Asia Pacific living sector: From niche opportunity to strategic growth engine

July 2026

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Key takeaways

— APAC's living sector is moving from niche allocation to strategic growth opportunity, supported by ageing demographics, urbanisation, affordability pressures and rising mobility across the region.

— Opportunities are emerging across senior living, student accommodation, co-living and professionally managed rental housing, although market maturity, policy support and investable stock vary meaningfully by country and sub-sector.

— We believe the most attractive opportunities will be those that combine needs-based demand, constrained supply, disciplined entry pricing and strong operating capability, offering the potential for defensive income, development upside and differentiated return potential.

APAC economies continue to drive global economic growth[1] and institutional investors are increasingly looking to the region for portfolio diversification and resilient income. At the same time, the global investment backdrop remains uncertain. The Middle East conflict has added to volatility around energy prices, inflation and interest rates, which could temper near-term capital flows. Against this backdrop, sectors supported by needs-based demand, durable income and long-term structural growth are becoming more relevant.

APAC's living sector sits at the intersection of these themes. The sector remains at an early stage of institutionalization, accounting for only 6% of commercial real estate investment volumes since 2019, compared with 44% in the US and 27% in Europe.[2] Building on the macro thesis outlined in our earlier paper, ***Why APAC real estate now?***, this paper explores structural tailwinds, investment potential and risks across key APAC living sub-sectors.

Importantly, APAC living is not a single investment trade. Opportunities vary by market, sub-sector and route to entry – from conversion of under-utilized assets to platform investment and acquisition of income-producing assets. Successful execution therefore depends not only on identifying the right sector, but also on matching it with the right entry strategy, local partner and operating capability.

1. Fueling Accelerated Growth: APAC Opportunities in 2026, Apollo, December 2025.
2. The lure of the living sector: How the APAC living sector is attracting investor attention, Real Estate Asia, September 2024.

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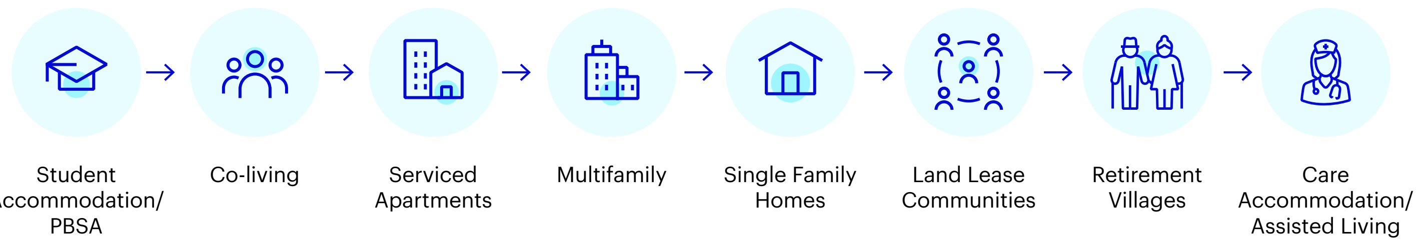
Why look at Asia Pacific's living sector?
APAC accounts for around 60% of the world's population[3], and by 2050 one in four people in the region will be aged 60 or older[4]. Alongside urbanization, affordability pressures and rising mobility, these demographic shifts are reshaping demand for rental, student and care-led living formats across the region.

Australia's structural housing shortfall is driving demand across multiple living formats. Senior living is seeing record interest supported by the country's rapidly ageing population, while the sector offers inflation-linked income with development and platform upside.

South Korea's aging demographics are also underpinning demand for senior living solutions in the country, including retirement communities and care-integrated housing. Korea became a super-aged society in 2024 (with 20% of the population aged 65 and older)[5], yet senior housing penetration remains around 1%[6], providing a significant runway for institutional platforms.

In mainland China, professionally managed rental housing has scaled quickly in major cities such as Beijing and Shanghai, with occupancy at around 90%[7] and supportive policies enabling for-rent land and expanded financing options. Meanwhile, Hong Kong and Singapore are seeing growing demand for co-living and student accommodation, supported by mobile populations, affordability pressures and rising education migration.

