VANTAGE POINT

# TRUMP 2.0
# THE FIRST 100 DAYS

## IMPLICATIONS FOR THE ECONOMY & PROPERTY

APAC

As of April 28

# CONTENTS

# EXECUTIVE SUMMARY


CONTENTS →

# Executive Summary

## The Economy

- In the first 100 days, we have observed a **hard shift in U.S. economy policy under President Trump**. From an international perspective, trade policy and the trajectory of U.S. growth are front of mind.
- Given the flurry of changes, the word that dominated the marketplace in the first 100 days was **uncertainty**.
- The APAC economy entered 2025 in good shape, but the policy uncertainty is **pointing to slower growth**. That being said, the effects will not be uniformly distributed across the region. Domestic consumption should help support regional growth, but Asia Pacific will feel the effects of the global slowdown.
- **U.S. recession odds are rising** and short-term stagflation—meaning slowing economic growth and sticky inflation—is emerging as the new consensus for 2025. **Expected stronger growth in the U.S. in 2026** could provide tailwinds for the Asia Pacific region.
- **The situation remains fluid** with many developments still unfolding, and there may be both potential benefits and drawbacks to these policy changes that will unfold over time.

## Property

- **The APAC property sector performed well coming into 2025,** characterised by generally healthy occupier demand and improving investment transaction activity.
- **The manufacturing sector exporting to the U.S. will be the most impacted by the tariffs**, though all sectors will be affected to some degree by a wider economic slowdown. Leasing and investment activity will likely slow in the near term upon delayed decision making. However, past experience has shown **the region can rebound quickly when conditions improve and confidence is restored**.
- The outlook for construction costs is mixed, which may prompt a “risk off” strategy and curb supply pipelines, at least until greater clarity emerges. **Existing assets will likely benefit**.
- Most central banks entered 2025 leaning towards a **more accommodative monetary position**. Expectations are for this to continue.
- Given the riskier environment, credit spreads will widen in the near term, but **property values are generally expected to remain resilient** and trend higher on the other side of the uncertainty.

# CURRENT STATE OF APAC ECONOMY & CRE

# Trump's Economic Policy Agenda

## Tax & Spending Policy

- Full extension of TCJA
- Lower corporate tax rate from 21% to 15% (particularly for domestic production activities, totaling $360B in tax savings over 10 years)
- Rescind limit on SALT (totaling $1T in tax savings over 10 years for higher-cost, largely more Democratic cities and states)
- Increase child tax credit
- Exempt tips, social security and overtime from income tax
- Deductibility of auto loan interest

## Deregulation

- Rescind parts of IRA
- Rescind IRS funding
- DOGE
- Pare back Biden's ESG/DEI initiatives (e.g., reverse pause on LNG export licensing)
- Pressure to further water down Basel III

## Trade & Foreign Policy

- Campaigned on 10% across the board tariffs on all imported goods, potentially 60% on China
- Trump Reciprocal Trade Act (tariff rate changes to match whatever country is enforcing against U.S.)
- Invoke review period of USMCA in July 2026 (threatened 25% tariffs on Mexico)
- Rachet up tension with WTO as many stated policies violate MFN protocols
- Deportations and tougher restrictions on immigration

## Other

- Pressure on Fed to include President's views on monetary policy
- Privatize GSEs

**Changes to trade and foreign policy will have the largest impact on the Asia Pacific region, though any policies that change the trajectory of U.S. economic growth, in either direction, will also be felt.**

# APAC Still Growing at Healthy Rate

## Real GDP Growth (Q4 2019 = 100)


*Source: Moody's Analytics*



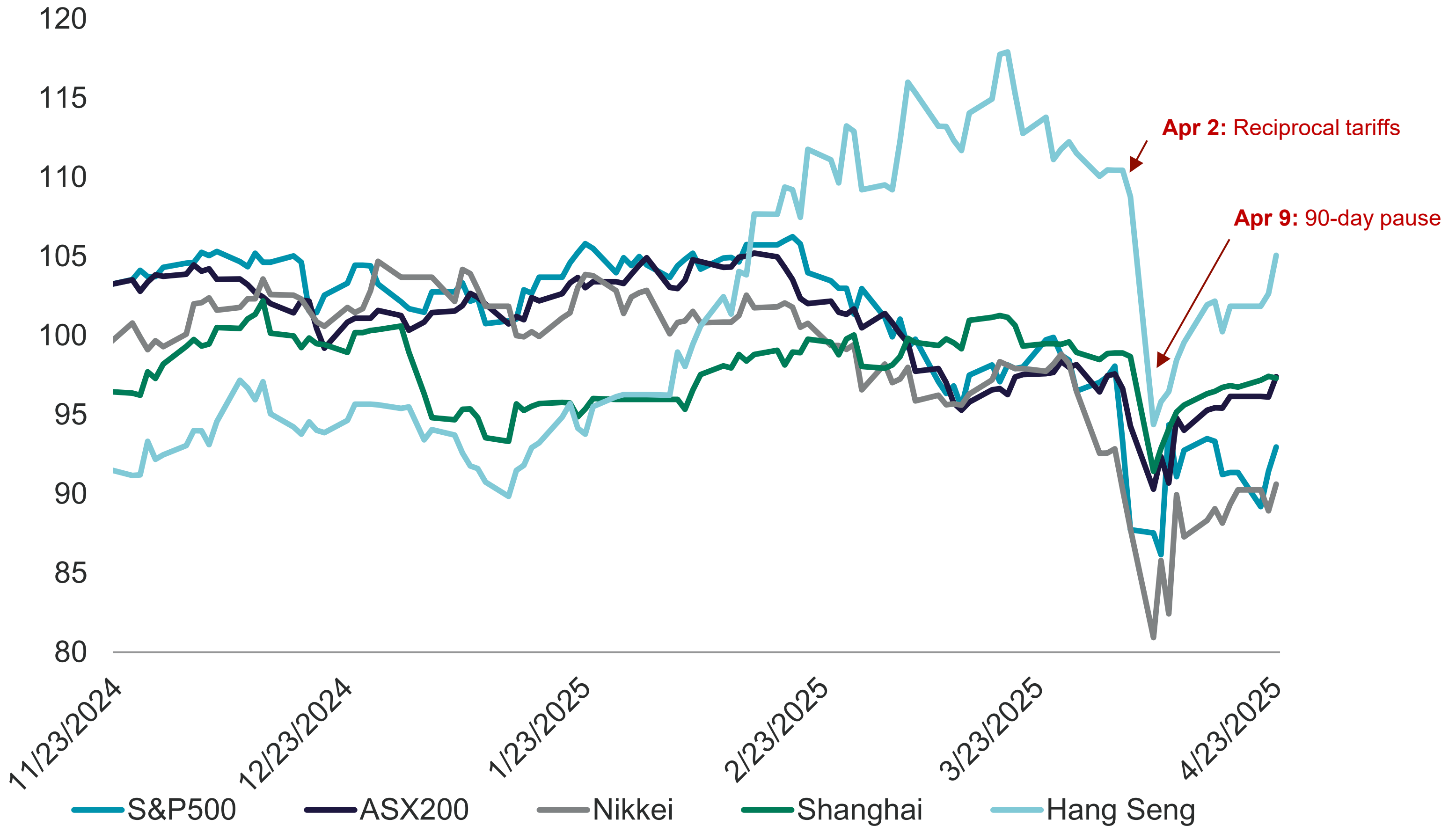
## Impact on CRE

- The Asia Pacific regional economy has been growing at healthy rate of 4% over the last few years with India and South East Asia generally leading the pack.
- The regional economy has added almost 68 million jobs, of which over 16 million were office based, over the past five years.
- Not only has this created healthy demand for office space, but ongoing increases in the middle-class population have continued to support both manufacturing and retail sectors as demand for goods and services continues to grow.
- Despite the volatility, GDP growth across Asia Pacific held up well in Q1, at 3.9% – on par with growth rates observed pre-Trump.

CONTENTS

# Angst in the Stock Markets

Stock Market Indices (November 5, 2024 = 100)

