Asia Pacific Real Estate Strategic Outlook

Mid-Year 2025

IN A NUTSHELL

- A recovery in investment sentiment, easing monetary conditions and attractive valuations bode well for a potential real estate upcycle in Asia Pacific within the next 6 to 12 months.
- Going forward, supply constraints due to rising construction costs remain critical in limiting future vacancies and driving rental growth across most APAC locations.
- Amid tariff-related macroeconomic uncertainties, we favour assets in locations with less vulnerability to uncertainties in export conditions and instead more exposure to domestic consumption-driven demand.
- We like investments such as Prime Logistics, Offices and Living Sector assets across major cities in Australia, South Korea and parts of Japan underpinned by strong demand-supply fundamentals over the next few years.

1 / Market Outlook

In the first half of 2025, investors focusing on Asia Pacific real estate likely had to navigate through a conflux of macroeconomic events and their implications on real estate markets. With core inflationary pressures mostly under control in the region, the focus have now shifted to President Trump's 'Liberation Day' Tariffs, which at the very least, have negatively impacted business sentiment, particularly among export-oriented locations.

Notwithstanding the multitude of uncertainties involved (centering around final tariff rates imposed by the U.S., counter tariff retaliation and second-order effects on global trade), current consensus among economists is that within Asia Pacific, China and economies reliant on U.S. trade (notably Vietnam) or global trade (for instance Singapore) face the highest downside risks to economic growth. Our economist team now expects China's GDP growth to come in at 4.0% and 3.8% respectively in 2025 and 2026, though any breakthrough in tariff negotiations could provide upside growth potential tampered with less fiscal stimulus support.

The immediate impact of the trade tariffs on regional real estate markets remains challenging to quantify. A rush for stockpiling of goods before the tariff deadlines is already underway, while business sentiment is likely to remain negative for now which could affect current occupier demand with business expansion plans put on hold.

Industrial locations with heavy exposure to specific tariff-hit sectors such as automobiles and pharmaceuticals could also see a decline in leasing activity though majority of the logistics markets across the region are likely more reliant on less volatile domestic consumption. Nonetheless, drawing inference from recent REIT market performance across Japan, Australia and South Korea – which shows positive capital returns of 1.5% to 3.5%[1] since Liberation Day – suggest markets are currently pricing in limited impact on regional real estate.

Easing monetary conditions continues to act as a tailwind for real estate. Over the past six months, 3-year swap rates in Australia and South Korea have eased by 40-50 basis points, mirroring the magnitude of rate cuts by the respective central banks. With market expectations for key policy rates in these two countries to fall another 55-60 basis points by the end of next year[2], this should underpin improving real estate liquidity and valuations. While Japan remains the notable outlier with its interest rate normalization policy, the Bank of Japan is expected to remain cautious and impose nil or minimal rate hikes within the next 12 months or so, which should minimize the impact on the domestic real estate market.

On the investment front, income-producing real estate transaction volumes in Asia Pacific continued to stabilize with volumes hovering above the US$35 billion level[3] in recent quarters. A divergence can be observed with investors retreating from the Mainland China and Hong Kong markets, volumes in Japan remained stable while Australia continued to benefit from recovering sentiment with rolling 12-month volumes up 35%[3] during the first quarter of 2025.

Meanwhile, the trend of asset repricing (outside Greater China) appears to be nearing a turning point, as evidenced by the recent stabilization of yields. Australia led the recent yield expansion cycle as prime office and logistics yields climbed by 180 to 200 bps since end-2021, with industrial yields starting to compress in recent quarters, while the pace of office yield expansion slowed significantly. Office yields across Japan, South Korea and Singapore have also remained stable during the same period. However, valuation-based signals, which often lag behind transaction pricing, remain unclear as net total returns (in local currency terms) for ANREV's ODCE Index slipped back into negative territory in Q1, its sixth loss in eight quarters, indicating that regional valuations remain under pressure.

Grade A office yields in Sydney and Melbourne currently stand at 6.8%-7.0%[4], the highest levels in a decade, drawing the attention of investors, acquiring CBD assets at prices up to 25% below their peak value. Similarly in Seoul, market yields for prime office and logistics have increased by 100 bps during the same period, reflecting price corrections of 10%-20% from the peak. Capital values and yields in Japan has been relatively stable, while asset repricing in Singapore has also been more limited due to the low market leverage, strong landlord balance sheets, as well as an active presence of both domestic and foreign investors.

Sector Outlook

Office: Rental performance continued to diverge across Asia Pacific over the past six months. Rents in Singapore continued to climb to their highest levels since the GFC (Global financial crisis), but the pace of growth slowed as economic uncertainties rose. Leasing demand in Japan remained robust, supported by strong economic and labour market conditions, while Seoul continued to see strong leasing demand from the vibrant technology industry which underpinned rental growth amid vacancy levels below 4%.

