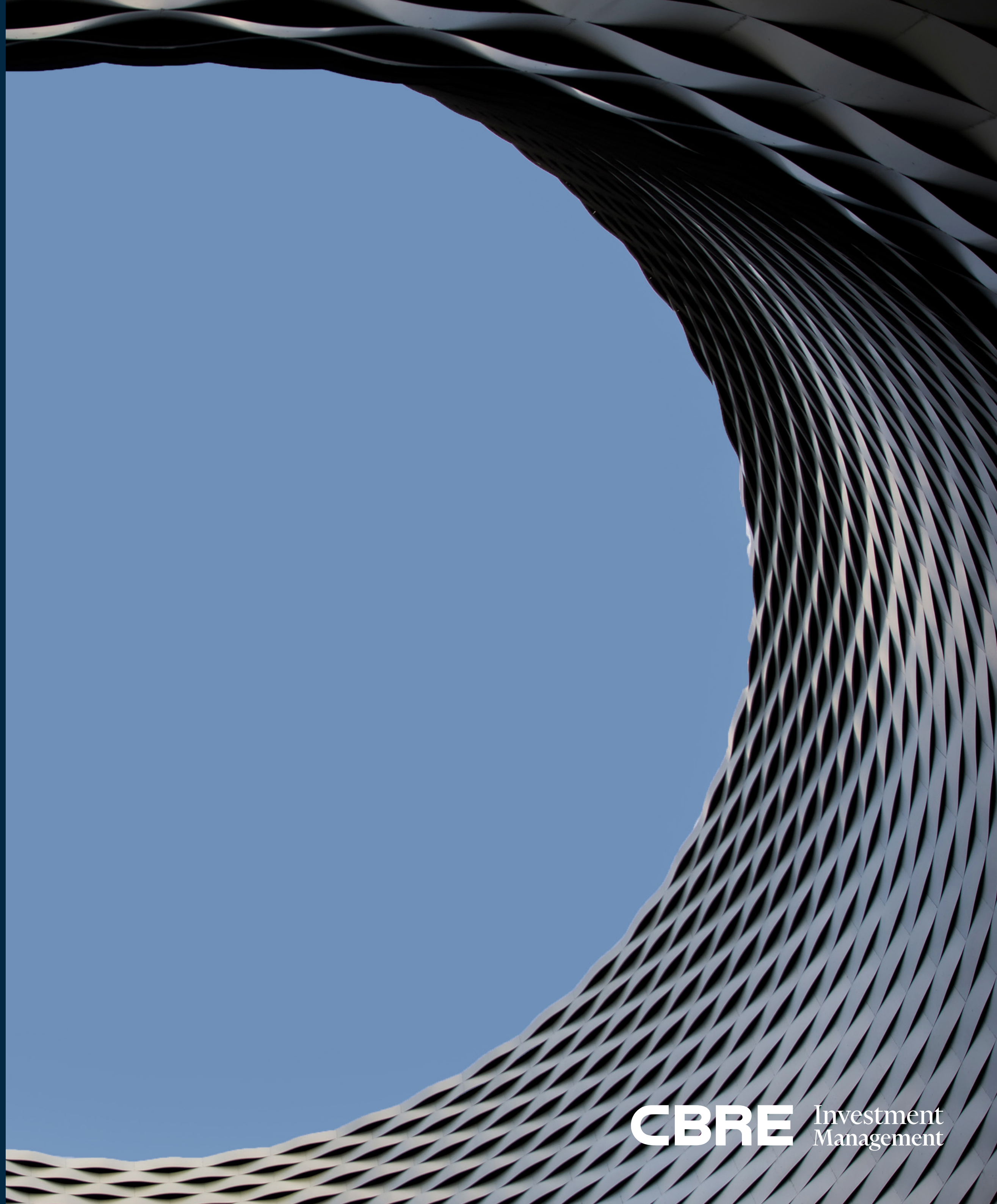
House View:

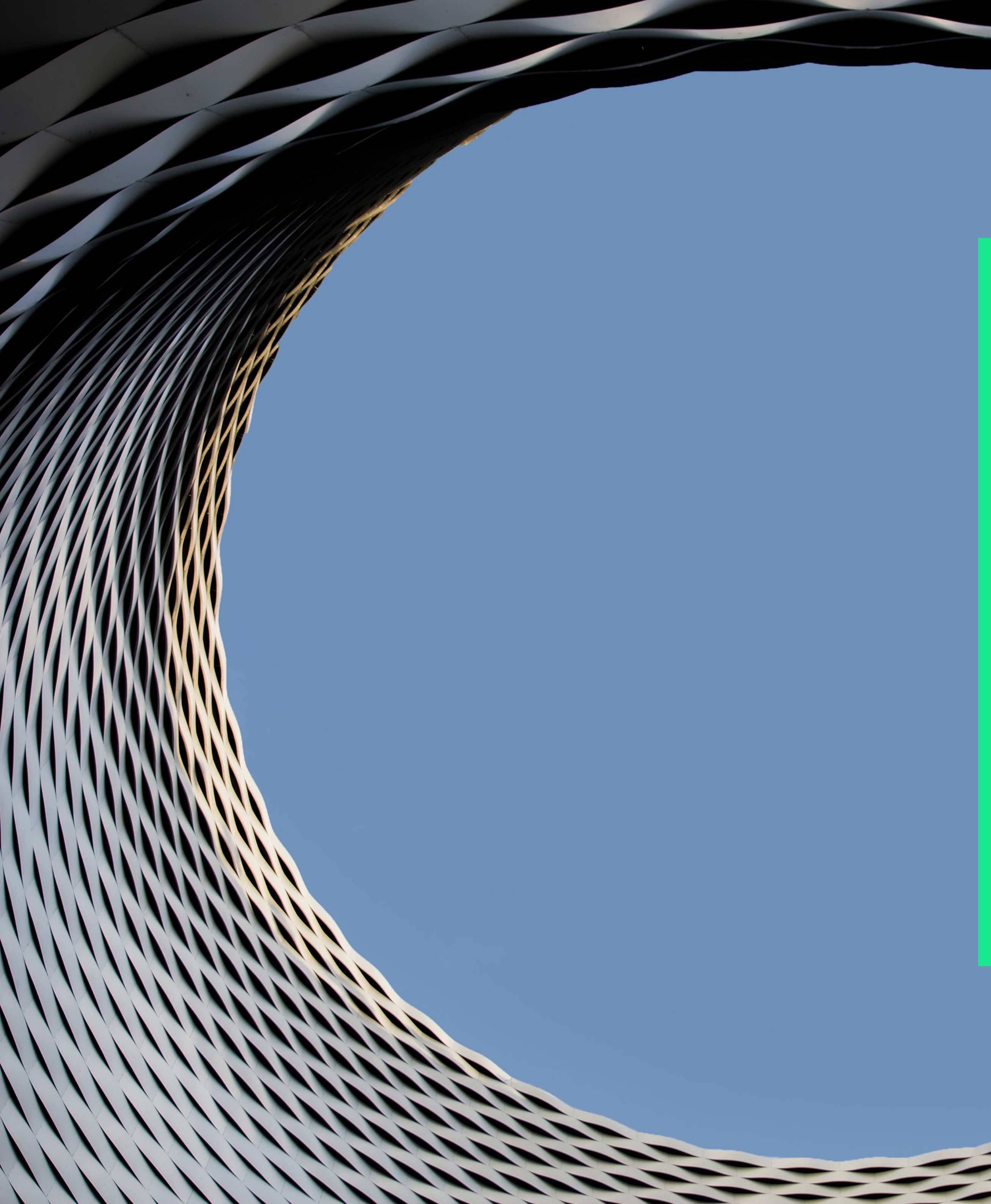
Real Estate Outlook

Asia Pacific

Q4 2023



CBRE Investment Management



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Introduction

Q4 2023

Positioned well for recovery

The Asia Pacific region continues to show resilience despite global economic uncertainty. 2023 was not without its challenges amid elevated inflation, high policy rates (except Japan), banking solvency concerns and a weaker-than-expected Chinese reopening rebound. However, 2024 is well positioned for a recovery, as inflation is expected to continue easing and the tightening cycle will likely conclude in many markets, leading to more pricing clarity. Meanwhile, we expect Japan to begin increasing its policy rate in 2024 and to continue loosening its yield curve control policy. Although the 10-year Japanese government bond yield is forecast to increase to 1.0% in 2024, Japan will still remain the lowest interest rate major market in which we invest.

Our fundamental approach to selecting preferred strategies has not changed in this economic climate and continues to incorporate CBRE Investment Management's risk-adjusted real estate (RARE) framework. As for the property markets, we continue to have strong conviction in the logistics and residential sectors given structural trends. Asia Pacific properties within the MSCI Global Property Fund Index (GPFI) have outperformed the wider benchmark, with Asia Pacific logistics and residential posting the strongest unlevered annual total returns as of Q3 2023 (**Figure 1**).

Figure 1: MSCI Global Property Fund Index (GPFI) performance

Annual unlevered total return as of Q3 2023 (%)

For illustrative purposes only. Past performance is not indicative of future results. There can be no assurance any comparable results will be achieved or that any return objectives will actually be realized.
Source: MSCI GPFI, Q3 2023.

02 Asia Pacific transaction volume

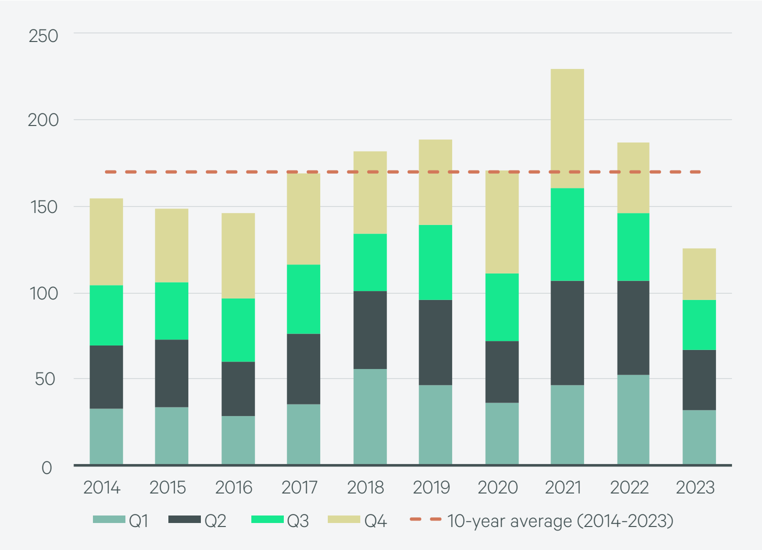
Asia Pacific transaction volume decreases

Asia Pacific real estate transaction volume totaled $125.2 billion in 2023, down 33.1% from 2022 (**Figure 2**). Elevated inflation, high policy rates (except in Japan) and global economic uncertainty continued to weigh on transaction activity. However, there are differences by country and region, with the U.S. and Europe seeing sharper declines relative to Asia Pacific (**Figure 3**).

Within Asia Pacific, Japan saw a relatively modest decline in real estate transaction volume as monetary policy continued to be relatively accommodative and cap rates remained relatively flat over the past 12 months. Meanwhile, Australia saw the sharpest contraction in transaction volume as the Australian policy rate rose by 125 basis points (bps), from 3.1% in December 2022 to 4.35% in November 2023 and cap rates began to expand.

