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GLOBAL CAPITAL MARKETS

ASIA PACIFIC | Q3 2026



RESILIENCE UNDER PRESSURE



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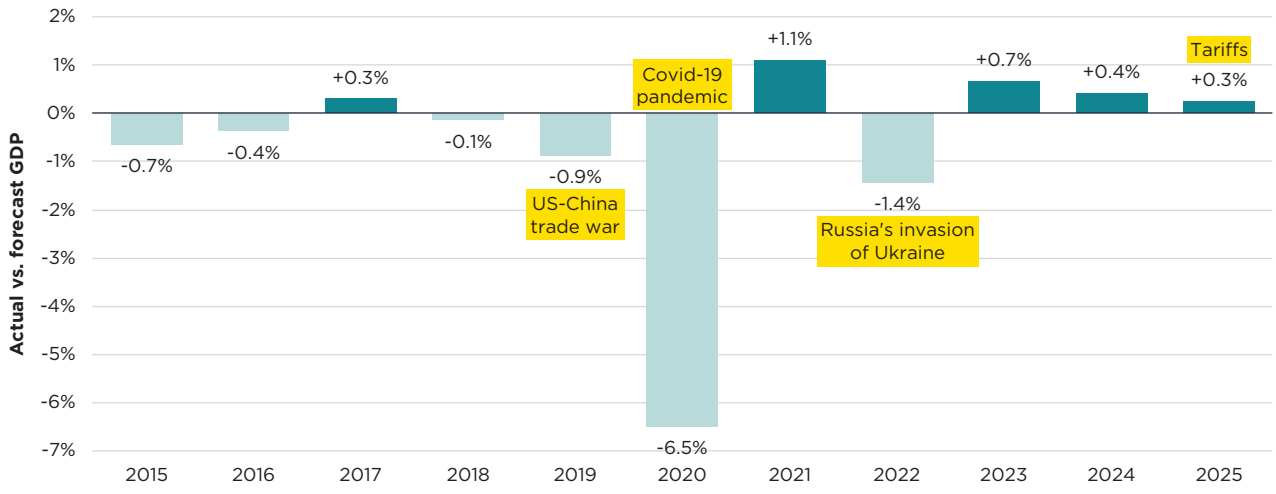
Resilience remains a defining feature of the current cycle, with the global economy continuing to withstand repeated shocks. Activity has again held up better than expected this year, despite the drag from war in the Middle East. As highlighted in our previous report, conflict, whether in trade, technology or geopolitics, is playing an increasingly important role in shaping the global outlook. So far, however, it has done more to redistribute activity than restrain it.

The continued build-out of AI has provided an important counterweight, delivering a powerful demand-side stimulus, although the benefits remain unevenly shared. Economies embedded in global technology supply chains are outperforming, while energy exporters outside the Gulf are benefiting from a positive terms-of-trade shock.

Yet resilience extends beyond this relatively narrow group; activity in Europe, for example, has also held up reasonably well, as households and businesses show some capacity to accommodate higher energy prices.

This resilience is once again being tested. Inflation is rising, squeezing household incomes and leaving policymakers with increasingly difficult fiscal and monetary trade-offs. Geopolitical risk remains elevated, while the depletion of global energy inventories leaves the world economy increasingly exposed to prolonged disruption in the Middle East. Meanwhile, the AI boom is adding to inflationary pressures and increasing the concentration of growth and financial-market gains, while vast sums are being borrowed to finance the infrastructure build-out in the US.

IMF GLOBAL GDP FORECAST ERRORS



Source: Savills research using IMF WEO October 2026

The clearest manifestation of these pressures has been the sharp rise in global bond yields, tightening financial conditions across the global economy. There are plenty of competing theories for why yields have risen so much this year. Optimists would argue that it reflects stronger real economic growth. But while the US economy has remained robust, growth is increasingly concentrated around the AI build-out, and there is little to suggest that bond markets are pricing in a significant AI-driven productivity boom.

