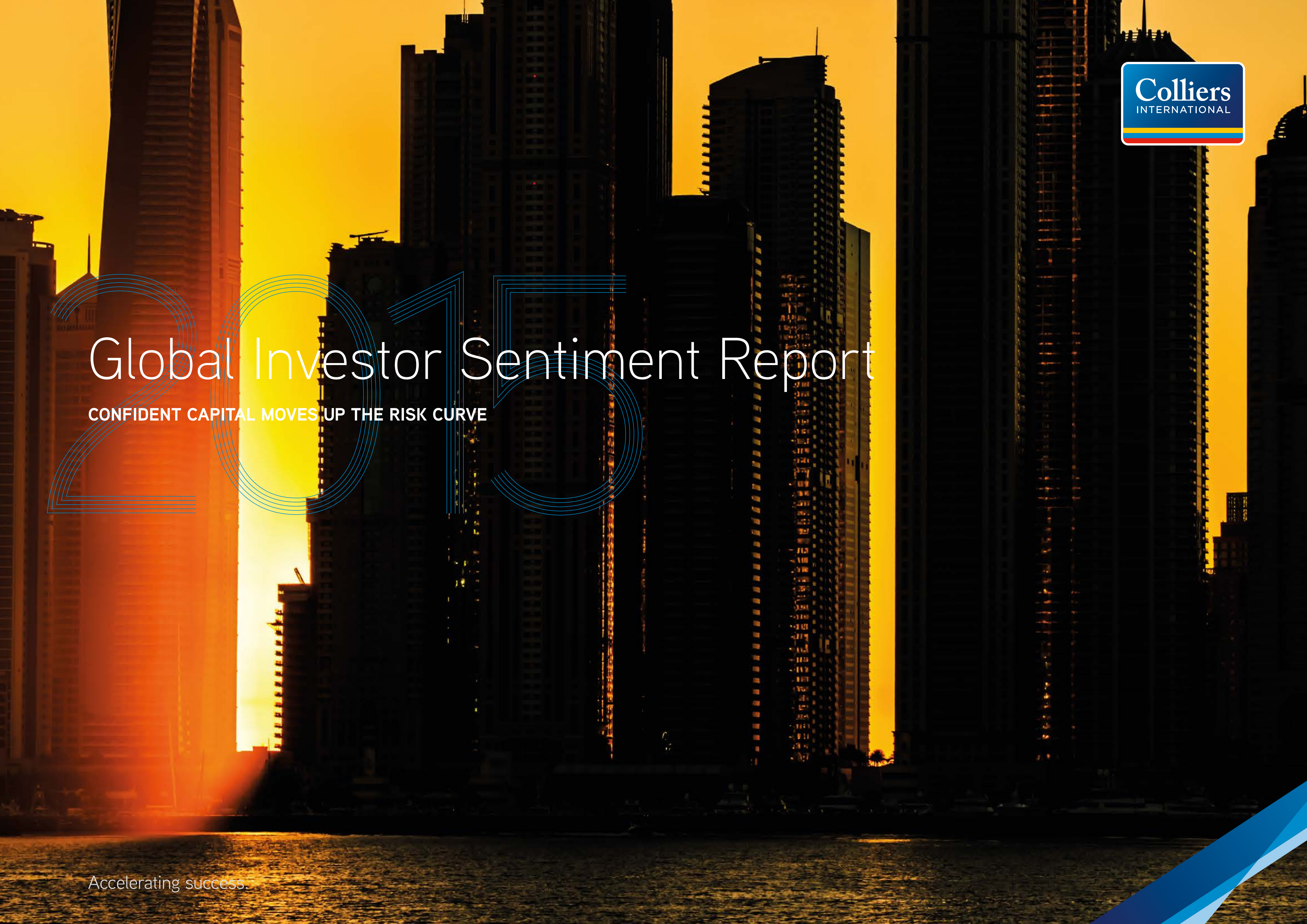


2015

Global Investor Sentiment Report

CONFIDENT CAPITAL MOVES UP THE RISK CURVE

Accelerating success.

Table of Contents

Introduction

Bringing together the future thoughts and plans of investors enables Colliers International to provide our clients with meaningful insights into the direction of investment markets for the next 12 months.

We're proud to be able to do that through the Global Investor Sentiment Report 2015. It canvasses opinions globally from major investors across a broad spectrum ranging from institutions to private equity. This year, we have captured survey responses from over 620 investors from the United States, Canada, Latin America, Australia and New Zealand, Europe, Asia and the Middle East.

Investors are confident and ready to expand their investments, in some cases buoyed by a strengthening economic backdrop. They realise that there are obstacles, with lack of stock resulting in very competitive markets and pockets of geopolitical uncertainty, but in the main investors will approach 2015 with an optimistic frame of mind and expect investment volumes to rise.

With over 15,800 Colliers professionals in 63 countries we are able to provide our clients with expert capital markets advice at a local, regional and global level. I trust that you will find the results of our 2015 Global Investor Sentiment survey informative and insightful as you formulate your 2015 real estate strategies.

Brian Ward
President
Capital Markets || Americas || Colliers International

EXECUTIVE SUMMARY

Some of the key themes from this year's survey are:

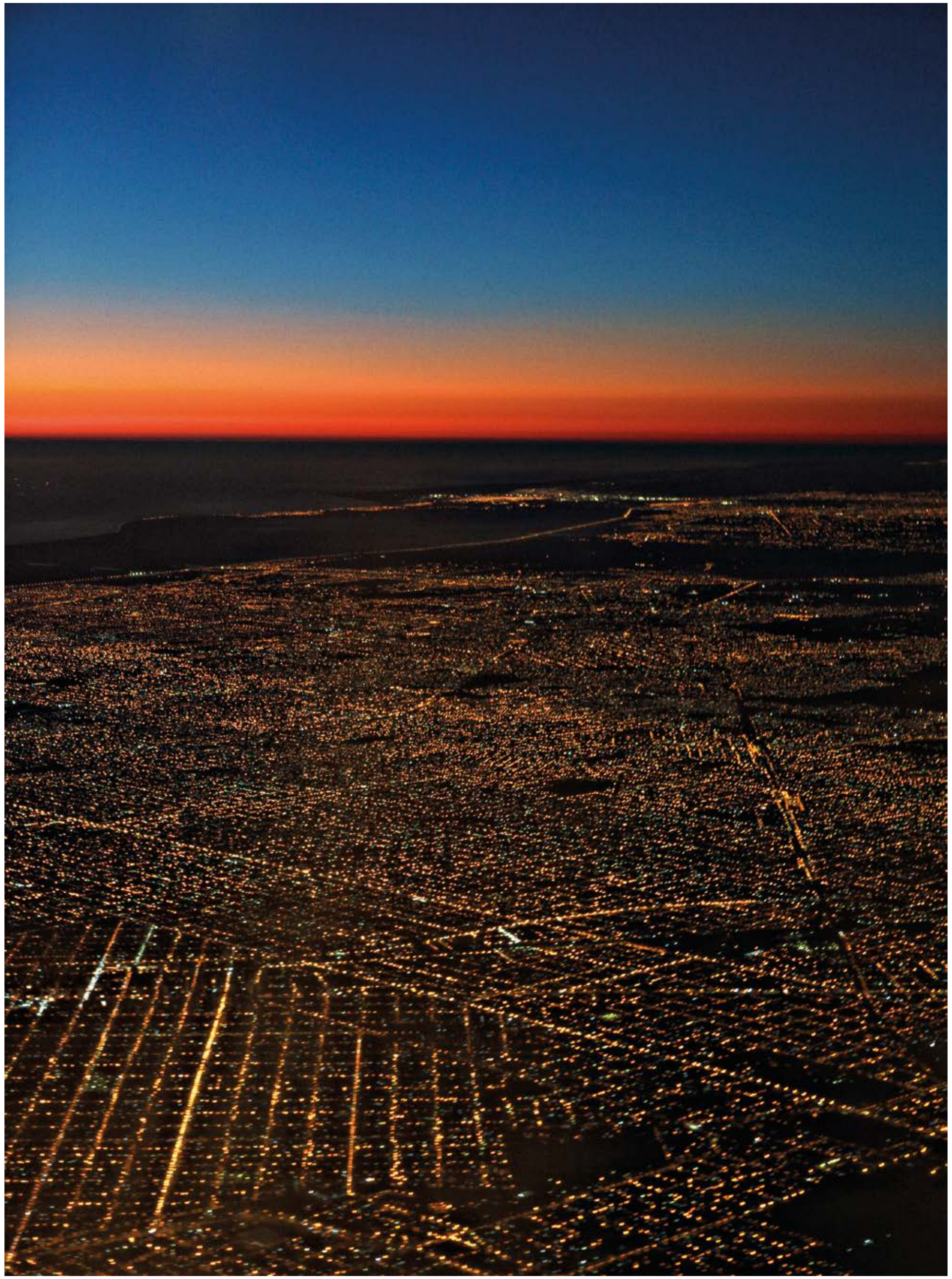
- Investors are building on the greater risk appetite that they adopted in 2014; not only do many plan to maintain this existing high level, but a substantial share seek to increase their risk profiles further.

- Investment trends are often global, but capital remains primarily domestic; only 14% will invest more than 50% of their total real estate allocations outside their home region. That said, there is strong interest in investing abroad from Asian investors, while Australian and New Zealand investors may have to consider looking offshore as stock reduces. In the US, local investors are experiencing the other end of global investing as competition from overseas sources of capital intensifies in major cities.

- London continues to retain a special place in investors' portfolios, along with other global gateway cities such as New York and Paris. It leads the list of investors looking for 'safe haven' investing. However, in line with investors' growing risk appetite, those looking to 'chase yield' have started to also look at Europe and the UK regional cities.

- Debt is back as a driver in the market, supporting many investors' aims to go higher up the risk/return spectrum. There is still a high level of interest in using debt to enhance returns, particularly for those investors looking for Internal Rate of Return (IRR) in the high teens. In markets such as the US and Asia where financing is likely to get more expensive in the next 12 to 18 months, there has not been a significant dent in the appetite for borrowing.

Although survey respondents did not indicate taxation of foreign real estate ownership (e.g. Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) in the US) as a material factor when evaluating their investment alternatives, Colliers' experience has been that this factor appears to play an important role on the clients' investment decisions. This may reflect a lack of international awareness by survey respondents who may delegate these worries to their accountants. However, there is certainly confusion about foreign ownership tax laws in some markets, and markets that have managed to mitigate this confusion or complexity have been more successful at driving foreign investment into commercial real estate.



A decisive two thirds of global investors planned to expand their portfolios

Brian Ward, President, Capital Markets & Investment Services || Americas

The Global Picture

CAPITAL IS PRIMARILY LOCAL

This year's survey once again highlighted a preference for local investment. Three quarters of global investors invested only in their macro-region in the last 12 months, and 74% will continue to do so in the next 12 months. This is consistent with last year's survey, which found that only 10% looked beyond their home region for opportunities.

The number of truly globally active investors remains modest; only 14% will invest more than 50% of their total real estate allocations outside their home region. However, figures from Real Capital Analytics (RCA) show that the total percentage of cross-border investment as a proportion of global investment has generally ranged between 17% and 19%, although it did peak in 2007 at 31%. So far in 2014, it is 22% of total global investment. Of the largest sources of global capital, Asian investors (46%) are exhibiting a stronger bias towards investing outside their region, while Australian and New Zealand investors are more inward facing, with only 15% looking to invest outside Asia Pacific in the next 12 months.

> Global gateway cities continue to be favored with London and New York featured in the top 10 of most global investors
>
> Brian Ward, President, Capital Markets & Investment Services || Americas

CROSS-BORDER CAPITAL TARGETS MOST LIQUID MARKETS

Global investors looking outside their home regions are matching the wider trend for large liquid markets. In Europe, the UK was the key focus. It was singled out by 56% and 39% of Asia and US investors respectively, followed by France and Germany, with Spain and the Netherlands contending for fourth place. In Asia Pacific, global investors – including 31% of US investors – will look mainly at Australia, with preferences otherwise split mainly between Japan, Singapore and China. Not surprisingly, the US was unanimously the preferred investment destination across the Americas for investors from outside the region, targeted by 40% of Asian investors, 26% of Europe Middle East and Africa (EMEA) investors (ex. UK), and 22% of UK investors.

Global gateway cities remained those most in favor among global investors, with London and New York featuring in the top 10 of investors from most regions. In particular, London was Asian investors' preferred city globally, and US investors' second choice behind New York.

RISK AND THE INTERNATIONAL 'SEARCH FOR YIELD'

The last 12 months have seen the appetite for risk continue to be at elevated levels coupled, somewhat appropriately, with a steady flow of new economic and geopolitical risks. Of all the survey respondents, 59%, up from 54% in last year's report, indicated they were likely to take on additional risk in the next 12 months, with the same percentage (58%) looking for IRR in excess of 11%. One quarter of respondents were looking for returns in excess of 16%.

Low interest rates worldwide continue to drive the international investor's 'search for yield' across all asset classes. This is leaving financial authorities increasingly worried that the low interest rates are contributing to localized asset bubbles, especially in real estate markets.

SAFE HAVEN CITIES A TARGET FOR NEW MARKET ENTRANTS

> Global investors indicated they were likely to take on additional risk in the next 12 months || Brian Ward

> Sovereign wealth funds are increasingly looking beyond core markets to regional and second-tier cities || Brian Ward

Last year's report highlighted that risk appetite was already increasing, but also noted that investors were targeting 'safe haven' cities. This continues to be the case as new institutional market entrants, especially Asian insurance companies and pension funds, test the waters with core investments in stable markets.

However, international sovereign wealth funds with previous direct cross-border property investment are increasingly looking beyond core markets to regional and second-tier cities where higher yields are on offer, often with little increased risk.

Property fundamentals scored highest in the list of factors influencing investment decisions, again highlighting the propensity to take more risk when fundamentals support this. The economic growth potential of regions was also very important followed by yield levels.

There were also some regional differences in the importance of certain factors. With the destablised euro still recent history, it is not surprising that sovereign risk was considered more important by EMEA investors, while liquidity and governance risks were of particular concern to Asian investors.

REGIONAL VARIATIONS ON A THEME

While the survey might suggest that risk appetite among investors does not vary greatly, Middle East and North African (MENA) investors did reveal a degree of adventurism with 71% suggesting they would take on more risk. The other regions remained closer to the global average for risk. IRR expectations, though, showed greater variability, with investors from the US (80%), MENA (78%) and Asia (77%) all seeking returns in excess of 11%. For leveraged IRRs over 20%, the US was in a league of its own, with 20% of the sample targeting very high returns, followed by Asia at 12%. This is probably explained by recent increased activity of US private equity players. In contrast, UK investors targeting very high returns amounted to less than 4% of the sample.

INVESTORS IN EXPANSION MODE

> Of the largest sources of cross-border capital, Asian investors are those exhibiting a stronger bias towards investing outside their region in the next 12 months || Brian Ward

At 67%, a decisive proportion of the sample planned to expand their portfolios and increase investment, although this is down marginally from 70% last year.

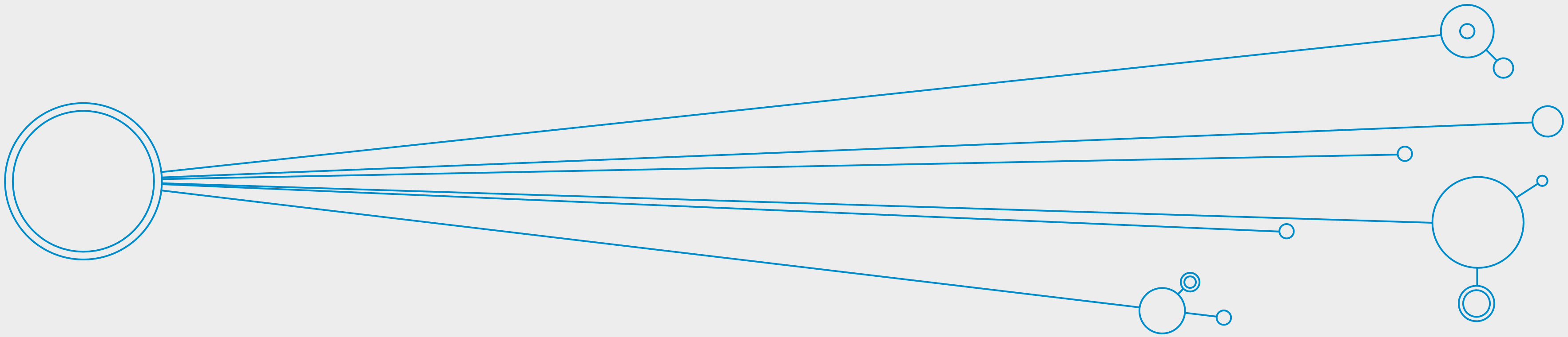
By region, MENA leads the response rate at 83%, which is consistent with their willingness to take on increased risks, as discussed previously. It is tempting to conclude, given the new levels of political instability in MENA, that there are numerous economic and geopolitical 'push' factors at work, creating a new desire for cross border investment. Nevertheless, given the improvement in global transaction volumes, especially in stable markets such as the US and UK, there are also 'pull' factors, no doubt, that figure in their calculations.

Close behind are US investors, which remain ambitious, with 78% indicating they want to expand their portfolio. Again, this is consistent with their risk profile. There is a similar story with Western European (ex.UK) and Asian respondents, with 75% expressing similar sentiments.

