THE SIGNIFICANCE AND FUTURE OPPORTUNITIES OF THE ASIAN REAL ESTATE MARKETS

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ABSTRACT

The Asian real estate markets have seen increased attention from international and local real estate investors. This is driven by strong economic growth in both the developed and emerging markets in Asia; seeing increased maturity, professionalism and stature by Asian real estate. REITs, listed real estate companies and unlisted real estate funds have also become key players in this Asian real estate landscape. This report examines the significance of the Asian real estate markets, and the size, liquidity and growth prospects of the Asian real estate markets over the next 20 years. Asian real estate capital flows and transactions from 2007-2013 are assessed to place Asia in a global context, as well as drilling into the specifics for Malaysian real estate in this global and Asian real estate context. The on-going real estate implications for Malaysia and Asia are highlighted; particularly the future opportunities.

EXECUTIVE SUMMARY

The Asia-Pacific real estate markets have seen increased attention from international and local real estate investors, driven by the strong economic growth in the Asia-Pacific region. This report details the significance, size, growth prospects and liquidity of the Asia-Pacific real estate markets for more informed real estate investor decision-making.

The Asia-Pacific real estate markets currently account for over $7 trillion in investable real estate, being 27% of the global real estate market. This Asia-Pacific real estate market share is expected to increase significantly to 39% in 2021 and to 49% in 2031; with the Asia-Pacific real estate market size projected to increase from $7 trillion to $45 trillion by 2031. This increase in the Asia-Pacific real estate market share will be driven by the significant role of the developing Asia-Pacific real estate markets, which are expected to see an increase in global real estate market share from 10% to 39% by 2031.

The Asia-Pacific real estate markets are seen to have increased their liquidity in the last three years. Hong Kong, Singapore and Australia are seen as the most liquid Asia-Pacific real estate markets. While the global real estate markets tended to have more liquidity than the Asia-Pacific real estate markets, Hong Kong, Singapore and Australia still figured prominently amongst the most liquid real estate markets globally.

This report has assessed the significance of the Asia-Pacific real estate markets, and the size, growth potential and liquidity of the Asia-Pacific real estate markets. In this international context, the Asia-Pacific real estate markets are expected to play a significant and increasingly important role, with increasing levels of liquidity. This presents a positive investment context for the ongoing role of Asia-Pacific real estate in a diversified real estate portfolio for real estate investors, with these opportunities expected to increase over future years.

1.0 INTRODUCTION

The Asia-Pacific region has seen considerable economic growth in recent years, across the developed markets (eg: Japan, Singapore and Hong Kong) and the developing markets (eg: China and India). The region has become a major global economic growth engine, recovering from the global financial crisis and largely being isolated from the recent US economic uncertainty and the sovereign debt issues in Europe. This sees six of the top 20 most globally competitive business environments being in the Asia-Pacific; namely Singapore (#2), Hong Kong (#9), Japan (#10), Taiwan (#14), South Korea (#19) and Australia (#20) (WEF, 2013).

Importantly, this strong economic growth has been a major stimulus to the real estate markets in the Asia-Pacific region. With real estate being an important asset class for institutional investors and offering attractive investment features in a diversified portfolio, this has seen significant real estate investment opportunities in the Asia-Pacific region in both the listed real estate and unlisted real estate sectors in the developed and developing real estate markets. These real estate investors have included pension funds, sovereign wealth funds, insurance companies, endowments, foundations, family offices and private equity investors. The range of real estate investment vehicles for Asia-Pacific real estate exposure has covered the full landscape of investment vehicles, including unlisted real estate funds, club deals, separate accounts, fund of funds, direct real estate, property companies and REITs, involving core, value-add and opportunistic real estate investments as well as debt products.

A quick snapshot of the expected growth in the global real estate markets over 2011 – 2020 is given in Figure 1.

