

THE INVESTOR

AUGUST 2010

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JONES LANG LASALLE

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World Expo builds strong foundations for Shanghai's future



Shanghai has spent over USD 95 billion on infrastructure investment in preparation for the 2010 World Expo, the largest-ever international event in China.

The scale and pace of infrastructure development in Shanghai over the past two years has surpassed anything the world has ever seen – the upgrading of Pudong and Hongqiao airports, the expansion of the metro system and high-speed railway hubs, and a new cruise terminal are just some examples. All of these projects have made Shanghai a more integrated and accessible city, which will hugely benefit the property industry.

Among these, the build out of Shanghai's Metro system will ultimately be the most important legacy of the Expo. On the Expo's opening day, 12 lines were running with a total network length of 420 km. The expanded network will enable new, affordable homes located in the

“The real legacy of the Expo will come from the opportunities that the new infrastructure creates across Shanghai in the commercial and residential property sectors – indeed, the foundations for a new decade of growth and expansion for the city of Shanghai have been put in place.”

Anthony Couse, Managing Director for Jones Lang LaSalle in Shanghai

suburban areas to be connected with the traditional downtown core. The Metro is also triggering more sophisticated forms of real estate development around the city's new Metro stations with opportunities for future development.

In the office sector, higher accessibility is expected to drive higher demand, which in turn, will drive higher rents and capital values.

The gains in efficiency and convenient transportation will boost the competitiveness of Shanghai against other cities in China. In addition, as areas

outside the CBD become more accessible, the decentralised Grade A market is taking off. The CBD will have strong competition in the next few years as the booming decentralised Grade A office market will offer highly competitive rental rates,' says Mr Couse.

The Expo's impact on the retail sector will be more lasting than the six-month increase in tourism. Just like the office market, the new Metro network is also opening up a vast decentralised shopping market. Increased foot traffic around new stations is creating opportunities for retail and mixed-use developments. In addition, the Expo has accelerated the expansion plans of international brands seeking exposure to the expected 70 million, predominantly domestic, visitors. The brand recognitions that these retailers establish during the Expo period will make it easier for them to find acceptance once they expand into the new cities in China.

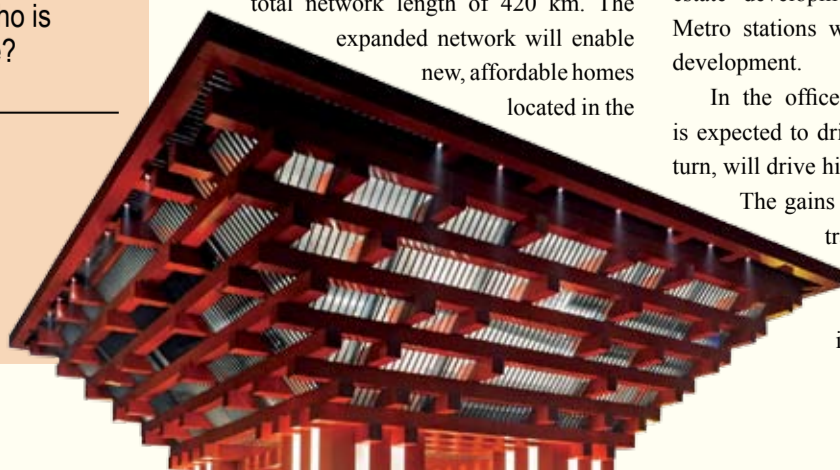
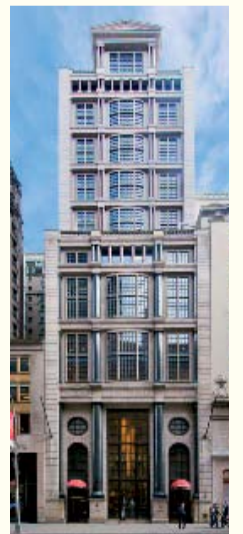
After the conclusion of Expo, much of the vast site is expected to form the single largest downtown land bank for residential construction. Beyond the borders of the Expo site, residential developments are already starting to flourish in the neighbouring riverfront areas.

The World Expo will have a lasting effect on Shanghai's overall economy, and the property sector will certainly benefit. The event alone will not represent the end of Shanghai's development but merely lay the foundations for the city's future growth. [APCM](#)

New York cross border sale

Jones Lang LaSalle Corporate Real Estate team in Japan in collaboration with the New York Capital Markets team, has just closed the strategic cross-border sale of a prominent building in New York on behalf of a Japanese retail giant.

The 100,000 sq ft, 20-storey building, located in the prime shopping district of Fifth Avenue, New York was sold for USD 142 million and is the largest Japanese transaction in New York since the Lehman shock in 2008. [APCM](#)



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Market Perspective By Stuart Crow, Head of Asia Pacific Capital Markets



Despite a drop in transaction volumes in the second quarter this year, it feels like market fundamentals are improving across the region. Lighter transaction volumes are not unusual in a period of recovery as the bid/ask spread between buyers and sellers creates a mismatch of expectations. This is ever more prevalent in the Asian markets where lease terms are shorter and pricing expectations are typically not based on current income yields, but rather future expectations of rental growth or decline.

Clients continue to favor the core markets of Hong Kong, Singapore, Sydney/Melbourne and Tokyo, and are largely focused on well-leased core or value added opportunities. We are seeing significantly less interest in China, largely due to the lack of quality opportunities together with some residual concern about the direction of its Government policy.

Our Capital Markets teams are currently taking to market large office and retail assets in Vietnam, Melbourne, Brisbane, Singapore, Tokyo and Hong Kong via structured public campaigns and the number of bidders and pricing has exceeded our expectations.

With the exception of Australia, one concern remains the lack of core money that exists for purchasing large assets that will undoubtedly come to the market, both from banks and the private equity community. The German investment community is not as active now as it was in 2006/2007 and the REIT market in the main is still showing a mixed picture. Large three-year maturity loans will continue to mature in Tokyo, Hong Kong and Singapore over the next two quarters and in some cases banks are now actively taking steps to find solutions.

Will there be sufficient depth of buyers and positive sentiment in the market that solutions can be found without banks taking losses? Most probably yes, and on the back of improved rental fundamentals across all markets we are of the view that capital values may indeed surprise on the upside in the next 12 months. **APCM**

Economic Updates

Property prices in Tier I Chinese cities set to drop

Governmental measures to curb soaring prices in China's residential property market have begun to see results, and prices in Tier I cities are expected to drop, according to the statistics released by the National Bureau of Statistics (NBS) and the National Development and Reform Commission (NDRC). The figures show that home prices in 70 large-sized and medium-sized Chinese cities rose by 12.4% y-o-y in May. The growth rate was 1.2 percentage points lower than in April, as property sales in Tier I cities, including Beijing, Shanghai and Shenzhen, contracted following a string of government measures to rein in price rises.

APCM

Lenders to increase property loans in Japan

Following a decade of bad debts and loan losses since the property bubble burst in 1990, lenders are looking to provide more loans for real estate investment as they are betting that prices will recover from a 36-year low. Fumihiko Hirose, general manager of real estate financing at Aozora Bank Ltd, revealed

that the bank plans to increase loans to more than JPY 100 billion (net) from the JPY 30 billion figure made a year earlier. Meanwhile, Shoji Misawa, managing director of Orix's global coverage group, said that Orix Corp is looking for investors to take over some USD 2 billion worth of existing loans this year. **APCM**

Export rise pushes Japan's GDP forecast to 2.6%

The Cabinet Office revealed that Japan's economy will expand this year at a faster pace than previously forecasted as robust exports to Asia and improving corporate earnings are underpinning a broadening recovery. GDP will rise by 2.6% this year until March 2011, faster than the earlier estimate of 1.4%, the

office said. 'The upward projection was due to the brisk growth in exports, especially to Asia. The forecast was also upbeat due to a recovery in capital spending and improving corporate earnings,' said Cabinet Office official Takashi Hanagaki. **APCM**

Property players may gain from Yuan appreciation

Property developers in Singapore and Asia could benefit if China nudges its currency up as Chinese consumers snap up real estate overseas with a stronger Yuan in hand. Analysts were not surprised by the latest reform on the Yuan, saying that the move could help curb a build-up in the asset bubble, and are now expecting a mild Yuan appreciation in the second half of 2010. **APCM**

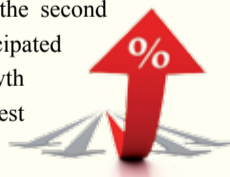
South Korea raises growth forecast to 5.8%

South Korea raised its economic growth projection for this year to 5.8%, up from 5.0%, reflecting growing confidence on its solid economic recovery. The revised outlook matches the forecast laid out by the Organisation for Economic Cooperation and Development, which said in a six-monthly report that Asia's fourth-largest economy is projected to grow by 5.75% this year. **APCM**

Singapore growth forecast to 12.5%

The ministry of Trade and Industry (MTI) has announced that it expects the Singapore economy to expand by 13 to 15% in 2010, an upward revision from the earlier forecast of 7 to 9%.

