ASIA PACIFIC INVESTOR INTENTIONS SURVEY 2014

CBRE GLOBAL RESEARCH AND CONSULTING

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Executive Summary

- The CBRE Asia Pacific Investor Intentions Survey 2014 was carried out online between January-February 2014 and received a total of 122 responses from a wide range of real estate investors in Asia Pacific. Respondents' place of domicile was fairly evenly distributed between Asia (44%), the Pacific (26%) and outside Asia Pacific (30%, referred to "international" in this report).

- Respondents expressed a wide range of views on the most attractive region to invest in but displayed a strong preference for investing in their own region. Asia held the strongest appeal among all regions, with Developed Asia and Emerging Asia topping the list.

- Investors also displayed a strong interest in investing in Western Europe and North America as the economic recovery in the West takes hold.

- Within Asia Pacific, China is the preferred destination for cross-border investors (excluding respondents selecting their own market of domicile), followed by Australia and Japan. About 32% of respondents identified their home countries as the most attractive. These investors are regarded as "domestic" investors for the purposes of analysis.

- Respondents displayed a strong preference towards investing in gateway cities such as Tokyo, Shanghai and Sydney.

- The office sector was identified as the most popular sector for investment followed by industrial and logistics, and then residential. Interest in industrial and logistics assets is being supported by strong upgrading demand and the limited availability of modern logistics stock.

- Australia industrial and logistics, Australia offices, China industrial and logistics, Japan offices and Australia retail were identified as the most attractive country-sectors for investment.

- Investors are polarised at both ends of the risk curve. Some indicated that opportunistic/value-added is their preferred asset type, whilst others are looking at prime/core. Relatively fewer opted for secondary assets.

- Investor appetite for secondary assets is increasing as buyers deterred by the aggressive pricing for prime/core assets look to capitalise on the pricing gap between core and secondary locations.

- A significant majority of investors expect to be net buyers in 2014 and commit more capital to the Asia Pacific real estate market this year compared to 2013.

- Respondents identified asset pricing; the lack of availability of assets; and restrictions on foreign ownership as the main obstacles to investment in the region.

- Respondents identified economic slowdown/weakness and the perception that property has become overpriced as the main threats facing the market in 2014.

- Despite these challenges, investors generally retain a positive outlook towards the region's longer term prospects. When asked to identify the main factors making Asia Pacific an attractive place for investment, survey respondents listed above world economic growth; long-term demand for quality commercial property and rapid urbanisation as the main factors.

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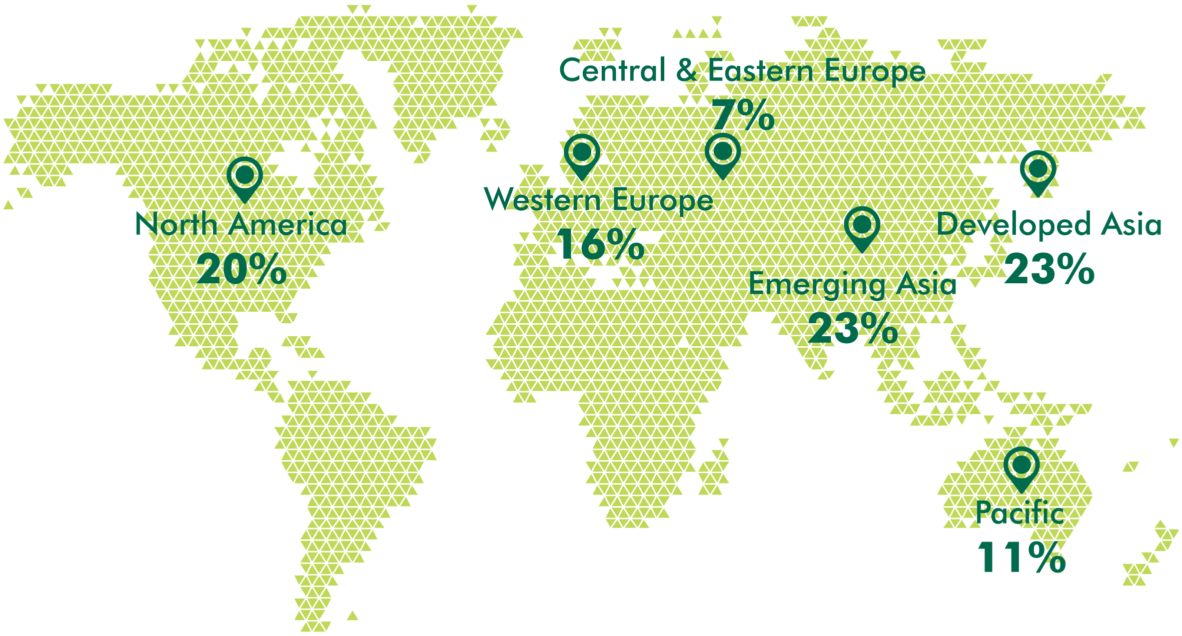
Asia Pacific is the most preferred region among investors



Most attractive countries among cross-border investors

28% 18% 15%

Hottest sectors

Office
32%

Industrial and logistics
29%

Residential
21%

...but strong concerns over:

Economic weakness
23%

Overpriced property
21%

US tapering / rising interest rates
17%

Investors still generally retain a positive outlook towards the region's long term prospects, because of:

