Intelligent Investment

2025 Asia Pacific Real Estate Market Outlook Mid-Year Review

REPORT

ASIA PACIFIC
REAL ESTATE

CBRE RESEARCH
AUGUST 2025

Executive Summary

Ada Choi, CFA
Head of Research, Asia Pacific

- The greater-than-expected shift in U.S. trade policy was the major surprise in H1 2025. Although April's initial shock subsequently calmed after tariffs were lowered and several trade deals were signed, ongoing uncertainty continues to drag on regional economic and business sentiment. As a result, CBRE has revised down its 2025 GDP growth forecast for Asia Pacific from 4.1% to 3.7%.

- While U.S. interest rates were unchanged in the first half of 2025, monetary policy in many Asia Pacific economies turned more stimulative in response to weaker growth. Several central banks implemented more aggressive than expected rate cuts during the period. In Japan, the Bank of Japan (BoJ) may resume rate hikes before the end of the year after the country reached a deal in July with the U.S. on tariffs.

- CBRE has upgraded its 2025 full year **investment** forecast to growth of 10% to 15% on the back of solid investor demand in markets such as Korea, Japan and Singapore. Strong fund raising activity and enlarging positive yield spreads in most markets are likely to provide ongoing support to investment, although yield performance will continue to diverge.

- **Office** sentiment softened in Q2 2025, with most markets reporting slower enquiries and decision-making. However, office leasing activity could pick up in H2 2025 amid stabilising business confidence and tighter return-to-office mandates. CBRE expects office leasing activity to be on par with that in 2024.

- CBRE's 2025 Asia Pacific Logistics Occupier Survey revealed a decline in optimism, with many tenants planning to right-size portfolios and restructure supply chains. However, logistics leasing volume is expected to remain steady, driven by landlords' more flexible stance; resilient demand from domestic consumption-related firms and occupiers planning mid-to-long term expansion.

- In the **retail** sector, weak consumer sentiment and subdued discretionary spending prompted retailers to be more cautious towards real estate planning in H1 2025. Retailers' strong preference for prime core locations will ensure vacancy rates continue to decline but the pace of rental growth will remain mild.

- **Hotel** Average Daily Rates (ADRs) continue to grow in most markets while occupancy is improving as hoteliers adopt different pricing and operational strategies to boost performance. Japan, Korea, Vietnam and India are set to lead Revenue Per Available Room (RevPAR) performance for the full year.

Table 1: Changes to 2025 Outlook

	Yield	Office Rent	Logistics Rent	Retail Rent
Japan	Mixed	Upgraded	Upgraded	Upgraded
Korea	Unchanged	Upgraded	Unchanged	NA
China, mainland	Downgraded	Downgraded	Downgraded	Downgraded
Hong Kong SAR	Unchanged	Downgraded	Unchanged	Unchanged
Taiwan	Unchanged	Unchanged	NA	Downgraded
Singapore	Unchanged	Upgraded	Downgraded	Unchanged
India	Upgraded	Upgraded	Upgraded	Upgraded
Australia	Mixed	Downgraded	Downgraded	Unchanged
New Zealand	Downgraded	Downgraded	Downgraded	Downgraded

01

Economy

01

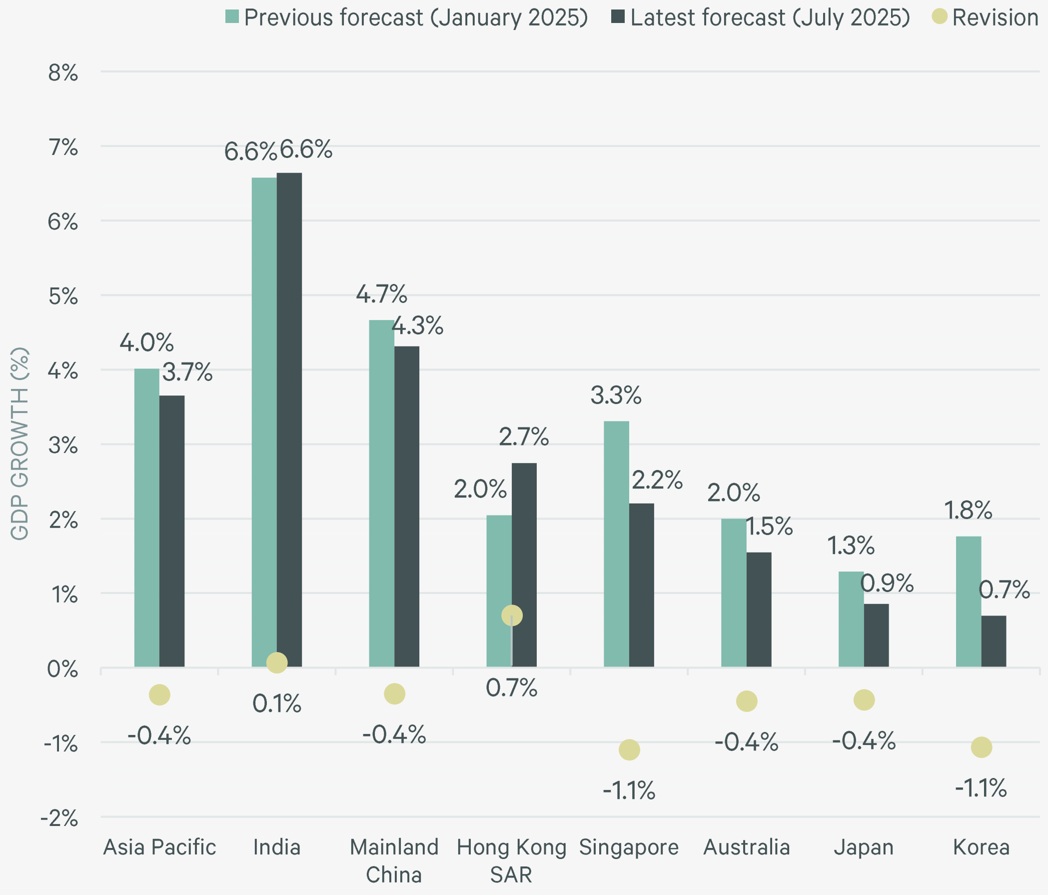
Economy

Forecast Accuracy

	Forecast made in January 2025	Mid-year review
01	**ECONOMIC GROWTH TO REMAIN STABLE** Asia Pacific GDP growth is forecasted to reach 4.1% in 2025, slightly above the 3.9% expansion seen in 2024. Drivers of growth are expected to vary across individual markets, such as the increase in migrant workers in Australia; strong growth in visitor arrivals in Japan; and a rise in government spending in India.	While the scale of proposed U.S. tariffs was larger than expected, business sentiment gradually improved in June as tensions de-escalated. Although CBRE has revised down its 2025 GDP growth forecast for Asia Pacific to 3.7%, major economies have exhibited resilience, including those subject to high tariffs. India is leading growth, with private consumption picking up. Surprise: Many markets benefited from frontloaded exports to the U.S. ahead of tariff implementation.
02	**GRADUAL DECLINE IN POLICY RATES** Economic growth in the U.S. is expected to be spurred by the new administration's policies on tax reduction and lighter government regulations in some sectors. In addition to reduced labour supply, these factors will prompt the Fed to adopt a more conservative attitude towards cutting interest rates in 2025 given concerns that inflation could regain upward momentum. Policy rates across many Asia Pacific economies are forecasted to fall by a relatively modest magnitude, except for Japan, which is expected to implement further interest rate hikes this year.	U.S. policy rates were unchanged in H1 2025 as inflation remained within expected levels before the impact of tariffs on prices took effect. Financial markets are pricing in two rate cuts for H2 2025. Interest rates in most Asia Pacific markets trended downward over H1 2025, with the pace of cuts faster than expected for some markets. Rates are set to end the year lower than original forecasts. Policy rates in India have fallen 100bps so far this year and have dropped 50bps apiece in Australia and Korea. In Japan, while the BoJ had adopted a cautious stance, the market now expects rate hikes to recommence before the end of the year after a tariff deal was struck with the U.S. Surprise: Hong Kong SAR's three-month HIBOR fell by over 300bps, somewhat reflecting the flow of capital back to Asia.
03	**DIVERGENCE IN GROWTH MOMENTUM ACROSS ECONOMIES** GDP growth is forecasted to accelerate in India, Australia, and Japan in 2025, driven by government spending as well as higher consumption. Growth momentum is expected to slow in Greater China and Korea, due primarily to continued sluggish domestic consumer spending.	Growth in mature markets has been resilient while India has maintained high speed expansion. While several Southeast Asian markets were initially given high tariffs, Vietnam and Indonesia have signed deals with the U.S. at lower rates. This may temper economic headwinds in these countries. Surprise: Mainland China's GDP growth reached 5.2% y-o-y in H1 2025, higher than the government's full-year growth target of 5%. Hong Kong SAR's outlook has been upgraded due to lower interest rates, signs of recovery in retail sales, and the recent rolling back of U.S. tariffs.
04	**U.S. TARIFFS TO HAVE VARIED IMPACT ON REGION** Widely anticipated tariffs on all imports to the U.S. are expected to have a varied impact on individual markets in Asia Pacific. Vietnam, Japan, and Korea are anticipated to be more vulnerable given their higher proportion of total exports to the U.S.. Any impact on Australia should be minimal given its limited export volumes to the U.S..	Most economies in Asia Pacific have been more resilient than expected, primarily because exports to the U.S. were frontloaded ahead of tariff implementation. Markets across the region are still negotiating with the U.S., with tariff policy continuing to pose a risk to businesses. However, companies unrelated to the export trade continue to perform steadily. Surprise: The quick and timely de-escalation of U.S.-mainland China trade tension should help mitigate downside risks to economic growth.