The updated growth forecast reflects three factors, better economic performance in the first quarter of 2010, stronger than expected economic growth in the second quarter and anticipated slowdown in growth momentum for the rest of the year. **APCM**



Malaysia targets 12.8% investment growth

Malaysian International Trade Minister Mustapa Mohamed has described the government's target of expanding private investment from the current average of 2% to 12.8% annually as 'a formidable task'. Out of the MYR 115 billion required annually under the 10th Malaysia Plan, which covers the period 2011–2015, the ministry is aiming to attract at least MYR 40 billion or about a third from new manufacturing investment, with the remainder to come from services.

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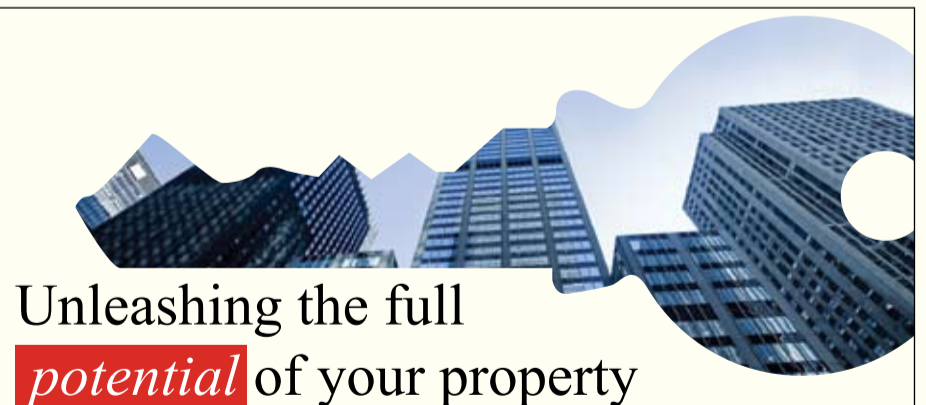
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News

Qataris continue with global investments

The Qatari wealth funds of gas-rich Qatar are likely to continue buying overseas assets. The IMF expects the Qatari economy to grow by 18.5% this year, far above the estimates for the rest of the Gulf region.

Last month, London luxury store Harrods was

bought by Qatar Holding from Mohamed Al-Fayed for GBP 1.5 billion. The company's recent purchases include Raffles Hotel in Singapore; a large share in Songbird Estates Plc, which controls more than half of the buildings in Canary Wharf London; and a large share in the London Stock Exchange Group.

'Their ability to compete in the market will be increased by the decline of the German open-ended funds, which were among the major global investors in 2009,' Moussalli said. [APCM](#)



"Cash rich and with a strong appetite for splashy overseas assets, Qatari vehicles have lately outshined their counterparts from the region and are projected to carry on with their rapid expansion across the real estate world."

Fadi Moussalli, Regional Director at Jones Lang LaSalle MENA

Market rattled by German fund legislation

By Rocky Glossner

German open-ended funds, which are influential in the global property markets with about EUR 80 billion (USD 107 billion) in assets, have struggled since the downturn to cope with investors' demands to withdraw their cash, forcing many to freeze redemptions.

Open-ended real estate funds have proven their worth as one of Germany's most popular investment products over the past 50 years. When compared with other financial products throughout the global financial crisis, they have proven to be an extremely stable form of investment. The funds have accounted for 20% of the total transaction volume in Europe including the United Kingdom, and in the core property market, they represent about half of the volume of deals.

Open-ended funds recorded net inflows of EUR 3.2 billion in the first quarter of 2010 which shows investor confidence in this type of product. Several major open-ended funds entered the Asia Pacific region approximately five years ago and have become some of the key investors in countries, including Japan, South Korea, China, Singapore, Malaysia and Australia.

In May 2010, a publication released by the German Federal Ministry proposed serious regulatory changes to German open-ended real estate funds. The proposed changes triggered severe uncertainty amongst private and institutional investors and has caused significant outflows from the funds.

Large, established open-ended funds, such as those operated by DEKA, RREEF and Commerz Real, tend to be linked to established German banks, with wide retail distribution networks shielding them from

"Even with the proposed regulatory changes aimed at stabilising the sector, funds will take time to regain confidence, curbing their ability to buy assets in Asia and Europe and benefiting larger players."

Christian Ulbrich, Chief Executive Officer for Jones Lang LaSalle EMEA

much of the wider sectors' redemption issues.

To increase control of the outflows, the Ministry has recommended changes in the redemption and liquidity guidelines. Investors will be required to hold their shares in German open-ended real estate funds for a minimum period of 24 months and must declare their intention to redeem their shares. In addition, shareholders wishing to redeem their shares will face a cancellation period of between 6 and 24 months, depending on the liquidity quote of the fund.

To minimise large fluctuations in the values, the Ministry has recommended increasing the frequency of valuations from the current annual requirement to every six months. This will encourage faster reaction to market fluctuations. Furthermore, a suggestion which has resulted in wide criticism is that the value of property assets in open-ended real estate funds should be written down 10% over a five-year period in order to offer a buffer in the share price.

Notwithstanding the effects of the latest developments, which may indeed lead open-ended funds to close for redemption, the question is what effect this will have on German investors in Asia Pacific. [APCM](#)

Global real estate investment doubles to USD 66 billion in the second quarter

Asia Pacific sees 39% increase in investment volumes in the first six months of this year



New research from Jones Lang LaSalle's global capital markets experts has found that preliminary global direct commercial real estate investment volumes reached USD 66 billion in the second quarter of 2010 nearly double the levels of the market bottom one year ago. For the first half of 2010 global direct commercial real estate investment volumes totalled USD 130 billion, with the Asia Pacific region seeing a strong increase of 39% over the same period last year.

Arthur de Haast, Head of the International Capital Group (ICG) at Jones Lang LaSalle commented: "This is solid progress for commercial real estate investment markets, reflecting the pick up in trading which we have witnessed in certain countries globally. That said, volumes are still well below pre-credit crisis levels."

"For the full year we anticipate volumes globally of around USD 300 billion, which represents a healthy 40% to 50% increase on 2009."

Asia Pacific has recorded over USD 15 billion in investment volumes this quarter, an increase of 21% over the same period last year. However when compared to the first quarter, second quarter volumes have fallen by 34% in

the region. Increases were recorded in Hong Kong and Taiwan with falls registered in Japan, China and Australia.

"In Asia Pacific, the first half of 2010 has posted reasonably strong increases over the corresponding period in 2009. If this trend continues, aggregate volumes could be around 30% higher this year to reach the mid USD 80 billion range."

Stuart Crow, Head of Asia Pacific Capital Markets

In Europe, the Middle East and Africa (EMEA) the second quarter has seen a modest increase as volumes totalled USD 29 billion, up 5% on the quarter and 70% over 2009. The UK accounts for over 40% of EMEA volumes, while London maintains its position as the world's most active market with volumes close to USD 5 billion.

The Americas have seen volumes rise on Q1 by 54% to USD 21 billion a figure which is more than quadruple the USD 5 billion level of Q2 2009. Investor demand also continues to be strong for core assets in the United States, but the lack of product supply continues to hinder direct investment volumes. [APCM](#)



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Asia Pacific Deals

Sale of Qantas global headquarters near Sydney Airport, Australia

In the largest Sydney suburban commercial sale this year, the Qantas Global Headquarters at Mascot has been sold in a deal which values the buildings on completion of a proposed refurbishment at AUD 170 million.

The 2.7 hectare site at 203 Coward Street, Mascot has four separate buildings and was sold to Brisbane-based Cromwell Group. The vendor was a joint venture managed by Trafalgar Managed Investments Limited.

The campus style office park provides office and warehouse accommodation and is secured by a new 10-year lease to Qantas Airways Limited.

Trafalgar's CEO, Braith Williams said, "We have worked closely with the Qantas management for sometime to structure a transaction that added value for all parties. We hand over this property to the new owners with the benefit of a new 10 year lease and plans for a refurbishment and upgrade of the buildings to improve their energy efficiency and to increase



the amenity of the workplace for employees."

CEO of Cromwell Corporation, Paul Weightman said, "Qantas HQ is an asset which will both enhance Cromwell's existing

portfolio quality and provide an additional weighting to the Sydney office market. The property presents an opportunity for Cromwell to work cooperatively with the tenant to

deliver a facility which will meet their requirements well into the next decade, and potentially to further expand the lease term beyond 10 years."

The site sold for an initial yield of 8.3%. Agents Robert Harris and John Macree from Jones Lang LaSalle and Scott Gray-Spencer and Joshua Charles from CB Richard Ellis managed the sale.

Mr Harris said, "The buyer pool for this investment opportunity was strong from both local and offshore buyers, which demonstrates the ongoing demand for quality properties that are secured by quality tenants such as Qantas, particularly with long term leases."

The Mascot site currently houses 433,000 sq ft of office and 67,770 sq ft of warehouse space, providing a total net lettable area of 500,000 sq ft across the four separate buildings. [APCM](#)



Taiwan's first foreign investment deal in 2010

Jones Lang LaSalle Taiwan made the headlines recently with the closure of the first foreign investment deal in the market this year. The Taiwan team sold a prime shopping spot for international tourists – the Galaxy Department Square, in Taipei. The 48,000 sq ft, 13-storey building located at Ximending was bought by Asia Pacific Land, a leading Hong Kong-based private equity fund, from Continental Holdings Corporation for USD 95 million. [APCM](#)

China's largest-ever business park transaction

In the largest-ever business park investment transaction in China, UTStarcom, the global leader in IP-based end-to-end networking solutions, has sold its 2,580,000 sq ft manufacturing plant, R&D centres and administrative offices in Hangzhou to the Zhongnan Group of Companies for USD 140 million.

