

Briefing European Investment

August 2016



SUMMARY

■ Despite the initial shock of the UK's vote to leave the European Union on June 23rd, it seems unlikely that Brexit will trigger a major economic shock via the financial channel.

■ European property investment activity dropped by 7% yoy in the first half of 2016, however volumes in all countries were still above their ten-year historic average. Lack of quality product, fewer mega deals and political uncertainty in the UK were some of the reasons behind this drop.

■ Offices captured 46% of the total transaction volume in our survey area, above the 38% ten-year historic average.

■ The share of domestic investment increased from 45% in H1 15 to 50% in H1 16. We believe that the lack of product in international markets and a cautious approach towards the UK has shifted major European cross border institutional investor focus back to their home countries.

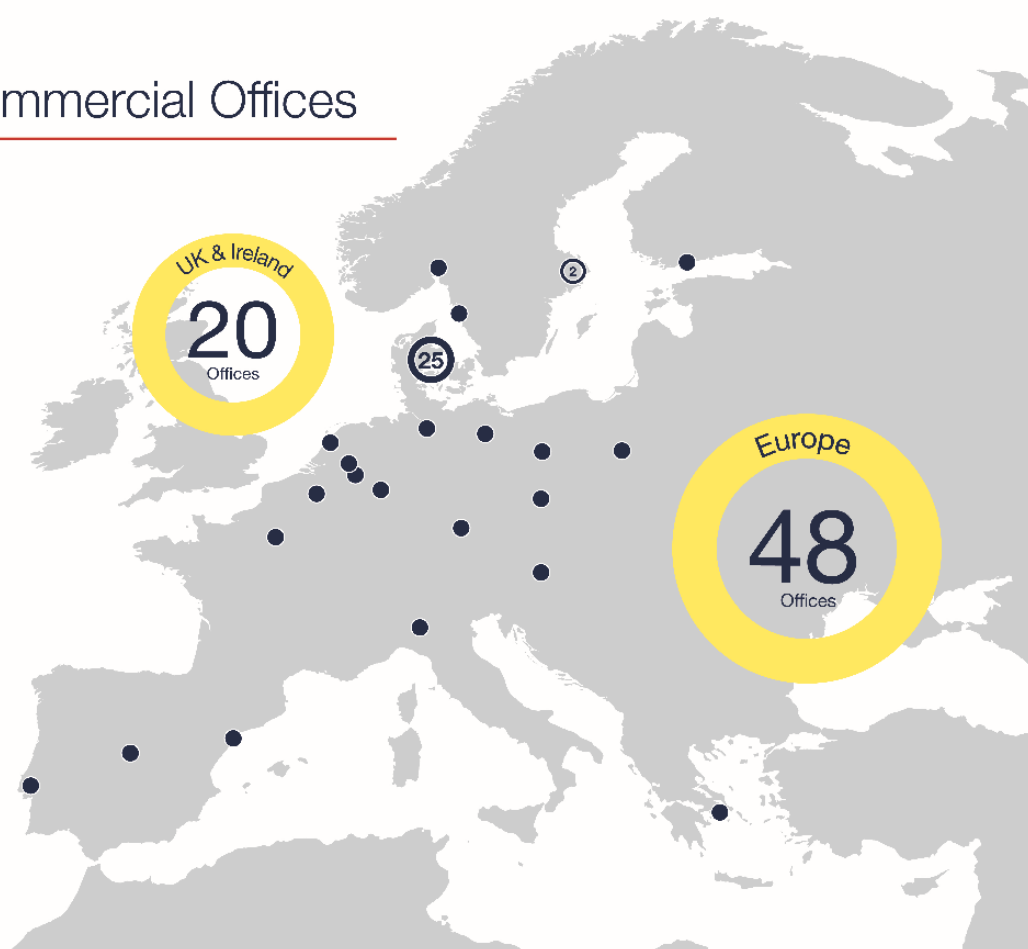
■ Prime yields are still hardening, but over the next six months we expect them to stabilise in the majority of markets.

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“As investors are generally facing a lack of attractive alternative investment options, real estate is a Hold/Buy” Eri Mitsostergiou, Savills European Research
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An introduction to Savills

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Source: Savills

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In continental Europe, Savills has 48 offices covering Belgium, France, Germany, Greece, Italy, the Netherlands, Poland, Spain and Sweden. We also have associate offices in Austria, Denmark, Finland, Norway and Portugal.

Savills provides a comprehensive range of advisory and professional property services to developers, owners, tenants and investors. These include consultancy services, facilities management, space planning, corporate real estate services, property management, leasing, valuation and sales in all key segments of commercial, residential, industrial, retail, investment and hotel property.

A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre.

We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal. Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

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European overview



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Economic & political background

The United Kingdom's vote to leave the European Union on June 23rd has sent shockwaves across the globe and the initial shock of the outcome resulted in over \$2.1 trillion in value lost in stocks globally and a drop in sterling to a 31 year low against the dollar.

Oxford Economics believes that if Brexit turns out to be predominantly a trade shock and does not morph into a rather more malign financial market sell-off, the implications for the Eurozone are unlikely to be large. GDP growth forecasts have been downgraded slightly from 1.7% this year to 1.5% a year from 2017-2019, reflecting lower export, investment and household spending.

Oxford Economics forecasts medium-term growth to average 3.3% and 2.2% per annum for Ireland and Spain whereas Italy and Greece are expecting annual growth of only 1% per annum over the next five years.

Despite the Brexit shocks, in July the Economic Sentiment Indicator (ESI) increased in the Euro area by 0.2 points to 104.6, and decreased in the EU by 0.9 points to 104.8.

While the results of the British referendum has been the main focus over the summer, Italians will vote in October regarding constitutional reforms to its Senate.

Investment volumes still well above their historic trend

In an eventful and unpredictable geopolitical context, stigmatised by the Brexit, terrorist actions in major European cities and political upheaval in neighbouring Turkey, investors are seeking stable, income producing property assets in markets with sound fundamentals.

The European property market (Savills survey area of 15 markets) investment activity has lost slightly its momentum in the first half of the

year, compared to the same period in 2015, with a 7% drop in the overall investment volume. If we exclude the UK, where investment volumes dropped by 40% partly because of the uncertainty caused by the June referendum and partly because of the high cyclical point of the market, following a record year in 2015, the total investment volume in the first half 2016 in the rest of Europe was on par with the same period last year (excluding currency fluctuations). The total volume in Euro terms was at about €87.5bn.

Germany and Spain, which have both been popular markets in 2015 both experienced a 28% drop in activity. This has been primarily attributable to the lack of prime investment product to meet the sustained investor demand for quality property assets. Norway, which experienced unprecedented levels of activity last year, particularly fuelled by residential transactions, saw a 51% drop in volumes.

Activity in the rest of the countries is still on a positive trajectory, with dynamic annual rises seen in Poland (152%), Ireland (66%), Sweden (54%), Austria (52%) and Italy (38%).

It is worth noting that the total volume of the first half of the year was above the ten year average by almost 24% in Euro terms. All countries, including the UK were above this long term average.

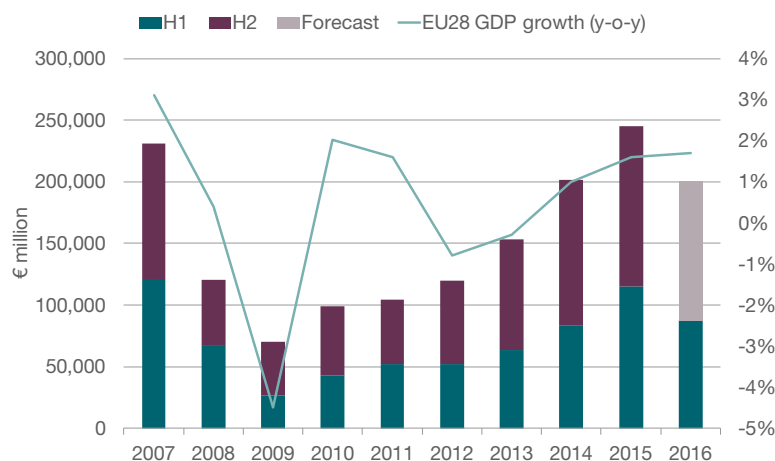
As a result of the above trends, the share of the UK over the total dropped from the long term average (LTA) of 40% to 34%, a difference which was captured and spread across the smaller European markets, while Germany (21%) and France (11%) were in line with their LTA.

Office sector captures the lion's share of deals

The lion's share of the investment activity was captured by the office sector accounting for 46% of the value of all transactions above the 38% LTA. Unusually high shares were seen in Austria (60%) and the Netherlands (60%), almost double than last year, Sweden (53%) and Italy (46%).

Retail accounted for 23%, in line with LTA and slightly lower yoy. The highest shares were noted in Ireland (51%), Poland (48%) and Spain (43%). The popularity of industrial and logistics in particular is rising, from 9%

GRAPH 1
European investment vs. economic growth



Source: Savills

last year to 11% in the first six months of 2016. The sector captured notable shares in Norway (32%), Denmark (26%) and the Netherlands (19%).

The share of "Other" types of investment, which excludes multi-family apartments, went back to its long term average of 17%, compared to the 28% share achieved in the first half of 2015. The alternatives sector was particularly active in the UK (28%, although down from 50% last year), Sweden 22% and France (22%, up from 5% last year). This is a market segment that experienced a surge in activity particularly towards the end of last year, when investors were seeking opportunities in a competitive market with little available traditional product. Nevertheless, although volumes are normalising, we expect the creation of some specialist players that will commit to certain segments of this sector, such as healthcare, senior housing and student housing, which are supported by future demographic trends and offer long term income streams.

Domestic players become more active

The share of domestic investment increased from 45% in H1 15 to 50% in H1 16. The highest increase was noted in Norway, where the share of cross border investment dropped from the extraordinary 52% in H1 15 to 27% this year, which is much closer to the long term average of 29%. Significant increase in the share of domestic investment was

also noted in Italy (35% compared to 25% last year), as Italian investors are gradually becoming more active. We believe that the lack of choice in international markets and a cautious approach towards the UK market has shifted German and French investor focus back to their domestic markets boosting their share of activity from 36% to 52% in Germany (LTA 57%) and from 62% to 66% in France (LTA 57%).

