

NEWS RELEASE

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Asia to spearhead global property market recovery

Emerging Asian economies are likely to spearhead the next phase of the recovery of the commercial property market, according to global real estate investment managers PRUPIM.

The worldwide downturn will continue to impair returns in 2010 but greater global economic stability will bolster optimism about commercial property investment performance in a number of specific markets and sectors in Asia, according to PRUPIM's *International Real Estate Perspective*, published today.

"Global markets have generally lagged the UK's sudden recovery but it seems clear that the worst is over in the majority of investment markets. Value in global commercial real estate has looked increasingly attractive as capital-rich investors have pursued opportunities beyond other main asset classes that have already rallied strongly. We predict a slow recovery for the market globally but with some marked divergences in pricing and leasing dynamics around the world," said Paul McNamara, Director: Head of Research at PRUPIM.

"Global property yields have stabilised across a number of markets and strong yield compression has returned in China, the UK and a handful of sectors in selective European and Asian cities. Next year will see good opportunities to buy selectively in more recovering markets, and, possibly, in yet others where pricing has still to reach its bottom ahead of more sustained recoveries in 2011," he added.

PRUPIM predicts a recovery in occupier demand in a number of Asian markets, underpinned by improving intra-regional economic growth prospects but, even so, investors need to remain sensitive to geographic and sectoral specifics.

"The worst of the commercial property downturn in Asia Pacific has now passed, replaced by a rebound in asset prices of sufficient magnitude to raise concerns about overheating in a few markets. However, the long-term outlook for the region remains intact and increasing numbers of investors believe that now is an opportune time to tap into market recovery," said Prof McNamara.

PRUPIM expects investors to remain selective in the European investment markets, avoiding secondary assets in weaker economies such as Ireland and Spain. However, the report says core markets are benefiting from an upsurge in investor interest, and widespread yield stabilisation is evident. Investment prospects have generally improved slightly quicker as economies have stabilized more speedily than expected. Less prohibitive constraints on borrowing is helping market liquidity.

“In Europe prime yields in core markets are expected to peak this year before compression and eventually rental growth returns. Competition for the safest of assets in the best locations is already increasing and will play an increasing part in investment market dynamics in 2010 and beyond,” added Prof. McNamara.

The report warns of further rental declines in North America but restrained development in recent years means the cycle may be shallower than otherwise.

“The outlook is bleak for tenant demand in the short term but we seem to be approaching price stabilization in the US and Canada after large falls in values in 2009. We may start to see increasing interest in assets as bargains become evident after an over-correction – but, as in the UK, investors will initially focus on only the most secure of income streams in the safest of markets,” said Prof. McNamara.

“Overall, the global recovery will unfold at various speeds in different markets, but a common theme will be that demand will initially return to well-located, prime and well-let assets,” he added.

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Notes to Editors

About PRUPIM

PRUPIM has around £14 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region. PRUPIM is part of M&G, the investment arm of Prudential plc in the UK and Europe.

For more information, visit www.prupim.com. To download the report, visit <http://www.prupim.com/about/media/Publications>

PRUPIM Singapore creates, distributes and manages real estate investment vehicles that focus on the Asia Pacific region. As at 31 March 2009, PRUPIM Asia managed US\$ 2.5 billion in assets.

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