




Accelerating success.



# 2013 Global Investor Sentiment





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# Introduction

For the past three years, we have asked major investors across the spectrum from institutional to private, representing a broad cross section of property investors globally, for their outlook at the global and regional level for the coming 12 months and beyond.

This year's respondents included nearly 500 investors from the US, Canada, Latin America, Australia/New Zealand, Europe, Asia and the Middle East. Overall, the majority of investors indicated they wanted to expand their portfolios. However, with risk profiles varying by sector and location, wealth preservation remains a key feature of the investment landscape for the near future.

A noticeable trend this year was that major investors are becoming more critical when selecting their investment locations. This was supported by the overarching themes we found when asking respondents about their investment strategies:

1. A focus on home regions
2. Those that are looking to invest internationally are far more specific about the individual markets and sectors they will consider.

Additional key findings from our survey include:

- › Despite uncertainties across the global markets, investors remain positive.
- › Compared with last year, investors from Asia, Latin America and the Middle East have more ambitious expansion plans.

- › Investment sentiment improves significantly over the medium term.
- › A lack of quality stock is impacting on some markets.
- › The popularity of safe haven destinations like, London, Paris, major German cities and New York will continue.
- › Risk aversion, secure income and wealth preservation will remain a key part of the investment strategy for many funds and, particularly, high net worth individuals and private buyers.
- › The availability of finance is an issue in some regions, but debt is available at a price to those who meet stringent conditions.
- › 2013 will see more new lenders and mezzanine funds partially replace the void left by retreating mainstream banks.
- › Generally, 2013 will be a year of continued recovery, with investment volumes showing modest growth as investors accept the new norm and sentiment improves.

With more than 12,000 Colliers professionals in 62 countries; we are able to provide our clients with expert capital market advice at a local, regional and global level. I trust you will find the results of our survey of interest.



**Tony Horrell**

# The Global Picture

## Investing for medium to long term performance

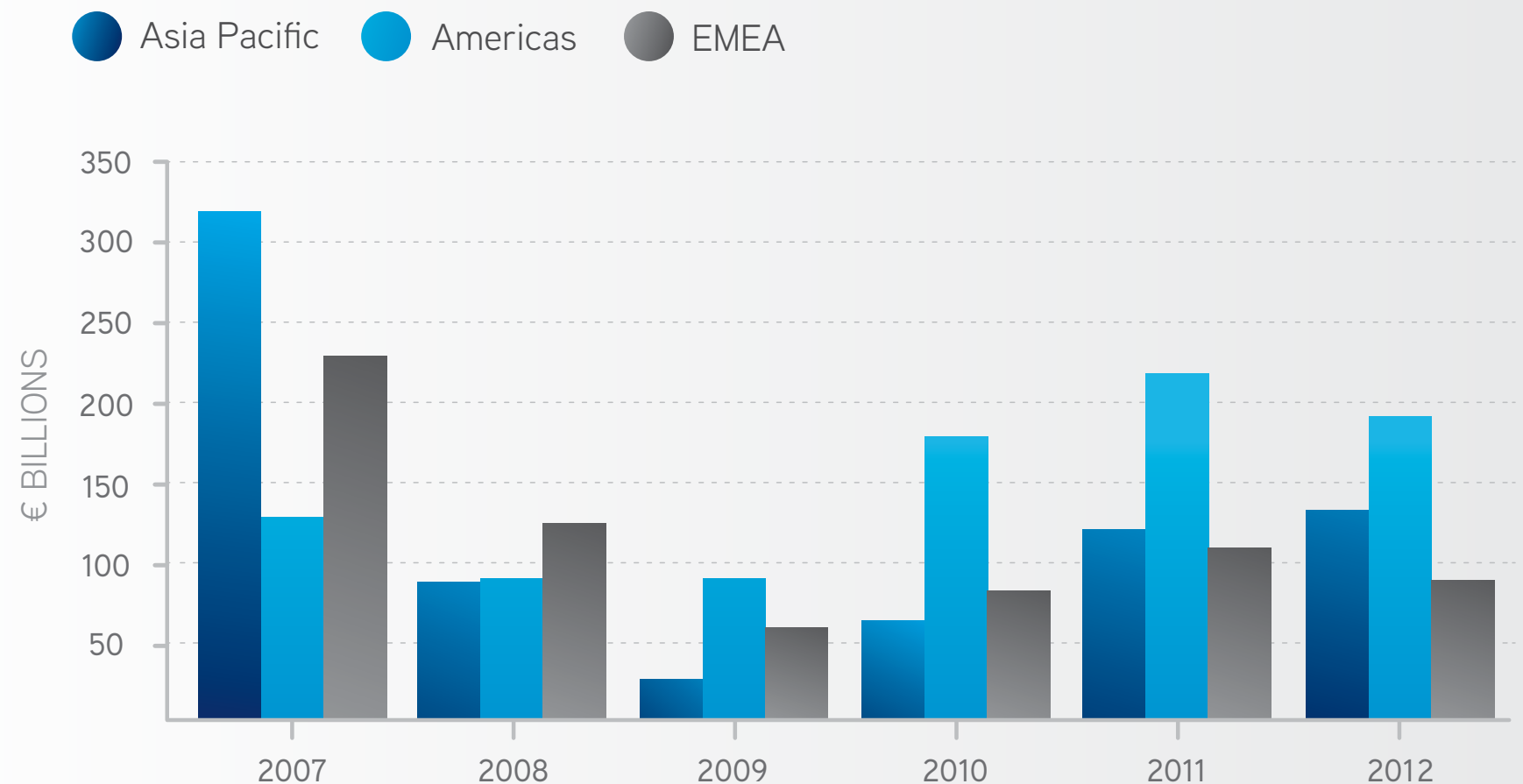
Investors are looking beyond current market weaknesses and investing for medium to long term performance on the back of anticipated steady economic improvement, with the Pacific and EMEA regions showing a marked improvement.

Most investors in all regions classified themselves as low to moderate risk takers. Investors in the United States, Asia and Latin America were the most likely to take on more risk in the coming six months in order to generate higher returns. Australia and EMEA respondents were more cautious with the majority “unlikely to take any undue risk”.

Investors in the more mature “Western” markets of the United States, Canada and Western Europe were the most cautious, targeting IRRs of less than 10%. This rises to 10-15% in Australia / New Zealand and 15-20% in Latin America and MENA. However, in Asia and Eastern Europe the majority of investors are targeting IRRs in excess of 20%, a reflection of higher risk and higher development led activity.

The survey suggests that, globally, the most attractive region to invest in immediately is the United States, followed by Canada and Western Europe. These regions ranked significantly higher than Eastern Europe, the Middle East and South Africa.

Comparison of Q1 to Q3 investment transactions 2007 - 2012



*RCA transactions data comparing the value of transactions for Q1 to Q3 show Asian level being well ahead of the 2007 market peak since 2010. EMEA and the Americas transaction values have recovered from 2009 lows, but still remain at about 40% of the 2007 high.*

Source: RCA



***“The reality and cost of securing debt will remain a significant hurdle in most EMEA markets for some time.”***

## Capital primarily remains local

In general, investors in almost all regions prefer to invest locally. However, US and Canadian investors were the most likely to invest offshore (see table on page 5). If not investing locally, global investors are most likely to invest in Western Europe. The exception to this was Asian investors who were most likely to invest in Australia/New Zealand.

In all regions, the dominant source of capital was local. However, Asian, EMEA and Latin American investors were the most likely to access funds from outside their regions. Asian investors sourced just 40% of funds locally with the United States (20%) and Western Europe (19%) providing significant capital. In Latin America, the US provides almost a third of all funding with Western Europe providing just under 15%. Canada is almost self-sufficient with around 78% of investors funding themselves locally.

## Sector and location preferences

While the office sector was the most popular sector to invest in across most regions, the exceptions were the United States and Latin America, where the Industrial and Logistics sector was a more popular option.

Other sectors that gained credible mentions were shopping centres (Australia / New Zealand, Canada and Western Europe), Opportunistic (Asia, Canada and EMEA) and Residential Development (Asia, Australia / New Zealand, Eastern Europe and MENA).





## Debt is available - at a price

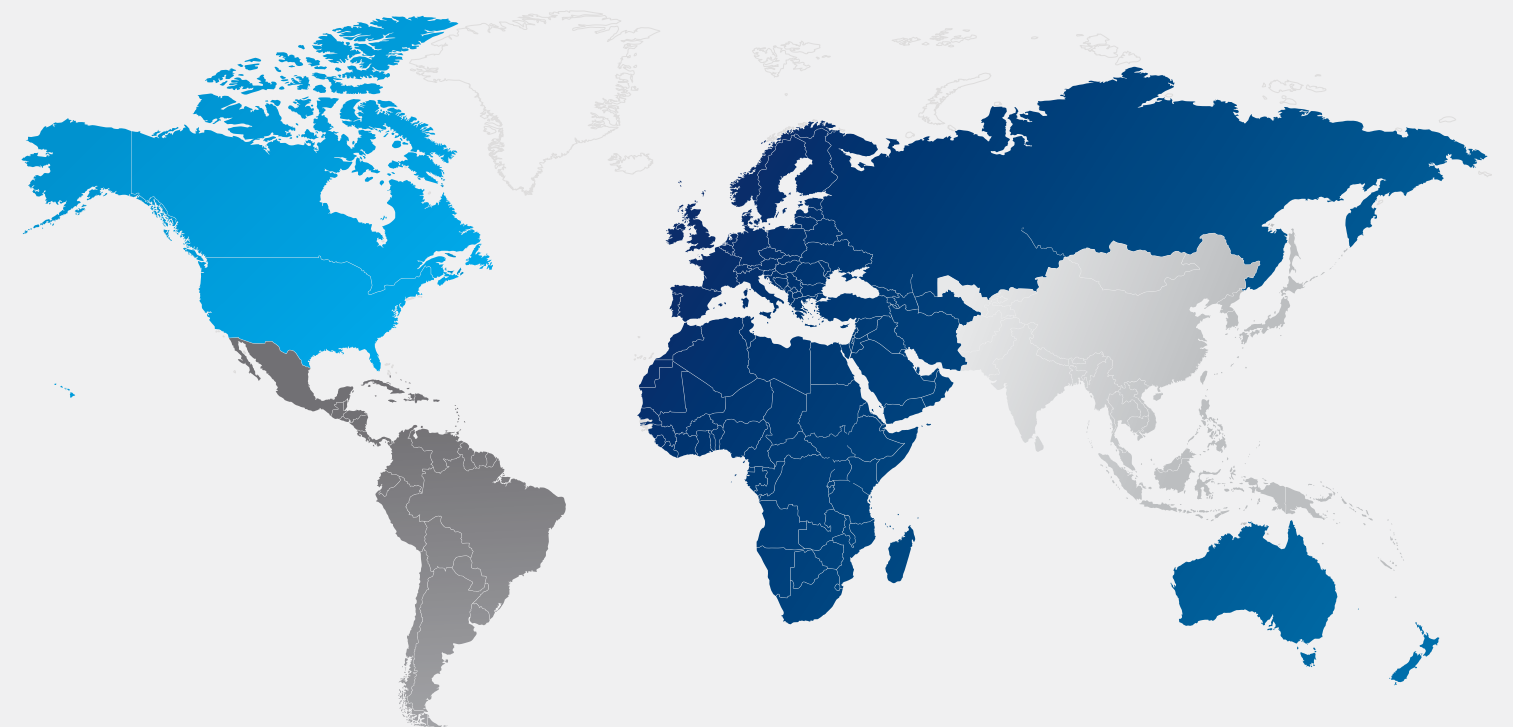
The majority of investors in all regions were likely or highly likely to use debt to leverage their exposure in future investment decisions. Across regions, investors in Asia are the most likely to use debt while the least likely were Latin American investors.

