ASIA PACIFIC OFFICE TRENDS | Q1 2026

Office leasing market remains resilient despite ongoing Middle East conflict

Key Trends

- Several Southeast Asian markets have implemented work-from-home policies to save energy and reduce transport fuel demand in response to the Middle East conflict. While persistently high oil prices may escalate fit-out costs and hinder relocation activity in the near term, office leasing was unaffected this quarter.
- Office leasing in India achieved a record annual volume in 2025, with momentum continuing into the opening months of this year. Activity continues to be underpinned by demand for Global Capability Centres (GCCs) from various sectors along with domestic corporates.
- In Japan, Tokyo's office market remains exceptionally tight due to robust domestic demand. Occupiers across industries in core submarkets are looking to expand within their current building or nearby area. More landlords are gradually incorporating CPI-linked clauses in lease contracts for annual rental adjustments.
- Singapore's office market has carried its positive momentum into 2026, underpinned by strong occupier demand and record low vacancy. Renewals continue to lead leasing activity as occupiers stay put due to tight availability and the high cost of relocations. The banking and financial sector remains the key demand driver, led by wealth management, hedge funds and quant trading firms.

> "Asia Pacific's office market remains resilient despite stronger geopolitical headwinds. With supply remaining tight in mature markets, CBD rents in Japan and Singapore are rising as occupiers compete for prime space. In India, the broad-based expansion of GCCs across sectors is pushing up nationwide leasing volume to record high levels."

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India

Leasing volume reaches record high amid robust demand from Global Capability Centres

STATE OF THE MARKET

- India's office market reached a significant milestone in 2025 with leasing volume achieving a record annual high for a third consecutive year. Demand this year continues to be underpinned by demand for Global Capability Centres (GCCs) from various sectors along with domestic corporates.
- Rental growth is expected to continue across key submarkets in 2026, supported by tight supply in core locations and solid pre-leasing in under-construction projects.

TRANSACTION ACTIVITY

- In addition to the financial and tech sectors, international life science and pharmaceutical firms are also setting up GCCs to support operations.
- Domestic flex operators have been active in core submarkets in recent months on the back of robust IPO activity.

EMERGING TRENDS

- The global growth model for GCCs is evolving, with growing demand for higher skilled talent amid increasing adoption of AI for enterprise value creation.
- The impact of the Middle East conflict on India's office market is still to be observed, although oil price fluctuations and regional logistics disruption are a concern. A recent slowdown in the migration of Indian workers overseas may support domestic employment and retention in the coming months.

OUTLOOK

- Occupiers are encouraged to pre-lease quality office space to secure favourable terms and future capacity. Companies planning entry to India may consider flex space as part of a phased entry strategy to satisfy short- to mid-term requirements.
- Landlords must be cognisant of the fact that flight to quality will continue to drive demand and occupiers retain a strong focus on providing an attractive workplace experience to lure the best talent.

SIX-MONTH OUTLOOK

RENT	SUPPLY	VACANCY
↑	↑	↓

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Occupiers prioritise core locations to attract talent amid scarce availability and rising rents

STATE OF THE MARKET

- Tokyo's office market remains exceptionally tight due to robust domestic driven demand. More occupiers in core submarkets are looking to expand within their current building or nearby area.
- Leasing higher quality offices in core locations is increasingly viewed as a strategic investment to attract and retain the best talent and incentivise office attendance. Cost containment is a lower priority due to the current robust business environment.

TRANSACTION ACTIVITY

- Domestic occupiers across a broad range of industries are relocating and expanding, driven by a need to satisfy larger space requirements. Secondary markets such as Nagoya and Osaka are also seeing occupiers upgrading to strengthen service delivery.
- Emerging trends include large pharmaceutical firms relocating to prime areas near Tokyo Station for talent attraction and retention.

EMERGING TRENDS

- There is a gradual penetration of CPI-linked clauses in lease contracts for annual rental adjustments. Landlords increasingly favour shorter lease structures, with three-year fixed terms more common instead of the traditional five-to–10-years as it enables them to renegotiate rents and terms sooner.
- Rent-free periods are gradually tightening, while high fit-out costs and prolonged reinstatement periods are increasing relocation friction and incentivising incoming tenants to recycle previous fit-outs. Occupiers are looking beyond existing availability and exploring options for upcoming vacated space or shadow space in response to tight supply.

OUTLOOK

- As rents continue to rise and quality space is swiftly absorbed, occupiers should act quickly and decisively.
- Landlords can differentiate themselves by offering more competitive lease structures. Excluding CPI-linked lease clauses can increase lease desirability. For less core locations or second tier markets, landlords can increase amenity offerings and wellness facilities to attract and retain tenants.

SIX-MONTH OUTLOOK

RENT	SUPPLY	VACANCY
↑	↓	↓

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Solid demand pushes down CBD vacancy to record low despite cautious global outlook

STATE OF THE MARKET

- The office market has carried its positive momentum into 2026, underpinned by strong occupier demand and record low vacancy. Core CBD Grade A office rents have risen for five consecutive quarters, supported by tightening supply and upbeat demand.
- The Middle East conflict constrained occupier decision-making in March, although no space rationalisation has been observed. The city's office market remains well placed to absorb external shocks due to solid flight-to-quality demand and a shortage of supply.

TRANSACTION ACTIVITY

- Renewals continue to lead leasing activity as occupiers stay put due to tight availability and the high cost of relocations. The banking and financial sector remains the key demand driver, led by wealth management, hedge funds and quant trading firms.
- Maturing tech and AI-related occupiers are expanding and transitioning from coworking space into traditional offices. Coworking operators remain active, backed by start-ups, project teams and international firms establishing a presence in the city.

EMERGING TRENDS

- Selected landlords with older assets in core locations are executing major refurbishments to capture rental premiums. However, cases are limited as initial capital outlays are high and prolonged renovation periods dampen real estate revenue.
- While a large new supply is set to come on stream in 2028, pent-up demand from current limited availability and the previous lack of new stock will ensure any upcoming space is quickly absorbed.

OUTLOOK

- Occupiers should plan proactively for longer-term requirements, as limited stock and near-term supply constraints will persist. Creative solutions such as turnkey or adaptive re-use of existing fit-outs can help tenants mitigate CAPEX exposure.
- With the Middle East conflict injecting uncertainty into the market, landlords should adopt a pragmatic approach and look to stabilise occupancy. Adopting a flexible stance to rental policy will be essential to stimulating relocations and other leasing activity.

SIX-MONTH OUTLOOK

RENT	SUPPLY	VACANCY
↑	↓	↓

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