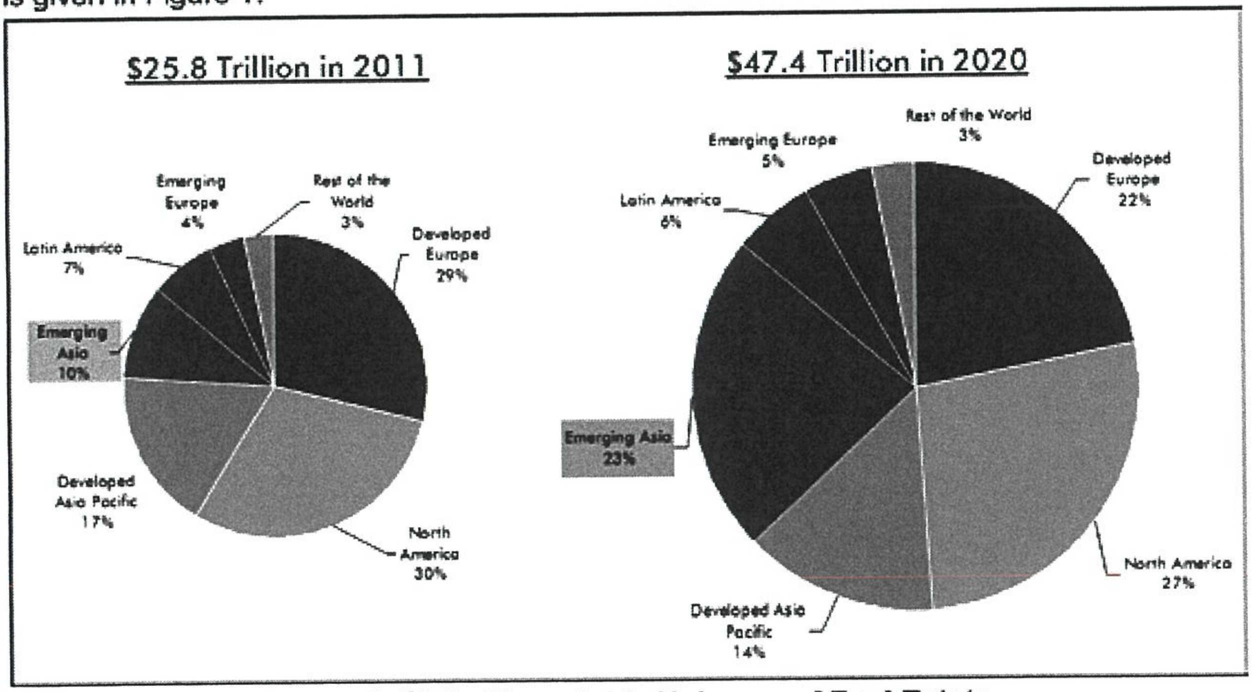

Figure 1: Global Investable Universe of Real Estate
Source: CBRE (2011)

In order for investors to better understand the position of these Asia-Pacific real estate markets in a global real estate market context, a high level of analysis of the size, growth prospects and liquidity of the Asia-Pacific real estate markets is required. As such, this report seeks to enhance the level of information available to institutional investors in their investment decision-making regarding the significance and stature of the Asia-Pacific real estate markets in an Asia-Pacific and global context. Specific objectives are:

i. Why are the Asia-Pacific real estate markets important?
ii. What is the size of the Asia-Pacific real estate markets; both in $ and % terms?
iii. How is this expected to change over the next twenty years?
iv. What is the liquidity of the Asia-Pacific real estate markets?
v. What are the future opportunities?

Importantly, the goal of this report is not to just come up with the "dollar value" for the size of the Asia-Pacific real estate markets moving forward; any such numbers are clearly forecasts which are subject to certain assumptions. The key issue is to position the Asia-Pacific real estate markets in a global real estate investment context, and highlight the context, growth prospects and increasingly significant role for the Asia-Pacific real estate markets in future years.

2.0 THE IMPORTANCE OF THE ASIA-PACIFIC REAL ESTATE MARKETS

Real Estate Market Transparency

A key ingredient for this increased investor confidence in the Asia-Pacific real estate markets has been the improved real estate market transparency in the Asia-Pacific markets in recent years, as shown in Table 1.

Table 1: Asia-Pacific Real Estate Market Transparency*

High transparency	Australia (3), New Zealand (5)
Transparent	Hong Kong (11), Singapore (13), Malaysia (23), Japan (25)
Semi-transparent	Taiwan (29), China-Tier 1 (32), Philippines (35), Indonesia (38), Thailand (39), South Korea (41), China-Tier 2 (46), India-Tier 1 (48), India-Tier 2 (49), India-Tier 3 (50), Macau (53), China-Tier 3 (55)
Low transparency	Vietnam (68)

Source: JLL (2012)

*: *Global ranking of each Asia-Pacific real estate market is given in brackets*

This sees the developed real estate markets of Australia, Singapore, Hong Kong, Japan and Malaysia classified as "high transparency" or "transparent" by Jones Lang LaSalle, with most of the developing real estate markets classified as "semi-transparent". Importantly, many of these Asia-Pacific real estate markets have significantly improved their real estate market transparency over the last ten years; particularly the developing markets.

Previous reports have highlighted the added-value benefits of both Asia-Pacific listed and unlisted real estate in an investor's portfolio (eg: Newell, 2010, 2011, 2012, 2013, 2014).

Investors

Table 2 highlights the range of real estate investors in the Asia-Pacific real estate markets.

Table 2: Players In The Asia-Pacific Real Estate Investment Landscape

Local	International
• REITs/PCs • Private equity funds • Sovereign wealth funds • High wealth individuals	• Unlisted RE funds • Pension funds • Insurance companies

These are discussed more fully below.

