

Asia Pacific Highlights

Act on **opportunity**

2024 GLOBAL INVESTOR OUTLOOK



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About the report

The **2024 Colliers Global Investor Outlook** combines on the ground perspectives from our senior experts in Asia Pacific (APAC) and globally with key insights from a survey of our international investor client base, analysed by our industry-leading research teams.

This year's report points to steadily increasing activity in regional markets throughout 2024 as certainty around the policy environment takes hold, the gaps between buyers and sellers narrow and more investors move to deploy capital. Particularly within the region, investors are aware of the resilience of the asset class and the growth opportunities offered in rapidly maturing markets such as India and South Korea.

The report also shows investors growing increasingly sophisticated and targeted in their approaches, exploring specialised sub-sectors that are benefiting from long-term demographic trends and technological transformation; and embedding environmental, social and governance (ESG) considerations deeply into their investment strategies and buying decisions.

Our advice is to anticipate a more dynamic year ahead where the ability to act quickly, dig deeply into markets and sectors to identify value, and forge productive partnerships will be key to making the most of the region's resurgence.

"2024 definitely looks more positive than 2023. There's a lot of pent-up equity which is looking to find a home. The depth of capital in most Asian markets has to diversify. We were in one market recently where out of the five large state institutions, all signalled their intentions to significantly increase their allocations to real estate over the next few years."



Chris Pilgrim

Managing Director, Global Capital Markets,
Asia Pacific

Asia Pacific Key Themes

The Outlook is based on a series of interviews conducted with senior Colliers experts as well as a survey of over 900 property investors in October and November 2023, over 400 of which were from Asia Pacific, reflecting the high interest and participation from the region. The main themes identified through the research were:

Rising investment activity in APAC through 2024, as growth prospects coax regional and international capital off the sidelines

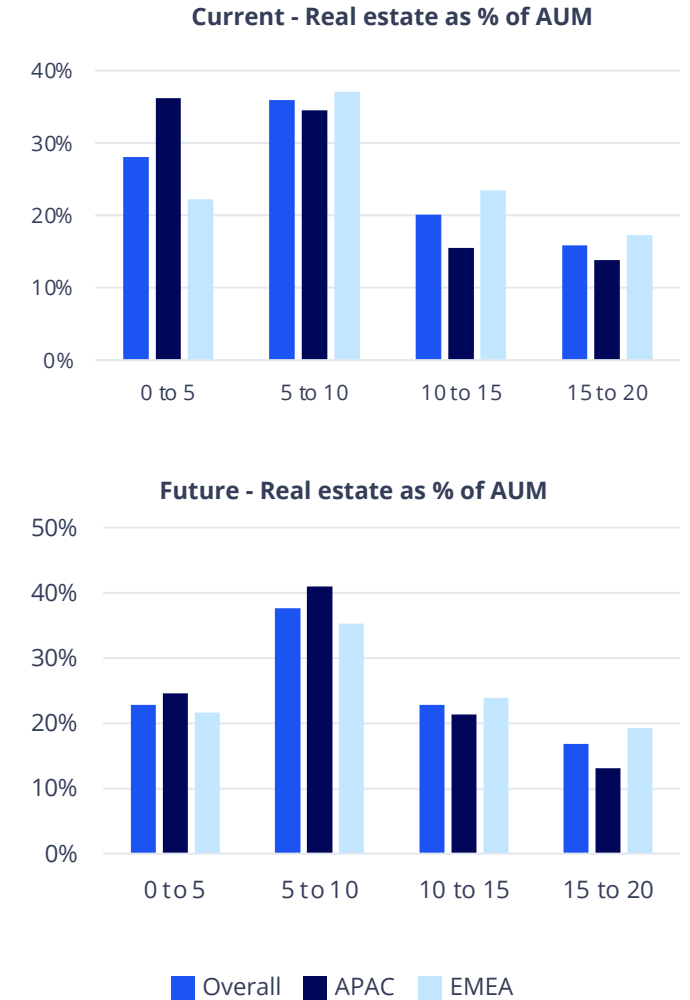
Asia Pacific investors are still somewhat apprehensive about the inflation and interest rate environment with 88% of those surveyed expecting interest rates to have a negative market impact next year – however, according to our survey they are also relatively optimistic about the region’s prospects, due to its strong economic and demographic fundamentals. Almost 60% of investors expect regional economic growth to contribute positively to the real estate environment.

The survey data points to an upswing in the proportion of investors planning to boost real estate allocations, with 75% of respondents planning to dedicate 5-20% of assets under management to real estate in the future, up from 64% currently.

