Leasing momentum slows q-o-q, data centres increasingly sought-after by investors

+5.2%
GDP
(Q1-Q3 2025, Y-o-Y)

+4.5%
Retail Sales
(Q1-Q3 2025, Y-o-Y)

-0.5%
Fixed Asset Investment
(Q1-Q3 2025, Y-o-Y)

Source: National Municipal Statistics Bureau, CBRE Research, October 2025

Executive Summary

– **Office:** New office supply reached 1.32 million sq. m. in Q3 2025, up 17% q-o-q and 37% y-o-y. Net absorption reached 490,000 sq. m., a drop of 19% q-o-q, indicating moderation of demand. Average vacancy rose by 0.5 pps. q-o-q to 24.3% by the end of the quarter. Intensified take-up led nationwide average face rents to fall by 2.8% q-o-q.

– **Retail:** New supply decreased by 41% q-o-q and 53% y-o-y to 700,000 sq. m. this quarter. Net absorption was 560,000 sq. m., down 34% q-o-q and 61% y-o-y. Tenant mix adjustments and layout reconfigurations in shopping malls pushed up vacancy by 0.1 pps. q-o-q to 7.5%. Average ground floor shopping mall rents fell 0.6% q-o-q, marking an accelerating decline.

– **Logistics:** Nationwide net absorption of warehouse and logistics space reached 2.08 million sq. m. in Q3 2025, exceeding 2 million sq. m. for the fourth consecutive quarter. Domestic e-commerce and 3PLs accounted for 63% of new leases. New supply increased by 26% q-o-q to 1.77 million sq. m. while vacancy declined 0.6 pps. to 18.8%. Nationwide logistics rents fell 3.7% q-o-q.

– **Investment:** Commercial real estate investment volume totaled RMB 55.9 billion in Q3 2025, marking drops of 19% q-o-q and 14% y-o-y and indicating cautious market investment sentiment. Data centres attracted increasing demand. Source of capital were diverse, with Institutional investors retaining their focus on the consumption and living sectors.

FIGURE 1: Quick Statistics

Office	q-o-q	y-t-d	y-o-y
Rent	-2.8%	-8.1%	-10.2%
Vacancy Rate	+0.5 pps.	+0.8 pps.	+1.2 pps.
Retail	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-0.6%	-1.2%	-1.8%
Vacancy Rate	+0.1 pps.	+0.2 pps.	+0.3 pps.
Logistics	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-3.7%	-10.1%	-13.9%
Vacancy Rate	-0.6 pps.	-2.5 pps.	-3.0 pps.
Investment	**q-o-q**	**y-t-d total, y-o-y**	**y-o-y**
Total volume[1]	-19.5%	+11.2%	-14.2%

Note 1: Transactions include deals above US$10 million in the office, retail, mixed, industrial, hotel and other commercial sectors
Source: CBRE Research, Q3 2025.

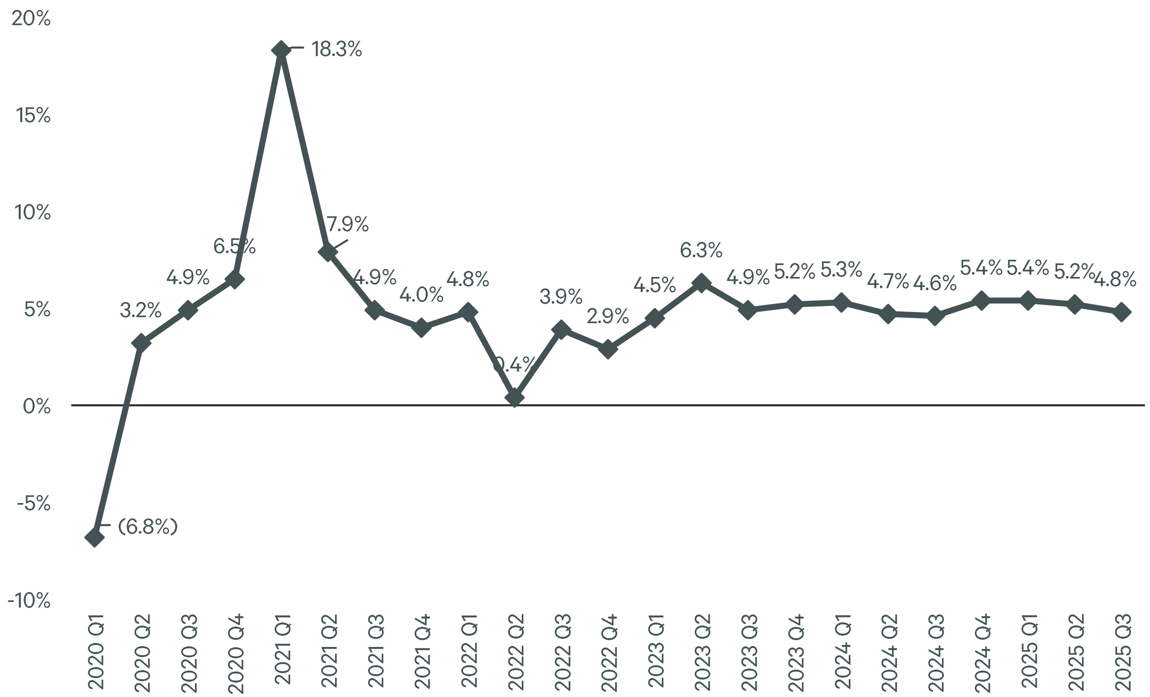
Economy

China's GDP increased by 4.8% y-o-y and 1.1% q-o-q in Q3 2025, with the y-o-y growth rate decelerating by 0.4 pps. compared with the previous quarter. GDP increased by 5.2% y-o-y for the first three quarters of 2025 and is expected to achieve the central government's growth target of 5% for the full year. However, challenges arising from weak domestic demand and the real estate market downturn will intensify in the short term.

Retail sales growth slowed on a m-o-m basis, logging 3.7%, 3.4% and 3.0% for July, August and September, respectively, owing to last year's higher base and the weakening of the "trade-in" effect. Trade categories such as household appliances and furniture eligible for government subsidies led growth but the rate of expansion declined. Sales growth for gold, silver, jewellery and cosmetics accelerated compared with Q2 2025.