OFFICE CBD PROPERTY REMAINS INVESTOR TOP PICK

For the third year running, central business district (CBD) office property remains the most popular direct investment sector (46%). Residential investment (37%) pushed industrial and logistics (35%) into third place, although industrial still remains the preferred choice for US investors, as well as the second pick for Australian and New Zealand investors. Shopping centers (31%) dropped from the third to the fifth place globally, but proved particularly popular among Western European (ex.UK) investors, which voted it the second most popular asset class.

IMPORTANCE OF DEBT INCREASING



This year's survey suggests that debt is firmly back in the frame and is consistent with increased expectations of enhanced performance from more highly leveraged IRRs.

Of the global investor sample, 78% said they were likely to use debt in future investments, up from 70% last year. Of this 78%, roughly half (49%) said they were 'highly likely' to use debt, up from 30% last year. Part of this increase is driven by the perception that credit standards have eased. The percentage of respondents who reported an easing of credit underwriting standards in the last six months increased to 39% this year compared with 31% last year. The percentage of investors which saw debt costs falling over the same period are identical (31% and 39% respectively).

Of the developed markets, US investors are showing the greatest debt appetite with 87% looking to use debt, followed by Pacific investors at 81%. Western European (ex.UK) showed the least appetite with 59% intending to use debt, despite having the highest expectations (49%) that credit underwriting standards will ease over the next 12 months.

OUTLOOK 2015

International property investors anticipate an increase in investment volumes across markets over the next 12 months, despite a mixed-bag of economic performance worldwide, with North America and the UK being strong, deflation worries in the Eurozone and a deliberate slowing in the growth rate of the Chinese economy and fallout for emerging markets from tightening US monetary policy.

The Asian and Pacific regions stood out, with 73% of the sample expecting to see increases in investment in 2015, with 17% and 13% respectively anticipating these increases to be over 10%.

The US and UK were also expected to benefit from that increased investment. In contrast, 41% of global investors expect to see a contraction in investment in Central and Eastern Europe (CEE), no doubt in response to geopolitical risk, although data shows that the impact has been so far confined to Russia and Ukraine. However, Poland and the Czech Republic continue to report strong activity levels. For MENA, it was a mixed picture with 34% expecting a decrease in investment and 36% anticipating an increase.

In general, the results suggest that a significant proportion of investors expect higher risk markets to maintain existing levels of investment, rather than to experience further significant inflows or outflows.

> More than half of Asian investors said that they were likely to take on more risk over the next 12 months in order to achieve superior returns

Terence Tang, Managing Director, Capital Markets & Investment Services || Asia

Asia

Market liquidity remains a concern for most Asian investors after seeing a fall in sale transaction volumes in individual markets in the past 12 months

Terence Tang, Managing Director, Capital Markets & Investment Services || Asia

CAPITAL UNDETERRED BY LEVELLING MARKET

Asian real estate investors remain confident when allocating capital to the region as they continue to be attracted by sound property fundamentals and long-term economic growth in Asia.

The proportion of Asian investors who believe there will be an improvement in investment conditions over the next 12 month is down to 39% compared with 62% last year. However, these observations have not deterred their investment confidence, although issues of liquidity and growing governance risks continue to be main concerns when making investment decisions.

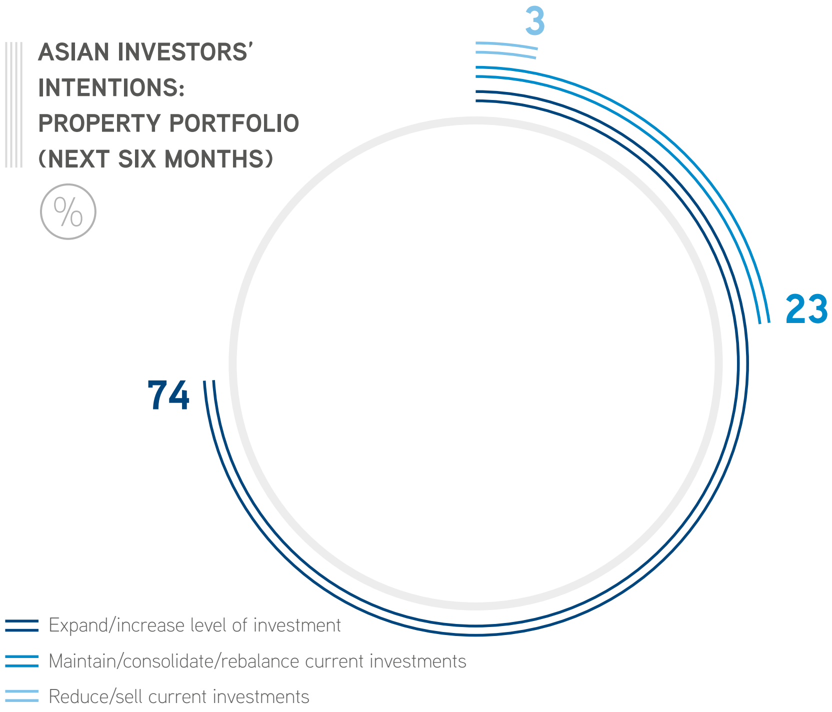
When it comes to investment, timing is everything. A private Hong Kong investor noted that now is the right time to act as the current slowdown in China presents more opportunities than challenges. In addition, more quality developments are being offered for sale and are on the market in first-tier cities in mainland China with significant discounts.

STRONGER VOLUME GROWTH AHEAD

Going forward, the vast majority (73%) of Asian investors believe investment volumes will further increase in 2015. A Singapore-based institutional fund said it had seen a lot of global capital moving to the US and Europe, but it believed that long-term fundamentals remained strong in Asia and expected investment volume in Asia to post double-digit growth in 2015. It added that volumes in 2014 have been largely constrained by the uncertainties about slowing economic growth and government restrictive measures, but that 2015 is going to see stronger volume growth if these concerns subside.

ASIAN INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

%



ASIAN INVESTORS' VOLUME FORECAST (2015 VS 2014)

%

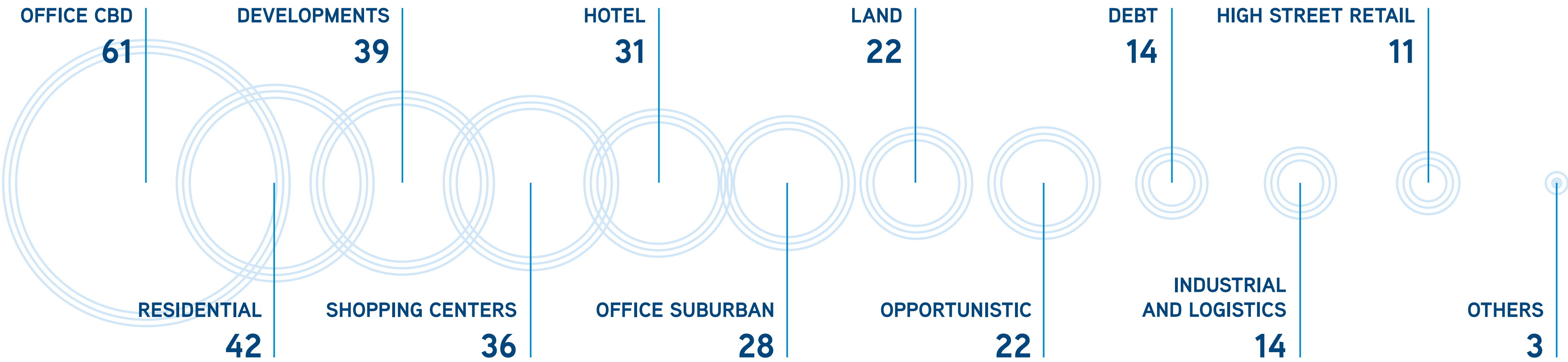
FURTHER PORTFOLIO EXPANSION

Most Asian investors (74%) plan to expand their real estate portfolio over the next six months, up from 69% last year. A property company based in the UK said it proposed to raise its asset allocation in Asia from about 10% in 2014 to 30% in 2015 in anticipation of the long-term economic growth in the region. Meanwhile, a private investor said it preferred to adopt a more specific approach to individual markets rather than a broad-based expansion. This was due to the fact that the markets in Asia differ in terms of their property cycles. Undeterred by different portfolio strategies, most Asian investors generally remain positive about expansion.

LIQUIDITY REMAINS AN ISSUE

The top three factors influencing investment decisions remained unchanged from the previous two years and are property fundamentals, economic growth in the region and the yields. A notable change is that 'ease of entry/exit (liquidity)' has risen up two places and is now the fourth most important factor when making investment decisions. With existing cooling measures remaining in force in individual markets, such as Hong Kong and Singapore, market liquidity remains a concern for most Asian investors after seeing a fall in sale transaction volume in the past 12 months.

ASIAN INVESTORS:
PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) %



CHINA SITS ON TOP

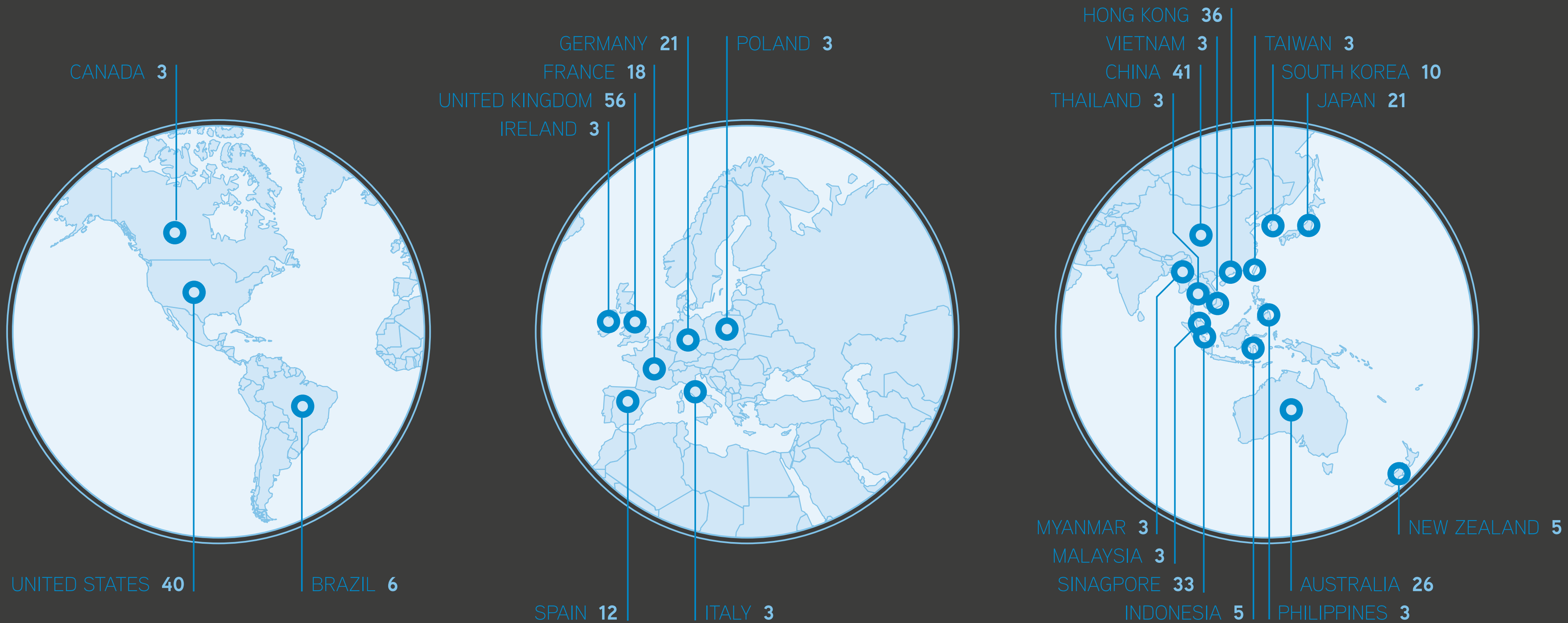
By geography, China sits at the top with 41% of Asian investors indicating they plan to invest there over the next 12 months. A property company based in the UK said "it is a no brainer for us to enter the China market now and position for the long-term growth, if the current adjustment is to last only over the short term". Singapore and Hong Kong are again in the top three with 36% and 33% of Asian respondents respectively preferring these locations due to their solid property market fundamentals.

Similar to last year, CBD offices, particularly new developments, were the most popular investments among Asian investors, with 61% of respondents indicating that they intend to target this sector within the next 12 months. Residential is named by 42% of respondents as the second most sought-after sector due to the sustained demand to upgrade existing stock and the positive demographics in the region.

Development opportunities (39%) are understood to bear higher risks. However the sector has become increasingly popular in traditional markets where investment returns have been severely compressed. A private equity fund based in Hong Kong has chosen to focus more on value-added opportunities such as commercial repositioning and the conversion of industrial premises in order to generate premium returns.

> A majority of Asian investors (73%) believe investment volumes will further increase in Asia in 2015 || Terence Tang

TARGET COUNTRIES FOR INVESTMENT (%)



MOST PLAN TO USE DEBT

The majority of respondents (71%) said that they are likely to use debt to leverage their exposure in future investments, down from 79% last year. This figure still remains high despite the fact that 63% anticipates an increase in the cost of debt over the next 12 months. A private equity fund explicitly stated that the entire investment market in Asia remains flushed with capital and is still chasing limited assets. This is driving investment yields down.

RETURNS ABOVE 20% DIFFICULT TO FIND

Most Asian investors (58%) indicated that they were likely to take on more risk over the next 12 months in order to achieve superior returns. Similar to last year, almost half (49%) of the respondents are targeting IRRs above 15%, with a smaller percentage, 11%, targeting IRRs in excess of 20%. A private equity firm, based in the US, expressed the opinion that opportunistic investments with 20% plus returns are increasingly difficult to find amid a lack of distressed sales in the current low interest rate environment.

OPPORTUNITY PREVAILS

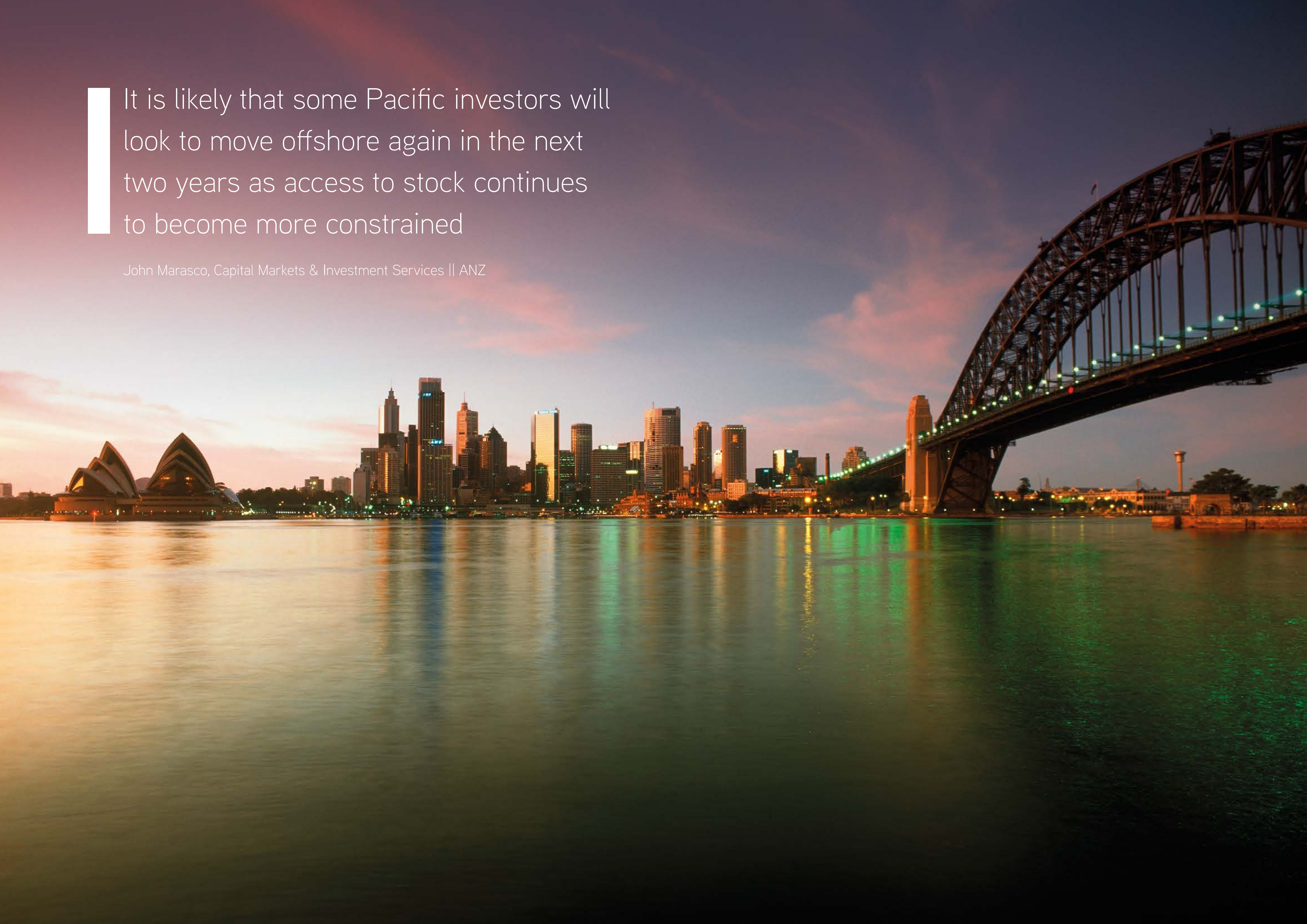
Most Asian investors (66%) concur that good investments exist in the market but are increasingly difficult to find. A Singapore-based private investor explained that there are no desperate sellers in the market place and there is simply a mismatch between buyers and sellers in terms of price expectations. However, a property company based in the UK expressed that it might be difficult to source good deals in cyclical markets such as Hong Kong and Singapore, but there are still a lot of interesting opportunities available in the region, such as mainland China.

