

Future Cities

2024

Asia Pacific Retail Innovation Index

REPORT

ASIA PACIFIC
REAL ESTATE

CBRE RESEARCH
NOVEMBER 2024

CBRE



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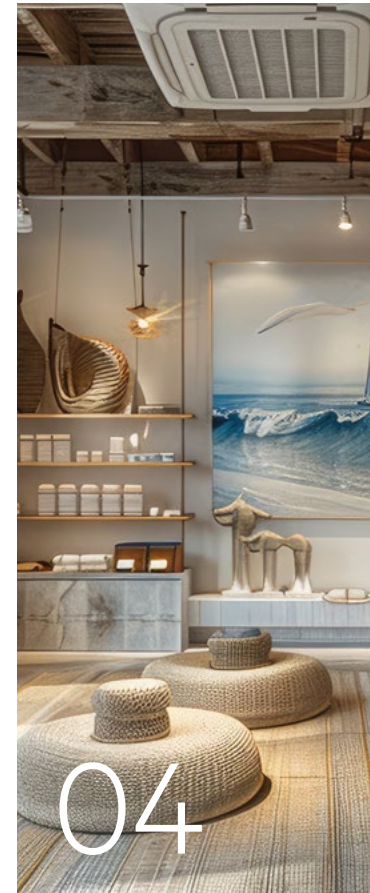
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Introduction



Introduction

In today's highly competitive Asia Pacific retail marketplace, retailers must continually create innovative products, services and experiences to differentiate themselves from their peers. With brick-and-mortar retail remaining an integral part of consumers' shopping journey, retail real estate continues to play a major role in the creation and delivery of innovative brand experience.

Based on its market-leading research, CBRE has identified a total of 12 attributes that nurture

innovation in retail real estate. CBRE has used these attributes to create the Asia Pacific Retail Innovation Index, which analyses the innovation performance of major cities in Asia Pacific and identifies their strengths, weaknesses and relative appeal to retailers.

The report also provides recommendations to landlords and tenants on how to spark innovation and creativity in their portfolios to address the retail industry's evolving needs and expectations.



Four key pillars and attributes



Market size

Younger and more scalable consumer markets tend to be more open to new retail products and strategies.

Attributes

- Population
- % of young population
- Consumer spending



Consumer profile

A more diverse consumer profile can accommodate a greater variety of products, services and experiences.

Attributes

- Diversity of retail and entertainment experiences
- Appeal to international tourists
- Presence on social media



Retailer growth strategies

Vibrant retail marketplaces can facilitate greater idea exchange and bolster innovation and collaboration among retailers.

Attributes

- Intention to open new stores
- Diversity of leasing demand
- Acceptance of new retail trades



Spaces that tell a story

Availability of high-quality retail space makes it easier to implement new concepts and experiences.

Attributes

- Availability of new supply and current vacancy
- Ease of finding quality and cost-effective space
- Landlords' willingness to adopt asset enhancement initiatives



Market size



Market size



Key considerations

City population

The size of a city's consumer base is a key consideration for retailers seeking to measure the potential market. Asia Pacific is home to many large metropolitan areas that offer opportunities to expand at scale.

Spending per capita

Spending per capita varies substantially across Asia Pacific. While there exist several developed markets for high price-point products and services, several large metropolitan areas are still at a developing stage.

Proportion of young population

Younger generations are typically more receptive to new brands and ideas. While many economies in Asia Pacific are seeing rapid ageing at a national level, cities continue to be home to large young populations.

Leading markets

Tokyo

has the highest urban population in the region and relatively high spending per capita. However, the city's rapidly ageing population poses a major challenge to growth.

Seoul

and its surrounding areas accommodate almost half of Korea's population and has relatively high spending per capita. Korea's K-pop culture is influencing consumers globally.

Shanghai

is one of the most affluent metropolitan areas of mainland China. Although the city's population is in decline, consumer spending power continues to grow.

Potential markets

Bangalore

is projected to achieve high growth in its population and consumer spending, backed by policy support to attract foreign investment to set up Global Capability Centres (GCCs).

Shenzhen

has the youngest population of any mainland Chinese tier I city. Thanks to its geographical location in the south, the city is attracting spending from Hong Kong SAR residents.

Brisbane

Spending in Australian cities continues to benefit from high levels of immigration. Brisbane is the most attractive market as it is home to a younger population and will host the Summer Olympics in 2032.

Population growth in megacities faces bottleneck but spending is still increasing

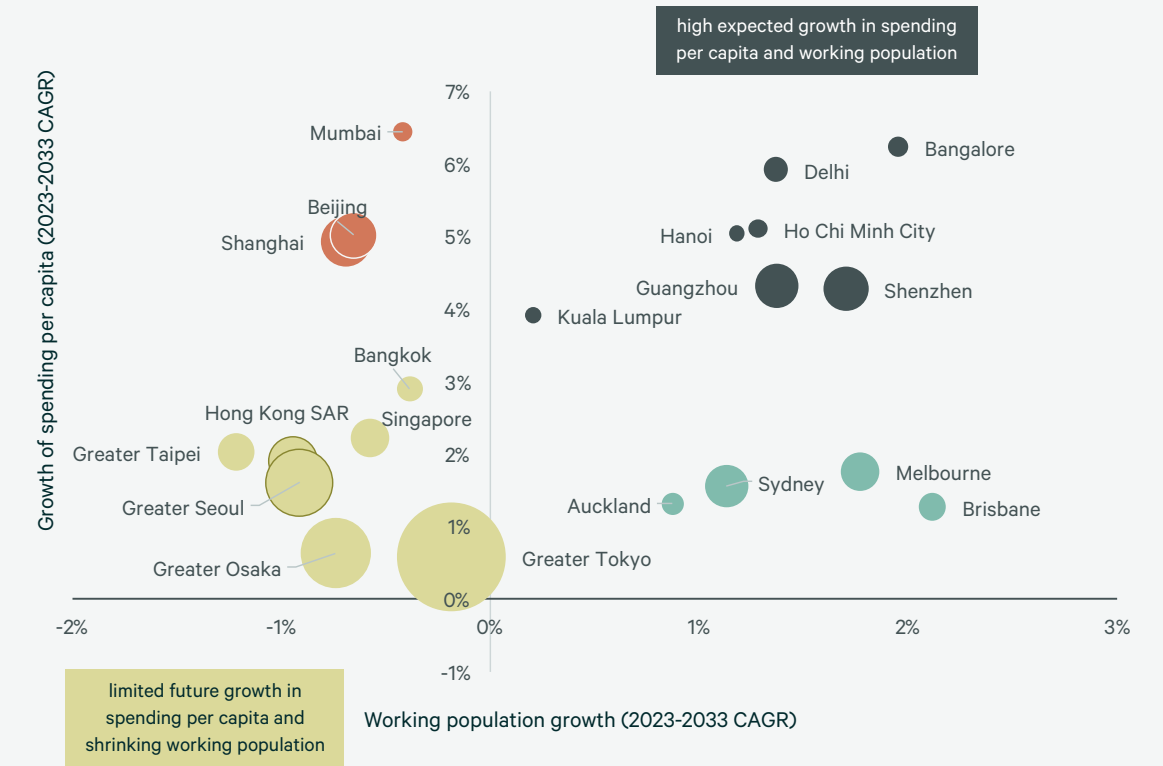


While Asia Pacific is home to several megacities with large consumer bases, many face challenges such as capacity issues and ageing populations. Leading Asian metropolises such as Singapore, Hong Kong SAR, Seoul, and Tokyo will experience shrinking populations but continued growth in spending per capita. Australian cities anticipate further population growth and therefore an increase in spending power.

Among emerging markets, cities in India and Vietnam have high potential for growth in terms of both population and spending power, although current spending per capita remains low. Bangkok is a laggard due its older population.

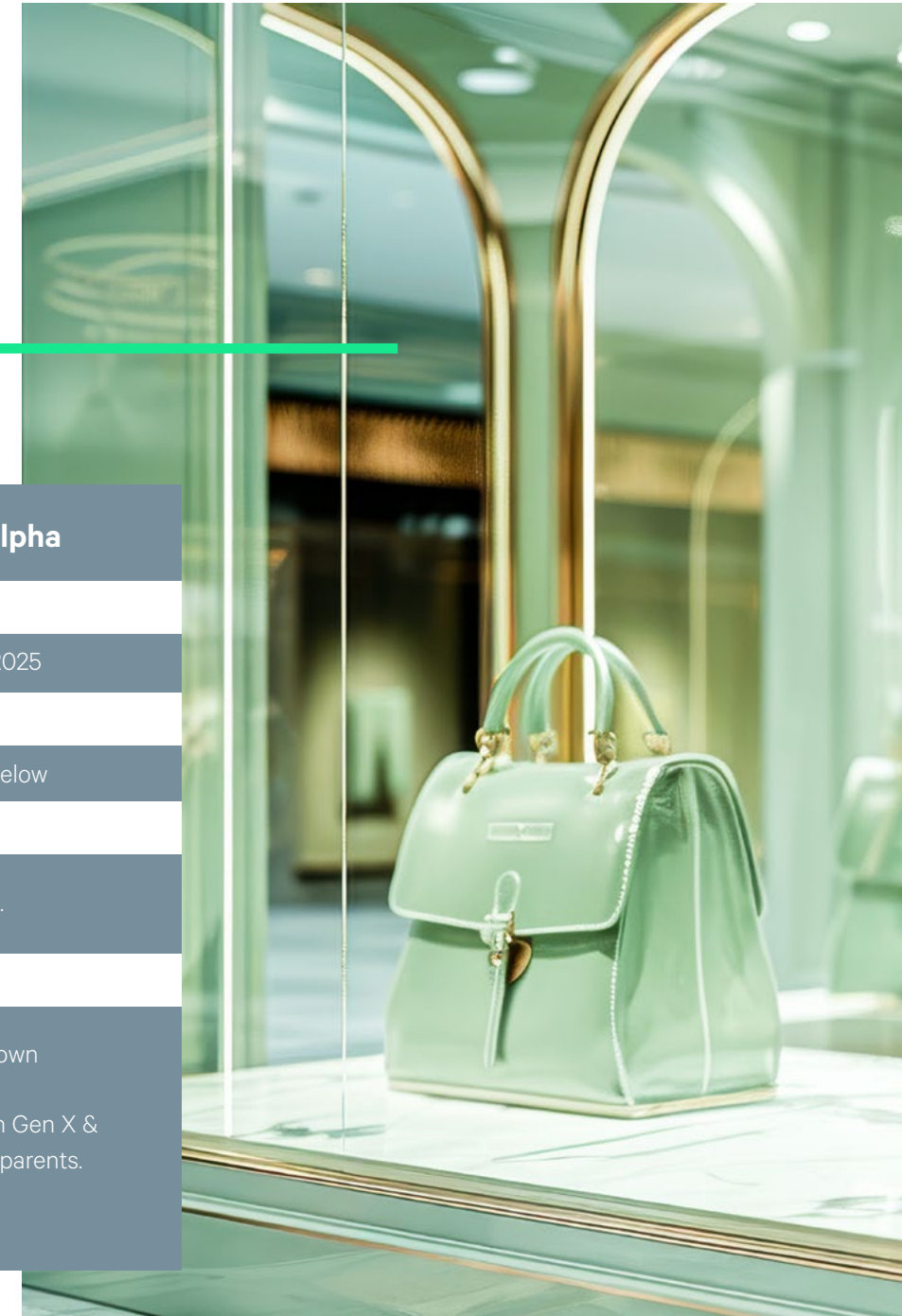
In Mainland China, Guangzhou and Shenzhen are expected to outpace Beijing and Shanghai in terms of growth in their working populations as younger workers are lured by better employment prospects in the Greater Bay Area.

