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Knight Frank Asia-Pacific Outlook

Charting New Horizons

25 Trends Shaping 2025

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Economic Outlook

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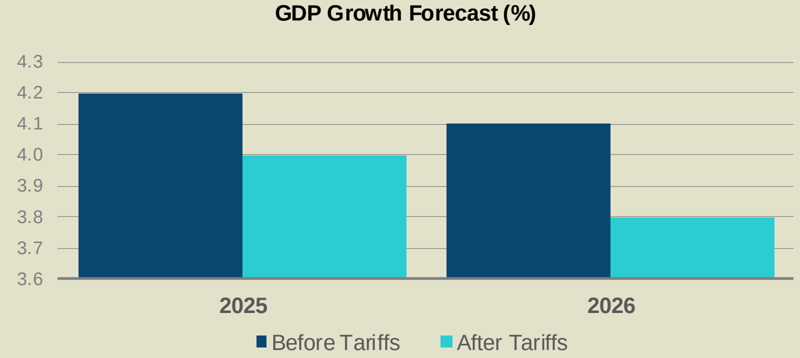
"The likely resurgence of more protectionist US trade policies under 'Trump 2.0,' combined with the more cautious monetary easing by Asian central banks, underscores the delicate interplay between inflation and economic growth in the Asia-Pacific region. The Chinese mainland's slowing growth poses regional challenges, but Southeast Asia and India's resilience, fuelled by strong consumption and supply chain shifts, marks a key move toward decentralised manufacturing ecosystems. Japan's calibrated approach to inflation control and monetary tightening positions the country as a safe haven for investors seeking stability and long-term growth in an increasingly uncertain global economic environment."

1.0 Economic Outlook

1.1 **Trump 2.0: Unknowns Multiplied**

Figure 1: Significant impact of tariffs on Asia-Pacific GDP Growth



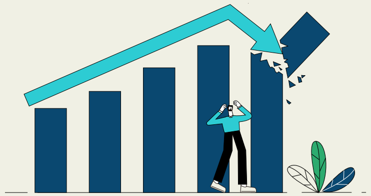
Source: S&P Global

The uncertainty about the next United States (US) government's policies have amplified the downside risks around baseline GDP forecasts for the region (Figure 1). The rise in tariffs on Chinese exports is almost a given. However, the extent of the increase and retaliatory responses remain uncertain. While the impact to trade flows will have wide ranging consequences, it would particularly slow export and manufacturing dependent economies and directly impact regional supply chains.

While Chinese mainland's stimulus measures will be supportive of growth, further slowing of its economy will also be felt in the region. The risks of higher trade tariffs to other Asia-Pacific economies have also risen, especially for those running trade surpluses with the US. Given the time to enact policy changes, peak effects will likely be felt in 2026, which could ratchet up if the dispute intensifies.

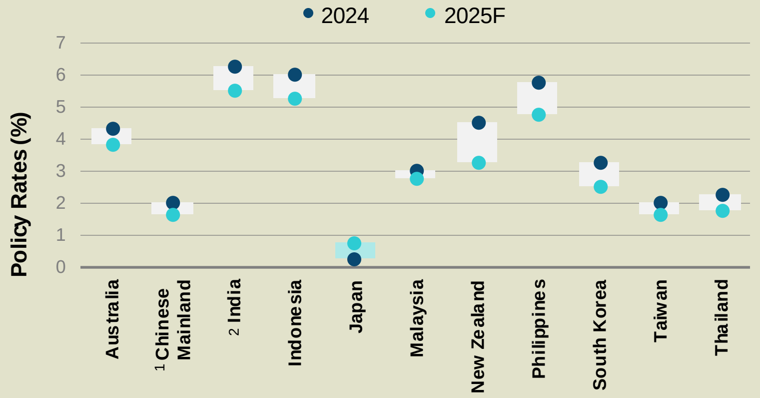
Trump's presidential term could lead to a more direct policies by the Chinese government to stimulate its economy and spur the region to strengthen intra-regional trade links, as well as with other economic blocks. However, for now, the downside risks to the region are assessed to be more probable.

1.2 **Interest rates: Lower but cuts will be more gradual**



Most central banks in the Asia-Pacific are expected to lower interest rates in 2025, the only exception being Japan. However, Trump's return has changed the baseline scenarios. With US protectionist policies likely to be inflationary, resultant rate cuts by the Fed could be fewer. This means central banks in the region will remain cautious in cutting rates. The South Korean central bank will also be more prudent before lowering rates as the volatile political situation at home has caused the won to weaken. While we still expect policy rates in the region to be lower (Figure 2), it could be more gradual and slower than what the Fed does.

Figure 2: Gradual rate cuts in Asia-Pacific



[1] Chinese mainland: one-year medium-term lending facility rate
[2] India: 2024 = FY 2024/25, 2025 = FY 2025/26
Source: S&P Global Ratings Economics, Knight Frank Research

1.0 Economic Outlook

1.3 **More stimulus in Chinese mainland as Trump 2.0 begins**

Chinese mainland's economic outlook for 2025 remains constrained, driven by weak domestic demand, over-capacity, and challenges in the real estate sector. After decades of rapid growth, it is now expected to lag other Asian nations (Figure 3). While government measures to roll out fiscal stimulus and ease monetary policies have been implemented, the impact has been limited, and the economy remains susceptible to further slow-down, necessitating additional support to counteract potential downturns. We expect authorities to pursue an accommodative monetary policy in 2025 and counter-cyclical adjustments to spur economic growth.

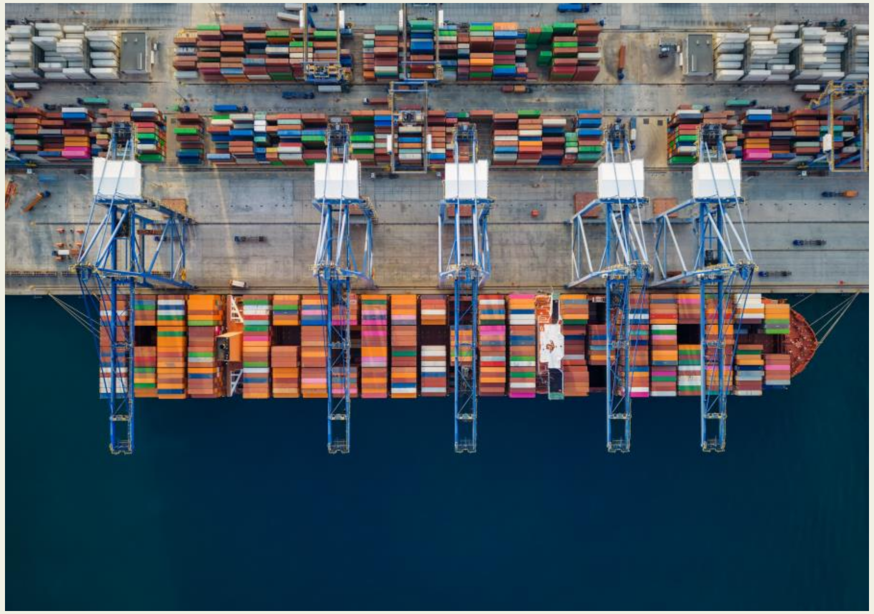
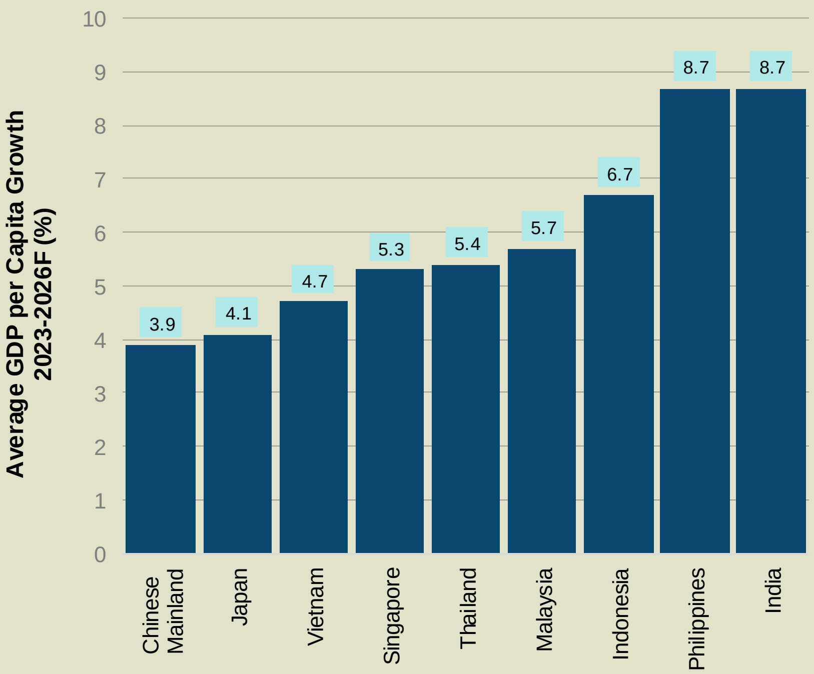


Figure 3: Growth in the Chinese mainland is expected to lag behind other Asian nations



Source: Visual Capitalist

1.4 **Regional powerhouses: Southeast Asia and India boost Asia-Pacific growth**

Economic growth in the Chinese mainland has experienced a marked slowdown in recent years. After sustaining an impressive average annual growth rate of 9.5% from 1979 to 2018, the second-largest economy in the world is unlikely to return to such prosperous scenarios. Domestic challenges and international disputes, including high youth unemployment, a distressed real estate market, and persistent trade tensions with the US are just a handful of factors that drag down its economic growth. S&P Global has estimated that the Chinese mainland will grow at 4.8% in 2024 and moderate to 4.1% and 3.8% in 2025 and 2026, respectively (Figure 4).

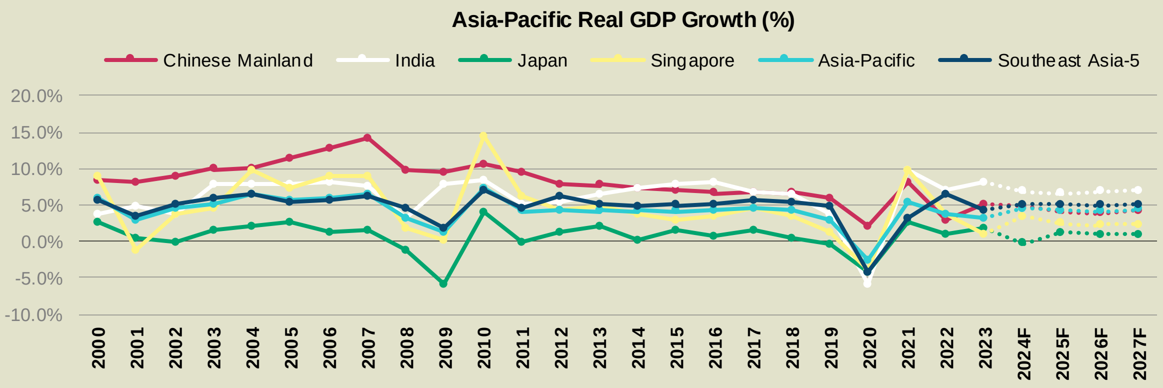
According to research conducted by the International Monetary Fund, a 1% increase in Chinese mainland's growth rate contributes to an approximate 0.3% boost in global economic expansion, underscoring its significant impact on the overall progress of world economies. Similarly, the decreasing trend in its growth will have repercussions on other regions, particularly Asia-Pacific, due to their close economic ties and geographic proximity.

The same forecasts by S&P Global expect the region to expand by 4.5% in 2024, 4.2% in 2025 and 4.1% in 2026, softening from 4.9% in 2023. Although Chinese mainland's slowdown has undeniably impacted regional growth, the robust economic expansion observed in Southeast Asia-5 (Indonesia, Malaysia, the Philippines, Vietnam, and Thailand, SEA-5 in short) and India has helped to mitigate the negative effects, providing a counterbalance that supports overall regional stability.

SEA-5 and India play an increasingly important role in sustaining the region's economic momentum. Spurred by the need to diversify supply chains beyond the Chinese mainland, manufacturers increasingly shift part of their production operations to these six countries. The lower production costs, improving infrastructure, skilled labour force, and advantageous location in these nations have made them attractive destinations for manufacturing investments. This strategic re-location not only helps to mitigate risks associated with over-reliance on a single market but also promotes economic growth and stability within the region.

For the next three years, the former is forecasted to grow at an annual average of 5.1% and the latter at 6.8%. Robust domestic demand, an evolving and advancing manufacturing sector, and a shifting global supply chain generally support strong overall growth and will continue to serve as the primary driving forces for economic expansion in the foreseeable future.