Overall, the issues of liquidity and governance risk had led to a significant contraction of investment volume in some markets during 2014. However, it is the consensus that the overall volume of investment sales in Asia will see a much stronger growth in 2015 if more investment opportunities are offered at more realistic prices, and if some of the restrictive measures ease off. The volume performance of individual centers could surpass expectations on the upside, particularly when they make a comeback from a low base.

> Development opportunities have become increasingly popular in traditional markets where returns have been severely compressed || Terence Tang

> It is likely that some Pacific investors will look to move offshore again in the next two years as access to stock continues to become more constrained

John Marasco, Capital Markets & Investment Services || ANZ



Australia and New Zealand

83% of investors expect volumes in the Pacific region to increase in 2015, the most optimist globally about their own home region

John Marasco, Capital Markets & Investment Services || ANZ

CONFIDENCE REIGNS AMONG PACIFIC INVESTORS

Pacific investors remain the most confident in the world about property investment conditions thanks to sustained levels of strong economic growth and improving global sentiment. This confidence is also continuing to accelerate. Last year 35% expected conditions to continue to improve and this has now increased to 60%. Just 7% expect conditions to deteriorate.

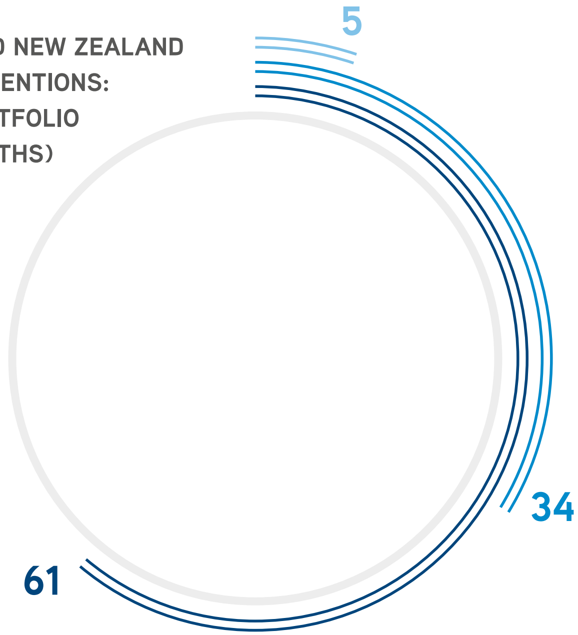
With such high levels of confidence, the outlook for investment volumes is also, not surprisingly, positive. Only 5% of investors expected volumes to decline in the Pacific region with the majority (83%) anticipating an increase in 2015. This is a substantial rise in the proportion expecting an increase last year, as well as the highest percentage recorded globally.

Year to date investment volumes in Australia are slightly higher than the same time last year, with AUS$19.8 billion transacted across all asset classes compared with AUS$17.7 billion in 2013. With the deals currently in play, as well as the positive sentiment towards property investment, similar investment levels are likely to be achieved in the market in 2014 as they were in 2013. Overall volumes are unlikely to exceed record 2007 levels, although they will in some sectors.

It is a similar story in New Zealand, where transaction volumes are at NZ$3.4 billion year to date and forecast to hit NZ$5.5 billion, which would be higher than any post Global Financial Crisis (GFC) year except 2012. Around half of the sales in New Zealand of properties in excess of $2 million will be to offshore entities.

AUSTRALIA AND NEW ZEALAND INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

%



Expand/increase level of investment
Maintain/consolidate/rebalance current investments
Reduce/sell current investments

Residential and development sites are increasingly popular among ANZ investors || John Marasco

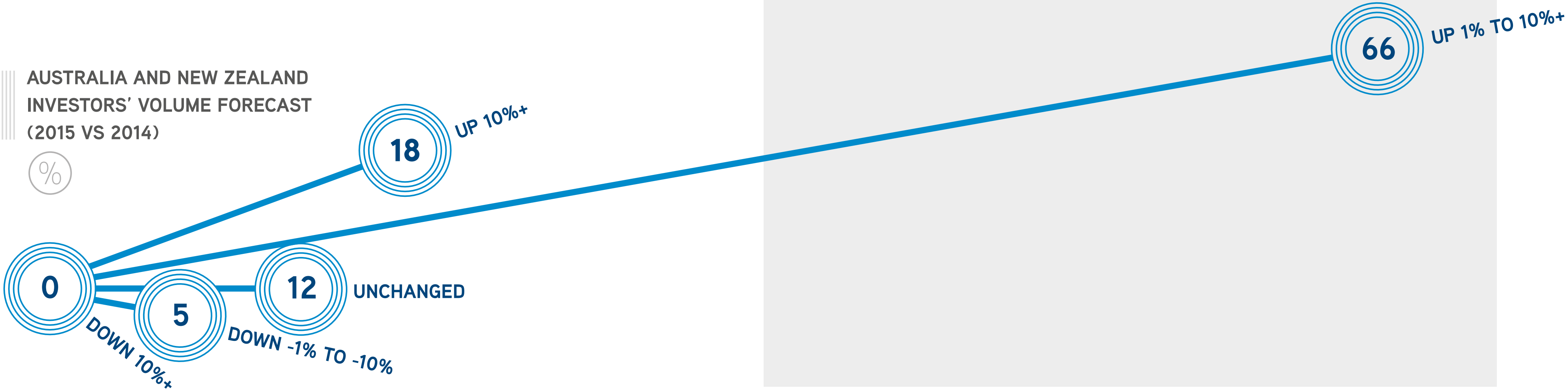
INVESTORS GUIDED BY FUNDAMENTALS

Despite being confident about conditions and expecting investment volumes to grow, the proportion of investors planning to increase their portfolios has declined slightly in 2014 to 61% compared to 72% last year. Very few respondents (5%) plan to reduce/sell their investments, with the main reason cited for doing this was to be able to reinvest profits later or elsewhere in real estate.

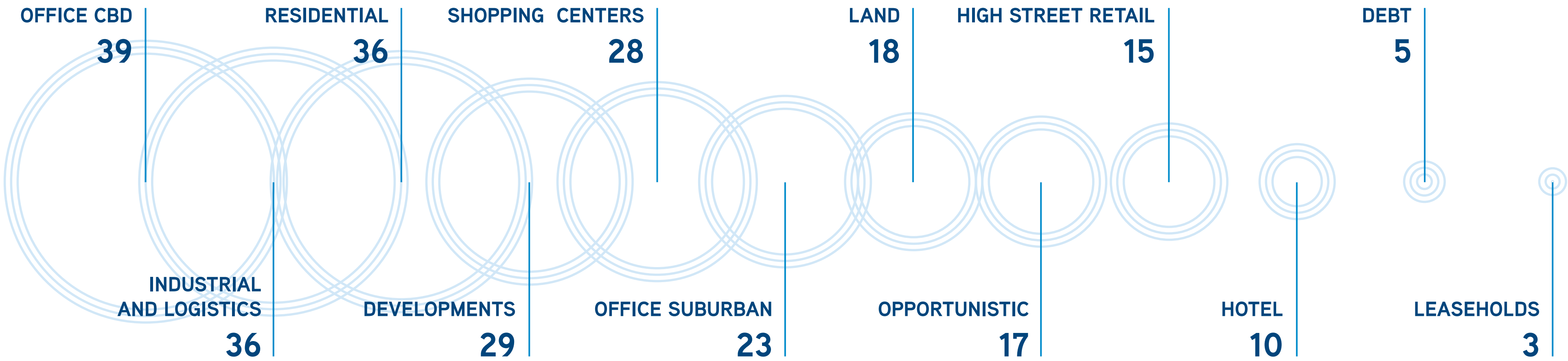
The guiding principles for property investment remain consistent with last year. Property fundamentals are the most important, followed by economic growth and then yield. Interestingly, given the focus on depreciation of the Australian dollar, this is considered to be one of the least important considerations.

AUSTRALIA AND NEW ZEALAND INVESTORS' VOLUME FORECAST (2015 VS 2014)

%



AUSTRALIAN AND NEW ZEALAND INVESTORS: PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) (%)



FEWER INVESTORS PLANNING TO TAKE MORE RISK

The number of investors willing to take on more risk has declined to 55%, from 64% last year. This is a lower proportion than many regions around the world including Asia, Canada and the US, but in line with the UK at 54%.

Since 2007, there has been a widening gap between prime and secondary yields across all asset classes in Australia. However, for some asset classes, in particular CBD office, this gap has narrowed. This has partly been due to some large Australian Real Estate Investment Trusts (A-REITS) moving into higher risk property to diversify their portfolios and target higher yields. However, strong offshore interest in secondary CBD office from Asian investors and residential and hotel conversion opportunities have also played a role.

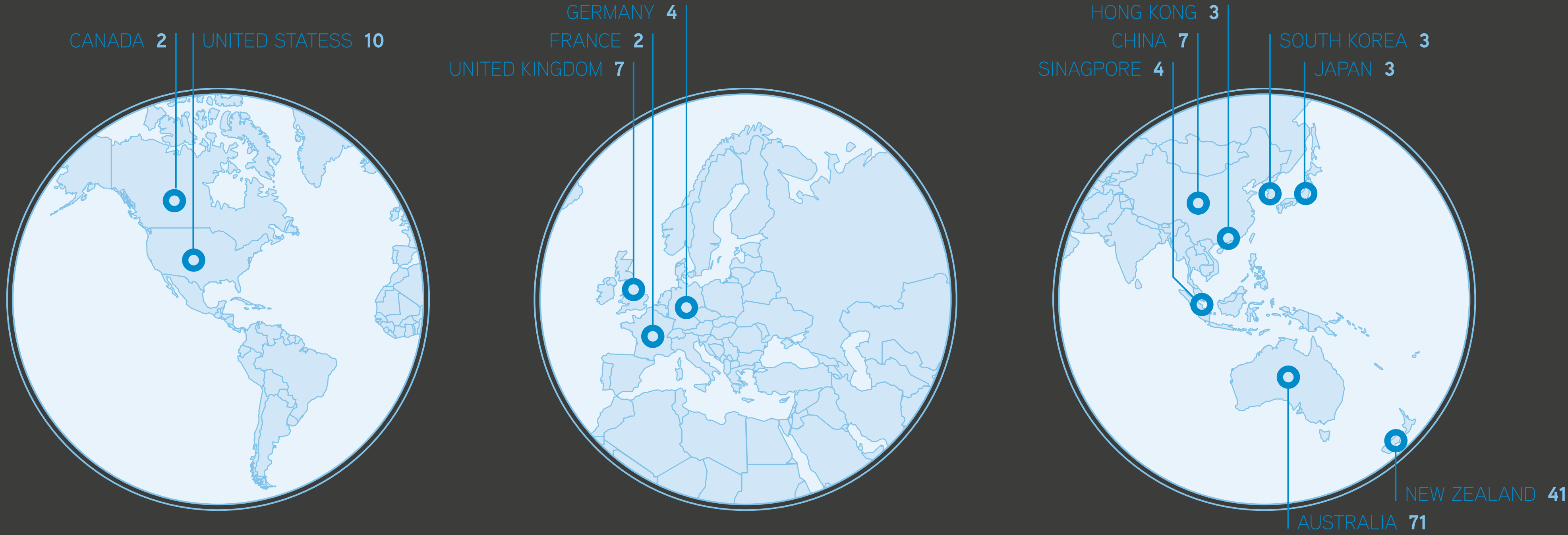
In New Zealand, a shortage of good quality space in all sectors has driven vacancies to historic lows and fuelled prime grade rental increases in some locations and sectors. This has led to increased investment demand as buyers see good medium term rental growth prospects. All sectors are sought after, with offices the most popular, while location-wise most investors prefer the Auckland market.

INVESTMENT BEGINS AT HOME FOR ANZ INVESTORS

The majority of Australian and New Zealand investors continue to prefer to invest locally. Australia remains the most popular investment destination, followed by New Zealand. Other countries rarely feature. This is consistent with low levels of capital flows out of Australia. At present, the only investors going offshore with significant amounts of funds are the superannuation (pension) funds. This is in stark contrast to 2007 when most offshore activity was by A-REITS. At present, these continue to focus on local markets. However, it is likely that some will look to move offshore again in the next two years as access to stock continues to become more constrained.

Pacific investors prefer to invest is Sydney (58%), followed by Brisbane (44%) and then Melbourne (43%). Auckland is the strongest New Zealand destination at 30%. Such strong interest in Brisbane is a new trend and likely reflects the higher yields currently being achieved in this market. Offshore investors into the Australian market show similar preferences to Pacific investors, concentrating on the Australian Eastern Seaboard.

TARGET COUNTRIES FOR INVESTMENT %



RESIDENTIAL INCREASINGLY POPULAR

CBD office continues to be the preferred investment product among Pacific investors (39%), although not as dominant as last year (57%).

Industrial and logistics (36%) was joint second with residential (36%), which alongside developments (29%) has seen a significant increase in interest since last year (20%), reflecting the improving housing market. By contrast, interest in shopping centers has declined (28% vs 37% last year).

The majority of respondents plan to focus on investments in the sub US$20 million price category, reflecting the larger number of investors in this price category while 21% of respondents plan to focus on investments over US$50 million.

COST OF DEBT EXPECTED TO INCREASE

The majority of Pacific investors (82%) are likely to use debt to leverage purchases in the future, which is down from 88% last year. A likely reason is that more respondents think the cost of debt has increased with only 35% reporting a fall in cost, compared with 81% last year. Going forward, a reduction in the cost of debt is considered unlikely with most investors expecting it to remain stable or increase.

Credit underwriting standards also appear to have stabilised, with 32% of respondents now considering them to have loosened this time, down from 53% last year. Most respondents expect no change to these standards over the next 12 months while the majority of investors expect to access debt exclusively through direct lender relationships (65%).

LACK OF STOCK DRIVING INVESTOR BEHAVIOUR

Pacific investors continue to believe that good investment opportunities exist but are increasingly difficult to find (78%). This lack of stock is now leading investors to change their behaviour to maintain strong returns (60%). In Australia, more investors are moving into secondary office markets and showing greater interest in industrial. While few Australian investors are currently moving offshore, this is more likely in the next two years as competition for stock continues to intensify. Few New Zealand entities have the capacity or interest to invest offshore, but many continue to seek domestic opportunities with a focus on larger high quality assets in all sectors.

> The number of investors willing to take more risk has declined making (Pacific investors) in general more risk averse than their peers in other regions || John Marasco

Almost two thirds of Canadian investors expect to see increased competition domestically as global investment managers look to the country in search of both yield and capital security

Adam Kosoy, Senior Managing Director, Capital Markets & Investment Services || Canada

Canada

BLOSSOMING CONDITIONS ATTRACT ABUNDANT CAPITAL

With continued improvements across the Canadian economic landscape, the property investment market continues to benefit from sustained confidence and the availability of capital on a national basis. Solid national demographics, upward trending gross domestic product (GDP) forecasts and rising employment levels continue to draw both domestic and international capital towards Canada's real estate markets.

Bolstered by strong underlying fundamentals and favourable financing terms, as banks regain confidence in the sector, the stability of property, particularly office, retail, multi-family and industrial assets positioned within close proximity to Canada's major cities, has led to an abundance of debt and equity targeting the market.

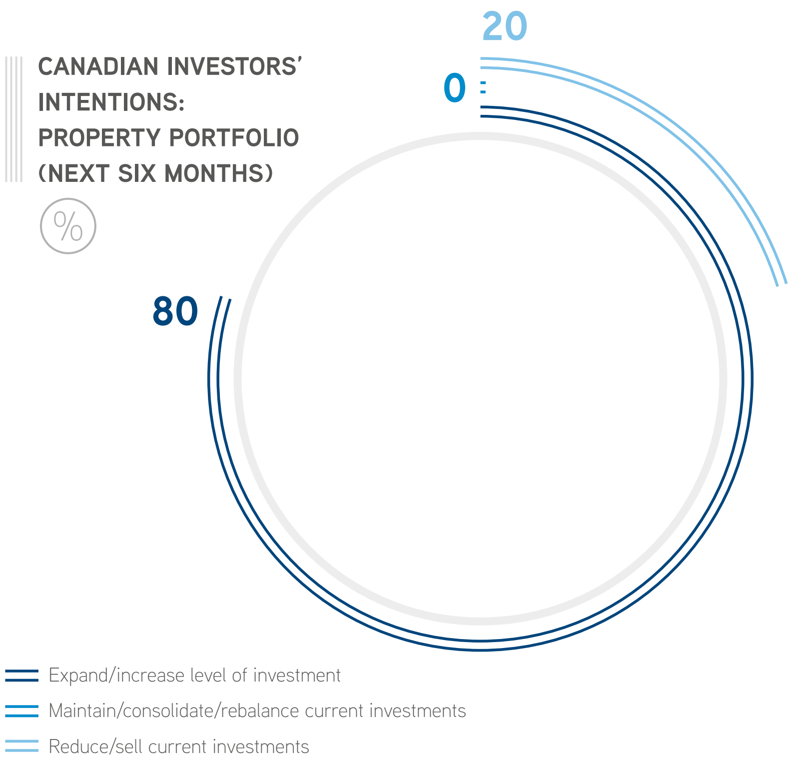
As the US recovery solidifies, the country continues to benefit from strong exports, which are estimated at CAN$307 billion year-to-date. An annualised GDP growth forecast of 3.1% (September 2014) and a real GDP growth estimate of 2.3% for 2014 continue to support positive investor sentiment for the stability, income and return characteristics that the property markets offer. With unemployment levels at 7% projected to continue a gradual decrease to 5.7% by 2018, investors remain bullish on both market performance and property investment volumes overall.