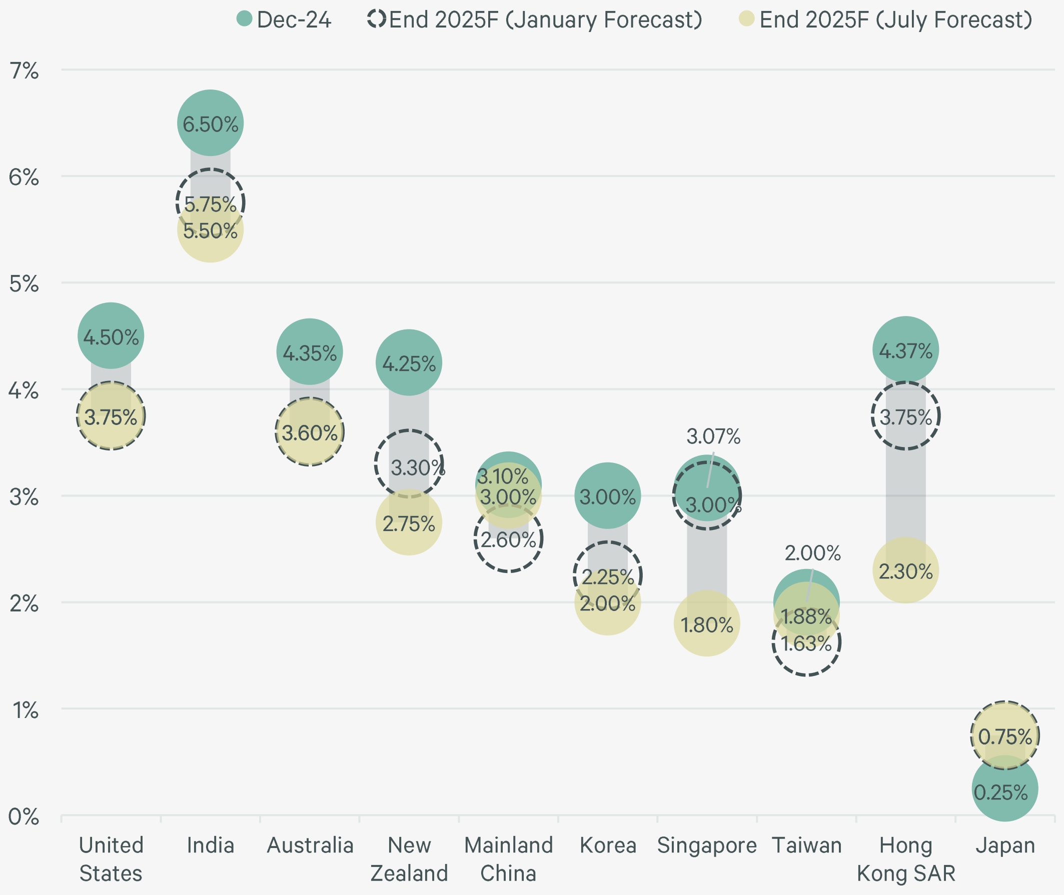
01
Economy

Figure 1: 2025 GDP Growth Forecast Revisions (January vs. July forecasts)



Source: CBRE House View, July 2025.

Figure 2: Interest Rate Outlook - More Dovish Than Expected



Source: CBRE House View, Macrobond, Oxford Economics, UOB Group, DBS Bank, July 2025.

02

Investment

02

Investment

Forecast Accuracy

Forecast made in January 2025

Mid-year review

01

INVESTMENT TO ACCELERATE IN 2025

CBRE's 2025 Asia Pacific Investor Intentions Survey highlighted an improvement in real estate investor sentiment, with net buying intentions improving to 13% in 2025. With buying sentiment strengthening, CBRE forecasts investment volume to rise by 5-10% y-o-y in 2025, driven by growth in Singapore, Korea, Australia and Hong Kong SAR, and continued investor interest in Japan and India.

Investment momentum has continued to build in 2025, with first half volumes up 18% y-o-y compared to H1 2024. This has led CBRE to upgrade its full year investment forecast to growth of 10%-15%. Korea, Japan and Singapore have seen strong growth in investment, but Australia and Hong Kong SAR are lagging. Strong fund raising activity indicates strong underlying investor confidence, with a number of large new funds originating in 2025.

Alert: Concerns are growing following recent defaults on loan payments by over-leveraged landlords in Hong Kong SAR. The shortage of debt funding may provide opportunities to investors.

02

VALUE-ADD TO REMAIN MOST POPULAR STRATEGY

CBRE expects investors to continue to prioritise value-add opportunities in 2025 owing to this strategy's high internal rate of return. Core-plus strategies will become more popular among investors amid a growing belief that core assets have repriced into this return profile. Investor preference for office assets is forecasted to strengthen in 2025, with Australia, Korea, and Singapore the major focus. Industrial is expected to be top of mind as investors target super prime logistics facilities in Australia and dry logistics assets in Seoul.

While value-add strategies have been popular, particularly in Japan, core-plus strategies have been prominent across the region as investors seek higher returns than core strategies amid higher-for-longer interest rates. Although office investment sentiment has improved, significant levels of upcoming supply in some markets, such as mainland China, India and some Southeast Asian countries, might impact future investment. Investors are increasingly targeting data centres and living sector assets to capture structural growth.

Alert: There remain opportunities for distressed acquisitions, particularly in Greater China, as evidenced by recent disposals by financially stressed sellers.

03

YIELDS SET TO DIVERGE ACROSS INDIVIDUAL MARKETS

Yield expansion is forecasted to continue in Greater China amid subdued investor sentiment, while Australia is likely to record tighter yields as interest rates fall and investment activity picks up. Yield compression is predicted to be seen in Japan, particularly for prime office assets in Tokyo, where such properties continue to be highly sought after.

The region has indeed witnessed divergence in yield performance. Yield expansion is expected to continue in Greater China, with the outlook for the logistics sector being downgraded. While office yields in Japan held flat in H1 2025, they are forecasted to tighten in H2 2025, with the compression trend spreading to include the retail sector. However, the yield compression narrative has yet to materialise in Australia, with Sydney and Brisbane now expecting no yield movement, and Melbourne and Perth anticipating some yield expansion.

Alert: With interest rates having fallen and further cuts expected, yield spreads in most markets are forecasted to become more positive during H2 2025.