In markets such as Australia and New Zealand, there is growing confidence that interest rates have reached, or are close to, their cyclical peak. This stability is enabling both investors and vendors to assess asset values with greater certainty, laying the groundwork for increased market activity throughout 2024.

Colliers experts note momentum is already building with some major transactions due to close early next year, which should encourage more strategic plays in the second quarter and a rebound in volume from Q3 onwards.

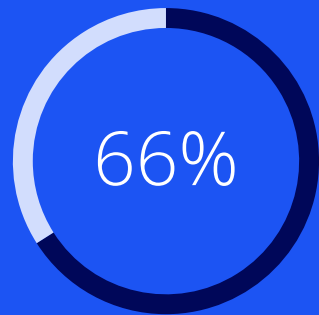
Current and future allocations as a % of AUM, from survey data (APAC only)



Source: Colliers 2024 Investor Outlook Survey

Activity is set to be dominated by investors from within the region, with 66% of Asia Pacific based survey respondents planning to invest in Asia Pacific in 2024, up from 62% in 2023. This is already apparent in transactions volumes year-to-date 2023 (November) with 68% of the total offshore investment within APAC coming from continental capital (APAC capital investing in other APAC countries), which is 17 percentage points higher than the long-term average of 51%¹.

Regional allocations from EMEA investors meanwhile will hold relatively steady, with 13% targeting investments in Asia Pacific versus 15% last year. Major Asia Pacific institutions are also expected to continue to channel capital overseas as the outlook for commercial real estate improves and more opportunities emerge.



66% of APAC survey respondents plan to invest in the region in 2024.

Source: Colliers 2024 Investor Survey

¹ MSCI Real Capital Analytics

“Globally there’s a narrative of everything shifting closer to home, but in H1 2023, Singapore was number one for deploying capital overseas. Japan is also one of the biggest deployers of capital globally, and recently that’s been reciprocated with North American investors developing strategies across Asia Pacific. This shows the weight of equity naturally pushing capital overseas, not only diversifying in terms of asset class but also geographically.”



Chris Pilgrim

Managing Director, Global Capital Markets, Asia Pacific



Singapore

“As more established markets start to stabilise, investors are growing more confident about extending their search for opportunities in growth markets. This is particularly apparent in India, which is expected to remain one of the fastest-growing major global economies, led by private consumption and capital formation. The opportunities to invest in India continue to spread across office, logistics, private credit, residential and data centres.”



Piyush Gupta
Managing Director
Capital Markets & Investment Services, India



Mumbai, India

Both established and emerging markets in favour

Given persistent macroeconomic and policy uncertainty investors are naturally gravitating towards markets seen as relatively stable, safe bets in 2024.

These include Japan, which in 2023 was one of the best performing real estate markets globally and is expected to continue to provide value given its relatively low rate and inflation environment, the size of the market and the range of assets it offers. This was apparent in our recent survey, with Tokyo coming in second overall across sectors as a top APAC city investment destination for 2024, and topping the list of destinations for planned alternatives, multifamily and hotel investments. Contrary to the global trend, Japan looks set to enter a phase of rising interest rates, but Colliers experts note the gradual nature of inflation and wage growth mean rates are unlikely to spike rapidly, and the spread in real estate investment is expected to remain stable to positive.

Japan was one of the best performing real estate markets globally in 2023.

Hotels particularly is expected to be the sector with the highest growth potential, as the weak yen will increase the number of international travellers, as well as international standard pricing being easier to achieve, and operators can easily increase revenues.”



Hisakazu Iso

Deputy Managing Director & Head of Capital Markets, Japan



Australia is another regional magnet for capital, leading the survey as a destination for logistics, retail and office investment, with the build-to-rent (BTR) sector also generating significant interest. According to Colliers experts this is a natural result of the market's supportive demographic and economic fundamentals. Sydney was the top city destination for respondents and Melbourne came in fourth.

"Given the dynamics of declining affordability, elevated population growth and new supply headwinds across Australia's major cities, interest in the emerging build-to-rent sector has increased from a range of capital sources. Several announced changes to federal and state tax settings are undoubtedly reinforcing the appeal of investment in Australia's BTR sector.

Both incumbent and new entrant international capital partners, alongside increasing numbers of domestic institutions, are seeking exposure to the low-risk nature of Australia's residential real estate given its undeniable market fundamentals and policy imperatives. Real estate allocations from sophisticated investors are being attracted to the residential thematic via an asset type that is only now becoming available in the Australian market"



Robert Papaleo
National Director, Capital Markets Residential, Australia

For all the focus on long-established markets, Colliers experts also expect high activity in more growth-oriented destinations such as India and South Korea, given the return of investor confidence and the opportunities they offer. In our survey Seoul trailed only Sydney on the list of destinations for planned office investment, with exceptionally low vacancy rates prompting significant interest from overseas capital.

