PGIM

REAL ESTATE CHARTPACK

ASIA PACIFIC



November 2026

For Professional and Institutional Investors only. All investments involve risk, including possible loss of capital.

ASIA PACIFIC

Dual tailwinds underpinning forecast returns—sustained income growth coupled with a protracted yield tightening cycle in select markets present an extended runway for investments and portfolio repositioning

Improving market stability is creating greater scope to pursue selective, higher-alpha strategies, particularly in markets where value creation is necessitated to bridge return hurdle shortfalls

Credit opportunities are re-emerging in select developed markets, though equity investments will continue to present medium-term upside through disciplined deployment

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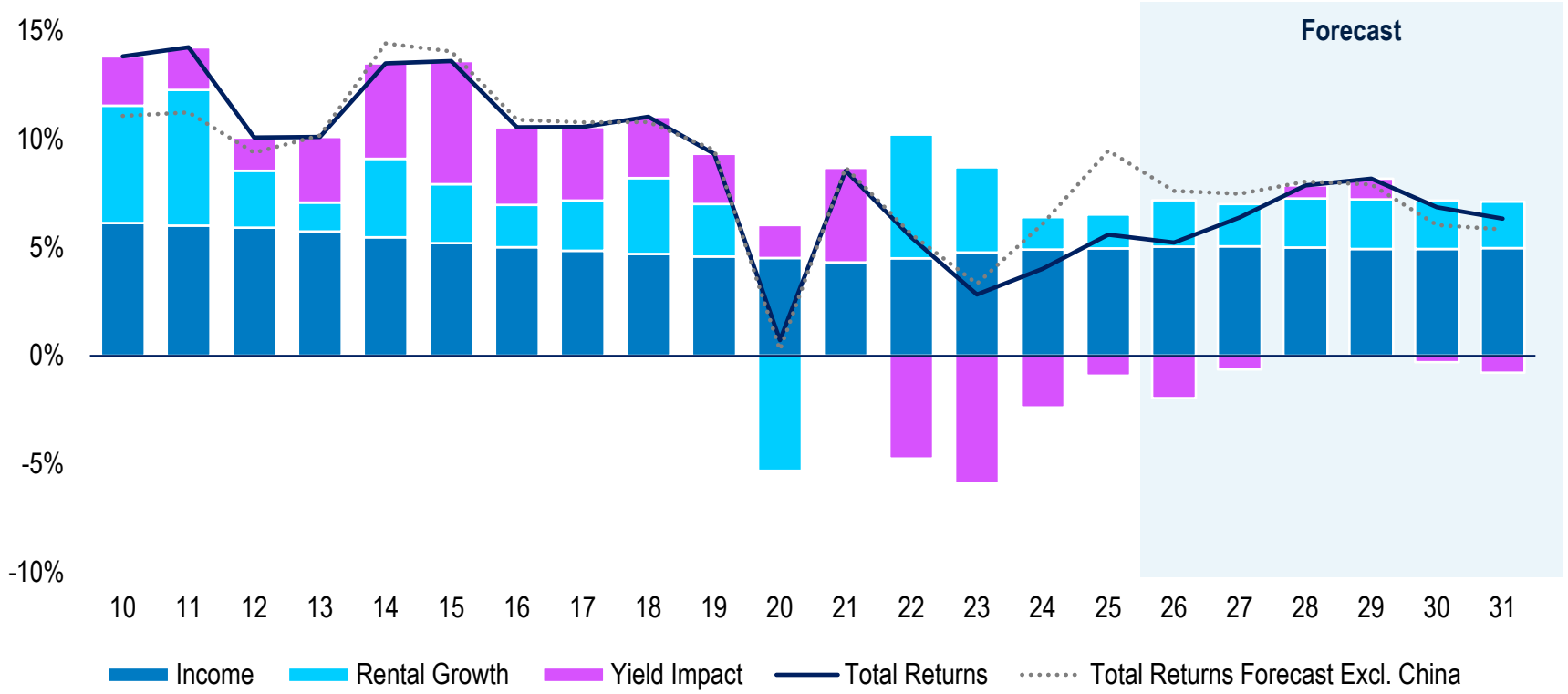
MARKET OUTLOOK

With a new cycle underway, Asia Pacific real estate offers a compelling combination of resilient cash flows underpinned by structural tailwinds, alongside selective valuation potential upside, supported by robust occupier fundamentals.

01

Further Relief To Forward Returns Is Set To Protract Acquisition Runway

APAC All Property Unlevered Total Returns Decomposition* (% p.a.)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.

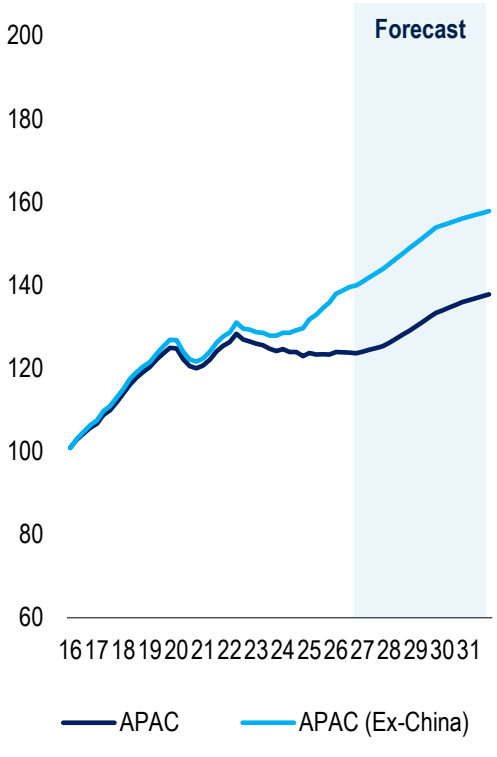
Note: (*) Average of total returns across Office, Retail, Logistics sectors for Tokyo, Osaka, Seoul, Beijing, Shanghai, Hong Kong, Singapore, Sydney, Melbourne and Brisbane, and Australia (Sydney, Melbourne and Brisbane) and Japan (Tokyo and Osaka) Multifamily. Sources: JLL, PMA, PGIM. As of November 2026.

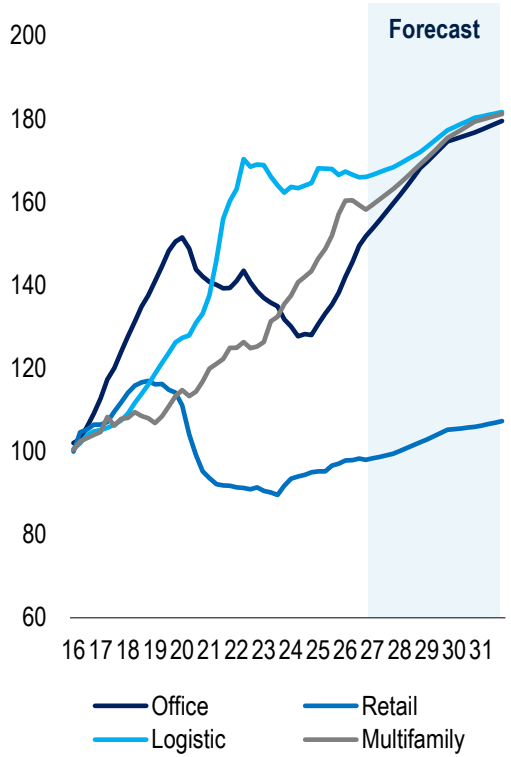
Forecast returns are now more evenly distributed across the horizon compared with our June outlook, reflecting a near-term shift toward a higher-for-longer interest rate environment.

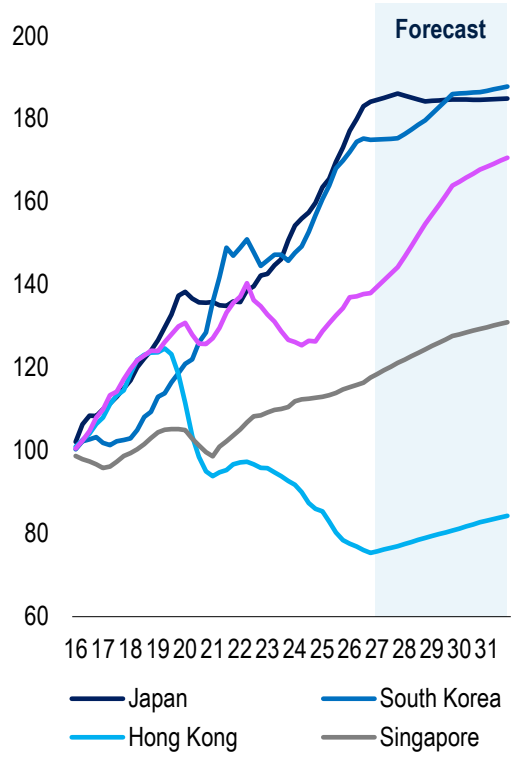
As valuation pressures continue to ease, forward returns are set to be driven primarily by income and income growth, supported by resilient operating fundamentals, particularly in developed markets.

Underpinned By Sustained Positive Capital Returns Anchored By Income Growth

Prime Capital Return Index, By Region, Sector* and Market (Index: 4Q 2015=100)







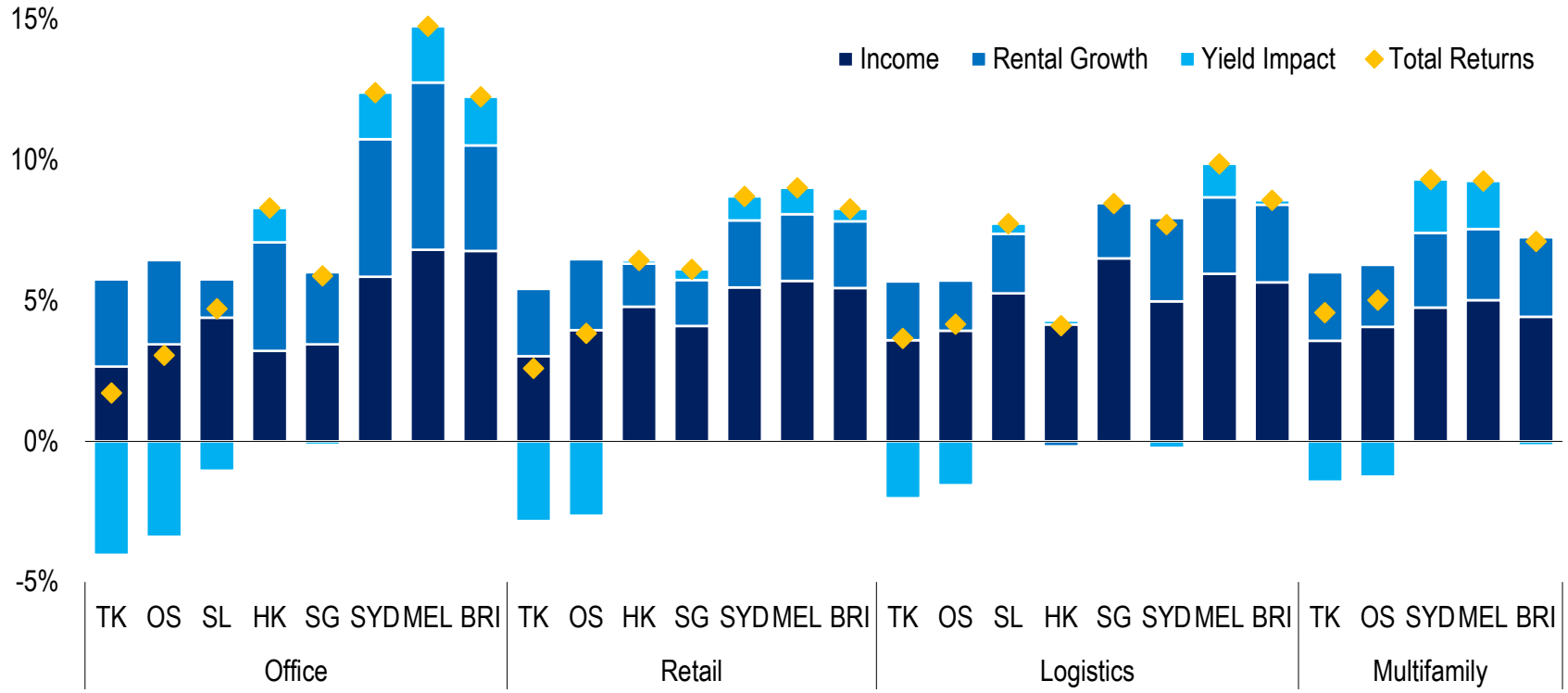
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) Sector chart excludes China.
Sources: PGIM. As of November 2026.