Dashboard

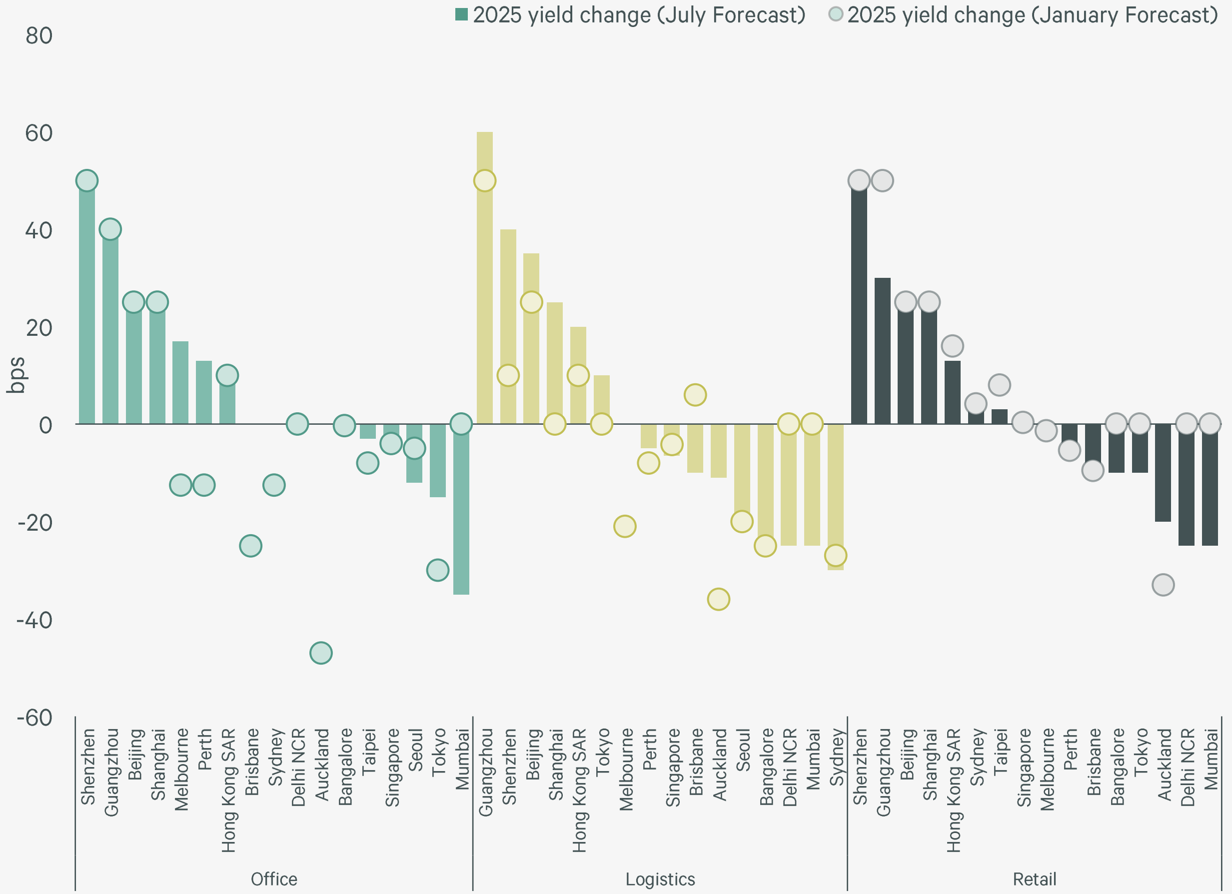
02
Investment

Cap rate bifurcation persists

Revised yield forecast

- Office yields in **Australia** have not shown material compression as had originally been anticipated at the start of the year, as investors remain cautious toward the strength of the office sector. However, yield expansion was seen in Melbourne and Perth in H1 2025. As a result, office yields in Australia are now expected to remain flat for the remainder of the year. On the flipside, logistics yields compressed in Sydney over H1 2025, in line with expectations.
- **Greater China** markets have recorded more yield expansion so far this year, especially in the logistics sector. A combination of large supply and subdued sentiment, exacerbated by U.S. tariffs on Chinese goods including small-value parcels, is contributing to a stronger logistics yield decompression forecast for mainland China and Hong Kong SAR.
- In **Japan**, despite an interest rate hike earlier in the year and some likelihood of a further increase later this year, investor interest remains robust, with yield compression still expected for offices. Even Tokyo retail yields are now showing signs of tightening. Greater Tokyo logistics is the lone exception, with yields decompressing given the weakening rental outlook.
- **India** now expects more yield compression than what was forecasted at the start of the year. This is due to interest rates falling by more than anticipated as well as a large pool of capital chasing a limited supply of assets.
- The yield outlook in **Singapore** and **Korea** remains largely unchanged. Mild compression in these markets is still expected on the back of falling interest rates and healthy investor appetite.

Figure 3: Yield Change Forecast Between End-2024 and End-2025 (previous vs. current forecast)



Remarks: Retail refers to shopping centres for Singapore, India, major cities of mainland China and Auckland; high streets for Hong Kong SAR and Tokyo; regional centres for Australia. Singapore logistics yield refers to en-bloc assets with a 30-year leasehold.
Source: CBRE Research, July 2025.

03

Office

03

Office

Forecast Accuracy

Forecast made in January 2025

Mid-year review

01

FLIGHT TO QUALITY TO DRIVE DEMAND

Leasing activity is expected to register modest growth in 2025, with flight to quality demand remaining prominent. Occupiers' more selective approach will result in stronger demand for high-quality and ESG-compliant office buildings with a strong amenity offering. With availability remaining high in markets such as Greater China and Southeast Asia, occupier choice will improve.

After a strong start to the year, office leasing activity slowed in Q2 2025 as occupiers turned more cautious amid rising uncertainty stemming from global trade policies. Demand continued to be driven by flight to quality. While green buildings remain preferred, some occupiers have pushed back net-zero targets, reflecting shifting priorities and the need to balance cost and sustainability goals.
Alert: An upside revision to leasing demand is likely as occupier sentiment stabilises and tighter return-to-office mandates drive selective expansion, particularly in markets with stricter in-office policies.

02

RENTS EXPECTED TO SEE STEADY GROWTH

Most markets are forecasted to record steady rental growth in 2025. Despite slower upward momentum in Brisbane and Sydney, these two markets will continue to outstrip other cities in the region in terms of rental growth on the back of high demand for premium office space. Rents in Greater China will remain on a downward trend, ensuring this market stays in favour of tenants and prompting landlords to adopt a flexible stance towards lease negotiations.

Most markets recorded stable rental growth in H1 2025, in line with CBRE's initial forecast. While Greater China's rental decline remained consistent with predictions, landlords have turned more accommodative through lease restructuring and incentives. This has led to a further downward revision in full-year rental expectations. Sydney and Brisbane have lagged expectations, with subdued leasing activity leading to slower rental growth.
Alert: Rental growth in Tokyo and Mumbai has significantly exceeded expectations, driven by robust upgrading and expansionary demand and tight supply. Full-year rental growth for both markets is now projected to surpass 10%.

03

BIFURCATION BETWEEN THE BEST AND THE REST

The flight to quality trend will underpin demand for high-quality office space in prime core locations in 2025, with properties in non-core locations set to become less attractive. The difference in vacancy between office buildings in CBDs and decentralised locations across the region could vary from 100bps to up to 300bps. Landlords with high vacancy portfolios will need to offer attractive rents and other incentives to ensure their properties stay competitive.

Occupiers' preference for good-quality space has led to increasingly divergent leasing performance across asset types and locations. This trend is particularly evident in Australia, where prime CBD buildings have led rental growth, while non-prime and suburban assets—especially in Sydney—have experienced declines. Elsewhere, India has seen some demand spill over to certain non-core locations, supported by improving infrastructure. Specific occupiers in the region such as tech firms and startups are showing greater appetite for space in these locations.
Alert: Despite occupiers' overwhelming preference for prime core office space, the supply pipeline is concentrated in emerging and decentralised locations. This will intensify the bifurcating performance between the best and the rest of the office market.

