LIBERALISATION AND THE RISE OF ASIAN INSURANCE INVESTMENT IN REAL ESTATE

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LIBERALISATION AND THE RISE OF ASIAN INSURANCE INVESTMENT IN REAL ESTATE

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Over the next five years Asian insurers will increase investment in real estate by **+58%**

Total real estate assets
US$205bn
2018

Total real estate assets
US$130bn
2013

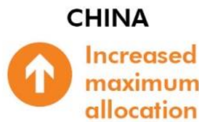
+US$75bn

WHY?

LIBERALISATION

Several Asian markets have loosened regulations to permit domestic insurers to invest more freely into real estate.

CHINA



TAIWAN

SOUTH KOREA

RAPID ASSET GROWTH

13% per annum
from 2008-2013

LOW REAL ESTATE ALLOCATION

just 2% in Asia
compared to 5% in the UK and 6% in the US

INVESTMENT OPTIONS

Asian insurers' lack of experience investing overseas and a dearth of in-house expertise means they can consider alternative investments such as:

DIRECT

In-house management

Separate account

Club deal

INDIRECT

Real estate fund

Real estate securities

Fund of funds

Source: CBRE Research, Q2 2014, American Council of Life Insurers, 2013, Association of British Insurers, 2013, Yearbook of China's Insurance, 2013, China Insurance Regulatory Commission, 2013, Korea Life Insurance Association, Dec 2013, Taiwan Insurance Bureau, Dec 2013, Life Insurance Association of Japan, Dec 2013, Office of the Commissioner of Insurance (Hong Kong), 2012, Securities and Future Commission – Fund Management Activities Survey 2012, Monetary Authority of Singapore, Dec 2013, Bank Negara Malaysia, 2013

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This report was prepared by CBRE Asia Pacific Research Team, which forms part of CBRE Global Research and Consulting—a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate.

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Introduction

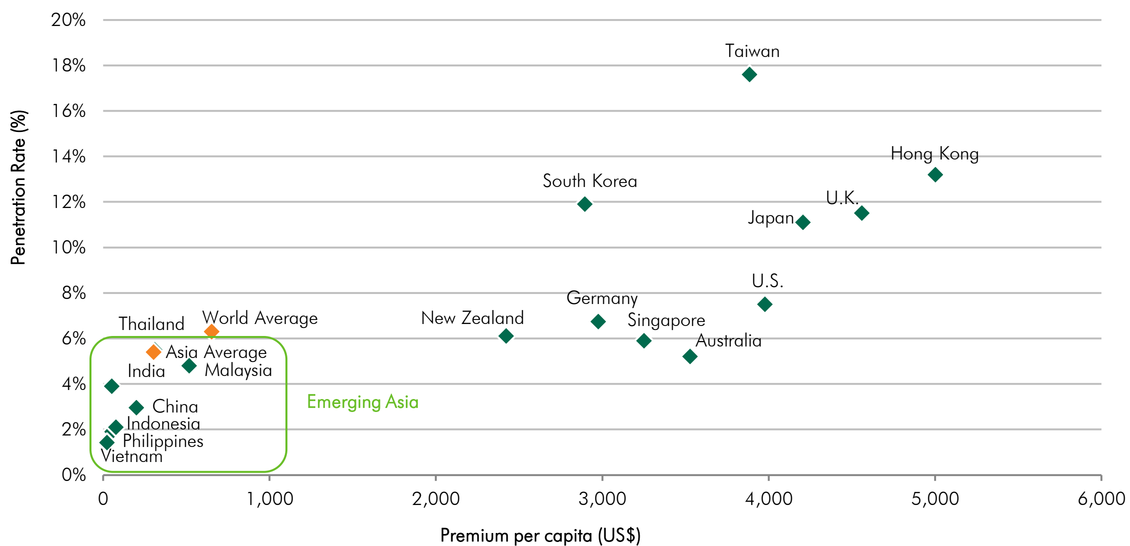
The Asian insurance industry has expanded rapidly in recent years on the back of strong economic growth and low market penetration. According to a report published by Swiss Re in 2014[1], the sector's penetration rate in Asia, viewed as insurance premiums as a percentage of GDP, stood at just 5.4% compared to 7.4% in North America and 6.3% worldwide. The insurance premium per capita for Asia stood at US$303 in 2013, a figure one-thirteenth of the North American average of US$3,979 and around half the world average of US$652.

The growth of insurance premiums in Asia is being driven by emerging markets, particularly by China. Insurance premiums in China increased by 65% between 2008 and 2013, a rate of growth equivalent to 11% per annum. The insurance business in Asia has significant potential for future growth and is expected to continue its rapid absorption of funds from existing and potential policyholders, leading to rapid growth in asset sizes.

Until recently, regulations relating to investment by insurance companies in many parts of Asia were highly restrictive. The strict regulatory environment has limited the capital insurers have been able to deploy into real estate. However, the situation is gradually changing as authorities in a number of major markets have permitted overseas investment, increased allocations to real estate and simplified the approval process.

