CBRE

Q1 net absorption for office and business park rises to the highest level in the past four years; Domestic capital continues to accumulate in Shanghai's core assets

+5.4%
Shanghai GDP Growth
(2025 | y-o-y)

+7.2%
Retail Sales
(Jan to Feb 2026 | y-o-y)

+7.4%
Fixed Asset Investment
(Jan to Feb 2026 | y-o-y)

Source: Shanghai Statistics Bureau, CBRE Research, April 2026

Executive Summary

- **Office:** Four new projects totaling 471,764 sq. m. were completed in Q1 2026. Net absorption rose by 26.1% q-o-q to 147,522 sq. m. Business services accounted for 21% of leasing volume, finance registered 15%, and consumer products comprised 14%.
- **Retail:** One new mall providing 140,000 sq. m. of space was added this quarter. Net absorption totaled 34,023 sq. m., while vacancy rose to 9.2%. Trendy fashion and F&B brands drove new store openings. Brand iteration and tenant mix restructuring remained key themes.
- **Logistics:** No new projects were completed this quarter. Driven by robust demand from 3PLs and manufacturers, net absorption totalled 182,000 sq. m., while citywide vacancy fell to 22.5%.
- **Business Park:** TMT accounted for 61.5% of leasing demand, with telecom and chip/semi-conductor companies most active, followed by platform internet and gaming firms. Biopharmaceuticals contributed 10%, while consumer products accounted for 7.1%. By sub-market, Zhangjiang contributed 37% of leasing volume, followed by Jinqiao (17%) and Caohejing (15%).
- **Investment:** A total of 27 transactions worth approximately RMB 13.63 billion were recorded in in Q1 2026, a 9.8% decrease q-o-q. Investment-driven transactions accounted for over 80% of volume as national capital accelerated the restructuring of Shanghai's core asset landscape.

Table 1: Quick Figures

Office	q-o-q	y-t-d	y-o-y
Rent	-0.5%	-0.5%	-3.8%
Vacancy Rate	+1.1%	+1.1%	+2.1%
Retail	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-0.6%	-0.6%	-2.4%
Vacancy Rate	+0.4%	+0.4%	+0.7%
Logistics	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-1.6%	-1.6%	-16.1%
Vacancy Rate	-2.4%	-2.4%	-4.2%
Business Park	**q-o-q**	**y-t-d**	**y-o-y**
Rent	-0.4%	-0.4%	-2.9%
Vacancy Rate	+0.8%	+0.8%	+3.8%
Investment*	**q-o-q**	**y-t-d**	**y-o-y**
Total volume	-9.8%	-9.8%	-8.0%
Domestic	-14.9%	-14.9%	-13.1%

Source: CBRE Research, Q1 2026.
*Transactions include deals above US$10 million in the office, retail, mixed, industrial, hotel and other commercial sectors.

Office

Net Absorption
147,522 sq. m.

Vacancy Rate
+1.1% q-o-q

Rental Values
-0.5% q-o-q

High-quality supply leads demand recovery, driving improved absorption

Four new office projects were completed in Q1 2026. These were A.F.A, SHK ITC Ph3 (B), China Resources Centre, and West Bund Central (T7&B3-B5), which provided a total of 471,764 sq. m. of new space to the Shanghai office market. New supply pushed up citywide net absorption by 26.1% q-o-q to 147,522 sq. m., while overall vacancy rose by 1.1 pps. to 24.4%.

