PGIM REAL ESTATE

INVESTMENT RESEARCH

2025 SPOTLIGHT ON ASIA PACIFIC

Generating Resilient Income Growth Amid Uncertainty

JULY 2025

ASIA PACIFIC 2025 TAKEAWAYS:

1 THE TIME IS STILL NOW.

Against an uncertain backdrop, Asia Pacific's real estate markets offer resilience and income growth potential supported by low supply.

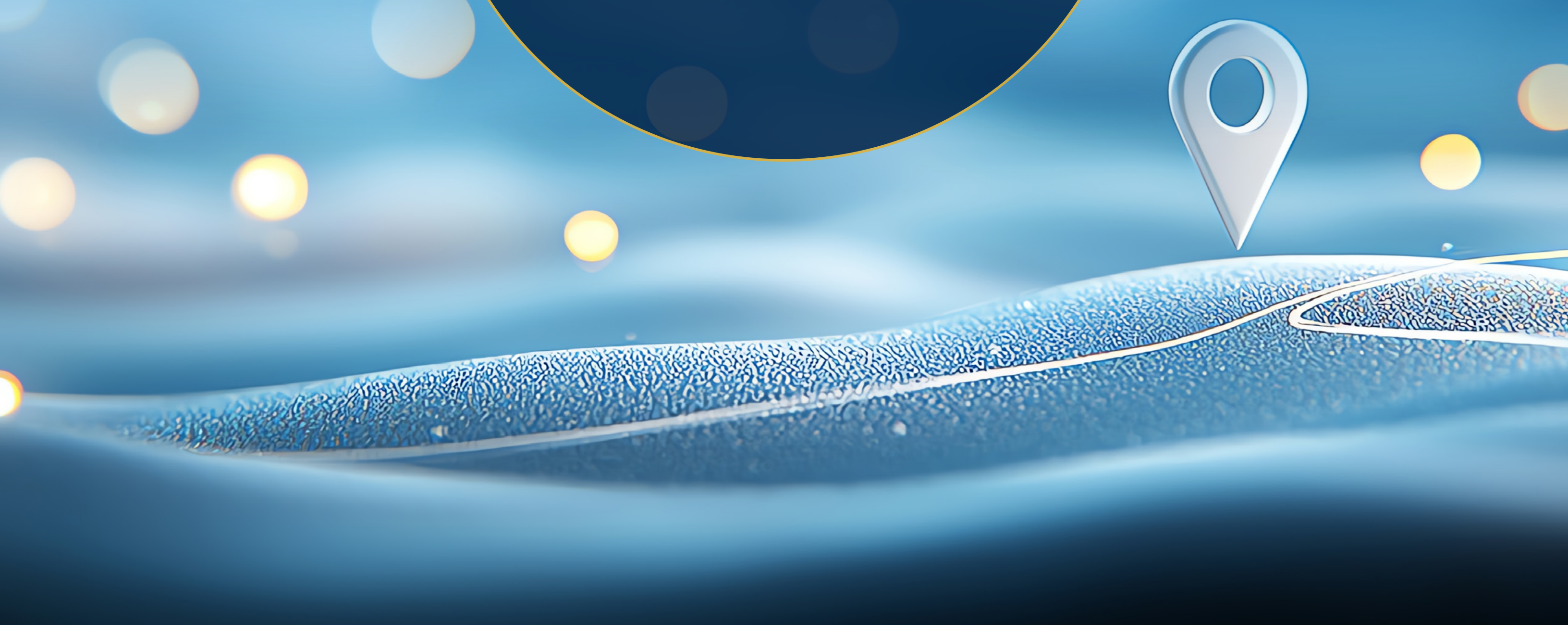
2 INVESTORS NEED TO ADAPT.

Pivot toward growth-driven strategies by capitalizing on value creation, expanding into operational sectors and short-term cyclical drivers.

3 THE OUTLOOK VARIES BY GEOGRAPHY.

There are big differences in outlook both between and within cities, linked to demand and supply dynamics and differing economic outlooks and policies.

Heightened uncertainty is weighing on the near-term outlook for Asia Pacific real estate markets, but it has not derailed the RECOVERY and GROWTH story.



PART I

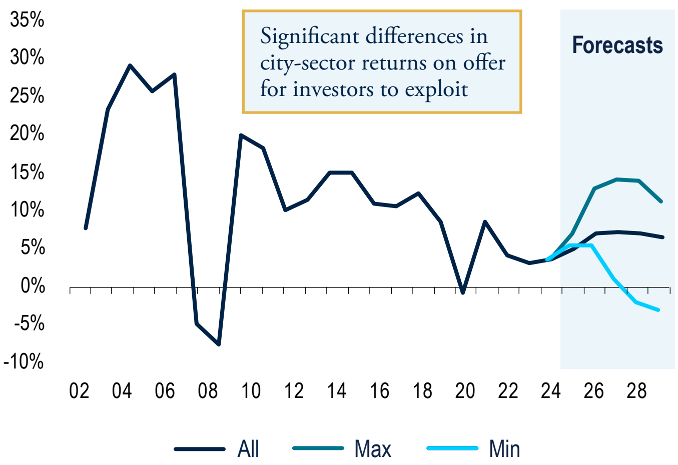
ASIA PACIFIC OVERVIEW

An Ongoing Recovery, With Varied Returns

The outlook remains one of an improving income-driven returns outlook despite the near-term jump in economic uncertainty. Occupier demand remains resilient and supply pipelines limited. But there are large differences in market performance by city and sector.

- We expect an ongoing prime real estate recovery that offers a better 5-year return than the previous 5 years. However, city stories differ with Beijing, Shanghai and Hong Kong a drag on near-term returns due to the ongoing challenging economic outlook.
- Amid heightened economic uncertainty, near-term occupier demand is slowing but not enough to derail a real estate recovery based off falling interest rates and a limited supply pipeline.
- Investor appetite remains subdued, but a risk-off mentality is driving a rotation toward Japanese and Australian markets where occupier momentum and resiliency are set to hold over the coming months.
- The onset of tariffs remains the most prominent risk to the outlook. Notwithstanding a supply chain shock, any softening in occupier demand is set to be met with weaker supply and room for lower interest rates. That should help sustain rental growth.
- With long-term rates set to remain above their 10-year average, the outlook is about income and income growth. And as cities each face differing demand-supply pressures, this dependence on income growth gives rise to a wide range of city-sector returns for investors to pursue.

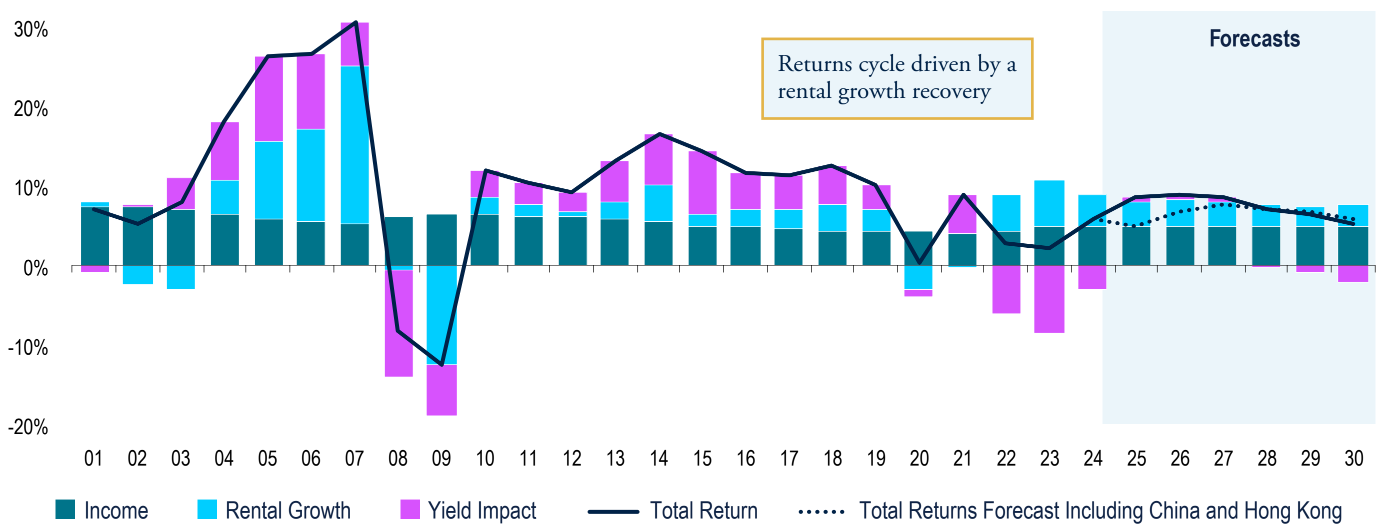
UNLEVERED ALL PRIME COMMERCIAL PROPERTY TOTAL RETURNS AVERAGE, HIGHEST AND LOWEST CITY-SECTOR RETURNS FORECASTS (% P.A.)*



*Average of total returns across office, retail and logistics sectors for the major city investment markets of Beijing, Brisbane, Hong Kong, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney and Tokyo as well as multifamily for Tokyo & Osaka.

Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

UNLEVERED ALL PRIME COMMERCIAL PROPERTY TOTAL RETURNS (% P.A.)*



*Average of total returns across office, retail and logistics sectors for the major city investment markets of Beijing, Brisbane, Hong Kong, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney and Tokyo.

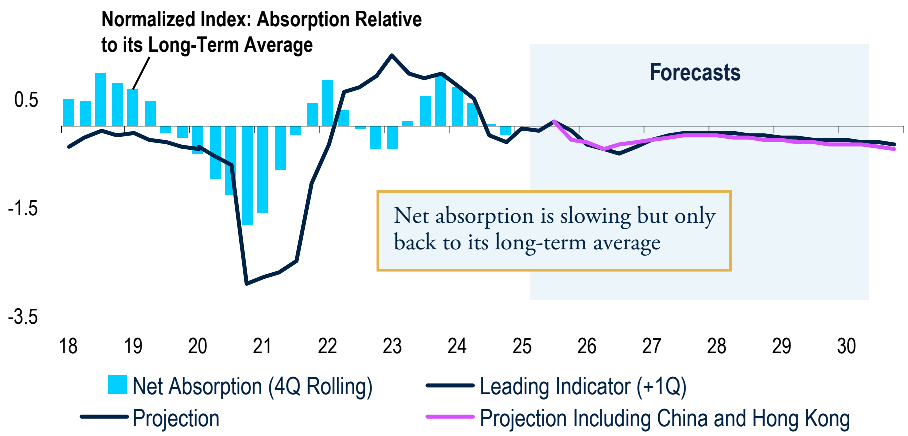
Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

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

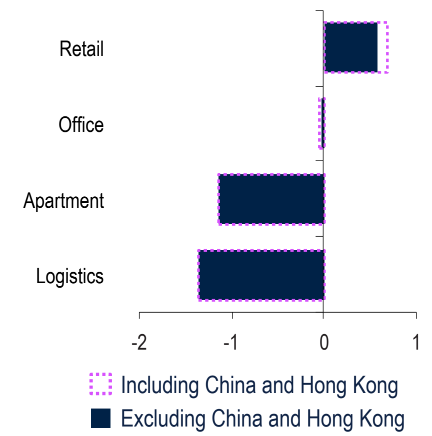
Slower Demand and Supply Growth

Net absorption and new supply growth are slowing but sector differences stand out with retail set to benefit from an improving occupier outlook.