This paper will provide an overview of the regulatory relaxations currently taking place; quantify the expected increase in investment; identify the challenges involved in investing overseas; and discuss the various channels via which Asian insurers can invest in the global real estate market.

Chart 1: Insurance penetration rate* and premium density** by country, 2013



Note:
**Penetration rate is defined as total insurance premium as % of GDP*
*** Premium density is defined as total insurance premiums per capita*
Source: CBRE Research, Swiss Re sigma study 3/2014,"World insurance in 2013: steering towards recovery", June 2014.

1. *Swiss Re sigma study 3/2014,"World insurance in 2013: steering towards recovery", June 2014.*

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Large asset sizes but underweight on real estate

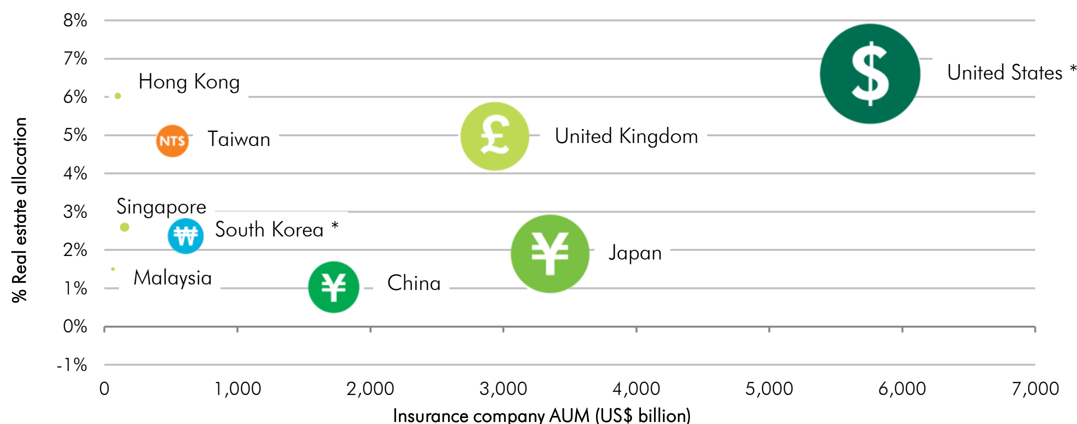
The total assets of insurance firms in Asia reached US$6.7 trillion as of the end of 2013[2]. This figure is higher than the US$5.8 trillion and US$3.0 trillion accumulated by firms in the United States and the United Kingdom respectively in 2012. Within Asia, Japan is the largest market, with insurers holding US$3.3 trillion of assets in 2013. The remainder of the regional total is held by insurers in China, South Korea and Taiwan. These four countries collectively control about 90% of insurance sector assets in Asia. Between 2008 and 2013, insurance assets in South Korea and Taiwan grew by over 10% per year whilst China recorded growth of 20% per year. Although growth in Japan has been slower at 5.0% per year, the country remains the largest insurance market in the region.

Insurance companies in Asia are generally underweight on real estate because of stringent regulations limiting their ability to invest in this asset class. Most Asian insurance companies have opted to invest in liquid and transparent assets such as equities, cash, fixed income and government bonds.

Industry statistics released at the end of 2013 show that insurance firms' real estate allocations stood at just 1.0% in China, 1.8% in Japan and 2.4% in South Korea. These proportions are far lower than their counterparts in developed markets, which typically allocate between 4.0-6.0% of their assets to real estate. Within Asia, insurance firms in Taiwan have a relatively high proportion (4.8%) of their assets allocated to real estate. However, all of this capital has been invested domestically as insurers have only very recently been allowed to invest abroad. Overall, insurance companies in Asia allocate around US$130 billion or 2.0% of their assets to real estate. This figure includes direct real estate and indirect real estate investments such as investing via funds and listed property stocks.

In recent years there has been an increasing trend for insurance companies to allocate capital into alternative asset classes such as private equity, hedge funds and infrastructure amidst low bond yields and stagnant stock market performance. Due to its long-term leases and bond like behaviour, real estate makes an ideal core asset class for insurance companies looking to diversify their portfolios and long-term holdings.

Chart 2: Insurance companies' assets under management and allocation to real estate



*Note: Bubble size: Insurance company AUM; * Life insurance company only; 2013 statistics except UK, US, Hong Kong and Malaysia which are updated to 2012*
Source: CBRE Research, Q2 2014, American Council of Life Insurers, 2013, Association of British Insurers, 2013, Yearbook of China's Insurance, 2013, China Insurance Regulatory Commission, 2013, Korea Life Insurance Association, Dec 2013, Taiwan Insurance Bureau, Dec 2013, Life Insurance Association of Japan, Dec 2013, Office of the Commissioner of Insurance (Hong Kong), 2012, Securities and Future Commission – Fund Management Activities Survey 2012, Monetary Authority of Singapore, Dec 2013, Bank Negara Malaysia, 2013.

