APAC Commercial Property Monitor

Q3 2026

ECONOMICS



Contrasting market conditions persist across the APAC region

- Headline Sentiment Index moves closer to netural territory, as both the Occupier (OSI) and Investment (ISI) components reach post their least negative figures since Q1 2023
- Credit conditions indicator flattens, with resurgent energy costs reversing the temporary macro relief captured in the previous survey
- Japan continues to display the strongest momentum across the region, while India also posts positive results

The Q3 2026 RICS Global Commercial Property Monitor results for APAC point to a slight improvement in headline sentiment, with both the Occupier (OSI) and Investor (ISI) gauges turning less negative to reach -8. This regional picture, however, masks a highly divided country-level landscape, with the renewed rise in global energy prices and heightened macroeconomic pressures being felt more acutely in some parts of the region. Overall, while investment demand shows pockets of resilience, the headline trend remains relatively subdued, with retail in particular still seeing a clear contraction in activity.

Occupier and investment sentiment turn slightly less negative at the regional level

At the APAC-wide level, the Occupier Sentiment Index recovered to -8 in Q3 from -11 previously. The Investment Sentiment Index followed an almost identical path to land at -8 from -12 in Q2 (Chart 1). Below the surface, a marked shift in credit conditions metric points to growing macroeconomic pressures. Indeed, the regional net balance fell back to 0% this quarter, reversing much of the positive momentum seen in the previous survey. Heightened geopolitical uncertainty across the Middle East has added to a more challenging economic and financial backdrop, contributing to greater caution from lenders across the market.

Aggregate occupier demand remained flat to slightly negative, posting a net balance -4% from -6% previously. Beneath the headline figure, office demand has remained patchy, with net balances moving between marginally positive and modestly negative territory over the past year. Retail continues to display greater weakness, with the net balance falling to -16% this quarter. Overall, the results point to subdued occupier conditions, with little evidence of a sustained improvement in demand at this stage.

National-level divergence remains a defining feature

As Chart 2 demonstrates, commercial property sentiment varies noticeably by country. Japan continues to post the strongest CPSI reading across the region, rising to +40 in Q3 from +27 in Q2, contributing significantly to the regional averages turning less downbeat. Conversely, mainland China remains the most negative market, with its CPSI mostly unchanged at -32. Several other markets exhibit CPSI readings broadly in line with those from Q2, as Sri Lanka (+19) and India (+17) continue to see positive growth in market activity, while Malaysia (-1), New Zealand (-7) and Australia (-12) exhibit flat to slightly contractionary trends.

Meanwhile, Singapore experienced some cooling in momentum, with its index softening to +7 from +17 in Q2. In Hong Kong, tentative signs of stabilisation last quarter proved short-lived, with the CPSI falling back to -21 from -12, reversing the previous improvement.

Occupier markets split as retail remains relatively weak

While aggregate occupier demand remains in negative

Chart 1 - Occupier and Investment Sentiment Indices

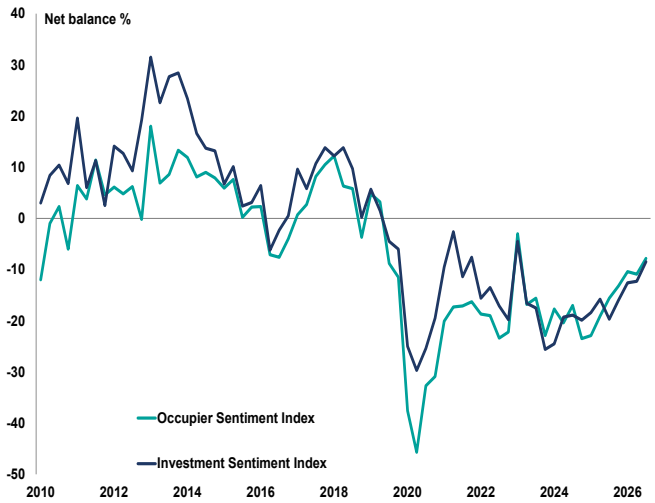
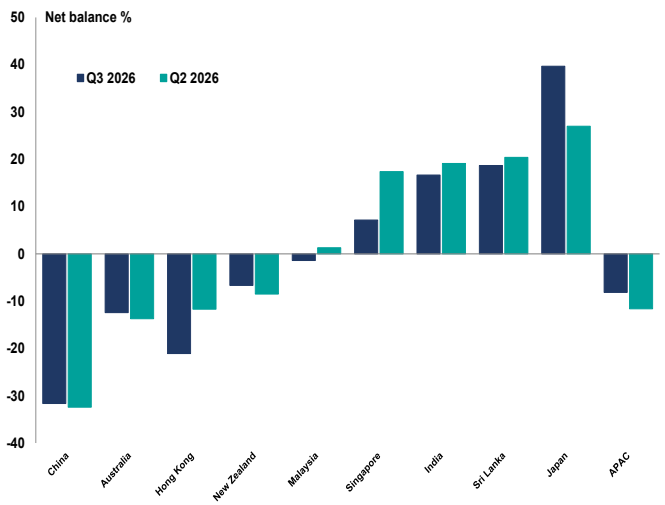


