



savills

# GLOBAL CAPITAL MARKETS

ASIA PACIFIC | Q1 2026



RESEARCH

# GLOBAL SUMMARY

# DELAYED NOT DESTROYED



**OLIVER SALMON**

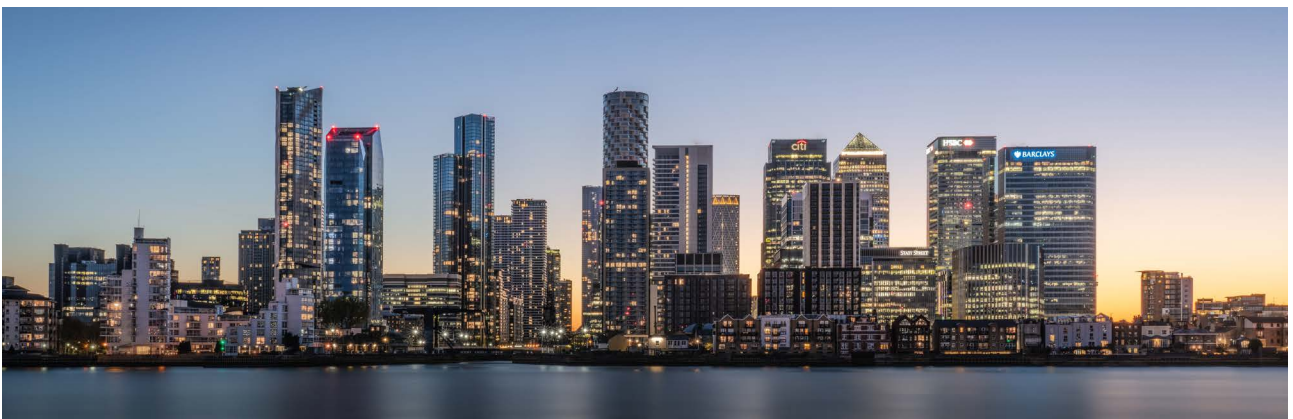
Director, World Research

**The global economy began 2026 in a relatively steady state.** Expectations were broadly in line with the previous year, with headwinds from tariffs, softening labour markets and weak underlying confidence offset by continued disinflation, easing financial conditions, supportive fiscal policy and the ongoing technology capital expenditure boom. Energy markets were accommodative, underpinned by a global supply overhang which was being reinforced by OPEC+ prioritising market share over price stability.

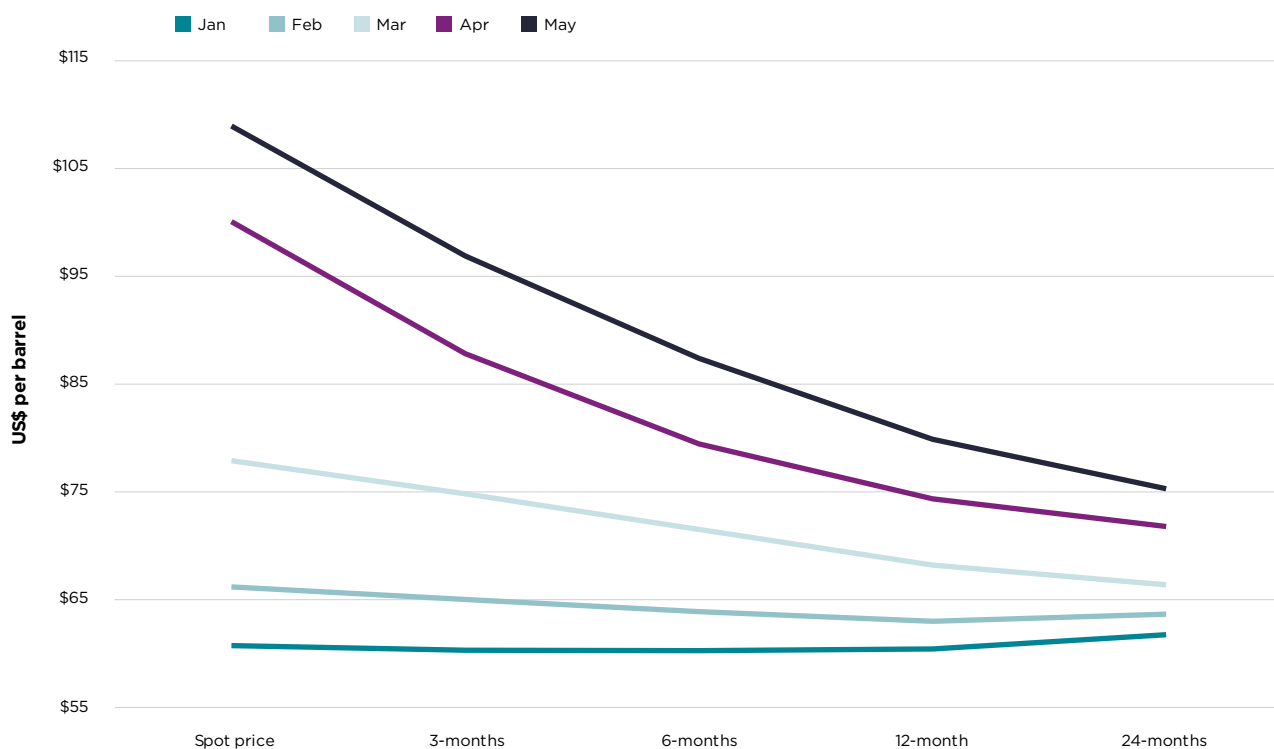
**However, conflict in the Middle East introduced new headwinds to the global economy.** The macro impact hinges on four conditions: the duration and scale of the conflict, and specifically disruption to the Strait of Hormuz; the country-level exposure to energy via net trade positions and GDP energy intensity; the policy responses across governments

and central banks; and the behavioural response of households and businesses. The latter is particularly important, albeit often underappreciated, as confidence shocks can act as a catalyst that can quickly amplify the scale of any downturn.

