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APAC Commercial Property Monitor

Q3 2025

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Subdued regional picture continues to mask divergent market conditions across individual countries

- Headline Sentiment Indices remain slightly negative, impacted by cautious feedback across China
- India, Japan and Sri Lanka standout as seeing solid occupier and investor demand growth
- Secondary office and retail sectors remain laggards in most nations, while alternatives such as data centres display a brighter outlook

The Q3 2025 RICS Global Commercial Property Monitor results across APAC continue to reflect a relatively challenging market backdrop, as the largest share of respondents (37%) still view conditions to be consistent with the middle stages of a downturn. That said, feedback remains highly varied at the country level, with some markets reporting an altogether noticeably stronger outlook.

Occupier and Investment Sentiment Indices remain somewhat negative

Plotted in Chart 1, the APAC-wide OSI and ISI readings were little changed during Q3, coming in at -16 and -20 respectively. As such, these gauges continue to signal an overall pull-back across the market, a persistent trend since 2020 (albeit to varying degrees). Looking at the separate components, while occupier demand trends are now largely stable from regional average perspective, the availability of leasable space continues to move higher, weighing on the rental outlook. Meanwhile, on the investment side of the market, enquiries fell slightly in Q3, with waning investor demand negatively affecting capital value growth prospects.

India, Japan and Sri Lanka outperform the regional narrative

Chart 2 shows the Commercial Property Sentiment Index (the OSI and ISI combined) disaggregated at a country level. Exerting a significant drag on the regional averages, the results across China continue to portray a difficult phase for the market, with the latest CPSI reading coming in at -47 (broadly in line with the average seen over the past year). Similarly, the CPSI remains stuck in negative territory within Hong Kong, albeit the latest reading of -39 is slightly less downbeat than last quarter and represent the least negative figure since early 2024.

At the other end of the scale, the CPSI is firmly positive across India, Japan and Sri Lanka, pointing to a solid expansion in activity. Meanwhile, although the CPSI reading of +10 for Australia is only modestly positive, the past two quarters have seen a notable turnaround in sentiment. Indeed, the CPSI has previously been negative across the nation throughout much of the 2022-2024 period, but the recent picture appears to be improving, with respondents noting an increase in demand from both tenants and investors alike. Alongside this, the latest feedback is largely flat across Malaysia and Singapore, while conditions appear to be relatively subdued in New Zealand (even if the latest results are less downbeat than before).

Vacancy rates still moving higher in most parts of the region

Amongst the variable trends seen in different parts of the region, one theme that is common across most nations is the continued rise being reported in the availability of

Chart 1 - Occupier & Investment Sentiment Index

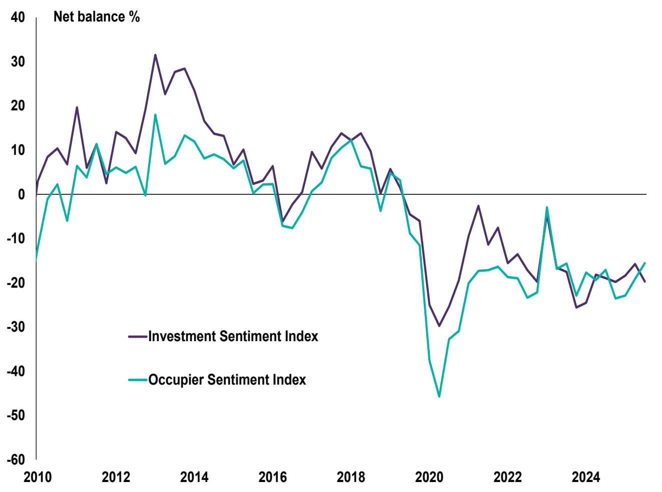


Chart 2 - Commercial Property Sentiment Index by country

leasable space. In the Q3 data, a net balance of +28% of respondents reported an increase in vacant space across the region as a whole. Moreover, virtually all APAC nations included in the survey (Japan being the sole exception) recorded a rise in availability over the quarter. While this trend was most evident in the office and retail sectors throughout much of the post-pandemic period, the industrial sector has more recently begun to experience a similar increase. Chart 3 illustrates the balance between supply and demand across the rental market for each major sector. In all segments, growth in available supply has outpaced demand, although this gap has narrowed somewhat in the office and retail sectors, while continuing to widen gradually in the industrial segment.

