

M&G REAL ESTATE: ASIA PACIFIC OFFICES ON THE UP

- **Grade B offices in Asia Pacific are delivering attractive income-driven returns for informed investors, according to M&G Real Estate's latest report**

LONDON 1 July 2014 – Asia Pacific's Grade B office assets have spurred institutional investors' appetite, according to the latest research published today by leading global real estate fund manager M&G Real Estate. The report found that investors are focused on the market on account of the secondary asset group's higher income yields and improving rental prospects.

'M&G Real Estate: APAC market outlook – July 2014' highlights investors' rationale for turning to Grade B offices in selected markets, such as Australia and Japan, where accommodating monetary policies are supporting positive business sentiment and labour markets.

Offices, particularly Grade B, are leading growth in the Asia Pacific real estate market where total investment transaction volumes hit a six-year high in 2013 and are expected to remain strong this year. Demand is also set to grow with supply remaining relatively low, helping to push up rental values and whet investors' appetite.

According to M&G Real Estate's research, secondary offices are the most attractive investment opportunity for investors looking to diversify their core Asia Pacific property portfolio with long-term prospects.

Commenting on the research, Tony Brown, Global Chief Investment Officer at M&G Real Estate, says: "We expect that interest in secondary assets in Asia Pacific will continue to grow, given that the yield spread between prime and secondary assets remains relatively attractive and occupier demand is generally robust. Furthermore, it is likely that secondary yields in the region will compress even further as downside risks to economic growth continue to subside.

"Our research substantiates Asia Pacific's position as a strategic market for global investors. The region's property market accounts for over a third of the world's real estate universe, offering attractive long term fundamentals and structural advancement."

In line with the analysis, M&G Real Estate has recently acquired 628 Bourke Street, a Grade B office asset located in Melbourne's central business district (CBD) at a price which reflects a 100bps yield premium to prime office assets within the same precinct. The property is well-let to a range of tenants including multi-national ASX-listed companies and government-related entities. M&G Real Estate is therefore predicting high occupancy rates and a solid rental income, resulting in a strong return on investment.

In the research, Japan has also come out on top as an example of where investments in secondary offices are set to deliver more stable and attractive returns. M&G Real Estate has made its first move in the sector by purchasing Sakurabashi IM Building – a 16-storey Grade B office building in the centre of Osaka city, well situated directly above the Kitashinchi subway station – complementing existing assets in M&G Real Estate's Asian portfolio.

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Notes to Editors:

About M&G Real Estate

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M&G is the investment arm of Prudential Plc in the UK, Europe and Asia. For more information please visit www.mandg.com/realestate

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