On the positive side, more pricing clarity is expected in 2024 as the tightening cycle will likely conclude in many Asia Pacific markets. Australia kept its policy rate flat at 4.35% at its December 2023 meeting, while South Korea kept its monetary policy rate unchanged at 3.5% since January 2023. The U.S., the Federal Reserve kept rates unchanged for a third straight time during its December 2023 meeting, with Chairman Powell projecting three quarter-point rate cuts in 2024.

Figure 2: Asia Pacific transaction volumes by quarter, standing investments ($ billions)



2023

$125.2 billion

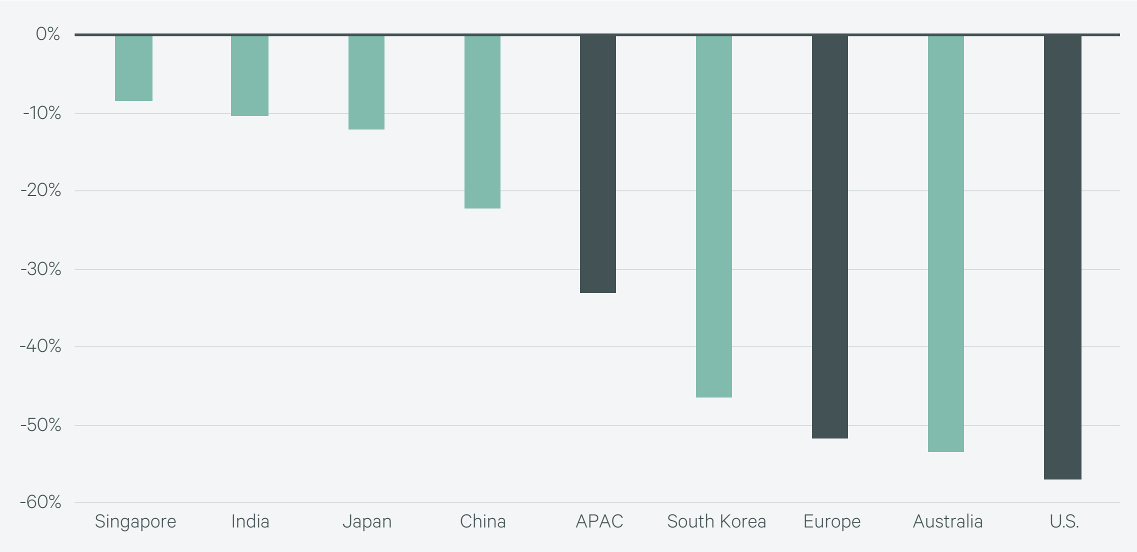
Asia Pacific real estate transaction volume

▼ 33.1%

Transaction volume down from 2022

Source: RCA, data as of January 2024. Preliminary data for Q4 2023. Note: Portfolios and assets valued at $10 million and greater (or its local currency unit equivalent) in apartment, hotel, industrial, office and retail transactions included. Entity level deals included. Development sites excluded.

Figure 3: Year-over-year % change in real estate transaction volumes (2023 compared to 2022)



Source: RCA, data as of January 2024. Preliminary data for Q4 2023. Note: Portfolios and assets valued at $10 million and greater (or its local currency unit equivalent) in apartment, hotel, industrial, office and retail transactions included. Entity level deals included. Development sites excluded. Year-over-year change calculated in local currency except for Asia Pacific and Europe aggregates, which were calculated in U.S. dollars.

03 Asia Pacific key calls

Logistics remains the preferred sector

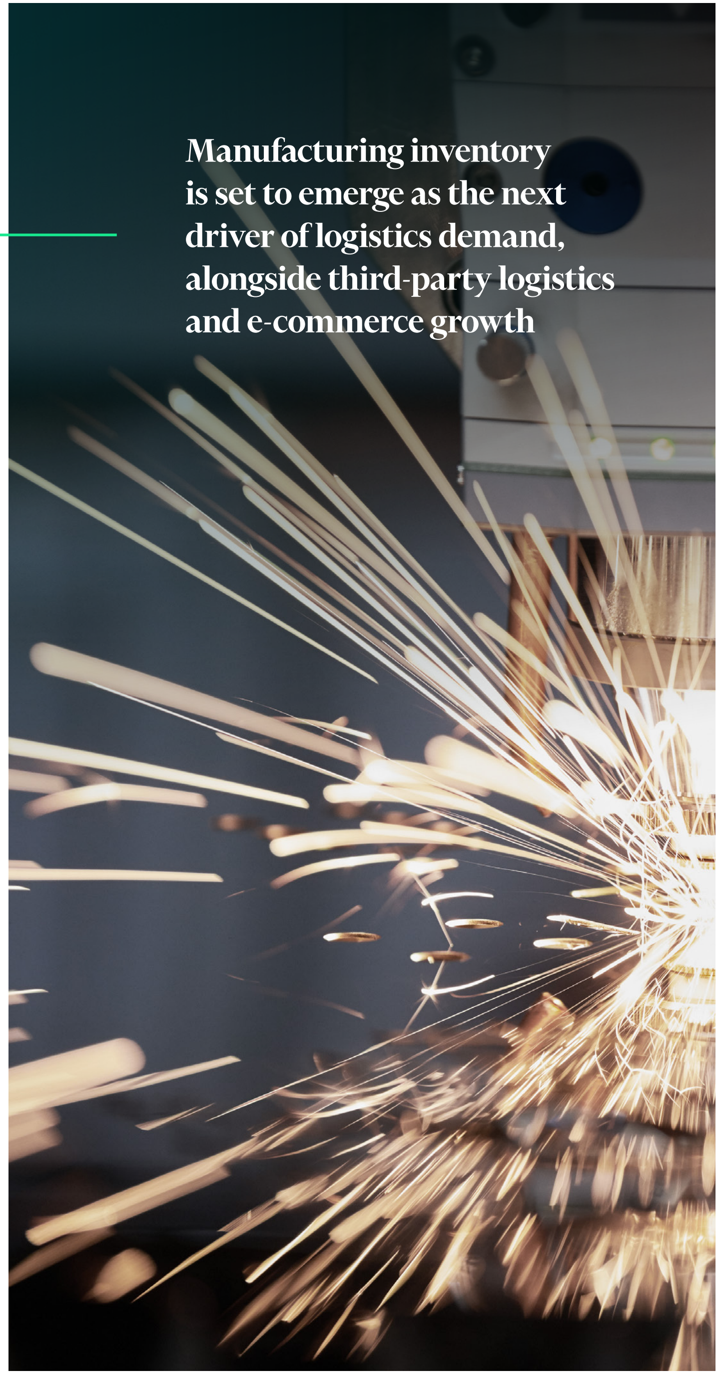
We remain committed to the Asia Pacific logistics sector, the sector in which we have the greatest conviction. We recommend focusing on domestic demand, consumer-driven submarkets and heightening discipline on submarket selection. Given increased supply pipelines in some markets, it's important to enhance leasing appeal with modern attributes such as ramp access for multi-story logistics facilities.

The drivers of the Asia Pacific logistics sector's performance are long-term and structural in nature, including a growing consumer population, e-commerce growth, a lack of modern logistics stock and a structural undersupply of logistics stock in many Asian markets. In Japan, the majority of logistics facilities are outdated, with 54% more than 30 years old, and only 16% constructed within the past 10 years (**Figure 4**). In addition, the 2024 driver shortage problem in Japan, where changing regulations will limit truck driver working hours, is expected to create additional demand for logistics facilities, given that truck drivers are already in short supply and logistics operators will likely need new locations between large cities.

Figure 4: Japan nationwide warehouse stock by age

Source: CBRE estimates derived from "Seasonal Warehouse Statistics Report", MLIT, March 2022.

03 Asia Pacific key calls



Although e-commerce growth is moderating in some markets, the share of e-commerce sales to total retail sales remains elevated compared to pre-pandemic levels. For example, the Australian ratio of e-commerce sales to total retail sales was 12.7% in November 2023, compared to 6.6% in December 2019, according to the Australian Bureau of Statistics. Further, China, Japan and South Korea are three of the five largest e-commerce markets globally as measured by online sales, according to eMarketer.

Supply chain disruptions during the pandemic resulted in a reemergence of manufacturing, with reshoring of production activity most evident in Japan. According to CBRE Japan research, manufacturing inventory is set to emerge as the next driver of logistics demand, alongside third-party logistics and e-commerce growth, particularly in Greater Nagoya (automobiles) and Greater Fukuoka (semiconductors). In Japan, raw materials inventory (**Figure 5**) has grown by 59% from Q4 2019 (just prior to the pandemic) to Q3 2023.

Figure 5: Japan manufacturing industry inventory (Q4 2019=100)

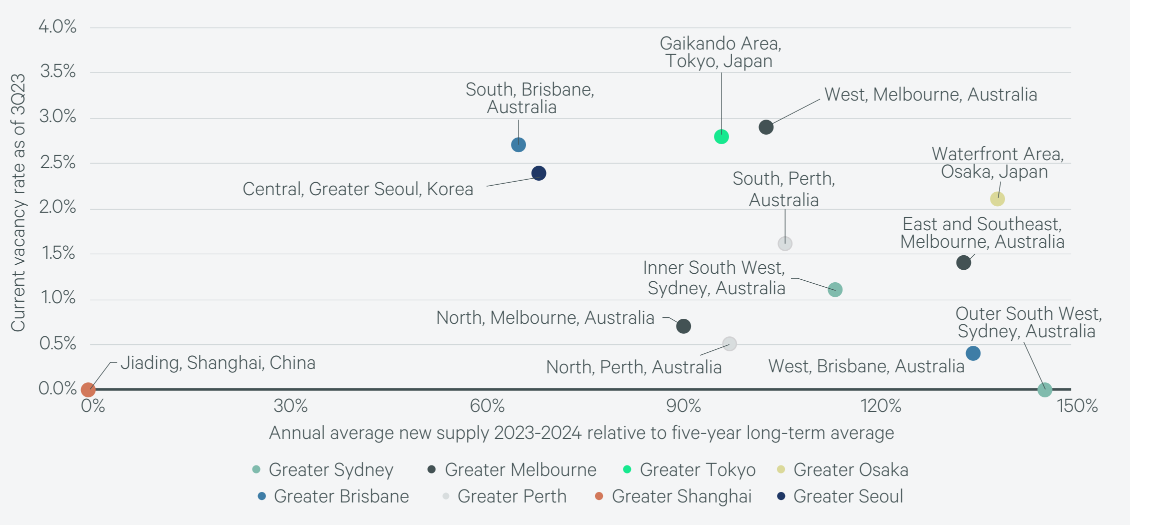
Source: Financial statements and statistics of corporations by industry, Japan Ministry of Finance, as of December 2023.

03 Asia Pacific key calls

As of Q3 2023, logistics vacancy remained below 2% in all major Australian markets. Increased supply over the past year in some markets in Japan, China and South Korea contributed to some vacancy in those markets, making submarket selection critical. Although an overall metro vacancy rate may be elevated, it masks the divergence in submarket performance, with specific submarkets seeing lower vacancy rates relative to metro averages such as the Gaikando submarket in Tokyo and the Central submarket in Seoul. **Figure 6** shows select logistics submarkets in the Asia Pacific region where there is low single-digit vacancy and supply pipelines are below or only moderately above respective historic averages.

