CapitaLand INVESTMENT

APAC Opportunity Map

Private Real Assets Outlook 2026

Executive Summary

With transaction activity normalising after rate tightening at a faster pace than other regions*, APAC is reasserting itself as a key allocation within global real asset portfolios. **The region's 2026 investment case is structural rather than cyclical** – an increasingly important distinction as global growth and policy paths diverge. **CapitaLand Investment (CLI) continues to anchor our APAC allocation thesis on Lodging and Living, Self Storage, Logistics, Real Estate (RE) Private Credit, and opportunistically on Data Centre,** where durable demand drivers differentiate the region from slower-growing developed markets.

Monetary conditions have moved incrementally in the region's favour, reducing rate uncertainty and improving underwriting visibility. At the same time, elevated construction costs have constrained development pipelines across many developed APAC markets.

That said, geopolitics, climate impacts, cyber exposure and uneven macro cycles are identified as key increasingly correlated risks. **In this environment, portfolio construction must prioritise resilience and optionality over precision forecasting.**

We therefore favour **a barbell approach to capital deployment:**

- **Defensive income strategies,** including Core/Core+ RE and income-oriented RE private credit, to provide cash-flow visibility and downside protection; and
- **Secular growth exposures supported by long-duration demand drivers** that are macro-resilient.

Our 2026 base case is for elevated uncertainty without systemic dislocation. Opportunity is more likely to arise from market inefficiencies and capital-structure complexity rather than broad repricing. Platform transactions, recapitalisations, development pauses and bespoke credit solutions will be key investment channels, shaped by diverse regulatory regimes and market dynamics that place a premium on scale and local capabilities.

Against this backdrop, balance-sheet flexibility is becoming a critical differentiator. Asset managers that are able to deploy capital directly through seed investments, warehousing or co-investment structures are better positioned to act on time-sensitive and off-market opportunities, offering investors improved access, greater execution certainty and stronger alignment in complex situations.

CLI Private Funds Leadership

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* Note: APAC 2025 investment volume was US$ 204 billion (14% below 2021 level), compared to Americas at US$ 477 billion (42% below 2021 level) and EMEA at US$ 224 billion (41% below 2021 level). Source: RCA, January 2026.

2026 Top Picks

Our conviction is that APAC's next investment cycle will continue to be shaped by three enduring structural forces – Demographics, Disruption and Digitalisation – creating persistent demand across lodging and living, self storage, logistics, asset-backed private credit and data centres. In a market defined by limited supply, rising replacement costs and capital scarcity, these sectors offer the strongest combination of pricing power, downside protection and long-term growth.

Our primary areas of focus are Lodging and Living, Self Storage, Logistics and RE Private Credit. Sustained travel recovery underpins demand for lodging assets while urbanisation, household formation and ageing population are key growth drivers for modern living solutions. E-commerce penetration, supply-chain reconfiguration and inventory localisation are structurally increasing the need for logistics and storage infrastructure. We are prioritising partnerships with local developers, brownfield conversions in land-constrained markets and selective ground-up development to manage delivery risk while capturing structural growth.

In parallel, we are scaling income-oriented RE private credit strategies to benefit from reduced bank lending and increasing institutional demand for asset-backed income. Leveraging digitalisation trends, Data Centre is pursued selectively in high-growth markets where we have long-standing presence, established local teams, reliable power accessibility and a strong development track record.

			Sector	Geography	Strategy	Execution Angle
Demographics	Ageing population, mobile workforce, shrinking household and house sizes, housing affordability, sustained travel recovery for business and leisure	Key Focus	**LODGING AND LIVING**	• Australia • Japan • Korea • Singapore	• Development-led and conversion-led living strategies targeting affordability and mobility-driven demand • Refurbishing, converting, or rebranding under-utilised lodging assets, targeting both short-stay and long-stay	• Partner with local developer/ operator for Purpose-Built Student Accomodation (PBSA)/ Coliving in Australia • Pursue conversion-led and/ or repositioning coliving, serviced residence (SR) and hotel opportunities in Japan, Korea and Singapore
			SELF STORAGE	• Singapore • Japan • Australia	• Core/ Core+ self storage platforms focused on urban infill	• Prioritise brownfield conversions in land-constraint markets • Differentiate through technology enablement, ancillary services and hybrid operating model
Disruption	Supply chain repositioning	Key Focus	**LOGISTICS**	• Japan • SEA (with a strong focus on Singapore)	• Core+/ Value-add modern logistics aligned with supply chain repositioning	• Combine selective ground-up development with brownfield conversions of modern multi-user, automated logistics facilities to manage supply risk
	Shifts in capital stack, tightening bank liquidity	Key Focus	**RE PRIVATE CREDIT**	• Australia • Korea • Singapore	• Income-oriented RE private credit	• Deploy senior and whole-loan strategies given reduced bank lending • Position products to benefit from insurance and private-wealth allocation
Digitalisation	Accelerating cloud migration and AI-driven compute demand	Tactical	**DATA CENTRE**	• India	• Development-led	• Execute greenfield developments targeting hyperscalers in core growth markets, where we have secured power access, strong local teams and proven development capabilities

Lodging and Living

Scalable Opportunities beyond Traditional Multifamily

- **Lodging and Living are underpinned by stable demand drivers, but capital is rotating beyond core multifamily.** Travel recovery, structural undersupply, urbanisation and demographic inflows continue to support fundamentals, but niche subsectors such as PBSA and coliving are gathering momentum, creating early-cycle opportunities to scale portfolios before return compression sets in.
- **Opportunities are market-specific and strategy-driven.** SRs and hotels in Japan, Korea, Singapore; coliving in Australia, Japan, Singapore and PBSA in Australia and Hong Kong offer differentiated entry points shaped by supply constraints, policy incentives and conversion potential. Meanwhile, Korea coliving is an emerging market though regulatory shifts require monitoring.
- **Global interest in APAC increases liquidity.** As the sector grows, there is increased global institutional interest and there are more exit mechanisms which are strengthening liquidity and reinforcing the investment case for the sector.

