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Liquidity returning to Asia-Pacific real estate markets

Interest rate cuts support gradually improving market dynamics despite ongoing political and trade turbulence, say participants in PERE's regional roundtable discussion. Stuart Watson reports

The participants in *PERE*'s Asia-Pacific roundtable discussion met over video conference in early November at a moment of contradictory indicators for the region's real estate market.

On one hand, geopolitical tensions are casting a cloud as the US and China conduct tense negotiations aimed at averting a trade war. On the other hand, many of the region's economies are embarked on a rate-cutting cycle as central banks shift their stance away from combating inflation and toward encouraging growth.

Interest rates have continued to fall across most of the region's major economies in 2025, including Australia, New Zealand, Singapore, India, China and Korea. That has helped to prompt a recovery in commercial real estate investment volume, with CBRE data showing a 28 percent increase quarter-on-quarter to $41.8 billion in Q3 2025, the highest quarterly volume recorded since 2021.

Central bankers in each country will shape their approaches based on local growth rates, labor markets and the outlook for inflation. Still, November's 25-basis-point cut to US interest rates will help to raise investor spirits, says Steve Kim, co-head and co-chief investment officer, Asia-Pacific at manager LaSalle Investment Management. "Cutting rates will have a positive impact on sentiment and also on cost of capital."

Stubborn inflation has led some central banks to proceed more cautiously with rate cuts, however.

Six months ago, the Reserve Bank of Australia's cash rate was expected to bottom out at 2.9 percent, but the forecast has now been revised upward to 3.3 percent as the RBA tackles "stickier" inflation, notes Louise Kavanagh, chief investment officer and head of Asia-Pacific at manager Nuveen Real Estate. "That change in outlook will have knock-on effects on the real estate market."

Meanwhile, in Japan, interest rates are on an upward trajectory. In January, the Bank of Japan raised its key interest rate to 0.5 percent, the highest level for 17 years. However, the roundtable sees steadily tightening rates as a positive development, as it signals the beginning of reflation in the region's second-largest economy.

"I'm not concerned. The increase in rates has been moderate and to a certain extent it is good," says Gary Kwok, chief executive officer at pan-Asian manager AXE Management Partners. "Wages have been increasing modestly, which provides an injection of hope that there will be better productivity and energy, particularly in the younger part of the workforce."

A less welcome trend is construction cost inflation, which has increased by up to 50 percent since 2017 for a

Louise Kavanagh

Chief investment officer and head of Asia-Pacific, Nuveen Real Estate

Heading up the Asia-Pacific business, Kavanagh sits on Nuveen Real Estate's global leadership executive team and is chair of the investment and debt committee. Across all asset classes, the firm manages $1.3 trillion worldwide for parent company TIAA and its private clients, including $152 billion in real estate. It maintains seven offices across the APAC region.

Gary Kwok

Chief executive officer and managing partner, AXE Management Partners

Kwok founded Hong Kong- and Japan-based Axe Management in 2023. The pan-Asian alternative investment company invests in real estate, special situations and opportunistic corporate investments. Within real estate, it focuses on value-add assets in the living sectors. The firm has strategic partnerships with Korea's IMM Investment and with IHG Hotels & Resorts on selected hospitality assets within its investment portfolio.

Adam Pillay

Executive director, investment management, Greystar

Pillay leads the investment management business for Greystar Asia Pacific. Rental residential specialist Greystar manages around $78 billion in AUM, including $35 billion in development AUM and over $30 billion in regulatory AUM, together with $320 billion within its property management business. Within APAC, it has AUM of approximately $3.5 billion and maintains six offices.

Steve Hyung Kim

Co-head and co-chief investment officer, Asia-Pacific, LaSalle Investment Management

Based in Seoul, Kim is a member of LaSalle's global management committee and Asia-Pacific investment committee. LaSalle operates out of five offices in the APAC region, managing around $20.6 billion across the risk spectrum from core to opportunistic. The firm manages $85 billion in AUM globally.

James Kemp

Head of real estate, Asia-Pacific, Macquarie Asset Management

Kemp leads the APAC real estate business of MAM, the investment management arm of global financial services firm Macquarie Group. MAM manages almost $1 trillion of assets globally. In APAC, it pursues an opportunistic real estate strategy, investing in and alongside specialist operators.

new-build project in Tokyo, Kwok observes. Other business costs like food and utilities are also higher. "But having said that, the interest rate increase in Japan was from a very low base to start with, so from an underwriting perspective, the spread with real estate cap rates is very attractive, and inflation so far is under control," he adds.

