

Intelligent Investment

2026 China Real Estate Market Outlook

Annual Report

CBRE Research

February 2026

CBRE



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01

Economy

GDP forecasted to grow by 4.5% in 2026, backed by policy support

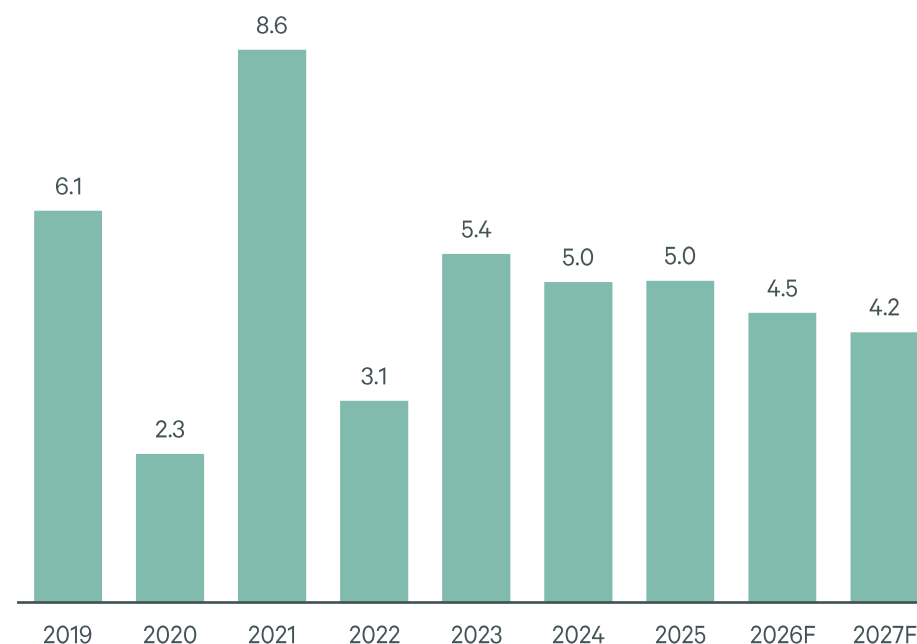
China achieved GDP growth of 5% y-o-y in 2025, demonstrating resilience against external volatility while consistently harnessing new drivers for economic expansion.

In October 2025, the CPC Central Committee of the Chinese Communist Party issued "Recommendations of the CPC Central Committee on Formulating the 15th Five-Year Plan for National Economic and Social Development." The document has set the tone for the next five years by prioritising "effective qualitative improvement alongside reasonable quantitative growth." This signifies a strategic shift in China's economic trajectory and marks a move away from a focus on "scale-driven growth" toward "high-quality development." This has led CBRE to forecast that China's GDP growth rate will settle at approximately 4.5% in 2026.

China's export sector demonstrated extraordinary resilience in 2025 amid intensifying international trade friction. Exports in USD grew by 5.5% y-o-y, propelling the country's trade surplus above the US\$ 1 trillion mark for the first time. The diversification and optimisation of both market distribution and product structures became more pronounced over the course of the year, with exports to Africa, ASEAN, and the EU rising by 25.8%, 13.4%, and 8.4%, respectively. Goods in the high-tech categories—including professional equipment, high-end machine tools, and automobiles—all recorded growth exceeding 20%. CBRE expects the continued momentum of the Belt & Road Initiative, rising investment in AI infrastructure, and the cooling of China-U.S. trade tensions to provide sustained support to exports in 2026.

In 2025, profits of industrial enterprises above a designated size grew by 0.6% y-o-y, effectively reversing a three-year consecutive decline. However, industrial capacity utilisation remained at a relatively low level of 74.4% in Q4 2025. In the coming year, the manufacturing sector will continue to undergo structural transformation and upgrading, guided by the dual priorities of innovation and anti-involution. With capital expenditure to remain skewed toward advanced manufacturing sectors with high export prosperity, fixed-asset investment in manufacturing is expected to maintain low single-digit growth throughout the year.

Figure 1: China GDP Growth Forecast (%)



Source: CBRE Research, February 2026.

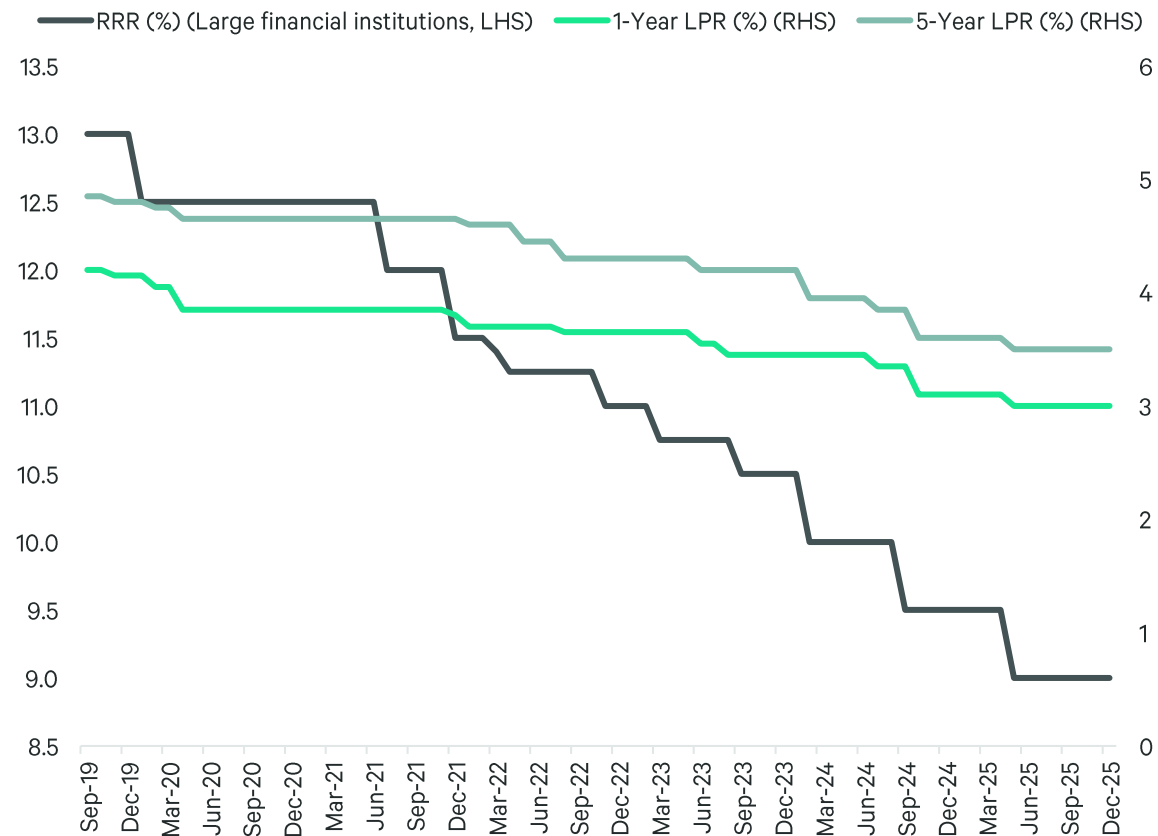
Economy

In 2025, final consumption expenditure accounted for 52% of China's economic growth. However, with PPI declining by 2.6% and CPI remaining flat over the year, expanding domestic demand will remain the core driver of China's economy in 2026. Over the past two months, the first batch of Ultra-long Special Treasury Bonds, totaling RMB 156.1 billion, was disbursed to support consumer goods trade-ins and equipment upgrades. CBRE anticipates the implementation of more proactive fiscal measures this year specifically targeting investment in people through enhanced social welfare and livelihood protection.

Monetary policy is expected to remain moderately accommodative. During a press conference in mid-January, the People's Bank of China (PBoC) indicated that there is still room for further cuts to interest rates. CBRE forecasts a reduction of approximately 15bps in the one-year Loan Prime Rate (LPR) in 2026.

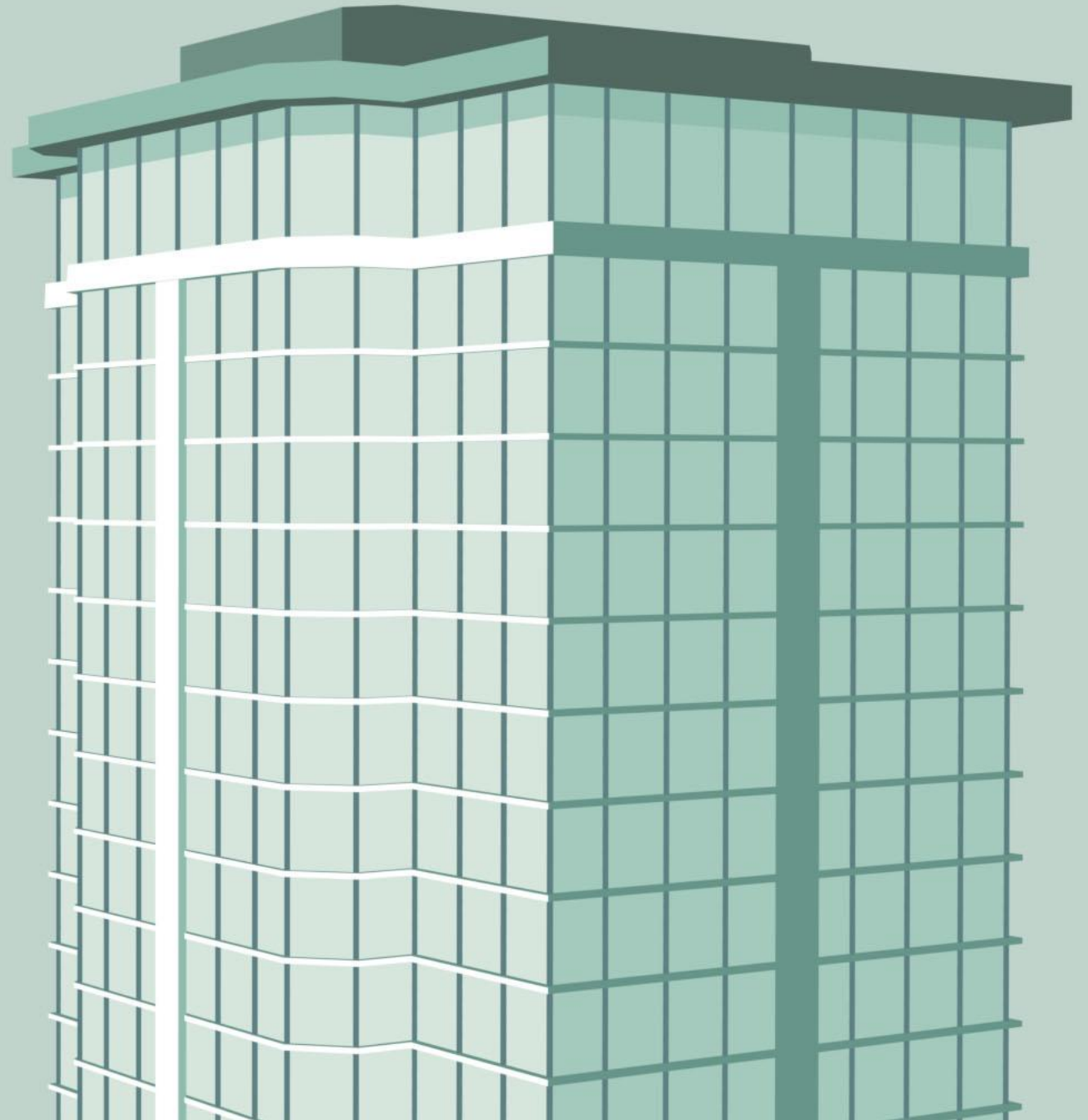
In 2025, nationwide property development investment dropped by 17.2%, while sales of new commodity housing fell by 13% y-o-y, with pace of decline narrowing by 4.6 percentage points compared to the previous year. De-stocking remains real estate developers' top priority in 2026. A series of policies introduced in late 2025, including the optimisation of purchase restrictions in Beijing and VAT exemptions on home purchases, alongside the "dual cuts" to mortgage rates in early 2026, are expected to stimulate the release of legitimate housing demand. Residential sales are projected to gradually approach a bottoming-out range, thereby mitigating the drag effect of real estate investment on the overall economy.

Figure 2: China Reserve Requirement Ratio and Loan Prime Rate



Source: PBoC, CBRE Research, February 2026.