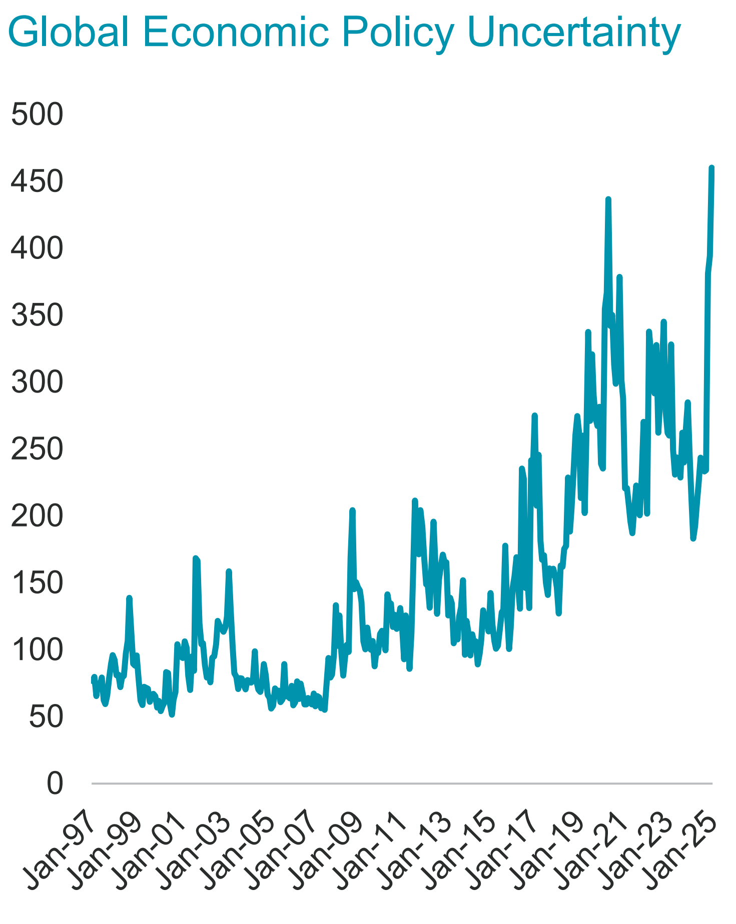


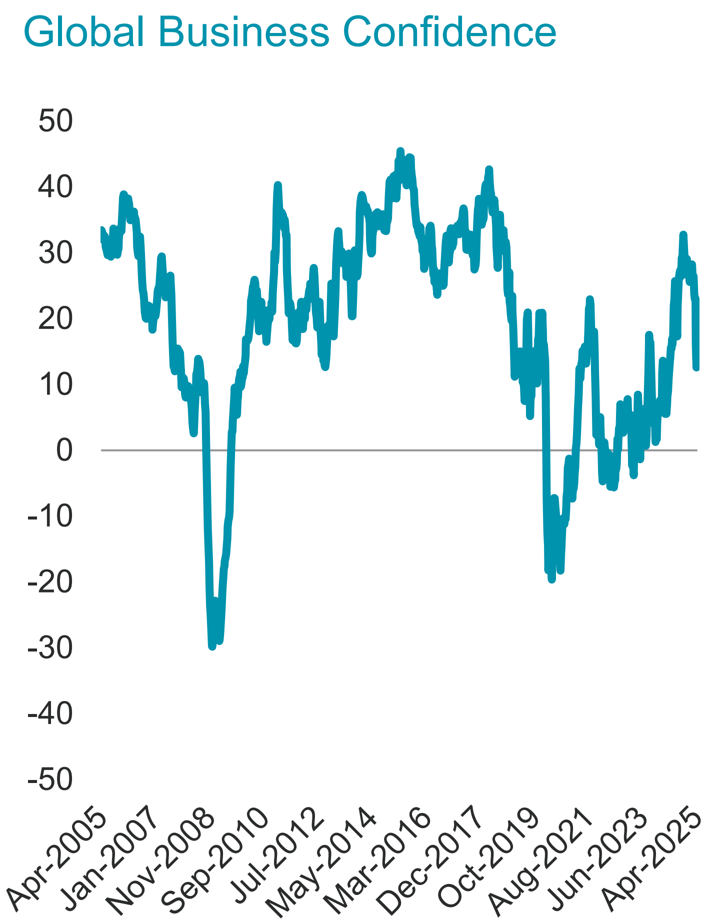

*Source: S&P Global; ASX, Nikkei Asia; SSE; HIS; Cushman & Wakefield Research*

## Impact on CRE

- Real estate is not the stock market. Just because the stock market goes up or down—until it impacts the economy, it doesn't necessarily mean anything for real estate fundamentals.
- However, the wealth effect is important. When stocks are rising, people feel richer and they spend more. But it can go the other way too.
- Normally, the stock market isn't something we are overly focused on in understanding where property is headed. But right now, we are watching it.
- If the stock market continues to go down and stays down, this will inevitably impact consumer spending, which hits business profitability, then jobs, and eventually would impact the CRE sector.
- At the time of this writing, markets have recovered approximately a third of their peak-to-trough losses in April.

# Policy Uncertainty Sapping Confidence



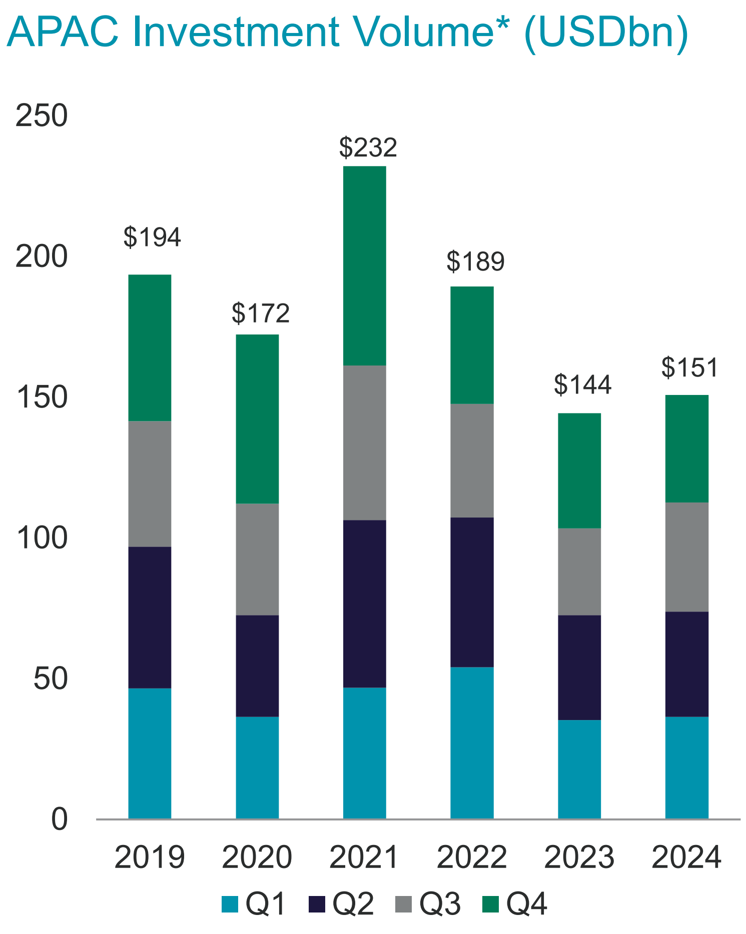



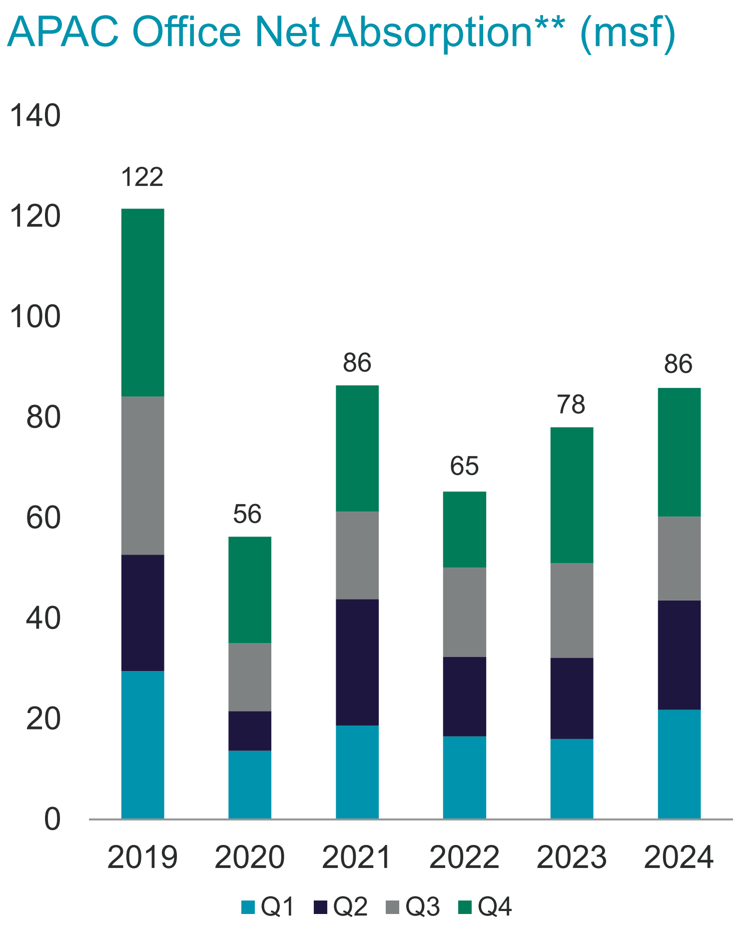

*Source: Baker, Bloom, and Davis; Moody's Analytics; Cushman & Wakefield Research*

## Impact on CRE

- Given the flurry of changes, and particularly the on-again off-again tariffs, policy uncertainty is at an all-time high.
- Periods of heightened policy uncertainty are often correlated to a decline in business confidence, leading to weaker investment and hiring decisions. Essentially what happens is businesses pause until they have greater visibility into where policy is headed.
- The longer the uncertainty lasts, the more damaging it will be to the regional and global economy because an overarching pause hits the various components of GDP, and in particular, consumption and investment.
- CRE faces the same uncertainty, which may delay decision making by both occupiers and investors.

# APAC CRE Rebounding Heading into 2025




Source: MSCI-RCA; Cushman & Wakefield Research * excludes development sites ** Absorption covers 42 APAC markets



## CRE Performance

- Asia Pacific's real estate market has come into 2025 with momentum, with both demand for space and investment volumes trending higher during 2024.
- As interest cuts started to occur, first in Europe and the U.S. and then in Asia Pacific, investor appetite increased. Investment volumes in APAC troughed at around the mid-point of 2024 and have gradually trended higher. In addition, pricing has stabilized across much of the region.
- Occupier demand in the region has been somewhat stronger, headlined by India, with contributions from most of the region. Consequently, over 370msf more office space is occupied in APAC as at the end of Q4 2024 compared to Q4 2019.
- Rising uncertainty is the largest downside risk in the near term which may delay occupier and investor decision making. However, the fundamentals remain resilient so far.

