

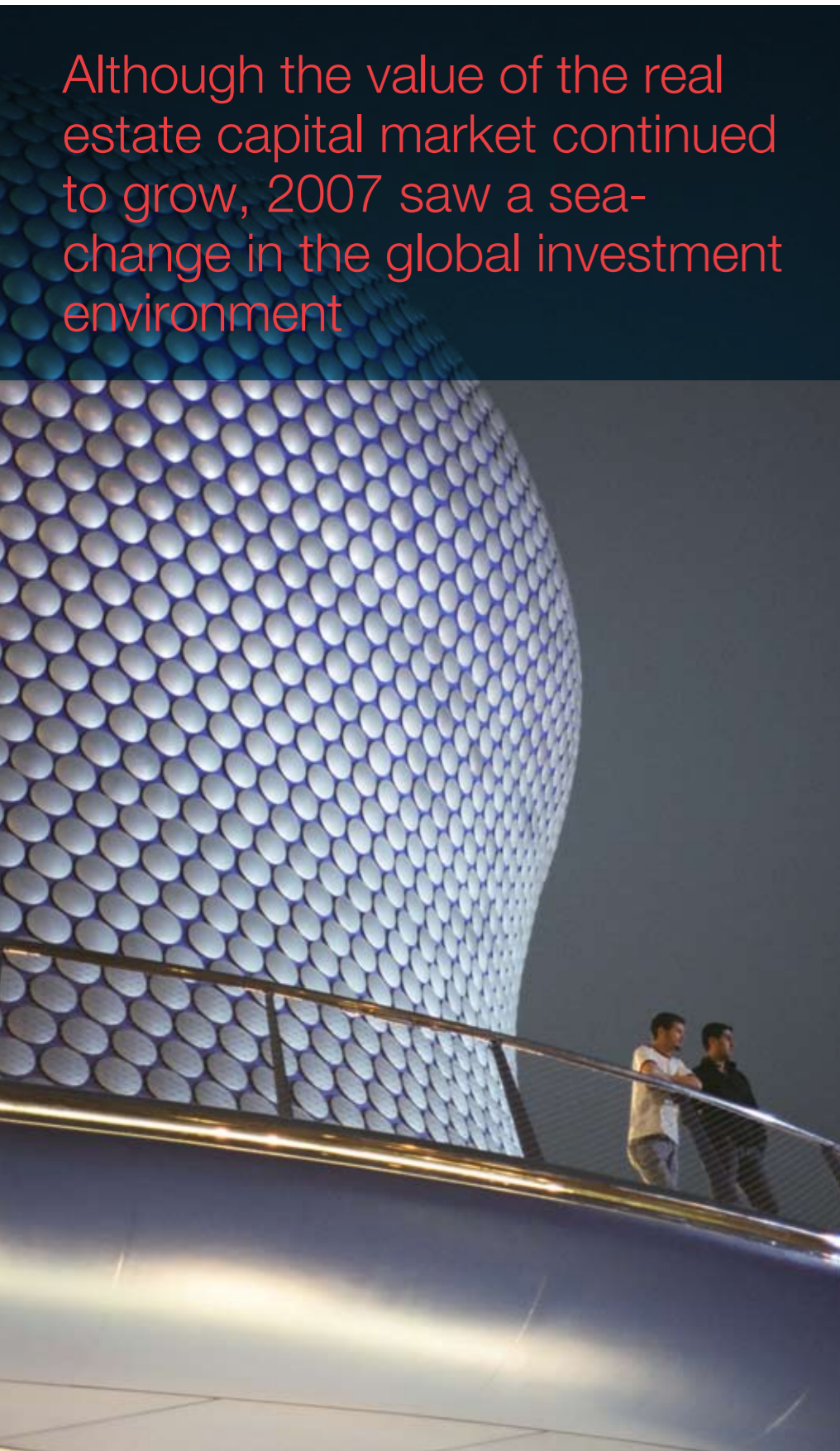


Money into Property was first published in 1975 and initially focused on the UK real estate capital market. In line with the development of a global investment market, in 2003 coverage was expanded to 20 European countries. Five years on, Money into Property covers 38 countries across Europe, Asia Pacific and the Americas.

Money into Property gauges the overall size of the global real estate capital market and provides a detailed analysis of its components, utilising primary data and drawing on DTZ's extensive local market knowledge.

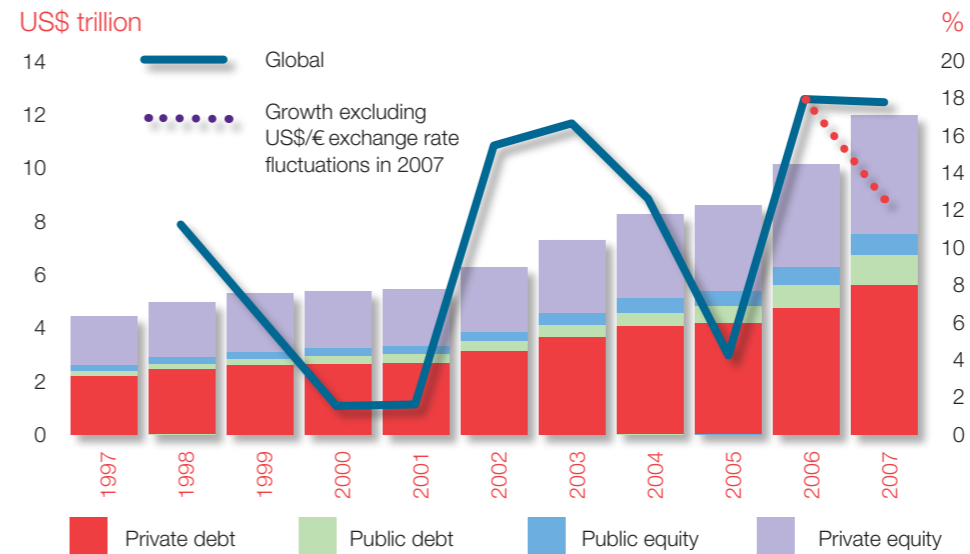
- Although the value of the real estate capital market continued to grow to reach US\$12 trillion in 2007, the year witnessed a sea-change in the global investment environment, following what the International Monetary Fund has labelled 'the largest financial shock since the Great Depression'.
- Real estate has been at the heart of events, acting as both original trigger (US residential sub-prime) and an important transmission mechanism to the real economy (e.g. the UK mortgage and housing market). Globally, the commercial real estate market had in fact already peaked well before the sub-prime crisis broke last August. However, the market's cyclical downturn has been greatly reinforced by a sharp tightening in the availability and pricing of debt and a widespread deterioration in market sentiment initiated by the sub-prime crisis.
- The US and UK investment markets are more highly leveraged than those in Asia Pacific and Europe, so it is perhaps not surprising that they have been most directly exposed to problems in the debt markets, with tighter credit conditions exacerbating pressures on highly geared investors and bringing an end to yield compression. The correction in market pricing has occurred most rapidly in the UK, where yields have moved out by 123bps since their trough in April 2007.
- Whilst the European market is lagging behind the downturn, sentiment in Asia Pacific remains relatively positive, as it is still supported by strong economic and occupier market fundamentals. Intra-regional trade is burgeoning and it is becoming more evident that the region has the potential to sustain growth without the kind of heavy reliance on the US that was a key feature in the past. With the possible exceptions of Japan, Australia and to a lesser extent Singapore, the impact of the credit crunch on the investment markets in the region has been fairly muted to date.
- There have been tentative indications that the worst of the sub-prime crisis may be over, and the Fed in particular has cut interest rates aggressively to head off the threat of serious recession. However, the fundamental change in the investment environment which the sub-prime crisis triggered is likely to be long-standing and a quick reversion of investment market conditions to those prevailing before August 2007 is unrealistic. Credit conditions look set to remain tight for the foreseeable future, whilst falling asset prices are likely to prompt an inevitable period of adjustment in the US and UK economies following years in which consumer spending has been supported by realising asset price gains (notably in housing) and increasing debt.
- This will provide a challenging environment for the real estate investor. Globally, the correction in yields still has some way to go (particularly on secondary assets) and investment transactions are likely to be sharply down this year, with capital flows set to follow. Relatively limited prospects for capital growth will make occupier market fundamentals (and effective asset management) critical to investment returns.
- Nevertheless investment opportunities remain and are likely to grow as markets approach 'fair value' in the US and Europe, with equity-based investors in a particularly strong position to capitalise. Globally, investors are targeting the developing markets of Asia Pacific, reflecting a still buoyant occupier market outlook and improving access.