Asset values are expected to continue rising, supported by steady rental uplifts, which can adequately mitigate the impact of the impending yield expansion in select markets through 2027, sustaining positive capital returns.

Performance dispersion across markets and sectors continues to present viable opportunities, reinforcing the importance of targeted city-sector selection to achieve outperformance.

Dispersion In Forecast Performance Necessitates Strategic City-Sector Selection

5-year Forecast Unlevered Gross Total Returns Outlook And Decomposition, 2027–2031 Average (%)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: PGIM. As of November 2026.

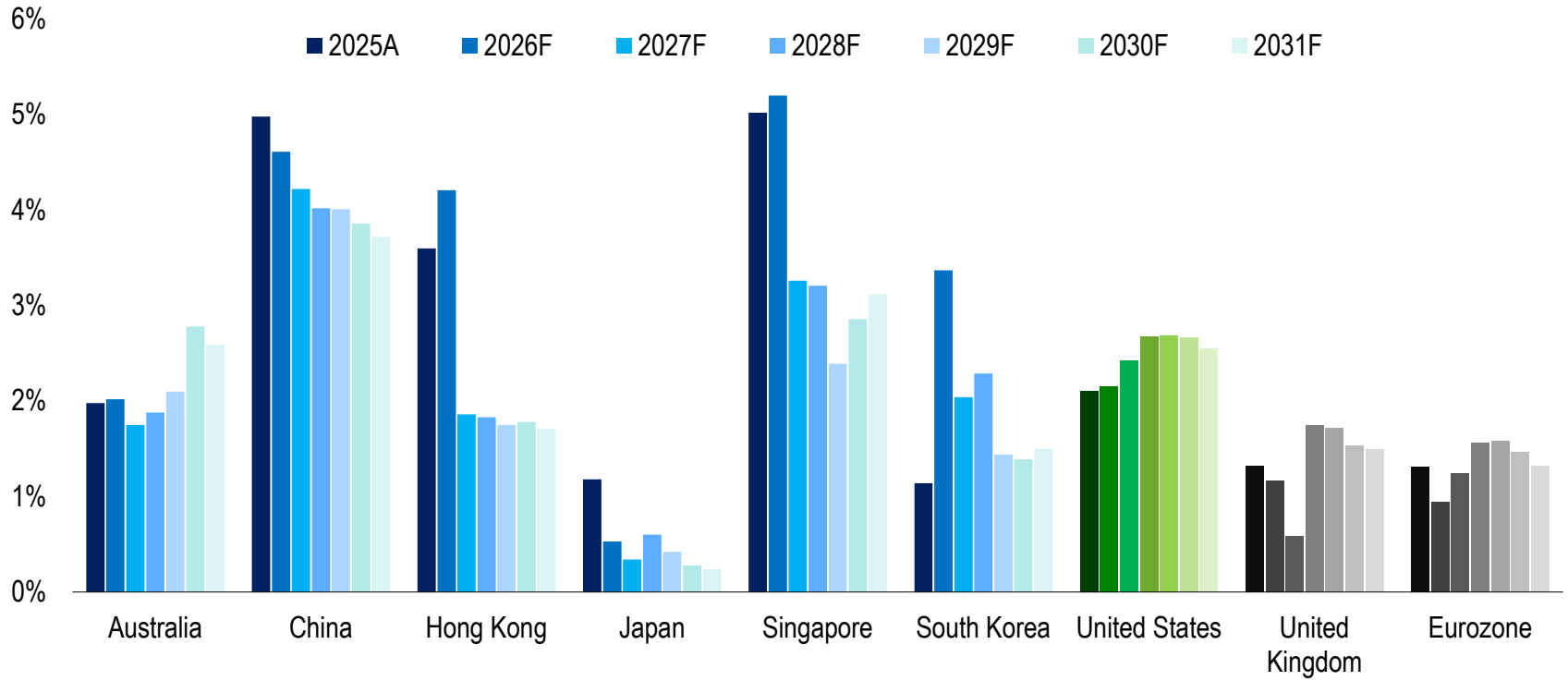
Australia is positioned to lead in the new cycle, supported by strong rental growth and backloaded yield tightening.

Japan's outlook is tempered by anticipated yield expansion, though strong income growth is expected to offset the impact.

Singapore is projected to deliver steady returns as flight-to-safety continues, while South Korea is more differentiated amid varying supply-cycle dynamics.

APAC's Multi-Speed Growth Outlook Continues To Drive Incremental Demand For Quality Real Estate

Real GDP Growth Outlook By Market (%)



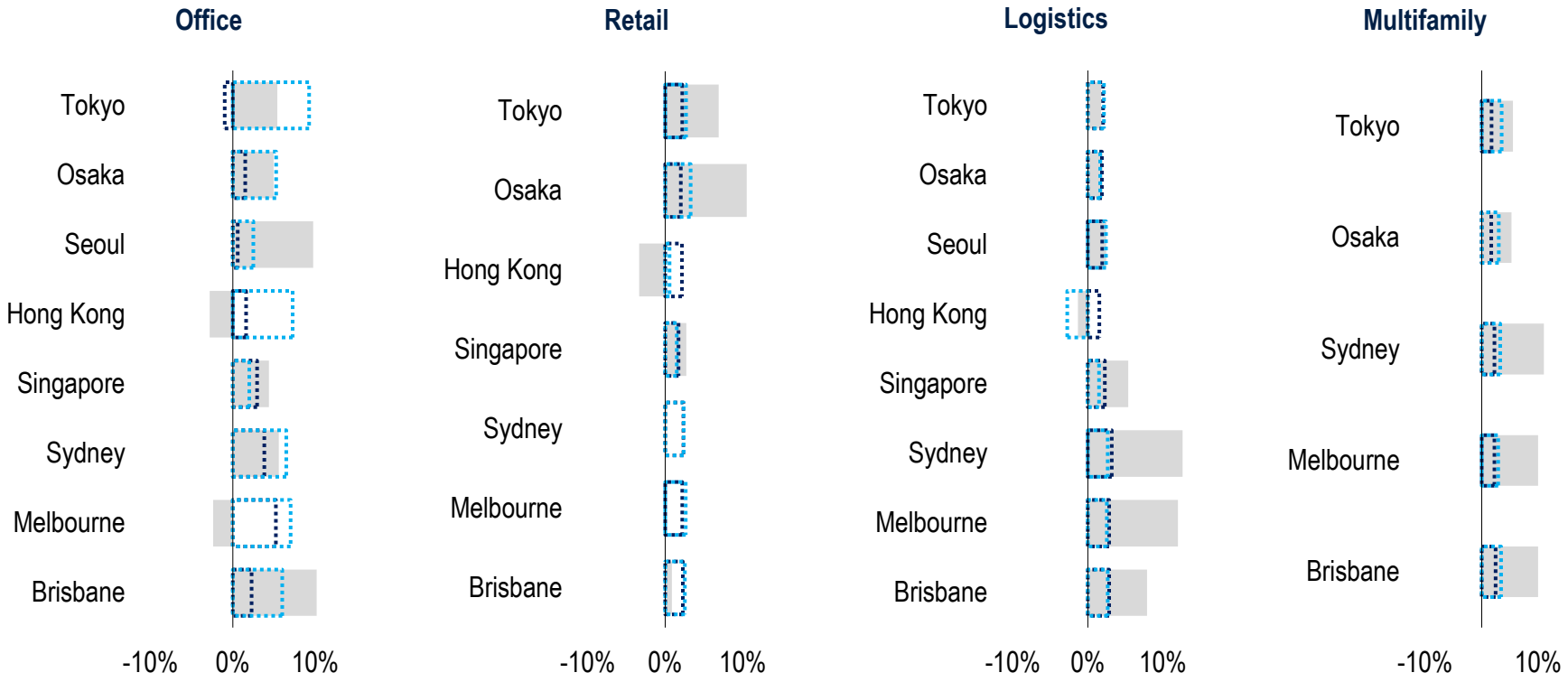
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: Oxford Economics, PGIM. As of November 2026.

Asia Pacific's growth outlook remains differentiated, with front-loaded expansion driven primarily by AI momentum and stronger financial market activity.

Underlying fundamentals are set to remain robust given improving domestic consumption and capital expenditure, supporting incremental demand for quality real estate products necessitated for further economic development.

Positioning Select Markets With Supply-Demand Imbalances To Capture Disproportionate Rental Upside

Average Rental Growth By City-Sector And Period, Historical vs. Forecast (% p.a.)



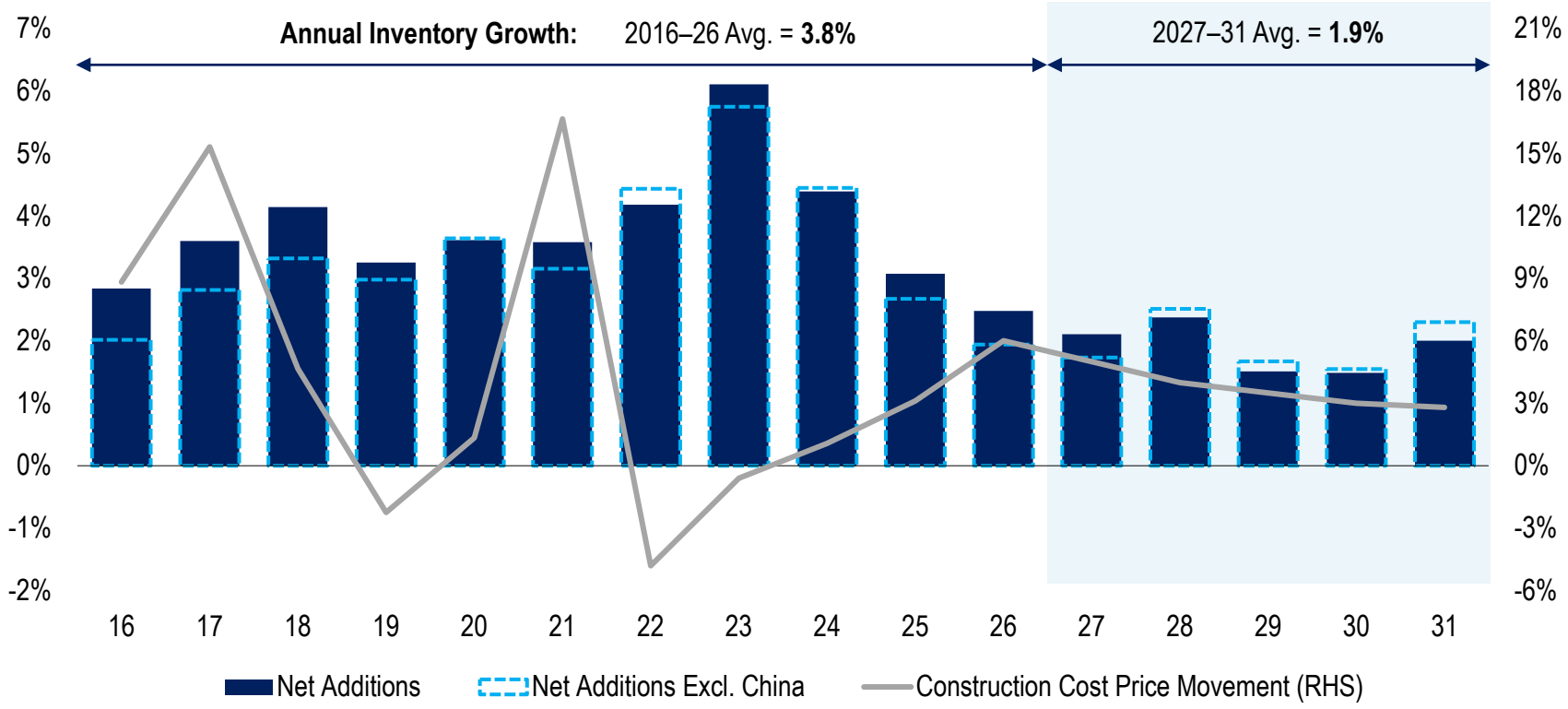
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) 4Q 2026 numbers are projections.
Sources: JLL, PMA, PGIM. As of November 2026.