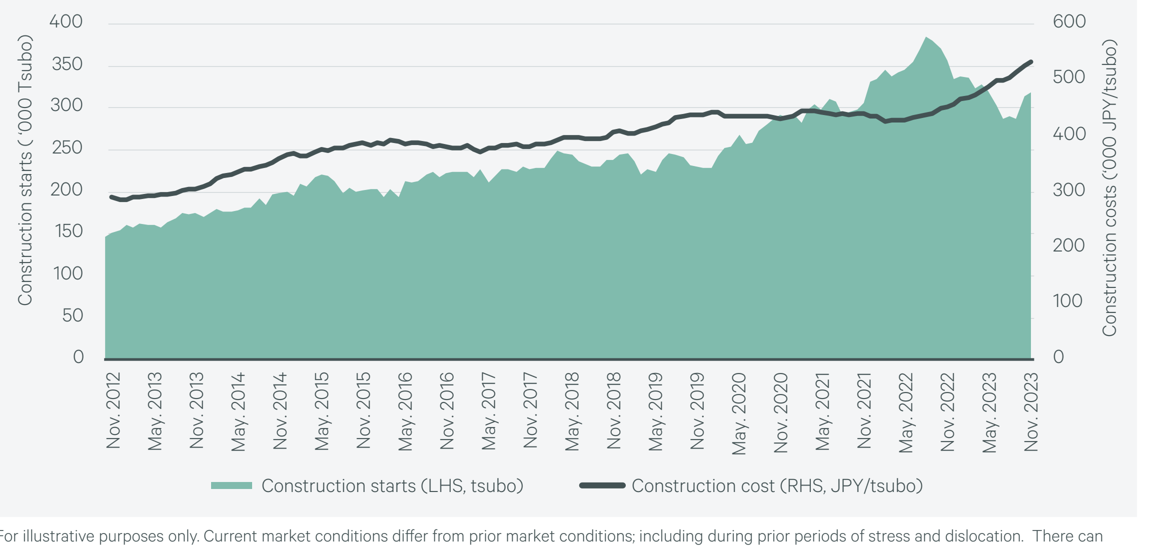
Looking ahead, the Japanese logistics supply pipeline is forecast to moderate, as increased construction costs restrain some development. In fact, Japanese logistics construction starts have already fallen 20% from their peak (**Figure 7**). In Seoul, a tight credit market is underpinning a contraction in the construction industry, which is likely to see a disruption in new completions, with supply expected to drop sharply in 2025, according to JLL.

Figure 6: Current logistics vacancy rates and supply pipelines of selected Asia Pacific markets and submarkets



There can be no assurance any prior trends will continue.
Note: (1) Australian data are updated semi-annually. (2) Current vacancy is reported as of the end of Q3 2023.
Source: CBRE, JLL, and CBRE Investment Management as of December 2023.

Figure 7: Japan construction costs and construction starts for warehousing



For illustrative purposes only. Current market conditions differ from prior market conditions; including during prior periods of stress and dislocation. There can be no assurance any prior trends will continue. Construction cost is the unit price cost estimated from registered project budget, 12 month rolling averaged. Construction starts are also 12 month rolling averaged.
Source: MILT, as of January 2024.

03 Asia Pacific key calls

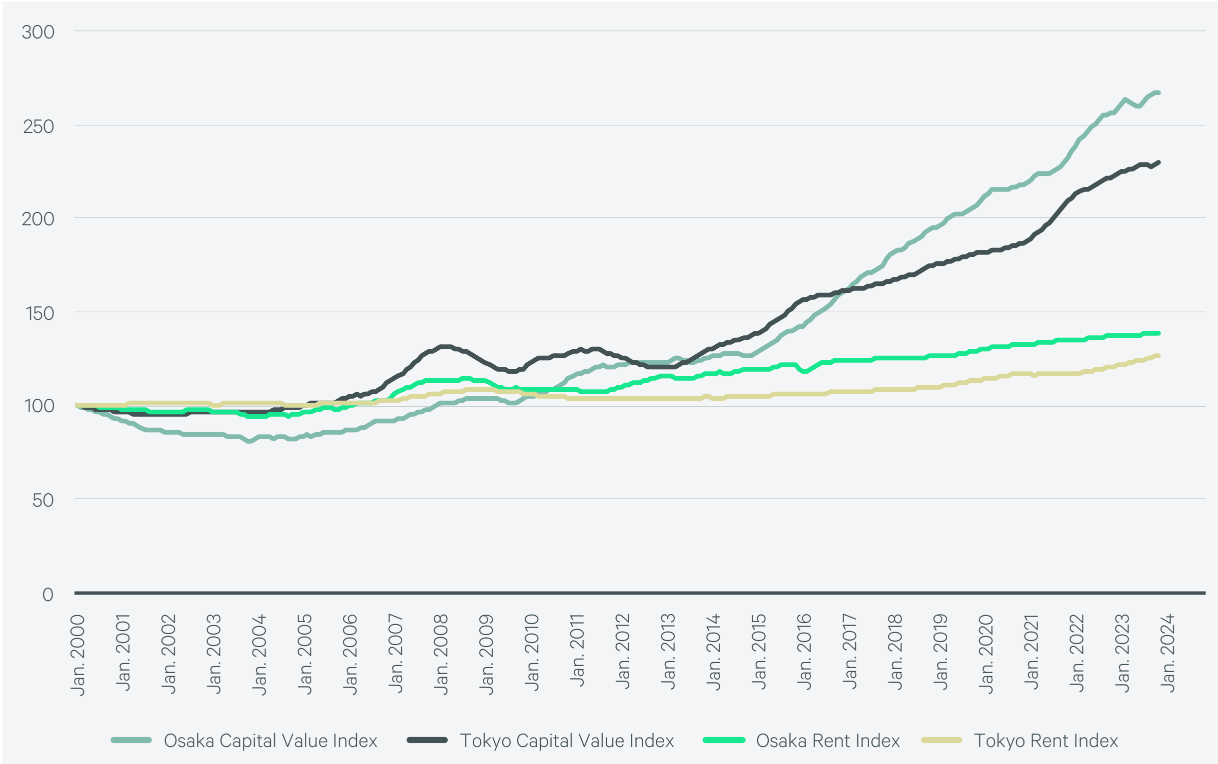
Japanese residential continues to offer value

Japan's population forecast, 2020-2030

4.4%	1.8%	1.5%
Japan	Tokyo	Osaka

Tokyo and Osaka, Japan's largest rental residential markets, show continued resilience in both rent growth and capital appreciation (**Figure 8**). We prefer the relative stability and liquidity of inner-ward-located towers catering to mass-market segments and offering both smaller- and medium-sized units. We recommend adding amenities to enhance livability. With continued net migration into gateway cities such as Tokyo and Osaka, we expect residential demand to remain robust, especially given low Japanese unemployment, which is forecast to trend even lower over the next five years (2024-2028), according to Oxford Economics. Although Japan's population is forecast to decline 4.4% between 2020 and 2030, Tokyo's and Osaka's population are forecast to grow by 1.8% and 1.5%, respectively, over the same decade-long period, according to Oxford Economics. On the supply side, high land prices and increasing construction costs are constraining new residential supply.

Figure 8: Tokyo 23 Wards and Osaka: Residential rent and capital value indices
(January 2000=100)



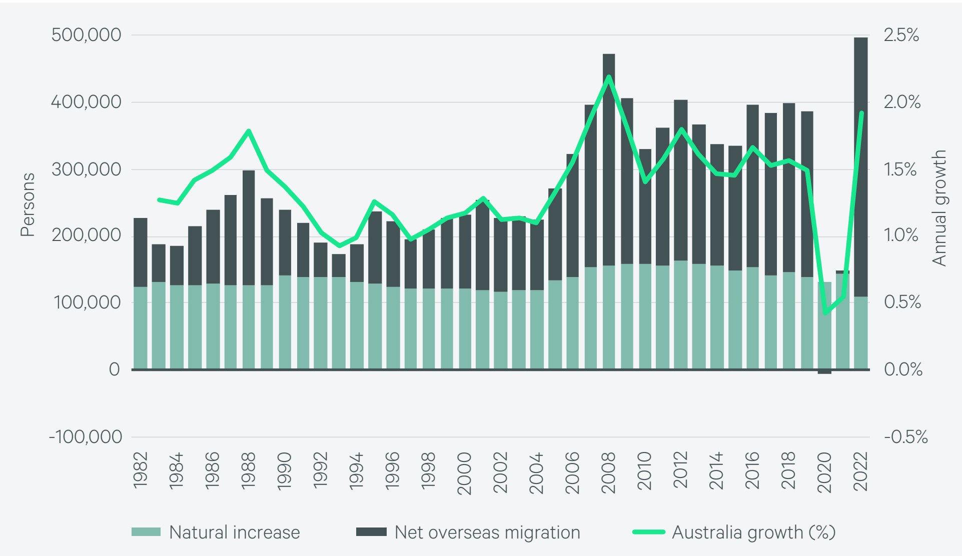
Source: MSCI/Recruit Japan Residential Index (All Units), January 2024. (latest data available is from November 2023).

03 Asia Pacific key calls

Australian living sectors to benefit from increased demand

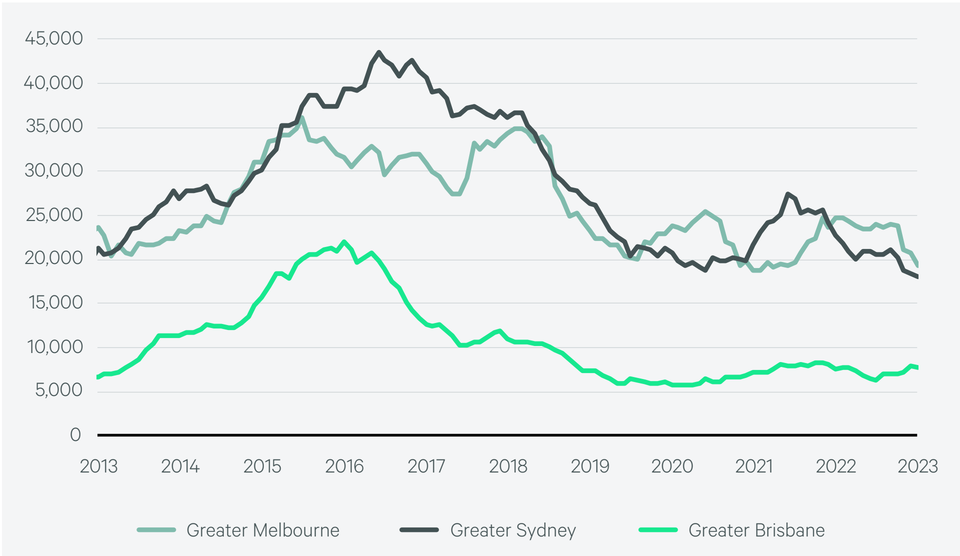
The Australian living sectors, co-living and purpose-built student accommodation (PBSA), in particular, are well-positioned to benefit from increased demand from migration and international students amid relatively low residential supply and low vacancy rates. As of December 2023, Sydney's metropolitan residential vacancy rate was 1.7%, while Melbourne's was 1.5%, according to SQM. In early 2022, Australia reopened its borders after an almost two-year closure during the pandemic. The return of overseas migration is underway, with net overseas migration in 2022 already surpassing the prior peak in 2008 (**Figure 9**). Meanwhile, Australian national apartment approvals (as measured by rolling 12-month approvals) are still more than 40% below the 2015-2016 peak, with the decline in apartment approvals particularly evident for larger developments in the major capitals (**Figure 10**). As of September 2023, median apartment rents in Sydney and Melbourne were up 23.6% and 22.4% year-over-year, respectively, according to CBRE and Domain Group.