Pension Funds

With pension funds globally having over $33 trillion in assets under management, the Asian pension funds are playing an increasingly important role. This sees five of the top 10 pension funds globally being in the Asia-Pacific; this includes:

#1: GPIF: $1.3T: Japan

#4: NPS: $368B: South Korea

#12: EPF: $176B: Malaysia.

Importantly, real estate is seen as a key ingredient in many Asia-Pacific pension fund strategic asset allocations; eg: NPS and EPF. This includes real estate at a local, regional and international level. Other Asia-Pacific pension funds are strategically examining real estate in their portfolio via increasing their allocation to the alternative assets (ie: real estate, infrastructure and private equity).

Other non Asia-Pacific pension funds are also active in the Asia-Pacific real estate markets; eg: CPPIB (#9: $184B: Canada).

Sovereign Wealth Funds

Sovereign wealth funds (SWFs) have over $6 trillion in assets under management, with 5 of the top 10 SWFs globally being in the Asia-Pacific. This includes:

#4: CIC: $575B: China

#8: GIC: $320B: Singapore

#10: Temasek: $173B: Singapore

#25: Khazanah Nasional: $41B: Malaysia.

Importantly, real estate is seen as a key ingredient in many Asia-Pacific SWF strategic asset allocations; eg: CIC, GIC, Temasek. This includes real estate at a local, regional and international level.

Other non Asia-Pacific SWFs are also active in the Asia-Pacific real estate markets; eg: ADIA (#2: $773B: UAE).

Private Equity Real Estate

With the private equity sector accounting for over $450 billion in new capital raised in 2013, private equity real estate accounted for $76 billion; being 17% of the total private equity sector. In the Asia-Pacific, private equity real estate saw $11 billion raised via 22 new closed funds in 2013; being 14% of the private equity real estate sector. Of the current 452 private equity real estate funds seeking to raise $162 billion in capital, the Asia-Pacific accounts for 58 funds seeking to raise $23 billion; being 14% of the private equity real estate sector (Preqin, 2014).

Major private equity real estate players in Asia include Blackstone, Carlyle, LaSalle, CBRE Global Investors, Aetos, Invesco, Fortress, Gaw and Red Fort. These include core, value-add, opportunistic and real estate debt funds in country-specific, pan-Asia and global portfolios, with over $100 billion in real estate assets under management in these Asia-focused real estate funds. Figure 2 details the various CBRE Global Investor's Asia real estate funds.

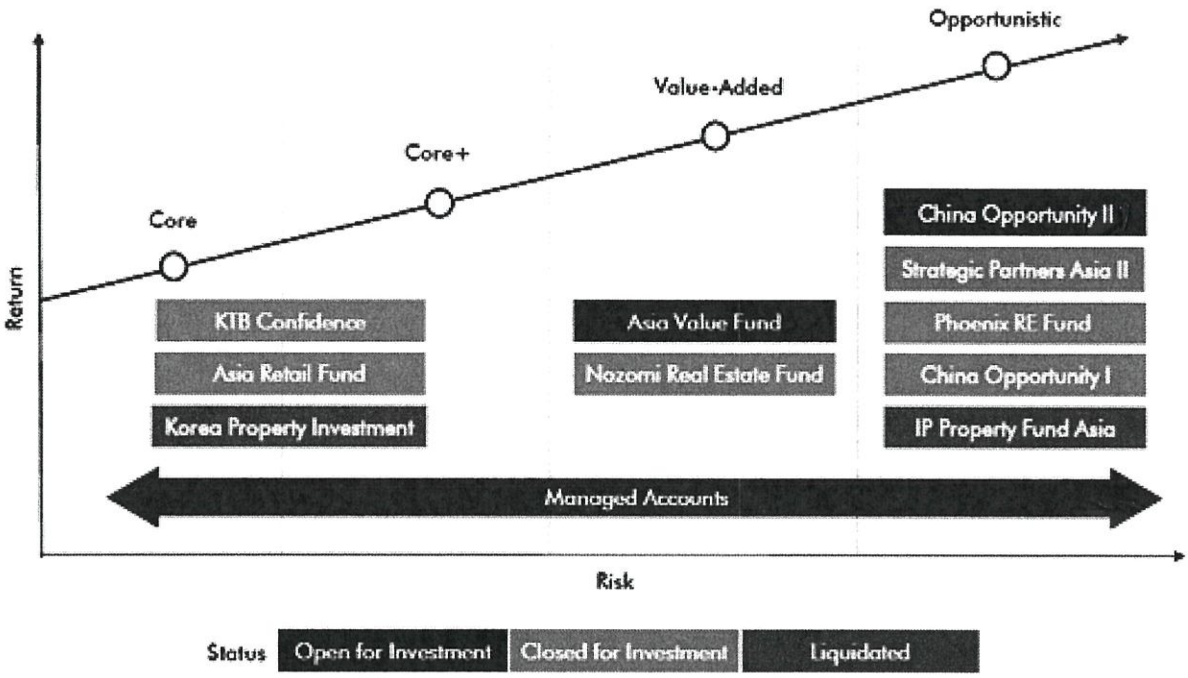

Figure 2: CBRE Global Investors' Asia Funds
Source: CBRE Global Investors (2014)