Steady real estate fundamentals and stronger structural rental growth are expected in select city sectors, where moderate inflation continues to drive income growth and positive reversion potential.

Rental growth is projected to accelerate through 2028, led by Japan office, and Australia office and retail, while other markets are set to maintain positive momentum.

Underpinned By A Broad Supply Cycle Slowdown, Further Tipping Prime Market Balances

APAC New Supply And Construction Cost Price Movement (% p.a.)*



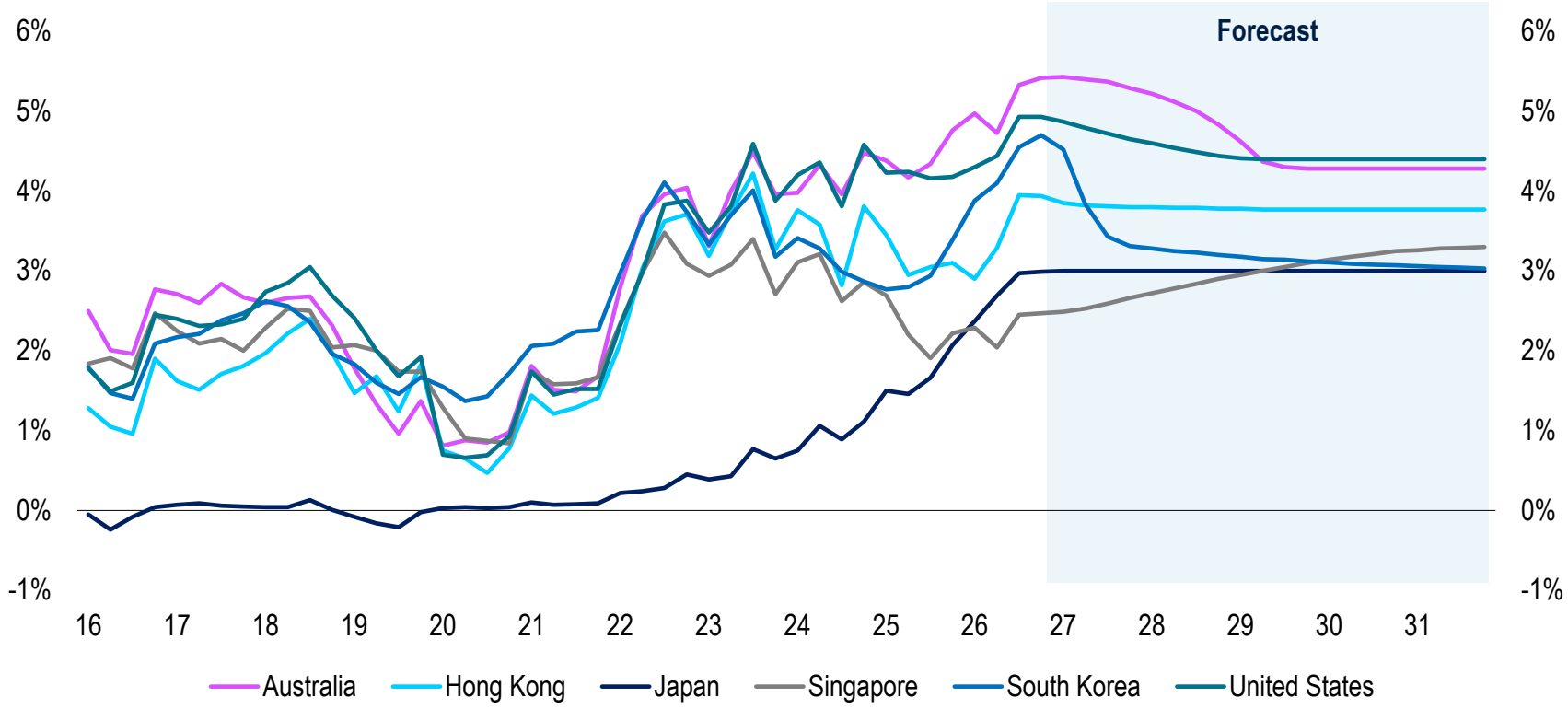
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results. Note: (*) Reflects the net additions of Office, Retail and Logistics sectors for Tokyo, Osaka, Seoul, Beijing, Shanghai, Hong Kong, Singapore, Sydney, Melbourne and Brisbane. 2026–2031 are projections. Sources: BLS, JLL, World Bank, PGIM. As of November 2026.

Supply pipeline across APAC is expected to stay relatively constrained amid persistently elevated construction costs and still-restrictive financing conditions.

However, city-sector balances remain uneven across their respective supply cycles, underscoring the importance of targeted local market selection and operational capabilities than relying on broader averages.

Bond Yields Are Now At Or Near Cyclical Highs Yet Again, But Set To Taper Going Forward

10-year Government Bond Yield By Market (%)



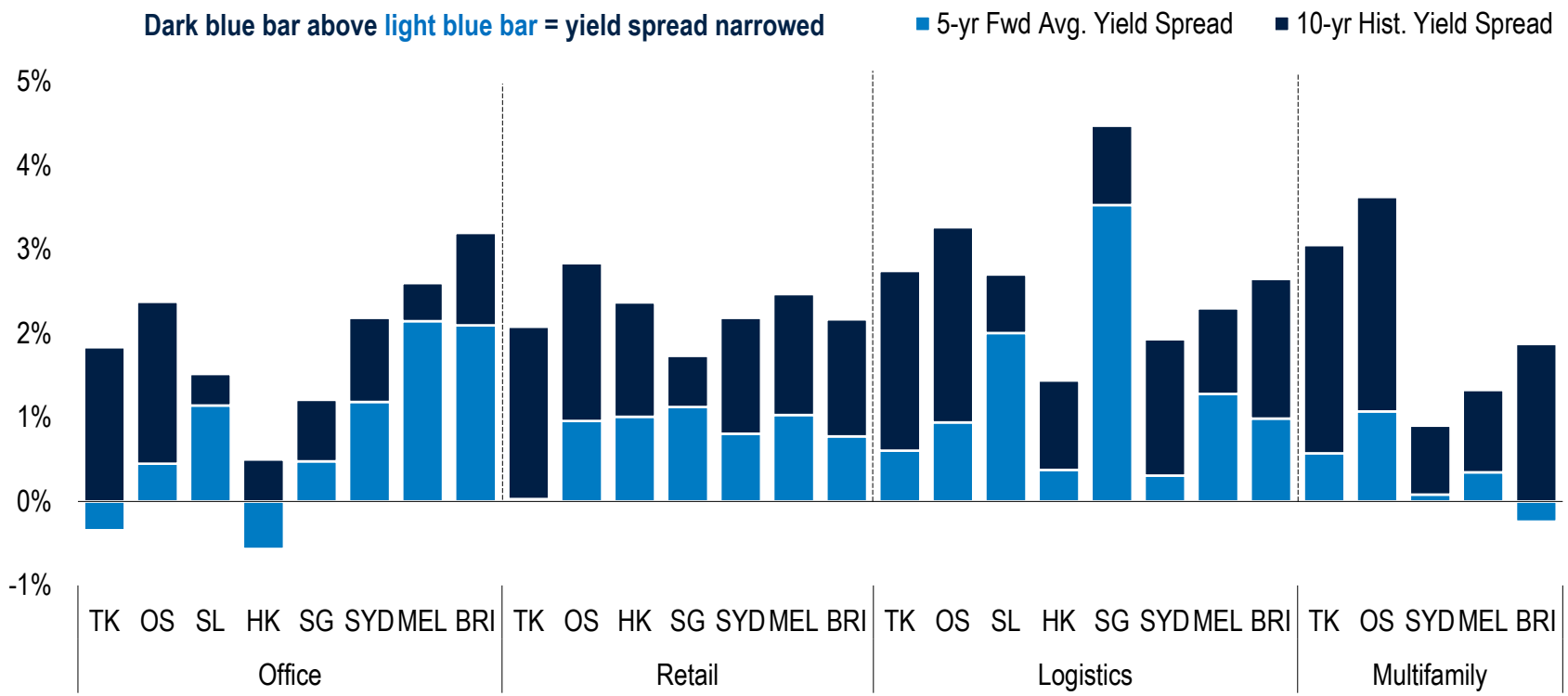
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: Oxford Economics, PGIM. As of November 2026.

With economic fundamentals to remain broadly intact over the medium term, we are dealing with a period of persistent volatility rather than a fundamental shift in the long-term inflation regime, save for Japan.

Heightened market volatility and elevated risk perceptions are expected to keep bond yields above prior-cycle levels, and at the same time raise required investment return hurdles, including for real estate.

