

Briefing European Investment

August 2017



SUMMARY

■ The H1 investment volume reached €95bn which, despite France and the UK seeing falls in the investment volumes, matches the H1 2016 volume.

■ Lack of available product is making for a competitive market. With a scarcity of quality commercial space, some buyers are investing in trophy assets instead of diversifying across smaller assets.

■ The United States remained the most active cross-border investor, however, we are seeing European investors becoming more active and investment from Asian investors decreasing slightly compared to previous years.

■ Logistics has seen the biggest rise from €11.1bn to €14.8bn. Unsurprisingly, the countries experiencing a limited supply of prime product have seen the largest share of logistics rise as buyers search for prime industrial assets to keep up with growth of e-commerce and demand for same day delivery.

■ Prime CBD yields are at record lows across our survey area. Office yields are unlikely to fall any further in core markets so investors will continue to look outside of the CBD and towards other asset classes.

.....
“Investors will increasingly look to invest outside of the traditional assets thanks to attractive yield differentials and competitive pricing.” Alice Marwick, Savills European Research
.....

An introduction to Savills

Savills European Commercial Offices

- | | |
|-----------------------|--------------------|
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| Czech Republic | • Frankfurt |
| • Prague | • Hamburg |
| Denmark | • Munich |
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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

GDP in the Eurozone grew 0.5% in Q2 2017; the second highest growth since the economic crisis. Economic sentiment is at a multi-year high thanks to renewed investment improving labour market conditions. GDP is expected to grow 1.9% in 2017 and slow slightly to 1.7% in 2018. The unemployment rate across the Eurozone fell to 9.3%, down from 10.2% a year ago. According to Focus Economics, in the Euro area, Ireland is forecast to be the fastest growing economy with an expected growth rate of 4.3% in 2017 followed by Luxembourg with forecasted growth of 3.9%. On the other end of the spectrum, Greece and Italy will experience rather modest GDP growth of 1.0% and 1.2% respectively.

The election of independent centrist Emmanuel Macron eased political uncertainty in France after months of rising populism across Europe. The new government has set out the economic and financial reforms aimed at boosting growth and reviving the financial markets. Greece is moving closer to financial recovery having met all the bailout conditions and the EU Commission's recommendation to end the Excessive Deficit Programme. On the other hand, political uncertainty continues in the UK after a snap election left the country with a minority Conservative government. Higher inflation is having an impact on household spending and in turn is contributing to weaker growth forecasts for the UK.

The Economic Sentiment Indicator (ESI) increased noticeably in the EU by 1.6 points to 111.3 with strong increases recorded in Germany (+2.4), France (+2.2) and the Netherlands (+1.6).

The UK retains its position as top investment destination (but only just)

The H1 investment volume reached €95bn which, despite France and

the UK seeing falls in the investment volumes, matches the H1 2016 volume. Despite the investment volume falling in the UK, the UK regained its position as investment destination of choice, but only by a small margin (€26.7bn in the UK vs. €26.1bn in Germany). However, on a quarterly basis, Germany was the top spot for commercial property investment in Q2. Risk averse investors will favour Germany since, by comparison to the UK, Germany is less politically volatile and investors will be willing to pay the 50-75 bps for income security. Furthermore, the investment volume in Germany is on average 29% higher in the second half of the year compared to the 11% increase in the UK, so it is likely the German investment volume will overtake the UK.

The H1 2017 investment volume saw the majority of markets surpass the five-year average (half-year investment volume) with only Ireland, France and the UK seeing investment fall below the five year average by 51%, 22% and 19% respectively. Lack of supply as opposed to lack of demand is the main cause of the fall, however we will see a pick up in the investment volume in the second half of the year as a number of portfolio investments currently under

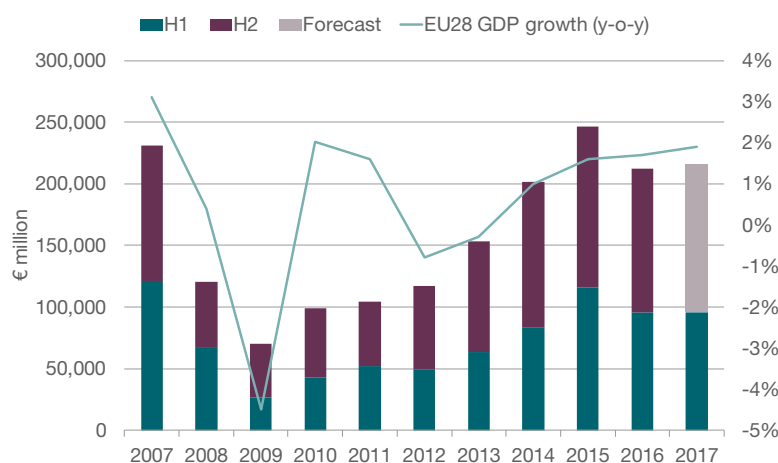
offer will change hands. Despite the slowdown in France (€7.1bn in H1 17 vs. €12.6bn in H1 16), according to data from Real Capital Analytics, over €3bn is currently under offer which if they close in H2, France's investment volume will likely be in line with 2016's figure.

On the other end of the spectrum, the Netherlands, Spain and Austria will likely reach record investment volumes by year end as they have surpassed their five-year average volumes by 93%, 81% and 71% respectively, largely thanks to the increase in mega deals in the first half of the year. Austria nearly surpassed the 2016 full-year investment volume of €2.25bn thanks to the IZD Tower mega deal and the increase in investment from cross border investors. Indeed, the second half of the year is on average 20% above H1, so we will likely see the total H2 investment volume rise.

Cross border investors driving up volumes

The cross border investment volume rose from €42.0bn in H1 2016 to €50.1bn in H1 2017, largely thanks to the increase in cross border volumes in Austria, Germany, Norway and Spain.

GRAPH 1
European investment vs. economic growth



Source: Savills/Eurostat

Of particular note is the renewed interest from overseas buyers into the UK. Last year, investors were approaching the UK with caution until the outcome of Brexit appeared sound, yet those worries appear to have faded and London is returning to the favoured spot for overseas capital. A combination of the weak pound and comparatively high yields has lured overseas investors back to London. Spain has caught the attention of overseas buyers with cross border investment doubling over the past five years with retail and industrial being the favoured asset classes as opposed to offices like the rest of Europe.

The United States remained the most active cross-border investor, however, we are seeing European investors becoming more active and investment from Asian investors decreasing slightly compared to previous years. Chinese investors are under pressure from capital controls so European funds are taking advantage and were snapping up trophy assets in mainland Europe.

Cross border investment into France fell nearly 19% yoy largely due to investor caution regarding the presidential elections. Cross border investment volumes also fell in Denmark and Poland by 22% and 48% respectively. In Denmark, limited availability of suitable properties in prime locations is hampering cross border activity which has fallen below the LTA. In the case of Poland, the 2017 volume is in line with the

LTA and the fall was the result of a particularly strong year in 2016.

Buyers snapping up trophy assets

Lack of available product is making for a competitive market. With a scarcity of quality commercial space, some buyers are putting all their eggs into one basket and investing in trophy assets instead of diversifying across smaller assets. This has pushed the half year investment volumes over their long-term average in 80% of our markets. Some of the notable mega deals this year have included the sales of the IZD Tower in Austria (€270m), the Atrium building in the Netherlands (€519m), and the Statoli HQ in Norway (€414m).

Can yields go any lower?

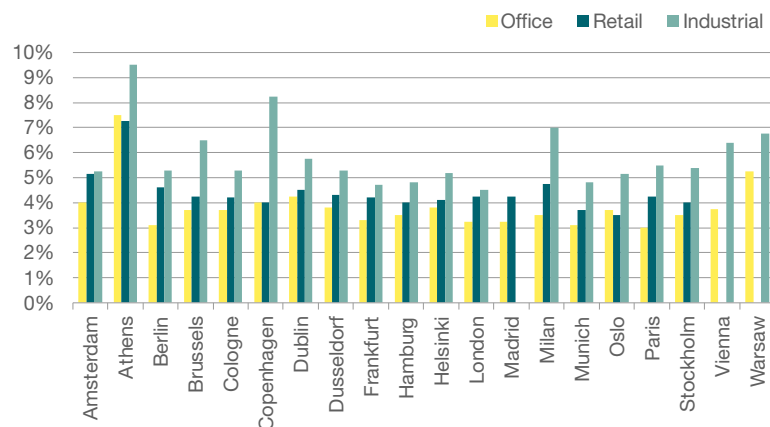
Investors searching for properties in the periphery may start looking towards non-CBD locations as yields are falling at a slower pace than in the CBD (-19 in non-CBD locations vs. -31 bps yoy in the CBD) and there is more available product. Furthermore, until new deliveries come onto the market, the supply in the CBD will remain under pressure and investors will continue to look for value-add opportunities outside of the CBD.

The Nordics are appearing to be more attractive from a pricing perspective with the average CBD and non-CBD yields falling at a slower pace compared to the peripheral and core markets (-25

bps yoy compared to -31 bps in the periphery and -61 bps in the core). According to our base scenario, we expect yields to remain stable across 80% of our markets and yield compression expected in non-CBD locations where there is still room for hardening.

