

Shaping  
Our Resilience

INDEPENDENT  
MARKET  
RESEARCH  
REPORT  
2025/26



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- Where "Hong Kong" is mentioned, it refers to the Hong Kong Special Administrative Region.
- Due to rounding differences, figures throughout this report may not add up to the totals shown, and percentages may not total 100%.
- Unless other specified, all quarterly and period references are on a calendar-year basis.

# Independent Market Research Report

BY COLLIERS INTERNATIONAL (HONG KONG) LIMITED

## Singapore

### 1.1 Economy

- Singapore's economy grew 5.0% in 2025, easing from 5.3% in 2024. According to the Ministry of Trade & Industry ("MTI"), growth was mainly driven by the manufacturing, wholesale trade and finance & insurance sectors. In particular, the electronics cluster of the manufacturing sector and the machinery, equipment & supplies segment of the wholesale trade sector grew robustly on account of strong AI-related electronics demand. Meanwhile, the finance & insurance sector saw broad-based growth across all segments amidst largely accommodative financial conditions. On the other hand, the food & beverage services sector contracted, partly due to shifts in dining preferences that weighed on restaurants' sales.
- Headline inflation moderated to 0.9% in 2025, down from 2.4% in 2024. This reflects stabilising prices in 2025 following the GST hikes in 2023 and 2024, easing global inflation and a stronger Singapore dollar that helped to contain imported goods prices. Services inflation also eased over the same period.
- For 1Q 2026, the economy grew by 6.0% year-on-year ("yoy"), extending the 5.7% expansion in the previous quarter. This growth was driven by strong performance of the wholesale trade, manufacturing and finance & insurance sectors. In particular, robust AI-related demand led to growth in the machinery, equipment & supplies segment of the wholesale trade sector, as well as the electronics and precision engineering clusters within the manufacturing sector. Meanwhile, growth in the finance & insurance sector was broad-based, with steady performance in the banking, fund management and security dealing segments. However, higher crude oil and derivative prices, along with supply shortages stemming from the US-Israel-Iran conflict,

contributed to contractions in the fuels & chemicals segment of the wholesale trade sector and the chemicals cluster of the manufacturing sector.

- Singapore's overall unemployment rate was 2.0% in 2025, consistent with the previous year. Although the labour market continued to expand in 2025, quarterly retrenchments ticked up and the yoy job vacancy ratio declined in 4Q 2025.

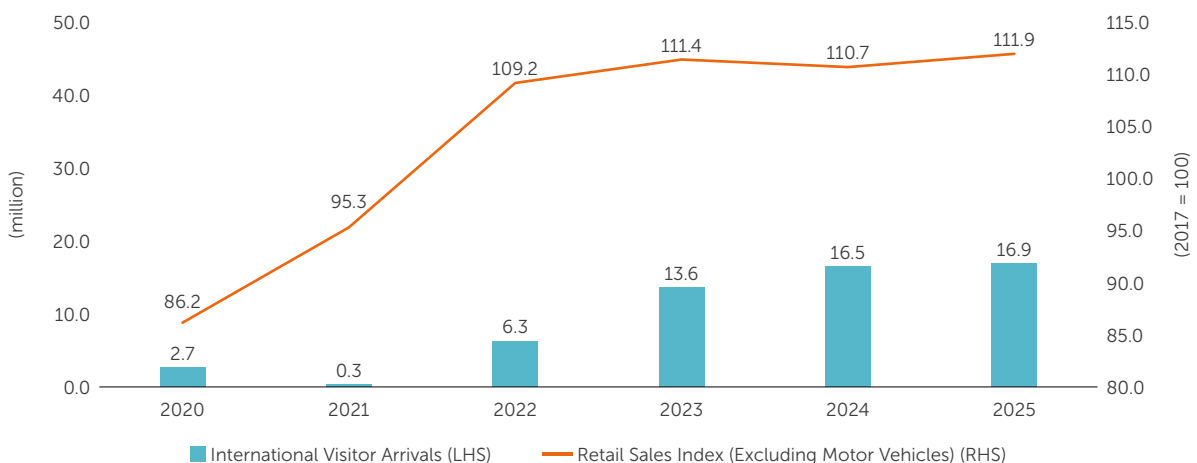
#### Tourist Arrivals

**16.9M**  
(in 2025)

↑ **2.3%**  
yoy

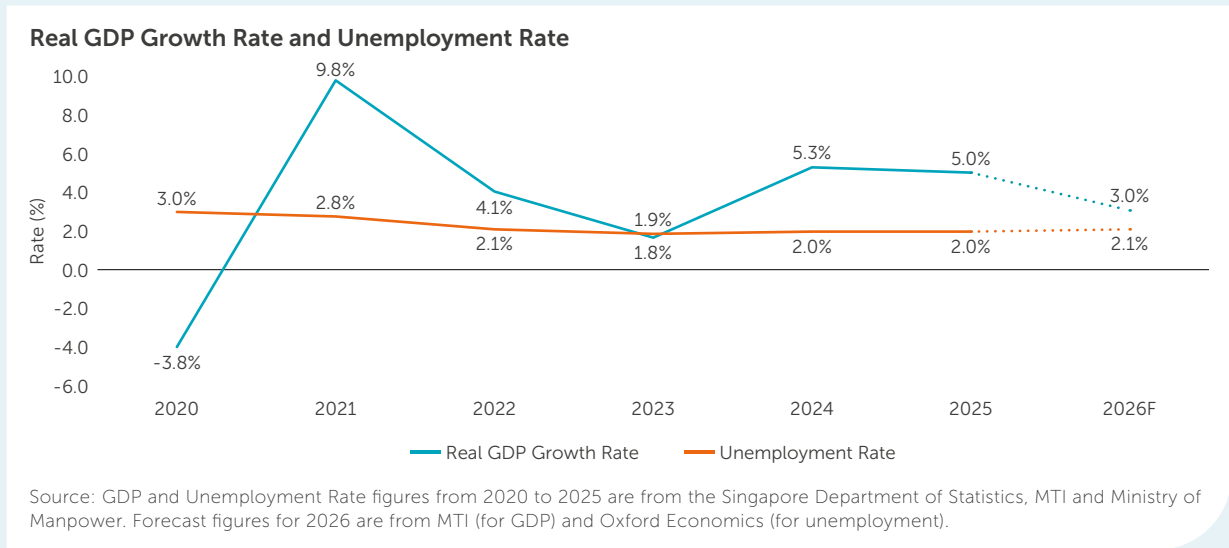
- International visitors reached 16.9 million in 2025, up 2.3% yoy. Growth has moderated from the 21.5% growth in 2024 as the post-pandemic recovery normalises. Current tourist arrivals represent 88.5% of the pre-pandemic level in 2019.
- Although tourist arrivals remained below pre-pandemic levels, tourist receipts in 2025 reached an all-time high of S\$32.8 billion, 18.3% higher than the S\$27.7 billion recorded in 2019 as average visitor spending rose. This reflects Singapore's evolving tourism strategy which prioritises higher-spending and longer-staying visitors over arrival volumes.
- China, Indonesia, Malaysia, Australia and India were the five largest source markets, accounting for 18.3%, 14.4%, 7.5%, 7.5% and 7.1% of arrivals respectively. Among the top ten source markets, Japan recorded the strongest growth at 9.5%, likely reflecting travel rerouting amid diplomatic tensions with China and the Thai-Cambodia border conflict.
- Moderate tourism growth is expected to continue in 2026, supported by an extensive lineup of live entertainment including the annual Formula 1 Singapore Grand Prix, BTS and other major concerts, MICE events such as ITB Asia and ILTM Asia Pacific, as well as new attractions such as Minion Land at Universal Studios Singapore and Rainforest Wild Asia.

#### International Visitor Arrivals and Retail Sales Index



Source: Singapore Tourism Board, Singapore Department of Statistics

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## 1.2 Outlook

- MTI projected Singapore’s economy to grow by 2.0% to 4.0% in 2026, reflecting strong momentum from late-2025 driven by the AI investment boom, alongside supportive global conditions such as expansionary fiscal policies and accommodative financial environments. However, the global outlook has since weakened as a result of the conflict in Middle East, which has disrupted supply of energy and other inputs. The resulting rise in energy and input costs is expected to heighten inflationary pressures, erode real incomes, dampen consumption and tighten financial conditions. These factors will weigh on global growth. Despite these headwinds, AI-related demand has remained robust and should continue to support regional growth.
- Taking into account these developments, Singapore’s external demand outlook has softened. Energy-related and outward-oriented industries in Singapore have been affected by supply disruptions and higher fuel costs, and higher fuel costs have dampened the demand outlook for the air and water transport segments of the transportation & storage sector.
- Conversely, AI-driven sectors should continue to drive the electronics and precision engineering clusters within the manufacturing sector. In turn, the strong performance of the electronics cluster will have positive spillover effects on the machinery, equipment & supplies segment of the wholesale trade sector. Meanwhile, outward-oriented services sectors including the information & communications sector are also expected to register steady growth due to continued enterprise demand for AI-enabled and other digital solutions, although the finance and insurance sector may face pressure from tighter financial conditions, partially offset by capital inflows amid market volatility.
- In April 2026, the Monetary Authority of Singapore (“MAS”) announced the tightening of monetary

policy in response to volatility in energy prices and supply pressure stemming from the Middle East conflict, increasing the rate of appreciation of the SGD nominal effective exchange rate policy band while maintaining its width and the level at which it is centred. MAS had also raised its forecast for both core and headline inflation to 1.5% to 2.0%, reflecting the broader pass-through of higher energy costs.

## 1.3 Singapore Retail Market<sup>1</sup>

### Total Retail Sales (Excluding Motor Vehicles)

**S\$44.1B**  
(in 2025)

**2.3%**  
yoy

- Total retail sales rose 2.3% yoy in 2025, supported by a recovery in tourism and modest growth in domestic demand, underpinned by a resilient labour market and lower interest rates easing mortgage servicing costs by households.
- Sectors that recorded the largest yoy growth in December 2025 were Computer & Telecommunications (+21.4%) and Recreational Goods (+20.4%), while sectors that recorded the largest yoy decline were Petrol Service Stations (-9.0%), Watches & Jewellery (-3.1%) and Others (-11.9%)
- The seasonable uplift in year-end retail sales persisted in 2025, driven by major shopping events including marketing promotions, Black Friday, Cyber Monday and other festive period spending.
- Looking ahead, domestic consumer spending is expected to turn more cautious amid rising economic uncertainty and softer labour conditions. However, government support measures such as the disbursement of Community Development Council vouchers in June 2026 should help to cushion the impact.

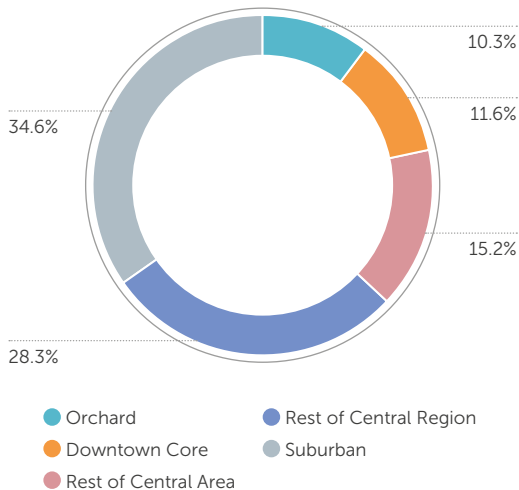
<sup>1</sup> All references to floor area refers to net lettable area (“NLA”), unless otherwise stated.

### Existing Retail Stock

**69.1M square feet<sup>1</sup>**  
(As at 31 December 2025) ▲ 0.6%  
yoy

- Singapore’s existing retail stock stood at 69.1 million square feet as at 31 December 2025, with the majority located in the Central Region (65.4%) and the remaining in the Suburban submarket (34.6%).
- The Central Region comprises four major submarkets: Orchard, Downtown Core, Rest of Central Area, and Rest of Central Region (also known as the City Fringe).<sup>2</sup>
- 409,000 square feet of net retail supply was added to the market in 2025, with the completion of Punggol Coast Mall injecting about 216,900 square feet of retail space into the Suburban market and the redevelopment of Dunearn Village (formerly Link@896) contributing 170,000 square feet of retail space into the Rest of Central Region submarket.
- As at 31 March 2026, Singapore’s existing retail stock stood at 69.2 million square feet, with a net addition of 108,000 square feet of retail supply in 1Q 2026.

### Retail Stock by Submarket



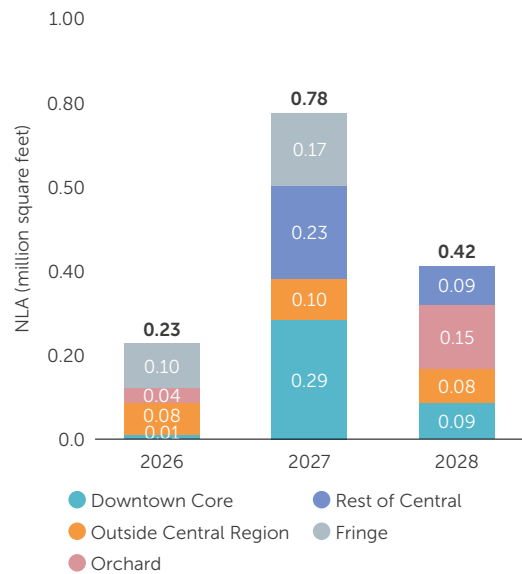
Source: URA, Colliers

### Potential Retail Supply

**1.4M square feet**  
(From 2026 to 2028)

- Approximately 1.4 million square feet of space is expected to be delivered from 2026 to 2028. This averages 0.5 million square feet per year, slightly higher than the past five-year annual average of 0.3 million square feet. Most of the upcoming retail supply in 2026 is located in the Suburban and Fringe submarkets at 32.8% and 43.7%, respectively.

### Potential Supply by Submarket



Source: URA, Colliers, Project Announcements

### Retail Net Take-up<sup>3</sup>

**0.3M square feet<sup>1</sup>**  
(Islandwide in 2025) ▼ 76.3%  
yoy

- Islandwide net absorption remained positive in 2025 but declined by 76.3% yoy, reflecting lower new supply and cautious sentiment. The decline also reflects a high base effect from 2024, when the completion of Pasir Ris Mall contributed significantly to net take-up.
- Despite the recovery in tourism, cautious consumer confidence amid global uncertainties and high operational costs continued to pressure retailers, leading to businesses closing or relocating to more affordable locations.

<sup>1</sup> Source: Urban Redevelopment Authority ("URA").

<sup>2</sup> The Central Area consists of the following planning areas as defined by the URA: Outram, Museum, Newton, River Valley, Singapore River, Marina South, Marina East, Straits View, Rochor, Orchard, Downtown Core. Mapletree Business City, mTower, and VivoCity, owned by MPACT, are located in the City Fringe.

<sup>3</sup> Net take-up is the sum of space that became occupied during the year minus the sum of space that was vacated over the course of the year.

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- Demand for retail space was negative in the first two quarters of 2025 before turning positive in 3Q and 4Q, as new store openings and the continued influx and expansion of foreign brands outpaced closures and supported demand for retail space.
- For 2025, the Suburban market was the largest contributor to positive net absorption at 226,000 square feet, while the Orchard area recorded the largest negative net absorption at -151,000 square feet.
- In 1Q 2026, quarterly net absorption remained relatively muted at around 64,000 square feet.

### Retail Occupancy Rate

**93.7%**  
(Islandwide as at 31 December 2025)

▼ **0.08 Percentage Points ("pp")**  
yoy

- Islandwide retail occupancy was broadly stable yoy at 93.7% as at 31 December 2025, as downsizing and store closures in the central areas were offset by takeup at newly completed projects.
- Occupancy rates across all submarkets remained largely stable as at 31 March 2026, with limited changes observed.

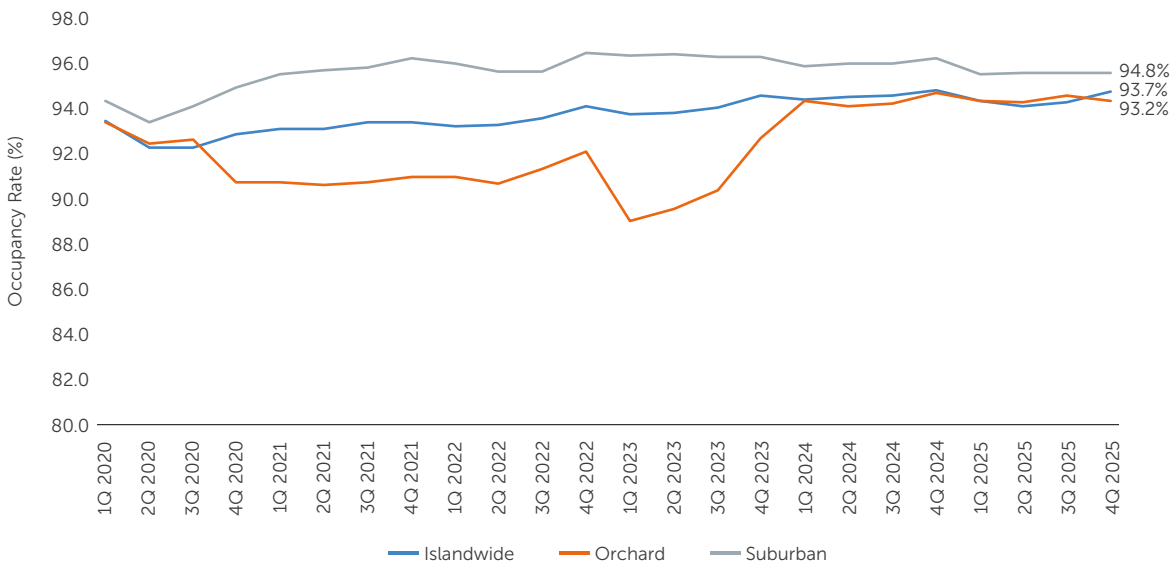
### Average Retail Rent

**S\$14.84**  
per square foot per month<sup>2</sup>  
(Islandwide as at 31 December 2025)

▼ **2.8%**  
yoy

- Average islandwide retail rents decreased 2.8% yoy to S\$14.84 per square foot per month as at 31 December 2025, largely driven by store closures and relocations to more affordable locations. Retailers remained cautious amid reduced consumer spending and broader global economic uncertainties in 2025.
- Average prime Orchard retail rent declined yoy by 3.8% to S\$38.90 per square foot per month as at 31 December 2025. Suburban rents fell more sharply, declining 5.6% yoy to S\$20.98 per square foot per month as at 31 December 2025, reflecting the expansion of net suburban retail supply by 1.0% compared to the 1.6% contraction of net retail supply in the Orchard area. In addition, suburban malls benefitted less from the ongoing tourism recovery and the entry of new-to-market global brands, which disproportionately supported prime Orchard malls.

### Occupancy Rate by Submarket

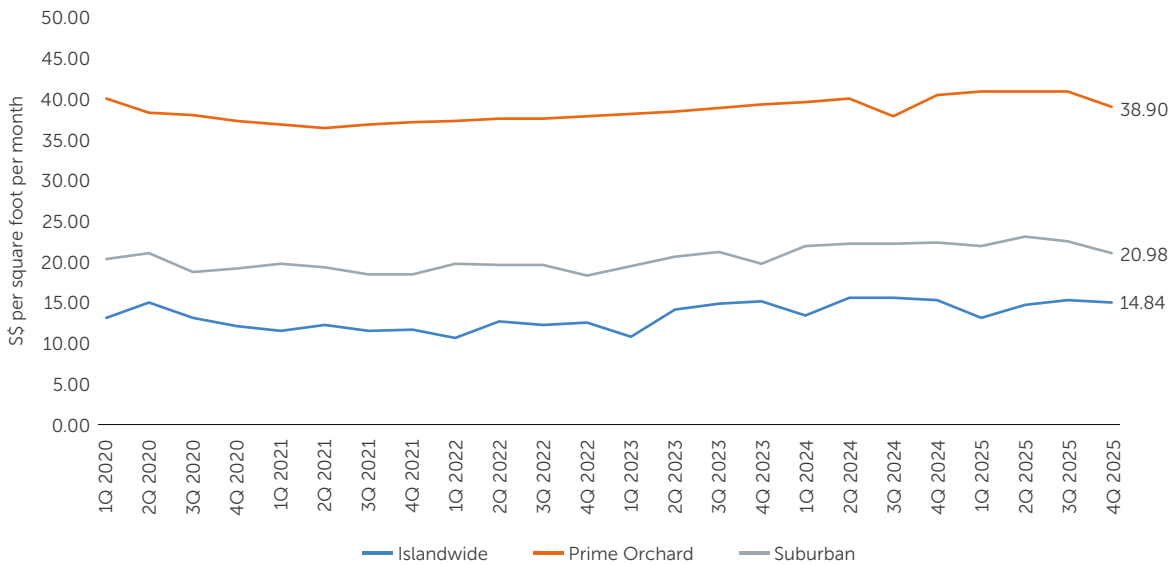


Source: URA, Colliers

<sup>1</sup> This refers to the islandwide average occupancy rate of all retail properties and is published by the URA.