The pace of rate cuts in some APAC countries may have slowed, but central banks must balance two priorities moving forward, says Kim. "Eventually policy-makers have to shift from being inflation-conscious towards policies that will also not hurt growth. Once that shifts, liquidity should improve."

Meanwhile, with interest rates still comparatively elevated and inflation persisting, some deals do not stack up, which has led to the repricing of assets, "albeit not as dynamic as that experienced already in the US and Europe," says Adam Pillay, executive director, investment management at residential manager Greystar.

Investors would therefore be wise to ensure they build sufficient downside protection into their transactions, he argues. "If you're shooting for market-leading rents and everything has to go right, you're potentially setting yourself up for some challenges at this point in the cycle."

Trade disruption

Research from Oxford Economics and CBRE projects that GDP growth in the Asia-Pacific region is likely to slow to 3.6 percent next year from 4.1 percent this year. However, the region has nevertheless proved resilient in the face of US tariffs and policy uncertainty. In fact, IMF data indicates that APAC is expected to remain the biggest driver of global GDP growth, contributing around 60 percent this year and next.

Despite an uneasy truce in the US-China trade war and several trade deals between the US and APAC nations – most recently with Cambodia, Malaysia, Thailand and Vietnam – the conditions for international commerce across the region remain in a state of flux. China still faces US tariffs of 47 percent, with rates of between 10 and 20 percent levied across most other APAC countries. Meanwhile, India, Taiwan and New Zealand have yet to secure trade deals.

The picture is at least clearer than it was in April when the Trump administration first announced its "reciprocal" tariffs, says Kavanagh. But the impacts of trade disruption have yet to be fully felt in the region's economies and businesses. "There will be a divergence in the ability to absorb tariffs across different industries, so as real estate investors, we need to understand which will be most susceptible."

Some countries will also be less vulnerable than others, she adds. "For example, Japan and Korea have large domestic economies, and Australia may be better positioned because of its low trade exposure to the US."

"A reduction in geopolitical tension would benefit APAC because the region is heavily reliant on manufacturing and trade. But I don't expect that's likely in the near term," says James Kemp, head of real estate, Asia-Pacific at manager Macquarie Asset Management (MAM).

In the meantime, real estate investors may see merit in increasing their exposure to assets that are driven mainly by domestic and demographic factors, and which are somewhat insulated from the fallout of geopolitical noise, he suggests. "We are active in the living space. And on the logistics side, there is an evolution of supply chains that is

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> **LOUISE KAVANAGH**
> **Nuveen Real Estate**

APAC deals of the year

Roundtable participants name standout transactions from the region over the last 12 months

Kemp: Scape Australia's retirement buy
Scape Australia, previously best-known as a student accommodation specialist, buys the 10,000-unit Aveo retirement portfolio from Brookfield Asset Management for A$3.85 billion ($2.5 billion; €2.2 billion), reportedly backed by Korea's National Pension Service.

"That component of the retirement sector has been unloved. That deal pricing and structure clearly shows the desire from certain real estate investors to invest at scale in the living sector."

Kim: Japanese corporate carve-outs
Private equity investors eyeing acquisition opportunities among Japanese corporate real estate portfolios for carve-outs and spin-outs.

"Buyers are looking to disconnect the operating company from real estate assets, capitalizing on current corporate reforms."

Pillay: ADIA's GLP injection
Abu Dhabi Investment Authority invests $1.5 billion in logistics and digital infrastructure platform GLP to support its next phase of growth.

"It looks like ADIA is taking the view that there is still a bit of runway to take advantage of logistics and data center opportunities in China."

