

ECONOMICS



# APAC Commercial Property Monitor

Q1 2026

# Regional sentiment continues to stabilise, although the impact of the Iran war is evident in certain markets

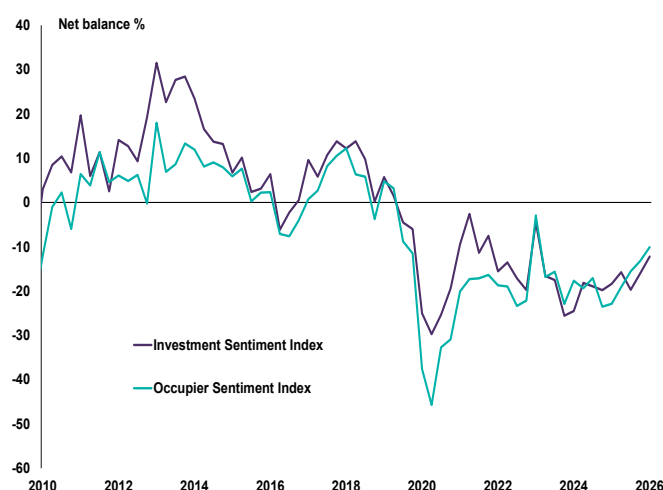
- Headline Sentiment Indices remain negative but show further signs of stabilisation, with the regional readings the least negative in almost three years
- Japan now posting the strongest results, while improving conditions are visible in Hong Kong
- Concerns over the macroeconomic implications of the ongoing Iran war have weighed more heavily on sentiment in Australia and New Zealand than elsewhere in the region

The Q1 2026 RICS Global Commercial Property Monitor results for APAC point to a further easing in the regional headwinds that have weighed on activity over recent quarters. While headline metrics remain in negative territory, the latest readings represent the least pessimistic outturns since the start of 2023. Anecdotal feedback nevertheless highlights the ongoing Iran war as a dominant overlay on global sentiment, although its translation into local market conditions has so far been uneven across APAC, with Australia and New Zealand visibly more affected than the rest of the region.

## Occupier and investment sentiment continues to stabilise

At the APAC-wide level, the Occupier Sentiment Index improved to -10 in Q1, up from -13 in the previous quarter, marking a fifth consecutive quarter of incremental improvement (Chart 1). The Investment Sentiment Index followed a similar trajectory, edging up to -13 from -16 previously. Both readings represent the least negative outcomes since Q1 2023 and, while neither yet signals a generalised upturn, the direction of travel is more constructive. The latest results also point to a modest pick-up in occupier demand at the APAC aggregate level, with the headline net balance turning marginally positive (+4%) for the first time in six quarters.

Chart 1 - Occupier & Investment Sentiment Index

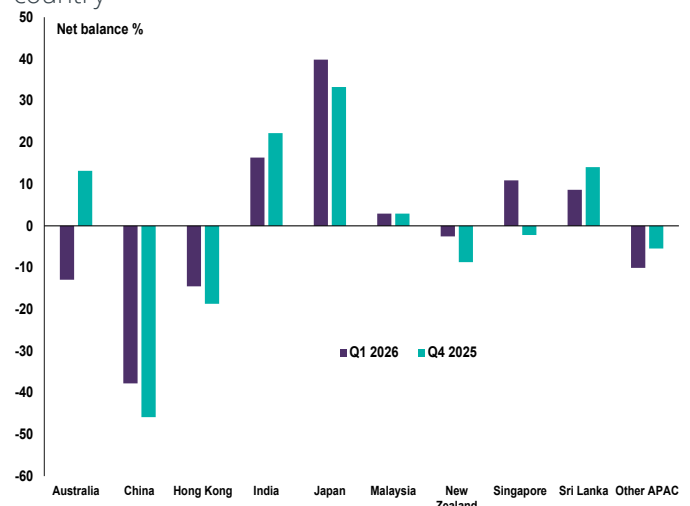


## National level divergence remains a defining feature

As shown in Chart 2, the composite Commercial Property Sentiment Index (CPSI) continues to vary substantially across the region. Japan's strength stands out, with the latest reading rising to +40 from +33 in Q4, an even more upbeat outturn than the multi-year high recorded last quarter. Activity in India also remains firmly positive at +16, although the trajectory has eased somewhat from +22 previously. Sri Lanka and Singapore round out the group of markets posting positive readings, with sentiment in Singapore in particular shifting up to +11 from broadly flat conditions previously. Notably, several of the markets where sentiment has held up best appear comparatively insulated from the Iran war's macro impact for now, partly reflecting more contained inflation dynamics, particularly in mainland China.

