We are delighted to publish this briefing on current trends in Asia-Pacific (APAC) private real estate funds.

This is the first time that Goodwin, IQ-EQ, and KPMG in Singapore have collaborated on such a project, and we hope that this publication proves both useful and thought-provoking for those who are already active in the APAC region as well as for those who may be turning to the region for the first time.

The methodology behind this report is deliberately short and simple. We conducted interviews with over 40 industry professionals across a four-week period in August 2023, collating and releasing our findings over the following weeks. As such, this is intended to be a highly current snapshot of market sentiment from real estate general partners (GPs) and investors (LPs) based in APAC, and therefore representing a very APAC-centric perspective.

Our findings reveal that the APAC region is subject to the same macro trends experienced across the globe, and the diverse nature of the region means that the effects of these trends vary massively market-to-market. There are also market-specific factors at play that result in different strategies playing out differently across neighbouring markets. An example being, the residential sector: hot in Japan and Australia but largely off the radar for foreign investors in Singapore and Korea.

For the purposes of this briefing, the term “APAC” includes mainland China, Japan, Korea, Hong Kong SAR, Southeast Asia, India, Australia, and New Zealand.
Report Methodology

This report has been prepared solely on the basis of interviews with participants in the APAC private equity real estate industry. The interviews were conducted by the co-authors between 28 July 2023 and 31 August 2023. The views expressed in this report reflect the views of our interviewees and do not express the opinions of the co-authors or of Goodwin, IQ-EQ, or KPMG.

The intention behind the report is to capture and reflect market sentiment at a certain point in time. Consequently, unless otherwise stated, any factual-type statements contained in this report reflect either the specific or prevailing views of our interviewees and have not been subject to further research and verification.

Where we have included comments or views in quotes, these are quotations from interviewees and are included without individual attribution. Certain interviewees were happy to be identified as contributors to this report, and they are listed overleaf. Other participants chose to contribute anonymously. We are grateful to all our interviewees, who contributed so thoughtfully and generously. The quotes in this report were obtained from contributors who are listed as well from those who chose to remain anonymous.

In this report, “China” refers to mainland China, and “Hong Kong” refers to Hong Kong SAR, China.

© 2023 by Goodwin Procter (Singapore) LLP, KPMG Services Pte. Ltd., and IQ EQ Fund Services (Singapore) Pte. Ltd.

All rights reserved. Reproduction or use of the whole or any part of the contents of this publication without written permission of the copyright holders is prohibited.
**Interviewees**

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIA</td>
<td>Kian Sin Toh</td>
</tr>
<tr>
<td>CapitaLand</td>
<td>Lars Thomas</td>
</tr>
<tr>
<td>CBRE Investment Management</td>
<td>Yilan Koh</td>
</tr>
<tr>
<td>Colliers</td>
<td>Chris Pilgrim</td>
</tr>
<tr>
<td>ESR</td>
<td>Thïjs Hupkes</td>
</tr>
<tr>
<td>Fosun Hive</td>
<td>Adrian Low</td>
</tr>
<tr>
<td>Greystar</td>
<td>Charmaine Cheuk</td>
</tr>
<tr>
<td>GSA</td>
<td>Victor Low</td>
</tr>
<tr>
<td>Hodes Weill &amp; Associates</td>
<td>Alfredo Lobo</td>
</tr>
<tr>
<td>Keppel Capital</td>
<td>Qianru Yang</td>
</tr>
<tr>
<td>Lazard Private Capital Advisory</td>
<td>Joyce Lo</td>
</tr>
<tr>
<td>LaSalle Investment Management</td>
<td>JB Park</td>
</tr>
<tr>
<td>LOGOS</td>
<td>Bart Coenraads</td>
</tr>
<tr>
<td>LOGOS</td>
<td>Steve McMahon</td>
</tr>
<tr>
<td>MEC Global</td>
<td>Gweyn Foo</td>
</tr>
<tr>
<td>Nuveen Real Estate</td>
<td>Carsten Kebbedies</td>
</tr>
<tr>
<td>Oxford Properties Group</td>
<td>Souvik Saha</td>
</tr>
<tr>
<td>PGIM Real Estate</td>
<td>David Fassbender</td>
</tr>
<tr>
<td>PIMCO Prime Real Estate</td>
<td>Peter Lee</td>
</tr>
<tr>
<td>Savills Investment Management</td>
<td>Alex Jeffrey</td>
</tr>
<tr>
<td>SC Capital Partners</td>
<td>Chris van Beek</td>
</tr>
<tr>
<td>Starwood Capital</td>
<td>Isaac Chan</td>
</tr>
<tr>
<td>Tishman Speyer</td>
<td>Graham Mackie</td>
</tr>
<tr>
<td>UBS Asset Management</td>
<td>Nick Chukiat</td>
</tr>
</tbody>
</table>

*Other interviewees preferred to contribute to this report anonymously.*

---

**Project Contributors**

**Co-Authors**

- **Matthew Nortcliff**: Partner, Goodwin
- **Anulekha Samant**: Partner, KPMG in Singapore
- **Neil Synnott**: Chief Commercial Officer, APAC IQ-EQ

The co-authors would like to thank the following individuals for their advice, guidance, ideas, and input:

- **John M. Ferguson**: Partner, Co-Chair, Real Estate Goodwin
- **Mandee Gruen**: Partner, Co-Chair, Private Investment Funds Goodwin
- **Yash Rana**: Partner, Co-Chair, Private Equity; Asia Chair Goodwin
- **Clarine Yiu**: Senior Client Development Manager Goodwin
- **Jeanie Lee**: Director, Marketing and Communications KPMG in Singapore
- **Adeline Tan**: Associate Manager, Marketing and Communications KPMG in Singapore
- **Oscar Weedon**: Assistant Manager, KPMG in Singapore
- **Melissa Lyn**: Head of Marketing, APAC IQ-EQ
- **Ong Shear Min**: Manager, Corporate Tax Consulting KPMG in Singapore
- **Robert Mertz**: Director, Editorial Goodwin
- **Ava Chong**: Director, Creative Goodwin
- **Emily Dickman**: Senior Manager Creative Operations, Goodwin
- **Asma Shafi**: Design Manager Goodwin
Executive Summary

KEY THEMES:

1. Capital raising and deal sourcing are currently as challenging in APAC as in other regions, and APAC has seen very limited repricing to date.

2. LPs largely have the upper hand, and investor preference leans toward “bespoke solutions” that can deliver expert management and deal sourcing with greater LP governance rights.

3. The diverse APAC region benefits from long-term fundamental engines of growth and should prove resilient as a result.

The purpose of this report is to identify current trends across the APAC real estate funds industry.

Looking at the global market, “beds, sheds, and meds” emerges as one key trend, along with the continued growth of real estate credit strategies and a recent surge in secondary transactions. Another trend is the negative impact of the post-COVID-19 remote-working phenomenon on the office sector.

What is striking about this report, and about the APAC region generally, is how such a diverse range of markets adopts or rejects these trends based on the economic, demographic, and cultural factors at play in each of them.

We see pockets of interest in the residential sector, with Australia and Japan each providing opportunities in the build-to-rent (BTR) or multifamily residential (MFR) sector. Whilst these sectors have gained traction in some APAC markets, they have seen weak interest in others.

Logistics is a prevailing trend across both developed and developing markets, with the attractiveness of different markets driven largely by how well established the sector is in those markets and whether there is an over- or under-supply.

The healthcare sector is generally considered to be in its infancy in APAC. Whether a market embraces that sector may depend as much on government policy as on other fundamentals.

Real estate credit plays well in Australia and may, in time, gain some traction in other APAC markets, such as Korea. But the stresses felt by conventional banks in Western markets are not as widespread in APAC, so it may take longer for funding gaps to emerge. High interest rates remain a factor across all markets except for Japan, which remains a global outlier thanks to the Bank of Japan’s fiscal policy.

Secondaries are much discussed in APAC, as elsewhere, but until APAC markets experience significant repricing, their prominence in the real estate sector may remain limited. China seems the most likely market for secondaries in the short term, but only a limited pool of investors are likely to be interested in that market.

The resilience of the region’s office markets is patchy. The concept of remote working being markedly less prevalent in countries such as Japan and Korea, which are seeing close to 100% office occupancy in their major cities.