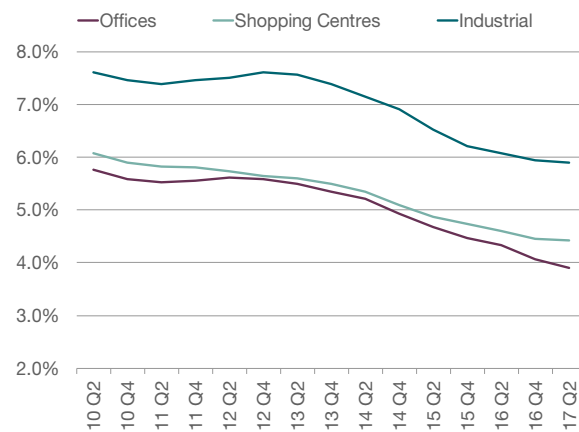
Shopping centres and industrial appear to be more stable as over 80% of the cities in our survey area saw modest or no yield movement across both asset classes. Milan, Oslo and Stockholm saw the greatest fall in shopping centre yields with yields down 75bps respectively and Amsterdam, Athens and Milan saw the steepest falls in industrial yields, down 50 bps yoy. ■

GRAPH 2
Prime European yields



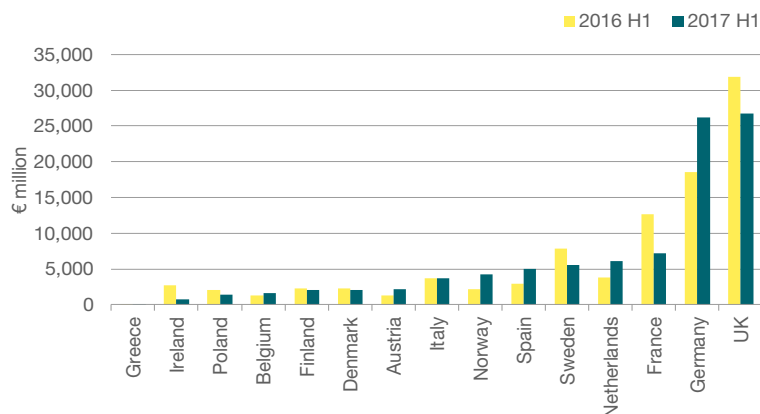
Source: Savills

GRAPH 3
European average prime yield



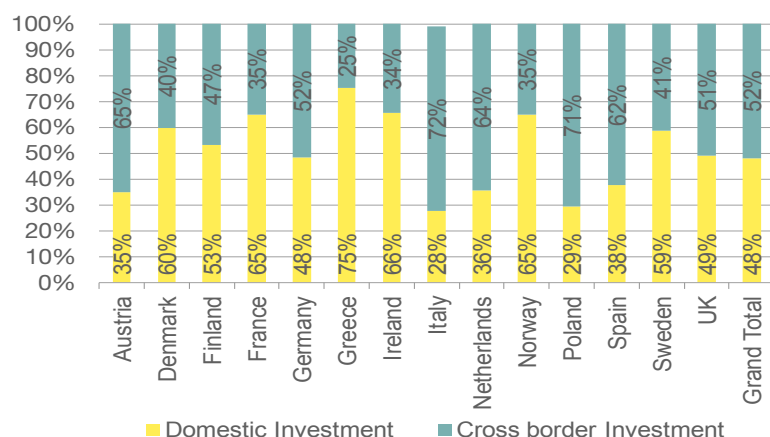
Source: Savills

GRAPH 4
H1 investment volume 2017



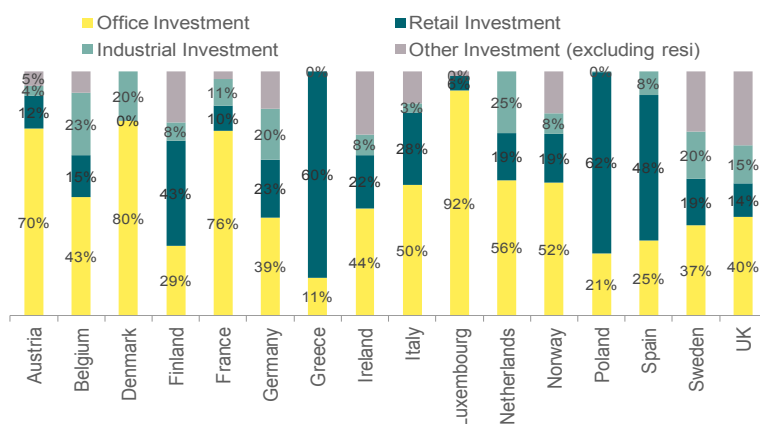
Source: Savills

GRAPH 5
H1 cross border vs. domestic investment



Source: Savills

GRAPH 6
Investment by asset type H1 2017



Source: Savills

OUTLOOK

Majority of markets will see an investment surge in H2

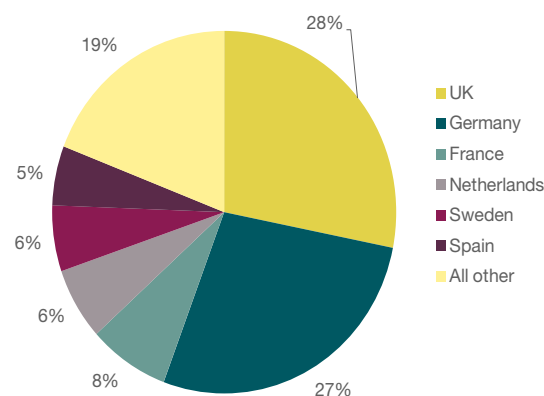
■ If investors follow last year's cycle, it is likely Germany will see a greater investment surge in the second half of 2017 and the UK will be unable to retain the investment crown.

■ As new deliveries come onto the market, we may see the investment volume peak in countries that were previously behind in the cycle (Austria, Spain and the Netherlands). Thanks to these surges, the investment falls in the UK and France will be counterbalanced and we will likely see the full year investment volume reach the same level as 2016.

■ While offices will continue to take the lion's share of the investment volume, overpricing and lack of available product in the CBD will push investors to look outside of the CBD towards other asset classes. Investment in industrial will continue to surge as investors look towards value-add opportunities in core locations.

■ Trophy assets will continue to attract big ticket investors who are unable to diversify their capital across portfolios and a number of smaller assets. Lack of product will therefore not hinder investment volumes.

GRAPH 7
Investment share by country H1 2017



Source: Savills

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

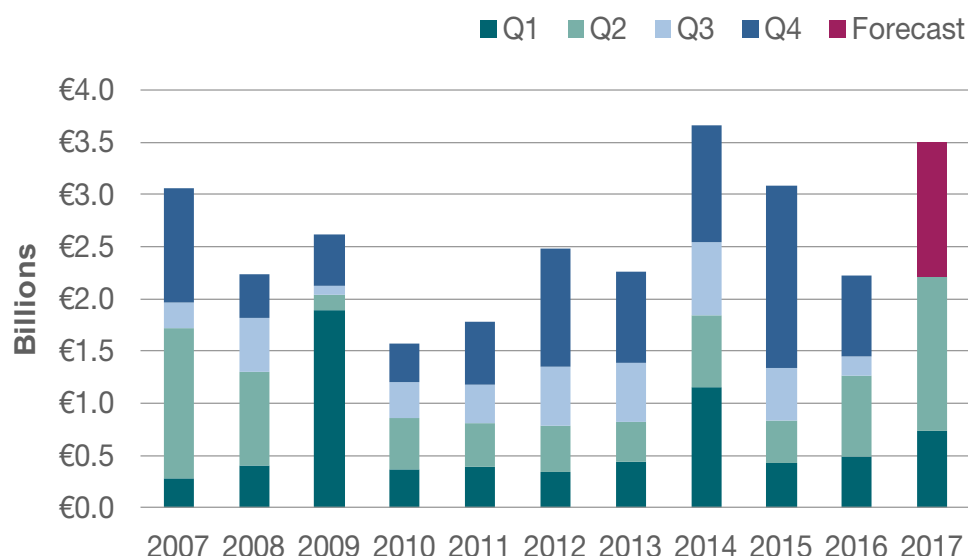
with the policy of low interest rates by the European Central Bank certainly invigorates the demand for real estate investments further. The difference in yields between bonds and real estate is at a historic high, which further boosts demand. Prices will continue to rise and yields for non-core properties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

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	↘

GRAPH 1

Austria Investment volume 2007-2017



Source: EHL

TABLE 1

Major investment transactions Q2 2017

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 stands at around €1.6bn mid-year, 20% higher than the same volume yoy. H1 2017 therefore confirms the rising trend started in 2011. The volume in Q1 2017 stayed relatively quiet, but Q2 2017 came in stronger, and boosted volume with €1.07bn for the quarter with 6 over €50m deals spread over offices, retail and semi-industrial products.

The Brussels Capital Region remains the most attractive area to invest in in Belgium with around €933m representing 58% of total investment in H1 2017. Furthermore, office transactions have also confirmed investors' interest with 43% of investment.

Foreign investors were particularly active during H1 2017, accounting for 56% of total buyers. Asian investors continue to invest highly in the Belgian market representing 15% of buy side transactions, followed closely by France and Germany with 11% of investment.

The second half of 2017 is likely to confirm the positive trend of the two first quarters. Some sources expect the Belgian investment market to reach an all-time high to €5bn with high profile pending retail transactions such as the Woluwe Shopping (€400m), Rive Gauche Shopping (€250m) and Dockx (<€300m). The most notable office transaction is the potential sale of the Finance Tower (>€1bn) as well as the sale by AXA of Arts 56 for around €125m. Demand in 2017 has started to shift slightly from 2016, with investors increasingly looking for investment in the €25m-€50m range and international investors seeking CDB core+ and value add products, compared to CBD core products in 2016.

Prime long-term office yields have decreased in 2017 to 4.25% for standard 3/6/9 year leases, and at

3.7% for long-term leases. Prime high street yields have slightly increased compared to its 2016 level at 3.5%, similarly to retail warehousing moving up to 5.5%, while shopping centres remain stable at 4.25%. On the other hand, prime logistics and semi-industrial yields are below 6.0% and 7.0% respectively.

Yields stand at all-time lows in all sectors of commercial real estate. Although interest rates have been moving up since its all-time low in

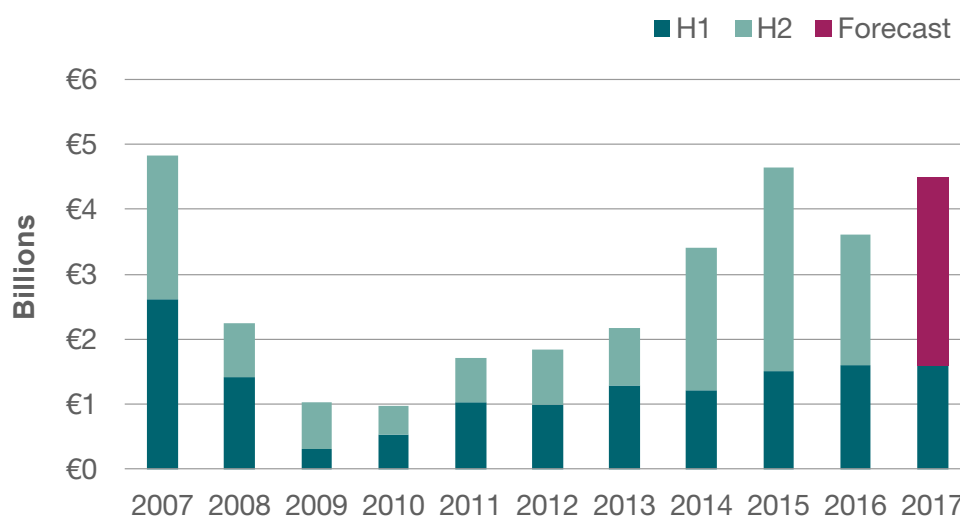
Q2 2016 we estimate a stable yield forecast in 2017. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 2

Belgium Investment volume 2007-2017



Source: Savills

TABLE 2

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Bermaso Portfolio	Brussels	€80m	Primonial	Retail
Brederode	Brussels	€125m	CBRE GI	Office
Airport Plaza	Brussels	€95.9m	Dream Global (Canada)	Office

Source: Savills

Czech Republic



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Investment volumes in the Czech Republic stood at approximately €2bn for H1 2017. Like elsewhere in Europe, investor focus largely remains at the prime and core-end of the investment market and hence despite a trading volume almost twice that of H1 2017, volumes are still restricted by a scarcity of product. The weight of capital trying to enter the market, combined with an existing investor pool with further deployment needs, has resulted in further yield compression.