Fewer mega deals

Following three years that witnessed a strong increase in the volume of portfolio transactions, almost doubled from 2013 to 2015, the overall volume of portfolio deals dropped by 11% yoy in H1 16. Also, the share of mega deals (>€100m) has decreased overall from over 87% in H1 15 to 55% this year. However, on a country by country basis the picture is mixed as we continue to see more portfolios in France (over €3.7bn in H1 16), in Poland (close to €1.1bn) and in Sweden (about €4.3bn).

Prime yields still edging down

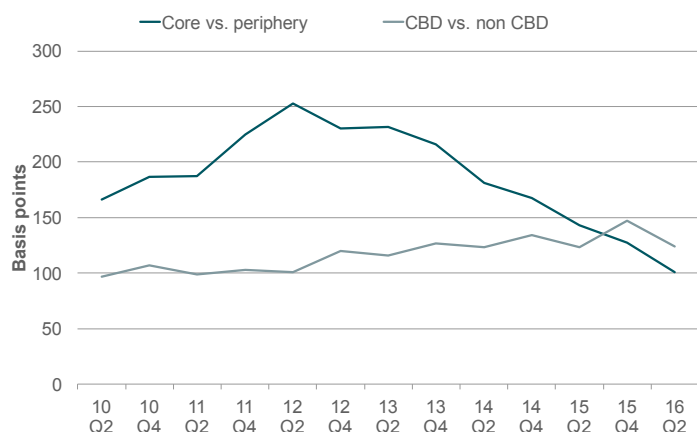
Investor demand and competitive market place continue to drive prime yields down. The average prime CBD office yield is at 4.64%, 45bps down compared to last year. The most significant inward yield shifts were noted in Copenhagen (-100bps to 4.4%), Barcelona (-75bps to 4.25%), Milan (-75bps to 4.0%) and Warsaw (-75bps to 5.25%). The yield shifts in

the Spanish and Italian markets have contributed further to the reduction of the prime yield gap between core and peripheral markets, which in Q2 16 was 112bps compared to 163 last year. On average, the periphery (ES, GR, PT, IR) remains slightly cheaper with average prime CBD yields at 5.43%, compared to the core (UK, DE, FR) at 4.32%. The Nordic countries follow close at 4.35% while the Benelux are still slightly better value at 4.65%.

The average prime shopping centre yield is also at 4.65%, 21bps down compared to Q2 15. Significant yield drops were noted in Vienna (-100bps to 4.50%), Milan (-50bps to 5.5%) and Oslo (-50bps to 4.50%). In most of the core markets, prime shopping centre yields have dropped below their previous peak. Some space for further yield compression appears in Dublin (75bps from last peak), in Milan (50bps from last peak) and in Paris (25bps from last peak).

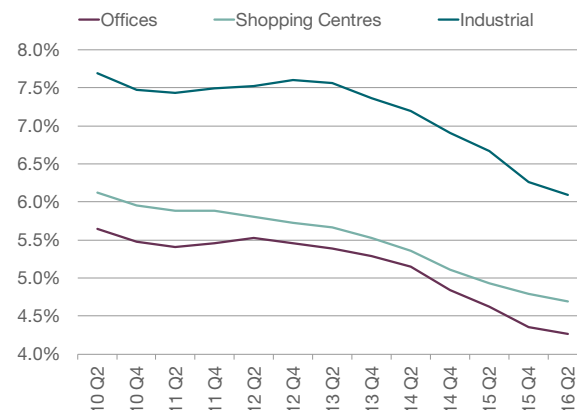
The average prime industrial yield in our survey area dropped by 44bps to 5.9%. In Q2 16, prime industrial yields hardened by more than 50bps yoy in Helsinki (-125bps to 5.5%), in Dublin (-100bps to 6.0%), in Amsterdam (-85bps to 5.75%), in Ile de France (-80bps to 5.7%) and in Warsaw (-75bps to 6.75%). ■

GRAPH 2
Prime CBD yield gap



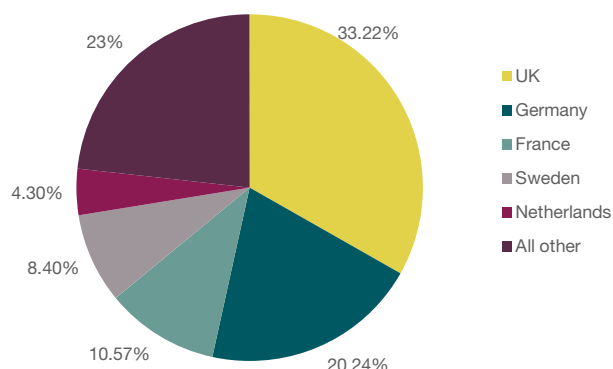
Source: Savills

GRAPH 3
European average prime yield



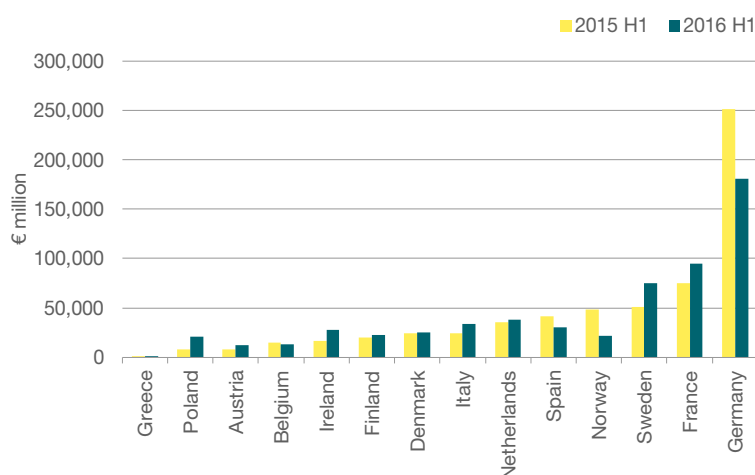
Source: Savills

GRAPH 4
Investment share by country H1 2016



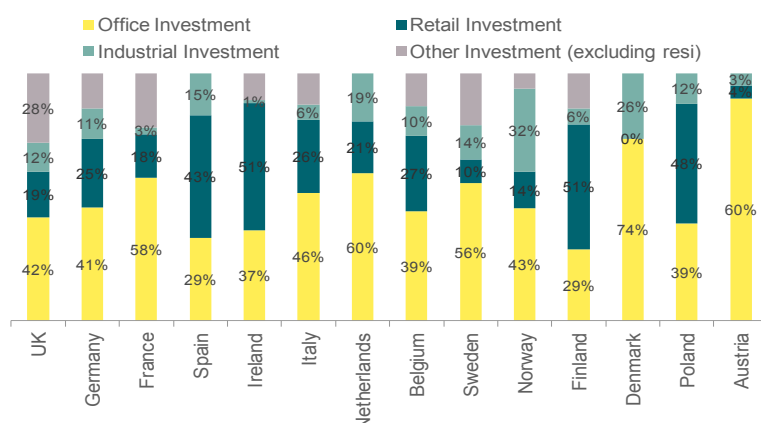
Source: Savills

GRAPH 5
H1 investment volume (excluding UK)



Source: Savills

GRAPH 6
Investment by asset type H1 2016



Source: Savills

OUTLOOK

Lack of prime product will constrain activity

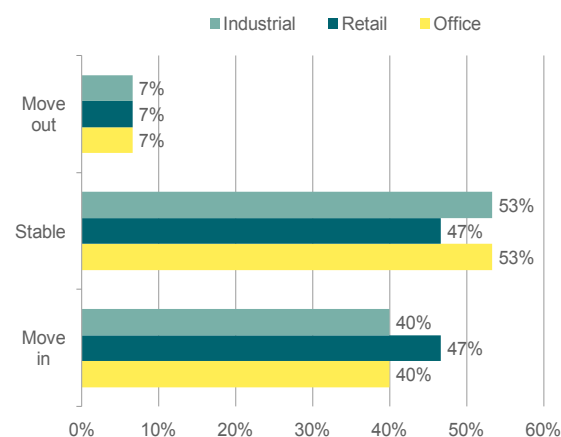
■ The less dynamic UK market, the lack of prime product in mainland Europe, and the fewer mega deals most likely will keep the total investment activity of the year below last year's record level. Nevertheless, there is still a number of large-scale deals under negotiation that may underpin the total significantly.

■ The underlying strength of the occupational markets, with low vacancies, limited development and positive prime rental growth should ensure that cross border investor interest in European commercial property remains strong.

■ As investors are generally facing a lack of attractive alternative investment options, real estate is a Hold/Buy, which on the one hand continues to restrict the supply of product and on the other intensifies demand. Although last year we saw more investors prepared to moderate their investment criteria we believe that until there is more clarity around Brexit and its implications, investors might choose to focus on core products and markets.

■ Government bond yields remain very low and investors continue to benefit from a wide positive yield gap, therefore we expect prime yields to remain stable in 50% of our markets and continue to move in in most of the remaining ones. Higher risk premiums might be applied on secondary assets, as a result of the period of uncertainty.

GRAPH 7
2016 prime yield end year outlook



Source: Savills investment agency teams survey

Austria



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The investment market in Vienna performed extremely well in the first half of 2016 and continues its ongoing favourable development.

The transaction volume amounted to €1.3bn in the first six months, which is well above average compared to previous years' figures. Since several large-scale transactions are currently being negotiated, the transaction volume for the whole year is expected to at least match last year's record volume of €3.45bn if not exceed it.