On the other side, overall office vacancy levels in Australia remained elevated near 13% in Sydney and 18% in Melbourne, while net absorption remained negative particularly for lower grade buildings. Leasing activity remains concentrated in premium grade assets, where net absorption and vacancy levels have outperformed other assets. Office markets in China

[1] TSE REIT Index; S&P/ASX 200 A-REIT Index; KRX REITs Top 10 Index, as of 28 May 2025
[2] Bloomberg data, as of 28 May 2025
[3] MSCI-RCA data, as of May 2025
[4] Colliers data, as of May 2025

and Hong Kong remain under significant headwinds from tough macroeconomic conditions and high pipeline supply, with further rental declines expected to add on the high single digit to double digit rental declines seen in 2024.

Occupier demand remain skewed towards higher specification buildings in core locations, as employers prioritize workplace sustainability and talent attraction as a focal point for their leasing requirements. Over the next few years, new office supply levels are likely to fall below historical averages, partly constrained by rising construction costs. The trimmed supply pipeline should help support rental growth and occupancy levels, particularly for higher quality developments.

Industrial: Logistics leasing demand in Asia Pacific showed signs of resilience in the first quarter of 2025, with quarterly net absorption in first tier cities in APAC reaching its highest level of 1.2 million sqm since late 2023.[5] In Australia, healthy occupier demand saw the national vacancy rate stabilise at 2.9%[6] in the same period – unchanged for two quarters after climbing from record lows in 2023. Despite an uptick in vacancy, leasing demand in Greater Tokyo and Seoul remains robust driven by e-commerce and third-party logistics players.

On the demand side, logistics facilities catering to domestic demand should see relatively resilient leasing activities. The supply outlook is more positive with a subdued pipeline expected as rising construction costs pressure project feasibility and lead to supply cancellations especially for speculative projects with no tenant pre-commitment. While rental growth is likely to remain relatively subdued this year, we expect rents to pick up strongly across most markets from 2026 onwards, particularly in future supply-constrained markets such as Japan and South Korea where high construction costs and breakeven rents for new developments could exert strong upward pressures on logistics market rents.

Retail: Recent conditions across the APAC retail sector appear mixed as landlords navigate through changing consumer spending patterns amid rising caution over discretionary spending. Nonetheless, prime locations continue to attract international brands, with high street locations in Tokyo attracting robust demand, while retail operating conditions in Mainland China and Hong Kong remain challenging with weak retail sales and consumer sentiment. With rising concerns over consumer affordability, retail consolidations and closures are increasingly commonplace as retailers focus on value offerings and store optimization.

We believe the retail sector could offer selective tenant repositioning or asset conversion value-add opportunities, but a strong turnaround remains unlikely considering structural and cyclical headwinds such as rising ecommerce sales, higher cost-of-living and operational costs for retailers, which could constrain rental growth prospects over the medium-term.

Residential: Positive rental growth trends can be observed across institutionalized residential assets in major Japanese and Australian cities, underpinned by structural demographic factors such as population growth through overseas or domestic migration inflows, stronger rental relative to home ownership affordability and a shortfall of adequate housing supply. In Australia, where the vacancy rate sits below 2%, nationwide housing rents registered a 4.1% y-o-y increase in early June 2025[7], albeit moderating from the double-digit growth experienced over the past couple of years. Investors remain keen on exploring investments into Build-to-Rent (BTR) developments with rental demand driven by elevated housing prices and low mortgage affordability, while limited new housing supply has been hampered further by rising construction costs and high interest rates.

Japan's residential market remained buoyant, driven by ongoing urbanization, positive domestic net migration, healthy wage growth as well as rising household formation around major city centres. Residential rents in Tokyo and Osaka have benefited

[5] JLL Research, as of Q1 2025
[6] Colliers Research, as of May 2025.
[7] SQM Research, as of 4 June 2025

from strong rental growth since 2023, averaging 5.5%-6% annually. Low vacancy levels and constrained condominium supply arising from elevated construction costs should also help sustain rental growth of around 3% per annum.