Dashboard

03

Office

Key changes to forecasts

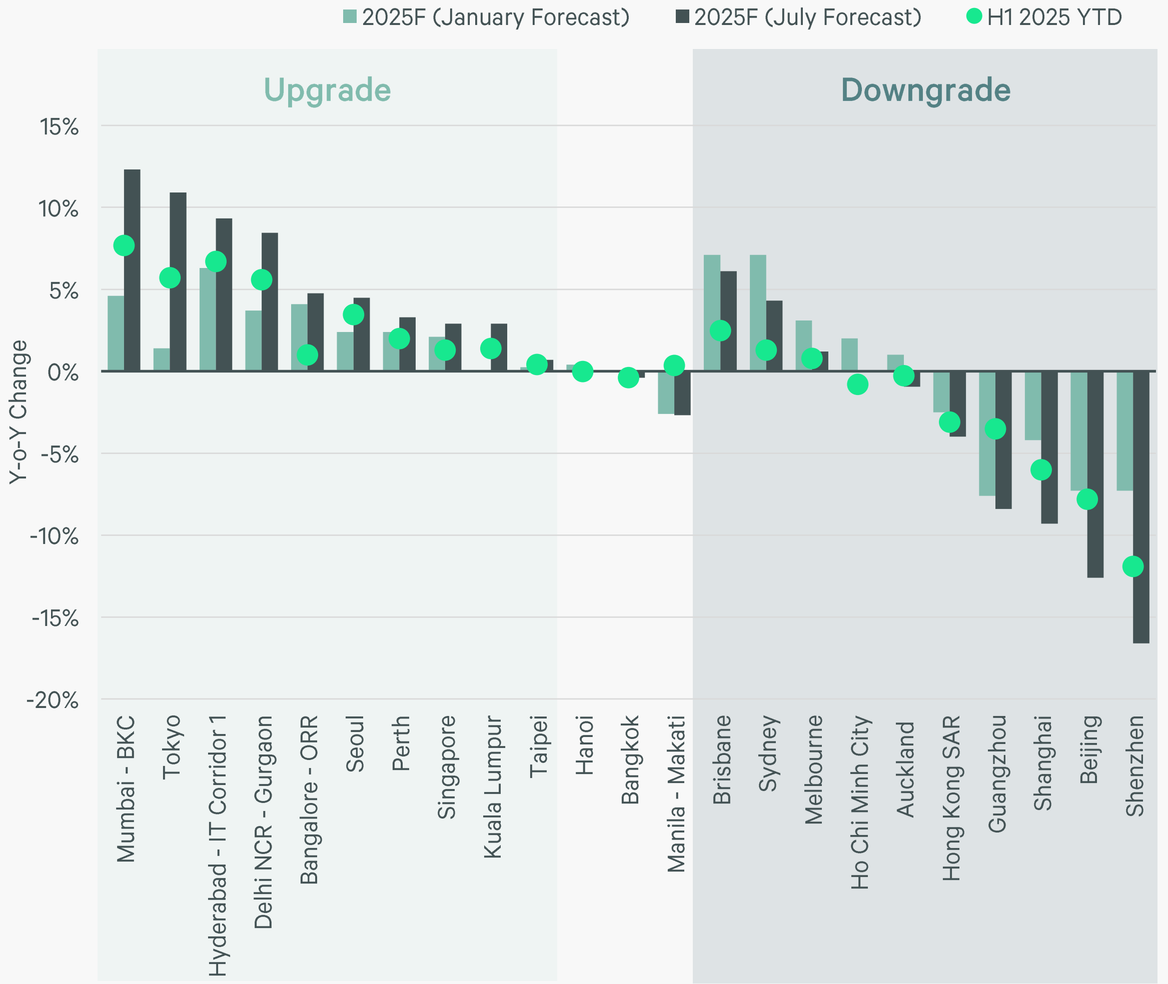
Upgraded

- Tokyo and Indian tier I cities are the current rental leaders owing to tighter availability of prime space and solid upgrading and expansionary demand.
- **Tokyo** will experience the largest upward rental revision, with growth projected to reach over 10% by year's end, the highest annual gain in the past decade. This is due to extremely limited existing space and a healthy pre-commitment rate of 60% in Grade A projects due in 2026.
- The combined impact of robust demand from outsourcing and domestic occupiers as well as limited prime office stock in **key submarkets of India's tier I cities** has led to strong rental growth. Despite high rents, **Mumbai BKC** is expected to outperform, with occupiers continuing to show expansionary interest.
- CBRE's modest upward revision in rental forecasts for **Seoul and Singapore** is largely driven by supply constraints, as both cities continue to maintain some of the lowest vacancy rates in the region.

Downgraded

- Rental growth has been revised down for most Pacific markets due to subdued leasing demand in H1 2025 amid slower economic growth. **Auckland** is expected to see a mild rental decline whereas growth momentum in Sydney, Brisbane and Melbourne has been further revised down. Supported by larger deals and continued flight-to-core demand in Australia, rental growth may regain momentum in H2 2025.
- Greater China markets will remain regional laggards, with further rental declines expected amid persistent supply pressure. **Shenzhen** landlords are highly accommodative, influenced by tariffs and tenant shifts to owner-occupied buildings. Rents in **Beijing** may yet bottom-out in 2027 thanks to an easing supply pipeline, while rents in Hong Kong SAR's core areas are stabilising amid relatively lower vacancy.

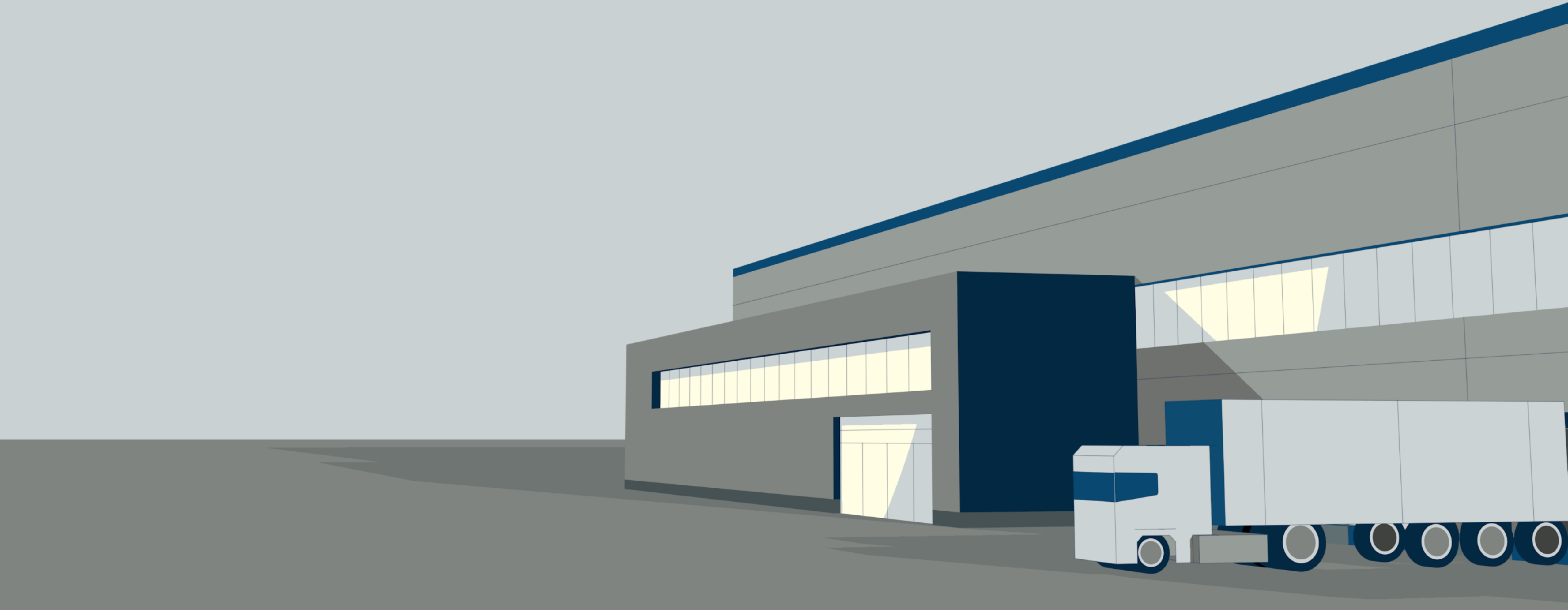
Figure 4: H1 2025 YTD and 2025F Asia Pacific Office Grade A Rental Forecast



Note: Grade A rents represent rents in CBDs and core locations of each representative market.
Source: CBRE Research, July 2025.

04

Logistics



04

Logistics

Forecast Accuracy

Forecast made in January 2025 / Mid-year review

01

LEASING DEMAND EXPECTED TO STABILISE

Expansionary sentiment among logistics occupiers will gradually improve in 2025, backed by a mild increase in requirements from manufacturers and e-commerce platforms. However, most occupiers will retain a cautious approach towards real estate portfolio planning amid high cumulative rental growth; a trend that will drive a preference for renewals and moves involving upgrading and/or consolidation. CBRE expects gross new leasing volume to be largely on par with that in 2024.