"Despite elevated interest rates, the Korean commercial real estate market continues to expand in both the investment and leasing sectors. Unlike other global cities, struggling with a return to the office, fundamentals in Seoul remain very strong with high demand and vacancies at an all-time low. Rents will continue to rise amid stable demand and rising inflation."



Sungwook Cho
Managing Director & Head of Capital Markets, South Korea

India meanwhile is expected to remain one of the world's fastest-growing major economies, led by private consumption and capital formation. Colliers data shows institutional investment in real estate soared 27% year-on-year in the first nine months of 2023², with a noticeable surge in deals targeting industrial and residential, both sectors closely connected to the country's robust growth trajectory.

Institutional investors are specifically capitalising on India's data centre growth story, sparked by the stable income, higher yields and supportive regulatory framework of this asset class, which has infused USD 1.1 billion since 2020. We're also seeing more regional investors and funds beginning to underwrite India as a market, and to understand its dynamics as part of a wider investment strategy.

² Colliers India Investment Snapshot Q3 2023

"A lot of foreign funds are considering what big markets in the region they can invest in, and India's been the net recipient of that. Particularly in the office and logistics sectors it's become a very institutional market dominated by Canadian and Singaporean capital."



Chris Pilgrim

Managing Director, Global Capital Markets, Asia Pacific

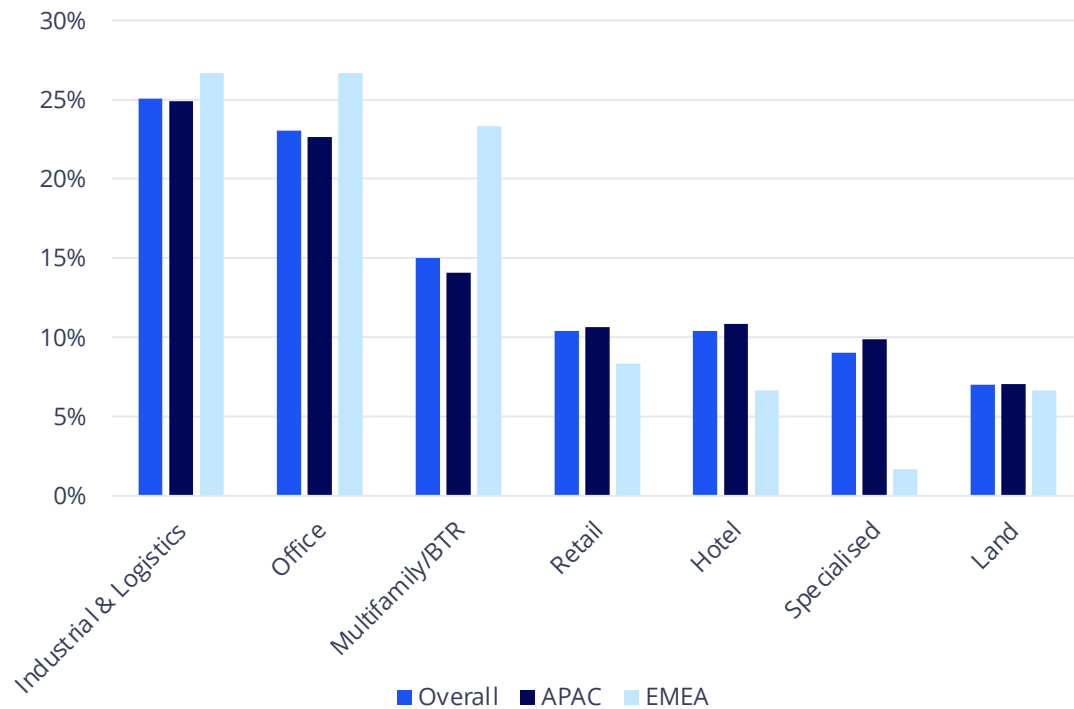


Hyderabad, India

Office and industrial continuing to lead the charge

On a sector basis, industrial and logistics (I&L) has overtaken office as the asset class of choice for investors in the region, with 25% of investors naming I&L their preferred sector vs. 23% for office, followed by multifamily/BTR (14%), retail (11%) and hotels (11%).

APAC Sector Preference



Source: Colliers 2024 Investor Outlook Survey

Digging into I&L sub-sectors, big-box/warehouse assets are the main target, cited by 26% of investors, followed closely by last-mile distribution (25%) and industrial park/manufacturing facilities (16%), in line with what Colliers experts see as a trend of investors in the space pushing into new segments.

