CBRE

Solid TMT demand drives office and business park absorption as diverse buyer base supports investment activity

+5.9%
Shanghai GDP Growth
(Jan to Mar 2026 | y-o-y)

+2.0%
Retail Sales
(Jan to May 2026 | y-o-y)

+7.1%
Fixed Asset Investment
(Jan to May 2026 | y-o-y)

Source: Shanghai Statistics Bureau, CBRE Research, July 2026

Executive Summary

- **Office:** Four new projects totalling 261,302 sq. m. were completed in Q2 2026. Net absorption rose by 14% q-o-q to 168,104 sq. m., making six consecutive quarters of growth. TMT, finance, and business service led new demand, with funds and internet firms displaying solid expansion momentum.
- **Retail:** Four new malls providing 472,000 sq. m. of space were added this quarter. Net absorption totaled 431,964 sq. m., while vacancy remained at 9.2%. New fashion and F&B dominated leasing demand, with functional outdoor wear and specialty tea brands among the most active tenants.
- **Logistics:** Two new projects totaling 202,000 sq. m. were completed during the period. Driven by strong demand from 3PLs and the manufacturing sector, net absorption reached 124,000 sq. m.. The addition of new supply pushed up the vacancy rate by 0.1 pps. q-o-q to 22.6%.
- **Business Park:** TMT remained the largest demand driver, accounting for 48.6% of leasing activity, led by system solutions (22.0%), semiconductors (10.0%), and gaming (9.6%). Consumer retail, industrial manufacturing, and professional services followed.
- **Investment:** A total of 35 transactions worth approximately RMB 14.44 billion were recorded in Q2 2026. For the half year, 61 transactions amounting to RMB 27.35 billion were recorded. Both transaction count and total volume rose q-o-q, indicating improving market activity.

Table 1: Quick Figures

Office	q-o-q	y-t-d	y-o-y
Rent	-1.2%	-1.7%	-3.9%
Vacancy Rate	+0.1%	+1.2%	+2.1%
Retail	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-0.2%	-0.7%	-2.2%
Vacancy Rate	+0.0%	+0.6%	+0.6%
Logistics	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-1.1%	-2.7%	-10.5%
Vacancy Rate	+0.1%	-1.6%	-5.2%
Business Park	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-1.9%	-2.7%	-3.5%
Vacancy Rate	+1.3%	+2.1%	+4.6%
Investment*	**q-o-q**	**y-t-d**	**y-o-y**
Total volume	+11.8%	+5.3%	+71.6%
Domestic	-17.3%	-14.5%	+51.8%

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

Office

Net Absorption 168,104 sq. m.

Vacancy Rate +0.1% q-o-q

Rental Values -1.2% q-o-q

TMT sector leads demand as leasing continues to diversify

Four new office projects were completed in Q2 2026. These were K11 Atelier, The Summit (T3), SML II, and Xuhui Vanke Center Ph3 (T1), which added a total of 261,302 sq. m. of new space to both core and decentralised areas. Solid pre-leasing in these new additions pushed up citywide net absorption by 14% q-o-q to 168,104 sq. m., while overall vacancy rose by 0.1 pps. to 24.5%.

