Intelligent Investment

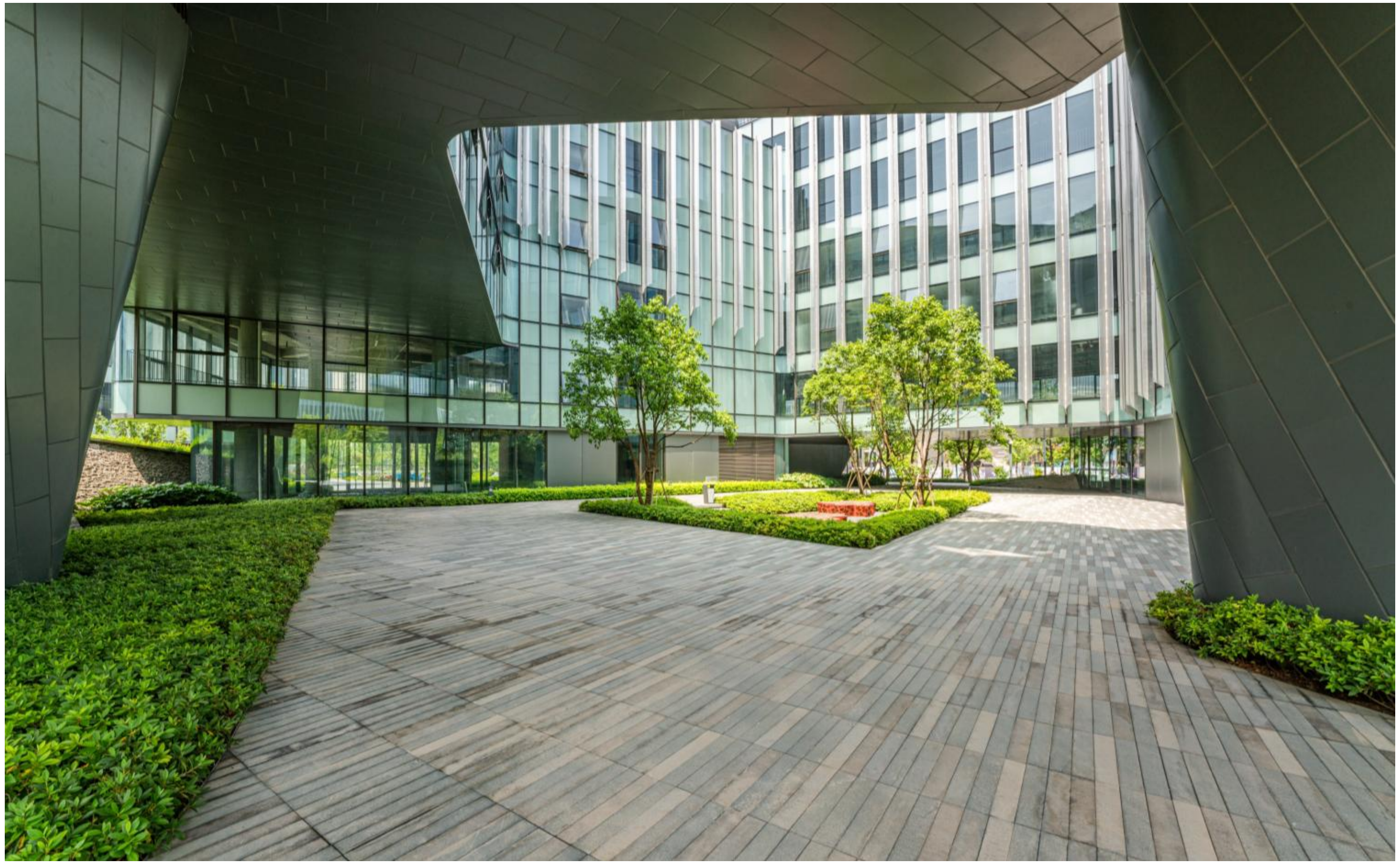
2026 Asia Pacific Real Estate Market Outlook

REPORT

Recalibrate and Innovate

CBRE RESEARCH
JANUARY 2026

Contents



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Executive Summary

— On the **economic** front, Asia Pacific GDP growth is forecasted to slow to 3.9% in 2026 from the relatively robust 4.3% in 2025, driven by softer growth in mainland China, India and Japan. With interest rates in most Asia Pacific markets continuing to decline in 2025, the rate cutting cycle is forecasted to slow further or finally come to an end this year.

— **Investment** is set to increase this year as net buying intentions continue to rise. With office leasing activity in many CBDs picking up, CBRE expects investor appetite for offices to strengthen significantly this year. Limited yield compression will shift investors' focus towards rental growth as a driver of returns.

— **Office** leasing demand is forecasted to strengthen in 2026 as occupiers' strong desire to be in core locations with high-quality buildings drives activity in mature markets. Expansionary demand will be seen from tech firms, wealth management and professional services companies. Supply is expected to peak while rents will remain on an upward track in most markets.

— While most **logistics** markets will still see rising rents, momentum will slow as occupiers turn more selective towards expansion amid softer regional economic growth. New stock is set to fall sharply from 2027 as developers adjust to slower rental growth. 3PLs and e-commerce operators will remain key drivers of demand, with automation-ready warehouses keenly sought after.

— With sales picking up and clarity around trade policy improving, **retail** leasing activity in most markets is expected to strengthen from 2025. Fashion & apparel along with sports & athleisure will drive demand. Rents are expected to sustain steady upward momentum across most markets, supported by tight vacancy in prime locations and limited future supply.

— In the **hotel** sector, tourism arrivals are close to recovering to pre-pandemic levels, meaning that growth this year is expected to slow from last year. Event-driven tourism will remain a key growth driver in 2026. While RevPAR growth across most markets should continue, the rate of growth will be more limited as ADRs continue to normalise.

Introduction by

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CBRE

Recalibrate & Innovate

The Asia Pacific commercial real estate market is poised for another solid year in 2026, with both investment and leasing activity forecasted to strengthen, backed by the region's resilient economy.

Despite the bright outlook, there remain headwinds, with trade related volatility and geopolitical tension among the challenges set to exert a strong influence over real estate decision-making in the coming year.

The real estate landscape is shifting, especially in the office sector, where prospects are brightening, and in the logistics sector, where performance is cooling after a prolonged period of robust growth. Across all sectors, medium-term supply is projected to contract, marking a significant shift from the current oversupply situation. These changes to market fundamentals will exert a strong bearing on investors' allocations to individual sectors, while more limited room for yield compression will compel property owners to place a stronger focus on income growth potential.

Against this backdrop, occupiers and investors must reassess current strategies, portfolios and requirements, while embracing new sectors, technologies and approaches, leading us to adopt the theme of "Recalibrate & Innovate" for this year's report.

We hope you find the 2026 Asia Pacific Real Estate Market Outlook insightful and wish you and your organisation a happy and prosperous year.

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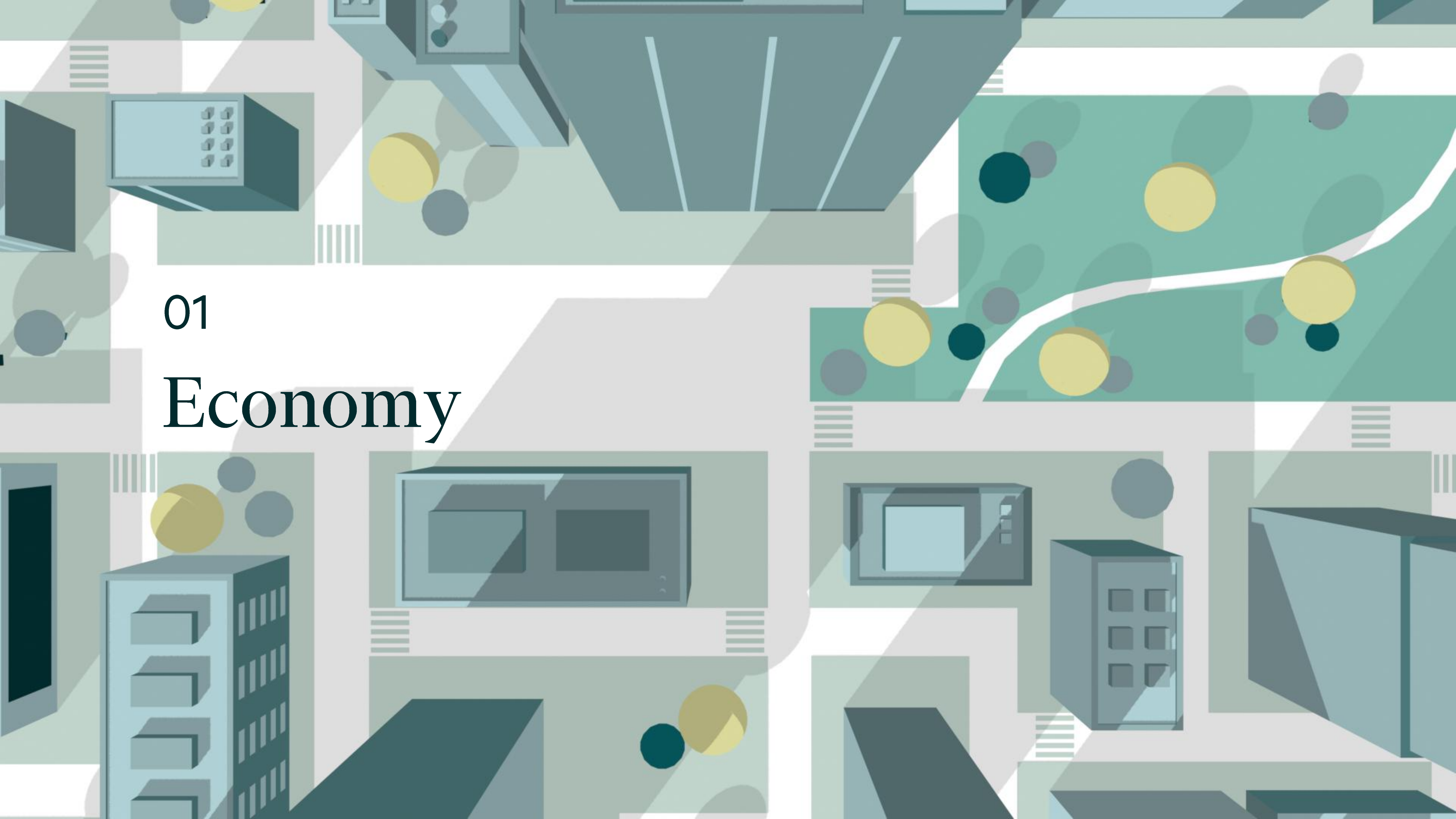
2026 Asia Pacific Real Estate Market Outlook

	Recalibrate			Innovate	
Economy	Resilient but slower GDP growth	Trade friction extending to tech and services	Rate cut cycle nearing an end	AI investment and adoption supporting growth	Tailwinds from new regulations and urban planning
Investment	Limited room for yield compression	Stronger focus on income growth potential	Offices reappearing on investors' radar	Growing appetite for data centres	Focus on living sub-sectors (e.g. student housing & co-living)
Leasing	High construction cost limiting supply in mature markets	Stronger demand for core locations over non-core	Rental growth in most markets except mainland China	Flexible space planning amid economic uncertainty	Expansion of experiential real estate to include services, wellness and ESG

01

Economy



01
Economy

Trends & Takeaways

Recalibrate

— **Prepare for slower economic growth:** GDP growth in Asia Pacific is expected to slow in 2026 after a year in which the region's economy displayed resilience amid tariff volatility and global economic uncertainty. India, mainland China and Southeast Asia are forecasted to exhibit the fastest growth in the region although the rate of GDP expansion will be slower compared to 2025. Markets with stronger growth this year will include Korea and the Pacific as fiscal and monetary measures, alongside improved domestic sentiment, stimulate economic expansion.

