Intelligent Investment

2025 Asia Pacific Investor Intentions Survey

REPORT

CBRE RESEARCH
JANUARY 2025

Executive Summary

CBRE's 2025 Asia Pacific Investor Intentions Survey uncovered an improvement in buying intentions across most markets in Asia Pacific this year, with over half of respondents indicating their preference to buy more real estate in 2025. With the interest rate cut cycle underway in most markets, investors are gearing up for an increase in activity over the next 12 months, albeit at a time when individual Asia Pacific markets are staggered at different stages of the pricing and investment cycles.

Although investment activity in most markets is forecasted to increase through 2025, the extent at which it will do so will differ according to location. While markets including Australia, Korea, Singapore, and Hong Kong SAR are expected to see gains in transaction activity in 2025, investors are less optimistic about the extent of rate cuts in 2025, which could weigh on investment sentiment throughout the year. After a strong 2024, Japan and India are expected to witness robust purchasing activity in 2025, with core/core-plus strategies in the former and opportunistic strategies in the latter most prevalent.

The survey was conducted in November and December 2024. Over 460 responses were received from participants who were asked a range of questions related to their buying intentions, perceived challenges and preferred strategies, sectors, and markets for the coming year.

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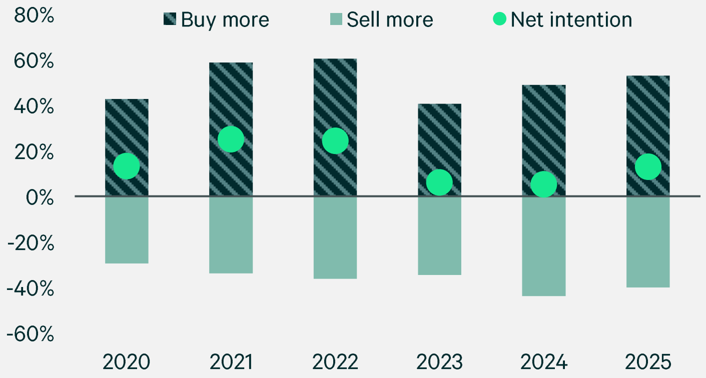
2025 Asia Pacific Investor Intentions Survey

CBRE

Investor Buying and Selling Intentions

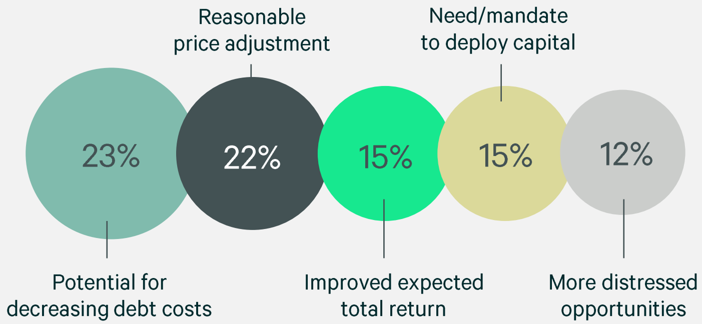
Net buying intentions increase to 13%, with REITs and institutional investors displaying strongest intentions

Asia Pacific Investment Sentiment



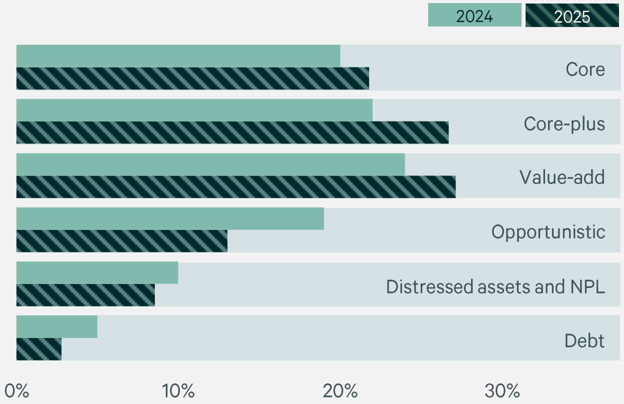
Many investors intend to increase their allocations to real estate in 2025

Key reasons:



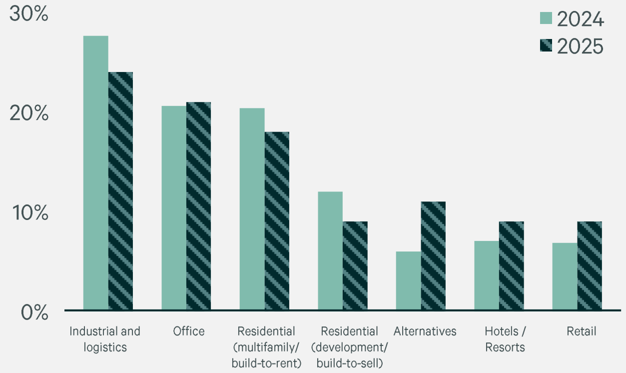
Preferred Strategies and Sectors

Core-plus and value-add named most popular investment strategies this year



Top Sectors for Investment

Industrial & logistics continues lead but investors look more broadly across sectors



Top Cities for Cross-Border Investment

Contents

Other Key Findings

01 SENTIMENT

Overall investment sentiment has improved, with net buying intentions increasing from 5% in 2024 to 13% in 2025. Investors indicated that interest rate cuts and asset repricing are the main reasons behind their willingness to increase allocations to real estate.

02 STRATEGY

The survey revealed that core-plus and value-added investment strategies are set to gain momentum in 2025 as investors look to hit target returns and acquire core assets for core-plus and value-add pricing. Interest in opportunistic strategies continues to weaken.

03 ASSET CLASS

Offices and data centres saw the biggest uptick in investor preference in 2025, with investors in the former seeking core and core-plus product, and buyers of the latter preferring opportunistic pricing, particularly in Southeast Asia. Among core investors, industrial remains the preferred property type. While living sector assets remain attractive, the lack of investable stock outside of Japan, Australia and mainland China will continue to cap investment activity in the region.

04 ALTERNATIVES

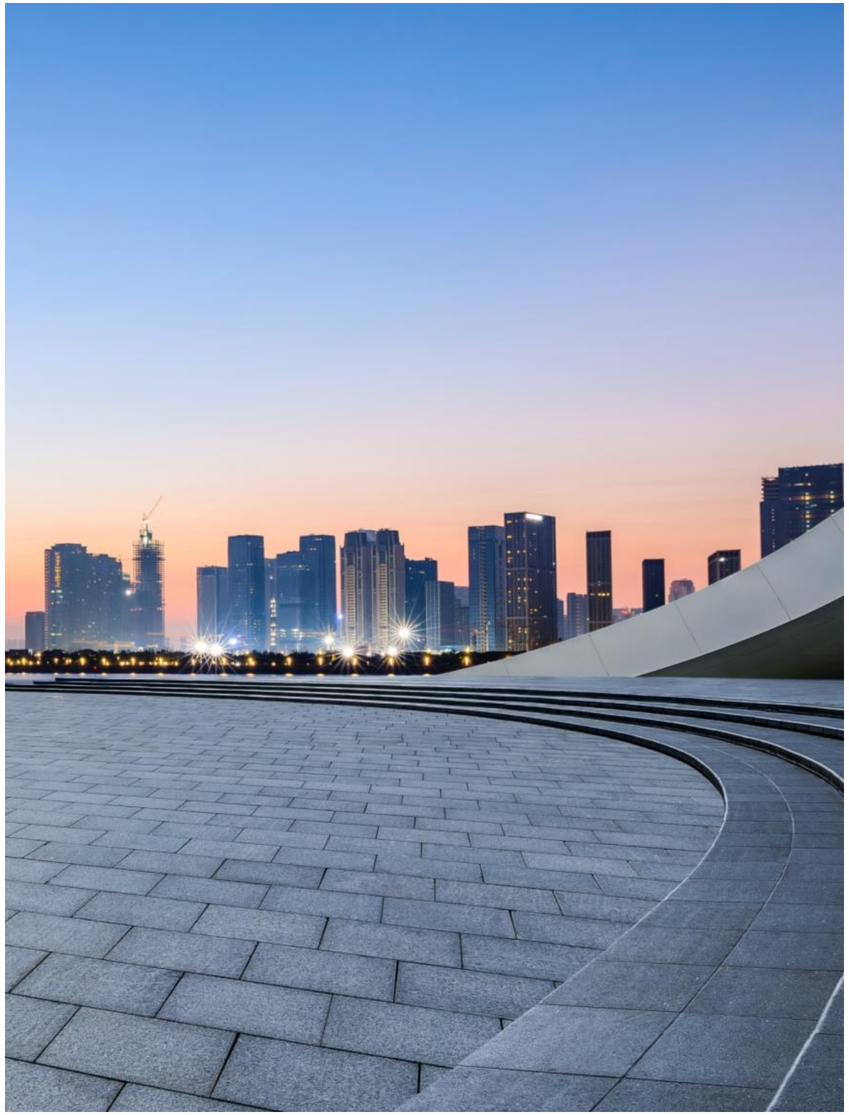
Healthcare assets remain top of mind for investors considering alternative assets, with data centres climbing back to second place. This year's survey also uncovered a greater emphasis on living sector assets, such as retirement living and student accommodation.

