Asia Pacific Real Estate Strategic Outlook

Year-End 2025

IN A NUTSHELL

- The outlook for APAC real estate remains positive, underpinned by a resurgence in regional investment volumes, easing monetary conditions and genrally favourable rental growth prospects.
- We expect demand-supply fundamentals to strengthen in coming years as elevated construction costs continue to constrain new supply, particularly for Logistics and Offices, with vacancy likely to tighten further in core locations.
- Prime Logistics and Offices across key gateway cities in Australia, Japan, South Korea and Singapore may offer good entry points amid an upward rental cycle and recovering capital values.
- Living sector benefitting from positive urban demographics shifts underpins potential opportunities in Australia (Built-to-Rent) and Japan Multifamily apartments, as well as alternative formats including Co-Living.

1 / Market Outlook

As the year 2025 draws to a close, prevailing market sentiment appears more positive compared to the beginning of the year, where trade tariffs and economic uncertainties took centre stage. Following the conclusions of trade deals between the U.S. and its major trading partners including those in APAC, our latest CIO view is that the worst of the trade war appears to be behind us, and global economic growth is expected to pick up.

On the monetary front, APAC central banks have kept policy rates largely unchanged during the second half of 2025, as inflationary pressures have recently resurfaced, in part driven by imported inflation due to weakening currencies including Japanese Yen and South Korean Won. The rapid rate-cutting cycle that many investors were previously expecting looks increasingly unlikely. Still, current market expectations are for policy rates in Australia and South Korea to ease by another 25-30 basis points by the end of 2026[1], which should underpin improving real estate liquidity and valuations. Meanwhile the Bank of Japan (BOJ) is expected to slowly continue the process of interest rate normalization, which could result in a minor rate hike up to 1% in 6-12 months.

[1] Bloomberg data, as of 3 December 2025

Nonetheless, the loan financing environment continues to improve, potentially providing a tailwind for investors. Based on our estimates, real estate financing costs (base rate plus loan margin) peaked over the course of 2023, but has since declined by approximately 200-250 basis points (bps) in Singapore and South Korea, while rates are now 100-120 bps lower in Australia. Japan is an outlier as higher base rates led to an increase of approximately 100bps compared to two years ago.

On the investment front, transaction activity for income-producing real estate in Asia Pacific appeared to show positive signs with transaction volumes rising 15% y-o-y[2] during the third quarter of 2025. On a rolling 12-month basis, investment volumes have climbed by around 20% in Japan, South Korea and Australia, while in China, volumes declined by 23% as investors remain cautious. Notably, cross-border investors have turned increasingly active this year, constituting a third of capital flows, the highest since 2019 and a rise from 26% just last year, signaling a recovery of broader investor sentiment.

From a pricing cycle perspective, in our view APAC real estate (excluding Greater China) seems to have moved from the bottoming out phase into the recovery stage, with yields no longer expanding, and now starting to compress in some markets. Valuations also appear to be finding stability, with the ANREV ODCE Index registering two consecutive quarters of positive net total returns (in local currency terms), while the quarterly return of 1.1% in the third quarter of 2025 is the highest recorded since Q2 2022.

Sector Outlook

Office: As labour market conditions remained strong with low unemployment rates in most developed APAC economies, many employers appear to be prioritizing workplace sustainability and talent attraction for their leasing requirements, hence pivoting towards higher quality buildings equipped with good amenities in core locations.

Over the past six months, rental performance across Asia Pacific showed diverging trends. Rents in Singapore climbed to their highest levels in 17 years, driven by a diversified tenant base comprising financial services, technology, professional services and emerging sectors such as AI and Fintech. Occupier demand in Japan remained robust, supported by strong economic and labour market conditions, while leasing activities were constrained by low vacancy levels of 1%-2% in Tokyo and Osaka. This has underpinned strong year-on-year rental growth increases (Tokyo: 7.5%; Osaka: 10.8%)[3] in the third quarter of 2025. In Seoul, CBD vacancy has climbed in recent quarters following a few major tenant relocations while vacancy in Gangnam remained tight at 1% due to lack of new supply. Nonetheless, office rental growth remained positive at 3%-4% levels.

In Australia, overall market vacancy levels rose during the first half of 2025, however strong leasing activities led to a falling vacancy in premium grade assets. The divergence between premium grade and other assets is also reflected in rental growth – across Sydney, Melbourne and Brisbane, premium has outperformed Grade A assets by 2-5 percentage points[4]. At the other end, office assets in China continue to experience significant headwinds from tough macroeconomic conditions and high pipeline supply, with further rental declines expected compound the near double digit rental declines of 2024. Hong Kong office rents are also expected to have fallen by the end of 2025, though there are early signs of recovery with increased leasing from occupiers particularly in the premium office space in the core business districts.

Over the next few years, we expect rising construction costs to keep new office supply levels below historical averages, supporting rental growth and occupancy levels, particularly for higher quality developments.

Industrial: Logistics leasing demand in Asia Pacific showed resilience in the third quarter of 2025, with quarterly net absorption in first tier cities in APAC reaching its highest level of 1.4 million sqm since late 2023[4]. In Australia, leasing volumes

[2] MSCI-RCA data, figures excludes data centers. As of November 2025
[3] JLL Research data, Q3 2025
[4] Colliers Research data, Q3 2025

remained strong but a surge in incoming supply has led to national vacancy climbing to 3.7%[5] in the same period, though this still sits at tight levels.

