EUROPEAN OFFICE MARKET

2020 EDITION

BNP PARIBAS
REAL ESTATE

Real Estate for a changing world

CONTENTS

FOREWORD

Towards moderate growth and interest rates at rock-bottom levels for some time

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The global economic slowdown was more severe than expected in 2019. As well as the technical slackening after the cycle peak was reached in 2017/2018, business was weakened by factors including rising trade tensions between the US and its key partners, the repeatedly delayed outcome of Brexit and geopolitical tensions in some areas of the world. Despite lingering doubts over activity which might be hampered by the events that started early this year, indicators suggest that the overall slowdown is mostly coming to an end.

Looking at the big picture, we expect a so-called L-shaped growth scenario, i.e. a fall then a stagnation of activity, rather than the more common historical V-shaped scenario when recessions have been followed by dramatic upturns. Forthcoming economic cycles in developed countries should be less pronounced, especially because of the lower weight of industry, the bolstering of social security systems, the decisive action in the form of budget and monetary policies.

Even though this scenario of slow convergence towards potentially weaker growth looks quite likely from a structural perspective, it could be derailed by various shocks. From a macroeconomic standpoint, China has been hit hard by the decline in its industrial output and the fall in profitability of its companies. From a microeconomic standpoint, the so-called "high-yield" companies, which are very weak financially and survive largely thanks to low interest rates, could cause significant damage to business in the event of an increase in insolvencies. Taking climate issues into account puts major swathes of European activity at risk, notably the automotive, air transport, energy and agriculture sectors. There are also geopolitical conflicts and social crises which are now more clearly identified but that can occur unexpectedly in many parts of the world. All told, numerous risks must be acknowledged and, depending on their seriousness, they could cause economic activity to end up far below the central scenario. However, these various events remain too hypothetical both in their probability of occurrence and in their impact on the economy.

REAL ESTATE WILL REMAIN ATTRACTIVE IN THE CONTEXT OF LOW INTEREST RATES

Inflation is expected to be very moderate in the coming years, at around 1% or just over across the Eurozone. The European Central Bank's (ECB) target of 2% inflation now looks tough to achieve in the long term. Large-scale solutions have been tested over the past decade to raise prices further, such as lower policy rates and quantitative easing. This quest for inflation has been unsuccessful so far as the last time the target was achieved was in 2011 and in 2012, after oil prices doubled, i.e. an external shock that was out of the ECB's hands.
2019 saw 10-year government bond yields slipping into negative territory for some leading European countries. Such levels were not initially forecast by the consensus and stem mainly from the more accommodative stance of central banks, especially the ECB, which has resumed its Quantitative easing (QE) programme from end 2019. Furthermore, key interest rate hikes have been postponed for longer. Against this backdrop, the factors pushing interest rates downwards are more prevalent now than a year ago, i.e. lower growth and inflation, more risks to the economy and greater liquidity. Lastly, some of these liquid assets will be transferred to alternative investments considered more attractive, such as real estate, which will boost demand and prices.

OFFICES IN EUROPE

Sustained office demand is creating historic lows in Europe's CBD vacancy rates

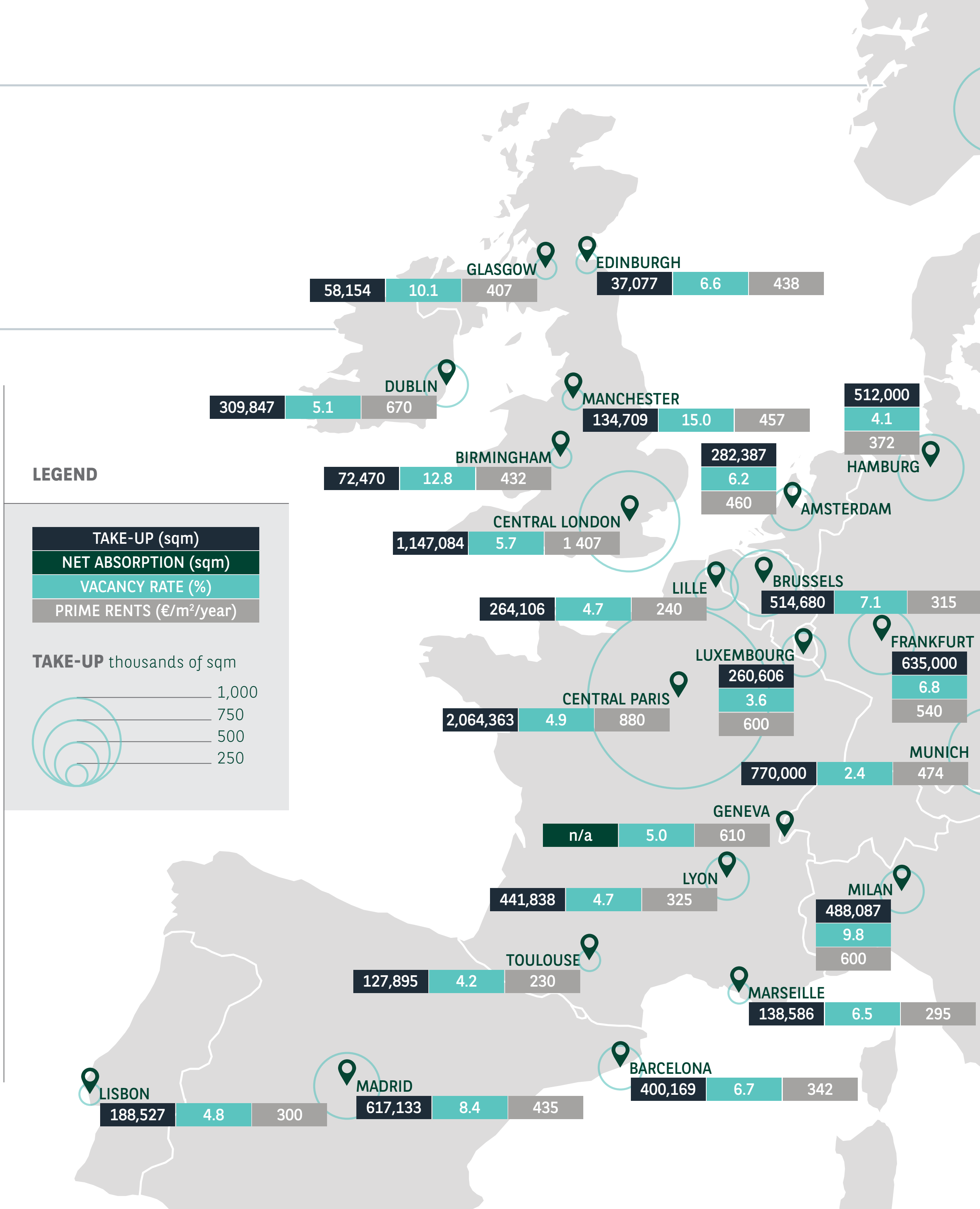
THE OFFICE MARKET REMAINS DYNAMIC IN EUROPE DESPITE A SLOWER ECONOMY

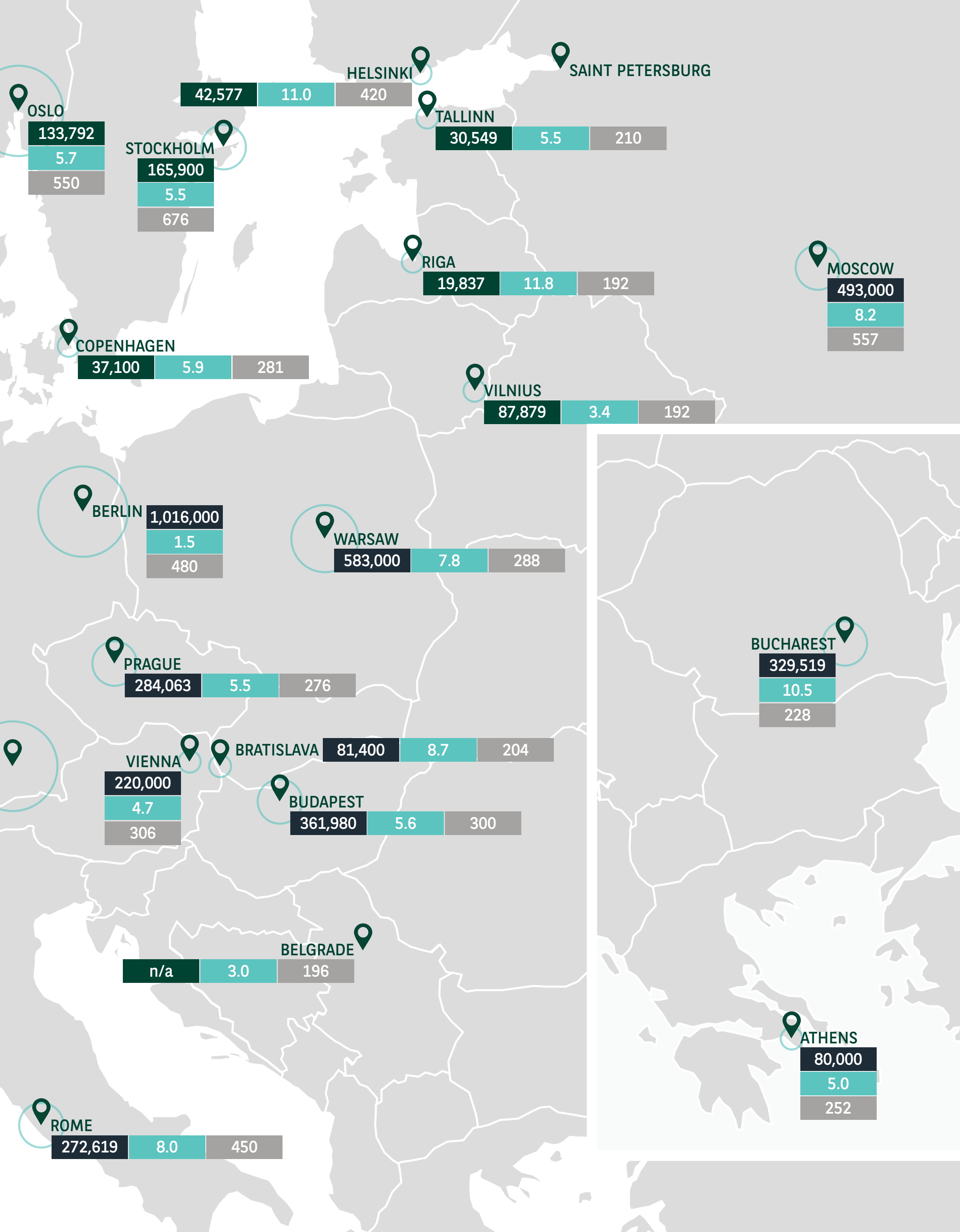
The European office market was still thriving in 2019, with take-up amounting to 12.73m sqm, barely 3% down on a very active 2018, and still well above the long-term average. Occupier momentum is still sufficiently great, even with economic slowdown, for many city markets to perform extremely well and achieve new highs in take-up. Records were broken last year in Milan (+25% vs. 2018), Rome (+60%), Brussels (+42%, best performance since 2007), Barcelona (+6%, best result since 2005) and Lyon (+33%). Another all-time high was in Berlin, where transacted volumes stood at 1.02m sqm (+22%). Berlin's result is the first time ever that any German city reported take-up in excess of 1m sqm. Berlin allowed the combined four main cities of the country to reach 2.93m sqm, despite a dip in Munich (-21%), Hamburg (-9%) and Frankfurt (-6%). Leasing activity in Central London slowed compared to 2018 (-18%) and was below its long-term average, despite the good demand from media-tech companies and the finance sector. The lack of deals for large units (> 5,000 sqm) hampered the market in Central Paris, which was 6% below its 2018 result. However, the overall demand level remained good in the French capital as take-up was above its 10-year average.

TAKE-UP IN EUROPE AMOUNTED TO
12.73m sqm

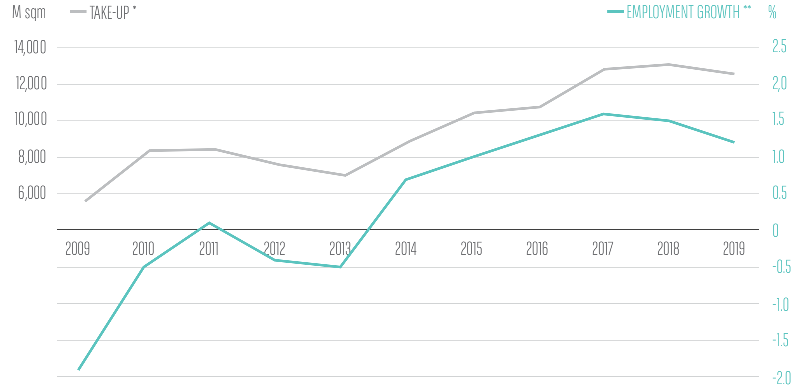
LOW VACANCY AND COMPETITION FOR THE BEST SPACE IS PUSHING UP RENTAL VALUES

The overall office vacancy in Europe reached 5.8% at the end of 2019, 40 bps down on 2018. With only 1.5% of empty offices, representing 304,000 sqm, Berlin displays the lowest vacancy on the continent, followed by Munich (2.4%), Vilnius (3.4%) and Luxembourg (3.6%). Other markets saw important drops in vacancy year-on-year, such as Barcelona (-210 bps) and Budapest (-170 bps). It is unlikely that Europe will see large increases in vacancy over the next five years: the restrained construction pipeline and strength of demand mitigate against that scenario occurring. The lack of supply pushed up prime rental values over 2019, especially for the prime assets located in the best-located business districts in Europe. Big increases in rents occurred in Lisbon (+19%), Berlin (+11%) and Barcelona (+10%), all among Europe's liveliest office markets.





EUROPEAN OFFICE DEMAND



* 30 cities - ** Eurozone

TAKE-UP sqm

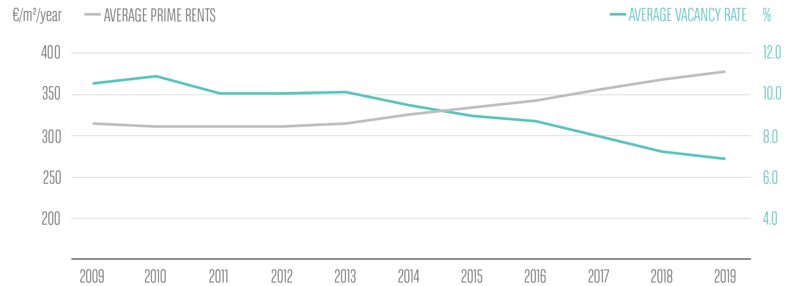
13,084,367
2018

12,728,214
2019

-2.7%

OFFICE TAKE-UP IN THE MAIN EUROPEAN CITIES REACHED 12.73m SQM, SLIGHTLY DOWN ON 2018.

EUROPEAN OFFICE PRIME RENT AND VACANCY (42 CITIES)



VACANCY RATE %

6.2
2018

5.8
2019

-40 bp

PRIME RENTS €/m²/year

406
2018

418
2019

+3%

THE VACANCY RENT CONTINUED TO DIMINISH ON AVERAGE IN THE MAIN EUROPEAN CITIES WHILE PRIME RENTAL VALUES INCREASED.

INVESTMENT MARKET

Investment in offices is still booming

MANY EUROPEAN CITIES POST NEW HIGHS FOR OFFICE INVESTMENT

The total commercial real estate investment volume in Europe reached €281bn in 2019, a 3% increase compared to 2018. Offices were the most sought-after asset with their share representing 47% of the total volume.

