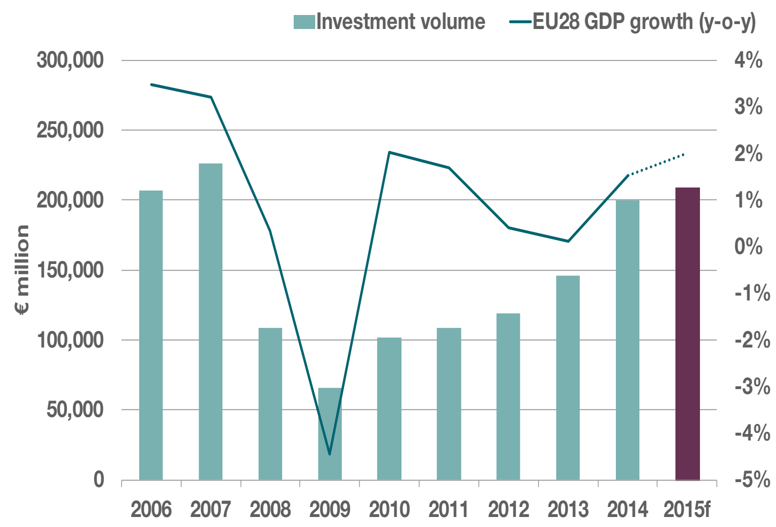
Market report
European investment

March 2015

GRAPH 1

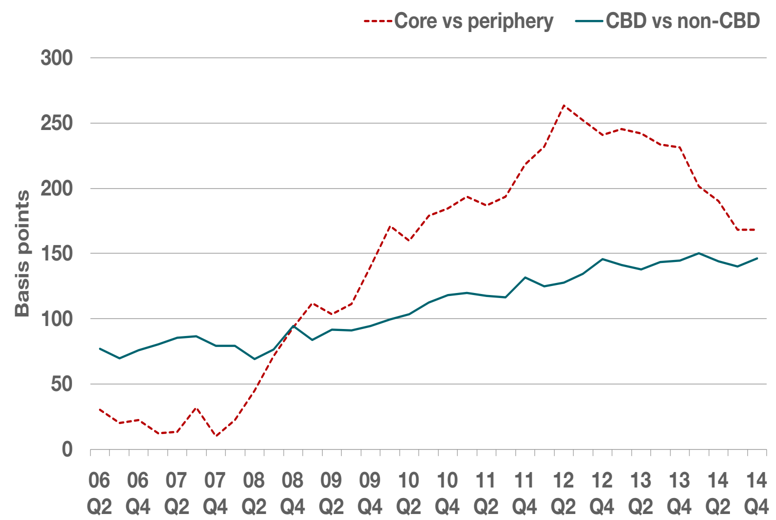
Investment activity to strengthen



Graph source: Savills, Eurostat / *Figures exclude Italy

GRAPH 2

Yield gaps further narrowing (prime offices)



Graph source: Savills / periphery=ES, GR,IR, IT, core=D,F,UK

SUMMARY

42% above the long term average

- In total approximately €199.3bn was transacted in our survey area, about 36% more than in the year before.
- The core European markets continued to absorb the majority of the total volume. However, it was the peripheral markets of Spain and Ireland which saw the most drastic increases.
- 2014 marked the return of mega deals. Over €7.7bn was invested in mega deals exceeding €1bn, an 80% increase compared to 2013.
- Some parties are starting to consider tactical sales to capitalise on the recent bounce in values. This could bring more prime opportunities to the market which would in turn trigger even stronger appetite from investors hoping to catch the cycle.
- The recovery in all markets is reflected in the hardening of prime yield levels across all sectors.

"The competitive pricing in prime segments and the lack of supply will ensure continued investor interest in peripheral markets and secondary assets in core markets." Lydia Brissy, Savills European Research

Economic & political background

Political tension continues to dominate in Europe with anti-austerity party SYRIZA winning the Greek elections held on January 25. The result has sent shockwaves throughout Europe with the fear of a Grexit on the horizon. The Greek election was followed closely in Spain with far-left Podemos party gaining popularity and many drawing comparisons between the two parties. In the UK, Eurosceptic party UK Independence Party (UKIP) gained the greatest number of votes in the 2014 European Parliament election and will be pushing its anti EU manifesto ahead of a potential in-out referendum on EU membership in 2017. On a more positive note, the recent visit of Angela Merkel and Francois Hollande to Minsk may secure a ceasefire between Russia and the Ukraine.

In this context, the European economy grew by 0.4% in the last quarter of 2014 and GDP is expected to grow by 1.5% this year. Economic growth is increasingly driven by domestic demand. Confidence indicators have continued to improve in recent months suggesting a continuation of the gradual recovery. Unemployment in the EU decreased to 9.9% in December 2014 down from 10.6% in December 2013. However, these figures are unable to counter high unemployment figures in Spain, Greece and Italy. Very high unemployment will continue to hold back growth in a number of vulnerable countries. With output growth accelerating slowly and in view of the lagged response of employment to the cycle, little net job creation is expected to take place in the short term.