Above world economic growth
29%

Long-term demand for quality CRE
28%

Rapid urbanisation
23%

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Most Attractive Markets

Most Attractive Region

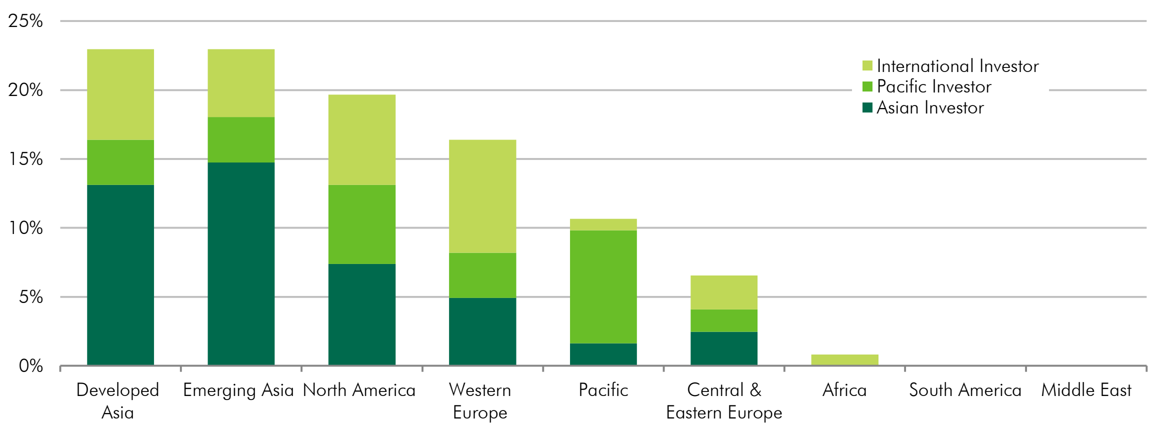
Respondents expressed a wide range of views on the most attractive region to invest in. Asia retained significant appeal, with Developed Asia (23%) and Emerging Asia (23%) topping the list. Investors also displayed a strong interest in North America (20%) and Western Europe (16%).

The survey results found that international investors are particularly keen on Developed Asia (Japan, Korea, Hong Kong and Singapore) but Asian investors are opting for Emerging Asia (China, India and Southeast Asia).

These findings reflect the divergent appetite for risk among investors and the fact that Asian investors are generally more comfortable in dealing with the various challenges associated with investing in emerging markets in the region. In contrast, international investors generally prefer to invest in developed markets they are already familiar with and where risks are lower. In addition, there are often restrictions on foreign ownership in Emerging Asia which prevent or make it complex for international investors to enter such markets.

Survey respondents displayed a strong preference for investing in their own region. Analysed by region of domicile, 63% of Asian investors selected Asia as their preferred destination for investment. Some 60% of international investors favoured North America and Western Europe, reflecting increased optimism around the economic recovery in the West and perhaps a desire to refocus on their home regions. Elsewhere, a significant majority (77%) of investors based in Australia and New Zealand said they would prefer to invest in their own region.

Chart 1: Which region is the most attractive for property investment in 2014?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Investing Outside Asia Pacific

44% of respondents indicate that they will invest outside Asia Pacific this year. Of these, the majority said they would invest the same or greater amount outside the region than they did in 2013. 36% of investors are looking to invest outside the region on a larger scale compared to the previous year.

Most investors intending to invest outside Asia Pacific said they would do so mainly in Western Europe (43%) and North America (36%). These findings reflect the trend for investors to explore opportunities in mature economies as the recovery in mature Western markets takes hold together with the inclination for investors to purchase core assets in gateway cities.

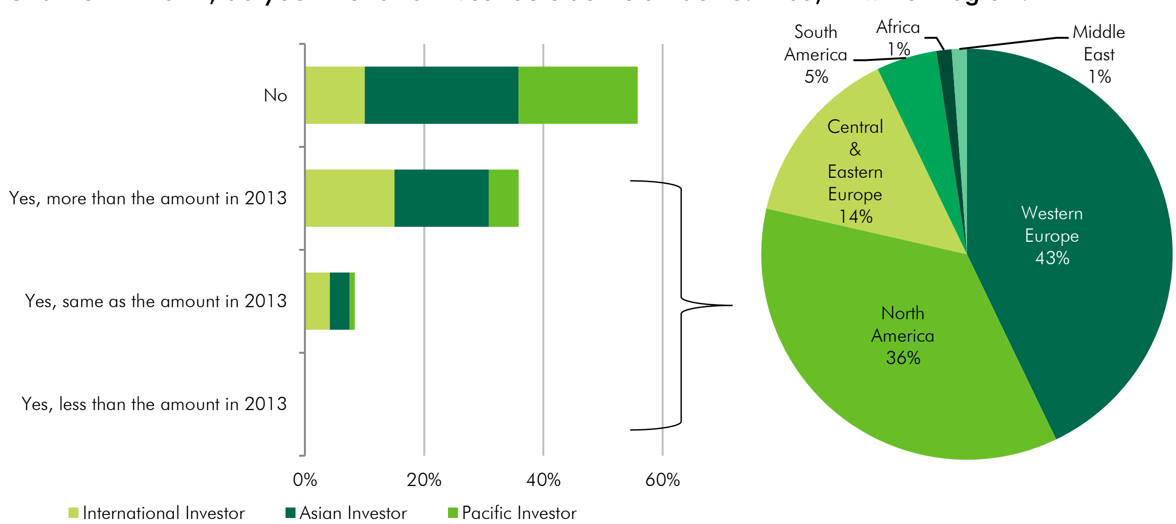
The survey findings reveal that respondents appear to view risk-adjusted returns in developed markets more attractive than those in emerging markets. In terms of the property price cycle, office capital values in Asia are 10% higher than they were at the pre-Global Financial Crisis peak and are displaying decelerating growth. In Western Europe and North America, office capital values are 5-7% below the previous peak and have the potential to undergo a strong recovery.

Chart 2: Office capital value indices

Source: CBRE Research, Q4 2013.

Analysed by investor domicile, about one-third of Asian investors expect to increase the investment outside Asia Pacific in 2014. However, just 19% of investors based in the Pacific intend to increase their investment outside the region this year.

Chart 3: In 2014, do you intend to invest outside Asia Pacific? If so, in which region?



Source: CBRE Asia Pacific Investor Intentions Survey 2014; respondents could choose more than one region.

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Most Attractive Country

If investors selecting their own market as the most attractive destination for investment are excluded from the survey findings, China ranks as the preferred market among cross-border investors, followed by Australia and Japan. Investors also ranked these three countries as their preferred destinations in surveys conducted by the Urban Land Institute (ULI) and the Asian Association for Investors in Non-listed Real Estate Vehicles (ANREV) in late-2013.

Although the recent economic slowdown has forced investors to revise their growth expectations, the depth and long-term potential of the Chinese real estate market combined with its economic structural shift away from export-led growth to internal consumption still makes it an attractive location for investors.

