Global Real Estate Trends and Opportunities for 2015/2016

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The Great Fall Of China

MSCI China & Shanghai Composite Rebased to 100 at Jan 14.

Source: Thomson Reuters DataStream.
Another 20%?

CNY/USD Spot Rate.

Source: Thomson Reuters DataStream.
Abenomics Is Doing A Lot

Tankan Survey.

Source: Thomson Reuters DataStream.
Except What It’s Meant To Do

Monthly Cash Earnings, % y/y.

Source: Thomson Reuters DataStream.
The USA Struggles To Reach Escape Velocity

ISM Business Activity Surveys.

Source: Thomson Reuters DataStream.
Monetary Tightening Threatened By Global Pressures

Market Implied Path of US Interest Rates, %.

Source: Thomson Reuters DataStream.
Meanwhile The UK Is In Rude Health (But Still Indebted)

Average Earnings, % y/y.

Source: Thomson Reuters DataStream.
And Wrestling With The Same Policy Dilemma As The USA

Real Effective Exchange Rate Indices.

Source: Thomson Reuters DataStream.
By Contrast The Eurozone Is At The Start Of Its Easing Cycle

Ratio of Central Bank’s Government Bond Purchases To Net Bond Issuance.
The Demand For Credit Is Recovering

Net Change In Demand For Credit.

Loan Growth, % y/y.

Source: European Central Bank.
And Frankly There Isn’t Much Between The USA & The Eurozone

GDP Forecasts, % pa.

Source: OEF except USA which is Moody's.
So Where Does Europe Stand Relative To Its Global Peers

THE EUROZONE

• EASY MONETARY POLICY
• WEAKENING EXCHANGE RATE
• RECOVERING DEMAND
• AND DESPITE BREXIT & GREXIT, COMPARABLY STABLE POLITICAL & LEGAL BACKDROP

THE UK

• MONETARY POLICY CYCLE EXTENDED BY GLOBAL VOLATILITY
• LATE CYCLE BUT DEMAND STILL SURPRISINGLY STRONG
• BACK TO A SAFE HAVEN ONCE THE EU REFERENDUM IS TRAVERSED (?)
The Problem Is That Europe’s Attractions Are Not Unnoticed

Source: CBRE EMEA Research.
Closed End Funds Are Back And Targeting Europe

Closed End Fund Dry Powder, EURbn.

Closed End Fund Dry Powder By Region, % Of Total.

Source: Preqin.
Desperate Investors Are Using Portfolios To Place Capital Quickly

Top 15 Portfolio Investors In Europe In H1 2015, EURbn.

- QIA
- Klepierre
- Brookfield
- Starwood
- Lone Star
- Blackstone
- Greystar REP
- CPPIB
- NorthStar
- Patrizia
- Citycon Oyj
- Cale Street
- Cerberus
- LGIM

Portfolio Acquisitions By Capital Source, EURbn & Global as a % of Total.

- Inst/Sov Wealth
- Debt
- REIT
- Private Equity

Source: Real Capital Analytics.
The Biggest Increase In Activity Has Been In The South

Investment Volumes, % H1 2015/H1 2014.

Market Share, % of Total.

Source: CBRE EMEA Research.
But London Still Dominates Transaction Activity

Transactions In Europe In H1 2015.

In H1’15 London accounted for more transaction volume than the next 7 European cities combined.

Source: Real Capital Analytics.
Pricing Is Reaching Record Levels


Source: CBRE EMEA Research.
Spain in particular has seen yields compress at a rapid rate.

Prime Office Yield Premium Over West End, bps.

Source: CBRE EMEA Research.
Prompting Some Investors To Take Profits

Private Equity Fund Transactions In Europe.

Source: Real Capital Analytics.
Others Are Looking For Higher Yielding Assets

Yield Gap Over The Current Cycle.

Source: CBRE EMEA Research.
Others Are Using Leverage To Increase IRRs

Prime Yield Spread Over Cost Of Debt, PP.

Source: CBRE Global Investors Treasury Department.
So Is There Still Embedded Value In This Market?

Real Prime Office Capital Values Per Sq M Rebased To 100 In Q2 2007.

Source: CBRE EMEA Research.
We Are Still Early Cycle For The Rent Recovery

Real Prime Rent Growth, % cumulative, 2015-2019

Source: CBRE Global Investors.
European Real Estate Investment Themes

**DOMINANT RETAIL CENTRES**
Retailers are concentrating their presence in dominant retail locations/formats

**Preferred Markets**
Central London & Paris high street retail
NW European dominant shopping centres with asset management potential
Southern Europe for yield compression & rent growth

**PRIME LOGISTICS FACILITIES IN MAJOR DISTRIBUTION HUBS**
Shortage of modern facilities and strong demand driven by e-commerce

**Preferred Markets**
Major NW European markets
Warsaw and Czech Rep Barcelona

**CYCLICAL OFFICE RECOVERY**
Shortage of modern space in city centres combined with strong demand from media and tech companies in emerging locations

**Preferred Markets**
London & Manchester
Amsterdam South Axis
Madrid & Barcelona
For higher risk-adjusted return investors - Budapest

**NICHE RESIDENTIAL IN UNDER-SUPPLIED MARKETS**
Demographic trends combined with shortage of supply for Independent/assisted living facilities and student accommodation

**Preferred Markets**
London residential
Student housing in NW Europe
Senior living in the UK
Dutch social housing given regulatory change
Many factors affect performance including changes in market conditions and interest rates and changes in response to other economic, political or financial developments. The target returns are pre-tax and represent possible returns that may be achieved, but are in no way guaranteed. The target returns are subject to change at any time and are current as of the date hereof only. In any given year, there may be significant variation from these targets, and there is no guarantee that the fund or program will be able to achieve the Investment Targets in the long term.

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