There is a greater divergence across submarkets in Greater Tokyo and Greater Seoul, where overall vacancy levels stand around 10%-15%. Occupancy levels in the prime central locations are stronger with demand remaining robust driven by e-commerce and third-party logistics (3PL) players, leading to lower vacancies compared to the fringe submarkets where new supply and vacancy is higher. In Singapore, despite an uptick in vacancy rates due to a multi-year peak supply wave in 2025, logistics leasing momentum and rents remained firm, with notable enquiries from 3PLs and end-users seeking large warehousing spaces for expansion.

On the demand side, logistics facilities catering to domestic consumption may see relatively resilient leasing activities. The supply outlook is more positive with a subdued pipeline expected as rising construction costs reduce project feasibility and lead to supply cancellations especially for speculative projects lacking tenant pre-commitment. While rental growth is likely to remain subdued this year, we expect rents to gradually pick up across most markets from 2026 onwards, particularly in Japan and South Korea where high construction costs and breakeven rents for new logistics developments have severely constrained future supply.

Retail: The retail market landscape remains challenging amid evolving consumer preferences. However, compared to a year ago we see increasing signs of recovery, with a rebound in domestic consumption and international tourism supporting occupier demand and rental growth. Tokyo has been a major beneficiary, with tourist arrivals already surpassing pre-COVID levels supporting high-street retail demand and rental growth in prime locations including Ginza and Shibuya. Similarly, Seoul has benefited from increased tourism which has boosted leasing demand for high-street retail.

The recovery can also be observed across other retail formats, including neighbourhood retail anchored by non-discretionary spending as domestic consumption strengthens post pandemic. Across Australia, national retail spending registered 3.5% growth over the 12-months to June 2025, showing stronger readings compared to the previous two years when consumer sentiment was weak. This supported rental growth across all retail formats including neighbourhood and regional malls. The outlook for retail has strengthened, though for most locations it is likely more towards achieving rental stability rather than strong rental growth expectations.

Residential: Major cities in Japan and Australia continue to benefit from strong rental growth trends, underpinned by structural demographic factors such as population growth via overseas or domestic migration inflows, good rental affordability relative to home ownership costs and a shortfall of adequate housing supply.

In Australia, where the national vacancy rate sits tightly at 1.2%, nationwide housing rents maintained a strong growth momentum of 5.4% y-o-y increase in November 2025, with even stronger growth recorded in Sydney (6.1%) and Brisbane (6.8%)[6]. Meanwhile the Build-to-Rent (BTR) sector continues to gain momentum with a record 6,000 units expected to be delivered in 2025, exceeding the previous record of 4,660 units in 2024[7]. The federal government has a target of 1.2 million new homes by 2029 to alleviate the national housing shortage, and recent policy support measures including MIT legislation and land tax exemption (for Sydney BTR) are expected to support further growth in the sector in coming years.

Japan's residential market remained buoyant, driven by ongoing urbanization, positive domestic net migration, healthy wage growth as well as rising household formation around major city centres. Apartments in Tokyo have been a major beneficiary with rental growth reaching 8%-9% y-o-y[8] during the third quarter of 2025, while Osaka has also benefited from strong rental

[5] Colliers Research data, Q3 2025.
[6] SQM Research, as of 1 December 2025
[7] Knight Frank Research, Q3 2025
[8] Savills Research, Q3 2025

growth since 2023 underpinned by low vacancy levels and constrained condominium supply arising from elevated construction costs.

Supply Constraints

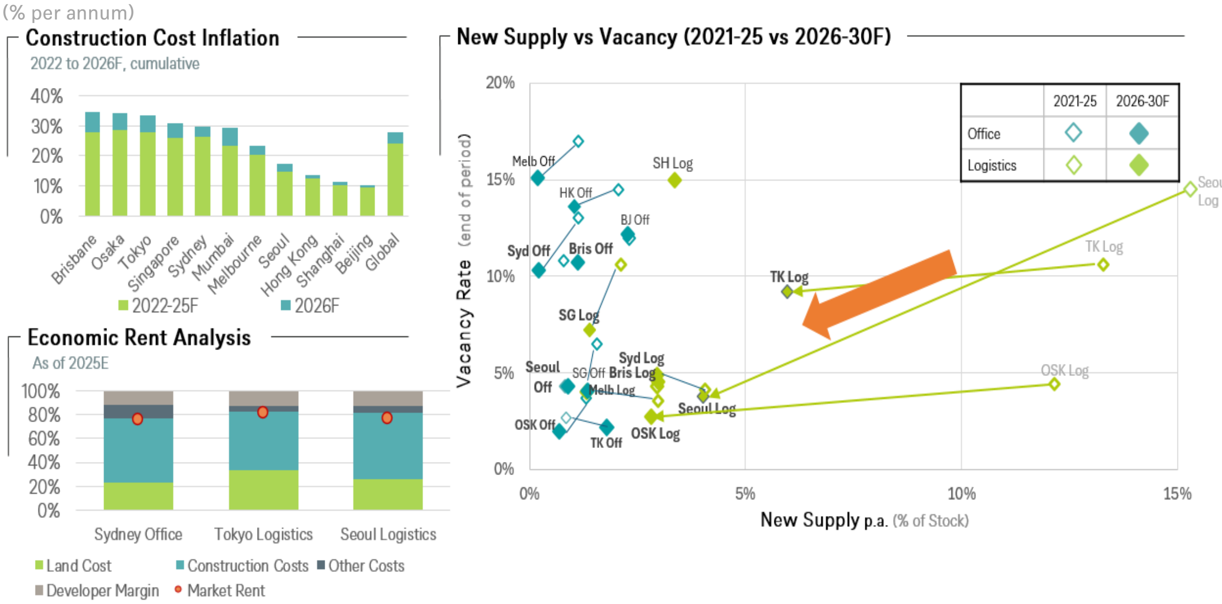
Elevated building construction costs since the pandemic remain a key factor for our supply outlook. While cost inflation has eased from its peak, construction costs are expected to rise by another 3%-6% across major APAC cities outside China in 2026[9], outpacing inflation and further challenging the viability of new developments.

