



2026 REAL ESTATE OUTLOOK

ASIA PACIFIC



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

ASIA PACIFIC

Real estate returns are expected to continue to improve as lower interest rates and uncertainty help the occupier recovery, which, given ongoing low development activity, feeds into rental growth.

Investor acumen will be tested as city and sector variations to the outlook remain large. Nonetheless, history suggests markets will do better than expected.

Opportunities will continue to span the needs-based living, logistics, data centers and credit markets alongside the demand recovery in hotels, retail and offices.

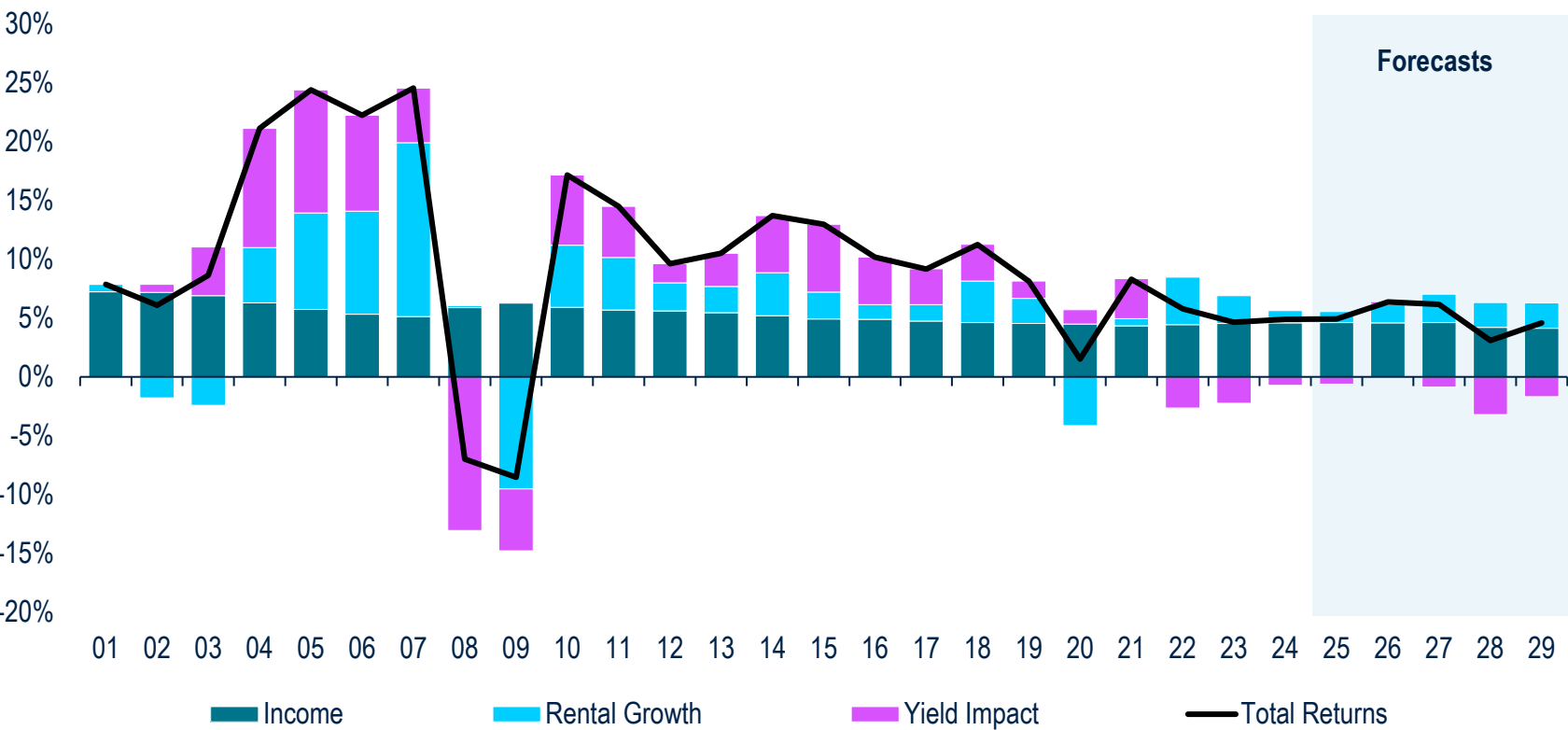
MARKET OUTLOOK

An improving regional outlook masks country level differences, which in turn give rise to opportunities that differ by city, sector, style and timing.



Asia Pacific Returns Expected to Continue Improving

All Commercial Property Unlevered Prime Market Total Return (% p.a.)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Note: Average of total returns across office, retail and logistics sectors in Australia, China, Hong Kong, Japan, Singapore and South Korea.

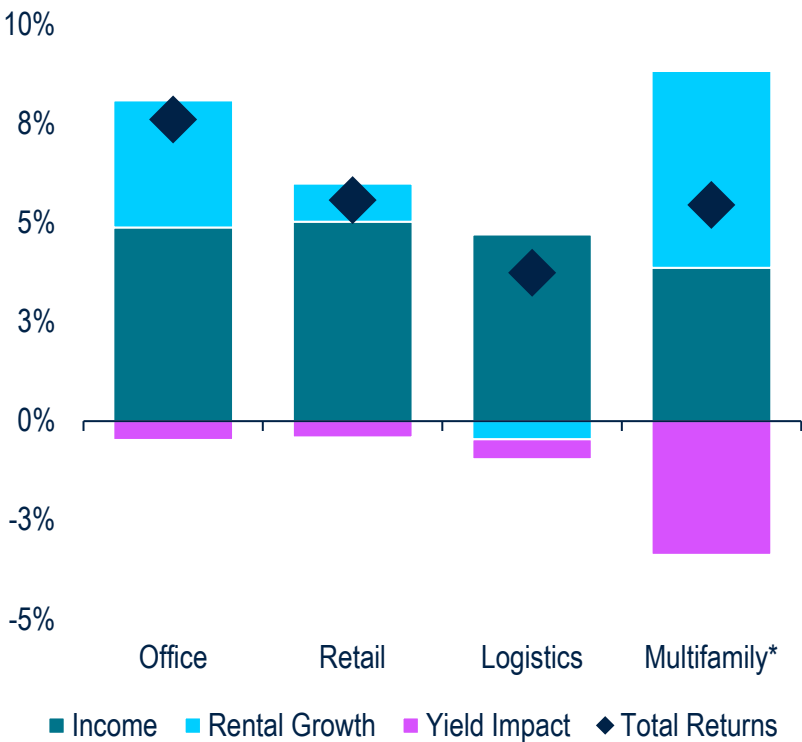
Sources: MSCI, JLL, PMA, PGIM. As of November 2025.

At least to 2027, pan-Asia Pacific prime real estate returns are set to improve as rental growth picks up and is set to remain resilient over the forecast period.

But returns will be under pressure as rising rates in Japan drag returns down through cap rate expansion.

Variations Are Greater by City Than Sector

Prime Market Unlevered Total Returns by Sector
(2025-29, Average % p.a.)

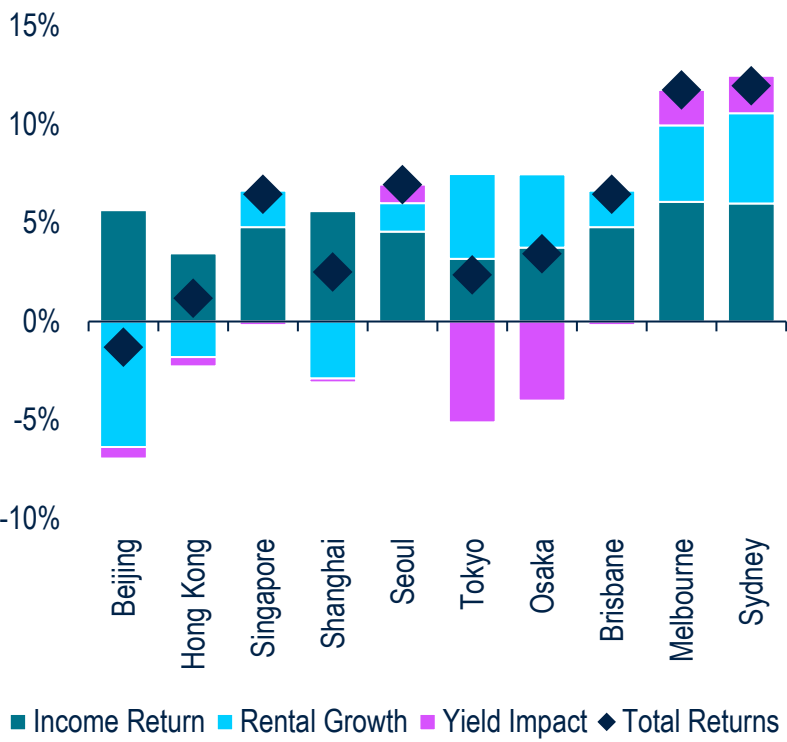


Forecasts are not guaranteed and may not be a reliable indicator of future results.

*Multifamily includes Tokyo and Osaka.

Sources: JLL, PMA, PGIM. As of November 2025.

Prime All Property Market Unlevered Return
Forecasts (2025-29, Average % p.a.)



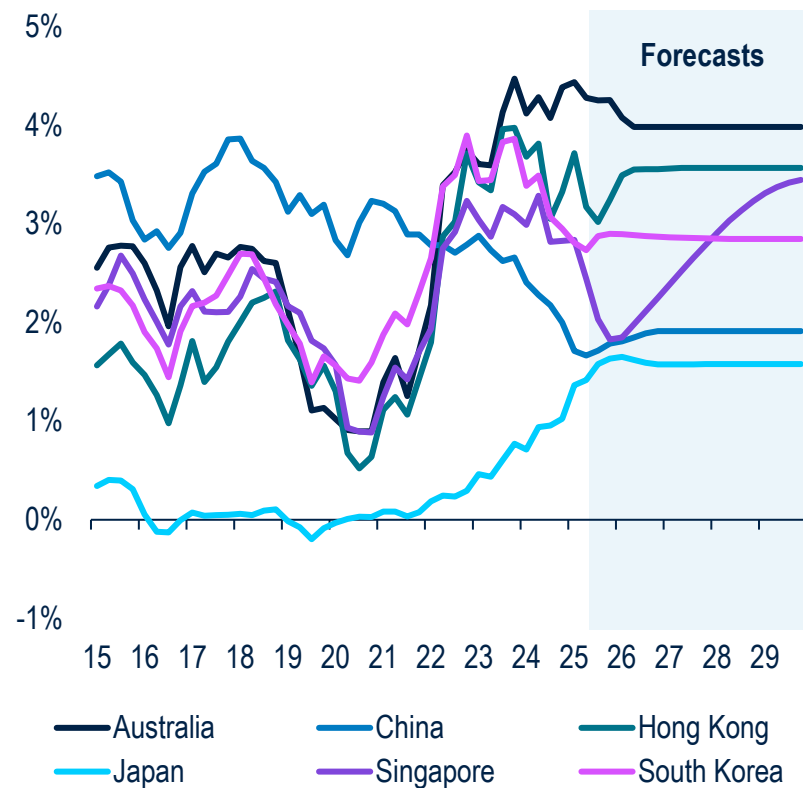
The pan-Asia Pacific returns outlook hides a lot of detail.

By sector differences are dominated by the rental growth outlook. Logistics is most at risk of downgrades from ongoing trade uncertainty.

The city variations are greater largely due to the expected late cycle recovery in China/Hong Kong and a late cycle softening in Japan as it adjusts to higher bond yields.

Differences in Interest Rates and Employment Outlook Matter

10-Year Bond Yields (% p.a.)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: Oxford Economics, JLL, PMA, PGIM. As of November 2025.

City Employment Growth Rates (% p.a.)