Figure 1: Growth of Working Population vs. Spending Per Capita (2023 - 2033 CAGR)



Size of bubble: working population times spending per capita
 Source: Oxford Economics, October 2024

Different generations have different spending habits



Baby Boomers	Gen X	Millennials	Gen Z	Gen Alpha
Born				
1946-1964	1965-1980	1981-1996	1997-2010	2011-2025
Age				
60+	45-59	30-44	15-29	14 or below
Born with				
Peace	Mass media	Mobile phones	Smart phones & social media	A.I.
Spending				
Security Accumulated wealth over several decades. Prefer physical shopping, quality and good service.	Status Gradually assuming positions of leadership in the business and political world.	Personal expression Gravitate towards purchases that help them express themselves.	The best for me Gravitate towards products that enable them to showcase their lifestyle on social media.	Unknown Depends on Gen X & Millennial parents.

India and Vietnam are the youngest economies in Asia Pacific

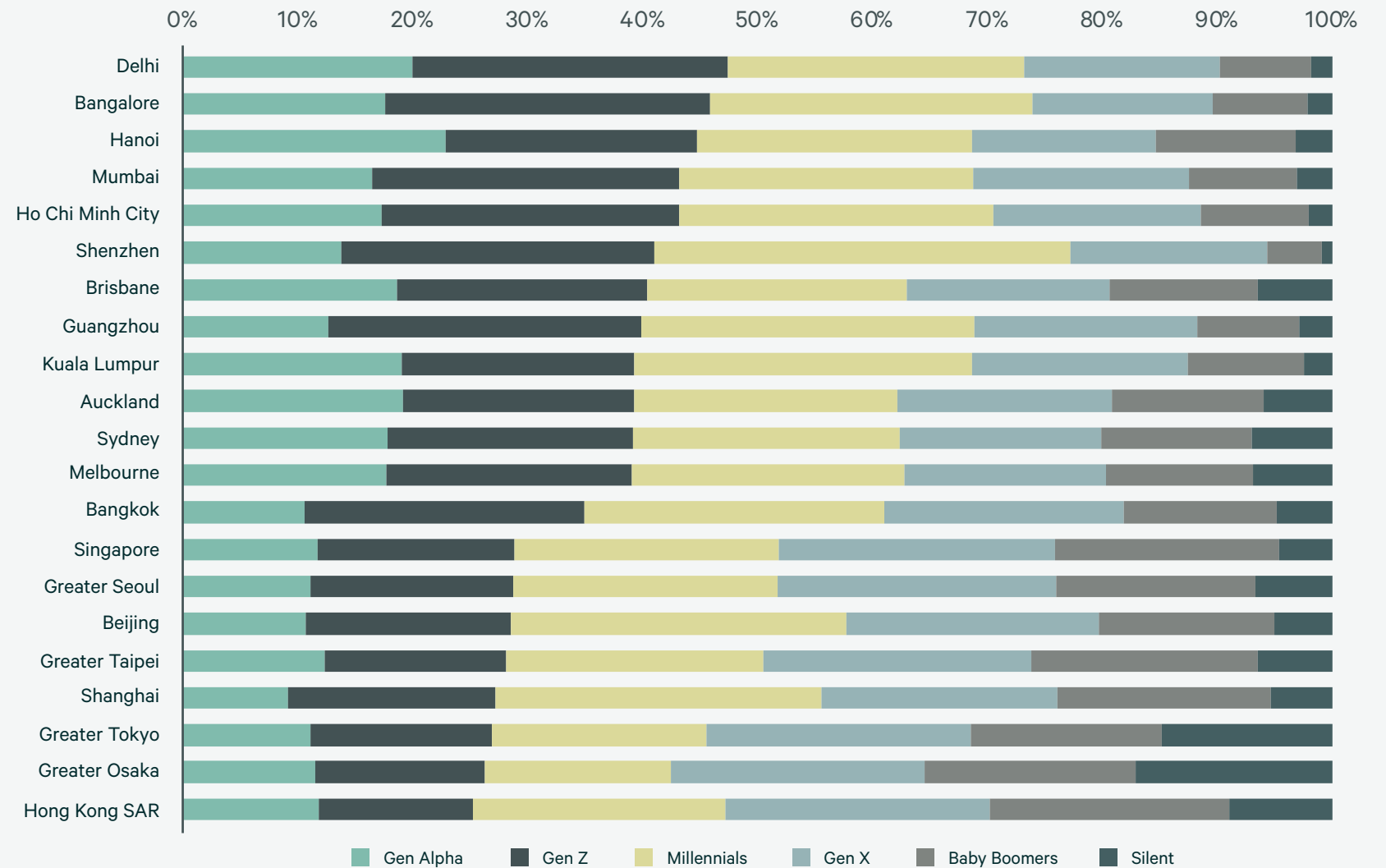
There are around 108 million people aged 29 or below (i.e. Gen Z and Gen Alpha) in major Asia Pacific cities. This cohort accounts for over 40% of the population in India and Vietnam.

In mainland China, Shenzhen and Guangzhou have younger populations compared to other cities due to their relatively higher birth rates and ability to attract young local talent.

The latest generation of young consumers is more accepting of new retail ideas and experiences. While social media remains essential to their daily life, their preferences have shifted from photo-oriented apps such as Instagram towards platforms providing short videos such as TikTok (the TikTokisation).

While Hong Kong SAR and cities in Japan have the oldest populations due to low birth rates and long-life expectancy, they are home to large numbers of Gen X and baby boomers with time and wealth to spend. These markets will therefore continue to entice retailers to introduce innovative products and services that target the silver economy.

Figure 2: Population Breakdown by Generation Cohort, 2023



Source: Oxford Economics, October 2024



Consumer profile



Consumer profile



Key considerations

Diversity of Retail and Entertainment Spending

Strong and diverse consumer spending on discretionary items and entertainment activities reflects a city's vibrancy, stimulating growth and the overall dynamics of the retail industry.

Appeal to International Tourists

Tourism and retail are closely intertwined. A dynamic inbound tourism market stimulates cultural exchange, while strong exposure to overseas tourists helps retailers boost brand awareness.

Activity on Social Media

Social media enables more direct and in-depth customer engagement, such as co-creating content with users and providing insight into new products. Sharing functions also help retailers reach potential new consumers.

Leading markets

Bangkok

ranks as one of the most visited cities in the world. It has a rich cultural legacy together with a diverse and budget-friendly retail and entertainment landscape.

Singapore

has established itself as a premier entertainment hub in the region, playing host to large-scale concerts and events that draw large numbers of high-spending tourists.

Hong Kong SAR

is regarded as springboard for retailer expansion into mainland China and is also a travel hotspot in its own right due to its blend of Asian and Western culture.

Potential markets

Mainland China

is looking to boost inbound tourism by expanding visa-free entry policies and improving tourist services, with the aim of achieving strong growth in foreign tourist arrivals in 2024.

India

has high growth potential despite its relatively untapped inbound tourism market. Rapid urbanisation is stimulating growth in social media usage and bringing retailers closer to consumers.

Vietnam

is one of the fastest growing economies in Asia Pacific. However, more diverse and innovative retail offerings are needed to meet demand from its growing middle-class population.

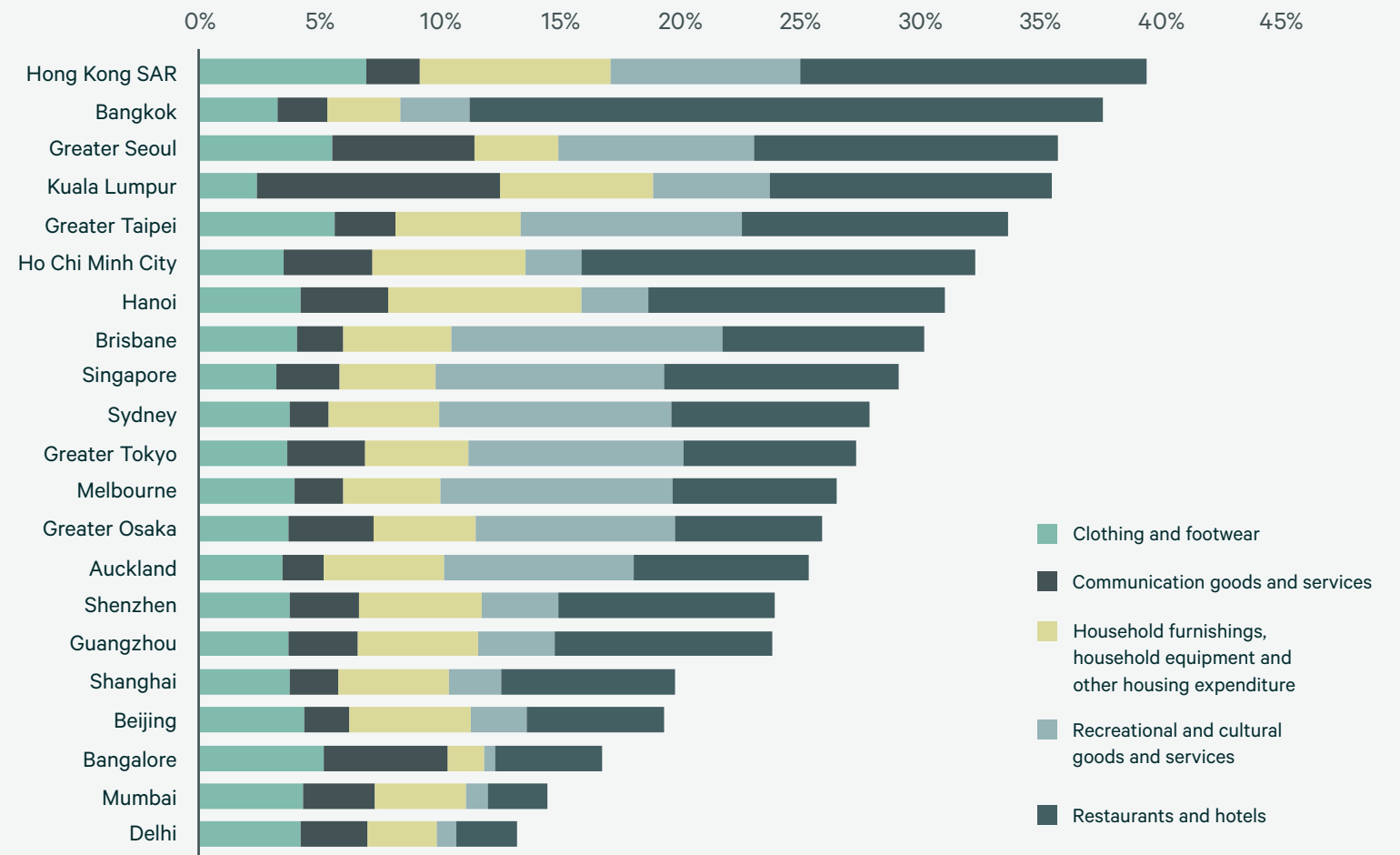
Spending on retail and environment diverges across markets

