



CUSHMAN &  
WAKEFIELD

# APAC CAPITAL MARKETS

MIDYEAR OUTLOOK 2024

Better never settles



**01**

THEN & NOW –  
THE CURRENT  
CYCLE

**02**

WHAT'S NEXT?

**03**

SIX POTENTIAL  
GAME-  
CHANGERS

**04**

REGIONAL  
INVESTMENT  
THEMES

## THE CURRENT CYCLE

- Rapid interest rate rises have applied the brakes to economic expansion, though growth remains positive across the region.
- Demand for space in Asia Pacific remains strong – almost 400 msf of office space absorbed in the past 5 years.
- Interest rate “shock” and structural change in some sectors has reduced CRE investment by 40%. However, recent trends show this has stabilised.

## WHAT’S NEXT?

- Interest rate cuts are coming but the pace and magnitude will vary – expect fewer and slower cuts, at least in the near-term.
- Significant dry-powder capital is waiting to be deployed. The key issue will be matching capital to available assets.
- Longer-term growth drivers of the region remain intact – it is still “the decade of Asia Pacific”.

## POTENTIAL GAME CHANGERS

- Increasing geo-political fractionalization.
- Be mindful of government and household debt levels – keep an eye on any significant unwinding of labour markets.
- Secular megatrends will drive growth in Alternative and “through the cycle” asset classes.

## INVESTMENT STRATEGIES

### Core/Defensive:

- Low supply / low vacancy CBD offices and key L&I submarkets.
- Daily necessity assets including the living sector and essential retail.
- Co-alignment on recapitalisations.

### Value Add / Opportunistic

- “Urban assets” in high quality locations that need repositioning strategies.
- “No cycle” sectors including health and self-storage.
- Create vertically integrated platforms to attract institutional investment.

