Intelligent Investment

2025 Asia Pacific Investment Strategies

REPORT

CBRE RESEARCH
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Executive Summary

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The Asia Pacific commercial real estate market is currently experiencing several favourable cyclical and structural shifts, along with the interest rate cut cycle. This offers varied angles for investors to capture opportunities.

Now is the opportune moment for investors to capitalise on both **cyclical and structural** opportunities in specific markets and sectors which are expected to see both pricing and performance rebound over the medium-term. This report identifies opportunities for buyers and sellers seeking to capitalise on changing market dynamics.

Offices in markets such as India, Australia, and Japan could offer an attractive entry point with rental growth prospects looking more positive. Core assets with proximity to amenity and public transport are increasingly sought after, with the gap in occupier preference for centralised and decentralised locations widening.

Industrial & logistics assets in locations with higher potential for manufacturing occupier demand, such as Southeast Asia and India are expected to outperform. Dry logistics in Korea will continue to capture investors interest. E-commerce continues to evolve, helping to drive demand for logistics space in fast adopting markets.

While **retail** demand has been more conservative due to global trade uncertainty, most markets are expected to see rent growth continue in 2025 and 2026. Tailwinds include population growth and rate cuts in Australia; solid tourist arrivals offsetting slower domestic consumption in Japan and Korea; and strong leasing demand from local retailers in India.

Living sector demand continues to accelerate despite the limited scale of this asset class in Asia Pacific. Investors are advised to stay focused on established markets such as Japan, where cash-on-cash yields remain attractive and vacancies remain low. Other options include developing or acquiring projects for build-to-rent or student accommodation in markets with significant supply shortfalls, such as Australia and Hong Kong SAR.

Data centres continue to grow as a primary investment option for investors in Asia Pacific. With demand for AI strengthening, supply across most markets in Asia Pacific is projected to be unable to meet demand. Opportunities for investment in tier I markets such as Japan, Australia and Korea will continue to surface as operators look to recycle assets, while development partnerships will remain an option in growing Southeast Asian markets.

Investment Strategies

Cyclical

Focus on timing entry and exit to optimise real estate performance

1. **Interest Rate Cycle**
   Most markets are in an interest rate cut cycle that will provide room for yield compression
2. **Supply Cycle**
   Escalating construction costs and interest expenses are constricting the supply pipeline in many mature markets
3. **Rental Cycle**
   Target markets expected to be in the upward rental growth cycle

Structural

Focus on assets benefitting from structural changes that will fundamentally change the landscape of the market in the medium to long term

1. **Demographics**
   The region's increasing mobile population and low affordability of housing will create longer-term demand for rental housing
2. **Experience-based Consumption**
   Spending is increasingly based on emotional satisfaction, positive experiences, or lasting memories
3. **Digital Economy**
   From online shopping to the A.I. boom, the digital economy is reshaping demand for real estate

CBRE

01

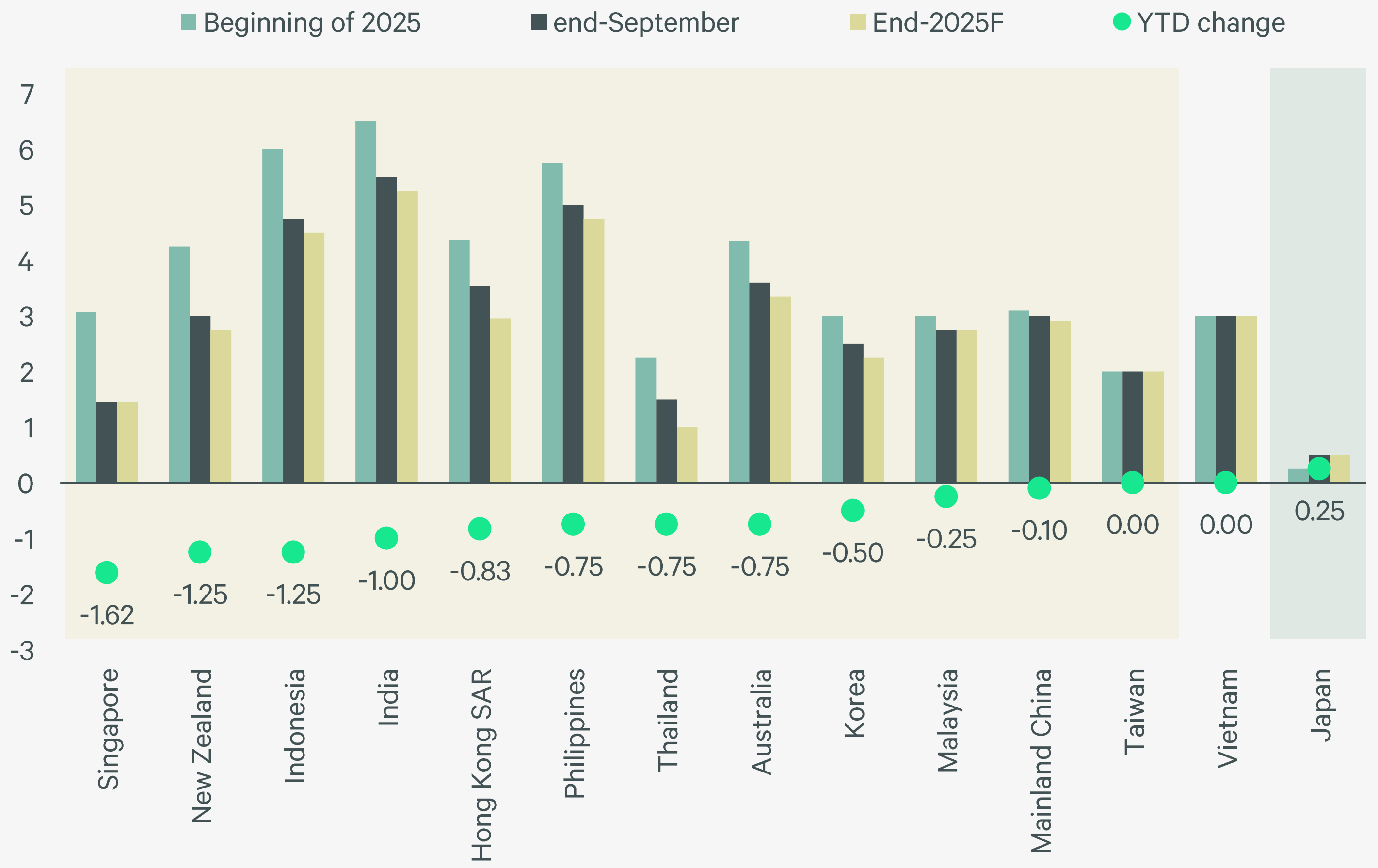
Cyclical Investment

Downward Interest Rate Cycle to last until 2027

Most markets in Asia Pacific are in the downward interest rate cycle

- Interest rates in most Asia Pacific markets trended down over H1 2025, with the pace of cuts faster than expected in some markets.
- With interest rates dropping, appetite for real estate investment has strengthened in recent quarters with positive carry returning across most markets and sectors. This is most applicable to Australia, New Zealand, Singapore and Korea, which are all now largely operating in positive carry territory.
- The more favourable interest rate environment has also provided opportunities for investors to re-finance, particularly those who were facing pressures over Interest Coverage Ratios (ICRs) as interest expenses on recent loans were elevated.
- While interest rates have dropped, developers in some markets are still facing difficulties in securing development financing from traditional lenders. Opportunities for private credit are therefore still available, with US$22 billion of commercial real estate debt funds having being raised between 2024 and 2025, according to PERE.
- As refinancing becomes more viable as interest rates come down, the window of investment may also shrink as asset owners become more willing to weigh up refinance versus selling.

Figure 2: Key Interest Rate Changes (%) - Forecast

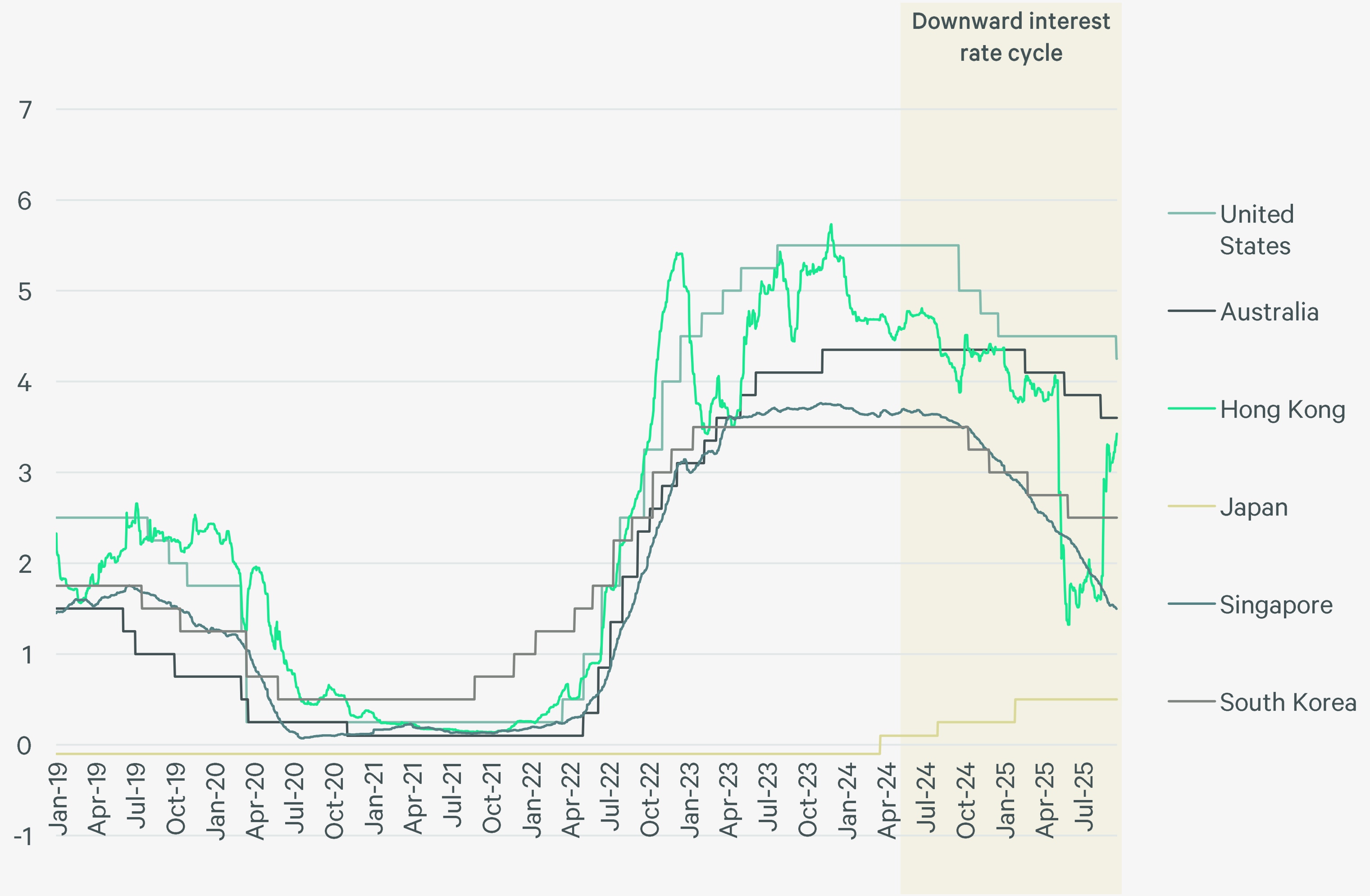


Source: Oxford Economics, Macrobond, CBRE Research, September 2025.

The downward interest rate cycle is set to last until 2027

- Although the pace of U.S. interest rate cuts was slow in H1 2025 as tariffs exerted a strong impact on inflation, the market is gaining confidence that there will be a steady decline in interest rates following the Fed's decision to restart cuts in September 2025.
- The Fed has also indicated a path for further rate cuts until 2027 or 2028, with a long-term rate target of 3%, This indicates another 100-125bps of cuts from the current level.
- Most Asia Pacific markets are following the same rate cut movement. Policy rates in India have fallen 100bps so far this year and have dropped 50bps apiece in Australia and Korea. Singapore and Hong Kong SAR have seen more aggressive cuts.
- The exception in Asia Pacific is Japan. Following a rate hike of 25bps in February 2025, expectations are that there will be one more rate hike by the end of 2025/beginning of 2026 of 25bps as inflation remains elevated.
- The downward interest rate cycle will support appetite for real estate investment.