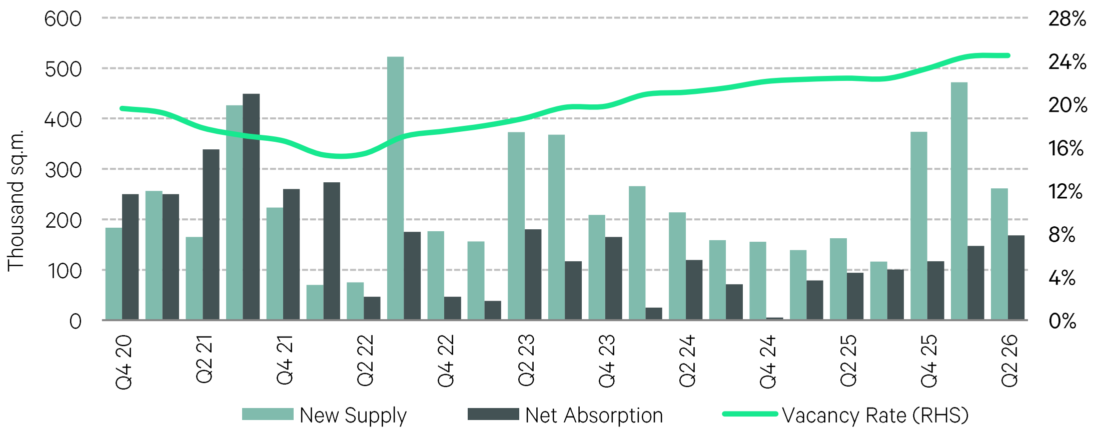
TMT was the most active sector this quarter, accounting for 21.6% of leasing demand, driven by robust expansion from traditional Internet firms and steady demand from high-tech occupiers. Finance ranked second at 17%, supported by a strong recovery in fund-related demand, with over one-third of activity concentrated in Lujiazui. Business services ranked third with 11.1% of leasing demand, mainly driven by law firm relocations and expansions. Third-party space providers ranked fourth with an 11% share, supported by continued expansion from domestic co-working brands. Hospitality remained fifth with 10%, marking its third consecutive quarter as one of the top five demand drivers. Amid elevated supply pressure, office-to-hotel conversions are gradually gaining traction and are expected to support longer-term market rebalancing.

Overall asking rents fell by 1.2% q-o-q to RMB 7.8 per sq. m. per day, while effective rents dropped by 2.3% q-o-q to RMB 5.2 per sq. m. per day, as concentrated new supply and intensifying competition continued to weigh on rents.

Future supply and demand dynamics expected to move toward further rebalancing

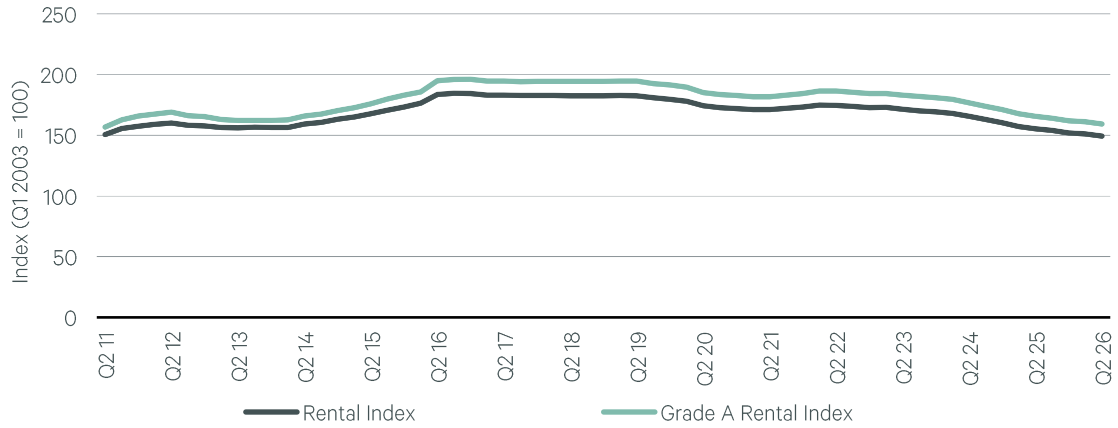
Shanghai's office market remained active in H1 2026, supported by the expansion of TMT firms and recovering demand from business services and traditional finance. Over the next six months, approximately 500,000 sq. m. of new stock is scheduled to be completed, bringing short-term supply pressure to the market. However, tightening land supply and policy backing for building use conversions should help easy supply-side pressure. Driven by industrial upgrading and supply optimisation, market supply and demand dynamics are well-positioned to achieve a more equitable balance in the coming quarters.

FIGURE 2: Shanghai Office Supply and Demand



Source: CBRE Research, Q2 2026.

FIGURE 3: Shanghai Office Rental Index



Source: CBRE Research, Q2 2026.

Retail

Net Absorption 431,964 sq. m.