COMMERCIAL PRIME PROPERTY ABSORPTION AND LEADING INDICATOR (LONG-TERM AVERAGE = 0.0)



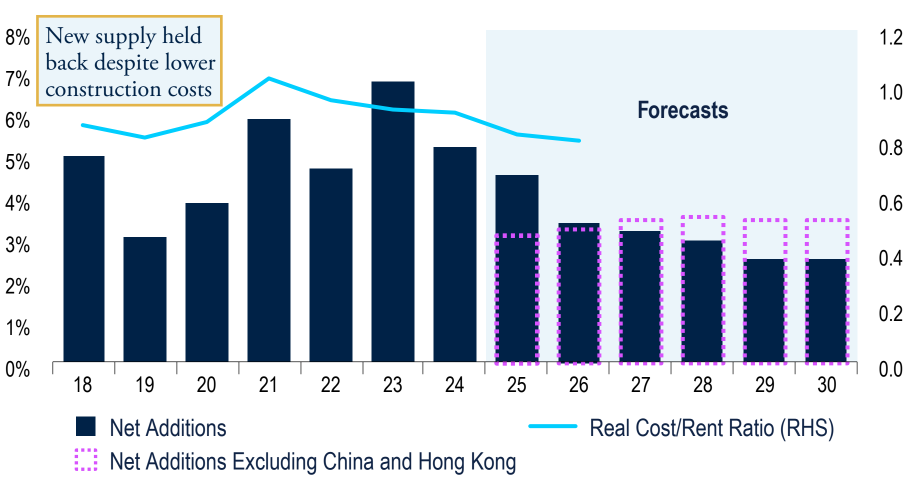
NET ABSORPTION FORECAST BY SECTOR (NORMALIZED VS. LAST CYCLE AVERAGE)



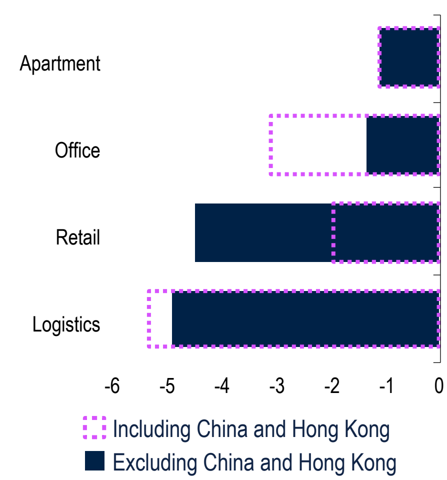
Sources: JLL, PMA, Oxford Economics, Manpower, PGIM Real Estate. As of June 2025.

- Overall net absorption is expected to slow – albeit toward its long-term average – as aging demographics impact employment growth.
- But this is more than matched by the ongoing fall in new supply across all the main investment sectors, driven by both elevated, albeit falling, construction costs as well as weak investor-developer sentiment. Unsurprisingly the supply story is only a bit stronger once we include China and Hong Kong.
- However, retail looks to be a standout performer where we have both improving net absorption and lower new supply, resulting in falling vacancy rate forecasts (especially if we include China and Hong Kong).
- The apparent low appetite to build retail stock looks linked to investor-developer fear that the ongoing rise in e-commerce is still having a meaningful negative impact on retail rents. This is more so given that rents still do not look set to meet elevated construction costs. Still high construction costs seem to also weigh on logistics supply.

NEW SUPPLY AND PRIME COMMERCIAL PROPERTY RENT TO CONSTRUCTION COST RATIO (% P.A.)



FORECAST SUPPLY GROWTH BY SECTOR (2025-29, NORMALIZED VS. LAST CYCLE AVERAGE)

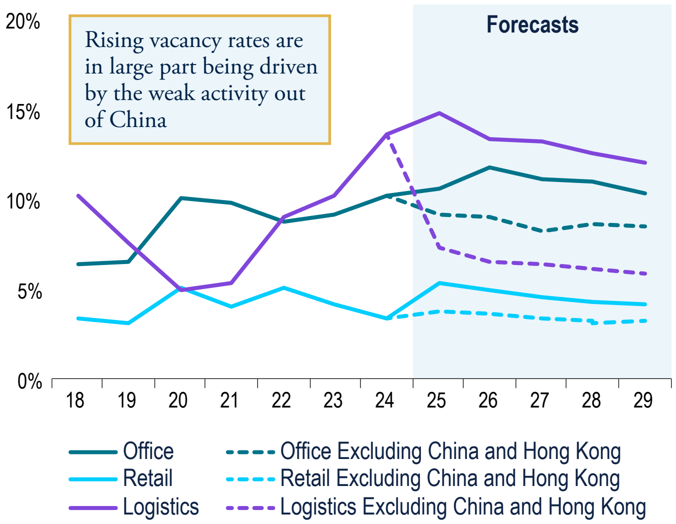


Sources: JLL, PMA, Oxford Economics, BLS, World Bank, PGIM Real Estate. As of June 2025.

Low Supply Keeping Vacancy Contained

Office and logistics vacancy rates continue to rise but in large part reflect challenges in China. The lack of new supply helps keep vacancy rates contained.

COMMERCIAL REAL ESTATE VACANCY RATES (% OF STOCK)



Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

- The vacancy rate for both office and logistics have risen over the past few years across most markets.
- But a big driver is the ongoing weak demand growth story out of China, particularly for logistics. And whilst offices have also been hit, the rise in vacancy is also down to the notable drop off in demand from the rise in remote working, particularly in Melbourne and Sydney.
- In central locations, the change in vacancy has been relatively small with sustainability factors playing a role and driving a push for modern, efficient space that is often located in CBDs rather than suburban areas.
- Going forward low development activity in the retail sector continues to support the tight vacancy rate and there are upside risks to rental growth due to the low supply growth.
- At the same time, however, the logistics sector looks vulnerable to weaker-than-expected income growth with vacancy rates remaining elevated, as what has been a recent rise in development now meets an expected slowdown in trade-related occupier demand.

In Focus: Setting Out Our Narrative

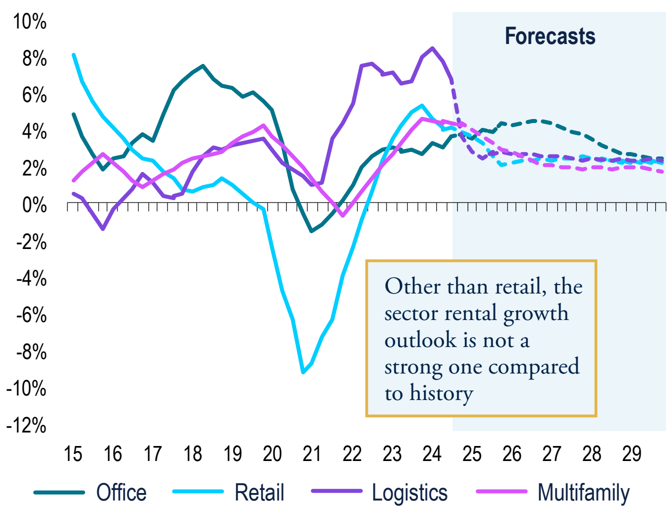
- The opening months of 2025 have been fast-moving in terms of establishing a macroeconomic outlook that acts as a backdrop for real estate investment strategy and decision making.
- Events can clearly move quickly, **but there are several factors that we can use to underpin our outlook:**
  - U.S. and global policy uncertainty is high and will remain so for the foreseeable future.
  - Recession risks have risen globally, but our base case is for a slowdown in growth rather than an outright contraction.
  - Interest rate uncertainty has increased too, notably in the United States, where tariffs are pushing up core inflation. The long-term interest rate outlook remains broadly unchanged.
  - There are regional differences too. Australia with less exposure to U.S. exports looks to remain relatively resilient while countries that are more exposed to the trade tariff such as Japan and South Korea will face headwinds to activity.
- **There will be an impact on real estate demand,** especially in commercial sectors, as corporates will likely delay decision-making activity around investment, expansion or committing to long leases.
- Similarly, investors are delaying decisions about allocating capital and investing – real estate liquidity is set to remain lower than previously anticipated.
- The overall impact is to delay the recovery story for real estate from a low base, via slower rental and capital growth, but not completely derail it.
- **Some factors remain broadly unchanged in support of the real estate outlook:**
  - Values are low and a lot of bad news is already priced in. Yields are at fair value across the Asia Pacific region.
  - Supply growth is low, giving resilience to the occupier market outlook even if economic growth slows.
  - Lenders are still active in real estate, and credit availability remains supportive of values.

Obsolescence Determines Rental Resilience

Excluding China and Hong Kong, rental growth is set to accelerate but largely below historical averages. Nonetheless, with occupiers focusing more on high quality, supply-constrained Grade A real estate, there is scope for rental growth to be stronger than expected.

- Excluding China and Hong Kong, we have a stronger near-term rental growth story driving the improving returns outlook. But the story differs across the sectors.
- In Japanese multifamily, for instance, rental growth is expected to only slowly decelerate thanks to very limited new supply, whilst we expect a near-term ongoing acceleration in office rents thanks to growth across all major cities other than Singapore.
- Nonetheless on face value, this is not a strong rental outlook – although the office forecast is marginally better than the 10-year average, it is only retail that the rental forecast significantly outpaces its recent history. And yet across the sectors rents are doing better than they should given high vacancy rates.
- One reason is that the vacancy data includes what has been a fast rise in obsolete stock thanks to a COVID-induced accelerated change in demand for logistics and offices. In effect, occupiers have shifted to chasing down the limited but better quality real estate.
- With several years of capital underspend on building improvements and the lack of new development there is a shortage of modern stock, which provides scope for prime rental growth to do better than expected.

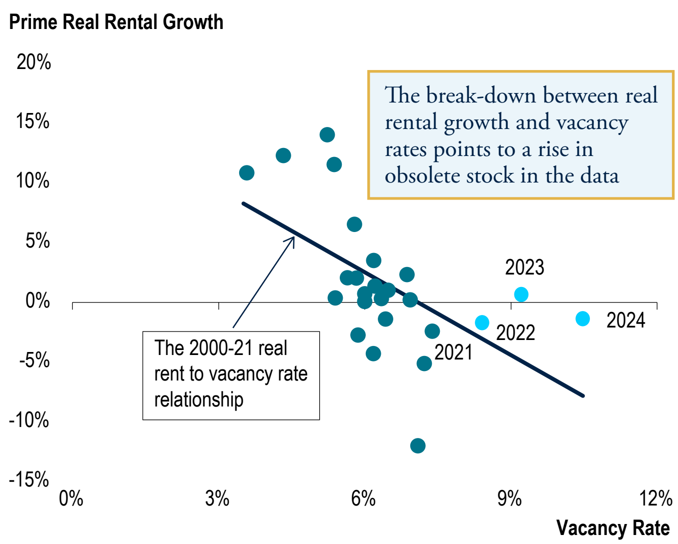
PRIME RENTAL GROWTH BY SECTOR, MAJOR ASIA PACIFIC CITIES EXCLUDING CHINA AND HONG KONG (% P.A.)



Average nominal rental growth for the office, retail and logistics sectors across the major city investment markets of Brisbane, Melbourne, Osaka, Seoul, Singapore, Sydney and Tokyo and multifamily for Osaka and Tokyo.

Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

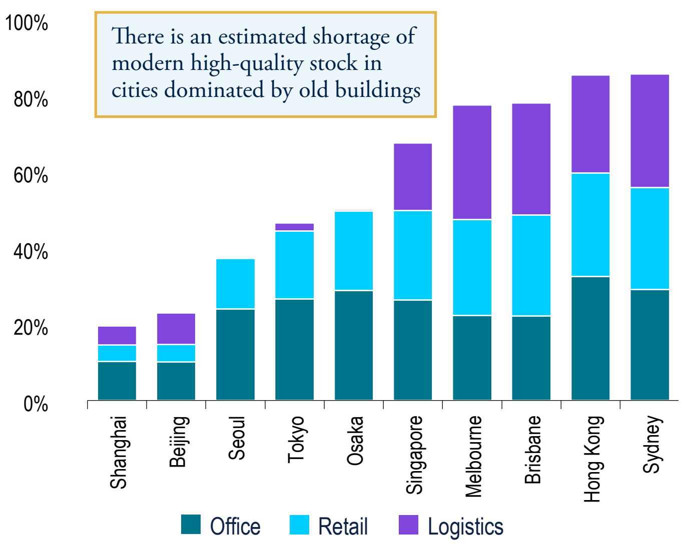
PRIME COMMERCIAL REAL ESTATE REAL RENTAL GROWTH VS. VACANCY RATE (% P.A., 2000-09)



For the major city investment markets of Beijing, Brisbane, Hong Kong, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney and Tokyo.

Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

ESTIMATED SHARE OF INSTITUTIONAL COMMERCIAL REAL ESTATE STOCK >20 YEARS OF AGE, 2024



Figures and information provided are estimates subject to change.

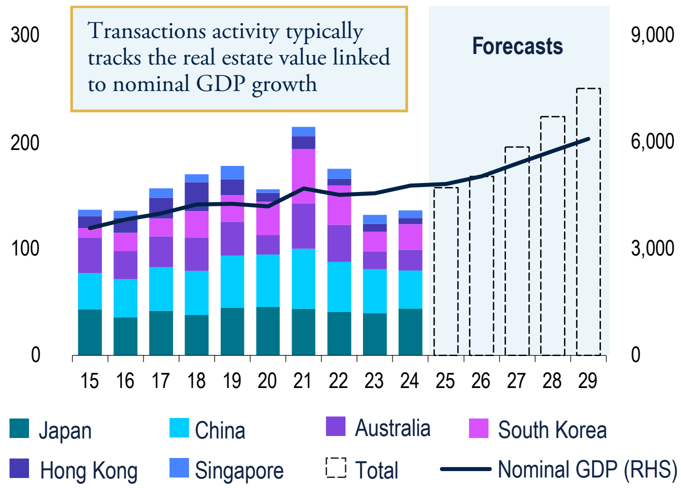
Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

Transaction Volume Recovery

Transaction volume is set to slowly pick up as sentiment and activity improve, but as near-term risks remain, investors are expected to keep focused on resilient occupier markets with growing interest in higher growth, needs-based alternative sectors.

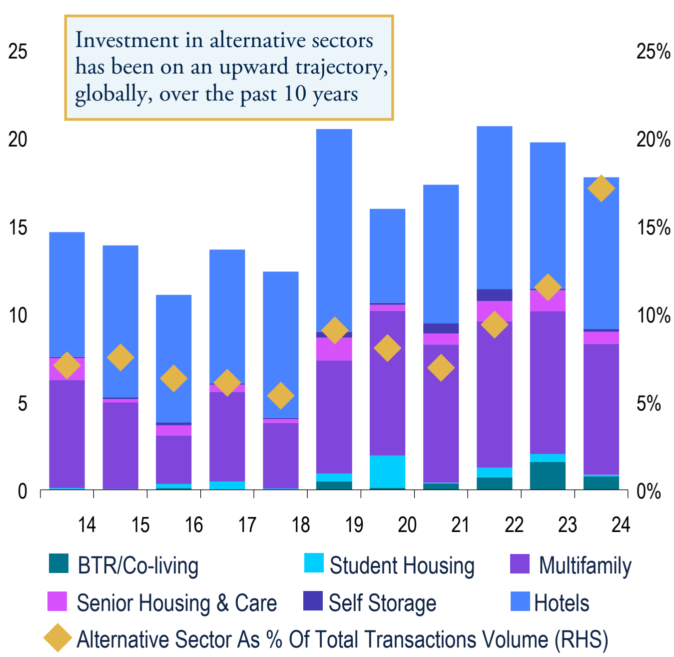
- Investor appetite is set to pick up, returning to a nominal GDP related trend in line with better income growth, helped by an expected easing in global trade volatility and regional-wide falls in interest rates ex-Japan.
- In the near term at least, investor focus is set to remain on Japanese and Australian real estate as they target the occupier momentum and the resiliency those markets offer.
- But a relatively subdued rental growth outlook for the main commercial sectors points to investors looking to increase their interest in alternative sectors, from senior housing to hotels.
- The multifamily sector continues to be underpinned by ongoing secular growth in rising population, notably through net migration and declining housing affordability in major cities such as in Tokyo.
- Although alternative sectors typically carry operational risk, the lack of supply points to investors becoming more comfortable in such sectors underpinned by a needs-based narrative such as hotels and data centers where the rental outlook is brighter.

ALL PROPERTY TRANSACTION VOLUME AND NOMINAL GDP (US$ BILLIONS)



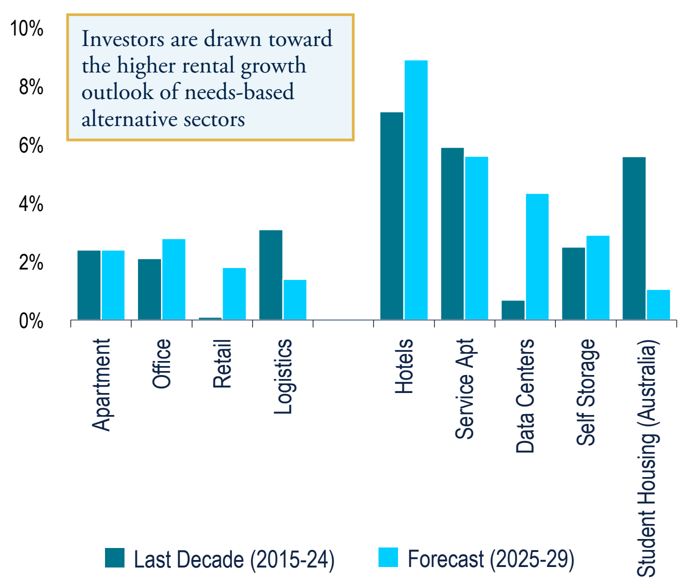
Sources: MSCI/Real Capital Analytics, PGIM Real Estate. As of June 2025.

TRANSACTION VOLUME FOR ALTERNATIVE REAL ESTATE – ASIA PACIFIC (US$ BILLIONS)



Sources: MSCI/Real Capital Analytics, PGIM Real Estate. As of June 2025.

PRIME RENTAL GROWTH BY SECTOR (% P.A.)



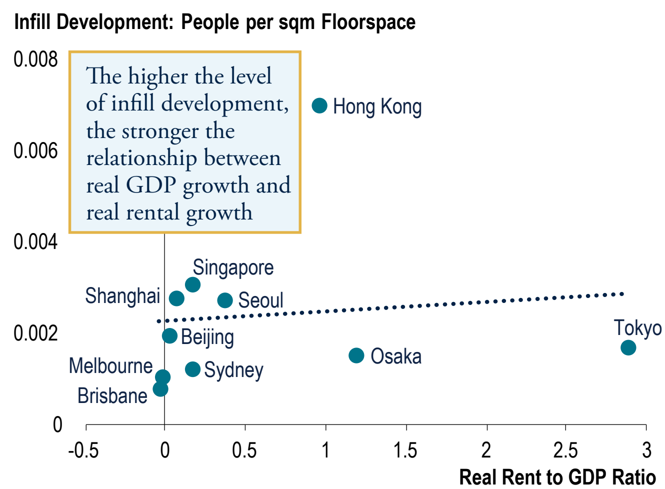
Sources: JLL, PMA, CBRE, Savills, PGIM Real Estate. As of June 2025.

Market Differences and Investment Timing

The lack of a common real estate cycle offers a wide array of investment opportunities as investors can simultaneously pursue growth and defensive strategies depending on the city and sector. But as the opportunities shift, investment timing is critical.

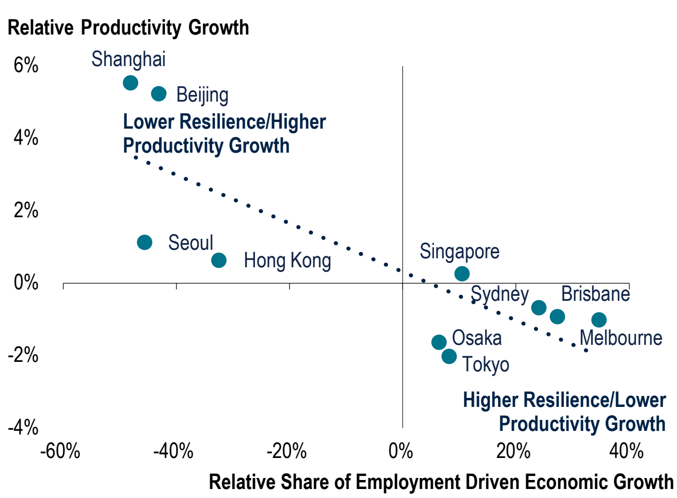
- Asia Pacific does not have a common real estate cycle, which means that average returns are misleading but also there are a multitude of investment opportunities to hand.
- The lack of a cycle is due to how real estate markets differ in their structure and their drivers.
- At the city level for instance, the more GDP growth is dependent on productivity coupled with higher level of infill development, the more rental growth will be more cyclical and less resilient.
- Shanghai and Beijing are two good examples. Their GDP growth forecasts, their reliance on productivity and the high level of infill development point to a much more pronounced rental cycle than you would expect in the more resilient cities such as Seoul and Melbourne.
- But the lack of a common cycle is also due to differences in the various shocks, policies, rules, etc. that govern how economies and real estate markets move over time. This means investment opportunities are about picking the right city, sector and timing.
- For instance, investors can simultaneously pursue both defensive and growth strategies. As a strength, the region enables investors to hold a diversified real estate portfolio.

INFILL DEVELOPMENT OF MAJOR INVESTMENT MARKETS (NUMBER OF PEOPLE PER SQM OF EACH CITY'S ENTIRE FLOORSPACE)



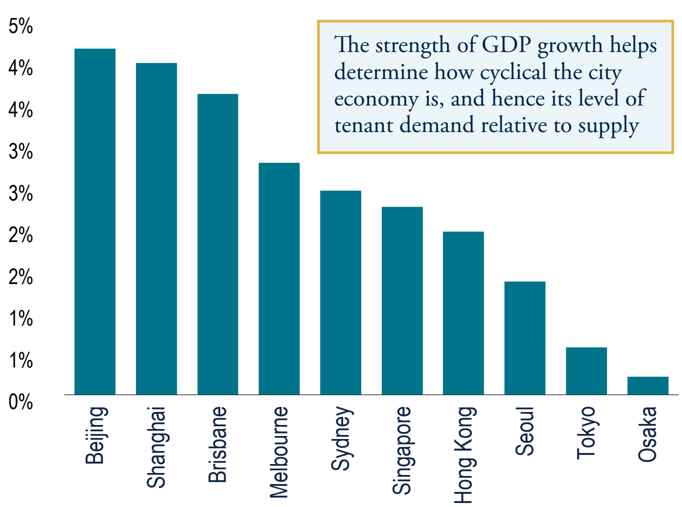
Sources: "Pancakes to Pyramids, City Form to Promote Sustainable Growth," World Bank Group, 2021, "Are Forecasters Ignoring the Importance of Infill Development?," Asia Pacific Insights, March 2025, PGIM Real Estate. As of June 2025.

