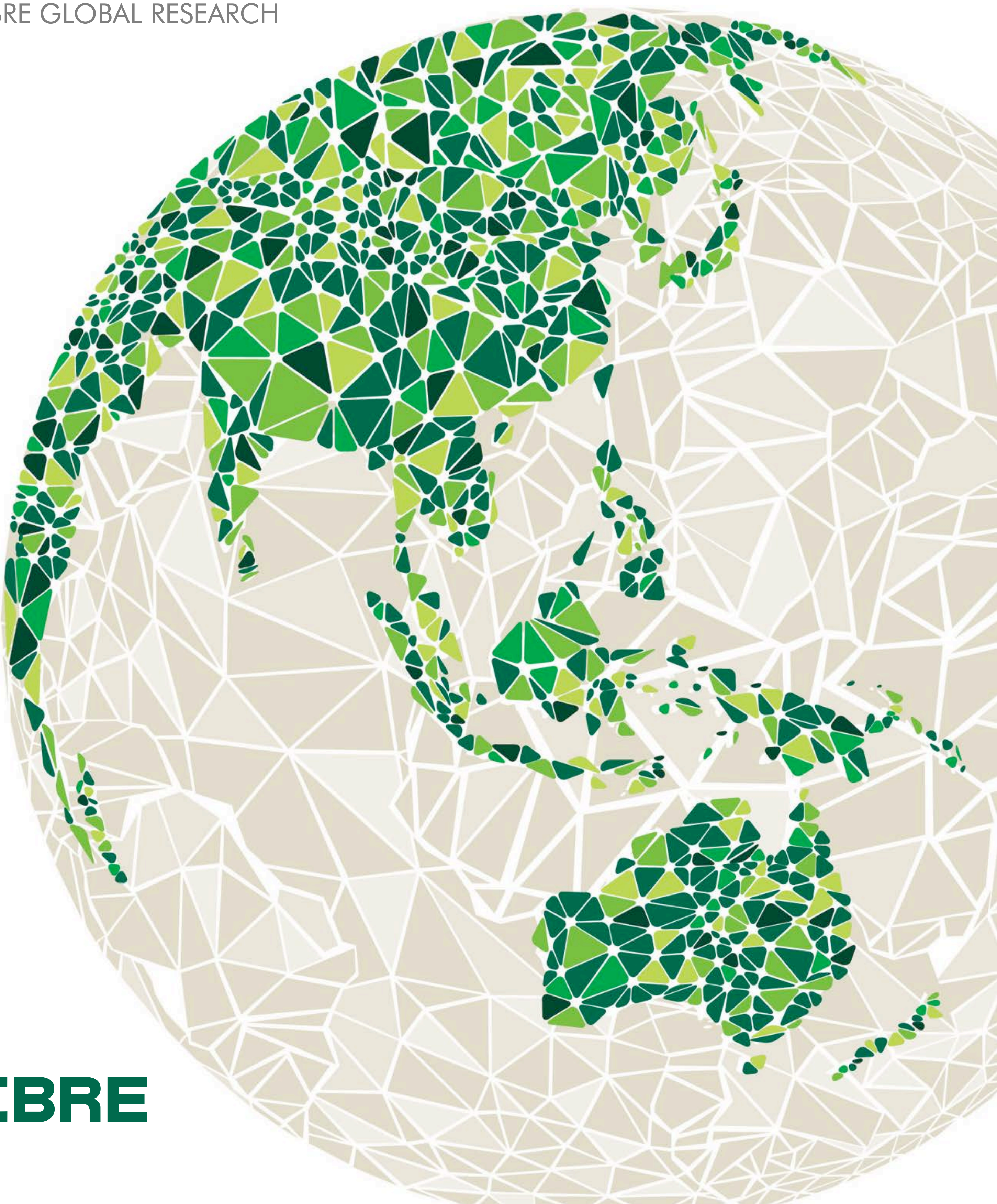
Asia Pacific
INVESTOR INTENTIONS SURVEY 2015

CBRE GLOBAL RESEARCH



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Asia Pacific
INVESTOR INTENTIONS SURVEY 2015

CBRE GLOBAL RESEARCH

Buying Intentions Moderate

% intending to buy more

2014 **64%**

2015 **54%**

Most Attractive Cities*

Focus shifts back to major mature markets

1. Tokyo
2. Shanghai
3. Sydney

Top Countries*

Over 65% of respondents favour top three markets

1. China
2. Japan
3. Australia

Hottest Sectors

Logistics remains attractive; hotels see stronger interest

- Office
- Logistics
- Hotels/ Resorts

Alternative Sectors

56% have already invested in alternative sectors

1. Real Estate Debt
2. Infrastructure
3. Leisure/ Entertainment

Strong Preference for Prime Core Assets

2015 **43%**

2014 **29%**

Source: CBRE Asia Pacific Investor Intentions Survey 2015.

* Note: The result is based on cross boarder investors. Cross border refers to respondents domiciled in a different country to the most attractive destination selected.

Executive Summary

Investment intentions remain strong; risk appetite swings to core

A majority of respondents (54%) **plan to increase their purchases** in 2015. However, intentions have moderated from last year's survey, when 64% indicated they intend to buy more. A significant majority of all respondents (67%) said that they expect their purchases to exceed their sales in 2015. The result suggests that investment liquidity in the regional real estate market will continue to increase this year.

The risk appetite for prime core assets is rising significantly, reflecting investors' more cautious mood amid the uncertain global economic recovery. 43% of respondents preferred this asset type in this year's survey, up from 29% in 2014. The strong demand for prime core assets is being led by institutional investors and REITs seeking wealth preservation and long-term value growth on the back of urbanisation and wealth escalation in the region.

Respondents identified **asset pricing as the biggest obstacle** to acquisitions (31%) and the greatest threat to the region (21%) for the second consecutive year. Investors also voiced concerns about the economic outlook, particularly over whether China will have a hard landing (16%). The threat of market oversupply (16%) was another issue identified by respondents.

The survey found **much less concern over US tapering, interest rate hikes and/or inflation**, with the percentage of respondents viewing this as a threat falling from 17% in 2014 to 9% this year. Recent rate cuts in major economies in the region including China and Australia, as well as the sustained quantitative easing programme in Japan, will ensure the low interest rate environment continues in 2015. The recent significant drop in global energy prices has reduced the likelihood of inflation emerging as a major issue.

Against this backdrop, investors are adjusting their investment strategies in the following ways

Focusing on large/mature markets - China, Japan and Australia remain the top investment destinations. The survey also found a noticeable increase in interest in other mature markets such as Hong Kong, Singapore, New Zealand and South Korea, at the expense of interest in emerging markets such as India and Indonesia.

Tapping into sectors that benefit from long-term structural trends – There continues to be strong interest in logistics, with 22% of respondents preferring this sector. Demand is being underpinned by the boom in the e-commerce industry and consumption growth. The hotel sector is also attracting more attention, with investor preferences increasing from just 1% in 2014 to 12% in 2015 on the back of the growth of regional tourism, a trend most evident in Japan.

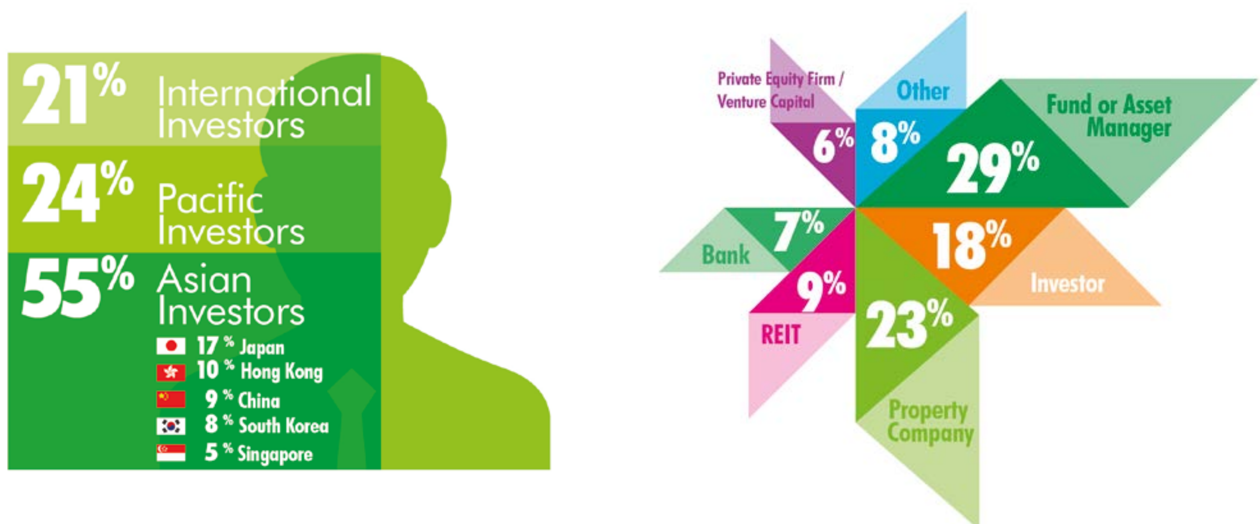
Extending interest to alternative sectors –56% of respondents indicated they have already invested in alternative sectors, either directly or indirectly, with real estate debt the most invested vehicle (31%). The findings suggest that investors see the most potential in healthcare and senior housing as the population ages in a number of major markets. 10% of respondents have already invested in this sector but 20% said they are interested in investing.

Looking for opportunities outside the region – The survey found respondents retain a strong interest in outbound investment, with 32% of Asia Pacific investors wanting to invest cross-regionally. South Korean investors (69%) are the keenest to invest globally. Investors' geographical focus is shifting from Western Europe to North America.