Acting on behalf of UTStarcom, Jones Lang LaSalle arranged a leaseback on a portion of the disposed building in order for the company to maintain its current operations and presence in Hangzhou.

Stuart Ross, Head of Industrial with Jones Lang LaSalle in China, said, "The global financial crisis has prompted many companies to be more cost conscious. Cost



saving has been a clear objective, and the focus has shifted from short-term "survival" to building resilience for medium-term to long-term growth. The UTStarcom's case is a prime example that companies are re-assessing their real estate strategies in order to make better use of their capital and focus more on their core businesses. [APCM](#)



DEKA sells property in Korea

DeKa Immobilien GmbH has sold the fully let office property, Eugene Investment & Securities building in Seoul, South Korea, for around USD 151 million to the Korean Public Officials Benefit Association, a semi-governmental fund that manages benefits for civil servants.

Located in Yoido at the heart of Seoul's financial district, the 430,000 sq ft building comprises 20 floors of office space, one level of basement retail, a first floor coffee shop and basement parking. The office space is fully leased on a long-term contract to Eugene Investment & Securities for nine years. [APCM](#)



Hong Kong Peak – A new record price at auction

A public auction in Hong Kong for 35 Barker Road, The Peak, has achieved a price of USD 233 million.

The final price exceeded the reserve by over 17%, setting what is believed to be a new record for luxury residential sites in Hong Kong of approximately HKD 70,000 per sq ft in terms of accommodation value.

Joseph Tsang, Head of Capital Markets for Hong Kong, said, "Today's auction results reflect that the "super" luxury residential market has remained intact following the government's implementation of new property market measures, while the transaction price will have an indicative meaning for future trends." [APCM](#)

Australian retail sales total AUD 2.049 billion for the first half of 2010, almost surpassing 2009 annual sales

Australian retail sales have totalled more than AUD 2.049 billion at the mid-year point and are close to the AUD 2.494 billion total annual sales figure recorded for the full year of 2009, according to Jones Lang LaSalle's national sales figures for the first half of 2010.

Retail sales in Western Australia, New South Wales and the ACT have each surpassed the 2009 full-year sales totals in their respective markets.

“The recovery in retail sales volumes in the first half of 2010 largely reflects much stronger sentiment and buyer depth at the larger end of the investment market.”

Simon Rooney, Head of Retail Investments Australia

The re-capitalisation of A-REITs and the rebalancing of fund managers' portfolios have resulted in many local buyers returning to the market. Offshore investors have also remained interested in Australia due to its strong economic growth prospects, relative to other developed countries, combined with its highly transparent real estate markets.

“The sale of the entire ING Retail Property Fund portfolio for a reported AUD 1.4 billion is testament that major players are back in the market.

Stuart Crow, Head of Jones Lang LaSalle's Asia Pacific Capital Markets, said, ‘We know

buyers are interested in retail investment around the Asia Pacific region. Retail is a very popular choice among foreign and domestic investors based on the underlying strength and growth in consumer demand. It underlines the two-speed recovery for the global financial crisis, with Asia Pacific continuing to grow based on good demographics and low levels of consumer debt.’

Retail sales in Western Australia contributed close to 40% of retail sales in the first half at 2010. The AUD 814.5 million of retail assets sold in the first half of 2010 compares to AUD 532.5 million over the whole of 2009, already representing a 53% increase.

Australian retail turnover has been relatively strong over the past 18 months, supported by considerable fiscal and monetary policy measures taken. The general retail environment has softened slightly more recently as the stimulus is withdrawn. This is reflected in a fall in consumer sentiment measures over recent months following six interest rate rises by the Reserve Bank of Australia in late 2009 and early 2010.

There has been some moderate yield tightening over recent quarters, which reflects improving sentiment and buyer depth. It is expected that yields will be largely stable over the next 12 months.

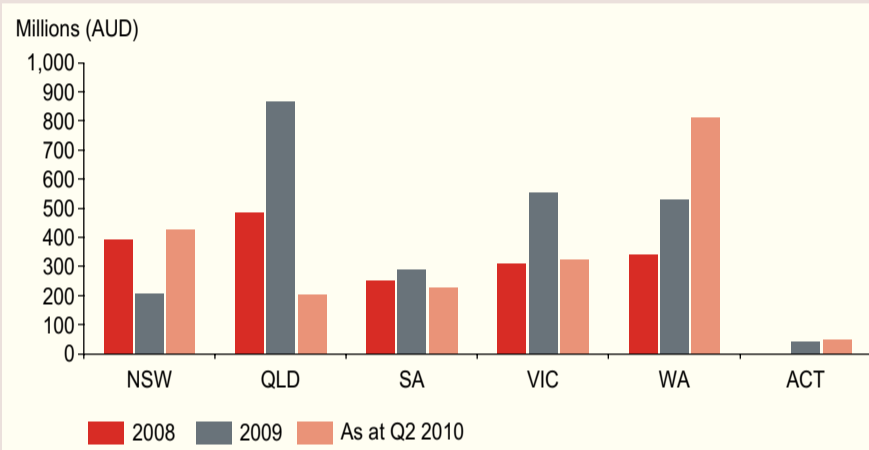
Mr Rooney said, “Jones Lang LaSalle is currently managing approximately AUD 2.0 billion in major retail asset sales and we expect at least an additional AUD 1.0 to AUD 2.0 billion to be transacted by the end of 2010.”

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The sale of Lakeside Joondalup for AUD 475 million

Retail Sales by State (≥ AUD 5 million)



Source: Jones Lang LaSalle

The Office Investor Weather Map

Dr Megan Walters plots the Q1 2010 weather map for office investors in Asia Pacific

The ‘Real Estate Office Investors Weather Map’ shows a bright outlook for investors in a range of office markets in Asia Pacific. Underpinned by stronger economic fundamentals, activity levels have been improving across Asia Pacific's property markets in recent quarters. Tenants are taking up space, some markets are past the trough and rents are rising. Over the short term, leasing continues to be driven by relocation and upgrading demand.

Foreign and domestic investors looking to buy based on rising rental income have a choice of markets to consider, including Hong Kong, Singapore, Shanghai and Melbourne. Rents are likely to move upwards in these cities with capital values following in line over the next 12 months. In South East Asia, **Kuala Lumpur** and **Jakarta** also have a sunny outlook on the map.

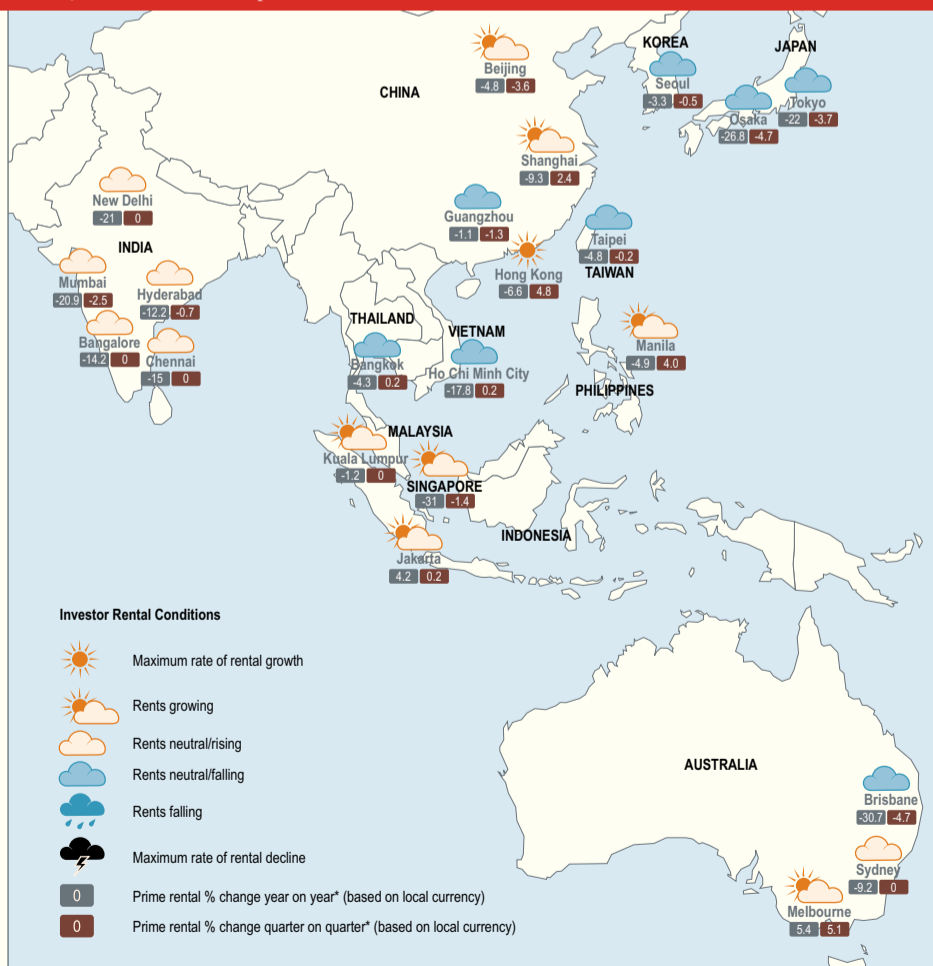
In **Hong Kong**, the pace of recovery in the Grade A office leasing market appears to be faster than expected. Demand has been driven by consolidation and PRC companies looking to set up in Hong Kong. As rents climb and get closer to their pre-crisis levels, we might see companies becoming more cautious and rental growth momentum slowing a little, moving the map back from bright sunshine to a sunny/cloudy combination. However, low vacancies and reduced pressure from expiring leases will tilt the balance towards landlords and

leave the market with limited rental downward pressure.