2. Statistics cover 10 jurisdictions in Asia, namely Japan, South Korea, China, Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Indonesia and India

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Liberalisation of regulations to facilitate real estate investment

In recent years, national insurance regulators in China, Taiwan and South Korea have begun to liberalise regulations covering insurance firms' ability to invest in real estate. Steps have included increasing insurance firms' maximum allocation to real estate; permitting investment overseas; and streamlining various procedures and processes.

Japan

In Japan there is **no regulatory limit on real estate investment** by insurance companies. However, many firms incurred significant losses when doing so during the 1980's, an experience which has dissuaded them from re-entering the market.

China

Domestic insurance companies in China were first permitted to invest in domestic real estate and infrastructure in October 2009. However, detailed regulations were not promulgated until 2010. Since then, several additional measures have been implemented. These include:

- **Permitting overseas investment in completed commercial properties** in 45 countries worldwide, beginning in October 2012.
- **Removing approval requirements by the National Development and Reform Commission (NDRC)** in December 2013 for overseas investments below US$1.0 billion by Chinese companies. However, insurance companies still need to obtain approval from the China Insurance Regulatory Commission (CIRC) and the State Administration of Foreign Exchange (SAFE) when investing abroad. The average approval period is around two months.
- **Increasing insurance firms' maximum allocation to real estate from 20% to 30% of total asset value**, both domestic and foreign, in February 2014.
- **Scrapping the approvals process for overseas borrowing using domestic guarantees** (内保外贷) from SAFE in June 2014 for Chinese companies, including insurance firms, when securing cross-border guarantees by onshore entities. Instead, they only need register with SAFE.

South Korea

In October 2013 the Financial Services Commission (FSC) of South Korea proposed the abolition of the approval process for foreign real estate investment by insurance companies. Under the proposals, Korean insurers would **only be required to register their foreign property purchases**. Authorities are aware of the need for South Korean insurers to achieve greater diversification of their portfolios by geography and by asset type. Additional regulatory relaxations are still under discussion.

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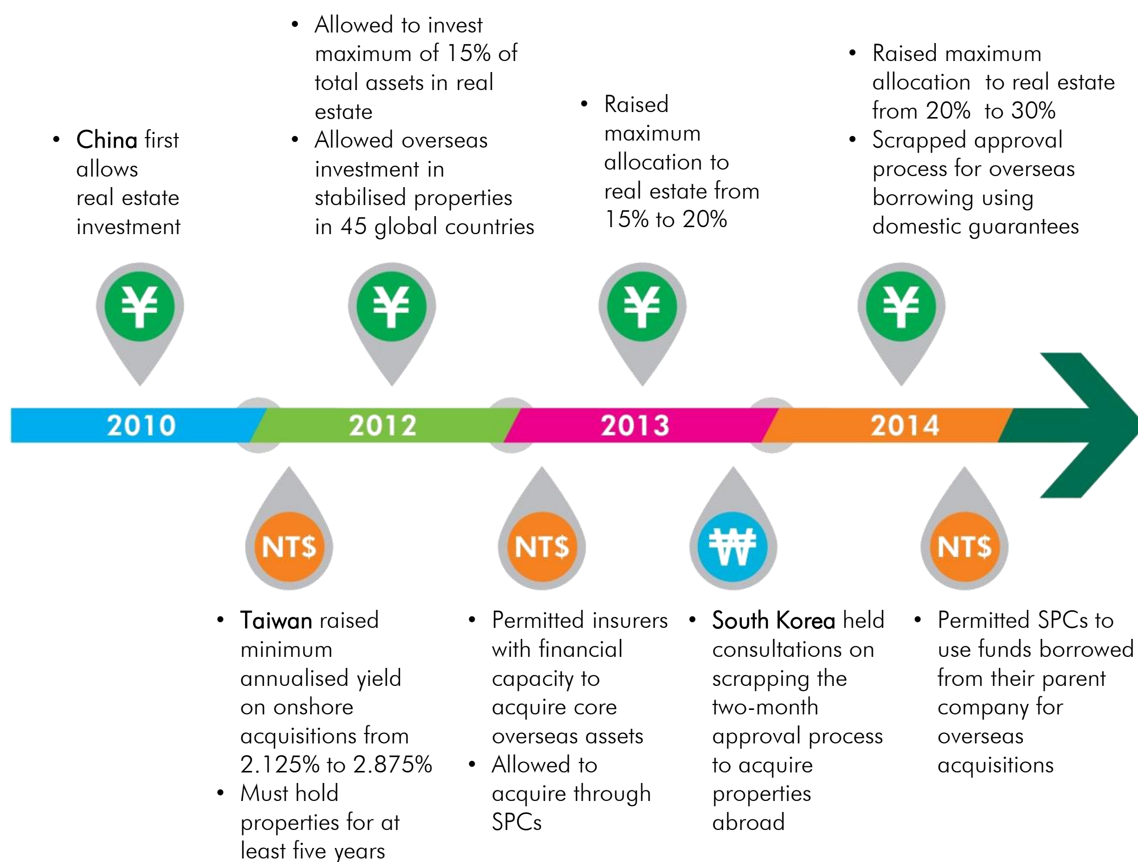
Taiwan