Although the value of the real estate capital market continued to grow, 2007 saw a sea-change in the global investment environment



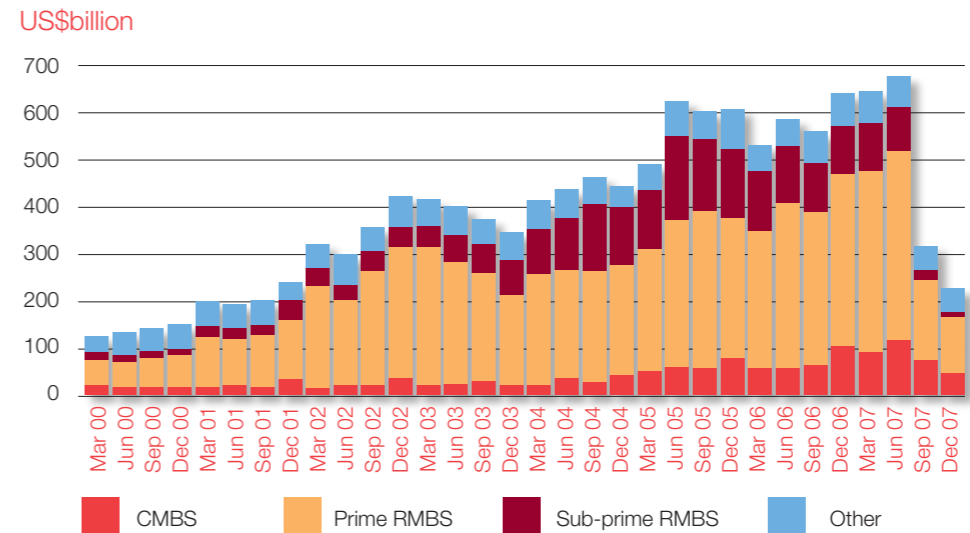
Last year's Money into Property report, published in June 2007, was able to report on another year of record global capital flows into real estate with investment transactions up 25% to hit a record high of US\$600 billion.<sup>1</sup> A 'wall of money' targeting real estate continued to drive yield compression and strong investment returns. However, by the time of writing the investment market had already turned and we pointed to the likelihood of much more challenging times ahead - 'like all asset markets the real estate investment market is vulnerable to a potential repricing of risk in global financial markets which could see some unwinding of the convergence in yields across the risk spectrum'.<sup>2</sup>

Commercial real estate capital market holdings and flow



Source: DTZ Research

Global issuance of asset-backed securities



Source: Bank of England

According to DTZ estimates, the value of the global real estate capital market rose again to reach US\$12 trillion in 2007. However the rate of growth of the market slowed significantly, and this would have been more marked allowing for exchange rate changes. The slowing in the growth of the capital market was led by the US and UK, with the Asia Pacific market continuing to accelerate. Globally, the slowdown was driven by weaker growth in private debt and private equity (especially in the US), whilst growth in public debt reflected issuance over the first half of the year and valuation lags prevented a sharper fall in private and public equity.

This slowing in capital growth has much further to go and reflects the sea-change in the global investment environment which occurred last summer following what the International Monetary Fund has labeled 'the largest financial shock since the Great Depression'.<sup>3</sup> This was triggered by problems in the US sub-prime residential market but has involved a general loss of confidence in asset backed securities, a collapse in debt issuance, IPOs, M&A and other indicators of market activity, unprecedented liquidity problems in the interbank markets, the failure of a UK mortgage lender and a major US securities firm, and widespread losses throughout the financial system. To date, the major US and European banks have written off some US\$335 billion.<sup>4</sup>

<sup>1</sup> This figure includes apartment transactions in the US. Exclusive of apartment transactions, investment totalled \$515bn

<sup>2</sup> DTZ 'Money Into Property': June 2007

<sup>3</sup> International Monetary Fund: World Economic Outlook, April 2008

<sup>4</sup> The Economist, 15th May 2008

Real estate has been at the heart of events, with a sharp tightening in the availability and price of debt reinforcing a cyclical market correction

Real estate has been at the heart of the crisis, acting as both the original trigger (US residential sub-prime) and an important transmission mechanism to the real economy (eg the UK mortgage and housing market). Globally, the commercial real estate market had in fact already peaked well before the sub-prime crisis broke last August, at least if the listed market is any guide. However, the market's cyclical downturn has been greatly reinforced by a sharp tightening in the availability and pricing of debt and a widespread deterioration in market sentiment initiated by the sub-prime crisis.

Immediate repercussions were felt via a loss of confidence in Commercial Mortgage Backed Securities (CMBS), issuance of which has collapsed since Q3 2007. In the US, although delinquency rates on CMBS have remained below 1%, in sharp contrast to residential mortgage backed securities (around 4.5% and 25% for sub-prime), spreads have widened sharply, particularly for lower rated credits. By Q4 2007, new issuance was down nearly 60% compared to the same period in 2006 and has been minimal since. Similarly, since August, the European market, dominated by the

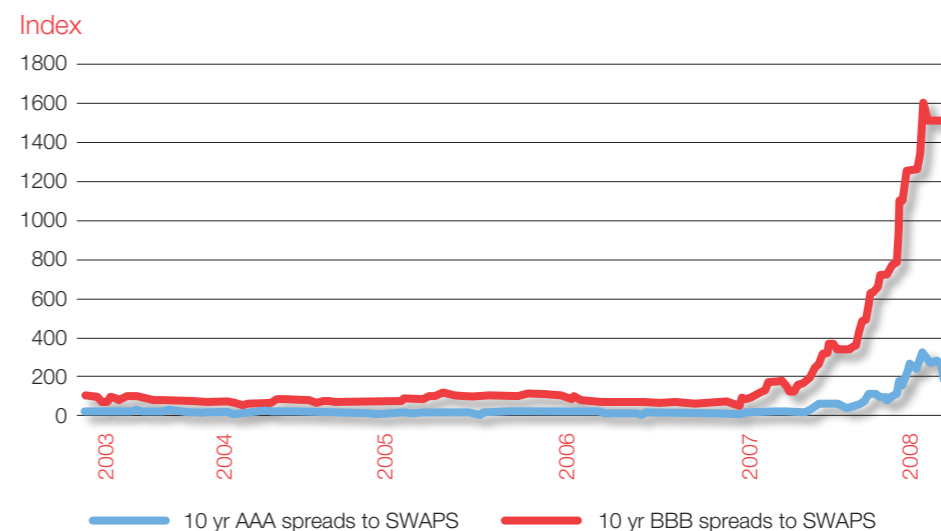
UK, has effectively closed as a result of fears about declining security values and increased counterparty risk.

Problems in the CMBS market have strengthened the market position of balance sheet lenders, which had frequently been either unable or unwilling to compete with the terms of securitised lenders during the height of the boom. However, many US and European banks face a squeeze on both capital and liquidity as a result of sub-prime related losses and an expansion of their balance sheets due to the failure of securitisation

programmes or loan sales or the need to fund balance sheet vehicles in difficulty (for example Special Investment Vehicles – 'SIVs' – following the collapse in the asset-backed commercial paper market). This, together with declining property values and a general re-rating of credit risk in the property sector, has been reflected in a tightening of terms and conditions on mainstream loans to investors and developers in most markets, most obviously in the UK.

Loan to Value ratios (LTVs) have fallen substantially in the UK market, with few loans now over 80% and most nearer 70% or less, whilst lending margins have widened to 150bps or more. In the US, interest-only or 'IO' loans have all but disappeared, whilst across all markets 'relationship banking' has become a popular term once again and deals are taking longer to close, with lenders focusing more intensely on property fundamentals and valuations. In addition, fewer lenders are interested in financing the large US\$1 billion plus deals which were common last year.