02
Office



Corporate real estate strategy to remain cautious; office demand to see mild growth

Nationwide office net absorption increased by 12% y-o-y to 2.15 million sq. m. in 2025. Leasing volume for new set-ups and expansion increased by 9.3% y-o-y and 6.1% y-o-y, respectively, marking the first increases for three years and signalling that the market is bottoming-out.

CBRE predicts that office demand will continue to grow steadily in 2026, with net absorption expected to increase by 10-15% y-o-y.

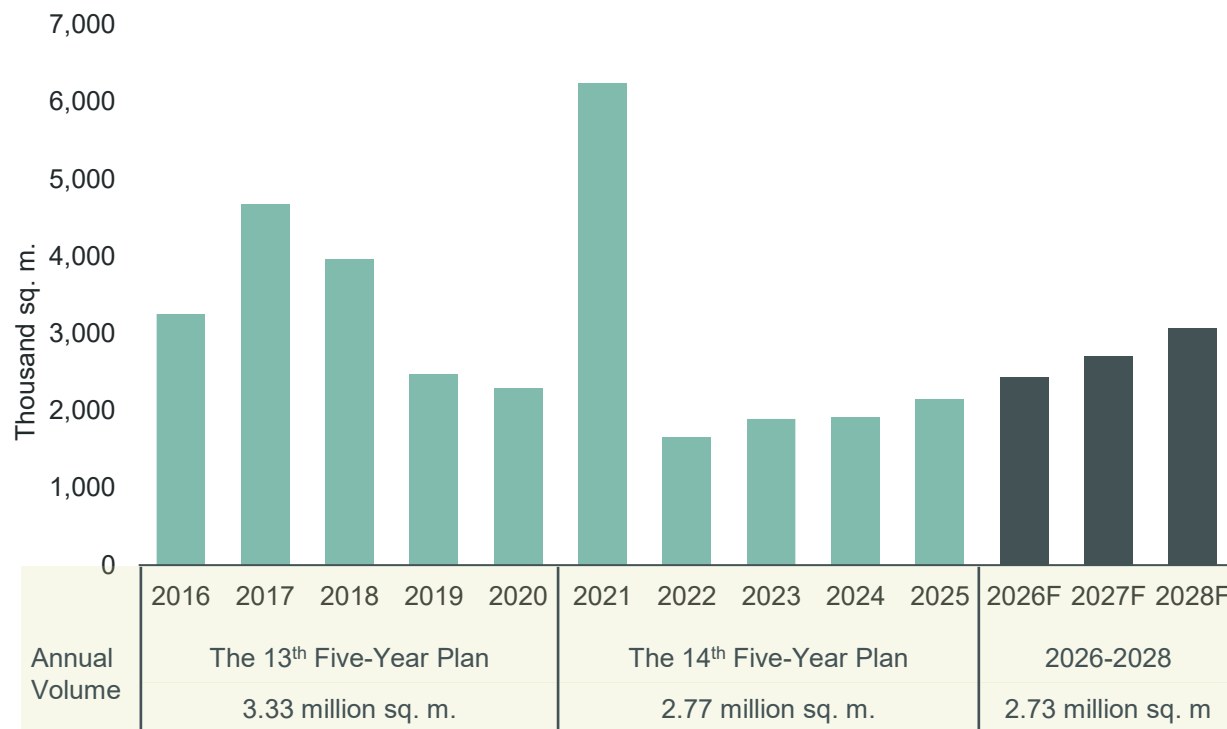
Sino-U.S. trade friction cools; enterprises cautiously consider expansion

CBRE's 2025 China Office Occupier Survey found that one-fifth of respondents are unsure about their office space planning in the next three years, the highest since 2020. The escalation of global trade friction caused by U.S. tariffs is their main concern.

The proportion of tenants who plan to "increase office space" and "decrease office space" both declined in this year's survey, while the proportion of tenants who expect their office footprint to "remain unchanged" increased by 2 percentage points to 36%. These findings reflect occupiers' "stability first" approach in an uncertain macro environment.

With the global economy and geopolitical environment continuing to face challenges, the completion of global tariff restructuring in H2 2025, especially the staged achievements of Sino-U.S. talks in Kuala Lumpur, will have a positive impact on office occupiers' business performance and lead to stronger real estate requirements in 2026.

Figure 3: National Office Net Absorption Review and Forecast



Source: CBRE Research, February 2026.

Tech, finance and consumption sectors to be major growth engines

CBRE's 2025 China Office Occupier Survey found that the tech, finance and consumption sectors will be the major growth drivers of office space leasing demand in the next three years, with net expansionary intentions reaching 24%, 17% and 13% respectively, higher than the industry average of 11%. These three industries accounted for 68% of new leases signed in 2025.

In August 2025, China's State Council issued "Opinions on Further Implementing the Action of 'Artificial Intelligence+'". The document clearly stated that by 2027, the application penetration rate of new generation intelligent terminals and agents will exceed 70%. CBRE's analysis of public information shows that the scale of fundraising¹ related to artificial intelligence increased by 133% y-o-y in 2025. Supported by government incentives and strong capital inflows, CBRE expects artificial intelligence to underpin tech industry expansion in Beijing, Shenzhen, Shanghai, Hangzhou, Chengdu and other tech-oriented cities in 2026.

China's stock index hit a 10-year high in January 2026. Over the course of this year, the IPO financing market is expected to be active, while the rapid development of new businesses such as commercial real estate REITs is expected to further stimulate leasing momentum from financial institutions such as securities funds.

Consumption will be another growth engine of office demand in 2026. Tianyancha data show the number of newly registered consumer service-related enterprises in China such as fitness, medical beauty and health care reached 1.13 million in 2025. Under the double impetus of income growth and an aging population, leasing demand from service consumption enterprises such as medical care, education, recreation and sports will continue to grow. Other tailwinds will come from local government support for the introduction of diversified business formats in the renovation of commercial buildings.

Note 1: Fundraising related to artificial intelligence, integrated circuit and robotics.

Growth of fundraising related to artificial intelligence in 2025

133% y-o-y

Growth of A-share IPO fundraising scale in 2025

96% y-o-y

Numbers of newly registered companies related to service consumption in 2025

1.13 million

Figure 4: Leasing Momentum of Major Growth Engines for Office Demand in 2025

Sector	Proportion of new set-up and expansion transaction area in 2025	Net expansion intentions in the next three years
Tech	+18%	24%
- Artificial intelligence	+269%	/
Finance	+19%	13%
- Non-banking finance	+18%	/
Commodity and service consumption ²	+30%	17%

Note 2: Commodity and service consumption include consumer products manufacturing, retail trade, consumer services and education, sports and entertainment, and hospitality and catering.

Source: NBS, public information, 2025 China Office Occupier Survey, CBRE Research, January 2026.

Supply peak to persist through 2026 but medium-to-long-term decline looms

New office supply across the ten major Chinese cities tracked by CBRE is expected to reach 4.7 million sq. m. in 2026, representing a modest rise of 7% y-o-y. Supply will gradually decline to 4.2 million sq. m. in 2027 followed by a further drop to 3.5 million sq. m. in 2028.

Comparing supply volumes over the next three years with the period from 2023-2025 reveals that the supply peak in half of these cities, namely Beijing, Shenzhen, Chengdu, Hangzhou, and Nanjing, has already passed. As highlighted in CBRE's **"Resetting the Office Supply-Demand Balance"** report, a medium-to-long-term decline in office supply is becoming apparent. Reasons behind the drop in new development activity include adjustments to urban planning; the clearing of real estate development capacity; a reduction in land supply for new office projects; and authorities reclaiming idle land.

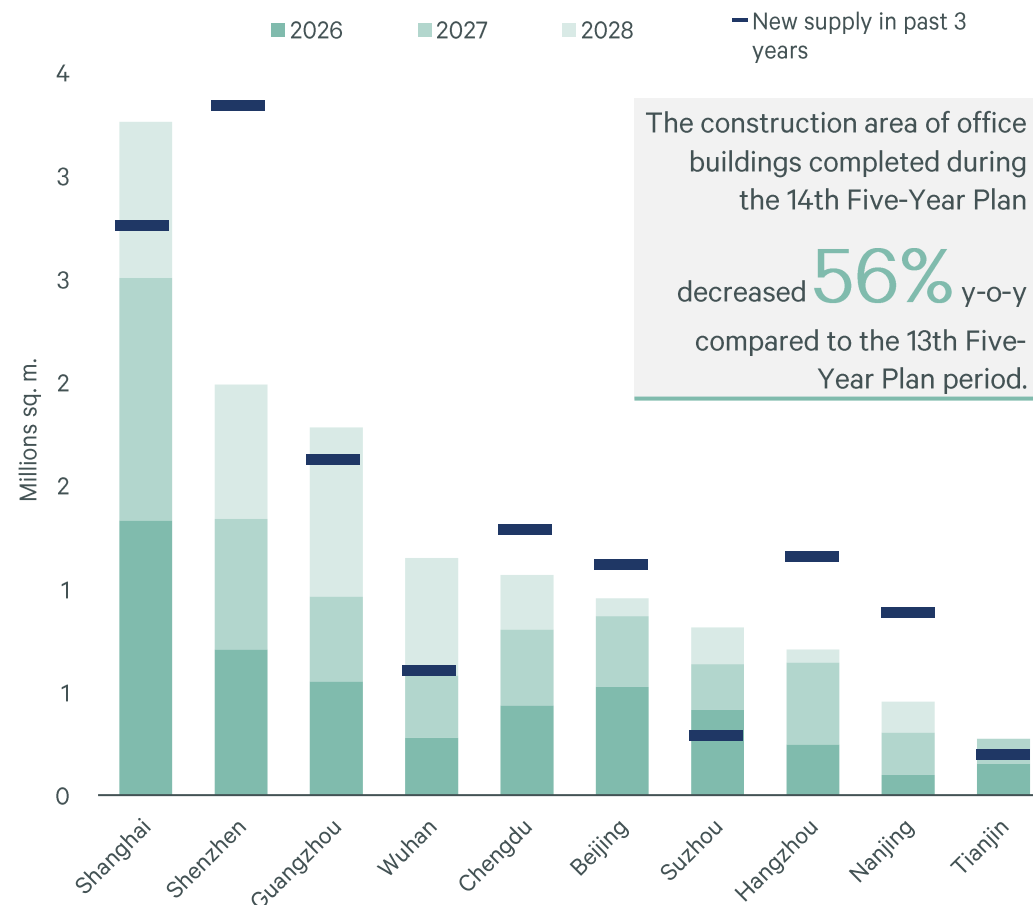
Beijing, which has benefitted from strict controls on large-scale commercial real estate development

within its core urban areas since 2015, will see new supply drop significantly after this year's final minor peak. In Shenzhen, CBRE has uncovered construction halts at some projects, leading to the substantial downward revision of Shenzhen's supply forecast for the next three years. Some of these projects may also potentially adjust their planned use.

Shanghai will see new supply concentrated in emerging areas such as Xuhui Riverside, Pudong Huamu, and North Riverside over the next two years, followed by a sharp decline in new stock after 2028. Over 80% of new supply in Guangzhou's will be in Pazhou and the International Finance City.

Unlike tier I cities where CBDs will host just 8% of new supply, over half of new projects in tier II cities over the next three years will be in CBDs. This trend will continue to drive tenant centralisation and upgrading demand. In 2025, 54% of new leasing transactions in tier II cities were in CBDs, an increase of 3.6 percentage points y-o-y.

Figure 5: Supply and Demand Forecast for Ten Major Cities



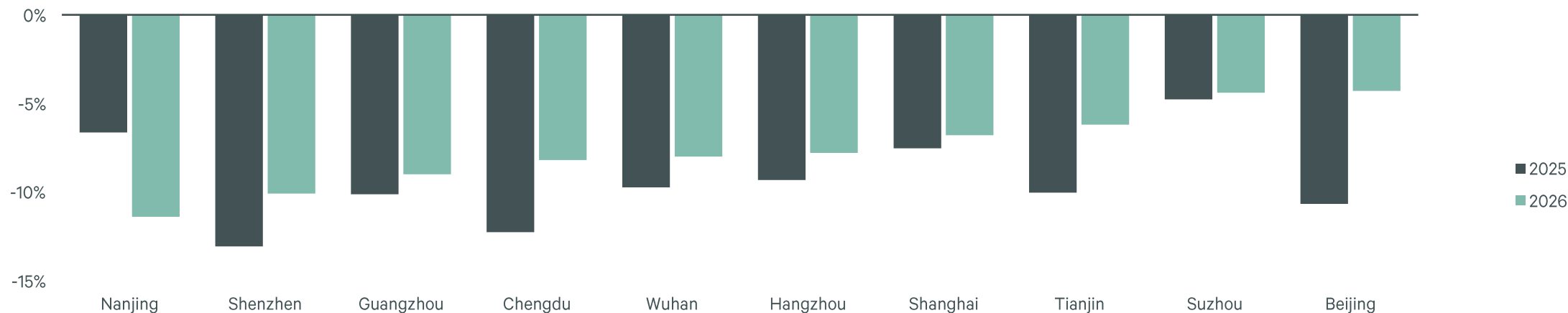
Source: CBRE Research, February 2026.