Chart 2 - CPSI by country



territory, the underlying picture varies considerably across individual markets. Japan stands out as the strongest market, with the net balance for tenant demand rising sharply to +58% from +21% in Q2, matching the strong reading recorded in Q1 2026. The comparable reading for India strengthened further to +42% this quarter. Meanwhile, tenant demand indicators remained positive in both Malaysia and Sri Lanka, albeit with momentum easing slightly in Q3.

Conversely, downward movements emerged across several markets. Mainland China's net balance for occupier demand deteriorated to -34%, while the corresponding reading for Singapore slipped into negative territory at -10%. Hong Kong also recorded a negative net balance of -5% this quarter. Meanwhile, New Zealand's reading flattened to 0%, whereas Australia saw a modest improvement to -11%.

Across the region, the retail sector continues to face the steepest declines, with the headline net balance for tenant demand standing at -16%, weighed down by particularly weak readings in Singapore (-57%) and mainland China (-40%) in Q3. Conversely, office and industrial demand shows far greater resilience. Japan's office demand net balance rose sharply to +83%, while India maintained strong, broad-based positive demand across all property types.

Chart 4 highlights a clear divide in twelve-month rental growth expectations across both markets and asset quality. India leads the region, with average projections of 6.4% for prime assets and 4.9% for secondary space, led by prime offices at 7.1%. Sri Lanka also records solid growth expectations across both segments, with prime retail (6.6%) and secondary retail (6.0%) particularly strong. Elsewhere, expectations are generally stronger for prime assets, particularly in Australia, Malaysia and New Zealand, where secondary rents are projected to decline. Mainland China remains the weakest market, with average rental declines of 1.4% for prime space and a much steeper 7.9% for secondary assets, with secondary retail (-8.8%) and offices (-8.6%) seeing the weakest projections.

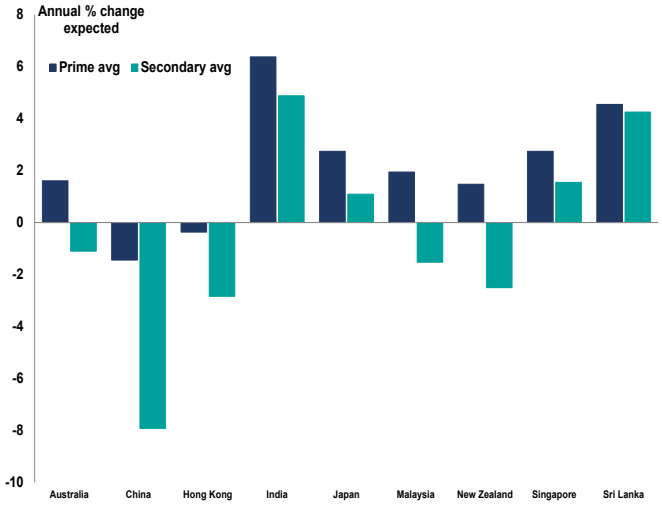
Investment enquires resilient in some regional markets

Despite caution at the regional aggregate level, investment enquiries remain firmly positive across several markets. On a net balance basis, Japan continues to lead at +42%, unchanged from Q2, while India strengthened further to +41%. Singapore also remains solidly positive at +29%,

Chart 3 - Regional Occupier Demand by Sector



Chart 4 -All-Sector Twelve-Month Rental Growth Projections



albeit down from +37%, while Sri Lanka and Malaysia saw more pronounced moderation, easing to +12% and +3% respectively.