05 DESTINATIONS

Tokyo retained top spot for a sixth consecutive year as the preferred market for cross-border investment, followed by Sydney and Singapore. Two Indian markets (Mumbai and New Delhi) ranked in the top 10 cross-border destinations for the first time since surveys began.

06 SUSTAINABILITY

Investors ranked acquisition and development of green buildings above retrofitting existing buildings as their top option in 2025. Although progress remains gradual, investors continue the trend of placing a higher green premium on ESG-certified assets.



01

Investor Buying and Selling Intentions

Net Intentions Improve in Most Markets

Net buying intentions reached 13% in this year's survey, driven by substantial increases in most markets outside of mainland China. Selling intentions pulled back from 2024's all-time high of 44% to 40% in 2025. Buying intentions increased by the same magnitude, rising from 49% to 53%, marking the third highest level of buying intentions recorded in the last decade.

While this year's survey noted a y-o-y increase in buying intentions, the improvement was milder than expected. Since the U.S. Federal Reserve commenced the interest rate cut cycle in September 2024, expectations for significant rate cuts have lessened on the back of stronger-than-expected U.S. economic growth and the Fed's subsequent message that the magnitude of rate cuts may be less than expected; sentiment which has filtered through to Asia Pacific.

Investors in Singapore and Hong Kong SAR, alongside landlords with significant AUM in Australia and Korea, displayed the biggest change in net buying intentions in 2025, identifying attractive price points as the primary reason for their stronger willingness to buy. Investors are set to place a particularly strong focus on core assets, which are expected to experience strong capital value growth. Japanese investors will remain net buyers in 2025, with Japanese investors showing a greater net buying intention than last year with domestic investment activity expected to remain robust.

Investment sentiment among domestic mainland Chinese investors remains weak on the back of the sluggish domestic economy and geopolitical pressures arising from the potential imposition of new U.S. tariffs. Expectations are that further stimulus from both the government and People's Bank of China's (PBoC) will be implemented to prop up the economy in 2025.

Figure 1: Purchasing and Selling Intentions

Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

REITs, Institutional Investors and Funds to Turn More Acquisitive

Following several years of net negative investment intentions, REITs indicated that they expect to be in buy mode in 2025, with net intentions measuring 22% in this year's survey, up from -13% a year prior. REIT analysts expect a rebound in 2025 following a period of REIT underperformance, with falling central policy rates typically linked with an increase in REIT performance and activity.

Investment activity by private equity funds, real estate funds and institutional investors including insurance companies, pension funds and sovereign wealth funds picked up in the second half of 2024. Expectations are for momentum to continue in 2025.

After two years of being the most active buyer type regionwide, private investors indicated they expect a greater level of selling activity in 2025 as they look to capitalise on improving market sentiment after acquiring assets during a period of price dislocation. Net intentions for this buyer cohort stood at 6% in 2025, down from 15% a year prior.

Whilst falling interest rates will spur buying activity among most investor types, developers are expected to be net neutral investors in 2025. Significant increases in construction and labour costs continue to negatively impact development decisions and projects globally, with new projects facing issues sourcing debt and finding it challenging to meet proposed completion timelines.

Figure 2: Net Buying Intentions by Investor Type

Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

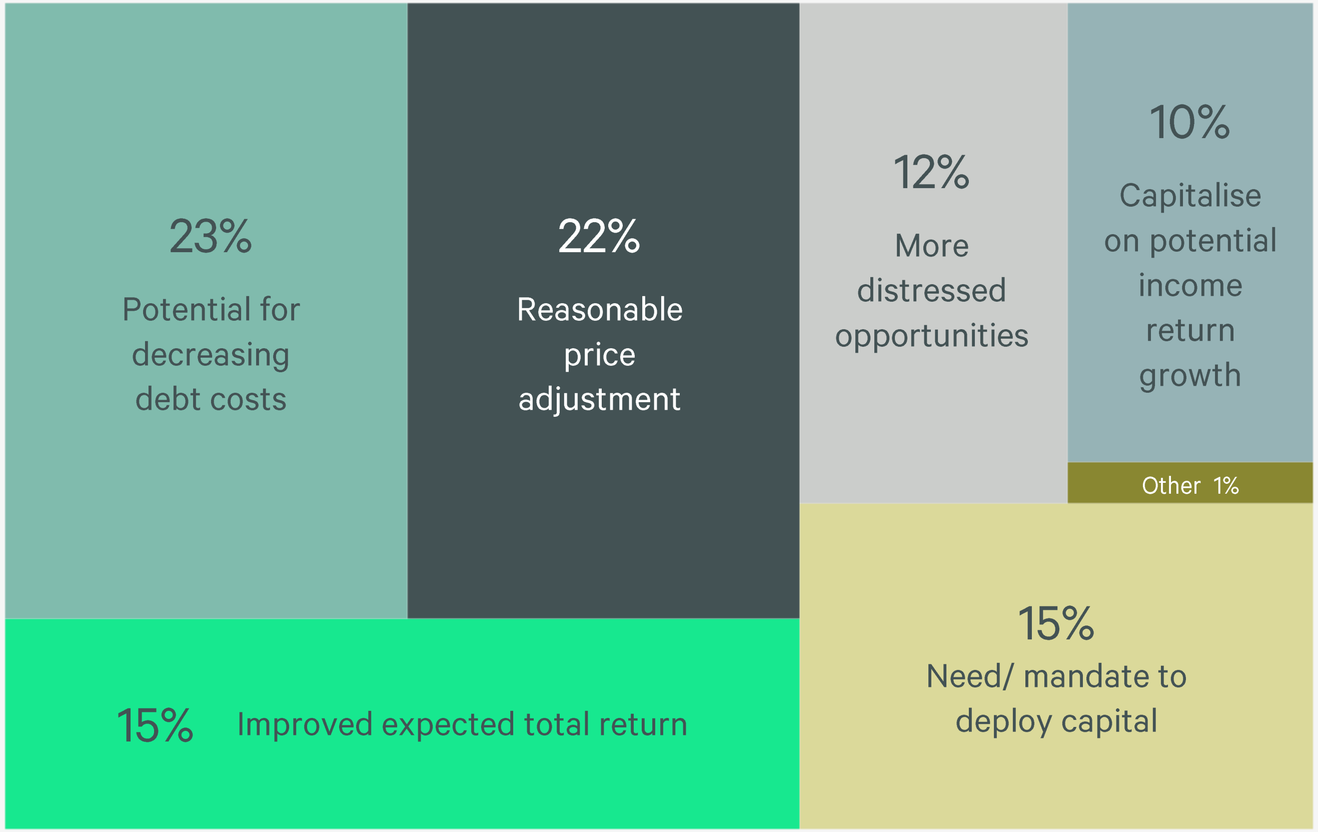
Decreasing Debt Costs and Price Adjustments Cited as Main Reasons for Increasing Allocations to Real Estate

With the interest rate cut cycle now underway in most markets, the potential for decreasing debt costs was cited as the top reason for increasing real estate allocations in 2025, after ranking third in 2024. This response was especially popular among real estate funds who invest in Korea and Hong Kong SAR, where interest rate cuts have followed those in the U.S.

