



Trends and Strategies for Outbound Real Estate Investments

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KEY MESSAGES

✓ What are investors thinking?

- Continue to commit more capital into real estate
- Increase risk appetite, but prefer to stay at domestic markets
- CRE is perceived to be overpriced by investors

✓ Where are investors going?

- Strong growth in global investment activities
- Less inflow but more outflow from Asia Pacific
- Increasing RE allocation from Asian institutional investors

✓ How will investors allocate their capitals globally?

- Progress of institutionalization of real estate investments and industries
- Multiple options to deploy capitals
- Various investment themes globally based on risk-return profiles

WHAT ARE INVESTORS THINKING?

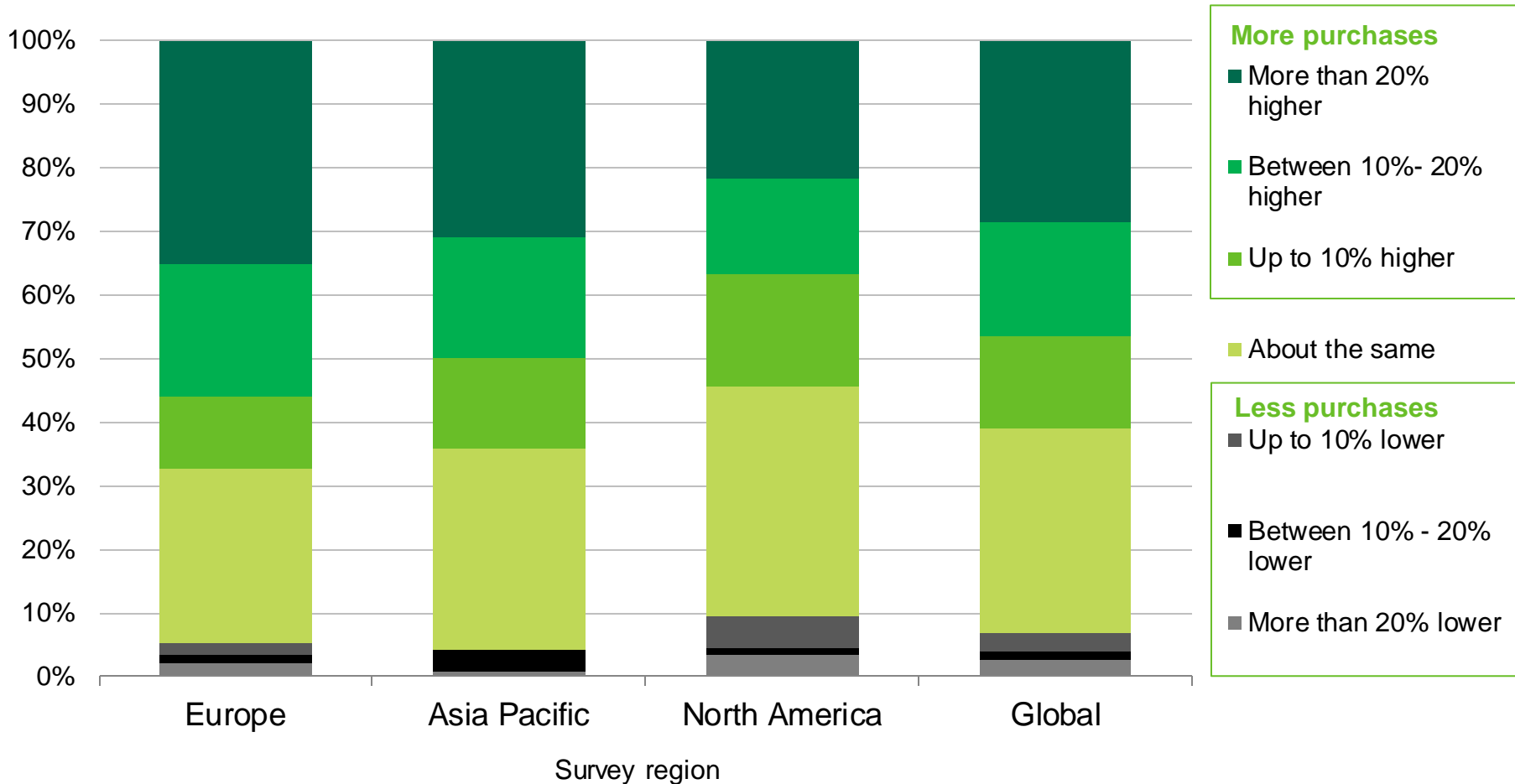
Key Findings from Investor Intentions Survey

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MAJORITY OF INVESTORS WANT TO DEPLOY MORE CAPITAL IN 2014

Compared to 2013, what can you expect your purchasing activity to be in 2014:



Source: CBRE Investor Intentions Survey 2014 (May 2014)

AND PREFER GLOBAL MAJOR CITIES

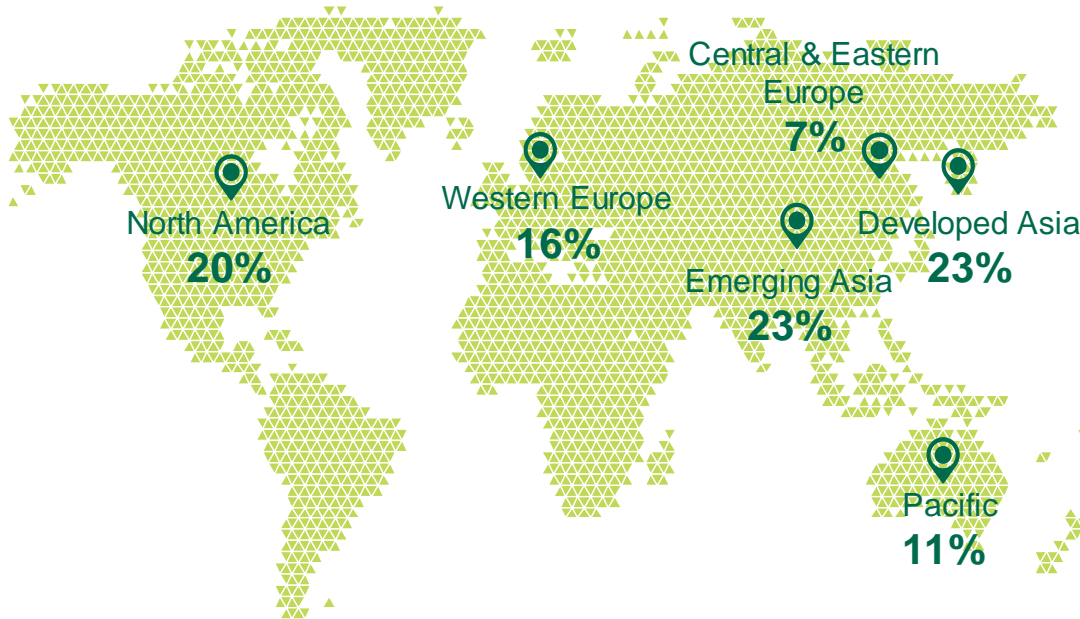


Source: CBRE Investor Intentions Survey 2014 (May 2014)

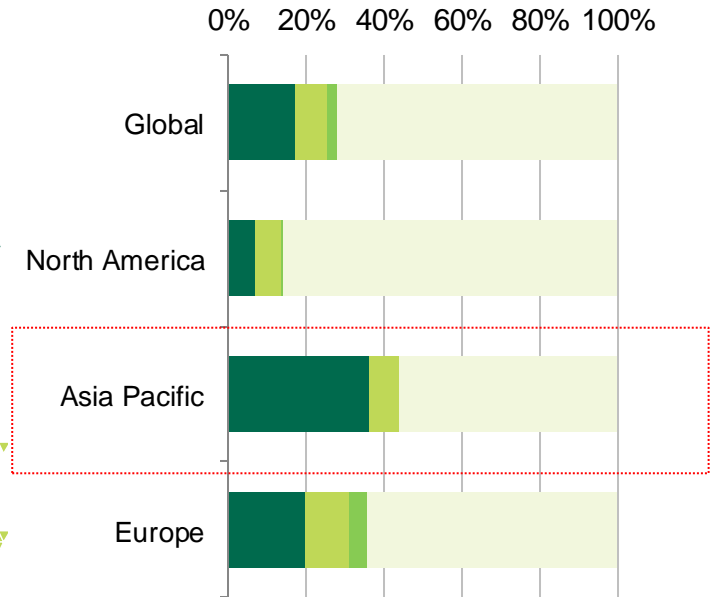
ASIANS ARE TARGETING AT GLOBAL MARKETS

44% APAC investors intend to invest outside APAC

Preferred region



Investing outside the own region in 2014?



■ Yes, more than in 2013 ■ Yes, same as in 2013

■ Yes, less than in 2013 ■ No

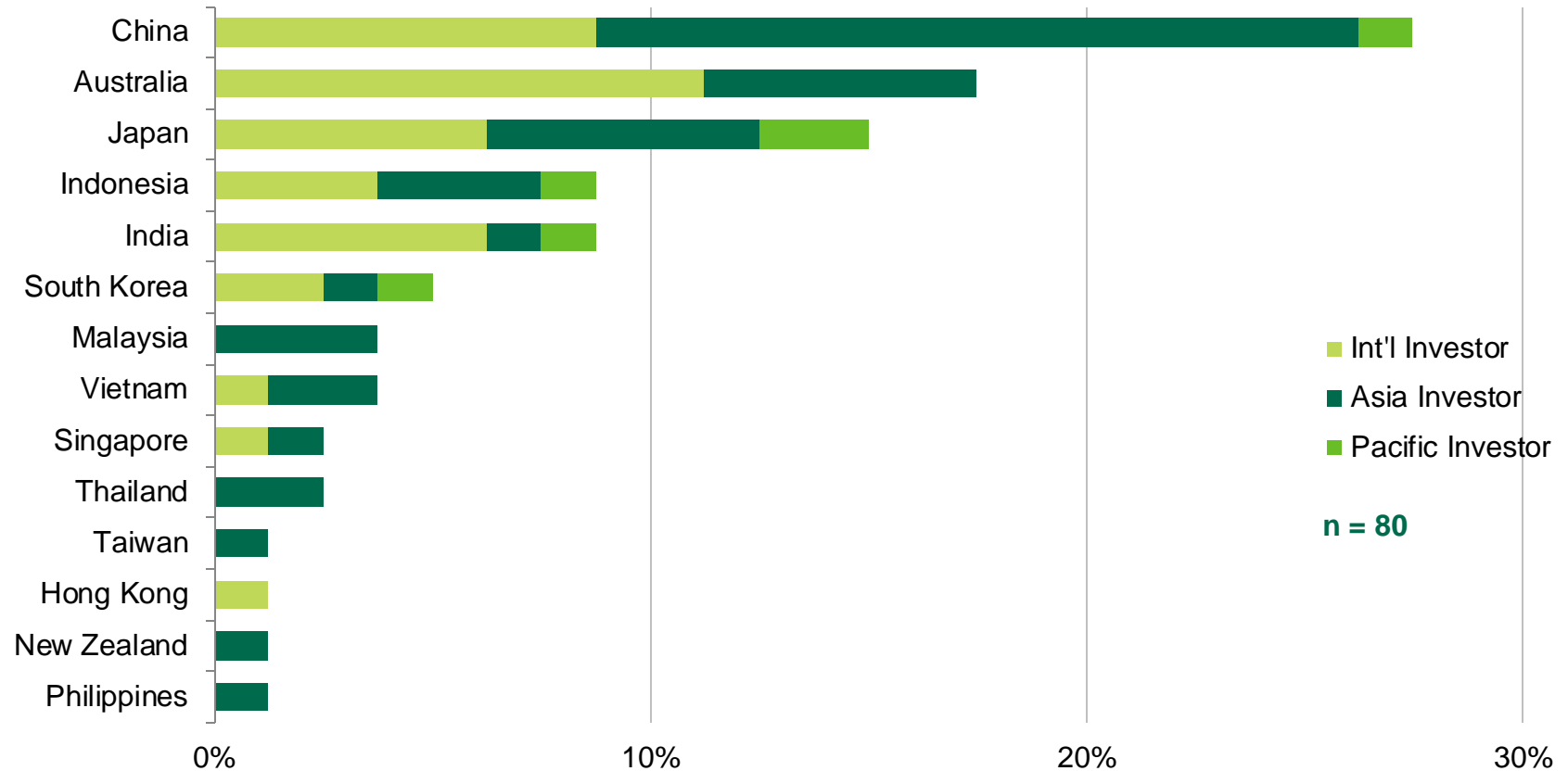
Source: CBRE Investor Intentions Survey 2014 (May 2014)