This excess of supply relative to demand appears to be having a more pronounced impact across the secondary tiers of the market. Chart 4 illustrates rental growth projections over the coming twelve months, comparing prime and secondary space (shown as an all-property average). At a country level, projections in China are particularly weak for the secondary segment, with expected declines approaching double digits. In contrast, while some downward pressure on prime rents is anticipated, the extent of the decline is far more limited. Elsewhere, the relative outperformance of prime markets is evident across several countries. In Australia, Japan, Malaysia, and Singapore, rents for secondary space are anticipated to remain broadly flat over the next year, whereas prime rents are forecast to record solid growth in each case.

Investor demand trends remain somewhat patchy across the region

Across the region in aggregate, the investment enquiries metric returned a net balance reading of -13%, down from a figure of -2% beforehand. As such, this points to a renewed decline in investor demand, having held steady in each of the two previous report. Similarly, the international investment enquiries metric returned a net balance of -24%, market the weakest figure since the end of last year.

At a country level, buyer enquiries reportedly fell over the quarter in China, Hong Kong, while the trend was relatively stagnant across Singapore and New Zealand. Alongside this, investment demand edged up in both Japan and Malaysia. A notably more positive picture is

Chart 3 - Occupier Supply/Demand Balance

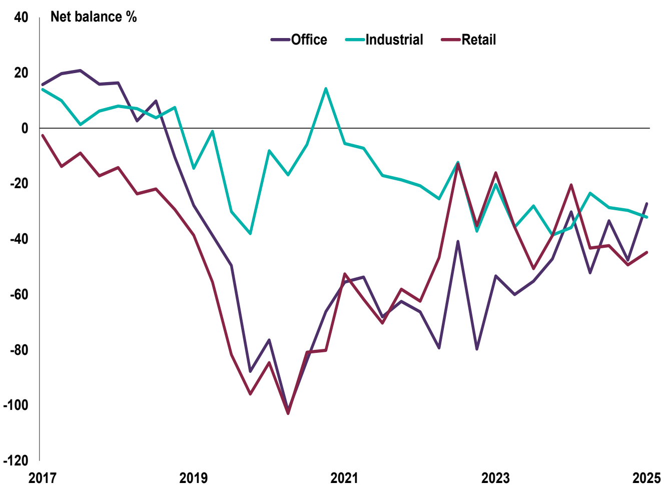


Chart 4 - Twelve-month All-property Rental Growth Projections

evident in India and Australia, which led the region in terms of investment demand growth (in net balance terms), with increases reported across all market segments during Q3.

Alternative CRE sectors generally expected to outperform over the next twelve months

Figure 5 on the next page provides a detailed breakdown of twelve-month capital value expectations by both country and sector. Unsurprisingly, given the broader tone of the data, expectations are most pessimistic in China and Hong Kong. As with the rental outlook, much of this weakness is concentrated in the secondary tiers of the market. Indeed, across nearly all countries tracked, the under-performance of secondary assets relative to prime space remains a defining feature (even in markets such as India, where capital value expectations are generally positive across the board).

Outside of China and Hong Kong, capital values are generally expected to rise in the prime office and industrial sectors over the year ahead. The most optimistic assessments, however, are reserved for alternative assets such as data centres, which are projected to deliver strong capital value gains throughout APAC. India, Sri Lanka, Australia, Singapore, and Malaysia all exhibit particularly robust projections. Likewise, the outlook for student housing and aged care facilities remains firmly positive across much of the region.

Views remain divergent regarding current phase of the cycle

As shown in Chart 6 on the following page, perceptions of the current stage of the property cycle vary considerably across the region. It remains clear-cut that a majority of respondents in both mainland China and Hong Kong believe the market is in a downturn. Conversely, a majority of respondents in the other APAC markets surveyed view conditions as consistent with some stage of an upturn, although opinions differ as to whether this represents the early or mid-to-later phases of expansion. In Sri Lanka, 83% of respondents consider the market to be in the initial phase of an upturn, while 53% in New Zealand, 44% in Singapore, and 40% in Australia share this view. Slightly further along, 58% of respondents in India believe the market is in a mid-upturn phase. Interestingly, in Japan, 40% of respondents also view the market as mid-upturn, while an equal share feel conditions are approaching the peak of the current cycle.