Price adjustment came in a close second after ranking as the top option in 2024. Institutional investors who invest in markets that have seen a degree of repricing, such as Australia and mainland China, chose this as their top reason. This option was also popular among Asia Pacific investors who invest cross-regionally into the U.S. and U.K., where repricing has been more substantial than that in Asia Pacific.

Improved expected total returns and capital deployment mandates tied at third place in this year's survey. Developers and owner/operators targeting India and Southeast Asia cited improving total returns as their top option, while real estate funds and REITs investing in Japan still have mandates which need to be actioned upon in 2025.

Figure 3: Reason for Increasing Real Estate Allocation in 2025
(based on respondents' markets which respondents primarily transact in)



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

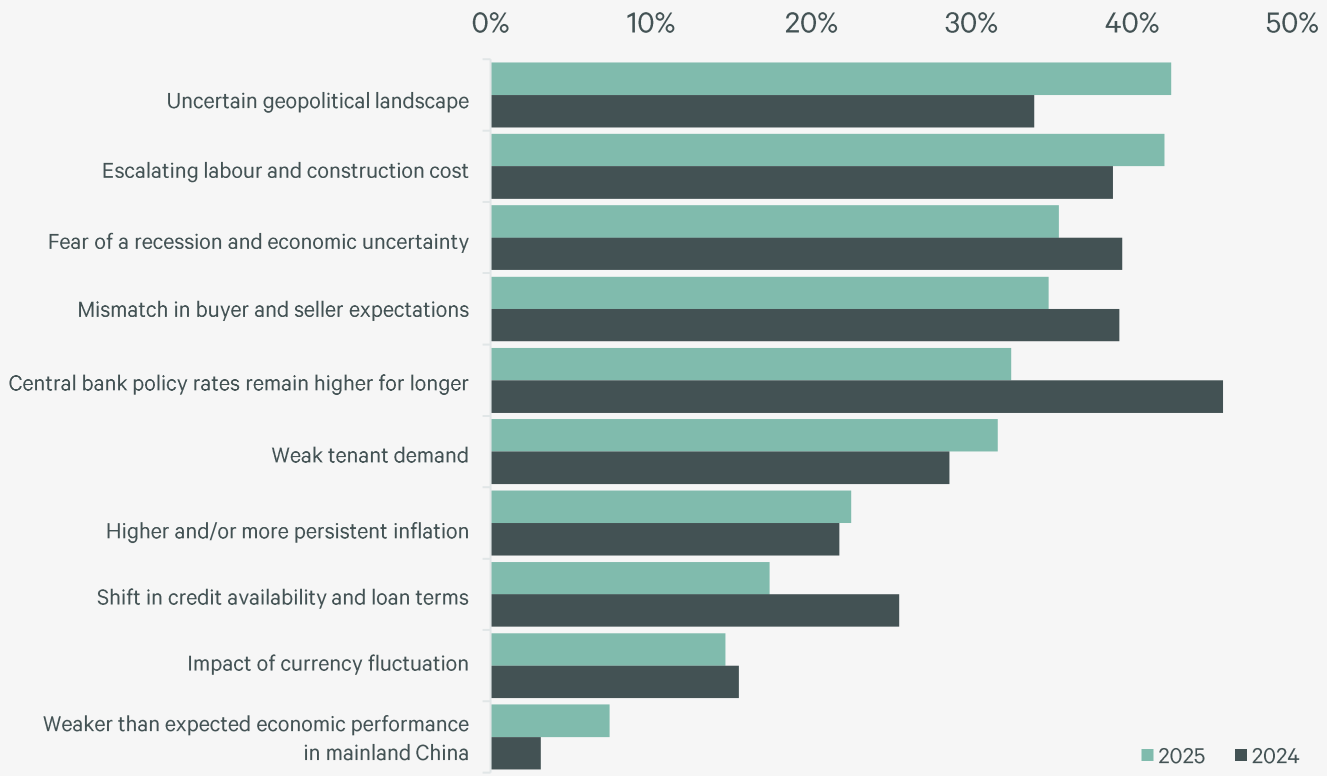
Geopolitical Concerns and Construction Costs Top Lists of Challenges

After a landmark year for elections, investors ranked the uncertain geopolitical landscape as the top challenge for real estate investment in 2025. Investors cited uncertainty around potential tariffs, as well as potential fiscal stimulus in the U.S. and resulting debt policies as the main reasons influencing this choice.

Escalating construction and labour costs once again ranked high on investors' list of challenges. This issue is especially pertinent in Japan and Singapore, where Turner & Townsend data show overall construction costs for commercial real estate have risen by more than 30% since the beginning of 2020.

After multiple years of being ranked as the top concerns, investors are now less concerned about both the mismatch in buyer and seller expectations as well as central policy rates. That said, while there will be further rate cuts in 2025, investors in most markets in the region, particularly Australia and New Zealand, remain uncertain regarding the magnitude of these rate cuts and still rank this as one of the top challenges for investment in 2025.