Figure 4: Rising influence of Southeast Asia and India on Asia-Pacific's economic landscape



Note: Southeast Asia-5 refers to Malaysia, Indonesia, Philippines, Thailand and Vietnam

Note: For India, 2023 = FY 2023/24, 2024 = FY 2024/25, 2025 = FY 2025/26, 2026 = FY 2026/27, 2027 = FY 2027/28

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Source: Compiled from various government sources, S&P Global (November 2024), Knight Frank Research

1.5 **Inflation in action with Japan set for more rate hikes**

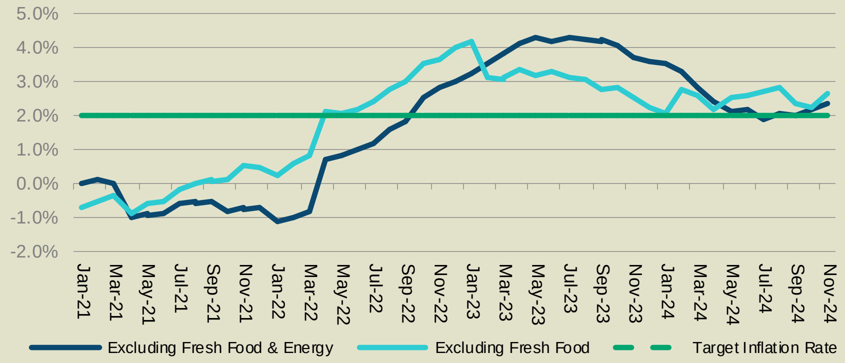
Data from Japan's Statistics Bureau indicates that the core Consumer Price Index (CPI), excluding volatile fresh food and fuel prices, reached a seven-month high in November. The index, a key measure of demand-driven inflation monitored by the Bank of Japan (BOJ), increased by 2.4% year-on-year (YoY), marking the highest level since April. Another CPI, which excludes fresh food prices, saw an accelerated 2.7% YoY increase from 2.3% in October due to persistent high rice prices and the phasing out of government subsidies for utility bills (Figure 5).

The BOJ has maintained its short-term policy rate at 0.25% since July, following the termination of negative interest rates in March, as they project that Japan is on track to sustainably achieve its 2% inflation target. However, the weak Yen suggests that further rate hikes may be necessary, and the frequency and magnitude of rate hikes will depend on the continued wage growth in the coming year and gaining more clarity on the economic policies of the Trump administration.

For now, as Japan's underlying inflation remains moderate and the Yen is gradually strengthening, market sentiments point to a 25-basis points (bps) rate hike in March 2025, followed by another 25-bps by the end of 2025. This gradual tightening is anticipated to eventually reach a 1.0% policy rate by 2026 (Figure 6).

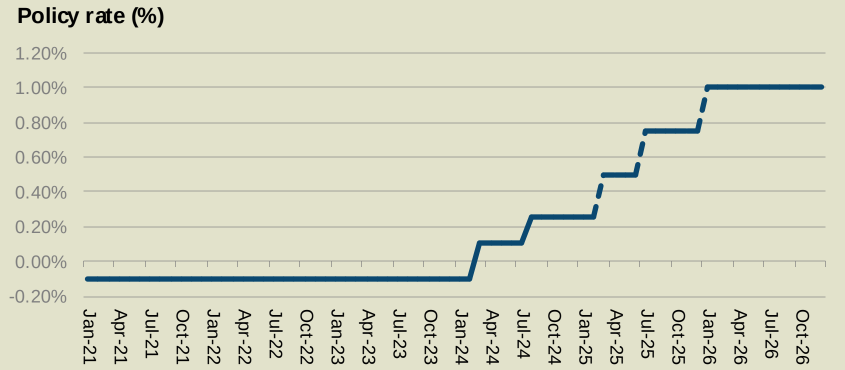
In the global economic context, Japan's inflation and monetary policy present a unique scenario compared to other major economies. Despite the anticipated gradual rate hikes, its policy rate is still one of the lowest in the world, which could provide stability and support for global markets, enticing foreign investors to its shores.

Figure 5: Japan Core CPI YoY % change



Source: Statistics Bureau of Japan, Knight Frank Research

Figure 6: Japan policy rate is forecasted to hit 1% by 2026



Source: Bank of Japan, Knight Frank Research

Capital Markets

Neil Brookes

Global Head of Capital Markets
Knight Frank

"The recent US rate cut has rejuvenated market activity across Asia-Pacific with a more active cross-border investment recorded in 2024, bolstered by solid fundamentals, and improving investor sentiments. While headwinds persist, we anticipate a continuous gradual recovery in the region as pricing stabilises, bid-ask spread narrows, and confidence grows. In addition to traditional assets, investors are increasingly seeking alternative investments within the real estate sector to diversify their portfolios. The region's varied market conditions and economies present opportunities for investors with different strategies, and they will need to remain adaptable and responsive in their strategic approaches to capitalise on the most attractive opportunities."

2.1 **More cross-border activity but no V-shaped recovery**

In October, we forecast a conservative US$9 to US$10 billion in Q4 2024 for cross-border volume, leading to an annual total of US$47 to US$48 billion. However, the actual cross-border volume for 2024 positively surpassed our expectations, with a 64% surge to US$48.8 billion from US$29.1 billion in 2023, largely attributed to Blackstone's strategic acquisition of AirTrunk (Figure 7). Notwithstanding the large entity deal, cross-border acquisition still clocked US$33.7 billion, up 13.3% from 2023.

Other than solid fundamentals, the prospect of lower-cost leverage has also enticed overseas investors back into Asia-Pacific. This renewed interest has led to significant capital deployment, with almost 73% of transactions being executed in the latter half of 2024. Notable deals include the US$$2.6 billion acquisition of Tokyo Garden Terrace Kioicho in central Tokyo by Blackstone from Seibu Holdings, and Warburg Pincus and Lendlease's US$1.2 billion life science portfolio acquisition in Singapore from Blackstone and the chairman of Soilbuild Group.

Despite such positive momentum, barriers still exist that may result in a more gradual recovery of cross-border real estate investments rather than a sharp, V-shaped rebound. The nature of cross-border transactions hinges on the ability to spread risks by diversifying portfolios and seeking higher returns by capitalising on growth opportunities in various markets. However, rising geopolitical instability, Trump-era policy shifts, interest rate changes, and currency fluctuations have slowed deployment, complicating deal-making.

Assets have largely been repriced, but cap rates are still adjusting in some markets. For instance, investors remain cautious and continue to adopt a wait-and-see approach in Australia, anticipating further shifts in cap rates. This hesitation persists despite the resolution of the buyer-seller stalemate, which saw prices adjust by 20 to 25% and was partially contributed by an increase in incentives of up to 40%.

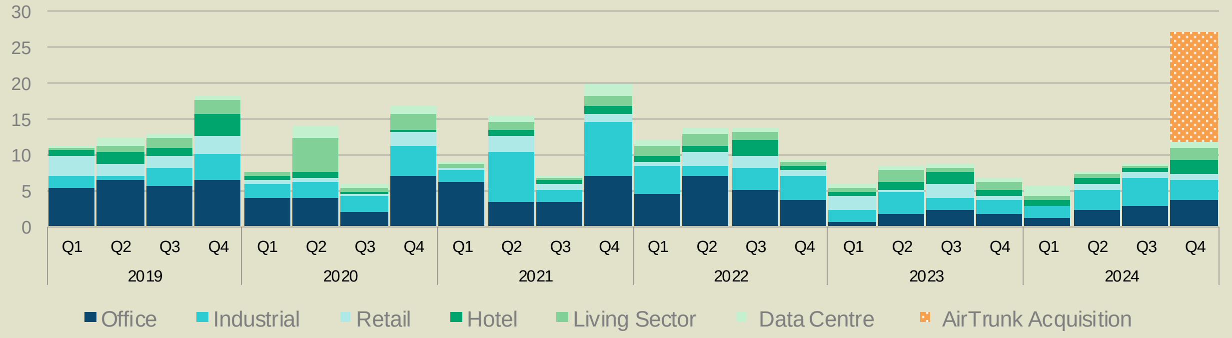
Japan's real estate market is more susceptible to the effects of increasing interest rates, even as governments elsewhere begin to ease monetary policy. Compared to 18 months ago, spreads and margins have narrowed, making acquisitions less appealing from a risk-adjusted perspective.

The added concern of a potential 25-50-bps rate hike further complicates the situation, preventing cap rate compression and a possibility of expansion if hikes are more than anticipated. Stiff competition domestically for dwindling availability of institutional-grade assets is also proving tough for foreign capital to enter.

Although the Fed's easing of monetary policy has the potential to enhance liquidity in the real estate market, borrowing costs will remain elevated, and the market is still in the process of adapting to the higher interest rate environment. Asset owners may offer more assets for sale to rebalance portfolios in response to the higher financing costs. However, the nearing completion of the repricing cycle, a more predictable interest rate outlook, and solid fundamentals offer a sense of stability and cautious optimism for cross-border investors.

In consideration of the above and barring macroeconomic shocks, Knight Frank expects investment volumes to grow 10-15% from 2024's levels in 2025.

Figure 7: Asia-Pacific cross-border investment volume (US$ billion)



Data download as at: 26 Dec 2024 (Inclusive of pending deals/excludes land)
Source: MSCI Real Assets, Knight Frank Research

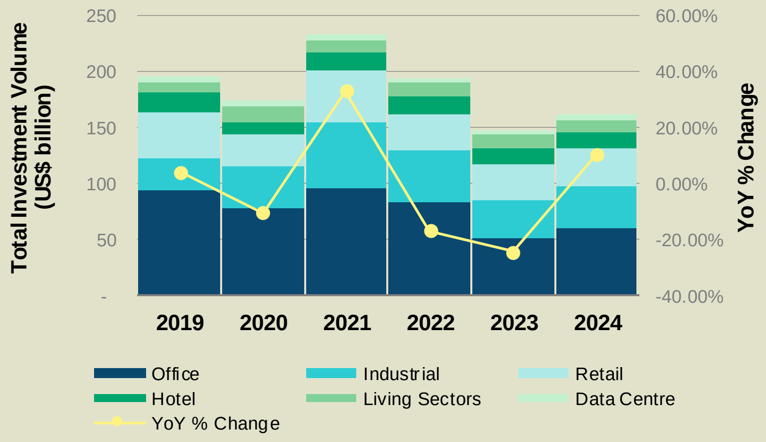
2.2 **Office investments still preferred despite challenges**

Both domestic and cross-border investment volume in the Asia-Pacific region totalled US$162.8 billion in 2024 (excluding the AirTrunk acquisition), indicating a modest uptick of 10.8% from the 2023 market trough and suggesting a hopeful sign of recovery after two years of downturn (Figure 8).

While all asset classes recovered, except for the living sectors, the office sector remained a pivotal factor driving the improvement in investment volume. Annually, investment volume grew the fastest, at 16.1%, from US$ 51.2 billion in 2023 to US$59.5 billion in 2024, accounting for 36.5% of all capital received.

A major draw of office assets in Asia-Pacific is the high occupancy rate compared to its Western counterparts. Utilisation rate averages to 80% in the region, far higher than the 65% recorded in major US cities and 70% in the UK and Europe based on Knight Frank research. However, the office market performances in the region vary, despite better fundamentals.

Figure 8: Asia-Pacific investment volume recovering from the trough



Inclusive of pending deals/excludes AirTrunk acquisition and land)
Source: MSCI Real Assets, Knight Frank Research

In Australia, after undergoing the quickest asset repricing amongst regional peers, CBD office cap rates have generally stabilised (Figure 9). Institutional investors have been on the sidelines but are now returning, as evidenced by recent sales to major offshore groups such as the acquisition of Exchange Centre by BentallGreenOak from Mirvac and JP Morgan at US$381.5 million and 333 George Street by Deka Immobilien from Charter Hall Group at US$ 267.2 million.

With occupier demand improving on the back of economic recovery, strong employment growth, and corporates upgrading their space, coupled with a lack of supply in 2025 to 2027, rental growth will be supported, especially for the highest quality offices in Sydney and Brisbane. Many investors will view the price correction and improving fundamentals as an opportune time to acquire core Sydney assets with less competition.

Seoul continues to follow a distinct trajectory in its occupiers' market, boasting some of the highest occupancy rates globally, with prime vacancies at 1.9% as of the end of 2024. Despite a remarkable 16.3% growth in office rents over the past four years and a lack of supply in quality spaces, which initially attracted core investors to Seoul, the market's appeal seems to be diminishing. This shift can be attributed to a slowdown in rental growth, now reduced to a low single digit and an increasing pipeline in the next few years. Further, taking into account the recent political instability following the temporary martial law imposition in early December, investor sentiments have become more cautious regarding Korean investments.