China continues to weigh on the regional aggregate, with the Q1 reading of -38 still deeply negative. That said, this represents a meaningful improvement on the -46 outcome in Q4, while several areas of stabilisation are coming through in the latest feedback, evidenced by many indicators turning notably less downbeat this quarter. Sentiment in Hong Kong remains marginally negative at -15, but the latest CPSI is the least negative reading since Q1 2023; one respondent flagged Hong Kong as a potential beneficiary should capital and businesses relocate from the UAE in the event of a more prolonged conflict. By contrast, Australia has slipped back into negative

Chart 2 - Commercial Property Sentiment Index by country



territory after several quarters of improvement, with the Q1 reading of -13 reflecting a sharp deterioration in respondent confidence linked directly to the Iran war and resulting energy price volatility, with comments from Sydney, Brisbane and Canberra all pointing to a sudden pullback in activity. While New Zealand recorded a less negative CPSI reading at -3 (an improvement on -9 previously), a number of respondents still flagged that the recent fuel supply shock and Iran-related uncertainty are weighing on the early stages of recovery.

**Office and industrial demand strengthens, while retail lags**

An examination of tenant demand dynamics suggests that occupier demand has now returned to (modestly) positive territory at a regional aggregate level. The headline net balance of +4% follows five consecutive quarters of contraction. At the sector level, office and industrial both posted readings of +8%, while retail remained in marginally negative territory at -5%.

Chart 3 illustrates the trajectory of occupier demand across markets. Focussing on China, given its outsized influence on the regional aggregate, the net balance for tenant demand improved markedly to -18% from -48% previously, the least negative reading since the brief uptick recorded at the start of 2023. When broken down, industrial space looks to be performing better than other mainstream sectors. Elsewhere, offices stand out as the strongest performing sector in Hong Kong, India, Japan, New Zealand, Singapore and Sri Lanka. Malaysia is again one of the few APAC market covered in which industrial assets are reporting more favourable demand dynamics than offices.

**India and Japan continue to lead rental growth prospects**

Chart 4 presents twelve-month rental growth projections at the all-sector average level across national markets, with results shown separately for prime and secondary space. India, Japan and Sri Lanka are again expected to deliver the strongest rental growth, with projections positive across both prime and secondary segments. Singapore now joins this leading group, with prime rental growth of close to 4% anticipated alongside positive expectations for secondary space. Elsewhere, Australia, Malaysia and New Zealand are projected to see modest growth at the prime end of the market,