In H1, office transactions made up for the lion's share of the investment volume with 54%, followed by hotel properties with 32%. The biggest transaction was the sale of IZD tower to CBRE global investors on behalf of a Korean investor. With a reported investment volume of more than €230m it is the third-largest deal ever signed on the Viennese investment market. This transaction also illustrates the trend, that investors on the Austrian market become more and more international. Traditionally, the market has been dominated by German investors, however, buyers from Asia in particular have been very active during the past months. They invest often indirectly via asset managers and are seeking large-scale transactions exceeding €100m.

Supply in the core segment, especially for office properties, is still very low, which limits the market activity. Investors shift their focus increasingly towards forward purchases, buying development office projects already long before completion, sometimes even before building has begun. Since several prestigious office buildings are currently being built, a number of transactions in this segment are expected in the upcoming months. Institutional investors also begin

to shift their investments towards residential properties, a segment that has traditionally been dominated by private investors and family offices.

The strong influx of capital also leads to a further increase in prices. Prime yields have continued to decrease and are currently at 4.2% for top office properties and shopping centres and at 5.75% for retail parks and are expected to decline further.

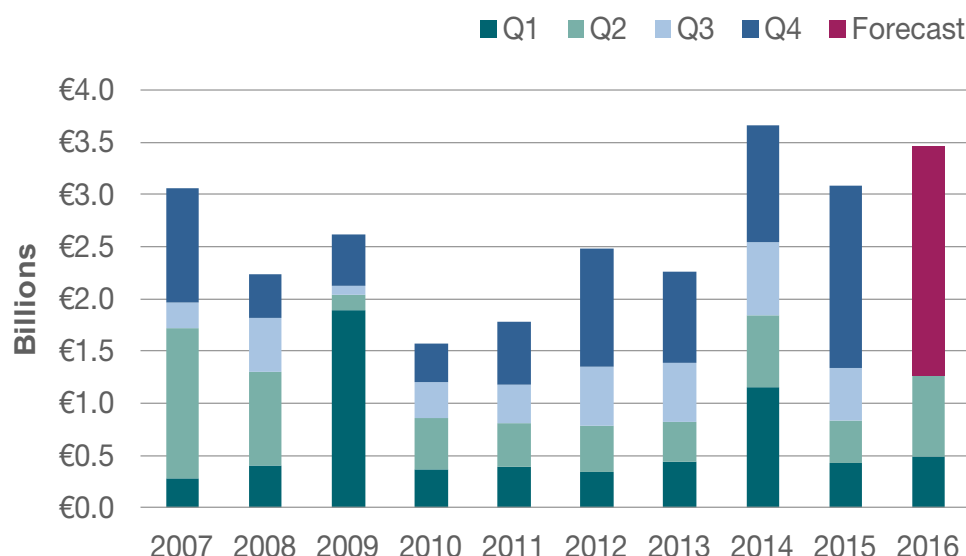
The outlook for H2 is very positive

with the policy of low interest rates by the European Central Bank certainly invigorates the demand for real estate investments further. The difference in yields between bonds and real estate is at a historic high, which further boosts demand. Prices will continue to rise and yields for non-core properties will approximate those for top properties. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	↘

GRAPH 1
Austria Investment volume 2007-2016



Source: EHL

TABLE 1
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
IZD Tower	Vienna	€270m	CBRE Global Investors	Office
Tech Gate	Vienna	€72m	Strabag	Office
La Stafa - Ruby Marie Designhotel	Vienna	€90m	CBRE Global Investors	Hotel

Source: EHL

Belgium



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The investment volume in Belgium in H1 2016 stood at €1.35bn compared to €1.5bn in H1 2015.

H1 2016 investment market was mainly dominated by the office market, accounting for 40% of the total investment turnover. Excluding the €215m office transaction of the Ellipse tower which occurred end of 2015, noticeable office transactions during H1 2016 were the sale of the Astro Tower for €170m to German asset manager Patrizia acting for a Korean consortium and the sale of the Black Pearl, a 11,000 sq m new office development let to the EU Commission for 15 years which was sold for €55m to German investor Real I.S. setting a new record yield for long term leases at 3.84%.

The retail market represented 27% of the total investment turnover, and was mainly driven by some retail high street deals and the sale of the Hydrion retail park to Redevco for €60m. We believe this portion will increase due to some shopping center deals which could get closed during H2 2016.

Hotel investment volume reached 12% mainly reflecting the sale of the Wiltchers mixed use complex (€120m - 5 star Steigenberger hotel with offices and retail areas as well). Furthermore logistics/semi-industrial and senior residence volumes reflected each around 10% of the total volume.

The Brussels Capital Region and Flanders remain the most attractive areas for buyers in H1 2016, accounting for 54% and 44% of the total volume, respectively. The market remains dominated by domestic investors who accounted for over 60% of the investment volume. However, we can see that Asian investors are attracted by the Belgian market. In 2015, the Chinese sovereign fund CIC (China Investment Corporation)

acquired two of the biggest shopping centers in Belgium, while other Asian investors like Taiwanese Fubon Life Insurance acquired the Ellipse tower in Brussels. 2016 saw already a Korean consortium acquire the Astro tower.

Prime office yields are almost 100bps lower as to H1 2015 now standing at 4.75% for buildings with standard 3/6/9 years leases and is expected to drop even lower in the coming months. The sale of the Montoyer 51 building (NEO) in the heart of the

European district is believed to set a new record during Q3 2016 for short term leases. Prime office yields on long-term leases stand now at an all-time low at 3.84 % compared to 4.25% 6 months ago.

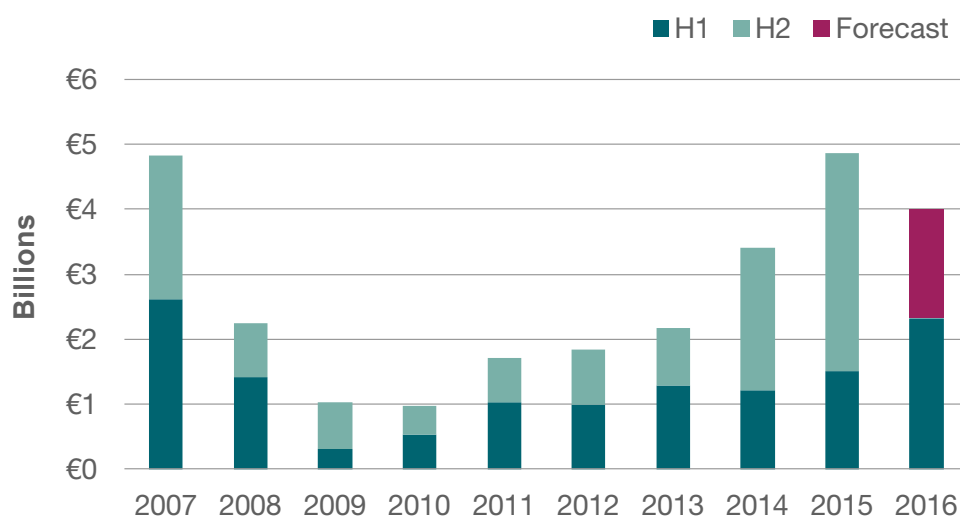
The last 12 months saw a large yield compression in the office sector but in all other sectors (retail, logistics, hotels), yields stand at an all-time low.

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	→

GRAPH 2

Belgium Investment volume 2007-2016



Source: Savills

TABLE 2

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Wiltcher's Complex	Brussels	€120m	AXA Real Estate	Office/Hotel
Senior Residence portfolio	Brussels	€97m	Aedificia	Senior Housing
Retail Park Hydrion	Arlon	€60m	Redevco	Retail

Source: Savills

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In 2016, investment activity in Danish properties has kept up the high pace from 2015. During the first two quarters of the year investment activity has been exceedingly high, and there are no immediate indicators suggesting that neither the Danish nor the foreign investors will lose interest in the Danish property market in the near future. On the contrary, we expect to see more active foreign investors in the market in the future.

The low interest rate levels, which expectedly will remain low for a period to come, contribute to maintain Danish properties as an attractive investment alternative to the more traditional low-yielding bonds. We expect investment activity in Denmark to maintain a high level throughout 2016 and continue in 2017.

The solid investment interest and high activity have contributed to drive up the prime property prices, especially in Copenhagen and Aarhus. Particularly, modern offices, well-located retail properties and development projects are popular among the investors. However, the rapid price increases now seem to cause investors to widen their geographical interest and adjust their risk tolerance to also include larger and medium-sized towns in Denmark, as well as secondary office and retail properties and the warehouse segment, which have previously received little attention from the investors.

In a national scope the office and retail transactions in Q2 accounted for approximately 45% of the total transaction volume. The majority of these transactions were with office properties, both measured in number and volume. Geographically, the investment interest is particularly intense in the capital area and Aarhus, where the activity is exceedingly high.

Prime office properties are in short

supply in Copenhagen and Aarhus, yet the investor demand remains significant. It is our assessment that the current investment demand in the market will effortlessly absorb new build within the office segment, or alternatively offer the property owners favourable opportunities to sell.

The transaction volume of the retail segment is comparatively smaller than that of the office segment. Investment interest in retail properties is mainly focused on Copenhagen properties, where several prime retail properties

located on the main high-street Strøget have been sold in the first half of 2016.