“Investors are expanding their diversification efforts within the I&L sector, moving beyond the broad big-box approach to explore opportunities in last-mile logistics or cold/dark storage. Investment in Data Centres as a specialised asset class lost some ground to living sectors but the region's strong economic growth, favourable government policies, and improving infrastructure are all expected to support continued investment in Data Centres.”



Michael Bowens
Head of Industrial, Asia



Seoul, South Korea

Seoul is outperforming most global office locations and was home to the region's largest office trade in 2023.

The office sector will also be supported in 2024 by the strength of the return to office in APAC relative to the rest of the world. According to our survey 60% of investors expect the return to the office to have a positive impact on the regional real estate market. Colliers estimates that thanks to factors like the region's short commute times, office occupancy rates average 80% in Asia Pacific, versus around 50% in North America³.

The Colliers survey shows half (46%) of planned office investments are targeting prime CBD assets. In the CBDs of major hubs like Singapore vacancy rates are down to the low single digits and supply remains heavily restricted, pointing to sustained rental upside⁴. Seoul in particular is outperforming most global office locations and was home to the region's largest office trade in 2023 – the Samsung SDS Tower, valued at US\$630 million, a deal led by Colliers. It will continue to be a landlord-favoured market, with the leasing market expected to remain stable.

³ [APAC Global Capital Markets Insights - Outlook Office \(Exhibit 201\)](#)
⁴ [Singapore office market stands out with strong fundamentals](#)

“Investors looking to the office sector are following occupier demand for a higher quality workplace experience and recognise that elevated construction costs will limit competing supply for the foreseeable future. This will create an appealing supply/demand dynamic for the region's best located prime office buildings, and we expect these assets will deliver significant outperformance in the coming years.”



Adam Woodward
Head of Office Capital Markets, Australia



Auckland, New Zealand

Positive dynamics are also evident in Taiwan, where office vacancy rates hover at just over 6% and rents continue to rise at around 2% annually, driven by demand from the local tech, retail and energy sectors; Japan, where efforts to upgrade to new ways of working has proven a key driver of demand for office relocations and revitalised leasing transactions; and New Zealand, where demand for prime-grade space in major centres has proven resilient, driving vacancy rates to among the lowest in Australasia and exerting upward pressure on rents.

"New Zealand continues to attract significant international capital and as inflationary pressure eases we expect direct and indirect investment volumes to increase."



Richard Kirke
International Sales Director,
Capital Markets, New Zealand

"Core assets that generate stable incomes continue to be appealing to investors amidst a challenging investment environment. Cash-rich corporate investors continue to hunt for core assets in prime locations across Taiwan."



Derek Huang
Deputy Managing Director & Head Capital
Markets & Investment Services, Taiwan

“The continued growth of e-commerce and the surge of interest in AI-led platforms mean that demand for data centre space continues unabated across APAC. China has the most tradeable assets, accounting for 37% of historical data centre transaction activity, followed by Japan (16%) and Australia (16%)⁵. Due to the lack of modern data centres, we expect more global operators to enter the market through development and hold strategies.”



Gavin Bishop
Managing Director, Industrial, Australia

⁵ MSCI Real Capital Analytics





Shanghai, China

“In China, domestic capital has dominated the office transaction market, and most are corporate buyers. We believe the next 12-18 months will be a good window for investors or corporate buyers to deploy capital in commercial real estate from a long-term perspective.”



Jimmy Gu

Deputy Managing Director,
Co-Head of Capital Markets &
Investment Services, China

Retail and hospitality regaining strength; more exploration of specialised assets and sub-sectors

In addition to multifamily/BTR, where Japan and Australia remain the dominant markets and investors are seeking development (34%) as well as core and core-plus opportunities (37%), investors are being drawn to a resurgence in hospitality and retail connected to the revival of consumer spending and tourism and business travel regionally. The survey shows metropolitan shopping malls and mid-tier hotels are particular areas of focus, with Singapore a key market where investors are looking at assets to buy into the city-state's retail and hospitality upswing.

“While Luxury resorts are performing strongly amid the resurgence of leisure travel and desire for experiences post pandemic, we expect capital values for the broader Australian hotel market to also remain competitive compared to global peers, as international travel ramps up and revenue defends against economic fluctuations.”



Karen Wales

Head of Hotels, Transaction Services, Australia

Investment demand for retail within APAC remains buoyant as investors from North America and EMEA shift focus towards the region, drawn by its strong economic and population growth potential. By 2030, the middle-class population of APAC is expected to grow to 3.49 billion, a 73% increase on 2020 levels. The rapid maturation of wealth demographics will lead to significant demand for retail infrastructure and provide upside potential in retail consumption.