Despite the Czech National Bank being the first in Europe to raise base rates during the first week in August, we expect that positive trading will continue in H2. Although volumes are likely to reach above €3bn, they are unlikely to emulate those of 2016. We recorded 41 qualifying transactions in H1 2017, putting the average deal volume in excess of €50m. Within the volume, most notably was the acquisition of Olympia Brno, in the Czech Republic's second city, by Deutsche Euroshop for €384m and the sale by Tesco to CBREGI, of Prague's Letnany Shopping Centre for ca. €226m.

Approximately one-third of acquisitions were undertaken by domestic investors, with CPI's CEE Portfolio acquisition from CBREGI, (including Olympia Plzen Shopping Centre, Nisa Shopping Centre and Zlatý Andel) making up a significant share. International equity was represented by European, US, Middle Eastern and Asian purchasers.

Across the commercial spectrum, retail dominated with a 48% share. The constant of Czech investment for the last ten years remained, with stable economic conditions and educated workforce pushing investors to the office sector. Volumes accounted for 21% of the total, with office investment activity was almost exclusively centred around Prague.

Although limited trading existed in the industrial sector (at 12% of the total), this comes following periods of high trading volumes, mostly through the trading of equity positions within some of the larger CEE industrial platforms, and whereby most core stand alone assets have transacted within the current cycle.

Prime yield levels stand at 4.85% for offices (benchmarked by Florentinum in late Q4 2016), 5% for shopping centres and 6% for multi-leased industrial. Long, single leased assets,

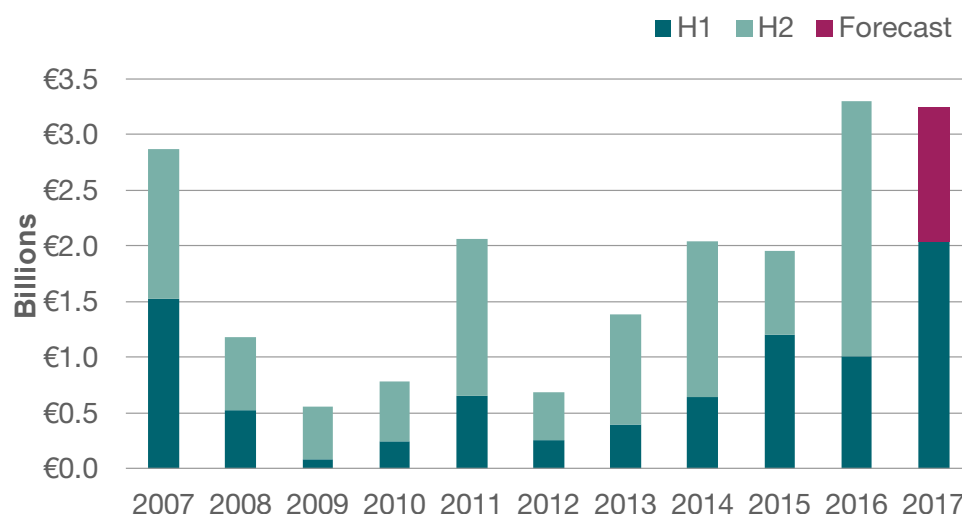
as well as high street products command further premiums reflected in even sharper yield profiles. Further compression is likely although not by the rate of compression witnessed over the last 24 months. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 3

Czech Republic Investment volume 2007-2017



Source: Savills

TABLE 3

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Euro Astra Palace	Prague	€85.5m	Generali	Retail
Futurama Phase I	Prague	€62m	Caerus Investment Management	Office
River Garden I	Prague	€56.5m	LaSalle Investment Management	Office

Source: Savills

Denmark

The commercial real estate transaction volume in the first half of 2017 maintained the high level that was also distinctive for the market through 2016. The volume in Q1 2017 ended slightly above Q1 2016, thus investment activity remains at a historically high level without signs of slowdown. On the buyer side, international investors still play a major role, where continuing international interest helps to push up the transaction level. Among the sellers, we see an increasing number of investors who, after a shorter investment period of 2-5 years, find the current market conditions favourable and therefore choose to redeem profits.

Increasing employment and increasing private consumption are among the factors that support the growing economic increase. Employment growth is also helping to boost demand in the office rental market, which ultimately results in higher operational reliability for office properties. The return requirements in the office segment seem to have reached what looks like a stabilised bottom level, hence it is primarily the improvement in rental terms, in terms of falling vacancy and stabilised rent levels, that drive price increases in the office market.

In the retail segment, investor focus is still primarily aimed at high street properties, with an unchanged interest from both domestic and international investors in 2017. Foreign investors primarily focus on Copenhagen where tough competition for the best locations puts a continuous downward pressure on return levels. It is our expectation that a continued compression in the return on high street properties in Copenhagen can increase international investors' interest in a number of the other major cities in Denmark.

Residential, office and retail have

traditionally emerged as the dominant segments in transaction volume for Danish investment properties. In recent years, continuous pressure on return levels and major competition in the main segments has temporarily resulted in an increasing investor interest in what used to be niche segments. In particular, there is a significant increase in activity in the hotel and student housing segment. This development really caught on in the volume of transactions in the first half of 2017, which is characterised by transactions in

the other segments, and this trend is expected to continue for the remainder of the year.

Our total transaction volume forecast in 2017 in the commercial real estate market is at an unchanged level compared with 2016, where 2017, however, holds the potential to be another record year. The Danish investment market still attracts high attention from international investors, where the risk and need for safe haven investments still play an important role. ■



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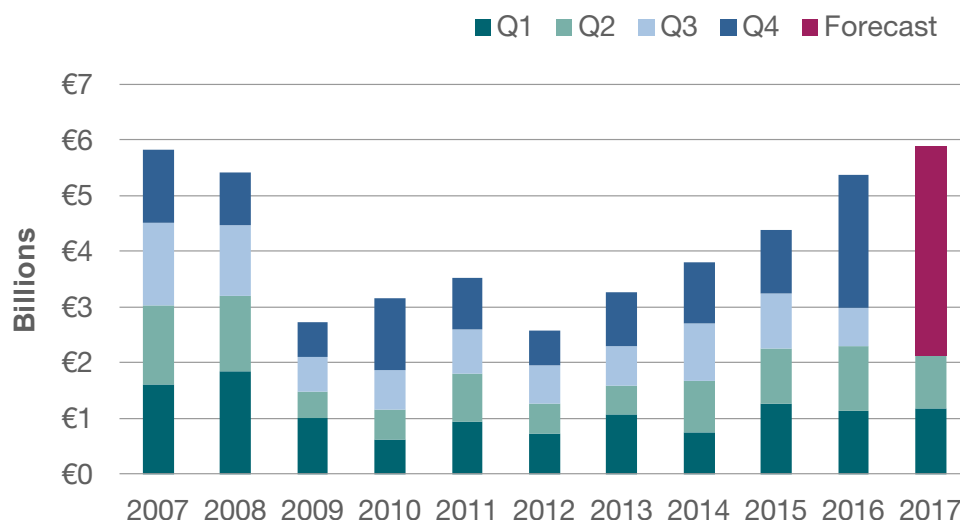
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PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	↘

GRAPH 4

Denmark Investment Volume 2007-2017



Source: Nybolig Erhverv

TABLE 4

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Hotel portfolio	Copenhagen	€102m	PFA	Hotel
Ottiliavej 7	Copenhagen	€51m	DIP	Office
Mårkærvej 15, Taastrup	Copenhagen	€24m	Pradera	Retail Warehouse

Source: Nybolig Erhverv

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The property investment market has continued its strong performance. Lack of supply is preventing the emergence of more transactions. The volume of portfolio investments dropped from 72% in H1 2016 to 29% in H1 2017. The total transaction volume amounted to €2.15bn; a 4% decrease on H1 2016. The number of transactions increased yoy but the volume of major transactions decreased. Cross-border investments made up 46% while a year ago their share was 30% and most active buyers were international investors and domestic funds together accounting for 75% of all acquisitions.

The capital region outperformed with a 67% proportion of all investments in H1 2017. The city of Helsinki accounted for almost 70% of the capital region volume. Like H1 2016, retail was the most active property sector with a share of 43% in H1 2017. Office accounted for 29% while industrial, hotel and care homes each accounted for 8%. The largest transaction was the sale of Barings 50% share of the Kamppi shopping center for more than €250m to TH Real Estate.

Demand will remain high in H2 2017 and slight yield compression is expected. Positive economic news and rental market recovery support willingness to invest. Strong construction activity will increase somewhat otherwise scarce supply that limits the growth in transactions. The outlook for investment activity in H2 2017 remains good based on pending transactions and negotiations.

The Finnish property market is undergoing major transitions. Blackstone and Areim have made a €1.76bn bid for the listed company Sponda, with a direct domestic property portfolio of €3.64bn and the leasable area of 1.2m sq m. Blackstone sold Logicor to China

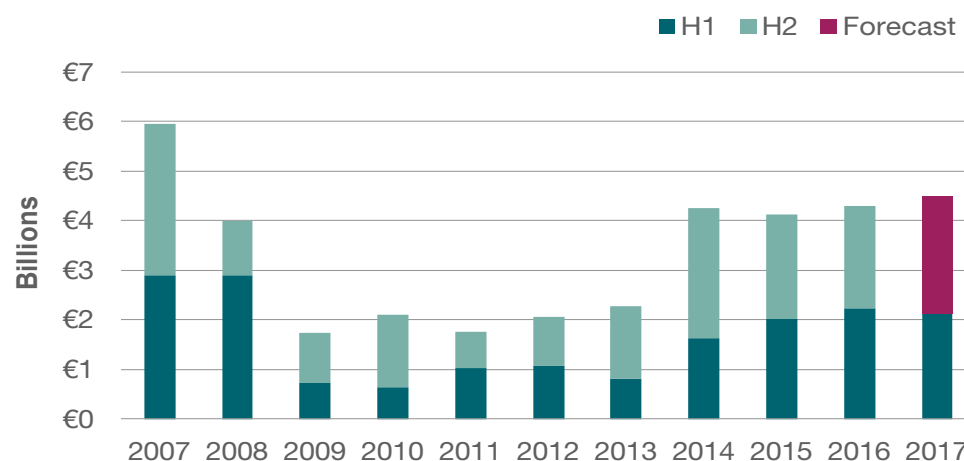
Investment Corporation. Logicor owns the largest industrial property portfolio in Finland, with a leasable area of 1.1m sq m. Swedish Balder strengthened its position in Finland by acquiring 56% of the Serena Properties shares from Swedish Ratos for €50m. All the divestments will be completed in 2017. The new joint venture, Agore Kiinteistöt Ky, of local Elo, Swedish Första AP-fonden (AP1) and Trevian, is operational. The company closed its first transaction for €160m in Q2 and further investments are expected. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	→

GRAPH 5

Finland Investment Volume 2007-2017



Source: Realia/Savills

TABLE 5

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Retail portfolio	Nationwide	€160m	Agore Properties	Retail
Office portfolio	Espoo	Unknown	Alma Property Partners I AB	Office
Care homes	Nationwide	€80m	Titanium Care Property Fund	Care homes
Hotel Tripla	Helsinki	€88m	Exilion Pasilan Asemahotelli Ky	Hotel

Source: Realia

France



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In Q2 2017, €3.5bn was recorded in France, raising the half-year sum to €7.2bn. This figure represents a decrease of 45% compared with the first half-year in H1 2016.