There are clearly significant engines of growth at play across the APAC region, but the fastest-growing markets (India and Vietnam, for example) bring with them a range of additional risks that may prove challenging for investors.
The ongoing fluctuations in the Chinese markets naturally limits investment appetite and may have a knock-on effect on sentiment for the wider region.

So there is diversity in spades, but how does this diversity play out for private real estate funds in APAC?

On the one hand, the APAC market(s) can be hard to understand. In the absence of any material repricing, investors from North America and Europe may focus their attention closer to home in the short term. Raising capital is generally difficult, and a lack of price discovery across APAC markets doesn’t make things easier. Some APAC capital may also be diverted to US and European markets perceived to offer better value.

There are new sources of capital, however, and APAC managers are on track to raise more money from the Middle East and from wealth capital sources than ever before. And there will always be an appetite among Asia-based investors to invest in their home markets.

Debt strategies are likely to remain popular, but not all debt funds will succeed. Australia will be the dominant APAC credit market for the time being, and we were told there simply isn’t enough regional market expertise to go around. Competition for the best deals will be tough. We did not dive into the details of how GPs are financing their deals, although with the exception of Japan, markets across APAC are subject to the same interest rate pressures as the rest of the world.

LPs currently have the upper hand and are ever more specific in their requirements. Our takeaway from our 40-plus conversations is that GPs will have to work harder to raise capital and take advantage of the real estate opportunities across the region. We expect to see fewer pan-regional funds and more country- and sector-specific mandates, either as discretionary blind pool funds or, more likely, “bespoke solutions” — club funds, co-investments, and separate managed accounts.

The APAC market is never dull, however, and everyone we spoke to was optimistic about its long-term resilience and growth prospects.
APAC’s Place in the Global Real Estate Market

KEY THEMES:

1. The perception in APAC is that there has been more widespread repricing in North American and European markets and so investors from those regions may see more opportunities in their home markets than in APAC.

2. Japan remains a global outlier due to its interest rate position.

3. Country-specific strategies will take prominence over regional strategies because diverse growth trends across the region resonate differently across the global investor base.

This report looks at a number of jurisdictions in detail, but first we look into the APAC region’s position in the context of the global real estate market.

APAC versus the World

As a starting point, the majority of our interviewees said that APAC was the most under-allocated-to region globally, given the extent of the developed markets in the region and the fact that there are still “very obvious engines of growth” at play across most APAC jurisdictions.

Many commented that it was precisely because of the resilience of developed markets in APAC that they were seeing relatively lower levels of capital allocated to them. As one respondent put it, “Europe and North America represent the biggest capital sources but are also the markets that are expected to be the first to see widespread repricing, and so those investors may see more value closer to home.”

Those same investors have historically expected to see a premium for investing in APAC’s developed markets. But several interviewees noted that the premium has disappeared as those markets have matured.

Given the absence of that premium, plus an expectation among interviewees that Europe and North America would see repricing in their home markets earlier than in APAC, a number of GPs and LPs saw little incentive for investors to invest in APAC “purely for reasons of diversification” — particularly with respect to US investors.

In the short term, APAC may not attract what those in the region would consider to be its fair share of global real estate capital allocations, but there are still significant pockets of capital looking at the APAC markets.

A Dynamic Market of Markets

Many cautioned against thinking of APAC as a homogenous region, and this report highlights the different forces at play across a diverse range of markets, cultures, and stages of economic development. That dynamic creates its own challenges and opportunities for the region.

Japan stands out as a “global outlier” for its interest rate position and is “probably the strongest-performing market globally,” according to one adviser. On the other hand, the upheaval in China’s real estate market has made headlines globally and has many investors worried about potential knock-on effects for other APAC jurisdictions.

The Australian office market has seen some signs of repricing due to the combined impact of hybrid working, higher interest rates and other factors, whereas offices in Seoul are running at near 100% occupancy — reflecting starkly different attitudes to working from home across the region.
The upshot of this diversity is that those that choose to invest in the APAC region now and in the coming years appear likely to do so on a country-specific basis. They will identify the growth trends that resonate best with them and deploy capital accordingly, all underpinned by the region’s long-term fundamentals, which, explains one GP, “are as strong as anywhere”.
Capital Sources for APAC Real Estate Funds

KEY THEMES:

1. Singaporean and Japanese investors are expected to make up the lion’s share of Asian capital allocated to APAC real estate.

2. Certain groups are now looking to raise “wealth capital,” but this requires a different skill set from raising traditional institutional capital.

3. The Middle East has emerged as a key new capital source for APAC real estate, including for investment into China.

This report looks at investor appetite for different markets and strategies under separate headings. The purpose of this section is to look more generally at who is investing into APAC real estate in the current market.

A Tough Market

The feedback on capital raising was not surprising: “It is a tough market” and “It’s as slow as it’s ever been” were two fairly stark viewpoints. Another GP commented, “The reality is that only a small proportion of global LPs are interested in real estate at the moment,” citing the sector’s sensitivity to interest rates, its close correlation with GDP growth, and the ever-influential denominator effect as factors in the context of a global financial market that is “still waiting for terminal interest rates” and that may have “further bumps in the road to come.”

APAC faces the additional challenge that global capital is currently drawn to markets that have experienced (or are expected to experience) at least a degree of repricing — which does not, on the whole, include APAC yet.

The Lion’s Share

While many managers still see interest in APAC from “selective pockets” of European and North American investors, nearly half of those we surveyed expect Asian investors to make up the largest capital base for their APAC mandates. Singaporean and Japanese investors are expected to account for the lion’s share of this. Many noted that Japanese LPs have by far the lowest cost of funds, making them one of the few groups still able to allocate to core and core-plus strategies.

When considering potential Japanese investors, our interviewees expect to see long-established LPs remain active, but they also expect to see a new cohort of Japanese investors look to develop offshore real estate investment programmes, likely to be initially focused on Asia real estate.

Wealth Capital on the Radar

We saw a marked increase in the number of GPs actively seeking to attract “wealth capital” — that is, family offices and HNWIs — with a focus on Singapore as well as Hong Kong and the Middle East.

The growth of private wealth as an investor class is a global trend, and a common view among those who have experience in raising wealth capital is that these investors tend to be more flexible (which was a positive), but that raising capital from them requires a different skill set. Some said they were happy to go through intermediaries, such as private banks, for ease of access and efficiencies in investor relations.
**Sovereigns and Supers**

Many interviewees said they see Middle Eastern sovereigns as a likely growing capital source for the region in years to come, especially with respect to China real estate, because that investor base is less affected by “geopolitical headwinds.” In addition to the marquee sovereigns, a number of our interviewees commented on a new cluster of fast-growing Middle Eastern pension funds that are showing increasing interest in APAC real estate.

The Australian superannuation funds were frequently mentioned as a major capital base that has historically been under-allocated to real estate. The consensus view, however, was that this capital would more likely flow to European and US markets than to those within APAC, as the supers generally adopt a more conservative approach and view European and US markets as offering better protection for their investments.

A small pool of Chinese LPs are still seen to be active investors in funds, although our interviewees’ focus when it comes to Chinese capital is how to access domestic RMB capital to provide liquidity for stabilised Chinese assets — the conclusion being that there is only a small group of GPs that could achieve this (those with an existing track record in RMB funds).

**Bespoke, Please**

Regardless of the source of the capital, the majority of our interviewees observed that the appetite for blind pool commingled funds is at a low ebb. Investors are taking a more risk-averse approach — favouring club funds and “bespoke solutions” that combine expert management with a degree of control. In a tough market, GPs seem to be accommodating these requests on a country- and sector-specific basis.
Japan

**KEY THEMES:**

1. Given its low-interest-rate environment, Japan is seen as potentially the only APAC market in which deals can be underwritten on a conventional basis.

2. Japanese MFR has been a hot ticket in recent years, but many now feel that the pricing in that sector is overheated.

3. A strong local presence is often the key differentiator for those looking to build a portfolio of Japanese assets.

**Interest Rates: How Low for How Long?**

Japan was far and away the darling jurisdiction among our interviewees. With the Bank of Japan (BOJ) standing virtually alone among central banks in keeping interest rates at ultralow levels, the Japanese market is for many “the only Asian market in which you can still underwrite an investment on a conventional basis.”