Survey methodology and respondents

The survey was conducted online from 8 January to 30 January 2015. It attracted 317 respondents this year compared to 122 in 2014. The increase in responses came from Asia-based investors from markets including Japan (17%), Hong Kong (10%), China (9%) and South Korea (8%). Fund/asset managers accounted for 29% of respondents, followed by property companies (23%) and investors (19%).

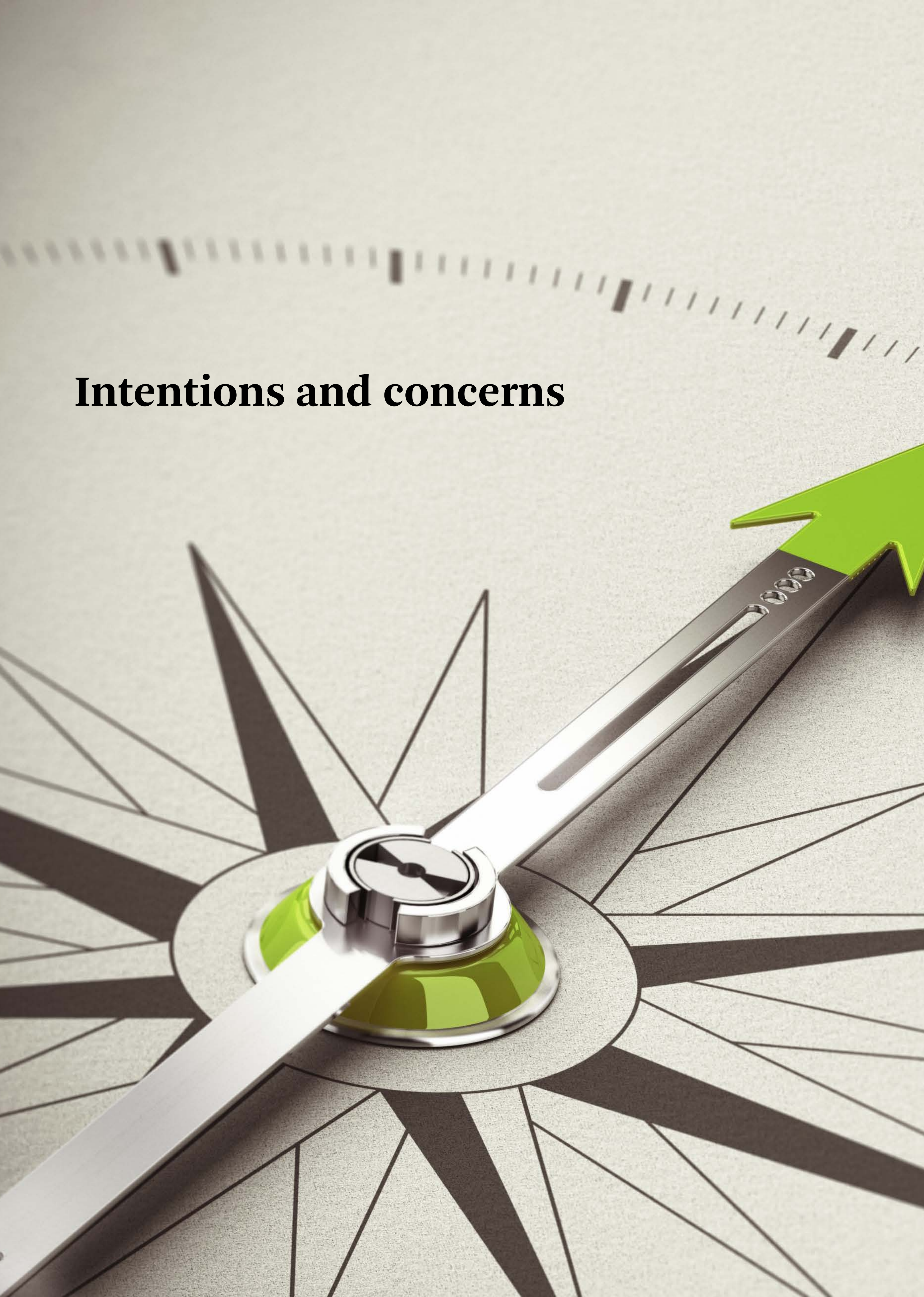
Figure 1: Respondents by nationality and type of organisation



Note: Investors include insurance, pension, sovereign wealth funds and private individual investors / family offices; property companies include listed and private property companies; others include property consulting firms, legal firms, aged care, civil construction, hotel operators, logistics firms and retailers

Source: CBRE Asia Pacific Investor Intentions Survey 2015

Intentions and concerns



Overall buying intentions remain positive but have moderated from 2014

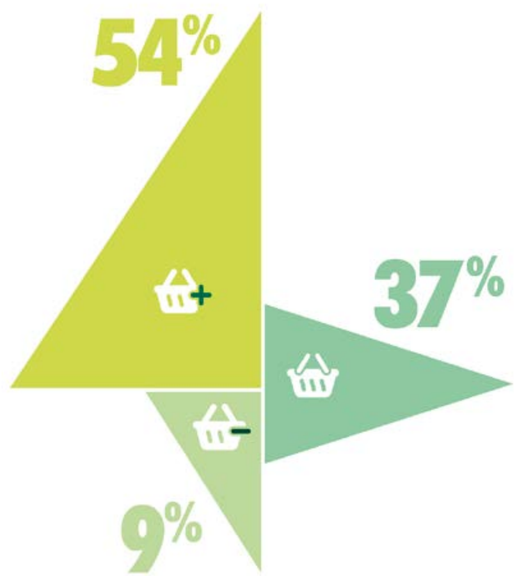
Investor sentiment in Asia Pacific will remain positive in 2015, with a majority of respondents indicating they plan to make more purchases this year. Activity will be supported by the ample amount of equity capital as the real estate private equity fund raising environment improves – US$14 billion of equity was raised in 2014 – and regional institutional capital becomes more prominent. Adequate debt financing with sustained low borrowing costs for real estate is also helping fuel real estate investment demand, a trend most notable in Japan. However, buying intentions have moderated from 2014, when 64% of respondents said they would increase their purchases, as the global economic recovery remains uncertain and asset price growth momentum is running out of steam. This finding sets the scene for the shift in investment strategy and risk appetite observed in this year's survey, a trend that will be discussed in detail in the section below.

A majority of respondents (67%, Figure 3) indicate they expect their purchases to exceed their sales in 2015, slightly less than the 69% recorded in 2014. The results suggest that investors will continue to deploy capital into the region and retain a strong belief in continued long term economic growth. As a result, CBRE Research expects to see the continued growth of investment liquidity in the real estate sector in Asia Pacific.

Asian investors show stronger intentions

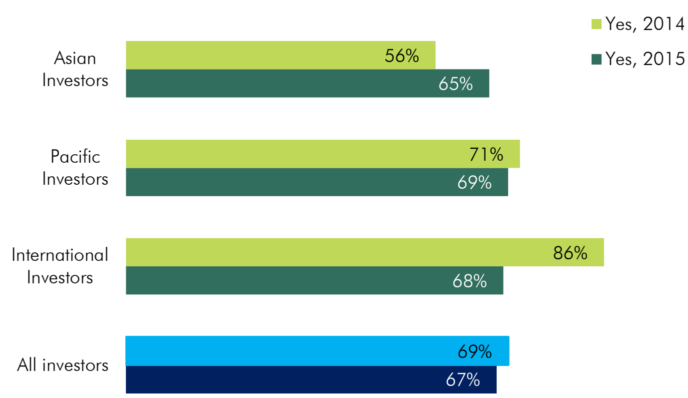
Investment appetite is stronger among Pacific and International investors compared to Asia-based investors, but their interest has moderated compared to 2014. The more attractive pricing and more favourable rental cycles in other parts of the world are likely reasons for the slight decline in investment intentions towards this region. On the contrary, an increased number of Asia-based investors (65%) expect their purchases to exceed their sales, compared to 56% in 2014. The increased appetite for investment is backed by their increase in allocations to align with growth in Asia Pacific as well as the extension of their exposure globally.

Figure 2: Will you purchase more or less compared to last year?



Source: CBRE Asia Pacific Investor Intentions Survey 2015

Figure 3: Will your purchases exceed your sales?



Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015

Singaporean and Hong Kong investors are most confident

Among Asian investors, buyers from Singapore and Hong Kong displayed the strongest intentions to invest. Demand from these investors is being supported by the sustained low interest rate environment in their home markets and also their interest in expanding their portfolios beyond their home markets.

Investors from China were the only group within Asia to display selling intentions stronger than buying intentions. The economic slowdown, tighter property lending environment and demand/supply imbalance in several cities are dampening confidence among Chinese investors. 2014 also recorded continued disposals by Chinese property companies (US$5.3 billion) as they sought to boost their balance sheets. That said, Chinese investors' appetite for further acquisitions is quite high, suggesting they intend to increase purchases overseas but offload non-core assets onshore.