Lending conditions were more variable. In Latin America, lending conditions were most positive with both underwriting standards perceived to have loosened and cost of funding to have decreased. All other regions are currently experiencing stricter lending criteria although decreased costs of funding were apparent in Australia, Canada and the US. The least positive region was Europe where, not surprisingly,

Dominant target IRR range (internal rate of return) for each region



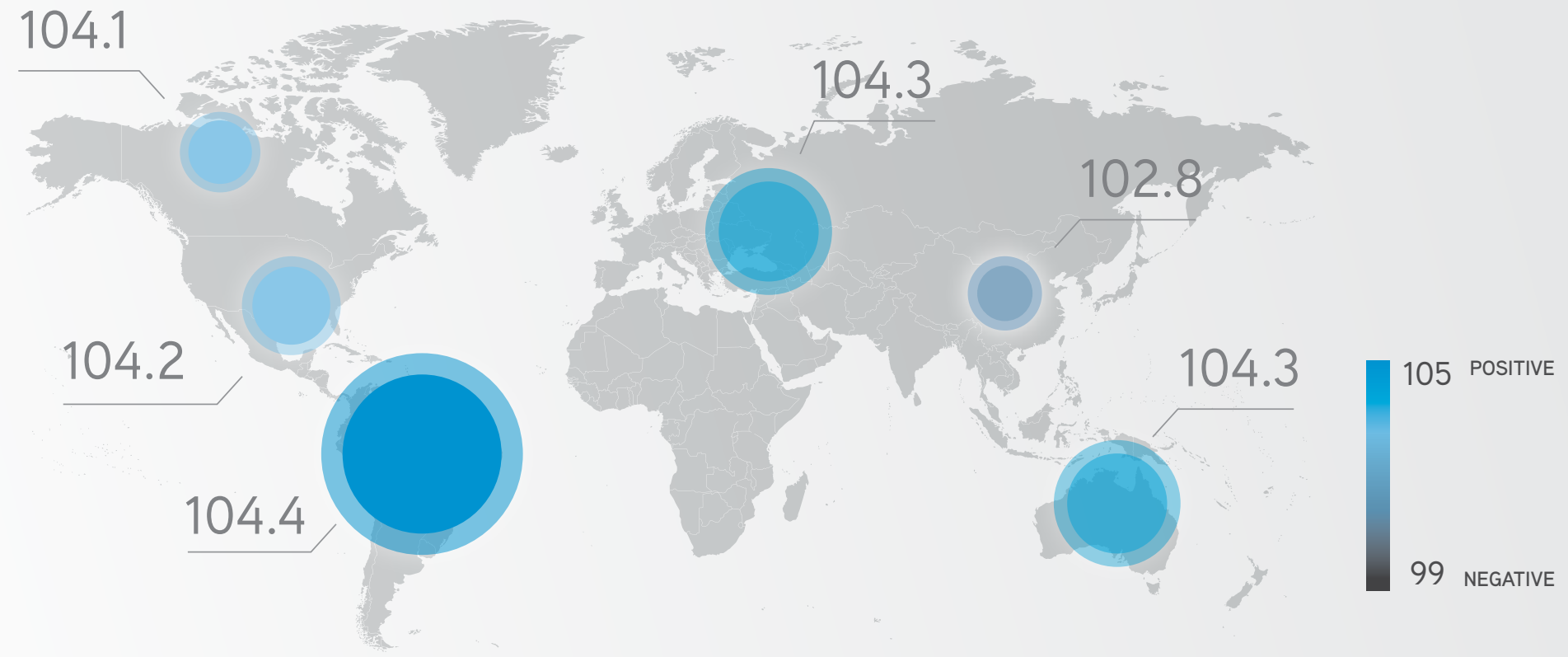
-  Under 10%
-  10-15%
-  15-20%
-  Above 20%





## Colliers Property Investor Sentiment in the next 5 years

*Note: Colliers International Property Investor Sentiment Index is based on a result of where above 100 means that more investors are positive about investment conditions. Below 100 means more investors are negative about investment conditions*



underwriting standards have tightened and funding costs have increased. The reality and cost of securing debt will remain a significant hurdle in most EMEA markets for some time.

Debt is being raised to pursue different types of opportunity. While much is undoubtedly targeted at direct real estate investment, there is a growing and significant tranche pursuing distressed debt opportunities, where potential returns can be higher.

In many markets debt is available, but the terms attached are increasingly stringent and the borrower must tick all the boxes. The new paradigm faced by investors in a number of markets is lower LTV ratios in future, which is providing the opportunity for mezzanine debt funds to flourish. AXA and Pramerica are just two examples of funds taking advantage of the challenging lending environment in the EMEA region to provide mezzanine finance.

## 2013 Outlook

Throughout 2013, investors will continue to look at expansion opportunities in key global cities and safe haven markets while monitoring the effects of the outcome of the US election and current problems in the eurozone on the overall investment market. As pricing is driven up in these markets through lack of quality supply, some funds and investors will begin to examine the regional and sub-regional markets, together with well-located secondary stock as the risk / reward ratio becomes more acceptable.

The majority of capital will remain close to home, although we expect to see continued migration of funds from North America into Europe and Asia, Asian funds buying into Australia and Europe and Middle East buyers targeting Europe.

The availability and price of debt finance will remain an issue in a number of territories, particularly EMEA, as stringent lending requirements endure and LTVs remain low. This is opening the door for new lenders, in the form of insurance companies, and the resurgence in the provision of mezzanine funding.

Finally, we anticipate more activity from specialist debt funds seeking higher returns than those available from core direct real estate investment.



## US and Canadian commercial real estate international flows – year to October 2012 (€ millions)

Country of Origin	Destination				
	Europe	Asia	Latin America	Africa	Australia
Canada	2,267.7	79.3	152.6	0	2,432.8
USA	12,877.9	2,116.7	279.7	0	562.3
<b>Total</b>	<b>15,145.6</b>	<b>2,196.0</b>	<b>432.3</b>	<b>0</b>	<b>2,995.1</b>

Source: RCA

As noted above, investors show a strong preference for investing in their respective home regions. This is illustrated in the city preferences in the table below. Only London and New York feature as a top three choice outside their own EMEA region.

## City investor targets

Asia	Aus/NZ	Canada	USA	Latin America	EMEA
Shanghai	Sydney	Toronto	New York	Rio de Janeiro	London
Singapore	Melbourne	London	Los Angeles	Sao Paulo	Munich
Hong Kong	Brisbane	New York	San Francisco	London	Moscow

Source: Colliers International

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*“Asian investors (68.3%) believe that market conditions will improve in the next 5 years...”*

# Asia

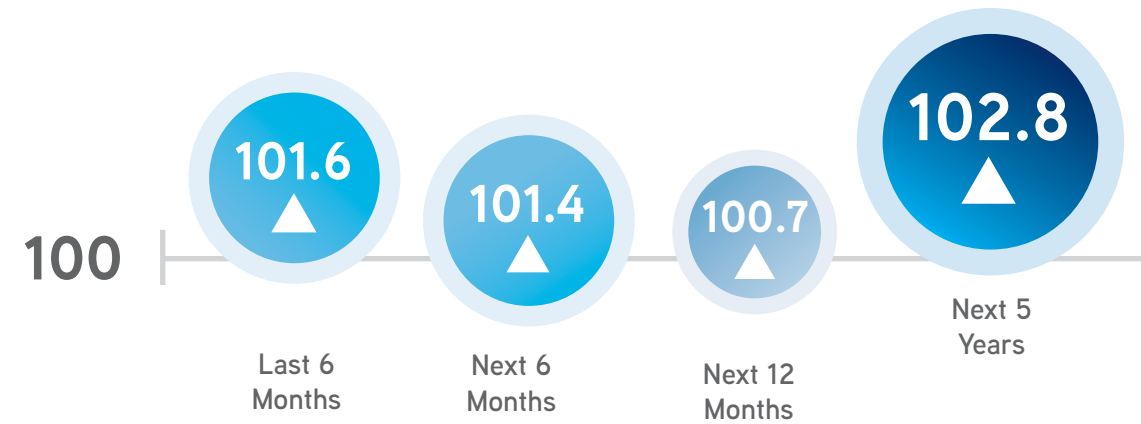
Asia looks extremely positive in the next five years

This year the Global Investor Sentiment Survey was conducted from the 24th September to the 5th October 2012. This was an interesting time given the Federal Reserve just announced the third round of quantitative easing (QE3), in an attempt to stimulate economic and job growth. At the same time, the anticipated increase of market liquidity and growing inflationary pressure are going to impact real estate assets in different degrees, thus affecting Asian investors' strategy going forward. The results of this survey reveal exactly how Asian investors perceive risk and return on their portfolios and the attractiveness of various asset types in different geographical markets.

Regarding the timing of real estate investment, our survey indicates that 37% of Asian investors find it is a good time to make major investments in commercial property. However, the percentage is significantly lower than other markets such as the US (67%) and Pacific (66%) where the level of return is relatively attractive.

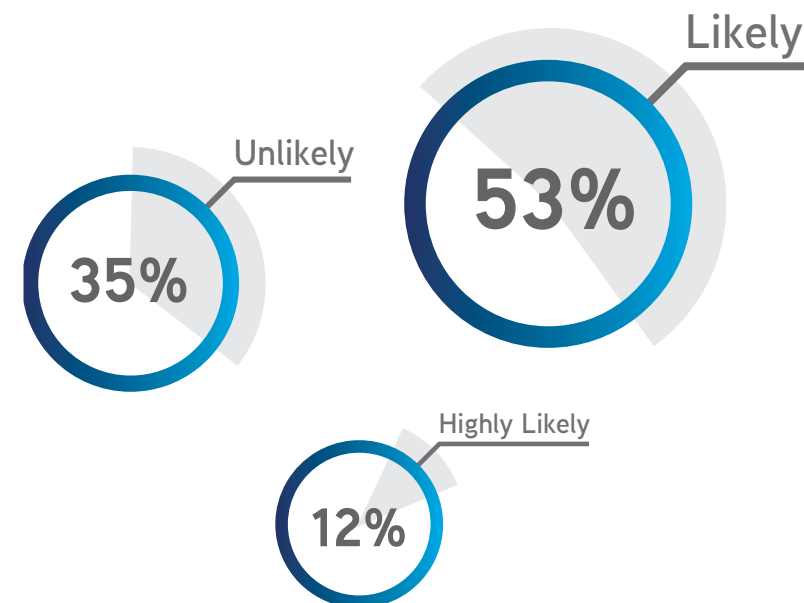


According to Colliers International Property Investor Sentiment Index, the outlook in Asia starts to look more positive in the long term. Most of the Asian investors (68.3%) believe that market conditions will improve in the next 5 years and only a small percentage (11.7%) believes that investment conditions will decline. This shows that Asian investors are rather positive about their investment opportunities in Asia for the coming 5 years.



Colliers International  
Property Investor  
Sentiment Index – Asia

In the next 6 months, how likely are you to take more risks in order to achieve superior returns?



### Investors remain keen on portfolio expansion

A vast majority (70%) of Asian investors are likely to expand their property portfolio and increase their level of investment. However, the major concern is the difficulty of raising new equity (29.9%), followed by a lack of supply of “for sale” property (24.3%) and uncertainties due to the economic situation (22.4%).

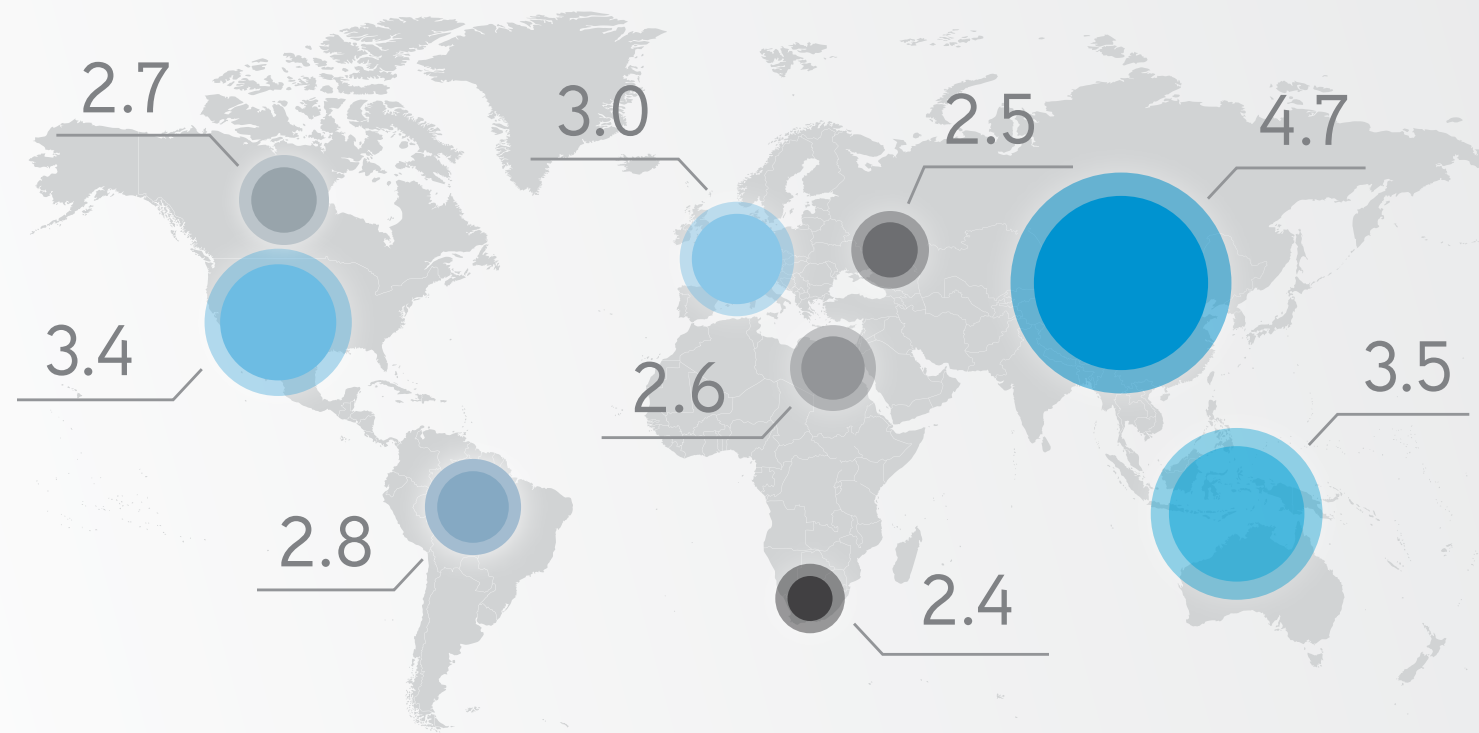
Meanwhile, the majority of respondents (40.6%) are looking to target returns above 20%. Most classified themselves as willing to take moderate risks over the past 6 months (55%) and are likely to take more risks in the next 6 months (53%). An increase in target returns can be seen compared to last year, when the majority of respondents (55%) were looking to target returns between 10-15%. Asia and Eastern Europe were the only two regions where the majority of the respondents are looking to target returns above 20%.