Taiwanese insurance companies have been the dominant buyers of commercial properties onshore for some time, owning approximately one third of all Grade A office assets in Taipei. Their buying power has driven down prime office yields in Taipei from 3.5% in 2009 to just 2.2% in 2013. This has led to concerns over high pricing and prompted regulators to implement the following changes:

- **Raising the minimum yield requirement** on onshore commercial property acquisitions from 2.125% to 2.875% in November 2012; requiring a holding period of at least five years.
- **Allowing overseas property investment** beginning in May 2013, albeit with stringent requirements.
- **Permitting only insurance companies with a risk based capital ratio of 200% or above to invest in overseas real estate assets**. The total consideration should not exceed 10% of shareholders' equity. This implies that small insurance companies will be unable to invest abroad as the permitted size of overseas investment per insurer is generally below NT$2 billion (US$67 million).
- Insurance companies are still **not permitted to borrow from external lenders when purchasing real estate assets overseas**. However, rule amendments released in April 2014 enable insurance companies to buy overseas real estate assets through investment trusts or "Special Purpose Companies" (SPCs) which could use funds borrowed from their parent companies under a shareholder loan structure. These changes will enable insurance firms to be more flexible when structuring deals and related financing issues.

Chart 3: Timeline of liberalisation of Asian insurance investment in real estate



Source: CBRE Research, China Insurance Regulatory Commission, Taiwanese Insurance Bureau, Financial Services Commission of Korea, Q2 2014.

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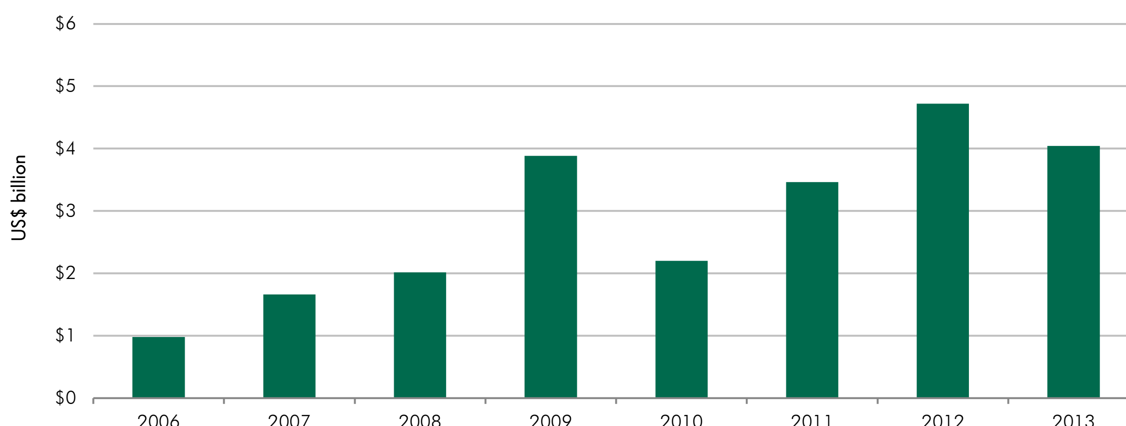
Investment activity expected to gradually strengthen

The liberalisation of regulations relating to investment by insurance companies combined with insurance firms' increased appetite to increase their allocation to real estate is expected to result in stronger investment activity in the coming years.

Asian insurance companies deployed around US$4.0 billion to the Asia Pacific direct commercial real estate investment market in 2013, an amount double that in 2008. Within Asia, China has seen the biggest increase, with investment volume in Asia Pacific rising from US$468 million in 2012 to US$1.9 billion in 2013.

Chart 4: Total direct real estate acquisitions in Asia Pacific by Asian insurance companies



Note:
US$10 million and above, office, retail, industrial, hotel and mixed use properties only
Source: CBRE Research, Q4 2013.

Insurance firms are beginning to look outside Asia

Strong demand for core assets combined with the lack of investment grade core and core plus properties in Asia has compressed prime office yields to historical lows and pushed up capital values to record highs. This is making it difficult for insurance firms to justify acquisitions at current prices. Coupled with the recent rule relaxations, this environment is encouraging Asian insurance companies to explore opportunities in other regions. In 2013, there were **around US$2.4 billion worth of direct real estate purchases by Asian insurance companies outside Asia Pacific**. Firms have demonstrated a strong preference for trophy assets in gateway cities, particularly when making their first overseas purchase.