The Lodging and Living sector in APAC continues to demonstrate strong momentum underpinned by stable demand drivers. Travel recovery is supporting lodging demand, contributing to improving occupancy and revenue visibility in major APAC gateway cities[1]. Inflows of students and young professionals, ageing demographics and ongoing urbanisation fuel steady occupancy fundamentals across rental housing and student accommodation markets. At the same time, the delivery of new, high-quality stock has not kept pace with demand. Tight vacancy environments continue to support rental growth and pricing uplift and reinforce the sector's resilience through economic cycles.

In view of these favourable fundamentals, APAC hotel investment volume grew 6% year-on-year (YoY), registering US$ 16.1 billion in 2025, with Japan's share at 31%[2]. In the living subsectors, the traditional focus of institutional capital on Japan multifamily has become increasingly competitive, compressing returns. Entry cap rates for core multifamily portfolios in Tokyo and Osaka are now below 3%, while rental growth remains modest, limiting yield upside. Australia's build-to-rent (BTR) sector benefits from strong macro drivers, yet returns remain challenged by elevated development costs and taxation.

A notable shift in 2025 has been the rapid institutionalisation of niche subsectors such as PBSA and coliving. Investor appetite is strengthening as governments across Australia, Japan and Hong Kong recognise the role of these asset classes in addressing housing shortages and support them through incentives, tax reform and more flexible conversion pathways. For example, APAC PBSA investment volume in 2025 was at US$1.5 billion, six times the 2024 figure and twice the historical 5-year average, driven mainly by Australia (84%)[2]. This policy evolution is expanding the investable universe and creating opportunities to scale platforms at an early stage, before broader capital flows compress returns.

Within this context, we identify the following **areas of focus: SRs and hotels in Japan, Korea, Singapore, coliving in Australia, Japan, Singapore, and PBSA in Australia and Hong Kong.** Korea coliving is a market under evaluation.

- **Australia presents a compelling entry point for PBSA and coliving** due to pronounced structural undersupply and consistent international student inflows driven by visa liberalisation and strong university pipelines. Between 2018 and 2025, Sydney and Melbourne PBSA markets experienced cumulative rental growth of 50% and 38%[3] respectively. Prime-location assets achieve stabilised occupancy levels above 95%. Coliving also provides a cost effective solution with flexible leases and fully-furnished accommodation. Conversions of existing assets are possible but often face planning frictions and higher capex requirements, suggesting that **partnering with developers on ground-up projects may offer attractive and predictable risk-adjusted returns**.

- **In Japan, the low interest-rate environment enhances leveraged returns and supports the creation of scalable, aggregated portfolios.** Supported by yen weakness and improved air connectivity, tourism recovery underpins SR and hotel demand[4]. Urban migration trends reinforce demand for small-format rentals and coliving units. In Tokyo central and surrounding wards, residents aged 15-29 – students and young professionals – accounts for more than 100% of the city's net population gains, as other age groups register net outflows[5]. Constrained by elevated construction costs, **SR and hotel investors are increasingly focusing on repositioning existing assets** through rebranding, reflagging and resizing. In parallel, some investors are targeting assets in emerging secondary markets at lower entry prices. National regulatory change is also accelerating the **redevelopment of underutilised assets into living products.**

1. APAC tourist arrivals reached almost 99% of 2019 levels in 2025, the International Air Transportation Association expects APAC air passenger traffic to grow 7.3% in 2026, the highest of any region globally. Source: CBRE – "Asia Pacific Real Estate Market Outlook 2026", January 2026.
2. Source: RCA, January 2026.
3. Source: Knight Frank – "Australia PBSA Update", Q2 2025.
4. Japan Average Daily Rate recorded the highest annual growth (16.9%) in APAC. Source: CBRE - "Asia Pacific Hotel & Hospitality Performance & Outlook", September 2025.
5. Source: UBS – "Is Japan Multifamily Still Attractive?", September 2024.

- **Korea SRs and hotels are supported by diverse business and tourism drivers,** including the Korean Wave, medical tourism and Meetings, Incentives, Conferences, and Exhibitions (MICE) demand. In Seoul, sustained hotel-to-office and residential conversions over the past few years have resulted in a tightening demand-supply balance[6]. Investment activity doubled in 2025[7], alongside increasing divestment of non-core hotel assets by corporates. There have also been hotel acquisitions for coliving purposes. **Korea coliving**, while nascent, is a market we are **monitoring** as the traditional jeonse model[8] erodes. However, the removal of tax benefits for rental business and leverage constraints remain key hurdles. An area of regulatory flexibility arises when coliving concepts operate under hotel licenses, allowing operators to serve both short-stay and long-stay demand.

- **Singapore coliving demands continues to be driven by lifestyle shifts, rising rents and hybrid work patterns,** with foreign tenants accounting for a stable 70-90% of residents and a growing contribution from international students[9]. Investor interest remains robust, with more than S$ 1.4 billion in transactions recorded between 2022 and 2025[9], largely focused on asset conversions in central locations. Operational resilience is underpinned by flexible lease structures, a diversified tenant base and evolving operator models, including a move toward larger, purpose-scaled buildings and asset-light growth through management contracts and platform-led ownership structures.