A drop in properties under offer has affected all asset classes. Nevertheless, the market remains focused on office buildings, the share for which increased in Q1 2017 to reach 76%.

However, the amount of retail investment has decreased (10% compared with 16% in Q1 2016). Deals with retail parks as well as high street shops ensure the market's liquidity, whilst a lack of offers has caused a decline in sales of shopping centres.

Alternative assets, a diverse and fast-developing sector, has seen its volumes plummet compared with last year. Shares have dropped from 22% to 3%. The warehouse market represents a real highlight for 2017, given the strength in activity and by extension the volume of portfolios (11% compared with 6% in the preceding year). From the beginning of the year, major deals will create significant growth in the overall investment volumes.

French investors continue to lead the market (65% of the total), due to SCPI/OPCI and institutional activity. In parallel, foreign buyers are more present than before, as they make up 35% of the invested amount compared with 22% one year earlier. The acquisition of the building "So West" boosted the Asian shares, and is set to increase in Q3 with the signing of major deals (for example the purchase of the Logicor portfolio by CIC and the sale of assets in Paris by ADIA).

Disparity between offer and demand

has led to a change in investment strategies, which is causing buyers to turn to new geographical sectors and alternative assets. A decrease in yields in the Parisian suburbs in the core+ and value added (especially 'VEFA' sales before completion) assets is in process. In contrast, the office prime yield remains stable at 3% in CBD.

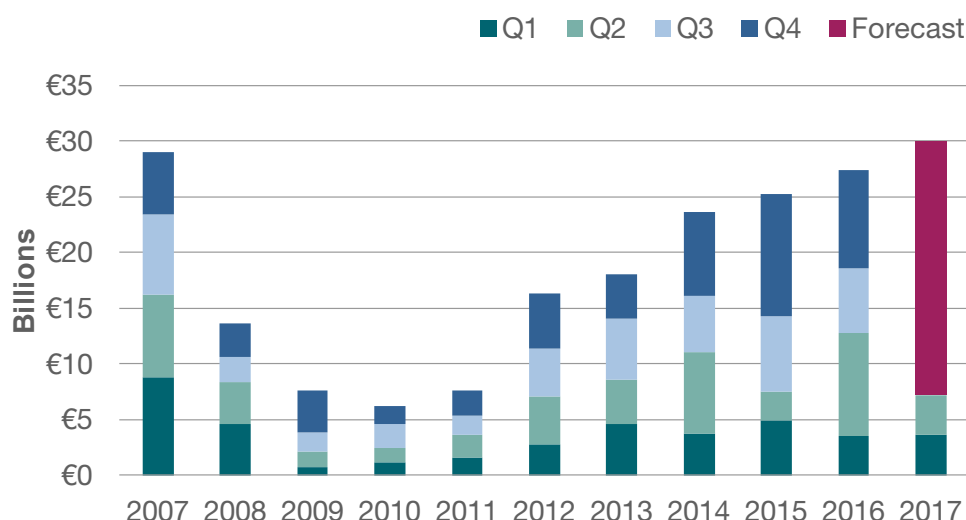
Results from the first-half of the year must be put in perspective, as the investment market continues

to attract a growing demand. Traditionally more dynamic, the second-half of the year is set to see a real output of major deals in a range of asset classes. We also expect investment volume for 2017 to be in line with the 2016 investment volume.

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 6
France Investment Volume 2007-2017



Source: Savills

TABLE 6
Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Clever 1	Paris	€114m	Primonial REIM	Office
Accor Hotel Portfolio	Nationwide	€504m	Eurazeo	Hotel
Avenue Champs Elysees	Paris	€490m	Private	Retail

Source: Savills

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Commercial property changed hands for a total of more than €26bn in the first half of the year, representing an increase of 41 % against the same period last year. Only in 2007 has there been higher investment in the first half year. While the number of transactions actually declined slightly, the average transaction volume increased further, which was partly driven by portfolio activity. More than half of the overall transaction volume from the last twelve months was attributable to deals over €100m.

A proper boom could be observed on the investment market for logistics and industrial properties. In the first six months, properties for more than €5.2bn changed hands and therefore more than in the whole year 2016. With a share of 20% of the total commercial investment volume, logistics and industrial assets were almost as important as retail properties which accounted for 23% of the transacted volume.

Although the market remains dominated by significant excess demand, the supply is beginning to increase somewhat. Owing to the prolonged cycle and some enormous increases in capital values, disposals of (individual) properties now appear attractive even to long-term investors. However, investment managers and other institutional investors like insurances still have a significant inflow of capital looking for real estate investments. Therefore, demand will continue to far exceed supply in the second half of year.

The ongoing strong demand in German real estate is reflected in the yields. These hardened further in the office and logistics sectors in particular. However, yield compression is no longer being driven by interest rates but by the high rental growth expectations of purchasers. For the upcoming months, we expect office yield compression to slow down, whereas yields for prime high-street properties will see a further downturn only in selective locations.

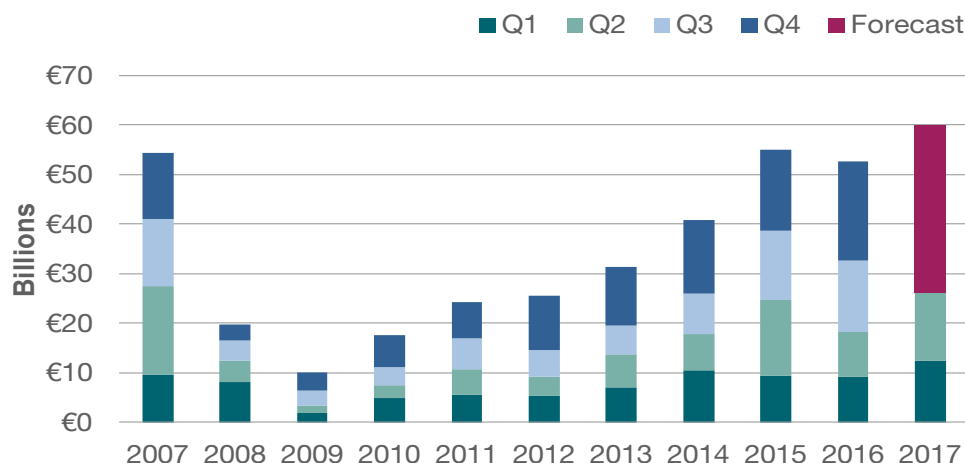
Although the risk premium for property is likely to retreat over the coming months, real estate remains a more attractive asset class than bonds for the time being. Hence we expect this year to produce a transaction volume of more than €60bn. This would not only be a new record volume, but also the first time ever that transaction volume exceeds €50bn in three years. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	→
Industrial	↘

GRAPH 7

Germany Investment Volume 2007-2017



Source: Savills

TABLE 7

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Portfolio (90 properties)	Nationwide	€687m	Bayrische Versorgungskammer	Retail
Portfolio (15 properties)	Nationwide	€465m	Axa Investment Managers	Logistics
T8	Frankfurt	€300m	Mirae Asset Global Investments	Office
Portfolio (3 properties)	Dortmund, Frankfurt, Hamburg	€280m	PATRIZIA Immobilien KAG	Office

Source: Savills

Greece

In the first half of 2017 we witnessed significant investment activity in the Greek property sector with the total investment volume amounting to approximately €135m.

The largest Greek REICs have continued hand-picking commercial prime assets with an emphasis on supermarket units. One of the most notable transactions has been the acquisition of four supermarket units by Pangaea REIC for a total of €47m. The units feature a total retail area of 87,000 sq m and three of these are located in Athens while the fourth is located in the city of Patra. The units are leased to Sklavenitis one of Greece's leading supermarket chains. Trastor REIC has been particularly active in the market with the acquisition of two retail units in the high streets of Kifisia, one of the most expensive suburbs in the north of Athens for a total of €2.12m, and of a commercial building in Thessaloniki for a total of €8.45m. The latter lies along Tsimiski Str., Thessaloniki's most sought-after retail location, and disposes 8 levels with a total area of 2,322.75 sq m.

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 of small or medium size and c. 7.5%-8.0% for well performing shopping centres. In the logistics market, yields are set at levels starting from/higher than 10%.

For the second half of 2017 we expect further investments to take place in the hospitality sector, as many of the domestic REICs have started diversifying their portfolios with hotel units, particularly in the largest cities of Greece. After the establishment of Grivalia Hospitality another new investment company with a focus on the hospitality sector has been formed by the owners of Coco-Mat with plans of pursuing significant investments. Furthermore, more investments are expected to be carried out by the largest domestic REICs in prime assets, either

offices or retail units, in Athens and Thessaloniki. Lastly, we observe an increasing interest from opportunistic and private equity funds in acquiring large portfolios of collateralised real estate assets of NPLs issued by the Greek systemic banks, as a result of the modernisation of the legislative framework related with the NPLs. ■



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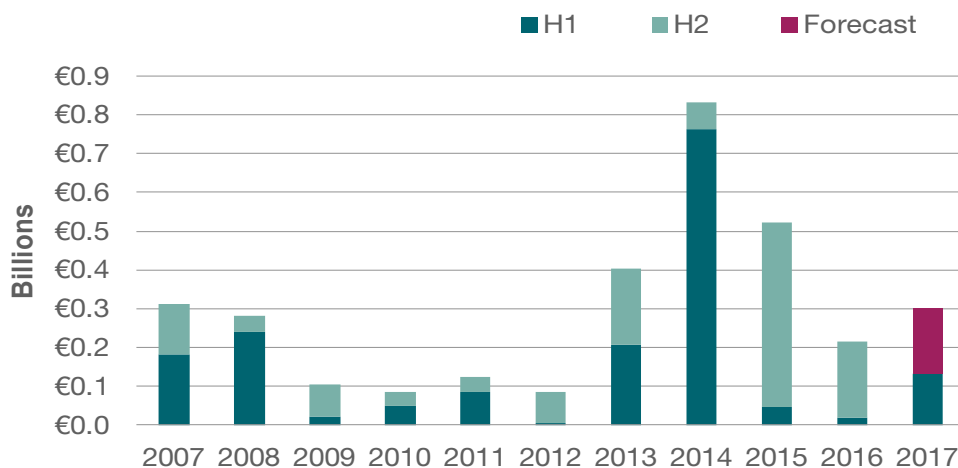


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PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 8
Greece Investment Volume 2007-2017



Source: Savills/RCA

TABLE 8
Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Portfolio 4 supermarket units	Attica & Patra	€47m	Pangaea REIC	Retail
Kifisias Avenue	Thessaloniki	€8.3m	Trastor REIC	Retail
Ledra Marriot	Athens South	€33m	Hines	Hotel

Source: Savills

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Following a record performance in 2016, with non-residential turnover of €4.2bn, investment in Irish property appears to be returning to more normalised trading levels. Just over €700m was invested in Irish real estate in the first half of 2017 which, in terms of asset sales, leaves the market on course to record an annual turnover figure of somewhere in the order of €2.0bn.

