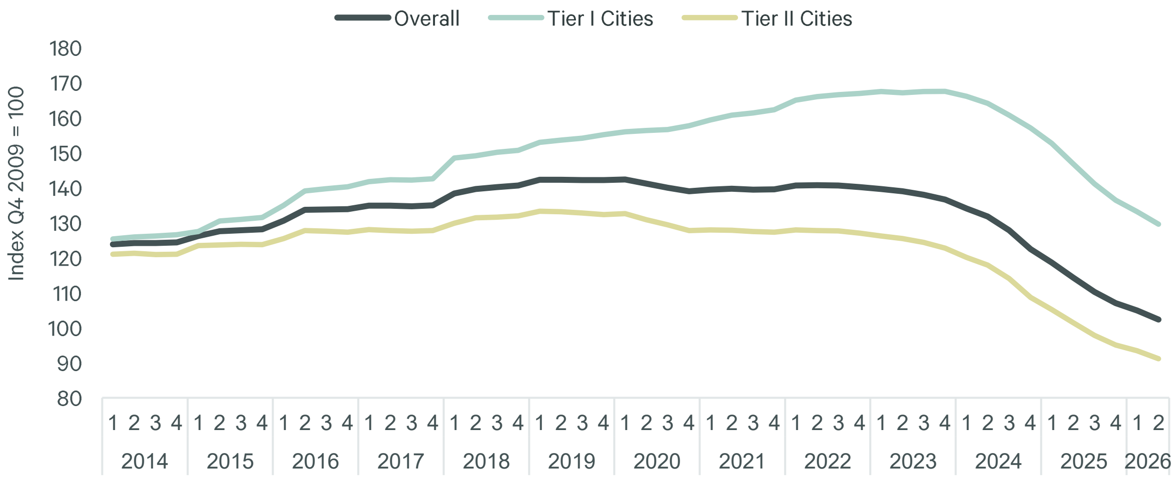
Rents fell 2.5% q-o-q nationwide in Q2 2026. South China's q-o-q rental decline widened to 4.4% but that in east China narrowed to below 2%, showing early signs of bottoming-out. Rents in Wuhan and Chongqing stabilised from the previous quarter.

FIGURE 14: Proportion of Leased Logistics Space by Industry



Source: CBRE Research, Q2 2026.

FIGURE 15: China Logistics Rental Index



Source: CBRE Research, Q2 2026.

Investment

Investment Turnover
+26.5% y-o-y

Investment Turnover
+39.2% q-o-q

Buoyant sentiment pushes first half investment volume to record high

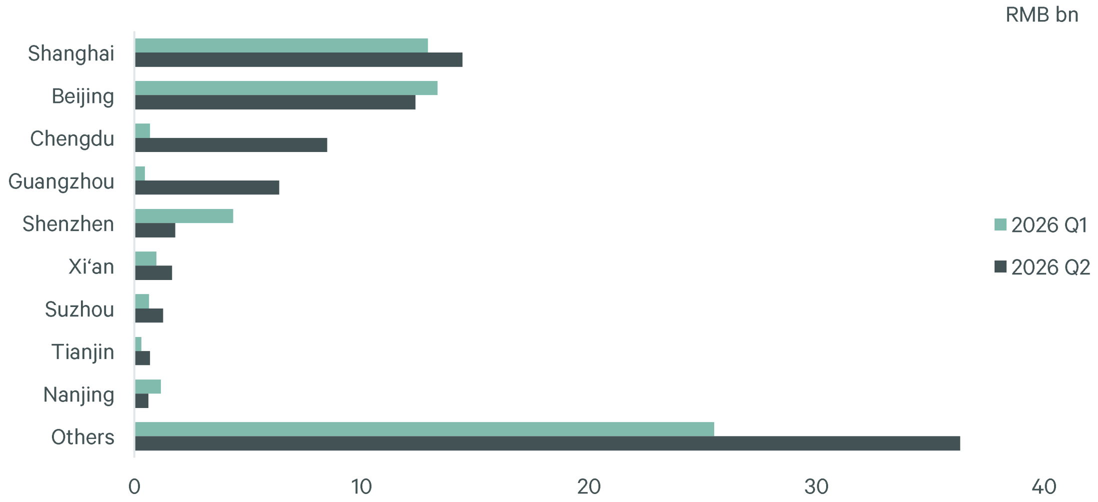
A total of 109 commercial real estate investment transactions worth a combined RMB 83.9 billion were completed nationwide in Q2 2026, a rise of 39% q-o-q. Investment volume for H1 2026 reached RMB 144.2 billion, setting a record for a first half period. Corporate buyers remained active while combined transaction volume from institutional investors and real estate funds rose q-o-q, pushing up the share of investment-oriented transactions to 84% of the total.