- **Hong Kong PBSA presents a differentiated but clearly opportunistic strategy** given the current geopolitical and macro uncertainty**.** Underlying demand fundamentals remain compelling: acute housing shortages amid significantly expanding non-local student population. By easing regulatory barriers, government-led initiatives, such as the "Hostels in the City" scheme, further support **conversion-led PBSA strategies,** repositioning underutilised stock. In 3Q 2025, HKD 1.1 billion worth of asset transaction was intended for PBSA conversion, out of the total HKD 2.9 billion lodging and living investment volume in the quarter[10]. While short-term volatility warrants a cautious approach, these supportive demand drivers and policy incentives create opportunities for **attractive returns,** leveraging pricing dislocation and limited existing institutional ownership.

As these subsectors mature, exit pathways are becoming more diversified. For investors, scale is important as larger portfolios benefit from stronger operating margins, lower cost of capital and greater negotiating power. This creates opportunities for value uplift through portfolio aggregation. Structured exits – such as selling minority stakes in stabilised assets or portfolios – are also increasingly viable, enabling sponsors to crystallise gains while long-term investors access stabilised income streams with reduced operational risk. **These signal improving depth and institutional liquidity, where multiple exit routes reinforce the subsectors' attractiveness as a key value-creation strategy.**

Unlocking Value through Targeted Asset Repositioning in Tokyo

Previously owned by CLI's APAC flagship Lodging and Living value add fund, lyf Shibuya in Tokyo is located in a highly accessible urban district characterised by strong corporate and leisure demand, a high concentration of technology firms and start-ups, and dense retail activity. An underperforming local hotel, the asset was acquired at significantly below valuation and replacement cost.

The investment thesis centred on a solid understanding of the market and micro-location by changing the target customers, leading to the repositioning of the property into a coliving format to capture demand from young professionals and short-stay occupiers seeking for flexible, service-oriented accomodation in central Tokyo. Value creation was driven by efficiently recalibrating the space, increasing room inventory, optimising the common areas to improve commercial frontage, and refurbishing rooms and shared spaces into revenue-generating areas. The introduction of new retail tenants and experiential amenities, such as communal kitchens and co-working areas, supported substantially higher pricing and improved operating performance. As a result of the asset strategy and enhancement initiatives, the property topline more than doubled.

The asset was divested within 18 months, generating returns more than double the fund's target. The case illustrates how targeted repositioning of well-located but sub-optimal assets can unlock significant value, when executed with the right strategy, expertise and discipline.

6. Total room inventory in Seoul has decreased by a Compounded Annual Growth Rate (CAGR) of 0.4% between 2020-2023. Source: CBRE – "APAC Hotels & Hospitality Market Update - Korea", May 2024.
7. Korea hotel investment volume reached US$ 2.5 billion in 2025, compared to US$ 1.2 billion in 2024. Source: RCA, January 2026.
8. Jeonse is a unique Korean rental system where tenants pay a large upfront deposit – typically 50-80% of a home's value – instead of monthly rent, and receive the full amount back at the end of a two-year lease. During the lease, tenants only pay monthly maintenance fees.
9. Source: JLL – "Co-living in Singapore : From Growth to Maturity", September 2025.
10. Source: Colliers – "APAC Capital Flows Into Hong Kong Student Housing Amid Policy Shifts", December 2025.

Self Storage

Early-Stage Growth through Innovation and Value-Add Solutions

- **APAC self storage is early-cycle, yet structurally compelling.** Strong tailwinds from urbanisation, smaller living spaces and shifting consumption patterns create a long runway for demand growth. Demand is broadening beyond households to Small Medium-sized Enterprises (SMEs) and e-commerce, supporting more diversified and resilient income streams.
- **Market maturity varies widely, shaping entry strategies.** Australia is the most mature and liquid market in APAC, favouring platform acquisitions, while Japan, Singapore and Hong Kong rely more on brownfield strategies. Other emerging markets offer selective upside but with higher regulatory and execution risks.
- **Scale, operating capability and technology are key value drivers.** Rising costs and limited new supply favour established operators, who leverage value-add services, automation and digital platforms to optimise margins, sustain pricing power and build institutionalisable portfolios.

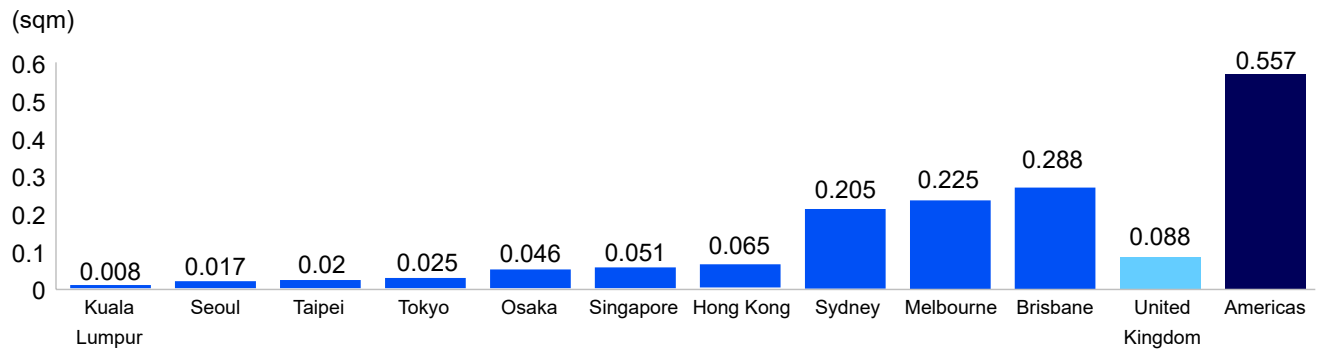
Contrary to North America and parts of Europe, self storage remains a niche and relatively new asset class in APAC, but one that is poised to become increasingly attractive, underpinned by strong structural demand drivers and a maturing operating landscape. Continued rapid urbanisation, smaller living spaces, and housing affordability pressures are expected to drive growing consumers' reliance on external storage. Households remained the dominant self storage users in 2024 (60-76%) across key APAC markets[11].