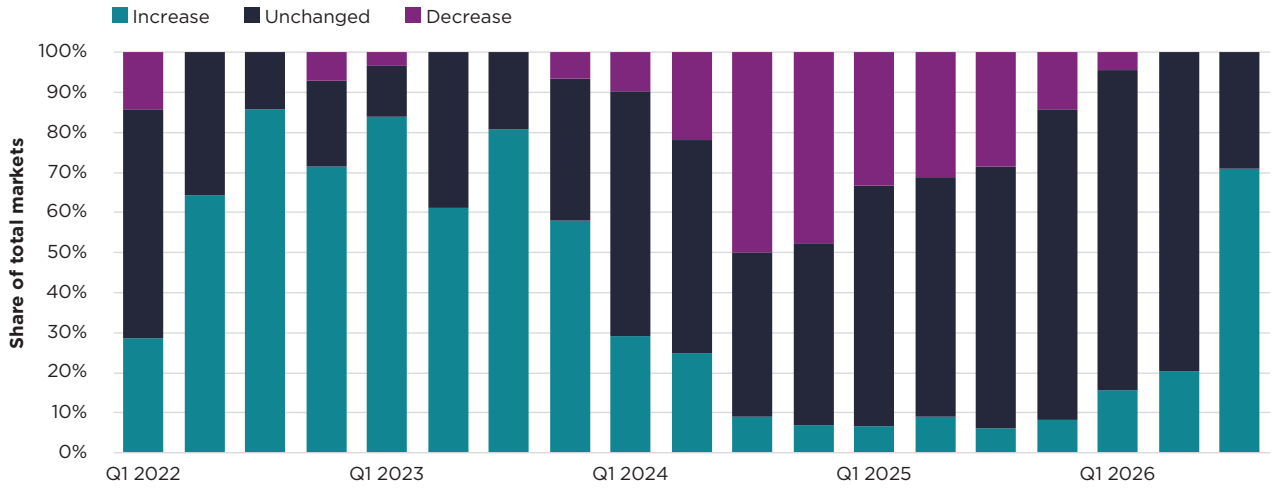
Instead, the recent rise in yields looks more problematic. The initial move was predominantly inflation-led, as the war in Iran pushed up energy prices and inflation expectations, prompting a sharp repricing of the policy-rate outlook. Since then, other forces have added to the pressure. Significant AI-related corporate bond issuance is competing for investor capital when markets are already being asked to absorb large amounts of government debt. Concerns over fiscal sustainability have also pushed up term premiums. A hawkish speech from Fed chair Kevin Warsh at Jackson Hole added further pressure. Ultimately, investors are demanding greater compensation for holding government debt.

For commercial real estate, the distinction matters. Higher yields driven by stronger growth can be absorbed through occupier demand and rental growth. But higher yields driven by inflation, fiscal risk and rising term premiums are harder to accommodate. And that pressure is beginning to feed through into pricing, with the speed and scale of the move increasingly difficult to ignore.

The market is entering another period of price discovery. Price adjustments are already apparent in ongoing transactions, but have generally been contained and not sufficient to derail deals. The greater risk is to new transactions, where uncertainty over where pricing settles may delay deals coming to market and weaken the usual seasonal peak in Q4 activity.

Look beneath the headline figures, and there are already signs that greater uncertainty is weighing on sentiment and activity. Global investment reached approximately US$375bn in Q3, around 40% higher than a year earlier. But around US$100bn came from just two major US transactions.