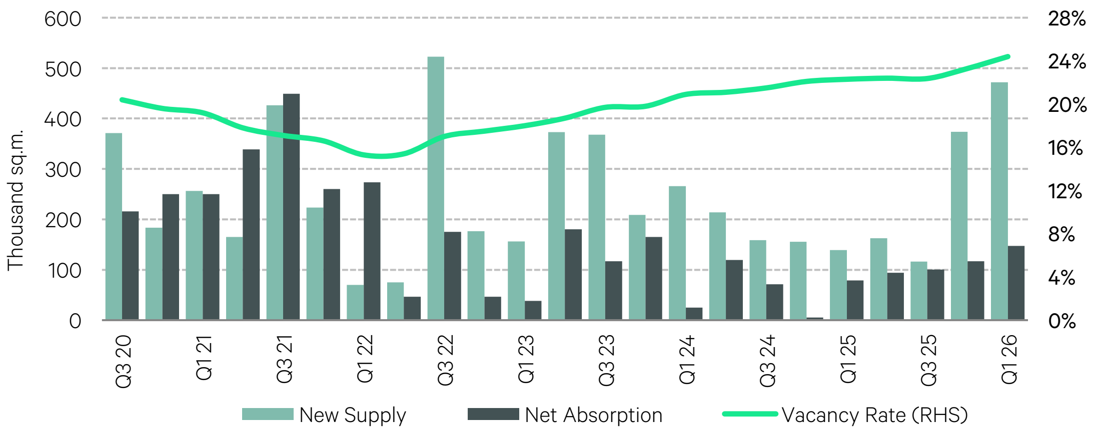
Business services led demand, accounting for 21% of leasing volume, driven mainly by the advertising and legal sectors. Major deals included a large law firm moving into China Resources Centre and a leading advertising firm relocating to Alibaba Centre · Xuhui Riverside, together generating over 25,000 sq. m. of citywide leasing volume. Finance was the second largest source of leasing volume at 15%, with demand largely concentrated in Lujiazui and North Bund. Consumer products held onto third place with 14%, supported by continued activity from luxury groups in the core CBD. Flex space providers and hospitality accounted for 12% and 11% of leasing volume, respectively, signaling a shift toward more diversified leasing strategies amid the market downturn.

Overall asking rents fell by 0.5% q-o-q to RMB 7.9 per sq. m. per day, while effective rents dropped by 2.4% q-o-q to RMB 5.3 per sq. m. per day. Extended rent-free periods and fit-out subsidies have significantly reduced tenant relocation costs, leading to stronger relocation demand.

Quality-driven relocations continue to support demand

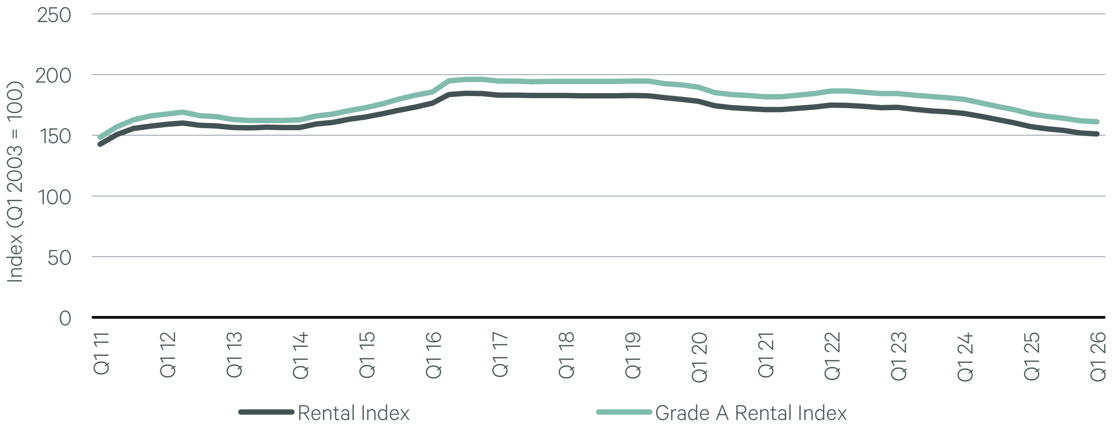
Shanghai's office market demonstrated resilience in Q1 2026. While the market continued to face supply pressure, occupiers retained a strong preference for high-quality office space. Over the next six months, a sizable volume of new high-quality new supply including projects such as K11 Atelier and INC is due to enter the market, further broadening leasing options within core areas. Supported by a gradual macroeconomic recovery and policy backing under the 15th Five-Year Plan, market supply and demand dynamics are expected to move toward rebalancing in the coming quarters.

FIGURE 2: Shanghai Office Supply and Demand



Source: CBRE Research, Q1 2026.

