# Global Property Market

2015 | 2

# Wüest & Partner

## Global Economy

- Global growth is projected at 3.3% in 2015, which is slightly lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging markets and developing economies.

**Improved conditions in advanced economies**

- Overall, the underlying drivers for a gradual acceleration in economic activity in advanced economies – easy financial conditions, more neutral fiscal policy in the euro zone, lower fuel prices, and improving confidence and labor market conditions – remain intact. Growth in advanced countries is projected to increase from 1.8% in 2014 to 2.1% in 2015.
- The economic recovery in the Euro area seems broadly on track, with a generally robust recovery in domestic demand and inflation beginning to increase. In Japan, growth was stronger than expected in the first quarter of 2015, supported by a pickup in capital investment.

**Growth slows in emerging markets**

- Growth in emerging markets and developing economies is projected to slow from 4.6% in 2014 to 4.2% in 2015. The slowdown reflects the dampening impact of lower commodity prices, tighter external financial conditions, the rebalancing in China, structural bottlenecks as well as economic distress related to geopolitical factors.
- Short term risks include ongoing volatility at financial markets and disruptive asset price shifts, while lower potential output growth remains an important medium-term risk in both advanced and emerging markets.

**Global: Key indicator and change from last year**

| | | |
|---|---|---|
| Population (2014) | 7,265,786,000 | ↗ |
| Population: forecast (2050) | 31.45% | ↘ |
| GDP growth (2014) | 3.4% | ↗ |
| GDP: forecast (2015) | 3.5% | ↘ |
| Inflation, end of period consumer prices (2014) | 3.3% | ↘ |
| Trade volume of goods and services (2014) | 0.3% | ↘ |
| Unemployment rate (2014) | 8% | → |
| Employment in services (2011) | 43.8% | → |
| Employment in agriculture (2011) | 34.1% | → |
| Employment in industries (2011) | 22.1% | → |
| Price of gold (y-o-y)* | 1,134 EUR (+16%) | |
| Price of platinum (y-o-y)* | 1.07 EUR (–7%) | |
| Price of oil (Brent, y-o-y)* | 53 EUR (–31%) | |
| Price of oil (WTI, y-o-y)* | 49 EUR (-32%) | |
| Price of cotton (y-o-y)* | 0.64 EUR (+23%) | |
| Exchange rate USD/EUR* | 0.8913 (+17%) | |
| Exchange rate USD/YEN* | 121.22 (+16%) | |
| Exchange rate USD/CHF* | 0.9632 (+5%) | |
| Dow Jones Global Index (y-o-y)* | 297( -11%) | |
| MSCI World Index (y-o-y)* | 1.705 (+3%) | |

* As at 31st August 2015

## Global Real Estate

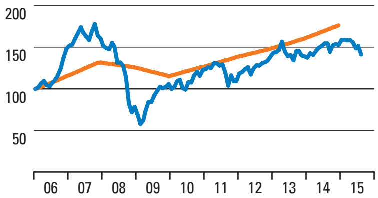
**Relatively strong real estate markets**

- Momentum is building up in the world's major commercial real estate markets and growth in leasing activity has matched that of investment.
- The investment volumes during the first half of 2015 were about 9% up on H1 2014. This was caused by the current low interest rate environment and the availability of debt. Yield compression is at fastest pace in five years.
- The most sought after markets were the US with volumes increasing by 29% YoY during the first half of 2015. Germany, the UK and Japan also registered a strong first half of the year, while China bounced back significantly during the second quarter.

**Subdued growth in rents**

- New York and London, in particular, had their busiest first half of the year since 2006, accounting for a record 15% of the overall global activity.
- For 2015, the rental growth is expected to be around 4% across the major global office markets. London, Hong Kong and Tokyo should experience particularly high growth rates.

**Global property indices** (01/2006 = 100)




— S&P Global Property (real estate equity)
— IPD Global Property Index (direct investment)

**Top 10 transactions in the last 6 months**

| | Type | Rentable area (sqm) | Price (EUR) | Price (EUR/sqm) | Location | Buyer |
|---|---|---|---|---|---|---|
| 11 Madison Avenue | Office | 209'025 | 2'080'492'500 | 9'953 | New York, US | SL Green |
| Willis Tower | Office | 351'834 | 1'187'133'878 | 3'374 | Chicago, US | Blackstone |
| Chadstone the Fashion Capital | Retail | 142'715 | 1'169'820'714 | 16'394 | Melbourne, AU | Federation Centres (50% interest) |
| Crown Building | Retail | 9'290 | 1'161'134'000 | 124'988 | New York, US | JV of several participants |
| 230 Park Avenue | Office | 112'648 | 1'070'630'887 | 9'504 | New York, US | RXR Realty JV Blackstone |
| Corporate Ave 1&2 | Office | 83'000 | 956'896'060 | 11'529 | Shanghai, CN | The Link REIT |
| Market Square | Office | 99'142 | 843'214'050 | 8'679 | San Francisco, US | JP Morgan AM (98%) |
| 1211 Sixth Avenue | Office | 180'030 | 815'106'915 | 9'240 | New York, US | Ivanhoe Cambridge (49%) |
| One Raffles Place | Office | 79'894 | 776'807'519 | 14'309 | Singapore, SG | OUE Commercial REIT (67.95%) |
| 590 Madison Avenue | Office | 93'395 | 656'487'300 | 14'345 | New York, US | M. Safra & Co (49%) |

## Western Europe

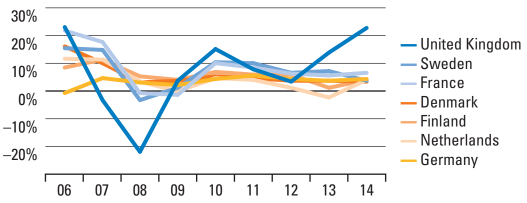
**Low inflation rates**

- Inflation rates of only 0.2% in Western Europe due to drop in oil prices
- The consequences of abandoning the Euro cap in January 2015 led to a strengthening of the Swiss Franc. Simultaneously, the SNB introduced negative interest rates on cash deposits as a reaction to a further appreciation of the Swiss Franc.
- While the economy regained momentum in countries like Spain, Portugal and Ireland, the Greek government has still not imposed structural reforms to avert a national bankruptcy.