Outside of North America, Europe is the preferred destination for 71% of Canadian investors in the next 12 months

Adam Kosoy, Senior Managing Director
Capital Markets & Investment Services || Canada

CANADIAN INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

%



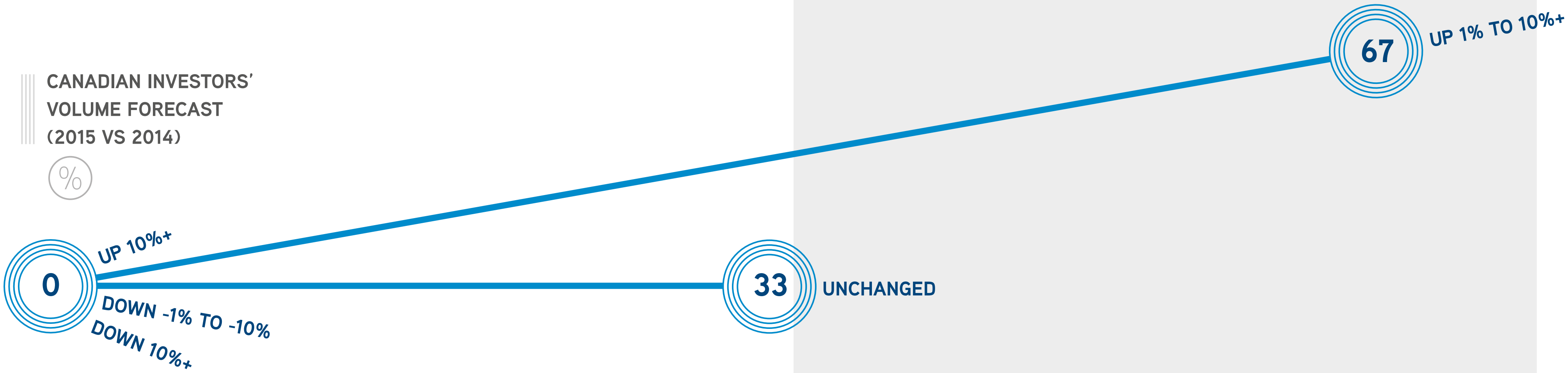
EUROPE ATTRACTS CANADIAN INTEREST

Canadian commercial real estate may have seen notable increases in competition and continued reductions in the availability of Class A product, but this did not stop 71% of Canadian investors allocating capital within North America over the last year. Outside of the region, Europe was the preferred destination for 59% of Canadian investors in the last 12 months and will be a target for 71% in the coming year. All respondents surveyed believe the investment climate will remain unchanged across 2015. Around 60% of investors say they will target deals within the up to US$25 million range.

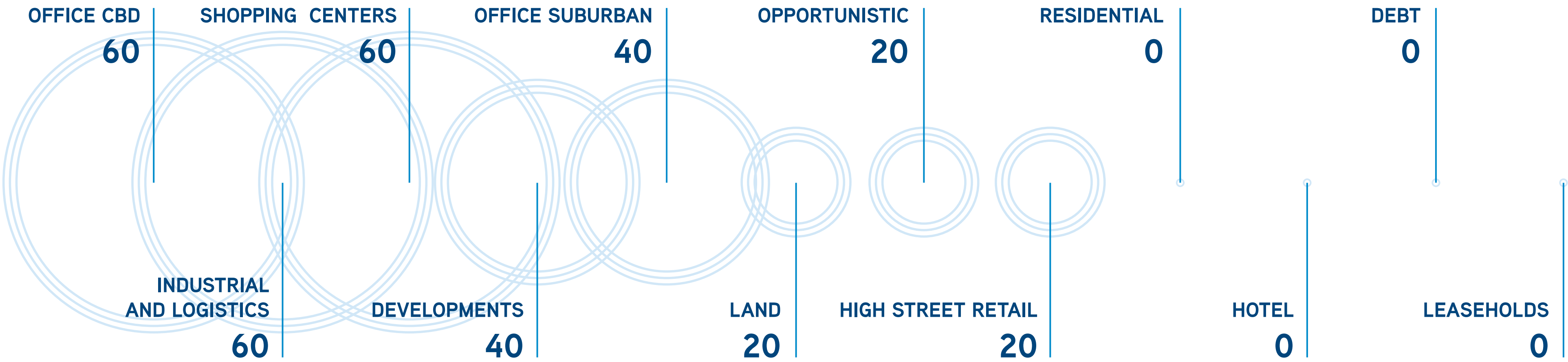
Overall, yields are expected to remain stable over the next 12 months, according to 60% of respondents, with the remainder expecting further compression. This reflects the lack of available product within the marketplace and the weight of capital continuing to look at Canadian assets.

CANADIAN INVESTORS' VOLUME FORECAST (2015 VS 2014)

%



CANADIAN INVESTORS:
PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) %



RETURN OF CROSS-BORDER INVESTORS

Canadian investment volumes for the office, industrial and retail deals above US$7.5 million stand at approximately US$7.2 billion for 2014 year-to-date, representing a 57% decrease on the same period in 2013.

Offices remained the dominant asset class, accounting for approximately US$3.2 billion or 44% of overall transaction volume, which is a 26% decrease on the same period in 2013.

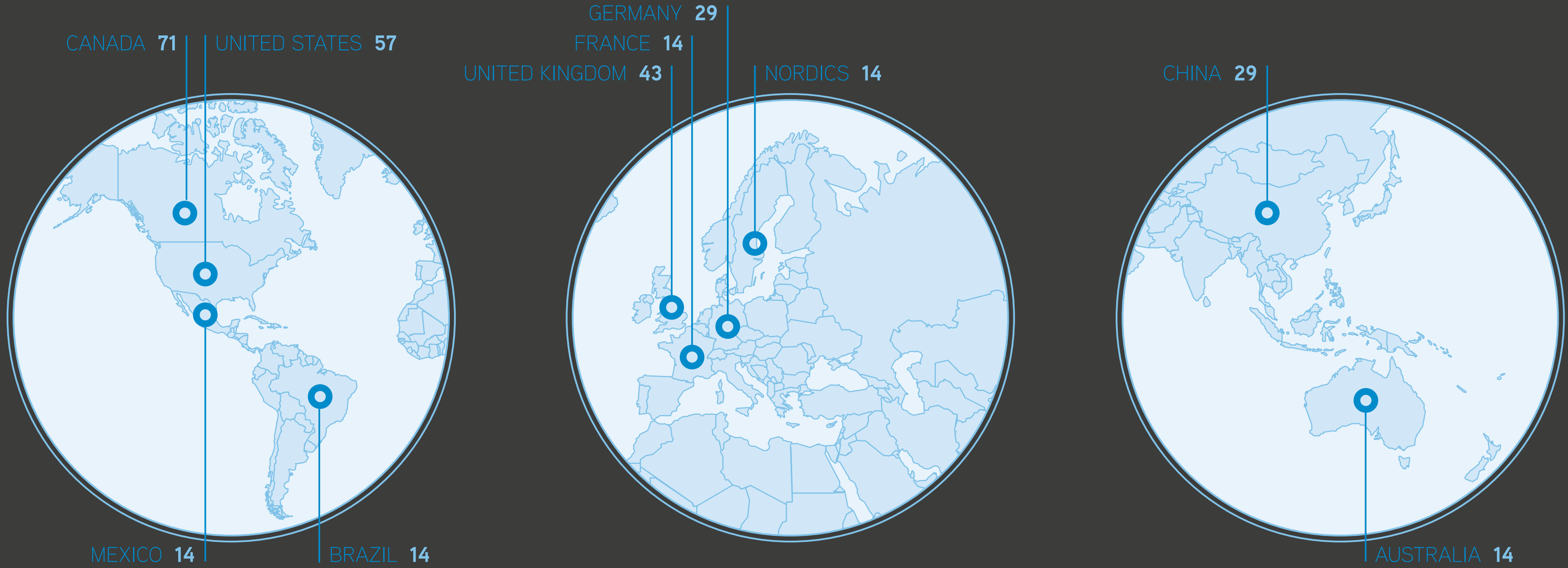
This year has seen the return of cross-border investors, with buyers from the US accounting for 18 buildings, or US$539 million in office properties, in addition to Ponte Gadea's notable acquisition of 150 Bloor Street West, Toronto in June for approximately US$235 million.

Ponte Gadea is owned by Spanish high net worth investor Amancio Ortega and further supports the positive sentiment surrounding the attractiveness of Canadian real estate to both domestic and international capital pools.

While institutional investors remain the dominant buyer group so far this year, accounting for approximately 38% of volumes, a marked shift has been noted. Dropping off from a 56% office market share in 2013, institutional buyers have been replaced in a large part by the emergence of private capital, which has increased to 15% in 2014 from 9% in 2013.

> Institutional buyers have been replaced in a large part by the emergence of private capital || Adam Kosoy

TARGET COUNTRIES FOR INVESTMENT %



PRIVATE CAPITAL SUCCEEDS IN MID-MARKET DEALS

A reduction in overall transaction volume illustrates that there is a lack of quality product in the marketplace. With domestic pension funds looking to increase real estate allocations, the competition for prime commercial assets across Canada will remain fierce. Despite this competition for top assets, private capital, fuelled by a long-term low interest rate environment, continues to find opportunity across mid-market levels.

Looking at year-to-date performance, the main groups active in investment have been both public and private capital, often in joint venture agreements with larger pension plans.

A headline deal was Montreal based Cominar Real Estate Investment Trust's acquisition of a CAN$1.527 billion portfolio of eleven shopping centers, three office buildings and an industrial warehouse throughout Quebec and Ontario from Ivanhoé Cambridge, the real estate arm of the Caisse de dépôt et placement du Québec.

Another major portfolio sale was Toronto based private investment group Forgestone Capital Management, operating alongside private Montreal based developer Canderel, joined forces with the Healthcare of Ontario Pension Plan (HOOPP) in a US$267 million joint venture agreement to acquire 27 office buildings throughout Montreal from Liberty Sites.

ATTRACTIVE INVESTMENT PRODUCT TO COME TO MARKET

Reflective of the stability and strong fundamentals presented by Canadian commercial real estate, in addition to positive economic growth forecasts and attractive and available financing within the marketplace, 60% of respondents project good investment opportunities to come to the market in the next 12 months. This is despite the fact there is a distinct lack of quality stock available.

In contrast to the results of our 2013 analysis, 80% of investors predict stable bond and interest rates in the near term, with the majority planning to use attractive leverage options to fund forthcoming acquisitions. With economists warning of possible deterioration of fundamentals across the equities markets, in addition to increasing levels of geopolitical volatility around the globe, 60% of Canadian investors expect to see increased competition domestically as global investment managers look to the country in search of both yield and capital security.

> With domestic pension funds looking to increase real estate allocations, the competition for prime commercial assets across Canada will remain fierce || Adam Kosoy

Debt set to play a bigger role as greater share of EMEA respondents plan to use it to leverage purchases, particularly Middle Eastern investors

Richard Divall, Head of Cross Border Capital Markets || EMEA

Europe, Middle East and Africa

45% of Western European investors see room for further yield compression, the largest share globally when compared with other investors

Richard Divall, Head of Cross Border Capital Markets || EMEA

POSITIVE OUTLOOK FOR VOLUMES DESPITE WEAKER PERCEPTIONS

When it seemed that the Eurozone economy was finally starting to pick up momentum, weaker than expected economic data, particularly in Germany, France and Italy, and the threat of deflation, have cast doubt over the sustainability of the recovery.

In its September forecast, the European Central Bank (ECB) still expected the Euro area to grow by 0.9%, but in light of the recent economic deterioration, further downward revisions in growth forecasts appear possible.

This might explain why fewer investors (32%) compared to last year (44%) expect property conditions to improve further in the next 12 months in Western Europe (ex. UK).

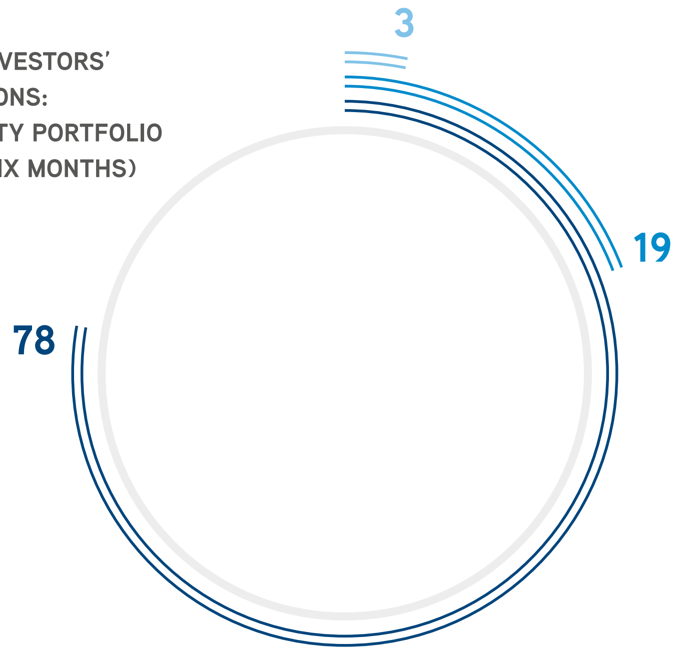
Nonetheless, despite the economic headwinds, a majority of global investors expect investment volumes in Western Europe to continue to grow this year (59%) and next year (56%). RCA estimates suggest that investment in Europe in the first nine months of the year is approximately 10% higher than last year. Colliers' understanding of deals underway suggests a strong finish to the year.

Perceptions about investment conditions in CEE are less positive, probably due to recent developments in Ukraine: a majority (52%) expect property investment conditions to deteriorate (32% last year) and around 40% expect volumes to fall in 2014 and 2015. While Colliers' analysis shows that investment volumes for H1 2014 are down year-on-year, the impact is localised to Russia and Ukraine. Across the remainder of the CEE territory markets have witnessed an increase in 'active investor' interest. This has translated into high investment volumes in Poland and the Czech Republic – both markets are set to at least match 2013 volumes. Tier two markets such as Hungary, Romania and Serbia are also set to outperform 2013 investment levels. Colliers' prognosis is for an even better year in 2015.

Global investors are divided about Middle East and North Africa (MENA), but overall are more optimistic than last year: 29% expect property conditions to improve there, compared with 20% a year ago.

EMEA INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

%



Expand/increase level of investment
Maintain/consolidate/rebalance current investments
Reduce/sell current investments

EXPANSIVE EMEA INVESTORS STICK TO THE FUNDAMENTALS

Without doubt, EMEA investors are expanding more than last year, with 78% planning to increase their investment in the next 12 months, up from 61% last year. This compares to 67% on average globally.

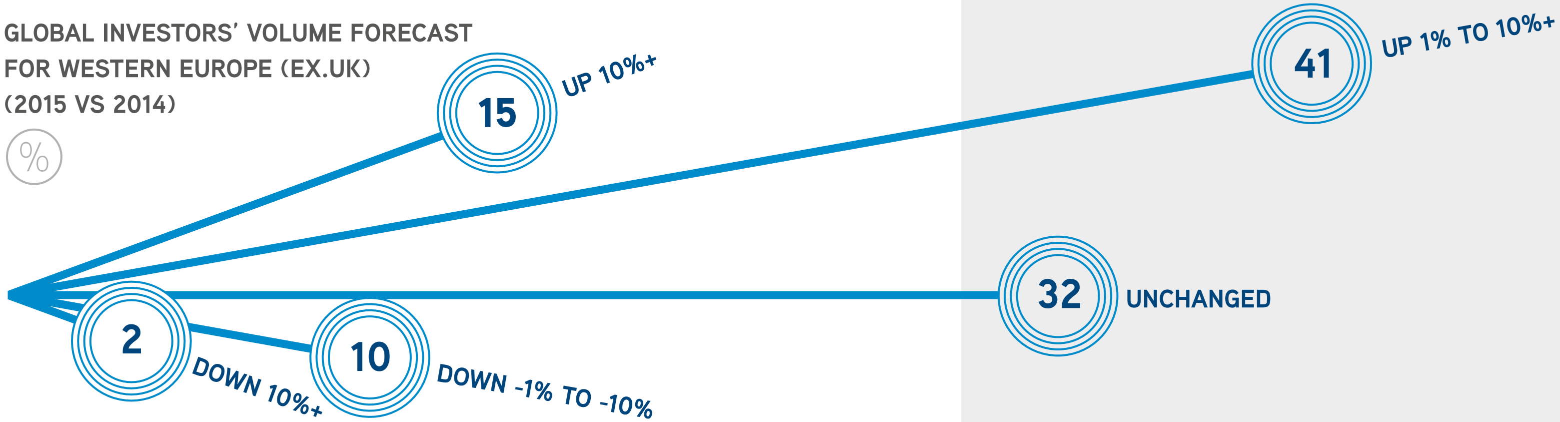
The main criteria for property investment remained roughly unchanged on last year. Property fundamentals and economic growth were the most important factors. Property yields surpassed sovereign risk to become the third most important consideration, as fears of a break-up of the Eurozone have receded, despite tensions in Eastern Europe. The cost and availability of debt made the largest leap, from the tenth to the sixth place. This is more surprising given that the cost of debt has reduced and availability has increased as new lenders have come in and competition has reduced loan to value ratios.

