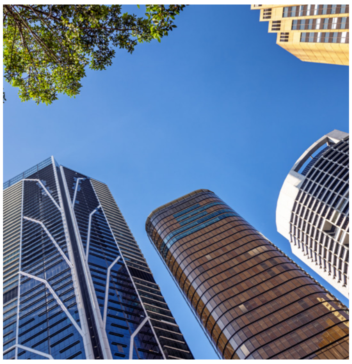
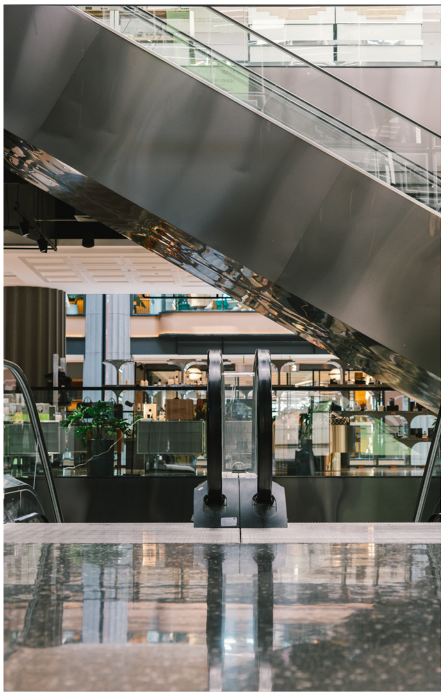
HERBERT SMITH FREEHILLS KRAMER

REAL ESTATE SECTOR INSIGHTS

ASIA PACIFIC – Q2 2025

In this issue





JUNE 2025

Investment Climate

Fast 5: What we're seeing in the industry

Interest rate easing and yield repricing

Tell me more: Australia entered 2025 with a shift toward monetary easing. The RBA has cut the cash rate to 4.1% in February and made a further cut to 3.85% in May. The RBA is expected to reduce it further, with market forecasts suggesting a drop to the low 3% range by year-end. This has improved the relative yield of real assets, making them more attractive to investors. Yields across sectors have risen - office yields in Sydney, for example, have increased from 4.8% to around 6.3% over two years - creating a wider spread between asset classes and enhancing the investment case for real estate. However, data from the ABS in March revealed GDP rose 0.2% in Q1 and by 1.3% since March 2024.

Retail sector resilience and recovery

Tell me more: Retail has emerged as a standout performer in early 2025. Investment volumes rose 29% q-o-q in Q1, reaching $2.82 billion, with additional deals pending. This growth was driven by strong consumer spending, with sales data for March 2025 showing a +4.3% y-o-y and 0.3% m-o-m rise. Vacancy rates are tightening, and yields have remained stable or even compressed in some sub-sectors, such as Sydney neighbourhood centres.

Office sector in recovery mode

Tell me more: The office sector is showing signs of recovery, particularly in Sydney and Melbourne. Vacancy rates are stabilising or declining, and sublease vacancy has dropped by more than 50% since 2020. High-quality, centrally located assets are outperforming, with Sydney CBD net effective rents rising 5.8% in Q1 2025. The supply pipeline has contracted significantly, with forecast commencements in Sydney and Melbourne well below historical averages. This tightening is expected to support rental growth and protect existing stock from oversupply.

Industrial and logistics sector normalisation

Tell me more: After a period of rapid growth, the sector is entering a more moderate phase. Occupier demand remains solid, particularly from logistics and 3PL tenants, but vacancy rates are rising slightly due to new supply. Rent growth is tapering, with Sydney averaging 1.9% in Q1 2025, and incentives are increasing in some markets. Nonetheless, this sector remains resilient, supported by ecommerce growth (12.2% y-o-y) and infrastructure demand. Investors are becoming more selective, focusing on strategic locations and high-spec assets.

Digital, infrastructure, social and living assets in focus

Tell me more: Australia's digital, infrastructure, social and living real asset sectors continue to gain momentum in early 2025, supported by strong macroeconomic fundamentals and targeted public and private investment. Following the May election, the federal government's 2025–26 budget includes $17.1 billion for road and rail, $2.3 billion for Western Sydney upgrades, and $2 billion for Melbourne's airport rail link, reinforcing long-term confidence in transport infrastructure. At the same time, digital infrastructure continues to attract significant capital, with major data centre transactions reflecting growing demand for AI, cloud, and enterprise storage capacity. Social and living assets – particularly healthcare, aged care, and student accommodation – are also drawing increased investor interest due to structural undersupply and demographic shifts.

Key Resources

- Savills Asia Pacific – Q1 2025 Investment Quarterly
- Dexus Australian Real Asset Review – Q2 2025
- CBRE Asia Pacific Investment Trends Q1 2025
- ABS March Key Statistics

Australia's investment trends

- **Monetary easing and inflation moderation are resetting the investment landscape.** The RBA's February 2025 rate cut to 4.1% – its first since 2020 – and its further May 2025 cut to 3.85% has improved financing conditions and narrowed the bid-ask spread across asset classes. At the same time, inflation has eased to 2.4% y-o-y, with core inflation at 3.1%, creating a more stable environment for underwriting deals and recalibrating yields.
- **Data from the ABS in March revealed GDP rose 0.2% in Q1 and by 1.3% since March 2024.** Household saving to income ratio rose to 5.2% from 3.9%, however this is in part due to the impact of national disasters such as Cyclone Alfred which prevented people from spending, and some consumer uncertainty in response to unpredictable US policy.
- **Investment volumes are rebounding with strong Q1 performance.** Commercial real estate investment reached $6.9 billion in Q1 2025 – the highest first-quarter result since 2022. This pushed the rolling 12-month total above $41 billion, marking five consecutive quarters of growth and signaling a broad-based recovery. However, the average deal size in Q1 was $33 million, below historical norms. This was driven by a high volume of sub-$50 million transactions and the absence of billion-dollar deals, suggesting investors are active but measured.
- **Office sector is showing signs of recovery in 2025.** The office sector has shown promising signs of recovery in Q1 2025. Office investment reached $1.8 billion, with Sydney leading activity. While secondary assets remain under pressure, prime CBD locations are seeing rising net effective rents (up 5.8% in Sydney) and declining sublease vacancy, suggesting the market has bottomed.
- **Industrial and logistics investment activity on the rise.** Investment activity in the sector was significant in Q1, with $2.76 billion being transacted. This is four times the activity recorded in Q1 of 2024 and accounts for 40% of all commercial real estate transactions. These results signal renewed investor confidence in industrial and logistics assets, with the recent rate cuts expected to further boost the sector.
- **The hotel sector is in recovery.** A full trading recovery in the hotel and leisure sector is anticipated in 2025. Despite increased caution among investors due to global uncertainty, there is a shift towards safer assets and locations which could benefit the Australian hotel sector. In Q1 2025, hotel transaction volumes jumped more than 100% y-o-y to reach $791.8 million, indicating renewed investor confidence in this sector.
- **Investors are shifting focus to PBSA assets.** Investor demand for PBSAs has surged in 2025, with transaction volumes hitting $1.8 billion across four deals in Q1, representing a dramatic leap from the $116 million recorded in 2024.
- **Unlisted real estate returns are making a comeback.** All unlisted real estate sectors experienced a resurgence in returns in Q1 2025, following a period of decline. Retail and industrial funds returned to positive territory, and this upward trend is anticipated to continue throughout the year, driven by decreasing interest rates and a robust economy.
- **Promising surge in sales growth through 2025.** Australia's retail sector experienced a promising revival in Q1 2025, with February retail sales showing a notable 3.6% y-o-y increase. Retail recorded $1.2 billion in Q1, with strong demand for neighbourhood and standalone centres. Yield compression is occurring in prime assets, and domestic capital remains active. Investors are favouring service-oriented and experience-driven formats.
- **Alternatives sector is gaining momentum across living and hospitality assets.** This momentum includes hotels and student accommodation, which recorded $1.3 billion transactions in Q1. These assets are benefiting from demographic tailwinds, international student demand, and the search for diversified, non-cyclical income streams.
- **Demand for data centres continue.** Demand for data centres globally is growing, fuelled in part by the continued advancement of AI. Recent data has identified Australia as the second-largest destination worldwide for data centre investment, with $14.6 billion invested in 2024. This momentum is expected to continue throughout 2025 with an annual growth rate of 18% predicted over the next five years.
- **Healthcare and aged care assets are attracting long-term capital.** These sectors are benefiting from demographic demand and policy support, including increased federal funding for Medicare and GP incentives. Investors are drawn to their stable income profiles and essential-service nature.
- **Rental property shortage will continue to drive up rental prices.** CBRE predicts that the future supply of apartments will likely remain around 60,000 units per year from 2025 to 2029. However, given the current migration settings, Australia's population growth will require approximately 75,000 units per year to prevent further declines in vacancy rates. This indicates a potential cumulative shortfall of approximately 75,000 units over the forecast period, equivalent to one year's worth of new supply.
- **Foreign investment is projected to increase.** Offshore capital accounted for 28% of Q1 volume ($1.9 billion), with Japan, the U.S., and Canada leading inflows. Over half of this capital was directed to the Industrial & Logistics sector, underscoring its global appeal. The sector accounted for 40% of Q1 investment volume ($2.7 billion).
- **Despite tariffs uncertainty, U.S. investment in Australian real estate remains strong.** In Q1 2025, U.S. investors contributed approximately $581 million to Australia's commercial real estate market, representing around 29% of all foreign capital inflows. This capital was heavily concentrated in the industrial and logistics sector, which accounted for 51% of all cross-border investment, underscoring the sector's global appeal and resilience. Although the current environment may lead to more cautious investor behavior, the combination of stabilising valuations, falling interest rates, and Australia's strong population growth continues to attract U.S. capital.

