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NEWSLETTER TEXT [max 170 characters]

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Real Estate Strategic Outlook: Australia

Australia's rate cut cycle to accelerate

Shorter, sharper rate cut cycle expected over 2025

The Reserve Bank of Australia (RBA) has begun policy easing, with back-to-back rate cuts from 4.35% to 3.85% over the past six months, US Tariff hikes look to weigh on short term economic growth expectations, with further rate cuts anticipated. Headline inflation remained stable at 2.4% (March 2025), with a notable improvement in the services segment. Economic growth has begun to improve, though reliant on public spend and population growth. The direct impact of US Tariffs on the Australian economy is expected to be limited, largely offset by a weaker AUD and positive Chinese policy, supporting export demand. However a slowdown in global economies has led economists to marginally revise down Australia's economic growth for 2025, noting a slower than anticipated rebound in private consumption. The market and major banks are now pricing in a further 50 basis points of rate cuts over the remainder of the year.

Capital markets to benefit from improved borrowing costs

Transaction activity continues to improve, with rate cuts to drive momentum. All sectors experienced year-on-year growth in transaction volumes over Q1 2025, with notable improvements in the retail and hotel sectors. Foreign capital has become increasingly interested in the office sector, particularly Sydney where attractive discounts to book value provides the potential for core+ returns at a core risk profile. Transaction yields have now stabilised in most office markets, presenting a buy opportunity, while industrial yields have begun to compress in Sydney and Brisbane. Lending conditions have improved, with short term swap rates 50 basis points lower than six months ago, though margins have slightly increased. Further declines in borrowing costs should support market liquidity and moderate yield compression.

Residential: Supportive legislation to underpin BTR growth

Australia's Build-To-Rent (BTR) sector has experienced growth, though broader supply challenges remain. The BTR sector has **seen** a doubling of its operational capacity to 10,276 units over the past year, however this remains a small portion of required supply, with dwelling completions lagging annual supply requirements by more than 60% (Dec 24). The government has become increasingly supportive of BTR, with recently legislated enhanced tax concessions to stimulate investment and development activity, while the national rental vacancy rate remains tight sub 2%. Interest rate declines have led to a re-acceleration of property prices, with an expansion of the 5% first home buyer scheme likely to widen the gap between the cost of servicing a mortgage vs rental payments. Personal tax cuts, minimum wage increases

and a boost to rental assistance payments should continue to support underlying growth in rents. **We continue to favour 'essential living' BTR products, along key commuter rail lines and emerging CBD hubs, particularly in Western Sydney.**

Logistics: Infill and Cold storage more favourable

A slowdown in the industrial market, places greater emphasis on asset and sub-market selection. Weaker household consumption continues to weigh on leasing demand, though lower interest rates should provide some relief to consumers. Vacancy remains elevated across most markets with higher incentives influencing effective growth, however more resilient within infill locations and the cold storage market. Infill locations remain crucial for reducing last mile transport costs, while the cold storage market benefits from its relative 'non-discretionary' nature with a preference for pre-commitment keeping vacancy low. The cold storage market remains under supplied at 3% of total stock, compared to more mature markets such as South Korea closer to 30%. We anticipate continued growth in online food, domestic consumption and Australia's role in global food production to drive underlying demand. The outlook for supply is largely concentrated in Greenfield locations, however a pivot towards pre-commitment will likely see project timing pushed out.

Office: Higher replacement costs to drive growth in rents

Occupier fundamentals have strengthened, while the supply outlook has moderated. Return to office continues to improve with 'office utilisation' rates sitting at 90% (peak day) of pre covid levels, with the largest improvements in the Sydney and Brisbane markets. Net absorption figures have been mixed, with a preference for newer prime grade assets in core locations, influencing vacancy, incentives & rental performance at a sub-market level. Growth in construction costs, incentive levels and an expansion in yields has led to a 30-40% gap between replacement costs and capital values, which look to weigh on future supply. While we anticipate moderate yield compression, a period of declining vacancy particularly in Sydney and Brisbane likely will warrant upwards pressure on rents to unlock future supply.