Listed Real Estate Companies and REITs

Asia-Pacific has over 1,590 listed real estate companies and REITs, with $1,468 billion in market cap at December 2013. This represents a 48% market share of the global listed real estate securities sector. This sees Asia-Pacific having 4 of the top 5 listed real estate securities markets; ie: Hong Kong (#2), China (#3), Japan (#4) and Singapore (#5), with Australia at #7 largest globally. Five of the top 10 largest listed real estate securities globally are in the Asia-Pacific. This includes Mitsubishi Estate (#2), Mitsui Fudosan (#3), Sumitomo (#5), Sun Hung Kai (#7) and Westfield (#8), with Wharf (#19) and Link REIT (#20) also in the top 20 globally. Amongst the emerging market listed real estate securities, the Asia-Pacific figures prominently, with 4 in the top 10 globally, including China Overseas Land (#1), China Resources Land (#4) and Ayala Land (#6) (EPRA, 2014).

Figure 3 shows the growth in the Asia-Pacific listed real estate securities sector over 2000-2014 (APREA, 2014); particularly highlighting the significant growth in both listed real estate companies market cap and REIT market cap in the post-GFC period.

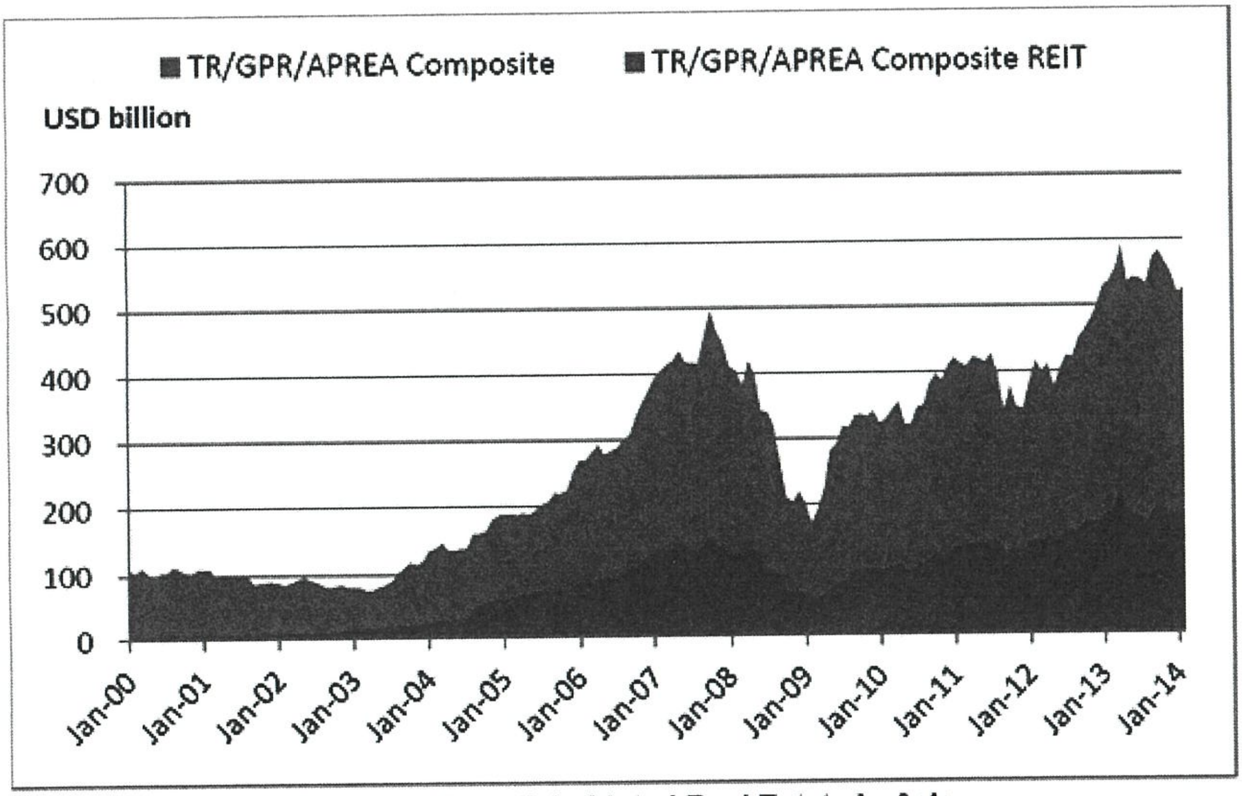

Figure 3: Growth in Listed Real Estate in Asia
Source: APREA (2014)

Real Estate Transactions

Further evidence of the stature and investor acceptance of Asia-Pacific real estate is reflected in the volume of Asia-Pacific real estate transactions in recent years; this includes commercial real estate and development sites (see Table 3).

