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Prudential targets \$1 bln Asia property fund

By Dominic Whiting, Asia property correspondent

HONG KONG, May 15 (Reuters) - British insurer Prudential has set up an Asian property fund management venture that aims to raise at least US\$1 billion by the end of 2007 from a growing band of institutional investors looking to the region for high returns.

The new firm, Prudential Property Investment Management (PruPIM) Singapore, will package buildings in Australia, Hong Kong, Singapore and South Korea owned by various Prudential funds into a "core Asia-Pacific" fund.

The venture's chief executive, Jonathan Allen, said the fund would market itself in the fourth quarter of 2006 and would target South Korea and Japan for new building acquisitions.

"I think the fund would exceed US\$1 billion within 12 months," Allen told Reuters in a telephone interview.

"The venture dovetails nicely with what we see as a significant shift of attention of global capital to Asia Pacific property assets."

Allen said the fund expected annual returns of 8 percent to 10 percent in U.S. dollar terms, but PruPIM Singapore would later create other "opportunistic" funds to tap higher-risk, but potentially lucrative developing country markets.

"The two obvious elephants in the room are India and China, but there's also Vietnam, where we'd look at opportunities," he said.

Allen would not specify the property sectors PruPIM was most interested in, but said its existing assets in the region were mostly offices, with some logistics buildings.

Cross-border property investment in the Asia-Pacific region jumped 56 percent last year to US\$20 billion, according to consultants Jones Lang LaSalle.

PruPIM Singapore, is 50 percent owned by the Asian arm of Prudential, which has more than US\$400 billion of funds under management.

The other half is owned by Prudential's property investment arm, Prudential Property Investment Managers (PruPIM), which has over US\$30 billion under management, including US\$2 billion outside Britain