More downside to global property prices

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KUALA LUMPUR: The global real estate fraternity has yet to see the worst, prompting expectations of further declines in property prices in advanced and emerging economies as financial institutions again tighten lending in a risk-averse landscape.

But assets in emerging Asian entities tend to offer a more compelling investment theme compared with their peers in the developed US and Europe.

"On the macro level, the US and Europe have yet to bottom. Asia hasn't bottomed as well but the region is more attractive than the US and Europe due to Asia's growing population and economic growth prospects," private equity firm Holdfast Capital chief executive officer Grant Kelley said at the Forbes Global CEO Conference here on Sept 29.

Hong Kong-based builder and property developer Shui On Group chairman and chief executive officer Vincent Lo said while there were bargains in battered real estate markets, a key hindrance would be the lack of financing.

"The US and Europe will take a while (to recover). Although there are bargains, the problem is financing. I did not expect China to bounce back so strong," said Lo, whose group comprises two Hong Kong-listed entities.

Results of the recent PricewaterhouseCoopers Korpacz Real Estate Investor Survey on US commercial properties had indicated more downside to property rates in the world's largest economy and recovery in the country's real estate sector was unlikely before 2012.

The survey also revealed that office rents in prime locations such as New York and San Francisco could fall by a fifth through the following year.

Estimates by the International Monetary Fund indicate that world gross domestic product would contract 1.4% this year before leaping into positive territory for a 2.5 % expansion in 2010.

In 2009, advanced economies such as the US and euro area are expected to shrink 2.6% and 4.8%, respectively, while emerging Asian economies are anticipated to post an average expansion of 5.5%, led by China and India.