Mid-year review:

Global trade uncertainty weighed on occupiers' expansionary sentiment in April. However, most tenants in leased logistics facilities are engaged in businesses related to domestic consumption, including retail and on-shore e-commerce, rather than exports. In the medium-term, logistics occupiers in Asia Pacific still expect portfolio expansion.

Alert: Landlords' softer stance boosted regional leasing volume in the latter part of Q2 2025, especially in Singapore, Japan and Australia. India's logistics leasing market continued to excel, supported by e-commerce and 3PLs.

02

FLIGHT-TO-QUALITY ASSETS SET TO OUTPERFORM

Occupiers' overriding focus on operational efficiency will drive strong flight-to-quality demand this year, supporting leasing momentum for modern logistics facilities with excellent transport connectivity. Landlords of lower grade assets or properties in less attractive locations will find it more challenging to attract and retain tenants. Rental growth in Indian cities will outperform on the back of expansionary demand from 3PLs, e-commerce and manufacturing. Rents in Greater China will decline further owing to insufficient demand and ample availability.

Mid-year review:

Flight to quality drove leasing activity in H1 2025 as new supply provided occupiers with upgrading opportunities. Older assets in less desirable locations underperformed.

In Greater Seoul, dry and cold storage market performance continued to diverge, although overall vacancy declined. Vacancy in Greater Tokyo is projected to edge down in H2 2025. In mainland China, upcoming supply is uneven with easing stock in the north and east, but a rising pipeline in the south.

Alert: CBRE has downgraded its rental forecast in half of the markets, led by mainland Chinese cities which have been impacted by tariff-related disruption. An influx of new supply means rents in Shenzhen are now projected to decline, while the normalisation of demand in Australia means rental growth in Melbourne and Sydney will fall into negative territory.

03

DIVERGENCE IN LOGISTICS AND FACTORY DEMAND

Vacancy and rental performance in 2025 will be uneven across individual submarkets and asset types. While prime core modern logistics properties will be highly sought after in developed markets, manufacturing will be more popular in India and emerging Southeast Asia. Investors are advised to retain flexibility in development planning and lease negotiations in response to the rapidly changing demand supply landscape.

Mid-year review:

Aligning with CBRE's previous forecasts, increasing manufacturing capacity in India and Vietnam will support factory demand. These markets will benefit from the diversification of supply chains amid ongoing trade policy uncertainty.

Occupiers are favouring asset light strategies and leasing over build-to-suit to contain costs. In Vietnam, tenants are becoming more risk-adverse and increasingly opting to lease ready-built factories rather than investing in industrial land.

Alert: Vacancy in all mainland China markets will climb further and remain elevated in double digit territory until at least the end of 2026. Guangzhou and Shenzhen will see vacancy reach over 19% (vs 9% in H1 2025) and 12% (vs 8% in H1 2025), respectively, by the end of 2025 due to rising supply.

Dashboard

04
Logistics

Key changes to forecasts

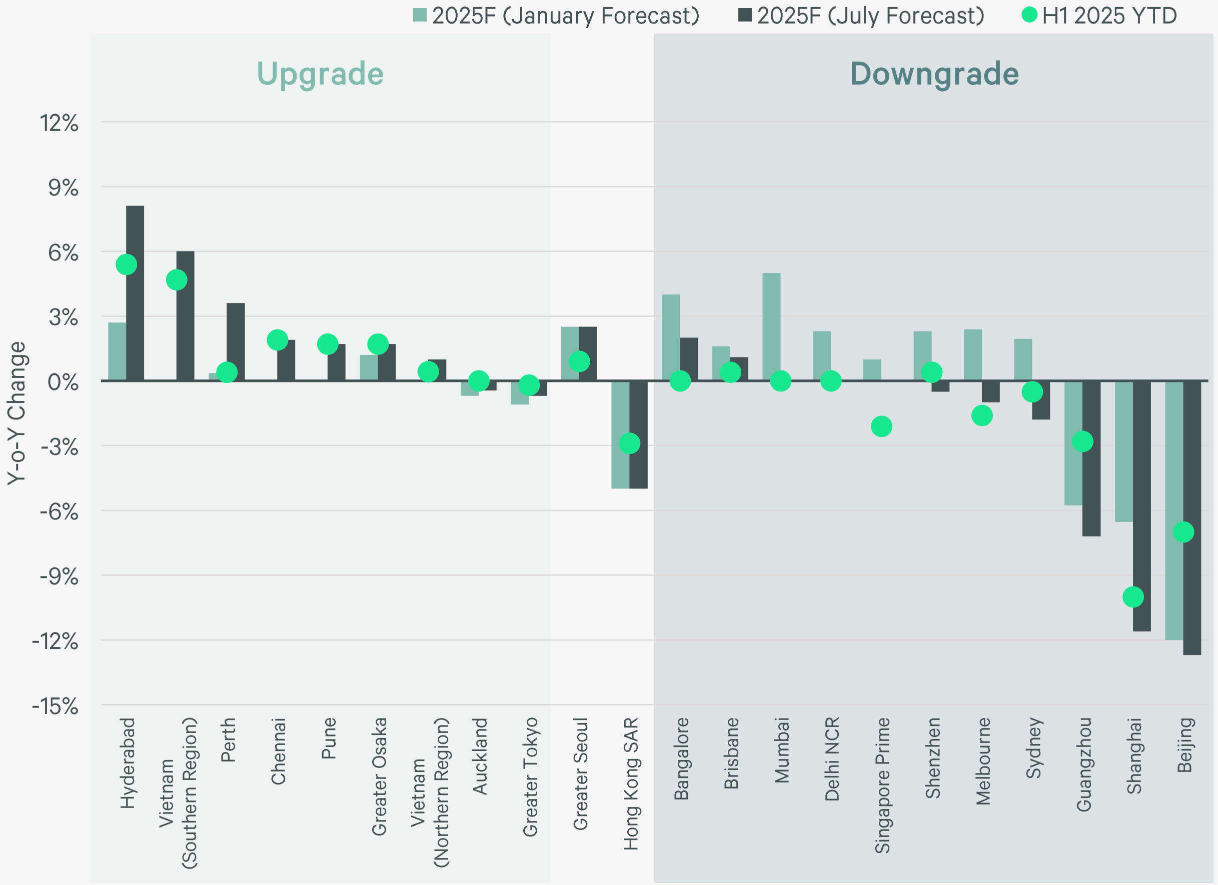
Upgraded

- Indian markets continue to thrive despite the challenging global logistics environment. Increasing demand from domestic e-commerce, rising land values, and new supply of investment-grade assets have pushed rents up and beyond previous expectations in **Hyderabad, Chennai and Pune.**
- Overall logistics rents increased in **Vietnam (Southern Region)**, with supply dipping as warehouses are converted to factories, leading to lower vacancy. In the **North**, logistics rents are expected to rise due to retail-driven demand for storage space.
- **Greater Tokyo** and **Greater Osaka** have been given milder rental upgrades as supply starts to ease in H2 2025, along with healthy absorption.
- The rental forecast for **Perth** has been upgraded, supported by strong pre-commitments and solid leasing activity expected for H2 2025.

Downgraded

- **Singapore** rents fell slightly in H1 2025, falling short of early expectations due to surging completions and falling rents in older assets. However, healthy pre-leasing in new premium supply could help offset this trend in H2 2025, with forecasts downgraded to flat in 2025.
- In Australia, rental forecasts outside of Perth have been adjusted downward. Leasing activity is expected to moderate as demand normalises in major markets. **Sydney** and **Melbourne** are experiencing rising availability, with supply remaining elevated throughout the year. **Brisbane**'s forecast has been adjusted down amid softer demand.
- Rental forecasts for **mainland China** markets have been downgraded due to trade volatility and subdued cross-border e-commerce demand. In South China, vacancy in both Shenzhen and Guangzhou is expected to exceed double digits by year's end due to combined supply of over 45 million sq. ft. expected for 2025-2026, more than 2.5x that of 2023-2024. Shanghai and Beijing have also been assigned further rental downgrades but the supply pipeline is set to ease in 2026.

Figure 5: H1 2025 YTD and 2025F Asia Pacific Logistics Rental Forecast



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.
Source: CBRE Research, July 2025.

05

Retail

05

Retail

Forecast Accuracy

Forecast made in January 2025

Mid-year review

01

CONSUMER SENTIMENT EXPECTED TO STRENGTHEN

Asia Pacific consumer sentiment is set to improve in 2025 on the back of the region's solid employment market, leading to stronger retail sales growth. The two-tier retail spending market, characterised by robust tourist expenditure but sluggish domestic consumption, will achieve a more equitable balance this year.

