Intelligent Investment

2026
Asia Pacific Real Estate Market Outlook Mid-Year Review

REPORT

ASIA PACIFIC
REAL ESTATE

CBRE RESEARCH
AUGUST 2026

Executive Summary

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- Full-year Asia Pacific **economic growth** has been revised upward from 3.9% to 4.3% on the back of robust demand for AI-related products and semiconductors. Australia's GDP growth forecast has been downgraded, however, largely due to rising interest rates. While the interest rate cutting cycle had been predicted to come to an end, several markets, including Australia, Korea, and India, swiftly moved into a rate hike cycle in H1 2026 and may see one further rate hike in H2 2026.
- Commercial real estate **investment** rose by 27% y-o-y in H1 2026 despite rising interest rates and sustained geopolitical uncertainty. Transaction momentum is expected to moderate in H2 2026, however, as investors focus on markets with strong rental growth prospects, such as Tokyo, Sydney, and Brisbane. Yield expansion is therefore now anticipated across most major sectors in Australia and Hong Kong SAR, as well as for Greater Seoul logistics. In contrast, Singapore's outlook has been upgraded, supported by stronger capital market conditions and sustained investor demand.
- The **office** sector has witnessed tight supply conditions across major gateway markets and core locations combined with persistent flight-to-quality demand; a trend expected to continue into H2 2026. While most mature markets recorded stronger-than-expected rental growth in the first six months of the year, leading to upward revisions to full-year forecasts, growth momentum is expected to moderate in the back-half. Tokyo will once again outperform, delivering another year of double-digit rental growth, while the recovery in Hong Kong SAR has exceeded expectations thanks to renewed demand from the financial sector. The rental decline in Shanghai's core districts is expected to stabilise as new supply tightens.
- While the **logistics** sector remained resilient in H1 2026, there continued to be a performance gap between prime and secondary assets. Occupier demand is expected to remain focused on modern, well-located facilities, particularly in supply-laden markets such as mainland China, Australia, and India. A shrinking pipeline from 2027 is set to lend further support to regional rents. Greater Tokyo's rental growth outlook has been upgraded, supported by broad-based domestic demand. The outlook for India and Australia is mixed, with softer expansion demand in the former and ongoing supply-side pressure in the latter. The rental outlook for mainland China and Hong Kong SAR has been downgraded amid elevated vacancy and more cautious occupier sentiment.
- In the **retail** sector, limited new supply and strong demand for prime space ensured most markets recorded rental growth in H1 2026. This momentum is expected to continue into H2 2026, driven by new-to-market Asian brands and experiential concepts. Tokyo Ginza's rental outlook has been upgraded amid tight availability and strong demand. In India's core markets, rents continue to grow but at a mild pace given a slowdown in high-quality supply, while uneven labour market conditions will weigh on rental growth in Australia. Hong Kong SAR's and Taiwan's rental outlook has been downgraded due to softer non-core leasing demand and pressure on retailer profitability.
- ADR growth propelled Asia Pacific **hotel** performance in the first six months of the year, pushing up RevPAR y-o-y. However, occupancy remains uneven due to lower flight capacity and higher fuel costs. Vietnam and Korea outperformed in H1 2026 on the back of strong visitor arrivals, while the Maldives lagged amid Middle East aviation route disruption. Events and concerts are set to play an increasingly important role in driving the regional hotel market as they help to generate performance spikes and create demand during the low season. ADRs are expected to remain on an upward trend due to a constrained pipeline resulting from rising construction costs. Further occupancy growth will depend on a sustained recovery in visitor arrivals.

Table 1: Changes to 2026 Outlook

	Yield	Office Rent	Logistics Rent	Retail Rent
Japan	Mixed	Upgraded	Upgraded	Upgraded
Korea	Downgraded	Upgraded	Unchanged	NA
Mainland China Tier I markets	Mixed	Downgraded	Downgraded	Mixed
Hong Kong SAR	Downgraded	Upgraded	Downgraded	Downgraded
Taiwan	Downgraded	Upgraded	NA	Downgraded
Singapore	Upgraded	Unchanged	Unchanged	Unchanged
India	Mixed	Upgraded	Mixed	Mixed
Australia	Downgraded	Upgraded	Mixed	Mixed
New Zealand	Downgraded	Downgraded	Downgraded	Downgraded

01
Economy

01

Economy

Forecast Accuracy

Forecast made in January 2026 / Mid-year review

01

PREPARE FOR SLOWER ECONOMIC GROWTH

Asia Pacific can expect slower GDP growth in 2026 after a year of 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.

Mid-year review: Asia Pacific GDP growth is on track to reach 4.3% in 2026, slower than the previous year but higher than original forecasts. Supply chain disruption caused by the Middle East conflict has failed to dent regional economic growth, which remains resilient thanks to strong exports of AI-related products. Tech-oriented economies such as Taiwan and Korea have recorded phenomenal export growth, helping boost their GDP despite slower domestic consumption. Australia is among the major markets where GDP has been downgraded, largely because of rising interest rates.

Surprise: Exports from January-June 2026 grew 48% and 47% y-o-y in Korea and Taiwan, respectively, driven by robust demand for AI-related products.

02

MAKE READY FOR THE END OF THE INTEREST RATE CUT CYCLE

With interest rates in most 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.

Mid-year review: Central banks in Asia Pacific halted the rate cutting cycle in H1 2026, with several even starting a new upward cycle amid inflationary pressure resulting from supply-chain disruption. These included the Reserve Bank of Australia (RBA), which has hiked rates three times for a total of 75bps so far this year. The Bank of Korea (BoK) has increased rates once, with a second hike possible in H2 2026.

Surprise: Despite the Monetary Authority of Singapore's (MAS) policy tightening, Singapore's three-month compound SORA remains below end-2025 levels.

03

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.

Mid-year review: The AI boom continues to support Asia Pacific GDP growth. Aside from Taiwan and Korea, Southeast Asian markets such as Singapore, Vietnam and Malaysia registered solid export growth of over 20% y-o-y in H1 2026, driven by global AI investment and semiconductor demand.

Surprise: Despite U.S. restrictions, mainland China's substantial investment in AI is propping up its economy. The country's semiconductor exports soared 96% y-o-y in H1 2026.

