RESEARCH SNAPSHOT

ANREV/INREV/PREA Investment Intentions survey 2020 snapshot

January 2020

Real estate remains attractive for institutional investors

- A minimum of US$101.3 billion to be invested in real estate globally in 2020
- Value added is preferred ahead of core for the third year running
- Non listed real estate funds are still the most popular investment route to access Asia Pacific markets

Investor's average allocation to real estate currently stands at 10.4% and is still increasing. Current allocations remains below target allocation of 11.4% for all type and domicile of investors.

Institutional investors remain broadly bullish about real estate investment going forward, with 63.6% of respondents expecting to increase their current real estate allocation over the next two years and 95.2% of them intending to deploy new capital into the sector in 2020.

Asked about regional allocations, 77.5% of institutional investors globally expect to increase their allocation to Asia Pacific over the next two years, while only 6.7% expect their Asia Pacific allocation to decrease.

They have also indicated plans to place a total of US$101.3 billion of new capital in 2020, of which 31.9% is planned to be deployed in Asia Pacific, 45% in Europe and 21.9% in the US.

Figure 1 – Intentions to invest by region over the next two years

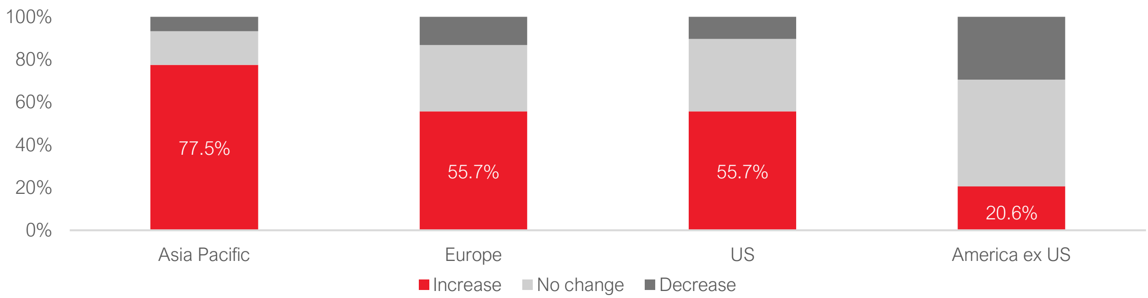
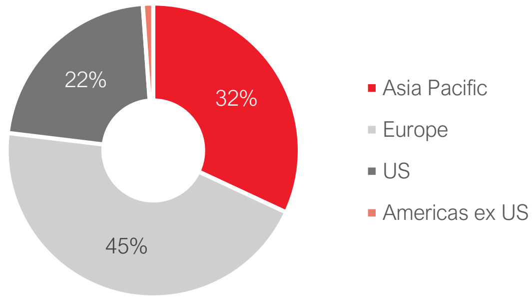


Figure 2 – Regional destination of planned 2020 capital investments



In the Asia Pacific region, 44.3% of investors have highlighted their preference for value added over core in terms of risk adjusted performance prospect. However 42.9% of investors are expecting to invest into core whilst 34.9% in value added.

Australia remains the preferred investment destination within Asia Pacific markets, with Sydney and Melbourne chosen as the preferred investment locations for the last four consecutive years. Tokyo occupies the third spot and Osaka the fourth.

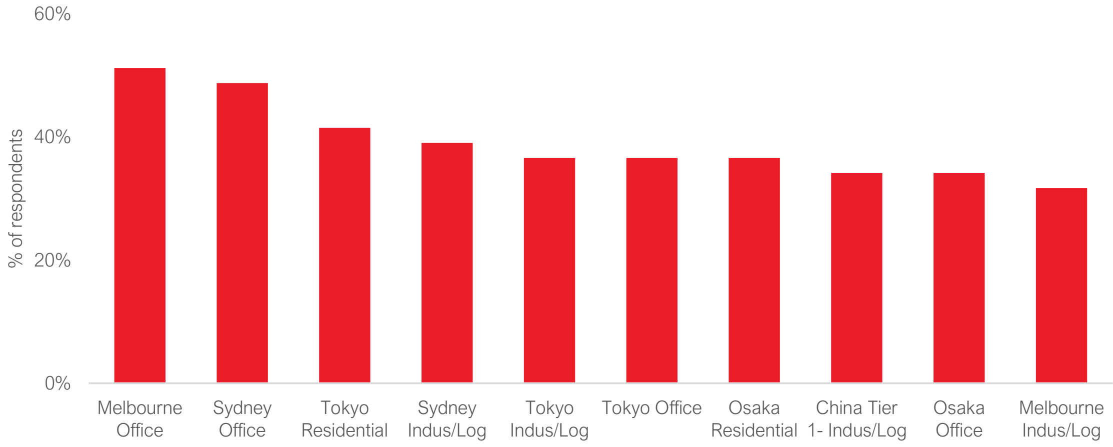
The office sector remains the top preference for investors in 2020, followed by industrial & logistics and residential. For the first time retail is moving down to the fourth spot.

Melbourne-office and Sydney-office occupy the first two spots in the investment destination-sector combination's ranking for the second time in a row, whilst Tokyo-residential rounds up in third, moving up from seventh in 2019. Apart from China Tier 1 cities industrial/logistics, which has made a comeback as the eight preferred city-sector combination for 2020, the top ten sector destinations in Asia Pacific remain largely dominated by the mainstream sectors in Australia and Japan, the largest investment markets in the region.

In Asia Pacific, 58.3% of investors have indicated their intention to increase their real estate allocation through non-listed real estate funds. Moreover, with 88.5% of investors invested into non listed real estate funds, they have certainly proven to be the favored route to Asia Pacific markets.

In 2020, access to expert management and the diversification benefits for an existing multi asset portfolio have been cited as fundamental reasons for investing into these funds.
On the contrary, transparency and existing market information, the availability of suitable products and the currency risk exposure have been highlighted as key deterrents to making investments into funds over the last years.

Figure 3 – Institutional investors preferred city-sector combination in 2020



About the survey

This year's survey attracted responses from 140 participants globally of which 125 are institutional investors, and 15 are funds of funds managers.

The full report is available to members at www.anrev.org
For further information, please contact research@anrev.org