GLOBAL PRIME YIELD EXPECTATIONS FOR THE NEXT 12 MONTH PERIOD

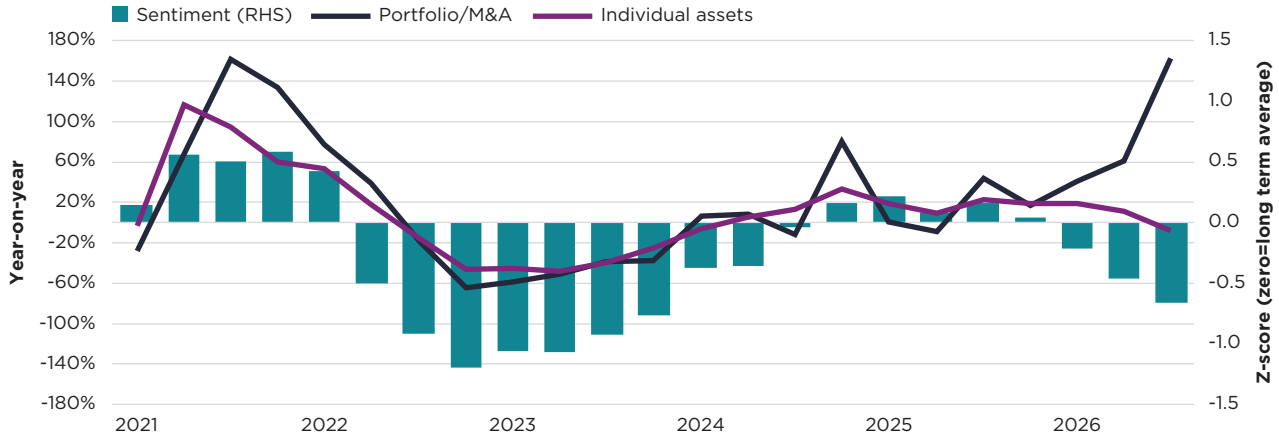


Source: Savills research, based on around 50 global markets across all property sectors.

These transactions reinforce the trend towards larger portfolio, entity-level and operational real estate deals highlighted last quarter. But once excluded, underlying activity was considerably more modest in the quarter.

Individual asset sales, which account for the majority of transactions and provide the comparable evidence through which pricing is established, have slowed in line with weaker market sentiment.

GLOBAL REAL ESTATE INVESTMENT AND SENTIMENT



Source: Savills research using MSCI RCA, Macrobond, and Property Council Australia. Excludes development sites. Data converted to fixed exchange rates.

Importantly, however, this is not a repeat of 2022. Bond yields already incorporate a significant degree of policy tightening over the next 12 months. That outlook looks increasingly difficult to reconcile with an energy-price shock that has so far remained relatively contained, with limited evidence of broader second-round inflationary pressures. This sets a relatively high bar for bond yields to move materially higher from here. Meanwhile, the market itself is also in a different position; values have already rebased, leverage is generally lower and the more committed investor base that emerged from the 2022–23 downturn remains in place.

The adjustment required in property markets should therefore be more manageable. Any increase in property yields will be smaller than in 2022 and start from a much higher base, while strong rental growth, low vacancy and growing constraints on new development should provide some cushion for valuations. The fundamentals have not materially changed, but the cost of capital has. Investors are adjusting to that new reality.

Nor is there an obvious shortage of capital. Debt markets remain liquid and substantial equity is still seeking deployment. But the rise in bond yields has given investors another reason to wait, reinforcing the selectivity already evident last quarter. Real estate is also competing for capital with private credit, as well as traditional and digital infrastructure, raising the hurdle for deployment. Investors increasingly require a credible operating plan, conviction in income growth and returns that offer a sufficient premium over debt and other alternatives.

As a result, the bar for getting deals done remains high. Capital continues to favour high-quality assets, experienced operators and opportunities with a compelling relative-value story, including assets available at a discount to replacement cost. The availability of capital is not necessarily the constraint. The challenge is finding opportunities where the risk and return stack up.

That leaves the outlook cautiously positive, albeit less certain than it appeared three months ago. The transaction pipeline is healthy, and significant capital remains available to deploy. But uncertainty around rates and pricing could encourage investors to sit on their hands for longer, pushing some transactions from Q4 into 2027.

There are also more routes to liquidity than outright asset sales. Refinancings, recapitalisations and secondary transactions should become increasingly important as loan maturities, fund-life pressures and investor demand for distributions provide catalysts for activity. This should create opportunities for capital to be deployed, but selectively rather than through widespread distress.

Ultimately, a more sustained recovery will require greater stability in inflation, energy prices and bond yields. The ingredients for higher transaction activity remain in place. But investors have another excuse to wait, and uncertainty around the cost of capital means the recovery is likely to be more selective and more stop-start than previously expected.

RECOVERY REMAINS ON SELECTIVE FOOTING



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Total investment across APAC reached approximately US$55.5bn in Q3 2026, down 8% year on year, although year-to-date activity remained 24% ahead of 2025 at approximately US$155bn. The recovery is therefore continuing but remains far from broad-based. Singapore and Taiwan recorded particularly strong gains in the quarter, while the regional aggregate continued to depend on a small number of markets and large transactions.

Singapore has been a major contributor to growth this year, with nine-month turnover rising by nearly 280% to US$20.1bn. The completion of CICT's US$3.0bn Paragon acquisition in July and IOI's US$1.9bn purchase of Asia Square Tower 2 in September supported Q3 activity. Together, these transactions illustrate how capital recycling can generate substantial turnover within an established institutional market, with CICT acquiring retail exposure while disposing of a major office asset.