FIGURE 3: Shanghai Office Rental Index



Source: CBRE Research, Q1 2026.

Retail

Net Absorption **34,023** sq. m.

Vacancy Rate **+0.4%** q-o-q

Rental Values **-0.6%** q-o-q

Fashion and dining brands thrive amid market evolution

This quarter witnessed the opening of TODTOWN, a new project featuring a "Sociater" innovative space concept integrating social interaction, theatre and art to establish a differentiated positioning through immersive exhibitions, performances, and social landmarks.

Net absorption reached 34,000 sq. m. this quarter, while vacancy increased slightly to 9.2%. While rents fluctuated across different commercial districts, citywide average shopping centre ground-floor rents declined to RMB 30.9 per sq. m. per day.

The F&B sector dominated demand this quarter, accounting for 43% of leasing volume, fuelled by a resurgence in activity among outlets offering Asian cuisine. The period saw a wave of openings by Japanese brands—specifically conveyor-belt sushi and sukiyaki—catering to consumer demand for minimalist high-quality. Within the bakery and dessert segment, several main-course brands opened standalone dessert shops. The coffee and beverage segment continued to cater to niche demand, with yogurt, Thai milk tea, and fruit/vegetable tea brands displaying significant demand over the quarter.

Fashion accounted for 23% of leasing volume as designer brands continued to expand across commercial districts. Momentum among outdoor sports brands slowed compared to the previous quarter, while Korean brands maintained their expansion pace, focusing on trendy women's apparel. Driven by the "China-chic" trend, the jewellery sector saw a spike in store openings as gold and designer jewellery brands established a presence in districts such as Hongqiao and Changfeng to reach a more diverse customer base and deepen market penetration. This quarter also saw stronger expansion by electronics & instrument stores.

2026 to see shopping mall supply reach new peak

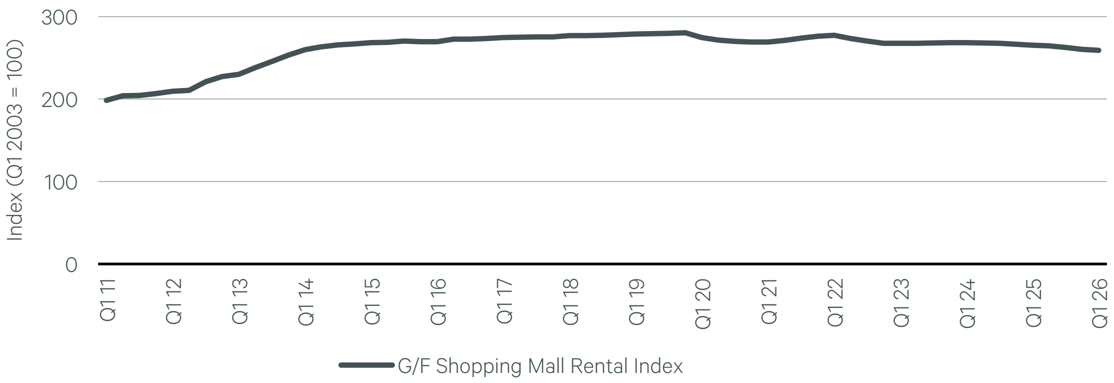
New shopping mall supply in Shanghai will reach 1.0 million sq. m. in 2026, concentrated in Xujiahui, West Bund, Greater Hongqiao, and Xinzhuang. This influx will intensify competition for foot traffic across commercial districts. To offset market saturation and homogeneous competition, the city is promoting the first-store economy, silver economy, and digital consumption, driven by experiential upgrades and diversified formats.

FIGURE 4: Selected Leasing Transactions in Q1 2026

Property	Submarket	Tenant	Sector
IFC Mall	Lujiazui	Serge Lutens	Cosmetics & Personal Care
IAPM	Huaihai	Lotus	New Energy Vehicle
Grand Gateway 66	Xujiahui	KAILAS	Fashion
New One	Nanjing Rd E	musinsa standard	Fashion
Hall of the Moon	North Bund	KINSHO SUSHI	F&B
LINK PLAZA	Qibao	Insta 360	Electronics & Instrument

Source: CBRE Research, Q1 2026.