<sup>2</sup> This refers to the islandwide median gross monthly rent of all retail space and is published by the URA.

### Retail Rents by Submarket



Source: URA (Islandwide and Suburban Rents), Colliers (Prime Orchard Rents)

- As at 31 March 2026, average Islandwide retail rents decreased 6.5% yoy to S\$12.08 per square foot per month as the trend of closures and relocation to more affordable locations persisted. Over the same period, prime Orchard rents declined 4.9% yoy to S\$38.90 per square foot per month while suburban rents saw a milder decline of 3.5% yoy to S\$21.02 per square foot per month.

#### Average Retail Capital Value

**S\$3,100** per square foot  
(Islandwide as at 31 December 2025) ▼ 4.4%  
yoy

#### Average Retail Yield

**4.8%**  
(Islandwide as at 31 December 2025) ▼ 0.1 pp  
yoy

- Islandwide retail capital value declined 4.4% yoy to an average of S\$3,100 per square foot as at 31 December 2025, while the average yield compressed by 0.1 pp yoy to 4.8%.
- Market activity in 2025 was robust, with notable retail transactions comprising mostly suburban malls, which included the sale of Clementi Mall by Temasek Holdings' Cuscaden Peak Investments to Chinese investor Elegant Group for S\$809 million (S\$4,100 per square foot). Partial stake transactions included Lendlease Global Commercial REIT's

acquisition of a 70% stake of PLQ Mall from sovereign wealth fund Abu Dhabi Investment Authority for S\$620 million (S\$2,789 per square foot), and Frasers Centrepoint Trust's acquisition of a 50% stake in the south wing of Northpoint City from NG Trust, an entity linked to its sponsor Frasers Property, for S\$1.17 billion (S\$3,757 per square foot).

- As at 1Q 2026, Islandwide retail capital value was S\$2,800 while yields reached 4.6%. Market activity in 1Q 2026 was characterised by portfolio recycling by REITs and institutional investors, alongside selective acquisitions of stabilised suburban malls. They included the sale of 90 strata lots of Bukit Panjang Plaza by CapitaLand Integrated Commercial Trust to US fund manager Hines for S\$428 million (S\$2,602 per square foot based on the mall's 164,500 square feet NLA), and Lendlease Global Commercial REIT's acquisition of the remaining 30% stake in PLQ Mall from its sponsor Lendlease Group for approximately S\$265.5 million (including assumed debt), achieving full ownership of the asset at an agreed property value of S\$885 million (S\$2,789 per square foot). Mercatus Co-operative Limited divested an eleven-asset neighbourhood retail portfolio to Altallo Asset Management for approximately S\$281 million, reflecting continued interest from private capital and asset managers in neighbourhood retail clusters serving heartland catchments.

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## Outlook

- Retailers continue to face headwinds from manpower shortages and high labour costs, elevated operating expenses and intensifying competition from e-commerce and live-streaming platforms. Many F&B operators, which typically operate on thin profit margins, remain under pressure to scale down or exit, resulting in persistently high tenant turnover.
- Despite these challenges, Singapore remains an attractive market for global brands. Chagee and Yuen Kee Dumplings expanded their presence, while new-to-market players including Australian F&B brand Yo-Chi, Japanese fashion retailer 2nd Street and American fried chicken chain Chick-fil-A entered Singapore in 2025. This trend is expected to continue into 2026.
- International visitor arrivals continued to recover in 2025, particularly toward the end of the year as some Chinese tourists redirected travel to Singapore amid China’s diplomatic tensions with Japan. While 2026 visitor arrivals are expected to remain near or below pre-pandemic levels, average visitor spending has increased, with tourism receipts already surpassing pre-pandemic levels. This is consistent with Singapore’s prioritisation of higher-value visitors who stay longer and spend more. Luxury retail segments, including watches & jewellery and high-end fashion, are positioned to see outsized gains from this shift in tourism strategy.
- Looking ahead, Singapore’s continued global appeal is expected to support further entry and expansion by international retailers in 2026, alongside continued growth in tourist arrivals. These tailwinds will likely benefit prime retail malls in central locations more significantly. Combined with limited new supply, this will further drive the emergence of a two-tier retail market, where newer, well-located prime malls increasingly outperform older malls in less optimal locations.

## 1.4 Singapore Office Market<sup>1</sup>

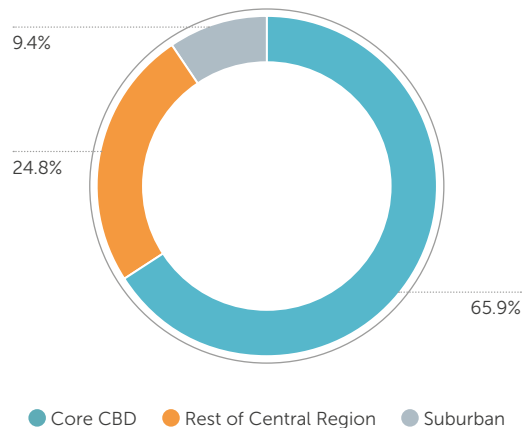
### Existing Office Stock

**88.0M square feet<sup>2</sup>**  
(As at 31 December 2025)

▼ **0.6%**  
yoy

- Singapore’s total existing office stock stood at 88.0 million square feet as at 31 December 2025, with the majority concentrated in the Core CBD (65.9%), and the remaining in the Rest of Central Region (24.8%) and Outside of Central Region (also referred to as the Suburban submarket) (9.4%).
- The Core CBD refers to the Central Area of Singapore, while the Rest of Central Region is also referred to as the City Fringe.<sup>3</sup>
- Net office stock increased by approximately 527,000 square feet in 2025, mainly due to the Rest of Central Region which recorded 398,000 square feet of net office stock increase, mostly driven by the completion of Paya Lebar Green (330,000 square feet). Suburban net office stock rose 161,000 square feet, while Core CBD net office stock contracted 129,000 square feet.
- Net office stock in 1Q 2026 remained relatively stable, with net supply of approximately 86,000 square feet.

**Office Stock by Submarket**  
(As at 31 December 2025)



Source: URA, Colliers

<sup>1</sup> All references to floor area refers to NLA, unless otherwise stated.

<sup>2</sup> Source: URA.

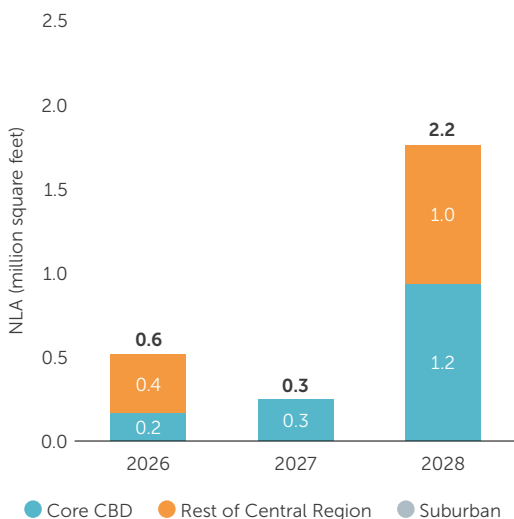
<sup>3</sup> The Central Area comprises the following planning areas as defined by the URA: Outram, Museum, Newton, River Valley, Singapore River, Marina South, Marina East, Straits View, Rochor, Orchard, Downtown Core. For the properties owned by MPACT, Mapletree Business City, mTower, and Bank of America HarbourFront are located in the City Fringe.

### Potential Office Supply

**3.1M square feet**  
(From 2026 to 2028)

- Approximately 3.1 million square feet of space is expected to be delivered from 2026 to 2028, translating into an annual average of 1.0 million square feet, higher than the past five-year annual average of 0.5 million square feet.
- The Core CBD submarket will account for the majority of this upcoming office supply (53.0%), with the rest coming from the Rest of Central Region submarket (47.0%) and no new supply in the Suburban submarket. However, most of the supply in the Core CBD will only come on stream from 2027 onwards.
- Within the Alexandra/HarbourFront Precinct, no new supply is expected in 2026.
- Within the entire Rest of Central Region submarket, only the redevelopment of Shaw Towers is expected to add about 435,000 square feet of space in 2026. Other notable upcoming developments include Newport Tower in 2027, as well as the Skywaters, Clifford Centre and Comcentre redevelopment, all in 2028.

### Potential Supply by Submarket



Source: URA, Colliers, Project Announcements

### Office Net Take-up

**0.1M square feet<sup>1</sup>**  
(Islandwide in 2025)

▼ **27.3%**  
yoy

- Islandwide office leasing demand remained positive in 2025 but contracted 27.3% yoy to approximately 86,000 square feet. Tenant enquiries and inspection activities held up, reflecting sustained occupier interest, although lengthened lease negotiations and decision-making reflect tenants' ongoing caution and preference to maintain strategic flexibility amid an uncertain global environment. Net absorption for 1Q 2026 improved to 0.3 million square feet.
- Leasing volume was largely underpinned by the Financial & Insurance sector, with relocations accounting for the bulk of activity. Flight-to-quality to newer developments was the key driver, with notable examples including Singlife and Bank of New York Mellon, both moving to Marina One from SGX Centre and Millenia Tower, respectively, and Manulife moving out of Manulife Tower to take anchor tenancy at the newly completed Keppel South Central.
- Technology occupiers remained cautious, with demand staying muted compared to prior years. Leasing activity from consumer- and industrial-related sectors also softened as occupiers deferred space commitments.

### Office Occupancy Rate

**88.9%<sup>2</sup>**  
(Islandwide as at 31 December 2025)

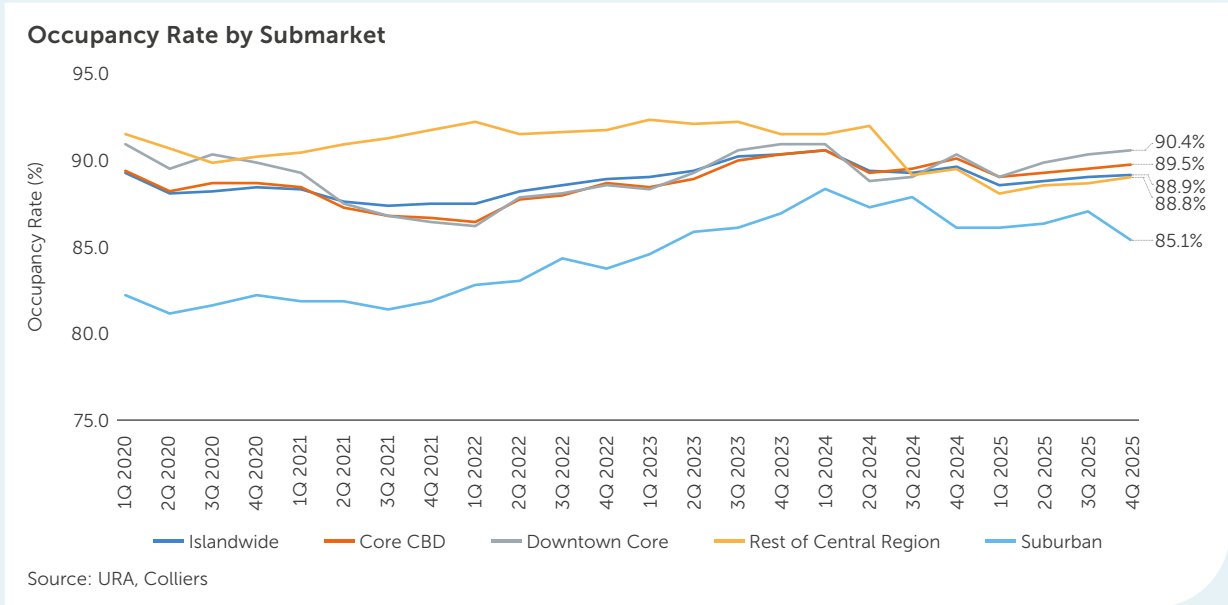
▼ **0.5 pp**  
yoy

- Islandwide office occupancy rate was 88.9% as at 31 December 2025, 0.5 pp lower yoy. The largest decline was recorded in 1Q 2025, with occupancy falling 1.1 pp qoq as the announcement of US reciprocal tariffs led to occupiers to delay expansion and relocation decisions, affecting all submarkets.
- As at 31 December 2025, occupancy rates in the Downtown Core and Core CBD were 90.4% and 89.5%, respectively. The yoy changes were marginal, with an increase of 0.2 pp in the Downtown Core and a decline of 0.4 pp in the Core CBD, underscoring the resilience of prime office space in supply-constrained submarkets. In comparison, occupancy rates in the Rest of Central Region and Suburban markets were 88.8% and 85.1%, representing yoy declines of 0.5 pp and 0.7 pp, respectively.
- Islandwide office occupancy rate rebounded by 0.9 pp yoy to 89.2% as at 31 March 2026.

<sup>1</sup> Source: URA.

<sup>2</sup> This refers to the islandwide average occupancy rate of all office properties and is published by the URA.

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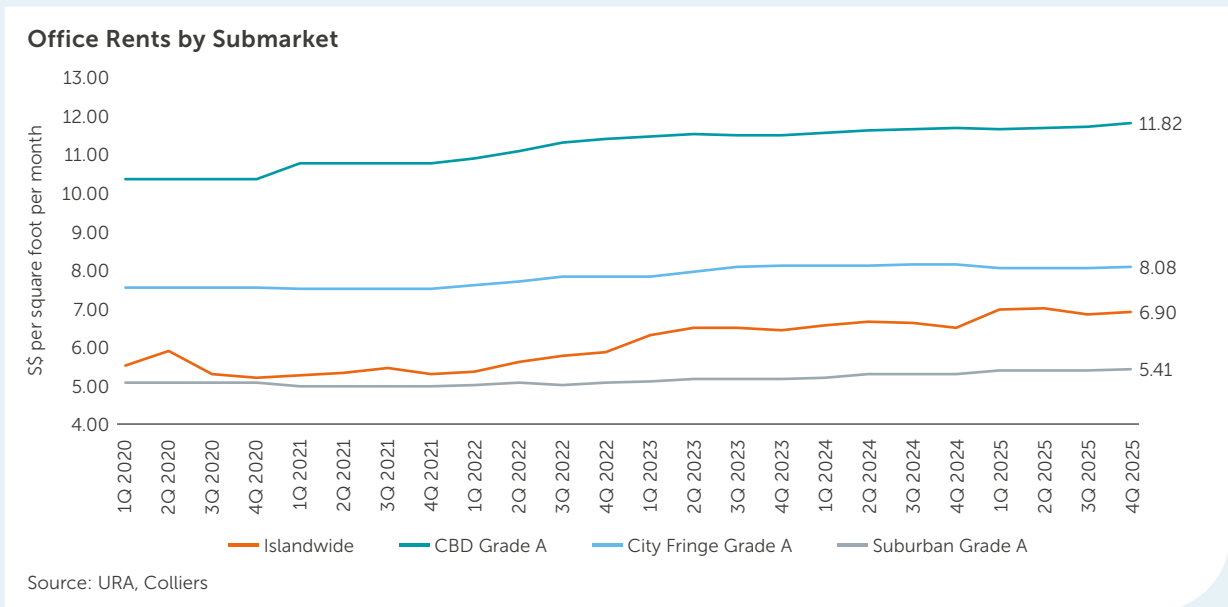
### Average Office Rent

**S\$6.90**  
per square foot per month<sup>1</sup>  
(Islandwide as at 31 December 2025)

**↑ 6.3%**  
yoy

- Grade A office rents in the CBD showed modest yoy growth of 1.2% to S\$11.82 per square foot per month for as at 31 December 2025 while Suburban Grade A office rents increased by 2.3% yoy to S\$5.41 per square foot per month. City Fringe Grade A office rents however declined by 0.6% yoy to S\$8.08 per square foot per month.

- While islandwide office rents declined 1.0% yoy to S\$6.90 per square foot per month as at 31 March 2026, rents in the Singapore office market continued to display strong growth momentum across most segments in 1Q 2026, underpinned by tight supply and firm occupier demand for quality assets. Rental growth has been the most pronounced in the CBD, and premium buildings will continue to attract occupiers and lead the market in both rental growth and occupancy as they benefit from sustained demand driven by flight-to-quality.



<sup>1</sup> This refers to the islandwide median gross monthly rent of all office space and is published by the URA.

### Average CBD Grade A Office Capital Value

**S\$3,100** per square foot ▲ 1.6%  
(As at 31 December 2025) yoy

### Average CBD Grade A Office Yield

**3.6%** ▲ 0.2 pp  
(As at 31 December 2025) yoy

- CBD Grade A capital values edged up to S\$3,100 per square foot, supported by REIT-related transactions. Net yields increased 0.2 pp yoy to 3.6% on the back of resilient rental growth.
- Notable transactions in 2025 included CICT's acquisition of the remaining 55% stake in CapitaSpring from their sponsor CapitaLand Development and joint venture partner Mitsubishi Estate, for S\$1.05 billion (S\$2,822 per square foot), and Keppel REIT's acquisition of a 33% stake in Marina Bay Financial Centre Tower 3 from Hongkong Land for S\$1.45 billion (S\$3,268 per square foot).
- Average Core CBD Premium and Grade A capital values and net yields remained stable at S\$3,100 per square feet for 1Q 2026. Supported by more assets coming to market, office investment in 2026 is expected to continue the momentum from 2025. Well-located and high-specification assets that can cater to flight-to-quality and flexible space trends are likely to be more sought after.

### Outlook

- The Singapore office market is expected to remain landlord-favourable in 2026, supported by a tight CBD supply pipeline.
- Redevelopment activities under the CBD Incentive Scheme and Strategic Incentive Scheme are anticipated to continue, generating displacement demand as older office stock is upgraded or withdrawn from the market. At the same time, the government's decentralisation initiatives will limit new CBD supply, reinforcing upward pressure on rents.
- Rental growth for the Grade A office segment is forecast at 2% to 4% in 2026, driven by constrained supply and sustained demand for quality office space. Interest in fitted and smaller floorplates is expected to increase as occupiers manage costs and prioritise speed-to-occupation, while relocations from fringe areas back into the CBD may increase as firms place greater emphasis on convenience and office attendance.
- Overall, Singapore's pro-business policies and neutral geopolitical stance are expected to underpin baseline demand. While occupiers are likely to stay cautious, enquiry levels are expected to remain steady.

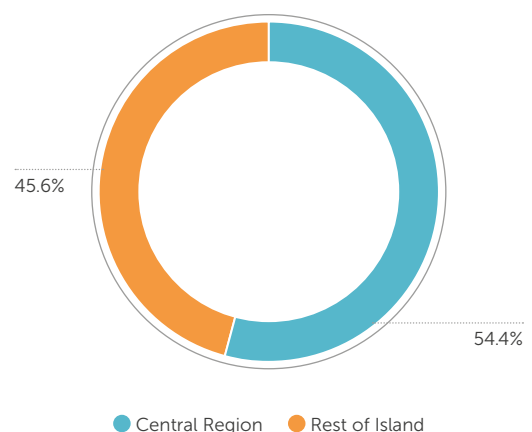
## 1.5 Singapore Business Park Market<sup>1</sup>

### Existing Business Park Stock

**29.0M** square feet<sup>2</sup> ▲ 6.6%  
(As at 31 December 2025) yoy

- Singapore's total existing business park stock rose 6.6% yoy to about 29.0 million square feet as at 31 December 2025. The majority of existing stock is clustered in selected areas in the Central Region (54.4%), with the remaining located across the Rest of Island (45.6%).
- The Central Region comprises the Queenstown planning area and the business parks in the region (Mapletree Business City, one-north and Singapore Science Park). The Rest of Island comprises the East Region (Bedok and Tampines planning areas), West Region (Jurong East and Western Water Catchment planning areas) and North-East Region (Punggol).<sup>3</sup>
- Approximately 1.8 million square feet of net business park supply was added to the market in 2025, largely from developments in the Central and North-East regions. Notable completions included Punggol Digital District adding another 1.3 million square feet in the North-East Region, and Geneo adding approximately 1.2 million square feet in the Central Region.
- As at 31 March 2026, Singapore's business park stock remained consistent against the previous quarter at 29.0 million square feet with no major additions.

### Business Park Stock by Submarket (As at 31 December 2025)



Source: JTC Corporation, Colliers

<sup>1</sup> All references to floor area refers to NLA, unless otherwise stated.

<sup>2</sup> Source: JTC Corporation.

<sup>3</sup> Mapletree Business City, owned by MPACT, is located in the Central Region.