New economy assets outperform while strong retail momentum continues

New economy assets were keenly sought after in Q2 2026, generating transaction volume of RMB 32.6 billion. This marked an increase of 179% q-o-q and accounted for 39% of total investment volume for the quarter. Data centres contributed RMB 22.2 billion, driven primarily by corporate buyers purchasing computing capacity in the Greater Beijing region. Logistics and industrial transactions totalled approximately RMB 8.0 billion. East China's strong warehouse leasing fundamentals are catalysing transaction liquidity and asset value recovery, with multiple acquisitions by insurance companies and corporate buyers recorded this quarter.

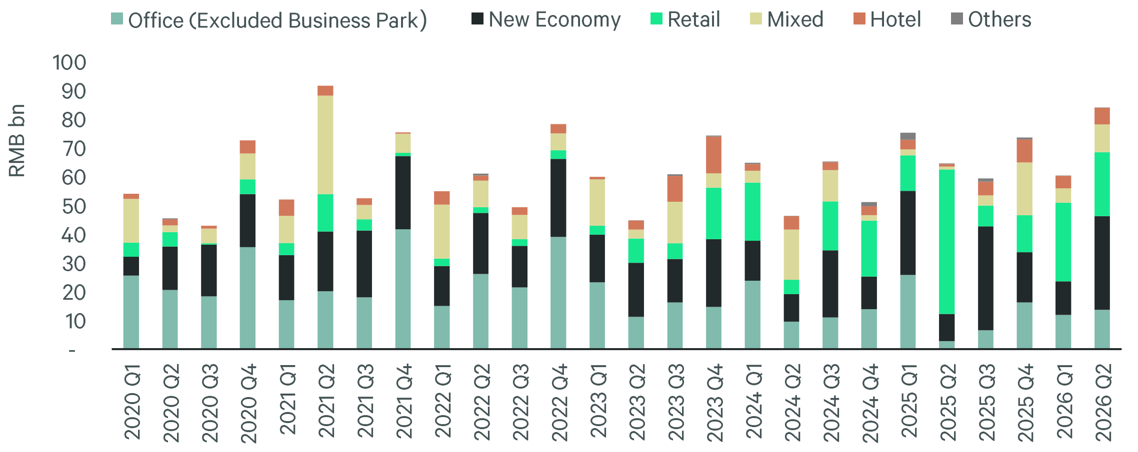
Retail property transactions totalled approximately RMB 22.1 billion, or 26% of the total, in Q2 2026. Highlights included Hony Capital and PAG jointly acquiring a Wanda Plaza portfolio with SoE capital, along with retail developers including CR Land and Sasseur purchasing assets to position for securitisation pipelines. Office (excluding business parks) transaction volume reached RMB 13.6 billion, a rise of 15% q-o-q. Strong activity by corporate buyers pushed up Grade A office transaction volume in Beijing and Shanghai to a two-year high.

FIGURE 16: Transaction Volume by Market[5]



Note 5: Transactions include deals above US$10 million in the Office, Retail, Mixed, Industrial, Hotel and Other commercial sectors.
Source: CBRE Research, RCA, Q2 2026.