RELATIVE PRODUCTIVITY GROWTH VS. RELATIVE EMPLOYMENT SHARE, MAJOR REAL ESTATE INVESTMENT MARKETS (2025-29)



Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

CITY REAL GDP GROWTH FORECASTS, 2025-29 (% P.A.)



Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

PART II | ASIA PACIFIC

PORTFOLIO CONSTRUCTION

ASIA PACIFIC CORE/CORE+ STRATEGIES

Optimism toward core still holds given that low values imply an attractive entry point, but while uncertainty is high, investors should pivot toward basic needs demand, focused on living sectors.

- The recent value correction points to 2025 as a favorable entry point for core and core plus investors in which returns are expected to be driven by income and income growth.
- But the rise in international trade tensions points to the ongoing near-term adoption of more defensive/resilient strategies. A number of themes stand out.
- Careful city and sector selection is crucial, given the lack of a common real estate cycle and the differing demand-supply dynamics offering a wide range of rental growth.
- There are opportunities from structurally under-supplied needs-based real estate providing long-term resilient returns to near-term cyclical opportunities such as ongoing occupier momentum in the major Australian cities or strong value upswings in retail and hotels.
- There are also opportunities at the stock level, where for instance, lower liquidity and inertia linked investor behavior have given rise to possible mispricing in the logistics and retail sectors. In such instances, this can be seen through a divergence between yields and rental growth; for instance, mispricing is likely when the standard deviation of yields across markets does not match the standard deviation of rental growth.

WHY CORE NOW?

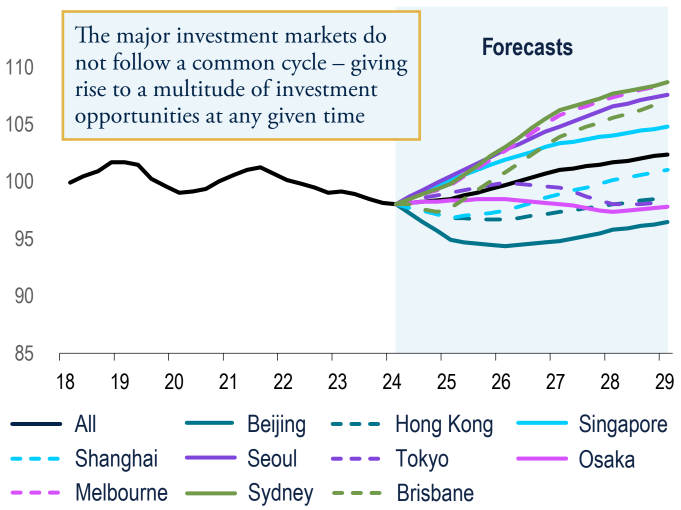
What hasn't changed?

- Attractive entry point after a correction, values have now stabilized in most markets.
- Higher real estate returns than in the last cycle.
- Opportunity to invest into supply constrained markets to drive income growth over time.
- Support from long-term demand drivers linked to basic needs, living and digitalization.
- Expanding opportunity set, reflecting a broadening of sector and geographical choice.

What has changed?

- Risks are now higher, while short-term returns forecasts have edged lower.
- Weaker demand story impacts execution of strategies in higher risk or cyclical strategies – development activity as well as investor interest in China / Hong Kong to remain low.
- The cost of capital has moved higher or at least is falling less quickly.
- Low liquidity, less capital inflows.

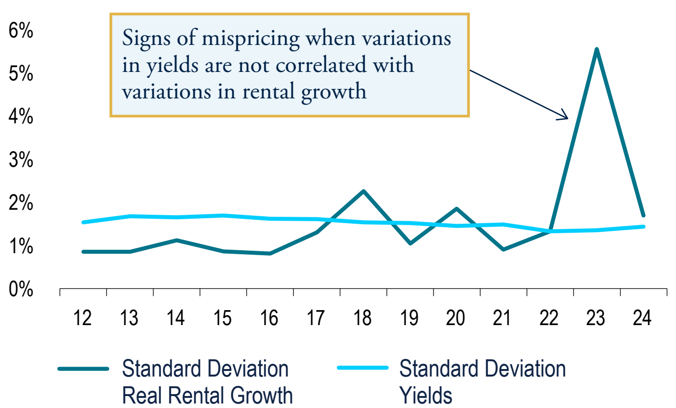
ALL COMMERCIAL PRIME REAL CAPITAL VALUES BY MAJOR INVESTMENT MARKET (INDEX, 4Q18=100)*



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

Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

STANDARD DEVIATION OF PRIME LOGISTICS RENTAL GROWTH AND STANDARD DEVIATION OF PRIME LOGISTICS YIELDS, 10 MAJOR INVESTMENT MARKETS (% P.A.)



Investment markets of Beijing, Brisbane, Hong Kong, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney and Tokyo.

Sources: JLL, PMA, PGIM Real Estate. As of June 2025.

ASIA PACIFIC VALUE-ADD STRATEGIES

The uncertain environment means appetite for value-add remains in place – taking advantage of compelling opportunities on a longer-term basis, with target strategies and approaches differing by geography. Five common themes emerge.

1 VALUE REBOUND

Asia Pacific markets have been relatively resilient this cycle with values not too stretched as interest rates rose and, outside of China and Hong Kong, employment growth was strong. But the outlook for capital values varies significantly by sector and city.

2 NEED FOR CAPITAL

Institutional capex spending fell short over the past decade. This has given rise to a shortage of institutional quality real estate. The opportunity to modernize and institutionalize existing stock will remain substantial throughout the next cycle **(Exhibit A).**

3 SUPPLY SLOWDOWN

New supply continues to be limited by high build costs and access to development finance. In parts of the market where tenant demand is resilient and/or rising – such as data centers and hotels – we anticipate further supply shortages, giving owners pricing power to drive rental growth.

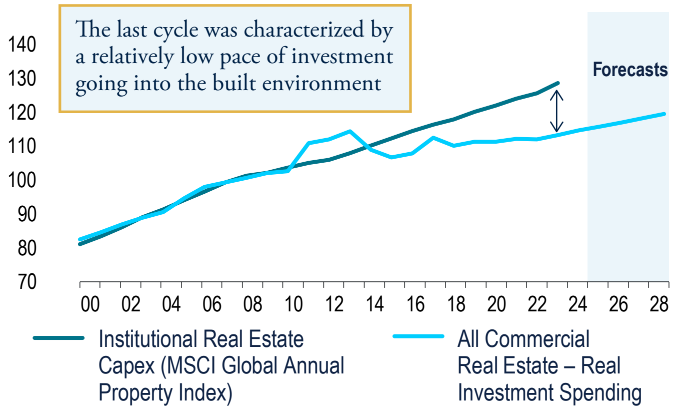
4 ATTRACTIVE ENTRY POINT

Low liquidity and funding pressures are creating stress around existing capital structures. Today's market offers an attractive entry point in terms of being able to selectively acquire assets below valuation and capture immediate upside. In Japan there is scope to unlock opportunities linked to ongoing corporate reforms and the release of undermanaged real estate assets **(Exhibit B).**

5 EXPANDING OPPORTUNITY SET

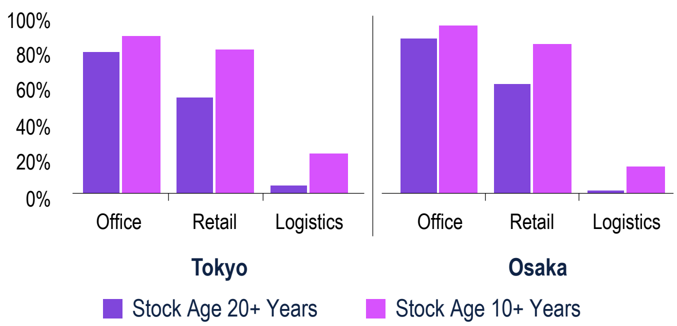
To take advantage of ongoing maturity and liquidity, to tap into improving risk premium, we continue to see investor interest in operational sectors growing (including hotels, student accommodation, co-living, senior living, data centers) as well as in secondary cities across the major investment markets **(Exhibit C)**.

EXHIBIT A: INDEX OF ASIA PACIFIC GLOBAL CAPEX SPENDING (2007=100)



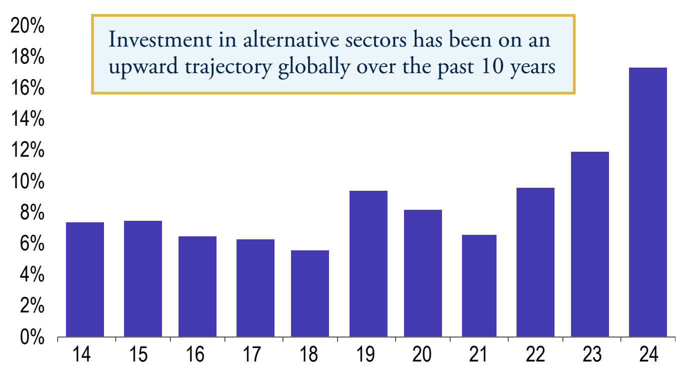
Sources: MSCI, OECD, Oxford Economics, PGIM Real Estate. As of June 2025.

EXHIBIT B: PERCENTAGE OF COMMERCIAL REAL ESTATE STOCK (>20 & >10 YEARS OF AGE)



Sources: PMA, PGIM Real Estate. As of June 2025.

EXHIBIT C: TRANSACTION VOLUME FOR ALTERNATIVE REAL ESTATE AS PERCENTAGE OF TOTAL TRANSACTION (%)



Sources: MSCI, PGIM Real Estate. As of June 2025.

ASIA PACIFIC CREDIT STRATEGIES

DEBT RETURN DRIVERS

HIGH INTEREST INCOME

New loan coupons continue to be cyclically high, benefitting from high base rates and attractive lending margins.

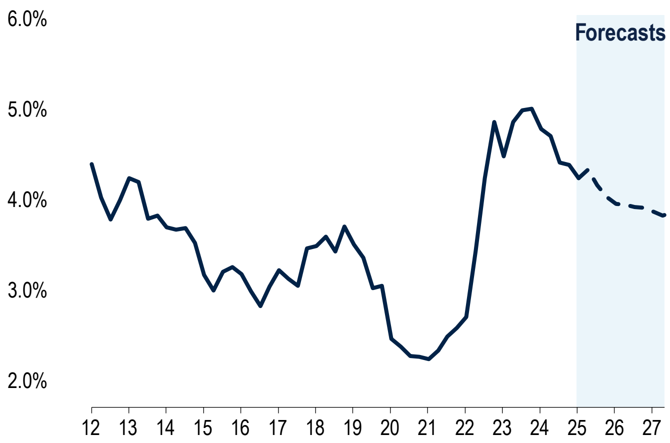
CONSERVATIVE LOAN METRICS

Due to higher interest rates, senior loan amounts will continue to be constrained by debt service coverage, keeping leverage levels modest.