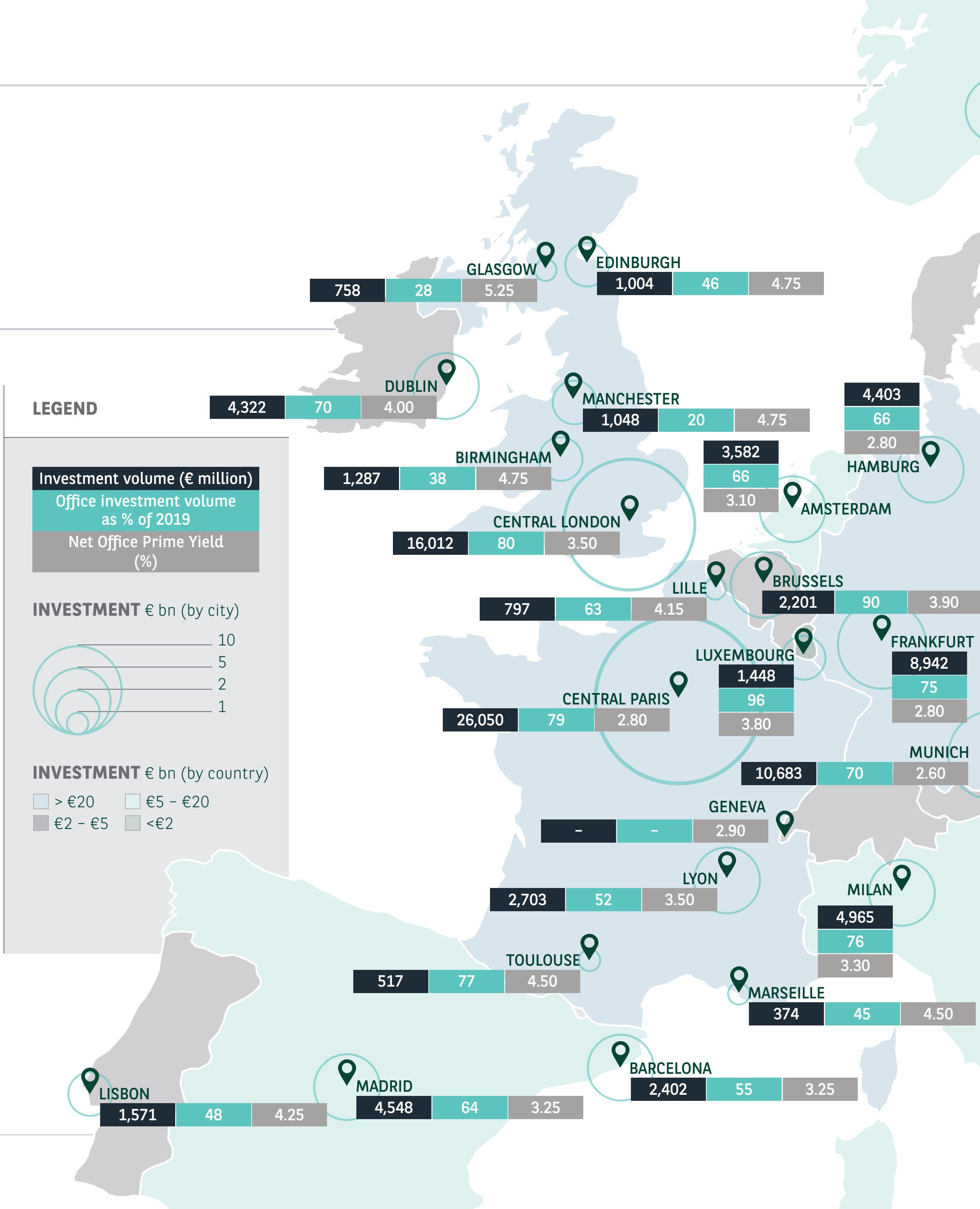
Central Paris remained the leading European city market by far, despite the lack of products for sale. Office investment of €20.6bn (+7% vs. 2018) comes from a high number of huge deals, with 57 transactions for over €100m signed in 2019. Investors from South Korea were particularly active in the French capital. Central London retained its second place despite a subdued market. The £13.8bn investment volume decreased 27% compared to 2018, falling to its lowest level since 2011. In contrast, Berlin saw €8.7bn invested in offices, more than twice the volumes of 2018. The increased activity is an outcome of the booming occupational market and higher construction activity, which provides more products for sale. Intense office investment activity was also recorded in Milan with €3.8bn (best year ever on record), in Dublin (+103% compared to 2018) and Stockholm (+56%) with more than €3bn each.

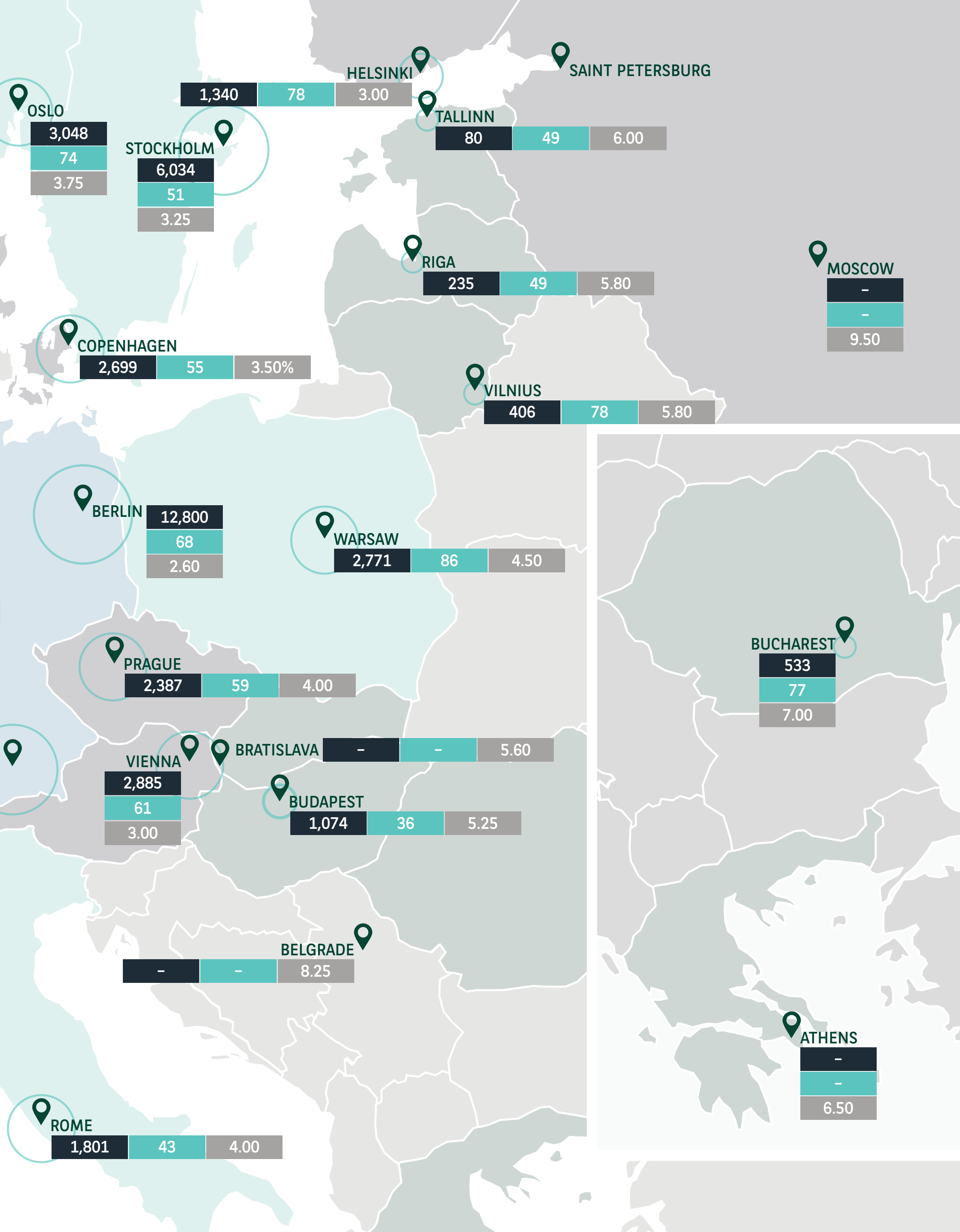
FURTHER COMPRESSION IN PRIME OFFICE YIELDS

In this context, prime office yields decreased again throughout Europe last year and stood on average at 4.22% (-26 bps vs. 2018) for the 40 markets analyzed in this report. Among the largest office markets, Berlin and Munich remained the most expensive in Europe, with the prime office yield at 2.60% (-10 bps), followed by Hamburg and Central Paris (2.80%). Geneva was the other market below 3%, with 2.90%. Significant yield compression occurred in Warsaw, Brussels, Prague, Amsterdam, Vienna and Budapest.

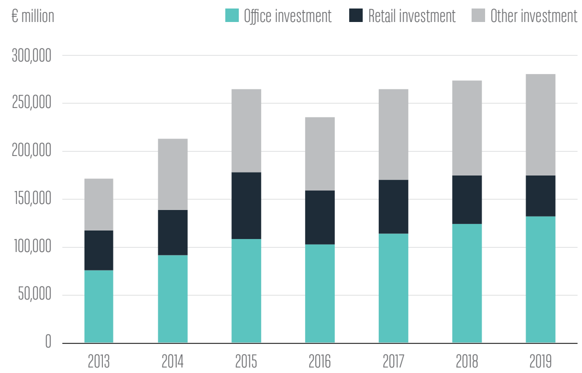
€281bn

INVESTED IN EUROPE IN 2019





COMMERCIAL REAL ESTATE INVESTMENT VOLUME IN EUROPE



FULL YEAR VOLUMES INCREASED SLIGHTLY IN 2019 WITH MORE THAN €281bn INVESTED ACROSS EUROPE. PARIS REMAINED THE FIRST CITY MARKET.

TOTAL INVESTMENT COUNTRIES

€ million

273,728
2018

281,467
2019

+3%

TOTAL INVESTMENT CITIES

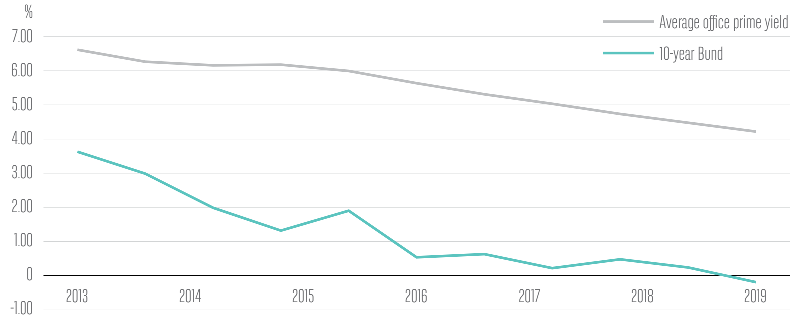
€ million

129,700
2018

137,709
2019

+6%

EUROPEAN OFFICE PRIME YIELD VS 10-YEAR BUND



PRIME YIELD %

4.48
2018

4.22
2019

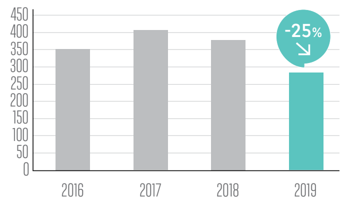
-26 bp

OFFICE PRIME YIELDS SAW FURTHER COMPRESSION DURING 2019, WITH BERLIN BEING THE MOST EXPENSIVE MARKET.

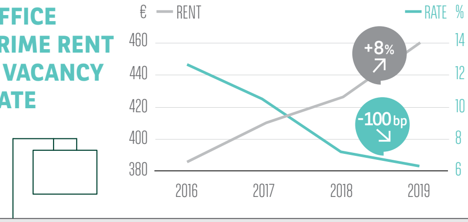
AMSTERDAM

Amsterdam is running low on modern supply for occupiers and investors

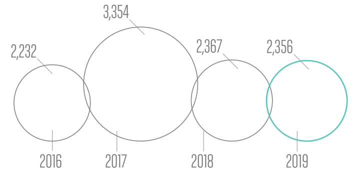
TAKE-UP
thousands of sqm



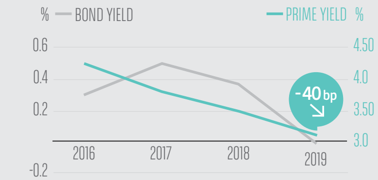
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



SUPPLY SHORTAGE PUSHED TAKE-UP BACK TO LONG TERM AVERAGE

Following the stabilization of the Amsterdam office market in 2018, office take-up in 2019 dropped further to around 285,000 sqm (-25% y-o-y) and is now in line with the 10-year average. Take-up slowdown is occurring despite strong demand fundamentals as it stems from the absence of available high quality office space.

The current dynamics shows a market-wide imbalance between low supply and high demand leading to a vacancy rate drop of 100 bps. The municipality policy for encouraging transformation of office space into alternative use has run its course. The pipeline is now slowing down and the municipality is now focusing on office stock expansion for the next few years. The increased pressure from tenants for office space is leading to rental increases throughout the market, a trend that will continue over 2020.

3.10%
PRIME OFFICE YIELD IN AMSTERDAM

LACK OF PRODUCT LEAVES INVESTMENT VOLUMES BELOW THEIR POTENTIAL

Similar to the occupier market, the total investment market in Amsterdam decreased for the 2nd year in a row to €2.3bn. Nevertheless, the office investment market in Amsterdam continues to be liquid as investment volumes are well above the 10-year average. After a slow start in 2019, the office investment activity picked up in H2 and remained the main sector in 2019 (65% of the total volume).

The investment volume is under its potential as the demand for investment products remains high. As with occupation, the lack of supply is the main inhibitor on the market. This imbalance is leading to record low yields throughout the Amsterdam office market.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Coty	11,425	Metropolitan	South Axis
Pon Holdings	10,100	The Olympic Building 1931	South
Netflix	8,882	De Karper	South

MAIN OFFICE TRANSACTIONS: INVESTMENT

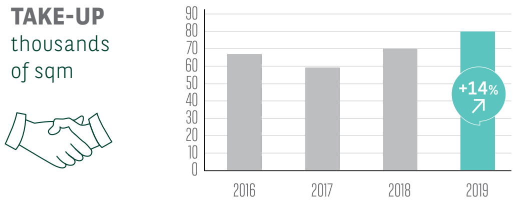
Buyer	Price (€ m)	Building-address	Submarket
Warburg-HIH Invest	256	Edge Amsterdam West	Sloterdijk
Union Investment	142	5keizers	Center
Tristan Capital Partners	140	Millennium Tower	Sloterdijk

GREECE

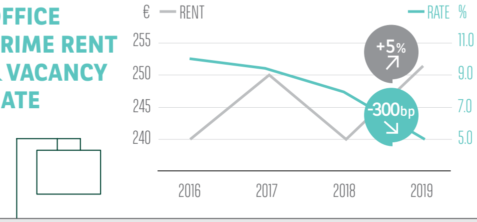
ATHENS

The resumption in development will help Athens' letting market

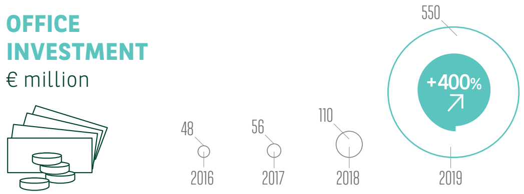
TAKE-UP
thousands of sqm



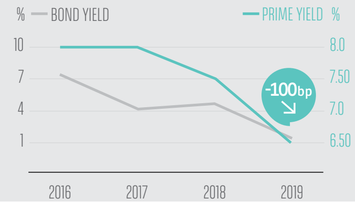
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



IMPROVED BUSINESS ACTIVITY IS CREATING DEMAND FOR MODERN SPACE
The demand for quality office space (grade A) in the major business districts of the city remained intense over 2019 and led to take-up of 80,000 sqm over the year. Demand came from relocation of existing tenants and new business activities from start-ups. Relocation is taking advantage of the new buildings that exist in Athens. The office sector lacks modern units and undersupply means that the vacancy rate is low at 5.7% in 2019. Development is improving gradually. Prodea REIC commenced construction of two buildings in Maroussi and Sygrou Ave. Trastor REIC are refurbishing a unit known as "DOL offices" in Athens and the joint venture of Dimand-Grivalia in Piraeus is building 60,000 sqm Papastratos' facilities. There are incoming regulatory changes that will assist development. The government is suspending VAT on new properties and on unsold properties built after January 1st 2006. It will also allow 40% discount for building repairs and refurbishment will strengthen construction activity.

The improvement in the Greek economy (GDP 2.0%) in 2019, political stability and ongoing employment gains will support the demand side of commercial real estate market. With the low vacancy rate, rental prices are increasing and now stand at €252/sqm/year.

THE ATHENS INVESTMENT MARKET IS IMPROVING CREATING A REDUCTION IN YIELDS
Stability also helped improve the investment market in Athens that posted a total investment volume of €550m in 2019. Portfolio sales drove a lot of the activity with the largest one coming from Brook Lane Capital who bought five buildings in the Maroussi district for €95m. Dromeus Capital Captial bought four buildings located in the CBD, Chalandri and Piraeus for €93m. Trastor REIC bought four buildings for €27.8m. The improvement of the situation in Greece is appealing to foreign investors who are now buying in the market. The Athens centre and the northern suburbs of the city show increase in rentals and helped drive the yield down to 6.5% in 2019.

6.50%
PRIME OFFICE YIELD IN ATHENS

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
OTE	4,500	57, Agiou Konstantinou	Maroussi
Wind	4,600	S.E.A Attika Road	Kantza
Temenos Hellas	1,600	24b, Kifissias	Maroussi

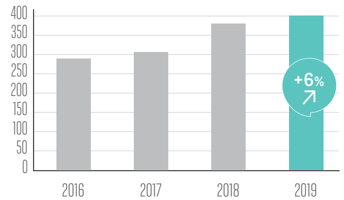
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Brook Lane Capital	95	Portfolio of five office buildings	Maroussi
Dromeus Capital	93	Portfolio of four office buildings	CBD/ Chalandri/ Piraeus str.
Trastor REIC	27.8	Portfolio of four office buildings	CBD/ Maroussi/ Nea Kifissia/ Argyroupoli

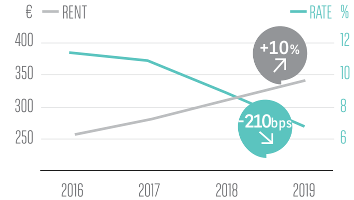
BARCELONA

Strong business demand creates a 14-year high in take-up

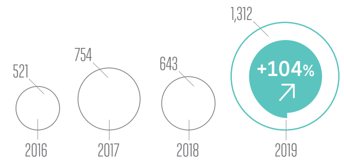
TAKE-UP
thousands of sqm



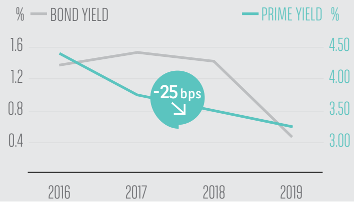
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



VACANCY SHORTAGES ARE PUSHING PRIME AND AVERAGE RENTS UP ACROSS BARCELONA
2019 ended with the highest level of office space take-up since 2005. With 400,169 sqm of office space taken up, last year set a new record in the Barcelona office market. Annual take-up increased by 6% compared to last year. Around 300 deals were closed in 2019, a 16% decrease in comparison with the previous year, but it was the 23% rise of the average deal size signed in 2019 (1,340 sqm) that increased Barcelona´s total take-up.