Figure 9: Australian population growth rate and components



Source: Australian Bureau of Statistics, CBRE Australia Residential, Q3 2023.

Figure 10: Australian annual apartment approvals by market



Source: Australian Bureau of Statistics, CBRE Australia Residential, Q3 2023.

03 Asia Pacific key calls

Given the very strong rebound in net overseas migration and the resulting strain on housing and infrastructure, the Australian government stated in December 2023 that it will reduce annual net overseas migration from the current record of 510,000 people in the 2022-2023 fiscal year to 250,000 by the 2024-2025 fiscal year, which is more in line with the pre-pandemic level. Despite this moderation, Australia's population will still grow by an estimated 14.8% over the decade (2020-2030), compared to 4.4% for the U.S. and 0.5% for Germany, according to Oxford Economics.

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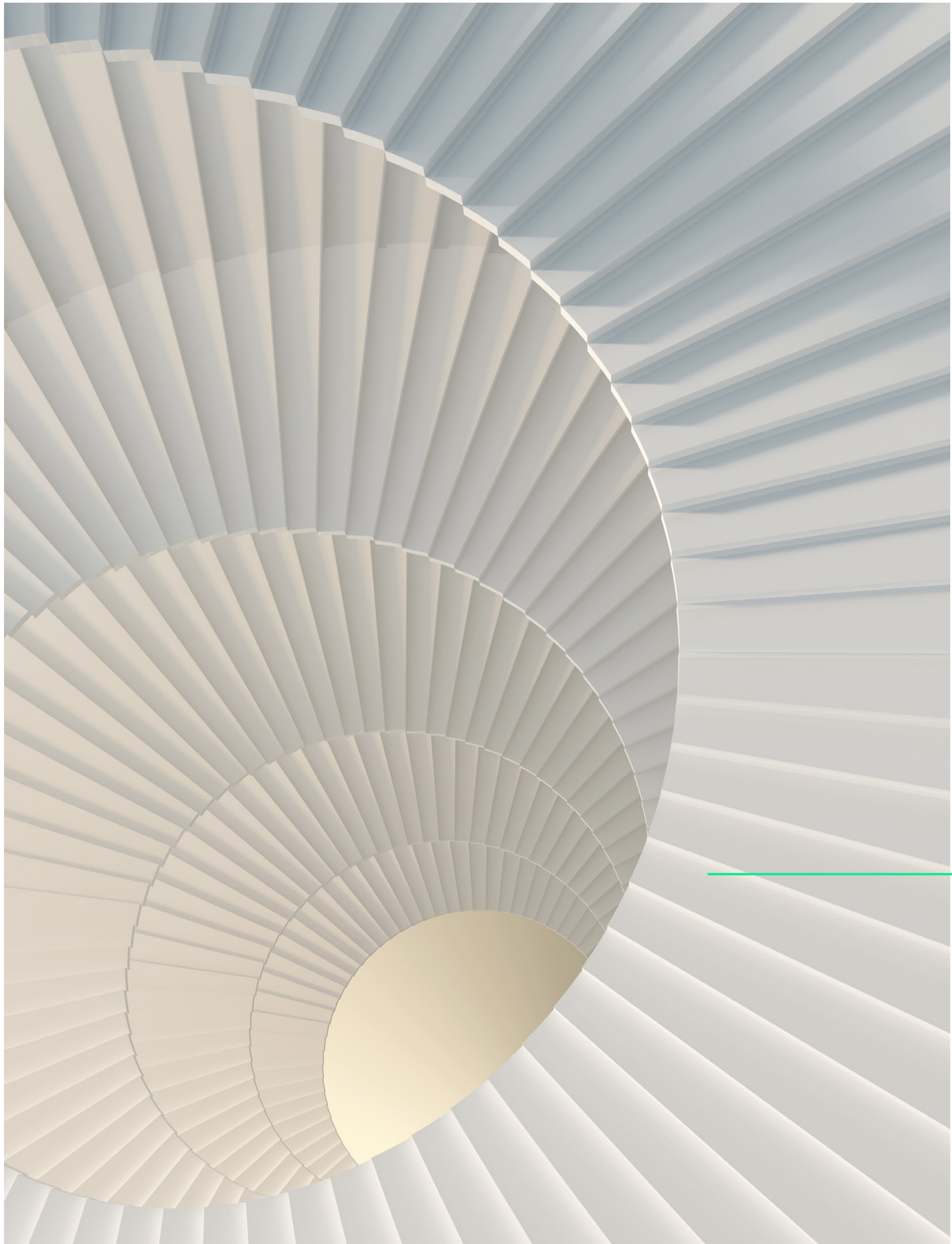


03 Asia Pacific key calls

Near-term repricing opportunities

With cap rates expected to peak in Australia, New Zealand and South Korea in 2024, we recommend monitoring repricing opportunities in preferred sectors at cyclically low entry points. In addition, given current elevated interest rates in Australia, New Zealand and South Korea, there may be opportunities to gain access to preferred sectors at attractive prices due to refinancing stress, either through forced sales or by capitalizing quality developers.

We recommend monitoring repricing opportunities in preferred sectors at cyclically low entry points.

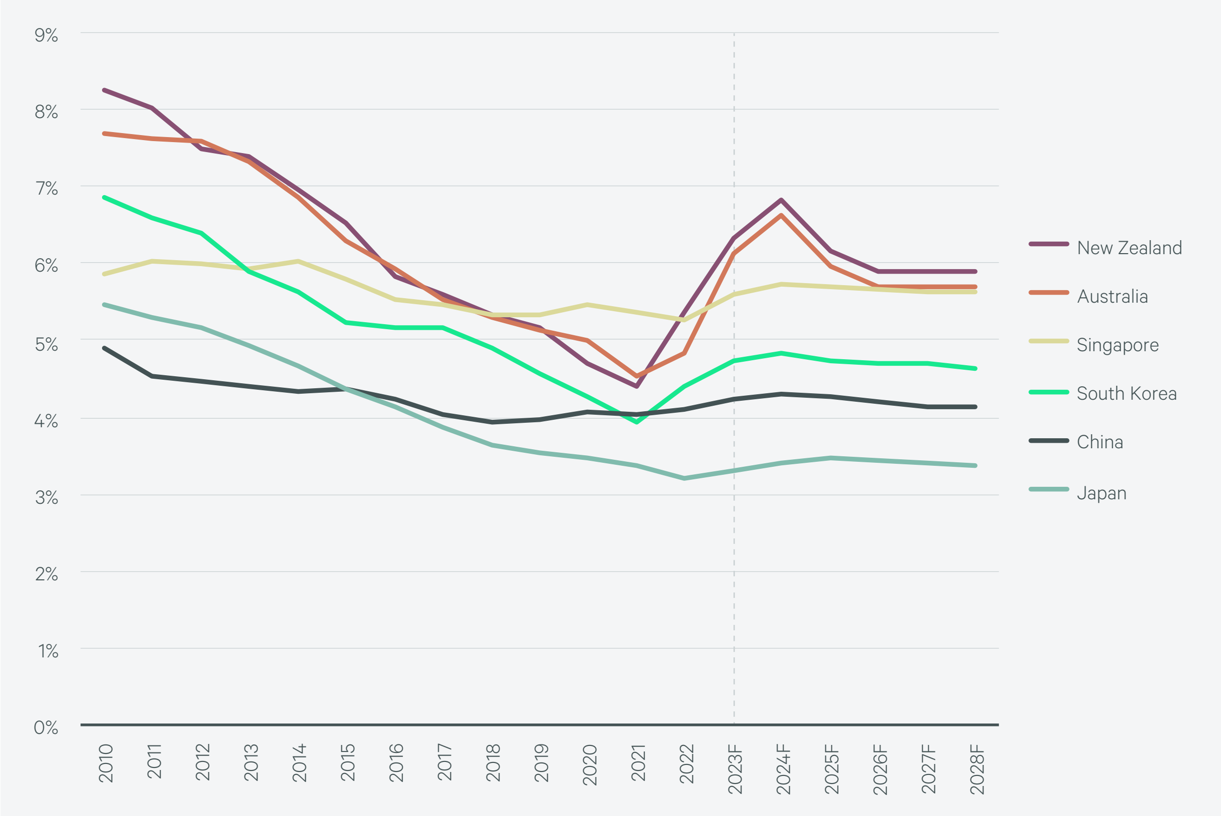
04 Changes to Asia Pacific forecasts

Cap rates moving through the cycle

Figure 11 shows all-property aggregate cap rates (history and forecasts) by country to provide a visual of relative movement by country. Australia, New Zealand and South Korea saw the strongest upward pressure on cap rates since 2021. However, the end is in sight. CBRE IM forecasts that cap rates will peak in Australia, New Zealand and South Korea in 2024, before compressing from 2025 through 2028, albeit the compression is fairly modest for South Korea. Singapore cap rates are also forecast to peak in 2024 and then mildly compress from 2025 through 2028. Chinese cap rates in the aggregate, including Hong Kong SAR, are forecast to slightly compress over the five-year forecast period. Mainland China is expected to continue cutting key rates to spur economic growth, while monetary policy tightening is expected to conclude in Hong Kong SAR in 2024.

Interestingly, Japan is now the only major market within Asia Pacific where CBRE IM is forecasting net cap rate expansion, albeit very modest (5 bps), over the next five years (year-end 2023-year-end-2028). CBRE IM is forecasting the Japanese all-property cap rate to expand 10 bps in 2024 and 5 bps in 2025, given an expectation that the Bank of Japan will continue loosening yield curve control and begin to increase its policy rate. After 2025, the Japanese all-property cap rate is forecast to modestly compress 10 bps through the end 2028.

Figure 11: Prime market cap rate forecasts (all property)



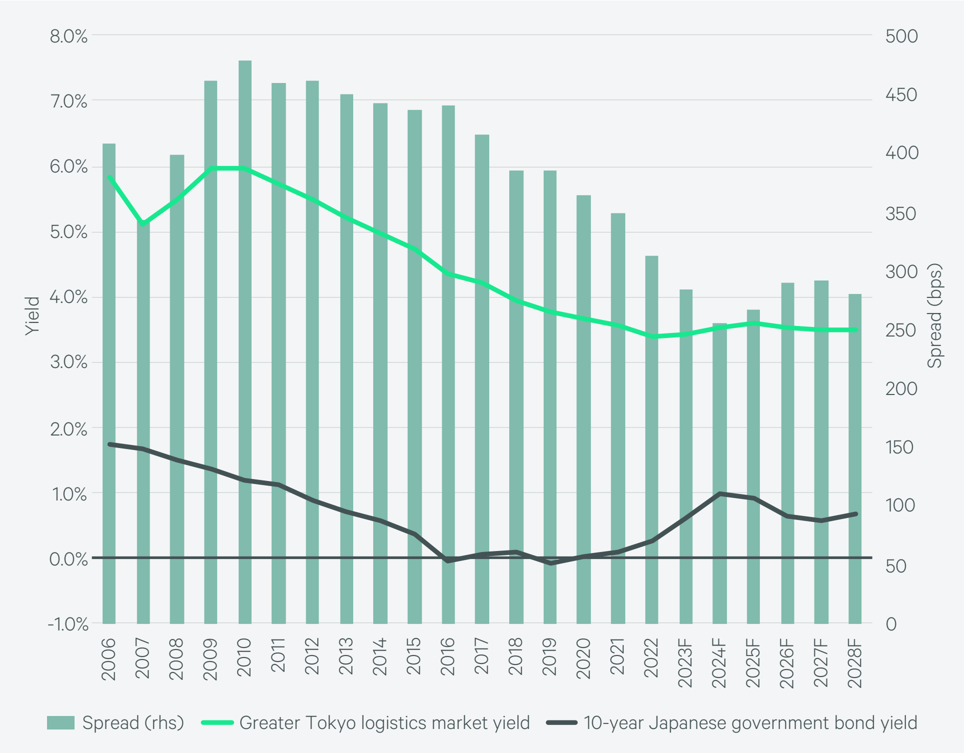
Source: CBRE Investment Management, Q4 2023.