**The consensus remains anchored to the expectation of a relatively swift de escalation, leading to the restoration in energy flows through the second half of this year.** This is reflected in the backwardated oil futures curve, and the resilience of risk assets following early ceasefire signals. Under this scenario, the impact of the supply shock is largely transitory—headline inflation temporarily overshoots into the 3-5% range, allowing central banks to ‘look through’ the shock, while growth decelerates but avoids outright recession.



BRENT CRUDE OIL PRICE FUTURES PRICES



Source: Savills research using Macrobond

In this regard, context matters. Unlike in 2022, when the global economy was being propelled by post-Covid-19 revenge spending, the starting point today is disinflationary: labour market momentum is slowing, policy is more restrictive, and sentiment is subdued. Corporate and household pricing power is weaker as a result, limiting the risk of inflation becoming persistent. This creates a clear trade off for central banks and reduces the likelihood that supply-driven inflation translates into a sustained tightening in monetary policy. Policymakers suffering from recency bias, particularly in Europe, may however favour a more forceful initial response in order to anchor inflation expectations.

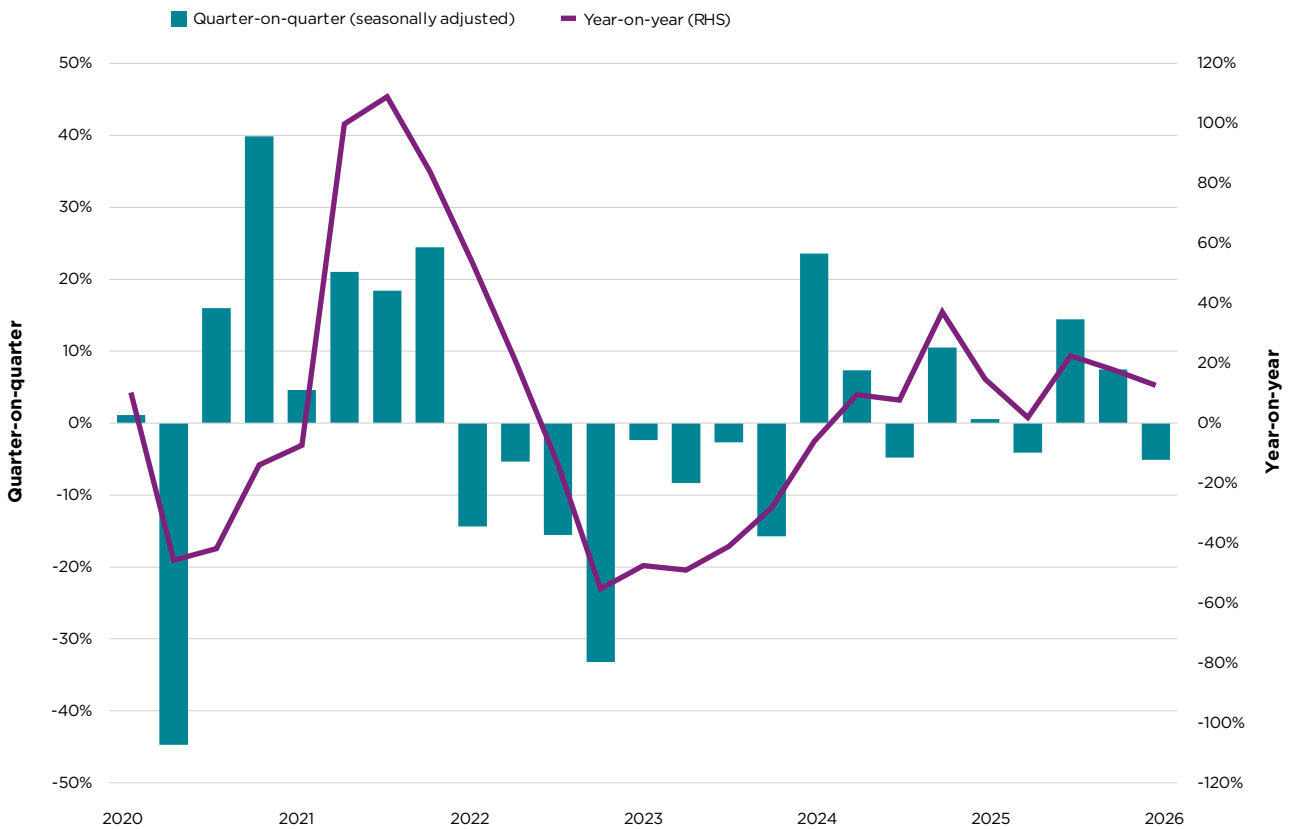
**The regional implications are asymmetric.** Major energy exporters such as Canada and Norway will benefit from favourable terms of trade effects, while net energy importers lose out. Many Asia Pacific economies are vulnerable due to their dependence on GCC supply, as well as high oil and gas GDP intensity, while European economies are also mostly net importers of energy, and are seeing renewed interest rate volatility and tighter financial conditions. In the US, while oil producers benefit from higher prices, these gains will be more than

offset by consumer losses, given the dominance of household consumption in GDP.