Tokyo-5 wards' office market continues to exhibit low vacancy rates, coming in at less than 4% for 2024, maintaining a consistent trend. However, as the cap rate hovers around 3.5% (Figure 9), transactions of office precincts in the core office market remained limited and primarily accessible to domestic institutions only. As a result, foreign investors are inclined to explore alternative opportunities (see the next section).

Singapore's office market has remained consistently robust, characterised by low vacancy rates (sub-5%) and resilient cap rates that have remained largely stable. However, the sector seems to have peaked with limited expansionary demand due to a cautious occupier outlook and an increase in incoming supply over the next couple of years. Opportunities prevail in strata-titled properties and freehold offices

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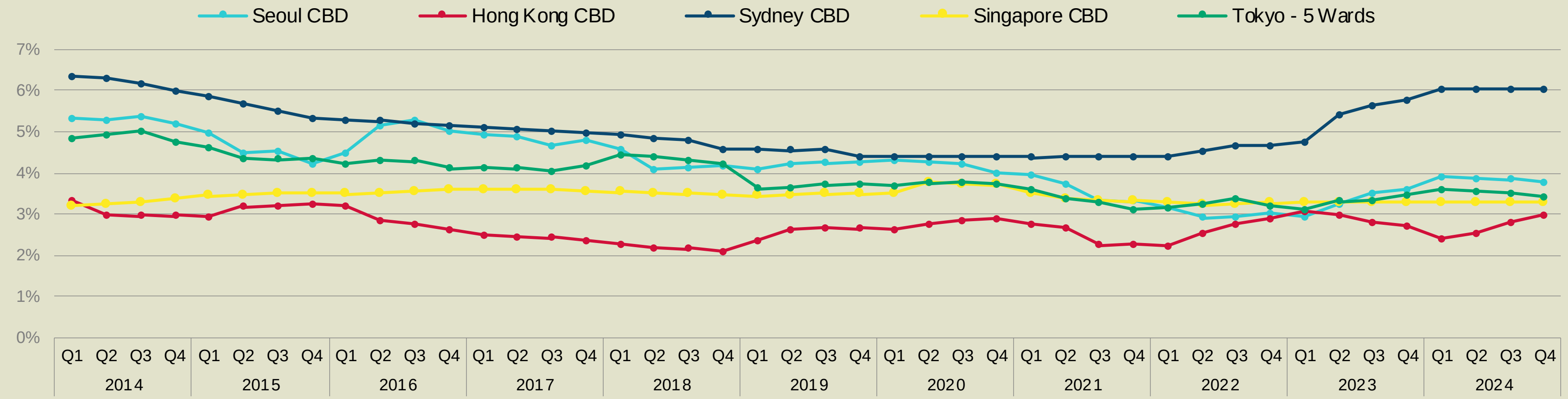
Figure 9: Asia-Pacific CBD Office Cap Rate



Source: MSCI Real Assets, Knight Frank Research

in prime locations, which are highly sought-after by mainly private investors with a focus on long-term wealth preservation or flexible investment horizons.

Hong Kong's office market has faced a multitude of challenges, including high interest rates, persistent low cap rates, weak demand from poor business conditions, downsizing of foreign companies, and substantial new supply. Asset values have corrected significantly, with office properties down by as much as 60% in some instances. A notable example is the Cheung Kei Centre, which was acquired by the Hong Kong Metropolitan University at a 62% discount compared to its HK$7 billion (US$0.9 billion) valuation in 2022. Despite the market conditions, the anticipated surge in distress transactions has not materialised as expected due to hesitance by local banks. Although financial conditions are easing, low liquidity and weak fundamentals should continue to impact capital values.

2.3 **Value-add plays a key differential role**

The ongoing prevalence of buyer-seller pricing discrepancies has prompted investors to re-evaluate traditional investment approaches that rely on cap rate compression. In response, market participants are increasingly gravitating toward alternative strategies, such as opportunistic and value-add plays, which emphasise on income growth and cash flow-driven returns.

Opportunistic investors maintain their focus on acquiring distressed assets. However, the availability of such assets has been constrained, running counter to initial market projections during the period of rising interest rates.

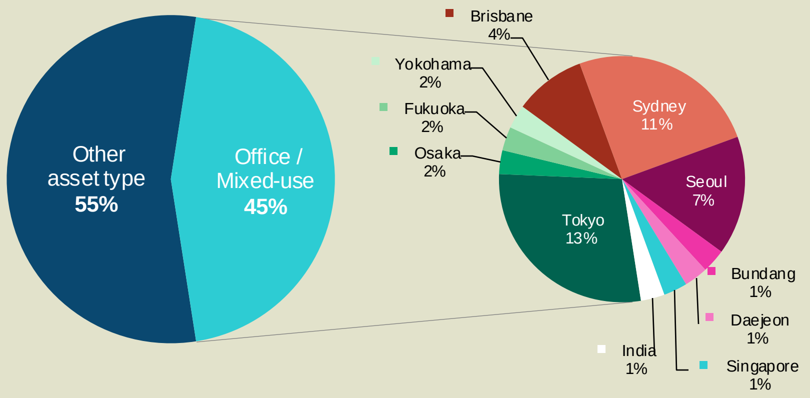
On the other hand, value-add investments have gained traction, with this increased appeal stemming from a combination of influential factors. First, tighter yield spreads have prompted investors to explore higher-risk opportunities. Moreover, a prolonged period of under-investment in new assets has coincided with growing demand from occupiers for higher-quality, sustainable spaces that enhance their ability to attract both employees and customers. In response, some core funds mimicked a value-add approach, acquiring older or under-managed core assets located in markets with solid fundamentals and potential for appreciation.

The office sector holds significant potential for value-add investments due to the growing divide between obsolete buildings and premium spaces, driven by the increasing importance of sustainability goals and mandatory compliance with stock market regulations, resulting in sustained demand for ESG-compliant precincts.

A preliminary analysis of the MSCI Real Asset database reveals that nearly 45% of office buildings transact-ed with the intention of redevelopment or renovation in 2024 are to be converted into offices or mixed-use developments with an office component. This figure represents an increase from 2023, where only 41% were earmarked for similar conversions.

This demand has led to a two-tiered market, where value-add investors can acquire and upgrade older properties to meet modern standards and appeal to quality tenants. In cities with a greater stock of older buildings that are less accessible or lack modern amenities, such as Tokyo and some Australian cities (Figure 10), value-add opportunity is further emphasised.

Figure 10: Proportion of office transaction earmarked for Redevelopment / Renovation to office / Mixed-use by location



Data download as at: 26 Dec 2024 (Inclusive of pending deals/excludes land)
Source: MSCI Real Assets, Knight Frank Research

2.4 **Rate cuts fail to diminish demand for defensive sectors**

The persistent divergence in pricing expectations and narrowing yield spreads has driven investors to explore beyond traditional property types in pursuit of assets capable of meeting their return targets. This shift has led to a growing interest in alternative assets, encompassing defensive sectors with significant growth potential.

Defensive assets capitalise on emerging tech, demographic, and social trends, offering resilience and stability against macroeconomic fluctuations. The nascent nature of some of these sectors offers a first-mover advantage and reduced competition, enabling investors to capitalise on substantial rental and capital value upside and establish a strong market presence.

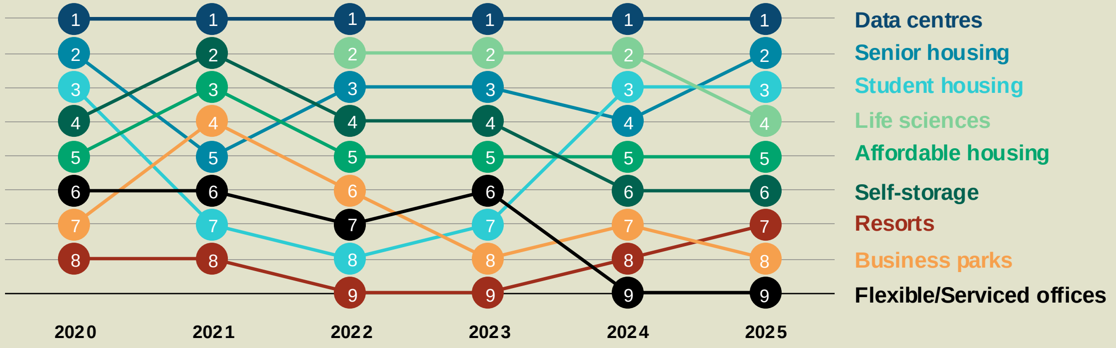
Some notable alternative asset classes have emerged, with the data centre taking centre stage. Consistently ranked first in terms of prospects for niche property types (Figure 11), data centres have shown remarkable resilience despite macro headwinds such as rising interest rates and regulatory changes. Setting aside the AirTrunk takeover, the sector secured US$6.3 billion in invest-ments in 2024, a 2.5-fold surge from 2023's US$2.5 billion.

As AI, the Internet of Things (IoT), and cloud computing technologies continue to advance at an accelerated pace, the need for a robust network of data centres becomes increasingly apparent. Despite the region witnessing a robust expansion in live data centre supply between 2018 and 2023, achieving a compound annual growth rate (CAGR) of 19.1%, according to DC Byte, the current supply remains insufficient to meet the demands of its massive population when compared to Europe and North America on a per megawatt (MW) basis. The imbalance between supply and demand creates unprecedented investment opportunities within the digital infrastructure sector across the region.

Investors looking to capitalise on this growth potential can explore various avenues within the diverse Asia-Pacific market. For instance, the data centre boom in the SEA-5 markets experienced a significant uptick in recent years, particularly following the 2019 Singapore data centre moratorium. Leading the pack is Malaysia, which has maintained its position as the leading data centre hub in our Knight Frank SEA-5 Data Centre Opportunity Index 2024. Explore further details here.

Chennai, Manila, Melbourne, and Bangkok have also been identified by as emerging data centre markets in the region. Uncover additional insights here and page 70 of this report for Melbourne.

Figure 11: Prospects for niche property types by ranking



Source: ULI Emerging Trends in Real Estate Asia Pacific surveys, Knight Frank Research

Knight Frank SEA-5 Data Centre Opportunity Index 2024

Rank 2024	Rank 2023	Markets	Take Up per annum (MW)
1	1	Malaysia	429
2	2	Indonesia	93
3	5	Thailand	31
4	4	Philippines	1
5	3	Vietnam	3

Another prominent defensive asset class is the living sectors, which capitalise on demographic shifts characterised by a surge in international students, strong population dynamics, and an ageing society, which collectively generate an urgent need for housing and specialised facilities. Unlike the mature Western markets, the Asia-Pacific region is currently experienceing a structural undersupply, presenting an attractive opportunity for well-funded investors to allocate capital to this niche sector.

Australia's Built-to-Rent (BTR) sector continues to attract significant attention from investors. According to a 2024 ANREV survey of global investors in the Asia-Pacific region, 85% of respondents are now targeting this market, marking an increase from 78% in 2021. BTR pipeline has expanded, with a record high of 4,419 apartments estimated for completion in 2024 and nearly 6,000 units expected in 2025. While the sector has faced feasibility challenges, including elevated construction costs, labour shortages, and high funding costs, the BTR bill has now passed through parliament, improving the outlook for the sector.

Living Sectors

Broadly defined to include various real estate types where individuals reside at different stages of their lives, such as student housing, co-living spaces, multi-family properties, and senior living facilities.

Sector's Appeal for Value-Add Opportunities

Among all asset class transacted for renovation or redevelopment in 2024, one-fifth of them are targeted towards the living sectors.

Despite these obstacles, the BTR sector's growth will likely be spear-headed by core offshore investors with a lower cost of capital and specialised expertise in living sectors, such as major European and Canadian investors. New entrants in Australia's living sectors might shift their focus towards co-living or Purpose-Built Student Accommodations (PBSA), driven by the nation's growing population and a surge in international student numbers, which are expected to bolster both asset types.

In a similar situation, Hong Kong SAR has received a growing demand for higher education, especially from neighbouring Chinese mainland.

Data from the Immigration Department showed that 62,079 student visa or entry permit applications were approved in 2023, marking a 24% increase since 2020. By using the five-year CAGR of 12.1%, it is projected that the number of non-local students will increase to 97,857 in the 2027/28 academic year, based on the number of student visas and entry permits issued in 2023. While on-campus university halls of residence are preferred by these students, the supply-demand imbalance has led to shortages of such options, giving rise to other business opportunities - purpose-built/hotel conversion private student dormitories. Access in-depth information about student living opportunities in Hong Kong SAR here.

Read more insights from the Australia's Horizon Report here.

2.5 **Expanding investor interest in industrial opportunities across emerging economies**

The global supply chain landscape is evolving rapidly as manufacturing and production hubs diversify across emerging markets in Southeast Asia and India. This transition offers an alternative for numerous businesses to extend their manufacturing footprint beyond the Chinese mainland and bolster their operations within these emerging markets.