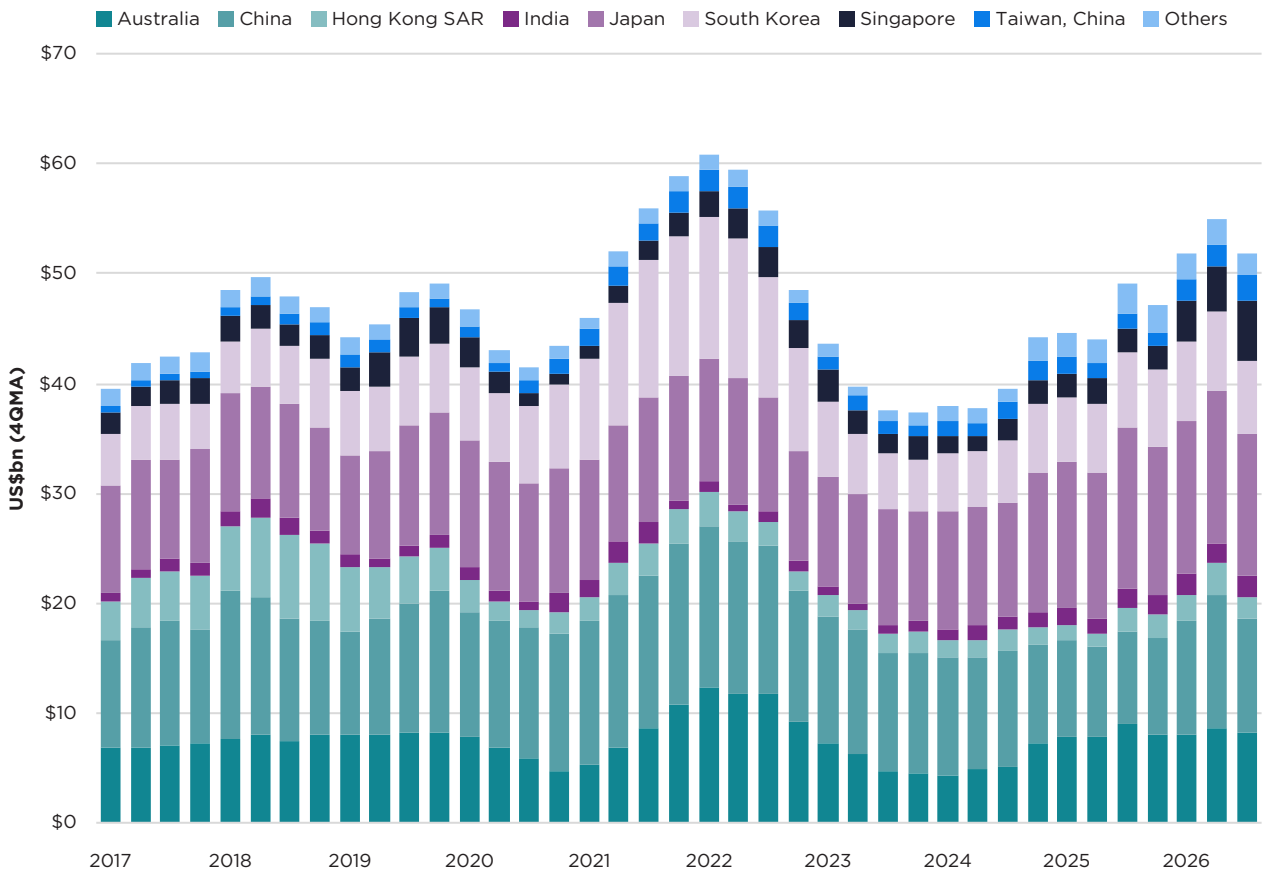
Taiwan also recorded a sharp increase, with investment rising by 111% to US$7.8bn over the first nine months. Corporate acquisitions linked to technology manufacturing featured prominently in Q3, including Quanta Computer's acquisition of AUO's Huaya facilities for approximately US$618m, and ASE's purchase of Innolux's Nanke Fab 5 for approximately US$466m. These transactions underline the continued importance of occupier demand in supporting activity—with owner occupiers accounting for nearly 10% of total investment across the region year-to-date—rather than a recovery driven solely by income-seeking property investors.

Elsewhere, India's turnover increased by 15% to US$7.0bn, while the number of properties transacted rose by more than 50%, suggesting a wider base of activity. Japan remained the largest investment market in the region, with US$38.6bn transacted despite a more moderate Q3 trading period. China's year-to-date turnover was over 38% ahead of the same period in 2025, supported by a stronger first half, although this should not be read as evidence of a uniform recovery across its markets.