FIGURE 17: Transaction Volume by Sector[6]



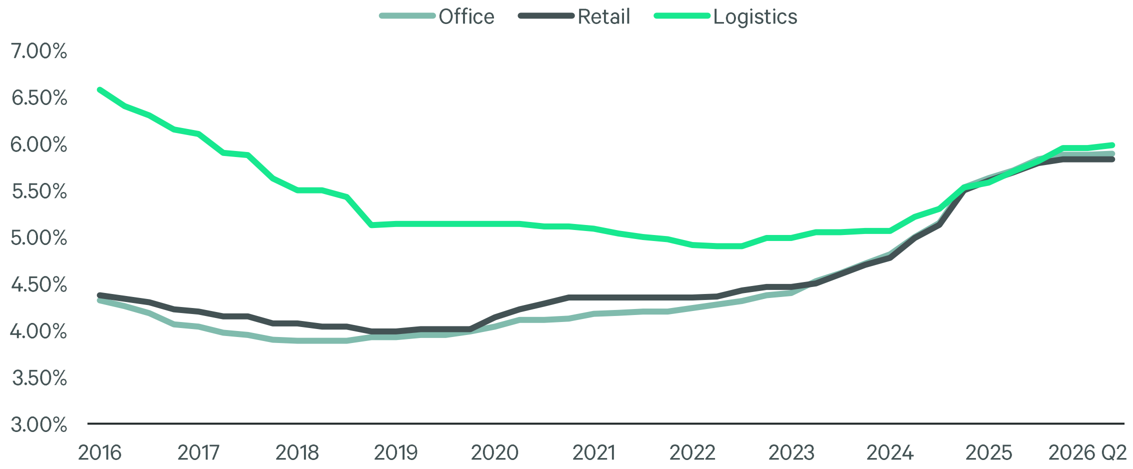
Note 6: New economy sector includes logistics, business parks, residential for income generating, data centres, cold storage and self storage.
Source: CBRE Research, Q2 2026.

In the securitisation market, 10 commercial real estate REITs were approved in Q2 2026, with a targeted fundraising scale of RMB 37.6 billion. This was the highest single-quarter total since the public REIT pilot launched in 2021. Underlying assets of newly approved REITs included tier I city mixed-use commercial properties, tier II city outlets and hotels. Eight inter-institutional real estate REITs totalling RMB 20.3 billion were also approved during the period.

Cap rates broadly stable at elevated levels

Average cap rates for office and retail assets in tier I cities were broadly flat q-o-q. Logistics cap rates showed modest regional divergence, with those in Beijing and Shanghai holding steady but Guangzhou and Shenzhen recording marginal increases.

FIGURE 18: Tier I Cities Average Net Yields



Source: CBRE Research, Q2 2026.

Outlook

OFFICE

Preliminary results from CBRE's 2026 China Office Occupier Survey reveal slightly positive net expansionary intentions over the next three years, with TMT retaining a strong appetite for expansion, and the financial and manufacturing sectors showing a recovery in demand momentum after bottoming out. CBRE maintains its forecast for full-year net absorption to rise by 10-15% to 2.3-2.4 million sq. m.

With nearly 3 million sq. m. of new supply expected to come on stream in H2 2026, downward pressure on rents is likely to persist. CBRE forecasts rents to undergo a full-year decline of approximately 8.0-8.5%, narrowing the drop seen in 2025.

RETAIL

CBRE's June 2026 Asia Pacific Retail Leasing Sentiment Survey found that 67% of retailers in China plan to increase their space, the highest reading in the past 12 months. However, the addition of over 3 million sq. m. of new shopping mall space in H2 2026 along with the ongoing repositioning of existing projects will ensure competition to attract and retain tenants remains intense.

CBRE expects vacancy to increase around 8% by the end of 2026, meaning that rental weakness will likely persist in the near-term. Retail assets in prime districts of Beijing and Shanghai will continue to outperform, sustained by new-to-market brands. Average G/F rents of Shanghai prime shopping malls stabilised in Q2 2026.