INCREASE IN RISK APPETITE

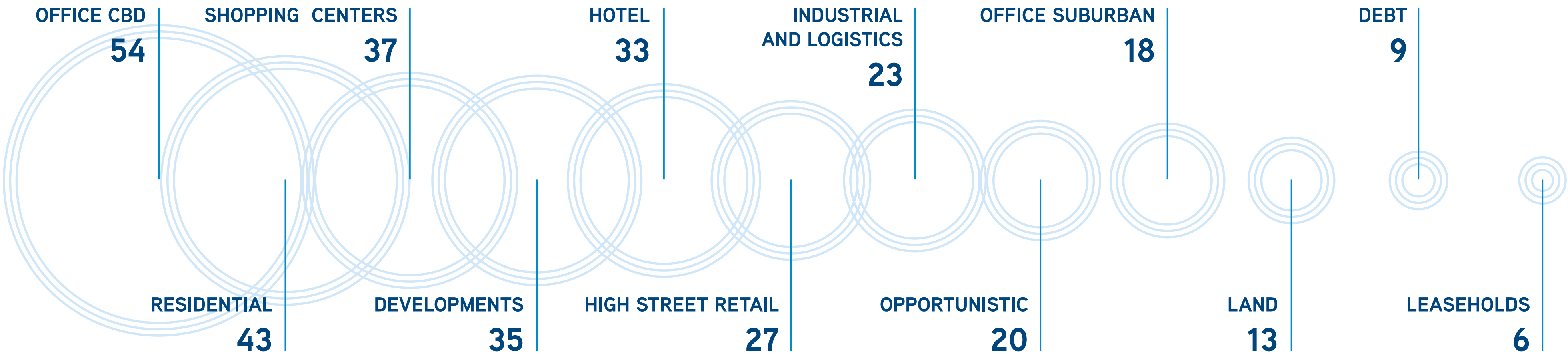
The survey clearly shows EMEA investors moving up the risk curve. While they were among the most risk averse globally last year (with only 33% looking to take more risk) most are now exhibiting a far greater risk-tolerance (66% plan to take more risk in the future to boost returns above the global average of 59%). Western European investors were relatively less risk-prone than MENA investors (61% versus 71%).

GLOBAL INVESTORS' VOLUME FORECAST FOR WESTERN EUROPE (EX.UK) (2015 VS 2014)

%



EMEA INVESTORS: PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) %



This greater appetite for risk is apparent in transactional activity. Investment volumes in Europe's periphery have increased sharply from last year. In Spain total real estate investment was up +160% annually in the first nine months of the year, and +70% in Ireland. The nature of capital targeting these countries has also evolved, from opportunistic money to a more diverse pool of capital including institutional investors. Zurich, for example, recently acquired an office portfolio from the Generalitat de Catalunya in Spain, following AXA's acquisition last year of another office portfolio from the same entity. In Southern Europe, there is also tangible interest in other asset classes such shopping centers, as highlighted by Union Investments' and Allianz's acquisitions in Italy, in La Spezia and Genoa respectively. It remains to be seen whether recent economic setbacks will impact investors' attitude towards riskier markets in Europe's periphery, although this doesn't appear to be the case for now.

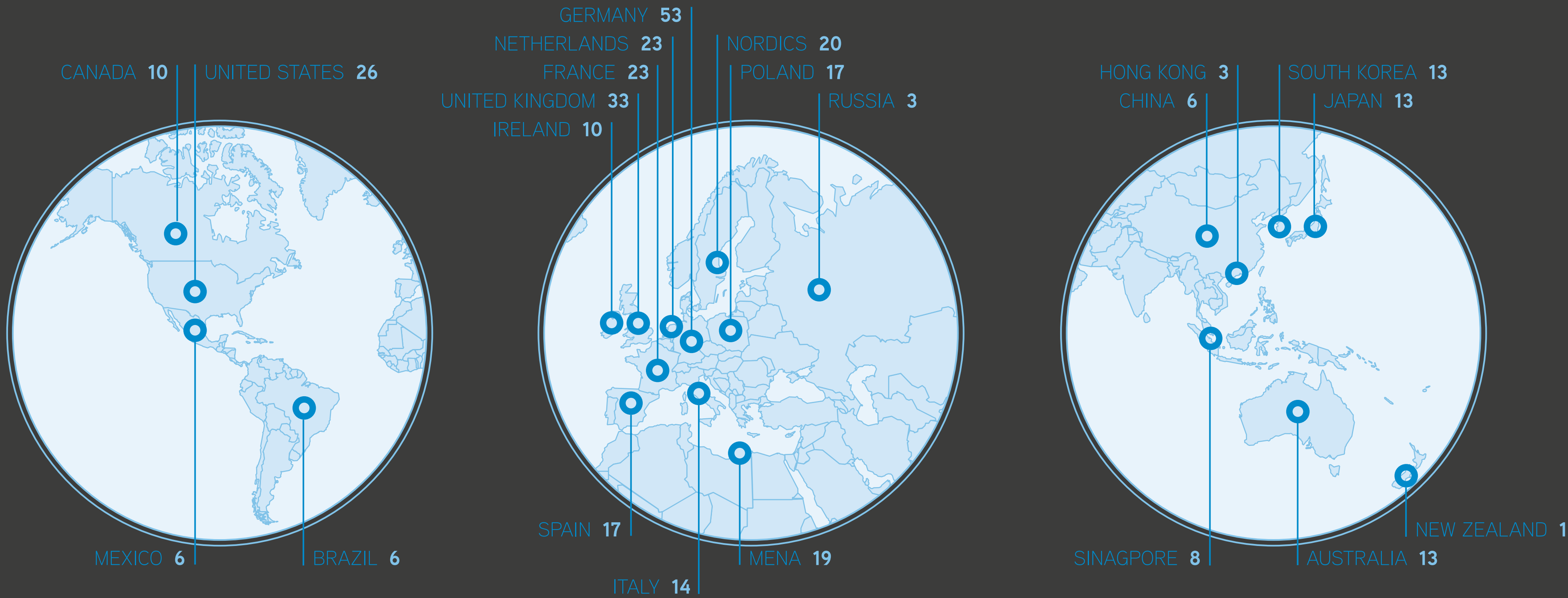
Likewise, in Europe's core, the weight of capital and lack of stock have prompted some investors to take greater location or building risk, domestically and across the border. An example is the purchase of 5,500 residential units, most of them being social housing, in the Netherlands for €577 million by Patrizia Immobilien. There are also signs of Middle Eastern capital widening investment horizons. In August, Qatar Holding, for example, acquired 16 apartment blocks, also in the Netherlands.

OVERSEAS CAPITAL EXPANDS ONTO THE CONTINENT

Investors based in each one of the three EMEA territories examined (Western Europe, CEE and MENA) continue to prefer their domestic region for investments: 95% had investment allocations in EMEA in the last 12 months, while seven out of 10 invested 100%. Just less than a third (30%) invested in another territory outside EMEA, with Asia-Pacific and North America as the preferred regions at 20% each. These proportions are roughly unchanged when looking at investment plans for the next 12 months.

As a global investment destination, EMEA is a target for 14% of investors from outside the region (31% when investors from Australia and New Zealand are not included). Interestingly, 71% of Canadian respondents plan to invest in EMEA in the next 12 months. RCA data shows that they are already the third largest non-European source of capital in EMEA in the first nine months of 2014 after US and Kuwait, with approximately €1.9 billion invested. Recent examples of Canadian investment in Europe include the purchase of office and industrial portfolios by Maplewood and Granite in the Netherlands and Oxford Properties' acquisition of Tour Blanche in Paris for €263 milllion.

TARGET COUNTRIES FOR INVESTMENT (%)



For the coming year, 30% and 28% of investors from Asia and US respectively have expressed an interest in investing in EMEA. Transactions show that Asian investors have been mainly focused on the UK so far. However, there are signs of this changing, with some Asian capital gradually moving onto the mainland, targeting primarily Germany.

For all respondents, the UK (35%), Germany (21%) and France (12%) were the most popular investment destinations in EMEA, followed by Spain (9%) and the Netherlands (9%). London dominates EMEA and global investors' preferences in terms of cities, with other European cities rarely featuring in the latter's list. In their home region, in addition to London, EMEA investors will be looking mainly at Germany's 'Big Six', led by Berlin (22%), as well as Paris (16%), Madrid (10%) and New York (18%).

SHOPPING CENTERS AND HOTELS INCREASINGLY EN VOGUE

CBD offices remain the preferred investment class among EMEA investors (54%), followed by residential (43%) and shopping centers (37%), which moved up two places compared with last year. This increase in interest could be partly explained by the advantages in terms of lot size, enabling larger institutional funds, with minimum spend requirements, to get the desired level of exposure, and the return of debt to finance acquisitions. By contrast, high street retail (27%) slipped two places. This could reflect the weaker rental growth story outside prime high streets and perceptions that online retailing could penalise more high street pitches than shopping centers.

Interest in hotels (33%) has increased compared with last year. This sector proved popular among MENA investors – their second preferred investment product after residential – with Qatari capital and Asian capital from outside EMEA being particularly active in this space recently. Perhaps surprisingly, industrial and logistics came in seventh – in line with last year - despite an increase in volume to €12.2 billion in the first nine months of 2014, up from €11.5 billion in the same period in 2013. Most industrial and logistics investment in Europe continues to be cross-border - especially from the US and, increasingly, Canada, in partnership with local players - and still has limited market penetration of around 10% for Europe as a whole.

MORE DEBT AS COST IS DOWN AND AVAILABILITY UP

A greater share of EMEA respondents (72%) plan to use debt in the future to leverage purchases, up from 59% last year. This figure nonetheless conceals a significant variation across the region, with Western European investors (59%) far less likely to use debt than MENA investors (95%).

The majority (57%) of all EMEA respondents will access debt through direct relationships, while only a few will resort exclusively to financial intermediaries (6%). Also, nearly 60% are planning to pay down debt on assets in their portfolio in the next 12 months.

The vast majority of respondents (92%) think underwriting standards have loosened or remained the same over the last six months and expect little change in the future. Likewise, 66% of all EMEA respondents, and 90% of Western European investors, report that the cost of debt has come down and 80% believe it will either remain stable or decrease further going forward. This is consistent with expectations regarding interest rate movements, with less than a quarter of Western European investors expecting an interest rate hike, against 75% of UK-based investors. The perception that the UK is ahead of Europe in the economic and real estate cycle is further supported by views about yields: 45% of Western European investors see room for further yield compression, whereas only 16% of UK investors think this will be the case.

As an alternative asset class, debt is considered attractive by 34% of EMEA respondents, fewer than last year (48%).

TWO SIDES OF THE SAME COIN: RISK AND COMPETITION

While nearly 60% acknowledge risk is back on and believe that capital is now moving from 'safe haven' to 'risk' markets, it is telling that almost a third of European investment in H1 2014 was still in London, Paris, Munich and Stockholm. This perception is likely reinforced by new sources of overseas capital, especially Asia, using these markets as entry points to Europe. Similarly, 76% believe that opportunities exist in the global market, but are increasingly difficult to find. Whilst almost 70% believe that we could see another chapter in the Eurozone crisis, only a minority (37%) see the crisis in Ukraine as an impediment for property investment in Europe.

> EMEA investors are far more expansive than last year, with 78% planning to increase their investment, up from 61% || Richard Divall

> The arrival of new investment grade development product may breathe a second and decisive breath into the UK institutional market

Tony Horrell, Chief Executive Officer || UK and Ireland

United Kingdom

> Central London product remains very keen, with sovereign wealth funds, and especially new institutional entrants such as Asian insurers and pension funds bidding up prices considerably

Tony Horrell, Chief Executive Officer || UK and Ireland

UK-BASED INVESTOR? WHY LOOK ELSEWHERE?

The UK economy has returned to long-term trend growth (3% per annum) after six difficult years; its performance in 2014 places it at the top of the league of advanced economies over the US, Germany and Japan. This has strengthened domestic and international property investor confidence further. Leasing markets are stabilising UK-wide, with many regional markets reporting rental growth. London is seeing extraordinary growth, with City, Mid-Town and West End rents all increasing in a range from 8% to 10% in the last 12 months; little wonder that London is identified as the prime target city for investors worldwide. The global survey response shows London as the single most targeted city.

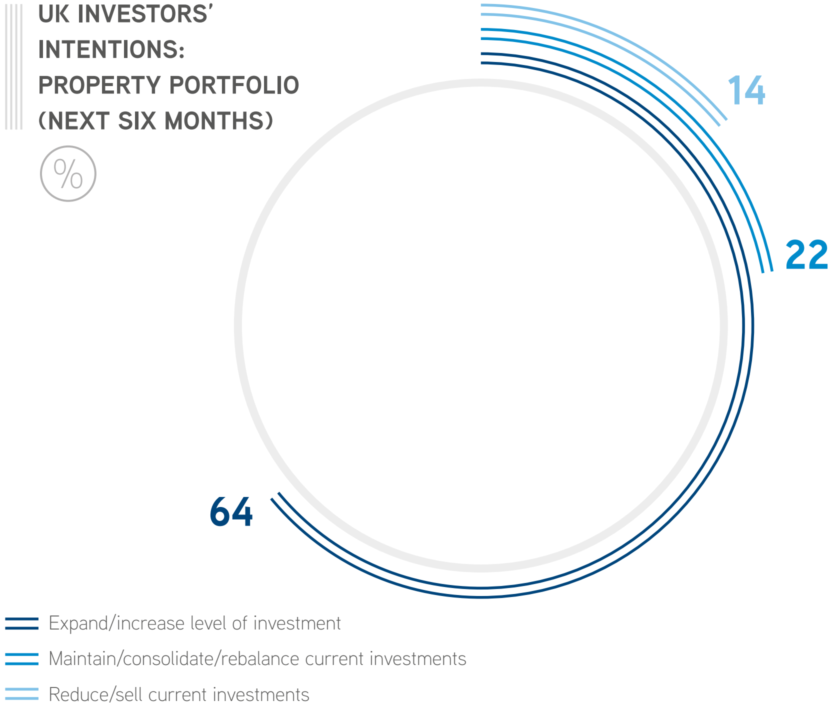
Given the UK's strong economic performance and improving property fundamentals, it is little surprise to see that for UK investors, headquartered in the UK, the domestic market is a primary target. The survey results show that the top three cities targeted globally by UK based investors are London (68%), Manchester (28%) and Birmingham (20%). New York was fourth at 13%, just ahead of Edinburgh at 12%.

According to the survey, UK-based investors are driven primarily by property fundamentals, followed by regional economic growth potential. Yield and political/sovereign risk were less important but, interestingly, political/sovereign risk moved up substantially from last year. This is perhaps suggestive of the impact of recent new geopolitical risks, the uncertainty caused by the Scottish referendum, the rise of UKIP, the upcoming 2015 general election and the threat of a Eurozone recession.

The UK's strong economic performance and heightened expectations of further and substantial improvement in property fundamentals are behind bullish views of investment volume levels. UK-based investors (85%) expect volumes to increase in the UK in 2014, with 35% expecting an increase in excess of 10%. This constitutes a substantial investment gauntlet as £52 billion was transacted last year and a 10% increase would approach the pre-recession transactional peak of £60 billion.

UK INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

%



RISK APPETITE IS MODERATING, BUT FURTHER INVESTMENT SOUGHT

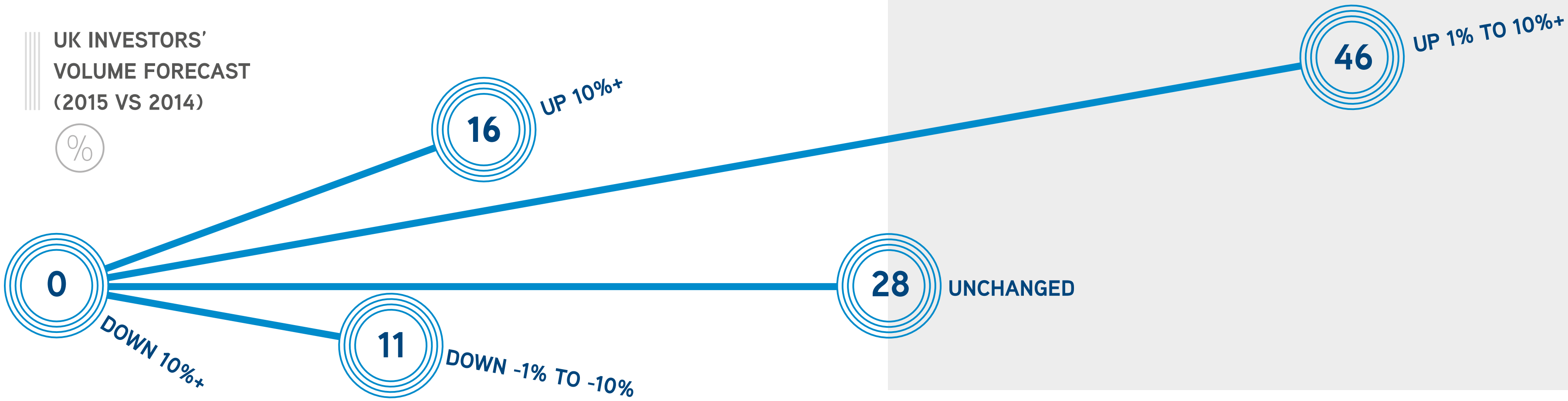
UK-based investors have, by all accounts, moved up the risk curve in the last 12 months, with overseas investors close on their heels. However, the results of this year's survey show that the percentage of respondents who were willing to move further up the risk curve fell to 54% from 74% last year, with 46% unwilling to take on additional risk, up from 26%. The data suggests that risk appetite is likely to moderate in 2015, unsurprising given the increase seen over the last 12 months.