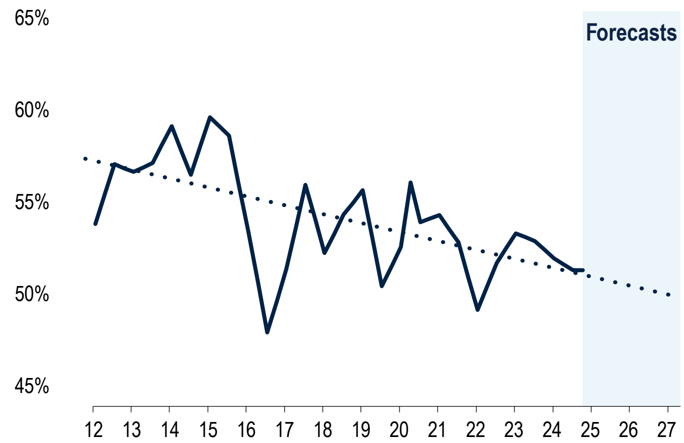
ATTRACTIVE ENTRY POINT

Elevated buy-in yields, low attachment points and expectations of improving credit profiles from growth in property NOI and values, point to the prospect of attractive debt returns.

ASIA PACIFIC SENIOR BANK LOANS ON OFFICE ALL-IN DEBT COSTS (%)



ASIA PACIFIC LTVS ON SENIOR LOANS (%)



Asia Pacific average includes Australia, China, Hong Kong, Japan, Singapore and South Korea and refers to prime offices.
Sources: PMA, Bloomberg, PGIM Real Estate. As of June 2025.

PRIVATE CRE CREDIT STRATEGIES

TRANSITIONAL

Loans against light transitional properties, levered and unlevered, and mostly floating rate

- Focus on well-located existing or newly built assets with in-place income.
- Assets that feature value-add and/or lease up business plans to increase property income and exit via sale or refinance.
- Levered and unlevered senior whole loans with moderate LTVs.
- Loan supporting business plans that improve income profile and property value driving positive credit migration.
- Capitalize on demand for improving existing assets, which need to be upgraded to meet future standards.

HIGH YIELD

Providing dynamic capital solutions across the capital stack

- Lower available debt on new senior loans creates a significant funding gap for alternative and flexible capital sources.
- Providing capital solutions for funding sustainable refurbishment and development projects.
- Bridge funding to allow for stabilization prior to sale / refinance / term out.
- Restructuring and growth capital for strong sponsors with stressed capital stacks secured by attractive real estate.
- Capitalize on under-supply of suitable stock in some markets.

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

PART III | ASIA PACIFIC

KEY INVESTMENT THEMES

WHAT DRIVES INVESTMENT OPPORTUNITIES IN ASIA PACIFIC?

Structural investment themes still hold, but some strategies are more exposed to a softening near-term demand and liquidity story. High conviction themes include strategies targeting the living sector, related urban infrastructure and data centers, along with credit strategies as the share of private lenders continues to grow.

	Theme		Rating	Real Estate Approach	United States	Mexico	Europe	Asia Pacific
STRUCTURAL TRENDS	Living	Traditional	🟢	Apartment/multifamily	✓		✓	✓
			🟢	Single-family rentals	✓		✓	
		Operational	🟢	Student/co-living			✓	✓
			🟢	Senior housing	✓		✓	✓
		Related urban infrastructure	🟢	Urban/infill logistics	✓		✓	✓
			🟡	Self storage			✓	
	Data Centers		🟢	Colocation			✓	✓
			🟡	Hyperscale	✓			✓
	Credit		🟢	Senior/whole loan	✓		✓	✓
			🟢	Subordinated	✓		✓	✓
			🟡	Development finance	✓		✓	✓
	Logistics		🔴	Big box/supply chain	✓	✓	✓	✓
			🟡	Trade-driven		✓		
			🟡	Manufacturing-related		✓		
TACTICAL OPPORTUNITIES	Cyclical / Recovery	Hospitality	🟡	Hotels			✓	✓
			🟢	Open-air accommodation			✓	
		Retail	🟡	High street/luxury				✓
			🟡	Discount formats			✓	
		Office	🔴	CBD office			✓	✓
			🟡	Medical office	✓			
		Public markets	🟢	Undervalued REITs	✓			

KEY TO RATINGS:

- 🟢 **HIGHEST CONVICTION THEMES,** most resilient to uncertain market conditions.
- 🟡 **CONTINGENT THEMES,** more caution and selective approach needed while uncertainty is elevated.
- 🔴 **SELECTIVE THEMES,** market uncertainty causing significant headwinds that affect execution.

PART III

KEY INVESTMENT THEMES

STRUCTURAL TRENDS

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

LIVING

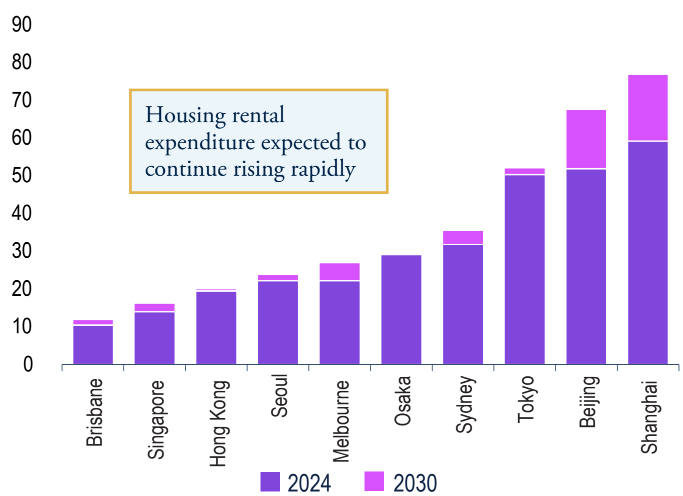
Living strategies linked to the basic need of shelter offer resilient rental growth. Lack of supply and ownership affordability are driving opportunities and growth potential in multifamily.

TOP INVESTMENT PICKS

- Multifamily in Japan and Australia
- Student Housing in Hong Kong and Shanghai
- Co-Living in Singapore and Hong Kong
- Senior Housing in China and South Korea

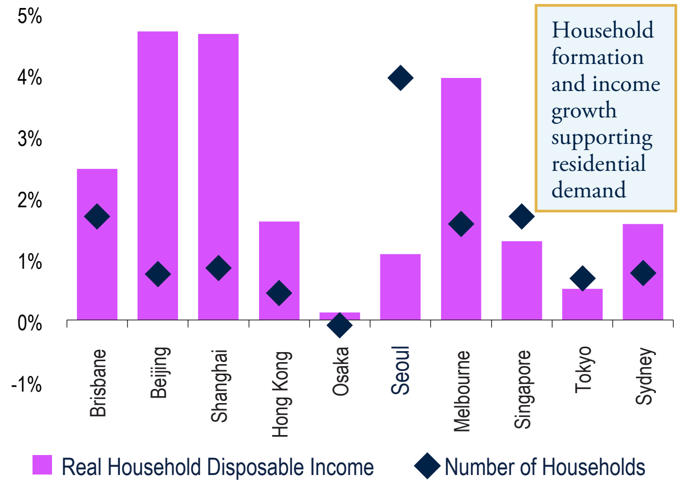
- Linked to the need for shelter as well as diversification gains from many individual tenants, residential assets offer a resilient income with growth potential linked to rising household incomes.
- Shortages of high-quality housing given elevated construction costs as well as tougher planning rules have deterred development in recent years.
- Residential demand and rental growth potential will be supported by rising real household disposable income in major urban areas – forecasted to grow steadily over the next five years.
- Housing rental expenditure has been growing fast and is expected to continue rising rapidly in the next decade. Major cities such as Beijing, Shanghai, Sydney and Melbourne are forecast to see their total rental markets increase over the next five years.

ANNUAL HOUSING REAL RENTAL EXPENDITURE (US$ BILLIONS)



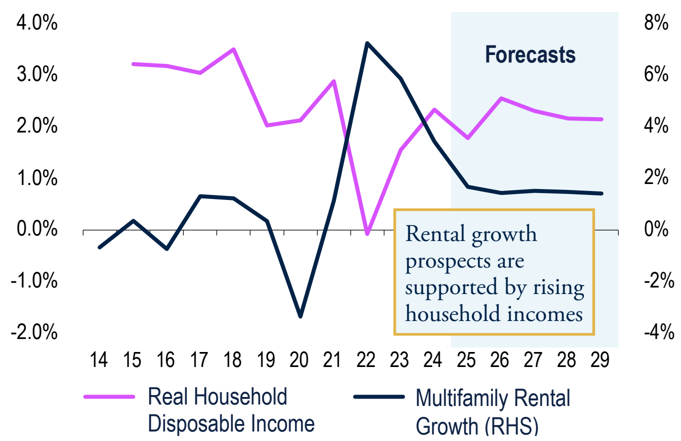
Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

GROWTH IN HOUSEHOLD AND DISPOSABLE INCOME (2025-29, % P.A.)



Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

ANNUAL GROWTH OF PRIME MULTIFAMILY RENTS AND REAL HOUSEHOLD DISPOSABLE INCOME (%)



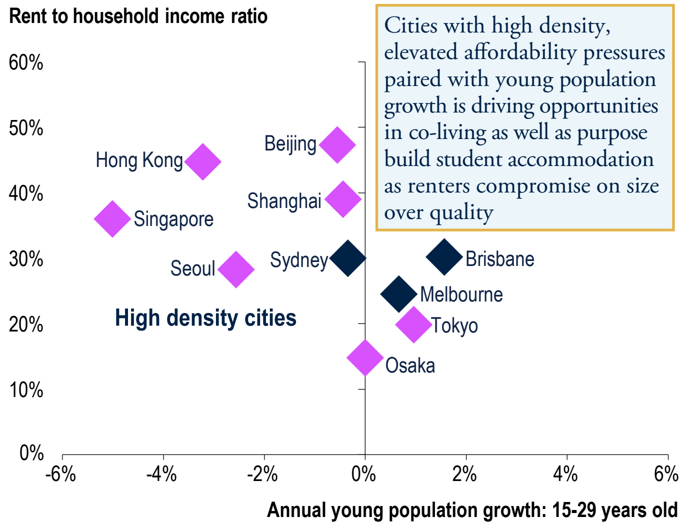
Note: Chart includes Australia, Hong Kong, Japan, Singapore and South Korea.
Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

OPERATIONAL LIVING

Affordability pressures, young population and ongoing growth in international students are supporting the outlook for co-living and student accommodation. An aging population across APAC supports structural demand for senior housing.

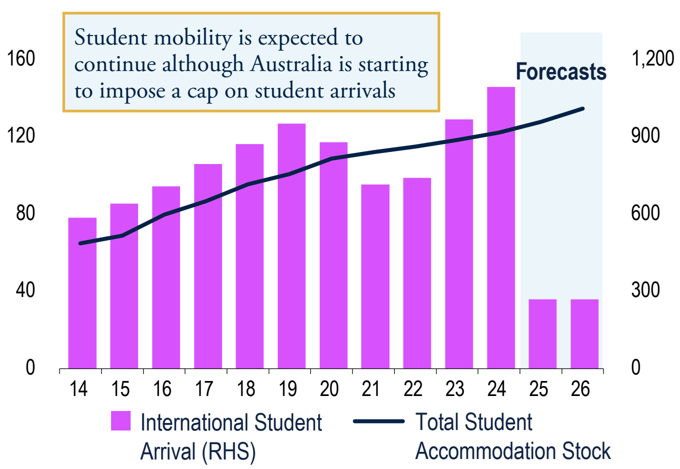
- For concepts such as student accommodation or co-living (a shared housing facility typically fully furnished and under flexible lease terms covering utilities and cleaning services), the most attractive locations are cities with the common themes of rental affordability pressures with either a stable or growing younger population. This would point to cities in Sydney, Melbourne, Brisbane, Tokyo and Osaka.
- Student housing opportunities largely focus on the international student cohort, and the global trend is for international student mobility to continue, although countries are starting to impose tougher requirements and caps such as in Australia.
- Demand is mainly targeting overseas students rather than local students, and as such, rents tend to track international student growth.
- Tracking the number of over 75-year-olds in each of the major investment markets across the region makes the near-term case for Beijing, Shanghai and Tokyo.