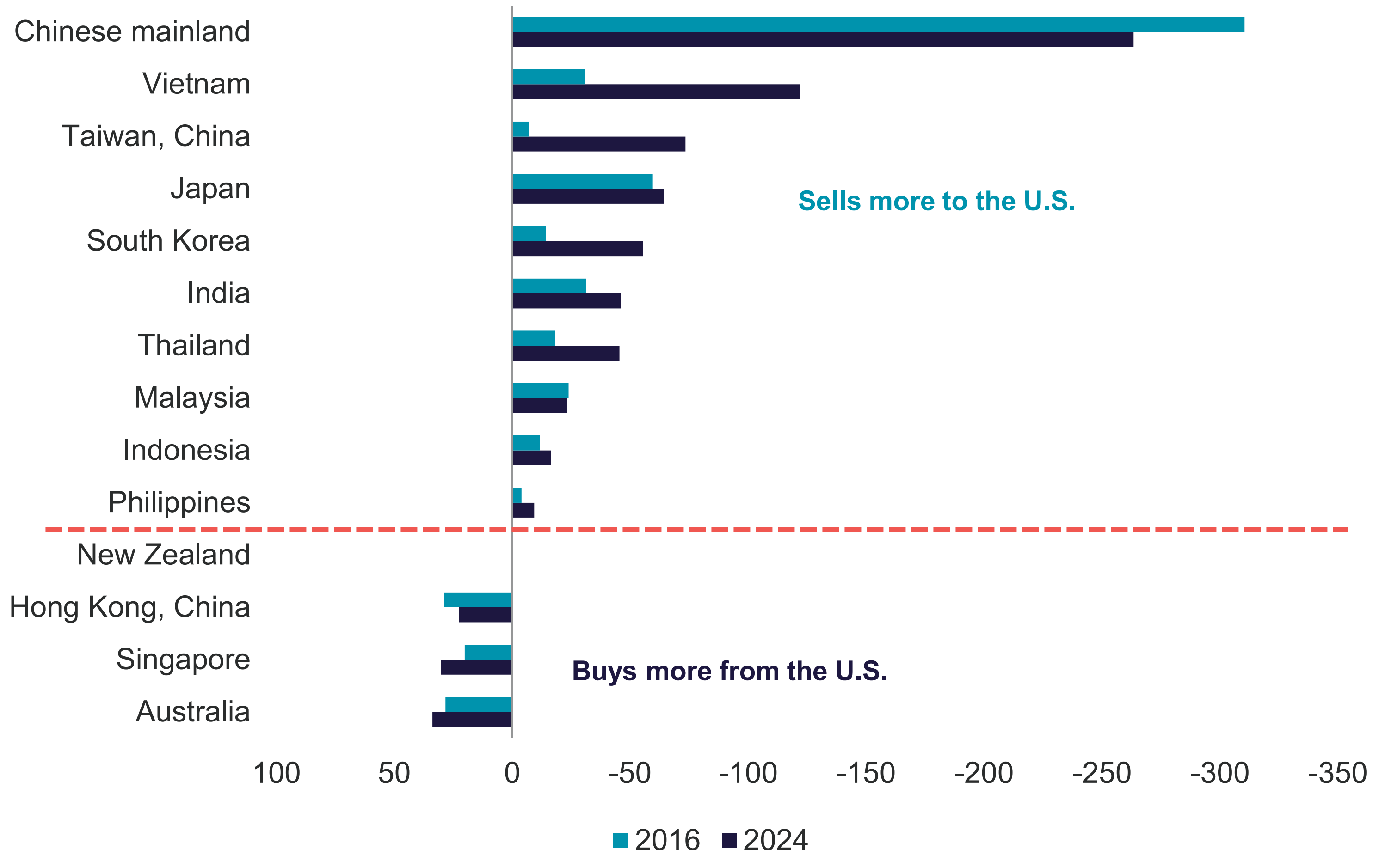
CONTENTS →

# APAC – U. S. TRADE RELATIONS

CONTENTS →

# Increased Trade Surplus in SEA and India

U.S. Trade Deficit/Surplus with APAC Trading Partners USDbn




*Source: Bureau of Economic Analysis; Cushman & Wakefield Research*



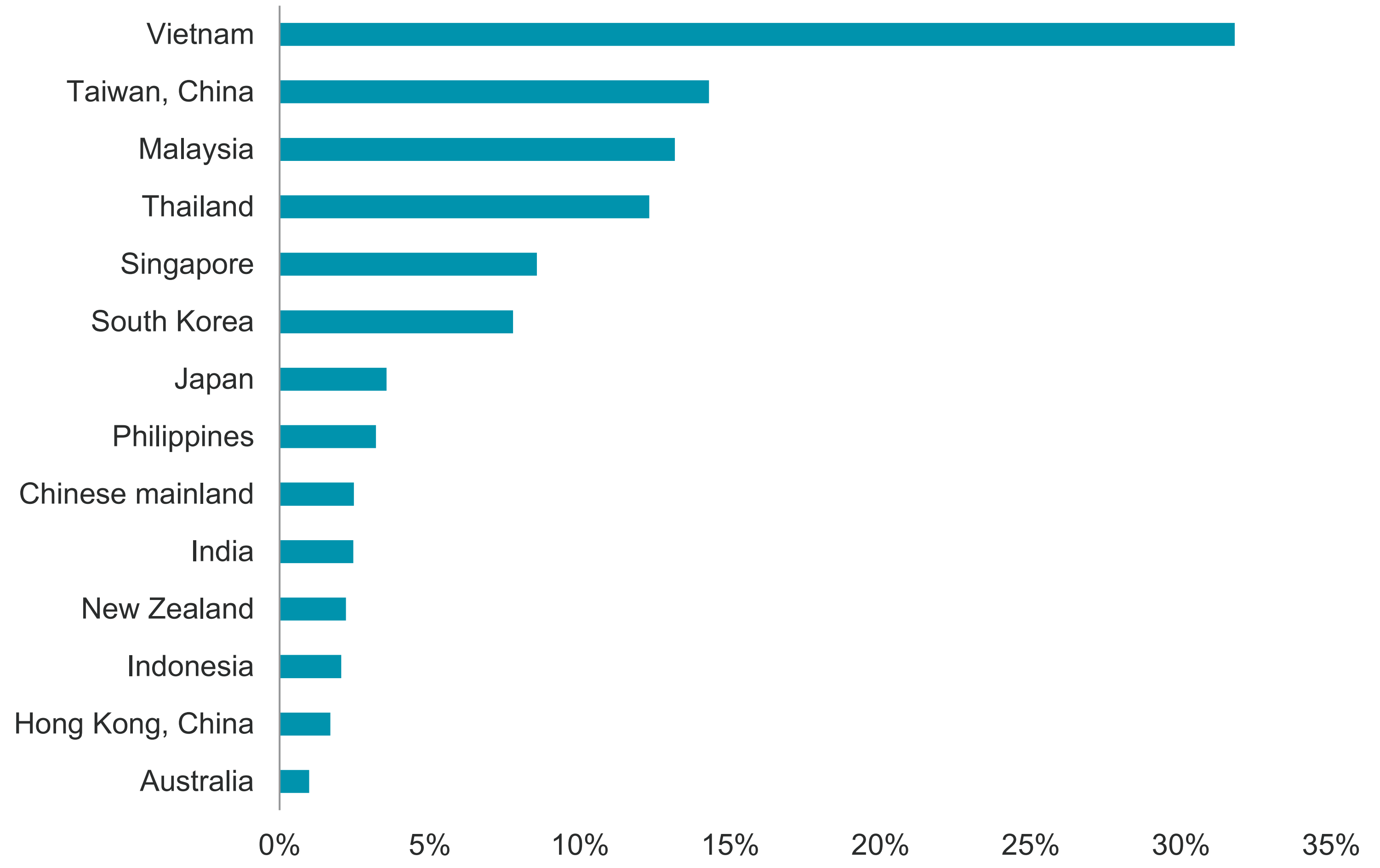
## Impact on CRE

- As a result of trade tariffs imposed on China by the U.S. during the first Trump administration, together with China +1 manufacturing strategies, industrial production has expanded rapidly across the Asia Pacific region.
- The primary beneficiaries have been India and markets in South East Asia. Consequently, there has been a significant shift in the terms of trade with the U.S. over the past decade, with most increasing their trade surplus. Strong demand for semi-conductors and automobiles has also benefitted Taiwan, South Korea and Japan.
- Logistics and Industrial markets across the region have performed strongly over the past decade, but especially the past five years. This has been characterised by the ongoing, rapid development of new supply, comparatively tight vacancy and robust rental growth.
- As of Q1 2025, most of the region's industrial markets remain landlord-friendly.

CONTENTS

# U.S. Trade Exposure Varies Considerably

Goods Exports to U.S. as % Share of GDP



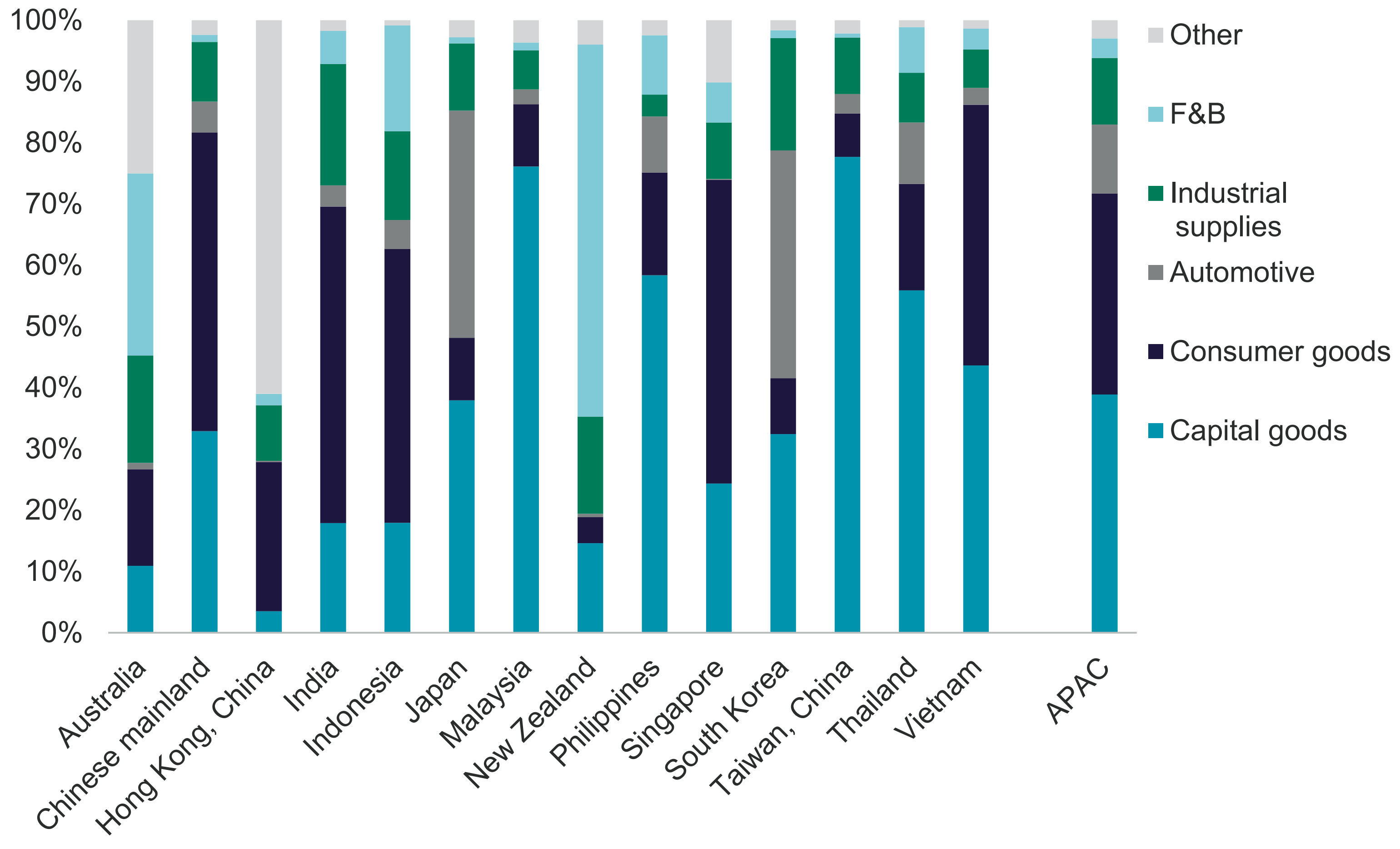

*Source: Bureau of Economic Analysis; World Bank; Cushman & Wakefield Research*

## Impact on CRE

- Trade with the U.S. is an important component of growth for the Asia Pacific region. However, there is considerable variation between markets as to how much this contributes to economic growth.
- Some markets, such as Vietnam, have high levels of exposure and so any slowdown in trade will have impacts on local economic growth.
- In contrast, other markets may have high levels of trade with the U.S., such as the Chinese mainland and India, though it contributes a smaller proportion of GDP growth. This is either through wider trade networks, as in the case of China, or greater reliance on domestic consumption in India.
- These trade and consumption patterns will influence changes in demand for industrial space, with a key message being that for some markets a slow down in trade with the U.S. may not be associated with significant negative industrial real estate demand impacts.