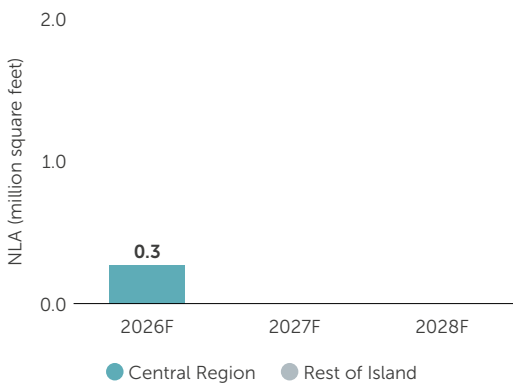
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## Potential Business Park Supply

**0.3M square feet**  
(From 2026 to 2028)

- Approximately 0.3 million square feet of business park space is expected to be delivered in 2026, from a single project – the redevelopment of iQuest@IBP at 27 International Business Park. No other known supply is expected for the period from 2026 to 2028.

### Potential Supply by Submarket



Source: JTC Corporation, Colliers

## Business Park Net Take-up

**1.2M square feet<sup>1</sup>**  
(In 2025) ▲ 175.4%  
yoy

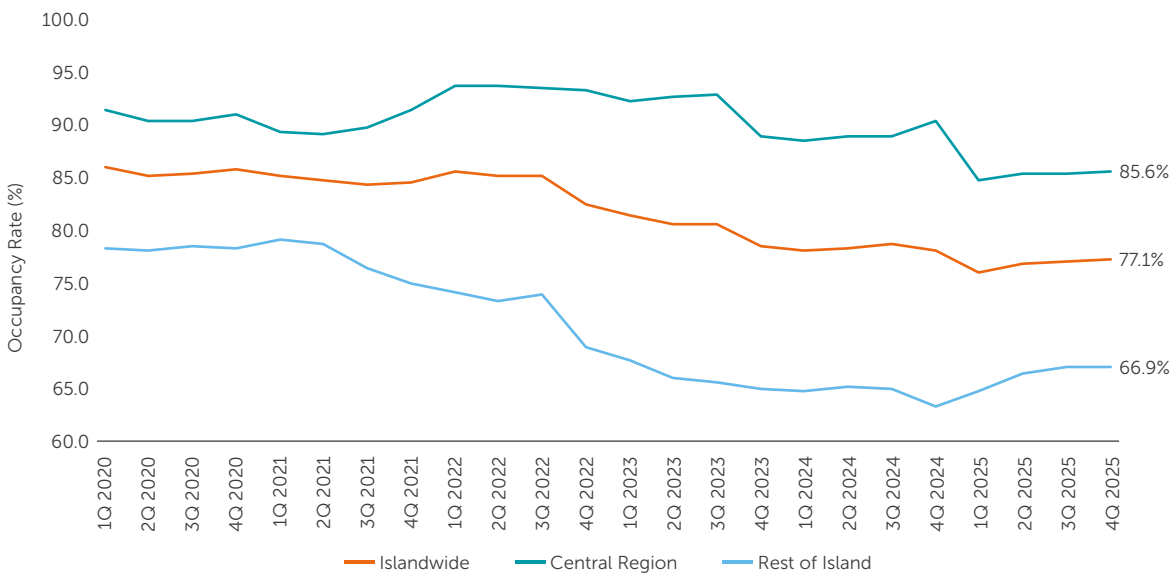
- Islandwide net absorption was 1.2 million square feet in 2025, up by 175.4% from the 420,000 square feet in 2024. This was mainly driven by strong take-up at newly completed developments, particularly Phase 2 of Punggol Digital District located in the Northeast Region.
- All submarkets recorded positive net absorptions in 2025. The North-East Region recorded the largest positive net absorption at 815,000 square feet, followed by the Central Region at 138,000 square feet, the East Region at 129,000 square feet and the West Region at 76,000 square feet.
- In 1Q 2026, overall take-up was around -108,000 square feet.

## Business Park Occupancy Rate

**77.1%<sup>2</sup>**  
(Islandwide as at 31 December 2025) ▼ 0.8 pp  
yoy

- Islandwide business park occupancy rate declined by 0.8 pp yoy to 77.1% as at 31 December 2025, weighed down by the injection of new supply.

### Occupancy Rate by Planning Region

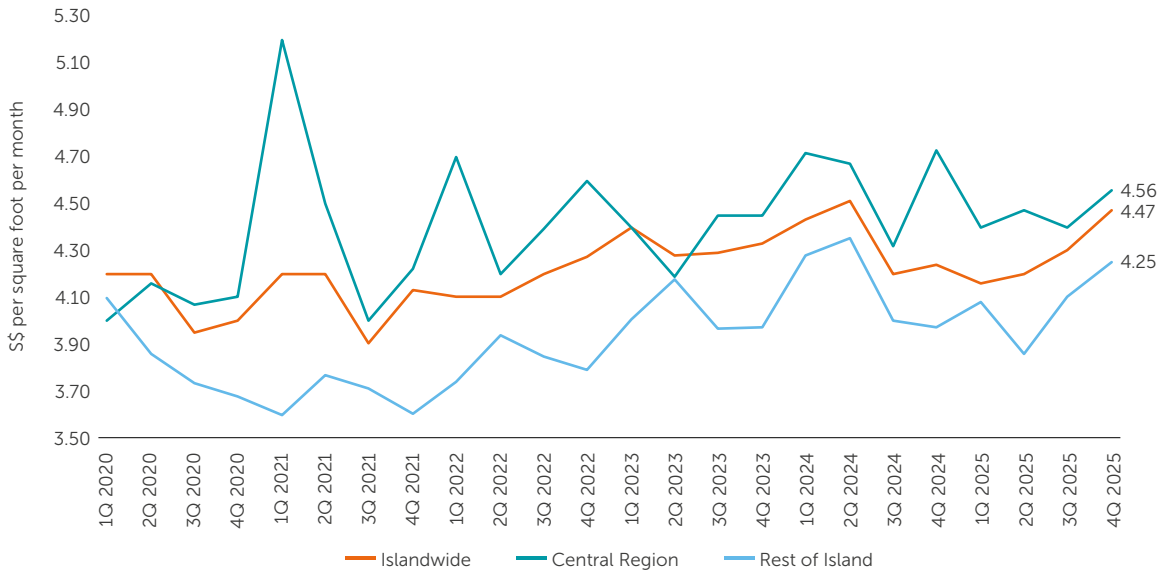


Source: JTC Corporation, Colliers

<sup>1</sup> Source: JTC Corporation.

<sup>2</sup> This refers to the islandwide average occupancy rate of all business park properties and is published by the JTC.

### Business Park Rents by Submarket



Source: JTC Corporation, Colliers

- However, there were signs that new supply was being gradually absorbed, as occupancy recovered from 1Q 2025 when most new developments were completed. With very limited supply expected in coming years, occupancy rates are expected to pick up.
- In 1Q 2026, all submarkets saw qoq declines in occupancy, except for the West Region, where occupancy rose by 5.5 pp to 64.1%.

#### Average Business Park Rent

**S\$4.47**  
per square foot per month<sup>1</sup>  
(Islandwide as at 31 December 2025)

▲ **5.4%**  
yoy

- Average Islandwide business park rent increased 5.4% yoy to S\$4.47 per square foot per month as at 31 December 2025. The market showed divergent trends across submarkets, with the Rest of Island

Region experiencing growth due to new projects, while the Central Region experienced decline, causing rents across submarkets to converge.

- The Rest of Island Region submarket recorded a 7.1% yoy increase in rent to S\$4.25 per square foot per month as of 31 December 2025, driven by improved occupancy and demand from cost-sensitive tenants.
- In contrast, average rent in the Central Region submarket experienced a yoy decline of 3.6% to S\$4.56 per square foot per month as at 31 December 2025. This reflects softer leasing demand amid heightened competition from newer decentralised developments, as well as increased tenant resistance to elevated rents.
- Average Islandwide business park rent increased 9.4% yoy to S\$4.55 per square foot per month as at 31 March 2026, with rents rising across all submarkets except the East region.

<sup>1</sup> This refers to the average Islandwide monthly unit contracted gross rent of all business park space as declared by tenants to Inland Revenue Authority of Singapore through its e-Stamping system and is published by the JTC Corporation. Contracted gross rent includes the base rent and all charges in connection with the lease (such as additional rent, service charge, payment for hire of fittings or equipment, fees for advertising and promotion). It may or may not include any rent-free period and other incentives.

# Independent Market Research Report

## Average Business Park Capital Value

**S\$1,100**  
per square foot  
(As at 31 December 2025)

**Unchanged**  
yoy

## Average Business Park Yield

**6.2%**  
(As at 31 December 2025)

**Unchanged**  
yoy

- Key business park transactions in 2025 included the sale of The Strategy and The Synergy as part of a portfolio sale from Mapletree Industrial Trust to Brookfield Asset Management for S\$280 million and S\$120 million respectively, as well as CapitaLand Ascendas REIT's acquisition of 5 Science Park Drive as part of another portfolio acquisition from its sponsor CapitaLand Development.
- For 1Q 2026, Business Park capital values and yields remained stable at S\$1,100 per square foot while yields rose to 6.3% due to rental growth.

## Outlook

- The business park sector showed signs of stabilisation in 2H 2025, with occupancy improving gradually despite global macroeconomic uncertainties. With only one project, 27 International Business Park, slated for completion in 2026, and no known new supply expected until 2028, the supply pipeline remains limited. Combined with the withdrawal of several older assets for upgrading or conversion to other uses, occupancy rates are expected to improve gradually as existing business park space gets absorbed.
- Business park space is increasingly emerging as a viable alternative for cost-conscious occupiers, supported by an anticipated pick-up in office rents in 2026 and growing interest for more affordable locations. This trend is expected to drive sustained demand, particularly for newer and higher-quality developments in decentralised locations such as Punggol Digital District. The rental convergence observed in 2025 is likely to extend into 2026, as growing demand for more cost-effective options and the availability of quality space in the Rest of Island submarket continue to narrow the gap with Central Region rents.

## Hong Kong

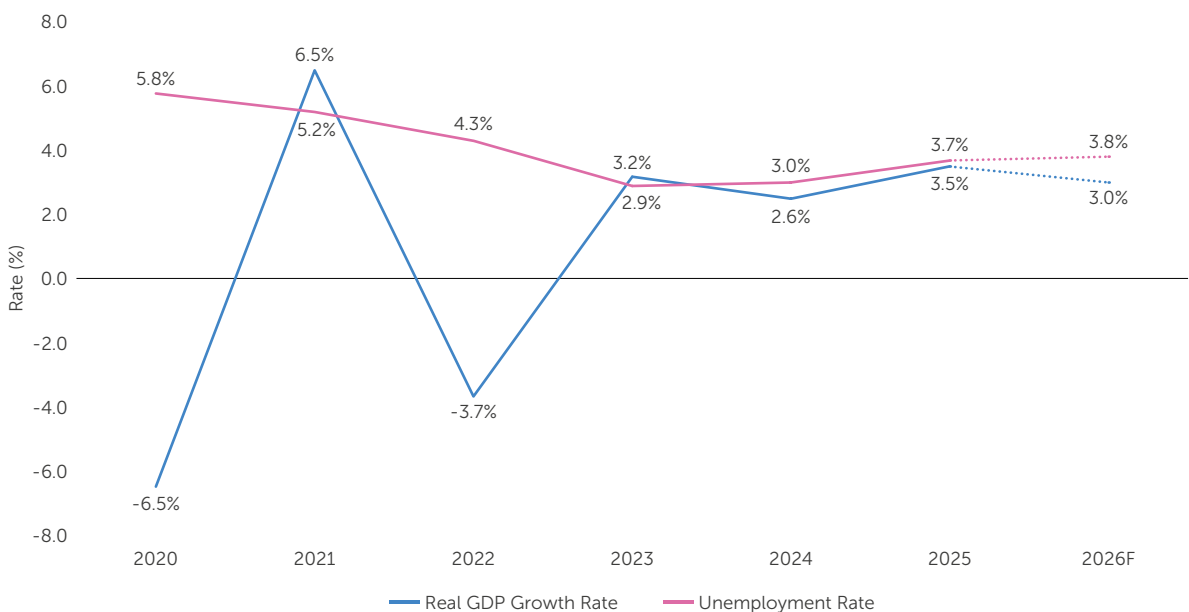
### 1.1 Economy

- Hong Kong's economy grew 3.5% in 2025, accelerating from 2.6% in 2024, as improving external conditions and targeted fiscal support reinforced domestic recovery. The 2025-26 Budget introduced property rate concessions and tax reductions to stimulate domestic demand, while trade diversification initiatives such as expanding economic and trade ties with new global markets helped exporters navigate global demand shift. Tourism recovery boosted services exports, while exports, particularly in electronics and high-tech components, improved alongside easing US-China trade tensions in the latter part of 2025, supporting an improvement in goods export.
- The cumulative effect of successive US Federal Reserve rate cuts since late 2024 improved liquidity conditions in Hong Kong. This has lifted investor sentiment and supported a gradual

recovery in consumption confidence and business investment activities, both contributing to GDP performance.

- The labour market softened moderately, as unemployment rose from 3.0% in 2024 to 3.7% in 2025. The labour market is expected to remain generally stable, supported by improving external demand and a gradual recovery in domestic sentiment. However, global uncertainties and uneven sectoral performance may continue to weigh on the pace of job creation.
- Hong Kong's economy is projected to grow by around 3.0% in 2026, led by tourism and financial markets, with inflation expected to remain moderate. Domestic consumption is likely to remain subdued, weighed down by cautious spending behaviour, persistent cross-border shopping trends and structural cost pressures, all amid rising global uncertainties. The overall outlook is steady but uneven, with the external-facing sectors outperforming the domestic economy.

**Real GDP Growth Rate and Unemployment Rate**



Source: GDP and Unemployment figures from 2020 to 2025 are from the Census and Statistics Department. GDP forecast figure 2026 is from the Government of the Hong Kong SAR and Unemployment Rate forecast figure from the International Monetary Fund.

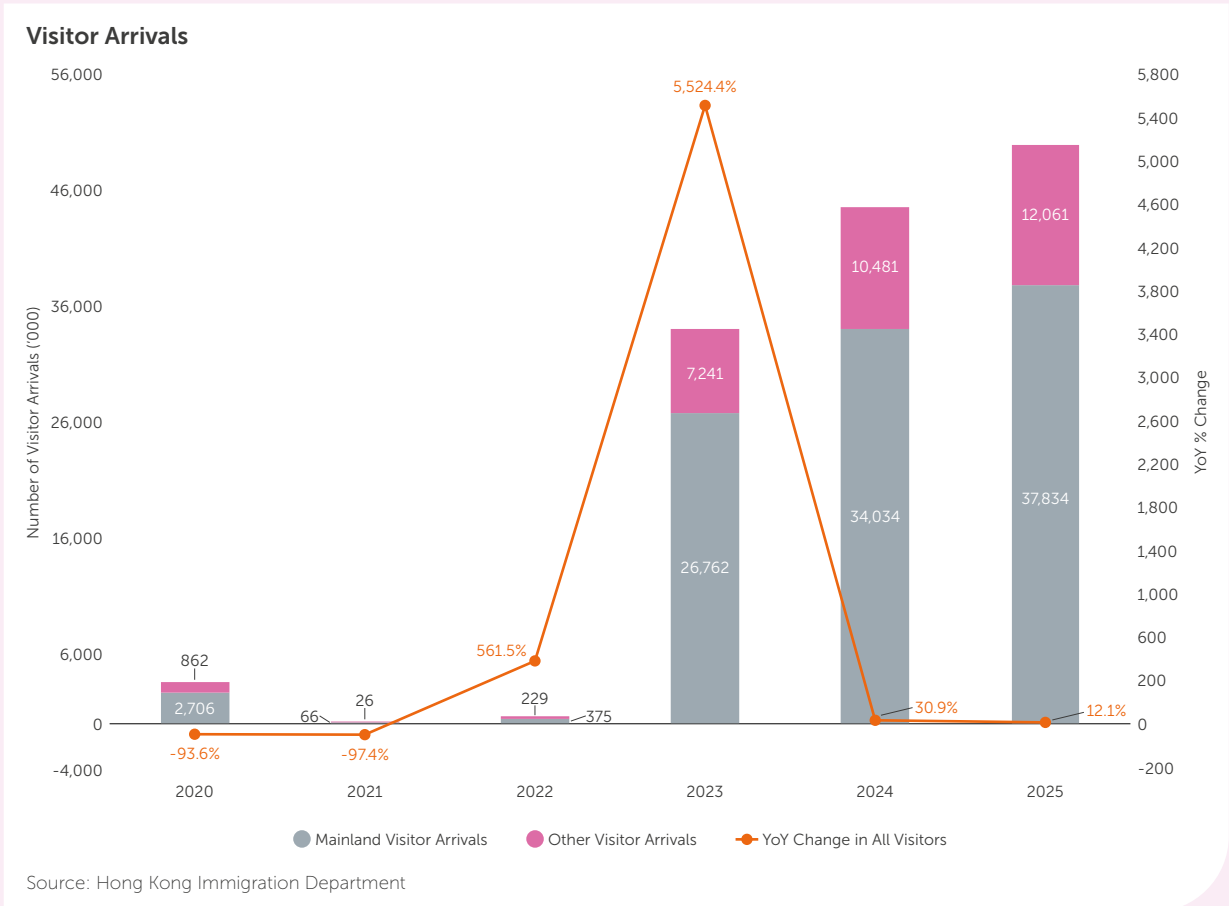
# Independent Market Research Report

## 1.2 Tourist Arrivals

**49.9M**  
(in 2025) ▲ **12.1%**  
yoy

- Total visitor arrivals reached 49.9 million, up 12.1% yoy, marking a meaningful recovery in Hong Kong’s tourism as it continued to regain its position as a major travel destination.
- Mainland visitors accounted for approximately 76% of total arrivals. Key drivers included the expansion of the Individual Visit Scheme (“IVS”) with ten new Mainland cities added, and the resumption of the multiple-entry IVS for Shenzhen residents in December 2024, which continued to drive cross-border visits throughout 2025.
- Inbound tourism was further supported by government initiatives including monthly fireworks and drone shows, major events such as Art Basel Hong Kong and the Rugby Sevens, and HKD1.2 billion in Tourism Board funding. Measures to improve travel accessibility, including restored flight capacity, visa-friendly entry arrangements, and the “Hello Hong Kong” campaign, encouraged longer stays and higher visitor spending.

- Meanwhile, outbound departures by Hong Kong residents rose 12.4% yoy to 117.5 million in 2025, more than double the total inbound arrivals. This reflects Hong Kong residents’ strong demand for overseas travel, driven by pent-up demand, exchange rate advantages and a renewed interest for overseas experiences. The sharp increase in outbound travel also reflects the growing trend of cross-border consumption directed towards Mainland China and Macau, as well as nearby destinations in Southeast Asia.
- In 1Q 2026, the monthly outbound departures by local residents averaged 10.1 million, down by 5.2% qoq. This was likely due to post-holiday slowdown and higher travel costs. Meanwhile, the total tourist arrivals rose 6.6% qoq, driven primarily by a 12.5% qoq increase in Mainland visitors, which more than offset a 9.7% qoq decline in non-Mainland arrivals amid geopolitical uncertainties and heightened regional competition from destinations such as Singapore and Thailand.



