

2017

THE ATLAS SUMMARY

THE STORIES DRIVING THE MARKET AHEAD

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THE MARKET

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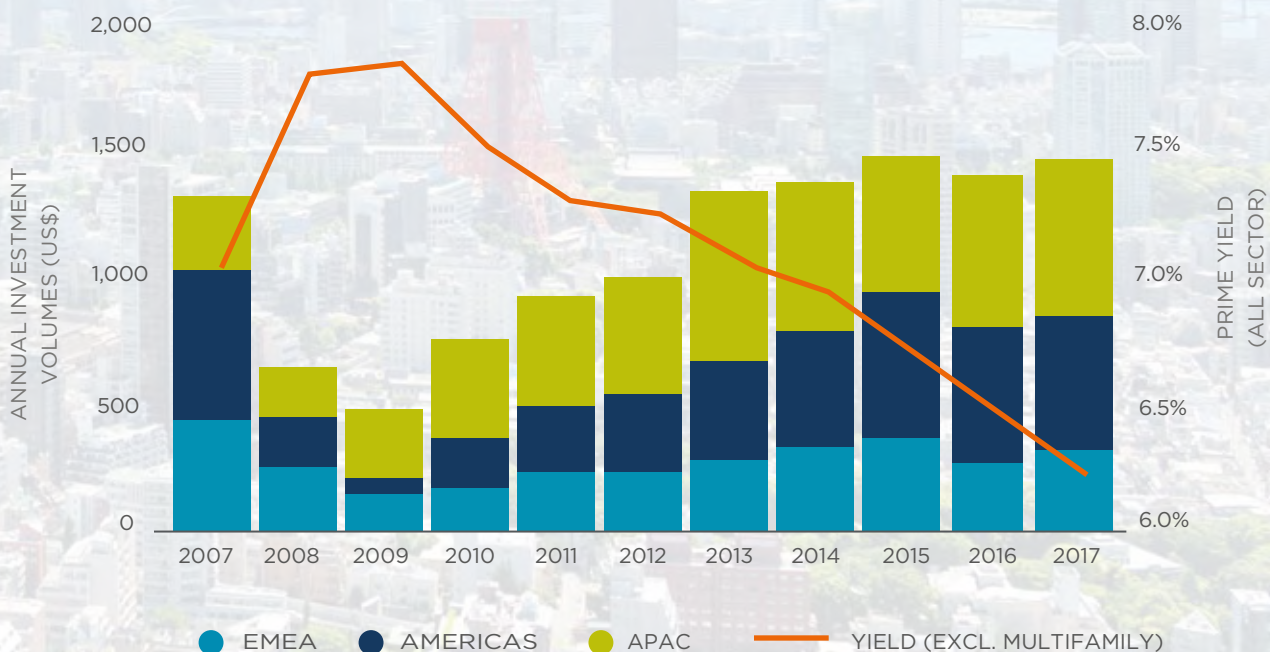
Globalization is **alive** and **well** in the real estate sector

Despite political uncertainty, rising populism and the threat of protectionism, cross border real estate investment interest remains high and capital continues to flow in and around all areas of the world. However patterns of global activity are changing in terms of who is investing and where, as new priorities emerge for some investors while others simply slow their pace of activity. As a result, the most competitive sources of capital will continue to shift more rapidly than the market may expect. Overall, Asian capital will spread further into new markets this year, again surpassing North America as the largest source of global investment in 2017, subject to how Chinese outbound investment develops.

THE CYCLE HAS FURTHER TO RUN

With pricing typically ahead of the last peak and a number of M&A deals taking place, alarm bells are ringing for some that the end of the cycle is near. However, the combination of unsatisfied demand, a steady supply of debt and still high returns relative to other asset classes, indicate that strong demand for real estate investment will continue in 2017. Indeed, the current cycle could be stretched by as much as 2 extra years if certain US policy proposals on taxes and spending come to fruition. What is more, while global uncertainty and a return of inflation will boost demand for core real estate, it should also lead to more willing vendors in a number of markets, raising the potential for volumes to increase. Hence after a fall of -4.4% in 2016, we are forecasting global investment to rise by 1.5% in 2017, with the tight supply of core product restraining US activity but most markets seeing growing demand which could easily be bettered if risk aversion stabilizes.

Global Investment Volumes by Region



Cushman & Wakefield, RCA, Deals over US\$5mn including land

COMPLEXITY IS THE NEW NORMAL

Although it is difficult to imagine bigger elections shocks than the ones that have already occurred, the days of global volatility are far from over. The changing and polarizing position of the monetary cycle and quantitative easing between global regions will add to uncertainty and with higher inflation, tight labour markets and potentially changing trade regimes and regulations to also consider, the macro environment will grow more not less complex in the year ahead. However this sheer range of unknowns and uncertainties means that global diversification in core real estate should remain a favoured strategy even as some investors grow bolder in experimenting in new markets.

SEE THROUGH THE POLITICAL NOISE

With the Trump administration still finding its feet, Brexit negotiations underway and a number of high profile European elections alongside South Korea's presidential election and China's leadership reshuffle, political risk will clearly remain high in 2017. It won't fade in 2018 either, with Russia, Italy, Greece, Japan, the US, Iraq, Mexico and Cuba, among others, heading to the polls. However, the threat posed by political change may be overstated; change may unleash reform and progress after all. What is more, the lurch towards populism is perhaps not as marked as commentators suggest, with the recent election in the Netherlands one example underpinning that view.

Some time is also needed to see how the landscape develops. The European Union is talking of reform while Asia is looking at new structures to aid its integration for example. With respect to the Trump administration, stated policies will be positive for the demand story in the short term but there are clear risks they may not be delivered and other aspects of policy are potentially more disruptive. In Europe meanwhile, election risks will help investors push Brexit to the background as the two plus years of negotiation ahead of an exit get underway. Nevertheless the UK's resilience will be tested further as the form of Brexit develops.



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A nighttime photograph of a city skyline across a body of water, with a bridge in the foreground. The scene is illuminated by city lights and bridge lights, creating a vibrant urban atmosphere. A white diagonal line cuts across the image from the top right towards the bottom left.

TIME TO CHANGE STRATEGY?

As the monetary cycle changes, the pursuit of growth will increasingly come to the fore over fixed income. While the interest rate cycle is led by the US, it is signalling a trend that eventually will come to other areas. However, while a more relaxed mood in global equity markets has led some investors to become more adventurous in the assets they will consider, these trends are less marked in the real estate sector to date. Hence the current pressures on the market are only going to increase: be that the pressure to find stock, the pressure to raise prices or the pressure to find new areas of opportunity.

In terms of attracting capital inflows, location should take precedence over sector, with factors such as the availability of digital infrastructure, a willing, skilled workforce and cultural appeal motivating more and more investment decisions. Indeed, given the potential flux in geopolitics and in organizations such as the EU, investors need to focus on the fundamentals and on what makes a city and a property work for its occupiers, rather than the club, bloc or even country that it lies in.

The capital will not stand still

With shifting risk and increasing pricing, the market in 2017/18 is likely to be yet more dynamic, with capital sources changing and targets evolving as opportunities develop. If everyone is seeking the same thing, whether its 'new' or 'alternative', it will certainly get more expensive. The degree to which all investors are in a position to work out how much more expensive it could or should be is open to question however, particularly when many are coming from different corners of the globe and have differing drivers. Hence a key take-away on the current market should be its increasingly divergent nature: not just between cities or sectors but between investors themselves as some gear up for a further push into the market, others sit on their hands and some start to think about recycling capital to be positioned for the next phase of the market.



YIELD COMPRESSION AND RENTAL GROWTH FOR THE BEST SPACE?

Despite increases in global bond yields, further yield compression remains likely in core markets, with perhaps a 15 – 20 basis point fall as a shortage of quality assets and the real estate yield premium to bonds rewrites achievable pricing benchmarks. Those investors unable to underwrite high prices in the core will need to seek returns from alternative markets.

The bottom line is that although a rising interest rate environment will create periods of discomfort, the simple fact is that there is still more capital targeting real estate than there is real estate to buy. That dynamic is likely to keep pricing elevated well into the foreseeable future. What is more, higher interest rates will flow from a healthier economy that will drive occupier demand. While supply increases in some areas will hold back rental growth, structural change will continue to deliver higher performance in the best places to live and do business.

Finding opportunity beyond the core

*Many investors will remain heavily focused on core cities this year as they seek to ride out risk but build liquidity and longevity into their portfolios. This will include leading **US and Canadian cities** alongside global markets such as **Tokyo, Sydney, Melbourne, Berlin, Stockholm, Paris, Madrid and Barcelona**, as well as **London** despite the launch of Brexit talks.*

*At the same time, **new areas will be in demand** as investors seek to balance an ongoing need for security with a requirement for growth in the next stage of the cycle. This may include new risks in core markets – with a build to core or debt strategy for example – or looking to new geographies and sectors.*

*For some this will focus on Tier 2 markets in leading countries such as **Boston, Denver, Seattle, Atlanta, Austin, Osaka, Manchester, Stuttgart, Lyon** or possibly **Krakov** or **Guangzhou**.*

*Some of the leading emerging market opportunities will be found in **Asia**, notably in **India** as reform continues but also in **Thailand, Vietnam** and **the Philippines**, as well as **China** of course. Elsewhere, **Russia** is coming back into play and so too is **Brazil**. Indeed, **Latin America** as a whole will potentially return to fashion given its lesser exposure to global trade.*

*Others will focus more on **new countries** and with heightened uncertainty in many **mature economies**, geopolitical changes have somewhat levelled the playing field between emerging and developed markets. Nonetheless, there are markedly different levels of risk among emerging markets that need to be understood. In particular, investment liquidity remains very different and with the monetary cycle changing, that will be of paramount importance for many.*

*Finally, we can expect further growth of interest in new segments and styles of investing in all global regions and, indeed, for the term 'alternatives' to fade as the typical portfolio becomes more and more diversified to reflect **changing trends in demographics, technology, mobility and urban function**. Chief among these newer asset classes will be those with a residential focus, particularly looking at affordable and rented space including themes such as shared services and retirement homes. In other segments, **data centres, urban logistics and leisure** are set to see growing interest.*

AN UPDATE ON 2016

The volume of real estate transactions declined in 2016, bucking the trend of annual growth for the first time since 2010. The record-breaking weight of investment recorded in 2015 proved an unachievable benchmark for volumes to springboard from, especially given the level of uncertainty in the global political arena. A modest fall of -4.4% is not something to lose sleep over however as total volumes were the second highest on record, remaining solidly above those recorded pre-GFC while at the end of the year global yields were 60 bps below 2007's low point.

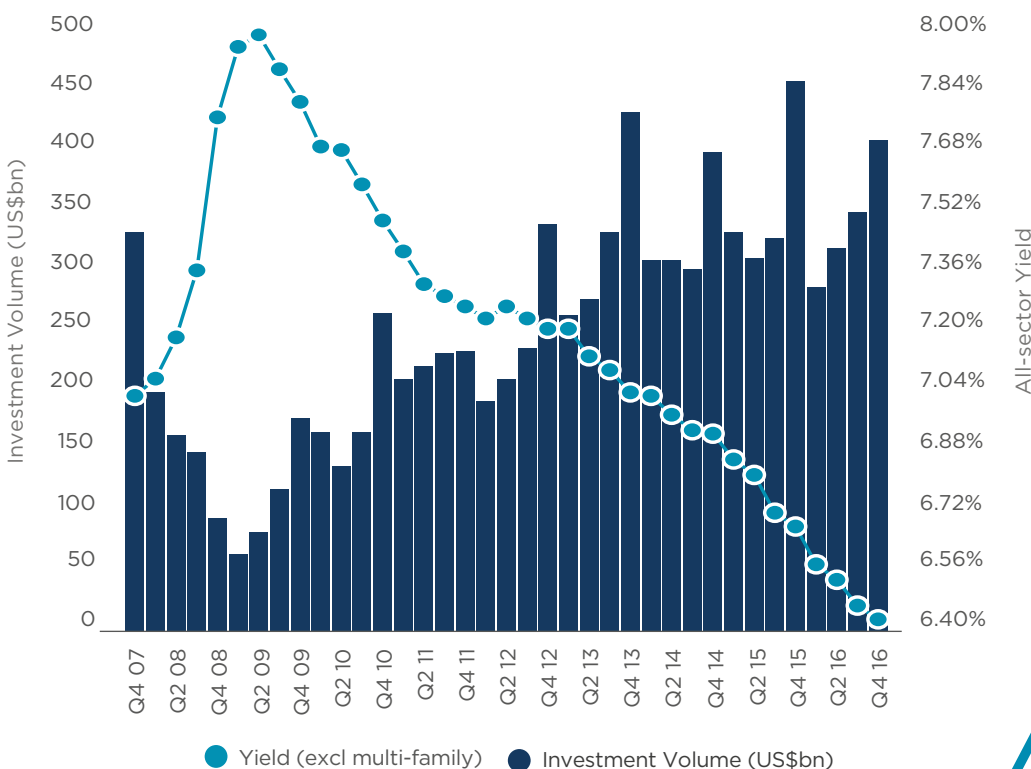
While the make-up of the core 10 markets were unchanged last year, the ranking of the top four altered, with China overtaking the US as the largest market. Excluding development sites however, the US remained the largest target, with a 49.8% share. While the UK's shift to fourth place partly reflected a wavering of investor confidence around the June EU referendum, currency devaluation can also be blamed as Sterling dropped to a 31 year low against the USD in the aftermath of the vote. In Sterling terms, while still significant, the UK's fall was more subdued.

Taking a closer look at the geography of investment, core cities were the most competitive, with US cities remaining the top investment targets. The greatest story of investment growth however came almost exclusively from Chinese cities with Nanjing, Hangzhou and Suzhou reporting an annual average increase of 104%.

A lack of product plagued core markets meanwhile and as a result, some players changed tack, moving into new areas, with geopolitical tensions ironically helping to increase the relative attractiveness of some non-core markets. Many investors wishing to remain in the core, did so by investing in alternative asset classes.

Broadly speaking, the composition of investors altered very little in 2016 although private domestic investors increased market share at the expense of cross border players. International capital was led by the institutions with North American investment managers particularly active abroad, but overall Asia was the largest supplier of volumes across borders, overtaking North America.