In **Shanghai**, strong leasing momentum in the **Pudong** office market means that 60% of the future supply coming on stream for 2010 is already committed, and the remainder is expected to be absorbed as domestic companies expand and upgrade their premises. In the light of strong demand, landlords are lifting their rental expectations. Rents in **Pudong** are expected to rise up to 20% across the year, hence the sunshine on the map. However, in **Puxi**, rents are not expected to rise significantly providing a relief for occupiers, and a slightly cloudy edge to the sunshine for Shanghai.

Beijing Grade A office rents turned upwards in Q1 after six consecutive quarters of decline. The Grade A office vacancy rate decreased with companies taking space; nonetheless, the overall rate remains relatively high at 25.8%, leading to a cloudy outlook for investors on the weather map.

Although **Singapore** saw rents dip slightly in Q1, the fall was a modest 1.4%. Notable leasing deals are expected to be completed over the next few months, combined with the trend of redeveloping CBD buildings into residential use, the market may see sufficient rebalancing of supply and demand, allowing rents to stabilise over the next three to six months. Nonetheless, the outlook over the next 12 months is that rental values are expected to rise, with capital values



following suit.

Melbourne continues to do well, with the map showing a bright outlook with rental growth expected in line with an improving vacancy rate outlook and a pick up in demand.

Sydney provides a bit more opportunity for occupiers with rents in a stable neutral phase, but the outlook is for rising rents in the city towards the end of the year. APCM

Research Features

Australia tops the world in Global Transparency



The 2010 Global Real Estate Transparency Index released by Jones Lang LaSalle and LaSalle Investment Management revealed that Australia has pushed Canada into second place to become the world's most transparent market worldwide.

The survey suggests that the recent turmoil in global financial, economic and real estate markets has impacted on market behaviour, creating a slowdown in the progress of real estate transparency over the past two years and forcing real estate players to focus on survival rather than market advancement.

The average improvement in real estate transparency across the 81 markets covered by the survey has halved in 2008–2010, when compared to the results gathered in 2006–2008 and 2004–2006, with Asia Pacific showing the best overall improvement in regional transparency.

The traditional leading pack – Australia, New Zealand, the United Kingdom, the United States and Canada – have now been caught up by a number of European markets, namely Sweden, Ireland and France, which now sit amongst the world's most transparent markets. Turkey registered the world's strongest improvement due to the alignment of its legal and regulatory systems with the EU.

High Transparency Markets

2010 Corporate Rank	Market	2010 Corporate Score	2010 Corporate Tier
1	Australia	1.22	1
2	Canada	1.23	1
3	United Kingdom	1.24	1
4	New Zealand	1.25	1
5	Sweden	1.25	1
6	United States	1.25	1
7	Ireland	1.27	1
8	France	1.28	1
9	Netherlands	1.38	1
10	Germany	1.38	1
11	Belgium	1.46	1
12	Denmark	1.50	1

Asia Pacific

The Asia Pacific region has shown the most broad-based improvements in transparency over the past two years. Australia and New

Zealand are the region's most transparent markets, closely followed by Singapore and Hong Kong. The rising levels of transparency are associated with the rising levels of foreign direct investment, a powerful incentive for encouraging the free flow of information and the fair and consistent application of local property laws.

It is in India and China where the region's greatest improvements in transparency have been recorded, a trend that has now filtered across India and China's secondary and tertiary cities, which have shifted from the low-transparent to semi-transparent level.

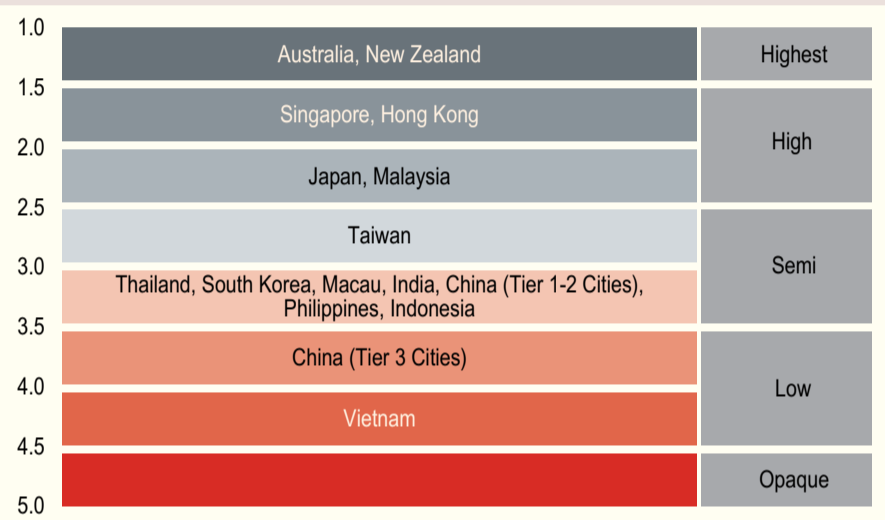
“One of the chief concerns for the international real estate investor is where to safely place capital, and at the same time, corporate occupiers need a clear understanding of the global operating conditions. The Transparency Index will help both investors and occupiers operating in foreign markets to anticipate these challenges. For governments and industry organisations, the index provides a gauge to help improve the transparency in their home markets.”

Alastair Hughes, Chief Executive Officer for Jones Lang LaSalle in Asia Pacific

‘The steady improvement in market fundamentals, including stabilising/increasing rentals is likely to underpin strengthening investment activity in the region. Asia Pacific is expected to grow faster than the overall global economy in 2010 on the back of broad-based growth in both the domestic and external sectors; however, further interest rate hikes that are expected across the region may impact on buying sentiment,’ said Mr Hughes.

Dr Jane Murray, Head of Research for Asia Pacific, said that ‘the big improvement for China and India has been mainly due to the increased data availability and ongoing regulatory changes. In both markets, the recent boom in the real estate markets has greatly contributed to the improvements, as both public and private sector players have taken important steps forward to promote greater levels of transparency. International corporate occupiers and investors are increasingly demanding better information on market

Real Estate Transparency Index – Asia Pacific



Source: Jones Lang LaSalle, LaSalle Investment Management

fundamentals, while government agencies and market regulators have made slow but steady progress on the regulatory and legal front. Indian cities in each city-tier are now considered slightly more transparent than their Chinese counterparts. However, the two emerging economic giants of the region remain very close in terms of overall real estate transparency.’

Europe

Europe showed a mixed picture of transparency. Turkey and some CEE markets have shown good progress, as their markets become more internationally traded and their regulatory and legal environments become aligned with core EU economies. In fact, the more advanced CEE countries like Poland, Czech Republic and Hungary have now caught up with the least transparent markets in Western Europe, such as Italy and Austria, which have struggled to improve real estate transparency.

The Americas

The Americas markets have shown more modest changes in transparency. Improvements have stalled in the region's two most transparent markets, the United States and Canada, as well as in most Latin American markets. Canada and the United States have however remained the region's only two highly transparent (Tier I) countries, ranking among the world's most transparent markets. Only Brazil registered a notable improvement.

MENA

Markets in the Middle East and North Africa (MENA) region, which were highlighted in our 2008 Index for their strong progress in

transparency, experienced a set back in 2010. A number of Gulf markets have registered deterioration in transparency, including Kuwait, Dubai and Bahrain. Pakistan has also struggled to maintain even poor transparency levels. Dubai, which was rocked particularly hard by the real estate crisis, epitomises the region's struggle to improve transparency levels.

Real estate debt transparency

In light of the financial crisis, the Transparency Index has specifically assessed the transparency of the real estate debt markets in terms of the breadth and depth of data available on commercial real estate debt originations, outstanding balances, maturities and defaults as well as how thoroughly real estate debt on banks' balance sheets is monitored.

Debt transparency varies vastly across the world. In aggregate, countries tended to score lower on data availability than on the banking regulations, with even many developed countries lacking data availability on commercial real estate debt. The countries that scored highest on debt transparency were Ireland, Canada and Australia.

The last two years demonstrate how high levels of transparency certainly do not eliminate risks for investors or occupiers. However, the real value of transparency should become evident when comparing how quickly markets are able to open up again after a financial crisis.