RENT TO HOUSEHOLD INCOME RATIO VS. YOUNG POPULATION GROWTH (2025-29, % P.A.)



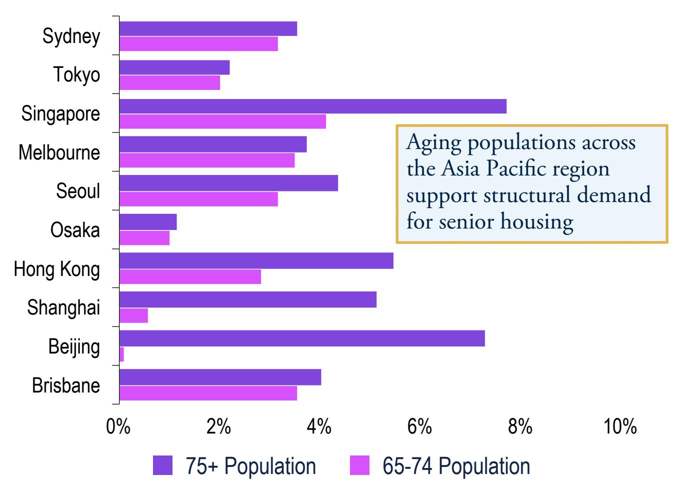
Sources: ULI, Oxford Economics, PGIM Real Estate. As of June 2025.

AUSTRALIA NUMBER OF INTERNATIONAL STUDENTS (000) & STUDENT ACCOMMODATION STOCK (000 BEDS)



Sources: Australia Government Department of Education, Oxford Economics, PGIM Real Estate. As of June 2025.

OVER-65 POPULATION IN MAJOR ASIA PACIFIC CITIES (2025-29, % P.A)



Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

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

DATA CENTERS

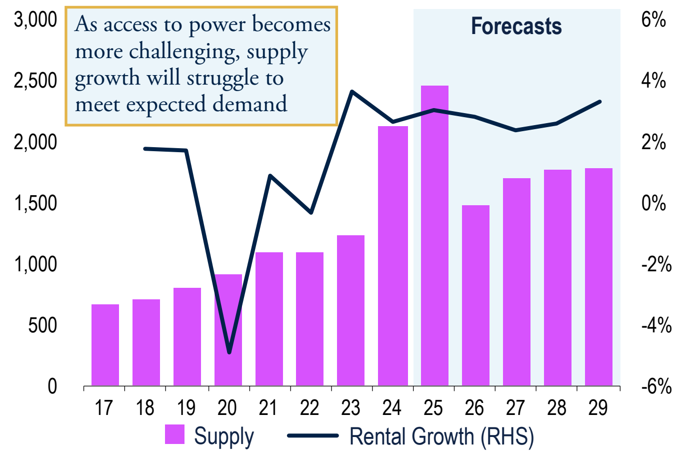
Demand continues to be driven by the acceleration in public cloud services, but the large jump in supply has softened in what is still a solid rental growth outlook.

TOP INVESTMENT PICKS

- Hyperscale data centers
- Colocation data centers serving urban areas with supply constraints

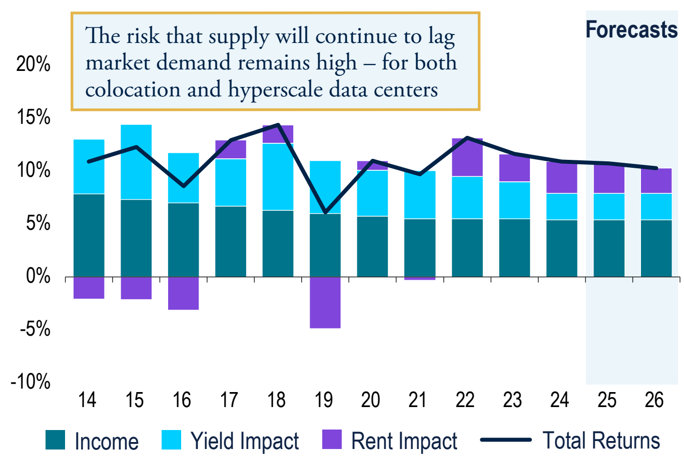
- Ongoing technological transformations, including new developments in artificial intelligence and the continuous adoption of cloud computing, are expected to underpin the demand outlook for both hyperscale and colocation data centers in key markets.
- However, supply has lagged due to high barriers in obtaining planning permission and securing power, especially renewable energy. A shortfall of data centers is set to emerge across Asia, and in turn will drive rental growth.
- The operational nature of data centers offers a wide risk-return spectrum for investors to participate at different levels, ranging from relatively more stable rental income generation akin to traditional real estate leases to higher risk profit sharing from the operational business.
- Teaming up with operating partners remains by far the most attractive route for most investors.

NET DATA CENTER SUPPLY (MW) AND RENTAL GROWTH (%)



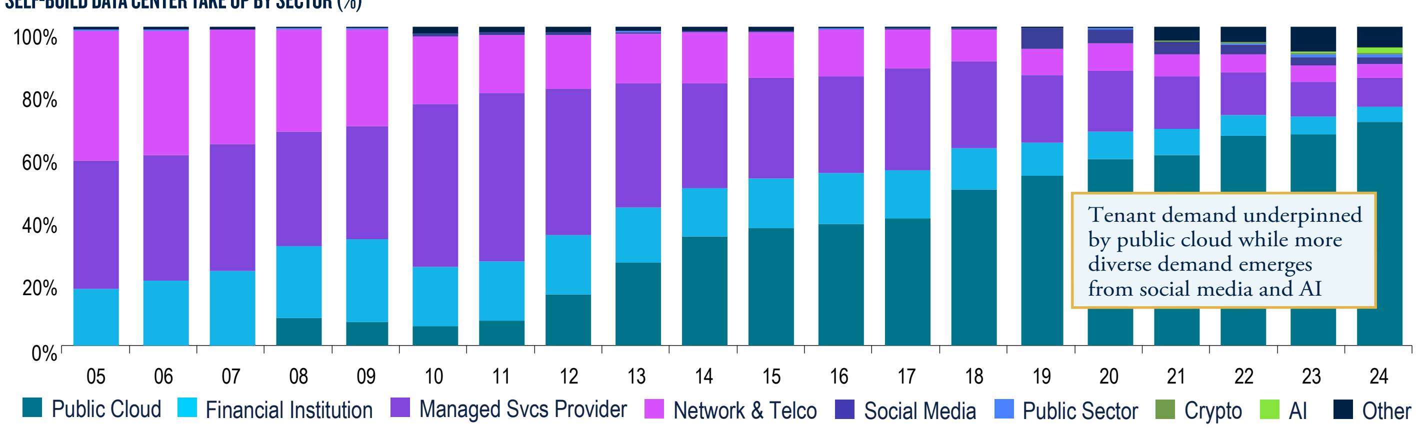
Note: Chart covers Australia, Japan, Hong Kong, Singapore and South Korea.
Sources: DC Byte, PGIM Real Estate. As of June 2025.

ESTIMATED ANNUAL ASIA PACIFIC DATA CENTER TOTAL RETURNS (UNLEVERED, POWERED SHELL AND CORE ASSETS)



Note: Chart covers Australia, Japan, Hong Kong, Singapore and South Korea.
Sources: Structure Research, DC Byte, Colliers, CBRE, Digital Core REIT, PGIM Real Estate. As of June 2025.

SELF-BUILD DATA CENTER TAKE UP BY SECTOR (%)



Note: Chart covers Australia, Japan, Hong Kong, Singapore and South Korea.
Sources: DC Byte, PGIM Real Estate. As of June 2025.

CREDIT

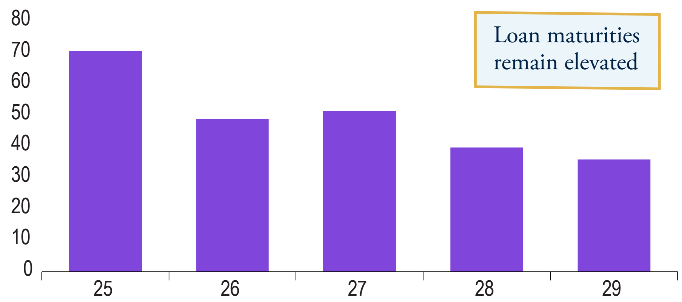
Private credit opportunities are driven by structural shifts in bank lending and a growing funding gap, while the current environment provides a favorable backdrop to forward returns.

TOP INVESTMENT PICKS

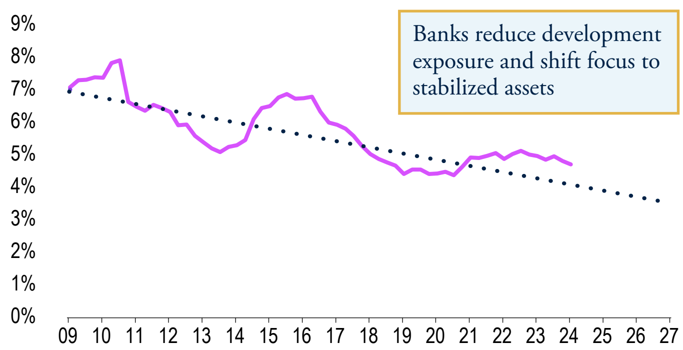
- Gap financing
- Transitional financing
- Senior development loans

- The private CRE credit opportunity in Asia Pacific is concentrated in Australia, where regulatory caps and capital requirements have curbed bank appetite for higher-risk lending.[1]
- Filling the funding gap left by traditional lenders, particularly in development and transitional assets, is an area where banks have limited support.
- Even as interest rates moderate, banks remain constrained by debt service limitations, resulting in structurally lower senior advance rates and a continued need for higher-leverage capital solutions, including whole loans and subordinate debt.
- Growing demand for flexible capital to support dynamic business plans and modernize aging real estate stock is a trend further accelerated by rising ESG considerations.
- With debt becoming accretive once again, loan maturities rising and capital stack needs expanding, private lenders are well placed to seize a broader set of financing opportunities.