Figure 4: Major Challenges for Real Estate Investment



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

Rate Cut Expectations Lowered Following Latest U.S. Economic Data

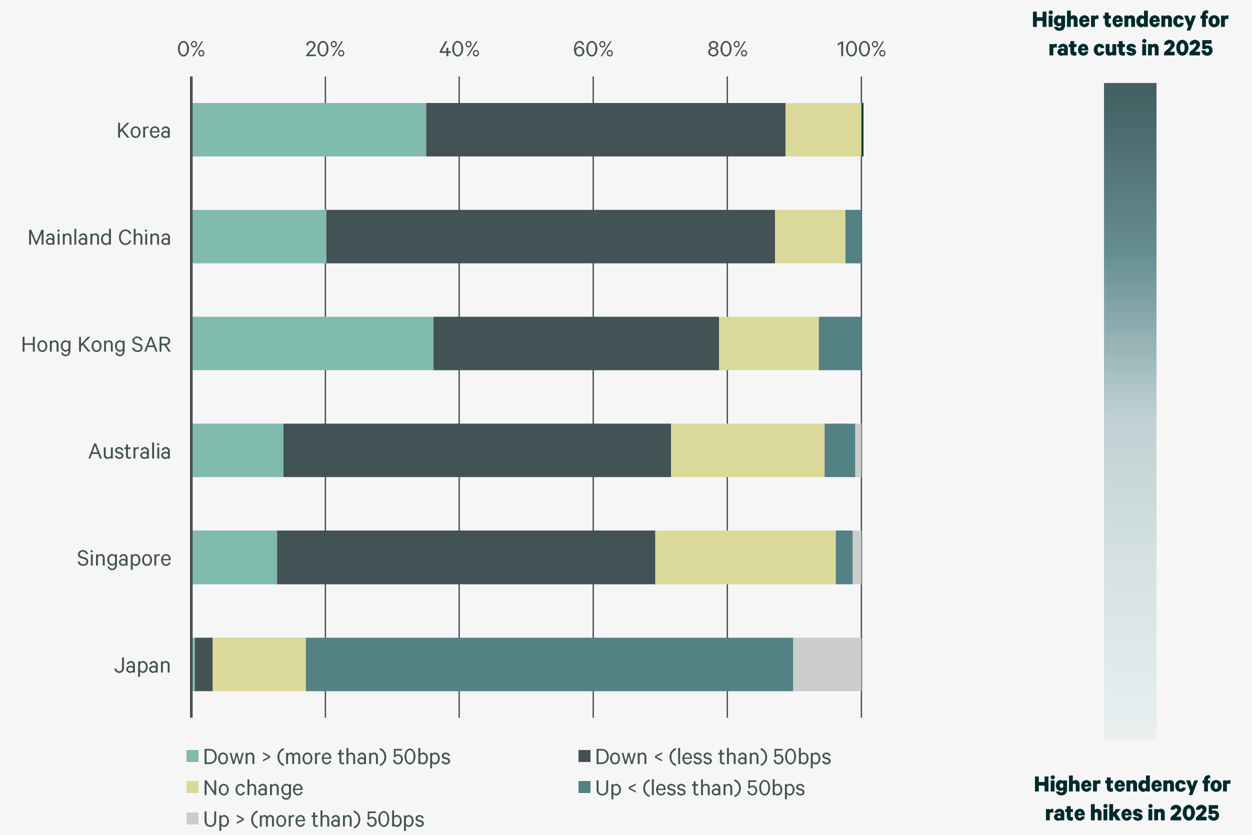
Most central banks in Asia Pacific have either commenced or are about to begin the interest rate cutting cycle. Major central banks in markets such as Korea and Hong Kong SAR who timed their first rate cuts following the first Fed rate cut in September 2024.

As expected, the Fed lowered the federal funds rate by 25bps on 19th December, 2024, to a range of 4.25% to 4.50%, bringing the total magnitude of rate cuts for 2024 to 100bps. During the same meeting, however, the Fed increased its 2025 inflation outlook to 2.5% (personal consumption expenditures). CBRE now forecasts that the Fed will reduce interest rates at a slower pace. The Fed has indicated it plans to implement two further rate cuts in 2025 totalling 50bps, provided inflation remains contained.

Although significant levels of stimulus have been provided by the PBoC, the impact has yet to filter through to the economy. Investors believe that there will be further rate cuts in mainland China in 2025, resulting in a further widening of positive cap rate spreads in the country's commercial real estate market.

Despite the weaker yen, the Bank of Japan (BoJ) has opted to maintain interest rates at 0.25% after ending negative interest rates in March 2024. In December 2024, the BoJ iterated that it requires further evidence that wages will maintain upward momentum in 2025 before making any further changes to current rates.

Figure 5: Expected Direction of Central Bank Policy Rates in 2025



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

02

Preferred Investment Strategies and Sectors

Stronger Interest in Offices and Alternatives

Industrial and office assets retained first and second place, respectively, as the preferred sector for investment in 2025. However, interest in industrial properties declined slightly once again. With industrial rents moderating after a strong period of growth, CBRE expects industrial markets forecasted to register resilient rental growth over the next 12 months, including core products in all Indian cities, and dry logistics assets in core areas of Seoul to attract the strongest demand from investors.

After three consecutive years of weaker interest, investors' preference for office assets in 2025 has picked up marginally. With occupier leasing activity in some CBD markets in Asia Pacific stabilising or showing signs of growth, investors are returning to the sector after a period of inactivity. Markets providing strong rental prospects such as Australia and Korea, and also markets where the price gap between buyers and sellers has narrowed such as Singapore, will be most active for office investment in 2025.

The living sector remains popular, with build-to-rent and build-to-sell opportunities attracting strong interest. However, a lack of investable assets outside of Japan, Australia, and mainland China has led to interest in this asset class stabilising after strong growth in demand over the past few years. The living sector nevertheless remains resilient as ongoing structural change continues to underpin demand, although the size of the market remains relatively small. Japan, Australia, and mainland China will remain the focus for build-to-rent development.

Figure 6: Investors' Preferred Sector for Investment (% of respondents)

Note: Respondents could select all options that apply.
Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

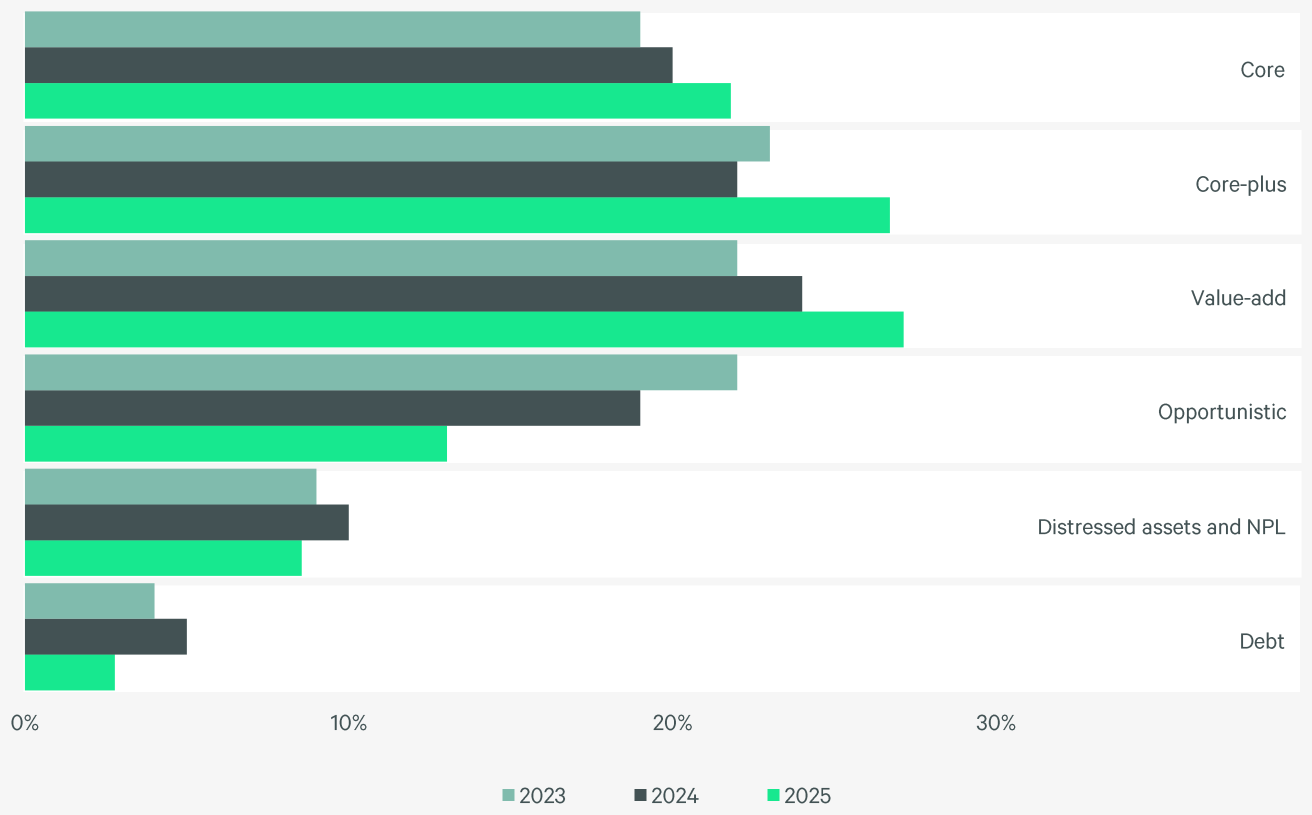
Core-Plus and Value-Add Named Most Popular Real Estate Investment Strategies in 2025

In markets where core assets have repriced to a certain degree, such as Australia and mainland China, asset repricing is at a level where investors increasingly believe they can achieve core-plus and possibly value-add returns by acquiring assets that reflect core risk profiles. In Japan, investors identified value-add as their top strategy in 2025, particularly those considering living and accommodation style assets.

