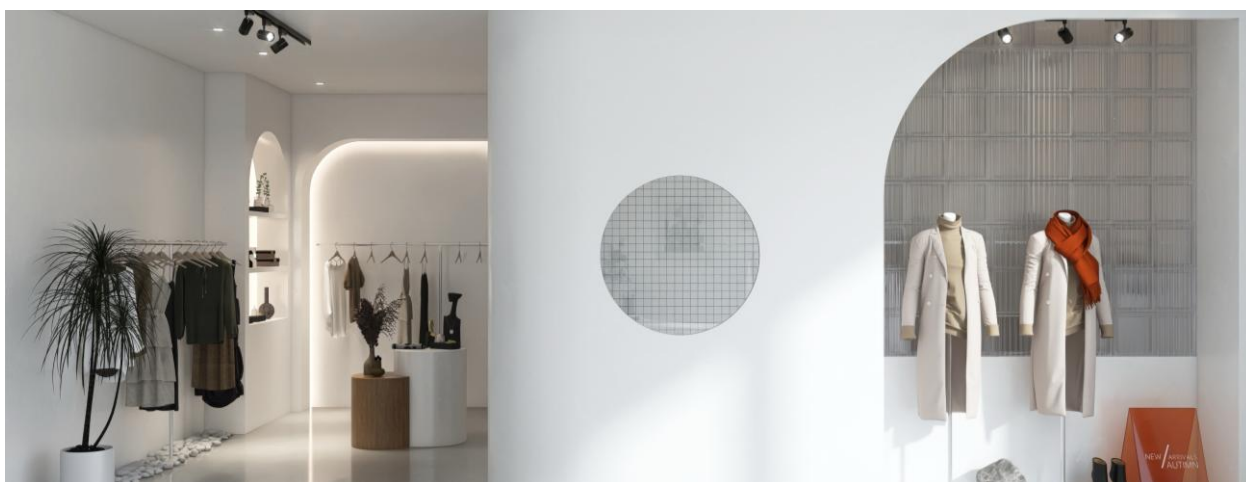


Leasing sentiment improves but rising inflation might weigh on consumption



Key Trends

- Leasing sentiment is improving in **mainland China** tier I cities, driven by expansion from local and international retailers. Prime properties in core retail locations of tier I cities are reporting high occupancy, but those in suburban areas and tier II or below cities continue to struggle.
- **Korea** continues to witness market polarisation amid strong inbound demand and flat domestic consumption. This is leading to tourist-oriented areas such as Myeong-dong, Gangnam and Hongdae, outperforming but other locations reporting higher vacancy.
- Although **Vietnam** consumer sentiment improved in the first two months of 2026, with shoppers shifting from cost-cutting to cautious spending, rising inflation and increasing oil prices could pose headwinds in the coming months. The lack of new supply in CBD areas is forcing retailers to explore options in standalone properties in high foot traffic areas for expansion.

“ While not yet evident, rising inflation may impact consumption in the months ahead. Should the conflict persist, elevated oil prices will weigh on retailers’ production and logistics costs. Retailers are now turning more cautious toward site selection, primarily focusing on prime high street locations.

”

Vivek Kaul

Managing Director
Head of Retail Leasing, Asia
CBRE | Advisory Services

Mainland China

Leasing sentiment strengthens on expansionary demand from local and international retailers

STATE OF THE MARKET

- Leasing sentiment is improving in tier I cities, driven by expansion from local and international retailers. Heightened geopolitical uncertainty in the Middle East is accelerating some brands' China focused growth strategies, while the recovery of international tourism is providing additional support to retail performance.
- Prime assets in core tier I locations are sustaining high occupancy, while abundant new supply continues to weigh on rents and vacancy in suburban areas and tier II and lower tier cities.

TRANSACTION ACTIVITY

- New-to-market demand remains robust, led by cosmetics, fragrance, fashion, athleisure, and lifestyle brands. Overseas retailers continue to prioritise tier I cities, with Shanghai the favourite for first-stores.
- Luxury leasing is moderating as brands shift focus toward portfolio optimisation and consolidation, particularly outside tier I cities.

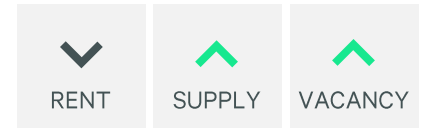
EMERGING TRENDS

- Experience-led retail is a key differentiator. Brands are investing in immersive formats, interactive design, and in store activations. Consumers favour specialists with clear category expertise.
- Local brands are relatively more willing than foreign groups to explore non-conventional locations and store formats where permitting requirements are more complex and stringent.
- Open-air and lifestyle-oriented retail formats are gaining traction, supported by evolving consumer preferences and government initiatives to convert older residential areas into commercial and mixed-use zones.

OUTLOOK

- Omnichannel execution is now critical. Retailers are leveraging digital platforms to reach non core catchments, limiting the need for physical expansion in lower tier cities.
- Flexibility will be decisive for landlords. Assets that accommodate diverse concepts, innovative formats, and experience driven retail will be best positioned to capture demand in a highly competitive environment.
- Retailers and developers should stay attuned to local consumer preferences and cultural nuances, adopting more localised store concepts rather than replicating global templates.