Consumers in Hong Kong SAR and Bangkok have the highest propensity to spend on non-essential items and services, with almost 40% of their total consumer spending allocated to discretionary items. This is partially due to the large number of inbound tourists visiting these markets.

India and mainland China ranked the lowest in terms of discretionary spending, with most of their consumer spending going to non-discretionary items such as housing and necessities.

CBRE advises retailers and landlords to align their product offering with the consumption preferences in each market. For example, clothing-related retailers may prioritise markets like Hong Kong SAR, Seoul and Taipei, while F&B-related marketing campaigns and events are likely to have a greater chance of success in Bangkok and Ho Chi Minh City.

Figure 3: Breakdown of Discretionary Spending as % of Total Spending on Products and Services



Source: Oxford Economics, October 2024

Hong Kong SAR the most visited

Visitor numbers and overall tourism offering can provide insights into a city's capacity for retail innovation.

While Hong Kong SAR registered the highest number of tourist arrivals in Asia Pacific in 2023, the city's retail market is dependent upon mainland Chinese.

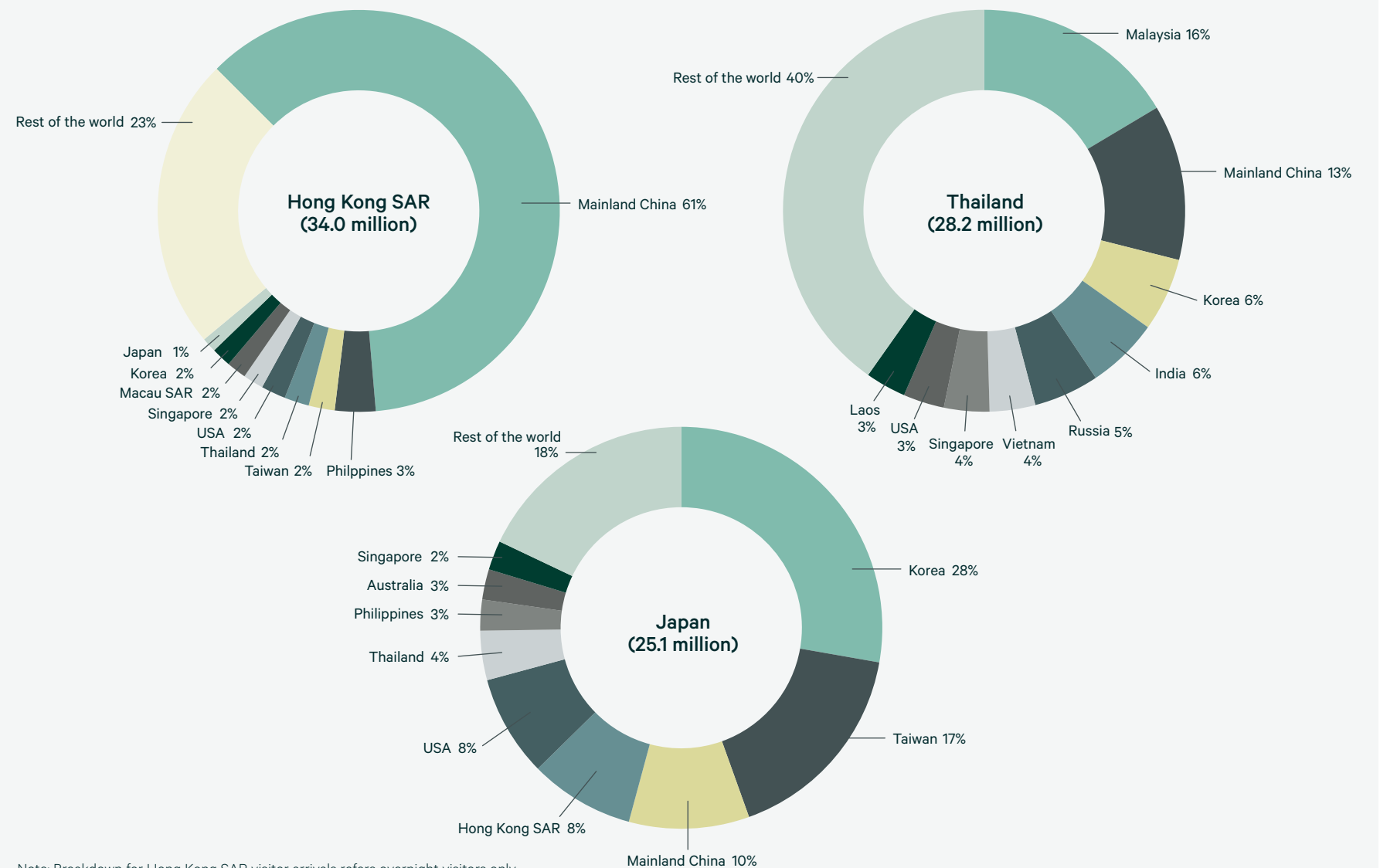
Cities in mainland China have a lower score given the concentrated visitor profile and relatively small inbound tourism arrivals. Other laggards include Auckland and Indian cities.

Bangkok topped the rankings on the back of its large number of tourist arrivals; diversified source markets; and variety of experiences. Tokyo ranked second with similar advantages.

Retailers and landlords should monitor tourists' consumption preferences, which have become more experience-oriented in recent years. Examples include more mainland Chinese tourists exploring urban areas of cities at their own pace (known as "citywalk" in mainland China) instead of shopping.

Other strategies include identifying tourists' preferences on social media platforms. Xiaohongshu, which has more than 300 million active users, has become a key platform for retailers seeking to reach Chinese-reading consumers across the region.

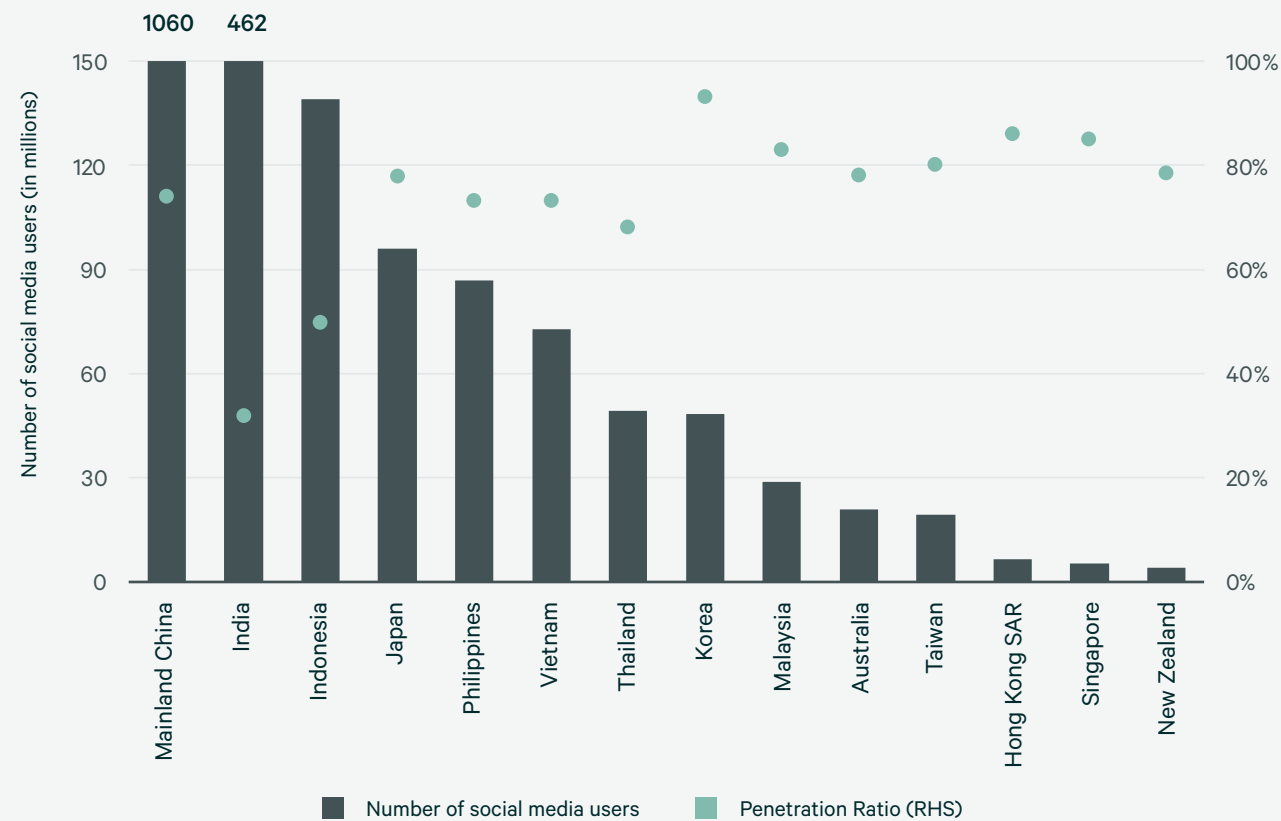
Figure 4: Breakdown of Tourist Arrivals by Market of Origin in 2023