IN APAC, CHINA, AUSTRALIA AND JAPAN DOMINATE AND ATTRACT DIFFERENT SOURCES OF CAPITAL

Most attractive countries for investment in Asia Pacific

Among cross border investors only



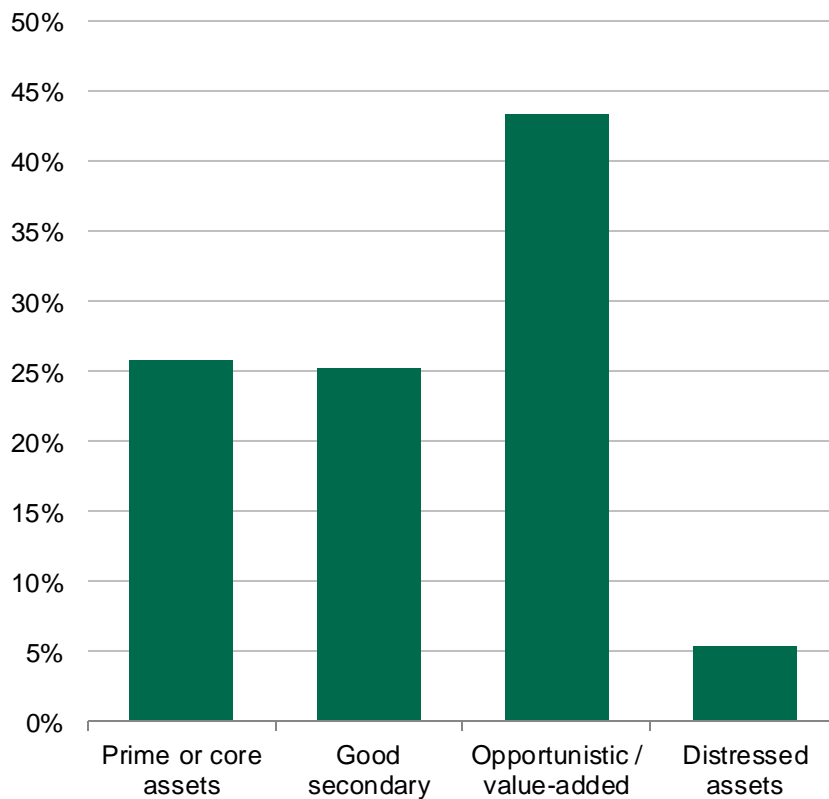
Source: CBRE Asia Pacific Investor Intentions Survey 2014

* Cross border refers to respondents domiciled in the different country as the most attractive destination selected

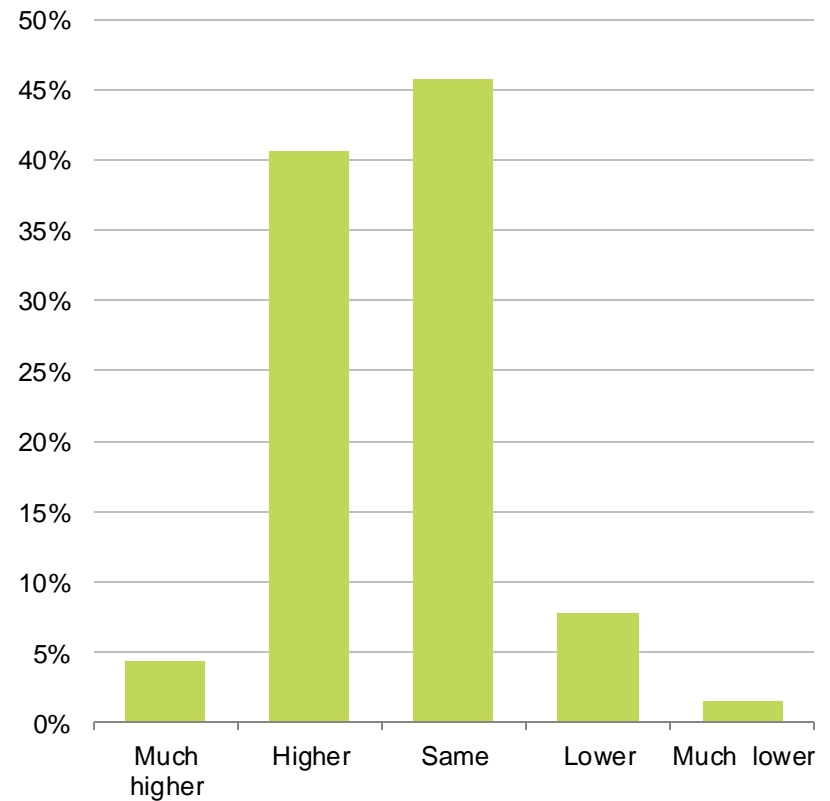
STRONGER APPETITE FOR RISKIER ASSETS

Preferred asset type and appetite for secondary, Global survey

Most preferred asset type for purchases



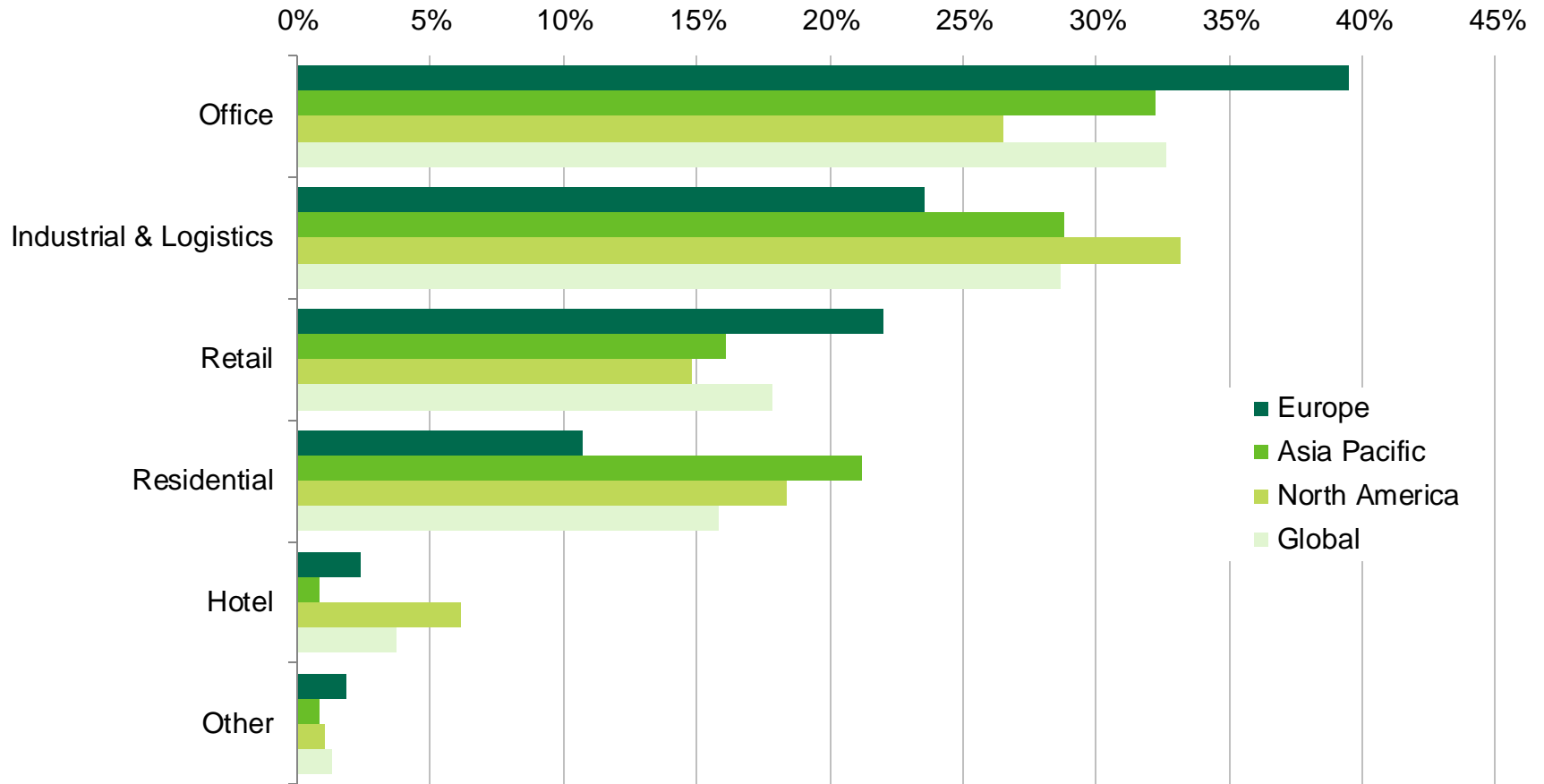
Appetite for secondary assets compared to last year



Source: CBRE Asia Pacific Investor Intentions Survey 2014



LOGISTIC SECTOR IS EMERGING



Source: CBRE Investor Intentions Survey 2014 (May 2014)