**However, even a benign resolution implies a long tail of risk.** Damage to infrastructure, delays in restarting production, and the reconfiguration of shipping routes point to a prolonged period of constrained supply. Meanwhile, persistent volatility in the region is likely in the absence of a definitive end to the conflict, implying a structurally higher risk premium in oil prices (not to mention elevated insurance costs, and the potential for a “Tehran toll”).

**Downside risks are material.** Around 20% of global oil and gas transits the Strait of Hormuz, with limited alternative routes. A sustained disruption would eclipse the 1970s oil crises in scale, leading to sharply higher prices, rationing, and additional supply chain disruption. Spillovers would extend beyond hydrocarbons to critical inputs including helium (semiconductors), fertilisers (food production) and petrochemicals (plastics). In a severe downside scenario, global growth could converge towards 2% in 2026–27, according to the IMF, a rate considered by many as recessionary.

GLOBAL REAL ESTATE INVESTMENT TURNOVER



Source: Savills research using MSCI RCA. Excludes development sites. Based on fixed exchange rates.

**The balance of risks is reflected in the real estate sentiment data.** The prospect of economic stagflation is clearly negative for the sector, and this increases the opportunity cost of deploying capital, vs a ‘wait-and-see’ approach. Global investment of US\$230bn in Q1 represented a 5% decline on a sequential basis, when accounting for the normal seasonal pattern of activity, signalling a loss of momentum relative to the second half of last year.

**Assuming the consensus is right on a swift de-escalation, the impact on investment activity should be equally short-lived.** Pending deals data for Q2 2026 suggest there remains a robust pipeline of transactions, implying activity is being delayed rather than destroyed. This echoes the pattern seen following the ‘Liberation Day’ US tariff shock of April 2025, where first half weakness was replaced by second half strength.

Importantly, a swift de-escalation implies little change to the underlying fundamentals. Pricing is expected to hold firm, despite tight risk premiums and a higher risk free rate of return, and there

remains plenty of liquidity in debt capital markets (debt strategies continue to perform well in fundraising trends). Meanwhile, a constrained development pipeline will continue to provide an important anchor supporting rental growth, with heightened uncertainty, increased financing costs, and rising energy-linked construction costs further undermining development viability. This means that any near term softness in the outlook for rental growth should give way to renewed supply side tightness in the medium term.

Crucially, in the aftermath of ‘Liberation Day’, tariffs weren’t rolled back completely, but a series of bilateral trade agreements were signed, removing the most negative of downside risks and providing a more stable status-quo for investors to again underwrite new deals with more certainty. This shows a level of resilience in activity, with investors showing greater proclivity to trade through the cycle after several years of elevated volatility. We expect a similar dynamic to occur this year.

# MARKET VIEW



**RASHEED HASSAN**

Head of Global Cross Border Investment  
shares his view on the market



2026 started positively, building on the momentum that we witnessed in H2 2025. While the stats show a marginal seasonally-adjusted 5% drop in quarter-on-quarter activity overall, there have been some exceptional sector and geographical performers.

Putting 2025 into context, it was not without challenge. President Trump's tariff policies caused the market to pause and adjust, and this dampened Q2 activity levels. Despite this, investors found comfort in the strength of the underlying market fundamentals and helped by the abundance and pricing of debt capital, continued to transact.

Despite the positive start to the year, at the end of February further geopolitical conflict commenced in the Middle East, which gave the market another reason to need to rationalise and adjust to the implications of what this meant for the real estate markets.

Given the uncertainty around the potential extent and duration of the conflict, which remains today, the initial reaction was an element of pause, but one that was far less pronounced to that of the tariff shock. Deals that were under offer broadly remained so, and the pause was more pronounced in the agreement of new transactions.

However, as weeks have passed and with the emergence of ceasefires and negotiations between the key protagonists, the market has started to transact again, with deals that were under offer pre-conflict closing and new ones getting agreed. We have been closely monitoring, where we can, any price renegotiations from buyers on deals where pricing was agreed before the start of the conflict. We are not yet witnessing accepted price alterations outside of the 0-5% range and where there has been one it is more typically 1-3%. The change in the cost of financing has been the main reason given for the adjustment, where buyers can demonstrate a mathematical impact, as opposed to an adjustment purely for sentiment.

Despite the negative backdrop, there also continues to be a momentum in the larger transaction space, both for platform / portfolios and single assets, which is helping turnover figures.

As we look forward to the rest of the year, it is very hard to forecast activity levels and sentiment. The conflict is ongoing and there continues to be a good dose of geopolitical unrest. This creates a persistent environment of uncertainty. However, what is clear, is that investors are investing through the near term and really focusing on core market fundamentals, accepting that we are just in a more volatile world.