Persistently high inventory to pull down rents further through 2026

China's office market will continue to experience oversupply this year, with average office face rents across ten major cities projected to decline by approximately 8% y-o-y. Landlords in most cities will continue to face the dilemma of sacrificing price for volume. Beijing will see vacancy of below 20% coupled with limited new supply over the next three years, meaning that its office rental decline will significantly narrow to within 5% y-o-y by 2026. Shanghai, Guangzhou and Shenzhen will continue to face considerable absorption pressure in the short term, with rental declines in each market projected to reach 7-10% y-o-y in 2026.

Among tier II cities, Nanjing will see its rental decline gain momentum this year as large new supply completed in 2025 pushes up vacancy rates to a historic high of 36%. Chengdu, Wuhan, and Hangzhou—all regional leaders in science and technology innovation—will benefit from growth in core industries during the 15th Five-Year Plan period, which will spur office demand from enterprises in these sectors. However, due to the sizable inventory of industrial parks in these three cities that directly compete with office buildings, the annual decline in rents is projected to reach around 8% y-o-y in 2026.

Figure 6: Y-o-y Face Rental Growth in Ten Major Cities in 2026



Source: CBRE Research, February 2026.

15th Five-Year Plan Outlook: Accelerating building obsolescence requires shift to value-added management

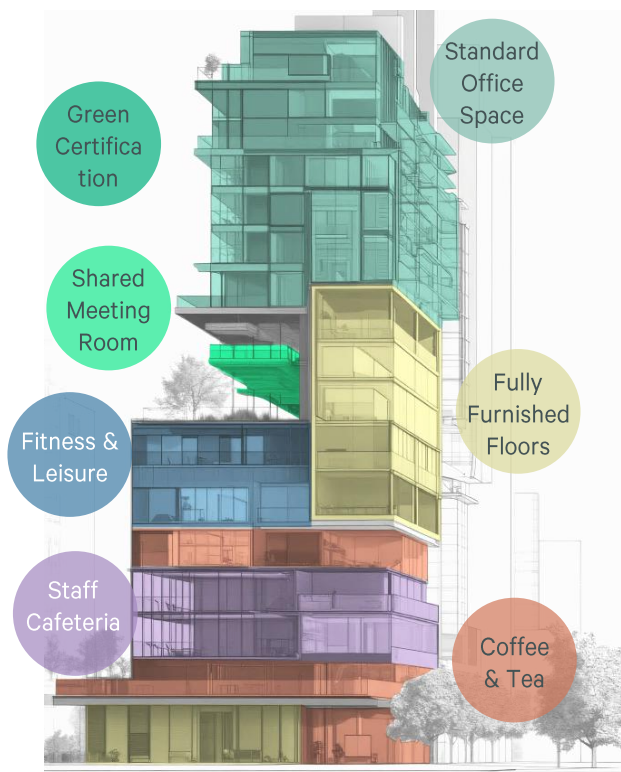
The aging of China’s office market will accelerate during the 15th Five-Year Plan period, with the area of office buildings over 30 years old in tier I cities projected to exceed 10 million sq. m. by 2030. This, combined with the continuous addition of new supply and low rental rates, will compel tenants to relocate to high-quality new buildings.

Renovation of existing stock must focus on core amenities; upgrading property management seen as key

Building upgrades are seen as increasingly essential for enhancing the market competitiveness of aging projects. Based on tenant preferences expressed in CBRE’s 2025 China Office Occupier Survey, CBRE recommends that beyond mechanical and electrical equipment upgrades, renovations should prioritise core tenant needs such as dining and parking facilities. With the first phase of China’s 3060 carbon peak target approaching, the necessity for green building certifications will continue to rise.





Whether it involves shared space, fully furnished floors, or staff cafeterias, CBRE believes that upgrading operational service capabilities—either through internal development or external partnerships—is more critical than physical renovations. Upgrades in management will become a key determinant for office building performance in the 15th Five-Year Plan period.

Figure 7: China’s Future Office Building Ecosystem



Source: CBRE Research, February 2026.

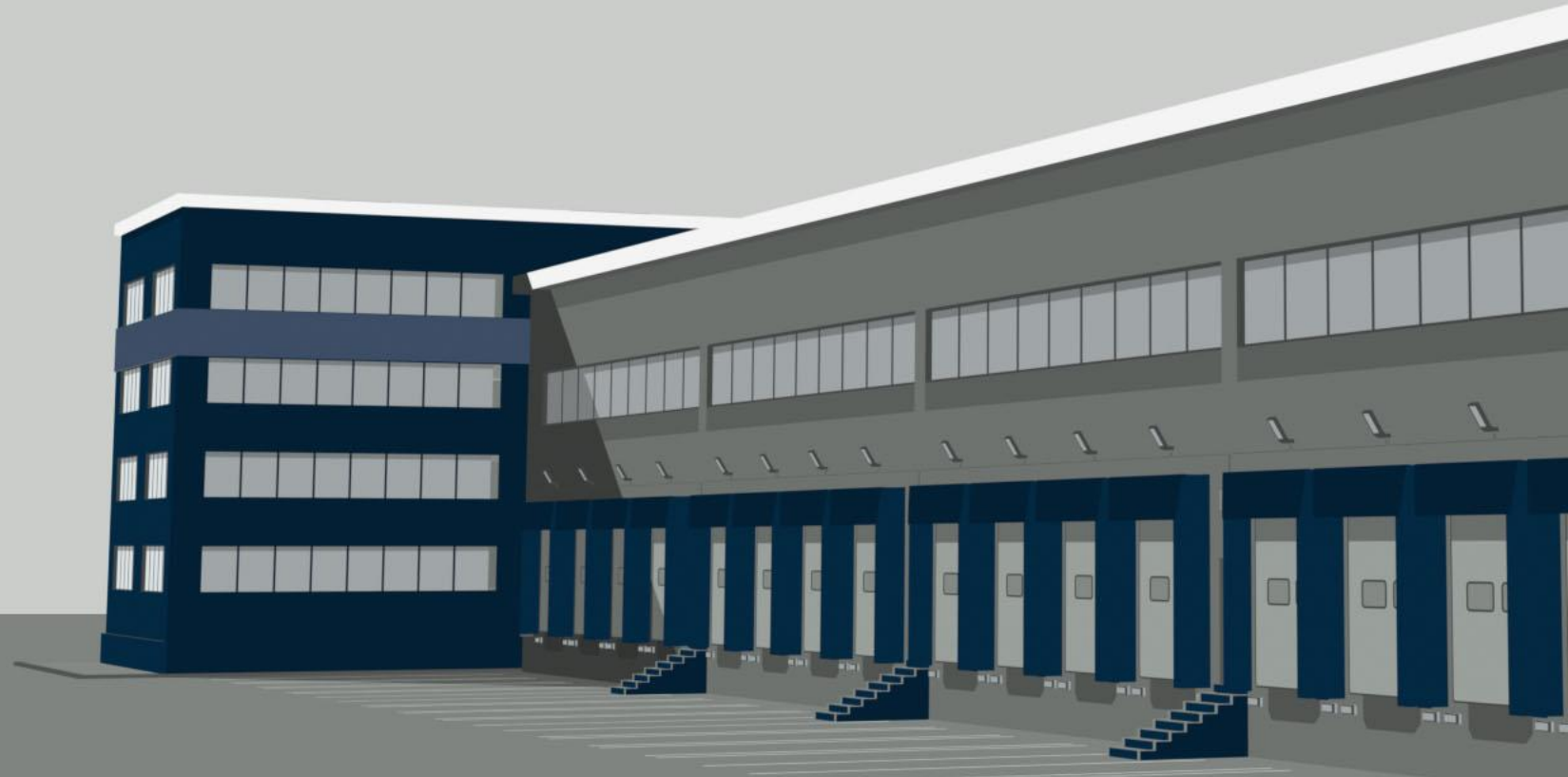
Figure 8: The Importance of Amenities in Corporate Site Selection

	2025 ³
 Catering	66%
 Parking lots	59%
 Office space with decoration	49%
 Green Building Certification	43%

Note 3: Percentage of surveyed tenants who believe the absence of this supporting facility will impact their site selection decision.

03

Logistics



Nationwide warehouse demand to fall from peak; overall supply and demand to remain balanced

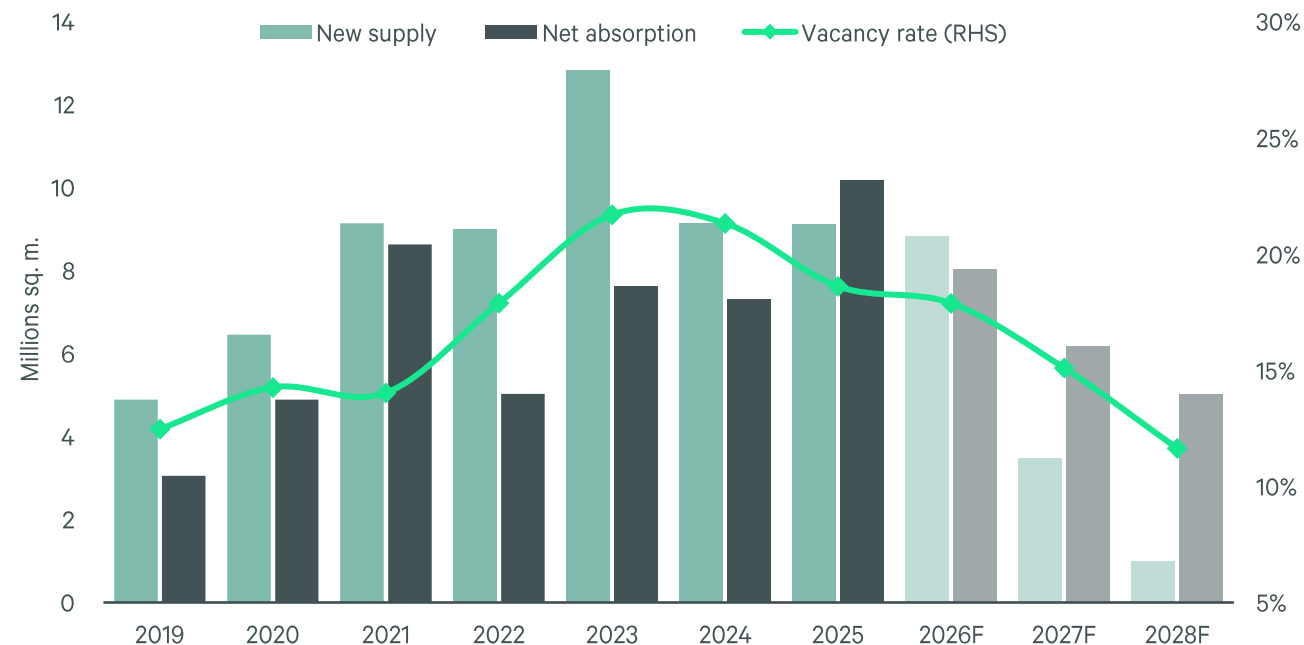
Driven by export resilience and domestic consumption, China's warehouse net absorption surged nearly 40% y-o-y in 2025, surpassing 10 million sq. m. to reach a historic high.

New supply is projected to decline by 3.3% y-o-y to 8.8 million sq. m. in 2026, with new stock expected to fall across all regions outside South China.

On the demand side, the recent easing of U.S.-China trade tensions will somewhat reduce uncertainty around export-related logistics demand, mitigating short-term export disruption. However, considering the weakening of demand arising from the "trade-in" initiative and the trend for cross-border e-commerce operators to develop their own facilities, CBRE forecasts that annual net absorption will decline by 20% y-o-y to approximately 8 million sq. m.

By the end of 2026, the national average vacancy rate is projected to decrease by 0.7 percentage points to 17.9%. Chengdu, Chongqing, and Wuhan in Central and Western China, Ningbo and Kunshan in East China, and Qingdao in North China are all expected to achieve single-digit vacancy rates.

Figure 9: National Warehouse Supply, Demand and Vacancy



Source: CBRE Research, February 2026.