The lack of vacant space is fueling rental growth in Barcelona. The prime rent increased by 9.6% by Q4 2019 compared to the end of 2018 to reach €342/sqm. The average rent in Barcelona also rose by nearly 10% to reach €212/sqm. The low level of availability and additional office refurbishment will drive rents further up in 2020.

2020 will see the delivery of around 130,000 sqm of new office floorspace in Barcelona, of which 80% will be located in 22@ district. Available office floorspace in Barcelona continues to diminish; the overall vacancy rate now stands at 6.7% and 2.0% in the CBD.

RISE IN RENTS IN BARCELONA

COMPRESSION IN OFFICE PRIME YIELDS FROM INVESTOR DEMAND
The investment volume of 2019 in Barcelona reached €1,312m. Due to the scarcity of product and the high competition, yields remain at low levels in Barcelona, with the prime yield standing at 3.25% (-25 bps vs. 2018).

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Gallina Blanca	18,000	Sant Joan Despí	Outskirts
La Caixa	17,209	Corts Catalanes 159	Decentralised
Wallbox	11,000	C/ Foc, 70	Decentralised

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Emperador	150	Torre Diagnal 00	22@
Commerzbank	132	Calle Badajoz 97 y Almogavers 160	22@
Blackstone	110	Torre Tarragona	Center

BELGRADE

Persistent low vacancy is encouraging Belgrade's expansion as a property market

NEW BELGRADE'S ATTRACTION FOR TECHNOLOGY OCCUPIERS IS THE FOCUS FOR CONSTRUCTION

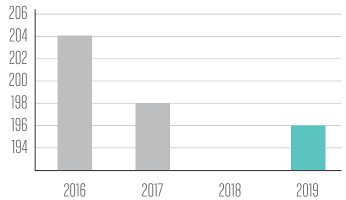
Office take-up in Belgrade increased again in 2019, driven by expansionary lettings from growing business. Re-locations to more modern buildings was a particular feature of the market during H2 2019. Demand for office space is strongest from the IT sector and shared service centres. The largest lease in H1 2019 came from the leasing of one of newly built GTC Green Square buildings while the Serbian company Nordeus rented 6,000 sqm.

High demand has pushed down vacancy rate at 3% for the grade A office buildings. Consequently, the city is seeing strong construction activity to meet occupier needs. The majority of stock remains in the CBD. New developments are underway predominantly in New Belgrade that is the most attractive part of town for occupiers. Completion of several office projects in 2020 will increase office stock at the level of almost 1m sqm compared to 800,000 sqm in 2018.

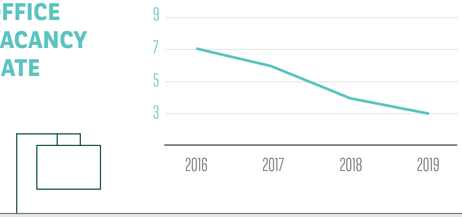
STRONG CONSTRUCTION ACTIVITY IN BELGRADE

Rental levels remained stable in 2019 compared to 2018. Prime asking rents for grade A office buildings in CBD zone vary from €180 to 204/sqm/year, while grade B rental levels range between €108 to 144/sqm/year. Service charge vary from €3/sqm to €4.4/sqm monthly and the add on factor is between 5%-12%.

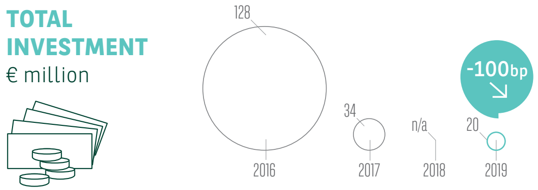
OFFICE PRIME RENT
€



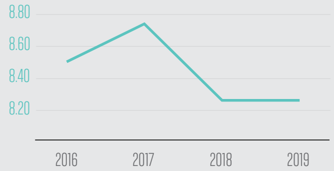
OFFICE VACANCY RATE



TOTAL INVESTMENT
€ million



OFFICE PRIME YIELD
%



OFFICE PIPELINE UNDER CONSTRUCTION

Occupier	Space (m²)	Building-address	Submarket
NCR	30,000	Milutina Milankovica St.	New Belgrade
Usce Tower 2 / MPC	22,000	Mihajla Pupina Blvd.	New Belgrade
N House	10,700	Mihajla Pupina Blvd.	Block 21/New Belgrade
Green Heart / GTC	46,000	Milutina Milankovica St.	New Belgrade
BIG CEE office project	90,000	Milutina Milankovica St.	New Belgrade
Airport City 5th phase	15,000	Omladinskih brigada St.	Block 65/New Belgrade
Skyline / AFI	30,000	Kneza Milosa St.	Belgrade
Immorent Sirius office (2nd phase)	12,500	Milutina Milankovica St.	Block 43/New Belgrade
West 65 Tower	70,000	Omladinskih brigada St.	New Belgrade
Navigator 2 / MPC	27,000	Milutina Milankovica St.	New Belgrade
Delta Holding	23,000	Milentija Popvica St.	New Belgrade
Green Escape/Imel Group	65,000	High way to Zagreb	New Belgrade

BERLIN

Berlin is far ahead of other german cities in occupation and investment

VACANT MODERN SPACE IS NON-EXISTENT FOR OCCUPIERS

Take-up totalling 1.02m sqm not only represents a new record for the Berlin market itself, but also sets a new benchmark in Germany. The true significance of this result is indicated by the substantial lead over Munich (770,000 sqm) and Frankfurt (635,000 sqm), and that Berlin alone accounts for around one quarter of the combined take-up of the eight German major office markets.

The office market witnessed a reduction of 7% in availability to 304,000 sqm. The unfavourable aspect of this figure is that only just over a quarter of the total vacant space can be classified as modern and thus able to offer the quality of fit-out sought by the vast majority of users. The vacancy rate stood at an all-time low of 1.5% at the end of 2019.

In view of the extreme excess of demand, a (mostly) double-digit growth trend for rents comes as no surprise. The prime rent, which applies at Potsdamer/Leipziger Platz, rose by €48/sqm to €480/sqm/year (+11%). The average rent also continues to follow an upward trend to stand at around €317/sqm/year.

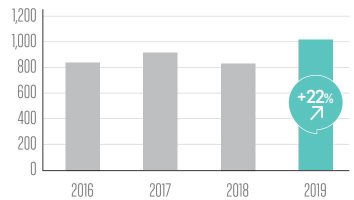
INVESTMENT ACCELERATES TO A NEW HIGH

The German capital was the leading city in 2019 with commercial real estate investment volume of €12.8bn (+72 %) and surpassing the €10bn mark first attained by Frankfurt in 2018. Forward deals made an impressive contribution accounting for a quarter of the total result. The Berlin office market is booming: There has been a significant excess of demand for a number of years now, and rising rents reflect the short supply. Construction activity is higher than it has been for decades, providing more investment product than was available only a few years ago. Against this background, office investment of €8.7bn, more than two thirds of the total volume, is an inevitable outcome.

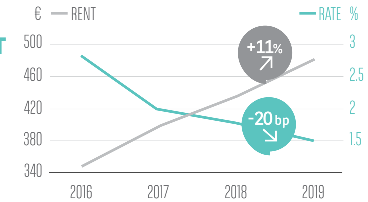
In the face of immense sustained demand pressure, the net prime yields for offices fell again in the final quarter. Along with Munich, Berlin is now the most expensive office location in Germany, with a yield of 2.60%.

€8.7bn
INVESTED IN OFFICES IN BERLIN

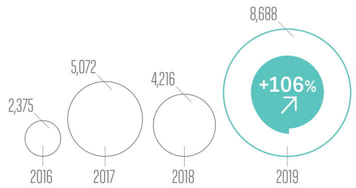
TAKE-UP
thousands of sqm



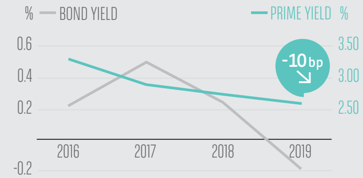
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Company of the internet economy	55,000	Helen-Ernst-Straße/Warschauer Straße	3.1 Mediaspree
Institute for Federal Real Estate	30,900	Kynaststraße	3.2 Kreuzberg/Friedrichshain
SAP Deutschland	29,800	Heidestraße	2.1 Central Station

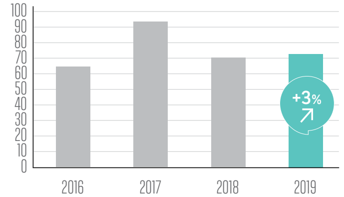
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Allianz/BVK/Universal-Investment	600	Edge East Side	3.1 Mediaspree
Blackstone/Quincap	500	Oberbaumcity	3.1 Mediaspree
PGIM Real Estate	480	Stream	3.1 Mediaspree

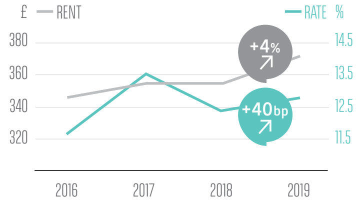
BIRMINGHAM

Co-working companies making aggressive moves into the Birmingham letting market

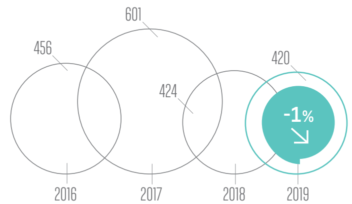
TAKE-UP
thousands of sqm



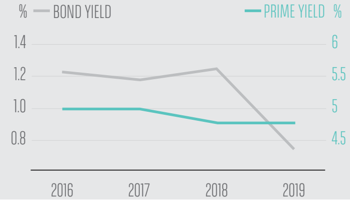
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
£ million



OFFICE PRIME YIELD & BOND YIELD



ONGOING TENANT DEMAND AND REGENERATION ARE BOOSTING RENTAL VALUES

Encouragingly, 2019 take-up reached 72,470 sqm in Birmingham city centre, 3% over both the 2018 level and 10-year average. Good demand was driven by several large lettings including the Government Property Agency's 10,220 sqm pre-let at Platform 21 and WeWork's acquisitions of 6 Brindley Place (9,012 sqm), Louisa Ryland House (7,480 sqm) and 55 Colmore Row (5,110 sqm).

WeWork's three acquisitions in the first half of the year cemented the significance of the coworking market in the city. Demand for space near the headquarters of HS2 drove the surge in take-up as the contractors and consultants need close proximity to the office.

The vacancy rate for Birmingham rose marginally to 12.8%, from 12.4% 12 months ago. However, following the 22,300 sqm BT pre-let at the M&G scheme, Three Snowhill, in January, this has subsequently fallen to 11.0%. This leaves 11,150 sqm at Three Snowhill that was completed last year. The only significant development to complete in 2019 is Two Chamberlain Square where 15,790 sqm remains.

Driven by restrained levels of supply, prime rents grew by 5% in 2019 to £371/sqm/year. We expect to see prime rental growth of 3% in 2020 sustained by strong tenant requirements, and the city's ongoing regeneration and infrastructure improvements.

£420m
INVESTED IN BIRMINGHAM IN 2019

SOLID OCCUPATIONAL FUNDAMENTALS CONTINUE TO ATTRACT OVERSEAS INVESTORS

Despite the political uncertainty that defined 2019, investment volumes remained robust in 2019, reaching £420m, in-line with 2018 and 9% ahead of the long-term average. The largest deal of the year was M7 Real Estate's purchase of the Mailbox for £189m, reflecting a net initial yield of 6.5%.

Overseas investors accounted for 54% of total investment volumes in 2019, up on 25% in 2018. Gulf Islamic investments £140m acquisition of Priory Court and Blue Noble's £38m acquisition of 11 Brindley Place, boosted the non-domestic investor share. Prime yields in Birmingham remained at 4.75% in 2019, following compression of -25bps in 2018.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (sq ft)	Building-address	Submarket
GPA	110,000	Platform 21	CBD
WeWork	97,000	6 Brindley Place	CBD
WeWork	80,500	Louisa Ryland House	CBD

MAIN OFFICE TRANSACTIONS: INVESTMENT

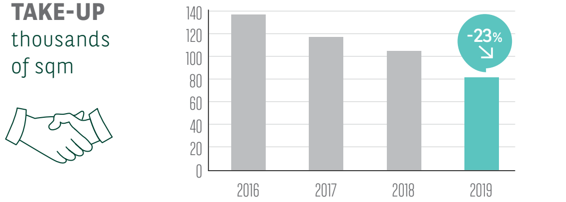
Buyer	Price (£ m)	Building-address	Space (sq ft)
M7 Real Estate	189	The Mailbox	600,000 (Mixed use)
Gulf Islamic Investments	140	Priory Court / Lewis Bldg	230,000
Royal London Asset Management	61	45 Church Street	122,000

Constant Exchange Rate (Q4 2019 average) €/£: 1.1620

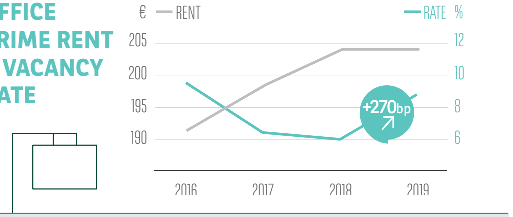
BRATISLAVA

Steady expansion of the office stock will lead to more choice but more vacancy too

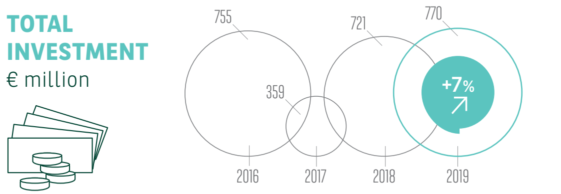
TAKE-UP
thousands of sqm



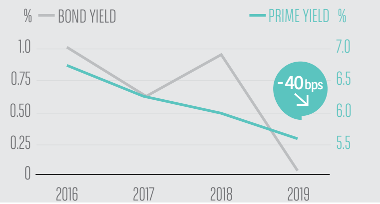
OFFICE PRIME RENT & VACANCY RATE



TOTAL INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



THE IT SECTOR REMAINS DOMINANT IN THE LEASING SECTOR

Occupier demand for offices remained high in Bratislava although transactions involving renewals (57%) drove most of the market activity. New occupations (24%) and pre-leases (17%) accounted for the rest of demand. The IT sector (61%) undertook most of the transactions, followed by professional services sector (14%).

Total office stock amounted to around 1.8M sqm at the end of 2019. Around 62% of the office spaces is grade A and 38% is grade B. The modern buildings stock is steadily growing. Currently there are around ten office buildings under construction, which will deliver about 130,000 sqm of new modern office space in Bratislava.

Most of the modern office space is currently located in BA I and BA II districts, the hub of the new development schemes. The arrival of new offices in the market is the main factor driving letting expansion and especially pre-lets. Occupiers relocating into pre-lets, release their older space. Along with the unlet new construction, it is helping push up the vacancy rate that increased to 8.7% at the end of 2019. Prime rent remained unchanged in Bratislava and was around €204/sqm/year.

STABILISATION IN OFFICE YIELDS EXPECTED FOR 2020

Total investment volume for 2019 hit approximately €770m. More than half of total Slovak real estate investment went to offices last year. One of the main office investment transactions during 2019 was the sale of Twin City Tower by the developer HB Reavis to the South Korean investment fund AIP Asset Management (on behalf of Valsco Group) for €120m.

The current yield is 5.6%. Although there is still some scope for yield compression because of investor interest, yields are likely to remain broadly stable in line with the wider situation in the CEE region.

€204
PRIME OFFICE RENT IN BRATISLAVA

MAJOR COMPLETIONS IN 2019

Space (m²)	Building	Developer	Address
33,000	Westend Plazza	J&T Real Estate	Lamačská cesta 3B-3C
15,670	Pressburg Tower	UCTAM SVK s.r.o.	Plynárenská 6/a
5,030	Blumenau	ARKER s.r.o.	Dúbravská cesta 4

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Space (m²)
Valesco/AIP	122	Twin City Tower	36,111
conf.	confidential	Tatra Centrum	32,999

BELGIUM

BRUSSELS

Interest in the CBD from occupiers and investors leads a citywide surge in activity

THE RISE IN PRE-LETTING ACTIVITY IS CENTRAL TO POST CRISIS HIGH IN TAKE-UP

Although activity in the final quarter slowed compared to the first nine months, the annual office take-up reached 514,600 sqm, its highest level since 2007. The main characteristic of the past year is the increase in pre-let transactions resulting from the lack of immediate prime supply. In 2019, one sqm out of three was a pre-let transaction and it helped drive the record lettings volume. Overall, in 2019, the take-up split between corporates and the public sector remained in line with the Brussels average of 70% and 30% respectively. At of the end of the year, 942,200 sqm is immediately available. This translates to a global vacancy rate of 7.1% compared to 7.7% in 2018. The drivers of supply erosion remain unchanged: the combination of limited speculative delivery and the conversion of buildings to alternative use. The strain on the offer is mainly visible within the CBD where over the last 12 months, availability has decreased by 11%. Although office demand still prefers modern buildings, the prime rental level stabilized at €315/sqm/year during the final quarter. Average rents remained relatively unchanged at €169/sqm/year.