Table 3: Significance Of Asia-Pacific Transactions*: 2007-2013

Asia-Pacific: $2,118B; 41% market share
Americas: $1,692B; 32% market share
Europe/MEA: $1,390B; 27% market share
Global: $5,205B

*: includes development sites

Source: Author's compilation from Real Capital Analytics (2014)

The Asia-Pacific region accounted for over $2,118 billion in real estate transactions over 2007-2013 (Real Capital Analytics, 2014). This represents 41% of global real estate transactions over this period. The significance of the major Asia-Pacific real estate markets in a global context is shown in Table 4, with China and Japan in the top 5 most active global real estate markets over 2007-2013, and other Asia-Pacific real estate markets also playing a significant role in this global context.

Table 4: Asia-Pacific Transactions: 2007-2013

#1: US: $1.5 trillion @ 29%
#2: China: $1.4 trillion @ 27%
#3: UK: $419 billion @ 8%
#4: Germany: $274 billion @ 5%
#5: Japan: $228 billion @ 4%
Australia: $123 billion
Hong Kong: $118 billion
Singapore: $96 billion
South Korea: $56 billion
Taiwan: $42 billion
Malaysia: $22 billion

Source: Author's compilation from Real Capital Analytics (2014)

Table 5 also shows the breadth and diversity of the top Asia-Pacific commercial real estate markets, seeing five Asia-Pacific cities represented in the top 20 global commercial real estate markets in 2013.

Table 5: Ranking Of The Major Global Commercial Real Estate Markets: Transaction Value

City	2013	2012	2011	2010
New York	1	1	1	3
London	2	2	2	2
Tokyo	3	3	3	1
Los Angeles	4	4	5	8
San Francisco	6	5	7	10
Paris	7	6	4	4
Hong Kong	8	7	8	5
Sydney	13	17	20	18
Singapore	16	16	9	6
Shanghai	20	22	10	11
Seoul	25	15	13	17
Beijing	27	32	12	9

Source: Author's compilation from Real Capital Analytics (2014)

Table 6 shows the ranking of the major Asia-Pacific commercial real estate markets over 2010-2013 in an Asia-Pacific context, with Tokyo, Hong Kong, Sydney and Singapore being the leading cities.

Table 6: Ranking of the Major Asia-Pacific Commercial Real Estate Markets: Transaction Value

City	2013	2012	2011	2010
Tokyo	1	1	1	1
Hong Kong	2	2	2	2
Sydney	3	5	7	7
Singapore	4	4	3	3
Shanghai	5	6	4	5
Seoul	6	3	6	6
Beijing	7	8	5	4
Osaka	8	11	10	9
Melbourne	9	9	9	8
Brisbane	10	7	11	12
Kuala Lumpur	28	23	13	10

Source: Author's compilation from Real Capital Analytics (2014)

At an individual real estate transaction level, the significance of the Asia-Pacific markets in a global context in 2013 is further highlighted; particularly the role of development sites in China amongst these leading real estate transactions. This includes:

#1: Shanghai development site: $3.6B

#2: Shenzhen development site: $1.8B

#3: Tianjin development site: $1.7B

#4: London office: $1.6B

#5: Hong Kong development site: $1.5B

#8: Johor Bahru development site: $1.4B

#9: New York office: $1.4B

#10: New York office: $1.3B

#12: Tokyo office: $1.2B

#14: Singapore development site: $1.1B.

This sees the Asia-Pacific real estate markets accounting for 4 of the top 5, 6 of the top 10 and 11 of the top 20 global real estate transactions in 2013, continuing the trend of recent years. Overall, development sites in Asia-Pacific accounted for 9 of the top 20 real estate transactions globally in 2013 and 16 of the top 20 real estate transactions in 2013 in the Asia-Pacific region.

3.0 THE SIZE OF THE ASIA-PACIFIC REAL ESTATE MARKETS

The standard approach to estimate the size of the investable real estate markets is a top-down GDP-based approach. In estimating real estate market size, different adjustments are used for developed markets and developing markets, as well as adjustments for different population densities. This approach is used in this report, with the Pramerica Real Estate Investors' estimates of investable real estate market size used. Further details of this approach are given in Pramerica Real Estate Investors (2012) in assessing the size of 55 global real estate markets.

Table 7 presents the estimates of the size of the investable real estate markets for the major countries in 2011, including 14 Asia-Pacific real estate markets.