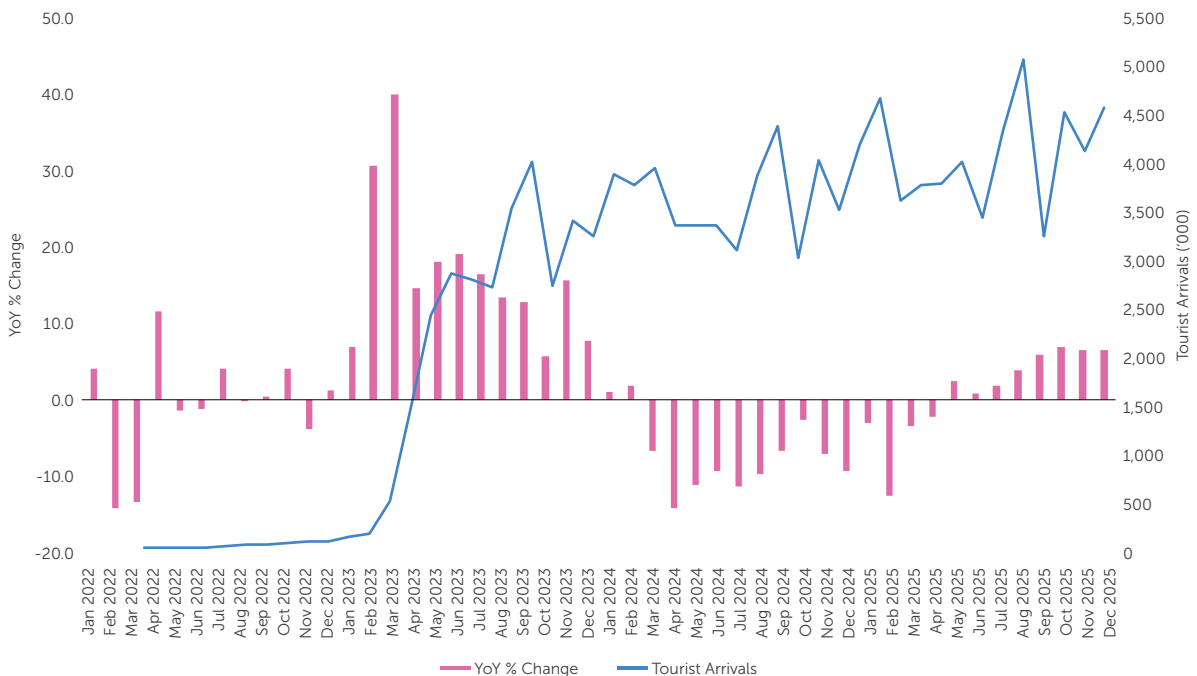
### 1.3 Total Retail Sales

**HKD380.4B**  
(in 2025)

**▲ 1.0%**  
yoy

- In 2025, Hong Kong's retail sector continued to undergo a gradual but uneven recovery, recording a 1.0% yoy growth in total retail sales amid structural shifts in consumer preferences, evolving inbound visitors profiles and consumption patterns, and sustained competitive pressure from neighbouring markets.
- Consumer sentiment remained cautious throughout the year. Although employment conditions stabilised, households continued to adjust to higher living costs and global uncertainties, keeping discretionary spending conservative. Meanwhile, inbound tourism recovery remained uneven.
- Although visitor numbers rose, per-capita spending stayed below pre-pandemic levels, with travellers favouring shorter stays and directing more of their budgets towards experiences such as dining, concerts, and attractions rather than traditional retail.
- The cross-border consumption trend of Hong Kong residents purchasing daily necessities and household goods in Mainland China, particularly Shenzhen, remained pronounced in 2025. Facilitated by efficient cross-border infrastructure and widespread mobile payment adoption, frequent short-haul trips continued to divert spending away from the domestic retail market, sustaining pressure on local retailers' sales performance.
- Performance of the retail sector was split across the year. Retail sales declined sharply yoy in the range of 2.3% to 13.0% in the first four months, before turning positive with growth of 0.7% to 6.9% recorded from May to December. The recovery was driven by sustained growth in inbound visitor arrivals and the uplift from government-led major events and initiatives, which encouraged retail spending.
- Looking ahead, the retail sector is expected to remain in a structural adjustment phase, characterised by moderate stabilisation rather than a strong cyclical rebound. While headline sales may show marginal improvement, growth is likely to be uneven across segments and locations.

**Retail Sales Index (YoY % Change) and Tourist Arrival**



Source: Retail Sales figures are from the Census and Statistics Department and Tourist Arrivals figures are from the Hong Kong Immigration Department

# Independent Market Research Report

## 1.4 Online Retail Sales

**9.4% of Total Retail Sales**  
(in 2025)

- In 2025, online retail sales in Hong Kong increased 13.0% yoy, reaching HKD35.8 billion.
- This growth primarily reflects the continued expansion of omnichannel retail strategies by retailers. Many Hong Kong retailers strengthened their omnichannel models in 2025, integrating online platforms with physical store networks through services such as click-and-collect, same-day delivery, and online-exclusive promotions. This allowed retailers to capture incremental sales from consumers who preferred digital purchasing, without fully abandoning physical stores.
- In particular, the monthly online retail sales were higher from September to November 2025, reflecting a seasonal demand uplift and structural shift in purchasing behaviour. This pattern suggests that consumers increased their discretionary and planned purchases via online channels during this period, driven by major promotional campaigns, heightened price sensitivity, and the convenience of digital shopping towards the year-end.
- Online retail sales declined from an average of 11.6% in 4Q 2025 to 8.4% in 1Q 2026, largely reflecting typical seasonality as demand eases following the year-end peak driven by major promotional events and festive spending.

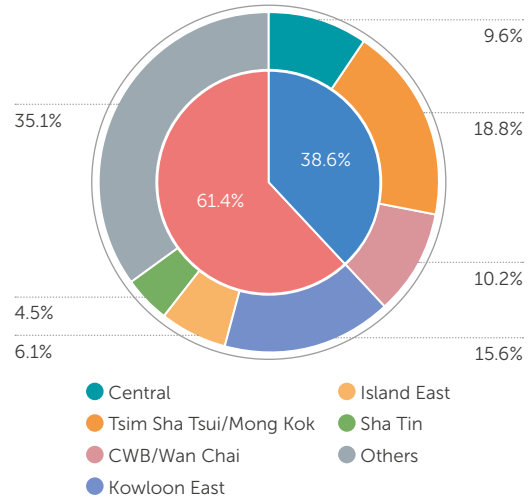
## 1.5 Hong Kong Retail Market<sup>1</sup>

### Existing Shopping Mall Stock

**128.6M square feet<sup>2</sup>** ▲ 0.8%  
(As at 31 December 2025) yoy

- The primary retail districts in Hong Kong are Central, Tsim Sha Tsui/Mong Kok, and Causeway Bay ("CWB")/Wan Chai. Along with the non-core or decentralised areas of Kowloon East, Island East, and Sha Tin, these locations constitute the city's six major retail districts. Currently, core districts represent approximately 38.6% of Hong Kong's total retail stock, while non-core districts accounted for about 61.4%.
- Retail shopping mall supply in 2025 reached 128.6 million square feet, showing a 0.8% yoy growth.

### Distribution of Retail Stock by Submarket



Note: The data and figures on the retail market are from Colliers International (Hong Kong) Limited and relate to the six key retail districts. MPACT owns Festival Walk, which is located in Kowloon East.

Source: Rating and Valuation Department, Colliers

- The openings of GO PARK Sai Sha and Kai Tak Sports Centre in 2025 highlighted a clear shift in Hong Kong's retail landscape towards large-scale, developer-led lifestyle hubs in emerging districts. These projects are part of broader master-planned clusters, especially in Kai Tak and new residential areas.
- In 2025, the proportion of Hong Kong's retail stock across districts remained relatively unchanged as compared to the previous year.

### Potential Shopping Mall Supply

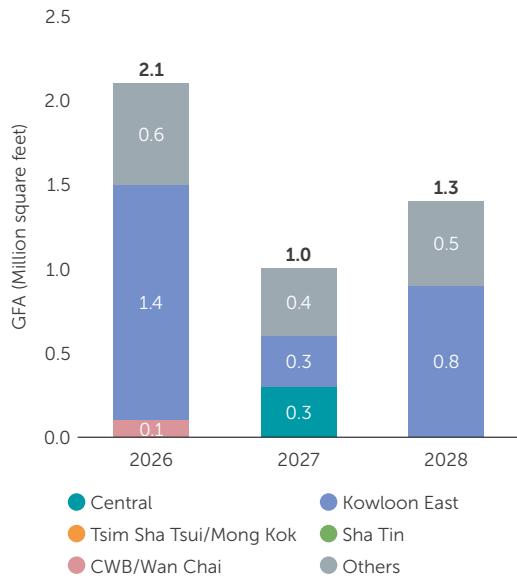
**4.4M square feet**  
(From 2026 to 2028)

- In 2026, approximately 2.1 million square feet of new retail space is expected to be added, with developments concentrated in Kai Tak and West Kowloon. Looking across the next three years, Kowloon East will add approximately 2.5 million square feet of new retail space, accounting for approximately 55% of the total potential supply.
- Kai Tak Sports Centre officially opened on 1 March 2025, adding approximately 0.6 million square feet of retail space to the Kowloon East submarket. Since its opening, the centre has contributed to increased footfall and higher levels of commercial activities in the surrounding area.

<sup>1</sup> All references to floor area refer to Gross Floor Area ("GFA"), unless otherwise stated.

<sup>2</sup> Source: Rating & Valuation Department. Net floor area was converted to GFA for the purpose of this report.

### Future Supply by Submarket



Source: Rating and Valuation Department, Colliers

- Within Kai Tak, the newly developed area in Kowloon East, three further developments are scheduled for completion in 2026 – The Twins Phase 2, The KEYpoint and NKIL 6568 (Cullinan Sky Mall) – with a combined GFA of approximately 1.0 million square feet. The retail portion of XRL Terminus is also set to complete in 2026, adding an estimated 0.6 million square feet of retail GFA to the West Kowloon submarket.

- Beyond Kai Tak, the Central Harbourfront is expected to emerge as a prime retail destination with the completion of Phase 1 of the Central Harbourfront Site 3A development, known as Central Yards, in 2027. This first phase is expected to contribute approximately 0.3 million square feet of retail GFA.

### Occupancy Rate

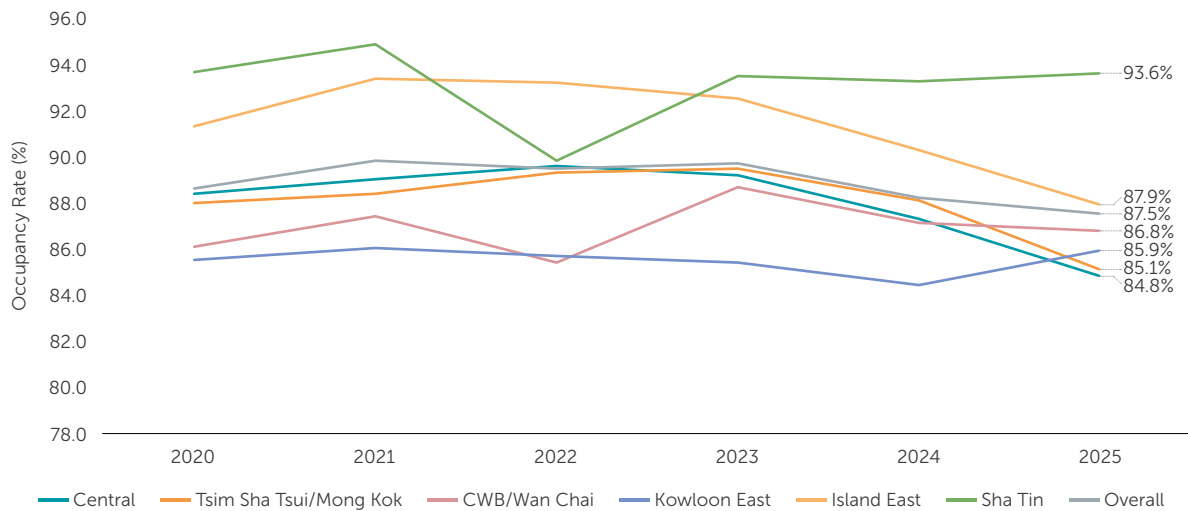
**87.5%**<sup>1</sup>

(Overall as at 31 December 2025)

▼ **0.7 pp**  
yoy

- Overall retail occupancy decreased 0.7 pp yoy to 87.5%. While the overall retail sales recorded a modest growth of 1.0%, the drop in occupancy indicates that recovery remained uneven, with leasing demand concentrated in certain locations and driven by varied consumer behaviour.
- The major retail submarkets experienced a diverging occupancy trend in 2025. The Tsim Sha Tsui/Mongkok submarket showed the sharpest decline, with occupancy falling by 3.0 pp yoy, reflecting the shift in Mainland tourist spending from discretionary to experiential spending. On the other hand, non-core districts like Kowloon East and Sha Tin registered improving occupancy rates, rising by 1.5 pp and 0.3 pp yoy respectively, indicating strengthening and more resilient occupier demand in decentralised submarkets. The Central submarket recorded the lowest occupancy at 84.8%, down 2.5 pp yoy, underscoring a slower absorption of premium retail space.

### Occupancy Rate by Submarket



Source: Rating and Valuation Department, Colliers

<sup>1</sup> This refers to the average occupancy rate of all retail properties across Hong Kong, including shopping malls, high street shops and retail podiums, and is published by the Rating and Valuation Department.

# Independent Market Research Report

## Average Shopping Mall Rent<sup>1</sup>

**HKD319**  
per square foot per month<sup>2</sup>  
(Overall as at 31 December 2025)

**▲ 2.9%**  
yoy

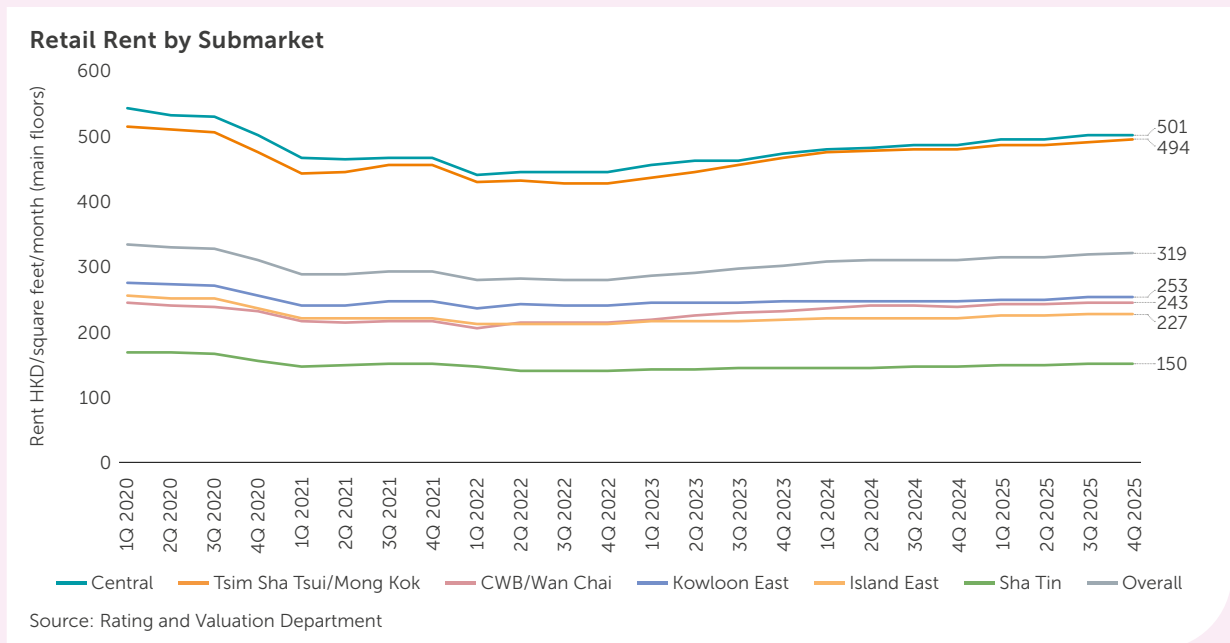
- The overall retail rents in Hong Kong continued to edge higher in 2025, increasing 2.9% yoy. This is broadly in line with the 3.0% yoy growth recorded in 2024. Rents were stable in the first half of 2025, reflecting a period of consolidation. Momentum picked up in the second half with the year as rents rose 1.3% qoq in 3Q 2025 and a further 0.3% in 4Q 2025. This indicates a back-loaded and incremental rental recovery that was supported by improving tourism and stabilising sentiment, but constrained by structural shifts in consumer behaviour and continued pressure on discretionary spending.
- While rents in 2025 showed signs of stabilisation and modest growth, they have remained well below pre-pandemic levels. At HKD319 per square foot per month in 4Q 2025, overall retail rents are approximately 32.4% below the 2019 peak of HKD472 per square foot per month recorded in 2Q 2019. This gap underscores the extent to which the market has settled into a post-pandemic equilibrium, reflecting structural shifts in demand.
- Retail rents in 2025 recorded a broad-based yoy increase across all districts, pointing to a gradual and more balanced recovery. Growth was led

by the Central and Sha Tin districts, recording a 3.3% and 3.4% yoy growth, respectively, indicating improved confidence in both prime core and suburban markets. Tsim Sha Tsui/Mong Kok, Island East, and Causeway Bay/Wan Chai also posted steady gains, supported by recovering footfall and stabilising tenant demand, while Kowloon East remained comparatively resilient amid ongoing decentralisation and office catchment support.

- In 1Q 2026, Hong Kong's retail rents were unchanged qoq although all submarkets observed steady yoy growth. Sha Tin led at 2.0%, followed by Tsim Sha Tsui/Mong Kok at 1.9%, Island East at 1.8% and Kowloon East at 1.6%.

## Leasing Demand

- High-street retail rents remained resilient in 2025, with leasing activity supported largely by attractive rental levels. In 4Q 2025, the Causeway Bay submarket recorded stronger leasing momentum, driven by fashion-led demand. Notable transactions included Subdued taking over the former Skechers unit on Kai Chiu Road, alongside continued interest from Korean brands such as Stand Oil, which opened a pop-up store.
- Mainland Chinese retailers continued to enter and expand in Hong Kong, steadily absorbing retail space amid more accommodative rents. Tea chain Chagee opened its largest global outlet on Lee Tung



<sup>1</sup> Refers to the average rents of shops situated on main floors of the shopping malls from Colliers' database. Main floors are the floors with the highest amount of footfall within a shopping mall.  
<sup>2</sup> The data and figures on the retail market are from Colliers International (Hong Kong) Limited and relate to the six key retail districts.

Street, while fashion brand Urban Revivo and sportswear brand BENLAI made their Hong Kong debut with stores in core retail districts.

- While luxury demand remained selective, top-tier luxury and watch brands resumed flagship investments in 2025, primarily within ultra-prime malls rather than high streets. Brands such as Patek Philippe and Saint Laurent expanded and upgraded their stores, introducing larger formats and enhanced facades to encourage both local and tourist spending.
- In 1Q 2026, mainland and international brands continued to drive leasing activity on high streets, including strategic new openings such as Brandy Melville's flagship store in Causeway Bay and HLA's first store in Central. These developments point to a gradual recovery in the retail sector as both mainland and international retailers re-establish and expand their physical presence in core locations.

#### Average Retail Capital Value<sup>1</sup>

**HKD23,572**  
per square foot<sup>1</sup>  
(As at 31 December 2025)

▼ **1.2%**  
yoy

#### Average Retail Yield<sup>2</sup>

**3.7%**<sup>1</sup>  
(As at 31 December 2025)

▲ **0.3 pp**  
yoy

- Average retail capital values dropped 1.2% yoy to HKD23,572 per square foot as at 31 December 2025, following a volatile year in which capital value rose in 1Q before declining in the subsequent quarters. From 1Q to 4Q 2025, capital values fell 22.6%, including a sharp 23.9% qoq drop in 2Q 2025.

- Despite the gradual recovery in retail rents, capital values continued to face significant downward pressure, driven by a persistently elevated interest rate environment. This reflects yield-driven repricing rather than a deterioration in rental fundamentals. Investment yields expanded 0.3 pp yoy to 3.7% as at 31 December 2025, continuing the yoy expansion from 2024 as investors further recalibrated their risk-return expectations in response to higher financing costs, structural shifts in retail demand and limited growth visibility.
- In 2025, large-scale retail transactions were concentrated in more centrally located and mixed-use assets, notably Park Aura in Tin Hau and Tower 535 in Causeway Bay. These transactions suggest that investors continued to be selective, with demand gravitating towards assets with stronger location fundamentals, established catchments, and potential for repositioning or value-adding. Consistent with 2024, the transactions also point to continued portfolio rebalancing by asset owners who seek to divest retail assets to free up capital amid elevated financing costs, yield expansion and a cautious outlook for retail capital values.
- In 1Q 2026, no significant retail transactions were recorded. Retail capital values declined 18.9% qoq to an average of HKD19,112 per square foot, possibly due to yield expansion and a cautious investor sentiment amid lower confidence in the sector's outlook.

<sup>1</sup> The data and figures on the retail market are from Colliers International (Hong Kong) Limited and relate to the six key retail districts.

<sup>2</sup> Information published by the Rating and Valuation Department includes shopping malls, high street shops and retail podiums across Hong Kong. 2025 data is provisional at this stage.

