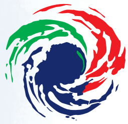



Henderson Research

# Think/2013: A global outlook

**Important information**
This document is solely for the use of professionals and is not for general public distribution.

# Introduction

## Alice Breheny Head of Research, Property

Few asset classes have been able to weather the fallout from the financial led recession and subsequent sovereign debt crisis. The disorder of equity and bond markets and subdued growth forecasts has raised the need for greater risk averse management and for securing long-term growth via lower risk assets. This is particularly the case for asset allocators that have an asset-liability matching strategy, whereby a growing, ageing, wealthier population require funds to hold less volatile investments. A shift towards more defensive real estate strategies since 2008, reflects this desire for liquidity against a backdrop of political and economic uncertainty.

With investors starved of income and concerns attached to credit risk, the attributes of tangible assets, such as real estate, offer investors additional protection in the form of collateral security. In light of this, as solid income and the opportunity of added value or asset management have become increasingly desirable, the virtues of real estate have attracted further investor interest. Regulatory changes for pension funds along with new capital adequacy requirements for other institutional funds have reinforced this trend.

The rationale for real estate as an investment asset and the virtues of a diversified real estate portfolio across sectors and markets is compelling. Ultimately, any investment case will be determined by the size of the investor's portfolio, liquidity, income and return requirements and risk tolerance. Here at Henderson Global Investors, we are able to offer a full spectrum of investment fund services, all of which are supported by our Research team. Principal to the Henderson investment strategy is a process which incorporates our macro views in conjunction with local expertise to identify and unlock market opportunities.

Here, alongside our review of the case for real estate, we provide you with a guide to current global real estate trends and our views on the sectors and markets that offer healthy risk-adjusted returns in what has proven to be a turbulent period for fund managers globally.

**Alice Breheny**
**Head of Research, Property**

# The case for real estate

## Real estate has developed into an increasingly held stock in multi-asset investors' portfolios for three fundamental and rather traditional reasons:

- **High income component of returns**
- **Strong relative risk-adjusted returns**
- **Diversification benefits**

Real estate as an investment has to compete with alternative assets, typically equities and bonds, in investment portfolios. It was perceived in the past that equities had superior long-term investment performance, but excessive volatility across financial markets over the past decade have enabled real estate returns to challenge this position. In the UK, much like many other developed economies, real estate has outperformed or delivered strong returns over time compared to both equities and government bonds, with traditionally far less volatility.

**Fig. 1: UK historic performance and volatility of returns**

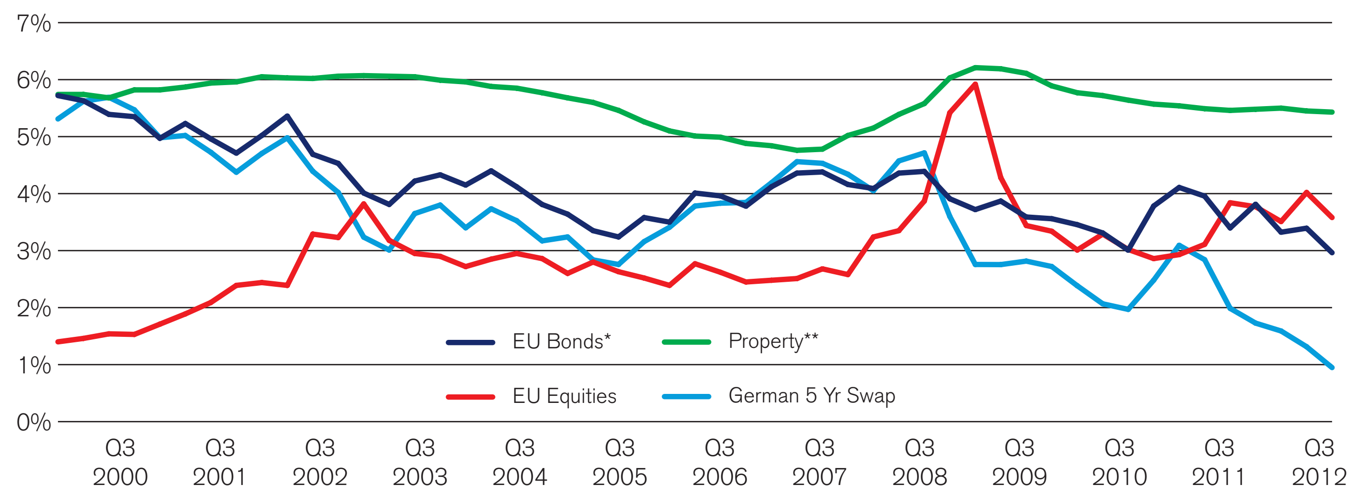
| | Property | Equities | 5-15 year Gilts |
|---|---|---|---|
| 10 year | 6.9 | 4.8 | 7.0 |
| 20 year | 8.6 | 8.1 | 8.6 |
| 30 year | 9.0 | 11.8 | 10.6 |
| 40 year | 10.9 | 12.4 | 10.2 |
| **Standard deviation*** | **11.3** | **29.6** | **13.5** |

Source: 2011 IPD UK Annual Digest
*40 years

In the current low growth, low inflation and low interest environment, there persists a global search for yield. By distributing income far in excess of that of equities or bonds, real estate is winning even more admirers.