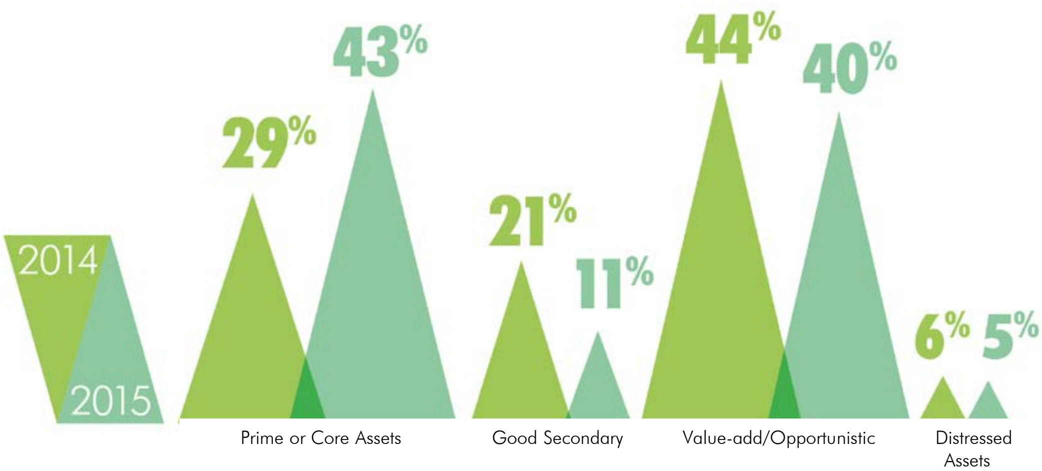
Figure 4: Intentions towards purchasing and selling activity

Source: CBRE Asia Pacific Investor Intentions Survey 2015

Investor appetite for prime core is increasing

Respondents turned more cautious and demonstrated a significantly stronger appetite for prime core assets in this year's survey, with 43% of respondents preferring this asset type in 2015, up from 29% in 2014. This could be explained by the uncertain global economic recovery, especially in the Eurozone. In addition, with government bond yields remaining low, the spread of prime core property yields over bonds remains positive and is attracting investors looking for a bond-type return profile.

Figure 5: Most preferred asset type



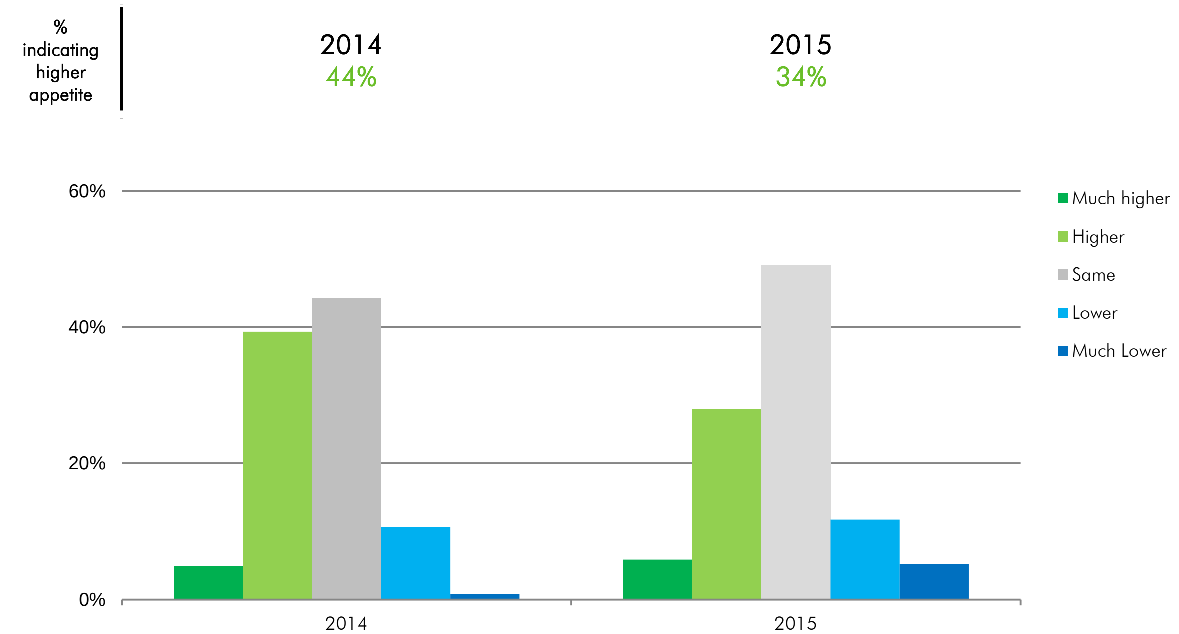
Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015

The strong demand for **prime core** assets is being led by international and Asian pension funds and insurance companies looking to increase their allocations to real estate in Asia Pacific. This is also translating to demand for core funds in the region. There is a noticeable trend for the formation of core open-ended funds in Asia Pacific as the regional real estate market becomes more mature and transparent. Investors see Asia Pacific as a key component of the diversification of their global portfolio and are looking for stable income portfolios with longer holding periods instead of seeking excessive returns.

Preference for **value-add/opportunistic** investments also remained high, at 40% in 2015, compared to 44% a year ago. This suggests that investor appetite is becoming even more focused on both ends of the risk spectrum. Demand for value-add/opportunistic assets is being led not only by private equity funds and venture capital firms, but also by major institutional investors such as sovereign wealth funds. Experienced institutional investors are becoming more flexible and are willing to differentiate their strategies away from prime core to avoid competition. That said, they still demonstrate a strong preference for trophy assets and large-scale projects that involve the development of core assets, particularly in emerging Southeast Asia and India.

Relatively fewer respondents (21%) displayed a preference for good **secondary assets**, although around one-third of respondents said they had a higher risk appetite for this asset class compared to last year. Whilst the risk appetite for secondary assets weakened this year, the keen competition and hard pricing for prime core assets will continue to push investors up the risk curve. However, this strategy tends to be confined to the office sector. Particularly attractive markets include decentralised offices in Hong Kong, Singapore and Shanghai, to capture cost-saving demand from occupiers. In addition, investors will consider Grade B offices in the CBDs of tier I cities in Australia, New Zealand and Japan for comparatively higher yields.

Figure 6: Risk appetite for secondary assets

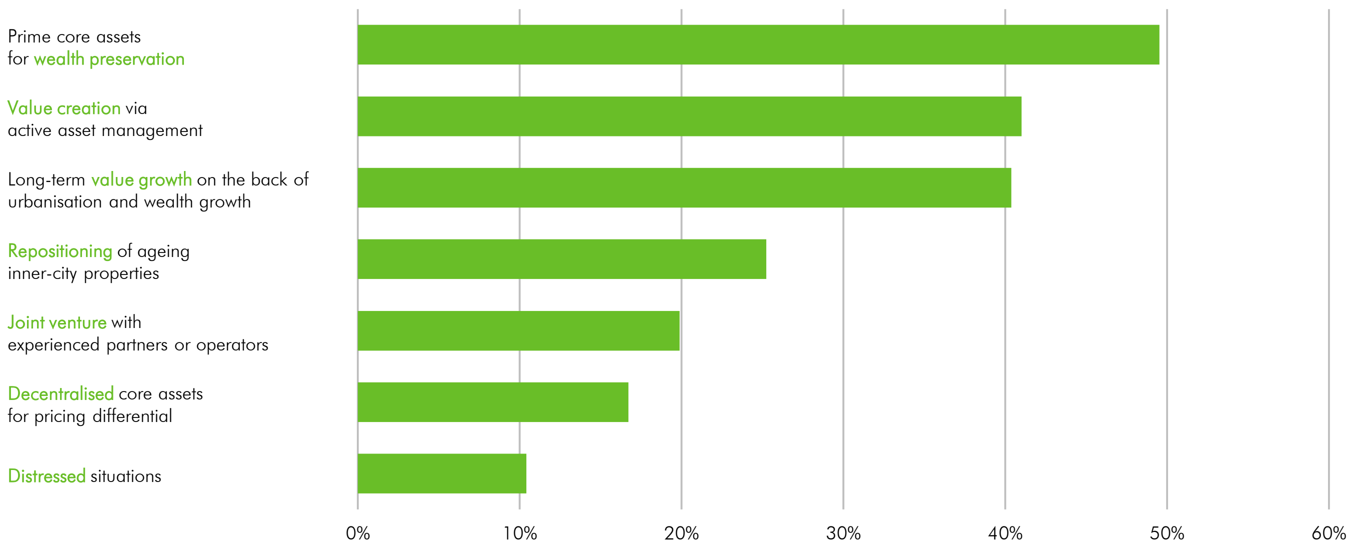


Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015

The polarisation of risk appetite at both ends of the spectrum is reflected in the strategies investors are currently pursuing in Asia Pacific. The strong interest in prime core assets is being backed by the desire for wealth preservation (24%). Investors are willing to look beyond the current low interest rates and accept low yields in order to identify attractive opportunities and expand their portfolios.

For investors preferring value-add/opportunistic assets, value creation through active asset management (20%) and long-term value growth on the back of urbanisation and wealth growth (20%) will be the most attractive strategies this year. Urbanisation and long-term demographic change are key drivers supporting demand growth for property in this region. However, investors should bear in mind that the urban landscape can change rapidly depending on government policy changes, which may create oversupply risk in many parts of emerging Asia in the short to medium term.

Figure 7: What are the most attractive strategies for property investment in Asia Pacific?