### US CMBS spreads



Source: DTZ Research / Commercial Mortgage Securities Association



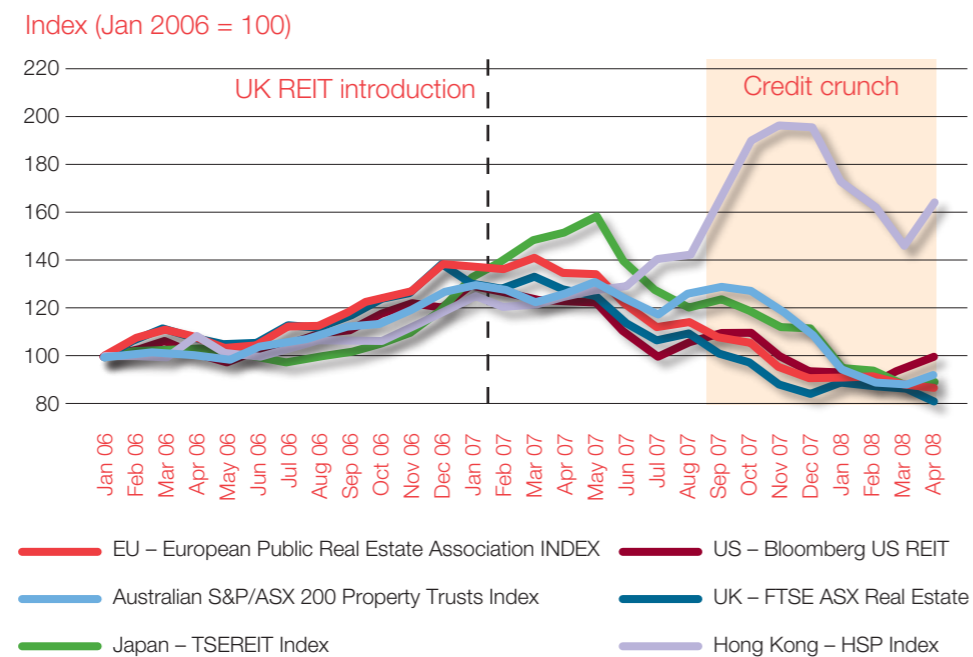
## The listed market has been hit hard by the crisis, although developments in Asia Pacific reflect the market's continued globalisation

Globally, the listed market peaked in Q2 of last year but developments in the debt markets immediately prompted losses. Real Estate Investment Trusts' (REITs) global capitalisation has fallen by some 30% since the peak of the market, and most REITs are now trading at a discount. All jurisdictions have been affected: in particular, the Asia Pacific market, dominated by Hong Kong, Singapore and Japan, has fallen sharply in recent months, with the Japanese market, hit by an exit of foreign investors, amongst the worst performing.

With the privatisation of two of the US's largest REITs last year (Equity Office Properties, acquired by Blackstone, and Archstone, acquired by Tishman Speyer and Lehman Brothers) less than half of the global public equity real estate market is now accounted for by the US. In contrast, notwithstanding recent market turbulence, the Asia Pacific public market continues to

develop, with the launch of a number of successful Chinese and Indian IPOs last year. REITs are also being developed in markets as diverse as Indonesia, Thailand, the Philippines and Pakistan. The net result is that the share of the Asia Pacific commercial property capital market accounted for by public equity is now greater than the comparable figure for the US, UK or Europe.

### Real estate indices



Source: DTZ Research / Bloomberg



The UK and US have led the downturn in the direct investment markets

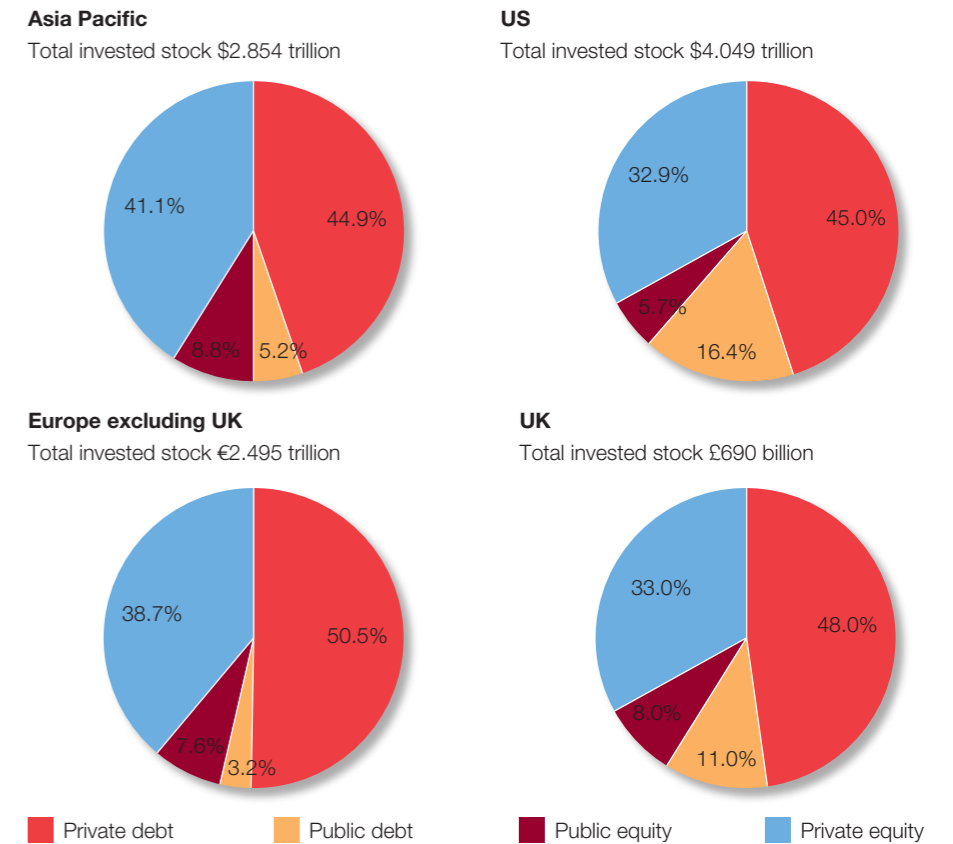
All direct property markets have felt the impact of problems in the debt markets, with global investment transactions down some 50% in Q1 2008 compared to the same time last year.

However, the US and UK capital markets are more highly leveraged than those in Asia Pacific or Europe, with public and private debt accounting for about 60% of capital invested in the US and UK real estate markets compared with nearer 50% in Europe (excluding UK) and Asia Pacific. It is, therefore, perhaps not surprising that it has been the US and UK property markets which have been most directly exposed to problems in the debt markets, with tighter credit conditions exacerbating pressures on highly leveraged investors and bringing an end to yield compression.

The correction in market pricing has occurred particularly rapidly in the UK, where yields have moved out by 123bps since their trough in April 2007, resulting in a sharp fall in total investment returns, which, according to IPD, were -3.4% in 2007. The speed with which yields have adjusted in the UK market has surprised many. One factor may have been a more 'realistic' approach to valuations to allow for the obvious change in investor sentiment. Another has probably been the change in the investor base itself in recent years, in particular the increased presence of opportunity funds and retail investors, who are likely to adopt

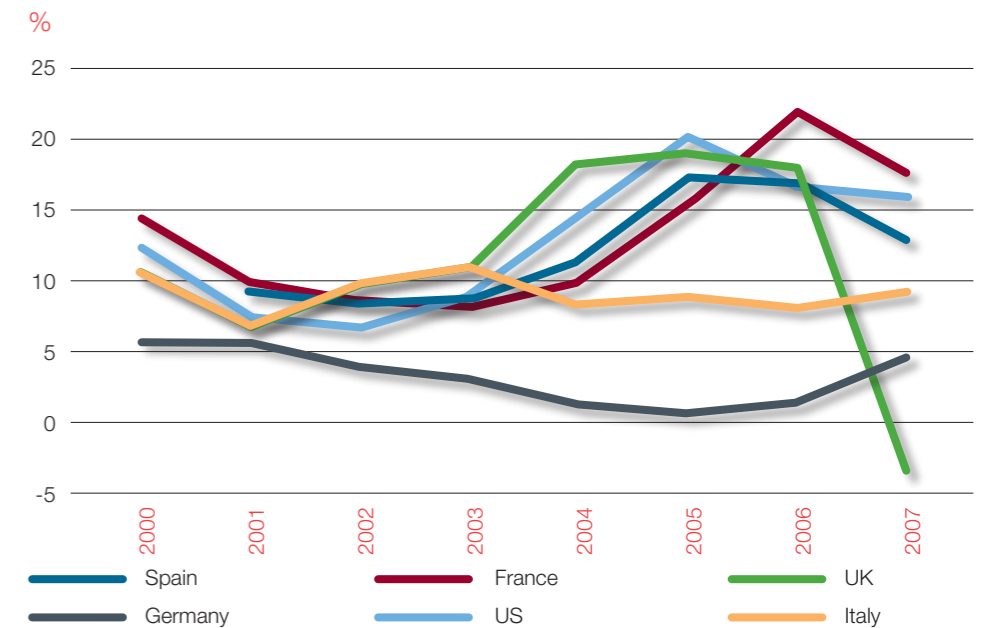
a more tactical approach to investment and who are less likely to hold on to assets and ride-out the downturn than traditional institutional investors. Liquidity pressures on investment funds caused by investor withdrawals have undoubtedly been a factor behind forced sales, speeding the market's adjustment. Nevertheless, this has not prevented a collapse in investment activity, with transactions standing at £7 billion in Q1 2008, 42% down on the same time last year.

