

## Sub-prime crisis to lower investment in Asia's property sector

The global sub-prime crisis will this year have the greatest impact on 'mature' property markets in the Asia-Pacific region, leading to an overall decline in investments, international property consultant Jones Lang LaSalle said Tuesday.

Direct commercial real estate investment in Asia Pacific reached a new high of \$121 billion in 2007, up 27 percent on 2006, but prospects for 2008 are less rosy, said Jones Lang LaSalle in its latest property outlook.

Fallout from the sub-prime crisis, which started in the US, has been most evident during the first quarter of 2008 in more mature markets in the Asia-Pacific, such as Tokyo, Singapore, Sydney and Melbourne, where office capital values appear to have peaked, while a slowing in price growth is also likely for Hong Kong.

'As these markets account for the lion's share of investment activity, we expect a decline in overall transaction volumes in Asia Pacific this year following the record result in 2007,' said Jane Murray, Head of Research - Asia Pacific at Jones Lang LaSalle.

But the sub-prime crisis will have a varied impact on the region's property sector this year, said the real estate consultant.

In the office sector, a sharp slowing in rental growth is under way in Tokyo, while Singapore is seeing the beginnings of a softening in pre-let rates, and Shanghai has begun to brace itself for slowing demand in Pudong amongst its vital financial services tenants, said Jones Lang LaSalle.

But on the other end of the spectrum, the Manila office market has seen strong growth in business process outsourcing due to the increased emphasis by multinational corporations (MNCs) on lowering operational costs, it noted.

Another trend noted was that of MNCs moving their offices from central business locations to 'cheaper peripheral sites.'

Singapore, for example, is seeing strong enquiry levels for built-to-suit options in business park locations, driving up rental levels in these districts.

In Bangkok, the conveniences offered by a subway and sky-train are 'are attracting corporations to locate in fringe locations where facilities and ease of access remain good but occupational costs can be 30-40 per cent lower than locating in a prime grade central business district building,' said Murray.

Another interesting trend is the re-emergence of Japanese investors in overseas markets, particularly in the developing markets of China, India and Vietnam, she added.

'Together with the relatively attractive returns on offer and significant structural changes under way, these will help to shore up regional investment activity over the short to medium term,' said Murray.

( © IANS / India eNews)