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Institutional investment in real estate to see slower growth

BUSINESS
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Institutional investors are expected to increase real estate allocations this year, but the pace of growth may slow, given high asset pricing, according to property consultants.

Investor allocations in real estate rose from 9.4 per cent to 9.6 per cent this year. In 2013, the ratio was 8.9 per cent, according to recent survey data from Colliers International, as well as from Cornell University and Hodes Weill & Associates 2014 Allocations Monitor.

This modest increase in allocation rate this year amounts to an extra US$52.5 billion, considering the size of the capital pools. But the growth fell 50 per cent when compared to the US$105 billion last year, the Colliers data showed.

In terms of cross-border investment, Colliers said although the 2007 peak of US$382 billion was yet to be repeated, it amounted to US$262 billion last year. Asian capital accounted for about 13 per cent in 2007 and more than doubled to 30 per cent last year, which is a total increase of US$36 billion, with signs of further growth, according to Colliers.

In another survey by international property consultant CBRE, the overall intention of investors in Asia-Pacific to invest remains strong but has moderated from last year.

"Our view is that investment liquidity will remain abundant in the regional real estate market but deal flows will be limited by investment opportunities and pricing. We thus expect only a mild increase in investment turnover in 2015, by around 3 to 5 per cent year on year," said Ada Choi, a senior director at CBRE Research Asia.

In its survey on Asia-Pacific investor intentions, which looks at the outlook and views of investors in the region, CBRE said 64 per cent indicated a desire to make more purchases.