Mid-year review: Most markets saw consumer confidence weaken in H1 2025 as economic uncertainty weighed on domestic consumption, especially for discretionary items. Despite more subdued sentiment, several tailwinds supported regional retail sales growth. These included population growth and rate cuts in Australia, and solid tourist arrivals offsetting slower domestic consumption in Japan and Korea.
Alert: While government stimulus has supported mainland China retail sales, particular home appliances, sales performance in Shanghai and Beijing continues to lag due to subdued consumer sentiment.

02

GRADUAL UPTURN IN RENTS TO CONTINUE

Regional retail rents will continue their slow but steady recovery this year as retailers retain a cautiously optimistic attitude towards real estate planning. While luxury groups and retailers of big-ticket items will be less aggressive in taking up new space, fashion and sports retailers are expected to turn more active.

Mid-year review: Regional rents witnessed mild growth over H1 2025, a trend expected to continue in the back half of the year as retailers turn more conservative towards expansion amid global trade uncertainty. Demand from fashion and sports brands was solid, with mainland Chinese F&B brands also expanding. In contrast, luxury brands were seen consolidating non-performing stores and focusing more on experiential space.
Alert: Vietnam's CBDs recorded the strongest rental growth in the region in 2024 but have lost momentum this year. However, growth will accelerate when new supply is completed.

03

PRIME CORE ASSETS WILL CONTINUE TO OUTPERFORM

CBRE's December 2024 Asia Pacific Leasing Sentiment Index revealed that 70% of retailers intend to seek space in prime core retail assets this year; a trend that points to continued demand at the top end of the market. In contrast, absorption of vacant secondary space will remain slow amid limited retailer interest. Rental performance among prime and secondary properties will continue to diverge.

Mid-year review: Retailers' strong preference for prime core assets led to tighter core vacancy in H1 2025. However, performance outside prime areas has been bifurcated. In Tokyo, a wide range of retailers are displaying an interest in space outside prime districts, while in India and Vietnam, local fashion and online retailers are eyeing new openings in decentralised areas.
Alert: The high cost of running retail businesses in expensive cities such as Singapore and Hong Kong SAR has been reflected by a recent wave of closures by retail and F&B chains.

04

MAINLAND CHINA SET TO REMAIN REGIONAL LAGGARD

Despite upcoming government stimulus supporting a rebound in retail spending in mainland China, retailers, especially international brands, will retain a risk-averse approach and consolidate store networks. This will ensure rents in this market continue to decline, albeit at a slower pace. Vietnam's CBDs will lead retail rental growth for a fourth consecutive year despite slower upward momentum.

Mid-year review: Rental performance in mainland China continues to lag other markets in the region. Despite steady demand from F&B, lifestyle, and experiential related trades, most leasing transactions were driven by low rents and landlord incentives. India tier I markets, especially Mumbai, led rental growth across Asia Pacific in the first half of the year, supported by strong leasing demand from local retailers.
Alert: Mainland China will remain in the downward rental cycle for longer as new supply remains substantial and landlords prioritise occupancy over rents.

Dashboard

05
Retail

Key changes to forecasts

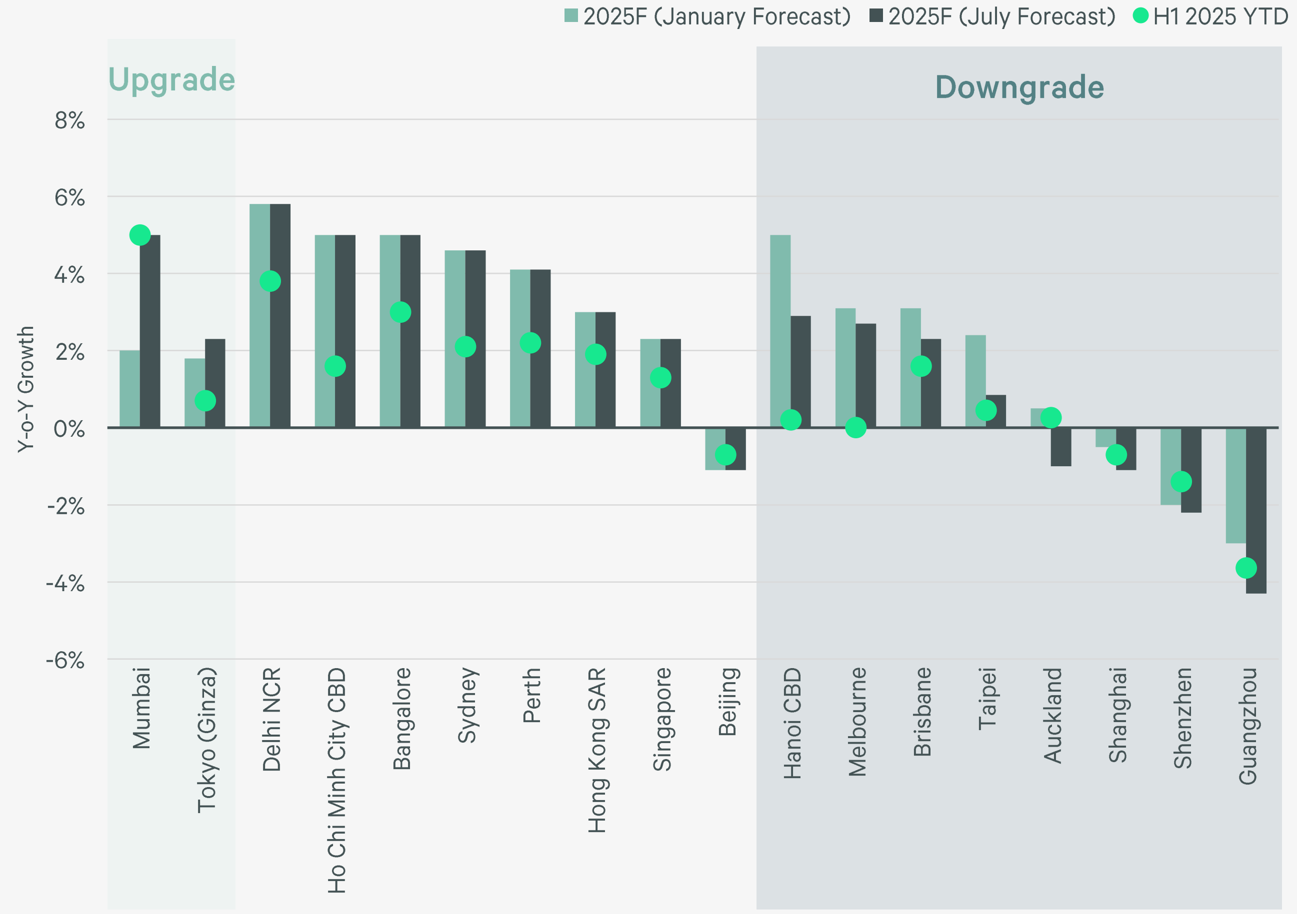
Upgraded

- **Mumbai**'s stronger than expected rental growth was driven by selected premium shopping centres coupled with expansionary demand from local fashion brands and online retailers. Growth is expected to stabilise in the second half of 2025 as landlords remain concerned about retailers' capacity to afford high rents.
- **Tokyo Ginza** saw mild growth in H1 2025 from the high base achieved in 2024. Rents are expected to register further gains due to competitive bidding for limited space. Outside Ginza, major tourist submarkets such as Shibuya and Omotesando/Harajuku have seen strong growth, with rents exceeding pre-pandemic levels.

Downgraded

- Limited supply and a growing population continue to underpin rental growth in Australian regional centres. However, **Melbourne** and **Brisbane** are expecting milder full year growth after weaker H1 2025 performance.
- Rental growth in the **Hanoi CBD** paused in the first half after achieving gains of 15% in 2024. However, further growth is expected in the near term when large scale new supply with higher asking rents enters the market.
- **Taipei** rental growth is forecasted to be limited as leasing demand is confined to tourist areas and locals prefer spending abroad.
- **Auckland** regional shopping centres are likely to see rental growth turn negative in the second half as weak domestic consumption and elevated unemployment weigh on performance.
- Rents in **mainland China** tier I markets will stay under pressure as landlords pursue tenant mix adjustments and new supply is completed.