**Ireland strongest growth market**

- Ireland is expected to experience the strongest GDP growth in the euro zone (3.6%) in 2015; before Spain (2.8%) and Portugal (1.6%). At the same time, the unemployment rate in these countries is expected to decrease.
- Despite record exports, Germany, Europe's economic powerhouse, has lost some of its momentum with a GDP growth of only 0.3% during the first quarter of 2015. Overall, the annual growth is expected to be around 1.9%.

**Office: total return**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **Finland** | 5'478 | 0.50% | 204 | 37'240 | 1.2 → | 1.2 ↗ | 2.2 → |
| **Sweden** | 9'747 | 1.06% | 412 | 42'269 | 1.2 → | 1.8 ↗ | 2.2 → |
| **United Kingdom** | 64'511 | 0.66% | 2'528 | 39'185 | 1.2 → | 2.1 ↘ | 2.0 ↗ |
| **Denmark** | 5'627 | 0.43% | 257 | 45'616 | 1.3 → | 1.7 ↗ | 2.0 → |
| **Germany** | 81'100 | 0.41% | 2'904 | 35'805 | 1.4 → | 1.5 ↘ | 2.1 ↗ |
| **Netherlands** | 16'864 | 0.36% | 652 | 38'651 | 1.5 → | 1.3 ↗ | 2.1 ↗ |
| **France** | 63'920 | 0.42% | 2'142 | 33'509 | 1.7 → | 1.5 ↘ | 3.0 ↘ |

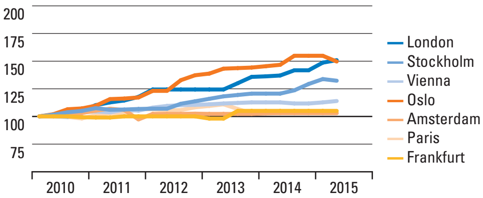
**Strong demand from overseas in Germany**

- Germany: robust economic environment over the last few years has attracted international investors. By now, even investors that await trends to develop and enter the market only during attractive market conditions are increasingly represented in Germany. Market values are expected to keep rising while the yields should fall.
- United Kingdom: As the demand for space is still very high in all major cities, developers are tempted to invest more heavily into speculative projects. Rising rents caused by high demand and the investor's interest for objects in grade A and B cities lead to widespread yield compressions.
- France : Even though the prospects for the economy improved lately, the real estate market is still not getting better. The current net absorption rates have fallen behind the promising levels of last year.

**First signs of recovery in the Netherlands**

- Netherlands: the rental market is still in crisis mode. However, the demand for very modern buildings has increased lately. The cautious optimism that the bottom of the market cycle has been reached, puts the country back into focus from an investment point of view. This causes the yields in all major cities to fall.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | Office: prime rent (EUR) | Office: prime rent (local curr.) | Retail: prime rent (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | W&P rating (1.0–5.0) |
|---|---|---|---|---|---|---|---|---|
| **London** | 7'775 | 67'795 | 1'808 | 1,318 GBP ↗ | 20'581 | 15,000 GBP ↗ | 3.50% ↘ | 1.0 → |
| **Paris** | 2'186 | 65'500 | 750 | 750 EUR ↘ | 13'350 | 13,350 EUR → | 3.90% ↘ | 1.3 ↗ |
| **Oslo** | 583 | 71'905 | 494 | 4,600 NOK ↘ | 2'683 | 25,000 NOK ↗ | 4.50% ↘ | 1.8 → |
| **Stockholm** | 826 | 66'148 | 516 | 4,900 SEK → | 1'570 | 14,900 SEK ↘ | 4.25% ↘ | 1.8 ↗ |
| **Frankfurt** | 659 | 73'255 | 445 | 445 EUR → | 3'600 | 3,600 EUR ↗ | 4.70% → | 1.8 ↘ |
| **Vienna** | 1'698 | 56'499 | 306 | 306 EUR ↗ | 4'050 | 4,050 EUR ↘ | 4.60% ↘ | 1.8 ↗ |
| **Amsterdam** | 756 | 50'429 | 360 | 360 EUR ↗ | 2'800 | 2,800 EUR → | 5.40% ↘ | 1.9 ↗ |

## Eastern / South-Eastern Europe

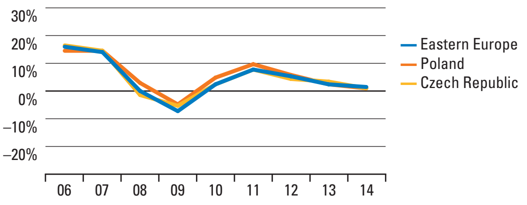
**Russian economy still struggling**

- The Russian economy continues to deal with contracting growth and the sanctions adopted by the West. As a result, the Russian GPD has declined by 6.8% since January.
- The devaluation of the ruble and the extension of the food import ban against Western countries has caused the inflation rate to remain at a high level of about 15%.
- Poland's economy expanded by 3.6% in Q1 and 3.5% in Q2 year-on-year and the prospects for the Polish economy remain positive. However, Poland is currently undergoing an important reshaping of its political landscape following the presidential election on May 24th.
- In the Czech Republic the robust economic recovery should continue to fuel high occupational demand and is expected to positively influence the office market.

