

Creating Resilience

Asia Pacific Retail Leasing Sentiment Survey

REPORT

Retailers express
strong desire to
expand store
networks

CBRE RESEARCH
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CBRE



Retailers remain in expansionary mode

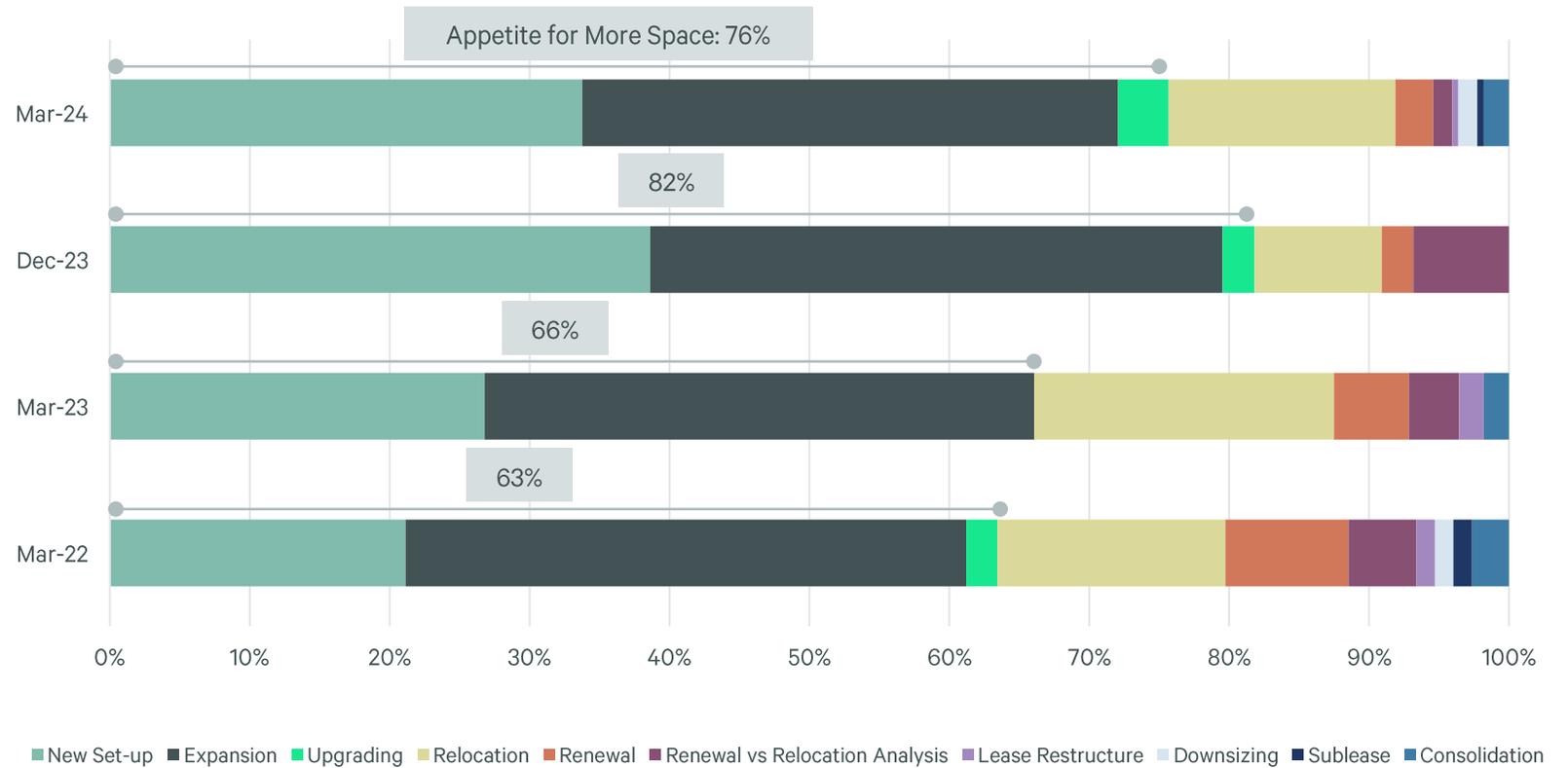
Retail leasing enquiries in Asia Pacific continue to be dominated by expansion as retailers look to rejuvenate their store networks in the aftermath of the pandemic. While demand is set to normalise in 2024, as reflected by weaker appetite for more space, interest in upgrading and relocation picked up over the course of Q1 2024.