Investment above the long term average

Against the backdrop of the weak economic situation, 2014 saw the highest level of investment in commercial real-estate since 2007. In total, approximately €199.3bn was transacted in our survey area, about 36% more than in the year before. The second half of the year was particularly strong, at almost €119bn which places it 37% above the H2 2013 result and makes it the strongest half ever, even compared to H1 or H2 2007 (€111bn and €105bn respectively).

The weight of capital going into property was about 41% above the long-term average and close to 92% of the 2007 level. There are a plethora of both risk-averse and risk embracing investors looking for different types of opportunities across Europe. The largest groups are institutional, long-term investors that are focusing on the safest markets and asset classes, while some opportunistic players are taking advantage of the expected sales of non-performing assets from the banks, following the completion of the European Banks stress test lately.

Apart from Poland where investment volume decreased by 9%, all other markets saw strong momentum through 2014. There was a notable recovery in the peripheral markets, including Spain (194%) and Ireland (132%), underpinned by the disposal of properties by the public asset development funds such as NAMA in Ireland, SAREB in Spain as well as increased activity by the recently created REIT structures like SOCIMI's in Spain. In Greece where investment volume increased by 22%, the pace of recovery slowed during the final quarter of the year. Core markets absorbed the majority of the cross border capital coming to Europe. Hence investment volume increased by 38% in France, by 28% in Germany and by 16% in the UK. The three countries accounted for 71% of the total investment volume. The Nordics also saw strong increases in investment activity, Sweden 80%, Norway 62%, Finland 58% predominantly driven by domestic investors.

According to our first estimation the investment volume will total approximately €38bn at the end of the first quarter of 2015 in the covered area, in line with the same period last year

The return of mega deals & big ticket investors

The number of mega deals has increased across Europe due to improving investor confidence and high pressure to invest. 2014 saw the highest volume of mega deals of over €1bn transacted in Europe since 2008 with over €7.7bn invested, an 80% increase compared to 2013. 92% of the total volume of mega deals were invested in the UK and France and 65% were portfolio deals. Large deals were predominantly focusing on offices, accounting for 72% of the total amount and retail units (28%).

Big ticket investors are rich equity funds or large institutional funds coming from the US, accounting for 45% of the total amount of deals above €1bn and from the Middle East, accounting for 55%.

Offices still dominate

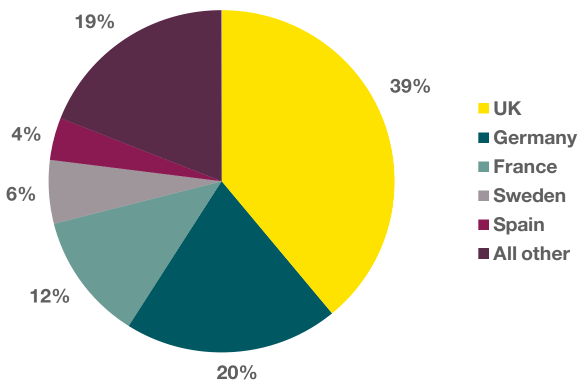
The breakdown of investment volume by asset type is very much in line with the one recorded in 2007. Offices remain the most sought after assets, accounting for 51% of the investment volume in our survey area.

The industrial share increased from 11% to 12% between 2013 and 2014. The logistics sector is adjusting to retail trends, with retailers looking for the best locations strategically to service their distribution network and the delivery of online sales. Logistic properties are notably popular amongst large investors with pan European strategies. They are targeting established logistics distribution hubs notably Poland but also the Nordics. Indeed, the logistics sector in the Nordics offers relatively high income returns and improving prospects with ongoing growth in ecommerce .

Retail property accounted for 25 % of investment volumes last year, continuing its slow decrease that started in 2010 (36%). Due to relatively weak consumer confidence, investors are selective with regards to retail

GRAPH 3

Breakdown per country UK, Germany and France still accounting for 71% of the total volume



Graph source: Savills

assets, and chase the best performing retail schemes and high streets, in the catchments where retailers are confident to open new stores. However, given that the European economic recovery is predominantly being driven by household spending, we expect that retail property will rise in popularity during 2015 and 2016.

We also recorded a rise in alternative investments notably hotels but also student housing and residential which offer an option for portfolio diversification hence risk minimisation.

Activity in the two ends of the risk spectrum

Strong investor focus in the core segment of the market in the past years led to prime yields hardening. In core markets prime yields are narrowing to their 2007 level. This is causing some investors to consider tactical sales to capitalise on the recent bounce in values. This could bring more prime opportunities in the market when property fundamentals are clearly improving in core markets. This will trigger stronger appetite from investors willing to catch the cycle and seeking long income streams.

On the other end, keen pricing competition in the prime segment and the lack of supply has shifted some investors' focus towards higher yielding assets. The chances of A quality assets in B quality cities and B quality assets in A quality cities(AB/BA) have been rising over the past year. Hence the impressive investment recovery of peripheral markets but also the growing investor interest for regional markets notably in the UK and in Germany and for non-CBD locations in all other European countries. Investing in development schemes is also slowly appearing in the investor radar and alternative assets are increasingly seen as an opportunity for portfolio diversification. We believe that this trend will continue in 2015 and investors will continue to look to diversify from core.

