

Office and Living Sector (Australia, Japan & UK)



Speakers



Mandy Yau
Tax Partner
Deloitte United Kingdom



Richard Beaumont
Tax Partner
Deloitte United Kingdom



Ken Leong
Tax Partner
Deloitte Japan



Khoo Sue Ann
Tax Partner
Deloitte Australia

Speakers



Richard Beaumont
Tax Partner
Deloitte UK



Mandy Yau
Tax Partner
Deloitte UK

UK market activity

Hayfin and Capreon acquire iconic London office building 'Can of Ham' for £340mil

Blackstone has confirmed the acquisition of a landmark office property in Paris' Trocadéro district for \$819mil (€700mil)

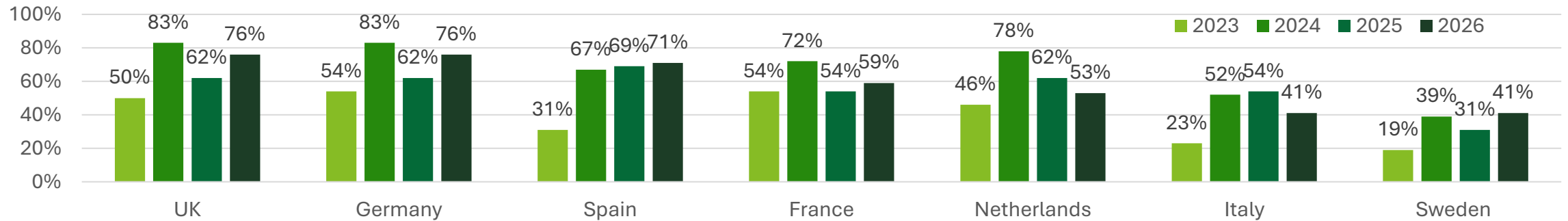
£4.3 billion spent on UK PBSA in the UK, up 10% year-on-year

L&Q's £1.1 billion BTR portfolio sold following competitive bidding process

UK and European Real Estate Market

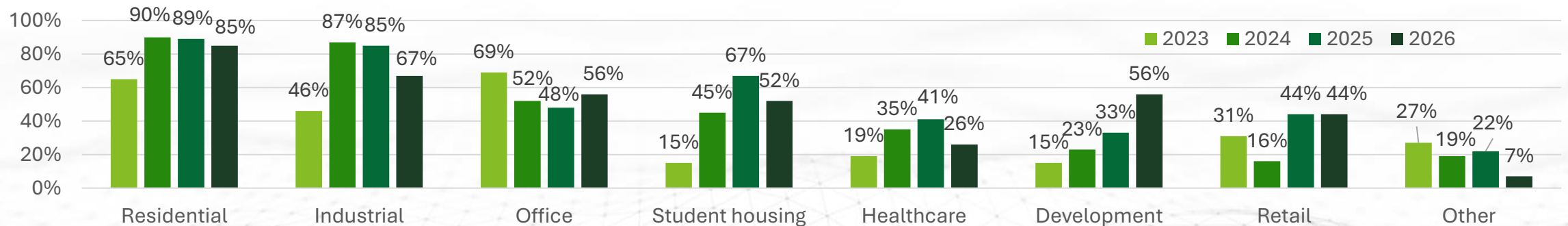
UK is Europe's top investor destination.

% of Respondents



Residential is Europe's top preferred sector for investment.

% of Respondents



Note: Survey is based on a sample of 76 institutional investors and five funds of funds with aggregate real estate AUM of above €930bil.

Sources: INREV—2026 Investment Intentions Survey.

UK Autumn Budget 2025 & Spring Forecast 2026

Autumn Budget 2025 key announcements made by Rachel Reeves including major tax changes

Reeves insists economic plan working in 'uncertain' world as UK growth forecast lowered for 2026