While the largest percentage of respondents (47%) are targeting what might be considered to be moderate IRRs of up to 10%, a substantial number of respondents (32%) are looking for 11% to 15%, with a significant minority, at 20%, still targeting returns in excess of 15%.

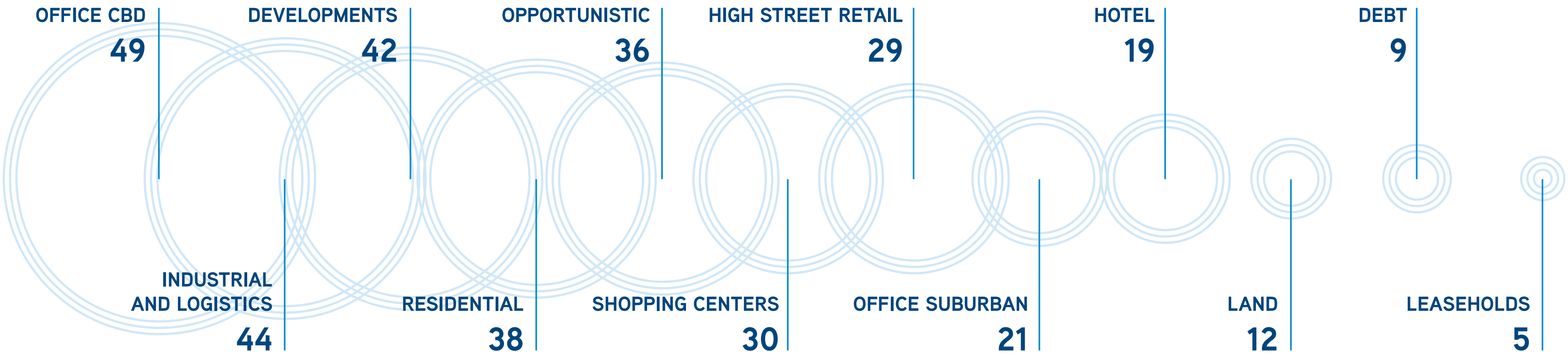
Despite the modest increase in risk aversion, 64% of investors still plan to expand their portfolios, down slightly from 73% last year. Another 22% seek to maintain the current investment levels, with some consolidation or rebalancing planned. Only 14% of investors plan to reduce their portfolios and, of those, 57% are simply taking profits to re-invest into new real estate projects. The market appears to be segmented evenly between risk takers and those who have already taken on as much risk as their mandates allow.

UK INVESTORS' VOLUME FORECAST (2015 VS 2014)

%



UNITED KINGDOM INVESTORS: PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) (%)



THOSE TARGETING CENTRAL LONDON ASSETS MAY BE DISAPPOINTED

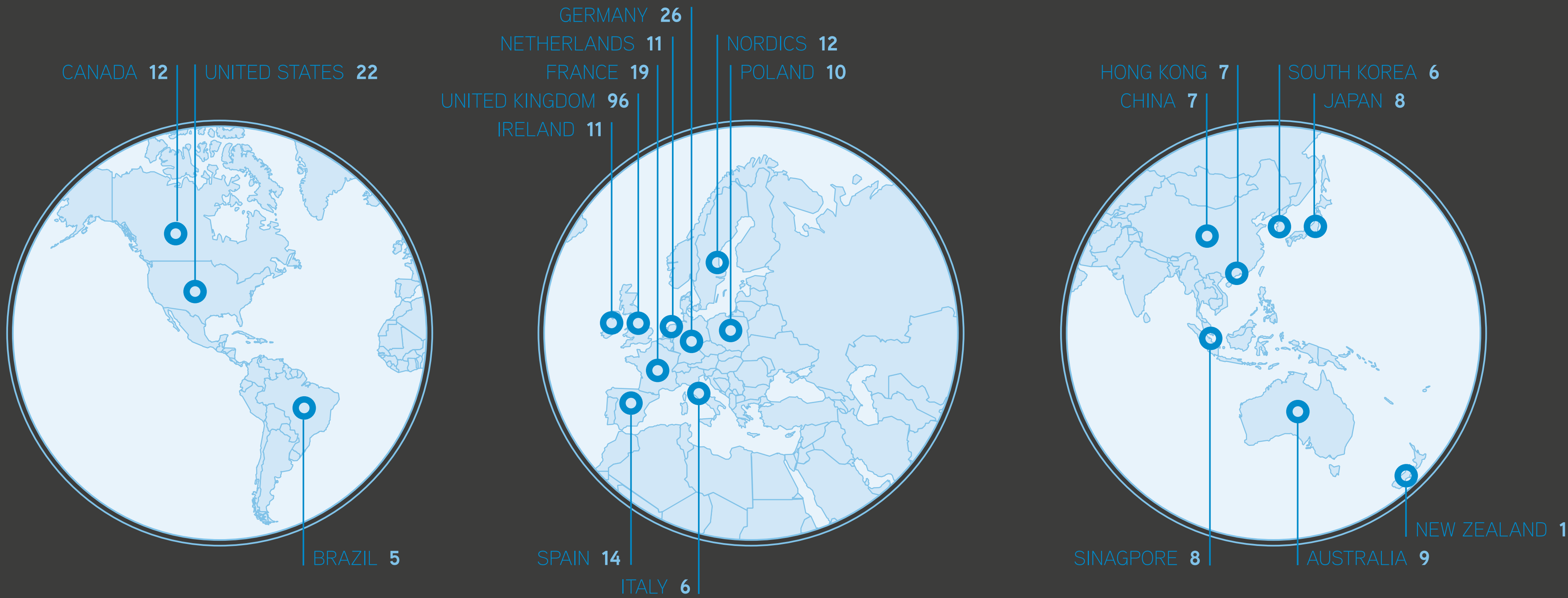
The 'search for yield' has driven many investors over the last 12 months to look beyond London to regional assets. The top three targets for investors are CBD offices (49%), industrial and logistics (44%) and developments (42%). This targeting has been accompanied by substantial yield compression throughout the UK. Competition for Central London product remains very keen, with sovereign wealth funds, especially new institutional entrants such as Asian insurers and pension funds and UK institutions bidding up prices considerably. Central London offices are trading at sub-5% in the City and sub-4% in the West End. Consequently, experienced UK investors are looking beyond London to achieve better returns.

The result has been regional yield compression due to sheer weight of capital, as a recent Manchester deal attests: Chancery Place sold to institutional investor NFU Mutual for £57 million, at a 5.1% initial yield. Likewise, an industrial asset changed hands at Magna Part in Lutterworth for £45 million at a 5.1% initial yield and a supermarket distribution warehouse in Milton Keynes traded at 4.75%. Yields have already fallen by up to 70 basis points (bps) in the UK across asset classes and, for several sectors, including regional offices and regional industrial, annual falls of over 100 bps are forecast by the end of 2014.

In addition to UK institutional buyers, private equity funds, particularly from the US, continued to be very active and to seek higher returns across a broad range of asset types. In August, a JV formed by US equity fund Oaktree and Patrizia Immobilien (Germany) for example bought three UK regional business parks for £430 million. In another recent transaction, US private equity firm Cerberus purchased a portfolio of 63 pubs, most of which located in Greater London and with residential redevelopment potential, for just over £185m. Many of these funds have also successfully increased their exposure to the UK real estate market through both debt purchase and through acquiring a share in the equity stack. In July, Cerberus won a portfolio of non-performing UK loans, dubbed Project Chestnut, from the National Australia Bank for around £485 million.

Given the substantial yield compression already experienced in 2014, it might be expected that the survey results would anticipate outward yield movement over the next 12 months. The sample shows a higher degree of stability than might be expected with 50% of respondents expecting no change and 16% expecting further yield falls, all the more remarkable because 75% of respondents expect to see rising interest rates and 48% expect

TARGET COUNTRIES FOR INVESTMENT (%)



rising bond yields over the course of the next 12 months. The disconnect between bond yields, interest rates and property yield expectations suggest that the UK is still attracting 'safe haven' investment, despite possible political risks given the general elections due in May 2015. Not surprisingly, 50% of UK-based investors thought that volatility across international markets has meant that competition is greater in relatively stable markets such as the UK.

CASH REMAINS KING IN THE UK

Despite half of respondents indicating that debt conditions improved over the last six months, the UK market remains cash driven. Official data shows that net lending to real estate contracted in July for the 32nd consecutive month.

This hard data in combination with UK-based investor expectations that the cost of debt would rise (44%) has resulted in the proportion of UK-based investors intending to use debt rising slightly to 70% compared with 65% last year. The use of debt, though, is not exclusively debt for acquisition. Over half of UK respondents (52%) indicated they would use debt for re-financing purposes. Since the downturn, cash has been king and remains so in closing deals. Finance is available, but is usually arranged in parallel with deals and drawn upon after a transaction is complete, or is part of a refinance strategy undertaken at a later date to free up equity for further investments.

In short, the survey confirms a general optimism in the UK about the strength of the UK market. Given that property markets are cyclical along with the level of prices and yield compression seen over the 10 months of 2014, it might seem prudent to begin to think in terms of a possible slowdown or the beginnings of a price correction. The survey, though, shows that 63% of investors expect investment conditions to improve further. Only the US has a stronger response, with 65% expecting improvement.

In the UK, this may reflect the general expectation of strengthening occupier markets and rental growth. Nevertheless, yield shift driven capital growth is likely to be less pronounced in 2015 and total returns will moderate. Another possible interpretation of this bullish sentiment in the UK may be linked to the UK's much delayed development cycle. The development pipeline has been turned off so completely for so long that there are severe shortages of high quality space across most asset classes.

As noted above, the survey shows that 42% of UK-based investors are targeting development. This might suggest that when the current investment cycle begins to lose steam, that the arrival of a new generation of institutional grade product may breathe a second and decisive breath into the UK investment market. If this were not enough, then the growing medium-term likelihood of large-scale Asian investment into UK infrastructure projects, such as high-speed rail links HS2 and HS3, or new port developments, such as the recent commitment at Liverpool, are sufficient to spin-off substantial real estate opportunities for years to come.

> Risk appetite is likely to moderate in the next 12 months, after a significant increase in the last year || Tony Horrell

Despite the uncertainties, two thirds of respondents expect investment transaction volumes to rise in the next 12 months

Ricardo Betancourt, President || Brazil

Latin America

67% of investors said they were likely to take on more risk to achieve their returns

Ricardo Betancourt, President || Brazil

WEAKER OUTLOOK DESPITE SOME BRIGHT SPOTS

Ongoing political and economic uncertainty across much of Latin America is impacting investor appetite generally. This is partly due to risk aversion to emerging markets worldwide and also from the impact of the US monetary policy in the reduction of quantitative easing and rising bond yields.

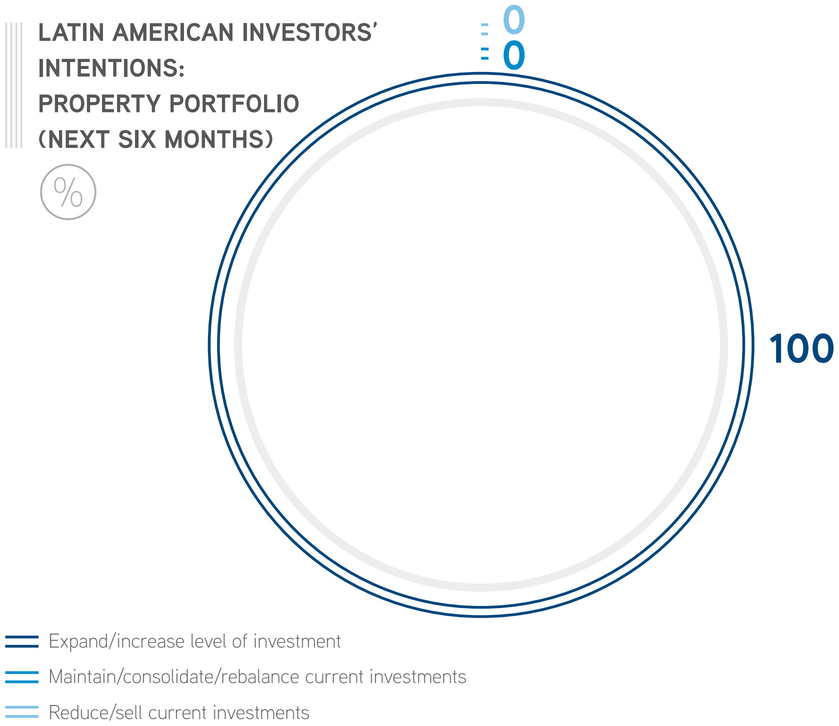
Economic growth has been showing weakness across the region with Brazil affected by weaker world trade flows and falling commodity prices. GDP estimates for Brazil suggest a Q2 14 contraction of 0.6% quarter on quarter. Moreover, uncertainty around the outcome of ongoing elections and the course of future economic policy, is only likely to weigh negatively on investment decisions until the new president is elected, and possibly beyond. Elsewhere, Chile and Peru are also seeing economic growth losing momentum, while recent policy setbacks, and the threat of default, have contributed to expose further Argentina and Venezuela's economic vulnerabilities.

Across the region, only Mexico and Colombia seem to be seeing newfound strength. Estimates suggest an economic expansion of 2.4% and 4.8% respectively in 2014, with growth forecast to accelerate to 3.5% in Mexico in 2015. Whether this will be case, it will be partly subject to the successful implementation of a package of structural reforms programme undertaken by the Mexican government over the last two years. This includes the recent liberalisation of the national oil industry. The administration is now focusing on secondary legislation and demonstrating progress on implementation before the mid-term congressional elections in July 2015.

Nonetheless, given the continuing uncertainties surrounding the region, it is little surprise to see that of the total global survey, only 6% of respondents indicated they had an allocation for Latin American investment. This limited interest from outside the region can be traced mainly to Asia Pacific, possibly in response to the new Pacific Alliance initiative (Chile, Colombia, Mexico and Peru) that is actively seeking Asian investment, although interest can also be linked to North American and EMEA-based investors.

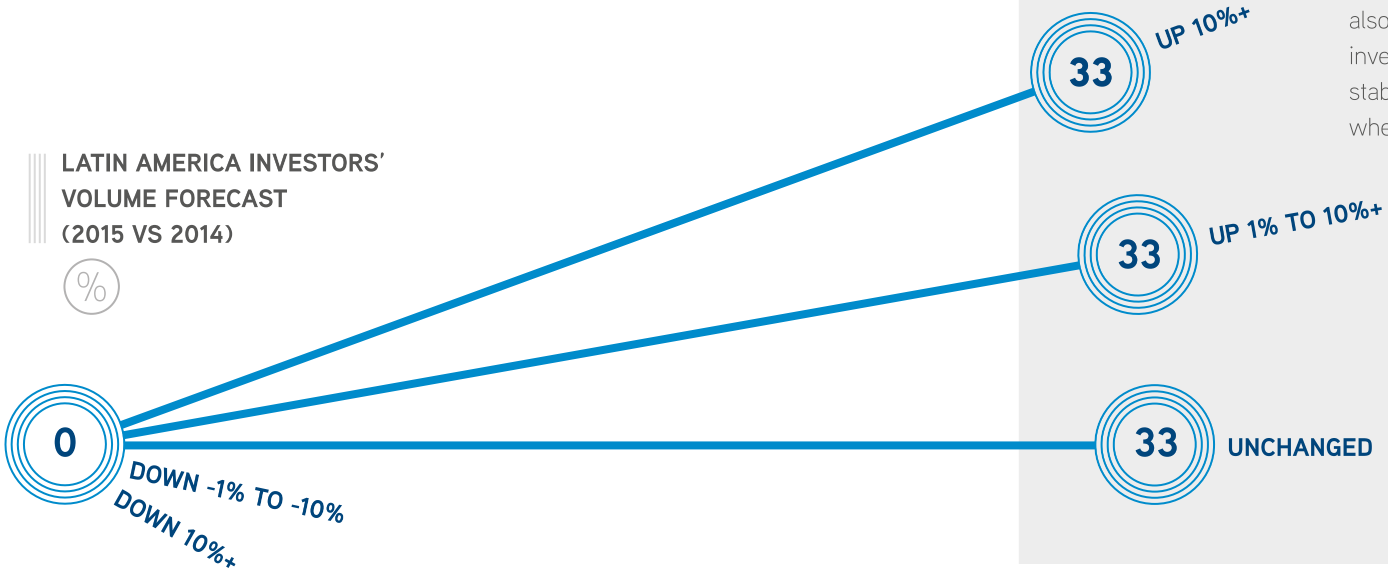
LATIN AMERICAN INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

%



LATIN AMERICA INVESTORS' VOLUME FORECAST (2015 VS 2014)

%



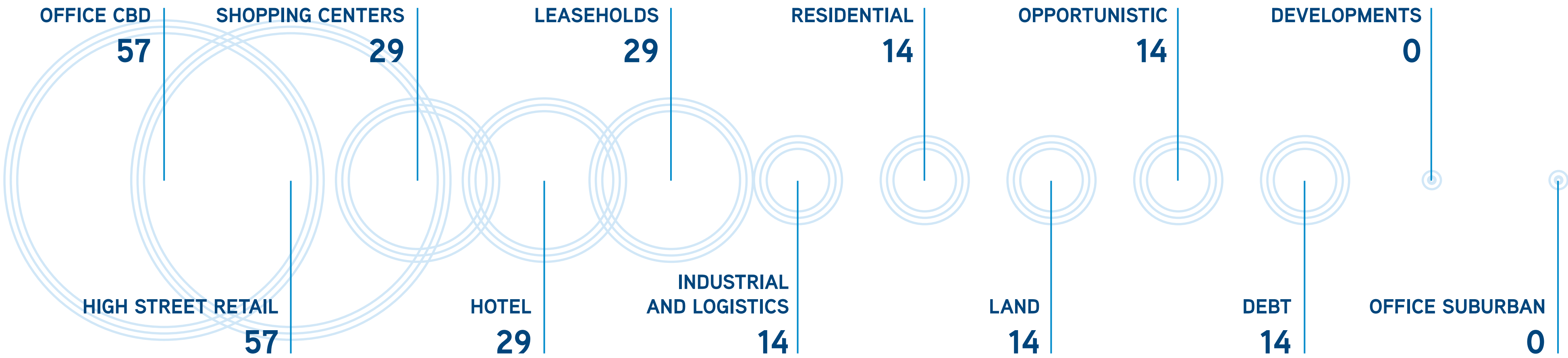
ECONOMIC PERFORMANCE IS KEY TO INVESTOR PERCEPTIONS

The survey's results show that over the last 12 months, 63% of Latin American investors were investing 100% of their capital in domestic assets. For the coming 12 months, this figure falls to 38%. The fall has been to the benefit of the other regions, with most of this extra-regional interest focused on North America.