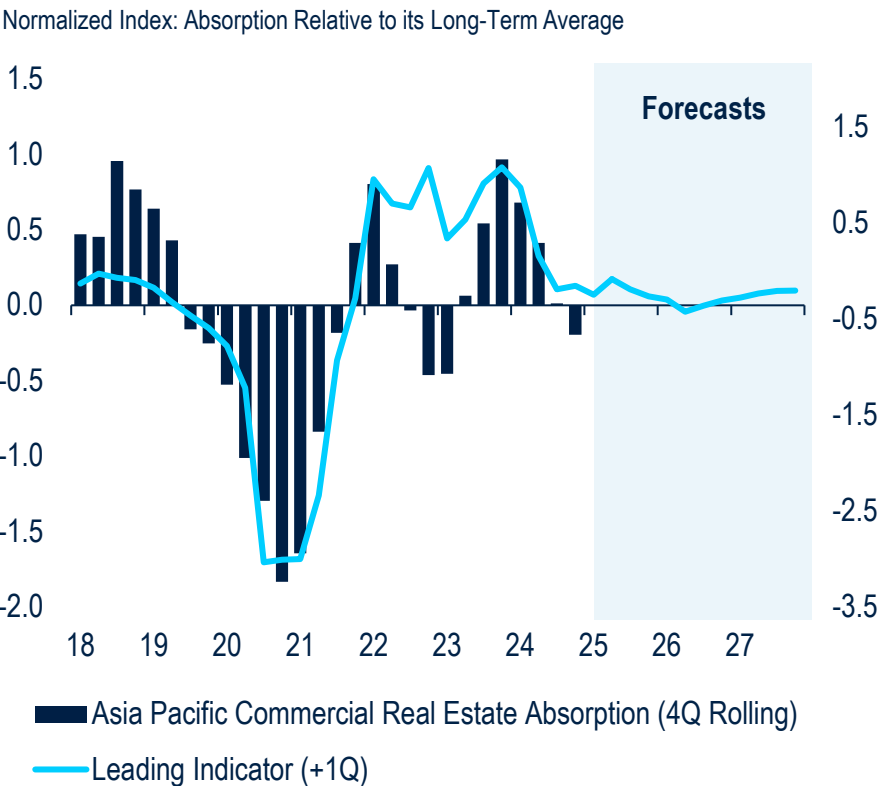
The outlook is helped by some softening in bond yields but these are still expected to remain above post-GFC levels over the forecast period.

For the occupier demand, the outlook is more mixed thanks to differential age demographic and immigration trends.

Most cities are set to see employment totals shrink. Australian cities are set to buck this trend – that will help sustain net absorption.

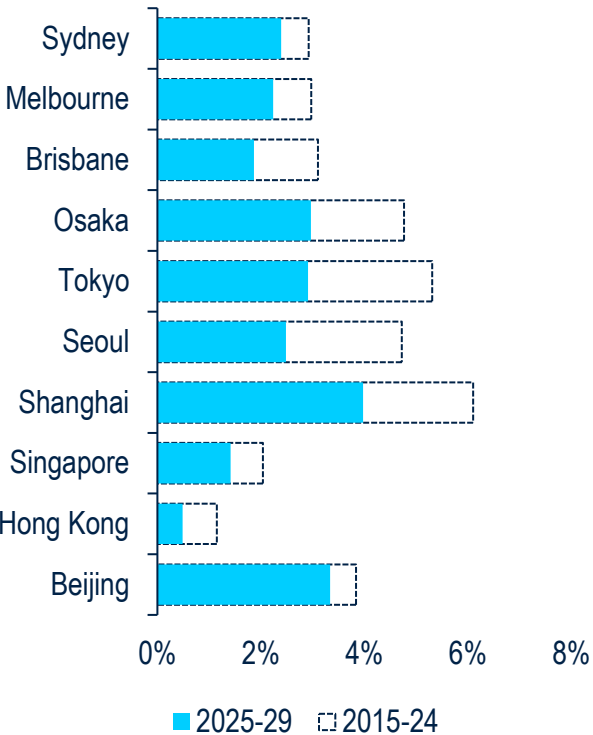
But the Expected Slow Down in Net Absorption Is Widespread

Commercial Prime Property Absorption and Leading Indicator – Excluding China (Long-Term Average = 0.0)



Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: JLL, PMA, Manpower Services, Oxford Economics, PGIM. As of November 2025.

Annual City Net Absorption – Commercial Property, Major Cities (%)



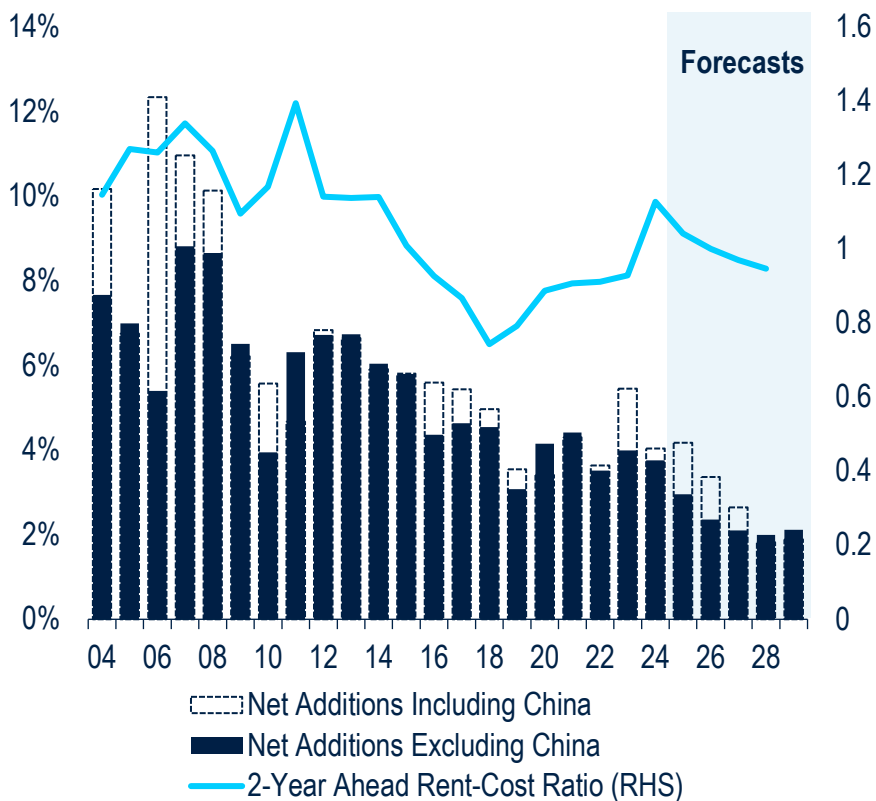
Nonetheless, across the region net absorption is trending back down to its long-term average.

For all of the major cities this points to an occupier demand that is lower than the last 10 years.

Whilst the overall weaker employment outlook plays its part, the rise of remote work, ecommerce and warehouse robotics are also hitting occupier demand for space.

With Low Supply, the Threat to Rental Growth Is Lessened

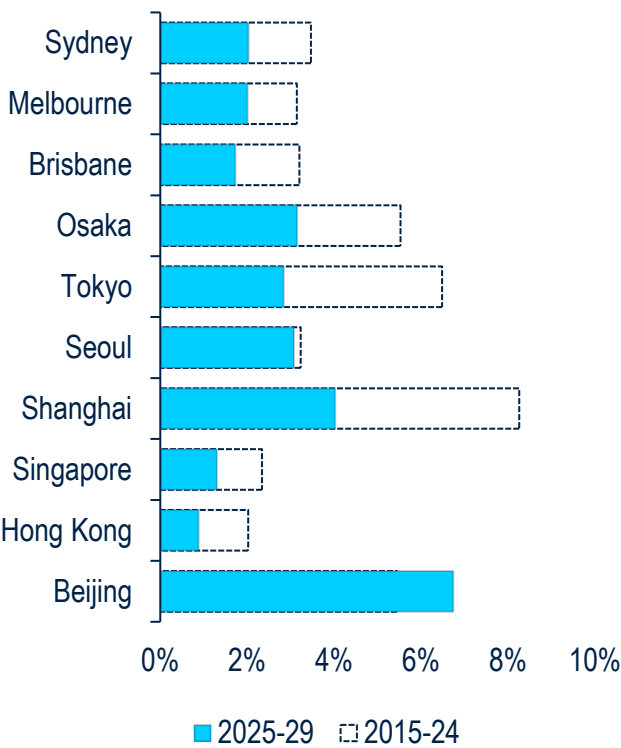
New Supply and Prime Property Rent to Construction Cost Ratio (% p.a.)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: World Bank, BLS, EIU, Oxford Economics, MSCI, JLL, PMA, PGIM. As of November 2025.

Annual City Supply Growth Commercial Property, Major Cities (%)



Despite a slow down in net absorption, the rental outlook is helped by the ongoing lack of new supply.

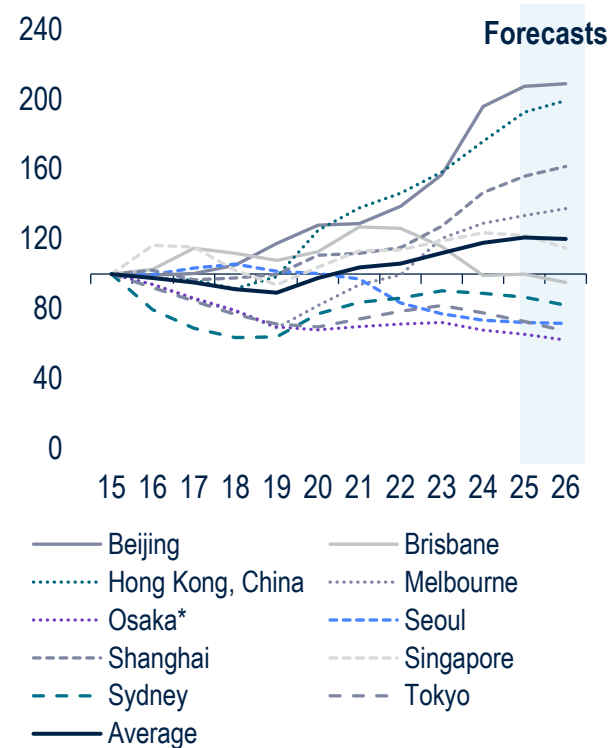
Beijing is an outlier here – largely thanks to a large logistics and retail pipeline.

If real rental growth is stronger and/or the costs of construction fall, then new supply will come to market.

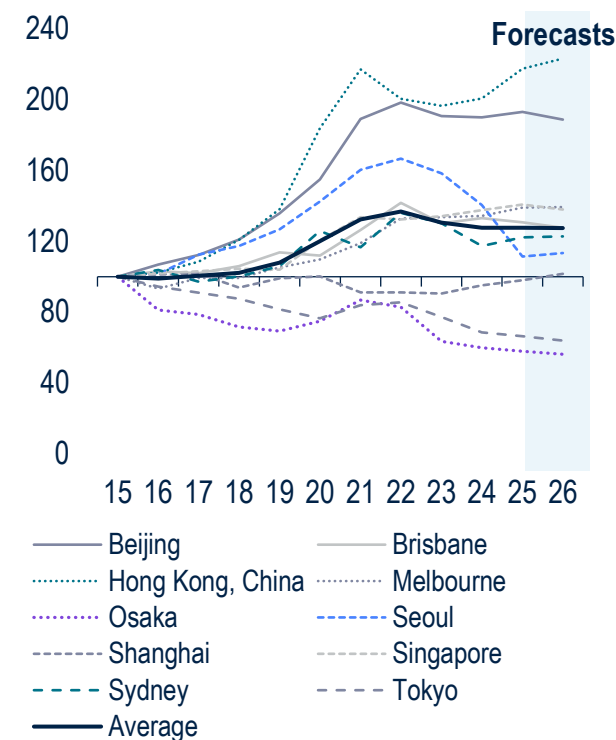
But a shrinking supply pipeline has been a characteristic across the region for the past 20 years.

The Rental Outlook Still Has a Strong Sector Feel to it

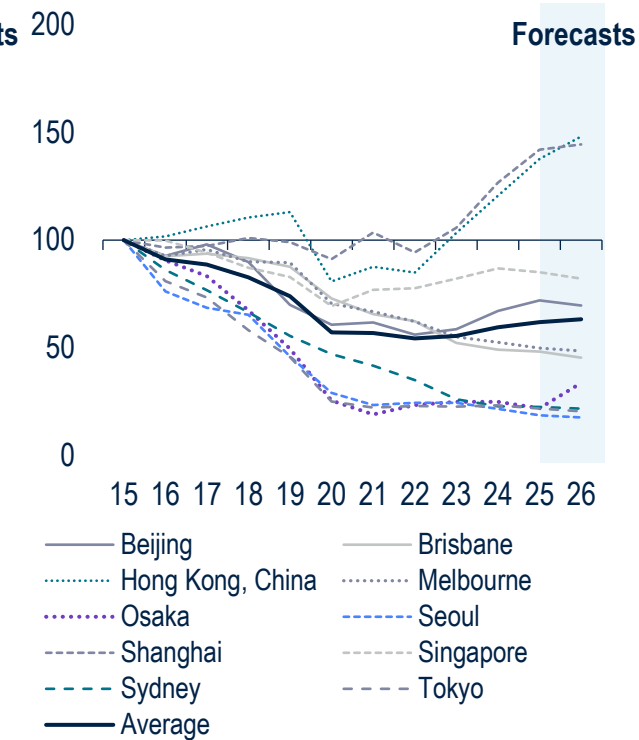
Office Occupier Affordability Ratio
(Index, Long-Term Average = 100)*



Retail Affordability Ratio
(Index, Long-Term Average = 100)*



Logistics Affordability Ratio
(Index, Long-Term Average = 100)*



Forecasts are not guaranteed and may not be a reliable indicator of future results.

*Note: Affordability indices are calculated by taking the ratio of occupier output per sq m of occupier space against rent, where output is proxied by office sector output for offices, retail sales for the retail sector and the transport and distribution output for logistics.