In many markets, the yield spread between real estate and gilts has never been wider. This may reflect capital flight and investors' concerns regarding sovereign debt, but real estate is one of the few asset classes currently able to offer a real yield return. It is also worth noting that although the falls in the equity market since the outbreak of the global recession will have increased the income return on equities, dividends are discretionary whilst rental income is contractually agreed. This explains why the covenant strength of a real estate asset is principle in the present investor market. Furthermore, as we slowly transcend back to more stable economic conditions, the historic weak correlation that real estate has with either bonds or equities, should provide the diversification requirements that investors seek, fulfilling the risk-adjusted return requirement of a traditional multi-asset portfolio. Having varied lease structures in place, the ability for income to grow and the help of asset management, adds to the diversification angle and offers a secure contrast to the coupon paid on bonds or the dividend paid on equities. Finally, investors frustrated by the recent period of market uncertainty see value in investing in a tangible, real asset, and recognise that real estate can, in cases, offer sound inflation-hedging potential.

**Fig. 2: Property's compelling income return vs. equities and gilts**




Source: Datastream, CBRE
* Eurozone Synthetic Benchmark Bond
** Average prime EU15 All Property Yield

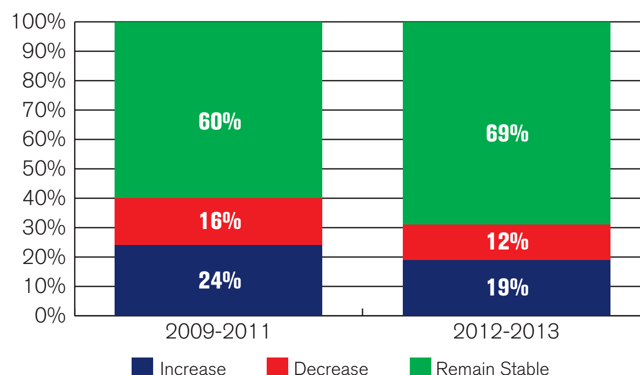
# The case for being global

**Globalisation has had a significant impact upon the strategy of international capital flows and the required return targets of multi-asset investment management houses. Mirroring the global approach funds apply to their equity and bond exposures, real estate investors are now equally adapting their allocations to be global in order to enhance their market potential risk-adjusted return and diversification. Strategic allocations across the three major real estate locations (the US, Europe and Asia-Pacific), and tactical positions within these regions can provide variations in local economies, market dynamics and asset maturity, enabling investors to adjust their portfolio towards markets of potential outperformance or conservatism depending on the investable backdrop. However, to really appreciate real estate's diversification benefits, investment managers must fully understand a range of economic, financial and real estate factors such as transparency, market maturity, liquidity, income security, tax, currency, investor base and policy frameworks that exist at a regional and local level.**

An increasingly accessible and growing international real estate market of institutional quality, whereby different markets across different regions can provide varying returns at different periods of a cycle, increases the benefit and scope for tactical asset allocation. By not restricting investors to their domestic market, there is the opportunity to access markets for enhanced cyclical returns. In taking a global approach, and to improve risk-adjusted returns potential, investors have the capability to diversify perceived risk across multiple markets, properties and property types in light of the size and heterogeneous nature of the international market. Even across key financial hubs in Europe and Asia-Pacific, which one would expect to mirror one another given their reliance on internationally traded services and financial market confidence, the resulting low correlation in returns implies there is scope for significant risk reduction through the pursuit of cross-border investment strategies.

The rewards of a well-positioned global real estate framework should warrant an increase in the current holding of real estate within a traditional multi-asset fund to better reflect the size of the real estate sector relative to other asset classes. Historic studies have concluded that a 5-15% allocation to real estate would be appropriate across a multi-asset fund. Figure 4 indicates that not only did a majority of large institutional investors in Europe keep faith with real estate between 2009 and 2011, 24% increased their strategic exposure to real estate, with the intention of greater allocations into 2013. We believe this reflects investors' search for heightened capital stability and a steady stream of cash flow in the form of rental income.

**Fig. 4: Survey among institutional investors: Planned shift in property allocation**




Source: IP Real Estate, April 2012

Often treated as an alternative asset class, real estate is a physical asset, rather than a financial asset. It displays both bond and equity characteristics and can be compared to those asset classes on a risk / return basis. At a time when bond yields are low, cash deposit rates offer little reward and equity dividend payments appear to be under threat, real estate deserves to be a significant component of any long term multi-asset portfolio and currently offers a highly attractive investment case.

**Fig. 3: Prime office total return cross correlations, 1990-2011**

| | London | Paris | Frankfurt | Milan | Madrid | Sydney | Hong Kong | Tokyo | Singapore |
|---|---|---|---|---|---|---|---|---|---|
| **London** | 1 | | | | | | | | |
| **Paris** | 0.67 | 1 | | | | | | | |
| **Frankfurt** | 0.31 | 0.61 | 1 | | | | | | |
| **Milan** | 0.22 | 0.63 | 0.58 | 1 | | | | | |
| **Madrid** | 0.35 | 0.73 | 0.63 | 0.67 | 1 | | | | |
| **Sydney** | 0.66 | 0.52 | 0.12 | 0.28 | 0.44 | 1 | | | |
| **Hong Kong** | 0.45 | 0.34 | -0.05 | -0.19 | -0.14 | 0.14 | 1 | | |
| **Tokyo** | 0.47 | 0.76 | 0.62 | 0.45 | 0.68 | 0.40 | 0.29 | 1 | |
| **Singapore** | 0.44 | 0.44 | 0.39 | 0.09 | 0.46 | 0.46 | 0.44 | 0.46 | 1 |