FIGURE 5: Shanghai Retail Rental Index



Source: CBRE Research, Q1 2026.

Logistics

Net Absorption 182,000 sq. m.

Vacancy Rate -2.4% q-o-q

Rental Values -1.6% q-o-q

Imports and exports rebound strongly; 3PLs and manufacturers drive absorption

No new warehouse and logistics projects were completed in Q1 2026. Overall market demand remained relatively robust, with net absorption reaching approximately 182,000 sq. m.. Citywide vacancy dropped by 2.4 pps. q-o-q, reaching 22.5% by quarter's end.

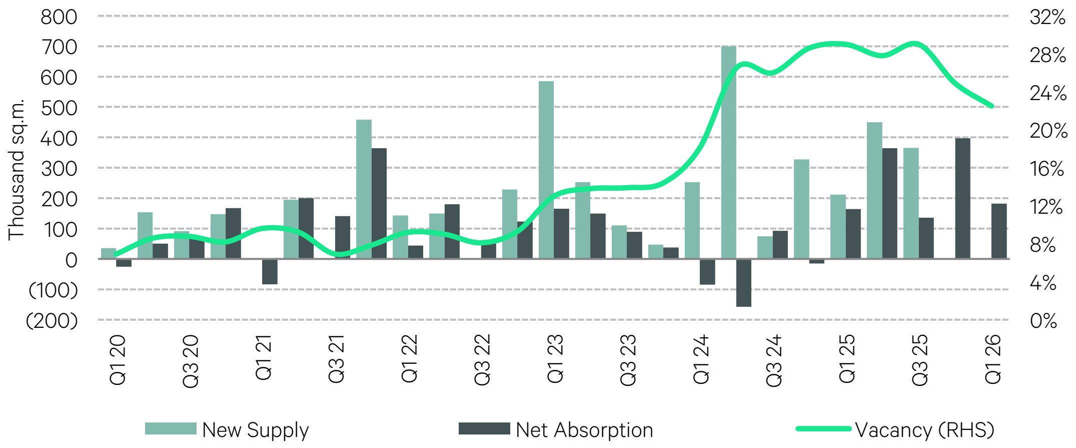
3PLs led leasing demand this quarter with a 43.4% share as several large-scale new lease transactions were completed by well-known domestic logistics firms and multiple supply chain enterprises in areas such as Qingpu, Minhang, and Jinshan. Manufacturers followed with 33%, led by activity from the automotive supply chain. Several transactions were recorded during the period, including a well-known new energy vehicle brand establishing a new delivery centre in Minhang, as well as new leases by several other automotive brands in Minhang and Qingpu. The wholesale and retail sector displayed solid demand, with both fresh food e-commerce platforms and FMCG giants completing new leases or renewals.

Rental decline narrows for third consecutive quarter

While overall rents remain on a downward trajectory, the rate of decline narrowed to 1.6% q-o-q in Q1 2026, marking s third consecutive quarter of weaker downward momentum. Current citywide average rents dropped to 35.8 RMB per sq. m. per month. Asking rents in Jiading, Waigaoqiao, Songjiang, and Jinshan fell by more than 2.0% q-o-q, while rents in other submarkets remained largely stable.