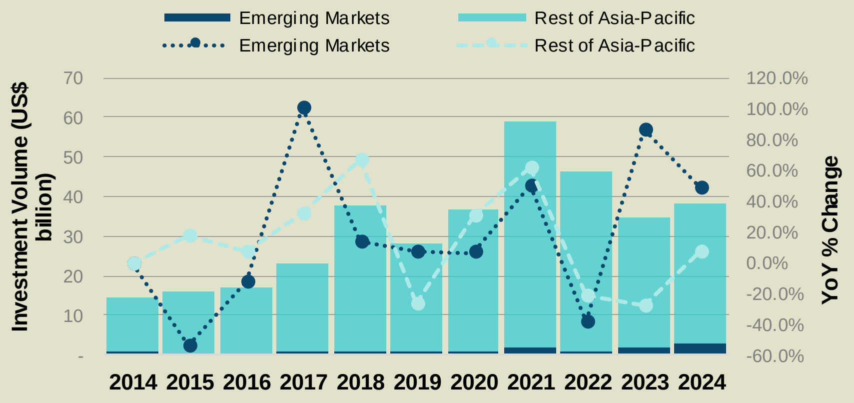
Consequently, the strategic move towards these markets has generated an increasing demand for industrial assets. In 2024, the total capital received for industrial assets in emerging markets reached a record-breaking high of US$3.0 billion. This figure represents a remarkable 50% increase compared to the previous year (Figure 12). In comparison, the rest of Asia-Pacific only clinched 7.5% growth for the same period, further illustrating the rising preference for emerging markets.

Vietnam, given its strategic geographic location close to Chinese mainland, remains the market leader for investments in the region. As the largest exporter in Southeast Asia, the country has experienced significant growth in exports, rising from US$320 billion in 2019 to US$440 billion in 2023 at a CAGR of 8.2%, as noted by IHS Markit. The growth trajectory has been primarily fuelled by substantial foreign direct investment (FDI) in the manufacturing sector, primarily electronics. In view of this, the country's industrial real estate continues to gain prominence as an attractive investment prospect in emerging markets.

Nonetheless, institutional-grade assets remain limited, leading to innovative solutions such as repurposing underperforming, low-occupancy ready-built factories into ready-built warehouses/logistics facilities in Ho Chi Minh City.

India has also captured the attention of investors due to its large economic size, impressive growth prospects, advantageous demographic composition, ongoing market reforms, and commitment to enhancing transparency for investors. According to McKinsey, India is projected to experience a significant increase in exports, potentially reaching US$1 trillion by 2030. This growth is expected to be accompanied by robust performance in the logistics sector, with an estimated total return of 13-15% per annum, supported by high-income yields, yield compression, and rental growth.

Figure 12: Rising proportion of industrial investment in emerging markets



Data download as at: 26 Dec 2024 (Inclusive of pending deals/excludes AirTrunk acquisition and land)
Source: MSCI Real Assets, Knight Frank Research

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Like Vietnam, India's logistics sector is experiencing a noticeable supply shortage, particularly for high-quality/specification, Grade A assets. This demand-supply imbalance is further driven by the growing need for operational efficiency, rapid e-commerce expansion, and the alignment of industry standards with global benchmarks.

Considering the limited availability of stabilised, institutional-grade assets, cross-border investors usually focus on development projects, which enable them to generate the desired risk-adjusted returns. However, capital flows are predominantly facilitated by a select group of global funds with an already established local presence. They then collaborate with major domestic partners to navigate the intricacies of the Indian market effectively. For example, Blackstone has acquired a majority share of a portfolio of Indian warehouses from Logos Asia for more than US$203 million.

As a result, foreign investors with smaller capital seeking exposure to India's burgeoning logistics sector may find it difficult to access high-quality opportunities without the support of these well-connected global funds. By partnering with such entities, investors can leverage their local expertise, networks, and on-the-ground resources to identify and capitalise on attractive investment prospects while mitigating potential pitfalls in the local markets.

Read more insights from the India Real Estate Office and Residential H2 2024 Report here.

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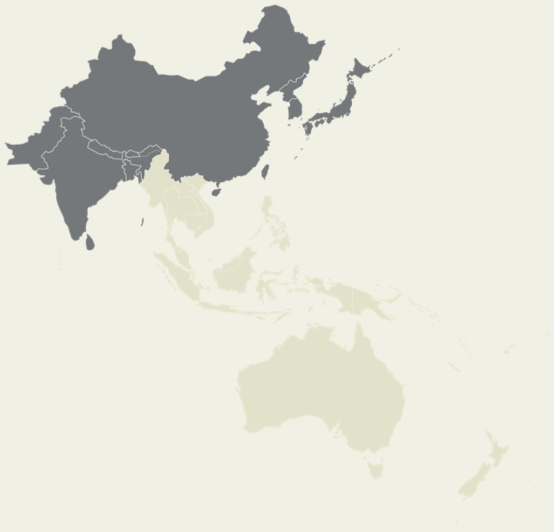
Potential for investment based on growth and risk characteristics.

Region	City	Core	Core Plus	Value-add	Opportunistic	Repurposing
Australasia	**Sydney**	• Logistics • CBD offices • Shopping centres	• North Sydney prime offices	• Fringe office • Brown to green strategies in office and logistics	• Suburban offices • Co-living development	• Poor quality secondary offices
	Brisbane	• CBD office • Retail	• Logistics	• Fringe/suburban office • Inner ring industrial	• Hotel/short-term accommodation refurbishment/ conversion	• Poor quality secondary offices
	Melbourne	• Logistics • CBD Premium offices • Shopping centres	• City fringe office • BTR	• CBD offices • Geelong and Avalon industrial	• Suburban offices	• Poor quality secondary offices
	Perth	• Logistics • Shopping centres	• West Perth offices	• Southern industrial corridor		• Poor quality secondary offices
	Auckland	• Industrial	• Office • Large format retail	• Office • Shopping centres	• Office • Shopping centres	• Dated office buildings in central locations

Continue next page…

Potential for investment based on growth and risk characteristics.

Region	City	Core	Core Plus	Value-add	Opportunistic	Repurposing
East Asia	**Shanghai**	• Office • Hotel	• Logistics	• Multi-family	• Business Park • Retail	• Commercial to multi-family
	Beijing	• Office	• Hotel • Business Park	• Multi-family	• Logistics / Retail	• Commercial to multi-family
	Guangzhou	• Business Park • Retail	• Logistics	• Hotel	• Multi-family	
	Shenzhen	• Logistics	• Hotel • Office	• Business Park • Retail	• Multi-family	
	Hong Kong	• Logistics • Data Centre	• Private credit • Office • Retail	• Student living conversion	• Residential development • Student living conversion	• Hotel to student living
	Taipei	• Office	• Logistics	• Industrial land	• Street shop	• Hotel
	Seoul	• Office	• Hotel			
	Tokyo	• Office • Multi-family		• Obsolete office • Dated industrial assets in good locations		
India	NCR	• Office • Warehousing		• Residential		
	Mumbai	• Office • Warehousing		• Residential		
	Bengaluru	• Office • Warehousing		• Residential		



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Potential for investment based on growth and risk characteristics.

Region	City	Core	Core Plus	Value-add	Opportunistic	Repurposing
Southeast Asia	Singapore	• Industrial	• Office • Industrial • Retail • Living sectors • Hospitality	• Dated office • Residential • Living sectors • Hospitality	• Industrial • Residential • Living sectors	• Living sectors • Hospitality
	Kuala Lumpur	• Prime office • Prime industrial/ logistics assets	• Office • Industrial/logistics assets		• Repositioning of dated office or hotel buildings in prime locations	• Repurposing/ redevelopment of dated commercial and heritage assets to other uses
	Jakarta	• Premium A - retail mall • 5-star city hotel • Premium A office	• Industrial logistics • Suburban retail mall	• 5/4-star resort hotel • CBD serviced apartment	• Industrial • Residential townships	
	Manila	• Prime Office buildings in CBDs	• Grade A offices in CBDs and B offices in growth corridors	• Renovation of commercial assets, especially retail	• Obsolete industrial facilities to modern logistic hubs	
	Ho Chi Minh City	• Grade A office	• Grade A office in non-CBD	• Shopping centres • Renovation of Grade A buildings	• Logistics warehouses • Grade B office buildings with green certification	• Ready-built factories with poor performance and low occupancy rates into ready-built warehouses

Office

Tim Armstrong

Global Head of Occupier Strategy and Solutions
Knight Frank Asia-Pacific

"Hybrid work patterns remain a defining feature of occupier strategies across Asia-Pacific, driven by the desire to balance flexibility with productivity. This evolving landscape presents occupiers with the need to redefine their workplace strategies, prioritising spaces that foster collaboration and connectivity while accommodating flexibility. Leveraging data-driven insights particularly on the power of Artificial Intelligence, occupiers are optimising real estate portfolios to create environments that support business goals while aligning with employee expectations."

3.1 **Sustainability debate focuses on impact as deadlines loom**

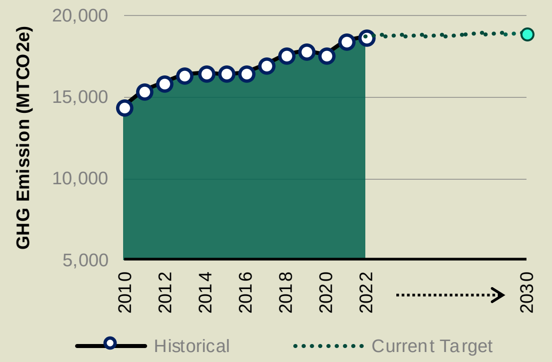
Asia-Pacific is a key contributor to global emissions, and over the last few years, major economies in the region have made commitments to achieve carbon neutrality before or by 2060. However, to limit global warming to 1.5°C above pre-industrial levels, emissions must already be decreasing and reduced by close to half by 2030.

In the latter half of this decade, there will be more urgency to turn ambitions into results. Aside from physical risks, indirect transition risks can also be borne out of regulatory changes or shifting preferences, as well as costs of reducing emissions. Singapore, for instance, is requiring all listed firms to make climate-related disclosures from 2025, followed by large non-listed firms two years after that.

National goals to reduce climate change will serve to heighten these transition risks by demanding a more proactive approach to sustainability. Climate risks can affect businesses through operational disruptions and increasingly have been integrated into organisational risk management frameworks. As net-zero deadlines draw closer, pressure to adhere to sustainability targets will be a priority for occupiers.

The next 12 months will further ESG as the cornerstone of corporate real estate strategy for most occupiers. However, given the political change and likely changing narrative around ESG within the US, there might be a slowdown in the attitudes and actions of US corporations active in the region, which can indirectly impact overall sustainability priorities.

Figure 13: Reducing GHG emissions top the priority list



Australia	Chinese Mainland	India	Indonesia	Japan	Malaysia
GHG ↓ 43%	CO_2 ↓ 65%	GHG & CO_2 ↓ 45%	GHG ↓ 31.89%	GHG ↓ 46%	GHG ↓ 45%
Reduction of GHG emissions by 43% below 2005 levels by 2030	Reduce CO_2 emission intensity by over 65% below 2005 levels by 2023	Reduce emission intensity by 45% below 2005 levels by 2030	Reduce GHG emissions by 31.89% relative to a business-as-usual trajectory by 2030	Reduce GHG emissions by 46% below 2013 levels by 2030	Reduce GHG emissions intensity by 45% below 2005 levels by 2030
New Zealand	**The Philippines**	**Singapore**	**South Korea**	**Thailand**	**Vietnam**
GHG ↓ 50%	CO_2 ↓ 2.71%	MTCO2e ↑ 65%	GHG ↓ 40%	GHG ↓ 30%	GHG ↓ 15.8%
Reduce GHG emissions by 50% below 2005 levels by 2030	Reduce GHG emissions by 2.71% relative to a business-as-usual trajectory by 2030	GHG emissions to peak at 65 MTCO2e around 2030	Reduce GHG emissions by 40% below 2018 levels by 2030	Reduce GHG emissions by 30% relatives to a business-as-usual trajectory by 2030	Reduce GHG emissions by 15.8% relative to a business-as-usual trajectory by 2030

Source: IEA, ESCAP, Knight Frank Research

3.2 **Asia-Pacific occupiers turn to data to drive optimisation**

The use of Google's COVID-19 mobility reports became vital in capturing movements during the pandemic. Fast-forward five years, and the standardisation and increased availability of data through better warehousing and digitisation, along with the rise of third-party analytics, have created an environment where the information set has gotten more expansive and richer.

Predictive analytics and machine learning algorithms have also now made it possible to make sense of unstructured data and link traditional and non-traditional sources. This means that unconventional data is becoming a key differential, and increasingly important to the real estate industry as it can provide insights that traditional backward-looking data cannot.