The cumulative growth rate of fixed asset investment decreased by 0.5% y-o-y over the first three quarters of 2025, the first period of negative growth since August 2020. The decline in investment in real estate development accelerated to -13.9% while the growth rates of manufacturing investment (4.0%) and infrastructure investment (3.3%) also slowed. The slowdown in fixed investment in the manufacturing industry is somewhat due to the initial effect of anti-involution policies; a government-led strategy to combat excessive and self-defeating competition. The capacity utilisation rate of industrial enterprises increased by 0.6 pps. q-o-q to 74.6% while their profit growth rate for the first eight months turned positive.

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

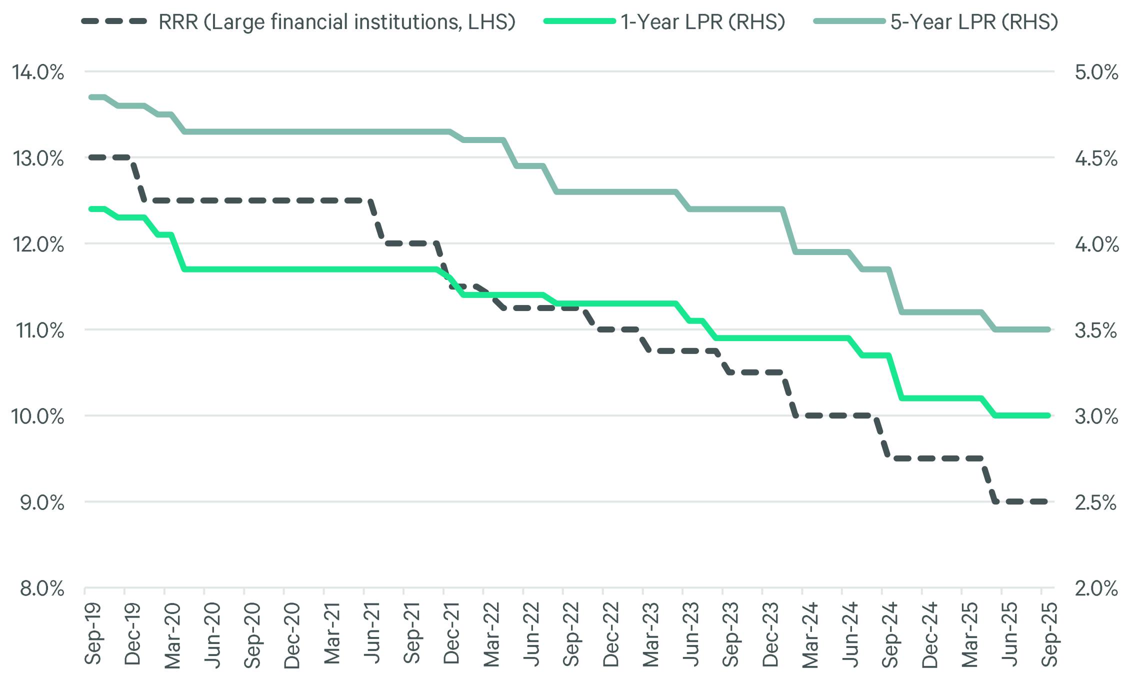


Source: National Statistics Bureau, Q3 2025.

Thanks to the optimisation of export structure and diversified market development, exports remained resilient in Q3 2025, rising to a six-month high in September. During the month, exports to the EU and ASEAN increased by 14.2% and 15.6%, respectively, while exports to the Belt & Road economies, which accounted for more than half of the total export value, increased by 17.2% y-o-y.

Sales of commercial housing decreased by 7.9% y-o-y for the first three quarters, 2.4 pps. higher than that for H1 2025 but significantly below the 22.7% decline observed in the same period last year. Driven by August's loosening of purchase restrictions in Beijing, Shanghai and Shenzhen, transaction volume of new houses in tier I cities reached 1.6 million sq. m. in September, up 16% from the previous month and an increase of 1% y-o-y.

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



Source: PBoC, CBRE Research, Q3 2025.

Office

Net Absorption +12% y-o-y

Vacancy +1.2 pps. y-o-y

Rent -10.2% y-o-y

Demand momentum slows q-o-q; rental decline set to persist

Nationwide new office supply reached 1.32 million sq. m. in Q3 2025, up 17% q-o-q and 37% y-o-y. Despite the addition of Chengdu Financial City, new stock was primarily concentrated in non-core submarkets, including Shenzhen Qianhai and Houhai, Guangzhou International Financial City, Wuhan Hangkong Road, Tianjin Haihe Riverside, and Shanghai New Bund.

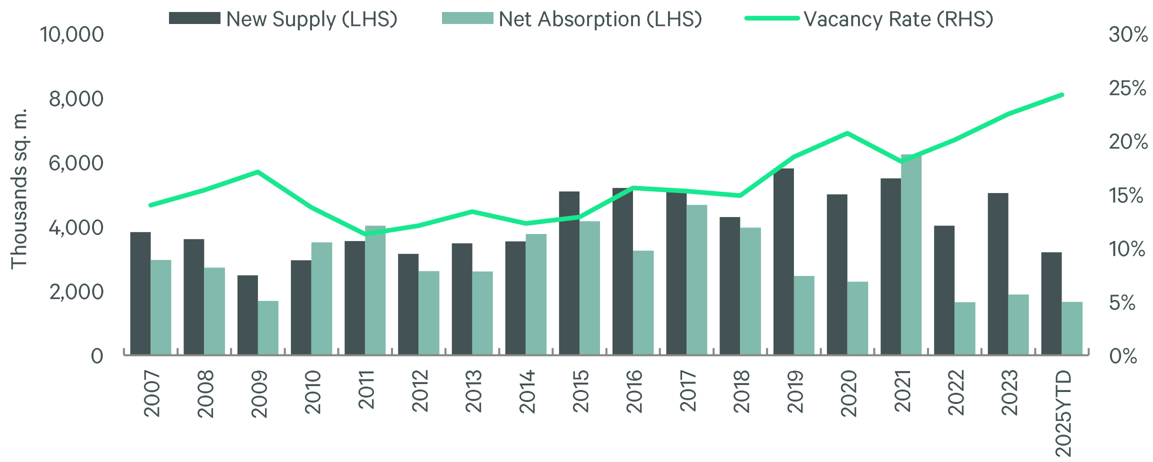
Nationwide net absorption recorded 490,000 sq. m. in Q3 2025, a drop of 19% q-o-q, indicating a moderation in demand. Cumulative net absorption for the first three quarters in 2025 reached 1.66 million sq. m., a 31% increase y-o-y, suggesting demand generally remains on a bottoming-out recovery track. Eight of the ten cities tracked by CBRE recorded y-o-y growth in cumulative net absorption for the first three quarters. Tianjin and Suzhou were the only cities to register declines.