Global Property Investment Volumes by Quarter



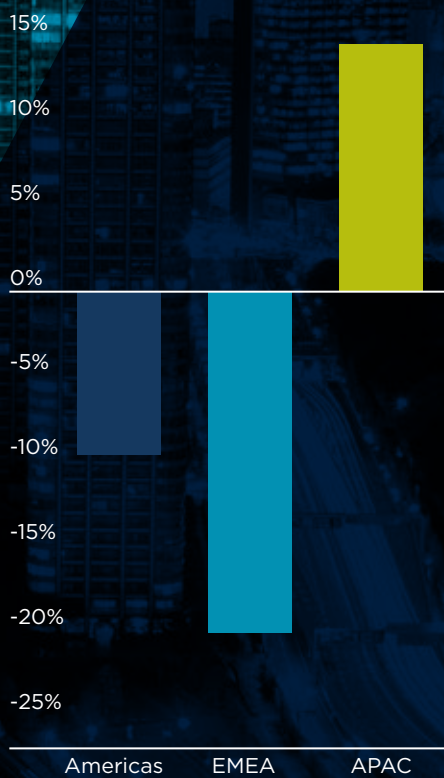
Source: Cushman & Wakefield, RCA: Deals over US\$5 mn including land

REGIONAL TRENDS

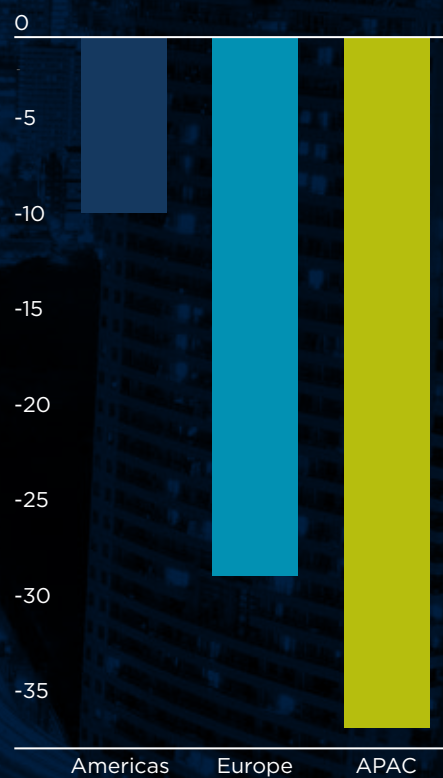
New global investment trends emerged last year as investment into Europe and the US slowed in the face of geopolitical uncertainty combined with tight supply and rising values. Meanwhile, investment into the Asia Pacific region grew by 13.5%, with increased investor appetite for growth and diversifying strategies.

Trends in the Global Market in 2016

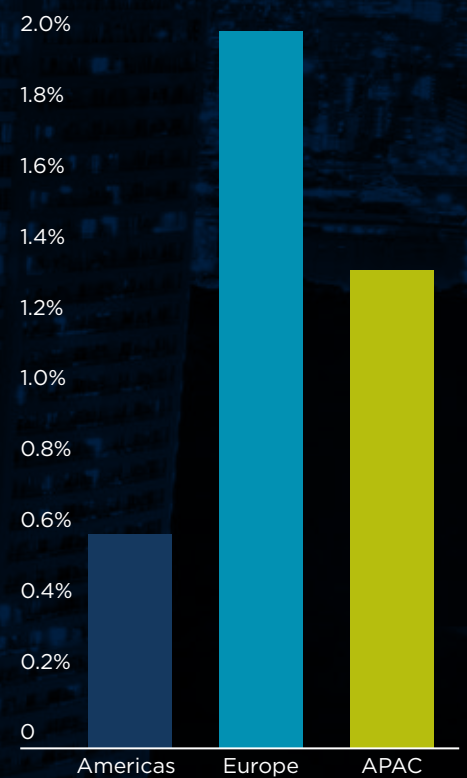
Change in investment (%pa)



Prime Yield Change (bp)



Prime ERV Growth (%pa)



Source: Cushman & Wakefield, RCA. Note rent and yield excluding multifamily

Yield compression in Asia Pacific and North America was mainly driven by the office sector while the logistics sector led in Europe. Marked rental growth in some US office and industrial markets masked a weakness in retail rents in some locations meanwhile while for Asia and Europe, growth was more broadly based by sector if typically led by retail.

THE INVESTORS

While domestic investment was relatively stable (up 0.6% y/y), regional investors increased their activity by 2.2% even as global investors reduced theirs by -32.0%. Asian inter-regional capital bucked this trend, increasing by 50.0%, with Chinese investors especially gaining confidence and moving beyond regional boundaries to deploy capital. This is expected to continue in 2017, with China leading the way despite an increase in capital controls, but Hong Kong, Singapore and South Korea not far behind and Japanese interest also increasing.

At **78%**,
domestic investors
gained market
share in 2016

While unlikely to attract high levels of inward capital owing to global risk aversion, African involvement in cross border flows did gain traction in 2016 in terms of outflows, with South African capital showing particular interest in Central and Eastern European retail markets.

While still ongoing, QE in Europe will encourage more buyers into the market with investment in core Europe a priority but other global markets also being reviewed. Indeed, while the weakness in the Euro may influence some, others may have their interest diverted elsewhere until this year's round of high profile elections has been decided.

Owing to subdued oil price growth forecasts this year (despite OPEC restrictions on production), Middle Eastern buyers will continue to invest outside the region, with gateway cities the main beneficiaries but increasingly those markets and sectors with strong growth stories also being targeted as the appeal of higher returns outweighs the associated risks.

The flow of American capital paints a mixed picture with some investors, driven by a positive domestic growth story as written by Trumpenomics, choosing to invest locally, helped perhaps by a relaxation of Dodd-Frank to boost lending and business investment. On the other hand, however, the new presidency has increased policy uncertainty, and with borrowing costs rising, some may prefer to hedge risks by diverting capital elsewhere with Europe remaining a key focus, but platform deals increasingly sought in Asian markets.

*Ongoing QE in Europe will encourage **more buyers** into the market with investment in core Europe a priority but other global markets also being reviewed*

Sources of International Capital



Source: Cushman & Wakefield, RCA, Deals over US\$5 mn including land

THE TARGETS

As with previous years, European markets remained a core target for international capital, while cross border investors increased their activity in Asia, seeking greater diversification. With global uncertainty plaguing many markets, this risk hedging strategy is likely to intensify in 2017.

Flows of investment into North America weakened in 2016, with regional sources of capital falling the most (-43.2%) followed by global investment (-26.5%). Asia was the largest target for overall investment, with the majority of capital coming from within the region itself. Indeed, partly down to record Chinese investment, international flows into Asia surpassed North America over the year. However, Europe remained the most attractive cross border market thanks to its range of well-established, liquid markets.

By country, the US was the primary target for cross border investment in 2016, despite international transaction volumes decreasing by -34.2%. A strong performance was documented for both China and Singapore where foreign investment is on the rise. On the other hand, cross border deal volumes were down in several countries including Germany, the UK, Australia and Japan.

On a more granular level, a total of ten Asian cities placed within the top 20, with land sales driving volumes. However, US cities were again the key target of investment, with NYC maintaining its top spot followed by Los Angeles and San Francisco. All three were dominated by domestic players but cross border interest is up, with investment in New York in particular becoming more global.

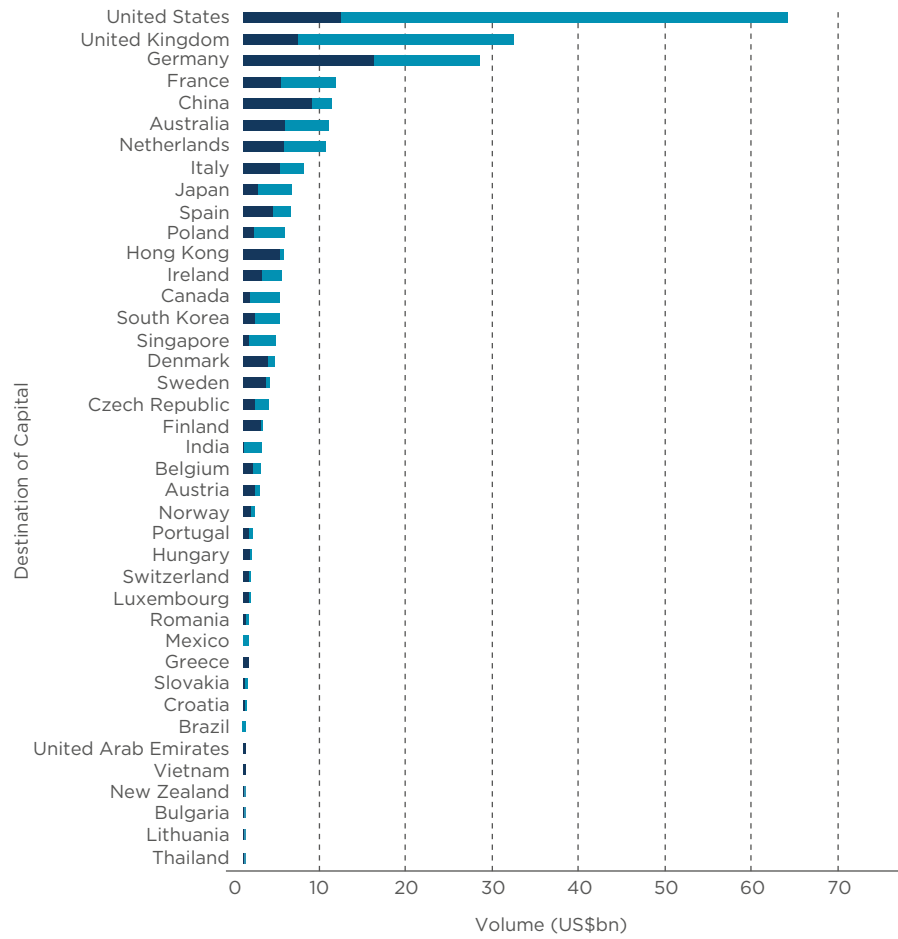
Targets of International Capital



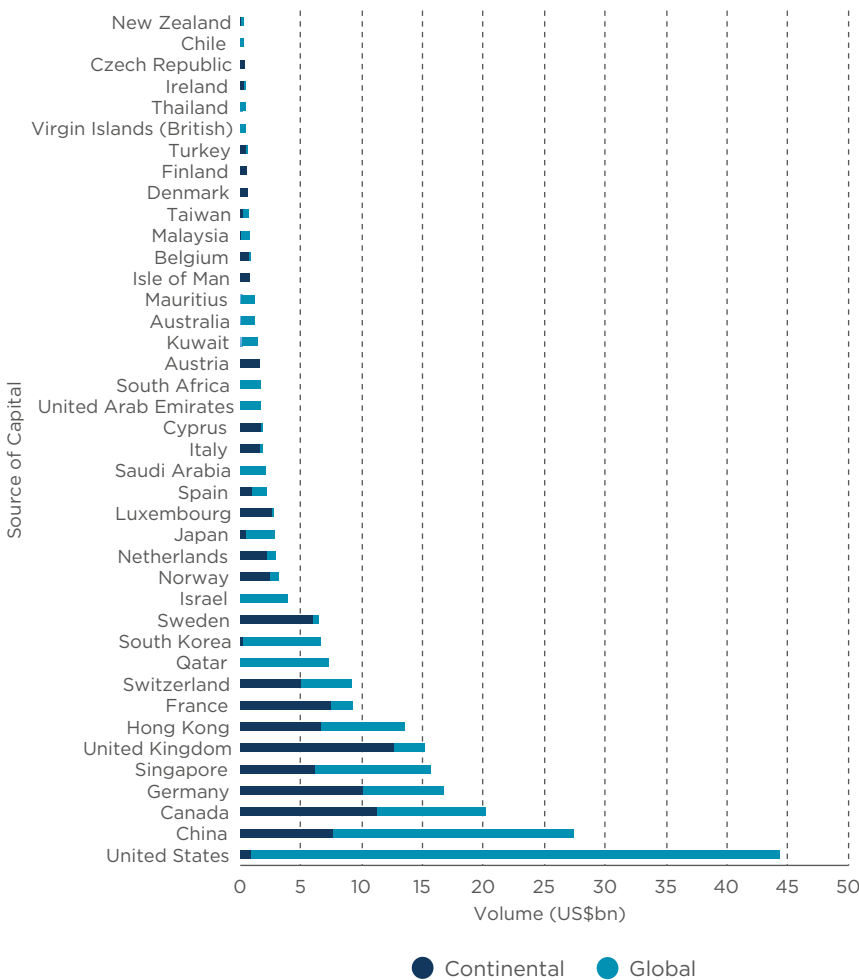
Source: Cushman & Wakefield and RCA, Deals over US\$5 mn including land

● Domestic ● Global ● Regional

2016's Top 40 Cross border Investment Targets by Country



2016's Top 40 Sources of Cross border Investment by Country



Source: Cushman & Wakefield, RCA. Deals over US\$5 mn excluding land



SECTOR TRENDS

The most noticeable change in sector patterns in 2016 was the sharp increase in land sales; however, this was dominated by strong activity in China. Most other main property types saw a fall in share of global trading although the apartment sector was held up by the USA, reporting its second strongest year on record.

Retail volumes were down -25.4% compared to 2015, the highest fall of all sectors, pushing its global investment share down 350 bps on the year. Declines were most pronounced in Asia where the impact of e-commerce and disruption from digital technology as well as subdued consumer confidence checked the retail outlook. The same forces are however polarizing the market globally.

After development land, offices were the most attractive global segment meanwhile, albeit still witnessing a fall in volumes over the year. Indeed, 2016 marked the lowest year for office investment since 2013. While more muted declines were documented in Asia and North America, the fall of almost -20% across Europe was led by the low availability of core product rather than a shortage of demand. Consolidation, affordability and in some markets new supply, are barriers to future performance, but changing business operations are also leading to an increase in the productive use of office space in key global markets, and hence the scope for property owners to increase income streams is growing.