Chart 3 - Occupier Demand by Country

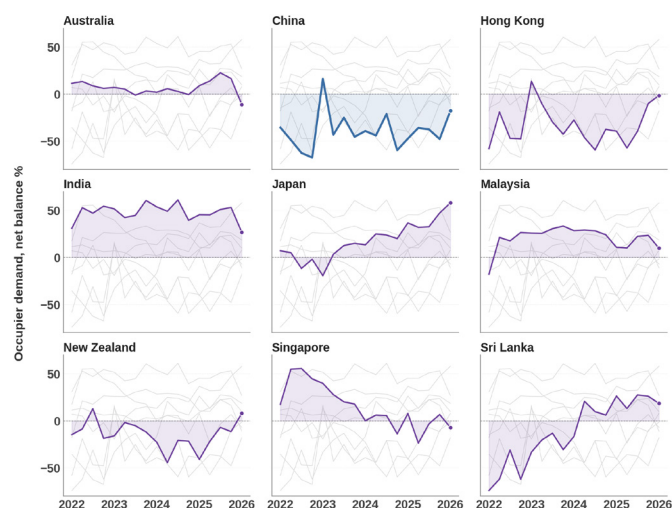
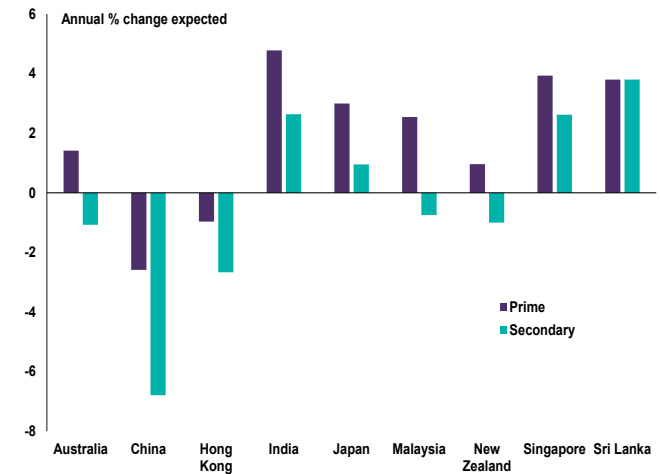


Chart 4 - Twelve-month All-property Rental Growth Projections



alongside a broadly flat to mildly negative outlook for secondary properties. Rental growth expectations in mainland China and Hong Kong remain negative across both segments, although prime assets are anticipated to experience a much shallower decline than secondary space.

**Investment enquiries pick up across most markets**

Despite the regional ISI still sitting in negative territory, drilling into the data at a country level reveals that investor interest is now rising across most APAC markets. Japan again leads, with a net balance of +52% of respondents reporting an increase in buyer demand, the strongest outturn for almost a decade. India and Sri Lanka also continue to record solidly positive readings. Most notably, the latest net balance for Hong Kong came in at -8%, an improvement on -22% previously and the least negative outcome since Q1 2023. China remains the clear outlier on the downside (-32% net balance), although the trajectory has turned meaningfully less pessimistic relative to recent quarters.

Looking at twelve-month capital value expectations, the heatmap (Figure 5) on the next page continues to highlight a clear divergence across regional markets. India and Sri Lanka remain the strongest and most broad-based performers, with consistently positive growth expected across almost all sectors. Japan and Malaysia display more moderate but still upbeat trends, with strength concentrated in prime assets and alternative sectors such as data centres, hotels and aged care. Australia, New Zealand and Singapore appear relatively stable, with modestly positive projections led by data centres, multifamily and hotels, but softer outcomes in secondary office and retail. By contrast, China and Hong Kong continue to show widespread weakness across most traditional commercial sectors (especially in the secondary segments), although data centres and student housing continue to demonstrate relative resilience.

Perceptions of the current property cycle vary sharply by market (Chart 6). China and Hong Kong are still widely viewed as being in a downturn or near the bottom, although the share of respondents pointing to an early upturn has crept higher in both. Australia, New Zealand, Malaysia, India and Sri Lanka are predominantly seen as being in an upturn, while Japan and Singapore stand out as the most heated markets, with the bulk of respondents placing them at or near the peak of the cycle.

Figure 5 - Twelve-month Capital Value Growth Expectations by Sector and Country (% point estimate)