— **Make ready for the end of the interest rate cut cycle:** With interest rates in most Asia Pacific markets continuing to fall in 2025, the rate cutting cycle is forecasted to slow further or finally come to an end in 2026. Exceptions include Japan, where the rate hiking cycle is expected to continue, and Australia, where interest rates could rise once more amid mounting inflationary pressure.

Innovate

— **Look to AI boom to cushion trade headwinds:** The AI economy should help drive demand for semiconductors and other advanced high-tech manufacturing outputs in 2026, especially in Taiwan, Korea and Japan. This will help offset trade weakness in other sectors, especially as semiconductors generally remain exempt from U.S. tariffs. Mainland China continues to invest heavily in AI although the country is subject to restrictions on semiconductor imports.

— **Monitor new policies and urban planning schemes:** With 2026 marking the start of mainland China's latest five-year plan, the central government will unveil a series of new policies to support growth. In India, regulatory changes to enable Small and Medium Real Estate Investment Trusts (SM REITs) will provide investors with a new channel to allocate capital. Progress will continue on several major urban development schemes, including Western Sydney International Airport (due to open mid-2026), Hong Kong SAR's Northern Metropolis, and Singapore's 2025 Master Plan.

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01
Economy

Economic growth forecasted to lose momentum in 2026

The Asia Pacific economy displayed resilience over the course of 2025 even as new U.S. tariffs generated uncertainty and caution among businesses and investors. The frontloading of exports to the U.S. in H1 2025, along with several markets' inking of trade deals with the U.S. before tariffs took effect in August, helped buoy economic activity during the year.

Against this backdrop, GDP growth in Asia Pacific is forecasted to slow to 3.9% in 2026 from the relatively robust 4.3% in 2025, driven by softer growth in mainland China and Japan.

Mainland China's economy will continue to face the challenges of weak domestic demand and a lacklustre housing market, although high-tech manufacturing and investment will provide some support. In India, private consumption is expected to remain robust, supported by soft inflation and a healthy labour market. Japan expects moderate growth through 2026, supported by firm private consumption and expansion in corporate capital investment.

Economic growth in the Pacific and Korea is forecasted to pick up pace in 2026. Australia will see growth accelerate on the back of stronger domestic consumption and business investment, buoying inflation and housing prices. In Korea, increased government fiscal spending, recovering exports and improved domestic sentiment should help drive an economic recovery in 2026 after political upheaval in H1 2025 dampened sentiment.

Figure 1: 2025 & 2026 GDP Growth Forecast

Source: CBRE House View, January 2026.

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01
Economy

Interest rate cutting cycle to slow further

While many Asia Pacific markets continued to cut interest rates in 2025, most are approaching the end of the rate cut cycle and are anticipated to see limited or no further reductions in 2026.

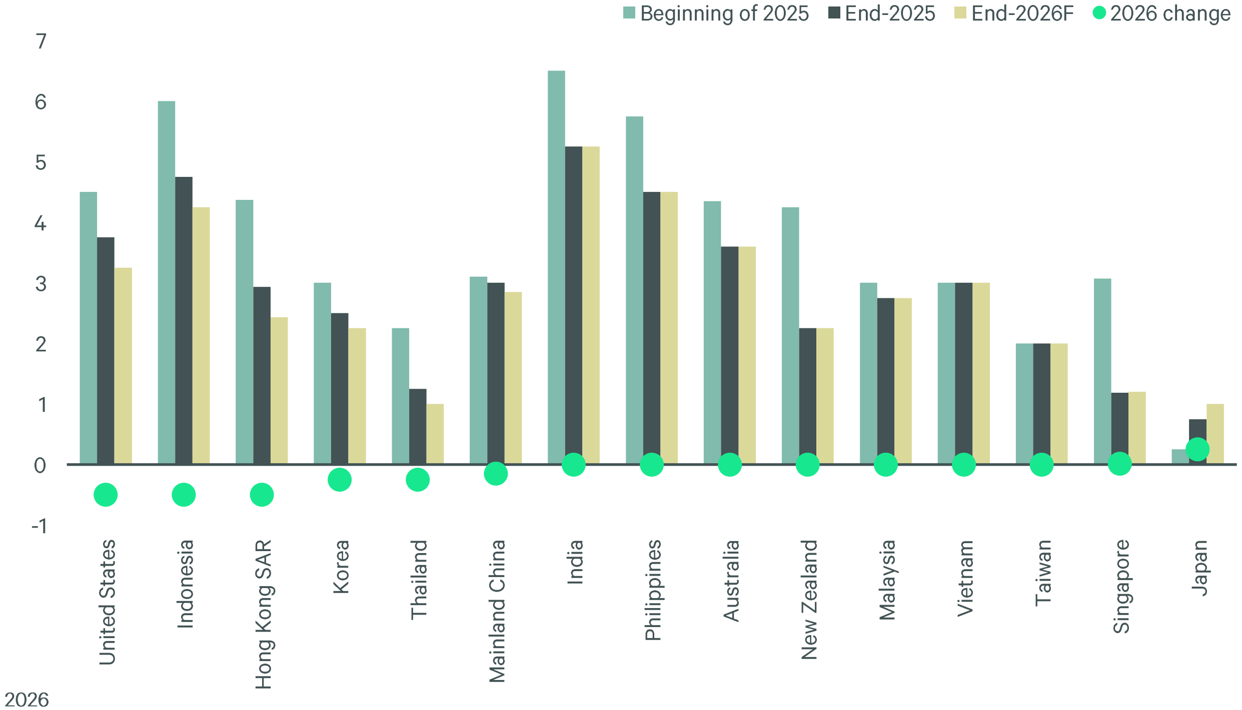
Markets in which the easing cycle is about to culminate include Australia, India and Singapore. With Australia experiencing higher than expected inflation, room for further rate cuts in 2026 is limited; a situation that may even create pressure for rate hikes in the coming year.

India's strong domestic growth momentum has led the Reserve Bank of India (RBI) to hold off on further cuts for the moment, while interest rates in Singapore have already fallen ~200 bps from the peak to a level close to 1.0%, limiting room for further reductions.

While North Asia (ex-Japan) has room for additional rate cuts, the magnitude will be limited to within 25-50bps. Mainland China's Politburo meeting in December committed to keeping policy "moderately loose", with resilient economic performance easing the need for further reductions. While Korea halted cuts in November, weak consumption and a slow property sector will create room for the Bank of Korea (BoK) to resume its easing cycle. While Hong Kong SAR may follow the U.S. with two rate cuts totalling 50bps, the HIBOR will remain volatile depending on capital flows in the city.

Provided Australia does not hike rates, Japan will remain the only market to see a rate hike cycle in 2026, with an increase of 25bps forecasted for the year. Interest rate hikes could be stronger than expected if inflation and strong wage growth persists.

Figure 2: Key Interest Rate Changes (%)



2026 Change	United States	Indonesia	Hong Kong SAR	Korea	Thailand	Mainland China	India	Philippines	Australia	New Zealand	Malaysia	Vietnam	Taiwan	Singapore	Japan
	-0.50	-0.50	-0.50	-0.25	-0.25	-0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.25

Source: CBRE Research, Macrobond, Oxford Economics, UOB Group, January 2026.
Note: Interest rates for Hong Kong SAR and Singapore refer to key market rates 3M HIBOR and 3M SORA, respectively. Interest rate for mainland China refers to the 1-year Loan Prime Rate (LPR).

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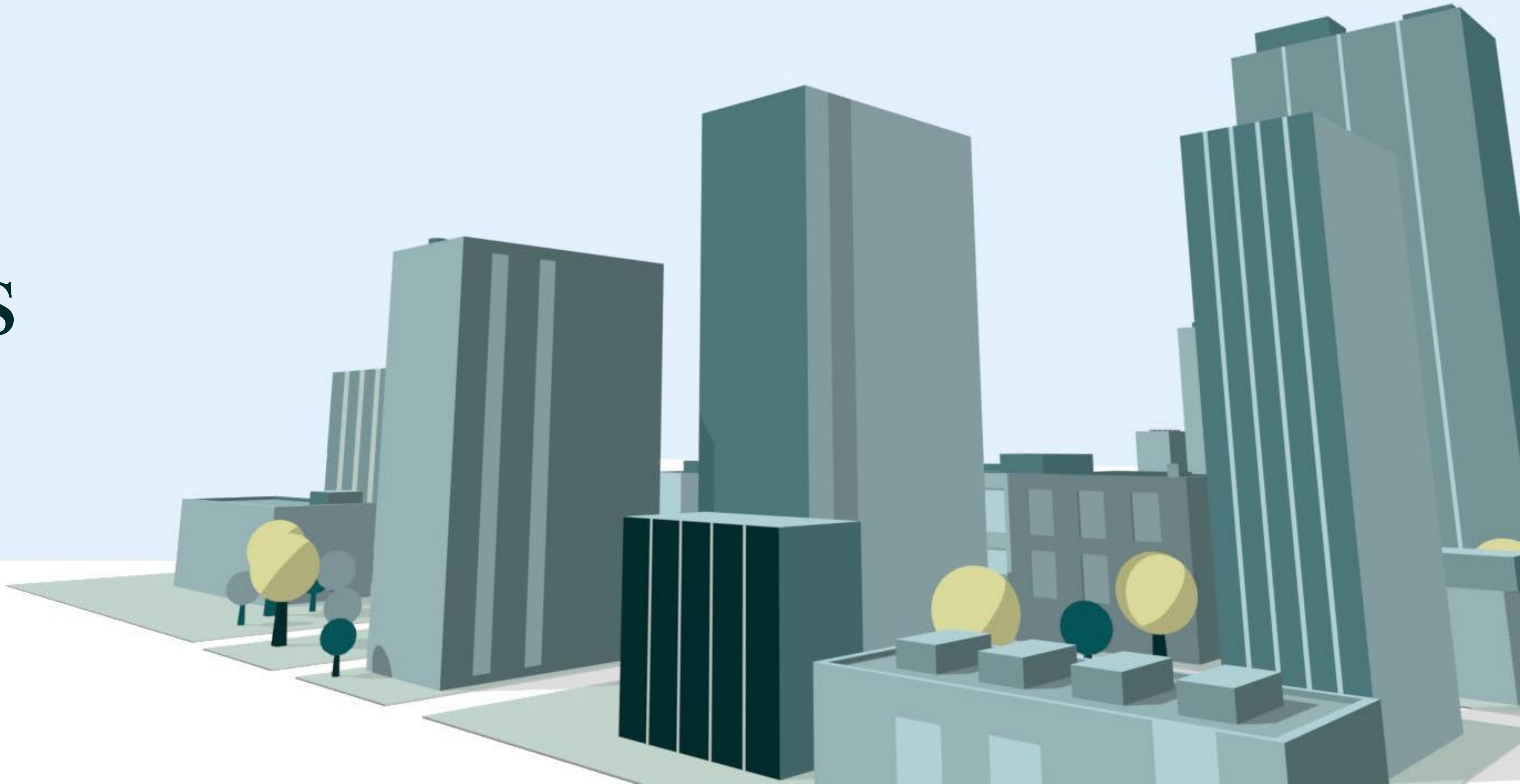
02

Capital Markets



02
Capital Markets

Trends & Takeaways

Recalibrate

- **Time to target offices:** Respondents to CBRE's 2026 Asia Pacific Investor Intentions Survey named offices as their top sector for investment for the first time since 2020 as interest continues to gradually shift away from industrial & logistics. Positive market fundamentals and fading uncertainty around interest rate movements will ensure core-plus and value-add strategies dominate investor preferences in 2026.