Office sales have increased from 36% of investment turnover in 2016 to 44% in H1 2017. This reflects, in large part, the pre-funding of 13-18 City Quay by Irish Life for €126m earlier in the year which alone accounts for approximately 40% of all office investment in the opening six months. While there will continue to be opportunities for investors to buy re-trades of stock that was picked-up by short-term money earlier in the cycle, forward funding arrangements like City Quay are now expected to feature more prominently and will provide additional opportunities for investors to access the market.

With the majority of major shopping centres in Dublin and its surrounding counties now having traded in the current cycle, opportunities to acquire large-scale retail assets are becoming rare. As a result, the sector's share of investment turnover has fallen from 54% of market spending in 2016 to 22% in the first half of 2017. Going forward, while the positive income story will underpin continued demand for retail property, given that most of these larger assets are now in stable long-term ownership, and with limited new development scheduled in the immediate future, expenditure on retail property is likely to remain at more subdued levels over the medium term.

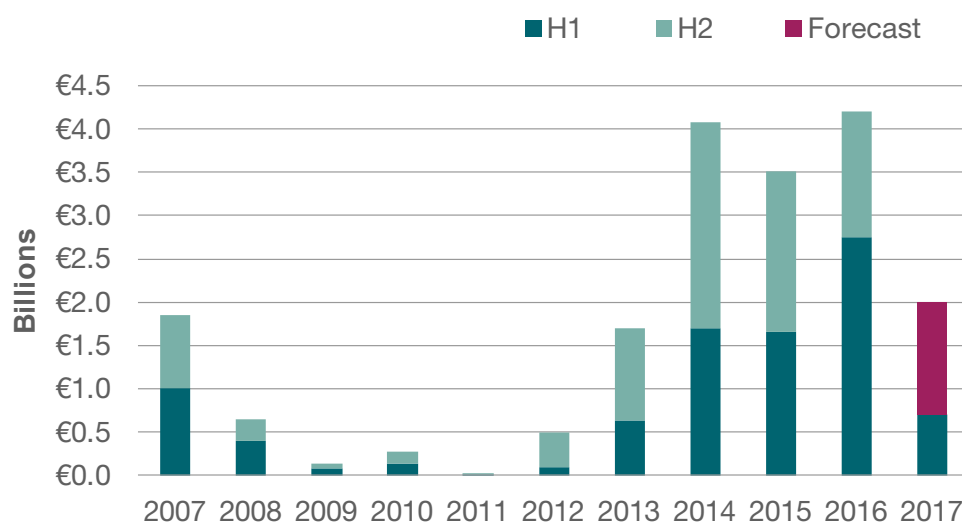
It is clear that the era of ultra-low interest rates which have driven capital into property is coming to an end. The Fed is already on a tightening cycle and, with economic conditions in the Euro Area continuing to improve, the prospect of further tapering by the ECB is growing. In the long run property and bond yields are positively correlated so, ultimately, this can be expected to have an impact on asset pricing. However,

given expectations of further rental growth across-the-board in 2017 and 2018, our view is that pricing for Irish commercial property assets will remain well underpinned for the foreseeable future. ■

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

GRAPH 9

Ireland Investment Volume 2007-2017



Source: Savills

TABLE 9

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Clayton Hotel Cardiff Lane, Dublin 2	Dublin	€40m	Dalata	Hotel
Park Office Portfolio	Dublin	€39m	Cantor Fitzgerald Syndicated Fund	Mixed
One Grand Parade	Dublin	€23m	Doric	Office

Source: Savills

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The first two quarters of the year have been busy and in line with the record year of 2016. Over €3.7bn has been invested in Italy since January with circa €2bn transacted during Q2 2017.

Italy remains “in vogue” and market momentum has continued in 2017 with foreign investors focusing on prime asset transactions and value add opportunities. On the other side, domestic investors are back into the investment scene mostly present in portfolio transactions such as the recent acquisition of 17 office buildings owned by Credito Valtellinese by Beni Stabili Siiq Sgr.

H1 2017 confirmed the leadership of the office sector representing circa 50% of the total invested volumes (circa €1.9bn of which circa 37% transacted during Q2 2017) and prime net yields in Milan in the region of 3.5%.

Retail follows in second place with over €1bn (of which 60% transacted in Q2 2017) driven by the activity of foreign investors, which focuses on the north and central regions of Italy and positively looking at the southern regions. Yields compression is ongoing with prime shopping centre yield in the region of 4.75% and high street in Milan at 2.75%. The high street market is particularly active and transactions are registered in the main retail locations.

On the industrial side, the contraction registered during H1 2017 is mostly due to the extraordinary performances registered last year and the consequent lack of product experienced during these first six months.

During H1 2017, foreign investors remain the most active players (70% of the total invested volumes), being focused either on core assets or added value opportunities whilst

domestic investors continue to improve their market share reaching circa 30% during H1 2017.

The outlook for 2017 remains positive with a confirmed interest for Italian CRE. The office and retail sectors will remain the unquestionable leaders of the real estate scene.

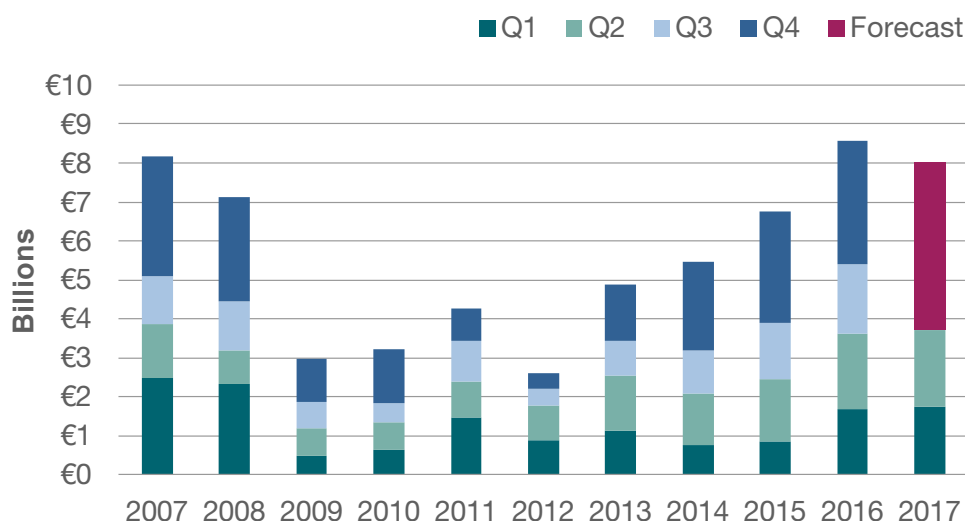
Prime yields across all sectors will maintain current levels with potential down lift on selected asset classes such as high street in secondary

city and prime office in Milan due to the unbalance between offer and demand. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 10
Italy Investment Volume 2007-2017



Source: Savills

TABLE 10
Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Le Befane Shopping Centre	Rimini	€245m	Union Investment	Retail
V Palazzo Uffici - Strada Statale 9 Via Emilia, 1	San Donato Milanese	€180m	York Capital Management	Office
Boscolo Portfolio	Nationwide	€150m	Varde Partners	Hotel
I Tolentini	Rome	€126m	Amundi RE Italia SGR	Office

Source: Savills

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In the first half of 2017 the economy continued to perform well, resulting in the lowest unemployment in more than five years and an increase in household consumption. Consumer confidence is at the highest level since 2002, while the number of bankruptcies are at its lowest since 2002. Also, the increase in house prices has been the highest in 15 years.

Combined with the positive economic outlook this resulted in increased occupier activity in all sectors and lower vacancy rates. Office stock was removed from the stock and converted mainly to residential use, resulting in healthier supply-levels.

The investment market saw a substantial increase in volumes: from €4.5bn in H1 2016 to €6.1bn in 2017H1, for offices, industrial and retail combined. The investment volume for the office market increased from €2.7bn in H1 2016 to €3.4bn in 2017H1 (+24%). Volumes for the industrial market increased from €900m to €1.5bn (+80%) and the retail market saw an increase from €900m to €1.3bn (+31%). The share of cross-border investments stood at a high 64.3% over the first half of 2017.

The economy will continue to grow in the second half of 2017 and spur user demand. Investor interest will remain high and will remain focussed on the most liquid sectors (offices, residential, retail, industrial), but Savills also expects further increase in the alternative assets, like hotels, care, student housing and renewable energy.

In 2017 portfolios purchased in recent years, whether or not sliced, will be resold. This certainly applies to the office market, where decreased vacancy contributes to higher investor confidence. Office

yields remain under downward pressure and will likely drop below the current 4.0% gross.

Within the logistics market the increasing user demand will continue to attract investors. While the yield contraction from 5.75% to slightly above 5% gross in the last year leaves limited room for further contraction, it clearly shows the investors' appetite for this sector.