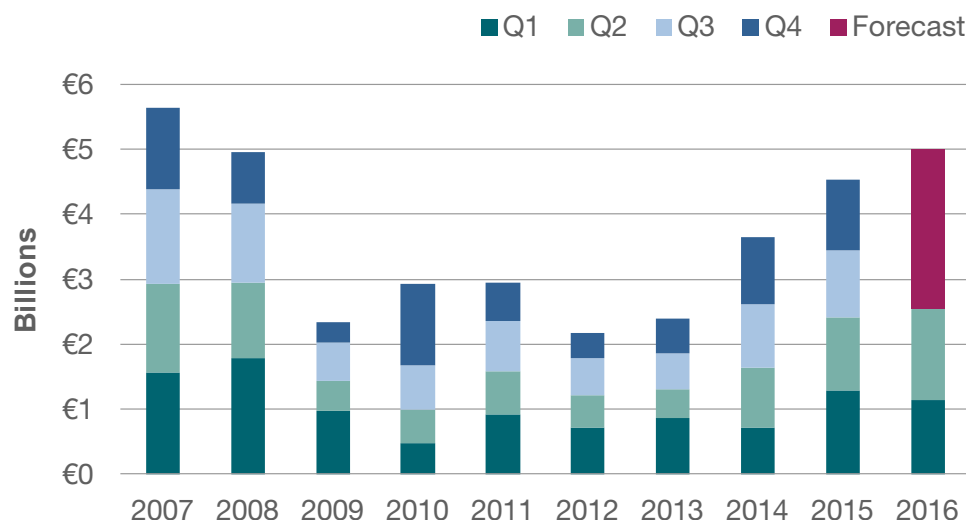
For industrial properties the transaction volume represents approximately 16% of the total national transaction volume. The majority of the completed transactions are with properties located in the Greater Copenhagen area, especially well-located properties close to the motorway network are popular among investors. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 3

Denmark Investment Volume 2007-2016



Source: Nybolig

TABLE 3

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
BIG	Herlev	€148m	CBRE Global Investors	Retail
Turbinehuset, Adelgade 12	Copenhagen	€31m	ATP	Office
Amager Torv 2	Copenhagen	€26m	Unknown	Retail

Source: Nybolig

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Investment activity was dynamic early in 2016 boosted by the strong inflow of capital. In Q2 2016, the favourable investment sentiment continued but focus was in residential portfolios. The transaction volume of commercial properties slowed to €560m.

The total volume increased by 11% from the previous year amounting to €2.24bn in H1 2016, dominated by retail with a share of 51%. Supermarket portfolios and shopping centres are the most sought after retail properties.

By location, the share of the metropolitan area accounted for €1.25bn (56%) and the rest of Finland €1bn (44%). In Q2, the share for the rest of Finland accounted for 62%. Demand has expanded to various investment products outside the Helsinki region. The Helsinki position remains strong in spite of increasing interest in regional major cities such as Tampere and Turku. Market liquidity and transparency is, however, important criterion for foreign investors operating in Finland.

Due to high demand, the investment volume growth in several regions is limited by the lack of desired properties. Yields have compressed further as a result of tough competition. The fall of prime logistic yields has continued, currently standing at the level of 5.5%. Prime yields for supermarkets and retail warehouses as well as secondary office yields, meaning well located high quality offices, have also edged downwards.

Investment demand will remain dynamic in H2 2016 although the peak is estimated to have already passed. Supply for suitable properties is limited as investors have to pay increasing attention to the occupier market fundamentals to identify value add investment opportunities. Prime yields are anticipated to remain

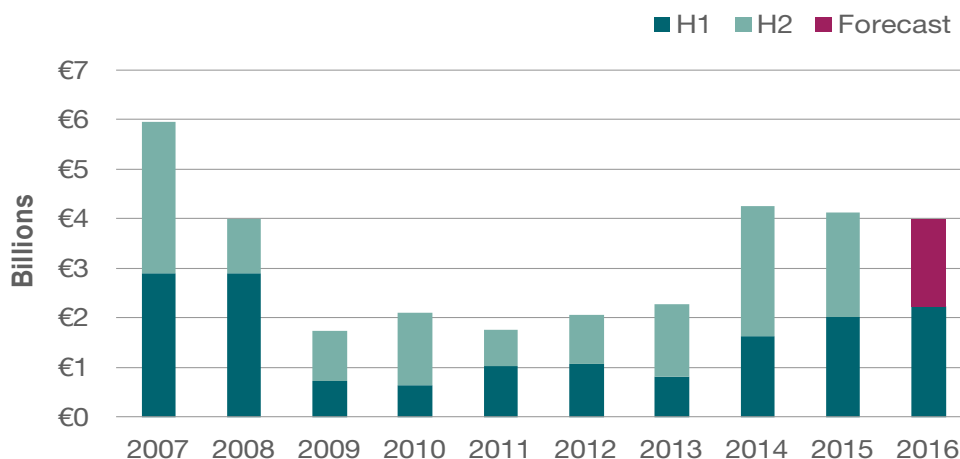
stable. Investors' interest in properties outside the metropolitan area and in alternative property types are expected to remain high.

The quality requirements of the property become even more pronounced, for example large, good logistics properties nationwide attract investors. For investors who are looking for suitable office or retail targets, second tier cities offer good options. Investors are placing a high value on the tenants' covenant strength and on demand of long-term leases. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 4
Finland Investment Volume 2007-2016



Source: Realia/Savills

TABLE 4
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
186 supermarkets	Nationwide	€92m	Sagax	Retail
Retail portfolio	Nationwide	€74m	eQ Finnish Real Estate	Retail
Shopping Centre Seppä	Jyväskylä	€70m	Private	Retail

Source: Realia

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In the first half of 2016, €9.1bn was invested in commercial real estate in France. Additionally, the investment market grew by 21% in relation to H1 2015. After a disappointing start to the year, the market rebounded in Q2 resulting in one of the best levels recorded in H1 since 2007. However, market activity was less significant, for the reason that the number of transactions during H1 was lower than that of the previous year. This was mainly due to insufficient products for sale in these market sectors, whilst demand still continued.

The growth of investment volume can be explained by the return of very large transactions that were missing from the same period in 2015. Three deals of over €500m have been signed since the beginning of the year (two in services and one in offices). This market sector totalled €2.7bn, or Investment in offices dropped by 9% in comparison to H1 2015 and represented 54% of the market. All markets have decreased except La Defense which saw a sharp increase from 3% to 21%. Portfolios rose from 5% to 9% of the market.

Investments of industrial assets are still low representing only 3% of the market. However, the shares of trade and especially services continue to increase to 18% and 26% respectively. The increase in the volume invested in services is dramatic, increasing from €346m in H1 2015 to €2.1bn in H1 2016. The investment market remains largely dominated by national participants. Foreign investors were slightly down. Germans and Americans account for 8% each and the Middle East for 5%.

The market was boosted by institutional investors (37%), closely

followed by private property investors (36%), and followed by investment funds (8%).

The prime office yield remained stable at 3.25% in Q2 2016. The stabilisation is the most visible sign of the 'wait-and-see' attitude created by Brexit. The economic context and financing conditions have not changed in France. The low cost of borrowing and the maintenance of rental values is contributing to the upward trend in prices of commercial

property.

Despite an unstable social context, rendered by Brexit and numerous strikes, the investment market should maintain some momentum thanks to robust fundamentals and strong domestic demand.

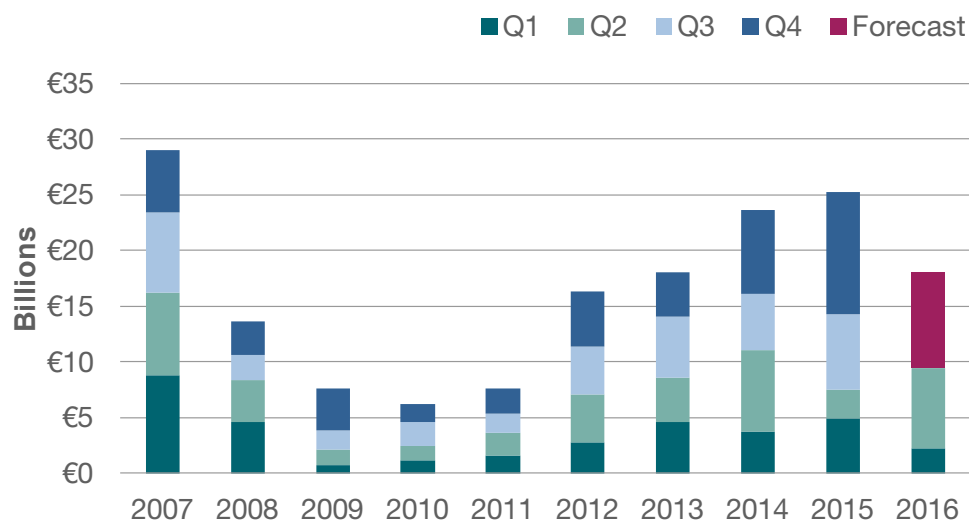
If the economic recovery continues, the level of investments in France could reach €18bn by the end of 2016. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 5

France Investment Volume 2007-2016



Source: Savills

TABLE 5

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
74 Clinics	Nationwide	€1.35bn	Primonial/Amundi	Clinics/Hospital
Tour First - CB31	Courbevoie	€830m	Axa Real Estate	Office
Accor Hotel Portfolio	Nationwide	€504m	Eurazeo	Hotel
Avenue Champs Elysees	Paris	€490m	Private	Retail

Source: Savills

Germany



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Approximately €18.1bn of commercial property was sold during the first half of 2016, representing a 28% decrease compared with the corresponding period last year. Whilst investment volumes of office and retail properties decreased by 19% and 57% respectively, logistics and industrial properties as well as hotels, nursing homes and development sites recorded increases. Yield compression slowed down in the second quarter of this year. Across the top seven cities, prime yields for offices and prime high-street assets showed a decline of three basis points each against the previous quarter.

Transaction activity in the first half of year was dominated by domestic investors, as 59% of the commercial transaction volume was attributable to German buyers – on the average of the past five years they accounted for only 53%. Amongst the most active foreign buyers were investors from the United States, France and the United Kingdom, who were responsible for 28% of the total transaction volume. With a share of almost 31%, open-ended special funds were by far the largest purchasers group.

It is foreseeable that demand from investors will remain very high in all property types. That the total transaction volume was not greater is primarily attributable to the fact that purchasers remain highly focused on core assets. The problem is that few such properties are being offered on the vendor side since long-term investors are generally faced with a paucity of attractive investment alternatives. Therefore, a further slight yield compression by the end of year is expected.

The general environment continues to favour investment in German commercial property. Economic conditions remain healthy, the major cities are growing, the lettings markets are showing positive growth and interest rates remain low. Against this background, the amount of capital seeking investment opportunities is

likely to expand further and highly capitalised market participants, such as sovereign wealth funds and pension funds, have a definite desire to increase their allocations to real estate.