Source: Henderson Global Investors

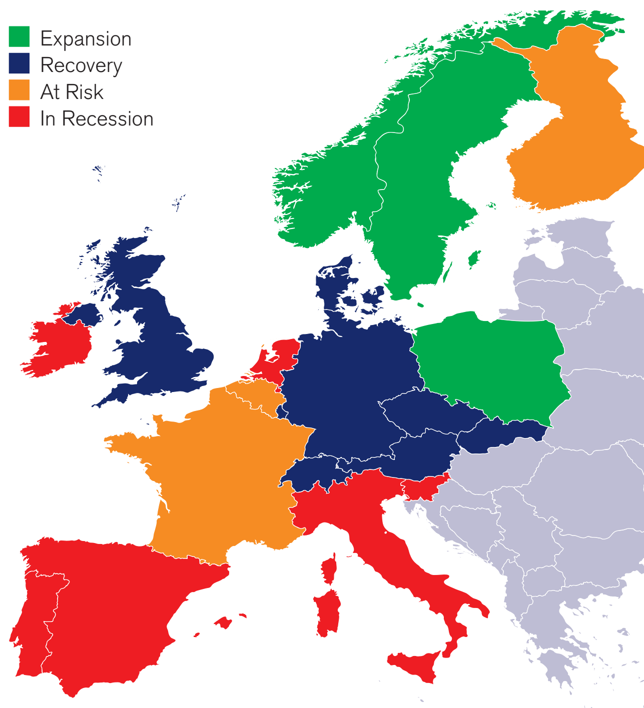
# Think/Europe: 2013 looks set to be like 2012 reloaded

**How will 2012 be remembered? It was obviously a good year for European sport, with the London Olympics, the European Football Championship and the Ryder Cup to name just a few. But these sporting showpieces simply provided a pleasant distraction from what was a year of persistent uncertainty, whether political, economic, banking or regulatory. The ECB's monetary policy measures have served to mitigate the Eurozone crisis, but a program to engineer growth remains distant, with austerity arguably now firmly part of the problem and not the solution. Trying to navigate the European real estate markets as confidence and output wanes has proved to be challenging. Without economic growth, it is unsurprising that there has been little noticeable shift in real estate investor preferences. As predicted, leasing and investment activity has weakened and is distinctly divergent by quality and location. Competition for prime assets has remained fierce, anchored by an investor search for real yield and added risk aversion. Confidence beyond this narrow market spectrum has been restricted to opportunistic players, although this also reflects a lack of finance available as banks have continued to tactically reduce their real estate exposure.**

## Expect little help from the economy

Talk of a Eurozone break-up has rightly receded, but the region is poised to remain in recession.

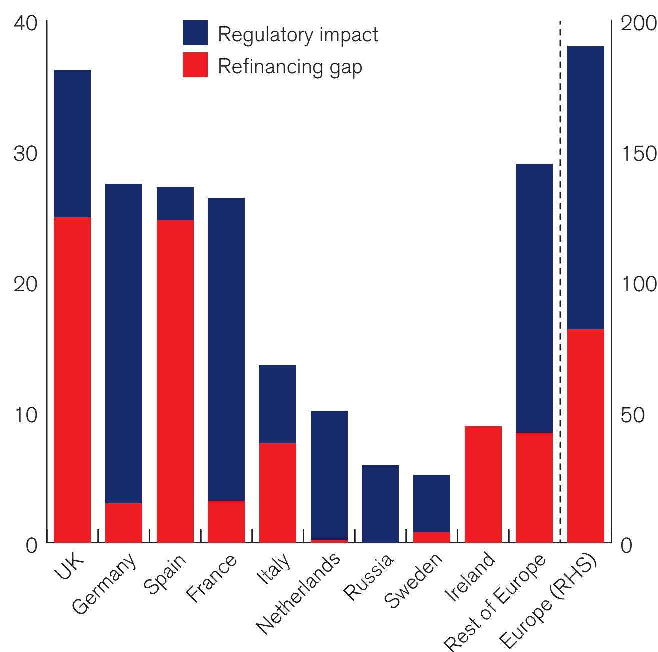
**Fig. 5: Growth outlook for Europe in 2013**




Source: Henderson Global Investors, January 2013

Financial markets have responded well to Mario Draghi's promise to support the Euro but, in the real economy, business confidence has contracted further. The debate now is whether government intervention has led to market bubbles rather than an expansion in real aggregate demand, as the economies of southern Europe will stay mired in recession in 2013 and economic indicators even point to a deterioration of output projections in the stronger economies of Germany, France and the Nordics. Funding tensions persist, most notably in Spain, where strains in the banking sector and capital outflows continue to limit finance to the private sector. Elsewhere, low consumer confidence, unaided by rising unemployment, will ensure household spending is limited. A weakening in the Euro exchange rate, once uncertainty attached to the US fiscal stance has been removed, could aid exports but the wider implications of public and private sector deleveraging and attempts to reform across peripheral countries has weakened growth expectations. Talk of a European 'lost decade' is well-founded as the process of moving towards a fiscal and banking union will be slow and the recovery erratic.