Yields

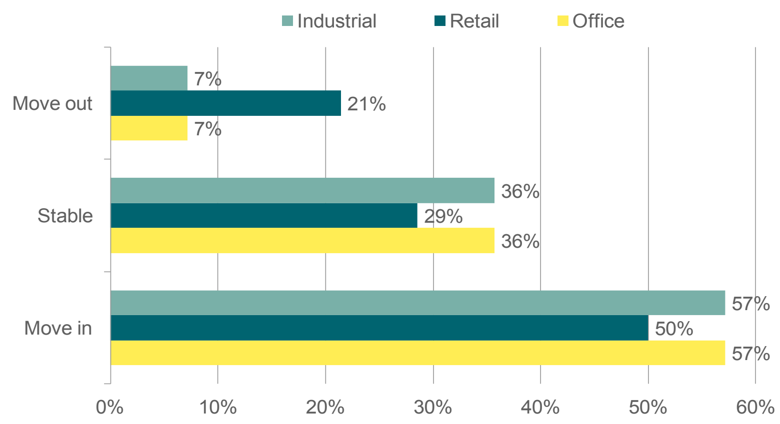
The recovery in all markets is reflected in the hardening of prime yield levels across all sectors. The average prime CBD office yields in our survey area was at 4.78% in Q4 2014, 38bps lower than the year before. According to our first estimations it will be approximately at 4.7% at the end of the first quarter the year. The highest annual yield compression was noted in Dublin (-125bps) and Madrid (-100bps). As a result of the strong yield compression in the peripheral markets, the gap between core and periphery is rapidly narrowing, to 168bps, equivalent to the level seen in 2009. Non-CBD office yields also moved in by 36bps annually on average across the survey area. Overall the gap between CBD office yields and non-CBD office yield has remained relatively unchanged.

Prime shopping centre (SC) yields also moved in nearly all countries surveyed or remained stable. Again the highest yield compressions were recorded in Dublin and Madrid (-150bps) and also Athens (-100bps). The average prime shopping centre yield hardened by 32bps annually to 5.37%.

Growing appetite for logistic assets also translated into strong yields hardening, the average prime industrial yield is at 6.87%, which is 40bps down from the year before.

GRAPH 4

End year prime yield outlook Yield compression expected in all market segment



Graph source: Savills

OUTLOOK

2015 will be another strong year

The Quantitative Easing programme has been received positively by the investment community as reflected into falling bond yields and improved stock market performance. With their inherent time lag, we expect the property markets to demonstrate a similar reaction. Investor confidence will improve as the economic outlook is more positive due to this measure and the fact that the ECB is taking drastic measures to enhance the liquidity and lending activity in Europe and to underpin growth. Additionally the expected devaluation of the Euro against other currencies in the world, which will improve the competitiveness of Europe, may also attract more capital from cross border investors that will try to benefit from the strength of their currencies and the cyclical improvements in Europe. That could lead to further competition for good quality assets, and yield hardening. Furthermore, there is some evidence that oil price volatility drives a desire amongst middle-eastern investors to hedge by investing in property, and this will drive further interest in Core locations. Prime yields have already moved in significantly last year by 30-40bps yoy for the best commercial property assets. Our forecast for this year, is that they will harden further in at least half of the commercial property sectors/markets that we monitor across Europe.

In the medium term the low interest rate environment, which makes real estate particularly attractive will continue to underpin high capital allocations into the European property market and drive yield compression. What remains to be seen is how fast the economy will respond to these incentives and how soon the fundamentals of the occupier markets will improve. The downside risk for this is mainly the uncertainty that has been created in relation to the future of the Eurozone and the impact of a potential Grexit. Nevertheless, it appears that this scenario may be avoided as the Greek government and European Commission/IMF/ECB appear willing to find a mutually beneficial solution.

We expect the total investment volume in the 15 countries we monitor to range between €210bn and €220bn at the end of the year. This will be 5% to 10% higher than the already exceptional results recorded in 2014.

"In 2015 the investment volume could increase by 5%-10% yoy depending on how soon the fundamentals of the occupier markets will improve." Lydia Brissy, Savills European Research

European country review

Austria

The Austrian real estate investment market broke all records in 2014: market volume nearly doubled compared to 2013 and for the first time reached the record level of the pre-crisis years.

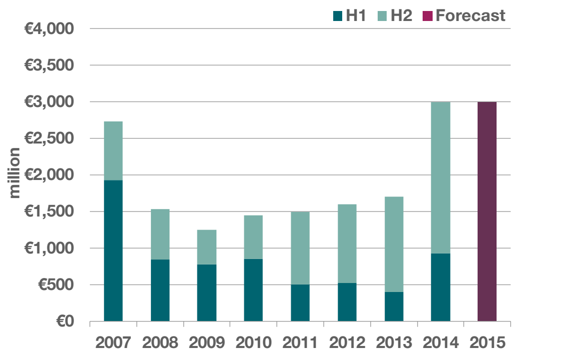
The Vienna market accounted for 75% of the entire transaction volume in 2014 as well. The increase was especially strong in the retail property segment, which accounted for approximately 42%. The demand for office properties (about 36% of the transaction volume) was also extremely satisfying; hotels accounted for about 12% of the revenue from commercial properties.

