Economic stability: the new CRE growth filter

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Commercial real estate expansion has become less about finding the fastest-growing market and more about finding the market most likely to stay investable. That is a meaningful shift. In a cycle shaped by uneven rate paths, geopolitical shocks and refinancing risk, economic stability is no longer a soft variable in market selection. It is one of the hardest tests of strategic judgement.

And it's not a niche view. Recent research suggests momentum is building: 50% of businesses intend to expand overseas in the next two years. But importantly, this isn't expansion for expansion's sake. Among those planning to go international, 49% say tariff changes are accelerating their plans, underlining how quickly external conditions can turn "nice-to-have" growth into a strategic necessity.

For commercial real estate leaders, the question is not simply where demand exists. It is where demand can hold, financing can remain available, and operating assumptions are less likely to be rewritten mid-investment. The businesses that expand well now are not chasing headline momentum. They are choosing resilience.

The market looks more open, but it is still highly selective

Global real estate capital is moving again, but not evenly. Liquidity has improved in many markets as inflation has moderated, and rate expectations have become more predictable. Even so, capital remains disciplined. Investors and lenders are still pricing risk with far more care than they did in the low-rate era.

Several forces are shaping expansion decisions:

This creates a more nuanced expansion map. A market can have attractive growth, but if capital availability is thin, currency volatility is high, or policy direction is unclear, that growth can be hard to capture. Equally, slower-growth markets with better monetary discipline, deeper debt markets and more transparent regulation can offer better long-term outcomes.

It's telling that when businesses weigh up international expansion, economic stability is the top consideration (32%), ahead of technology and infrastructure readiness (27%) and consumer demand and behaviour (23%). In other words, growth potential still matters, but it's being filtered through a tougher "can this market stay stable enough to operate in?" lens.

The key takeaway is simple: in commercial real estate, economic stability now shapes both the cost of entry and the quality of returns.

Leading businesses are testing markets more like operators than investors

The strongest businesses are no longer assessing expansion markets on demand forecasts alone. They are using a broader operating lens, one that reflects how hard it can be to execute cross-border growth when conditions change.

First, they are stress-testing macro conditions before they commit. That means asking what happens if rates stay higher for longer, if refinancing windows tighten, or if currency movements weaken projected returns.

Second, they are looking beyond national averages. Expansion decisions are increasingly made at corridor, city and submarket level. A country may look stable on paper, while local infrastructure, planning regimes or occupier depth tell a different story.

Third, they are aligning sector choice with economic structure. That matters because many firms aren't entering markets with a single-asset mindset. The research indicates that for international businesses, product or service expansion is the most common model (49%), a signal that firms are pairing market entry with a broader operating proposition (platform capability, services, tenant solutions, or sector-aligned offerings), not just pursuing opportunistic acquisitions.

Fourth, they are building flexibility into capital strategy. Rather than assuming one source of funding will hold through the life of the investment, they are planning for a mix of financing routes, hedging options and refinancing scenarios from the start.

It's also clear that the friction points are well understood. The most cited barriers to expansion include regulatory and trade agreements (39%), economic factors (38%), and political risks (34%), with bank and banking operations (32%) and financial barriers (30%) also high on the list. Put simply: even when the opportunity is compelling, execution risk can be what makes or breaks outcomes.

In practice, that means expansion is becoming less speculative and more engineered. The best decisions are based on how a market performs under pressure, not just how it looks in a base case.

HSBC supports expansion by connecting market insight with execution

This is where a banking relationship needs to be more than a source of capital. When commercial real estate businesses enter a new market, they need a partner that can connect strategy, financing and risk management across borders, and help reduce the operational drag that can slow a well-designed plan.

HSBC supports that shift through the combination of international reach and local market connectivity. For businesses assessing where to expand next, that matters. Access to on-the-ground market understanding, cross-border banking networks and decision-makers who understand how capital moves between regions can sharpen both market selection and timing, especially when businesses are prioritising stability, infrastructure readiness, and the practicalities of entering a new jurisdiction.

That support is equally important once a market is chosen. Financing expertise needs to sit alongside risk management, especially where interest rate exposure, foreign exchange movements and funding structures can materially affect returns. In that context, HSBC's role is not only to provide capital, but to help clients structure for resilience.

For internationally active firms in the industry, the value is practical: a bank that can support market entry, connect treasury and financing decisions, and help manage the complexity that comes with operating across jurisdictions. That makes expansion more coordinated and, in many cases, more defensible.

The next phase of expansion will favour resilient conviction

The next 12 to 24 months should bring more opportunity, but not a return to easy assumptions. Capital markets are improving, yet they remain selective. Occupier demand is holding in many segments, but it is far from uniform. Political and economic volatility will continue to create sudden dislocations.

Where will interest concentrate? Many businesses are already looking to a set of Asia growth corridors, with Singapore, Chinese mainland, Malaysia, Thailand and Japan among the markets most frequently cited as expansion targets. But even within these markets, the differentiator will be selectivity: where sector expected growth is credible, where supply chains can be supported, and where the right people and operating resources can be deployed without excessive friction.

That points to a clear conclusion. The winners in commercial real estate expansion will not be those that move everywhere. They will be those that choose where not to move, and then act with conviction where stability, sector demand and capital conditions align.

Economic stability is not the conservative choice. It is the strategic one

Expansion always carries risk. The issue is whether that risk is being taken in service of durable growth or fragile optimism. In the current market, economic stability is what allows ambition to scale. It supports underwriting discipline, financing confidence and operational continuity.

For commercial real estate leaders selecting their next market, that is the real test. Not which geography looks most exciting today, but which one still makes sense when conditions change.

These findings matter now because cross-border expansion is accelerating at the same time that policy, trade and financing conditions can shift quickly - and not always predictably. Businesses are responding by using economic stability as a primary screen, and by treating operational readiness, regulatory friction and funding execution as board-level variables, not back-office details.

For you, the implication is clear: international growth can still be a powerful lever, but the edge will come from disciplined market selection and the ability to execute smoothly across borders.

The accompanying research report brings the full data, market priorities and expansion barriers into one place, helping you benchmark your plans, stress-test assumptions and identify where resilience and opportunity genuinely overlap. For deeper insight into the trends shaping CRE expansion, read or download the full report.

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