### Asia is the most attractive region to Asian investors

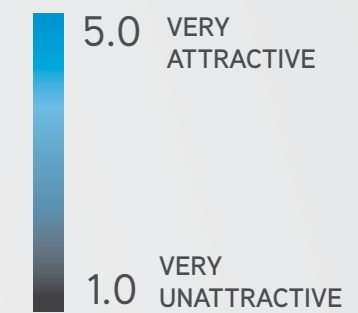
In general, Asian investors primarily source capital from the regions of Asia (40.3%), the United States (20.2%) and Western Europe (19.4%). On a forward-looking basis, the findings of our survey indicate that 79% of the respondents would consider the Asian region as their key investment focus in the future. Another 11% prefers the Pacific while the rest spreads across the US and Europe etc. An investment management company based in China mentioned their reason for investing in Asia is because the region is still in a fast-growing developing stage driven by urbanisation and supporting government initiatives. The same has been concluded in the survey that Asia is placed on the top spot by local investors in terms of the relative attractiveness of various regions around the globe as a destination for property investment.



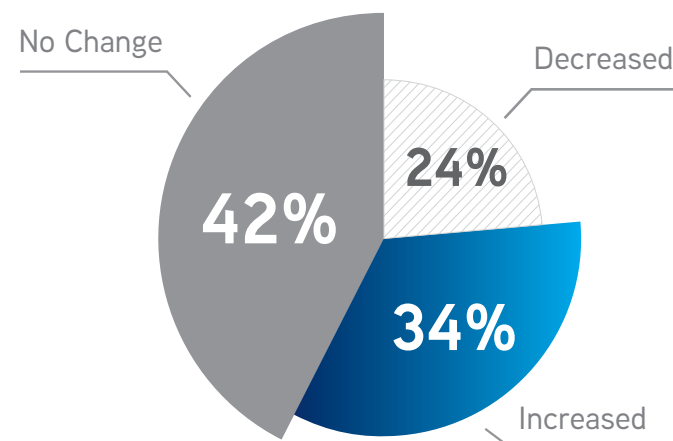
As a destination for property investment, how attractive are each of the following regions to Asian investors?



Relative attractiveness of each region to Asian investors



How has the cost of debt changed in the past 6 months?



## A preference for China markets

Looking at a more local level, most Asian investors would consider Shanghai, Hong Kong, Singapore, Tokyo and Beijing as the top five cities for their investment focus in the future. Individual respondents have chosen multiple cities including first-tier or second-tier cities in China and cities in the Greater China region, indicating a preference on China markets in general.

## Offices in urban locations are the top picks

As an indicator of prospective investment flow over the next 6 months, Asian investors would focus on office developments in CBD/urban locations (25%) and opportunistic investments (17%). At the same time, 15% of the respondents in Asia reported a focus on industrial/logistics opportunities. The main reason mentioned by a local Hong Kong-based investor for not looking into the residential sub-sector is the more

cautious approach that needs to be taken by investors in view of regional government policies.

## Key consideration for making investment

The findings of the survey suggest property market fundamentals are the most critical factors in the course of making investment decisions in Asia over the next 6 months. It differs from the typical top-down approach by individual investors who usually place the overall economic growth in the region as the key factor of consideration. The explanation is that real estate markets in the region have become increasingly segmented due to the difference in government's initiatives and demand fundamentals.

## Debt financing is accessible but not cheap

Debt continues to be used by the majority of investors to leverage their exposure in future investment decisions. About 60% of Asian respondents are highly likely to use debt as leverage. Only 13% of respondents indicated that they were unlikely or not likely at all to use debt as leverage. An institutional investor based in Singapore felt that property investments require debt financing, "It is more a matter of whether the cost of debt makes sense".

The majority of respondents (42%) stated that the cost of debt has not changed and a percentage (34%) stated that the cost of debt has increased. On the other hand, a vast majority of respondents last year (77%) believed that the cost of debt had increased, which shows a remarkable decline this year.

Looking at the lender's underwriting standard in the past 6 months, most respondents (41%) believe that there have been no changes to lender's underwriting, while a percentage of respondents (39%) think that lender's credit underwriting has tightened.



## The key challenge is to source good investments

Within the long list of factors such as a change of political environment, direction of fund flows and market volatility etc, most investors in Asia believe that good investments do exist in the market but to find good stock for investment is always a challenge. The typical issues such as the potential threat by the eurozone crisis and the election in the U.S. and China have been frequently talked about but these are not rated by investors as the utmost important.

Looking forward, Asian investors remain positive on the outlook for 2013. Asian investors believe that real estate will continue to be a good hedge against inflation. The majority of them believe that after the third round of quantitative easing (Q3), in the U.S., developments in the domestic market will remain their main concern for real estate investment. A private investor based in Singapore mentioned that local property fundamentals in each domestic market are the key consideration for investment. The investor believes that there will be a clearer direction on how to act in 2013 since most elections have already taken place this year. Meanwhile, access to finance is expected to be easier in 2013 as the supply of credit is readily available from most Asian banks.

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An aerial photograph of a city highway interchange at sunset. The sun is low on the horizon, casting a warm, golden glow over the scene. The sky is filled with scattered clouds, some of which are illuminated by the setting sun. In the foreground, a multi-lane highway with several overpasses is visible, with cars moving along the roads. To the right, there are several high-rise apartment buildings. In the background, a river or bay is visible, with a bridge spanning across it. The city skyline is visible in the distance under the sunset sky.

*"...most investors in Asia believe that good investments do exist in the market but to find good stock for investment is always a challenge."*



# Australia & New Zealand

## Australian investment activity to remain strong

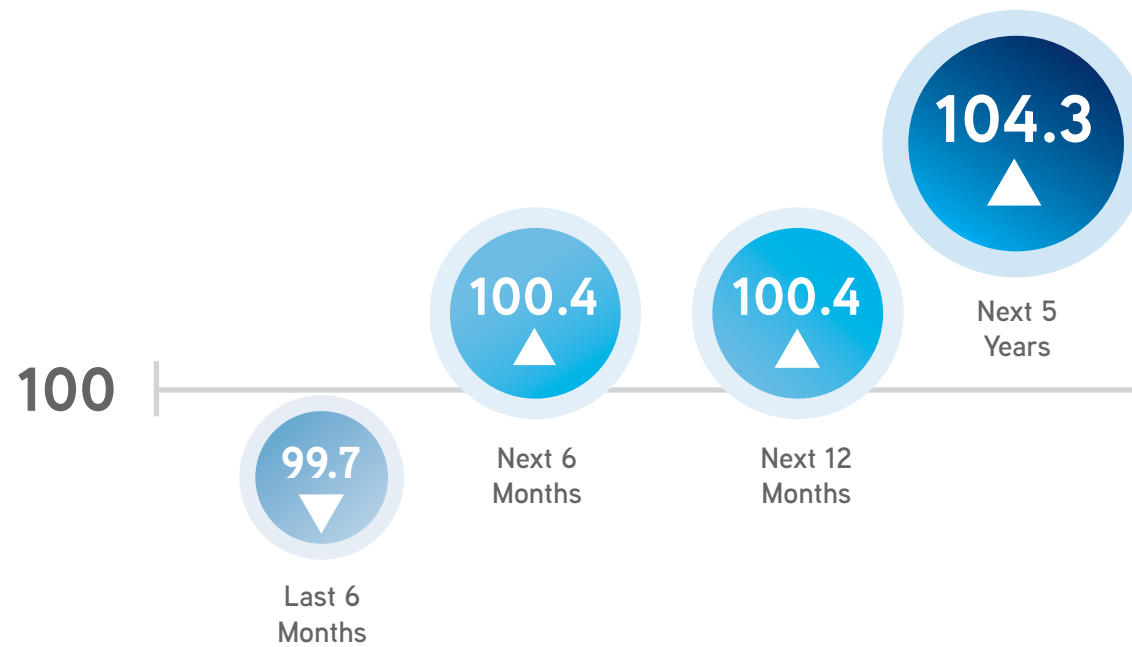
The majority of Australia/New Zealand respondents (66%) believe that now is a good time to undertake major investments in commercial property. Despite this, most investors believe that there has been little improvement in market conditions over the past six months with 84% stating that conditions had either declined or stayed the same.

The outlook starts to become more positive. Although over the next six months, it is not expected to change significantly, the 12 month outlook starts to improve with 30% of respondents expecting to see some improvement. Within five years, almost all (90%) respondents expect to see a much more positive market.

*“Within five years, almost all (90%) respondents expect to see a much more positive market.”*

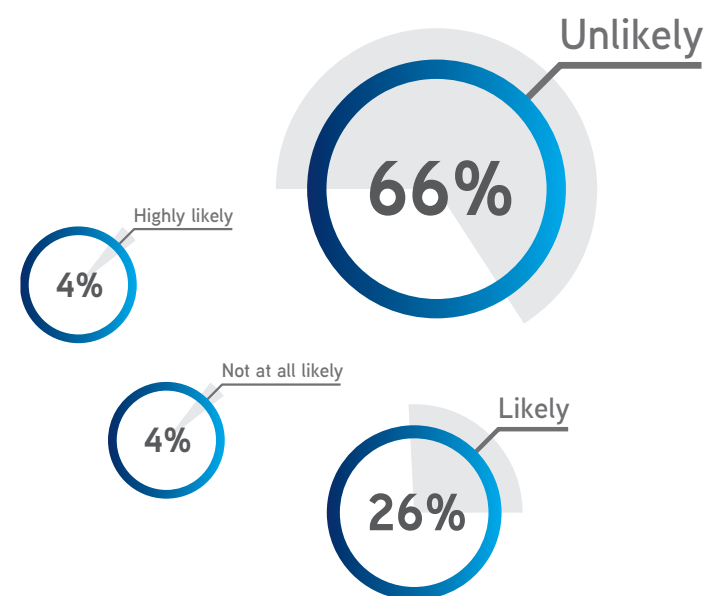


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Property Investor  
Sentiment Index -  
Australia/New Zealand



*"The majority of Australian and New Zealand respondents are looking to target returns between 10% and 15%..."*

In the next 6 months, how likely are you to take more risks in order to achieve superior returns?



Transaction activity year to date shows that interest in Australian property from local and offshore investors remains solid with 2012 levels expected to slightly exceed the \$12.3 billion USD transacted in 2011. Year to date, investment volumes in Hotels, Office and Retail remain strongest. Offshore investors now account for half of all total volumes, significantly higher than the 18% achieved in 2008.

### Expansion plans remain consistent with previous year

The proportion of respondents looking to expand their portfolios appears to have plateaued with 56% indicating that they plan to expand their level of investment, compared to 60% last year. In 2010, 46% were looking to expand.