Yields remain under pressure; for prime properties in the office segment they are already below 5% and for first-class residential properties often even much lower at less than 4%.

The outlook for 2015 is quite positive. We expect to maintain the high volume of the previous year with the price trend steadily rising as well. The gap between on the capital markets and yields on the real estate market is large enough that significant sums will continue to flow into the market.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **move in** Industrial: **stable**

GRAPH 5
Austria



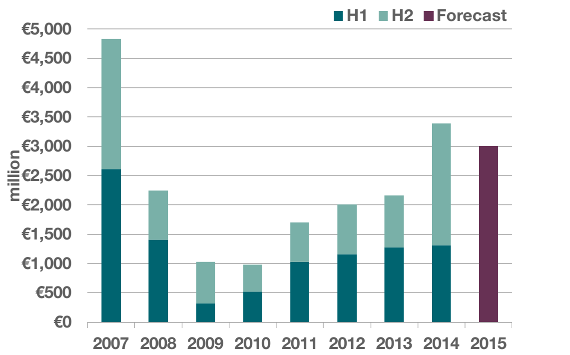
Graph source: EHL

Belgium

The investment volume in 2014 stood at €3.4bn, a 48% increase compared to 2013. After the weakest start since 2010 in Q1, investors were much more active during Q2. After a quiet Q3, Q4 recorded a strong result with a volume exceeding €1bn. The Brussels Capital Region and Flanders remain the most attractive areas for buyers accounting for 83% of the total volume. The market remains dominated by domestic investors who accounted for nearly half of the investment volume. Foreign buyers' proportion is higher than usual mainly due to the two main office transactions: ATP, a Danish pension fund, accounting for 13% of the total volume and Hannover Leasing / Ginkgo, an Asian investor through a German closed-ended fund, accounting for 8% of the total volume. The 2014 investment market was mainly dominated by the office market accounting for 62% of the total investment turnover. Prime office yield for standard 3/6/9 leases stands at 6% but there is a downards pressure. Yield compression is likely to continue in 2015. due to the scarcity of well-let prime assets, record-low interest rates on government bonds and available financing.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move out** Retail: **move out** Industrial: **stable**

GRAPH 6
Belgium



Graph source: Savills

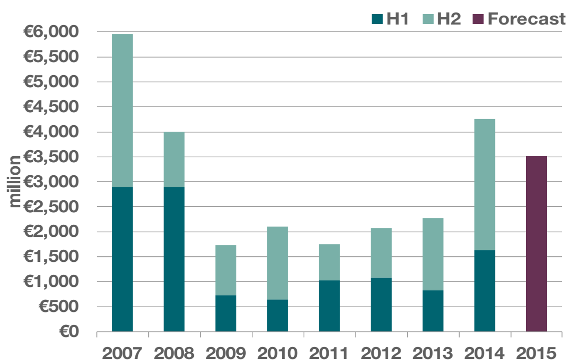
Finland

The annual transaction volume reached €4.26bn in 2014, an annual increase of 88%. Quarterly distribution was quite even except Q3 when a logistic portfolio of €917m was closed. The annual volume of cross-border investments amounted to €1.48bn. Metropolitan Area attracted 54% of the total investment volume. The number of large transactions remained unchanged but the average deal size of €22.8m was higher than in 2013 (€16m). Investment demand was focused on wider selection of properties also outside the prime areas, still provided stable cash-flow.

No rapid upturn in the economy is expected in 2015. However, there is good potential for property investments thanks to low interest rates, availability of finance and better return expectations in relation to government bonds. There is plenty of international investment capacity looking for good property investments. In 2015 - 2016 there will be a lot of property refinancing and restructures of the property portfolios increasing investment activity. Furthermore, owner-occupiers will most probably free-up capital to focus on their core businesses.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **stable** Retail: **move out** Industrial: **stable**