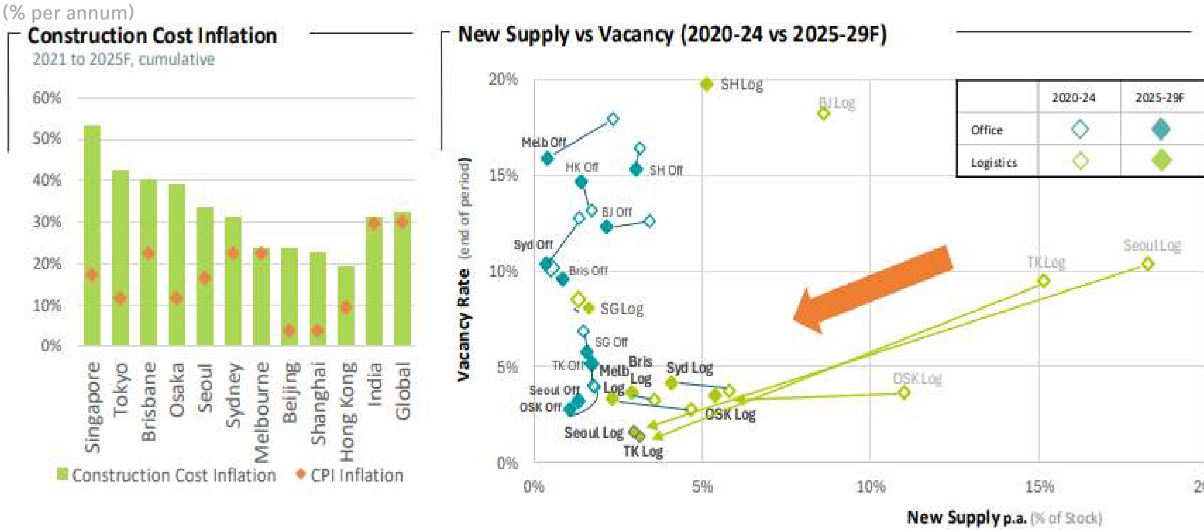
Supply Outlook

Before diving into our Houseview Forecasts in the next section, let's examine an important factor driving our rental growth assumptions – rising construction costs in recent years and its impact on future supply. Undoubtedly, this is not a new phenomenon given that any keen observer would have likely been aware of rising input costs pushing up development costs. Nonetheless, the associated impact is likely understated. Compared to 2020, general construction costs are expected to rise 30-40% by the end of this year across most APAC markets outside Greater China (far outpacing CPI inflation), pressuring the economic feasibility of new developments where a significant markup on prevailing market rents is required. With a typical project development timeline spanning 2-3 years, this suggest the pullback in new supply should occur within the near future. This is already happening – in Australia, new CBD office supply is expected to average approximately 260 thousand sqm over the next two years[8], falling 60% below the 10-year historical average, which should help tighten vacancy levels. Across Northeast Asia, the logistics markets in Greater Tokyo, Osaka and Seoul have experienced a significant supply wave in the past few years which drove vacancy rates upwards. However, project cancellations have been increasingly commonplace nowadays due to rising costs, which should significantly curtail new supply over the next few years.

We expect the fall in supply levels to boost occupancy levels and drive rental growth across the residential and commercial sectors. In particular, the logistics sector is one of the biggest beneficiaries, given the lower proportion of land costs (and conversely higher proportion of construction costs) relative to other sectors. Across markets supported by a strong demand profile – notably the logistics markets in Japan and South Korea, we expect a sharp improvement in vacancy levels over the next few years on the back of strong occupier demand and significantly reduced supply pipeline.

Exhibit 1: APAC - New Supply Constraints on the back of rising Construction Costs

(% per annum)



F = Forecast. There is no guarantee the forecasts shown will materialize.
Source: DWS, Turner & Townsend, Colliers, JLL, CBRE, R Square. As of June 2025.

[8] PCA Office Market Report, January 2025

2 / Houseview Forecasts

Rental Growth

Looking ahead on a five-year forecast period, we maintain our conviction for favourable rental outlook across the Logistics, Office and Residential markets although a divergence in performance among locations is expected. We expect major Tier 1 cities in India to lead the way with annual rental growth of 5-6% – underpinned by rapidly growing services and consumption growth. On the opposite end, landlords in Chinese Tier 1 cities will likely face weak, even negative rental growth prospects amid broad deflationary pressures, significant supply pressures and rising vacancies.

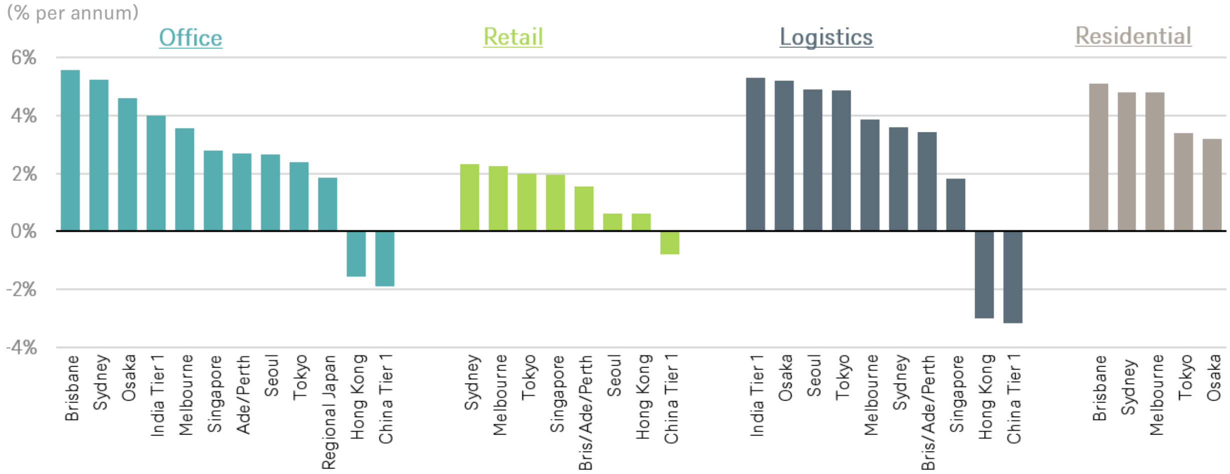
Across the developed APAC economies, we think select office and logistics markets could outperform. In Northeast Asia, despite current supply weakness, we retain our contrarian call for a strong turnaround in Logistics rents across Greater Tokyo, Osaka and Seoul from 2026 onwards. Demand-supply fundamentals is likely to turn more landlord favourable, driving strong rental growth of over 5% per annum over the next five years in these markets.