**Slowing of Turkey economy**

- Turkey's economy slowed in the beginning of 2015, which was largely caused by contracting exports due to geopolitical tensions in neighbouring countries.
- In Hungary the economic growth slowed at a faster than expected pace during Q2. While the GDP increased by 3.6% in 2014, the growth rate fell to 2.7% YoY in Q2.

**Office: total return**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **Poland** | 38'533 | 0.10% | 407 | 10'555 | 2.2 ↘ | 3.2 → | 2.5 ↗ |
| **Czech Republic** | 10'512 | 2.02% | 156 | 14'860 | 2.2 → | 2.3 ↗ | 2.2 ↗ |
| **Hungary** | 9'877 | -0.24% | 104 | 10'563 | 2.3 → | 2.4 ↗ | 2.6 ↗ |
| **Slovak Republic** | 5'411 | 0.07% | 75 | 13'952 | 2.4 → | 3.1 → | 2.6 ↘ |
| **Turkey** | 76'484 | 1.28% | 652 | 8'523 | 2.8 → | 2.3 ↗ | 2.9 ↗ |
| **Bulgaria** | 7'202 | -0.69% | 42 | 5'775 | 2.8 → | 3.5 ↘ | 2.6 ↗ |
| **Russia** | 143'700 | 0.04% | 1'669 | 11'677 | 2.9 ↘ | 3.1 ↘ | 3.7 ↘ |

- Russia: The office and retail real estate sectors have experienced a sharp decline in rents and a significant increase of the vacancy rate as demand remains extremely fragile.

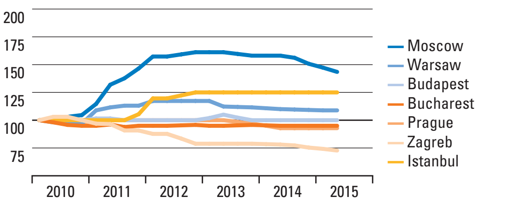
**Strong performance of Czech market**

- Czech Republic: Improved levels of business confidence elevated the performance of the Czech office market. In Prague, the strong occupational activity provided a boost to net absorption and a fall in the overall vacancy rate.
- Poland: The overall outlook for the office sector is positive and the activity in the investment market remains robust, with demand almost entirely being driven by international investors.
- Turkey: The recent elections have caused uncertainty in the business environment to rise and some occupiers to postpone relocations or deter new entrants.

**Low vacancy in Budapest**

- Hungary: The office market rallied in the second quarter, supported by strong economic growth. As demand continues to outstrip supply, the vacancy rate in Budapest continued to fall further increasing the possibility of positive rental growth.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | Office: prime rent (EUR) | Office: prime rent (local curr.) | Retail: prime rent (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | W&P rating (1.0–5.0) |
|---|---|---|---|---|---|---|---|---|
| **Moscow** | 10'544 | 19'431 | 893 | 1,000 USD ↘ | 4'912 | 5,500 USD ↘ | 11.00% ↗ | 2.5 → |
| **Prague** | 1'249 | 29'784 | 230 | 230 EUR ↗ | 2'280 | 2,280 EUR ↗ | 6.00% ↘ | 2.5 ↗ |
| **Warsaw** | 1'710 | 26'879 | 295 | 295 EUR ↘ | 1'020 | 1,020 EUR ↘ | 6.25% → | 2.5 ↗ |
| **Istanbul** | 12'176 | 14'914 | 480 | 480 EUR ↘ | 3'000 | 3,360 USD ↗ | 6.80% ↘ | 2.5 → |
| **Budapest** | 1'712 | 21'416 | 252 | 252 EUR ↗ | 1'140 | 1,140 EUR ↘ | 7.25% ↘ | 2.5 ↗ |
| **Bucharest** | 326 | 9'548 | 228 | 228 EUR ↘ | 540 | 540 EUR ↘ | 7.75% ↘ | 2.9 ↗ |
| **Zagreb** | 789 | 23'546 | 180 | 180 EUR ↗ | 840 | 840 EUR ↘ | 8.50% ↗ | 3.3 ↗ |

## North America

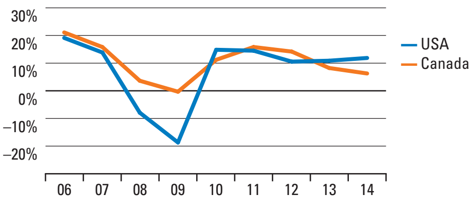
**US economy is growing in 2015**

- The U.S. GDP increased significantly during the second quarter of 2015. This was mainly caused by improved consumer spending.
- The national unemployment rate dropped by 1 percentage point to 5.1% during the last year, representing the lowest rate since 2008.
- Certain tech-heavy regions like San Francisco or Seattle are still experiencing a strong growth in jobs while more resource related centres like Houston have seen a slowdown in job growth.
- The FED has fuelled speculations that the short-term interest rates may rise before the end of the year.