Figure 1: Lifecycle of the living sector



Source: Invesco, for illustrative purposes only.

Australia: Seniors living as a defensive growth play
By 2040, 23% of Australians will be 65 or older and the 75-plus cohort is expected to grow at three times the rate of the wider population.[8] This demographic momentum, alongside baby-boomer downsizing, has led to an increase in demand for Independent Living Units (ILUs) among Australian seniors. These are self-contained residences within retirement communities that are typically more affordable than general housing. In 2023, ILU sales rose 16% year-on-year[9], while retirement living occupancy reached near-record highs of 96%[10].

Despite demand strength, the ILU market faces a pronounced supply-demand imbalance. Around 20,800 units are identified in the pipeline through 2030 versus 7,600 units needed annually to maintain current penetration rates.[11] This shortfall presents a compelling opportunity for new development, platform expansion, and institutional investment, particularly as the sector continues to mature and consolidate.

3. United Nations Department of Economic and Social Affairs (UN DESA), World Population Prospects 2024, July 2024.
4. United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), Ageing in Asia and the Pacific: Overview, 2022 (latest update based on UN World Population Prospects 2022).
5. JLL, Prospects of Korea's senior housing market, February 29, 2024.
6. Korea Housing Institute, data as of May 2024.
7. JLL Research, China Rental Housing Market Update, Q1 2025.
8. Australian Bureau of Statistics.
9. JLL, Seniors living - one piece of the living puzzle, August 2024.
10. PwC-RLC Retirement Census, 2025.
11. Ibid.

Australia also has a growing build-to-rent (BTR) sector and a well-established purpose-built student accommodation (PBSA) market. However, given strong institutional interest and heightened competition for quality assets, we currently see more differentiated relative value in the senior living sector, particularly retirement villages and land lease communities. While recent housing tax reform should be supportive for BTR over time, renewed interest rate pressure may keep capital selective and create opportunities mainly where pricing adequately reflects higher financing costs and development risk.

Land lease communities and retirement villages
Land lease communities (LLCs) offer an ownership-lease structure that allows Australian residents to own their homes while leasing the land from the estate. Typically, these arrangements exclude deferred management fees (DMF), are exempt from stamp duty, and enable residents to retain any capital gain upon sale. They foster environments that appeal to younger retirees and empty nesters seeking autonomy and a strong sense of community.

LLCs are emerging as a scalable, annuity-style investment vehicle, offering operational resilience, inflation-linked income and development upside. While the sector remains smaller than retirement villages (RVs) in aggregate (~60,000 total LLC dwellings vs. ~200,000 for RVs), it is expanding quickly and increasingly attracting institutional interest.[12]

RVs generally serve an older cohort transitioning from family homes into a more supported living environment. The model offers exposure to DMF, with operators earning income from the ingoing contribution and typically retaining capital gains, depending on contract structure. The model is supported by Australia's strong retiree home equity base, with around 79% of homeowners aged 75+ mortgage-free.[13]

These niche senior living formats may offer a potential return premium relative to more mature and heavily competed sectors. For investors able to underwrite operating complexity and platform execution, retirement villages and land lease communities can provide a compelling mix of needs-based demand, resilient income and specialist-led value creation potential. We delve deeper into these themes in our recent paper, ***Investing in Australia's senior living sector.***

Figure 2 – Comparing Australia's LLCs and RVs

Model	LLC	RV
Ownership	Own dwelling, lease land	Lease/licence to occupy
Target cohort	Independent, younger retirees; empty nesters	Older retirees, independence with potential care needs; peace-of-mind living
Care services	None on-site	Emergency / 24hr on-call assistance
Entry costs	Purchase dwelling	Entry contribution
Income profile	Site fees (inflation-linked)	Service fees (operating cost-recovery, inflation-linked); DMF (value-linked)
Exit costs	Agent fees, resale	DMF, refurbishment, resale
Capital gains	Retained by resident	Retained by operator[14]
Scalability	Scalable on greenfield land; community building is critical	Established sector; value-add via refurbishment and care integration
Key risks	Brand / reputation; planning approvals; construction cost; initial sales velocity	Regulatory scrutiny; reputational risk; labor availability
Investment implications	Annuity-like cash flows with development margins; platform roll-up potential	Capital appreciation via DMF; diversification through scale

Source: Invesco, as of 2026.