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

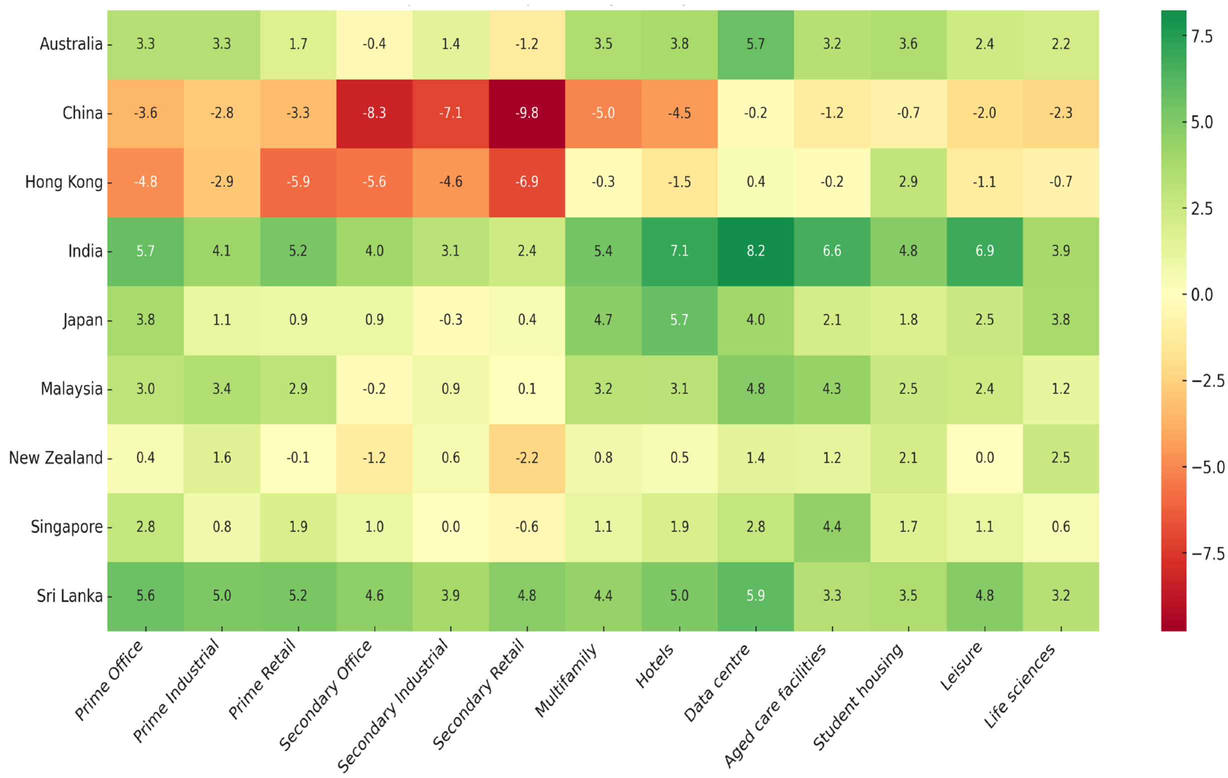
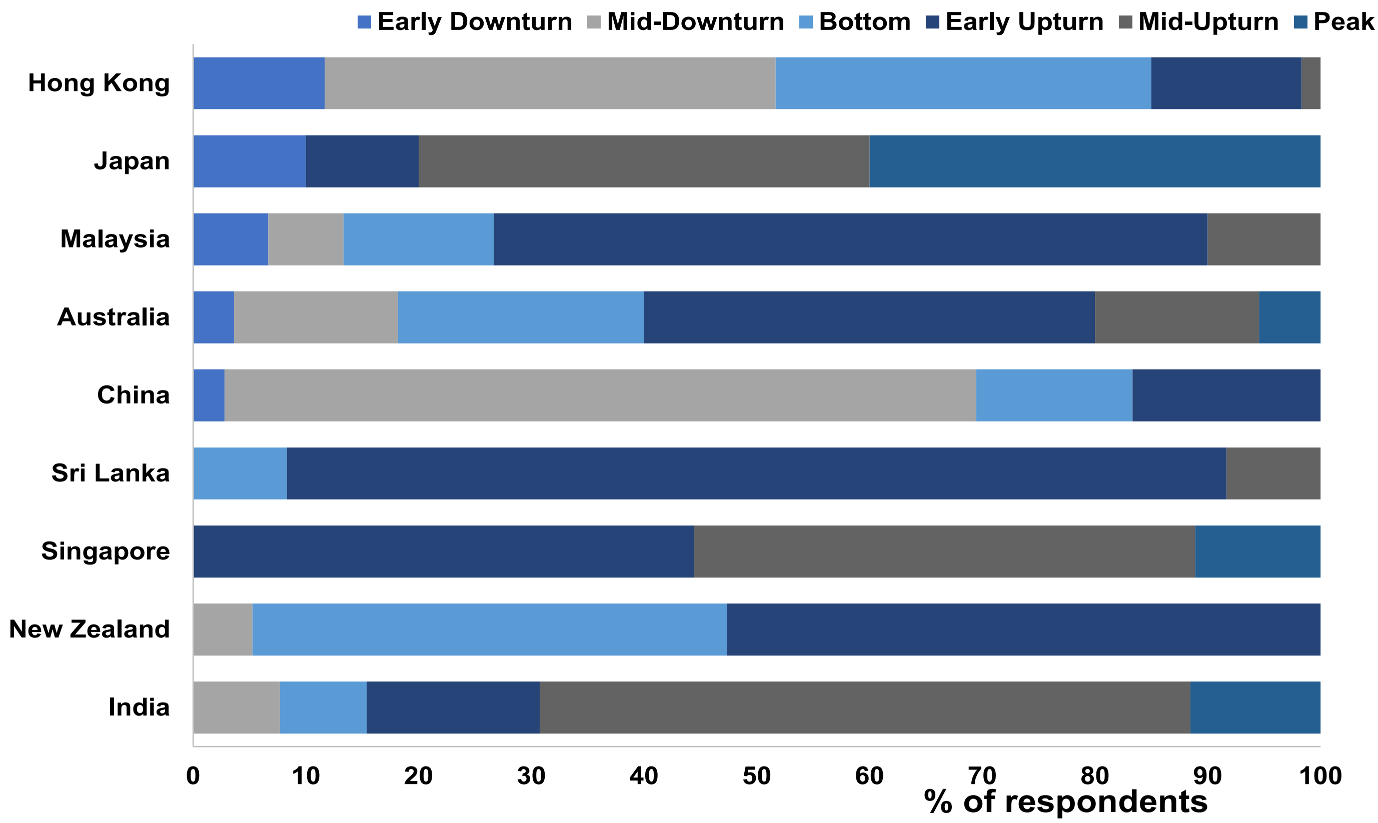