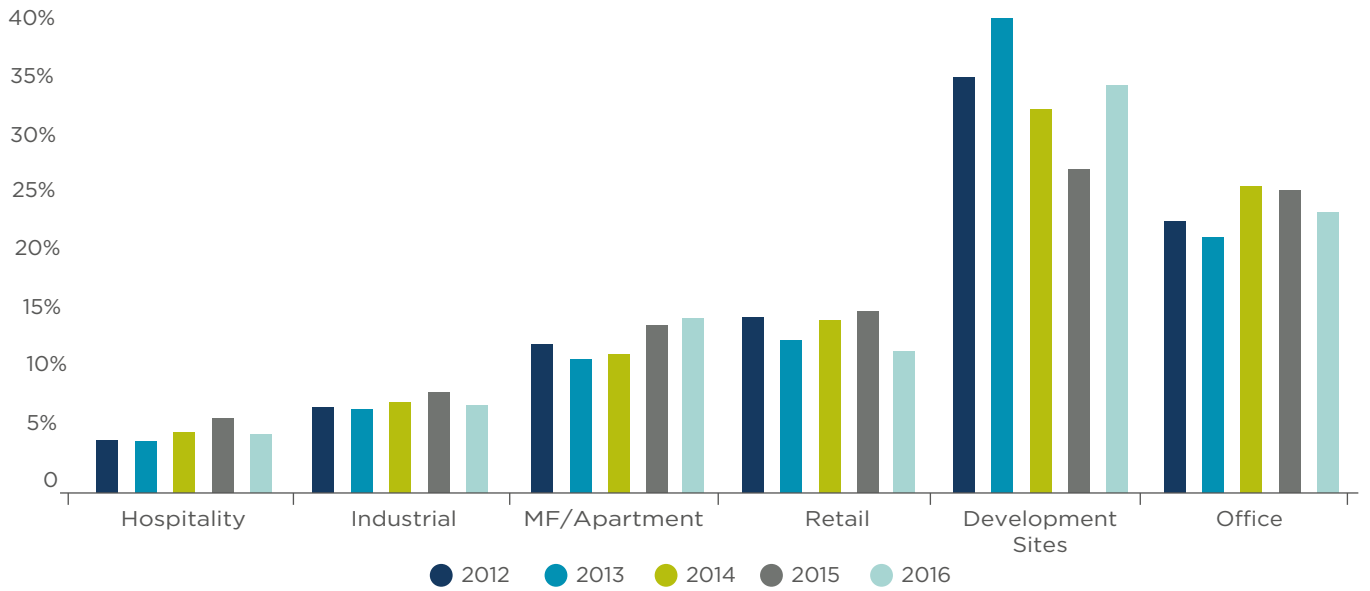
Investment in the industrial sector also fell on a global level but gained strength in Europe. The continued structural shifts in the logistics segment is in fact producing new patterns of demand globally and investors will also be helped by an increase in the development of purpose built warehousing and by innovation in some areas with new formats such as multi-storey platforms in Asia or cross-docking facilities in urban areas in Europe.

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Changing business practices enabled by new technology are altering the productivity of real estate markets in all sectors: creating winners and losers in the process



Sector Share of Global Trading



Source: Cushman & Wakefield, RCA, Deals over US\$5mn



THE MACRO ENVIRONMENT

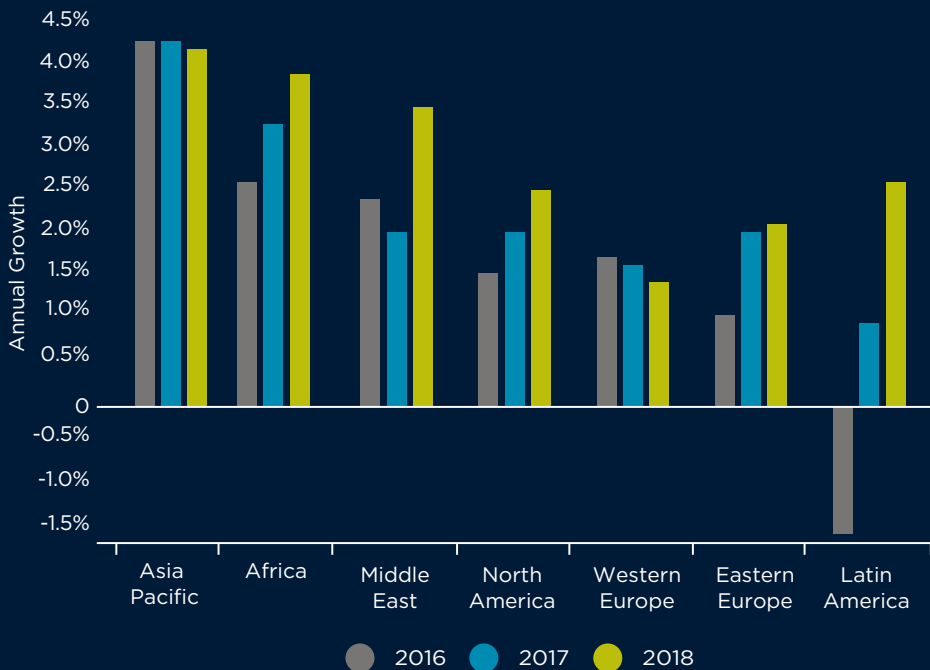
The macro environment may be filled with uncertainty but it is also growing more favourable for real estate, with a broad based recovery under way and set to continue in 2018, with a mild degree of inflation alongside tighter labour markets. There is plenty of room for events to disappoint, not least given that much of the positive news is based on sentiment and election promises, but nonetheless, for now at least the backdrop is more encouraging.

At the same time, while similar issues dominate the macro debate in most of the world including populism, free-trade and migration, the global market is in many ways growing increasingly divergent as the interest rate and inflation cycle changes and reform and productivity come to the fore for investors seeking future areas of growth.

By region, Asia continues to lead the way, with better recent growth in China and Japan as well as a maintenance of high growth in India keeping the region ahead, partially supported by reform and a fall in current account deficits. Higher inflation may slow growth however and sentiment will also be impacted by uncertainty with respect to future trade with the USA.

Emerging regions led by Africa are forecast to see a marked improvement overall, helped by higher commodity prices and with Latin America also set to emerge from recession and produce positive growth. North America is forecast to see a marked improvement, albeit the degree and timing will depend on the new administration's policies. Western Europe meanwhile again brings up the rear and may be the only region to post slower growth as the impact of low inflation, falling oil prices and QE start to reduce. However, growth overall is forecast to remain positive and could surprise on the upside.

Economic Growth & Expectations



Source: Cushman & Wakefield, Oxford Economics



Within this environment, a more risk-on attitude will emerge as growth takes centre stage and interest policy changes, encouraging a shift from fixed income into equity investments. We can expect both more focus on growth markets and also on those markets which can best sustain demand going forward. As that growth emerges, higher interest rates will suggest yields will increase in tandem although in practice, investors will tend to reduce the risk premium they apply to property as the growth cycles moves forward.

For now, any such move is highly regional, with the interest rate cycle still loose or even loosening in many parts of the world. Indeed, policy may be slower to change than expected in the USA as well, given the time it will take the new administration to agree and implement stimulatory measures and with the added headwinds of a stronger Dollar.

While there is potential for growth to disappoint in the immediate term, some other 'fears' in the global system may be overstated, such as China's slow down and the short-term impact of Brexit. Similarly, renewed fears of an imminent Eurozone collapse appear exaggerated, with support for the populist cause overestimated and the disruption of an exit underplayed. Hence there are upside and downside risks at play.

Variations by industry are also likely but overall at a sector level, macro trends will generally be more beneficial to business space markets than retail, where there are headwinds for consumers to face as well as a still accelerating impact from e-commerce. However while average retail may be under pressure, destination retail and experiential targets are seeing growing demand in all global cities and will continue to win market share.

At the same time, the macro economic backdrop will continue to lead more investors to seek out new areas for diversification and prompt demand for alternative investment sectors. Many of these are however typically more politically sensitive than commercial sectors and investors need to remain alert to this, particularly in an environment of political change.

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RISK BY MARKET

Not only can we expect markets to perform quite differently, we will also see more divergence within what are often considered similar sets of countries: be that ‘mature’ versus ‘emerging’ or European versus Asian. This is yet another reason, alongside changing geopolitics, to be wary of the ‘badge’ a market has and focus more on the underlying fundamental strengths for business.

Hence for investors there is a growing need to focus on the trees not the wood and to pick out winners and losers in what may be a newly shaped diversification policy.

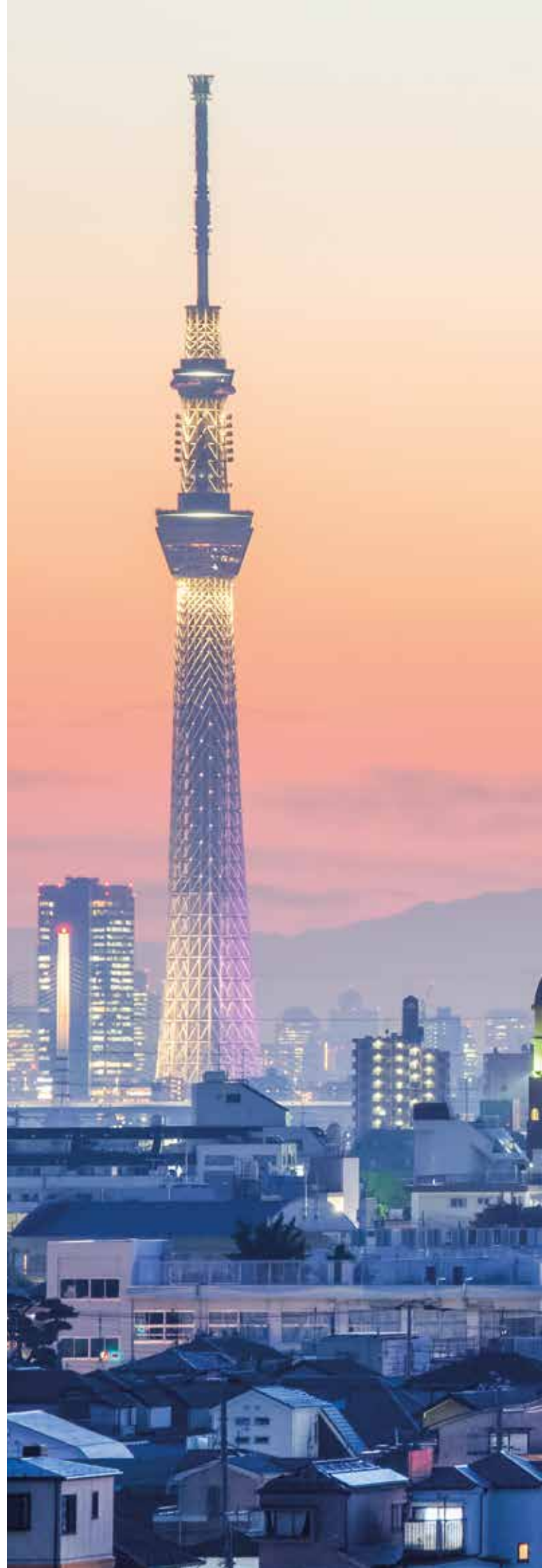
Political uncertainty is key among the differing risks markets face, although this is often not just a local issue as the impact crosses borders. More risks that are specific clearly centre on areas such as trade exposure, inflation, monetary policy, deficits and given the increase in oil prices, dependence on energy imports.

The table opposite reviews a range of such factors and while not exhaustive, shows that short-term risk is lowest in core European markets, in particular those in the Nordics, the Netherlands and Switzerland. Some less core markets also feature strongly, such as Portugal, Spain, Poland and Greece due to their more limited exposure to US trade but also a relative improvement in growth. Among core Asian markets, Taiwan, Australia and Japan rank best.

Emerging markets meanwhile performed well in 2016 and while risks are clear this year, stronger US growth on balance should boost risk appetites in their favour, particularly if economic conditions continue to stabilize.

Central European markets led by Poland and the Czech Republic are well placed but on a broader reading, Thailand, India and Indonesia are perhaps best placed among emerging markets generally due to their balance of risk, deficits and growth. Russia and to some extent Brazil are among the most improved meanwhile, with stronger confidence thanks to a change in policy and lower inflation in Brazil and stronger oil prices and the ending of recession in Russia. At the other extreme, Mexico has slipped somewhat due to the uncertainty created by Trump’s potential policy options and Turkey, South Africa, the Philippines and Malaysia are also more vulnerable than most thanks to a mix of current account imbalances, government debt, less market friendly policies in some cases and higher inflation.

Trade policy and slower growth are also issues on investors’ minds with respect to China but of more note may be the increasing signs of stability being seen in economic growth and also the potential for China to enhance its global standing, in part filling any void left by changing US policy. What is also notable of course is the very different levels of risk and opportunity that exist geographically, with core cities performing better in the risk ranking than our table suggests for China as a whole.