Opportunistic strategies attracted weaker interest from investors in this year's survey as repricing for these types of assets has been insufficient for investors. Development activity also remains limited due to elevated construction and labour costs across the region.

Vintage credit strategies such as distressed and debt strategies have fallen out of favour among investors now that traditional sources of debt such as banks are more accommodative to real estate debt. Most credit strategies focus on NPLs from developers or development loans for the living sector.

Figure 7: Preferred Investment Strategy



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

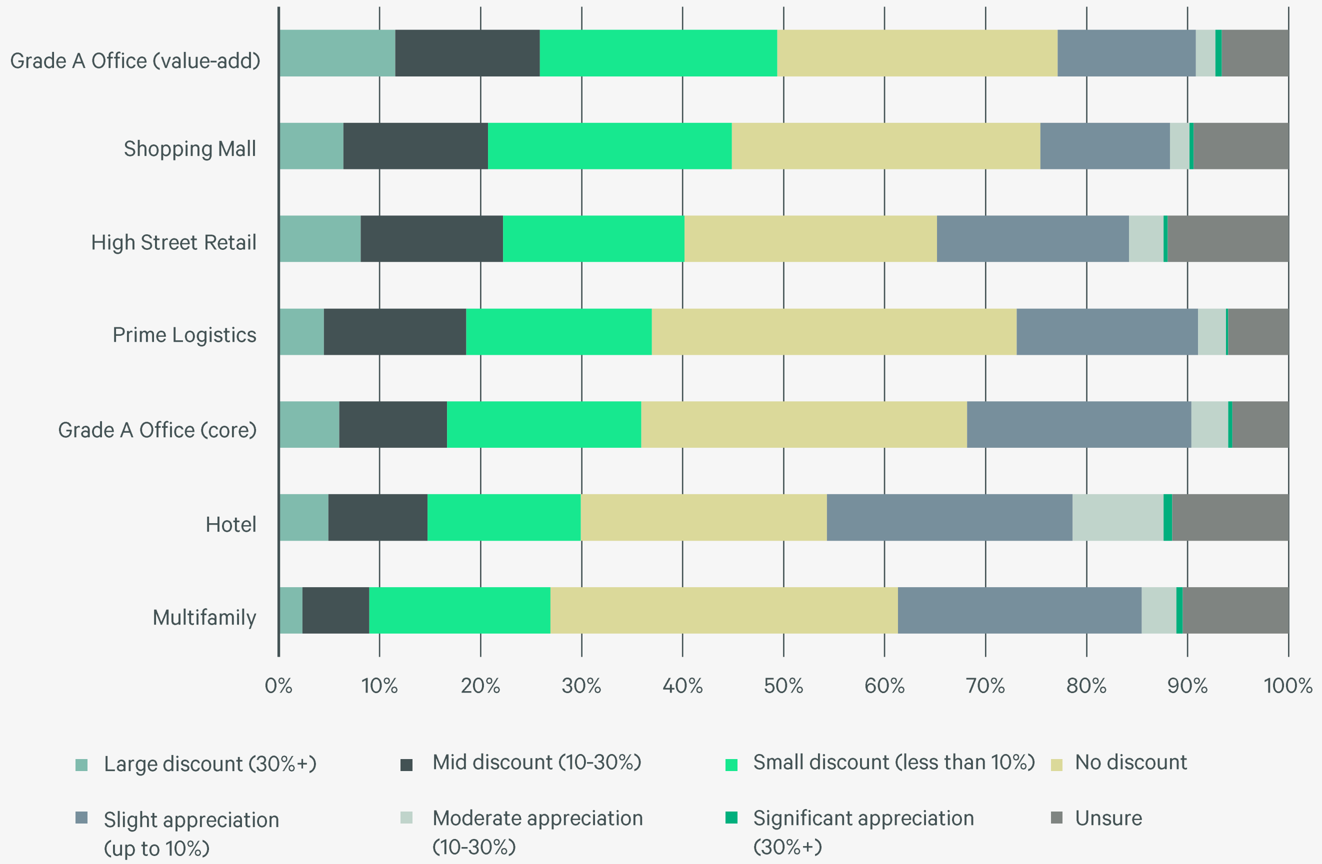
Investors Seek Further Repricing of Value-Add Offices and Shopping Malls

Except for value-added assets, repricing expectations among investors in Asia Pacific have declined over the past two years, indicating that pricing for prime assets is close to the bottom. Almost 50% of investors stated their intention to continue to seek discounts for value-add office acquisitions in the belief that further price cuts for such properties are on the horizon. Investors are uncertain about future tenant demand for these assets and are to a certain extent unwilling to invest CapEx to ensure they meet ESG targets.

Compared to last year's survey, core offices experienced the most significant change in sentiment towards pricing. Over 60% of respondents to the 2024 survey said that they expected some degree of repricing for these assets; a proportion that almost halved to 35% in this year's survey. This comes amid robust investor demand for core, high quality, ESG-friendly office properties with high occupancy and strong tenant recruitment and retention capability.

After performing strongly over the past 24 months, investors anticipate further increases in pricing for hotel and multifamily assets over the course of this year. However, CBRE expects this trend to emerge only in a few select locations and among high quality assets.

Figure 8: Investors' Pricing Expectations by Sector in 2025



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

Data Centres Reclaim Second Spot in List of Alternatives; Living Assets Gain Interest