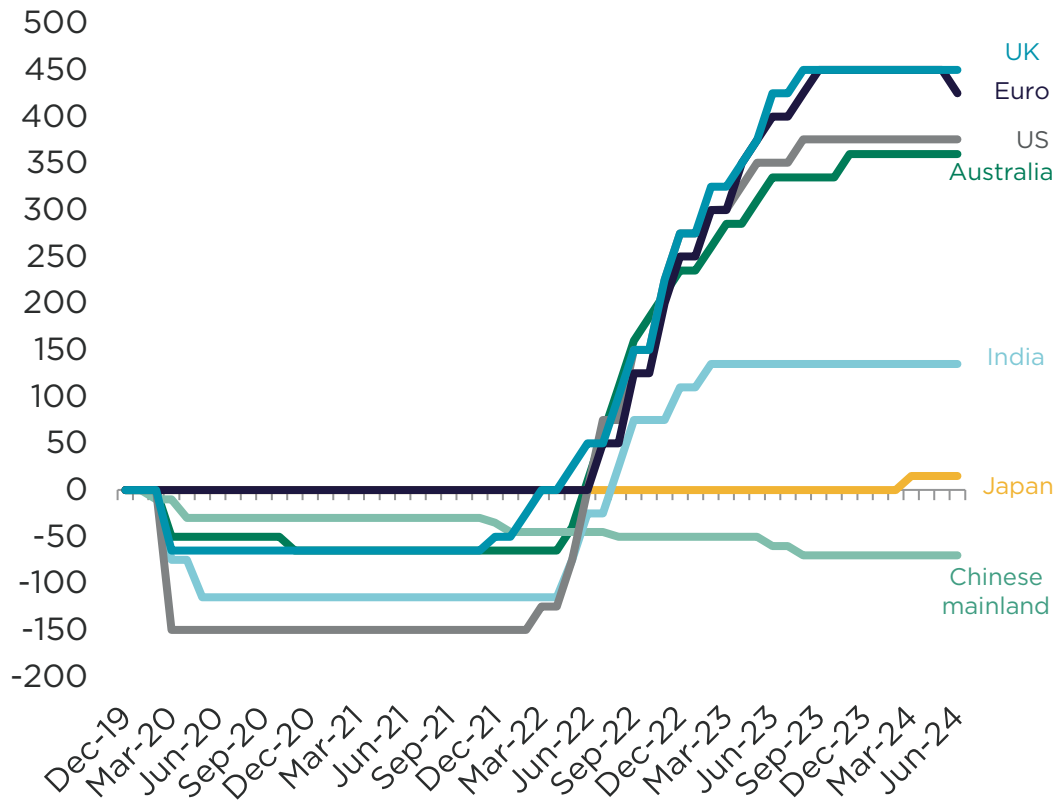
# 01

## THEN & NOW – THE CURRENT CYCLE

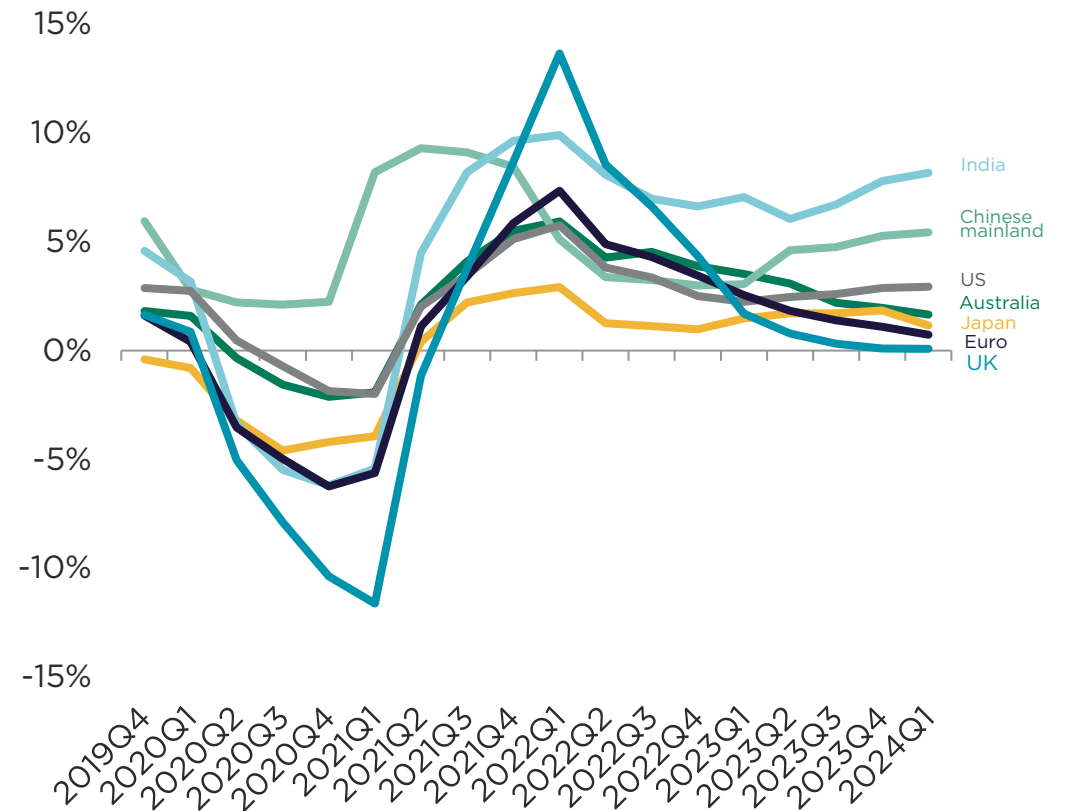


# INTEREST RATE HIKES HAVE SLOWED ECONOMIC GROWTH

## INTEREST RATE MOVEMENTS SINCE DEC-19 (bps)

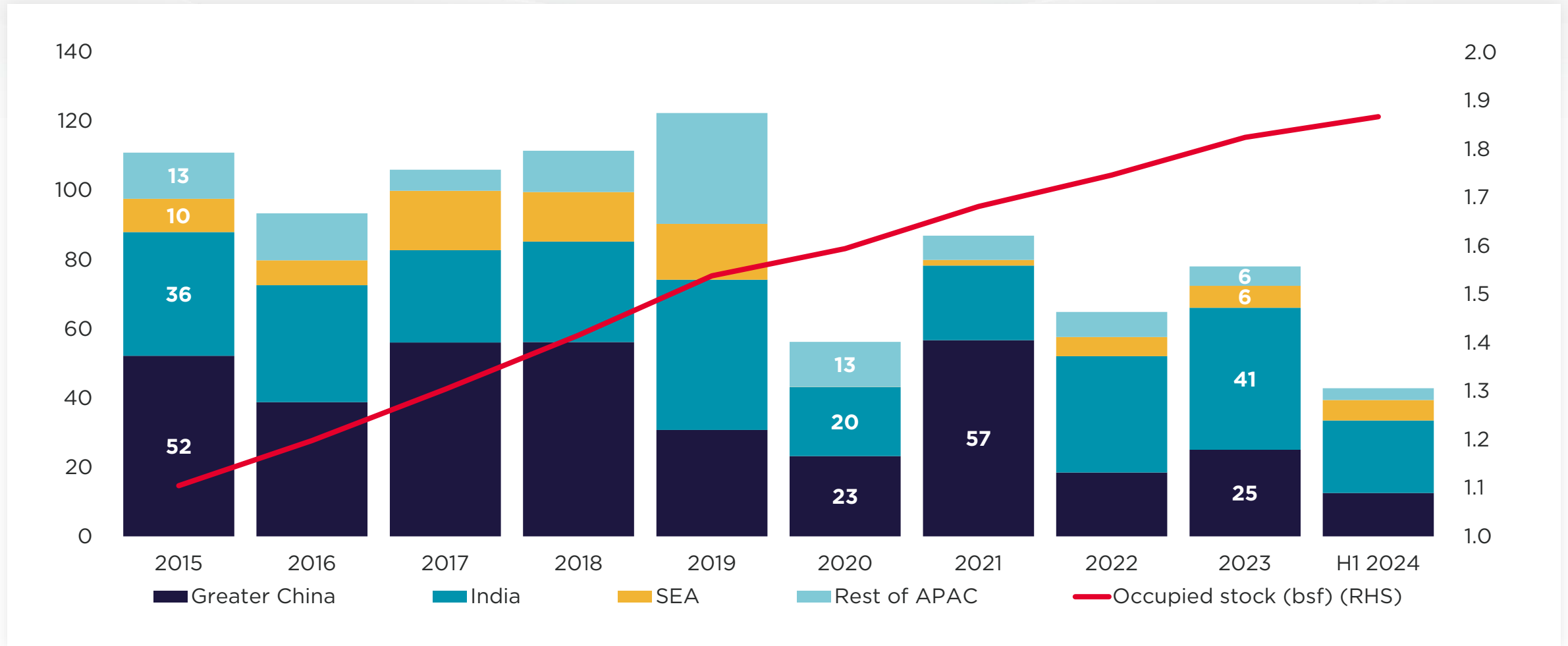