A RANKING OF CURRENT RISK FACTORS, 1 BEING LEAST RISK. TOP (GREEN) AND BOTTOM (BLUE) 10 ARE SHADED

| | | Current Account Deficit 2016 | Exposure to US Trade 2016 | Energy Imports 2013 | Political Stability 2015 | GDP Relative 2017 - 22 vs 2012 - 17 | Inflation Forecast 2017 - 2022 |
|----|----------------|---------------------------------|------------------------------|------------------------|-----------------------------|--|-----------------------------------|
| 1 | Norway | 11 | 10 | 1 | 7 | 24 | 14 |
| 2 | Denmark | 6 | 23 | 12 | 17 | 13 | 4 |
| 3 | Netherlands | 7 | 35 | 13 | 14 | 16 | 11 |
| 4 | Switzerland | 4 | 37 | 31 | 3 | 20 | 1 |
| 5 | Finland | 32 | 13 | 28 | 8 | 7 | 12 |
| 6 | Portugal | 26 | 8 | 41 | 19 | 6 | 5 |
| 7 | Austria | 20 | 25 | 37 | 6 | 17 | 6 |
| 8 | Spain | 22 | 7 | 38 | 29 | 8 | 13 |
| 9 | UAE | 9 | 34 | 3 | 21 | 1 | 49 |
| 10 | Poland | 30 | 9 | 21 | 18 | 21 | 21 |
| 11 | Greece | 33 | 2 | 33 | 40 | 4 | 10 |
| 12 | Czech Republic | 25 | 21 | 22 | 12 | 19 | 25 |
| 13 | Bulgaria | 15 | 5 | 25 | 34 | 15 | 31 |
| 14 | Italy | 19 | 22 | 43 | 28 | 5 | 9 |
| 15 | Sweden | 12 | 15 | 23 | 11 | 41 | 29 |
| 16 | Russia | 23 | 4 | 6 | 46 | 9 | 45 |
| 17 | France | 36 | 20 | 30 | 30 | 11 | 8 |
| 18 | Taiwan | 2 | 43 | 49 | 20 | 22 | 3 |
| 19 | Australia | 43 | 14 | 4 | 16 | 31 | 32 |
| 20 | Japan | 17 | 27 | 46 | 10 | 40 | 2 |
| 21 | Luxembourg | 18 | 24 | 47 | 2 | 36 | 17 |
| 22 | USA | 44 | 1 | 17 | 24 | 35 | 27 |
| 23 | New Zealand | 45 | 29 | 18 | 1 | 38 | 20 |
| 24 | Germany | 5 | 30 | 36 | 23 | 32 | 26 |
| 25 | Canada | 46 | 49 | 7 | 4 | 27 | 19 |
| 26 | Singapore | 1 | 45 | 48 | 5 | 39 | 15 |
| 27 | Slovakia | 31 | 18 | 34 | 13 | 28 | 30 |
| 28 | Argentina | 41 | 11 | 14 | 36 | 2 | 50 |
| 29 | Brazil | 37 | 17 | 16 | 38 | 3 | 43 |
| 30 | Hungary | 13 | 32 | 32 | 22 | 26 | 35 |
| 31 | South Korea | 8 | 36 | 45 | 33 | 30 | 18 |
| 32 | Belgium | 28 | 41 | 42 | 25 | 10 | 24 |
| 33 | Hong Kong | 16 | 44 | 50 | 9 | 25 | 28 |
| 34 | Israel | 14 | 42 | 40 | 48 | 12 | 16 |
| 35 | Ireland | 10 | 47 | 44 | 15 | 50 | 7 |
| 36 | Thailand | 3 | 40 | 26 | 45 | 37 | 23 |
| 37 | Indonesia | 39 | 16 | 5 | 42 | 29 | 44 |
| 38 | Romania | 40 | 3 | 19 | 31 | 46 | 36 |
| 39 | South Africa | 47 | 26 | 8 | 37 | 14 | 47 |
| 40 | Vietnam | 27 | 48 | 9 | 35 | 18 | 42 |
| 41 | India | 34 | 19 | 24 | 39 | 23 | 46 |
| 42 | United Kingdom | 49 | 28 | 27 | 26 | 34 | 22 |
| 43 | Malaysia | 21 | 46 | 11 | 32 | 45 | 33 |
| 44 | China | 24 | 31 | 15 | 41 | 48 | 34 |
| 45 | Ukraine | 35 | 6 | 20 | 50 | 44 | 38 |
| 46 | Chile | 38 | 38 | 35 | 27 | 42 | 37 |
| 47 | Mexico | 42 | 50 | 10 | 44 | 33 | 40 |
| 48 | Colombia | 50 | 39 | 2 | 47 | 43 | 39 |
| 49 | Philippines | 29 | 33 | 29 | 43 | 47 | 41 |
| 50 | Turkey | 48 | 12 | 39 | 49 | 49 | 48 |








Cushman & Wakefield. For sources and methodology, see appendix

From a real estate perspective of course such analysis must be treated cautiously given the focus on longer term drivers for performance and the heterogeneous nature of the market. In addition, pricing also has to be considered, with high pricing in some cases putting in place an additional level of risk.




New Sectors for Investment: **The Alternatives**

Investor strategies need to reflect the way in which the world is transforming, and with a realization that the 'alternatives' asset class is intrinsically linked to social and demographic trends, this is affording investors a rich opportunity and making the case to expand into the sector more and more compelling. Alternatives tend to offer strong investment fundamentals such as leases which are longer than some more mainstream sectors, attractive risk-adjusted returns and a delta between alternative yields and other asset classes but the actual drivers behind their performance are wide-ranging, covering anything from global economic uncertainty, urbanisation and the digital revolution to ageing and health. The general lack of stock on the market is also encouraging investors to look at ways of deploying capital more creatively, through expanding into more niche alternative asset classes including motorway service areas, day nurseries, arenas and marinas. The following tables summarize the key factors in play for some of the main segments of the alternatives market.

| | Resilience to Global Economic Volatility | Government Influence and Regulations | | Technology and Mobility | | |
|---|--|--------------------------------------|---|------------------------------|---------------------|---|
| | | Demographics | | Urbanisation and Development | Changing Lifestyles | |
| Student Housing (PBSA)  | ● | ● | ● | ● | ● | ● |
| Private Rented Sector (PRS)  | ● | ● | ● | ● | ● | ● |
| Senior Housing and Healthcare  | ● | ● | ● | ○ | ○ | ● |
| Hotels  | ○ | ● | ● | ● | ● | ● |
| Data Centres  | ● | ○ | ● | ● | ● | ● |
| Car parks  | ○ | ● | ○ | ● | ● | ● |
| Self Storage  | ● | ● | ○ | ● | ○ | ● |

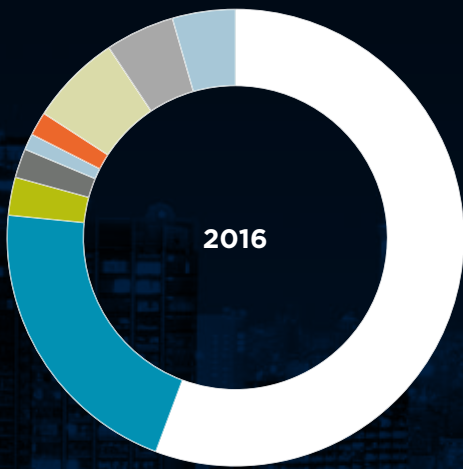


| | Resilience to Global Economic Volatility | Demographics | Government Influence and Regulations |
|---|---|---|--|
| Student Housing (PBSA)  | <p>Demand is insulated from the economic cycle, with levels of students enrolling into higher education rising during the global economic downturn due to reduced job opportunities. Demand however is also secure during periods of economic growth due to a typical lack of quality supply.</p> | <p>With 85% of young people completing higher education courses in the OECD, the volume of international students is rising, with mainland Europe increasingly popular. Favourable demographics also boost the numbers of domestic students in many countries, for instance in Australia.</p> | <p>Flexible immigration policies attract international students to a country, while lower tuition fees tend to increase the number of both domestic and international students. France, for example, has attracted international students through the availability of subsidies.</p> |
| Private Rented Sector (PRS)  | <p>Residential assets offer low volatility and a stable income stream. The sector also has an inflation hedging potential as rents correlate with house prices and wage growth. This sector is expected to see the most growth in 2017/18.</p> | <p>A limited supply of housing in urban centres, as well as population growth, has led to housing affordability issues across the globe, with the PRS sub-sector becoming more popular as a result.</p> | <p>Government influence can be negative, e.g. in the form of rent controls – but also positive. In the UK, the sector has benefited from tougher mortgage regulations for example while in Germany security of tenure and rent controls allow the sector to cater for a range of households.</p> |
| Senior Housing and Healthcare  | <p>The healthcare and retirement sector offer a stable income stream, with demographic trends supporting growing demand in most global markets and insurance and pension provision improving.</p> | <p>Ageing populations are boosting the demand for retirement care globally. The European senior housing and care sector transacted €6.08 bn in 2016. On the other hand, retirement homes are just beginning to take off in Asia.</p> | <p>With a global trend of governments reducing their fiscal deficits, the availability of high-quality care at an affordable cost is becoming more restricted. Citizens are likely to become more reliant on their savings to afford a place in private facilities.</p> |
| Hotels  | <p>The hotel industry is strongly supported by tourism. Numbers of international visitors worldwide grew 3.9% in 2016 (UNWTO), demonstrating the tourist industry's resilience against political instability and terrorism.</p> | <p>Global demographics heavily influence levels of travel, and new patterns are constantly emerging. Noticeable trends today include young professionals and their expectation for hotels to provide for flexible working practices, as well as the ageing community's growing desire to travel.</p> | <p>On a broad level, the hotel industry is steered by the economy and politics. Expansionary fiscal policy and a 10-year average global GDP growth of 2.6% has increased the level of disposable income worldwide. The growing middle class in China has rapidly increased its international travel expenditure, making China the world's largest tourist source market.</p> |
| Data Centres  | <p>A long-term investment in a modern data centre will provide a secure income stream. The sector is also less vulnerable to economic downturns, given the ongoing digital revolution.</p> | <p>The growth in use of technology from both the Millennial and Baby Boomer generation has led to the proliferation of data needing to be stored and analysed.</p> | <p>Data storage is of critical importance to any nation or economic zone as it influences the area's ability to attract business. Data sovereignty, financial regulation and local laws governing citizen information currently influence this sector. Tighter controls that support activity in this market are to be expected.</p> |
| Car parks  | <p>Car park operators provide a steady cash flow through the continuous demand from car owners. According to Macquarie Bank, 88.1 million cars were sold in 2016, up 4.8% from 2015.</p> | <p>Wealthy Baby Boomers have had historically high levels of car ownership. This demographic group is likely to continue driving to an older age than previous generations as a result of increased life expectancy and other social changes.</p> | <p>Low interest rates have led to higher economic growth and car purchases becoming more affordable. Despite most governments attempting to limit the number of parking spaces to try to shift demand onto public transport, CBD parking is set to remain lucrative in the years ahead.</p> |
| Self Storage  | <p>As consumer awareness of this market rises, demand is set to increase. Demand remains generally unaffected by political uncertainty with global investment volumes into self storage increasing by 53.7% in 2016.</p> | <p>The asset class is driven primarily by life events. Examples include divorce, moving house and going to university, with people using self storage as a temporary location to store their possessions. Baby Boomers are expected to boost demand further as they begin to downsize their houses.</p> | <p>The US, the global leader in self storage, is seeing the emergence of more luxurious self storage facilities, partly fuelled by local governments who enforce guidelines to ensure storage units blend in with urban environments. Other countries could move in this direction in the future.</p> |

| Urbanisation and Development | Technology and Mobility | Changing Lifestyles |
|--|--|--|
| <p>Urbanisation is continuing to put pressure on the already-low levels of supply of student accommodation. In many markets, demand is overtaking supply – these market conditions are worsened by tight competition for development land in urban core areas.</p> | <p>The boost in numbers of international students worldwide has been driven by transport improvements. Not only this, better technology and connectivity can also allow student housing providers to market themselves on a global level.</p> | <p>Asia is now the key source market for international students as a result of its emerging middle class. Middle class students favour higher quality residences, and occupier demand overall is becoming more sophisticated. With trends in the sector constantly changing, there are more opportunities for investment into the PBSA sector.</p> |
| <p>As demand to live in urban centres pushes prices up, privately-rented accommodation is increasingly seen as an affordable alternative to home ownership.</p> | <p>In today's globalised and mobile world, people are looking for more flexible tenure. A range of demographic groups, including young professionals and families but also empty-nesters are beginning to recognise the benefits of PRS.</p> | <p>The cultural acceptance to rent privately is firmly established in the USA, Switzerland and Germany. This positive attitude towards renting can now be seen elsewhere, with PRS being viewed as a permanent tenure, instead of the last resort, to home ownership.</p> |
| <p>Health expenditure as a percentage of GDP has been rising by an average of 8 – 9% per year in the OECD over the last decade. As countries have developed, rising incomes have led to higher expectations with regards to the quality of care a person receives.</p> | <p>Technology has advanced the quality of healthcare provision through innovation and the creation of new products. This has led to an increase in healthcare revenue, with investment demand focusing on modern, future-proofed stock.</p> | <p>The recent increase in healthcare expenditure has been driven by the rise of chronic diseases, ageing populations and the greater focus on quality of care. Both the health and life sciences sector and the care home sector have grown strongly as a result.</p> |
| <p>Many markets are undergoing significant urban transformation – but hotels in emerging markets in particular now offer the infrastructure to support tourism. Asia is leading worldwide in inbound tourism growth, with Myanmar, Thailand, Cambodia, Vietnam and Laos all seeing increased international arrivals.</p> | <p>The globalisation of travel has transformed the industry – new trends that have emerged include greater competition amongst airlines and hotels and the lowering of travel costs. Secondly, the internet has changed the way in which consumers research and book hotels, making the booking process more transparent, easier and more immediate.</p> | <p>Travel is key to the changing lifestyles we see in all regions. Powered by the Millennial generation, the 'experience economy' describes the way in which the modern day consumer prefers to spend money on 'authentic' experiences, as opposed to material goods. Social media platforms have also changed the way in which people view travel, through allowing these experiences to be shared online.</p> |
| <p>Data centres are found in developed areas as they require a stable physical, economic and political environment with an active client base, traditionally near a financial centre. As competing locations evolve, more locations will meet the criteria for future data centre development.</p> | <p>With around 3.5 billion people using the internet today, the growth in reliance on technological devices and broadband has driven demand for bandwidth from data centres to cater for the needs of houses and offices.</p> | <p>The digital society in which we live has created changes in the way people live, work and communicate. Business initially led the way in how to utilise data centres – today, social and personal interaction with data centres is increasingly influencing the sector.</p> |
| <p>Migration and retailing both boost the parking industry. The most desirable car parks are usually located in multifunctional urban areas where supply is low. Strategically however, this means that there is a potential residual value for investors in a switch to other uses.</p> | <p>As technology advances, the car parking business is being transformed. The arrival of electric cars could see a change in requirements, and a need to incorporate charging stations. In addition, autonomous cars will drive the sector forward in the long term – producing winners and losers.</p> | <p>The Millennial generation is believed to favour convenience over price. A car park offers convenience in itself, but the level of convenience can now be enhanced further through the use of new payment technology.</p> |
| <p>The level of urbanisation of an area is closely linked to demand for this asset. Consumers turn to self storage as a result of reduced average household size, while businesses have begun to use it as an alternative to warehouses. There are future opportunities to enter urbanised markets with untapped demand.</p> | <p>According to the Federation of European Self Storage Associations, the internet is boosting the number of enquiries for self storage – in March 2016, the internet alone accounted for 58% of enquiries across Europe (excluding the UK). Furthermore, the internet is pushing for the sector to become more transparent in terms of pricing.</p> | <p>94% of global investment into self storage takes place in the US, with self storage gaining a strong position there after the second world war. Demand for self storage is spreading to other markets including the UK, the Netherlands and South Africa, highlighting the global shift to a 'consumer society' – recent statistics also demonstrate that people are starting to use self storage units for longer periods of time.</p> |