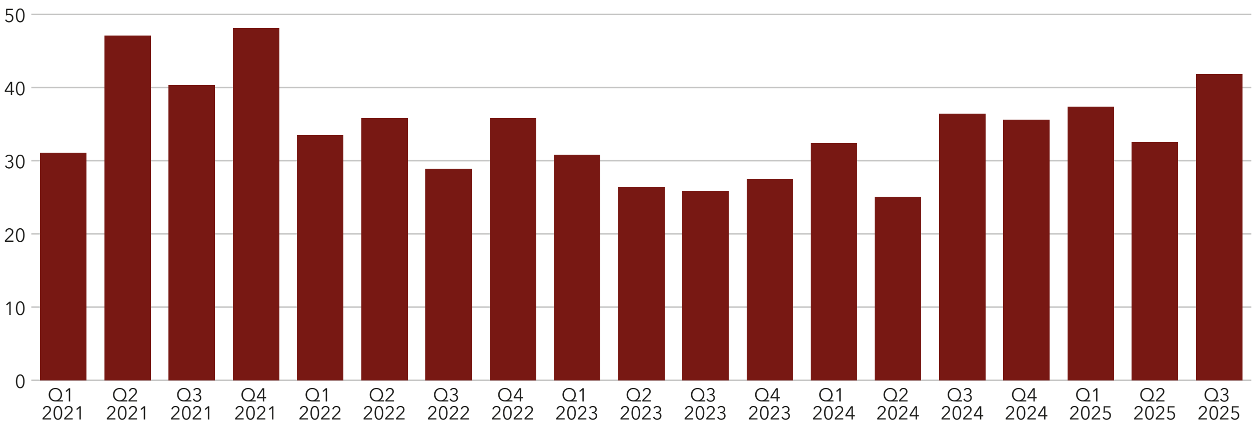
Kavanagh: Greystar's student housing buy
Greystar buys a 5,662-bed student housing portfolio from a joint venture between Singaporean developer Wee Hur Holdings and sovereign fund GIC for A$1.6 billion.

"Wee Hur was able to monetize its key overseas growth strategy and stay in for a small portion. The deal also signals the weight of institutional capital continuing to chase purpose-built student accommodation."

Kwok: Blackstone's record Japan deal
Blackstone acquires Tokyo Garden Terrace Kioicho, a 2.4 million-square-foot mixed-use asset from Seibu Holdings for $2.6 billion.

"The deal marks the largest real estate investment by a foreign investor in Japan. Blackstone is believed to be pursuing some creative asset management angles, with Seibu continuing to be involved."

The $41.8bn of commercial real estate transactions in Asia-Pacific in Q3 2025 represents the highest quarterly volume in almost four years ($bn)



Source: CBRE Research

taking place regardless of international trade disruption."

Japan has benefited from increased investor interest partly because its economy is perceived as being more self-sufficient and therefore less affected by tariffs, observes Kwok. "More institutional private capital is flowing into assets such as prime residential properties. Cap rates have compressed, but money is still piling in seeking safe returns."

Investible landscape

At this point in the cycle, with the market emerging from a downturn, Kemp says MAM is seeing most real estate investors favor developed markets over emerging ones. "I am still cautious about emerging market exposure across APAC, as much from a liquidity perspective as from a fundamentals perspective," he says. MAM is actively seeking more exposure in Japan, Singapore and Korea, and considers Australia attractive in situations where sellers are willing to meet reset pricing expectations, he adds.

Since 2021, Western investor interest in Chinese real estate investment has declined dramatically, deterred by economic and political uncertainty. Pillay notes that China's fall from grace has caused the investible landscape within APAC markets to shrink. "Even within that Asia ex-China bucket, in residential, we're seeing that it is really just Japan and Australia of note, and perhaps select opportunities peppered across Korea, New Zealand, Singapore and Hong Kong."

All the roundtable participants are currently seeking investment opportunities in Japan, despite an increasingly competitive marketplace in which several large fundraises have been completed this year. Notable examples include New York-headquartered manager BGO's BentallGreenOak Asia IV vehicle, which closed on $5.1 billion in June with Japan as a "central pillar" of its investment strategy, and Hong Kong-based manager PAG's 10th Asian opportunistic real estate fund, which closed on $4 billion in February and will focus primarily on Japan with a minimum allocation to the country of 60 percent.

"Japan is going through an interesting transformation," says Kim. "Reforms mean corporate assets are being unlocked from balance sheets. We are seeing inflation for the first time in decades. Despite interest rates creeping up, it remains a market where there is positive leverage and your cost of debt is lower than your cap rates."