Sources: JLL, Oxford Economics, PGIM. As of November 2025.

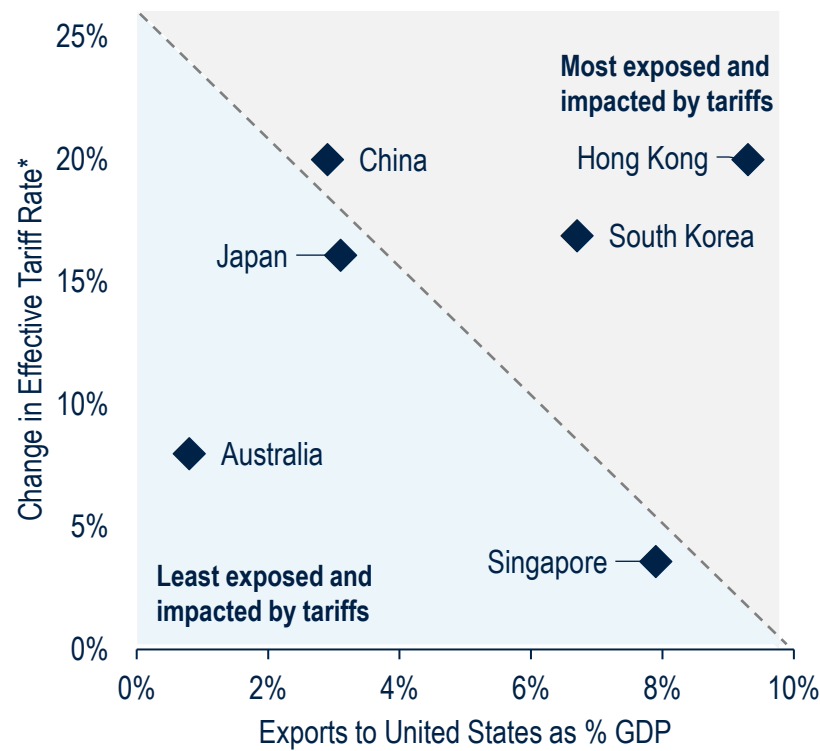
Despite the balance of net absorption and new supply, occupier ability to pay rents matters for the outlook.

Markets in which affordability is above 100 point to occupiers being able to pay higher rents, and with it better than expected rental growth.

For offices, the risks to the rental growth outlook are split across the 10 markets, whilst for retail most markets look set to report stronger than expected rent. At the same time, most logistics markets look expensive.

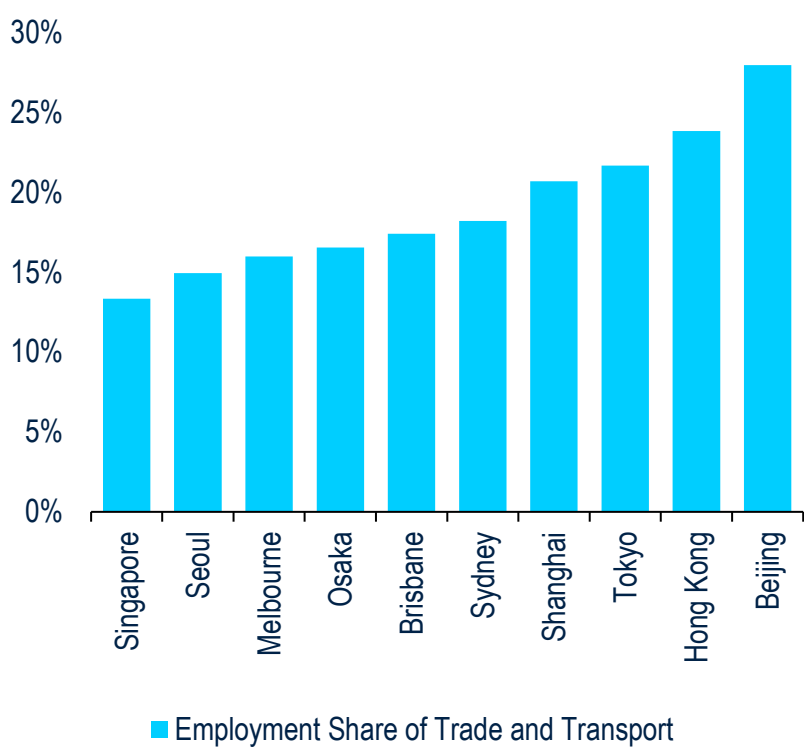
Even Then, the Tariff Risk to Logistics and to City Economies Varies

Effective Tariff Increase and Reliance on U.S. Trade (%)



Note: *Refers to the change in effective tariff rate from year-end 2024 and September 2025. Note China's exports to the United States were 19% of total exports and 3.4% of GDP in 2017.
Sources: Fitch Ratings, US Census, Oxford Economics, PGIM. As of November 2025.

City-Wide Employment Share in Wholesale & Retail Trade & Transport & Storage Industries, 2025



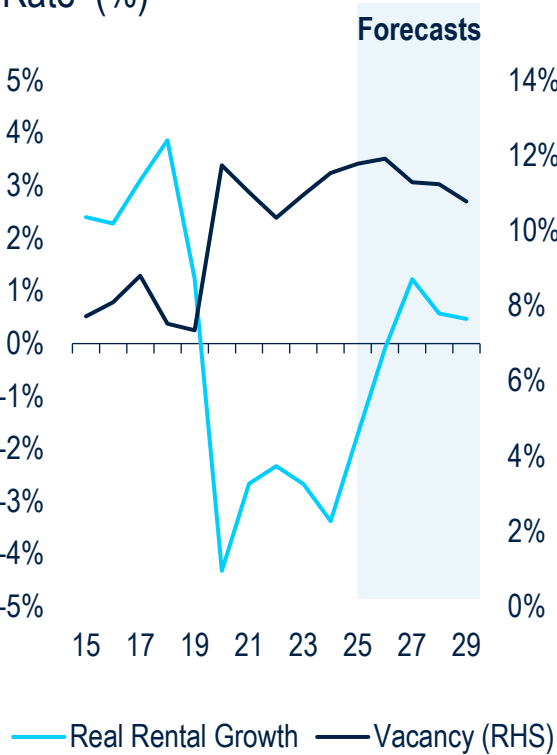
The outlook for logistics is at risk of coming in weaker than expected given the ongoing impact of the potential for future tariff announcements.

To date, rental growth forecasts have recently been revised up with the effective tariff rate coming in lower than actual and as trade, particularly China, has found new markets outside of the U.S.

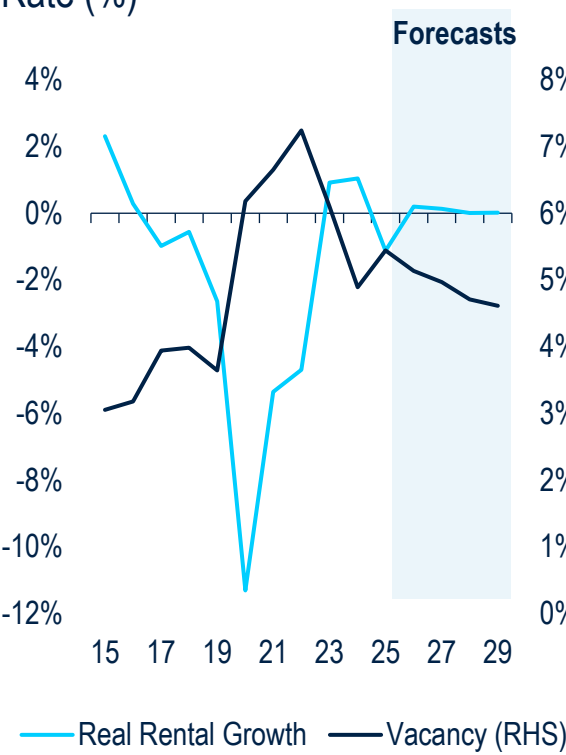
Based on current trade data and size of logistics markets, Seoul's logistics market looks most vulnerable to rental write downs followed by Hong Kong.

A Common Feature to the Outlook is the Occupier Flight To Quality

Office Prime Real Rental Growth (% p.a.) And City-Wide Vacancy Rate (%)



Retail Prime Real Rental Growth (% p.a.) And City-Wide Vacancy Rate (%)



Logistics Prime Real Rental Growth (% p.a.) And City-Wide Vacancy Rate (%)



Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: JLL, PMA, Oxford Economics, PGIM. As of November 2025.

A key theme across the occupier markets remains that of the flight to quality.

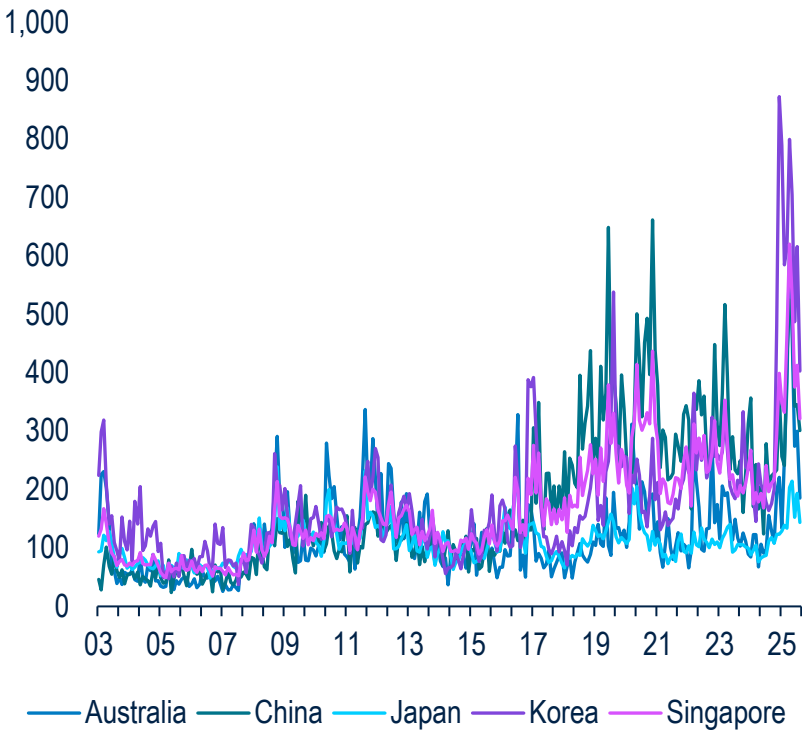
New buildings in core locations typically do better into a recovery, but as occupier demand faces structural headwinds markets face a fast rate of structural obsolescence.

This is evident in prime offices and retail where real rental growth has held up better than history dictates given city-wide vacancy rates. For logistics, this is more apparent in the forecasts, where again older stock is set to become structurally vacant.

And That the Economic Backdrop Is Improving in Most Markets

Economic Policy Uncertainty by Major Asia Country

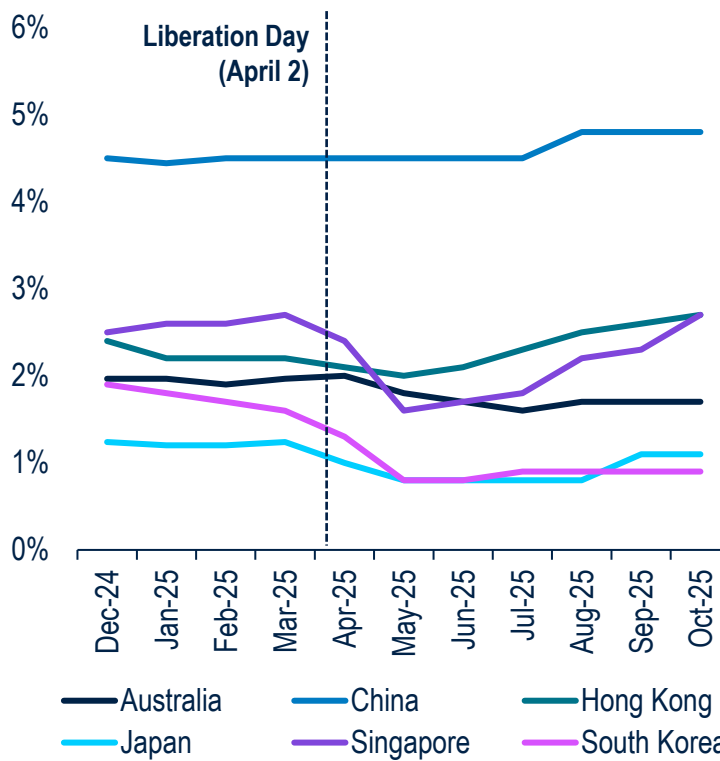
Index 2000 = 100



Note: Economic Policy Index is constructed by brining together a variety of news – both media, government and private sector reports that reflect differences in opinions gauging the outlook for key economic variables. For more information see [Economic Policy Uncertainty Index](#).

Sources: Consensus Economics, Oxford Economics, PGIM. As of November 2025.