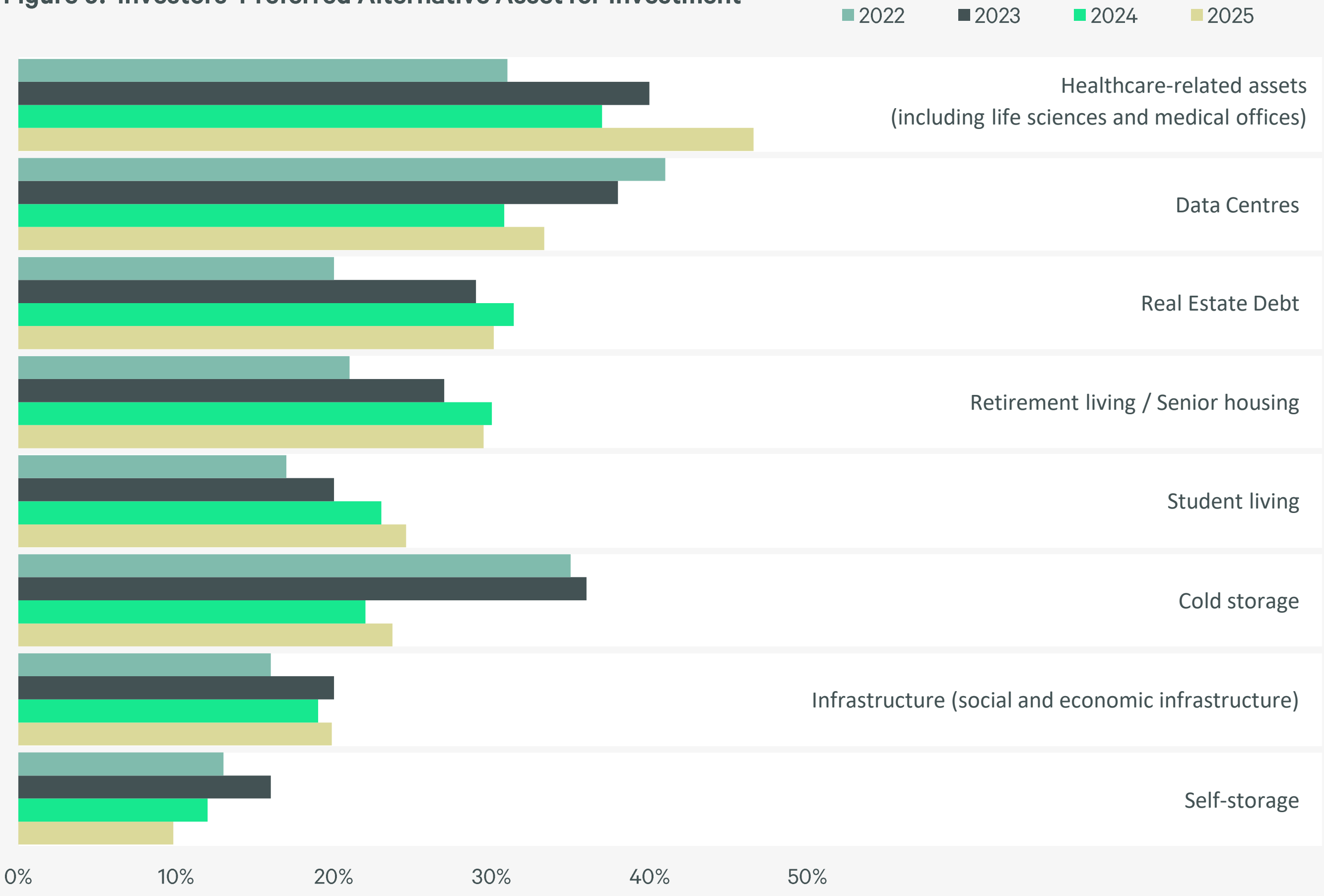
When asked to select the most popular alternative asset for investment in 2025, investors named healthcare related properties, including life sciences and medical offices, in first place for the third consecutive year. Interest in the sector strengthened after declining in 2024, with the Deloitte 2025 Life Sciences Outlook[1] citing generative AI and technological advancements as the main driver underpinning increased confidence in the sector.

While concerns remain around power supply and construction approvals in some markets, investors retain a healthy appetite for data centres, with the asset class ranking second among alternatives in 2025. Hyperscale properties in Japan and Southeast Asia remain especially popular, with some investors now partnering with leading technology players to develop these assets.

As with more mainstream build-to-rent and build-to-sell assets, investors displayed an interest in various types of living sector properties. Student accommodation, particularly in markets with high levels of immigration such as Australia and Hong Kong SAR, continues to gain in popularity. Retirement living in markets with ageing populations, such as Japan and Korea, also attracted stronger interest in this year's survey.

[1]https://www2.deloitte.com/us/en/insights/industry/health-care/life-sciences-and-health-care-industry-outlooks/2025-life-sciences-executive-outlook.html

Figure 9: Investors' Preferred Alternative Asset for Investment



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

03

Investment Destinations

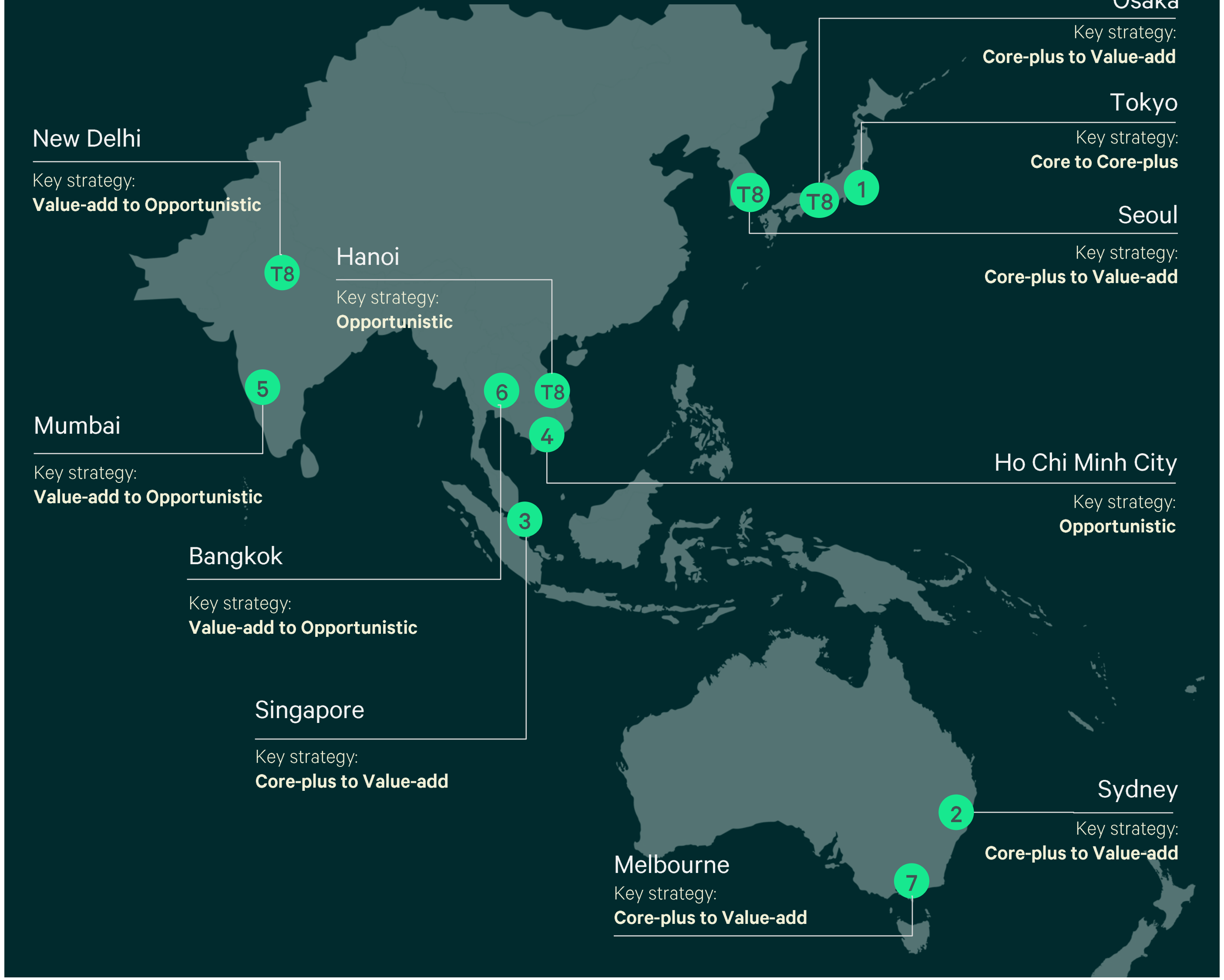
Tokyo Remains Top Market For Cross-Border Investment

Tokyo retained its position as the preferred market for cross-border real estate investment for a sixth consecutive year as Japan's low cost of debt and stable income streams continued to lure investors. Osaka was also named a popular cross-border destination for the same reasons.

Sydney and Singapore followed in second and third place, respectively. In the former, investors are largely focusing on core product, while adopting a selective view towards other Australian markets such as Melbourne and Brisbane. Singapore saw a sharp increase in investors indicating a preference for value-added strategies in 2025, as core and core-plus strategy returns continue to lag investor expectations.