## REAL AVERAGE ANNUAL GDP GROWTH



# OCCUPIER DEMAND HAS BEEN SUSTAINED

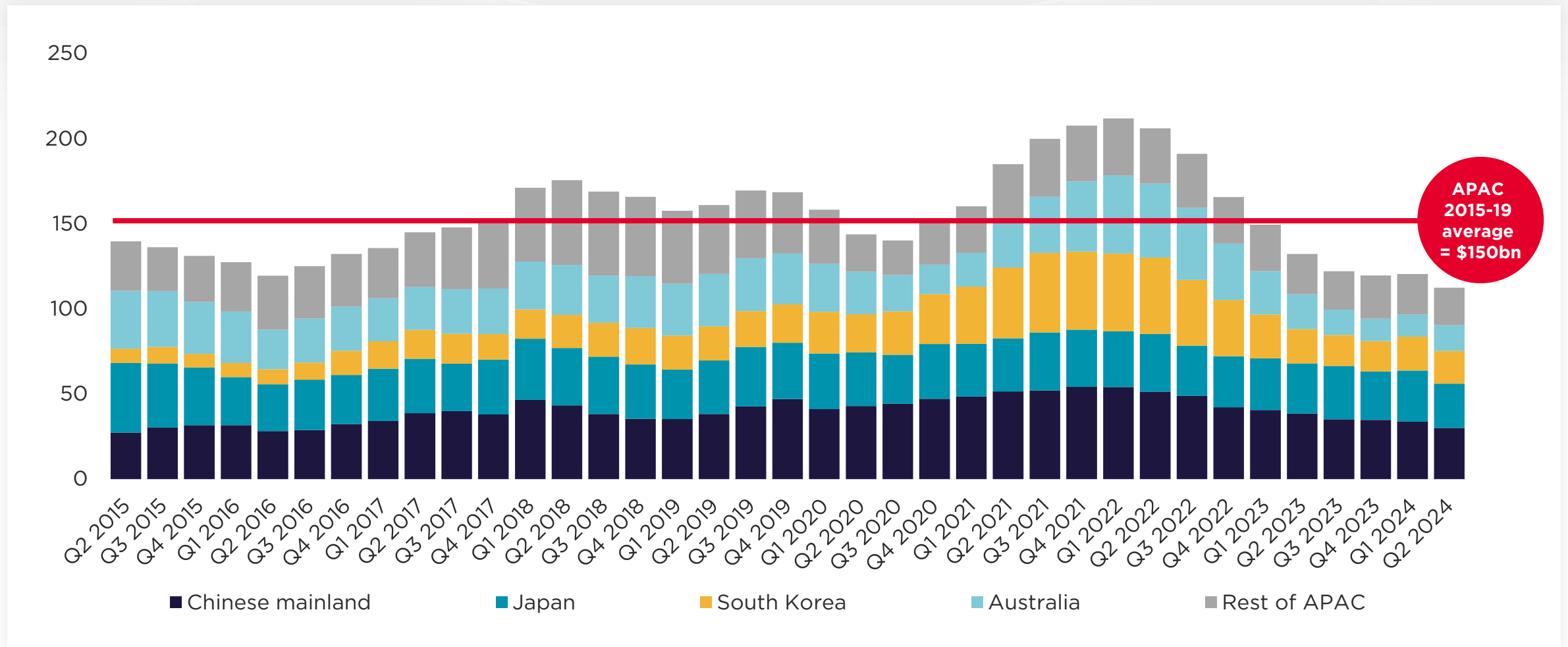
APAC Grade A office net absorption (msf) and total occupied Grade A office stock (bsf)\*



Source: Cushman & Wakefield (42 markets across Asia Pacific)