BUT LACK OF TRADABLE ASSETS REMAINS AN ISSUE FOR LOGISTICS

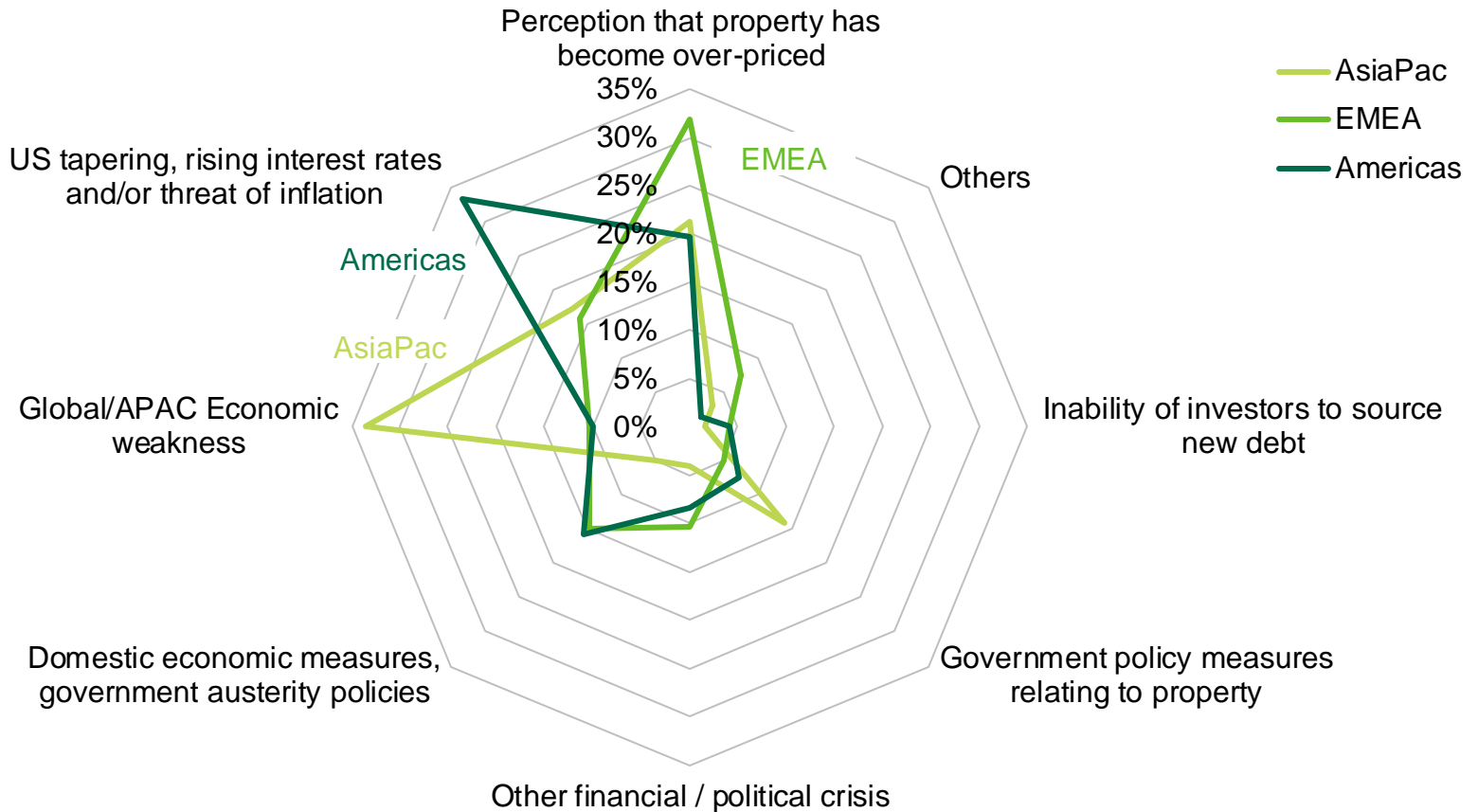
2013 Investment Market Activity V 2014 Investor Intentions Surveys



Source: CBRE Investor Intentions Survey 2014 (May 2014)

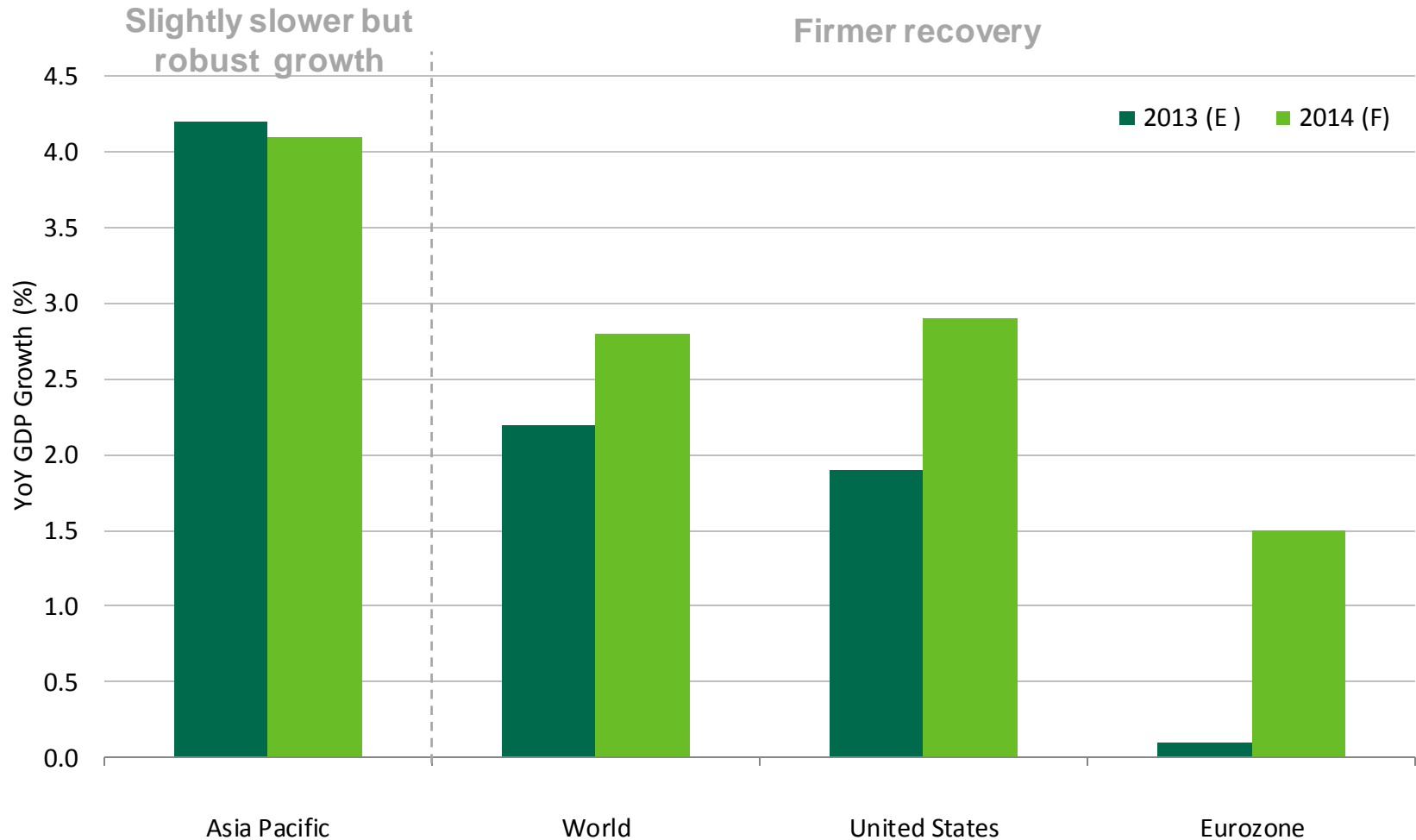
KEY CONCERNS AMONG INVESTORS

Percentage of respondents



Source: CBRE Investor Intentions Survey 2014 (May 2014)

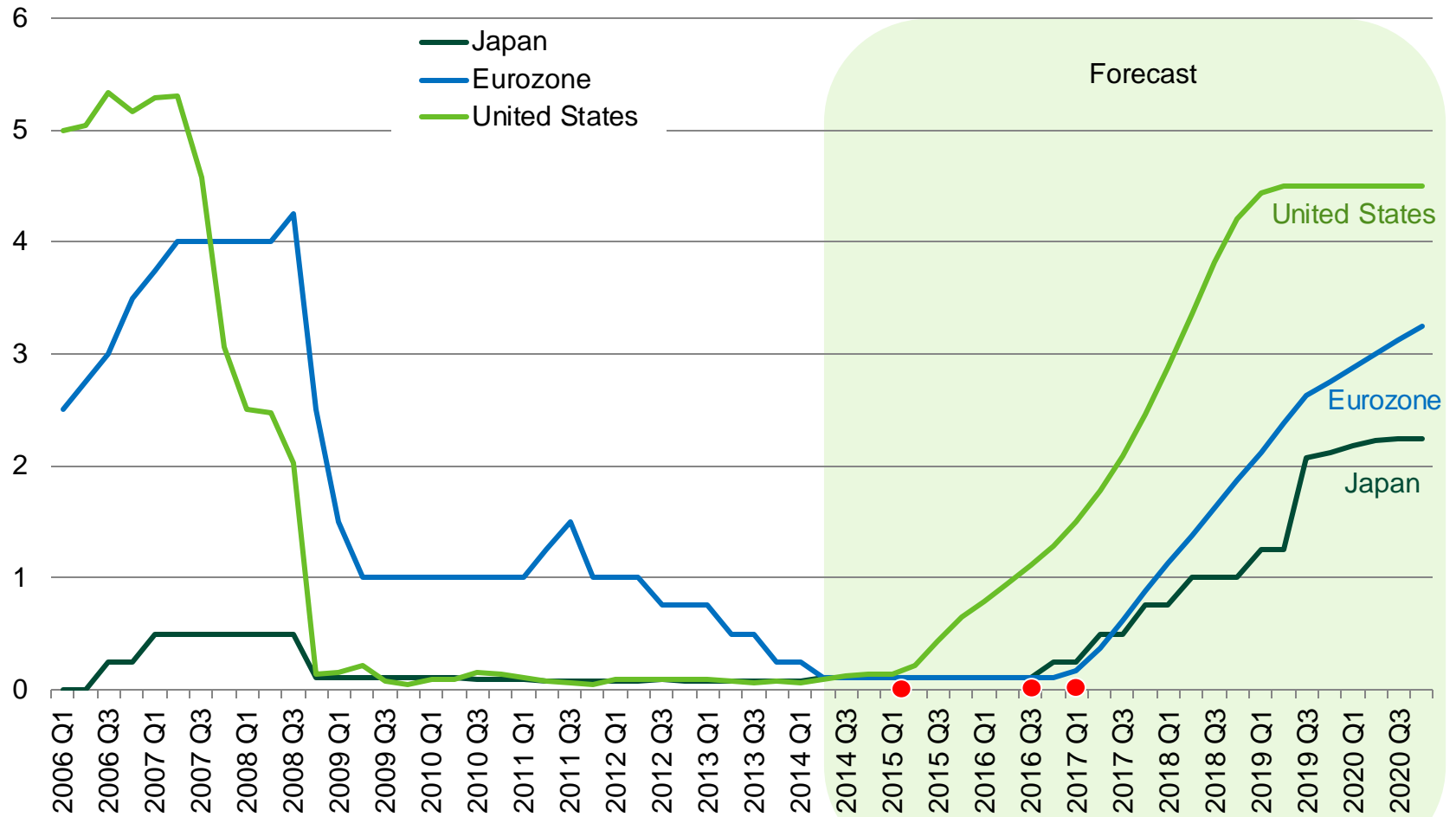
CLEAR RECOVERY IN THE WEST



Source: Oxford Economics (As of April 2014)