SIX-MONTH OUTLOOK



CONTACT US FOR DETAILS



Zino Helmlinger

Head of Retail Leasing,
Mainland China

zino.helmlinger@cbre.com

Korea

Market polarisation seen amid strong inbound demand and flat domestic consumption

STATE OF THE MARKET

- Retail leasing sentiment, especially among international retailers in Korea, has improved over the last six months.
- Record high international tourist arrivals on the back of the ongoing popularity of K-culture along with the weak Korean won are supporting the recovery of traditional retail areas such as Myeong-dong, Gangnam and Hongdae.
- Strong demand and limited prime availability have seen rents and key money in Seongsu increase by 8x – 10x since 2022.
- Flat domestic consumption and dependence on tourist spending is leading to market polarisation, with tourist-oriented areas outperforming but other locations reporting higher vacancy.

TRANSACTION ACTIVITY

- Recent months have seen several global fashion and athleisure brands make their first forays into the Korea retail market, often opening flagship stores as their first location.
- Pharmacies focusing on non-prescribed medicine and wellness products are scaling rapidly to capture tourist demand, taking large prime main street space in Myeong-dong and Gangnam.
- Local cosmetic brands and medical & wellness centres are extending their footprint across Greater Seoul while eyeing overseas expansion amid strong interest from foreigners.

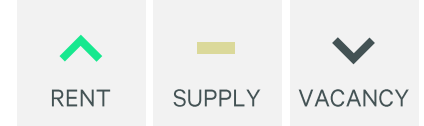
EMERGING TRENDS

- Global retail investors and developers are sending teams to survey emerging retail districts such as Seongsu to study the area’s transformation, benchmark performance, and identify brands they can potentially bring to their home market.
- Consumers are opting to spend less on high-end products that might depreciate. Watches and jewellery remain preferred due to their stable value.

OUTLOOK

- With vacancy set to remain low on prime high streets, retailers should move quickly while ensuring they possess a thorough understanding of local lease terms such as key money before secure their desired location.
- To avoid rising rents, retailers may consider acquiring two to three storey standalone buildings on high streets for self-use.

SIX-MONTH OUTLOOK



CONTACT US FOR DETAILS



Ryan Kim
Head of Retail Leasing,
Korea
Ryan.Kim@cbre.com



Alex Lee
Senior Manager,
Retail International Leasing
Korea
Alex.Lee3@cbre.com

Vietnam

Retailer demand strengthens but absence of new CBD supply remains bottleneck

STATE OF THE MARKET

- Although consumer sentiment improved in the first two months of 2026, with shoppers shifting from cost-cutting to cautious spending, rising inflation and increasing oil prices could pose headwinds in the coming months.
- While Chinese lifestyle and F&B brands remain keen on market entry, landlords are cautious about these retailers’ aggressive expansion plans as they prefer stable and sustainable tenants.
- The lack of new supply in CBD areas is forcing retailers to explore options in standalone properties in high foot traffic areas.
- While most demand is concentrated in CBD areas of Ho Chi Minh City and Hanoi, local and existing brands are also considering non-CBD area for expansion.

TRANSACTION ACTIVITY

- Landlords are introducing new categories such as exhibition and entertainment type space into their malls to attract footfall and enhance the shopping experience.
- Multi-brand retail developments combining several local brands into one place, such as The Raw Compound in Hanoi, are attracting greater numbers of local and international shoppers.
- Retailers are showing more interest in flagship expansion on standalone high-street flagship stores than shopping centres.

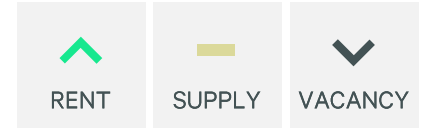
EMERGING TRENDS

- In response to younger shoppers’ changing spending, retailers are adopting new technologies including AI to streamline efficiencies and facilitate features such as product testing and virtual try-ons.
- Retailers are also developing omnichannel strategies to attract and retain Gen Z and Gen Alpha customers.
- Vietnam is emerging as a new concert destination as developers and retailers promote their products, branding and property sales.

OUTLOOK

- With demand shifting from shopping centres to standalone projects, retailers should familiarise themselves with license application processes to avoid delays.
- Ongoing economic uncertainty will require landlords to communicate with tenants on turnover and fixed rent strategies to derisk.

SIX-MONTH OUTLOOK



CONTACT US FOR DETAILS



Mai Vo

National Head of Retail Leasing, Vietnam

mai.vo@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.wong1@cbre.com

Dennis Ho

Associate Director
dennis.ho@cbre.com

Asia Pacific Leasing Services

Tom Gaffney

Regional Managing Director
Head of Leasing,
Asia Pacific
CBRE | Advisory Services
tom.gaffney@cbre.com

Vivek Kaul

Managing Director
Head of Retail Leasing,
Asia
CBRE | Advisory Services
vivek.kaul@cbre.com

Sheree Griff

Head of Retail Property
Management & Leasing,
Pacific
CBRE | Advisory Services
sheree.griff@cbre.com

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