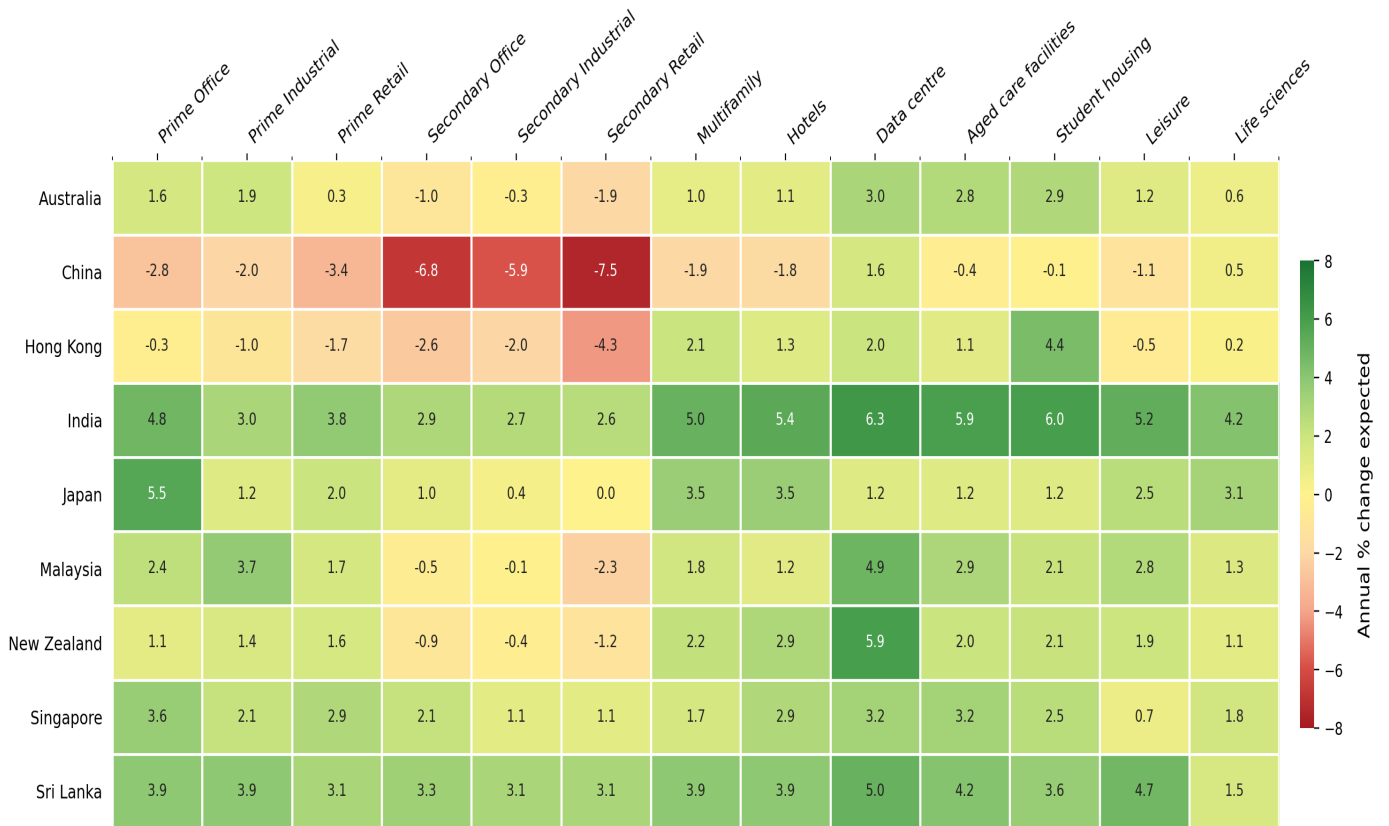
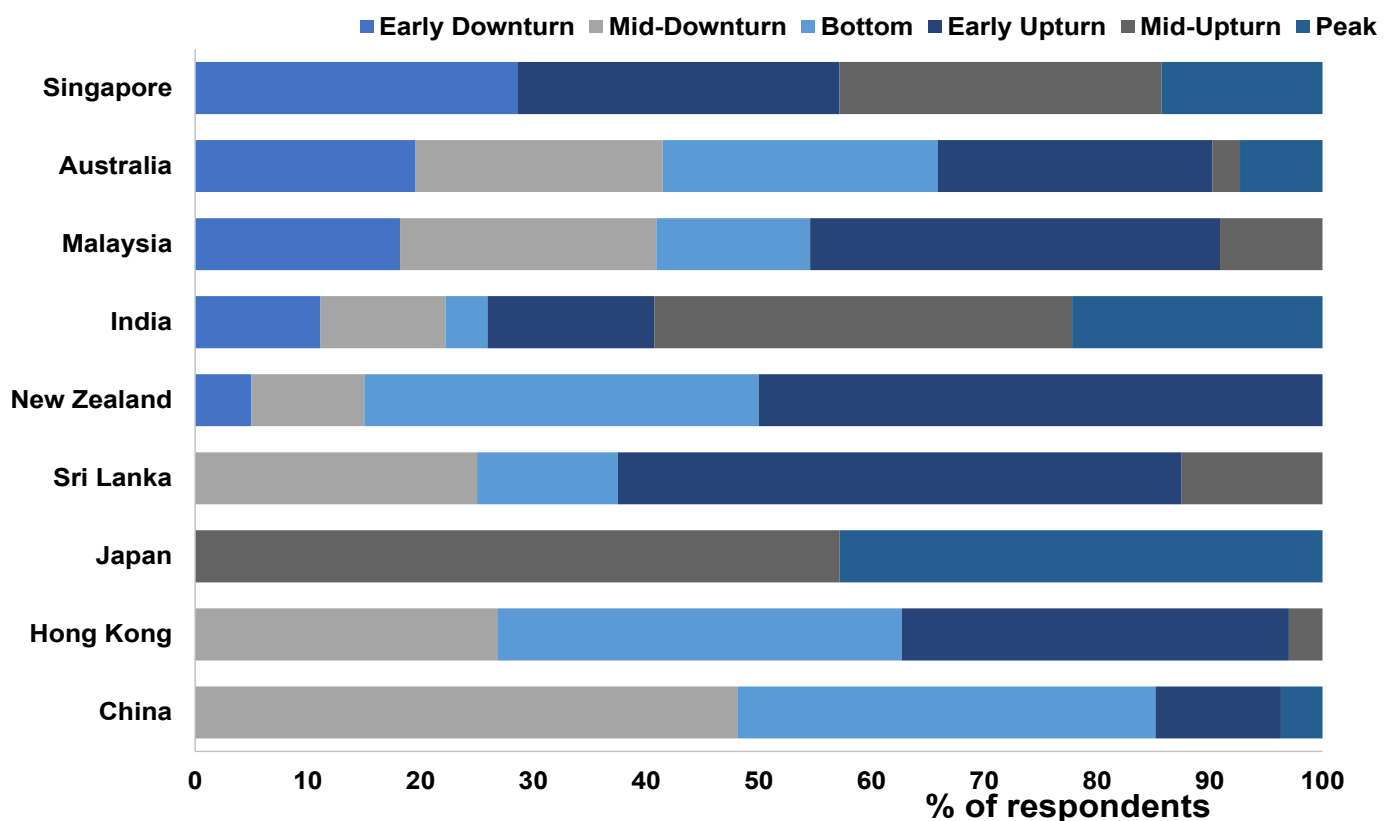