While the impact of higher construction costs vary by sector and location, our analysis of development costs indicates economic rents for new developments exceed current market rents by as much as 20%-30% in the office and logistics sectors across major cities in Japan, South Korea and Australia. Meanwhile, project delays or cancellation have been increasingly commonplace as new projects become economically unviable. Seoul's logistics sector is a good example, where approximately 81% of projects (by area) have not commenced construction despite having obtained building permits at least three years ago[10]. This has severely restricted new supply, with new completions from 2025 onwards projected at less than one-third of new supply in 2024. Similarly, new CBD office supply across Australia over the next 4 years is expected to fall 60% below the 20-year historical average[11], which should help support occupancy levels in coming years.

The expected decline in new supply should support occupancy levels and potentially drive rental growth across the residential and commercial sectors. In particular, the logistics sector is one of the biggest beneficiaries, given the lower proportion of land costs (and conversely higher proportion of construction costs) relative to other sectors. Across markets supported by a strong demand profile – notably the logistics markets in Japan and South Korea, we expect a sharp decline in vacancy levels over the next few years on the back of strong occupier demand and significantly reduced supply pipeline.

Exhibit 1: APAC - New Supply Constraints on the back of rising Construction Costs

(% per annum)



F = Forecast. There is no guarantee the forecasts shown will materialize.
Source: DWS, Turner & Townsend, Colliers, JLL, CBRE, R Square. As of December 2025.

[9] Turner & Townsend, Global Construction Cost Performance 2025
[10] CBRE, A New Equilibrium for the Greater Seoul Grade A Logistics Market, September 2025
[11] Colliers data, Q3 2025

2 / Houseview Forecasts

Rental Growth

Looking ahead, we expect favourable rental growth prospects across Asia Pacific, with core office markets resuming an uptrend cycle. Sydney and Brisbane are likely to benefit from a recovery in occupier demand and limited supply, with prime vacancy forecast to tighten and drive incentives lower from elevated levels (currently averaging 40%-45%) supporting strong effective rental growth. We also expect the strong rental growth momentum in Tokyo to continue with prime vacancy forecast to remain below 2% over the next few years.

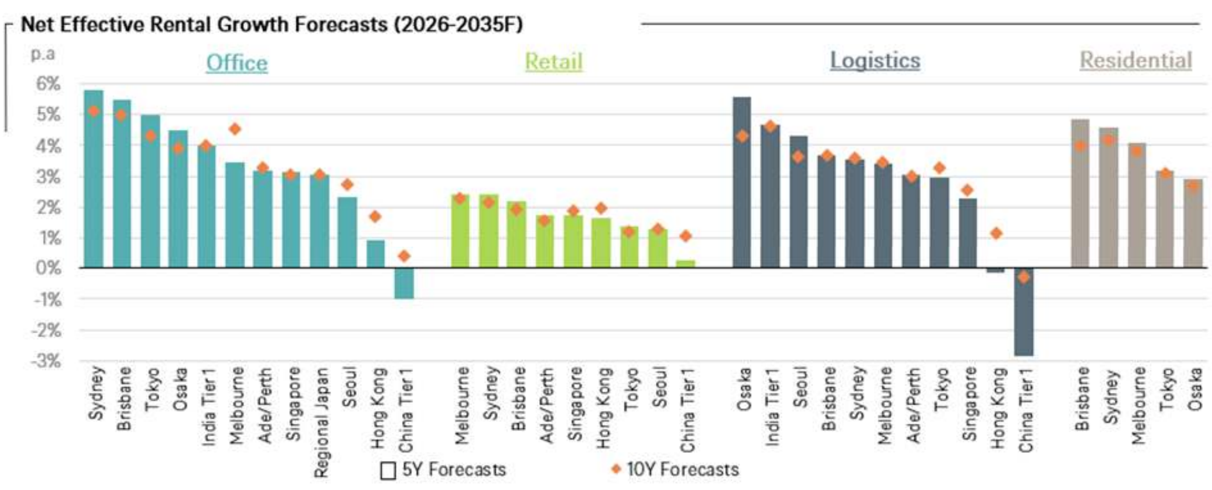
The logistics sector should benefit from an expected recovery in occupancy levels over the next few years, driven by structural demand drivers of rising ecommerce sales and offline consumption trends as well as the supply constraints described earlier. In Northeast Asia, despite current supply, we retain our contrarian call for a strong turnaround in Logistics rents across Osaka and Seoul from 2026 onwards. Demand-supply fundamentals are forecast to become more landlord favourable, driving strong rental growth potentially of over 4%-5% per annum over the next five years in these markets. In Australia, low vacancy levels particularly in infill areas are expected to support rental growth with incentives stabilizing following a rebound from the pandemic lows.