Rising completions pushed up nationwide average office vacancy by 0.5 pps. q-o-q to 24.3% by the end of the quarter. Thanks to sustained tech sector expansion and moderating supply, Beijing's office vacancy rate fell below 20% for the first time since 2023. However, amid intensified take-up, nationwide average face rents declined by 2.8% q-o-q. Continued landlord concessions, particularly regarding rent-free periods, led to an even steeper 4.2% q-o-q drop in effective rents. This brought the cumulative decline for the first three quarters of the year to over 10%.

Relocations and renewals dominate leasing activity; demand from B2B tech companies and non-banking financial institutions remains solid

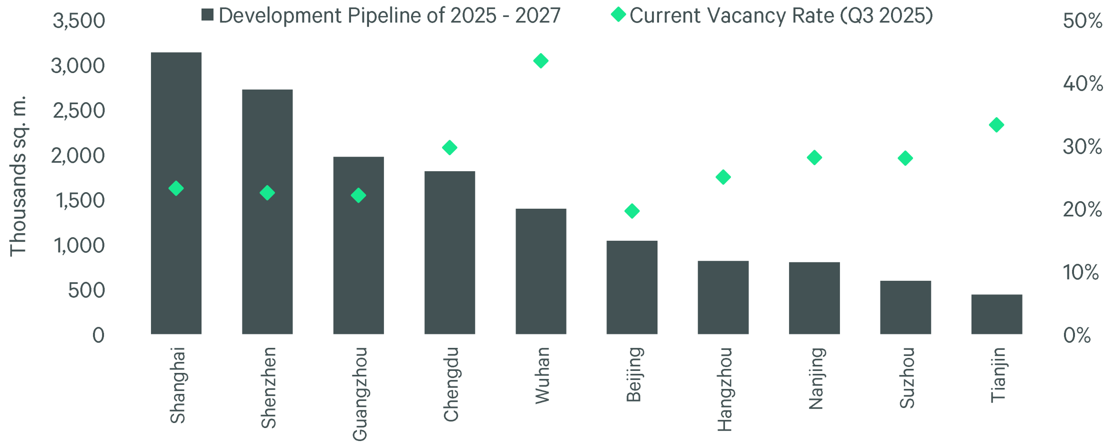
Office gross leasing volume (including new leases and renewals) grew 4% q-o-q and 14% y-o-y in Q3 2025. Incremental demand remained subdued, however, with relocations and renewals accounting for nearly 80% of leasing activity. Renewals alone contributed over 30% of transacted area for the second consecutive quarter.

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



Source: CBRE Research, Q3 2025.

FIGURE 5: Vacancy Rate and Development Pipeline

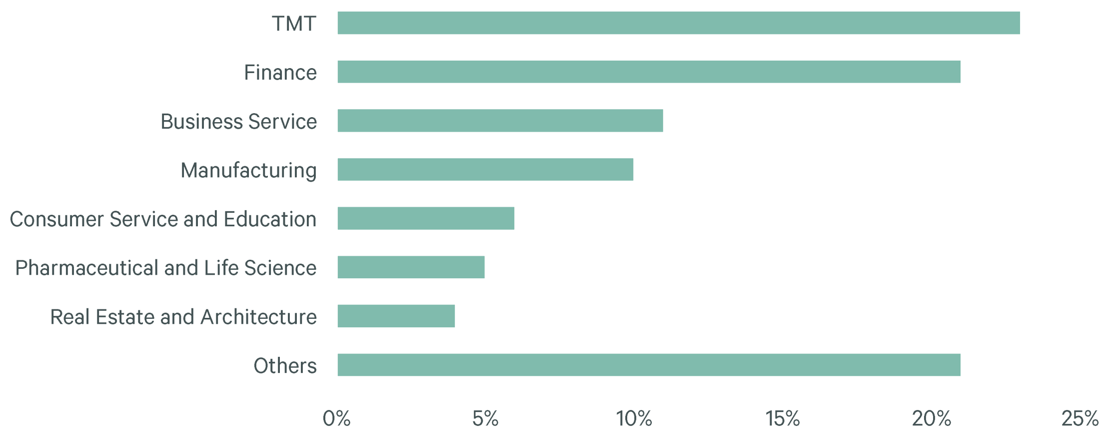


Source: CBRE Research, Q3 2025.

TMT (23%) and Finance (21%) remained the top two demand drivers of new leases. The TMT sector maintained its leading position for the sixth consecutive quarter, with the AI sub-sector reporting an increase in new leasing volume of 67% q-o-q and 191% y-o-y. Activity from this sector was mainly focused in submarkets including Shanghai Wujiaochang and Xuhui Riverside, Beijing Zhongguancun, and Shenzhen Qianhai.

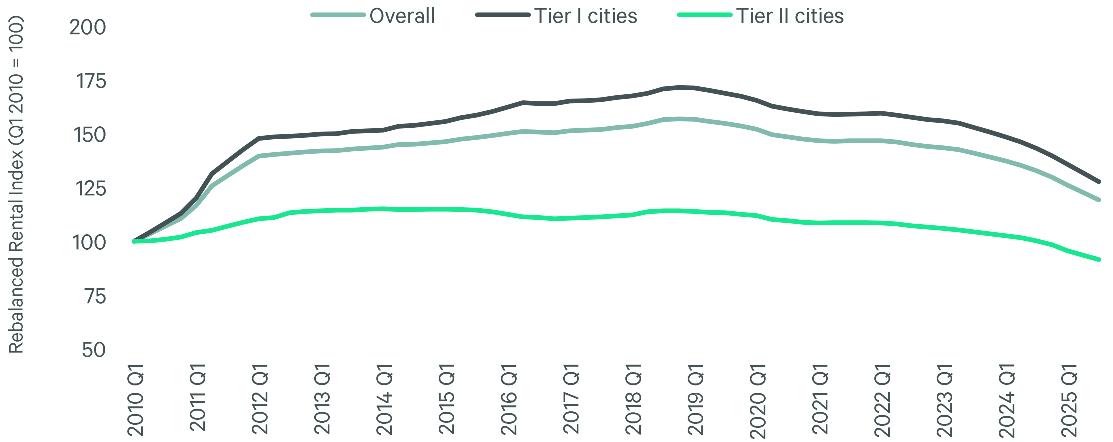
Demand from the finance sector primarily stemmed from relocation and consolidation by non-banking financial institutions. New leasing volume from securities and fund institutions grew 10% y-o-y in Q3 2025. Active submarkets included Beijing Chaoyang CBD and Financial Street, Shanghai Huamu and Lujiazui, Shenzhen Houhai, and Chengdu Financial City.