The Global Transparency Report, including detailed regional breakdown, rankings, graphs and detailed methodology can be found on our website, www.joneslanglasalle.com/Transparency. [APCM](#)

Asia-buyers profiled

Over the last 12 months, private buyers and institutions have been net buyers of commercial property in Asia, whilst unlisted funds, developers and property companies, both listed and unlisted, have been net sellers. Listed REITs have shown a mixed picture.

Private buyers accounted for a large chunk in Q209 – Q309, partially due to interest in strata-title deals which allow private buyers to directly own floors of properties – something not available in some markets such as London.

The availability of small lot size transactions in Asia via strata-title floors appears to have boosted the market in mid-2009, with numerous strata deals being transacted below USD 100 million.

Dr Megan Walters, Head of Research for Asia Pacific Capital Markets, said, ‘We may see this pattern repeated in Asia in the next six months where government restrictions in the residential market may push private buyers towards commercial property strata title floors.’

Asian-listed REITs mainly from Australia, Japan and South Korea were net sellers of commercial real estate in mid-2009 and are now moving back into a net buying position since the recovery of the equity market.

The listed REIT figures for Q1 10 were boosted by the largest single deal of the quarter, when Singapore-based CapitaLand purchased a mixed portfolio of seven properties in China for USD 2.2 billion.

The other large portfolio deal this year has been the sale of ING Australia’s retail property

fund assets to Lend Lease for USD 1,266 million. This large deal is clearly reflected in the chart, as corporates in Japan have been selling, balancing out the Lend Lease purchase.

‘Developers and unlisted property funds continue to sell assets and that trend is likely to continue. Developers and corporations are not as leveraged in Asia as elsewhere, nonetheless selling assets to willing buyers will allow deleveraging and provide cash for future projects.’ said Dr Walters.

Who will dominate cross-border investments in Asia Pacific?

The International Monetary Fund (IMF) is warning of a possibility that large flows of capital from slow-growth or stagnating advanced-growth economies into high-growth economies could have a destabilising effect on capital receiving countries.

Jones Lang LaSalle’s forecast for 2010 shows that Asian buyers are expected to triple the amount spent on cross-border deals, pushing up overall investment volumes into Asia by 30% compared to 2009. In domestic deals, Asian buyers are likely to spend in line with 2008.

With the situation in the Euro zone still uncertain, it is expected that Asian investors will outstrip US and European buyers to become the most active in Asian cross-border deals. Currency instability in the Euro zone, together with a weak dollar against Asian currencies, is one of the factors reducing the volumes on inter-regional flows. Assuming no escalation of Euro problems, and no instability in Japan, we expect intra-Asian deals to move up to around USD 17 billion compared to USD 6 billion last year, with inter-regional deals expected to be flat at around USD 11 billion.

Dr Walters said, ‘Despite the IMF prognosis of capital flows from advanced countries coming into emerging Asia for real estate investment, at present, we see Asians as the dominant cross-border buyers in the region.’

Stuart Crow, Head of Asia Pacific Capital Markets, commented, ‘We expect continuing interest in Asia Pacific for direct investment in real estate assets. We may see more portfolio deals coming up in the latter part of the year, which may take more time to carry out due diligence.’

Whilst cross-border Asia buyers are on the rise, the future for inter-regional investment is still unclear. The IMF is predicting fund flows from slow-growing countries into high-growth countries – predominantly in Asia. However, the counter argument is that with the days of heavy leveraging over, inter-regional capital flows will be more conservative with private equity funds looking for opportunities in their home markets. If such a situation happens, it is likely that there will be no shortage of cash-rich Asian buyers ready to fill the gap. [APCM](#)



Real Estate Intelligence Service

In an increasingly global marketplace, having a trusted adviser is essential.

Throughout the last two decades, Jones Lang LaSalle’s Real Estate Intelligence Service has remained a constant for many of the world’s largest and most successful real estate players.

Providing quarterly property market data, forecasts and detailed market reports across all sectors, it is little wonder that Jones Lang LaSalle research is number one for real estate market insight in Asia Pacific.

Let Jones Lang LaSalle’s experts help you maximise your returns and mitigate risks in Asia Pacific’s real estate markets.

For further information, please contact:

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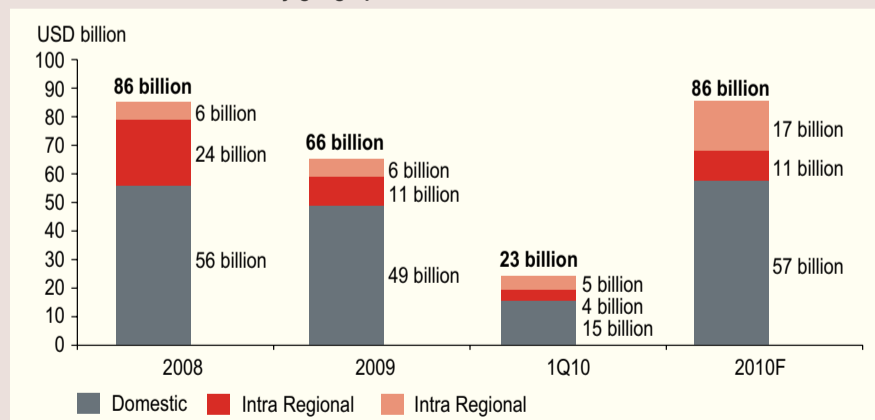
JONES LANG LASALLE
Real value in a changing world

Asia Pacific net investment by investor category



Source: Jones Lang LaSalle

Asia Pacific net investment by geographical source



Source: Jones Lang LaSalle

Sector	Property name	Sub-Market	Country	Sale date	Sale price (USD millions)	Portfolio deal	No. of properties	Purchaser source of capital
Mixed	OODL (OOCL Development Arm) Portfolio – Whole Portfolio	Multiple	China	Jan-10	1,986.28	Yes	7	Singapore
Retail	ING Retail Property Fund		Australia	Jan-10	1,266.08	Yes	14	Australia
Retail	formerly Mitsukoshi Ikebukuro Store (currently YAMADA-DENKI Ikebukuro)	Tokyo	Japan	Jan-10	825			Global
Office	RBS Tower @ Aurora Place	Sydney CBD	Australia	Mar-10	619.47			South Korea
Office	Samsung HQ (Taeyung-ro)	CBD	South Korea	Feb-10	504.8			South Korea

People News

Jones Lang LaSalle expands its Capital Markets capabilities in Asia Pacific

Alistair Meadows joins as Regional Director, Head of International Capital Markets Group, Asia Pacific



Jones Lang LaSalle has strengthened its international business with the appointment of Alistair Meadows, a respected Capital Markets expert. Alistair,

who will officially assume his role as Head of International Capital Group (ICG) Asia Pacific starting August this year, will be based in Singapore.

Alistair, who has 15 years of international real estate experience within Asia Pacific and Europe, joins Jones Lang LaSalle from DTZ Sydney, where he held the role of Capital Markets Regional Director. He will work alongside Andrew Martin, a member of the ICG based in Sydney, Australia, and Stuart Crow, Head of Asia Pacific Capital Markets in Singapore, to help drive the expansion of the Firm's global Capital Markets business.

Jones Lang LaSalle's ICG team is a group of senior Capital Markets professionals who oversee and coordinate the sale and financing of trophy assets with global investor appeal. Meadows will focus on facilitating cross-border capital flows and investment transactions, driving sources of capital, especially in Korea, China and South East Asia, to invest outside of Asia Pacific.

Alistair holds a Master's Degree in Land Economy from Cambridge University and a Bachelor of Arts from University of Newcastle-upon-Tyne. During his tenure with DTZ, he was responsible for major cross-border investment transactions totalling over USD 3 billion.

Dr Megan Walters Joins Jones Lang LaSalle from Cushman & Wakefield as Head of Asia Pacific Capital Markets Research



Dr Megan Walters has been appointed as Head of Research for Asia Pacific Capital Markets. Megan joined Jones Lang LaSalle from Cushman & Wakefield,

where she held the position of head of research for Asia Pacific. Based in Singapore, she will be responsible for presenting articles and reports on the economics of real estate markets and capital flows to help investors.

Megan has been an active member of the RICS (Royal Institution of Chartered Surveyors) for 20 years and is on the global governing council. She holds a PhD in real estate economics from the University of Hong Kong, a master's degree in project management and an honours bachelor degree, both from Reading University.

Akihiko Mizuno joins as Head of Capital Markets for Japan



Akihiko Mizuno joins the firm in August as head of Capital Markets, Japan from Spring Investment Co. (formerly Babcock and Brown). He brings with

him a deep understanding of market dynamics and has a proven track record in buy and sell side having previously worked within the real estate arm of foreign investment banks Merrill Lynch and Citibank.

Akihiko has an Economics degree from Keio University and a Masters from the American Graduate School of International Management and has accumulated over 25 years of real estate experience covering development, acquisition, sale and leaseback, advisory, asset management and M&A.

Chris Chiang joins the Singapore team

Chris Chiang has joined the Corporate Finance team as Associate Director. Chris spent the past two years in real estate private equity working at Oxley Capital in Singapore and prior to that working as a Senior Associate at the Westpac Specialised Capital Group and Manager within Rothschild's property investment banking division based in Sydney.