# MOMENTUM RETURNS IN POST-TARIFF PRE-MIDDLE EAST CONFLICT WINDOW



**NICHOLAS WILSON**

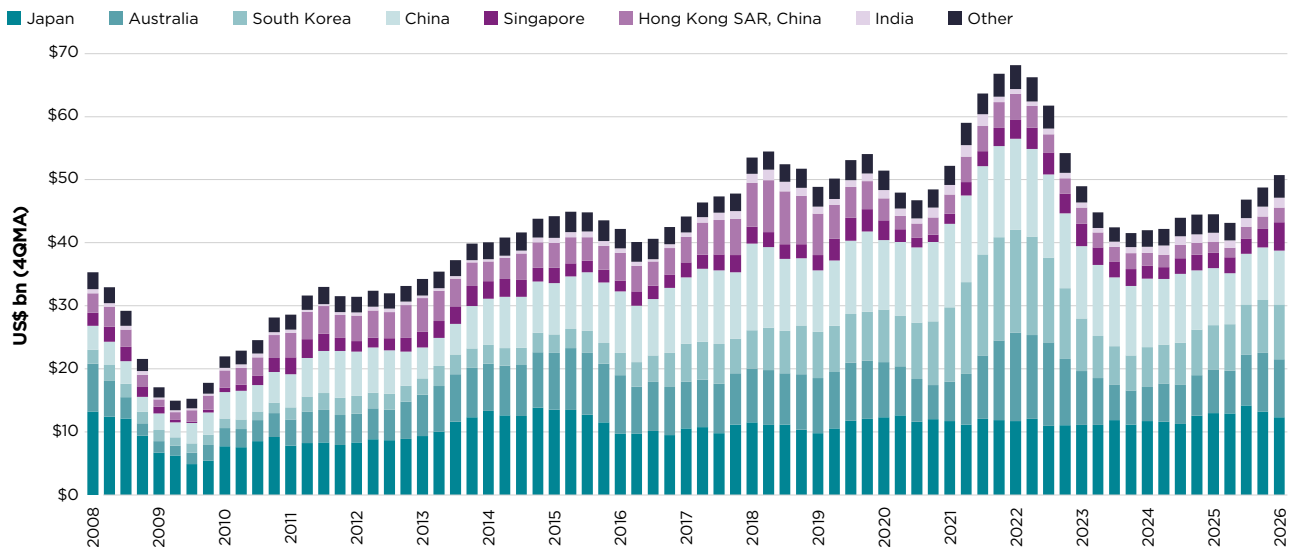
Senior Director, Strategic Research & Advisory, Asia Pacific Capital Markets

**Total investment of US\$50bn in APAC markets in Q1 2026 was around 19% up on the year (16% in fixed exchange rates), representing the best start to a year for the region since 2022.**

Following a soft first half in 2025, linked to the volatility before and after the US 'Liberation Day' tariff announcements, investment turnover has now registered three consecutive quarters of double-digit growth for the first time since 2021. This growth was broad-based, evident across both individual asset sales and larger portfolio deals, with all core sectors posting strong increases, with the exception of living.

Cross-border investors were strong net-buyers in early 2026, after being more active on the sell-side throughout 2025, and have underwritten 40% of transactions year-to-date, compared with a longer term average of 30%. This was driven by several major office transactions, including the seeding of HongKong Land's inaugural Singapore-focused fund with the acquisition of Asia Square Tower 1, and Brookfield's purchase of the Tokyo headquarters of Dentsu Group for a reported JPY300bn (US\$1.9bn). The former deal supported a record quarter for investment in Singapore, spanning nearly two decades, while Hong Kong, South Korea and Taiwan also posted strong growth on the year.

## APAC REAL ESTATE INVESTMENT TURNOVER



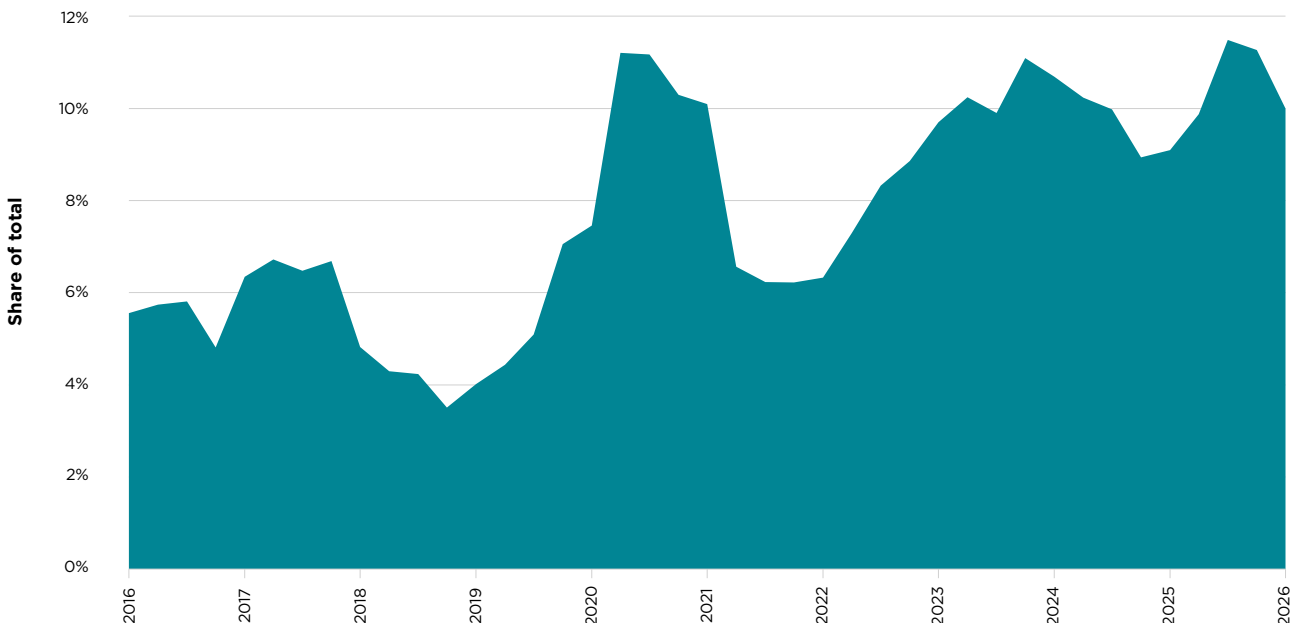
Source: Savills Research using MSCI RCA. Excludes development sites.

**APAC living sector investment activity softened in Q1 2026, with investment down 37% compared to the same period last year.** Over the 12-month period to Q1 2026, investment however increased by 30%, albeit supported by several large portfolio and platform transactions, including the US\$2.7bn sale of Aveo by Brookfield Corporation to The Living Company (Scape) in Australia.