# INVESTMENT HAS SLOWED BY 40% PEAK TO TROUGH

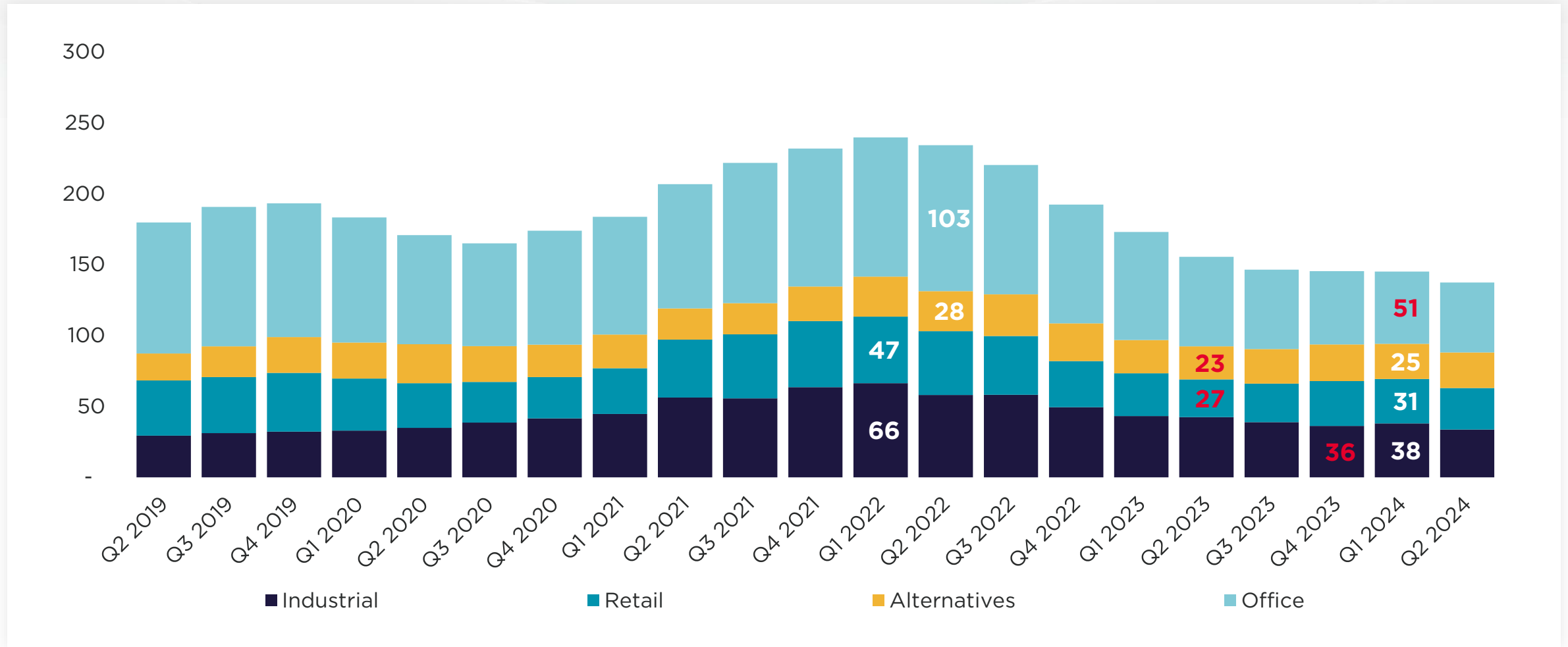
Rolling annual CRE investment volume (USD bn)



# VOLUMES HAVE NOW STABLISED, OFFICES LIKELY IN Q2 2024



Rolling annual CRE investment volume by sector (USD bn)





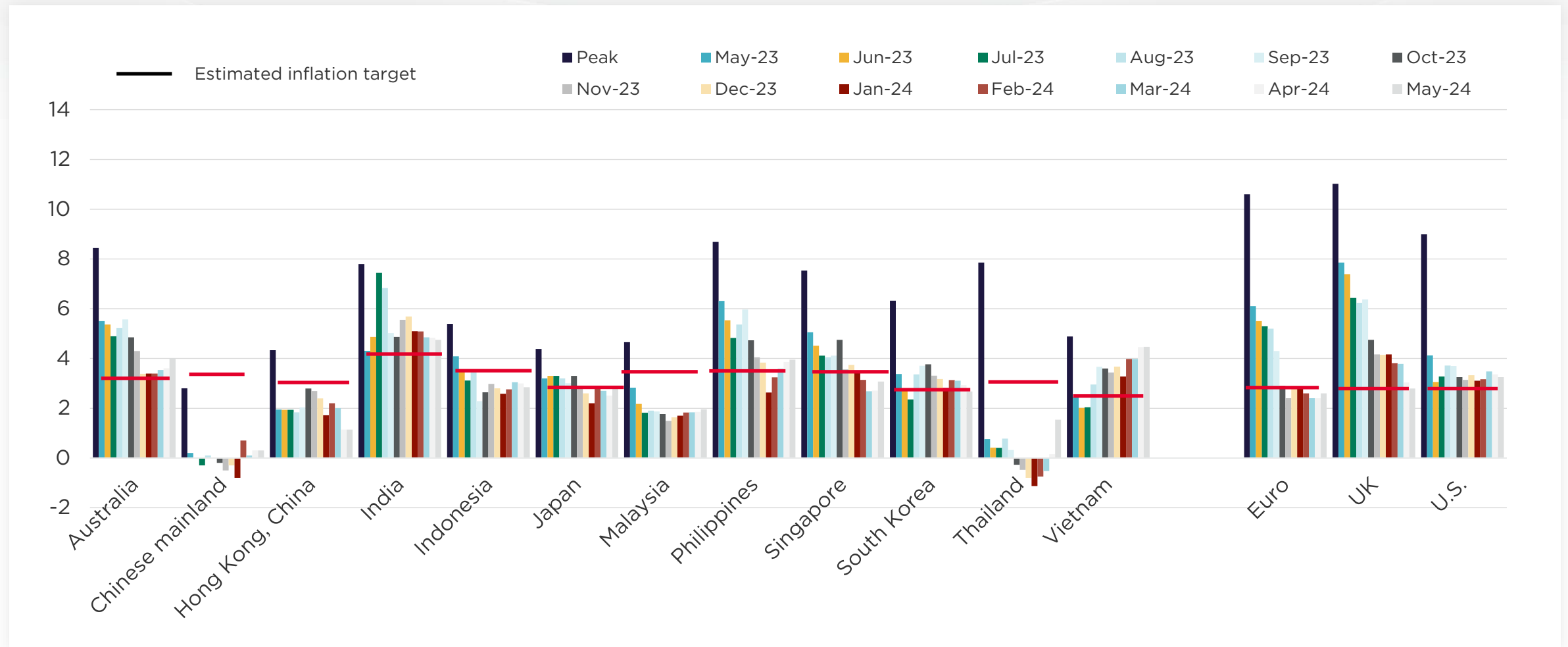
02

WHAT'S  
NEXT?