Total Return Forecast in Australia, 2025-2029f, p.a.



Source: DWS, June 2025

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Real Estate Strategic Outlook: India

Demographics and Services to drive Growth

Resilient Growth with Inflation Cooling

India's economy is projected to grow at 6.3% in FY2024–25, reflecting resilient domestic consumption and public investment, though tempered by global trade tensions, recent U.S. tariffs, and regional geopolitical concerns. Retail inflation eased to 3.2% in April 2025, the lowest since July 2019, driven by moderating food prices. Since January 2025, the RBI has cut the repo rate **thrice to 5.5%** and adopted an accommodative stance, aiming to bolster growth amid global uncertainties, with inflation projected at 4.0% for FY2025–26.

Logistics: Flight to quality and ESG driven by rising institutional demand

Grade A warehouses in India command significantly higher rents, with ESG-compliant facilities fetching an additional premium due to rising demand for sustainable infrastructure. The share of Grade A warehouse absorption has increased from 50% pre-2021 to over 65% by 2024¹, showing occupiers' preference for quality infrastructure which should continue in the medium term.

Net absorption is projected to remain strong, with vacancy rates anticipated to stay stable as supply aligns with demand in the coming years. Alongside rising land prices and construction costs, this should help underpin healthy rental growth of 5-6% annually while NOI yields are expected to hover around 7-7.5%, making Grade A warehousing attractive for institutional investors.

Office: GCCs continue to drive Demand

Despite global headwinds, India's office market hit record net absorption levels in 2024², fueled by strong demand from global companies expanding their workforce and real estate footprint in the country. Additionally, flex spaces, prominent in gross leasing since the pandemic, will likely boost office market growth by meeting modern business adaptability needs.

Mumbai is expected to maintain low vacancy levels, driven by sustained demand and limited new supply, supporting steady

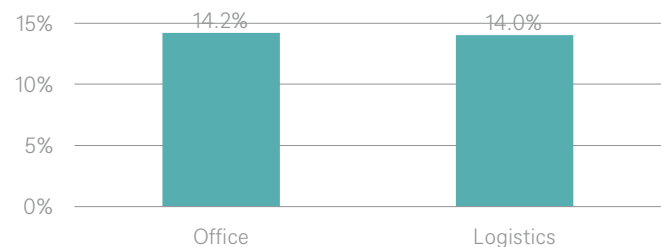
rental growth of 5–6% annually. Bangalore is likely to remain balanced, with moderate vacancy and stable rents, underpinned by a strong IT sector. In the NCR, particularly Gurgaon and Noida, vacancy may remain elevated in the near term due to new completions, but absorption is expected to improve over time. Overall, Grade A/A+ office markets are projected to stabilize, with supply aligning more closely with demand, fostering a healthy and sustainable growth environment.

Data Center: Undersupplied Market, High Return Potential

India contributes 15% of global data traffic but holds only 6% of global data center capacity³, highlighting a significant supply-demand gap. Cushman & Wakefield estimates current capacity at 1 GW, with a 3.3 GW pipeline underway (including under-construction and planned projects), and an additional 2–3 GW needed to meet demand by 2030. This persistent undersupply presents strong return potential though development risks must be carefully managed.

While India real estate may offer the potential for higher returns, investors should pay attention to avoid potential pitfalls through selecting appropriate local partners and carrying out due diligence checks as the market continues to evolve.

Total Return Forecast (2025-2029F) in India Tier 1, p.a.