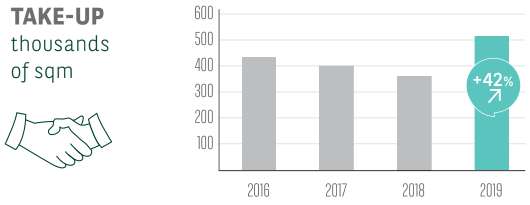
€2bn

INVESTED IN OFFICES IN BRUSSELS

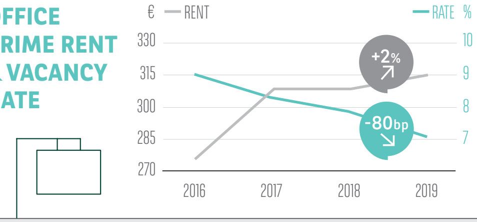
THE RECORD HIGH IN INVESTMENT HERALDS FURTHER COMPRESSION IN YIELDS

Over the final quarter, €646m of transactions brought the total investment volume in the Brussels office market to more than €2.0bn: a new record for the city. The final quarter was marked by the acquisition of Generali Portfolio by Patrizia Immobilien for €190m. The portfolio is comprised of seven assets including the landmark building the Tour Louise. Two additional large transactions occurred during the final rush of the year, Deka Immobilien acquired Spectrum in the City-Centre for a price exceeding €100m and Hannover Leasing invested €87m to buy the Seven in the North district. Lead by persistent interest coupled with scarcity of supply, the prime office yield declined by 10 bps and is now estimated at 3.90% for a standard lease. For long-term leases, the prime yield remained stable at 3.50%, although renewed compression will occur over the coming months.

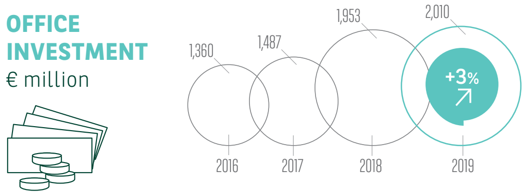
TAKE-UP
thousands of sqm



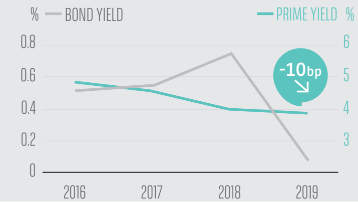
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Flemish Region	70,000	ZIN in No(o)rd – Boulevard Roi Albert II 30,1000 Brussels	North
Brussels region	42,794	Silver Tower – Boulevard Saint-Lazare 2,1210 Brussels	North
PwC	23,000	PwC Campus – Culliganlaan 5,1831 Diegem	Periphery Airport

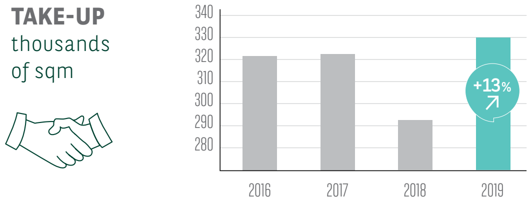
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Patrizia	190	Solar Portfolio	Portfolio
Fidelidade Seguros	150	Pegasus Park (9 office bulidngs + land)	Periphery Airport
Korea Investment Securities	146	TDO – Avenue de la Toison d'Or 87,1060 Brussels	Louise

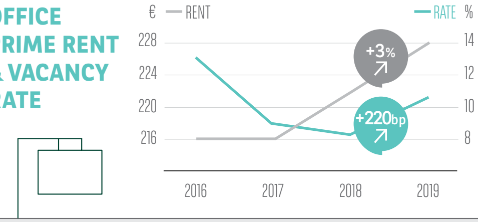
BUCHAREST

Forward demand is driving the occupational market

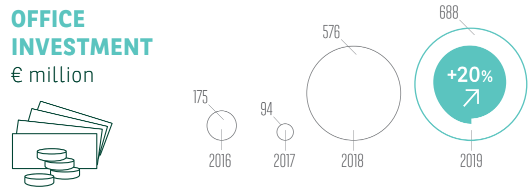
TAKE-UP
thousands of sqm



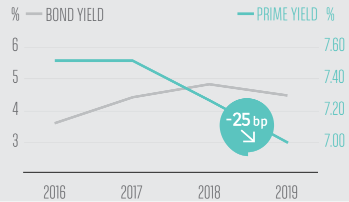
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



PRE-LEASING IS A MARKET NECESSITY FOR TENANTS SEEKING LARGE OFFICE MODERN SPACE

Around 330,000 sqm of transactions in 2019, represents a 13% increase in Bucharest's lettings compared with 2018. The most active industry remained the IT&C sector with increased demand from the financial sector.

Although demand is good, the vacancy rate remained stable in the second half of 2019, reaching to 10.5%. Stability is largely due to the relocation of companies to new headquarters for pre-lets signed in 2017, and the subsequent release of second hand space.

The vacancy rate disguises a lack of grade A large space. Pre-lets remain the only solution for these large requirements and responsible for around 40% of annual take-up. Notable pre-lets in 2019 include the leases signed by Ubisoft for offices in J8 Office Park developed by Portland Trust & ARES and ING Tech in a downtown project developed by Atenor. Over 2020-2021 an estimated office pipeline of 470,000 sqm will come to the market, out of which 60% is set for completion in 2020.

PRIME OFFICE YIELD CONTRACTED TO **7.0%**

LARGE DEALS BY DOMESTIC INVESTORS SUPPORTING THE INVESTMENT MARKET

Romania recorded around €1bn of investment in commercial real estate in 2019, with almost 50% of activity taking place in the last quarter. It is the third consecutive year of increases and the highest annual volume since 2008. The most significant deals in 2019 involved the transaction of the office portfolio of NEPI&Rockcastle, the largest deal by a single buyer at €308m. DEDEMAN undertook the other major deal with the purchase of The Office located in Cluj-Napoca for a price of around €130m, following its acquisition of The Bridge last year in Bucharest.

Very few new investors entered the Romanian market. Interestingly, established developers started to tap into the investment market, looking to acquire assets with good tenants in Bucharest, thereby enlarging the local investor pool.

The prime office yield contracted in Bucharest by 25 bps to 7% and further compression is forecast for 2020.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Ubisoft	28,000	J8 Office Park; 8, Jiului Street	North
BCR – Erste	14,000	Business Garden Bucharest; 159, Calea Plevnei	Center West
Endava	12,000	U-Center; 210-218, Calea Serban Voda	Center South

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
AFI Europe (*)	308	4 Buildings, 3 in Bucharest 1, Timisoara	Various
DEDEMAN	129,8	The Office; 77, 21 Decembrie 1989 Blvd, Cluj Napoca	Centre
Morgan Stanley	90**	America House; 4-8 Nicolae Titulescu Blvd., Bucharest	CBD

*ADDRESS/BUILDING NAME
BUCHAREST: Floreasca 169A: 169, Calea Floreasca, NORTH
The Lakeview: 301-311, Barbu Vacarescu Blvd., NORTH
Aviatorilor 8: 8, Aviatorilor Blvd.,CBD
TIMISOARA: City Business Center: 10, Coriolan Brediceanu Street

** – ESTIMATED SELLING PRICE

BUDAPEST

Steady occupational and investment improvements characterise Budapest office market

OCCUPATIONAL ACTIVITY DRIVEN BY LARGE PRE-LETS AGREEMENTS

Office take-up totalled 361,980 sqm representing a slight decline compared to 2018. Market activity remained concentrated in Váci Corridor, where 42% of the transactions was concluded. The second most important submarket for take-up is South Buda, accounting for 22% of the annual take up.

The appetite for brand new office areas is still high, the ratio of pre-let agreements grew by 10% compared to 2018 and accounted for 35% of the annual take up. Pre-lets are now an important market feature. Two of the largest deals were pre-let for over 20,000 sqm and the new office schemes delivered in 2019 had an 80% occupancy rate.

In 2019, 70,545 sqm of new office space arrived in the Budapest office market, which is 58% of the project pipeline thought viable in 2018. The volume of new developments for 2020 is 230,100 sqm and a further 325,250 sqm is expected to be completed in 2021. The ongoing developments mean that the size of the Budapest office market is going to exceed 4 million sqm by 2021.

5.25%

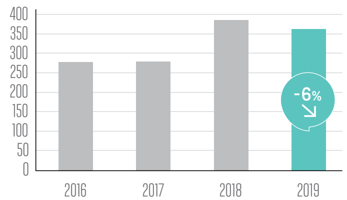
OFFICE PRIME YIELD IN BUDAPEST

With a modest level of new completions and high demand for modern office space, the vacancy rate in Budapest reached a historically low rate of 5.6% at the end of 2019. Based on the current trends we do not expect a considerable vacancy increase. Rising labour force and construction costs are encouraging rent levels to grow. Prime rents in the CBD increased moderately; however, in the other submarkets we registered a higher rental growth.

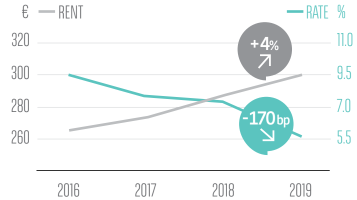
SOLID TRANSACTION ACTIVITY IN THE OFFICE SECTOR IS RESULTING IN YIELD COMPRESSION

The annual investment volume mirrored the levels recorded over the last three years indicating steady interest from buyers in Budapest real estate. Office properties continued to be the leading sector, accounting for 51% of the total investment volume in 2019. The prime transactions concluded over the year included GTC White House, Advance Towers, Váci Greens E and Roosevelt 7/8. Due to increased interest from buyers, compression occurred in prime office yields, dropping by 50 basis points to 5.25%. Hungarian property funds and private investors carried out most transactions.

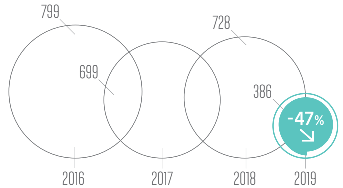
TAKE-UP
thousands of sqm



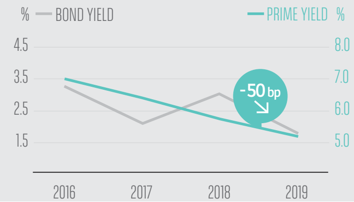
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD

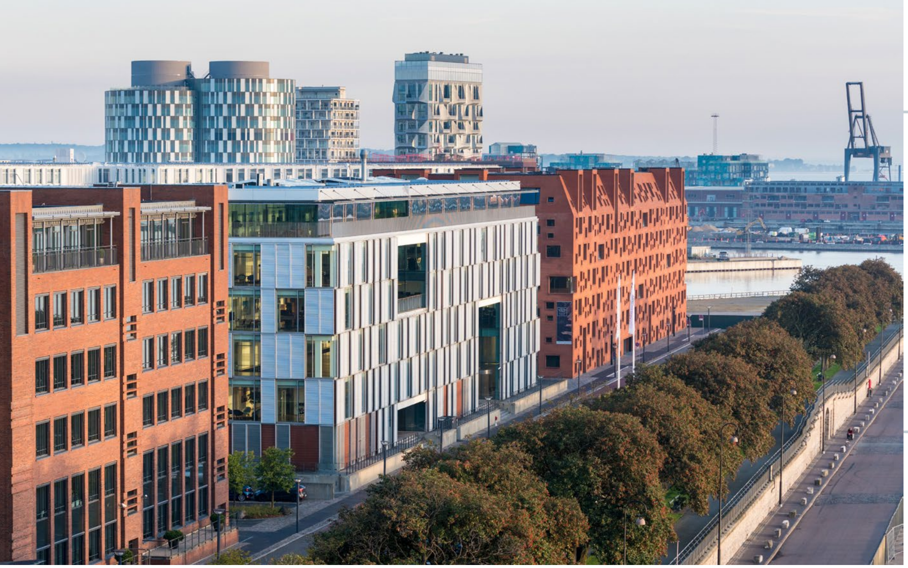


MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Exxonmobil	27,300	Pillar	Váci Corridor
British Petrol	22,100	Agora Hub	Váci Corridor
thyssenkrupp Compotents	15,900	South Buda Business Park	South Buda

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
OTP Property Fund	confidential	Roosevelt 7/8	CBD
Warburg-HIH Invest	confidential	GTC White House	Váci Corridor
R AMC	41	Nordic Light Trio	Váci Corridor

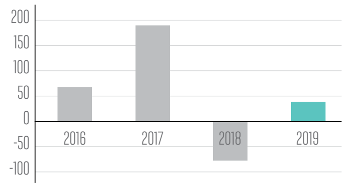


DENMARK

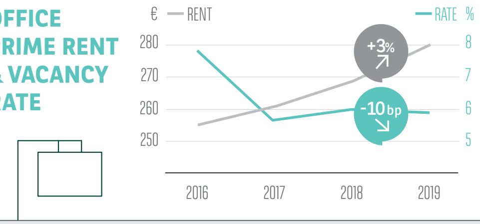
COPENHAGEN

Danish occupiers are increasingly choosing flexible space to expand in

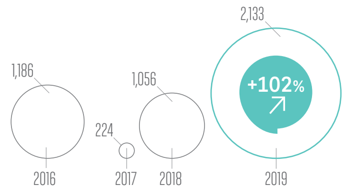
NET ABSORPTION
thousands of sqm



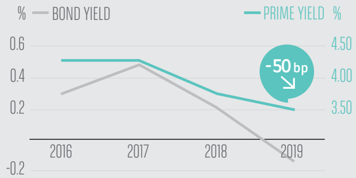
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



LOW VACANCY IS ENCOURAGING LARGE OCCUPIERS TO BUILD THEIR OWN SPACE

Historically high demand and low vacancy rates are trends defining the Copenhagen office market over 2019. The strong Danish economy is generating an expansionary job market that is leading to a low unemployment rate and driving vacancy rates down to around 6%. The latter is encouraging development, leading to many new properties built in Ørestad, Carlsberg Byen and inner Copenhagen. The principle tenant demand is for co-working space, modern facilities and good location near public transportation.
The demand generated by small, medium and big businesses, is increasingly focused on choosing flexible office facilities where they can expand quickly. Low vacancy means that large corporations are either actively building their own headquarters to accommodate staff or pre-letting space in developments. The diminishing supply and ongoing space requirements, resulted in pressure being maintained on rents that reached DKK 2,100/sqm/year (€281/sqm/year) in the most central districts of Copenhagen.

3.50%
PRIME OFFICE YIELD IN COPENHAGEN

OVERSEAS INVESTORS MADE THE MAJORITY OF LARGE INVESTMENT TRANSACTIONS

We are witnessing ongoing interest for office properties from foreign investors. Four out of the seven trades in 2019 above DKK1bn were in the office segment and all acquired by foreign investors.
For these investors, it is essential that the property is located close to great infrastructure, public transport, as well as other high-growth companies.
Yield compression occurred in most segments by the end of 2019. Prime office yields reached 3.5% in the most central districts of Copenhagen. Yields at the 3.50% level in Copenhagen require a strong tenant with a minimum tenure of 10 years.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
NA	84,000	Copenhagen Towers	Office / residential
Simcorp, VP securities, Genre	27,100	Deloittehuset	Office
Kammeradvokaten	31,700	Kalvebod Brygge 32	Office

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Niam	307	Copenhagen Towers	Office / residential
KLP	187	Deloittehuset	Office
Klövern	189	Kalvebod Brygge 32	Office

*Constant Exchange Rate €/DKK (Q4 2019): 0.1339

DUBLIN

Ireland's flourishing economy is attracting occupiers and investors alike

TMT SECTOR IS DRIVING THE OCCUPIER MARKET IN DUBLIN

2019 was another exceptional year for the Dublin office market with total take-up reaching close to 310,000 sqm by year-end. This makes 2019 the third strongest year on record. There were seven "mega-lettings" whose size exceeded 10,000 sqm. These deals accounted for 52% of take-up. Prime rents have remained stable at €670sqm/year, although rents in excess of this have been achieved in certain instances (e.g. premium suites, attractive lease flexibility benefits). TMT was the top performing sector in 2019 with more than 165,000 sqm (53% of total take-up) attributable to this sector. The largest TMT lettings were to Salesforce, LinkedIn, Facebook and Amazon, which together represented 37% of total take-up. The co-working sector continues to have a visible impact on the Dublin office market with existing operators including WeWork and Iconic Offices as well as new entrants Knotel leasing a combined 8,287 sqm during 2019. More than 200,000 sqm of new or refurbished office space was delivered in Dublin in 2019, with 73% of this pre-let or reserved prior to completion. Construction is underway on a further 310,000 sqm of space due for delivery during 2020, of which 43% is currently pre-committed.

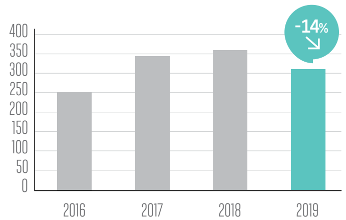
+103%

IN OFFICE INVESTMENT IN DUBLIN IN 2019

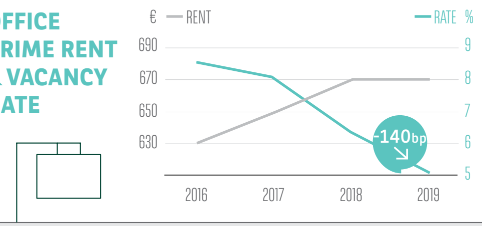
FIERCE COMPETITION BETWEEN INVESTORS FOR THE BEST ASSETS

Several years of strong, sustainable growth, rising employment and wages, and moderate inflation underpin Ireland's healthy economy. Against this backdrop, 2019 has been characterised by record levels of investment in Irish real estate. Core CBD office assets maintain their allure, seen as defensive investment with domestic and overseas investors alike competing for best-in-class stock. This is evidenced by recent portfolio sales as well as the high values achieved for prime assets such as Five Hanover Quay and the Reflector. As a result, despite a shift towards residential investment during 2019, the office sector again emerged as the top performer accounting for 43% of total turnover.