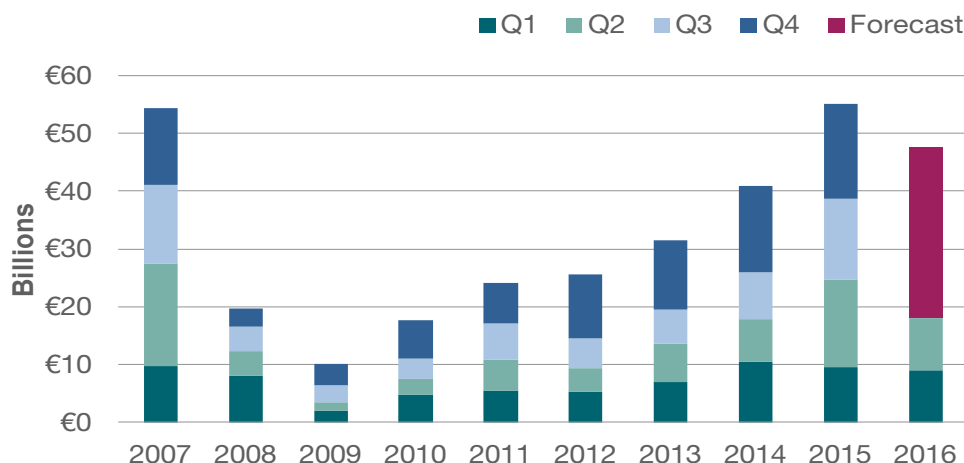
In view of a modest increase in supply, the second half of the year is expected to witness greater transaction activity. However, it is expected that €50bn will probably not be reached by end of year. A large proportion of the supply will continue to come from the non-core segment, which is likely to force many bidders to moderate their investment criteria.

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	↘

GRAPH 6

Germany Investment Volume 2007-2016



Source: Savills

TABLE 6

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Portfolio (9 properties)	Nationwide	€725m	Fonciere des Regions, EVENT Hotelgruppe	Hotel
International Business Campus (IBC)	Frankfurt	€400m	GEG	Mixed
Portfolio (25 properties)	Western Germany	€320m	PATRIZIA Immobilien Kapitalanlagegesellschaft mbH	Retail

Source: Savills

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Investment activity was low during the first half of 2016. This is partly due to the waiting stance of investors who have been eyeing on the progress made to restructuring reforms as part of Greece's engagements with its creditors.

The investment focus has been primarily towards Grade A office buildings in the Athens prime office markets mainly the Athens CBD and Athens Northern Precinct. As in previous periods, the majority of the concluded transactions have been carried out by domestic institutional investors. From the most recent transactions we distinguish the acquisition of an office building of Grade A specifications located within Athens' CBD undertaken by Grivalia Properties REIC. The building was acquired as an investment asset. The building comprises a lettable area of 3,990 sq m while the value of the transaction amounted to €11.3m. A second transaction was carried out by BB Energy which acquired an office building for €8.3m, located in Athens Northern Precinct along Kifisias Avenue featuring a lettable area of c. 3,500 sq m. Also Pangaea REIC has only recently acquired a portfolio of retail and office assets from a social foundation ("Asilo Aniaton"). The REIC is expected to announce the acquisition price and initial yield of the transaction soon.

Current prime gross yields in the office market stand at 8.25%, in the retail market at 6.5% and 7.5% for prime high street retail units and c. 7.5% - 8% for shopping centres and in the logistics market at 10%.

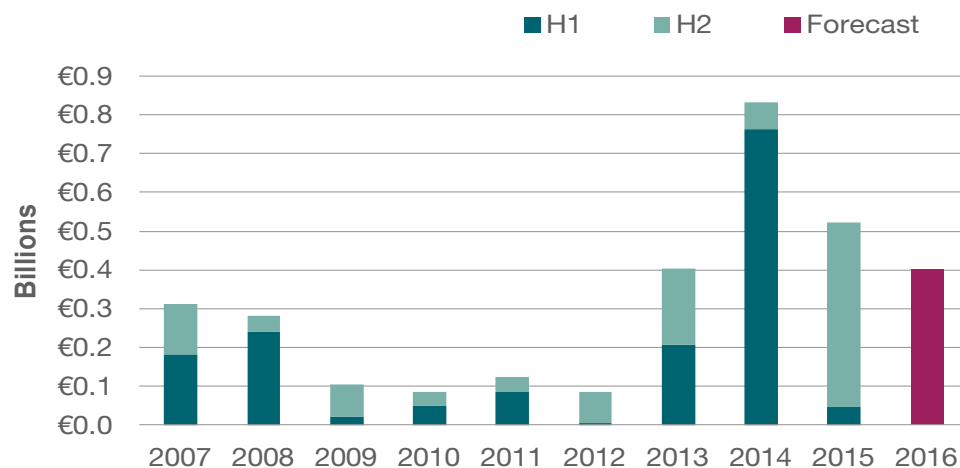
For the second half of 2016, and under the expectation that Greece's political environment should further stabilise, we believe that the office market is expected to attract most of the investment interest. Particularly, we have observed an increasing interest from opportunistic funds, private equity funds and private offices in acquiring large portfolios of collateralized real estate assets of

non-performing loans issued by the Greek systemic banks. Moreover, we expect a growing interest on investments related to the hospitality sector as it is one of Greece's best performing industries. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 7
Greece Investment Volume 2007-2016



Source: Savills/RCA

TABLE 7
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Vasilissis Sofias Avenue	Attica CBD	€11.25m	Grivalia Properties REIC	Office
Kifisias Avenue	Attica North	€8.3m	BB Energy	Office
Unknown	Attica	Unknown	Pangaea REIC	Office & Retail

Source: Savills

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Market activity remained brisk in the first half of 2016 with €2.7bn of non-residential property trading between January and June. In terms of asset sales this leaves the market on course to repeat last year's turnover figure.

Over €1.2bn of office assets traded in the first half of 2016. Investor demand remains firmly focused on Dublin. In part this reflects tight occupational conditions in the Irish capital which have created a positive rental story. Rapid jobs growth has created a need for business space while, at the same time, only 35,000 sq m of new office space has been completed in the last 18 months. This mismatch between demand and supply has driven headline rents to levels last seen in 2007.

In addition to solid market fundamentals investors are being attracted to Dublin offices by the base of high-quality international covenants; Nine of the world's top ten global software companies, nine of America's top ten ICT companies, and all of the world's top ten internet companies are present in Dublin.

Retail's share of Irish property investment turnover has steadily risen over the past three years, and €1.4bn of assets were traded in the first half of 2016 (although this figure is inflated by a single large deal - the Q2 sale of the Blanchardstown Centre in west Dublin for €950m). Investors are increasingly being attracted to retail assets by an ongoing recovery in the consumer economy. Increased employment, earnings growth and modest tax cuts are all contributing to increased household disposable incomes. In addition the population is growing - early figures from the 2016 Census show that the headcount in Dublin and Ireland's larger regional cities

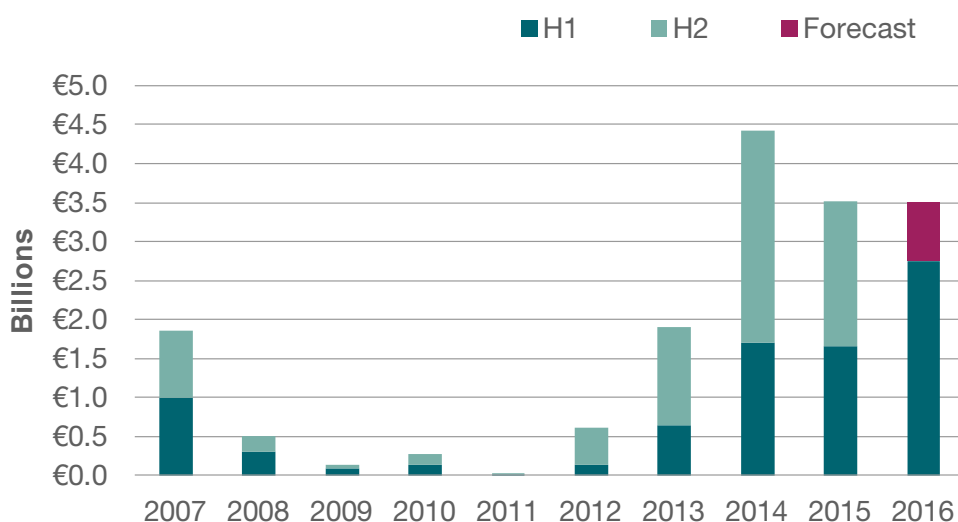
has increased strongly since 2011. This will underpin consumer activity and the demand for retail assets in these locations.

With economic growth forecast to continue, even after Brexit, occupiers' demand for business space should remain solid. A supply-side response is beginning to emerge, especially in the Dublin office market. However, no major increase in new space deliveries is

expected until 2018 at the earliest. This suggests that capital values will be underpinned by a positive rental story in the interim. Yield movements are harder to predict given the uncertainties created by Brexit. Interest rates will now stay lower for longer, potentially driving capital into real estate. At the same time any movement in UK yields has the potential to affect Irish values, at least until a clearer picture of the terms of Britain's exit emerge. ■

PRIME YIELDS	
END-YEAR OUTLOOK	
Offices	➔
Retail	➔
Industrial	➔

GRAPH 8
Ireland Investment Volume 2007-2016



Source: Savills

TABLE 8
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Blanchardstown Shopping Centre	Dublin	€950m	Blackstone	Retail
LXV Block	Dublin	€85m	CNP Assurance	Office
Childers Road Retail Park	Limerick	€44m	Irish Life	Retail
Harbourmaster III	Dublin	€40m	Intesa Sanpaolo	Office

Source: Savills

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In the first half of the year, over €3.4bn of investment volumes, circa 40% above H1 2015, were transacted. In Q2, over €1.7bn of deals completed with two major transactions represented by the acquisition of two office buildings located in Milan for a total in excess of €400m.