AUSTRALIA LOAN MATURITIES ($US BILLIONS)

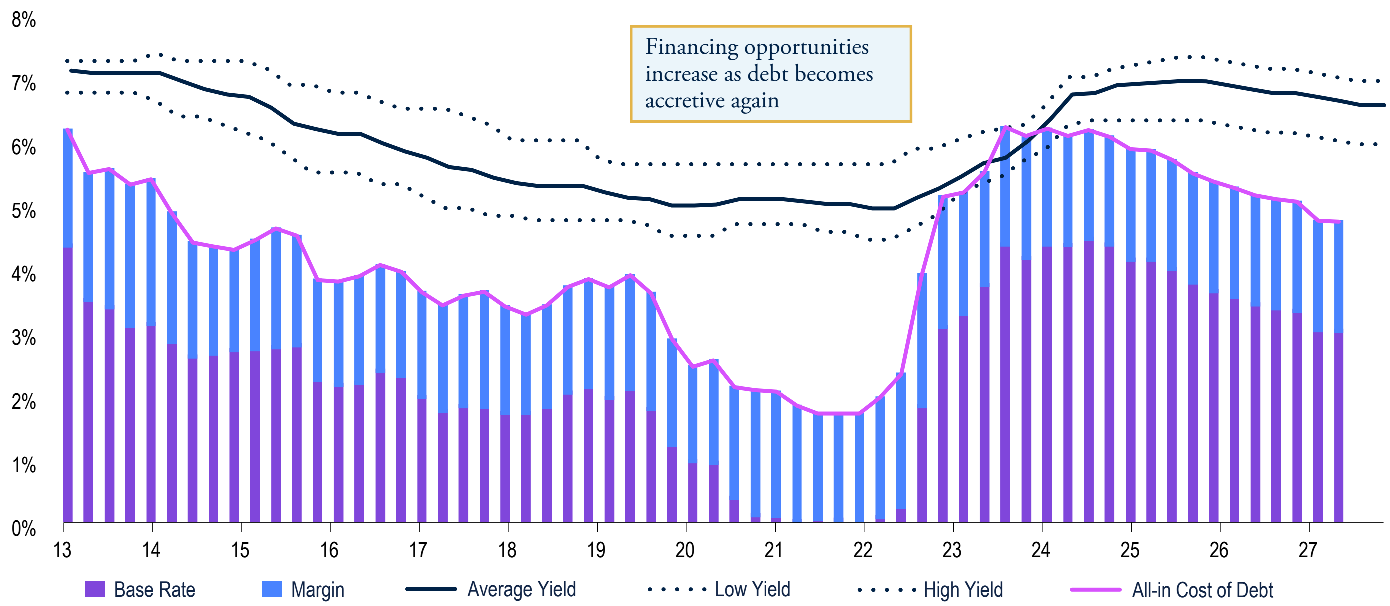


DEVELOPMENT EXPOSURE LIMITS AS % OF TOTAL COMMERCIAL PROPERTY LIMITS (AUSTRALIA)



Sources: APRA, PGIM Real Estate. As of June 2025.

AUSTRALIAN CBD OFFICE: SENIOR LOAN ALL-IN DEBT COSTS VS. PRIME PROPERTY YIELDS



Sources: APRA, PMA, Bloomberg, JLL, Cushman & Wakefield, MSCI, Bayes Business School, IEIF, IREBS, ECB, PGIM Real Estate. As of June 2025.

[1] Refers to CRE exposure limits in Australia.

LOGISTICS

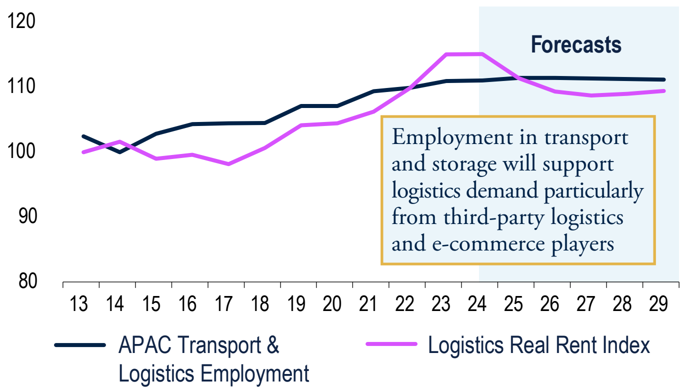
Ongoing e-commerce growth supports the case for urban logistics delivering real rental growth. It's not all about urban logistics either – supply chain optimization and trade flows also drive demand.

TOP INVESTMENT PICKS

- Urban logistics in high rent submarkets
- Last mile assets in cities with fast online growth
- Supply chain optimization

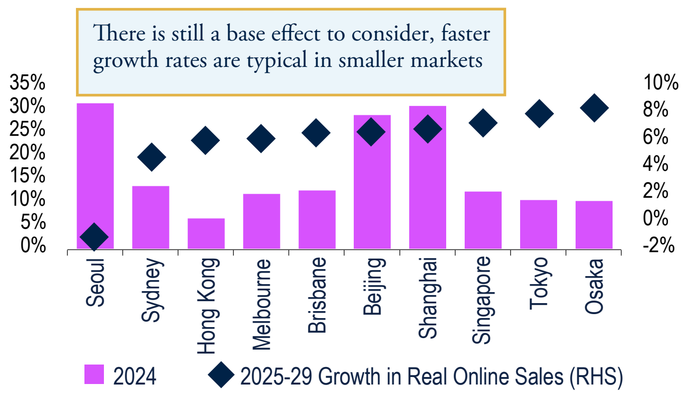
- The rise in global trade tensions will weigh on export-oriented economies particularly countries with higher exports to the U.S. relative to their GDP such as Japan and South Korea while Australia is expected to relatively less exposed.
- However, exposure from large US-linked manufacturers within the logistics sectors are limited. Most logistics occupiers within the APAC major cities are dominated by e-commerce and 3PLs which largely serves domestic demand from regional producers.
- The need for modern urban logistics notably in the bigger cities remains a common theme. Urban development remains hard to execute given such factors as planning regulations and high land prices.
- While markets with lower existing online penetration typically have stronger growth outlooks, there are risks. Forecasts suggest that Singapore and Sydney – simply won't follow the pattern in the United States and the UK. The risks of oversupply and unutilized capacity are higher in these markets.
- At the same time, construction has often been higher in lower rent submarkets, resulting in higher vacancies. In these markets, the scope for outperformance through submarket selection is higher than in larger, gateway markets where submarket performance is more consistent.

LOGISTICS REAL RENTS INDEX & ASIA PACIFIC TRANSPORT AND STORAGE EMPLOYMENT (2014 =100)



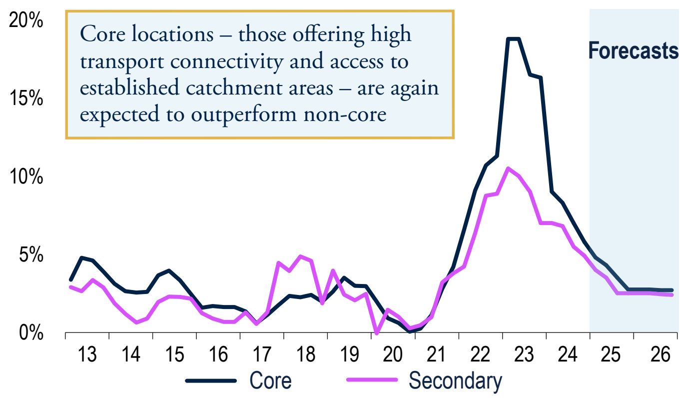
Sources: Oxford Economics, JLL, PMA, PGIM Real Estate. As of June 2025.

ESTIMATED CITY ONLINE PENETRATION RATES AND FORECASTED GROWTH IN ONLINE SALES



Sources: Oxford Economics, PMA, EIU, PGIM Real Estate. As of June 2025.

LOGISTICS RENTAL GROWTH: CORE AND SECONDARY MARKETS (% P.A.)



Note: Chart covers Sydney, Melbourne, Tokyo and Seoul.

Sources: JLL, PGIM Real Estate. As of June 2025.

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

PART III

KEY INVESTMENT THEMES

TACTICAL OPPORTUNITIES

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

RETAIL AND HOTELS

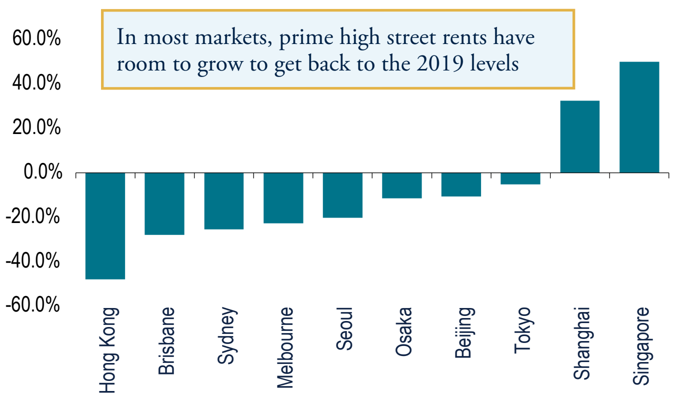
Low rents, limited new supply and improving affordability mean that retail markets have a platform to grow on the back of a productivity boost to spending power. Hospitality opportunities are emerging on the back of this trend too.

TOP INVESTMENT PICKS

- Prime high street / city center retail in high tourism markets
- Hotels in supply-constrained tourism-driven markets

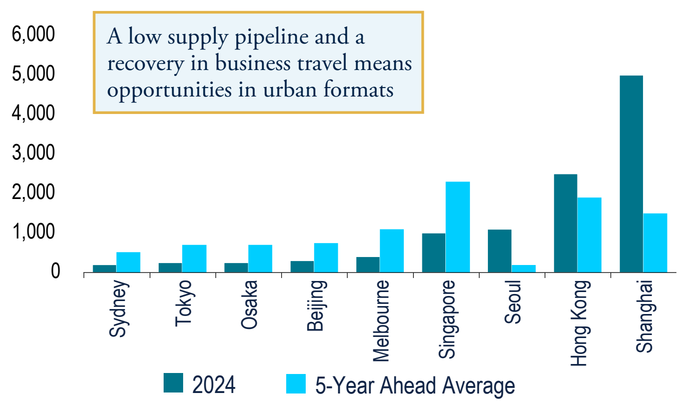
- An improving economic backdrop provides a recovery in discretionary spending. This is boosting the smaller and still transforming brick and mortar retail sector – with its emphasis on services over goods.
- Tourist-related markets offer the potential for strong retail rental growth with most markets still yet to recover back to their pre-COVID levels, particularly in Hong Kong where rents are still over 45% below their peak.[2]
- A rebound in business travel has also fed into hotel as well as service apartment demand. Urban core locations in or near the major CBD continue to draw strong occupancy thanks to rising office employment.
- Major gateway markets such as Singapore screen well as an international destination for corporates looking to grow their footprint in the region and spending on accommodation services is set to continue to grow in real terms over the next 5 years.[3]
- In Japan, there are opportunities for luxury hotels in regional cities and resort destinations in line with the Japanese government target to increase international wealthy travelers.
- High construction costs continue to impede new supply, leading to the potential for a stronger hotel revenue uplift – as international tourism continues to recover and grow.

PRIME HEADLINE RETAIL RENTS 2024 VS. 2019 (%)



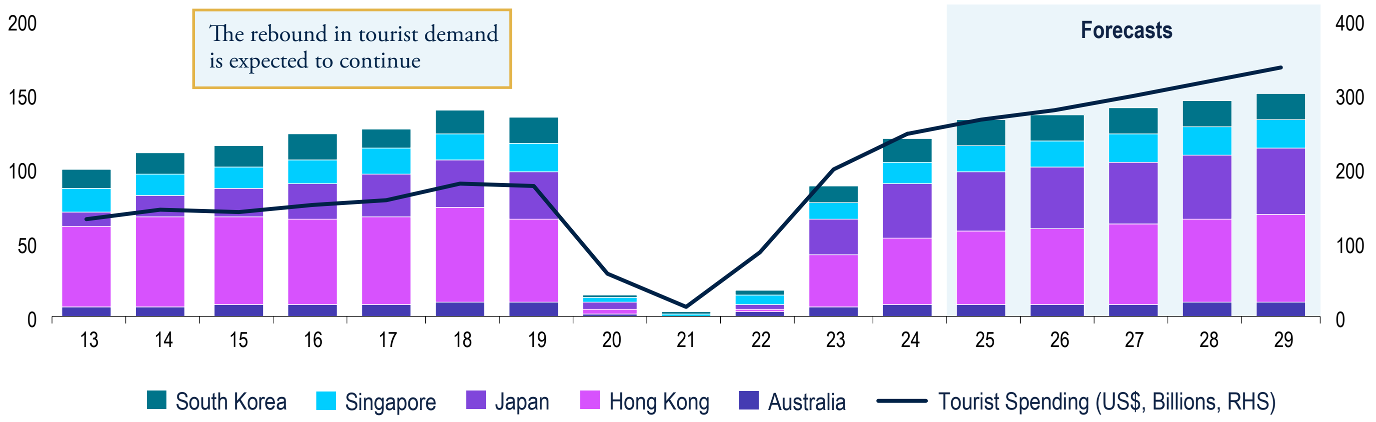
Sources: Cushman & Wakefield, PGIM Real Estate. As of June 2025.