Meanwhile, the economic fallout from the pandemic and ongoing e-commerce expansion have stimulated demand from SMEs, e-commerce and startups seeking flexible inventory and last-mile solutions. In Singapore, business usage rose to 40% in 2024, up from 26% a year ago. Share of business users in Australia grew steadily from 11% in 2020 to 16% in 2024, with e-commerce companies accounting for 22% of business storage as part of their delivery infrastructure[12].

In spite of high demand, **APAC markets remain under-served compared with the Americas** – average area of self storage facilities per capita ranges from 0.008 sqm (in Kuala Lumpur) to around 0.2 sqm (in Australia), compared to roughly 0.557 sqm per person in the Americas[13].

Mature self storage markets in APAC are led by Australia, featuring robust occupancy levels, relative liquidity and transparency. At 4.75%-5.75%, cap rates are increasingly approaching levels seen in other traditional RE sectors such as retail[13]. Market entry is constrained by the dominance of large players, high costs, and high level of inter-state variations, in terms of zoning and permitting processes, tax regimes and even demand-supply dynamics. As a result, **the preferred route to gain exposure is by acquiring established operating platforms** with proven brand, customer base and growth potential.

Figure 1: Self Storage Facilities Average Area Per Capita



Source: CBRE, Self-Storage Association Asia, CLI Group Research, February 2026

11. Source: Self Storage Association of Australasia – "State of the Industry 2024", December 2024.
12. Source: BlackRock – "Space For Success: Self Storage in Australia", May 2025.
13. Source: CBRE, October 2025.

For other markets such as Japan, Hong Kong and Singapore, brownfield is the dominant strategy, allowing faster and lower-cost deployment in high demand locations. Japan is a mature, fast-growing market, supported by strong liquidity, a favourable debt environment, and resilient demand, though achieving scale is constrained by limited new-build opportunities and small and fragmented facilities. Occupancy in major cities such as Tokyo and Osaka averaged around 77% in 2024, providing a foundation for further consolidation and growth[14].

Singapore and Hong Kong share similar demand drivers, including dense population and elevated land costs. While Singapore benefits from regulatory stability, Hong Kong faces geopolitical uncertainty, though both markets have historically demonstrated resilience in absorbing high land costs.

Emerging markets such as Malaysia and Korea offer selective, opportunistic deployment despite structural and regulatory constraints. Malaysia's market remains nascent, with a smaller number of facilities, growing consumer demand but limited awareness, reflected through relatively lower occupancy rates of around 55%[14]. This highlights the need to carefully assess building suitability and permitted use. Korea benefits from e-commerce growth and increasing adoption of technology and value-add services, but development is constrained by complex zoning laws and recent regulatory changes such as stricter construction and zoning compliance for larger facilities (Net Lettable Area and common areas equal or above 1,000 sqm), demonstrating the market's sensitivity to evolving regulations.

As APAC markets scale up the maturity curve and competition intensifies amid rising costs, **investors would benefit from partnering with operators who are actively leveraging innovative business models and technology to boost asset performance.**

Value-add services are offered to broaden revenue streams, attract a more diverse tenant base, and strengthen the overall value proposition of self storage facilities. In APAC, value-add services contributed to around 8.8% of total revenue in 2024, up from 6.5% a year ago[14]. Emerging hybrid models which include shared office space and basic business operations are attractive as they enable small businesses to benefit from greater convenience, lower operating costs, and on-site pick-and-pack capabilities.

On the technology front, automation, digital leasing platforms, and smart access systems allow for speedy expansion of unmanned facilities, thus reducing manpower costs. Advanced analytical tools such as integrated data systems and dynamic pricing platforms will increasingly strengthen yield management and margin optimisation[15].

Given the regional nuances and the increasing operational complexity, **investment strategies should leverage existing operators** with integrated platforms to take advantage of established brand value and sustain occupancy and pricing power, maximising returns in a market where new supply could be constrained.

Overall, self storage investments in APAC typically require a medium-term horizon to aggregate to certain scale, thus creating value and operational optimisation. Exits can take various forms, such as platform sales or listings, though such formal exit pathways remain limited in many APAC markets due to the nascent nature of the self storage investment landscape. **As a result, investors in the sector should prioritise partners, who could pursue continued acquisitions and institutionalisation,** building larger portfolios that are more operationally innovative. This approach not only enhances long-term value but also positions platforms to capture future exit opportunities as markets mature and investor appetite for consolidated assets grows.

Strategic Acquisition and Repositioning of a High-Potential Industrial Asset in Singapore

In 2024, Extra Space Asia (ESA), CLI's self storage operating platform, acquired a Singapore industrial asset, ESA Commonwealth, for self storage conversion. The asset is located near densely populated residential areas in Singapore, with strong transport connectivity, providing convenient access for both individual and business users. It was acquired with existing industrial tenancies, which presented an opportunity to gradually convert expiring leases into self storage units to ensure strong cashflow.