**Oil-related locations suffer in Canada**

- While the recent drop in the oil price does not appear to have had any significant effect on the U.S. economy, it has led to declines in oil-related investments and the GDP in Canada.
- There are concerns in Canada that the financial stability could be endangered by high household debt and the increasing house prices.

**Office: total return**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **USA** | 316'373 | 0.76% | 13'238 | 41'844 | 1.2 ↘ | 1.7 ↗ | 2.0 → |
| **Canada** | 35'492 | 1.01% | 1'438 | 1'002 | 1.2 ↘ | 1.8 ↘ | 1.8 ↘ |

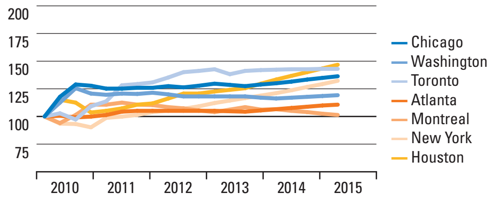
**Two-tier market USA**

- Manhattan is currently experiencing falling vacancy rates and rising asking rents. This trend is likely to continue during the next couple of years as the labour market remains strong and there is no significant construction activity at the moment.
- Ever since the GFC, Washington D.C. has been ahead of the other major U.S. cities in the investment cycle due to heavy government spending. The expiration of those spending programs hit the D.C. area hard and the real estate market showed declining conditions. However, since the beginning of 2015, the market has shown signs of recovery with tightening conditions.
- San Francisco has been the boom market of the United States for the last 2 years and a strong leasing activity continues to drive rent levels upwards.

**In Canada high supply intensifies current problems**

- The Canadian office sector has been hit hard by the oil price drop. The vacancy levels have increased by 270 bp over the last 6 months. Asking rents are currently still remaining at a steady level but landlords are likely to start lowering their demands soon in order to rent their properties out. This development will probably intensify, as there is still a long pipeline of buildings under construction.
- Toronto has seen a long period of rental growth and declining vacancy. However, new supply entering the market in the near future is likely to cause the vacancy rate to go up for the next two years.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | (EUR) | Office: prime rent (local curr.) | (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | W&P rating (1.0–5.0) |
|---|---|---|---|---|---|---|---|---|
| **New York** | 8'364 | 67'763 | 795 | 890 USD ↗ | 33'668 | 37,700 USD ↗ | 4.00% → | 1.1 → |
| **Chicago** | 2'853 | 56'854 | 394 | 441 USD ↗ | 4'688 | 5,250 USD ↗ | 4.75% ↘ | 1.7 ↗ |
| **Washington** | 592 | 70'476 | 562 | 629 USD ↗ | 2'143 | 2,400 USD ↗ | 4.50% ↘ | 1.7 ↗ |
| **Toronto** | 2'503 | 47'826 | 399 | 591 CAD ↗ | 2'364 | 3,500 CAD ↗ | 4.50% ↘ | 1.7 ↗ |
| **Houston** | 2'242 | 59'578 | 372 | 417 USD ↗ | 375 | 420 USD ↗ | 5.50% ↘ | 1.9 ↗ |
| **Atlanta** | 538 | 48'390 | 246 | 275 USD ↗ | 268 | 300 USD ↘ | 5.75% ↘ | 1.9 ↗ |
| **Montreal** | 1'621 | 39'654 | 303 | 449 CAD ↗ | 1'317 | 1,950 CAD ↘ | 5.00% ↘ | 1.9 ↗ |

## Latin America

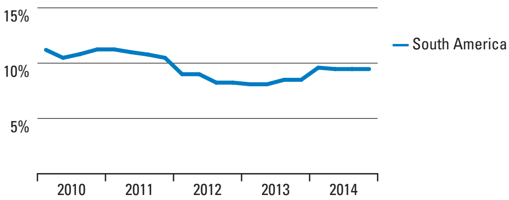
**Stagnation in Brazil**

- Brazil is currently undergoing a phase of high uncertainty. After a decade of steady growth rates the Brazilian economy has almost stagnated with a growth rate of just 0.1% in 2014 and is expected to shrink by 1.7% in 2015. At the same time the inflation rate has increased noticeably from 5.8% in 2012 to an expected 8.9% in 2015. This situation has been caused by a consumer and corporate confidence crisis.

**Upcoming presidential elections in Argentina**

- The uncertainty generated by the Argentinian presidential elections in October 2015 continues to affect the country's economic outlook. Since the beginning of 2015, the economy has been showing a decline in growth to just 0.5% in the first quarter of 2015 as companies keep delaying their expansion plans.
- In Mexico the economic development is split. While the economy of the states linked with NAFTA supply chains is performing well, the states that are more closely linked to the local market economy are either stagnant or experiencing very moderate expansion.