- **Focus on income growth as a driver of returns:** Limited yield compression will shift investors' focus towards rental growth as a driver of returns; a trend that bodes well for investment in the Tokyo and Sydney office markets. Forecasted yield compression in Sydney and Brisbane – both of which lagged in 2025 - may also help boost returns. Yields in Greater China may see their multi-year expansion cycle end in 2026.

Innovate

- **Consider data centres:** Investment in data centres will gain further momentum in 2026, with respondents to CBRE's 2026 Asia Pacific Investor Intentions Survey ranking it as the fourth most preferred sector. While the number of mature data centre markets in Asia Pacific remains limited, investors continue to explore a multitude of investment avenues including M&A and joint ventures to build scale in this rapidly expanding sector.

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02
Capital Markets

Net buying intentions improve as offices reappear on investors' radar

Investment activity is forecasted to increase by 5-10% y-o-y this year as net buying intentions continue to strengthen, reaching 17% in CBRE's 2026 Asia Pacific Investor Intentions Survey. Net buying intentions in Korea, Australia and Singapore strengthened this year while those in Japan were stable. While still negative, both mainland China and Hong Kong SAR investors showed improved net buying intentions in 2026 compared to 2025.

Regional investors in Singapore and Hong Kong SAR, alongside landlords with significant AUM in Australia and Korea, displayed the biggest change in net buying intentions in 2026, identifying the strong rental outlook and leasing demand as the reasons for their stronger willingness to buy.

Survey respondents named office as their most preferred sector for the first time in six years. With leasing activity in many Asia Pacific CBDs picking up, CBRE expects investor appetite for offices to strengthen significantly this year. Markets with strong rental prospects, such as Australia, Japan and Korea, attracted the bulk of office investment in 2025.

With industrial rents moderating or correcting in some markets following large new supply, investor preference for industrial assets declined further. However, appetite for core, modern logistics facilities remains strong.

The living sector remains popular, with build-to-rent and build-to-sell opportunities attracting solid interest. However, a lack of investable assets has seen interest in this asset class stabilise after strong growth in demand over the past few years.

Figure 3: Purchasing and Selling Intentions

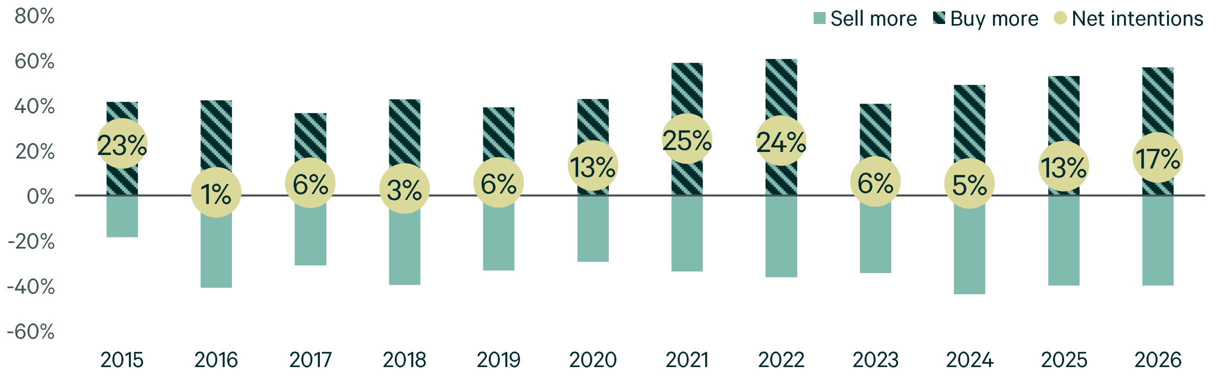
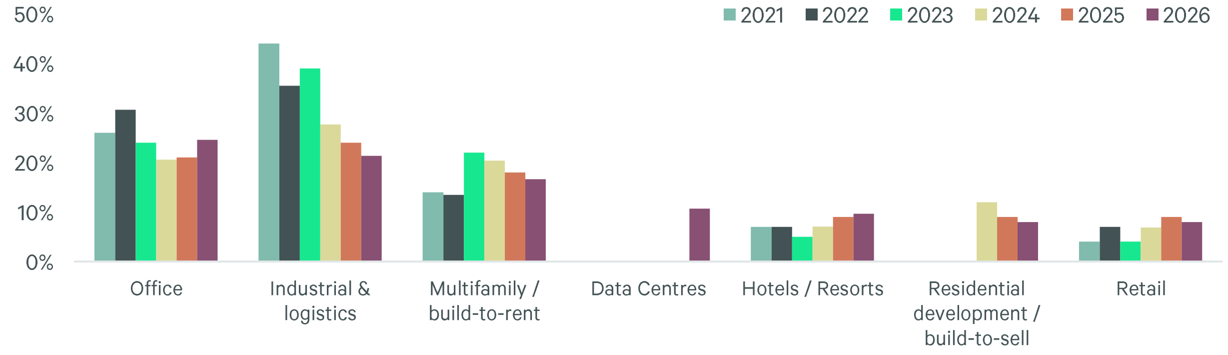


Figure 4: Preferred Sector for Investment (% of respondents)



Note: Data centres were classified as a traditional sector in the 2026 survey.
Source: 2026 Asia Pacific Investor Intentions Survey, CBRE Research, January 2026.

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02
Capital Markets

Limited yield compression in most markets

With the interest rate cutting cycle slowly coming to an end, forecasted yields in most Asia Pacific markets (ex. mainland China) will see limited compression.

After some yield compression following three rate cuts totalling 75bps to 3.60%, yields for Australian industrial and retail assets are set to be mostly stable in 2026. However, Sydney and Brisbane, two office markets which are experiencing enduring levels of rental growth and occupier demand, may experience some yield compression.

The yield forecast story in most Asian markets is more in line with interest rate movements. Singapore and Seoul, which experienced some yield compression in 2025 following interest rate cuts, should see compression moderate this year as interest rates stabilise. In Tokyo, where interest rates will increase in H1 2026, yields should remain mostly stable outside of a strongly performing office sector.

At the other end of the spectrum, yields in Greater China are forecasted to stabilise and remain flat in 2026 after years of expansion. While investor sentiment in the region generally remains weak, CBRE's forecasted deceleration in the drop in capital values amid a continuation of rental declines in these markets implies limited further expansion in yields.

As yield compression is set to be limited, investors will focus on income growth potential. Office markets with strong rental growth, such as Tokyo, Sydney and Brisbane, are set to outperform in terms of total returns.

Figure 5: Yield Change Forecasts (2025E to 2026F)

Note: Singapore logistics yield refers to 30-year leasehold en-bloc assets; Australia and New Zealand retail yields refer to regional shopping centres.
Source: CBRE Research, January 2026.

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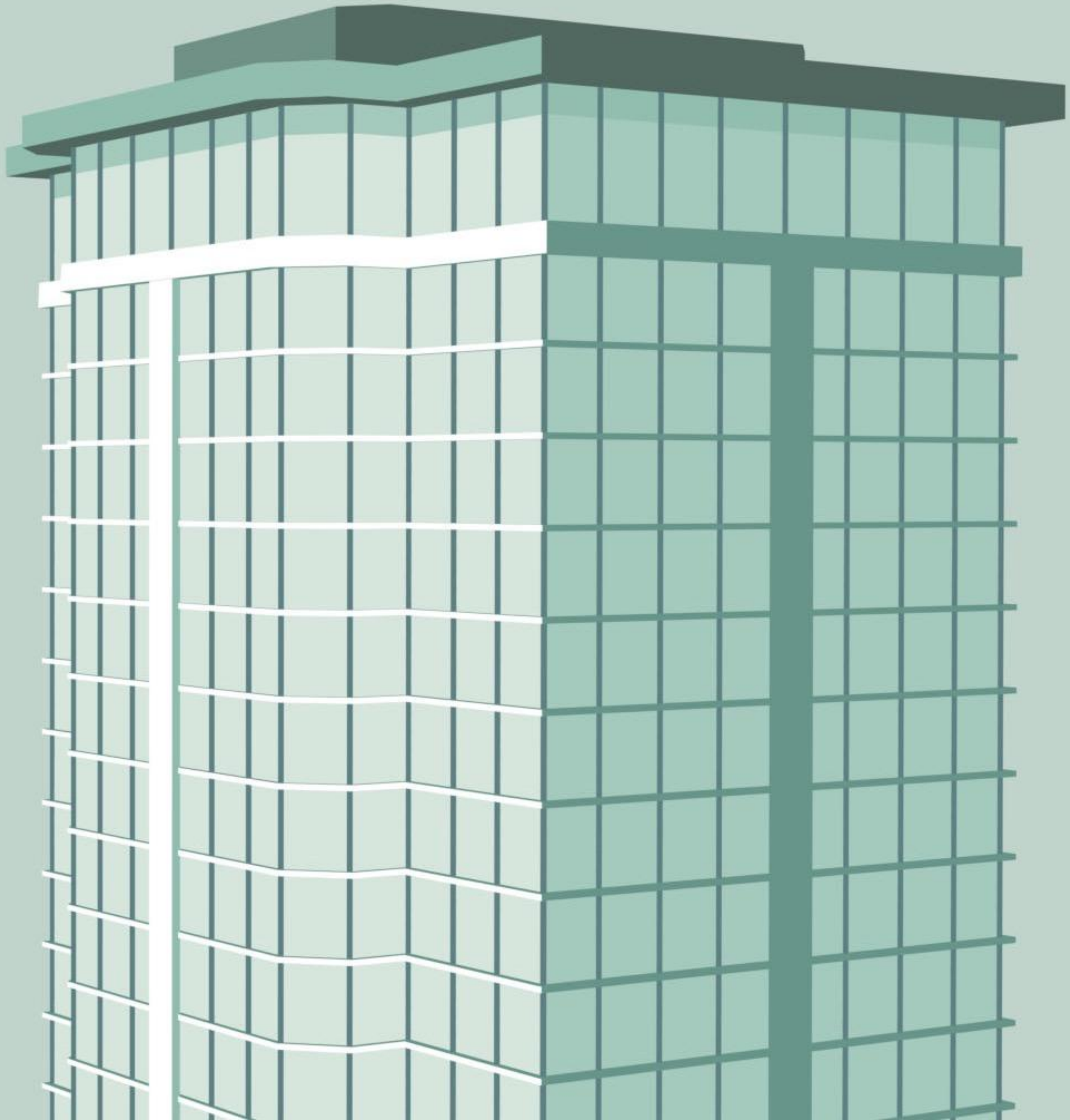
03

Office/ Occupier



03

Office

Trends & Takeaways

Recalibrate

— **Reassess space requirements:** Multinationals implementing stricter office attendance mandates may need to add to their footprint after cutting space at the height of the pandemic. Occupiers' strong desire to be in core locations with high-quality buildings will drive leasing demand in mature markets. Expansionary demand will be seen from tech firms, wealth management and professional services companies.

