

ASIA PACIFIC INVESTMENT TRENDS | Q3 2026

Investors target assets offering income growth amid rising rate cycle



Key Trends

- In **Japan**, the Bank of Japan (BoJ) has lifted its policy rate twice this year to 1.25%, taking funding costs to their highest level in years. Investment activity nonetheless has held strong, with yields broadly flat (aside from Tokyo logistics) as double-digit Grade A office rent growth offsets higher borrowing costs. Investors are prioritising under-rented assets with clear reversion potential.
- Investment activity in **Singapore** has picked up over the past 12 months, supported by solid economic growth and interest rates that were cut 200bps in 2025 before stabilising. Office and mixed-use deals dominate, while retail interest is broadening beyond suburban malls. Activity is expected to persist into 2027, backed by substantial unallocated capital.
- In **India**, domestic capital is increasingly prominent as REITs, mutual funds and AIFs acquire built-up offices, while foreign capital favours alternatives such as data centres. October's rate hike is bringing cap rate compression to an end, though stable occupier demand for office, warehousing and retail should keep institutional appetite intact.

“ While rising interest rates across the region could compel investors to turn more selective, rental growth in Japan, low funding costs in Singapore and solid demand for development land in India should keep capital active.

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Greg Hyland

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Rising rates compel buyers to focus on assets they can actively manage to drive income growth

STATE OF THE MARKET

- Funding costs have reached their highest level in years, with the BoJ lifting its policy rate both in June and September to 1.25%. The 10-year bond yield has touched 3%.
- Investment activity has nevertheless been strong this year. Except for Tokyo logistics, which has faced oversupply challenges, yields have held broadly flat as strong rental growth offsets the impact of rising borrowing costs.
- Investors are prioritising under-rented assets that offer attractive rent reversions alongside strong market rent growth. Grade A office rents in central Tokyo and central Osaka have risen at double-digit levels y-o-y.

TRANSACTION ACTIVITY

- Activity this quarter was headlined by the sale of the office portion of Pacific Century Place Marunouchi by GIC to a Hulic-led consortium for circa JPY 230 billion (US\$1.4 billion) and Brookfield's acquisition of a nationwide 50-asset residential portfolio for more than JPY 100 billion (US\$660 million) from JPMorgan.

EMERGING TRENDS

- Retail investment into large deals is increasing via tokenisation, such as Kenedix's plan to tokenise part of Pacific Century Place Marunouchi and Mitsui Bussan's acquisition of the mixed-use office and hotel property, Shinagawa Seaside East Tower.
- Landlords are seeking to convert tenants from traditional to fixed-term leases, mainly in Grade B offices and multifamily, to enable rents to reset to market rates upon lease expiry.
- Authorities are tightening "minpaku" (short-term lodging) rules, which could impact flex living operators. Shinjuku will ban the practice in residential and school areas and cap commercial use at 120 nights.

OUTLOOK

- Capital values should hold at around current levels over the next six to 12 months, aided by robust rental growth.
- While no buyer cohort has yet exhibited cooler sentiment toward Japan due to the rate outlook, some negative impact on investment activity may materialise should rates rise faster than anticipated.

SIX-MONTH OUTLOOK



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Office and retail deals drive upbeat market on low funding costs and positive rent growth

STATE OF THE MARKET

- Investment has picked up over the past 12 months, anchored by a healthy economy with GDP growth of 5% in 2025 and 4.5 to 5% projected for full year 2026. The favourable interest rate environment is another key factor, with rates declining 200bps in 2025 and holding relatively stable in 2026.
- Many sale processes initiated in late-2025 and early-2026 have now translated into completed transactions, supporting healthy investment volume across the office, retail and industrial sectors.

TRANSACTION ACTIVITY

- Office and mixed-use transactions have led activity this year. Following the SGD 8.2 billion (US\$6.4 billion) office-focused SCPREF launch in Q1 2026, major transactions have included SCPREF's acquisition of Wheelock Place for SGD 1.11 billion (US\$870 million) in Q3 2026 and IOI's acquisition of Asia Square Tower 2 from CICT for SGD 2.48 billion (US\$1.94 billion) in Q2 2026.
- Interest in retail assets is extending beyond suburban malls. Examples include CICT's acquisition of prime Paragon for SGD 3.9 billion (US\$3.0 billion) and local private investors' purchase of supermarket portfolios worth over SGD 500 million in H1 2026.

EMERGING TRENDS

- The co-living sector, while still evolving, has consolidated to a few scale operators, two of which have listed on the SGX. URA's SA2 (long-stay serviced apartment) framework could also catalyse an institutionally investable rental housing product in the longer term.
- Purpose-built worker accommodation is drawing investor interest due to its defensive demand profile and attractive yields.

OUTLOOK

- Barring a significant global economic shock, healthy investment activity is expected to persist into 2027, supported by substantial unallocated capital targeting Singapore.
- Interest rates will influence pricing and transaction volumes. Whilst the market has seen volatility in rates due to Fed rate increases, Singapore's interest rate policy and strong market liquidity should keep interest rates competitive relative to regional markets.

SIX-MONTH OUTLOOK



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Investment activity increases but rising financing costs cap yield compression

STATE OF THE MARKET

- Capital inflows have risen this year and look healthy even excluding alternatives. Domestic capital is increasingly prominent, led by REITs along with mutual funds and AIFs acquiring built-up offices.
- Funding costs are turning. The RBI raised the repo rate 25bps to 5.50% in October, with further hikes possible in the coming six months, while the 10-year bond yield is back above 7%.

TRANSACTION ACTIVITY

- Foreign capital favours alternatives. CPPIB has agreed to invest up to INR 3,000 crore (US\$313 million) for 27% of Prestige Hospitality Ventures, while major data centre deals, including KKR and Singtel's takeover of STT GDC, involve platforms and not individual assets.
- Land transactions are diversifying beyond housing into greenfield office, mixed-use, industrial, data centre and hotel sites. For example, National Stock Exchange purchased a land site in Mumbai BKC for INR 1,680 crore (US\$179 million) in May 2026 for an office development.

EMERGING TRENDS

- Cap rate compression is ending on the back of rising financing costs. Deals currently under negotiation are pricing flat to slightly higher cap rates.
- While seller expectations are unlikely to change, buyer expectations may be dampened amid a rising interest rate environment.
- After undergoing significant depreciation, the rupee has steadied in recent weeks, giving some offshore institutions a boost in confidence. Other investors may worry about the health of the market given the need for government intervention to stabilise the rupee.

OUTLOOK

- Purchasing activity over the next six to 12 months is expected to be broadly similar to recent levels. Occupier demand for office, warehousing and retail is stable, requirements for data centres remain solid and institutional appetite remains in place.
- Developer demand for well-located land is expected to continue, with occupiers occasionally outbidding developers for their own use. Investors are advised to underwrite higher financing costs from the outset and avoid assuming further compression.

SIX-MONTH OUTLOOK



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