# Independent Market Research Report

## Outlook

- Visitor arrivals continued their gradual recovery, supported by government tourism initiatives and major international events, though the pace remained uneven relative to pre-pandemic levels, particularly in per-capita spending. Outbound travel by Hong Kong residents stayed elevated, with signs of normalisation emerging as post-pandemic pent-up demand began to ease.
- The US Federal Reserve's easing cycle and China's rate cuts have helped to ease pressure on the retail sector. However, shifts in consumption behaviour and cross-border competition continued to constrain a full rebound.
- Value-driven spending, experiential preferences, and cross-border consumption are structural features that are likely to persist, limiting upside potential. On the supply side, a substantial volume of retail space is expected to enter the market in Kai Tak, Kowloon East, and West Kowloon from 2026 to 2027, intensifying competition.
- In this context, although improving tourism flows and policy support may benefit prime and experience-led formats, rental growth is expected to remain uneven across segments and locations. Hong Kong's retail sector is expected to settle into a new equilibrium, shaped more by adaptation and repositioning than a return to pre-pandemic dynamics, and the sizeable gap from pre-pandemic peak rents is unlikely to close quickly. Well-positioned prime and suburban centres with strong connectivity and experience-led offerings are best placed to outperform, while secondary and undifferentiated assets may face sustained leasing pressure and the need for more flexible rental strategies.
- The 2026–27 Budget signals continued stabilisation, with no general commercial sites put up for sale in the coming year. This move is expected to allow time for the market to absorb existing stock and stabilise capital values. The Budget also expands Hong Kong's fund tax concession regime, broadening eligible asset classes and refining incentives for funds and family offices, potentially reinforcing Hong Kong's position as a wealth management hub and supporting medium-term commercial investment demand.
- Increased Tourism Board funding will support large-scale promotions and signature events, with additional resources earmarked for cultural tourism including a long-term Art Basel partnership. The continued expansion of international cruise lines will introduce visitor inflows, benefiting retail in transport-linked and harbourfront locations.
- The global trade war remains unresolved, and Middle East tensions add uncertainty through potential energy price inflation. Although the direct impact on Hong Kong's retail market is assessed to be limited, a sustained build-up in imported goods inflation could lead to a shift in demand towards essentials rather than discretionary spending.

## China

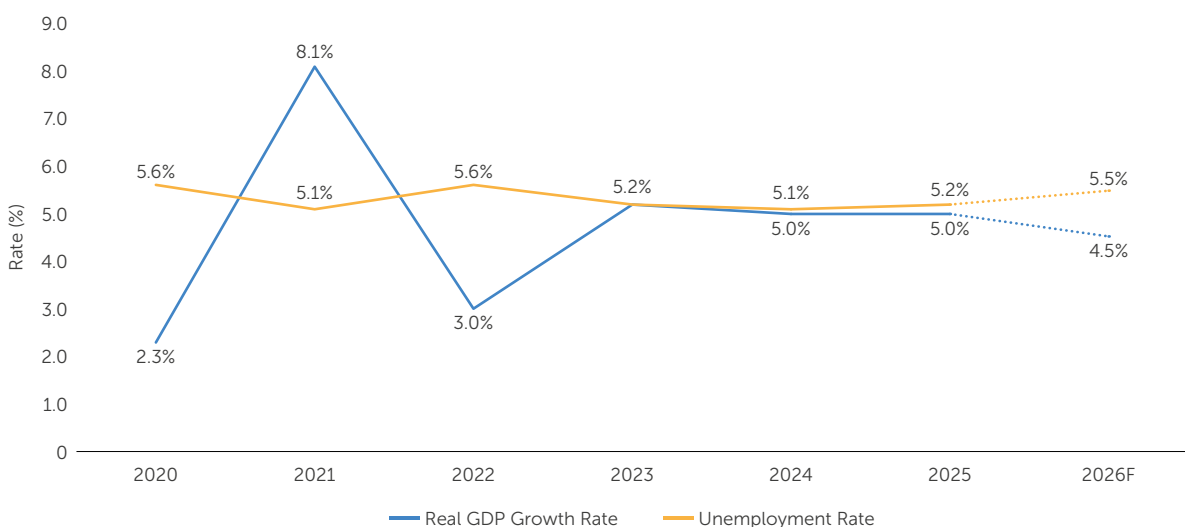
### 1.1 Economy

- China's GDP grew 5.0% yoy in 2025, meeting the official target despite ongoing trade tensions. Growth was supported by resilient export performance, particularly in equipment manufacturing and high-tech manufacturing, as well as targeted policy support. For instance, the State Council introduced new regulations on industrial and supply chain security, which focuses on safeguarding raw materials, technologies, and equipment in key sectors while establishing a formal mechanism to counter foreign actions that disrupt domestic supply chains. However, these gains were partially offset by a persistent property sector downturn, subdued domestic consumption and cautious household sentiment.
- The People's Bank of China ("PBOC") maintained a moderately loose monetary policy stance throughout 2025 to bolster growth amid weak demand and property sector headwinds. In May 2025, the PBOC cut the one-year and five-year Loan Prime Rates by 10 basis points each, to 3.0% and 3.5% respectively, with both rates holding steady thereafter. These measures supported credit availability, lowered borrowing costs and helped to boost market confidence.
- Overall inflation remained flat in 2025, as weaker inflation recorded in the first three quarters offset a 0.8% yoy rise in 4Q 2025. The low inflation reflects weak domestic demand, periodically

softer food and energy prices, and ongoing supply-side adjustments.

- Unemployment rate averaged 5.2% in 2025, broadly stable relative to 5.1% in 2024. However, the unemployment rate for youths (aged 16-24 years old) remained elevated in the 16–17% range as job openings remained limited for graduates. Many graduates have responded by pursuing postgraduate study or civil service examinations to defer entering the workforce.
- The International Monetary Fund has projected China's growth to moderate to around 4.5% in 2026, down from 5.0% in 2025, with unemployment edging up to 5.5%. Although stronger exports and government stimulus may provide some support to the economy, weaker domestic demand, constrained by high household savings and deflationary pressures, will limit spending and investment. The struggling property market and persistent trade uncertainties will also continue to weigh on the outlook.
- On trade, the US-China temporary truce and partial tariff rollbacks have provided some near-term relief, but no permanent resolution has been reached. Disrupted supply chains, higher business costs and dampened global trade sentiment are expected to slow China's export growth in 2026. Over the medium term, a shift toward a consumption-led growth model remains necessary. Until then, China's trade and currency outlook will remain heavily dependent on global demand conditions and the trajectory of ongoing trade tensions.

**Real GDP Growth Rate and Unemployment Rate**



Source: National Bureau of Statistics, Oxford Economics, International Monetary Fund, Colliers

# Independent Market Research Report

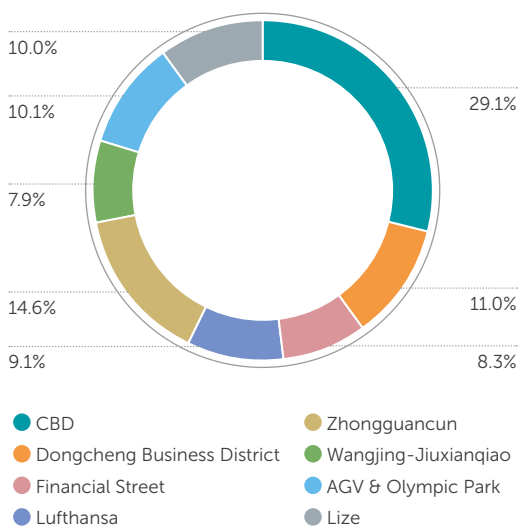
## 1.2 Beijing Office Market<sup>1</sup>

### Existing Grade A Office Stock

**12.1M square metres**  
(As at 31 December 2025) ▲ 2.2%  
yoy

- Beijing comprises eight major office submarkets – the Central Business District (“CBD”), Beijing Financial Street, Zhongguancun (“ZGC”), the Dongcheng Business District,<sup>2</sup> Lufthansa, Wangjing-Jiuxianqiao, Asian Game Village (“AGV”) & Olympic Park, and Lize.
- As at 31 December 2025, the CBD remains the submarket with the largest share of the total stock at 29.1% (approximately 3.5 million square metres). The share of total stock in the other submarkets is distributed relatively evenly.
- Approximately 256,000 square metres of new Grade-A space was added in 2025, down from 635,890 square metres in 2024. A notable project completion was the Dongsheng Sci-Tech Park in Zhongguancun developed by the developer Dongsheng with an estimated GFA of around 120,000 square metres.
- No new developments were added to the market in 1Q 2026.

**Grade A Office Stock by Submarket**



Source: Colliers

### Potential Grade A Office Supply

**1.7M square metres**  
(From 2026 to 2028)

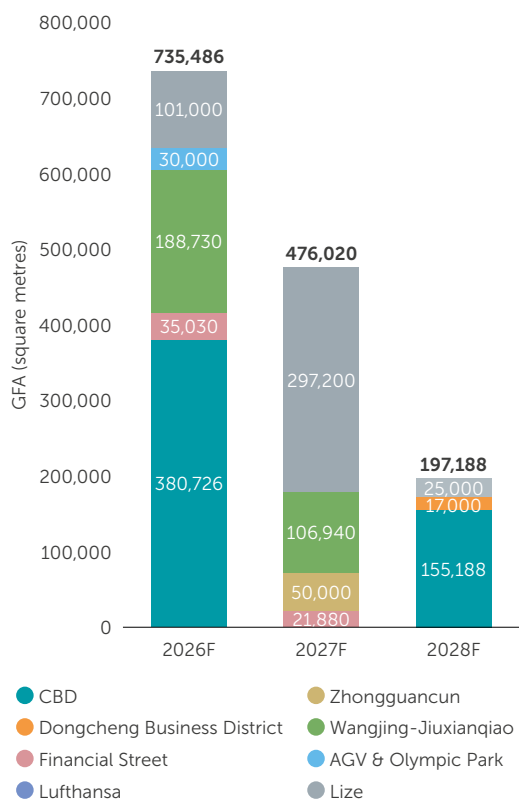
- Supply is set to rise from 2026, with approximately 735,000 square metres scheduled to enter the market, primarily concentrated in the eastern submarkets of CBD and Wangjing-Jiuxianqiao. A further 544,000 square metres of new supply is expected in 2027 and 444,000 square metres in 2028.
- This upcoming pipeline is more concentrated in non-core emerging submarkets including Lize (approximately 423,200 square metres), Wangjing-Jiuxianqiao (approximately 295,700 square metres), Zhongguancun (approximately 50,000 square metres), AGV & Olympic Park (approximately 30,000 square metres), and other emerging locations (approximately 315,400 square metres). These non-core submarkets are projected to collectively add around 1,114,300 square metres of office space, accounting for approximately 64.6% of total new supply. Core mature submarkets will contribute the remaining 35.4%, or approximately 609,800 square metres of upcoming supply. The CBD will contribute the largest share among core areas at approximately 535,900 square metres, with the majority expected in 2026. This is followed by Financial Street (approximately 56,900 square metres) and Dongcheng Business District (approximately 17,000 square metres). Lufthansa stands out as the only core submarket with no planned supply in the near term.
- Significant projects scheduled for completion in 2026 include INDIGO Phase II (Towers T1-T4) in Wangjing-Jiuxianqiao co-developed by Swire Properties and China Life (188,730 square metres), and CBD Z3 located in Z3 Zhongfu plot co-developed by China International Capital Corporation, Global Logistics Properties and Hongkong Land (117,060 square metres).

<sup>1</sup> All data and figures on the office market are from Colliers International (Hong Kong) Limited and they relate to the eight office submarkets as outlined on this page. Unless otherwise stated, all area measurements are based on Gross Floor Area (“GFA”). MPACT owns Gateway Plaza, which is located in Lufthansa.

<sup>2</sup> The Dongcheng Business District comprises East Chang’an Avenue and East 2<sup>nd</sup> Ring.

- Notable projects scheduled for completion in 2027 include INDIGO Phase II (T5-T7) in Wangjing-Jiuxianqiao by Swire Properties and China Life (107,000 square metres) and Digital Financial Technology Demonstration Park in Lize by Beijing Jintang Tianrun (213,000 square metres).
- Several other projects are currently being planned for completion in 2028, including Jinbao Center Phase II by FuWah International Group in Dongcheng Business District (17,000 square metres), the Project on the east side of Block 64 of Lize Terminal by Beijing Jintang Tianrun in Lize (25,000 square metres) and Dajia Life Building (CBD Z9) by Dajia Insurance (117,200 square metres).

### Potential Supply by Submarket



Source: Colliers

### Office Net Take-up<sup>1</sup>

**275,843** square metres ▼ 10.9%  
(Overall in 2025) yoy

- Net absorption peaked at approximately 1.1 million square metres in 2021, before contracting into negative territory between 2022 and the first half of 2023 as new completions entered the market and leasing demand remained subdued amid slower economic growth and cautious corporate sentiment that led to companies placing greater emphasis on cost control.
- In response, landlords adopted more competitive leasing strategies, offering rental discounts for larger commitments and enhanced tenant incentives, while continuing to pre-lease newly completed or near-completed projects. As a result, occupiers capitalised on lower rental levels, with demand largely driven by tenant renewals, cost-driven relocations and selective expansions rather than broad-based new leasing activity. Positive net absorption began to emerge in the second half of 2023, with full-year net absorption reaching 86,233 square metres in 2023, before rising to 309,433 square metres in 2024.
- In 2025, annual net take-up was 275,843 square metres, down 10.9% yoy. Demand was led by Internet & Technology companies, state-owned enterprises, and financial and professional services firms, primarily through lease renewals, back-office relocations and expansions into more cost-effective locations.
- Net absorption levels varied across submarkets. Emerging and more affordable locations recorded stronger uptakes, while several mature submarkets faced experienced tenant withdrawals and negative net absorption in certain quarters. This divergence reflects the structural appeal of newer developments in non-core areas, particularly the larger floorplates that facilitate space consolidation, a feature less commonly available in the more mature projects.

<sup>1</sup> Net take-up is the sum of space that becomes occupied during the period minus the sum of space that is vacated over the same course of period.

# Independent Market Research Report

- In 2025, the Lufthansa submarket recorded negative net absorption of approximately 16,000 square metres, largely due to the absence of large-scale transactions, combined with ongoing corporate relocations and tenant outflows.
- In 1Q 2026, the overall net take-up remained positive at approximately 56,900 square metres, continuing the trend of demand migration from core districts to high-quality Grade A developments in emerging locations. The Lufthansa submarket returned to positive net absorption, supported by rental concessions across multiple projects to accelerate leasing momentum.

### Grade A Office Occupancy Rate

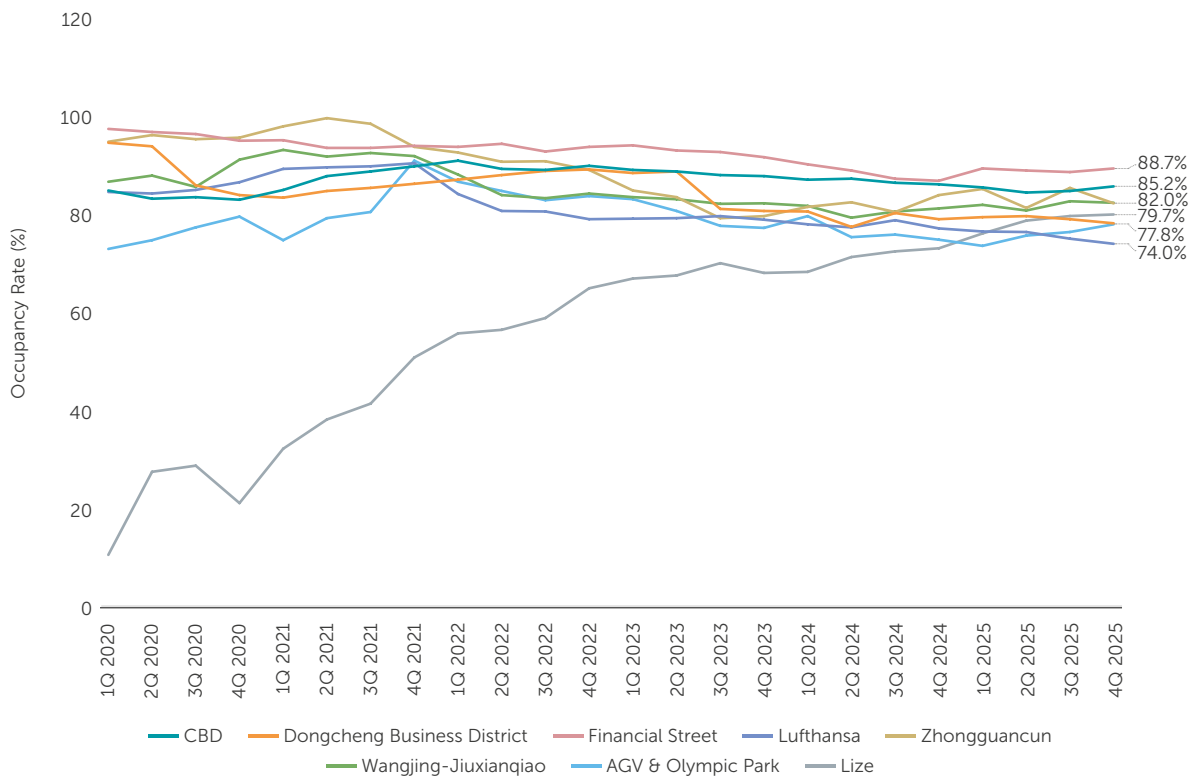
**80.8%**  
(Overall as at 31 December 2025) ▲ 0.9 pp  
yoy

- Beijing’s Grade A office occupancy rate improved 0.9 pp yoy to 80.8% as at 31 December 2025. However, the improvement was largely driven by

sustained rental cuts, extended rent-free periods and enhanced incentives by landlords to attract and retain tenants, as landlords prioritise occupancy and cashflow amid persistent market challenges.

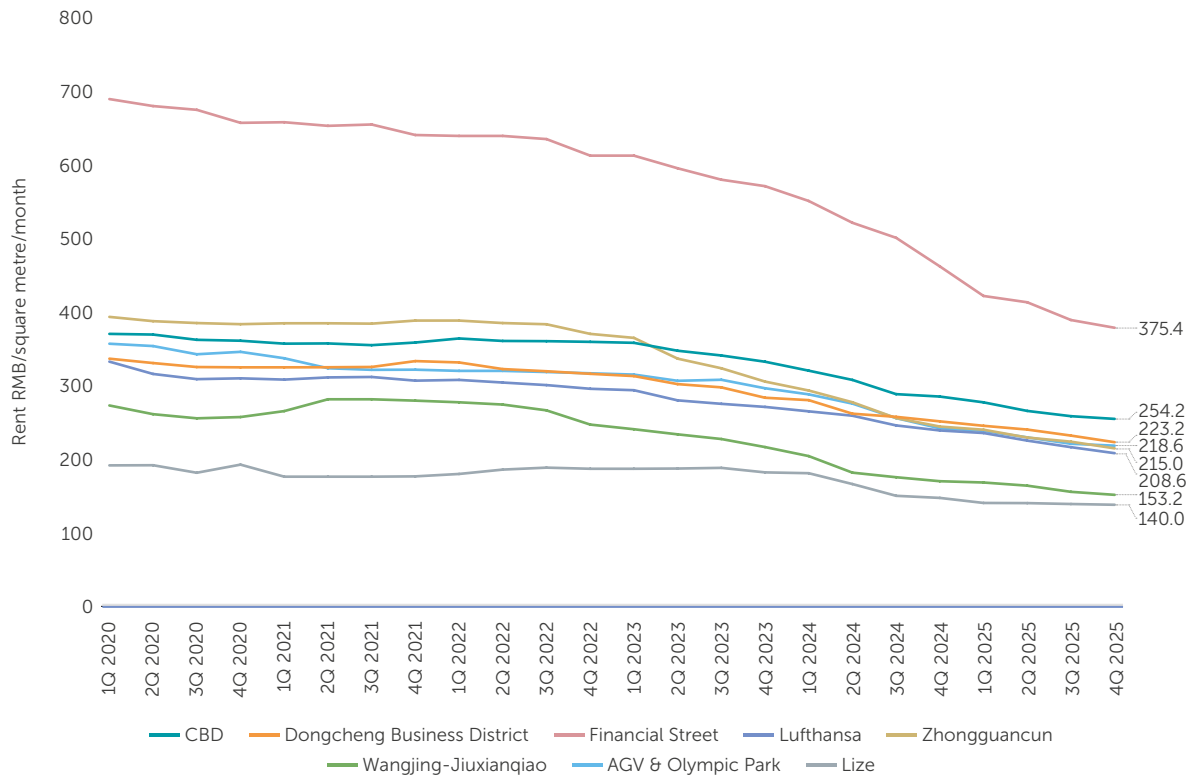
- Occupancy gains were more pronounced in emerging and more affordable submarkets. Occupancy in Lize rose from 73.1% a year ago to 79.7% as at 31 December 2025, while AGV & Olympic Park rose from 74.8% to 77.8% across the same period largely due to competitively priced developments and new completions.
- In contrast, the mature central submarkets continued to face pressures. The Lufthansa submarket recorded a occupancy decline from 77.0% a year ago to 74.0% as at 31 December 2025 despite having no major new supply, as tenant departures and downsizing activities outpaced new commitments.
- Beijing’s occupancy rate was 81.5% in 1Q 2026, up 0.6 pp qoq, mainly driven by backfilling and the absence of new supply during the quarter.