Chart 6 - Perceptions Regarding Current Valuations



Regional comments from survey participants

Australia

The cost of construction in Australia has gone through the roof and there is a lack of supply which will force rents and values to increase. Mass immigration is further causing supply problems. - Brisbane

I expect office rental growth to moderate slightly following new supply in H2 2025, however it will then continue to rise through 2026 to 2029 due to lack of supply. - Brisbane

Changes in Air BNB rules caused residential property values to fall. - Byron Bay

Property is yet to reignite as a major investment category as equities continue to break records. We may have a little more to fall before the recovery starts in mid 2026. - Canberra

Strong for residential and industrial in our area. Secondary retail market is very tough. - Gold Coast

Significant negative impacts due to poor government decision making. - Melbourne

Taxes on foreign investment are diverting offshore capital from Melbourne to Sydney & Brisbane. - Melbourne

Property available for sale still remains tight, with competing bids for high profile property. - Perth

Flatlined. - Perth

CBD office market is recovering slowly with vacancy still increasing and future supply being constricted into 2028. Prime office rents are growing but incentives are narrowing. Lower grade office is experiencing lower rental growth but incentive ranges are growing. - Sydney

Investment markets have stabilised. - Sydney

Residential market picking up very slow due to higher construction cost, especially the labour cost. The people cannot afford to buy a property in Sydney or in NSW. More people rent a house rather than buy. It drives the rent up. The Government should provide more affordable homes in shorter time. - Sydney

Sydney remains a multi-speed market with vacancy very tight around the core, but tenant demand becomes tepid the further you move away from the centre. - Sydney

Early stage of recovery, but still elements of uncertainty largely relating to global economic factors. - Sydney

Brunei

The construction industry in Brunei remains sluggish with lack of both public and private investment funds. This is due to rising global geopolitical tensions and slowdown in global economic growth amidst trade restrictions and dampened demand for goods and services. With the continuing decline in oil prices , Brunei is especially vulnerable as crude oil is its primary source of revenue and this phenomenon is crucial for the domestic economy growth and its construction industry . - Bandar Seri Begawan

China

Supply, particularly office assets, still coming online in an environment of soft tenant demand. - Beijing