Elsewhere, momentum improved across Australia and New Zealand. New Zealand's net balance moved into positive territory at +15%, from -7% previously, while Australia became less negative at -12%. By contrast, investment enquiries remain particularly subdued in mainland China, where the net balance fell to -37%. Hong Kong also weakened, dropping back to -16% and reversing some of the diminished negativity seen in the previous quarter.

The twelve-month capital value expectations heatmap (Figure 5) continues to highlight a marked divergence across the region. India records the strongest outlook, with growth of more than 5% anticipated across almost all traditional sectors, alongside a 6.9% projection for data centres. Sri Lanka also maintains robust expectations, led by student housing at 8.3%, while Japan and Singapore continue to show positive forecasts, particularly for prime offices and data centres. At the other end of the spectrum, secondary offices and retail remain under pressure across Australia, mainland China and Hong Kong. Nevertheless, alternative assets offer pockets of resilience, with data centres standing out across the region, including positive projections of 3.4% in mainland China and 2.8% in Hong Kong.

Market cycle perceptions display sharp local variation

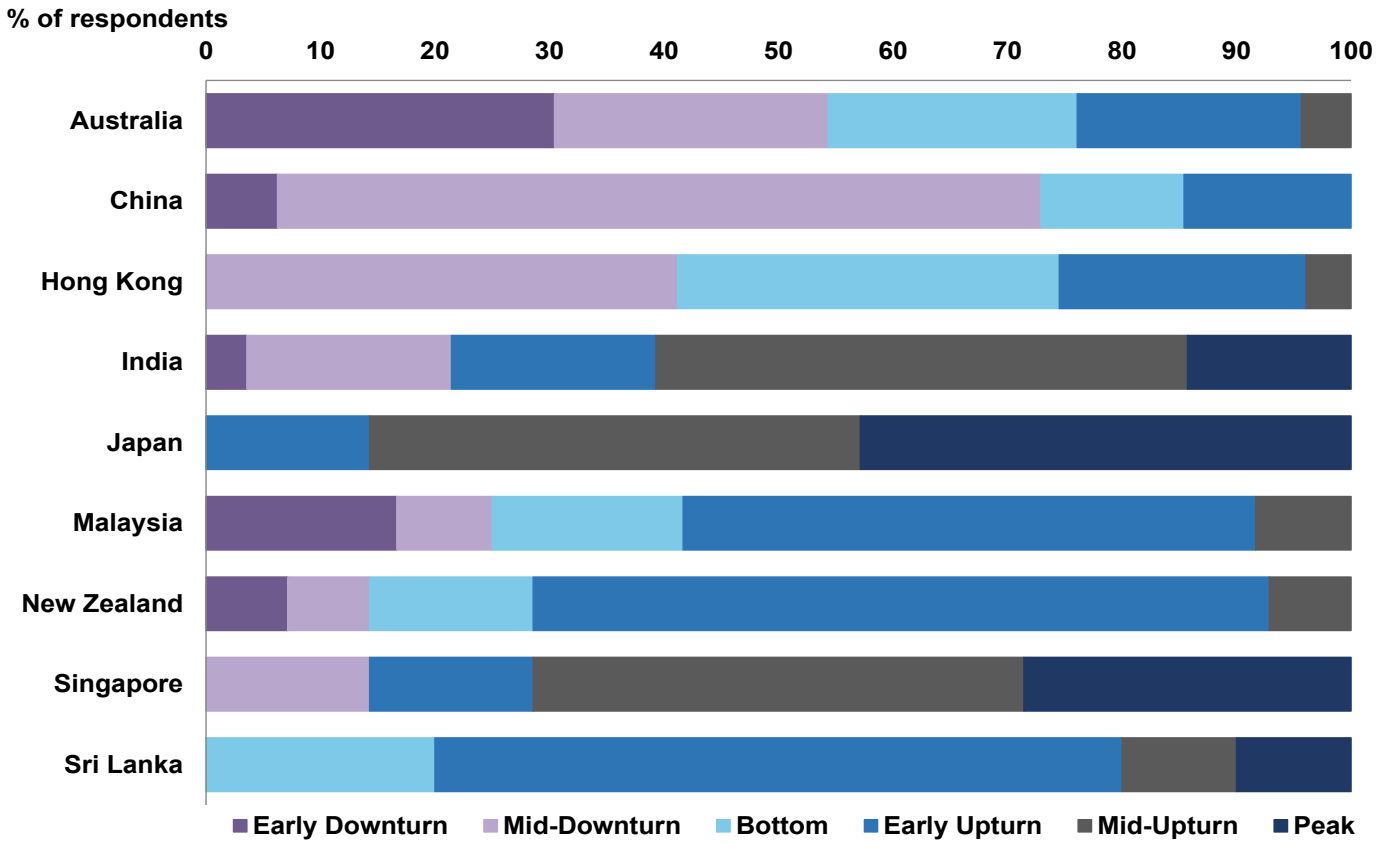
Consistent with the considerable variation in market conditions across the region, perceptions of the property cycle also differ markedly by country (Chart 6). Mainland China remains the most firmly associated with a downturn, with 67% of respondents placing the market in a mid-downturn, while 54% in Australia identify either an early or mid-downturn. Hong Kong also remains downbeat, with 41% pointing to a mid-downturn and a further 33% viewing the market as being at the bottom of the cycle.