Key Resources

- Dexus: Australian Real Asset Review Q2 2025
- ABS: CPI rises 0.9% in the March 2025 Quarter
- Marketbeat Template - Local Markets
- CBRE: Residential Figures Report Q1 2025
- Cushman & Wakefield: Tarriffs & the Impact on Asia Pacific

Sub-sector snapshots

Office

Office sector in recovery mode

The Australian office market is exhibiting initial signs of recovery in 2025, with several key indicators suggesting a more positive trajectory after years of uncertainty.

The market has rebounded significantly in the past quarter, with total deal value grossing $1.8 billion - an increase of 69% on last quarter. This recovery has driven overall transaction volumes up by 28% to $6.7 billion, the highest first-quarter level since 2022.

The
Sydney Office
market has been leading in this area, accounting for more than
$1.5 BILLION in transactions during **Q1**
making it the most active market so far in 2025

With yield stabilisation and stronger levels of rental growth over Q1, capital value growth has returned, recording its highest level since September 2021. Sales activity has continued to recover in Q1 with six sales totalling $1.1 billion, similar levels to the $1 billion exchanged during Q4 2024. The RBA's February rate cut, along with clearer pricing metrics from increased transactions over the past six months, is boosting investor confidence.

National CBD Office Key Indications

64,700 sqm
of total net absorption over
H2 2024
(latest figures).

6.85%
National weighted average prime yield
Q1 2025

1.8%
National weighted average prime net effective rental growth in
Q1 2025

Source: Colliers

In Q1, the average effective rent for prime Australian CBD office space increased by 0.4% q-o-q and 4.9% y-o-y. Much of this increase is attributed to face rents, which grew by 0.9% q-o-q and 4.8% y-o-y. The significant rise in economic rents for new developments, driven by high construction costs, is contributing to this face rental growth. Since existing buildings appear relatively affordable compared to new builds, landlords have been prompted to increase face rents.

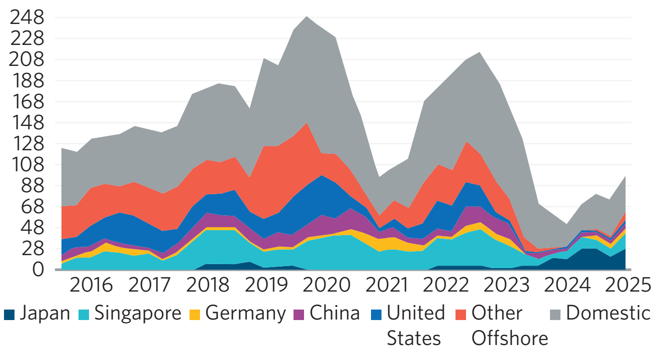
Investor appetite for high quality and centrally located office assets remains strong, evidenced by the $1 billion (approximately) worth of pending deals involving prime CBD assets.

Japanese investment remains strong

Foreign investment interest in the office sector is continuing to grow as global corporations seek stability amid international uncertainty. Notably, the trend of Japanese capital entering the Australian office market has continued into Q1.

The largest deal during Q1 was 135 King Street, Sydney, which was bought for $600 million by Daiburu from Investa. Another notable transaction was the 50% stake of 53 Albert Street, Brisbane, which was bought by NTT Corporation and Realmont for $110 million.

Buyer origin volume for Australian office assets over $50million

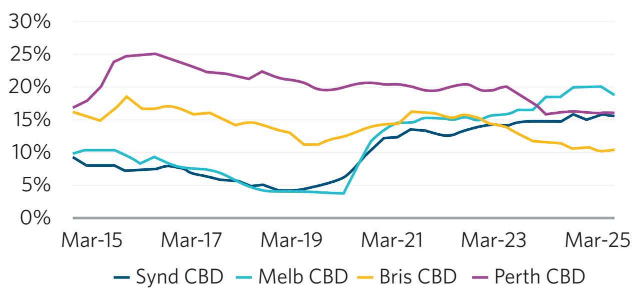


Source: Real Capital Analytics, Ray White

Slight movement in vacancy rates

Vacancy rates dipped in most CBDs. Melbourne CBD saw its first decline since 2021, dropping to 18.6%. The Sydney CBD declined by 15.3% and the Perth CBD declined by 15.7%. However, Brisbane CBD vacancy increased from 9.8% to 10.2%. The movement in Melbourne's vacancy rate was driven by 34,600sqm of positive net absorption, largely due to Coles' centralisation.

Vacancy rates by CBD market



Source: JLL, Dexus

Leasing and subleasing activity

Leasing activity was slow in Q1, a result that is not unexpected as Q1 is typically slow for leasing activities. The impact of global trade tensions on the Australian leasing market remains uncertain, however, Australia has appeared to have avoided significant changes until the announcement of a 10% base level tariff on all goods exported to the US. We may see more indecision from tenants and an increase in occupiers defaulting on renewals, which is not uncommon during times of volatility.

CBD leasing activity dominated gross leasing volumes, accounting for 70% of gross leasing volumes across Q1, with tenants seeking quality space in core locations. Nearly 60% of Q1 leasing activity occurred in the Melbourne CBD, where occupiers are leveraging favourable lease terms to upgrade and/or centralise their office space.

Sublease availability decreased over Q1, falling to 176,320 sqm by March 2025, representing a 3-month decline of 12.2%. Sublease volumes in Brisbane declined by –3.5% and in Adelaide declined by –19% over Q1. However, there was a minor increase in Perth. This activity is driven by the recovery of leasing activity.

Sublease availability by market

Figure 1

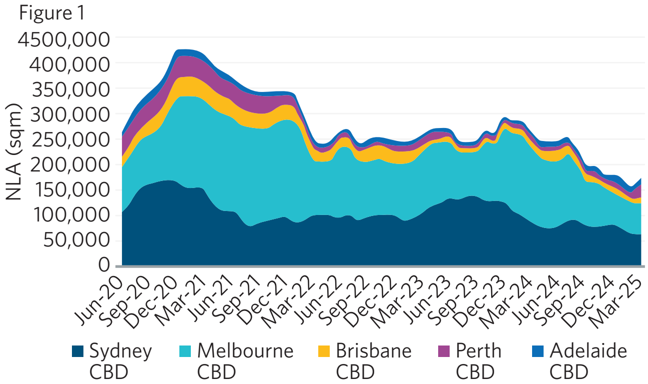


Figure 2
Sublease as % of Total Stock - Mar 2025

Sydney CBD	Melbourne CBD	Brisbane CBD	Perth CBD	Adelaide CBD
1.2% ▼	1.2% ◀▶	0.4% ▼	1.5% ▲	0.8% ▼

Source: CBRE

The Tech, Media, & Telecommunications, Professional Services, and Finance & Insurance sectors were the largest contributors to sublease availabilities in Q1 2025, accounting for 60% of sublease volumes in Q1.

In Q1, well-located buildings continued to see strong leasing demand, while older or less flexible spaces struggled. A 'flight to quality', causing tenants to prioritise premium office spaces in core CBD locations, and a 'flight to value' continued into Q1.

Highlight of key transactions:

The largest deal during Q1 was **135 King Street, Sydney**, which was bought for **$600 million** by Daiburu from Investa.

PGIM partnered with Anton Real Estate Partners to buy **20 Bridge Street, a Sydney office** building best known as the home of the ASX for **$250 million**.

Centuria Capital Group sold the head office building of Super Retail group at **6 Coulthards Ave, Strathpine QLD** to Sandran Property Group for **$55.5 million**.

Investa is on track to strike a market-defining deal with Blackstone, poised to take control of a **$1.4 billion** stake in **Grosvenor Place**, one of Sydney's best-known office towers. HSF Kramer is advising on this transaction.

RF Corval sold the balance of Gold Coast's Corporate Centre precinct in Bundall for **$109 million** to the City of Gold Coast council, the largest office transaction yet on the **Gold Coast**.

ISPT has put the **Green Square North Tower** on the block, with the price below **$200 million** anticipated to spark a contest between potential purchasers.

Key Resources

- Big property deals jump as confidence returns
- Is the Australian office market in recovery mode?
- CBRE: Australian CBD Office Figures Q1 2025
- Dexus: 2025 market trends and key themes
- Colliers: Australian CBD Office Market Q1 2025
- CBRE: Office Sublease Barometer – March
- Savills: Asia Pacific Investment Quarterly
- Proprium & PGIM buy bridge st building
- Centuria Capital divests office building
- Centuria Divests Super Retail Group HQ for $55m
- Roberts' FR Corval sells balance of GC Corporate Centre
- Blackstone to sell stake in Sydney office tower
- Super fund manager to exit Brisbane tower

Retail

The outlook for the retail sector is increasingly positive. Retail sales data for February 2025 showed a +3.6% y-o-y and +0.2% m-o-m rise. Retail data for March 2025 also showed growth, with a +4.3% y-o-y and 0.3% m-o-m rise.