The asset conversion created a self storage ecosystem offering not just storage units but also shared workspace, meeting rooms, and event facilities. These integrated offerings commanded more than 80% premium over standard rents, reflecting added operational value and strong market demand from entrepreneurs, start-ups and SMEs.

Operational efficiency was further supported by technology-driven solutions, including an AI sales system that handles queries, bookings, and marketing, reducing sales conversion times by half and supporting scalable operations. The case illustrates how strategic site selection, phased asset conversion, and an innovative operating model can unlock value while minimising revenue disruption.

14. Source: CBRE, October 2025.
15. Source: Savills, November 2025.

Logistics

Positioning for a Multi-Node, Automation-Driven Future

- **Fragmented supply chains are expanding demand for resilient, near-market logistics.** Tariffs, geopolitical risks and climate disruption are driving decentralised, multi-node production and distribution, increasing demand for urban-adjacent facilities that shorten routes, transportation costs and reduce single-corridor dependency.
- **Automation is the key structural differentiator.** Rising labour costs, workforce shortages and sustainability pressures are accelerating adoption of technology such as robotics and automated storage and retrieval systems (ASRS), widening the performance gap between conventional warehouses and high-spec assets.
- **Capital is becoming more selective, favouring "Smart Warehouses."** Institutional investors are increasingly interested in automation-ready, urban assets with strong tenant quality, where site scarcity and execution complexity reward experienced asset managers/ operators and support durable income through cycles.

The tariff developments of 2025 have introduced uncertainty for logistics investors in APAC and globally, but they have not resulted in weaker underlying demand. Instead, demand is shifting geographically as global supply chains diversify to be nearer to end-markets. A growing share of export-oriented manufacturing is relocating beyond China into Southeast Asia (SEA), Mexico and Central Europe – creating a more distributed, multi-node production ecosystem. **Rather than reducing Asia's role, this diversification expands the overall logistics footprint and increases the need for interconnected networks across regions.** With multinational companies (MNCs) operating manufacturing bases across multiple locations, supply chains are becoming more fragmented and decentralised, requiring logistics and 3PL partners to provide deeper integration across multiple geographies.

Against this backdrop, **institutional investors remain active in logistics but are applying greater selectivity as macro uncertainty persists.** Supported by moderating interest costs, liquidity is improving and there has been renewed appetite from Japanese capital as well as sovereign wealth funds. Capital is gravitating toward assets that demonstrate resilience through tenant quality, operational efficiency and adaptability to evolving supply chain models.

As supply chains become more distributed to mitigate disruption risk, **well-located, urban-adjacent facilities that can support both regional distribution and last-mile fulfilment are increasingly favoured.** Climate-related disruptions – storms, flooding, heatwaves – and geopolitical tensions have increased the vulnerability of long-distance transport routes, sharpening the strategic importance of resilience within supply chains. Companies are therefore prioritising networks that shorten transport distances, diversify route options and reduce dependency on any single production or distribution corridor.

On the other hand, automation has become the primary lever to improve cost efficiency and operational reliability within those networks. Rising labour costs, workforce shortages – especially in mature markets such as Japan, Singapore and Korea – and increasing sustainability requirements, especially amongst large MNC occupier profiles, are accelerating the adoption of robotics and ASRS. Still rather niche, multi-user automation-ready warehouses allow higher utilisation rate and scalability across tenants with different volume profiles, business and capacity needs. This results in widening the occupier base, enhancing income durability and improving asset utilisation. **For investors, this shift reinforces the growing performance gap between conventional warehouses and high-spec facilities capable of supporting automation at scale.**

Together, these dynamics point toward a clear conclusion: **the next phase of logistics investment in APAC will favour high-spec, automation-enabled multi-user "Smart Warehouses" located near urban centres in markets with strong structural fundamentals and deep occupier demand.** Such assets are best positioned to capture resilient rental growth, defend occupancy through cycles and command premium pricing as supply chains become more technologically intensive.

Regional market conditions remain varied, creating differentiated entry points for investors.

- **Australia** continues to be one of the most supply-constrained logistics markets globally, with vacancy at 3.2% as of 2H 2025[16]. However, elevated supply pipelines have shifted short-term leverage toward occupiers, softening net effective rents in Sydney and Melbourne.
- **Korea**, by contrast, is moving into the early stages of recovery as new supply drops sharply, even though vacancy remains in the double digits. This dislocation may create counter-cyclical opportunities for investors who are comfortable underwriting near-term volatility, especially in submarkets where e-commerce demand continues to deepen.

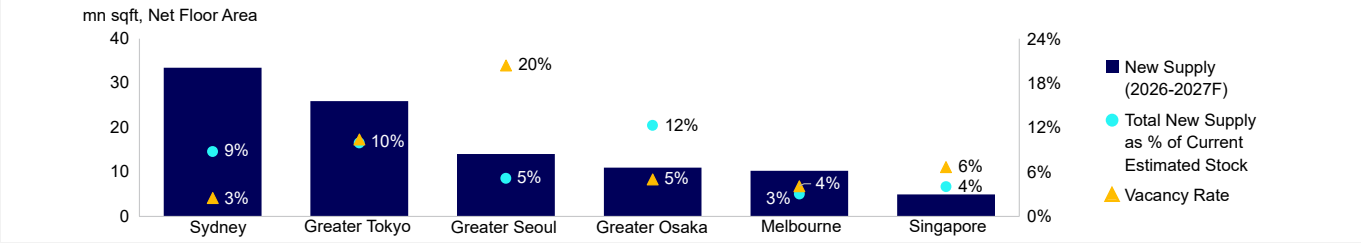
16. Source: CBRE – "Australia Industrial & Logistics Figures 4Q25", January 2026.