**A large share of living sector activity across APAC continues to sit outside traditional transaction data,** with capital increasingly directed toward development projects and asset conversion strategies.

Conversion activity has broadened across the region, particularly hotel to living conversions in South Korea, Australia, and Hong Kong. Office to living conversions are also emerging in South Korea and Australia, although the pool of viable assets remains relatively limited. Hotel assets are generally better suited to co-living and PBSA conversion formats, particularly in Hong Kong, while most office buildings face structural constraints related to floorplate depth, natural light penetration, and the complexity of services reconfiguration.

**APAC LIVING SECTOR INVESTMENT**



Source: Savills Research using MSCI RCA

Capital formation and deal structures across the living sector are also evolving, with most new project starts now being led by capital backed operators seeking institutional co-investment capital. Joint-Venture partnerships and other club formations have been growing, particularly for the larger ground up development/conversions deals.

**Development feasibility remains challenging across much of the region,** although some markets are improving viability through planning concessions, including higher allowable Floor Area Ratios (FAR), reduced parking requirements, and better design efficiency.

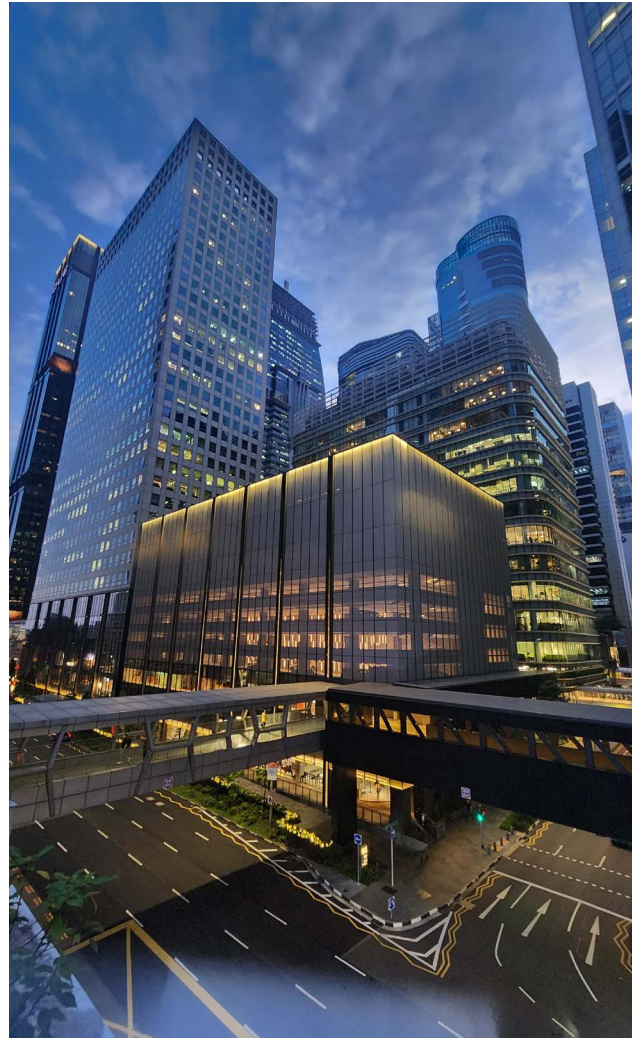
Construction costs continue to be a major constraint in higher cost markets such as Australia and Japan, where cumulative construction cost growth has exceeded 40% to 50% over the past seven years.

These feasibility pressures remain largely disconnected from underlying fundamentals. Occupancy rates across most living formats remain high, while rental growth continues to outpace inflation in many markets. In land constrained markets such as Singapore and Hong Kong, living projects also need to compete with the broader residential condominium market for sites, placing downward pressure on achievable yields.

Across the region, activity in China has started to recover, led by domestic insurance capital targeting discounted assets and partial stakes in existing platforms. New China Life Insurance acquired a portfolio of five senior care homes while retaining Vanke as operator, while China Life Insurance acquired a partial stake in LaSalle Investment Management's Cozi platform. Both assets in this platform were converted from former office buildings.

In Australia, with the build-to-rent sector transitioning from an emerging to a more established asset class, stabilised investment transactions are beginning to emerge. Investment over the 12-months to Q1 2026 doubled year on year, led by Australian Retirement Trust's acquisition of a 48.5% stake in Mirvac Group's LIV platform, valuing the platform at approximately US\$1.1bn.

Japan continues to provide one of the clearest pathways for stabilised living sector investment in APAC. M&G Investments acquired a four asset, 285 bed portfolio in April for US\$85m, while Weave Living, in partnership with BGO, acquired a 10 asset portfolio for US\$140m during the first quarter. Pricing across Japan's living sectors remains relatively firm, supported by strong operating performance, which has offset some investor concerns around the rising interest rate environment.