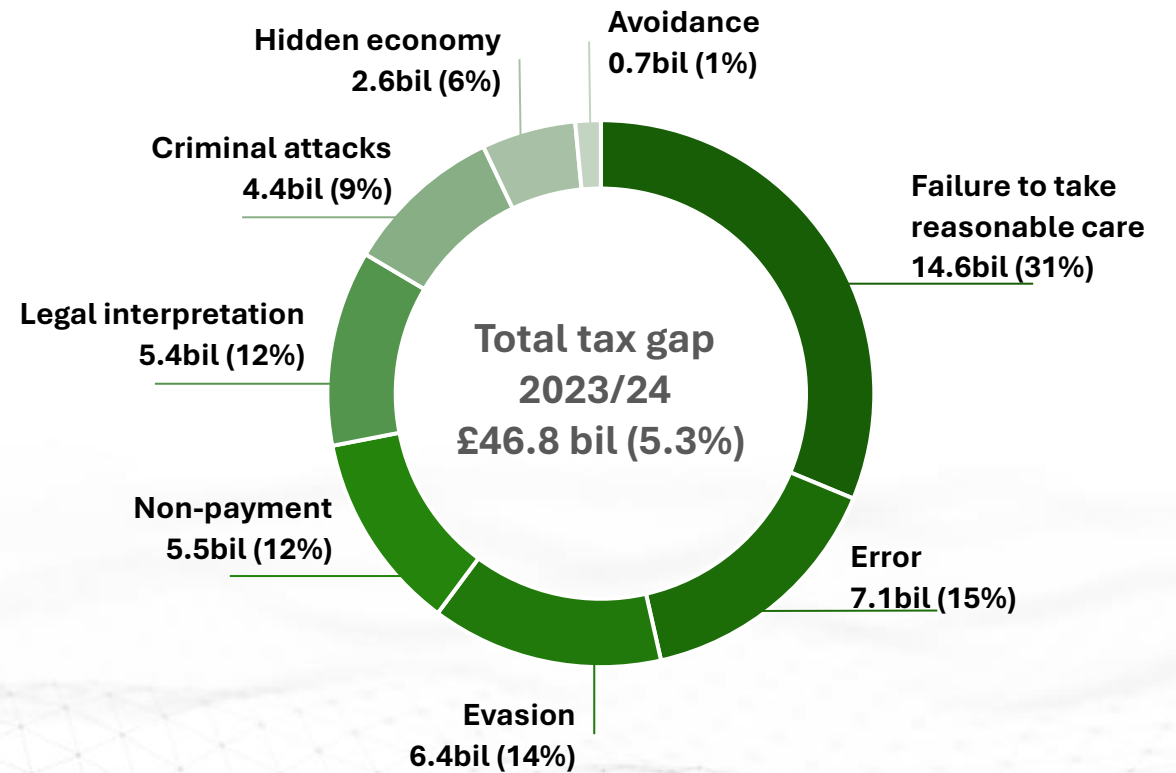
© 3 March 2026



UK growth forecast downgraded and unemployment will peak this year, chancellor reveals



Spring forecast: Reeves insists Labour has 'right economic plan' as 2026 growth downgraded



Source: [Tax gap estimated at 5.3% - GOV.UK](#) (Jun 2025)

UK Business tax measures

Advance tax certainty for major projects

- From Jul 2026, a new service to provide binding certainty on how tax rules will apply to major investment projects in the UK
- Will cover CT, VAT, stamp taxes, PAYE, and the Construction Industry Scheme
- £1 billion expenditure over project lifetime (financing costs, acquisition of shares or ownership interests excluded)