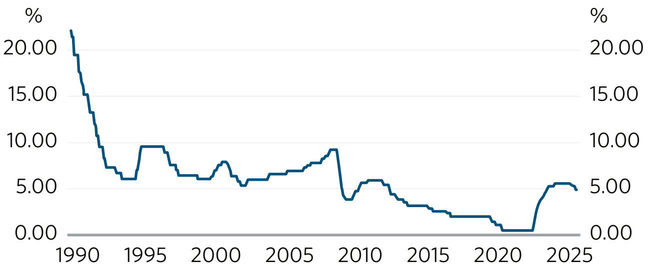
Retail sales are forecast to rise by 3.5% in 2025 in nominal terms and by 2.5% in volume terms, which should boost discretionary spending on items that have lagged in 2025, such as household goods. However, rising operational costs and evolving consumer behaviour continue to put pressure on profit margins, poising challenges for retail growth.

The cash rate drop expected to boost the sector

The RBA cut the cash rate target from **4.35%** to **4.10%** in February and then to **3.85%** in May. These cuts have taken the cash rate below **4%** for the first time since 2023.

The rate drop should provide a boost to the retail sector and assist in relieving cost of living pressures, particularly for households with mortgages. Retail yields stabilised at 5.7% with the market becoming increasingly confident that interest rates have peaked.

Cash Rate Target

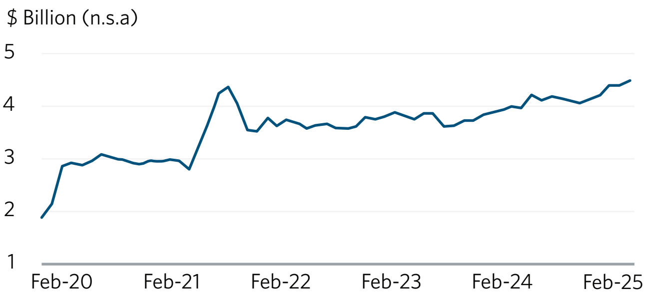


Source: Reserve Bank of Australia

Online sales continue to grow

Online retail sales growth continues to outpace in-store sales at 12.2% y-o-y. This will benefit successful omni-channel retailers.

Level of ecommerce sales



Source: Dexus

Investment volumes on the rise

Preliminary data indicates that total retail investment volumes reached $2.82 billion in Q1 2025, which is a 29% increase y-o-y.

In January 2025, QIC sold the **Westpoint Shopping Centre** (Sydney) for **$900 million** to Haben and Hines. This sale set the record for the largest individual retail property transaction in Australia. This **transaction highlights growing optimism** in the Australian retail sector.

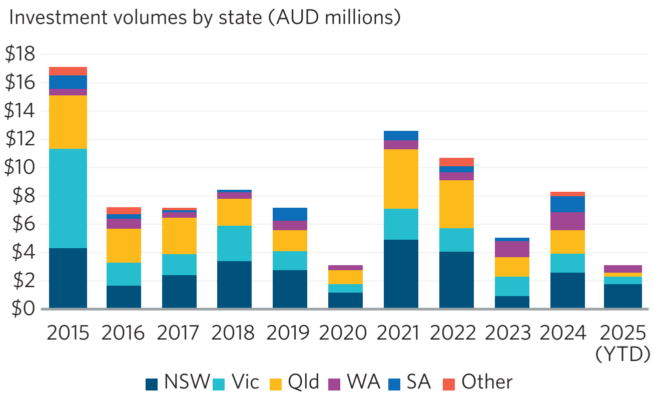
Changes in investment market conditions over the past two years has led to a significant shift in the composition of investors in the retail sector. In 2024, domestic institutions and cross-border investors largely remained inactive, while listed groups and institutions reduced their holdings. This meant private investors have been the most active buyers. However, this trend has begun to shift in 2025, with REITs and institutions increasing their acquisitions while private capital has transitioned to a net seller.

Competition and capital inflows are expected to intensify due to positive leasing trends, for example the resilience in non-discretionary retail. Resilience in non-discretionary retail and increased liquidity is expected to intensify competition and capital inflows.

Cross-border investments are showing signs of improvement, with acquisitions in 2025 already higher than 2024 levels.

This shift in buyer composition is expected to persist throughout 2025.

Shopping centre investment volumes



Source: Knight Frank

Highlight of key transactions

HMC Capital acquired **Plumpton Marketplace** in Sydney's western suburbs for **$180 million.**

Brookfield sold Brisbane's **Portside Wharf retail** precinct to Centennial for **$59.4 million.**

Mulpha sold the **Gold Coast shopping complex** Capri on Via Roma to a local private company for **$85.5 million.**

Nikos Property Group acquired a 50% stake in the **GPT Wholesale Shopping Centre funds** interest in the Northland Shopping Centre for **$385 million**.

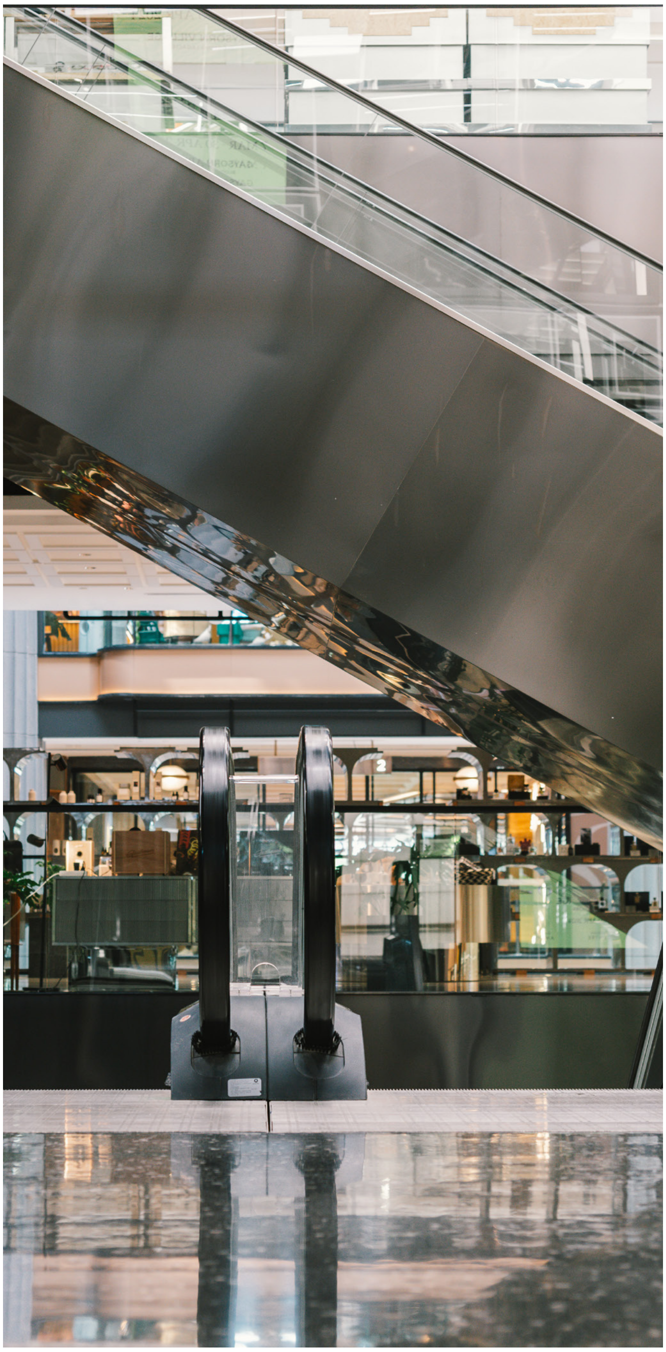
Charter Hall acquired **Corio Village** in Geelong from IP Generation for **$146 million**.

Local South Australian property and development firm **Taplin Group** acquired the **Kurralta Village** shopping centre for **$75.2 million**.

Billionaire **Sam Arnaout** acquired the landmark **St Ives Shopping Village** on Sydney's North Shore for **$450 million**.

A **Lendlease-run shopping centre** fund handed the management rights of Sunshine Plaza in **Queensland and Macarthur Square** in Sydney to GPT.

Dexus has been forced to sell its **$830 million** stake in **Macquerie Centre** to UniSuper and Cbus Property.



Key Resources

- RBA Cash Rate Target
- ABS Retail Trade Data - February
- ABS Retail Trade Data - March
- Knight Frank Australian Retail Review April 2025
- Costi Cohen Retail Market Update Q1 2025
- Dexus Australian Real Asset Review Q2 2025
- Colliers Australian Retail Snapshot Q1 2025
- CBRE Australian Retail Figures Q1 2025
- HMC goes shopping for Woolworths complex
- Brookfield sells Portside Wharf to Centennial
- Mulpha sells Capri on Via Roma
- Nikos strikes Victoria's largest retail acquisition since 2018
- Charter Hall swoops in on Geelong shopping centre
- Kurralta Village sells for $75.2 million
- GPT seizes on Lendlease's retail retreat
- Dexus fund to check out of Macquarie Centre

Industrial and Logistics

Significant investment activity recorded in Q1

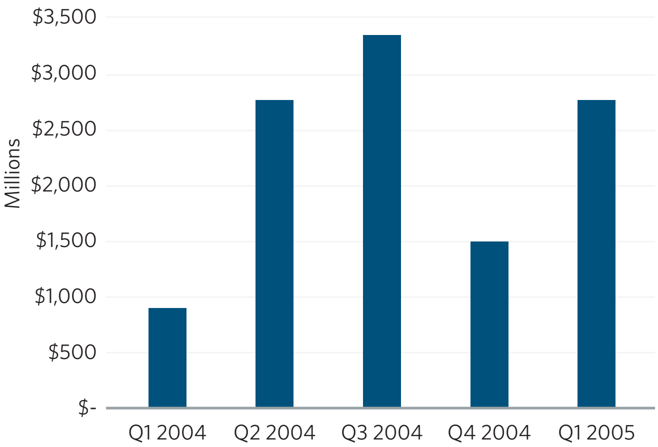
Investment activity in the industrial and logistics sector was significant in Q1, with $2.76 billion being transacted. This is four times the activity recorded in Q1 of 2024 and accounts for 40% of all commercial real estate transactions. This can partly be attributed to an increase in activity from institutional and offshore investors, with 51% of the $2.7 billion being from cross-border capital.