Cross-border e-commerce consolidation expected in 2026

Owing to tariff-related friction and the U.S.’s elimination of the small package exemption, net new leasing volume by cross-border e-commerce platforms in China reached nearly 2.6 million sq. m. in 2025, a 18% y-o-y decline but significantly above expectations.

CBRE expects cross-border e-commerce platforms to exhibit slightly stronger warehouse demand in 2026, though the pace of growth in leasing volume will further decelerate. Abundant availability in South China will create favourable conditions for further relocation and consolidation among cross-border e-commerce players in the coming year.

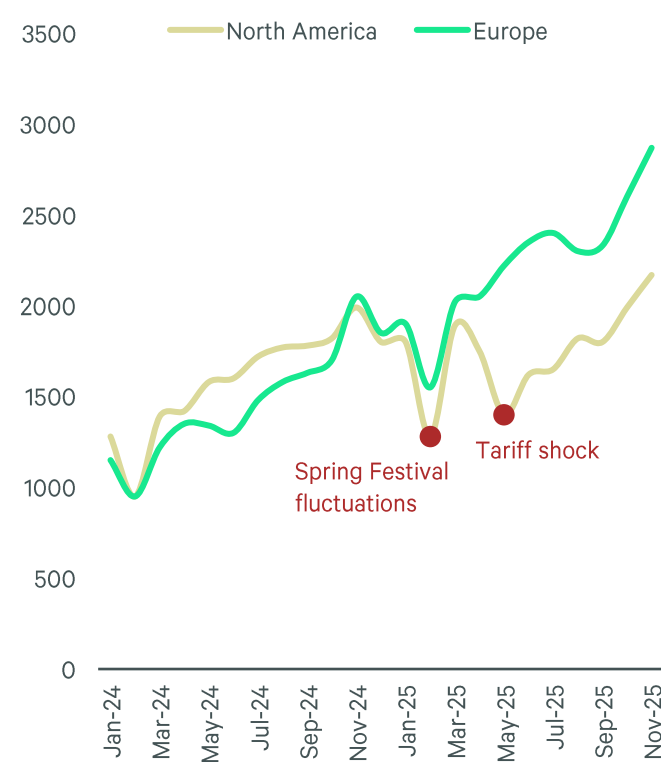
To reduce over-reliance on the U.S. market, domestic cross-border e-commerce platforms are expanding into Europe and Southeast Asia. Flight Manager data show that China’s cargo flights to and from Europe increased by over 50% y-o-y last year. Although the European market will face changes this year with the mid-year removal of the small parcel exemption, market diversification will drive sustained growth in cross-border e-commerce business volume.

As anticipated in CBRE’s 2024 report “China Cross-border E-commerce Warehouse Demand and Outlook” the emergence of global trade tension such as tariff friction has accelerated the transformation of cross-border e-commerce business models. In 2025, China’s cross-border e-commerce platforms upped their investment in semi-managed and local-to-local models, meaning that domestic consolidation demand growth is expected to be lower than during the previous boom period of fully managed + small-package direct mail models. Additionally, Shein’s approximately 500,000 sq. m. self-built facility in Zhaoqing due to come on stream in 2026 is expected to remove a sizable portion of leasing demand from the market.

Figure 10: New Leases and Withdrawal of Cross-border E-commerce



Figure 11: Monthly Round-Trip Flights for International Routes Operated by Chinese Cargo Airlines (Flights/Month)



Source: Flight Management, CBRE Research, February 2026.

Structural upside seen in third-party logistics demand

Driven by “old for new” subsidies, sales of home appliances, furniture, and electronic products increased by 11%, 15%, and 21% y-o-y respectively, in 2025. This solid expansionary momentum propelled the volume of new leases signed by 3PLs above 4.5 million sq. m. for the year, marking growth of 57% y-o-y.

The first batch of national subsidies for 3PLs in 2026, totaling RMB 62.5 billion, has already been issued, representing a slight decrease from the RMB 81 billion allocated during the same period of 2025. Considering last year's high base and additional warehouse space already secured by 3PLs, CBRE anticipates that the direct boost to leasing demand from the “trade-in” stimulus will moderate this year.

In the medium-to-long-term, the potential for 3PL expansion within China's manufacturing and wholesale/retail sectors remains substantial and will drive steady structural growth in warehouse demand. CBRE's analysis shows that in 2024, the total revenue of China's top 20 3PLs accounted for 5% of the country's total social logistics costs, an increase of 1 percentage point from 2020. In contrast, the top 20 3PLs in the U.S. generated revenue equivalent to 9.7% of its total social logistics costs in 2024.

Figure 12: New Leasing Volume from 3PLs and Sales Growth of “Old for New” Related Products⁴

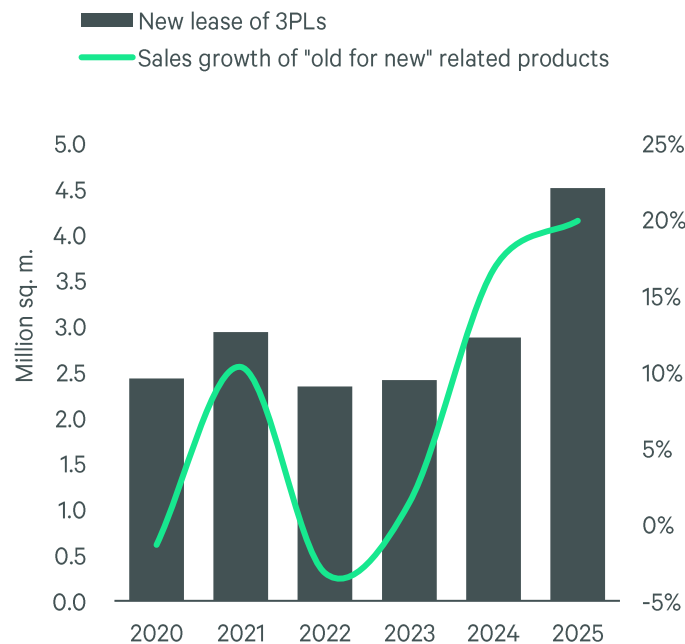
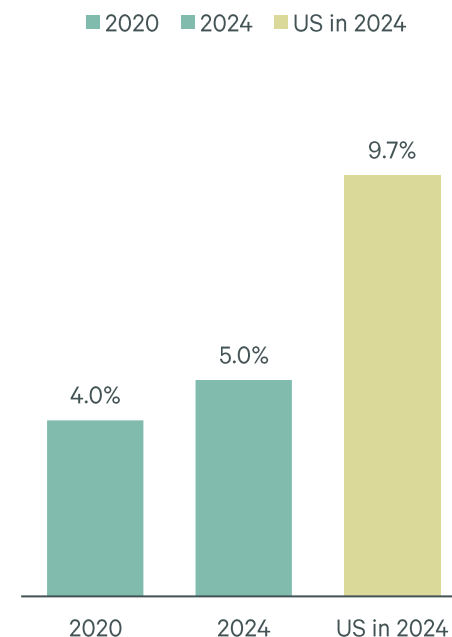


Figure 13: China's 3PL Penetration Rate⁵ vs. Us



Note 4: “Old for new” products include electronic products, furniture, and household appliances

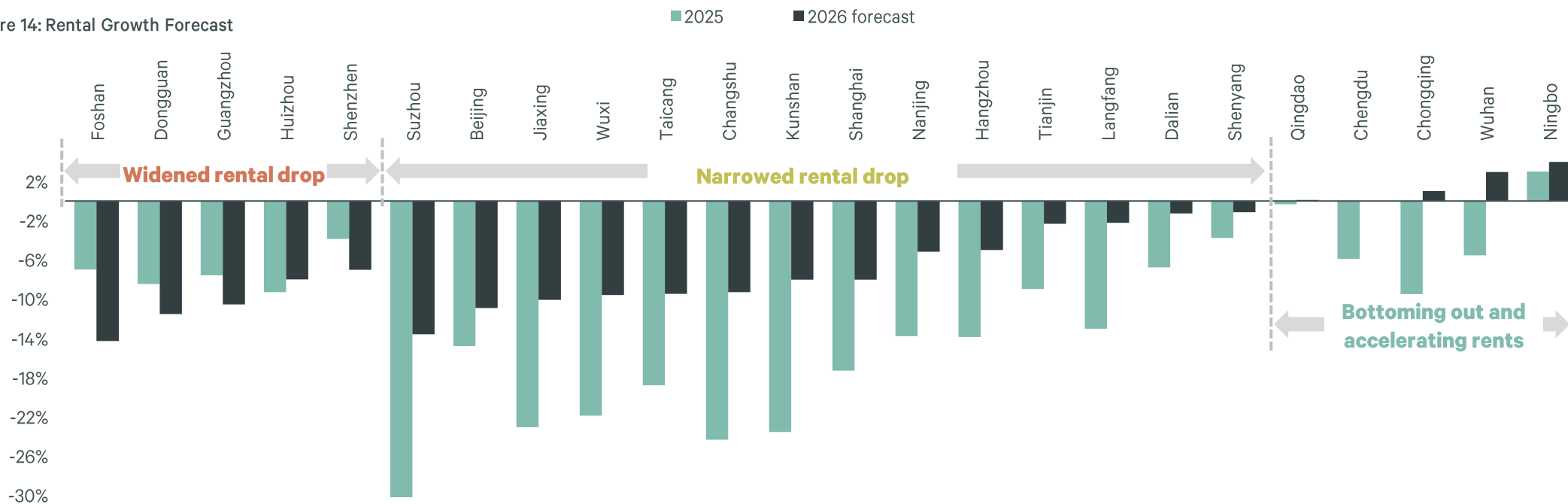
Note 5: 3PL penetration rate = Total revenue of major third-party logistics enterprises / Total social logistics costs for the year. China's third-party logistics enterprises comprise 20 large-scale listed logistics companies, including SF Holding, JD Logistics, JoinTown, Sinopharm, YTO Express, CMST Development, Yunda Express, STO Express, ZTO Express, Deppon Logistics, CCS Supply Chain Management, Transfar Zhilian, Milkyway, J&T Express, Bondex, Changan Minsheng, Jiayou International, Feiliks, Changjiu Logistics, and Guanghui Logistics. The list of U.S. third-party logistics enterprises is compiled based on the A&A Top 20 U.S. Third-Party Logistics Companies Ranking.

Sources: National Bureau of Statistics, company financial reports and public information, CBRE Research, February 2026.

Rental decline to narrow in most markets except South China

The divergence in rental trends across different cities will become more pronounced in 2026. With a significant decline in new supply expected in east China and north China, rental declines in most regional cities will narrow considerably. Wuhan, Chongqing, Chengdu, and Qingdao—where vacancy rates have fallen into the single digits—are poised to see rents stabilise and recover, while Ningbo, facing a persistent supply shortage, will see rental growth accelerate. South China will see a second consecutive year of rising supply, with nearly 5 million sq. m. of new stock expected in 2026. Against the backdrop of slowing cross-border e-commerce expansion, CBRE expects the overall vacancy rate across five south China cities to rise sharply to 19% in 2026. The rental decline will accelerate, sliding by levels ranging from 7% y-o-y to 15% y-o-y.

Figure 14: Rental Growth Forecast



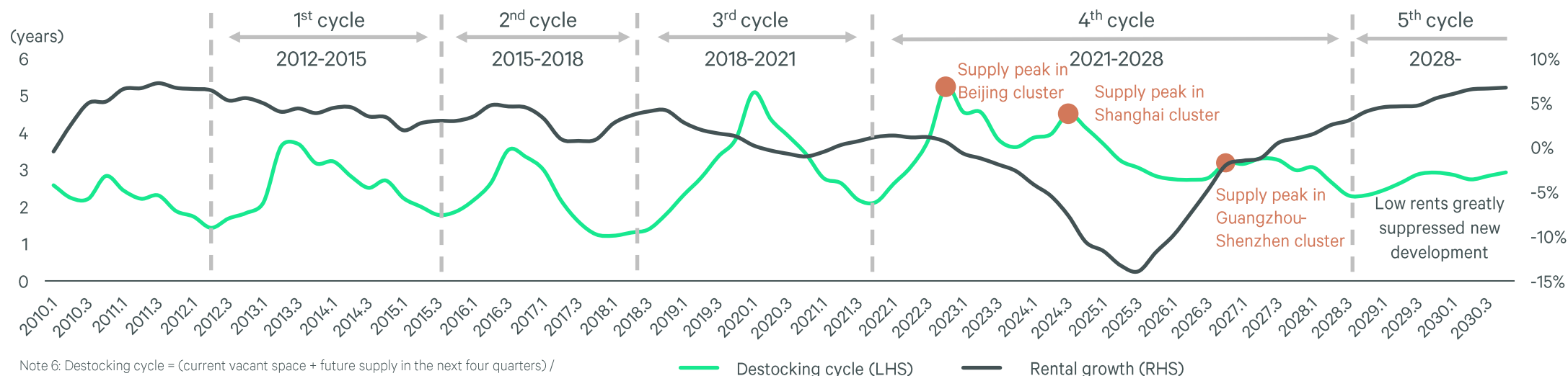
Source: CBRE Research, February 2026.