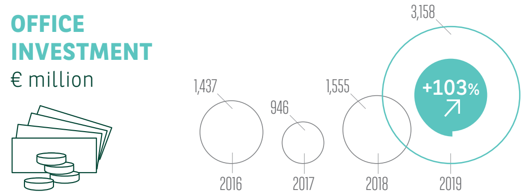
TAKE-UP
thousands of sqm



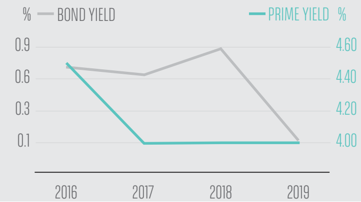
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Salesforce	43,664	Spencer Place, North Wall Quay	Dublin 1
LinkedIn	39,948	Two, Three and Four Wilton Park	Dublin 2
Central Bank of Ireland	18,674	4 & 5 Dublin Landings, North Wall Quay	Dublin 1

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Henderson Park	c. 1.320	Green REIT Portfolio (88% office)	Dublin/Cork
Blackstone	530	Project Cedar (Starwood Portfolio)	Dublin 2
Union Investment	197	Five Hanover Quay	Dublin 2

LOW VACANCY MEANS EDINBURGH WILL SEE STRONGEST RENTAL GROWTH OF ALL UK CITIES

Take-up in the Scottish capital reached 44,237 sqm in 2019, down 35% on the previous year and 33% below the 10-year annual average. A lack of larger deals contributed to subdued levels of take-up in the city, indeed average deal size fell to 451 sqm compared with 536 sqm in 2018. The largest deal of the year came from WeWork who took 4,113 sqm at 80 George Street, marking their second acquisition outside of London following Manchester in 2017. The property is located in Edinburgh city centre and will be able to accommodate 800 members.
Subdued levels of demand is attributable to a lack of occupier choice; indeed, the vacancy rate fell to a record low at 6.6% in Q4 2019. This is well below the 10-year average of 11.2%. This equates to 130,063 sqm of supply, of which Grade A space in the city centre is the most constrained.
Can the development pipeline offer any reprieve? We estimate 29,041 sqm of development completions in 2020, 82% of which is pre-let, so probably not. Capital Square, Morrison Street is the only development to have space remaining following pre-lets to Brodies and Pinsent Masons in 2018. These deals highlight that for occupiers to secure the best space, they have to commit well before their lease expires.
As a result of restricted levels of supply, prime rents grew by 3% in 2019 to £377/sqm/year. Looking ahead to 2020, prime rents will experience further upward pressure of 4%. This is the highest level of rental growth across the main UK regional cities.

6.6%
RECORD LOW VACANCY IN EDINBURGH

EDINBURGH RENTAL PROSPECTS ARE PROVING ATTRACTIVE TO INVESTORS

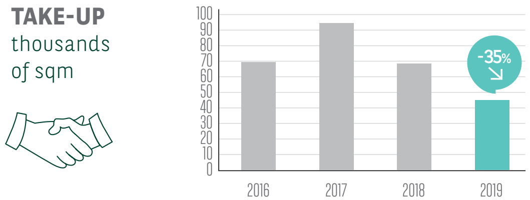
Edinburgh's current supply and demand dynamics proved favourable with investors in 2019 with volumes reaching £401m, 29% ahead of the 2018 and 67% ahead on the 10-year annual average. Two deals over £100m provided a significant boost to figures, the largest of which was KanAm Grundinvest Fond's £120m acquisition of St Andrew Square, a mixed-use scheme including offices and retail, reflecting a net initial yield of 4.45%. Edinburgh's office prime yields stand at 4.75%, in-line with Birmingham and Bristol.

UNITED KINGDOM

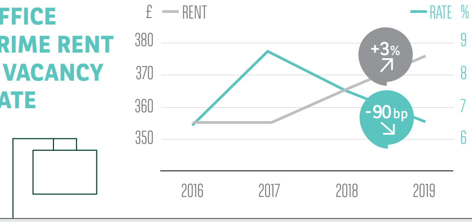
EDINBURGH

The ongoing development drought continues to shape market outcomes

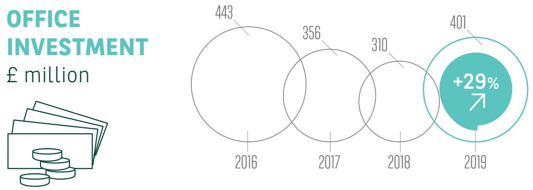
TAKE-UP
thousands of sqm



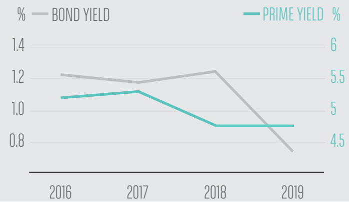
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
£ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (sq ft)	Building-address	Submarket
WeWork	44,267	80 George Street	CBD
M&G Prudential Service	34,730	40-50 South Gyle Crescent	CBD
Amazon	31,364	1 Exchange Crescent	CBD

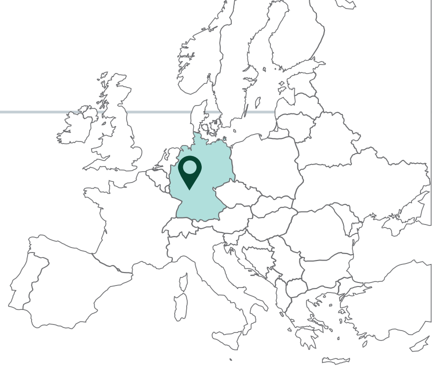
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (£ m)	Building-address	Space (sq ft)
KanAm Grundinvest Fonds	120	St Andrew Square	100,000
Hyundai Asset Management	55	Gyle Square	150,000
Private	54	50 Lothian Road	100,000

Constant Exchange Rate (Q4 2019 average) €/£: 1.1620

GERMANY

FRANKFURT



Take-up is the third strongest of the last decade

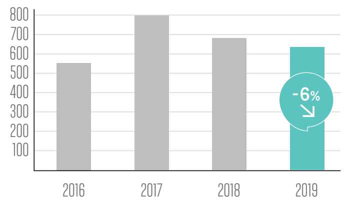
The Frankfurt office market enjoyed a successful year with take-up totalling 635,000 sqm, despite falling short of 2018's outstanding result by just under 6%. Nonetheless, this represents the third-best performance of the past ten years, surpassing the average by 13%.
The fast-paced decline of vacant space continued in 2019. At 1.05 million sqm, the absolute volume of vacant space is 8% lower on 2018. Modern vacant space also shrank by 4% and now accounts for just under half (477,000 sqm) of the total vacant space. The vacancy rate for the market as a whole has fallen to 6.8%.
In the central locations of the CBD in particular, the supply of large units of modern office space is very low. The vacancy rate dropped to 3.2% in the City Centre zones highlights the acute mismatch with demand.
As with the other major markets in Germany, Frankfurt's rents continued to rise in 2019. The prime rent increased by 2% in comparison to the previous year, to €540/sqm/year – its highest level for almost 20 years.

2.80%
PRIME OFFICE YIELD

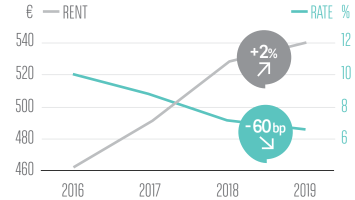
SUPERDEALS CREATE THE SECOND-BEST RESULT OF ALL TIME

The Frankfurt investment market recorded its second-best result ever with a transaction volume of over €8.9bn (13% down on 2018). As with the 2018 record high, a series of large-volume deals contributed to the excellent result with 17 individual transactions in the category of over €100m.
Office properties attracted three quarters of the total investment volume, confirming Frankfurt's standing as Germany's capital city for office investments.
Net prime yields fell again in response to the strong demand and continuing good underlying financing conditions. For office properties, they dropped by 15 basis points over the past twelve months to 2.80%, putting Frankfurt in third place nationally behind Berlin and Munich.

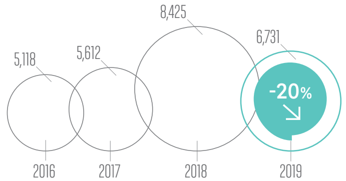
TAKE-UP
thousands of sqm



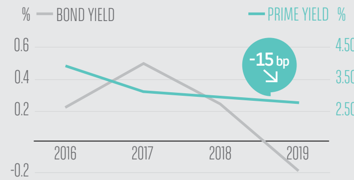
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
DEKA Bank Deutsche Girozentrale	46,200	Lyoner Straße	4.4 Niederrad
ING-DiBa	30,300	Theodor-Heuss-Allee	1.3 Inner City
Amt für Bau und Immobilien und Stadtschulamt	26,500	Solmsstraße	2.3 Centre West

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
AGC Equity Partners/Hana	950	The Squaire	4.7 Airport
Invesco	620	Die Welle	1.2 Westend
Wirtgen Invest	400	T8	1.1 Banking District

SWITZERLAND

GENEVA

Although market dynamics are weak, positive net absorption is keeping the vacancy rate stable

The absolute volume of vacant office space increased slightly between 2018 and 2019. According to OCSTAT, vacant stock now stands at 234,500 sqm, up 3.5% over the year and a much smaller rise than for the previous year (+44%). The average vacancy duration has also risen and now stands at 18-19 months compared to less than 10 months in 2013. The vacancy rate itself remains unchanged according to the canton statistics, at around 5%.

Vacancy stability is mostly the result of relatively good annual net absorption figure coming in at around 35,000 sqm. As such, the market is identical to that of the previous year, with a large stock of vacant office units and companies seeking to reduce their rented space, which often weighs heavily on their balance sheets. Newer companies with a major need to expand rented space remain quite rare, as is the arrival of international companies to set-up operations.

Similar to other European markets, less traditional leasing formats such as co-working also seem to be gaining currency, prompting a change in rental habits. Co-working's evolution makes market projection more difficult as do the consequences of the latest votes on the corporate tax reform accepted in May 2019.

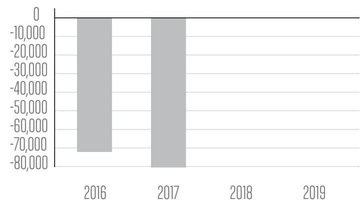
CHF 1bn INVESTED IN GENEVA

INVESTMENT VOLUME REMAINS SOLID WITH STABILIZATION WITNESSED IN YIELDS

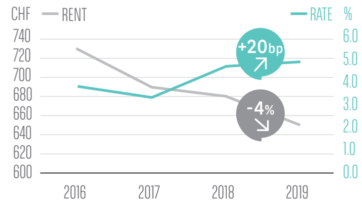
As expected last year, investment remained relatively high in the Geneva region, with CHF 1.1bn invested in commercial real estate in 2018 and an almost identical trend for 2019. The 5 biggest real estate deals in 2018 accounted for over CHF680m, i.e. about 60% of the total for the year.

Given the historically low mortgage rates and the fact that institutional as well as private property owners are charged for their bank deposits, the appeal of property remains strong. The amount of investment is a good illustration of this situation. Gross prime yields have stabilised, but they were already very low. Whereas yields on non-prime buildings, many of which are still new, in the inner suburbs are still falling slightly. The AFC rate shows this trend, with a slight upward correction in yields for zones 1 and 2 (hyper centre) and a decrease for the other zones (suburbs).

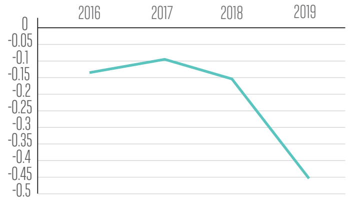
NET ABSORPTION
thousands of sqm



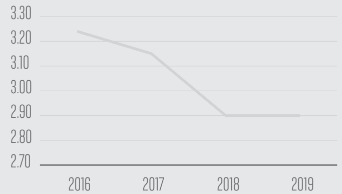
OFFICE PRIME RENT & VACANCY RATE



BOND YIELD
%



OFFICE PRIME YIELD
%



MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (million CHF)	Building-address
LP1 Rhône SA	100.2	Rue du Rhône 4
Arcenter SA	95.1	Route de Peney 2-4
Medcenter Holding Ltd	62.5	Quai de l'Ile 13
CPEG	60.2	Avenue de Champel 8C
Swiss Life SA	50.6	Rue du Rhône 69

GLASGOW

The most modern space will be the force behind the occupational market in 2020

DEVELOPMENT ACTIVITY IS ENSURING SUPPLY KEEPS PACE WITH TENANT DEMAND

2019 take-up in Glasgow city centre reached 58,153 sqm, in-line with the 10-year average, although 37% below the record high year of 2018. The drop is reflective of the boosting of 2018 take-up by two large pre-lets, whereas in 2019 recorded no deals over 10,000 sqm. The largest deal of the year was at 51 West Campbell Street where Barclays Bank took 5,274 sqm.

Virgin Money also drove another large deal for the city taking 4,532 sqm at Bothwell Exchange, 177 Bothwell Street. As a result of these large lettings, the finance sector, an important occupier within the city, drove demand by accounting for 24% of take-up.

The vacancy rate saw a marginal increase to 10.1%, from 9.5% a year ago. This, however, remains below the 10-year average of 13.0%. The addition of 9,290 sqm at 2 Atlantic Square contributed to a rise in supply. This part of a BAM Properties speculative scheme that is due for delivery in Q2 2020 and mostly available, aside from 17,391 sqm at 1 Atlantic Square fully pre-let to the HMRC. We estimate 60,745 sqm of development completions in four schemes arriving in 2020, 53% of which is pre-let.

Prime rents in Glasgow city centre stand at £350/sqm/year, reflecting stagnation over the course of 2019. We expect occupier bias to continue to be skewed towards the best quality space, thus placing upward pressure on prime rents in 2020.

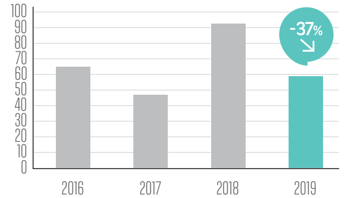
£350/sqm/year

PRIME RENT IN GLASGOW

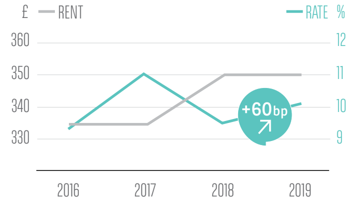
INVESTOR INTEREST REMAINS KEEN IN A QUIETER YEAR FOR GLASGOW

Investment activity was subdued in 2019 reaching £181m, 24% down on the five-year average and 58% down on 2018 that was an exceptionally strong year for the Glasgow office investment. Unlike 2018, which saw four deals over £50m, the largest deal of last year was the sale of 110 St Vincent Street for £48.4m to private South Korean investors. The 9,290 sqm grade A building is let to the Bank of Scotland. The deal represents investor appetite for regional assets with strong income fundamentals and value when compared to other cities. Glasgow prime yields remain higher than other key regional cities at 5.25%.

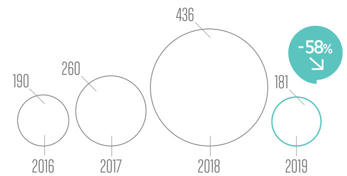
TAKE-UP
thousands of sqm



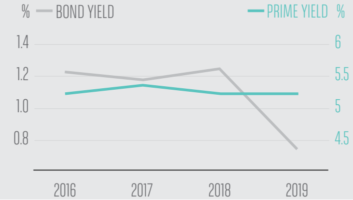
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
£ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (sq ft)	Building-address	Submarket
Barclays Bank	56,771	Princes House, West Campbell St	CBD
Network Rail Infrastructure	53,550	151-155 St Vincent St	CBD
Virgin Money	48,780	177 Bothwell St	CBD

MAIN OFFICE TRANSACTIONS: INVESTMENT

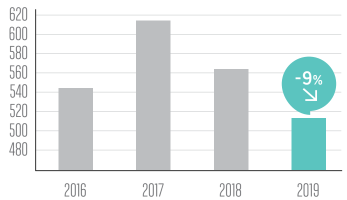
Buyer	Price (£ m)	Building-address	Space (sq ft)
Private South Korean	48	110 St Vincent Street	100,000
Longmead Capital	38	123 St Vincent Street	135,000
AEW Europe	31	Nelson Mandela Place	50,000

Constant Exchange Rate (Q4 2019 average) €/£: 1.1620

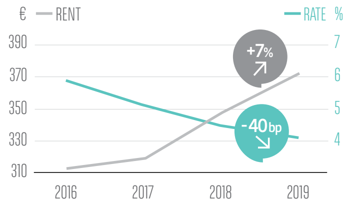
HAMBURG

The Hanseatic city displays impressive stability in demand

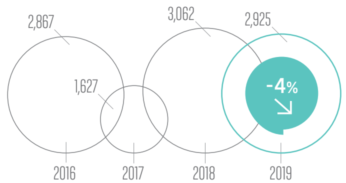
TAKE-UP
thousands of sqm



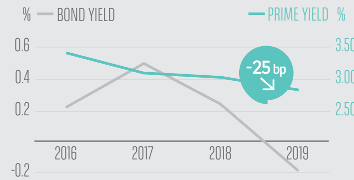
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



At 514,000 sqm, the annual take-up on Hamburg's office market demonstrated a second year of moderation compared to the two preceding years (563,000 sqm in 2018 and 613,000 sqm in 2017). The result is roughly on a par with the 10-year average (519,000 sqm) and means that Hamburg has now topped the 500,000-sqm mark every year since 2014. It highlights the stability of demand for office space and good underlying economic conditions presently enjoyed by the major city on the Elbe.