There is a focus on Sydney in particular, with 63% of Q1 activity occurring in Sydney. Brisbane is also showing signs of strong growth, recording six times the investment activity compared to Q1 2024.

These results signal renewed investor confidence in industrial and logistics assets, with the recent rate cuts expected to further boost the sector. In the context of this apparent improvement in market sentiment, capital has been flowing into the sector with companies establishing sector focused funds and looking for capital partners to invest in this sector.

For example, Westfarmers is offering a portfolio of six Bunnings Warehouses valued at around $300 million and Goodman Property Services (NZ) Limited, as Manager of GMT, has announced an agreement to establish a new open-ended property fund to hold Highbrook Business Park.

Logistics and Industrial transactions Q1



Source: Cushman & Wakefield

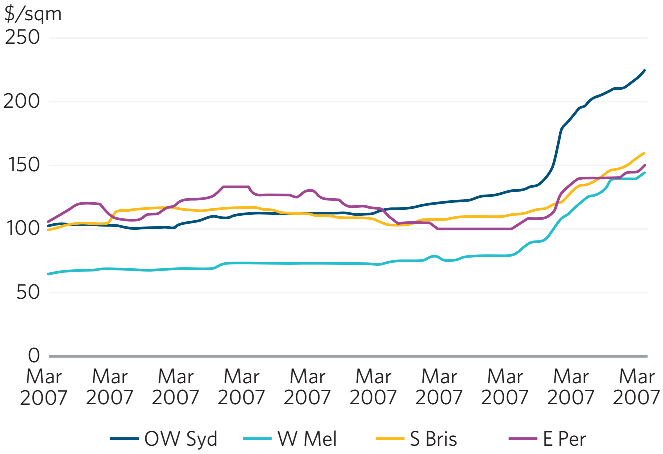
National vacancy rate stabilises

The national vacancy rate has stabilised at 2.9% in Q1. This is a positive sign with several submarkets maintaining vacancy rates below 2%, including Melbourne's South East at 1.4% and Outer East at 1.2% and Sydney North and Adelaide Outer Notther recording a new 0% vacancy rate. These rates are still low compared to other global markets.

While leasing volumes declined by 10% overall, Melbourne recorded an increase of 2% while Perth recorded an increase of 6%. Global uncertainty remains a concern, however confidence in the industrial and logistics sector is growing as interest rate cuts begin to take effect and inflationary pressures ease.

Net face rents for prime-grade assets increased by 0.5% in Q1 2025, with an annual growth of 2.4% recorded. Prime net face rents averaged 1.9% growth in Sydney, 1.4% in Melbourne and 1.1% in Brisbane.

Industrial net face rents by precinct

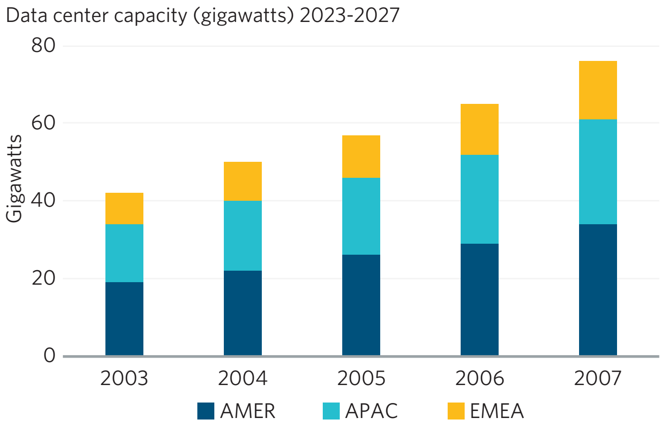


Source: JJL, Dexus

Data centres investment continues to grow

Demand for data centres globally continues to grow, fuelled in part by the continued advancement of AI. It is predicted that data centre development financing will achieve another record year in 2025 and continue its momentum into the foreseeable future.

Global Data Centre capacity projection



Note: Capacity includes hyperscales and colocation

Source: JLL

Recent data from Knight Frank's 2025 Global Data Centres Report identified Australia as the second-largest destination worldwide for data centre investment, with $14.6 billion invested in 2024. This momentum is expected to continue throughout 2025 with an annual growth rate of 18% predicted over the next five years.

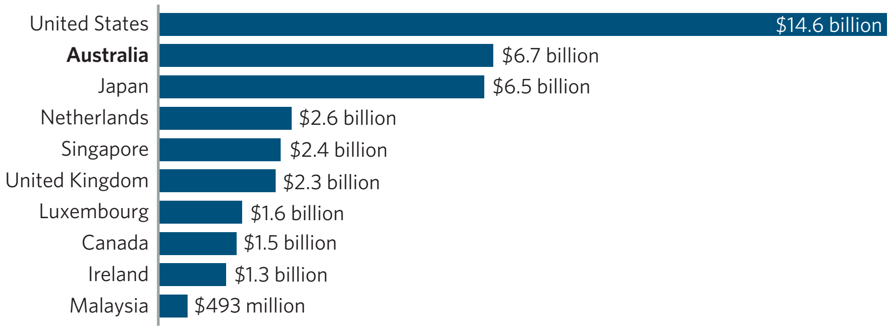
The Australian data centre market received a boost from a recent US ruling granting Australia privileged access to Nvidia AI chips – making Australia one of only four nations in APAC exempt from export restrictions. This development will likely see increased investment into Australia in this sector.

However, insufficient power supply, elevated construction costs and supply chain constraints continue to be challenges for data centre development.

In a recent move, the NSW government has imposed a ban on new data centres in Macquarie Park, a prominent technology precinct home to facilities operated by major industry players including NextDC, Amazon and Macquarie Data Centres. Concerns have been raised as to the over use of energy by data centres with the Australian Energy Market Operator warning that the grid's stability could be threatened unless data centres' power use is properly managed. While this demand issue has been known for some time, this is the first time Australian energy agencies have publicly raised concerns about long-term management.

As more operators pursue greenfield developments, the market may become increasingly saturated, potentially leading to consolidation. Melbourne could stand to benefit more than Sydney from rising AI demand, given its greater availability of industrial land suitable for AI-related infrastructure.

Top Investment Locations (2024)



Source: Knight Frank

Highlight of key transactions:

- **BlackRock** bought a controlling interest in **$400 million** self-storage operator StoreLocal. HSF Kramer advised on this transaction.
- **M&G acquired a 50% stake** in Ingleburn Logistics Park in Sydney as part of its newly established capital partnership with the Stockland Logistics fund. HSF Kramer advised on this transaction.
- **Goodman** acquired the Minto Intermodal Facility from Qube Holdings for **$200 million**.
- **Gateway Capital, with Ontario Teachers' Pension Plan and the Korea Investment Corporation**, acquired the Connect Central Sydney Logistics. Estate from Brookfield for approximately **$330 million**.
- **KM Property Funds** and **PGIM Real Estate** acquired a prime industrial and logistics estate at 14 Dixon Street, Yatala, QLD.
- **Manulife** has purchased its first piece of Sydney industrial real estate from Centennial and KKR – a warehouse at 243 Forrester Road, North St Marys - for **$56 million**.
- **Centuria Capital** acquired an asset near the Port of Melbourne for its **$500 million** mandate from US-based Starwood Capital.
- **E-commerce giant JD.com** is poised to acquire one of Brisbane's most sought-after industrial estates for over **$240 million** from ESR.

Key Resources

- CBRE: Australian Industrial & Logistics Figures Q1 2025
- Coliers: Q1 2025 Investment Review Snapshot
- Cushman & Wakefield: Q1 2025 Marketbeat Australia
- JLL: APPD Market Report Article: Sydney
- Knight Frank: Global Data Centres Report 2025
- Goodman pays $200m for intermodal terminal
- AFR: Brookfield sells $300m logistics estate
- KM Property Funds: Acquires prime Queensland estate
- Knight Frank: Melbourne Industrial State of the Market Q1 2025
- The Australian: Manulife stakes claim in local industrial market with Sydney warehouse buy
- Manulife Sydney warehouse buy
- Asia Pacific Data Centre Trends & Opportunities
- JD.com buys Brisbane logistics hub
- Blackrock takes control of StoreLocal
- Westfarmers looks to sell $300m Bunnings Warehouses
- Sydney data centre ban
- Grid operators eye new rules

Hotels and Leisure

The hotel sector is in recovery

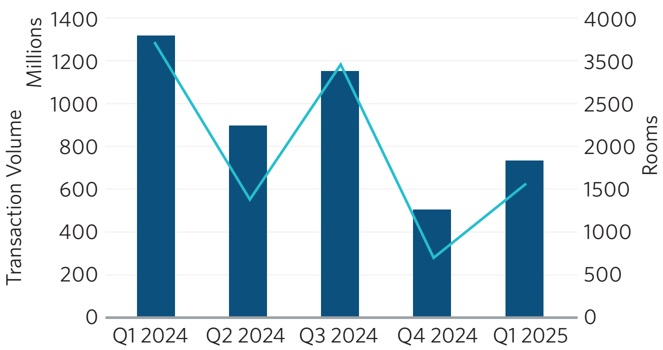
A full trading recovery in the hotel and leisure sector is anticipated in 2025. Despite increased caution among investors due to global uncertainty, there is a shift towards safer assets and locations which could benefit the Australian hotel sector.