— **Expect limited supply in developed markets:** Regional office supply is forecasted to peak this year, with mainland China and India set to account for the bulk of new stock. Supply in developed markets* is expected to contract further as high construction costs deter new office development. Vacancy in Tokyo, Korea and Singapore will remain low, while availability in Australia and Hong Kong SAR will tighten.

Innovate

— **Pursue asset enhancement amid heightened competition:** With occupiers continuing to display a strong preference for well managed buildings with a strong amenity offering, property owners must focus on asset enhancement initiatives through experience-led design and digital enhancements to remain competitive.

— **Carefully conduct space planning:** Forecasting office space requirements is becoming increasingly complex as businesses consider the impact of stricter return to office mandates; the adoption of AI in workplaces; and more fluid business planning as global geopolitical tensions persist. These dynamics will continue to reshape workplace strategies, requiring occupiers to implement greater flexibility and scenario-based planning to align with rapidly changing market conditions.

*Developed markets include Hong Kong SAR, Taipei, Tokyo, Seoul, Singapore and the Pacific, while developing markets include mainland China, India and Southeast Asia.

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03
Office

Demand to improve but supply to tighten in developed markets

Asia Pacific office leasing demand will strengthen in 2026, with 60% of respondents to CBRE's December 2025 Asia Pacific Leasing Market Sentiment Index expecting higher leasing volume in 2026. Expansion and new set-up activity will increase, with premium offices in core locations that support productivity and user experience to be keenly sought after, partly fuelled by corporates enforcing stricter office attendance mandates.

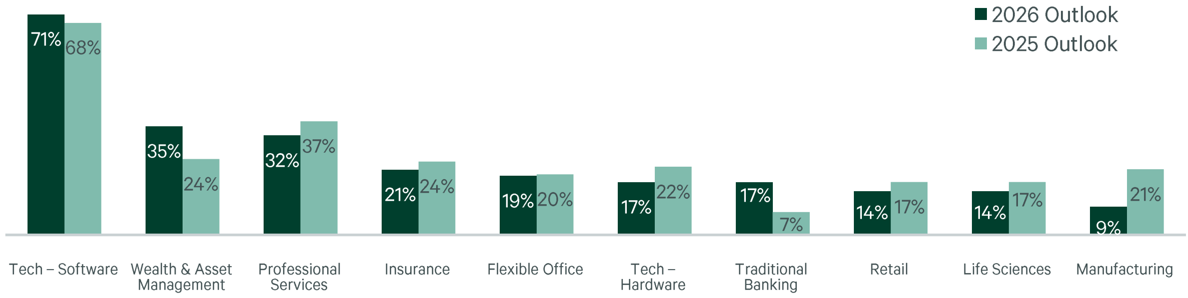
The tech sector (software) will display the strongest expansionary demand, led by firms benefiting from digitisation and AI. Leasing demand from the financial sector, including wealth management firms and traditional banks, is expected to improve. Although firms are adopting AI to streamline operations, this technology is not yet replacing headcount. Asia Pacific office employment is projected to remain steady, growing by 3.5%* in 2026.

New supply will peak this year, with 61.3 million sq. ft. of new Grade A supply to come on stream. Over three-quarters of new stock will be located in India and mainland China. In the former, while Bangalore will see the addition of 12.1 million sq. ft, demand will continue to be supported by Global Capability Centres (GCCs). In the latter, although tier I cities will require some time to absorb surplus space, new policies to facilitate conversion and redevelopment could hasten the bottoming out of the market.

Most developed markets will remain supply-constrained. In Tokyo, new supply in 2026 is already 70% pre-committed, while average supply during 2027-2028 will be lower than the preceding two years. Singapore's Core CBD Grade A availability will remain tight, with no supply in the pipeline until 2028. In Australia, construction and labour costs continue to constrain development with only small refurbishment projects in the pipeline. However, Seoul and Taipei expect to see substantial new supply beyond 2028, with most new stock concentrated in prime areas.

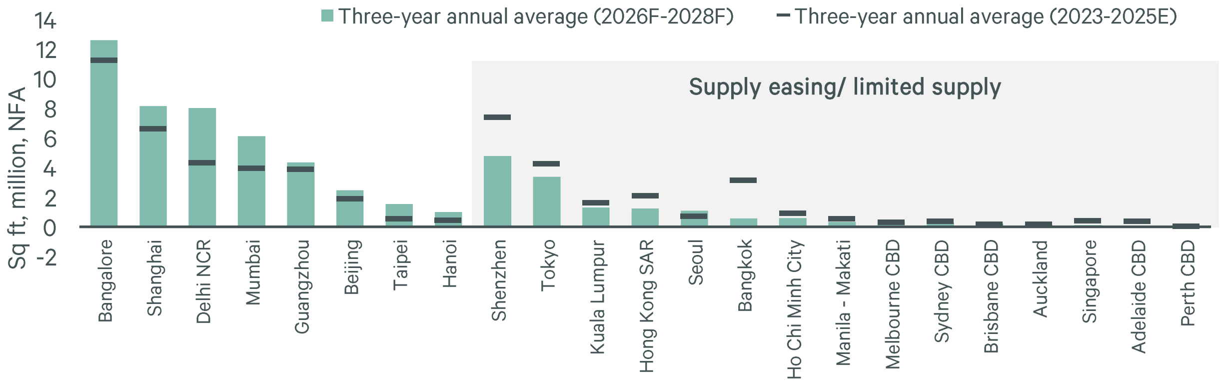
*office employment growth forecast estimates by Oxford Economics (Jan 2026) in 14 major Asia Pacific markets.

Figure 6: Strongest Expansionary Demand by Sector in 2026



Source: Asia Pacific Leasing Market Sentiment Index, CBRE Research, December 2025.

Figure 7: Three-Year Annual Average Grade A Office Supply Comparison (2023-25E & 2026F-28F)



Source: CBRE Research, January 2026.

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03
Office

Rental growth and market divergence to continue

Asia Pacific Grade A office rents will remain on an upward track in 2026. Tokyo, India tier I markets, and Australian cities will continue to lead growth, albeit at a slower pace, while the rental correction in mainland China tier I cities will lose momentum.

Tokyo Grade A rents surged by over 13% y-o-y in 2025 and will maintain double-digit percentage growth in 2026 on the back of low vacancy and occupiers' willingness to pay a premium for high quality prime office space to attract and retain employees.

Rental growth across most markets in India will moderate from last year's high base. Only Mumbai's BKC will sustain double-digit rental gains, driven by the tight availability of new premium office space and strong expansionary demand from flexible space operators.

The divergent performance between Australia's CBDs and outer precincts will persist. Despite slower employment growth, effective rents will rise on the back of a limited supply pipeline and high construction costs, with Brisbane and Sydney outperforming.

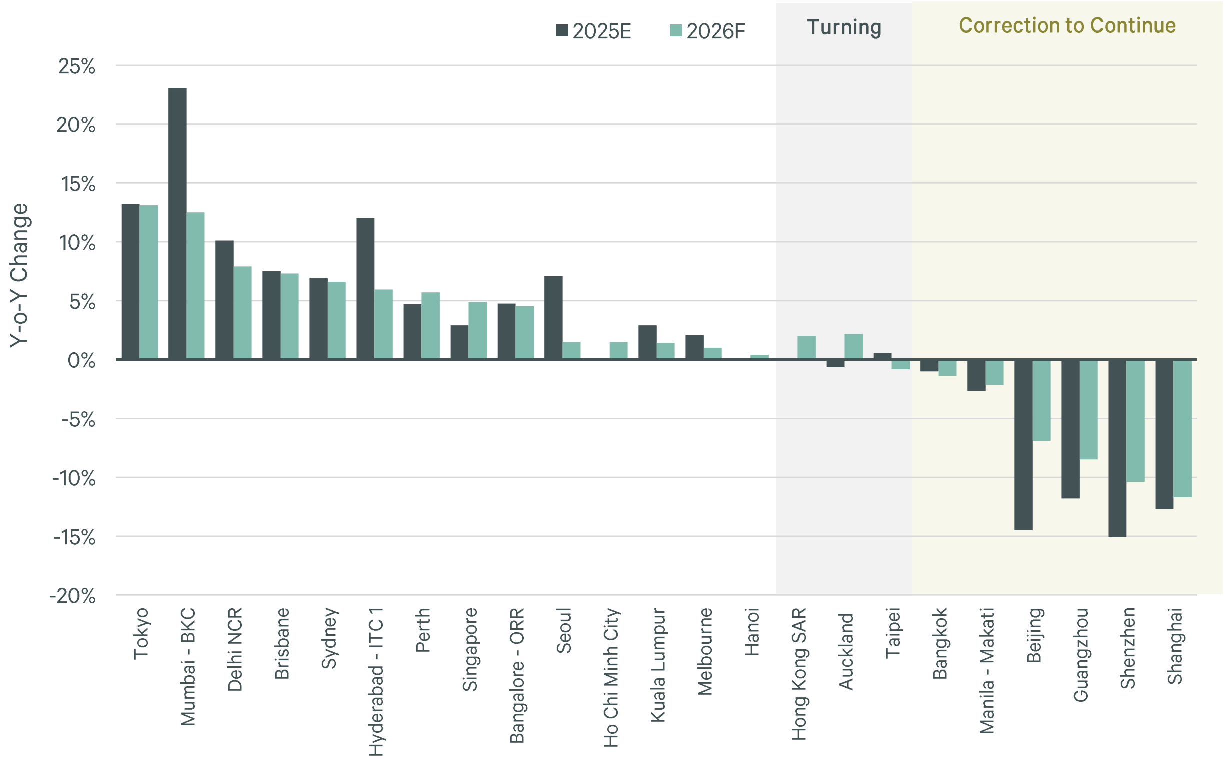
Occupiers' preference to stay in central areas and a lack of new Grade A supply will ensure rental growth in Singapore accelerates in 2026. Rental growth in Seoul will continue to normalise due to weakening leasing demand and higher new supply.

With rents in mainland China's tier I markets having fallen by more than 40% since the onset of the downward cycle, the rate of decline is expected to narrow this year, partly supported by stronger office requirements resulting from domestic demand-fuelled AI and tech development. Shenzhen and Beijing are likely to see a more pronounced recovery.

Grade A office rents in Hong Kong SAR's Central CBD are on the cusp of recovery as demand strengthens on the back of the city's financial market rebound. Other turning markets include Auckland, which is witnessing a return to rental growth alongside New Zealand's solid economy. Taipei is shifting in favour of tenants in view of ample supply.