- **In Japan,** Osaka presents stronger fundamentals at this point in the cycle. Vacancy is at 5% and might tighten further given strong pre-commitment rates, while rental should expand[17]. Greater Tokyo, despite elevated vacancy, still offers targeted opportunities where automation can meaningfully improve occupier efficiency and absorption, thus presenting a creative product that differentiates.

- Within **SEA,** the tariff realignment of 2025 has had uneven effects, but Singapore has emerged relatively advantaged given its lower tariff exposure (approximately 10%), policy stability, strong currency and scarcity of new supply – annual additions from 2025 to 2028 are 43% below the 10-year average[18]. Strong capital inflows and the market's safe-haven status reinforce the investment case for high-spec assets, while other SEA markets remain more operationally complex for automated, multi-storey developments due to transparency, construction and regulatory hurdles.

A key constraint in developing multi-floor, automation-enabled logistics facilities – especially those situated near major metropolitan areas – is the scarcity of sites that can accommodate the required technical specifications. **These challenges elevate execution complexity and place a premium on managers with deep local expertise, established development and operational capabilities.**

Figure 2: Forecast Supply and Vacancy Dynamics of Developed APAC Markets



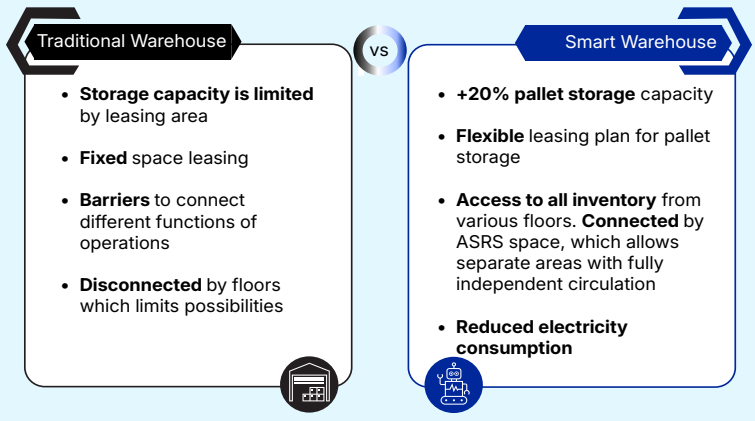
Note: Current estimated stock as of 2025; Vacancy rates as of 2Q 2025 for Greater Seoul, Sydney and Melbourne and as of 3Q 2025 for Greater Tokyo, Greater Osaka and Singapore.

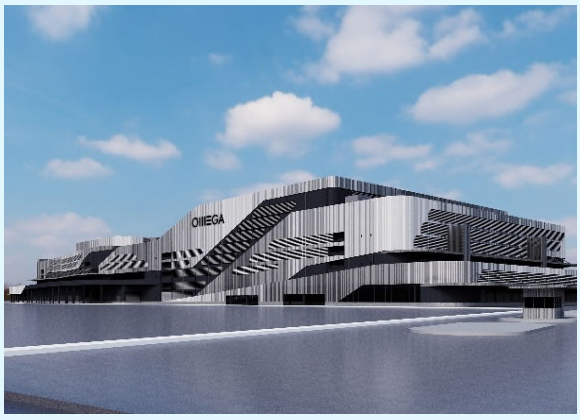
Source: CLI Group Research, February 2026

Leveraging Local Partnership to Develop Thailand's Modern Logistics Asset

OMEGA 1 Bang Na is a built-to-suit smart logistics campus located in Bangkok's prime logistics cluster, with good connectivity to the central business district and key transport nodes. The investment strategy is built around realising value creation through re-engineering the design, workflow, and technology of the modern logistics warehouse. Execution is supported by a partnership with an experienced local operator, providing expertise in regulatory compliance, system integration, and operational management.

Upon expected completion in mid-2026, the property will become Thailand's largest standalone warehouse. It will provide plug-and-play spaces that enable occupiers to handle throughput peaks more efficiently, reduce reliance on manual processes, optimise pallet ownership transfer to lower transportation and handling costs, as well as to flex capacity through pay-per-use pallet model. The case illustrates how modern logistics value creation is increasingly driven by automation, workflow design and operational flexibility rather than location alone.





17. Source: CBRE – "Japan Logistics Market View Q3 2025", October 2025.
18. Source: CBRE – "Singapore Quarterly Report Q3 2025", November 2025.

RE Private Credit

Navigating Interest Rate Stabilisation and Structural Opportunity

- **APAC RE private credit fundamentals remain intact despite global volatility.** Recent US defaults appear idiosyncratic, not systemic, while tangible real-asset collateral continues to support investor confidence in secured, income-oriented strategies.
- **Market under-penetration creates an early allocator advantage.** As banks retrench and private credit remains in its early evolution stage across the majority of APAC markets, senior secured lending offers attractive risk-adjusted spreads with strong structural protection as the regional interest rate environment stabilises.
- **Private wealth and insurance capital are reshaping capital flows.** Demand from high-net-worth capital is driven by a preference for semi-liquid investment structures - reinforcing the importance of disciplined underwriting, liquidity management and local execution capabilities. Meanwhile, regulatory changes such as Risk-based Capital (RBC) frameworks and International Financial Reporting Standards (IFRS 9 and 17) are driving insurers toward capital efficient and collateral-backed income strategies.