**Fig. 6: European funding gap, (€bn)**




Source: DTZ Research, November 2012

## Occupier recovery displaced

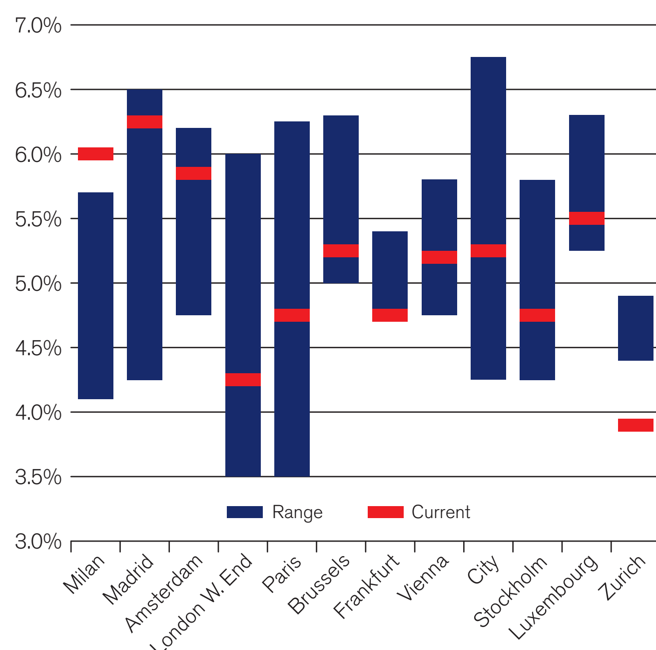
Few macroeconomic indicators are in expansionary territory, and as such, a rebound in occupier demand and a subsequent revival in rental levels seem unlikely until 2014, at the earliest. In peripheral European economies, further falls in rental tones are inevitable across both prime and secondary locations. In Germany, Austria, France, Finland and Sweden, relative stronger economic fundamentals may be sufficient to avoid a major downturn in occupier demand, although heightened incentives are likely. On a more positive note, a lack of development, itself a factor of limited finance, should mitigate the downside risks to rental tones on good quality stock in 2013.

## Market divergence will continue

Some may argue that pricing looks historically keen given the precarious nature of real estate fundamentals, but starved of yield, investors have little choice other than taking the income returns available.

Under our base assumption that the Euro will survive, the implied risk premium over government bonds and elevated risk aversion should cushion fears of prime market pricing corrections.

**Fig. 7: Prime European office yields, previous cyclical range vs. current yield**




Source: Henderson Global Investors, Q3 2012

Certainly, the ability of European REITs to raise capital at very attractive rates in 2012 has aided core valuations. The same, however, cannot be said for the direct market except for quality product. Downward adjustments for secondary product could stem from a combination of weaker occupier demand, further bank deleveraging and a hangover from 2012 re-pricing. Pricing will continue to be tested in Southern Europe and in the Netherlands across the board, whereas yields in France, Sweden and Austria will largely prove resilient, although a further hardening in Germany and Switzerland valuations remains a possibility.

## More of the same in 2013, but watch out for signs of a turning point

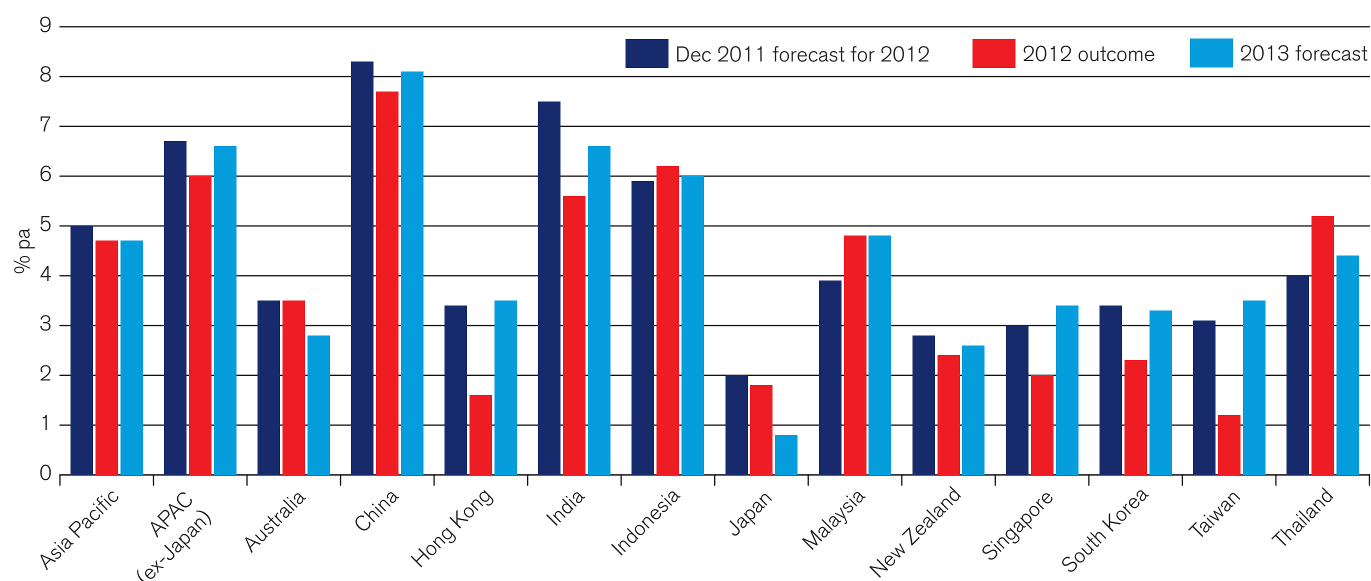
Against such market angst and downgraded economic prospects, the resilient nature of quality real estate has been encouraging. Sufficient equity for prime persists, particularly from institutional investors and sovereign wealth groups who remain in a buying mode. Fears of a flurry of distressed sales have, however, been eroded by accommodative monetary policy. Cross border investment is likely to remain virtually non-existent in the periphery, but attractively priced opportunities will prove elusive as domestic competition for prime long income assets persists, and expensive financing rates will penalise early risk-taking by international players. Resilient economic growth in core Europe should facilitate investor interest in good secondary real estate in that region, while prime yields approach new levels.