2025 will be the year when corporate real estate properly embraces data-driven decision-making, turning numbers into strategic actions. Companies will increasingly rely on advanced analytics and real-time data – sourced from IoT sensors, mobile phone signal patterns and social media – to provide location analytics, anticipate shifts in employee behaviour and market trends or even inform on an optimal real estate strategy for remote and in-office work.

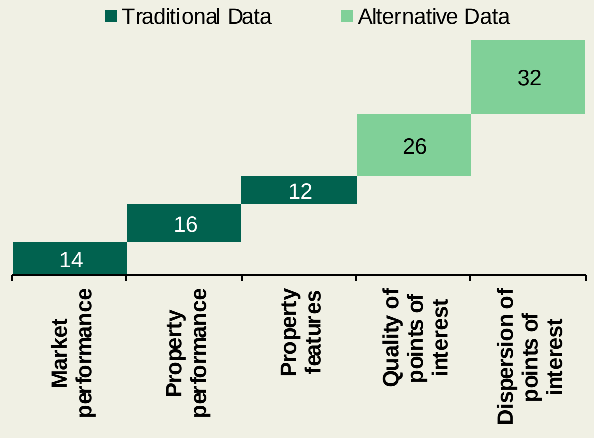
This will mark a departure from a traditional, intuition-based approach to transactions and space planning. This could have particular relevance in the region, which is less transparent as traditional data sources are usually less accurate or unavailable. However, the high rates of internet and smartphone usage hint at the untapped potential of the vast amount of digital data generated.

As businesses strive for operational efficiency, real estate leaders who leverage these insights to make proactive, informed decisions will gain a critical competitive advantage – transforming their real estate portfolios into agile, high-performing assets.

Figure 14: Potential of data analytics

Nearly 60% of predictive power can come from non-traditional variables.

In a study using a large database of traditional and non-traditional data, a model predicted three-year rent for multi-family buildings in Seattle with an accuracy rate of over 90%; factors related to non-traditional data alone explained 60% of the changes in rent.



Types of non-traditional data

Source: McKinsey & Co

3.3 **Tug-of-War between Hybrid and Full Office Schedules to Continue**

Global companies, such as Amazon, Dell in 2024, and most recently, JPMorgan, announced plans for a return to pre-pandemic, office-only models. Within the region, Australia's Tabcorp and Grab in Singapore have also mandated a full return-to-office. Pressured by profitability targets, the trend also signals a continual shift by tech companies to more work-from-office days.

According to Cisco's survey, the strongest factors that have influenced employers' mandated returns globally are optimising productivity, preserving workplace culture, maintaining team communication, and responding to leadership pressure.

After remote and office work, many have come to expect greater control over their schedules and prefer a blend of both. While the higher utilisation rates in the Asia-Pacific would mean that the debate is less polarised, the huge presence of multinationals in the region could still tip the scales.

The debate for and against hybrid work patterns continues, underscoring the disconnect between the desired flexibility of employees' work patterns and what most management thinks is optimum. The future of work will continue to remain nuanced. However, employers man-dating an office return will have to grapple with the difficulties of talent attraction and recruitment.

Figure 15: Partial arrangement still dominates

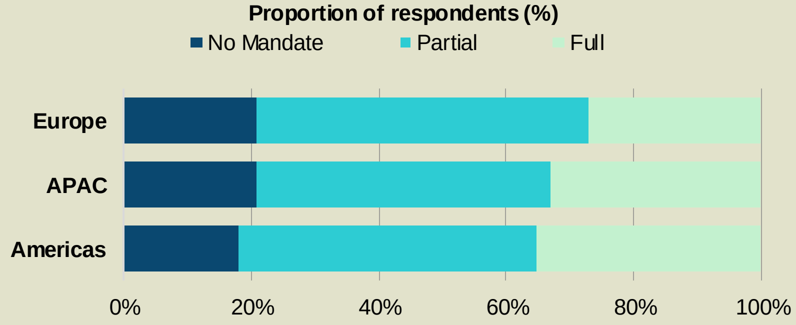
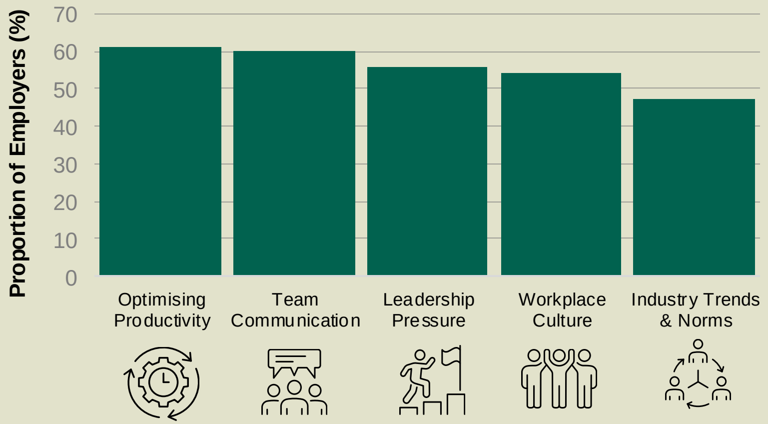


Figure 16: Top five factors influencing return-to-office mandates



Source: Cisco, From Mandate to Magnet - The Race to Reimagine Workplaces and Workspaces for a Hybrid Future

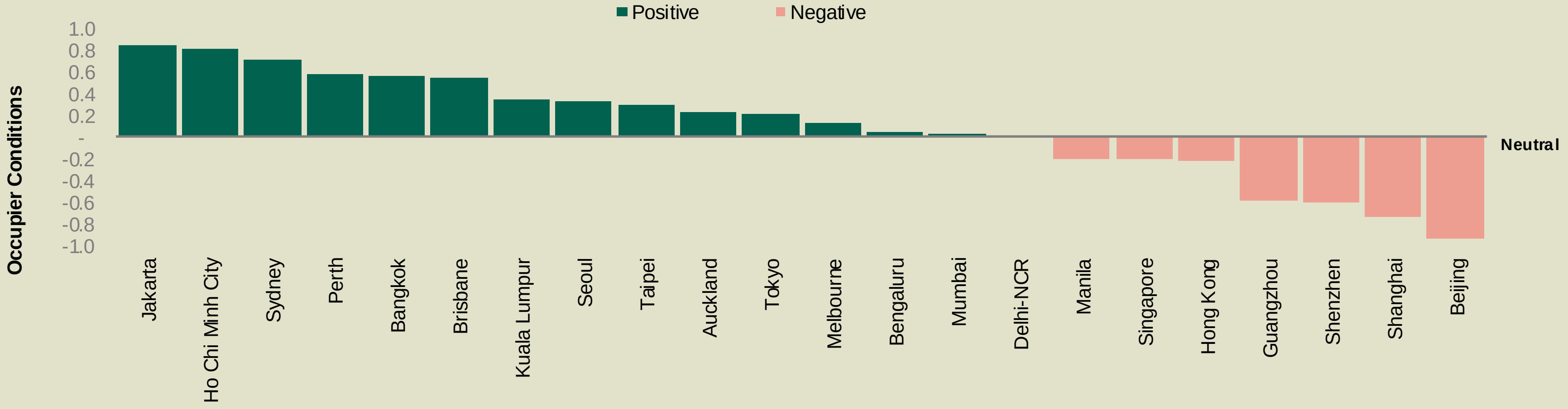
3.4 **More divergent occupier conditions across Asia-Pacific**

Occupier conditions in Asia-Pacific will remain varied, characterised by ultra-tight markets such as Seoul and excess capacity in others, such as Kuala Lumpur. While a flight-to-quality trend will continue to fuel demand for well-located prime office spaces that boast high sustainability specifications, overall rent growth is not likely to be significant.

Occupier demand will remain subdued in the Hong Kong SAR and Chinese mainland markets, which will continue to grapple with slow economic growth and a high supply pipeline. This will compel occupiers to rationalise their footprints or explore less expensive options. More flexible lease terms and higher incentives will lead to a continued decline in gross rents.

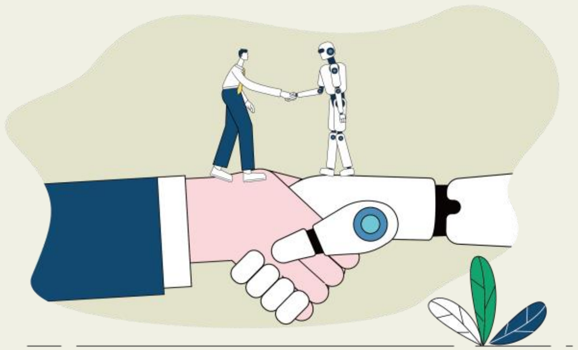
Some of the strongest rental uplifts will be seen in Australian markets, as the development pipeline contracts. The strong demand momentum is expected to firm rents in India, despite an increasing supply pipeline. However, Singapore is seen losing momentum due to the absence of large demand drivers and waning tech demand.

Figure 17: Occupier Conditions 2025



Note: reflects expectations for rental growth and occupancies in 2025
Source: Knight Frank Research

3.5 **Increasing adoption of AI**



Aware of AI's potential impact and the consequences of falling behind, AI adoption at an enterprise level is expected to increase continually. In the region, the race to harness AI's power is also accelerating. According to International Data Corporation's latest Worldwide AI and Generative AI (GenAI) Spending Guide, AI and GenAI investments in the region are projected to grow 24% annually through 2028 to hit US$110 billion.

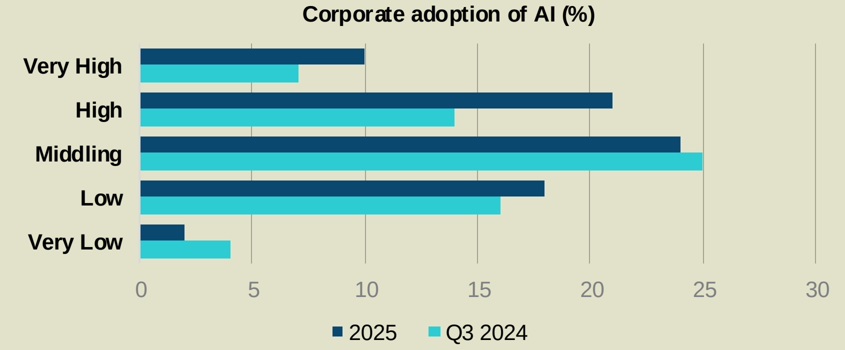
However, substantial hurdles remain to higher adoption levels, as integrating AI involves significant investment in infrastructure, data quality, skills, and overcoming operational challenges. Companies that go all-in may see long-term benefits, but the risks of poor execution and implementation remain high.

Within corporate real estate, current adoption is perceived as low, with 65% of respondents in Knight Frank's quarterly Global CRE Sentiment survey perceiving adoption to be 'low' or 'very low' (Figure 19). Still, this will rise with only a third seeing that being the position within 12 months.

Lease and transaction management, predictive facility management, and operational efficiency were the two standout use cases identified by respondents, although all areas achieved double-digit responses, suggesting a broad-based opportunity. However, AI adoption is viewed as unlikely to have a significant effect on either headcount or floorspace over the next year, and where impacts occur, they are expected to be marginal.

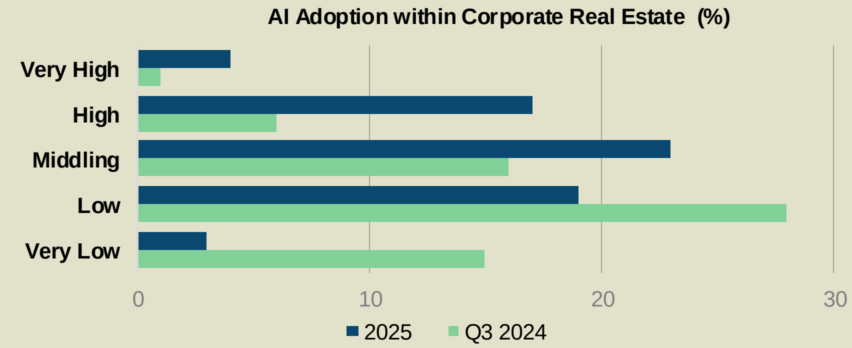
For a global perspective on occupier trends, please view our report: **Changing Tact - Ten corporate real estate trends that will define 2025.**

Figure 18: 32% of respondents see current adoption as 'high' or 'very high', rising to 48% over the next year



Source: Knight Frank Global CRE Sentiment Index Q3 2024

Figure 19: CRE is on the journey over the next year, but current adoption is perceived as low



Source: Knight Frank Global CRE Sentiment Index Q3 2024

Logistics

Tim Armstrong

Global Head of Occupier Strategy and Solutions
Knight Frank Asia-Pacific

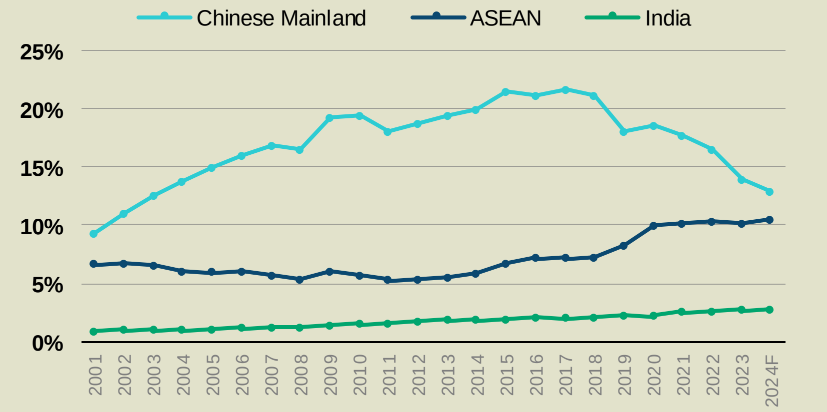
"With trade tensions likely to take centre stage in 2025, we expect organisations in the region to step up plans to diversify and rebalance supply chains. Occupier conditions in the region will remain largely neutral with marginal upside to rents. This represents a window of opportunity for occupiers to explore options to optimise their logistics footprint to better navigate the uncertain geopolitical landscape, de-risk supply chains and position for resilience and growth."