Cross-regional investment activity by Asian investors during 2013 focused **predominantly on London, New York and Sydney**. South Korean insurers have been particularly active and have co-invested or acquired several core office assets in London and Chicago. Chinese insurers have been purchasing core office assets in London and are reportedly considering buying properties in Australia. Taiwanese insurers are particularly interested in office properties in Shanghai due to its geographical proximity to Taiwan; London because of its liquidity, transparency and maturity as a market and the availability of assets; and Tokyo for its maturity as a market and also as part of a strategy to foster closer ties with Japan. In comparison to firms from China and Taiwan, South Korean insurers are more flexible when it comes to formulating investment strategy and investing in non-gateway cities.

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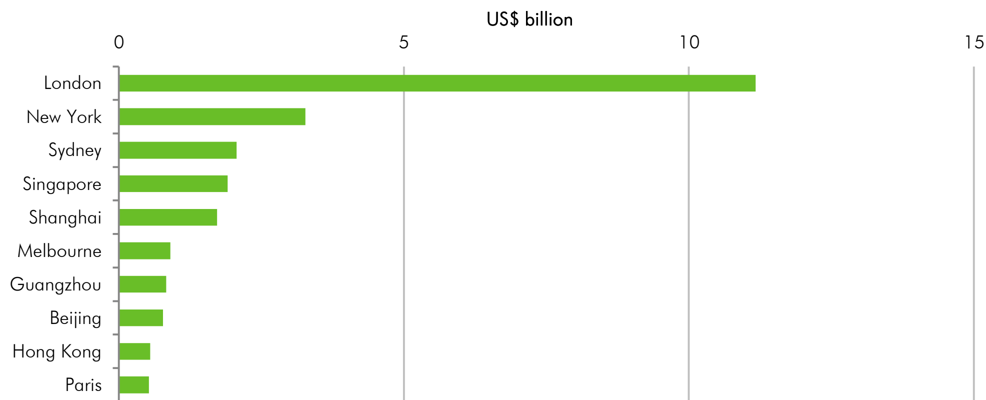
Insurers have demonstrated a strong appetite for big ticket deals ranging in size from US$300 to US$600 million. Ping An Insurance was the first Chinese insurance company to invest in overseas real estate, acquiring the Lloyd's building in London for £260m (US$421 million) in July 2013. Hyundai Marine and Fire Insurance co-invested with the Korean Federation of Community Credit Cooperatives (a Korean pension fund) to purchase Marks & Spencer's London headquarters at Paddington Waterside for US$327 million in late-2013.

Since 2013, Asian insurers which have completed their first purchase overseas have **begun to look beyond their preferred gateway markets** to the likes of Chicago, Washington DC, Paris and Frankfurt in search of higher yields.

For example, Hyundai Insurance, Kyobo Life Insurance and a few South Korean institutional investors jointly acquired Galileo Tower in Frankfurt for US$340 million in June 2013. Elsewhere, Korea Post Insurance and Hyundai Marine & Fire Insurance invested indirectly to purchase the Accenture building (161 N Clarke Street) in Chicago for US$331 million in late-2013. Mirae Asset bought the West Bridge Building in Washington D.C. for US$156 million in early 2014 on behalf of a group of South Korean institutional investors including Hyundai Insurance.

Chart 5: Asian investors' top 10 cross-border destinations in 2013



Note: US$10 million and above, office, retail, industrial and mixed use properties only
Source: Real Capital Analytics, CBRE Research, Q4 2013.

Table 1: Global office investment themes in 2014

	Income Return Strategy	Capital Appreciation Strategy
Prime	• Prime assets in gateway cities that have already experienced rapid yield adjustment are of low priority • Prime assets in regional cities benefitting from a recovery in occupier demand • Favourites: Australia, the UK and Nordic Europe, US	• Take on leasing risk in late recovery cities to capture future rental growth • Build-to-core in under-supplied markets • Favourites: Non-gateway cities in North America (e.g. Phoenix, Dallas) and Continental Europe
Secondary	• Secondary assets in gateway cities • Take advantage of the pricing gap between prime and secondary assets in major gateway cities • Favourites: UK (London), US (New York) and Australia	• Target peripheral European markets that suffered the most from the Eurozone debt crisis as liquidity is improving and supply is limited • Take advantage of price dislocation • Favourites: Peripheral Eurozone

Source: CBRE Research, Q2 2014.

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Cross-border investment involves several challenges

To date, only the leading Asian insurance companies have successfully completed real estate purchases overseas. Many groups, particularly mid-tier firms, have found it difficult to enter the offshore market. Indeed, there are a number of challenges facing Asian insurers looking to engage in cross-border real estate investment. These include:

The lack of overseas experience, knowledge and execution capability

Asian insurers are dominant and experienced real estate investors in their domestic markets but lack nous in investing overseas. Most Asian insurers do not have professional real estate staff overseas and lack expertise at the decision making level. However, this challenge can be overcome by utilising the knowledge and experience of asset consultants, investment managers and real estate service providers.