2025 Consensus Real GDP Growth Forecasts Per Publication Month



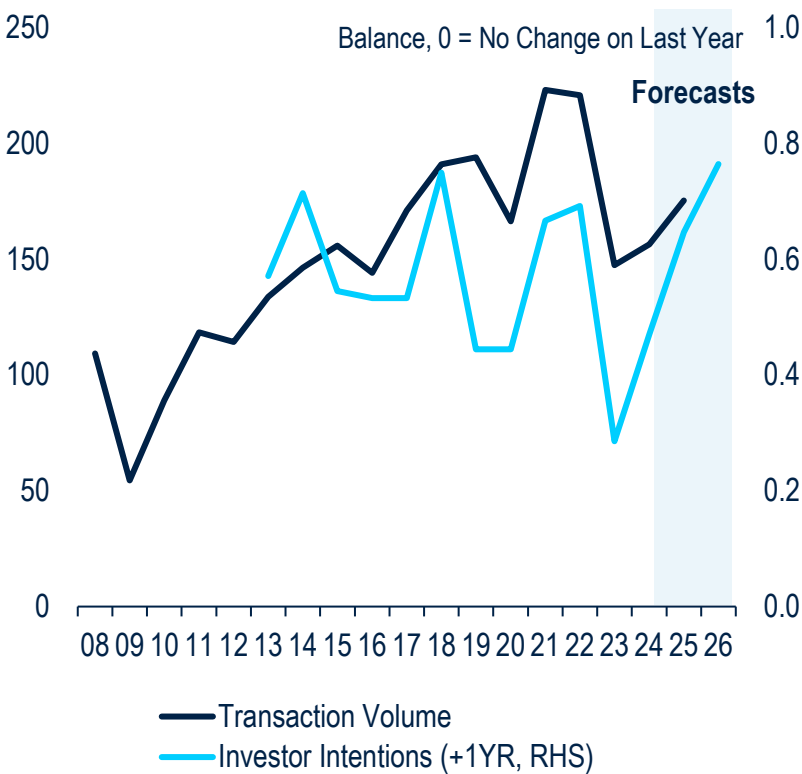
The analysis so far points to a better than expected outlook given limited supply pipelines and affordability combined with a flight to quality.

What also helps is the improving economic backdrop that has seen policy uncertainty across the region, whilst still high, fall back.

At the same time, economic forecasts for most countries have been revised up over the course of the year as the impact of trade tariffs has to date not been as bad as feared.

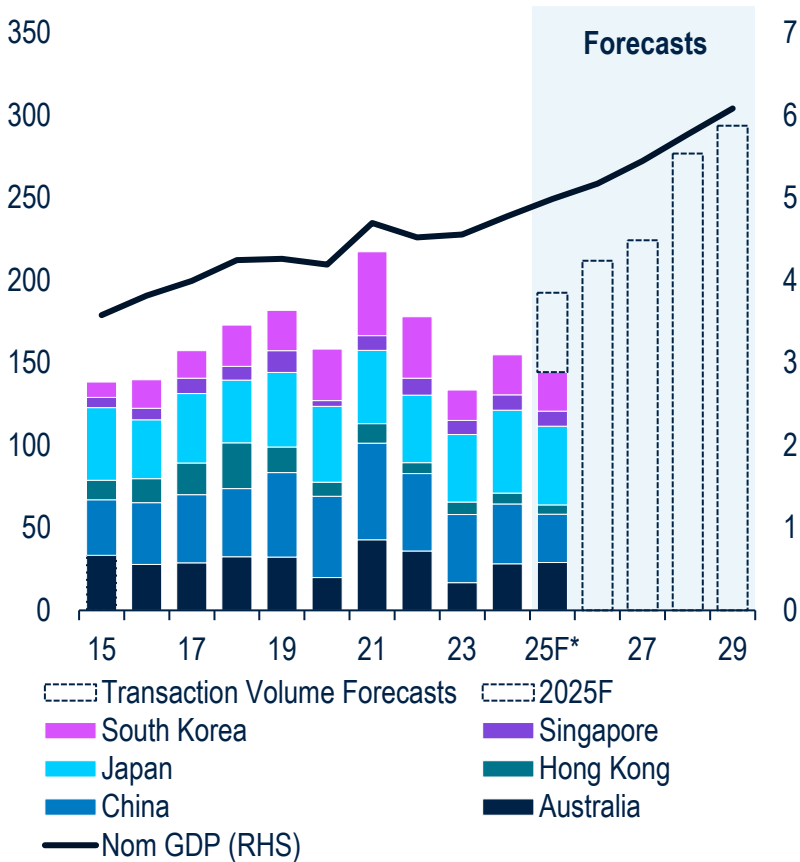
Investor Sentiment and Transaction Volume Are Improving

Transaction Volume (US\$ Billions, Annual Data, 3Q) and Investor Intentions for the Year Ahead (3Q, Index)



Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: MSCI, PMA, PGIM. As of November 2025.

Transaction Volume, (US\$ Billions) and Nominal GDP (US\$ Trillions)



In effect, investor sentiment for the year ahead has improved year-over-year since 2022 if we track 3Q data.

This has a pretty good track record as a leading indicator of transactions volume.

A simple read across from nominal GDP to transactions volume points to a steady increase in activity over the coming years.

INVESTMENT OPPORTUNITIES

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.



CORE/CORE+ STRATEGIES

Market selection will
matter in the next cycle.

VALUE-ADD STRATEGIES

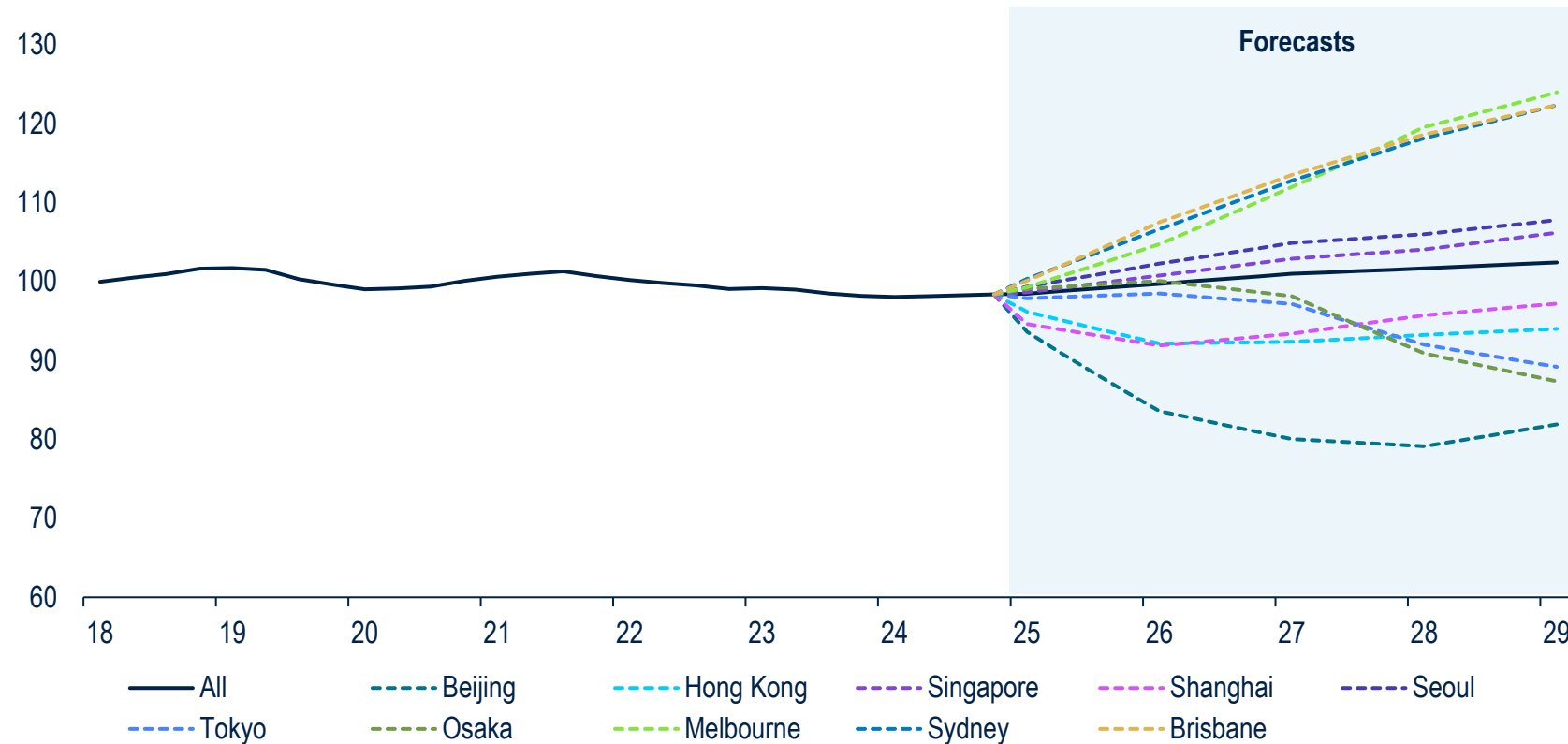
The need for capital
injections into existing
stock.

CREDIT STRATEGIES

High income yields
against improving
fundamentals.

Core/Core+ Strategies: The Importance of Market Selection

All Commercial Prime Real Capital Values by Major Investment Market (Index, 4Q18 = 100)*



Forecasts are not guaranteed and may not be a reliable indicator of future results.

*Average of prime capital values for office, retail and logistics sectors.

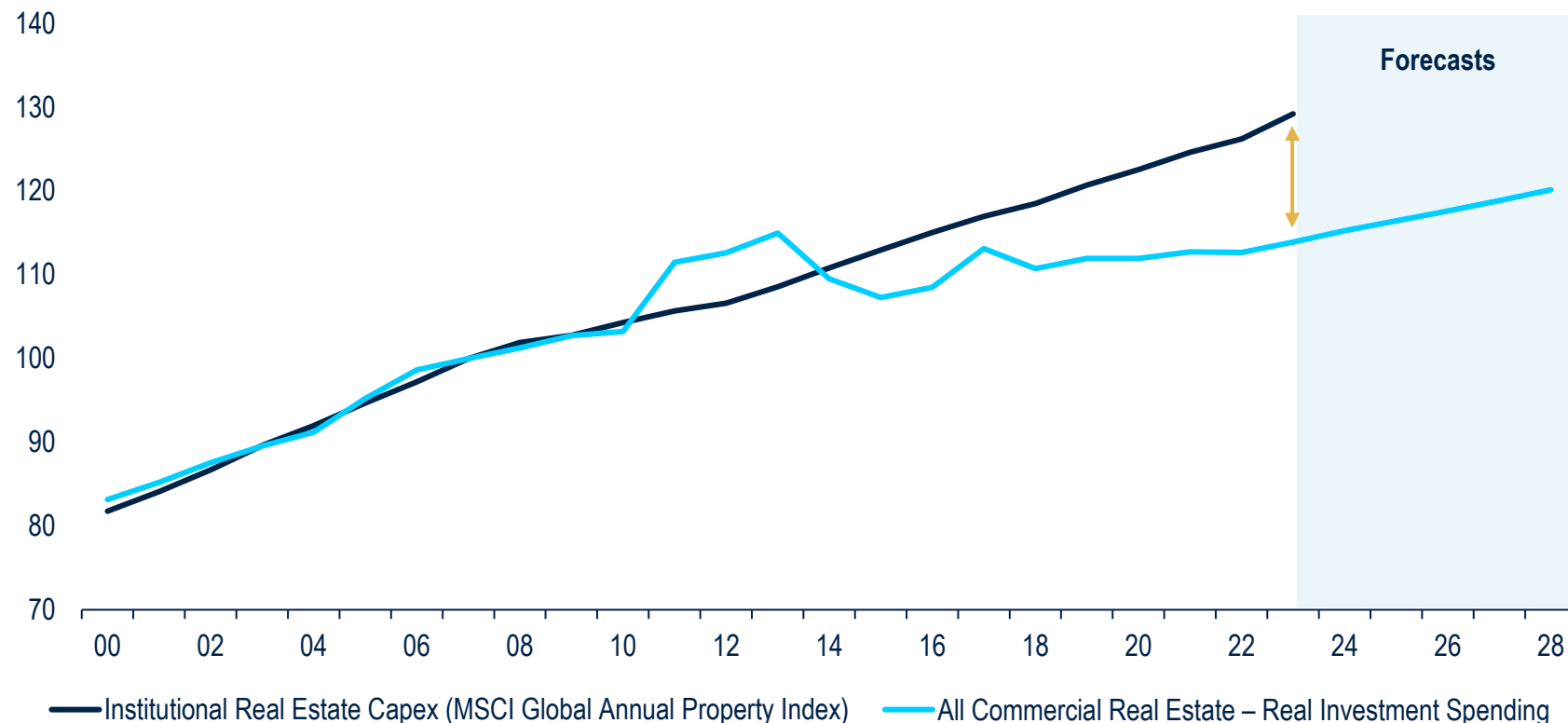
Sources: PMA, JLL, PGIM. As of November 2025.