15th Five-Year Plan Outlook: Rents to bottom out around 2028

CBRE's analysis of historical warehouse supply-demand and rents reveals that China's warehouse market has undergone three complete three-to-four-year inventory cycles since 2012. The three-year inventory cycle serves as a critical threshold for rental fluctuations; when the period of inventory absorption significantly and persistently exceeds three years, rental growth decelerates or even declines. The current fourth super-cycle, which began in late 2021, has far exceeded previous cycles in duration. The structural increase in logistics facility demand has been driven by the COVID-19 pandemic, which attracted substantial capital inflows into the sector. This led nationwide stock to double between 2021 and 2025. After breaching the three-year threshold in Q2 2022, the cycle remained above this level for 14 consecutive quarters, setting the stage for accelerated rental declines post-2024.

CBRE's projections indicate that China's warehouse cycle will oscillate around the three-year threshold between 2026 and 2027, with rents gradually bottoming out and recovering across markets based on local supply-demand dynamics. As vacancy rates continue to decline with limited new supply, the market is expected to enter its fifth cycle by mid-2028. Given developers' caution towards greenfield development following the sharp rental decline, new supply is projected to remain limited before 2030. This sets the stage for a rapid rental rebound in 2028.

Figure 15: China Warehouse Logistics Cycle⁶ (2010-2030)



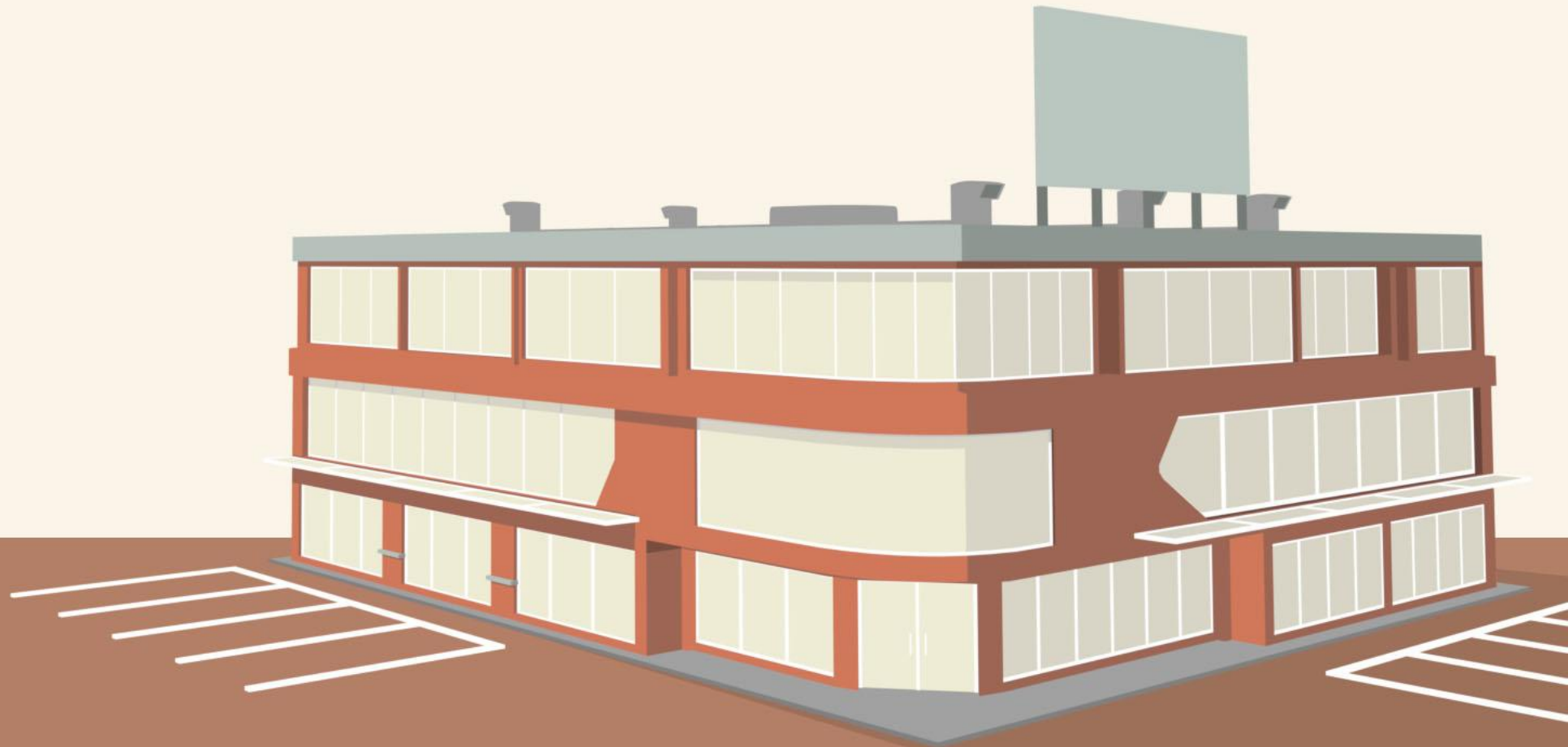
Note 6: Destocking cycle = (Current vacant space + future supply in the next four quarters) / previous net absorption in the past four quarters.

Source: CBRE Research, February 2026.

— Destocking cycle (LHS) — Rental growth (RHS)

04

Retail



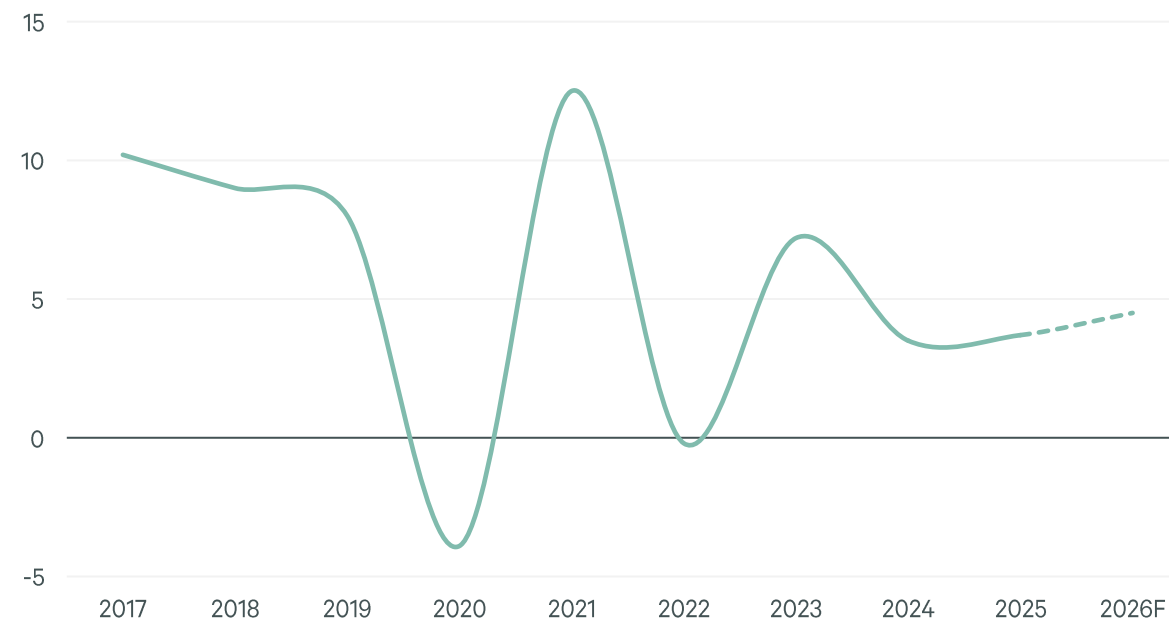
Gradual consumption recovery to continue in 2026

Boosted by "trade-in" policies, China's total retail sales grew 3.7% y-o-y in 2025, with the growth rate accelerating by 0.2 percentage points from the previous year. Along with double-digit growth in subsidy-led categories such as home appliances, furniture, and smartphones, apparel and cosmetics sales rose by 2.8% y-o-y and 5.1% y-o-y, respectively. These figures represent a significant pick-up from the slight increment of 0.1% y-o-y and decline of -1.1% y-o-y recorded in 2024, signaling a marginal improvement in discretionary spending.

The gradual recovery of household consumption is expected to persist over the course of 2026, with annual retail sales growth forecasted to reach 4.0% - 4.5% y-o-y. Although the first batch of "trade-in" subsidies may slightly decrease compared to last year, increased investment in livelihood protection such as education and healthcare under the "Investing in People" strategic guidance of the 15th Five-Year Plan will gradually boost consumers' propensity to spend.

The expansion of China's "visa-free friends" policy will inject new vitality into the domestic consumption market this year. In the first nine months of 2025, the number of foreigners entering and exiting through national ports exceeded the total for the entire year of 2024. Inbound international tourist arrivals and their spending are expected to grow further in 2026.

Figure 16: Annual Growth and Projections of Total Retail Sales of Consumer Goods



Source: EIU, CBRE Research, February 2026.

Emerging consumption to drive leasing demand

Emerging consumption themes such as the health economy, beauty economy, and emotional economy have become more prominent in recent years, leading to a rapid increase in the number of enterprises operating in these categories. CBRE's indexed analysis of Tianyancha data shows that from 2023 to 2025, the annual number of new registrations for medical beauty, outdoor sports, pets, and ACGN-related (Anime, Comic, Games, Novel) enterprises reached 200%-500% of 2021 levels.

Retail leasing market activity reflects this shift. Among the new store openings recorded by CBRE in 2025, the number of new stores⁷ across these four themes all achieved y-o-y growth of over 20%, with rapid expansion expected to continue in 2026.

Among traditional categories, corporate registration activity for apparel and cosmetics bottomed out and rebounded in 2025, consistent with trends in total retail sales data. While new registrations for F&B enterprises continued to decline, high-frequency brand openings and consolidation ensured both store openings and closures continued to be witnessed in the leasing market.

New registrations for consumer service enterprises continue to grow rapidly. In 2025, CBRE recorded an 18% y-o-y increase in new openings by companies in service sectors such as hairdressing, wellness/massage, and gyms in shopping centres. Given the experiential nature of service formats and the potential for structural growth in service consumption, leasing demand in this sector will continue to grow steadily. CBRE's analysis of a representative shopping centre sample⁸ leads to the same conclusion: service formats currently account for 2-8% of total GLA and 3-10% of rental income, suggesting further room for upward adjustment.

Figure 17: Corporate Registration Activity Index - Traditional Consumption Categories
2021=100

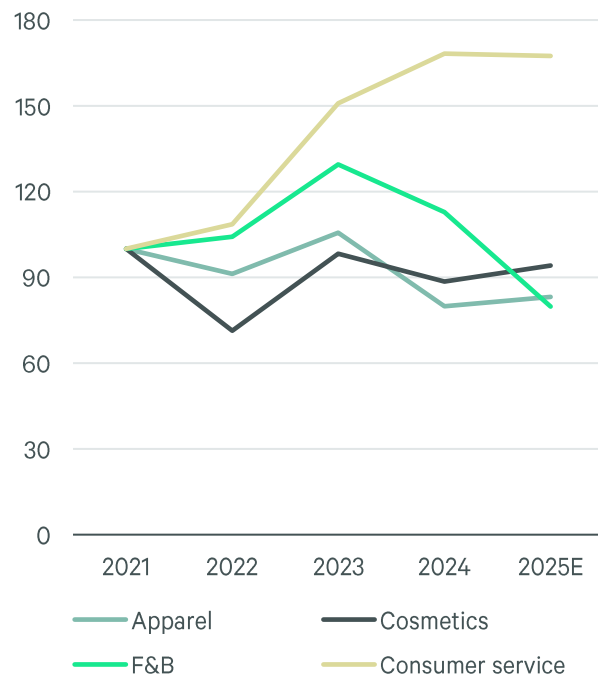


Figure 18: Corporate Registration Activity Index - Emerging Consumption Themes
2021=100



Source: Tianyancha, Qichacha, CBRE Research, February 2026.