04 Changes to Asia Pacific forecasts

Despite this normalization in monetary policy, Japan will still remain the lowest interest rate market in which we invest, with positive and wide spreads in the range 255 to 290 bps between Japan's logistics cap rate and 10-year Japanese government bond yield, over the next five years (**Figure 12**). As the Japanese logistics market institutionalized, the spread between logistics cap rates and bond yields moderated since 2010, but still provides an attractive spread for investors, which have continued to place capital into the sector, with Greater Tokyo logistics transaction volume remaining robust in 2023 (**Figure 13**).

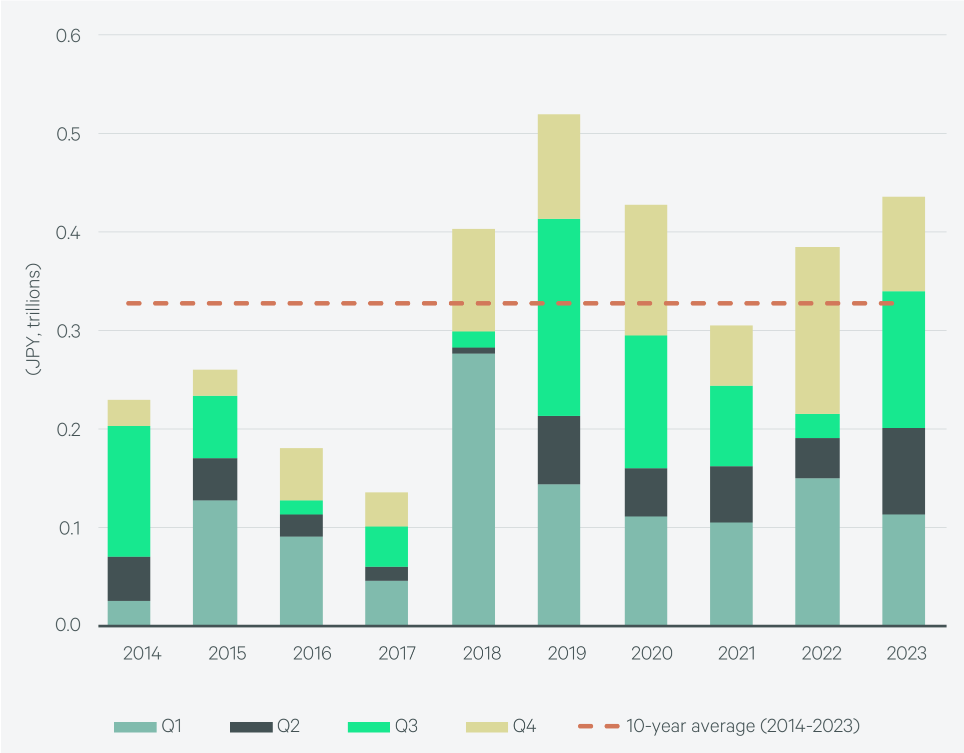
Looking ahead, CBRE IM expects that factors such as strong investment demand, lenders supportive of logistics debt financing and wide yield spreads over office cap rates, will partially mitigate the rise in Japanese logistics cap rates, when the 10-year Japanese government bond (JPG) expands further in 2024. The Greater Tokyo logistics cap rate declined 11 bps in 2023, according to JLL, even with the 10-year JGB rising 10 bps over the same time period.

Figure 12: Greater Tokyo logistics prime market cap rate, %



Source: Oxford Economics October 2023, CBRE Investment Management, Q4 2023.

Figure 13: Greater Tokyo logistics transaction volume by quarter: standing investments

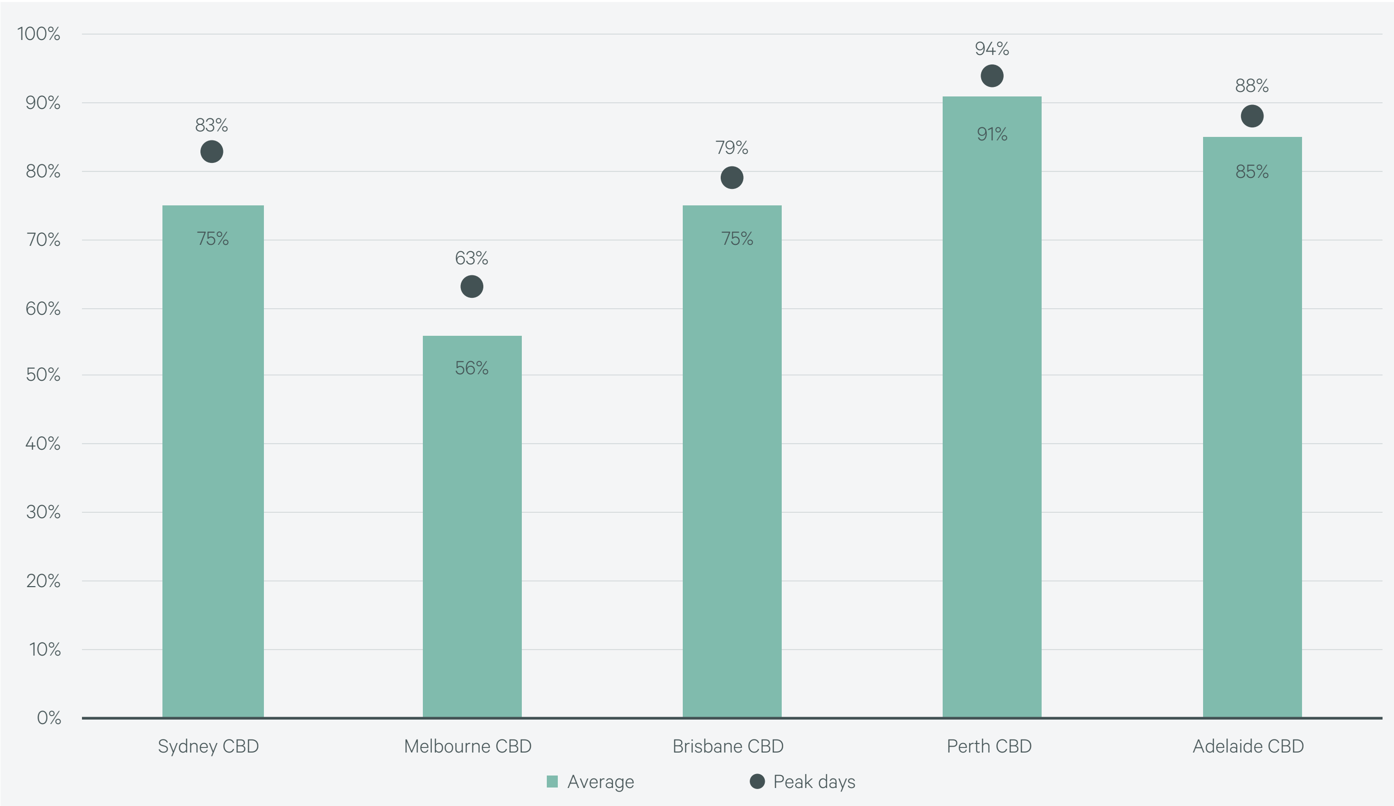


Source: RCA, data as of January 2024. Preliminary data for Q4 2023. Note: Portfolios and assets valued at $10 million and greater (or its local currency unit equivalent) in warehouse transactions included. Entity level deals included. Development sites excluded.

04 Changes to Asia Pacific forecasts

Australian office outlook improves

Figure 14: Australian physical office occupancy by CBD market in Q3 2023



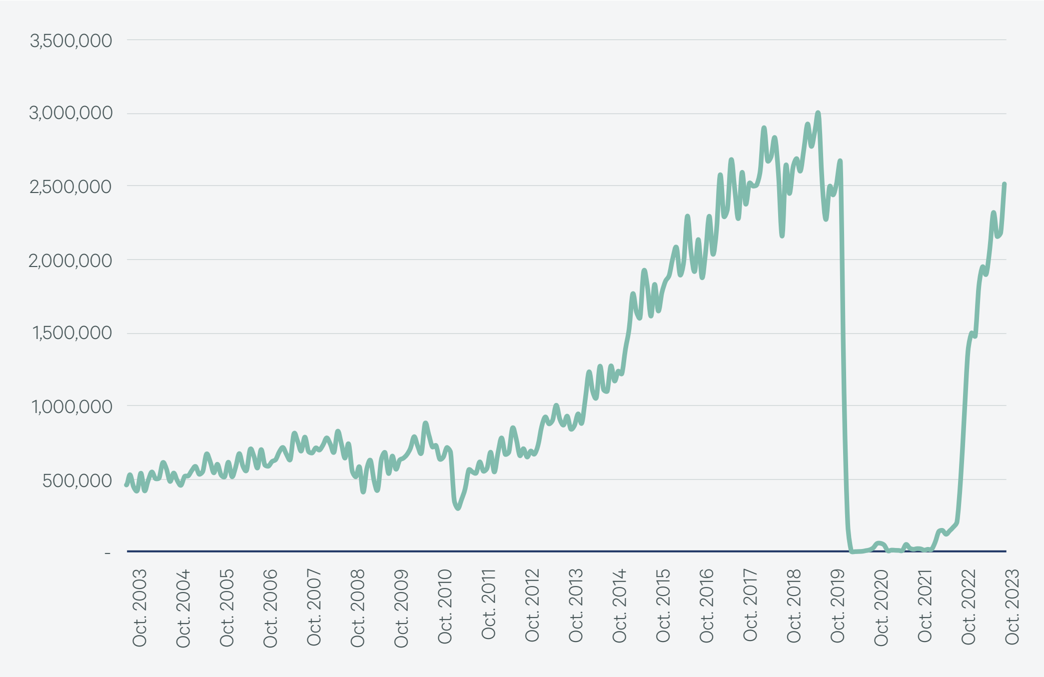
Source: CBRE Australia, Q3 2023.

