

Investment gains momentum as interest rates continue downward cycle



Key Trends

- Strong occupier fundamentals in **Japan**, particularly in the office and residential sectors, continue to drive solid investment activity. Domestic capital continues to dominate, especially at the core end of the spectrum, with foreign investors recycling assets with intentions to re-invest. Barring an external shock, positive momentum will continue as Japan maintains exceptional relative value within a large and deep investment market.
- Market recovery in **Australia** is gaining momentum, led by the logistics and retail sectors. Investment sentiment improved significantly in Q3 2025, with the market moving from a period of inactivity to one of renewed confidence and transaction flow. H2 2025 is expected to see a significant increase in overall investment volume compared to H1, with several large-scale transactions likely to close before the end of the year.
- Interest rate cuts in **Singapore** catalysed the market, with the cut in debt costs more aggressive than previously expected. The reduction in the cost of debt has accelerated the acquisition of assets that have been on the market for the past 12-18 months with Singaporean capital driving transaction activity. Competition is projected to heat up going into 2026 as interest rate clarity improves.

“ Investment momentum continues to build in Asia Pacific, supported by lower interest rates and strong occupier demand in key markets. Positive investor confidence should see this momentum continue for the rest of this year and into 2026. ”

Greg Hyland

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Japan

Strong occupier fundamentals drive solid investment activity

STATE OF THE MARKET

- Overall investment sentiment is positive, primarily driven by robust occupier market fundamentals, particularly in the office and residential sectors.
- Domestic capital continues to dominate, especially at the core end of the spectrum.
- Foreign investors are mostly recycling assets, particularly through value-add/opportunistic fund exits.

TRANSACTION ACTIVITY

- Investor interest in office assets is strong, driven by declining vacancy and significant rental forecast upticks. Transaction activity is concentrated in Grade B assets in central locations as Grade A stock is tightly held.
- Residential continues to attract solid interest. The focus is on Central Tokyo, with several portfolios recently changing hands.
- Retail investment is focused on high streets benefiting from strong inbound tourism and improving local consumer sentiment.
- The hotel sector continues to benefit from very strong inbound tourism and the weak Yen. J-REITs are active acquirers.
- Investment in logistics remains subdued amid rising vacancy and static rents.

EMERGING TRENDS

- The potential for regulatory changes impacting short-term rental accommodation in major cities due to local pushback could act as a tailwind for the hotel sector.
- Macro-economic factors include political uncertainty and the ongoing debate around interest rate hikes, with a 50-60% chance of a 25bps increase before year-end.

OUTLOOK

- Barring an external shock, positive momentum is set to continue as Japan maintains exceptional relative value within a large and deep investment market.
- While interest rate hikes could pose headwinds, strong occupier fundamentals and rental growth should theoretically offset potential cap rate softening.

SIX-MONTH OUTLOOK



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Market recovery gains momentum, led by logistics and retail yield compression

STATE OF THE MARKET

- Investment sentiment improved significantly in Q3 2025, with the market moving from a period of inactivity to one of renewed confidence and transaction flow.
- Overall investment volumes are up approximately 15% y-o-y, driven by the stabilisation of pricing and a clearer interest rate outlook.

TRANSACTION ACTIVITY

- The market has shifted from last year’s near standstill where activity was confined to the Sydney CBD core to a broad-based recovery with transactions now occurring in multiple cities.
- While the depth for major deals above AUD 200 million remains thin, the most active capital group is domestic syndicators who are aggressively pursuing smaller lot sizes. International capital remains cautious and highly focused on Sydney.
- The logistics sector is the most advanced in its recovery. Despite a forecasted short-term rental decline in Sydney due to the completion of new supply, investors are taking a long-term view, confident in future rental growth driven by constrained future supply and high construction costs.
- In the office sector, Sydney remains the primary target for major deals, with several large assets currently on the market.

EMERGING TRENDS

- The strong consensus for a 25bps interest rate cut by the RBA in November 2025 is fueling positive sentiment.
- Headwinds include the high cost of construction and significant labour productivity issues, which makes new developments difficult to approve. This is expected to cause a severe lack of new supply across all sectors, supporting long-term rental growth.

OUTLOOK

- H2 2025 is expected to see a significant increase in overall investment volume, with several large-scale transactions likely to close before the end of the year.
- Yields for core prime logistics and retail are projected to see slight compression. Prime office yields are expected to remain largely stable, while non-prime office yields have likely peaked as transaction activity establishes a new pricing floor.

SIX-MONTH OUTLOOK



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Interest rate cuts catalyse increase in investment activity

STATE OF THE MARKET

- Overall investment sentiment is improving, driven primarily by sharper-than-expected interest rate cuts.
- The reduction in the cost of debt has accelerated the acquisition of assets that have been on the market for the past 12-18 months.
- The dominant buyer type is Singaporean capital (e.g., private individuals, developers, and syndicators), which is comfortable with mid-cap purchases in the SGD 30 million – SGD 150 million range.
- International capital from China, Indonesia, and Malaysia remains present but mainland Chinese capital is deploying more cautiously.

TRANSACTION ACTIVITY

- Investor confidence in the office sector is returning due to tight supply and the potential for rental growth, driven by the government's holding back of CBD land sales beyond 2023.
- There is strong interest in suburban retail assets, supported by the localisation of consumer demand for non-discretionary retail.
- Industrial & logistics continues to attract interest due to its higher yields compared to other sectors.

EMERGING TRENDS

- The Singapore Overnight Rate Average (SORA) has fallen sharply, improving bank liquidity and enabling more competitive lending rates. This is directly impacting real estate values and transaction flow.
- The strength of the SGD against the USD is attracting foreign capital seeking safe investments.

OUTLOOK

- Investment volume is expected to increase in the coming quarters, with a lot more liquidity from both private and public investors. Competition is projected to heat up going into 2026 as interest rate clarity improves.
- While industrial & logistics will remain attractive due to high yields, investors may pivot to offices due to the sector's strong fundamentals and positive carry.
- For the retail and living sectors, the ongoing price gap between bid and ask will need to narrow for transaction flow to accelerate.

SIX-MONTH OUTLOOK



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