Colliers experts see the focus on a higher proportion of experience-based retail as another key driver in maintaining strong sales and footfall levels in the region, where retail has consistently delivered stable performance compared to other markets. Singapore, long perceived as a safe haven, is one key market where investors are looking at assets that can ride a retail and hospitality upswing, with more attractive opportunities set to emerge as owners look to sell mature assets, redeploy capital or reduce debt.

“We are continuing to see a focus on more experience-based retail throughout Asia Pacific as a key driver for sales and footfall. It has proven to be a key differential in delivering stable performance compared to other markets.”



Lachlan MacGillivray

Managing Director, Retail Capital Markets, Asia Pacific



For investors planning to explore specialised asset classes, those closely connected to demographic and technological change – data centres, life science assets and student housing – top the list. India is rapidly emerging as a data centre destination, with Colliers projecting the local sector could see US\$10 billion in investment over the next three years alone⁶.

Student housing in Australia meanwhile is seen benefiting from high regional demand for English-language education. In China, Colliers experts see more funds being deployed in multifamily and life sciences assets due to the country's REITs policy and strong support from state and local governments.

⁶ Colliers' Report: India Data Centres: Entering Quantum Growth Phase, 2023

"Hong Kong is expected to be relatively slow in regaining momentum through 2024 on rate-rising cycle. We see cash-rich investors, high net worth individuals and family offices dominating the market and eyeing distressed stock. Delving into sub-assets, high-street retail and en-bloc hotels remain a high priority for investment."



Thomas Chak

Co-Head of Capital Markets & Investment Services, Hong Kong

Rising awareness of ESG driving value

Research for this year's Global Investor Outlook underlines the extent to which ESG considerations are informing regional investment strategies and, increasingly, valuations. This is due to both occupier demands and regulators in markets such as Taiwan ramping up requirements around ESG disclosures⁷.

Among regional investors surveyed 28% reported fully assessing the ESG performance of their assets, versus just over 20% last year, and 20% said ESG factors were now dictating CapEx decisions, up from the 15% who said they had an ESG-based disposal and acquisition-based strategy in place last year. What's more, over 20% of investors expect to dispose 10% or more of their portfolios in the next five years due to assets not complying with ESG strategies.

"In 2024, we expect buying momentum to pick up in Singapore as investors adjust to an environment of 'higher-for-longer' interest rates, focusing on higher asset performance that delivers more value. This will be necessary to offset the increased interest costs. Good quality and ESG-compliant assets will be strongly preferred, driving strategic investments and a notable increase in transaction volumes from the second quarter onwards."



