

M&G REAL ESTATE FORECASTS FURTHER CROSS BORDER INVESTMENTS IN ASIA-PACIFIC REAL ESTATE OVER NEXT 12 MONTHS

- *Tokyo, Sydney and Melbourne office sectors lead rental growth prospects for 2016*
 - *Hong Kong office rentals to recover*
- *Australian and Japanese hospitality sectors present attractive acquisition opportunities*

HONG KONG/SINGAPORE, 13 June 2016 – M&G Real Estate, the real estate fund management arm of M&G Investments, expects cross border investments in Asia-Pacific real estate to increase further in 2016, as foreign investors continue to be attracted by the growing maturity and liquidity of assets in the region, as well as the diversification benefits and breadth of opportunities on offer.

2016 H2 Property Market Outlook

Leasing market conditions remain generally favourable as vacancy rates continue to decline or remain stable in most markets across the Asia Pacific region. In the short term, the strongest rental growth prospects are to be found in Australian and Japanese office sectors, particularly in Tokyo, Sydney and Melbourne. Improving leasing conditions are also being exhibited in the Hong Kong office and Australian retail markets.

Hong Kong office rental growth prospects are also finally brightening , with the central office market showing signs of recovery after more than two years of stagnant rents. Faced with moderating demand at home, Chinese companies are expanding into Hong Kong, thus underpinning the stronger take up of central prime space. However, the decline of tourist arrivals from China continues to negatively impact the prime retail market. Retail rents are expected to fall further over the next 12 months.

Singapore and Seoul office market fundamentals are expected to remain weak as vacancy rates continue to rise against softening demand and rising supply in the short term.

“Nevertheless, the regional market fundamentals are expected to benefit from improving economic growth and the gradual shift from exports to domestic consumption across major Asian economies,” comments Erle Spratt, manager of M&G’s core Asia real estate investment strategy. “The increasing maturity and integration of the region will support activity and capital flows within Asia,

strengthening the demand for high quality, efficient real estate space across all major sectors. We expect investors to focus on quality assets with sustainable income with reduced probability of capital growth,” he added.

Hospitality prospects - M&G Real Estate acquires first Australian hotel assets

M&G’s core Asia real estate strategy has also been active in hospitality market. Commenting on the prospects they are seeing, Erle Spratt says: “The hospitality sector in Australia and Japan is gaining significant traction, upheld by stable economies and attractive exchange rates. Chinese investors are still bullish and are injecting large amounts of capital into the sector.”

“Aligning ourselves with these growth prospects, we acquired our first two Australian hotel assets earlier this year at a combined value of AU\$146m (US\$106m). The hotels, located just outside the Melbourne CBD near a number of major sporting and cultural venues, add a new element to our Asia real estate portfolio. We have improved diversification by sector, type of asset and tenant, while increasing yield and returns for our investors.”

The M&G core Asia real estate strategy portfolio comprises 19 assets across Hong Kong, Singapore, Japan, Korea and Australia and targets institutional investors from the US, UK, Europe and Asia.

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For further information please contact:

Thompson Wong (Singapore)

FTI Consulting

Tel: +65 6831 7840

Email: Thompson.Wong@fticonsulting.com

Peony Lui (Hong Kong)

FTI Consulting

Tel: +852 3768 4740

Email: Peony.Lui@fticonsulting.com

Notes to Editors:

About M&G Real Estate

M&G Real Estate is the real estate fund management arm of M&G and is one of the top 25 real estate fund managers in the world by assets under management, with over £23 billion / US\$ 34 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 31 December 2015). M&G Real Estate has a sector-leading approach to responsible property investment, and is committed to assessing and improving the sustainability performance of funds under management.

M&G is the investment arm of Prudential Plc in the UK, Europe and Asia. For more information please visit www.mandg.com/realestate

About M&G Real Estate - Asia

M&G Real Estate has offices in Singapore, Seoul and Tokyo dedicated to real estate in the Asia Pacific region. M&G Real Estate in Singapore is a subsidiary of London-based M&G Real Estate. As at 31 December 2015, the Singapore office is responsible for US\$3.2 billion in assets.

About M&G Real Estate's first Australian hotel assets

The Olsen, the Art Series Group's flagship 14-storey boutique hotel, is located 4 km southeast of Melbourne's central business district in the upmarket shopping area on Chapel Street. The Cullen is a 6-storey boutique hotel in Prahran, located along the thriving Commercial Road filled with theatres, upscale bars and shopping outlets. The transactions were made under a sale-and-lease-back arrangement with the Art Series Hotel Group.



(L-R) The Cullen and The Olsen

About M&G

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 31 December 2015 the firm manages over £246.1 billion / US\$362 billion of assets through a wide range of investment strategies across equities, bonds, property and multi asset.

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