Since the publication of our August 2025 report, "The Rising Tide of Asia Pacific Real Estate Private Credit", the solid fundamentals supporting RE private credit in APAC have remained intact. The recent high-profile defaults in the US have, more generally, sharpened scrutiny on potential vulnerabilities in private credit markets globally, especially in corporate private credit. However, these episodes appear idiosyncratic rather than systemic. Globally, fund raising activity for private credit strengthened in 4Q 2025 compared with the previous quarter, with approximately US$ 46 billion raised, bringing the total full year amount to US$ 203 billion[19]. **This resilience suggests continued investor confidence in the asset class and supports maintaining or increasing strategic allocations despite isolated volatility in select regions.**

RE-backed lending continues to distinguish itself within private credit due to the presence of tangible collateral. Unlike corporate credit – where recoveries depend heavily on general covenants enforcement and governance structures – secured lending against real assets provides a more tangible and defensible security position. This feature has become **increasingly important for investors seeking predictable income with lower volatility.**

APAC private credit landscape remains in a nascent stage of development, partly fuelled by increasingly risk-averse and selective bank lending which has traditionally provided 80% of total credit in the APAC region. The lack of a securitisation market and shallow bond markets further limit the options borrowers have to access flexible capital for businesses, providing opportunities for private capital to plug the gap[20]. Historically, activity in APAC private credit has been limited to opportunistic or distressed situations, while the performing credit space remains underpenetrated. Borrower familiarity and adoption vary significantly across markets, with Australia exhibiting the most maturity. **For early allocators, this market gap offers the potential to secure stronger structural protections and more attractive spreads.**

Senior secured and income-oriented strategies continue to offer compelling risk-adjusted returns. The expected stabilisation of the interest rate environment in 2026 is also likely to rekindle refinancing, recapitalisation and acquisition activity. **Investors with deployment flexibility may benefit** from a rising volume of deals as borrowers return to market with clearer cost-of-capital expectations. **Select opportunities may emerge around capital stack adjustments or recapitalisations,** particularly where asset values have been slow to readjust or where refinancing pressure is building.

Given APAC's heterogeneity, jurisdiction selection remains a fundamental pillar of portfolio construction. Developed markets such as Australia, Korea and Singapore offer robust rule of law, clear enforcement pathways and deep borrower ecosystems. Japan, whilst being one of the best performing RE equity markets in APAC currently, continues to have a low-interest rate environment and modest private capital deal flow. India remains a highly attractive long-term opportunity whilst international investors work through its evolving legal and enforcement regimes and the broader regulatory landscape around capital flows.

Investors seeking consistency across cycles benefit from managers with existing operating presence in core APAC markets, as well as participation across multiple RE asset classes. With in-country expertise, sourcing networks and the ability to manage asset-level risks across sectors, such managers provide access to proprietary market information, transaction counterparties, and asset-level insights that help shape deal evaluation and underwriting. This combination drives the ability to generate robust risk-adjusted returns by the active management of the underlying loan positions.

19. Source: Preqin, January 2026.
20. For more details on changing banks' regulation and lending appetite, refer to CapitaLand Investment – "The Rising Tide of Asia Pacific Real Estate Private Credit", August 2025.

Two investor groups that have become increasingly prominent in shaping capital flows into RE private credit are **private wealth** and **insurance capital.** Private wealth segment demonstrates a clear preference for income-generating, semi-liquid vehicles that provide consistent distributions with minimal volatility. The rise of open-end and semi-liquid fund structures reflects this shift, though such vehicles require disciplined liquidity management through mechanisms such as gates, swing pricing and queueing systems. **For private wealth investors, open-ended structures make the asset class more accessible while also reinforcing the need to evaluate liquidity frameworks alongside credit underwriting when selecting managers or strategies.**

Meanwhile, **insurers and liability-driven investors seeking duration alignment are drawn to RE private credit given its low correlation to equities and public credit, income stability and exposure to real assets without the duration and valuation risk of core equity.** Across APAC, regulators are adopting new RBC frameworks to align with the International Capital Standards while insurers have adopted IFRS 9 and 17. These frameworks and standards were designed to **bolster and enhance transparency** of the insurance industry by **matching capital requirements with risks taken,** thereby driving further interest in RE private credit allocation in insurers' portfolios.

Against this backdrop, investors can **continue to integrate RE private credit into multi-asset portfolios as a diversifying yield anchor** that provides downside protection. Shifting capital flows continue to highlight RE private credit as a structurally supported segment, anchored by asset-backed security and resilient fundamentals.

Driving Return through Selection of Sectors, Partners and Credit Structures

As part of our latest RE private credit fund, CLI recently invested in loans backed by Sydney residential and Seoul logistics projects, in submarkets where demand remains strong amidst a limited bank capital pool. The underwriting process focused on experienced and well-capitalised sponsors/ developers/ operators with established development and execution track record, strong balance sheets and demonstrated delivery capability. Credit structures that prioritised downside protection were put in place such as conservative Loan-to-Value (LTV) and Loan-to-Cost (LTC) thresholds, completion and cost overrun safeguards, and milestone-based covenants that enforce borrower execution accountability. For investors, such strategies provide access to structurally supported RE sectors through disciplined underwriting and downside-protected capital structures, with return profiles driven by complexity and execution rather than market beta.

