

Australian dollar over the past six months of so," Mr McNabb said.

Andrew Cannane of Trust Company, which helps facilitate cross-border transactions said: "We continue to experience strong interest from our clients wanting to invest into Australian real estate. However, there is no doubt the market is proving more competitive when it comes to buying quality assets".

Demand still strong

Ken Atchison of advisory firm Atchison Consultants said high yields and capitalisation rates relative to other countries made Australia attractive to overseas investors, but the gap was closing. Mr Atchison said the biggest challenge to the relative attractiveness of property was long term bond rates in the developed world. "They're rising, so the yield margin offered from property is contracting," he said.

The attractiveness of higher yielding assets was revealed in the CBRE investor survey, which found a shift in preference from office assets to industrial and logistics assets.

Mr McNabb said this was consistent with local expectations the cyclical economic recovery would assist industrial assets, which are starting with a higher yield and have potential for improved rent compared to office assets in the short term. CBRE forecasts up to \$5 billion of industrial assets to change hands in 2014, up from \$3 billion last year.

CBRE also noted signs investor interest was broadening to secondary markets outside the main business districts.

"Australia is still witnessing very strong demand for core real estate across all sectors," said Michael Andrew, CBRE's director of international investments.

"However we have seen the emergence of an appetite for assets in what has often been seen as secondary "non-core" markets, where investors understand they can still get high quality assets, strong covenants and at better yields than in the CBD's."

A similar trend was reported by Colliers International in its latest metro office market report.

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