DIFFERENT TIMING OF ENTERING UPWARD CYCLE

Central Bank policy rate, end-of-period



Source: Oxford Economics, IHS, June 12, 2014

CAPITAL FLOW

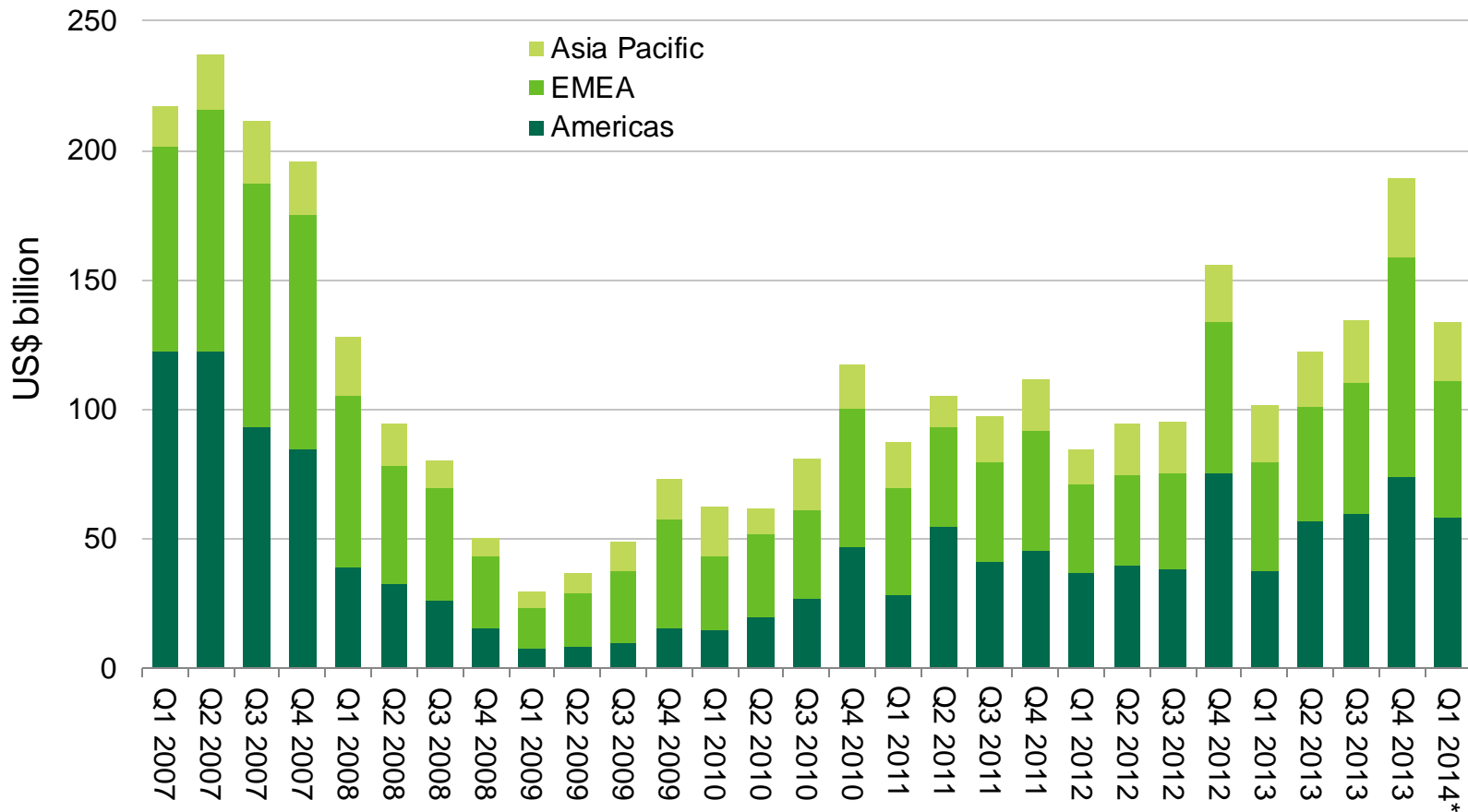
Where are investors going?

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GRADUAL RECOVERY IN INVESTMENT TRANSACTIONS

Global commercial real estate investment



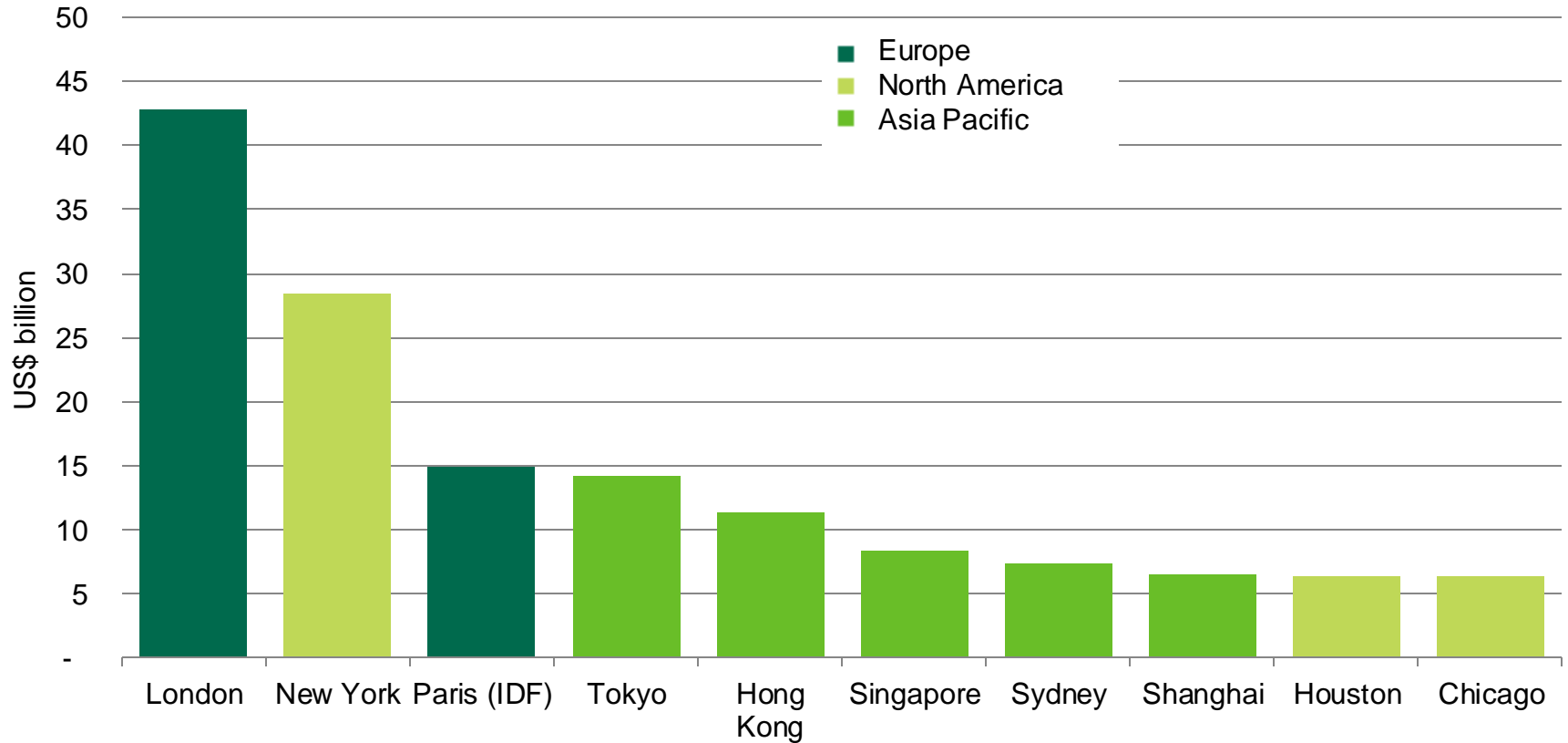
Source: CBRE Research, RCA

All commercial real estate, including hotels. Transaction over US\$ 10 million only.

*Q1 2014 data is provisional and subject to revisions

GATEWAYS CITIES DOMINATE

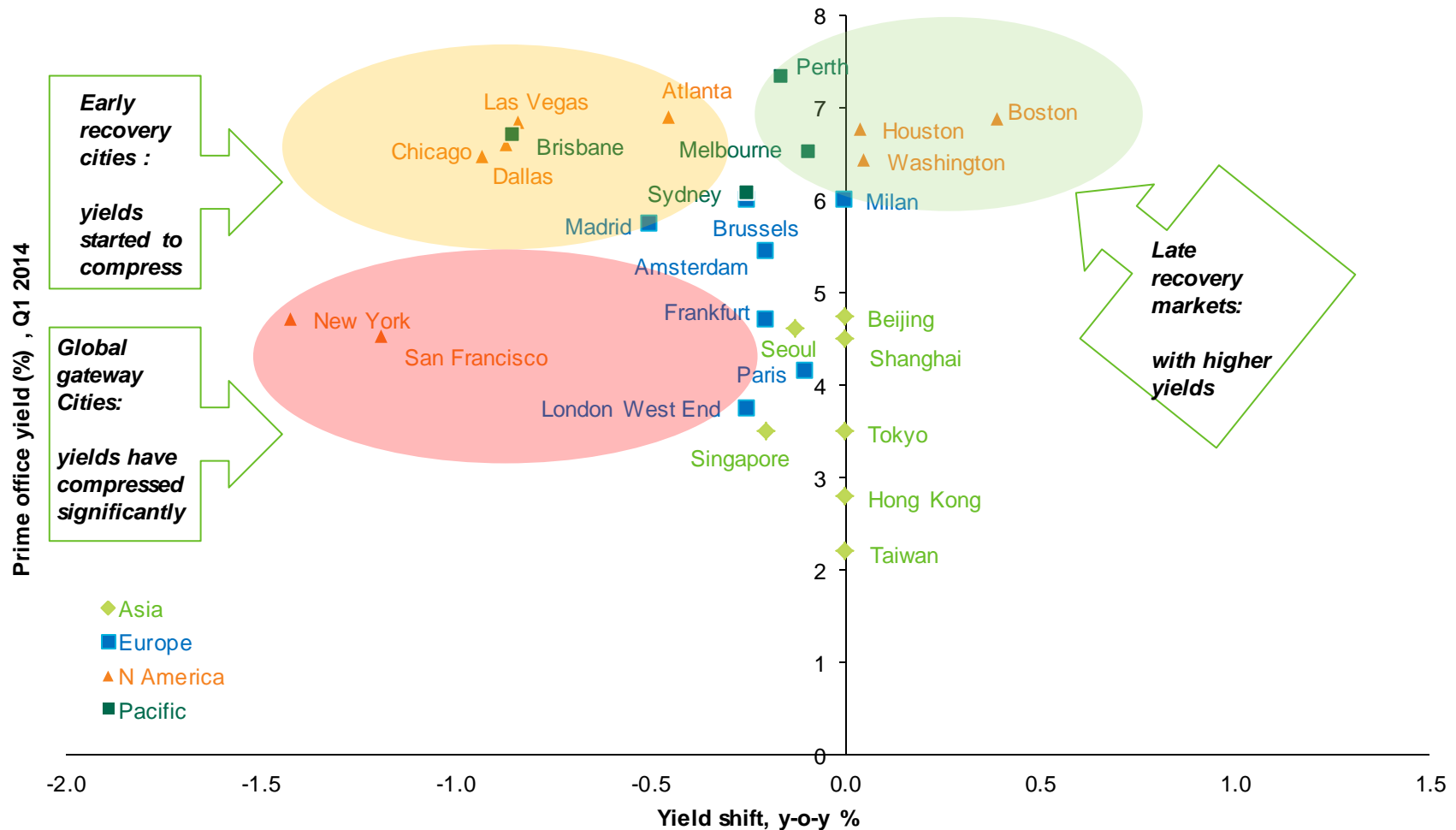
Top 10 Global Investment Markets*, 2013



Source: CBRE Research, RCA
All commercial real estate, including hotels. Transaction over US\$ 10 million only.