In addition, the recent takeover by Antin /Icamap /Borletti for the leasehold of Grandi Stazioni portfolio (14 assets) for a total in excess of €950m highlights the fervour in the Italian investment market. The transaction is currently being finalised.

A material yield tightening is ongoing on some asset classes such as high street assets in primary and secondary cities, prime regional shopping centres and Milan offices, also in submarkets, where prime yields have hit record lows, if compared to the previous pricing peak in 2007. Nevertheless, they compare favourably to the long term government bond yields, which are also at historic low levels, creating a gap of over 300bps with average prime commercial property yields.

Investor demand, dominated by institutional money, is biased towards strong high streets across the country and prime regional shopping centres. The office sector is still suffering a lack of Institutional products particularly in Milan prime market. Interest is still strong from investors who are looking into core plus and value add opportunities in good locations in prime and secondary cities.

The outlook for 2016 is positive as a growing number of investors are looking at Italian CRE due to the renovated confidence on economic recovery. Moreover, to support the banking sector, the Italian government announced the creation

of Atlante, a government-backed private rescue fund, which will help to speed up the deleveraging process of the banking sector, restore confidence in the system and create a market for non-performing loans for investors who are interested in this type of product.

The scarce supply of products could diminish whether funds will take advantage of the improving market conditions. Further yield compression is expected due to existing demand,

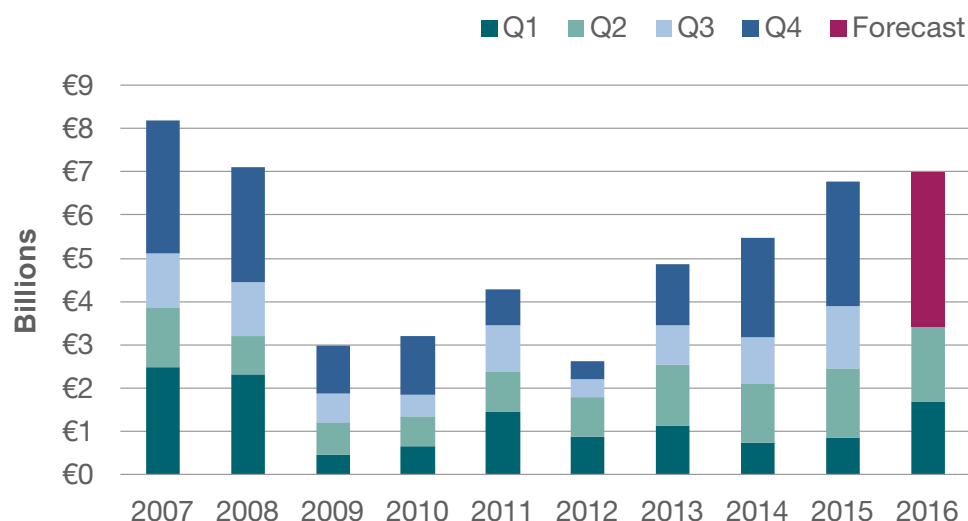
government bond/CRE decreasing gap and current financing conditions.

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➡
Industrial	➔

GRAPH 9

Italy Investment Volume 2007-2016



Source: Savills

TABLE 9

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Via Monterosa 91	Milan	€220m	AXA IM - Real Asset	Office
Vodafone Village - Via Lorenteggio	Milan	€200m	Coima Sgr	Office
Hotel St. Regis / The Westin Excelsior	Firenze	€190m	Jaidah Holdings	Hotel
Via Cordusio 2	Milan	€130m	Hines	Office

Source: Savills

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Positive economic sentiment, coupled with low interest rates, easy access to financing and competitive pricing, kept Dutch property much sought-after by both domestic and foreign investors.

The effects of the Brexit on the Dutch property investment market has to be awaited, but as long as uncertainty doesn't spread over Europe, it could even be that prime properties in the Netherlands profit from increased demand for lower risk investments.

Preliminary data suggests that the total investments in offices, industrial and retail in 2016 H1 will reach around €3.8bn, compared to €3.5bn in the same period last year (+9%). This can be fully attributed to the increase in office investments, which more than doubled to around €2.3bn. In 2016 H1 a number of large office portfolios changed hands and added to that a number of significant single asset deals were registered, including De Rotterdam (€350m) and FIRST Rotterdam (€133m).

Both retail and industrial investment volumes remained behind last year's figures. While the retail market last year listed a €770m portfolio, the largest transaction in 2016 H1 concerned Union Investments purchasing shopping centre Klanderij in Enschede for €118m.

Within the industrial sector the logistics market shows large occupier demand and many new developments. This will likely also reflect in a forthcoming increase in investment transactions, but so far the limited offering of actual investment opportunities seems to have subdued the sales volume.

The share of cross-border investments remained very substantial in 2016 H1 and reached around 69% of the total investment

volume. Largest inflow initiated from buyers Amundi Real Estate (France), Union Investments (Germany) and Goldman Sachs (USA).

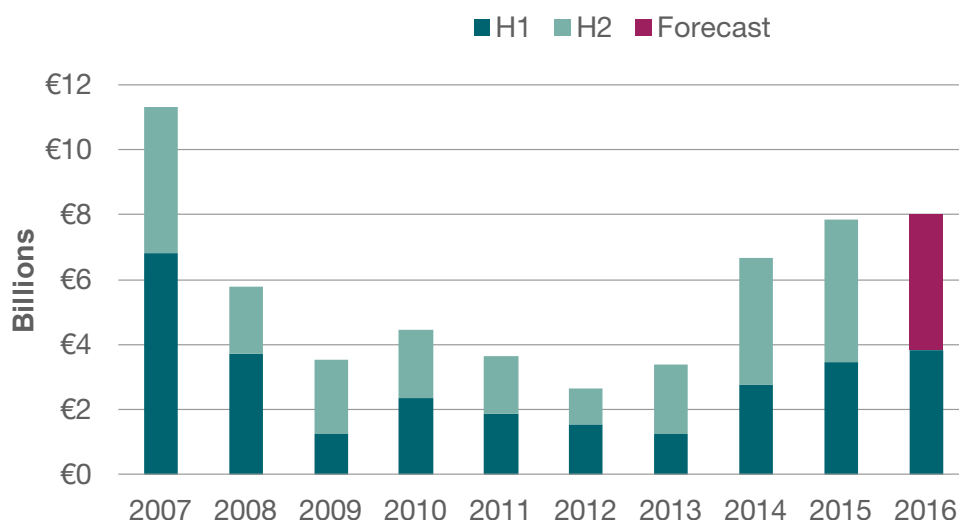
The current prime gross yield in the office market stands at 4.8%, in the logistics market at 5.75%, high street retail at 3.75% and shopping centres at 5.25%. Prime yields could contract further as demand for prime properties might increase, but the actual effects of the Brexit have to be awaited to give additional insight

in yields and upcoming investment volumes. However, a Dutch tax regulation allowing for a refund of transfer tax over the buying price for assets purchased between 2011 and 2014 and sold within three years of purchasing, will likely lead to an increase of product getting to the market in the last phase of 2016 and also 2017. ■

PRIME YIELDS	
END-YEAR OUTLOOK	
Offices	↘
Retail	→
Industrial	↘

GRAPH 10

Netherlands Investment Volume 2007-2016



Source: Savills

TABLE 10

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
De Rotterdam	Rotterdam Kop van Zuid	€350m	Amundi Real Estate	Office, hotel, parking, commercial
Credit Suisse Portfolio	Nationwide	€380m	MCAP Global Finance	Office
Propertize Portfolio	Nationwide	€147m	DW Partners	Offices, retail hotel
FIRST Rotterdam	Rotterdam	€133m	Union Investment	Office

Source: Savills

Norway



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The 2016 transaction market started somewhat slow as most real estate agents finalised their sales at the end of last year. However, there is no reason to believe that 2016 will be a year with low transaction volumes, and we know that there are several large sales coming up the next quarters.

The first half of 2016 ended strong and we have registered a transaction volume of approximately NOK 27bn (€2.86bn) across approximately 100 transactions. At the same time last year, we counted NOK 40bn (€4.24bn), including Citycon's acquisition of the Sector portfolio for NOK 12.2bn (€1.29bn).

When looking at pure volume, office is by far the largest segment with more than 65 % of the transaction volume, while retail accounts for roughly 15% and hotel around 7.5 %. International investors are still active both at confirmed deals (around 20% so far), but also in the bidding process of ongoing deals. German investors, now with negative government bonds have an attractive margin when purchasing prime yield offices at around 4 %.

The prime office yield is estimated at 4%, and we believe in a widening of the gap between prime and secondary assets. Due to ongoing bidding processes we could expect the prime office yield to drop further to 3.75 %, but so far have none of the transactions have been finalised. The total investment market in 2016 will depend on the development in the Norwegian economy, as well as lending margins and availability of financing. We predict that we will see a moderate slowdown in 2016, with a total transaction volume around NOK 65bn–75bn (€6.9bn–€8bn). These levels may seem like a setback compared to 2015, but

will nonetheless provide yet another strong transaction year in a historical perspective.