Capital partnerships and partial-interest transactions remain prominent across the region. Australian shopping-centre stake sales and the KKR–Singtel acquisition of STT GDC show investors deploying capital through existing ownership structures and operating platforms, rather than relying exclusively on outright property purchases. Domestic investors remain the main source of liquidity, albeit with a recovery in cross-border participation also evident.

The regional picture is consequently more constructive than perhaps the quarterly investment decline suggests, but the recovery remains selective. Some markets are benefiting from corporate expansion, while others from institutional portfolio recycling. The next phase will depend on whether these sources of activity translate into more consistent trading across a wider range of markets and assets.

APAC REAL ESTATE INVESTMENT



Source: Savills research using MSCI RCA. Excludes development sites. Including deals over US$10m.

Office investment across APAC increased by 15.4% during the first nine months of 2026. Large transactions remain an important feature, but the sources of activity varied between markets. Core acquisitions in Singapore and Japan sat alongside portfolio recycling in Australia and repositioning of opportunities in South Korea, pointing to a recovery shaped by individual investment cases rather than a uniform return of capital.

Singapore continued to demonstrate its ability to execute substantial core office transactions, as evidence by IOI's acquisition of Asia Square Tower 2 from CICT. The transaction also formed part of a wider reallocation of capital by CICT, which completed its Paragon acquisition during the quarter. This illustrates how portfolio repositioning can support liquidity even without a broad increase in the number of assets changing hands.

Japan similarly attracted capital into a major central Tokyo asset. The office floors of Pacific Century Place Marunouchi traded for approximately US$1.4bn, with Kenedix acting on behalf of a consortium involving Hulic, Sumitomo Corporation and Mitsubishi HC Capital.

Australia displayed a wider mix of buyers and transaction structures. GIC acquired 1 Market Street in Sydney, while Aware Super purchased a 50% interest in 100 Market Street from Link REIT. Centuria also acquired interests in Brookfield's 680 George Street and 50 Goulburn Street. These deals illustrate both cross-border participation and domestic capital deployment, with partial-interest transactions continuing to provide a route for owners to recycle capital.

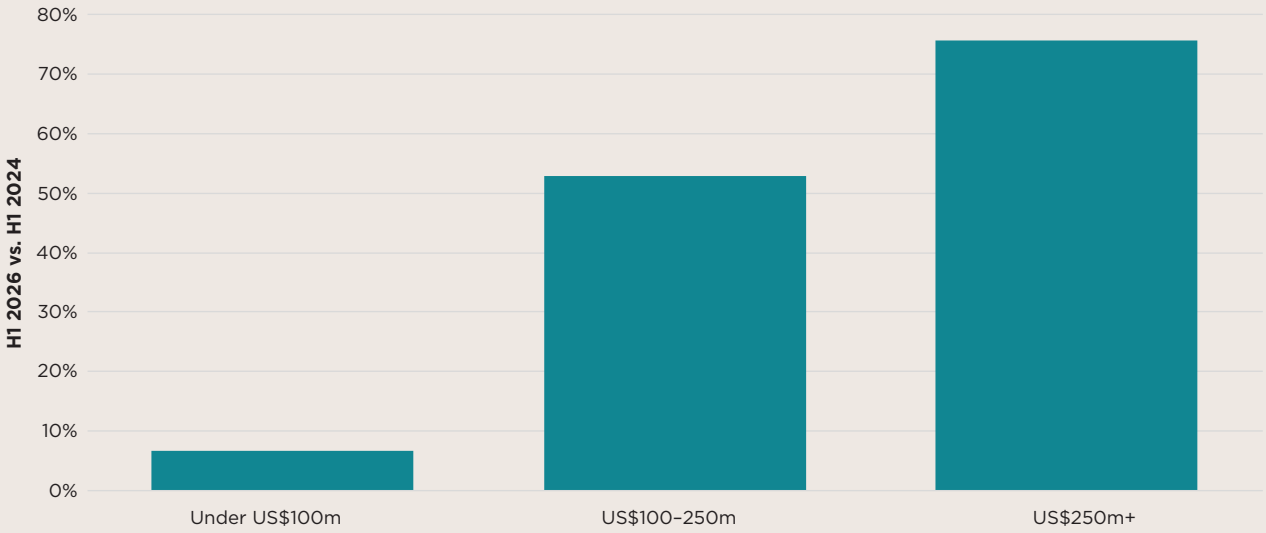
In South Korea, the acquisition of Doosan Tower offered a different proposition. The purchase was by a group including IGIS, Doosan, NH Investment & Securities and Hana Bank, with the property identified as acquired for renovation. Here, the investment case included the opportunity to change the asset rather than simply retain its existing income stream.