Those dynamics have led to increased competition, but Kim believes the market is big enough for multiple

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> **JAMES KEMP**
> **Macquarie Asset Management**

Loosening of monetary policy across most APAC nations prompts hopes for increased liquidity in real estate markets

Market	Rate	Latest rate (%, as of Oct 29)	Change YTD (bps)	Change since Q2 2025 (bps)
New Zealand	Cash Rate	2.50	-175	-75
Singapore	3M SORA	1.34	-173	-72
Indonesia	7-Day Repo Rate	4.75	-125	-75
Philippines	Reverse Repo Rate	4.75	-100	-50
India	Policy Repo Rate	5.50	-100	Flat
Hong Kong SAR	3M HIBOR	3.56	-81	+188
Thailand	1-Day Repo Rate	1.50	-75	-25
Australia	Cash Rate	3.60	-75	-25
Korea	Base Rate	2.50	-50	Flat
Malaysia	Overnight Rate	2.75	-25	-25
Mainland China	1Y Loan Prime Rate	3.00	-10	Flat
Taiwan	Discount Rate	2.00	Flat	Flat
Vietnam	Discount Rate	3.00	Flat	Flat
Japan	Key Policy Rate	0.50	+25	Flat

Source: CBRE Research, Macrobond, October 2025

> *"[In Japan,] more institutional private capital is flowing into assets such as prime residential properties"*
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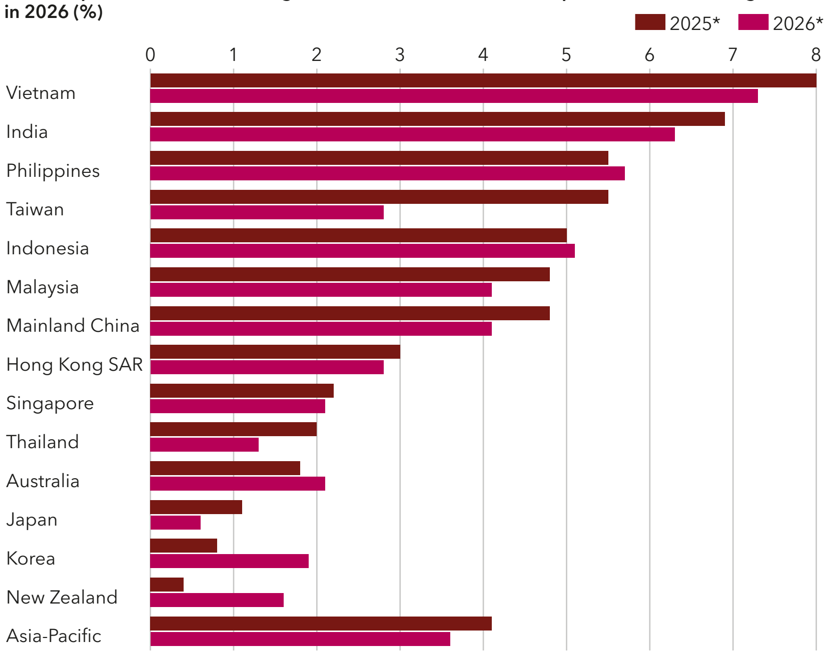
> **GARY KWOK**
> **AXE Management Partners**

China, Japan and India are among the APAC nations forecast to experience slower GDP growth in 2026 (%)



* Forecast
Source: CBRE Research, Oxford Economics, October 2025

players if they have acquisition and asset management teams on the ground, and are able to move quickly, source deals off-market and manage investments with less duration risk. LaSalle is targeting investments in Japan's multifamily and hospitality sectors, he adds.

'Crowded' market

AXE Management is buying Japanese value-add hospitality assets, encouraged by rapid growth in tourism. "Visitor numbers have been booming. They will reach over 40 million this year, and the government has a target of 60 million by 2030," says Kwok. "The market is very crowded, but I believe the pie is big enough for everyone. To succeed, you need to be creative in all angles of a deal – sourcing, structuring and financing."

Kavanagh says Nuveen is looking to grow its 3,500-unit Japanese multifamily portfolio and is expanding into the senior living sector. "It is less vulnerable to external trade factors, and it is underpinned by domestic fundamentals. In Japan, the government covers 90 percent of the cost of senior living for the individual, and you can get really long-term leases with the operators. There is also a positive yield spread, on average, of 40 basis points above normal Japanese multifamily in Tokyo or Osaka."

When buying Japanese multifamily assets, Pillay believes it is crucial to secure an entry point that is cheaper than the market rate. "It has historically been a deflationary environment, so we look to buy things at around a 20 percent-plus discount to market. You need an active buying and selling strategy, and the deals are small, so it's a lot of work."