12. Australia Senior Living, Invesco, March 2025.
13. Invesco Real Estate using ABS Housing Occupancy and Costs 2020.
14. Subject to contract structure.

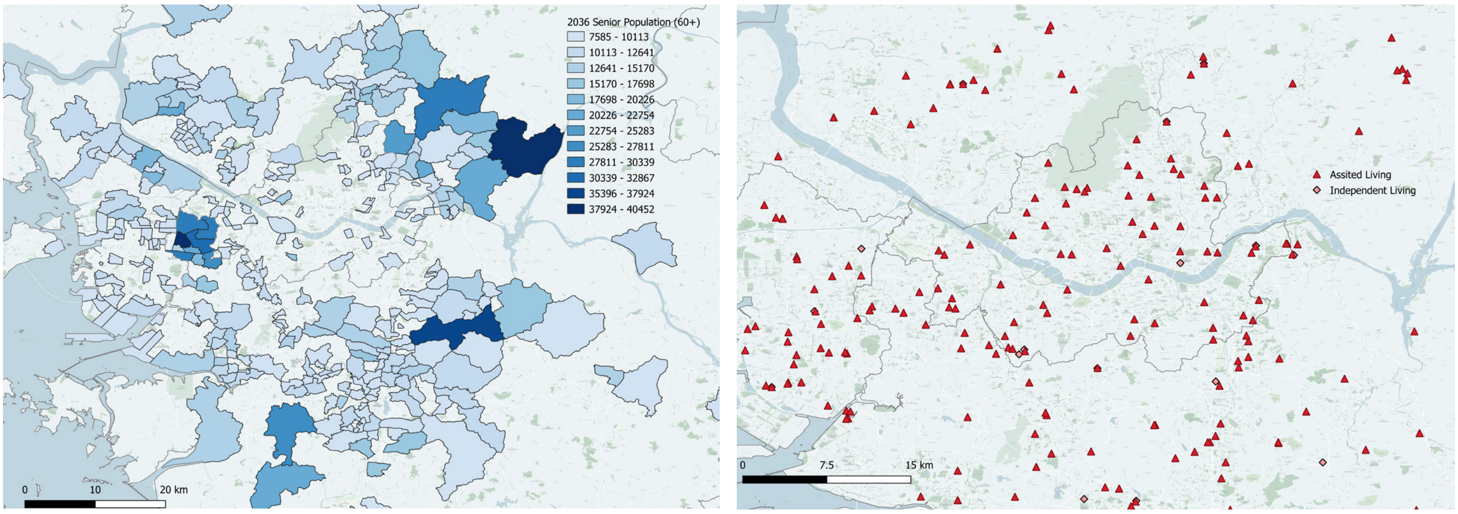
Korea: Emerging senior living and co-living opportunities
Korea's living sector is gaining investor attention as a target for institutional capital, particularly across senior living and co-living formats. Both segments are being shaped by demographic shifts, evolving lifestyle preferences, and supportive policy reforms.

Korea's super-aged society is driving senior living solutions
South Korea's population aged 65 or older is projected to double by 2050.[15] At the same time, the country's senior housing penetration rate remains among the lowest globally[16], suggesting significant runway for institutional participation and platform growth.

At present the senior living sector is highly fragmented and characterized by a mix of privately funded senior housing and welfare houses, offering various levels of services and care. This fragmentation presents an opportunity for consolidation and the introduction of more standardized, high-quality senior living facilities.