Resultant Yield Spreads Are Narrowing, But Robust Fundamentals Can Justify A Lower Risk Premium

Yield Spreads By City-Sector, 10-year Historical Average vs. 5-year Forecast Average (%)



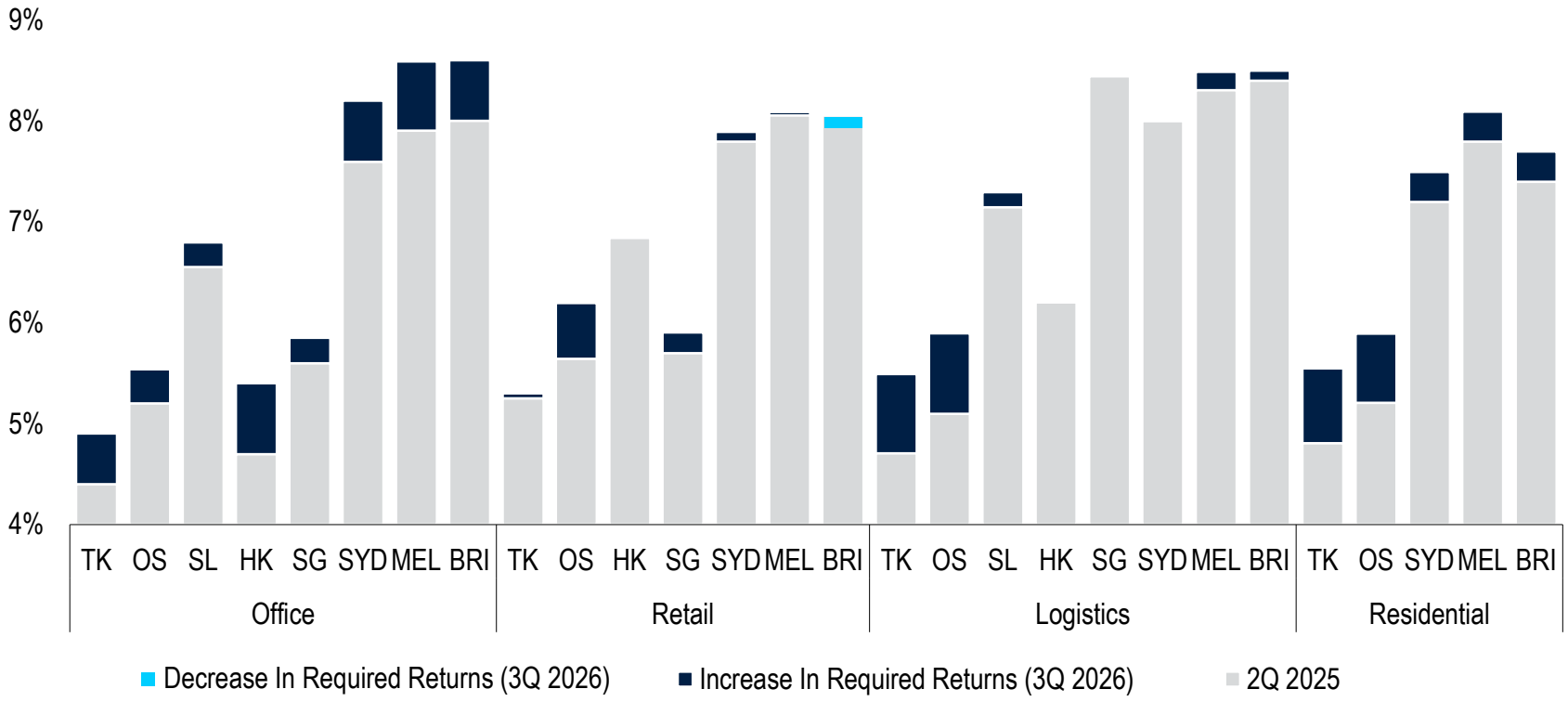
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: JLL, Oxford Economics, PMA, PGIM. As of November 2026.

Yield spreads are projected to narrow across most city-sectors, indicating that the relative pricing cushion versus risk-free rates has become thinner.

With limited yield movements over the medium term, markets with resilient rental growth potential can justify tighter spreads, while weaker markets may require a wider risk premia to stay attractive.

Developed Market Required Returns Have Largely Risen In The New Cycle

Change In City-Sector Required Returns, 3Q 2026 vs. 2Q 2025 (%)*



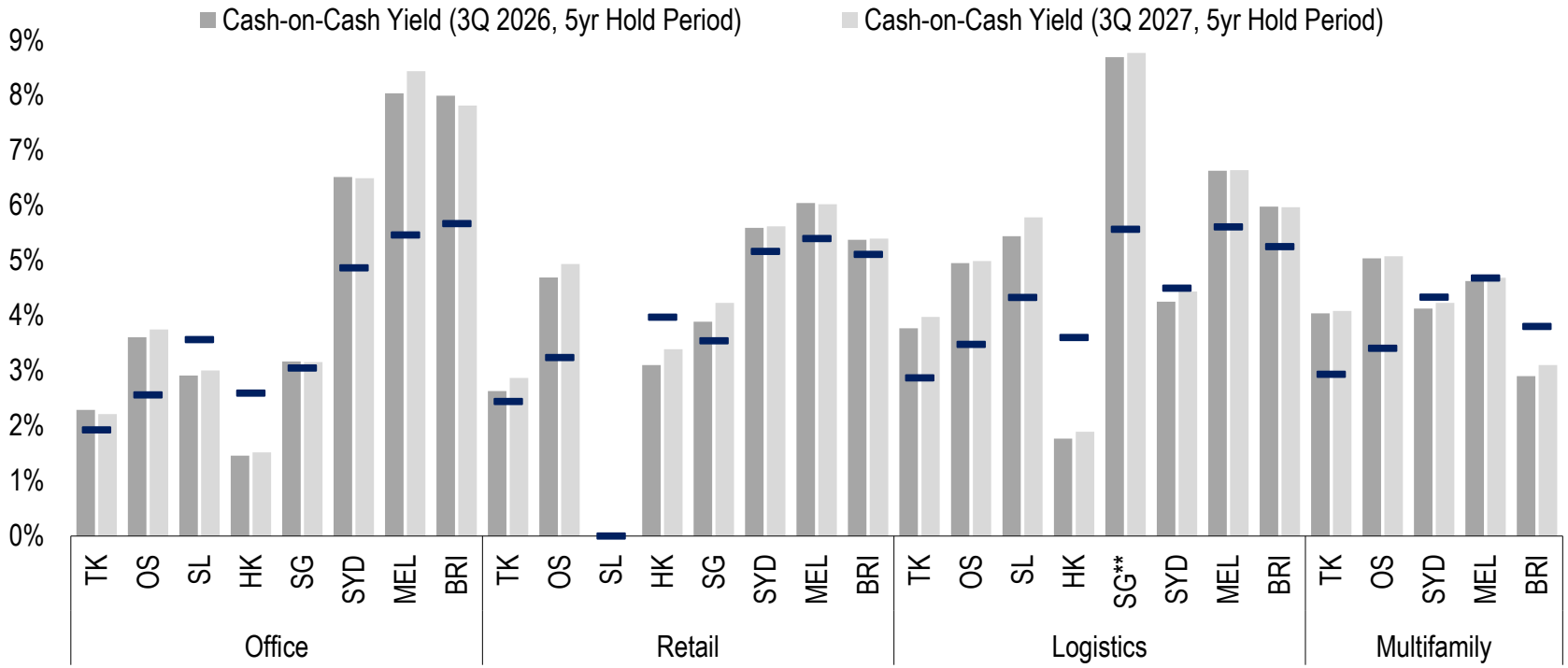
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) Required returns are derived from PGIM's APAC Investment Research Pricing Model 3Q 2026 and 2Q 2025.
Sources: PGIM. As of November 2026.

Required returns have generally moved up in the new cycle, particularly in Japan, Australia and Hong Kong Office, brought about by higher natural risk-free rates, though risk premia has narrowed given stronger structural growth expectations.

As return hurdles reset higher, greater value creation is required to unlock the incremental income return necessitated to compensate for the elevated cost of capital and more benign yield compression.

Necessitating Higher-Return Strategies In Markets With Less Accretive Leverage

Entry Capitalization Rate (3Q 2026) vs. Cash-on-Cash Yield (3Q 2026 & 3Q 2027, 5yr Hold Period) (%)*



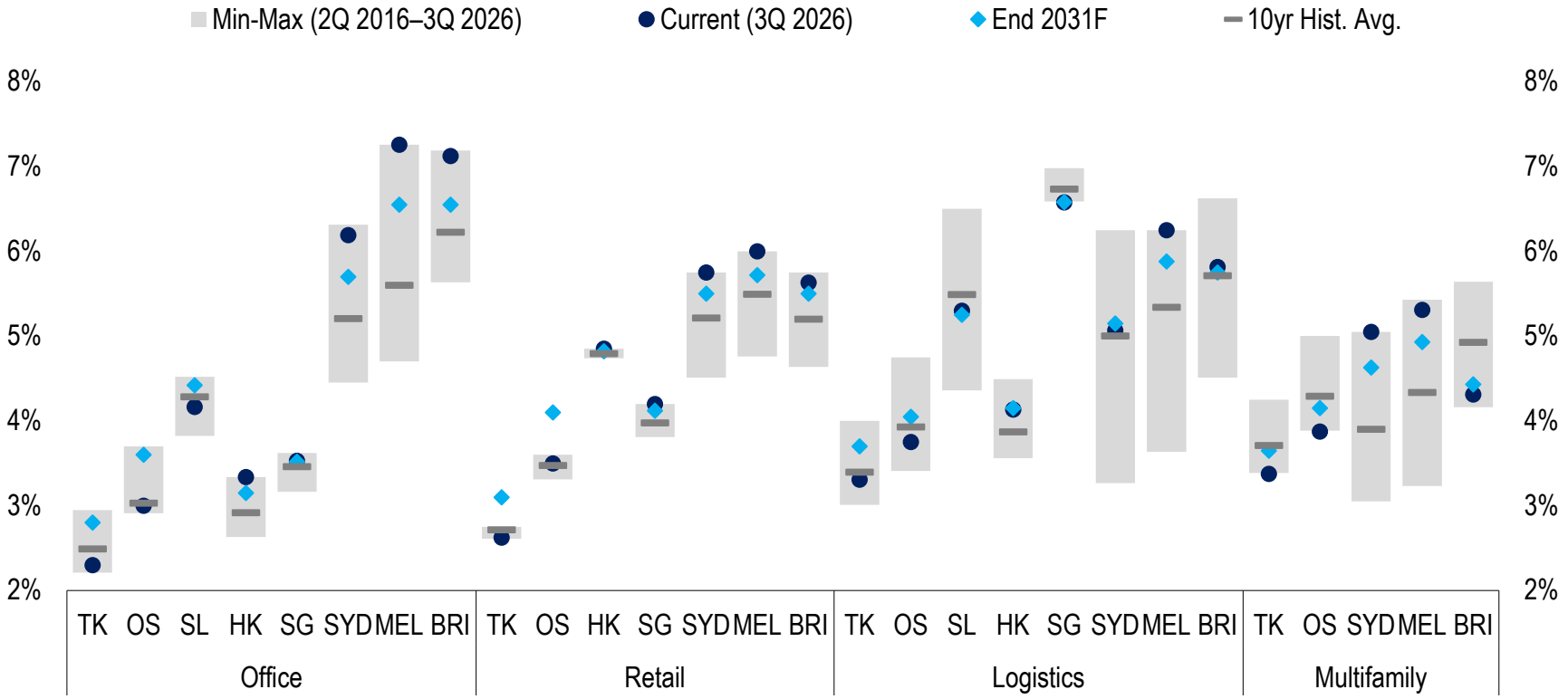
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results. Note: (*) Refers to Cash-on-Cash (CoC) yields based on an investment hold period of 5 years from 4Q 2026 to 3Q 2031. The CoC yields are computed based on the projected cash flows with the following cost of debt and loan-to-value (LTV) assumptions: Japan (2.6%, 55%), South Korea (4.3%, 60%), China (3.5%, 50%), Hong Kong (4.5%, 55%), Singapore (3.5%, 55%), Australia (5.4%, 50%). (**) Singapore Logistics reflects a land leasehold tenure of 60 years. Sources: PGIM. As of November 2026.

Persistent, elevated interest rates in the near term are expected to inhibit cash-on-cash yields, underscoring the need to pursue higher-alpha strategies to bridge hurdle deficits in markets with less accretive leverage.

Unlocking incremental returns will no longer rely solely on organic growth but require disciplined market selection, combined with active asset-level operations and execution.