GRAPH 7
Finland



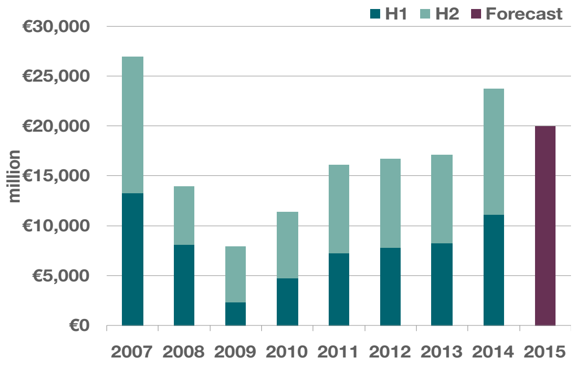
Graph source: Realia

France

Almost €24bn was invested in France in 2014, the second highest figure in a decade. The year was marked by the sheer size of transactions with the closing of three deals each exceeding €1bn (totalled €4.5bn and represented 19% of the market). The share of portfolios rose substantially, from 25% in 2013 to 37% in 2014. Many opportunities came on the market as investors followed disposal strategies. Continued uncertainty in the letting market encouraged investors in core markets to stick to secured assets with long-term leases. Overall, core investors accounted for almost 82% of office investment. Value Added and Opportunistic funds, which accounted for 13% of the market, remained active and benefitted from the prevailing attractive lending conditions. Domestic investors dominated the market, accounting for 62% of the total investment. Meanwhile the panel of foreign investors operating the market broadened. North Americans made a remarkable return (13% of the market). Asian funds also sought to invest more in France and took 4% of the market. We expect the investment volume for 2015 to be in line with 2014. However the share of cross border investors should continue to increase based on the improvement in the world economy expected for 2015, notably from the US.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **stable** Industrial: **move in**

GRAPH 8
France



Graph source: Savills

Germany

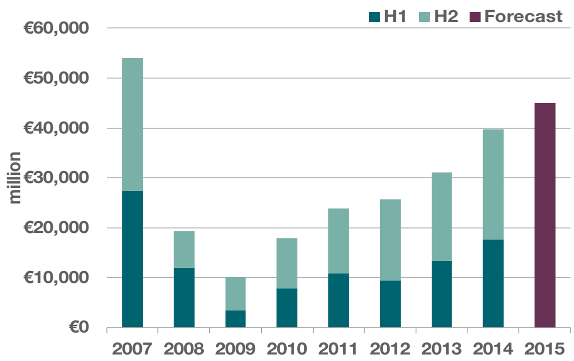
Investment in German commercial property totalled almost €40bn in 2014. This represents an increase of 27% on the previous year; itself a very strong year for investment. The further increase in demand for German commercial property was reflected not only in the rising transaction volume but also in price growth.

Prime yields on office property fell by some 30 bps over the course of the year, ending 2014 at an average of 4.3% across the top six markets. In contrast with previous years, yields in the secondary segment tightened noticeably further than those in the prime segment due to a higher risk tolerance of investors last year. Secondary office Non-CBD yields fell by an average of around 40 bps during the year. Unlike in the prime segment, however, the record lows of 2006/07 have yet to be reached on secondary property.

Owing to the high pressure to invest, there was increasing transaction activity above the €100m mark. Consequently, portfolios are enjoying increasing demand and reached a transaction volume of approx. €14bn last year. The transaction volume is expected to rise further in 2015. due to investment from foreign buyers.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **stable** Industrial: **move in**

GRAPH 9
Germany



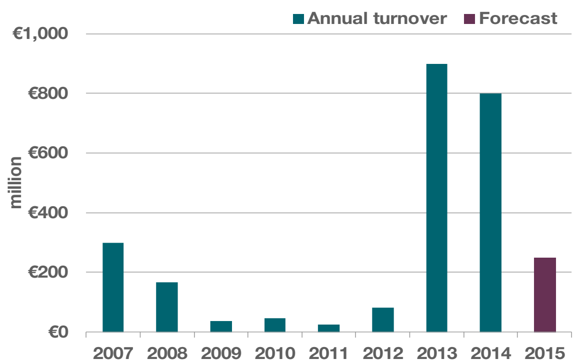
Graph source: Savills

Greece

In 2014 a volume of over €800mn was invested in the Greek commercial property market. It was underpinned by the sales by the Hellenic Republic Asset Development Fund, which is in charge of the privatisation of a number of state owned real estate assets. Acquisitions were driven by Greek REITs, specialist investors who invested in tourist assets and private equity funds, which invested either directly or indirectly in the market through Greek REITs and property companies. 65% of the number of deals and over 60% of the investment volume was in the retail and hotels sector. Investor confidence was supported by stability in the prime segment of the market in terms of rental and capital values and improved economic fundamentals. Prime CBD office yields dropped by 50bps during the course of last year at 8.25% and prime shopping centre yields by 100bps to 7.5%. Following the recent political instability and the formation of a new anti-austerity government, there is uncertainty surrounding the future outlook of the economy, with government bond yields rising sharply following the elections.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **stable** Retail: **stable** Industrial: **stable**

GRAPH 10
Greece



Graph source: RCA, Savills

Ireland

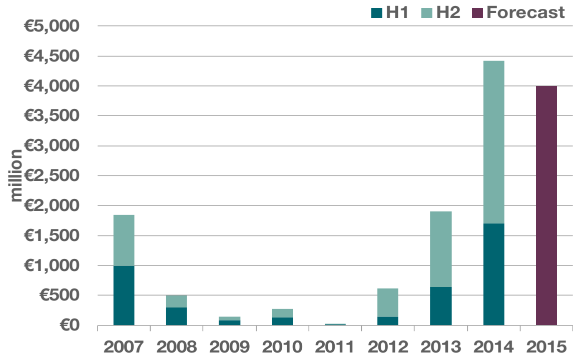
Ireland's economy expanded by almost 4.8% in the first three quarters of 2014 and is now only 2.2% below the pre-recession peak in 2007. The recovery, which was initially driven by exports, is now being supported by strong jobs growth and an improvement in domestic demand.