Chart 6 - Perceptions Regarding Current Stage of the Property Cycle



## Regional comments from survey participants

### Australia

Physical retail is gradually being replaced by online shopping. Retail shop demand is decreasing. - Beverly Hills

The Brisbane property market continues to be underpinned by solid underlying fundamentals, supported by sustained population growth, ongoing infrastructure investment, and the city's increasing role as a major economic centre within South East Queensland. These factors have contributed to generally stable market conditions across most property sectors, with demand remaining resilient for well-located and functional assets. - Brisbane

Uncertainty creeping in, feels like early COVID. - Brisbane

Whilst I am predicting growth, there is a risk of collapse. Land prices have soared, construction costs are through the roof, and yet values of the completed product have not kept pace. I am concerned many developers could go bust. The longer it goes on, the bigger the bust. Residential development in areas such as the Gold Coast is greater than I have seen over the past 50 years. - Brisbane

The uncertain geopolitical environment is producing a level of fear that has produced less market activity. - Canberra

Depressed. - Melbourne

Great concern about outgoings and operating costs due to unrealistic net zero ambitions by government. - Sydney

The Iran war is having a sad and devastating impact, on a human scale and an economic scale. Everything has just stopped. The world is holding its collective breath. The baby boomers came out of the ashes of WW2 and lived and thrived, but now in their twilight years sit on the edge of WW3. It is very hard to comprehend that war is an answer to any question in these times. Common people view the impact through petrol prices; all measurement metrics of the economy are now in chaos. - Sydney