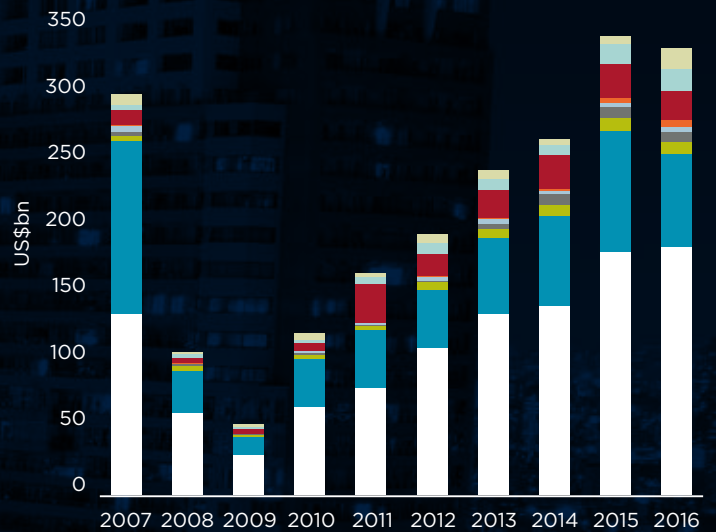


Sector Share of Global Trading



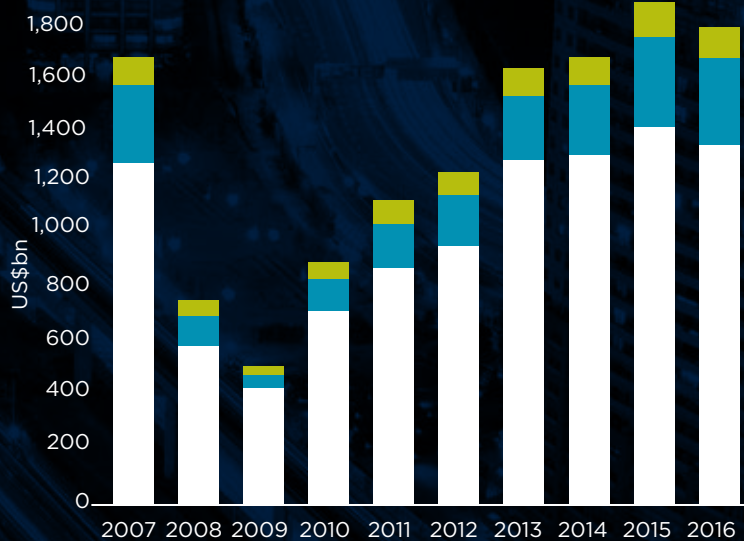
- PRS (Excl. Student Housing)
- Medical
- R&D
- Senior Housing & Care
- Tech/Telecom/Data Centre
- Hotel
- General
- Self Storage
- Student Housing

Volumes over Time



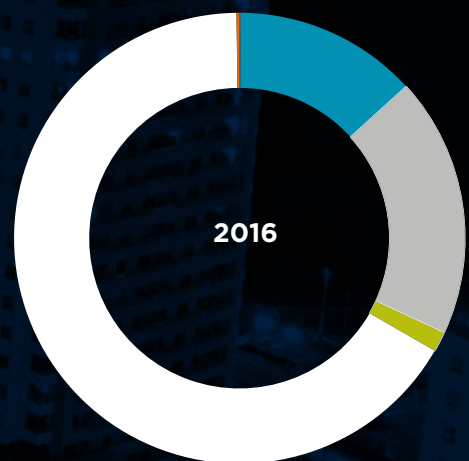
- PRS (Excl. Student Housing)
- Medical
- R&D
- Senior Housing & Care
- Tech/Telecom/Data Centre
- Hotel
- General
- Self Storage
- Student Housing

Alternatives and the Mainstream Market



- Mainstream Assets
- Alternative Assets
- Other Assets

Sources of Demand



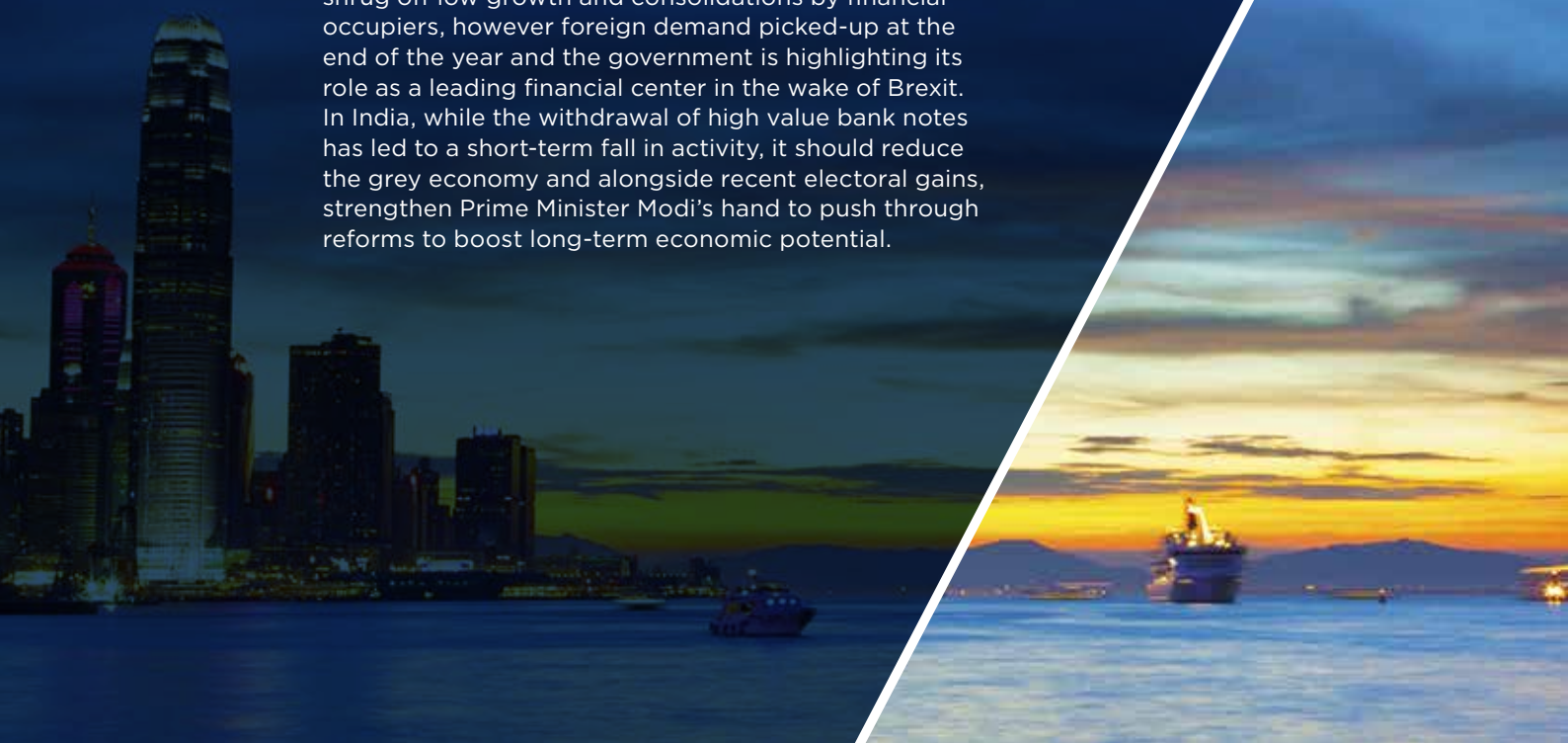
- Africa
- Asia Pacific
- Europe
- Mid-East
- South America
- North America

APAC

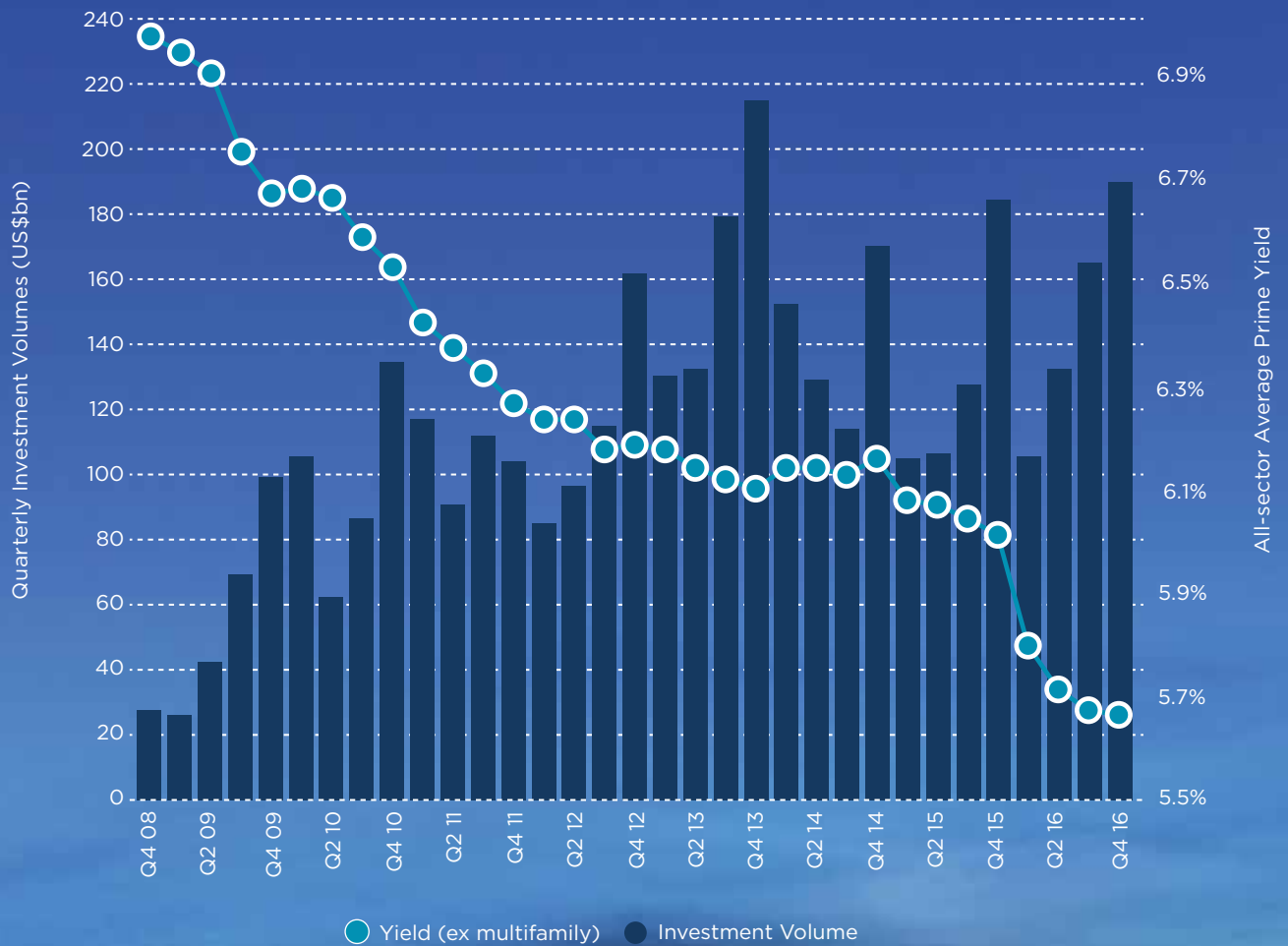
Quarterly investment volumes increased throughout 2016, whilst yields compressed further across the majority of property types. Patterns of regional performance continued to diverge however, with demand high in Japan and Australia but tight supply pushing some buyers towards regional competitors. China recorded a 27.2% (8.2% excluding land) y/y growth and Hong Kong's market increased 15.4%. Lackluster sentiment dampened purchasing outside of core markets however with Vietnam and Thailand down -17.2% and -50.6% respectively.

In terms of property types, the apartment sector recorded positive growth (17.9%), while the importance of land for development proved the most attractive opportunity, with volumes ahead 25.8%. Retail investment fell the greatest as outbound tourism from China lost pace, dampening sentiment within the region.

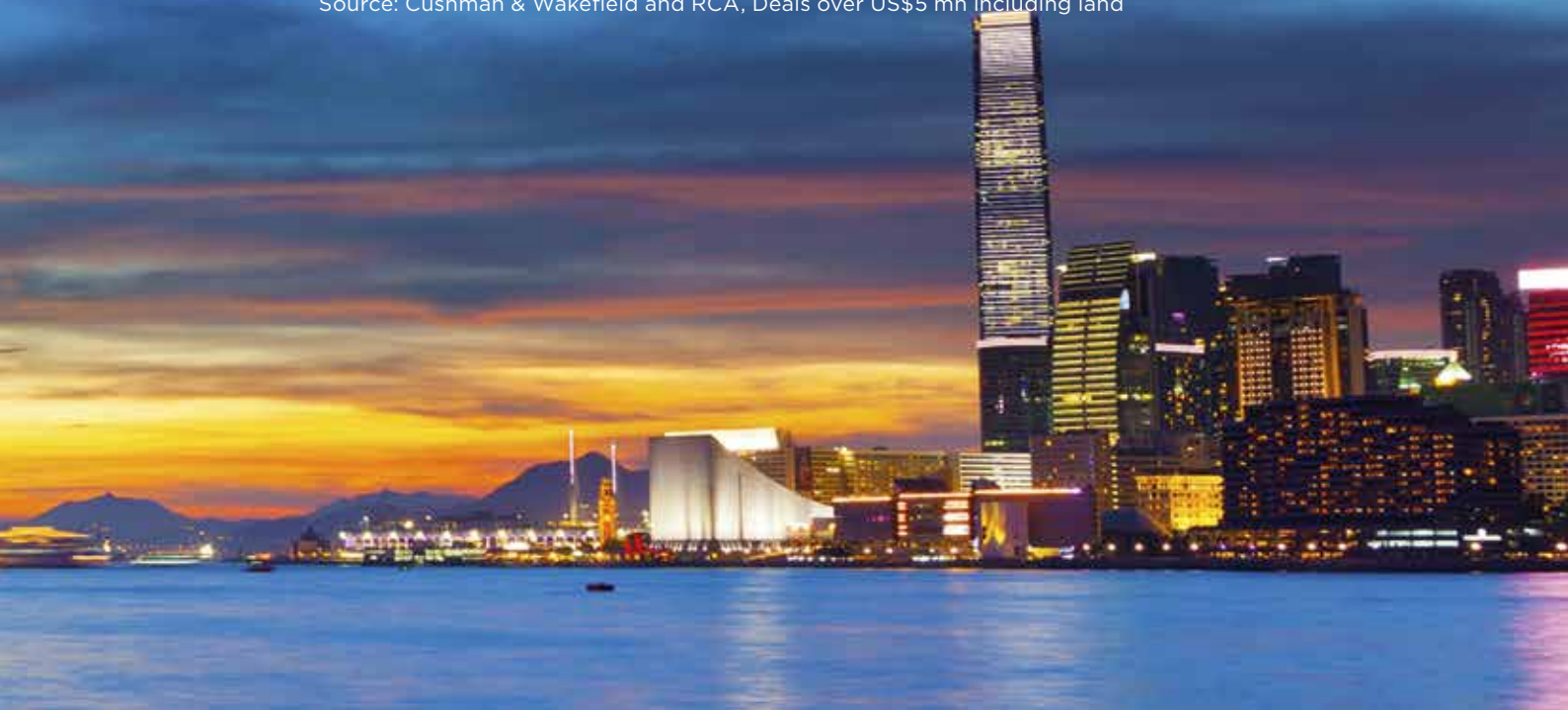
Japan is likely to experience more investment demand this year as a result of the deprecation of the Yen, whilst interest in Australian assets will remain strong in leading cities thanks to the steady resurgence of occupier markets. Singapore struggled last year to shrug off low growth and consolidations by financial occupiers, however foreign demand picked-up at the end of the year and the government is highlighting its role as a leading financial center in the wake of Brexit. In India, while the withdrawal of high value bank notes has led to a short-term fall in activity, it should reduce the grey economy and alongside recent electoral gains, strengthen Prime Minister Modi's hand to push through reforms to boost long-term economic potential.