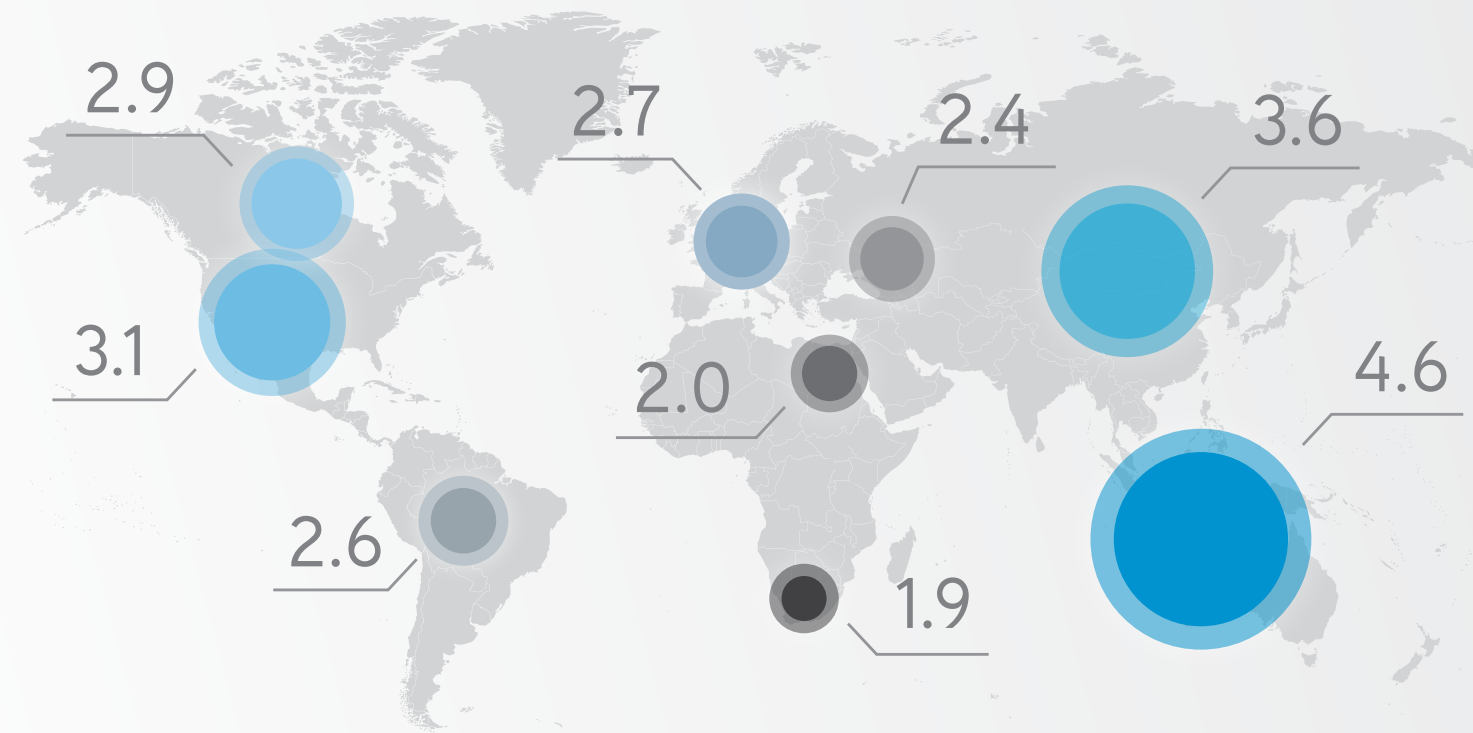
Debt is typically used by 80% of investors surveyed to expand portfolios and it is therefore not surprising that problems with raising new equity was the most commonly cited reason preventing investors from expanding their

portfolios (39.5%), consistent with last year. There have been slight improvements in Australian investors' ability to raise equity from last year. This is consistent with our knowledge that many A-REITs have now re-capitalised and the cost of debt has been reducing.

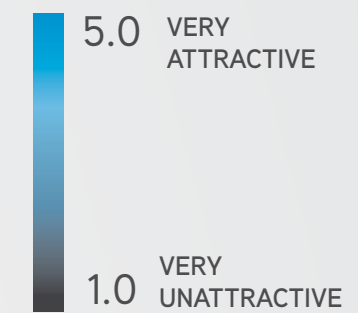
A lack of supply of "for sale" property was also cited as a problem for many investors (25%). In Australia at present, both foreign and local investors are targeting similar types of low risk assets including prime grade office buildings, large regional shopping centers and well located industrial assets. This has led to a significant divergence in yields between prime and secondary grade assets. It is expected that this will change over the next 12 months given the increasing number of local investors re-entering the market.



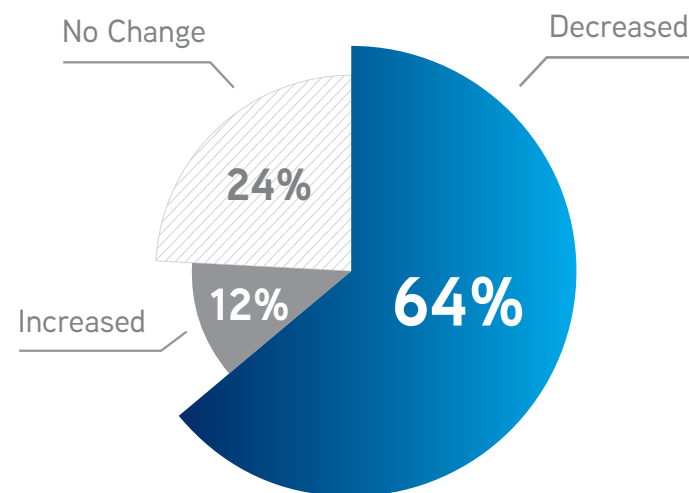
As a destination for property investment, how attractive are each of the following regions to Australian & New Zealand investors?



Relative attractiveness of each region to Australia/New Zealand investors



How has the cost of debt changed in the past 6 months?



### Australian investors are some of the most risk averse in the world

Australian/New Zealand investors are some of the most risk averse in the world. The majority (70%) have indicated that they are unlikely or not at all likely to take risks to achieve superior returns over the next 6 months. This is consistent with the types of assets that local investors are targeting as mentioned previously.

Given the focus on low risk assets, it is not surprising that the majority of Australian/New Zealand respondents are looking to target returns between 10 and 15%, a higher target IRR compared to the US and Canada but lower than Asia and Eastern Europe. Most classified themselves as either low (32%) or moderate (46%) risk takers.

### Australian investors prepared to fund offshore but not buy offshore

Australian/New Zealand investors source capital from a variety of regions. While Australia/New Zealand was the most often cited source (49%), a high proportion also source capital from Asia (19%), United States (13%) and Canada (10%). It is likely that a lot of this funding is from offshore pension funds. Key examples include Canadian Pension Plan Investment Board providing \$1 billion USD worth of funding to the first two towers of Lend Lease's Barangaroo development and National Pension Service of Korea partnering with DEXUS Property Group for the establishment of a \$360 million USD portfolio of Australian industrial properties.

Australian/New Zealand investors prefer to invest locally with Australia (53%) and New Zealand (11%) being the dominant countries for their funds. At present, few are investing in Asia with Europe and North America running ahead of this region

as preferred investment options. It is likely that this will not change significantly over the next 12 months although some local pension funds have indicated that they are prepared to look globally for investment opportunities. Given that Australia has the fourth largest pension system in the world, any movement in this particular investor to look globally could be a significant change in the market.

Although investors are currently not investing in Asia, this was considered to be highly attractive relative to other regions, following Australia/New Zealand.

At a more local level, Sydney is overwhelmingly the preferred destination with 63% of respondents indicating that they see this city as being the single global city they would most like to invest in over the next 12 months. This was followed by Melbourne, then Brisbane and then Perth.

Office is the preferred sub-sector for investment by 28% of respondents. A key change from last year has been interest in Industrial and Logistics with this now being a target for 24%



of respondents. Residential developments and shopping centers were also highlighted as preferred areas of focus by 14% and 12% of respondents respectively.

The interest in office is consistent with nearly all markets globally and is evident from offshore investment in Australian property which in 2012 has so far accounted for 50% of all transaction volumes. The largest deal undertaken this year has been the funding of Lend Lease's Barangaroo office towers mentioned previously. Australian hotels are also of significant interest to offshore investors as evidenced by Starhill REIT and Shangri-La Asia both purchasing this type of asset.

In making property investment decisions over the next 6 months, property fundamentals are the key consideration (4.6 out of 5). This is followed by the economic growth of a region (4.4 out of 5). The factor which is least likely to be considered is the currency risk/exchange rate (2.6 out of 5).

These factors are relatively consistent in all regions globally. Of interest to Australia, given the strong appreciation of the Australian dollar, is the lack of concern investors have with regards to currency risk. Anecdotal evidence in Australia suggests that 12 months ago, offshore investors were typically more concerned about this than they are currently. This means that offshore investors are either hedging their investments, or expect the value of the Australian dollar to remain high in the medium term.

## Debt is cheaper but not easier to access

Debt continues to be used by the majority of investors to leverage their exposure in future investment decisions. Only 20% of respondents indicated that they were unlikely to use debt as leverage.

A larger number (64%) of respondents stated that the cost of debt had decreased. In 2011, just 30% believed that this was the case. Although it is cheaper to access debt, it is not necessarily easier. 62% of respondents believe that there has been no change to lenders' underwriting standards over the past 12 months, while 22% believe that standards have tightened.

The types of assets that lenders will typically provide funds for are generally low risk and this is also a key influence on what investors are targeting. As mentioned previously, most investors are focused on prime assets.

## Good investments are increasingly more difficult to find

Further freeing up of underwriting standards would no doubt have a positive impact on the market. Most investors see debt as a desirable way to leverage investments and there is no doubt that restriction to this is a key problem for many Australian investors.


Competition for good investments was also highlighted as a problem. This is no doubt exacerbated by many lenders focused on providing funds only for low risk investments, but also a focus by most offshore investments on the same types of assets. It is likely we will continue to see a divergence of the prime to secondary yield spread as a result but also a renewed interest in secondary assets as the yields become more attractive.

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*"...global volatility was generally not seen as making property investment decisions more difficult."*







*"The majority of investors feel that conditions will remain the same during the next 6-12 months, with confidence rising over the 5 year horizon."*

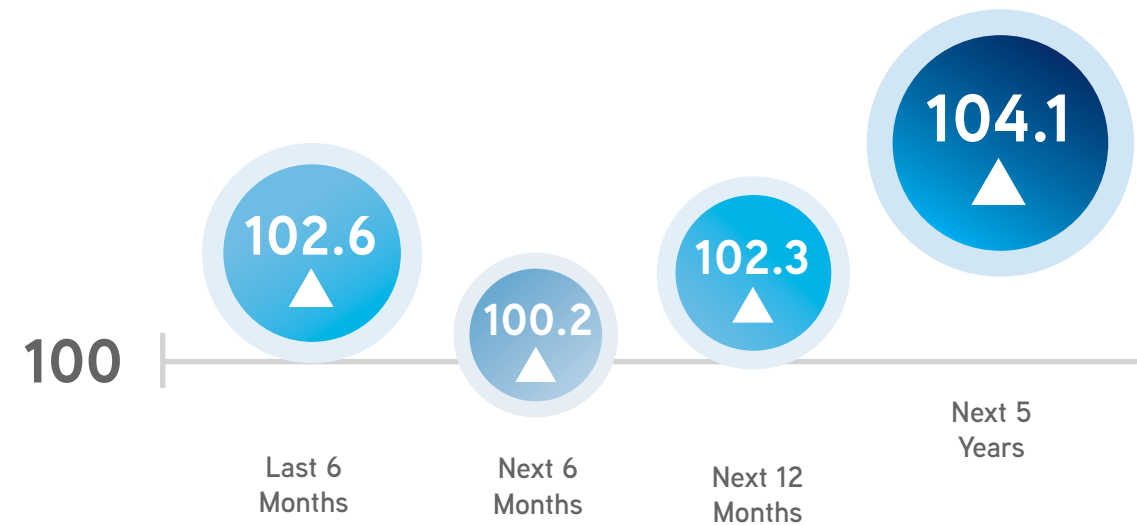
# Canada

Domestic investors remain active and positive in their outlook

Although the global economy is working through challenges, Canada has been a solid performer, in relative terms and our Global Investor Sentiment Survey finds that it is viewed as highly attractive target for property investment. Canadian investors' outlook in the near term is positive, while only 20% of respondents expected to see an improvement in economic conditions, this must be viewed in the context of a market that has solid fundamentals and has seen rents and values recover to pre-recession levels in most areas. The majority of investors feel that conditions will remain the same during the next 6-12 months, with confidence rising over the 5 year horizon.

