Asia-Pacific Capital Markets Insights

Q2 2026

This is an investor focused report which provides an in-depth look at the performance of the commercial real estate markets across the region.

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"Q2's pullback from Q1's record turnover is a moderation from an exceptional quarter, not a change in direction. We continue to see institutional investors re-engage with conviction, particularly where assets offer income resilience and clear execution pathways, even as rate paths across the region have turned less obliging than many expected. The willingness of cross-border capital to keep deploying into key gateway markets despite tightening monetary policy speaks to the resilience of the region's fundamentals. That said, macro risks remain, and we expect the remainder of 2026 to reward quality, scale and pricing discipline over broad-based activity."

DANIEL DIXON
HEAD OF CAPITAL MARKETS
ASIA-PACIFIC

TOTAL INVESTMENT VOLUME IN Q2 2026

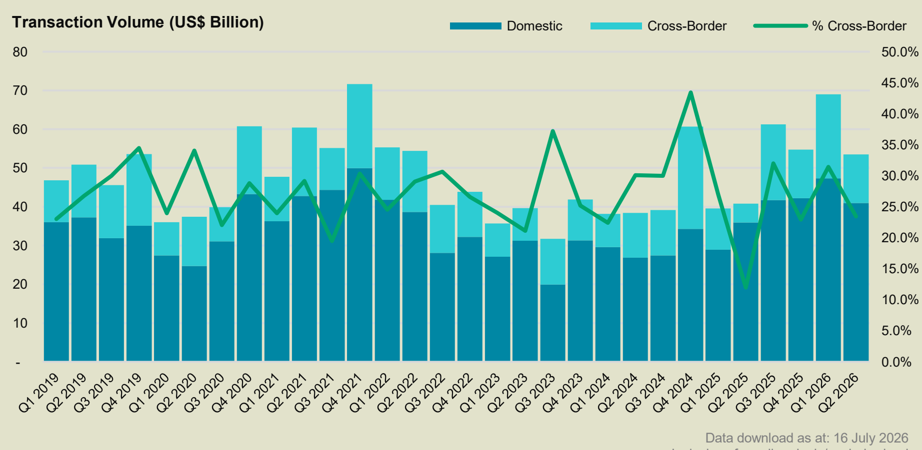
US$53.5 Billion

YoY Q2 2026 % GROWTH

31.1%

SECTOR IN FOCUS

Hotel



Source: MSCI Real Assets, Knight Frank Research

Data download as at: 16 July 2026
Inclusive of pending deals/excludes land

Q2 COOLS FROM A RECORD Q1, YoY MOMENTUM HOLDS

Asia-Pacific investment eased back in Q2 2026, with total volumes of US$53.5 billion, down 22.5% quarter-on-quarter (QoQ). Measured against a year earlier, however, activity remains firmly on an upward path, up 31.1% year-on-year (YoY) and 16.1% above the Q2 five-year average from 2020 to 2024. The pullback from Q1's exceptional total is a normalisation, after a quarter inflated by a cluster of large-ticket deals across office and data centres, rather than a reversal of the region's underlying recovery.

The hotel sector delivered the strongest YoY growth performance in Q2 2026, with investment volumes rising 55.2% to US$5.4 billion. While hotels accounted for a smaller share of total Asia-Pacific activity, the sector's outperformance points to renewed investor conviction in hospitality assets, supported by the continued recovery in travel demand, improving operating fundamentals and constrained new supply in key gateway and leisure markets.

Investor appetite is thus becoming more targeted than broad-based, focusing on well-located, high-quality assets, alongside selective value-add opportunities where rebranding, refurbishment or operational repositioning can unlock upside.