The Australian hotel investment market continues to be predominately dominated by offshore investors. Singapore remains the most active source of foreign capital, contributing significantly to cross-border investments over the past 24 months. Other notable sources of foreign capital include Canada and Thailand, which have both made significant investments in the past year. Chinese and Hong Kong investors, although less active than in previous years, continue to maintain a presence in the market. Sydney remains the most sought-after market, with $432 million in transactions in 2025 from January to May, followed by Melbourne with $258 million.

High-quality, well located hotel assets in key markets remain in high demand as investors continue to look closely at value-add strategies. Rebranding and redevelopment opportunities will likely be seen as attractive in the current market in 2025 due to the rising costs associated with new developments.

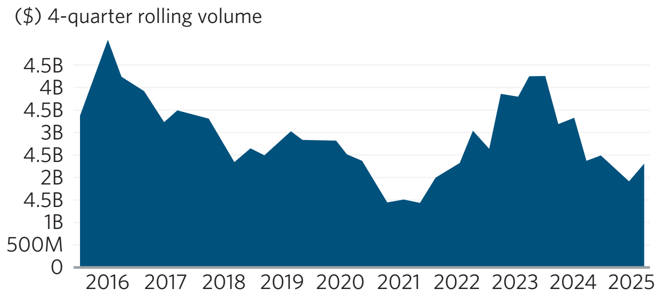
Transactions recorded an increase in Q1 to total $676 million, double the volume recorded in the same period in 2024. Offshore capital accounted for 41% of hotel deal flow. In Q1 2025, hotel transaction volumes jumped more than 100% y-o-y to reach $791.8 million, indicating renewed investor confidence in this sector.

Hotel Listings Q1 2024 to Q1 2025



Source: Colliers

National Investment



Source: Ray White Commercial

International visitor numbers bounce back

Australia's tourism sector is demonstrating strong signs of recovery as international visitors return in significant numbers following the pandemic. Data from Tourism Australia forecasts international visitor arrivals into Australia will reach 8.3 million in 2025, representing 88% of pre-pandemic levels. This recovery is expected to continue, with arrivals projected to surpass pre-pandemic numbers by 2026. By 2029, international arrivals are forecast to grow to 11.8 million, a 41% increase compared to 2024.

Major events such as **the British Lions Tour and the Ashes test cricket series** are expected to drive demand in **the hotel sector**.

The success of high-profile events on the accommodation sector was demonstrated by Taylor Swifts 2024 Eras Tour, which generated an additional $76 million in room venue across Sydney and Melbourne.

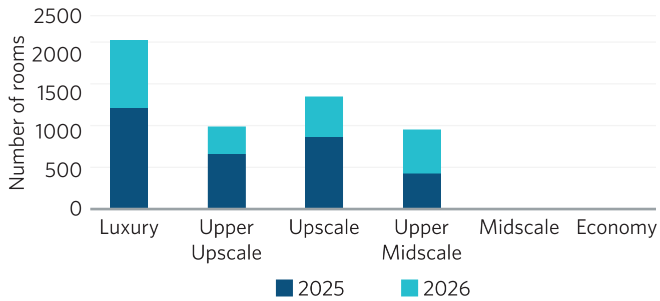
Good news for existing hotel assets

The hotel development cycle has slowed considerably after eight strong years with only 3,200 rooms expected to open in the major markets through 2025. This represents a considerable drop from the cycle peak and has potential to moderate further given disruption to global supply chains should tariffs remain.

However, this limited new hotel supply in the pipeline and increasing visitor numbers, means the outlook for hotel performance appears positive for existing owners. The strong ADR and occupancy growth across most markets indicate that hoteliers are successfully capturing value from increased demand against limited supply. Recent annual hotel performance data to March 2025, confirms the tourism recovery trend, with Australia-wide hotel occupancy reaching 72.6% (up from 71.6% in 2024), and average daily rates increasing to $250.65. Revenue per available room has grown to $182.03, representing a solid increase from $179.93 in the previous year.

Looking ahead, there are 5,700 rooms under construction and set to open within the next two years. A total of 31% of these new rooms will be in Melbourne followed by Sydney with 29%. 2025 is expected to be a pivotal year for growth and investment in Australia's hotel sector.

Supply Forecast by Type



Source: CBRE

Growth in flight routes to boost international arrivals

Continued growth in international air connectivity to Australian airports is anticipated, with 60 new flights routes added in 2024 and 2025. The expanded network is expected to improve accessibility, reduce ticket costs through greater competition and boost international visitor arrivals. Highlights include Virgin Australia's partnership with Qatar airlines which will add 28 new weekly flights from Doha from Sydney, Melbourne, Brisbane and Perth, starting in June 2028. Qantas have also announced more connections, with flights from Perth to Auckland and Johannesburg set to take off from December 2025.

Future infrastructure projects, including **Sydney's Western Sydney Airport expansion, Melbourne's third runway** and the **$2 billion** redevelopment of **Perth Airport** will further enhance Australia's air connectivity and global reach.

Highlight of key transactions

Monaco Property acquired a **1970s holiday resort** on the Gold Coast for **$70 million.**

Caravan park operator **G'day Group** acquired a the 43-room Cradle Mountain **Wilderness Village** in Tasmania.

Glenn Piper acquired the **Bermagui Beach Hotel** in NSW for around **$20 million** in an off-market deal, adding to a $200 million hospitality portfolio that has expanded to nine coastal venues.

Scott Didier acquired the **Beach Hotel in Byron Bay** off market for **$140 million** from Redcape Hotel Group, marking the second-highest price paid in a pub trade on record.

The Crystal Palace Hotel in Sydney's CBD was sold for the first time in 45 years to the Feros family's **JDA Hotels** for approximately **$35 million.**

Redcape acquired the **Maeva Hospitality Group** for around **$80 million.**

ISPT and **IHG** are currently renovating the **Hilton Brisbane**, which will trade as the Intercontinental Brisbane from June.

Key Resources

- Colliers Hotels Q1 2025 Snapshot
- Tourism Australia: Visitor Economy Facts and Figures
- Qantas: New Routes Announced
- CBRE: Hotels Outlook 2025
- CBRE: Australia's hotel sector on track for growth
- Feros family buys Crystal Palace Hotel
- Australia's tourism and hotel market resurgence
- Monaco Property Group scores Gold Coast Property
- Super fund giant's $2b caravan park play
- Epochal Hotels buys Bermagui Beach Hotel
- The Beach Hotel in Bryon sells for $140m
- Maeva Hotel portfolio sold to Redscape
- ISPT to plug gap with Brisbane's first Intercontinental hotel

Living sector

Rate cuts to provide relief for some households

Some households have started to feel relief with the RBA cutting the cash rate twice in 2025 to 3.85%. It is expected that the rate cut will give the housing market a boost, particularly in more expensive cities like Sydney and Melbourne. These markets are more sensitive to interest rate changes because of their higher average mortgage sizes. When rates do start to fall, this will likely encourage more buyers back into the market and increase borrowing capacity.

While high construction costs have made freshly built homes less affordable, a rise in house prices in the established market, fuelled by falling interest rates, could mean new dwellings become relatively more economical for aspiring homeowners.

Social and Affordable Housing

As of 28 March 2025, Housing Australia confirms 91 projects have reached contract close with a combined funding amount of **$6.65 billion** to support the delivery of 8,246 social and affordable homes under the **HAFFF and NHAF programs**.

This national funding momentum is being mirrored at the state level, with significant activity underway across key urban renewal precincts. In particular, the NSW Government has accelerated efforts to unlock new housing supply by progressing major rezonings and finalising development partnerships that prioritise long-term affordable housing outcomes.

The NSW Government has expedited the rezoning of the old Sydney Fish Market site at Blackwattle Bay. The development will feature a 7.5% affordable housing contribution that will remain affordable in perpetuity.

The Waterloo renewal reached a new milestone in Q1, with the NSW Government finalising contracts with Stockland, Link Wentworth, City West Housing, and Birribee Housing. This will provide over 1,000 new social homes and 600 affordable homes in the heart of Sydney.

In Queensland, QIC has partnered with Brisbane Housing Company to deliver a major build-to-rent project that includes more than 1,200 new homes in the inner city. Around half of these will be affordable housing, supported by Federal and State Government contributions. HSF Kramer advised on this transaction.

Investors shift focus to PBSAs

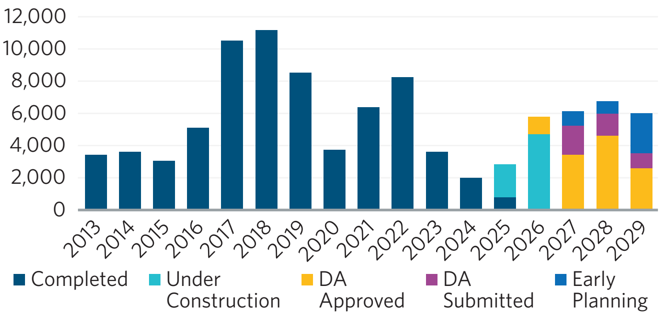
Investor demand for PBSAs has surged in 2025, with transaction volumes hitting $1.8 billion across four deals in Q1, representing a dramatic leap from the $116 million recorded in 2024. Greystar's acquisition of the GIC-Wee Hur JV portfolio for $1.6 billion, comprising 5,662 beds across seven assets, makes up the bulk of investment volumes so far this year.