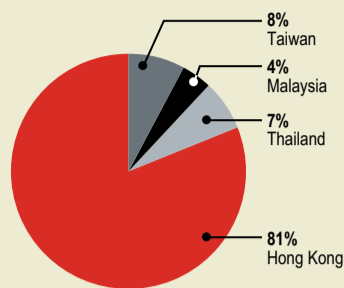
Ari Druker joins in Japan

Ari Druker joins the Corporate Finance team in June and will be based in Japan. Ari joined from Deutsche Bank where he worked in the real estate business.

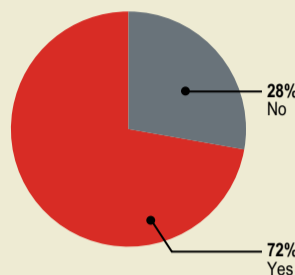
Hamish Stallworthy joins in New Zealand

Hamish Stallworthy has joined the New Zealand Capital Markets, Wellington office. He was previously with CBRE. [APCM](#)

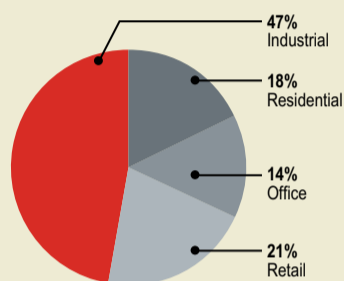
Recent Poll Results



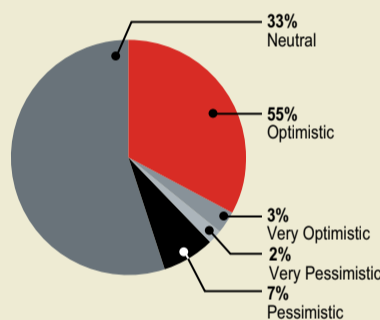
With the economy and equity markets on the recovery, which of the following REIT markets is expected to show the greatest returns over the next 24 months?



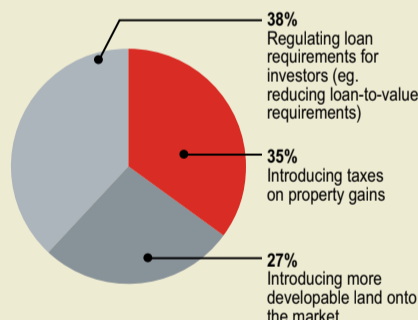
Consumer prices are trending up in some countries across Asia Pacific. Do you think inflation will be a major concern for policy makers this year?



Which property sector in Asia Pacific will offer the best returns in 2010?



What is the outlook for Asia's property market in 2010?



Besides raising interest rates, which is the next most effective policy tool to curb a potential bubble in the region's property markets?

Conferences

JP Morgan-China conference

Michael Klibaner, Head of Research for Jones Lang LaSalle China, spoke to 1,500 delegates at the J.P. Morgan Hands-on China CEO Forum in Beijing this June. The forum offered leading-edge commentary from multinationals, think-tanks, and independent industry experts.

Michael spoke about 'China's property markets: Boom towns or ghost towns?' [APCM](#)



Events Calendar

10-12	August	REIW Australia
7-8	September	Budget and Economy Hotels Asia 2010
15-17	September	Asia Investor Round Table 2010 VIP
16	September	VIP Asia
29	September	GRI India
13-15	October	Annual Hotel Investments Conference - AP
25	October	REIW Japan
10-12	November	MIPIM ASIA
22-24	November	REIW India

Investment Opportunities



Real value in a changing world

Retail Opportunities Australia

Australian Direct Factory Outlet Portfolio

Comprising over 3,500,000 sq ft, the iconic portfolio consists of 13 high quality assets, at nine locations around Australia, together with an identified development pipeline and significant value creation opportunities.

Top Ryde City Shopping Centre, New South Wales

A brand new, super prime regional shopping centre situated approximately 11 km north west of the Sydney CBD and comprising over approximately 840,600 sq ft. The centre presents a rare opportunity to acquire a prime regional centre in New South Wales' traditionally tightly held retail property landscape.

Centro Surfers Paradise, Queensland

Forming one half of the 'Cavill Mall' on Queensland's Surfers Paradise, the centre comprises over 250,600 sq ft and is being sold together with an existing Development Application Approval for the construction of a 15-level residential tower above the centre.

For further information, please contact **Simon Rooney +612 9220 8497**

www.joneslanglasalle.com.au



Real value in a changing world

Residential Investments Singapore



Royal Oak @ Anderson

Royal Oak @ Anderson, a rare treasure nestled in Singapore's most prestigious address, is a freehold development located at 21 Anderson Road. The 10-storey tower consists of 34 units including 4 penthouses.

Unit prices start at SGD 4.5 million to SGD 14.5 million.



The Marina Collection

A truly stunning waterfront development on Sentosa, The Marina Collection developed by the Lippo Group, consists of 124 exquisite residences. Due for completion in early 2011, The Marina Collection will set a new benchmark in waterfront living on Sentosa Island.

Unit prices start at SGD 4.5 million to SGD 11 million.



The Holland Collection

An intimate residential boutique development of 26 residences nestled in the vicinity of Holland Park. The Singapore Botanic Gardens, The Tanglin Royal Golf Club and Dempsey Hill are only a stroll away.

Unit price range from SGD 3 million to SGD 6.8 million.

For more information, please contact:

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cynthia.wong@ap.jll.com

www.joneslanglasalle.com.sg

The Tower, One St George Wharf London



Computer enhanced photo

The London View

Set to become the tallest residential tower in central London, rising proudly above the River Thames, The Tower, One St George Wharf represents a new pinnacle in sophisticated city living.

The Ultimate Address

Designed by award-winning architects Broadway Malyan, The Tower offers a rare opportunity to acquire a central London address from a selection of one, two and three-bedroom apartments,

and three exclusive penthouses. Complementing the prestigious address, Harrods Estates Asset Management extends a premium concierge service to residents.



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Real value in a changing world

仲量聯行

A Rare Opportunity to Acquire Industrial Development Land at Beijing International Airport

Jones Lang LaSalle has been appointed to sell 1,500,000 sq ft of land close to Beijing International Airport. The site is currently owned by an established industrial property developer, who owns a number of projects in the airport area.

It is located a short distance to the north of Beijing International Airport, west of 6th Ring Rd, south of the Beijing Airport Logistic Park and close to Tianzhu Bonded Warehouse Zone. Zoned for industrial use, the site is clear and ready for development.

This is a rare opportunity to secure a prime industrial site with land planning permits already issued in the heart of Beijing Airport's economic zone.

For further information, please contact **Eric Pang +86 10 5922 1191 / Jie Sun +86 10 5922 1198**

www.joneslanglasalle.com.cn

Capital Markets – Global

Jones Lang LaSalle acting on behalf of Unibail-Rodamco sells “Capital 8 – Messine”

The 700,000 sq ft grade A office accommodation on Avenue Messine, in the Paris Central Business District was sold to Allianz Real Estate for €240 million.



KanAm Grund KAG takes trophy asset to market in Washington, D.C.

Frankfurt-based KanAm Grund Kapitalanlagegesellschaft mbH has retained Jones Lang LaSalle to market the trophy asset, 1899 Pennsylvania Avenue in Washington, D.C. The 186,462 sq ft property, located on the main artery of the city’s Central Business District just three blocks from the White House, will likely fetch in excess of USD 150 million.

Leading the Jones Lang LaSalle team on this assignment are Collins Ege along with Senior Vice President Jim Molloy and Vice President Sean McDermott. Steve Collins, Managing Director and head of the firm’s International Capital Group for the Americas and client relationship manager for KanAm, will provide support.

John Kevill, Managing Director for Jones Lang LaSalle’s Capital Markets said “This property is sure to garner a great deal of attention from investors in every corner of the globe as 1899 Penn is known as one of DC’s premier landmark buildings – providing some of those most spectacular views in the city overlooking the White House. Following its extremely successful sale of the Evening Star building, KanAm is capitalising on the scarcity of product available and striking while the dry powder is hot.”

Designed by world-renowned architects Leo A. Daly, 1899 Pennsylvania Avenue, NW is currently 100% leased. The 11-storey property was built in 2002 and in the same year was awarded the “Best New Office” designation by the Washington Business Journal. [APCM](#)



Second quarter 2010 European investment update

The strength of economic recovery has fed through into European real estate investment activity, with transaction volumes increasing in the second quarter 2010. Direct commercial real estate investment in Europe totalled €23 billion, up 80% on the corresponding period in 2009, according to Jones Lang LaSalle. Looking ahead to the second half of 2010, Jones Lang LaSalle anticipates that the volumes will increase by 35% and reach the €100 billion mark at the year end.

The UK has led the recovery of both transaction volumes and the pricing correction amongst prime assets, and represented 40% of overall European investment volumes. Investor sentiment remains positive although it has tailed off slightly, partly due to the perception that prices have risen too sharply against the weak economic and occupational backdrop.

