

Asia-Pacific Capital Markets Insights



Q2 2025

This is an investor focused report which provides an in-depth look at the performance of the commercial real estate markets across the region.

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“The uplift in investment volumes this quarter demonstrates the region's continued appeal to global capital. Despite ongoing uncertainties, investor interest remains high, with cross-border flows increasing and sectors such as living and data centres continuing to outperform. There are clear signs that long-term fundamentals remain attractive. While some sectors face short-term challenges, the market continues to adapt as investors seek both stability and growth opportunities.”



CRAIG SHUTE
CEO, ASIA-PACIFIC

TOTAL INVESTMENT VOLUME IN Q2 2025

US\$42.0 Billion

YOY % GROWTH

10.1%

SECTOR IN FOCUS

Living Sector

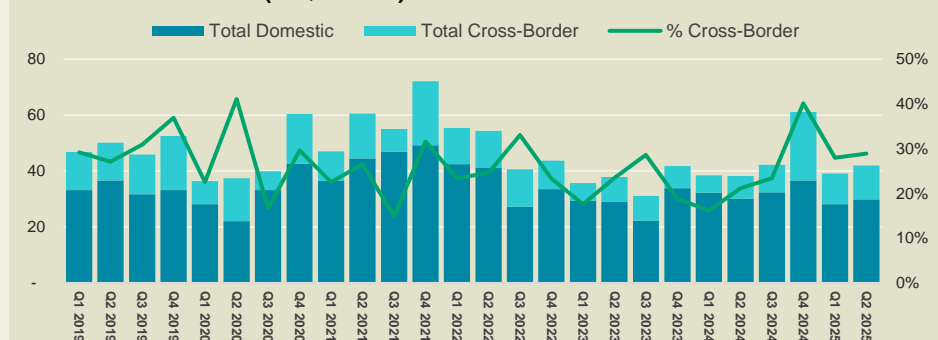
ASIA-PACIFIC REAL ESTATE SEES ENCOURAGING UPTICK IN Q2 ACTIVITY

Asia-Pacific transaction volume recorded US\$42.0 billion in Q2 2025, reflecting a robust 7.4% increase quarter-on-quarter (QoQ) and a solid 10.1% growth compared to the same period last year, despite the continued threat of tariffs weighing on investor sentiment.

While traditional assets continued to constitute the majority of transactions, alternative assets emerged as a significant highlight this quarter, particularly in the living sector and data centre segments. Several portfolio deals were captured as domestic and foreign investors capitalise on the dynamic demographic shifts and rapid advancements in AI technology.

Year-on-year (YoY), investment volume for the living sector almost doubled (90.5%) to US\$4.9 billion, primarily driven by Brookfield Asset Management's (AM) divestment of 65 senior living facilities across Australia to The Living Company for US\$2.5 billion. Additionally, Greystar's US\$1.0 billion acquisition of Australian student housing portfolio from GIC and Wee Hur was concluded.

Transaction Volume (US\$ Billion)



Source: MSCI Real Assets, Knight Frank Research
Data download as at: 18 July 2025

Data download as at: 30 July 2025
Inclusive of pending deals/excludes land

Data centre investment volume reached US\$2.4 billion in Q2 2025, reflecting an impressive 40.2% increase QoQ. Notable deals include Iron Mountain's purchase of 62% stake in Web Werks, assuming full ownership of the latter's six data centres in India. GLP has also established a US\$362 million AUM Maiden Data Center Fund with its seed asset located in the Greater Beijing area.

