

Asian Market Outlook

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Market Outlook

Asian Real Estate markets and stock markets in general have started off positively in 2026 despite concerns regarding Venezuela and upcoming earnings results. After a 30 percent gain for the sector in 2025 (in USD terms), we start the year off in a less undervalued position. Japan was the strongest performer last year with a rise of 38.9% followed by Hong Kong's gain of 31%. Japanese Developers rose by 44% while JREITs delivered 37%. Australia lagged, rising by just 11.8% in USD but this was skewed due to a 16% drop in Goodman Group. Singapore delivered a respectable 24.9% in USD but lagged the index. In Singapore, Developers were the strongest performers while REITs were mixed. As we head into 2026, we look for Asian real estate to build on last year's gains, benefitting from stronger valuations and rotation out of the US and other sectors.

Japan

The well anticipated interest rate hike by the BOJ in late December was widely seen as a dovish hike. The long end of the JGB yield curve rose, the JPY weakened and Japanese Real Estate stocks continued their march higher. This trend has continued at the start of 2026. We met with two BOJ officials in Singapore late last year and they do believe CPI will decelerate in the first quarter due in part to one off inputs like energy and rice. We believe they will wait until wage negotiations in the spring to follow up with an additional hike. Developers historically perform better than JREITs when expectations are for higher rates, inflation and growth which is the current environment. Given we will see strong results from the likes of Mitsubishi Estate, Mitsui Fudosan and other developers when they report in early February for the third quarter. Given the strength in leasing, hospitality, residential segments, we think many will use this announcement to raise full year guidance. In addition, Mitsubishi Estate which completed its JPY 100bn buyback prior to its second quarter results is likely to announce a second buyback as it remains passionately committed to achieving its ROE targets. Despite tension between China and Japan, it was reported in the Nikkei that bookings for the Lunar New Year holiday by Chinese tourists have surged YoY led by individuals rather than tour groups. The hospitality names have been weak recently because of the Sino-Japanese tension, but companies we follow have been exceeding their guidance and we believe Japan Hotel REIT will report strong numbers at the end of February. We view the recent correction as a good opportunity to accumulate.

Australia

Recent economic data for Australia continues to be solid and consensus has moved from expecting cuts to expecting no more reductions with some brokerage firms suggesting the next step from the RBA is a hike. The RBA will meet on February 3rd, and the market is pricing in no change. More important for AREITs will be commentary on their next move. The RBA did comment recently after the latest CPI print (which was inline) saying that rate cuts for the cycle may be over but also did not indicate that they plan to raise soon either. First half results (most AREITs have June year-end) will be announced in February. Along with results, we expect to see some moderation in forecasts for the full year, so this is historically a volatile period. The residential related REITs have corrected as data came out that took away hopes for further rate cuts. However, we think that names like Stockland and Mirvac will maintain their guidance given the solid demand for housing. Stockland is likely to benefit from recent first-time home buyer support and, barring any weather-related delivery delays, should be able to meet its guidance that it confirmed in mid-October. We also anticipate solid full-year results from Scentre Group (which has a December year end) due to strong tenant sales and savings from debt refinancing. Goodman Group traditionally uses this period to raise its full year targets and update its works in progress (WIP). Goodman typically guides below consensus but then

revises up in February. Goodman's current guidance is around 9% EPS growth but we think they will likely recognise some performance and establishment fees as a result of recent fund activities. Given the stock's underperformance since the end of 2024, this could be a catalyst. Also, Goodman is less sensitive to rates given its low leverage and this defensiveness could trigger renewed outperformance.

Singapore / Hong Kong

SREITs will also report in February, and we expect that Singapore-focused SREITs will have a more positive tone given the strength of the domestic economy and the very low-interest rate environment. The sector has underperformed its regional peers over the last twelve months and offers reasonable yield and potential growth recovery. There is talk of the Monetary Authority of Singapore (MAS) potentially tightening policy. The MAS does not use interest rates to set policy but does change the slope of the S\$NEER policy band. Ironically, a tightening would be positive for the sector as it would lead to a stronger SGD, lower inflation, and makes SGD assets more attractive. The next policy meeting is in April at which point the MAS will make its main policy statements.

There is a growing consensus that residential prices in Hong Kong have bottomed, and analysts are suggesting property prices may increase by 10% in 2026. Rents have risen due to an influx of international students (thanks to US visa concerns) and growing talent passes. This is lending support to residential sales as rental yields are near mortgage rates. Given the anaemic non-farm payroll numbers in the US, it is possible that the sector gets additional support from Fed cuts in 2026. Results which will come for a few names will likely show that residential development margins remain under pressure and there is a chance some developers may reduce their dividends or not raise them. The improvement in volume and pricing will aid margins on future developments where land costs are lower. Earnings announcements will probably be a non-event as the market is forward looking and we think any correction in names like SHK Properties or Sino Land would be seen as buying opportunities. We are a bit more concerned after a meeting with Fortune REIT that dividend growth in the second half of 2025 could come in lower than we initially expected. Unlike developers, REITs are more sensitive to DPU changes so it may underperform similar to LINK REIT after its update. Hongkong Land will likely provide more details on its SGD 8bn Singapore Core Private Real Estate Fund (SCPREF) that it announced on Dec 12th. It is rumoured they have lined up large and well-known global real estate investors. We are not surprised given the lack of private funds that have exposure to Grade A Singapore office assets. We believe once the documents are signed by the LPs that the company will announce another buyback. The share has risen almost 200% from their low driven by strong execution of their asset sales and share buybacks.

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