04

MONITOR NEW POLICIES AND URBAN PLANNING SCHEMES

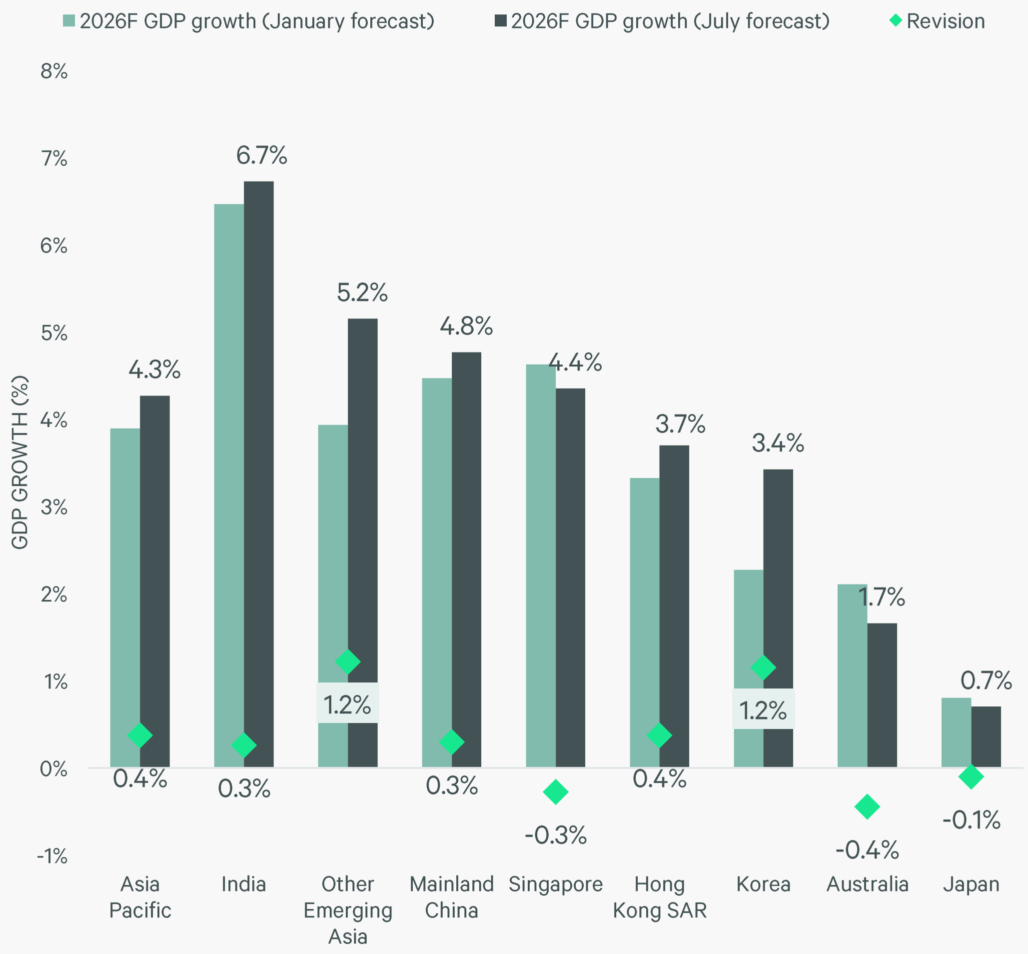
With 2026 marking the start of mainland China's latest five-year plan, the central government will unveil a series of new policies to support growth. In India, regulatory changes to enable Small and Medium REITs will provide investors with a new channel to allocate capital. Progress will continue on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

Mid-year review: Mainland China's 15th Five-Year Plan will boost spending on AI, expand domestic consumption, and open certain sectors to foreign investment. Reinvestment obligations for C-REIT sponsors have been removed. Hong Kong SAR has expanded tax exemptions to cover hedge funds, private credit, virtual assets, and real estate funds, while offering 0% tax on performance fees in the hope of luring financial services firms.

Surprise: Australia announced its 2026-27 Federal Budget in May 2026, introducing several tighter measures for property investors such as a new minimum 30% capital gains tax (for all types of real estate) and stricter limits on negative gearing benefits (for established residential dwellings only).

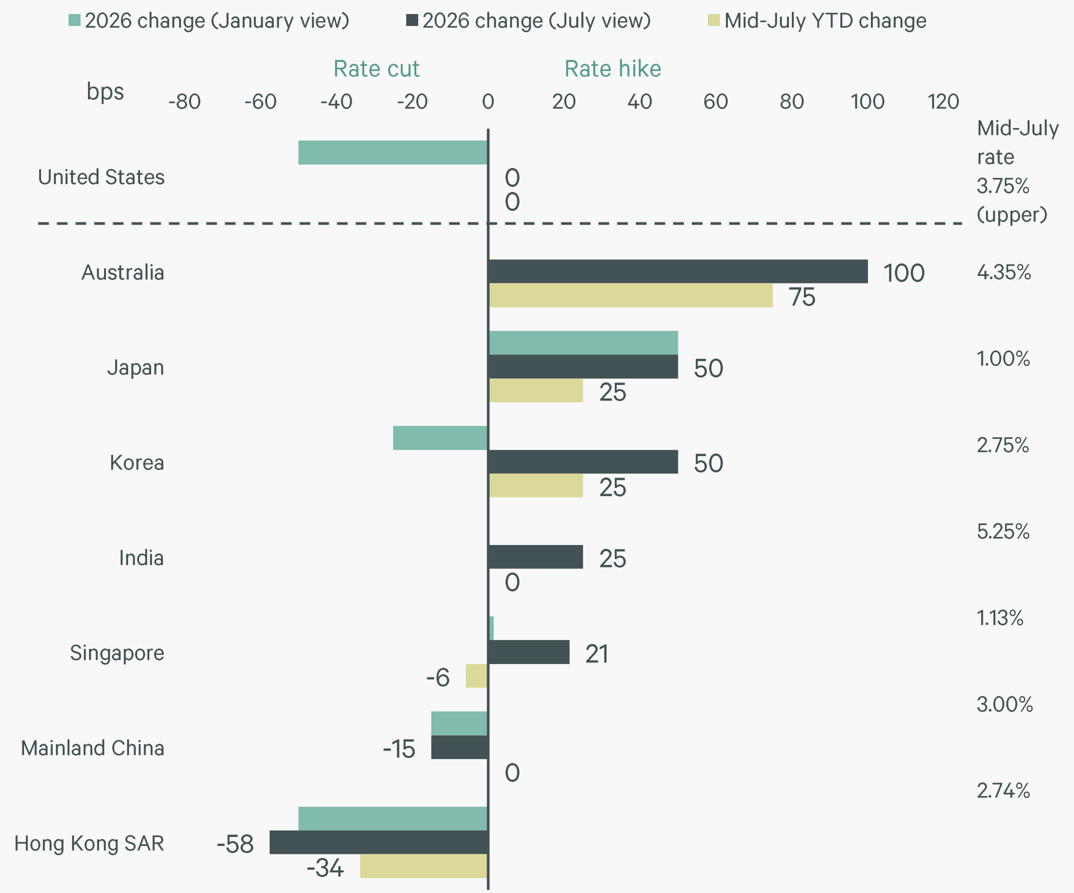
01
Economy

Figure 1: 2026 GDP Growth Forecast Revisions (January vs July forecasts)



Source: CBRE House View, August 2026.

Figure 2: Interest Rate Outlook – Central Banks Tilt Hawkish



Source: CBRE House View, Macrobond, Oxford Economics, July 2026.
Note: Interest rates for Hong Kong SAR and Singapore refer to key market rates 1M HIBOR and 3M compounded SORA, respectively. The interest rate for mainland China refers to the 1Y Loan Prime Rate (LPR).