**Office: cap rates**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **Chile** | 17'819 | 1.01% | 218 | 12'431 | 2.2 ↘ | 2.6 ↗ | 1.8 → |
| **Mexico** | 118'397 | 1.32% | 992 | 8'376 | 2.7 ↘ | 3.0 ↗ | 2.7 → |
| **Peru** | 30'946 | 1.52% | 163 | 5'259 | 2.8 → | 3.6 → | 2.6 → |
| **Colombia** | 47'662 | 1.09% | 301 | 6'381 | 3.0 ↘ | 3.7 ↘ | 2.3 ↗ |
| **Brazil** | 202'769 | 0.92% | 1'767 | 8'913 | 3.2 ↘ | 3.9 ↘ | 3.4 → |
| **Uruguay** | 3'392 | 0.29% | 44 | 13'088 | 3.2 ↘ | 3.2 ↘ | 2.5 → |
| **Costa Rica** | 4'775 | 1.29% | 39 | 8'221 | 3.4 ↘ | 3.6 ↘ | 2.6 ↗ |

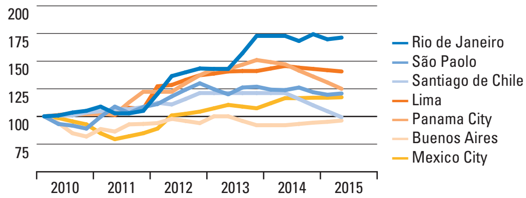
**Increase of vacancy in Brazilian CBD's**

- Brazil: In Sao Paulo, 286'000 m2 of office space will enter the class A CBD market during 2015, which represents an 11% increase of high-end corporate spaces in key submarkets. However, as some of these new buildings are pre-leased this development will attenuate the trend of increasing vacancy rates during the past year.
- In Rio de Janeiro, the CBD's vacancy rate has increased by 8.0 pp. to 19.4% since the beginning of 2015. Due to the exchange rate depreciation of the Brazilian Real, the average asking rent in dollars has fallen significantly both in Sao Paulo and in Rio de Janeiro.
- Argentina: Even though the current economic scenario is unfavourable, the Buenos Aires office market has started to show its first signs of recovery during the first half of 2015.

**End of cycle in Mexico?**

- Mexico: After 3 years of falling vacancy and rising asking rents, the vacancy rate has increased by 2 pp. YoY and the direct asking rents have gone up by only 0.8% YoY until the end of Q2 in 2015. However, with an overall vacancy rate of just 8.8%, the market is still at a healthy balance between absorption and inventory growth at the moment.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | Office: prime rent (EUR) | Office: prime rent (local curr.) | Retail: prime rent (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | W&P rating (1.0–5.0) |
|---|---|---|---|---|---|---|---|---|
| **Mexico City** | 8'842 | 19'396 | 375 | 420 USD ↗ | 982 | 1,100 USD ↗ | 7.80% ↘ | 2.5 ↗ |
| **Santiago** | 5'197 | 12'484 | 245 | 190,000 CLP → | 1'614 | 1,250,000 CLP ↗ | 8.00% ↘ | 2.6 ↗ |
| **São Paulo** | 11'038 | 13'946 | 577 | 2,340 BRL ↘ | 2'071 | 8,400 BRL ↗ | 8.50% → | 2.8 ↗ |
| **Rio de Janeiro** | 6'187 | 11'589 | 858 | 3,480 BRL ↘ | 1'183 | 4,800 BRL ↘ | 10.25% → | 3.1 ↗ |
| **Lima** | 8'000 | 6'017 | 246 | 275 USD ↘ | 1'072 | 1,200 USD ↘ | 10.65% ↘ | 3.1 ↗ |
| **Buenos Aires** | 3'043 | 13'712 | 289 | 324 USD ↗ | 1'200 | 1,344 USD → | 7.25% ↘ | 3.4 ↘ |
| **Panama City** | 825 | 6'957 | 295 | 330 PAB ↘ | 518 | 580 PAB ↗ | 9.00% ↘ | 3.4 ↗ |

## Asia

- In the first quarter of 2015, the Japanese GDP has experienced its highest growth of 1.0% QoQ in the past year, led by private investments of the corporate sector.

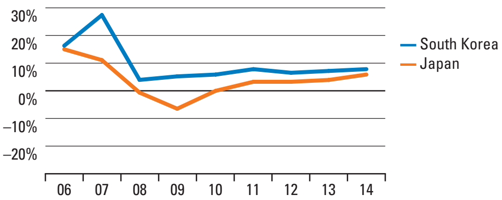
**Interest rates in China still falling**

- The Chinese GDP grew by 7.0% YoY in the first and second quarter, which represents a slower growth rate than in the past years. In order to shore up slowing economic growth, the central bank has recently cut interest rates for a fifth time in nine months to 4.6% for a one-year loan.
- Hong Kong's GDP on the other hand expanded by 2.1% YoY in the first quarter of 2015 and is expected to grow by 2.8% during 2015.
- The recent outbreak of the Middle East Respiratory Syndrome (MERS) in South Korea has led to a dent in the country's growth and consumption. The economy grew just 0.3% in April to June over the previous quarter following 0.8% growth for the first quarter.

**India still growing at a high level**

- The Indian GDP growth rate was recorded at 7.3% for the past 12 months, which is 0.4 percentage points higher than last year. This growth was supported mainly by the expansion of the services and manufacturing sectors.

**Office: total return**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **Singapore** | 5'399 | 2.95% | 233 | 43'163 | 1.0 → | 1.3 → | 1.0 ↗ |
| **Japan** | 127'061 | -0.07% | 3'862 | 30'331 | 1.7 ↘ | 1.4 ↗ | 2.2 ↗ |
| **South Korea** | 50'424 | 0.47% | 963 | 19'171 | 2.0 ↘ | 1.9 ↘ | 2.3 ↗ |
| **Malaysia** | 29'948 | 1.46% | 246 | 8'312 | 2.1 ↘ | 1.8 ↗ | 2.4 ↗ |
| **Taiwan** | 23'374 | 0.29% | 385 | 16'493 | 2.4 ↘ | 2.0 ↘ | 2.0 ↗ |
| **China** | 1'367'820 | 0.45% | 7'235 | 5'317 | 2.7 ↘ | 2.9 ↘ | 3.7 ↗ |
| **India** | 1'259'695 | 1.28% | 1'474 | 1'186 | 3.3 ↘ | 3.4 ↗ | 3.5 ↗ |