Figure 8: Grade A Office Rental Forecast - 2025E v. 2026F

Dashboard



Note: Grade A rents represent rents in CBDs and core locations of each market.
Source: CBRE Research, January 2026.

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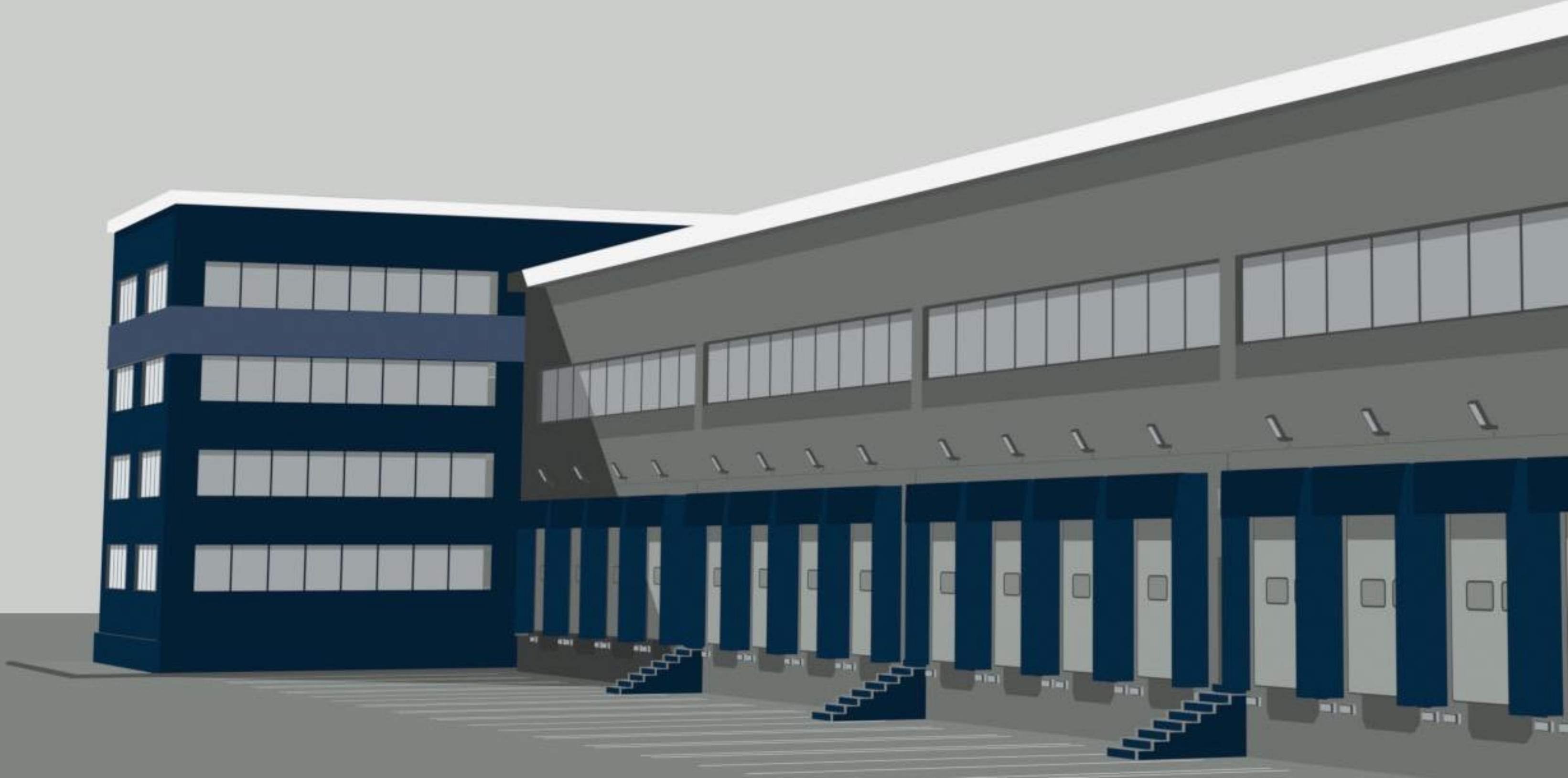
04

Logistics



04
Logistics

Trends & Takeaways

Recalibrate

— **Capitalise on moderating rental growth:** While most markets will still see rising logistics rents, upward momentum will slow as occupiers implement more selective expansion strategies amid softer regional economic growth. Tenants will prioritise renewals and consolidation to prime assets near city centres rather than aggressively extending their footprint. Incentives and landlord flexibility will remain prevalent in supply-laden markets.

— **Prepare for the end of the supply glut:** Following a strong wave of completions between 2023 to 2026, new stock is set to fall sharply from 2027 onwards as developers adjust to slower rental growth. The surge in construction and land costs, coupled with elevated financing expenses, will curb new development in Australia, Korea, and India. While short-term supply pressure will persist over the next 24 months, particularly in mainland China, the medium to longer-term outlook points to tightening availability, which could restore landlord confidence and underpin a rental recovery.

Innovate

— **Seek automation-ready warehouses:** The pursuit of greater operational efficiency and cost control by 3PLs and e-commerce operators will generate strong demand for modern, automation-ready logistics facilities with large floorplates. Beyond robotics integration and automation, occupiers are advised to leverage real time data and smart systems to accurately identify optimal warehouse locations to meet rising delivery expectations.

— **Strengthen supply chains amid trade uncertainty:** Adoption of supply chain diversification and nearshoring strategies will accelerate as enterprises seek to reduce operational vulnerabilities by mitigating tariff uncertainty and geopolitical risk. Emerging markets in India and Southeast Asia stand to benefit by offering skilled labour, lower costs and logistics infrastructure upgrades.

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04
Logistics

Leasing demand set to weaken amid sustained cost and economic headwinds

CBRE's December 2025 Asia Pacific Leasing Market Sentiment Index found that logistics leasing sentiment is expected to soften in 2026 as occupiers turn more cost-conscious amid uneven economic growth. Leasing activity will be driven by renewals and consolidation to prime facilities; a trend that will support ongoing flight-to-quality demand.

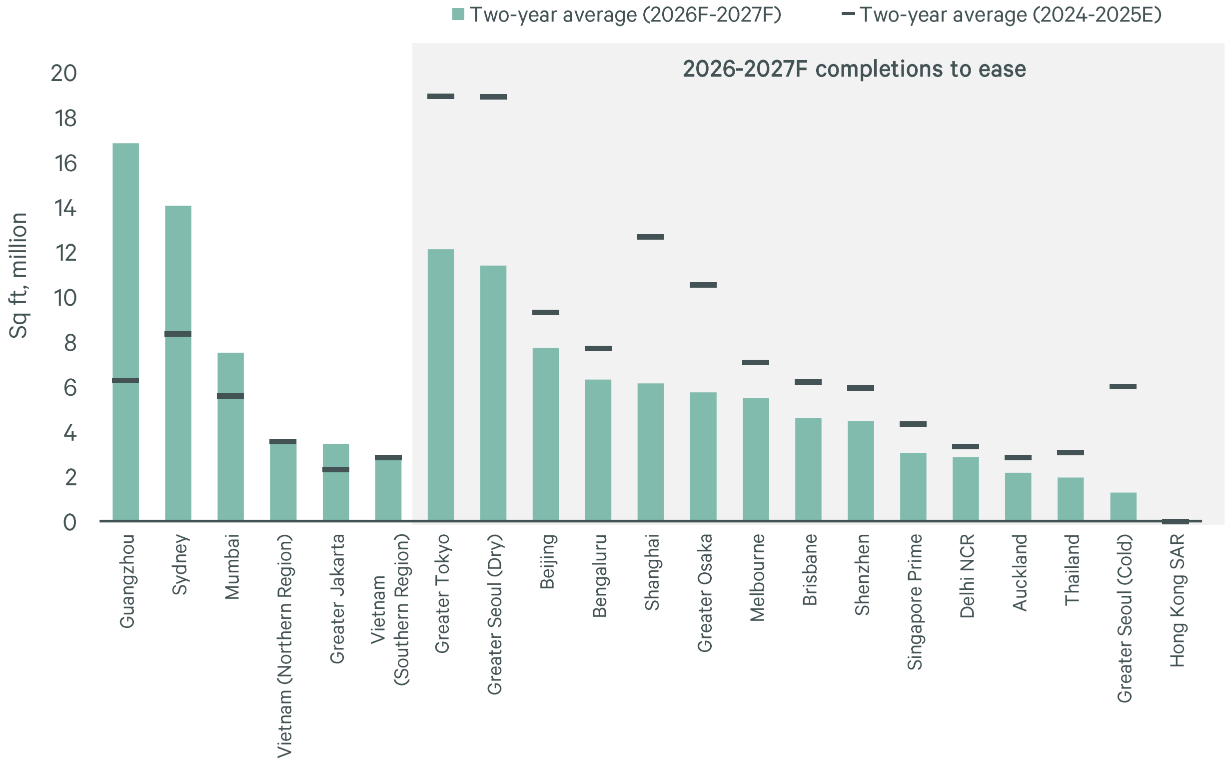
3PLs and e-commerce operators will remain key drivers of leasing demand as they seek automation-ready warehouses typically featuring large-scale floorplates exceeding 10,000 sq. M. In India, quick-commerce-related demand will continue to boom although space requirements are usually short-term in nature. Australia and Japan will see expansion from major e-commerce players, supported by stable domestic consumption. In contrast, expansion by cross-border ecommerce platforms in mainland China will slow amid ongoing trade tension and relocations to self-built warehouses along with slower expansion by domestic players as stimulus-driven consumption fades.

While new stock will remain elevated in 2026, new development peaked in 2025. About 152 million sq. ft. of new logistics space is due this year, a decline of 3% y-o-y. Mainland China will account for over 30% of new completions, ensuring vacancy in this market remains at record high levels. Australia is set to witness a significant surge in new supply, with approximately 30 million sq. ft. due to be added. While Sydney's pipeline for 2026–2027 will be 68% higher than that in 2024–2025, many new projects will be situated in the vicinity of the new airport and super-prime stock remains scarce.

Supply in Japan, Korea, Vietnam, and Singapore will normalise following earlier peaks. Hong Kong SAR will not see the addition of any new stock until 2028, which combined with brownfield relocation should help stabilise vacancy despite softer leasing sentiment.

Although short-term supply pressure will persist, completions will decline sharply from 2027 onward as pipelines shrink in mainland China and Japan. Elevated construction and land costs, alongside high financing expenses, will further constrain development in major markets such as Australia, Korea, and India.

Figure 9: Logistics Supply– Two-Year Comparison 2026F-27F vs 2024-25E



Note: Vietnam's Southern Region includes Ho Chi Minh City, Binh Duong, Dong Nai and Long An, while the Northern region includes Hanoi, Bac Ninh, Hung Yen, Hai Duong and Hai Phong.
Source: CBRE Research, January 2026.

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04
Logistics

Rental growth forecasted to ease across major markets

Asia Pacific logistics rental growth is expected to slow further in 2026. While most markets will continue to see rental increases, the rate of expansion will lose momentum due to softening sentiment; more selective expansion strategies; and a softer regional macroeconomic outlook.