The retail market faces the biggest

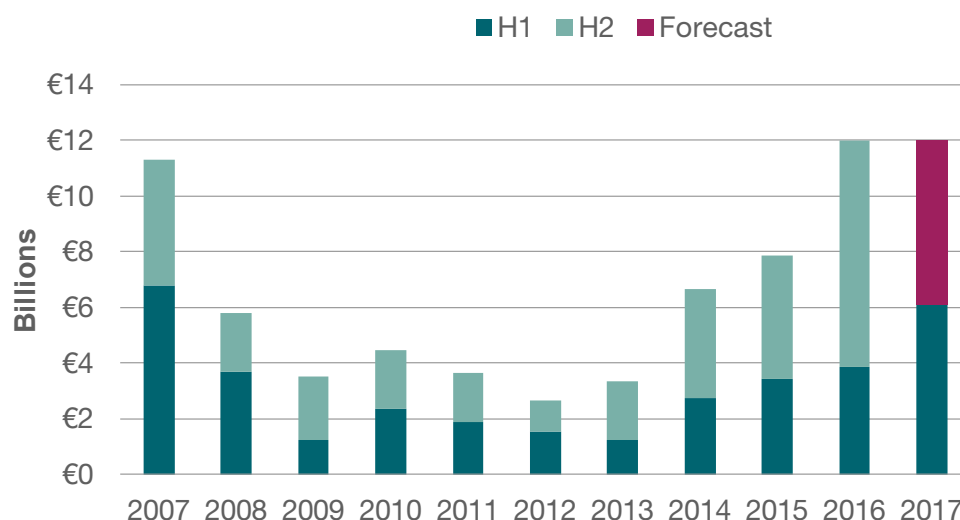
challenges as rental growth is pinpointed to only a subset of the market. The major high streets will do well, as rents increased and yields remained stable at 3.75%, but a fair share of shopping destinations need to adapt to changing consumer demand. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	→
Industrial	↘

GRAPH 11

Netherlands Investment Volume 2007-2017



Source: Savills

TABLE 11

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Atrium	Amsterdam	€519m	Amundi Real Estate	Office, hotel, parking, commercial
Rokin 21 - 55	Amsterdam	€200m	Zurich Insurance Group	Retail
Portfolio (20 offices)	Nationwide	€164m	Merin	Offices
DCAM portfolio	Nationwide	€151m	Blackstone	Industrial

Source: Savills

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The Norwegian economy is recovering, and most of the negative effects from the downturn within Oil & Gas now seem to have made their impact on the market, mainly concentrated to the western office clusters. The latest yearly estimate for Mainland Norway GDP growth 2017 is 1.9%, according to Statistics Norway (SSB). The transaction volume for the first half of 2017 stands at NOK 36.3bn (€3.86bn) divided into 105 transactions (excluding residential). This is a very strong first half from a historic perspective, and puts us well on the way towards our full year projection of NOK 75bn (€8bn).

Prime office yield in Oslo stands at 3.7%, while the normal yield has been reduced further by 15 bps to 5.15%. The yield outlook remains flat for the coming six month period. Breakeven rents for new projects have been pushed downwards the past years due to a continuous yield compression. This seems to be over, and due to increased construction cost, breakeven rents need to increase to maintain profit margins for developers.

Money market rates have been trending downwards since the start of January and the three-month NIBOR rate is now just above 0.8%. The NOK has depreciated nearly 5 % against the EUR since January, while it YTD has appreciated about 4% against the USD. Financing from domestic banks has eased up a little as foreign banks are competing for the exposure towards Norwegian CRE. Margins run from approximately 200 bps.

The strong demand for attractive logistics properties with long leases continues, and estimated prime yield is down another 10 bps to 5.15%. Yield for normal logistics properties

is now further reduced by 25 bps to 5.95%. Logistics is the only sub market where investors are expecting a further yield compression over the next 6 months.

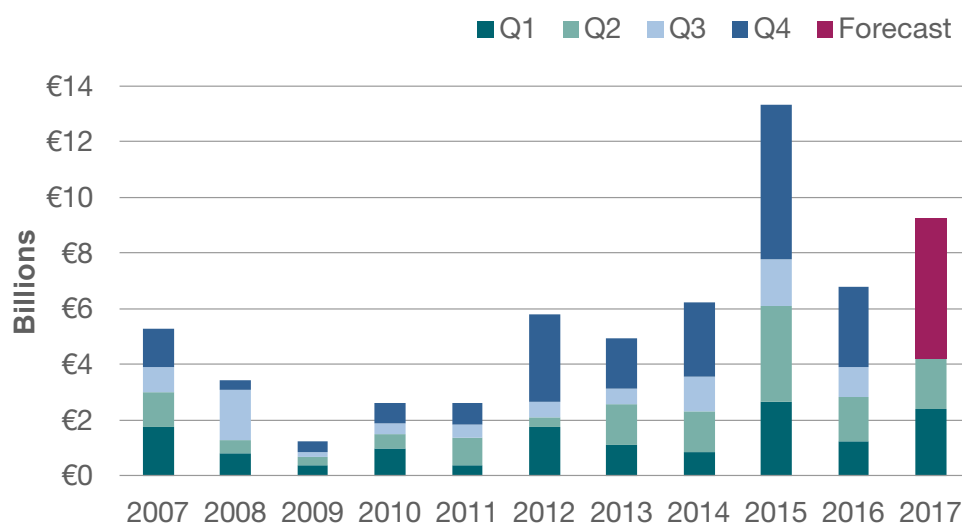
For H1 2017, Oslo is the largest region by volume, with roughly 55% of the market. Regions outside of the major cities has the second largest share with roughly 30% of the volume. All other regions have a share below 10%. The two most prominent segments have been office, making

up roughly 55% of the volume, and retail, making up roughly 20% of the total transaction market. The interest from international investors continues, and the international share of the volume stands at around 35% of the volume so far in 2017. We do expect this share to be maintained as the year progresses. ■

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

GRAPH 12

Norway Investment Volume 2007-2017



Source: Malling

TABLE 12

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Dronning Eufemias gate 40	Oslo/Bjørsvika	€187m	KLP	Office
Lilleakerveien 2	Oslo/Lysaker	€133m	Mustad Eiendom	Office
Ruseløkkveien 26 (50%)	Oslo/CBD	€118m	Aspelin Ramm	Office/Retail
Lakkegata 53 (50%)	Oslo/Inner City	€86m	Entra	Office

Source: Malling

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The transaction volume in H1 2017 accounts for around €378m and is exclusively composed by deals below €50m. The H1 2017 volume represents a yoy decrease of 37% due to the lack of large-size transactions.

Investment activity in Q1 2017 reached +/- €200m and was comprised by 8 transactions. The largest transaction was the acquisition by Swiss Life REIM of an office property in the Station district, "Place de Paris 2", for €40m. Investment activity in the second quarter of 2017 was quite weak with a transaction volume of €178m comprised by only 5 deals. The most notable transaction was the acquisition by BNP Paribas REIM of a 4.500sq m office building in CBD for around €42m implying a yield of +/- 4.5%.

In the central districts prime office yields are facing a downward pressure standing at 4.5% (3/6/9 leases) but are significantly below for long-term leases (4.2%). Given that investments in real estate still offer a yield premium to bonds, demand for core assets remains extremely high and might lead to further yield compression in the central districts for long-term leases.

International investors are clearly leading the Luxembourg investment market with a share of +/-58% of the total transaction volume in H1 2017. Investor groups mainly come from the neighboring countries such as France (+/- 22%) and Belgium (13%). However domestic investors were also targeting the market with a share of 42% of the investment volume.

Given the positive and stable economy of Luxembourg combined with the importance of available equities we estimate that the appetite of national and foreign investors to

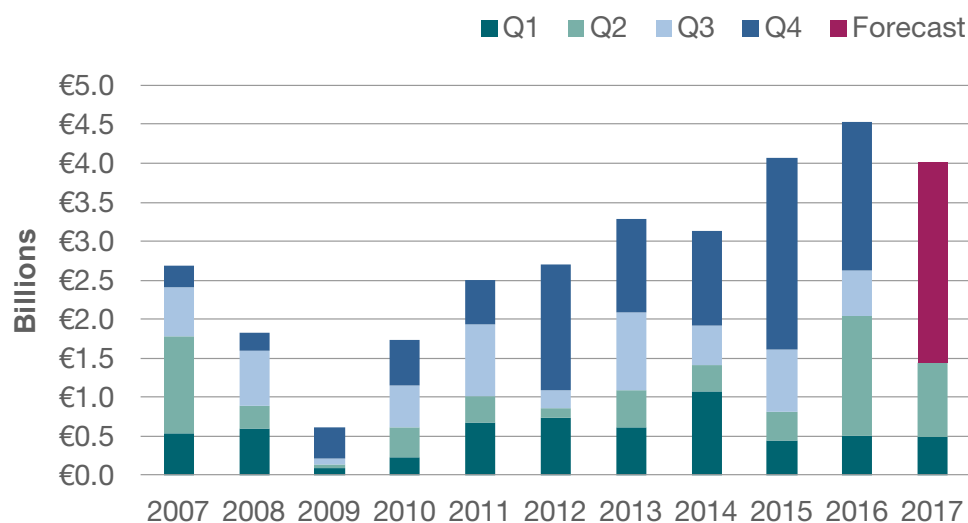
invest in the Luxembourg real estate market will remain high. As several large-size deals are to be completed in the course of 2017, we expect the year-end investment volume to remain high. However it is unlikely that the total transaction volume of 2017 will exceed the 2016 record volume of €1.4bn. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 13

Luxembourg Investment Volume 2007-2017



Source: RCA

TABLE 13

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Cubus II & III	Luxembourg Insurance	€65m	Luxembourg Insurance	Office
Grand Rue 56	BNP Paribas REIM	€42m	BNP Paribas REIM	Office
Place de Paris 2	SwissLife REIM	€40m	SwissLife REIM	Office

Source: Savills

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Total volume of commercial property investment transactions concluded in the second quarter of 2017 in Poland exceeded €1bn. Investor activity is high, driven mainly by portfolio transactions. So far the investment volume is slightly lower this year than in the corresponding period of the last year. Investor appetite is still high for both the prime assets and those more opportunistic with decent value-add potential. The market is now driven by large portfolio transactions, mainly in the retail and industrial sectors. Such transactions offer some level of yield premium and risk diversification

The total volume in the first half of 2017 exceeded €1.5bn, reflecting a 24% drop yoy and the end-year volume shall be close to €4.5bn. Portfolio transactions in the retail sector dominated the second quarter of 2017. The largest was the sale of 25 retail parks adjacent to IKEA stores, located in eight European countries (including four retail parks in Poland) by Ikea Centers sold to Luxembourg fund European Retail Parks SCSp managed by Pradera for the total price of €900m. The sale of three Fashion House outlet centres, located in Piaseczno, Sosnowiec and Gdansk, to RREEF Spezial Invest was the largest ever outlet transaction in Poland.

A few shopping centres located in smaller cities were sold in the last quarter, including Blackstone's portfolio of four shopping centres situated in Kalisz, Włocławek, Zamosc and Kłodzko, as well as some smaller shopping centres, such as Galeria Swidnicka, Galeria Sieradzka, Focus Park Włocławek and others.

There were also some sales of older, but well established assets like Zakopianka in Cracow (acquired by Echo Polska Properties) and Centrum

Krakowska 61 in Warsaw, part of the office and retail portfolio acquired by Octava FIZAN, a fund controlled by Elliot International group.