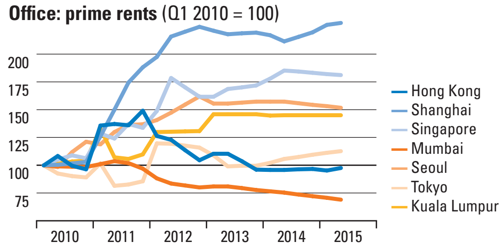
**Strong office market in Tokyo**

- The office space market in Tokyo is performing well as the occupancy was considerably strengthened. The average vacancy rate for Grade A offices decreased significantly from 4.2% in the first quarter of 2015 to 2.0% in the second quarter while rents grew by 6.5% Year on Year.

**Only CBD on track in Shanghai**

- In Shanghai the rents in core CBD markets registered stable increases during the last quarter, while the secondary CBD markets showed slight rental decreases.
- Following a gradual improvement in leasing activity in the first quarter, Grade A office leasing demand in Hong Kong strengthened in the second quarter. Overall Grade A office rents increased by 2.8% in Q2 and 1.7% during the past 12 months.
- In Seoul, rents have declined by about 3.4% during the past 12 months as the economic landscape stays sluggish. The office market is expected to remain a tenant's market through 2015 before recovering in 2016.
- During the past 12 months the rents for grade A office space in the CBD in Mumbai have decreased by 7.3%, while the vacancy has gone up by 1.5 percentage points.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | Office: prime rent (EUR) | Office: prime rent (local curr.) | Retail: prime rent (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | W&P rating (1.0–5.0) |
|---|---|---|---|---|---|---|---|---|
| **Hong Kong** | 7'055 | 20'719 | 1'440 | 12,500 HKD ↗ | 26'272 | 228,000 HKD ↗ | 2.50% ↘ | 1.4 → |
| **Singapore** | 3'734 | 31'511 | 1'044 | 1,650 SGD ↗ | 3'080 | 4,870 SGD ↘ | 4.00% ↗ | 1.5 ↗ |
| **Tokyo** | 12'907 | 39'937 | 921 | 125,000 JPY ↗ | 8'103 | 1,100,000 JPY ↗ | 3.20% ↘ | 1.8 → |
| **Seoul** | 10'464 | 17'543 | 261 | 346,000 KRW ↘ | 5'530 | 7,330,000 KRW ↗ | 4.70% ↘ | 2.2 ↗ |
| **Shanghai** | 18'885 | 7'253 | 504 | 3,600 CNY ↘ | 2'675 | 19,100 CNY ↘ | 4.80% ↘ | 2.5 → |
| **Kuala Lumpur** | 1'475 | 13'875 | 219 | 1,030 MYR ↘ | 1'638 | 7,700 MYR ↗ | 6.00% → | 2.6 ↗ |
| **Mumbai** | 13'831 | 3'444 | 390 | 29,000 INR ↘ | 1'345 | 100,000 INR ↘ | 9.80% ↘ | 3.0 ↗ |

## Australia/New Zealand

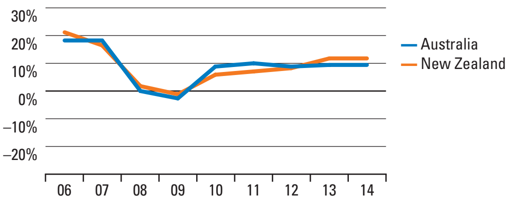
**Australia on the upturn**

- The Australian GDP grew stronger than expected in the first quarter of 2015, rising by 0.9%, mainly due to the weaker Australian dollar and lower interest rates. Overall, the GDP is expected to grow by 2.6% in 2015. The growth rate should increase even further to 2.8% in 2016 and 3.1% in 2017. At the same time the CPI inflation is about 1.9% and the unemployment rate is around 6.1%. The low interest rate environment and rising wealth have boosted consumer spending in Australia. Additionally, the governments tax relief program for small businesses should lead to a further increase of the retail turnover in the coming years.

**Good and stable economic condition in NZ**

- The economy in New Zealand has grown at a robust pace recently with the GDP growing by 3.2% in 2014 and an expected growth of 2.8% in 2015. The underlying recovery remains in place and the economic growth is expected to average 2.5% per year over the next five years. At the same time, the inflation rate in New Zealand is low (0.6% in 2015) and the unemployment rate is moderate at 5.7%.

**Total return: office**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **New Zealand** | 4'482 | 0.91% | 143 | 31'899 | 1.1 ↘ | 2.3 ↘ | 1.5 ↗ |
| **Australia** | 23'590 | 1.60% | 1'186 | 51'112 | 1.3 ↘ | 2.3 ↘ | 1.6 ↘ |

- Australia: Sydney has seen a solid increase in the number of enquires from both large and medium size tenants resulting in overall rents for grade A office space to increase by 1.7% and overall vacancy to go down by 1.5% since last year.

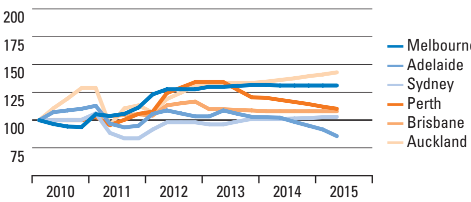
**Perth still struggling due to lack of resource demand**

- Demand for office space in Perth on the other hand has plummeted over the last 12 months as resource-related companies reduced their staff and functions. This has caused the overall rents for grade A office space to fall by 6.3% and the vacancy to rise by 5.8% to a twenty-year high during the past 12 months.