Figure 1: Key Interest Rate Changes (%) - Historical

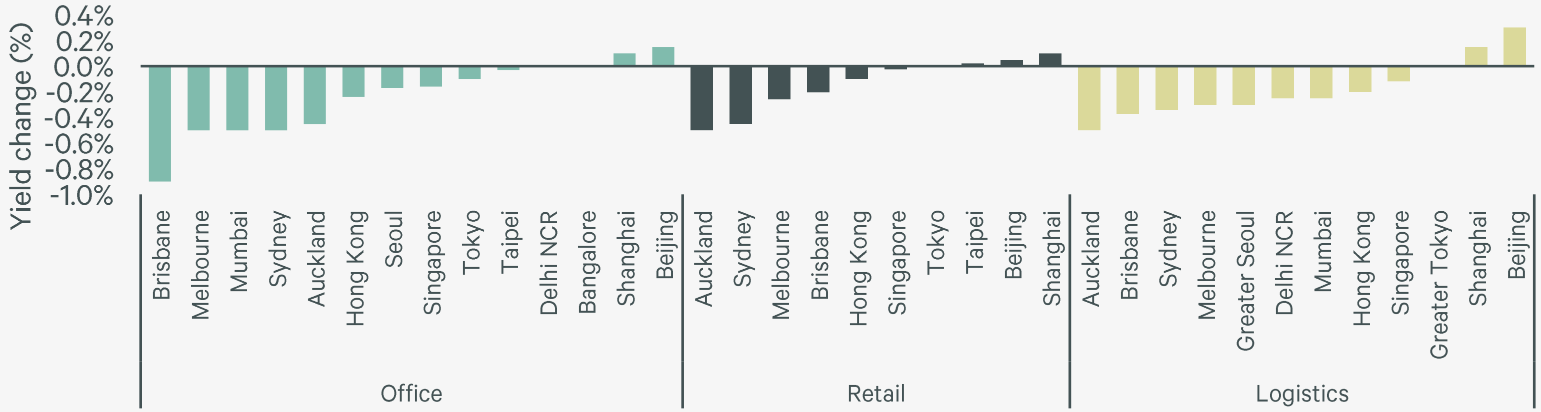


Source: Macrobond, CBRE Research, September 2025.

Yield compression will follow interest rate cuts

- As the interest rate cut cycle continues in Asia Pacific, commercial real estate yields in most markets are expected to follow suit.
- Markets with higher expectations of yield compression include Australia, Korea and Hong Kong SAR, all of which have seen a degree of yield decompression over the past 18-24 months. Singapore is also expected to see modest yield compression over the next 12-18 months owing to favourable lending conditions and a competitive buyer pool.
- With commercial real estate yields already tight, any further yield compression in Japan will be limited. While strong occupier demand and fundamentals in the Tokyo office sector may result in slight yield compression between now and 2027, investors are factoring in the possibility of some mild yield expansion, which is most likely in the Greater Tokyo logistics market.
- Mainland China continues to experience yield expansion following a period of weak occupier demand and geopolitical uncertainty. This market currently has the highest yield spreads versus the lending rate, which has resulted in attractive price entry points. However, investors are advised to wait for fundamentals to improve before making any significant investment decisions.

Figure 3: Yield change forecast – H1 2025 to 2027F



Source: CBRE Research, H1 2025.

Figure 4: Yield (%) as of H1 2025

Source: CBRE Research, H1 2025.

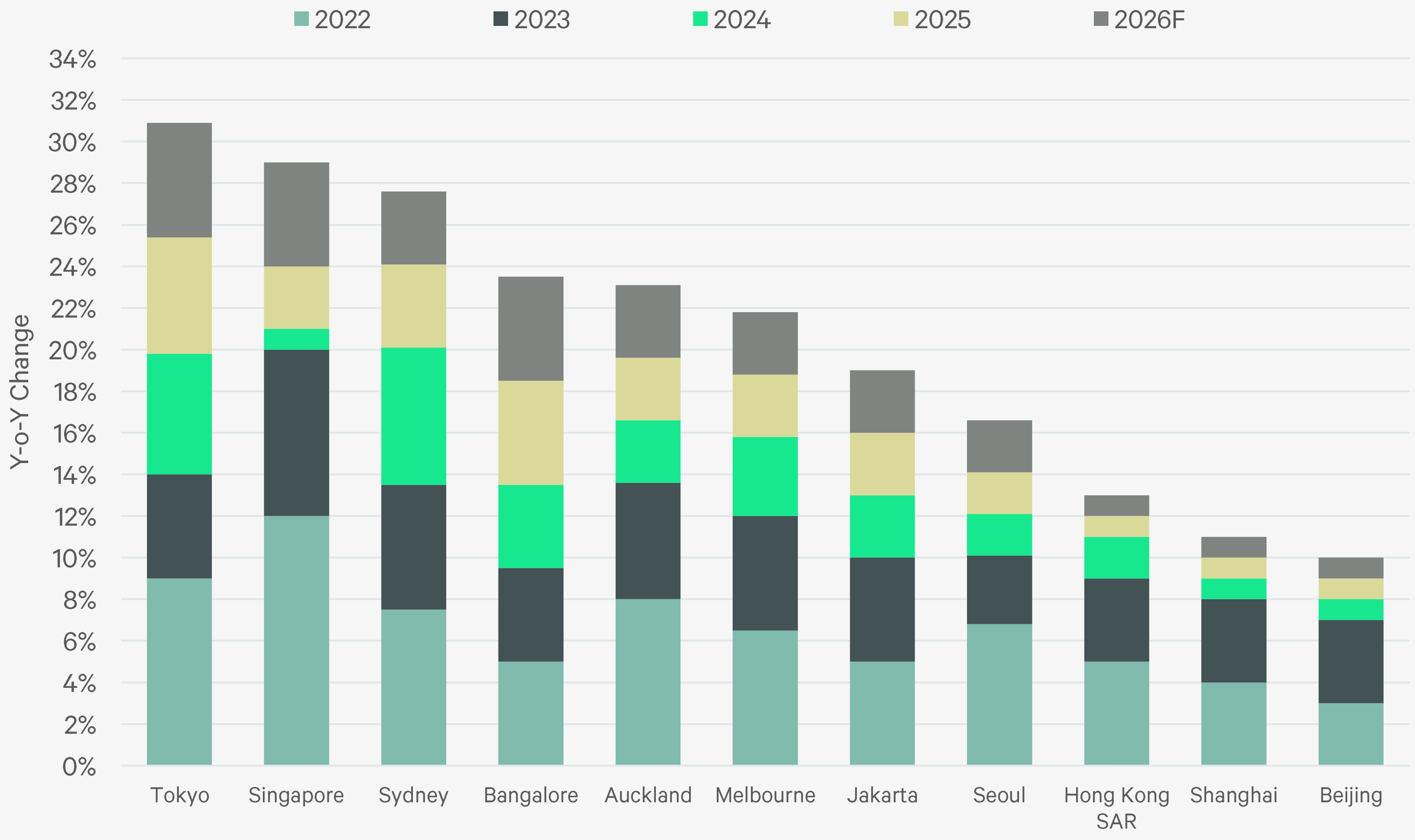
01 Cyclical Investment

Supply cycle to tighten amid high construction costs

Escalating costs make it challenging to justify investment in new projects

- Supply chain disruption pushed up construction costs rapidly during the pandemic. Although the rate of construction cost growth has started to slow regionally, the cost to build new assets is much more expensive than five years ago and is still inflating in some markets.
- The cost appreciation of building materials, the limited supply of construction workers as well as the increases in development financing costs and availability of development finance are contributing to higher construction costs.
- Cost escalation is sharpest in Japan, which has also started to witness delays in completions due to a persistent labour shortage. In Australia, real estate developers and investors are more cautious in committing to new development projects which may not deliver positive IRR.
- Mainland China remains the lone exception, with low construction costs and plentiful labour.

Figure 5: Change in Construction Costs for Commercial Real Estate (%, y-o-y)

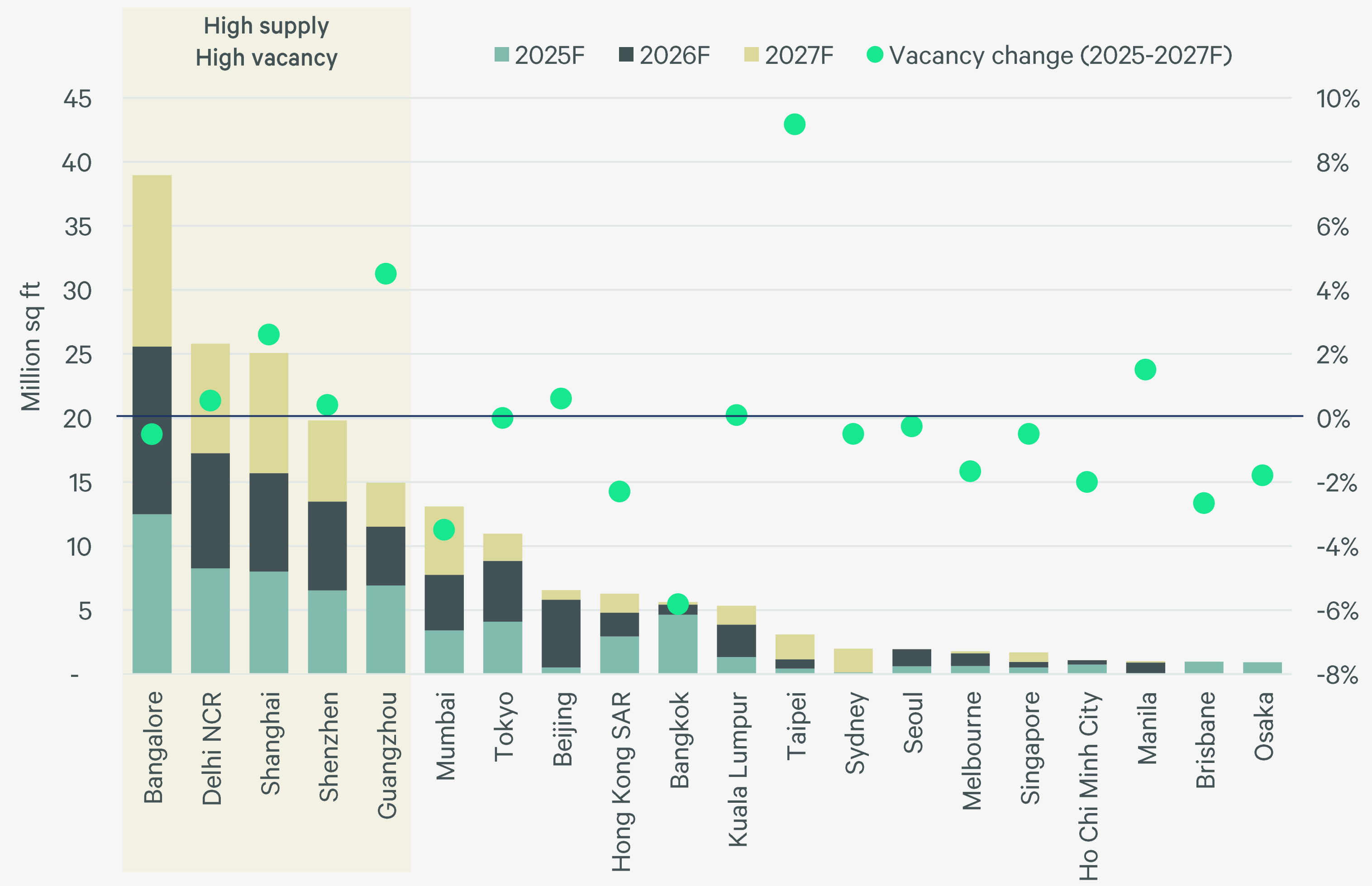


Source: International Construction Market Survey 2024, Turner & Townsend, June 2025.