Source: DWS, June 2025

¹ JLL, January 2025

² JLL, CBRE, Cushman & Wakefield data, 2025

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³ DWS estimates from Care Rating, Biswagner Anarock, May 2024

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Reference to an upcoming election? (For new elections please discuss with marketing)	No
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Alternative Investments mentioned?	Yes
Global Compliance Code	099294_4

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NEWSLETTER TEXT [max 170 characters]

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Real Estate Strategic Outlook: Japan

Tariff headwinds likely to delay rate hike cycle

Economic growth should slow despite the positive wage growth

Japan's real GDP growth is expected to hit 1.0% in 2025 before slowing to 0.7% in 2026. Despite the easing of the tariff war, global trade uncertainties continue to weigh heavily on the country's macroeconomic outlook, amid weakening exports and deteriorating business sentiments. On the positive side, average wage increases of 5.3% among major companies was settled during the 2025 spring negotiations, the highest level in three decades. This structural wage growth offers a potential upside to domestic consumption from the second half of the year, though it may not be sufficient to turn around the gloomy outlook alone.

Given the softening economic signals, the Bank of Japan is increasingly cautious about further rate hikes. The central bank is expected to hold the rate steady or make one more rate hike in the next 12-24 months, contingent on a clearer resolution to global trade policy uncertainties.

Divergence of real estate pricing correction by sector

Income growth will be the key driver in the foreseeable future.

Amid rising interest rates, real estate valuations in Japan have shown diverging trends across sectors based on market fundamentals and investment appetites over the past 12 months, reflecting differing market fundamentals and investment appetite. For example, the logistics sector saw a price correction of 5-10% year-on-year in March 2025 with sharper declines observed in vacant assets located in outer ring areas of the Greater Tokyo market. In contrast, institutional-grade office and residential properties in prime locations demonstrated strong resilience with only marginal value adjustments in the office sector and virtually no evidence in the residential sector despite rising financing costs.

Looking ahead, expectations for further valuation corrections have moderated, suggesting that the price adjustment phase may be nearing completion, if not already concluded. Meanwhile strong rental growth, underpinned by elevated construction costs and limited new supply, is expected to drive returns across all sectors.

Logistics: Soaring development cost

With the surge in construction costs in the last three years, the breakeven rent for new logistics development has increased to 30-35% higher than current market rents. This provides potential for strong rental growth beyond 2027, if the logistics vacancy rate in Greater Tokyo stabilizes from the current elevated level of 10% in March 2025 driven by recent record new supply levels.

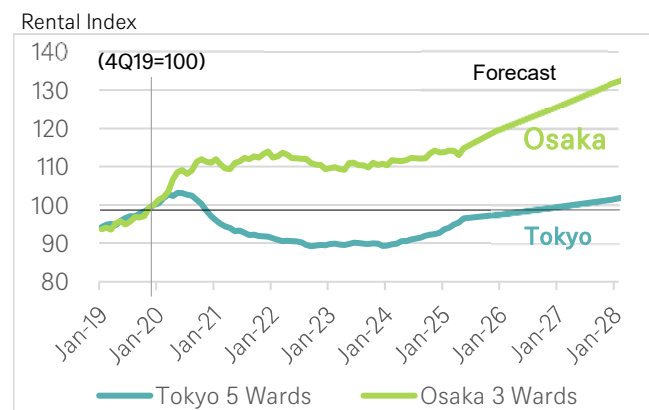
Residential: Strong demand for quality rental houses

The average sales price of for-sale condominiums in Tokyo 23 wards rose to all time high of JPY 110 million (per unit) in the rolling 12-month period to March 2025. This has driven the strong leasing demand for quality rental units, mainly among working couples and professionals who prefer larger spaces for their work-from-home arrangements. As for-sale condo prices remain elevated in Tokyo, demand for rental houses is expected to be resilient.

Office: Osaka leading the market recovery ahead of Tokyo

Osaka's office market demonstrated a strong recovery with the vacancy rate falling below 4% for the first time in five years, despite record new supply in 2024. With limited new developments in the foreseeable future, office rents in Osaka are expected to benefit from healthy growth, in turn driving investment returns.