For shopping mall retail, rental growth is constrained by rising cost-of-living pressures and competitive retailer margins. Prime high street retail underpinned by good tourist footfall (Tokyo for example) could outperform in rental growth though yields are tight. Performance is also likely to diverge significantly by asset-type, for instance in Australia where we expect large format retail and neighbourhood retail underpinned by non-discretionary spend to perform better than CBD retail.

We expect residential rents in Australia to grow strongly (4%-5%) annually as the supply shortfall situation is likely to persist amid rising rental demand, while multi-family rents in Japan should also continue to rise driven by urban migration and high home ownership costs. Across the major developing economies, rental growth prospects are forecasted to be led by India with rising occupier demand driven by its strong demographics dividend profile and ongoing economic progress which should benefit most sectors including office and logistics. In stark contrast, China remains mired in a deflationary demand environment, where despite lowering rents, landlords continue to struggle with filling up spaces amid double-digit prime vacancy rates.

Exhibit 2: Net Effective Rental Growth Forecasts (2026-2030F)

(% per annum)



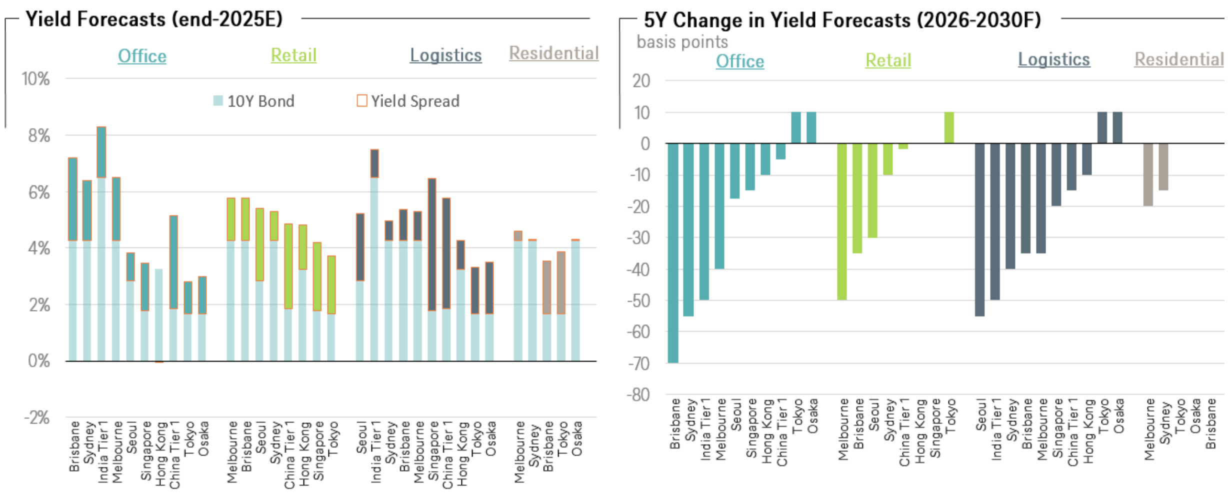
Note: Figures shown are on net effective basis after factoring incentives. China Tier 1: Beijing/Shanghai/Guangzhou; Regional Japan: Nagoya/Yokohama/Fukuoka; India Tier 1: Mumbai/Bangalore/Delhi. There is no guarantee the forecasts shown will materialize.
Source: DWS. As of December 2025.

Cap Rates

With APAC central banks expected to ease monetary policy further in 2026, this should support cap rate compression across most locations, albeit at varying degrees. Outside China, Australia and South Korea stands out, given they have seen some of the highest yield expansion over the past two years and today have a comparatively high yields spreads to government bonds. Over the next five years, we expect office yields in Brisbane and Sydney to decline most. The logistics sector will likely share a similar trend, with Seoul possibly benefiting given current yields look attractive at around 2.5% while investor interest in logistics assets remain relatively strong.

In Japan, investor concerns center around rising government bond yields and potential BOJ rate hikes. Our base case scenario assumes cap rates could move slightly upwards by approximately 10bps during the 5-year forecast period, with positive rental growth compensating for a higher interest rate environment and avoiding a significant asset repricing scenario, although weaker assets in secondary locations could still see a pricing correction. With allocations by European and US investors to APAC real estate constituting only 6% and 9% of their respective portfolios[12], the return of cross-border capital to the region could push yields even lower in an upside scenario.

Exhibit 3: NOI Yields vs Bond Yields



E=Estimate, F=forecast. There is no guarantee the forecasts shown will materialize
Source: DWS, JLL, CBRE, Colliers. As of December 2025.