We have seen an increased focus on the other large European markets – France, Germany and the Nordics – with a renewed interest in acquiring larger assets within the core and core-plus segment of the market. However, investors are facing challenges around securing well-let core assets, as debt

is becoming more available and increasing numbers of investors are chasing the same narrow band of prime assets.

Given the strong price correction that has taken place across the region, the Q2 10 numbers suggest that yields have been stabilising. The breadth of prime yield compression has slowed down significantly in many core European office markets and we saw inward yield movement in fewer locations over the quarter. **APCM**

“We have seen a strong bounce back in activity and pricing so far this year - especially for prime London. However, in the last few weeks, I have noticed a slight change in sentiment and the balance between buyers and sellers has altered. I expect yields movement to be minimal for the next few months and turnover in England to be similar to 2009.”

Julian Stocks, Head of Capital Markets England at Jones Lang LaSalle



SEB Asset Management purchase Condor House, London

The London City and EMEA Capital Markets Team advised SEB Asset Management on the purchase of Condor House in the City of London. SEB bought Condor House, which has an exceptional location at St. Paul’s Churchyard, for its open-ended real estate fund, SEB ImmoPortfolio Target Return Fund at a passing rent of £45.70 per sq ft. **APCM**

Now is the time to invest in UK residential property

The weak position of the Sterling, an anticipated price growth in the coming years as well as the projected strong demand in future have all pointed to the fact that it is now the golden time for investors to consider investing in residential property in the UK.

With the UK economy moving forward again, the residential property market has rebounded much quicker than expected and caught the market by surprise. In April, residential property prices grew with London, in particular, outperforming other regions in the UK and showing the strongest growth.

A major factor supporting property prices in London is the lack of supply. Although there are a significant number of planning applications in the pipeline, few of these will materialise.

“London remains fundamentally undersupplied with housing, and every borough feels the strain. The housing completions in Greater London are way below government target. Planning

is a complicated and time consuming element of the UK property market, coupled with the difficulty in obtaining development finance. It will take at least a few years for the supply to come through the system due to planning issues,” remarked Jack Simmons, Director of Residential Investment and Development at Jones Lang LaSalle.

“After a period of relative stability in Q4 2009, uncertainty in the financial markets has driven the value of Sterling lower in recent months. The result being a window of opportunity for international/non-Sterling based investors

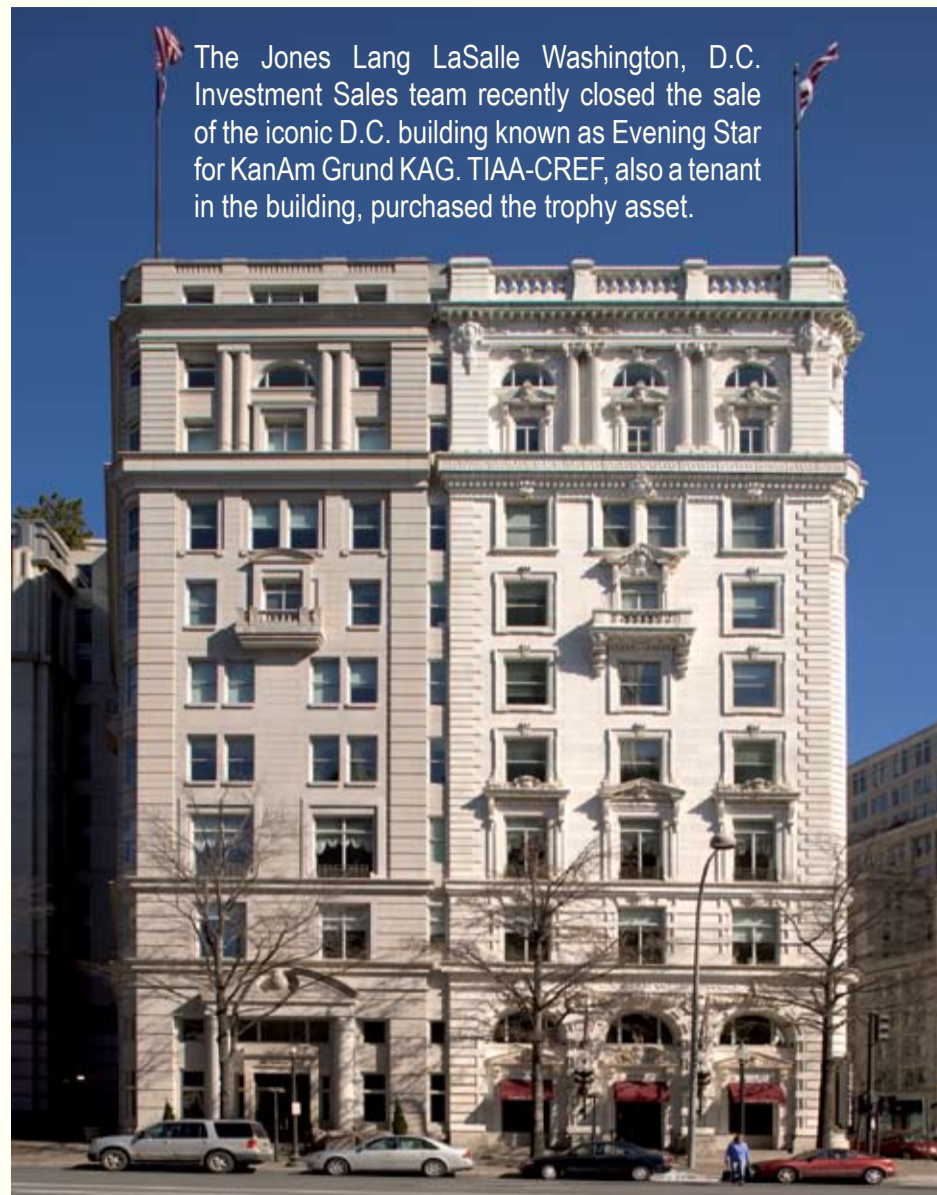
to acquire more affordable assets in the UK.”

Jack Simmons, Director of Residential Investment and Development, Jones Lang LaSalle

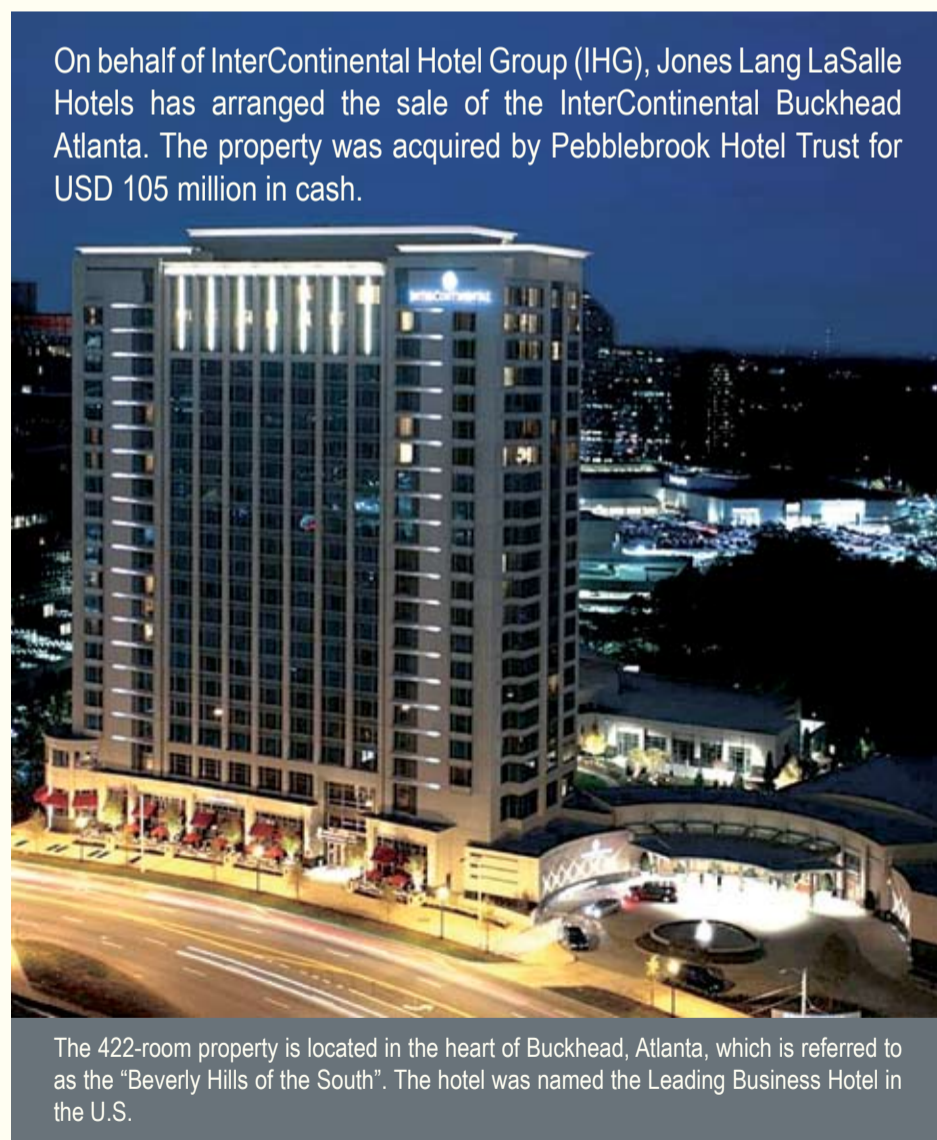


From 2006 to 2031, the number of households in London is projected to rise by more than 1 million. In addition, as the performance and hiring capacity of the financial and business services sector picks up, London will be best placed to capture this growth as it will continue to be the epicentre of economic growth, creating a strong demand for more homes.