Note: Breakdown for Hong Kong SAR visitor arrivals refers overnight visitors only.
Source: CEIC, October 2024

Retail activity on social media is increasing

Figure 5: Social Media Users in Major Asia Pacific Markets



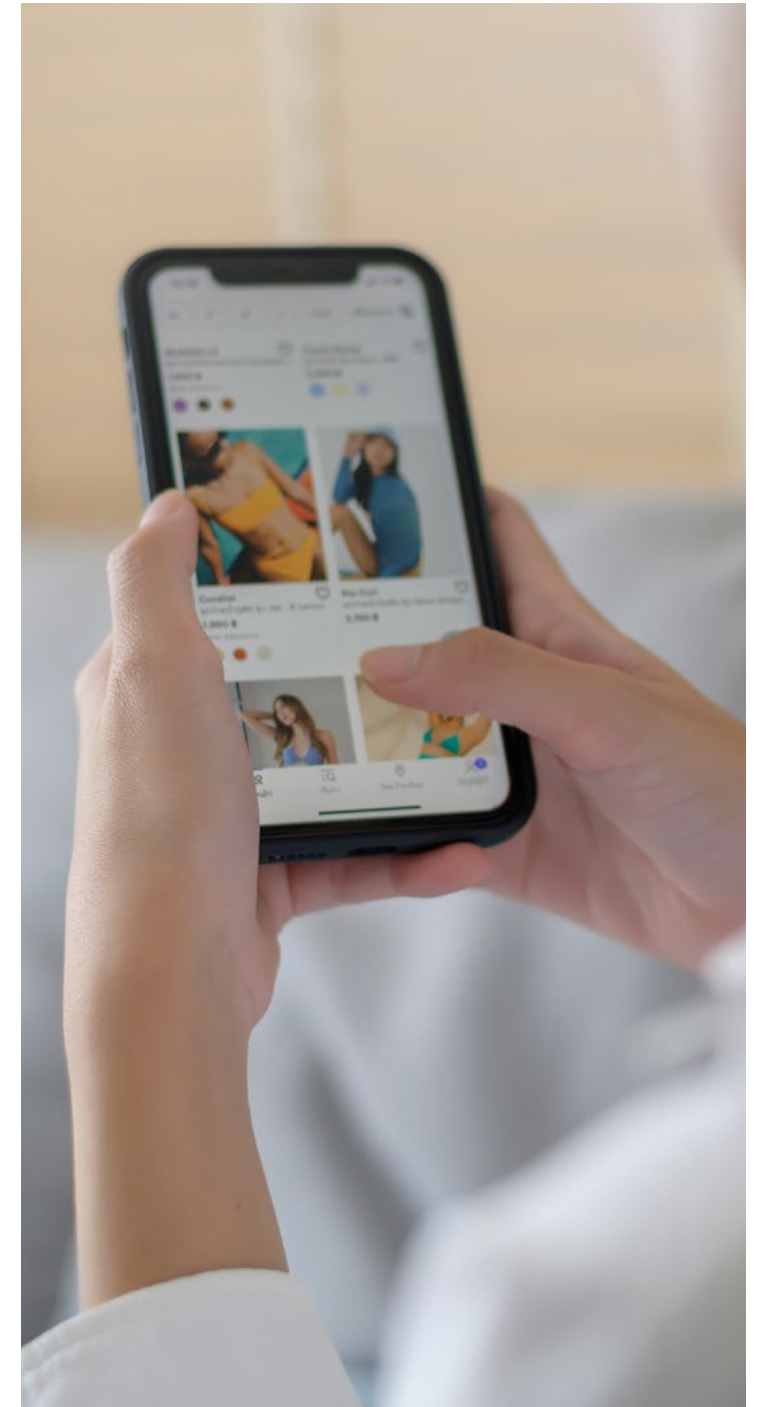
Source: Digital 2024 Local Country Headlines Report, [Link](#)

Social media platforms have amplified consumers' ability to enjoy more memorable and unique experiences from product usage and/or visits to retail shops for content sharing-use.

They are also enabling retailers and consumers across the globe to become more interconnected while accelerating awareness of new retail brands and trends.

Some social media platforms have ventured into e-commerce. With a Gross Merchandise Value of US\$16.3 billion, TikTok Shop was the third largest e-commerce platform in Southeast Asia in 2023, behind only Shopee and Lazada¹

¹Source: Ecommerce in Southeast Asia 2024, Momentum Works, July 2024. [Link](#)



New consumer trends are emerging

Pet-Ownership



Pet ownership is on the rise as younger generations satisfy their emotional needs by becoming “pet parents”

- Pet-related retailers and service providers, such as pet-friendly restaurants, menus, groomers, and clinics, are expanding
- More pet friendly amenities are needed, such as pet strollers, open spaces or turf, and drinking water stations

Toys for Young Adults



Designer toys and collectibles such as figurines and models are becoming more popular among young adults.

- More retailers selling collectibles and ACGN* are expanding into shopping centres
- Landlords are recommended to collaborate with retailers on marketing activity and premier product launches to attract more consumer traffic

*ACGN is an abbreviation for Animation, Comics, Games & Novels

Sports & Wellness



Consumers are increasingly willing to spend on health, wellbeing and self-care.

- Sports retailers and boutique fitness centres are in growth mode
- Landlords are tapping into the trend for outdoor sports and wellness activities, such as by installing running tracks in public areas
- Property owners are advised to leverage major sports events for promotional campaigns, such as live broadcasts of the Olympics in shopping centres

Events & Concerts



More consumers are adopting a “you only live once” attitude, which is boosting spending on experiences.

- More cities are competing to host mega-events to drive visitor arrivals and spending
- Some small-scale theatres have expanded into major shopping centres
- Landlords are hosting live performance in their properties as part of a strategy to boost their entertainment offering

Arts & Culture



The rise of the experiential economy is stimulating consumer engagement in art, music, and cultural activities.

- Shopping malls are incorporating more aesthetic elements such as art installations, décor and interior design features
- The increase in public space in shopping centres is designed to facilitate cultural activities, with atriums and other open areas also serving as performance venues

Retailer growth strategies



India and Vietnam continue to offer growth prospects



Key considerations

Intention to Open New Stores

A steady flow of new store openings typically prompts retailers to deliver more eye-catching and innovative store designs or marketing campaigns to capture consumers' attention.

Diversity of Leasing Demand

A diverse pool of retailers operating across a range of categories facilitates idea exchange and encourages collaboration in product development and brand marketing.

Acceptance of New Retail Trades

Consumer markets that are open to innovative retail trades and strategies are able to attract retailers to use them as testbeds for market and product testing.

Leading markets

Japan

remains highly sought after by upscale retailers. Overseas brands continue to seek space in key shopping districts to capture robust inbound tourist spending.

Korea

is home to established retail hotspots such as Myeongdong and Gangnam along with emerging areas including Seoungsu-dong, which is gaining more traction among younger shoppers on the back of the presence of pop-up stores.

Singapore

is witnessing growing demand from retailtainment-based retailers as well as a wide range of new entrants in the F&B segment.

Potential markets

Bangkok

continues to see solid expansionary demand from new-to-market retailers, supported by an ample shopping centre pipeline and robust tourist arrivals. Rapid growth by domestic brands has also added to the vibrancy of the city's retail landscape.

India

is witnessing an increase in new shopping centre development as landlords look to address the lack of quality supply, which remains a key barrier to retailers' expansion, especially by upscale brands.

Vietnam

is attracting more interest from retailers on the back of its growing middle class and improving availability of quality retail space.

Retailers have a strong desire to expand in Asia Pacific

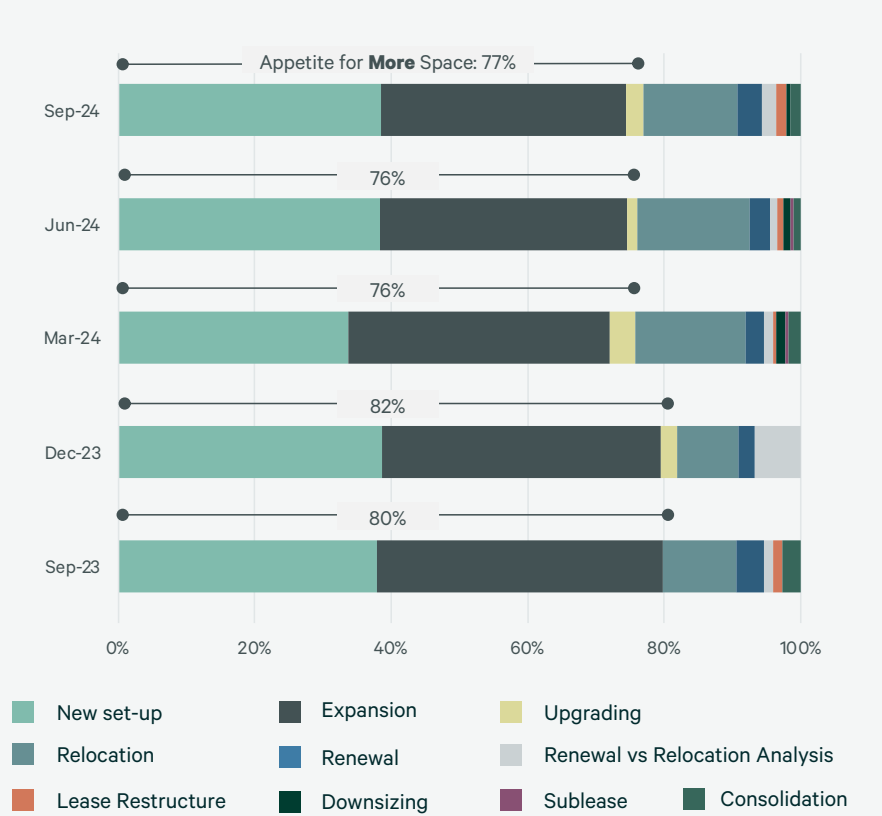
Retail leasing sentiment has been solid over the past 12 months according to CBRE's Asia Pacific Leasing Sentiment Survey, with over 75% of surveyed brokers reporting leasing enquiries from retailers seeking new setups, expansion and upgrading, indicating appetite for more space.