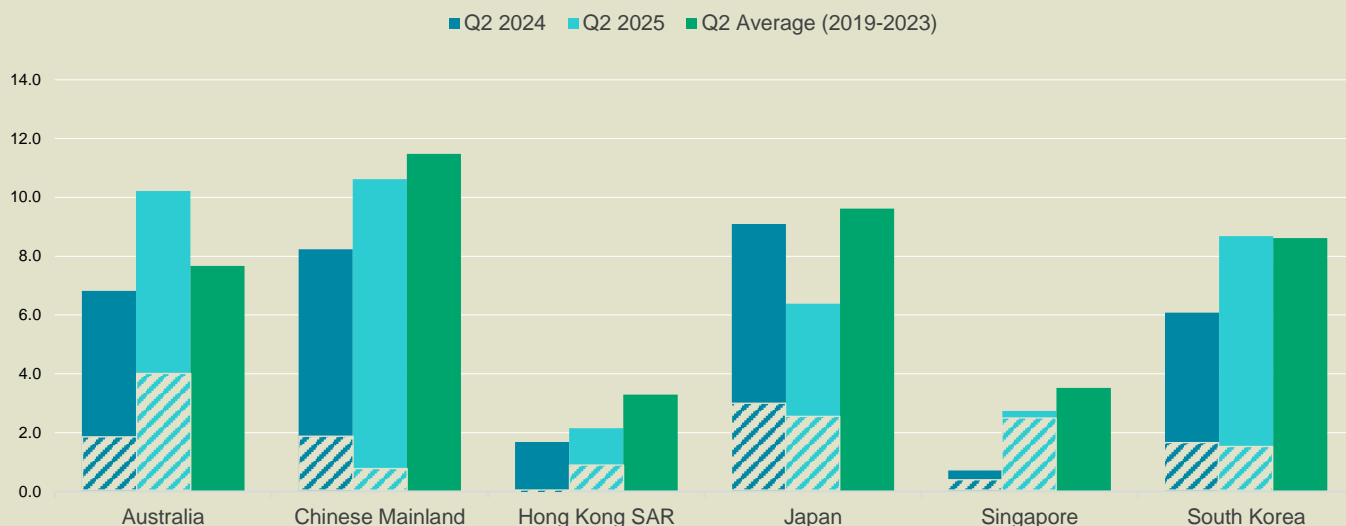
GLOBAL INVESTORS REMAIN DRAWN TO THE ASIA-PACIFIC REGION

Cross-border transaction volume registered US\$12.1 billion, representing the highest volume since Q3 2022 (excluding Q4 2024).

Safe haven countries such as Australia, Japan and Singapore emerged as top investment destinations in the region during the quarter, largely supported by US investors. The robust market conditions and strong leasing fundamentals played a crucial role in attracting global investors.

Australia captured almost a third of foreign capitals, amounting to US\$3.8 billion. Other than the living sector, prime and centrally located office assets continue to attract the interests of overseas investors, especially the Japanese, as yields have stabilised. Daibiru acquired 135 King Street in

Q2 2025 Regional Heavyweights (US\$ Billion)



Note: proportion of cross border deals indicated by non-solid areas
Source: MSCI Real Assets, Knight Frank Research

Data download as at: 30 July 2025
Inclusive of pending deals/excludes land

Sydney for US\$375 million at 6% cap rate while Odakyu Electric Railway bought a 10% stake in Salesforce Tower, Sydney's tallest office building.

Japan's real estate market continues to demonstrate resilience, with foreign investors acquiring approximately US\$2.4 billion in assets. While transaction volumes declined by 14.8% YoY, international interest remains strong, underpinned by Japan's reputation for stability, liquidity, and market depth—even in the face of uncertainty. Investment activity was largely concentrated in the living and industrial sectors. Notably, Warburg Pincus purchased Lone Star's Beta portfolio, comprising 1,195 multifamily units, while Aberdeen made acquisitions of two premium residential rental assets in Tokyo.

Singapore experienced a substantial

increase in foreign capital inflows, with overseas investors injecting US\$2.3 billion into asset acquisitions, a remarkable growth from the US\$342 million recorded in Q2 2024. This growth was underpinned by IOI Group acquiring 50.1% stake in mixed-use South Beach development at US\$650 million, effectively gaining full ownership, and Brookfield AM's purchase of three industrial properties from Mapletree Industrial trust at US\$420 million.

OUTLOOK

Despite modest growth in volume across most asset classes in Q2, the industrial sector experienced a decline in both QoQ and YoY terms. This contraction suggests that persistent ambiguity surrounding US trade policy has begun to affect investor sentiment towards the industrial sector.

Amidst changing market dynamics, investors are displaying a selective yet

determined approach in pursuing high-quality assets, contributing to stable transaction volumes in certain asset class. The demand for prime and alternative assets is further reinforced by their long-term growth prospects and resilience to market fluctuations. Rising office rents in Tokyo and Sydney may support yields and maintain positive spreads, sustaining investment demand. Further rate cuts could boost Sydney's appeal to foreign investors.

Looking ahead, prolonged geopolitical and economic instability may weigh on investment sentiment in Asia-Pacific. However, signs of progress in US trade negotiations with regional economies, along with expectations of easing borrowing costs and a softer US dollar, could help restore clarity and boost investor confidence—potentially supporting a pickup in investment activity across the region in the coming quarters.

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