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, Q3 2025.

FIGURE 7: China Office Rental Index[3]



Note 3: China Office Rental Index calculated by nationwide office market average face rent.
Source: CBRE Research, Q3 2025.

Retail

Net Absorption -61% y-o-y | Vacancy +0.3 pps y-o-y | Rent -1.8% y-o-y

Consumer sentiment displays marginal weakness; mall adjustments and tenant mix refinements continue, placing downward pressure on rents

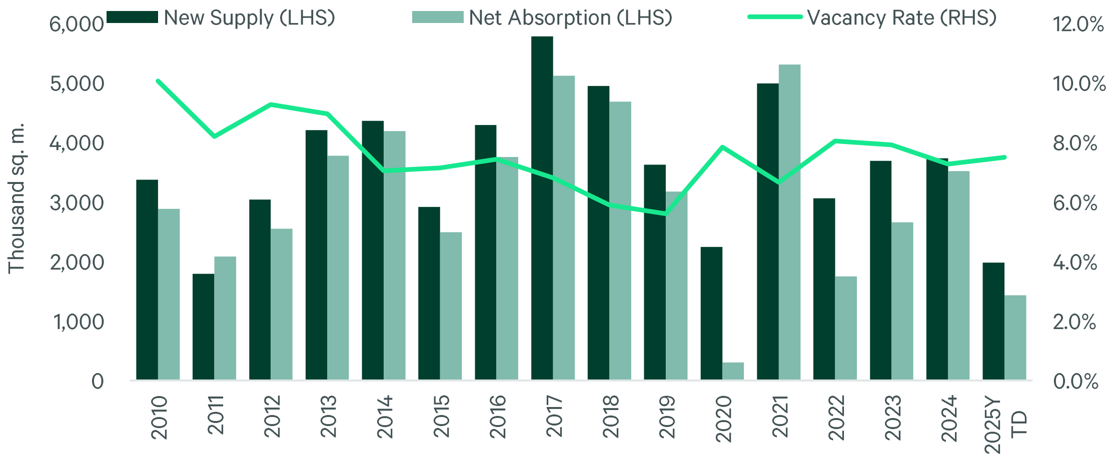
National retail sales grew 3% y-o-y in September, with rate of growth decelerating every month throughout the third quarter. This was mainly due to the waning effect of the "trade-in" policy and persistently lower-than-expected household income, indicating consumer confidence remains subdued.

New supply decreased by 41% q-o-q and 53% y-o-y to 700,000 sq. m. this quarter, with new openings recorded only in Shanghai, Nanjing, Guangzhou, and Shenzhen. Net absorption was 560,000 sq. m., down 34% q-o-q and 61% y-o-y. Several cities, including Beijing, Hangzhou, and Chengdu, recorded negative net absorption due to tenant mix adjustments and layout reconfigurations in shopping malls. Consequently, national vacancy edged up 0.1 pps. q-o-q to 7.5%. Average ground floor shopping mall rents declined by 0.6% q-o-q, with the rate of decline accelerating during the quarter.

F&B expansion slows but still contributes 40% of leasing volume; Outdoor sports and designer brands boost retail activity across cities

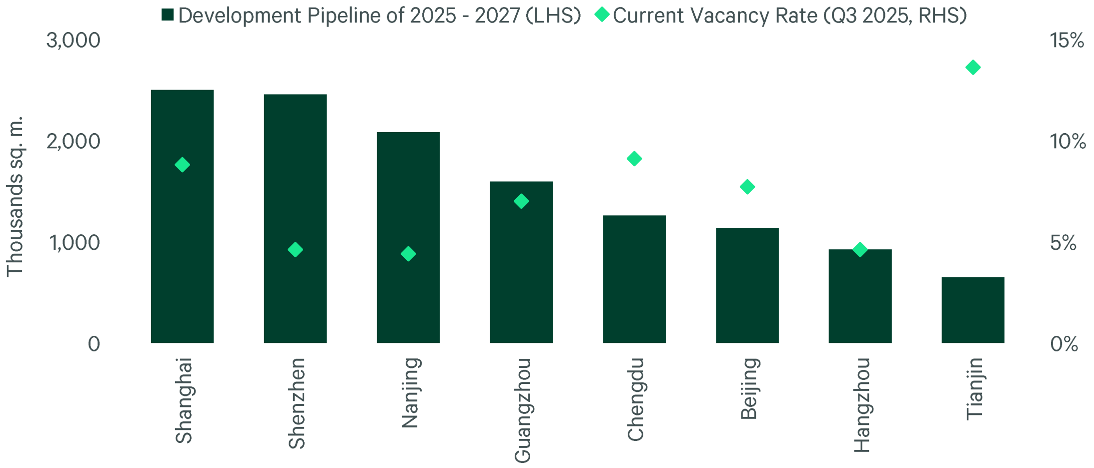
While F&B expansion moderated slightly this quarter, the sector still contributed approximately 40% of leasing volume. Fast food, bakery, beverage, and local cuisines with lower average spending per customer remained the most prominent categories.

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



Source: CBRE Research, Q3 2025.