02

Capital Markets

02

Capital Markets

Forecast Accuracy

Forecast made in January 2026

Mid-year review

01

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.

Mid-year review: Office investment was robust in H1 2026, with volumes up 29% y-o-y on the back of strong activity in Singapore, Australia and Hong Kong SAR. Most other sectors and markets recorded growth in investment volume during the period, pushing up total investment volume by 27% y-o-y. Japan and Korea were the only laggards after coming off high volumes in 2025.

Surprise: Despite the RBA implementing three separate interest rate hikes totalling 75bps so far this year, investors have ramped up activity in Australia, where volumes in H1 2026 increased by an impressive 31% y-o-y.

02

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.

Mid-year review: Aside from a few exceptions, most notably Singapore, most markets in Asia Pacific witnessed limited to no yield compression in H1 2026 on the back of inflationary pressures and the return of the upward interest rate cycle. Several markets including Sydney and Brisbane now anticipate yield expansion in H2 2026. CBRE therefore expects investors to focus on the strong rental growth in cities such as Tokyo, Sydney and Brisbane as a key driver of returns. In Greater China, Shenzhen's logistics yields are forecasted to continue to expand in 2026.

Surprise: Even as interest rates rise, Tokyo's logistics and retail yields are showing compression signals on the back of rental growth for logistics facilities in Tokyo Bay and strong investor interest for prime retail assets in Ginza.

03

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.

Mid-year review: Data centre investment volume (existing assets only) reached US$4.3 billion in H1 2026 as investors retained a strong appetite for this thriving asset class. This figure included the US$2.4 billion acquisition of a data centre entity in mainland China. MSCI Real Assets data show land acquisition for development into new data centres contributed another US$1.5 billion to data centre investment volume in the first six months of 2026, with Malaysia and India the preferred markets.

Alert: PERE data indicate new private equity real estate funds focused exclusively on data centres in Asia Pacific launched since 2025 are cumulatively targeting to raise a total of US$3.5 billion.

02
Capital Markets

Key changes to forecasts

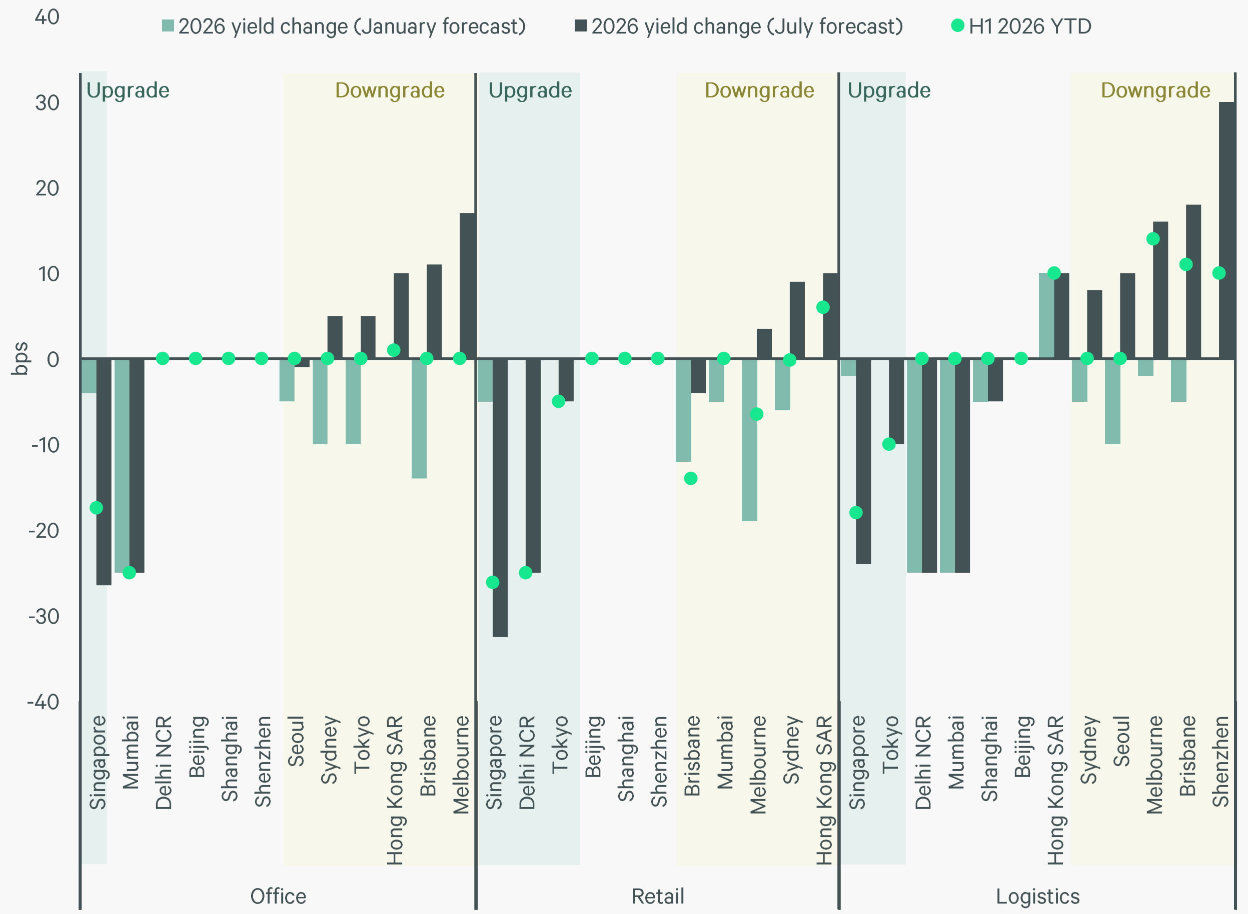
Upgraded

- Against the backdrop of persistently low interest rates, yields in **Singapore** are facing downward pressure after a flurry of large deals completed in H1 2026. A strong pipeline of activity in H2 2026 including several sizable assets should further compress yields over the remainder of 2026.
- Yields for **Tokyo** retail and logistics assets showed signs of compressing in H1 2026. Yield tightening in the retail sector was driven by strong demand from investors including family offices seeking prime retail assets in Ginza amid supply scarcity. Expectations of strong rental growth in prime industrial locations including the Tokyo Bay Area have helped push down logistics yields.

Downgraded

- Most major markets and sectors in **Australia** now expect yield expansion over the remainder of the year. This comes after the RBA hiked rates three times by a total of 75bps so far this year, with a fourth hike possible in H2 2026. The subsequent increase in bond yields may put upward pressure on property yields, especially for assets in secondary locations.
- In contrast to the retail and logistics sectors, office assets in **Tokyo** are forecasted to see some yield decompression in H2 2026 due to the ongoing rising interest rate cycle. Office yield expansion will vary by location, however, with core CBD assets likely to experience milder softening.
- In **Hong Kong SAR**, yield expansion is being driven by a combination of a faster than expected recovery in rental growth and weak institutional investor interest, resulting in sluggish movement in capital values.
- Against the backdrop of rising interest rates in Korea, logistics yields, especially those for cold storage, are forecasted to soften in **Greater Seoul** as investors seek discounted pricing for facilities suitable for conversion to dry assets.