The major investment markets do not follow a common cycle. This gives rise to a multitude of investment opportunities at any given time.

Selecting the right cities and submarkets is likely to lead to outperformance. Such market-stock selection will remain a feature as occupiers focus on chasing quality.

Value-Add Strategies: The Need for Capital Spending

Index of Asia Pacific Capex Spending (2007 = 100)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: MSCI, OECD, Oxford Economics, PGIM. As of November 2025.

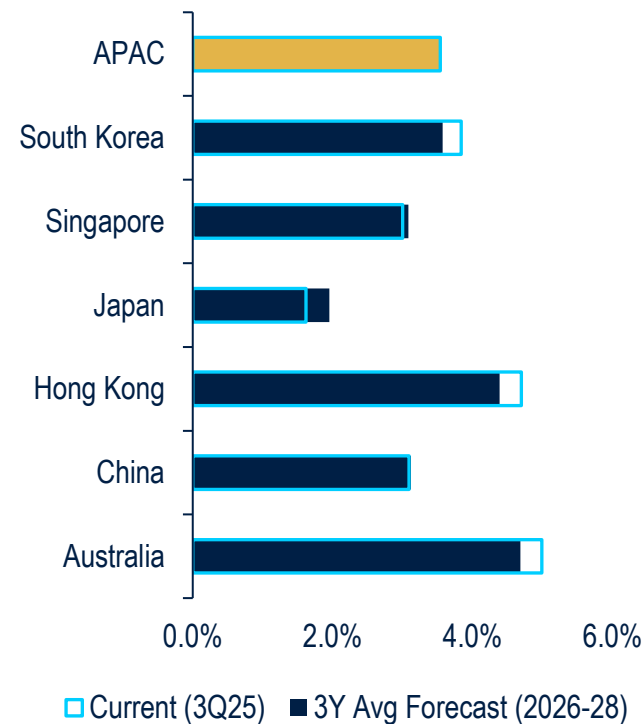
The last cycle was characterized by a relatively low pace of investment going into the built environment.

Many buildings will need fresh capital injections, especially as sustainability requirements are growing too.

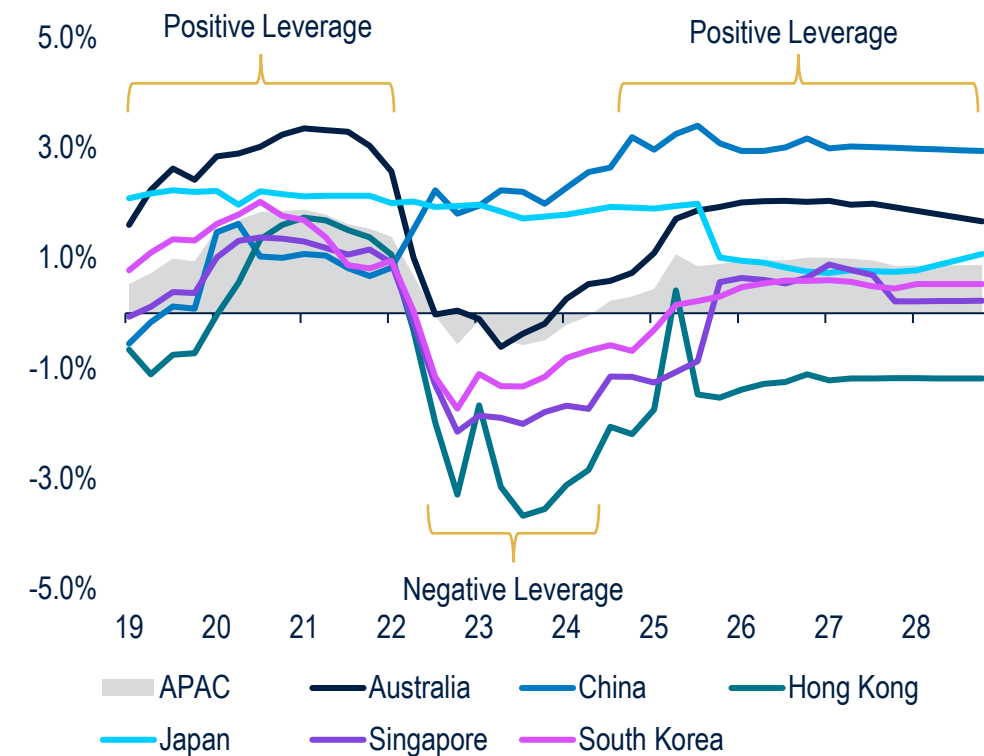
Country differences do feature, however, with Japan for instance having a history of low capital spending vs. that of Australia.

Credit Strategies: Income Resilience; Leverage Turns Positive

Senior Bank Coupon (%)



Prime Office Sector Leverage (%)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

*Note: Loan coupons refer to senior bank office loan coupons of 60% LTV. Leverage is defined as the delta between prime net initial yields and bank senior loan costs of 60% LTV.

Sources: Bloomberg, JLL, PMA, Oxford Economics. As of November 2025.

Interest rates are set to decline gradually before stabilizing at a higher equilibrium than the previous cycle, signaling income resilience for private CRE credit even as monetary policy normalizes.

The spread between senior loan coupons and prime property yields is turning favorable, creating selective opportunities.

Positive leverage is expected to gain momentum across developed Asia Pacific markets, enhancing return potential for debt-backed strategies as income returns begin to outpace borrowing costs.

Summary of Asia Pacific Investment Opportunities

		NATURE OF OPPORTUNITY	REAL ESTATE APPROACH
	LIVING	Low homeownership affordability High household growth Strong population dynamics	• Multifamily • Co-living • Student housing • Senior housing
	LOGISTICS	E-commerce growth Urban infill supply constrained “Last mile” delivery model	• Urban logistics in core locations
	DATA CENTERS	Data demand outstripping capacity Need for new development	• Colocation • Hyperscale
	CREDIT	Bank retrenchment due to stricter regulation Funding gaps Demand for flexibility prior to securing long-term financing	• Dynamic and flexible capital solutions. • Supporting assets with value-add business plans, and assets requiring major upgrades or repositioning.
	TACTICAL	Business & leisure traveler rebound Growing household incomes Office market recovery	• Urban and resort hotels in major cities • Prime high street retail • Suburban retail • High-quality CBD offices

Structural Investment Themes for 2026



1. LIVING

Needs-based real estate that meets affordability objectives, targeting growing demographic segments in preferred locations.



2. LOGISTICS

Consumer, manufacturing and logistics-driven properties; selective on size and focused on shifting global trade patterns.



3. DATA CENTERS

Ongoing favorable demand-supply dynamics due to essential digital infrastructure needs.



4. CREDIT

Bridging shortfalls in the capital stack as banks reduce participation.

Multifamily Housing: Expensive Housing

House Prices to Household Income (2024)



Sources: Oxford Economics, PMA, PGIM. As of November 2025.

LIVING



The story of expensive housing persists as a number of factors from planning, regulation, development and mortgage financing and land prices play their part.

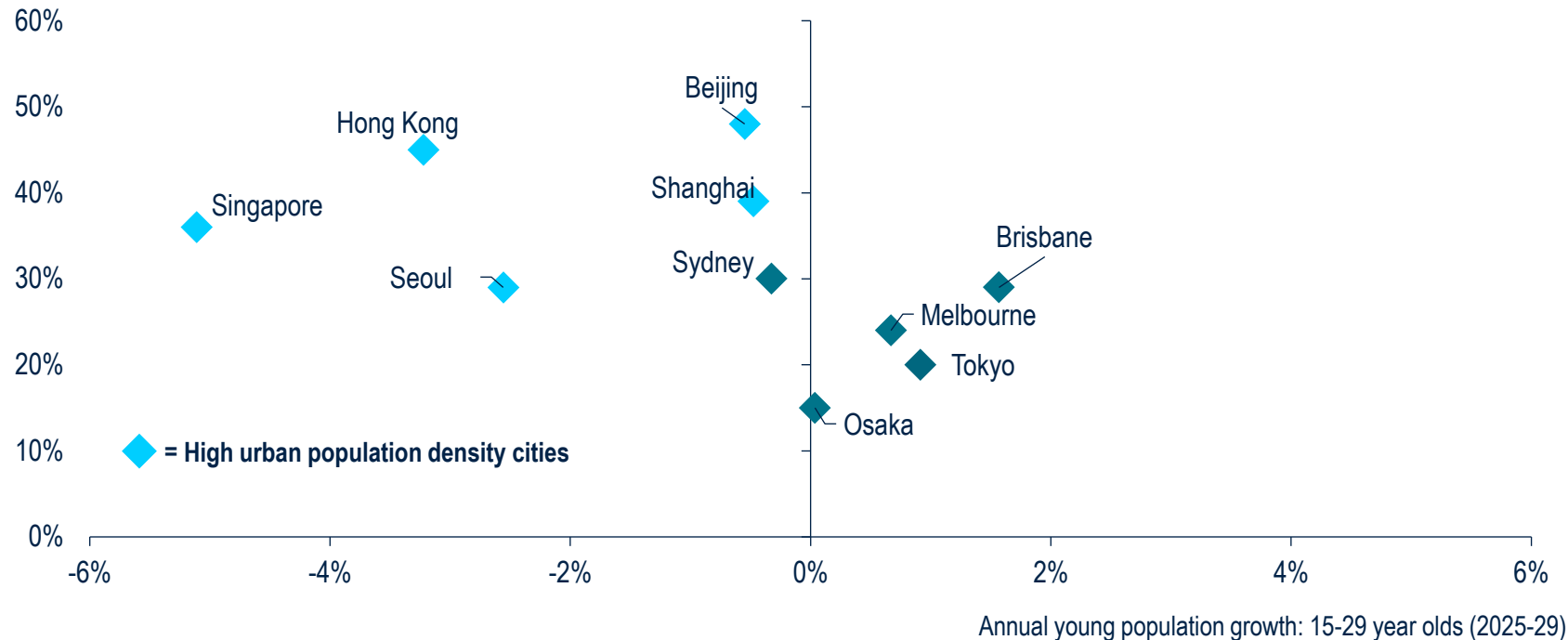
This pattern of house prices growing much faster than incomes is set to continue, stretching affordability measures.

The case for providing multifamily and single family housing looks strong in most markets.

Co-Living: Expensive/High Dense Locations With Strong Growth in Young Adults

Rent to Household Income Ratio vs. Young Population Growth (2025-29, % p.a.)

Rent to household income ratio



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: Oxford Economics, CEIC, PMA, JLL, PGIM. As of November 2025.

LIVING



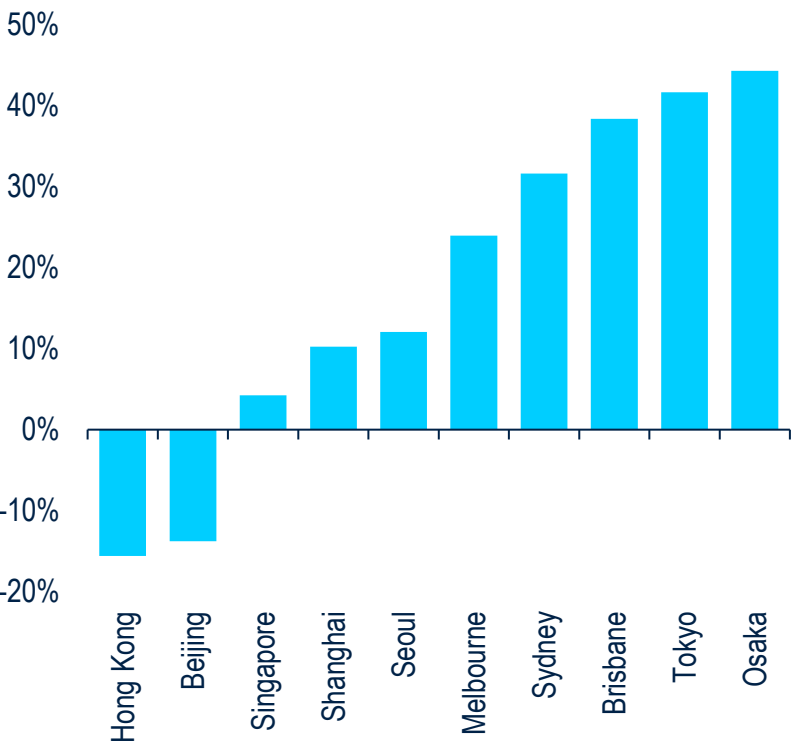
Linked to the need for shelter, residential assets traditionally offer a stable and resilient income with growth potential linked to rising household incomes.

Expensive housing markets are associated with high dense locations. These are often rich in amenities when combined with stable/fast-growing young populations.

This screens well for co-living opportunities.