New office supply in mature markets will be limited

- New office stock remains concentrated in mainland China and India, with other markets witnessing only limited additions. Mainland China welcomed 8.5 million sq. ft. of new stock in H1 2025, led by Shenzhen and followed by Guangzhou, Shanghai, and Beijing. In India, Delhi and Bangalore continue to see a steady flow of new supply. The latter leads Asia Pacific, with over 34 million sq. ft. of new office stock due in 2025 and 2026.
- Outside of these two markets, Hong Kong SAR, Bangkok and Seoul are expected to see supply ramp up in 2025 and 2026. Seoul in particular is beginning to see some concern about significant office supply due in the CBD near the end of the decade. Hong Kong CBD vacancy is declining, bringing hope that rents may soon stabilise.
- With office economic rents in Australia having grown substantially over the past few years following significant increases in construction costs, supply in most markets has peaked, with Sydney and Perth in particular set to see virtually no new supply added in 2025 and 2026.

Figure 6: Asia Pacific Major Markets Office Completions

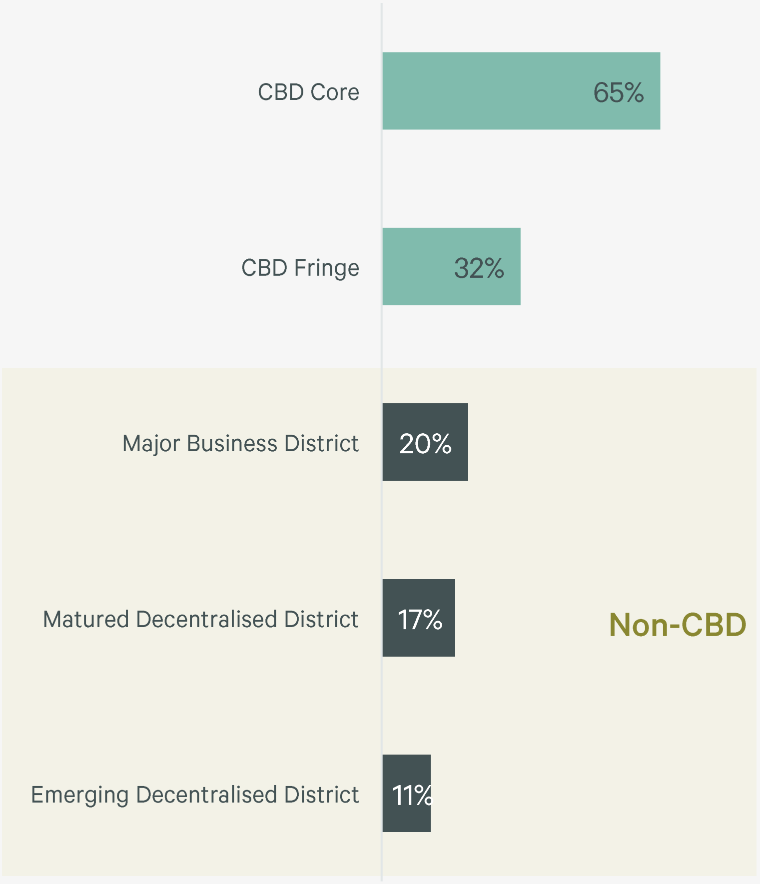


Source: CBRE Research, July 2025.

Mismatch between occupiers' CBD preference and non-CBD availability

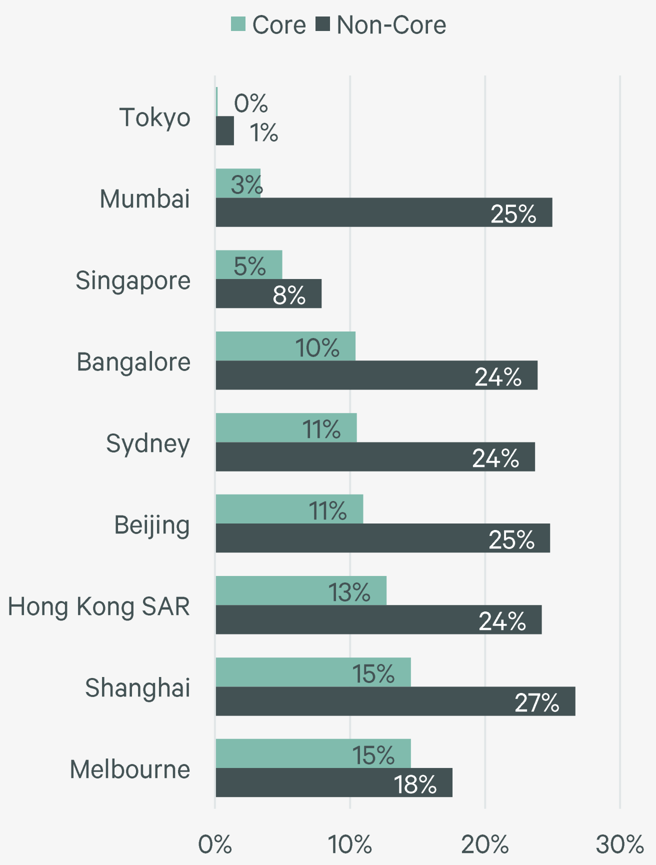
- CBDs remain a clear favourite among office occupiers owing to their generally better infrastructure and connectivity to public transportation, which can help increase employee experience and boost office attendance. Occupiers with relocation plans say the CBD core is their top choice, with 65% of respondents to CBRE's 2025 Asia Pacific Office Occupier Survey planning to move to such areas.
- The sustained flight-to-core trend witnessed over the past few years has led to bifurcated leasing performance and availability in core and non-core areas.
- Asia Pacific office occupancy data (Figure 8) illustrates this phenomenon, with CBD vacancy significantly lower than that in non-core areas.
- Even for supply-abundant markets such as mainland China and India, core location vacancy is much lower, with limited new supply available for tenants. As a result, CBRE believes core office assets will outperform.

Figure 7: What office location type(s) do you plan to move to?



Note: N=247. Multiple options are allowed.
Source: CBRE Research, May 2025.

Figure 8: Vacancy Rate Gap in Major Cities' Core and Non-core Submarkets

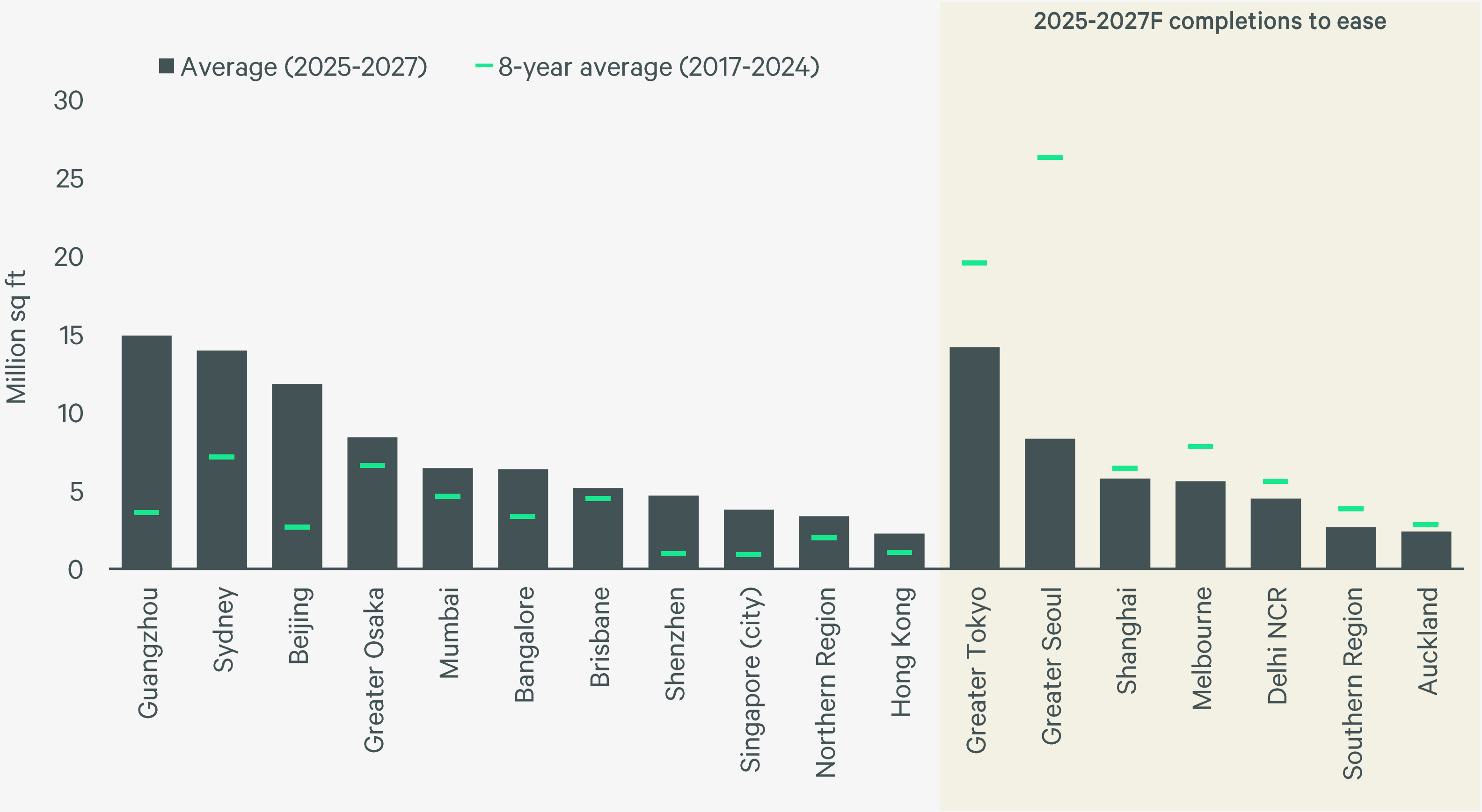


Source: CBRE Research, Q2 2025.

Logistics supply surges in large markets but remains limited in developing cities

- In contrast to the office sector, a belief in the structural shift towards modern logistics to support e-commerce and rising consumption has lured substantial investment into new logistics construction in Asia Pacific in recent years. This has led to a surge in new logistics supply in mainland China, Japan, Korea and Japan.
- After a period of substantial new supply, Greater Tokyo and Greater Seoul are expected to see a significant reduction in developments through the rest of this year and 2026. While vacancy in Greater Tokyo is expected to remain elevated, that in Greater Seoul is falling, particularly for dry logistics as supply stabilises.
- Australia's logistics pipeline is expected to remain inflated over the next 18 months, with Sydney the main contributor. However, this market is still experiencing low vacancy and the possibility of delays to and cancellations of pipeline projects.
- India and Southeast Asia are still in an early stage of modern logistics real estate development. Although supply in these markets is trending up, CBRE believes there is still room for growth moving forward.