Source: CBRE Asia Pacific Investor Intentions Survey 2015

Pricing is the major concern and is impeding investment

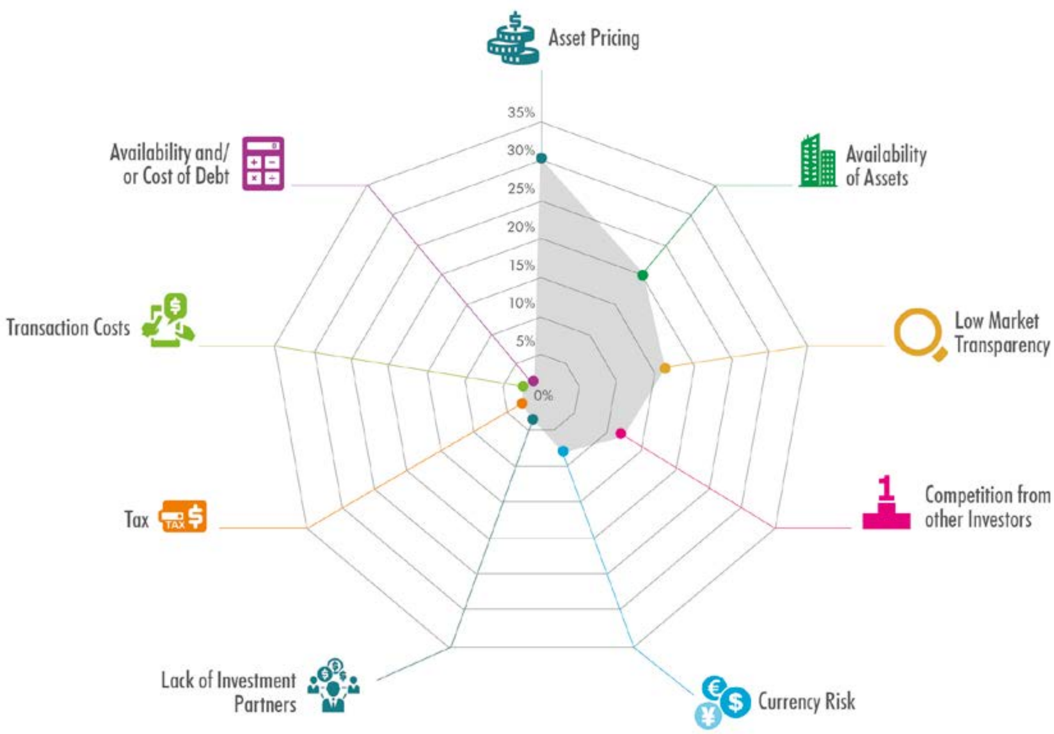
Asset pricing (31%) and the availability of assets (20%) retained their position as the two biggest obstacles to acquiring assets in this year's survey. The Asia Pacific real estate market continued to see **asset price** inflation in 2014, particularly in core sectors in gateway cities. The CBRE capital value index (all sector) increased by about 6% in 2014, but the pace of price appreciation slowed from the average growth of 9% recorded over the past four years.

The lack of **availability of assets** for sale is of great concern to investors, particularly among buyers from outside the region. Low market transparency is the third largest obstacle to investing in this region but there has been improvement in **transparency** via the introduction of REITs and the availability of performance benchmarks for private equity real estate funds as well as indices for listed REITs. Nevertheless, emerging markets still present a number of transparency challenges for foreign investors.

Investors mention that they sometimes find it difficult to align their interest with those of their managers due to the lack of market information and performance disclosure.

Less than 10% of respondents to this year's survey said they were concerned about **currency risks.** Some investors said currency hedges would be taken care of at the global overall portfolio level. Nevertheless, investors should also take currency hedging into account when acquiring assets to avoid exchange rate movements. Whilst further currency devaluation is possible, the overall situation is expected to stabilise in 2015 as most markets have already adjusted their exchange rates. In fact, the continued depreciation of Asian currencies will bring some positive benefits. These will include stronger export growth and increased tourism flows, as seen in Japan which is benefiting from the cheaper yen.

Figure 8: What is the biggest obstacle to acquiring assets in Asia Pacific?



Source: CBRE Asia Pacific Investor Intentions Survey 2015

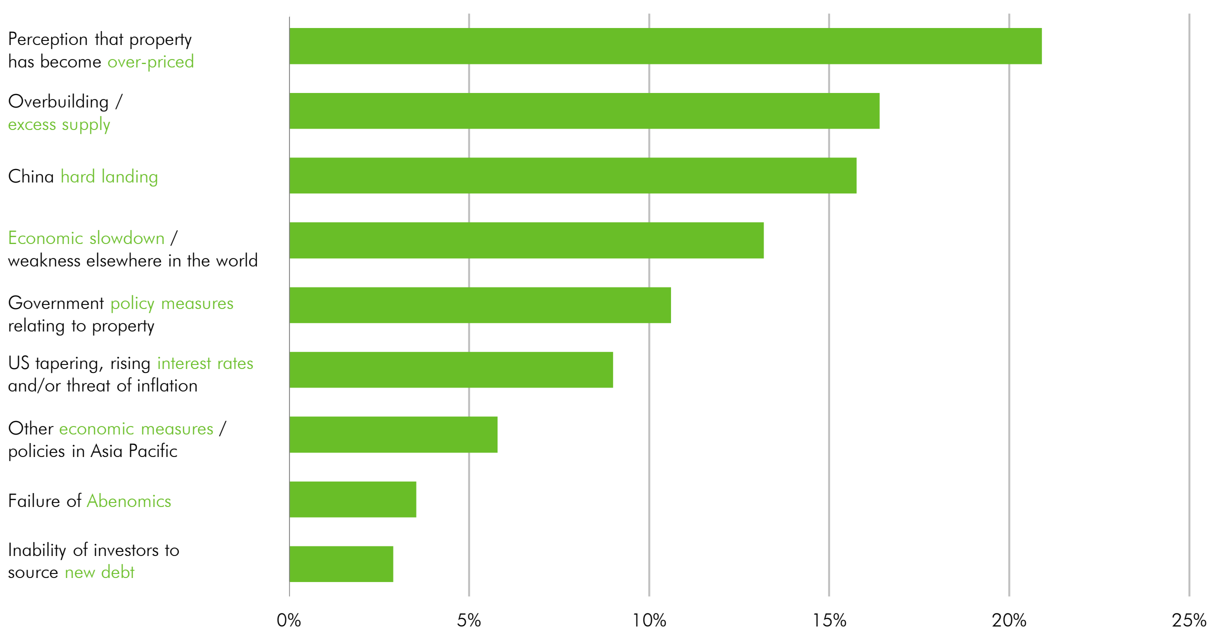
Asset pricing not only impedes investment activity but is also seen as a threat to the regional property market. Investors are also worried about **market oversupply** (16%), with emerging Asia seen as more vulnerable. Around 16% of respondents identified the possibility of a **China hard landing** as a threat. However, the risk of a hard landing is believed to be minimal as authorities still have room to take steps to boost the economy. Potential measures include liberalising interest rates and reforming the population structure - such as the Hukou system and one-child policy - and capital accounts to facilitate capital flows.

The survey findings reflect **concerns over the health of the regional economy**. In addition to a possible China hard landing, respondents identified an economic slowdown (13%) and economic measures (5.8%) as the other main threats this year. Investors were less concerned about the failure of Abenomics (3.5%) as the depreciation of the Japanese yen is supporting export growth and industrial production will likely increase. Both factors are providing support for commercial property demand in Japan.

Government policy measures relating to the property sector are the fourth biggest concern for investors, cited by 11% of respondents. This threat also ranked highly in last year's survey. Whilst many markets in the region have implemented tightening policies to avoid overheating, particularly on the residential market, further measures are unlikely to be introduced in 2015. That said, the regional property market continues to be largely influenced by policy, particularly in markets such as Taiwan and the Philippines, which both have general elections scheduled for 2016.

This year's survey found respondents **less concerned about interest rates** (down to 9% this year from 17% in 2014) and sources of new debt (3%). The US Federal Reserve is expected to keep interest rates at the current low levels for a considerable period of time. South Korea, India, Australia and China have adjusted their policy rates accordingly and their monetary policies will largely remain loose in 2015. CBRE Research believes investors will continue to have ample opportunities to secure low-cost financing in 2015.

Figure 9: What is the greatest threat to the Asia Pacific property market?



Source: CBRE Asia Pacific Investor Intentions Survey 2015

Most attractive markets and sectors

Interest is concentrated on key markets

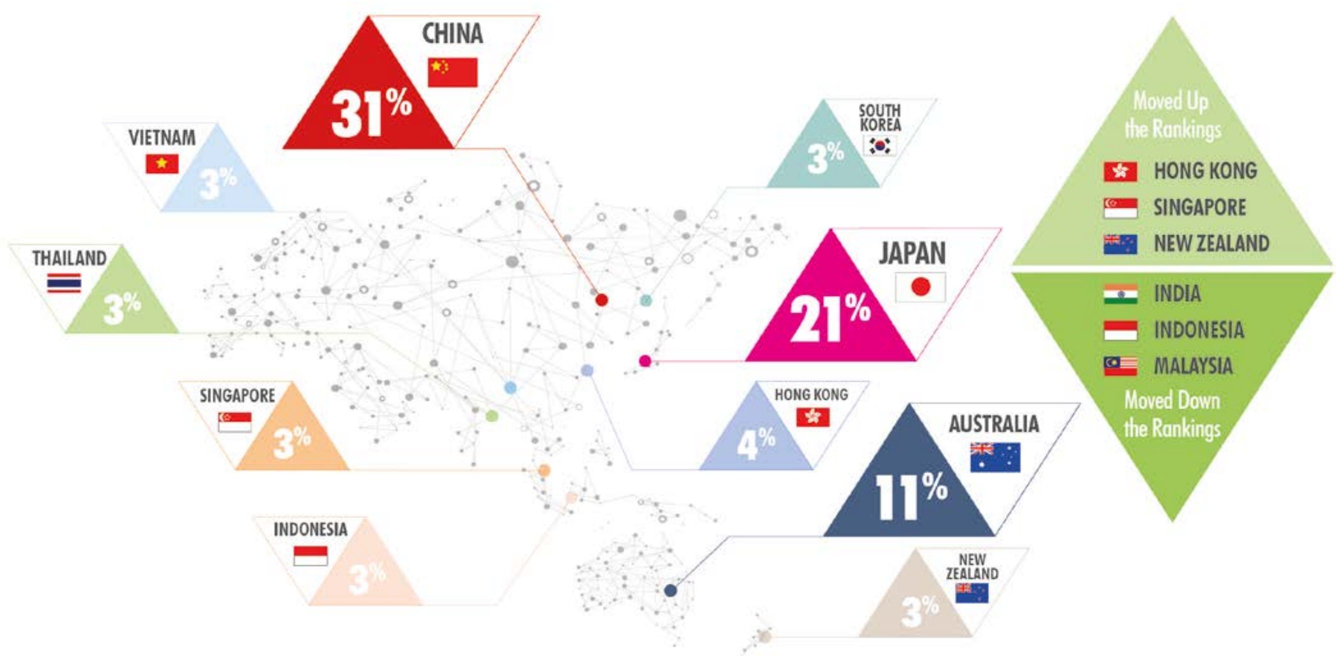
China (32%) continues to be regarded as the most attractive investment destination, even though the domestic economy is slowing and there are concerns over a possible economic hard landing. Japan (21%) replaced Australia (11%) to take second place in this year's survey, with international investors displaying particularly strong demand as the market remains in the upward cycle and cheap financing continues to be available.