**Grade A Office Occupancy Rate by Submarket**



Source: Colliers

## Grade A Office Rent by Submarket



Source: Colliers

## Average Grade A Office Rent

RMB222

per square metre per month

(Overall Net Effective Rent as at 31 December 2025)

11.9%

yoy

- Beijing Grade A office rents continued their downward trajectory in 2025, though the pace of decline narrowed to 11.9% from 16.1% in the prior year. Weak new demand and persistently high vacancy amid weak economic conditions continued to weigh on rents, with landlords offering deeper discounts and more flexible leasing terms to attract and retain tenants.
- The prime central submarkets faced demand and rental pressure driven by corporate downsizing and ongoing tenant relocations to lower-cost locations. Consequently, rents in key areas declined yoy: Financial Street fell by 17.9% to RMB375.4 per square metre per month, Lufthansa by 12.6% to RMB208.6 per square metre per month, the

CBD by 10.5% to RMB254.2 per square metre per month, and the Dongcheng Business District by 11.1% to RMB223.2 per square metre per month.

- Decentralised submarkets, despite benefiting from tenant spillover from central submarkets, also recorded continued rental declines. This was largely due to supply from new completions, which compelled landlords to reduce rents to fill space, driving rents lower even as occupancy improved. As of 31 December 2025, rents in Zhongguancun fell 11.9% yoy to RMB215.0 per square metre per month, Wangjing-Jiuxianqiao by 10.6% to RMB153.2 per square metre per month, AGV & Olympic Park by 9.5% to RMB218.6 per square metre per month, and Lize by 6.1% to RMB140.0 per square metre per month.
- The trend extended into 1Q 2026, as cost-sensitive demand and aggressive leasing strategies continued to exert downward pressure on rents. Consequently, overall Grade A office rents further declined by 4.2% qoq to RMB212.6 per square metre per month.

# Independent Market Research Report

## Average Grade A Office Capital Value

**RMB62,648**  
per square metre  
(As at 31 December 2025) ▼ 9.6%  
yoy

## Average Grade A Office Yield

**3.5%**  
(As at 31 December 2025) ▼ 0.1 pp  
yoy

- Transaction volume in Beijing's office market remained subdued throughout 2025, with the few transactions that occurred being dominated by domestic capital. Notable transactions included Enlight Media's purchase of NEO in AGV & Olympic Park for RMB1,220 million, Mei De Group's purchase of 101 Plaza in the CBD for RMB500 million, and Yangtze River Pharmaceutical Group's purchase of Shimao Plaza in the CBD for RMB2,254 million.
- Capital values continued to decline 9.6% yoy to RMB62,648 per square metre as at 31 December 2025, reflecting persisting market challenges.
- Despite continued market challenges, average yields tightened by 0.1 pp to 3.5% as at 31 December 2025 as rental declines outpaced the relatively smaller drop in capital values. Additionally, lower borrowing costs, supported by reductions in China's benchmark lending rates, helped sustain yields at a relatively low level and contributed to its downward trend across the years.
- In 1Q 2026, the downward trend in capital values continued, dropping 1.6% qoq. As rental levels continued to decline more sharply than capital values, net yields further tightened by 0.1 pp to 3.4%.

## Outlook

- In 2026, Beijing's Grade A office market is expected to continue to face macro-level challenges, as broader market stabilisation remains unclear.
- Elevated vacancy levels and subdued demand are likely to continue exerting pressure on rents. Although the pace of rental declines have moderated, the addition of approximately 735,000 square metres of new Grade A office space into prime districts in 2026, concentrated mainly in the CBD Zhongfu Plot and the Wangjing-Jiuxianqiao submarket, will add further pressure on occupancy levels. To remain competitive, landlords are expected to continue offering rental concessions, longer rent-free periods and enhanced amenities. The market will also see a wave of anchor tenant relocations and consolidations, including state-owned and central enterprises moving back to their own properties. This reduction in demand is expected to largely offset any positive impact from new leasing activity. Net absorption in 2026 is projected to remain flat or decline as compared to 2025 levels.
- China's economic outlook for 2026 remains uncertain, shaped primarily by ongoing US-China trade tensions that have dampened business confidence and constrained investment decisions. Domestic stimulus measures are being implemented to support growth, with emphasis on advancing technological innovation and consumer spending. However, elevated household savings continue to weigh on domestic consumption and investments. At the same time, the outlook for China's real estate market remains subdued, with sales, prices, construction starts and completions having declined for five consecutive years after the peak in 2021. Several large private developers have defaulted and other developers and construction companies have exited the market. These conditions continue to weigh on broader market sentiment and the commercial property sector.
- The ongoing conflict in the Middle East also presents headwinds, although the direct impact on Beijing's office market remains limited relative to other major global cities. The stability of Beijing's office sector over the medium to longer term will remain dependent on the recovery of the broader macroeconomic environment.

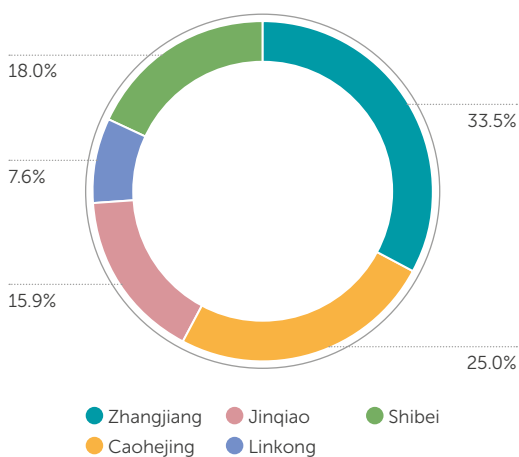
## 1.1 Shanghai Business Park Market<sup>1</sup>

### Existing Grade A Business Park Stock

**13.6M square metres**  
(As at 31 December 2025) ▲ 10.6%  
yoy

- As at 31 December 2025, Shanghai's five core Grade A business park zones – Zhangjiang Science City ("Zhangjiang"), Caohejing, Jinqiao, Linkong, and Shibe – contributed a combined 13.6 million square metres of GFA to Shanghai's Grade A business park total stock. This was a 10.6% increase from the prior year.
- Zhangjiang and Caohejing remained as the two largest submarkets, accounting for 4.6 million square metres (33.5%) and 3.4 million square metres (25.0%) of the Grade A business park stock, respectively. Together, they comprise 58.6% of Shanghai's Grade A business park area.
- In 2025, approximately 1.4 million square metres of new Grade A business park area was added. Zhangjiang contributed the largest share at over 790,000 square metres of GFA across key locations. Notable projects included The Gate of Science (57-01 & 58-01), and Zhangjiang Online New Economy Park (B3a-01/B3b-01 & B2a-01/B2b-01). Jinqiao contributed the second largest volume of completions, totalling over 410,000 square metres. Other significant projects added in 2025 included the Jinwan Qicheng and the Golden Valley WHK14-12 Lingxian.
- In 1Q 2026, two projects in Shibe added 106,750 square meters of new Grade A business park, bringing the total existing supply to 13.7 million square metres.

### Grade A Business Park Stock by Submarket



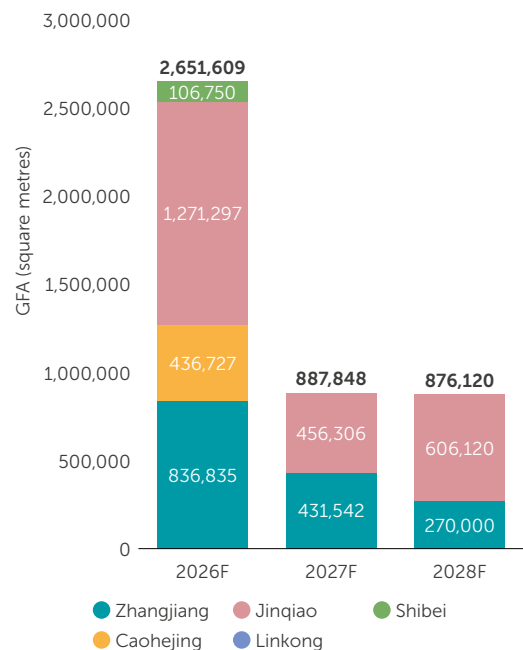
Source: Colliers

### Potential Business Park Supply

**4.3M square metres**  
(From 2026 to 2028)

- Approximately 4.3 million square metres of new business park space is expected to be delivered across Shanghai's five main submarkets between 2026 to 2028, averaging approximately 1.4 million square metres a year. This is slightly lower than the annual average of 1.7 million square metres recorded between 2025 and 2027. Approximately 60% of the total three-year supply is projected to be completed in 2026.
- Jinqiao and Zhangjiang will dominate incoming supply, contributing approximately 2.3 million and 1.5 million square metres of new business park space, respectively. Together, these two submarkets account for almost 90% of the total pipeline. The concentration of new supply in both submarkets is expected to exert further pressure on occupancy and intensify competition among landlords across all the business park submarkets in Shanghai.
- Prominent projects in the pipeline include several large-scale developments across key submarkets. In Jinqiao, the Golden Valley WK14-4 Qingtan (390,000 square metres) and WH7-3 (292,000 square metres), both developed by Jinqiao Group, are expected to be completed in 2026. In addition, Jinding Plot 19-01 (216,120 square metres) is among the larger projects scheduled for completion in 2028.

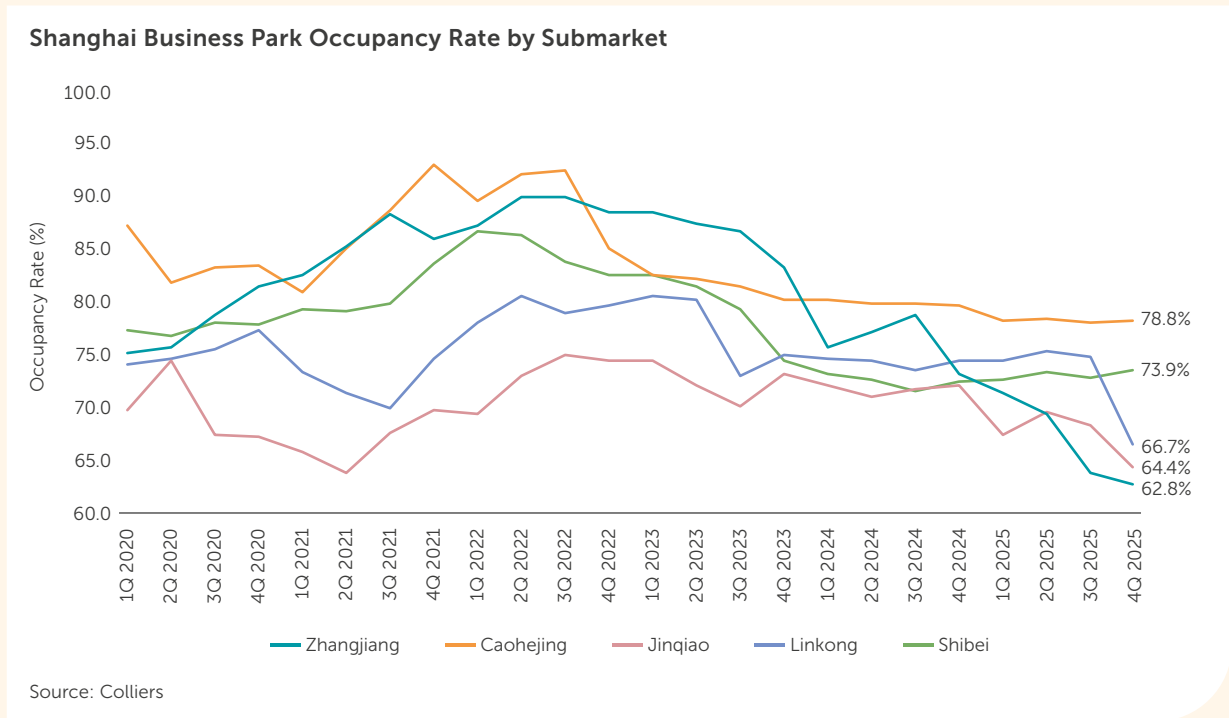
### Potential Supply by Submarket



Source: Colliers

<sup>1</sup> All data and figures are from Colliers International (Hong Kong) Limited and they relate to the five Grade A business parks as outlined on this page, unless otherwise stated. Unless stated otherwise, all measurements are based on GFA. MPACT owns Sandhill Plaza which is located in Zhangjiang.

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- In Zhangjiang, Shanghai Riverfront Harbor B-2-6 and B-3-10 (156,575 and 155,000 square metres respectively) are significant developments expected to come onstream in 2026. Meanwhile, Zhangjiang Middle Zone Plot 41-13 (275,542 square metres) and Shanghai Riverfront Harbor B-3-11 (156,000 square metres) are notable projects scheduled for completion in 2027.
- The remaining submarkets are expected to see more modest additions. Caohejing and Shibei will contribute the balance of new supply, with all planned completions concentrated in 2026. The absence of further supply in these submarkets in 2027 and 2028 may help stabilise occupancy in those areas in the medium term.

### Business Park Net Take-up

**264,332** square metres ▲ 5.3%  
(Overall in 2025) yoy

- Shanghai’s core business park submarkets recorded a modest recovery in leasing demand in 2025. Full-year net absorption reached 264,332 square metres, up 5.3% yoy. Performance was stronger in the second half of the year following a softer start. Notwithstanding, the current levels remain well below the 2020 to 2022 period, during which net absorption peaked at 1,054,133 square metres in 2021 before declining sharply, bottoming out at 3,073 square metres in 2023, with a gradual recovery beginning in 2024. This modest uptick was largely supported by

landlord-driven measures, including substantial rental incentives, reduced effective rents and more flexible lease terms amid ongoing supply pressure and heightened competition.

- Among the individual submarkets, Jinqiao led with 123,529 square metres of net absorption in 2025, driven by attractive rents and leasing incentives. Zhangjiang followed with 102,726 square metres, supported by sustained occupier interest in this key hub, while Linkong and Shibei recorded more modest positive absorption of 22,575 square metres and 30,714 square metres, respectively.
- Caohejing was the only submarket to record negative net absorption in 2025, at 15,213 square metres, due to tenant relocations and supply pressure from newly completed developments. Notable completions that contributed to this included Galaxy Midtown Phase 1 by Hongkong Land, China Fortune and Vanke (24,696 square metres) and Hechuan Tower North Project by Hongqiao (20,000 square metres), all of which entered the market with low occupancy.
- In 1Q 2026, which is typically a quieter period for leasing activity due to the Chinese New Year, net absorption reached 51,288 square metres, surpassing the levels recorded in the same quarter in the previous three years. This result shows a gradual recovery that began after the bottom in 2023, although quarterly absorption remains well below the peak levels of over 100,000 square metres recorded in the earlier years.

### Business Park Occupancy Rate

# 70.1%

(Overall as at 31 December 2025)

## 5.0 pp

yoy

- Shanghai's core business park submarkets ended 2025 with an overall occupancy rate of 70.1%, down 5.0 pp yoy. This was primarily driven by substantial new completions throughout the year, with 454,000 square metres added to the existing supply in 4Q 2025 alone.
- Zhangjiang experienced the most pronounced pressure, with occupancy declining 13.1 pp yoy to 62.8% as at 31 December 2025. This was due to multiple large-scale completions through the year, particularly in 4Q 2025. Jinqiao's occupancy fell 6.9 pp yoy to 64.4%, while Linkong declined 8.2 pp yoy to 66.7%, both reflecting incoming supply and competitive leasing dynamics.
- In contrast, Caohejing and Shibei held relatively stable. At the end of 2025, Caohejing and Shibei recorded occupancy rates of 78.8% and 73.9%, respectively, as compared to 77.8% and 73.2% a year ago.
- The broader decline in occupancy across core areas reflects the ongoing demand-supply mismatch. Elevated supply volumes continued to outpace net absorption even as landlords offered aggressive rental concessions, longer rent-free periods and enhanced tenant packages to stimulate demand.

- In 1Q 2026, the occupancy rate for Shanghai's core business park submarkets remained relatively stable at 69.1%, edging down just 0.1 pp qoq. This slight decline was mainly attributable to two new completions in the Shibei submarket – Shibei Yunzhi Plaza and 570 Jiangchang Road – jointly adding approximately 106,750 square metres. These new completions pulled Shibei's occupancy rate down from 73.9% to 70.9%. The remaining submarkets recorded qoq changes of less than 1 pp.

### Average Business Park Rent

# RMB3.51

per square metre per day

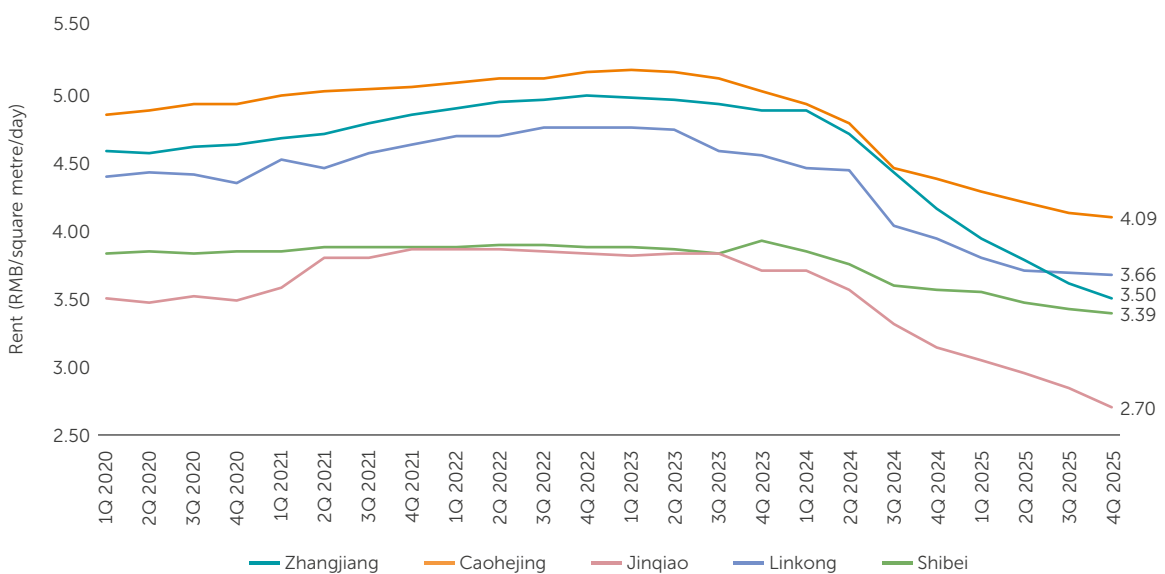
(Overall Net Effective Rent as at 31 December 2025)

## 11.0%

yoy

- Shanghai's core business park rents continued their downward trajectory throughout 2025, extending the decline observed since mid-2023. After a prolonged period of rental growth driven by strong demand from the semiconductor and biomedical sectors through early 2023, rents have now fallen for eleven consecutive quarters. The overall yoy drop of 11.0% indicates intensified competition from new supply, prompting landlords to implement deeper rental concessions and enhanced incentives to support occupancy.
- The decline was broad-based across all core submarkets. Zhangjiang experienced the

### Shanghai Business Park Rent by Submarket



Source: Colliers

# Independent Market Research Report

sharpest pressure, with rents falling 15.7% yoy to RMB3.50 per square metre per day, driven by heavy new supply and tenant downsizing and relocations. Jinqiao followed, down by 14.2% yoy to RMB2.70 per square metre per day amid significant competitive pressure and availability. Meanwhile, Linkong, Caohejing and Shibei recorded more moderate single-digit yoy declines of 6.9%, 6.6% and 4.7%, respectively. These submarkets were less affected due to a more limited new completions during 2025.

- With ongoing supply addition continuing to outpace absorption and occupiers remaining highly cost-sensitive, landlords continued to ramp up incentive packages throughout 2025, adding downward pressure on effective rents.
- In 1Q 2026, overall rents continued to edge lower, declining 1.1% qoq to RMB3.47 per square metre per day.