In Australia, we expect healthy rental growth across the office/logistics/residential sectors, supported by strong migration inflows as well as limited supply pipelines. We see Sydney and Brisbane as beneficiaries of stronger office occupier demand which should help drive growth in face rents and lower incentive levels, while strong tailwinds in the residential sector could drive rental growth of 5% p.a. over the next few years.

The outlook for regional retail rental growth generally remains subdued with rising cost-of-living pressures amid a competitive retail landscape. Certain niche locations such as prime high street retail underpinned by high tourist footfalls could command higher growth compared to prime shopping malls, however asset-level performance is likely to diverge significantly.

Exhibit 2: Net Effective Rental Growth Forecasts (2025-2029F)

(% per annum)



Note: Figures shown are on net effective basis after factoring incentives. China Tier 1: Beijing/Shanghai/Guangzhou; Regional Japan: Nagoya/Yokohama/Fukuoka; India Tier 1: Mumbai/Bangalore/Delhi. There is no guarantee the forecasts shown will materialize.
Source: DWS. As of June 2025.

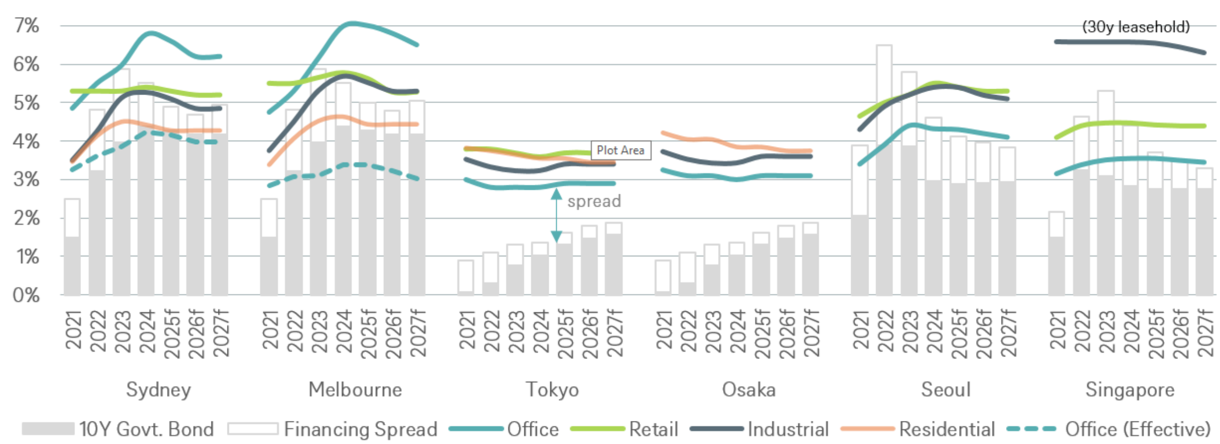
Cap Rates

Following a price correction cycle lasting 2-3 years, regional cap rates are likely to find support from the easing stance of central banks with further rates cuts ahead. We believe yields have peaked in most APAC markets outside Japan and China, with room for compression ahead as investors begin deploying capital back into real estate with support from lower financing costs and more attractive valuations. However, the magnitude will likely vary, with a stronger 'rebound effect' in markets such as Australia and South Korea where the yield expansion in previous years has been higher. These locations could potentially see sharper yield declines of up to 50 bps over the next five years – still this represents a small proportion of peak-to-trough yield movements in the recent cycle.

In Japan, there are investor concerns over rising government bond yields, though general market expectations are for limited rate hikes in the near term. While cap rates could move out slightly by 10-15 bps in 2025, we do not expect further movements from next year onwards (barring any significant interest rate hikes from the Bank of Japan). With positive rental growth expectations, any significant asset repricing is unlikely to occur over the next two years, although weaker assets in secondary locations could still see a pricing correction.

Given the elevated volatility in financial markets and distortions arising from rising geopolitics and policy uncertainties particularly from the U.S, arriving at the appropriate long-term risk-free rates with high confidence levels is a challenging task. Nonetheless, we believe a sensible projection for yield spreads and cap rates going forward would be a moderate, but not overly strong yield compression over the coming years.

Exhibit 3: NOI Yields vs Bond Yields



f=forecast. There is no guarantee the forecasts shown will materialize
Source: DWS, JLL, Colliers, Miki Shoji, Oxford Economics. As of June 2025.

Total Returns

Combining our house view rental growth and yield forecasts over the next five years, we retain our expectations for real estate returns to be predominantly driven by income yields and rental growth, while a mild cap rate compression cycle forms a smaller factor particularly across Japan and China. In the event monetary policies in the APAC region ease at a faster and more aggressive manner, this could provide an upside for cap rate compression and correspondingly total returns.

Given the varied economic and real estate market conditions across Asia Pacific, a divergence in returns outlook is not unexpected, with India leading the region backed by strong structural demand tailwinds while China continue to languish on poor demand-supply fundamentals.