The volume of vacant space dropped below 600,000 sqm for the first time since 2001. Vacancy is most acute for modern premises whose share of 19% equates to 108,000 sqm, a volume shrunk by around 16% in the space of a year. The vacancy rate is consequently at its lowest level since 2000 at 4.1%.

Low vacancy plus high demand for modern space is leading to rising rents in most locations in Hamburg. The prime rent has increased by €24 in the past twelve months to €372/sqm/year. by close of the year.

€372
PRIME RENT IN HAMBURG

SUPPLY PROBLEMS CURB THE INVESTMENT VOLUME

The Hamburg investment market was unable to maintain the record high achieved in 2018, closing 2019 more than 25% down with a transaction volume of €4.4bn. The office segment, accounted for almost two-thirds of the total volume.

In contrast to other German markets, the very high level of demand for Hamburg real estate is not translating to rising investment volumes. The primary cause is the lack of suitable products to buy.

High demand facing an ever-diminishing supply, particularly in the core segment, further intensifies the competition for the sought-after properties, prompting a further rise in prices. Since 2009 – when the bottom of the last cycle was reached – office yields have dropped by 240 bps to 2.80%.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Otto	40,000	Werner-Otto-Straße	3.7 Remaining Municipal Area
Xing	21,600	Strandkai	1.3 HafenCity
Vattenfall Europe Hamburg	17,500	Baufeld	1.3 HafenCity

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
HanseMerkur	160	Euler Hermes	3.3 Ottensen-Bahrenfeld
Several pension funds	160	Bleichenhof	1.1 City Centre
BNP Paribas REIM	150	Deichtor-Center	1.1 City Centre

HELSINKI

Investors are looking towards traditional markets outside CBD for yield gain

NEW DEVELOPMENT IS SLOWING IN HELSINKI AFTER 2020

Office construction is slowing down as economic growth expectations fall. More than 100,000 sqm of new office premises will complete in the Helsinki Metropolitan Area this year, but the pace of this growth will slow considerably in subsequent years.

The most significant office projects being completed this year in the Helsinki Metropolitan Area include the Tripla Workery office properties in Pasila; the Urban Environment House in Kalasatama; and Fredriksberg's B and C office buildings in Vallila, which NCC has sold to a fund managed by the German KanAm Grund Group for approximately €64m.

3.0%
PRIME OFFICE YIELD IN HELSINKI

HIGH DEMAND FOR PRIME SUBMARKETS OUTSIDE CBD

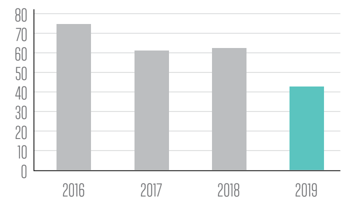
The low yields in the Helsinki city centre led international and domestic investors to turn towards other strong and traditional submarkets. The Leppävaara and Perkkaa office markets, for example, were active in 2019; there were 12 major office transactions with a total volume exceeding €300m. A major deal at the end of last year occurred when Special Investment Fund eQ Real Estate bought the Alberga Business Park buildings B and C from a fund managed by Amundi Real Estate.

The traditional prime office market, Keilaniemi, is also attracting investors, as it will develop in the future as a new mixed-use service hub. Here in autumn 2019, Construction Company YIT and HGR Property Partners' joint venture Regenero sold the Accountor Tower, Keilalampi and the Keilaniemenranta pavilions located in Keilaniemi to an international investor. In addition, at the end of last year, HANSAINVEST sold the 7,300 sqm current headquarter of Kone Corporation to Evli Rental Yield (AIF) Fund.

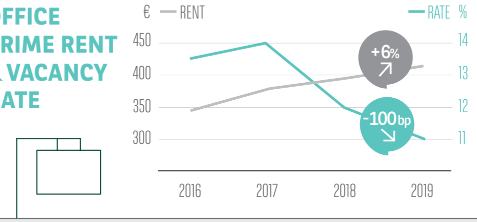
Union Investment acquired office and retail property located in the CBD from Sponda. The property comprises 8,300 sqm and transaction price was approximately €148m. In addition, Union Investment bought 5,700 sqm office property in Eteläesplanadi 12 in CBD from OP Life Assurance Company Ltd for approximately €50m.

The outcome of these deals mean that the yield level for prime office properties in Helsinki CBD decreased close to 3%.

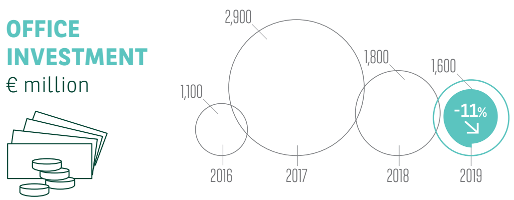
NET ABSORPTION (HMA*)
thousands of sqm



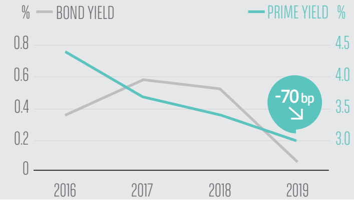
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



* Helsinki Metropolitan Area

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Fiskars Group	10,000	Next (planned)	Keilaniemi
Trimble	10,000	OOPS (under construction)	Leppävaara
Deloitte	6,000	We Land (planned)	Ruoholahti

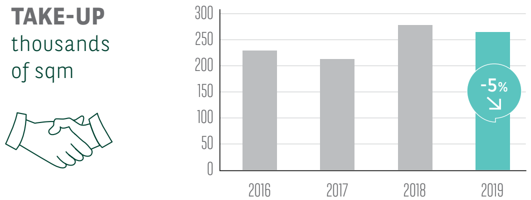
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Union Investment	148	Aleksanterinkatu 19, Helsinki	CBD
HANSAINVEST	135	Telakkakatu 6, Helsinki	Southern Helsinki
Fleming Properties AB (Pareto Securities)	130	Fleminginkatu 34, Helsinki	Vallila

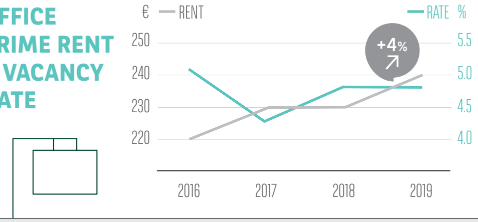
LILLE

Lille is snapping at the heels of Lyon as France's second largest regional office market

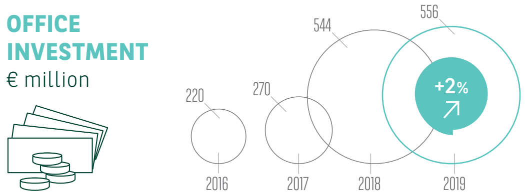
TAKE-UP
thousands of sqm



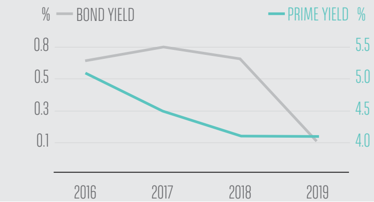
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



A VERY BUOYANT MARKET FOR NEW PREMISES

The Lille office market reached 264,000 sqm of take-up in 2019, decreased by 5% over an exceptional year in 2018. As such the take-up volume represents the second best year of Lille's market historically. Following the general trend in the French regions in 2019, market activity came from deals in new available offices (46% of the market) rather than turnkey deals and owner-occupier developments. Activity concentrated in Villeneuve d'Ascq, the sector with the largest share of the market (30%), followed by Lille Centre and Euralille.

Availability has increased by 7% overall. Although absorption of second hand supply was good (-10%), new supply jumped by 42% and now represents 41% of availability. The buoyant occupier market encouraged developers and investors to start new speculative construction. This should enlarge the market in the coming years, with approximately 80,000 sqm/year of completions until 2022.
Average rental values in central sectors are on the rise, and top rents for new offices are now reaching €240/sqm/year in Euralille.

OFF-PLAN SALES ARE STILL DRIVING THE MARKET

Lille is the second largest regional market in France behind Lyon. As such, more than €550m of office investment in the Lille urban area took place in 2019. Just as in 2018, the Lille market benefited from strong construction activity. More than 60% of the invested volumes were in off-plan operations, which represented 16 deals. The prime office yield remained stable compared to 2018 and stood at 4.15%, even though compression may occur in 2020.

€550m
INVESTED IN OFFICES IN LILLE IN 2019

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Mobivia	17,500	Open'R	Villeneuve d'Ascq
Caisse d'Epargne	14,546	Shake	Euralille
Décathlon	11,337	Rue de la Chaude Rivière	Lille Centre

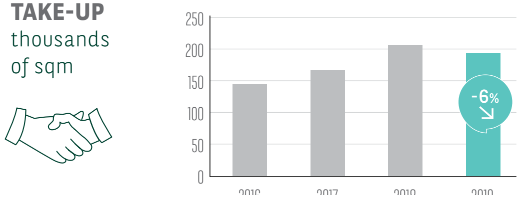
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Caisse d'Epargne	64	Shake	Euralille
AEW Europe	63	Open'R	Villeneuve d'Ascq
Foncière Crédit Mutuel	>40	Wenov	Lille Centre

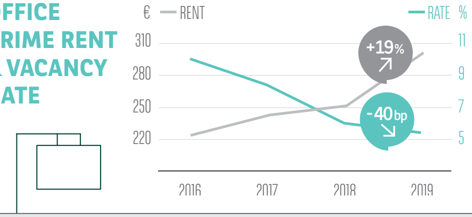
LISBON

Ultra low supply triggers a surge in development

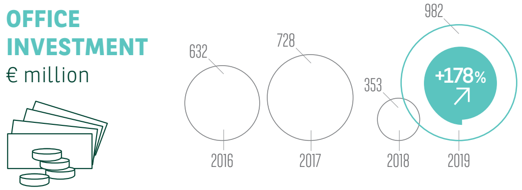
TAKE-UP
thousands of sqm



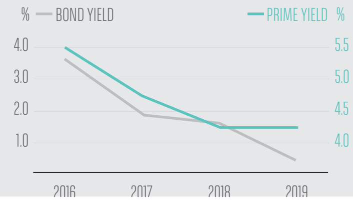
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



LOW VACANCY AND GROWING DEMAND ARE DRIVING RENTAL VALUES UP

The office market in Lisbon continued to perform well in 2019 with take-up amounting to 193,892 sqm, down only 6% on an exceptional 2018. The most active business sectors in the Lisbon market are still consultancy and law firms, plus technology and client support services. The slowing of take-up is the result of the lack of office supply in the city, which became evident as vacancy in the Lisbon market stood at only 5.3% overall. Extremely low vacancy levels were reached in some districts such as Zone 5 (Parque das Nações) where only 1.4% of supply is empty, and the historical zone where vacancy is almost non-existent at 0.3%. Supply will be fuelled in the coming two years by the completion of almost 320,000 sqm – of which 198,000 sqm is already under construction – of new office space expected by 2022. In the context of growing demand and low supply, prime rental values in the Portuguese capital experienced continuous growth over the last 3 years. At the end of 2019, the office prime rent in Lisbon CBD stood at €300/sqm/year and posted a 19% increase compared to 2018.

4.25%
PRIME OFFICE YIELD IN LISBON

INVESTMENT VOLUME REACHES THE SECOND HIGHEST LEVEL OF THE DECADE

The office investment volume in Lisbon reached €982m, which is more than twice as high as the 2018 volumes and second best in the last ten years. Foreign investors were the most active in the market and accounted for more than 80% of the volumes. The prime office yield remained stable over the year at 4.25%, although further compression may be witnessed in the coming months.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Ageas	17,400	AGEAS	5
KPMG	9,950	Fontes Pereira de Melo, 41	1
PLMJ	6,950	Fontes Pereira de Melo, 41	1

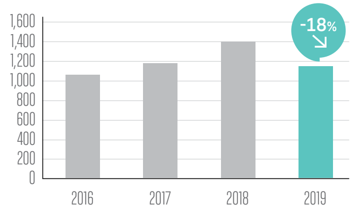
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Deka Immobilien	125	Fontes Pereira de Melo, 41	1
Merlin Properties	112	Torre Fernão Magalhães e Arts	5
M&G	46.5	Alexandre Herculano 53	1

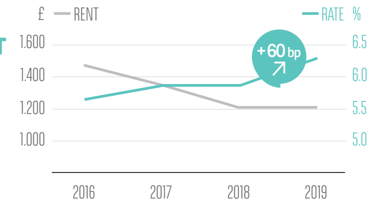
CENTRAL LONDON

London's property market stands to gain from less uncertainty

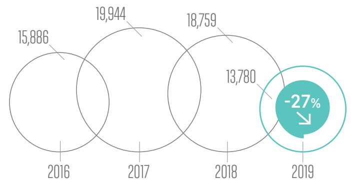
TAKE-UP
thousands of sqm



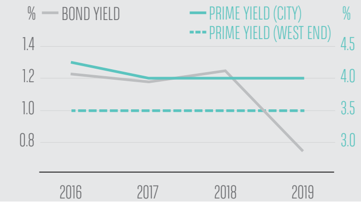
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
£ million



OFFICE PRIME YIELD & BOND YIELD



POLITICAL INDECISION DID NOT DERAIL TENANT DEMAND

Leasing activity in Central London slowed in 2019 reaching 1,147,084 sqm, 18% below 2018 (1,400,282 sqm) and below the long-term average of 1,205,093 sqm. The largest deal was the European Bank of Restructuring and Development (EBRD) acquisition of 33,909 m² in Docklands.

The finance sector strengthened presence since the EU referendum, increasing its letting share to 16% from 12% in 2018. Media-tech firms though, are the key demand, dominating take-up with a 19% share. With tenant bias for top quality space, pre-letting is a major source of demand. Pre-lets also remain a necessary condition for development of new space. Reduced uncertainty may create a pipeline increase in 2020.

The vacancy rate reached 5.7%, up from 5.0% in 2018, but below the long-term average (6.8%). Tenant demand resulted in prime rental growth across several submarkets including Southbank where rents stand at £754/sqm/year, up 7.7%. The West End continues to command the highest rents at £1211/sqm/year, stable across 2019.

4.0%
PRIME OFFICE YIELD IN THE CITY OF LONDON

BREXIT CLARITY WILL OPEN UP LONDON TO MORE INVESTMENT

Investment volumes in 2019 totalled £13.8bn, around 27% below 2018 (£18.7bn) and 21% down on long-term averages. Subdued activity is due to acute stock shortages: many owners held onto prime assets because of lack of clarity on the Brexit situation.

The largest deal was Citigroup's acquisition of 25 Canada Square, E14 for £1,070m reflecting a 4.4% NIY. Overseas capital accounted for 69% of transactions. North American investors in particular, made a comeback deploying £2.2bn compared with £0.7bn in 2018.

Brexit has cocooned London yields for 3 years. In 2019, West End yields were unchanged at 3.5% and 4.0% in the City. Given the weight of capital waiting to enter the market, yield compression is likely in 2020.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (sq ft)	Building-address	Submarket
European Bank for Reconstruction and Development	365,000	One & Five Bank Street, 5 Bank Street, E14	Docklands
BT Group Plc	328,064	One Braham, 1 Braham Street, E1	City
WeWork	284,704	30 Churchill Place, E14	Docklands

MAIN OFFICE TRANSACTIONS: INVESTMENT

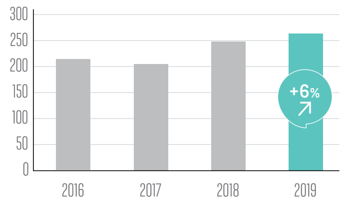
Buyer	Price (£ m)	Building-address	Space (sq ft)
Citigroup	1,070	25 Canada Square, E14	1,285,000
PonteGadea Inmobiliaria	608	Post Building, 100 Museum Street, WC1	310,044
M&G Real Estate	355	40 Leadenhall Street, EC3	978,000

Constant Exchange Rate (Q4 2019 average) €/£: 1.1620

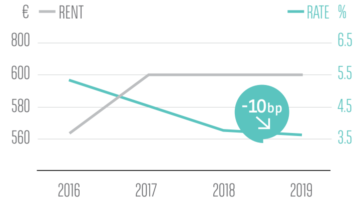
LUXEMBOURG

Occupiers and investors encountering difficulties in acquiring the offices they want

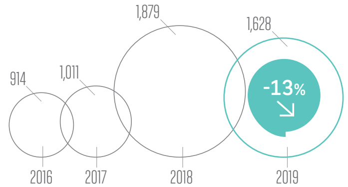
TAKE-UP
thousands of sqm



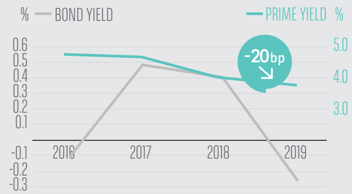
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



STRONG OCCUPANCY ACTIVITY TAKES VACANCY DOWN TO A TEN YEAR LOW

After a quiet first half-year, office take-up in the Luxembourg market accelerated during the second part of the year to reach its best-ever performance. Office take-up ended the year at 260,600 sqm, exceeding the 200,000 mark for the sixth consecutive year.
Several large deals boosted the leasing activity in 2019 with six transactions above 10,000 sqm compared to an average of four per year. A number of these deals are pre-lets, including the occupancy of 39,750 sqm in the 3rd Tower in Kirchberg by the European Court of Justice. In addition, Ferrero moved into their new 29,500 sqm headquarters in the Airport area.
However, the market experienced a significant drop of 25% compared to 2018, in terms of number of transactions recorded. Reduction is mostly a function of the scarcity of available supply.
Immediate supply in the Luxembourg market declined further during the final quarter, taking the vacancy rate down to 3.6%. It is the second time in the last decade that the vacancy has reached this low level. The limited supply is most acute in the central markets (CBD, Kirchberg, Station and Cloche d'or). Over 2020, 265,800 sqm are planned to be delivered of which 86,300 sqm are currently available. The main scheme is the completion of 17,300 sqm in the Zenith Royal.
Prime rents for overall Luxembourg remained unchanged at €600/sqm/year. The supply imbalance means a slight increase in prime rent in 2020 may occur in central markets.