Australian cap rates are expected to peak in 2024 and then compress from 2025 to 2028, providing an entry window in 2024 at potentially low cyclical pricing

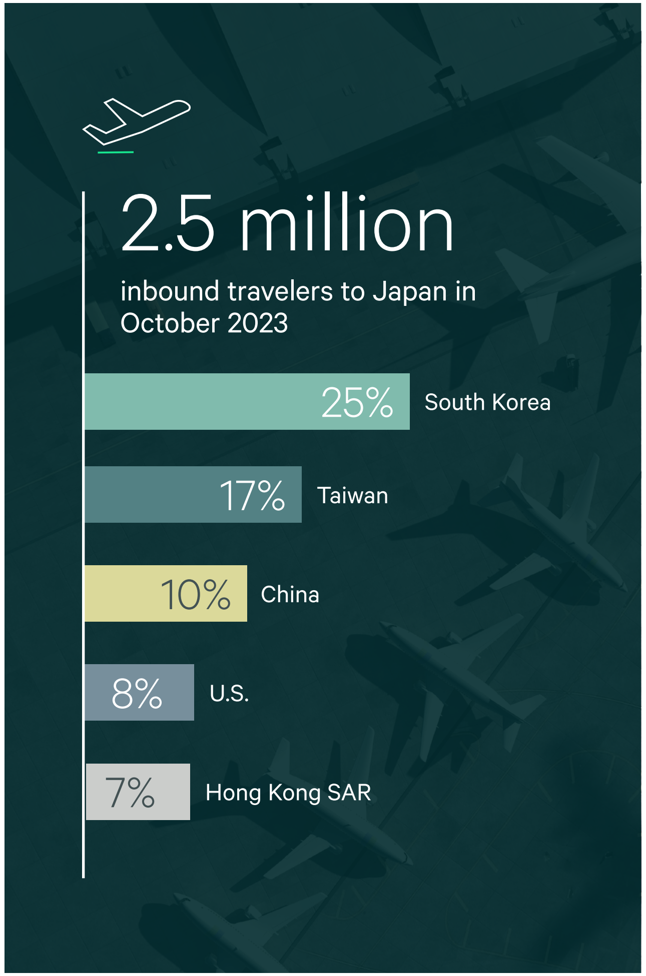
Australian office is now positioned along the Asia Pacific relative risk-adjusted real estate (RARE) line, indicating fair relative value, compared to being below the Asia Pacific relative RARE line since H2 2022. Australian cap rates are expected to peak in 2024 and then compress from 2025 to 2028, providing an entry window in 2024 at potentially low cyclical pricing. Meanwhile, Australians are returning to the office, but the rate varies by city. Sydney's average physical occupancy was at 75% in Q3 2023 compared to 56% for Melbourne, which had the most extensive lockdowns during the pandemic and now has a more structural adoption of work-from-home by employees, according to CBRE (**Figure 14**). Looking ahead, Brisbane (9.8%) and Sydney (8.0%) have the strongest annualized office total return outlooks over the next five years (2024-2028), while Melbourne (6.0%) has the weakest.

The Japanese hotel annualized five-year total return forecast moderated from 12.4% per annum in the prior forecasting round to 6.7% per annum in this current forecasting round. The lower total return is because the majority of the rebound in income post-reopening was captured in 2023, thus income growth over the next five years (2024-2025) is expected to be more modest, but still robust at 5.7% per annum. In addition, Japanese hotel cap rates are forecast to expand 50 bps over the forecast period. **Figure 15** shows that monthly inbound travelers to Japan have increased sharply since late 2022, with approximately 2.5 million inbound travelers to Japan in October 2023, according to the Japanese National Tourism Organization.

Figure 15: Japanese monthly inbound arrivals



Source: Japanese National Tourism Organization, December 2023.



05 Rent growth outlook

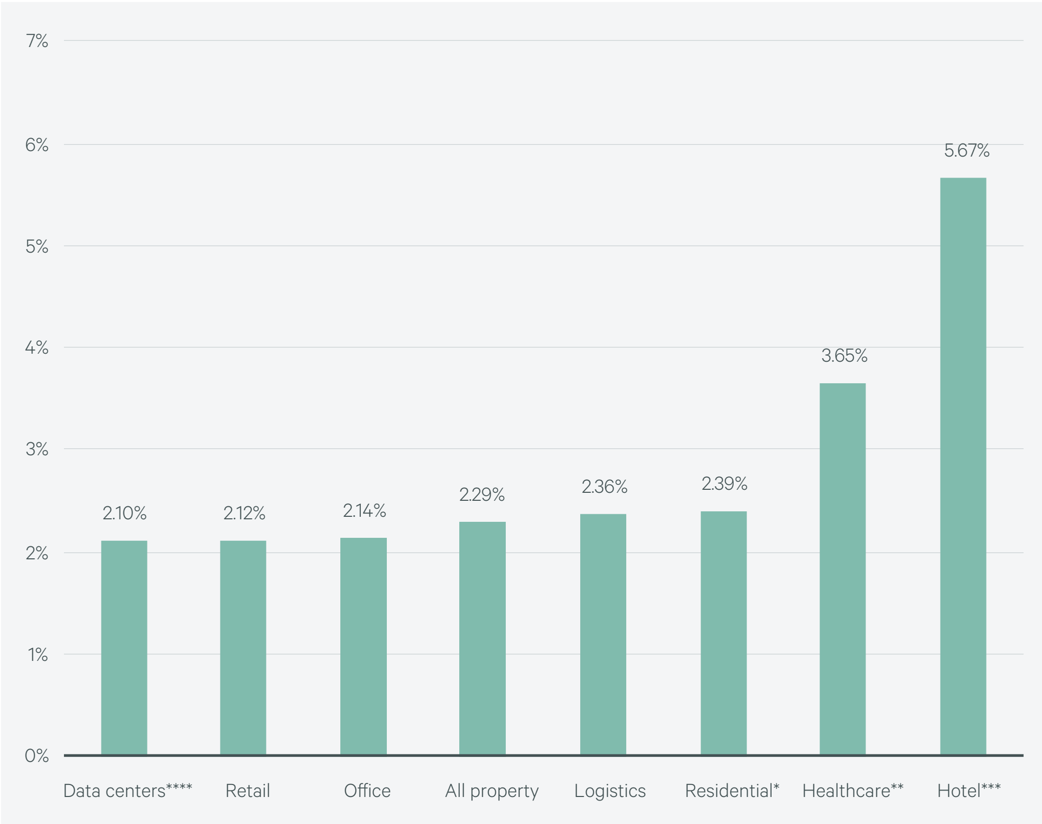
Rent growth outlook

Aggregate Asia Pacific rent growth is forecast to average 2.29% annually over the next five years (**Figure 16**). Of the main property sectors, residential (2.39%) and logistics (2.36%) are forecast to see the strongest average annual rent growth, while office (2.14%) and retail (2.12%) are forecast to see the weakest.

Asia Pacific office rent growth varies by country, with China (1.20%) and Japan (1.23%) forecast to see the weakest average annual rent growth over the next five years due to high vacancy and larger supply pipelines, while South Korea is forecast to see the strongest average annual office rent growth (3.05%), followed by Australia (2.87%).

Residential rent growth, which currently reflects Japanese and Australian markets, is forecast to average 2.39% per annum in the next five years. Australian residential average annual rent growth is much stronger (4.95%) than Japan (1.98%). However, since Japan is a much larger institutional residential market, it weighs more on the overall Asia Pacific average.

Figure 16: Prime market five-year average % year-over-year rent growth, Q1 2024-Q4 2028



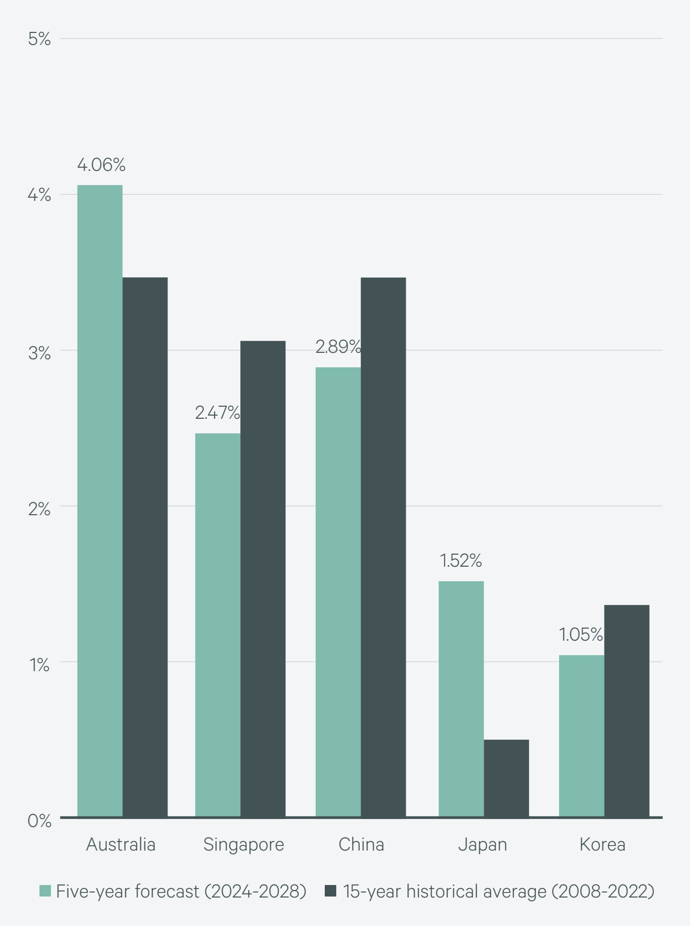
*Japan and Australia; **Australia only; ***Japan only, ****Japan only.
Source: CBRE Investment Management, forecasts as of Q4 2023.

05 Rent growth outlook

Logistics rent growth varies by country, with Australia forecast to see the strongest average annual logistics rent growth (4.06%) over the next five years, while South Korea is forecast to see weaker average annual growth (1.05%) (**Figure 17**). Australia's strong rent growth outlook is partially driven by low vacancy rates (**Figure 18**). It's important to note that Japan's rent growth outlook of 1.52% per annum, while modest compared to other Asia Pacific markets, is higher than the country's historical average annual growth rate of 0.50% over the past 15 years (2008-2022).

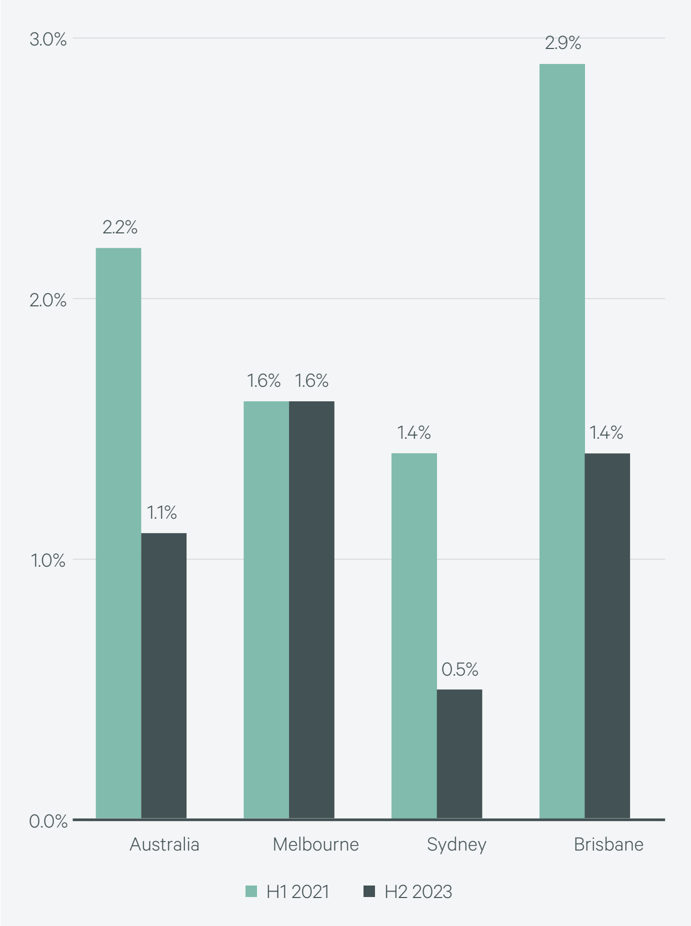
The hotel sector is forecast to see the strongest rent growth of 5.67% per annum over the five-year forecast period, primarily due to a continued post-pandemic rebound in tourism.