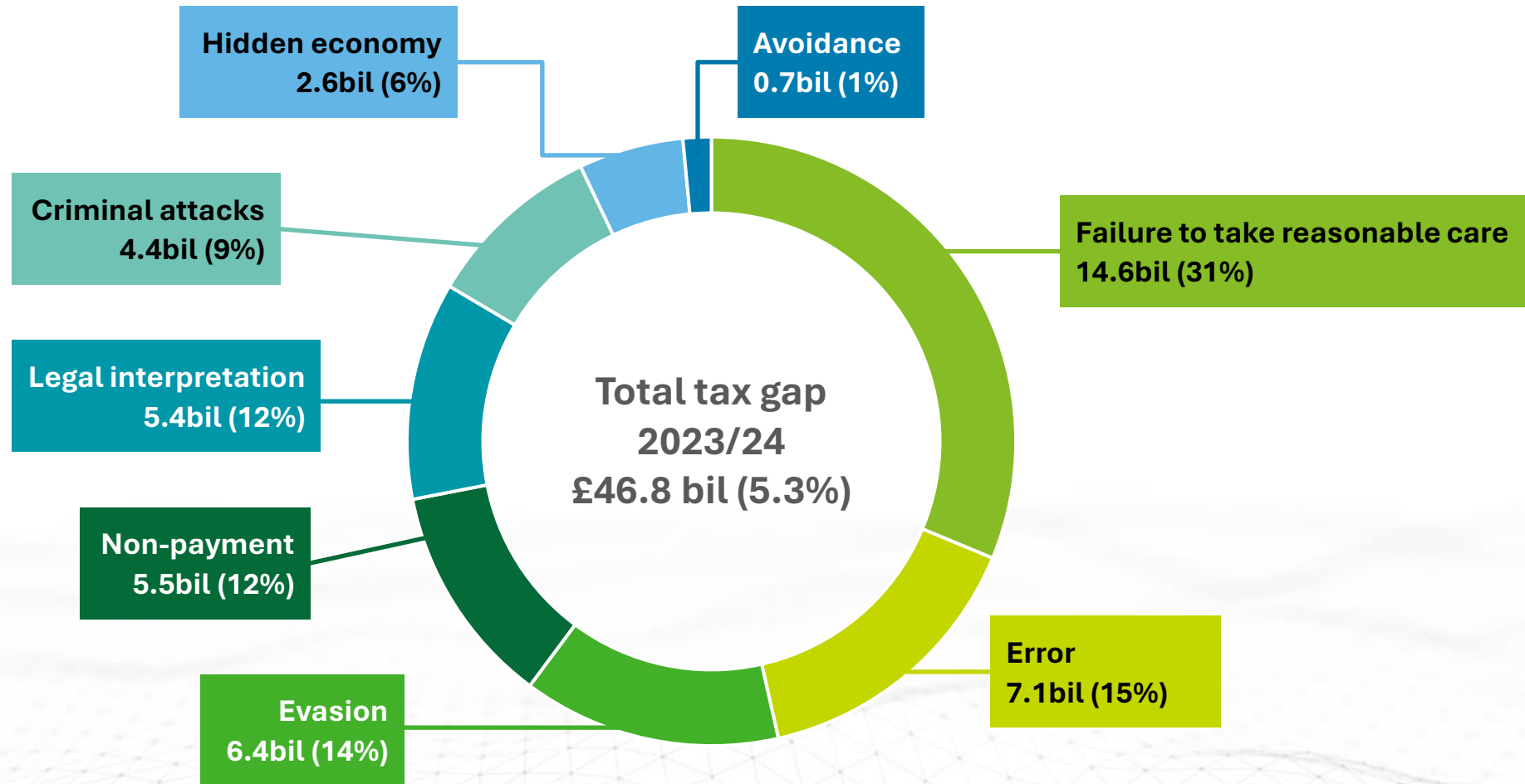
Changes to capital allowances

- From 1 Apr 2026 for corporation tax and 6 Apr 2026 for income tax main rate reduction from 18% to 14% for assets that don't benefit from full expensing
- For expenditure incurred from 1 Jan 2026, a 40% first year allowance (FYA) for main rate expenditure (excl. cars, second-hand assets and assets for leasing overseas).
- The 100% FYA for zero emission cars and electric vehicle charge points extended by a further year.

Business rates reform (England only)

- From 1 Apr 2026, permanently lower business rates for retail, hospitality, and leisure properties with rateable values below £500,000
- Increase in business rates on most properties with rateable values of £500,000 and above
- Call for evidence: impact of business rates on investment and tacking barriers.

UK: Closing the tax gap/ Strengthened reward scheme



Source: [Tax gap estimated at 5.3% - GOV.UK](#) (Jun 2025)

Speakers



Ken Leong
Tax Partner
Deloitte Japan

Japan market overview

Land prices continue to increase

As of Jul 1 of each year:

	Overall Average (%)					Residential (%)					Commercial (%)				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Nationwide	-0.4	0.3	1.0	1.4	1.5	-0.5	0.1	0.7	0.9	1.0	-0.5	0.5	1.5	2.4	2.8
3 Major Metropolitan Areas	0.1	1.4	2.7	3.9	4.3	0.0	1.0	2.2	3.0	3.2	0.1	1.9	4.0	6.2	7.2
Greater Tokyo Area	0.2	1.5	3.1	4.6	5.3	0.1	1.2	2.6	3.6	3.9	0.1	2.0	4.3	7.0	8.7
Greater Osaka Area	-0.3	0.7	1.8	2.9	3.4	-0.3	0.4	1.1	1.7	2.2	-0.6	1.5	3.6	6.0	6.4
Greater Nagoya Area	0.5	1.8	2.6	2.9	2.1	0.3	1.6	2.2	2.5	1.7	1.0	2.3	3.4	3.8	2.8
Regional Areas	-0.6	-0.2	0.3	0.4	0.4	-0.7	-0.2	0.1	0.1	0.1	-0.7	-0.1	0.5	0.9	1.0
4 Regional Cities	4.4	6.7	8.1	6.8	5.3	4.2	6.6	7.5	5.6	4.1	4.6	6.9	9.0	8.7	7.3
Other	-0.8	-0.4	0.0	0.2	0.2	-0.8	-0.5	-0.2	-0.1	0.0	-1.0	-0.5	0.1	0.5	0.6

