Asia-Pacific Capital Markets Insights

Q4 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.

knightfrank.com/research

"Momentum in Asia-Pacific real estate investment continued through the end of 2025, despite a more cautious market backdrop earlier in the year. Improving fundamentals and more stable financing conditions have helped restore investor confidence, particularly in high-quality, income-generating assets. While geopolitical risks remain, we are seeing capital returning selectively to core markets, such as office and retail in Australia, and this trend is expected to carry into 2026."

DANIEL DIXON
HEAD OF CAPITAL MARKETS
ASIA-PACIFIC

TOTAL INVESTMENT VOLUME IN 2025

US$201.0 Billion

FULL YEAR 2025 % GROWTH

13.7%

SECTOR IN FOCUS

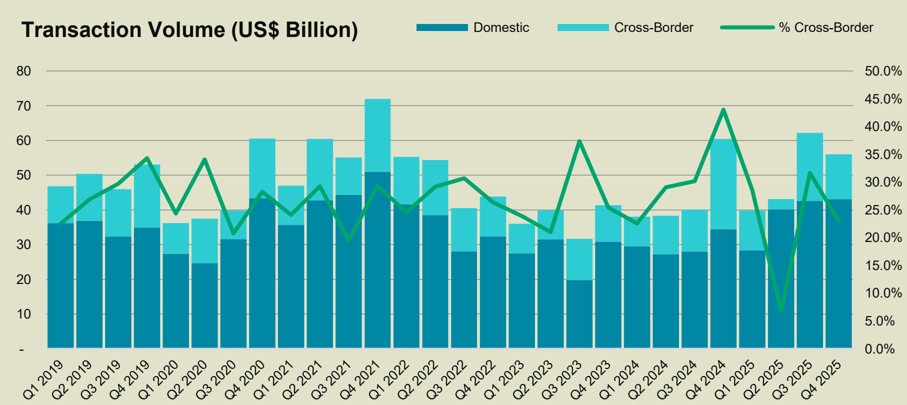
Retail Sector

2025 DELIVERS STRONG FULL-YEAR GAINS DESPITE CAUTIOUS MARKET

Investment activity in Q4 2025 totalled US$56.0 billion, representing a contraction of 10.0% quarter-on-quarter (QoQ) and 7.4% year-on-year (YoY). Nevertheless, full-year volumes reached US$201.0 billion, up 13.7% from 2024 and comfortably within our forecast growth range of 10-15%.

The retail sector emerged as one of the best-performing asset classes in 2025, underpinned by a sharp rebound in activity. Investment volume surged 109.5% QoQ in Q4 and nearly doubled on a YoY basis, reflecting renewed investor confidence in well-located, income-generating retail assets. On a full-year basis, retail investment rose 31.2% compared with 2024, outperforming most other asset classes.

The resurgence in retail capital flows was supported by improving occupier fundamentals and resilient consumer demand across key Asia-Pacific markets. Investor interest remained firmly focused on well-located, income-generating retail assets with stable occupancy and strong cash flow visibility. At the same time, investment activity remained selective, with secondary and structurally challenged retail assets continuing to see more muted interest.



Source: MSCI Real Assets, Knight Frank Research

Data download as at: 13 January 2026
Inclusive of pending deals/excludes land

Notable retail transactions in Q4 included Lendlease Global Commercial REIT's acquisition of a 70% stake in PLQ Mall in Singapore from ADIA for US$476.2 million, alongside Dexus' purchase of a quarter interest in Westfield Chermside in Brisbane for US$447.0 million from Scentre Group.