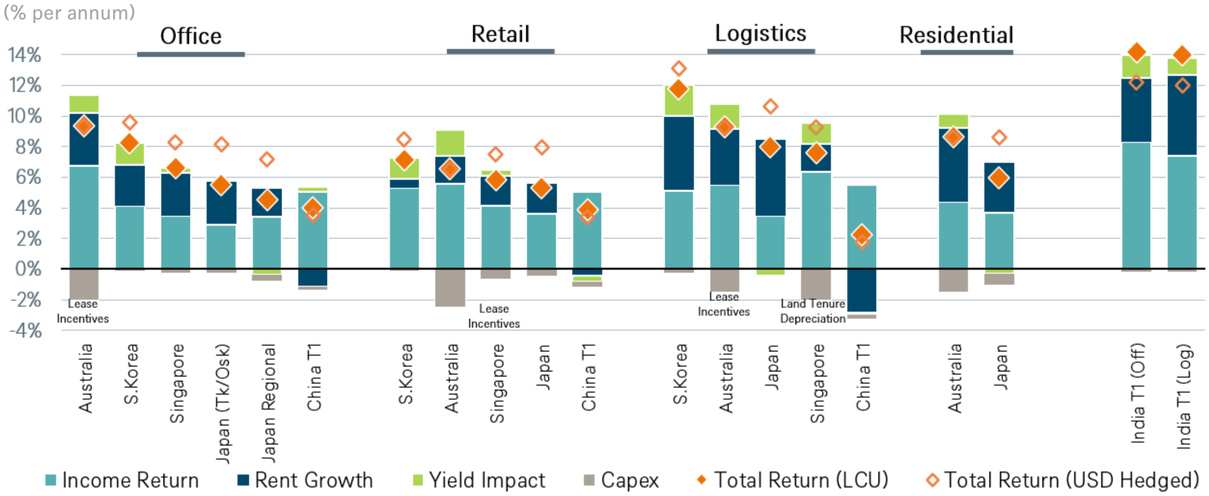
Logistics assets in general should continue to perform well, apart from India we expect to see strong returns in South Korea and Australia driven by high income yields and rental growth as vacancy levels ease, with unlevered total returns expected to range from 9%-14% per annum. Institutional residential assets could also perform strongly in Australia (BTR) with annual returns close to 9%.

The office sector should see a wider divergence in returns performance across major APAC cities. Behind India, we think Australia and South Korea could do well, led by Sydney, Brisbane and Seoul where returns look more attractive following a period of repricing with a potential recovery in asset values over the next 1-2 years. In Japan, we expect Osaka to outperform Tokyo and other regional cities, backed by limited supply and healthy rental growth outlook.

At the same time, as global occupiers and investors increasingly shift their targets towards high quality, ESG compliant assets, we believe owners of non-prime stock with high capital expenditure requirements could increasingly look towards divestment and recycle capital into the prime space. This will likely widen the pricing gap and returns performance between older lower quality buildings and newer prime assets with high ESG credentials.

Exhibit 4: APAC Total Return Forecasts, (2025-2029F, Unlevered)

(% per annum)



F = Forecast. LCU refers to local currency returns. Country returns refer to projected market returns calculated on unlevered property-level basis and are stock-weighted based on the following city-level data: Japan – Tokyo (All sectors), Osaka/Yokohama/Nagoya/Fukuoka (Office); Australia – Sydney/Melbourne/Brisbane/Perth/Adelaide; China T1 – Beijing/Shanghai; South Korea – Seoul, India T1 – Mumbai/Delhi/Bangalore. USD Hedged Returns are calculated based on 5-year interest rate swaps. There is no guarantee the forecasts shown will materialize. Source: DWS. As of June 2025.

3 / Investment Strategy

APAC Living Sector

While still at a nascent stage compared to the U.S. and Europe, the living sector in Asia Pacific continues to gather momentum among investors looking for assets with defensive attributes and increased diversification from the office and industrial sectors. Investment volumes in the APAC living sector have consistently maintained around the US$10 billion level over the past few years, constituting a higher 6%-8% of total transaction volumes compared to 4%-5% levels a decade ago.