With bonds yields remaining extremely low and the economy performing well, a weight of international capital has been attracted into Irish commercial real estate. Total investment turnover, excluding loan sales, amounted to over €4.4bn in 2014, a 132% increase on the previous year's figure and a new record for the Irish market. While investor demand for prime Dublin offices has remained strong, a big theme in 2014 was a resurgence of retail investment – retail properties accounted for nearly a third of all deals done during the year.

With the Irish economy expected to grow by around 4% this year, strong rental growth is expected in both retail and, particularly, offices where occupational supply is set to remain very tight. At the same time, following the announcement of Quantitative Easing (QE) there is some scope for further yield compression, and values are likely to continue rising strongly.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **move in** Industrial: **move in**

GRAPH 11
Ireland



Graph source: Savills

Italy

Transaction volume in 2014 was approximately €5.3bn, about 16% higher compared to same period in 2013.

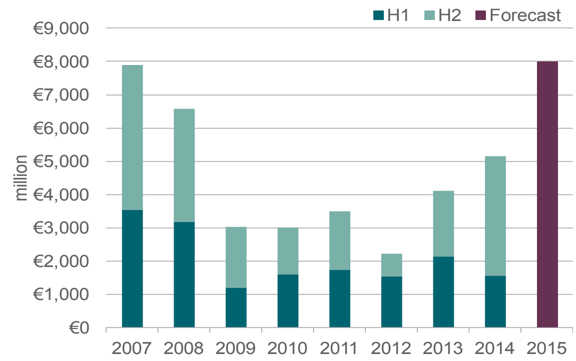
International investors have mostly been interested in value added and opportunistic investments, with a cross-border share more than 70%. Foreign investors have regained confidence in the political and economical Italian outlook whereas domestic investors are still showing less confidence and they move in the market with uncertainty.

The total amount invested in 2014 by domestic investors amounts to only €1.1bn while foreign capital invested is just above €4bn. Portfolio and single asset deals have been almost equally spread during the year. Retail accounted for 40% of total commercial transaction volume registered in the 2014 and the office sector accounted for approximately 29% of the total volume. Logistic sector had a minimum share of 6% of the total transaction volume. Yields for prime office, retail properties and logistic remained stable during the year.

Throughout this recovery phase, we note that the Italian market continues to be affected by a widespread uncertainty about the future, with continued high levels of unemployment and fluctuating private consumption.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **stable** Retail: **stable** Industrial: **stable**

GRAPH 12
Italy



Graph source: RCA, Savills

Netherlands

The investment volume continued its strong growth in the second half of 2014 and by year-end the combined investments in offices, industrial and retail reached €6.7bn; nearly double the €3.4bn invested in 2013. This steep increase in volume can very much be attributed to foreign investors who were responsible for around two-third of the investment volume.

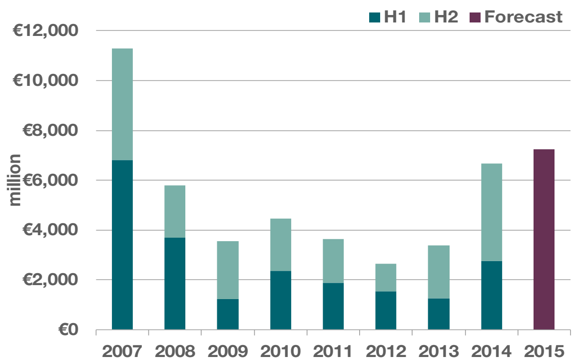
Noticeable portfolio deals in H2 2014 included Lone Star's €385m purchase of 32 offices from CBRE GI, Lone Star's €70m purchase of 5 offices from IVG, and, Blackstone's €240m purchase of 14 shopping centres from CBRE GI.

The office investment volume totaled €3.7bn in 2014, a 96% increase compared to the 2013 total. Retail investment continued to increase and reached €1.8bn in 2014, almost three times as high as the €615m reached in 2013. The investment volume in industrial properties totalled €1.24bn in 2014, which is 41% higher than the 2013 figure.

Due to the strong investor interest in Dutch property, prime yields have compressed further, while the secondary market showed stable yields. As investor appetite is only growing, the Dutch property market is up for another strong year and prime yields are forecasted to contract by 20-40.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **move in** Industrial: **move in**

GRAPH 13
Netherlands



Graph source: Savills

Norway

After a slow start to 2014, investment activity improved significantly after Q2. The market is viewed as healthy, and all segments and locations seem sellable. Total investment volume for 2014 ended at approx. NOK 60bn - the highest volume recorded since the financial crisis.
Foreign investors were responsible for approximately 22% of the total investment volume in Norway in 2014
Prime CBD office yield in Oslo is currently at 4.75 %, which is down 0.75 % over the last year, the main reason being the sharp decrease in cost of capital.
As usual, offices were the favored sector, with 51.6 % of the total investment volume in 2014. The interest for retail has fallen somewhat since 2013, while the interest for the logistics sector has improved (responsible for 17 % of total investment volume in 2014).
Looking at the bigger picture, expectations of further economic growth has declined somewhat. The main reason for this is due to the oil sector which is expected to reduce its investments significantly. Nevertheless, high investment activity within real estate is expected to continue in 2015.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **move in** Industrial: **move in**