ANNUAL NET ADDITIONS TO HOTEL ROOMS (NUMBER OF ROOMS)



Sources: Savills, CBRE, Cushman & Wakefield, JLL, Oxford Economics, PGIM Real Estate. As of June 2025.

INTERNATIONAL VISITORS (MILLIONS) AND SPENDING (US$ BILLIONS)



Sources: EIU, PGIM Real Estate. As of June 2025.

[2]Cushman & Wakefield, PGIM Real Estate.
[3]EIU, Savills, CBRE, JTB, HKTB, Korea Tourism Organization, PGIM Real Estate. As of May 2025.

NON-DISCRETIONARY RETAIL

Necessity based retail offers defensive income streams supported by elevated employment and attractive entry prices after a steep downturn. There are headwinds from online spending, but neighbourhood and suburban retail and discounted-driven units offer resilience.

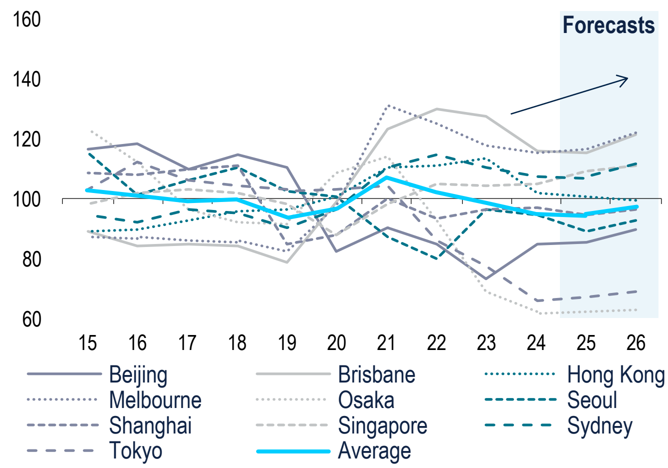
TOP INVESTMENT PICKS

- Neighborhood retail in Singapore and Brisbane & Sydney
- A focus on strong population growth submarkets and necessity-based retail

- Necessity-based retail captures defensive retail spending especially around groceries and discounted goods where online competition is muted and real household income is being stretched.
- This is largely due to high jobs growth boosting store sales and little development /stock withdrawal thanks to elevated construction costs as well as low developer-investor appetite. This segment of the market offers a resilient income-driven returns story – and at attractive valuations given the decline in liquidity and values in the retail sector.
- Opportunities in the convenient neighborhood retail market center in which occupier affordability has improved notably in Brisbane, Melbourne, Sydney and Singapore.
- In Australia returns will also be boosted by expected yield tightening off the back of lower 10-year bond yield forecast.

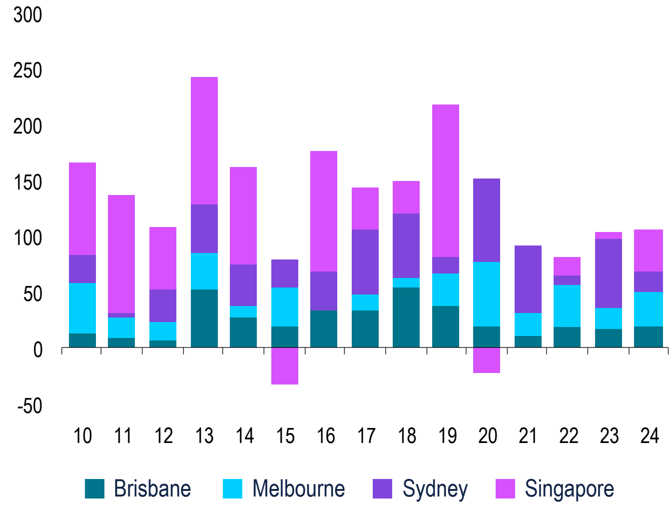
OCCUPIER AFFORDABILITY RATIO

(Index, Long-Term Average = 100)*



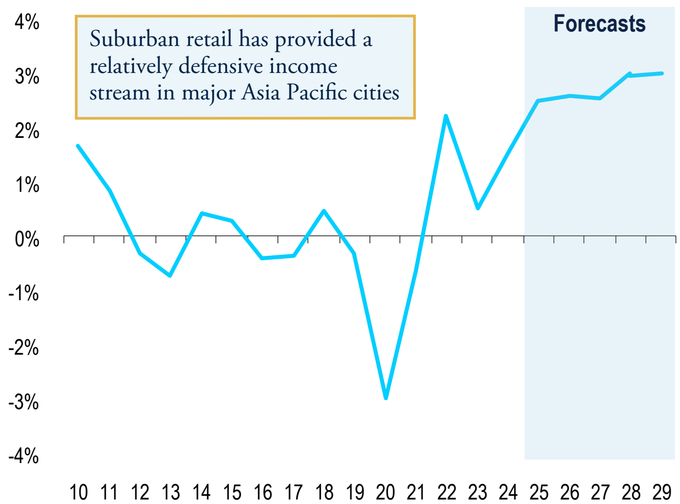
*Affordability indices are calculated by taking the ratio of occupier output per sq m of occupier space against rent, where output is proxied by retail sales for the retail sector
Source: PGIM Real Estate. As of June 2025.

SUBURBAN RETAIL NET ADDITIONS TO STOCK (000 SQ M)



Source: JLL, PGIM Real Estate. As of June 2025.

SUBURBAN RETAIL RENTAL GROWTH (% P.A.)



Source: JLL, PGIM Real Estate. As of June 2025.

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CBD OFFICE

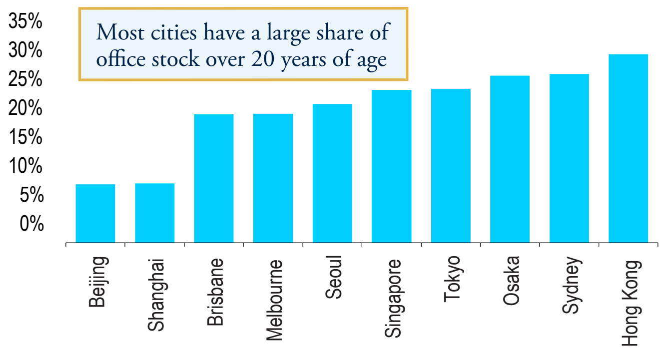
Prime CBD offices continue to offer outsized rental growth underpinned by the flight to quality trend, but opportunities to improve existing stock and drive value recovery also appeals.

TOP INVESTMENT PICKS

- Flight to quality – Prime offices
- Developed Asis Pacific CBD office markets
- Value-add plays to reposition older stock

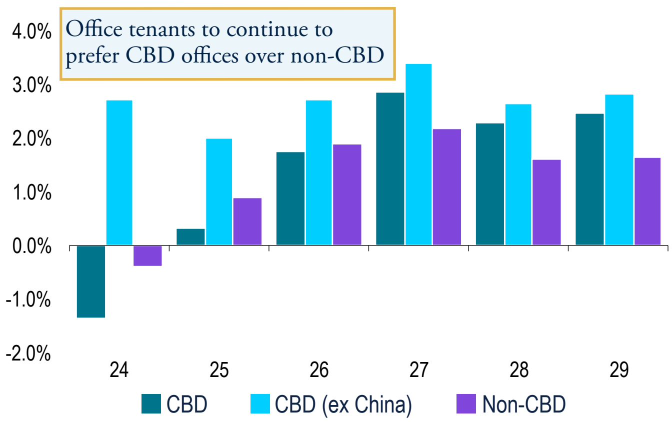
- The case for office investing has been challenging over the past few years as net absorption continues to slow and with it occupiers are also chasing down the better-quality CBD offices.
- Occupier retreat to quality has become more evident with ESG factors driving tenants to modern efficient space that is often located in CBDs rather than suburban areas.
- While office markets in Beijing and Shanghai are expected to remain weak over the next two years, CBD rental growth is set to outperform non-central offices in general.
- There is clear bifurcation in CBD office locations, for example with rental growth set to outpace non-CBD in Sydney, Melbourne and Brisbane to at least 2027.
- The lack of high-quality offices remains a feature but presents opportunity for investors to reposition / refurbish old office stock. A number of cities have a high share of office stock that is more than 20 years old.
- Moreover, at the market level, higher productivity growth office buildings are associated with newer stock. This suggests any modernization plays could realize strong value gains.

ESTIMATED SHARE OF INSTITUTIONAL OFFICE STOCK >20 YEARS OF AGE (2024)



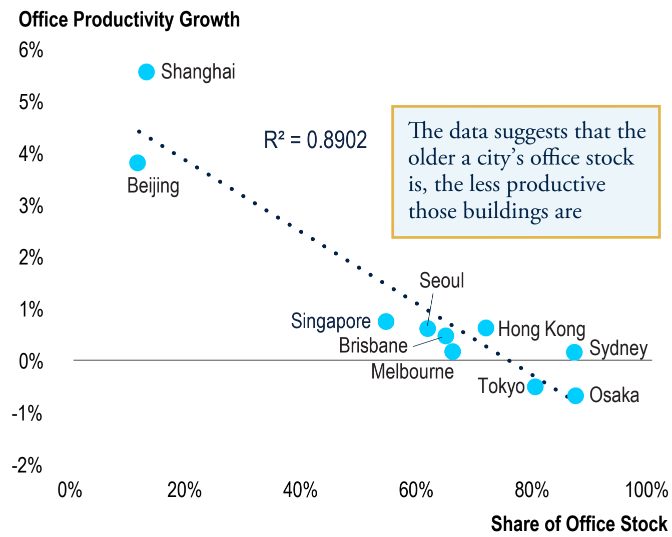
Sources: Oxford Economics, JLL, PMA, PGIM Real Estate. As of June 2025.

PRIME OFFICE CBD VS. NON-CBD NET EFFECTIVE RENTAL GROWTH (% P.A.)



Sources: PMA, JLL, PGIM Real Estate. As of June 2025.

ESTIMATED SHARE OF INSTITUTIONAL OFFICE STOCK >20 YEARS OF AGE, AND OFFICE PRODUCTIVITY GROWTH (2001-04)



Sources: PMA, JLL, Oxford Economics, PGIM Real Estate. As of June 2025.

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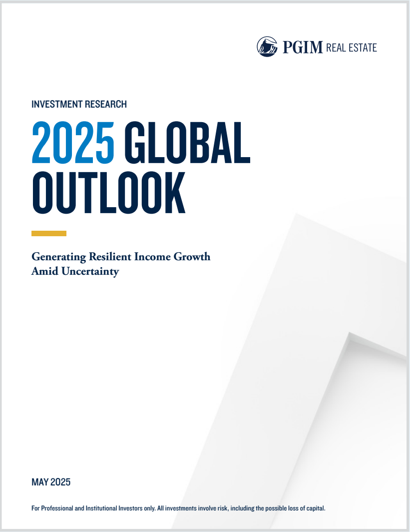

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