In summary, it is hard to envisage 2013 being significantly different from 2012, with performance relying on income security and active asset management. By the end of 2013, the economic future of Europe could start to take shape and investors will have to be ready to adapt quickly to a changing environment. As the outcome is strongly dependent on political factors, this could be a sell-off of exposures in the periphery with hopes for a strong recovery waning, as well as investors making their first commitment back into the shunned region on the back of encouraging economic numbers. Europe will prove a stock pickers' market and investors need to be risk aware, not necessarily risk averse, in their investment procedure to achieve outperformance.

# Think/Asia 2013: Asia real estate rides wave of global liquidity

**Via a series of major policy fine-tuning, Asian governments in 2012 have sought to cushion their domestic economies from global headwinds. Central banks have engaged in monetary easing to varying degrees which have helped, but projections of a weaker period of external demand highlights the need for structural change from export and manufacturing to consumption and service sector driven growth. In this context, currency stability, inflation control and employment growth will play a significant role in determining the sustainability of GDP over the medium term. Asia-Pacific (APAC) GDP is forecasted to have grown at 4.6% in 2012, and although this is a downgrade from the initial year forecast, solid growth continues to outpace that seen in the US (2.2%) and the Eurozone (-0.5%). Looking forward, barring a breakup in the Eurozone and/or the failure of the US to overcome its fiscal cliff, China is set to lead regional growth with 8.1% in 2013, trailed by India (6.6%). The "Asian Four Tigers" (Singapore, Hong Kong, Taiwan and South Korea) are expected to rebound from modest average growth of circa 2% in 2012. Among the developed markets in 2013, Australia (2.8%), New Zealand (2.6%) and Japan (0.8%) are on a slower recovery trend underpinned by infrastructure spending.**

**Fig. 8: Real GDP growth in APAC region**




Source: Consensus Economics, Dec 2011, 2012

## Real estate market fundamentals

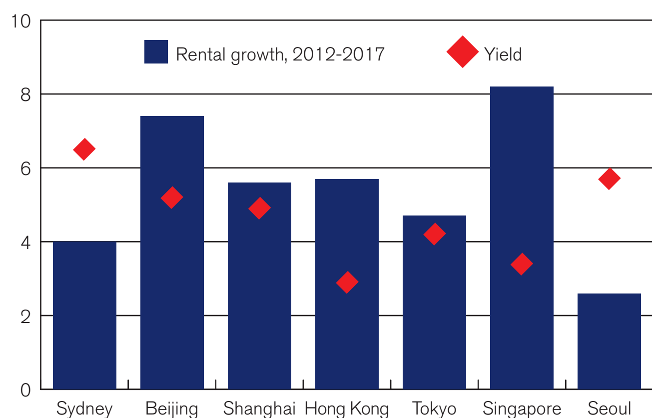
Mirroring other macro-regions, investment volumes have contracted from 2011. Even among the core markets of Australia, Japan and Singapore, commercial real estate transactions recorded a marked decline, although encouragingly, local investors in search of yield have filled the void left by cautious offshore capital. Given the uncertain global economic outlook, it remains the case that the majority of investors have scaled back from opportunistic allocations as risk aversion is elevated and indicators point to challenging market fundamentals.

## Office: Cyclical recovery in sight

In contrast to Europe, there is sufficient reason to believe in selective rental appreciation across APAC offices given positive growth projections, although a wider recovery has been displaced.

Rental growth in Beijing and Shanghai underpinned the limited positive yield impact witnessed across APAC in 2012. Hong Kong and Singapore led the way in rental decline amongst the major regional financial hubs in 2012, although the picture for 2013 has improved given upgrades to business sentiment and employment. Tokyo faces an oversupply issue adding pressure on occupancy and rents. A degree of office space consolidation by domestic conglomerates post the Tohoku earthquake has, however, supported capital values for Grade A stocks with modern seismic standards, while Grade B office assets in good locations have attracted SME tenants. Elsewhere, the Australian office market offers fair investment value on a relative basis with some rental growth upside. In particular, Brisbane and Perth are expected to benefit from corporate expansion in the resource sector to outpace Sydney and Melbourne in rental growth over the medium term.

**Fig. 9: Asia-Pacific prime offices 5 year nominal rental growth, pa vs yield, %**

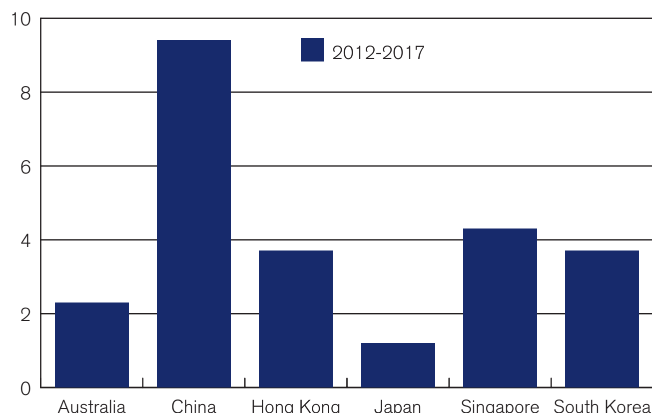



Source: Henderson Global Investors, PMA, October 2012

## Retail: Resilient consumption demand aids sector outperformance

Urbanisation continues to drive consumption demands in Tier 1, 2 and 3 cities in China, whilst the retail sectors of Hong Kong and Taiwan have benefitted from strong mainland Chinese tourist sales. Thailand and Indonesia retail outperformed other ASEAN markets in rental and capital growth terms in 2012, buoyed by strong domestic consumption. There is, however, a range in performance, as although retail sales and employment have increased modestly in Australia, consumer spending has been subdued given the high savings ratio, strong currency and competition from online retail.