Vacancy Rate +0.0% q-o-q

Rental Values -0.2% q-o-q

New supply and steady occupancy underpin market resilience

Four new retail projects opened in Shanghai during Q2 2026. These comprised NEO YOUNG 6, Longfeng·PRSCO, West Bund Central (Phase II), and Prisma, which added a combined GFA of approximately 472,000 sq. m. to the market. The new projects are anchored around lifestyle, sports experience, and diversified quality consumption.

Driven by the addition of new supply and high occupancy at large-scale projects, citywide net absorption reached 431,964 sq. m., while overall vacancy held steady q-o-q at 9.2%. Rents fell by 0.2% q-o-q to RMB 31.4 per sq. m. per day.

Retailers accounted for 53.1% of leasing activity. Within this segment, apparel comprised 25% of leasing demand, with trendy fashion and outdoor sports brands remaining active, and functional outdoor brands accelerating their expansion into core submarkets. The gifts, toys & grocery category saw a notable uptick in activity this quarter as brands expanded across multiple submarket tiers. Accessories & jewellery remained in demand, with new openings concentrated among gold and fine jewellery labels.

F&B accounted for 39% of leasing demand, ranking second across all trade categories citywide. Yoghurt brands and coffee and tea concepts were among the most active segments, with specialty milk tea and fruit-and-vegetable tea brands expanding briskly. Within the Chinese cuisine segment, Cantonese and Yunnan-Guizhou-Sichuan concepts continued to attract strong operator interest, while Asian dining openings were led by conveyor belt sushi and shabu-shabu formats.

Landlords pivot to experience as new supply wave approaches

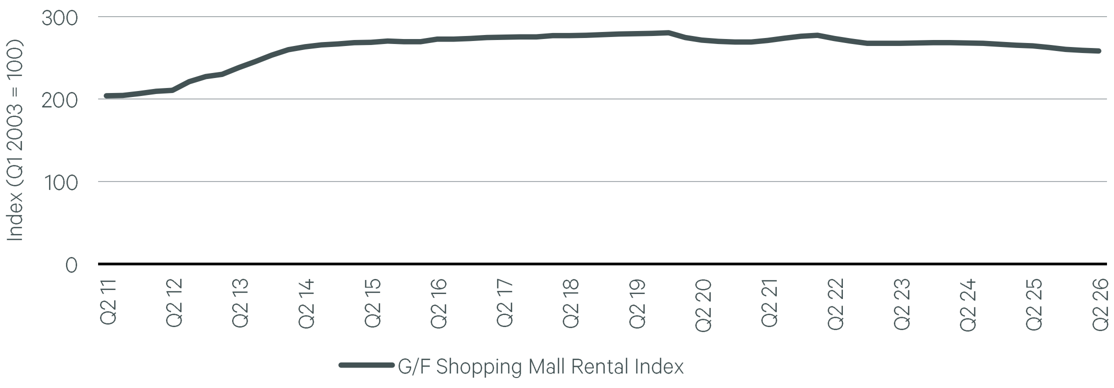
Approximately 766,000 sq m of new shopping mall supply is due to come on stream over the next six months, concentrated in non-core submarkets such as Pudong and Hongqiao. On the demand side, the city government will continue to deploy consumption vouchers and subsidies across F&B, cultural tourism, sports, and digital live-streaming to sustain market momentum. Landlords are increasingly pivoting from demand-side stimulus toward proactive asset repositioning, refreshing tenant mixes with emerging concepts and investing in immersive experiential upgrades to protect occupancy against intensifying competition.

FIGURE 4: Selected Leasing Transactions in Q2 2026

Property	Submarket	Tenant	Sector
Longfeng PRSCO	Huaihai	Cinnabon	F&B
Grand Gateway 66	Xujiahui	Nordisk	Fashion
Neo Young 6	Nanjing Rd E	MUJI	Gifts, Toys & Grocery
Taikoo Li Qiantan	Qiantan	YUTAI GOLD	Accessories & Jewelry
PRISMA	Pudong Others	MONTBELL	Fashion
Mixc	Qibao	24/7 fitness	Service

Source: CBRE Research, Q2 2026.

FIGURE 5: Shanghai Retail Rental Index



Source: CBRE Research, Q2 2026.

Logistics

Net Absorption 124,000 sq. m.