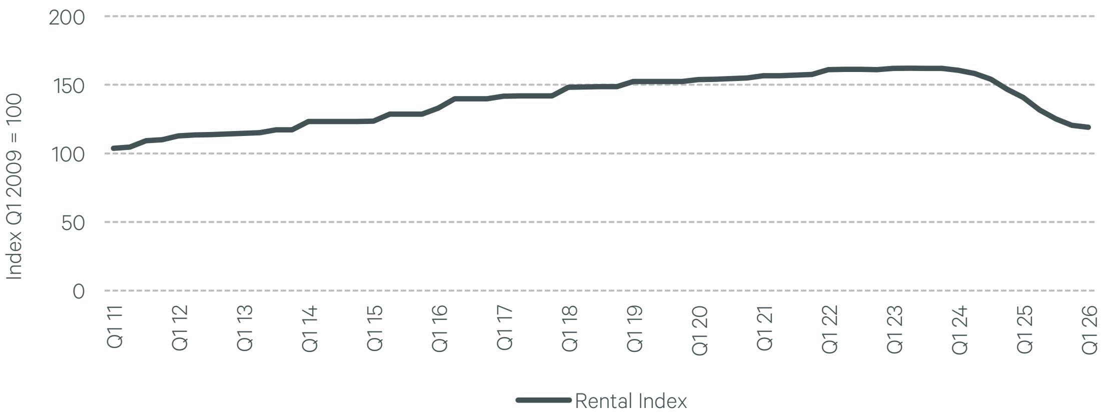
The next six months will see the addition of approximately 400,000 sq. m. of new warehouse and logistics space, primarily distributed across Songjiang, Lingang, Qingpu, and other submarkets in Pudong. As the overall volume of new supply is relatively limited, pressure on market absorption will continue to ease. Coupled with continued positive momentum in import and export trade and the steady release of related supply chain logistics demand, the rate of decline in rents is expected to narrow further.

FIGURE 6: Shanghai Logistics Supply and Demand



Source: CBRE Research, Q1 2026.

FIGURE 7: Shanghai Logistics Rental Index



Source: CBRE Research, Q1 2026.

Business Park

Net Absorption 85,834 sq. m.

Vacancy Rate +0.8% q-o-q

Rental Values -0.4% q-o-q

TMT drives healthy net absorption in solid start to year

New supply this quarter included IBP Phase IV and the PRISMA Centre, which added 275,200 sq. m. of quality space to the market. Although the first quarter is a traditionally slow period for leasing transactions, the period still saw net absorption of 85,834 sq. m.. This marked a decline of 17.3% q-o-q but an increase of 39.9% y-o-y, showing a relatively positive start to the year compared with the previous two first quarters.

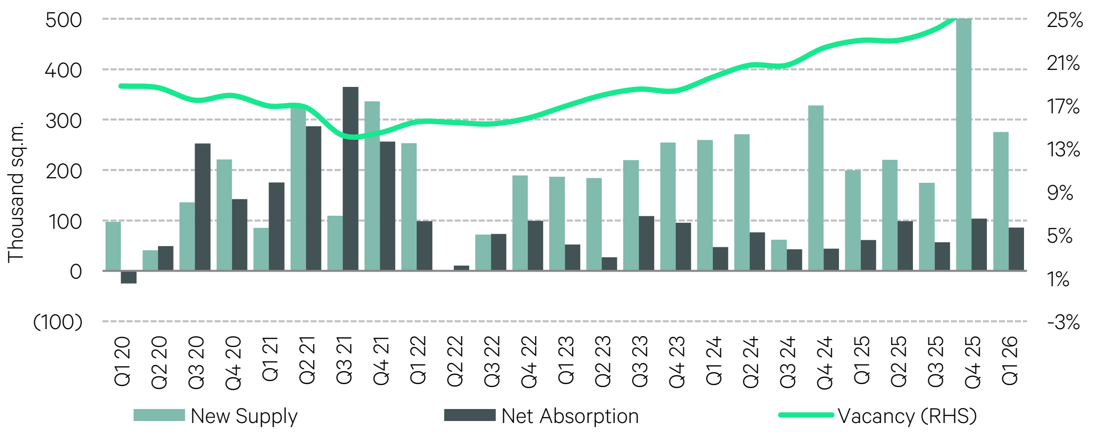
TMT led market absorption, accounting for 61.5%, driven mainly by telecom communications and chip/semiconductor firms, followed by platform internet and gaming. Leasing momentum is being fueled by domestic semiconductor substitution and technological upgrades, plus continued growth in digital entertainment. Biopharma (pharmaceuticals and medical devices) contributed around 10%, while fast-moving consumer retail comprised 7.1%. Hospitality and F&B increased its share of leasing volume to 6.9%, driven by industry–city integration pushing business parks toward “production + living + services”, along with Shanghai authorities’ policy to revitalise inefficient assets by converting underused office space into formats such as hotels and serviced apartments, directly increasing demand for these uses.