Indian cities will remain rental growth leaders, with Mumbai set to outperform on the back of institutional-grade supply commanding rental premiums and healthy demand from local logistics players. The rental recovery of dry warehouses in Greater Seoul will gain further momentum as vacancy falls below 10%. Rents for cold storage facilities will remain under pressure due to persistently high vacancy of 30% resulting from previous oversupply.

Following a decade-high supply peak in 2025, Singapore's logistics rents are expected to rise on the back of modest demand from 3PLs and steady precommitments to upcoming projects.

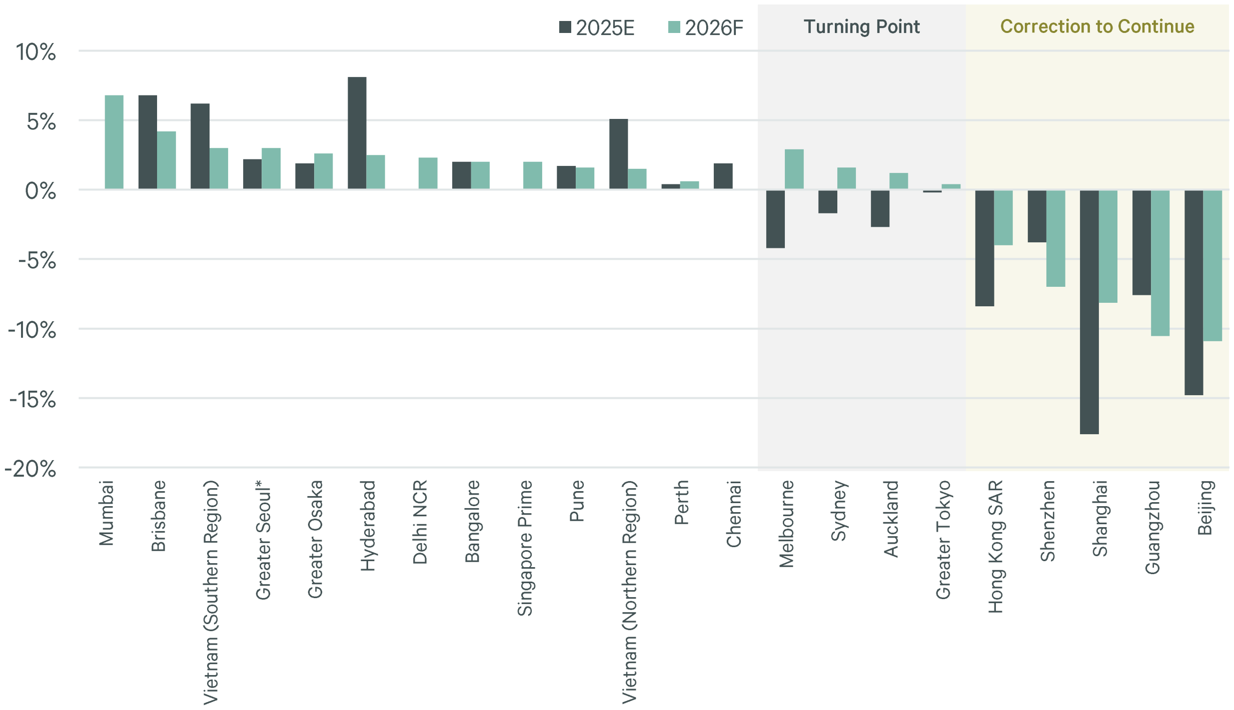
Super prime warehouse rents in Melbourne and Sydney should bottom out in 2026 despite a supply spike. New projects will mainly be in outer precincts, with super prime stock in inner markets remaining tight. Rents will decline slightly in H1 2026 as incentives in new projects peak before stabilising in H2 2026.

Greater Tokyo and Auckland will approach a turning point in 2026. A combination of robust demand from tenants seeking to enhance operational efficiency and a significant drop in new supply from 2027 amid rising construction costs should generate rental growth across most submarkets of Greater Tokyo. In Auckland, logistics rents will stabilise after a two-year correction with modest growth expected toward year-end as speculative stock is absorbed.

Greater China will remain a laggard, with Beijing, Guangzhou and Shanghai set to see a cumulative rental decline of 30-40% during the four-year supply peak between 2024 to 2027. While Hong Kong SAR will see less downward pressure on rents, heightened cost sensitivity among occupiers means landlords must stay flexible.

Figure 10: 2025 - 2026F Asia Pacific Logistics Rental Forecast

Dashboard



Remarks: Vietnam (Southern Region) includes Ho Chi Minh City, Binh Duong, Dong Nai and Long An while Northern region includes Hanoi, Bac Ninh, Hung Yen, Hai Duong and Hai Phong. Rental growth for Singapore refers to prime logistics rents in the eastern and western areas only. Logistics rental growth for Asian markets refers to face rents while that for Pacific markets refers to effective rents. *Greater Seoul forecast excludes cold storage while overall forecasts are aligned with dry storage.
Source: CBRE Research, January 2026.

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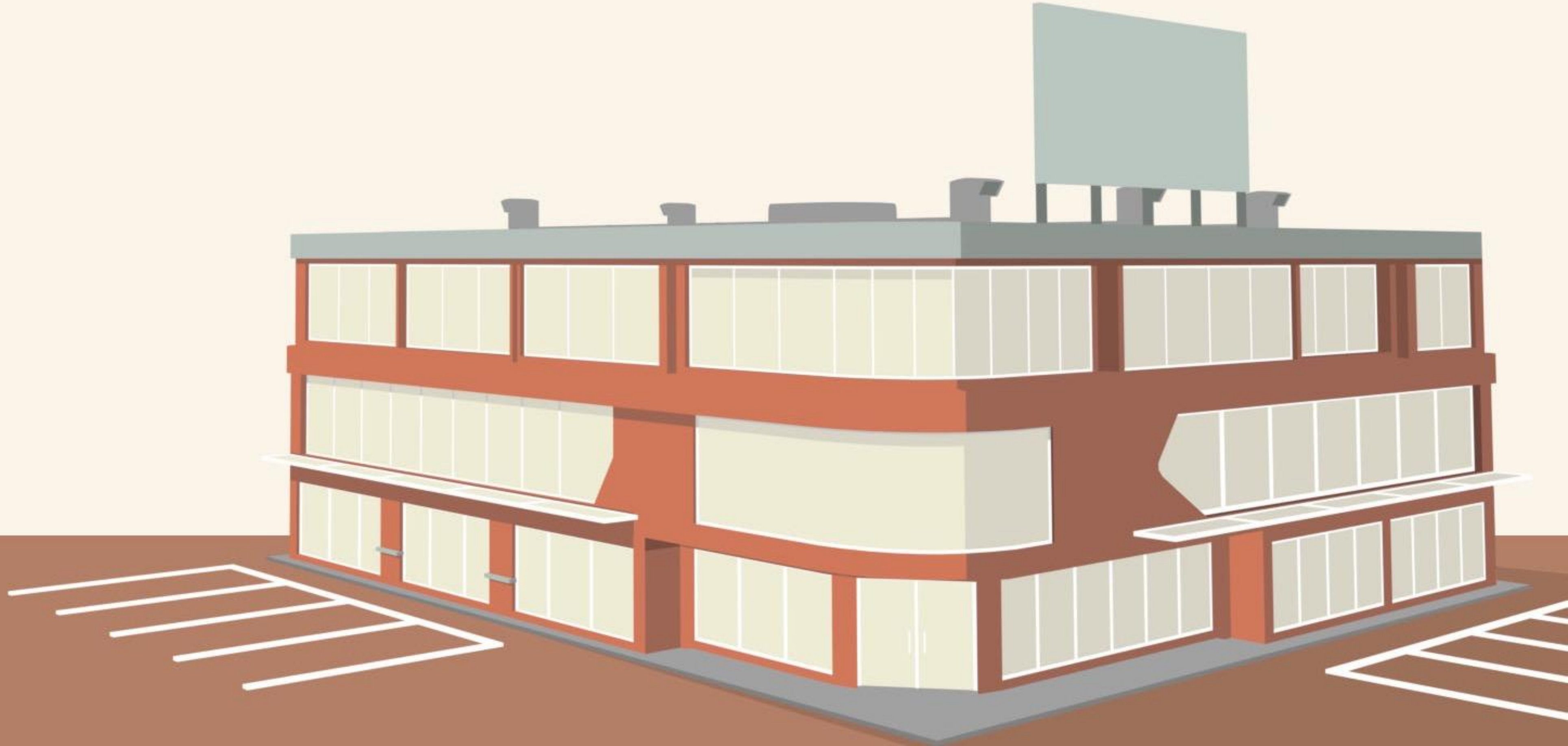
05

Retail



05
Retail

Trends & Takeaways

Recalibrate

— **Locate stores in prime areas:** Instead of opening multiple stores, retailers are focusing on relocating or upgrading existing stores to prime locations as such areas provide more visibility and opportunities to channel sales to either physical or online platforms.

— **Act quickly and decisively:** Limited availability in prime locations will intensify competition for space, while high rents and landlords' strong negotiation power will influence retailers' decision making. Retailers must move fast when opportunities arise or pre-commit to upcoming projects to secure their desired space.

Innovate

— **Reshuffle tenant mix to stay relevant:** Consumer spending patterns have shifted since the pandemic, leading to a stronger emphasis on experiences over physical goods. Landlords are advised to rethink their offering by expanding allocations to dining and outdoor space; refreshing their tenant mix; and incorporating entertainment areas. These initiatives can enhance engagement; encourage longer dwell time; and ultimately increase overall spending.

— **Augment experiential offerings:** Retail trades that focus on physical goods, such as fashion, sports, and luxury, continue to integrate experiential elements into their retail spaces. This has led such retailers to prioritise flagship stores as platforms to showcase product features and brand heritage. In addition, some luxury brands have introduced F&B to stores within their portfolios to enhance customer experience and strengthen brand visibility.

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05
Retail

Fashion and sports brands to lead expansionary demand in 2026

With retail sales picking up and clarity around trade policy improving, leasing activity in most markets is expected to be stronger than 2025 levels. Mainland China is a key exception, with leasing activity set to be flat as retail sales growth loses momentum and retailers await the launch of new stimulus policies and incentives before implementing real estate planning.