Figure 3: Yield Change Forecast Between End-2025 and End-2026 (January vs July forecasts)



Remarks: Retail refers to shopping centres for Singapore, India and mainland China; high streets for Hong Kong SAR and Tokyo; and regional centres for Australia. Singapore logistics yield refers to en-bloc assets with a 30-year leasehold.
Source: CBRE Research, July 2026.

03

Office

03

Office

Forecast Accuracy

Forecast made in January 2026 / Mid-year review

01

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.

Mid-year review: While leasing sentiment remained resilient in H1 2026 despite the ongoing Middle East conflict, pockets of low vacancy in mature markets constrained leasing volume. Demand continued to be driven by flight-to-core and a shift to premium offices to support talent attraction and enhance workplace experience, especially in Tokyo, Hong Kong SAR and Sydney.

Surprises: The Middle East conflict initially prompted some Southeast Asian markets to float partial work-from-home polices to save energy but office attendance is now returning to normal.

02

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.

Mid-year review: New Grade A new supply in mature markets fell 38% y-o-y in H1 2026, with supply set to tighten further in H2 2026. Australia's pipeline remains thin due to regeneration-led demolition and high construction costs. Supply in Singapore will be muted until 2028, while Tokyo vacancy is nearing record lows with H2 2026 supply 90% pre-committed. Hong Kong SAR vacancy also fell as supply halved.

Alert: Most markets' completion timelines remain on schedule despite this year's elevated supply. Tight availability will not improve in the medium term as construction costs rise due to the Middle East conflict. This will continue to ensure developers stay cautious toward starting new projects.

03

PURSUE ASSET ENHANCEMENT AMID HEIGHTENED COMPETITION

With occupiers continuing to display a preference for well managed buildings featuring a strong amenity offering, property owners must focus on asset enhancement initiatives through experience-led design and digital enhancements to remain competitive.

Mid-year review: The widening performance gap between prime and secondary office assets has highlighted the importance of asset enhancement. Many secondary and ageing assets require urgent upgrades as occupier demand increasingly turns toward premium and amenity-rich buildings.

Surprises: Rising construction costs are discouraging landlords of older buildings to undertake asset enhancement. However, some mainland Chinese state-owned enterprises are refurbishing their offices, supported by government policies promoting the regeneration and redevelopment of ageing buildings.

04

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.

Mid-year review: The onset of the Middle East conflict along with accelerating AI adoption had only a limited impact on office leasing in H1 2026. The period saw India's office absorption reach a record high on the back of strong demand from Global Capability Centres (GCCs), while Singapore and mainland China benefitted from substantial requirements from AI-related firms upgrading to higher quality and well-located offices.

Surprises: Tokyo and Mumbai are forecasted to record another year of double-digit rental growth, with Brisbane and Sydney also leading regional gains. Hong Kong SAR's rental recovery has outperformed expectations thanks to strong CBD demand from financial occupiers, while the rental decline in Shanghai's core areas is beginning to stabilise.