Table 7: Size of the Major Global Real Estate Markets: 2011

Country	Investable real estate (US$)	Global market share	Global rank
United States	$6,753B	25.4%	1
Japan	$2,678B	10.1%	2
China	$1,864B	7.0%	3
Germany	$1,615B	6.1%	4
UK	$1,370B	5.2%	5
France	$1,248B	4.7%	6
Italy	$990B	3.7%	7
Brazil	$884B	3.3%	8
Canada	$784B	3.0%	9
Spain	$689B	2.6%	10
Australia	$656B	2.5%	11
Russia	$620B	2.3%	12
South Korea	$467B	1.8%	13
Netherlands	$380B	1.4%	14
Mexico	$370B	1.4%	15
India	$350B	1.3%	16
Switzerland	$284B	1.1%	17
Sweden	$250B	0.9%	18

Singapore	$241B	0.9%	19
Hong Kong	$211B	0.8%	24
Taiwan	$198B	0.7%	26
Indonesia	$189B	0.7%	27
Thailand	$89B	0.3%	40
Malaysia	$84B	0.3%	43
New Zealand	$73B	0.3%	44
Philippines	$48B	0.2%	47
Vietnam	$21B	0.1%	52
Total	**$26,559B**	**100%**	

Source: Author's compilation from Pramerica Real Estate Investors (2012)

The Asia-Pacific region accounts for over $7 trillion of the $26.6 trillion global real estate market. This sees the Asia-Pacific region accounting for 27.0% of the global real estate market, compared with Europe (35.4%) and USA/Canada (28.4%). The leading Asia-Pacific real estate markets include Japan ($2.7 trillion; #2 globally; 10.1% market share), China ($1.9 trillion; #3; 7.0%) and Australia ($656 billion; #11; 2.5%). This compares with the US (#1), Germany (#4), UK (#5) and France (#6).

Importantly, the Asia-Pacific region has two real estate markets in the top ten markets globally and 7 real estate markets in the top 25 markets globally. Of the 27.0% Asia-Pacific real estate market share, this comprises 17.0% for the developed markets and 10.0% for the developing markets in the Asia-Pacific region. This developed market versus developing market split will change significantly over the next 20 years as the developing markets mature and play a far more significant role; this is highlighted in the next section of this report.

In an Asia-Pacific context, Table 8 presents the estimates of the size of the 14 Asia-Pacific real estate markets and their Asia-Pacific rankings.

Table 8: Size of the Asia-Pacific Real Estate Markets: 2011

Country	Investable real estate (US$)	Asia-Pacific market share	Asia-Pacific rank
Japan	$2,678B	37.4%	1
China	$1,864B	26.0%	2
Australia	$656B	9.2%	3
South Korea	$467B	6.5%	4
India	$350B	4.9%	5
Singapore	$241B	3.4%	6
Hong Kong	$211B	2.9%	7
Taiwan	$198B	2.8%	8
Indonesia	$189B	2.6%	9
Thailand	$89B	1.2%	10
Malaysia	$84B	1.2%	11
New Zealand	$73B	1.0%	12
Philippines	$48B	0.7%	13
Vietnam	$21B	0.3%	14
Total	**$7,169B**	**100%**	

Source: Author's compilation from Pramerica Real Estate Investors (2012)

Overall, accounting for 27.0% of the global real estate market, the Asia-Pacific region makes a significant contribution to the global real estate market. This has clearly seen the Asia-Pacific region take on increased significance with global real estate investors seeking high quality and value-adding opportunities in their real estate portfolios.

4.0 THE SIZE OF THE ASIA-PACIFIC REAL ESTATE MARKETS: 2021 AND 2031

Growth in the size of the real estate markets is an important consideration for real estate investors. Using GDP growth estimates, the forecast size of the global real estate markets in 2021 and 2031 is given in Table 9.

Table 9: Size of the Global Real Estate Markets: 2011-2031

Region	2011		2021		2031	
	$	%	$	%	$	%
Asia-Pacific	$7.2T	27.0%	$19.1T	39.2%	$44.9T	48.8%
- Developed	$4.5T	17.0%	$6.3T	12.9%	$9.5T	10.3%
- Developing	$2.6T	10.0%	$12.8T	26.3%	$35.4T	38.5%
Europe	$9.4T	35.4%	$13.3T	27.3%	$20.5T	22.2%
US/Canada	$7.5T	28.4%	$11.5T	23.6%	$18.0T	19.6%
Latin America	$1.8T	6.7%	$3.6T	7.5%	$6.8T	7.3%
GCC	$0.7T	2.6%	$1.2T	2.4%	$1.9T	2.0%
Total	**$26.6T**	**100%**	**$48.7T**	**100%**	**$92.1T**	**100%**

Source: Author's compilation from Pramerica Real Estate Investors (2012)

From $27 trillion in 2011, the global real estate market size is expected to grow to $49 trillion by 2021; an increase of 83%. By 2031, this global real estate market size is expected to be $92 trillion; a further increase of 89%.