Figure 17: Prime market logistics rent growth: five-year forecast vs. 15-year historic growth



Source: CBRE Investment Management, Q4 2023. Note: China excludes Hong Kong SAR.

Figure 18: Australian logistics vacancy rates by market



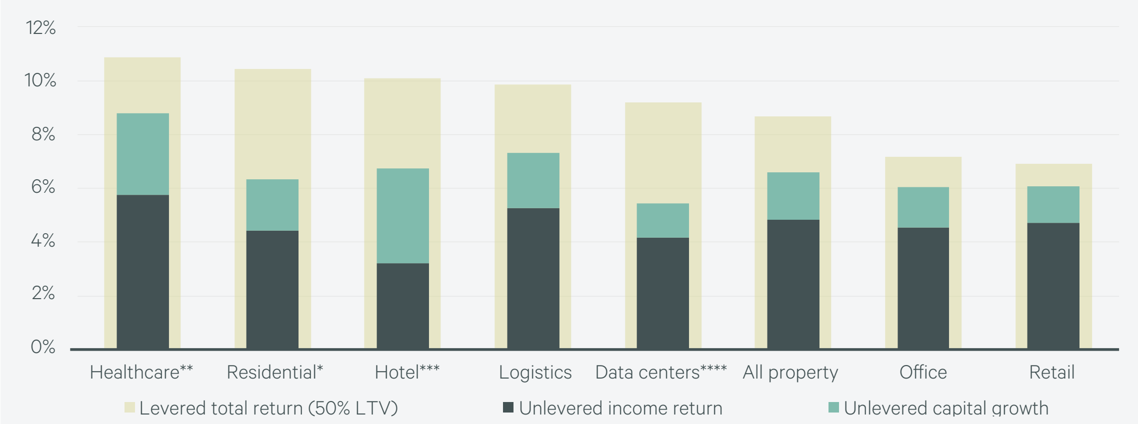
Source: CBRE Industrial and Logistics Vacancy Report, H1 2021 and H2 2023.

06 Total returns

Total returns

- **Figure 19** shows annualized five-year total return forecasts on both an unlevered and levered (50% loan-to-value) basis. Asia Pacific is a region with divergent monetary policies and lending costs, ranging from 1.2% per annum in Japan to 6.6% per annum in New Zealand and Hong Kong SAR, based on CBRE Investment Management's January 2024 Asia Pacific Lending Cost Survey for prime, core stabilized assets (**Figure 20**).
- The unlevered all-property annualized total return forecast at the Asia Pacific aggregate level is 6.6%, while the levered all-property annualized total return forecast is 8.7% over the next five years.
- Of the four main sectors, logistics offers the highest total return on an unlevered basis, while residential offers the highest total return on a levered basis, mainly due to accretive financing for Japanese residential.
- The healthcare sector, which represents just the Australian market, provides the highest total return on both a levered and unlevered basis. Meanwhile, office and retail returns are weaker than the all-property aggregate on both a levered and unlevered basis.
- Data centers, which represent just Japanese data centers, offer a higher five-year annualized levered total return of 9.2% relative to the Asia Pacific all-property aggregate. There may be select data center opportunities, given increased data consumption, cloud computing and artificial intelligence usage.

Figure 19: Five-year average annual levered and unlevered returns, Q1 2024-Q4 2028



*Japan and Australia; **Australia only; ***Japan only, ****Japan only.
Source: CBRE Investment Management, forecasts as of Q4 2023 .

Figure 20: Asia Pacific lending cost survey: approximate/typical borrowing costs for commercial property, January 2024

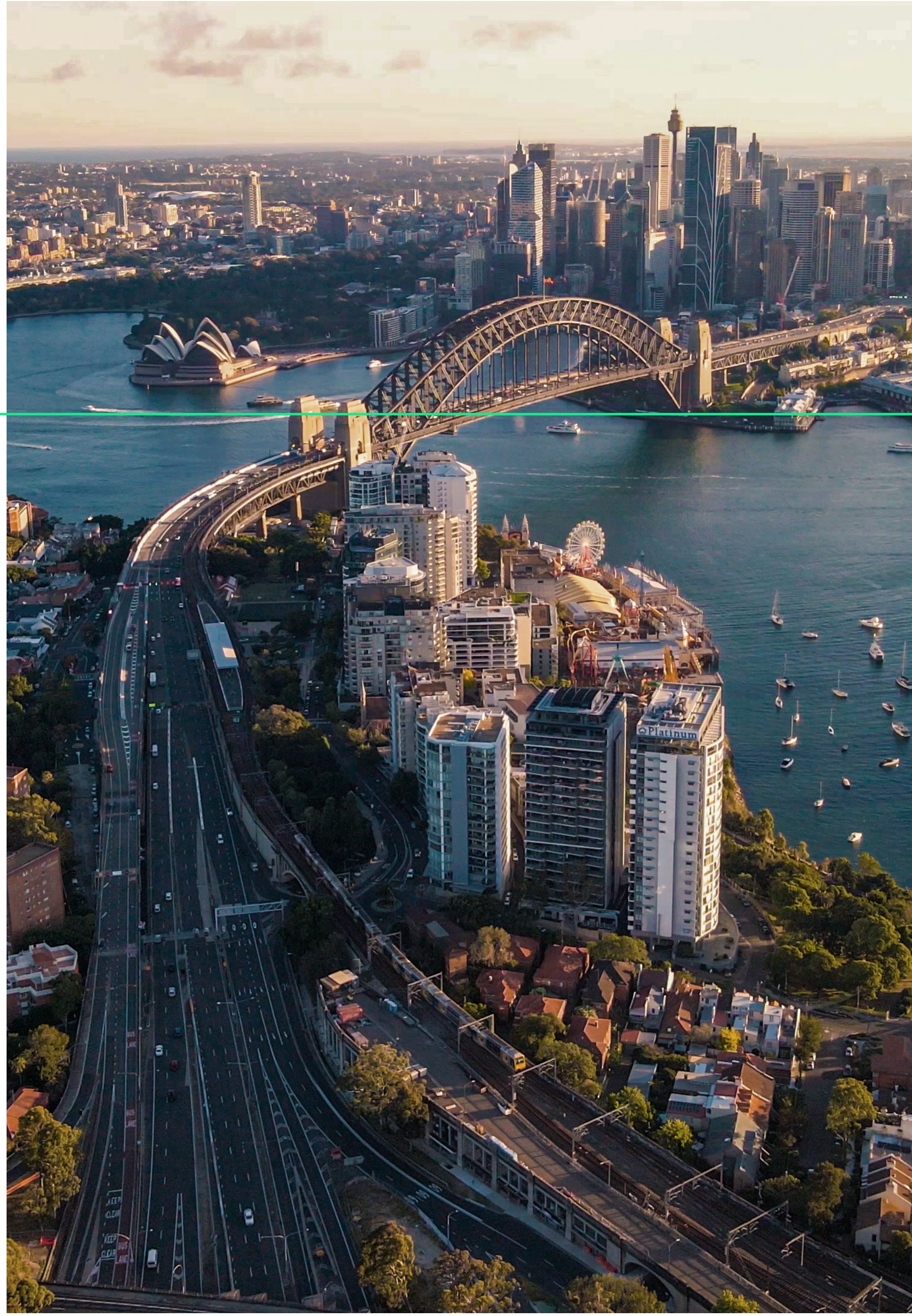
Markets	Lending rates (All-in-costs)			Move since Oct '23	Base rates		Spread	
	Lower	Higher	Mid		January '24		Low	High
Australia	5.84%	6.14%	5.99%	-0.49%	5-year Swap Rate Index	4.24%	1.60%	1.90%
China	3.50%	4.50%	4.00%	0.00%	5-year China Loan Prime Rate	4.20%	-0.70%	0.30%
Hong Kong SAR	5.94%	6.64%	6.29%	-0.32%	3-month HIBOR	4.94%	1.00%	1.70%
Japan	1.20%	1.70%	1.45%	0.00%	5-year Swap Rate	0.70%	0.50%	1.00%
Singapore	5.20%	5.70%	5.45%	0.00%	3-month Singapore Overnight Rate Average (SORA)	3.70%	1.50%	2.00%
South Korea	5.24%	6.24%	5.74%	-0.03%	3-month CD	3.74%	1.50%	2.50%
New Zealand	6.34%	6.64%	6.49%	-0.99%	5-year SWAP Rate	4.34%	2.00%	2.30%

Lending costs are taken after consulting with all Asia Pacific local teams for financings we've undertaken.
Below rates are assuming prime, core stabilized assets, all-in-costs including upfront fees, approx. 50% loan-to-value.
These are based on quotations from CBRE Investment Management Asia Pacific business as of mid-January 2024.

07 Risk-adjusted real estate (RARE) primer

Risk-adjusted real estate (RARE) primer

RARE is a top-down analysis tool for tactical market and sector guidance, which evaluates the attractiveness of real estate markets by comparing forecasted returns against risk-adjusted required returns. On RARE charts, the vertical axis displays our annualized property return forecasts. The horizontal axis displays our risk-based required returns. Markets above the absolute diagonal line have a return forecast that is expected to meet or exceed their required return, while markets above the relative RARE diagonal are not necessarily expected to meet their required return but their return forecast looks more favorable versus their required return when compared to the average market.



RARE is a top-down analysis tool for tactical market and sector guidance, which evaluates the attractiveness of real estate markets by comparing forecasted returns against risk-adjusted required returns.