# U.S. Trade Exposure Varies Considerably

Goods Exports to U.S. as % Share of GDP



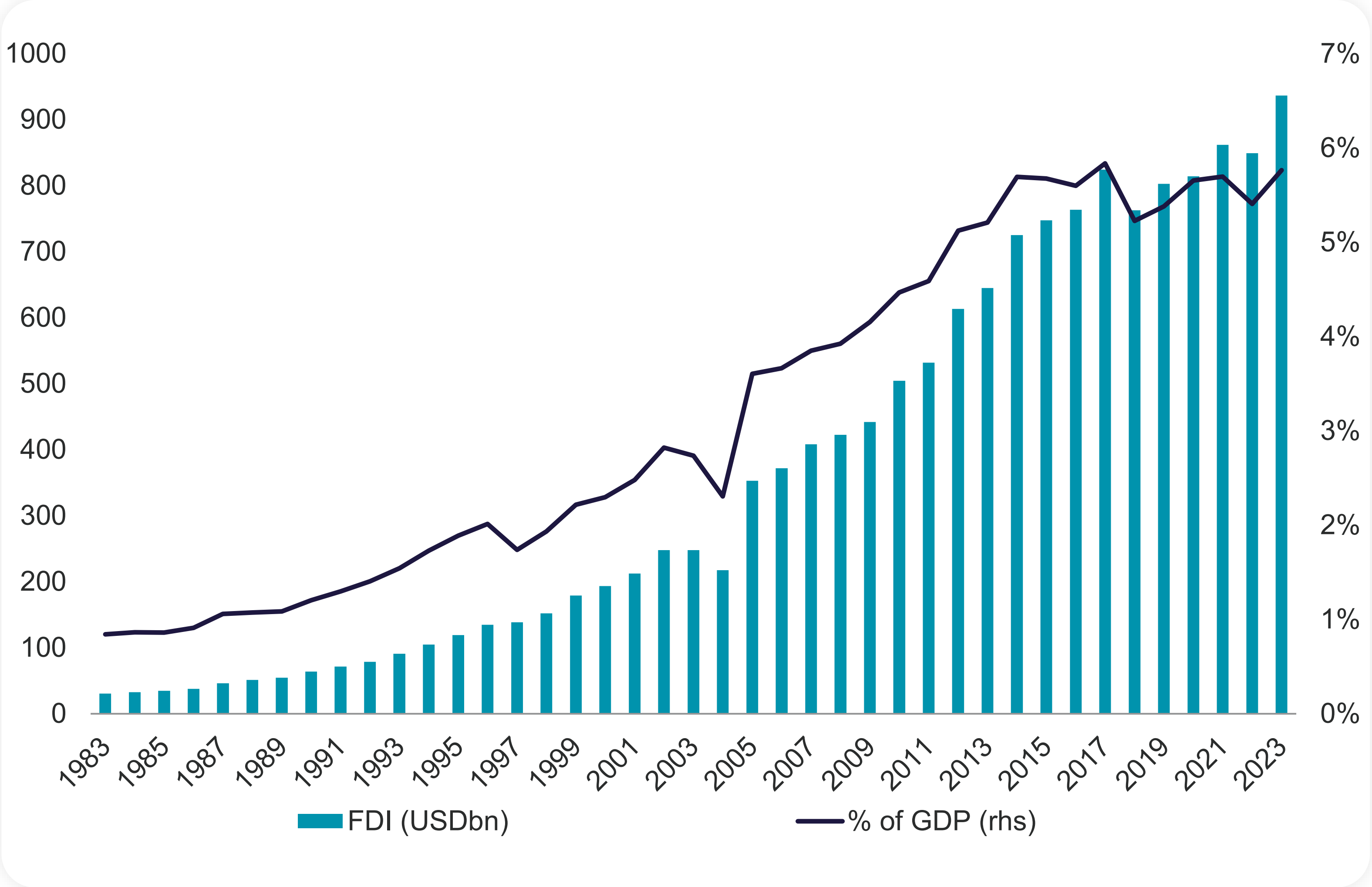

*Source: Bureau of Economic Analysis; Cushman & Wakefield Research*

## Key observation

- The tariff environment remains incredibly fluid. For the most part, a blanket 10% tariff exists across the world. In addition, there are tariffs levied on specific trade partners and goods. At the same time, there are also certain exemptions in place.
- The balance of trade exposure to the U.S. together with the types of goods traded will go a long way to highlighting the likely impact on any market, with regards to both its wider economy and its real estate market.
- Both factors need to be considered together, rather than in isolation, and any changes in tariff announcements need to be constantly monitored.

# U.S. Direct Investment into APAC

## U.S. Foreign Direct Investment into APAC (excluding Chinese mainland)




*Source: U.S. Bureau of Economic Analysis*

## Impact on CRE

- In addition to trade, another important link to the U.S. is through U.S. direct investment into the Asia Pacific region.
- Many U.S.-headquartered companies have been expanding into Asia Pacific over the years. U.S. direct investment has grown from 1% in the early 1980s to 6% as of 2024, or USD27bn to over USD935bn in absolute terms.
- These U.S. businesses hire and employ many people across Asia Pacific and utilise various types of real estate space across the region.
- Thus, the health of the U.S. economy and U.S. corporate balance sheets will also be important to watch going forward.