The common thread across all these deals is greater emphasis on how investor returns will be generated after acquisition. Rental reversion, refurbishment and ownership restructuring offer different routes, but each requires asset-specific execution.

Larger transactions demonstrate that there is plenty of equity available. They do not necessarily signal equal demand for secondary stock however.

Office liquidity is improving selectively, with the clearest opportunities where buyers can identify a credible path to stronger income or operational performance. For now, this activity remains largely concentrated at the top end of the market, reinforcing the broader preference for assets and sectors where income growth can be underwritten with greater confidence.

NUMBER OF DEALS BY SIZE IN APAC



Source: Savills research using MSCI RCA. Excludes development sites.

That preference is also evident across APAC's living sectors, where structural demand and constrained supply continue to offer investors a clearer route to rental growth. Institutional capital continued to find opportunities across APAC's living sectors in Q3, with Japanese multifamily acquisitions, Australian build-to-rent development and specialist accommodation in South Korea showcasing the diverse routes to market. Portfolio purchases provided immediate scale, while individual assets and development partnerships offered more targeted exposure. The activity extended the first-half themes of capital partnering with operators and investing in future rental supply.

Japan saw several substantial acquisitions during the quarter. Brookfield acquired a 50-property multifamily portfolio from Samty Holdings and JPMorgan Asset Management in July for approximately US$614m, covering around 3,700 units. The transaction demonstrated the opportunity to establish a sizeable residential portfolio through a single acquisition, rather than assembling assets individually. It also provided an example of international capital taking exposure to existing rental housing at scale.



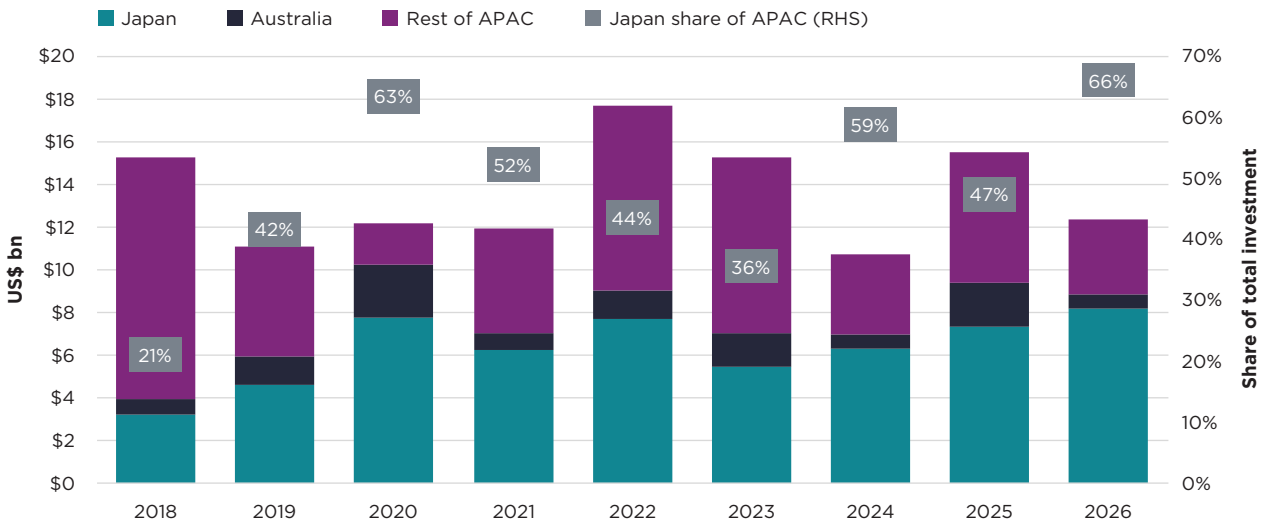
Activity was not confined to large portfolios. Dash Living acquired the 297-unit Frontier Shinjuku Tower from M&G Real Estate in September for approximately US$238m. The property combines apartments with retail, co-working and self-storage space, bringing several uses within the same space. Alongside Brookfield's portfolio purchase, the transaction illustrates the range of opportunities available to investors, from diversified residential holdings to individual buildings with a broader operating proposition.