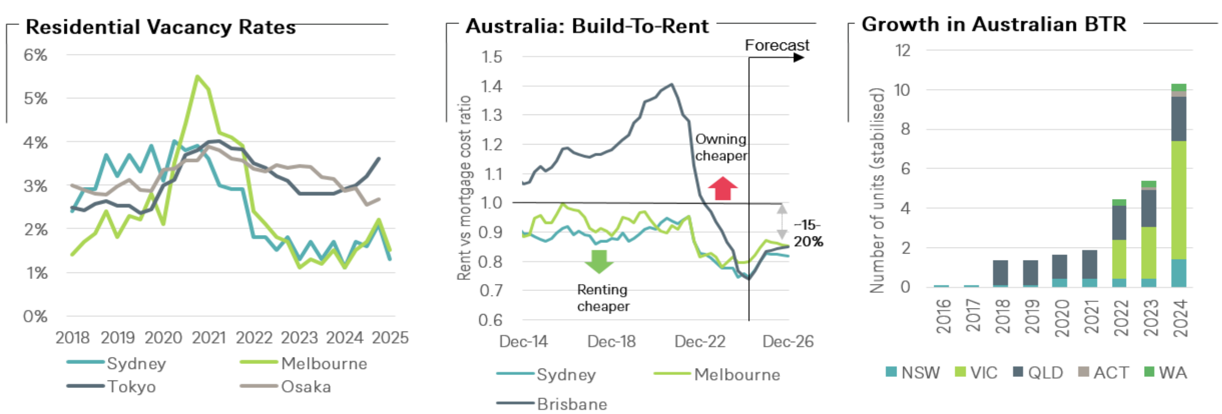
In particular, the underlying tailwinds underpinning the Australia Build-To-Rent sector continue to persist: 1) The ongoing housing shortage with tight national vacancy rates of less than 2%; 2) Strong population growth underpinned by continued net overseas migration in major Australian cities; 3) Sustained supply constraints arising from escalated construction costs and tight labour conditions; 4) Superior affordability of renting versus mortgage due to elevated housing prices. This is expected to underpin demand for the emerging BTR sector which constitutes only a small portion of overall housing supply.

Moreover, the recent Labor Party election win in May 2025 combined with enhanced tax concessions (including a reduction in foreign MIT withholding tax from 30% to 15% for new Residential BTR projects) provide positive drivers for further investments into the sector[9]. Our belief is that the sector's fundamentals are strong enough to support annual rental growth of close to 5% over the next few years, with certain submarkets able to command higher-than-average growth (across Sydney, Melbourne and Brisbane)

With rental growth being a key driver of returns, we believe that investment managers can generate alpha by being able to successfully identify under-the-radar submarkets with significant rental growth prospects and develop the appropriate asset mix targeted at the precinct-level population catchment. Deep local market research, investment and asset management expertise are highly critical for a successful project development and execution.

Broadly we like investment opportunities involving BTR apartment projects offering essential amenities located in emerging CBD locations in the capital cities of Sydney, Melbourne and Brisbane with key commuter rail lines with strong population growth, particularly districts with tight vacancies and a larger proportion of younger and higher income renters, to capitalise on the strong rental growth prospects.

Exhibit 5: APAC Living – Fundamentals remain strong



Source: DWS, CBRE, CBA, SQM Research, ARES, Australia Bureau of Statistics, LMC, Franklin Street/EY (Cumulative) As of June 2025.

[9] See DWS report 'Political stability in Australia bodes well for BTR' dated May 2025 for more details

APAC Logistics

Notwithstanding current tariff-related concerns over the strength of logistics demand, we remain positive on the sector. Structural drivers for modern warehousing needs across Asia Pacific remain intact – underpinned by unabated e-commerce growth, upgrading demand from older obsolete warehouses and increased nearshoring practices as diversification of supply chains takes place while the availability of Grade A quality warehouses remain low.

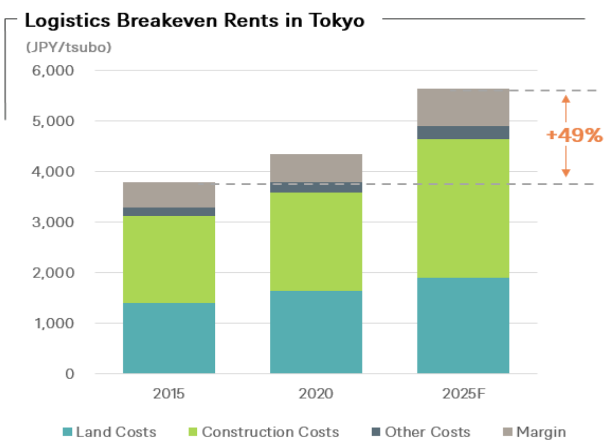
Elaborating further on the supply tailwind front, rising construction costs which constitute a significant 60%-70% of total development costs have led to a surge in breakeven rents for new logistics developments – about 30%-35% higher in Tokyo and Seoul compared to five years ago[10]. Hence new project cancellations have been gaining momentum – incoming supply across Greater Tokyo and Seoul is expected to plunge from near 20% of total stock in 2022-2023 to low single digit figures by 2026, creating a supply shortfall over the next few years, supporting occupancy levels and rental growth.

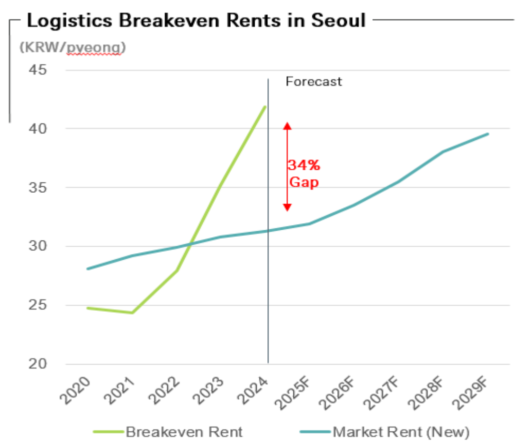
To minimise the impact of tariff-related risks, asset and location selection would be highly critical at this juncture. Our preference is to avoid export-oriented locations and focus on modern logistics assets located in regional transport hubs or urban infill markets close to population catchment catering to domestic demand. Greater Seoul is a good example where only 6% of logistics demand is driven by manufacturing tenants, with the remaining 94% comprising third party logistics providers, E-commerce and other tenants that are mainly focused on domestic consumption. Investors should avoid the cold warehouse space in South Korea which faces excessive speculative supply and focus on the dry storage segment.