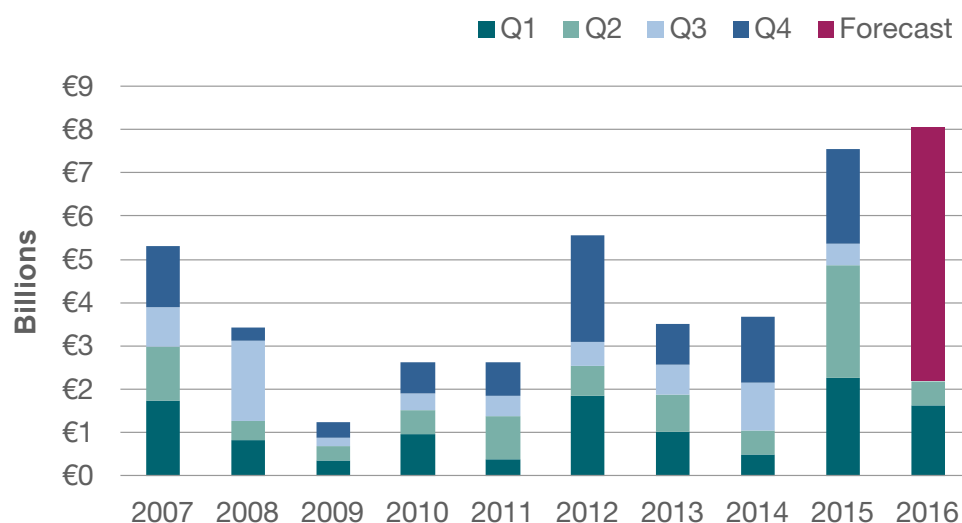
Reduced oil prices, higher vacancy risk and sales to secure gains are factors that may affect the market negatively. Regulatory risks concerning banks (Basel 3) and life insurance companies (Solvency 2) may also affect the market, leading to lower liquidity and appetite for investment.

Allowing for longer acquisition processes could lead to a further increase in the percentage volume taken by international investors in 2016. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 11
Norway Investment Volume 2007-2016



Source: RCA/Heilo

TABLE 11
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Statoil HQ	Fornebu	€414m	Arctic syndicate	Office
NPRO Skøyen Portfolio	Oslo	€265m	Entra	Office
Storebrand Eiendomsfond Portfolio	Nationwide	€84.9m	Unknown	Retail / logistics

Source: Heilo

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The first half of 2016 ended with slightly over €2bn transaction volume. Despite the element of caution that has crept into the Polish investment market, it seems that the end-year result may surpass last year's volume. We observe high activity of investors and high volume of pending transactions. We expect Brexit to have rather positive effect on Polish investment market as the market is perceived as an alternative to more advanced regions. In the long term, the investment market is likely to be boosted by REITs which are of interest not only from private investors but also from government.

Foreign investors dominated the market with the highest share of investors coming from South Africa (ca. 44% of total volume) followed by the EU (35%) and US (16%). The most active investors during the first half of 2016 were Redefine, Warburg-HIH Invest, Hines and GLL. The volume in H1 2016 was boosted by sale of 75% share of Echo Investment Portfolio to Redefine for ca. €891m, the largest transaction ever registered on the Polish market. The portfolio consists of 10 retail schemes of total GLA of 310,100 sq m and six office buildings of 118,100 sq m located across the country.

The retail sector accounted for 48% of the total volume followed by the office and warehouse sectors with respective shares of ca. 39% and 12%. We expect the office sector to increase its share due to pending sales of some large assets scheduled to be finalised by the end of the year. Prime achievable office yields in Warsaw currently range within 5.25%-5.50% in the city centre and at 6.75%-7.25% outside the city centre. In the most established regional office markets of Wroclaw and Krakow, prime yields slightly decreased to 6.25% for the best assets widening spread to more

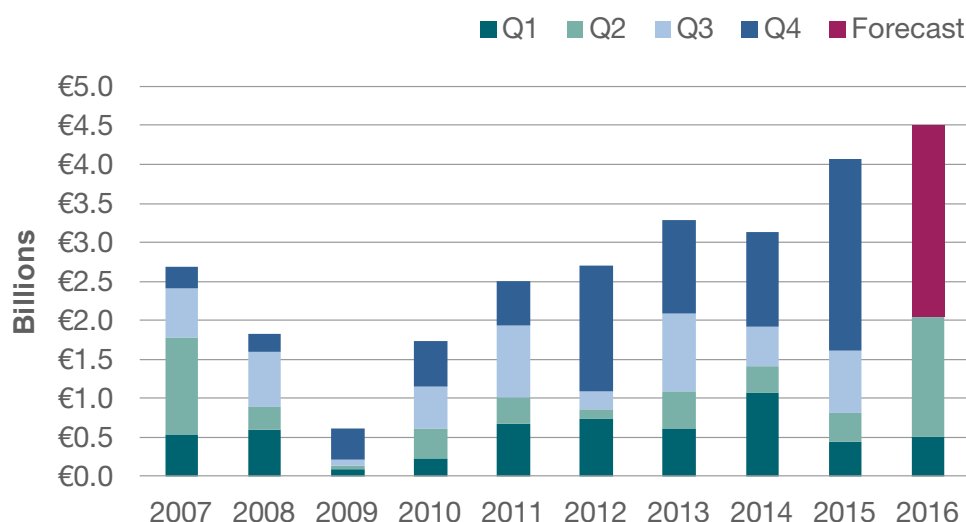
opportunistic ones, standing at 7.25%. In Poznan and Gdansk prime yields are at ca. 7%-7.25%, whereas in Lodz and Katowice at ca. 7.75%-8%. Prime shopping centre yields in Warsaw and major regional cities stood at ca. 5.5%. In secondary cities, prime achievable yields for dominant, regional shopping centres are at 6.25%-6.75%.

Prime achievable warehouse yields

are now at ca. 6.75%-7% for a single-let modern warehouses let to financially strong tenants for at least 10 years, in good locations in major logistics hubs. Multi-let warehouse properties prime achievable yields are at ca. 7.5%-8%, providing that they are leased at market rental levels and well located. ■

PRIME YIELDS END-YEAR OUTLOOK	
Offices	➔
Retail	➔
Industrial	➔

GRAPH 12
Poland Investment Volume 2007-2016



Source: Savills

TABLE 12
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Prime Corporate Center	Warsaw	€91m	Warburg-HIH Invest	Office
NBGI Portfolio	Nationwide	€80m	Hines	Warehouse
Jantar Slupsk	Slupsk	€92m	CBRE Global Investors	Retail
Ferio Konin	Konin	€71m	Union Investment	Retail

Source: Savills

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The Spanish commercial investment market has slowed from the frenetic pace recorded in 2015, when the market reached close to €8.3bn (excluding either corporate deals, debt acquisitions and purchases for own use). It meant 9% yoy increase and accounted for 83% of the annual peak volume registered in 2007.

The volume transacted during the first half of 2016 reached €2.8bn which represents almost 70% of the figure registered in the same period the last year.

The considerable decrease in investment activity has been mainly driven by the shortage of high quality product available in the market which affects all commercial real estate segments.

The retail segment accounts for almost 45% of the total volume thanks to the portfolio of Eroski supermarkets (almost €360m) which represents close to 30% of the retail figure. Offices stand a second place, accounting for almost 30% of the total, followed by industrial and hotels with 15% and 13% respectively.

Regarding the number of transacted assets, there is a tie between retail and office sectors resulting in a higher average volume size in retail. However, in terms of average transaction volume, retail sector is down by around 50% yoy. Although investment figures fell in almost all segments, the average volume per deal remained stable across all segments with the exception of retail.

It is important to say that four of the seven megadeals (>€100m) have taken place in the retail segment and despite this the average volume per deal has fallen.

International money is leading the market accounting for 73% of the total commercial figure. Foreigners are completely controlling the retail, industrial/logistics and hotel

segments, where overseas represents between 85% and 95%. On the other hand, in the office sector domestics exercise supremacy accounting for more than 65%.

The shortage of institutional quality product available on the market continues to put pressure on the prime yield levels, which started the downward trend in 2014. The average gap between current yield levels and those registered in the peak of the market is close to 35 bps, which

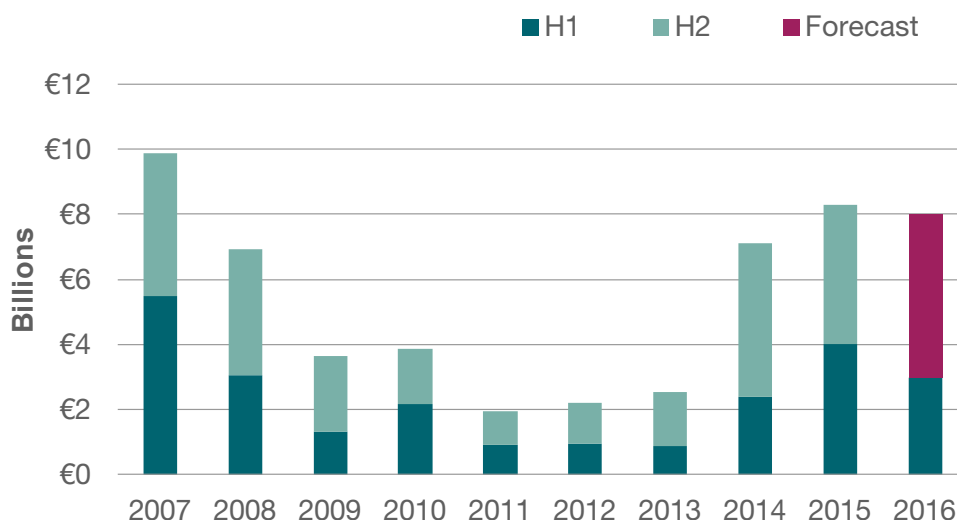
ensures that there is still room for more adjustments. The consolidation of economic positive perspectives and of the labor market will give the definitive impulse to reinforce the growth of the business network, both in number of companies and in working population, and to boost the private consumption. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↓
Retail	↓
Industrial	↓

GRAPH 13

Spain Investment Volume 2007-2016



Source: Savills

TABLE 13

Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Parque Empresarial Las Mercedes	Madrid	€130m	GreenOak	Office
L'Aljub	Madrid	€100m	TPG	Retail
Logistics Portfolio	Madrid & Barcelona	€100m	CBRE Global Investors	Logistics
Passeig de Gracia 85	Barcelona	€50m	Grup Peralada	Retail

Source: Savills/RCA

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The ongoing expansive policy has contributed to a boom in the Swedish economy. The growth is strong compared to most mature economies in Europe and the Swedish GDP grew by 4.2% in 2015 and the consensus forecast indicates a growth of 3.5% for 2016 with a positive outlook for 2017 as well. The Bank of Sweden has kept the lending rate at record low levels and increased the QE-programme and their prediction for a first lending rate hike is towards the end of 2017.

