

## **Asia Property Markets become more Transparent**

By Dominic Whiting, Asia property correspondent

HONG KONG, July 13 (Reuters) - Better information flows are making Asia's property markets less risky, but funds queuing up to invest in China and India should still be wary of murky titles and accounting, according to consultants Jones Lang LaSalle.

In a global transparency index based on a survey of Jones Lang LaSalle clients, China is still classed as "low" but its score has improved to 3.50 points against 3.71 two years ago.

India is a notch above, in the "semi-transparent" third category of five, with its score moving to 3.46 from 3.90 the last time the index was published.

The top Asian scores were notched up by Hong Kong with 1.30 and Singapore with 1.44, while Australia and the United States occupy joint top place globally with a score of 1.15.

Describing a "virtuous cycle", Guy Hollis, director at Jones Lang LaSalle's international capital group, said increasing foreign investment in Asia had improved information flows, which would in turn give investors more confidence.

"Funds are much more aggressive and have certainly invested a lot of money, and in most places they haven't compromised on standards," Hollis said.

Cross-border investment in the Asia-Pacific region jumped 56 percent last year to US\$20 billion, but this year would see even greater capital flows, Hollis said, pointing to some US\$9 billion pledged for China just in the first three months of 2006.

A flourishing market in real estate investment trusts (REITs) and an influx of foreign investors has also improved Japan's disclosure of information on yields and capital values.

Japan has climbed three places in the index to rank 23 since 2004, with its score improving to a "high transparency" 2.40 from a "semi-transparent" 3.08.

The Jones Lang LaSalle index focused on availability of investment performance indices and market data, financial disclosure by listed companies, regulatory and legal factors and professional and ethical standards.

## **GRIPES**

Hollis said the biggest gripes among foreign investors in Asia were over property titles, especially in China and India.

India, which eased rules on foreign investment in construction early last year, lacks a centralised title registry. And with property prices soaring, land disputes are hotting up.

In China, land use rights cannot be directly traded, so investors must take the risk of acquiring the company that holds them. Relatively low accountancy standards hampers such deals.

"It varies in China, but the more you go west and north, the worse it gets," Hollis said.

But in a rush into economies growing at over 8 percent annually, investors are pushing up prices and depressing property yields in China and India in the hope of strong capital gains over the next few years, Hollis said.

"I'm not sure we're seeing the right risk and return equation in some of these developing markets," Hollis said, citing India, China, Russia and parts of South America.

"Yields aren't as low as London, Paris, or New York, but they aren't as high as they should be."

Office buildings in Shanghai are changing hands at yields of around 8 percent, while yields of top grade Tokyo offices have dropped to around 3.6 percent from 5-6 percent a couple of years ago -- lower than London's 4.6 percent yields.

In Thailand, which ranks just above India on the transparency index with 3.40 points, central Bangkok offices can yield just 6.5 percent.

Vietnam was the lowest ranked country, and labelled "opaque" with a score of 4.69, just behind Egypt and Venezuela.

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