Figure 9: Asia Pacific Major Markets Logistics Completions - Two-Year Comparison 2025-26F vs 2023-24

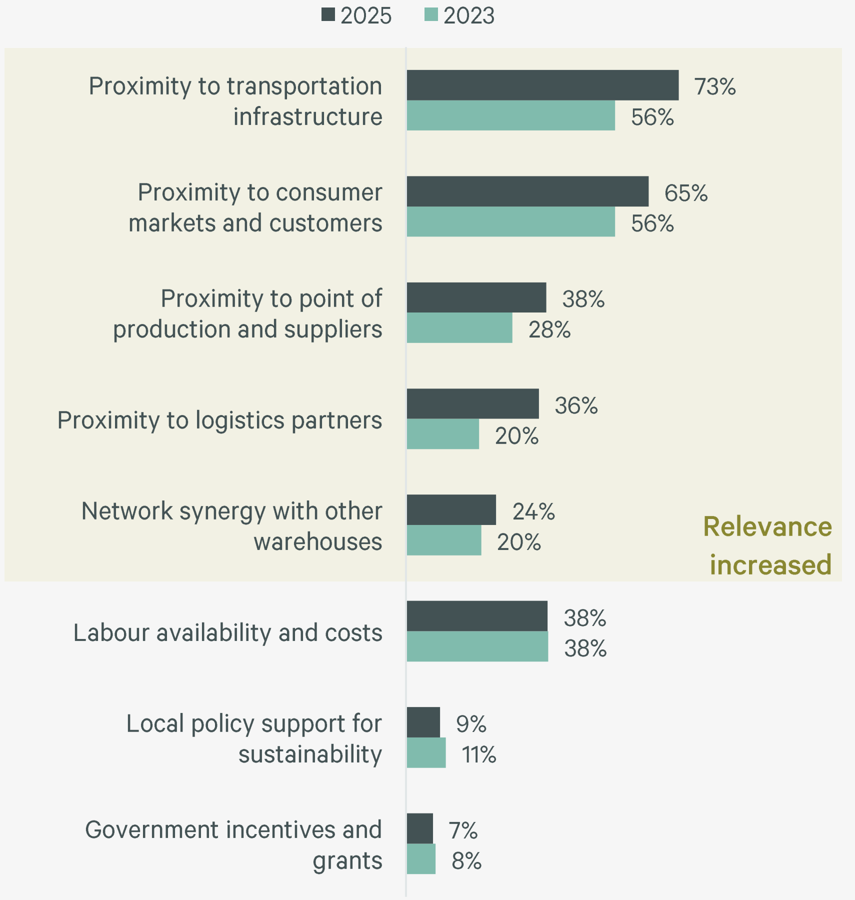


Note: Vietnam's Southern Region includes Ho Chi Minh City, Binh Duong, Dong Nai and Long An, while the Northern region includes Hanoi, Bac Ninh, Hung Yen, Hai Duong and Hai Phong.
*2023-24 aggregate completions in Greater Tokyo (53.5M sq. ft.) and Greater Seoul (98.8M sq. ft.) both not included in the graph due to scaling measures.
Source: CBRE Research, July 2025.

Asset connectivity and proximity remain crucial considerations for logistics occupiers

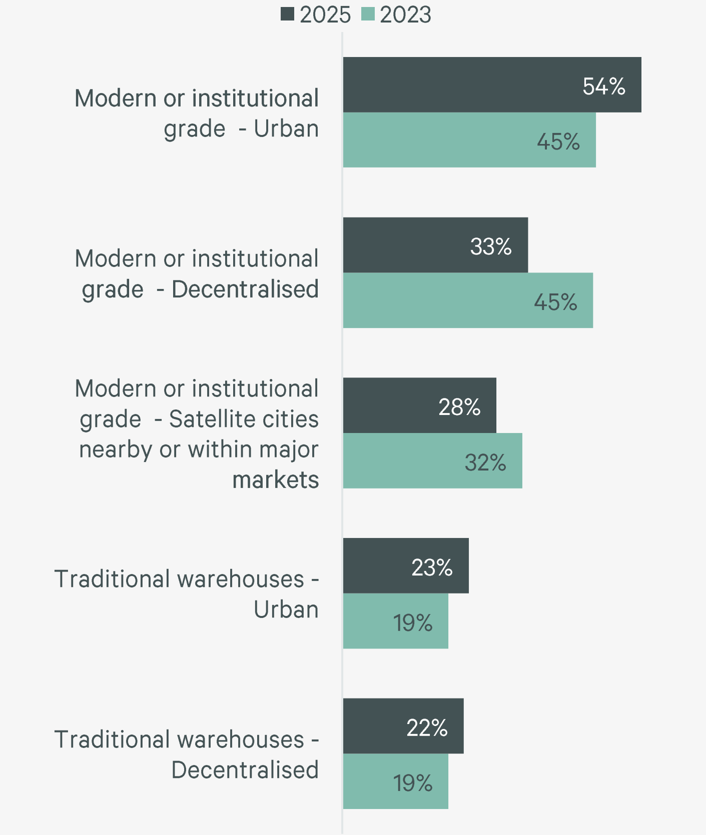
- CBRE's 2025 Asia Pacific Logistics Occupier Survey revealed occupiers' interest in logistics facilities close to transportation infrastructure, customers and the supply chain continues to strengthen. While demand for modern and institutional grade logistics facilities in urban areas is also picking up, occupiers' interest in such properties in decentralised locations or other satellite cities is moderating.
- CBRE expects logistics occupiers' ongoing struggle to balance cost control with investment in strategic locations to result in a more selective approach towards real estate planning. Occupiers will consolidate more resources to establish bigger and more efficient logistics hubs in urban areas of major markets, while right-sizing their real estate footprint in less strategic locations.
- Investors are recommended to follow suit and focus on acquiring assets in infill areas. They can also explore development opportunities adjacent to new infrastructure such as expressways and airports, especially in emerging markets such as India and Southeast Asia.

Figure 10: Top Three Locational Factors Influencing Asset Selection



Source: 2025 Asia Pacific Logistics Occupier Survey, CBRE Research, June 2025.

Figure 11: Logistics Facility Type Occupiers Expect to Use More of in the Next Two Years

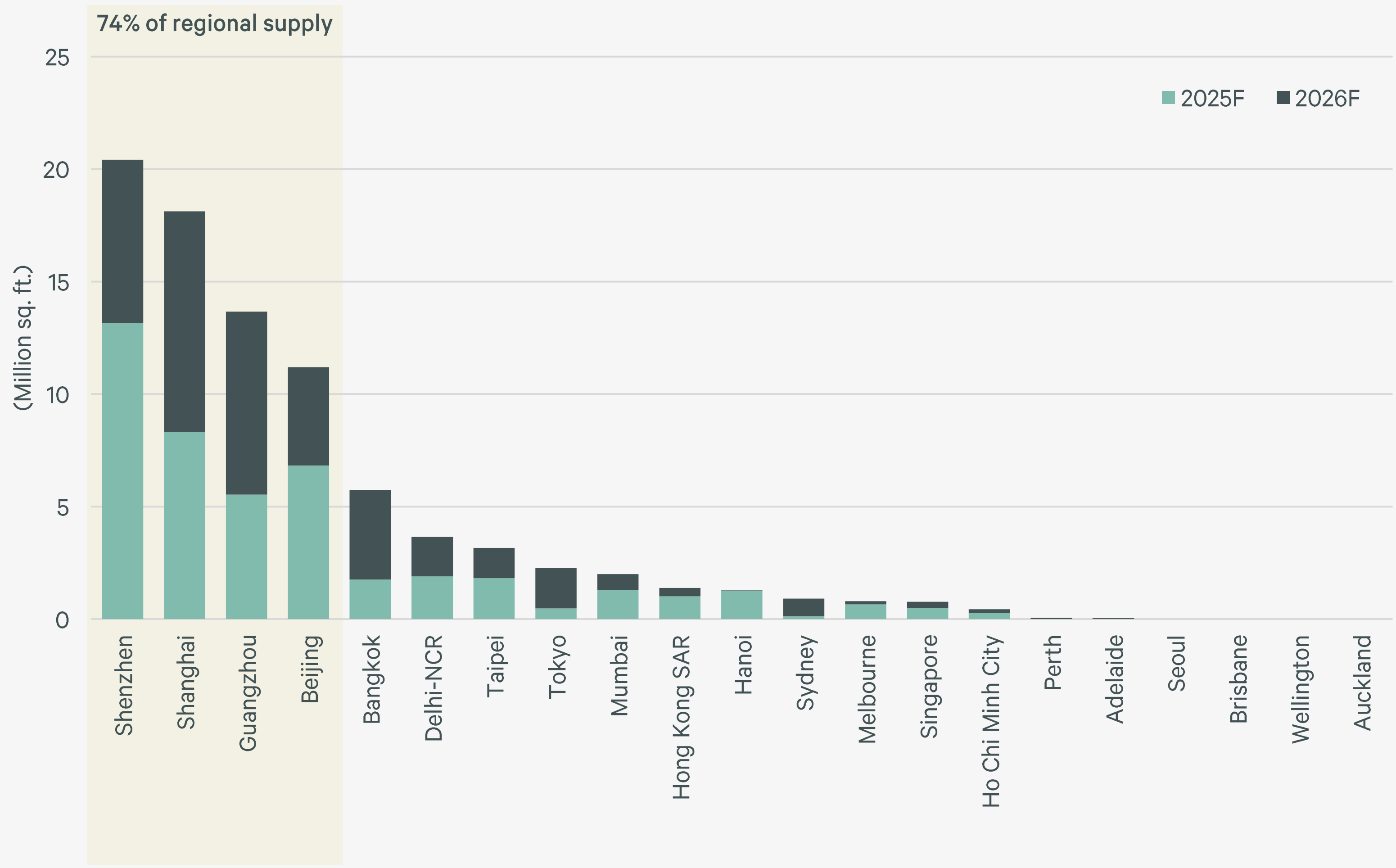


Note: Multiple selections allowed.
Source: 2025 Asia Pacific Logistics Occupier Survey, CBRE Research, June 2025.

Retail development in Asia Pacific is fairly limited outside mainland China

- New shopping centre development in Asia Pacific is limited outside mainland China. Developers have been careful in planning new malls in the wake of the disruption caused by online shopping as well as lack of suitable sites in key retail districts. As a result, the supply outlook for retail assets largely favours landlords.
- Mainland China has the largest shopping centre supply pipeline in Asia Pacific for 2025-2026, amounting to 63 million sq. ft. in tier I cities. This is driving intense competition for tenants and leading landlords to prioritise occupancy over rents.
- Outside mainland China, Bangkok and cities in India are witnessing a steady flow of new mall completions. The latter still has a limited volume of retail stock relative to its large population.
- In Tokyo, new projects are largely development schemes in core locations (mainly near Shinjuku station), which should be able to attract tenants amid extremely low vacancy in most shopping districts.
- New supply in Australia mainly comprises neighbourhood developments, with regional and sub-regional centres facing limited competition.

Figure 12: Asia Pacific Major Markets Shopping Centre Completions - 2025-26F



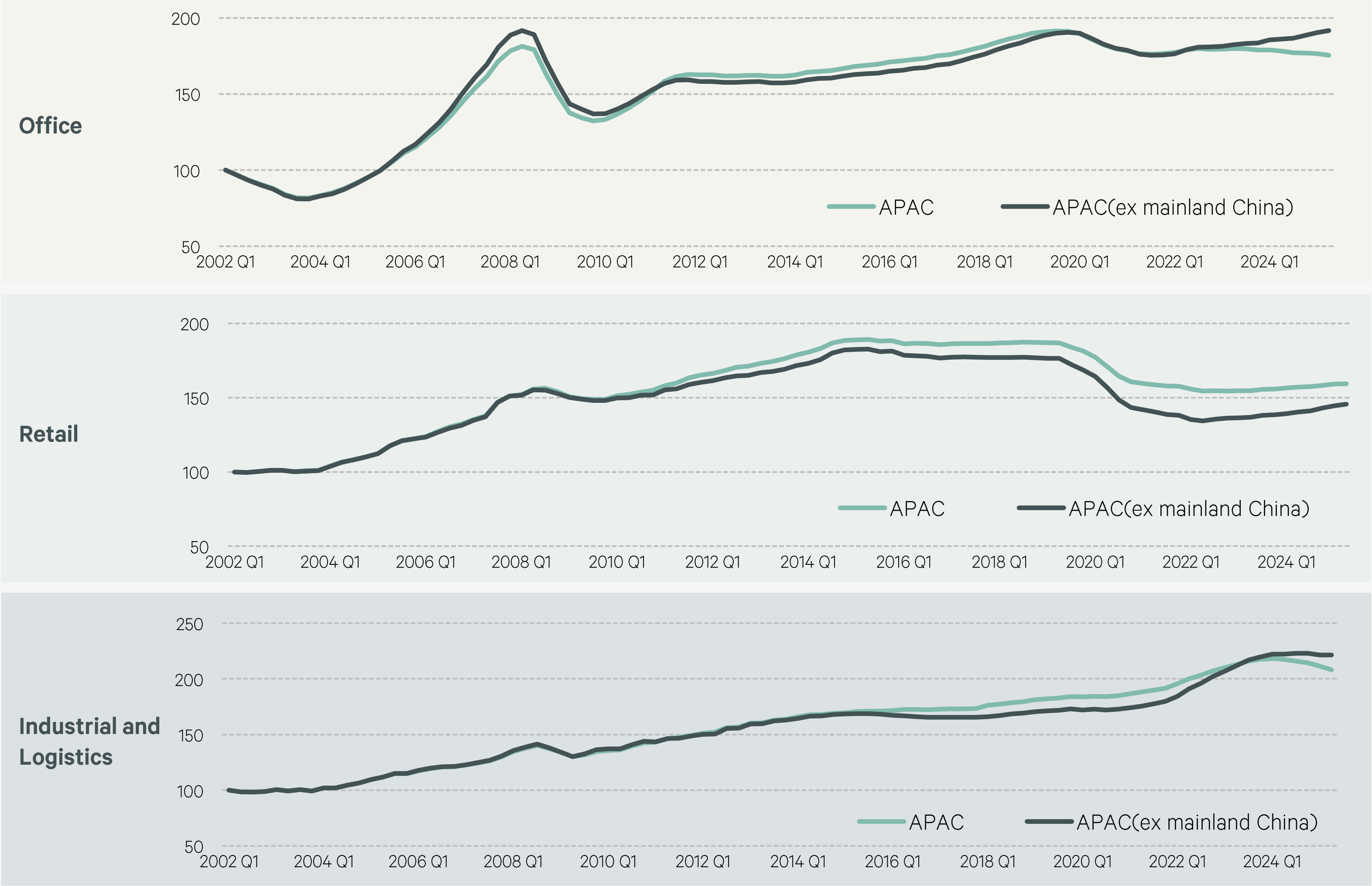
Source: CBRE Research, July 2025.