**Fig. 10: Retail consumer spending forecasts, 2013-2017, % pa**




Source: Oxford Economics, 2012

## Industrial sector: Downside risk protection

Across Asia, investors hunting yield and security have been attracted into the prime logistics market, although broadly speaking occupiers have adopted a wait-and-see attitude towards the economic outlook before committing to new space. In Australia, performance has been supported by cross-border deals involving assets with long lease terms (5-15 years) with CPI-linked rental increase mechanism.

Tightening of vacancy rates and strong leasing activity have helped support higher rental tones in Hong Kong. There has also been a developing trend for sovereign funds partnering with sector specialists to build investment grade assets in Chinese tier 1 and 2 cities, and around the greater Tokyo metropolis where a shortage of supply exists.

## Residential: Affordability underpins growth

Residential demand has proven far from uniform across Asia-Pacific, although external economic fears and low bond yields have led to resilient domestic demand. Thailand recorded an improvement in luxury condo demand and supply while cooling measures in Hong Kong and Singapore have dampened, albeit still strong, buyer interests. In China, affordable and mass market housing sub-sectors have been least affected by the Home Purchase Restrictions (HPR) and continue to draw solid interest.

## Overview

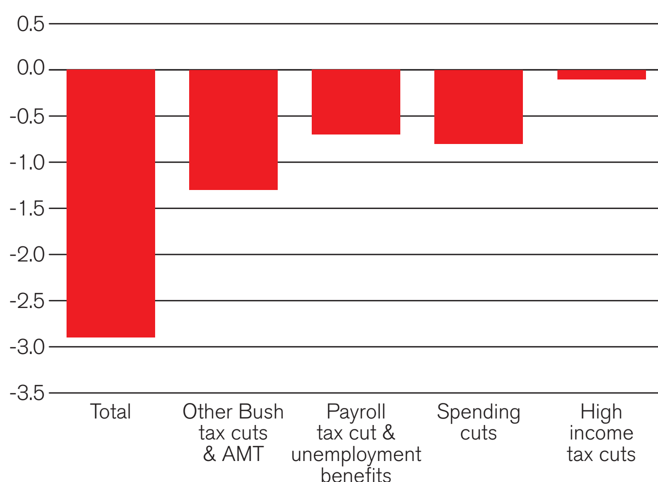
In review of our 2012 real estate market predictions, the regional financial centres of Hong Kong and Singapore Central Business Districts did, as anticipated, record some decline in prime office rental levels. Having bottomed out, these financial hubs, alongside the other major centres, are poised to benefit from some rental uplift in 2013, although the pace of recovery may be downgraded should growth disappoint. In the retail sector, our view on the strength of non-discretionary retail in Singapore was validated through robust investment activities for suburban malls by regional sovereign wealth funds and pension fund sponsors. In the residential sector, contrary to our belief that easing inflationary pressure would facilitate a loosening of restrictive housing policies, most regional governments remained steadfast in curbing housing speculation to thwart off speculative capital in a low interest rate environment.

In 2013, aside significant global challenges, there are a number of key thematic events which will all have significant impact on the APAC region's capital and real estate markets. China's new leadership will provide a steer to economic growth prospects, whilst regime changes in Japan and South Korea will influence fiscal and monetary policy stances. These socio-political events and revised growth forecasts will need to correlate with investors' entry and exit timing in tandem with the projected real estate cycles. Core, yield-seeking investors will have to consider the trade-off between paying a high premium for stable income given the limited upside potential. For value-add and opportunistic strategies, it is imperative to identify a potential dislocation between capital and real estate market growth, but value does exist amidst the market uncertainty. Saying that, buoyed by a stronger economic environment and the real potential for rental expansion, liquidity from the West has the potential to compress core and prime real estate yields in 2013.

# Think/US 2013: Growth to improve by mid-2013

**After the re-election of President Obama, attention swiftly turned to the impending 'fiscal cliff' and the potential drag on economic growth if all the spending cuts, changes to unemployment benefits and tax increases in current legislation, equivalent to 3% of GDP, are progressed. Having grown accustomed to political brinksmanship, the general public appear to be confident that these woes will either be postponed or resolved in a timely manner, although it is possible that 2013 will witness the end of the payroll tax holiday, resulting in an increase in taxes of up to US$130bn. The economy, however, buoyed by improvements in the labour market, rising housing activity and consumer confidence, as well as a recovery in the US banking system, should be sufficient to withstand some fiscal adjustment. As such, our US house view is one of cautious optimism.**