We also favour Australia Logistics for the tight vacancy levels driving rental growth, as well as low dependency on exports to U.S. The low availability of warehouses with cold storage capabilities underpinned by growing fresh food consumption may also present selective investment opportunities.

With income yields at attractive levels of around 5.5%- 6.0%, we expect to see good entry opportunities in the Greater Seoul and major Australian cities (Sydney, Melbourne, Brisbane) within the next 6-12 months with the potential for future cap rate compression as monetary conditions ease. We also like prime logistics in Japan (Tokyo, Osaka, Fukuoka) with rental growth and limited cap rate expansion driving capital value growth.

Exhibit 6: Logistics Development Costs and Breakeven Rents in Tokyo and Seoul





F = forecast. Projected returns are based on compounded basis There is no guarantee the forecasts shown will materialize.
Source: DWS, WeFunding, CBRE, R Square. As of June 2025.

[10] DWS estimates from MOLIT statistics, as of May 2025

APAC Office Sector

Despite investors' concerns about the office as a global asset class, high utilisation levels continue to support occupier demand across major APAC office markets, including most Australia cities where workers have increasingly returned to office workplaces – in stark contrast to the dismal attendances during the immediate aftermath of the COVID lockdowns. Supply pipeline is largely limited due to rising construction costs and high breakeven rents – as outlined in Supply Outlook on page 4.

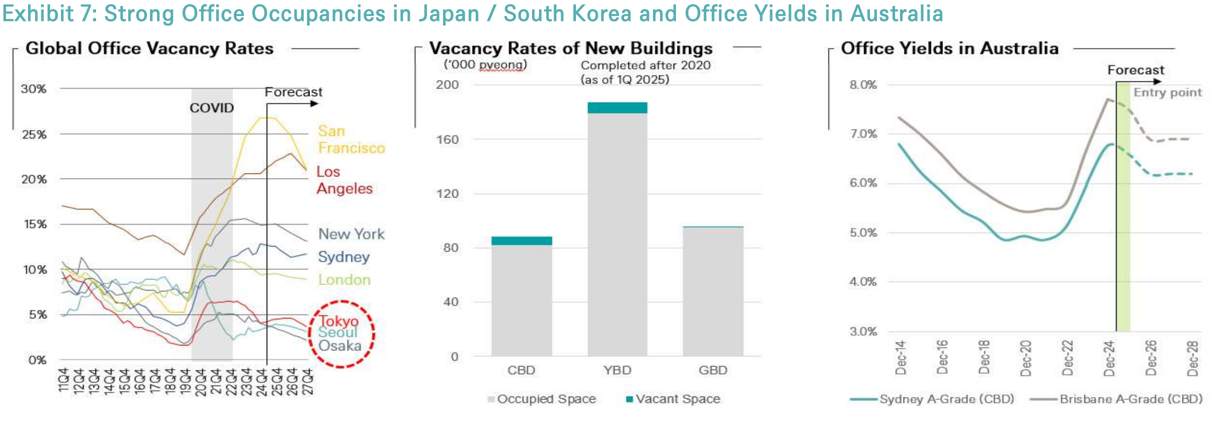
In Osaka, strong occupier demand helped absorb majority of the recent supply wave seen in 2022 and 2024, keeping vacancy levels below 5% despite increases. Following a multi-year rental downturn since the pandemic, we expect the strong rental recovery which started in 2024 to continue, underpinned by a light supply pipeline which should lead to tight low single digit vacancy levels over the next few years. Similarly, Seoul's office market stands out with its low vacancy rate, driven by limited supply and strong leasing demand from the ICT industries. The occupancy profile in newly completed offices paints an even stronger picture, with buildings completed after 2020 showing tight vacancy levels of only 1-2%.

In Australia, notwithstanding rising vacancies over the past few years, net absorption for premium grade assets has been steadily positive while demand for secondary grade buildings continued to contract. We favour the Sydney and Brisbane office markets for their stronger occupier profile and lower vacancy levels (relative to other Australian cities) which should benefit from recovering occupancy levels on the back of limited supply pipeline. High precommitment levels for new supply over the next two years (Sydney: 50%; Brisbane: 68%)[11] reinforce the underlying strength in occupier demand.

The recent price correction of 20%-25%[12] from peak pricing in Australia may provide a great entry point for investors, as we expect a recovery in capital values driven by growth in face rents and mild cap rate compression over the next few years. With Grade A CBD office yields approaching attractive levels of 6.8% and 7.7% respectively in Sydney and Brisbane (a full expansion of 200-230 bps from trough levels)[12], and prices potentially bottoming out, this provides tactical buying opportunities.