This, however, could well be challenged



The Jones Lang LaSalle Washington, D.C. Investment Sales team recently closed the sale of the iconic D.C. building known as Evening Star for KanAm Grund KAG. TIAA-CREF, also a tenant in the building, purchased the trophy asset.



On behalf of InterContinental Hotel Group (IHG), Jones Lang LaSalle Hotels has arranged the sale of the InterContinental Buckhead Atlanta. The property was acquired by Pebblebrook Hotel Trust for USD 105 million in cash.

The 422-room property is located in the heart of Buckhead, Atlanta, which is referred to as the “Beverly Hills of the South”. The hotel was named the Leading Business Hotel in the U.S.

when interest rates increase in 2011 and Sterling becomes stronger against other currencies,” Mr Simmons said.

“The outlook for the UK and London housing market remains strong over the medium-to-long term. As the economic situation improves, there will be a degree of pent-up demand looking to enter, or move up, the property ladder. Demand will build through 2012-2014, encouraged by further lender and developer participation. Prime London and Greater London will continue to outperform the UK trend, with Greater London house price growth expected to be around 9% per annum during 2012-14.” **APCM**



Corporate Finance

Opportunistic India or core-plus China

By Nick Crockett, Head of Corporate Finance

Should investment capital be looking at Asian real estate target China or India? Which country has better potential? As the two most populous nations in the world and both being considered as major emerging markets, China and India offer interesting, albeit different investment opportunities. China is increasingly becoming a core-plus player, whilst India remains an opportunistic market.

Jones Lang LaSalle's Corporate Finance team, which manages the Firm's fund-raising, debt advisory and M&A mandates, has over the past twelve months been involved in equity-raising for both Chinese-based and Indian-based funds. Recently, opportunistic investors have shifted their focus away from China-based funds to other emerging markets such as India. China's recent announcement on the currency has yet to play out in the real estate markets. Nonetheless, the immediate impact is likely to be limited with the regulations affecting real estate investment rather than currency risk.

India presents a good opportunity for future growth, based on the continuing regulatory reforms that should boost fixed investment, and more importantly, it has a falling dependency ratio that will boost productivity and economic growth.



The combination of the increasing share of GDP being spent on fixed capital expenditure over the next five years together with the shift in dependency ratio presents a one-off chance for investors looking at the opportunistic end of the risk-return spectrum.

China is considered a core-plus market. Although domestic investment is the mainstay of the market, Q1 10 saw a significant cross-border deal involving a mixed portfolio of seven properties purchased by Singapore's CapitaLand's from OOCL's development arm for USD 1,986.28 million. The value of this transaction dwarfs the total domestic investment into commercial real estate, which stood at USD 366 million.

China and India present challenges to foreign investors both in terms of deploying capital and repatriating capital and returns home. Both countries restrict the type of investments in which foreigners can participate. At present, the most popular asset sector target for China investment is retail, whilst in India, it is residential development.

With the recent problems in the financial markets, new fund raising avenues

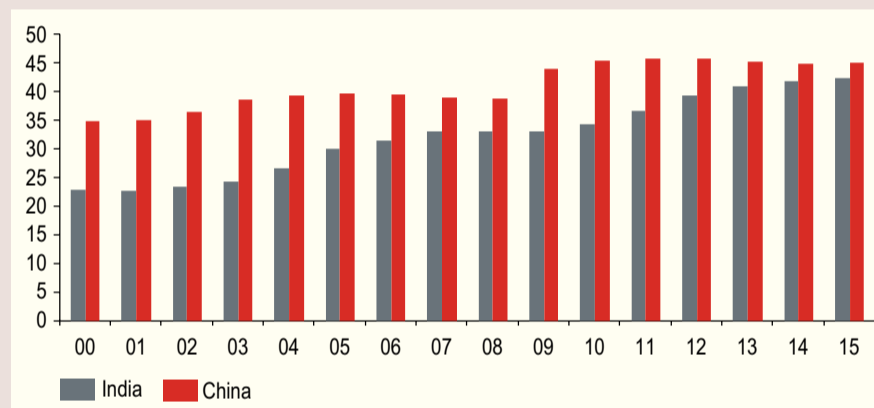
Key Statistics

	 India	 China
GDP per Capita (2010)	USD 1,266	USD 4,393
Expected GDP per Capita (2015)	USD 2,327	USD 9,433
Sovereign Risk Rating	BBB	A+
Current Population	1.197 billion	1.344 billion

Dependency Ratio Forecasts

	China 2010	China 2025	India 2010	India 2025
Total Dependency (%)	39	46	56	48
- Child	27	26	48	37
- Elderly	12	20	8	11

India and China Gross fixed capital expenditure as % of GDP



Source: Jones Lang LaSalle

are gaining ground. The complexity and skepticism associated with funding real estate projects have made the situation even more challenging for investors and developers alike.

Market transparency

Jones Lang LaSalle's 2010 Global Real Estate Transparency Index shows that at each level, India ranks as a more transparent market than China. However, the reality is that expectations of returns in China have remained at opportunistic or near-opportunistic levels, where managers have found it increasingly difficult to attain anything more than core-plus returns without taking risks or investing into other countries that foreign investors are uncomfortable with.

Investors who had been focusing on the China market are now concerned with the possibility of an over-heated property market. Yields may not currently reflect the risk that investors perceive to be unfolding. They appear

to prefer to wait until the effects of government-tightening measures are seen in the market. However, foreign investors could be missing the point. In China, the market is rapidly maturing into a stable economy, with the GDP per capita income levels expected to greatly exceed those of India in the next five years. Nonetheless, at this point in time, there is an imbalance between the economic progressions and the growth and transparency of the market. Economic growth is running ahead of market transparency, as demonstrated in the Jones Lang LaSalle Transparency Index.

The economic prospects

In terms of economic level, India usually records similar or slightly lower GDP growth rates than China. The structures of both economies are broadly alike, with similar proportions of GDP growth coming from services, manufacturing and agriculture. However, the percentage of people employed

in these sectors differs, as does the output per person in terms of raw productivity.

Some of the differences in productivity come from the discrepancy in the dependency ratio between the two populations – but another factor comes from the investment in infrastructure that China makes compared to India.

In terms of manufacturing, greater GDP per capita reflects higher levels of productivity, much of which has come about from higher levels of investment in fixed capital, roads, buildings, plant and machinery. For India to reach the same levels of productivity in the future, similar levels of fixed asset investment are required.

Benefits from shifting dependency ratios

One difference between the two countries is their disparity in terms of the dependency ratios in the populations. Broadly, children in India are growing up and becoming productive, but the elderly are not significantly increasing in number. In contrast, China has an increasing elderly dependency ratio.

This means that India will have more workers per head of population, a process which will lift India's growth.

Which country has the better outlook?

The outlook for the two countries is positive with solid domestic demand evident in both. One side effect of the global financial crisis is to highlight the fact that countries with local consumer bases and low debt levels are likely to continue to outperform economies with ageing populations and higher debt levels in the medium term.

The risks to Asia are from outside the region, due to unstable currency conditions. With currency a major issue for all cross-border investors in choosing between China and India, the recent announcement that the Yuan is widely expected to appreciate against a basket of currencies and lift Asian currencies in its wake, is significant. At present, the consensus outlook for the Rupee is steady appreciation, but dependent on inflationary pressures.

In the short term, returns from India may be slightly better priced at opportunistic levels compared to the risks incurred, whilst China has become more of a core-plus strategy. In the long term, both China and India will remain highly sought after by investors. **APCM**

Stepping up with debt

The India Capital Markets team has recently closed deals totaling almost USD 100 million using debt structuring, for clients such as Larsen & Tubro, Marvel Realtors, Kotle Patil Group and Meenakshi Group.

With recent problems in the financial

markets, newer avenues of raising funds are gaining ground. The complexity and skepticism associated with funding of real estate projects in particular has made the situation even more challenging for the investors and developers alike.

The deals that the India team has completed have provided the developers with better cash flow as well as debt financing cheaper than

other sources whilst promising fixed returns.

- USD 47 million (INR 220 crores) raised through debt by the Hyderabad Capital Markets Team. Debt provided by IndiaBulls Financial Services by securitising lease rentals for three fully occupied office buildings – including two SEZ buildings (445,000 sq ft) and a non-SEZ building (205,000 sq ft) located in Hyderabad's

HITEC City and Gachibowli.

- Raised USD 14 million in debt for a World IB School for Kotle Patil Developers Ltd. The school is located in Kharadi, Pune and the debt was provided by Bank of Rajasthan USD 33 million (INR 155 crores) raised in debt for Meenakshi Group, a Hyderabad based infrastructure and real estate company. **APCM**