**Fig. 11: Impact on fiscal cliff on real GDP (2013) (% points)**



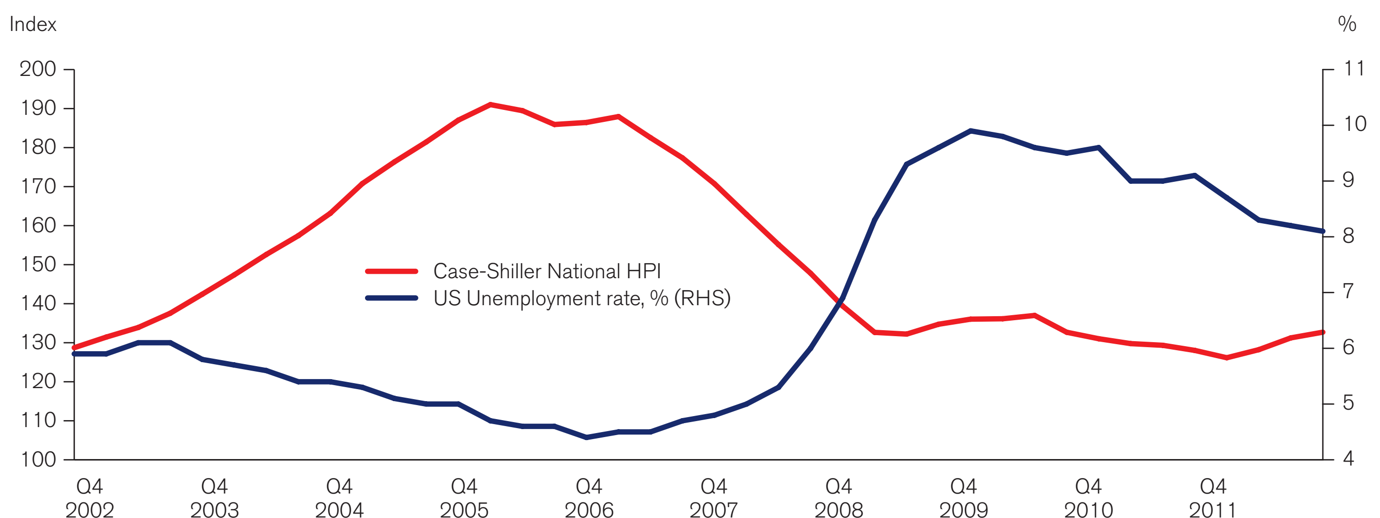

Source: Capital Economics, 2012

Hurricane Sandy will have dampened fourth quarter output, but we anticipate real GDP growth of 2.2% and 2.5% in 2012 and 2013, respectively, accelerating to 3.1% in 2014, with the fiscal adjustment extended over many years. Unemployment eased marginally in November to 7.7%, and the current expectation is that the past employment peak will likely be achieved in the latter half of 2014 and gains will accelerate through 2015. With both private consumption and bank lending rising, residential investment should improve, although it will take time for the recovery in job trends and business investment to filter through to robust near-term commercial real estate demand.

There have been signs that the US housing market is stabilising, and even realising gains, as excess inventory has been reduced in many markets. From peak (Q1 2006) to trough (Q4 2011), national house prices declined by 34% according to the Case-Shiller national home price index. From trough to Q3 2012, national house prices increased by nearly 5%. With a recovery embedded, Case-Shiller project average annual house price gains to approach 4% pa from 2013 to 2016.

The Federal Open Market Committee (FOMC) has not made any significant changes to its current policy after launching its third round of quantitative easing in September 2012. Indicating that it would keep interest rates exceptionally low until 2015, the Fed has promised additional support should the economic and employment situation deteriorate, burying financial markets.

**Fig. 12: US house prices and unemployment**

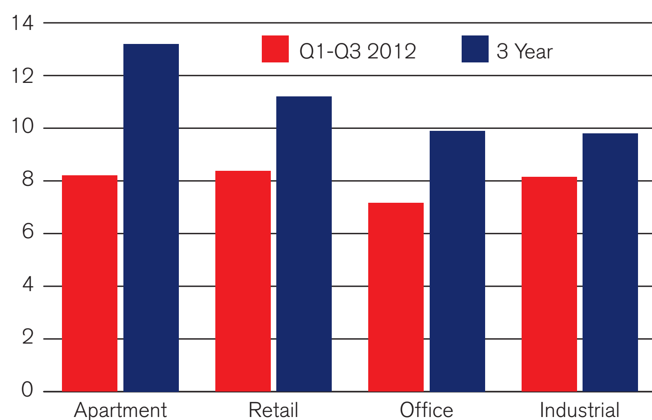



Source: Datastream, Q3 2012

## Trends of 2012

Real estate fundamentals and investor confidence continually improved throughout 2012. Real Capital Analytics indicate that total US real estate transaction activity nearly touched $70 billion in Q3 2012, 10% higher than previous quarter results. This coincided with the NCREIF Property Index in Q3 12 achieving a year-to-date total return of 7.8%; income and appreciation returns were 4.4% and 3.3%, respectively. Retail posted the highest year-to-date total return at 8.4%, followed by the apartment, industrial and office sectors at 8.2%, 8.2%, and 7.2%, respectively. The PREA Consensus Forecast survey indicates that overall real estate total returns are likely to be 9.9% in 2012. Apartments are expected to continue to be the best-performing sector with a 10.6% total return, followed by the retail, industrial, and office sectors at 10.3%, 10.1%, and 8.8%, respectively.