**Investment activity across the industrial and logistics sector has continued along a recovery path for the past two years.**

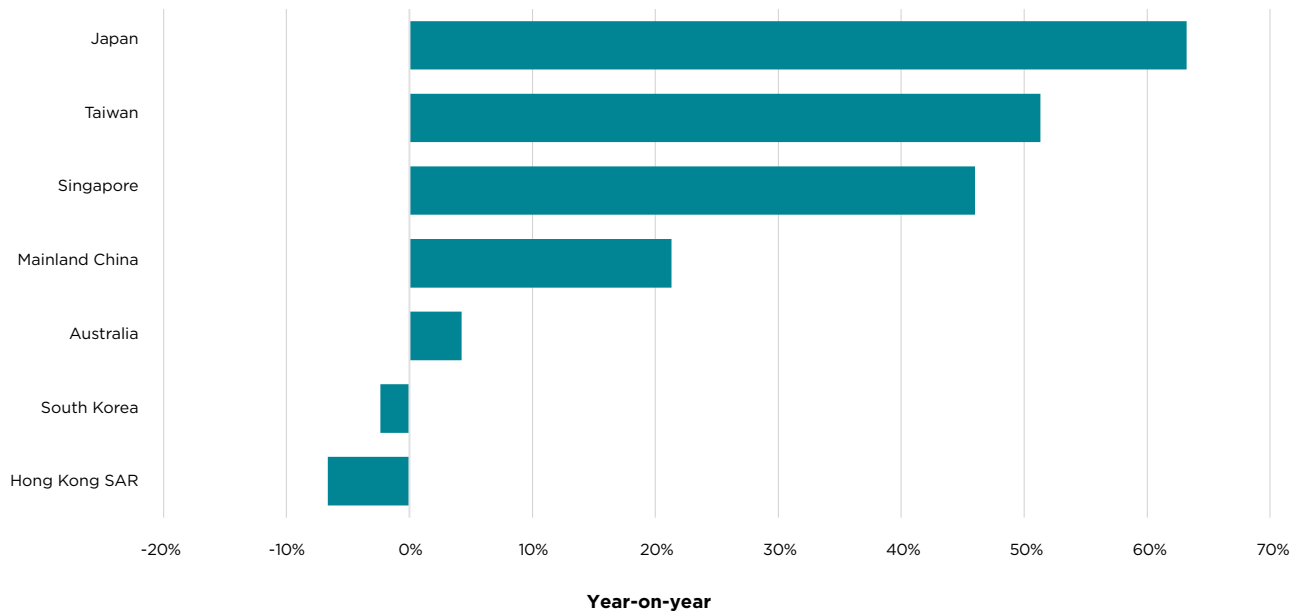
Investment rose by 38% y/y in the first quarter, albeit off a low base. In the 12-months to Q1 2026, investment lifted 13% y/y. Gains were notable across some of the high-tech aligned markets like Japan, Taiwan and Singapore. Mainland China also saw gains of over 20% y/y, while South Korea and Australia experienced more stagnant conditions and Hong Kong activity declined further.

The conflict in the Middle East has the potential to dampen short term appetite across some industrial markets, primarily through higher input costs, rising producer prices, and the risk of supply chain disruption. Softer consumer and business confidence could also lead some occupiers to take a more cautious approach toward expansion plans and new leasing commitments.

**At this stage though, the risks appear more skewed toward delayed decision making rather than a material deterioration in underlying occupier fundamentals.** Demand linked to domestic consumption, e-commerce, and urban logistics should remain relatively resilient, while trade exposed and manufacturing focused markets are likely to be more sensitive to any prolonged disruption in global shipping and energy markets.

Broadly, logistics markets across the region remain in a consolidation phase following the rapid expansion cycle seen over recent years. Vacancy rates remain elevated across parts of Greater China, Seoul and Tokyo, while investor appetite is firm but more measured when compared to the pre-2022 era. New development starts have declined in some of the high vacancy markets which will allow for excess capacity to be absorbed.

**APAC INDUSTRIAL INVESTMENT (12 MONTHS TO Q1 2026)**



Source: Savills Research using MSCI RCA

**Despite some moderation in sentiment, underlying trade and manufacturing indicators remain relatively constructive.** Export volumes across much of the region continue to expand, while the ongoing semiconductor cycle continues to support intermediary goods demand, manufacturing activity, and supply chain throughput across several East Asian markets.

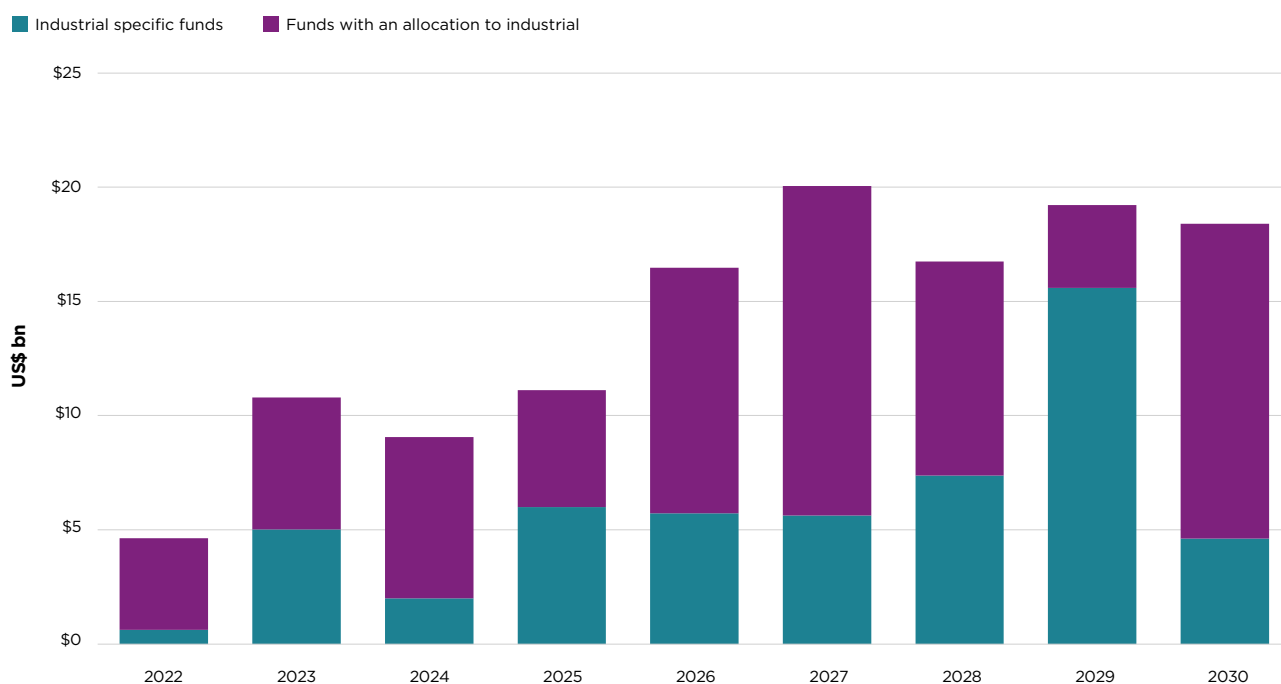
From a liquidity standpoint, the medium term outlook is also becoming more constructive, with growth in advanced manufacturing complementing the sector’s more traditional demand drivers tied to third party logistics and e-commerce.



