

FINANCIAL REVIEW

SE **Property**
HD **Prepare for China's next wave: CBRE**
BY Nick Lenaghan and Michael Bleby
WC 556 words
PD 13 March 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 46
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

The flood of Asian investment into the Australian **property** market – from **China**, especially – will soon shift from development sites to **commercial** assets and passive investment, guests at an industry breakfast were told on Tuesday.

Mark Wizel of CBRE, which hosted the event, said regional investors had outlaid more than \$1.3 billion for **residential** development sites in the Melbourne CBD and fringe over the past two years.

TD

"We're almost through the last cycle of Asian capital and moving into a different cycle of Asian capital," Mr Wizel said.

In Melbourne's busy development **site** market, **Chinese** buyers, mostly private, have been outspending their rivals, such as pension funds and listed players from Malaysia and Singapore.

"The **Chinese** are really going to start to move over into that traditional core-plus market and they are going to move away from pure development," Mr Wizel said.

"The majority of capital that we've seen from **China** has all been from the private market. What we haven't seen yet, which is the game changer, is the depth of the **Chinese** pension funds and **Chinese** institutions.

"The pioneers have been privates. They've given a lot of confidence to the institutional investors to follow suit."

China is the largest source of foreign demand for Australian real **estate**, with the Foreign Investment Review **Board** granting approval for \$5.9 billion in **purchases** in 2012-13. Insurance groups

Chinese property investment rose 44 per cent in the year to replace the US and Singapore as the top origin of foreign investment in the sector, according to figures last month.

CBRE's Mark Granter said the first signs of the next wave were emerging with **Chinese** insurance groups, such as **China** Life and Ping An, and other institutional investors making inquiries every one or two weeks.

"Why are foreign investors and offshore **purchasers** so interested and have got such an appetite for our real **estate**?

"Look at all markets around the world. The returns coming out of prime real **estate** in Australia, particularly Melbourne and Sydney, are more attractive."

Prime office yields in Melbourne are at 6.7 per cent, one of the highest returns in Asia-Pacific.

However, Australia's relative attractiveness for global capital will be challenged as Asian markets stabilise, stronger growth emerges in the US and the Australian dollar retreats, according to CBRE's research head, Stephen McNabb.

The Melbourne market has its own challenges, with supply of space well in excess of demand.

On CBRE's base case for jobs growth over the three years, office vacancy could peak at 14 per cent by 2016.

Even with strong jobs growth, it is expected to rise to 11 per cent within two years.

Within the office leasing market, CBRE's Andrew Tracey noted the trend for activity-based working had increased the demand for better-equipped buildings.

"That's going to throw up some challenges for the existing stock in the market today as well in terms of relative obsolescence of buildings that aren't particularly old buildings.

"And that's probably the really big question that we need to deal with. The next generation of buildings will be very much tailored to the way that people are going to work in the future."

CO	coldb : CBRE Group, Inc.
IN	ireest : Real Estate icre : Real Estate/Construction i85 : Real Estate Transactions i8500021 : Office Real Estate icireal : Commercial/Industrial Real Estate
NS	ccat : Corporate/Industrial News
RE	austr : Australia china : China melb : Melbourne victor : Victoria (Australia) apacz : Asia Pacific asiaz : Asia ausnz : Australia/Oceania bric : BRIC Countries chinaz : Greater China devgcoz : Emerging Market Countries dvpcoz : Developing Economies easiaz : Eastern Asia
PUB	Fairfax Media Management Pty Limited
AN	Document AFNR000020140312ea3d0003f