Meanwhile, Greystar is also pursuing a "contrarian play" in Chinese residential. "Interest rates have gone down while cap rates have gone up, so there is an opportunity to potentially consolidate an undercapitalized market. And

> *"Despite interest rates creeping up, [Japan] remains a market where there is positive leverage and your cost of debt is lower than your cap rates"*
>
> **STEVE HYUNG KIM**
> **LaSalle Investment Management**

in a market as scalable as China, that is something we are actively considering," says Pillay.

The challenge is raising capital. Greystar does not invest in China through its commingled funds, but has been working with domestic Chinese capital partners, and Pillay has seen some "green shoots" beginning to grow among investors from "friendly nations." He argues: "You cannot ignore that market in this part of the world, or you are really underserving your platform's growth."

The Korean living sector is also on the radar of several participants. Kavanagh observes that the traditional *jeonse* system, where, instead of paying monthly installments to a landlord, a large lump-sum payment is deposited for the duration of the contract, is gradually giving way to more conventional monthly rental collection.

Greystar has opened an office in Seoul, but scaling up a business in Korea is challenging, says Pillay. "Korea is in the early innings of its growth. The issue is not market fundamentals, it's the low level of institutional stock that exists, so you need to develop purpose-built product."

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> **ADAM PILLAY**
> **Greystar**

Plenty of runway for growth

Global firms at the roundtable consider APAC's place within their portfolios and the wider investment universe

Pillay: Asia is the last actively growing market for Greystar. The US is very mature, and Europe is maturing rapidly. As an integrated residential manager, we believe there aren't any pan-regional discretionary fund competitors, so it is an open playing field. We think APAC represents a scalable growth engine for our business, and so it garners a lot of attention on that basis. But we also need to remain mindful that we grow in a very disciplined manner.

Kemp: The APAC part of our business is the most developed, and it's where we see ourselves most competitively placed against our peers, so it continues to be our most active region. But in terms of the broader significance of APAC real estate, with a shrinking investible market as real estate investors rethink emerging market and office exposure, it is probably going to need a pricing premium to attract North American and European capital back at scale against a backdrop of continued geopolitical considerations.

Kavanagh: Asia has the smallest footprint within our global business. While Asia does need to compete with other regions from a return perspective, for our capital, it represents diversification, new horizons and the ability to replicate strategies we have undertaken in deeper institutional markets overseas. And on a risk-adjusted basis on indices like MSCI or ANREV, the region has continued to outperform.

Kim: LaSalle has invested in APAC since 2001, and our regional franchise represents the largest value-add and opportunistic business for us globally. Mid to long term, Asia will account for approximately two-thirds of global GDP growth, so there is runway ahead. And Asian pension funds and insurers are broadly underallocated to commercial real estate, so the region will continue to be a growing source of capital allocated towards real estate within Asia, as well as to our strategies in the US and Europe.

Capital markets pivot

In recent years, investors have tended to be more selective in terms of their real estate exposure, says Kemp, driven by a desire for greater control and influence, as well as increased appetite for sectors with structural tailwinds like logistics and living. Over the course of 2025, he has observed a pivot toward more diversified exposure, however.

"It is probably because the capital looking at APAC in the current cycle has a thematic view on the region and finds it difficult to amalgamate, deal by deal, the specific sector and geographic exposure they want. It is not blind capital. They are still very selective, but over the last six months, more investors are looking at pooled capital solutions as the best way to get some APAC exposure," he says.

The preferred approach often depends on the nature of the capital provider, suggests Kavanagh. "Big insurance and pension funds that have been in APAC for a while often want country- and sector-specific funds, while smaller investors or fund of funds managers will consider regional commingled funds."

The APAC market in recent times has not been easy for managers to navigate successfully. Pillay says some firms that raised large fund vehicles in the period before interest rates became elevated and values came under pressure are now struggling to return capital to their investors. "Whether they can maintain their discipline around realizations will be a major determinant of their fundraising success going forward."

While most of APAC's developed real estate markets appear to be emerging from the recent downturn – except for Japan, which did not experience a property market correction – investor appetite has not fully recovered, observes Kim. "Rates probably weren't cut as fast as people expected, given the 2025 uncertainties and the headlines around tariffs. That has prevented core investors from scaling their deployments," he says. "But liquidity is returning, and there is more of a feeling of optimism going into 2026." ■