Note 7: The number of new store openings is based on records captured by CBRE in Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Hangzhou, and Nanjing.

Note 8: The research sample includes selected shopping centres that are listed or have issued REITs, ABS, or quasi-REIT products.

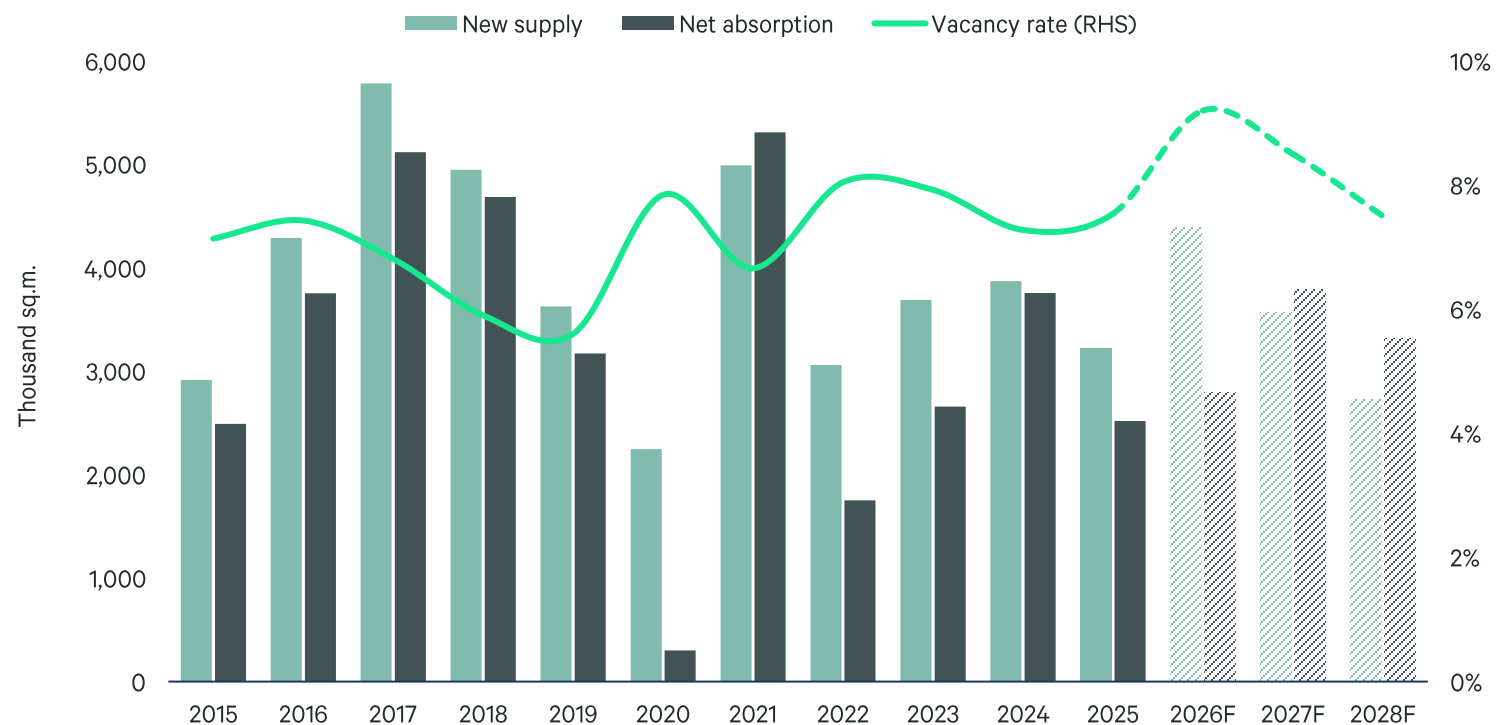
New openings and retrofits to drive both quantity and quality of new supply during 2026 and 2027

CBRE forecasts new retail supply in China's eight major cities to remain ample in 2026 and 2027, reaching 4.39 million sq. m. and 3.56 million sq. m., respectively. New supply in Shanghai, Guangzhou, Hangzhou, Nanjing, and Tianjin is expected to increase from the previous two years before tapering off in 2028.

China's wave of urban renewal is accelerating the revitalisation of aging shopping malls. Highlights in 2025 included Hang Lung Properties securing operating rights for Shanghai Westgate Mall, Hangzhou Department Store, and Wuxi New World Department Store, as well as Longfor taking over Beijing The Place. CBRE data show 1.07 million sq. m. of shopping mall area is currently under renovation, 90% of which is scheduled to reopen by the end of 2027.

CBRE's December 2025 Asia Pacific Leasing Sentiment Survey found that 51% of business enquiries from retail brands in mainland China involved new setup or expansion, while 21% of enquiries were related to space reduction and store consolidation. Considering that the recovery of household consumption is a gradual process and brands are pursuing expansion and consolidation simultaneously, CBRE maintains a cautiously optimistic outlook for retail demand. Net absorption is forecasted to rise by 11% y-o-y across the eight major cities in 2026.

Figure 19: China Retail Market New Supply, Net Absorption and Vacancy Rate



Source: CBRE Research, February 2026.

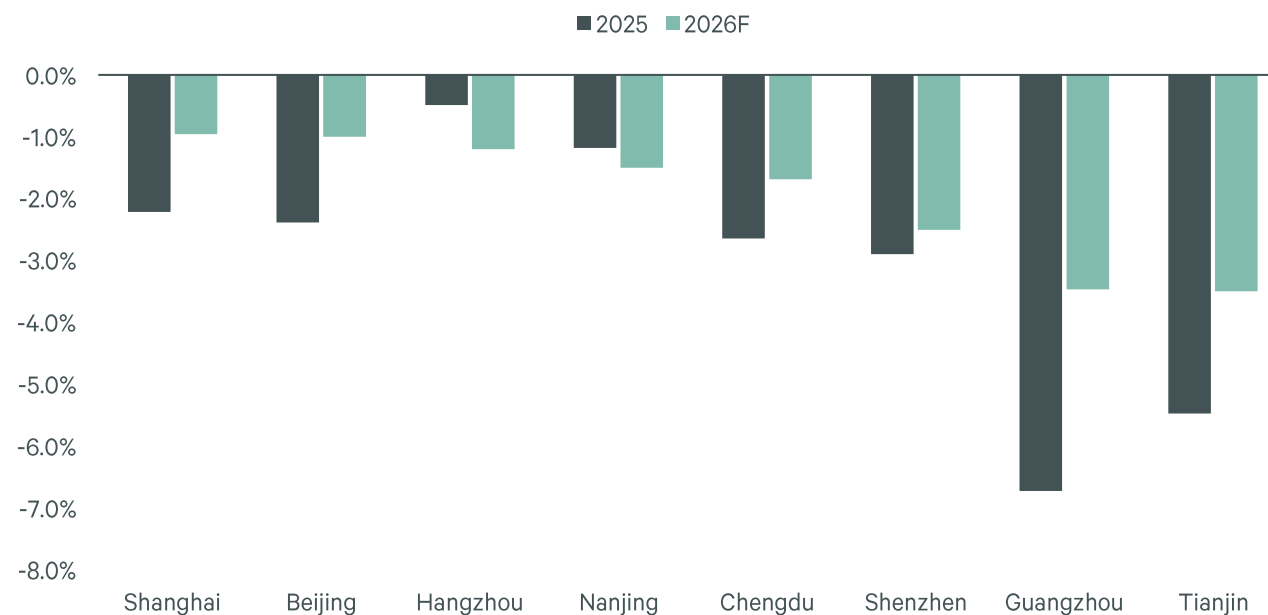
Rents to drop further; narrower decline expected in Beijing and Shanghai

China's consumer confidence has yet to fully emerge from its trough, while retailers retain cautious expansion strategies. These factors, combined with a near-term peak in new project completions, will ensure stiff competition for tenants among shopping centre landlords in 2026. The polarisation of footfall and sales is expected to further deepen, placing continued downward pressure on overall rents. CBRE forecasts that average shopping centre ground-floor asking rents across eight major cities will decline by approximately 1.5% y-o-y. Based on the projected marginal improvement in discretionary consumption, shopping centre rents are expected to stabilise in 2027.

The trend among retailers to focus on core cities and submarkets, alongside sustained local government support to entice retailers to set up first-stores, has bolstered the resilience of premium shopping malls in Shanghai and Beijing's core areas. Rental declines in these two cities are expected to narrow to within 1.0% y-o-y this year.

Hangzhou and Nanjing will see the completion of 420,000 sq. m. and 580,000 sq. m. of new supply in 2026, the highest supply level for both cities in the past five years. This will exert stronger downward pressure on rents. In Chengdu, the ongoing repositioning of department stores and shopping centres in core submarkets will see rents decline further.

Figure 20: Ground Floor Rents of Shopping Malls in Major Cities



Source: CBRE Research, February 2026.

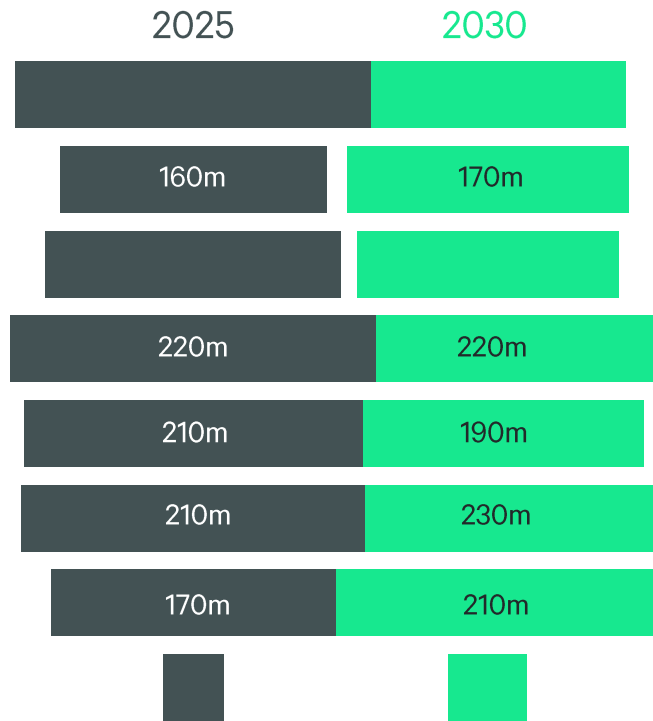
15th Five-Year Plan outlook: Seizing opportunities arising from demographic shifts

With China's total population peaking during the 14th Five-Year Plan period, this demographic shift will be critical in capturing consumption trends over the next five years. United Nations data show that the more than 400 million people born in the 1970s and 1980s will remain the backbone of both China's workforce and consumption between 2026 and 2030. The "silver generation" along with the post-00s and post-10s will become the primary sources of incremental consumption.

CBRE expects the "second life" consumption philosophy, fueled by aging and the retirement wave, to drive rapid growth in senior-friendly products and service-oriented consumption such as wellness, leisure, and entertainment. Demand for personal expression and the digitally-native nature of the post-00s and post-10s will continue to inject vitality into sectors like trendy apparel and the goods economy.

Shopping centre landlords and operators are advised to align their offering with this evolution of demographic and consumption preferences. Strategies include optimising tenant mixes based on target customer profiles and competitive landscapes; creating themed consumption scenarios; and assessing the feasibility of senior-friendly adjustments across three dimensions of hardware, services, and operations.