Stronger interest in mature markets

In this year's survey, respondents displayed a stronger interest in mature markets including Hong Kong, Singapore, New Zealand and South Korea. Emerging markets such as India and Indonesia saw comparatively weaker interest. Both of these markets saw an increase in market confidence following presidential elections in mid-2014 but investors remain concerned over the pace of political and economic reform. The survey findings suggest that investor appetite towards emerging markets has weakened over the past year, with market oversupply identified as the biggest downside risk. Investors are therefore opting to remain in a holding pattern.

Note: To avoid sampling bias towards respondents' home countries, this section only ranks the preferred markets of cross-border investors whose favoured markets are not their home countries.

Figure 10: Most attractive country/region in Asia Pacific (cross border only)

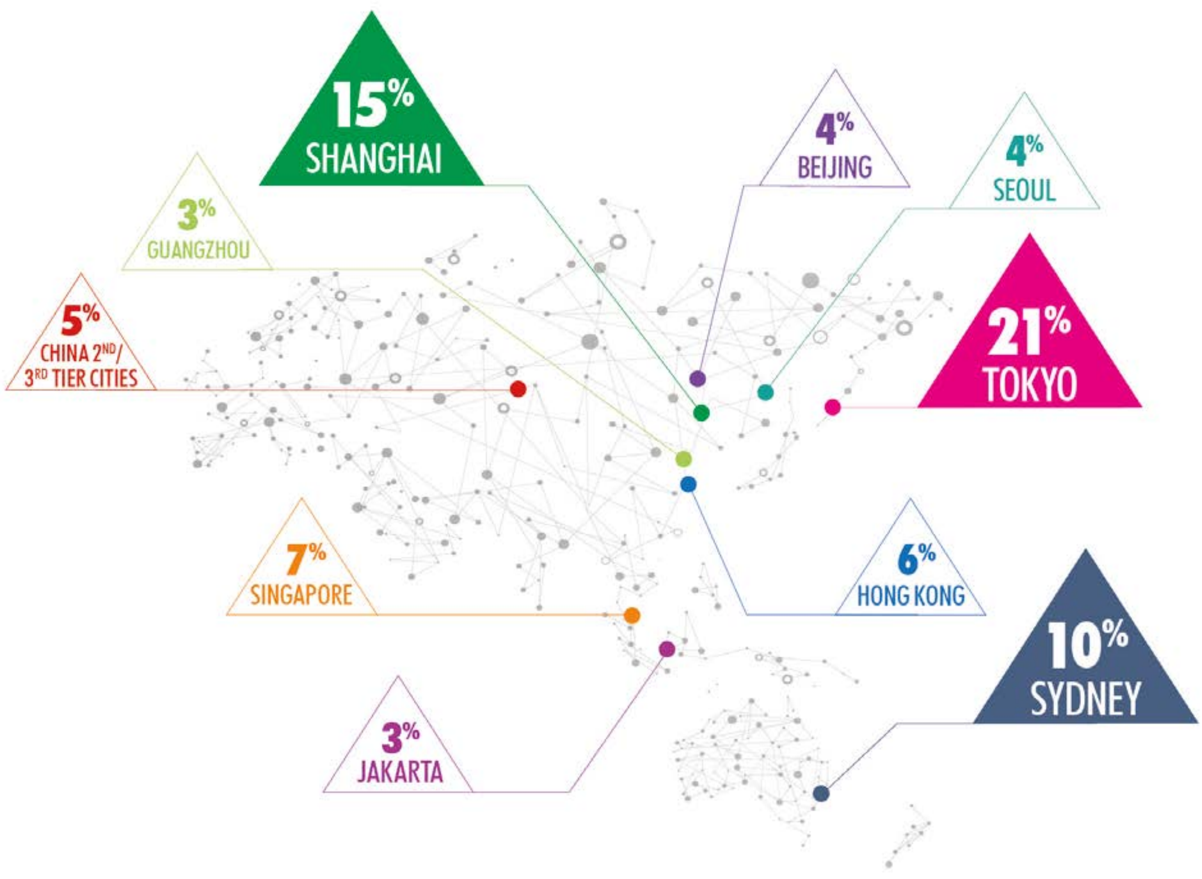


Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015
* Cross border refers to respondents domiciled in a different country to the most attractive destination selected

Cross-border investors' most attractive cities remain unchanged

Tokyo, Shanghai and Sydney remain the top cities for investment, reflecting their status as the gateway cities to the three major markets of Japan, China and Australia. Interestingly, tier II and tier III cities in China ranked higher than Beijing in this year's survey. This suggests that investors adopting a long term view are willing to move up the risk curve in return for higher profits and the development opportunities available in regional cities. The trend also illustrates investors' positive view towards China's long-term growth prospects.

Figure 11: Most attractive city in Asia Pacific for investment (cross border only)



Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015
** Cross border refers to respondents domiciled in a different country to the most attractive destination selected*

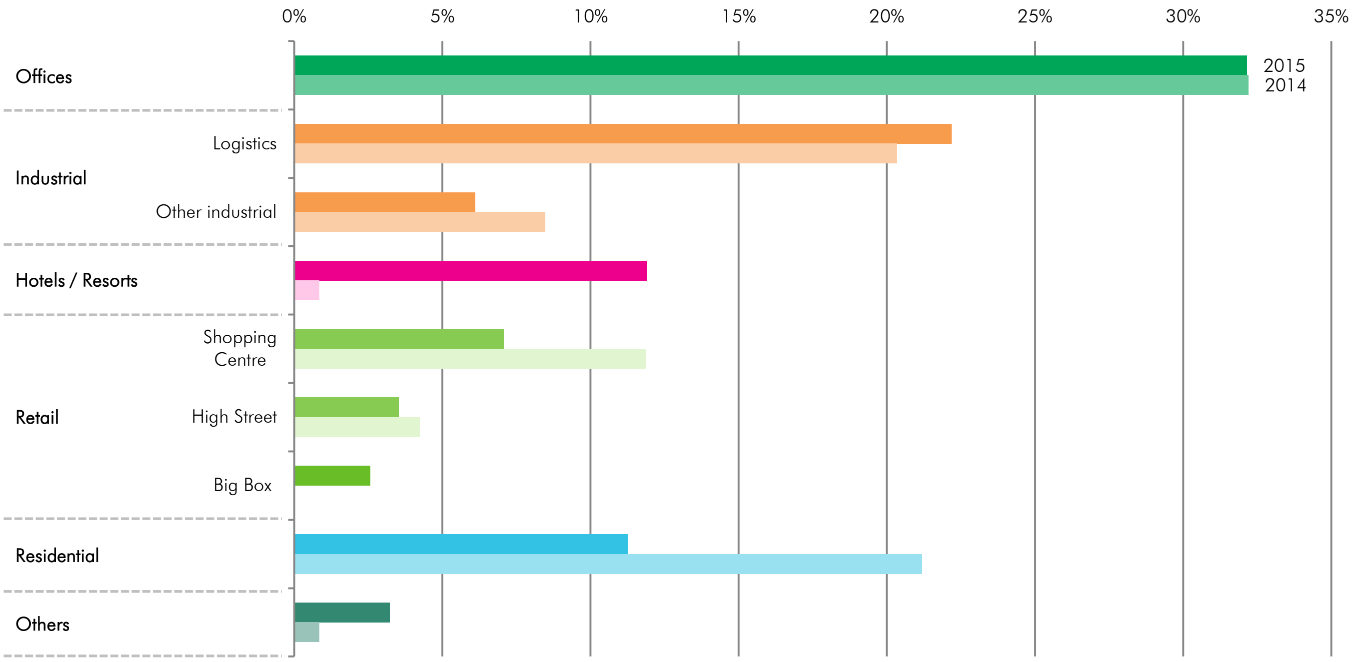
Offices remain most attractive; Hotels see stronger interest

Offices retained their status as investors' preferred sector (32%) in this year's survey, underpinned by robust business growth in the region and the comparatively high availability of assets compared to other sectors.

Industrial and logistics ranked second as the rapid growth of e-commerce and the consumption-driven economy continues to drive demand from occupiers and investors. Appetite for shopping centres weakened this year, falling to 7% from the 12% recorded in 2014, as more cautious expansion by retailers negatively impacted investors' view towards the sector.
The Hotel and Resorts sector recorded a surprising surge in interest to 12% this year from just 1% last year. Investors are being attracted to this sector as the growth of the middle class and rising incomes fuel a boom in regional travel and tourism. Interest is primarily focused on Japan, supported by the cheaper Yen and rising demand in the run-up to the 2020 Olympics.