3.80%
PRIME OFFICE YIELD IN LUXEMBOURG

INVESTMENT DECREASE AS INVESTORS STRUGGLE TO SOURCE PRODUCT

In 2019, the commercial real estate volume reached €1,88 bn supported by strong Q4 of €870m. While the total is 27% below the volume of 2018, investors continue to be attracted to the Luxembourg market. The main obstacle they face is the lack of available product.
The largest deals achieved was the Kildare Partners' €390m acquisition of Helios – 70,000 sqm – in Cloche d'Or. Investors' keen interest in real estate assets combined with scarce supply is squeezing prime yields for offices.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Court of Justice of the European Union	39,750	3RD TOWER	Kirchberg
Ferrero	29,500	Casa Ferrero	Airport
Etat Luxembourgeois	14,000	Findel Business Center B	Airport

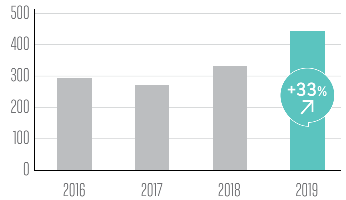
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Kildare Partner	400	Helios	Gasperich – Cloche d'Or
La Française	268	D-Square	Gasperich – Cloche d'Or
IRET Development	150	Les Terres Rouges	Belval

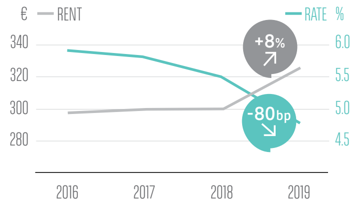
LYON

Lyon reinforces its position as the strongest regional market in France

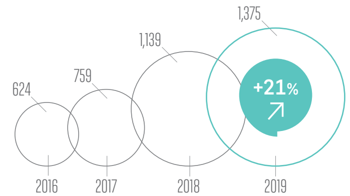
TAKE-UP
thousands of sqm



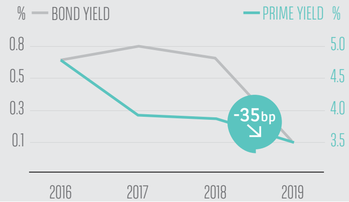
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



2019 SETS A NEW RECORD FOR THE OCCUPIER MARKET IN LYON

The Lyon office market breached the 400,000 sqm threshold the first time in its history with 442,000 sqm of take-up in 2019, a 33% increase compared to 2018. This excellent result is due to several mega deals, including 6 deals over 10,000 sqm. The most buoyant sectors of 2019 were Gerland, la Part-Dieu and Vaise. In contrast to 2018 when the market benefited from a large share of turnkey deals and owner-occupier operations, 47% of take-up in 2019 came from deals in modern speculative offices. This trend validates the strategy of developers and investors who launched speculative construction several years ago. Nevertheless, second hand offices also attracted occupiers if they were renovated and well-located buildings. This segment represented 39% of take-up.

Availability remained stable at 489,000 sqm, but its composition changed significantly over the year. Second-hand supply experienced good absorption rates (-9%), while new supply increased by 19%. This led the vacancy rate to drop below the 5% mark for the first time. Indeed, the healthy occupier market is prompting the launch of new speculative schemes. Average rents in the overall market are gradually increasing, while top rents have reached a new record at €325/sqm/year for high rise buildings in la Part-Dieu.

MORE THAN €1BN INVESTED AGAIN IN OFFICES

Lyon broke its investment record again in 2019 with €1.3bn spent on offices. The city's market share accounts for 40% of the total volume of French regional cities. Six deals over €100m boosted the market and represented almost 50% of the annual total volumes. The Gerland district was particularly appealing to investors in 2019, with more than €300m invested in 12 deals. In such a favourable context, the office prime yield contracted again to 3.50%, and further decrease may occur in 2020.

€1.3bn
SPENT ON OFFICES IN LYON IN 2019

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Framatome	27,480	Work In Park	Gerland
RTE	20,250	Campus RTE	North East
Apicil	20,000	To Lyon	Part-Dieu

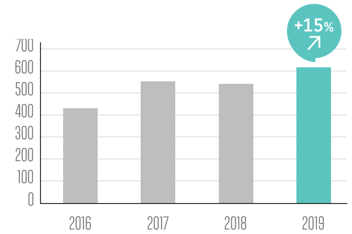
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Apicil	264	To Lyon	Part-Dieu
HIG European Capital Partners	107	Urban Garden	Gerland
Real IS	75	Convergence	Confluence

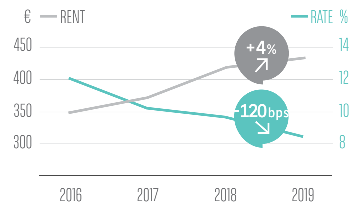
MADRID

Decentralized areas are the focus of attention from tenants and investors alike

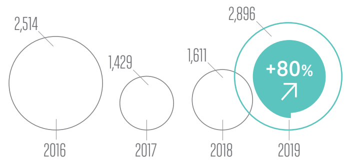
TAKE-UP
thousands of sqm



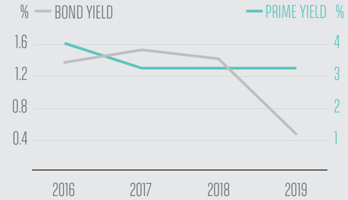
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



RENTAL GROWTH DRIVEN BY STRONG LETTING DYNAMICS AND LOW VACANCY IN THE CBD

Madrid's take-up amounted to 617,133 sqm, above the 2018 performance (538,465 sqm) and well above the ten-year average. Take-up came from 400 deals recorded last year, a figure in line with the last four years. The Decentralized area was the most popular district and characterized by large deals, including the transaction for 34,857 sqm signed by ING Bank in Campo de las Naciones.

As of Q4 2019, prime rental levels in the city stand at €435/sqm, a 3.6% rise on 2018. The vacancy rate has fallen progressively throughout the year and stood at 8.4% in December, due to the absence of new deliveries. Vacancy is not evenly distributed in the city as it fell below 5% in the CBD and Centre districts, whereas it stood at 11.9% and 13.0% in the Decentralized zone and in the Outskirts.

LARGE DEALS IN THE DECENTRALIZED AREA

THE APPEAL OF DECENTRALIZED MARKETS IS INCREASING FOR INVESTORS

The investment volume for offices reached €4,593.6m in Spain in 2019, of which 63% was in the Madrid market. The most noticeable transaction during the final three months of the year was the acquisition of the Acciona and Schindler head offices, belonging to the Albatros business park in Alcobendas (Madrid), for an amount close to €65m.

The scarcity of supply in prime zones is pushing core funds and insurers to focus attention on well-established decentralized markets, causing a slide in yields in these areas. The prime yield for the office market remains unchanged, at 3.25%.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
ING	34,857	Vía de los Poblados 1	Decentralised
Banco Santander	16,217	Josefa Valcárcel 26 & 30	Decentralised
Cetelem	13,671	Virgen del Puerto 55	Center

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Allianz	250	Castellana 200	CBD
Starwood Capital	205	C/ Campezo 1	Outskirts
Grosvenor	80	Avenida de Europa 19	Outskirts

MANCHESTER

An outstanding letting market continues to draw interest from investors

MANCHESTER RENTS ARE PULLING AWAY FROM OTHER UK CITIES

Although 18% down on the record breaking year of 2018, take-up in 2019 reached 134,708 sqm, 24% ahead of the 10-year average. The largest letting of the year was an 11,148 m² pre-let to the serviced office provider, Spaces at 125 Deansgate. The Manchester serviced office market, together with Birmingham, is one of the most mature markets outside of London. The acquisition by Spaces, owned by Regus, follows WeWork's expansion in the city; both providers are keen to capitalise on the thriving tech scene. The serviced office sector accounted for 13% of 2019 take-up, on par with its share in 2018. The addition of several large schemes in phased delivery over 2019/20 pushed up the vacancy rate to 15.0%, from 11.7% in 2018. Key deliveries include 15,442 sqm at Landmark, Oxford Street which completed last year, plus 13,935 m² at 100 Embankment and 21,275 sqm at 2 Circle Square, both of which are scheduled for completion in 2020.

£393/sqm/year

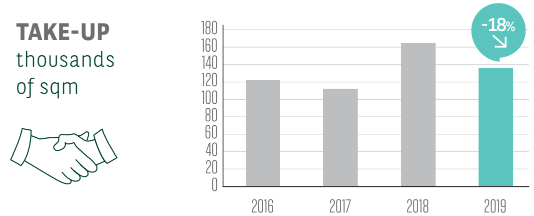
PRIME RENT IN MANCHESTER

In total, we expect delivery of 66,520 sqm in 2020, 13% of which is pre-let. However, given the strong demand for office space in Manchester, we envisage easy absorption over the coming 12-18 months. The robust occupier demand fuelled prime rental growth of 4% over 2019 with rents now standing at £393/sqm/year. The rental gap between Manchester and the other key UK regional cities continues to widen.

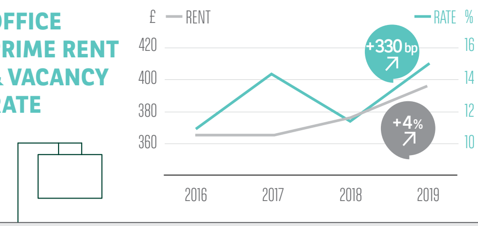
LACK OF PRODUCT FRUSTRATES STRONG INVESTOR DEMAND

The fall in investment volumes in 2018 continued into 2019 with volumes reaching £179m, 46% below the previous year and 59% below the 10-year average. There remains strong investor demand for assets in Manchester given the good occupier market, however, product remains constrained. The largest sale of 2019 was Aviva Investors £55m acquisition of 40 Spring Gardens. The prime yield saw no movement last year and stands at 4.75%.

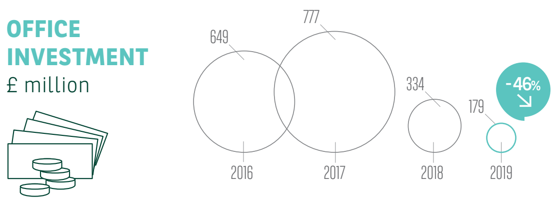
TAKE-UP thousands of sqm



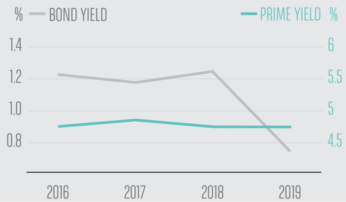
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT £ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (sq ft)	Building-address	Submarket
WeWork	117,000	125 Deansgate	CBD
Amazon	91,383	Hanover Building, Hanover St	CBD
Lloyds Bank	71,579	Westminster House, 11 Portland St	CBD

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (£ m)	Building-address	Space (sq ft)
Aviva Investors	55	40 Spring Gardens	100,000
Northern Group	25	269 Great Ancoats Street	21,000
Topland Group	19	58 Spring Gardens	50,400

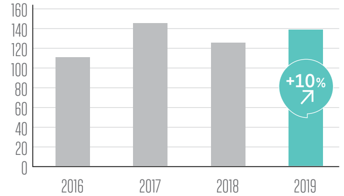
Constant Exchange Rate (Q4 2019 average) €/£: 1.1620

FRANCE

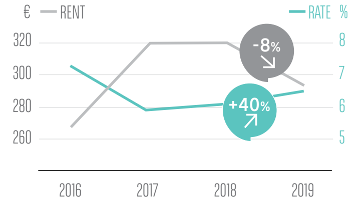
AIX/MARSEILLE

Marseille is awaiting the launch of new projects to relieve supply shortage

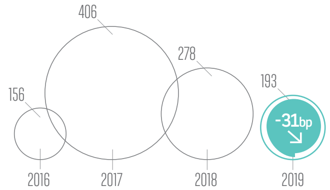
TAKE-UP
thousands of sqm



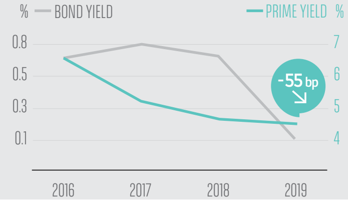
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



THE SECOND-HAND MARKET DROVE THREE QUARTERS OF TAKE-UP

The Marseille market strengthened from a weak 2018, increasing by 10% in 2019 to reach 139,000 sqm. Once again, Marseille suffered from a lack of availability, especially of modern units in the central locations. Indeed, new premises represent less than 20% of the current supply and scarcity will remain the same in 2020 since only 13,000 sqm in six buildings will be completed. Second-hand offices are the beneficiary of low supply of modern buildings, representing 76% of the take-up. Availability across the whole market increased by 6% due to the rise of second-hand office supply. The most buoyant sectors were Euromed and Aix with approx. 49,000 sqm each. Only 2 deals > 5,000 sqm were recorded in Aix/Marseille in 2019, which is a low figure compared to the average. However, small and medium-sized deals remained high.

The top rents, which reached €320/sqm/year in 2018 in the high rise building La Marseillaise, now stand at €295/sqm/year because of the lack of deals in prime office buildings. Average rents for new premises stand at €250/sqm/year in Marseille centre and Euromediterranée, and at €170/sqm/year in Aix.

4.50%
PRIME OFFICE YIELD IN MARSEILLE

OFFICE INVESTMENT IS LOWER BUT SO ARE YIELDS

Investors spent less than €200m in the Marseille urban area office market in 2019. The market lacked from major deals, as the largest operation was the sale of the M SQUARE building, located in the 3rd district, sold sold by Real IS to Kanam. The office prime yield dipped from 4.70% in 2018 to 4.50% in 2019.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Ville de Marseille	12,918	Grand Horizon	Euroméditerranée
Newton Office	5,056	Carrés du Golf A	Pays d'Aix
Solimut	4,547	Castel Office	Euroméditerranée

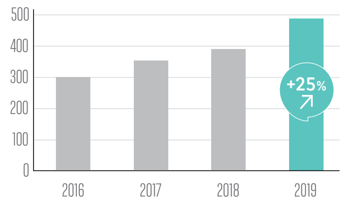
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Kanam	40	M Square	Marseille Centre
Perial Asset Management	22	Centraix	Pays d'Aix
BNP Paribas REIM	>15	Les Carrés du Golf	Pays d'Aix

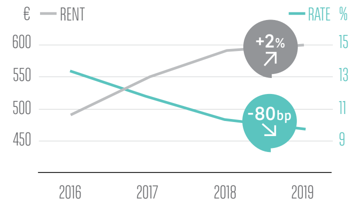
MILAN

Highly active demand is eroding vacancy in all the submarkets of Milan

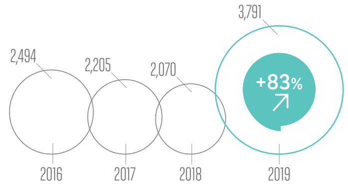
TAKE-UP
thousands of sqm



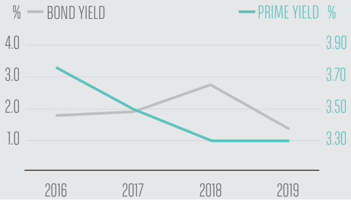
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



2019 HAS BEEN THE BEST YEAR EVER FOR OFFICE LEASING MARKET IN MILAN

2019 has been the best year ever for the office leasing market in Milan with a take-up of nearly 490,000 sqm, exceeding the take-up of last year (390,000 sqm) that set the previous record. The performance of 2019 is higher than the five-year (+30%) and ten-year (+50%) annual averages. Take-up in the city demonstrated buoyant performance in all Milanese submarkets. All areas with the exception of the Semicentre, showed improved performance over 2018. The CBD Duomo, the Centre, the Periphery and the Hinterland all experienced their best year ever for take-up.