**An emerging opportunity is also developing through the private fund maturity cycle.** Between 2026 and 2029, industrial specific private funds with approximately US\$34bn of equity are due to mature, implying potential underlying asset values of roughly US\$50bn to US\$70bn depending on leverage. Diversified real estate funds with industrial exposure add a further US\$38bn of upcoming maturities.

A growing share of these assets, along with assets held in funds that have already moved into extension periods beyond their original maturity dates, are likely to be brought to market over the coming years. The bulk of this potential transaction activity is concentrated in newly developed modern logistics projects across China and Japan.

**APAC PRIVATE FUND MATURITY PIPELINE**



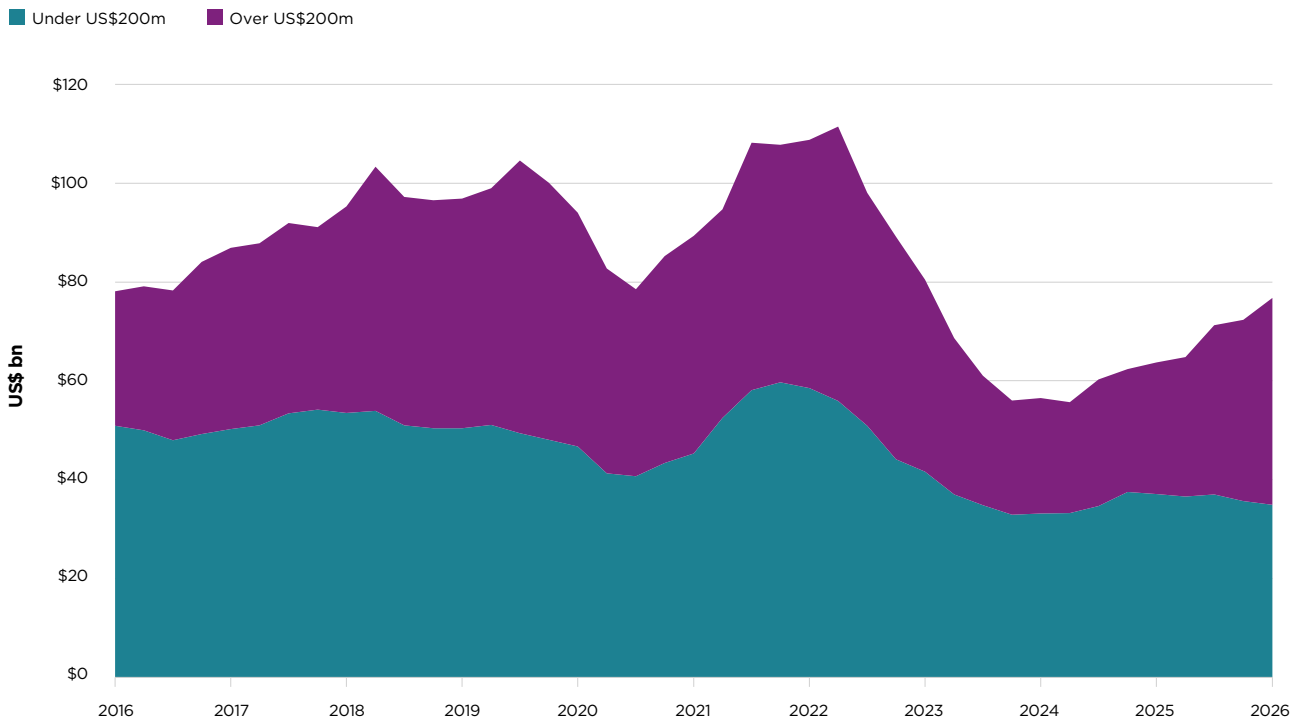
Source: Savills Research using PERE

**Finally, the booming tech and AI sectors are among a set of factors supporting an explosion of activity in the data centre space.** Total announced project value across the APAC region was close to US\$100bn in 2025, up from around US\$65bn the year before. The geographic split is also telling, with South East Asia accounting for roughly 40% of activity and South Asia a further 15%.

For investors, it is opening up a clearer entry path into emerging markets that is often harder to access through traditional real estate sectors. Entry routes are also evolving. Average project size over the past three years has exceeded US\$1bn across the region, up from roughly US\$400m between 2020 and 2022. This increasing scale has brought more complex capital structures, with deals increasingly financed through structured debt, project finance and syndicated equity.