Following the recent rate cuts and the prospect of greater political certainty in the second half of 2025, we expect investment in the PBSA sector to grow in 2025.

There are currently 6,912 beds under construction with 2,772 beds due for completion in 2025, representing a 40% increase on last year. In 2026, an additional wave of completions is expected to result in 5,832 new beds.

Nuveen, one of the world's biggest real estate investors, has allocated more than half a billion dollars to Australia's booming PBSA sector through its brand, The Switch. It is on the hunt for more sites that will cater for both students and co-living renters. This investment highlights the growing confidence in the sector.

Australia PBSA development pipeline

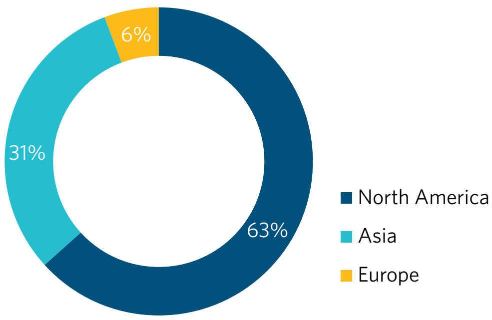


Source: Knight Frank Research

Investors will continue to seek diversification opportunities in the Australian Living Sectors in 2025, underlined by ANREV's latest Investment Intentions Survey with 43% of respondents selecting Student Accommodation as a preferred sector for investment into Asia Pacific markets this year. This represents an increase from 28% in 2021, marking the second largest shift behind retail.

PBSA investment capital source

%share of investment volume since 2022

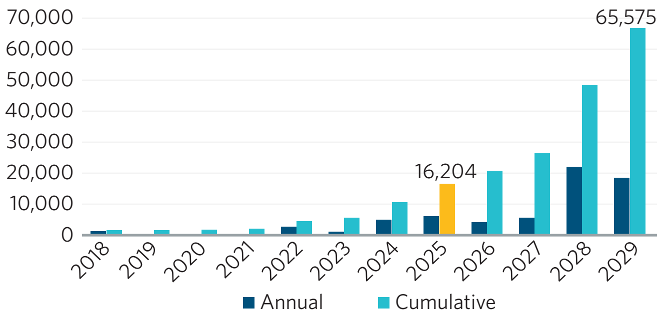


Source: Knight Frank Research

The BTR sector

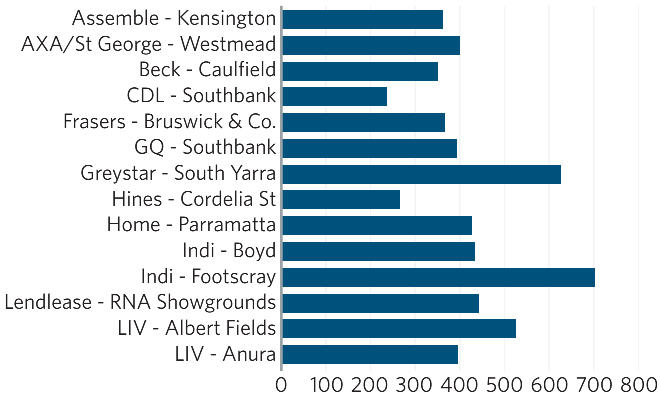
Outlook for the BTR market is looking optimistic with 5,928 units forecast to complete in 2025 across 14 projects. 61% of this predicted delivery is in Victoria, 25% in Queensland and 14% in NSW.

Franklin Street Database: Units by Completion year



Source: Franklin Street

2025 Project completion forecast



Source: Franklin Street

The BTR supply pipeline has grown 26% y-o-y according to Franklin Street data, with VIC and NSW providing the bulk of the national supply, closely followed by QLD. This pipeline includes 65,576 units, however, even if 100% of this supply pipeline is realised, it would only represent 0.6% of all housing stock nationally, highlighting the opportunities for growth in this sector.

Retirement living and aged care

Investors are vying for retirement living and aged care investment opportunities with Scape acquiring Aveo for $3 billion from Brookfield. Aveo comprises of 10,000 plus units across 65 villages, with more than 3000 units in its supply pipeline. HSF Kramer has a role on this transaction. Retirement living operator Keyton is reportedly on the market with key players such as Barings, AustralianSuper and GIC believed to be assessing the deal. These types of assets are proving favourable for investors looking for stable earning streams.

Highlight of key transactions

Highlight of key transactions:

- Chinese developer **Stanley Xue** has filed an application to redevelop an 11-storey office building into a mixed-use built to rent and commercial office building. Xue, and his development company HYG, bought the site four years ago for **$73.97 million**.
- Property developer **apt.Residential** acquired a prime urban infill site at **Mountain Street**, Ultimo, Sydney, to expand its build to rent project. The site will host a **$240 million** residential and retail project, including 260 rental apartments and affordable housing.
- **Pembroke** acquired a build-to-rent site in Melbourne's Fitzroy from **Greystar**, planning a modern complex with over 200 apartments. The project, valued at approximately **$200 million**, will continue in partnership with Greystar.
- **Scape** secured a **$6 billion** fund from **CBRE Investment Management**. The fund, focused on PBSA's, is the first of its kind in Australia, with an in-place portfolio of 33 operational student assets with 16,300 beds across the major cities.
- **M&G** acquired a PBSA asset in **Melbourne** for **US$61.8 million**. This marks M&G's first investment in Australia's PBSA sector. HSF Kramer advised on this transaction.
- GCP Hospitality, part of Hong Kong-based private equity firm **Gaw Capital**, has put Campus **Perth** and Hostel G on the market. The campus listing is the largest institutional grade PBSA asset ever offered for sale in Australia. HSF Kramer is advising on this transaction.

Key Resources

- Ray White: 2025 Property Outlook
- RBA cash rate cut could boost housing supply
- Australia on verge of house price boom
- Housing Australia: Update on Funding Round One
- Investors target student accommodation
- Franklin Street: Australian BTR Review
- Private developer moots BTR
- apt.Residential snaps up prime urban infill site
- Pembroke's BTR ambitions take shape
- Sydney Fishmarket site to deliver 1500 homes
- Waterloo renewal reaches new milestone
- Suitors line up to secure Keyton
- Brookfield grants exclusivity for $3b Aveo
- Student housing developers back on track
- Hong Kong firm tests appetite for student accommodation
- Why Nuveen is looking to grow student accommodation
- QIC's plans to fix the nation's shortages

Spotlight: The rising costs of construction and a shrinking supply pipeline

Construction costs continue to put pressure on the industry

The construction industry continues to face challenges due to high costs, supply chain disruptions, high financing costs and project delays. While profitability stabilised for some major construction players, smaller subcontractors continued to struggle. According to ASIC, 3217 Australian construction firms went into administration in 2024. We expect this number to increase over 2025 for small builders and subcontractors.

According to WTs Construction Market Conditions Report, construction costs are expected to increase between 4.5% to 6% in 2025, with infrastructure costs forecast to average a 5.5% increase. The challenges posed by high construction costs is being exacerbated by a continuing labour shortage, particularly among skilled workers. While the demand for key trades is increasing, the availability of these workers is insufficient to meet industry needs. This growing gap between supply and demand of skilled workers is increasing pressures on project timelines and viability.

Snapshot of cost pressure impacts

ISPT has withdrawn its planned development of a 42-storey office tower in the Brisbane CBD due to cost pressures.

The Victorian arm of Roberts Co Australia was put into administration in March.

Stockland exited a housing project in Marsden Park, Sydney.

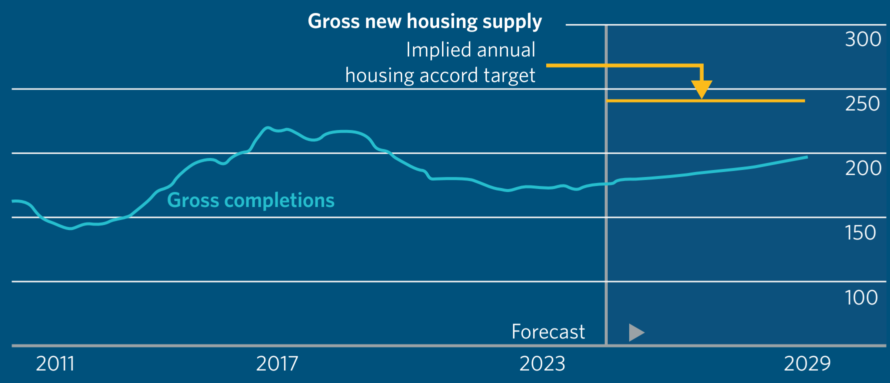
IMPACT ON SECTORS

Residential supply pipeline to fall short of national target

According to the ABS, 180,000 dwellings were approved over the 12 months to March 2025. Although this figure surpasses the decade-low of 164,000 seen mid-last year, it falls short of the Albanese government's target of constructing 1.2 million new homes by 2029.

The National Housing Supply and Affordability Council has warned of worsening conditions and industry experts are cautioning that the current housing rate deficit could balloon over the next five years unless urgent reforms are made to the construction sector at large. Barriers to achieving the Albanese government's target remain in place, with surging labour, material and financing costs; alongside a lack of construction capacity due to worker shortages, is contributing to the industry struggle.