Uncertainty over the war in Iran and the impact on the Middle East and oil/gas volatility. - Sydney

### Brunei

Brunei Darussalam's economy in 2026 is navigating a critical period of transition, facing the dual challenges of global uncertainty and the urgent need to reduce its historic dependence on oil and gas. While macroeconomic stability is projected to persist, the nation is actively pursuing a diversification agenda, with the construction and real estate sectors positioned as key pillars of this strategy. The overall economic backdrop shows modest growth, with GDP having expanded by 0.7% in 2025. - Bandar Seri Begawan

### China

Early stages of market recovery, still to be observed. - Shanghai

The whole market is in a state of saturation, with the overall trend gradually declining. - Shenzhen

The overall property sales and leasing market continues to be in a depressed state. However, leasing assets in industrial premises and the biopharmaceutical category are showing signs of recovery, with biopharmaceutical leasing in particular showing strong momentum, with both short- and long-term prospects looking favourable. - Wuxi

### Hong Kong

Geopolitical risk impacts market confidence. - Hong Kong

Hong Kong sees itself as a natural alternative to Dubai, and may well benefit from the business, people and capital exodus from the UAE if the war continues. - Hong Kong

Local Government governance should be improved. - Hong Kong

Market is still in a downward trend, even though transaction volume is increasing. - Hong Kong

Past the bottom of the market, in the midst of a recovery. - Hong Kong

The HK property market reached the bottom in Q2 2025. The market has been rebounding from Q3 2025 due to a strong influx of foreign capital. It is expected that the market will enjoy stable growth over the next two years, provided that there are no major unexpected political issues. - Hong Kong

Very good. - Hong Kong

Recovering after three years of disturbance. - Hong Kong Island

Recovering from the effects of Covid. - Hong Kong Island

Oversupplied office property is changing in purpose to student housing, in line with market and regulatory incentives for speculative investment and development. - Kowloon

### India

Land prices are expensive. Availability of land parcels without litigation is a challenge. More clarity is needed on government policies. We are still evolving in terms of data transparency. - Bengaluru

Improved connectivity, government-backed redevelopment, and rising spiritual tourism are transforming India's temple towns into emerging temple tourism spots. - Chennai

Real estate market peaks in the NCR region of India. - Gurugram

Generally, capital values of residential and commercial properties have been stable / unchanged during the last quarter. - Mumbai

Due to the global position and Middle East unrest, the industry is also disturbed; petroleum prices, LPG, share market falling. - Noida

The Middle East and crude oil prices will decide real estate capital values and rental values in 2026/2027. - Thane

Generally the real estate market is slowly on an upward trend. Especially the retail market is picking up fast. - Thiruvananthapuram

### Indonesia

A bit uncertain due to the ongoing Middle East war, fuel increases, soft demand for apartments, and soft demand for investment-type portfolios (mainly owner usage). Politically not a sound atmosphere. - Jakarta

### Japan

The Japanese real estate market is becoming increasingly polarised between major metropolitan areas and regional cities. - Matsusaka

As CPI (Japan) is surging, which brings real estate prices and rents upward with a certain time lag (not yet though), the real estate market in Japan continues to grow despite Trump's disorder. - Tokyo

Construction costs continue to rise. Crew availability for large development projects and occupier fit-outs is challenged in terms of time and cost. Landlords are in the strongest position in decades. Contractors are in an even stronger position, limiting developer operations. - Tokyo

Robust rent growth and vacancy fundamentals continue to support acquisition of investment-grade assets across major cities and sectors. However, assessing the impact of further incremental base-rate increases - and the associated risk of modest cap rate expansion during the hold period - is focusing interest on core plus and value-add opportunities. - Tokyo

## Regional comments from survey participants

### Malaysia

The demand for our work has changed; we have not fully recovered from the effects of the pandemic, and yet now we have to endure the effects of war. - Klang