**Strong rental growth in Auckland**

- New Zealand: The office market in Auckland continues to perform well. The overall rent for grade A office space has increased by 5.0% compared to last year. At the same time, vacancy within Auckland CBD's office market has fallen for the fifth time in six years to about 3.7% for prime grade office space and 10.6% for the overall market in January 2015. This reflects the city's strong economic performance. Competition for the limited stock of prime grade investment property has increased over the last year resulting in continued yield compression.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | Office: prime rent (EUR) | Office: prime rent (local curr.) | Retail: prime rent (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | W&P rating (1.0–5.0) |
|---|---|---|---|---|---|---|---|---|
| **Sydney** | 3'750 | 53'355 | 564 | 890 AUD ↗ | 7'925 | 12,500 AUD ↘ | 6.25% ↘ | 1.7 → |
| **Melbourne** | 3'552 | 50'008 | 365 | 575 AUD ↗ | 2'853 | 4,500 AUD ↘ | 6.75% ↘ | 2.0 ↗ |
| **Brisbane** | 1'826 | 45'951 | 415 | 654 AUD ↘ | 3'170 | 5,000 AUD → | 6.75% ↘ | 2.1 ↗ |
| **Auckland** | 405 | 41'860 | 298 | 525 NZD ↗ | 2'245 | 3,960 NZD ↗ | 7.30% ↘ | 2.1 ↗ |
| **Perth** | 1'318 | 45'354 | 476 | 750 AUD ↘ | 2'219 | 3,500 AUD ↘ | 8.50% ↗ | 2.2 → |
| **Adelaide** | 1'065 | 47'250 | 279 | 440 AUD ↗ | 1'479 | 2,333 AUD ↘ | 8.00% → | 2.3 ↗ |

## Africa/Middle East

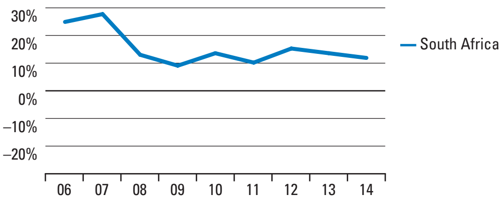
**Nigeria is strong despite oil crisis**

• The overall African GDP growth is expected to strengthen to 4.5% in 2015 after subdued expansion in 2013 (3.5%) and 2014 (3.9%), caused by the on-going Ebola virus and the weaker development of the global economy. While the countries most effected by Ebola, Guinea, Liberia and Sierra Leone, are still recovering, the growth in Nigeria, Africa's largest country, accelerated to 6.3% in 2014 from 5.4% in 2013, which came mainly from non-oil sectors showing that the economy is diversifying. The growth of the South African economy on the other hand slowed to just 2% during the same time, pulling the economic development of entire southern Africa down.

**Recovery in Middle East**

• In the Middle East, the modest recovery is expected to continue despite the recent slump in oil prices, raging regional conflicts, and lingering uncertainty of the post-Arab Spring transitions. The oil-exporting countries such as Saudi-Arabia and the UAE are faced with large oil revenue losses. As a reaction, they are expected to use accumulated financial buffers and available financing to cushion some of the impact on growth while gradually slowing their fiscal spending.

**Total return: office**




| | Population (in 1,000) | Population growth (2012–2018) | GDP (EUR bn.) | GDP per capita (EUR) | W&P rating (1.0–5.0) | Infrastructure (1.0–5.0) | Economic Freedom (1.0–5.0) |
|---|---|---|---|---|---|---|---|
| **United Arab Emirates** | 9'031 | 13.33% | 312 | 34'574 | 1.7 → | 1.1 ↗ | 2.2 ↗ |
| **Saudi Arabia** | 29'994 | 3.17% | 587 | 19'580 | 2.3 ↘ | 2.2 → | 3.0 ↗ |
| **Israel** | 8'212 | 1.83% | 230 | 29'184 | 2.3 ↘ | 2.9 ↘ | 2.4 ↗ |
| **South Africa** | 52'982 | 1.25% | 276 | 5'217 | 2.4 ↘ | 2.8 ↗ | 2.9 ↗ |

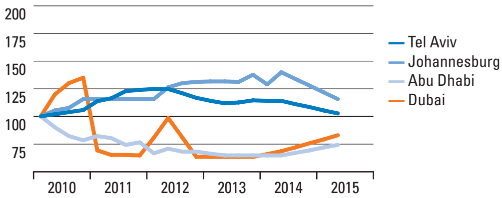
**Two-digit rental growth in Johannesburg**

• South Africa: Although the South African economy is currently experiencing challenging times, the prime office rents in Johannesburg have increased by about 10% YoY until the end of Q2 2015. Overall the vacancy in Johannesburg has fallen by 0.6 pp. to 11.3% at the end of Q2 2015, which still represents the highest vacancy among the four major South African metros. The office market in Cape Town has been performing very well during the first half of 2015, with the rents for both prime and grade A office space going up by about 10% YoY.