Figure 21: Changes in Population Size and Share by Age Group (2030 vs. 2025)

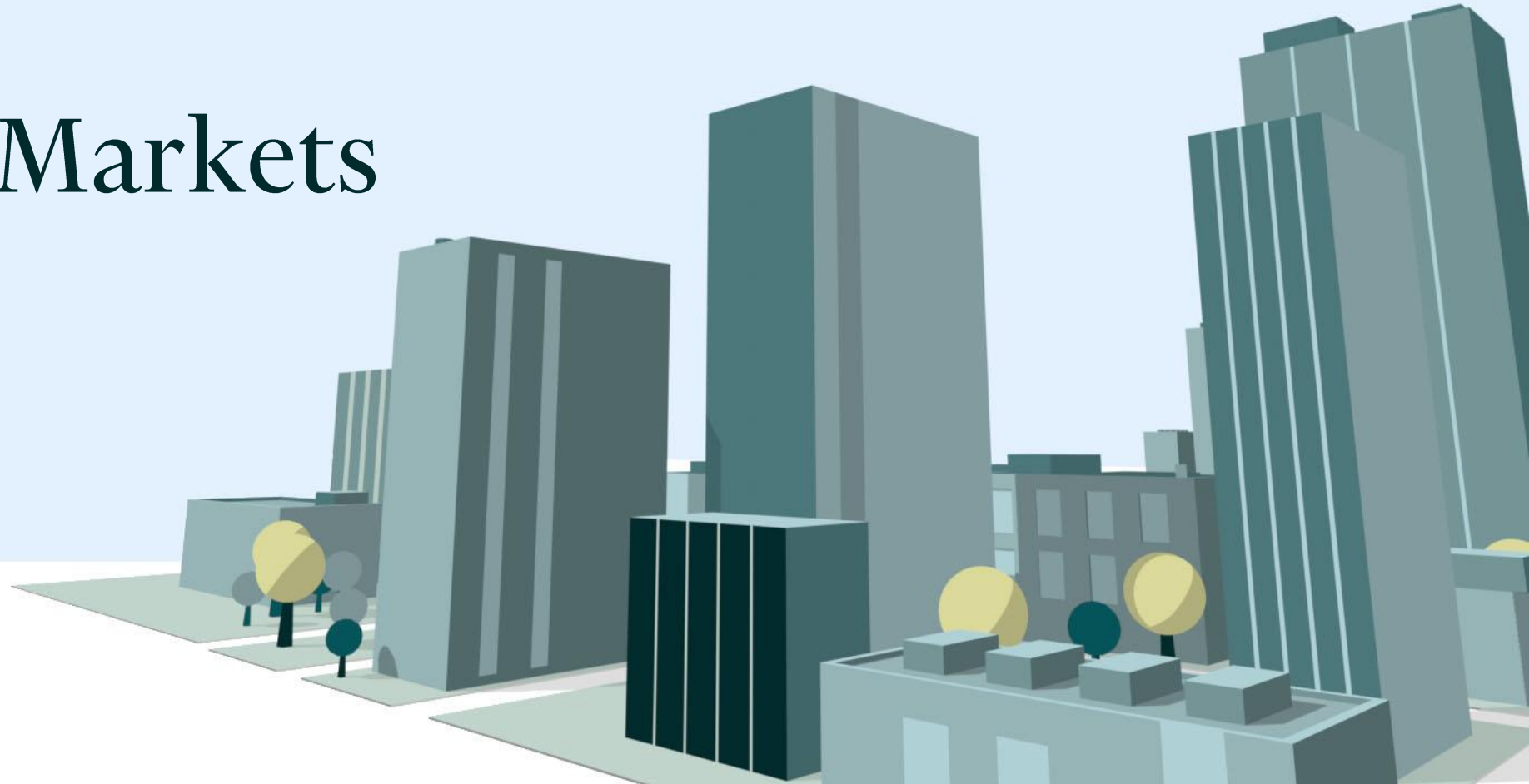


Source: United Nations, CBRE Research, February 2026.

	Five-Year Population Growth Rate	Share in 2030E
Under age 15	-22%	12%
Age 15-24	6%	12%
Age 25-34	-11%	12%
Age 35-44	-2%	16%
Age 45-54	-7%	14%
Age 55-64	7%	16%
Age 65-79	19%	15%
Above age 80	32%	3%

05

Capital Markets



Improved financing environment injects new momentum into commercial real estate investment

External uncertainty, slowing domestic growth, and persistent leasing imbalances ensured China's commercial real estate investment market remained subdued in 2025. While the number of commercial real estate investment transactions dropped 30% y-o-y to 354, the completion of several large retail and data centre portfolio deals pushed total investment volume up by 12% y-o-y to RMB 254.7 billion.

CBRE's 2026 China Investor Intentions Survey uncovered continued caution among investors, although both buying and selling intentions ticked up in this year's survey. Net buying sentiment among domestic investors in this year's survey turned positive, led by institutional capital and private equity funds.

Regulatory easing significantly improved the availability of commercial real estate financing in 2025. Key measures included raising LTV ratios to 70% for both control-oriented M&A and commercial property loans, with M&A tenors extended to 10 years. In addition, the dividend yield requirement for rental-backed C-REITs was lowered to 150bps above the 10-year treasury yield for the next two years.

Despite macroeconomic and geopolitical headwinds, the combination of attractive valuations and an improved financing environment will catalyse activity this year. CBRE forecasts commercial real estate investment volume to grow by 5-10% y-o-y in 2026.

Figure 22: China Commercial Real Estate Investment Volume

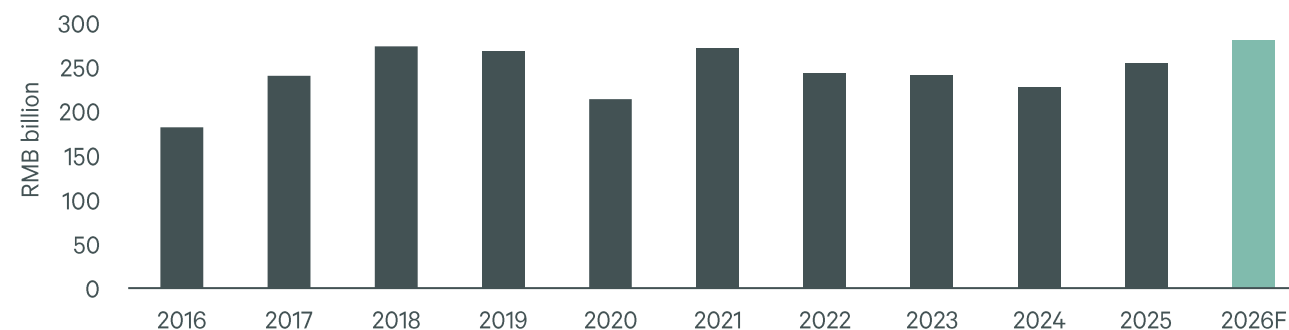
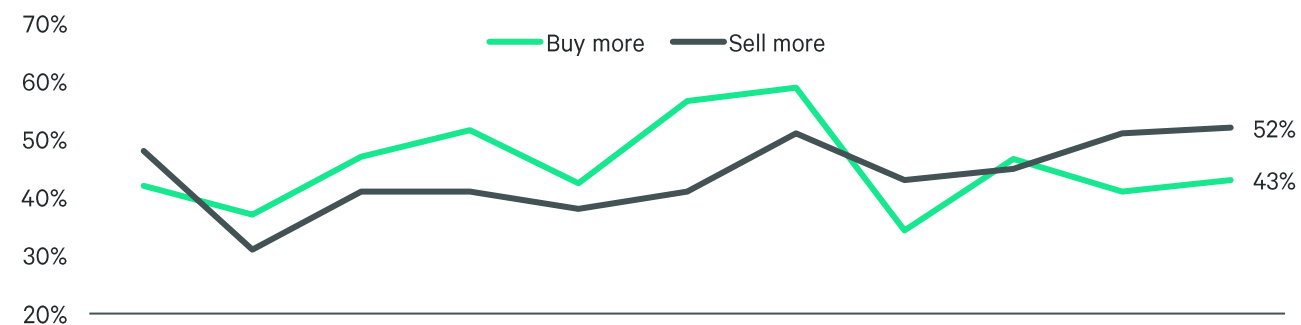


Figure 23: Buying And Selling Intentions 2016-2026

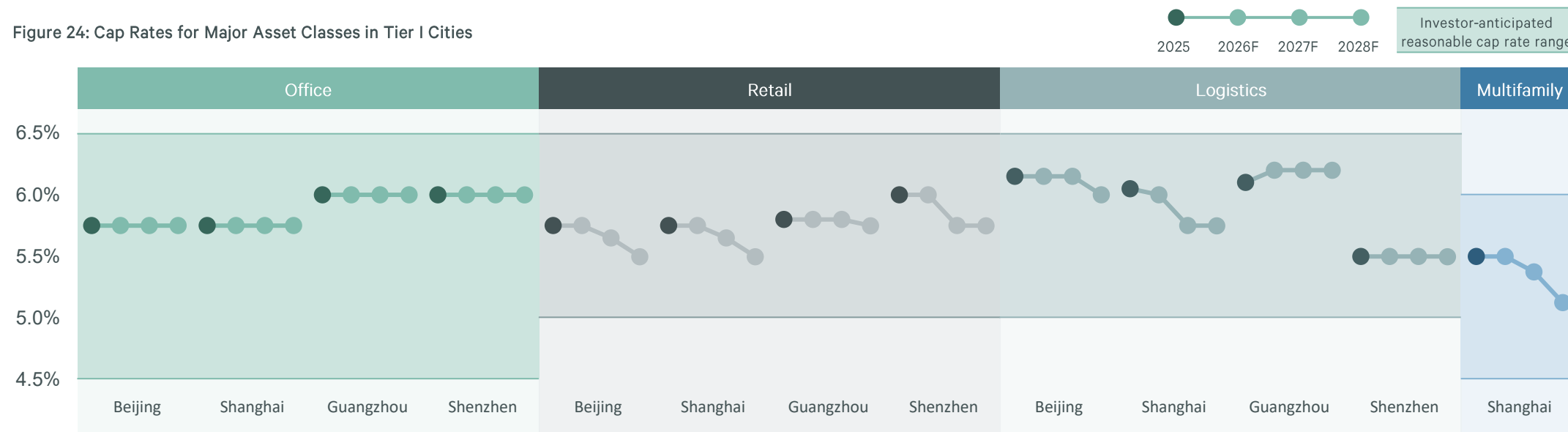


Source: 2026 China Investor Intentions Survey, CBRE Research, February 2026.

Rate cut expectations and adjusted C- REIT dividend requirements to stabilise cap rates

Following four to five years of expansion, cap rates are expected to stabilise at high levels in 2026. Although leasing market headwinds and risk appetite in the investment market have yet to show significant improvement, positive changes in liquidity and the public REIT market should drive cap rates to an important trend-setting juncture for three main reasons. Firstly, CBRE’s measured market cap rates at the end of 2025 are already within the upper half of the reasonable cap rate range expected by investors in CBRE’s 2026 China Investor Intentions Survey. Secondly, the PBoC’s press conference on January 15, 2026, clearly stated that there remains room for further RRR and interest rate cuts this year, which is expected to drive risk-free rates further down. Thirdly, the average P/NAV of the public REIT market currently stands at 1.25. Combined with the adjusted net cash flow distribution rate requirement (estimated at 150bps over a 1.8-1.9% 10-year government bond yield), which represents a 40-50bps reduction from previous levels, the downward pull from the public market on private market pricing will further intensify in 2026.

Figure 24: Cap Rates for Major Asset Classes in Tier I Cities



Source: CBRE Research, February 2026.

05

Capital Markets

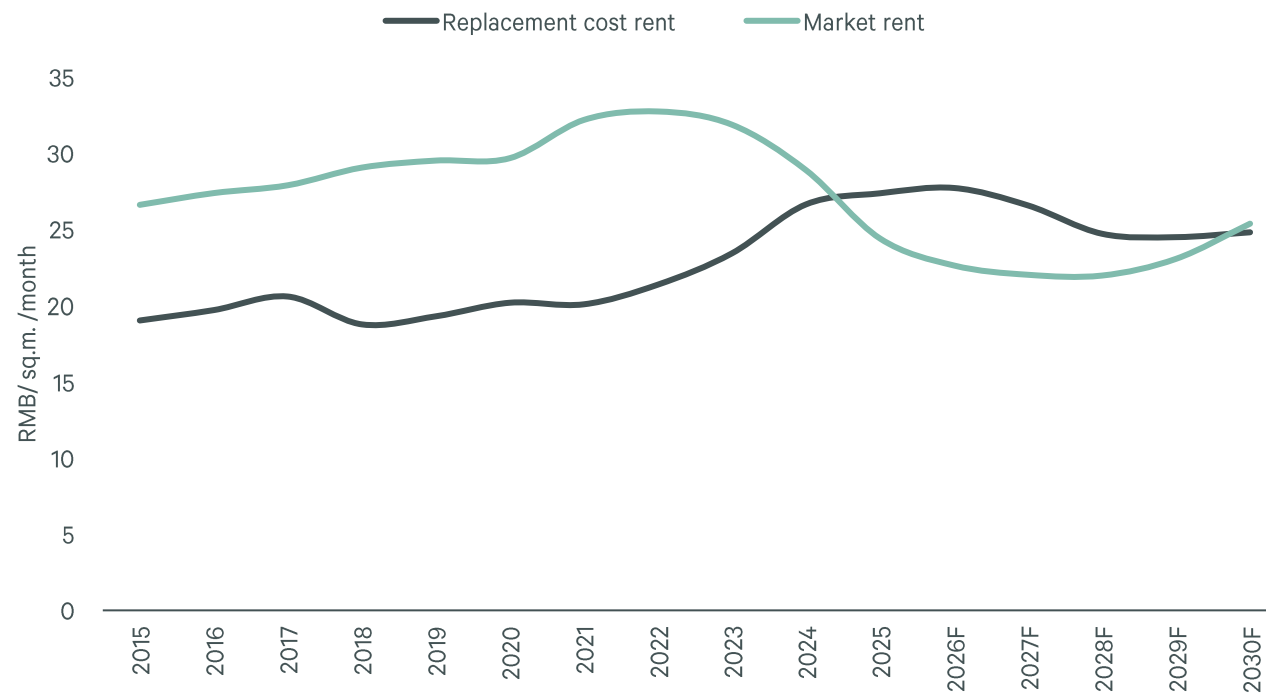
Investment recommendations

Logistics

Respondents to CBRE's 2026 China Investor Intentions Survey ranked logistics as their preferred asset class, with 96% of interested investors focusing on high-standard warehouses.