This is partially due to retailers rebuilding store networks after reducing them during the pandemic.

Store opening strategies include capitalising on market weakness to expand/relocate to core locations; committing to longer leases for pop-up stores; and focusing on smaller but more targeted stores to host specific product lines.

Despite the positive overall picture, there are some geographical nuances. Leasing sentiment in Greater China has weakened due to sluggish economic performance while that in Korea has fallen from a high base. Japan is seeing stronger sentiment on the back of record-breaking tourist spending.

Figure 6: Nature of Retail Leasing Enquiries



Source: Asia Pacific Leasing Sentiment Index, CBRE Research, September 2024.

Figure 7: Leasing Sentiment by Major Markets



Market sentiment is based on the simple average of net intentions (net % difference between positive and negative answers) of seven surveyed indicators.

Source: Asia Pacific Leasing Market Sentiment Index, September 2024

Japan and India are the most popular markets for retailer expansion

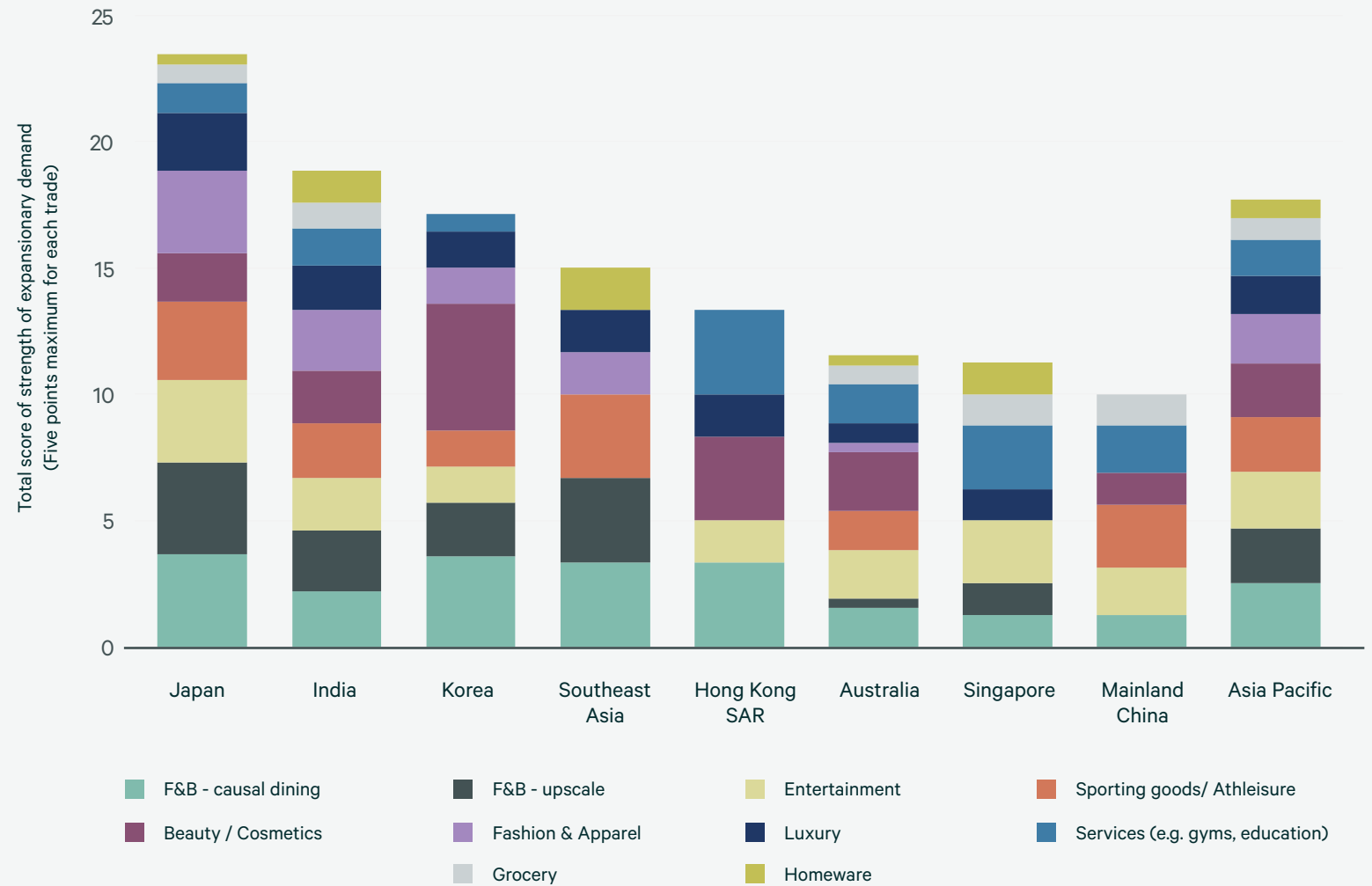
In addition to the strength of leasing sentiment, CBRE has assessed the diversity of expansionary demand across ten major retail categories. The broader spectrum of demand, the more collaboration between different brands and trades.

Japan scored the highest in diversity of leasing demand. Apart from F&B, this market is witnessing solid demand from fashion and apparel retailers, especially domestic brands.

In India, activity is being driven by new overseas entrants and up-and-coming local brands, with established mainstream brands less aggressive.

Many markets are seeing the emergence of new retail subcategories or brands. For example, the entertainment segment is being driven by indoor playgrounds, while traditional occupiers like cinemas are quiet. In the sports segment, demand from smaller specialist brands and outdoor-related retailers is outpacing established groups.

Figure 8: Markets with Strongest Expansionary Demand from Ten Major Trade Categories – as of June 2024



Note: The strength of expansionary demand of each trade category is measured on a five-point scale with five points representing very strong expansionary demand. Source: Asia Pacific Leasing Sentiment Index, CBRE Research, June 2024.

How are retailers redefining value for customers?

Product Value



- Retailers are expanding their product lines, especially lifestyle related goods, to cover different price points and expand their customer base
- Upstream: watches, jewellery, furniture
- Downstream: beauty and skincare, cafes

Emotional Value



- Consumers are visiting a store to engage in a specific activity, not only to purchase a product
- Retailers are utilising pop-up experience stores to create “time limit” pressure to encourage consumers to visit
- Localised themes are implemented across different markets

Creative Brand Value



- Premier brands are focusing on specific products or spaces that are not already dominated by a single retailer
- Examples include Casetify for phone accessories; Lululemon for yoga/ sportswear; and Stanley for water bottles

Specialist Value



- Consumers are displaying demand for more specialised or professionally-made products rather than those from general retailers
- This is spurring the rise of smaller but more specialised brands
- Retail destinations are increasingly agglomerating specific trades

ESG Value



- More retailers are exploring opportunities to open carbon-neutral retail stores that factor carbon usage into design, materials and display equipment, and sell products with recycled materials
- Standalone stores can use solar energy, more efficient HVAC systems and LED lighting controls

Spaces that tell a story



Spaces that tell a story



Key considerations

Availability of New Supply and Current Vacancy

Ample supply of quality retail space helps both retailers' expansion and their ability to be more creative by hosting experiential elements in brick-and-mortar stores.

Ease of Finding Quality and Cost-Effective Space

Rents and other qualitative parameters such as market transparency and the balance of power in negotiations are key considerations for retailers conducting real estate planning.

Landlords' Willingness to Adopt Asset Enhancement Initiatives

Shopping centres become less attractive and even obsolete if their tenant mix and interior design/layout are not modernised on a regular basis. This is particularly important for ageing assets in mature economies.

Leading markets

Mainland China

is seeing shopping centre landlords respond to sluggish leasing sentiment and the ample new pipeline by offering attractive leasing terms to attract tenants, especially to brands that may provide creative consumer experiences.

Japan

is witnessing an increase in the completion and construction of new retail space as redevelopment projects in Tokyo and Osaka's major shopping districts continue.

Korea

continues to see retailers utilise pop-up stores to introduce innovative retail experiences and better connect with their consumers.

Potential markets

Bangkok

continues to witness keen competition between major shopping centres in the CBD, where supply will continue to grow in 2024-2026. This is likely to prompt landlords to invest in placemaking to differentiate their properties from the competition.

Hong Kong SAR

landlords are investing in creating a more diversified tenant mix and experience to retain consumers' interest amid growing competition from rival malls and across the border in Shenzhen.

Australia

is seeing retailers upgrade into CBD areas and launch new concepts as they capitalise on the rental correction since the pandemic to lease prime space.