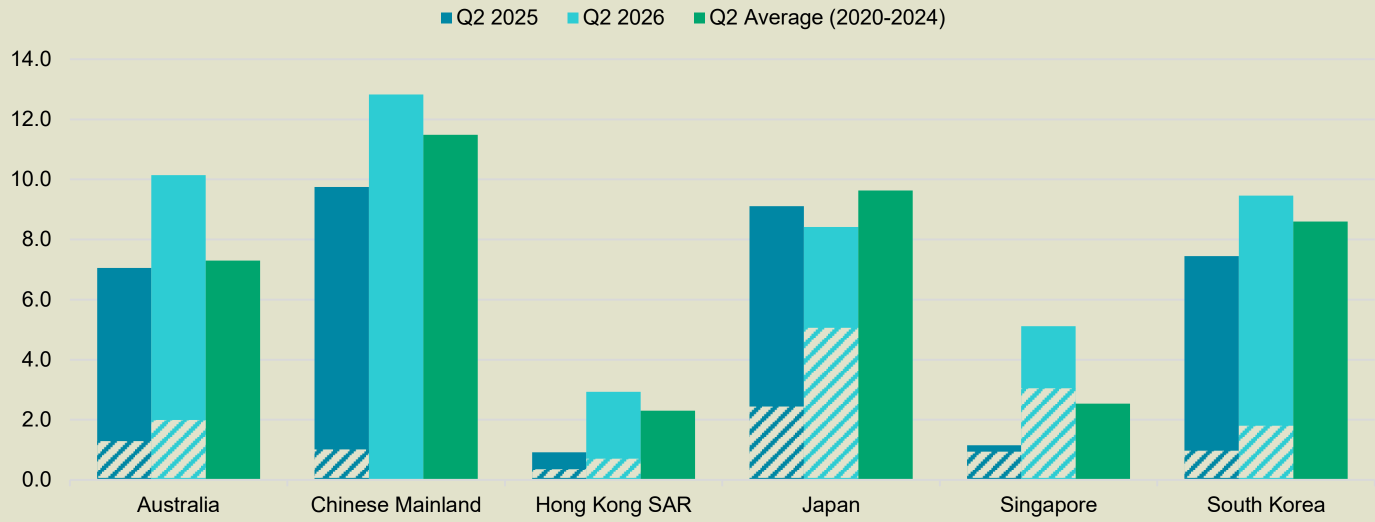
Some notable transactions include Voco Seoul Myeongdong acquired by CapitaLand Investment from TPG Angelo Gordon at US$243.1 million, and a pair of Sydney hotels purchased by Wentworth Capital from ADIA at US$269.2 million.

CROSS-BORDER VOLUMES FALL QoQ, YoY PICTURE STILL EXCEPTIONAL

Cross-border investment volume reached US$12.5 billion in Q2 2026, or 23.4% of total volume. This was up 156.8% from Q2 2025, though down 42.2% from Q1's elevated US$21.7 billion. The rebound from last year points to a more active international capital base and a clearer willingness to transact where pricing and liquidity are visible.

Japan remained the most favoured cross-border destination, attracting US$5.0 billion of inbound investment, more than doubling a year earlier, despite softer overall volumes and the Bank of Japan's rate hike to 1% in June. The resilience suggests international capital continues to view Japan as a core deployment market, underpinned by liquidity and scale. Its hotel sector was especially active this quarter, with four hotel transactions totaling

Q2 2026 Regional Heavyweights (US$ Billion)



Note: proportion of cross-border deals indicated by non-solid areas
Source: MSCI Real Assets, Knight Frank Research

Data download as at: 16 July 2026
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US$260 million, up from US$108 million in Q2 2025. Deals included SC Capital's acquisition of the 206-key Citadines Central Shinjuku Tokyo from Mizuho Leasing, positioned for refurbishment and repositioning under its Japan Hospitality Fund.

Singapore's cross-border volumes continued to build on the historic surge recorded in Q1, reaching US$3.0 billion, more than thrice the level recorded in Q2 2025. Cross-border capital accounted for 58.1% of total investment volume, led by IOI Properties Group's US$1.9 billion acquisition of Asia Square Tower 2 from CICT. The transaction underscores continued appeal in the city's prime CBD office market, where stable recurring income and a constrained development pipeline support defensive capital demand.

The hotel sector also drew active international investor interest, clocking US$405 million in transaction volume in Q2 2026, up 15.4% from a year earlier. Singapore's tightly held hotel stock continues to constrain supply, making any asset that reaches the market a keenly contested one. The quarter's largest transaction was Orchid Hotel, sold for US$213.6 million to a joint venture between Master Contract and Westmont Hospitality Group.

Australia was the third-largest recipient of cross-border capital in Q2 2026, attracting US$1.9 billion, up 56.9% YoY, even as the RBA delivered a third hike this year to 4.35% and left the door open to more. Rather than a broad-based return of offshore capital, the increase points to selective re-engagement where valuations have reset and income fundamentals remain resilient. Hotels were a clear bright spot, with cross-border investment rising nearly fivefold YoY to US$674 million. Deals included AMTD Digital's US$72 million purchase of a 50% stake in the Ritz-Carlton Perth from Far East Consortium, and Forest Endeavour'sUS$250 million acquisition of the Novotel Surfers Paradise and adjoining Paradise Centre from ADIC and Challenger Life.

OUTLOOK

While Q2 2026 confirmed that the regional recovery remains intact, the path forward is likely to be more uneven, with liquidity concentrated around quality assets, clearer pricing and large-scale execution opportunities. Although investment activity remained above year-earlier levels, Q2 points to a more normalised market environment in which capital deployment is active but selective.

As a less accommodative rate backdrop takes hold across the region, and markets now price in the prospect of further tightening, the next phase of recovery is likely to be led by investors with strong conviction, local execution capability and the ability to underwrite asset-level complexity. Prime office, selected retail, logistics and tourism-linked hotel assets should remain in focus, while large-scale opportunities in liquid markets are likely to command the strongest capital interest.

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