In South Korea, institutional partnerships continued to translate into acquisitions. Tishman Speyer, Bouwinvest, APG and Gravity Asset Management acquired the 411-unit Songdo Costay in Incheon in August. The residential and workers' accommodation asset adds a concrete example to the capital-partnership theme highlighted in the previous quarter.

It also shows that institutional living strategies extend beyond conventional apartments, with investors accessing accommodation formats that serve distinct occupier groups.

Australia offered exposure to future rental supply. Kio Investment Management and Warburg Pincus acquired UEM Sunrise's 407-unit build-to-rent development at 21–53 Hoddle Street in Melbourne, with the transaction valued at approximately US$222m and completion expected in 2027. The project, highlighted in the previous quarter's discussion of forward funding, illustrates how capital partnerships can support the delivery of new rental accommodation rather than compete solely for existing stock. This willingness to invest beyond completed assets is also evident elsewhere, with capital increasingly seeking exposure to the platforms and development pipelines needed to meet future demand.

APAC APARTMENT INVESTMENT (Q1-Q3)



Source: Savills research using MSCI RCA. Excludes development sites.



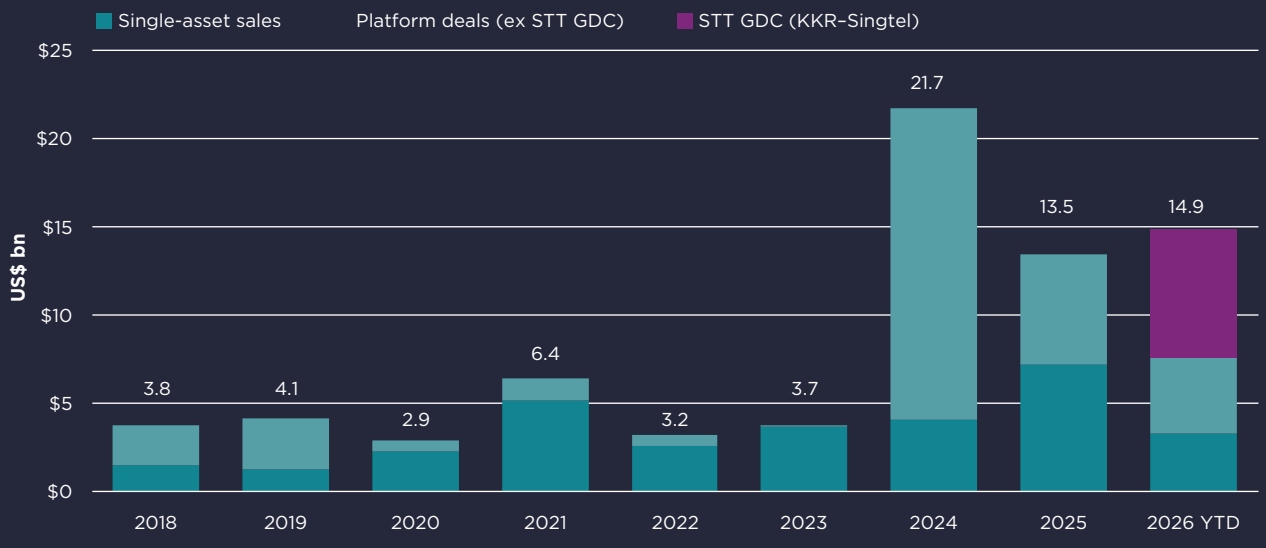
Data centres provide perhaps the clearest example of this trend. Investment continued to expand across APAC, with turnover reaching approximately US$14.9bn during the first nine months of 2026, up 33% year on year. Demand for cloud services, AI infrastructure and hyperscale capacity remain important drivers, but the investment story extends beyond the acquisition of individual facilities. Capital is also targeting operating businesses that provide access to established networks and development pipelines.

The KKR–Singtel acquisition of the remaining approximately 82% of STT GDC was a prominent example. The entity transaction is with consideration of US$5.2bn and an implied enterprise value of US$10.9bn. This is a different route into the sector from buying a stabilized property; investors are acquiring a position in an operating platform, with exposure extending across multiple markets and facilities.