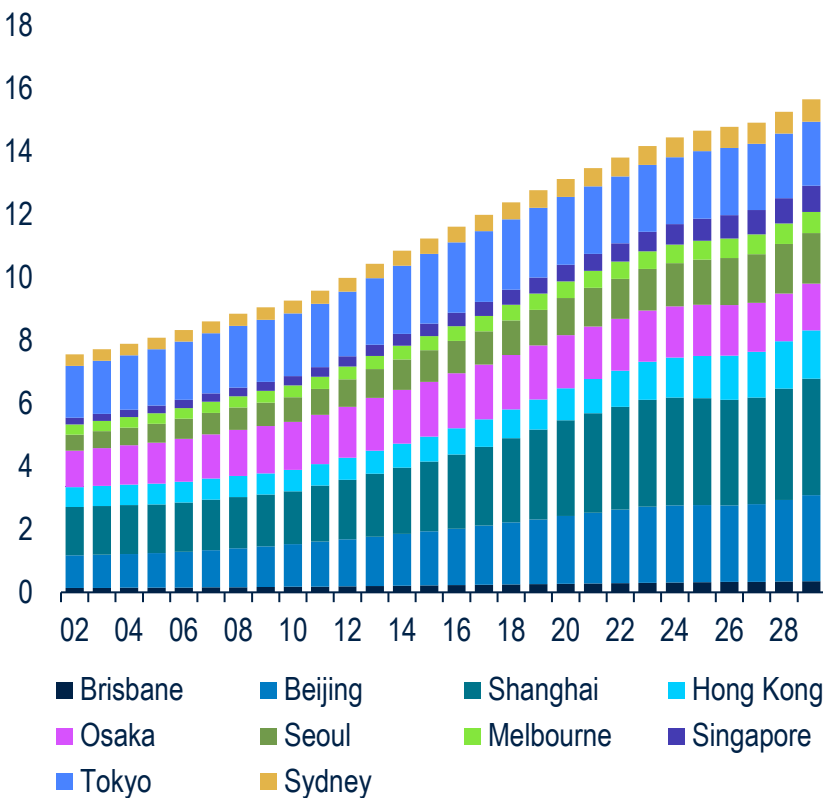
Senior Housing: Rising Household Wealth vs. a Large Rise in Over 80s Cohort

Average Nominal Housing Price (2024 vs. 2019, %)



Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: Oxford Economics, PGIM. As of November 2025.

Population of over 65+ (Million Persons)



LIVING



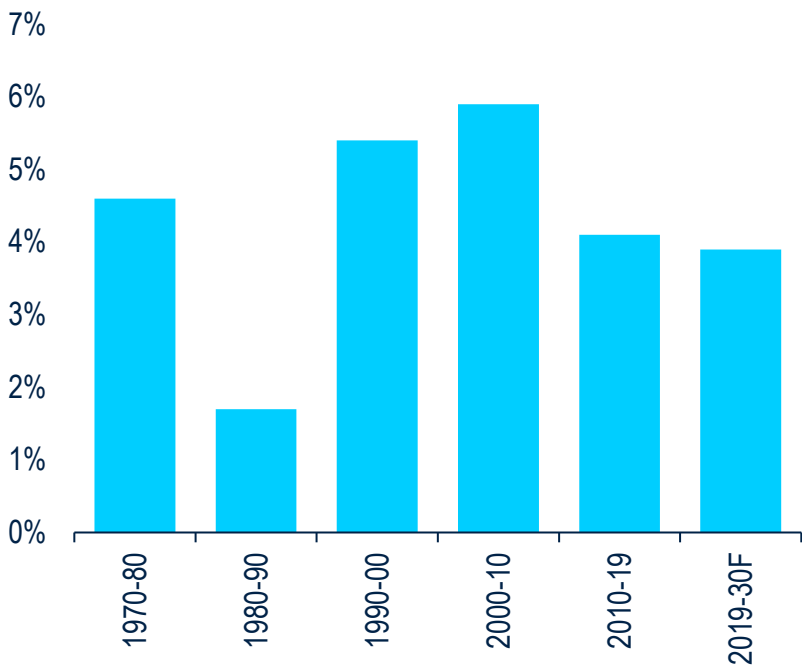
Cities with rising home prices allow older homeowners to unlock more equity from selling or downsizing their properties, thereby underpinning demand for senior housing.

Australia and Japan stand out as reporting the strongest increase in homeowner equity.

The most significant increase in the number of 65+ population over the next five years will be in Singapore, Hong Kong, Seoul, Melbourne and Brisbane.

Student Housing: Ongoing Growth in International Students

Global Growth in International Students
(% p.a. Various Periods)*



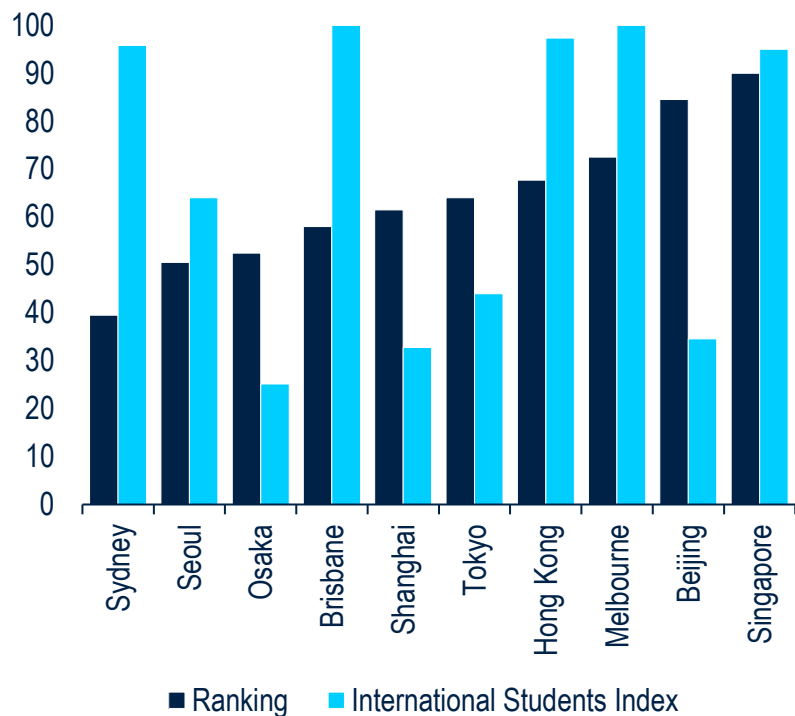
Forecasts are not guaranteed and may not be a reliable indicator of future results.

*OECD definition: International students are those who received their prior education in another country and are not residents of their current country of study. 2022 & 2023 are global estimates based off annual growth rates in top 10 international student destinations according to UNESCO & IIE.

**Averages of scores given to universities with more than 12,000 students ranked in the top 100 by QS in each city, 2025.

Sources: QS University Rankings, PGIM. As of November 2025.

City University Rankings and International Students
Scores (0 (Low) -100 (High) 2025)**



LIVING



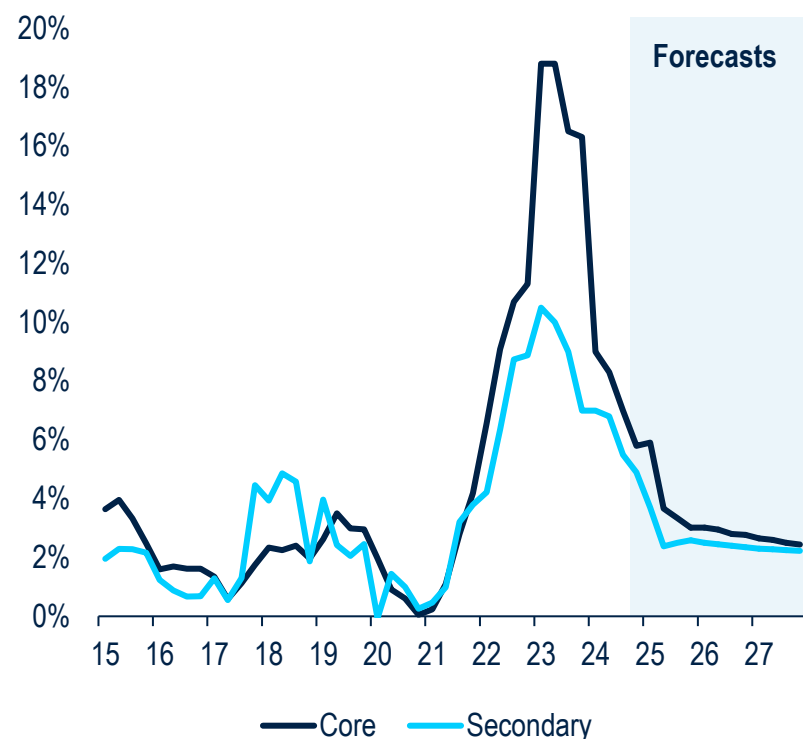
Student housing opportunities are largely focused on the international student cohort.

The global trend in international student mobility is expected to continue to grow, although countries are starting to impose tougher entry requirements or even caps, e.g. Australia.

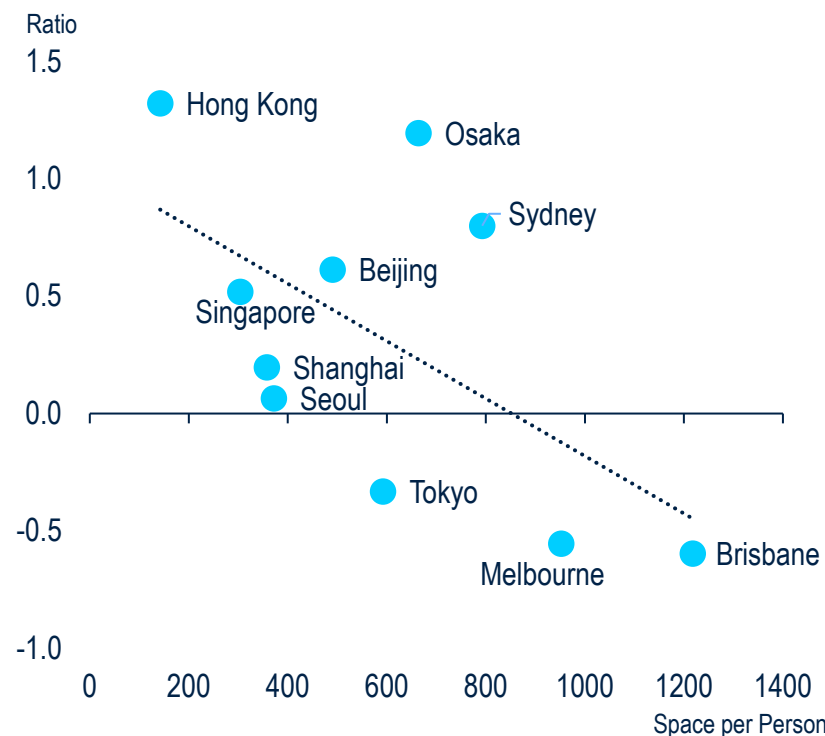
Across Asia Pacific, cities with large universities that are highly rated by international students, screen well for potential student housing.

Logistics: Ongoing Strength in Urban Markets

Logistics Rental Growth: Core and Secondary Markets (% p.a.)



Logistics Real Rent: Trade-Related GDP Ratio vs. Urban Floorspace Density (Average, 2015-25)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: JLL, PMA, Global Human Settlement, PGIM. As of November 2025.