According to the survey, concerns about Latin American economic performance ranked highest as a factor in determining investment decisions. This was followed by equal concerns for yield levels and asset appreciation potential, while any issues about property fundamentals were seen as a less important factor. This suggests that the sustainability of property performance over the long term may be foremost on Latin American investor's minds, rather than more volatile short-term indicators.

Uncertain economic performance and regulatory uncertainty are among the key concerns of investors. Tellingly, only 50% of Latin American respondents expected property investment conditions in their region to improve over the next 12 months. The survey also shows that almost all respondents saw property investment conditions outside their own region to remain stable or improve, with the notable exception of Russia where 50% expected to see declining prospects.

LATIN AMERICA INVESTORS:
PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) %



EVEN SPLIT ACROSS INVESTMENT STYLES

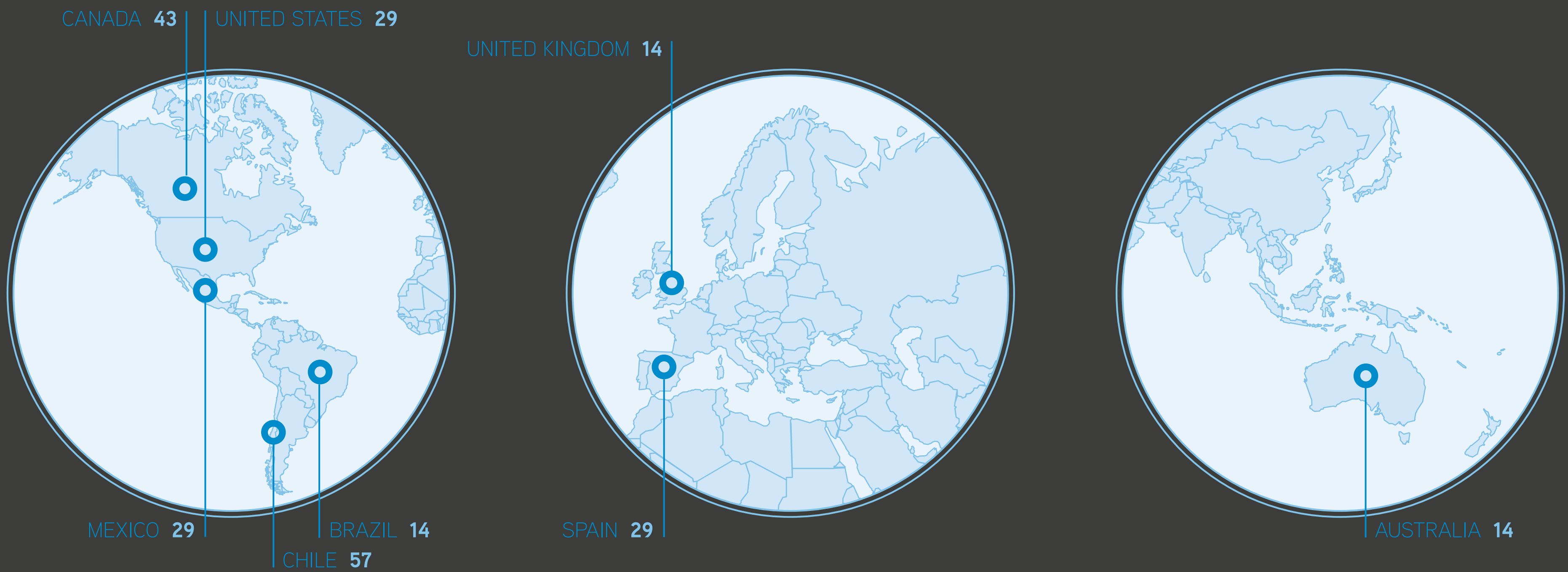
When it comes to returns, interestingly, the sample was split evenly across the IRR categories, with roughly one-third looking to achieve a 6% to 10% return, another third looking for 11% to 15% and the final third looking for more opportunistic returns of between 16% and 20%. Unsurprisingly, 67% said they were likely to take on more risk to achieve their returns. All respondents said they intended to expand their portfolios.

EYE ON THE HIGH STREET FOR EXPANSION

Anecdotal evidence suggests that Latin American investors will look to grow by diversifying their existing portfolios. In Brazil, investors, and in particular REITs, are moving beyond CBD offices to high street assets, such as bank branches that offer long-term secure income. CBD offices and high street investments scored highest in the survey, targeted by 57%. Interest in industrial and logistics was low at 14% even though reports from Brazil suggest that there is considerable interest.

> Only 6% of respondents from outside the region indicated they had an allocation for Latin American investment || Ricardo Betancourt

TARGET COUNTRIES FOR INVESTMENT (%)



MIXED PERFORMANCES BUT INVESTORS REMAIN UPBEAT

Despite the uncertainties, around two-thirds of respondents expect investment transaction volumes to rise more in the next 12 months than they did in over the last 12. Transaction totals have levelled off over the last few quarters with trading steady at around US$8.6 billion annual rate. Interestingly, investment in Mexico has fallen from US$6.8 billion in the year to Q4 13 to US$5.1 billion in the year to Q2 14. Market sentiment nonetheless remains positive. Property values have increased during the last three years, reflecting the improved fundamentals, and the growing pool of capital seeking exposure to real estate.

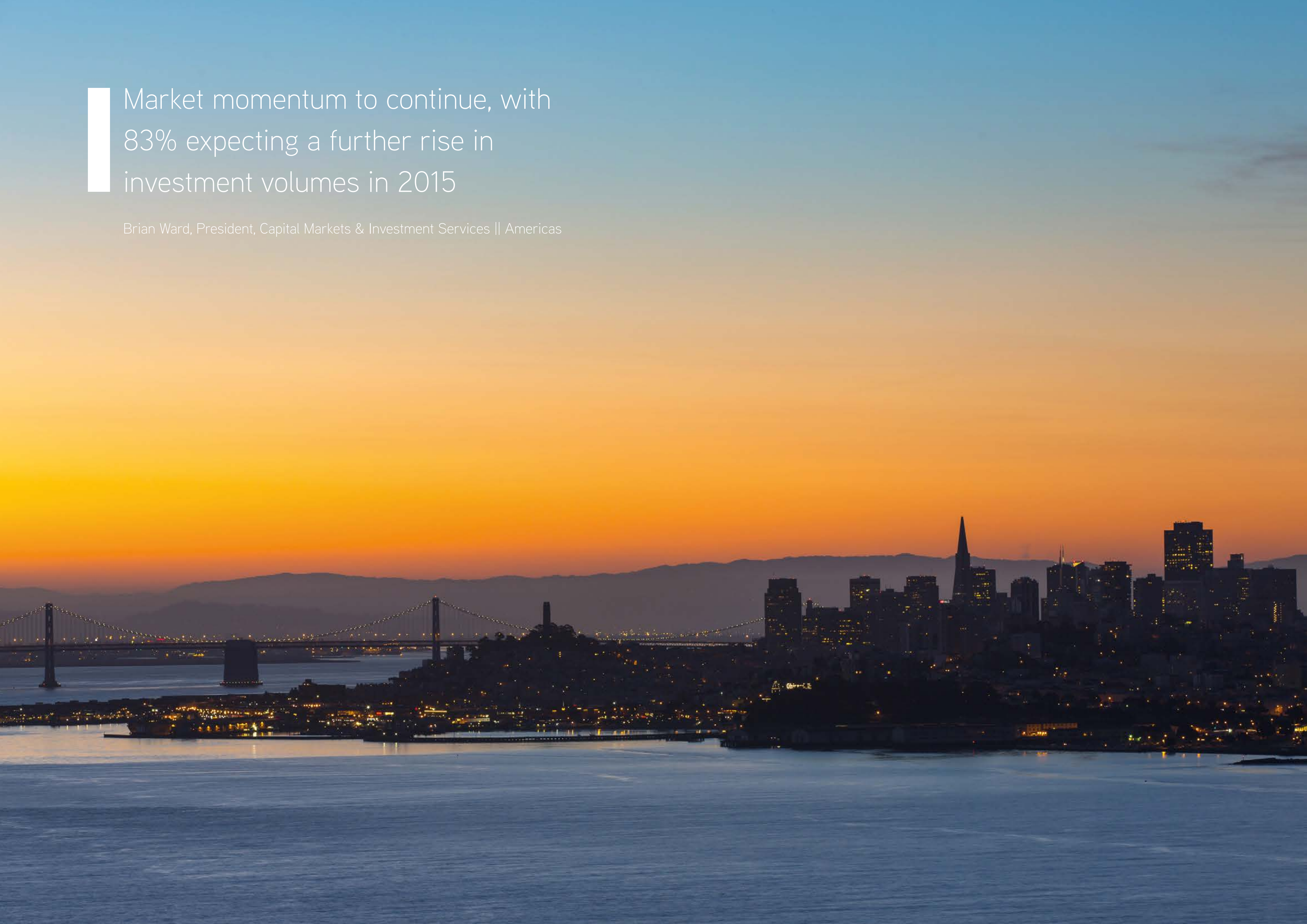
In Mexico, activity in 2014 has been dominated by FIBRAS, which are Mexican REITS, while some domestic and international private investors have also been active. This has increased liquidity, and provided property owners with more precise indications about pricing and possible exit strategies. This favourable environment is likely to continue, especially if the current low interest rate regime remains in place.

In Brazil, volumes have almost doubled from US$1.3 billion to US$2.3 billion in the year to Q2 2014 compared to 2013. Given that Brazil's leasing markets are nearing cyclical troughs, this may reflect investor expectations of improved performance over the medium term. While the World Cup proved helpful in government fund raising, it may also have positively impacted on property market investment, although whether this endures is another question.

> More Latin American investors will look to other regions, particularly North America, as a diversifier from domestic investing || Ricardo Betancourt

Market momentum to continue, with 83% expecting a further rise in investment volumes in 2015

Brian Ward, President, Capital Markets & Investment Services || Americas



United States

A majority of US investors (57%) expect property yields to remain stable in 2015 despite an expected increase in interest rates

Brian Ward, President, Capital Markets & Investment Services || Americas

JOBS GROWTH IN METRO MARKETS FUELLING DEMAND

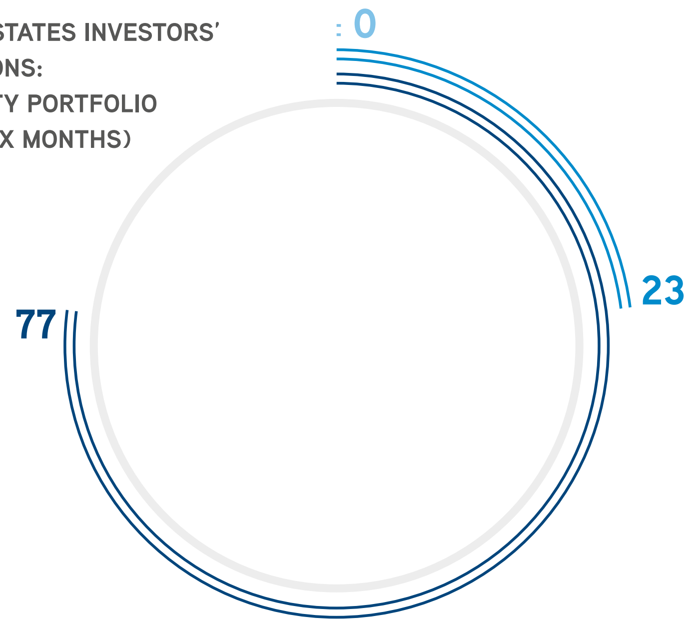
After a weak, weather-impacted start to 2014, US economic growth accelerated in the second and third quarters. For the whole year, real GDP growth is forecast at 2.1%, to accelerate further to nearly 3% in 2015. It is estimated that this could translate into a gain of 2.5 million jobs in 2014 in 2015, increasing to 2.7 million in 2015, which would be the highest annual total since 2000.

As significant as the improvement in the aggregate economic statistics is the greater number of markets within the US driving growth. Whereas earlier in the recovery the intellectual capital, energy and education (ICEE) markets were the main drivers, growth has expanded to and accelerated in more US metropolitan areas in 2014, including some of the hard-hit housing markets such as Phoenix, Las Vegas and many metropolitan areas in Florida, fuelling greater demand for real estate. As an example, half of the US metropolitan areas tracked by Colliers International has recovered all of the office-using jobs lost during the recession, and nearly 90% added office-using jobs on a year-over-year basis in June 2014.

In addition to stronger demand, low supply-side pressure in most markets and property types is contributing to tightening in the US real estate markets. Lender caution, high construction costs (which continued to increase through the recession) and still-elevated vacancy rates in many markets and property types are restraining development. The construction activity that is occurring, especially speculative, is generally targeted, concentrated in the strongest markets and submarkets where tenant demand remains robust, such as Houston, San Francisco, Silicon Valley, Boston and New York. This measured approach to development, coupled with positive demand trends should result in further occupancy gains. These trends bode well for the investment market, as US survey respondents identified property fundamentals and economic growth as the two most important factors influencing investment decisions.

UNITED STATES INVESTORS' INTENTIONS: PROPERTY PORTFOLIO (NEXT SIX MONTHS)

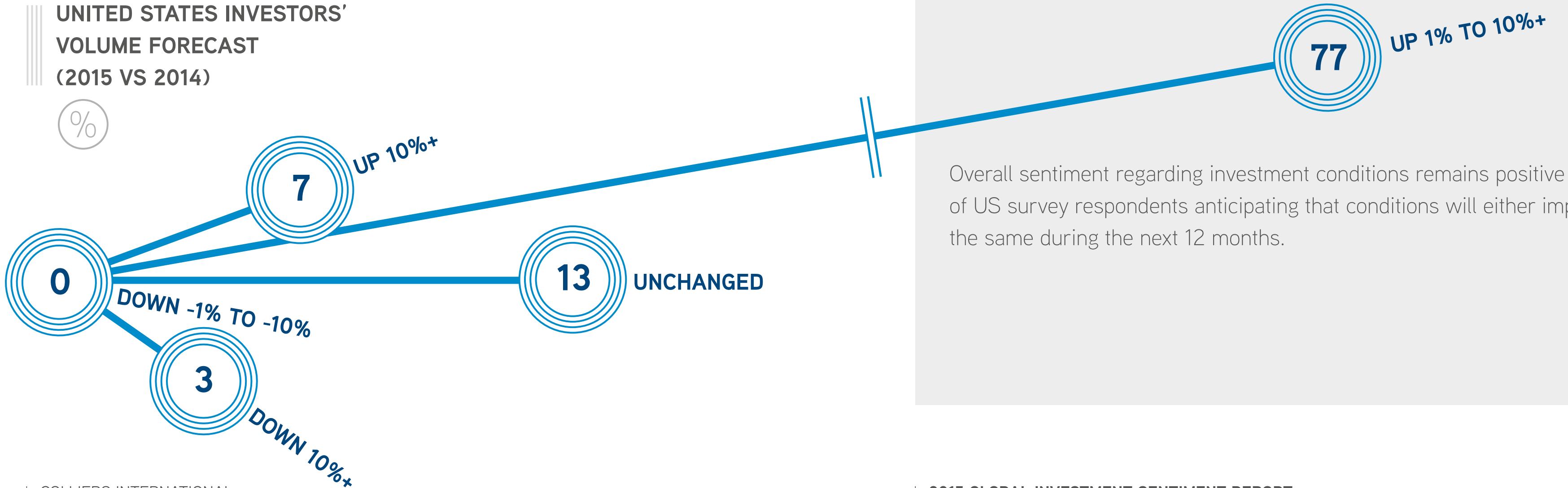
%



Expand/increase level of investment
Maintain/consolidate/rebalance current investments
Reduce/sell current investments

UNITED STATES INVESTORS' VOLUME FORECAST (2015 VS 2014)

%



VOLATILITY ABROAD INCREASES COMPETITION ON HOME SOIL

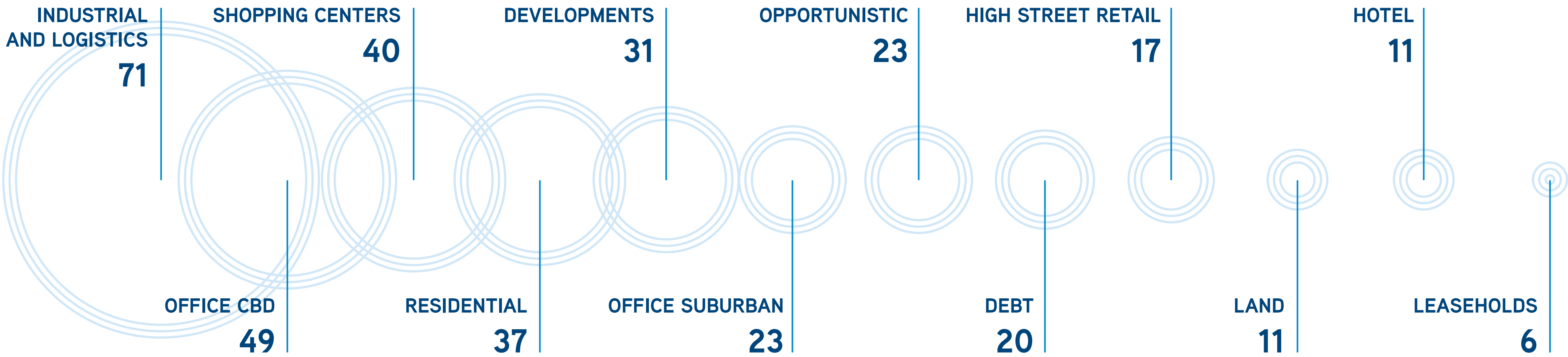
The strength of the US property markets relative to many other global markets continues to attract investor interest. The survey results indicate that continued geopolitical turmoil and lacklustre recovery in many global markets are still impacting decisions by US investors, with just over half (54%) of respondents agreeing or strongly agreeing that the crisis in Ukraine is impeding planned investment in the EU, and most disagreeing or strongly disagreeing (75%) that the Eurozone crisis is over. Nearly all respondents agreed or strongly agreed (93%) that volatility across different regions is leading to greater competition in stable markets, such as the US.