Total Returns

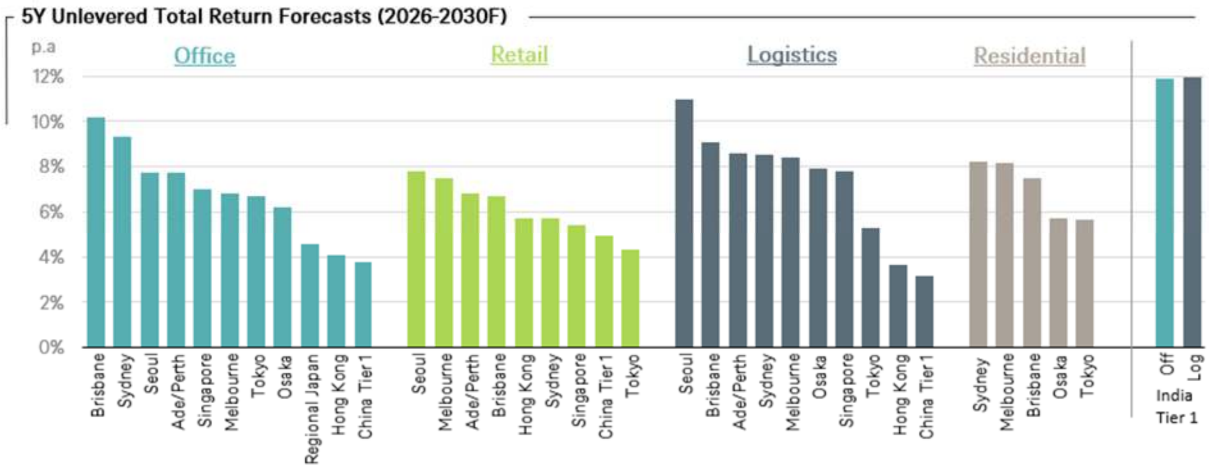
Over the next five years, real estate returns are expected to be driven by income yields and rental growth, potentially aided by some degree of cap rate compression amid a lowering interest rate cycle. We currently project Total Returns (unlevered, property-level before taxes/fees) for the logistics sector to remain relatively attractive, with annual returns potentially led by Indian Tier 1 cities and Seoul (11%-12%), while we also forecast returns in the range of 8%-9% for across Australia, Osaka and Singapore. Institutional residential assets in Australia could also perform well with returns estimated at approximately 8% annually.

Prime office assets in Brisbane and Sydney also may appear more attractive with returns around (9%-10%) enhanced by the potential recovery in asset values over the next 1-2 years. This is followed by Seoul, as well as Singapore and Tokyo (with levered returns potentially enhanced by low borrowing costs). We project the sharp divergence in performance between the two major economies in APAC (India and China) to continue, with Indian Tier 1 cities likely leading the region backed by strong structural demand tailwinds while Chinese cities may continue to lag on weak demand-supply fundamentals which could take a few more years to recover.

[12] ANREV Investor Intentions Survey 2025

Exhibit 4: APAC Total Return Forecasts, (2026-2030F, Unlevered, LCU)

(% per annum)



F = Forecast. LCU refers to local currency returns. Note: China Tier 1: Beijing/Shanghai/Guangzhou; India Tier 1: Bangalore/Mumbai/Delhi; Regional Japan: Nagoya/Yokohama/Fukuoka. There is no guarantee the forecasts shown will materialize. Source: DWS, as of December 2025. The returns are based on our forecasts for market rental growth and cap rates for each city. These are market-level forecasts and not tied to any product or benchmark.

Houseview Targets

To summarize, the table below shows our House view targets. In our current view, gateway cities in Asia Pacific, tend to offer higher liquidity and transparency levels that may be suitable for core-focused strategies. The office, logistics and living sectors are expected to continue to provide potential investment opportunities in the region, while there may be a silver lining in the much-maligned retail sector investors may need to be more selective on both retail format (discretionary versus non-discretionary based retail) and individual asset selection given the divergence in performance across most retail types and locations.

Exhibit 5: APAC Market Calls

Core Strategies — ★ Overweight ★ Marketweight ★ Marketweight (Potential)

		Office (Core CBD)	Logistics (Urban, Infill)	Living	Retail
Australia	Sydney	Overweight	Overweight	Overweight (BTR)	Marketweight (Potential) (LFR/ Neighbourhood)
	Melbourne	Marketweight	Marketweight	Marketweight (BTR)	Marketweight (Potential) (LFR/ Neighbourhood)
	Brisbane	Overweight	Overweight	Overweight (BTR)	Marketweight (Potential) (LFR/ Neighbourhood)
	Perth				
	Adelaide				
Japan	Tokyo	Overweight (Higher quality B-Grade)	Marketweight	Marketweight (Multi-family / Co-Living)	Marketweight (Potential) (High street)
	Osaka	Overweight (Higher quality B-Grade)	Overweight	Marketweight (Multi-family / Co-Living)	
	Regional Japan				
South Korea	Seoul	Overweight	Overweight (Dry Storage)	Marketweight (Potential) (Co-Living)	Marketweight (Potential)
Singapore	Singapore	Marketweight	Overweight	Marketweight (Potential) (Co-Living)	
China	Hong Kong				
	Tier 1 Cities				
India	Tier 1 Cities	Marketweight (Potential)	Marketweight (Potential)		
Malaysia	Kuala Lumpur				

Source: DWS. As of December 2025.