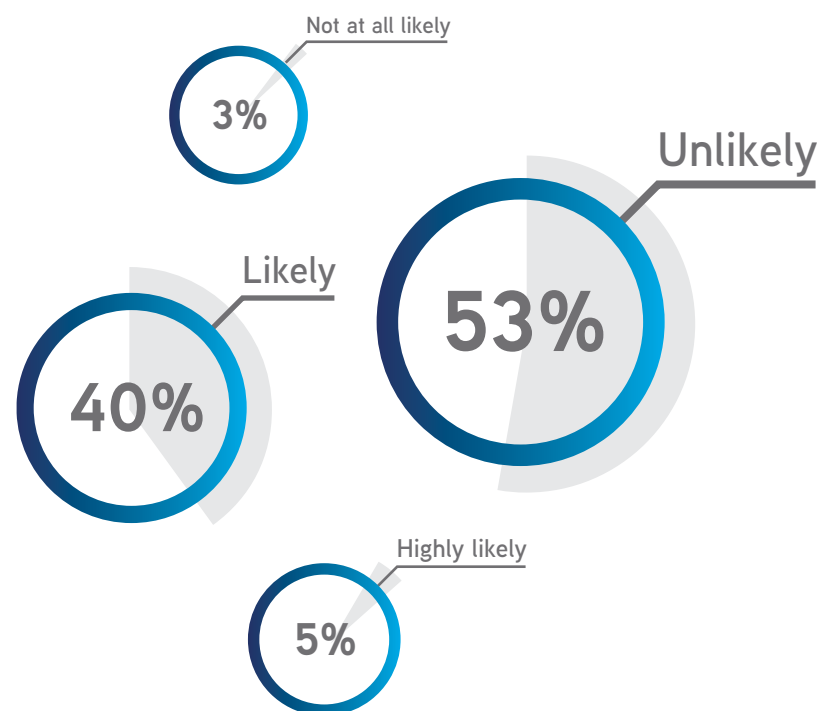


Market activity to date in 2012 indicates that the year is on track to meet or exceed the commercial transaction volumes last seen in 2007. Both 2011 and likely 2012 have seen record amounts of capital raised by REITs and public real estate companies in the Canadian markets, which has been deployed into acquisitions and refinancing of portfolios. Data from Real Capital Analytics for the year to date (Jan - Oct 2012) indicates a 17% increase in commercial transaction volumes.



Colliers International  
Property Investor  
Sentiment Index - Canada

In the next 6 months, how likely are you to take more risks in order to achieve superior returns?



### Majority of investors in portfolio growth mode

The overwhelming majority of investors, at 78%, are planning to expand their portfolio in the near term. In slight contrast to their expansionary mindset, 40% of Canadian respondents think it is a good time to invest while 52% are neutral and think it is neither a good time, nor a bad time. The sample suggests that 54% of investors are well capitalized and consequently see the supply of "for sale" property as the key challenge, while 26% see debt financing and the ability to raise capital as something that may present a hurdle to be overcome when executing on their portfolio expansion plans.

In line with their global peers, 71% of Canadian respondents suggested that they were likely or highly likely to use debt to leverage their exposure. Supporting their intent to utilize debt is the fact that Canadian investors are in an enviable position with respect to cost of debt, with 91% responding that the cost of debt had either remained the same or decreased during the past 6 months.

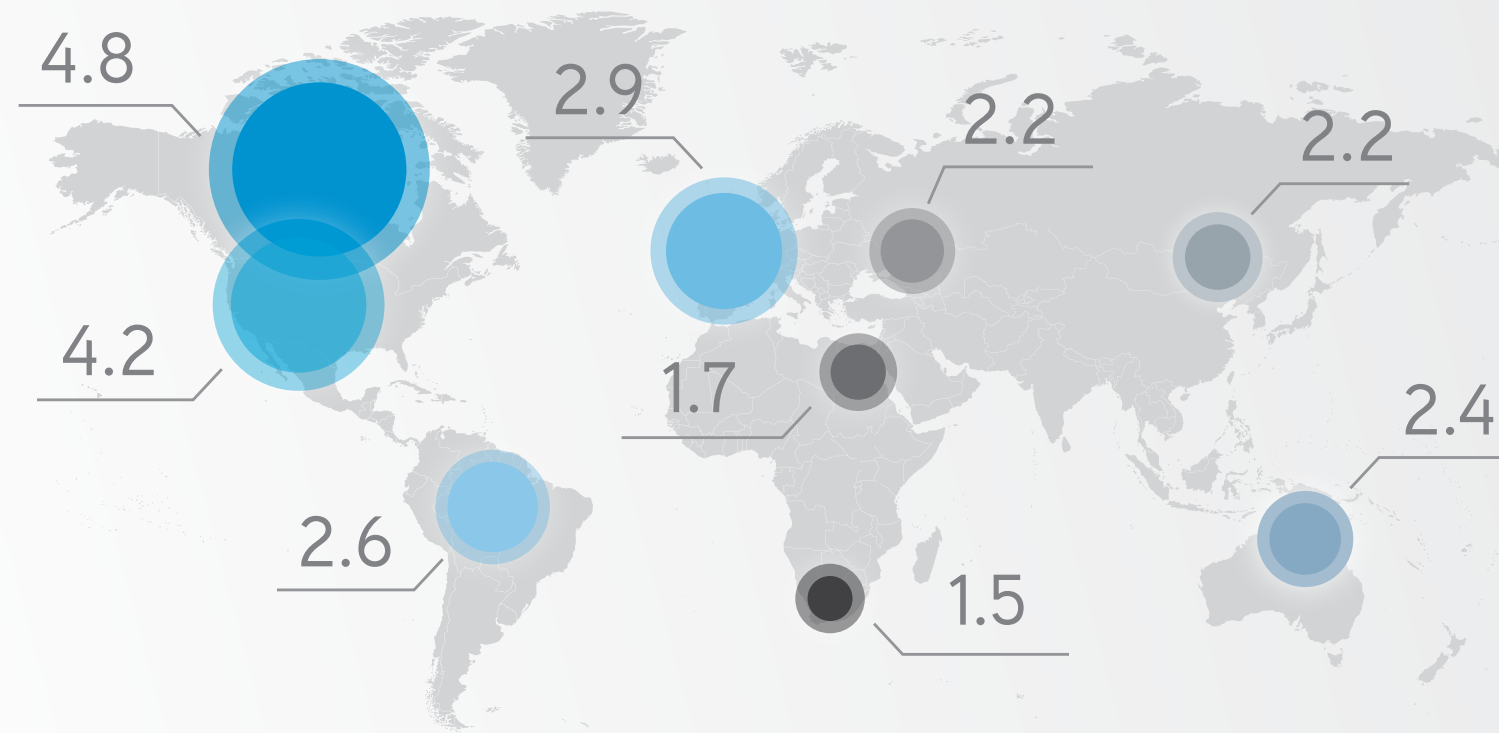
### Canadian investors are willing to take on more risk

In the search for returns, a notable proportion of investors are willing to move up the risk curve. In the next six months, 40% of Canadian respondents said they were likely to take on more risk while 53% were more cautious and unlikely to take on undue risk. This position on risk is further evidenced in the sub-sector focus, with 23% of those surveyed looking at CBD Office as their top target, followed by 18% who were seeking "opportunistic" acquisitions. A large contingent was also focussed on logistics (15%) and retail (15%) properties.

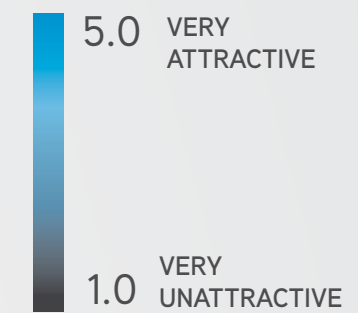
Reflecting a conservative view on returns, 58% of Canadian respondents were targeting IRRs in the sub 10% range. Coupled with the next IRR range, a full 76% had IRR targets of less than 15%, which is in stark contrast to regions such as Latin America with 57% targeting IRRs of 15 - 20%, or Asia with 45% looking for returns in excess of 20%. These results are aligned with the appetite for risk seen above, with a focus on CBD Office assets, while a minority were on the hunt for opportunistic acquisitions.



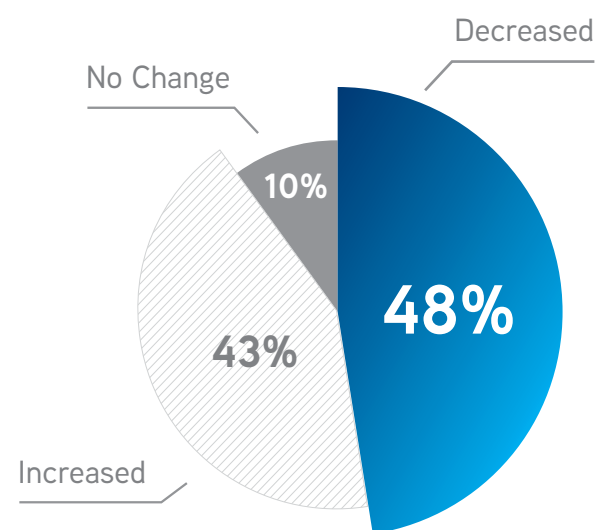
As a destination for property investment, how attractive are each of the following regions to Canadian investors?



Relative attractiveness of each region to Canadian investors



How has the cost of debt changed in the past 6 months?



## Domestic sources of capital are the norm

For most Canadian investors, the lion's share of capital (78%) is raised at home. With smaller amounts being sourced in fairly equal proportion between the United Kingdom with 8% and the US and Asia tied at 6% each.

For Canadian respondents the domestic market is the key investment focus (58%), followed by the US at 20% and Western Europe with 12%. Global respondents ranked the top three markets very much the same, with the US being most attractive, Canada in second place, followed by Western Europe.

If target investment markets are broken down further, the desire to make acquisitions in the more stable nations becomes clear with respondents looking to Canada (53%), United States (21%) and the UK (11%). When asked which global city in which they would most like to invest the Canadians chose Toronto (62%), London

(14%) and New York (8%) followed by Edmonton and Calgary at 5% each on the strength of that region's resource industry.

Analysis of RCA data for the year to date (YTD) paints a clear picture of Canadian public companies and REITs being the dominant buyer type with 59% of acquisitions, followed by institutional investors with 25%. Cross border buyers made up only 3% of the YTD acquisition activity.

Property fundamentals remain the most important consideration (4.6 out of 5) in guiding property investment decisions. This is followed by the economic growth of a region (4.3 out of 5). While currency risk is a popular topic of conversation, respondents were not overly concerned with currency risk/exchange rate being the lowest rated (2.3 out of 5) consideration. The conclusion drawn for this finding is that those investors who venture cross border have a strategy in place to hedge against currency fluctuations.

## Availability and terms of debt are critical

As stated previously, 71% of respondents intend to use debt to leverage property purchases. In the global context this is an area where Canadian investors have a distinct advantage, with 61% indicating that underwriting standards have loosened, or remained the same during the past 6 months. Further to the favorable underwriting conditions, a whopping 91% said that the cost of debt had either stayed the same or decreased. Same or better is significant in a market where the cost of debt was already at historically low levels, enabled by the crisis level bond yields. It is this availability and low cost of debt that has the Canadian domestic market so active and has prompted the concern that a lack of property for sale is the biggest obstacle to portfolio growth.

The shortage of investment property in the market has resulted in Canadian investors venturing cross border in search of opportunities and returns, some for the first time.



## Good investments exist, but are more difficult to find

Canadian investors agreed strongly that “a disproportionate amount of capital has flowed into safe havens” (4.5 out of 5), followed closely by the related statement that “capital values in Europe’s periphery represent a good opportunity” (4.5 out of 5). Investors also agreed strongly that good investments exist, but are more difficult to find (4.3 out of 5). This suggests that investors are starting to look at secondary opportunities. Does this indicate a concern for core values becoming overpriced or due for a correction? One European market observer posed the question, “would you rather be buying at historically high values in the core or historically low values in the secondary markets?” Of course, timing and asset selection are everything, but it would appear that timely and well selected acquisitions in recovering markets will stand to generate excellent returns.

[Tweet this survey](#)

*“...timely and well selected acquisitions in recovering markets will stand to generate excellent returns.”*





An aerial night view of a city skyline, likely Dubai, featuring numerous illuminated skyscrapers and a complex network of highways with light trails from traffic. The city is set against a dark blue twilight sky, with a body of water visible in the distance.

# EMEA

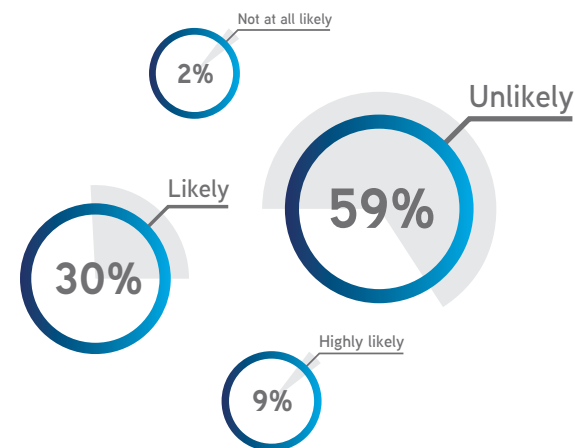
## EMEA attractive target for property investment

Despite fears of a possible breakup of all or part of the eurozone, our Global Investor Sentiment Survey suggests that the EMEA region is an attractive target for property investment. Over the next 12 months, 36% of respondents expected to see an improvement in economic conditions, rising to 88% of respondents over a five year period. Respondents from the CEE and MENA regions were generally more positive in their outlook than the Western European investors, perhaps because they fall outside the eurozone. Compared to respondents from other regions, EMEA investors are some of the more positive respondents in their outlook over the next six months.