The residential sector recorded strong interest in 2014 (21%) but faded significantly to 11% in this year's survey. China and Australia remain the preferred markets for this sector.

Figure 12: Most preferred sector for investment



Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015

Investor intentions as the leading indicator of capital deployment

The most attractive market-sectors are dominated by the three most attractive countries in this year's survey, although the shift in some rankings reflects the change in preference between sectors.

In general, the correlation between intentions and actual capital deployment is high, meaning that intentions can serve as the leading indicator of investment activity. A closer look at the variance of the two variables shows that investor intentions in this year's survey is a closer match with the actual deployment in 2014, compared to last year's survey (standard deviation: 3.6% in 2015 vs 4.9% in 2014). This finding shows that investors are sensitive to market activity and continually refine their investment intentions.

Japan-Offices moved up from fourth place to first in this year's survey, reflecting strong investor interest in Japan and its highest income generating asset class. This finding is similar to the investor survey conducted by ANREV[1] which also ranked Japan-Offices as the most attractive market-sector.

Japan-Offices accounted for 14% of total investment turnover in 2014, a figure which outweighed intentions by 8% in 2014 and 4% in 2015. This suggests that the survey probably underestimates investors' demand for assets in this sector. It should also be noted that a considerable volume of office sector sales in Japan are related transactions between REITs and their sponsors. Investment activity is also being supported by the Japanese government's asset purchase programme for REITs.

Japan-Hotels entered the top ten most attractive market-sectors for the first time this year, as did **Japan-Industrial**. This reflects the optimistic view towards the Japanese tourism sector and the sustained demand for industrial assets. Investors interested in Japan are broadening their focus from the office sector.

Australia-Industrial and **Australia-Offices** continued to hold strong appeal for investors, although their ranking fell slightly this year, to second and fourth place respectively. The cooler interest could be attributed to pricing as yields compressed 80 bps and 50 bps respectively for the two sectors in 2014. However, investor intentions for Australia-Industrial continue to be higher than actual capital deployment, suggesting there is still room for price growth and a more competitive marketplace.

Australia-Residential also emerged as an attractive country-sector in this year's survey, driven by investors' strategy of upgrading or converting older office or industrial buildings to residential use to capture the price gap between different sectors. The second half of 2014 saw a number of investors from China and Singapore pursue such opportunities.

China-Industrial is the most popular sector among investors in China but it remains very challenging for buyers to source assets. Investors are continuing to look for platform deals or joint venture opportunities as existing stock is limited and not cheap.

CBRE Research recorded yield compression in most of the sectors ranked in the top 10 in 2014. Despite the lower yield environment, there will be further yield compression in most of the top 10 sectors given the strong interest from investors. **China-Office** will be the exception as yields are softening along with the adjustment of asking prices.

1 The Asian Association for Investors in Non-listed Real Estate Vehicles (ANREV) 2015 Investor Intentions Survey

Table 1: Investor Intentions as the leading indicator for capital deployment

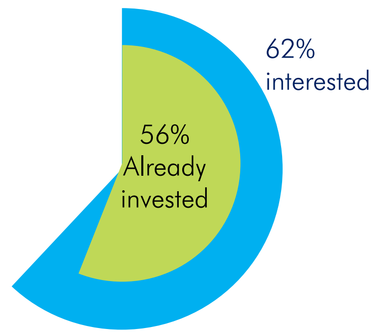
Rank			Country-Sector	Deployed Capital	Investor intentions		Difference between intentions and 2014 capital deployment		Yield shift*
2015	2014			2014	2014	2015	2014	2015	2014, bps
1	4	▲	Japan - Offices	14%	6%	10%	-8%	-4%	-25
2	1	▼	Australia - Industrial & Logistics	2%	11%	9%	9%	7%	-80
3	3	▶	China - Industrial & Logistics	1%	8%	8%	7%	7%	-20
4	2	▼	Australia - Offices	9%	10%	7%	1%	-2%	-50
5	5	▶	Australia - Retail	4%	5%	5%	1%	1%	0
6	-	New	Japan - Hotels/Resorts	2%	0%	5%	-2%	3%	NA
6	-	New	Japan - Industrial & Logistics	2%	3%	5%	1%	3%	-25
8	7	▼	China - Offices	5%	3%	4%	-2%	-1%	0
9	-	New	Australia - Residential	-	3%	3%	3%	3%	NA
9	5	▼	China - Residential	-	5%	3%	5%	5%	NA
			Standard deviation				4.9%	3.6%	

Source: CBRE Transactions Database, Asia Pacific Investor Intentions Survey 2014 and 2015
** Yield shift for key city – Tokyo for Japan, Sydney for Australia, Shanghai for China*
** Difference to CBRE IIS: Positive number colour-coded in green=Investor intentions are **greater** than deployed capital in 2014.*
** Difference to CBRE IIS: Negative number colour-coded in red=Investor intentions are **lower** than deployed capital in 2014.*

Interest is extending to alternative sectors

This year's survey found that investors are increasingly looking into alternative sectors in search of higher returns. Many of the opportunities in these alternative sectors are related to the rapid urbanisation and demographic change currently taking place across the region. 56% of respondents said they had already invested in these alternative sectors, with a further 62% saying they are actively pursuing investment. CBRE Research believes that the increasing interest in these alternative sectors will be a medium to long term trend.

Figure 13: Investment in alternative sectors



Source: CBRE Asia Pacific Investor Intentions Survey 2015

Real estate debt is the most popular alternative sector

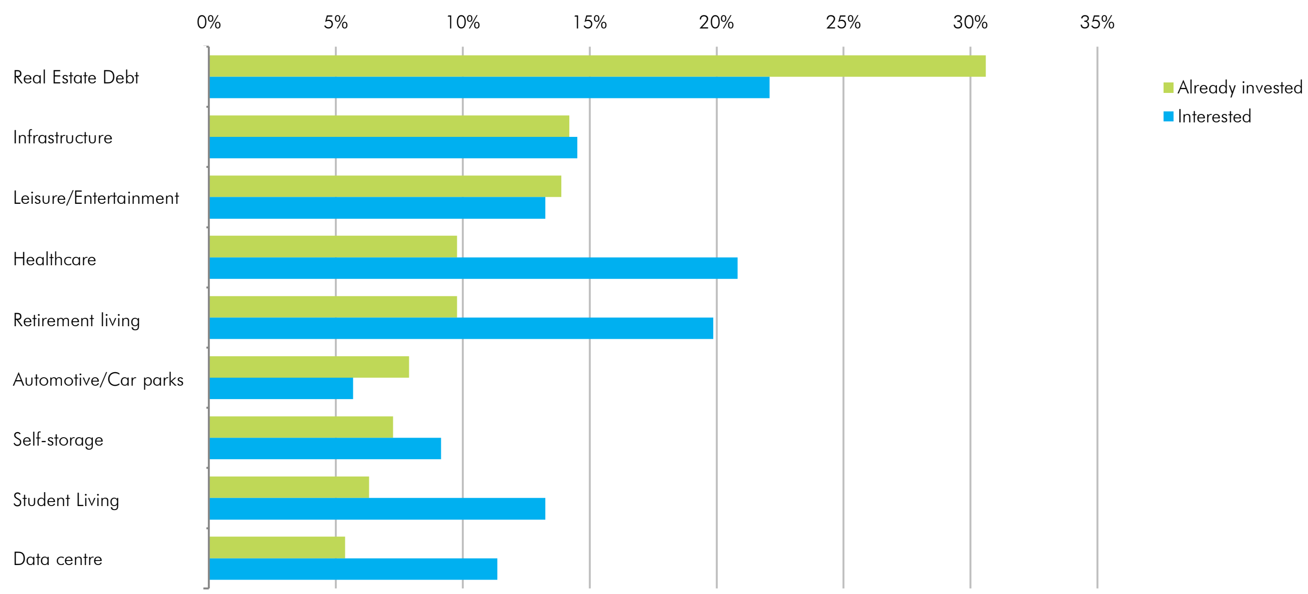
Real estate debt was the most popular alternative method of investment, with 31% of respondents reporting they had already invested in the sector. Investors in real estate debt are mostly domiciled in mature markets such as Australia and Japan which have well-established debt financing markets with various debt instruments such as RMBS and CMBS. Investor appetite for real estate debt will continue to strengthen over the course of 2015.

Outside of mature markets, China and India have both seen the significant growth of their debt markets, although they primarily serve as a means to fill in the funding gap for development. Debt markets are generally less mature in emerging markets and therefore pose a certain level of risk to investors, such as defaults or legal protection for lenders. There is also an emerging trend for insurance companies to match their liabilities in certain markets by becoming more active non-bank lenders, as has occurred in recent years in the United States and more recently in EMEA.

The second and third most popular alternative sectors were **infrastructure** (14.2%) and **leisure / entertainment** (13.8%). As urbanisation continues to gather pace across the region, investment in infrastructure projects will remain significant. However, this will continue to be mainly executed via funds and/or taking stakes/partnerships with local players. Interest in the leisure and entertainment sector is also high and is closely tied to the growing appetite for hotel assets.

