


# Europe at forefront of global property recovery, says Franklin Templeton

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Jack Foster says sentiment in Europe is improving and appetite for risk among investors is growing across asset classes.

## Larry Schlesinger

Europe, in particular the UK, offers good long-term commercial property investment opportunities, according to Franklin Templeton global investment adviser Jack Foster.

"There has been a huge flow of capital to London, which is clearly capital markets saying that we are close to the bottom," said Mr Foster, who advises Australian superannuation funds and manages investments for the \$5 billion Franklin Templeton Real Asset Advisors platform.

Apart from London, other European property markets showing signs of growth include Frankfurt, Istanbul, Luxembourg, St Petersburg, Manchester and Dublin.

"A lot of attention is on the German election, which is expected to lead Europe out of its current situation," he said. Mr Foster said the US also presented opportunities for investors – particularly the more densely populated and economically diverse east coast and the west coast markets – but he said the problem for offshore investors is the complex tax system.

"The US federal and state tax environment is very complicated – US taxes are ugly.

"In the UK it's a lot more clear," said Mr Foster, who will speak on the topic of "Real Assets, Real Returns" at the Global Property Forum this week, hosted by Atchison Consultants.

Looking more broadly at Europe, Mr Foster said sentiment was improving and appetite for risk among investors was growing across asset classes.

"We are now looking at a lot more European deal flow. The first wave has been retail investment, which has held up pretty well, the next wave will be the office sector.

"Office demand is still not on a path to recovery, but there are pockets of activity in markets where there is no oversupply compared to historical averages.

"Yield spreads between primary and secondary assets have reached record heights and seem to be stabilising," Mr Foster said, adding that monetary policies across Europe were expected to drive more capital into real estate, resulting in increased investment volumes and liquidity.

Mr Foster said the outlook for Australian property was generally good.

"I don't think real estate is overvalued in Australia compared to say a market like the UK, though it may be a little overvalued in the retail sector.

“Retail property has always been the darling of the property market – it’s one of the more expensive markets in the globe and we may see a little weakness in pricing for retail.”

Mr Foster said international investors viewed Australia less as an opportunistic play and more as long-term stable income play.

“Australia is viewed by the global investor as a stable, core investment opportunity and one of the more efficient property markets, because of the huge growth in super schemes who spend a great deal of capital chasing domestic real estate.”

Mr Foster said a key tenet of his strategy was investing with property fund managers with “skin in the game” either as co-investors or via a fee structure.

The Australian Financial Review