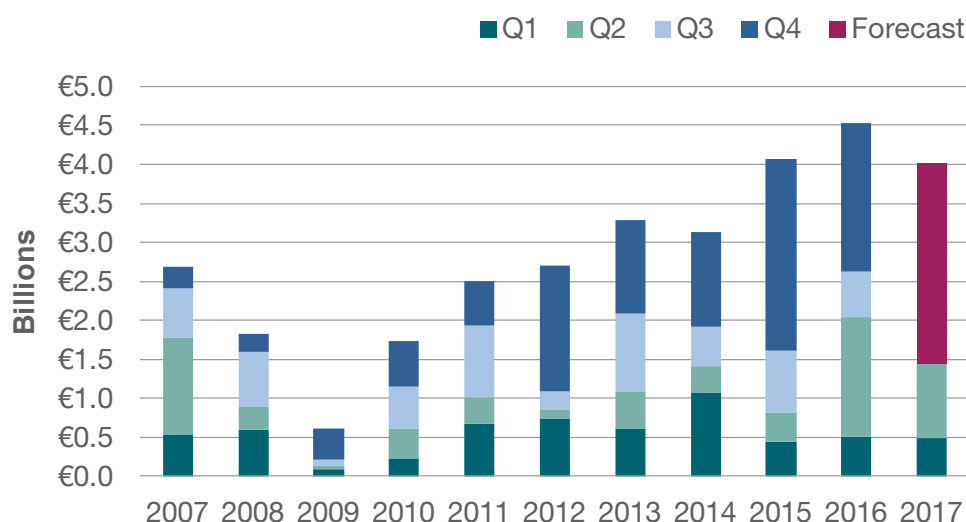
There were few transactions in the office sector in the second quarter of 2017. The largest was the acquisition of Maraton in Poznan by Union Investment from Skanska for €62m. A few office assets situated in Warsaw and Cracow were also sold within the

portfolio acquired by Octava FIZAN.

Prime office yields in Warsaw and dominant shopping centres in major regional cities achieve levels below 5.50%, while the best industrial assets trade slightly below 7% (apart from extraordinary assets such as Amazon facilities). ■

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

GRAPH 14
Poland Investment Volume 2007-2017



Source: Savills

TABLE 14
Major investment transactions Q2 2017

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 latest updated macroeconomic data, issued by the Romanian Statistical Institute, reflects an annual GDP growth rate of 5.7% for 2017, exceeding all previous forecasts. Data shows that this was determined mainly by domestic demand and the 5.4% unemployment rate, which is at a record low. With little new entries, along with an increase in FDI, the real estate investment market has seen a steady improvement, converging with the large CEE peers the Czech Republic, Poland and Hungary.

The Bucharest market was the favoured location for commercial property investment in Romania. Around €400m was invested in the first two quarters of 2017, 37% of the deals closed in Q1. As in previous periods, the majority of the transactions were carried out by international institutional investors.

The largest office transaction recorded in Q1 was the acquisition of the Polona 68 building by Smarttown Investments in a deal worth over €15 million. In Q2, ArtGroup Business Center was bought by the Maltese group Hili Properties in a €30m transaction. While office prime rent stands at €18 per sq m, the lack of good investment products in the office sector is creating downward pressure on the reported 7.5% yield (although the feeling is 7.25% and going down); nevertheless, there is a significant spread for properties depending on location, WAULD and quality. It is expected that more attractive products will be available for purchase in the next 24 months as there will be consistent growth in stock (driven by Portland Trust, Skanska, Globalworth, and Austrian landlords) and take-up (Amazon, IBM, Bitdefender, ING Bank).

The significant transactions in the first half of 2017 showed investor confidence in the industrial real estate market and the country's economy in general. In the largest recorded deal, Globalworth acquired the Dacia

– Renault Parts distribution facility in Oarja - Pitesti from Elgan for €42m. The centre was delivered in 2010 and has a 65,000 sq m GLA with export activity representing 40% of the warehouse capacity.

The increase in the gross minimum wage (which has doubled since 2011) and tax cuts have stimulated a growth in Romanians' purchase power. This positive trend has helped the closing of the largest retail transaction recorded in 2017, the sale of 50% of

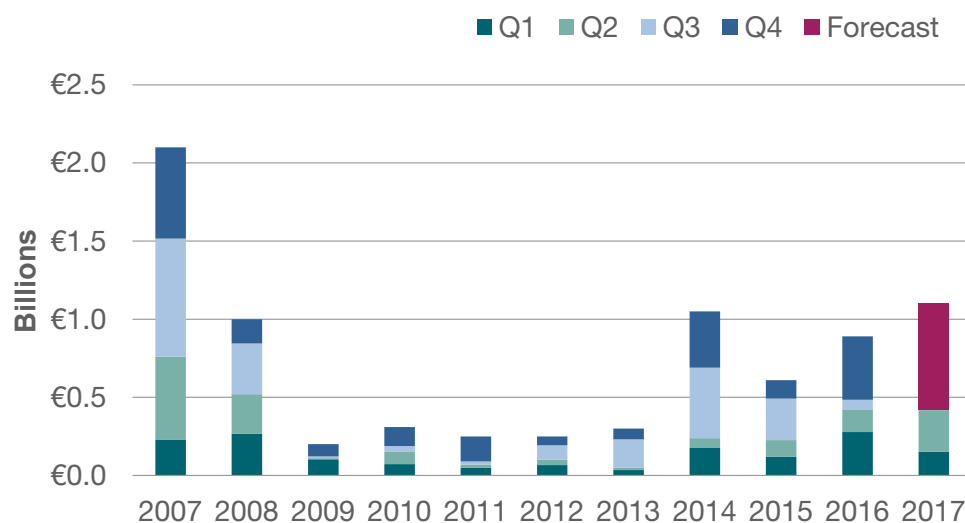
the Iulius Mall group of companies shares to Attenbury Europe, estimated at €100 million.

Overall, the Romanian real estate market is improving with a growing interest from new players hence we expect an increase in liquidity and volumes. ■

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

GRAPH 15

Romania Investment Volume 2007-2017



Source: RCA / Crosspoint

TABLE 15

Major investment transactions H1 2017

Property	Location	Price	Buyer	Usage
Iulius Mall (50% share)	Timisoara	€100m	Attenbury Europe	Retail
Retail Park Portfolio	Nationwide	€60m	Mitiska Reim (First Retail International)	Retail
Logisor	Bucharest, Ploiesti, Timisoara	€48m	China Investment Corporation	Industrial
Dacia Warehouse	Oarja - Pitesti	€43m	Globalworth	Industrial

Source: Crosspoint

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The transacted volume in the Spanish commercial real estate market in H1 17 was €5bn; a 72% increase compared to the same period last year, mainly due to several deals closed in Q1 which started their negotiations in 2016.

Growth in the investment volume has taken place in all sectors (offices +46%, retail +95% and hotels +148%) except the industrial segment, where the lack of grade A product has led to a 20% decrease.

The increase of the megadeals (\geq €100m) has also supported the growth in the transacted volume. Megadeals represents 13% in term of number of transactions in July, which is the highest level reached in the recent years. Regarding the invested volume, megadeals account for 52% of the total figure. Some megadeals were portfolio transactions, which have also increased in number compared to H1 16 (+32%), although the average deal volume remained stable in the region of €85m. At the same time, the average deal size of single asset transactions increased by 20%.

Despite the lack of product in the market, the end-year forecast is optimistic and it is expected to reach or surpass the €8.5bn registered in 2016. The imbalance between supply and demand continues to press prime yields, although some sectors have limited room for more compressions and the capital value growth would be led by the rental growth. The office market is already under the level registered in the latest peak of the market (gap of 70 bps averaging Madrid and Barcelona), while on the opposite side is the retail parks sector, still 30 bps above the year 2007 level.

International investors keep Spain under their radar, with the retail and industrial segments leading. The office market is dominated by domestic buyers (70% on average in the last ten years) and they have

started to increase their share in the hotel sector, where SOCIMIs (Spanish REITs), private investors and funds are competing with the regular players.

Regarding SOCIMIs, the four companies listed on the stock market remain active acquiring assets to their portfolios. It has been announced that Colonial will shortly become a SOCIMI while there are other smaller companies joining the alternative equity market interested in acquiring product (there are currently 36

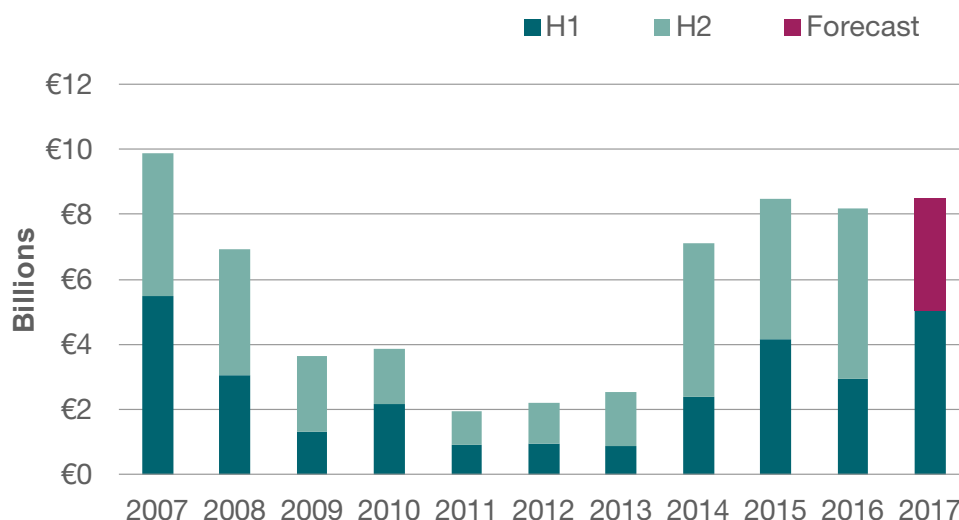
SOCIMIs listed in the MaB). Since 2014, SOCIMIs have accounted for 20% of the total investment volume and 50% of the national investment figure. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	↓
Retail	↓
Industrial	↓

GRAPH 16

Spain Investment Volume 2007-2017



Source: Savills

TABLE 16

Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Plaza de España, 1 - Edificio España	Madrid	€272m	Riu Hoteles	Hotel + Retail gallery
Xanadú (50%)	Arroyomolinos (Madrid)	€264m	TH Real Estate	Retail
Portfolio GreenOak (11 logistic units)	Nationwide	€243m	P3 Logistic Park (GIC)	Logistics
Nueva Condomina	Murcia	€233m	Klepierre	Retail

Source: Savills

Sweden



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The Swedish economy is performing well and most forecasts have gradually been upgraded over the past year. Consensus forecast indicates a growth of 2.6% in 2017 and a slightly weaker growth of 2.3% in 2018. The growth is mainly fuelled by strong domestic consumption, the construction industry and an upswing in exports due to a relatively weak Swedish krona. The Bank of Sweden has kept the lending rate at record low levels and their prediction for a first lending rate hike is towards the middle of 2018.