The Asia Pacific retail pipeline remains significant

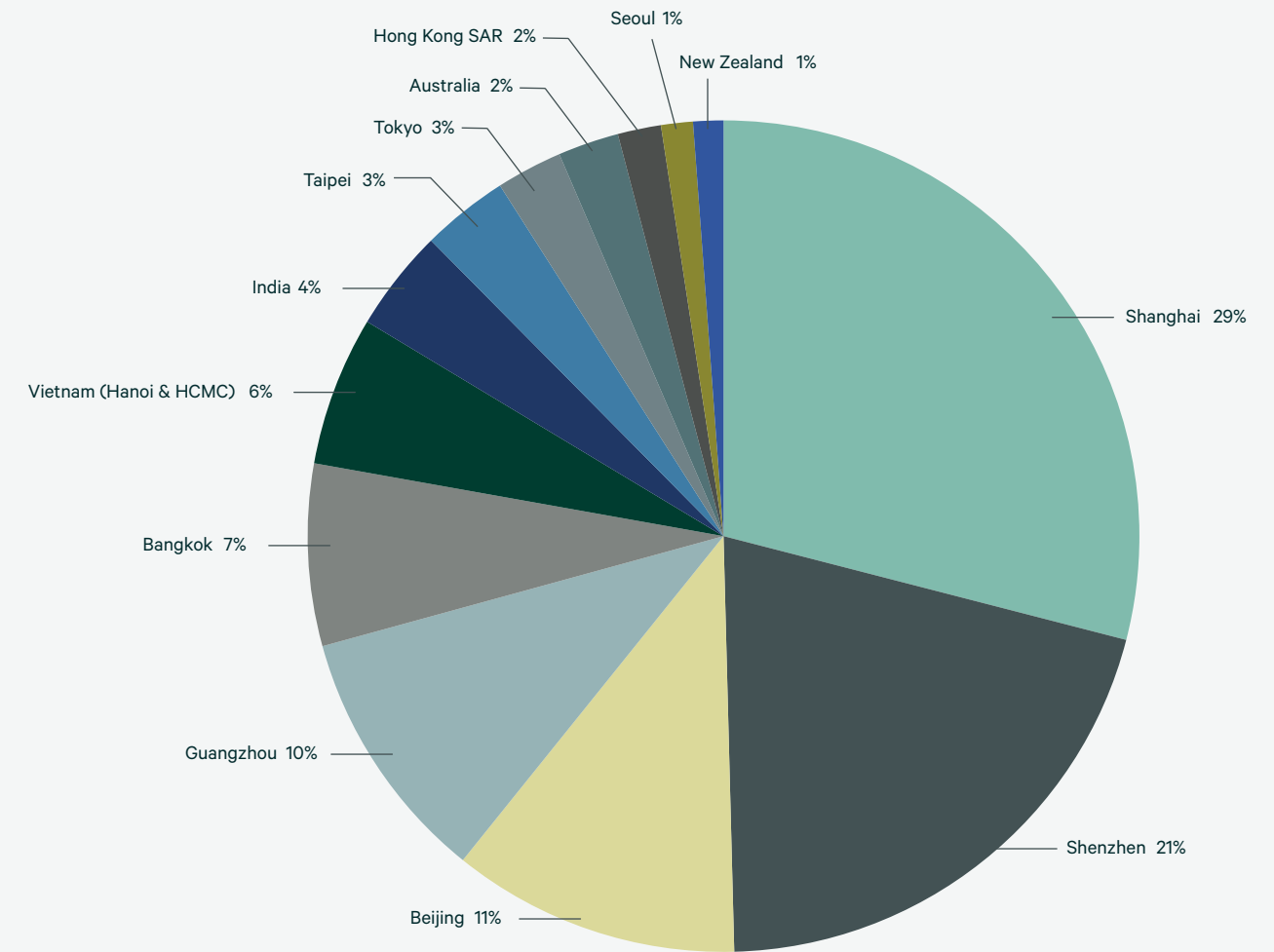


Around 70% of new retail supply completed in Asia Pacific over the past decade has been in the four mainland Chinese tier 1 cities. As competition rapidly intensifies, landlords in mainland China, particularly owners of projects in oversupplied decentralised retail areas, are becoming more accommodative to new retail trades and concepts. Niche tenants such as indoor zoos, archery clubs and horse-riding centres are establishing a presence in decentralised shopping malls.

Due to limited stock, landlords in India are converting open areas or amenity space in shopping centres to accommodate more tenants. The shortage of prime space in Vietnam is persisting as most new retail supply is concentrated in non-CBD areas.

In mature economies, new retail space in core locations is mainly in redevelopment projects. Together with elevated construction costs, this will ensure new supply remains limited.

Figure 9: Asia Pacific Retail Development Pipeline in 2025 - 2026



Source: CBRE Research, November 2024.

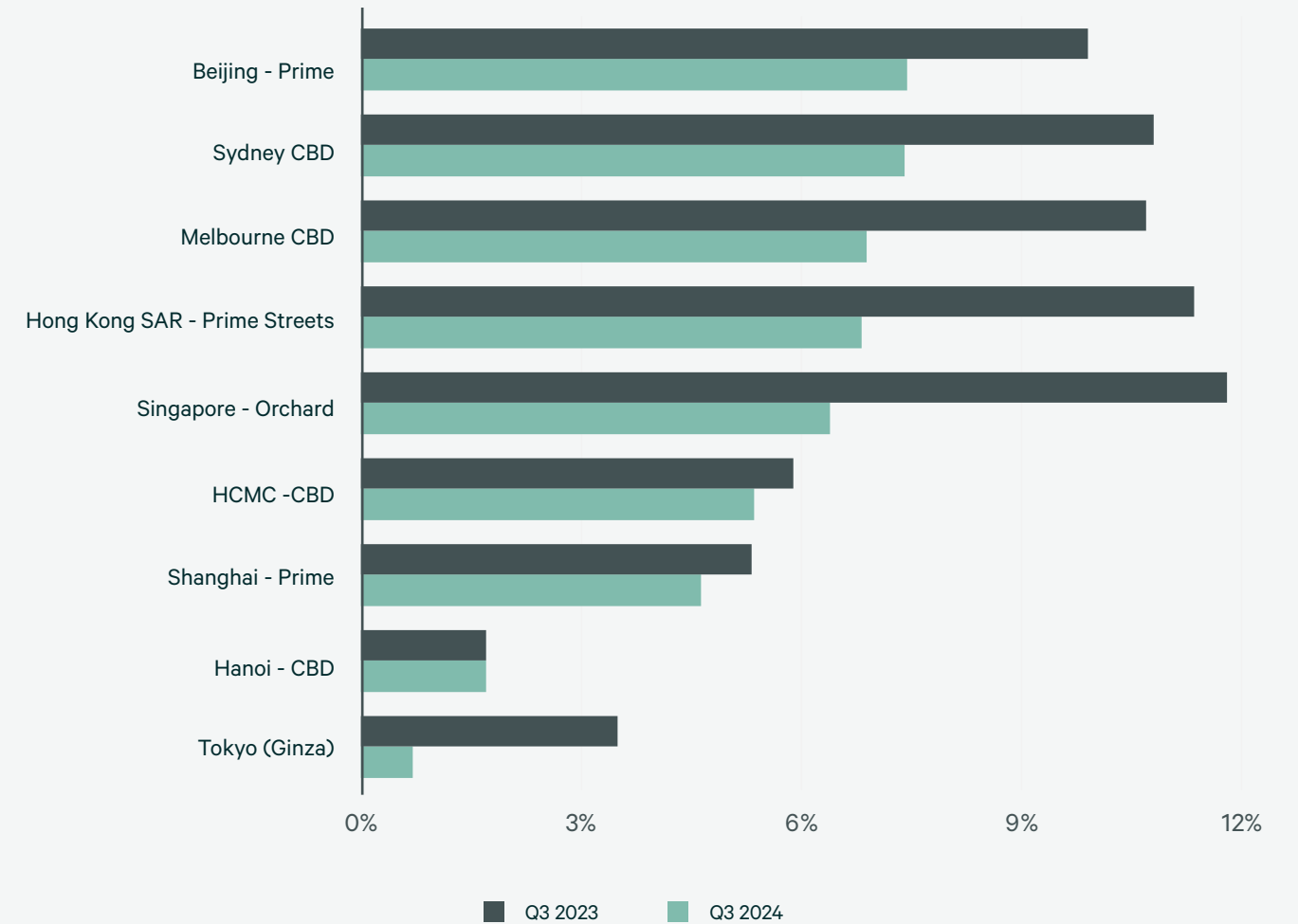
Decline in prime vacancy favour landlords



Vacancy in most Asia Pacific retail markets has declined since 2023 as retailers accelerate the rebuilding of their store networks and capitalise on favourable leasing terms. However, a strong flight-to-prime core mindset among retailers has led to divergent demand for prime and secondary retail space.

Vacancy in prime areas has experienced a sharper contraction and retailers are finding it increasingly challenging to identify suitable expansion opportunities. In contrast, demand for secondary locations remains limited and markets like Shanghai has seen citywide vacancy edged up due to the weaker performance outside prime areas. CBRE believes the slower recovery in requirements for space in such areas may offer attractive and affordable options for smaller retailers to test new concepts. To facilitate demand, landlords of secondary retail space are recommended to adopt a more proactive approach in luring tenants to their properties and areas, such as by organising pop-up markets and collaborating with artists for events and activities.

Figure 10: Vacancy Rates in Selected Prime Shopping Districts



Source: CBRE Research, November 2024.

Prime retail estate has become more affordable since the pandemic

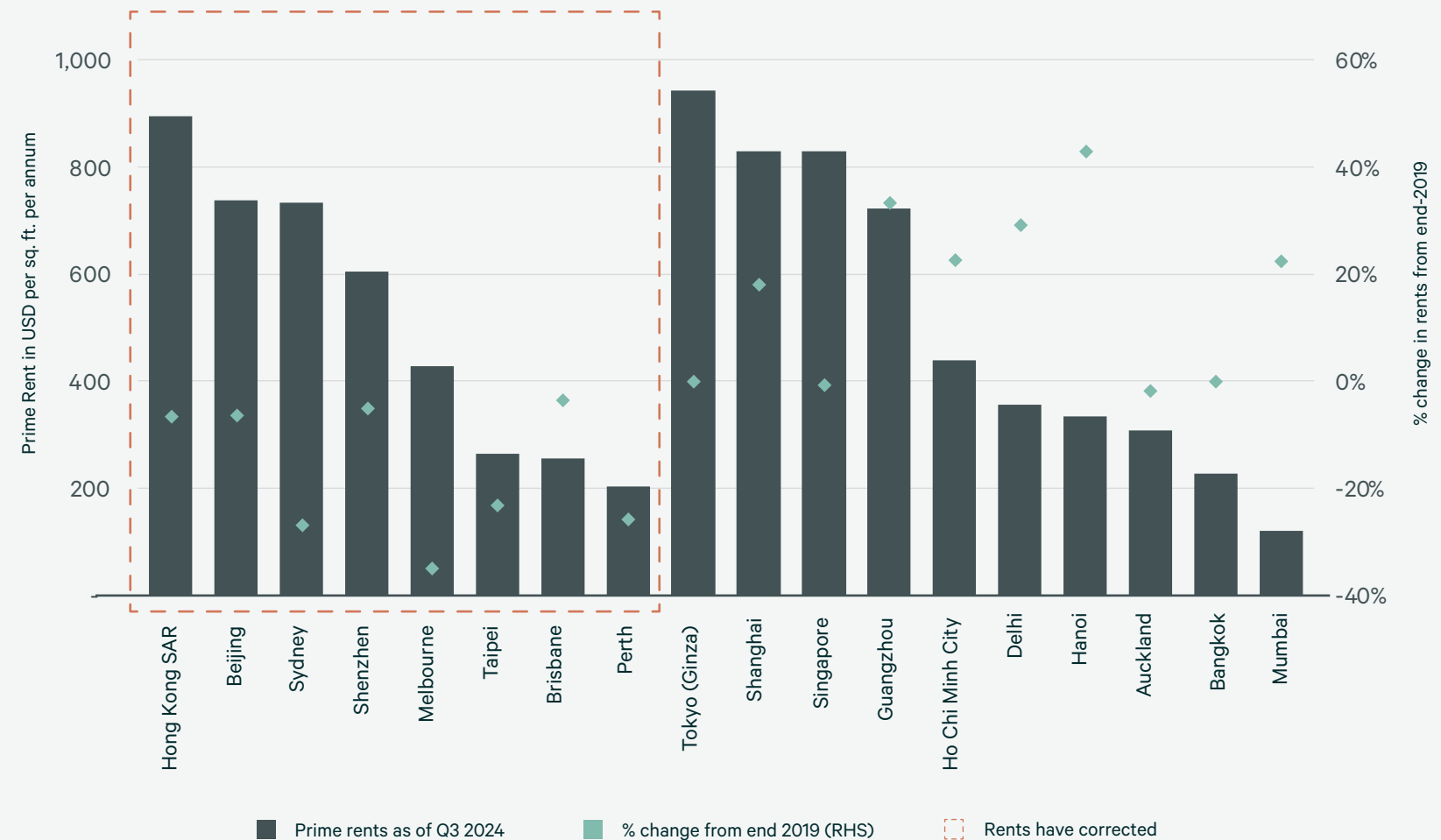
Half of the Asia Pacific retail markets tracked by CBRE have registered a decline in prime rents since the pandemic; a trend that has spurred upgrading and expansion demand, including from retailers seeking more experiential-driven stores.