APAC Property Investment Volumes



Source: Cushman & Wakefield and RCA, Deals over US\$5 mn including land



EMEA

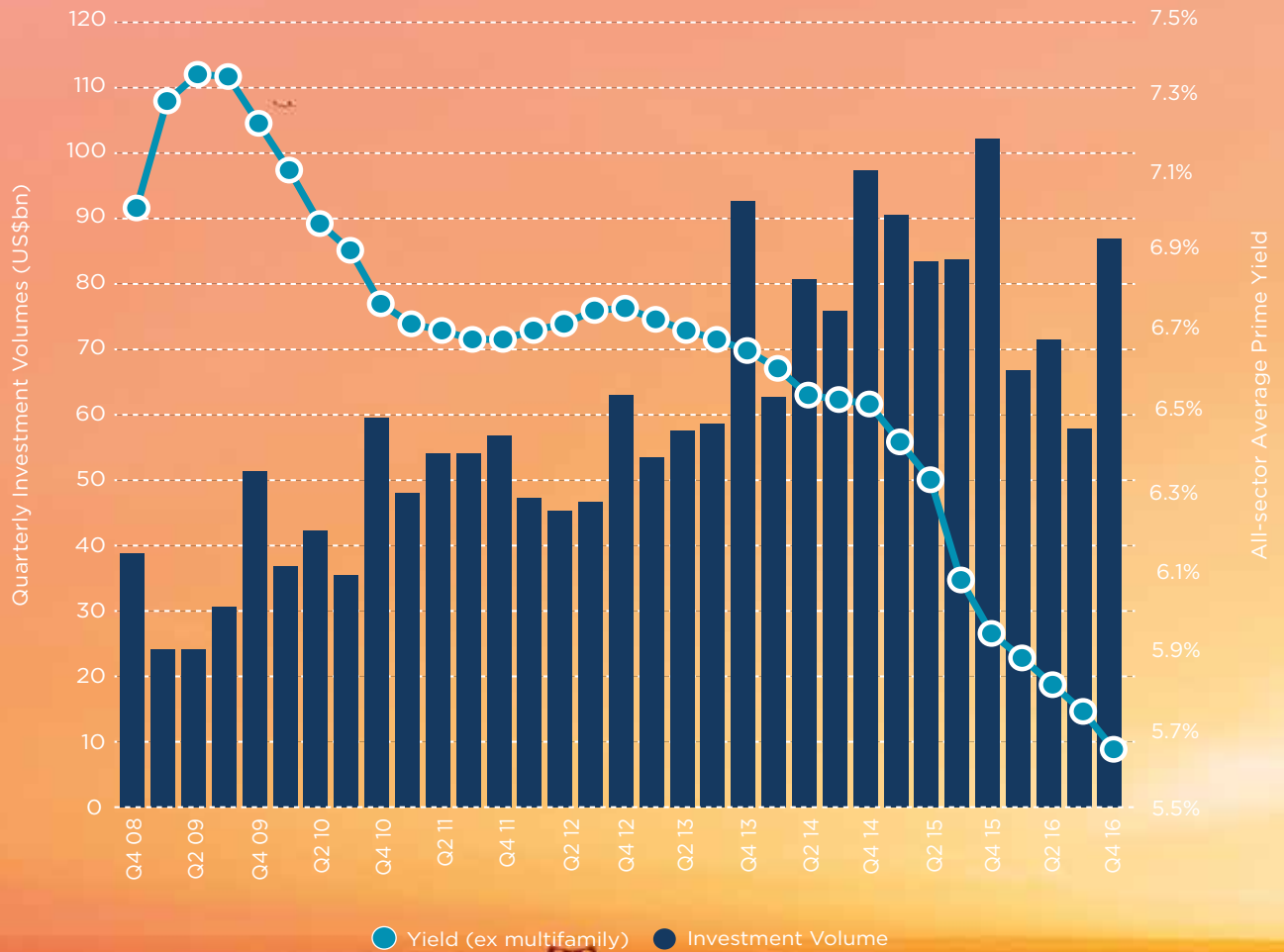
EMEA investment volumes plunged -21.3% in 2016, weighed down by uncertainty but with stock shortages a bigger factor. The main drag on investment was the UK where volumes fell -42.1% y/y in dollar terms, although the Q4'16 volume indicates the start of a comeback. Excluding the UK, investment fell by -10.3%, with volumes held up by France and the Netherlands, in addition to a boost from Central and Eastern Europe and the Nordics.

All property segments fell last year, with land and retail hit the hardest. By comparison, relatively low falls across the apartment and industrial sectors underlined buyers' preferences for these segments. Offices retained the largest share of the European market, at 41.3%.

A lack of investment grade supply within the region will drive some demand elsewhere, whilst the risks posed by increasing populism has strengthened the notion of diversifying further afield. However, weaker currencies may act as a boon for securing international capital coming into the region and reduce the purchasing power of some Europeans venturing elsewhere.



EMEA Property Investment Volumes



Source: Cushman & Wakefield, RCA, Deals over US\$5 mn including land

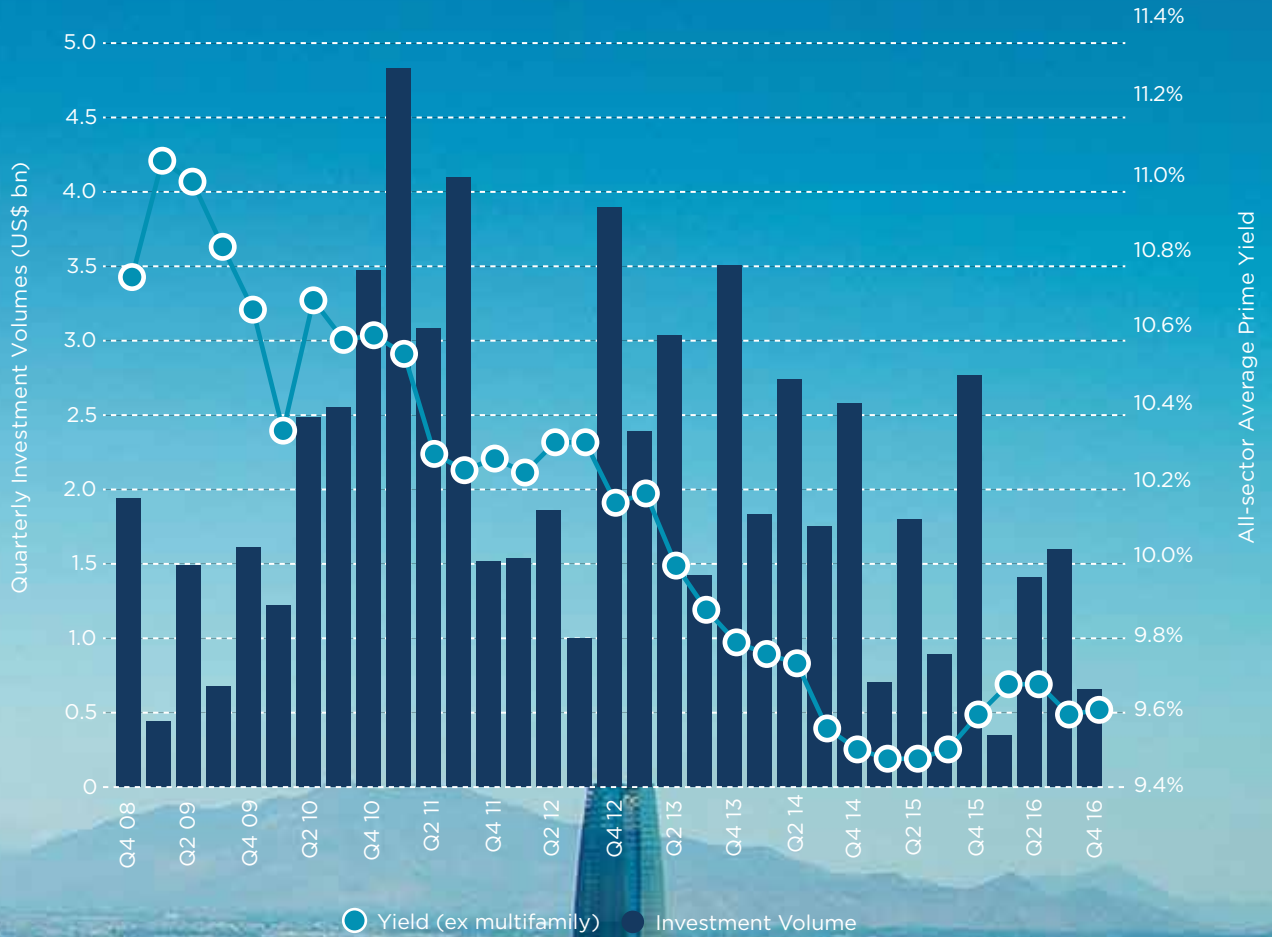
LATIN AMERICA

Low commodity prices combined with currency devaluations and threats from corruption put Latin America on the back foot in 2016, with volumes contracting -34.8%. Not all segments were affected however, with sales of development sites up 77.7% and retail the strongest target, with capital flows to Chile a notable feature. While office yields moved in over the year, with the greatest gains in Sao Paulo, investment in the segment fell by -57.2% y/y as global capital was discouraged by corruption scandals.

Growth prospects appear to be improving this year, with economic forecasts up in Brazil, Argentina and Ecuador as a number of headwinds subside and a pro-business agenda strengthens occupier markets. As the economic and political situation improves, opportunities to invest in the hotel sector, in particular, could pick up. More generally, while online penetration is set to increase and the threat of Trump's policies to the region have to be assessed, Latin America appears to be an increasingly attractive investment target to those seeking out a growth story.



Latin America Property Investment Volumes



Source: Cushman & Wakefield and RCA. Deals over US\$5 mn including land

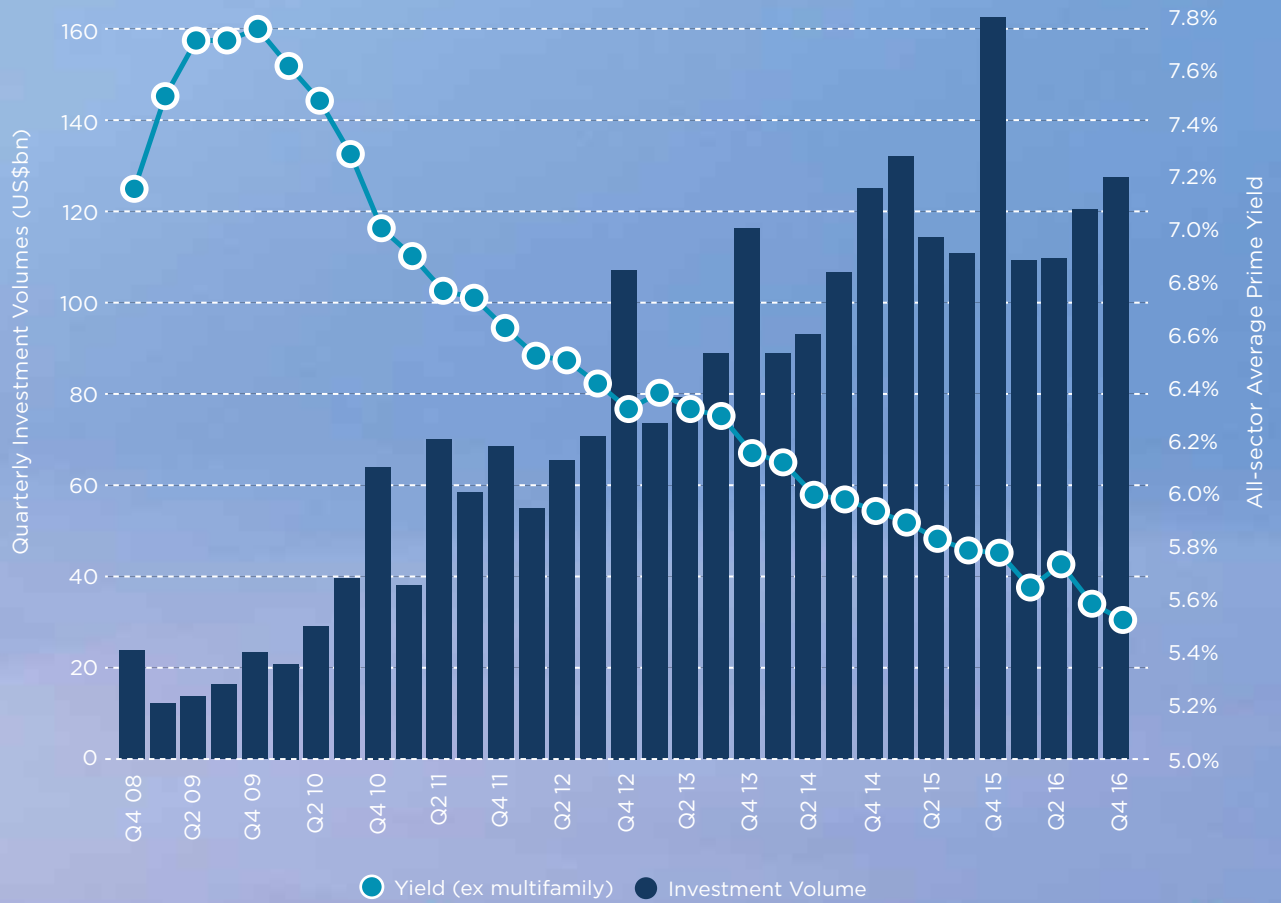
NORTH AMERICA

Investment activity in North America was down -10.2% as volumes struggled to surpass the levels achieved in 2015. Falls were most pronounced in the hotel sector, while multi-family residential proved the most resilient, with record-breaking levels of investment as demographic trends played into the hands of investors with falling home ownership and urbanisation improving occupancy rates.