What's being built and when ('000)



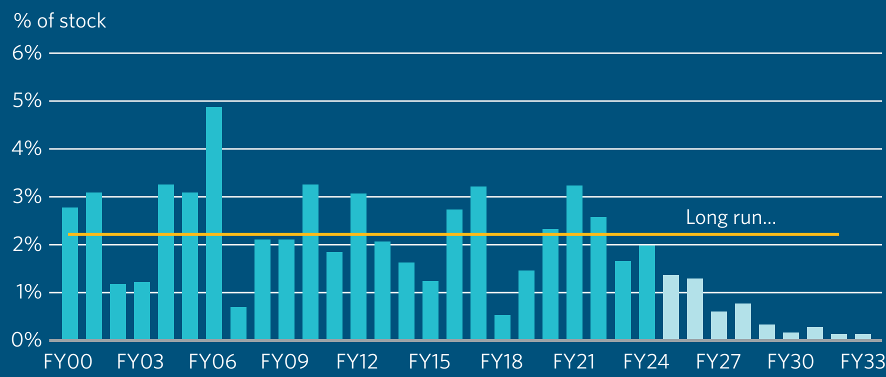
Source: National Housing Supply and Affordability Council

Office supply stock is shrinking

Future growth in office stock across Australia has dropped from 8.3% to 4.6% over the past three years. The total CBD gross supply additions were 64,700 sqm in Q1, with a 54% commitment rate upon completion. The Sydney CBD was the only market to deliver new development office stock in Q1, with 121 Castlereagh Street contributing 11,500 sqm in Sydney, while the remaining supply came from refurbishments in Sydney (29,500 sqm) and Adelaide (23,700 sqm).

Only 234,800 sqm of new or refurbished supply is under construction and set for completion for the remainder of 2025, with a pre-commitment rate sitting at 37%. If realised, this would bring full-year gross supply additions to 17% below the 10-year historical annual average, highlighting a shrinking office supply stock.

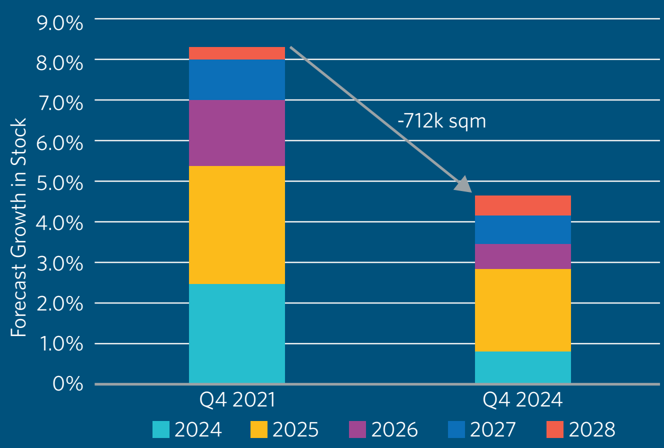
Projected supply in Sydney & Melbourne CBDs



Source: Dexus

Rents are approximately 20% below the level needed to justify new construction, indicating that future supply will continue to be limited. CBRE Research's forecast growth in office stock for Australia over the period of 2024-28, has decreased from 8.3% to 4.6% over the past three years. The gap between existing building rents and economic rents will need to close for additional supply to enter the market, and the market will need to see a reduction or stabilisation of construction costs.

Change in net supply forecast



Source: CBRE Research

However, the slowdown in the development pipeline across major Australian office markets is fostering favourable conditions for the absorption of existing space. The reduction is positive for vacancy and rental growth outlooks, with the occupier market expected to tighten. Consequently, some markets are likely to experience above average rental growth over the medium term.

Challenges for the shopping centre supply pipeline

The development pipeline remains limited in the retail sector, with construction costs contributing to supply issues. Rather than developing new centres, major shopping centre owners are focussing on optimising performance of existing assets. This is expected to result in greater investment in extensions and refurbishments of existing facilities.

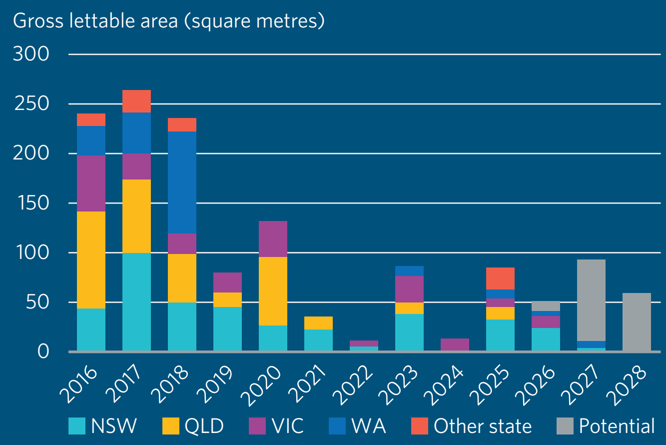
Around **10%** of shopping centres are currently being extended or renovated, while **20%** are planning to do so in the future.

The new supply pipeline of subregional and regional space is running at just 70% of the 20-year average. Dexus has reported that there are no new regional shopping centres in development.

The State and Federal governments are continuing to emphasise the need for an increase in the nation's housing supply, primarily focusing on the densification of housing in capital cities. If we do see an increase in housing supply, the position of existing shopping centres is expected to strengthen as a boost in populations within shopping centres catchment areas will likely lead to an increase in foot traffic and sales density.

However, the likelihood of significant increases in the supply pipeline is doubtful. Instead, the supply side of the equation is looking particularly favourable for existing assets, with construction costs and planning restrictions acting as natural handbrakes on new supply.

Construction of new shopping centres



Source: Knight Frank

What's ahead?

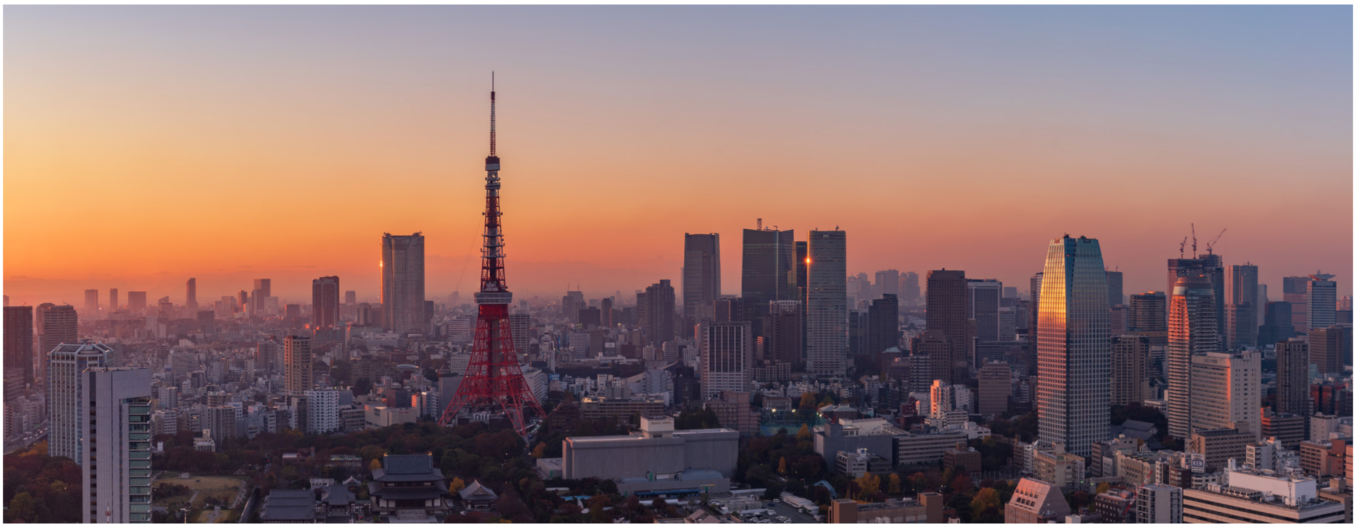
It is too early to determine what impact US tariffs will have on the construction industry. A recent announcement from the US administration of plans to double tariffs on steel and aluminium imports to 50% is likely to create uncertainty in the industry going forward and may further push up prices of materials. This tariff may be subject to change.

Despite the ongoing challenges faced by the construction industry, the Australian Industry forum forecasts that activity will reach $334 billion in 2024-2025, representing a growth rate of 1.6%. This is anticipated to rise to 1.9% in 2025-2026. While the growth outlook is somewhat positive, the industry will still face significant challenges due to high material and labour costs, project delays and abandonment, labour shortages and ongoing solvency risks.

Key Resources

- Stockland exits outer Sydney housing project
- Australia to miss 2029 new home target
- Australia home building targets
- The 262,000-home shortage
- ISPT withdraws from Brisbane development
- Roberts Co owes Victorian trades $50m
- There is no sign of construction costs easing until 2028
- Nearly 3000 building companies go broke in a year
- Australian construction market conditions report
- The Australian Construction Industry Outlook 2025
- Australian Construction Market Report - May
- Donald Trump announces steel tariffs

Asia Pacific Region



Fast 5: What we're seeing across the region

Strong demand for cross-border investments sustained

Tell me more: International investors have continued their spending spree, pushing cross-border transactions to a peak of 28.4%, the highest level since Q3 2023. Y-o-y, capital inflows doubled to US$9.5 billion, despite a 4.1% q-o-q dip. Cross border institutional investors have shown a strong interest in assets in Japan, Australia, and South Korea, particularly in the office, industrial, and retail sectors. These markets are perceived to be nearing or having already achieved price stabilisation, propelling them to the forefront of the region in terms of total transaction volumes.