A More Benign Yield Compression Outlook Reinforces The Extended Window For Acquisition

Yields By City-Sector* (%)



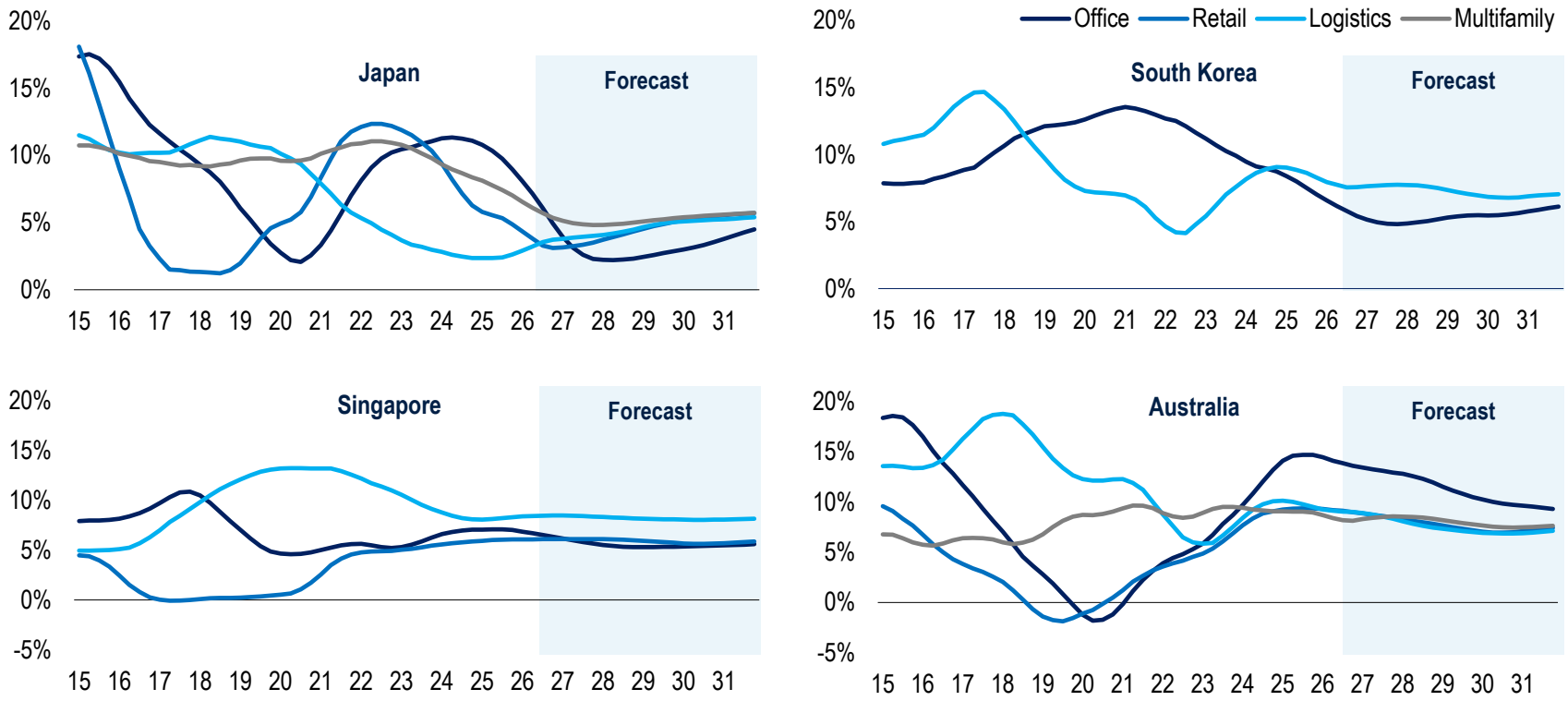
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) Refers to equivalent yields for Australia commercial real estate. Refers to gross yields for Australia multifamily.
Sources: JLL, PMA, PGIM. As of November 2026.

Yields across most city-sectors have repriced higher from prior-cycle troughs and, in several cases, still sit above their 10-year historical averages, except in Japan and South Korea.

Looking ahead, yields are expected to compress gradually over the medium term in markets where income growth proves more resilient and investment dynamics improve.

APAC Real Estate To Offer Investors Longer Term Income Visibility And Capital Return Upside

Unlevered Gross Rolling 5-year Forward Total Returns By Country-Sector (%)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: PGIM. As of November 2026.

Rolling 5-year forward returns are projected to remain broadly stable over the forecast horizon despite elevated market volatility, smoothing the impact of transient external shocks.

Steady market fundamentals provide opportunities to pursue higher-return strategies, leveraging market stability to unlock incremental risk-adjusted returns, potentially enhanced by still accretive leverage.

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INVESTMENT OPPORTUNITIES

02

Investment Style

Current market conditions give rise to a wide range of risk and return opportunities

Structural Themes

Investment conviction driven by basic needs and long-term structural trends that support ongoing demand creation

Tactical Plays

Opportunities arising from near-term growth, the anticipated cyclical value rebound and market dislocation

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Investment Style

CREDIT STRATEGIES

High income yields against improving fundamentals

VALUE-ADD STRATEGIES

The need for capital injections into existing stock

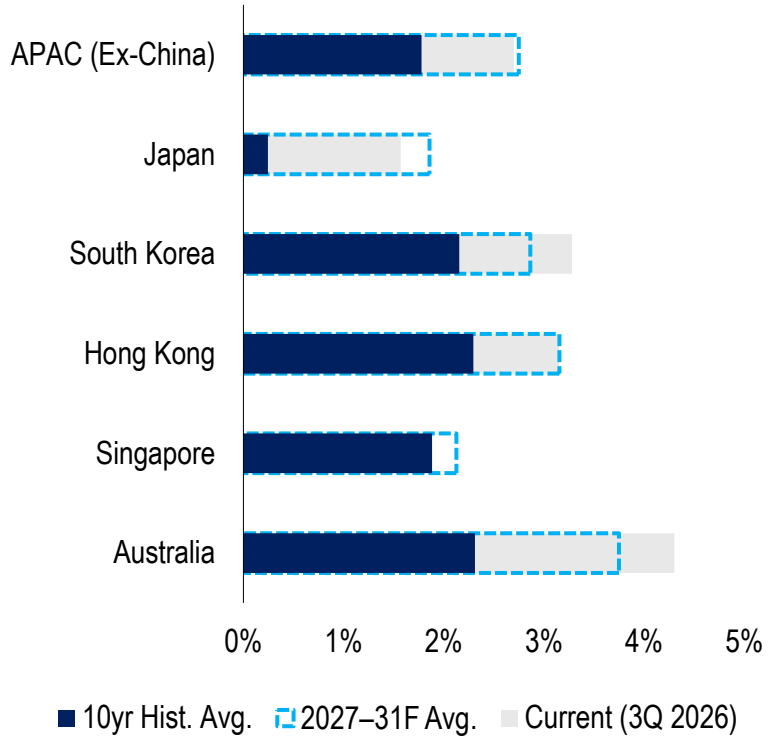
CORE/CORE+ STRATEGIES

Market selection will matter in the next cycle

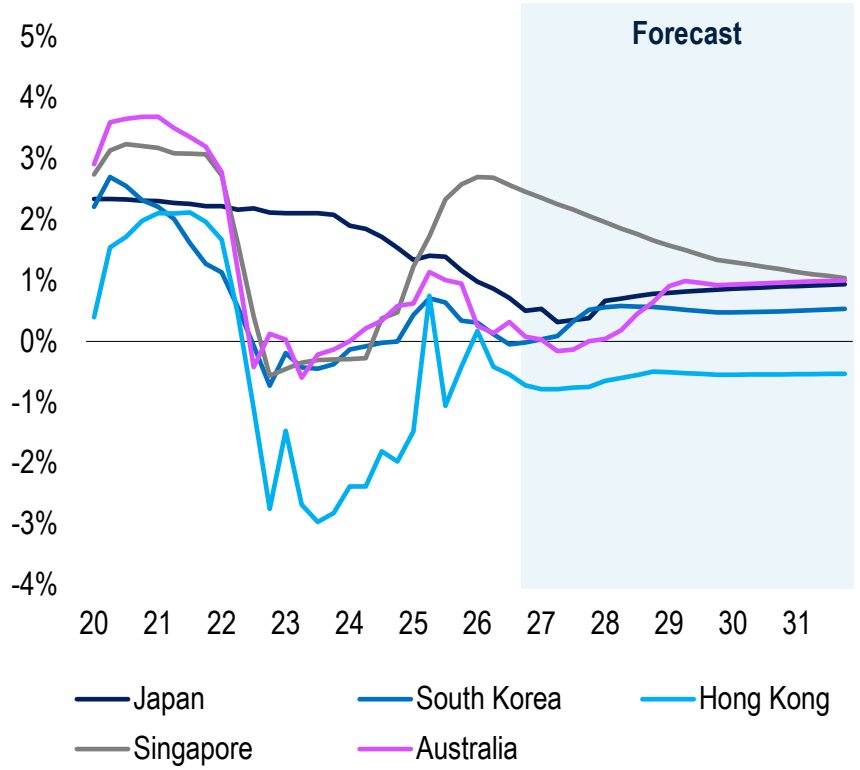
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Credit Strategies: Elevated Borrowing Costs To Exacerbate Funding Gap Across The Capital Stack

Short-term Interest Rates By Market (%)



Prime Commercial Real Estate Yield Spreads* (%)



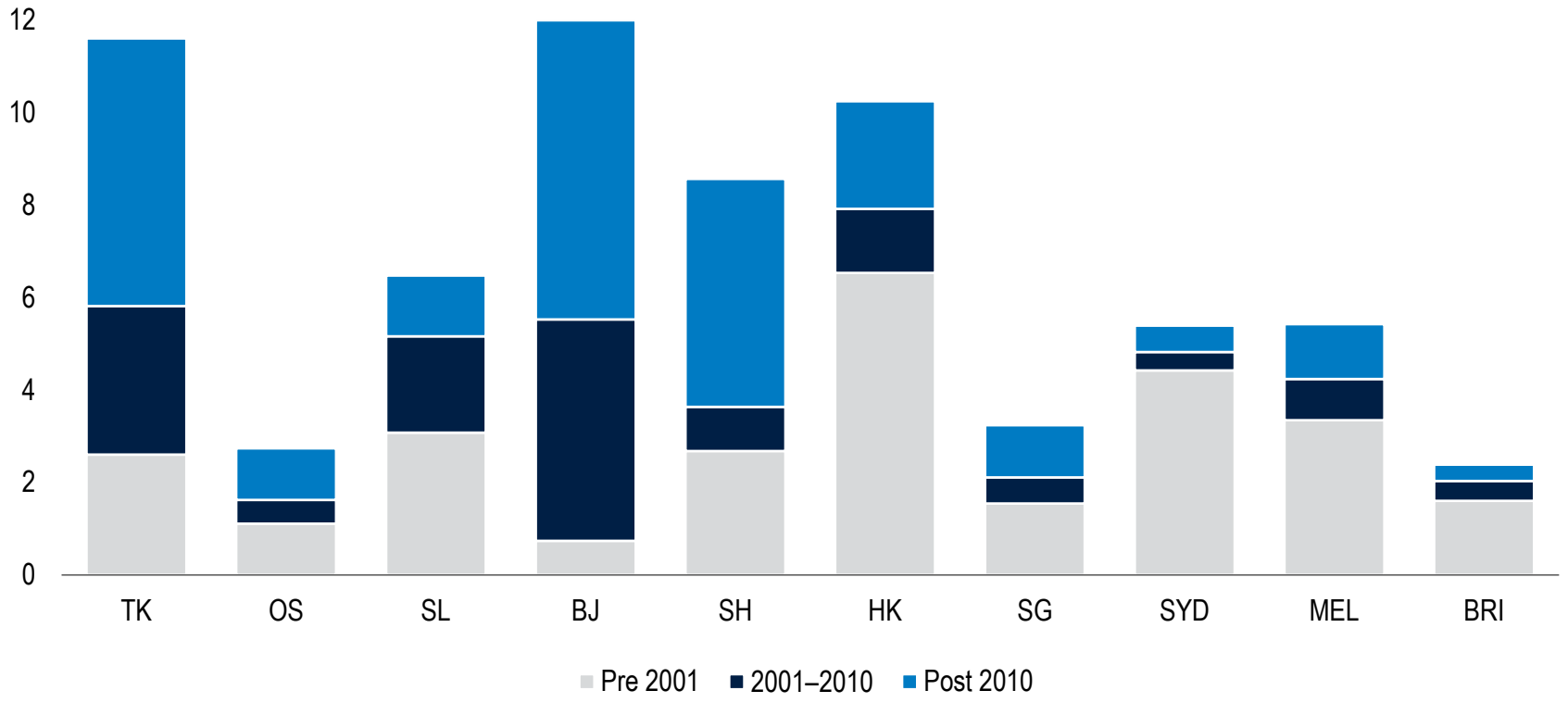
Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) Yield spreads represent commercial real estate prime yields above bank lending rates.
Sources: Oxford Economics, PGIM. As of November 2026.