4.1 **China +n strategies take on more urgency**

The global supply chain is in a constant state of flux, as manufacturers strive to limit risk, build resilience, manage costs, and explore new markets for production. Geopolitical events also significantly impact logistics through their influence on shipping rates and trade flows. Trade tensions between the US and Chinese mainland have inflated tariffs, affecting over US$700 billion in goods in 2019 alone, according to the World Trade Organisation. Since then, the share of Chinese imports into the US has declined (Figure 20).

Realignment of global supply chains, both within the Asia-Pacific region and between other regions, is likely to intensify, primarily in response to Trump's planned tariff increases on the Chinese mainland. China-plus strategies in 2025, consequently, are expected to focus on further diversifying manufacturing bases beyond the Chinese mainland, primarily towards Southeast Asian countries and India.

Figure 20: Share of Asian Imports into US



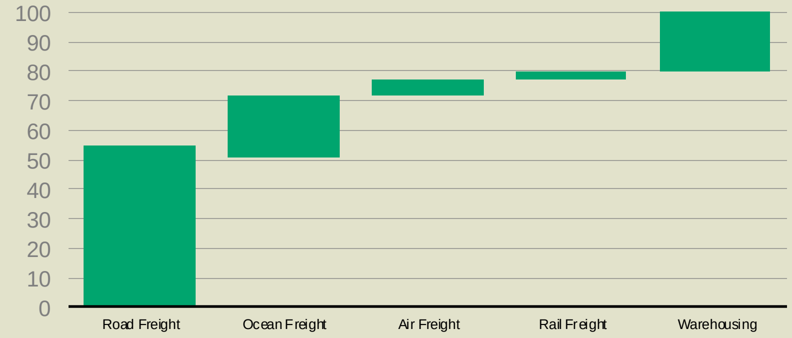
Source: IMF, DHL Global Connectedness Tracker

4.2 **Decarbonisation**

According to Accenture, supply chains generate around 60% of all carbon emissions globally; about 80-90% of a product's emissions derive from its supply chain, and logistics accounts for an estimated 10% of global greenhouse gas emissions. While transport accounts for the bulk of these emission, about 20% are attributed to logistics facilities (Figure 21). Therefore, it is crucial for logistics organisations to decarbonise their operations and remain competitive.

Warehouses can be decarbonised by reducing overall energy demands and working toward emissions-neutral, self-sufficient operations with near-closed resource cycles for air, water, and electricity through photovoltaic and battery storage systems. The rollout of this next evolution of urban logistics will not be uniform but will vary from country to country and region to region. However, the first initiatives are currently seen in Chinese mainland and Southeast Asia.

Figure 21: Contribution to GHG Emissions



Source: McKinsey & Co

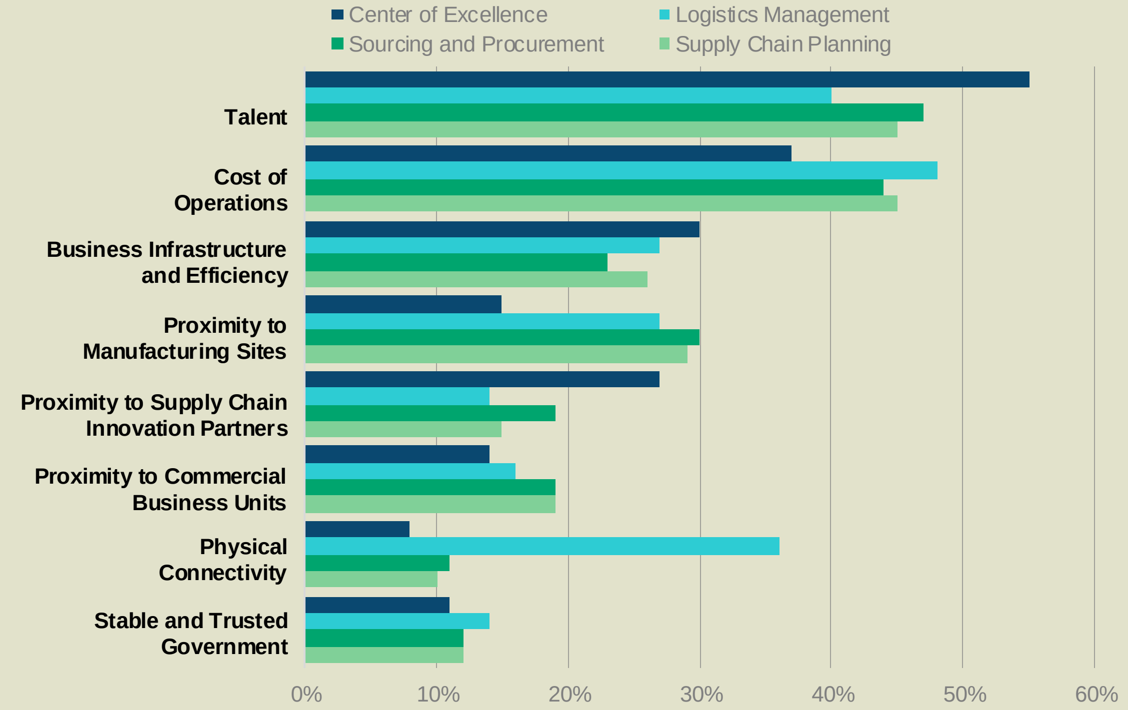
4.3 **Occupiers to remain selective on expansionary plans**

Rising costs of real estate combined with normalising consumer demand will be key considerations of occupier strategy in 2025. As companies evaluate the locations for their supply chain hubs, two key criteria – cost of operations and availability of industry talent, are deemed critical to overall operations. For sourcing and planning functions, proximity to manufacturing sites will be valued, while good physical connectivity to other parts of the world is an important factor for logistics management hubs.

While occupiers will stay focused on cost management and continue to evaluate supply chain strategies, underlying demand for prime logistics spaces is expected to remain healthy in the region. Leasing volumes are expected to keep pace with new supply, with occupiers working through excess capacity and exploring options as manufacturing activity rises amid growing consumer spending and economic progression. A slowing development pipeline will shift markets more into neutral conditions. The average vacancy rate in the region will largely remain stable, with moderate rent growth of under 2%.

However, relative to the rest of the region, conditions in Chinese mainland markets and Hong Kong will remain challenging, pressured by lacklustre demand. Supply in Beijing's peripheral markets as well as Shanghai will remain ample, keeping vacancy rates elevated.

Figure 22: Selection criteria for new supply chain hub functions



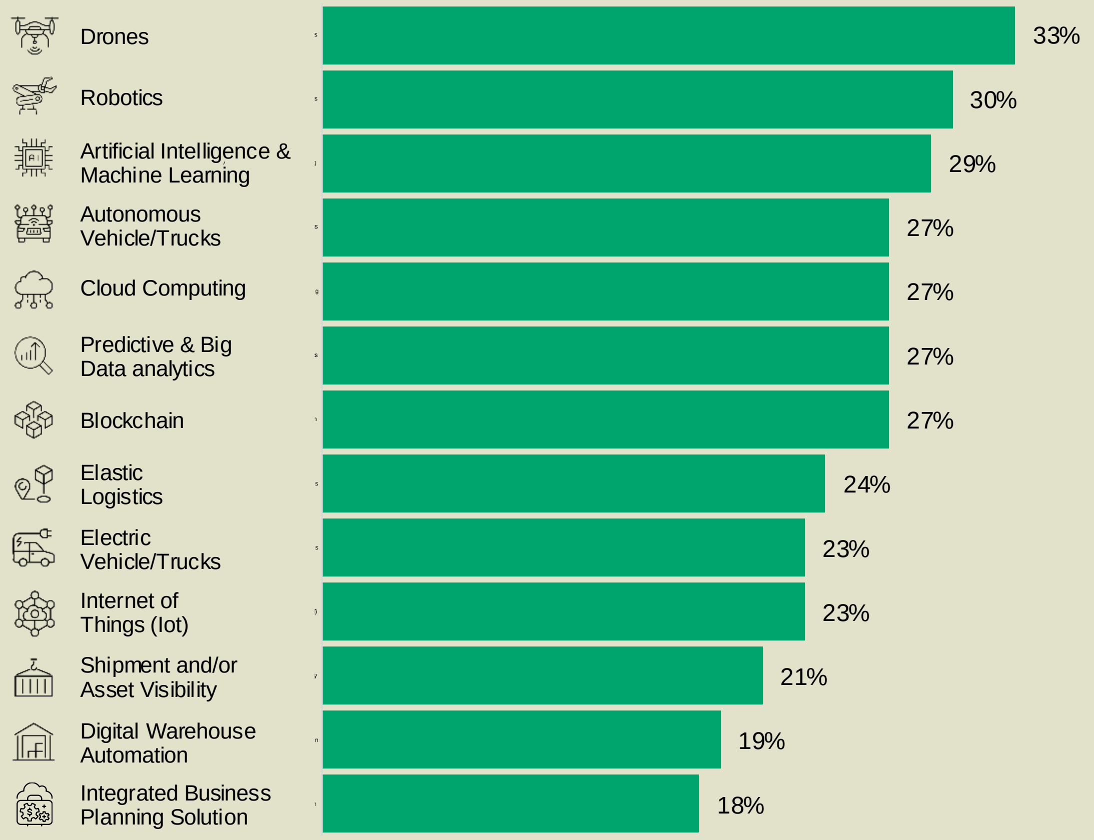
Source: Gartner

4.4 **Technology as a crucial enabler**

With challenges such as inflation and supply chain disruptions set to remain key risks, resilience will continue to be a key focus within the logistics industry. With the complexity of external factors that can weigh on supply chains, there will be a need for better forecasts and faster adaptation. End-to-end supply chain visibility remains vital to network optimisation, and technology will be a crucial enabler as conditions continue to evolve.

According to HERE Technologies, more than a quarter of logistics companies in Asia-Pacific are planning to invest in drones, robotics and artificial intelligence and machine learning (Figure 23). Given supply chain complexity and inter-connectedness, AI technologies can facilitate forecasts and scenario planning through digital twins, thereby mitigating risks and improving supply chain resilience and adapt-ability. Companies will also be able to better monitor and understand energy consumption using IoT devices, identify potential energy savings and shrink carbon footprints.

Figure 23: Future technologies to invest in the next three years



Source: HERE Technologies, APAC on the move

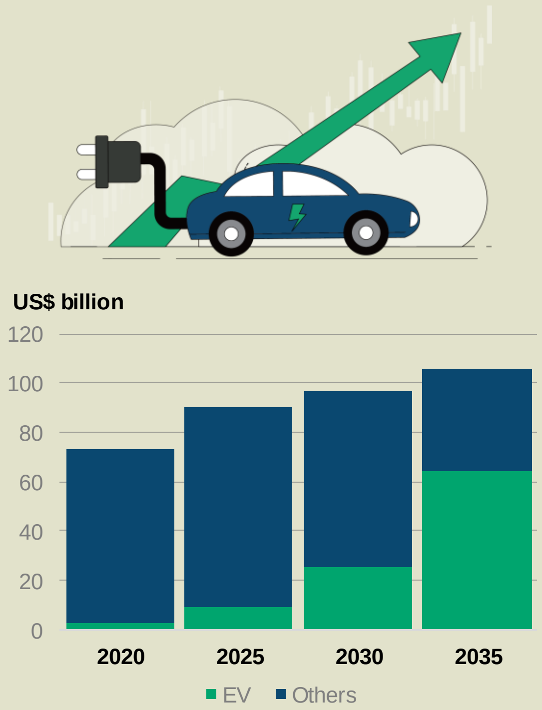
4.5 **High-growth industries such as EV powers demand for logistics**

As the world pivots towards low—and zero-emission vehicles, the automotive landscape is changing rapidly. Driven by net-zero policies, vehicle production will increasingly comprise hybrid and electric vehicles (EVs). Across the world, new vehicle sales with conventional combustion engines will be phased out from 2030, compelling manufacturers to rethink their supply chain strategies.