The strongest decline in prime retail rents has been recorded in Australia’s CBDs, particular Sydney and Melbourne. In contrast, the decline in prime rents in Hong Kong SAR has been relatively mild, as the correction began in 2014 on the back of changing preferences among mainland Chinese tourists. Nevertheless, rents in this market currently stand at just one-third of their peak.

With these markets having become more affordable, more retailers can expand their footprint and test new concepts, while others return to the market after a period of absence.

Despite retail rents in Bangkok remaining stable over the past few years, the city’s relatively cheaper rents and ample supply of quality retail space are providing room for smaller retailers to expand.

Figure 11: Prime Retail Rents of major Asia Pacific markets



Note: % change in rents is based on local currency
 Source: CBRE Research, November 2024

Several elements are needed for space to tell a story



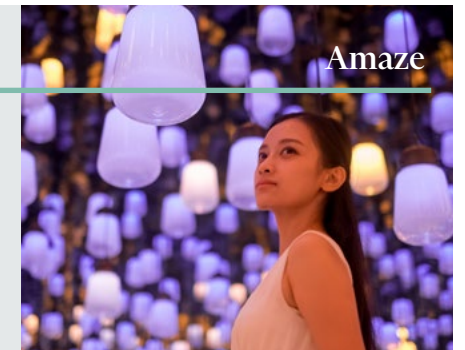
Air

Outdoor areas are needed to provide fresh air to shoppers. Such features also allow shops and restaurants to operate in a more relaxed environment.



Aesthetics

More shopping malls are incorporating artistic, design and cultural elements to differentiate their offering to consumers as well as providing elements for social media content.



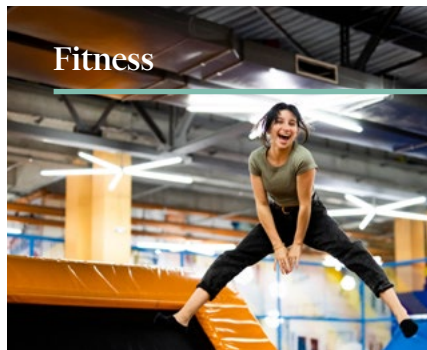
Amaze

Experiential retailers that incorporate immersive, interactive and shareable experiences are increasingly sought after. These include playrooms for young families and VR games for adults.



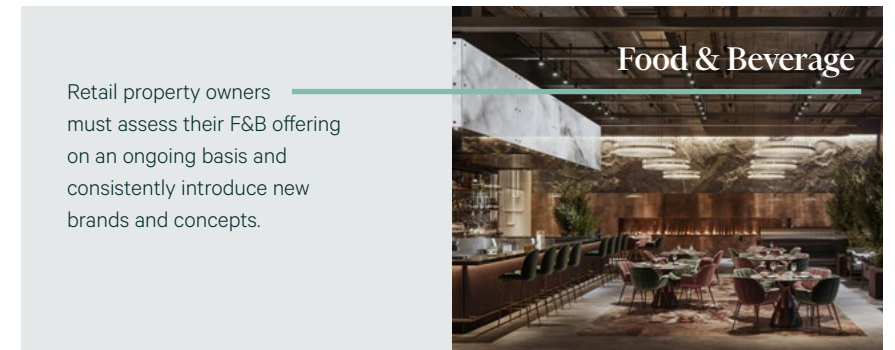
Family / Pets

With pet-ownership on the rise, malls should be designed to be animal-friendly. Examples include pet play areas and toilets.



Fitness

Shopping centre landlords are looking to capture sports related spending, spanning from apparel, equipment, sports clubs and new sports-themed entertainment and experiential retailers.



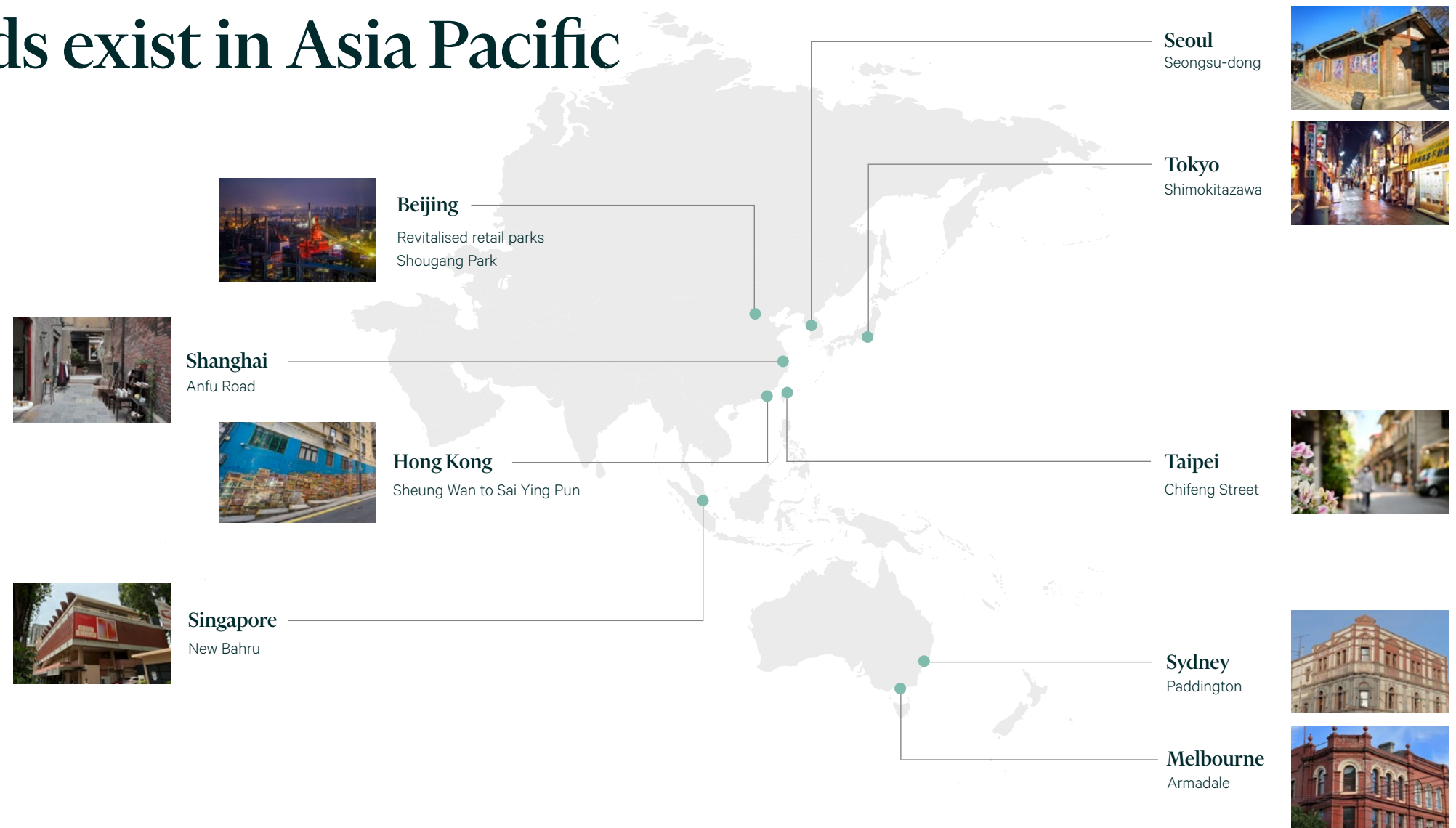
Food & Beverage

Retail property owners must assess their F&B offering on an ongoing basis and consistently introduce new brands and concepts.

Several differentiated retail neighbourhoods exist in Asia Pacific

Apart from traditional high streets and shopping centres, more retailers are exploring alternative retail assets and destinations in search of new clientele and ambiance.

Revitalised buildings and neighbourhoods featuring artistic and cultural elements are increasingly popular, with Seongsu-dong in Seoul an especially popular example. Previously an industrial area with warehouses, the neighbourhood has transformed into an epicentre for retail pop-up stores as well as a hub for concept stores for independent retail brands.



Examples of asset enhancement initiatives

The LANDMARK, Hong Kong SAR



Hongkong Land and its 10 luxury retail tenants intend to invest a total of US\$1 billion to expand and upgrade the LANDMARK retail portfolio from late 2024. The scheme will result in the creation of ten world-class, multi-storey “Maison” destinations.

Funan, Singapore



The completion of three-year renovation in 2019 marked the property’s transformation from an IT marketplace to a modern shopping centre. While it retains many tech elements, CapitaLand has introduced a comprehensive wellness offering to the asset including an urban farm and a climbing wall as well as co-working space and co-living residences to make it a truly integrated development.

In addition to the scale of the development pipeline, CBRE assesses landlords’ willingness to carry out Asset Enhancement Initiatives (AEI). Such schemes are particularly important in mature economies where aged first-generation shopping centres can become obsolete without regular enhancement work.

While an AEI typically includes the modernisation of a shopping centre's design and hardware, the success of any such initiative depends on re-establishing the property's market positioning and image via performing a thorough review of design concept; mall circulation; tenant mix; and amenities.

During an AEI, landlords must work with tenants to minimise disruption to their business. Property owners can also smoothen the process by inviting tenants to participate from the planning stage to align with their growth strategy and business needs.

