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HD **Offshore appetite for Australian real estate falling: CBRE**

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Foreign investment in Australian **commercial** real **estate** is expected to taper in 2014 as the improving global economy creates more cross-border competition for offshore capital, according to real **estate group** CBRE.

Australia ranked as the No.1 country in the Asia Pacific for cross-border investment in 2013, attracting more than a third (35 per cent) of all investment into the region.

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In terms of current investor intentions, Australia (18 per cent) ranked second, behind **China** (28 per cent), a CBRE survey of investor intentions found. Sydney and Melbourne ranking third and fourth respectively in relation to city investor preference, behind Tokyo and Shanghai.

CBRE Australia head of research Stephen McNabb said the high proportion of investment that flowed into Australian real **estate** last year suggested foreign capital inflows to the Australian market could slow in 2014 "as we began to compete with **China** and other growth regions for global capital".

"We expect a slowing – not an exodus – in capital inflows. This is consistent with our view demand for Australian assets falls relative to improving growth stories globally, the outcome of which has been reflected in a lower Australian dollar over the past six months of so," Mr McNabb said.

Andrew Cannane of Trust **Company**, which helps facilitate cross-border **transactions** said: "We continue to experience strong interest from our clients wanting to invest into Australian real **estate**. However, there is no doubt the market is proving more competitive when it comes to buying quality assets".Demand still strong

Ken Atchison of advisory **firm** Atchison Consultants said high yields and capitalisation rates relative to other countries made Australia attractive to overseas investors, but the gap was closing. Mr Atchison said the biggest challenge to the relative attractiveness of **property** was long term bond rates in the developed world. "They're rising, so the yield margin offered from **property** is contracting," he said.

The attractiveness of higher yielding assets was revealed in the CBRE investor survey, which found a shift in preference from office assets to industrial and logistics assets.

Mr McNabb said this was consistent with local expectations the cyclical economic recovery would assist industrial assets, which are starting with a higher yield and have potential for improved rent compared to office assets in the short term. CBRE forecasts up to $5 billion of industrial assets to change hands in 2014, up from $3 billion last year.

CBRE also noted signs investor interest was broadening to secondary markets outside the main business districts.

"Australia is still witnessing very strong demand for core real **estate** across all sectors," said Michael Andrew, CBRE's director of international investments.

"However we have seen the emergence of an appetite for assets in what has often been seen as secondary "non-core" markets, where investors understand they can still get high quality assets, strong covenants and at better yields than in the CBD's."

CO coldb : CBRE Group, Inc.

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