Elsewhere, perceptions are considerably more positive. A majority of respondents place New Zealand (64%), Sri Lanka (60%) and Malaysia (50%) in an early upturn, while India (46%) is most commonly viewed as being in a mid-upturn. Japan and Singapore appear further advanced in the cycle, with 43% of respondents in each market identifying a mid-upturn and a further 43% and 29% respectively pointing to the peak.

Chart 5 – Twelve-month capital value growth expectations by sector and country

	Prime Office	Prime Industrial	Prime Retail	Secondary Office	Secondary Industrial	Secondary Retail	Multifamily	Hotels	Data centre	Aged care facilities	Student housing	Leisure	Life sciences
Australia	-0.5	0.4	-1.3	-3.2	-1.7	-4.0	-1.0	-0.7	3.2	1.3	-0.1	-1.3	-0.5
China	-1.4	-1.8	-2.7	-8.2	-6.4	-8.2	-2.9	-3.4	3.4	2.7	0.3	0.1	0.4
Hong Kong	-0.6	-1.2	-1.4	-2.7	-2.5	-3.9	1.4	1.2	2.8	2.1	4.4	0.5	0.5
India	6.3	5.2	5.6	5.3	3.1	4.1	6.0	6.0	6.9	5.3	5.8	5.7	6.3
Japan	5.0	2.1	2.5	1.5	0.0	0.0	0.6	1.5	7.0	0.0	0.0	0.6	0.0
Malaysia	2.1	4.6	1.8	-0.2	0.4	-2.1	2.5	0.6	5.6	2.8	2.5	1.9	3.1
New Zealand	0.8	1.5	1.0	-1.3	-0.2	-1.2	1.8	1.1	4.6	1.9	1.9	0.0	2.5
Singapore	3.6	2.5	1.1	1.8	1.8	1.1	2.1	2.1	6.1	1.8	2.1	2.9	2.5
Sri Lanka	5.7	2.3	5.9	4.5	2.5	4.3	5.8	4.8	4.0	5.5	8.3	6.1	3.1

Chart 6 - Perceptions Regarding Point in the Cycle



Regional comments from survey participants in APAC

Australia

Excessive government spending on the wrong things, high levels of immigration and recent changes to taxation, covering negative gearing and capital gains tax, have had a significant negative impact on the property market. Government spending has resulted in an increased cost of funds, with more increases expected when the Reserve Bank meets in November. The taxation changes have reduced supply, with proposed developments being cancelled, while migration increases demand for rental accommodation, as does the lack of supply. - Brisbane

The Canberra market is small and thinly traded, so current market pressure is not yet being reflected in completed market transactions. This will start to happen before Christmas and continue through the first half of 2027. Less demand from tenants, higher operating costs, weaker investor appetite and softening yields point to a very difficult period ahead. - Canberra