The low interest rates and solid property market fundamentals in Sweden have led to a continued competitive property market where demand outweighs supply. The total transaction volume for H1 2017 failed to reach the record level that was set during H1 2016, but amounted to a very strong SEK 80bn (€8.4bn), which is 19% higher than the average H1 volume over the past five years. The transaction pace also remained at high levels with just over 300 transactions carried through, 17% higher than the average H1 pace over the past five years.

The transaction volume in the office sector was fairly average and amounted to SEK 19bn (€2bn) in H1 2017, and thus accounted for 24% of the total transaction volume. The only sector that stands out with relatively modest transaction volume is public properties, but this is rather a result of lack of supply than a lack of demand.

The Swedish property market seems to have been completely unaffected by global uncertainties and may even strengthened Sweden as investment option for many international investors. International investors have been very competitive in 2017 and

accounted for 30% of the total transaction volume, a significant increase compared to the last few years. We expect that the high interest from foreign investors will remain throughout the year.

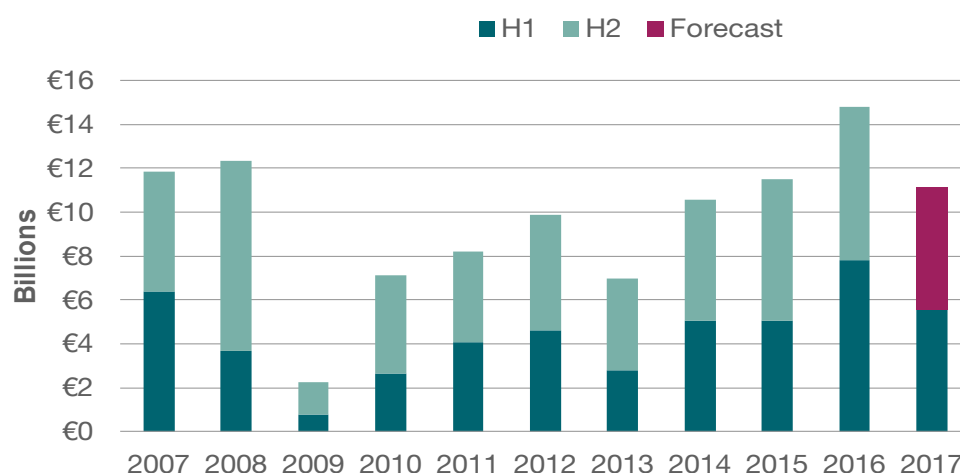
The outlook for the rest of the year is positive and property investments are expected to remain attractive. Transaction volumes are likely to remain high and considering that 2018 is an election year, 2017 could be the last chance for many

municipalities and counties to sell off public assets, which could boost investment volumes. Property yields across most sectors are expected to remain stable throughout the year, but given the strong demand, lack of alternative investments and the amount of capital seeking property investment, it is likely that we will see new lows in some sectors or geographical markets. ■

PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 17
Sweden Investment Volume 2007-2017



Source: Savills

TABLE 17
Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Residential Portfolio	Helsingborg	€195m	Willhem	Residential
Eldaren 6 "Linnaeus University"	Kalmar	€147m	Intea	Public (Education)
Residential Portfolio	Umeå	€121m	Heimstaden	Residential
Logistics Portfolio	Nyköping, Norrköping, Jönköping	€121m	Bråviken Logistik (Pareto Securities)	Industrial

Source: Savills

UK

Given that most investors would agree that occupational risks have risen in the UK as a result of our impending exit from the EU, it could be seen as surprising how well investor demand has held up in the first half of 2017. Overall we expect to see just over £25bn (€28bn) of turnover in the 1H, only slightly down on the £26bn (€29bn) recorded in the first half of 2016. Part of this strength has been down to rise in interest in the UK from non-domestic investors since last June's referendum.

The combination of long income streams, yields that are comparatively low against some European and Asian cities, and the 10-20% weakening of the pound has proven irresistible to many investors, and in markets such as central London more than 80% of the purchases over the last six months have been by non-domestic investors. Indeed, according to RCA London has been the most popular destination in the world for cross-border investment this year. Overseas investors have been less dominant outside London, accounting for only 28% of the capital invested in 2017, but this is still well above the long-term average.

The fact that the majority of non-domestic buyers, be they private or institutional, are focused on long-term secure income streams means that prime yields have remained low. Indeed, some segments of the UK market have seen yields harden over the course of 2017. This means that our all UK prime property yield has hardened from 4.85% at the end of 2016 to 4.75% at the end of June 2017.

Looking ahead we expect to see a similar story in the investment market in the UK for the next few years. Strong investor demand for

prime and secure will support yields at that end of the market, while opportunistic investors will focus on short-income or development with a view of selling it to risk-averse global investors.

Brexit will definitely start to drag on the occupational markets soon. However, the fact that the impact is likely to be stretched over a five to seven year period will limit the risk of a sudden shock, and allow investors and occupiers to take time to plan reactive strategies. ■



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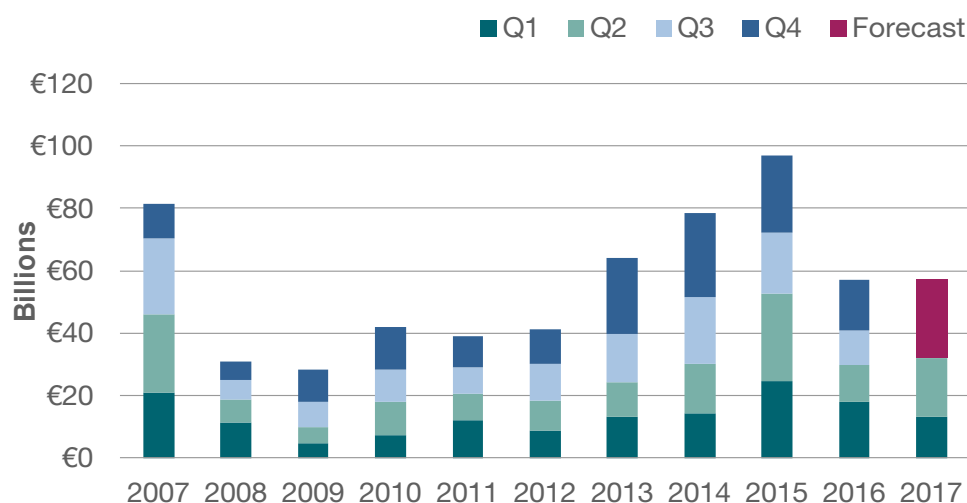


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PRIME YIELDS END-YEAR OUTLOOK

Offices	➔
Retail	➔
Industrial	➔

GRAPH 18
UK Investment Volume 2007-2017



Source: Savills

TABLE 18
Major investment transactions Q2 2017

Property	Location	Price	Buyer	Usage
Canada Square, 20	London E14	€360m	Cheung Kei Group	Office
Grosvenor House Hotel	London W1	€527m	GH Equity UK	Leisure
Nine Elms Square site	London SW8	€413m	Wanda (Hong Kong)	PRS
Cannon Street, 78	London EC4	€426m	DEKA Immobilien	Office

Source: Savills

Key investment indicators

GDP growth, prime rental growth¹, prime yields and yield shift² in Q2 2017

City	GDP growth 2017 (f)*	Office rental growth	Office yield	Office yield shift	Industrial yield	Industrial yield shift	SC ⁵ rental growth	SC yield	SC yield shift	<p>Note 1: Rental growth is annual and calculated in local currencies</p> <p>Note 2: Prime yield shift is annual - in basis points</p> <p>Note 3: First estimations</p> <p>Note 4: GDP is national, growth is annual and it is the Oxford Economics forecast for the year 2017</p> <p>Note 5: SC=Regional Shopping Centre. Rental growth refers to prime standard unit of approx 100sqm</p> <p>Note 6: London offices refer to West End</p> <p>Note 7: Yields are quoted Net unless noted otherwise</p>
Amsterdam	2.4%	6.9%	4.0%	-20	5.3%	-50	0.0%	5.2%	-10	
Athens	0.9%	15.0%	7.5%	-50	9.5%	-50	0.0%	7.3%	-25	
Berlin	2.0%	33.2%	3.1%	-70	5.3%	-20	na/	4.6%	0	
Brussels	1.6%	5.3%	3.7%	-95	7.0%	50	n/a	4.3%	0	
Bucharest*	5.7%	3.0%	7.50%	-25	8.5%	-50	0.0%	7.0%	-25	
Copenhagen**	2.0%	4.0%	4.0%	-40	8.25%	0	0.0%	4.0%	0	
Dublin	4.3%	3.3%	4.3%	0	5.75%	-25	3.7	4.5%	0	
Dusseldorf	2.0%	1.0%	3.8%	-30	5.3%	-10	n/a	4.3%	0	
Frankfurt	2.0%	4.0%	3.3%	-70	4.7%	-40	n/a	4.2%	0	
Hamburg	2.0%	2.0%	3.5%	-50	4.8%	-40	n/a	4.0%	0	
Helsinki***	2.1%	2.4%	3.8%	-45	5.2%	-30	0.3	4.1%	-65	
Luxembourg	3.9%	n/a	4.2%	n/a	n/a	n/a	n/a	n/a	n/a	
London ⁶	1.7%	44.1%	3.3%	-50	4.5%	-25	0.0%	4.3%	0	
Madrid	3.1%	7.4%	3.3%	-50	n/a	n/a	0.0%	4.3%	-25	
Milan	1.3%	6.1%	3.5%	-25	7.0%	-50	2.9%	4.8%	-75	
Munich	2.0%	1.5%	3.1%	-60	4.8%	-20	n/a	3.7%	0	
Oslo****	1.9%	9.0%	3.7%	-30	5.15%	-60	0.0%	4.25%	0	
Paris	1.5%	2.1%	3.0%	-25	5.5%	-20	0.0%	4.3%	0	
Prague	2.9%	3.5%	4.85%	0	6.0%	0	n/a	5%	0	
Stockholm	2.3%	28.2%	3.5%	-25	n/a	n/a	0.0%	4.0%	-75	
Vienna*****	1.9%	0.0%	3.8%	-45	6.4%	-10	0.0%	4.0%	-25	
Warsaw	3.7%	0.0%	5.3%	0	6.75%	0	0.0%	5.25%	-25	

Source: Savills *Crosspoint/**Nybolig Erhverv/****Realia/*****Malling/*****EHL/

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