GRAPH 14
Norway

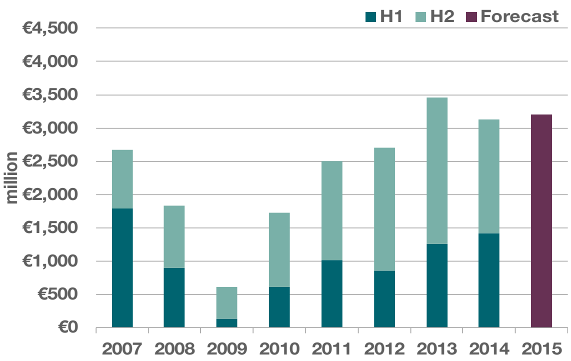
Graph source: Heilo

Poland

Annual investment volume in 2014 exceeded €3.1bn, reflecting a slight drop of 5% yoy. Office and logistics sectors dominated the investment market with 56% and 23% shares in the total volume respectively. The retail sector had the lowest share since 2004 which was a result of a limited supply for sale.
Cross-border investments constituted ca. 88% of the total volume; the majority were US investors (32%), followed by German (22%) and Austrian and UK investors (14% each).
Transactions of domestic investors constituted 12% of the total investment volume, which converts into the highest volume in history of ca. €370mn.
Prime office yields remain stable at 6% for Warsaw offices and ca. 7.25-7.5% in major regional markets. Prime shopping centre yields are ca. 5.75% in Warsaw and 6% in major regional cities. Prime warehouse yields are ca. 7.25% for single-let assets and ca. 7.75%-8.25% for multi-let warehouses.
Savills expects that investment activity in the office sector will still be strong, however, the demand will shift towards regional offices, while in Warsaw investors will be buying A-class offices located out of the City Centre and B-class assets in prime locations.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **stable** Retail: **move out** Industrial: **move out**

GRAPH 15
Poland



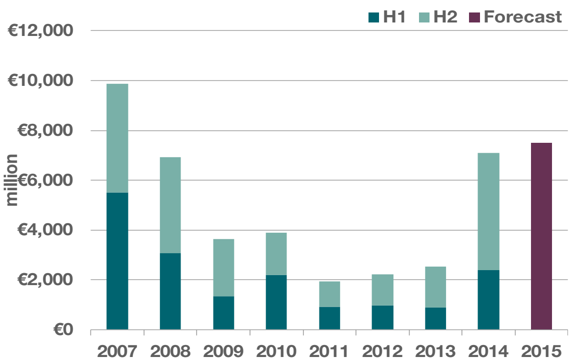
Graph source: Savills

Spain

Since the end of 2013, confidence in Spain has grown due to improving economic outlook and returning international capital. Low risk profile investors think that it is the moment to buy, taking advantage of the lowest phase of the circle.
In 2014 annual volume reached €7.5bn; almost three times the figure registered in 2013.
In terms of volume, the most important real estate segments were offices and retail accounting for 69%, an indication that institutional investors, with higher investment capacity, are active again.
The Socimis (Spanish REITs) were one of the major players of the market recovery, accounting for almost a third of the total annual volume and close to four thirds of the domestic figure.
The excess of liquidity on the market and the lack of product have forced a general compression in the commercial markets yields, mainly in prime levels. The strongest real estate segments (offices and retail) are already at similar levels or lower than the European average.
Regarding forecasts for prime yields, more adjustments are expected in the short/ medium term due to the lack of product, the reactivation in demand , and, the prospect of rental growth.

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail: **move in** Industrial: **move in**

GRAPH 16
Spain



Graph source: Savills

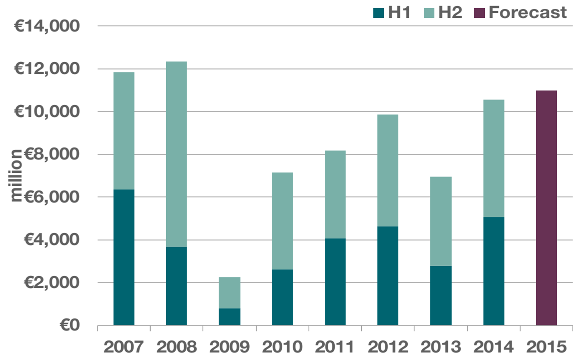
Sweden

Total transaction volumes in the Swedish property market reached SEK 160bn in 2014, the highest figure since the 2008 financial downturn, and the second highest ever recorded. The final quarter of 2014 helped boost total volumes with SEK 69bn transacted. For commercial properties (excluding residential) the volume reached SEK 116bn for the year and SEK 50bn in the last quarter. Foreign investors more than doubled on the buy-side to SEK 29bn, which is still modest compared to the years prior to the 2008 financial crisis. Liquidity has increased buying by 26% since 2013. In addition, the average transaction size increased from SEK 235m in 2013 to just under SEK 300m in 2014.