Investment	Sydney Residential (150+ units)	Seoul Logistics (100 Dry Storage)
Loan Purpose	Refinance construction loan, fund interest reserve and establishment fee	Construction financing
Loan Term	c. 2 years	c. 3.5 years
LTV	c. 70%	c. 60%
Investment Thesis	• Upscale residential stock targeting owner-occupiers with surplus liquidity • High quality counterparties: Leading alternative investment manager and developer with strong capabilities and track record in upscale residential projects	• Prime dry warehouse in Seoul metropolitan area exhibiting strong tenant demand (one of the undersupplied submarket) • High quality sponsor: Dedicated industrial platform jointly owned by a global top-tier institutional investor and a local industrial specialist
Key Credit Enhancements	• Asset sales drive LTV reduction, with controlled equity release • Higher pre-practical completion coupon with a defined completion timeline • Sales underperformance triggers coupon step-ups or loan re-sizing	• Loan governed by LTV and LTC thresholds • Completion guarantee and debt assumption by the general contractor, with sponsor support for cost overruns • Clear leasing milestone covenants in place for monitoring

Data Centre

Scaling Capacity for APAC's Next-Generation Workloads

- **APAC demand is accelerating amid limited supply.** Demand drivers include digitisation, Internet of Things, autonomy and robotics, data and AI sovereignty with contextualised local language models, AI workloads moving to lower build cost and operating cost APAC geographies, and AI inferencing within cloud environment. Projected supply constraints create attractive development and investment opportunities across the region.
- **Power, land, and sustainability capabilities are critical differentiators.** Early access to reliable power, sites, and renewable infrastructure underpins successful development, reduces execution risk, and supports long-term operational efficiency.
- **Various APAC markets offer growth and stability.** India, Japan, SEA, and Australia provide a combination of scale, regulatory clarity, connectivity, geopolitical alignment, and availability of power with a significant renewables component, making them attractive for hyperscale/neo-cloud[21] customers and institutional investors.

APAC is expected to represent 45-55GW of global data centre demand by 2028, with a projected supply shortfall of 15-25GW creating a significant development opportunity[22]. Growth is being driven by cloud adoption and rising AI inferencing needs closer to end-users. At the same time, regulation, data sovereignty requirements and geopolitical dynamics are shaping deployment decisions. Governments are linking AI development to domestic economic outcomes, while US-China tensions and Graphic Processing Unit (GPU) export controls are prompting customers to reassess which APAC markets can reliably support long-term AI workloads.

Rising construction costs, tighter power availability and longer delivery timelines are increasing execution risks and making speed-to-market a critical determinant of investment returns. Customers are shifting toward fully fitted, end-to-end facilities with optional GPU compute to support AI workloads with minimal incremental investment and faster deployment.

Liquidity in the sector remains strong. REITs, core funds, and recapitalisation strategies actively **target yielding assets tied to long-term hyperscale contracts.** The biggest groups of investors who have successfully deployed large amounts of capital are private equity and infrastructure funds, **favouring integrated platforms.** These feature scalable secured land and power in diverse locations, renewable energy, end-to-end design and construction, solution architecture, leasing and operational capability, strong understanding of local approvals and development processes, and flexible development and leasing models.

The combination of platform investment and diversified tenant exposure is increasingly viewed as a risk-mitigated strategy to deploy capital at scale while achieving attractive, stable returns. Furthermore, Environmental, Social and Governance (ESG) considerations have become central to investment decision-making. While AI referencing remains the consensus APAC strategy, large-scale AI training campuses could emerge as a potential alternative, on the back of lower build and power cost advantage and availability of renewable energy.

Attractive opportunities can be found across APAC markets such as India, Japan, SEA and Australia. **As CLI's top priority for data centre strategy, given our long-term presence in the country, India is supported by its large, data-consuming population, clear data sovereignty regulations, and active hyperscale deployment.** Meanwhile, Japan continues to see sustained demand, driven by accelerating AI adoption, yet longer lead times for power grid interconnection and high costs prompt operators to assess alternative sites in more outlying areas. SEA remains popular with US and Chinese hyperscalers, with Singapore's constrained capacity driving expansion into Malaysia and Thailand, which offer scalable, low-latency infrastructure. Australia is a key location for both AI training and inferencing, given its fibre connectivity to the US and strong geopolitical alignment with US clients.

Delivering Sustainable Data Centre Facilities in India to Global Hyperscalers

Located within a key commercial and hyperscale corridor, CapitaLand DC Mumbai is a ground-up development, partially owned by one of CLI's data centre funds. The asset was identified for speculative development into a carrier-neutral facility, serving customers' low latency requirements at over 100MW of gross capacity. To maximise overall asset performance and attract international customers, sustainable designs were put in place, such as direct-to-chip liquid cooling, high energy chillers, water economisation and intelligent energy management. Upon partial completion, the asset secured long-term hyperscaler agreements, materially improving income visibility. This outcome underscores strong demand for high-quality data centre capacity in India.

21. Neoclouds are AI-first cloud providers offering specialised GPU infrastructure. Source: Equinix - "What Is a Neocloud?", October 2025.
22. Source: "Asia Pacific Data Centre Trends & Opportunities", CBRE, May 2025.

About CapitaLand Investment Limited (www.capitalandinvest.com)

Headquartered and listed in Singapore in 2021, CapitaLand Investment Limited (CLI) is a leading global real asset manager with a strong Asia foothold. As at 5 November 2025, CLI had S$120 billion of funds under management. CLI holds stakes in eight listed real estate investment trusts and business trusts and a suite of private real asset vehicles that invest in demographics, disruption and digitalisation-themed strategies. Its diversified real asset classes include retail, office, lodging, industrial, logistics, business parks, wellness, self-storage, data centres and private credit.

CLI aims to scale its fund management, lodging management and commercial management businesses globally and maintain effective capital management. As the investment management arm of CapitaLand Group, CLI has access to the development capabilities of and pipeline investment opportunities from CapitaLand Group's development arm.

CLI is committed to growing in a responsible manner, delivering long-term economic value and contributing to the environmental and social well-being of its communities.

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