Vacancy Rate +0.1% q-o-q

Rental Values -1.1% q-o-q

Broad-based demand drives solid space absorption

Shanghai's logistics and warehousing market continued its steady recovery in Q2 2026, with two new projects adding a total of 202,000 sq. m. of new supply. These consisted of Phase IV of Yiyue Jiading Industrial Park and Ximai Songjiang Logistics Park.

Net absorption reached 124,000 sq. m. this quarter, bringing total net absorption for H1 2026 to 305,000 sq. m. Citywide vacancy increased slightly by 0.1 pps. q-o-q to 22.6%. Vacancy rates in Jinshan, Jiading and Qingpu remained above 25%, while Pudong Airport, Fengxian and Baoshan recorded vacancy rates below 15%.

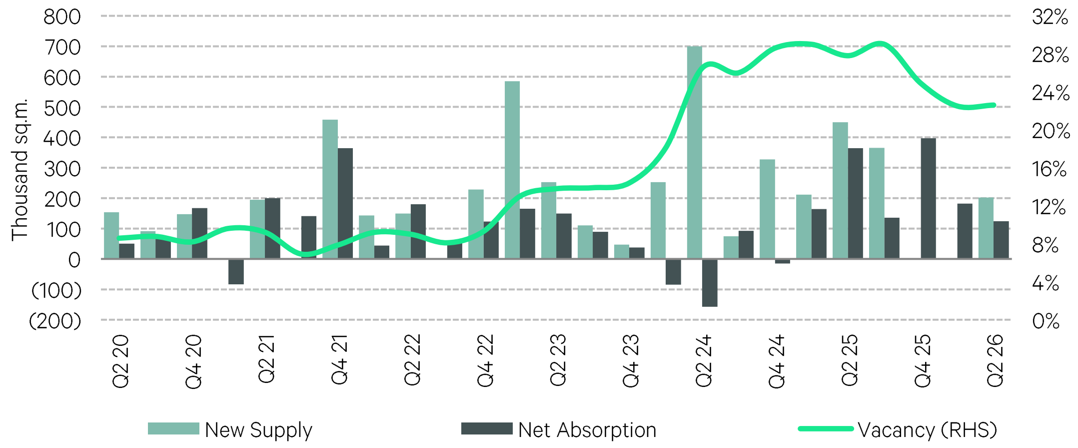
Leasing demand was primarily driven by the 3PLs and manufacturing sectors. 3PLs accounted for 62% of total leasing demand, supported by several large-scale transactions from leading domestic and international logistics providers and supply chain companies. Manufacturing demand ranked second with a 15% share.

Rental decline moderates as early signs of stabilisation emerge

Average citywide rents declined by 1.1% q-o-q to RMB 1.16 per sq. m. per day, a slower rate of decline compared to the 1.6% drop recorded in the previous quarter. At the submarket level, Waigaoqiao recorded the sharpest rental correction, with rents falling 12.7% q-o-q. Rental declines in all other submarkets remained within 3% q-o-q.

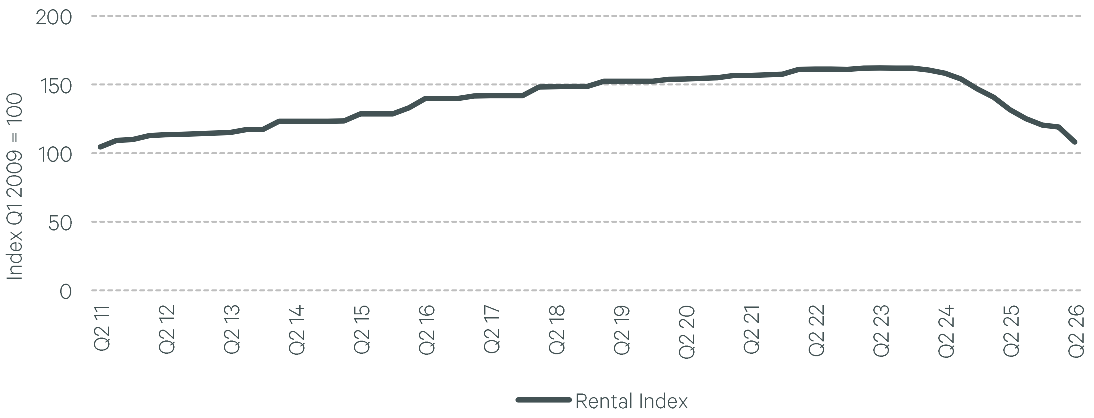
Strong export demand across east China, coupled with sustained growth in manufacturing and supply chain logistics demand, supported the expansion of Shanghai's logistics and warehousing market in H1 2026. Other tailwinds were provided by the steady recovery in consumer demand. Nearly 500,000 sq. m. of new supply is due to come online in H2 2026, mainly concentrated in Jiading, Qingpu, Lingang and other Pudong submarkets. Although the influx of new projects may temporarily increase vacancy pressure, robust demand from 3PL operators, manufacturers and FMCG retailers is expected to gradually absorb any additional capacity. Market fundamentals are likely to gradually improve, with rental declines continuing to narrow and the market moving towards a more stable phase.