3 / Investment Strategy

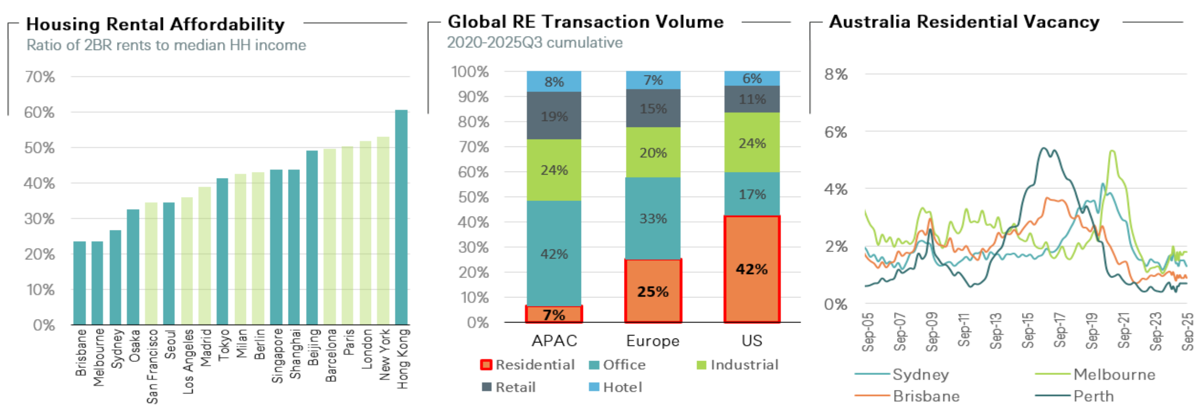
APAC Living Sector

Given the scarcity of existing assets outside Japan, the Living sector in Asia Pacific remains significantly under-invested, with transaction volumes since 2020 accounting for 7% of overall volumes, a relatively small figure compared to Europe (25%) and US (42%). The sector looks attractive owing to structurally lower vacancy levels and current tailwinds underpinning housing needs including better affordability for renters compared to home ownership costs, given the surge of housing prices and high price-to-income ratios across many major cities in the region.

Australia BTR: The sector remains one of our top picks. Strong fundamentals continue to promote an potentially attractive case for investment: 1) Rental vacancy rates remain incredibly tight with Sydney (1.3%) and Brisbane (0.9%) below this time last year, while Melbourne remains stable sub 2%[13]; 2) Population growth is forecast to be the highest across the APAC region, with markets such as Sydney absorbing a third of overseas migration ;3) Supply constraints look to be more pronounced in the apartment segment due to higher construction costs and tight labor conditions particularly in Brisbane, with the time taken from approval to completion taking 2-3 years; 4) Rental affordability remains more attractive relative to home ownership due to high mortgage costs and elevated apartment prices.

We believe underlying fundamentals appear supportive enough to potentially sustain annual rental growth up to 5% over the short to medium term, which could underpin investment returns, with supportive government legislation to improve market liquidity and an institutionalization of the sector. Deep local market research, investment and asset management expertise are highly critical for a successful project, with sub-market analysis required to understand local demographics and appropriate asset mix. DWS Research currently favours 'essential living' (lower amenitised) Build-To-Rent product along key commuter rail lines and emerging CBD hubs supported government investment/infrastructure and growing population catchments such as Western Sydney and Fortitude Valley in Brisbane.

Exhibit 6: APAC Living – Fundamentals remain strong



Source: DWS, MSCI, SQM Research. As of December 2025.

Japan Multifamily/Co-Living: Japan's multifamily apartment remains the only mature institutional residential market in APAC. The resurgence in inflationary pressures have been accompanied by strong wage growth, with labour unions having set wage growth targets of 5% for 2026. Meanwhile, demand for multi-family apartments have been driven by rising

[13] SQM Research, as of November 2025

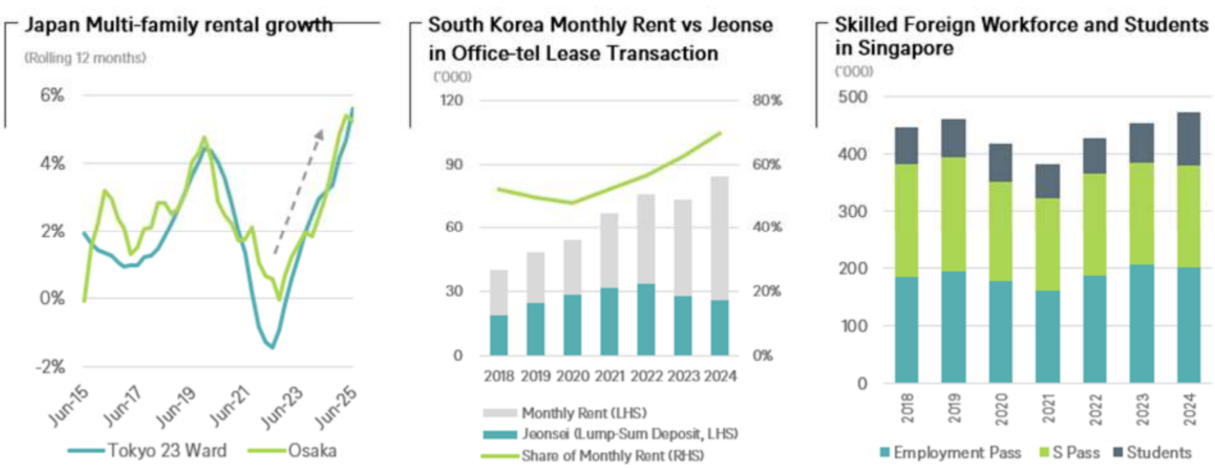
migration flows to major city centres especially in Tokyo and Osaka, while aspiring home buyers are increasingly priced out of home ownership as housing prices hit record prices with resale condominium prices in Tokyo and Osaka increasing 32% y-o-y and 18% y-o-y in October 2025.