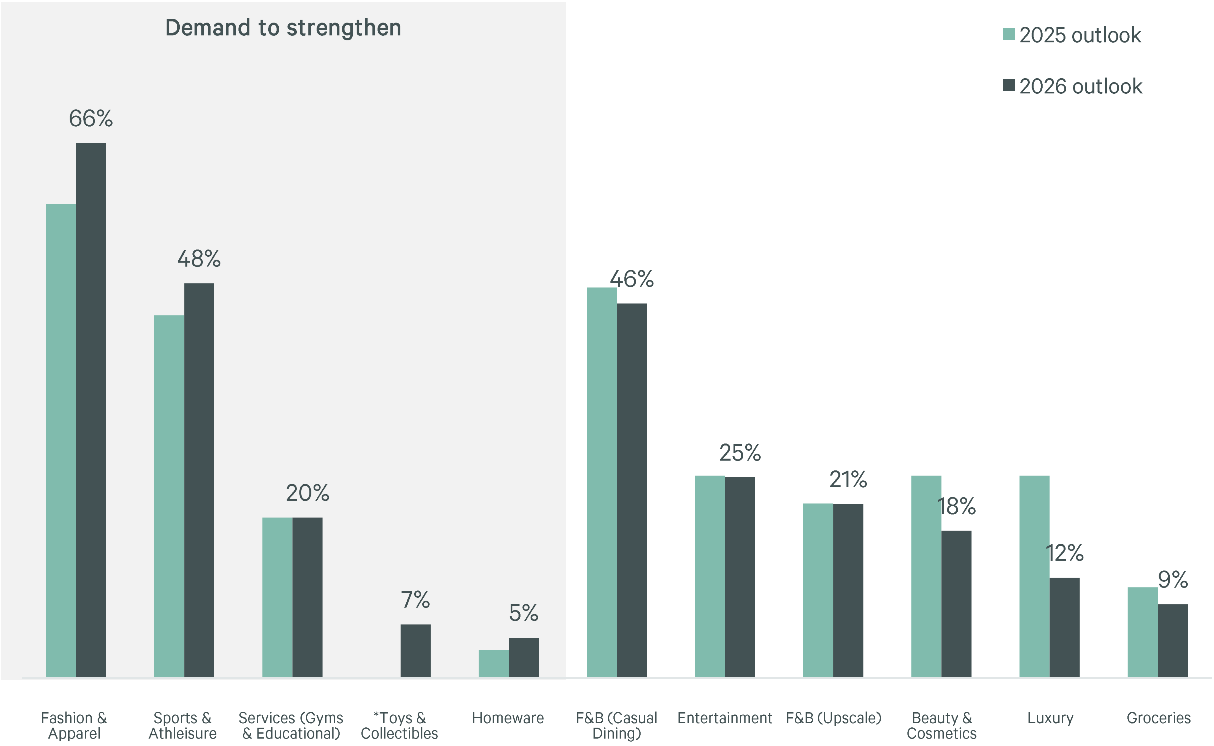
Fashion & apparel will be the top demand driver in 2026, with expansionary demand from this sector expected to pick up further. In addition to street fashion and fast fashion brands, some domestic online fashion brands, especially in Southeast Asia and India, will continue to set up brick-and-mortar stores.

Riding on the wellness trend, outdoor brands and up-and-coming athleisure retailers will seek opportunities to set up flagship stores on prime streets. Demand from other experiential-related trades such as toys and collectibles will also be prominent as shoppers seek out retail experiences providing emotional value.

Although F&B leasing activity will weaken this year, the sector will remain a key driver of demand. Casual dining restaurants, cafés, and bakeries are expected to show stronger demand compared to the upscale and fine dining segment due to their higher affordability and lower set up costs.

Luxury brands' sales performance will remain in a downward cycle. This will see retailers in this sector adopt a conservative attitude towards real estate planning; turn more selective towards locations; and incorporate more experiential elements into their stores.

Figure 11: Expansionary Demand by Retail Category in 2026



Note: The Toys & Collectibles category was not included in the 2024 survey.
Source: Asia Pacific Leasing Market Sentiment Index, CBRE Research, December 2025.

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05
Retail

Tight vacancy and limited supply to support prime retail rental growth

Asia Pacific retail rents are expected to sustain steady upward momentum across most markets in 2026, supported by tight vacancy in prime locations and limited future supply. However, the recovery will remain uneven, with rents in some markets reaching historical highs; others still recovering; and a few declining further.

Australian markets and Hong Kong SAR are expected to see strong rental growth this year. In the former, rising demand from F&B operators and mini-majors, combined with a growing population and limited supply, will support rental growth in regional centres. In the latter, the pace of the rental recovery will accelerate in 2026 as new retailer entrants from Japan, Korea and mainland China pull down prime vacancy.

Singapore, where rents have now fully recovered to 2019 levels, will see the onset of a structural slowdown in rental growth.

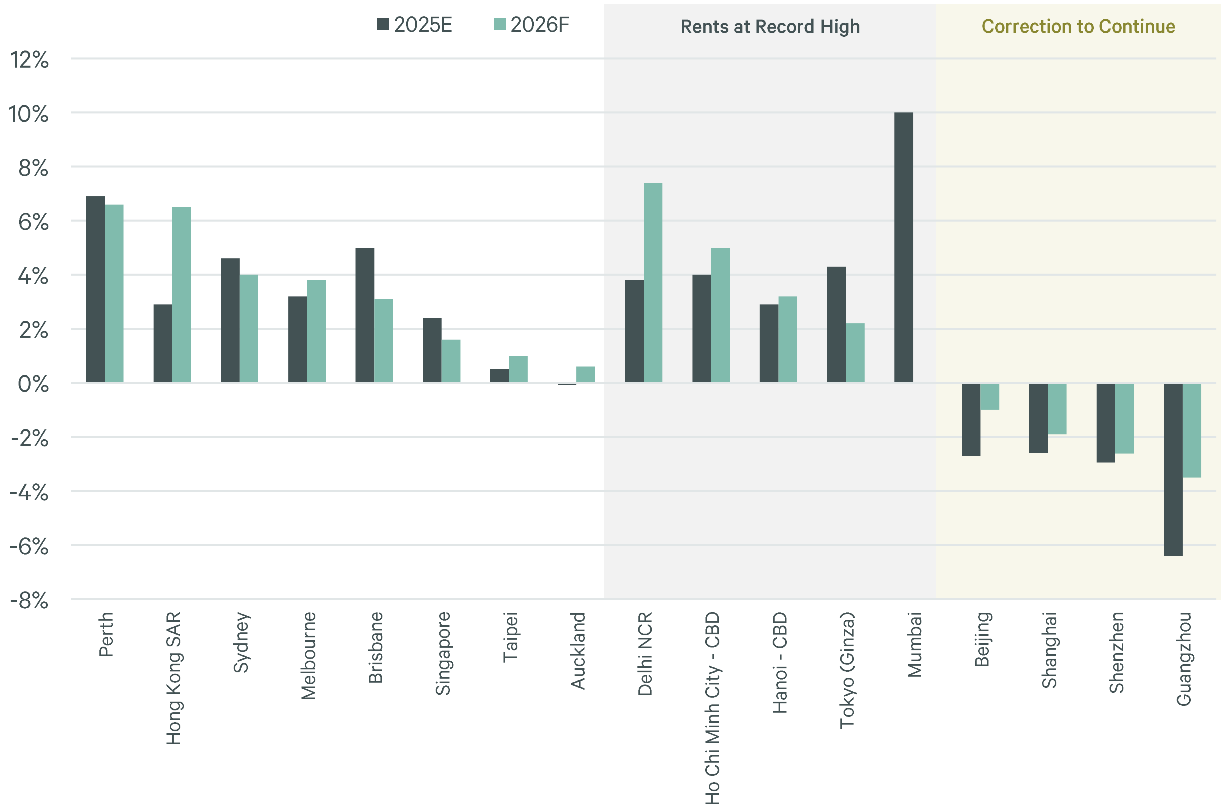
Despite rents standing at historical highs in emerging markets such as Delhi NCR and Vietnam's CBDs, rental growth is likely to remain strong in 2026. In India, landlords are shortening lease terms and actively refreshing their tenant mix to boost footfall and sales density. Following Mumbai's healthy 10% y-o-y growth in 2025, rents are expected to remain largely stable in 2026.

Rents in Tokyo Ginza reached record highs in 2025 and are projected to continue rising due to 0% vacancy and intense competition for space from retailers across all trades.

Auckland is forecasted to experience a rental turnaround in 2026, driven by an improving overall economy. In contrast, rents in mainland China tier I cities are not expected to bottom-out until 2028 with around 68 million sq. ft. of new supply scheduled to come on stream over the next three years, forcing landlords to prioritise occupancy.

Figure 12: 2025E v. 2026F Asia Pacific Retail Rental Forecast

Dashboard



Note: Retail rental growth refers to high streets in prime areas except mainland China and Singapore, where G/F rents of shopping centres are reported. Pacific reports net effective rents of regional centres.
Source: CBRE Research, January 2026.

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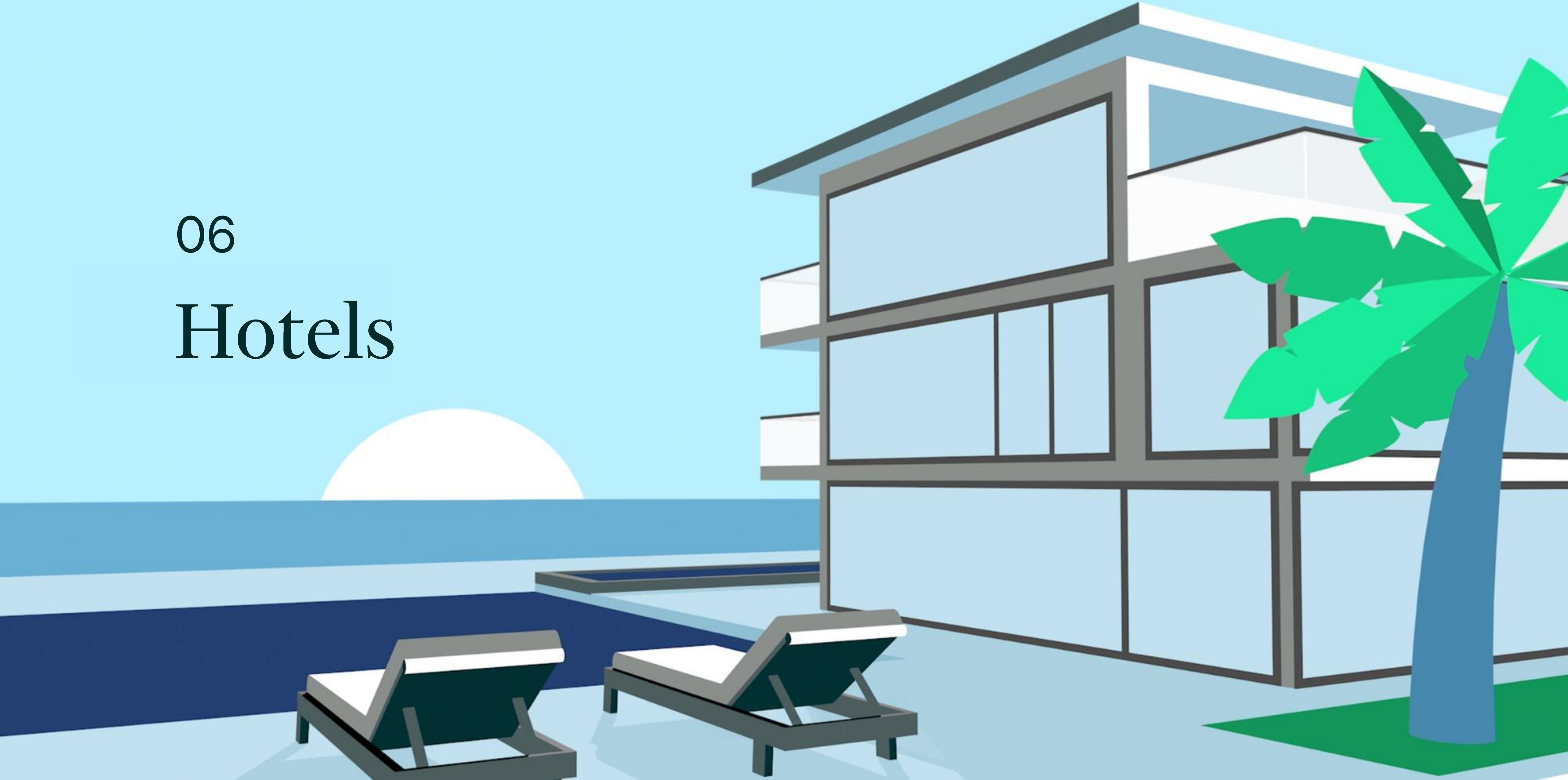
06

Hotels



06
Hotels

Trends & Takeaways

Recalibrate

- **Prepare for a post-pandemic tourism recovery plateau:** With tourism arrivals close to recovering to pre-pandemic levels in 2025, growth in 2026 is expected to slow y-o-y. While mainland Chinese outbound travel is yet to fully rebound, weak domestic demand and economic concerns may see a full recovery pushed back to 2026 and beyond.
- **Convert hotels to living spaces:** As the living sector gains traction, investors should explore conversion opportunities in markets where demand for living assets is high. Approaches include converting hotels into co-living and student accommodation, especially in Hong Kong SAR and Australia.