Pricing was generally maintained despite higher interest rates and general uncertainty, with yield declines most notable in the office sector as investors' repositioning strategies continued to draw demand into the gateway cities. Low expected returns have been turning some investor interest away from overcrowded segments towards assets with better income streams however, with the high growth markets of Miami, Atlanta, Seattle and Denver benefitting from a refocusing of interest.

Canadian markets meanwhile have stabilized but remain heavily polarized between oil-related markets such as Calgary and more diverse business markets such as Toronto and Vancouver. Investor activity rose 1.1% overall, boosted by strong foreign demand, most notably in the hotel sector.

North America Property Investment Volumes



Source: Cushman & Wakefield and RCA. Deals over US\$5 mn including land



2017 OUTLOOK AND STRATEGY

While geopolitical uncertainty and a changing monetary cycle make decision making harder, the availability of suitable investment stock will remain a key factor determining levels of activity in the real estate sector. A shortage of quality core assets will lead to further price pressures and perhaps a 15 – 20 basis point fall in prime yields, but this lack of opportunities should also encourage more risk taking and overall, it will create a more dynamic market as those investors who can switch targets between regions, react to perceived areas of risk and opportunity.

The Outlook for the market by region

Investment Volumes (Including land and multifamily, assets over \$5mn)

| | Volumes in 2016 | | | 2017 Outlook | |
|---------------|-----------------|----------------|-------------|---------------|----------------|
| | 2016 (US\$bn) | Change on 2015 | 2007/8 peak | 2017 (US\$bn) | Change on 2016 |
| EMEA | 289.2 | -21.30% | 68% | 307.3 | 6.30% |
| Latin America | 4.09 | -34.80% | 33% | 5.01 | 22.50% |
| North America | 479.2 | -10.20% | 83% | 470.8 | -1.80% |
| Asia Pacific | 601.3 | 13.50% | 209% | 611 | 1.60% |
| Global | 1,373.8 | -4.40% | 106% | 1394.3 | 1.50% |

Value Changes in the Global Market

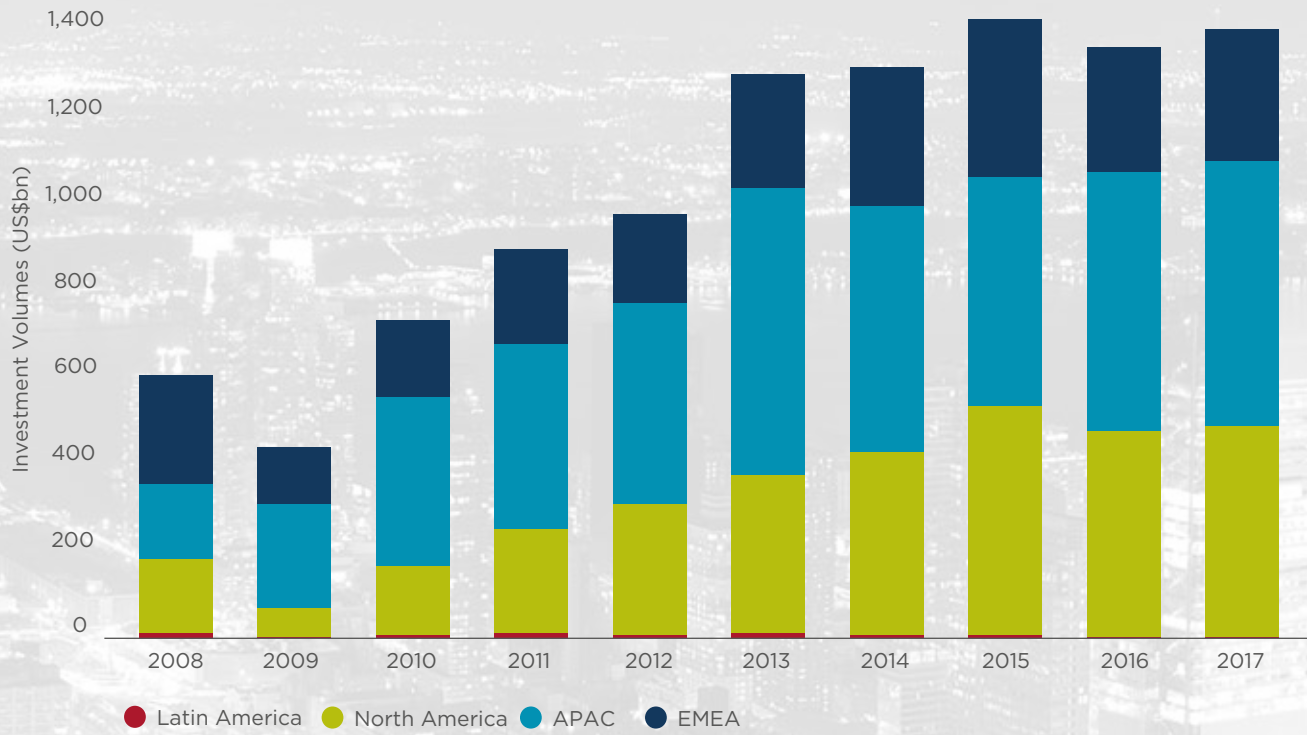
| | Change in Yields (bp) | | | Change in Face rents | |
|-------------------------|-----------------------|-------------------------|-----------------------|----------------------|------------------|
| | 2016 Relative to 2015 | Relative to market peak | 2017 Relative to 2016 | 2016 Growth % pa | 2017 Growth % pa |
| Europe – West | -28 | -46 | -35 | 2.80% | 2.20% |
| Europe – Central & East | -23 | 66 | -40 | -1.10% | 3.00% |
| Middle East | -5 | -26 | -15 | -2.40% | 0.50% |
| Latin America | 14 | 11 | -15 | 0.90% | 1.50% |
| North America | -16 | -91 | -5 | 0.00% | 1.80% |
| Asia Pacific | -36 | -102 | -8 | 1.30% | 1.50% |
| Global | -25 | -60 | -18 | 1.30% | 2.00% |

Source: Cushman & Wakefield, RCA

Note: Middle East rental growth and yields for offices only. Other regions are all-sector excluding multifamily.

RCA data relates to all deals over US\$5mn, as of Feb 2017. Constant exchange rate assumed in 2017 forecast.

Global Property Investment by Region



Source: Cushman & Wakefield and RCA. Deals over US\$5 mn including land

APAC

Asia Pacific is expected to see positive volume growth continue in 2017, with good economic performance sustaining investor interest and delivering a steady increase in demand for modern commercial space from local, regional and global investors. Risks are of course elevated, but the region overall is in a stronger position than in past cycles with economic resilience generally up thanks to reforms, lower levels of inflation and reduced current account deficits. Patterns of performance will however polarise further, both as a function of macro-economic risks such as relative levels of exposure to global trade and with respect to property supply and demand, particularly given the upturn in development seen in some markets.

In the office sector, core markets such as Sydney, Melbourne and Tokyo remain favoured while among emerging markets, Bengaluru, Chennai, Hyderabad, Pune and Bangkok are well placed to outperform. Outsourcing trends will continue to push demand in the leading tech hubs while co-working will add to demand in gateway cities. For retail, trends will be more mixed, with core markets buoyed by foreign demand and interest in new flagship stores, but the changes emanating from e-commerce and new retailing patterns will blunt growth potential overall. Logistics meanwhile is an attractive option in a number of Asian markets, although opportunities are limited with many end-users developing their own facilities and investors reluctant to sell.

Core and core plus strategies will continue to target Japan and Australia but with supply limited, stronger demand is also likely in core cities in China, Singapore and South Korea, and secondary cities in core countries or decentralised markets in core cities such as Sydney. Emerging markets also have potential to gain interest, including investment in local platforms in China to take advantage of any stress or over-leverage among developers or looking at growth in key Indian centres.

THE AMERICAS

The Americas will of course be in the spotlight in 2017, with an historically strong level of activity in the USA driven by confidence in an enhanced Trump-led economic expansion and rising values underpinned by the occupier market. The more advanced nature of the US cycle together with returning inflation will drive interest rates and hence the dollar higher; attracting more investment capital if the economy is performing in-line with expectations. There will again be headwinds however, from policy uncertainty, rising borrowing costs and a bottoming out in vacancy as development increases. This will be most apparent in parts of the residential market although rental demand is expected to remain strong. In fact, alongside structural changes, the retail market may underperform most, with further consolidation likely to impact on secondary and tertiary areas. Office market trends will be more stable, albeit with some growth diverting to lower cost and tier 2 centres as affordability concerns impact on decision making. The outlook for industrial and warehousing markets is bright meanwhile, given the economic outlook as well as structural drivers such as e-commerce.

Core cities with liquidity and economic growth will continue to attract most buyers, led by Chicago, New York, LA and Boston but with Washington set to feature as political change drives activity. Tier 2 cities and well-connected decentralised markets around gateway cities will see enhanced performance and core-plus interest should focus on mixed-use assets in growth cities such as Miami, Atlanta, Austin, Denver, Phoenix, Charlotte, Seattle and other tech/lifestyle cities. Office repositioning in gateway cities is a strong option for value-add buyers and alternative property types, such as data centres and medical offices, will also be increasingly sought after.

Canada and Mexico face some uncertainty as the direction of US policy develops, but Canada at least is benefiting from a stabilisation in oil prices and robust conditions in non-oil producing markets led by Toronto and Vancouver. In Brazil meanwhile, activity is improving thanks to lower inflation and long run interest rate expectations and with assets relatively cheap thanks to rent and exchange rate adjustments. This is bringing significant capital from investors new to the market. São Paulo is the go-to less risky market for office and industrial and Tier 1 shopping centres are also a target while secondary retail assets should be favoured by those looking to create added-value.

IN EUROPE

In Europe, a combination of steady economic growth, modest inflation and low interest rates augurs well for the occupier market in the best performing locations. Investment continues to flow from all areas of the world but volumes have fallen in the main due to limited supply and ongoing risk aversion. Overall, Asian capital will continue to spread to new markets in Europe, surpassing North American capital as the largest source of inward investment in 2017 or 2018. Regional buying by European funds and institutions will however remain dominant overall.

With growth patterns increasingly differentiated, 2017 will be a year of tiers in Europe as some investors, and indeed occupiers, focus on Tier 1 gateway cities but others look to Tier 2 markets, typically with an aversion to macro risk making them maintain a focus on the better managed and more stable economies. The key areas offering well-balanced growth look to be Germany, led by Berlin, as well as the Nordics, followed by Spain, notably in Barcelona and Madrid.

Paris will also continue to outperform France as a whole and subject to how the election develops, should be a target for investment, helped by its depth of infrastructure spending. Similarly, London will remain a magnet for capital and with the impact of Brexit only likely to be apparent in the medium-term, current fears are overstated. As a result, UK markets will stabilise, particularly given the political uncertainty now evident in other areas of the world, and selectively, some regional cities will offer good opportunities courtesy of their current pricing and long-term growth potential.

Central & Eastern European markets will also merit more attention, offering a yield advantage and catch-up growth potential. However, long-term players will be alert to less open and market friendly policies emerging in some areas.



THE
AMERICAS

EUROPE

APAC

TARGETS FOR INVESTMENT IN 2017

C&W views on areas of potential for investment in 2017 based on both growth and risk characteristics.

Core

Americas

Offices

US CBD Gateway cities led by NYC, Washington DC and Boston followed by core Canadian cities (Toronto, Vancouver)

Retail

Infill strips, plus Core 24 hr gateway cities in USA and Canada

Apartments

Multi-family in top US cities plus build-to core strategies in the southeast and southwest

Logistics

Core assets: South California, New Jersey

Core-Plus

Offices

Repositioning strategies in gateway cities, plus growth markets (Miami, Atlanta, Seattle, Denver and other tech or lifestyle cities)

Transit rich secondary markets and near-in suburbs of primary office and residential markets.

Retail

Neighbourhood and power centres serving larger conurbations.

Logistics

Development in space constrained top 10 markets

Opportunistic

Logistics

Markets servicing key Brazilian and Mexican cities

Retail and residential

Santiago, Mexican and Colombian cities

Assets or platforms in Brazil with office and industrial in São Paulo a long-term target.

Brazilian tier 1 shopping centres offer low relative pricing and proven economic resilience.

Repositioning/redeveloping suburban office product in the US and core assets in tertiary US markets

APAC**Offices**

Sydney, Melbourne, Tokyo, Singapore, Seoul

Retail and Hospitality

Tokyo, Sydney, Osaka, Singapore

Residential

Japan (major cities)

Logistics

Singapore, Sydney, Hong Kong, Tokyo, Osaka

Offices

Hong Kong, Seoul, key Indian cities: NCR, Mumbai and Bangalore, plus Shanghai, Beijing and potentially stronger Tier 2 Chinese cities

Fringe office locations in core cities such as Sydney and Melbourne

Retail

Growth markets such as Singapore, Jakarta, Kuala Lumpur and Seoul

Retail centres in core areas of Shanghai and Beijing

Residential

Singapore

Offices in emerging growth markets

Manila, Jakarta, Kuala Lumpur

Retail

Emerging markets: Hanoi, Bangkok, New Delhi and other top Indian cities

Logistics

Gateway Chinese cities: Shanghai, Beijing, Guangdong and India hubs

China

Targeting over-leveraged or distressed developers, via investment in local platforms

EMEA**Office**

London, Paris, Stockholm, Copenhagen, Munich, Frankfurt, Berlin, Madrid, Amsterdam

Retail

Dominant centres and flagship high streets in core German and Nordic cities plus Paris, London, Milan, Madrid, Barcelona, Lisbon, Dublin, Amsterdam and Brussels

Logistics

London, Paris, Hamburg, Munich, Berlin, Rotterdam, Antwerp

Offices

Tier 2 German and select UK Cities, Budapest, Barcelona, Vienna, Milan, Lisbon, plus repositioning in core cities in West and Central Europe.

Retail

Refurbishment in core cities in Northern Europe. Core space in larger cities in Italy, Spain and Central Europe.