YIELD COMPRESSION BECOMES A GLOBAL THEME

Prime Office Yield and yield shift, Q1 2014

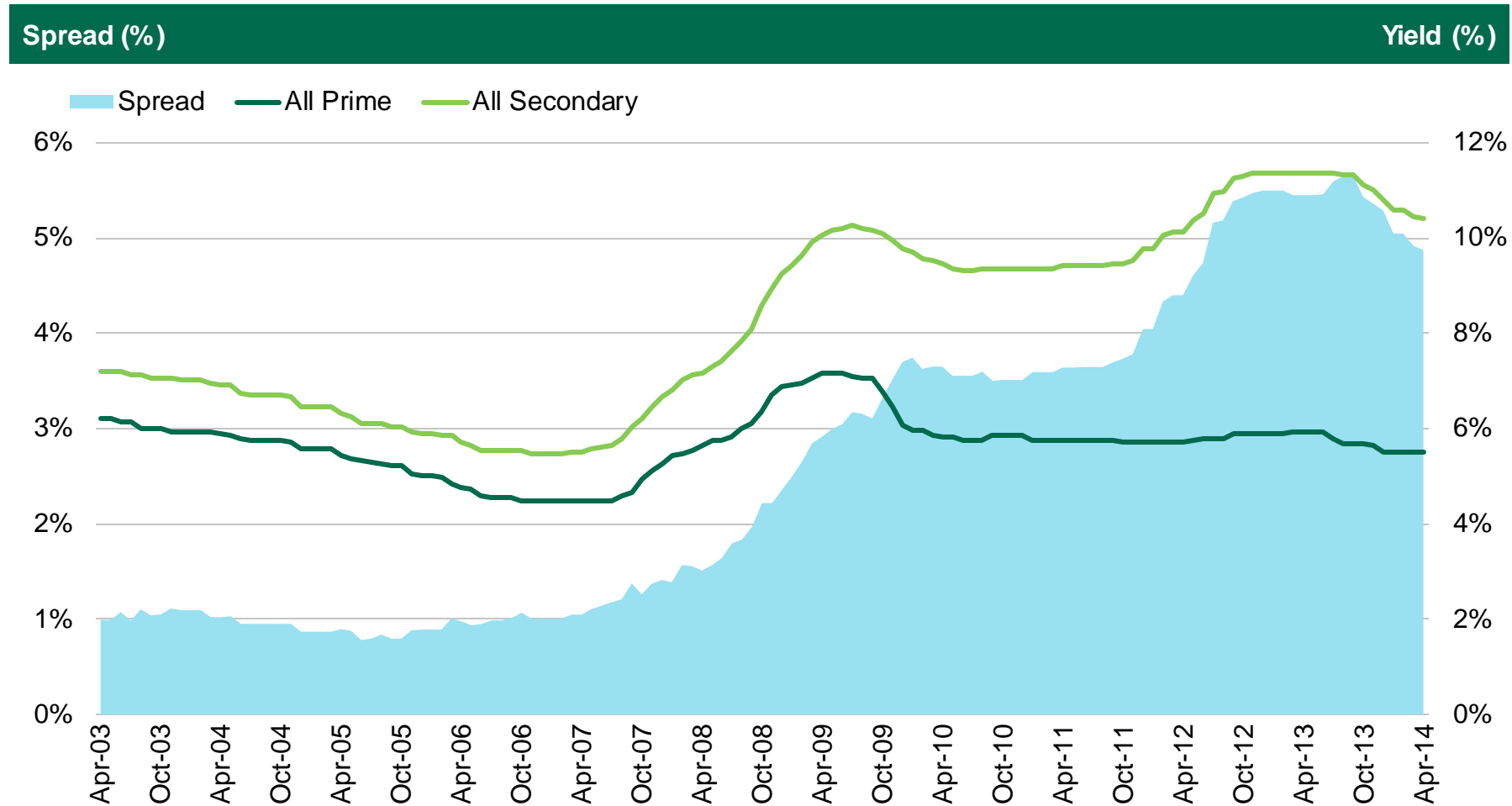


Source: CBRE Research, Q1 2014.



SECONDARY YIELDS BECOME MORE ATTRACTIVE

The Case of UK, UK Prime vs Secondary All Property Yield, Excluding Central London



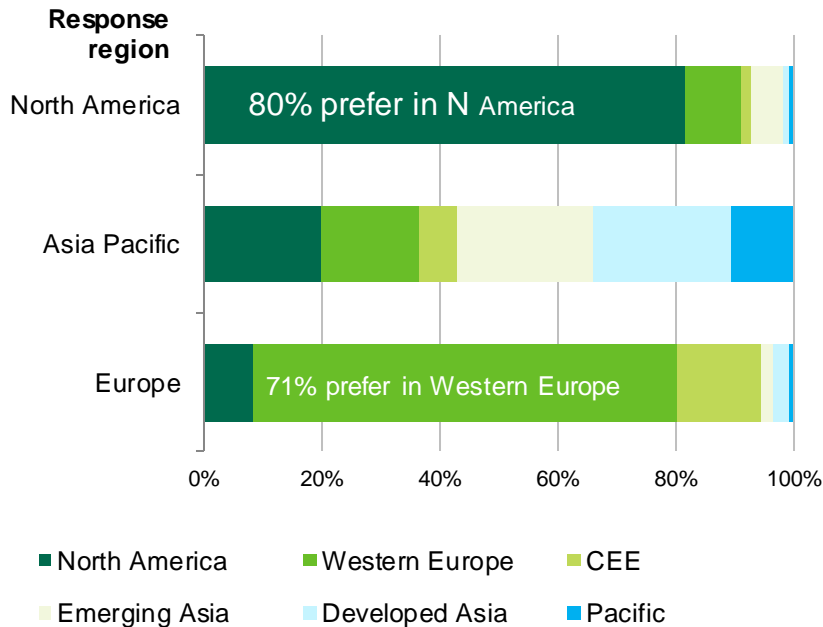
Source: CBRE



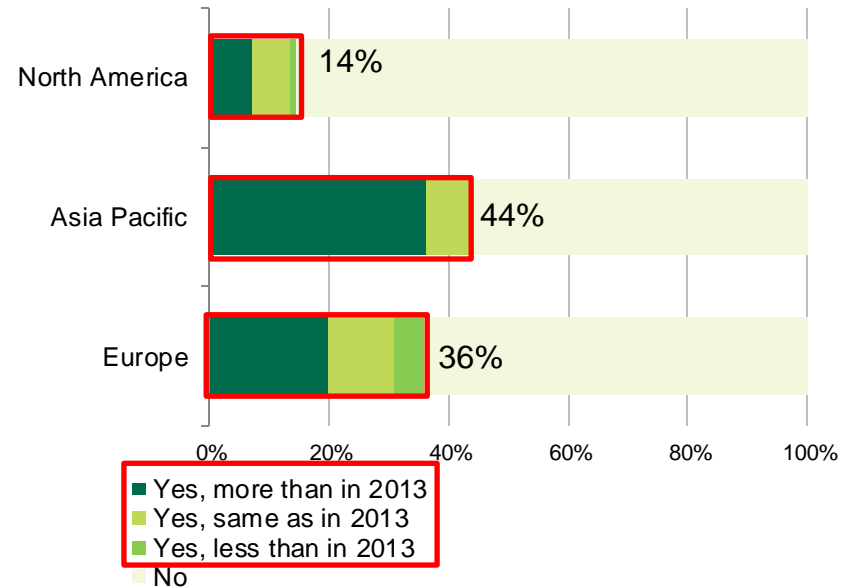
ASIA PACIFIC: LESS INFLOW, MORE OUTFLOW?

Western investors prefer to stay home; APAC investors have higher intention to go overseas