It is not just low interest rates that put Japan at the top of the pile. Japanese real estate has a long history of attracting international investment. Japan boasts a stable economy and, in greater Tokyo, the largest metropolitan area in the world. The yen’s current weakness also offers an FX kicker for foreign investors. Even the issue of Japan’s ageing and shrinking population is, for many, offset by a countervailing trend toward urbanisation.

The subject of Japan drew our interviewees in different directions, with data centres, logistics, purpose-built student accommodation (PBSA), and hospitality all featuring regularly in our conversations. Japan is also one of the few markets in which the office and retail sectors generated positive comments. But it was the MFR market that came up time and time again.

The increasing attractiveness of the residential sector has been a global trend in recent years, reflecting the chronic shortage of private rental stock across most major markets. Within Asia-Pacific, however, only Japan can point to a developed MFR market, explaining the consistent inflows of capital into the Japanese residential sector over many years. That trend looks set to continue, even if current MFR returns look “painfully low,” according to one GP.

For many, the Tokyo market was “opaque and very local,” meaning that having “boots on the ground” was an absolute prerequisite for sourcing deals. For MFR specifically, many cited pricing and deal pipeline as the prevailing headwinds. One GP that has invested in Japan MFR in recent years but is holding fire on new investments commented that “the risk of overpaying is huge — for us the pricing just isn't there at the moment,” adding that their existing MFR portfolio was still seeing robust rents and had not had any downward valuations.

According to one interviewee, the position in Japan is complicated by the fact that Japanese renters are not inclined to pay a premium for amenities. This makes it harder to differentiate an MFR product in the same way as in other developed markets. A similar issue arises with respect to PBSA, which for the domestic market is “very basic.”

Those attracted to Japanese residential but pausing on MFR showed a willingness to look to niche subsectors. One investor noted, “A subsector such as senior living offers a premium over MFR but without a material increase in risk.” For now, though, these niche markets offer little in terms of scale. Some interviewees see more opportunities at the operator level and are considering adopting more of a private equity/M&A mindset.
Visit Japan

A number of interviewees spoke highly about the prospects of Japan’s hospitality sector. One of the world’s top tourist destinations, Japan is widely reported to be the No. 1 destination among Asian tourists. It has world-leading infrastructure that supports both domestic and international tourism. With the easing of pandemic-era restrictions on Chinese tourists earlier this year, hospitality is expecting a strong rebound — fuelling interest in the sector.

For groups that have recently invested in Japanese hotels, however, the attractiveness of the sector was based on long-held conviction rather than simply to catch a post-pandemic bounce. “The key to [achieving long-term returns from] the Japan hospitality sector will be active asset management and better use of data across our portfolio,” explained one GP that has been active in the sector.

With a focus on the rebound in Chinese tourist numbers, interviewees also mentioned investment opportunities in high-end retail. A rare positive comment on the retail sector.

Not Just Beds

Thanks to the scale and depth of the Japanese real estate market, every sector seemed to be on someone’s radar. Many interviewees made positive comments about logistics, particularly build-to-core, although increasing construction costs were expected to provide some headwind, as in other regions.

Having lagged behind in recent years, Japan’s digital economy is catching up, potentially driving greater demand for digital infrastructure. Those with a track record of data centre development in Japan were confident that they would be able to deploy capital in that sector.

Even the commercial office space, which generated less interest in most developed APAC markets, had some signs of support among our interviewees, with low rates of hybrid working adoption being a key factor. Most said that some repricing is needed before meaningful capital will flow into that sector, however, and interviewees who expressed a view on when this might happen do not expect to see downward adjustments in the near term.

Do You Speak Japanese?

The responses on Japan were wide-ranging and thought-provoking. Interviewees on the whole, spoke about Japan more positively than about any other market — with its low interest rates being the most-cited factor. At the same time, most groups cited at least one good reason not to invest.

MFR has been the main focus for many in Japan for a while, but pricing is tough and unlikely to improve in the short term.

There is an interesting story to tell on hospitality, but many respondents noted that Japan hotel investments worked best on a portfolio basis; as one said, “Scaling up is tough.”

The industrial sectors may prove most resilient, with low interest rates still being the determining factor, but cheap money is going out of style and the BOJ may yet change course. Even a small increase could leave many exposed.

Ultimately, however, Japan remains “the key market” for APAC real estate, offering scale, liquidity, and low rates. “If you have an APAC mandate, you can’t not invest in Japan,” said one GP, a sentiment shared by many.
China

KEY THEMES:

1. Most groups are reassessing their China investment strategies.

2. RMB funds are likely to be more active buyers of China real estate, but few international groups have the capability to raise RMB funds.

3. Some investors see a potential opportunistic upside to the current market upheaval, but new deals will be long-term plays and will leverage domestic partnerships or sectors that benefit from strong support from local or state government.

In the News

All of our interviewees had a view on China and we discussed at length the ways in which the fluctuations in the China market would impact our interviewees' China and APAC investment strategies.

Among funds looking to raise capital, many said they were under pressure from pockets of investors to reduce the allocation to China. For funds that are now in their investment period, there has been pressure from certain LPs to scale down the allocation to China, although most GPs are seeking to resist that.

Investors from APAC and the Middle East are seen to be taking a more pragmatic approach to Chinese real estate, with many seeing opportunities on the horizon. European and North American investors may be less receptive to those opportunities in the short term, reported a number of GPs.

For funds with existing exposure to China, there does not appear to be any immediate LP pressure to sell those assets, but a number of GPs mentioned that for stabilised assets they are starting to think about recaps to domestic Chinese investors.

China has accounted for at least 30% of the APAC institutional real estate market in recent years and could be relied upon (reported one GP) to deliver returns “consistently north of 20%.” For those with pan-Asian mandates, there is no like-for-like replacement for China, with neither India or Southeast Asia offering the scale or the returns to fill the gap (see pages 16 and 24).

Pockets of Optimism

Many interviewees commented that the China market was simply “too big to ignore,” and we saw notable pockets of optimism throughout our calls. Interviewees pointed to a number of recent large Chinese transactions involving major investors from the Middle East and Canada as evidence that there was “significant potential opportunistic upside” for China.

As we explored the source of these opportunities, a few key themes emerged.

First, our interviewees commented that deploying capital into China in the current market requires a long investment horizon with a high level of conviction that an exit to domestic capital would be possible when the time comes. Deal size will also be at the larger end of the spectrum, as has perhaps always been the case for China.

Second, investments that involve partnering with strong domestic operators and/or that can benefit from strong state or local government support will be more attractive. This is particularly the case for development, where access to prime “firsthand” land direct from the government is key.

In terms of sectors, as the key focus areas for the Chinese economy, logistics and life sciences were seen to be the most likely areas of investment. In particular, interviewees said industrial facilities that focus on manufacturing rather than storage and distribution may garner more local government incentives (given the higher tax rate attached to
manufacturing) and may therefore be particularly attractive.

Aside from headline-making deals, interviewees see RMB funds as the most likely active investors in China real estate in the current market, and several GPs reported that they are looking at their options for unlocking domestic Chinese capital. However, there is a very limited pool of international groups that can do this, and the barriers to entry are high.

Too Big to Ignore?

Of the topics that we covered as part of our research, China garnered the most diverse range of opinions between GPs and LPs.

Several GPs acknowledged that now may be the best time to invest in China for the long term. One noted, “You have to be brave to invest in China today, but just as brave to bet against Chinese growth in the long term” — a statement that neatly summarises the yin and yang of China’s current and future standing in the global real estate market.
India

**KEY THEMES:**

1. India may prove to be the main beneficiary of the upheaval in other growth markets.

2. India is widely regarded as the only market in APAC that can currently offer scalable emerging market exposure.

3. For many groups, investing in India has too many additional risk factors notwithstanding the potential upside.

**In or Out?**

Discussions on India had garnered mixed opinions among our interviewees. For at least half the groups we spoke to, investing in India is firmly on their radar, either now or within the next two years.

Logistics/Industrial and, to a lesser extent, data centres were widely discussed among our interviewees. Indian business parks were also mentioned as potential opportunities, but with a slightly longer time horizon.