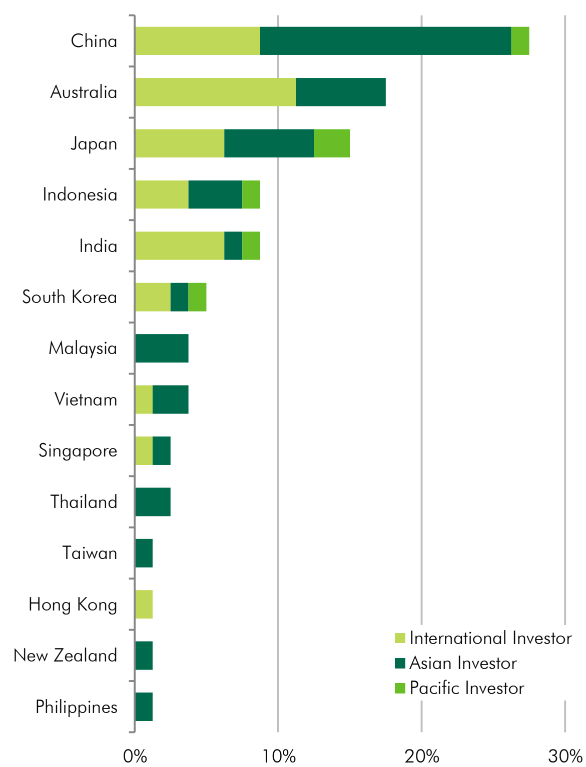
The survey found that international investors retain a strong interest in Australia, a trend due primarily to this market's high degree of transparency, favourable absolute yield level and relatively high availability of investable assets. Although the Australian dollar has depreciated 7.6% since its last high in October 2013 and the cost of hedging for international investors is decreasing, 2014 is likely to see the continued inflow of capital from international investors.

India and Indonesia ranked in fourth and fifth place. Whilst there is increasing concern over weaker currencies in these markets together with the potential outflow of capital as the US Federal Reserve begins tapering its quantitative easing programme - which has already prompted some financial investors to repatriate funds back to the United States – long term growth factors such as the demographic dividend and the rise of the middle class has largely shielded these two markets from volatility in the financial markets.

Chart 4: Which country in Asia Pacific is the most attractive for property investment in 2014?

All respondents

Cross-border investors (excludes respondents selecting their own market)



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Although the survey should accurately reflect investor appetite and intentions, the findings may not match the actual deployment of capital. Whilst it would take a few more years to ascertain whether the survey can function as a leading or lagging indicator on actual market activity, overlaying the 2014 survey findings with the investment turnover recorded in 2013 throws up a number of interesting talking points.

The table below summarises the capital deployment in each country as a percentage of the Asia Pacific total commercial real estate investment turnover in 2013 and compares this with the percentage of respondents ranking the equivalent country as the most attractive investment destination. Those colour-coded in green reflect stronger investor intentions than the actual capital deployment whilst those coded in red indicates weaker investor intentions than the actual capital deployment.

The findings show that investor intentions in Australia, China, India and Indonesia are stronger than actual investment activity. This suggests that these markets will continue to see an inflow of capital into the real estate sector in 2014. In India and Indonesia, the big discrepancy between investor intentions and actual activity may also reflect the difficulty in sourcing viable assets given the restrictions on foreign ownership of commercial property in these markets.

In Japan, Hong Kong, South Korea and Singapore investment appetite appears to be weaker than actual activity. This trend can be partially explained by the fact that investment activity in these markets is dominated by domestic investors which may adopt a different view from cross-border investors, who are the target respondents of this survey.

Table 1: CBRE Investor Intentions Survey vs. Actual Capital Deployment by Country

Country	Deployed Capital in APAC in 2013 (% of Total)	CBRE IIS 2014 (all respondents)	Difference to CBRE IIS
Australia	23%	30%	7%
China	14%	19%	5%
Japan	26%	15%	-11%
India	1%	8%	7%
Indonesia	0%	6%	5%
Hong Kong	12%	3%	-8%
New Zealand	1%	3%	2%
South Korea	8%	3%	-5%
Malaysia	1%	3%	1%
Singapore	7%	3%	-4%
Vietnam	0%	3%	2%
Thailand	2%	2%	0%
Philippines	0%	1%	0%
Taiwan	4%	1%	-3%

Source: CBRE Asia Pacific Investor Intentions Survey 2014.

**CBRE IIS: CBRE Investor Intentions Survey.*
** Difference to CBRE IIS: Positive number colour-coded in green=Investor intentions are **greater** than deployed capital in 2013.*
** Difference to CBRE IIS: Negative number colour-coded in red=Investor intentions are **lower** than deployed capital in 2013.*

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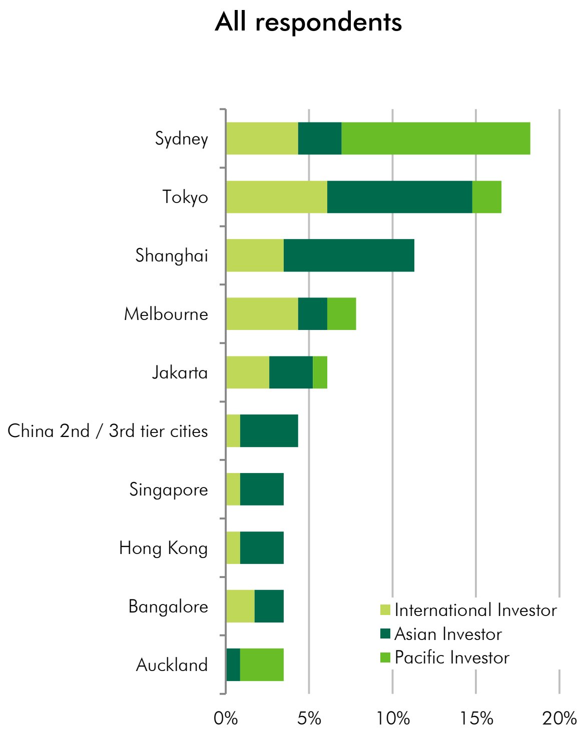
Most Attractive City

Survey respondents displayed a strong preference for investing in gateway cities. Around a fifth (18%) of investors ranked Sydney as the most attractive city for investment, followed by Tokyo (17%) and Shanghai (11%). If investors selecting their own country of domicile as the most attractive destination for investment are excluded from the survey findings, Tokyo (18%) and Shanghai (15%) are ranked as the most attractive cities for investment among cross-border investors.

Sydney is ranked as one of the top destinations due to the attractive yields on offer and relatively high availability of quality office product. Tokyo has the highest yield spread among developed markets in the region and saw improving sentiment and a rental recovery over the course of 2013. Shanghai remains an attractive market given its long-term growth prospects as China's major business hub. However, yields in Shanghai are compressing –currently standing at 4.5% for office assets – which is making it a less attractive location for investment compared to previous years.