**Fig. 13: 3rd Quarter & 3 year annual total returns (%) by property type**




Source: NCREIF, 2012

## Themes for 2013

Buoyed by more favourable growth assumptions, pricing has generally levelled off, but, mirroring both Europe and Asia, the market continues to exhibit pricing disparities across real estate types and markets. The speed of recovery across occupier markets differs considerably between geographies, sectors and quality of product, a trend likely to persist. A return to employment growth has supported an improvement in retailer performance but rental levels and valuations remain challenging. Technology and energy sectors are the key growth areas for office occupier demand and Texas and California have benefited from positive net absorption. Looking forward, the major US markets should resume their recovery as confidence improves in the financial economy, but with respect to investment themes, Henderson believes that quality matters and that investors should therefore focus on primary markets. There is some potential for further cap rate compression but investor weariness attached to the economic and financial market outlook may limit any near term real estate price gains. For more optimistic return targets, one should expand outside the top-tier markets.

## The focus on income

In an environment lacking strong near-term real estate demand, our house view favours investment opportunities where current market conditions and trends bolster demand. These include apartments, student housing, and medical offices. Investors may find these sectors particularly appealing due to their ability to offer attractive and secure income returns. Home price declines and attractive financing have resulted in dramatic improvements in 'for-sale' house affordability. It is, therefore, a great time to buy a house. Damaged personal balance sheets and stringent lending standards, however, continue to limit house purchases. Households have been actively reducing their debt loads, leading to the homeownership rate retreating back to its long-run average of 65%.

Increasing post-secondary education enrolments and state budget woes present an opportunity for student housing investors at public colleges and universities. Over 40 states have cut spending for higher education and/or raised tuitions in an effort to counter insufficient state funding in 2012. With cap rates typically 50 to 100 basis points higher than traditional multi-family investments and agency financing readily available, student housing income returns should appeal to many investors. Finally, the ageing US population and the corresponding increases in medical spending bode well for the medical office sector. The 65-and-over population in the US is expected to account for above 20% of the total population by 2040, and with healthcare reform expected to place cost pressures on the existing system, new efficient healthcare providers should thrive.

# 2013: The Henderson investment recommendations

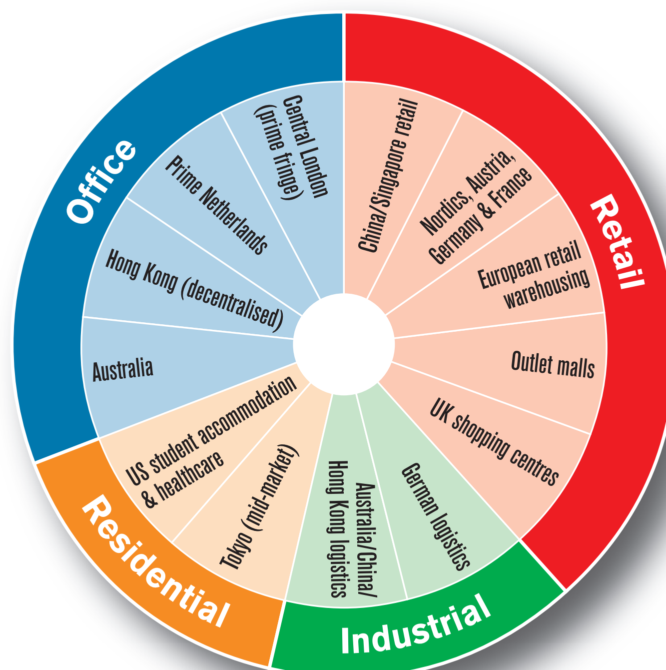
**There have been a number of major financial and structural market changes following the global credit crisis which will shape the outlook for real estate globally in the coming years. Aside from meagre developed world economic forecasts, stricter and more expensive lending terms coupled with bank deleveraging will ensure that equity rich investors (life and pension funds and sovereign wealth buyers) will dominate, albeit historically subdued, transaction volumes. This coincides with greater regulation and the introduction of Basel III and Solvency II, shaping the origination of market funding. A re-appraisal of risk will ensure that the present divergent path of commercial property market performance and investment, split by asset quality and those regions showing economic growth, will persist as investors seek greater stability, liquidity and income. Such is the global focus of capital that there is now only a minor pricing differential across prime markets of the US, Asia-Pacific and Europe. Beyond that narrow risk spectrum, only a few, well-capitalised opportunistic players can accept the added perceived risk, and look to benefit from market distress.**

The structural shifts taking place in the retail and logistics markets via the expansion of multi-media, alongside the re-balancing of certain economies away from the public sector, will shape future occupier trends and construction. Subdued projections for the traditional drivers of property performance, namely economic growth, business investment, employment and consumer spending, suggests that asset management will be increasingly crucial to enhance performance where valuations are under scrutiny, although prime assets in attractive locations will be supported by negative real government bond yields – a fact that looks set to linger. Stronger demand for income driven vehicles will likely see an expansion into alternative markets, most notably real estate debt.

In the near term, challenging economic conditions, restrained credit, low borrowing costs and investor risk aversion will ensure that core real estate will outperform. A wider market recovery is, however, harder to call in terms of timing and magnitude. Dampened economic forecasts will delay the convergence in real estate performance, but the uneven recovery of valuations across regional markets and sectors, will continue to create attractive opportunities for experienced fund managers.

**Taking into consideration our regional views and market forecasts, below are our direct investment recommendations for 2013.**

**Market targets for 2013**




Source: Henderson Global Investors, January 2013

# Contact us

**Research and forecasting is fundamental to our investment process, from top-down analysis of markets and economies through to forecasting yields and rental growth at building level. We have a substantial and fully integrated research team, which constantly strives for innovation in analysis to ensure we remain a market-leading investor in real estate for our clients.**

**View our latest news and market views: www.henderson.com/property.**

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