FIGURE 6: Shanghai Logistics Supply and Demand



Source: CBRE Research, Q2 2026.

FIGURE 7: Shanghai Logistics Rental Index



Source: CBRE Research, Q2 2026.

Business Park

Net Absorption 91,667 sq. m.

Vacancy Rate +1.3% q-o-q

Rental Values -1.9% q-o-q

Supply growth meets demand recovery

Three new business park projects - Jumeng Tiandi, Jinqiao One Centre, and AI Island Phase II—were completed in Q2 2026, adding approximately 403,000 sq. m. of new supply to the market. Supported by a continued demand recovery, leasing activity strengthened over the quarter, with net absorption reaching 92,000 sq. m., a rise of 6.8% q-o-q.

TMT remained the dominant demand driver, accounting for 48.6% of leasing activity, led by system solutions (22%), semiconductors (10%), and gaming (9.6%). Consumer retail (20%), industrial manufacturing (16.9%), and professional services (5.2%) followed.

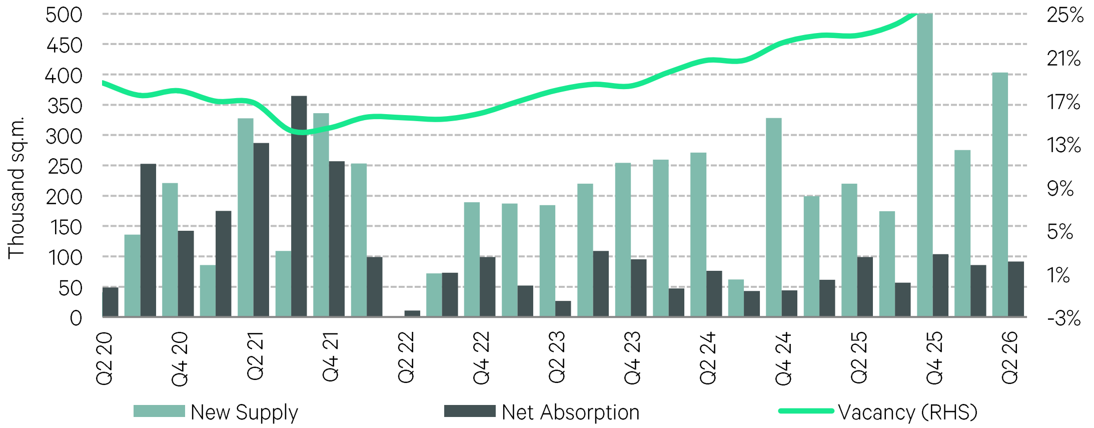
Absorption was concentrated in Caohejing (47%), Zhangjiang (21%), and Yuqiao (18%). From a deal-structure perspective, ongoing rental adjustments encouraged occupiers to upgrade and relocate, with relocation demand accounting for 44% of transactions. Demand from newly established companies increased 16% on a y-o-y basis, reflecting improving market sentiment.

While demand continues to recover, the influx of new supply in H1 2026 pushed up the citywide vacancy rate by 1.3 pps. q-o-q to 28.1%. By quarter-end, headline rents declined 1.9% q-o-q to RMB 4.31 per sq. m. per day, while effective rents fell 2.1% q-o-q to RMB 2.95 per sq. m. per day.