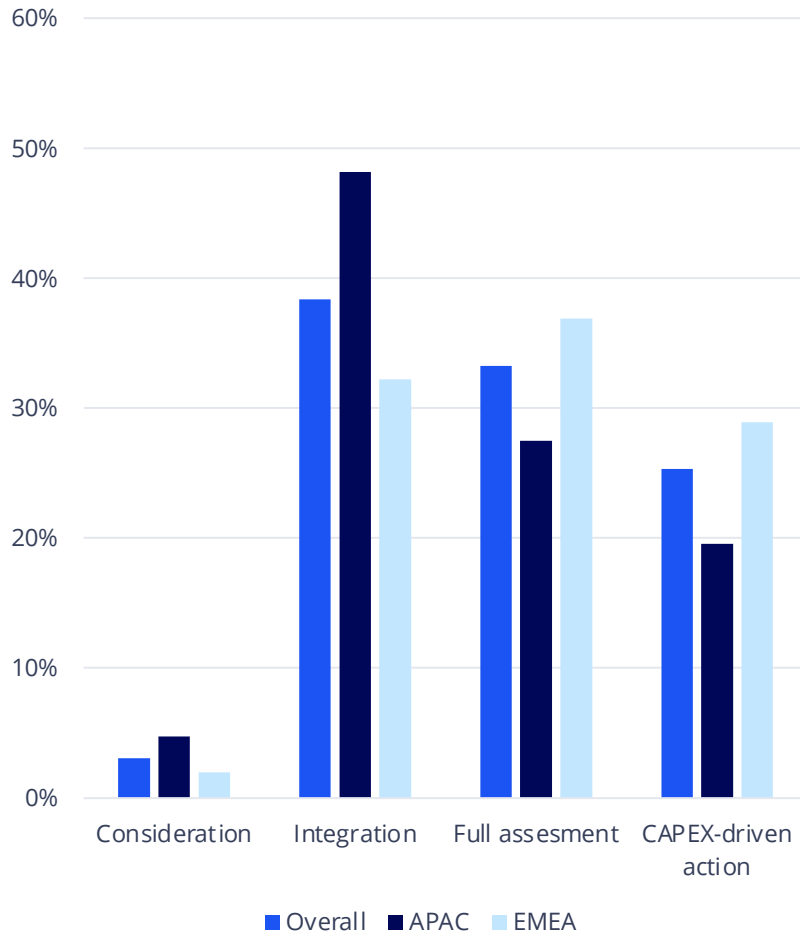
Tang Wei Leng

Managing Director and Head of Capital Markets & Investment Services, Singapore

⁷ [Taiwan's central bank to incorporate ESG standards in credit policy frameworks](#)



ESG – Environmental performance of assets



Source: Colliers 2024 Investor Outlook Survey

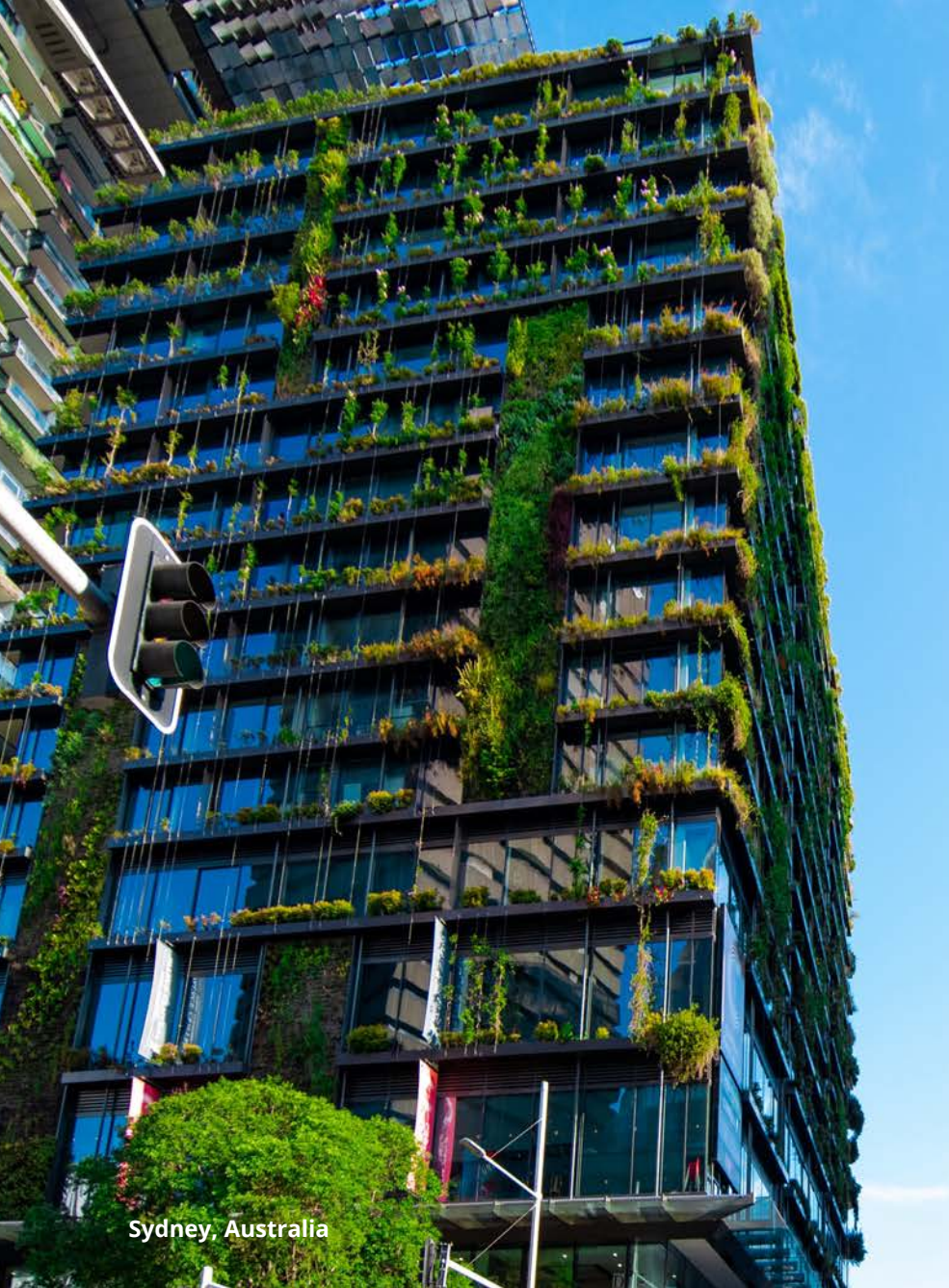
These strategies are evolving and are no longer confined exclusively to environmental and energy factors. Almost half (46%) of APAC investors polled said they consistently applied wellness certifications such as WELL or Fitwell to benchmark and manage their assets or were actively considering the same. Nearly a quarter (23%) reported considering social criteria such as local employment creation in investment decisions.