# “LAST MILE” INFLATION SLOWLY COMING UNDER CONTROL



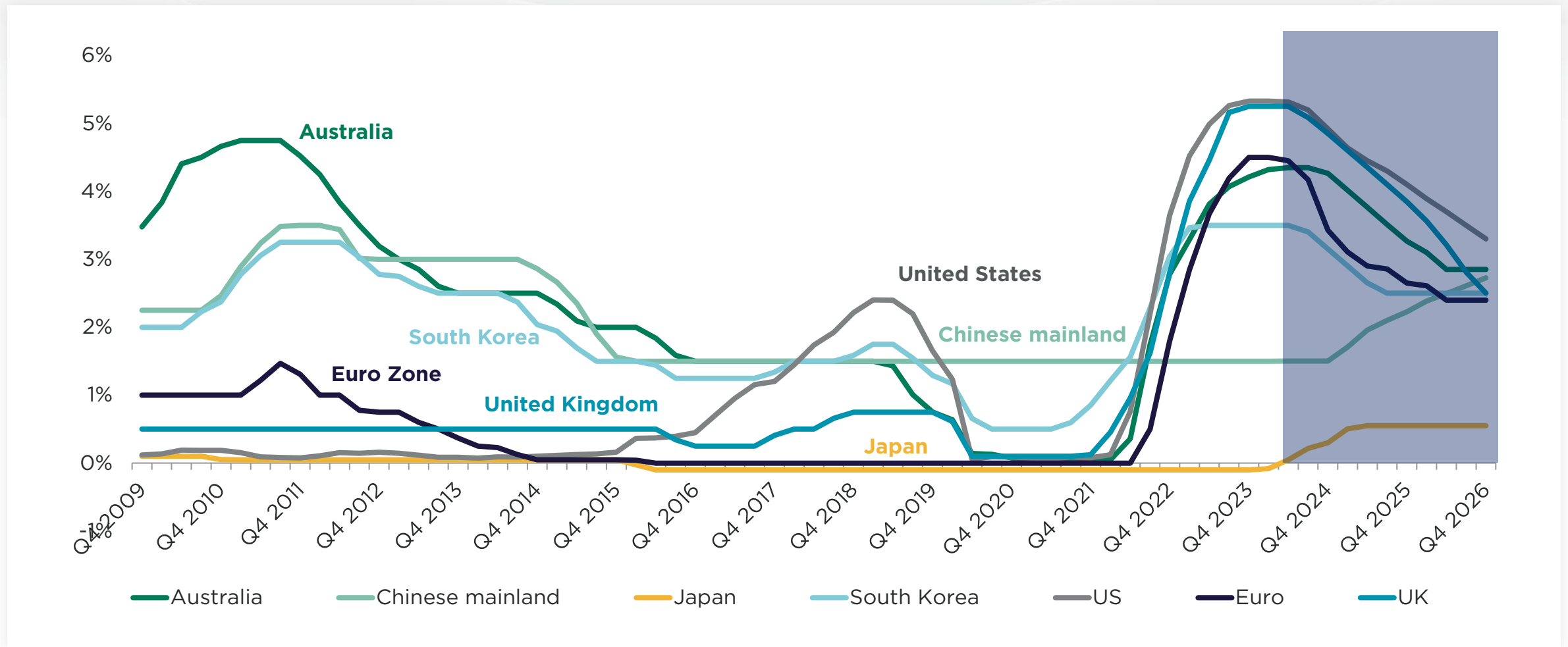
CPI growth (% y-o-y)



Source: Various Central Banks; Cushman & Wakefield

# RATE CUTS ARE UNDERWAY – TIMINGS WILL VARY

Central bank policy rates 2009-26



# RATE CUTS WILL DRIVE STRONGER GROWTH



Average annual real GDP growth (May vintage forecast)

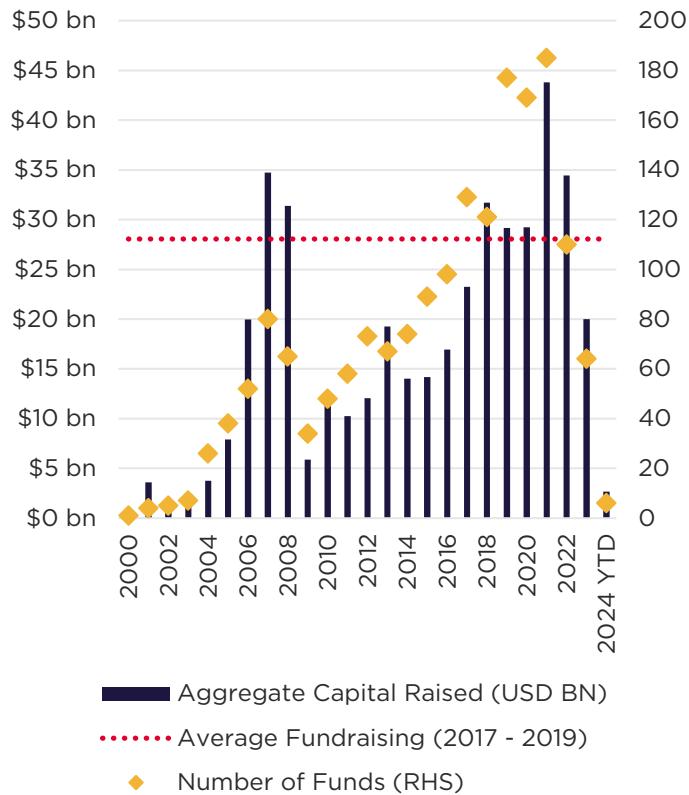
	ASIA PACIFIC	EURO AREA*	UNITED STATES*
2020	-1.2%	-5.5%	-2.2%
2021	5.9%	5.3%	5.8%
2022	3.2%	3.5%	1.9%
2023	4.3%	0.7%	2.5%
2024	3.9%	0.9%	1.9%
2025	3.9%	1.6%	1.1%

Normalisation of growth in APAC emerging markets; recovery in advanced economies.