Over two-thirds of retail brokers reported an increase in leasing enquiries and site inspections in the opening quarter of this year, indicating that regional retail leasing activity is likely to remain strong in the coming months.

Half of respondents – the highest proportion since 2023 – expressed the view that retail leasing market dynamics are shifting in favour of landlords. Retail vacancy trended down over the course of 2023 on the back of solid expansionary demand.

CBRE expects incentive levels to stabilise in most locations this year, except in mainland China, where secondary retail space continues to attract weak demand.

Figure 1: Retail leasing enquiries in Asia Pacific



Source: Asia Pacific Leasing Sentiment Index, CBRE Research, March 2024.

Sentiment stays positive

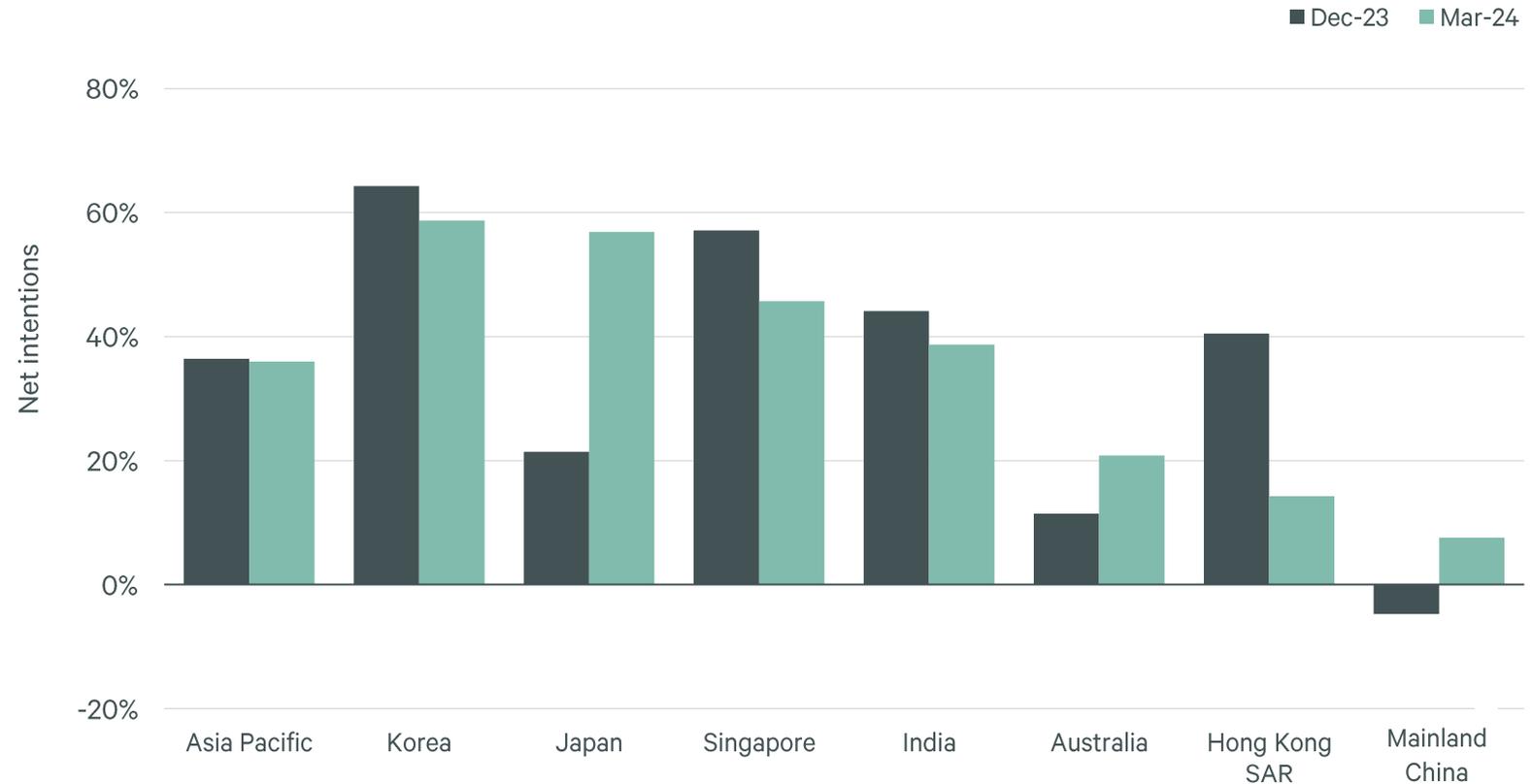
The survey uncovered positive retail leasing sentiment in all markets. The strongest improvement was observed in Japan, where more retailers are resuming expansion on the back of rising profitability and record-breaking tourist spending.