The real estate market is in a prolonged slump. - Beijing

The overall market is in a low-density state. - Hohhot

Assets such as residential, commercial, office, hotel and industrial properties have dropped significantly in value compared to before, but they are still at high fair value levels. Consumer confidence is insufficient, sales performance of various types of assets is poor, and although government policies gradually stimulate consumption, the effect is minimal, mainly due to poor corporate performance and uncertainty about the sustainability of consumer funding. It is predicted that the market will continue in its current state or even decline. - Shenzhen

The real estate market has recently been in a period of sluggish fluctuations. Although national regulatory policies have relaxed and relevant support measures have been provided, due to income instability and the absence of an upward trend in the property market, it is difficult for the sales and rental markets to achieve substantial growth expectations, except for premium products. - Xi'An

Hong Kong

Bottom still not yet reached. - Hong Kong

Slow economic recovery still has impact on confidence of actual users. - Hong Kong

The market is in its downturn and the owners have the risk of call loan by bank. This will decrease property prices further. - Hong Kong

US tariffs impacts global economy. - Hong Kong

Recession. - Hong Kong

India

US tariffs have left people slightly confused. Lowering in GST has had a good impact on the retail market. - Bangalore

Needs good training for AI personnel. - Bangalore

Low supply and increased demand is shooting the rentals. - Chennai

Progressive but instability in the IT sector may impact demand and cost. - Coimbatore

Global uncertainties due to tariffs percentages by USA causing fluctuations in the market (and purchase power of customers). - Delhi

Markets are doing well, lots of absorption of luxury real estate and commercial real estate. High demand for affordable housing but supply is limited as developers continue to focus on luxury. Grade A commercial spaces are coming up and being abosrbed but may face some setback due to new offshoring policies of US. - Delhi Ncr

The market in Gurgaon is upping. But no bull run. As people are going back to offices, the commercial market is bound to see gains. With new entities like Global Capabilty Center and companies upgrading and re modeling the commercial market is on rebound. The demand for the industrial sector is increasing as India prepares for new international markets. The hospitality industry is seeing an increase in demand with new and existing hotels / resorts remodels. Nevertheless, the market is cost and capital sensitive. - Gurugram

There is consistent growth. - Gurugram

Strong domestic consumption demand. Tariffs and AI impact likely to keep markets guessing. Capital inflows expected to be robust. - Hyderabad

Uncertainty. - Mumbai

Indonesia

Very soft due to recent political upheaval. - Jakarta

The landed housing market continues to boom due to the housing shortage. Data centres remain hot. Logistics cooling a bit. - Jakarta

Japan

Real estate prices and rents in major cities tend to rise, and in some metropolitan areas, a bubble can be observed. On the other hand, in regional areas, declining birthrates, ageing populations, and population decreases have led to falling asset prices and rents in some regions, showing a phenomenon of polarization. - Matsusaka

Large blocks of vacancy in the office market. Mostlarge vacancies are either in new developments or buildings which recently lost a large tenant. - Tokyo

Malaysia

Regional comments from survey participants

Early recovery. - Johor Bahru

The market in Johor Bahru is generally good and in the uptrend, due to the RTS (Rapid Transit System) and ART (Autonomous Rapid Transit) being almost completed. - Johor Bahru

Despite the hype concerning the RTS being operational by end of 2026, the demand for Grade 1 office space to house international HQ of multi-national entities still remain lacking. While there has been slight increase in demand for prime industrial space, retail space demand remain unchanged with the same range of brands expanding to serve their respective neighborhoods occupying shophouses rather than in malls. Increase in rental rate for service apartments in the city centre has been observed. - Johor Bahru

A ten year period of office oversupply is finally dwindling, and with it, a realisation that replacement costs of new buildings are going to be far higher than current market values of comparable existing buildings. So, look for an upward adjustment of rental and capital values in existing good quality office buildings, supported by the fact that most major tenants can easily afford to pay much more than prevailing rents. Tenants looking to join the 'flight to quality' had better get a move on. - Kuala Lumpur

Slow cautious market consolidation. - Kuala Lumpur

Myanmar

Since the political crisis began in 2021, Myanmar has faced stagnant economic growth and has been lagging behind other countries in the region. The suspension of most new construction projects has resulted in limited new supply, reducing competition for existing projects. Despite the departure of some foreign companies, a notable shift has occurred in the office market during 2021-2023. Due to security concerns, several companies have relocated from residential condos and villas to multi-tenant properties. - Yangon

