

Leasing market stabilises as easing pipeline and supply chain shifts drive recovery



Key Trends

- Leasing sentiment in **Korea** has strengthened over the past six months, with dry warehouse vacancy falling to single digits amid rising occupier demand. However, leasing volume is being constrained by the easing supply pipeline and a shortage of large-floorplate options, particularly in southern Seoul. Demand is being driven by K-beauty, fashion and apparel occupiers seeking larger floorplates to support automation and business expansion.
- In **India**, leasing sentiment is picking up after a relatively quiet first half as occupiers resume leasing and investment decisions that had been temporarily delayed by the Middle East conflict. Quick-commerce operators are expanding nationwide, leasing both large regional fulfilment centres and smaller last-mile facilities.
- Market conditions in **mainland China** are gradually stabilising across selected tier I markets as the supply pipeline cools. Leasing momentum remains firm as occupiers capitalise on lower occupancy costs to upgrade facilities and optimise operations, with activity continuing to be driven by e-commerce, 3PL and EV-related manufacturers.

“ Leasing demand is picking up across most of the region, supported by supply chain adaptation and growing data centre related demand. As the region's supply peak passes, market conditions are stabilising, with mainland China showing early signs of recovery and Korea and India gradually shifting toward a more landlord-favourable environment.

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Michael Bowens

Managing Director
Head of Industrial & Logistics
Leasing Asia Pacific
CBRE I Advisory Services

Korea

Dry warehouse demand strengthens amid easing supply and limited large-floorplate availability

STATE OF THE MARKET

- Leasing sentiment has strengthened over the past six months, with dry warehouse vacancy falling to single digits amid rising occupier demand.
- Quarterly leasing volume is being constrained by the easing supply pipeline and shortage of large-floorplate options, particularly in Southern Seoul.

TRANSACTION ACTIVITY

- Demand is being driven by K-beauty, fashion and apparel occupiers seeking larger floorplates to support automation and business expansion. E-commerce occupiers are assessing additional logistics space requirements to support future expansion.
- Supported by resilient logistics fundamentals, recent investment in prime logistics development projects reflects continued investor interest. Although recent warehouse fires have heightened investors' concerns, investment activity has generally remained stable amid expectations that cost pressures will moderate.

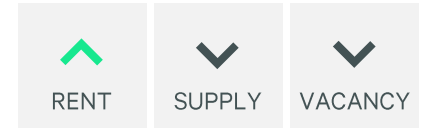
EMERGING TRENDS

- Cold-to-dry warehouse conversions continue amid stronger dry storage demand and persistently high cold storage vacancy. This is boosting transaction activity involving value-add strategies focused on converting cold storage facilities into dry warehouses.
- Recent warehouse fires have pushed up insurance premiums and heightened valuation concerns. However, investment has largely proceeded as premiums are expected to moderate over time.
- Authorities are strengthening fire safety oversight such as increasing inspection frequency, while new developments must comply with more stringent design and technical standards.

OUTLOOK

- Occupiers with large space requirements should plan expansion early and consider pre-leasing or build-to-suit options, as suitable large-floorplate availability is becoming increasingly scarce.
- Owners of cold storage facilities are recommended to evaluate conversion opportunities to dry warehouses as the rental gap between cold and dry warehouses continues to narrow and conversion may offer stronger leasing prospects and exit liquidity.

SIX-MONTH OUTLOOK



CONTACT US FOR DETAILS



Jihyun Lee

Executive Director, Capital Markets,
Industrial & Logistics,
Korea

ji-hyun.lee@cbre.com

India

Strong expansion demand and tightening supply continue to support rental growth

STATE OF THE MARKET

- Leasing sentiment is picking up after a relatively quiet first half as occupiers resume leasing and investment decisions that had been temporarily delayed by the Middle East conflict.
- Conditions are stabilising as supply chains adjust to disruption, with robust export growth partly mitigating fuel and freight cost volatility.
- Domestic consumption continues to underpin logistics demand. E-commerce, quick commerce and 3PL operators are expanding capacity ahead of the festive season, driving a surge in short-term warehousing requirements. Manufacturing demand remains broad-based, led by automotive and auto-component occupiers.

TRANSACTION ACTIVITY

- Quick-commerce operators are expanding nationwide, leasing both large regional fulfilment centres and smaller last-mile facilities. Demand for large-format warehouses of 10,000-30,000 sq. m. remains strong across major metro markets.
- Rising land prices in key metros are accelerating supply chain optimisation and expansion toward tier II cities as well as emerging industrial corridors. State-level incentives, including tax concessions and capital subsidies, are informing decisions for land acquisition and build-to-suit schemes for industrial projects.