Global capital markets



Source: DTZ Research

Total property returns

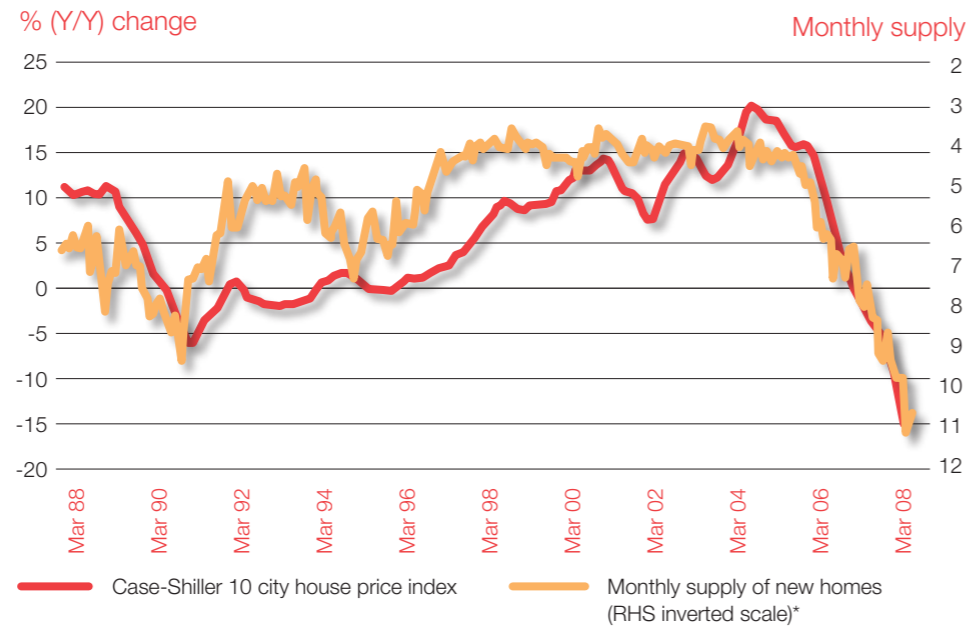


Source: DTZ Research, IPD, NCREIF (US data)



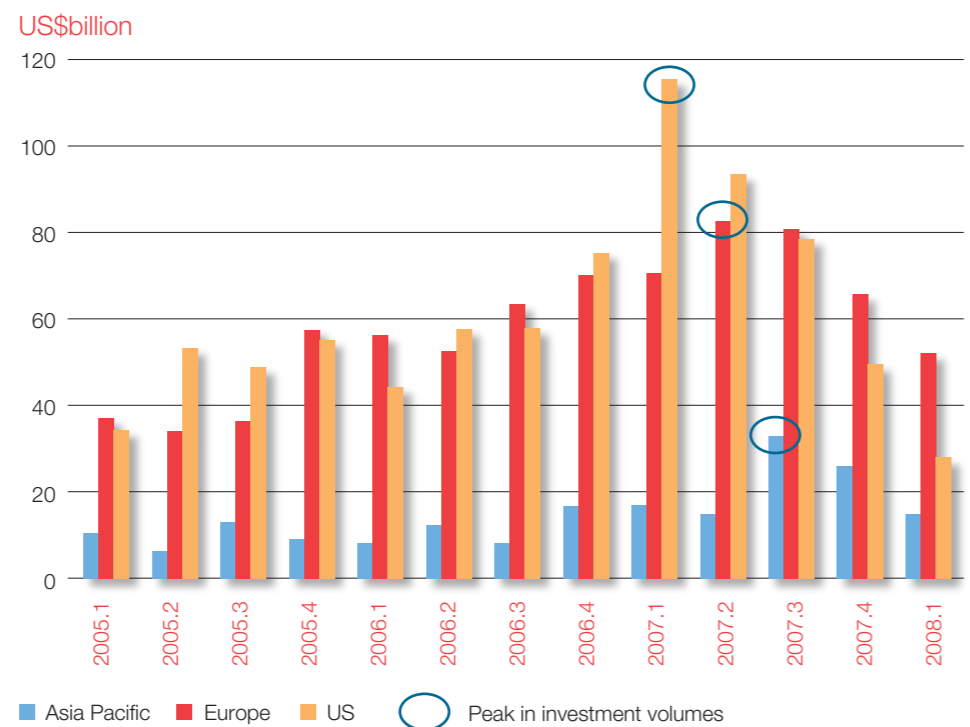
In contrast to the UK, it has been the residential rather than commercial real estate market that has led developments in the US, with house prices down 15% in the year to March 2008. However, since the beginning of the year cap rates in the commercial market have moved out by 50-75 bps across most locations and property types. With US REIT stock prices falling by 20-35%, many REITs have been forced to sell assets to shore up their positions, and, as a result, REITs were the biggest category of net sellers of property in the first quarter of 2008. Excluding entity level/portfolio transactions (which were exceptionally strong last year), US transaction volume was down by 75% in the first three months of this year as compared with the same period in 2007, reflecting in part financing pressures caused by the collapse in CMBS issuance noted above. Large US funds, however, have not seen the same liquidity pressures as their UK counterparts, given less exposure to retail investors and the absence of a liquid, well developed secondary market.

### US house price index and monthly supply of new homes



\*Monthly supply: ratio of new homes for sale over new homes sold Source: DTZ Research, Ecwin

### Global investment volumes



Source: DTZ Research, RCA

In general, the European investment market has lagged behind the UK. However, some tightening in credit conditions (albeit less severe than in the UK) and a growing mismatch in price expectations between buyers and sellers is putting a brake on transactions, particularly in the French and German markets. In Spain, the property and construction boom has come to an abrupt halt, with highly geared developers resorting to forced asset sales. At €35 billion, the value of total property transactions across Europe was down 20% in Q1 2008 compared to the previous quarter, with cross-border deals accounting for 50% of the total, compared to a peak of 56% recorded in Q2 2007. As might be expected, given the change in financing conditions, there has been a particularly marked fall in deals involving large lot sizes of €200 million or more.

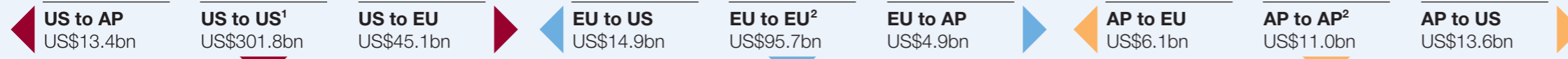
Although the listed markets have been hit hard in recent months, investor sentiment in the Asia Pacific region remains relatively positive, as it is still supported by strong economic and occupier market fundamentals. While the US remains a key export destination for these countries, intra-regional trade in the Asia Pacific is also burgeoning. It is becoming more evident that the region has the potential to drive its own growth without the heavy reliance on the US market that was a key feature of the past.

Further, having learnt bitter lessons during the Asian crisis a decade ago, these countries have built up significant reserve buffers against external shocks. The risk of contagion has thus been lessened. On the occupier side, employment gains across the region continue to be strong and many office markets are operating at full capacity and are characterised by a severe shortage of space. As such, the double digit rental growth that has been recorded in several markets in the last couple of years e.g. Australia, Singapore and India will not be relieved until more space comes to market around 2009-2010.



