News Release

Strong rental growth attracting inward investment from Asia

- *Foreign investment from Asia-Pacific into Australia's commercial property market increased 4% in 2017 to US$6.3bn*
- *Asia-Pacific has overtaken Europe and North America as the top source of cross-border outflows*

28 June 2018, Australia – Knight Frank's latest report, *Active Capital,* has found that the global real estate market continues to become more international, with cross-border capital increasingly influential. In 2017, 32% of all transactions globally by volume involved cross-border purchasers, up from 25% during 2009-2011.

The Asia-Pacific region has been a key driver of this internationalisation, and rapid economic growth means that it is carrying ever-greater weight in global real estate markets. 2017 marked the first time that Asia-Pacific has overtaken Europe and North America as the top source of global cross-border capital outflows.

When looking at 2017's total real estate transactions (excluding development sites), Asia-Pacific exported US$90 billion, ahead of Europe with US$83.3 billion and North America with US$80.9 billion.

According to **Ben Burston, Knight Frank's Group Director, Research & Consulting, Australia**, "The US and UK remain the top targets for cross-border capital emanating from the Asia-Pacific region, attracting US$19.8 billion and US$19.6 billion respectively. Australia also remains very much in focus for cross-border buyers, and attracted US$6.3 billion of inward investment from elsewhere in the region, up by 4% on 2016."

The most active source of inward investment into the Australian market was Singapore, with US$3.3 billion. This represented a 64% jump from 2016. Five of the top ten sources of cross-border capital into Australia were from within Asia-Pacific, including China, Hong Kong, South Korea and Japan.

US investors continue to be very active, with inward investment in Australia totalling US$2.3 billion. However, this reflected a substantial 45% drop on the 2016 total.

Knight Frank's Paul Roberts, Joint Head of Institutional Sales, Australia said, "The Australian markets consistently attract global capital to compete with domestic institutions for the best assets. Asian capital has been increasingly active in recent years, and while Chinese investors have been less acquisitive over the past 12 months, this has been offset by increased interest from Singapore, Hong Kong and South Korea.

"While the Sydney and Melbourne office markets remain the dominant focus, we are now seeing increased cross-border interest in Brisbane, Adelaide and Perth as these leasing markets recover."

Mr Burston said, "The Australian market has always offered depth, liquidity and diversification to cross-border investors, but over the past 12 months the strength of rental growth has attracted further net inflows.

"Historically low yields across the major global markets mean that the prospects for rental growth will be key to future performance, and the tight Sydney and Melbourne office markets are stellar performers, having seen substantial rental growth over the past year, with the prospect of more to come."

The report highlights that the coming years will see the reactivation of mandates from a number of regions with significant investment firepower. The re-emergence of Japan as a major investor could reinvigorate cross-border capital flows, even if only a slight additional share of domestic investment finds its way into overseas markets.

According to **Knight Frank's Ben Schubert, Joint Head of Institutional Sales, Australia,** "The potential for further large mandates highlights the diversity of the demand base for investment-grade stock. In addition to cross-border buyers, domestic institutions remain very active in spite of recent yield compression and are seeking to deploy additional capital."

"While rising US interest rates and escalating trade tensions remain risks for global real estate investors, the macro-economic fundamentals in Australia remain supportive for real estate. Robust growth, improving transport infrastructure and a constrained development pipeline are all underpinning investor confidence," concluded **Mr Schubert**.

END

Inward investment into Australian commercial markets:

Capital source:	2016 inflows (US$ bn)	2017 inflows (US$ bn)	Change
Singapore	2.0	3.3	64%
United States	4.1	2.3	-45%
China	2.6	1.3	-49%
Hong Kong	0.7	0.9	27%
South Korea	0.3	0.4	33%
Canada	0.0	0.4	N/A
Switzerland	0.2	0.4	87%
Netherlands	0.0	0.4	N/A
Germany	0.4	0.2	-39%
Japan	0.2	0.2	14%

Source: Knight Frank/RCA

For further information, please contact:

Ben Burston, Group Director, Research & Consulting, Australia
Ben.Burston@au.knightfrank.com +61 452 661 682

Paul Roberts, Joint Head of Institutional Sales, Australia
Paul.Roberts@au.knightfrank.com +61 411 363 544

Ben Schubert, Joint Head of Institutional Sales, Australia
Ben.Schubert@au.knightfrank.com +61 403 195 424

Rebecca Sands, Director, PR & Communications, Australia
Rebecca.Sands@au.knightfrank.com +61 416 119 858

Notes to Editors
Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 15,000 people across 418 offices in 60 markets. These figures include Newmark Grubb Knight Frank in the Americas, and Douglas Elliman Fine Homes in the USA. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. www.knightfrank.com.