## Average Business Park Capital Value

**RMB23,040**  
per square metre  
(As at 31 December 2025) ▼ 11.1%  
yoy

## Average Business Park Yield

**5.0%**  
(As at 31 December 2025) Unchanged  
yoy

- Capital values across Shanghai's core business parks declined 11.1% yoy to RMB23,040 per square metre as at 31 December 2025, marking twelve consecutive quarters of decline since peaking at end-2022. The continued decline reflects sustained weak leasing demand, elevated vacancy and market concern over the volume of new supply expected from 2026 onwards.
- Zhangjiang and Jinqiao, as key mature submarkets, recorded the largest capital value declines, falling 15.7% yoy to RMB20,431 per square metre and 14.2% yoy to RMB16,918 per square metre, respectively. These steeper declines reflect the heavy concentration of incoming supply in both submarkets, which together account for nearly 90% of Shanghai's business park pipeline (2.3 million square metres in Jinqiao and 1.5 million square metres in Zhangjiang), which weighed on both rental levels and capital values. Caohejing, Linkong and Shibei were comparatively less affected, with yoy declines ranging between 6.9% and 10.0%.
- Notable transactions in 2025 included the onshore share transfer of Fosun Tech Park in Caohejing, Xuhui District, for RMB1,256 million (RMB27,800 per square metre) in October 2025, and the sale of VI-HUB Jinqiao at RMB1,426 million (RMB18,000 per square metre) in May 2025. Both transactions reflect downward pricing pressure across submarkets, and buyers maintaining a conservative stance given continued rental weakness and the sizable supply pipeline ahead.

- Yields held steady at 5.0% throughout 2025, unchanged from the prior year, as the decline in capital values broadly tracked the pace of rental reductions. Core submarket yields generally ranged between 5.0% and 5.3%, consistent with a measured pricing stance amid limited demand recovery signals and the looming supply pressure.
- In 1Q 2026, capital values in the core business park submarkets declined 5.6% qoq to RMB21,760 per square metre as investors remained cautious amid sluggish demand recovery, pushing yields up from 5.0% to 5.3%.

## Outlook

- The outlook for Shanghai's core business park market in 2026 remains challenging. Macroeconomic uncertainties, including trade tensions and subdued business confidence, are expected to weigh on near-term leasing activity, while elevated vacancy and ongoing supply pressure are likely to keep rents under strain. The ongoing Middle East conflict is not expected to have a material direct impact on the market, given its domestically focused, technology-oriented demand structure spanning AI, integrated circuits and robotics.
- Landlords are expected to continue offering incentives to attract and retain tenants, with leasing demand primarily driven by tenants upgrading to higher-quality facilities at more attractive rental levels, alongside space consolidations and cost-driven relocations. Overall demand, however, remains subdued with limited momentum beyond opportunistic moves.
- Government stimulus targeting strategic industries, including advanced technology, life sciences, biopharmaceuticals and high-end manufacturing, may provide some demand support, although the effect is likely to be gradual and insufficient to offset near-term supply pressures.
- Zhangjiang, Caohejing, and Jinqiao are expected to face the most significant pressure, as these three submarkets are projected to collectively absorb approximately 80% of the total supply pipeline over the next three years.
- Over the medium to longer term, China's push for self-reliance in critical technologies, including semiconductors, aerospace, and intelligent transportation, could benefit Shanghai's technology-oriented business parks, particularly those catering to AI, integrated circuits and advanced manufacturing tenants. Shanghai's relative stability may also attract international capital, supporting a moderate recovery. However, a meaningful and sustained improvement will remain contingent on broader macroeconomic conditions and business confidence.

## Japan

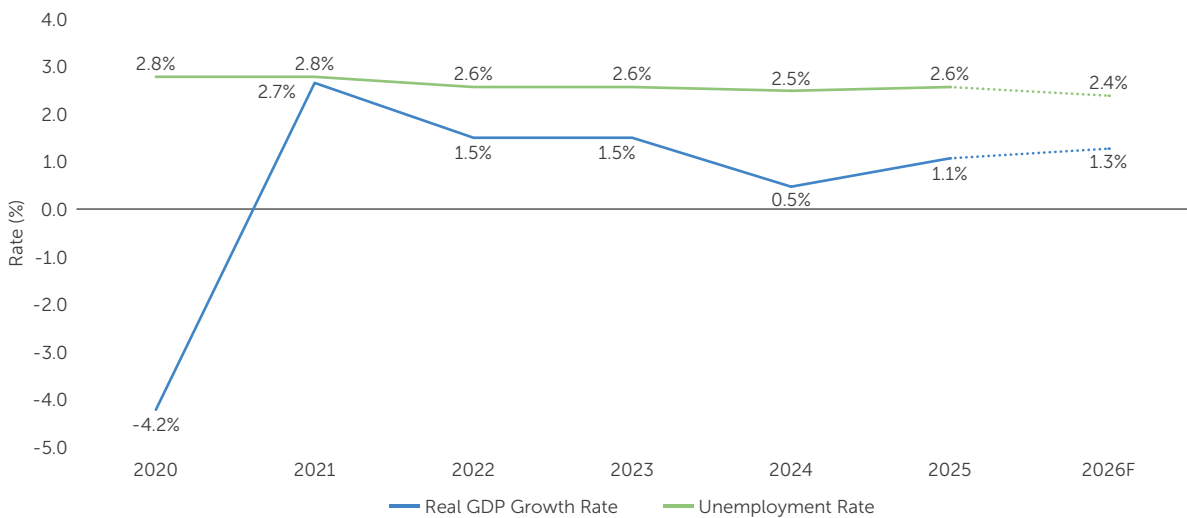
### 1.1 Economy

- Japan's real GDP grew 1.1% in 2025, up from 0.5% in 2024, driven by stronger private consumption and improved business investment activities, particularly in the first half of 2025. The Tankan Index reached 17.0 in 4Q 2025, up 13.3 points yoy, further reflecting the improvement in Japan's business sentiment.
- Unemployment rate edged up slightly to 2.6%, despite continued labour market tightening driven by labour shortages and heightened competition for talent, which drove wages higher. Full-year inflation stood at 2.6% and is expected to remain within a similar range in 2026.
- Looking ahead, Japan's economy is anticipated to continue its gradual recovery in 2026, with real GDP growth forecast at 1.3%. Increasing

domestic demand, positive business sentiment, and anticipated wage growth are expected to be the key drivers. Government measures aimed at easing household costs are expected to further support private consumption, while corporate profits and fixed investment by businesses are projected to trend upward.

- Despite the Bank of Japan ("BoJ") raising its policy rate to the highest level in 18 years, real interest rates remain negative, and the rate hike cycle could persist. The BoJ's tightening stance, including reduced bond purchases, potential further rate hikes and a strengthening yen, could weigh on export market performance. Uncertainties from the global trade war, combined with inflationary risks and higher energy prices stemming from the Middle East conflict, present additional downside risks. These factors could pressure import costs and dampen business confidence in the near term.

**Real GDP Growth Rate and Unemployment Rate**



Source: Cabinet Office of Japan, Statistics Bureau of Japan

# Independent Market Research Report

## 1.2 Greater Tokyo Office Market<sup>1</sup>

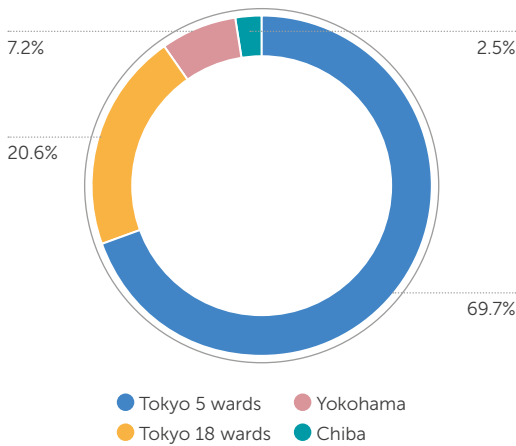
### Existing Office Stock

**10.9M tsubo<sup>2</sup>**  
(As at 31 December 2025)

**↑ 1.8%**  
yoy

- In 2025, around 222,559 tsubo of office space was completed in the Greater Tokyo office market.<sup>3</sup>
- As of 31 December 2025, Tokyo Central 5 wards held 69.7% of the office stock, followed by Tokyo Outer 18 wards at 20.6%. These two submarkets form the majority of the Greater Tokyo office market.
- In 1Q 2026, approximately 102,488 tsubo of new office space was completed, representing more than 40% of the total new supply for the full year of 2025.

### Distribution of Office Stock by Submarket



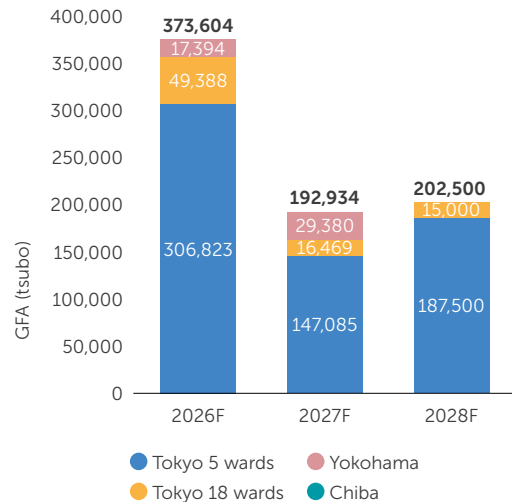
Source: Colliers

### Potential Office Supply

**769,038 tsubo**  
(From 2026 to 2028)

- New office supply for Greater Tokyo is estimated to increase to around 374,000 tsubo in 2026, accounting for almost half of the total supply over the next three years. The Oimachi Tracks Business Tower, located in Tokyo Outer 18 wards, was completed in 1Q 2026. This is a notable project that added an estimated leasable area of 37,510 tsubo.
- An additional 192,934 tsubo and 202,500 tsubo of office space are expected to be completed in 2027 and 2028, respectively. Notable future projects include World Trade Center Building (Main Building) in Tokyo Central 5 wards (estimated NLA of 24,800 tsubo) in 2027, and Torch Tower in Tokyo Central 5 wards, scheduled for completion in 1Q 2028 (estimated NLA of 108,000 tsubo).
- Over the next three years, Tokyo Central 5 wards will continue to dominate Greater Tokyo's office supply pipeline, accounting for approximately 641,408 tsubo, or 83.4% of total planned supply. In contrast, the future supply in other Tokyo submarkets remains limited,<sup>4</sup> with about 80,856 tsubo or 10.5% of total supply, scheduled for completion in Tokyo 18 wards.

### Future Supply by Submarket



Source: Colliers

<sup>1</sup> All data and figures on the office market are from Colliers International (Hong Kong) Limited and they relate to the four office submarkets as outlined on this page. Unless otherwise stated, all area measurements are based on Gross Floor Area ("GFA").

<sup>2</sup> 1 tsubo is approximately 3.3057 square metres.

<sup>3</sup> We define four submarkets in Greater Tokyo: Tokyo Central 5 wards, Tokyo 18 wards, Yokohama and Chiba. Tokyo Central 5 wards comprise five central wards: Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku. Tokyo Outer 18 wards comprise the rest of Tokyo 23 wards. Chiba refers to Chiba city and its 6 administrative wards. MPACT has one property located in the Tokyo Central 5 wards (Higashi-nihonbashi 1-chome Building), three properties located in Tokyo Outer 18 wards (Hewlett-Packard Japan Headquarters Building, IXINAL Monzen-nakacho Building and Omori Prime Building) and three properties located in Chiba (mBAY POINT Makuhari, Fujitsu Makuhari Building and Makuhari Bay Tower).

<sup>4</sup> For Chiba, a few potential development projects exist. However, the lack of detailed disclosures limits visibility on prospective supply.

### Office Net Take-up

**327,996** tsubo  
(As at 31 December 2025)

▼ **22.3%**  
yoy

- Office market activities were primarily driven by talent acquisition needs and evolving working style. These have resulted in a positive net absorption across most submarkets in 2025.
- A pronounced flight-to-quality trend continued to shape demand, with companies prioritising office locations that offer better commuting options for employees. This has led to varied performance across submarkets, with demand concentrated in Tokyo Central 5 wards, particularly in buildings offering large floorplates of over 500 tsubo. Buildings in prime locations with advanced specifications have stood out as preferred choices for companies seeking high-quality office spaces. Notable examples of newly completed buildings benefiting from this trend include Blue Front Shibaura Tower S and The Linkpillar 1 North, both completed in 2025 with floorplates of approximately 1,500 tsubo each.
- Within Tokyo Central 5 wards, buildings with direct JR train line access are more sought after, while those with subway-only connectivity are comparatively less favoured. In Tokyo Outer 18 wards, locations closer to central Tokyo, such as Shinagawa Ward, are beginning to attract growing occupier interest.
- In contrast, Chiba, which includes major office clusters in central Chiba City and Makuhari, has yet to show a clear recovery. Its limited urban transit infrastructure, with no subway network and reliance on monorail and bus connections, constrains commuting accessibility to central Tokyo. While Makuhari benefits from East-West connectivity via the JR Keiyo Line, transfers are often required for North-South accessibility, particularly from the inland areas. Chiba's geographical position on the eastern side of the Tokyo metropolitan area also limits its connectivity to the wider regional transport networks and other major cities. Office demand in the Chiba area has therefore experienced a different recovery pace as compared to other major markets.
- As a result of these factors, full-year net absorption for Tokyo Central 5 wards and Tokyo 18 wards grew 13.0% and 236.5% yoy respectively, driven by positive take-up in newly developed office buildings. Chiba recorded a 6.0% yoy decline in net take-up.

- In 1Q 2026, demand in Tokyo's office market remained resilient. Occupier preference for high-specification offices in central locations continued, with leasing activity concentrated on newly completed buildings. Large floorplates in existing buildings have largely been absorbed, and demand for sizable space is increasingly shifting towards upcoming developments. Despite elevated rent levels, relocation appetite remains robust for well-located and high-quality properties, and vacancies from new completions are expected to be absorbed gradually. In Tokyo 18 wards, comparatively more affordable rents are expected to continue to support in-building expansions and consolidation-driven relocations.

### Office Occupancy Rate

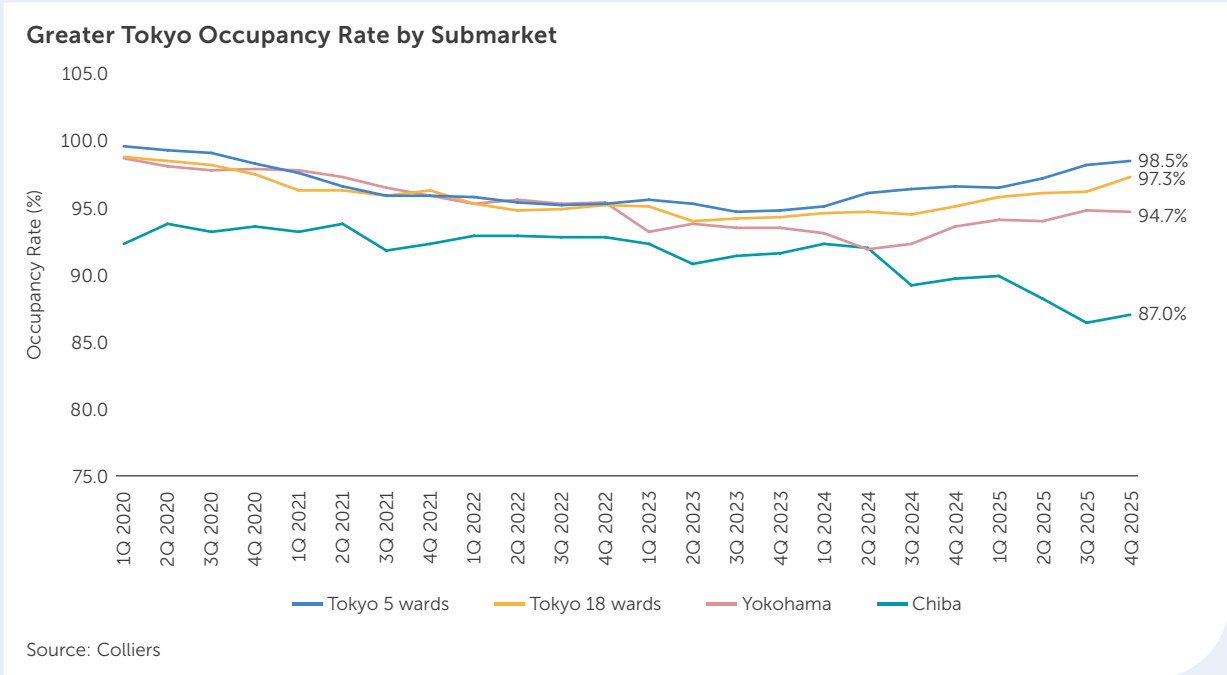
**97.7%**

(Greater Tokyo as at 31 December 2025)

▲ **1.8 pp**  
yoy

- Occupancy rates across Greater Tokyo rose by 1.8 pp yoy to 97.7% by the end of 2025, driven by the ongoing corporate and workforce expansion. However, the degree of improvement in occupancy levels varied across submarkets.
- Tokyo Central 5 wards, the most prime submarket, recorded an increase in occupancy rate by 1.9 pp yoy to 98.5% as of 31 December 2025.
- Despite the completion of several large-scale office developments, the growing scarcity of large office spaces suitable and available for corporate headquarters in central Tokyo has led to rising demand in peripheral areas with good accessibility and lower rents, such as Tokyo 18 wards. As a result, the office occupancy for Tokyo 18 wards improved 2.2 pp yoy to 97.3% as of 31 December 2025.
- In 1Q 2026, the office occupancy for Tokyo 5 wards was 98.1%, down slightly by 0.4% qoq. This was largely due to the completion of a large-scale building with significant vacant space. Despite this, vacancies in existing Greater Tokyo office buildings have been largely absorbed, with demand increasingly shifting towards newly completed developments. In the Tokyo 18 wards, occupancy rose 0.5% qoq to 97.8%.

# Independent Market Research Report



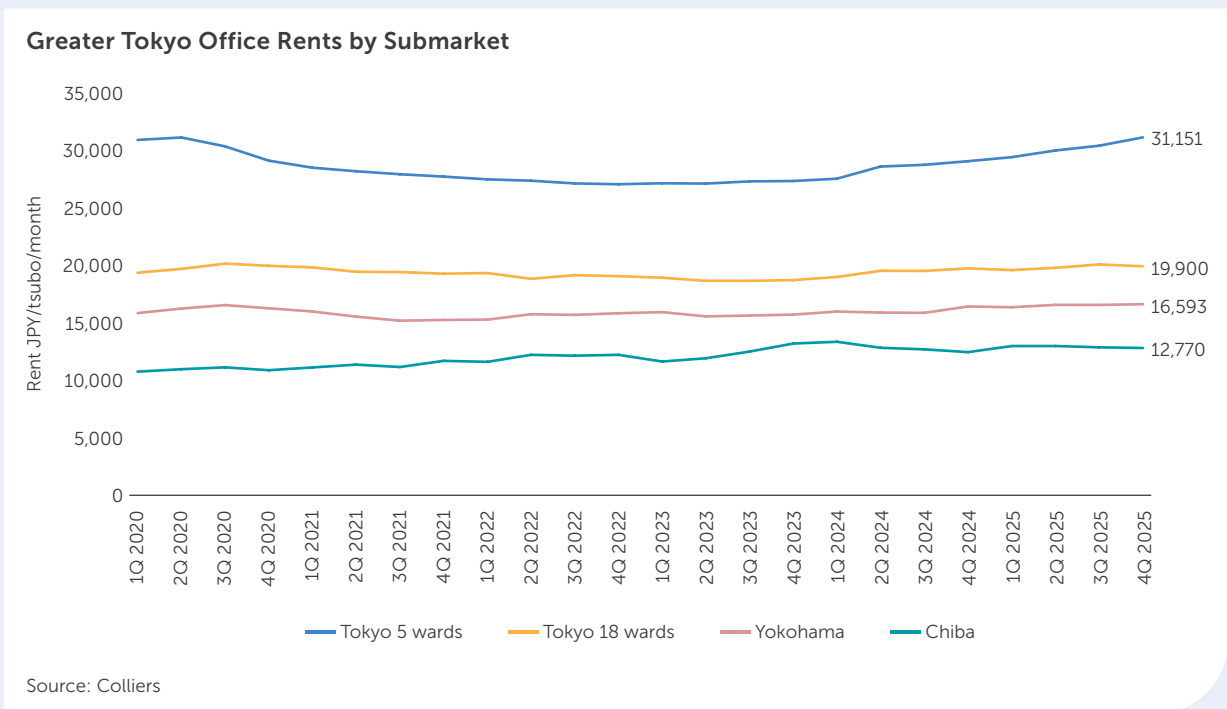
### Average Office Rent

**JPY 26,272**  
 per tsubo per month  
 (Greater Tokyo as at 31 December 2025)

**↑ 1.9%**  
 yoy

- Greater Tokyo’s average office rent increased by 1.9% yoy to JPY26,272 per tsubo per month as at the end of 2025. This was due to steady demand during the year but was partially offset by increased supply.

- The rental recovery that began in central Tokyo continued to extend outward to peripheral areas. Tokyo Central 5 wards, being the most prime submarket, recorded the strongest growth at 7.2% yoy. Tokyo 18 wards also benefited, recording rental growth of 0.9% yoy. Despite higher vacancy, Chiba recorded 2.9% yoy rental growth, supported by positive net absorption in newly developed buildings.