Mumbai and Delhi are attracting long-term investors looking to add to their real estate exposure in the world's fastest growing economy, with India set enjoy solid cross-border interest in 2025.

Figure 10: Top Cities For Cross-Border Investment and Preferred Strategy



04

ESG and Commercial Real Estate Investment

Acquisition / Development of Green Buildings Overtakes Retrofitting As Top ESG Initiative

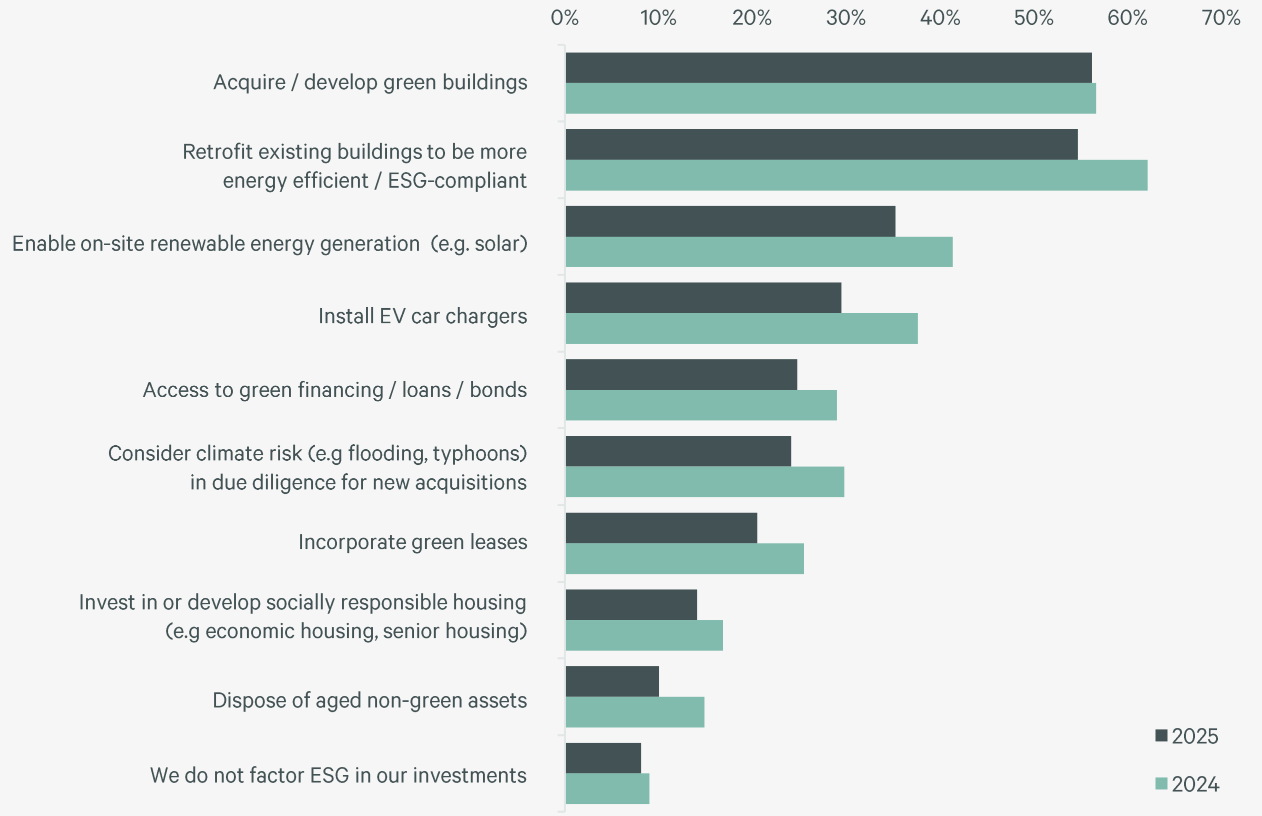
When asked to name the ESG initiatives they plan to pursue when looking at new investments, around 56% of investors, the bulk of which are private equity funds, real estate funds and developers, intend to acquire or develop green buildings.

With elevated construction costs continuing to influence both new developments and refurbishment decisions for existing assets, retrofitting existing buildings was relegated to second place in this year's survey. Investors nevertheless remain focused on retrofitting existing assets, particularly in the office and industrial sectors. CBRE believes that the growing volume of evidence illustrating the extent of cost saving resulting from sustainability-related retrofitting, combined with an estimated 37% of office occupiers having a net-zero emissions goal by 2030 (55% by 2050)[1], will continue to compel building owners to upgrade assets to meet expectations, although this will depend on the profile of tenants within individual properties.

Some 35% of respondents indicated that they plan to adopt renewable energy generation, particularly in Asian markets and in the industrial and living sectors. Whilst this is also a popular initiative in the office sector, respondents to CBRE's 2024 Asia Pacific Office Occupier Survey[1] ranked it as the least important factor influencing their building selection decisions, with tenants more focused on building location, quality and certifications in the immediate term.

[1]https://www.cbre.com/insights/reports/asia-pacific-major-report-2024-asia-pacific-office-occupier-sentiment-survey

Figure 11: Which ESG Initiatives Will You Pursue When Looking at New Investments?



Note: Respondents could select all options that apply.
Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

Greater Price Premium Placed on Sustainable Assets

With occupier flight-to-quality and flight-to-green demand remaining prominent across Asia Pacific, new premium office buildings are well-positioned to meet the requirements of corporate occupiers seeking to create high-quality workspaces to attract and retain talent.

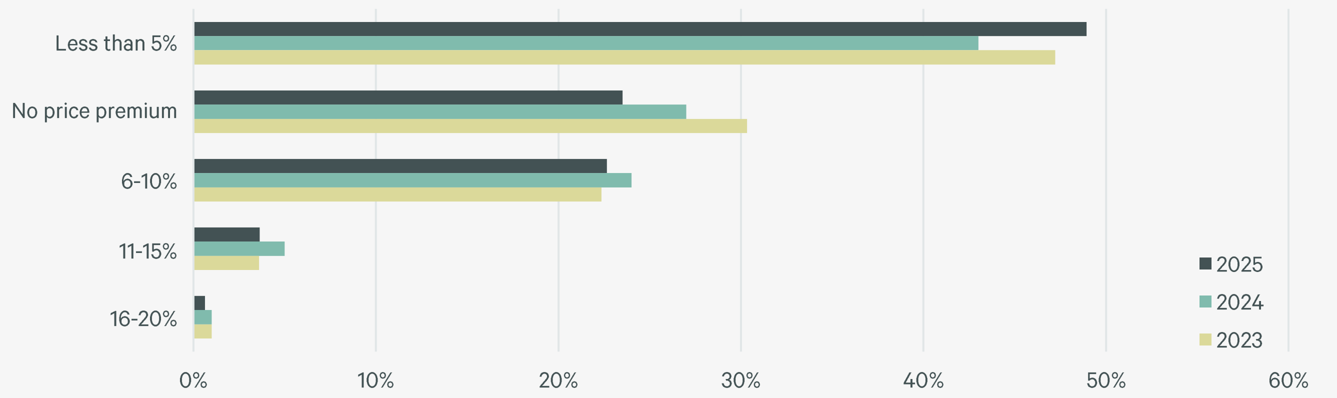
About 24% of investors displayed little or no willingness to pay a price premium to acquire an ESG certified property, down from 27% in 2024 and 30% in 2023. Most of these investors pivoted to a slight premium (less than 5%), with 49% of respondents willing to pay slightly more for ESG assets.