Innovate

- **Adapt to event-driven tourism trends:** With growth in tourist arrivals in many Asia Pacific markets set to be increasingly driven by events and concerts, hotel owners and operators must capitalise on this trend by utilising strategies such as real-time pricing to respond quickly to shifts in demand during events or peak times. This flexibility can help them make the most of high-demand periods even if overall occupancy is low.
- **Consider soft brands amid elevated construction costs:** High construction costs mean hotel owners looking to convert or rebrand in 2026 should further consider soft brands in order to keep conversion costs low. Soft brands can provide hotel owners with greater independence on brand requirements while enjoying access to core-brands' membership and booking platforms.

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Hotel

Visitor numbers return to pre-pandemic levels but growth set to normalise

Asia Pacific tourist arrivals reached almost 99% of 2019 levels in 2025, while mainland Chinese visitors reached 78%, representing growth of 6.9% y-o-y and 7.9% y-o-y, respectively. Despite the normalisation of tourism growth, the International Air Transportation Association (IATA) expects Asia Pacific air passenger traffic to grow 7.3% in 2026, the highest of any region globally.

While negatively impacted by the mainland Chinese government's decision to reduce the number of visitors, CBRE expects Japan to retain its status as one of the region's top tourism markets alongside destinations with affordable currencies such as Vietnam and Korea. The slowdown in mainland Chinese visitors to Japan may benefit other markets such as Indonesia, Thailand and Hong Kong SAR as tourists from this market consider other destinations.

Event-driven tourism will remain as another growth driver for the Asia Pacific hotel market in 2026. Cities such as Tokyo, Sydney, Singapore, Hong Kong SAR and Bangkok are now well-established locations for concerts, festivals, and global events and will continue to attract both domestic and international travellers.

The coming year may bring a shift in destination preference to lesser-travelled locations. Skyscanner's Horizons 2026 report states that travellers are seeking out destinations with a strong community identity, cultural depth and a sense of place. Regional cities in Japan, such as Hiroshima, Kanazawa, and Sapporo, as well as cultural hubs and beach destinations such as Delhi, Taipei, Kochi, and Lucknow may benefit.

Figure 13: International Arrival Growth by Market (y-t-d) as of latest month available for each market)

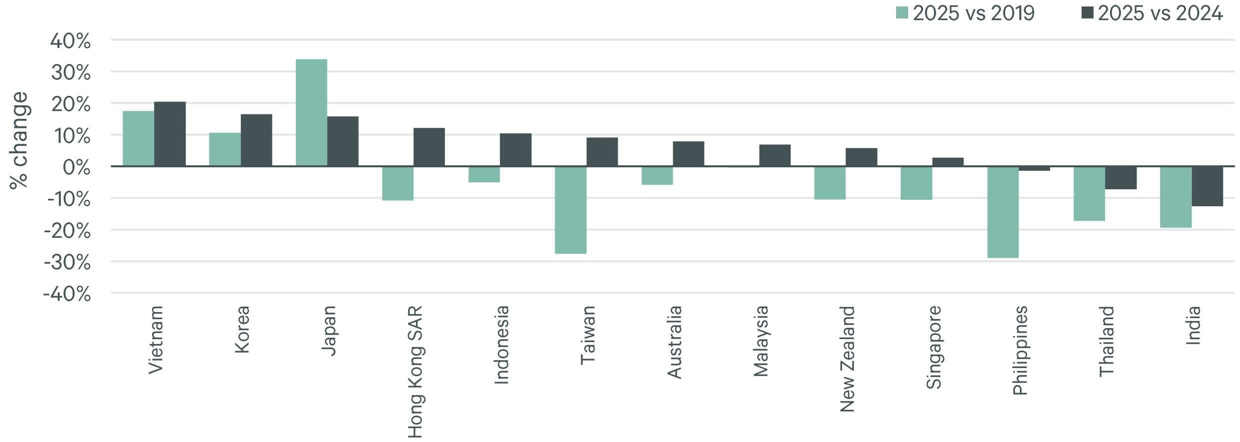
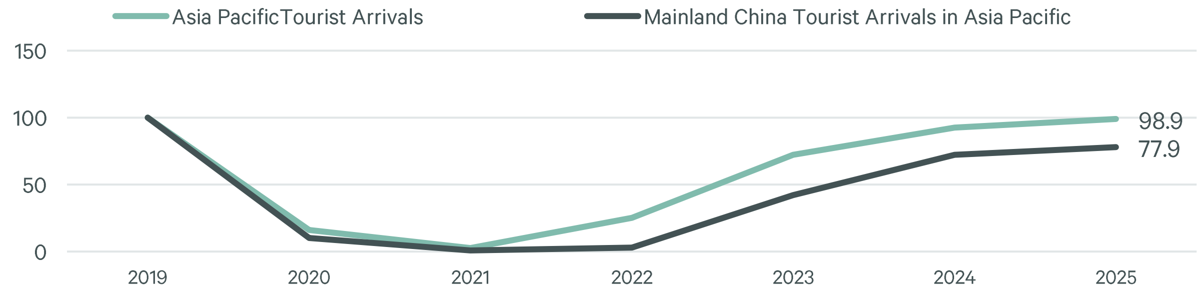


Figure 14: Asia Pacific Total Tourist and Mainland China Tourist Arrival Index (2019 = 100)



Note: Base year 2019 =100

Source: CEIC, CBRE Research, January 2026.

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06
Hotel

ADR growth to normalise further in 2026 with modest occupancy gains

While the rate of expansion normalised as inflationary pressure eased, ADRs continued to grow in most markets in 2025 on a local currency basis as tourism recovered to pre-pandemic levels.

ADR growth in 2025 was led by Japan (+13.9% y-o-y), where tourism inflows set record highs amid prolonged currency weakness. Supported by strong domestic tourism, ADRs in India grew by 10.7% y-o-y in 2025, driven by tier II and tier III markets such as Jaipur, Kochi and Indore.

While occupancy is improving, only Hong Kong SAR, Korea and Maldives have reported a full recovery as business and group travel continues to lag the leisure travel recovery.

Fortunes varied in Southeast Asia in 2025. While ADRs increased in Indonesia, this was in response to falling occupancy, particularly in Bali. Strong levels of supply led Singapore ADRs to drop slightly in 2025 as new stock was absorbed. In Thailand, a strong start to the year was offset by a drop in tourism due to a major earthquake in March 2025 as well as safety concerns which negatively impacted arrivals from mainland China.

While RevPAR growth across most Asia Pacific markets in 2026 should continue, the rate of growth will be more limited as ADRs continue to normalise.

Figure 15: Full Year 2025 ADR (local currency) Growth in Major Asia Pacific Markets (vs. 2019 and 2024)

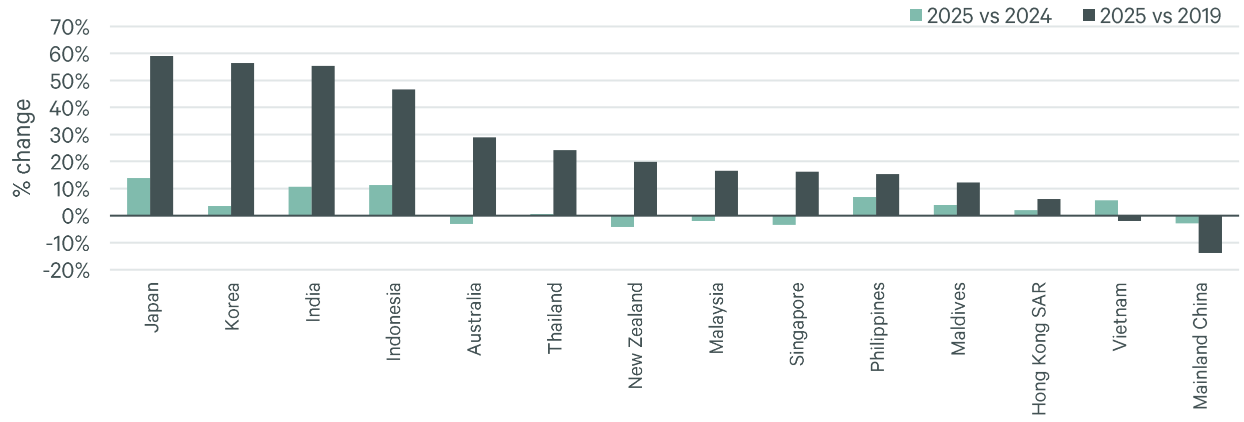
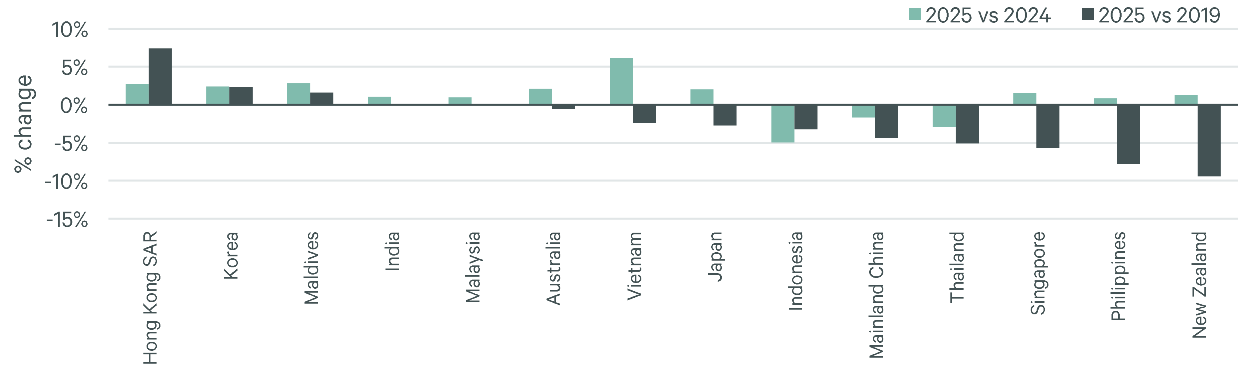


Figure 16: Full Year 2025 Occupancy Growth in Major Asia Pacific Markets (vs. 2019 and 2024)



Source: Costar, CBRE Research, January 2026.

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