The transaction market in Sweden is characterised by an extreme liquidity and saw a record high transaction pace in 2015 followed by an all-time high transaction volume of SEK 98bn (€10.4bn) during H1 2016, which is 8% higher than the previous record in H1 2006. We expect that the transaction volume by the end of the year will reach volumes comparable to the previous strong two years and it is not unlikely that an all-time high investment volume will be recorded.

The office sector saw the largest amount of activity during H1 2016 and accounted for 40% of the transaction volume. The investment volume in the retail sector and the industrial sector was quite weak during the first half of 2016 and accounted for 6% and 9% respectively of the total transaction volume.

The transaction pace decreased during H1 2016 and approximately 280 transactions were carried through, which is 11% less compared to H1 2015. Due to the record high volume and a lower transaction pace the average deal size amounted to SEK 351m (€37.6m) during the first half of 2016, 34% higher than the 10-year average deal size.

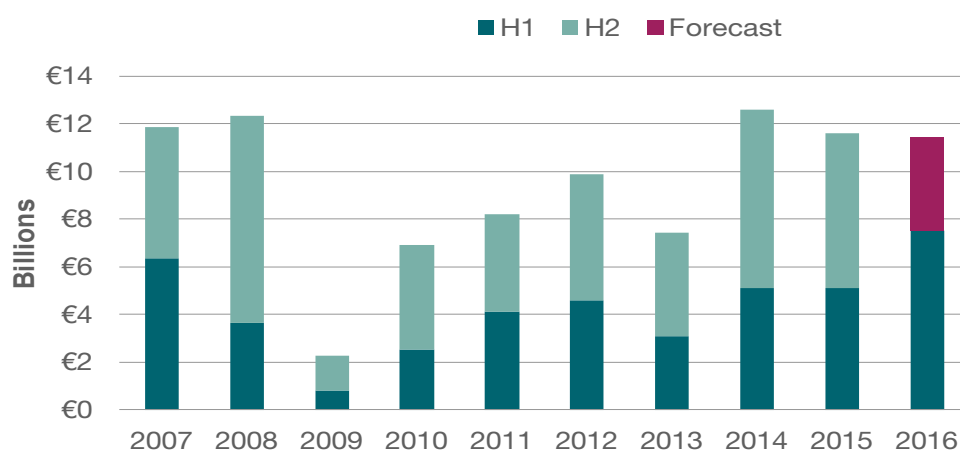
With low rates, a volatile global stock market and bond yields at low levels, domestic investors have increased their exposure towards the property sector chasing higher returns. The favorable market situation has led to a highly competitive market where the demand by far surpasses the supply and the lack of prime assets has forced investors to consider secondary assets or other sub-sectors. The high demand for prime assets in the property

sector combined with a low supply has led to a yield compression and historically low yields in most sectors and geographical markets. Prime office yields in Stockholm CBD are currently around 3.75%. We expect that the historically low yields across all property sectors will either remain stable or harden further during 2016. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➡
Industrial	➡

GRAPH 14
Sweden Investment Volume 2007-2016



Source: Savills

TABLE 14
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Blackstone Office Portfolio	Nationwide	€323.1m	Intea	Office
Kungshuset	Stockholm	€162.6m	Folksam	Office
Ingelsta	Norrköping	€56.7m	Standard Life	Retail

Source: Savills

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The run-up to the referendum on EU membership saw a steady slowing in investment activity in the UK, particularly in asset classes where larger lot sizes are more prevalent. The total investment volume for the 1H of 2016 was just over £23bn, which was 40% down on the same period in 2015.

While some commentators have attributed this solely to the uncertainty around the referendum, we believe it also reflects the fact that UK investment market was starting to slow its pace in expectation of lower levels of capital value growth and hence lower returns. Some markets have proved more resilient than others, with regional office, industrial and high street shops remaining popular.

We have not yet seen much movement in pricing, either in the weeks before the Brexit result or immediately after. However, we have seen a dramatic rise in opportunistic investor interest in the UK, most of whom are focusing on secure income opportunities where prices might have fallen due to the referendum result.

Unlike previous cycles the UK commercial property markets are not facing a speculative development bubble, nor have we seen a closing of the yield spread between prime and secondary assets. Both of these indicators show that the market was taking a very realistic attitude towards risk in the run-up to the referendum, and this should limit the downside for both the investment and occupational markets.

Early indications are that the majority of deals that were under offer around the referendum date have gone through unchipped, though some have either been

delayed or subject to 0-5% reduction in price. Clearly the UK is facing a sustained period of uncertainty, and this will impact on occupational and investment deal volumes.

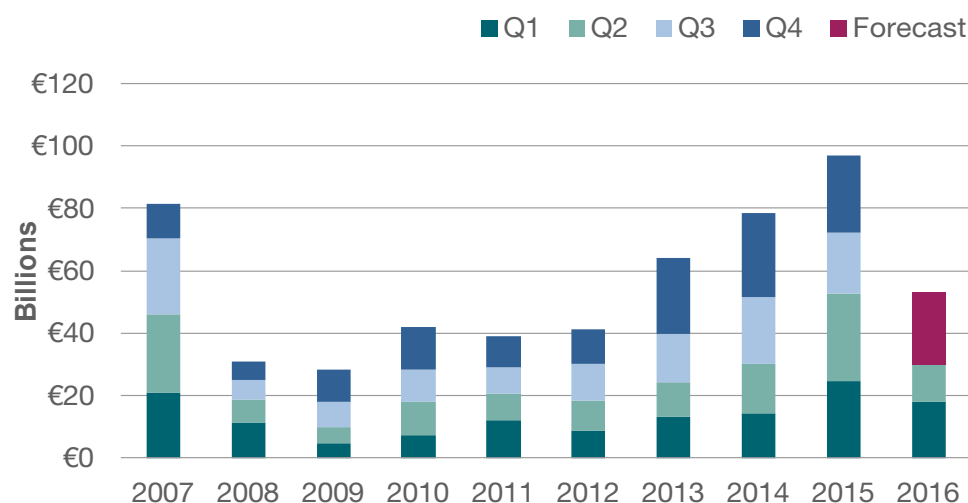
However, the underlying strength of the occupational markets (low vacancies and limited development pipeline) should ensure that the floor for capital values will be comparatively higher than in previous more broad-based downturns. This will probably mean

that some opportunistic investors are frustrated at the lack of distressed pricing. However, there will be deals to be done and some will undoubtedly be at attractive prices. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↗
Retail	↗
Industrial	↗

GRAPH 15
UK Investment Volume 2007-2016



Source: Savills

TABLE 15
Major investment transactions Q2 2016

Property	Location	Price	Buyer	Usage
Hammersmith Road, 245	London W6	€417m	Mitsubishi Estate Company	Office
Merry Hill	Dudley	€639m	Intu Properties Plc	Retail
London Collection	Nationwide	€513m	Westbrook Partners	Office
Bevis Marks, 6	London EC3	€532m	Citibank Private Bank	Office

Source: Savills

Key investment indicators

GDP growth, prime rental growth¹, prime yields and yield shift² in Q2 2016

City	GDP growth 2016 (f) ¹	Office rental growth	Office yield	Office yield shift	Industrial yield	Industrial yield shift	SC ⁵ rental growth	SC yield	SC yield shift
Amsterdam	1.6%	0.0%	4.2%	-60	5.8%	-85	0.0%	5.3%	-35
Athens	-1.3%	0.0%	8.0%	-25	10.0%	0	0.0%	7.5%	0
Berlin	1.7%	14.1%	4.1%	20	5.5%	-30	n/a	4.6%	-10
Brussels	1.4%	0.0%	3.8%	-70	6.5%	-25	0.0%	4.3%	-25
Copenhagen*	1.3%	7.0%	4.0%	-50	8.0%	-50	11.1%	4.0%	-25
Dublin	4.6%	9.1%	4.3%	-10	6.0%	-100	12.5%	4.5%	-30
Dusseldorf	1.7%	0.0%	4.4%	0	4.5%	-20	n/a	4.3%	-10
Frankfurt	1.7%	0.0%	4.5%	-10	5.1%	-40	n/a	4.2%	-10
Hamburg	1.7%	2.0%	4.6%	-10	5.2%	-30	n/a	4.0%	-10
Helsinki**	1.2%	0.7%	4.3%	0	5.5%	-125	0.1%	4.8%	0
London ⁶	1.8%	7.8%	3.5%	50	4.75%	-25	0.8%	4.3%	0
Madrid	3.0%	3.9%	4.5%	-25	n/a	n/a	0.0%	4.8%	-25
Milan	1.0%	0.0%	4.0%	-75	7.5%	-25	0.0%	5.5%	-50
Munich	1.7%	1.5%	4.5%	-10	5.0%	-40	n/a	3.7%	-10
Oslo***	0.9%	2.7%	4.8%	-50	5.5%	-50	8.3%	4.5%	-50
Paris	1.7%	5.1%	3.3%	-50	5.7%	-80	0.0%	4.3%	0
Stockholm	3.5%	12.5%	3.75%	-40	5.5%	-50	1.2%	4.8%	-25
Vienna****	1.3%	-1.9%	5.5%	-55	n/a	n/a	0.0%	4.3%	-125
Warsaw	2.9%	0.0%	5.25%	-75	6.8%	-75	0.0%	5.5%	0

Note 1: Rental growth is annual and calculated in local currencies

Note 2: Prime yield shift is annual - in basis points

Note 3: First estimations

Note 4: GDP is national, growth is annual and it is the Oxford Economics forecast for the year 2016

Note 5: SC=Regional Shopping Centre. Rental growth refers to prime standard unit of approx 100sqm

Note 6: London offices refer to West End

Note 7: Yields are quoted Net unless noted otherwise

Source: Savills / *Nybolig / **Realia / ***Heilo/ ****EHL

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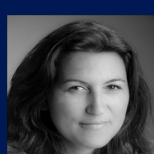
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