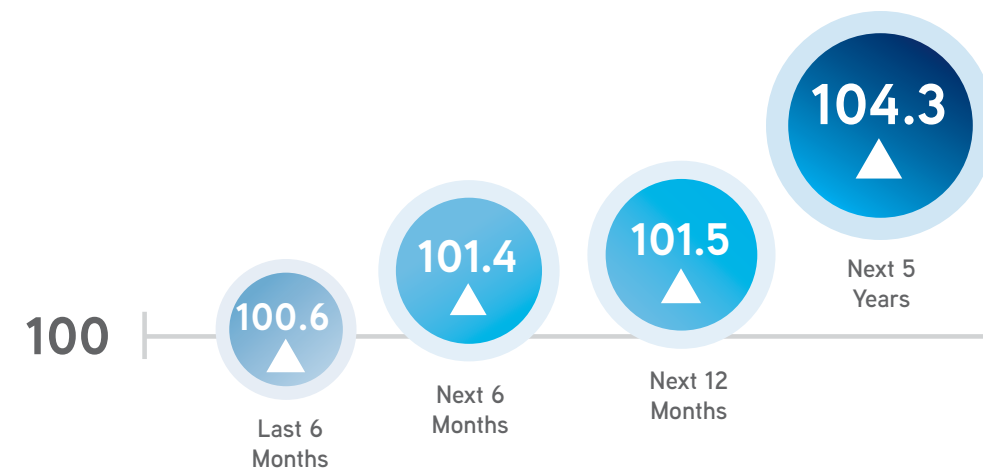
Market activity to date in 2012 reflects the weaker investor sentiment evident earlier in the year, with a number of key EMEA markets showing limited growth or falling transaction volumes. Data from RCA for the year to date (Jan - Oct 2012) indicates declining volumes in Germany (-35%), France (-27%) and Poland (-39%), with only modest increases in the UK (4%) and Sweden (7%).



In the next 6 months, how likely are you to take more risks in order to achieve superior returns?



## Colliers International Property Investor Sentiment Index - EMEA



*“Over half (56%) of the EMEA respondents think it is a good time to invest in the region ...”*

## Portfolio Expansion Planned

The consensus view is that it is a good time to invest, but this is caveated by the assumptions that finance is available and suitable opportunities arise. Presently, investor focus remains on safe haven markets.

Over half (56%) of the EMEA respondents think it is a good time to invest in the region while 38% think it is neither a good time nor a bad time. The sample suggests that roughly half of investors are well capitalized and looking for opportunities, while a large minority are looking through current market conditions and reviewing opportunities on an asset by asset basis.

Portfolio expansion was planned by 59% of the sample, although 26% said this was linked to the ability to raise funds. Supply problems were also cited by 26% as a key market constraint. Examples of expansive investors include sovereign wealth funds, Norges Bank IM and Qatari Investment Authority, institutional funds such as AXA REIM and TIAA-CREF and opportunity led vehicles like

Blackstone. Despite considerable negative press about the availability of bank finance, interestingly only 22% of respondents indicated that access to debt finance was a problem. This particular survey response seems counter to Colliers' own knowledge and experience, which suggests that significant restraints to lending remain in place across most EMEA markets. This might be explained by a predominantly core / core plus investor sample base who will typically have lower debt / LTV requirements and good existing relationships with debt providers, so debt finance would not necessarily be such a constraint. With 77% of respondents suggesting that they were likely or highly likely to use debt to leverage their exposure, this appears to be the case. The ability of investors to meet their expansionary ambitions comes more into question in relation to the cost of debt, as some 40%+ of respondents have cited increasing debt costs over the last six months.

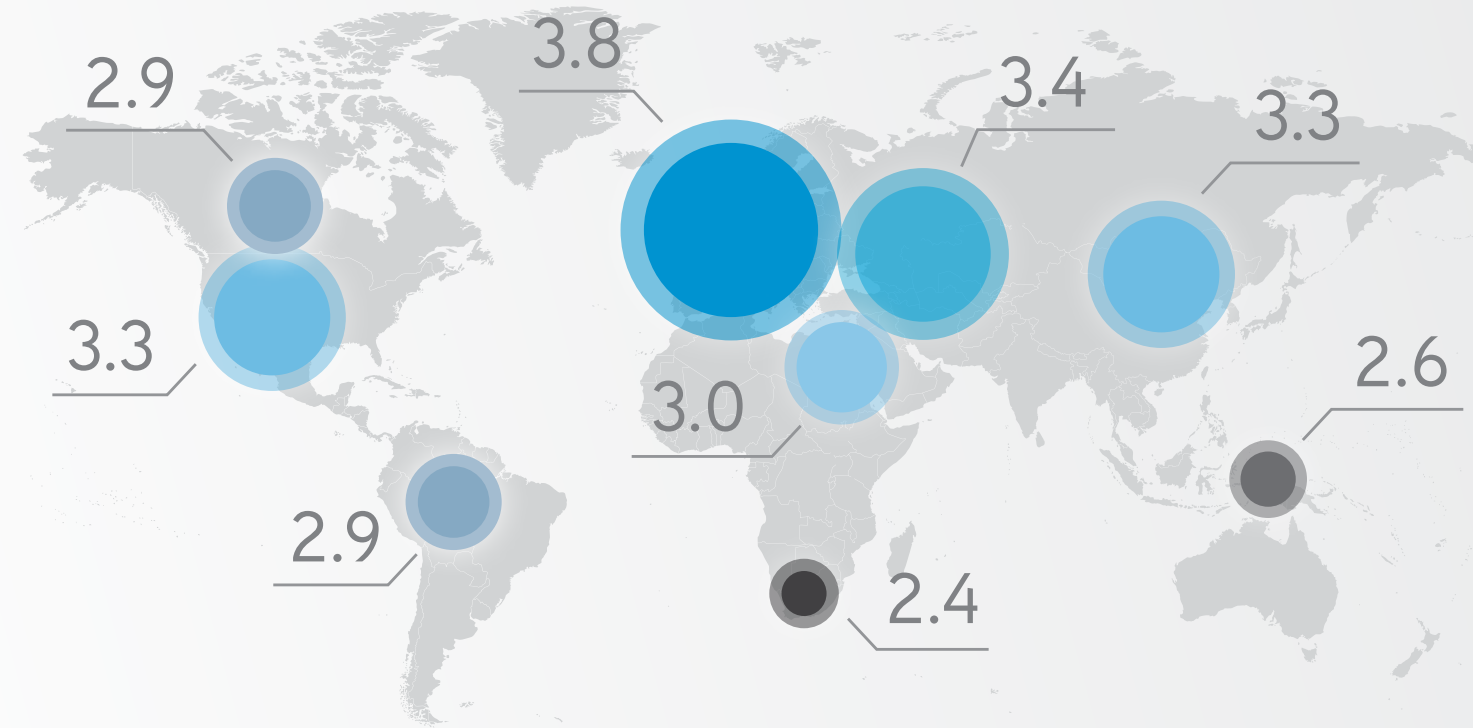
## Investors prepared to take on more risk

In the hunt for higher returns, a significant proportion of investors are prepared to move up the risk curve, but “caution” remains the watch word. In the next six months, 39% of EMEA respondents said they were likely to take on more risk with 59% unlikely to take on undue risks. This mirrors the core and core-plus nature of the bulk of purchases in the market recently, something that is likely to continue in the year ahead, with ‘distressed debt’ deals also likely to become more prevalent.

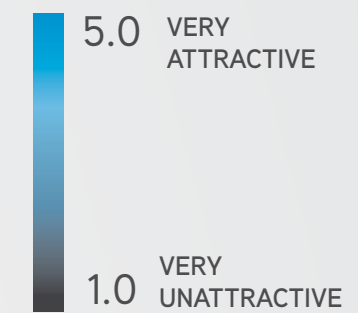
Overall, 27% of respondents are targeting IRRs in excess of 20%. This figure is boosted by aggressive return expectations in the less mature CEE and MENA regions, where development is often the route to portfolio expansion. The majority of the sample responses were from Western European investors, who have a more sober view of market conditions, with 45% targeting IRRs of 10% or less and only 9% targeting in excess of 20%. This suggests that Western European investors are adopting a relatively low risk strategy



As a destination for property investment, how attractive are each of the following regions to EMEA investors?



Relative attractiveness of each region to EMEA investors



How has the cost of debt changed in the last 6 months?



with one eye on opportunistic purchases. The survey also shows that 44% of EMEA respondents were either risk neutral or risk averse while 47% were not averse to at least moderate levels of risk.

Poland, as an emerging core investment market, is expected to see transaction levels for 2012 match the €2.5 billion achieved in 2011. While this is still modest in the wider EMEA context, it is a market with great potential. Colliers recently marketed the Warsaw Financial Centre, globally, and saw good interest in the property from capital originating in the US, Middle East, Asia and Europe.

### Home sources of capital dominate

Within the EMEA region, the majority of capital for each territory, Western Europe, CEE and MENA, is raised in each of the respective homelands. For example, the sample of MENA investors raised 100% of their capital in the MENA region. For the EMEA region as a whole, 30% of respondents raised capital in Western Europe, with 17% raising money in Eastern Europe and 9% targeting the USA.

Western Europe is the primary focus for investment (34%) from the EMEA respondents and is within the top three regions, after the US and Canada, based on all responses globally. Whilst western Europe came out on top overall, each region within the EMEA region exhibited a strong preference for investing in its home territory.

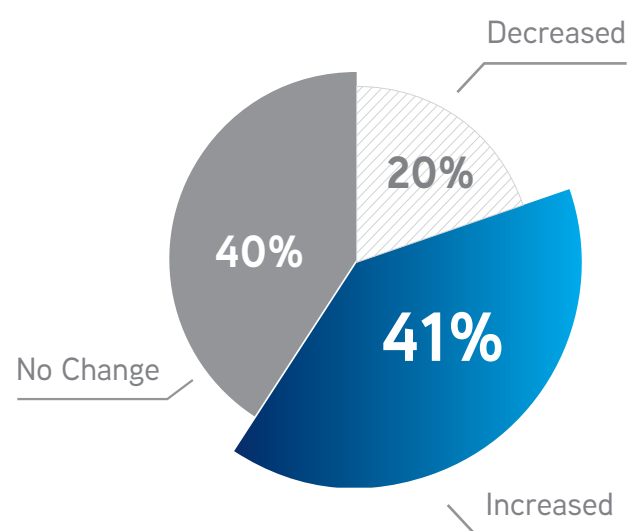
If target investment markets are broken down further, the dominance of perceived stable investment environments becomes clear with respondents citing an investment focus on the UK (13%) and Germany (9%). The distribution of cities is varied with, again, each EMEA territory tending to favour its home cities. However, Europe appears to attract more foreign investors than other global regions.

Analysis of RCA data for the year to date (YTD) shows a divergence of sources of capital currently being invested in EMEA key city markets and underlines London's safe haven position for international capital protection. For London, 74% of the YTD investment is from international sources. Looking at the top six German cities, 60% of capital invested is from domestic investors,

although international investment outstrips domestic in Frankfurt and Berlin. Comparing some global cities, domestic investors account for 86% of investment YTD in New York City, 83% in Tokyo and 78% in Shanghai.

Unsurprisingly, CBD offices are a preferred sector for 20% of EMEA respondents, with shopping centers cited by 16%. At the recent Expo Real trade fair in Munich, the logistics sector was a hot topic of conversation as ecommerce continues to drive new demand across much of the EMEA region. It is certainly a more favored sector amongst investors in the more mature economies, for example, Western Europe 16%, Australia 24% and the US 44%.

CEE and MENA investors both express strong interest in residential development, which boosts the EMEA figure to 16%. This is to be expected in countries where population growth, increasing incomes and urbanisation is taking place. There is a strong demand for both good quality, affordable and middle income housing in these markets. There was also a good appetite for opportunistic purchases (12%), particularly from Western and CEE respondents. MENA respondents mentioned





hotels and “other” sectors – which might include infrastructure, healthcare and education – and is representative of less mature emerging markets where quality hotels, medi-centers and hospitals are required to meet the needs of the changing demographics.

Property fundamentals remain the strongest consideration (4.4 out of 5) in guiding property investment decisions. This is followed by the economic growth of a region (4.3 out of 5). While currency risk can be a drag on performance, a substantial part of the EMEA sample respondents are operating in a single currency zone and it is therefore not surprising that currency risk/exchange rate was the lowest rated (3.0 out of 5) consideration. Of course, the ability to hedge also reduces the risk.

## Availability and terms of debt are critical

Unsurprisingly, 76% of respondents intend to use debt to leverage property purchases. Some 43% felt that debt conditions had tightened over the last six months, with a further 51% suggesting that there had been little change to what we know are difficult conditions, with underwriting standards and due diligence increasing. Furthermore, 41% said that the cost of debt had increased. While EMEA investors might like to use debt to fund purchases, the reality and cost of securing that debt will remain a significant hurdle in most EMEA markets for some time.