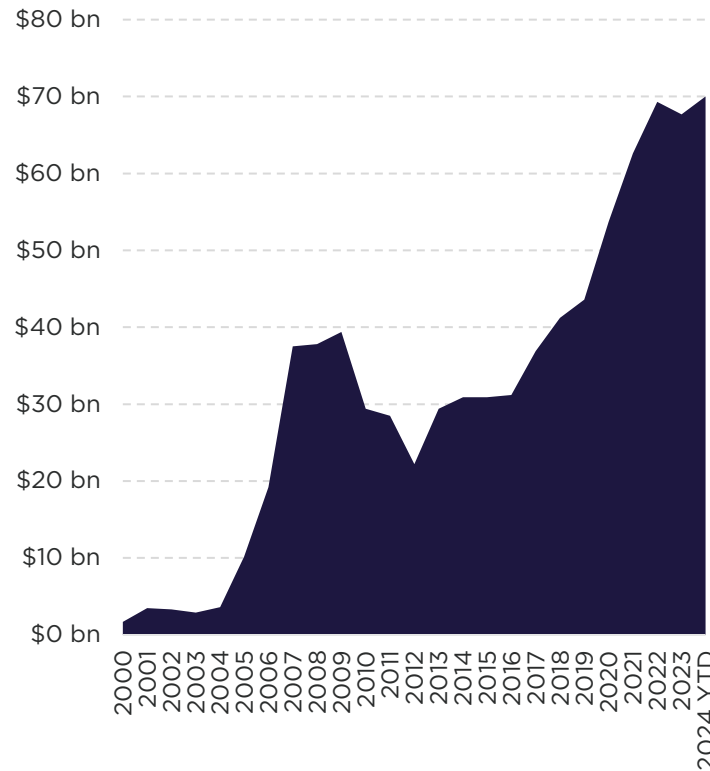
# SIGNIFICANT CAPITAL WAITING TO BE DEPLOYED

Fundraising and dry powder - APAC

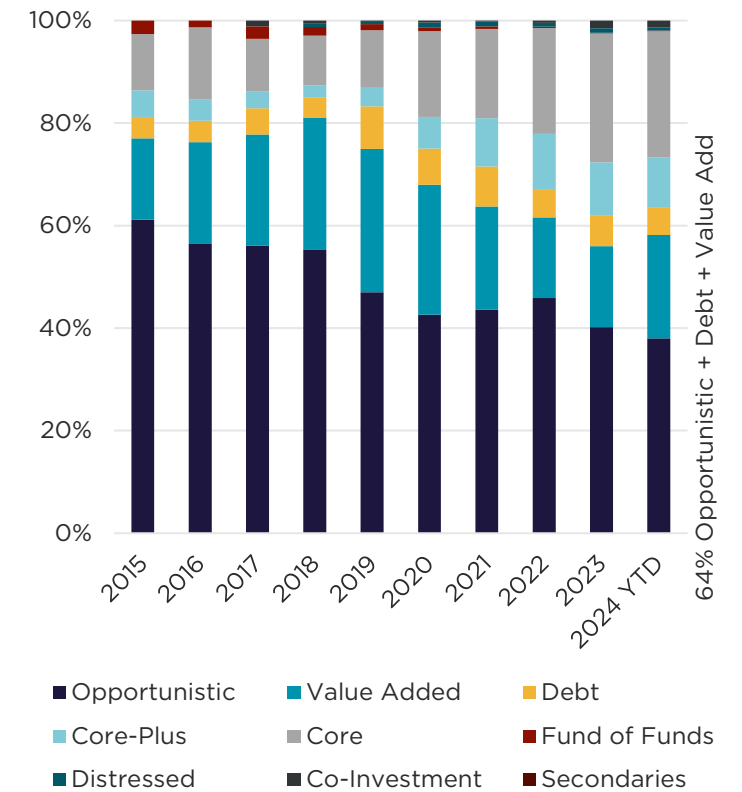
## FUNDRAISING DOWN, BUT NOT OUT



## DRY POWDER MOUNTING



## CAPITAL IS SEEKING YIELD



# LONGER TERM DRIVERS REMAIN INTACT

The Asia Pacific growth story



**1** Largest and fastest growing region by **GDP**

**2** Largest growing region by **population**

**3** **Rapid urbanisation** across China, India and parts of Southeast Asia

**4** Three of the world's four **largest economies by 2030**

**5** Seven of the top 10 **most populated metropolitan cities** globally

**6** Largest and fastest growing region of **middle-class consumers**

**7** World's largest **e-commerce market**

**8** **75% of all new office jobs** globally

# 03

## SIX POTENTIAL GAME CHANGERS



# SIX THINGS THAT COULD CHANGE EVERYTHING

# 1



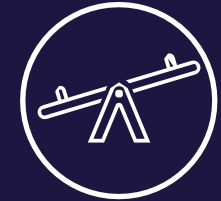
**THE NEXT 20 YEARS  
WILL BE DIFFERENT TO  
THE LAST 20**