Tax considerations

Tax is an important but complicated issue, particularly as far as cross-border real estate investment is concerned. Many countries place additional tax burdens on foreign investors. However, structuring deals in a more tax efficient way tends to make them more complex, lengthy and costly, thereby reducing their competiveness in the market and limiting their after-tax performance compared to deals completed in domestic market.

Concerns over the outflow of capital

This issue is a concern most relevant to Taiwan given domestic insurers' dominance of the local market. Although the Taiwan Insurance Bureau holds a positive attitude towards overseas real estate investment by domestic insurers, it remains concerned over the potential outflow of capital, should domestic insurers begin investing in the global real estate market. As a result, the regulator has put in place a number of measures including a lengthy approval process and risk based capital ratio criteria.

Competition from other investors

In recent quarters a number of major western markets have experienced a revival in purchasing activity by domestic investors. Local groups possess many advantages when buying in their own market. Asian insurers looking to invest in real estate abroad are therefore having to deal with increased competition, particularly in gateway cities.

Several regulations and approvals remain in place

Whilst regulations and approvals processes have been relaxed, key markets have set a ceiling on real estate investments. This could exclude smaller players from investing in the real estate sector. To get around this obstacle, a number of medium-sized insurance firms are reportedly considering partnering with other insurance companies to co-invest in foreign countries.

All overseas investments remain subject to regulatory approval which will lengthen the process of overseas acquisitions. In China, the approval process involves multiple regulatory bodies such as SAFE and the CIRC. In Taiwan, insurers are opting to obtain pre-approval on potential investments from the Financial Supervisory Commission (FSC) so they do not need to wait until they confirm a purchase.

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Outbound investment is expected to accelerate moderately

Due to the many challenges facing Asian insurers looking to engage in cross-border real estate investment, CBRE Research believes there will not be a significant short-term increase in Asian insurers' allocation to real estate from the current overall level of 2.0%.

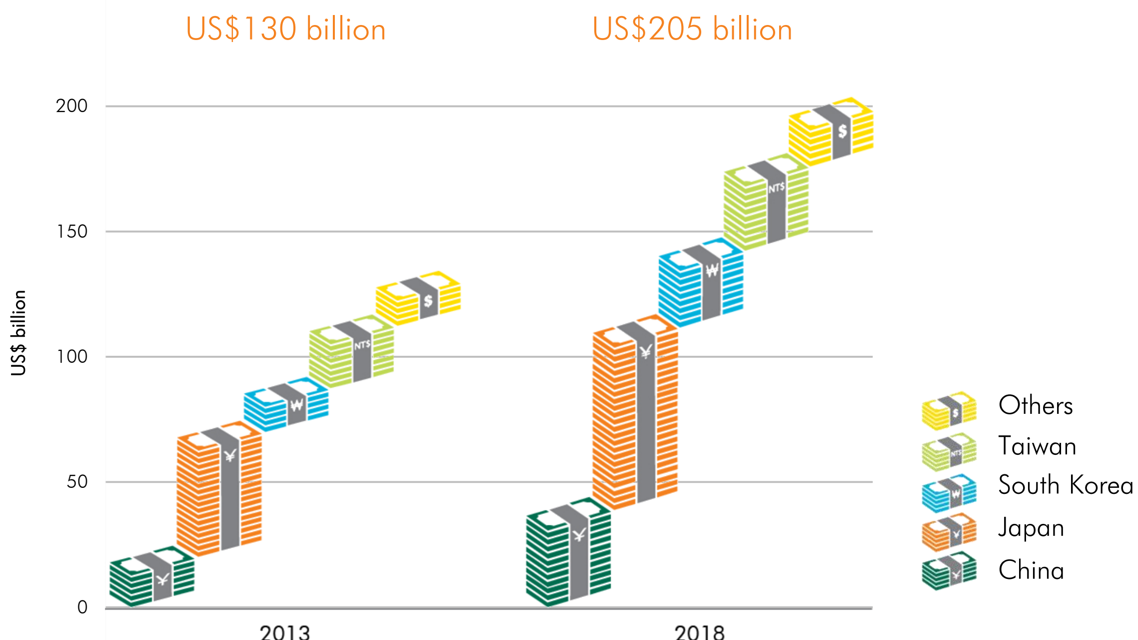
In the longer-term, however, the allocation will need to rise, given the rapid growth in the asset size of the Asian insurance sector. CBRE Research projects that the total real estate asset size of Asian insurers will grow from US$130 billion in 2013 to US$205 billion in 2018, which would translate into additional inflows of around US$75 billion into real estate, including direct and indirect real estate investment.