Civil unrest affecting economy. - Yangon

New Zealand

Probably in early recovery stage. Forecasted cash rate reduction in mid-October should cement this. - Christchurch

Improving market expectations have hit headwinds with slower than expected economic recovery and the geo-political situation. Business receiverships and unemployment have increased. The market is likely to remain static for the remainder of the year, improving next year following further 2025 OCR cuts and electioneering leading up to the 2026 government election. - Christchurch

The Dunedin commercial market appears to be waking up again after three years of slumber although the office market is facing headwinds once a government department occupies its new building and the space it currently occupies floods the leasing market. - Dunedin

It is still tough times for occupiers but lower interest rates should see some capital values shift up or at least stabilise. There probably needs to be more confidence in the economy before rents tighten and the benefit of lower borrowing costs translate to capital values. - Nelson

Decline in other investment mediums is pushing high net worth investors back into property. Reducing interest rates will see other investors follow. Very poor trading conditions do not support implied growth expectations but unsophisticated market. - Whangarei

Singapore

Office rents increasing due to landlord asset management with limited demand, but increased cost of relocation reducing appetite to relocate and thus landlords ability to asset management rents up. - Singapore

Sri Lanka

In general, the rental and capital markets are slightly picking up, and an upward trend can be expected in the future. - Colombo

The Sri Lankan commercial property market shows signs of recovery and growth, and is on a positive path due to the government's encouragements for local and foreign investments.
A just, transparent, and corruption-free environment is a key factor that the government must maintain for the overall economic growth of the country. The present government has taken direct steps and established positive improvements in this regard. - Colombo

General market is improving gradually with the help of new Government policies such as corruption free loyal behavior etc. - Colombo

Sri Lankan property market is in the early stages of recovery following the recent economic downturn. However, most investors still prefer to invest in vehicles, as the import restrictions were lifted only a year ago. At the same time, many continue to channel their funds into fixed deposits, securities, and shares due to liquidity considerations. There has been an increase in occupancy rates and growing demand for leisure and recreational activities contributed to rising values in hotels. - Colombo

Property Market is slowly recovering from the slump in the recent past. Countries economy is also improving. Construction works are accelerating. Colombo Port City activity increasing slowly but steadily. Demand for good class/ prime office space and modern industrial properties increasing. However, FDIs are insignificant in infrastructure development projects. - Colombo

Market value conditions tend to increase based on the availability of materials, skills and the demand of the final product. Financial circulation is very low due to the scarcity of buyer. Especially today, commodity prices fluctuate with environmental and demand conditions. Luxury items and properties are considerably higher today and the effects of inflation are evident. - Gampaha

Economic downturn from the sovereign debt default resulted in hyperinflation with development stagnant. Fiscal & monetary policy targeting inflation with high interest rates and credit squeeze had led to loss of aggregate demand. The economy ended up with deflation and loss of investor confidence leading to an import economy wth the exchange rate stability also resulting in Dutch disease. Other salient factor is the rescheduled sovereign debt repayment due in 2028. - Greater Combo

Thailand

Occupier demand in Thailand is strong in the industrial, data centers and logistics sectors, especially in the EEC region. In the housing market, demand remains flat due to large unsold supply and high household debt. The office market faces an oversupply. Demand in the retail sector is also flat. - Bangkok

Severe stress continues in the residential for sale market. Weak demand and heavily geared developers . There have been several developers defaulting on bond repayments . Oversupply in the office market . No rental growth in retail. Falling tourist numbers and growing hotel supply . Fears about how Trump's tariffs will affect demand in the industrial sector. - Bangkok

Uzbekistan

The real estate market is slowly and steadily growing in the field of industry and warehouses. - Tashkent

Vietnam

Stable for commercial sectors and recovery for residential sectors. - Ha Noi

The market is showing signs of early-stage recovery; however, it remains highly sensitive to a range of influential factors, including national legislation, local government resolutions, financial policies, and global trade tensions—particularly U.S. tax policy. In addition, geopolitical conflicts around the world, such as those in Ukraine and Israel, continue to add uncertainty. - Ho Chi Minh City

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 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 11 September 2025 with responses received until 15 October 2025. 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 1507 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 Sentimet 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.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

Disclaimer

Economics Team

Simon Rubinsohn

Chief Economist

srubinsohn@rics.org

Tarrant Parsons

Head of Market Research & Analysis

tparsons@rics.org

Adib Munim

Research Analyst

amunim@rics.org

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org