Elevated interest rates present a more definite backdrop for private credit strategies, with the re-emergence of real estate funding gaps across the capital stack.

Interest rates are set to normalize above prior-cycle averages, particularly for Australia where debt availability is expected to stay constrained, as banks maintain a conservative and selective lending approach.

Value Add Strategies: The Need For Capital Injections To Meet Evolving Occupier Requirements

Institutional Grade Office Inventory By Built Vintage And City (million sqm)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: JLL, PGIM. As of November 2026.

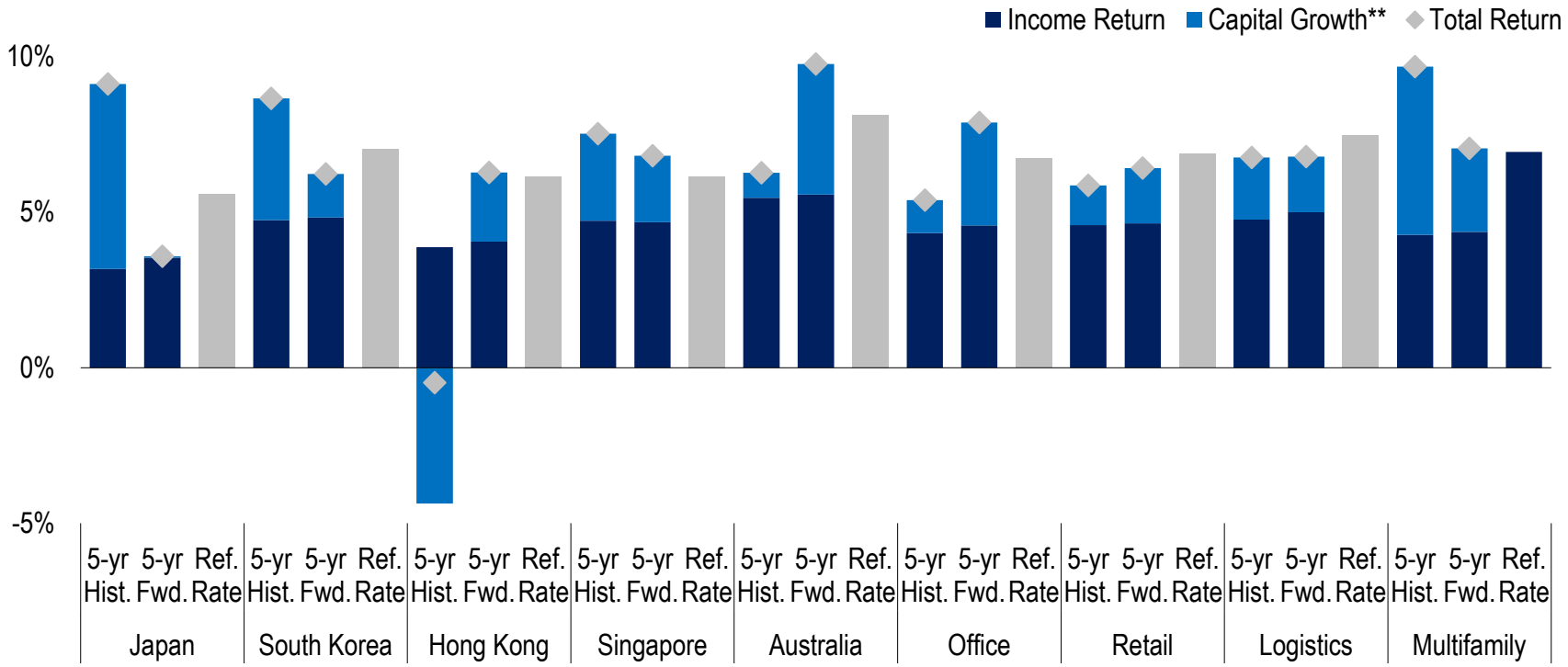
Referencing office as a proxy, antiquated stock across Asia Pacific accounts for a significant portion of total inventory.

A vast quantity of real estate that is not institutionally held will also need significant capital injections, particularly in Japan and South Korea as corporates monetize their existing portfolios.

Capex requirements have risen to meet the evolving occupier and upgrader requirements and to maintain competitiveness.

Core/Core+ Strategies: Bifurcated Outlook Highlights The Importance Of Targeted Market Selection

Unlevered Total Return Decomposition And Reference Hurdle Rate By Country And Sector* (in LCU, %)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results. Note: (*) Excludes China. Reference hurdle rates are derived from PGIM Asia Pacific Investment Research's proprietary pricing model, computed from market level data utilizing a number of key indicators including structural risk-free rates, long-term rental growth rates and equilibrium property yields. (**) Capital growth comprises rent growth and yield impact. Sources: PGIM. As of November 2026.

Asia Pacific markets are well positioned to deliver above-hurdle forward returns, led by Australia and Singapore, underpinned by dual tailwinds of steady income growth and marginal yield compression.

Stable fundamentals offer opportunities to move up the risk curve in North Asia markets, where forward returns are curtailed by the impact of negative yield shifts, though variances across city-sectors are prevalent. In Japan, logistics and multifamily present more viable investment options.

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Summary of Asia Pacific Investment Opportunities

	NATURE OF OPPORTUNITY	REAL ESTATE APPROACH
 **LIVING SECTOR**	• Home ownership constraints • Strong population dynamics (net migration, aging demographics, shifting consumer preferences) • Lack of quality products	• Quality assets near transport nodes in capital cities of Japan, Singapore and Australia • Multifamily / co-living platforms with established third-party operators • Refurbishment / reconfiguration and lease up
 **MODERN LOGISTICS**	• E-commerce tailwinds • Resilient domestic consumption • Automation / tech adoption in modern facilities, “Last mile” delivery model	• Modern infill logistics with strong connectivity across developed Asia Pacific markets • Reconfiguration / upgrade of older assets to modern facilities • Develop to core
 **DATA CENTERS**	• Digital evolution reinforcing need for data processing and storage • Lack of available serviced land and enlarged power	• Tier I markets with dominant Cloud Service Providers presence and hyperscale colocation DCs partnering with experienced third-party operators in Japan and Australia • Develop to core
 **HOSPITALITY**	• Resilient fundamentals supported by intra-regional and domestic tourism • Rise of foreign hotel operators in select countries	• Limited-service hotels and destination hotels in Japan and South Korea • Partner third party operators via management contracts for rebranding / refurbishment • Conversion / adaptive reuse
 **OFFICE**	• Flight to quality • Supply gap in select countries like Australia • Lack of available quality stock	• Core CBD assets in major gateway cities across developed Asia Pacific • Grade B assets in CBDs of key capital cities for rental uplift or Grade A / premium assets for lease up • Refurbishment / reconfiguration
 **NECESSITY RETAIL**	• Resilient domestic necessity-based consumption • Generally, tightly held with limited new supply	• Dominant regional / sub-regional centers and suburban malls with defined catchments in Australia and Singapore • Refurbishment and lease up

Source: PGIM. As of November 2026.

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Structural Investment Themes for 2027

LIVING

Needs-based real estate addressing affordability objectives and evolving population dynamics, with a focus on well-connected locations



MODERN LOGISTICS

Consumer and logistics-driven properties that can accommodate automation requirements; selective asset sizing and positioning to align with shifting global trade patterns



DATA CENTERS

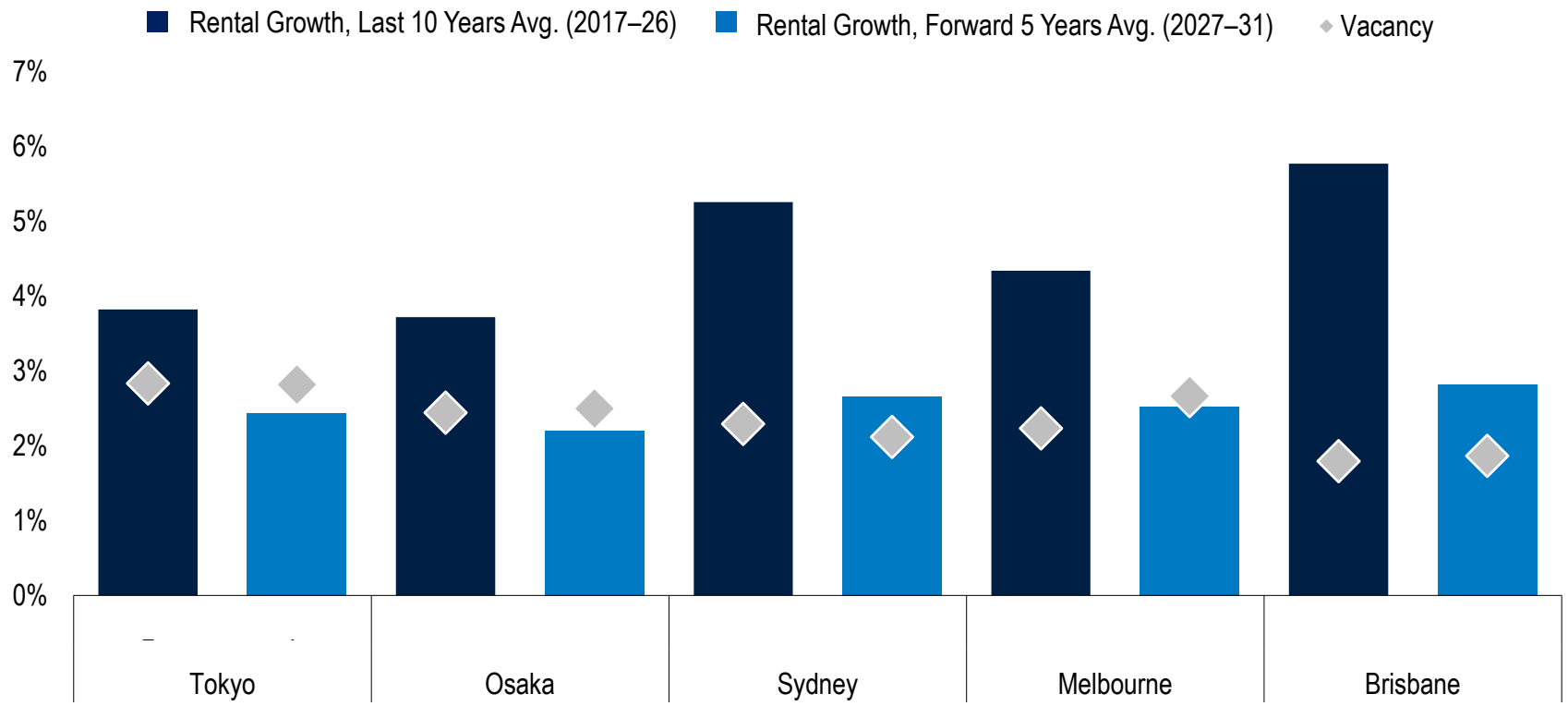
Ongoing favorable demand-supply dynamics due to essential digital infrastructure needs for data processing and storage, including cloud storage and AI workloads



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Living: Home Ownership Constraints And Shifting Preferences Are Expanding For-Rent Opportunities

Multifamily Average Annual Rental Growth And Vacancy By City* (%)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) Refers to for-rent apartments for all cities.
Sources: Oxford Economics, PMA, PGIM. As of November 2026.