LOGISTICS



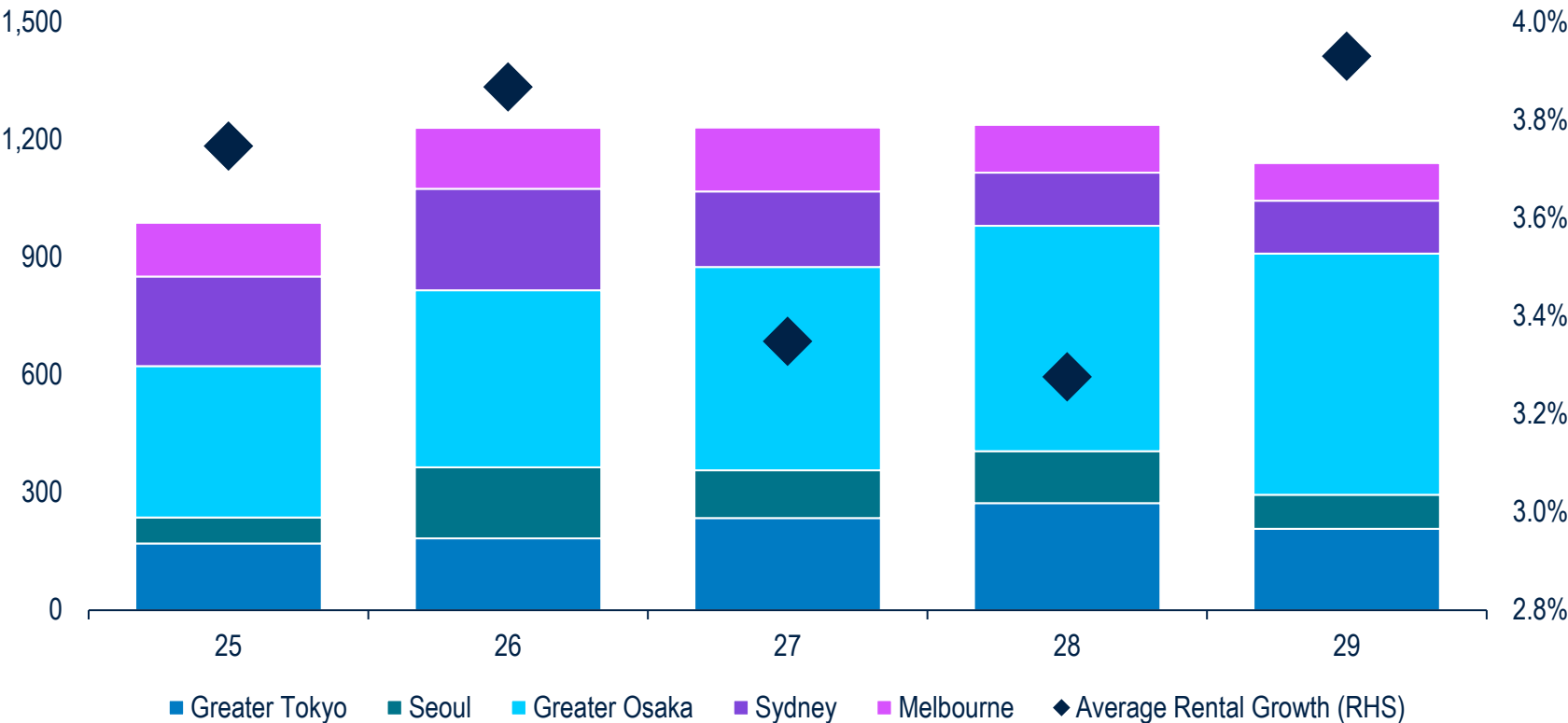
The case for logistics remains stronger in core/urban logistics formats – meeting the needs for shorter delivery times off the back of ongoing growth in online trade.

Still, rental growth rates are slowing, and risks to further weakness have risen.

Opportunities look more compelling once trade-related GDP growth picks up in higher dense locations, where the competition for land tends to result in a much closer pass-through from GDP to rents.

Data Centers: Strong Demand Continues to Meet Supply Limitations

Data Center Supply (MW) and Average Rental Growth (2025-29, % p.a.)



Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: DC Byte, PGIM. As of November 2025.

DATA CENTERS



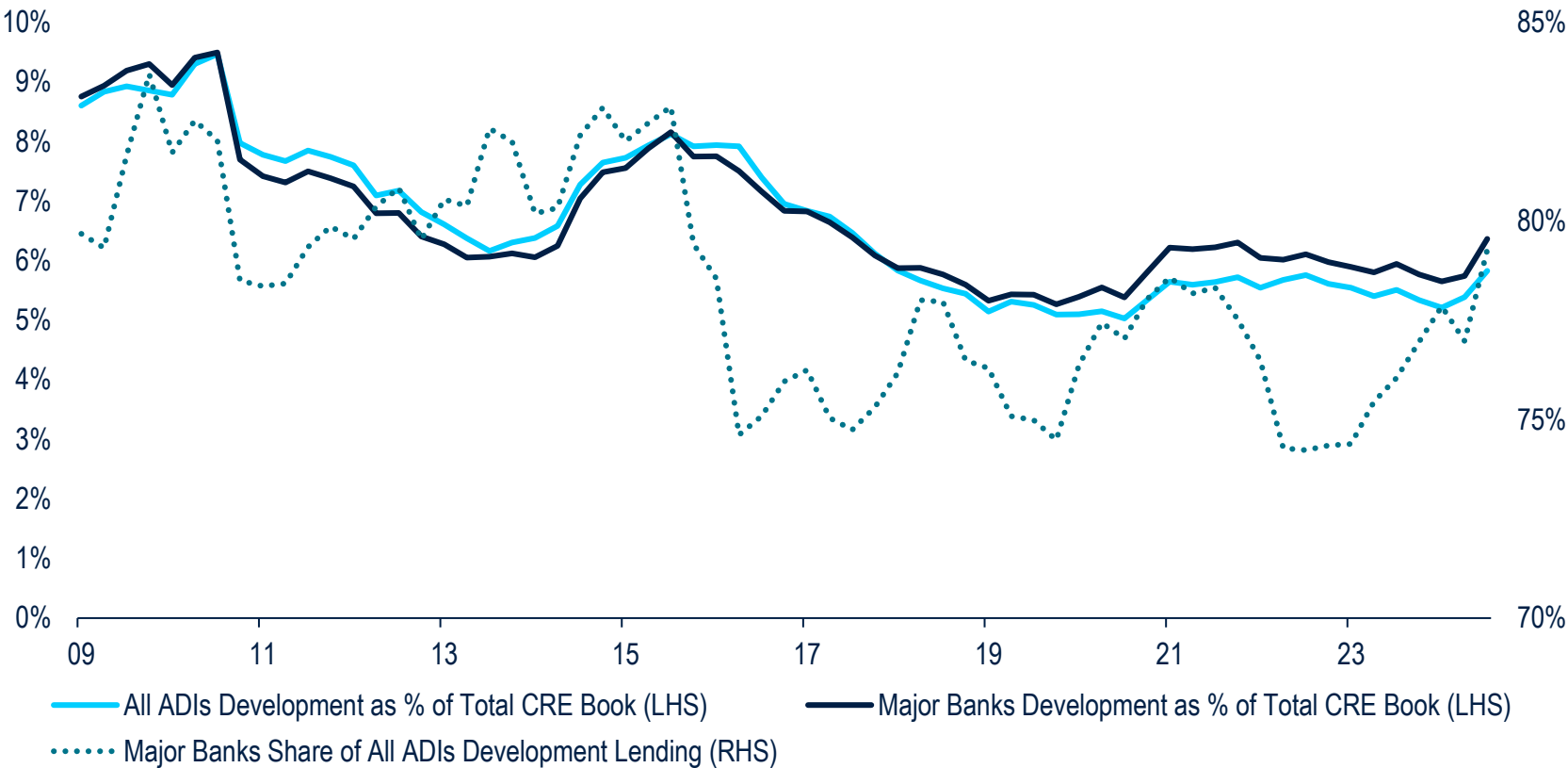
Data centers rental growth is set to persist as supply continues to struggle.

Challenges on new supply will continue as access to power becomes more constrained.

The risk that supply will continue to lag market demand remains high – for both colocation and hyperscale. It remains that rental growth forecasts will likely be revised upwards.

Development Financing: Declining Bank Participation

Development Lending as % of Total CRE Book (%) and Major Banks Development Share* (%)



*Note: Data refers to Australian exposure limits.
Sources: APRA, PGIM. As of November 2025.

CREDIT



Regulatory pressures and risk-weighted capital constraints have reduced bank appetite for development loans.

Despite the recent uptick, Australia's four major banks continue to reduce their share of authorized-deposit taking institutions (ADIs) development lending.

All ADIs, major banks and others, continue to step back from this area with development lending as a % of total CRE book falling over time, opening space for non-bank lenders to step in with bespoke financing solutions, which may offer favorable risk-adjusted returns.

Tactical Investment Plays



1. HOTEL

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



2. RETAIL

Suburban retail offering resilient and recovering income growth.



3. OFFICE

Core modern CBD offices, as flight to quality prevails in recovering markets.

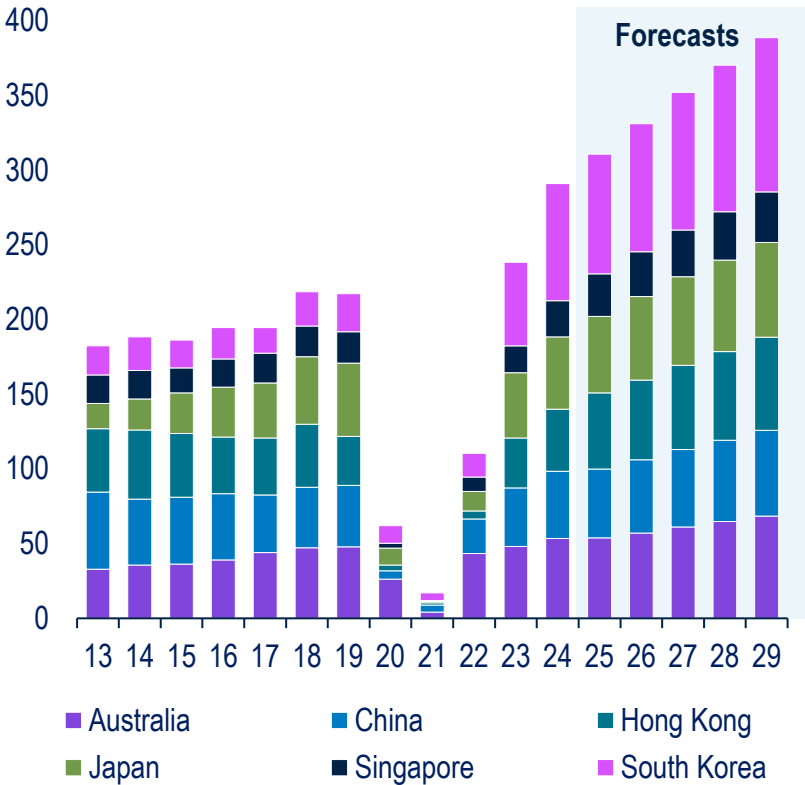


4. GAP FINANCING

Filling the gap between equity and senior debt.

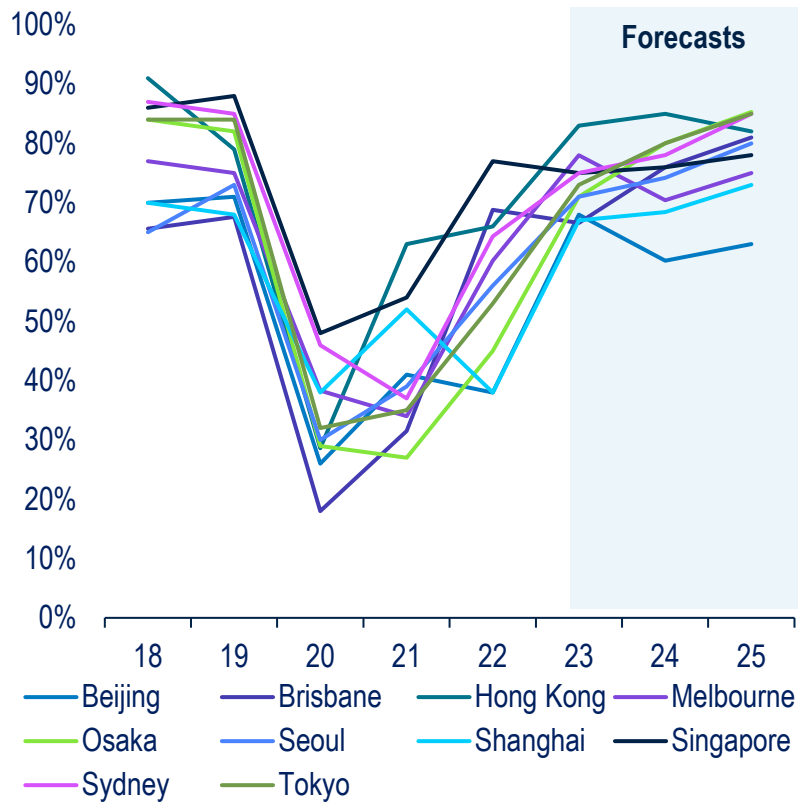
Hotels: Tourism Spending Expected to Continue to Feed Into Rising Occupancy

International Tourism Spending (US\$ Billions)



Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: EIU, Savills, CBRE, STR, JLL, Knight Frank, PGIM. As of November 2025.

Hotel Occupancy Rates, Major Cities (%)



HOTEL



The cyclical rebound in international tourism has fed into a strong recovery in spending, particularly in South Korea, where a global surge in Korean culture is expected to persist.

With limited new supply coming to market, occupancies are expected to be near or above pre-COVID levels this year.