FIGURE 9: Vacancy Rate and Development Pipeline

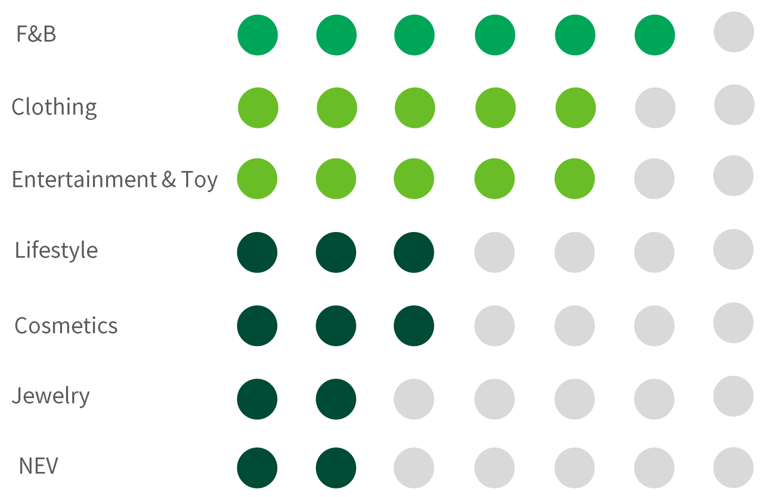


Source: CBRE Research, Q3 2025.

Outdoor sports and designer brands were active in Eastern and Southern China this quarter. In addition to popular brands such as Under Armour, Onitsuka Tiger, and BEAMS, the period also saw Korean designer brand Wooyoungm, mountaineering and skiing-focused brand EIDER, and golf equipment brand Munisingwear open their first stores or new concept flagship stores in core retail areas such as Shanghai Xintiandi, Chengdu Taikoo Li, and Shenzhen Futian Central District.

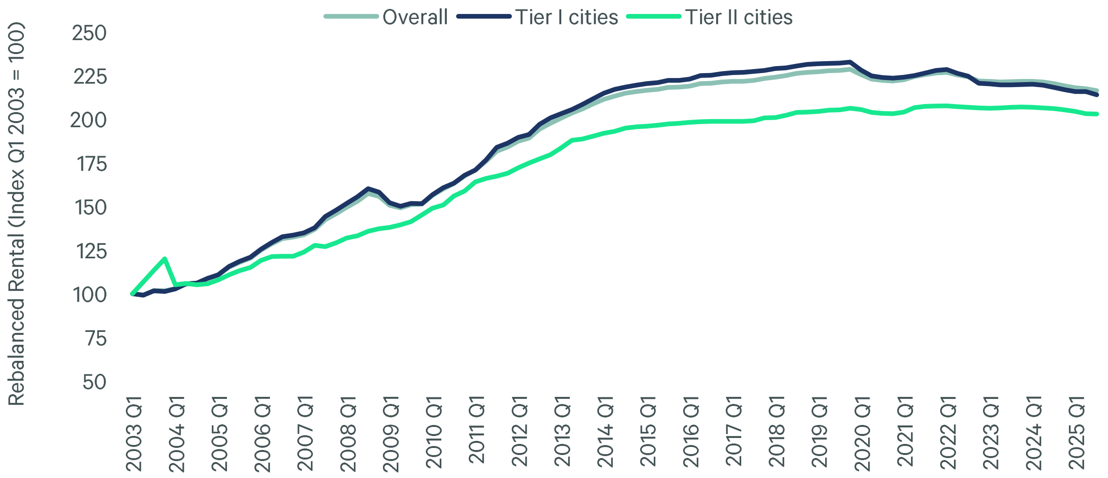
Driven by the consumption concept of emotional self-fulfillment, interest in toys and collectibles remained strong. Alongside strong sales of ACGN (Anime, Comics, Games, and Novels) products, the popular plush toy brand Jellycat opened pop-up stores in Shanghai Plaza 66 and Beijing China World Shopping Mall this quarter.

FIGURE 10: New Store Opening Momentum by Trade Category



Source: CBRE Research, Q3 2025.

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, Q3 2025.

Logistics

Net Absorption +13.0% y-o-y

Vacancy -3.0% y-o-y

Rents -13.9% y-o-y

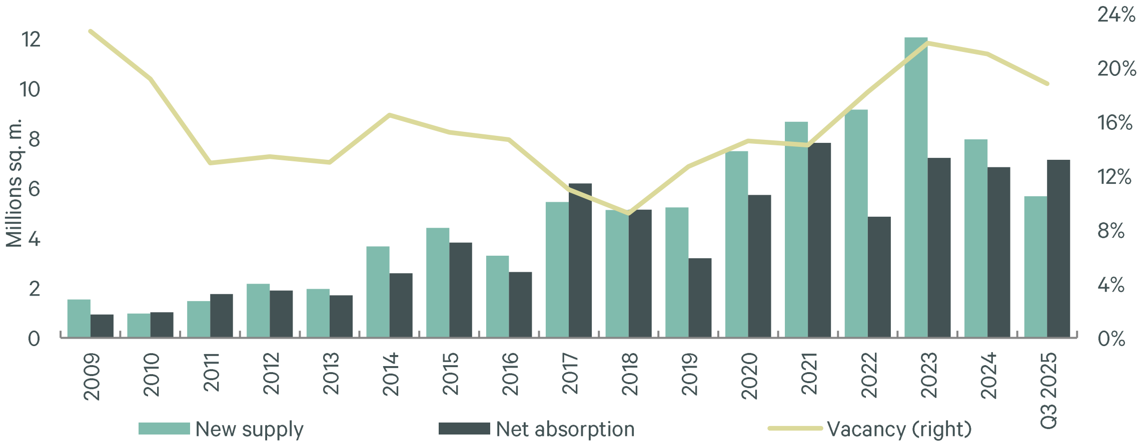
Double 11 stockpiling and manufacturing boost demand for 3PLs but cross-border e-commerce leasing slows

Nationwide net absorption of warehouse and logistics space reached 2.08 million sq. m. in Q3 2025, exceeding 2 million sq. m. for the fourth consecutive quarter but declining 20% q-o-q.

Driven by robust Double 11 inventory preparation demand, new leasing activity surged for e-commerce cloud warehouses and large integrated e-commerce logistics facilities. Domestic e-commerce and 3PLs new leasing space rose 38% q-o-q, accounting for 63% of total new leases signed during the quarter.

Manufacturing tenants continued to expand steadily, with their share of new leases increasing by 1.5 pps. q-o-q to 18.6%, primarily driven by new energy vehicle and parts companies taking up space in the Shanghai metropolitan area, Beijing metropolitan area, Chongqing, and Chengdu. Cross-border e-commerce activity this quarter was limited to a self-built warehouse addition in Zhaoqing and an expansion in Jiaxing. However, no significant lease terminations occurred except for a few isolated cases in Dongguan.