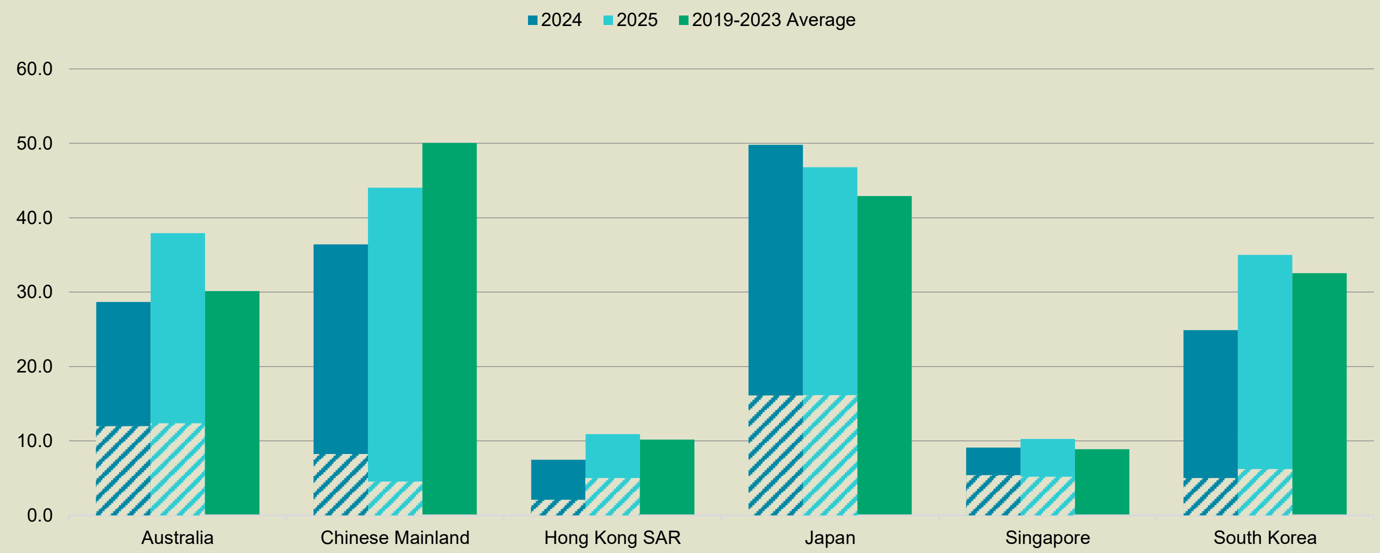
CROSS-BORDER ACTIVITY NORMALISED AFTER A STRONG 2024

Total cross-border investment volume declined 19.0% to US$46.8 billion in 2025, down from US$57.8 billion in 2024. This moderation reflected lingering geopolitical uncertainties, currency volatility and a shift volatility and a shift in investor focus towards domestic opportunities, tempering capital flows despite lower interest rates and supportive regional fundamentals.

The pullback was further amplified by a relative lack of mega-ticket transactions compared with prior years. While selective high-value deals continued, activity skewed towards smaller, more targeted acquisitions, limiting the uplift from cross-border capital.

Japan bucked the broader trend, attracting the highest level of international investment in both Q4 2025 (US$4.3 billion) and full-year 2025 (US$16.2 billion), up marginally by 0.4% from 2024.

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: 13 January 2026
Inclusive of pending deals/excludes land

Investor demand remained concentrated in the office sector (37.4% of total volume), supported by persistently tight prime vacancy in Tokyo amid strong occupier demand and limited new supply. In parallel, rising balance-sheet pressures among Japanese corporates continued to unlock opportunities, exemplified by Nissan's US$629.9 million divestment of its Yokohama global headquarters to KKR and Taiwan-based Minth Group.

Australia also remained a compelling destination for cross-border capital, attracting US$12.4 billion in international investment in 2025, up 3.2% from 2024. Investor focus increasingly shifted towards the retail sector, with cross-border acquisitions rising to US$1.8 billion from US$491.7 million a year earlier. Sector repricing, alongside a constrained forward supply pipeline, has improved investor conviction in the medium-term growth prospects of retail assets, supported by favourable structural tailwinds such as robust population growth and rising real disposable incomes. These dynamics have reinforced the income resilience of well-located retail assets. A notable transaction during the quarter was Keppel REIT and MA Financial Group's acquisition of Top Ryde City in Sydney from Blackstone for US$343.6 million.

South Korea ranked as the third-largest recipient of cross-border investment in 2025, with volumes reaching US$6.3 billion, up 23.7% from 2024. Investor demand was concentrated in the industrial sector, which accounted for 51.8% of total cross-border volume. Structural drivers, including sustained e-commerce growth, supply-chain reconfiguration and strong occupier demand for high-specification facilities, continued to underpin interest in modern logistics assets. A tight development pipeline and limited availability of institutional-grade stock supported pricing resilience, reinforcing their appeal to international investors. This was exemplified by KKR's US$691.6 million acquisition of the Cheongna Logistics Centre from Brookfield in Q4, the largest logistics transaction in South Korea to date.

OUTLOOK

With interest rates across most Asia-Pacific markets stabilised, borrowing costs have likely bottomed, supporting further capital deployment, although geopolitical risks remain a key consideration. Investment activity is expected to remain concentrated in core markets, particularly Japan, Australia, Singapore and South Korea, with returns increasingly driven by demand-supply fundamentals and rental growth rather than yield compression. We expect positive momentum to carry into 2026, with regional investment volumes projected to rise by a further 5-10%.

For further information on the report, please contact:

CAPITAL MARKETS

DANIEL DIXON
Head of Capital Markets
Asia-Pacific
daniel.dixon@asia.knightfrank.com

SIMON MATHEWS
Director of Capital Advisory
Asia-Pacific
simon.mathews@asia.knightfrank.com

RESEARCH

CHRISTINE LI
Head of Research
Asia-Pacific
christine.li@asia.knightfrank.com

WYAI KAY LAI
Associate Director, Research
Asia-Pacific
wyaikay.lai@asia.knightfrank.com

PAMELA HOW
Manager, Research
Asia-Pacific
pamela.how@asia.knightfrank.com