Supply pressure persists but rental adjustments stimulate demand

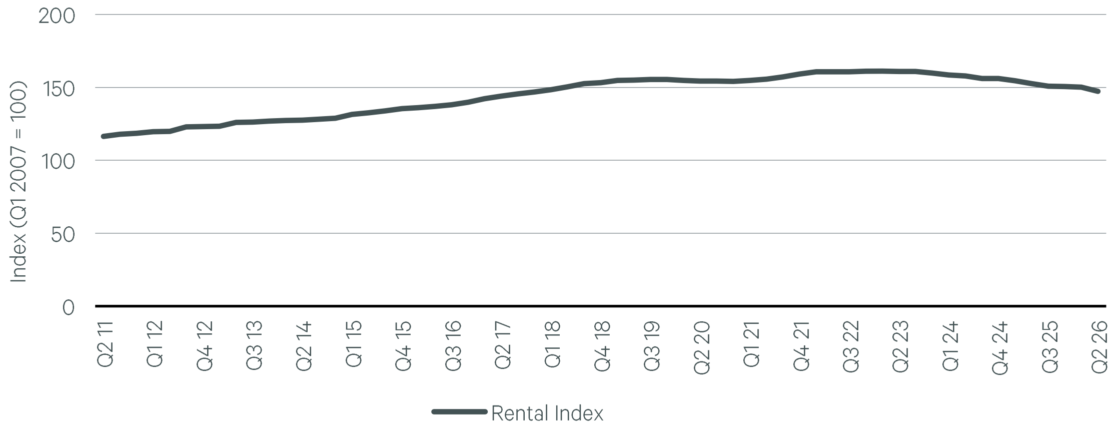
Over the next six months, approximately 450,000 sq. m. of new supply is scheduled to come on stream, ensuring pressure on market absorption remains elevated. However, rental adjustments are likely to further enhance the cost competitiveness of business parks, supporting occupiers' pursuit of space optimisation and the release of new demand. Industries such as artificial intelligence, integrated circuits, biopharmaceuticals, and advanced manufacturing are expected to remain key demand drivers, while core submarkets including Zhangjiang, Caohejing, and Lingkong are set to demonstrate resilience.

FIGURE 8: Shanghai Business Park Supply and Demand



Source: CBRE Research, Q2 2026.

FIGURE 9: Shanghai Business Park Rental Index



Source: CBRE Research, Q2 2026.

Investment

Total Turnover
+11.8% q-o-q

Number of Transactions
35

Investment activity picks up as end-use and investment-driven deals gain traction

A total of 35 transactions worth approximately RMB 14.44 billion were recorded in Q2 2026. This brought the H1 2026 total to 61 transactions with a total volume of RMB 27.35 billion. Both transaction count and total volume rose q-o-q, indicating improving market activity.

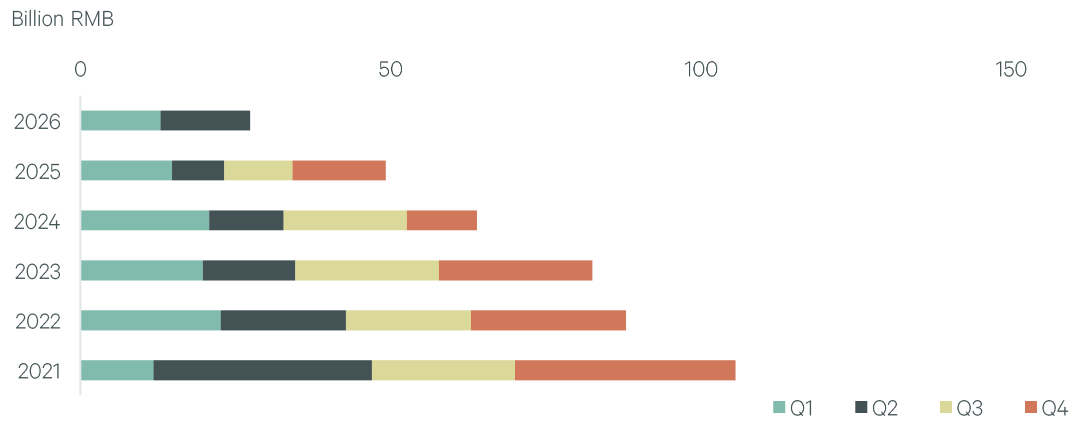
Offices remained the most traded asset, occupying a 54% share of total transaction volume, of which over 80% were for owner-occupation. During the period, Bank of East Asia acquired partial floors in BEA Finance Tower, reflecting corporate buyers' recognition of the long-term value of Shanghai's economic fundamentals. Investment-oriented buyers continued to prioritise office properties providing stable cash flow in prime locations. Retail properties and hotels accounted for 26% and 13%, respectively, of investment volume. These assets' relatively stable operational performance, combined with current asset valuations, continue to attract solid interest from a wide range of investors.