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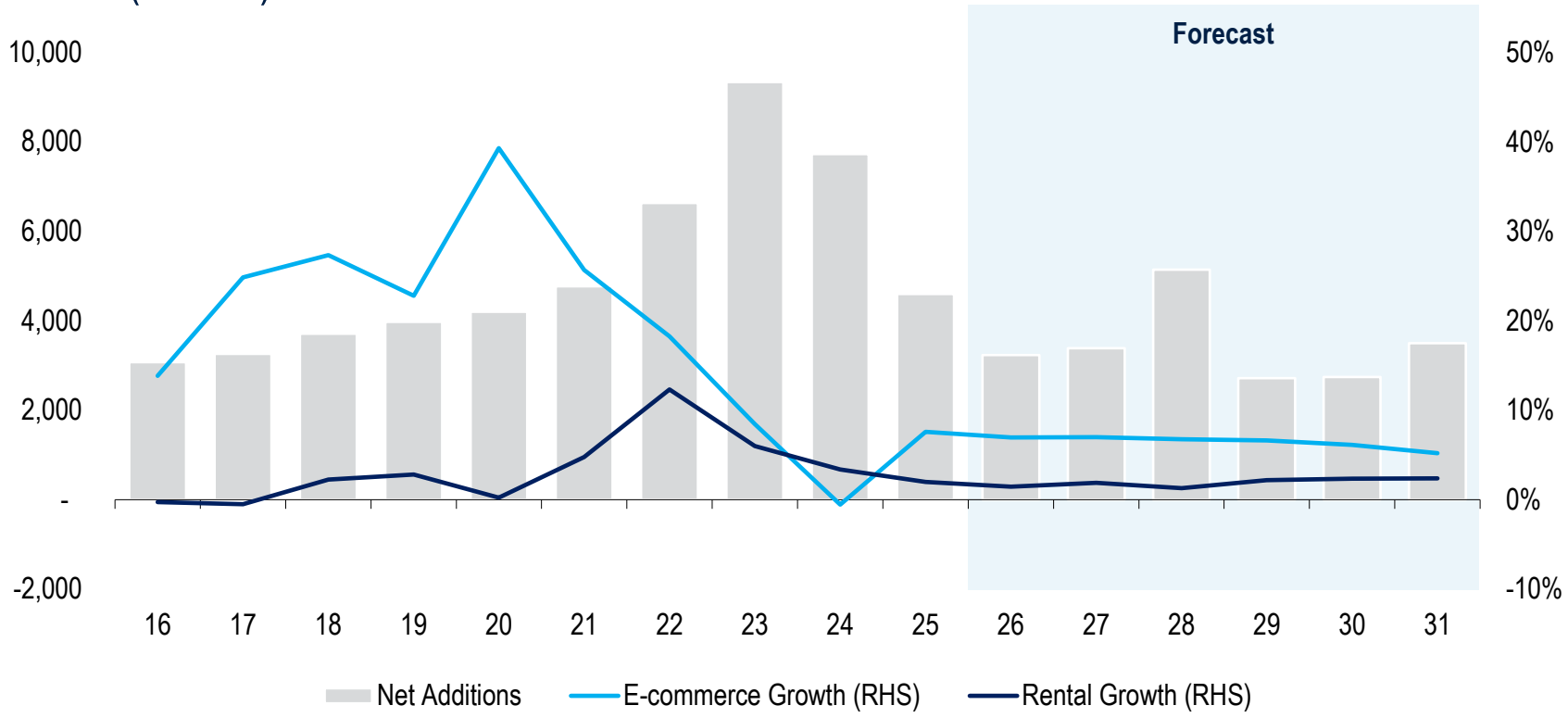
LIVING SECTOR

Living demand remains underpinned by the non-discretionary need for shelter, with affordability pressures in several markets continuing to favor rental options over home ownership.

Japan and Australia stand out as key target markets, with robust rental uplift potential given low vacancy levels, though policy risks are key watchpoints.

Modern Logistics: Sustained E-commerce Growth & Evolving Supply Chain Strategies Support Demand

Developed Asia Pacific Logistics Net Additions ('000 sqm), Rental And E-Commerce Growth (% YoY)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: EIU, JLL, PGIM. As of November 2026.

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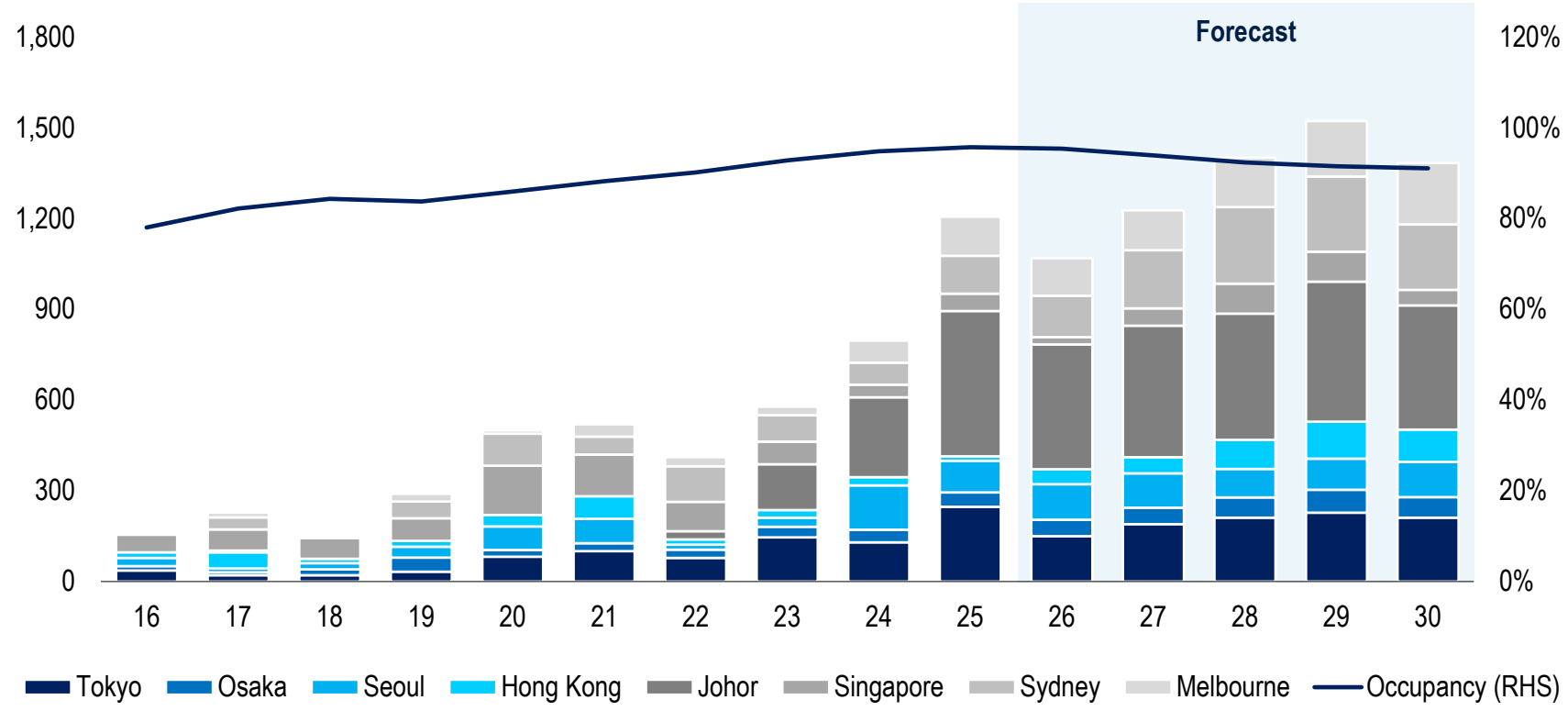
MODERN LOGISTICS

Shifting trade flows, supply chain reconfiguration and evolving inventory strategies, alongside sustained e-commerce growth, continue to support demand for modern infill logistics assets.

The supply-demand mismatch for prime modern facilities is further exacerbated by increasing automation requirements and a tapering pipeline in Japan, South Korea and Singapore.

Data Centers: Structural Demand Growth Sustained By Cloud Adoption And AI Expansion

Data Center New Supply By City (MW) and Asia Pacific (Ex-China) Occupancy (%)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: Calculations from PGIM using data from DC Byte. As of November 2026.

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DATA CENTERS

Data Centers are a structural growth opportunity, although investability is becoming more selective as varying market depth, power availability, regulation and execution capabilities shape forward returns.

Disciplined market selection and operator-led execution will increasingly determine where value accrues, as market fundamentals and development conditions diverge across the region.

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Tactical Investment Plays for 2027

HOSPITALITY

Core locations in major urban markets experiencing a spending rebound in tourism and business travelers



OFFICE

Prime office assets in established CBD locations, benefiting from continued flight-to-quality trends amid corporate consolidation and recentralization