The outlook for Asia-Pacific's EV sector remains bright, as policymakers push support for green-car production and adoption sales and race to secure supply chains. By 2035, over half of global automotive sales will be EVs (Figure 24), with the region accounting for over half of production. Despite rising trade barriers, the Chinese mainland will remain the world's biggest EV manufacturer, with verticals spanning the entire EV supply chain.

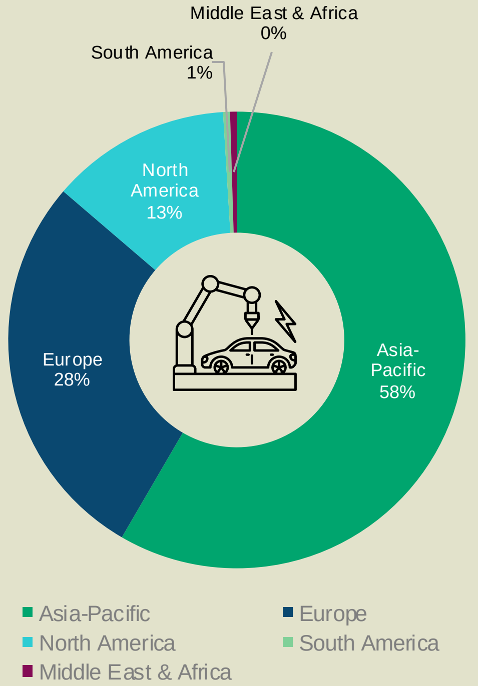
Southeast Asia is emerging as a supply chain hub for EVs, whereas India is likely to focus on vehicle manufacturing and assembly for the region. Thailand, Vietnam, Indonesia, and Malaysia are all rapidly scaling EV production for local and global markets. In 2024, Hyundai chose to site an assembly plant in Malaysia, which is the automaker's second after building its first in Indonesia. An increase in production will have spillover effects on supply chains and present opportunities for logistics companies.

Figure 24: Electric vehicles to drive sales of automotive globally



Source: Automotive from Ultima Media

Figure 25: More than half of EV production will be in Asia-Pacific by 2035



Source: Automotive from Ultima Media

Residential

Christine Li

Head of Research
Knight Frank Asia-Pacific

"Asia-Pacific's branded residences are booming, with global supply set to rise 55% by 2026. Key markets like Vietnam, Thailand, and the Philippines drive demand, supported by strong GDP growth—Vietnam at 6.5% and the Philippines at 6.1% in 2025. Rapid UHNWI expansion adds momentum, with Knight Frank estimating a rise from approximately 18,000 to over 25,000 UHNWIs in these markets by 2028, as well as in Malaysia and Indonesia, representing a 45.2% growth rate, well above the Asia-Pacific average of 37.3%. This trend underscores the region's growing prominence in the global luxury real estate sector."

5.1 **High-end Residential Market maintains upward momentum**

Unaffected by the high borrowing costs, the appetite for prime residential assets in Asia-Pacific remained large as robust demand has propelled prices even higher than 2023 levels. Continuing the upward trajectory since 2020, average prices in 2024 experienced a further 3.1% increase, albeit at a more moderate pace compared to the 3.8% growth observed in 2023 (Figure 26), indicating that the prime sector is starting to cool after the past 4 years of boom.

Among the 25 Asia-Pacific markets featured in the Prime Global Cities Index, 18 recorded stable or positive price growth (Figure 27), lower than the previous year's count of 21 markets. This suggests that headwinds are still affecting specific markets, particularly in the Greater China region, while others have largely maintained stability or even demonstrated notable growth.

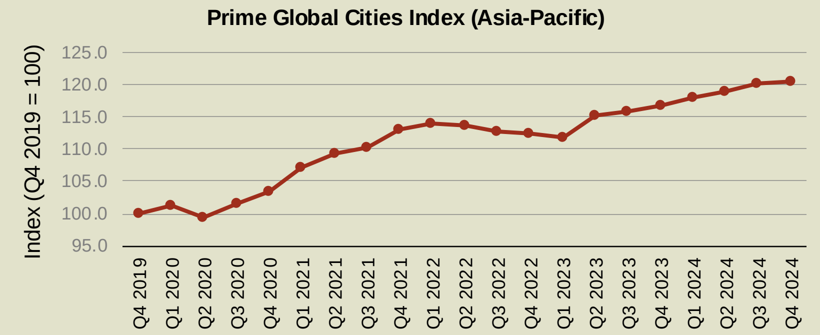
Manila, recorded an impressive 17.8% price growth, fuelled by strong demand from both foreign and local high-net-worth (HNW) investors. Their focus was prime developments situated in the central business districts of Makati City and Taguig City, highlight-ting the preference for quality and location in the thriving Manila property market.

Japan's high stock prices played a significant role in encouraging continued purchases by wealthy individuals for homes in Tokyo's most sought-after neighbourhoods. Addition-ally, the depreciated yen proved to be a driving force behind sustained foreign investment making Tokyo's real estate comparatively more affordable than other global cities. These combined factors propelled prime home prices in Tokyo to reach unprecedented heights, with the market witnessing a remarkable 12.7% growth over the entire year.

Likewise, in India, prices in the three Indian cities tracked grew by an average of 5.6% in 2024. Notable recognition goes to New Delhi and Mumbai for securing the fourth and fifth positions as the top-performing markets in the region. This sustained demand in the prime housing market reflects the growing affluence and shifting priorities of Indian consumers, who increasingly value exclusivity, comfort, and high-end living environments.

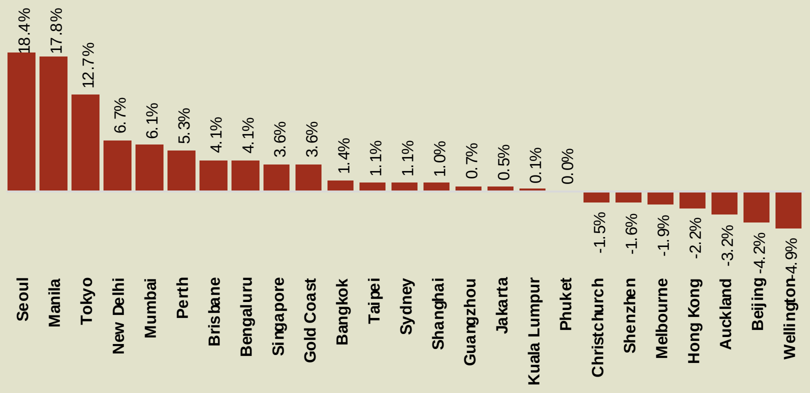
Chinese mainland and Hong Kong SAR's residential markets face ongoing challenges, with multiple stimulus attempts providing only temporary relief to the struggling housing sector and consumer confidence remained weak. Prime home prices declined by 1.3% on average, despite Shanghai and Guangzhou's relative price stability.

Figure 26: Prime residential prices continue upward trend in 2024



Source: Knight Frank Research

Figure 27: Most Asia-Pacific markets still see positive price growth in 2024



Source: Ken Corp, Knight Frank Research

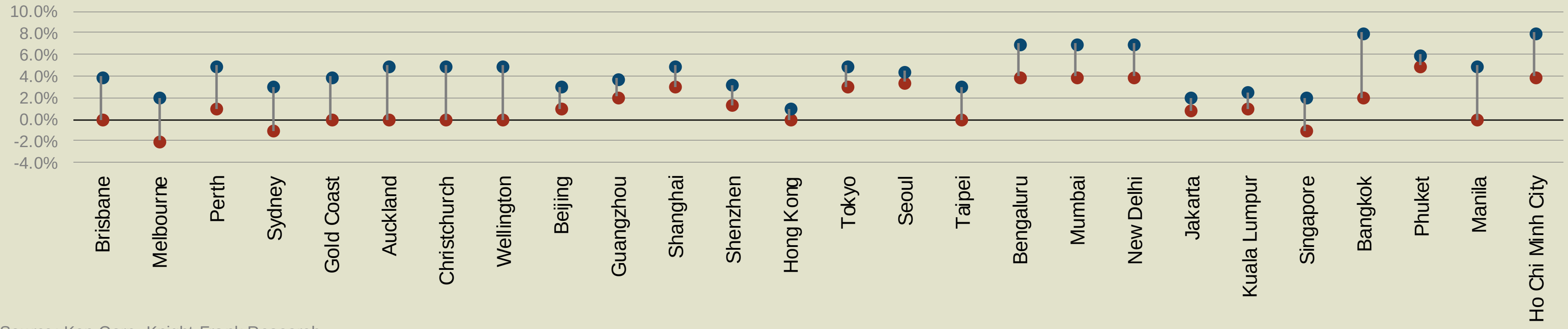
5.2 **Still eyeing opportunities**

The Asia-Pacific prime residential market is showing further signs of stabilising, with price growth anticipated between 1.5-4.5% in 2025 for the entire region, despite demonstrating varying degrees of growth (Figure 28). Driven by improving market confidence, enhancing GDP growth, and infrastructure development, key Asian cities such as Bangkok, Phuket, Manila, and Ho Chi Minh City are projected to experience robust price growth in their prime residential markets.

Meanwhile, Jakarta and Kuala Lumpur may experience more subdued growth due to concerns surrounding supply overhang, with continuous infrastructure improvements and initiatives like Malaysia's revamped Malaysia My Second Home (MM2H) program potentially mitigating these effects in the long term.

The luxury apartment market in Singapore is expected to remain subdued in 2025 as the impact of cooling measures continues to influence foreign buyer sentiment. Despite a few launches, most of them are located in the CBD and not preferred by local families, thus muting the overall activity. However, as the city-state continues to draw high-net-worth individuals from around the globe, and as the market adjusts to the cooling measures, there may be opportunities for strategic investments in prime real estate assets.

Figure 28: Asia-Pacific Prime Residential Price Forecast 2025



Source: Ken Corp, Knight Frank Research

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Over in the Pacific, the Australian housing market is expected to exhibit varying trends across its major cities in 2025, all hinging on the timing of anticipated cash rate cuts. Cities like Brisbane, Perth, and Gold Coast are projected to experience close to mid-single-digit price growth. There are still ample opportunities for upsizing in Perth's prestige market, although likely conducted at a slower pace than in recent years, while the value proposition for prestige homes is likely to attract more of the population to Brisbane.

On the other hand, Sydney and Melbourne are likely to see further price correction. In Sydney, the prime market has witnessed a retreat in anticipation of a lower cash rate in 2025, and the upcoming federal election scheduled for the first half of the year. Moreover, changes to taxation policies could further dampen housing activity for second homes in Melbourne

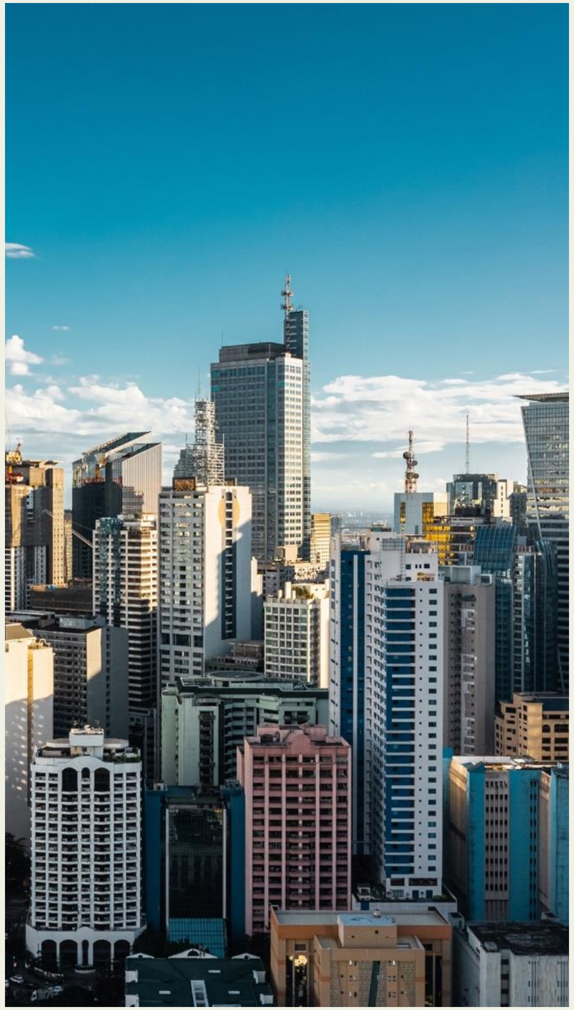
Neighbouring Auckland is anticipating a moderate recovery following a period of significant downturn and price correction. The reduction of the Official Cash Rate, with three consecutive cuts, has contributed to lower interest rates, which have helped to stimulate demand in the market. However, this increased demand is balanced by a high supply of homes for sale, resulting in a market that is currently tracking sideways.