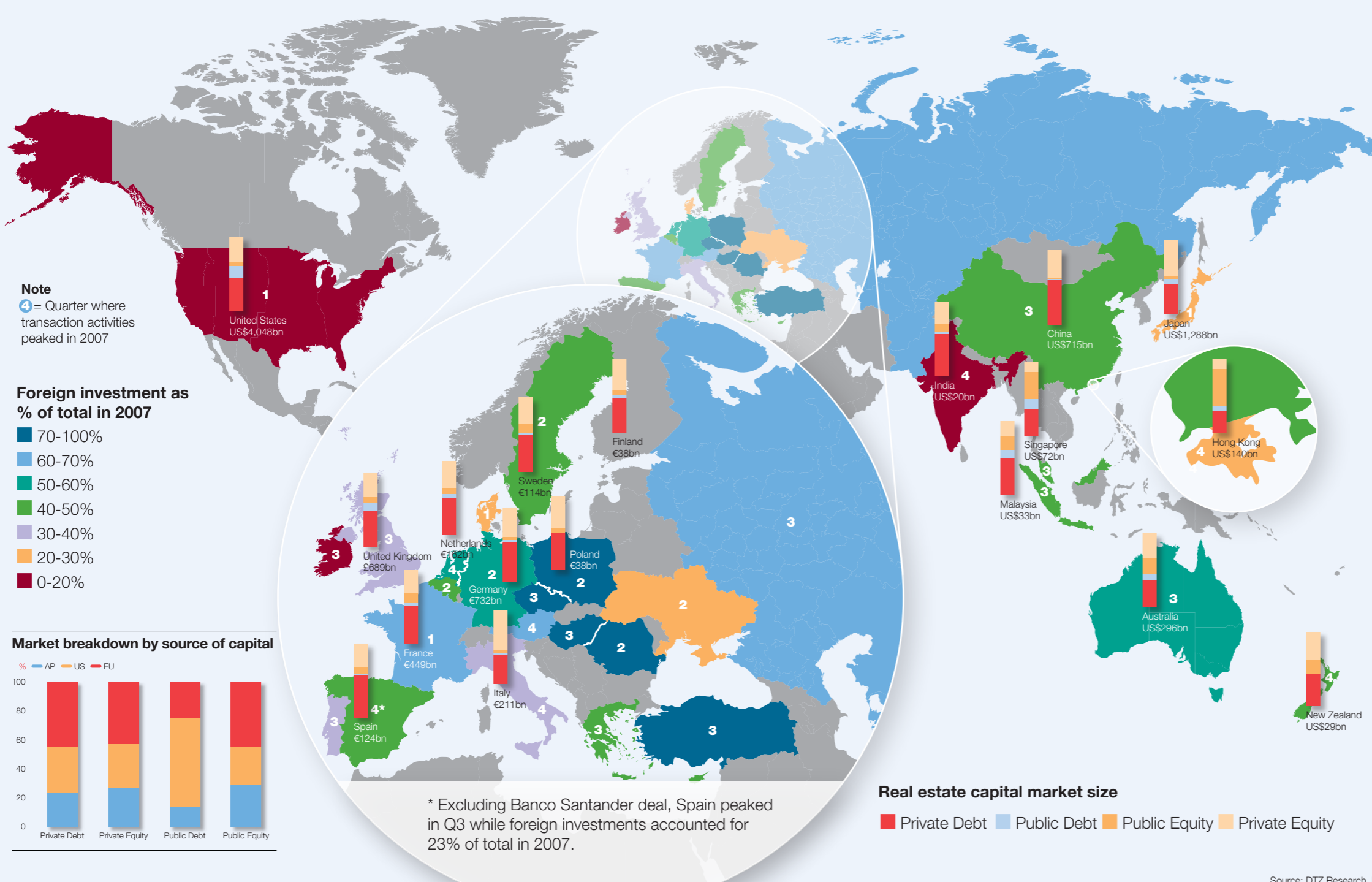
# Global real estate capital market overview 2007

## Global cross border investment activity



<sup>1</sup> US activity excludes apartment and hotel

<sup>2</sup> Refer to intra-regional activities and exclude domestic activities



Source: DTZ Research, RCA



Thus, with the important exceptions of Japan, Australia and to a lesser extent Singapore, the impact of the credit crunch on the investment market in the region has been relatively muted to date: yields have generally continued to drift lower over the last few months, although this trend has slowed recently and some markets, notably Singapore (which is heavily exposed to the financial sector), saw a correction in Q1 2008. Pressure on REITs has made them less active net purchasers but although transactions in the direct market are down compared to the peak seen in Q3 2007, investor interest remains strong, not least from Western investors such as German open-ended funds and opportunity funds in the US and UK, which continue to provide private capital to Asian operators and developers.

European pension funds are also slowly waking up to the investment possibilities of the region. Due to regulatory limitations on direct investment into existing properties by foreign entities in some of the region's most rapidly developing economies, investments are often made at an entity or corporate level. For example DLF, an Indian developer, recently raised more than US\$1 billion in private investment capital from DE Shaw (US\$400 million), the New York-based hedge fund, London's Symphony Capital (US\$450 million), and Lehman Brothers (US\$200 million).

There have been tentative indications that the worst of the 'sub-prime' crisis may be over

Where do we go from here? Since the Bear Stearns rescue, the markets seem to believe that the worst of the sub-prime crisis is over, as evidenced by a pick-up in government bond yields, a recovery in equities and some narrowing in credit spreads. It is indeed possible that aggressive action by the Fed, and more latterly the Bank of England in supplying funds to the interbank market and widening the range of eligible collateral to include mortgage-backed securities, may have eased the worst of the banking sector's liquidity problems. However, interbank spreads still remain exceptionally wide. The major US and European banks are recapitalising, having raised more than \$200 billion since last autumn, with Sovereign Wealth Funds alone investing \$20 billion in the sector this year. There are also some signs from the US that a market for banks' mortgage debt is emerging, potentially freeing up bank balance sheets.

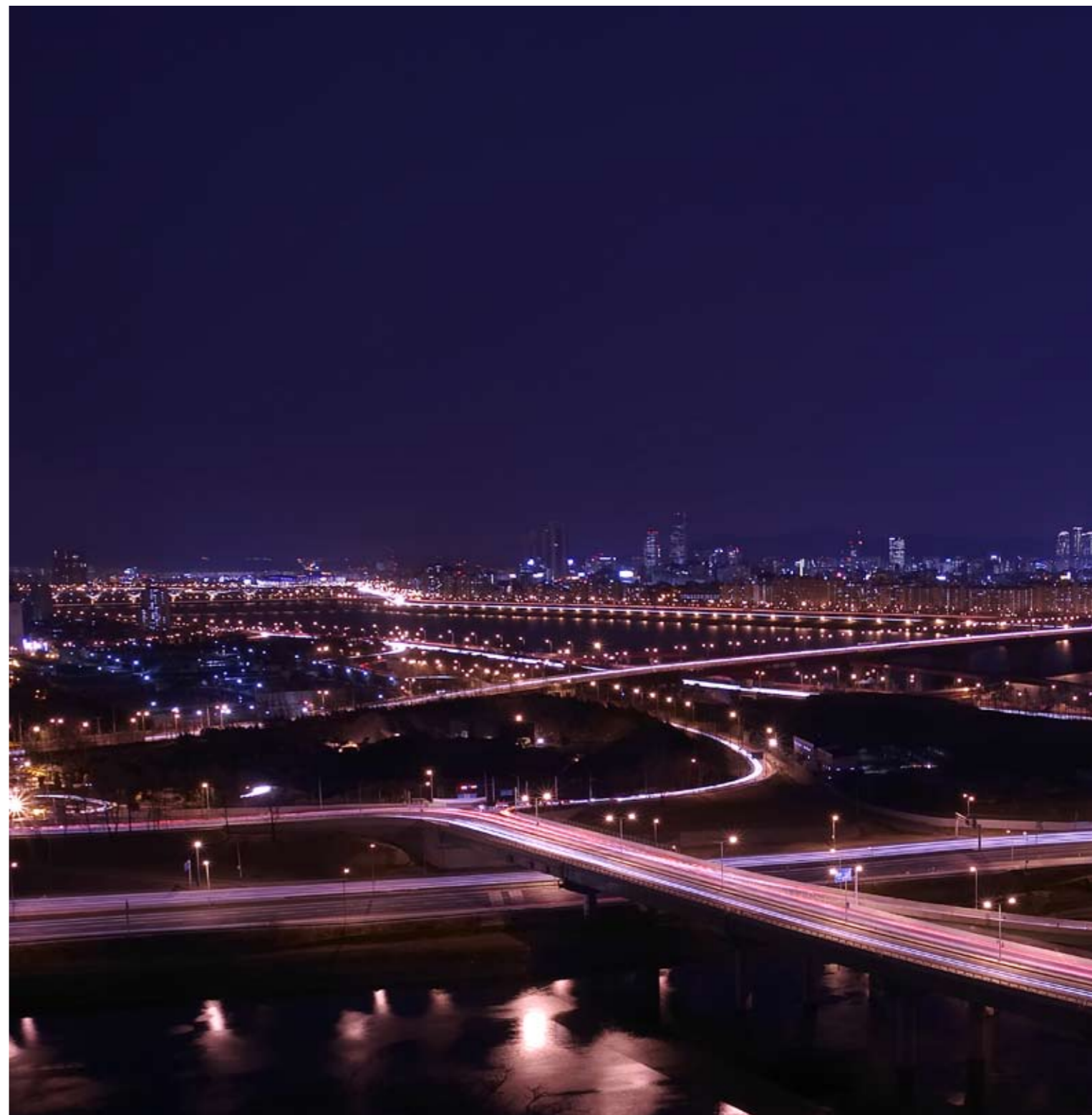
Perhaps more importantly, the Fed has been extremely aggressive in cutting interest rates to head off the threat of serious recession, reducing rates at the fastest rate since the 1960s. (Although the Bank of England and especially the ECB, which has not yet moved, have been far more constrained by the need to contain underlying inflationary pressures, with UK inflation above target and Euro-zone inflation at a 15-year high). The US authorities have also acted directly to prop-up the mortgage market by easing the capital requirements of the mortgage agencies (Fannie Mae, Freddie Mac and the Federal Home Loan banks) to allow them to expand their lending programmes.