Most markets enjoy resilient rental growth

Most Asia Pacific markets are in the upward rental cycle

- Most Asia Pacific commercial real estate markets outside mainland China returned to the upward rental cycle in 2022.
- While the office sector experienced a brief period of adjustment during the pandemic, rental growth has already resumed in many markets. Disruption from remote working is limited as there is a strong cultural preference to work at the office in many Asia Pacific markets.
- The retail sector experienced a deeper and longer adjustment during and after the pandemic. Although most markets' prime retail rents have already bottomed out, the pace of rental appreciation is slow. Due to retailers' strong preference for opening stores in the best locations, core locations are generally showing stronger rental performance.
- The industrial & logistics sector has not experienced a downturn for the past decade, with the pandemic further boosting demand for modern logistics facilities. However, recent quarters have seen rental declines in Greater China and the plateauing of rental growth elsewhere. While there is still room for rental and price appreciation, investors are advised to refine strategies and consider profit taking where appropriate.

Figure 13: Asia Pacific Rental Indices

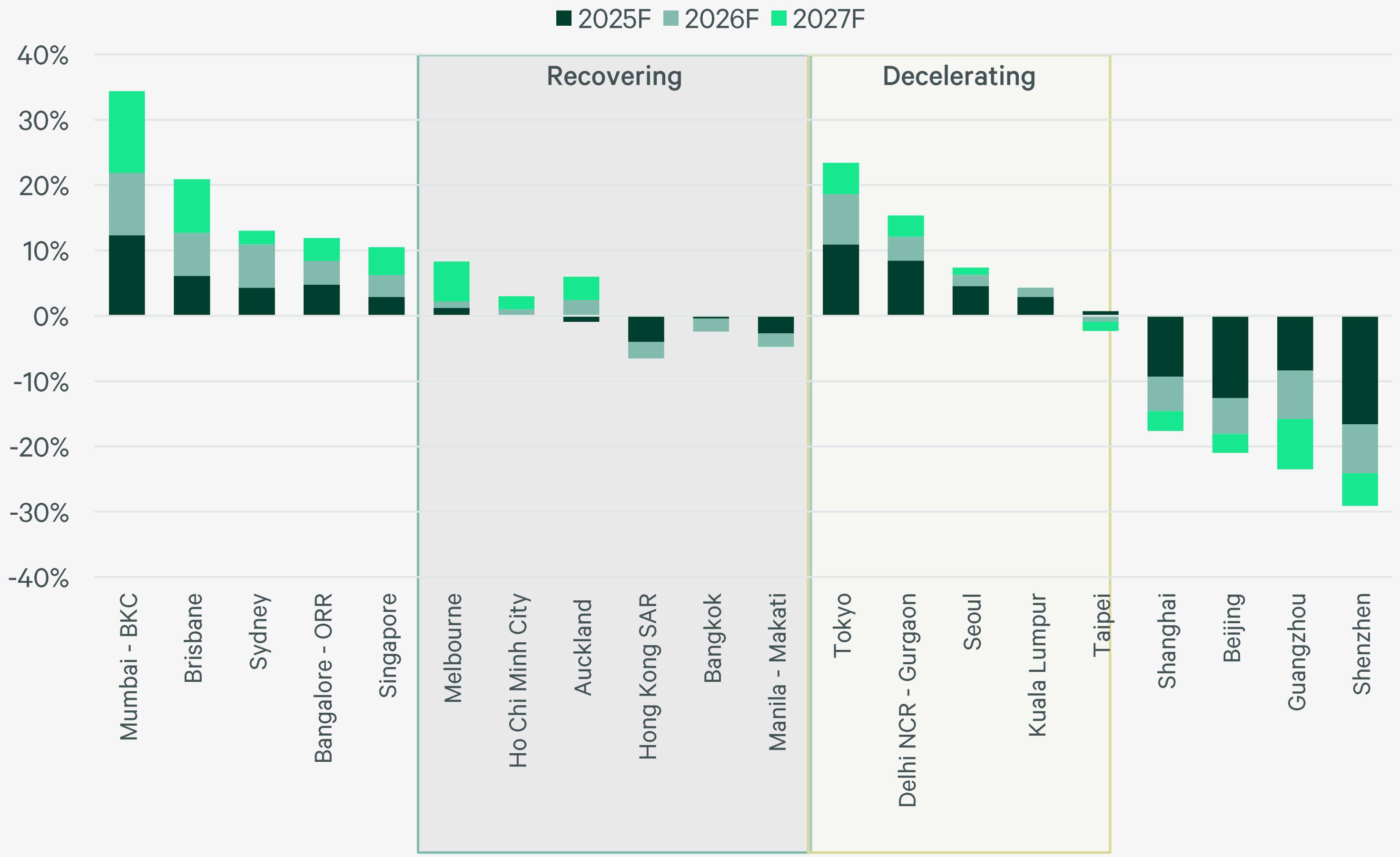


Source: CBRE Research, July 2025.

Office rents are expected to see steady growth across most markets

- Office investment has been highly concentrated in Japan, Korea and Australia over the past two years, with these markets collectively accounting for over half of investment volume in the sector from 2023 to H1 2025. Rents in these three markets are expected to stay on an upward track.
- Seoul has accumulated significant appreciation in rents, with the rate of growth expected to moderate. and is expected to see growth decelerate. This market's rental growth cycle could be disrupted by the large supply brought by the Euljiro redevelopment project at the CBD scheduled to be completed around 2029.
- Tokyo is beginning to see rental growth as vacancies for core stock are expected to remain at low levels for the next few years.
- In the Pacific, rents in Melbourne and Auckland are expected to bounce back following weaker growth in 2025 and 2026. with the supply cycle having peaked and vacancy forecasted to fall.
- Hong Kong SAR's office market has been in the downward rental cycle since 2019 and is approaching the bottom. CBRE expects the core CBD to stabilise first followed by a recovery in the wider market in 2027.
- Thanks to outsourcing demand, Indian cities have been registering rental growth despite high supply volume. While rents are still expected to grow, uncertainty about U.S. offshoring policy could alter the picture.

Figure 14: 2025F – 2027F Asia Pacific Grade A Office Net Effective Rental Growth Forecast



Note: Grade A rents represent rents in CBDs and core locations of each representative market.
Source: CBRE Research, July 2025.

Markets with manufacturing capacity are supporting rental growth; Pacific set to rebound

- Korea remains CBRE's top pick for logistics investment opportunities, particularly for dry logistics. With the Greater Seoul market forecasted to see consistent rental growth between 2025 and 2027, an improving supply outlook and rising occupancy should help fundamentals stay positive.
- While the outlook for Greater Tokyo logistics rents is weak in pockets of the market, supply is set to decline in 2027, which will bring a potential rebound and opportunity for rental growth given robust/persistent demand.
- Australia continues to witness rental growth despite difficulties in creating new stock, particularly in infill areas. Investors who transacted before the significant rental growth period between 2022 and 2024 should consider recycling assets to capture growth in asset values.
- While there are limited opportunities for logistics investment, India is set to be the next big and enduring growth market in Asia Pacific. Investors should consider development plays in markets such as Mumbai and Delhi.
- Logistics rents in mainland China will continue to decline, even in southern markets which used to outperform. Investors should consider debt investments or monitor distressed opportunities.
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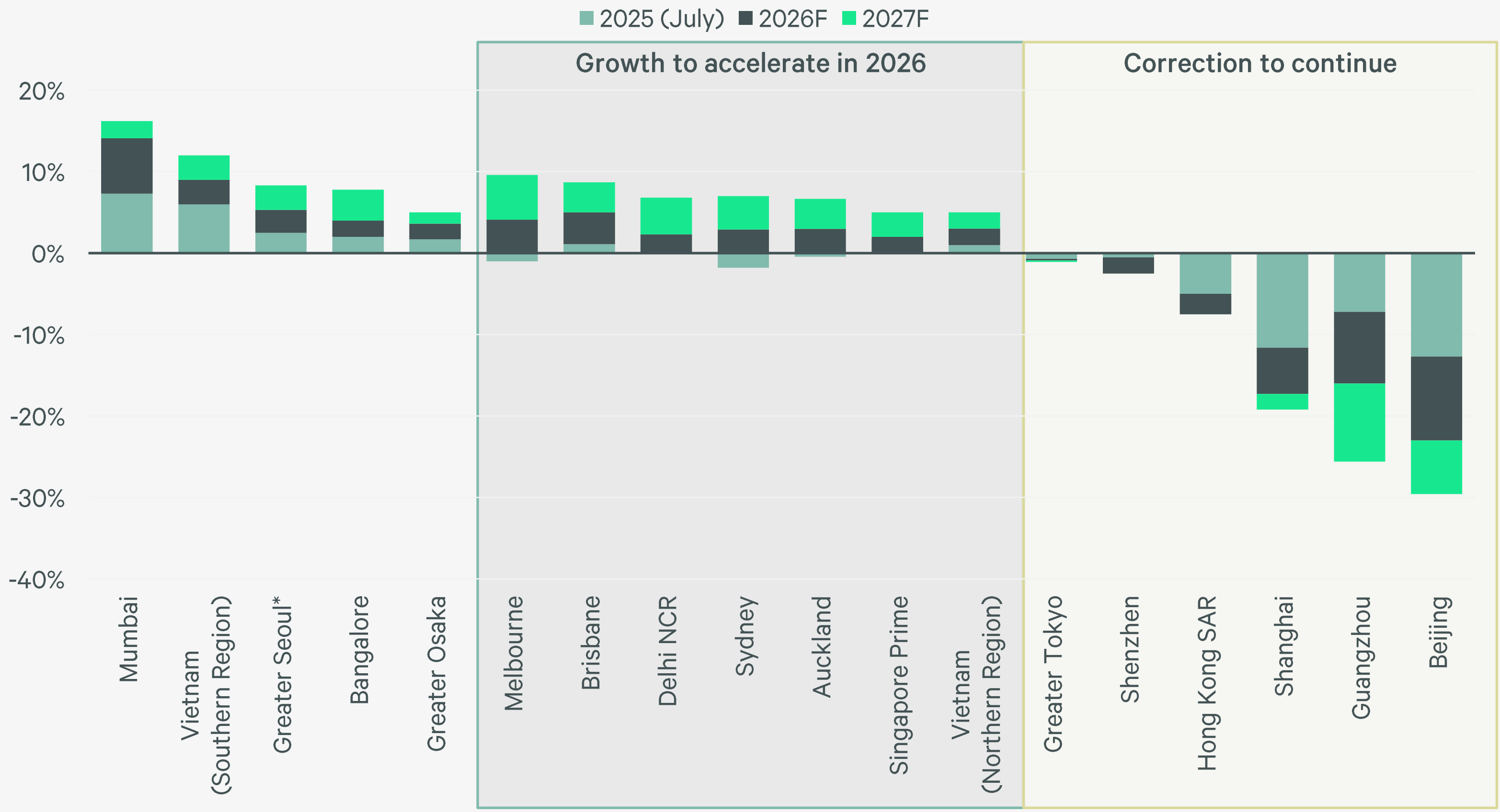
Figure 15: 2025F – 2027F Asia Pacific Logistics Rental Forecast