# 2



**THE GEOPOLITICAL  
ENVIRONMENT IS  
FRACTURED**

# 3



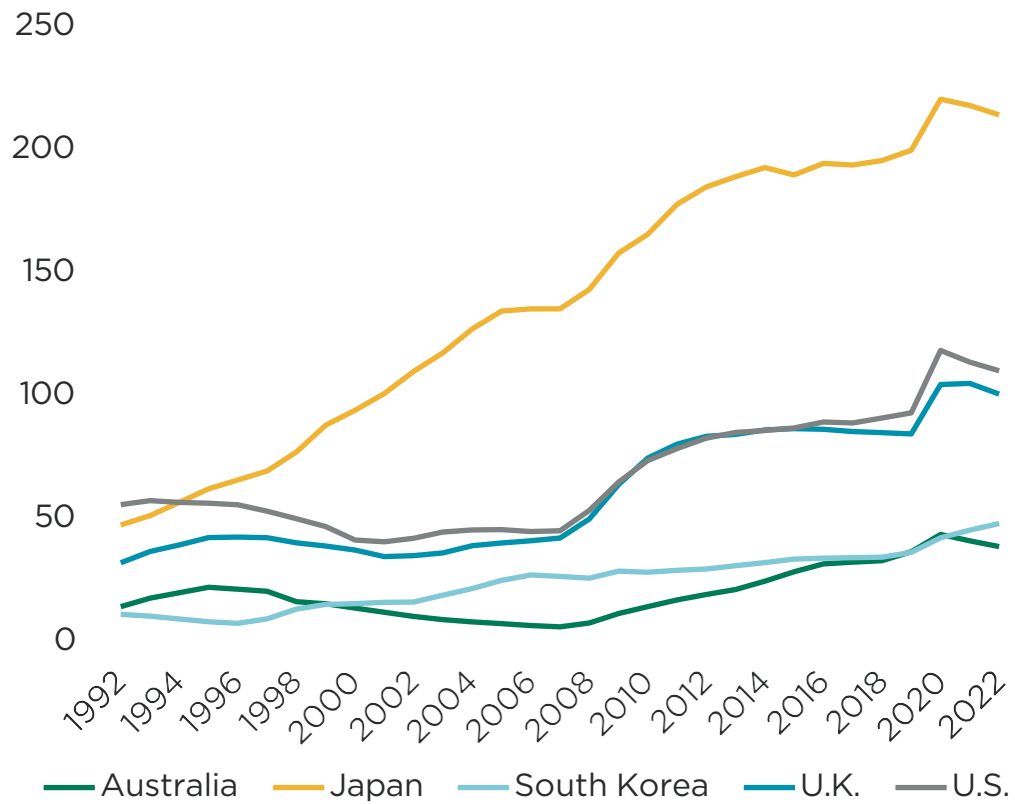
**THERE IS POTENTIAL  
FOR A DEBT CRISIS**



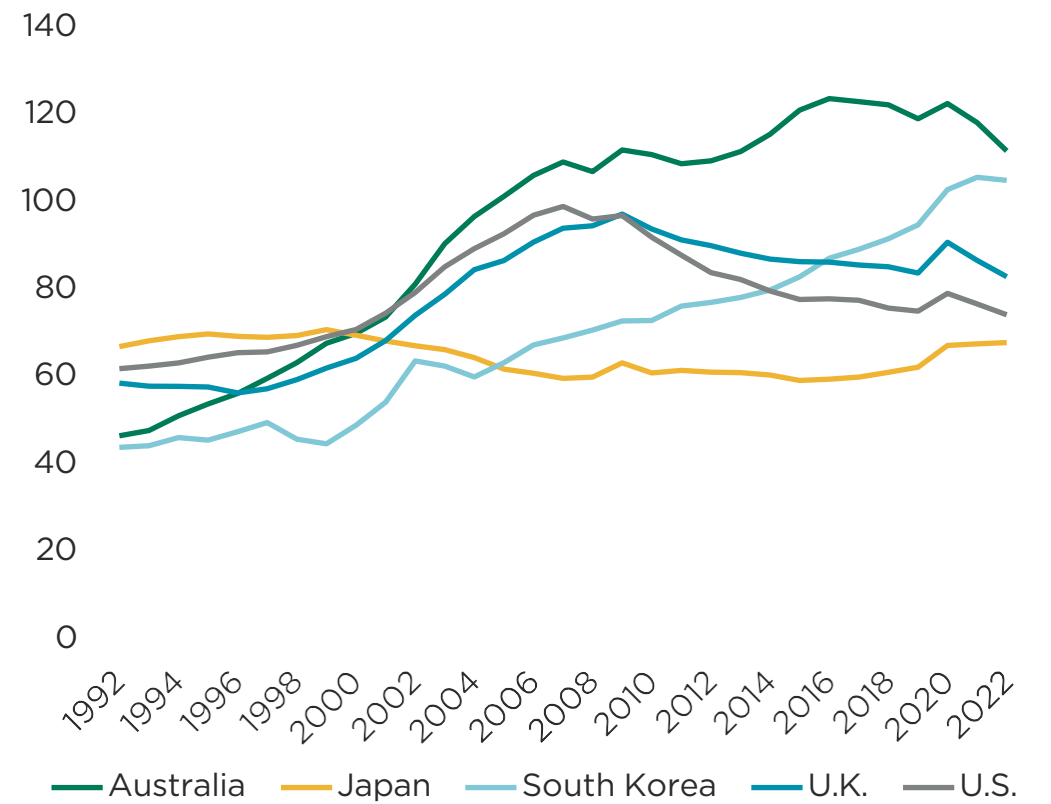
# GOVERNMENTS AND HOUSEHOLDS ARE HEAVILY INDEBTED