Although leasing demand in each submarket improved over the quarter, new supply continued to put pressure on supply–demand dynamics. Citywide vacancy rose by 0.8 pps. q-o-q to 26.8%, while average asking rents fell 0.4% y-o-y to RMB 4.4 per sq. m. per day.

15th Five-Year Plan and industrial upgrades to support structural market recovery

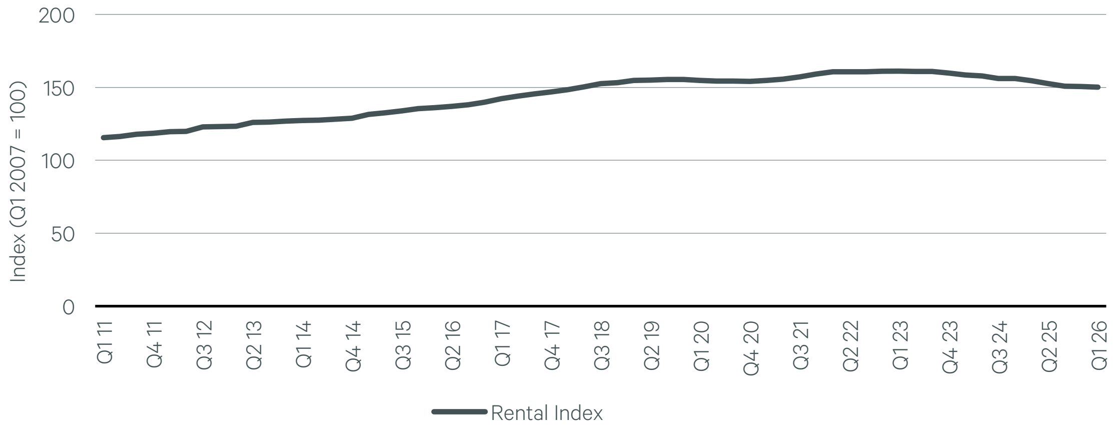
Around 1.1 million sq. m. of new business park R&D office space will come on stream in 2026. Supported by the 15th Five-Year Plan emerging-industry push, and driven by upgrades in the TMT, manufacturing, and consumer sectors, Shanghai is expected to see a structural recovery. With the deepening “2+3+6+6” modern industrial system, leading areas like integrated circuits, biopharma, and AI will drive innovation, while six emerging pillar industries will underpin growth, helping supply and demand move toward a more equitable balance through industrial upgrading and space optimisation.

FIGURE 8: Shanghai Business Park Supply and Demand



Source: CBRE Research, Q1 2026.

FIGURE 9: Shanghai Business Park Rental Index



Source: CBRE Research, Q1 2026.

Investment

Total Turnover
-6.1% q-o-q

Number of Transactions
27

Core asset appeal strengthens as rise in investment-driven deals stabilise sentiment

A total of 27 transactions worth approximately RMB 13.63 billion were recorded in Shanghai in Q1 2026, a 9.8% decrease q-o-q. However, average deal size surpassed last year's level, indicating a steady recovery in investment sentiment. Investment-driven transactions accounted for over 80% of total volume, providing a clear signal of the market bottoming out.