Recent economic data from the US has in fact been more mixed than might have been expected, pointing to an inevitable and significant downturn but not a deep recession on the scale of 1980-81 or 1990-91. In Europe, although survey evidence is pointing

to a slowing in consumer spending and the appreciation of the euro against the dollar will undoubtedly weigh on the export sector, generally the economic data has remained relatively resilient to date. Corporate lending has remained buoyant, although there is no demand for sub-investment grade or high yield debt, recent investment grade corporate bond issuance has been strong in both Europe and the US.

Much depends on market confidence. Recent estimates of sub-prime related losses suggesting write-downs may approach US\$1,000 billion<sup>5</sup> are based on market prices which arguably undervalue the relevant assets based on reasonable estimates of loss-given-default. A recovery in market confidence (and/or a stabilisation or recovery in US house prices, on which many of these assets are securitised) would see a recovery in asset prices and a consequent fall in estimates of marked-to-market losses.

<sup>5</sup> The IMF estimated aggregate potential writedowns and losses on US assets at \$945bn, using current market prices



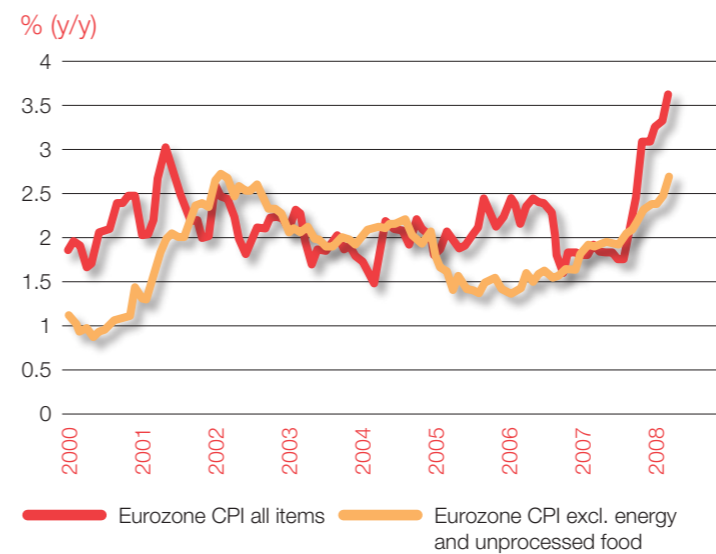


However, the fundamental change in the investment environment which sub-prime triggered is likely to be long-standing, providing a challenging environment for the real estate investor

Nevertheless, although the worst fears of many regarding the economic outlook and losses associated with the sub-prime debacle may not be realised, a quick reversion of investment market conditions to those prevailing before August 2007 is entirely unrealistic. Although the pricing of asset-backed securities (including CMBS) may have fallen below reasonable estimates of 'fair value', the repricing of risk which sub-prime triggered was to a large extent an inevitable and long-anticipated correction following a long period when excess liquidity and over-leverage had driven down risk-adjusted returns to unsustainable levels. Real estate was no exception to this trend.

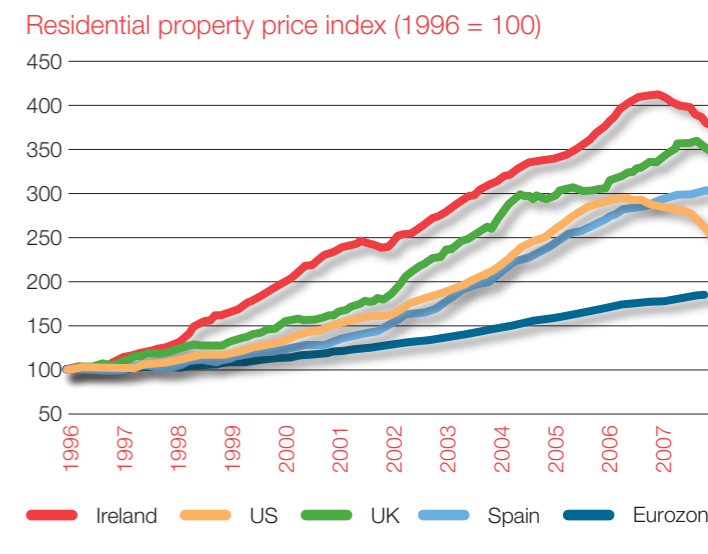


### Eurozone Consumer Price Index



Source: DTZ Research, Ecowin

### Residential property price index



Source: DTZ Research, Ecowin

Looking ahead, credit conditions look set to remain tight for the foreseeable future, especially in the light of ongoing capital or liquidity constraints on bank balance sheets and the likely absence of any quick recovery in securitisation programmes. The 2008 DTZ Lenders' Survey suggests market participants expect no significant recovery in the European CMBS market until 2009 at the earliest, whilst a significant majority of lenders in the UK, German and Dutch markets expect to restrict exposure to the real estate sector in the year ahead, with 70% of respondents in the European market anticipating tightening lending terms and conditions and 45% expecting a reduction in typical loan-to-value ratios.

At the same time, falling asset markets are likely to prompt an inevitable period of adjustment in the US and UK economies following years in which consumer spending has been supported by realising asset price gains (notably in housing) and increasing debt. This is likely to require a period of relatively moderate economic growth over the medium term, even if the US avoids a major recession in the short-term. Given underlying inflationary pressures, recent sharp cuts in US interest rates will have to be unwound quickly once the Fed is confident that the worst of the recessionary threat has been contained, whilst in Europe rate cuts are likely to remain heavily constrained by the need to contain inflation, notwithstanding a weakening

in the economy. Moreover, although the European economy is in general less exposed to debt-related problems and the need for structural adjustment than the US or UK, some economies such as Ireland and Spain are similarly vulnerable to potentially sharp housing-led downturns. In contrast, with certain exceptions, Central and Eastern Europe and the Asia Pacific region should prove relatively resilient.

## In spite of signs of increased investor interest, the correction in real estate markets has some way to go – occupier market fundamentals are critical

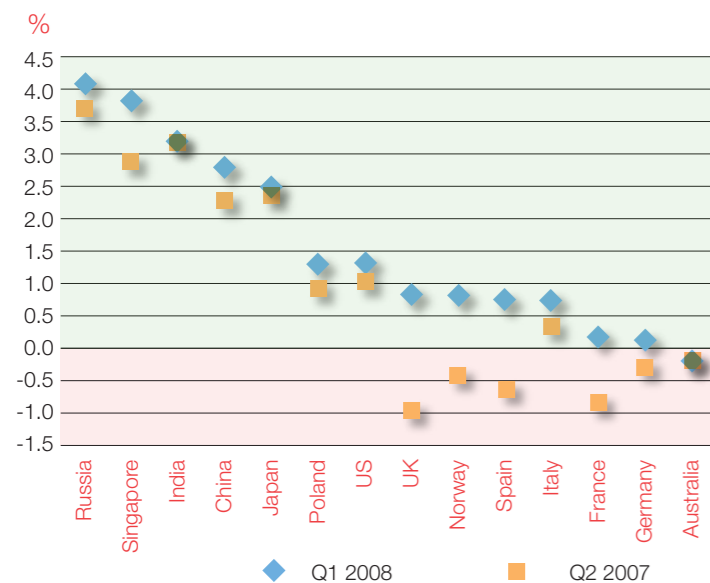
**This will prove a challenging environment for the real estate investor. Key issues are the depth and spread of the ongoing correction in investment markets and the potential sources of new capital that will support market recovery. How badly will occupier markets be hit as tighter credit conditions and weaker asset markets impact more fully on the real economy, and could this lead to a 'double dip' in capital values?**

As in the wider financial markets, there have been some indications recently that the worst of the downturn in real estate may be over, at least in those markets which have led the correction, with higher yields and lower market interest rates making property investment look somewhat better value.