Corporate buyers contributed 35% of investment volume, with self-use office and investment-driven hotel and retail deals their primary targets. Institutional investors and real estate funds collectively accounted for 23% as they deployed capital across stabilised office, retail, and logistics assets. Property companies accounted for 11%, with quality developers accelerating acquisitions of undervalued assets to achieve capital appreciation through refined operations.

Investors advised to target stabilised offices and rental housing

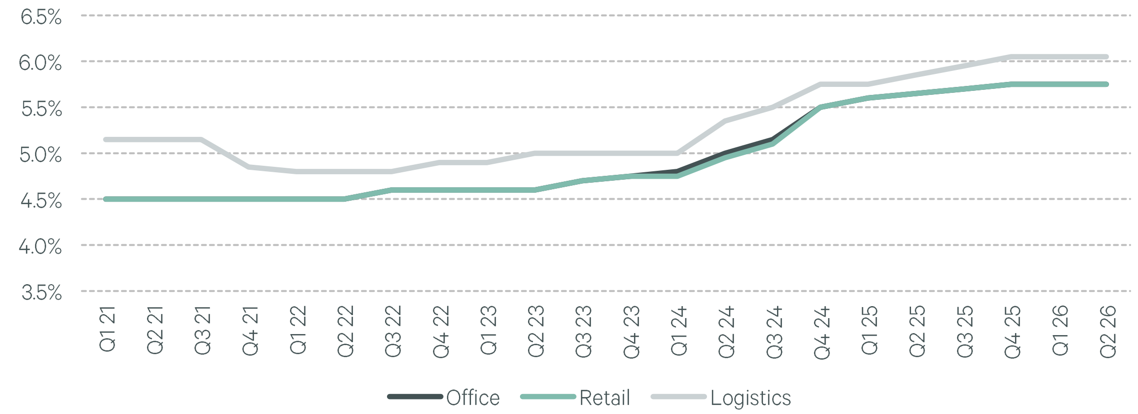
The investment market is showing a moderate recovery, with purchasing activity improving compared to previous quarters. Price negotiations between buyers and sellers are approaching an equilibrium range, and asset pricing is expected to gradually return to a rational track based on fundamentals. During the asset valuation bottoming process, quality assets with stable cash flow continue to attract patient capital and professional buyers. CBRE recommends investors target office buildings with stable operations in core areas and rental housing in areas with a strong industrial clustering effect. Amid initial signs of rent stabilisation in some logistics submarkets, high-standard warehouses are poised to enter a window for liquidity recovery and value repricing.

FIGURE 10: Shanghai en-bloc Transaction Volume



Source: CBRE Research, Q2 2026.

FIGURE 11: Yield by Sector



Source: CBRE Research, Q2 2026.

CBRE Research

Ivy Lu
Senior Director, China Research
ivy.lu@cbre.com

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

Qianqian Zhang
Senior Analyst, Eastern China
qianqian.zhang@cbre.com

Faye Qiao
Associate Director, China Research
mengyang.qiao@cbre.com

Joanna Qiang
Analyst , Eastern China
joanna.qiang@cbre.com

Hanny Zhou
Analyst , Eastern China
yuhan.zhou@cbre.com

Business Line

Alan Li
President, CBRE China, Advisory
alan.li@cbre.com

CBRE Office

Shanghai Office
17&18F, JC Plaza
No. 1225 West Nanjing Road,
Shanghai, China 200040