Importantly, the Asia-Pacific share in this real estate market growth is even more significant. By 2021, the Asia-Pacific real estate market size is forecast to increase from $7 trillion to $19 trillion; an increase of 165%. By 2031, this is forecast to increase to $45 trillion; a further increase of 135%. Both of these ten-year Asia-Pacific real estate market size increases are well above the respective global rate of increase, as well as being significantly above the equivalent increases in real estate market size forecast for Europe (41% and 54%) and the US/Canada (53% and 56%).

These forecast changes over 2011-2031 will also see a significant change in the Asia-Pacific real estate market share. This will see the Asia-Pacific market share increase from 27.0% to 39.2% to 48.8% over this 20-year period. In contrast, the Europe market share is forecast to reduce significantly from 35.4% to 27.3% to 22.2% over this period. Similarly, the US/Canada market share is forecast to decrease from 28.4% to 23.6% to 19.6% over this period.

The increasing Asia-Pacific real estate market share over 2011-2031 from 27.0% to 48.8% also reflects the major growth in the Asia-Pacific developing real estate markets over this 20-year period. This is expected to see the developing Asia-Pacific real estate markets share increase from 10.0% to 26.3% to 38.5% over this period, while the developed Asia-Pacific real estate markets share decreases from 17.0% to 12.9% to 10.3%. This realignment within the Asia-Pacific real estate markets reflects the significant growth and real estate investment opportunities in the Asia-Pacific developing markets, including China, India, Indonesia, Malaysia, Vietnam and the Philippines. The dynamics of these changes for the individual Asia-Pacific markets over 2021-2031 are clearly evident in Table 10, showing the size of the investable real estate markets and global market share for the various Asia-Pacific countries.

Table 10: Size of the Asia-Pacific Real Estate Markets: 2021 and 2031

Country	2011		2021		2031	
	US$	Global %	US$	Global %	US$	Global %
Japan	$2,678B	10.1%	$3,073B	6.3%	$4,037B	4.4%
China	$1,864B	7.0%	$9,741B	20.0%	$26,395B	28.7%
Australia	$656B	2.5%	$892B	1.8%	$1,304B	1.4%
Sth. Korea	$467B	1.8%	$933B	1.9%	$1,662B	1.8%
India	$350B	1.3%	$1,630B	3.3%	$5,556B	6.0%
Singapore	$241B	0.9%	$546B	1.1%	$1,128B	1.2%
Hong Kong	$211B	0.8%	$353B	0.7%	$623B	0.7%
Taiwan	$198B	0.7%	$378B	0.8%	$561B	0.6%
Indonesia	$189B	0.7%	$752B	1.5%	$1,967B	2.1%
Thailand	$89B	0.3%	$230B	0.5%	$563B	0.6%
Malaysia	$84B	0.3%	$246B	0.5%	$465B	0.5%
New Zealand	$73B	0.3%	$113B	0.2%	$206B	0.2%
Philippines	$48B	0.2%	$134B	0.3%	$300B	0.3%
Vietnam	$21B	0.1%	$65B	0.1%	$171B	0.2%
Asia-Pacific	**$7,169B**	**27.0%**	**$19,085B**	**39.2%**	**$44,937B**	**48.8%**
Global	**$26,559B**	**100%**	**$48,723B**	**100.0%**	**$92,065B**	**100.0%**

Source: Author's compilation from Pramerica Real Estate Investors (2012)

Looking at these 2021 real estate growth projections more fully, Table 11 presents the forecast size of the major global real estate markets in 2021.

Table 11: Size of the Major Global Real Estate Markets: 2021

Country	Real estate (US$)	Global market share
United States	$10,290B	21.1%
China	$9,741B	20.0%
Japan	$3,073B	6.3%
Germany	$1,977B	4.1%
UK	$1,953B	4.0%
Brazil	$1,938B	4.0%
Russia	$1,698B	3.5%
India	$1,630B	3.3%
France	$1,528B	3.1%
Canada	$1,216B	2.5%
South Korea	$933B	1.9%
Australia	$892B	1.8%
Total	**$48,723B**	**100%**

Source: Author's compilation from Pramerica Real Estate Investors (2012)

This sees the Asia-Pacific region having 5 of the top 12 global real estate markets in 2021, compared to only 3 of the top 12 global real estate markets in 2011. This reflects significant real estate market growth over this period from China (#1 market growth; based on US$ growth), India (#3), Indonesia (#7), South Korea (#8) and Japan (#10). This sees five of the top 10 major real estate growth markets globally over 2011-2021 being in the Asia-Pacific region and over 50% of the global real estate market growth coming from the Asia-Pacific region over this period.