# APAC ECONOMIC OUTLOOK

CONTENTS →

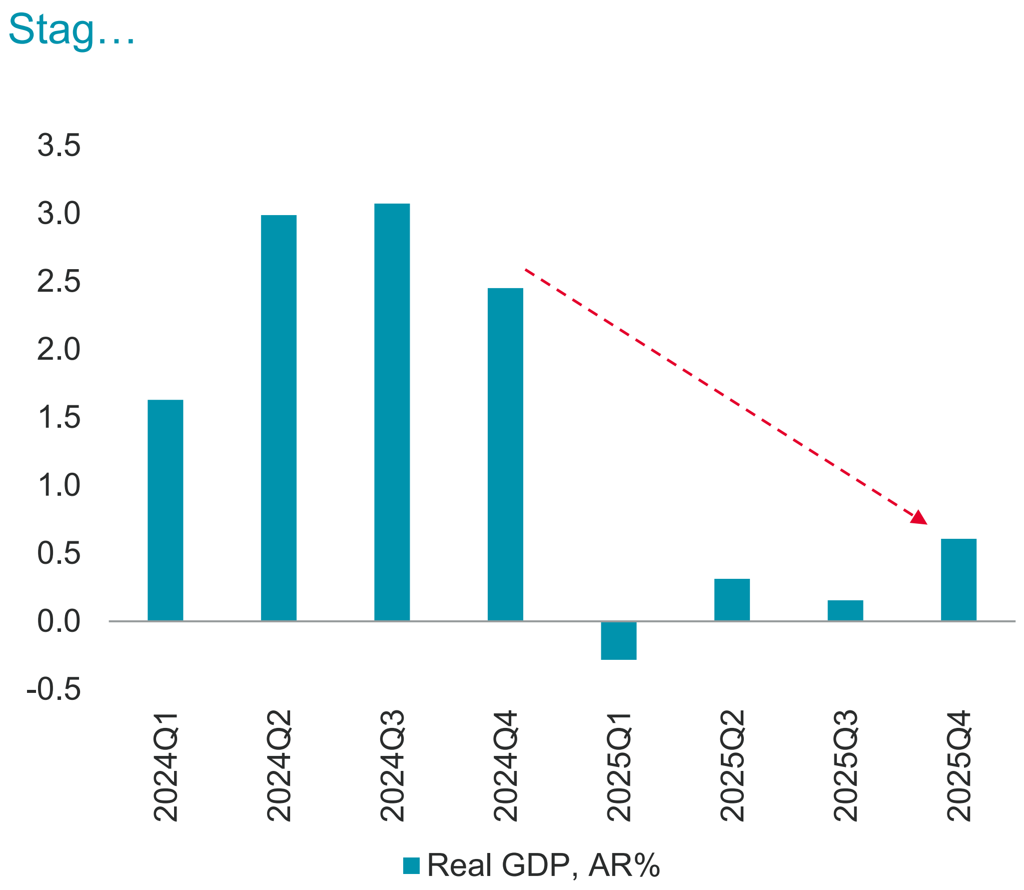
# U.S Economic Performance Is Important

Real GDP Growth % YOY

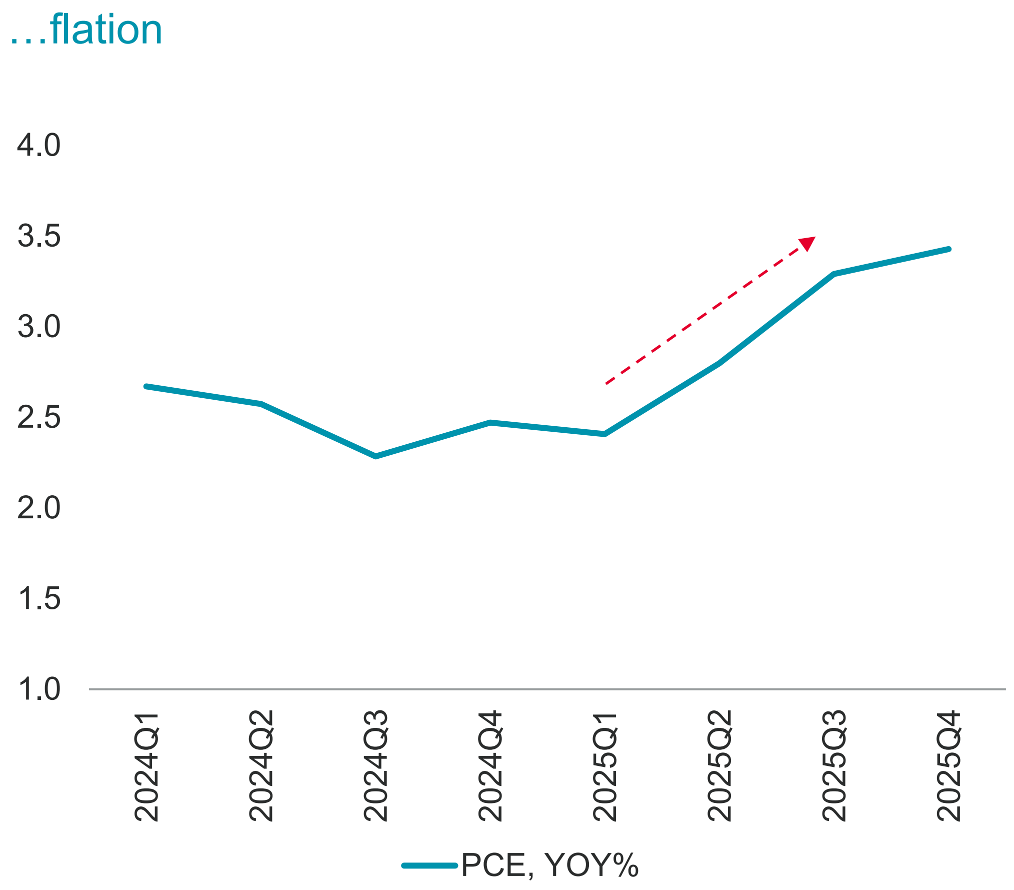

*Source: Moody's Analytics; Cushman & Wakefield Research*

# Stagflation is Now Our Base Case for 2025

United States




*Source: Cushman & Wakefield Research*

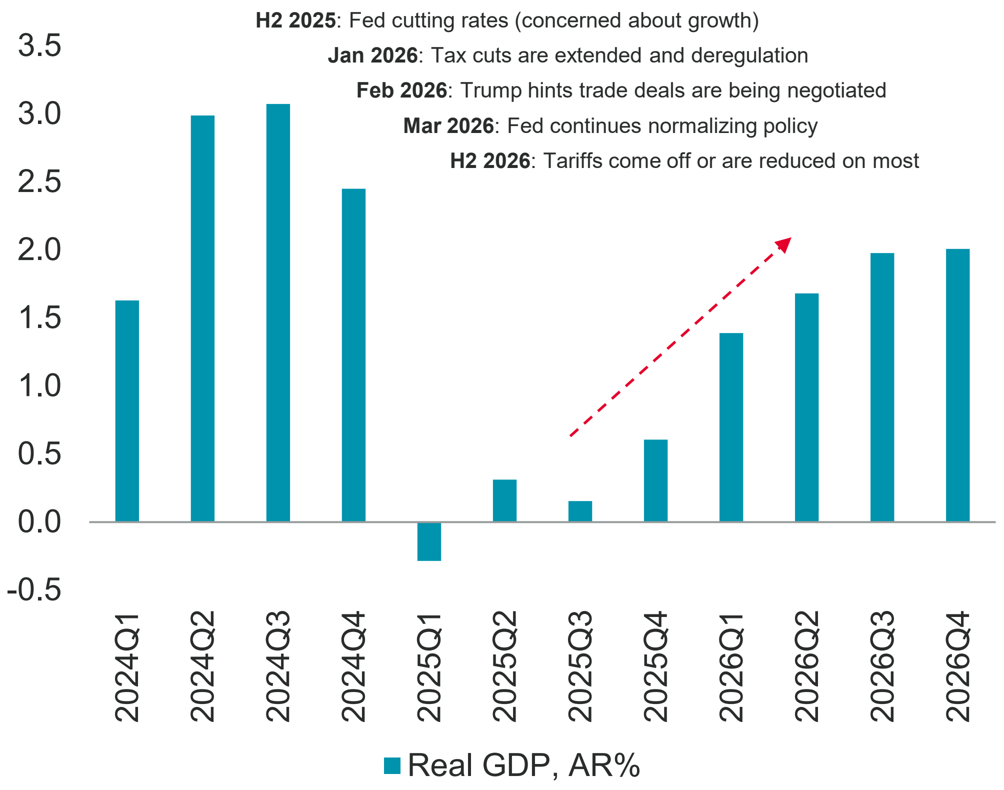



*Source: Moody's Analytics, Cushman & Wakefield Research*

# Thesis for Expected Rebound in 2026

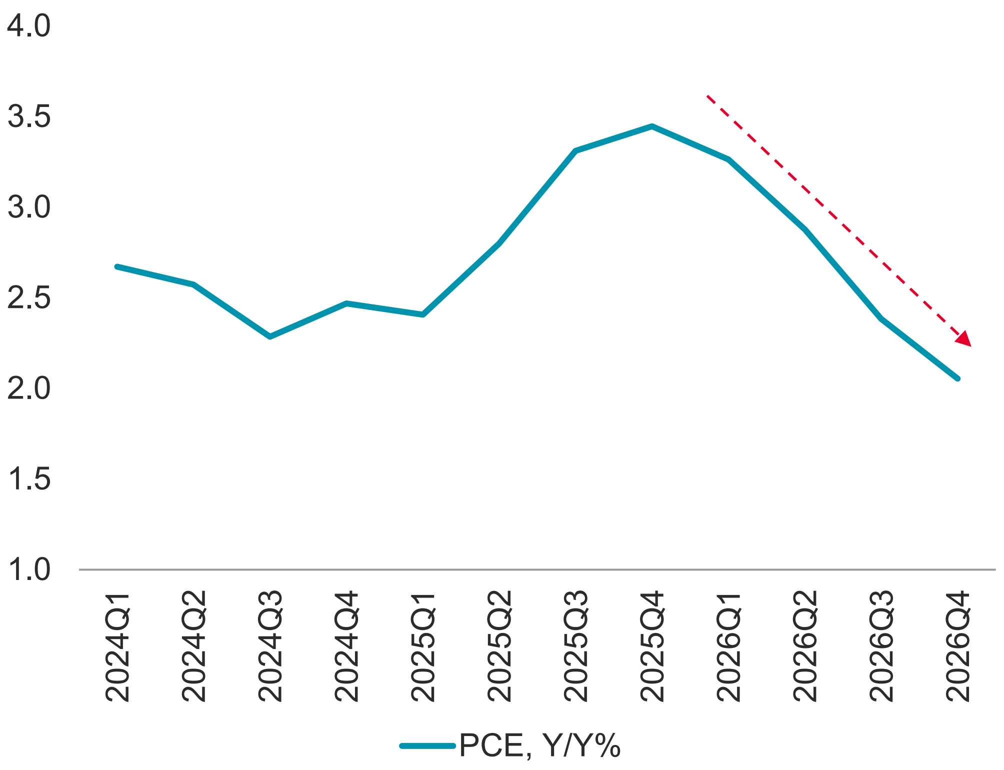
United States

## Growth Accelerates




*Source: Cushman & Wakefield Research*

## Inflation Rolls Over




*Source: Cushman & Wakefield Research*

# APAC Economic Scenarios

**C&W Baseline**

## SCENARIO 1
**Upside**

**5%** Probability

| APAC Economy | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Real GDP | 3.3 | 4.4 | 3.9 | 4.6 | 5.0 |
| CPI Inflation | 3.9 | 2.0 | 1.9 | 2.8 | 2.4 |
| Job Growth, mils | 20.4 | 47.4 | 10.9 | 15.8 | 15.6 |
| Office Job Growth, mils | 3.4 | 3.9 | 3.5 | 3.7 | 3.5 |
| Industrial Production | 1.6 | 4.1 | 3.6 | 6.7 | 5.% |

## SCENARIO 2
**Baseline**

**50%** Probability

| APAC Economy | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Real GDP | 3.3 | 4.4 | 3.9 | 3.5 | 3.3 |
| CPI Inflation | 3.9 | 2.0 | 1.9 | 1.8 | 2.0 |
| Job Growth, mils | 20.4 | 47.4 | 10.9 | 9.7 | 13.1 |
| Office Job Growth, mils | 3.4 | 3.9 | 3.5 | 3.3 | 3.3 |
| Industrial Production | 1.6 | 4.1 | 3.6 | 3.9 | 4.0 |

## SCENARIO 3
**Downside**

**30%** Probability

| APAC Economy | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Real GDP | 3.3 | 4.4 | 3.9 | 2.2 | 1.5 |
| CPI Inflation | 3.9 | 2.0 | 1.9 | 1.2 | 1.8 |
| Job Growth, mils | 20.4 | 47.4 | 10.9 | 0.4 | 10.4 |
| Office Job Growth, mils | 3.4 | 3.9 | 3.5 | 2.4 | 2.9 |
| Industrial Production | 1.6 | 4.1 | 3.6 | 0.4 | 3.6 |

## SCENARIO 4
**Stagflation**

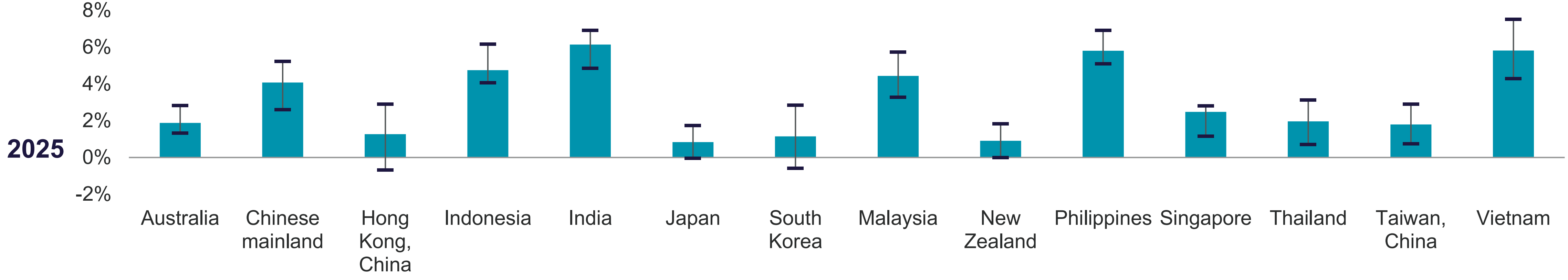
**10%** Probability

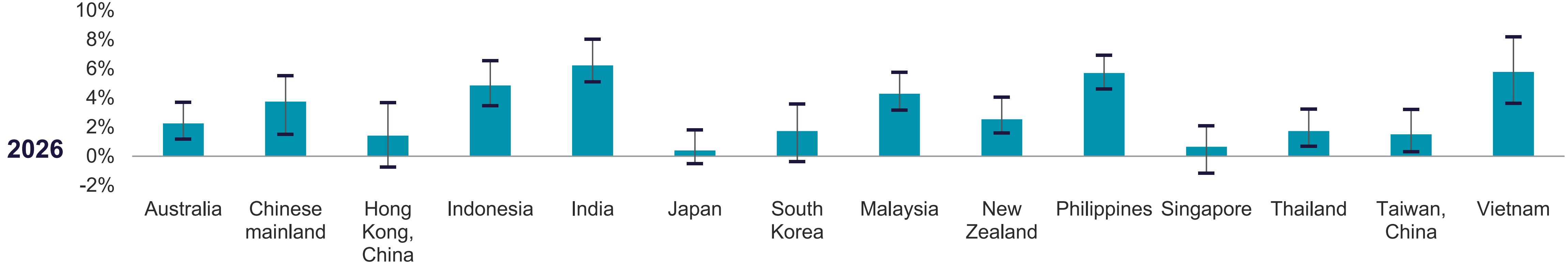
| APAC Economy | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Real GDP | 3.3 | 4.4 | 3.9 | 2.1 | 0.0 |
| CPI Inflation | 3.9 | 2.0 | 1.9 | 4.5 | 2.4 |
| Job Growth, mils | 20.4 | 47.4 | 10.9 | -9.2 | -2.9 |
| Office Job Growth, mils | 3.4 | 3.9 | 3.5 | 2.3 | 1.8 |
| Industrial Production | 1.6 | 4.1 | 3.6 | 0.2 | -1.1 |

*Source: Economic scenarios from Moody's analytics (April vintage) forecasts to be revised monthly as policy develops. Probabilities do not always add to 100% because there are chances of other scenarios occurring.*
*Upside = S1 scenario; Downside = S2 scenario*