Growth in foot traffic from the working population and tourists in the CBD as well as a resilient job market are supporting the recovery in Australia. With consumer confidence rebounding in Q1 2024, the outlook is upbeat.

While retail leasing sentiment remains solid in Korea, Singapore and India, tight availability of prime retail space constrained leasing activity.

Although sentiment in mainland China returned to positive territory as retail sales growth stabilised during the Lunar New Year holiday, the mood in Hong Kong SAR deteriorated as retailers adopted a wait and see stance due to uncertainty regarding the economic and interest rate outlook.

Figure 2: Retail leasing sentiment in Asia Pacific by market



Market sentiment is based on the simple average of net intentions (net % difference between positive and negative answers) of seven surveyed indicators.

Source: Asia Pacific Leasing Market Sentiment Index, March 2024

Strong upgrading demand

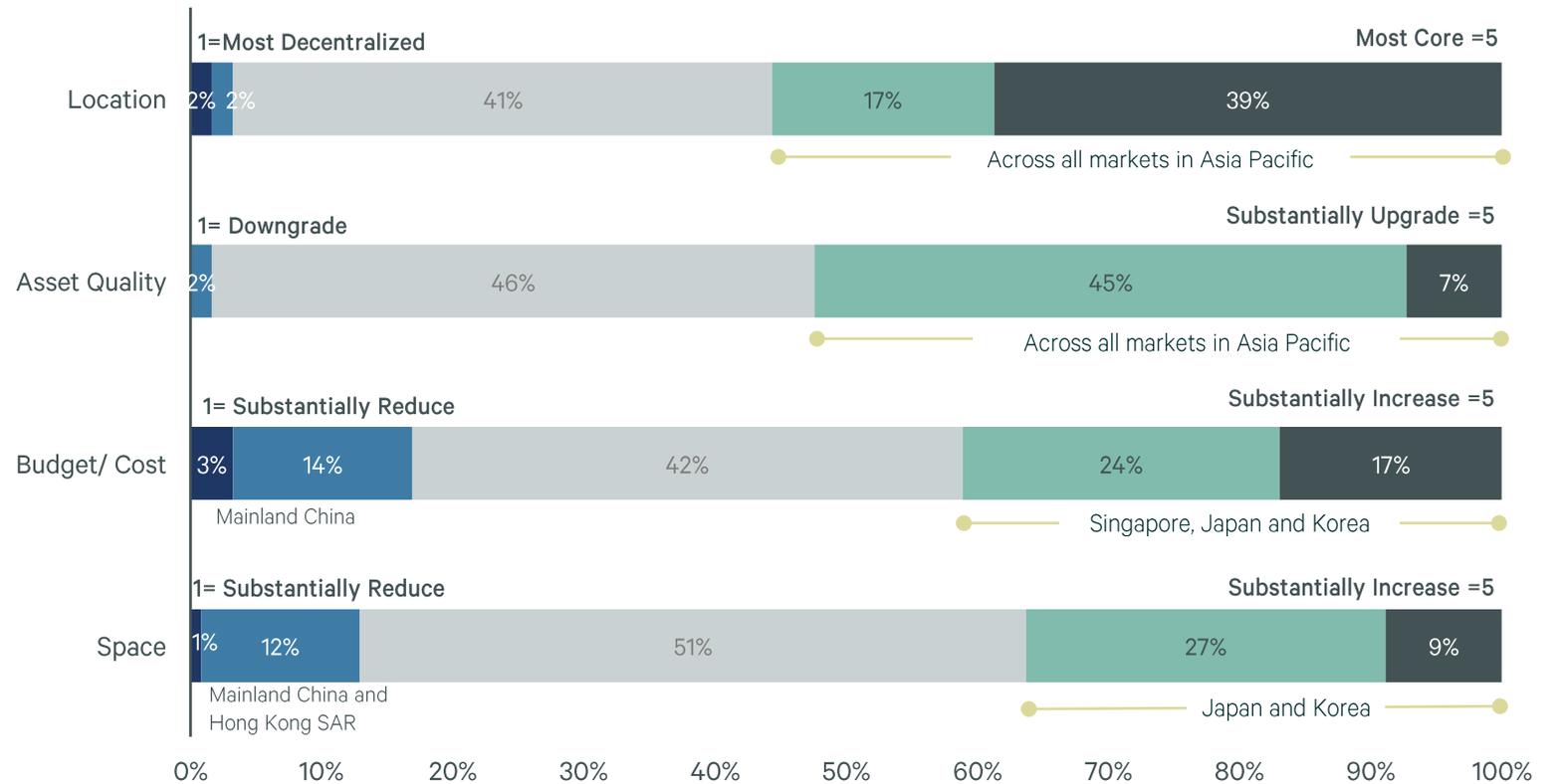
Retailers across Asia Pacific are displaying a very strong preference for prime core retail space. This is due to rents in core locations becoming more affordable in the wake of COVID-19 and also because many retailers shifted their focus to community retail during the pandemic and now want to boost their presence in core locations.

Korea reported the strongest retailer demand for core locations, with areas such as Myeongdong and Gangnam continuing to see robust enquiry levels.

Retailers in Australia displayed a stronger preference for quality over location; a trend expected to fuel leasing activity in prime quality CBD high streets and regional malls over the coming months.

The survey found that most retailers plan to retain or increase their real estate budget and store footprint in 2024. However, CBRE expects to see a certain degree of consolidation in Greater China as economic uncertainty persists, meaning that retailers in this region will stay cautious.

Figure 3: Using a five-point scale, how would you assess retailers' relocation preferences?



Source: Asia Pacific Leasing Sentiment Index, CBRE Research, March 2024.

F&B and sportswear drive cross border expansion

Amid a global shift in consumer spending towards eating out and experiences, F&B remains the most active retail trade in Asia Pacific, with demand from this category at its strongest in Singapore and Southeast Asia.

While Hong Kong SAR has witnessed a rise in new F&B entrants from mainland China since late 2023, demand has been diluted by a shift in local spending to Shenzhen.

Sportswear and apparel are the second and third most active trades, respectively. Among the former, demand is focused on mainland China and India, where more overseas sports brands are looking to tap into growing consumer spending on health and wellness.

India reported above-trend demand for all major retail trades, supported by an increasingly affluent population and rising appetite for branded goods; drivers which continue to encourage conglomerates to introduce more international retailers to the country.

Figure 4: Using a five-point scale, how strong is interest in cross-border expansion into different markets by trade?