Adding to the challenge, Korea's elderly dependency ratio will fall from 7:1 in 2015 to 1.5:1 by 2045[17], signaling a sharp decline in caregiver supply. As a result, location strategy will be critical for private sector operators, particularly in ensuring access to healthcare, transport and care networks (see Figure 3). For a deeper dive into this topic, see our recent paper, ***Opportunities in the Korea Senior Living Sector.***

Figure 3: Geospatial analysis of elderly population and care network accessibility in Seoul metropolitan area

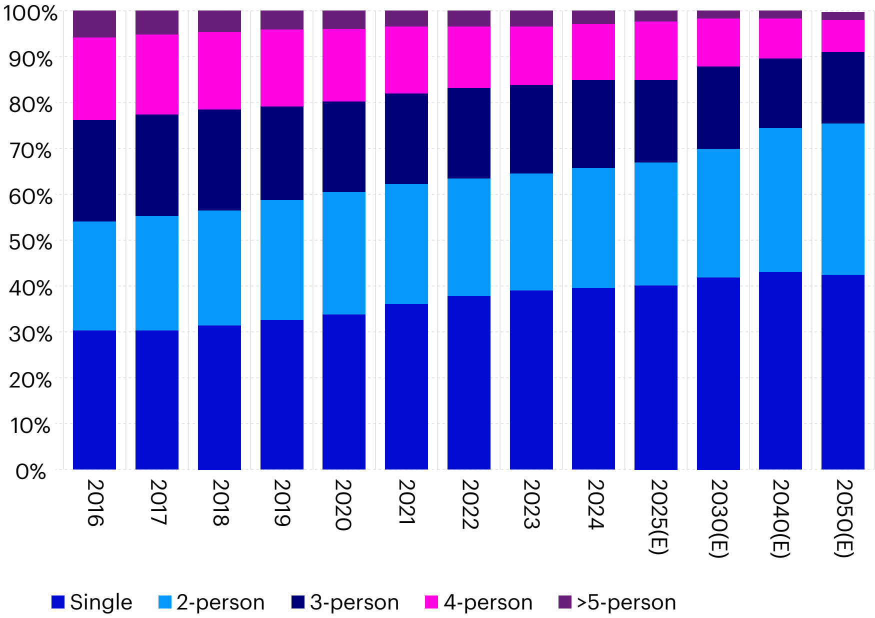


Source: Invesco, as of May 2025. Note: Geospatial analysis helps us identify the best location for an asset by combining a top-down and bottom-up approach. From a top-down perspective, we assess key location drivers such as demand, supply, transportation access, and utility infrastructure to narrow down the most attractive markets and submarkets. We then reverse-engineer the analysis from a bottom-up perspective by starting with the target asset location and evaluating how its surrounding catchment performs against these same factors. This allows us to validate whether the asset is positioned in an area with strong market fundamentals, connectivity, and service capacity, ultimately supporting a more informed location strategy.

15. JLL, Prospects of Korea's senior housing market, February 29, 2024.
16. Korea Housing Institute, data as of May 2024.
17. Statistics Korea (KOSTAT), Population Projections for Korea (2017–2045), latest update December 2021 (based on the 2019 projection series).

Co-living sector is also gaining momentum
In Korea, single-person households are growing and now account for 35.5% of all households, surpassing households with two, three or four or more persons.[18] Together with evolving rental preferences among young professionals and students, this is driving demand for more flexible, professionally managed rental formats such as co-living.

Figure 4: Household Unit Composition in Seoul



Source: KOSIS, April 2025

Institutional interest in the sector is gaining momentum with underutilized hotels and officetels being repurposed into co-living spaces, supported by government incentives and real estate investment trust (REIT) expansion[19]. As the sector scales, we believe understanding the regulatory frameworks, asset suitability and operator capability will be increasingly important for successful execution.

Student demand may also support professionally managed rental formats in selected university-linked locations, although Korea's institutional PBSA market remains less established than co-living and broader managed rental housing.

18. Single-Person Households Reach 35.5% of Total, Surpassing All Other Household Types, BusinessKorea, 2024.
19. JLL, Prospects of Korea's senior housing market, February 29, 2024.

China: Rental housing is on the rise
China's rental housing market is undergoing a rapid transformation driven by urbanization, shrinking household sizes, and mounting affordability pressures in major cities. Historically, home ownership was viewed as a symbol of financial stability but shifting attitudes – particularly among younger generations – are reshaping demand. Today, mobility, cash flow preservation, and lifestyle flexibility are increasingly prioritized over long-term property ownership.