# Positive Growth Across APAC Under Baseline Scenario

Average Annual GDP Growth: Baseline, Upside and Downside Scenarios, 2025-26

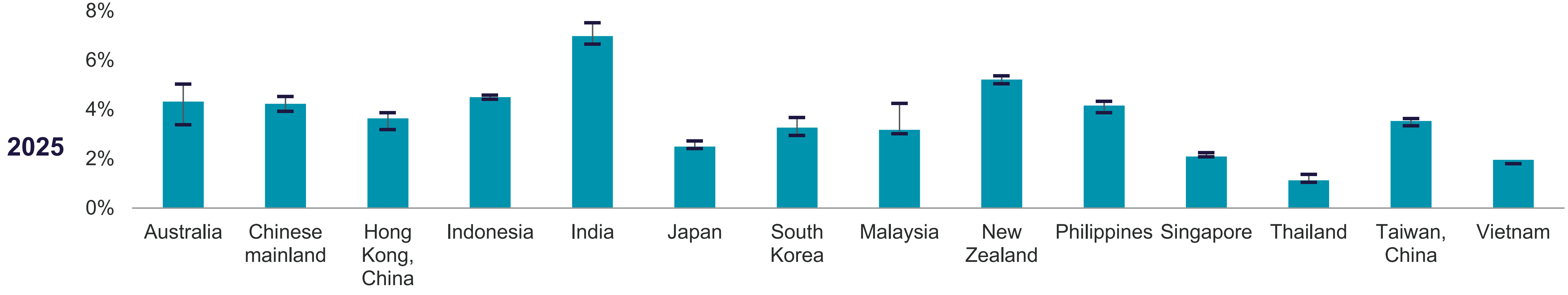


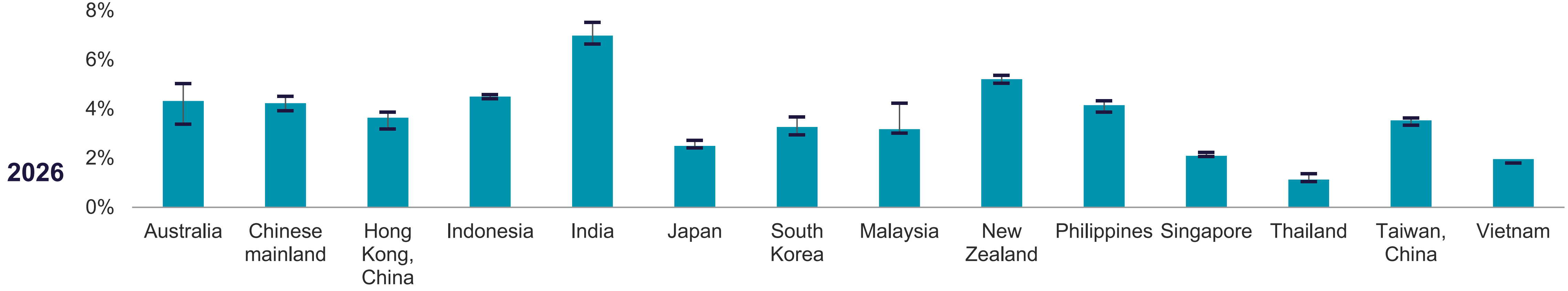




*Source: Moody's Analytics; Cushman & Wakefield Research*

# Labour Markets to Remain Resilient

## Unemployment Rate: Baseline, Upside and Downside Scenarios, 2025-26

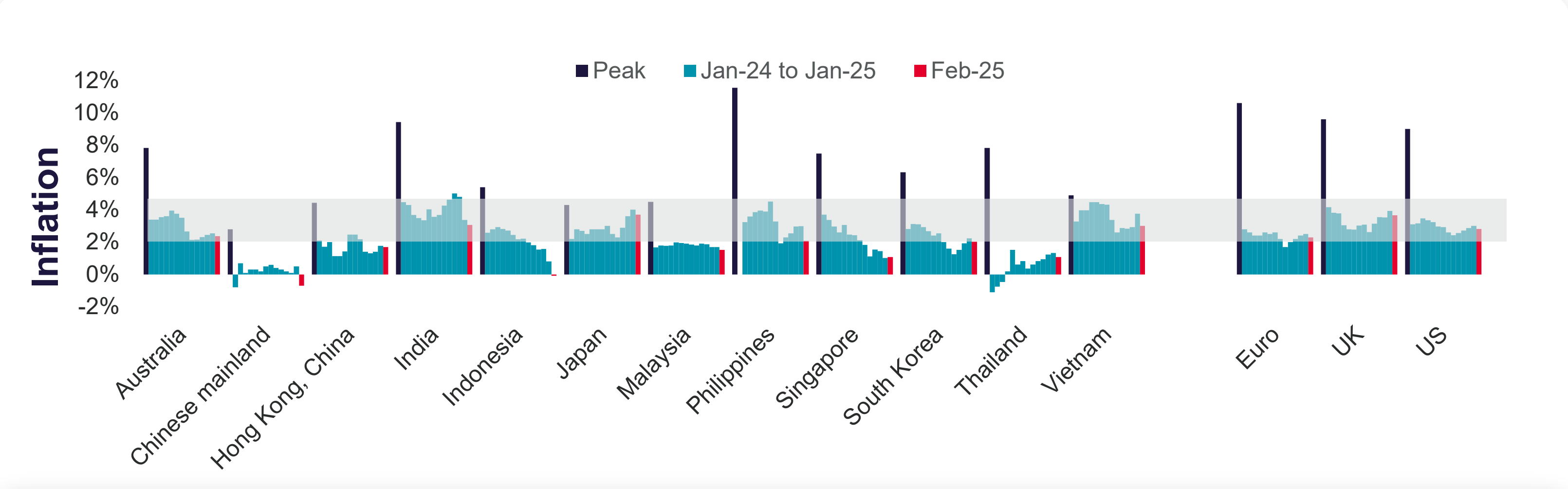


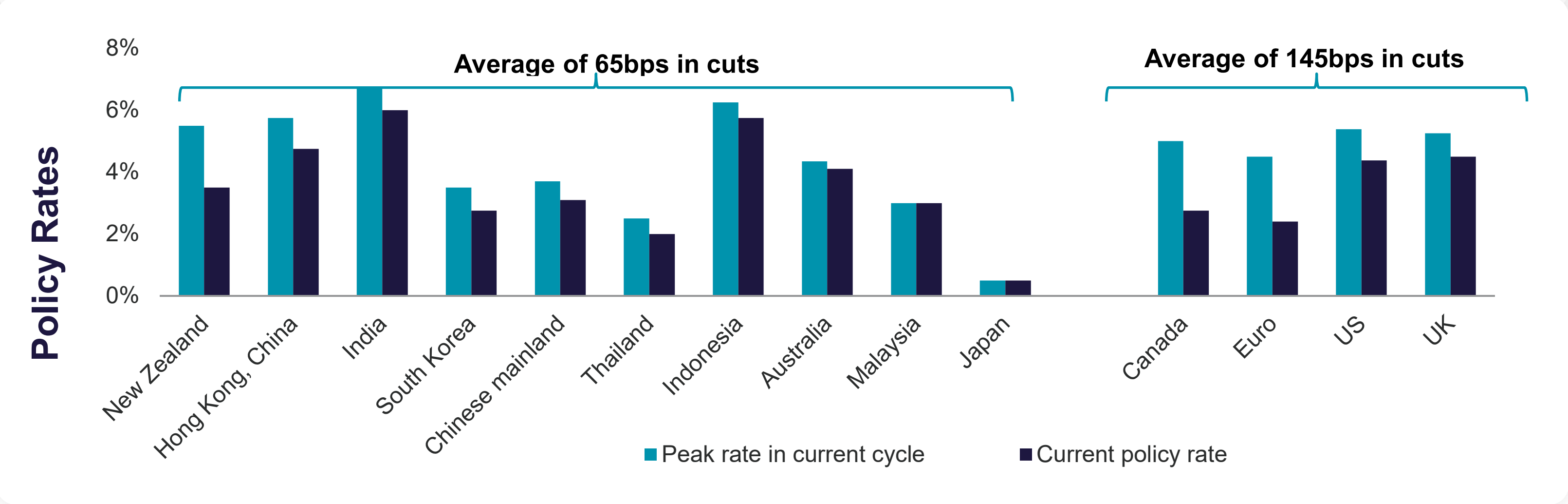




*Source: Moody's Analytics; Cushman & Wakefield Research*

# Scope for Further Rate Cuts

## CPI and Central Bank Policy Rates




*Source: Various central banks; Cushman & Wakefield Research*

**BOJ is hiking rates and so current rates are at peak for this cycle*

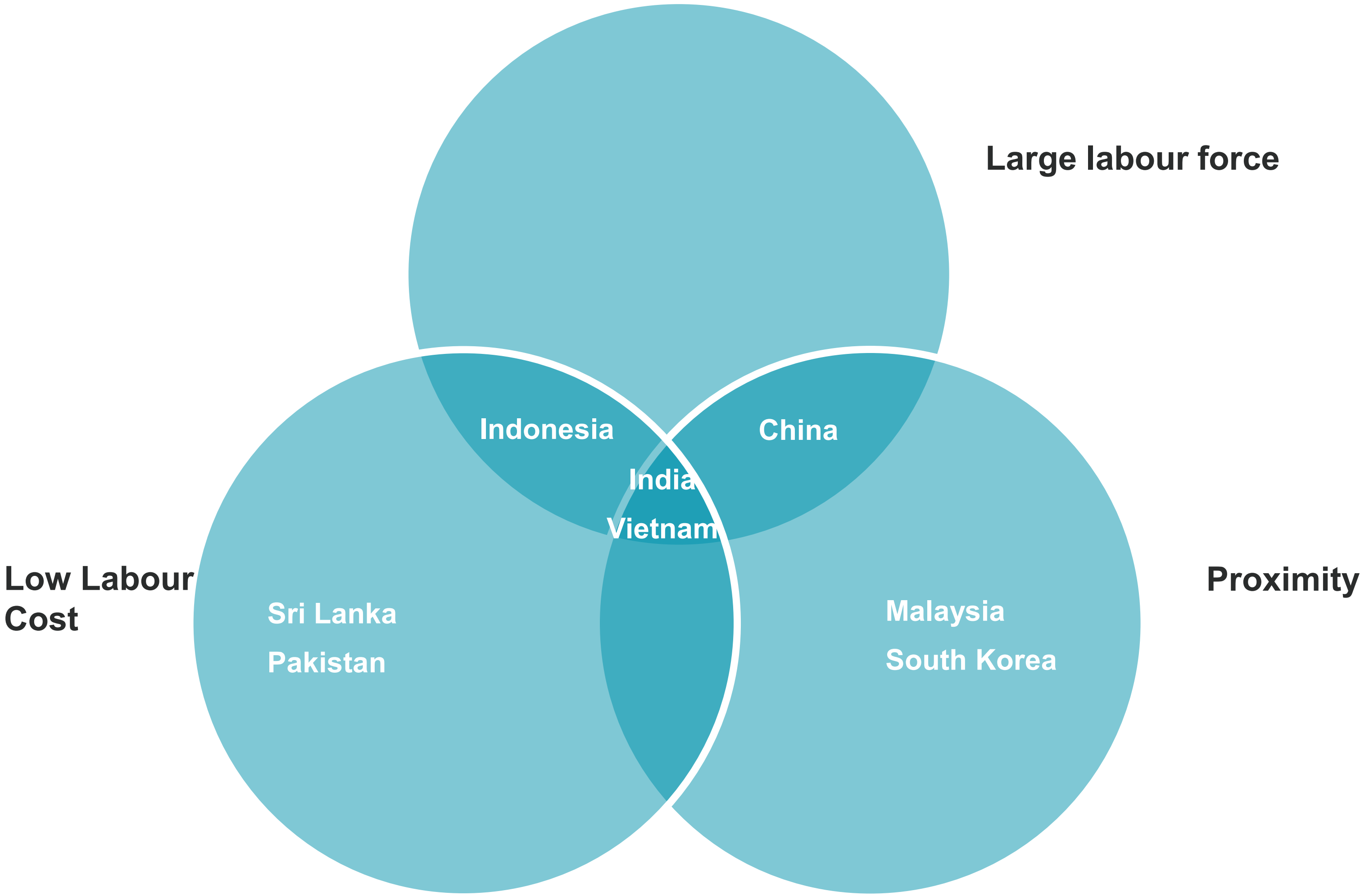
## Impact on CRE

- For the most part, inflation was later to arrive in Asia Pacific than other regions. Subsequently, it continues to trend down with little evidence currently of inflationary pressures reigniting.
- Accordingly, APAC central banks have cut an average of 65bps so far, compared to 185bps in the euro area and 100bps in the U.S. There is variation beneath this regional average, with RBNZ cutting 200bps in the face of a recession, while BNM in Malaysia is yet to cut and BOJ is hiking as part of monetary policy normalisation.
- All up, central banks have further scope to cut rates to help stimulate domestic economies should it be needed, though will remain watchful on foreign exchange pressures.
- Such downward interest rate movements could provide greater support to the investment thesis into CRE.