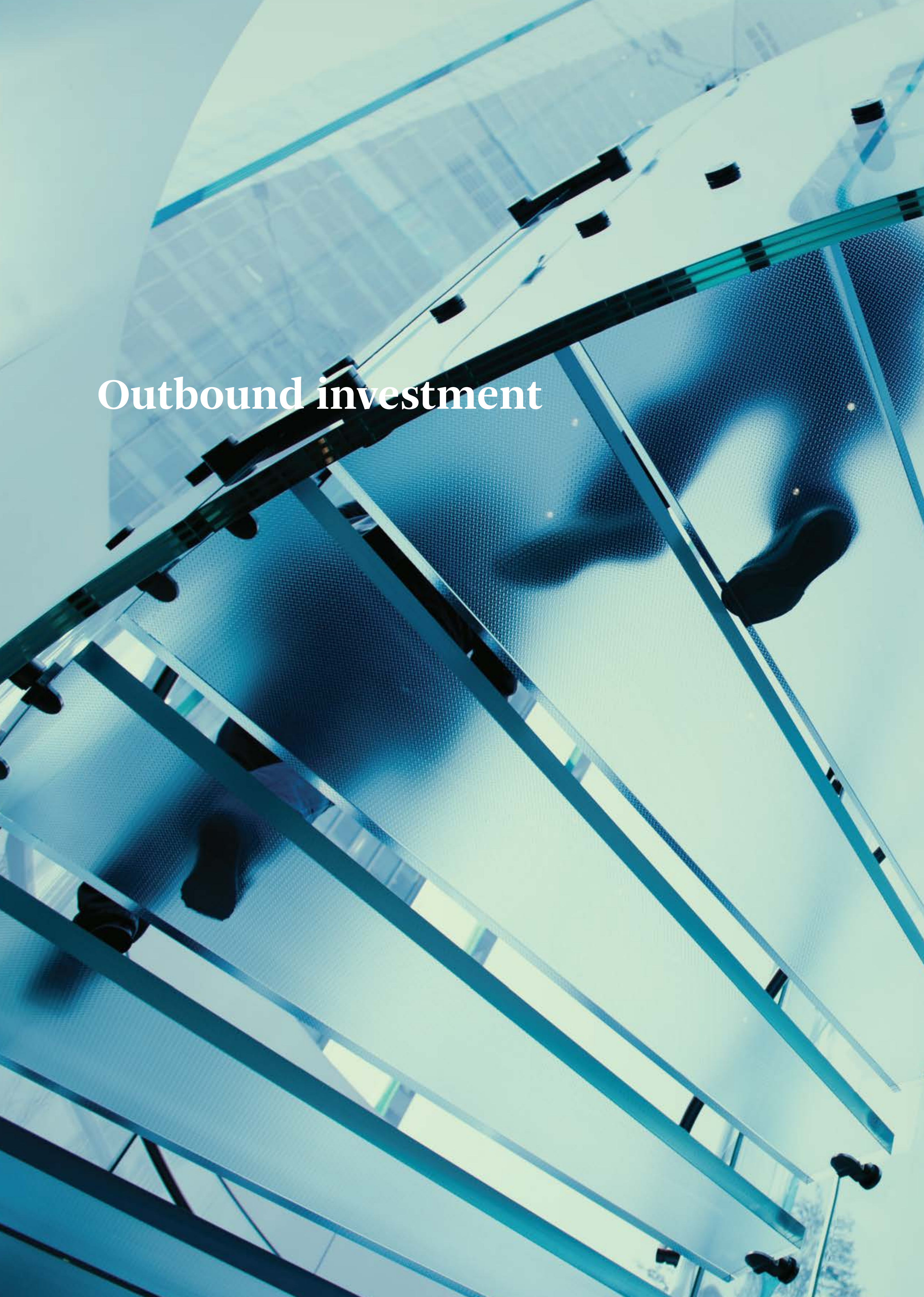
Healthcare, **retirement living** and **student housing** recorded strong levels of interest but the percentage of investors which have already invested is limited. Investors in these sectors are looking to capitalise on the rapidly aging populations of many markets in the region and resulting demand for suitable housing and medical facilities. The gap between demand for assets in this sector and actual allocations is resulting in significant opportunities for the niche residential market in Australia, China and Japan. However, these sectors are still at a very nascent stage of development and existing stock for investment is limited. Investors will therefore have to take a longer term view and develop a sound strategy to gain exposure to these asset classes.

Figure 14: Most preferred alternative sector?



Source: CBRE Asia Pacific Investor Intentions Survey 2015

Outbound investment



Intentions to invest outside Asia Pacific remain strong

Given the current overpriced and low yield environment in Asia Pacific, investors are looking for opportunities outside the region. In 2014 Asian investors diversified and spent around US$40 billion in markets outside their home region. The trend of outbound investment is set to gather further momentum in 2015, with 32% of respondents from organisations domiciled in Asia Pacific expressing an interest in doing so.

Whilst outbound investment intentions remain strong, the actual level of investment is not expected to be much higher than last year. Only 12% of respondents said they plan to increase the amount they invest this year, compared to the 29% intending to do so last year.

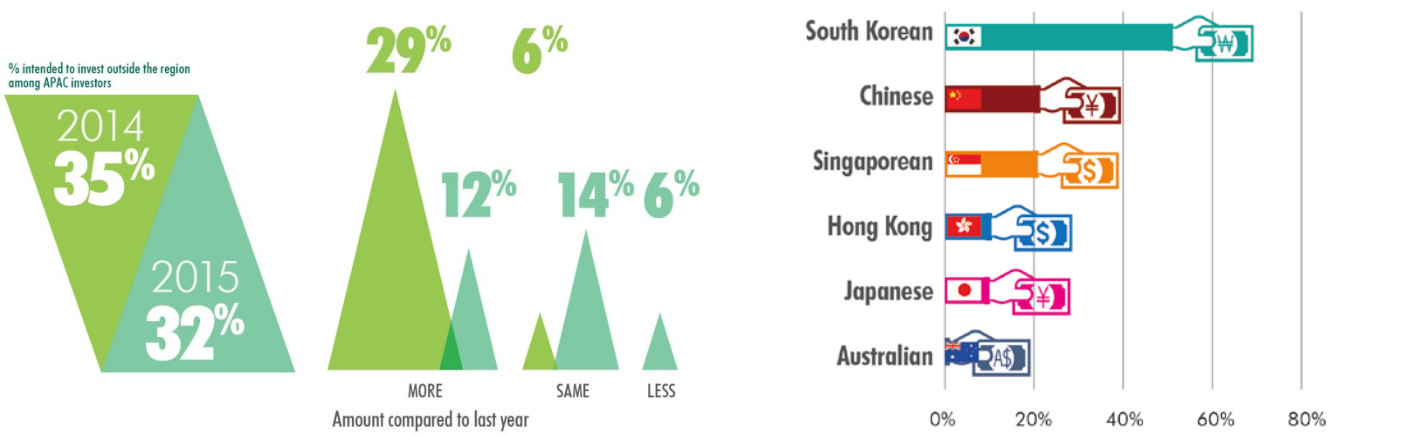
Given that Asian outbound investment surged 25% in 2014[1], it makes sense for investors to adjust their pace of investment in the coming year.

South Koreans expect to be the most active outbound investors, followed by Chinese and Singaporeans. The survey findings largely align with the capital flows observed in the direct real estate market in 2014, when Singapore, China and Hong Kong accounted for the top three sources of capital. However, South Korean investors were much less active in global direct investment. This was because they have shifted to investing significantly via funds and club deals, a trend also observed among Japanese investors.

Figure 15: Expect to invest outside Asia Pacific in 2015

One-third of Asia Pacific investors want to invest outside the region

South Korean investors are the keenest; followed by Chinese and Singaporeans



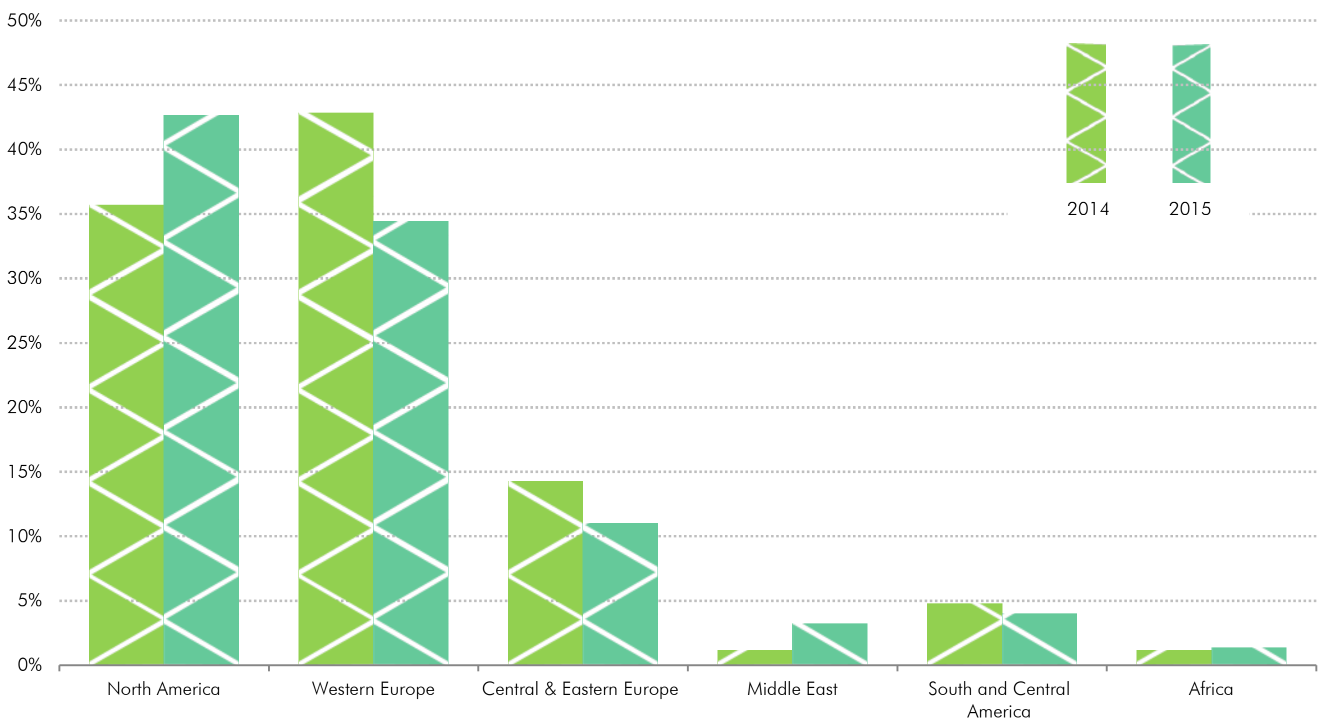
Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015.
Respondents could choose more than one region for investment destinations