The prime housing market in Tokyo is anticipated to remain strong in 2025, with high prices driven by several factors. First, land prices have been increasing by as high as 7%, particularly in the Minato Ward, where luxury condominiums are concentrated. Coupled with the rapid rise in construction and labour costs, and persistent demand by both local and foreign HNWIs, the rate of price increase is expected to be around 3-5%.

In India, the prime residential market is anticipated to experience significant momentum due to robust demand from HNWIs and non-resident Indians (NRIs). The defining characteristic of this segment will be an emphasis on top-tier, best-in-class offerings that cater to the discerning tastes and preferences of affluent buyers seeking premium real estate investments.

The Chinese mainland housing market is expected to remain in a delicate state throughout 2025 as housing regulators work on revitalising the real estate sector. Chinese policymakers have committed to taking further measures to stabilise the market and prevent additional declines. In anticipation of these pro-housing policies, potential buyers are likely to adopt a cautious approach, delaying purchases until they perceive the measures to be favourable.

The situation seems more positive over in Hong Kong SAR as the effects of further relaxation of the loan-to-value (LTV) ratio cap for property mortgages and abolition of all cooling measures will be more pronounce as interest rate come down. To further stimulate its residential market, the enhanced New Capital Investment Entrant Scheme, which aims to attract asset owners to settle in the city and explore its diverse investment opportunities through wealth allocation and management, now allows for investment in residential properties that are priced at HK$50 million or above. Demand from home upgraders, local and foreign HNWIs and overseas professionals is expected to get a boost in the coming year.



5.3 **Global migration of High-Net-Worth-Individuals a key driver of market trend**

Recent geopolitical developments and evolving policy environments have driven the more affluent to seek residency in countries offering more advantageous conditions, with the aim of thriving personally, professionally, and financially.

Projections by Henley & Partners showed that 2025 will witness an unprecedented surge in millionaire relocation, with approximately 135,000 millionaires expected to move to new destinations (Figure 29), despite tightening of visa schemes and more rigorous criteria to satisfy in some countries.

The firm also revealed that among the various Asia-Pacific markets, only Singapore, Australia, and Japan are among the top 10 countries worldwide in terms of projected net inflows of millionaires for 2024 (Figure 30). This highlights the enduring appeal of these 'safe-haven' markets within the region, as HNWIs seek secure and stable environments to protect and grow their wealth.

The evolving global wealth landscape is re-shaping the luxury real estate sector, positioning not only the three markets but also the entire Asia-Pacific as an attractive investment destination. Prime homes in the region offers significant value relative to other global cities. For instance, Knight Frank observed that for US$1 million, purchasers are able to obtain approximately 64 sqm of prime real estate in Tokyo, nearly doubling that of London, New York, and Geneva.

Other than capital preservation and investment returns, demand is also driven by the desire for estate planning by these HNWIs. It allows them to pass on a valuable asset to future generations, establishing a legacy of wealth.

Going forward, despite strong competition from Dubai, which has implemented various policies to woo the rich, millionaires still view the more established Singapore, Australia, and Japan as safer bets. The region's solid track record and favourable conditions are expected to continue attracting affluent individuals, particularly as the United Kingdom plans to abolish the 'non-dom' tax status of approximately 74,000 ultra-wealthy foreign residents, alongside other potential tax reforms.

Figure 30: Projected net inflows of millionaires into top Asia-Pacific markets in 2024

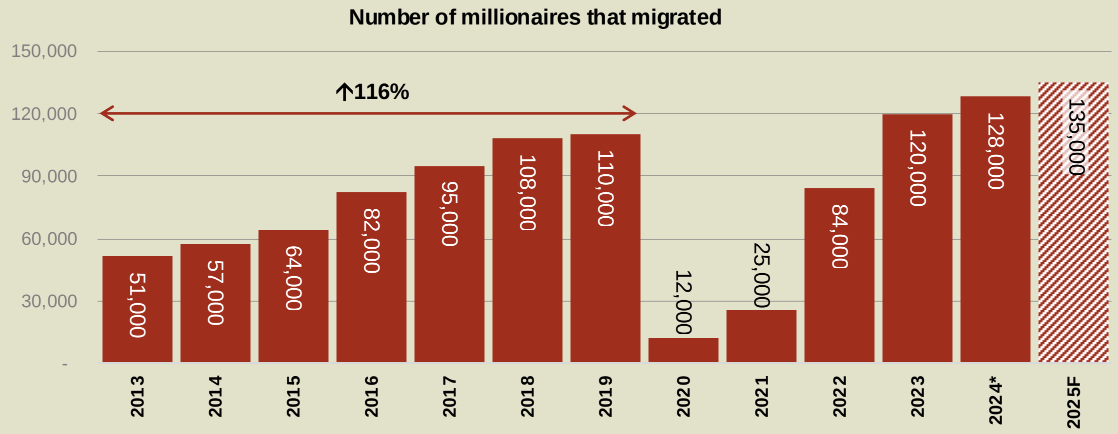
Singapore
Ranked 3rd | +3,500 HNWIs

Australia
Ranked 5th | +3,200 HNWIs

Japan
Ranked 10th | +400 HNWIs

Source: Henley & Partners

Figure 29: Wealth migration showed no signs of slowing down



*The 2024 provisional figures are based on year-to-date HNWI movements to June 2024
Figures rounded to the nearest 1,000
Source: New World Wealth (Henley & Partners), Knight Frank Research

5.4 **Luxury residential shifts toward branded residences in emerging markets**

The fusion of home and holiday aspects in branded residences allows owners to immerse themselves in the unparalleled quality and distinctive services synonymous with renowned brands. Since the pioneering development, Amanpuri, in Phuket back in 1988, this sector has grown significantly alongside the rapidly evolving notion of high-end living.

North America accounts for nearly 40% of all projects, followed by Asia (20%), and Europe (13%). Asia currently boasts nearly 200 branded residence developments and anticipates a substantial increase of 43,100 units through 180 upcoming projects from 2025 onwards, effectively doubling the region's supply of branded residences (Figure 31). Emerging markets are projected to lead this growth, dominated by Vietnam, Thailand, and the Philippines, with total number of units at roughly 18,000, 16,300 and 13,000 respectively (Figure 32).

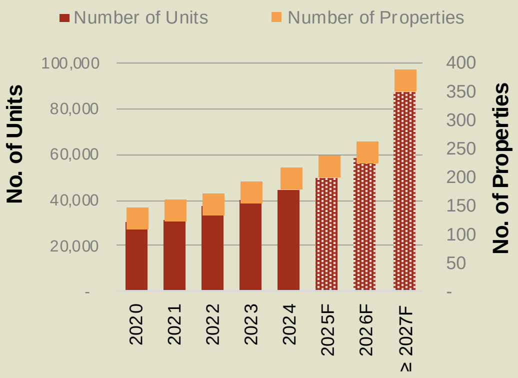
Emerging markets, encompassing Vietnam, Thailand, Philippines, Malaysia, and Indonesia, have blossomed into global hotspots for branded residences. Due to comparatively more affordable prices and higher growth prospects, properties in these destinations appeal to international investors seeking secondary homes. Knight Frank estimates the average proportion of foreign buyers of such projects in Vietnam and Thailand to be 15% in 2024, up from 10% in 2019.

Another primary factor behind the surging demand for these exclusive properties can be attributed to the rapid growth of the local UHNWI population. According to Knight Frank, the current count of almost 18,000 UHNWIs in these countries is projected to reach slightly over 25,000 by 2028, reflecting an impressive 45.2% growth rate that surpasses the Asia-Pacific average of 37.3%. According to Knight Frank, the current count of almost 18,000 UHNWIs in these countries is projected to reach slightly over 25,000 by 2028, reflecting an impressive 45.2% growth rate that surpasses the Asia-Pacific average of 37.3%.

Strong economic performance (Figure 4), bolstered by stable business environments and advantageous taxation frameworks, has also significantly contributed to attracting wealthy individuals to establish their businesses in these emerging markets, further stimulating growth in various sectors, including luxury real estate.

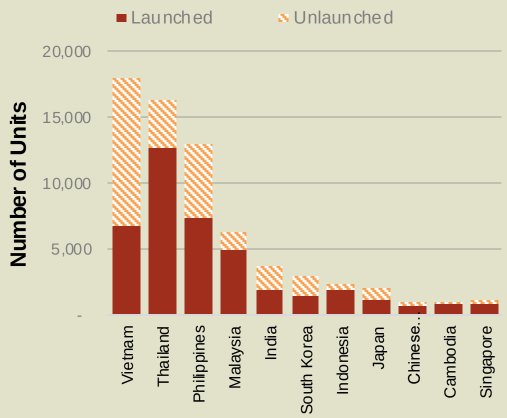
The multifaceted nature of branded residential developments, encompassing a variety of locations, types, brands, and designs, remains a key attraction for this distinct property category. This rich assortment, combined with the dependability, exclusivity, and security they guarantee, play a vital role in upholding the sector's thriving growth trajectory.

Figure 31: Branded residences schemes to double its presence by 2030



Note: The number of properties and units indicated above encompasses completed and pipeline projects
Source: C9 Hotel Works Market Research (December 2024), Knight Frank Research

Figure 32: Emerging markets emerged as a global hotspot for branded residence



Source: C9 Hotel Works Market Research (December 2024), Knight Frank Research

5.5 **Increasingly for homebuyers, prime will also mean green**

The global emphasis on sustainability is significantly influencing the real estate sector, with an increasing number of homebuyers expressing a preference for environmentally friendly homes and prioritising sustainable construction practices in their property search. As our Knight Frank Next Gen Survey 2024 pointed out, an average of 75% of UHNWIs respondents indicated that they are trying to reduce their carbon footprint (Figure 33), and this includes home purchases.

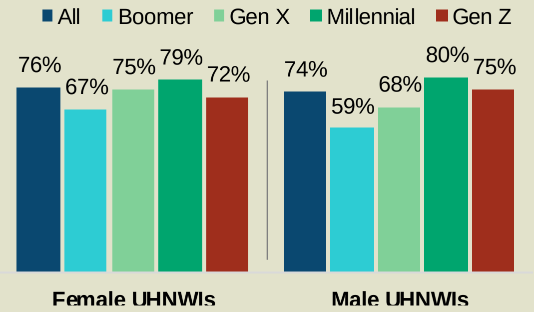
Despite developers' gradual adoption of sustainable construction practices like utilising recycled steel and low-carbon cement due to apprehensions over costs and quality, they are making notable strides in integrating eco-friendly features such as energy efficiency, water conservation, and green spaces into their projects, thereby addressing the growing demand for environmentally conscious living.

A prime example of sustainable development is Singapore's Wallich Residence, which stands out for its integration of recycled concrete and steel, along with Forest Stewardship Council-certified wood. The project has been recognised for its eco-friendly features, earning both the BCA Green Mark (Gold Plus) and BCA Green Mark (Platinum) awards, demonstrating that successful integration of sustainable practices in construction is achievable.

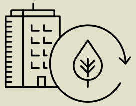
Other than health and lifestyle advantages, and contributing to environmental protection, investing in green homes offers several upsides in terms of financial benefits.

The increasing demand for sustainable homes signifies a transformative shift in the realm of homeownership, becoming increasingly intertwined with environmentally conscious considerations. Developers must recognise that integrating eco-friendly features into residential properties is no longer sufficient and consumers demand a comprehensive approach to sustainability.

Figure 33: Proportion of respondents who say they are trying to reduce their carbon footprint



Source: Knight Frank Next Gen Survey 2024



Long-term Cost Savings

- Green buildings are designed to be more energy and water efficient, which can lead to significant cost savings over time

Higher Value

- Buyers are willing to pay a premium of 3-4% in Singapore, 5-10% in Mumbai and 3% in Malaysia according to BCA, Xynteo, and Life Science Journal
- Some green homes even sell faster

Potential Financial Incentives

- Homeowners with solar photovoltaic systems can receive payments or credits for excess solar-generated electricity supplied back to the power grid in countries like Australia and Singapore

We would love to help you with your real estate strategies, contact us to get the conversation started!

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