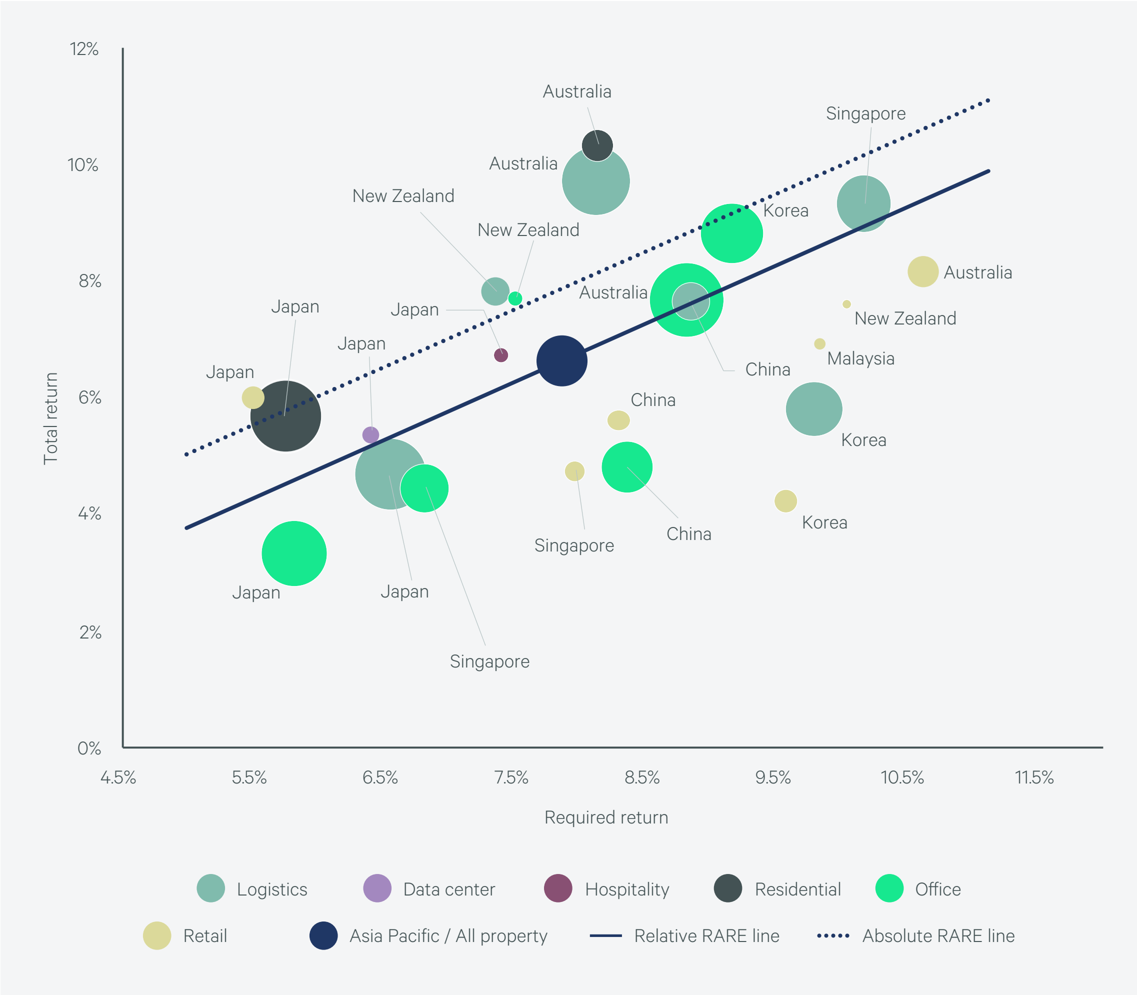
08 Relative and absolute value

Relative and absolute value

Figure 21 summarizes our Asia Pacific RARE outlook by property type and country on an unlevered basis over the next five years. The logistics sector is positioned well, with Australian, Japanese, Chinese and Singaporean logistics positioned above or along the relative RARE line. South Korean logistics falls below the relative RARE line.

Figure 21: Asia Pacific relative and absolute value

Required return & total return for all sectors (Q1 2023-Q4 2028)



Note:
1. Total return figures reflect unlevered property returns of a passive fully invested portfolio before fees and taxes. The return is the five-year average per annum for the period Q1 2024-Q4 2028. Assumptions are generalized to provide a consistent market outlook and asset specific strategies have not been taken into account.
2. Absolute RARE line: Markets above the line are expected to generate returns higher than their required return.
3. Relative RARE line: During late cycle phases, markets may not achieve required returns given high pricing. The relative analysis takes the average gap between required and forecasted return (the benchmark bubble) as a given for all markets when setting the hurdle (the benchmark line). Hence, markets above the line are expected to perform relatively better than markets below the line.
Source: CBRE Investment Management, forecasts as of Q4 2023.

Figure 22: Current spreads between Asia Pacific logistics yields and lending rates, bps

Source: CBRE IM Q4 2023 House View, APAC Financing Costs Survey October 2023.

It's important to note that only Japanese and mainland Chinese logistics currently offer positive spreads between logistics yields and lending rates, as shown in **Figure 22**, with Japanese logistics offering the widest spreads.

As for residential, both Japanese and Australian residential are well positioned for the coming five-year period. Office performance varies by country, with South Korea, Australia and New Zealand best positioned over the next five years, while Japanese, Chinese and Singaporean office fall below the relative RARE line. The outlook for retail is weak, with only Japanese retail positioned above the relative RARE line. Hotel markets in Japan are forecast to outperform given a continued post-pandemic rebound.

Data centers, which represent just Japanese data centers, are positioned well for the coming five-year period, located above the relative RARE line. Within Asia Pacific, demand for data centers is particularly strong, given that "data consumption across the region is growing from a lower installed base of infrastructure than in the West, but penetration of e-commerce retailing and high-speed 5G connectivity is generally much higher than anywhere in the world," according to ULI's Emerging Trends in Real Estate Asia Pacific 2024 Report.

09 Asia Pacific model portfolio and allocations

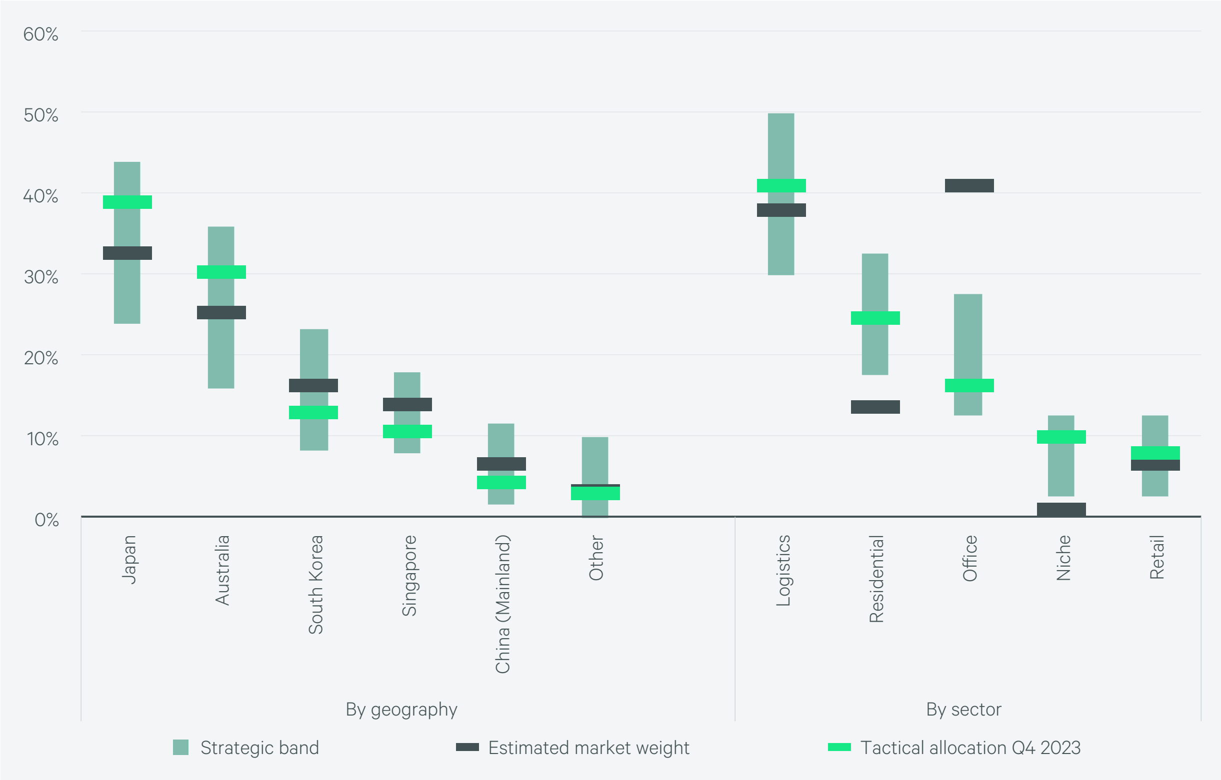
Asia Pacific model portfolio and allocations

The Q4 2023 Asia Pacific model portfolio (**Figure 23**) shows that, by country, Japan has the largest tactical allocation (39%), followed by Australia (30%). By sector, logistics has the largest allocation (41%), followed by residential (25%). Retail has the lowest tactical allocation (8%).

It's important to note the estimated market weights are based on the ANREV Open End Diversified Core Equity (ODCE) Index allocations as of Q3 2023. The market weight is the mid-point of all the strategic bands, except for office, residential and niche. The ANREV ODCE index has a high allocation to office (40.8%) and lower allocations to residential (13.6%) and other/niche (1.0%). Looking ahead and referencing the U.S. NCREIF ODCE Index, which has seen a decline in the office allocation and increases in residential and other allocations, the Asia Pacific model portfolio strategic band around office was shifted below its ANREV ODCE market weight, while the strategic bands around residential and niche were shifted above their respective ANREV ODCE market weights, to reflect a long-term structural shift in portfolio allocations.

Figure 23: Asia Pacific model portfolio

Asia Pacific model portfolio for core local currency investors, tactical positioning, % of GAV



Source: ANREV, Q3 2023; CBRE Investment Management, Q4 2023.

10 Preferred strategies

Preferred strategies

Despite a challenging period of economic uncertainty, there are bright spots within the Asia Pacific commercial real estate market. During this global economic climate, our fundamental approach to selecting preferred strategies (**Figure 24**) has not changed and continues to incorporate CBRE Investment Management's RARE framework.

Figure 24: **Asia Pacific real estate preferred strategies**

PREFERRED ASSET TYPES						PREFERRED MEANS OF ACCESS	
Modern logistics		**Data centers**	**For rent residential**			**Cyclical timing**	**Private market dislocation**
Build-to-core in undersupplied markets	Hold high-quality core logistics near major metros	Build-to-suit quality hyperscale data centers	Modernize Tokyo/ Osaka residential	Accumulate Japanese mass segment residential	Consider Australian residential	Monitor repricing opportunities	Take advantage of reduced liquidity, and emerging forced sales
Target markets where deep pools of local institutional capital seek this product and where occupier demand is strong. Target low-vacancy submarkets with below long-term average new supply.	Accumulate and hold stabilized, sustainability-credentialed, state-of-the-art logistics facilities in the best locations in or near the major metros. Target occupiers servicing domestic demand.	The pandemic has been a catalyst for data center demand, given increased data consumption and cloud computing. Artificial intelligence is also driving further data storage demand.	Desire of renters for better-quality interiors/finishes and modern kitchens and bathrooms. Target locations which are close to metro stations.	Formation rates of single-person households remain strong in the inner wards of Japan's largest cities. Also, dual-income households are driving demand for larger units.	The Australian living sectors, co-living and purpose-built student accommodation, are positioned to benefit from increased demand from migration and students.	As cap rates are expected to peak in Australia, New Zealand and South Korea in 2024, monitor acquisition opportunities at cyclical low pricing.	Exploit distress to gain access to preferred sectors at attractive prices: – Refinancing distress – Recapitalizations and secondaries Capitalize quality developers facing financing issues.

For illustrative purposes only. Based on CBRE Investment Management's subjective views and subject to change. There can be no assurance any targets or business initiatives will occur as expected. Forecasts are inherently uncertain and subject to change.

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