In the UK, the rate of fall in capital values has been slowing in recent months, so that whilst investment returns remain in negative territory, some improvement has been evident. According to DTZ estimates, investment transactions appeared to stabilise in Q1 2008, with the market's relatively sharp repricing beginning to attract foreign equity-based investors, notably German funds. At the same

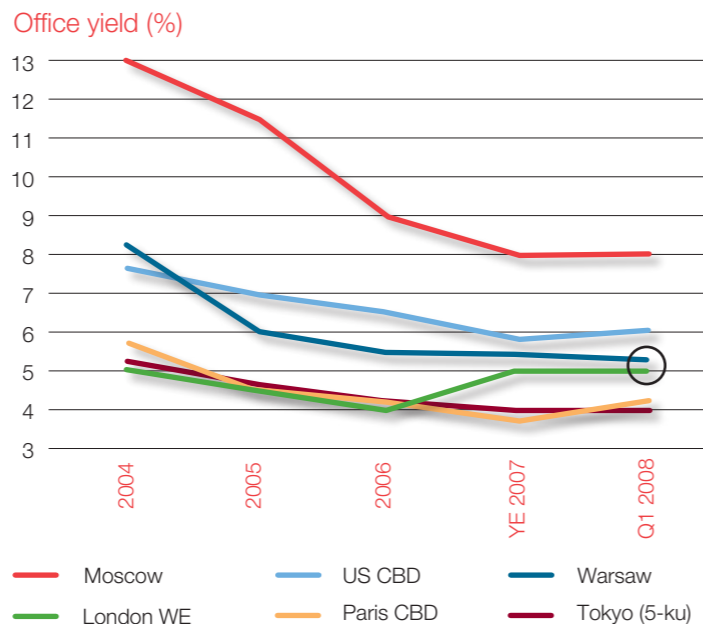
time, an increasing number of new opportunity (or 'vulture') funds have been set up to pick up distressed assets in the UK market at bargain prices, whilst Sovereign Wealth Funds also wait in the wings. An alternative strategy for gaining exposure to the market has been to target real estate loan portfolios which their originators may have difficulty in securitising in the current market: GE Real Estate acquired a £2 billion portfolio from Bradford and Bingley building society in the UK and has recently purchased a €1.3 billion portfolio from Capmark Europe, with loans mostly domiciled in Germany. US private equity firms such as Blackstone and Apollo are reported to be following a similar route.

**Yield spread over local 10-year bond rate**



Source: DTZ Research

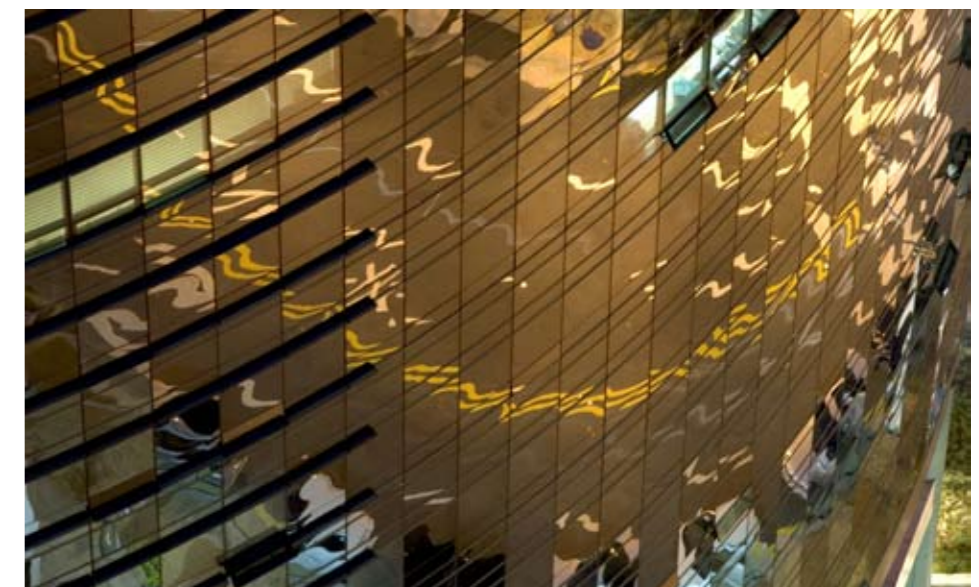
**Prime office yields**



Source: DTZ Research



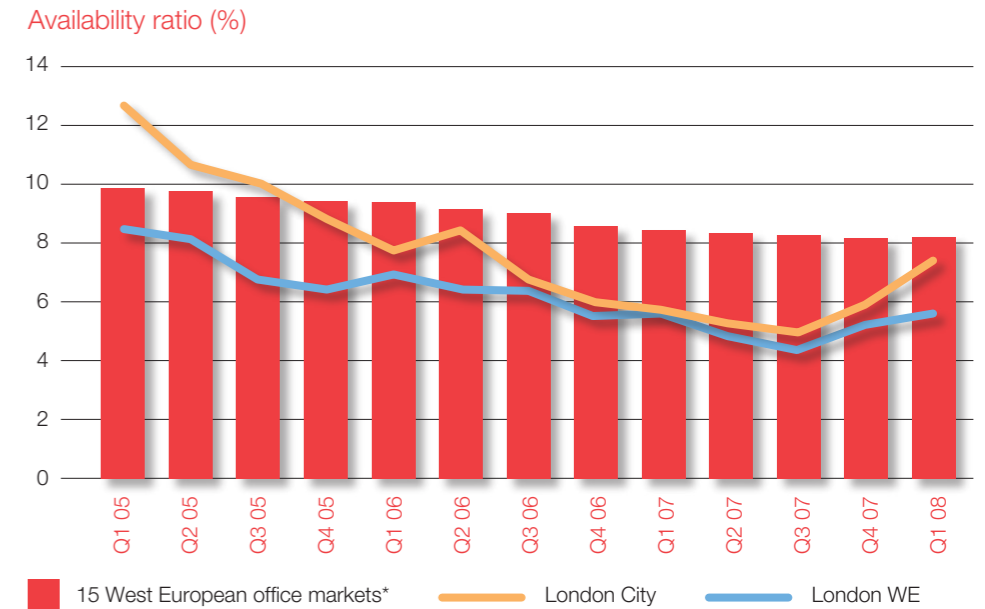
However, many deals remain on hold or deferred, reflecting a continuing disconnect between price expectations of buyers and sellers and suggesting yield correction may still have further to go both in the UK and especially in Europe, where the market's adjustment began later and yields have continued to fall in some markets, notably in Central and Eastern Europe (CEE). Increasingly, investors will need to ask themselves whether this is sustainable or whether the compression in yields seen across Europe during the recent boom will unwind as the market re-evaluates relative risk-adjusted returns in alternative locations.



With prospects for capital growth limited, investor focus has returned to occupier fundamentals

Much now depends on underlying occupier fundamentals, which will be an increasingly important element of total returns in most markets across the world given diminishing prospects for capital growth. To date this has been largely an investment-led downturn, with occupier markets generally remaining reasonably robust – exceptionally so in many CEE and Asia Pacific markets. It is significant that whilst there are certainly problems in financing structures, evidence of tenant default so far seems limited, and DTZ’s Lenders’ Survey indicates that lenders expected only a modest increase in loan arrears in the year ahead.

### European office availability



\*Brussels, Copenhagen, Lyon, Paris, Berlin, Dusseldorf, Frankfurt, Hamburg, Munich, Milan, Rome, Dublin, Barcelona, Madrid, Stockholm

Source: DTZ Research

However, the inevitable slowing in the global economy this year does pose risks to rental growth, particularly in the US, UK and parts of Europe most vulnerable to a correction in residential property markets. In addition, financial centres face particular problems given pressures on the financial sector arising from sub-prime losses and a sharp weakening in business volumes given the downturn in debt and investment market activity. Thus, whilst availability has been stable or falling in most European office markets to date, the corner has already been turned in London, where weaker occupier demand is beginning to bite (take up fell by 30% in the City in Q4 2007). This, together with a relatively strong development pipeline, is expected to translate into falling rents over the next two years.