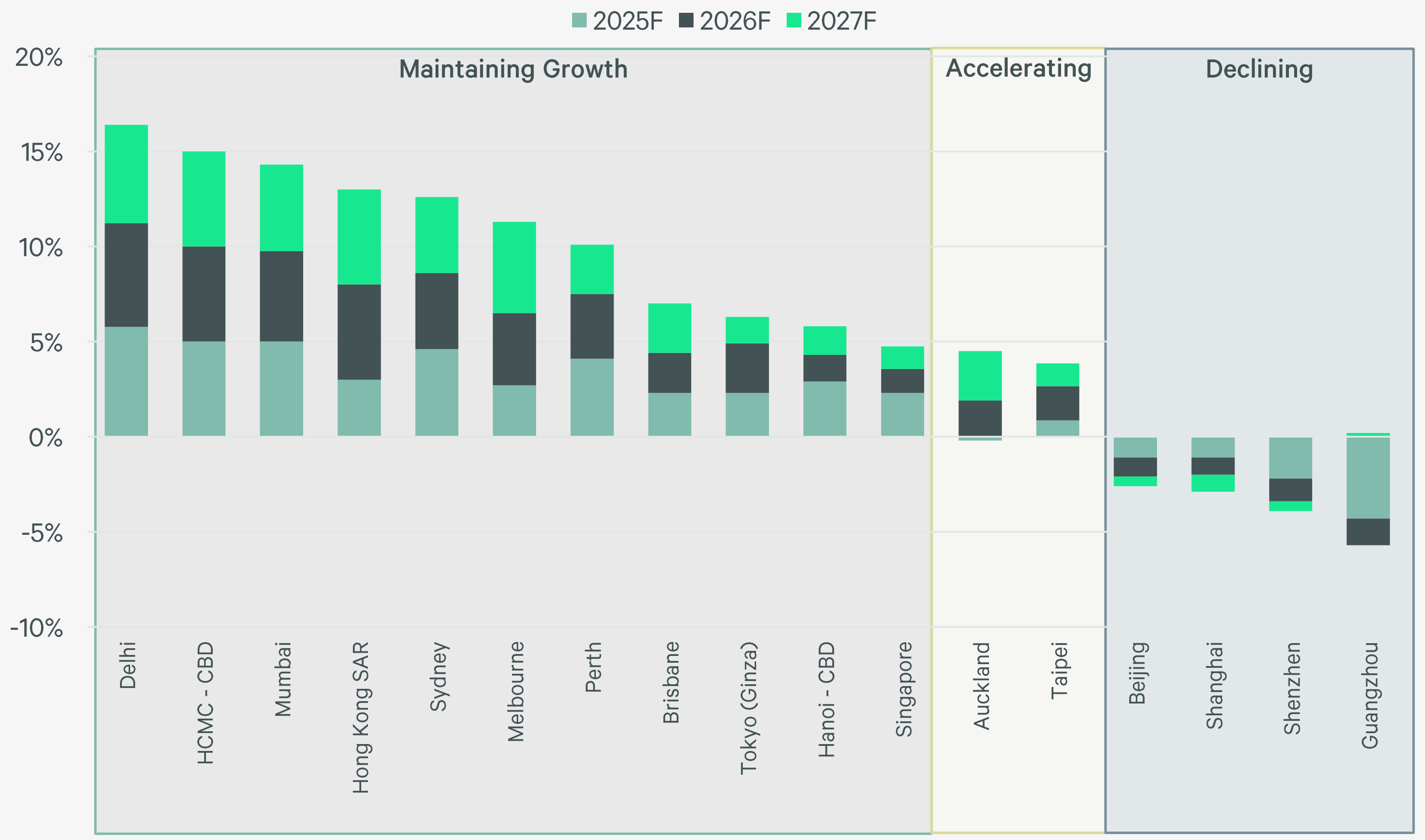


Remarks: Vietnam's Southern Region includes Ho Chi Minh City, Binh Duong, Dong Nai and Long An, while the Northern region includes Hanoi, Bac Ninh, Hung Yen, Hai Duong and Hai Phong. Rental growth for Singapore refers to prime logistics rents in the eastern and western areas only. Rental growth for Indian cities refers to specific precincts only. Logistics rental growth for Asian markets refers to face rents while that for Pacific markets refers to effective rents. *Greater Seoul forecast excludes cold storage, and overall forecast is aligned with dry storage as well.
Source: CBRE Research, July 2025.

Most markets to maintain retail rental growth over the next few years

- Retail investment activity has ramped up over 2024 and 2025 following a period of rental underperformance, with investment volumes reaching a record high US$23.3 billion in 2024 and totalling US$17.2 billion in H1 2025, led by mainland China, Australia, Japan and Singapore.
- While opportunities are limited, investors in Tokyo and other tourist-centric cities in Japan prefer prime shopping areas that benefit from tourism demand. Competition and yields for these types of assets is tight.
- After a period of preference for neighbourhood centres, investors in Australia have shifted their focus to sub-regional and regional centres, with institutional investors providing a boost of liquidity to the market.
- In India and Vietnam, growth is being backed by the early stage development of large format retail.
- While prime rents across most markets are expected to grow, performance of secondary locations is mixed. Within Asia Pacific, only Tokyo secondary locations have higher rental growth potential than prime areas.

Figure 16: 2025F – 2027F Asia Pacific Grade A Net Effective Rental Growth Forecast



Source: CBRE Research, July 2025.

02

Structural Investment

Demographics – Increasing mobile population and low affordability of housing

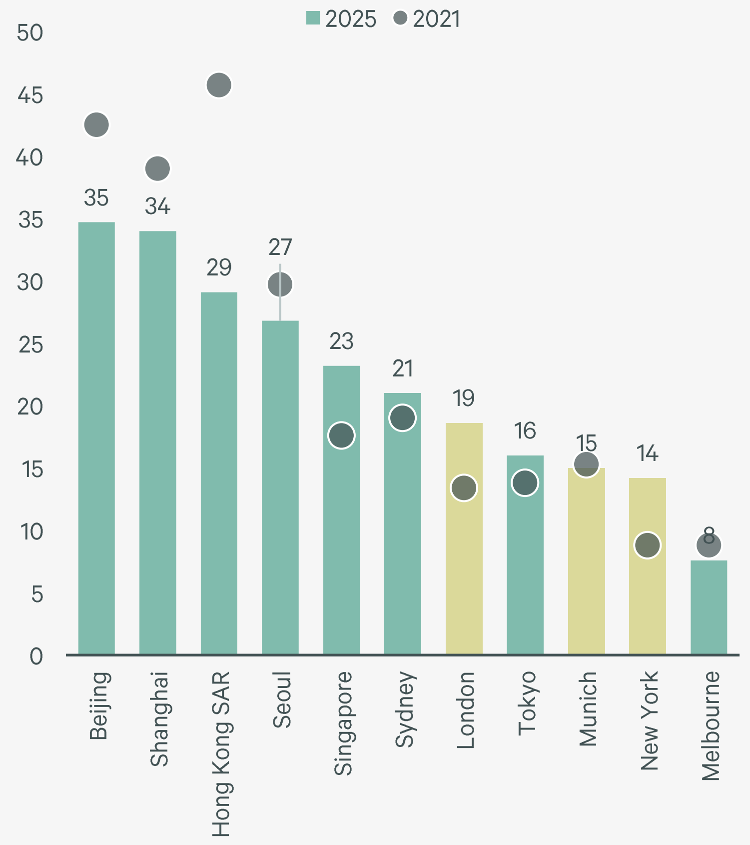
Population mobility continues to trend upward

- The mobile population is a key demand driver for rental housing in many major Asia Pacific markets.
- Except for during the peak pandemic years of 2020 and 2021, the size of Asia Pacific's mobile population has generally trended upwards, with this demographic cohort forming a key pillar of economic growth in these countries. The increase in this population group has helped spur demand for rental accommodation across the region.
- Although Japan's population is ageing, the country's strong preference for renting and still-growing migration to large cities are driving demand for rental housing.
- Housing affordability across most Asia Pacific markets remains under pressure as the supply demand imbalance widens. Incomes have not kept up with housing cost increases, even for younger individuals, who historically have higher wage growth on average.
- The higher interest rate environment relative to the last decade, which while declining is expected to remain elevated in comparison, will continue to impact housing affordability and therefore boost the need for more residential build-to-rent developments. However, feasibility concerns linger over development decisions in some markets, particularly Australia where construction and labour costs, as well as government policy continue to weigh on new developments.

Figure 17: Types of Mobile Population by Market

Market	Types of mobile population
Australia	Immigration from Asian International students studying in Australia
Japan	Migration to Greater Tokyo from other parts of the country Greater openness to foreign workers
Korea	Migration to Greater Seoul from other parts of the country Foreign workers / trainees from North Asia
Singapore	Expats and foreign workers
Hong Kong	Expats in Asia Pacific /Greater China hub offices New policy to open education to international students
Mainland China	Migration to tier I cities from other parts of the country

Figure 18: Ratio of Median Apartment Prices to Median Family Disposable Income



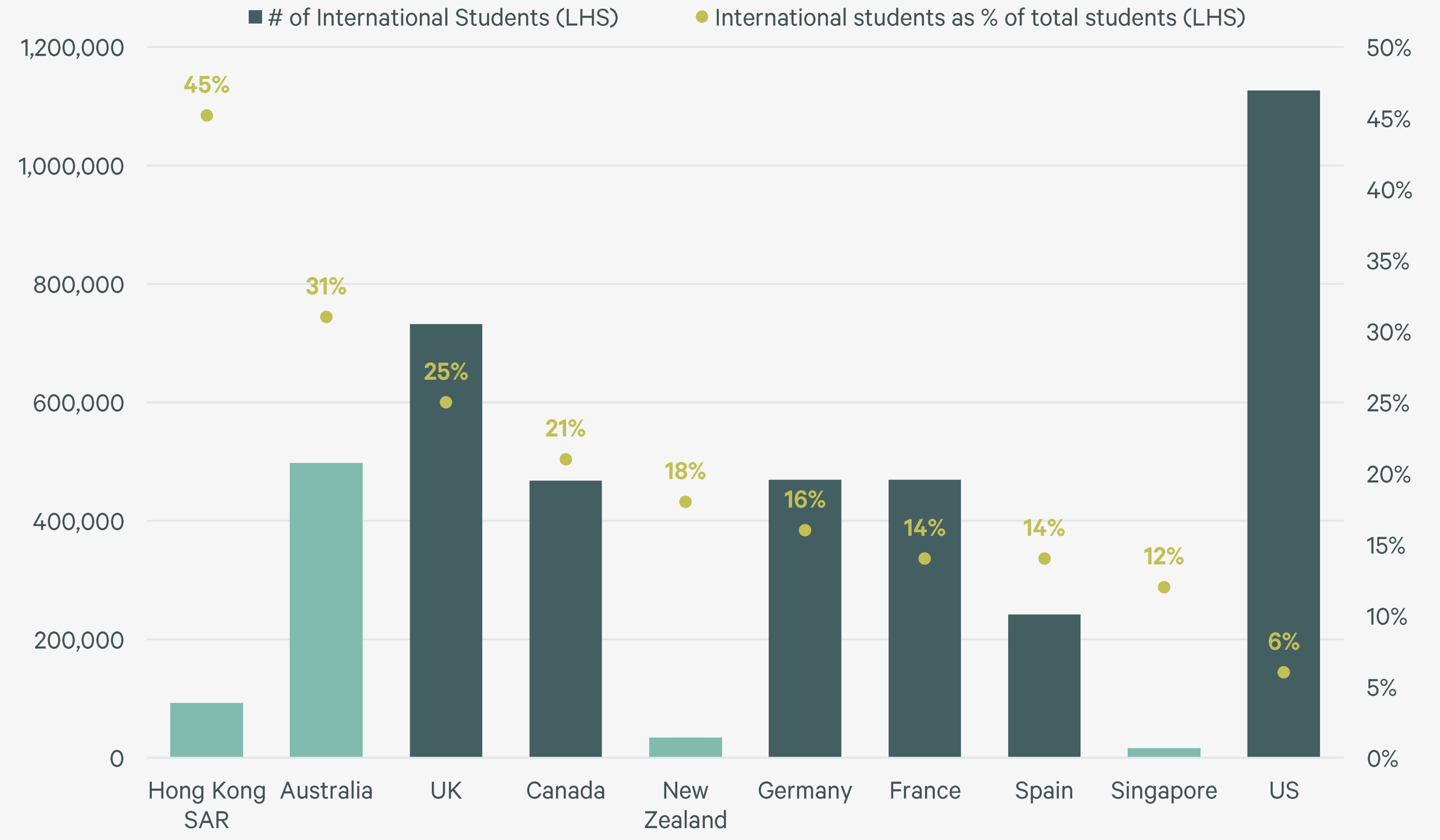
Source: Macrobond, Numbeo, data as of March 2025.