The market is generally in a downward trend. This will persist for the foreseeable future. - Doncaster

A serious lack of premium and A-grade CBD office supply is coming, especially for contiguous floor space. There is no impact just yet, but it is coming. Rents are increasing slightly, but incentives are due to decrease significantly over the next five years as a result. There are no new CBD premium and A-grade office supply developments until 2031 at the earliest. - Perth

The market is in a state of uncertainty, with rising interest rates and caution from investors. - Perth

Commercial office is at the bottom of the cycle as far as leasing deals on premium stock in the Sydney CBD are concerned. We are seeing rental growth, and incentives have stabilised and look set to decrease over the next 24 to 36 months. - Sydney

Expecting a difficult pre-Christmas period, with global uncertainty and, locally in Australia, government efforts to curb inflation. - Sydney

Extremely negative sentiment emanating from most market participants, particularly in relation to federal government policies. - Sydney

The mood of everyone, from buyers and sellers through to landlords and tenants, is very dark. It is very bad. - Sydney

Brunei

A sluggish domestic market, affected by continuing escalation in global fuel prices and a high cost of finance. - Bandar Seri Begawan

A sluggish domestic market, with weak domestic demand and weak consumer purchasing power. - Bandar Seri Begawan

China

Gradually improving. - Beijing

Financing costs are rising and asset values are falling. - Guangzhou

Residential property is in better overall shape than over the past two years, with prices up slightly, while commercial property is broadly flat. - Nanjing

Consolidating at a low level, with some regions or segments likely to see a degree of rebound. - Shanghai

The market is beginning to recover, but the recovery is concentrated in emerging industries and high-technology projects, and is not sufficiently broad-based. - Shanghai

Chinese real estate has entered the era of existing stock. - Shenzhen

The trend is developing favourably. - Shenzhen

The overall trend is towards lower values despite an active market, mainly reflecting weaker profitability, with activity generating turnover but little margin. - Wuxi

Hong Kong

Improving local sentiment is offset by global events, but there is strong demand for Greater Bay Area related projects. - Hong Kong

Purchasers are mostly users and are unwilling to purchase properties at price above market level. - Hong Kong

Residential has improved slightly, while sentiment in retail, office and industrial remains low. - Hong Kong

Only the residential market is likely to perform well in the coming months. - Kowloon

India

Real estate is very slow and sluggish in Andhra Pradesh. - Bangalore

Bengaluru's real estate market remains resilient and growth-oriented, underpinned by strong office demand, infrastructure-led expansion, and sustained residential absorption across key growth corridors. - Bengaluru

Market corrections are inevitable and, in more ways than one, welcome. What we have seen since 2022 is relentless and at times unsustainable growth. AI, geopolitical volatility and other factors have led to a correction in demand, however the lack of available supply has softened the impact of that correction. Should demand continue to soften over the next 12 to 18 months, the impact will start to be felt. - Bengaluru

The real estate market is on a slow upward trend. - Bhubaneswar

The market is shifting with working from home culture and with products displayed online. The online market has changed the concept of physical verification of

Regional comments from survey participants in APAC

materials when purchasing. - Chennai

The market keeps moving up, and faces a correction here and there. There is no reduction in property prices, and no reduction in the outskirts and villages either. The style of living space keeps moving on, starting from one bed, two bed and three bed apartments. The top end of the living space market is villas, where the average cost is INR 3.50 crore. - Chennai

The Dwarka Expressway is a high growth corridor with excellent infrastructure and strong future prospects. - Delhi NCR

The market is good and will start to pick up further over the next year. High demand from global capability centres is driving growth in the commercial sector. - Delhi NCR

An early recovery phase of the market, with increased investor interest and industry sentiment on the rise. - Kolkata

Markets are slow during the rainy season. - Mumbai

Currently, the realty market is in a confused state. The raw material costs and labour rates are increasing. However, the sale of property, houses, and apartments is at its lowest level due to increasing inflation and lower loan eligibility. So the builders, developers, contractors and the real estate owners have to raise their holding capacity and pay more interest on borrowed money. At the same time, NBFCs and small lenders are not passing the benefits to the investors, fearing bankruptcy. - Pune