**A Compelling Growth Story**

It was clear from our interviews that, in the current market, India’s ability to provide “scalable emerging market exposure” was a key differentiator for real estate investors. This was not a short-term play, however, and irrespective of current market conditions the India growth story clearly justified a longer-term strategy for many GPs and LPs.

Compared to other potential growth markets globally, sentiment around India was very positive. Many interviewees identified it as one of the fastest-growing economies in the world, benefiting from growth in financial services, industrials, and consumer goods. One interviewee predicted “exponential growth” for the industrial sector, which is where most investors are looking.

On the flip side, a number of interviewees noted that India has a relatively small domestic capital base, which would mean exits are harder to plan for. Others noted that enthusiasm for India has ebbed and flowed over the past decade or more, with many interviewees commenting that they were still scarred from their experiences of investing in India-focused funds of pre-GFC vintage. The Indian market has changed a great deal in the intervening years, but investors have long memories.

Some additional factors of consideration for investments into India are the extra tax, legal and operational due diligence associated with India deals, together with more complex tax structuring and the need for high quality teams or partners on the ground.

An investor with a global mandate commented, “We look at India as an emerging market but can achieve the same types of returns in other jurisdictions (for example, southern Europe) without the headaches that an India deal brings.” Others said the opportunistic returns currently available in developed markets such as Japan are a more attractive option than reentering the India market, having been “burnt before” in the early 2010s.
Scale, Expertise, Bespoke Products

While India has its challenges, for many groups it is (like China) a market that is too big to ignore. The question then becomes: “How do we access those opportunities?”

For most, the answer is first through scale and second by having expertise (or at least high-quality local partners) on the ground in India. “India currently attracts a small pool of investors, most of whom have invested there before,” one GP explained. “Investors already invested in India are doubling down in the current market,” another reported.

For managers looking to raise capital for India deals, the message was clear: “There is no appetite for a commingled India fund. Our investments in India will be highly bespoke transactions sourced and structured for major global investors that are investing in India’s long-term growth.”

If You’re in, You’re in

For investors that are looking at India for the first time, one GP reported that despite a sharp increase in inbound enquiries, these are not translating into capital flow yet: “LPs require a lot of education — it may take 12 to 24 months’ watching and learning before they are ready to invest.”

India is not immune from the choppy waters affecting most real estate markets, but our interviewees who know the market made it clear that Indian real estate can and should be in the ascendancy at the moment, referring to it as a scalable emerging market with grand global ambitions.

The response from investors and capital allocators was a fairly binary “in or out” decision, but those who are “in” seem ready to invest substantively and for the long term. For GPs not interested in India, the message was clear: “Leave it to those who are there already.”
Australia

**KEY THEMES:**

1. Australia is high on most investors’ target lists for APAC investment and has been the first APAC port of call for many international investors.

2. “Living” sectors such as BTR, PBSA, and senior living are expected to perform well in the Australian market, underpinned by the same macro trends experienced in other mature markets.

3. Among APAC office markets, the Australia market is most exposed to downward valuations, driven by factors such as remote working and more stringent ESG requirements.

Interviewees spoke very little about Australia, which was striking given the country’s fundamental importance to the APAC real estate market. But Australia isn’t off the table in terms of investment; in fact, almost all the groups are targeting Australia in some way.

**APAC’s ‘Western Market’**

We can only surmise that the issues at play in the Australian market are consistent with those that are playing out in the main markets in Europe and the United States, so our interviewees considered them to be less comment-worthy than for other jurisdictions — particularly China, India, and Japan, all of which generated lengthy discussion.

A comparison of Australia with European and US markets highlights why Australia has proved such a popular destination for foreign capital over many years. Whether because of language, culture, or legal system, an investment in Australian real estate can look and feel, for the most part, like an investment in the UK or the US. For that reason, Australia has often been the first APAC port of call for many international LPs.

In addition, Australia now faces the same macro challenges as those established Western markets (although many interviewees noted that Australia lags behind those markets by up to 12 months).

Rising interest rates, inflation, and widespread adoption of hybrid work are all factors at play in Australia, but there has not yet been as much repricing of the type that many of our interviewees had seen or expected to see, in pockets, across those Western markets. In the office sector, the lack of widespread repricing was in spite of stubbornly low occupancy rates, according to a number of our interviewees.

**Industrial Highs**

While there has been “some limited repricing” in the logistics space, there remains strong and robust demand for these assets from investors and tenants alike. “There is a supply and demand mismatch right now, and we still see low-double-digit rental growth,” reported one institutional investor, making a clear case for the Australian industrial sector. Another LP reported that their logistics portfolio in Australia was running “above 99% occupancy” although they expected rental growth to slow as rising interest rates eat into consumer demand and as more stock comes online over the next 12-18 months.

**Make Your Bed(s)**

The clamour for residential is just as strong in Australia as in Japan, even though the markets are very different. While MFR is a long-established asset class in Japan, residential property has traditionally not been an institutionally owned asset class in Australia. This means that in terms of inbound investment, the
Aussie residential sector is much more focused on BTR than on investing in existing stock.

Interest in BTR in Australia is driven by trends both global and domestic, with the key domestic factors being post-pandemic population growth in Australia combined with chronic undersupply of rental properties in key markets. As a development play, interviewees also saw the deep pool of good local developers as a feather in Australia’s cap.

When asked why BTR appeared only recently on the radar for institutional investors, many cited Australia’s tax rules as a key impediment, noting that the rules favour capital growth over yield, benefiting retail investors rather than institutions. Recently announced changes to the tax rules relating to managed investment trusts (MITs) were seen as positive developments, however.

Planning/zoning is also a challenge, but interviewees expect local authorities to take a more pragmatic view in this respect to facilitate the delivery of more units and to curb excessive rental growth.

Even without these changes, the global focus on the residential sector, combined with Australia’s transparent and relatively liquid market (compared to other APAC markets), should provide sufficient tailwinds for continued interest and solid growth in this sector.

Living — a Cultural Fit

Interest in the living sector is not limited to traditional residential; interviewees made positive comments about both PBSA and senior living. For both of these living subsectors, interviewees see Australia as the natural “next market” after the US and the UK/Europe, with Australia’s demographic trends at both ends of the age spectrum comparable to those markets.

Australia is generally accepted to be the third-largest PBSA market behind the US and the UK, with market dynamics and revenue models that are easily understood by operators and investors.

One GP with a long track record in PBSA noted that while Chinese students continue to account for the bulk of foreign students, China’s prolonged pandemic lockdown had caused many to delay their enrolment in recent years. Students from Southeast Asia and India had largely filled those vacancies, however, emphasising robust international interest in the Australian PBSA market at the tenant level.

Australia was seen as the APAC market “most culturally suited” to other living subsectors, such as senior living and healthcare more generally. Many groups said these subsectors are high on their agenda for 2024.

Office Blues

Amid all the positive sentiment around the Aussie market, very little of that optimism has found its way to the office market.

A number of groups suggested that the Australian office market would be the first in APAC to experience notable repricing, particularly in peripheral markets and for buildings that did not have gold-plated environmental, social, and governance (ESG) credentials. Taking the view that “some repricing is inevitable,” many groups are eager for repricing to happen sooner rather than later to kick-start deal flow.

Even with a price correction, however, few groups expect to look favourably at offices, given the overriding negative sentiment for the sector among LPs. “If you are a US or European LP, you may see challenges for the office sector in your home market and it is inevitable that you will then look at offices through that lens in other jurisdictions,” one GP explained.
Korea

**Key Themes:**

1. The Korean office market is bucking the global trend, with occupancy levels close to 100% — buoyed by very limited adoption of remote working.

2. Korean logistics has been a hot sector for several years but may be stymied in the short term by a wave of new stock coming to market.

3. A strong entrepreneurial culture coupled with an economy built around high-growth sectors stokes a high level of optimism for the Korean market in the longer term.

As with Australia, interviewees had relatively little to say about the Korean market, but the vast majority are already invested there and see more opportunities on the horizon. That said, only 4% of respondents expect Korea to be the main focus of their investment activities over the coming 12 months, suggesting that while Korea may form an important part of APAC portfolios, those investments are likely to be spread across a number of GPs and mandates.

With the residential sector dominated by domestic players, foreign investors in Korea have focused very heavily on the industrial sectors, with others expressing interest in healthcare and offices. No one mentioned Korean residential as a potential investment theme.