Grade A Office Rents in Tokyo and Osaka



Source: DWS, Sanko. As of June 2025.

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Real Estate Strategic Outlook: South Korea

Tailwinds from tariff war dragging economic growth

The base rate decreased to 2.5%, with more cuts expected in 2025.

South Korea's real GDP growth is projected to slow to 0.7% in 2025 and 1.8% in 2026¹. "Reciprocal" tariffs introduced after President Trump's inauguration have raised concerns over South Korea's high reliance on global trade and exports to the U.S. While tensions eased with a 90-day negotiation pause and a U.S. court ruling the tariffs illegal, short-term uncertainty remains until a clear policy reversal occurs. A chain of political turbulence including a brief martial law, the incumbent president's impeachment, and a new presidential election on June 2025 have drawn high global attention, though the immediate macroeconomic impact has been limited, supported by resilient capital markets and steady industrial activity.

Amid these concerns and signs of a potential economic slowdown ahead, the Bank of Korea has responded by cutting the base interest rate from 3.0% to 2.5% in the first half of 2025. Further easing is anticipated, with two additional rate cuts expected to bring the rate down to 2.1% by the end of the year¹.

Falling interest rates helped drive the recovery in yield spreads back to positive levels.

Pricing recovery with increasing risk taking appetite by domestic institutional investors.

Despite relatively low levels of transaction closings, commercial real estate pricing saw a modest pricing recovery for the first time in three years. Prices for Grade A office and logistics assets have yet to return to their 2022 peak, while recent transactions of core stabilized assets showed healthy gains of approximately 5–10% from recent market lows.

Institutional investors, who have largely refrained from equity investments over the past 3-4 years, are now showing a greater risk appetite in pursuit of attractive market entry points, as evidenced by the growing number of new domestic investment mandates launched this year. The negative yield spreads between cap rates and borrowing costs seen in previous years has largely normalized, faster than anticipated, thanks to a

sharp decline in borrowing costs from 6.5% at the end of 2022 to below 4% in the first half of 2025. This trend could serve as a further catalyst for mid- to long-term price recovery.

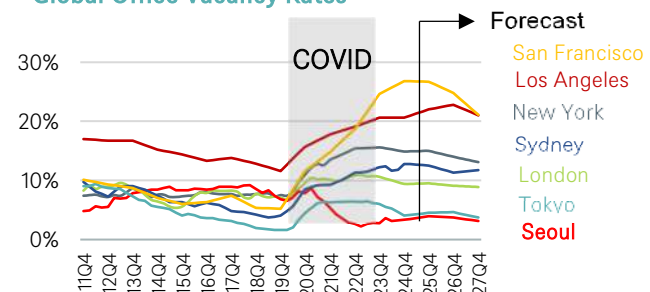
Logistics: Construction cost rises to limit new supply from late 2025

Rising construction costs and tighter construction loan requirements have emerged as major headwinds for logistics developments, driving breakeven rents for new projects to levels approximately 30% higher than current market rents. As a result, new supply is expected to be constrained from the second half of 2025 onward. Should the logistics vacancy rate in Greater Seoul stabilize from its elevated level of over 10% in 2024, robust rental growth is anticipated beyond 2026.

Office: Healthy fundamentals with limited supply.

Seoul continues to stand out as one of the world's most dynamic office markets, despite a modest rise in the vacancy rate from 3.2% in 1Q 2024 to 4.2% in Q1 2025. Leasing momentum has slightly softened, driven by corporate relocations to decentralized areas and reduced hiring by major firms amid concerns over an economic slowdown. Despite some new supply concentrated in the fringe areas of the CBD, future additions to central office stock are expected to remain limited. This supply constraint is likely to support continued healthy rental growth in the core office market.

Global Office Vacancy Rates



Source: DWS, Genstar Mate, Miki Shoji, Colliers, CBRE, PMA. As of June 2025.

¹ Oxford Economics Data, as of May 2025

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