All these trends will create a brisk trade in the acquisition and upgrading of non-compliant assets, or so-called ‘brown to green’ strategies. Investors increasingly see ESG-graded assets commanding a premium, with 32% expecting this to reach 10% or more in the office sector and 23% expecting the same in I&L. There’s also growing awareness of the downside of non-compliance, with over half (51%) of investors agreeing sub-ESG grade assets won’t be able to sustain market rents.

“Particularly in office, there’s a real opportunity for value-add capital to maximise returns by retrofitting existing lower grade assets to achieve higher ESG credentials. These assets will not only attract a higher rental value, but also a higher quality tenant. Across the board, just as in Europe and the Americas, these strategies are becoming increasingly relevant in this region, particularly in major developed markets such as Sydney, Melbourne and Brisbane.”



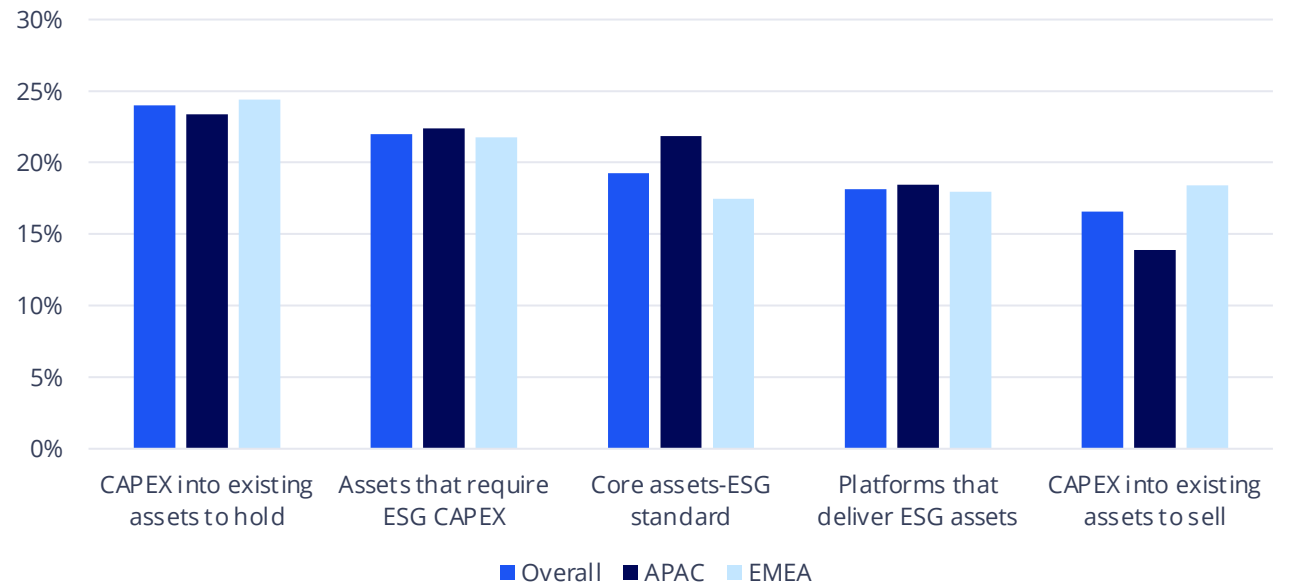
John Marasco
 Managing Director, Office Capital Markets, Australia



Sydney, Australia

The most common responses to these trends as they're playing out in strategies are putting CapEx into upgrading and holding existing assets (23%), buying assets that require such CapEx outright (22%) or seeking out core assets that already meet ESG standards (22%). All these tactics are likely to generate significant demand for and activity around ESG-ready real estate across the region in the year ahead.