Logistics

German and French second tier, Dublin, Madrid, Warsaw, Prague and Budapest

Offices

Spec development and repositioning in core West and Nordic cities plus let property in the EU East and potentially Moscow

Retail

Repositioning Eastern markets of the EU and active management/development in larger Western cities and long-term infrastructure gains in Istanbul

Logistics

Development serving large Central & Eastern European cities and peripheral Western cities: e.g. Oporto, Barcelona and Milan

Africa

Schemes serving key hubs for technology and hospitality

INVESTMENT VOLUMES

| GLOBAL INVESTMENT VOLUMES EUR MILLIONS | | | | |
|--|---------|---------|---------------|-------|
| COUNTRY | 2015 | 2016 | ANNUAL CHANGE | TREND |
| Argentina | - | 148 | n/a | ↔ |
| Australia | 41,118 | 30,382 | -26.1% | ↔ |
| Austria | 5,499 | 3,527 | -35.9% | ↔ |
| Bahrain | 21 | - | -100.0% | ↔ |
| Belgium | 3,796 | 3,027 | -20.3% | ↔ |
| Brazil | 2,484 | 789 | -68.2% | ↔ |
| Bulgaria | 289 | 391 | 35.6% | ↔ |
| Canada | 19,471 | 19,776 | 1.6% | ↔ |
| Chile | 69 | 730 | 951.3% | ↔ |
| China | 327,411 | 418,397 | 27.8% | ↔ |
| Colombia | 86 | 9 | -89.2% | ↔ |
| Croatia | 177 | 406 | 129.3% | ↔ |
| Czech Republic | 2,677 | 3,828 | 43.0% | ↔ |
| Denmark | 5,168 | 4,789 | -7.3% | ↔ |
| Estonia | 428 | 75 | -82.4% | ↔ |
| Finland | 4,057 | 6,329 | 56.0% | ↔ |
| France | 35,781 | 28,467 | -20.4% | ↔ |
| Germany | 72,801 | 59,383 | -18.4% | ↔ |
| Greece | 112 | 531 | 373.9% | ↔ |
| Hong Kong | 20,016 | 23,457 | 17.2% | ↔ |
| Hungary | 543 | 1,237 | 127.7% | ↔ |
| India | 4,243 | 4,388 | 3.4% | ↔ |
| Indonesia | 257 | 322 | 25.2% | ↔ |
| Ireland | 4,552 | 5,679 | 24.8% | ↔ |
| Israel | 854 | 775 | -9.3% | ↔ |
| Italy | 6,500 | 9,400 | 44.4% | ↔ |
| Japan | 47,158 | 31,730 | -32.7% | ↔ |
| Latvia | 83 | 276 | 234.7% | ↔ |
| Lithuania | 188 | 272 | 44.2% | ↔ |
| Luxembourg | 941 | 1,215 | 29.1% | ↔ |
| Malaysia | 3,888 | 3,649 | -6.1% | ↔ |
| Mexico | 2,318 | 1,742 | -24.9% | ↔ |
| Netherlands | 13,676 | 15,686 | 14.7% | ↔ |
| New Zealand | 3,504 | 2,206 | -37.0% | ↔ |
| Norway | 10,139 | 4,856 | -52.1% | ↔ |
| Oman | 5 | 33 | 601.9% | ↔ |
| Peru | 109 | 86 | -21.4% | ↔ |
| Philippines | 918 | 885 | -3.6% | ↔ |
| Poland | 5,050 | 5,470 | 8.3% | ↔ |
| Portugal | 2,483 | 1,168 | -53.0% | ↔ |
| Qatar | - | - | n/a | ↔ |
| Romania | 662 | 727 | 9.9% | ↔ |
| Russia | 5,124 | 3,231 | -36.9% | ↔ |
| Saudi Arabia | 904 | - | -100.0% | ↔ |
| Serbia | 466 | 262 | -43.7% | ↔ |
| Singapore | 9,116 | 9,854 | 8.1% | ↔ |
| Slovakia | 1,146 | 671 | -41.4% | ↔ |
| Slovenia | 155 | 124 | -20.3% | ↔ |
| South Africa | 6,758 | 1,889 | -72.1% | ↔ |
| South Korea | 10,859 | 12,786 | 17.7% | ↔ |
| Spain | 11,427 | 15,590 | 36.4% | ↔ |
| Sweden | 14,733 | 16,070 | 9.1% | ↔ |
| Switzerland | 6,640 | 5,842 | -12.0% | ↔ |
| Taiwan | 6,564 | 4,645 | -29.2% | ↔ |
| Thailand | 1,438 | 1,181 | -17.8% | ↔ |
| Turkey | 1,450 | 212 | -85.4% | ↔ |
| Ukraine | 58 | 163 | 180.8% | ↔ |
| United Arab Emirates | 244 | 682 | 179.7% | ↔ |
| United Kingdom | 99,752 | 58,068 | -41.8% | ↔ |
| USA | 460,818 | 414,163 | -10.1% | ↔ |
| Vietnam | 1,285 | 615 | -52.1% | ↔ |

| GLOBAL INVESTMENT VOLUMES US\$ MILLIONS | | | | |
|---|---------|---------|---------------|-------|
| COUNTRY | 2015 | 2016 | ANNUAL CHANGE | TREND |
| Argentina | - | 165 | n/a | ↔ |
| Australia | 45,385 | 33,673 | -25.8% | ↔ |
| Austria | 6,021 | 3,900 | -35.2% | ↔ |
| Bahrain | 23 | - | -100.0% | ↔ |
| Belgium | 4,199 | 3,324 | -20.8% | ↔ |
| Brazil | 2,707 | 860 | -68.2% | ↔ |
| Bulgaria | 324 | 429 | 32.6% | ↔ |
| Canada | 21,672 | 21,906 | 1.1% | ↔ |
| Chile | 76 | 828 | 984.5% | ↔ |
| China | 362,636 | 461,241 | 27.2% | ↔ |
| Colombia | 94 | 10 | -89.1% | ↔ |
| Croatia | 197 | 448 | 127.3% | ↔ |
| Czech Republic | 3,003 | 4,221 | 40.6% | ↔ |
| Denmark | 5,763 | 5,292 | -8.2% | ↔ |
| Estonia | 472 | 82 | -82.6% | ↔ |
| Finland | 4,477 | 6,980 | 55.9% | ↔ |
| France | 39,793 | 31,291 | -21.4% | ↔ |
| Germany | 80,702 | 65,563 | -18.8% | ↔ |
| Greece | 124 | 588 | 374.5% | ↔ |
| Hong Kong | 22,373 | 25,813 | 15.4% | ↔ |
| Hungary | 609 | 1,362 | 123.5% | ↔ |
| India | 4,731 | 4,871 | 3.0% | ↔ |
| Indonesia | 287 | 354 | 23.5% | ↔ |
| Ireland | 5,052 | 6,250 | 23.7% | ↔ |
| Israel | 944 | 860 | -8.9% | ↔ |
| Italy | 7,230 | 10,329 | 42.9% | ↔ |
| Japan | 52,511 | 35,027 | -33.3% | ↔ |
| Latvia | 91 | 306 | 235.6% | ↔ |
| Lithuania | 209 | 295 | 41.2% | ↔ |
| Luxembourg | 1,069 | 1,323 | 23.8% | ↔ |
| Malaysia | 4,296 | 4,029 | -6.2% | ↔ |
| Mexico | 2,560 | 1,944 | -24.0% | ↔ |
| Netherlands | 15,094 | 17,350 | 14.9% | ↔ |
| New Zealand | 3,885 | 2,451 | -36.9% | ↔ |
| Norway | 11,312 | 5,360 | -52.6% | ↔ |
| Oman | 5 | 36 | 580.1% | ↔ |
| Peru | 127 | 96 | -24.9% | ↔ |
| Philippines | 1,017 | 966 | -5.0% | ↔ |
| Poland | 5,567 | 5,989 | 7.6% | ↔ |
| Portugal | 2,788 | 1,285 | -53.9% | ↔ |
| Qatar | - | - | n/a | ↔ |
| Romania | 734 | 801 | 9.1% | ↔ |
| Russia | 5,644 | 3,556 | -37.0% | ↔ |
| Saudi Arabia | 1,002 | - | -100.0% | ↔ |
| Serbia | 500 | 288 | -42.5% | ↔ |
| Singapore | 10,107 | 10,866 | 7.5% | ↔ |
| Slovakia | 1,254 | 735 | -41.3% | ↔ |
| Slovenia | 178 | 138 | -22.5% | ↔ |
| South Africa | 7,282 | 2,101 | -71.2% | ↔ |
| South Korea | 12,026 | 14,190 | 18.0% | ↔ |
| Spain | 12,721 | 17,282 | 35.9% | ↔ |
| Sweden | 16,390 | 17,773 | 8.4% | ↔ |
| Switzerland | 7,386 | 6,440 | -12.8% | ↔ |
| Taiwan | 7,249 | 5,140 | -29.1% | ↔ |
| Thailand | 1,562 | 1,293 | -17.2% | ↔ |
| Turkey | 1,618 | 234 | -85.6% | ↔ |
| Ukraine | 62 | 182 | 193.2% | ↔ |
| United Arab Emirates | 270 | 745 | 175.4% | ↔ |
| United Kingdom | 110,541 | 63,979 | -42.1% | ↔ |
| USA | 511,885 | 457,245 | -10.7% | ↔ |
| Vietnam | 1,393 | 688 | -50.6% | ↔ |

Source: Cushman & Wakefield (Italy) and RCA. Deals over US\$5 mn including land

| GLOBAL YIELDS | | | | |
|----------------------|---------|--------|------------|-------|
| Country | Offices | Retail | Industrial | TREND |
| Argentina | 9.25% | 7.50% | 10.00% | ↔ |
| Australia | 4.60% | 4.75% | 6.75% | ↔ |
| Austria | 3.00% | 3.00% | 5.75% | ↔ |
| Bahrain | 9.00% | 9.00% | 5.50% | → |
| Belgium | 4.50% | 3.40% | 6.00% | ↔ |
| Brazil | 9.00% | 7.50% | 10.00% | → |
| Bulgaria | 8.00% | 8.50% | 9.50% | ↔ |
| Canada | 4.38% | 4.25% | 4.25% | → |
| China | 4.50% | 5.08% | 8.10% | → |
| Colombia | 8.00% | 11.00% | 19.00% | → |
| Croatia | 8.25% | 8.00% | 9.00% | ↔ |
| Czech Republic | 4.60% | 3.50% | 6.25% | ↔ |
| Denmark | 4.10% | 3.00% | 6.75% | ↔ |
| Estonia | 7.00% | 6.90% | 8.00% | ↔ |
| Finland | 4.30% | 4.40% | 6.30% | ↔ |
| France | 3.00% | 2.25% | 5.75% | ↔ |
| Germany | 3.00% | 3.20% | 5.20% | ↔ |
| Greece | 8.00% | 6.90% | 11.50% | → |
| Hong Kong | 2.65% | 2.60% | 3.20% | → |
| Hungary | 6.50% | 5.50% | 8.00% | ↔ |
| India | 7.50% | 8.00% | 9.50% | ↔ |
| Indonesia | 7.00% | 10.00% | 10.00% | → |
| Ireland | 4.25% | 3.75% | 5.50% | ↔ |
| Israel | 7.00% | 6.00% | 7.25% | ↔ |
| Italy | 3.75% | 3.25% | 6.50% | ↔ |
| Japan | 3.30% | 3.30% | 4.60% | ↔ |
| Latvia | 7.00% | 6.75% | 8.60% | ↔ |
| Lithuania | 7.00% | 7.00% | 8.50% | ↔ |
| Luxembourg | 4.50% | 4.00% | 8.00% | ↔ |
| Malaysia | 6.25% | 5.50%* | 7.00% | → |
| Mexico | 10.75% | 11.75% | 11.55% | ↔ |
| Netherlands | 4.75% | 4.00% | 5.25% | ↔ |
| New Zealand | 6.00% | 5.00% | 6.25% | ↔ |
| Norway | 3.75% | 3.75% | 5.50% | ↔ |
| Peru | 10.70% | 12.60% | 10.20% | ↔ |
| Philippines | 8.60% | 3.50% | 9.00% | → |
| Poland | 5.25% | 5.25% | 6.75% | ↔ |
| Portugal | 4.90% | 4.75% | 6.50% | ↔ |
| Qatar | 7.00% | 6.50% | 9.00% | → |
| Romania | 7.25% | 7.50% | 8.80% | ↔ |
| Russia | 10.50% | 12.50% | 12.75% | ↔ |
| Serbia | 9.25% | 7.75% | 11.25% | → |
| Singapore | 3.45% | 5.00%* | 6.00% | → |
| Slovakia | 7.00% | 7.50% | 7.75% | ↔ |
| Slovenia | 8.00% | 7.00% | 10.00% | ↔ |
| South Africa | 9.00% | 8.00%* | 8.50% | → |
| South Korea | 4.70% | 5.50%* | n/a | ↔ |
| Spain | 3.75% | 3.50% | 6.25% | ↔ |
| Sweden | 3.60% | 3.25% | 5.90% | ↔ |
| Switzerland | 3.55% | 3.10% | 5.55% | → |
| Taiwan | 2.65% | 2.06% | 2.62% | → |
| Thailand | 7.00% | 8.00%* | 8.00% | → |
| Turkey | 7.15% | 6.25% | 9.00% | → |
| Ukraine | 13.00% | 10.00% | 14.00% | → |
| United Arab Emirates | 7.50% | 8.00% | 10.00% | → |
| United Kingdom | 3.25% | 2.50% | 4.25% | ↔ |
| USA | 3.60% | 3.85% | 4.80% | ↔ |
| Vietnam | 8.00% | n/a | 11.00% | → |

*Shopping Centres Data as at December 2016. Note: Yields marked in green are calculated on a net basis to include transfer costs, tax and legal fees.

Source: Cushman & Wakefield.

ABOUT THE REPORT

THE REPORT

This report has been written by David Hutchings, Emily Tonkin and Sophie Polak in our Capital Markets Investment Strategy team with support from the global research group. The report has been prepared using data collected through our own research as well as information available to us from public and other external sources. The transaction information used relates to non-confidential reported market deals, excluding indirect investment and future commitments. All investment volumes are quoted pertaining to deals of USD 5 and above, unless otherwise stated. Alongside Cushman & Wakefield information, data has been used from Real Capital Analytics (RCA). Where the data was sourced from RCA, it is as at 3 February 2017.

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The ranking contained within this Global Investment Atlas 2017 report are Cushman & Wakefield composite rankings, collated using a variety of in-house proprietary data, reliable secondary sources and a range of data indicators.

The short-term risk ranking is based on the latest data in each category, ranked from low to high risk with the overall order an unweighted average of the basket of variables considered.

SOURCES

Investment data

Cushman & Wakefield, Real Capital Analytics.

Other sources

Cushman & Wakefield, Oxford Economics Forecasts, United States Census Bureau, World Bank.

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