US TRANSACTION VOLUMES TO INCREASE IN 2014 AND 2015

These external factors are contributing to continued growth in US investment activity: according to Real Capital Analytics (RCA), sales of significant properties (US$2.5 million or greater) increased to US$245.9 billion during the first eight months of 2014, a 16% increase compared with the year-earlier period, and the highest total for that period since 2007. Overall, 83% of US-based investors expect 2014 year-on-year investment volumes to increase, with 24% expecting an increase of 10% or more. Transaction volumes are expected to rise again in 2015, with 77% of respondents forecasting an increase of up to 10% and 7% expecting an increase in excess of 10%.

Overall sentiment regarding investment conditions remains positive as well, with 80% of US survey respondents anticipating that conditions will either improve or remain the same during the next 12 months.

UNITED STATES INVESTORS: PRIMARY INVESTMENT FOCUS (NEXT 12 MONTHS) %



US INVESTORS IN EXPANSION MODE

More than three-quarters of US investors surveyed expect to expand or increase the level of investment in their property portfolios during the next 12 months. None expect to reduce their portfolios. Almost the totality of US investors (98%) will invest in North America in the next 12 months, with 27% also looking to invest in Asia and EMEA.

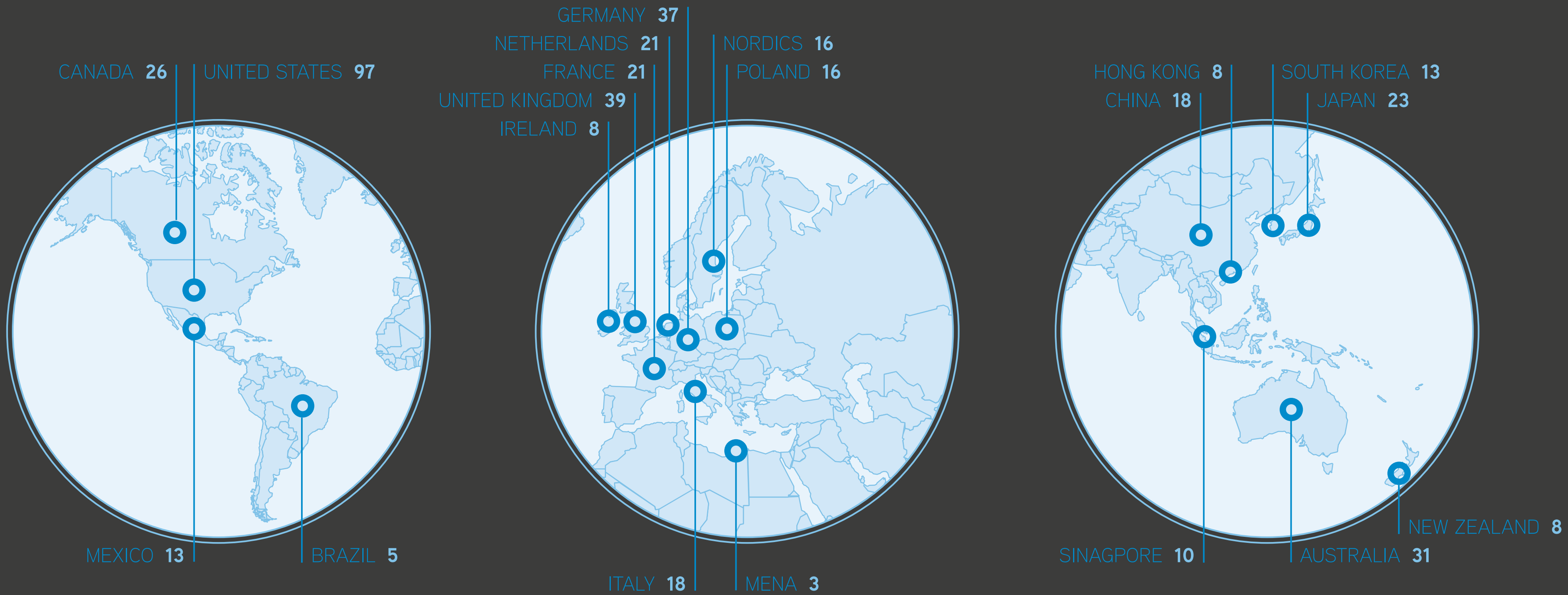
The survey suggests that 47% of US investors will source 100% of their capital in the domestic market, with 13% sourcing 100% of their capital outside North America.

CROSS BORDER INVESTMENT GAINS MARKET SHARES

Although overall transaction volume in the US remains well below the 2007 peak, volume from cross-border sources for the first three quarters of 2014 has surpassed the same period in 2007. It now comprises 9.5% of the total compared with 8.5% in 2004 and is the only capital source to gain market share this year, according to RCA. Canada remains the largest source of foreign capital, with about $8.2 billion invested in the US year-to-date in 2014, followed by China at US$4.6 billion and Norway (US$4.0 billion), whose sovereign wealth fund has aggressively been targeting properties in gateway cities such as New York and Boston. Asia continues to account for a large share of foreign capital inflows, with Japan (US$3.2 billion), Hong Kong (US$1.9 billion) and Singapore (US$1.7 billion) ranking among the top eight foreign capital sources in US real estate year-to-date 2014. When the survey asked investors from outside North America about investing in the region, a third of Asian investors expressed their intention to do so in the next 12 months, more than for any other region, and the second largest group behind Latin American investors (57%). Around 31% of EMEA based investors (ex. UK) are also looking to invest in North America over the same period, with 26% looking specifically at the US.

Increasingly, foreign investment is no longer focused solely on gateway markets as was the case earlier in the cycle. Improvements in secondary and tertiary market fundamentals, coupled with higher yields, are also attracting greater foreign interest.

TARGET COUNTRIES FOR INVESTMENT (%)



INDUSTRIAL TOP PICK DESPITE COMPETITIVE MARKETPLACE

Survey respondents see many of the same property sectors continuing to draw investment in the coming year with almost 50% of US-based respondents targeting CBD office and 40% targeting shopping centers in the coming year. The one sector that drew the most interest in the survey was industrial and logistics where over 70% of our respondents claim to be seeking opportunities. They will find investment in this sector difficult as available inventory is low and ongoing interest from institutional and foreign investors continues to drive down yields.

Interestingly, property types that were less favored earlier in the recovery posted the strongest gains in transaction volume, indicative of broader improvement in fundamentals. Retail posted the strongest year-on-year increase, of 37%, followed by hotel (29%) and office (27%). The apartment category, the leader in the current recovery, was the only sector to post a decline in transaction volume, albeit a relatively small 5% decrease.

Also, out of favor earlier in the recovery, many secondary and tertiary markets improved as well through mid-year 2014, with Nashville, Philadelphia, Jacksonville, Baltimore and Denver all posting year-over-year gains in transaction volume of 40% or more.

CHEAP DEBT ENVIRONMENT LIKELY TO END IN 2015

Although interest rates have defied expectations in recent quarters, the historically low rate, cheap debt environment is likely to end in 2015. With improved economic conditions, the Federal Reserve has indicated its intentions to conclude its QE3 bond-buying programs in October 2014. Furthermore, the Fed is likely to begin raising the federal funds rate, currently at a 0.00%-0.25% target rate, by mid-2015, and the consensus among FOMC members is for a 3.75% fed funds rate by 2017.

Market participants are anticipating this increase, with two-thirds of US respondents expecting interest rate increases in the coming year. It is important to note, however, several factors that do not make interest rate increases a foregone conclusion. Wage growth, which the Fed has cited as an important factor in its decision to raise rates, remains well below the rate consistent with the Fed's target inflation rate of 2%. Also, global issues in EMEA and Asia Pacific have continued to drive investors to the safety of the 10-year Treasury, suppressing yields. A continuation of these trends could keep rates low in 2015.

Yield expectations are mixed, although few expect further compression. Nearly 60% of respondents expect yields to remain stable, and nearly 30% expect them to increase. In 2014 and 2015, there is expected to be growing demand for higher yielding assets, for which yield-to-Treasury spreads remain wide, such as properties in secondary and tertiary locations and suburban office buildings.

DEBT AS AN ASSET CLASS LOSES ITS SHINE

None of these worries about the costs of financing will keep players from the market; almost 90% of survey respondents find themselves likely or highly likely to use leverage in future investment decisions while almost 85% of respondents expect they will be likely or very likely to finance or refinance portfolio assets in the coming year. And it seems credit standards have not held up to the demands for more leverage in the market; 63% of survey respondents in the US saw loosening underwriting standards over the last six months and 47% see further loosening in the coming year.

This does not bode well for investors in debt; less than 40% of survey respondents saw debt as an attractive alternative investment. This is down over 10% from the response level in last year's survey.

> North America increases as a target as one third of Asian investors express their intention to invest in the region || Brian Ward

Colliers International Global Researchers

ASIA

Simon Lo
Executive Director || Research & Advisory || Asia
E simon.lo@colliers.com
T +852 2822 0511

Jessy Chung
Analyst || Research & Advisory || Asia
E jessy.chung@colliers.com
T +852 2822 0643

AUSTRALIA AND NEW ZEALAND

Nerida Conisbee
National Director || Research || Australia
E nerida.conisbee@colliers.com
T +61 3 9612 8803

Alan McMahon
National Director || Research & Consultancy || New Zealand
E alan.mcmahon@colliers.com
T +64 9 356 8811

UK

Mark Charlton
Head of Research and Forecasting || UK
E mark.charlton@colliers.com
T +44 20 7487 1720

Walter Boettcher
Director of Research and Forecasting || EMEA
E walter.boettcher@colliers.com
T +44 20 7344 6581

GLOBAL ANALYSIS || EMEA

Bruno Berretta
Senior Research Analyst || Research and Forecasting || EMEA
E bruno.berretta@colliers.com
T +44 20 7344 6938

LATAM

Leandro Angelino
Coordinator || Research and Market Intelligence || São Paulo
E leandro.angelino@colliers.com
T +55 11 3323 0000

Renan Costantini
Senior Consultant || Investments Division
E renan.costantini@colliers.com
T +55 11 3323 1829

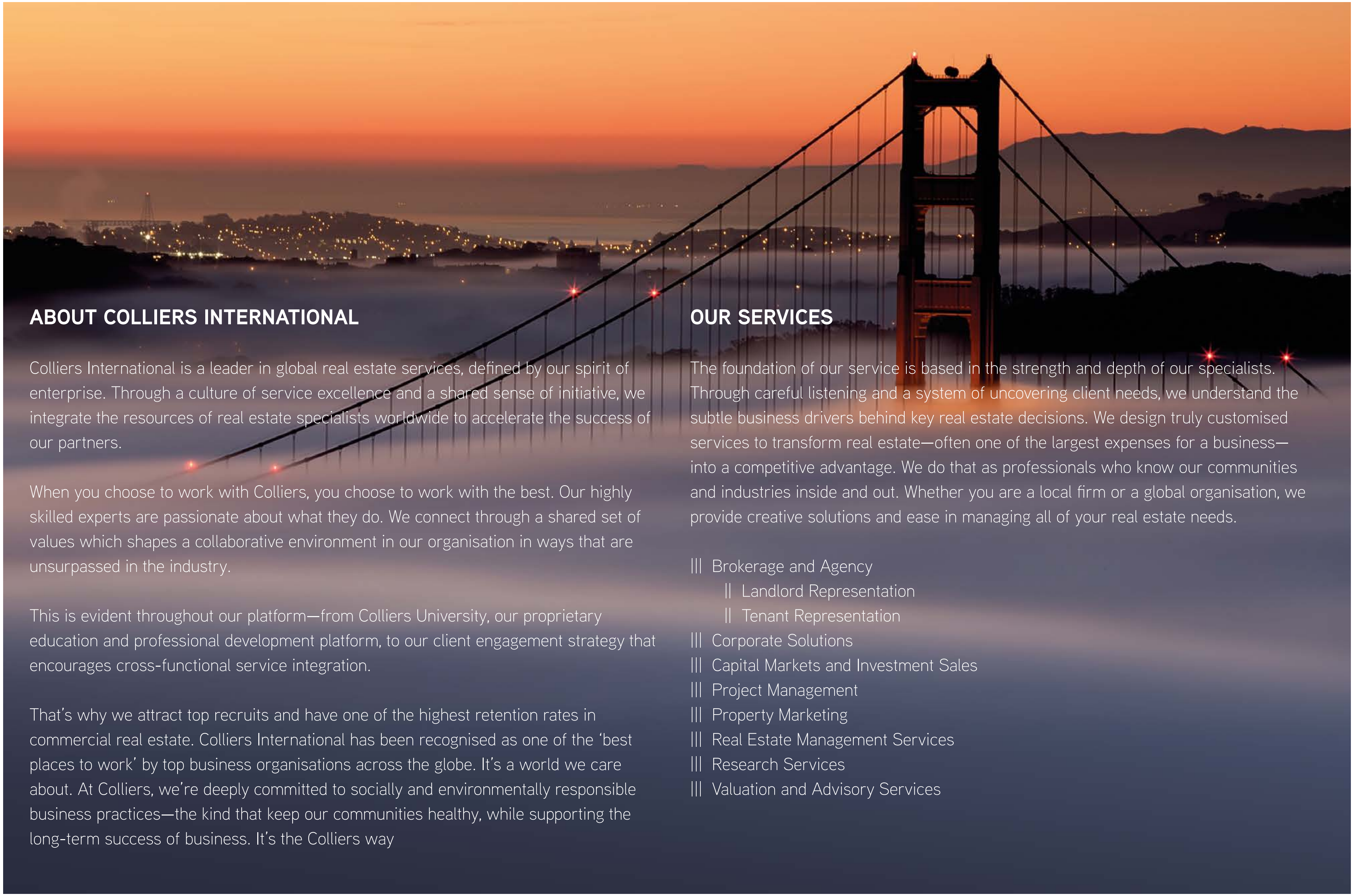
USA

Pete Culliney
Director of Research || USA
E pete.culliney@colliers.com
T +1 212 716 3698

Andrea Cross
National Office || Manager || USA
E andrea.cross@colliers.com
T +1 415 788 3100

CANADA

Craig Hennigar
Director || Market Intelligence || National Marketing || Canada
E craig.hennigar@colliers.com
T +1 604 692 1452



ABOUT COLLIERS INTERNATIONAL

Colliers International is a leader in global real estate services, defined by our spirit of enterprise. Through a culture of service excellence and a shared sense of initiative, we integrate the resources of real estate specialists worldwide to accelerate the success of our partners.

When you choose to work with Colliers, you choose to work with the best. Our highly skilled experts are passionate about what they do. We connect through a shared set of values which shapes a collaborative environment in our organisation in ways that are unsurpassed in the industry.

This is evident throughout our platform—from Colliers University, our proprietary education and professional development platform, to our client engagement strategy that encourages cross-functional service integration.

That's why we attract top recruits and have one of the highest retention rates in commercial real estate. Colliers International has been recognised as one of the 'best places to work' by top business organisations across the globe. It's a world we care about. At Colliers, we're deeply committed to socially and environmentally responsible business practices—the kind that keep our communities healthy, while supporting the long-term success of business. It's the Colliers way

OUR SERVICES

The foundation of our service is based in the strength and depth of our specialists. Through careful listening and a system of uncovering client needs, we understand the subtle business drivers behind key real estate decisions. We design truly customised services to transform real estate—often one of the largest expenses for a business—into a competitive advantage. We do that as professionals who know our communities and industries inside and out. Whether you are a local firm or a global organisation, we provide creative solutions and ease in managing all of your real estate needs.

||| Brokerage and Agency
  || Landlord Representation
  || Tenant Representation
||| Corporate Solutions
||| Capital Markets and Investment Sales
||| Project Management
||| Property Marketing
||| Real Estate Management Services
||| Research Services
||| Valuation and Advisory Services

Global Investor Sentiment Report

CONFIDENT CAPITAL MOVES UP THE RISK CURVE

2015

colliers.com