# APAC CRE IMPLICATIONS

CONTENTS →

# Greater Complexity Added to Supply Chains



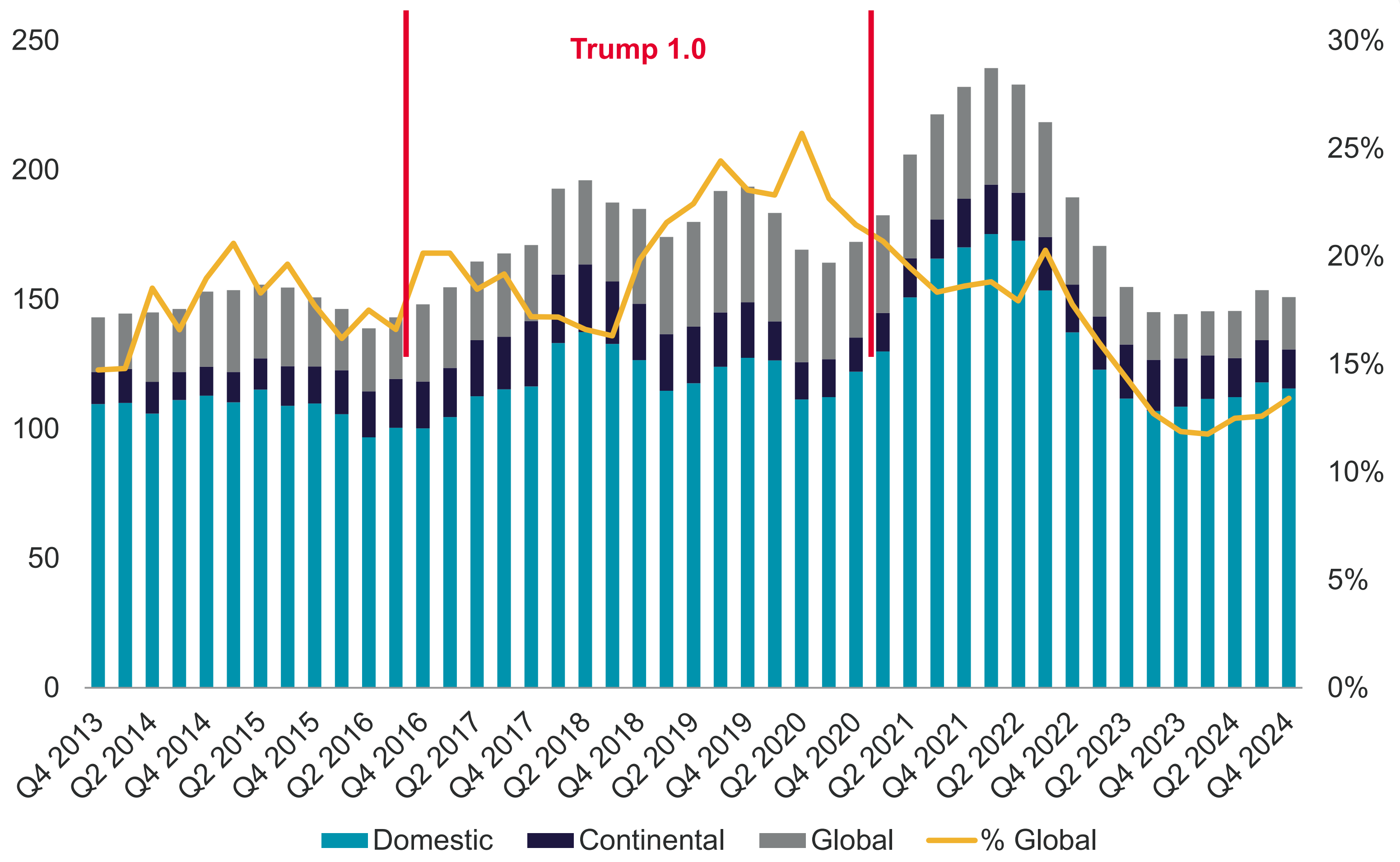

*Source: Moody's Analytics; Cushman & Wakefield Research*

## Impact on CRE

- Supply chains were redesigned during and following the first Trump administration. While this was partially in response to ongoing tariffs levied against products from the Chinese mainland, it also reflected other changing dynamics.
- The Chinese mainland's move to higher order goods together with cheaper labour and real estate costs in India and South East Asia has driven rapid expansion in their industrial markets.
- Blanket tariffs, such as the current 10%, do little to change the underlying relative attractiveness of these markets. However, more selective tariff levels, which vary between markets or products, could cause producers to evaluate their supply chain design and whether there are opportunities for optimisation.
- This is unlikely to occur over the near-term, rather the current fluid environment is more likely to cause delays in decision making and therefore dampen overall demand for space.

# Global Capital Flows Trending Higher

APAC Rolling Annual Investment Volume (USDbn) by Capital Source



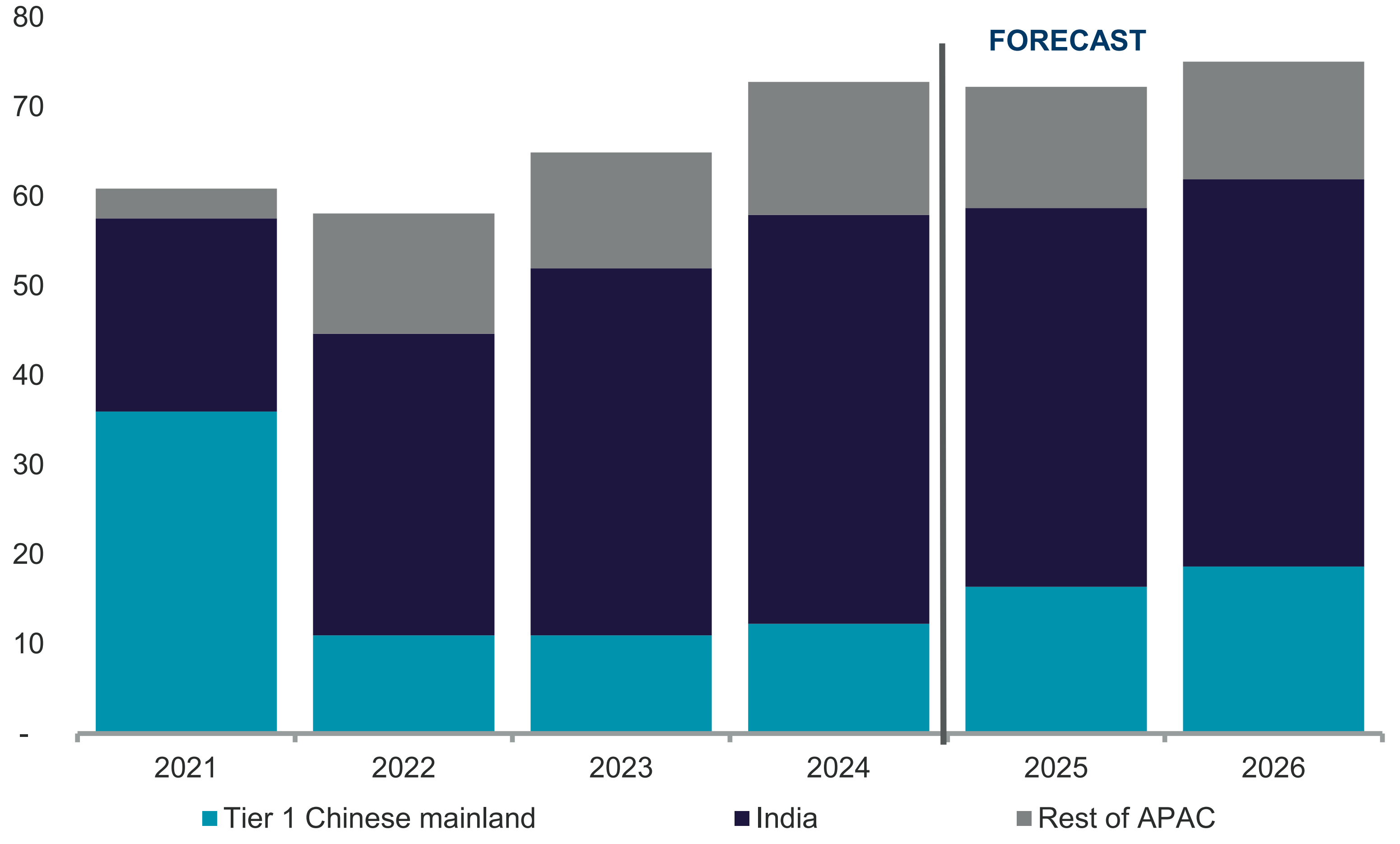

*Source: MSCI-RCA; Cushman & Wakefield Research*

## Impact on CRE

- Global capital inflows into APAC CRE increased from approximately 15% of total investment to nearly 25% during the first Trump administration. At the same time, volumes rose from USD25bn to USD45bn.
- After a recent pullback in CRE investment in total, there are early signs that the tide is turning. Global investment into APAC, led by US-based investors (supported by the strong USD), has trended higher in absolute terms for the past four consecutive quarters, as has its proportionate contribution to total investment.
- Given prevailing uncertainty, investors may increasingly look to the more stable income-producing qualities of CRE, though they would need to navigate increased risk premia.
- Likely target markets and sectors are those with low exposure to global macro-economic headwinds and "through-the cycle" qualities. Such sectors could include Multifamily in Japan, Logistics & Industrial in Australia, and operational data centres. Isolated assets driven by externalities may also come to market offering opportunistic returns.