The institutionalization of China's rental housing sector is accelerating. The penetration of professionally managed rental housing rose from just 1.5% in 2020 to 6% in 2023 and is forecast to reach 12.5% by 2030[20]. This growth is supported by government initiatives such as the launch of "for-rent" land programs, broadened financing channels, and tax incentives aimed at promoting a more balanced housing market. As of early 2025, occupancy rates for institutionally managed rental housing in tier-one cities like Beijing and Shanghai remained around 90%, reflecting strong and sustained demand.[21]

From an investment perspective, the rental housing sector presents an increasingly attractive but selective opportunity. Net operating income (NOI) yields in cities such as Shanghai remain stable, while falling policy rates have boosted cash-on-cash returns, creating attractive conditions for investors with appropriate risk appetite and local execution capability[22].

As institutional platforms expand and regulatory frameworks mature, we believe China's rental housing sector is well positioned to attract more long-term capital deployment. Read more about this topic in our recent paper, ***China rental housing: Capturing the growing opportunities.***

Hong Kong: Student housing and co-living via hotel conversions
Hong Kong's residential leasing market continues to face acute supply constraints, as the city grapples with rising demand from non-local students and young professionals. This demand is being supported by government initiatives to attract global talent and expand higher education capacity, including the doubling of non-local student quotas at key universities and the launch of the Top Talent Pass Scheme.

The student housing sector continues to face a meaningful supply shortfall. As of 2023, Hong Kong had approximately 35,720 on-campus beds across its universities, while over 62,000 student visa applications were approved that year, leaving a deficit of more than 23,000 beds. This gap is projected to widen further, with estimates suggesting a shortfall of up to 122,000 beds by 2028. In response, both public and private stakeholders are accelerating efforts to expand supply, including through university-led provision and alternative accommodation formats.

Hong Kong provides a useful example of adaptive reuse within APAC living. Recent hotel transactions highlight investor interest in converting under-utilized hospitality assets into PBSA and co-living formats. According to Savills, 13 hotel transactions over the past 12 months totalled around HK$6.4 billion (approximately US$800 million), with most acquired for student housing or co-living conversion and pricing generally 30% to 60% below sellers' original cost basis.[23]

That said, selectivity is becoming increasingly important. Strong investor demand for hotel conversion opportunities has contributed to firmer pricing, reducing the valuation gap that initially supported many conversion strategies. As a result, achieving attractive risk-adjusted returns is increasingly dependent on acquiring assets at pricing that provides sufficient downside protection against financing cost and exit yield uncertainty.

20. CBRE, Asia Pacific Living Sector: Case for Investment, September 2024.
21. Ibid.
22. Ibid.
23. Savills, APAC Living Sectors Report, Q2 2026.

Investment risks and mitigants

While the structural case for APAC living is compelling, investors need to be selective. Policy changes, planning approvals, construction and financing costs, limited stabilized transaction evidence and operator execution can all affect returns. These risks can potentially be mitigated through disciplined market selection, conservative underwriting, experienced local partners, a clear entry strategy and ongoing monitoring of the regulatory environment. In our view, the most attractive opportunities are those where structural demand, constrained supply, pricing discipline and execution capability are aligned.

Conclusion: APAC's living Sector as a strategic growth engine

APAC's living sector is evolving, with more senior living, PBSA, co-living, and rental housing platforms emerging across Australia, Korea, mainland China and Hong Kong. As demographic shifts accelerate and housing affordability challenges persist, we believe APAC living assets are well positioned to deliver defensive income, development upside, and portfolio diversification. In selected niche sub-sectors, investors may also capture a return premium where structural demand is strong, institutional penetration remains low compared with more developed markets, and execution capability is differentiated.

Long-term success will depend on matching the right market, sub-sector and route to entry. This means reflecting local market dynamics, working with experienced partners and operators, and identifying opportunities where adaptive reuse, platform growth or specialist operating capability can create value. From PBSA and hotel-to-housing conversions to integrated senior living platforms, APAC's living sector is set to play a larger role in the region's real estate investment landscape.

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Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of property is generally a matter of an independent valuer's opinion and may not be realised.

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