Figure 6: H1 2025 YTD and 2025F Asia Pacific Retail Rental Forecast

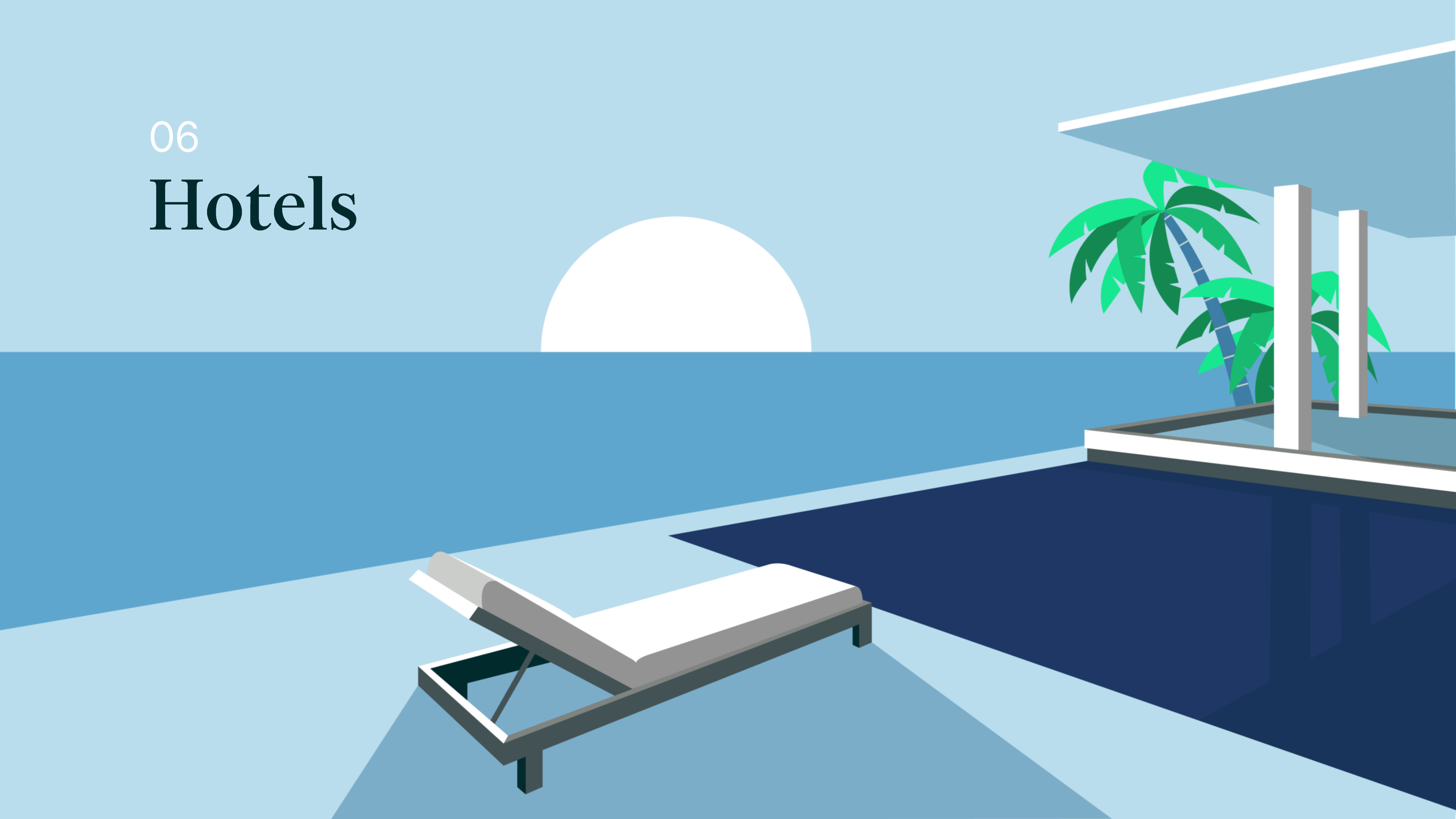


Remarks: Retail rental growth refers to high streets in prime areas except mainland China, Singapore and Australia where G/F rents of shopping centres are reported. The Pacific reports net effective rents of regional centres unless specified.

Source: CBRE Research, July 2025.

06

Hotels



06

Hotels

Forecast Accuracy

Forecast made in January 2025

Mid-year review

01

INTERNATIONAL TRAVEL CONTINUES TO RECOVER

Most markets in Asia Pacific witnessed an improvement in inbound tourism in 2024, with total international arrivals in the region reaching 92% as of the latest available data, representing growth of 30% y-o-y. International visitor arrivals are expected to fully recover in 2025, with Pacific Asia Travel Association (PATA) forecasting full year numbers of 700 million, which is 2.6% above 2019 levels.

Mid-year review: While international tourism in Asia Pacific has been influenced by a number of global events, including geopolitics, economic uncertainty, and currency volatility, May 2025 y-t-d arrivals across Asia Pacific (excluding mainland China) were up 9% y-o-y. Much of this growth is concentrated in Japan, Vietnam and Korea. PATA has slightly dialled back its annual forecast, with expected full year numbers for Asia Pacific projected to reach 692 million in 2025.

Alert: Thailand has seen arrivals drop, particularly from mainland China, due to safety concerns.

02

DAILY RATES MODERATE; OCCUPANCY DRIVES REVENUE

While international tourism continued to recover, declining levels of inflation saw average daily rate growth moderate in 2024; a trend expected to continue in 2025. Occupancy recovered further last year but most markets are still trailing historic levels. The recovery of occupancy will continue into 2025, led by markets with weaker currencies such as Japan, Korea and Thailand.

Mid-year review: While the rate of growth has slowed, ADRs have continued to rise in most markets on a local currency basis. Occupancy has also shown continued growth so far this year, with various markets employing different pricing and operational strategies in order to boost performance.

Alert: From a Revenue Per Available Room (RevPAR) perspective, Japan, Korea, Vietnam and India are poised to have the strongest growth for full year 2025.

03

MAINLAND CHINA YET TO STAGE FULL TOURISM RECOVERY

Except for visitors to Hong Kong SAR and Singapore, outbound travel from mainland China continues to lag pre-pandemic highs due to weaker domestic demand. Arrivals from mainland China accounted for 22% of total tourist arrivals in Asia Pacific as of the latest available data in 2024, well below 2019's 30%. Travellers from mainland China are more cost conscious due to current domestic economic headwinds, prompting them to shift focus to more short-haul and emerging destinations within the region. Markets with visa-free policies such as Singapore and Japan will be preferred by mainland Chinese tourists in 2025.

Mid-year review: Mainland Chinese outbound travel continues to be impacted by a preference for domestic travel. Q1 2025 domestic trips in mainland China were measured to be 1.79 billion (+26.4% y-o-y), with domestic tourism revenue up 18.6% in the same period. While arrivals from this market to Asia Pacific were up 13% y-o-y as of May 2025 y-t-d, they lag the same period of 2019 by 31%. Japan remains a hotspot for mainland Chinese travellers, with arrivals up 63% compared to last year. Affordable destinations such as Vietnam (+47%), Malaysia (+26%) and short haul destinations such as Hong Kong SAR (+10%) and Korea (+8.2%) are also benefitting from increased outbound travel. With spending power among mainland Chinese travellers somewhat limited, the recovery in visitors from this key source market will remain gradual in 2025 and 2026.