1 CBRE Research (2015), Asian Capital: Acceleration and Evolution

Geographical focus shifts from Western Europe to North America

The strong economic recovery in the United States and uncertainty in the Eurozone is prompting investors to shift their focus from Western Europe to North America. This trend aligns with the volume of outbound investment recorded in 2014. North America recorded growth of 20% y-o-y whilst EMEA recorded growth of just 1% y-o-y[1]. Nevertheless, EMEA continued to attract the highest volume of Asian investment, although the level was unchanged on the previous year. Respondents to this year's survey also displayed stronger interest in the Middle East. This illustrates the diverse interest among investors which is extending across the world and is less confined to gateway cities in the most popular developed markets.

Figure 16: Where do you intend to invest outside Asia Pacific?



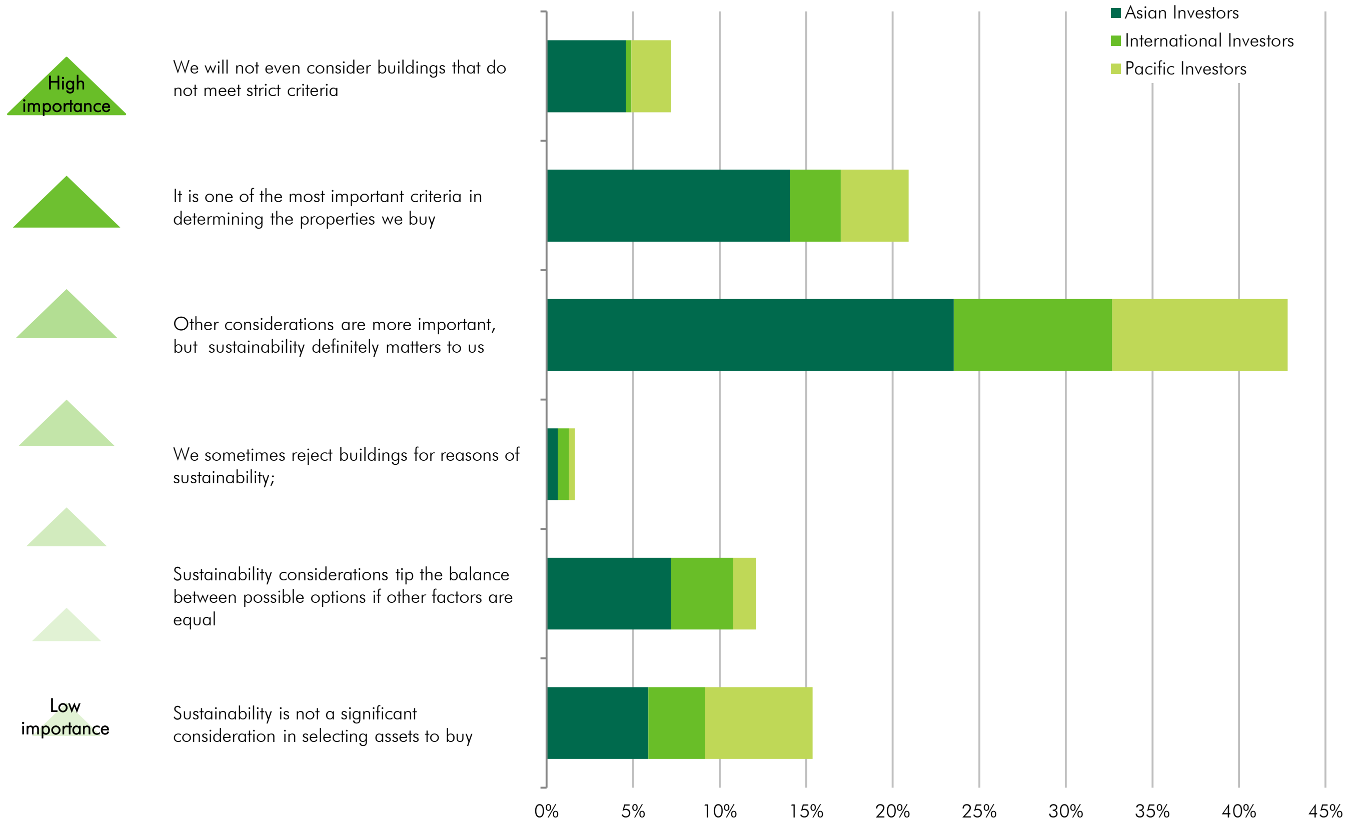
Source: CBRE Asia Pacific Investor Intentions Survey 2014 and 2015. Respondents could choose more than one region for investment

1 CBRE Research (2015), Asian Capital: Acceleration and Evolution

Sustainability matters

Around one half of investors (43%) stated that sustainability “definitely matters” when it comes to making real estate investment decisions, although they also noted that it is not as important as other factors. Around 12% respondents identified sustainability as one of the most important criteria they take into account when determining the property they will purchase. While sustainability is not as important an issue in Asia Pacific as it is in North America or Europe, investors in the region are increasing their awareness of sustainability issues and criteria.

Figure 17: Approach to Sustainability?



Source: CBRE Asia Pacific Investor Intentions Survey 2015

Survey methodology

The second annual CBRE Investment Intentions Survey was carried out online from 8 January to 30 January 2015. It attracted 317 respondents compared to 122 responses in 2014. The survey focuses on the forward looking views of investors in the Asia Pacific real estate sector.

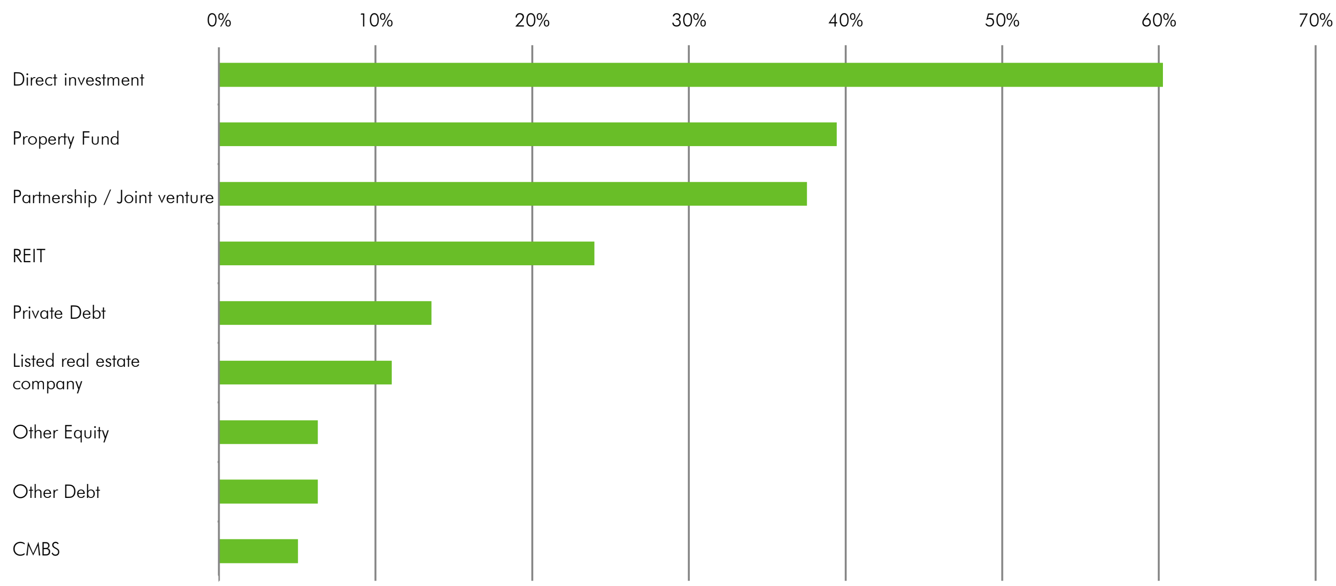
Of the total number of respondents, close to 79% were companies domiciled in Asia Pacific, and only 21% were domiciled outside of this region. Pacific-based investors comprised about 24% of the total number of respondents, followed by Japan (17%), Hong Kong (10%) and China (9%).

Respondents based in South Korea and Singapore made up 8% and 5% respectively. Respondents domiciled outside Asia Pacific were mainly based in Europe and North America, and are believed to have experience investing in the region.

Fund/asset managers accounted for 29% of respondents followed by property companies (23%) and institutional investors (19%). A further 9% were REITs and 7% were banks.

Direct investment is the most popular format of investment among respondents, accounting for 60%. Property funds (39%), partnerships / joint ventures (38%) are also popular. Investors also invest in REITs and property companies as well as debt in various forms.

Figure 18: Survey respondents by investment vehicle



Source: CBRE Asia Pacific Investor Intentions Survey 2015

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