In the UK and US, a ‘double dip’ in investment markets remains a risk given the vulnerability of occupier markets to a weak economic outlook. In contrast, many CEE markets will continue to see strong rental growth, except where oversupply has become a risk. Similarly, the outlook for occupier markets in the Asia Pacific region in general remains bullish, although rental growth may have peaked in some markets given new supply (e.g. Shanghai, Beijing, Singapore) and a modest slowing in economic growth (with open economies such as Singapore, South Korea and Taiwan most exposed to a US led slowdown).

## Opportunities remain, especially for equity-based investors. Asia Pacific seems to be the region of choice



**Arguably, investment opportunities already exist in indirect markets (listed securities, derivatives and debt) that appear oversold, and they are likely to grow in the direct market over the next few months as yields adjust. Apart from constraints relating to debt availability, which will continue to put equity based investors in a strong position, the main limitation for some time is likely to remain a shortage of available stock whilst an ongoing mismatch between buyers' and sellers' price expectations is resolved. In general we expect to see the premium on primary assets continue to widen.**

Unsurprisingly, given sharply reduced leverage, the so-called 'wall of money' previously pursuing real estate is less in evidence. According to DTZ's Investor Survey, 25% of European respondents were below their investment target for the asset class at the end of last year, compared with 53% in the previous year; lack of available product was cited as the primary reason for under-investment. Nevertheless, 62% of respondents expected to increase funds allocated to real estate in 2008, with European (67%) and Asia Pacific (59%) investors significantly more positive than those based in the US (48%). Overall, investors expected to increase funds allocated by an average 4%, with a comparable figure for Asia Pacific investors of 10%.

The latter finding is consistent with the relatively favourable outlook for Asia Pacific markets noted above, with core institutional players now targeting the region, at least the more established markets. DTZ's Investor Survey indicates a shift in preferences

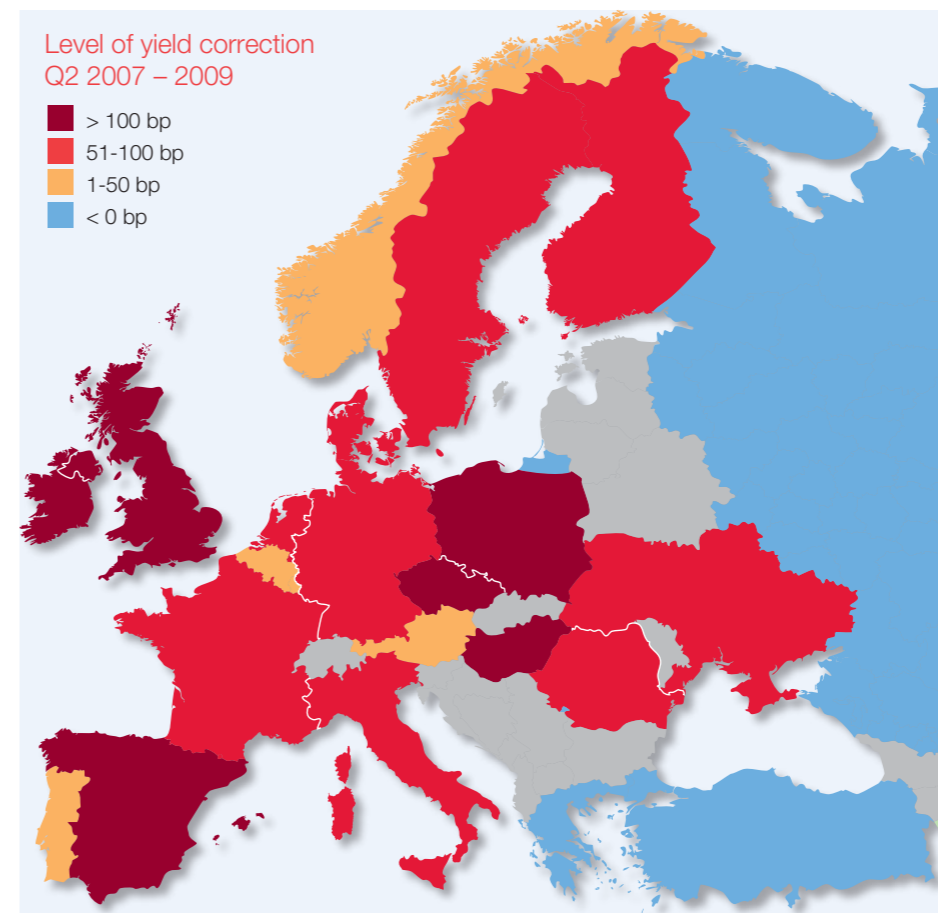
towards Asia Pacific markets amongst investors as a whole, with 56% of all respondents planning to increase exposure to the region (as against only 15% wanting to reduce it). In particular, US investors are intending to shift asset allocation significantly away from Europe, and in favour of Asia Pacific and the domestic market. European pension funds are also waking up to the investment possibilities of the region. Although their exposure is minimal at the moment, it is estimated that as pension funds begin to target Asia Pacific for long-term strategic investment, they could allocate as much as 20-30% of their real estate portfolios to the region. Again, much of this will be in the shape of development-driven joint ventures. The survey also suggests that within Asia Pacific, China remains the primary area of interest, whilst there appears to be some shift in focus away from Japan, Australia and Singapore in favour of emerging markets such as Vietnam and Indonesia.

However, whilst western investors and increasingly core institutional funds appear to be targeting at least the more established Asia Pacific markets, they are likely to face increasingly strong competition from domestic players as the markets grow in sophistication: mainland China is gradually relaxing regulations in order to allow insurance companies to invest in property, either indirectly or via a foreign entity. This is now resulting in significant investments within its borders (as exemplified by Ping An Insurance's US\$400+ million investment in a Beijing development in 2007), while Korea's National Pension Service grabbed headlines in April 2008 when it announced plans to invest in excess of US\$800 million into global property.

At the same time, there are challenges facing Asia Pacific investors. The issue of transparency is being addressed, although not as speedily as some would desire. In primarily development markets such as India, time and effort must be expended in finding credible local partners. Finally, although the regulatory regime is well defined in mature markets such as Singapore, Hong Kong and Australia, the situation is less straightforward or predictable elsewhere, China being only the largest and most important example.

## Globally investment transactions will be sharply down this year, with capital flows set to follow

### Prime offices: expected yield correction (Q2 2007–2009)



Source: DTZ Research

Globally, we expect investment transactions to be around US\$500 billion in 2008, down 30%, reflecting weakness over the first half of the year and a relatively modest pick-up thereafter, which is likely to be driven principally by the Asia Pacific market. Weak occupier markets may delay the recovery in the UK and US investment markets, whilst the correction in some European markets may have further to go. This is likely to be reflected in a significant further slowing in the estimated growth of capital flows, reflecting in part the lagged effect of valuation changes and a slowing in the growth of bank lending and outstanding public debt as past issuance matures. Private equity is expected to take a larger share of the global market.



Designed and produced by Red Hat Creative Limited www.red-hat.co.uk 01483 424 400

## Capital markets

### Europe, Middle East and Africa

John Slade

#### Tel

+44 (0)20 7757 6685

#### Email

john.slade@dtz.com

### Asia Pacific

John Stinson

+61 (0)2 8243 9926

john.stinson@dtz.com.au

### Americas

Dan McNulty

+1 212 286 5800

dmcnulty@dtzrockwood.com

## Research

### Europe, Middle East and Africa

Dr Paul Sanderson

+44 (0)20 7757 6880

paul.sanderson@dtz.com

### Asia Pacific

Choon Fah Ong

+65 6293 3228

choonfah\_ong@dtz.com.sg

### Americas

Jason Spicer

+1 212 286 5800

jspicer@dtzrockwood.com

### Money into Property London project team

Dr Paul Sanderson

Lisi Qiu

Michael Bech

Daniela Comes

Kasia Siewicz

Vitor Leone

### Corporate responsibility

DTZ is committed to the successful future of our planet. This publication is printed using vegetable-based inks on 75% recycled paper and is fully biodegradable.

For further information on DTZ's corporate responsibility policy, please visit [www.dtz.com](http://www.dtz.com)

### DTZ

DTZ employs over 12,500 people in 150 cities operating in 45 countries.

### Disclaimer and confidentiality clause

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.