There is high demand for old age homes. Both rents and capital values for old age homes are on an upward trend. - Thiruvananthapuram

Indonesia

Due to political sentiment, demand across markets is generally soft and cautious, with continuing pressure on the rupiah against the US dollar. Sentiment towards new investment is poor overall. - Jakarta

Japan

Due to low vacancy and moderate new supply over the next few years and 25 years into the proliferation of Fixed Term Leases, office tenants will likely see a level of rent increases when current leases expire unknown in any previous market cycle. With the difficulty of relocation due to low vacancy and slow/expensive fit-out construction, relocation will be difficult and not a viable option vs accepting a large rent increase. - Tokyo

Malaysia

Shows slight improvement overall but wait for next 12-24 months when more supply is going to the market, and whether there would be an actual shift/migration from people actually purchasing residential strata in the city centre with the operation of the Rail Transit System (RTS) from Johor Bahru to Singapore and vice versa. - Johor Bahru

Some renewed confidence is returning to the market, led by sizeable foreign investment into data centres. Look out for renewed interest in the office market, especially top specification, large floorplate suburban developments close to MRT stations. - Kuala Lumpur

Though there remains strong underlying economic and property market fundamentals in Penang, future growth is likely to be selective rather than broad-based, favouring well-located properties that are competitively priced and supported by genuine occupier / investment demand. - Penang

Myanmar

The global energy crisis resulting from the Middle East conflict is also affecting Myanmar, while economic growth remains below expectations. Retail vacancies were reported in Q2, but the vacant space had already been reoccupied by waiting tenants by Q3. Upscale office occupancy increased slightly, driven by demand from tenants in the telecommunications and financial sectors. Rapidly rising residential and land prices began to stabilise in August. - Yangon

The military government continues to depress the market. - Yangon

New Zealand

Economic pressures remain in a lead up to the 2026 General Election especially around health, education and general cost of living, especially transport/fuel costs. A wait and see approach around the election results with a lack of positive party policies sees a resultant lack of commitment to leasing and upper-level property investment. - Christchurch

Prime retail in Christchurch is strong. Upward pressure on interest rates, and the impending election, are dampening demand. - Christchurch

Many tenants are facing trading headwinds for a variety of reasons. This is resulting in hesitation over making real estate commitments, and a strong wait and see approach. - Nelson

Philippines

A general decline, and hesitancy over starting new projects. - Metro Manila

Singapore

Sentiment is weak. - Singapore

Regional comments from survey participants in APAC

Sri Lanka

Moving upwards on average. - Colombo

The economy is affected by current account stress, leading to currency depreciation and imported inflation, which makes hard assets more attractive. Capital preservation further makes property a store of value rather than a yield asset. This has increased speculative development, with developers resorting to staged selling, phased selling and pre-selling of prime stock to finance projects, alongside headline prices offset by hidden discounts, payment plans and rent guarantees. These distort the market and create a bubble. - Colombo

I expect a slight improvement in both rents and capital values across the area in which I operate over the next twelve months. Economic conditions are improving slightly, especially as people expect favourable budget proposals in 2026 and 2027. - Dehiwala

The property market is fairly expensive and has stagnated over the last few months. Given today's stable economic conditions, the property market is likely to rise slightly over the next twelve months. - Dehiwala

A general increase across the property sector is observed. - Kandy

Sri Lanka's real estate market, particularly Colombo, is expected to show a gradual upward trend over the next 12 months. Colombo land values continue to rise, with the overall index increasing about 6-7% in the first half of 2026, while residential and commercial values increased about 7-8% and about 5-7%, respectively. Demand for well-located residential, commercial and development properties is expected to remain active. - Nugegoda

No significant changes have been observed in the commercial property market, which continues to move at a relatively slow pace. - Pannipitiya

Thailand

Thailand's economy is experiencing a modest and somewhat uneven expansion, shaped by global headwinds, structural domestic constraints, and some bright spots in private investment and trade. It has suffered a prolonged structural slowdown and sluggish growth cycle that feels like a downturn to many local businesses and households. Electronic and Tech manufacturing are standing out engine of the economy while SME, retail and traditional manufacturing are sluggish. - 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 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 9 September 2026 with responses received until 19 October 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 1236 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

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