

# Retail leasing demand holds firm; window of opportunity opens in mainland China ahead of recovery



## Key Trends

- Although domestic consumption in **Korea** remained sluggish in Q1 2025 on the back of the weaker Korean won and decline in foreign tourists amid recent political instability, competition for space in prime locations intensified. Active sectors include affordable premium brands, second-hand luxury stores, local cosmetics retailers and family restaurants.
- In **mainland China**, landlords remain willing to offer attractive incentives as the market continues to favour tenants. Prime shopping centres in core locations are performing well and have a long waiting list of potential tenants, but non-prime assets continue to struggle. Expansionary demand is highly concentrated on tier I cities, with significantly fewer requirements for tier II cities.
- **Australia** is seeing improved retail sentiment, supported by an increase in consumer confidence and growth in retail sales. Shopping centre rents are rising again, with both regional and sub regional centres doing well. Major events and good quality F&B is driving demand for CBD retail space, especially in Victoria and South Australia, where vacancy is tightening.

“ Competition for prime retail space in core locations is intensifying as brands prioritise large flagship stores to enhance brand visibility and experience. ”

Vivek Kaul

Managing Director  
Head of A&T – Retail, Asia

## Korea

Landlords and retailers target prime areas as intense competition for space pushes up rents and key money

### STATE OF THE MARKET

- Domestic consumption remained sluggish in Q1 2025 on the back of the weaker Korean won and decline in foreign tourists amid recent political instability.
- Although several international brands cancelled site visits at the end of last year due to political turmoil, demand is already recovering.

### TRANSACTION ACTIVITY

- With the economic slowdown boosting value-oriented consumption, recent months have seen the emergence of new leasing demand from affordable premium brands and second-hand luxury stores.
- Other active sectors include local cosmetics retailers and family restaurants. Mainland Chinese brands with competitive pricing have also been expanding their presence.
- Competition for space in prime locations has intensified, especially in the Seongsu-dong area, where rents continue to rise. Other preferred districts include Hannam-dong and Dosan Park.
- Traditional tourist markets such as Hongdae and Gangnam have started to see the re-emergence of leasing demand in recent months, mainly from mass market, athleisure, and cosmetic brands.

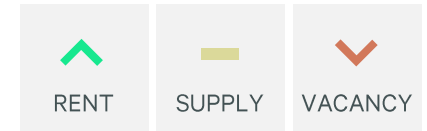
### EMERGING TRENDS

- Key money, a premium that potential tenants must pay to buy out existing tenants, has risen by 400-500% in major retail districts since 2021, adding to retailers' already high costs.
- Seongsu-dong is an increasingly popular location for landlords to offer space for pop up stores due to high rents and strong retailer demand. However, the pace of increase in pop up supply may have surpassed demand, which could cause rents to decline in future.

### OUTLOOK

- Amid intense competition for prime locations, international retailers are advised to move quickly but carefully, while remaining cognisant of key money costs.
- Landlords should review long term planning and formulate sustainable leasing strategies.

### SIX-MONTH OUTLOOK



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## Mainland China

Landlords remain willing to offer attractive incentives as market continues to favour tenants

### STATE OF THE MARKET

- Prime shopping centres in core locations are performing well and have a long waiting list of potential tenants. Non-prime assets continue to struggle.
- Brands with strong existing portfolios are leveraging current downbeat conditions to secure attractive rental packages for new flagship stores in preparation for a market rebound.

### TRANSACTION ACTIVITY

- Expansionary demand is mostly concentrated on tier I cities with relatively fewer requirements for tier II cities, partly due to the struggling residential market in these locations.
- More retailers are adopting leaner real estate strategies involving the reduction of size requirements for standard stores but bigger spaces for flagship stores.
- Recent months have seen domestic brands turn more active in taking up more space and introduce innovative new concepts. During this quarter, one domestic outdoor brand opened its first national flagship store in Shanghai.

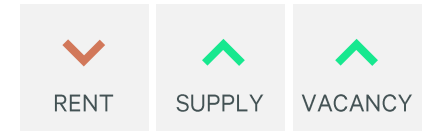
### EMERGING TRENDS

- Although luxury sales are falling due to weaker consumption and the high base of comparison, some niche retailers in this segment are recording steady growth.
- Most international and domestic sports brands continue to thrive. Some smaller groups that offer more technically advanced products are reporting double digit growth in sales and increasing their market share.

### OUTLOOK

- The uncertain economic outlook may prompt some international brands to revise their budgets for expansion.
- With it generally taking six to 10 months to open new stores, leasing activity is not likely to recover until late 2025 or early 2026.
- Landlords are recommended to pursue a more localised strategy and enhance engagement with their malls' catchment area. Areas of focus may include loyalty programmes; new concepts; and regularly refreshing of the overall shopping experience.

### SIX-MONTH OUTLOOK



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## Australia

Retail sentiment improves, supported by increase in consumer confidence and growth in retail sales

### STATE OF THE MARKET

- Leasing demand has been strong since the turn of the year, backed by a steady flow of requirements from a broad range of sectors.
- Shopping centre rents are rising again, with both regional and sub regional centres doing well. Large format retail is outperforming on the back of the country's growing population and consumer demand for convenience shopping. CBD performance is flat but the decline in rents is slowing.

### TRANSACTION ACTIVITY

- Major events and good quality F&B is driving demand for CBD retail space. Vacancy in the Sydney CBD is falling as international and emerging brands seek prime locations to maximise brand engagement and sales performance.
- Strong growth in lifestyle consumption is driving leasing demand from retailers in the sporting goods, athleisure, and outdoor wear segments. Retailers in these categories are looking for space in core locations and prime shopping centres for expansion. During the quarter, one international athleisure brand upsized in Melbourne.
- Rather than increasing the number of stores in CBDs, more retailers are looking at repositioning one existing store as a larger and higher quality flagship can provide a better overall brand experience.
- While the rise in fit-out costs is putting pressure on incentives, both retailers and landlords value investment into better fit-out. This enables retailers to maximise brand experience and landlords to foster long-term relationships with the right tenants.

### EMERGING TRENDS

- Shopping centres are enhancing their status as lifestyle hubs by allocating more floor area to supermarkets, fresh food and wellness.
- Retailers are displaying a stronger preference for standalone units as it is harder for them to control the overall experience and customer engagement in department stores and shopping centres.

### OUTLOOK

- International retailers' expansion plan into prime CBD and shopping centres is expected to intensify the fight for prime space.
- Landlords are recommended to invest and improve assets to attract the right tenants. Retailers should invest more on design and fit-out to build brand image.

### SIX-MONTH OUTLOOK



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