Published in June last year, CBRE's 2024 Asia Pacific Office Occupier Sentiment Survey[1] found that corporates are more willing to pay a premium for green certified office space. This aligns with the view from the World Economic Forum[2], which estimated that the average rental premium for green-certified Grade A office buildings in Asia was approximately 9.9% as these buildings are new higher graded assets and generally attract higher rents as a result.

Australia and Singapore lead the rest of Asia Pacific in green building adoption as authorities in these markets require all new buildings to be green certified. With green buildings set to become the norm across the region along with a global commitment to achieving net zero emissions by 2050, investors are strongly advised to integrate ESG criteria into their investment decisions.

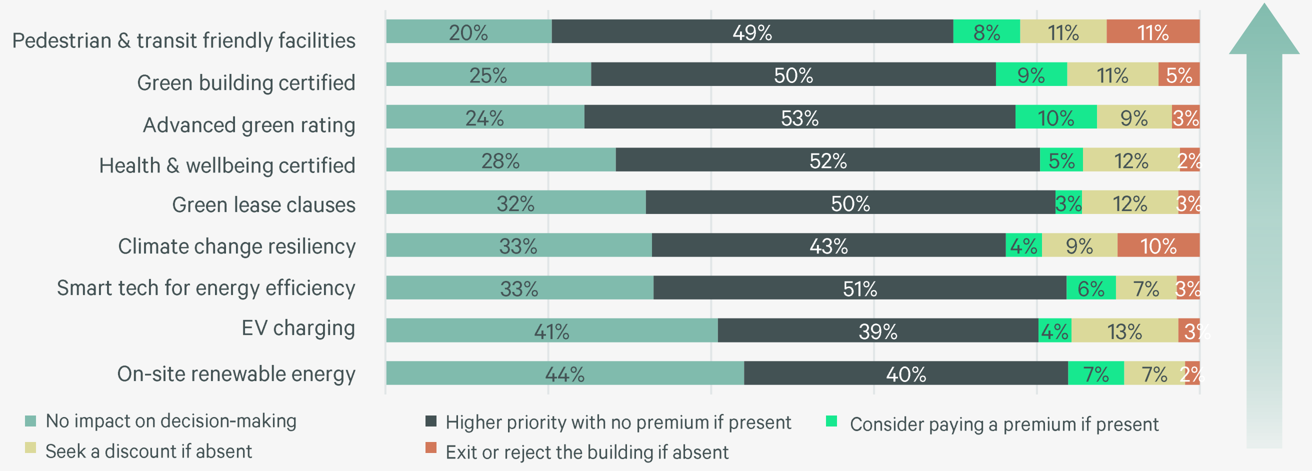
[1]https://www.cbre.com/insights/reports/asia-pacific-major-report-2024-asia-pacific-office-occupier-sentiment-survey
[2]https://www.weforum.org/stories/2024/01/sustainable-office-buildings/

Figure 12: What is the Price Premium That You Would Give to an ESG-Certified Asset Compared to a non-ESG Asset?



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

Figure 13: Impacts of ESG Features in Building Selection



Source: CBRE 2024 Asia Pacific Office Occupier Survey, September 2024.

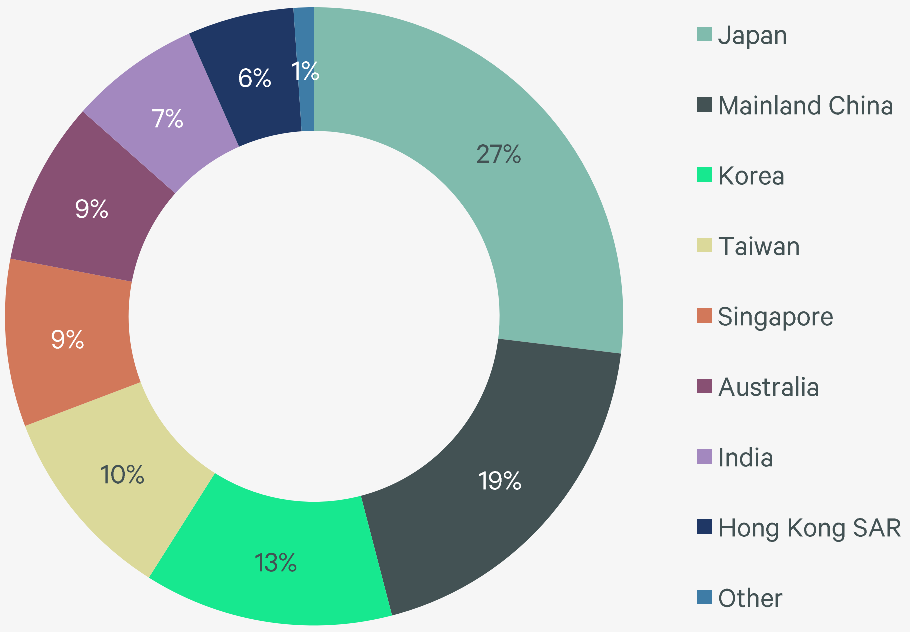
05

Respondent Profile

Respondent Profile

A total of 468 responses were received.

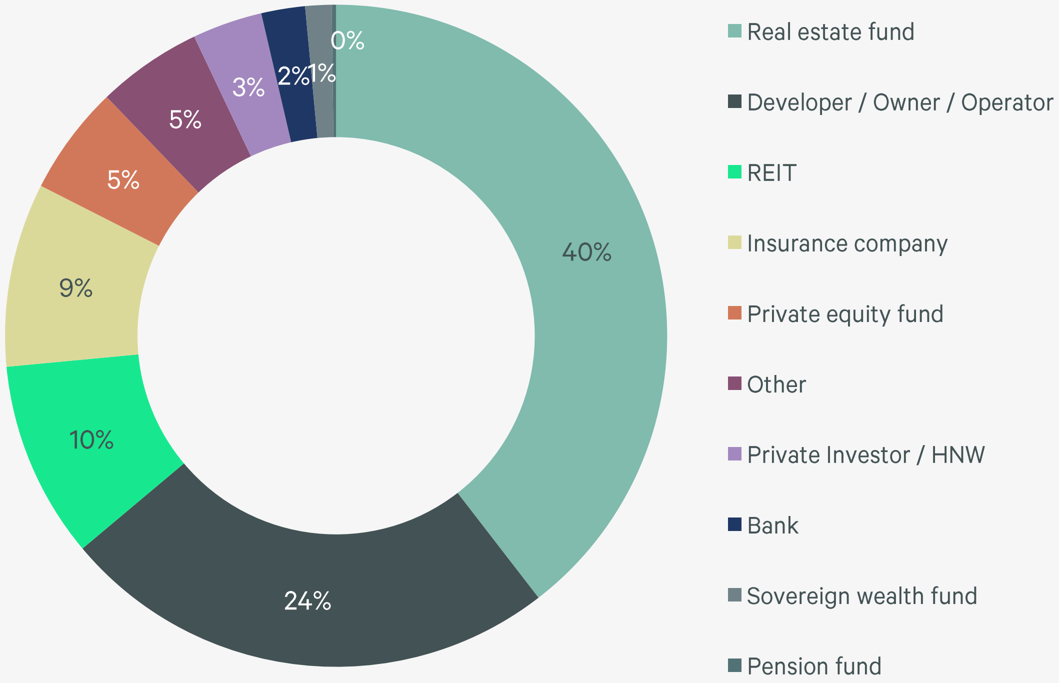
Respondents by Market of Origin



Notes: Other markets include New Zealand, Philippines, Vietnam, United Arab Emirates, France, Netherlands, the UK, Canada, and the U.S.

Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

Respondents by Investor Type



Source: 2025 Asia Pacific Investor Intentions Survey, CBRE Research, January 2025.

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