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



Source: CBRE Research, Q3 2025

FIGURE 13: Logistics Vacancy Rate in major cities

Source: CBRE Research, Q3 2025.

Surges in new stock in Guangzhou-Foshan pushes up new supply

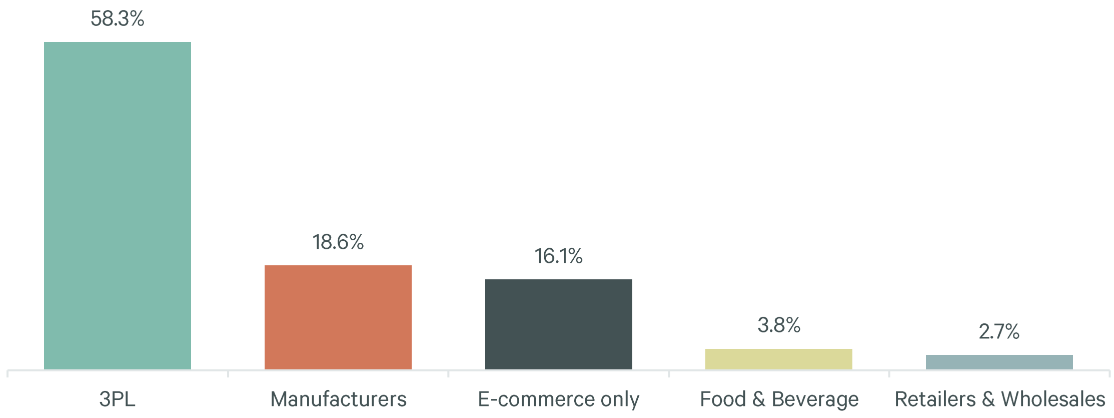
New supply increased by 26% q-o-q to 1.77 million sq. m., with Guangzhou and Foshan collectively contributing over 900,000 sq. m. of new stock this quarter. Among other cities, only Beijing, Langfang, Shanghai, Suzhou, Chengdu, and Huizhou saw new projects enter the market.

The nationwide vacancy rate declined for a fifth consecutive quarter, dropping 0.6 pps. to 18.8%. All regions except South China saw vacancy rates decrease this quarter, further improving the supply-demand balance. Vacancy rates in Chengdu and Chongqing within the West China region have now returned to single digit territory.

Rental decline narrows in multiple cities

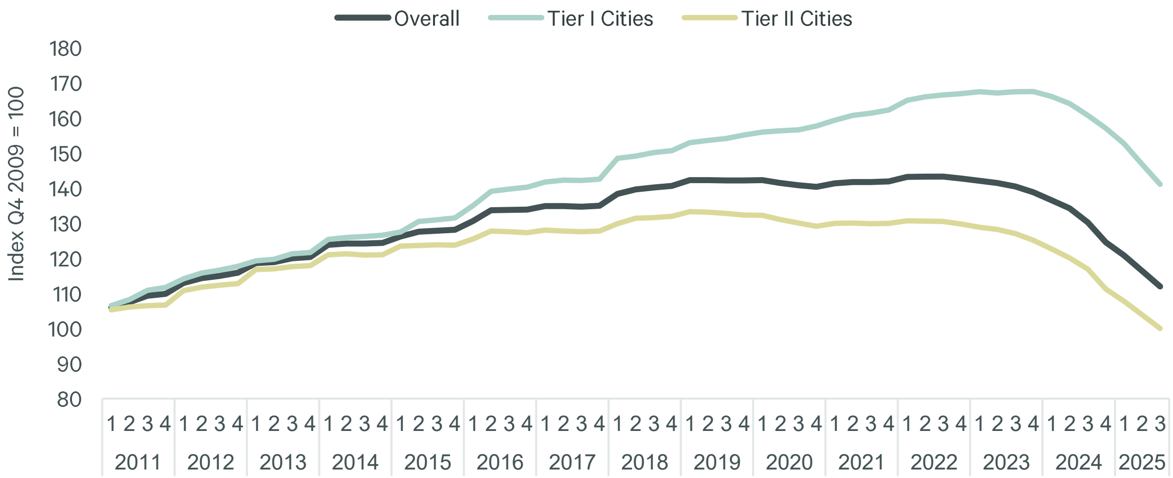
Nationwide logistics rents fell 3.7% q-o-q, matching the previous quarter's rate of decline. Ningbo remained the only market to record rental growth. South China saw the q-o-q decline widen, with Guangzhou and Foshan experiencing steeper drops than Shenzhen, Dongguan, and Huizhou due to their relatively earlier supply surges. Rental declines slowed in Langfang, Tianjin, Wuhan, and Kunshan, while the rate of decline in Chengdu and Chongqing narrowed to under 1%.

FIGURE 14: Proportion of Leased Logistics Space by Industry



Source: CBRE Research, Q3 2025

FIGURE 15: China Industrial Rental Index



Source: CBRE Research, Q3 2025

Investment

Investment Turnover
-14.2% y-o-y

Investment Turnover
-19.5% q-o-q

Data centres attract increasing demand

A total of 72 commercial real estate transactions with a total value of RMB 55.9 billion were recorded in Q3 2025. This marked decreases of 19% q-o-q and 14% y-o-y, indicating cautious market investment sentiment.