Asian insurers could invest up to US$45 billion in their domestic markets and US$30 billion in overseas markets during this period, based on historical investment patterns. Chinese and Taiwanese insurance companies are likely to be the most active in overseas real estate markets in the coming years, given the shortage of opportunities and low yields for prime core assets in their domestic markets.

Japanese insurance firms have been relatively cautious in investing in overseas real estate, primarily because of the significant losses they incurred when investing aggressively overseas in the late-1980s. However, several major Japanese insurers are reported to have budgeted for investing in real estate both domestically and overseas in 2014.

South Korean insurance companies have been active in investing in overseas real estate over the past couple of years and now have a solid base of experience. These firms are expected to utilise more indirect channels to expand their global portfolios in the years ahead.

Chart 7: Estimated size of Asian insurance companies' real estate assets



Source: CBRE Research, Q2 2014.

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Asian insurers will utilise multiple channels of investment

To overcome their lack of **in-house management** capacity and experience, many Asian insurers are looking to engage in **separate account** and **club deals** to secure direct access to offshore markets. They are also considering other indirect investment options such as investing via **private equity real estate funds**, **listed real estate securities** such as REITs, and a **fund of funds**.

CBRE Research expects that around US$40 billion will be channelled to the direct real estate investment market between now and 2018. Around US$35 billion will enter the indirect real estate investment market during the same period.

The choice of direct or indirect investment depends on the level of in-house property investment and expertise of external investment manager. Insurers in different markets also have their own specific preferences. Major Chinese and Taiwanese insurers prefer direct investment and full ownership of an asset. They overcome their lack of in-house overseas real estate experience by engaging professional managers to invest using a separate account. This ensures that their investment adheres to a pre-specified investment strategy according to risk and return, property type and geographic requirements.

Chart 8: Alternative options for real estate investment

In-house property investment capability: HIGHER (top) to LOWER (bottom)

Dependence on external expertise: LOWER (top) to HIGHER (bottom)

	Key Considerations	Relevance to Asian insurance companies
In-house management	• Internal fund management platform • Attracting experienced staff • Size of the investment	• Major players in China, Taiwan, Japan (onshore)
Separate account	• Dependence on the expertise of specific managers • Tailor-made strategy • Committed equity	• Major players in China and Taiwan (offshore)
Club deal	• Alignment of interests • Timing of execution	• South Korea: jointly with other South Korean institutions • China/Taiwan: more second-tier players to consider
Real estate fund	• Alignment of investment style and objectives • Can be equity or debt investment • Normally a blind pool and passive investment	• Japan: Investing offshore via real estate and debt funds; investing onshore via private REITs • South Korea: investing in funds by South Korean AMCs
Real estate securities	• Market volatility • Maturity of Asian REIT market • Affected by stock market performance	• Subject to regulations on stock investment • Asian REIT market size is too small, with the exception of Japan
Fund of funds	• Double fees • Conflicts within FoF managers • Normally a blind pool and passive investment	• Not seeing much investment via fund of funds • However, South Korean insurers are looking into this option

Source: CBRE Research, Q2 2014.

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Insurers looking at smaller sized deals are considering **co-investment** or **club deals** whereby they partner with two to four other like-minded investors with similar objectives. These types of deals enable participants to leverage the expertise and relationships of managers that already have an overseas presence and can result in savings on the transaction and management costs.

South Korean insurers have been regular participants in co-investment and club deals. They often team up with South Korean pension funds to invest via South Korean asset management companies (AMCs) but have also invested with other Asian institutions. Examples include Hanwha Life Insurance's co-investment with China SAFE and AXA Real Estate to acquire Ropemaker Place in London for £472 million (US$716 million) in Q1 2013.

Very few Chinese and Taiwanese insurers have adopted a similar approach in overseas markets. However, this would be a viable strategy for them as many firms remain subject to tight restrictions on the volume of capital they are permitted to deploy overseas. Taiwanese insurers are only allowed to invest up to 10% of shareholders' equity in overseas real estate markets, a restriction that limits the size of deals in which they can participate. Smaller insurance companies would therefore be able to improve their chances of acquiring a major asset by partnering with firms of a similar size.

Case study
Direct investment by Ping An Insurance

Ping An Insurance was the first Chinese insurance company to purchase a real estate asset overseas with its July 2013 acquisition of the iconic Lloyd's building in London for £260 million (US$421 million) at a yield of above 6.0%. The property was constructed in 1986 and is occupied by insurer Lloyd's on a lease which expires in 2031.

Ping An acquired the building via an Asian investment manager in order to leverage on the manager's overseas market knowledge and experience.

Transaction Details
Property: Lloyd's building
Location: City of London, United Kingdom
Type of Asset: Grade A office
Buyer: Ping An Insurance
Seller: CLI Group
Price: £260 million (US$421 million)

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Insurers wishing to acquire a portfolio of assets overseas can engage in indirect investment in real estate funds, a fund of funds or listed real estate equities such as REITs. Investing in **real estate funds** allows buyers to gain access to new markets and purchase assets in different sectors and geographies.