Most attractive region for investment



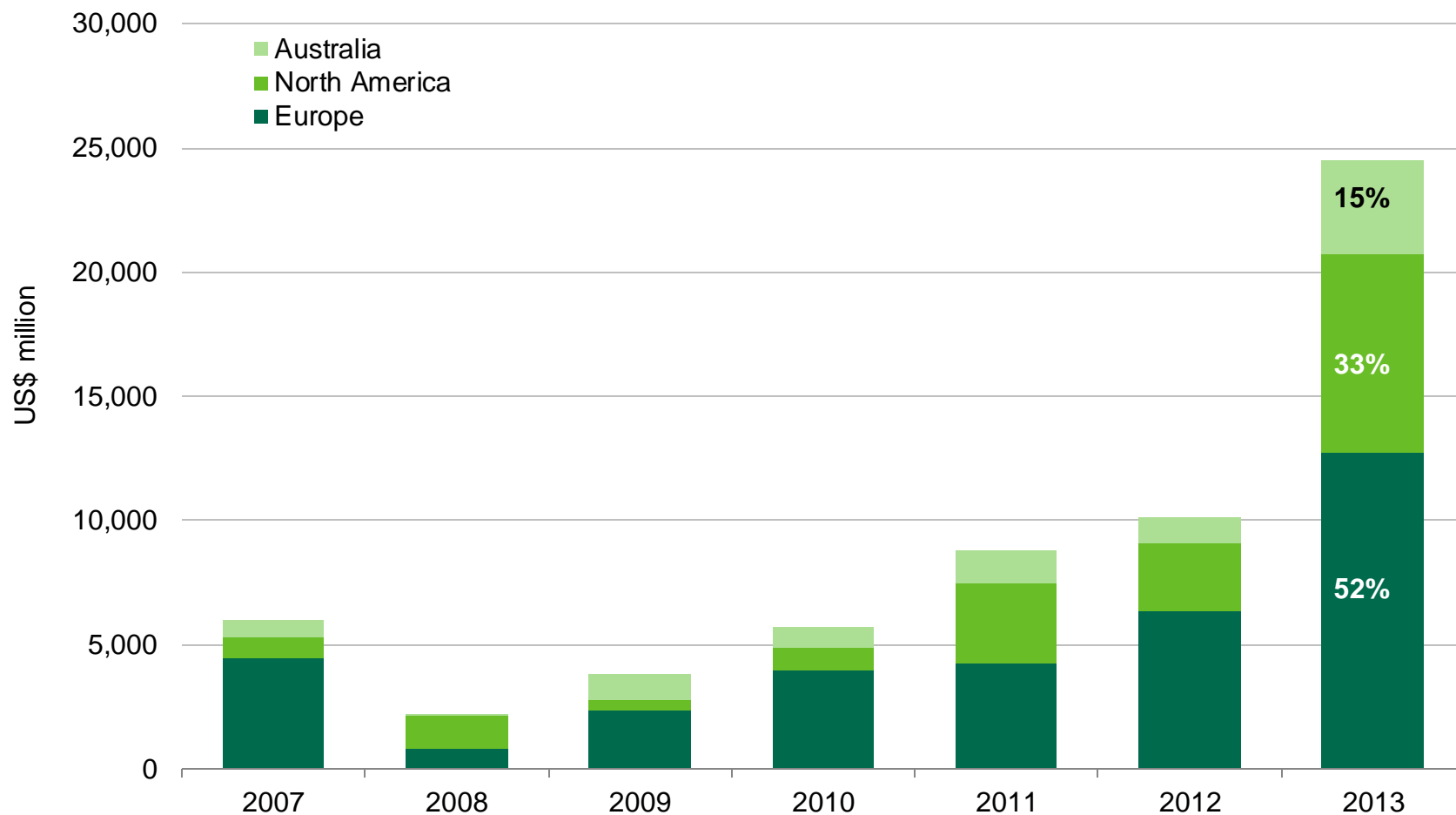
Intention to invest in other regions



Source: CBRE Research, Global Investor Intentions Survey 2014

OUTBOUND INVESTMENT BY ASIANS ROSE BY 142%

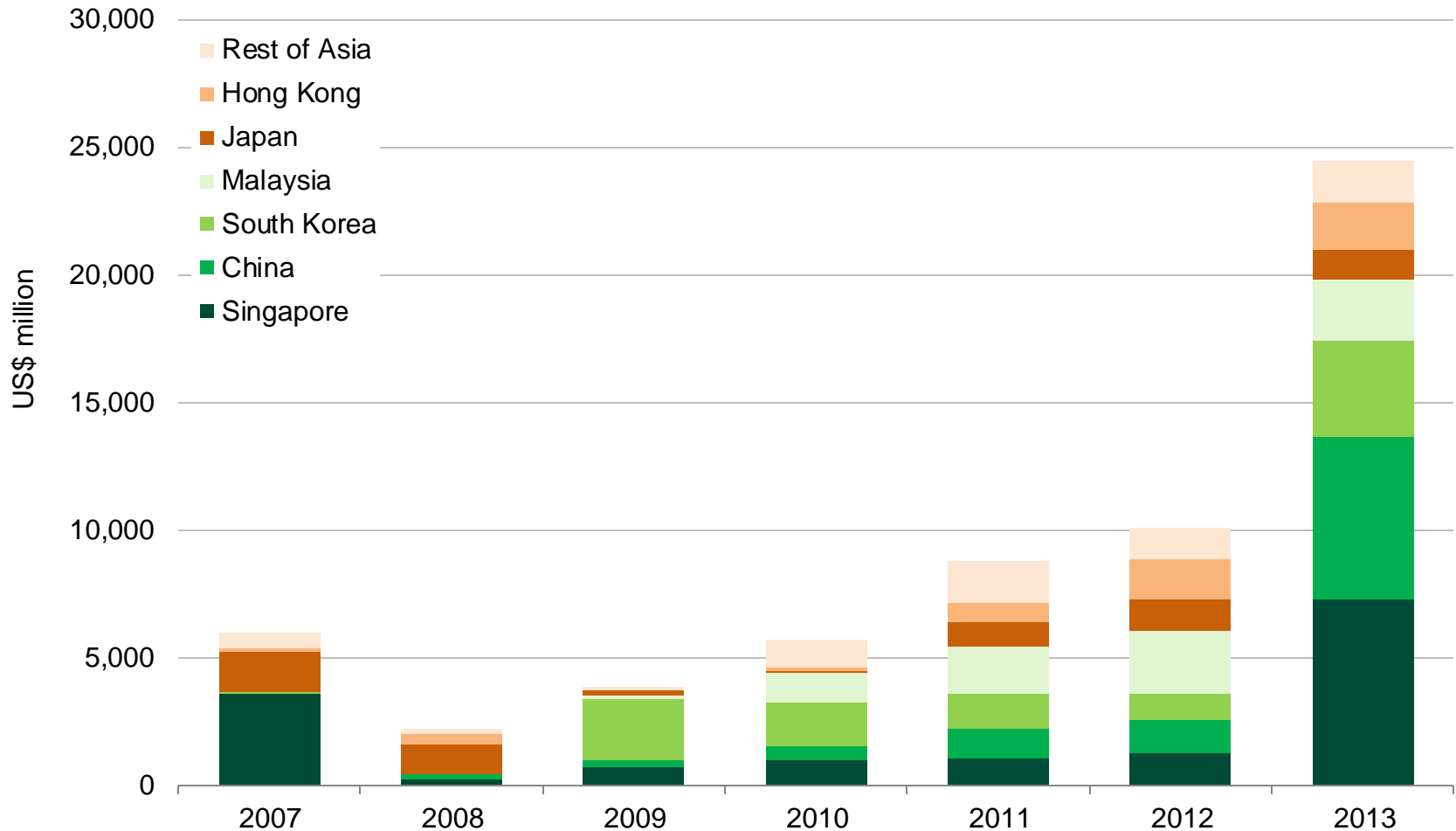
Purchases by Asian investors outside the region (commercial properties, exclude site)



Source: Real Capital Analytics, CBRE Research

...GROWTH WAS LED BY CHINESE AND SINGAPOREAN

Purchases by Asian investors outside the region (commercial properties, exclude site)



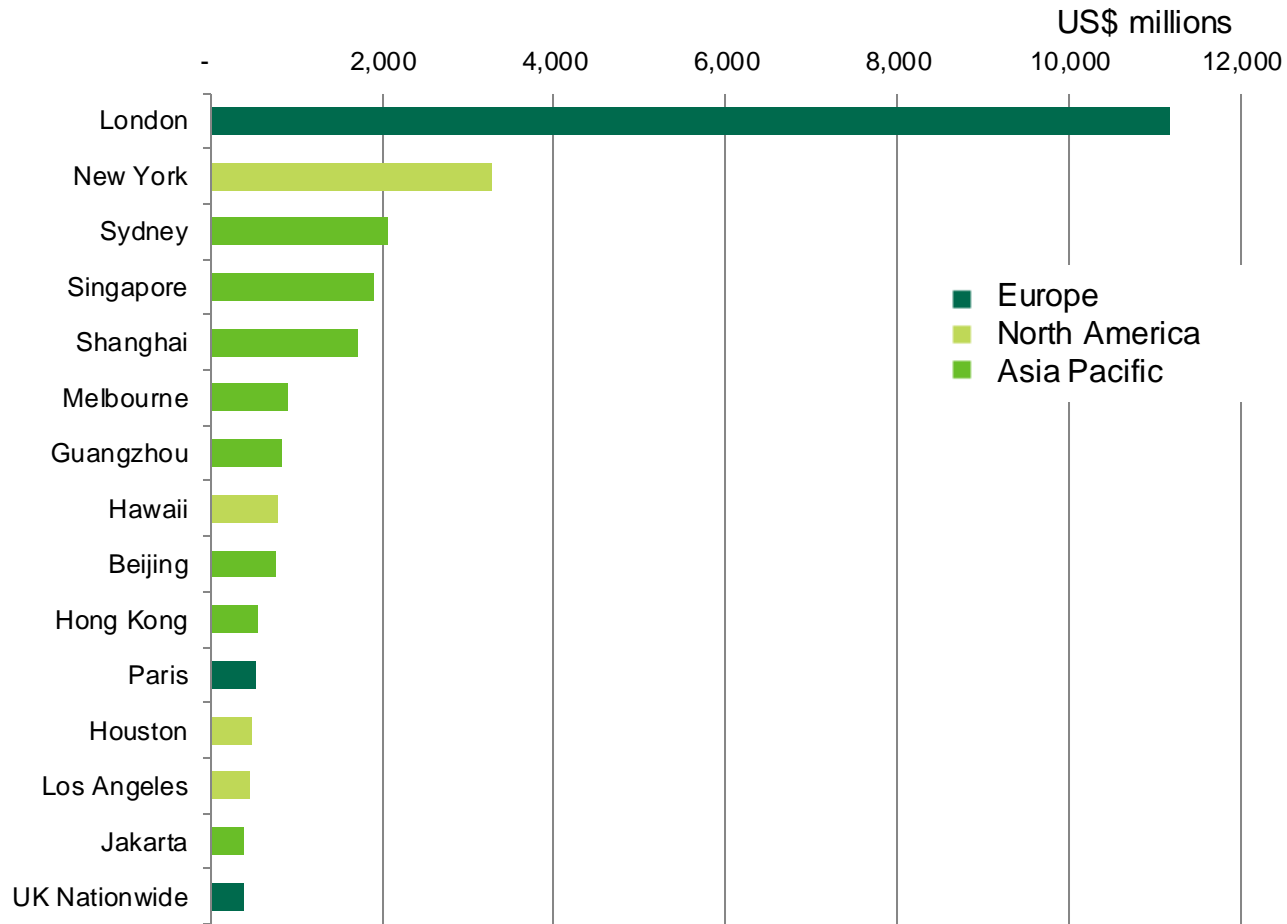
Source: Real Capital Analytics, CBRE Research



Note: Transactions at or above US\$10 million, exclude development sites and non-lease residential properties