Link Plaza Tianhe, Guangzhou



Formerly known as Happy Valley Shopping Mall, the mall in Tianhe, Guangzhou underwent an extensive redesign after acquisition. Communal areas have been expanded and new features installed including a full-service children's playground; a Gen-Z social hub; and a food street with Guangdong dishes.

Chadstone, Melbourne



One of the biggest shopping centres in the Southern Hemisphere, Chadstone saw the commencement of refurbishment and expansion work in 2022. Initiatives include the creation of new dining and entertainment space; expansion of car parks; and a nine-level office development. The project also addressed sustainability concerns.

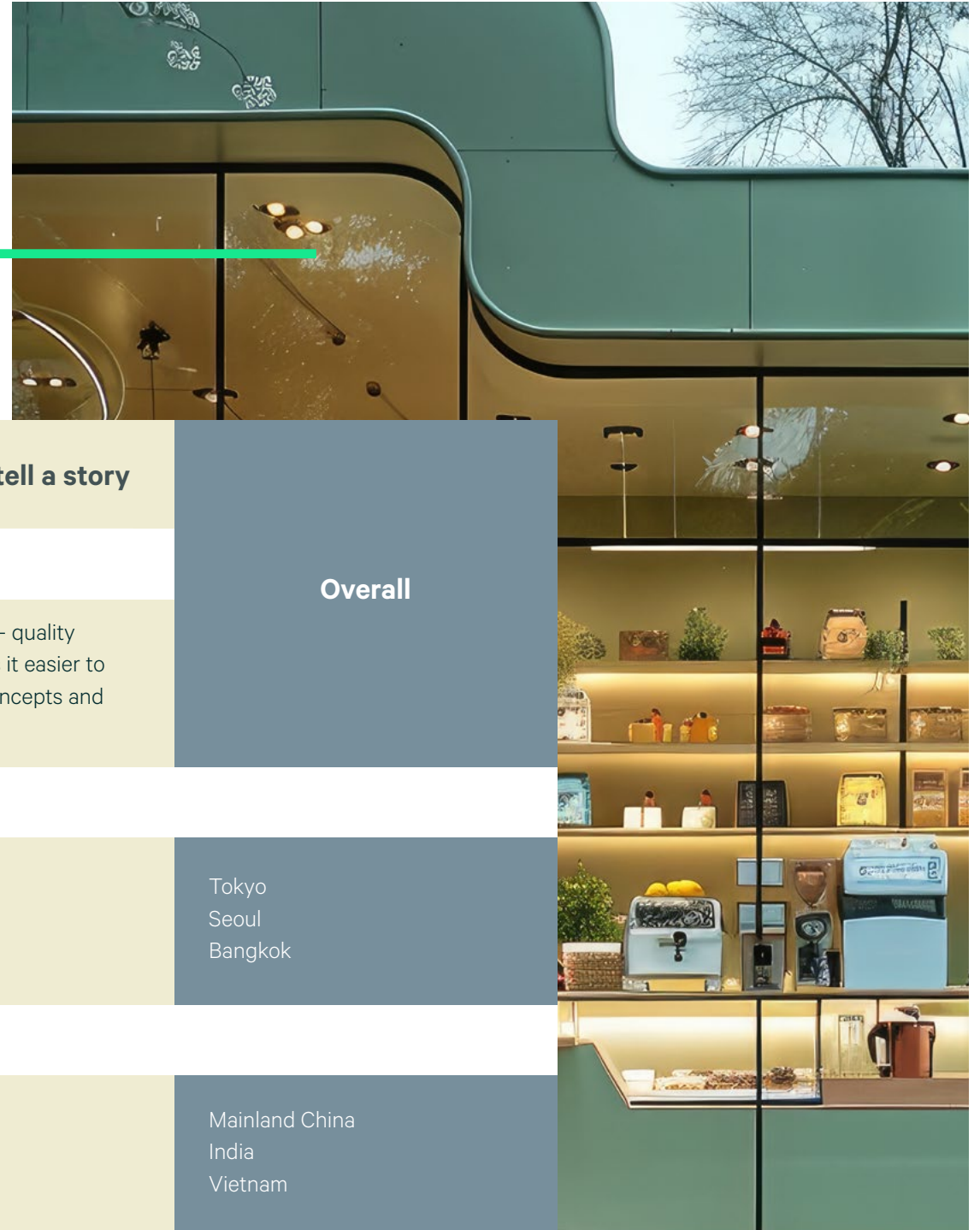


Overall score & actions
for landlords and retailers



Summary: Leaders and high potentials

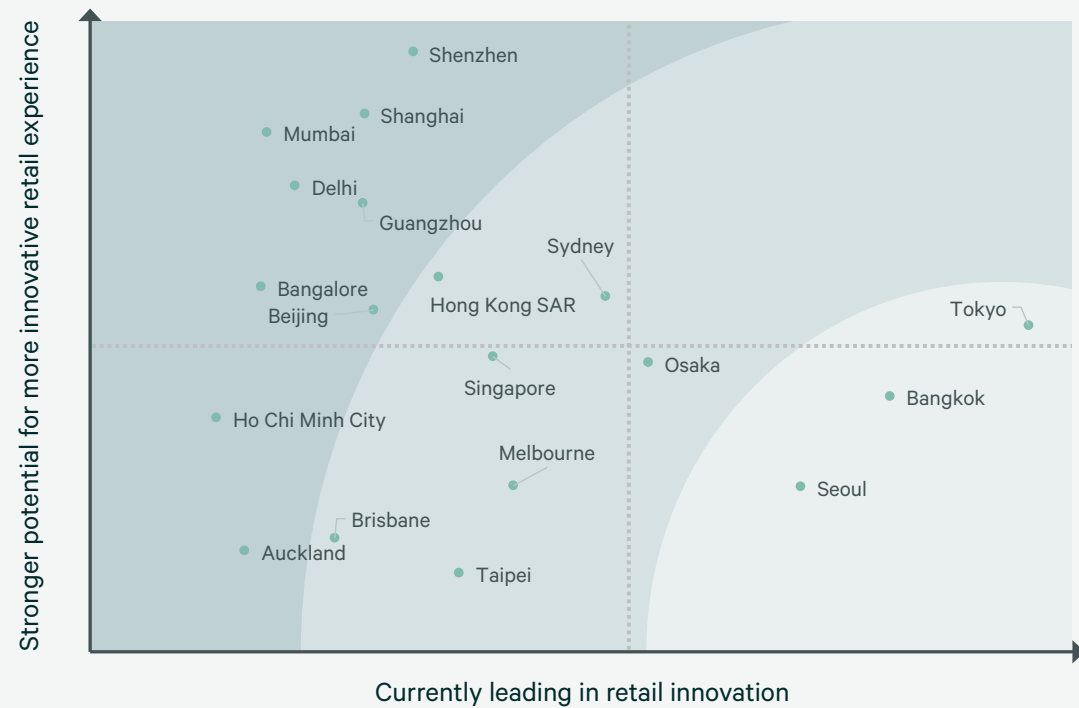
While real estate is always about location, innovation is key to success.



Market size	Consumer profile	Retailer growth strategies	Spaces that tell a story	Overall
Key attributes				
Younger and more scalable consumer markets tend to be more open to new retail products and strategies.	A more diverse consumer profile can accommodate a greater variety of products, services and experiences.	Vibrant retail marketplaces can facilitate greater idea exchange and bolster innovation and collaboration among retailers.	Availability of high- quality retail space makes it easier to implement new concepts and experiences.	
Leading markets				
Tokyo Seoul Shanghai	Bangkok Singapore Hong Kong SAR	Korea Japan Singapore	Mainland China Japan Korea	Tokyo Seoul Bangkok
Potential Markets				
Bangalore Shenzhen Brisbane	Mainland China India Vietnam	Bangkok India Vietnam	Bangkok Hong Kong SAR Australia	Mainland China India Vietnam

Ranking retail innovation

Figure 12: CBRE Asia Pacific Retail Innovation Index



Source: CBRE Research, November 2024



After assessing the performance of each market according to the four key pillars (market size, consumer profile, retailer growth strategies and spaces that tell a story) and classifying factors into those that indicate current strengths in retail innovation and those pointing to potential, CBRE has categorised the region’s major retail markets into three main groups.

Most cities in the region’s emerging economies offer strong potential for more innovative retail experiences. Retail sales in these markets are being driven by solid population growth and rapid economic development. These cities can be further divided into two groups according to their availability of quality retail space. The growth potential of cities in India and Vietnam continues to be capped by the lack of prime quality retail space, especially in core locations, while tier I cities in mainland China continue to suffer from sluggish consumer sentiment.

The region’s mature economies can be divided into two major groups. Japan, Korea and Thailand lead retail innovation within the region on the back of their vibrant domestic retail ecosystems; diverse tourism source markets; and cultural and entertainment offering. The remaining cities such as Hong Kong SAR, Singapore and Sydney serve as strategic markets for retailers’ operations within the region. While high consumption continues to attract new retail investment to these markets, growth potential is limited by their demographic structure, particularly their ageing populations.



Actions for landlords

01

Create Space that tells a Story

Shopping centres have evolved into places where people come to interact rather than pure points-of-sale. Landlords are recommended to create retail spaces that resonate with consumers and create a sense of emotional attachment by introducing more diverse leisure elements.

02

Identify Retailers with New Concepts

Landlords are advised to proactively source new brands able to accommodate elements of surprise into their offering. Pop-up concepts or short leases should be utilised to enable a more regular refreshing of their products, services and experiences.

03

Embrace Placemaking and Provide Supporting Facilities

In addition to integrating leisure elements such as arts, fitness, wellness and natural spaces, landlords should invest in supporting amenities and hardware/software to provide holistic retail ecosystems.



Actions for Retailers

01

Create a Retail Environment that Sells

In an era of experience-driven retailing, the store environment is key to retaining and enhancing customer engagement. Retailers should prioritise the creation of stores with design features and offerings that can generate memorable experiences for their consumers.

02

Position Each Store as a Unique Brand Destination

As the physical retail store continues to evolve, retailers are advised to avoid operating identical stores with standard products. Instead, they should direct their resources into developing a unique and localised experience for each individual store.

03

Identify Retail Space that Matches Their Image and Aspiration

Although rental cost and sales productivity will remain among the most important criteria for site selection, retailers should target space in shopping centres or neighbourhoods providing an ambience and tenant mix aligned with their image and aspiration.

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