## Debt is being raised to pursue different types of opportunity

While much is undoubtedly targeted at direct real estate investment, there is a growing and significant tranche pursuing distressed debt opportunities, where potential returns can be higher.

Debt is available, but the terms attached are increasingly stringent and the borrower must tick all the boxes. The new paradigm faced by investors is lower LTV ratios in future, perhaps as low as 50%. This is providing the opportunity for mezzanine debt funds to flourish – AXA and Pramerica are just two examples of funds taking advantage of the challenging lending environment in the region to provide mezzanine financing.

## A tale of a few cities

EMEA investors agreed strongly that “good investments exist, but are more difficult to find” (4.11 out of 5). Investors also agreed strongly that eurozone uncertainty had impacted investment within Europe (4.08 out of 5). This suggests that there is still a lack of confidence amongst investors that a long-term solution to the debt crisis is imminent. There was also strong agreement that a disproportionate amount of capital had flowed from high risk nations to “safe havens” (4.05 out of 5).

In Europe, those safe havens include London, Paris and the major regional cities of Germany who have attracted substantial international capital. London, being outside of the eurozone, has benefited disproportionately. Not only is London capturing pension fund investments from the US, Canada and Asia, but it is also proving undeniably attractive to private buyers from Asia and the Middle East for whom wealth preservation is paramount.

With this safe haven status, also comes the concern that at some stage there will be a pricing correction. Investors are faced with riding out any fall in values or trying to sell in anticipation of a market adjustment. Hold period and timing will play an important role in maximizing returns.

While we have little evidence yet of the sharp slowdown in the French economy impacting on decisions to invest in Paris, it would not be surprising to see some safe haven flows divert from Paris to other markets in 2013.

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*“74% of investment in London is from international sources YTD.”*





# Latin America

## Latin American investors bullish on property market

Most respondents did not report negative opinions about the recent Latin American property market.

82% said conditions have stayed the same or improved over the last six months. The majority of respondents (63%) expect conditions to stay the same for the next six months. 31% expect improvement in conditions in the next six months. That number grows to 44% when the time horizon is expanded to a year. Only 6% of respondents expect conditions to decline within a year.

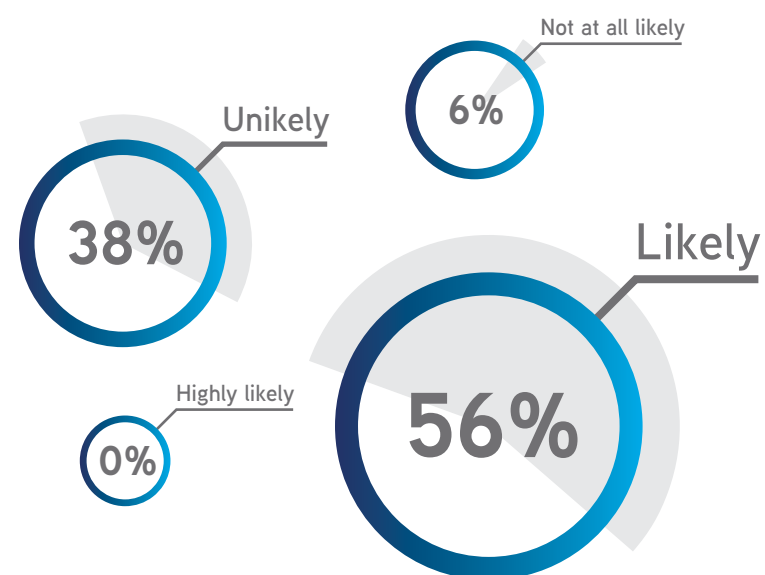
Latin American investors are optimistic about the future, especially over the long term. A full 87.5% of respondents expect market improvement within the next five years.





Colliers International  
Property Investor  
Sentiment Index –  
Latin America

In the next 6 months, how likely are you to take more risks in order to achieve superior returns?



### Further investment dictated by access to capital

Half of all survey respondents believe that now is a good time to invest in commercial property. 69% plan to increase their level of property investment within the next six months.

One likely driver of this expansion will be access to available capital. Nearly 43% of respondents cited the ability to raise new equity as a condition that would dictate portfolio growth. Other primary factors which might support or inhibit expansion include economic uncertainty (23.8%) and the supply of properties for sale on the market (14.3%).

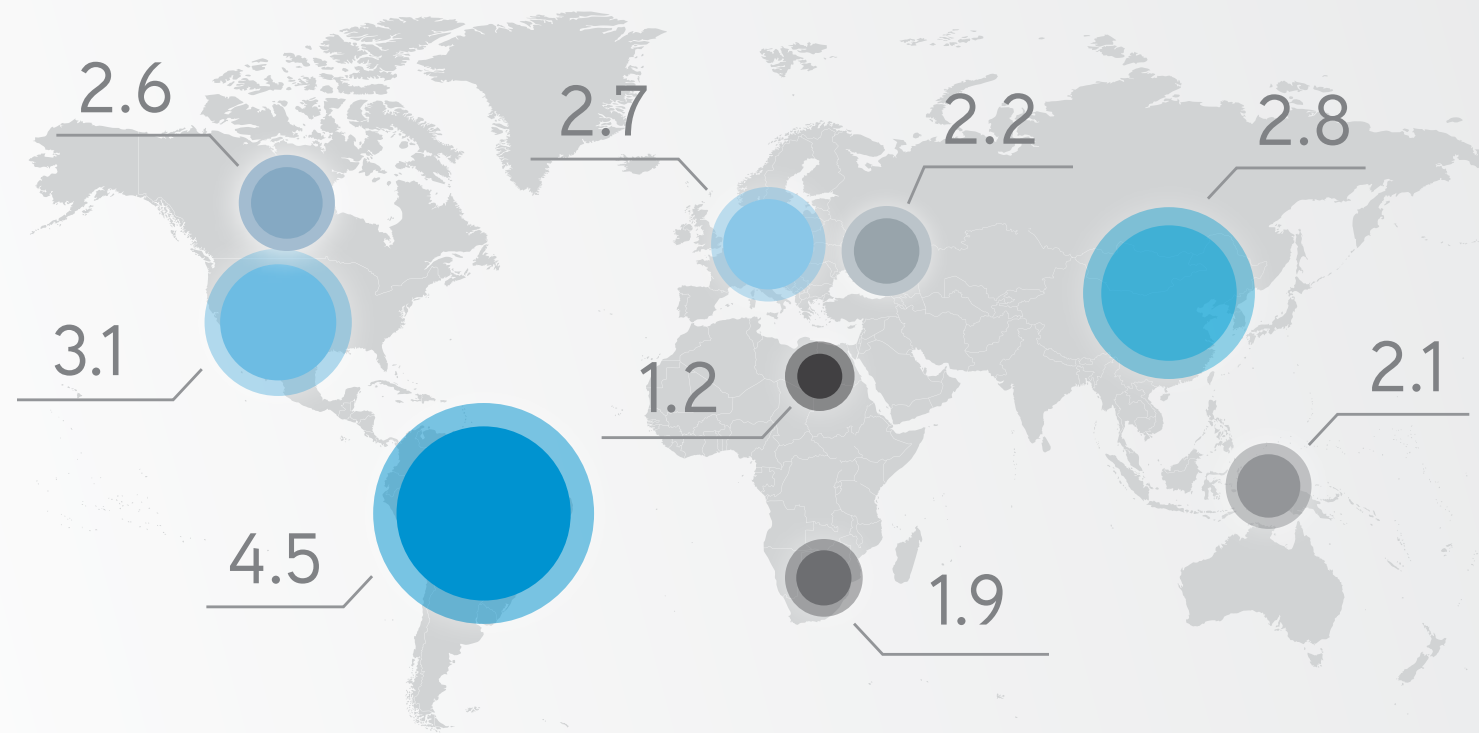
### Most investors take on moderate risk

The majority (57%) of Latin American investors target an internal rate of return of between 15% and 20%, with 36% aiming for the more ambitious 20% return. A large contingent of investors (44%) report a willingness to take moderate risks over the past six months in order to achieve their targeted return. A quarter of respondents have neither taken risk nor shied away from it. Small percentages on either side of the risk spectrum claim to be either highly risk-averse (6%) or extremely cautious (6%).

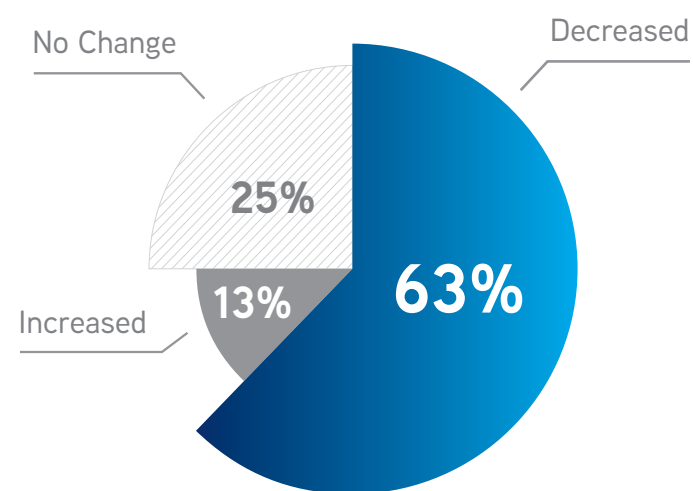
In what is likely good news for the Latin American property market, 56% of respondents indicated a likelihood of taking on more risk in the coming six months.



As a destination for property investment, how attractive are each of the following regions to Latin American investors?



How has the cost of debt changed in the last 6 months?



### Industrial and logistics to be the most popular near term subsectors

Latin American investors source capital from three key regions: Central and Latin America (33.3%), the United States (33.3%) and Western Europe (14.8%). The balance of capital is sourced from a variety of other regions, however no respondents reported Australia/New Zealand or South Africa as a source of capital. Nearly all (94%) invest primarily in their home region of Latin America. Furthermore, most respondents (94%) will continue to focus on Central and Latin America in the future. Brazil in particular is the primary target of investment for these respondents, with the target cities being Rio de Janeiro and Sao Paulo.

In the next six months, the most popular real estate sub-sectors are industrial and logistics properties (50%) and CBD/Urban Office (38%). Latin American Investors found Central and Latin America to be the most attractive region for property investment, with the United States and Asia being perceived as equally attractive second place picks. With the high economic growth rates in many Latin American countries, it comes as no surprise that these investors ranked the economic growth exhibited in a region as a primary investment influence. Property fundamentals were a second factor ranked nearly as high.

### A decreased cost of capital

The majority of investors said it is likely they will use debt to leverage future investments with only 19% of respondents indicating it was unlikely they would take on debt.

Perhaps the willingness of investors to take on debt is influenced by the current low cost of capital. 63% of respondents reported that the cost of debt has decreased in the last six months. Only 19% reported a tightening of underwriting standards in the past six months.



## Good investments are hard to find


Most Latin American investors agree that good investments exist in the market, but are more difficult to find. Respondents also agree that these hidden investments are in higher competition in prosperous markets, thanks to volatility across different regions. They said that a disproportionate amount of capital has flowed from high-risk nations to “safe haven” markets.

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*“...a disproportionate amount of capital has flowed from high-risk nations to “safe haven” markets.”*







*“As the time horizon extends,  
so too do positive expectations.”*

# United States

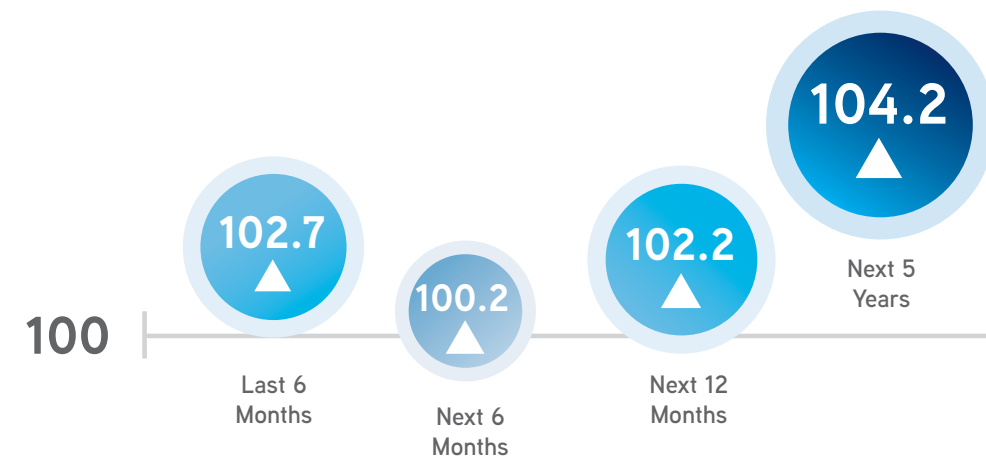
## U.S. investors expect economic growth

U.S. investors are optimistic about the future of the property market. A majority also believe that the future is bright for CRE investing. Many feel that conditions have steadily improved over the past 24 months. 60% of investors report improvement in the last six months and only 7% believe conditions declined. Commercial property sales volumes in the U.S. totaled \$67 billion USD in Q3 2012, which was a 19% increase over the previous year, according to data from Real Capital Analytics.