% of Debt to GDP

## CENTRAL GOVERNMENT



## HOUSEHOLDS



# SIX THINGS THAT COULD CHANGE EVERYTHING

# 1



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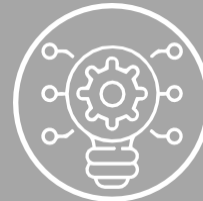
THERE IS POTENTIAL  
FOR A DEBT CRISIS

# 4



OPPORTUNITIES  
ABOUND IN SECULAR  
GROWTH ASSETS

# 5



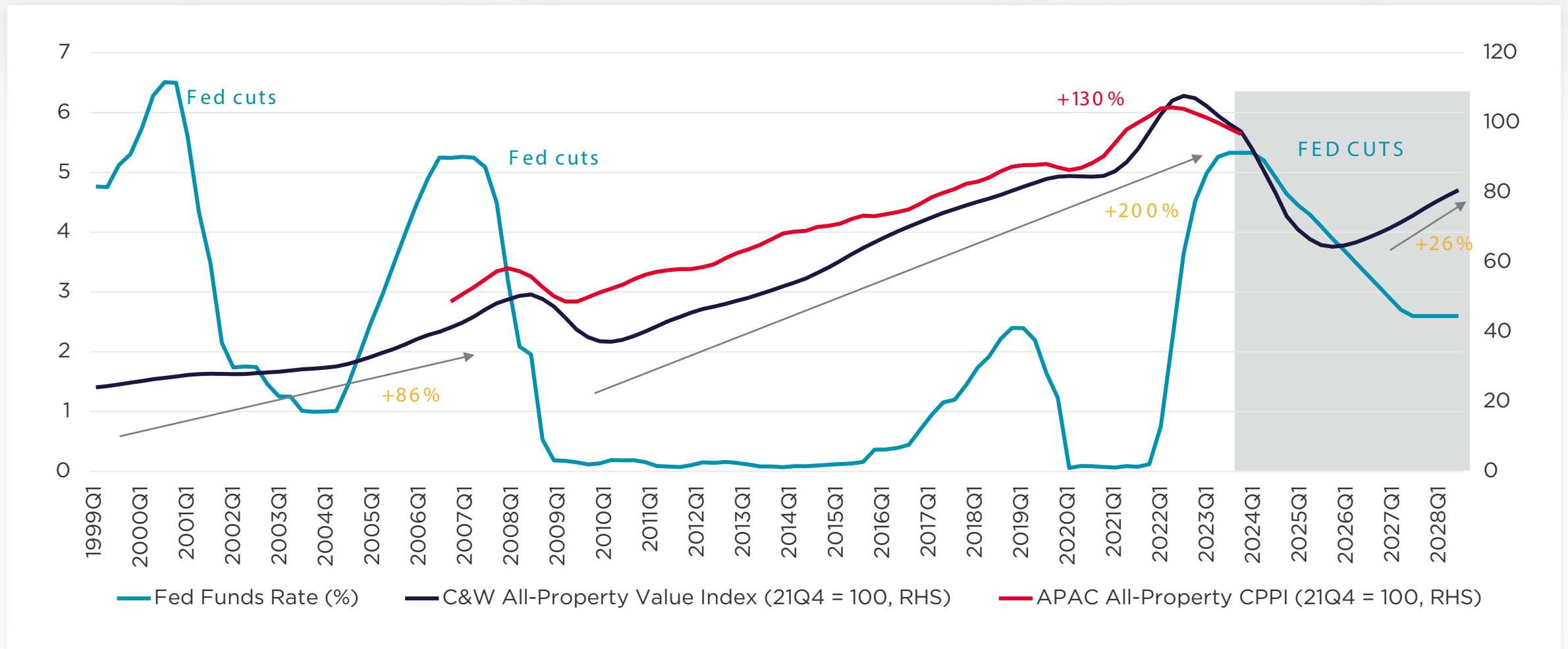
THE FUTURE OF  
AI IS LIMITLESS

# 6



THE TIME TO  
ACT IS NOW

# HISTORY TELLS US THE TIME TO ACT IS NOW



# 04

## REGIONAL INVESTMENT THEMES



# STRATEGIC RECOMMENDATIONS

Defensive / Core

## MAJOR SECTORS

Low supply / low  
vacancy CBD  
office and key L&I  
sub-markets



## ALTERNATIVE SECTORS

Data centres in  
mature markets



## INVESTMENT STYLE

Recapitalisations  
of co-aligned  
investment  
platforms



Non-discretionary  
retail such as  
neighbourhood  
centres



Living sector -  
BTR, PBSA, Aged  
Care



ESG-linked loans /  
green financing



# STRATEGIC RECOMMENDATIONS

Value Add / Opportunistic

## MAJOR SECTORS

Reposition low ESG  
office assets in  
high amenity  
locations



Infill L&I  
(re)development



Positive rental  
reversion assets



## ALTERNATIVE SECTORS

“Through the  
cycle” sectors



Self-storage



Hospitality / leisure  
assets



## INVESTMENT STYLE

Develop vertically  
integrated  
platforms to attract  
institutional capital



Position portfolios  
for rising tide of  
capital





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**About Cushman & Wakefield**

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