

Things looking up but show some patience

Currency movements, strong capital price growth and rising rents create attractive case for investment. Reports by **Peta Tomlinson**

It's one of those chicken or egg questions: is time in, or timing, the best way to make money out of real estate? Enough time in will pay off, given the nature of property cycles, but not everyone has the patience for that. Timing can be tricky. But it's a fair bet that after the plunges seen in many markets, the only way from here is up. How to pick a winner in 2011? We asked several experts which markets they expect to perform well.

London Last year, according to Knight Frank data, Asian investors bought more central London property than Londoners did, accounting for more than a fifth of new-build properties, and almost half (49 per cent) of all investment purchases in central London. This compares with 36 per cent purchased by British investors.

Investors from Hong Kong and the mainland made up 11 per cent of these purchases. (The figures relate to first-half results, but Knight Frank expects little change when the full-year data is available this month). Liam Bailey, head of residential research, Knight Frank, describes the revival of international investment demand for new-build property as one of the most remarkable features of the residential property market since the crash in 2008.

"While the market has returned to life after it pretty much shot down in 2008, international investment demand in 2010 was almost totally concentrated on London, and primarily coming from Asia." He expects that momentum to continue this year.

Bailey says the weaker pound created a compelling buying opportunity for Asian investors. The interaction of currency movements, strong capital price growth and, in the latter half of 2010, rising rents created an attractive investment case for many investors, he says. Despite prices rising by 23.7 per

cent since March 2009, central London prices still seem good value, being lower than their pre-crash peak, Bailey says. "Despite recent price growth in central London, euro zone and dollar-based buyers are still able to achieve an effective discount of 14 and 26 per cent respectively due to currency movements on March 2008 prices in London."

"Asia-Pacific buyers, who have benefited from 30 to 50 per cent price growth in Hong Kong, Singapore and other key Asian centres over the past year, are keen to take advantage of the weak pound and take money out of what have become arguably very hot markets in Asia."

United States The US market had mixed reviews last year, but Tim Murphy, managing director of IP Global, cites positive reports raising optimism. Sales of existing homes rose in September last year by the most on record, suggesting cheaper

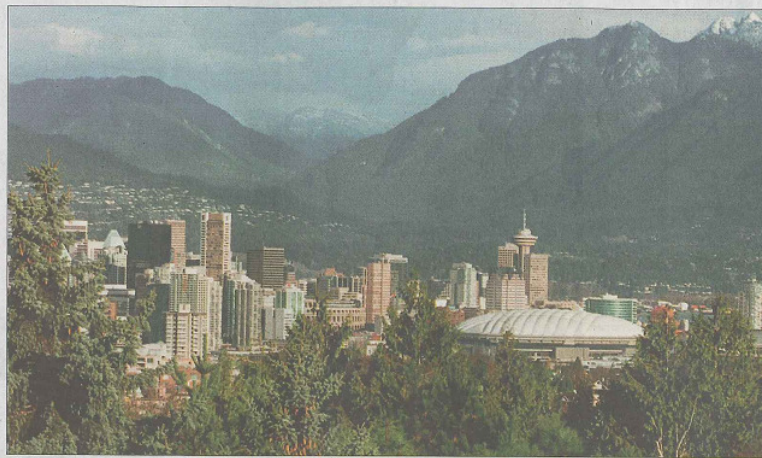
Buyers are keen to take advantage of the weak pound

LIAM BAILEY
KNIGHT FRANK

borrowing costs are helping stabilise the property market, he says.

"According to the National Association of Realtors, purchases increased by 10 per cent to an annual 4.53 million. This may also have been as a result of the median sales price being 2.4 per cent below the same period a year ago. The number of foreclosures in the US also decreased significantly during November 2010. Realty Trac says 262,399 foreclosure filings were reported on US properties - a 21 per cent decrease during the month."

Murphy points to more positive signs of a property market recovery



Office and condo markets in Vancouver will 'almost defy logic and stay red hot this year', according to PwC's emerging trends in property report.

in individual states. Research by Trulia, a real estate research company, shows the median sales price in New York has increased by 10.2 per cent compared to the same period last year, while the number of home sales increased by 10.5 per cent over the period.

The median sales price of a home in New York based on 894 sales was US\$1.15 million for September to November 2010.

"With prices gradually improving, we believe that low mortgage rates, favourable exchange rates for international purchasers and prices well below peak levels will drive demand, while high unemployment, shadow inventory and tight credit continue to temper improvement."

Vancouver Office and condo markets here will "almost defy logic and stay red hot", according to a 2011 emerging trends in property report by accounting firm Pricewater-

houseCoopers (PwC). The prediction is based on the belief that many wealthy Asian investors are "parking" money in Vancouver with plans for eventual citizenship, while the relatively small office market "enjoys minuscule vacancies". The report notes Vancouver's natural barriers control development and attract investors, but cautions that some observers believe the market is artificially inflated.

Canada in general "shows promise", says Chris Potter, leader of the real estate tax practice for PwC Canada. "The big difference for Canada (compared to US markets) has been the sound condition of its banks. We have no distressed banks and few distressed owners and sales. Now, rising interest rates coupled with tight bank requirements and broader economic concerns temper down a recent home buying spurt, particularly in Ontario and British Columbia, where purchasers stepped up activity before HST [the

new Harmonised Sales Tax] came into effect."

Philippines The local property market is tipped to strengthen this year after experiencing weak sales and high vacancies in 2009.

Real estate consultant CB Richard Ellis Philippines says the market continues to profit from low interest rates, benign inflation and growing consumer spending.

"Foreign investors are showing increased confidence in the real estate market due to favourable macroeconomic factors such as 8 per cent growth, record remittances, a young and highly educated population, one of the best performing stock markets in Asia for 2010, expanding business process outsourcing and call centre markets, and strong links to the growth of India and Southeast Asia," says Rick Santos, chairman and founder of CBRE Philippines.

Santos says low interest rates

offered by banks have driven investors to develop residential projects since end-users and investors are more likely to acquire units at this point.

Pick-up on office spaces has also caught up with companies' aggressively expanding business. Improved trust in the current administration has contributed greatly to the overall positive outlook, Santos notes.

"President Aquino was the number one choice for foreign investors and there has not been this much activity and confidence in the real estate markets since the Ramos times of 1998," he says.

"Foreign investors feel an era of transparency and public-private partnerships," he adds. Santos says the Philippines remains one of the top picks in Southeast Asia for foreign investors. "Think VIP for Southeast Asia - Vietnam, Indonesia and the Philippines as the best growth markets in Asia."

ASIANS AIM HIGH

London's tallest residential building attracts interest

Asian buyers are attracted to Strata SE1, the tallest residential building in central London, by its spectacular architecture and design, soaring height, proximity to universities, the City and the West End and its world-class services and amenities.

The building comprises 408 apartments in two towers, with space for shops and restaurants. "Most of the Asian buyers we have seen so far have children studying in London and are looking for a place that has a great location and amenities," says James Talbot, director of Savills (L&P).

"They may have some businesses or are simply buying the apartments for investment. Asian buyers are very savvy and appreciate a good quality of life. They are lured to places they are comfortable with, especially when it comes to culture and language. London has a fairly large Asian community and has enjoyed deep cultural and economic ties with Asia for many years."

Prices range from £230,000 (HK\$2.8 million) to £2.5 million.



Strata SE1 interests Asian buyers.