Niche housing segments are growing

- Compared to the multifamily sector in the U.S., the rental housing market in Asia Pacific is still under-developed, with a lack of experienced operators for en-bloc rental apartments. Across the region, only Japan has an immediately scalable multifamily sector for investors looking to gain exposure.
- However, there are emerging niche housing segments that presents opportunities for investors. In regional business hubs such as Singapore and Hong Kong SAR, for example, there is consistent demand for serviced apartments for expats.
- Senior living should be considered in order to cater to the region's ageing population. Markets with opportunities include Australia, which has a relatively mature senior living market with a well-established model of retirement villages, and Japan, where a quarter of the country's population is over 65 .
- Student accommodation is needed to cater to the influx of international students, with Australia and Hong Kong SAR offering the choicest prospects. For example, the penetration rate of hostel beds (# of beds / total number of students) provided by universities in Australia is only 6%, far lower than the 29% in the U.S.[1]

[1]CBRE Pacific Student Accommodation Report 2025

Figure 19: Number of International Students vs. Total Students



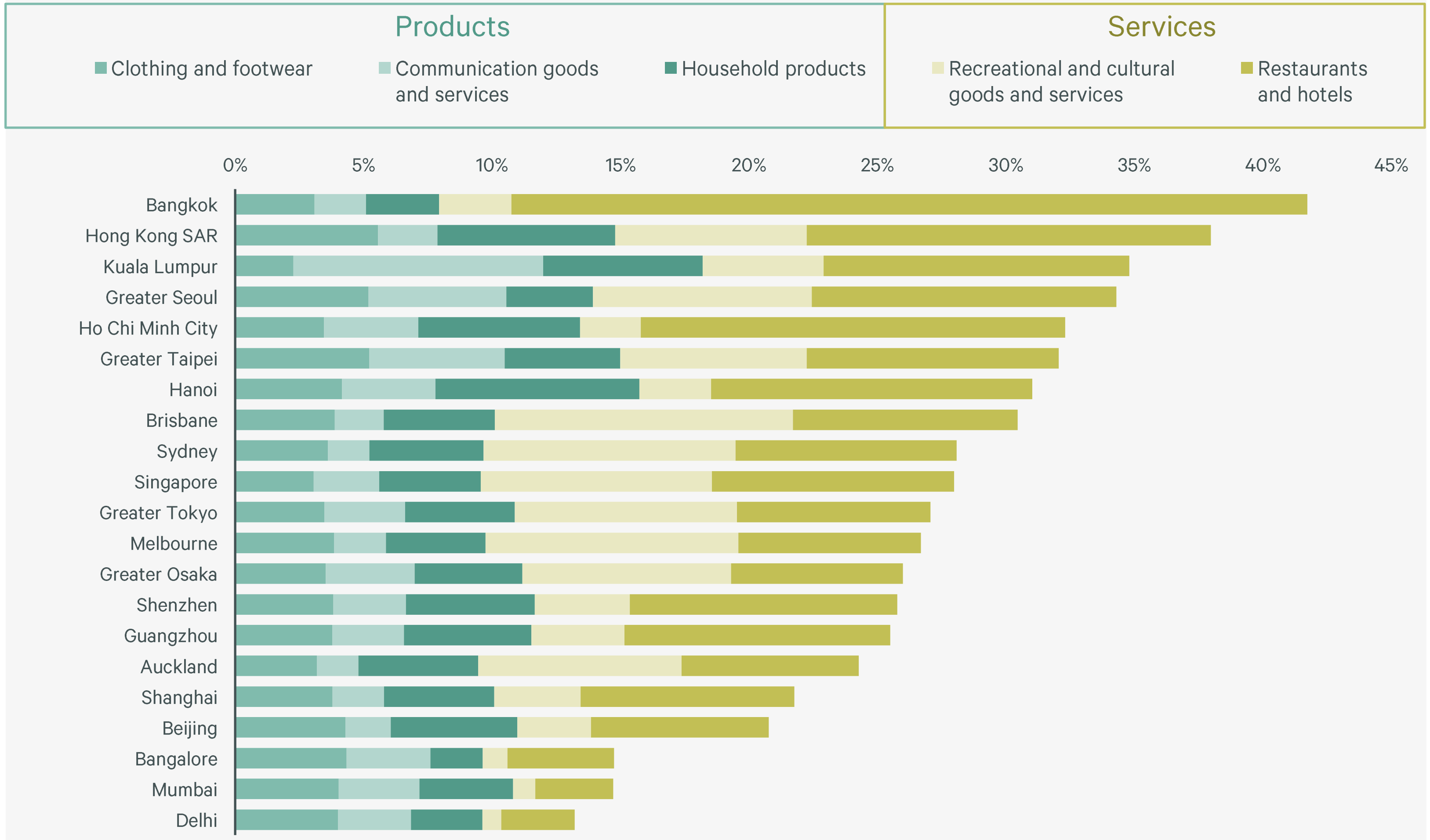
Source: Macrobond, CEIC, CBRE Research, September 2025.

Experience-based consumption to support retail and hospitality

Asia Pacific consumers are spending more on experiences

- Facilitated by the rise of social media that is encouraging people to share daily activities and moments in their lives, consumer spending is shifting increasingly towards experience and services.
- Discretionary spending on products accounts for roughly 15% of total spending across Asia Pacific. However, consumption of recreation, cultural services, F&B and hotels mostly exceeds this threshold, particularly in tourism-oriented cities and mature markets.
- This is having a knock-on impact on retail and hospitality assets and leading to the following trends:
  - An emphasis on placemaking in shopping centres and hotels / resorts.
  - Increasing space allocation to F&B and entertainment in shopping centres.
  - Adjustments to trade mixes in malls to catch up with new sporting, wellness, pet-ownership and collectables trends.
  - The emergence of new tourist destinations and the rise of domestic travelling in large population markets such as India and mainland China.

Figure 20: Breakdown of Discretionary Spending as % of Total Spending on Products and Services



Source: Oxford Economics, September 2025.

Shopping centre positioning is evolving

- The latest generation of shopping malls emphasises the creation of differentiated experiences for shoppers. CBRE summarises these experience elements as the “3As and 3Fs” in the graphic to the right.
- While transaction-oriented shopping centres are largely located in core locations, experience-oriented malls can be less location-sensitive. This can create different angles for asset enhancement and value-add strategies.
- However, for large-scale immersive experiences, such as team labs and indoor ski or surf centres, facilities will have to be purpose-built or require significant investment for conversion.

Air

Outdoor areas are needed to provide fresh air to hoppers. 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

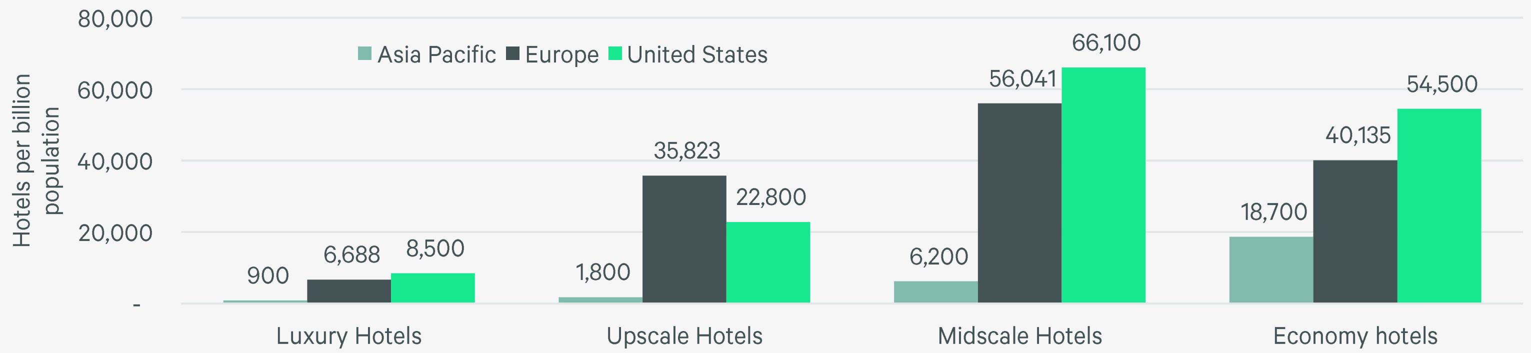
Retail property owners must assess their F&B offering on an ongoing basis and consistently introduce new brands and concepts.

The Asia Pacific hospitality sector is under-penetrated

- Although Asia Pacific is home to around 60% of the global population, tourism receipts accounted for just 24% of the world total in 2024, according to UN Tourism. On per capita basis, Asia Pacific is undersupplied for all types of hotels compared to Europe and the U.S.
- Improving infrastructure and availability of aviation carriers across different price points are supporting growth of tourism and related spending in Asia Pacific.
- In North Asia, Japan and Korea are the clear outperformers, with sustained improvements in ADR and occupancy on the back of strong tourism inflows.
- India and China are experiencing growth in domestic travel. With domestic demand contributing to c.87% of total tourism in India, the increasingly wealthy Indian population will underpin further growth in the luxury hotel segment. In mainland China, the population are keen to explore affordable alternatives (平替) within the country instead of more expensive overseas destinations.
- In Southeast Asia, Vietnam is emerging as a new and affordable destination. As a result, the country is recording solid growth in both ADR and occupancy.

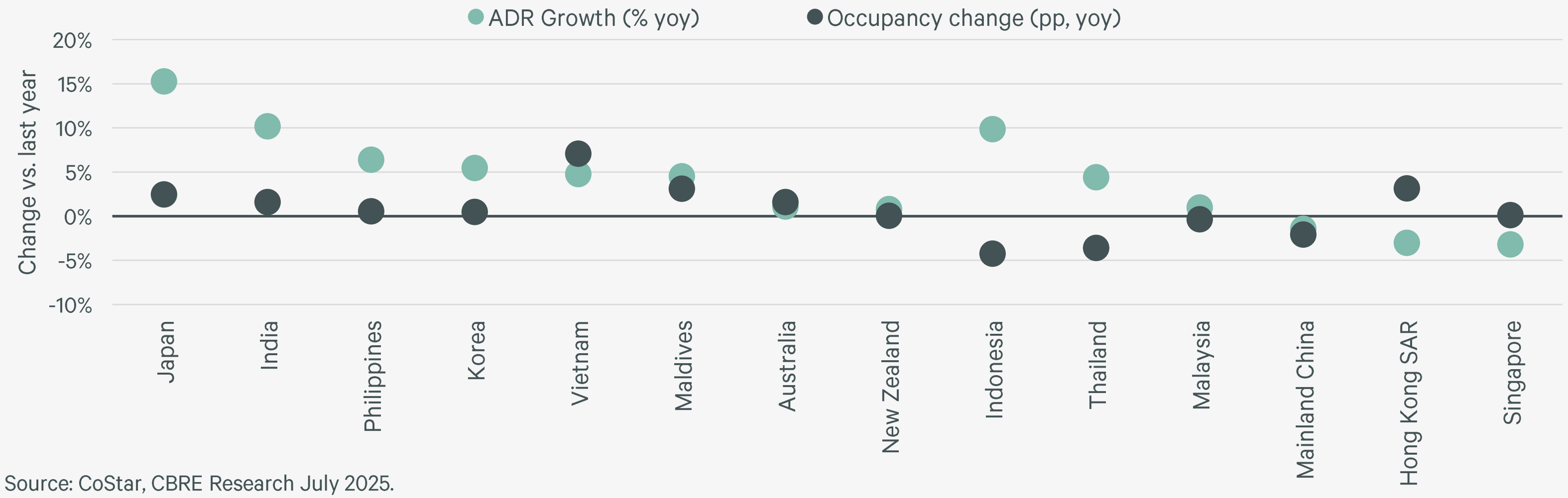
[1]World Wealth Report 2025

Figure 21: Number of Hotels per Billion Population – by Region



Source: CoStar, Macrobond, CBRE Research, September 2025.