Japanese insurance firms are increasingly investing in **private REITs**, which are essentially open-ended real estate funds backed by onshore commercial properties. Japanese insurers are also gaining exposure overseas by committing to real estate funds and debt funds in the United States and Eurozone. Elsewhere, South Korean insurers and pension funds have been investing in funds by South Korean AMCs. In March 2014, Schroder Property Investment Management announced that two large Asian insurance companies would invest £40 million into the Schroder UK Property Fund.

Investing in real estate securities provides higher liquidity compared to direct property holdings. However, with the exception of Japan and Singapore, REIT markets in Asia are underdeveloped, meaning that investing in domestic real estate securities is not such an attractive option for insurers. Even in Japan, insurers companies are looking to ensure that their portfolios are stable and are therefore sometimes reluctant to invest in listed J-REITs due to potential volatility in prices.

Investing in a **real estate fund of funds** has increased dramatically in the United States and Eurozone in recent years. This trend is being driven by the increased number and complexity of real estate funds available to investors, with investors seeking to draw on the expertise of fund of fund managers when making their investment decisions. The main challenge in pursuing this strategy relates to the charging of double fees as well as the potential conflict of interest. To date, there has been very little investment by Asian insurance companies via a fund of funds but several South Korean insurers are reportedly beginning to consider this option.

Case study:
Co-investment by a South Korean consortium

In Q2 2013 Samsung SRA Asset Management, an asset management arm of Samsung Life insurance, acquired 30 Crown Place in London for £142 million (US$215 million) at a net initial yield of 4.7% on behalf of five South Korean institutional investors.

This deal structure enabled investors to diversify and reduce transaction and management costs. Smaller domestic institutional investors can adopt this approach when participating in the overseas real estate investment market.

Transaction Details
Property: 30 Crown Place
Location: City of London, United Kingdom
Type of asset: Grade A office
Buyer: Five South Korean institutional investors
Seller: Hannover Leasing GmbH & Co. KG.
Price: £142 million (US$215 million)

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Conclusion

The liberalisation of regulations relating to overseas investment; higher allocations to real estate and the simplified approval process will result in a gradual increase in international real estate investment by Asian insurers. At the same time, the rapid growth of the insurance industry in Asia will lead to the expansion of insurers' investment portfolios, and thus **greater pressure to deploy capital into the real estate sector**.

China, Taiwan and South Korea have already liberalised regulations permitting insurers to invest in overseas real estate. Several insurers from these markets have already completed significant acquisitions of commercial property abroad. In Japan – the largest insurance market in the region – insurers have turned more active onshore but remain quiet overseas.

However, regulations remain stringent overall and continue to limit investment allocations to real estate. This, combined with Asian insurers' lack of overseas real estate investment experience, means that only larger and well capitalised insurance companies will be able to acquire trophy assets in gateway cities. It will take **more time for smaller and medium sized insurance firms to successfully engage in cross-border acquisitions**. Therefore, the improved regulatory environment and increased appetite for investment will not result in an immediate or significant flow of Asian insurance money into the international real estate market.

CBRE Research expects the increase in Asian insurers' capital deployment to real estate to grow in proportion with the total asset size of the sector, which expanded at a rate of around 13% per annum between 2008 and 2013. **The total real estate asset size of the Asian insurance sector is projected to reach US$205 billion by 2018, an increase of US$75 billion over the next five years. The majority of capital will be deployed into direct real estate investment.**

Chinese insurers are expected to be particularly active overseas given their sheer size whilst Taiwanese insurers are displaying the strongest desire to go abroad as it is difficult for them to pass the yield hurdle set in their home market. Japanese insurers have significant buying power but appear to be focusing on their domestic market and investing overseas via a fund structure.

In Asia, the current low yield levels and shortage of investable stock – particularly the lack of stable core assets in domestic markets – is prompting Asian insurance companies to seek **opportunities in overseas gateway markets**. The search for better returns has prompted more experienced Asian investors to increase their appetite for risk. This is resulting in **greater enthusiasm for good secondary assets and non-gateway cities**, a trend which is being observed globally. South Korean insurers are among the most experienced in investing in overseas real estate markets and are expected to expand into non-gateway markets and explore other indirect investment channels.

Investing in assets in non-gateway cities will require a higher level of investment expertise. Asian insurers looking to do so are therefore advised to **consider other investment options such as separate accounts, club deals, private equity funds, real estate securities or a fund of funds**. All of these strategies can provide alternative channels for Asian insurers to access overseas real estate markets. These options are particularly relevant for small and medium sized firms.

CBRE expects that existing regulations relating to overseas real estate investment by insurance firms will be relaxed further in the coming years as regulatory bodies gain more confidence about overseeing such activity and insurance firms gain experience and know-how in investing globally.

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