Jakarta and tier II / tier III cities in China secured fifth and sixth place on the list. The office sector in Jakarta has seen strong rental and capital value appreciation in recent years but this hyper growth phase is likely to have come to an end due to the large volume of CBD supply scheduled to be completed in 2014 combined with the effect of slower economic growth. Despite oversupply concerns in tier II / tier III cities in China, investors are still expressing a steady level of interest in such markets. However, investors will need to be more selective when acquiring assets in such locations as their performance can vary significantly depending on facility specification, location and whether there are any benefits to be derived from improvements to surrounding infrastructure.

Chart 5:Which city in Asia Pacific is the most attractive for property investment in 2014?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Most Attractive Sector

The office sector was chosen by 32% of investors as their preferred sector to invest in. This figure broadly matches the proportion accounted for by office assets in regional investment turnover and the higher investment grade and liquidity in this sector.

Industrial and logistics (29%) ranks second in the survey. The high placing reflects the rising interest in this asset class seen over the past year due to the comparatively better yields on offer and strong demand. Investment turnover in the industrial and logistics sector in Asia Pacific in 2013 increased by 79% y-o-y to US$13.1 billion.

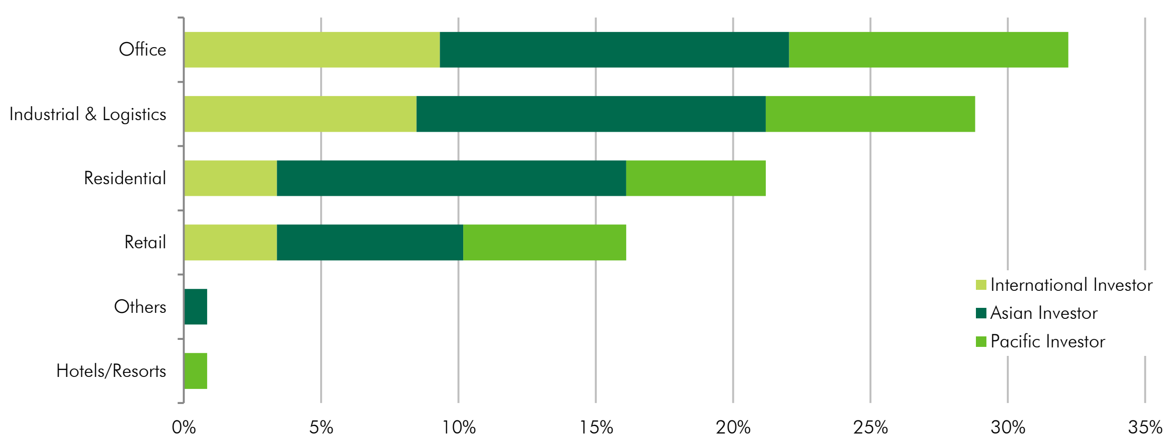
Traditionally, industrial assets in Asia have mainly been owner-occupied but more businesses are realising the need to improve the efficiency of their logistics operations by outsourcing them to specialised third party logistics (3PL) providers. The growth of e-commerce and domestic trade are the additional strong fundamentals that are attracting investors to this asset class.

Despite the strong investor appetite for industrial and logistics properties, sourcing investable assets in Asia Pacific remains challenging. The sector's share of total investment turnover was just 13% in 2013. The table below shows that investor intentions in this sector far outweigh actual activity. The bulk of investment activity in this sector is dominated by the leading specialist industrial and logistics investors/developers and there is limited room for other players.

Residential (21%) ranked the third most preferred sector for investment, supported by the ongoing wave of urbanisation in emerging Asia. Project development is the main mode of entry in China and India. Although investor intentions in this sector are stronger than the actual capital deployment, this number should be read with caution as the shortfall may be directed into company-level investment or development sites.

Retail has been the hottest sector for investment in the past two years on the back of strong consumption growth in the region. However, the sector came in fourth in the survey. This reflects the recent cooling of investment sentiment around retail assets as investors have found it challenging to source quality product and capture strong retail sales growth in rental income.

Chart 6: Which sector in Asia Pacific is the most attractive for property investment in 2014?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Table 2: CBRE Investor Intentions Survey Vs. Actual Capital Deployment by Sector

Sector	Deployed Capital in APAC in 2013 (% of Total)	CBRE IIS 2014 (all respondents)	Difference to CBRE IIS
Office	50%	32%	-18%
Industrial	13%	29%	15%
Residential	7%	21%	14%
Retail	23%	16%	-7%
Hotel	5%	1%	-4%
Others	1%	1%	0%

Source: CBRE Asia Pacific Investor Intentions Survey 2014.

**CBRE IIS: CBRE Investor Intentions Survey.*
** Difference to CBRE IIS: Positive number colour-coded in green=Investor intentions are **greater** than deployed capital in 2013.*
** Difference to CBRE IIS: Negative number colour-coded in red=Investor intentions are **lower** than deployed capital in 2013.*

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Most Attractive Country-Sector

Survey respondents ranked the Australia industrial and logistics sector (11%) as the preferred country-sector. Australia offices (10%) rank second followed by China industrial and logistics (8%), Japan offices (6%) and Australia retail (5%).

Again, despite strong investor appetite, the actual availability of their desired assets is very limited. Direct investment activity in the industrial and logistics sector in Australia and China remains especially weak. In China, several investments in the industrial and logistics sector were executed via indirect funds (unlisted and listed) which develop facilities instead of acquiring assets in the open market.

Table 3: CBRE Investor Intentions Survey Vs. Actual Capital Deployment by Country-Sector

Country-Sector	Deployed Capital in APAC in 2013 (% of Total)	CBRE IIS 2014 (all respondents)	Difference to CBRE IIS
Australia-Industrial/ Logistics	2%	11%	9%
Australia-Offices	13%	10%	-3%
China-Industrial/ Logistics	1%	8%	8%
Japan-Offices	10%	6%	-4%
Australia-Retail	6%	5%	-1%
China-Residential	1%	5%	4%
China-Offices	8%	3%	-5%
China-Retail	3%	3%	0%
India-Offices	1%	3%	2%

Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Preferred Form of Investment

Most Attractive Asset Type

The survey findings show investors polarised at both ends of the risk curve. 44% of respondents indicate that opportunistic/value-added opportunities are their favoured asset type whilst 29% displayed a preference for prime/core assets.