In addition, easing financing costs following benchmark interest rate cuts in Australia and South Korea should provide a boost for investors, with negative carry conditions in the past few years now reversing (already turned positive in Australia) which should improve investment appetite. Across these office markets, we favour high grade office assets in core locations with good transportation links, particularly developments with ESG credentials and amenities which appeal to the younger Millennial and Gen Z employees.

Exhibit 7: Strong Office Occupancies in Japan / South Korea and Office Yields in Australia



F = Forecast. There is no guarantee the forecasts shown will materialize
Source: DWS, Sanko, JLL, CBRE, Colliers, Property Council of Australia, PMA, Genstar Mate. As of June 2025

[11] PCA Office Market Report, January 2025
[12] Colliers Research, May 2025

APAC Active Management

Amid intense competition and compressed investment returns, investors are increasingly exploring new sectors to capture higher yields and align with long-term mega-trends. Notably, many of these sectors involve operational real estate that requires specialized asset management expertise, experienced local partnerships, and well-crafted investment strategies for successful exits in nascent markets with limited track records.

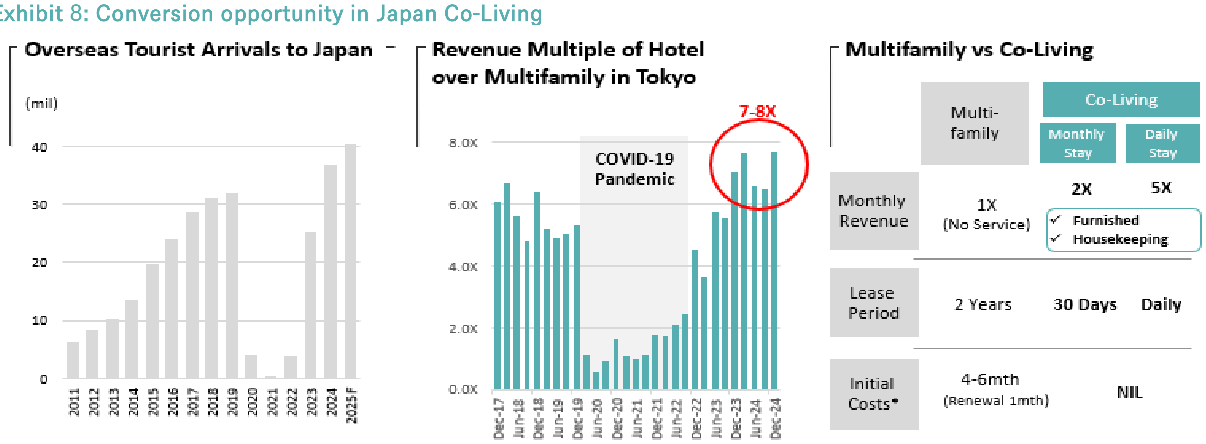
Among these, the co-living sector is gaining significant traction across several APAC markets, underpinned by surging rental affordability and growing demand for flexible living solutions from younger generations and international digital nomads. Co-living offers furnished, high-quality rental units for short- to long-term stays, often bundled with value-added services such as housekeeping, co-working areas, communal lounges, fitness centers, and even cinemas. Unlike traditional shared housing, co-living models emphasize privacy while fostering community as a key draw for young professionals, and individuals seeking a social or international network. From an investment standpoint, co-living assets tend to generate stronger operating revenues than conventional multifamily properties. They offer tenants affordable and flexible accommodation, eliminating upfront lump-sum costs and long-term lease commitments – particularly appealing in urban centers with high living costs.

Japan is uniquely positioned as a leading APAC market for co-living and short-stay expansion. The country offers high rental affordability, a well-established residential market, and–critically–a surge in inbound tourism. Overseas visitor arrivals reached 37 million in 2024 and are expected to rise to 40 million in 2025, nearly one-third of Japan's population. In Tokyo and Osaka, the average daily room rate (ADR) for hotels have nearly doubled compared to pre-COVID levels as of December 2024, prompting many visitors to seek alternative, mid-term housing solutions. Hotel revenues now exceed multifamily rents by 7 to 8 times on a monthly basis, even as multifamily rents themselves have risen by 30–50% over the past five years.

This dynamic creates compelling income-enhancement opportunities for investors through the conversion of well-maintained residential assets into operational co-living spaces with moderate capital expenditure. In particular, the Japanese market offers untapped potential, as many existing co-living or short-stay formats tend to lack communal spaces or extra services. Despite challenges such as regulatory constraints and a lack of market benchmarks, early movers stand to benefit from a supply-demand imbalance in favour of landlords and shifting tenant preferences.

Co-living is also seeing rising interest in other dense urban markets like Seoul, Singapore, and Hong Kong, where surging housing prices and limited flexible living options are driving demand. However, the rental premiums for short-stay and key leasing drivers varies by market, depending on local regulation, demographic profiles, and the maturity of the rental ecosystem.

Exhibit 8: Conversion opportunity in Japan Co-Living



*Initial costs for tenants covering guarantor, brokerage fee, Thank you money, deposit, restoration fee
Source: DWS, JNTO, STR, Ken Tokyo Hotel Kai. As of June 2025.

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