**Work From … the Office**

A number of interviewees spoke positively about office occupancy rates in Seoul, with “virtually 100% occupancy” marking a stark difference from the office sector in many Western markets. As rents increase, however, one group expects Korean tenants to reassess their office needs and manage costs more tightly with lease renewals on the horizon. On the flip side, many groups expect the lack of imminent new office supply, combined with robust demand from technology companies, to more than balance that out.

Many groups also expect life sciences to become more attractive as the sector grows in the aftermath of COVID-19 and continues to benefit from significant government support. Accessing the market was cited as a key challenge, and Korea is another market where having boots on the ground will be a key differentiator.

**Sheds, Not Beds**

Logistics has, undeniably, been the key sector for investors in Korea in recent years, with Korea making a two-footed jump onto the e-commerce bandwagon. Most groups remain largely positive about the asset class in the long term, pointing to the very strong fundamentals underpinning the sector. But some expressed concern about a short-term supply glut that may see many potential investors sitting on their hands for the time being.
The Feel-Good Factor
What was most striking about our conversations was the overwhelmingly positive sentiment for Korea as a whole. “We see investment in Korea as a long-term sector-agnostic play,” explained one GP. “I am consistently impressed by the culture, energy, and entrepreneurship I see in Korea,” said another, noting that this was especially noticeable among individuals in the early stages of their career.

Respondents expressed little doubt that this spirit of entrepreneurship will play well in a Korean economy focused increasingly on major growth sectors, with technology, decarbonisation, and e-commerce as key drivers.
Singapore

**KEY THEMES:**

1. Almost all groups would be interested in investing in Singapore, but pricing remains a challenge for most buyers.

2. Singapore’s CBD office market is dominated by a well-established domestic REIT market.

3. Singapore is more likely to remain a hub for PERE capital and expertise than become a key jurisdiction for APAC fund investment in coming years.

Almost all of our interviewees expressed an interest in investing in Singapore — along with Australia, Japan, and Korea — although few have done so recently or expect to do so in the coming months. “It’s a transparent market with strong and stable fundamentals — it is just small and very expensive,” explained one GP, neatly summarising the majority view among our interviewees.

There are many reasons for this. Singapore is a space-constrained city state that has a well-established domestic REIT market and a deep pool of local developers. Residential development is tightly controlled, and some investors consider the leasehold structure for industrial assets to be a challenge.

Self-storage was one asset class that “made sense” from a Singapore perspective, but those who mentioned that sector would expect any investments to be focused at the operator level, as opposed to a direct investment in the underlying buildings.

“We haven’t seen many Singapore deals that interested us this year,” explained one investor, adding, “We expect that premium Singapore office space will remain very resilient from a rental growth perspective.”

“We would be very comfortable buying in Singapore, but the pricing just isn’t there,” explained one GP who had traditionally focused on the office sector. “If a Singapore deal made sense, we’d do it.” This response nicely summarises the market sentiment on Singapore — one of the most robust markets in APAC but expensive as a result. With global purse strings tightened, it seems that Singapore could be on the back burner for a while longer.
Emerging Markets of Southeast Asia

KEY THEMES:

1. In spite of healthy GDP growth and strong demographic headwinds, deploying capital in Southeast Asian real estate has proved challenging for many.

2. For those with an appetite for the region, Vietnam has proved popular — especially in the industrial sector.

3. Many consider that the downside risks of investing in Southeast Asia outweigh the potential upsides, given relatively subdued emerging-market returns.

Southeast Asia is widely seen to be a region full of potential. Its near-term GDP growth is expected to be at least twice the global average, and the region is home to Indonesia, the world’s fourth most populous country. So it’s no surprise that interviewees, particularly those based in Singapore, had a lot to say about Southeast Asia.

Southeast Asia (which, for the purposes of this report, includes Indonesia, Malaysia, Thailand, and Vietnam — we discuss Singapore separately on page 22) has been attractive to private equity (PE) investors for decades — the region’s demographics (a young population and expanding middle class), combined with increasing digitalisation and adoption of e-commerce, have created investment opportunities across the board, most noticeably in the digital economy and in sectors such as healthcare and financial services.

While the PE players have been making hay, investing in Southeast Asian real estate has proved trickier to master, and the majority of our interviewees do not expect to be active there any time soon. Those who are active, or expect to be, said there is “only a select group of investors” who would invest there and who would focus on the industrial sector.

Vietnam: Leader of the Pack?

For many groups, investing in the industrial sector makes sense given the huge boom in manufacturing across certain jurisdictions. This was driven to a large extent by multi-nationals adopting a “China plus one” strategy that seems to have benefited Vietnam more than any other jurisdiction.

Interest in the Vietnam logistics sector follows this trend. Logistics infrastructure will need to keep pace with the growing manufacturing base fuelled by the inflow of global manufacturers, especially in the electronics and energy sectors.

We heard more than one comment along the lines of “Vietnam logistics is the key emerging market play that interests us.”

A few investors mentioned Vietnam’s residential sector, but they see this sector as more of a developer play with build-to-sell being more attractive than build-to-rent, in part because of the shorter ownership terms available to foreign investors under Vietnam’s land-use-rights system. Irrespective of these challenges, a number of groups predicted that the wealth created by the ongoing manufacturing boom will underpin a resilient residential sector in the coming years.

The Chasing Pack

Apart from Vietnam, some groups mentioned Indonesian logistics as a current focus, but this
was largely limited to groups that have existing developments and a robust track record on the ground.

Thailand was also a contender among emerging markets, but many cited the scale and depth of the market as a challenge as well as restrictions on foreign land ownership. There were still pockets of interest around logistics, cold storage, and hospitality, however.

**Challenges, Challenges ...**

For the most part, conversations about Southeast Asia focused more on the challenges of doing deals in the region than on the opportunities to invest.

First and foremost was the topic of risk-adjusted returns; “they just aren’t where they need to be” explained one interviewee, who would need returns “in the region of a 20% net IRR” to consider those markets, with another saying that returns were “at best, 13-15%.”

Emerging markets bring emerging market risks, and many of these are at play across Southeast Asia.

Interviewees cited currency risk, counterparty risk, foreign-investment restrictions, unpredictable politics, ESG challenges, power supply (especially for data centres), and climate risk as risks that are heightened for emerging market deals. Add to that the smaller scale of the markets, smaller deal size (typically), and a general lack of liquidity, and the odds seemed to be stacked against Southeast Asia.

In spite of all those headwinds, there was a groundswell of opinion that Southeast Asia “cannot be ignored” given the potential of its markets over the coming decades. “We will get there,” said one GP, explaining that in the short term they would most likely invest selectively and strategically from their balance sheet so that they could learn the market and build relationships.

For now, Southeast Asia seems destined to feature more for developers in the logistics and residential sectors, with others watching and waiting. Mistakes in emerging markets tend to be big and happen fast, so there may be some logic in the majority of GPs proceeding slowly but surely.
Private Credit

KEY THEMES:

1. A structural shift away from traditional lenders, coupled with robust risk-adjusted returns, is driving many groups to look to private credit as a new or expanded investment strategy.

2. Australia is by far the most developed APAC market for private credit but already has a strong roster of domestic players as a result.

3. Questions remain as to which market(s) will be next in line for alternative-credit providers, with Korea seen as a possible contender.

With interest rates rising and banks taking a more conservative position across the APAC real estate market, it was no surprise that interest in the private credit space seems to be at an all-time high among our interviewees.

The Numbers Add Up

“It’s better to be a lender than a borrower right now,” was the loud and clear sentiment among the majority of groups, with the risk-adjusted returns of real estate credit standing head and shoulders above most other real estate sectors in terms of attractiveness.

The reasons for the current popularity of real estate credit are plain to see. On the one hand, high interest rates play into the hands of lenders, with several interviewees reporting double-digit returns on their debt strategies. At the same time, banks and other traditional lenders are pulling back from real estate lending, creating a funding gap that investors are eager to fill.

Australia has been the main market for real estate debt for many years, and many of our interviewees expect it to remain so, with other APAC markets offering far fewer opportunities in the debt space.