LOGISTICS

Approximately 5 million sq.m. of new supply is expected to enter the market in H2, largely concentrated in South China. We expect China's manufacturing sector momentum, underpinned by robust exports, to continue supporting 3PL expansion, and the price elasticity of South China's upgrade-driven demand has proven stronger than anticipated. We maintain our full-year net absorption forecast of 8.0-8.5 million sq. m. and project full-year rents to decline approximately 8%, a narrower decline than in 2025.

INVESTMENT

With improving enquiry levels and rising investor sentiment confirming that buyer and seller price expectations are converging, investment demand is expected to remain firm into H2 2026. Beyond the retail, rental housing and data centre sectors, which will continue to attract robust demand, CBRE advises investors to consider logistics warehouses, where supply-demand dynamics are improving, as well as hotels and office assets that stand to benefit from the further expansion of the public REIT framework.

Rental Cycle

FIGURE 19: China Office Rental Cycle Q2 2026

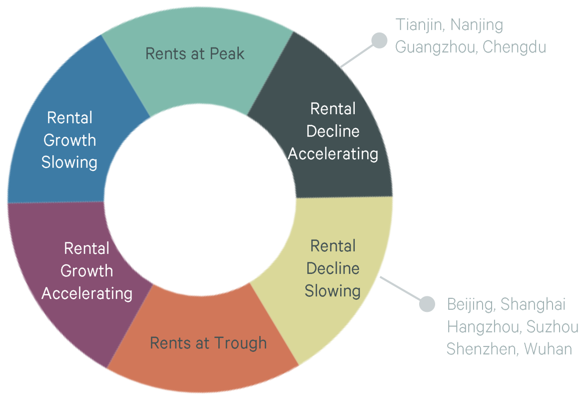


FIGURE 20: China Retail Rental Cycle Q2 2026

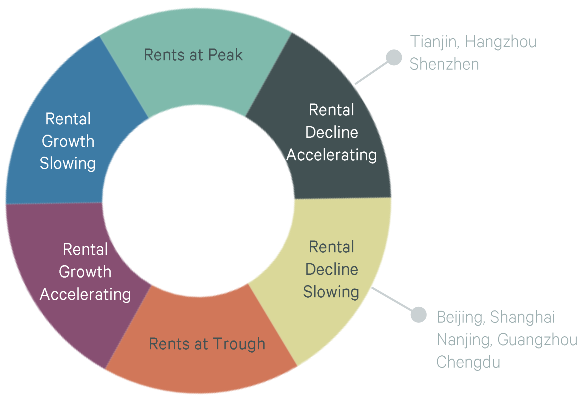
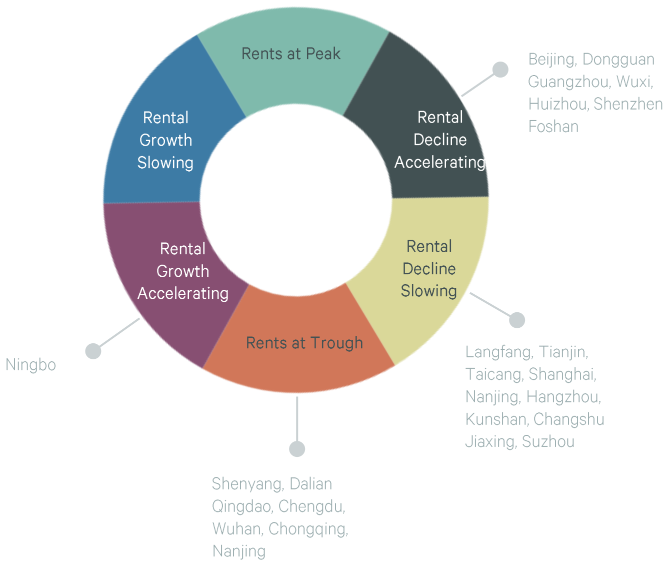


FIGURE 21: China Logistics Rental Cycle Q2 2026



* 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, Q2 2026.

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