NECESSITY RETAIL

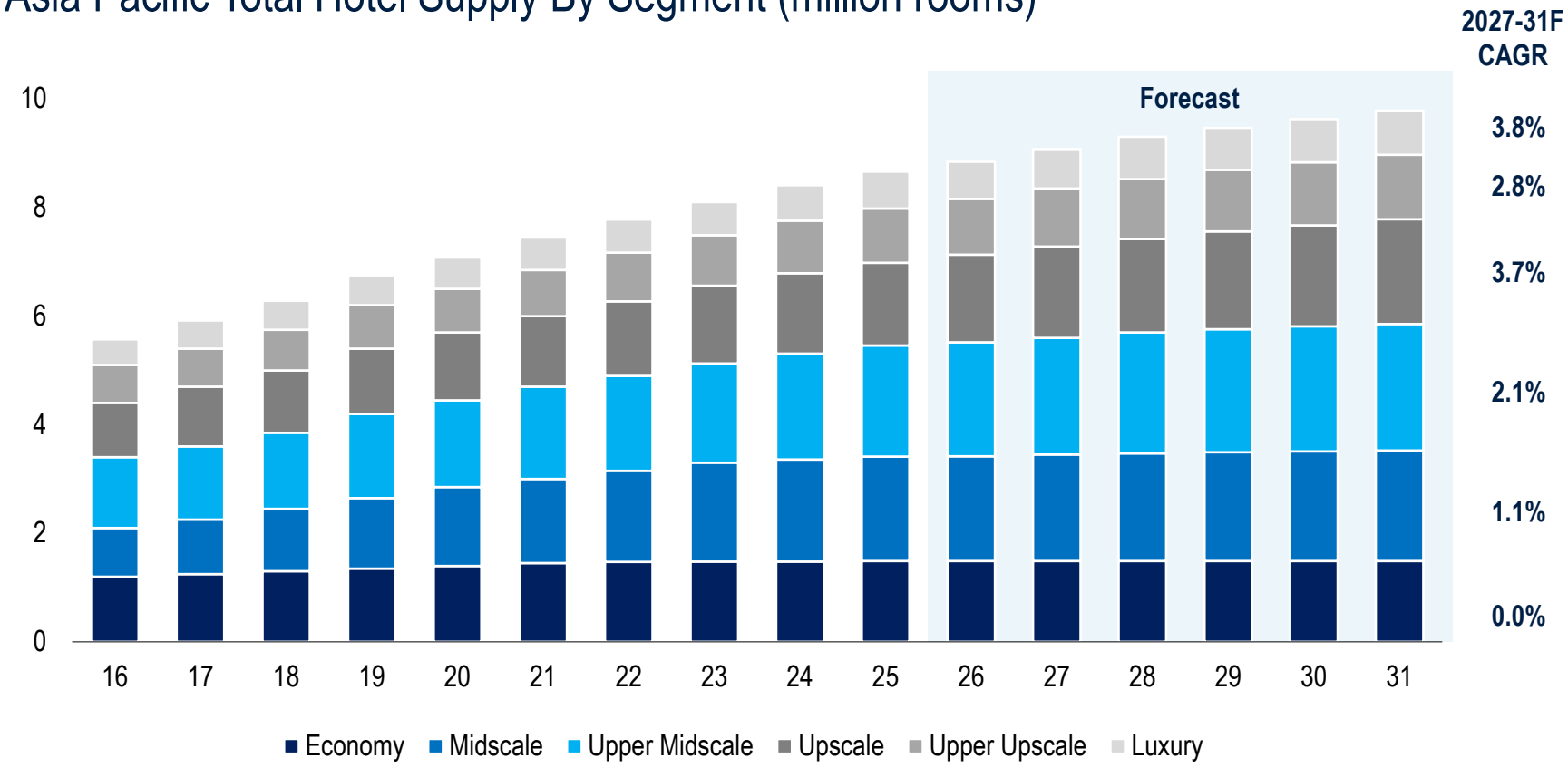
Dominant suburban malls with defined catchments and constrained pipelines, offering resilient income and sustained rental growth



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Hospitality: Constrained Supply Supports Investment Case With Value-Add Strategies Driving Upside

Asia Pacific Total Hotel Supply By Segment (million rooms)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Sources: CBRE, CoStar, PGIM. As of November 2026.

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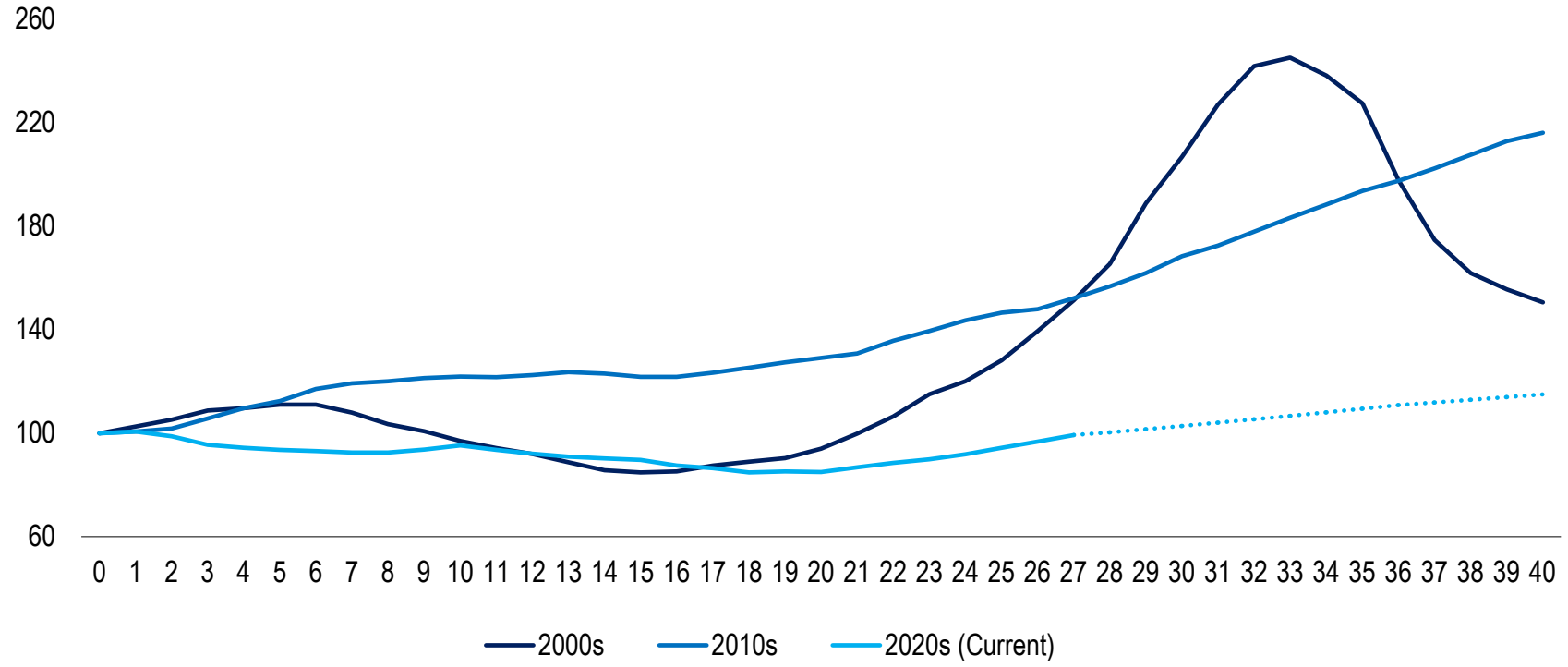
HOSPITALITY

New developments are concentrated in higher-end segments, with nearly half of the regional pipeline located in China—excluding that, supply growth is projected at a modest sub 1% p.a. over the forecast horizon.

This presents a viable investment play, though higher-alpha strategies, including conversions and rebranding, are required to bridge the return shortfalls.

CBD Office: Lagging Capital Value Recovery So Far But Further Upside Projected Through End Of Decade

Prime Office Capital Returns Index By Decade, APAC Ex-China (End Of Previous Decade = 100)



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Sources: PGIM. As of November 2026.

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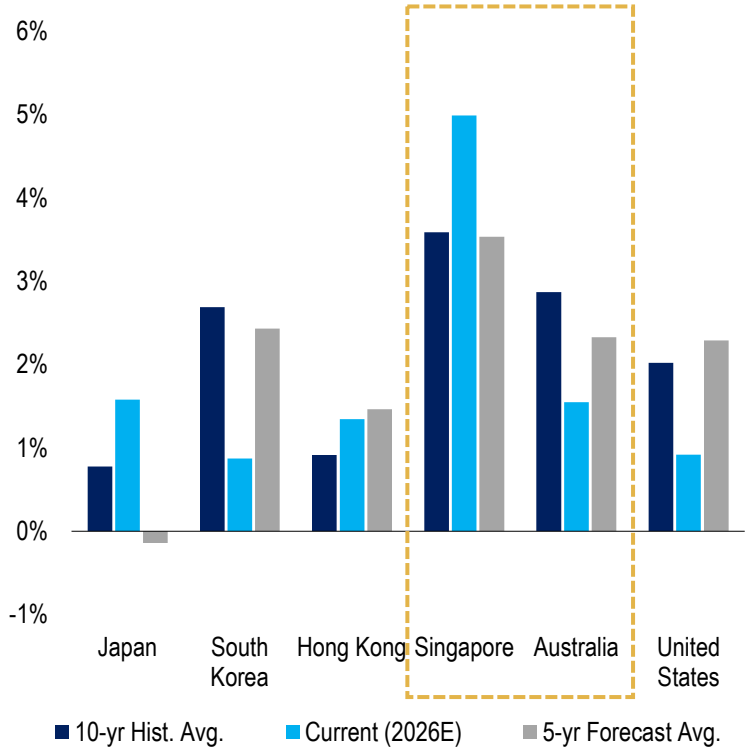
CBD OFFICE

Flight-to-quality and improving supply-demand dynamics are set to continue, positioning prime CBD offices for outperformance. Limited availability of high-quality stock is expected to drive further rental uplifts across developed markets.

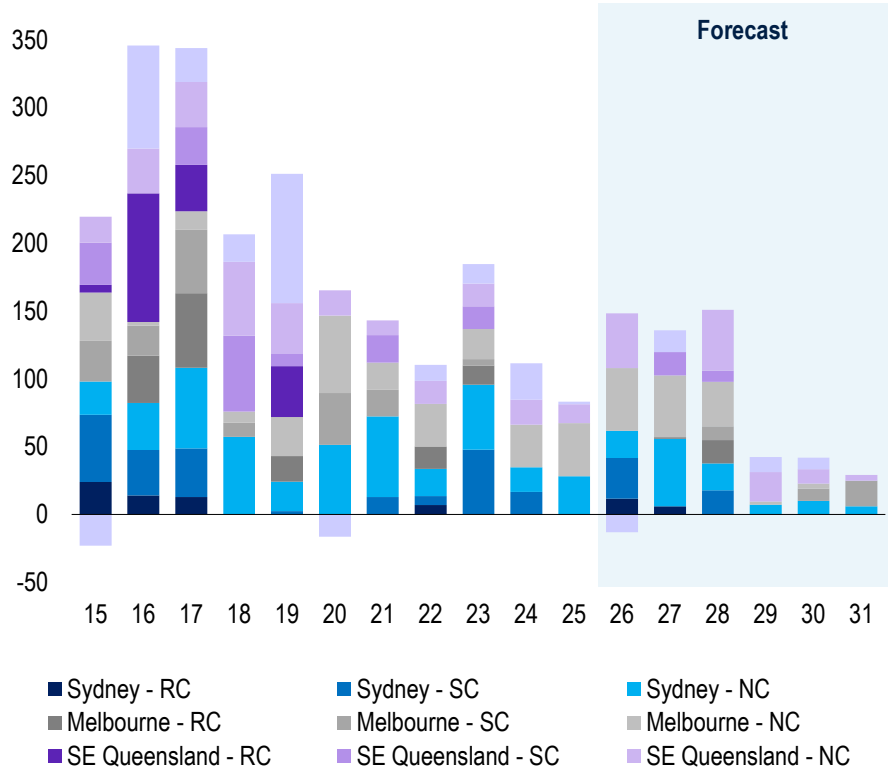
The resulting income growth will largely offset any impending negative yield shifts, underpinning sustained asset value recovery through 2030.

Necessity Retail: Resilient Domestic Consumption Underpins Occupier Demand And Steady Rental Uplifts

Real Wage Growth By Market (%)



Australia and Singapore Retail Net Additions* (000 sqm)



Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.
Note: (*) RC denotes Regional Centers, SC denotes Sub-regional Centers, and NC denotes Neighborhood Centers.
Sources: JLL, Oxford Economics, PGIM. As of November 2026.

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NECESSITY RETAIL

Robust real wage growth is set to sustain consumption, anchored by needs-based spending, particularly in Singapore and Australia.

This is further reinforced by normalizing e-commerce sales growth and shifting consumer preferences toward experiential and lifestyle spending.

Below-trend supply pipelines across dominant retail formats (i.e., regional, sub-regional and suburban malls) will continue to support the rental upcycle.


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