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SE **Commercial** realestate
HD **Asian demand buoys cities**
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Growing demand from Asia for Australian **property** will offset any downturn in sales across the Asia-Pacific region, say experts.

More than \$1 billion of fund is tipped to flow into Australia in the coming months, with Melbourne and Sydney the targets.

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It is expected the focus will be on B-grade office assets that can be converted into apartments with an adjoining retail component. These assets include fringe central business district buildings around Lonsdale and Flinders streets in Melbourne and the north-eastern and western corridors of Sydney.

There will also be demand for offices, such as the Westpac headquarters at 275 Kent Street, rumoured to have been bought by the United States investment **group** Blackstone.

In another recent deal, TIAA Henderson Real **Estate** bought a half share in an office development at 699 Bourke Street, Melbourne, for \$73 million from Mirvac.

Australia is an important market for the **firm**, says Nick Evans, executive director, Australia, Henderson.

"We are committed to building a sustainable business over the long term, having built up a very successful history of establishing strategic relationships with Australian superannuation schemes, real **estate** investment trusts and **property** companies. The office sector is also a key sector for the business," he says.

According to Jones Lang LaSalle (JLL), after a record year in 2013, **transaction** volumes in Asia-Pacific's **commercial** real **estate** markets slowed to \$US23.1 billion (\$24.7 billion) in the first quarter of 2014, down 15 per cent compared with the previous year.

Attributing the slowdown to government cooling measures and seasonal factors, JLL maintains its forecast that full-year **transaction** volumes will surpass those of 2013 through the continued allocation of capital to the real **estate** sector and improving leasing demand.

Stuart Crow, head of Asia-Pacific capital markets at JLL, says that **transaction** volumes in Asia Pacific were traditionally lower in the first quarter than the rest of the year because of both the Western and **Chinese** New Year holidays.

"While investment has been slightly muted by concerns around growth in emerging markets and renewed economic uncertainty in **China**, we expect **transaction** volumes to pick up throughout the year as a wave of closed-end funds mature and deals that are already in the pipeline come to market.

"Coupled with unrelenting demand for **commercial** real **estate**, this leads us to maintain our forecast that investment in **commercial** real **estate** in the region will outstrip that of 2013," he says.

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