The Only APAC Debt Market

“Australia has a good roster of alternative lenders and there is a strong track record of capital being raised and deployed for that market,” explained one GP, adding that “although the Australian market is arguably still about 10 years behind the US and UK, it is really the only market for real estate credit in APAC.”
The vast majority of debt investments seem likely to be focused on Australia, but this raised alarm bells for a number of our interviewees. They voiced three key concerns (which were largely seen as risk factors to be considered as part of an IC process, rather than red flags that would stop allocations to Australian debt altogether):

First, there is an existing pool of domestic debt players that have been active in the Australian market for many years. These groups benefit from first-mover advantage and have significant teams on the ground. Several interviewees felt that offshore debt providers, without these advantages, would struggle to access the best deals.

Second, there was concern relating to the sheer number of funds that might be targeting the Australian debt market. “Every other GP wants to set up an Australian debt fund — they won’t all succeed,” remarked one investor. That said, the Australian market is relatively strong (especially in terms of development opportunities, which many alternative lenders plan to focus on), and there is reported pressure on the four major Australian banks to reduce their real estate exposure. As a result, most groups reported a strong pipeline of potential debt deals.

Finally, many groups commented that the talent pool in this sector is particularly nascent. “It is a new market for many groups, and a track record in US or European real estate debt will not necessarily translate into success in Australia — who’s going to manage these funds?” asked one GP that did not intend to raise funds for Aussie debt.

A counter argument, however, was that there is an increasing pool of talent in Australia from the banking and credit sectors that has continued to leverage the IP that global private equity and credit firms have imported into the Australian market over the past two decades.

Outside of Australia, we saw little appetite for investing into debt. A handful of interviewees flagged Korea as the debt market most likely to emerge next, citing a predicted funding gap that would open the door to alternative-credit providers.

**A Structural Shift**

At a macro level, sentiment around credit opportunities was almost universally positive. Respondents touted widening spreads due to the current interest rate situation as an obvious short-to medium-term opportunity, but the “structural shift” away from traditional lenders means that the “seismic growth of non-bank lending” represents a long-term opportunity for all involved.
Secondaries

**KEY THEMES:**

1. The growth of secondary fund transactions has been a key trend across the global funds industry, but these transactions have yet to take hold in the APAC region.

2. A lack of repricing across APAC real estate markets means that few attractive secondary opportunities have materialised.

3. China may be the first market to see compelling secondary opportunities — most likely portfolio recapitalisations and probably involving RMB funds or sovereign investors.

There has been a widely reported surge in global deal volume for secondary transactions across private markets in recent years, and real estate has been no exception.

Secondary transactions, whether LP-led (e.g., the sale of a fund interest or a portfolio of fund interests) or GP-led (asset or portfolio recapitalisations, multi-asset or single-asset continuation funds, and other transactions) offer both GPs and LPs liquidity and typically afford some form of discount to the incoming investor(s).

**Not in APAC**

Given the growth in the market globally, we expected to be talking about secondaries quite a lot with our APAC real estate clients. Things didn’t pan out that way.

The prevailing sentiment among our interviewees is that APAC real estate markets have not repriced to the extent necessary to create sufficient value in the secondary market. “The bid-ask spread doesn’t make sense at the moment for APAC,” reported one LP that had sought out secondary deals in APAC as well as in other markets.

**China Opportunities?**

China was seen as one of the few markets that could offer secondary opportunities, but only to a limited pool of investors. “For investors that can commit long-term capital to China, there are definitely interesting recap opportunities,” explained one GP that runs a pan-Asia mandate.

Investors that can take advantage of those opportunities are likely to fall into two buckets. The first is domestic Chinese capital, whether directly or through RMB funds, but as noted in the China section of this report, there is a limited pool of GPs that can tap into that capital.

The second bucket comprises APAC sovereign wealth funds (SWFs), with several interviewees expecting these investors to be active in that space. “These are large transactions with a long-term investment horizon, so SWFs would be natural buyers,” one said.

**If Not Now, When?**

Apart from China, it’s clear that secondary opportunities in APAC private-equity real estate are expected to be limited in the short-term. However, experience in other markets suggests that if and when valuations see some downward adjustments, the APAC market could see a rapid rise in secondary deals.
Environmental, social, and governance (ESG) initiatives have become ubiquitous, affecting everything from geopolitics to the contents of our refrigerators. With the World Economic Forum reporting that real estate drives approximately 40% of global carbon emissions, it is no surprise that ESG is a key focus for those developing, investing in, and occupying real estate across the world.

Of all topics discussed with our interviewees, ESG probably saw the greatest consensus. Divisions, where they existed, were drawn along geographic lines.

### Follow the Leaders

Respondents expressed a widely shared view that APAC (with the exception of Australia) lags behind North America and Europe in many aspects of ESG and that so far, ESG engagement has been driven (or instigated) largely by the demands of investors from those two regions.

“For European LPs it is an absolute must-have,” commented one GP, and many other managers echoed the sentiment. “There is a very strong focus on ESG in Europe and a much more harmonised approach,” we were told, with both governments and regulators pushing investors to prioritise ESG-friendly investments. “SFDR [the EU’s Sustainability Finance Disclosure Regulation, which came into force in March 2021 and which is part of the EU Action Plan on Sustainable Finance] has set a clear ESG benchmark for the European funds industry, which impacts Asia when European LPs invest here.”

“If you want to raise capital from Europe or North America, your ESG credentials (and those of your portfolio) are now a gating issue,” reported one GP, explaining that their own internal ESG policy and priorities are very closely aligned with those of its investor base. “We have definitely passed up on deals due to ESG factors,” reported another GP.

The position of the major Canadian LPs was reported to be largely consistent with their European counterparts, although the ESG picture is more complex in the United States. "ESG regulations and attitudes can vary state-to-state," explained one GP with a wide US investor base.

There were some mixed messages among APAC investors. We heard that Europe-based investors may be prepared to compromise slightly on returns provided that an investment delivers “impactful ESG,” but this view did not extend to APAC-based investors. An exception was the Australian superannuation funds, which have “the most stringent ESG underwriting around,” according to one interviewee.
A number of interviewees spoke of the core priorities of Asia-based investors, and we heard several iterations of the following: “Many Asian LPs focus on capital preservation, then returns, above all else. That means that ESG is only relevant to them when viewed through those lenses.” This view was not universally shared, however, with Japanese investors being singled out as a group that had seen a very rapid adoption of ambitious ESG standards, led by government-linked LPs.

**A Clear (Green) Direction**

It’s abundantly clear, however, that what may have started as an LP-driven requirement is now a fundamental part of almost every investment decision for APAC GPs (as would be the case in other developed markets). “We want assets that attract top tenants and that will remain attractive to occupiers and potential buyers in the future — ESG resilience is a big part of that,” explained one investor. For some groups, that means being prepared to pay a green premium for ESG-compliant assets, while for others it means having a capital expenditure plan for ESG upgrades.

Developers, particularly in the logistics sector, see ESG competencies as a competitive advantage given that much of the existing stock predates the current ESG focus. “Our aim is to have best-in-class ESG assets in all markets as it elevates our tenant pool into top-tier customers,” explained one developer.

The overall picture was “optimistically green” for APAC real estate and those who operate in that space. LPs largely want to see ESG considerations at the fore, GPs are responding positively (although there is a learning curve in APAC), and ultimately the best tenants want the best ESG-compliant buildings — a virtuous ESG circle for the industry. “If you ignore ESG, you are out of the game,” commented one GP, summing up the consensus view.

**Data Centres versus Sustainability**

The “elephant in the room” on APAC ESG was data centres, given their especially high energy consumption and proliferation across “low-ESG” jurisdictions in Asia’s emerging markets. From an ESG perspective, thus, some view data centres as “impossible,” while others see them as “at best borderline.” Given the opportunities presented by data centres and the amount of capital that has flowed into the sector, some groups are clearly finding ways to live with the ESG challenges.

One GP commented that their data centre projects “needed to have a green angle” to pass muster with LPs, while another chose to focus on the ESG-positive behaviours facilitated through data centres, such as greater adoption of remote working and reduced business travel. Based on our conversations, however, this may be a hard sell for some LPs.
APAC-Specific Challenges

GPs in APAC seem to feel sustainability challenges more acutely than those in other markets. First, there is little harmonisation of ESG standards across the APAC region. In spite of the industry’s best intentions, many GPs find it difficult to satisfy their non-APAC LPs’ requirements, which “are always slightly different from one LP to another.”