Note: 1 = Not Interested; 2 = Somewhat interested but have not started planning; 3 = Interested, with planning in progress; 4 = Interested, with expansionary plans in place; 5 = Very interested and intend to accelerate expansion

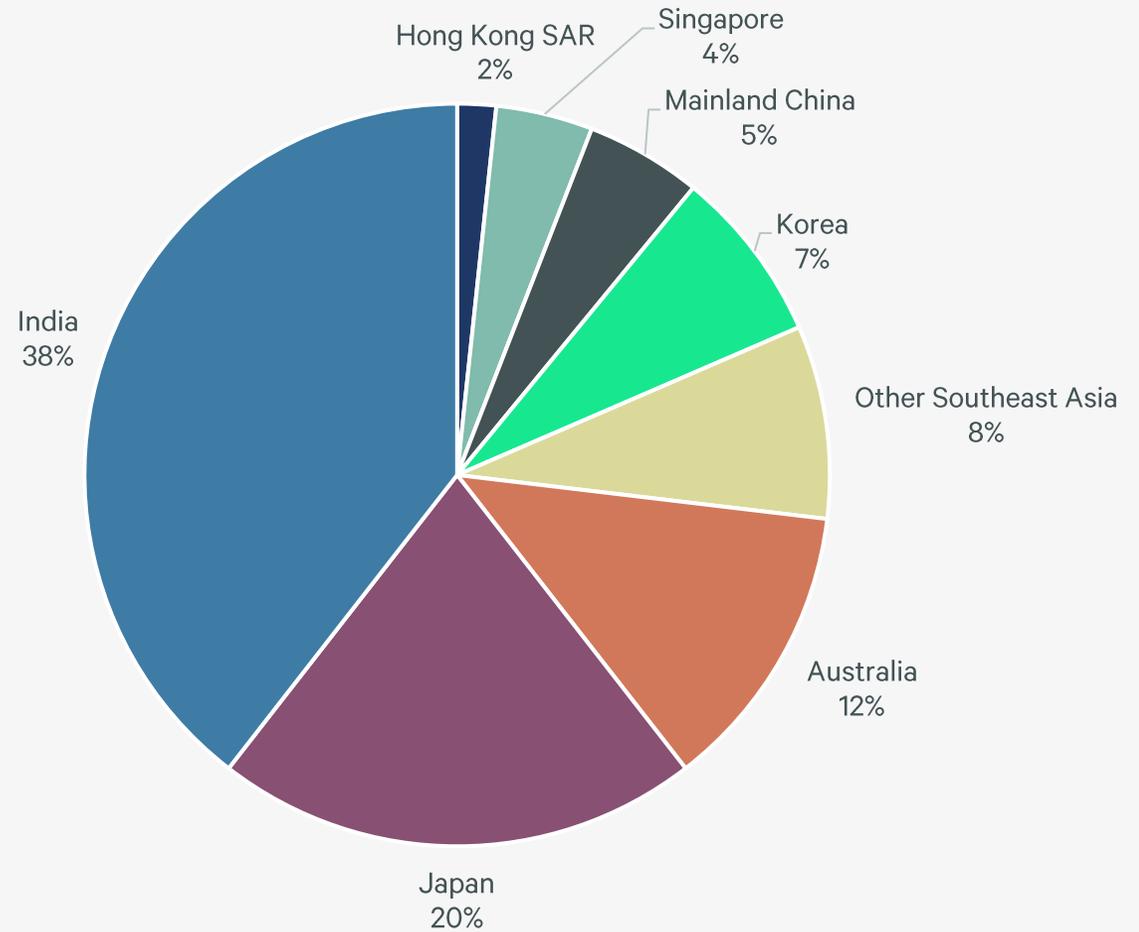
Source: Asia Pacific Leasing Sentiment Index, CBRE Research, March 2024.

Survey Profile

The CBRE Asia Pacific Market Sentiment Survey was conducted from February 26th, 2024, to March 6th, 2024.

A total of 124 responses were received from CBRE's retail leasing market professionals across Asia Pacific.

Figure 5: Percentage of respondents by market



Source: Asia Pacific Leasing Market Sentiment Index, March 2024.

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