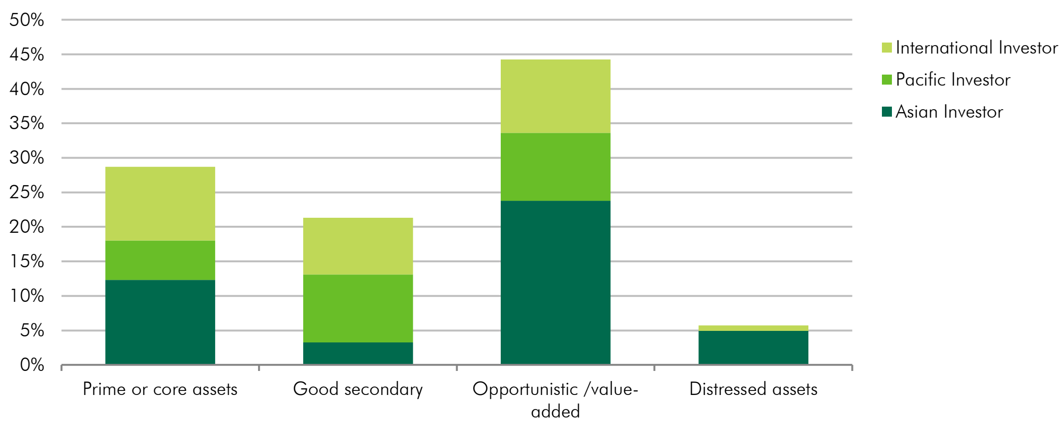
Given the current hard pricing for core assets, core fund returns have shrunk significantly. This is making value-added and opportunistic strategies more appealing to investors. That said, the appetite for prime/core assets remains strong from Asian institutional investors whose portfolios are seriously underweight on property.

Relatively fewer respondents (21%) prefer good secondary assets. As a result, the pricing gap for good secondary locations/assets is wide, and is becoming attractive. Investors in secondary assets may consider taking on some leasing risk in the early stages of the recovery cycle as rental growth begins to pick up in a number of key markets.

Given the low yield environment and chronic shortage of core assets in Asia, investors are showing a preference for riskier investments and are looking for opportunistic/value-added investments. This trend partly explains why a larger percentage of funds recently raised are focused on opportunistic strategies.

Distressed assets in Asia are more challenging to source at present as prices are at historical highs. It is also difficult to execute deals for distressed property in emerging markets due to associated legal issues.

Chart 7: What type of property assets are most attractive for you to purchase in 2014?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Stronger Risk Appetite for Secondary Assets

In keeping with the stronger overall appetite for risk displayed by survey respondents, appetite for risk involving secondary assets is also increasing. 44% of respondents said they have a higher risk appetite for secondary assets in 2014 compared with 2013. Only 12% of respondents said their risk appetite for secondary assets in 2014 is lower compared to last year.

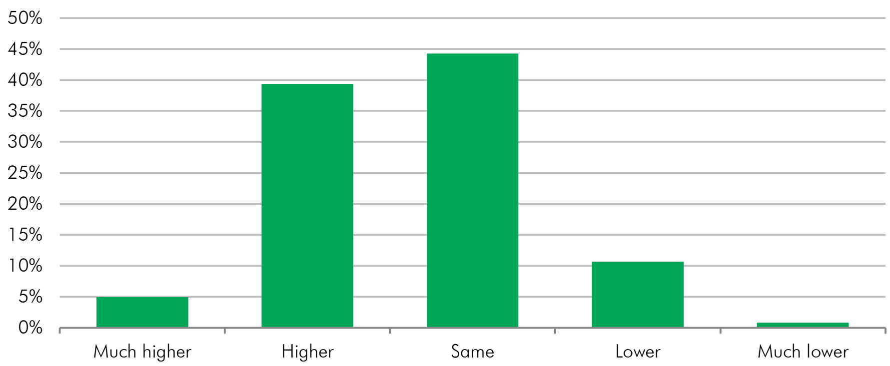
A number of foreign investors have already begun to focus on opportunities in regional cities or secondary locations of tier I cities in search of higher yields. This trend has been particularly noticeable in Japan, Australia and China.

In Japan, investors are looking at regional cities such as Osaka, Nagoya and Fukuoka to avoid the strong competition from domestic groups for assets in Tokyo. Commercial, residential and hospitality assets are the main areas of interest.

In Australia, investors are shifting their focus to offices in suburban areas of Sydney and Melbourne as the availability and asking prices for office buildings for sale in core CBD locations is tight. Logistics and suburban / neighbourhood retail assets are other areas of interest.

In China, investors are displaying a stronger interest in assets in decentralised areas of tier I cities. The oversupply situation in tier II cities has prompted them to become more selective towards capital deployment in such locations.

Chart 8: What is your risk appetite for secondary assets compared to 2013?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

Purchasing Activity Expected to Increase

Total real estate investment turnover in Asia Pacific reached US$90.4 billion in 2013, a rise of 24% y-o-y and the highest figure recorded since CBRE began collecting data in 2005. Despite the record total reached last year, and various concerns ranging from high pricing to slower economic growth, respondents indicate that they will continue to commit more capital to the Asia Pacific real estate market in 2014. 64% expect their purchasing activity to be higher than in 2013; 30% said their level of activity would remain the same; and just 4% expect their activity to be lower. More investors will seek value-added or opportunistic strategies which will create more investible stock for these markets in the coming years.

The expected increase in purchases is significant. Around 30% of the respondents expect their purchasing level will be 20% higher than in 2013 whilst 19% expect to increase their activity by 10-20% this year. Pacific investors expect to keep their purchases at levels similar to last year.