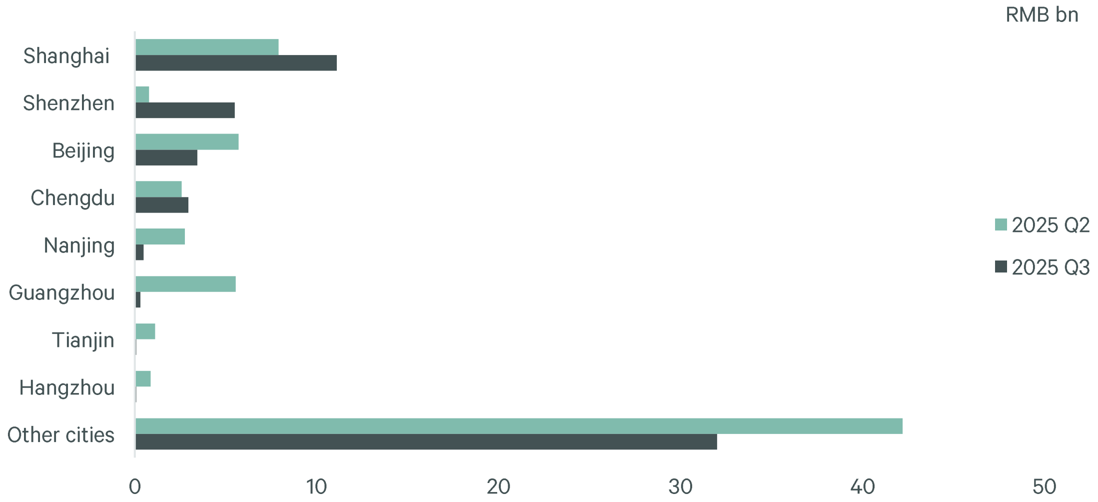
The acquisition of 100% equity of China Data by Dongyangguang Group contributed 50% of transaction value this quarter, propelling the new economy sector to top position with a 64% share of total transaction volume. Driven by the growth of AI, investment in data centres is surging. Over the past 12 months, data centre-related fundraising through various channels such as public REITs and ABS exceeded RMB 15 billion, with active participation from domestic insurance institutions including China Life, CPIC, and Dajia.

Diverse range of investors active this quarter

This quarter saw involvement by new types of capital such as non-real estate enterprises, state-owned platforms, and private buyers. Excluding the China Data transaction, the above-mentioned investors contributed in excess of RMB 15 billion of investment volume across various property types including office buildings, hotels and retail properties. Major transactions included Changzheng Village's acquisition of T Center T1, Zhouzhuang Investment Development's purchase of Jinqiao Vanke Vi-Hub, and an acquisition of Mix 6 by a Zhejiang private enterprise.

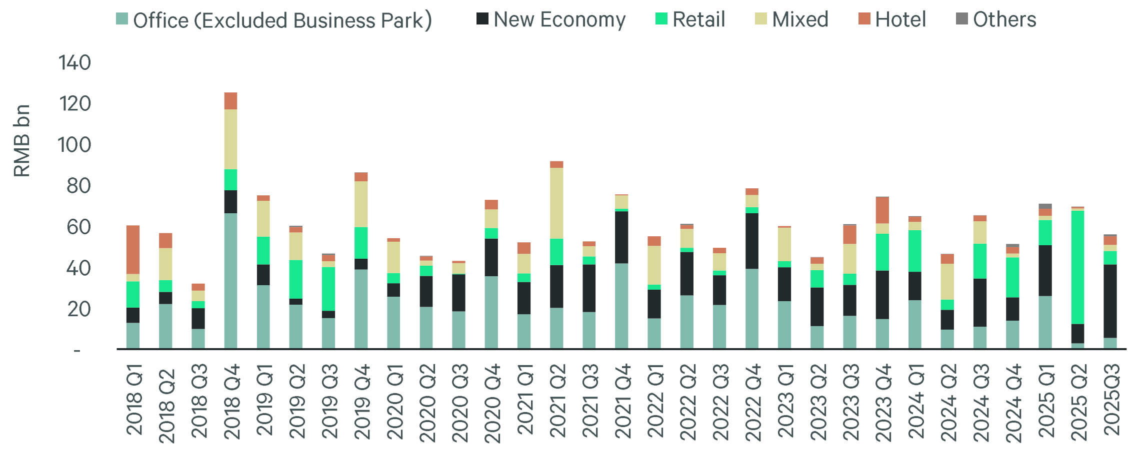
Institutional investors continued to focus on the consumption and living sectors. During the quarter, GSUM Fund acquired Chengdu Florentia Village, while Shanghai State-owned Stock Assets Revitalising Fund acquired Qiantan Yongcui 46 Rental Hosing. Consequently, transaction volumes for retail properties and rental housing in the first three quarters increased by 76% and 55% y-o-y, respectively. Also this quarter, Dajia Insurance together with several insurance companies established a RMB 4.5 billion rental housing fund, focusing on affordable rental housing projects in tier I cities.

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, Q3 2025.

FIGURE 17: Transaction Volume by Sector[6]

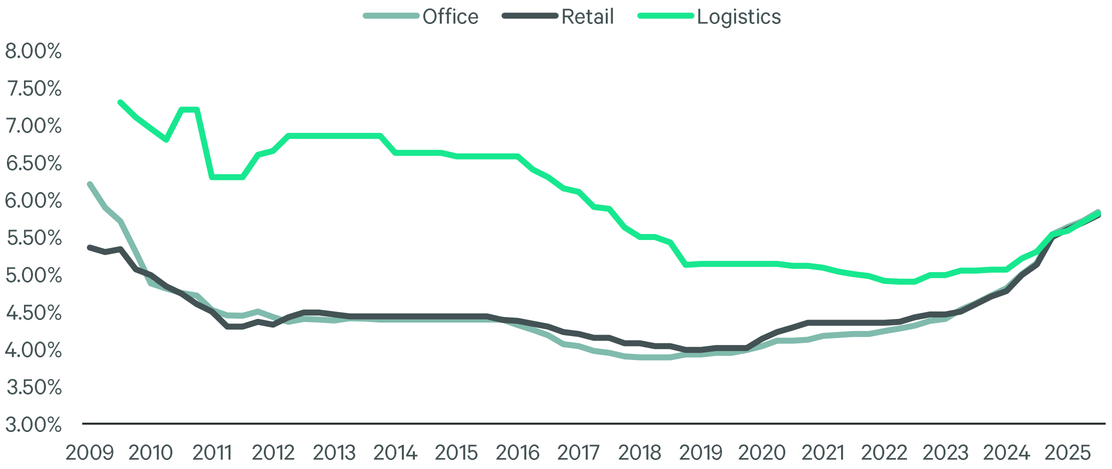


Note 6: New economy sector includes logistics, business parks, residential for income generating, data centres, cold storage and self storage.
Source: CBRE Research, Q3 2025.

Moderate widening of cap rates across asset types

Due to continued pressure on the rental income side for office, retail and logistics properties, and with supply-demand dynamics in the investment market still favouring buyers, the cap rates for the three property types in tier I cities widened by 5-20bps this quarter. While the five-year LPR remained unchanged during the period, the spread between average cap rates for various asset types in tier I cities and the yield on 10-year government bonds remained high, at approximately 400bps.