In the next six months, more than half (53%) expect that property conditions will improve, although 44% expect conditions to stay the same. That optimism also extends to the economy, where 58% reported expectations of improvement in local economic conditions. As the time horizon extends, so too do positive expectations. A full 90.7% of investors expect the local economy will improve within a five-year time period.

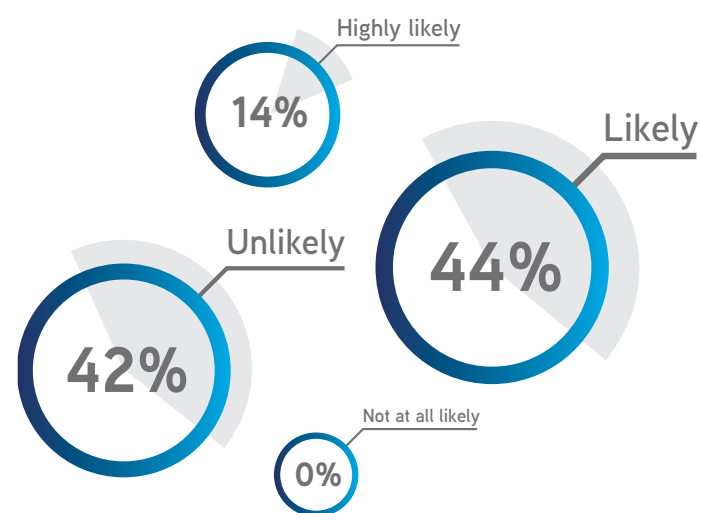


Colliers International Property Investor Sentiment Index - United States



*“Many investors plan to take on further risk in the coming months.”*

In the next 6 months, how likely are you to take more risks in order to achieve superior returns?



Availability of properties is the biggest roadblock to investment

Few U.S. investors feel their investment strategy will hinge on any uncertainty in American politics. 67% of U.S. survey respondents believe that now is a good time to make investments in commercial property. 74% of those surveyed plan to expand their property investments in the next six months. This number is down slightly from the 82% who reported planned expansion a year ago.

What is the single largest roadblock to expansion? 34% said finding available properties is their biggest constraint with a dearth of capital cited by only 28%. Only 6.8% of U.S. investors fear that political uncertainty will affect their investment activity.

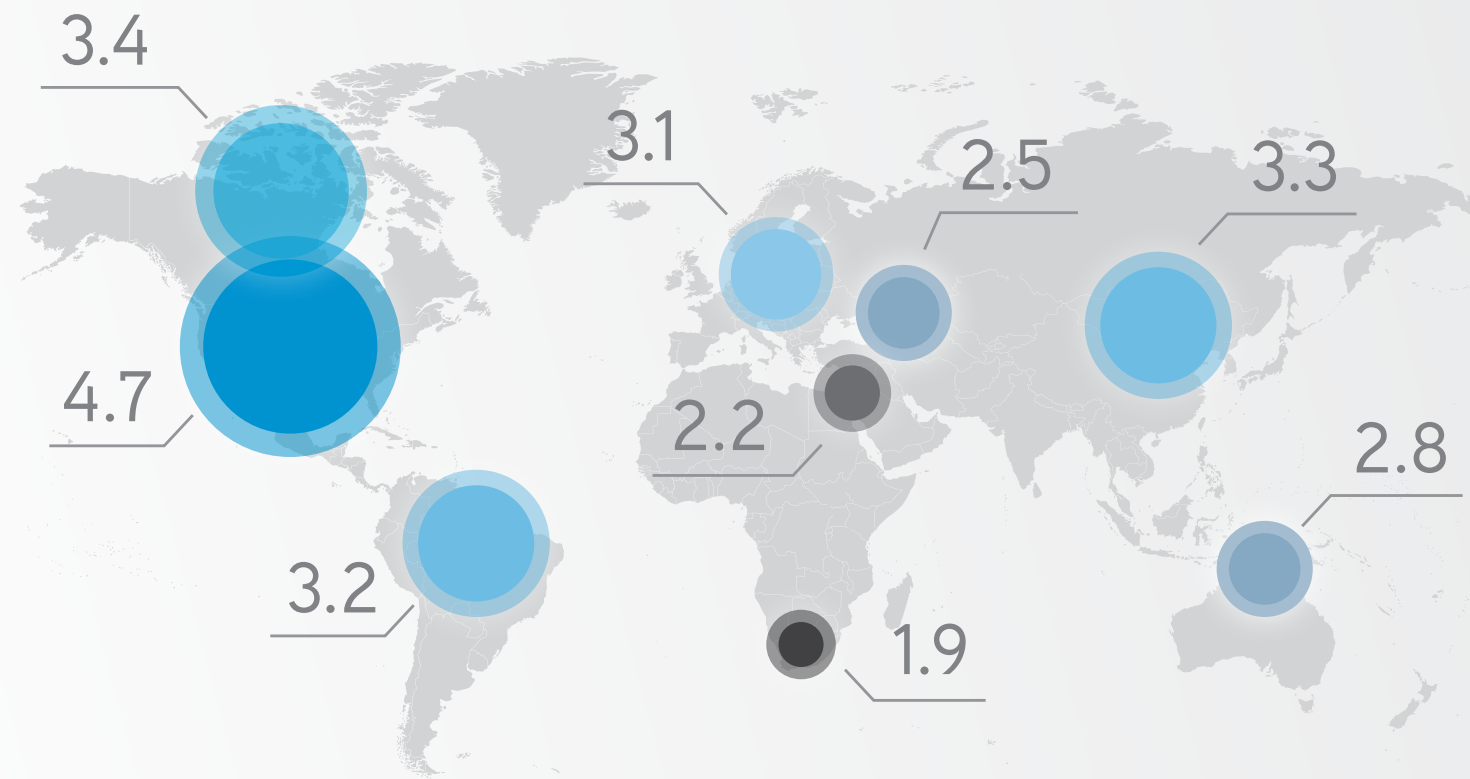
Investors will take on risk for increased returns

Many investors plan to take on further risk in the coming months. 58% reported they are either likely or highly likely to take on more risk.

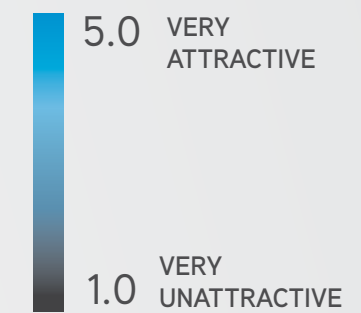
The majority of respondents (44%) report a targeted internal rate of return of under 10% and most are willing to take on some risk in order to achieve returns. Over the past six months, 63% of respondents reported a willingness to take on moderate risk in order to achieve targeted returns, while 23% have been cautious and not taken many risks. A small minority (7%) reported a high willingness to take on risk in the past six months. Targets were reported by respondents regardless of how they capitalize those goals, so the responses may include a mix of leveraged and unleveraged targeted rates of return.



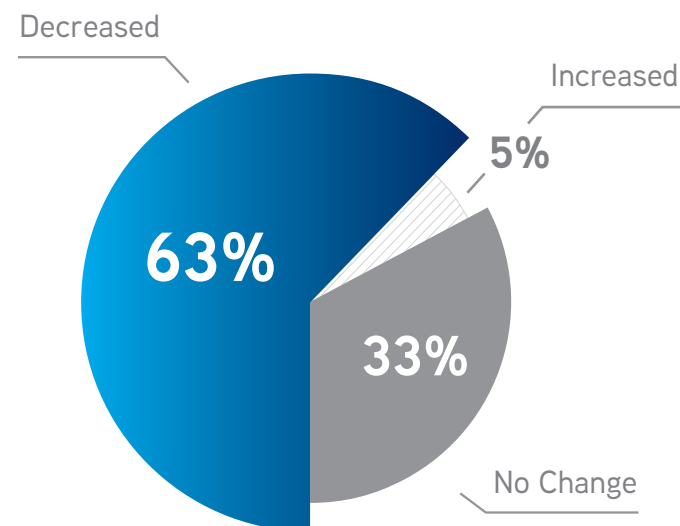
As a destination for property investment, how attractive are each of the following regions to United States investors?



Relative attractiveness of each region to United States investors



How has the cost of debt changed in the last 6 months?



### Most U.S. investment capital is sourced domestically

While U.S. investors source capital from a variety of regions, the most popular source is the United States itself. 54.8% of investors named the U.S. as their primary source of capital. Other popular regions include Western Europe (17.8%) Asia (8.2%) and Middle East and North Africa (6.8%).

U.S. investors prefer to make investments in their own backyard. 59% of respondents target the U.S. as their primary region of investment. Other top regional targets are Western Europe (14%) and Asia (8%). When asked about individual countries, respondents singled out the United States (35%), United Kingdom (10%) and Canada (9%) as their top picks.

When asked to compare the relative attractiveness of various regions as investment targets, investors seemed most favorable about the United States and Asia.

Top property sectors of focus are industrial and logistics (44%) and CBD/urban office (16%). Target cities for investment over the next six months are New York (18%) and Los Angeles (16%).

Active buyers in the U.S. include Lehman Brothers Holdings, which has focused on office and apartment properties; private equity investor Blackstone and the publicly-owned retail real estate giant Simon Property Group.

Investors ranking factors that will most affect investment decisions put "Property Fundamentals" at the top of the list, followed closely by the "Economic Growth of Region". Investors appear least influenced by currency risk, tax considerations and sovereign risk.

U.S. investment capital destined for foreign shores has favored core markets like Berlin, London and Paris, according to data from Real Capital Analytics. October 2012 YTD, U.S. capital has made its biggest foreign investments in the United Kingdom (\$5 billion USD), Russia (\$2.2 billion USD) and Poland (\$911 million USD.)

### Debt is plentiful and cheaper than last year

The use of debt as leverage is still a key component in most investors' strategies. Only 23% of respondents reported that they were unlikely or not at all likely to use debt as leverage in future investments. Access to debt appears to have become easier since last year. 63% responded that the cost of debt has decreased in the past six months. Most (62%) report that credit underwriting standards have not changed. Access to financing was cited by a small minority as a roadblock to getting deals done.



## Few investors will make strategy changes based on the U.S. election

Most investors do not agree that the U.S. election will adversely affect investment plans.

Despite the fact that most respondents will invest primarily in the U.S., they still have strong opinions about other markets. The survey showed strong agreement with the opinion that the upcoming change in Chinese leadership will adversely influence investment plans in Asia. Also popular was the belief that the eurozone crisis has impeded planned investment in the EU except for in safe haven locations.

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## About the survey

The 2012 Global Investor Sentiment Survey was launched on 24th September 2012 and closed on 5th October 2012.

The survey contained a wide variety of questions generated by Colliers International Research in collaboration with senior professionals from Colliers International Global Investment Services and ACA Research, an external market research company.

Major institutional and private investors representing a broad cross section of property investors across the globe were invited to complete the survey. There were a total of 434 respondents across the US, Canada, Latin America, Australia/New Zealand, Europe, Asia and the Middle East.

The primary purpose of the survey is to better understand the attitudes and outlook of property investors at a global and regional level over the coming 12 months.

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Colliers International is a leader in global real estate services, defined by our spirit of enterprise. Through a culture of service excellence and a shared sense of initiative, we integrate the resources of real estate specialists worldwide to accelerate the success of our partners.

When you choose to work with Colliers, you choose to work with the best. In addition to being highly skilled experts in their field, our people are passionate about what they do. And they know we are invested in their success just as much as we are in our clients' success.

This is evident throughout our platform—from Colliers University, our proprietary education and professional development platform, to our client engagement strategy that encourages cross-functional service integration, to our culture of caring.

We connect through a shared set of values that shape a collaborative environment throughout our organization that is unsurpassed in the industry. That's why we attract top recruits and have one of the highest retention rates in the industry. Colliers International has also been recognized as one of the "best places to work" by top business organizations in many of our markets across the globe.

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## Our Services

The foundation of our service is the strength and depth of our specialists. Our clients depend on our ability to draw on years of direct experience in the local market. Our professionals know their communities and the industry inside and out. Whether you are a local firm or a global organization, we provide creative solutions for all your real estate needs.

### Brokerage & Agency

- > Landlord Representation
- > Tenant Representation

### Corporate Solutions

### Investment Services

### Project Management

### Property Marketing

### Real Estate Management Services

### Research Services

### Valuation & Advisory Services