Source: Ministry of Land, Infrastructure, Transport and Tourism

- Nationally, average land prices for all uses have risen for fourth consecutive year
- Commercial
 - Largest increase in major metropolitan areas (Tokyo, Osaka, Nagoya) but regional cities also showing significant increases
 - Driven by solid demand for retail/hotel properties, declining vacancy rates and increased rents
- Residential
 - While demand for prime Tokyo condominiums remains high, largest increase in regional cities (Sapporo, Sendai, Hiroshima, Fukuoka)
 - Housing demand remains firm, driven by limited supply of new developments, rising construction costs and foreign investors

Japan commercial and living sector market

Key points to note



2026 outlook

- Demand from both domestic and foreign investors likely to remain strong
- Prices for condominiums in major metropolitan areas likely to remain high due to rising construction costs and limited supply
- In addition to major metropolitan areas, regional cities becoming increasingly attractive investment options due to tourism and infrastructure development
- Forecast 3% decline in tourists



Risks & Considerations

- Labor and material costs—likely to continue to increase, exacerbated by aging population
- Interest rates—Takaichi administration supports low interest rates but need to balance against further Yen depreciation
- Regulatory—Impact of new regulations from Apr 2026 requiring purchasers to disclose nationality at time of registration of ownership
- End of Japan tourism boom?



Tax considerations

- Typical structures for holding assets have not changed i.e., TK-GK and TMK
- Expect increased scrutiny of treaty benefit claims focusing on substance of income recipient
- JCT paid on acquisition of residential properties generally non-creditable except where asset is converted to taxable use (e.g., hotel or office) within 3 years of acquisition
- JCT paid to Non-Qualified Invoice issuer partially recoverable under transitional rules
- Potential impact of new accounting lease standard from 1 Apr 2027 on TMK structures in certain situations



FY 2026 tax reform proposals

- No significant tax law changes impacting real estate taxation
- Services provided to non-residents relating to real estate located in Japan excluded from scope of export exemption
- Revisions to transitional measures for input JCT credits for Non-Qualified Invoices
- Extension of reduced rate of registration and license tax on land purchases for 3 years to 31 Mar 2029

Speakers



Sue Ann Khoo
Tax Partner
Deloitte Australia

Australian Real Estate Outlook

CBRE 2026 Pacific Real Estate Market Outlook Report

Economic outlook

Australia's economy is expected to grow **2.0%** in 2026, with **interest rates on hold**. Immigration, infrastructure and Care sector are likely to be a key contributor to economic growth.

Investment outlook

CBRE see's investment volumes continuing to recover through 2026—forecasts are for **5.0% to 10% growth** in 2026 to \$33 billion.

Commercial real estate (office, industrial, retail, hotels)