Investment route to ESG



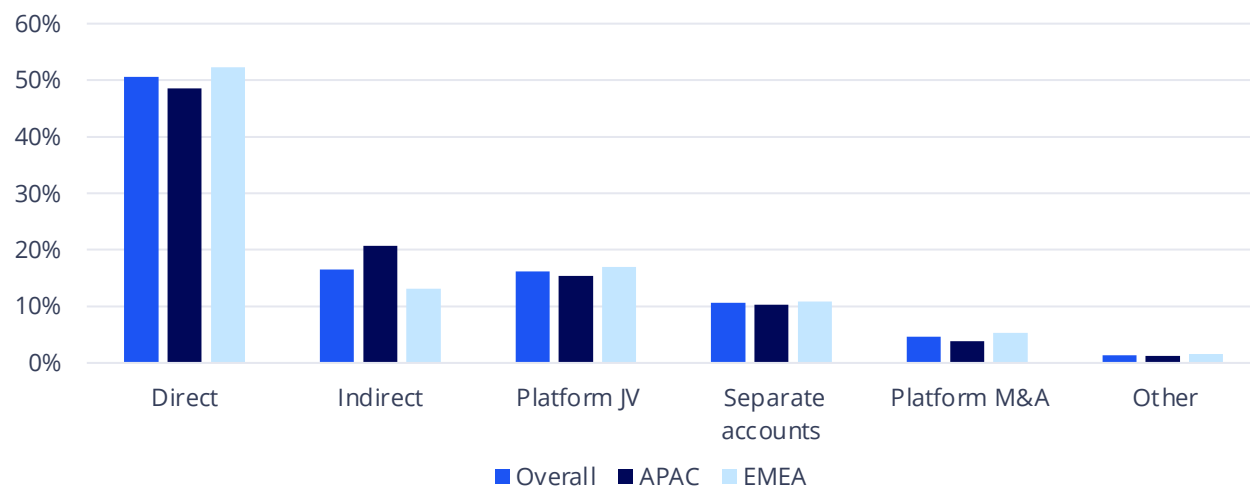
Source: Colliers 2024 Investor Outlook Survey

New alliances and shifting strategies

The ways in which investors deploy capital are likely to remain broadly consistent next year, with the survey showing value-add, core plus and development strategies as the top three approaches to the market.

However, around half of Asia Pacific investors no longer necessarily deploy capital into real estate in the traditional way, with 21% favouring an indirect approach, 15% exploring platform joint ventures and 10% maintaining separate accounts. This is in line with what Colliers experts see as a growing number of investors looking to team up with developers or platform players with specific expertise to access the most compelling opportunities and mitigate some of the risks associated with the construction and operation of more complex assets.

Deployment of capital



Source: Colliers 2024 Investor Outlook Survey

“With most big institutions or funds in the region having increased allocations to real estate, just the sheer quantum of capital they have to deploy means we’re likely to see more indirect strategies. In sectors like build-to-rent, the thematic of partnership with best-in-class developers and managers is very much in place. Certainly, a partnership can provide the ability to access a market or product without necessarily the full responsibility of the operational side of it as well.”



John Howald
Executive Director & Head of International Capital, Asia Pacific

2024 Outlook

Overall, while macroeconomic uncertainty and concerns about the availability and cost of funding linger, our research and what our experts are seeing on the ground point to the resilience of the Asia Pacific real estate investment market in 2024, and activity building up steadily as the year progresses. The region will benefit from both the global push for diversification and its positive growth fundamentals relative to the rest of the world.

Identifying and acting on the best opportunities as more capital comes to market will require deep analysis and considered guidance – both of which we are positioned to deliver given our extensive regional presence, and knowledge of the complex dynamics emerging in some markets, rapidly developing asset classes and areas like ESG regulation.



8 MSCI Real Capital Analytics

“The APAC region has shown resilience, despite a challenging global environment. This has translated into Investment activity across the region which has accounted for 23% of total global investment volumes YTD 2023, which is 5 percentage points higher than the long-term average of 18%. APAC sales volumes are only down by 30% compared to 2022 levels, whereas global investment activity is down by almost 50%⁸.

We expect APAC’s commercial property market will continue to uphold its strong position on the global stage over 2024 and contribute to a growing share of global investment activity”.



Joanne Henderson
National Director, Research, Australia

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Opportunities

Partnerships pave the way into sectors like BTR in Australia and Japan.

Brown-green conversions in major regional hubs like Singapore, Sydney and Tokyo.

Tapping into the growth potential of fast-evolving markets like India and South Korea.

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Challenges

Uncertainty over the inflation and interest rate outlook.

Persistent shortages of viable product in high-demand sectors like logistics.

Rising construction and operating costs.

Our clients and investors can rely on Colliers research and insights, informed with local perspectives and global knowledge, as our Experts help them to execute their real estate strategies and accelerate progress towards growth and sustainability goals.

For more information regarding this report, please reach out to our Capital Markets experts.

Source: Colliers

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Accelerating success.