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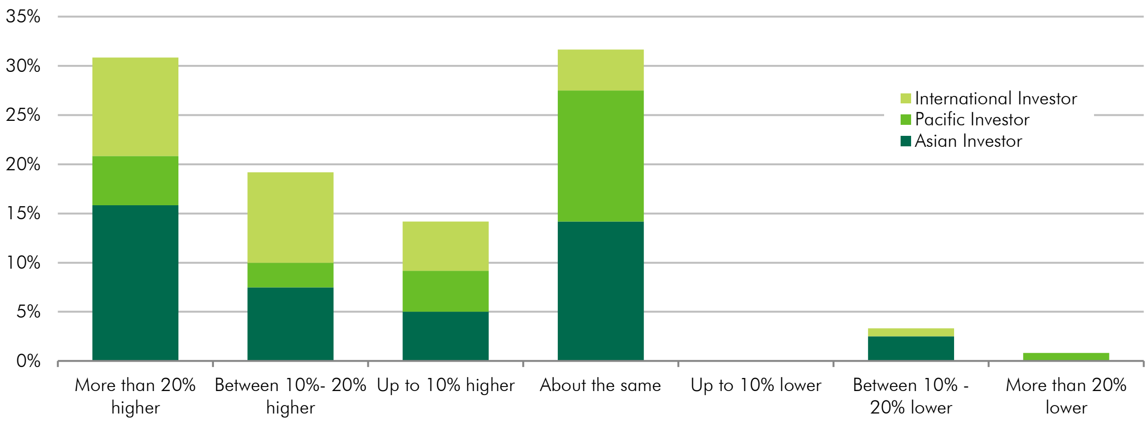
After merging these findings with those for the preferred country of investment, results suggest that investment activity in Australia, China and Japan is likely to increase further in 2014. In Australia, activity is expected to remain strong but the attractiveness of this market to overseas investors and its high relative interest rate/yield differential may gradually weaken as the world economy begins to improve. China is expected to see a steady flow of deals as capital continues to look for investment opportunities in well-located high quality commercial assets and also in decentralised areas of tier I cities. Japan will continue to see strong demand from domestic and overseas buyers for well-located office buildings in Tokyo – and assets in secondary cities – on the back of strengthening occupier demand, although the lack of stock available for sale in Tokyo will remain a challenge. Singapore and Hong Kong can expect to see weaker activity due to capital values which are currently at historical highs and government measures directed at cooling the property sector.

Chart 9: Compared to 2013, do you expect your purchasing activity in 2014 to be:

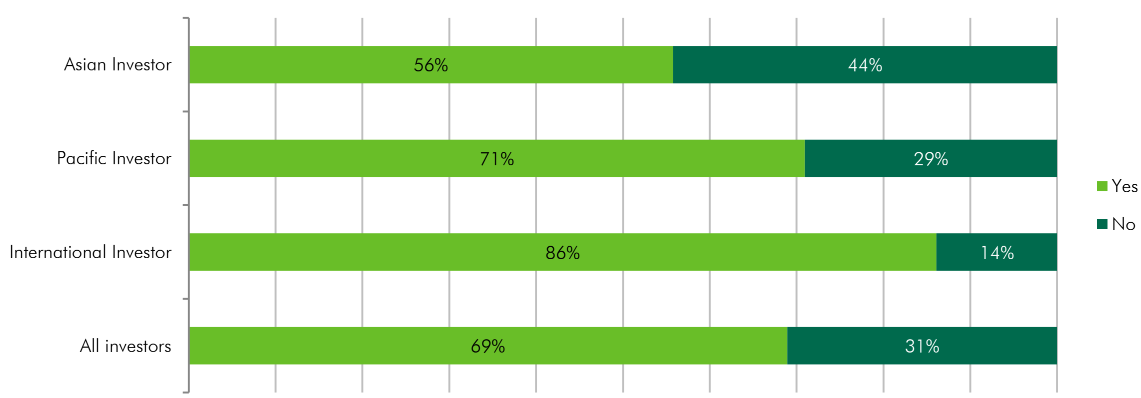


Source: CBRE Asia Pacific Investor Intentions Survey 2014.

Purchases Expected to Exceed Sales

A large majority of respondents (69%) indicate that they expect their purchases to exceed their sales in 2014. However, it is quite normal to expect net growth in capital deployment on real estate over time as the economy grows. Interestingly, 86% of international investors expect to make more purchases than sales. The improvement in the real estate fund raising environment witnessed over 2013 and the fact that some funds have already made dispositions in the past two years may explain this trend. Responses from Asian investors are divided, with 56% expecting purchases to exceed sales but 44% expecting the opposite, although overall they indicate stronger purchasing intentions compared to 2013. These findings suggest that many Asian investors could switch focus to higher growth sectors or regions in 2014.

Chart 10: Will your purchases exceed your sales in 2014?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Risks And Opportunities

Obstacles to Acquiring Assets

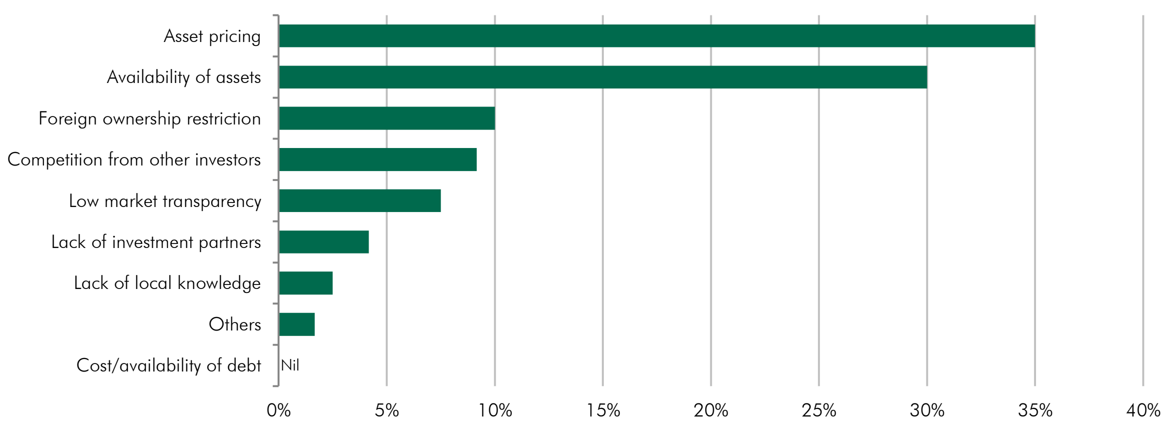
Survey respondents were asked to identify the biggest obstacles facing investors looking to make acquisitions in Asia Pacific. These were listed as asset pricing (35%); the availability of assets (30%); restrictions on foreign ownership (10%); competition from other investors (9%); and lack of market transparency (8%).

Perhaps unsurprisingly, asset pricing is perceived as the biggest obstacle to acquiring assets in Asia Pacific. This is because property pricing in the region is already very aggressive, particularly for prime/core assets in gateway cities.