03
Office

Key changes to forecasts

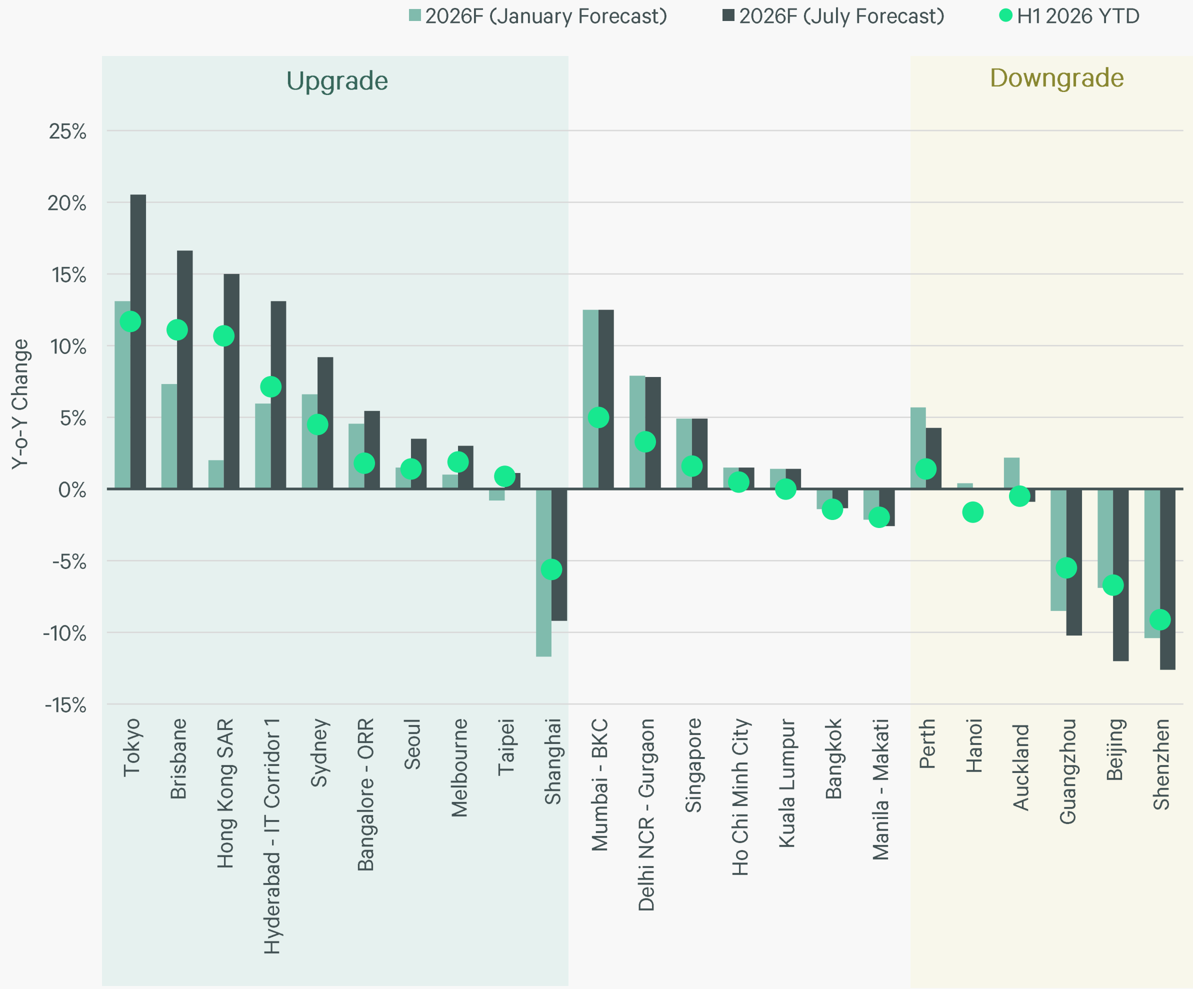
Upgraded

- In addition to traditional leaders such as Tokyo and Indian tier I cities, rental growth forecasts for Hong Kong SAR and Australia have been upgraded.
- **Tokyo** is projected to register full-year rental growth of 20%, its highest in a decade. Limited availability and a robust pre-commitment rate of over 90% in H2 2026 supply mean landlords have the confidence to hike rents further.
- Among **India's major markets**, flight to quality and a strong talent pool are driving up rents in **Hyderabad ITC 1**, while occupiers continue to seek large floor space in **Bangalore** amid robust GCC absorption.
- **Hong Kong Central's** rental outlook has been revised up by double digits amid robust demand from financial institutions, driving an overall rental recovery.
- Rental forecasts in most markets in **Australia** have been upgraded due to limited supply and rising construction costs. **Brisbane** achieved double-digit rental gains in H1 2026 and will continue to outperform. Rents in **Sydney** and **Melbourne** have been revised up amid declining incentives.
- While forecasts for **Seoul** and **Taipei** have been slightly revised up owing to tight availability, medium to long term supply pressure persists. **Shanghai's** rental decline is expected to narrow as core supply tightens.

Downgraded

- **Mainland China** will remain a regional laggard, with further rental declines expected amid high supply pressure. **Beijing's** landlords are accommodative amid elevated supply, while occupiers are looking to consolidate. The rental decline in **Shenzhen** is due to pockets of oversupply in Qianhai. Demand in **Guangzhou** remains soft as vacancy approaches a decade-high.
- **Perth's** rental growth momentum is normalising amid a mining sector slowdown and occupiers' heightened cost sensitivity. In **Auckland**, demand has been weaker than expected amid soft economic growth, prompting landlords to lower rents and offer higher incentives to attract tenants.

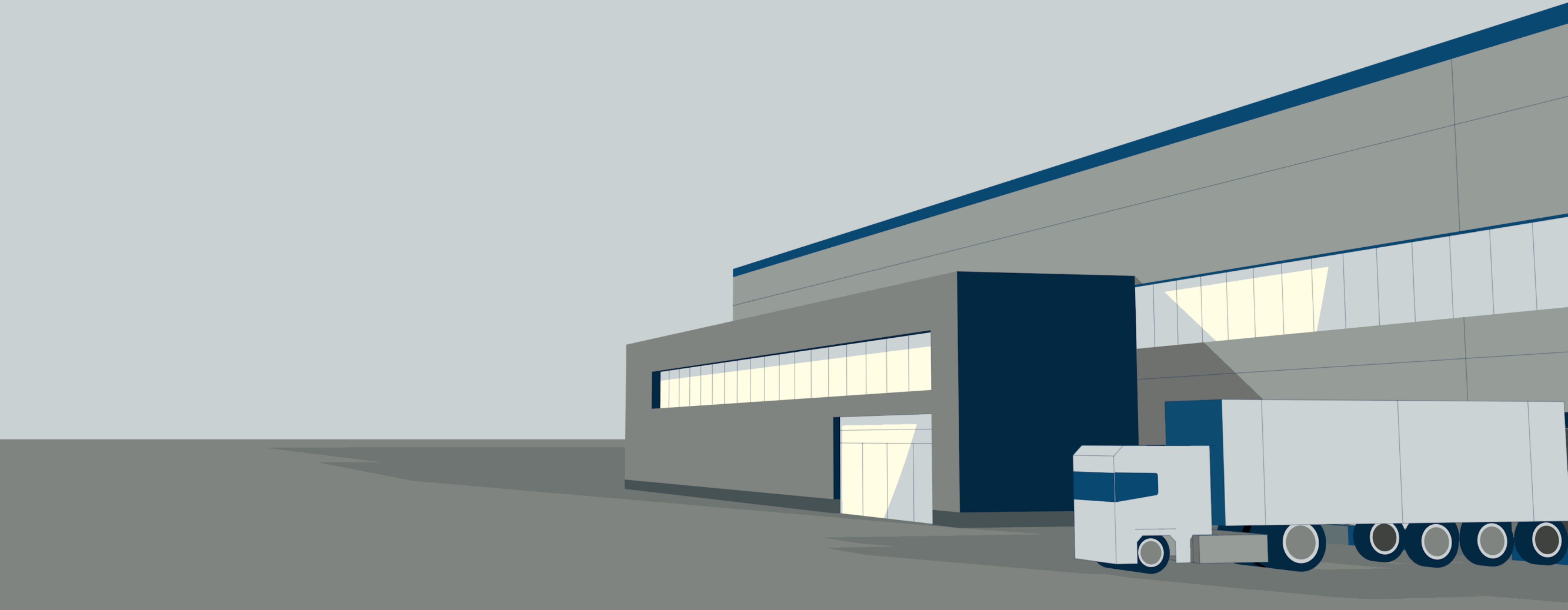
Figure 4: H1 2026 YTD and 2026F Asia Pacific Office Grade A Rental Forecast



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

04

Logistics



04

Logistics

Forecast Accuracy

	Forecast made in January 2026	Mid-year review
01	**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.	Most markets recorded flat to modest rental growth in H1 2026. In Greater Tokyo, rents experienced an expedited recovery amid falling vacancy. Mainland China, Hong Kong SAR and selected Pacific cities saw rents decline amid landlords' softer stance. Leasing momentum was driven by cost-conscious renewals and relocation, with tenants selectively expanding or upgrading to well-located or newly completed assets. **Surprise:** Stronger-than-expected export activity driven by robust AI-related demand largely negated the impact of the Middle East conflict in H1 2026. However, ongoing geopolitical volatility may prompt occupiers to adopt a wait-and-see approach.
02	**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.	New supply will remain elevated in selected mature markets in 2026 before pressure begins to ease. The volume of new stock in mainland China, Japan and Australia is expected to fall from 2027 as developers scale back projects more aggressively than anticipated amid softer market conditions. Elevated land costs in key Indian cities such as Mumbai and Delhi are likely to limit new development in prime locations. **Alert:** Vacancy is bifurcated. Prime warehouses in inner-city submarkets continue to attract demand and outperform the broader market, particularly in mainland China, Korea and selected Australian cities. In contrast, legacy stock and assets in outer locations face greater vacancy pressure.
03	**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.	3PLs and e-commerce operators have grown increasingly cost-sensitive under the uncertain macroeconomic backdrop, putting automation and smart system investment on hold. Demand for large-floorplates suited to future upgrades has held up, however, as occupiers look to retain optionality without immediate capital commitment. This preference is likely to become more prevalent in the medium term as cost pressures ease. **Alert:** 3PLs' and e-commerce operators' thinning operating margins warrant close monitoring as prolonged cost pressure risks further delaying the automation upgrading cycle.
04	**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.	Supply chain diversification remains a structural and ongoing process. Southeast Asian markets have shown strong resilience, buoyed by the electronics upcycle and front-loading activity in a relatively stable tariff environment. Robust manufacturing demand has stimulated occupier expansion across these markets, tightening the availability of factory land and ready-built space. **Alert:** Several markets have yet to finalise bilateral trade agreements with the U.S., leaving occupiers exposed to further uncertainty and reinforcing the need for supply chain diversification.