CBRE data show that the average market rent for high-standard warehouses nationwide in 2025 fell below the replacement cost rent. As asset prices enter a relatively safe level, development investment is likely to remain low for the next two to three years. As CBRE believes a cyclical window for logistics investment has opened in 2026, investors are advised to prioritise acquisitions in east and central-west China where supply-demand dynamics are expected to improve significantly in the short term.

Figure 25: Nationwide Logistics Market Rent and Replacement Cost Rent Forecast



Source: CBRE Research, February 2026.

Investment recommendations

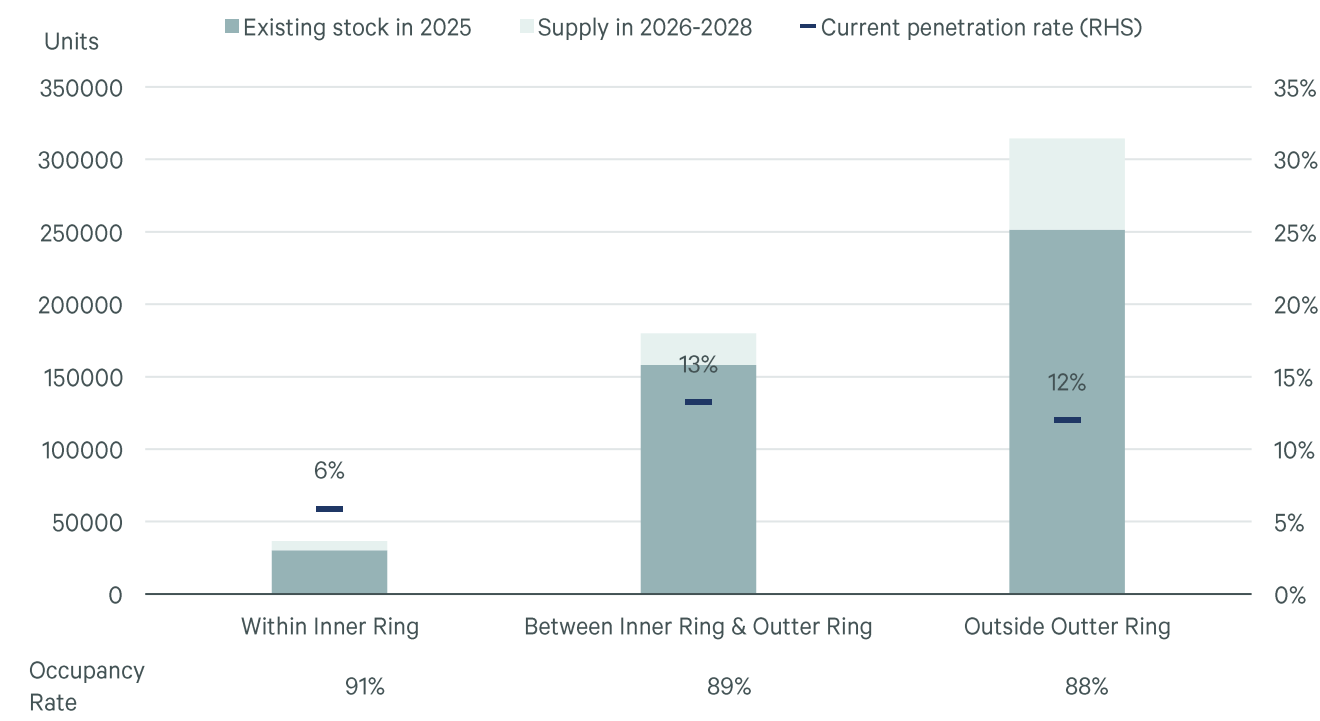
Multifamily

Transaction volume for rental housing in China hit a record high RMB 11.9 billion in 2025, with Beijing and Shanghai accounting for over 70% of the total.

Leveraging its counter-cyclical nature and the established Private-to-Public REIT exit chain, rental housing will remain a much sought-after asset class in 2026. CBRE recommends focusing on stabilised existing projects or urban redevelopment opportunities in supply-constrained core locations. In Shanghai, the penetration rate of rental housing within the Inner Ring is only 6%, with occupancy rates steady above 90%. Only 7% of affordable rental housing supply scheduled for 2026-2028 will be located in the Inner Ring.

Student housing and staff accommodation can provide stable cash flows due to their alignment with target demographics. In the Jingyao project, which is targeted for acquisition via expansion by the China Universal Shanghai Real Estate Rental Housing REIT, Buildings 2, 3 and 5 serve as student housing for New York University Shanghai, while Building 4 is dedicated to faculty use. Located a 10-minute drive from the Qiantan campus with shuttle services, the project offers diverse unit types, from triple rooms to premium suites, alongside student-centric amenities such as resource centres and lounges.

Figure 26: Shanghai Rental Housing Supply and Penetration Rate by Ring Road



Source: CBRE Research, February 2026.

Investment recommendations

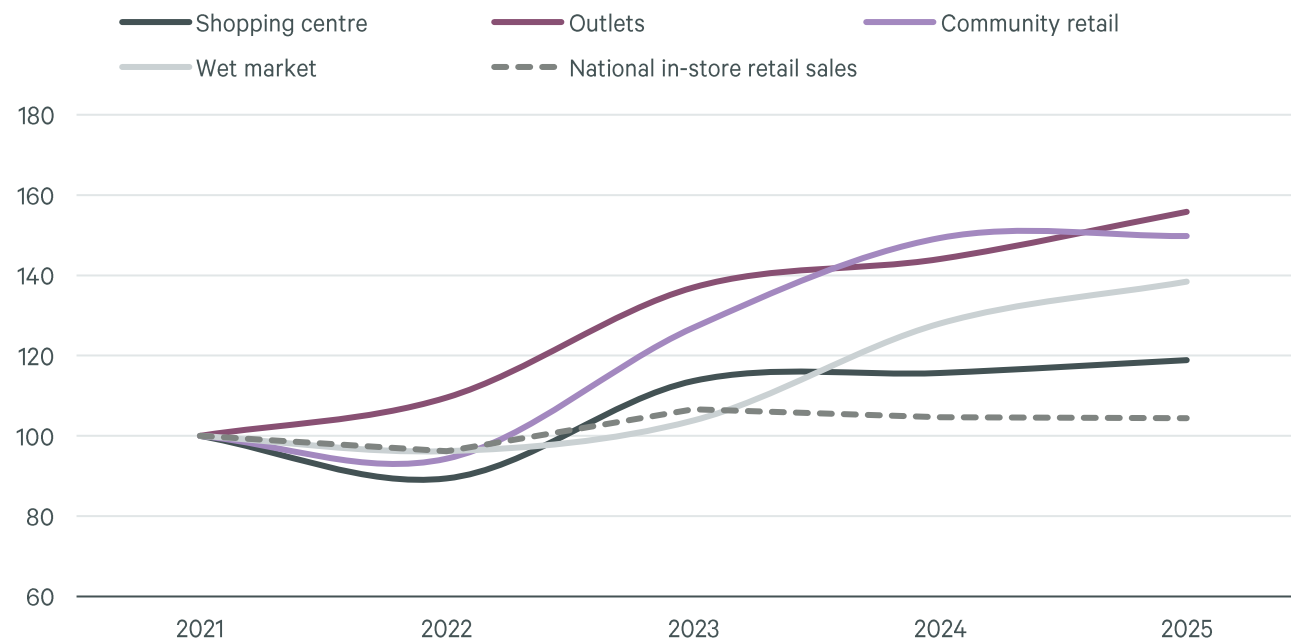
Retail

While the retail leasing market faces headwinds from sluggish household consumption and a near-term supply peak, the widening performance gap driven by operational expertise and improving yields will sustain current strongly levels of investor interest in premium assets.

CBRE’s analysis of consumption-related public REITs shows that from 2021 to Q3 2025, the CAGR of revenue for Outlets, Community Retail, and Shopping Centre REITs reached 11.7%, 10.6%, and 4.4% respectively, all significantly outpacing the 1.1% growth in national in-store retail sales.

While regional shopping centres offer superior liquidity and scale, outlets, with their strong destination consumption appeal, and community retail, anchored by high-frequency necessity spending, will demonstrate greater defensiveness and growth certainty in the short term.

Figure 27: Public REIT Consumption Infrastructure Revenue Index⁹



Note 9: Missing revenue data for consumption infrastructure REITs are annualised based on available disclosures. Due to significant fluctuations from renovations at the Wumart Dacheng Road project between 2021 and 2023, community retail data reflect only the revenues of the Huatian and Deshengmen projects. The 2025 values are calculated based on data from January to September 2025 compared with the same period last year. National offline retail sales are calculated as the difference between total retail sales of consumer goods and online retail sales of physical goods.

Source: CBRE Research, February 2026.

Investment recommendations

Office

Following the inclusion of office buildings in the underlying asset pool for public REITs late last year, the sector is well positioned for a positive 2026. In January 2026, the Shanghai Stock Exchange accepted the first batch of eight commercial real estate REIT filings, four of which featured premium offices in Shanghai, Shenzhen, and Guangzhou. The liquidity generated by China’s public REIT market is beginning to manifest, with momentum gradually transmitting to the private market.

The risk premium (the spread between tier I cities’ Grade A office cap rates and 10-year treasury yields) has reached 280-300bps, significantly enhancing pricing attractiveness. CBRE advises investors to focus on premium assets in core areas where leasing supply-demand fundamentals are more defensive.

In Q4 2025, the vacancy rate in CBDs across tier I cities stood at 14%, well below the citywide average of 22%. With future supply in CBDs expected to remain limited over the next three years, vacancy rates are likely to fluctuate around 15%.

On the demand side, CBRE’s 2025 China Office Occupier Survey shows that 74% of office tenants intend to remain in CBD locations, reflecting their strong preference for prime real estate.

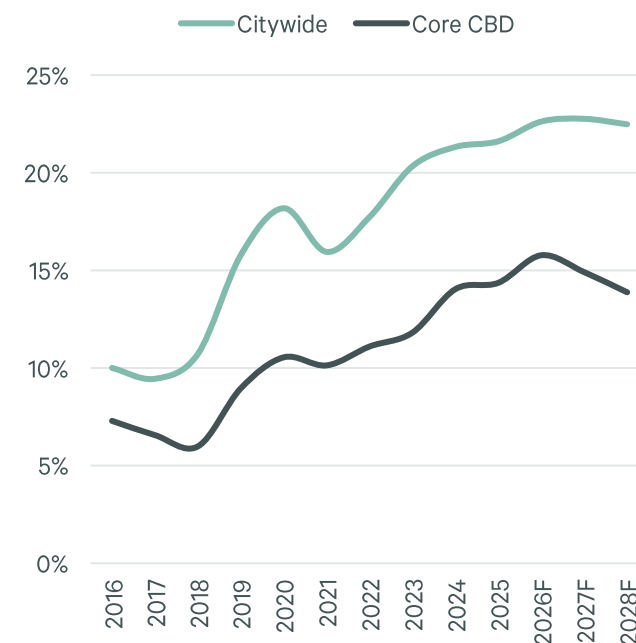
Figure 28: Preference for Location When Relocating

Existing Location	Targeted New Location		
	Core CBD	New CBD ¹⁰	Business Park
Core CBD	74%	22%	4%
New CBD	48%	44%	8%
Business Park	30%	29%	41%

Note 10 : New CBD includes greater CBD and emerging business districts.

Source: CBRE Research, February 2026.

Figure 29: Tier I Cities Office Vacancy: Citywide vs. Core CBD



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