# Domestic Drivers to Provide Some Support

Forecast Office Net Absorption (December 2024)



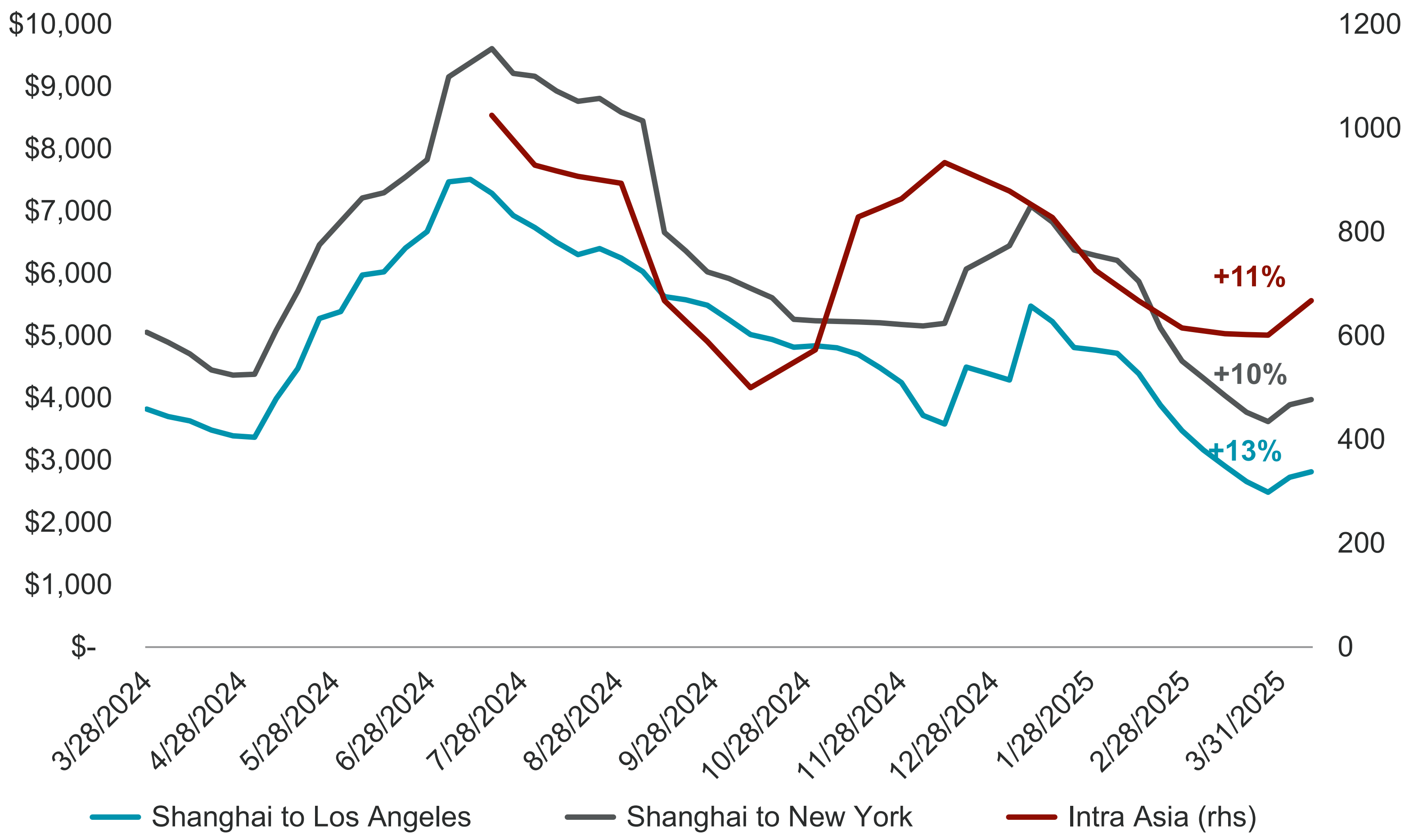

*Source: Cushman & Wakefield Research* ** 27 Forecast markets*

## Impact on CRE

- Similar to the end of 2024, the baseline forecast for office demand in 2025 was a broad continuation of trend. Early Q1 2025 data is supportive of this expectation.
- Given current macro-economic and geo-political uncertainty, the risks to these forecasts for the remainder of the year are skewed to the downside, not least due to delayed decision making.
- At the same time, robust domestic drivers in markets such as India, Indonesia and the Philippines could cushion some of this wider uncertainty. Also, after a weak 2024, Australia is poised for stronger economic performance in 2025, which could provide support for occupier demand.
- It is clearly too soon to tell the scale of impacts driven by recent volatility. The two most likely outcomes are (i) a period of delayed decision making or (ii) greater likelihood of more negative impacts the longer the uncertainty prevails. Both point to a weaker near-term demand outlook. However, past experience has shown the region can rebound quickly when conditions improve and confidence is restored.

# Construction Cost Conundrum

## World Container Index Prices (USD/40ft)




*Source: Drewry; Cushman & Wakefield*



## Impact on CRE

- There is a close focus on the implications of steel and aluminium tariffs on construction costs.
- In the U.S., raw material tariffs and declining labour availability will put upward pressure on costs and slow the construction pipeline.
- This could lead to excess raw material availability, at least in the near term, until production schedules adjust accordingly. Such availability could place downward pressure on pricing. However, this could be offset by increasing shipping costs, which have started to move upwards as companies seek to manage near-term inventories.
- On balance, raw material input costs in Asia Pacific may be cheaper in the near term, but they need to be considered against other factors. such as local labour costs and land pricing, which play a larger role in overall project viability.
- This is an important issue for the region which has more than 230msf of office space scheduled to complete by 2026.

CONTENTS →

# Additional Sectors

### RETAIL

- Consumer sentiment remains the key indicator to watch.
- Opportunity for retailers to (re)focus on APAC expansion plans.

### RESEARCH & DEVELOPMENT

- Opportunities to use R&D to drive productivity growth.

### INTRA-REGIONAL TRADE

- Trade within APAC has increased 5x to USD4tn since 2000.
- Redesigned supply chains need to account for ongoing growth demand within APAC.

### TOURISM

- Closely monitor any shifts in international tourism flows as they adjust to the changing economic environment.

### DATA CENTRES

- There is 14.4GW of new capacity in development pipeline and most of it is to cater to local demand—hyperscalers remain bullish at present.
- U.S. export controls of semiconductors and semiconductor manufacturing tools into parts of Asia Pacific may dampen elements of this pipeline. Direct impact, however, is yet to be seen.
- Governments and regional semiconductor manufacturers are ramping up investments in building semiconductor capabilities locally.

# What it Means for Occupiers & Investors

## Occupiers

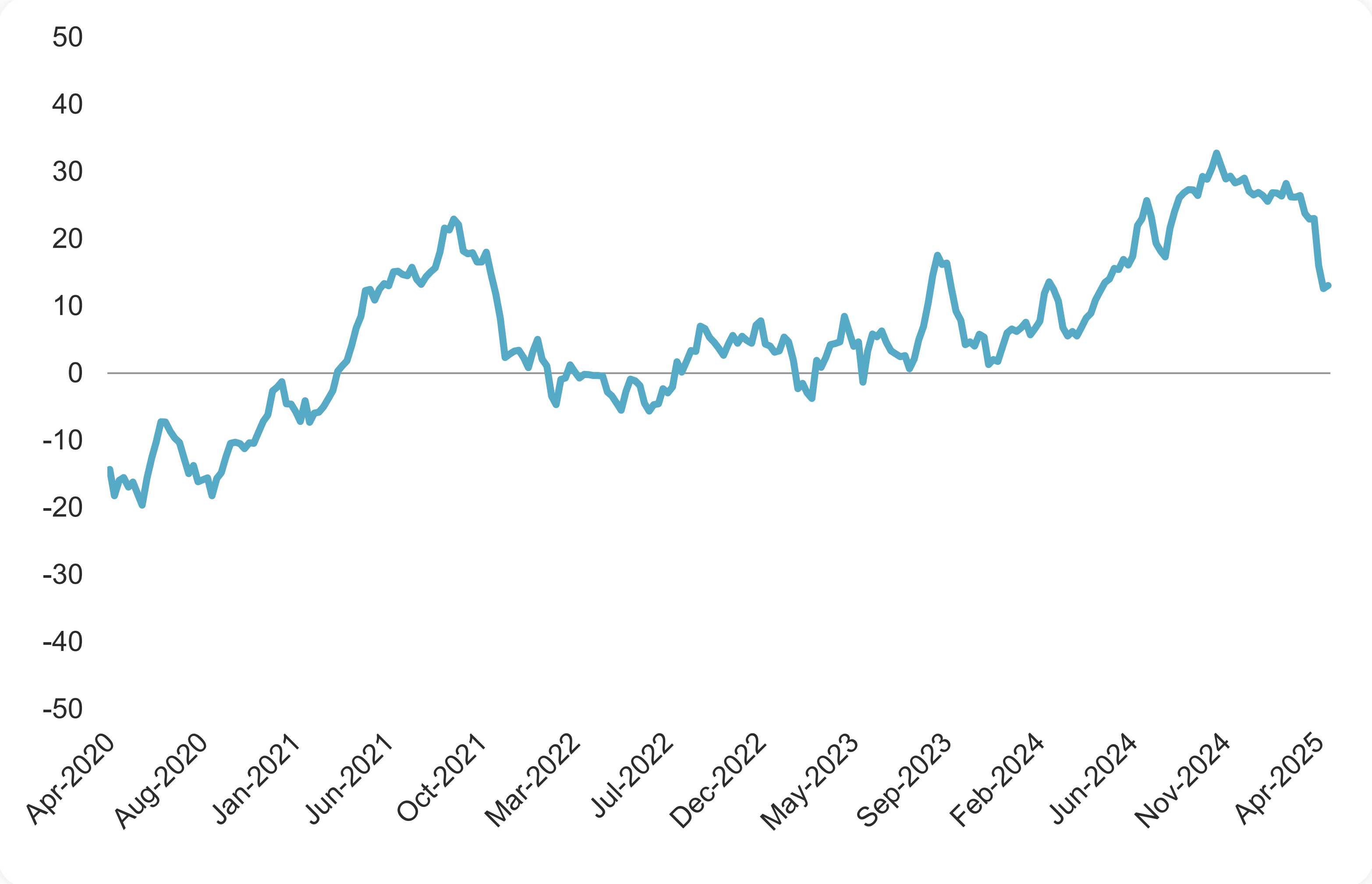
- **Maintain a long-term perspective:** Continue to implement workplace strategies with a focus on long-term objectives.
- **Leverage tariffs and uncertainty:** Use the current environment of tariffs and uncertainty to your advantage in shaping business strategies and negotiations.
- Regardless of tariff impacts, it is essential for manufacturers to **diversify supply chains as a prudent risk** management strategy.
- Large corporations are likely to capture increased market share post-uncertainty. **Position your organisation for growth** by preparing for future opportunities.
- **Take a proactive approach by targeting high-quality assets and locations**. As the availability of premium options becomes limited, this will become an increasingly competitive market.
- **Re-evaluate and re-assess your real estate strategy** in alignment with your business outlook. Determine your organisation's risk profile and tailor your approach accordingly to optimise space utilization.

## Investors

- **Focus on the investment horizon:** Prioritise long-term real estate investments, as consistent value appreciation typically occurs over time.
- **Take advantage of market volatility:** Overlook short-term market fluctuations and strategically acquire assets from sellers motivated by uncertainty.
- **Interest rates are unlikely to return to pre-pandemic levels:** Seize opportunities when long-term debt dips below historical averages and strategically allocate capital.
- **Capitalise on short-term rate movements:** Central banks are likely to continue normalising rates, with more cuts if economic conditions weaken. Leverage these changes to optimise your investment strategy.
- **Re-assess investment strategy:** Evaluate your risk profile and begin executing an updated strategy tailored to current market conditions.

# What to Watch

## Global Business Confidence (4 week moving average)




*Source: Moody's Analytics; Cushman & Wakefield Research*



# Impact on CRE

- There is no shortage of data points to monitor. In terms of a universal "catch all" indicator, global business confidence is a good one to watch.
- While it is volatile, the moving average captures the trending business mood. In recent weeks it has moved meaningfully lower.
- If confidence continues to trend lower, this could be the signal for weaker revenue expectations leading to a pull back in business investment and potentially increased redundancies. Ultimately, this will lead to a reduction in CRE space demand and the associated effects.
- Importantly, it is well off both the pandemic-driven lows as well as the malaise that hung over the business sector during steep interest rate hikes. The key will be how quickly this trend reverses and businesses once against become more optimistic on their outlook.

CONTENTS →

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### ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.