APAC real estate market remains robust, demonstrating resilience and attracting strong investor confidence

Tell me more: Transaction volumes are approaching levels seen a year ago, with US$5.6 billion in deals already recorded at the start of Q2 2025. This indicates promising growth in the market. Central Banks' rate cuts have made debt-financed acquisitions more attractive, and stabilising asset prices have spurred increased market activity. While we expect this positive momentum to continue, the fluctuating tariffs are creating uncertainty in the investment landscape. If tariffs lead to sustained inflation, the Fed may raise interest rates, which could increase long-term interest rates and cap rates, potentially dampening global capital markets activity.

Geopolitical and economic influences

Tell me more: In 2025, the Asia Pacific region is grappling with significant economic and geopolitical uncertainties. The re-election of the Trump administration is expected to bring about aggressive trade policies and protectionist measures. This shift may necessitate a re-evaluation of trade strategies, particularly between the US and China, and could lead to a reorganisation of global supply chains, moving away from China towards South and Southeast Asia. Additionally, rising tariffs could hinder interest rate cuts, affecting the recovery of property investments.

Transaction volumes are increasing despite tariffs, although future uncertainties remain

Tell me more: As interest rates ease, we anticipate a boost in transaction activity this year. In 2024, transaction volumes across sectors in the Asia Pacific increased by 19% y-o-y. We expect this momentum to continue and strengthen in the coming year. The effects of the tariffs remain uncertain, though economists caution that they may lead to higher inflation and slower growth. During his first term, Trump pursued similar policies, yet the Asia-Pacific economy generally maintained robust growth, and inflation remained relatively subdued. Without clarity on the specific policies, their timing, or how businesses and investors react, any projections of their impact remain preliminary.

After a strong run, industrial is normalising

Tell me more: The industrial real estate sector is experiencing a period of normalisation following rapid expansion. Although demand remains strong, vacancy rates have slightly increased, leading to moderated rental growth in certain markets. Overall, vacancy rates are still low but have risen compared to pre-COVID levels. Net effective rent growth is decelerating, particularly in outer metropolitan areas, while rising construction costs are affecting development feasibility. Sydney and Melbourne continue to drive demand, though rent growth is slowing.

Key Resources

- Asia-Pacific Capital Markets Insights Q1 2025
- Dexus: 2025 Market Trends and Key Themes
- Savills: Asia Pacific Outlook 2025
- Cushman & Wakefield: Tarrifs and the Impact on Asia Pacific

Regional Snapshots

China

China's real estate investment market faces significant challenges, with en-bloc transactions totalling RMB222.8 billion in the 12 months ending March 15, 2025 - a 31.0% y-o-y decline. Persistent economic weakness, oversupply, high vacancy rates, and declining rents are dampening market sentiment. Notable gaps in price expectations between buyers and sellers complicate deal-making. However, as market prices stabilise, opportunities are emerging.

Speculative investors are seeking distressed assets at discounted valuations, while long-term investors are showing interest in value-driven opportunities. Favourable domestic financing conditions and relatively attractive yields have encouraged this shift.

In Q1 2025, office transaction volumes declined by 13.3% y-o-y, highlighting continued challenges. Nevertheless, positive signs have emerged, such as China Post Life Insurance's acquisition of a 50% stake in Shanghai One Museum Place, valued at approximately RMB5.4 billion.

Hong Kong

The Hong Kong property market showed promising signs in Q1 2025, with the Hang Seng Index rising by 15%, boosting confidence in the residential sector. However, this optimism did not extend to the commercial market, as many property owners, including mid-cap developers and local investors, are heavily leveraged and seeking to liquidate their commercial portfolios. The office and retail sectors remain weak, with rents falling by 1.6% and 3.6% respectively, facing rising vacancies and substantial upcoming supply, making commercial real estate investments less attractive.

The current market is seeing investors adopt a cautious approach, seeking initial yields of 6% or higher with stable long-term rental returns. The en-bloc market has primarily seen end-user transactions, with only HK$1.5 billion in commercial properties changing hands in Q1.

Luxury properties have proven more marketable due to their scarcity and continued interest from new local and Mainland buyers seeking reasonable prices. The development site at 68-70 Chung Hom Kok Road, with a permissible gross floor area of 10,800 sq ft, sold for HK$220 million, reflecting an average value of HK$20,370 per square foot, representing a decline of around 40% from its previous asking price. Property investors, facing ongoing pressure from banks to reduce leverage, may consider offloading luxury residential holdings to replenish cash more rapidly.

Japan

In Q1 2025, Japan remained one of the most attractive real estate investment markets in the Asia Pacific region. Despite a 25 basis point policy rate increase by the Bank of Japan in January, investment activity remained robust. The TSE J-REIT index rose by 2.6% during the quarter, while the TOPIX declined by 4.3% q-o-q.

Grade A office rents in Tokyo's central five wards increased by 1.8% q-o-q to ¥34,544 per tsubo. Vacancy rates declined by 0.6 percentage points to 1.7%, the lowest level since 2021. Sublease vacancy across Japan's four major CBDs fell by more than 50% from 2020 levels, decreasing from 399,000 sqm to 193,000 sqm.

The logistics sector gained renewed momentum due to an anticipated drop in supply and stable demand for modern facilities. The hotel and prime retail sectors performed strongly, supported by increasing tourist numbers. The residential sector remained attractive due to ongoing rental growth, although investors became more selective in response to higher funding costs. The office sector also benefited from consistent rental increases, with both leasing and investment activity steadily recovering.

South Korea

South Korea's economy entered 2025 under pressure, with the Bank of Korea revising its GDP growth forecast downward from 1.9% to 1.5%. This adjustment reflects persistent challenges in domestic consumption and exports, particularly due to weak demand from China, Korea's largest trading partner.

In the Seoul office market, investment activity slowed significantly. Although many office assets were on the market, few transactions closed. The widening bid-ask spread was a key factor, with sellers holding to 2023–2024 price expectations while buyers adopted more conservative underwriting. Transactions that did close were increasingly driven by end-users such as CJ Olive Young and Hanwha Group affiliates, who purchased buildings for their own use, thereby avoiding leasing risk.

The logistics sector showed signs of recovery. Oversupply concerns that had persisted since 2023 began to ease, with new completions in 2024 halving compared to the previous year. This trend continued into 2025, suggesting the market may be bottoming out. Distressed asset listings increased, leading to broader price corrections. Foreign investors became more active, accounting for 83% of logistics transaction volume in Q1 2025, totalling KRW1.3 trillion. Notable foreign investors included GIC, Brookfield, Warburg Pincus, and Oaktree Capital.

Singapore

In Q1 2025, Singapore's real estate investment market experienced a significant slowdown. Total investment value fell to S$5.69 billion, marking a 25.4% decline from the S$7.64 billion recorded in Q4 2024. This drop was primarily driven by the private sector, where investment value declined by 49.2% to S$2.90 billion. In contrast, the public sector saw a 45.1% increase in transaction value, rising to S$2.79 billion.

The residential sector accounted for the largest share of investment activity, comprising 64.3% of total investment value.

The commercial sector represented 26.2% of total investment value and saw a 54.2% increase in value compared to the previous quarter. The most notable transaction was the acquisition of the South Wing of Northpoint City in Yishun by Frasers Centrepoint Trust for S$1.1 billion.

The hospitality sector accounted for 5.8% of total investment value and posted a 26.5% increase q-o-q. The industrial sector, however, saw a sharp 90.3% decline in investment value, contributing just 3.7% to the total.

Malaysia

Malaysia's real estate investment market began 2025 with strong momentum, recording 25 major transactions totalling RM3.11 billion. The industrial sector dominated activity, accounting for 14 transactions worth RM2.08 billion, or 67% of total transaction value. A significant portion of this was driven by the continued expansion of the data centre segment, which remained a key focus for both domestic and international investors. Demand for development sites suitable for hyperscale and enterprise-grade data centres was particularly strong in Johor, Selangor, and Penang, reflecting Malaysia's growing role as a regional digital infrastructure hub.

The commercial sector remained active, with transactions involving retail malls and office buildings reflecting steady investor interest. Retail assets in suburban and regional centres continued to attract buyers, while office acquisitions were primarily driven by owner-occupiers seeking operational space.

Land acquisitions also featured prominently, with developers targeting large-scale sites for mixed-use and healthcare-related projects. These purchases reflect ongoing confidence in long-term urban development and infrastructure-led growth.

Indonesia

Indonesia's property market softened in Q1 2025 due to weaker consumer spending, government budget cuts, and macroeconomic uncertainty. The OECD revised the country's GDP growth forecast to 4.9%, down from 5.2%.

Hotel occupancy declined sharply, impacted by reduced government travel and MICE activity. Landed housing absorption dropped by around 30%, while the apartment market remained subdued, with limited demand and ongoing developer promotions. Some activity was observed in the high-end apartment segment, supported by VAT incentives for completed units.

The industrial estate sector remained resilient, driven by continued demand from data centre operators. Retail and office markets slowed as tenants delayed expansion plans amid economic uncertainty.

Key Resources

- Savills Asia Pacific – Q1 2025 Investment Quarterly
- Dexus Australian Real Asset Review – Q2 2025
- CBRE Asia Pacific Investment Trends Q1 2025

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Australia

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