The underlying portfolio also demonstrates the diversity of that exposure. Operating facilities and projects under development can be across Singapore, India, Japan and several Southeast Asian markets. Some entries involve ownership interests in physical assets, while others are identified as operating interests in leased facilities.

India has become an important part of this investment landscape, recording approximately US$3.9bn of data centre investment during the first nine months. Development land remains the country's largest investment category overall, but digital infrastructure provided a significant additional channel for capital deployment.

APAC DATA CENTRE INVESTMENT



Source: Savills research using MSCI RCA. Excludes development sites.

PRIME APAC YIELDS, Q3 2026 (AS AT END OF SEPTEMBER)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Logistics	Tokyo	3.30%	No change	60%	2.4%	4.7%	0.2%
Logistics	Hong Kong	4.30%	Up	0%	0.0%	4.3%	0.3%
Logistics	Sydney	5.25%	Up	50%	6.5%	4.1%	-0.1%
Logistics	Seoul Metropolitan Area	5.40%	Up	60%	5.7%	5.0%	1.0%
Logistics	Shanghai	5.50%	Up	50%	3.5%	7.5%	3.8%
Logistics	Singapore	6.35%	No change	55%	2.5%	11.1%	3.9%
Multifamily	Tokyo	3.30%	No change	60%	2.4%	4.7%	0.2%
Multifamily	Sydney	4.25%	Up	55%	6.5%	1.5%	-1.1%
Multifamily	Melbourne	4.38%	Up	55%	6.5%	1.8%	-1.0%
Office	Hong Kong (CBD)	2.38%	Up	0%	0.0%	2.4%	-1.6%
Office	Tokyo	2.60%	No change	60%	2.4%	2.9%	-0.5%
Office	Singapore	3.58%	No change	55%	2.5%	4.9%	1.1%
Office	Seoul	4.35%	Up	60%	5.3%	2.9%	-0.1%
Office	Shanghai (Lujiazui)	5.25%	Up	50%	3.5%	7.0%	3.6%
Office	Sydney	6.00%	Up	50%	6.6%	5.5%	0.7%
Office	Mumbai	8.25%	Up	60%	9.5%	6.4%	1.1%
Student	Sydney	4.88%	Up	50%	6.5%	3.3%	-0.5%
Student	Melbourne	5.38%	Up	50%	6.5%	4.3%	0.0%

Source: Savills Research and Macrobond

Note: yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Logistics yield in Singapore reflects the domestic land tenure system, where the longest lease for new industrial properties is 30 years. Values based on end-of-quarter data. See Methodology for details.

ASIA SQUARE TOWER 2, SINGAPORE



Sector: Office

Tenant: Mizuho Bank, Mitsui Group and KPMG

Lease length (WAULT): Undisclosed

Area: 779,000 sqft

Price/NIY: SG$2.5bn (US$ 1.9bn) / 3.4%

Vendor: CapitaLand Integrated Commercial Trust

Vendor nationality: Singapore

Purchaser: IOI Group

Purchaser nationality: Malaysia

Other comments: Asia Square Tower 2 was around 95% occupied and transacted at a reported 9.9% premium to its end-2025 valuation. For the vendor, the disposal formed part of a broader capital recycling strategy and was announced alongside its acquisition of Paragon, a predominantly retail asset.

WESTFIELD MT GRAVATT, BRISBANE



Sector: Retail

Tenant: Coles, K-Mart, Harris Scarfe, Target

Lease length (WAULT): Undisclosed

Area: 1.5m sqft

Price/NIY: AU$883m (US$633m) / 5.5%

Vendor: Scentre Group

Vendor nationality: Australia

Purchaser: Australian Retirement Trust (ART)

Purchaser nationality: Australia

Other comments: The acquisition of a 50% stake in Westfield Mt Gravatt is expected to be the largest single-asset retail transaction in Australia this year. The deal forms part of Scentre Group's strategy of introducing third-party capital through joint ventures, while retaining management of the underlying asset.

METHODOLOGY

Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a fully let hypothetical grade A asset; for logistics, this is a big-box facility located in a prime location, let to a single good profile tenant on a 10–15-year open-market lease, for office, it is a building a located in the CBD of over 50,000 sqft in size, and for living, it is an asset of institutional scale in a prime location. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Data is end-of-quarter values.



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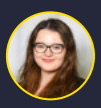
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