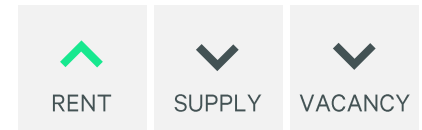
EMERGING TRENDS

- Supply is gradually tightening across the eight major metro markets. While the development pipeline remains sufficient for the next 18-24 months, supply growth could moderate as rising land costs constrain acquisitions and reduce availability of developable sites.
- Data centre-related occupiers and suppliers are emerging as a new source of warehouse demand, particularly in Mumbai and Chennai, with emerging requirements seen for higher-specification facilities supporting equipment storage and distribution.

OUTLOOK

- Occupiers are advised to move swiftly to secure space and consider pre-committing to pipeline supply, particularly if they are seeking large floor plate warehouses. Tenants should also adopt a long-term view toward planning and secure future expansion capacity early.
- Landlords are recommended to increase their land banks in emerging corridors for sizeable developments to capture expansion demand.

SIX-MONTH OUTLOOK



CONTACT US FOR DETAILS



Jasmine Singh

Senior Executive Director, National Head
(Industrial, Land & Logistics)

India

jasmine.singh@cbre.co.in

Mainland China

Signs of recovery amid easing supply; outbound expansion gains momentum

STATE OF THE MARKET

- Market conditions are gradually stabilising across selected tier I markets as the supply pipeline cools. Leasing momentum remains firm as occupiers capitalise on lower occupancy costs to upgrade facilities and optimise operations.
- The recovery is uneven. Core submarkets in Shanghai are showing signs of bottoming out, while cost-driven relocations are supporting leasing activity in Beijing. In contrast, southern China continues to face pressure from elevated supply and weakening cross-border e-commerce demand as some occupiers migrate to self-built facilities.

TRANSACTION ACTIVITY

- Leasing activity remains driven by e-commerce, 3PL and EV-related manufacturers. While relocation and consolidation continue to account for most transactions, selected occupiers are expanding to secure attractive rents.
- Chinese e-commerce and logistics operators are accelerating overseas expansion, particularly across Europe, Southeast Asia, the Middle East and Latin America. Demand is focused on large regional distribution centres of 20,000-40,000 sq. m., supported by smaller last-mile facilities as occupiers build out local fulfilment networks.

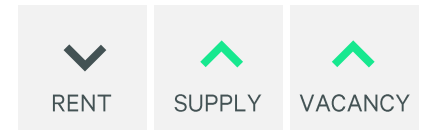
EMERGING TRENDS

- In Southeast Asia, more Chinese logistics operators are shifting from leasing toward ownership and build-to-suit schemes.
- AI-related manufacturing is emerging as a new source of industrial demand. Occupiers across the data centre and digital infrastructure supply chain are seeking facilities with higher floor loading, greater clear height and substantial power capacity, with activity mostly concentrated in eastern and southern China.

OUTLOOK

- Occupiers should continue to leverage tenant-favourable market conditions to secure rental savings, upgrade the quality of their facilities and lock in longer lease terms.
- Landlords are recommended to prioritise tenant retention and maintain flexibility around lease terms, particularly in markets with elevated vacancy rates where the pace of recovery is expected to remain gradual.

SIX-MONTH OUTLOOK



CONTACT US FOR DETAILS



Frank Fang

Co-Head of Industrial and Logistics Service
China

frank.fang@cbre.com



Samuel Zheng

Co-Head of Industrial and Logistics Service
China

samuel.zheng@cbre.com

Contact

Asia Pacific Research

Ada Choi, CFA

Head of Research
Asia Pacific
ada.choi@cbre.com

Jonathan Hills

Senior Director
jonathan.hills@cbre.com

Nancy Wong

Associate Director
nancy.wong@cbre.com

Anthony Wong

Associate Director
anthony.wong1@cbre.com

Asia Pacific Leasing Services

Tom Gaffney

Regional Managing Director
Head of Leasing
Asia Pacific
CBRE | Advisory Services
luke.moffat@cbre.com

Michael Bowens

Managing Director
Head of Industrial & Logistics
Leasing, Asia Pacific
CBRE | Advisory Services
michael.bowens@cbre.com

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