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RESEARCH

Inbound, outbound Asian real estate investments in 2015 set to increase

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Courtesy of Marc Jacobs

By NANCY BUCKLEY

Outbound capital flows from Asia will increase 61 percent in 2015 as a result of policy changes in China and Japan that will ease investments, according to Colliers International.

Inbound investment into the region is also predicted to grow this year as supply increases and investors look to expand in Asia. Luxury brands consistently look toward Asian countries for physical and digital expansions, and the increase in space will open opportunities for brands to move more offices and stores into the region and improve relations with affluent Asian clients.

"Those who are already in Asia are going to have a harder time expanding and they can expect that high real estate prices are already going to climb higher," said Avery Booker, partner at China Luxury Advisors.

Mr. Booker is not affiliated with Colliers International, but agreed to comment as an industry expert.

Colliers International was unable to respond by press deadline.

Looking outward

Inbound investments are expected to increase 102 percent in 2015, three times the rate of growth from last year. The open space across Asia will increase 152 percent to about 100 million square feet. Shanghai, Hong Kong and Singapore are the top destinations to host open space, but India will also likely see an increase in interest from investors.

Mainland China, Singapore and Hong Kong are also the top three locations with outbound real estate capital. In 2014, these three totaled 71.1 percent of the total outbound capital in the region.

Ritz-Carlton, Hong Kong

This year, Japan will likely see an increase in outbound investments as its Government Pension Investment Fund may allot 3 to 5 percent of its $1.1 trillion to global real estate. This would make the fund the world's largest real estate allocation.

Also, in China, a policy that will ease the process for Mainland companies to receive approval to invest outside Mainland China will likely increase investments elsewhere.

New York, London, Sydney and Melbourne are the preferred destinations for outbound Asian investors, but with the competition from local investors, many Asian investors are looking toward cities such as Los Angeles or Frankfurt, Germany.

Albert Park in Melbourne

In suburban Los Angeles, the office market offers attractive investment potential with limited downside risk because of the low price points and rents being lower than their replacement costs.

Other locations such as Paris and San Francisco have also seen interest among Asian investors. In Paris, yields are low for commercial space and locals are looking to team with equity partners. San Francisco's downtown residential developments pose a potential for good investment strategies.

Beyond China

A new report by the National Association of Realtors found that Chinese buyers accounted for roughly 24 percent of the money spent by foreign investors on United States real estate.

Buyers from Canada, China, Mexico, India and the United Kingdom accounted for an estimated 54 percent of all reported international sales from April 2013 to March 2014. Interestingly, Florida, California, Arizona and Texas contained 55 percent of these transactions (see story).

Often the focus is placed primarily on China, but with a regional population of more than 600 million people, South East Asia is gaining steam in the luxury market space in both product purchase and hotel stays, according to a panel about South East Asia at the 2014 FT Business of Luxury Summit.

The panel focused on South East Asia and how investors, consumer brands and hoteliers can get a handle on the large and complicated area. South East Asia's marine- and land-based economies throw a significant challenge to brands who must rethink current models to adapt to the region's nuiances (see story).

Real estate will likely gain more competition as inbound and outbound investments increase in China.

"In terms of inbound invest, particularly in China, it will be really intensified for prime real estate locations," Mr. Booker said. "It is tough already, but will be escalated by inbound investors.

"In terms of outbound, I don't expect anything to change, investment from Asia is still going to be going to the same places," he said. "All it is going to do is raise prices in trophy areas."

Final Take

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