**Sentiment toward the office sector has improved more quickly than expected in recent quarters, with stronger investor engagement and trading activity emerging across most core APAC markets.** Office investment increased 26% y/y in Q1 2026, while total transaction activity over the 12-months to the end of Q1 2026 rose 21%. The recovery has been supported by a pickup in larger institutional transactions, with deal flow above US\$200m increasing 58% y/y during the first quarter. These large deals were particularly noticeable in Singapore, Seoul and Tokyo.

APAC OFFICE INVESTMENT BY SIZE



Source: Savills Research using PERE

**The office investment rationale differs materially across markets, although the result has been a broader recovery in liquidity and investor engagement.** In Australia, the sharp repricing cycle has started to attract capital back into the sector, particularly as future supply pipelines continue to contract toward cyclical lows. Investors are increasingly focused on the combination of a discount to replacement cost entry pricing and an improving medium term rental growth outlook.

Singapore has also emerged as one of the region’s more attractive office markets. Rental growth expectations continue to strengthen, while the market has been comparatively insulated from the scale of interest rate increases seen elsewhere in the region. As a result, debt costs remain relatively accretive to prime office yields, supporting investor underwriting.

Tokyo has similarly benefited from improving leasing fundamentals and accelerating rental growth over the past year, with above trend rental growth likely to continue in the near term. Looking further ahead though, the market faces a more mixed outlook as larger supply completions toward the latter part of the decade coincide with slowing employment growth and gradually rising funding costs.

Seoul remains one of the most active investment markets in the region, in part because investor views on the outlook are becoming increasingly divided. After several years as arguably the strongest performing office market globally, rental growth has started to moderate while vacancy rates have begun to edge higher, off a very low base. With a larger development pipeline scheduled through to 2029, upward pressure on vacancy is likely to persist over the medium-term.

Hong Kong has also re-emerged on investor radar screens, particularly among private equity and opportunistic capital targeting distressed or repositioning opportunities as values seem to have passed their cyclical trough and rental growth is present in some sub-markets.

## ASIA PACIFIC

### PRIME APAC YIELDS, Q1 2026 (AS AT END OF MARCH)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
<b>Logistics</b>	Tokyo	3.30%	No change	60%	1.8%	5.6%	0.9%
<b>Logistics</b>	Hong Kong	4.12%	No change	40%	3.3%	4.7%	1.3%
<b>Logistics</b>	Sydney	4.88%	Up	50%	5.7%	4.1%	-0.1%
<b>Logistics</b>	Seoul Metropolitan Area	5.30%	No change	60%	5.0%	5.8%	1.4%
<b>Logistics</b>	Shanghai	5.50%	Up	50%	3.7%	7.3%	3.7%
<b>Logistics</b>	Singapore	6.50%	No change	55%	2.2%	11.7%	4.2%
<b>Office</b>	Hong Kong (CBD)	2.00%	No change	40%	3.3%	1.2%	-0.8%
<b>Office</b>	Tokyo	2.60%	No change	60%	1.8%	3.8%	0.2%
<b>Office</b>	Singapore	3.88%	No change	55%	2.2%	5.9%	1.6%
<b>Office</b>	Seoul	4.15%	No change	60%	4.2%	4.1%	0.3%
<b>Office</b>	Shanghai (Lujiazui)	5.25%	Up	50%	3.5%	7.0%	3.4%
<b>Office</b>	Sydney	6.00%	Up	50%	5.8%	6.2%	1.0%
<b>Office</b>	Mumbai	8.25%	Up	60%	9.5%	6.4%	8.3%
<b>Multifamily</b>	Tokyo	3.40%	No change	60%	1.8%	5.8%	1.0%
<b>Multifamily</b>	Sydney	4.13%	No change	55%	6.0%	1.8%	-0.8%
<b>Multifamily</b>	Melbourne	4.25%	No change	55%	6.0%	2.1%	-0.7%
<b>Student</b>	Sydney	4.75%	No change	55%	6.0%	3.2%	-0.2%
<b>Student</b>	Melbourne	5.25%	No change	55%	6.0%	4.3%	0.3%

Source: Savills Research and Macrobond

## DENTSU HQ, TOKYO, JAPAN



**Sector:** Office

**Tenant:** Dentsu

**Lease length (WAULT):**

Undisclosed

**Area:** 2.4m sqft (226,000 sqm)

**Price/NIY:**

JPY 300bn (US\$1.9bn) /

Undisclosed

**Vendor:** Hulic JV Mizuho Leasing

**Vendor nationality:** Japan

**Purchaser:** Brookfield AM

**Purchaser nationality:** Canada

**Other comments:**

The office was last sold in 2021 in a sale-leaseback transaction for JPY 270bn (US\$2.5bn), the sale realises a reported gain of JPY 30bn for the vendor.

## ASIA SQUARE TOWER 1, SINGAPORE



**Sector:** Office / Mixed Use

**Tenant:** Undisclosed

**Lease length (WAULT):**

Undisclosed

**Area:** 1.29m sqft (120,000 sqm)

**Price/NIY:**

SG\$ 4.1bn (US\$3.2bn) /

Undisclosed

**Vendor:** Qatar Investment Authority (QIA)

**Vendor nationality:** Qatar

**Purchaser:** Hongkong Land with QIA and ABP retained as founding investors

**Purchaser nationality:** Hong Kong

**Other comments:**

Asia Square Tower 1 was acquired to seed Singapore's largest-ever office-focused private real estate fund at launch (US\$6.4bn AUM), with Hongkong Land acting as GP and holding a majority stake. The deal is being widely cited as a benchmark "quasi-exit" and capital-recycling reference for prime Singapore offices rather than a traditional single-asset sale.

# 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 located in the CBD of over 50,000 sq ft 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.





## Savills Research

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