.. FOCUS ON GATEWAY CITIES AND TROPHY ASSETS

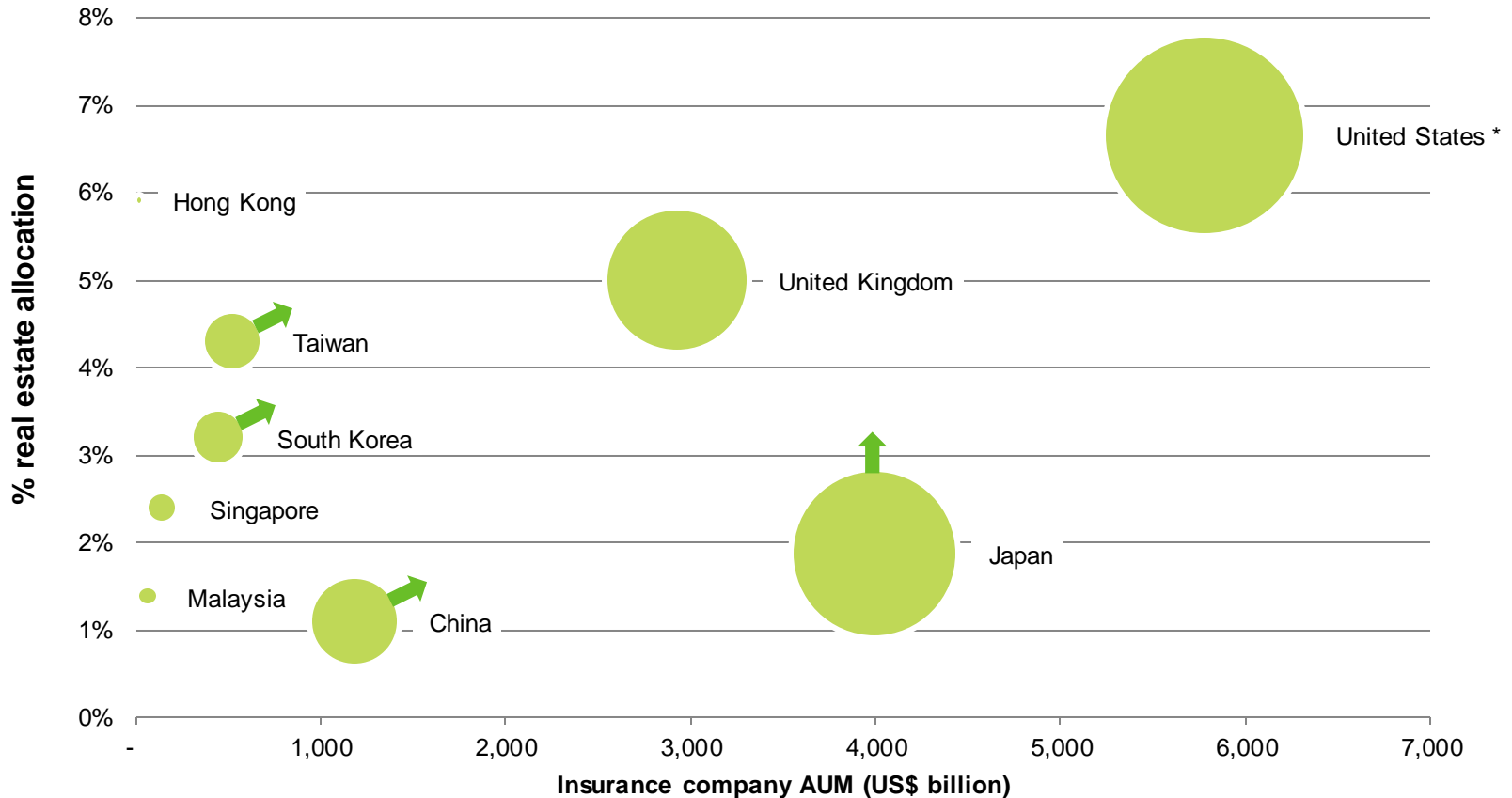
Asian's Top cross-border destinations, 2013



US\$10m and above, office, retail, industrial and mixed use properties Only
 Source: RCA, CBRE Research

THE TREND WILL CONTINUE TO GROW

Insurance companies AUM and real estate allocation



Bubble size: Insurance company AUM

* Life insurance companies only (property allocation: 0.5%, mortgage backed securities 6.1%)

Source: CBRE Research, American Council of Life Insurers, Association of British Insurers, China Insurance Statistical Year Book, Korea Life Insurance Association, Taiwan Insurance Bureau, Life Insurance Association of Japan, Office of the Commissioner of Insurance (Hong Kong), Monetary Authority of Singapore, Bank Negara Malaysia

INVESTMENT STRATEGY

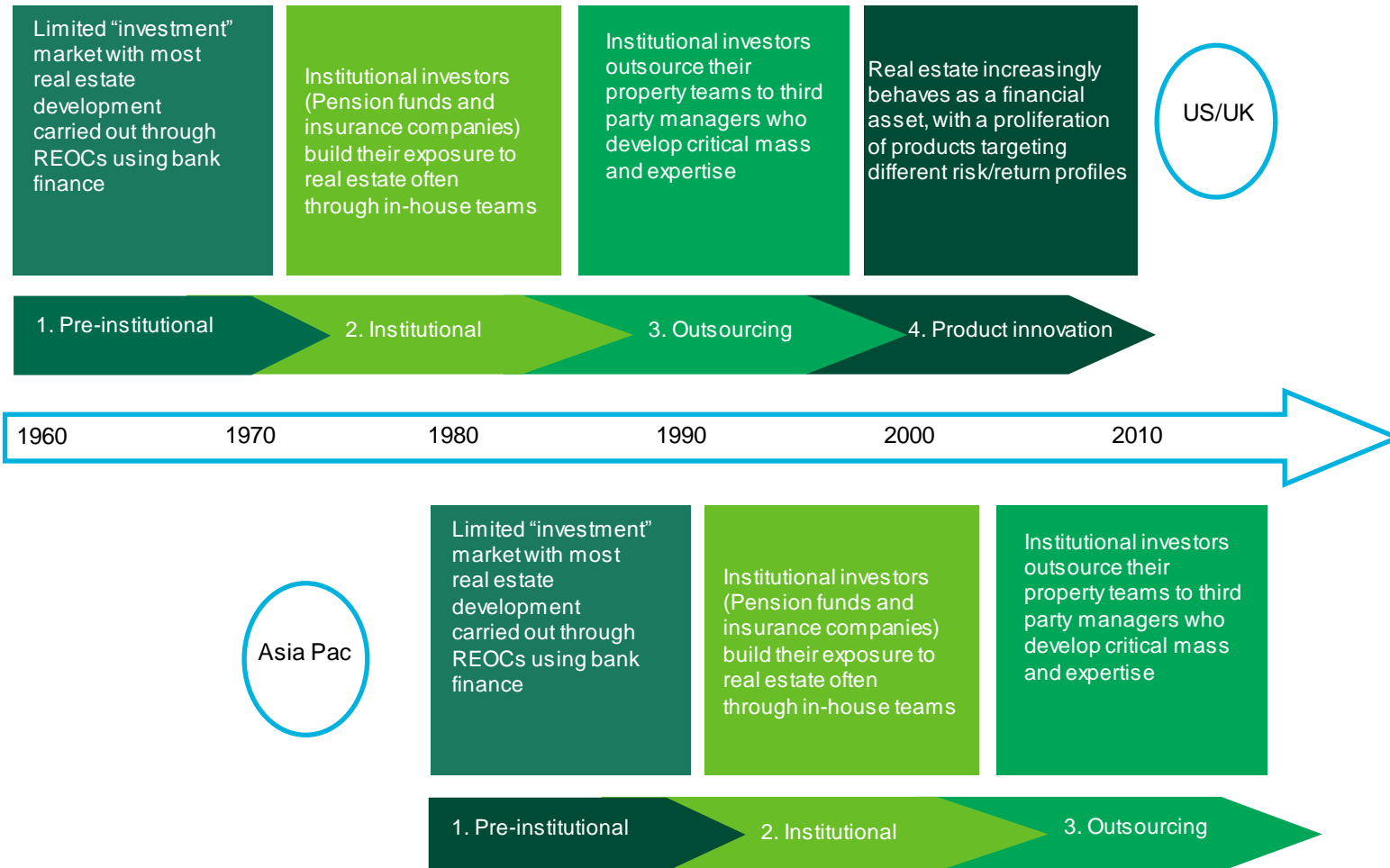
How will investors allocate their capitals globally?

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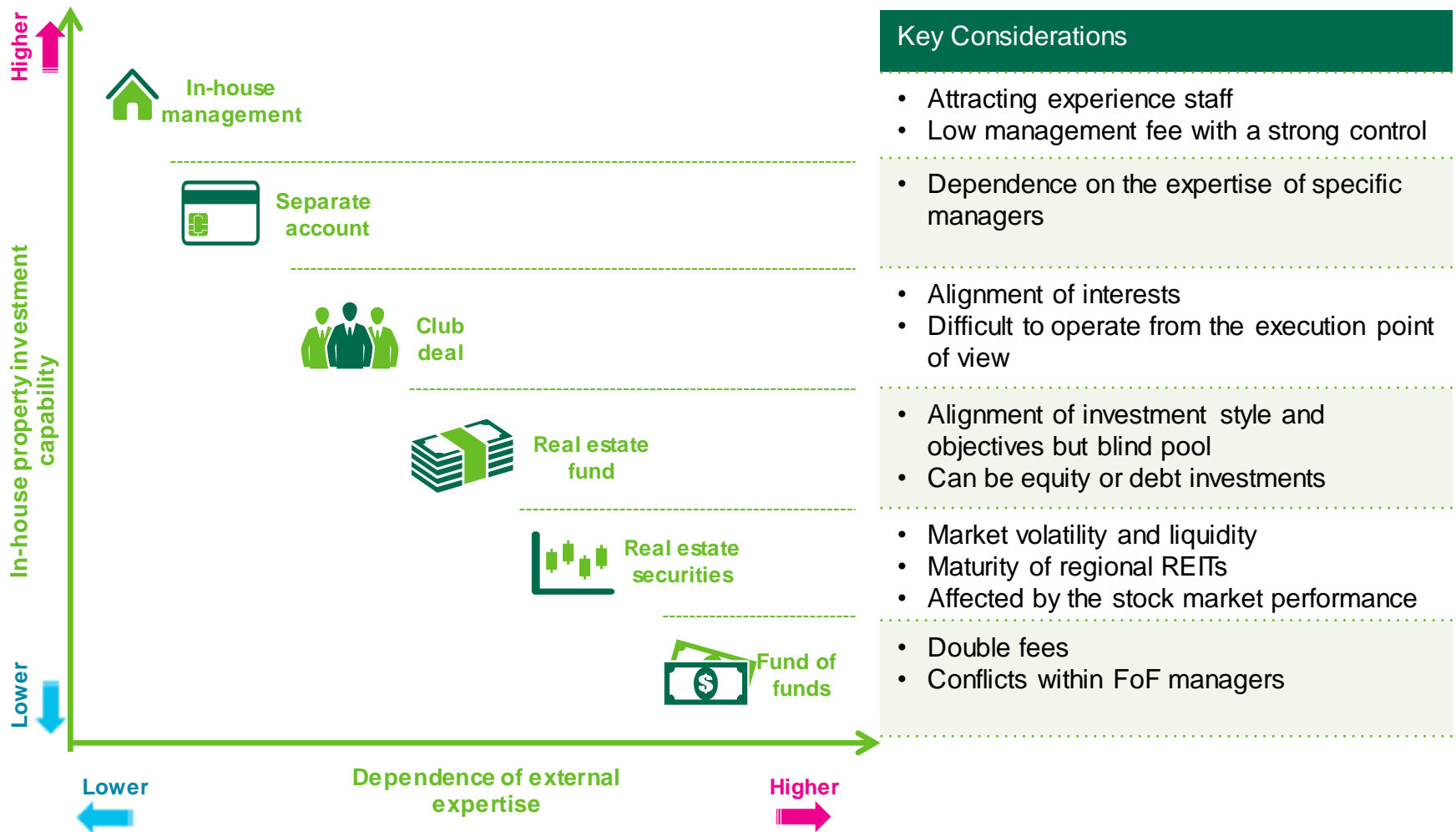