**Stable or rising rents in Middle East**

• Middle East: Overall the rental market in the Middle East has been characterised by a prolonged recovery during the first half of 2015. In Doha prime rental rates have continued upwards while both stock and vacancy level have also increased. In Abu Dhabi both the office and the retail markets remained stable during the first half of 2015 following two successive quarters of recovery and growth. Vacancy and rent levels are expected to remain stable this year given that a significant amount of the new supply in the pipeline is pre-committed. Dubai's office market remained relatively stable over the first quarter of 2015, with prime CBD rents increasing by 1% YoY and the vacancy improving to 23%. Demand for grade A quality stock continues to be robust.

**Office: prime rents** (Q1 2010 = 100)




| | Population (in 1,000) | GDP per capita (EUR) | (EUR) | Office: prime rent (local curr.) | (EUR) | Retail: prime rent (local curr.) | Prime yield (office) | Prime yield (retail) |
|---|---|---|---|---|---|---|---|---|
| **Dubai** | 2'501 | 51'729 | 486 | 2,000 AED ↗ | 1'191 | 4,900 AED ↗ | 10.00% ↗ | 2.1 ↗ |
| **Abu Dhabi** | 860 | 53'550 | 462 | 1,900 AED → | 1'070 | 4,400 AED ↗ | 10.00% → | 2.3 ↗ |
| **Johannesburg** | 3'790 | 15'348 | 168 | 2,500 ZAR ↘ | 660 | 9,800 ZAR ↗ | 8.00% ↘ | 2.7 ↗ |
| **Tel-Aviv** | 393 | 33'246 | 490 | 2,160 ILS ↗ | 2'224 | 9,800 ILS ↘ | 7.50% ↘ | 2.8 → |

**Sources**

This market survey is based on a broad internal data pool. It also draws on data provided by the following international institutions: various statistical offices, United Nations Organisation, International Monetary Fund, International Labour Organisation, Wallstreet Online, World Bank Group, «finance.net», Real Capital Analytics, as well as market reports of the following brokers: PriceWaterhouseCoopers, CB Richard Ellis, Jones Lang LaSalle, Knight Frank, NAI Apollo and Cushman & Wakefield. All total return data is supplied by IPD.

**Notes**

Grading system (W&P Rating, JLL Transparency Index and World Bank Ease of Registering Property): Grade 1.0 = excellent, Grade 5.0 = deficient.
Prime rents (2015): EUR per square metre and year, local currency per square metre and year.
Prime yields (2015): net initial yield (cash flow before capex/price).
Population and GDP figures are from 2014.
Arrows indicate the year-on-year change (throughout the whole document).
This market report was compiled by Wüest & Partner AG and has been prepared with due care. It is intended for general guidance only. The market report is based upon data in our possession or supplied to us. We believe this information to be correct and accurate, but cannot provide any guarantee. Reliance should not be placed upon the information, forecasts and opinions set out herein for any purpose whatsoever, and Wüest & Partner AG accept no liability, whether in negligence or otherwise, arising from such use.

Wüest & Partner is an internationally active consultancy firm for real estate. It focuses on the property and construction sectors, urban development and locational trends. Its multidisciplinary team counsels institutional owners, banks and insurers, construc-tion and real estate companies, public authorities and private clients.
With a comprehensive range of services, innovative products and unrivalled databases, the company develops and, in many cases, helps to implement tailored solutions.
Since its foundation in 1985, Wüest & Partner has – not least by virtue of its inde-pendence – established an impeccable reputation for quality. By concentrating exclusively on consultancy services, it can deliver fully professional and at the same time neutral solutions.
Staffed with approximately 130 specialists from a variety of fields – including architec-ture, economics, IT, engineering, natural and social sciences – the company has an excellent multidisciplinary knowledge base on which to build. It also has an unrivalled real estate pool of data on all regions and market segments, enabling it to provide in-depth consultancy throughout Switzerland and furnish infor-mation to make the real estate markets more transparent. For specific projects,
Wüest & Partner's team, based in Zurich, in Geneva, in Frankfurt and in Berlin can rely on support from a network of international business partners and local experts.
Wüest & Partner AG is owned and managed by 17 partners, who vouch for the
continuity, independence, and sustainable performance of the company. They are Martin Hofer, Andreas Ammann, Marcel Scherrer, Marco Feusi, Andreas Bleisch, Jan Bärthel, Nabil Aziz, Patrick Schnorf, Mario Grubenmann, Patrik Schmid, Gino Fiorentin, Stefan Meier, Hervé Froidevaux, Ronny Haase, Pascal Marazzi-de Lima, Andreas Keller and Karsten Jungk.

**Addresses**

**Wüest & Partner AG**
**Alte Börse - Bleicherweg 5**
**CH-8001 Zürich**
**Tel. +41 44 289 90 00**
**Fax +41 44 289 90 01**
**zurich@wuestundpartner.com**
**www.wuestundpartner.com**

**Wüest & Partner SA**
**Rue du Stand 60–62**
**CH-1204 Geneva**
**Tel. +41 22 319 30 00**
**Fax +41 22 319 30 01**
**geneve@wuestundpatner.com**
**www.wuestundpartner.com**

**W&P Immobilienberatung GmbH**
**Am Salzhaus 2**
**D-60311 Frankfurt am Main**
**Tel. +49 69 2193 888 0**
**Fax +49 69 2193 888 11**
**frankfurt@wuestundpartner.com**
**www.de.wuestundpartner.com**

**W&P Immobilienberatung GmbH**
**Neue Schönhauser Straße 20**
**D-10178 Berlin**
**Tel. +49 30 2576 087 0**
**Fax +49 30 2576 087 29**
**berlin@wuestundpartner.com**
**www.de.wuestundpartner.com**