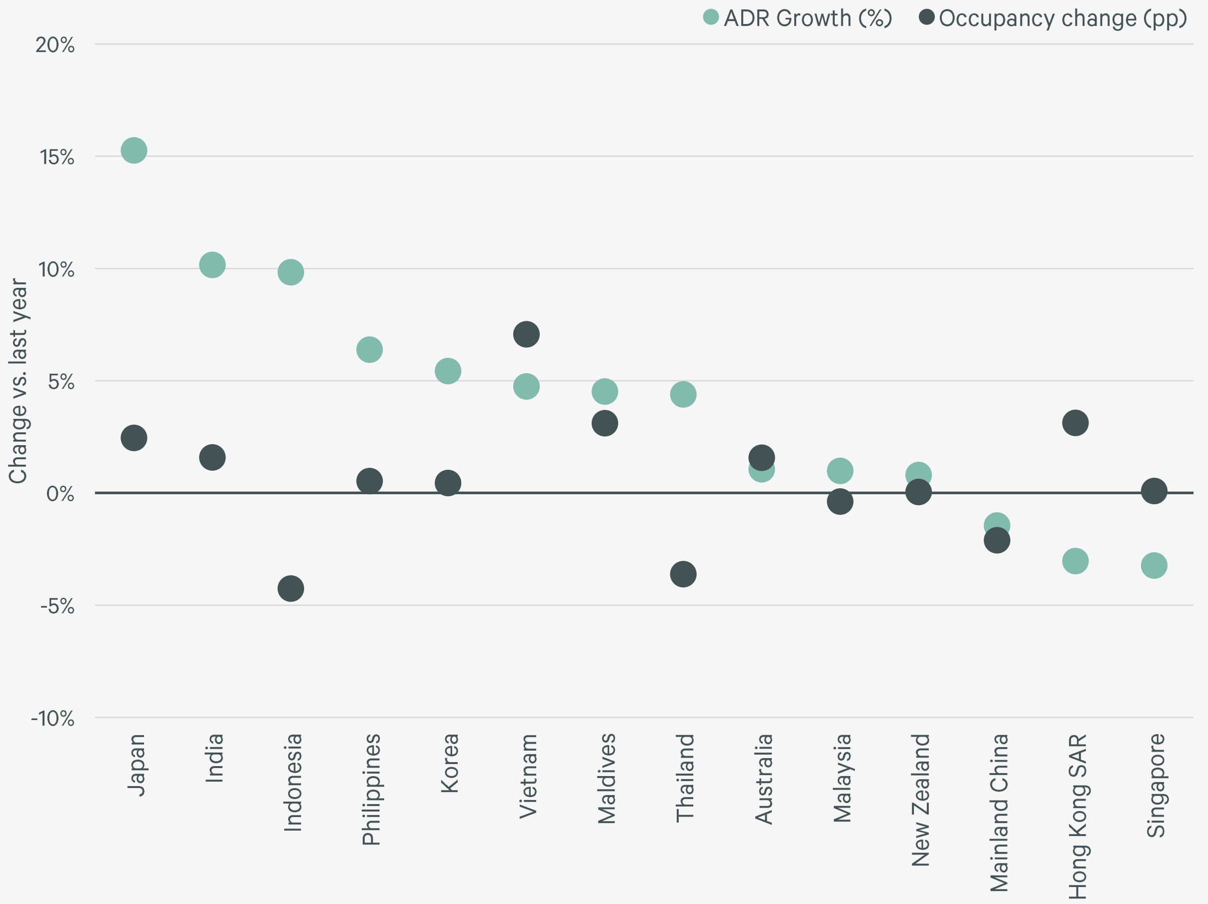
Alert: While overall spending is down, mainland Chinese travellers have changed their spending habits. Spending has shifted from luxury items/goods to experiences such as food and sightseeing.

06
Hotels

ADRs continue to improve; occupancy increases modestly

- While the rate of increase has slowed, ADRs continued to grow positively in most markets in H1 2025 on a local currency basis. This is highlighted by strong performance in **Japan** (+16.9% y-o-y) , where tourism inflows continue to set record highs with the Japanese Yen relatively weak compared to historic levels.
- **Korea** remains upbeat, with ADRs up 6.3% y-o-y as continued tourism growth supports hotel performance.
- Strong levels of supply in the back half of 2024 led **Singapore** ADRs to drop slightly y-o-y as new stock was absorbed. Occupancy has seen modest growth, with hotel general managers focusing on length of stay and limiting cost expenditures.
- After logging strong growth from 2022 to 2024, **Australia** has seen hotel performance stabilise as domestic demand normalises.
- Limited inbound tourist demand and weak domestic consumption have seen ADRs stagnate in **mainland China**, with occupancy levels dropping y-o-y. International hotel brands nevertheless continue to expand in this market. While ADRs have been flat in **Hong Kong SAR**, occupancy continues to grow, with general managers focusing on filling rooms rather than driving up rates.
- Fortunes have varied in **Southeast Asia** so far in 2025, with Vietnam's hotel performance improving on the back of strong tourism arrivals. While rates have increased in Indonesia, this is in response to falling occupancy levels, particularly in Bali. After a solid 2024, Thailand has seen performance slip as mainland Chinese cancel bookings due to safety concerns.

Figure 7: ADR Growth & Occupancy Change (% difference) – H1 2025 y-t-d vs. H1 2024 y-t-d



Source: CoStar, CBRE Research, July 2025.

Research Contacts

Regional Research

Ada Choi, CFA
Head of Research, Asia Pacific
ada.choi@cbre.com

Hiroshi Okubo
Head of Investor Thought Leadership, Asia Pacific
hiroshi.okubo@cbre.com

Cynthia Chan
Senior Director, Asia Pacific
cynthia.chan@cbre.com

Jonathan Hills
Senior Director, Asia Pacific
jonathan.hills@cbre.com

Liz Hung
Senior Director, Asia Pacific
liz.hung@cbre.com

Ted Lu
Associate Director
ted.lu@cbre.com

Gus McConnell
Associate Director
gus.mcconnell@cbre.com

Anthony Wong
Associate Director
anthony.wong1@cbre.com

Eric Chan
Associate Director
eric.chan3@cbre.com

Dennis Ho
Manager
dennis.ho@cbre.com

Sean Liu
Analyst
sean.liu@cbre.com

Local Heads of Research

Marcos Chan
Head of Research, Hong Kong
marcos.chan@cbre.com

Claire Choi
Head of Research, Korea
claire.choi@cbre.com

Sameer Chopra
Head of Research, Pacific
Head of ESG Research, Asia Pacific
sameer.chopra@cbre.com

Dung Thuy Duong
Head of Research, Vietnam
dung.duong@cbre.com

Matthew Green
Head of Research,
Middle East & North Africa
matthew.green@cbre.com

Chinatsu Hani
Head of Research, Japan
chinatsu.hani@cbre.com

Abhinav Joshi
Head of Research, India,
Middle East & North Africa
abhinav.joshi@cbre.co.in

Ping Lee
Head of Research, Taiwan
ping.lee@cbre.com

Zoltan Moricz
Head of Research, New Zealand
zoltan.moricz@cbre.co.nz

Tricia Song
Head of Research,
Singapore and Southeast Asia
tricia.song@cbre.com

Chotika Tungsirisurp
Head of Research, Thailand
chotika.tungsirisurp@cbre.com

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

Samantha Marie Laureola
Philippines Research

Kinkesa Kim
Cambodia Research

Mary Kurien
Malaysia Research

Anton Sitorus
Indonesia Research

CBRE

Business Contacts

Leasing

Tom Gaffney
Head of Leasing, Asia Pacific
tom.gaffney@cbre.com

Rohini Saluja
Head of Consulting & Integrated Client Solutions, Asia Pacific
rohini.saluja@cbre.com

Vivek Kaul
Head of Retail Leasing, Asia
vivek.kaul@cbre.com

Michael Bowens
Head of Industrial & Logistics Leasing, Asia Pacific
michael.bowens@cbre.com

Richard Stevenson
Head of Office Leasing, Asia Pacific
richard.stevenson@cbre.com

Sidharth Dhawan
Head of Alternatives, Asia Pacific
sidharth.dhawan@cbre.com

Sheree Griff
Head of Retail Property Management & Leasing, Pacific
sheree.griff@cbre.com

Hugh Hamilton
Head of Occupier Accounts, Asia Pacific
hugh.hamilton@cbre.com.sg

Capital Markets

Greg Hyland
Head of Capital Markets, Asia Pacific
greg.hyland@cbre.com

Hugh Macdonald
Head of Capital Advisors, Capital Markets, Asia Pacific
hughs.macdonald@cbre.com

Crystal Palar
Executive Managing Director, Capital Markets, Asia Pacific
crystal.palar@cbre.com

Callum Young
Executive Director
Capital Markets, Asia Pacific
callumg.young@cbre.com

Hotels & Hospitality

Steve Carroll
Head of Hotels & Hospitality Capital Markets, Asia Pacific
steve.carroll@cbre.com

Ananth Ramchandran
Head of Advisory & Strategic Transations
Hotels & Hospitality, Asia
ananth.ramchandran@cbre.com

Chris Ely
Head of Asset Management
Hotels & Hospitality, Asia
chris.ely@cbre.com

CBRE