Figure 22: ADR growth & Occupancy change (% difference) – H1 2025 y-t-d vs. H1 2024 y-t-d



Source: CoStar, CBRE Research July 2025.

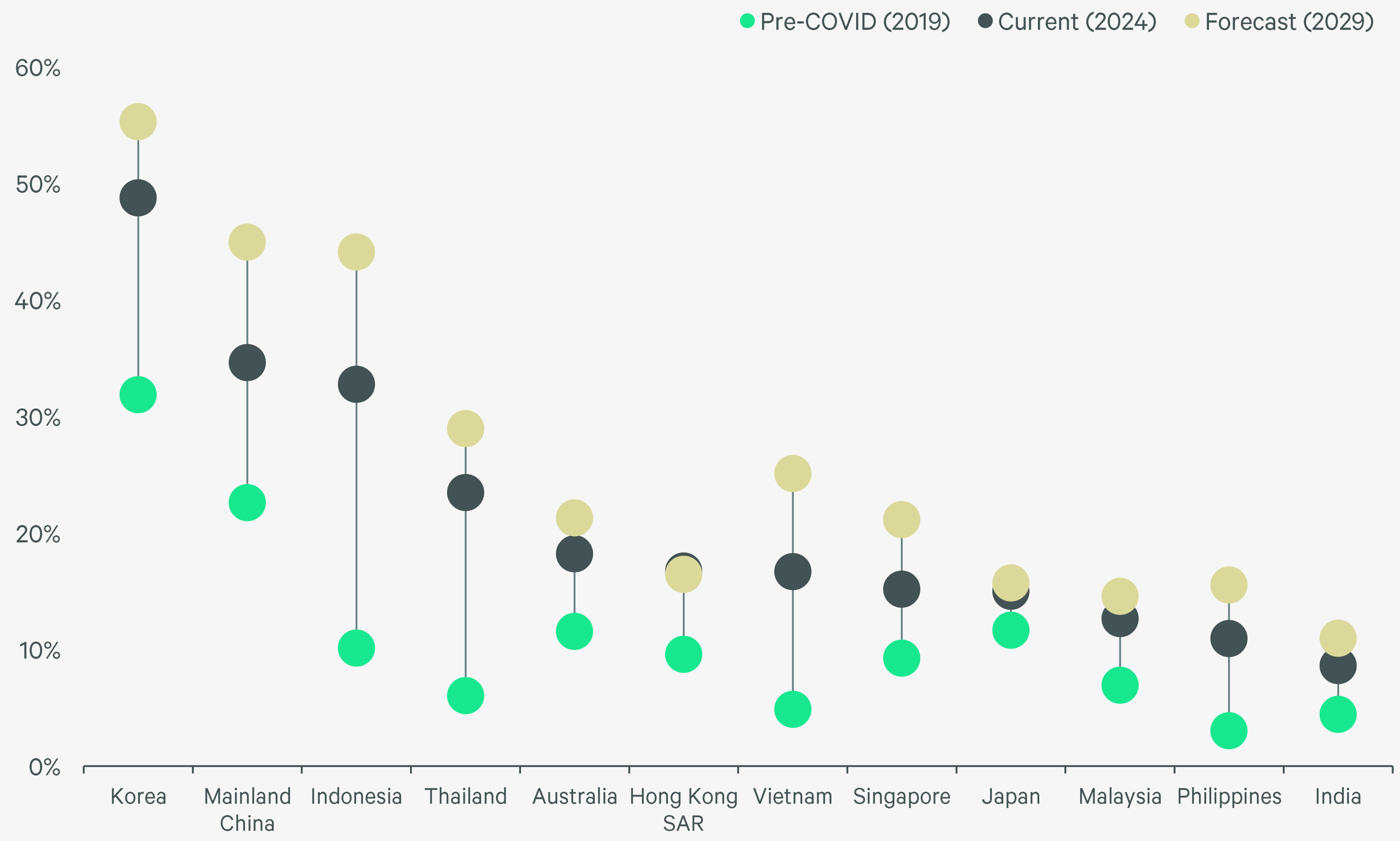
The growth of the digital economy

Logistics

The shift to e-commerce continues, with Korea, mainland China and Southeast Asia leading the charge

- Asia Pacific's importance to global retail will continue to increase over the coming years. The region is expected to contribute ~64% of the total value of global retail sales growth from 2024 to 2029, according to Euromonitor.
- This strong growth in retail consumption also coincides with the continued adoption of e-commerce in the region. The usage of online retail is growing across all markets in Asia Pacific, led by Korea, mainland China and Indonesia. According to Euromonitor, Korea will become the first country in the world in which the majority of retail sales are transacted online.
- Continued adoption of e-commerce will remain a key driver for logistics demand. Companies will need to continually update and strengthen supply chains to optimise their operations, with a focus on core product in demographic hubs, and multi-floor, large floor0plate automated warehouses.

Figure 23: E-commerce Penetration Rate



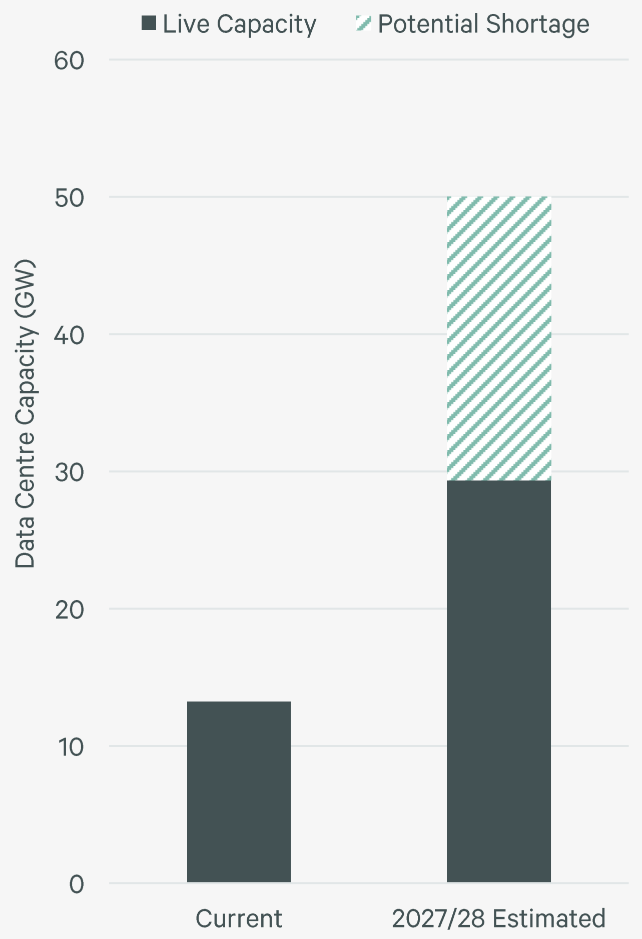
Source: Euromonitor International, August 2025.

Data Centres

Data centre development pipeline remains strong but there are bottlenecks for completion

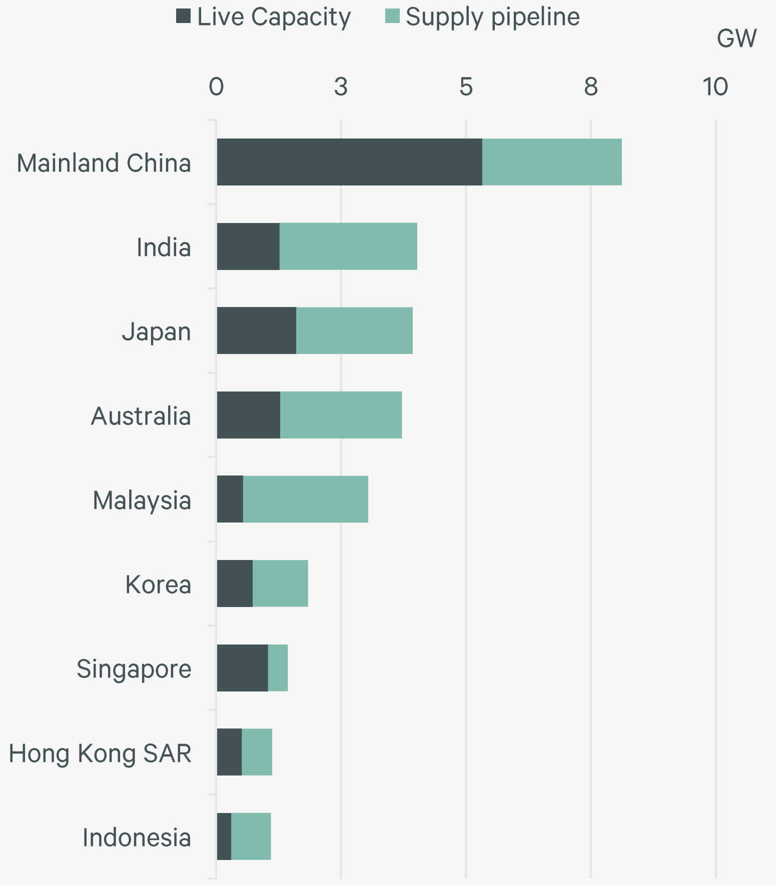
- Data from DC Byte shows there was about 13.3 GW of operational data centre capacity in Asia Pacific as of end-May 2025.
- Based on CBRE's estimates for potential regional demand of 45-55GW, Asia Pacific will see a supply shortage of around 15 to 25GW by 2027/28. Challenges such as obtaining the necessary electricity supply and critical data centre components mean there are likely to be delays to project completions.
- CBRE expects newer assets to attract more expansionary demand, ensuring steady growth in prices. Regional vacancy will continue to trend down but competition for capacity will be more prominent in developed economies such as Japan and Australia, where there is stronger demand from corporates seeking to upgrade from aged data centres.
- Navigating complex development hurdles and ability to attract customers means that both sector and local expertise are key. Exit liquidity as quantums increase in size is another key consideration, and developers/landlords should consider negotiating leases that can provide downside risk against inflation.

Figure 24: Asia Pacific Data Centre Capacity



Source: DC Byte, McKinsey & Co., CBRE Research, August 2025.

Figure 25: Asia Pacific Distribution of Data Centre Capacity



Note: Supply pipeline includes projects that are currently under construction and committed.
Source: DC Byte, August 2025.

03

Conclusion

2025 Investment Strategies

Cyclical

Focus on timing entry and exit to optimise real estate performance.

Interest rate cycle

- Room for yield compression: Australia, New Zealand, Korea and Singapore
- Return to positive yield spread: Hong Kong, Singapore
- Be aware of yield movement in Japan

Supply cycle

- Office and retail are preferred as new supply is slowing
- Most logistics markets will have above-trend supply
- Improvements in Tokyo and Seoul logistics, where supply has peaked and should come down

Rental cycle

	Outperforming	Turning around / improving
Office	India, Japan, Australia	Singapore, Hong Kong SAR
Logistics	India, Korea (dry)	Australia, Vietnam, Singapore
Retail	Japan, India	Australia, Hong Kong SAR

Structural

Focus on assets benefitting from structural changes that will fundamentally change the landscape of the market in the medium to long term

Demographics

Shift in preference to rental residential

Japan	multifamily, senior living
Australia	rental housing, student housing, senior living
Hong Kong	rental housing, student housing
Korea	emerging rental housing sector, aged care

Experienced-based consumption

Retail: placemaking, asset & tenant mix enhancement

Hotel: Japan, Korea, Vietnam, India

Digital Economy

Growth of E-commerce

Solid performers: Korea, China

Outperformer: Indonesia

Growth from low penetration: Australia, Japan, India

Boom of AI to support Data Centre demand

Mature markets: Japan, Australia, Korea

Developing markets: Thailand, India, Malaysia

CBRE

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