The availability of assets – or lack thereof - is a long-standing challenge. This, combined with the effect of yield compression, has prompted some investors to look for opportunities in regional cities and secondary locations in core markets. Restrictions on foreign ownership exist in emerging markets such as Indonesia and Thailand. Competition from other investors has intensified in recent years, particularly in Japan, where J-REITs buying power has eclipsed that of many foreign groups and forced them to look outside Tokyo for opportunities.

None of the survey respondents selected cost/availability of debt as an obstacle. This reflects the fact that the lending environment in the region remains favourable and borrowing rates are low in developed markets.

Chart 11: What is the biggest obstacle to acquiring assets in Asia Pacific?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

The Main Threats to the Asia Pacific Property Market

Survey respondents identified economic slowdown/weakness in Asia Pacific (23%) and the perception that property has become overpriced (21%) as the two biggest threats facing the regional property market. Other significant threats are US tapering/rising interest rates (17%), government economic measures/austerity policies (14%) and economic slowdown/weakness elsewhere in the world (10%).

Although economic slowdown/weakness in Asia Pacific is ranked the greatest threat, the regional economic environment is expected to improve in 2014 along with the global economic recovery. Oxford Economics forecasts Asia Pacific GDP growth will be 4.2% in 2014, meaning that it will continue to outperform other regions. However, as investors see clearer signals of a solid recovery in the United States and Eurozone, the relative attractiveness of Asia Pacific could wane. At the same time, some international investors may also opt to focus on opportunities in their home markets.

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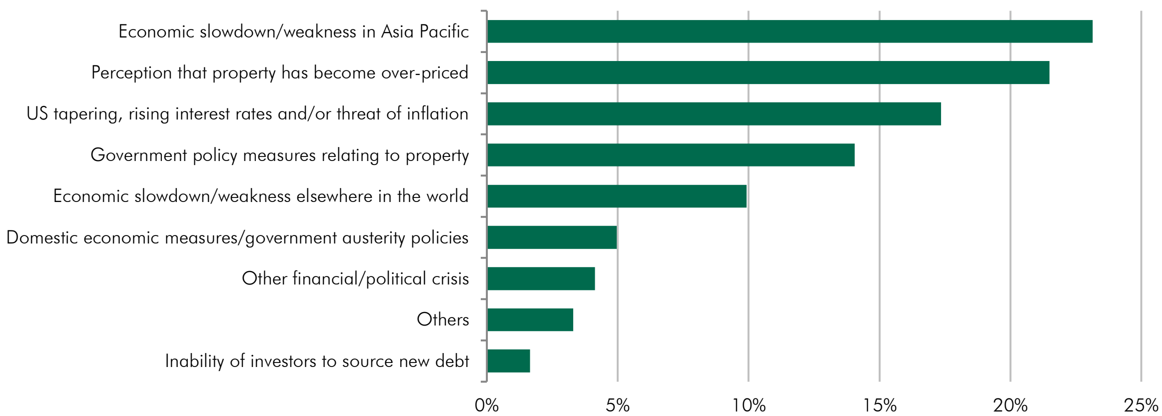
Overpricing is an obstacle to both acquisition and the market in general. During 2014 investors are expected to moderate their expectations and be more realistic towards pricing. Yields have compressed to historical lows under the impact of excess liquidity resulting from quantitative easing programmes in major global economies and low interest rates. As the United States gradually exits from its quantitative easing programme there will be a risk of yield decompression. Property owners should therefore evaluate their options to dispose of assets in markets that have a higher risk of price correction. They may also review their long-term financing arrangements so that they continue to benefit from the current low interest rates.

Over the past few years authorities in a number of countries in Asia have implemented measures designed to cool their property markets. Most of these measures have been targeted at the residential sector, with policies such as the Home Restriction Policy in China and Double Stamp Duty in Hong Kong having largely been effective. Further measures are unlikely to be implemented in 2014 but existing policies are expected to remain in place.

Chart 12: What are the greatest threats to the Asia Pacific property market?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

Table 4: Major threats in 2014

Major threats in 2014	CBRE Assessment	Opportunities/Implications
Significant Economic Slowdown in APAC	Unlikely	✓ Long-term growth remains strong ✓ Focus on assets/sectors that will benefit most from long term growth
Property is Overpriced	Yes	✓ Largely for prime core assets in gateway cities ✓ Dispose before markets correct ✓ Value creation still exists ✓ Location and income security are key
US Tapering/Rising Interest Rate	Yes	✓ Era of cheap financing is ending ✓ Time to secure long-term financing/refinancing ✓ Opportunities for non-bank lenders such as insurance companies and private equity funds to bridge the funding gap
Property Cooling Measures	Yes	✓ Mostly targeted at residential markets ✓ Prudent underwriting and restricted lending environment for developers ✓ Opportunities for mezzanine debt providers

Source: CBRE Research 2014.

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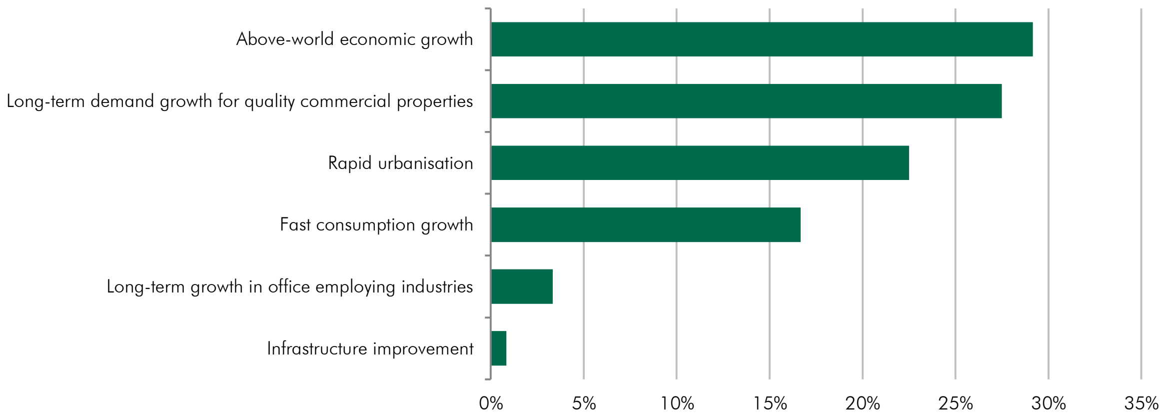
The Main Strengths of the Asia Pacific Property Market

Although investors view economic slowdown/weakness in Asia Pacific as the greatest threat in 2014, they retain an upbeat view towards the region's long-term growth prospects. When asked to identify the main factors making Asia Pacific an attractive place for investment, survey respondents listed above world economic growth (29%); long-term demand for quality commercial property (28%) and rapid urbanisation (23%).