- In 1Q 2026, Tokyo 5 wards recorded a 5.2% qoq rental increase. Despite an increase in vacancy, landlords of nearly fully occupied buildings continued to raise asking rents. Tokyo 18 wards rents rose 6.4% qoq. With vacancy tightening and falling below 3.0%, landlords are likely to push up rents.

#### Average Office Capital Value

**JPY4,945,715**  
per tsubo  
(As at 31 December 2025<sup>1</sup>)

▲ 8.4%  
yoy

#### Average Office Net Yield

**3.5%**  
(As at 31 December 2025)

▼ 0.1 pp  
yoy

- Tokyo's office sector continued its recovery in 2025, with transaction volumes surpassing levels recorded in both 2024 and 2023. This growth occurred despite the BoJ's shift away from ultra-loose monetary policy and the return of positive short-term interest rates, driving the average office capital values up by 8.4% yoy.
- Capital values and yields have not yet fully incorporated the recent rental growth, largely due to the usual lag between leasing activity and valuation adjustments. This convergence is expected to occur over time, as capital values and yields adjust in response to stronger rental fundamentals – particularly for prime assets where demand remains resilient.
- Financing costs have gradually increased since 2022. Japan's rate hike cycle, which began in early 2024, is likely to add further upward pressure on borrowing costs. Despite this, Japan continues to offer a relatively low interest rate environment compared with other markets, maintaining its attractiveness to investors.

- Supported by declining vacancy rates, ongoing rental growth and stable income returns, alongside expectations for further rental upside, the average office capital value for Tokyo have continued to trend upward.
- In 1Q 2026, average capital value rose modestly to approximately JPY5.01 million per tsubo. Meanwhile, capitalisation rates have remained broadly stable. However, slight upward pressure has begun to emerge as rising borrowing costs gradually influence investor sentiment, particularly with respect to pricing discipline and return requirements.

#### Outlook

- Corporate reorganisation and relocation, fuelled by robust workforce growth and adjustments to new workplace strategies, will continue to underpin office demand. The preference for higher-quality buildings is expected to reshape market dynamics and drive demand shifts across Greater Tokyo's office submarkets.
- The limited availability of large-scale space and sustained demand in central Tokyo have created a landlord-favourable environment, driving rental levels higher. These conditions are expected to push some occupier demand toward the outlying areas, with benefits reaching Tokyo 18 wards first, followed by Chiba as market conditions tighten further.

<sup>1</sup> Capital value and net yield data are based on the latest available information in J-REIT disclosure documents as J-REITs close their books and update their disclosure materials semi-annually.

# Independent Market Research Report

## Seoul Office Market

### 1.1 Economy

- South Korea recorded GDP growth of 1.0% in 2025, down from 2.0% in 2024, largely due to weaker construction and facility investments, partially offset by improved private consumption and increased semiconductor investments.
- In 1Q 2026, GDP grew 3.6% yoy, demonstrating resilience despite ongoing economic headwinds. Key drivers included robust facility investment and exports, particularly semiconductors, where surging global demand driven by the AI boom and a global memory chip shortage propelled strong performance. The KOSPI surpassed 6,000 in February 2026, more than doubling within a year, reflecting the strong momentum in the technology sector and broader investor confidence.
- National unemployment rate remained stable at 2.9% in 2025. However, both consumption-related sectors and service sector showed a yoy decrease in unemployment rate, supported by government job programs.
- The Korean Development Institute ("KDI") forecasts GDP growth of 1.9% for 2026, representing a yoy increase of 0.9 pp, driven by a recovery in domestic demand.
- However, the outbreak of the US-Iran conflict and the resulting disruption to the Strait of Hormuz

have triggered an energy shock and broader logistics disruptions. Given South Korea's heavy reliance on imported energy and its export-driven manufacturing base, these developments could present downside risks to the growth outlook.

### 1.2 Seoul Office Market

#### Existing Office Stock

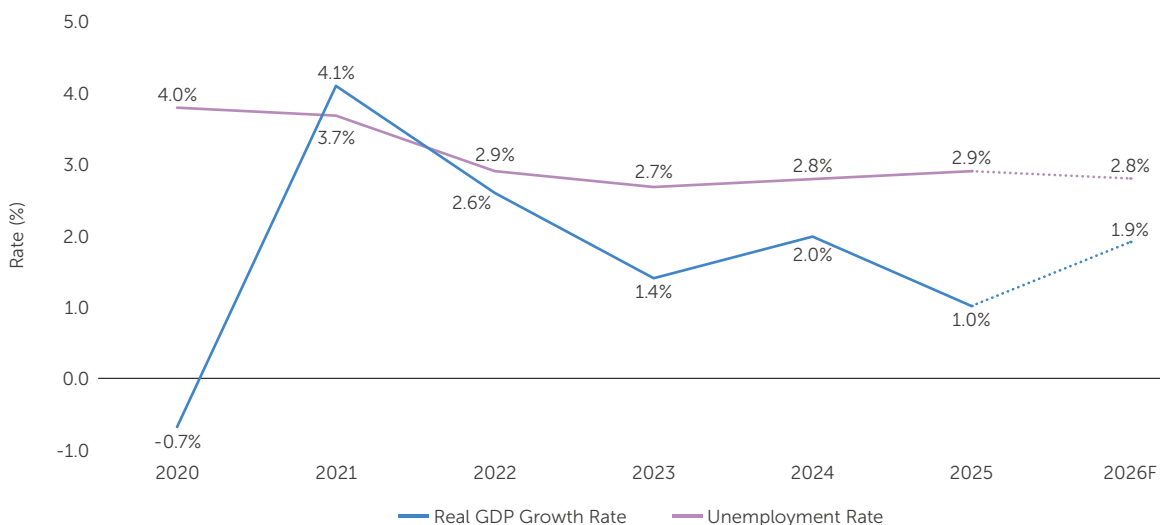
(Within the Three Core Business Districts)

**2.8M pyeong<sup>1</sup>**  
(As at 31 December 2025)

**↑ 1.5%**  
yoy

- The Seoul office market comprises three core districts: the Central Business District ("CBD"), the Gangnam Business District<sup>2</sup> ("GBD") and the Yeouido Business District ("YBD"). GBD, Seoul's second largest business district, is a preferred location for information technology ("IT"), technology, media, fashion, and pharmaceutical companies. Other key submarkets include the Bundang Business District ("BBD") and the Pangyo Business District ("PBD"), which accommodate IT, technology and start-ups.
- New office supply in Seoul's major districts remained limited in 2025. Only three major developments were completed in the CBD and GBD, adding about 40,191 pyeong of GFA, equivalent to about 1.5% increase in office stock. The two CBD completions comprised Jung-gu

**Real GDP Growth Rate and Unemployment Rate**

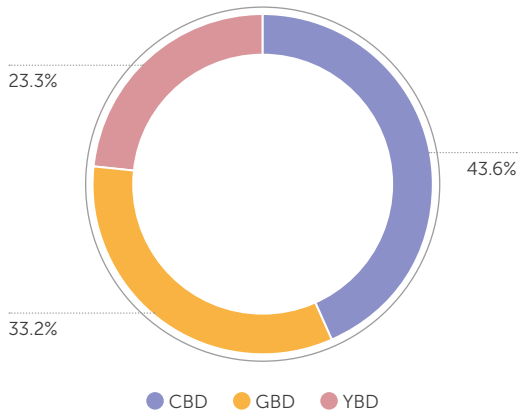


\*Note: Real GDP and yoy variance represents chained 2015 prices, seasonally adjusted.  
Source: KDI, Bank of Korea

<sup>1</sup> 1 pyeong = 3.30579 square metres.

<sup>2</sup> MPACT owns The Pinnacle Gangnam which is situated in the GBD.

### Distribution of Grade A Office Building Stock by Submarket



Source: Colliers

Cho-dong (Project 107) (11,754 pyeong) and KT Gwanghwamun Building (WEST) (20,254 pyeong), while the remaining development, Baekam Building (OPUS 459) (8,183 pyeong) was in GBD. All three completions were concentrated in the first half of the year, with no new additions recorded in the second half.

- In 1Q 2026, no new office supply was recorded in the market, marking the third consecutive quarter without additions to the market.

### Potential Office Supply

**494,814 pyeong**  
(From 2026 to 2028)

- Approximately 494,814 pyeong of office supply is expected to be added to Seoul's three core business districts between 2026 and 2028. Supply over this period will be heavily back-loaded, with the majority of new completions concentrated in 2028.
- In the near term, new supply is confined to the CBD, and there are no expected completion in GBD or YBD until 2028. Four major office buildings are scheduled for completion in 2026, the largest being Gongpyeong District 15 and 16 (approximately 35,096 pyeong) slated for 3Q 2026. The CBD will account for all new completions in 2027, led by Eulji Finance Centre (19,659 pyeong).
- Over the three-year period from 2026 to 2028, the CBD will contribute 71.6% of the total supply pipeline. The GBD and YBD will contribute 23.3% and 5.1%, respectively.

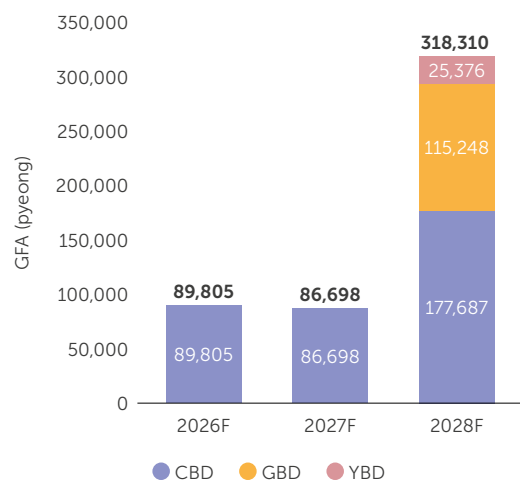
### Office Net Take-Up<sup>1</sup>

**11,528 pyeong**  
(Overall in 2025)

N.M.<sup>2</sup>

- Seoul's overall office market rebounded in 2025, recording a positive net take-up of 11,528 pyeong, improving from the negative absorption of 59,209 pyeong recorded in 2024.
- Despite the positive full-year net take-up, leasing activities remained volatile across quarters, with strong occupier expansion totalling nearly 116,400 pyeong in 2Q and 3Q 2025 but negative net take-up in recorded in 1Q and 4Q 2025.
- The negative absorption in 4Q 2025 was primarily driven by relocations from the CBD, where legacy tenants and traditional sectors undertook year-end lease rationalisation and space consolidation to optimise real estate costs. This reflects adjustments by tenants rather than a broad-based deterioration in city-wide demand.
- Similarly, the GBD demonstrated relative resilience during the 4Q 2025 seasonal lease rationalisation, with negative net take-up of 10,474 pyeong. This was supported by limited Grade A office supply and strong tenant retention. This resilience is further underpinned by the rapid expansion of technology, AI and data-driven occupiers, who continue to prioritise premium spaces to attract talent.

### Future Supply by Submarket



Source: Colliers

<sup>1</sup> Net take-up is the sum of space that became occupied during the year minus the sum of space that was vacated over the course of the year.

<sup>2</sup> N.M.: Not meaningful.

# Independent Market Research Report

- The Seoul office market recorded positive net take-up in 1Q 2026. This rebound from the contraction observed in 4Q 2025 indicates that the late-2025 decline was largely driven by temporary year-end lease consolidations rather than a broader weakening in demand. This also reflects the market’s underlying resilience and active occupier expansion despite an uneven leasing environment.

### Office Occupancy

(Within the Three Core Business Districts)

**96.7%**

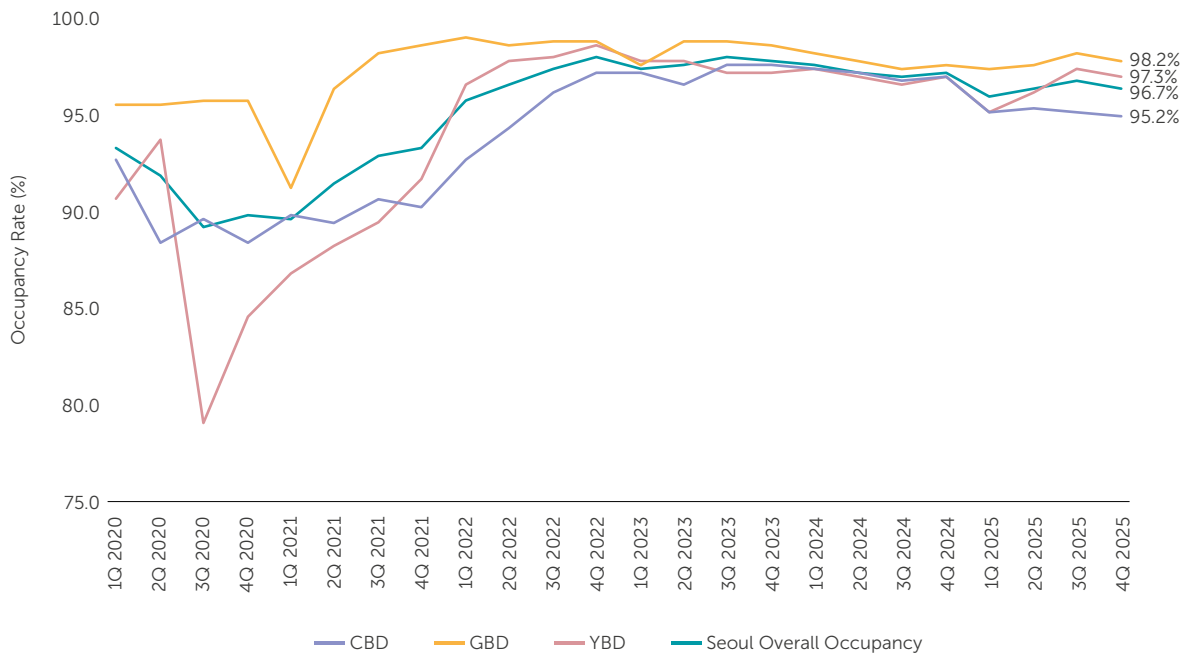
(As at 31 December 2025)

▼ **0.8 pp**  
yoy

- Amid economic headwinds, the overall occupancy in Seoul’s three core business districts fell 0.8 pp yoy to 96.7% as at 31 December 2025.

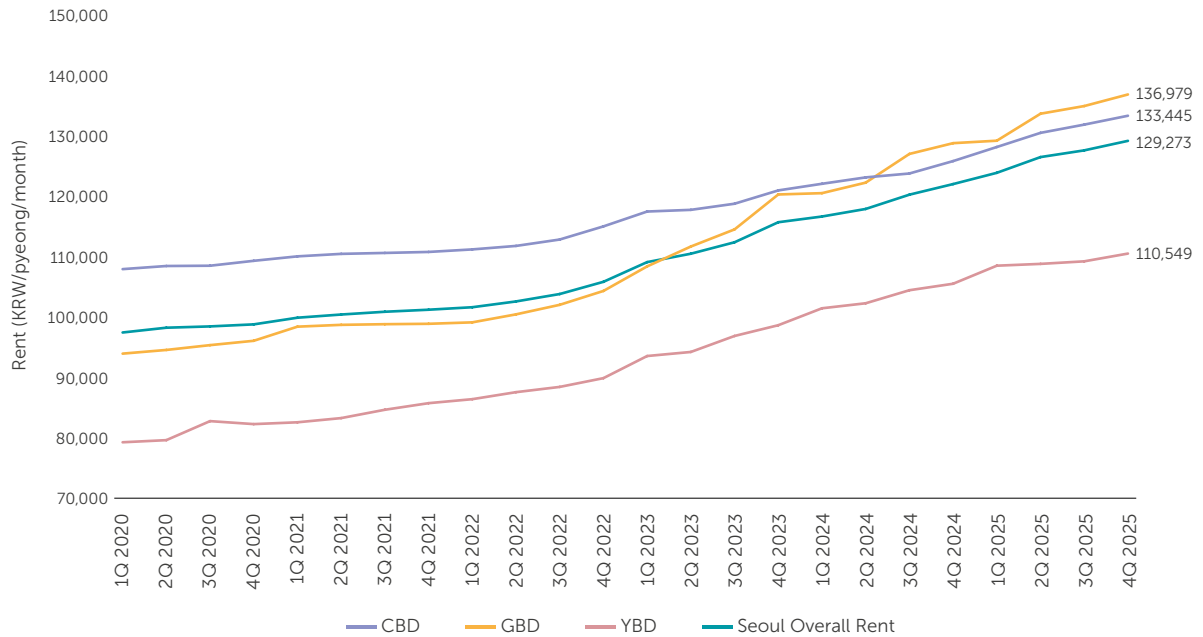
- The CBD recorded the sharpest decline, falling by 2.0 pp yoy to 95.2% , driven by the additional supply completed in the first half of 2025. Occupancy rate in the GBD and YBD remained tight at 98.2% and 97.3%, respectively, supported by limited near-term supply.
- In 1Q 2026, Seoul’s overall Grade A office occupancy improved to 96.9%, driven by robust leasing demand and limited immediate supply deliveries. Occupancy rates for CBD, YBD and GBD all rose, recording 95.5%, 97.5% and 98.2% respectively by the end of 1Q 2026.

Occupancy Rate by Submarket



Source: Colliers

## Office Rent by Submarket



Source: Colliers

## Average Office Rent

**KRW129,273**  
per pyeong per month  
(Overall Net Effective Rent as at  
31 December 2025)

↑ 5.9%  
yoy

- In 4Q 2025, Seoul's overall Grade A office rent rose 5.9% yoy to KRW129,273 per pyeong per month. This sustained rental growth was largely driven by occupiers recognising the limited new supply before 2028, and seeking to secure long-term space ahead of anticipated cost pressures.
- The GBD recorded the highest rents among Seoul's major business districts at KRW136,979 per pyeong

per month, up 6.3% yoy. This was supported by limited Grade A supply, strong tenant retention and sustained demand from technology and multinational occupiers.

- In 1Q 2026, Seoul's overall Grade A office rent maintained its upward trajectory, rising to approximately KRW131,236 per pyeong per month representing a 5.9% yoy growth. The supply-demand imbalance within the Grade A segment has continued to support rental levels, with landlords of well-located prime assets capitalising on tight availability and successfully pushing for higher rents.

# Independent Market Research Report

## Average Office Capital Value

**KRW32.4M per pyeong** ▲ 4.5%  
(As at 31 December 2025) yoy

## Average Office Yield

**4.3%** ▼ 0.3 pp  
(As at 31 December 2025) yoy

- Seoul's Grade A office investment remained robust in 2025. Overall capital values rose 4.5% yoy to KRW32.4 million per pyeong as at 31 December 2025. This was driven primarily by strong performances in the CBD and GBD and reflected investor confidence and improving sentiment.
- Transaction activity in 2025 remained selective. Notably, three of the six major transactions that occurred in 4Q 2025 structured as share deals. Such equity-based structures give buyers greater flexibility and exemption from the standard 4.6% acquisition tax.
- Capitalisation rates were broadly stable throughout 2025. The overall net yield was 4.3% as at 31 December 2025, tightening from 4.6% a year ago. In the GBD, capital values reached KRW39.5 million per pyeong as at 31 December 2025, supported by renewed investor interest in prime, stabilised assets with strong occupancy profiles.
- The Seoul Grade A office investment market started 2026 strongly, with total transaction volume of approximately KRW4.8 trillion across eight deals in 1Q 2026. This was largely anchored by landmark transactions in the CBD and intense competition for prime assets in the GBD. All transactions were structured as direct asset deals. The market witnessed continued yield compression and asset

value appreciation during 1Q 2026 with average capitalisation rates tightening to 4.2% and average capital values climbing 8.0% qoq to approximately KRW35.0 million per pyeong.

## Outlook

- Underpinned by firm rental growth, historically low vacancy and the absence of new supply in the second half of the year, Seoul's office market remained resilient through 2025. However, the market outlook is increasingly shaped by a substantial supply pipeline scheduled from 2026 onwards, which will become a key driver for market performance over the medium term.
- The negative net absorption in 4Q 2025, while largely reflecting seasonal lease rationalisation rather than a structural demand shift, also signals a move toward a more cautious and selective occupier environment. The ongoing flight-to-quality trend continues to support prime assets, sustaining high occupancy in the GBD and YBD. The CBD, however, faces relatively higher vacancy risks given tenant relocations and greater exposure to the incoming supply pipeline.
- New supply is expected to peak between 2028 and 2029, concentrated in the CBD and GBD, placing downward pressure on occupancy rates and moderating rental growth. In particular, occupancy in the CBD is expected to fall below 90% by 2029, subject to the pace of absorption and timing of new project completions.
- Despite these emerging risks, investment demand has remained strong, as evidenced by increased transaction activity. Near-term rental conditions are projected to remain stable. Over the medium term, market performance will increasingly depend on the market's capacity to absorb the incoming supply wave.

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