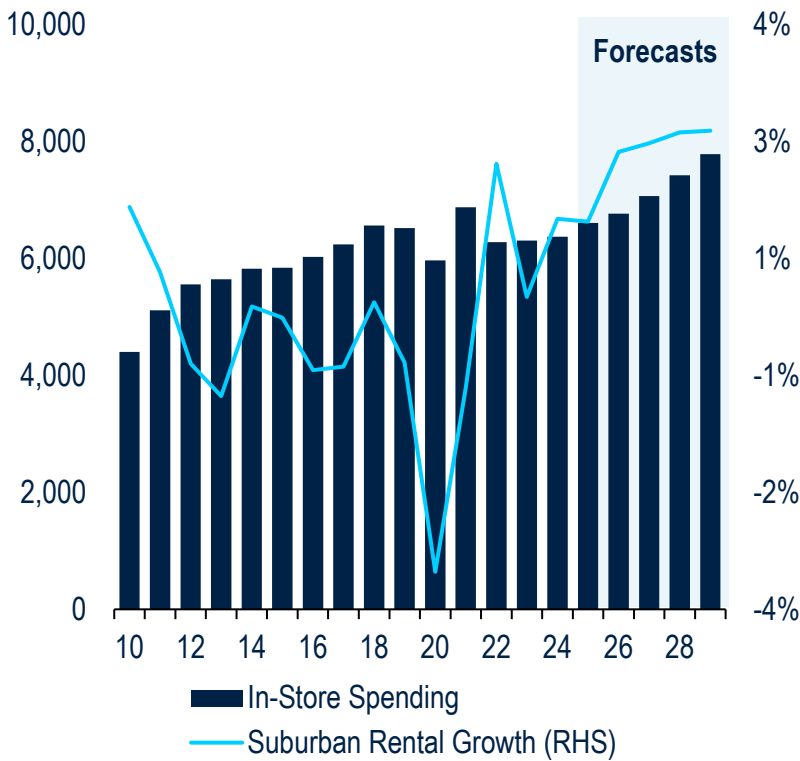
Given supply pipelines, occupancies are set to continue to rise into 2027 for Brisbane, Osaka, Seoul, Sydney and Tokyo.

Retail: Resilient and Recovering Income Growth



RETAIL

Retail In-Store Spending (Nominal US \$Billions) and Suburban Retail Rental Growth (% p.a.)*

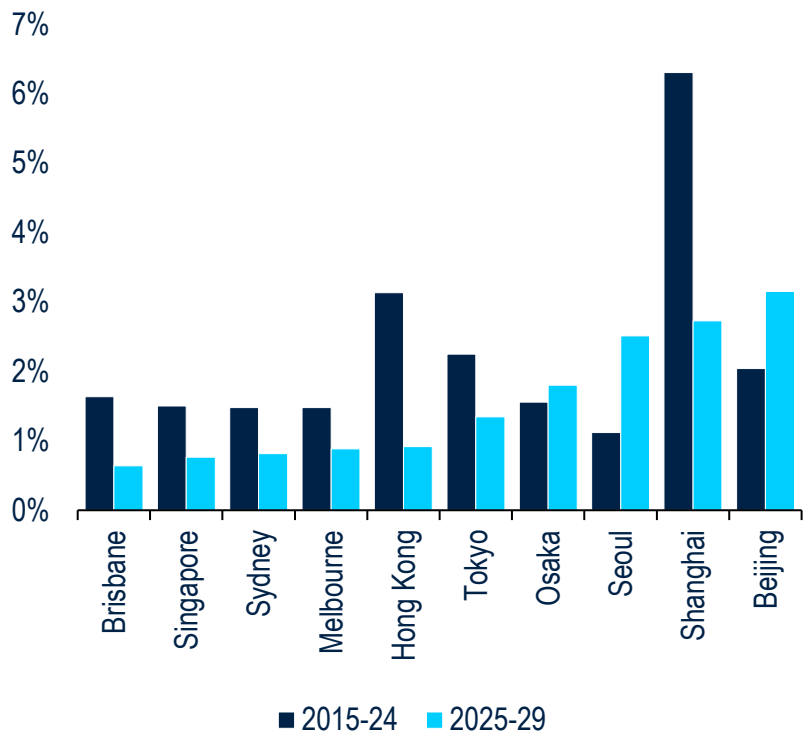


Forecasts are not guaranteed and may not be a reliable indicator of future results.

*Note: For Sydney, Melbourne, Brisbane and Singapore.

Sources: Oxford Economics, JLL, PMA, PGIM. As of November 2025.

Net Additions to All Retail Stock (% p.a.)



In-store spending growth has started to grow alongside rental growth in suburban retail. This is despite ongoing growth in online retail.

This is creating a more positive environment for physical retailers.

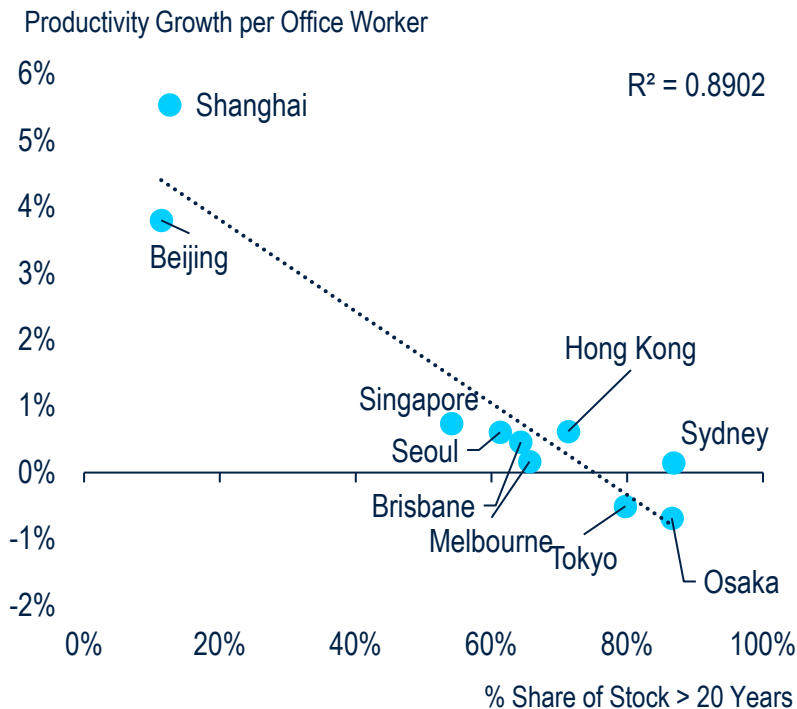
Combined with what is, for most cities, a still weak retail development pipeline, suburban retail rental growth is expected to post its strongest rate in over 15 years.

Office: Modernization Play and Flight to Quality

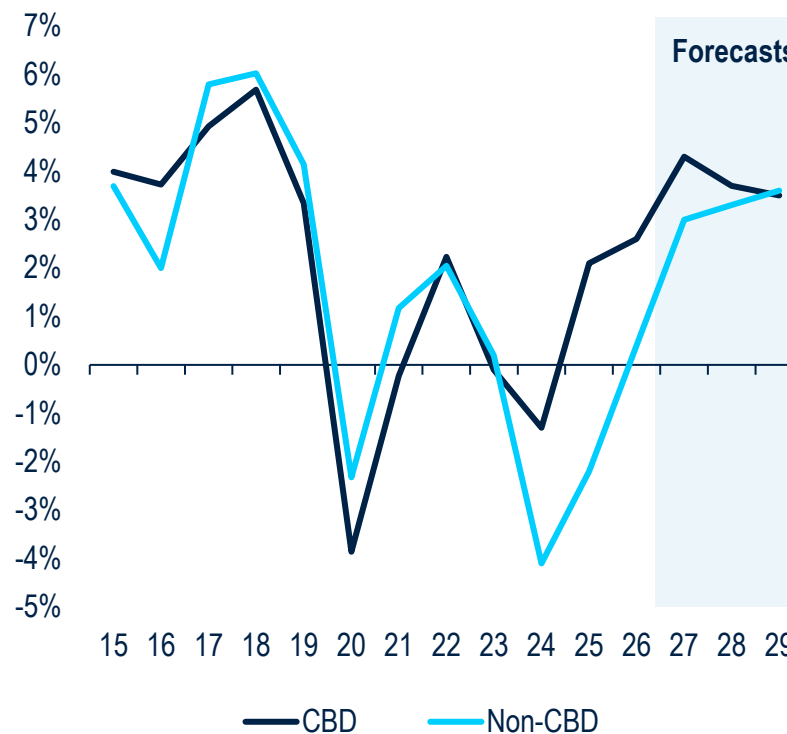


OFFICE

Office Productivity Growth (% p.a.) and % of Office Stock >20 Years of Age (2004-24)



Prime Office CBD vs. Non-CBD Net Effective Rental Growth (% p.a.)



A number of cities have a high share of office stock that is more than 20 years old. Modernization plays could realize strong value gains given the apparent link between the age of buildings and office worker productivity.

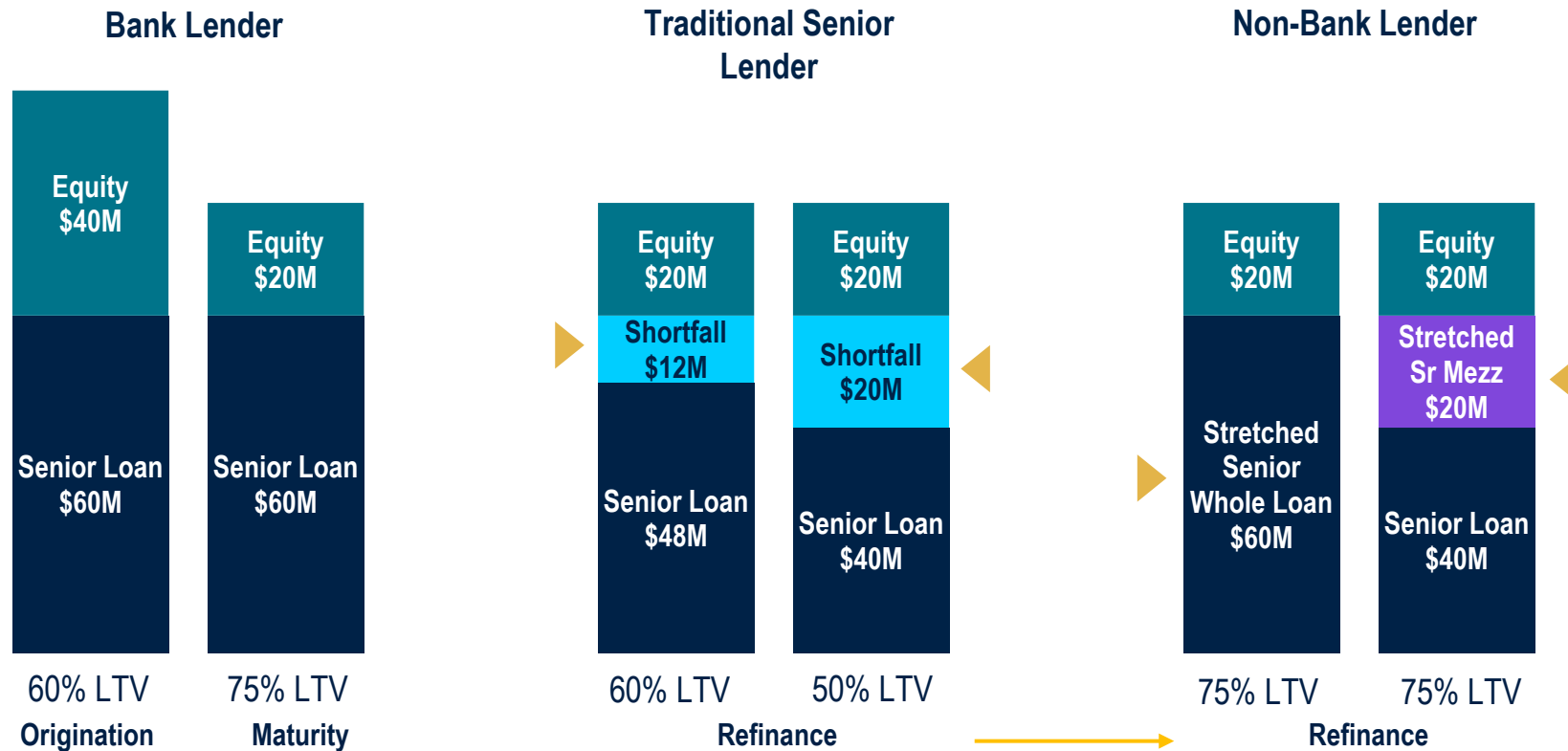
Across office markets, though, the flight to quality points to ongoing rental outperformance of CBD over non-CBD offices.

Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: JLL, PMA, PGIM. As of November 2025.

Gap Financing: Filling the Gap Between Equity and Senior Debt

An Illustration of the Funding Gap Driven Lower Bank Leverage



For illustrative purposes.

Sources: INREV, PGIM. As of November 2025.

GAP FINANCING



The gap between senior leverage and sponsor equity widened as interest rates rose and property values rebased. Despite some easing, rates are not expected to return to the ultra-low levels of the past cycle, meaning this gap is expected to persist.

This dislocation is likely to continue to create opportunities for whole loans, stretched senior structures, and subordinated tranches, enabling investors to capture incremental yield.



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