04
Logistics

Key changes to forecasts

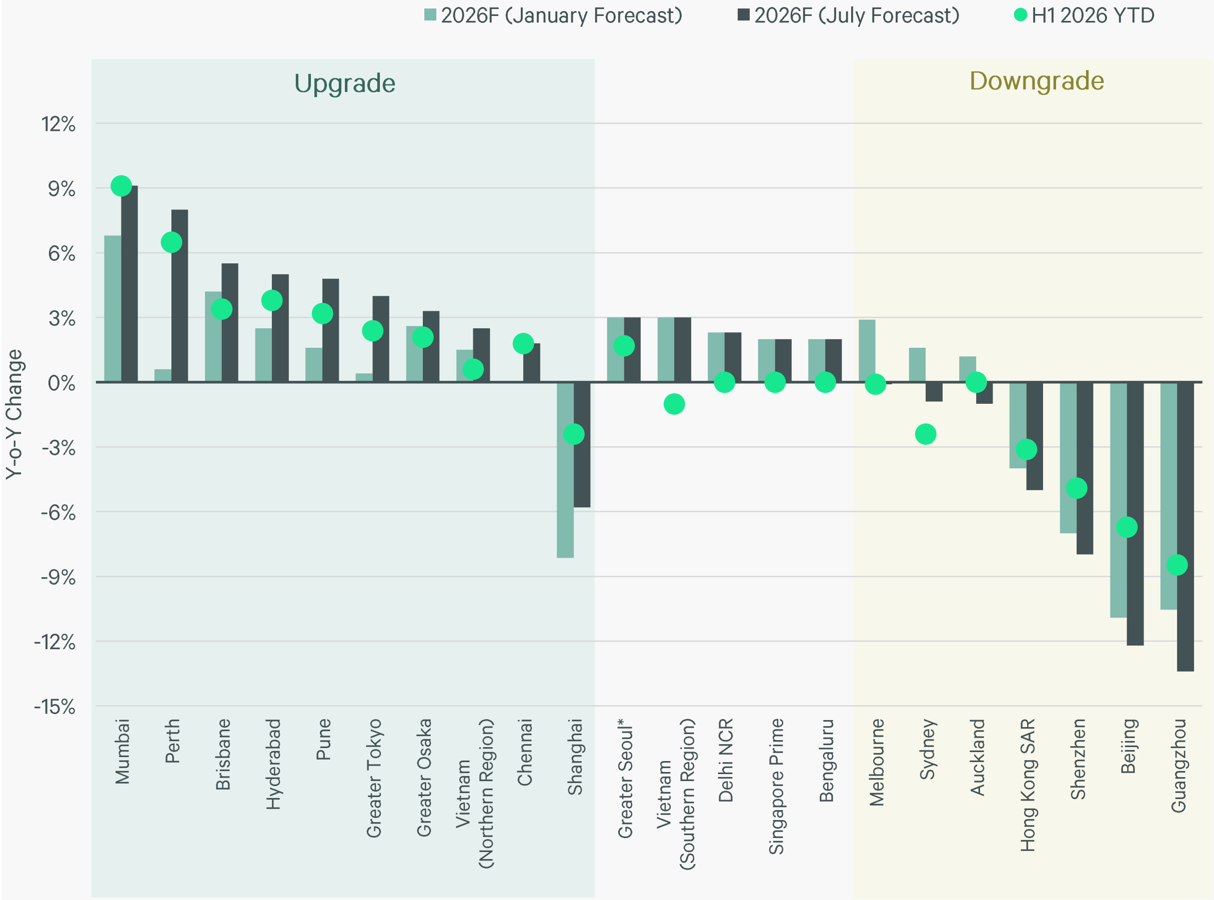
Upgraded

- **Perth** and **Brisbane** are outperforming, with the former enjoying solid demand growth driven by population expansion, and the latter witnessing rental gains amid tight vacancy and easing speculative supply.
- A few **Indian** markets reported rental growth in H1 2026, with **Hyderabad**, **Pune** and **Chennai** benefiting from incoming prime supply. In contrast, **Mumbai** saw rents driven higher by tightening availability in core submarkets. Rental growth is anticipated to remain modest as selected industries continue to favour cost-effective alternatives.
- **Greater Tokyo** and **Greater Osaka** continue to see steady broad-based domestic demand sustaining upward rental momentum.
- In the **Northern region of Vietnam**, export-driven manufacturing demand strengthened in H1 2026, particularly in the Haiphong area, providing positive prospects for growth in H2 2026.
- **Shanghai's** rental forecast has been raised, supported by upgrading and consolidation demand in core areas as tenants capitalise on attractive rents.

Downgraded

- In the Pacific, rental forecasts for **Sydney**, **Melbourne** and **Auckland** have been downgraded due to supply-side pressure. New supply concentrated around Sydney's Western Sydney Airport has pushed vacancy higher, triggering rebalancing in the broader market, while Melbourne rents softened in anticipation of a supply surge in H2 2026. Auckland rents have corrected as speculative stock proves slow to absorb.
- Rental forecasts for most tier I cities in **mainland China** have been downgraded, with vacancy set to range from 25% to 45% by year-end. **Guangzhou** faces the steepest correction due to ultra-high new supply, while the outlook for **Beijing** and **Shenzhen** has also been cut, though supply is set to ease from 2027.
- **Hong Kong SAR's** forecast has been downgraded after landlords cut rents to secure tenants. Despite strong H1 2026 take-up, occupiers remain cost-sensitive amid the uncertain trade outlook, obstructing a rental recovery.

Figure 5: H1 2026 YTD and 2026F 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 2026.