The sector offers stability though with moderate rental growth expectations and competitive yields, though given the relatively low NOI yields for prime assets, investors may have to utilise higher leverage, potentially taking advantage of low borrowing costs or incorporate some value-add element to seek higher cash yields (>4%).

Given Japan's strong positioning as a global tourist destination in Asia Pacific, inbound tourism plays a critical role in the living and hospitality sectors. With overseas visitor arrivals of 37 million in 2024 (potentially hitting over 40 million in 2025 – nearly one-third of Japan's population – this has underpinned strong performance in hotels where the average daily room rate (ADR) for hotels in Tokyo and Osaka have nearly doubled compared to pre-COVID levels, prompting many visitors to seek alternative, short to mid-term housing solutions. With monthly hotel revenues now exceeding multifamily rents by 7 to 8 times, this creates compelling income-enhancement opportunities for investors through the conversion of well-maintained residential assets into higher yielding operational co-living spaces with moderate capital expenditure (we estimate daily stay Co-Living leases can fetch up to 5x revenues versus typical monthly multi-family leases). Unsurprisingly this would require a higher level of operation expertise, operational fees and management costs to realise potential value creation.

Other APAC Co-Living: With Co-Living also gaining traction across the region, we believe other countries including South Korea and Singapore could present potential investment opportunities, given rising demand from increasing single-person households, international students and young professionals as well as shifting preference to renting as housing prices surged. This is especially evident in South Korea, where renters in certain housing types outside apartments are increasingly opting for monthly rental transactions and away from the traditional lump sum deposits.

Exhibit 7: APAC Living – Fundamentals remain strong



Source: DWS, AJPI Databook, JLL, MOLIT, Singapore Department of Statistics. As of December 2025.

APAC Logistics

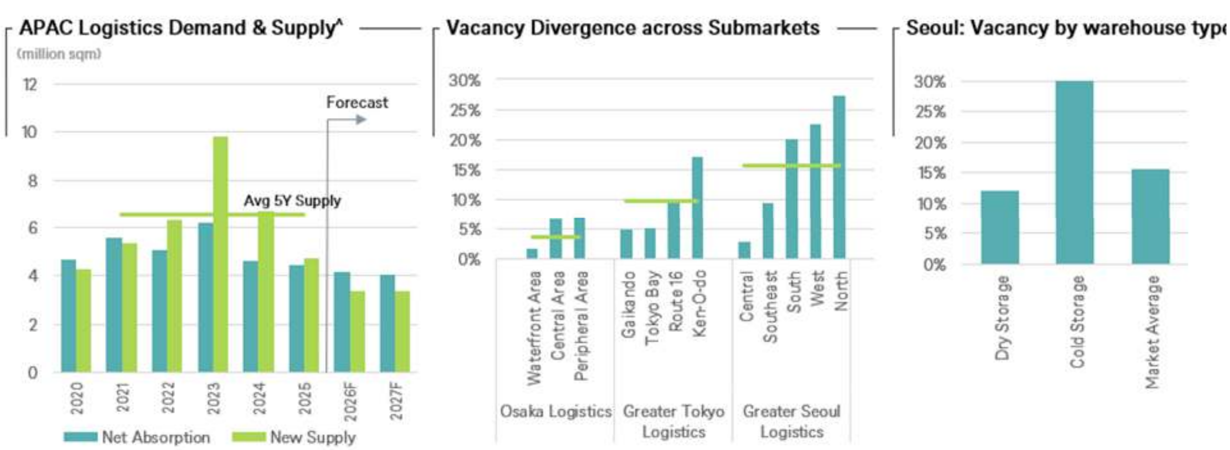
The logistics sector currently remains one of our top picks. Despite higher U.S tariffs, there appears to be support from intraregional trade which accounts for more than half of both exports and imports. Meanwhile demand for modern warehousing remains underpinned by strong e-commerce growth, upgrading demand away from older obsolete warehouses and increased nearshoring practices amid the low availability of good quality warehouses. Combined with expected constraints in future supply, aggregate demand is set to outpace supply in coming years. According to CBRE[14], proximity to transportation infrastructure and consumer markets are increasingly the two most important factors for logistics occupiers in Asia Pacific. We adopt a similar view and tend to prefer assets located in regional transport hubs or urban infill markets close to population catchment catering to domestic demand.

Seoul logistics is considered one of our top targets. Manufacturers only account for a portion of leases (6%) while e-commerce and 3PL tenants account for about 80%, both supported by the country's high e-commerce sales growth. Given the high divergence in vacancy levels, we currently favour the Central and Southeast areas where vacancy and new supply are more controlled, while avoiding the North where vacancy and new supply pressures are expected to remain high. Still, we expect current vacancies to quickly fill up over the next 1-2 years as new supply shrinks significantly, which could lead to an acceleration of rental growth in late 2026 or early 2027. Investors may consider focussing on dry warehouses and avoiding the cold storage segment where vacancy remains excessively high above 30%.

Australian logistics continues to experience a period of normalisation, which has led to an increase in vacancy and incentives. Investors may wish to focus on 'infill' locations around growing population catchments and key arterial roads, and the cold storage market which remains chronically under-supplied with vacancy close to 0%, proving more resilient. Looking forward, we anticipate a 'pivot to pre-commitment' in the wake of higher vacancy and construction costs to help stabilise vacancy, while the underlying drivers of the sector remain intact to support continued growth in rents.