Overall, these projections over 2011-2031 present a major increase in the Asia-Pacific real estate market share, as well as a significantly increased role by the developing real estate markets in the Asia-Pacific region over the next twenty years. This presents a very positive context for the Asia-Pacific real estate markets going forward over the next 20 years.

5.0 THE LIQUIDITY OF THE ASIA-PACIFIC REAL ESTATE MARKETS

While the size of the various real estate markets is an important investment consideration, the liquidity of these real estate markets is also an important factor for investors, as it provides insights concerning how readily traded or tightly held commercial properties are in these various real estate markets. Using the commercial real estate transaction activity from Real Capital Analytics and the real estate market size estimates from Pramerica Real Estate Investors, liquidity is assessed as the percentage of the real estate market transacted each year. Table 12 presents the liquidity factors for the major Asia-Pacific commercial real estate markets for each of 2010, 2011 and 2012 and averaged over 2010-2012; these Asia-Pacific liquidity levels are benchmarked against the liquidity of the major international real estate markets in Europe and North America.

Table 12: Liquidity Factors of the Major Asia-Pacific Real Estate Markets

Country	2012		2011		2010		2010-2012	
	Liquidity	Rank	Liquidity	Rank	Liquidity	Rank	Liquidity	Rank
Asia-Pacific	**1.54**		**1.34**		**1.04**		**1.31**	
Japan	1.06	7	0.93	7	0.80	7	0.93	7
China	1.09	6	0.92	8	0.55	8	0.85	8
Australia	3.23	2	2.16	4	1.80	4	2.40	3
Sth Korea	1.48	5	1.63	6	0.94	6	1.35	6
Singapore	2.99	3	4.32	2	3.03	3	3.45	2
Hong Kong	7.87	1	5.40	1	5.69	1	6.32	1
Taiwan	1.82	4	2.73	3	1.52	5	2.02	4
Malaysia	0.83	8	1.79	5	3.45	2	2.02	5
US	3.43		2.48		1.62		2.51	
Germany	2.58		2.21		1.54		2.11	
UK	3.82		3.57		3.39		3.59	
France	1.81		1.81		1.74		1.79	
Canada	2.70		1.98		1.85		2.18	
Netherlands	1.47		1.21		1.45		1.38	
Sweden	5.20		5.00		4.32		4.84	
Global	**2.04**		**1.70**		**1.32**		**1.69**	

Source: Author's calculation

Amongst the Asia-Pacific real estate markets, increased levels of liquidity were generally evident over this three-year period. The most liquid Asia-Pacific real estate markets were seen to be Hong Kong (#1), Singapore (#2) and Australia (#3). While Japan had the highest level of real estate transactions in the Asia-Pacific region, the significant size of the Japan real estate market saw it only ranked #7 for liquidity amongst the Asia-Pacific real estate markets; only China had less liquidity than Japan.

At a global level, the major real estate markets have also seen increased levels of liquidity, with the overall Asia-Pacific region seeing less liquidity in its real estate markets (1.31) than the global real estate markets (1.69).

At an individual market level, the most liquid real estate markets globally were Hong Kong (#1), Sweden (#2), UK (#3), Singapore (#4), US (#5) and Australia (#6). This sees several of the Asia-Pacific real estate markets well-represented amongst the most liquid real estate markets globally. This further reinforces the investor attractiveness for the Asia-Pacific real estate markets.

6.0 FUTURE OPPORTUNITIES FOR THE ASIA-PACIFIC REAL ESTATE MARKETS

This report has clearly identified the significance of the Asia-Pacific real estate markets, both at a regional and global level. This significance is expected to be further enhanced over the next twenty years; particularly with the growth in the developing real estate markets in the Asia-Pacific region.

The resulting growth, maturity and sophistication in the Asia-Pacific real estate markets will see a major transformation in the Asia-Pacific real estate markets over the next twenty years, including:

i. increased levels of Asia-Pacific real estate in institutional investor portfolios
ii. enhanced quality of real estate assets available to investors
iii. increased stature for Asia-Pacific real estate assets in global portfolios
iv. further development of important REIT markets in the developing real estate markets in Asia
v. further development of unlisted real estate products, including country-specific and pan-Asia real estate portfolios
vi. increased opportunities for skilled real estate professionals in all sectors of the real estate industry in the Asia-Pacific region, including real estate funds management, real estate asset management, valuation and real estate professional services
vii. increased levels of real estate market information and value-added real estate services in these unique and dynamic Asia-Pacific real estate markets to enhance real estate investor decision-making.

As such, the Asia-Pacific real estate markets will become increasingly important; both as a destination for global capital for real estate investment and as a source of this real estate capital. This will take on an increasingly important role with the increased significance of the Asia-Pacific real estate markets in the future.

Overall, this presents exciting prospects and opportunities at all levels for the Asia-Pacific real estate markets as they increase their global significance, investment stature and market share over the next twenty years.

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