FIGURE 18: Tier I Cities Average Net Yields



Source: CBRE Research, Q3 2025.

Outlook

OFFICE

CBRE's 2025 China Office Occupier Survey revealed that high economic and geopolitical uncertainty, coupled with occupiers' strong cost-containment intentions, is driving a stronger preference for renewals and lease restructures. However, expansionary intentions among key demand engines including TMT, finance, retail and consumer services remain relatively positive. CBRE therefore maintains a cautiously optimistic short-term outlook for office demand and reiterates its forecast for 2025 full-year net absorption to grow 20% to 2.3 million sq. m.

Full-year nationwide office new supply is projected to reach 4.2 million sq. m., pushing up the vacancy rate to 24.6% by year's end. Face rents are forecasted to decline by 11% over the full-year. New stock of nearly 6 million sq. m. is due in 2026, marking a supply peak and ensuring a prolonged rental decline.

RETAIL

Due to delays in construction, full-year new supply is expected to drop to 2.9 million sq. m., marking the lowest level since 2020. However, this implies higher supply in the next two years, during which approximately 8 million sq. m. of pipeline projects due to come on stream.

CBRE's September 2025 Asia Pacific Leasing Sentiment Survey found that retailer expansionary intentions in mainland China had moderated (36%), while the need for downsizing (11%) and lease restructuring (11%) had increased slightly.. In the short term, retailers' more cautious expansion strategies coupled with weaker consumer confidence will continue to exert downward pressure on shopping mall rents.

LOGISTICS

Resilient exports combined with the seasonal upturn in consumption domestically, in Europe and the U.S. towards year's end should ensure leasing demand from 3PLs and manufacturing remains robust in the short term. CBRE anticipates that annual demand for warehouses will reach a historic peak of approximately 9 million sq. m. for full-year 2025. Nearly 3 million sq. m. of new supply in South China and 1.5 million sq. m. in Beijing-Tianjin-Langfang will be completed in Q4 2025, increasing downward pressure on rents in these regions. In Western and Central China, rents are expected to stabilise as vacancy rates gradually return to reasonable levels.

INVESTMENT

Cap rates across various asset classes are expected to continue facing expansionary pressure due to the slow recovery of leasing fundamentals and the absence of improvement in market liquidity. The consumption and living sectors will continue to attract the bulk of investment in the coming quarters. Investors are advised to target retail assets that fulfill residents' daily needs and rental apartments in core cities. Opportunities for repurposing inefficient commercial office buildings are also worth considering.

Despite ongoing market uncertainty, China's increasingly diversified investor structure combined with the correction in asset prices will provide solid support for transaction activity in the months ahead. Full-year China real estate investment volume is projected to rise by 5-10% y-o-y.

Rental Cycle

FIGURE 19: China Office Rental Cycle Q3 2025

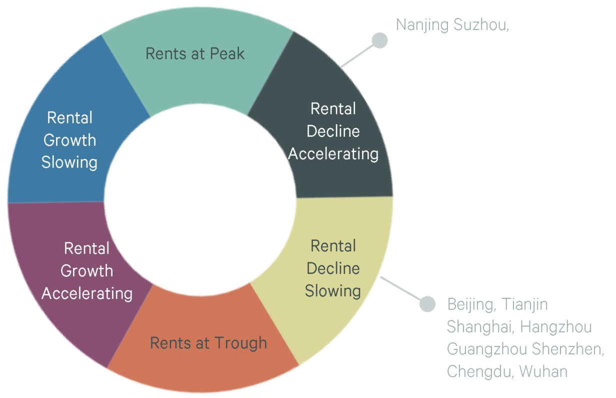


FIGURE 20: China Retail Rental Cycle Q3 2025

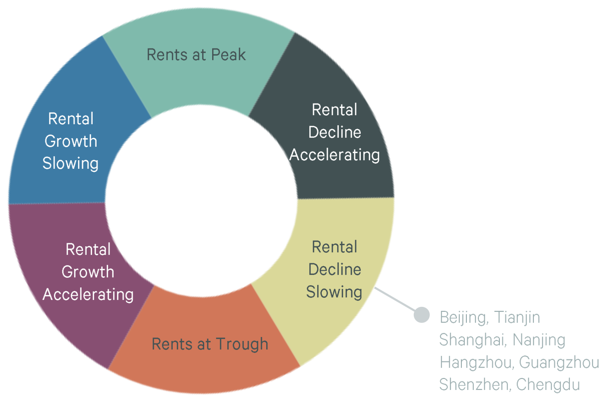
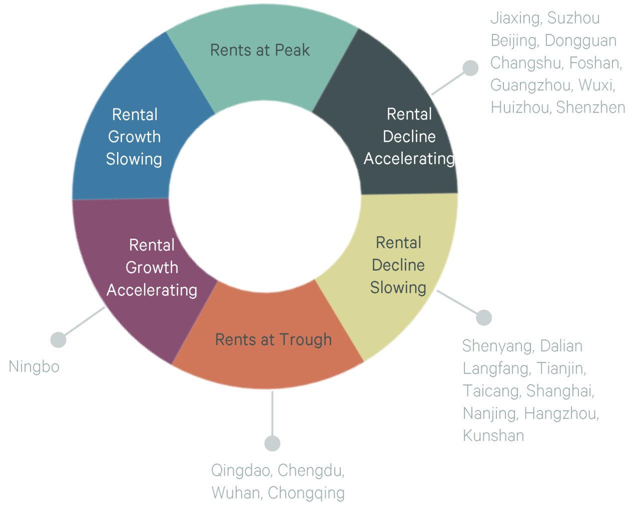


FIGURE 21: China Logistics Rental Cycle Q3 2025



* 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, Q3 2025.

CBRE Research

China Research

Sam Xie
Head of Research, China
Sam.xie@cbre.com

Molly Hu
Director, China Research
Molly.hu@cbre.com

Joey Wu
Assistant Manager, China Research
Joey.wu@cbre.com

Shirley Hu
Senior Director, China Research
Shirley.hu@cbre.com

Faye Qiao
Senior Manager, China Research
Mengyang.qiao@cbre.com

Global and Asia Pacific Research

Henry Chin, Ph.D.
Global Head of Research
e: henry.chin@cbre.com

Ada Choi, CFA
Head of Research, APAC
e: ada.choi@cbre.com