These challenges are particularly magnified in Asia’s emerging markets. One interviewee explained the difficulty of meeting renewable energy standards when the infrastructure to sell power back to the grid doesn’t exist. Tackling those types of challenges, one developer explained that in those markets they had sought to focus on “impact” rather than just benchmarks, but that approach did not always align with the LPs’ internal processes and further education was required.

’S’ and ‘G’

As is quite common in real estate, the environmental side of ESG got much more airtime in our conversations than social or governance. Several interviewees commented that governance is viewed the same way in APAC as elsewhere and that a governance analysis is “one of the cornerstones of the overall risk assessment.” Others noted that certain “usual suspect” jurisdictions pose more challenges in this regard than others.

Respondents spoke about social considerations mostly in the context of APAC’s emerging markets — namely, the potential impact and how it could be enhanced. They also mentioned social considerations in the context of the residential sector, whether through “place making” in the MFR and BTR sectors or through a focus on mental health and well-being in the broader living sectors (PBSA in particular).

It’s Good to Be Green

Overall, ESG issues are on the radar for all market participants in APAC real estate. The diverse nature of the region and the varying states of development pose some challenges, which are being tackled in different ways across different jurisdictions and sectors. Regional harmonisation of ESG standards is perceived to be unlikely in the short-term or mid-term, but as more investors and occupiers treat ESG as a “tier 1 consideration,” it is clear that GPs and developers must respond in their own way.
Technology and Artificial Intelligence

**KEY THEMES:**

1. The real estate industry has historically been a laggard when it comes to adoption of new technology, although proptech that enhances returns is now widely deployed at the asset level across APAC.

2. Many see the potential benefits of ChatGPT and other AI language models, but there are widespread concerns around data governance that may limit experimentation and adoption.

3. The earliest adopters of AI in the APAC real estate funds market are likely to be the largest GPs and propcos, which can devote sufficient balance sheet capital to making best use of fast-moving tech.

As a starter on this topic, we asked each interviewee: “What impact do technology and AI have on your day-to-day role”? “Little or none” was a common response, but for a few of our interviewees this question led to an exploration of how tech, blockchain, and AI could and “should” democratise, revolutionise, and, perhaps, completely upend the real estate funds industry.

**But First, the ‘Little or Nones’**

Real estate is a traditional industry, and the private funds industry has been shaped more by regulatory “innovation” than tech developments in recent years, so it is no surprise that many of our interviewees had not seen much tech upside. “From a capital-raising perspective, we have not seen significant tech developments in recent years,” was a commonly shared perspective.

In terms of where tech is best deployed in a fund management business, most people pointed to the asset level, where proptech is readily deployed “to the extent that it can enhance returns.”

Those who are involved in real estate development are perhaps more up to speed with current proptech applications. Several referred to the “broad range of service providers coming up with interesting tech solutions” and said they plan to increase their deployment of those tech solutions during development and operation of assets.

**All in the Data**

“Better use of our data” was frequently mentioned as a tech ambition, often with a segue to a discussion about AI, ChatGPT, and other AI language models.

Respondents who are more familiar with AI are confident that it should be “a game-changer for efficiency” across all aspects of the real estate sector but noted significant barriers to use. “First and foremost, you need to think about the guardrails,” explained one GP that, like many larger groups, has a team specifically responsible for tech and AI. “We need to know whether our data and that of our clients is safe — at the moment we don’t have a clear answer.”

Our discussions suggest that very large GPs and propcos will be the ones to test the limits of AI within the asset management space. A number of those groups said they are focused on creating a “safe environment in which to explore the potential upsides and stress test the potential risks.”
Smaller groups have “interest but not bandwidth” to explore the application of AI to their business, although there was widespread enthusiasm for its potential to simplify investor due diligence, reporting, and certain aspects of portfolio management.

**Tokenisation**
Tokenisation — the process of converting interests in a fund or asset into digital tokens that can be recorded, issued, and traded on a distributed ledger — was embraced by some but dismissed by others as “science fiction.” Others took the middle ground that it’s “too early to say.”

For those who embraced the concept, tokenisation of funds or assets (including debt) is seen as a way to open new channels for capital raising, particularly among millennial HNWIs and family offices. Together with the wider application of blockchain technology, tokenisation is also viewed as a potential antidote to many of the inefficiencies associated with the funds industry.

“We are involved in the conversation around tokenisation not for what it can deliver today, but what we think it can deliver over the coming decade” was one future-facing perspective.

**Fine With Following the Pack**
As our conversations made abundantly clear, there is an ambition to embrace technology in the real estate funds space so long as it delivers value. This value could take the form of enhanced returns from more efficient development or better use of data, or it could involve delivering efficiencies in more mundane portfolio management or reporting tasks. Finally, it could come through enabling access to hard-to-reach sources of capital.

Real estate seems unlikely to be at the forefront of the AI tsunami, but based on our conversation there is at least sufficient industry interest to catch a wave or two and see where it takes us.
Hiring and Staff Retention

KEY THEMES:

1. The labour market has shifted during the course of 2023, with employers reclaiming the upper hand.

2. Singapore and Japan are the toughest recruiting markets, and data centres and private credit are the most in-demand sectors.

3. Respondents largely see “mission-driven millennials” as hard workers who are an asset to the industry, but employers are having to adapt their offering to attract and retain younger talent.

We rarely discuss hiring and staff retention with our clients, but it is clearly a determining factor in successfully raising and deploying capital in the region. With this in mind, we sought to assess the mood among APAC employers in the real estate funds space.

The New ‘New Normal’?

The employment market “has clearly shifted” since the start of the year, with fewer vacancies advertised as firms have sought to take a more cautious approach in the context of an uncertain market. Salaries “generally increased in recent years,” but the pace of increase has slowed. In most markets and specialisms, the mood is more “employer friendly” than it has been in recent years.

Singapore and Japan were singled out as markets where it was challenging to hire.

Cross-Culture Operators

Japan is a tough market not simply because there it has a lot of inbound interest but also because of the need for professionals (both deal side and investor relations) who can operate with both a domestic and international mindset — straddling different cultures and languages to help access a tight market. As a result, employers are fishing in a “very small pool of talent.”

“We place a great deal of trust in our Japan team,” explained one GP. “We are more reliant on them than on teams in other markets, and hiring the wrong people would be worse than hiring no one at all — so we take our time in hiring there, especially for senior roles.”

A Smaller Talent Pool in a Growing Market

Different factors were at play in Singapore.

On the one hand, the Singapore asset management sector is going through a period of expansion, with more international GPs and LPs setting up, or expanding, their Singapore presence. There continues to be some relocation of head count from Hong Kong as well as a sharp increase in the number of family offices setting up in the Lion City.

A number of interviewees commented that Singapore has instigated more-restrictive foreign hiring practices that have made relocating staff to Singapore more costly, more time-consuming, and more uncertain. The sharply increasing cost of living in Singapore is also a deterrent for potential international recruits, especially in terms of housing and schooling costs.

A number of interviewees noted that back-office roles are particularly hard to fill in Singapore, as these roles are usually filled from the local market and the size of the talent pool has not kept pace with demand from a growing market. As a result, there is more movement between firms in these roles, and “employees still have the upper hand.”
Among asset classes, data centres and private credit are particularly in demand — reflecting their rapid increase in prominence in the APAC region.

**Millennial Mindset**

Although we did not ask the ages of our interviewees, the majority would most likely qualify as Generation X (born between 1965 and 1980). We were interested in getting their views on the attitudes of their millennial (born between 1981 and 1996) and Gen Z (born after 1996) team members.

Respondents agreed that junior professionals and their bosses take different approaches to career assessment. A number of interviewees referred (largely positively) to “mission-driven millennials” and described them as “hard-working but very demanding in terms of their professional and personal development.” This was seen, on the whole, as a positive trait and something that forward-thinking employers would support and invest in.

A number of interviewees bemoaned the fact that younger professionals “jumped jobs” too quickly, but others said this can often be attributed to a misalignment of values between employer and employee, with those at the start of their career trying to prioritise a “career with purpose.”