The findings are coherent with CBRE Research's recommendation that investors in Asia Pacific should focus on asset classes that will benefit most from the region's long-term and stronger growth compared to the United States and Eurozone. Factors such as the demographic dividend, the rise of the middle class and urbanisation are the fundamental drivers supporting demand growth for property in the region. However, investors should carefully evaluate locational demand-supply dynamics as the urban landscape is changing rapidly and speculative development could create oversupply risks.

Chart 13: What factors make Asia Pacific an attractive place for investment?



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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Conclusion

The survey findings reveal that investors in Asia Pacific continue to demonstrate a strong interest in increasing their investment in 2014. However, there is increasing concern about overpricing and the limited availability of assets for sale. This is prompting investors to move up the risk curve and explore opportunities in regional cities or secondary locations of tier I cities and also outside the region.

Australia, China and Japan are identified the top three destinations for investment but Hong Kong and Singapore, which are among the most liquid and transparent markets in the region, attract little attention from investors. This reflects ongoing concerns about overpricing and cooling measures in these two markets. Australia has attracted a significant volume of foreign investment over the past few years but the survey suggests that overseas investor interest in this market could weaken in 2014. The bulk of investors indicating that Pacific is their preferred region to invest in are domiciled in Australia.

The current aggressive pricing in many markets has prompted investors to increase their appetite for risk. This is resulting in greater enthusiasm for value-added and opportunistic investments and stronger interest in the logistics and industrial sector where higher yields are on offer. For example, there is stronger interest in emerging markets such as India and Indonesia than there is in major developed markets such as Hong Kong and Singapore. The challenge for investors will be converting these strategies into completed deals given the limited availability of investable assets in emerging markets and various barriers to entry.

Almost half of survey respondents displayed an interest in investing outside Asia Pacific. This suggests that the wave of Asian outbound investment witnessed over 2013 will continue this year. CBRE Research data shows that Asian investors made US$24.5 billion of investments in commercial real estate globally outside Asia in 2013, representing growth of 142% y-o-y.

That said, economic growth in Asia Pacific will continue to exceed that of other regions and still offers better long-term upside potential. Given the current position of the property cycle in Asia Pacific with prices peaking and rents plateauing, investors should focus on value creation and long-term development projects.

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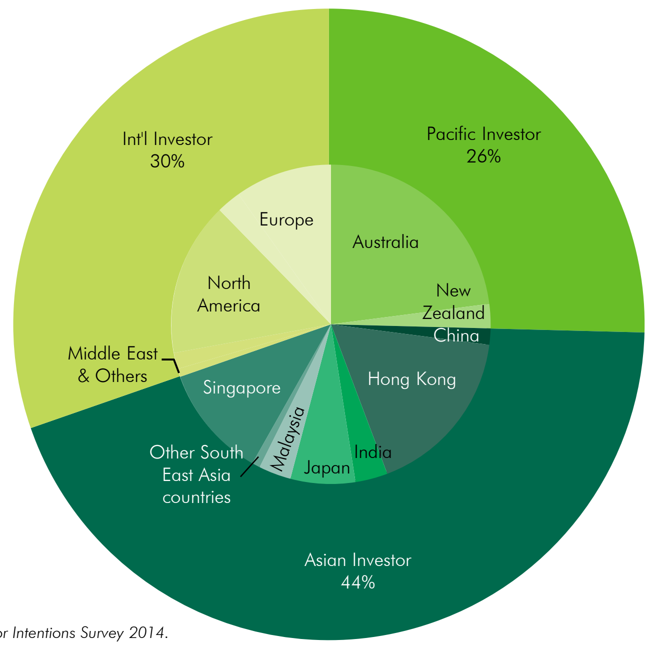
Survey Methodology

The CBRE Asia Pacific Investor Intentions Survey was carried out online from 27 January-24 February 2014 and received a total of 122 responses from a wide range of real estate investors. Fund/asset managers accounted for 43% of respondents followed by listed property companies (11%) and private equity firms/venture capital (11%). A further 8% of respondents were pension funds, insurance companies and sovereign wealth funds.

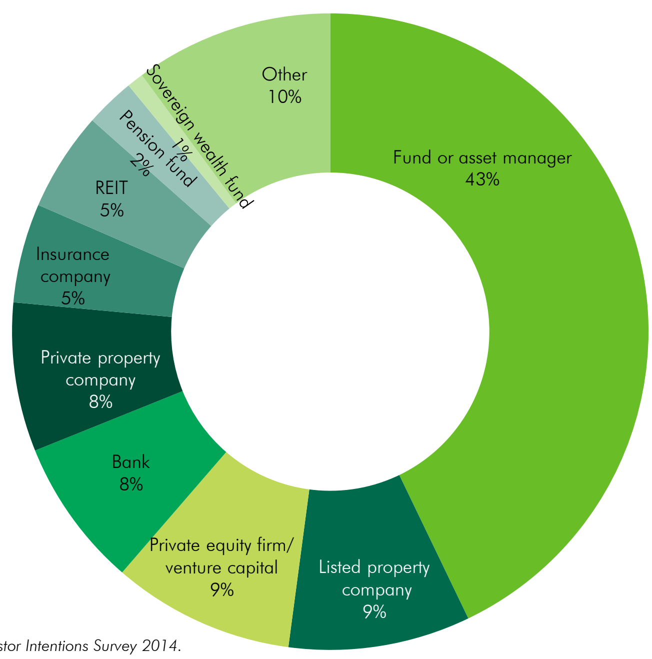
Survey respondents were predominantly from organisations domiciled in Asia Pacific (70%). Australian-based investors comprised 23% of this total followed by Hong Kong (17%) and Singapore (11%). Respondents domiciled outside Asia Pacific were mainly based in Europe and North America.

Chart 14: Survey respondents by domicile



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

Chart 15: Survey respondents by type of organisation



Source: CBRE Asia Pacific Investor Intentions Survey 2014.

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