The current property market in Sabah is generally resilient but uneven, characterised by steady demand in the affordable and mid-range residential segments alongside persistent challenges in higher-end and commercial properties. Transaction activity has shown recovery with rising values and selective buying behaviour, while prices have recorded modest growth and are under upward pressure from increasing construction and logistics costs, potentially pushing prices higher in the near term. - Kota Kinabalu

AI is a two-edged sword. - Kuala Lumpur

Overall weakness because of oversupply and the Middle East conflict. - Kuala Lumpur

The property market is much more vulnerable to the geopolitical issue. - Kuala Lumpur

There are early signs of a potential oversupply of serviced industrial land and property in Johor and the Klang Valley. - Kuala Lumpur

Not an active market due to uncertainties caused by fuel prices. - Melaka

### New Zealand

Expectations for a generally flat year, with economic improvement in 2027. - Auckland

The New Zealand commercial market started 2026 positively, following a strong final quarter in 2025 across all sectors. The recent Middle East war and oil supply shock have severely impacted near-term confidence. - Auckland

Leasing demand currently affected by global geopolitics. - Christchurch

Slow start to 2026, with the holiday period encompassing January. March to date has been dominated by the Iran war and fuel supply to NZ. Significant fuel price increases are putting strain on economic recovery and threaten to raise inflation and market uncertainty if the status quo persists. - Christchurch

The above responses have not included any fuel hike due to war. It has been assumed as a temporary effect on the economy. - Christchurch

The Dunedin and wider Otago commercial sector continues to show early signs of a resurgence. Investors, who have sat on their hands for the last three years, are now starting to buy again, indicating that yields have dropped below borrowing costs. - Dunedin

Upcoming election may increase government projects. - Hamilton

Great deal of uncertainty in the market. Some sectors are performing reasonably well, but this is not translating into widespread economic confidence and growth. Oil uncertainty has knocked back some green shoots and threatens market stability. - Nelson

Uncertainty in the market due to the current conflict in the Middle East. - Queenstown

The market is generally very quiet due to the ongoing Iran conflict. - Whangarei

### Philippines

Still quite closely following high-profile corruption news on flood prevention projects. - Manila

I'm in a market where tourism, agriculture and light manufacturing are the primary economic drivers. - Santa Fe

### Singapore

During times of geopolitical and economic turmoil, Singapore consistently strengthens its position as a global safe haven. While capital may initially move with caution, it ultimately tends to flow toward stability, transparency, and liquidity. Singapore benefits from all three, and the presence of greater inflow creates sustained demand for assets across all sectors. - Singapore

Middle East hostilities have made markets uncertain. - Singapore

### Sri Lanka

The commercial property market in Sri Lanka is showing a gradual recovery, with stable occupier demand for well-located spaces. Investor confidence is also improving, supported by increasing property values (approximately 5-15% per annum) and steady rental yields. Foreign investment in Sri Lanka is likewise recovering gradually in line with economic stabilisation, with a primary focus on the infrastructure, tourism, and manufacturing sectors. - Colombo

Property values and rents will be affected by the ongoing Middle East war. - Colombo

The current fuel price increase has directly affected the property market and the construction industry on the island. Also, due to the current global economic situation and war environment, the property market in Sri Lanka is not moving upwards. But in time to come, if the conditions are resolved well, the property market will start to increase in a very gentle upward trend over the next 12 months. Hope the global economic situation and the war environment will be settled soon. - Dehiwala, Colombo District

It is not clearly predictable to say more due to the current confusing global harmony and the poor attendance of political leadership and senior management. - Kurunegala

### Thailand

Apart from industrial, all sectors are weaker. - Bangkok

Thailand has lost ground to neighbouring countries such as Vietnam in offering lower cost options for businesses and tourism. In addition, with an aging population and lower birth rate occurring, the long-term implication will be significant for the country. The current geopolitical tension will also exacerbate the poor performing economy. - Bangkok

## Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website [www.rics.org/economics](http://www.rics.org/economics) along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

## Methodology

Survey questionnaires were sent out on 18 March 2026 with responses received until 24 April 2026. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1300 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentiment Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

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