**Sit Tight**

Overall, the mood among employers was steady. Hiring is slower and more cautious, but there were few reports of retrenchments or scaling back. Certain markets and specialisms were more in demand, but that is always the case. As markets shift, so will that demand.

One GP delivered the following (hopefully comforting) message: “It is a slower market than we would like, but we are extremely focused on keeping our people and teams in place for the expected recovery.”
Poll Questions on Key Topics

This report covers a huge range of topics and we have been able to draw a range of conclusions based on the interviews that we conducted. That said, there are some key topics that are helpfully supported by cold hard data. To that end, we asked all of our interviewees the same five questions relating to capital deployment, capital raising and the outlook for China, with the responses collated below.

In which jurisdiction do you expect to invest the most capital in the next 12 months?

Japan 46%
Australia 42%
India 4%
Singapore 4%
Korea 4%

The attractiveness of Japan and Australia for our interviewees was no surprise. Interest rates favour investments in Japan, and Australia is the most transparent and liquid market in the region and will likely be the first APAC market to see some repricing.

We were surprised that Korea scored so poorly in this regard given that interviewees spoke about it very positively. We suspect that significant capital will be invested in Korea but predict that it will be spread across a number of managers whose APAC portfolios will be weighted toward Japan and/or Australia overall.

Which jurisdiction do you expect to see the largest increase in investment in the next 12 months?

Japan 31%
Australia 19%
Korea 15%
SE Asia (ex SG) 12%
India 8%
Singapore 8%
China 8%

Japan scores strongly on this question, especially in the context of being the most favoured jurisdiction overall. Many interviewees clearly expect to double down on that market. India, China, and Southeast Asia all benefit from a low base in assessing whether they will experience an uptick in investment volumes.
From which region do you expect to raise the most capital for APAC real estate in the next 12 months?

- Asia: 46%
- Europe: 17%
- North America: 17%
- Middle East: 21%

We saw a strong trend toward Asia capital targeting Asia real estate. The key capital sources were Singapore and Japan and, to a lesser extent, China, Korea, and Malaysia. For those that expected to raise significant capital from Europe, German investors were expected to be the most active.

From which region do you expect to see the biggest increase in capital raised for APAC real estate in the next 12 months?

- Asia: 32%
- Europe: 27%
- Middle East: 27%
- North America: 14%

Asia scored strongly again on this question, with GPs expecting to see inflows from Asian SWFs as well as from wealth capital sources. The Middle East was mentioned often as a source of new capital for Asia real estate, with many GPs actively targeting that market for the first time. North American investors are expected to focus on investments closer to home in the short term.

In what year do you expect to see meaningful volumes of offshore capital flow into China real estate?

- 2023: 4%
- 2024: 4%
- 2025: 27%
- 2026: 23%
- 2027: 19%
- 2028: 8%
- 2029: 0%
- 2030: 0%
- 2031: 0%
- 2032: 4%
- 2033: 0%

This question elicited the most varied set of responses and caused the most furrowed brows and "deep thinking." Respondents clearly lean toward the view that China is off the market for the short term, but there was no consensus as to when it would come back in a meaningful way. Many hoped it would be sooner rather than later but admitted that “a lot of events have to align” to make that a reality.
About the Authors

Matthew Nortcliff
Partner,
Goodwin Procter (Singapore) LLP
+65 6239 6812
mnortcliff@goodwinlaw.com

Matthew Nortcliff is a partner in Goodwin’s Private Investment Funds group. Matthew advises managers on the establishment, operation, and regulatory matters of a wide range of funds, structured investments, and joint ventures with a particular focus on the real assets, venture capital, and technology sectors. He also advises investors on their fund investments and corporate real asset transactions across Asia and globally.

Matthew is recognized as a Leading Lawyer in both Legal 500 and Chambers directories. His client base includes institutional GPs and LPs, boutique fund managers, and major regional property investors.

Chambers quotes a client who described him as “a standout partner who delivers an excellent level of client service while being commercially sensitive to the wider transaction. ... Balancing efficiency, client focus, pragmatism, and sound advice is often difficult, but Matthew does it exceptionally well.” The Legal 500 quotes a client who praised him for being “very professional in the engagement. He goes beyond the call and I certainly appreciate his working style. He is quick, sharp, and to the point.”

Anulekha Samant
Partner,
Co-Head of Real Estate & Asset Management, Tax
KPMG in Singapore
+65 6213 3595
asamant@kpmg.com.sg

Anu has more than 23 years of tax experience working in Singapore, Switzerland, and India, including 17 years in Singapore. She has a special focus on the fund management and has served a wide portfolio of clients, comprising mostly multinationals. She has been involved in advising a number of clients on tax-efficient structures for a variety of investments, especially real estate.

Professional and industry experience

• Anu has worked with a number of fund managers in structuring fund vehicles for the Asia-Pacific region.

• She has worked with a number of clients in structuring downstream investments in countries such as Australia, China, Korea, Japan, Hong Kong, India, Malaysia, Indonesia, and Vietnam.

• Her expertise also lies in cross-border investments and financial products.
Neil Synnott
Chief Commercial Officer,
APAC
IQ-EQ
+65 6955 1574
neil.synnott@iqeq.com

Neil joined IQ-EQ in November 2017, bringing with him a wealth of experience and expertise in the financial services sector. As the Chief Commercial Officer for APAC, Neil plays a pivotal role in shaping and executing the region's commercial and segment strategy. His responsibilities span across devising growth plans, go-to-market approaches, and the cultivation of a unified commercial and sales culture across APAC.

In addition to his strategic role, Neil serves as a key client relationship manager, overseeing a dedicated portfolio of Real Estate and Private Equity clients. In 2020, recognizing the burgeoning demand for real estate funds and investment vehicles in the Asia-Pacific region, Neil made the strategic move from Luxembourg to Singapore, further solidifying IQ-EQ’s support for existing real estate clients and enhancing the company’s presence in the region.

Neil has an impressive track record of over 15 years, marked by international experience and a deep understanding of a diverse range of fund clients and asset classes. His commitment to excellence extends beyond IQ-EQ, as he actively contributes to various Association of the Luxembourg Fund Industry (ALFI) committees and serves as an INREV (European Association for Investors in Non-Listed Real Estate Vehicles).
Report Sponsors

Goodwin's Global Real Estate Funds Team
We are experts in all key areas of fund formation and management, including market terms and conditions; LP and GP representation; international structures; documentation and compliance programs; and compensation plans.

Our team’s mainstay is our GP-side practice. We represent more than 50 of PERE’s top-ranked global private equity real estate managers (2023 PERE 100) and in the past five years have advised on the closing of over 600 private funds raising more than $150 billion.

Our team has acted for some of the largest corporate, endowment and pension limited partners, funds-of-funds, a number of sovereign wealth funds, development finance institutions and other governmental institutions in their primary and secondary private fund investments across many jurisdictions and asset classes.


With over 200 core funds lawyers in the U.S., Europe and Asia, we are one of the largest private investment fund teams with the most widespread footprint in the market who provide a fully integrated funds offering.

Our Clients Include
Leading institutions and start-ups that manage:

- Real estate funds
- Private equity funds
- Private credit funds
- Secondaries funds
- Infrastructure funds
- Venture capital funds

KPMG in Singapore is part of a global organization of independent professional services firms providing Audit, Tax and Advisory services. We operate in 143 countries and territories with more than 265,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.
IQ-EQ is a global, top-tier investor services group with an unrivalled offering to meet the administration, compliance and reporting needs of the investment sector worldwide. Our services are underpinned by a Group-wide commitment to ESG and best-in-class technology including a global data platform and innovative proprietary tools supported by in-house experts. Above all, what makes us different is our people. Operating as trusted partners to our clients, we deliver intelligent solutions through a combination of well-honed technical expertise and strong relationships based on deep understanding. We’re driven by our Group purpose, to power people and possibilities.

We employ a global workforce of 5,000+ people across 25 jurisdictions, have assets under administration (AUA) exceeding US$750 billion, and work with 11 of the world’s top 15 private equity firms. Also part of the IQ-EQ group of companies are First National Trustee Company (FNTC), The Private Office, ComplianceAsia and Lymon.

To find out more about IQ-EQ, visit www.iqe.com.