05

Retail

05

Retail

Forecast Accuracy

	Forecast made in January 2026	Mid-year review
01	**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.	The Middle East conflict is exerting only a mild impact on retailers' real estate planning, with most groups continuing to assess leasing plans. Retail leasing sentiment remained resilient in H1 2026, with strong demand for prime space seen across the region. **Alert:** In contrast to prime areas' resilience, non-core locations in Hong Kong SAR and Singapore are struggling amid weaker demand. Rising operating costs and rents in these two cities are making it challenging for retailers, especially those in the F&B segment, to maintain profit margins.
02	**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.	Availability remained scarce in prime core locations in H1 2026. Except for mainland China, upcoming supply in most markets is limited, ensuring rents continue to grow at a mild pace. Rents in Tokyo Ginza, India core markets, and Vietnam's CBDs have reached historical highs. Low vacancy in these markets has led to retailers considering non-core areas with unique positioning, resulting in higher rental growth. **Surprise:** Despite the addition of a large volume of new retail supply in mainland China, occupancy in prime shopping centres has been less affected. Shanghai's prime retail districts will be the first areas to see rents stabilise.
03	**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.	Landlords continue to introduce new-to-market brands to refresh their tenant mix and increase footfall to their malls. Many are introducing mainland Chinese F&B and Korean fashion brands, which retain a strong appetite for regional expansion. Other key sources of new tenancies include local online retail brands and e-commerce platforms, which are establishing physical stores to gain exposure. **Surprise:** Many new-to-market brands are turning more accommodative toward landlords' higher asking rents in prime areas. This is because their overseas expansion plans hinge upon setting up stores in established locations to maximise brand marketing and exposure.
04	**AUGMENT EXPERIENTIAL OFFERING** Retail trades that focus on physical goods, such as fashion, sports, and luxury, continue to integrate experiential elements into their retail space. 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.	Luxury brands have turned more cautious toward expansion due to a global slowdown in sales. Some are shuttering underperforming stores and shifting focus to a more experiential offering. This gap is being filled by solid demand from fashion and athleisure flagship store expansion. **Alert:** Online retail sales are outpacing offline retail, raising e-commerce penetration across the region. Retailers are still keen to expand their brick-and-mortar stores but with a greater focus on an experiential offering as they look to introduce their brand and direct sales to their online platforms.

05
Retail

Key changes to forecasts

Upgraded

- Retailers' strong preference to be in **Tokyo Ginza** for brand exposure is expected to underpin further growth despite rents already standing at historical highs. The lack of availability in Ginza is boosting demand in Omotesando, Harajuku and Shibuya among retailers seeking space in Tokyo.

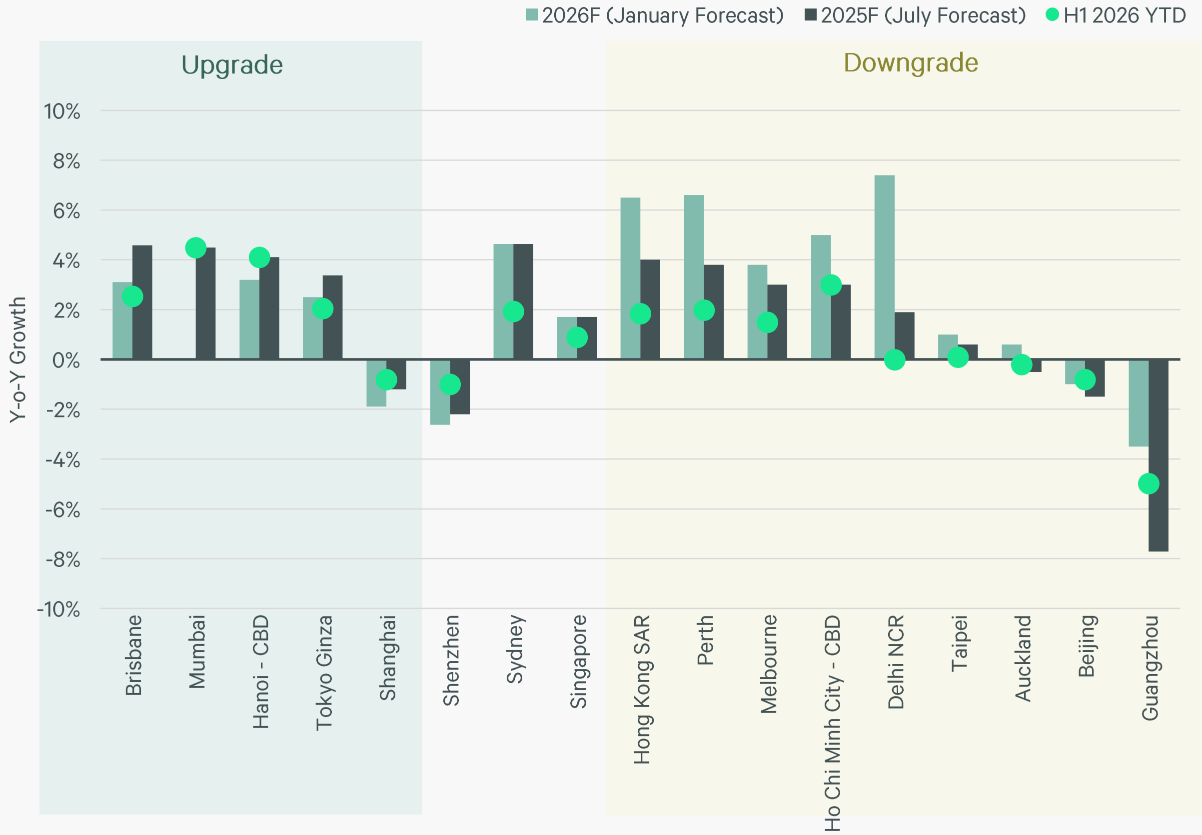
Downgraded

- Despite strong growth in retail sales in H1 2026, **Hong Kong SAR** can expect a milder rental recovery in the back-half of the year. Most retail sales growth is being generated by the online segment as brick-and-mortar retailers turn more cautious amid high operating costs.
- Rental growth in **Taipei** is expected to be limited and confined to tourist-oriented areas. Recent strong economic performance has failed to translate into sales as local consumers prefer spending abroad.
- **Auckland** regional centre rents are falling due to the higher cost of living and rising unemployment rate amid a weaker economic outlook.

Mixed

- Growth in **Australia** regional centre rents continues to be supported by ongoing population growth and limited new supply. Brisbane's brighter economic outlook has boosted rental expectations but rising unemployment in Perth and Melbourne is weighing on rental growth.
- **India** (Mumbai and Delhi) core markets and **Vietnam** (Hanoi and Ho Chi Minh) CBD rents are at historical highs. Limited availability in these locations continues to push up rents, albeit at a milder pace. Further growth will rely on the addition of new high-quality supply.
- Tier I cities in **mainland China** will face further rental declines as upcoming supply exerts pressure on landlords. Shanghai and Shenzhen can expect slower rental decreases due to strong preleasing, while rents in Beijing and Guangzhou will correct further.

Figure 6: H1 2026 YTD and 2026F 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 2026.