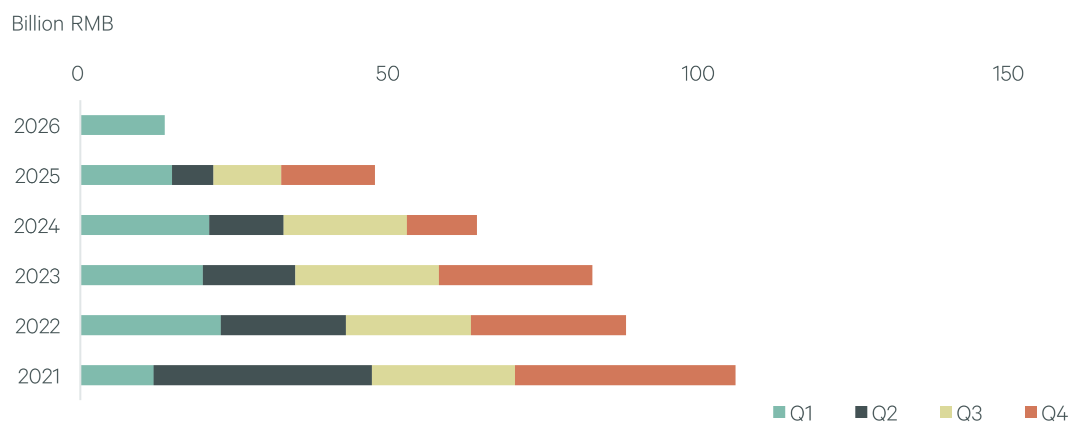
Office remained the most active sector. A fifth change in ownership for Platinum Tower reflected a deep consensus between buyers and sellers regarding the long-term value of core locations. Core asset transactions became more pronounced this quarter, with over 60% of office deals located within the Inner Ring Road. Increasing activity by national capital accelerated the restructuring of Shanghai's core asset landscape, highlighted by the purchase of Ciros Plaza by a Xiamen-based SoE and Central Park Huangpu by a Jinan-based private enterprise, which pushed up the mixed-use sector's share of investment volume to 29%. Additionally, insurance firms and real estate funds deployed capital into hotels and rental housing in search of stable cash flow.

Diversified capital influx drives asset value repricing and liquidity recovery

Domestic buyers continued to dominate purchasing activity in Q1 2026. Corporate buyers led with a 34% share, with over 70% of funds being investment-oriented, as enthusiasm from non-local private enterprises remained high. Property companies followed with 31% as they leveraged professional operational expertise to acquire core assets during this pricing window. Institutional investors and real estate funds collectively accounted for 20%, focusing on stabilised office assets and retail podiums alongside rental housing and hotels.

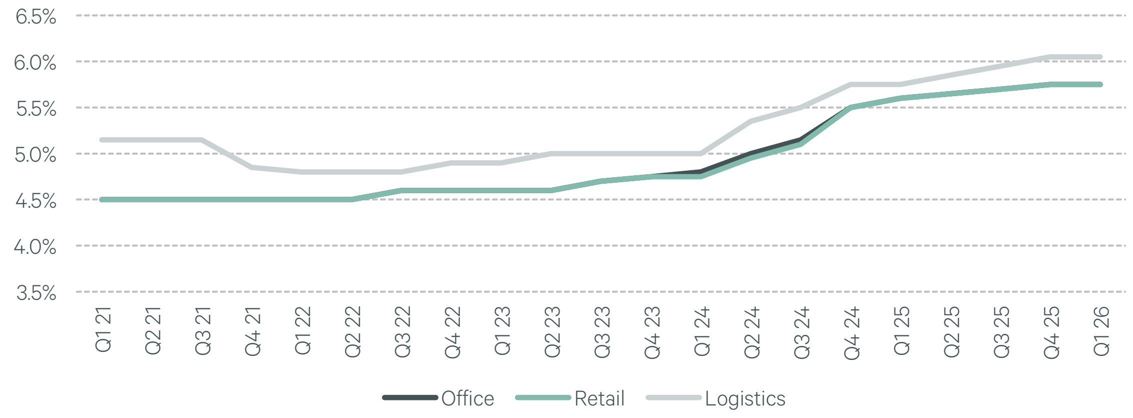
As core asset valuations return to rational levels, high quality offices are expected to maintain strong appeal to both end-users and long-term capital. Non-local private firms and regional SoEs are emerging as significant buying forces in the Shanghai commercial real estate investment market, with cross-regional capital flows providing sustained momentum for the discovery and revitalisation of under-managed assets. With the further expansion of C-REIT pilots, office, retail, and hotel properties are poised to benefit from enhanced liquidity.

FIGURE 10: Shanghai en-bloc Transaction Volume



Source: CBRE Research, Q1 2026.

FIGURE 11: Yield by Sector



Source: CBRE Research, Q1 2026.

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