INSTITUTIONALIZATION – ASIA PACIFIC VS GLOBAL

Lag in market development indicates opportunities ahead

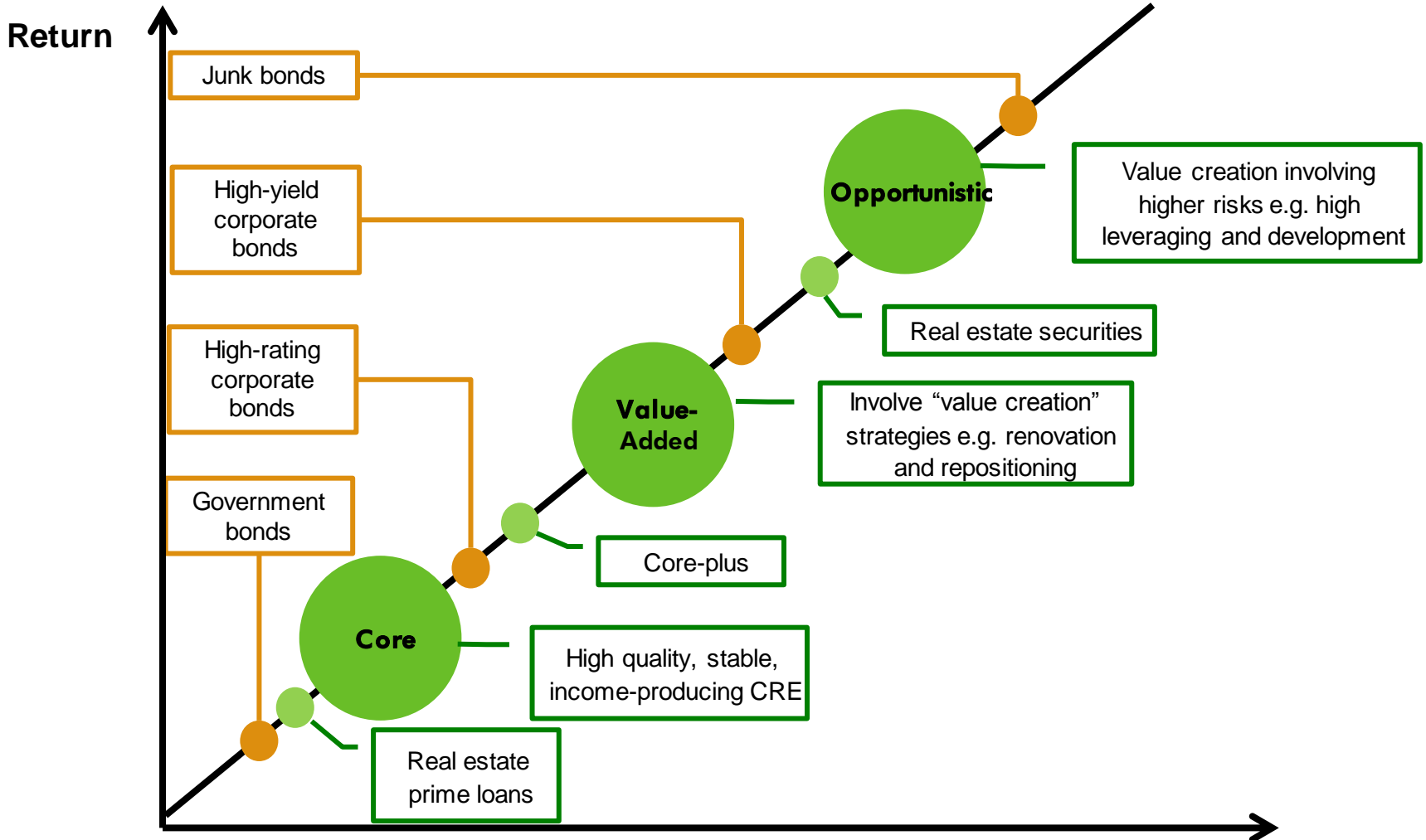


ALTERNATIVE OPTIONS FOR REAL ESTATE INVESTMENT



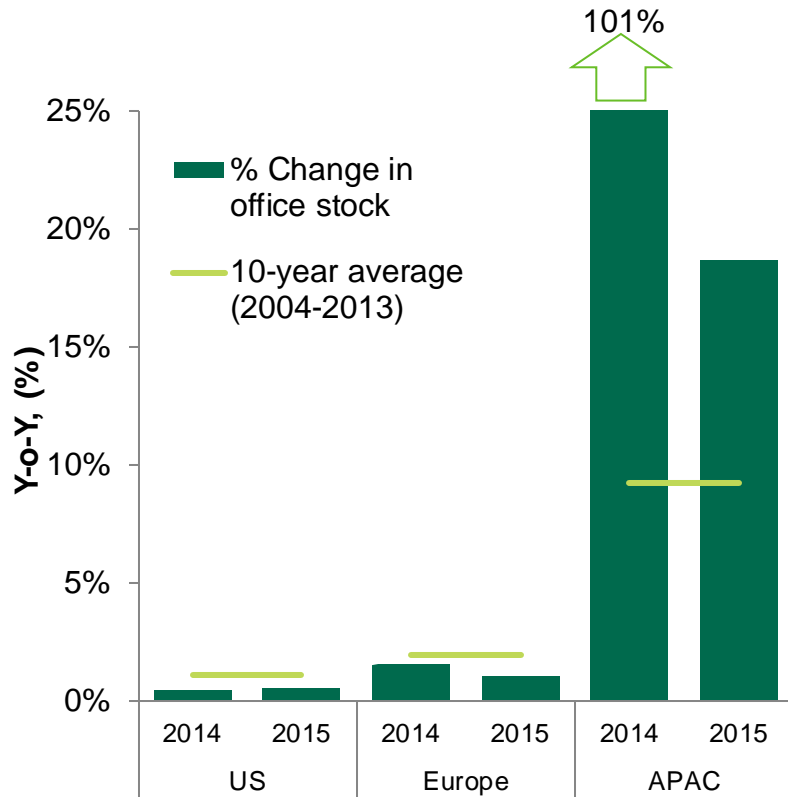
Source: CBRE Research, Q2 2014.

INVESTMENT RISK-RETURN SPECTRUM

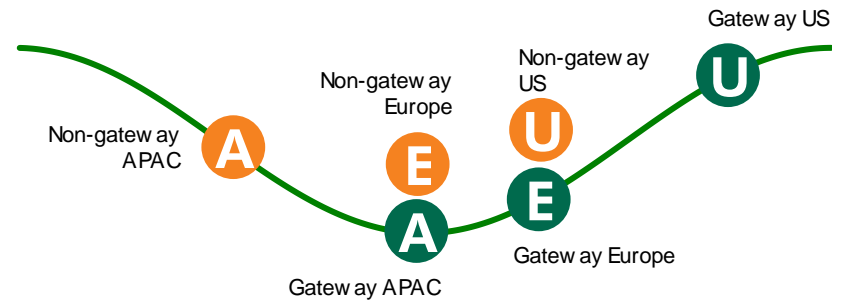


VARIOUS SUPPLY PROFILE ACROSS THE WORLD

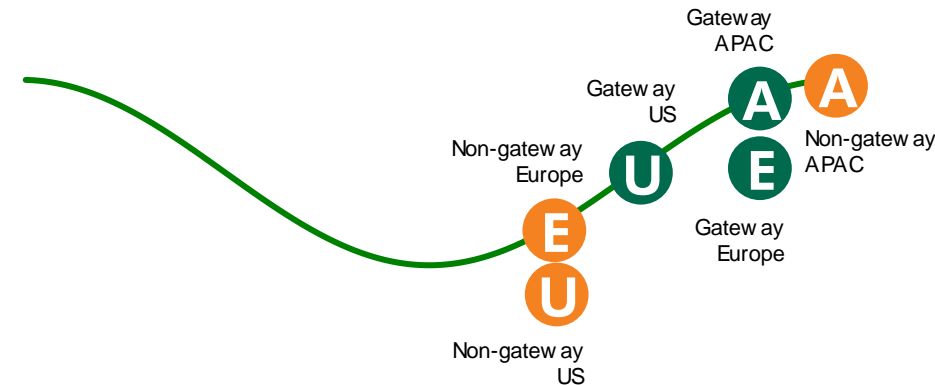
Office supply profile in three major regions



Office rental cycle



Office capital value cycle



Source: CBRE Research (As of June 2014)

KEY INVESTMENT THEME GLOBALLY

Key Themes in 2014	Target Regions	Opportunities/Implications
Economic Recovery	US, UK, Sweden, Germany, Ireland, Spain and Sweden	<ul style="list-style-type: none"> ✓ Continued economic growth will drive up office occupancy and stronger rental growth – key office cluster in the US (beyond tier 1 cities). ✓ US retail is likely to perform well on the back of economic recovery.
End of Eurozone Sovereign Debt Crisis	Peripheral Eurozone	<ul style="list-style-type: none"> ✓ Price dislocation and imbalanced of demand and supply after GFC with an increasing level of liquidity, esp major Italian cities and Central Europe.
Long Term Economic Growth	Emerging Asia, Turkey	<ul style="list-style-type: none"> ✓ Structural reforms are in place in many of emerging markets. ✓ Favorable demographic trends and increasing wealth underpin long term property values.
Core Assets with Potential Income Growth	US, Australia, Japan, UK (London)	<ul style="list-style-type: none"> ✓ Demand for core assets remain strong globally. ✓ Focusing on economic fundamentals and asset locations, tenant mixed and lease structures. ✓ Long term investors can consider build to core strategies for selective markets.
Secondary Assets and Core Assets Regional Markets Opportunities	US, UK, Eurozone, Central Europe, Mature Asia Pacific	<ul style="list-style-type: none"> ✓ Take the advantage of pricing gap between prime and secondary assets in major gateway markets. ✓ Class A space in regional markets offer good risk-adjusted returns. ✓ Rapid yield adjustment in UK, German, Nordic & Spanish cities has reduced potential returns. Cities such as Milan, Rome, Amsterdam & Brussels will look more attractive as the Eurozone recovery develops. ✓ Take leasing risk for recovery markets and be mindful for the supply pipelines – asset repositioning and enhancement.
Funding Gap	US, Eurozone, Australia and China	<ul style="list-style-type: none"> ✓ Era of cheap finance is coming to the end globally. ✓ Restricted but improving lending environment for real estate developers – some sweet spot for development activities. ✓ Opportunities for mezzanine debt providers – esp in Australia, Eurozone, and China.

Source: CBRE Research (As of June 2014)



Thank you

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