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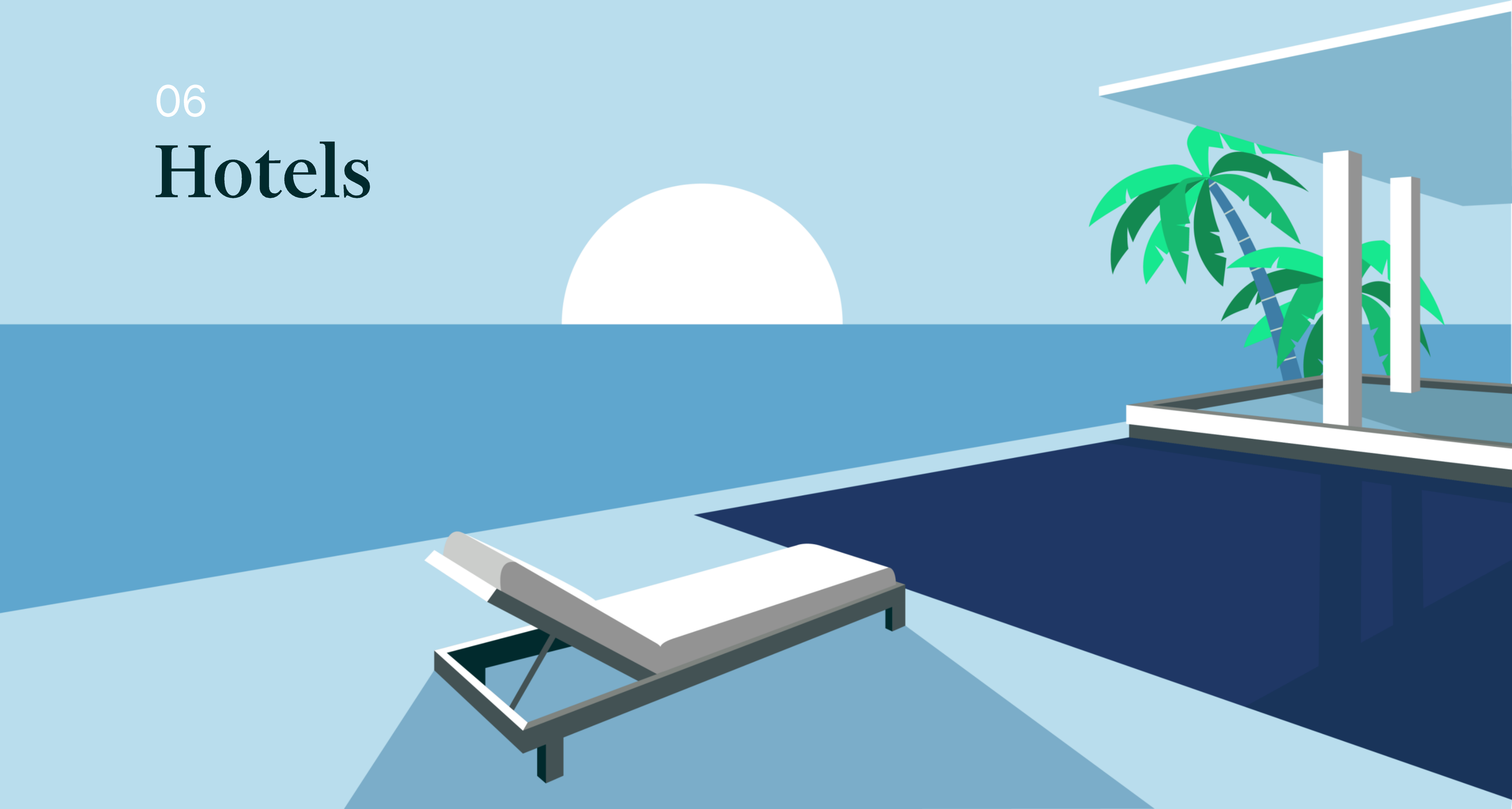

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Forecast Accuracy

	Forecast made in January 2026	Mid-year review
01	**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.	Although lower flight capacity resulting from the Middle East conflict and rising fuel costs have constrained occupancy growth, hotels in most markets continued to record y-o-y increases in RevPAR in H1 2026 by adjusting pricing strategies. **Surprise:** Intra-regional travel has been less affected compared to long-haul flights. Vietnam and Korea have both recorded double digit growth in tourist arrivals due to their reputation for value-for-money, reliability and safety.
02	**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.	Hotel conversions remained a prominent trend in Hong Kong SAR in H1 2026, with nine hotels acquired for conversion to student accommodation. Limited supply and the wave of conversions supported both ADR and occupancy growth during the period. Together with the continued recovery in visitor arrivals, these factors ensured the city was one of the top RevPAR performers. **Surprise:** Office oversupply, more attractive hotel pricing, and strong policy support have led to an upturn in office-to-hotel conversions in Shanghai so far this year.
03	**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.	Events and concerts have emerged as key drivers of Asia Pacific hotel performance as they can generate spikes in occupancy and room rates as well as create demand during the low season. Seoul and Tokyo are strong markets for domestic concerts, while Singapore and Hong Kong SAR are regional leaders in hosting international events. **Surprise:** During the first week (April 5th - April 11th) of BTS's comeback concert series in Korea, strong domestic and international demand pushed up Seoul hotel ADR and occupancy to their highest levels so far in 2026, achieving RevPAR 34% greater than the same period of 2025.
04	**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.	With construction costs remaining elevated in developed markets, new developments are limited and focused on high-end product. However, soft brands and conversions can provide owners with a cost-effective method to refresh their brands and create value add opportunities. **Surprise:** Consumers' willingness to spend on experience is enticing investors to consider converting existing hotels to lifestyle brands. Growth in smaller size (US$ <100 million) hotel transactions, which totalled approximately US$ 4.0 billion in H1 2026, a rise of almost 60% y-o-y, can provide investors with opportunities to ride on this trend.

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ADR improves while occupancy varies

- **Vietnam** registered the strongest performance of any market in H1 2026 as tourist arrivals grew 15% y-o-y amid relaxed visa policies and expanded air connectivity, pushing up ADR and occupancy.
- The ongoing popularity of the Korean Wave along with the depreciation of the won helped tourist arrivals to **Korea** increase by 19% y-o-y, the highest in the region. The weak won has made hotels more affordable to tourists, supporting a 11.6% y-o-y increase in ADR.
- **Hong Kong SAR** ADR improved by 9.5% y-o-y on the back of a series of major MICE, cultural and sporting events along with limited new supply.
- ADR in **Australia** continued to register growth despite already reaching a historical high. Occupancy was stable.
- **Singapore** displayed resilient performance as the MICE events economy generated growth in both ADR and occupancy.
- **Maldives'** hotel occupancy registered the sharpest decline in H1 2026 as the market continued to be negatively impacted by disruption to air routes to the Middle East along with rising fuel costs.
- While **Japan's** tourist arrivals edged down by 1% y-o-y due to a fall in mainland Chinese tourists, this was largely offset by increases in visitors from Taiwan and Korea. Long-haul arrivals from the U.S. and Europe also picked up, with the higher spending power from these regions helping to boost ADR.
- Domestic demand was modest in **mainland China** in H1 2026. Growth in ADR was mainly led by major tourist destinations such as Shanghai and Sanya as looser visa policies lured overseas travellers.
- A steady recovery in mainland Chinese tourists to **Thailand** offset a decline from long-haul travellers, ensuring performance in H1 2026 was mostly flat y-o-y.

Figure 7: ADR Growth & Occupancy Change (% difference) – H1 2026 y-t-d vs. H1 2025 y-t-d

Source: CoStar, CBRE Research, July 2026.

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