With income yields currently at attractive levels of around 5.0%- 5.5%, we expect potential entry opportunities in Greater Seoul, Sydney, Brisbane over the next 6-12 months, with potential for cap rate compression as monetary conditions ease. We also like prime logistics in Japan (Tokyo, Osaka) with rental growth expectations and limited cap rate expansion potentially driving capital value growth. Logistics assets in Singapore also appear attractive given the city nation's regional trade hub status and relatively high logistics income yields (6.5%) for 30-year leasehold assets, though capital upside may be more limited due to the shorter lease tenor.

Exhibit 8: APAC Logistics Supply and Vacancy (As of Q3 2025)



^ Aggregate figures to Tokyo, Osaka, Seoul, Sydney and Singapore
F = forecast. There is no guarantee the forecasts shown will materialize. Source: DWS, CBRE, JLL. As of December 2025.

APAC Office Sector

In Asia Pacific, high office utilisation levels continue to underpin occupier demand, particularly in Japan and South Korea. With a limited supply pipeline across most core locations, office vacancy rates in Tokyo, Seoul and Osaka are expected to remain low, in stark contrast to the high vacancy levels observed in the US.

[14] CBRE 2025 Asia Pacific Logistics Occupier Survey, June 2025

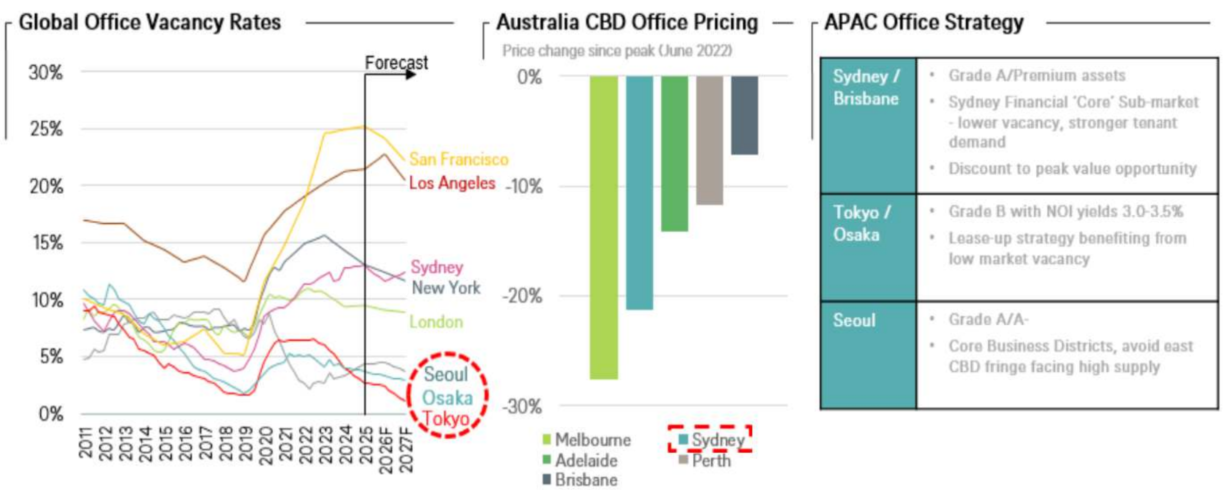
In Japan, we expect Tokyo and Osaka's office market to continue performing well, underpinned by sustained strong rental growth and low borrowing costs. However, with prime stock tightly held by major landlords and tight yields below 3%, we currently favour the Grade B space where rental growth has generally kept pace with the Grade A segment over the past 10 years, while relatively higher NOI yields of circa 3% combined with low borrowing costs can provide relatively attractive levered returns. In addition, with the market experiencing low stock availability, implementing a lease up strategy may help capture positive rental revisions that could potentially deliver enhanced returns.

While Seoul's office vacancy has risen recently, vacancy in new Grade A developments (completed after 2020) remain tight at 1%-2%, highlighting flight to quality trends. We expect a combination of rental growth and yield compression (backed by further BoK rate cuts) to drive office returns. Investors may consider focusing on high quality offices located in the core Business Districts (CBD, Gangnam) while avoiding the east CBD fringe which could see significant incoming supply over the next few years.

In Australia, net absorption for premium grade assets has been steadily positive at the same time demand for secondary grade buildings continued to contract. We currently favour Sydney and Brisbane CBD offices for their stronger occupier profile and a limited supply pipeline. With incentive levels forecast to decline, both markets could experience strong rental growth (on an effective basis) over the next few years (see Exhibit 2). Moreover, the recent price correction of 20%-25%[15] from peak pricing in Sydney could provide an entry point for investors. Investors may wish to consider focusing on premium or Grade A assets within the centrally located financial core submarket in Sydney, with a lower vacancy and stronger tenant demand profile.

Across these office markets, we tend to favour high grade office assets in core locations with strong transportation links, particularly developments with ESG credentials and amenities which appeal to the younger Millennial and Gen Z employees.

Exhibit 9: Strong Office Occupancies in Japan / South Korea and Office Yields in Australia



F = Forecast. There is no guarantee the forecasts shown will materialize
Source: DWS, JLL, CBRE, Colliers, Miki Shoji. As of December 2025.

[15] Colliers Research, Q3 2025

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