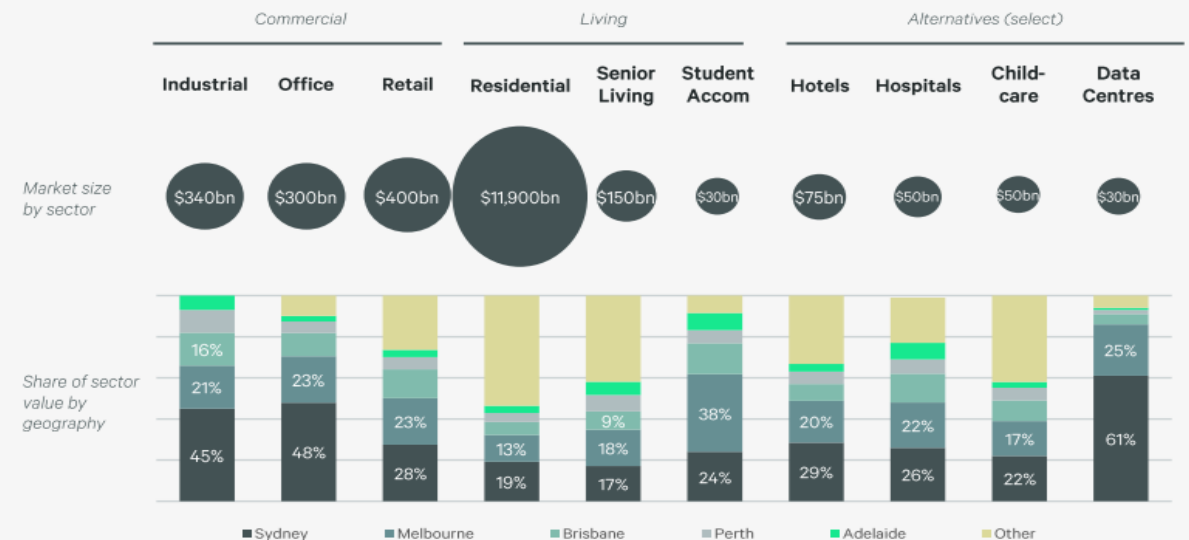
For 2026, forecast **+20% volume growth** in Office, **10%** each for Industrial and Hotels and potentially—**5.0%** for Retail (off a high base).

Living

Australia's Living sector faces a structural supply shortfall, with apartment completions forecast at ~60,000 annually, well **below long-run demand** of 75–85k. **Vacancy** is expected to **fall to 1.1%** by 2030, reinforcing strong fundamentals. **Rents** are projected to **grow +24%** and **capital values +28% over 2025–2030**. Student accommodation and senior living remain underpenetrated, creating significant investment opportunities amid demographic shifts and affordability pressures.

CBRE estimates that the institutional real estate assets in Australia are worth \$1,400 billion. The value of the traditional commercial real estate sectors is ~\$1,000 billion, the Living sector (instructional and privately owned) is ~\$12,100 billion and Alternatives (incl Hotels) is slightly over \$200 billion.

Figure 12: Real estate market size by sector and geography



Source: CBRE Research

Source: CBRE 2026 Pacific Real Estate Market Outlook Report

Australian commercial and living sector market

Australian tax developments



Latest MIT environment

- Captive MITs
 - ATO's concerns with restructures to access MIT withholding regime
 - Government announced that it will amend income tax laws to ensure single widely held investor (e.g., pension funds) can continue to access MIT withholding regime
 - Still no announcement on timing
- Clean building MITs
 - Announcement to extend clean building MIT withholding tax concession to data centres and warehouses
 - Increase in green star rating for existing clean buildings
 - Still no announcement on timing



Interest limitation rules (thin capitalisation)

- New thin cap rules and debt deduction creation (**DDCR**) rules apply from income years starting 1 Jul 2023 and 1 Jul 2024 respectively
- Recent thin cap reforms including "third party debt test" (**TPDT**) about to undergo further consultation.
- ATO's recently published views include TPDT requirements **not met** if:
 - proceeds of financing are used to fund capital management activities (e.g., distributions, capital returns)
 - equity commitments from a foreign related party (e.g., during construction phase)



Build to Rent Incentives

- Concessional 15% managed investment trust (**MIT**) withholding tax (**WHT**) rate for rental income and capital gains from eligible BTR investments from 1 Jul 2024;
- An increase in the capital works rate of deduction from 2.5% to 4% for eligible BTR investments in respect of capital works from 9 May 2023.
- BTR development of at least 50 dwellings, available to public for lease of at least 5 years (with at least 10% offered as affordable i.e., rent discounted by at least 25.1% and offered to eligible tenants)
- Foreign purchaser duty and land tax exemptions and concessions in certain States in Territories.



Capital Gains Tax Reforms

- Proposal to broaden base of capital gains tax for foreign investors by broadening concept of "taxable Australian real property" (**TARP**) to assets with a **close economic connection with Australian land**.
 - Include a 365-day testing period for TARP status
 - Require foreign residents to notify ATO prior to disposing of shares/membership interests >A\$20mil in value
 - Still no announcement on timing of changes
- Unlikely to have significant impact traditional RE investments but may have impact other investments (e.g., data centres etc.)



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.