The strong competition for assets in the Swedish property market has led to aggressive pricing, with yields dropping to historic lows in some sub-sectors. Prime yields for central Stockholm offices are currently at 4.25% which was last recorded in the 1980s and in the years leading up to the 2008 downturn. Interest rates are low and the market is very well supplied with equity. Borrowed capital is readily available for most investors, which indicates towards a strong market in 2015.

GRAPH 17

Sweden



Graph source: Savills

PRIME YIELDS
END-YEAR OUTLOOK Offices: **stable** Retail: **move in** Industrial: **move in**

UK

2015 will hold many excitements for the commercial property investor in the UK, not least the general election and the debate on the timing and pace of the inevitable rise in interest rates.

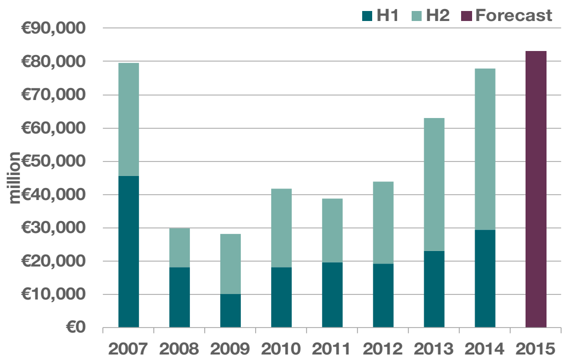
In London, while yields in the core are close to historic lows, the low level of availability will continue to deliver strong rental growth. We expect to see continuing strong demand from risk-averse international investors, with the City of London still looking comparatively cheap, and some edge of core West End submarkets that are still starved of new-build office stock.

While the rental recovery is well advanced in London, the regions are still very early in the cycle, and this will continue to drive a steady growth in investor interest in non-London locations. 2014 saw the largest proportion of asset purchases that were outside London since 2006, and we expect this trend to continue into 2015.

In the retail markets the recovery will become more widespread as real earnings begin to recover. Investors who remain bearish on the impact of the internet on retailing would be well-advised to look closely at logistics, where the bulk of take-up this year has been by retailers and manufacturers.

GRAPH 18

UK



Graph source: Savills

PRIME YIELDS
END-YEAR OUTLOOK Offices: **move in** Retail : **move in** Industrial: **move in**

Key investment indicators

GDP growth, prime rental growth[1], prime yields and yield shift[2] in Q1[3] 2015

City	GDP growth 2015 (f)[4]	Office rental growth	Office yield	Office yield shift	Industrial rental growth	Industrial yield	Industrial yield shift	SC[5] rental growth	SC yield	SC yield shift
Amsterdam	1.2%	7.4%	5.00%	-25	0.0%	6.75%	-75	0.0%	5.75%	-75
Athens	2.5%	11.1%	8.25%	-50	-7.1%	10.00%	-100	0.0%	7.5%	-100
Berlin	1.8%	2.3%	4.20%	-40	NA	NA	NA	NA	NA	NA
Brussels	1.2%	-3.4%	5.00%	-10	2.2%	7.00%	-40	0.0%	5.45%	-15
Dublin	3.2%	36.4%	4.50%	-125	4.6%	7.00%	-100	5.0%	5.00%	-150
Dusseldorf	1.8%	-5.5%	4.20%	-40	NA	6.30%	-10	NA	5.20%	-10
Frankfurt	1.8%	0.0%	4.20%	-20	NA	NA	NA	NA	4.80%	0
Hamburg	1.8%	0.0%	4.20%	-20	NA	6.30%	-20	NA	NA	NA
Helsinki*	0.9%	1.7%	4.50%	-50	-2.8%	7.00%	-30	0.8%	4.75%	-25
London[6]	2.6%	11.6%	3.25%	0	4.1%	5.00%	-75	0.9%	4.25%	-75
Madrid	2.2%	4.0%	4.50%	-100	NA	NA	NA	0.0%	5.00%	-75
Milan	0.1%	2.0%	5.60%	-65	NA	NA	NA	NA	NA	NA
Munich	1.8%	7.8%	3.90%	-25	NA	6.60%	0	NA	4.90%	0
Oslo**	1.0%	5.6%	4.50%	-45	10.0%	6.25%	-25	0.0%	5.50%	0
Paris	1.0%	-3.2%	3.80%	-20	0.0%	7.00%	-25	0.0%	4.25%	-50
Stockholm	2.0%	-2.1%	4.25%	-25	2.8%	6.25%	-25	0.6%	5.15%	-10
Vienna***	1.3%	0.0%	4.88%	-25	7.0%	7.00%	0	0.0%	5.50%	-25
Warsaw	3.5%	-4.4%	6.00%	0	0.00%	7.75%	25	0.0%	5.75%	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 2015.

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

Note 6: London offices refer to West End

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

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