490,000 sqm
RECORD TAKE-UP IN MILAN

Prime rents increased in all submarkets over 2019 except for the Periphery and for the Hinterland. Rents stand at €600/sqm/year in CBD Duomo, €510/sqm/year in CBD Porta Nuova and €470/sqm/year in the Centre. Growth in rents reflects that the lowest vacancy rates are in the city centre. The two CBDs and the Centre posted vacancy rates between 2% and 3%. The aggregate vacancy rate of Milan, equal to 9.8%, is mainly a function of much greater vacancy in the Periphery and in the Hinterland.

MILAN POSTS A RECORD HIGH IN OFFICE INVESTMENT

In Milan, total investment of about €4.9bn (41% of total in Italy), makes 2019 the best year ever for commercial real estate investments in the city. It exceeds the previous record in 2015 of €4.4bn. The 2019 result is 55% higher than 2018 and exceeds the five-year (+30%) and ten-year (+95%) annual averages. The record investment volume in Milan in 2019 is mainly due to the office sector, which for the first time, posted a volume of €3.8bn. This is 76% of total investment in Milan and nearly 80% of the office total in Italy in 2019.

Office prime net yields in Q4 2019 are stable q-o-q in all Milan submarkets. Specifically, CBD Duomo remains at 3.30%, CBD Porta Nuova at 3.70% and the Centre at 4%.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Accenture	31,500	Milanofiori Nord – Bld. U1	Hinterland
NTT Data Italia	15,900	The Sign – Via Enrico Schievano 6	Periphery
Il Sole 24 Ore	15,877	Urban Cube – Viale Sarca 223	Periphery

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
DeA Capital Real Estate SGR / Diamond Core Fund (Poste Vita)	285	Galleria Passarella – Galleria Passarella 2 / Galleria San Carlo 6 / Corso Europa 15 / Corso Vittorio Emanuele II	CBD Duomo
REAM SGR / Lendlease Global Commercial Italy Fund (Lendlease Global Commercial REIT)	263	HQ SKY (SKY Bld) – Via Monte Penice 7	Periphery
Deka Immobilien	220	Palazzo Aporti – Via Ferrante Aporti 6/8	Semicentre

MOSCOW

Tenants increasingly seek pre-lets to secure large modern office space

OVERALL MARKET VACANCY IS AT A RECORD LOW

Moscow experienced a steady high trend of positive absorption in all market areas in 2019. The total volume of net absorption was 493,000 sqm in 2019, a decrease of 30% over 2018. Most letting activity occurred with grade B+ facilities at 222.000 sqm as this type of property was more available than grade A which is experiencing shortages.

Overall market vacancy declined every quarter in 2019 reaching a record low of 8.2% by year-end. The vacancy rate in class A decreased by 1.3% to 11.1%. For grade B +, vacancy decreased by 0.3% to 10.1%.

Given the shortage of high-quality offices, especially those with large floor areas, tenants are increasingly interested in new properties under development. This is driving a substantial amount of pre-letting in Moscow with many developments coming to the market partially or fully let at the onset of construction.

The number of projects under construction for delivery in 2020 will be about 400,000 sqm. Development is likely to accelerate with new projects planned for delivery in 2021-2022.

Shortage spurred market transition in 2019 from a tenant market to a landlord market in terms of lease negotiation and is likely to create rental increases.

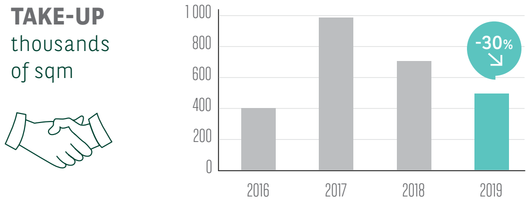
SHORTAGE OF CLASS A SUPPLY IN MOSCOW

DEVELOPERS ARE DRIVING INVESTMENT TO SECURE SITES FOR NEW OFFICE SPACE

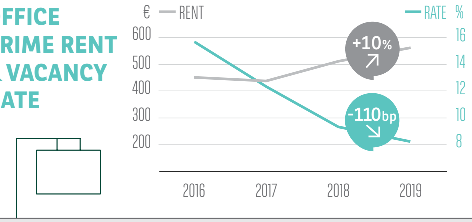
Moscow accounts for the largest share of investment at almost 80% of transactions compared to the other regions of Russia. Investment in Moscow rose 10% in 2019 compared with 5% a year earlier. Development sites remain the leading asset in terms of volume, pushing this sector's market share to almost 40%. Consequently, the share of developers in the structure of investment market continued to increase, reaching 45%. In second place are investment companies whose share was 24% against 12% a year earlier. Banks are in the third place, whose share also increased by 4%.

Despite the macroeconomic situation, an increase in the number of investment transactions is possible in the Moscow office market with the consolidation of asset portfolios over 2020. Another driving factor is the high yield on fully let quality modern properties. Capitalization rates for the last year have not changed. The range of prime yields for high-quality assets in the office segment is 9.00-10.00%.

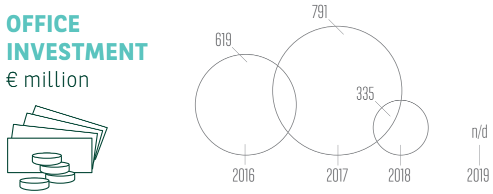
TAKE-UP thousands of sqm



OFFICE PRIME RENT & VACANCY RATE

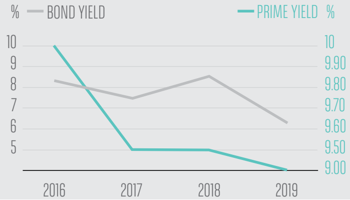


OFFICE INVESTMENT € million



Source: RCA

OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Raiffeisen Bank	34,000	Nagatino i-Land, phase 3 – Andropova pr-t 18	SAO
Alfa Bank	24,585	Nagatino i-Land – Andropova pr-t 18, bld. 1, cor. 6	SAO
Rostelecom	23,918	Academic – Vernadskogo pr-t, 41	WAO

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price	Building-address	Submarket
Metrika Investments	20bn ₽	Neva Towers – 1 Krasnogvardeysky pr-d, 17-18	Moscow City
Arrow Capital	5bn ₽	Fusion Park – Usacheva Str. 2, bld.1	CAO
Supremum Capital	2.2bn ₽	Meridian – Smolnaya Str. 24	NAO

*Constant Exchange Rate (Q4 2019 average) €/RUR: 0,0142

MUNICH

An ultra-active market takes Munich investment volumes to a new high

VACANCY SHORTAGES RESULT IN OFFICE OCCUPATION RETURNING TO THE LONG-TERM AVERAGE

The Munich office market posted take-up of 770,000 sqm in 2019, on a par with the average for the past ten years. This is a good result although it represents a marked drop of 20% compared to the previous year which was close to 1 million sqm.

The problem of low vacant space shows no sign of easing, despite an annual increase in availability of around 5% to 511,000 sqm. This is still one of the lowest availability levels in the past 20 years and 50% below the ten-year average. At 2.4%, the overall city vacancy rate is critically low. The situation is even more severe in the City Centre, where only 11,000 sqm of modern vacant space is available, bringing the vacancy rate for this submarket down to an all-time low of 1.4%.

The upward trend for rents continued as expected, as the supply and demand situation promotes strong competition between tenants for the remaining modern premises. Consequently, the prime rent increased 1% to €474/sqm/year, although this is comparatively moderate given the lack of premium properties in core locations.

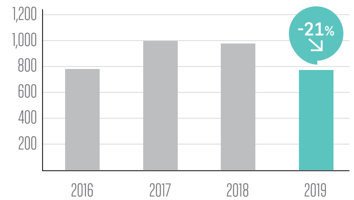
YIELD COMPRESSION SEES MUNICH JOINING BERLIN AS GERMANY'S MOST EXPENSIVE CITY

Munich investment volumes of €10.7bn means the city joins Berlin and Frankfurt in an exclusive club of €10bn plus investment markets. While the market was extremely lively across all segments, with large-volume deals in the range over €100m contributing the largest share of Munich's new all-time high. Offices proved the leading asset class once again. The office sector not only increased its absolute transaction volume by almost 80%, it also attained a share of roughly 70% of the total turnover, on par with the multi-year average. The balance reflects the importance of the super-sized deals that occurred in 2019.

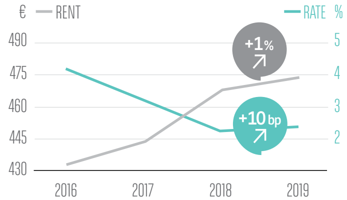
2.60%
PRIME OFFICE YIELD IN MUNICH

Strong investor demand combined with a limited supply is keeping prices under pressure. The prime initial yields for office properties have fallen accordingly, and currently stand at 2.60%. This means that Munich has now caught up with Berlin to become the most expensive location in Germany.

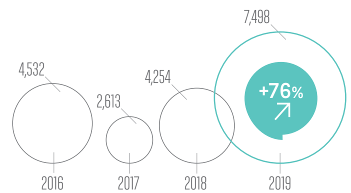
TAKE-UP
thousands of sqm



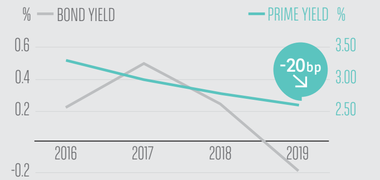
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Apple	32,500	Karlstraße / Denisstraße	1.1 City Centre
ProSiebenSat.1 Media	26,000	Gutenbergstraße /Medienallee	4.1 Region North
Bayerischer Rundfunk	25,000	Floriansmühlstraße	3.5 Remaining Municipal Area

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Hines/Commerz Real	1,100	Campus Tucherpark	1.2 Bogenhausen
BVK/Universal-Investment	600	Die Macherei	2.2 Centre Fringe South
Hines	430	Lenbach Gärten	1.1 City Centre

NICOSIA

Employment growth is increasing demand for modern offices

Over 2019, the office market in Cyprus enjoyed a period of stability, which reflects solid economic growth since 2014. Economic growth of 3.9% in 2018 was maybe slower in 2019 at 3.1% yet employment gains are continuing. Strong growth has meant that unemployment is declining rapidly and that is translating to greater office demand, particularly for Grade A offices.

Nicosia is the capital and financial centre of Cyprus, historically home to the public sector and most of the large businesses operating on the island. Office space in Cyprus is traditionally found in the old common type multi-storey buildings, which are mainly located in the heart of the city. However, land constraint and the need for modern premises is seeing decentralization occurring.

5.0%
OFFICE PRIME YIELD IN NICOSIA

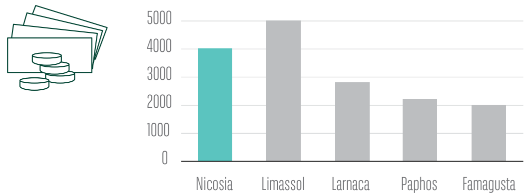
The core location preferred by occupiers is the CBD although the more modern buildings are in the decentralized areas. Grade A offices in Nicosia are seeing rental growth as businesses take advantage of stability to relocate and expand. The IRIS, the Agents Association, EAC, Department of Registrar of Companies, EASO (European Asylum Offices), Microsoft are all large bodies actively looking to relocate to grade A office premises.

NICOSIA OFFICE MARKET IS EXPERIENCING YIELD COMPRESSION

The residential market is mostly the focus of Cypriot property developer activity. Yet, the last four years of economic growth has opened opportunities for the construction of office facilities intended mainly for multinational companies.

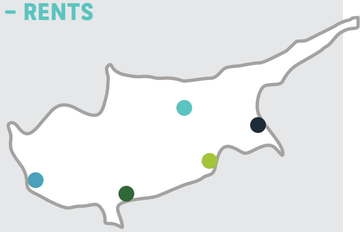
In turn, that has attracted the attention of local and foreign investors seeking to acquire assets. The market is small; nonetheless it is quite active and has resulted in Grade A office prime yields compressing from 5.5% in 2018 to 5% in 2019. Over 2020 the economy's performance will continue to accelerate development and support the investment market.

GRADE A OFFICE PRICES
(€/m²)



GRADE A OFFICES – RENTS
(€/m²)

Nicosia	18
Limassol	30
Larnaca	10
Paphos	9
Famagusta	8



MAIN OFFICE TRANSACTIONS: LETTING & SALES 2019

Occupier	Space (m²)	Building-address	Price (€/sqm/month)
Athienitis Building | Tax Department	2,000	Strovolou Avenue	13 €/sqm
KBC | iSignthis	1,600	Iosif Hatziosif Avenue	14 €/sqm
KBC | Eurolife	1,990	Iosif Hatziosif Avenue	14 €/sqm
KBC | Bank of Cyprus	800	Iosif Hatziosif Avenue	14 €/sqm

OFFICE PIPELINE UNDER CONSTRUCTION

Developer	Space (m²)	Building-address	Submarket
CYMIVA TOWER	4,773	Lemesou Avenue	Nicosia
EAC BUILDING	3,700	Griva Digeni Avenue	Larnaca
CH97	1,300	Strovolou Avenue	Nicosia
CAPITAL GATE	2,725	Limassol Avenue	Nicosia
THE ASTEROID	6,000	Limassol Avenue	Nicosia

NORWAY

OSLO

Strong demand for office properties in Oslo as rental prices continues to grow

INCREASED EMPLOYMENT IS SUPPORTING CONTINUED STRONG ABSORPTION IN THE OFFICE MARKET

Norway's economy continued to expand during 2019 thereby increasing employment that fed into an expansionary office market. Consequently, the vacancy rate in Oslo fell to a record low of 5.7% by end 2019, down from the peak of 8.6% seen in 2016. Development activity increased although most of the new premises that came to market were pre-let. Low vacancy and strong demand are accelerating rents with the prime rent attaining a record high of €550/sqm/year in 2019, growing 9% over the year.

The development pipeline is modest for 2020, with expectation of increased completion from 2021 onwards. The letting market is set to have another year of falling vacancy rates and continued rental growth, however at a slower pace than seen during 2019. From 2021 and onwards, the letting market is set to cool off as the economy slows.

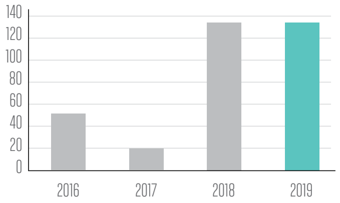
STRONG DEMAND FOR OFFICE PROPERTIES IN OSLO AS RENTAL PRICES CONTINUES TO GROW

Norway saw yet another year of strong investment volume for commercial real estate in 2019, reaching NOK 90bn (€9.34bn). The office sector was the largest asset class as usual. Interestingly development land acquisitions posted the second highest volume, which reflects new trends emerging in the market. Investors also showed considerable interest in community service facilities (elderly care, kindergarten and health facilities) that are evolving as a new market segment.

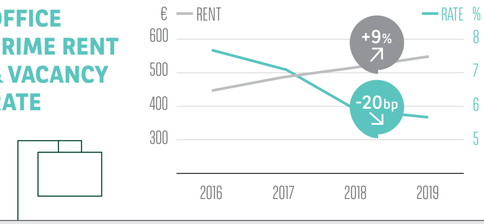
€2.4bn
INVESTED IN OFFICES IN OSLO IN 2019

The activity for the Oslo office market also remained strong with a 4% increase in volume to NOK 22.7bn (€2.4bn). The market saw several transactions of lower quality office properties with only a few years remaining on the lease contract, bought by investors seeking increased return from renegotiations of lease contracts. This market feature encouraged secondary yields in Oslo to fall while prime yields remained stable. The prime yield will remain stable over 2020, as interest rates may have peaked for now in Norway. 2019 saw foreign investors as net sellers for the first time since entry in 2014. A combination of maturing investments and yield compression plus increased hedging cost, made new investments too expensive. Going forward, strong demand from national investors will support the Oslo market.

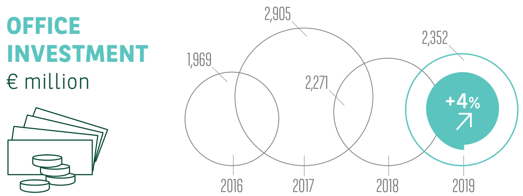
NET ABSORPTION thousands of sqm



OFFICE PRIME RENT & VACANCY RATE

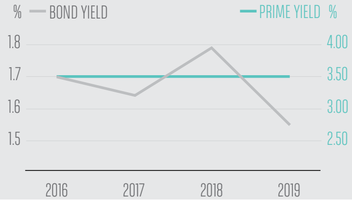


OFFICE INVESTMENT € million



Source: RCA

OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (NOK m)	Building-address	Yield
DNB Liv (LifeCo)	4,488	DNB HQ	< 4%
Union Real Estate Fund	1,830	Valle Wood, View & Vision	4.30% / 4.15%
DNB Scandinavian Property Fund	1,325	Workplace Oo	4%
Union Core Fund	> 1,000	Oslo Met	n/a, below market rent
Clarksons Platou syndicate	900	Grensen 5-7	4,7%

*Constant Exchange Rate (Q4 2019 average) €/NOK: 0,1038

CENTRAL PARIS

Paris inner city product shortages are encouraging interest in other markets

HISTORICALLY LOW VACANCY IN CENTRAL PARIS IS SUPPORTING RENTAL UPLIFT

The 2,064,000 sqm of take-up over 2019 leaves the office market in Central Paris only 6% down compared to 2018. Take-up across all size bands is lower, but it is mainly the lack of deals for large units (>5,000 sqm) that hampered the market. Total take-up remains slightly above its 10-year average, which indicates demand levels overall remain good.

Take-up decreased in many Paris Region districts, although some impressive increases were seen in the Northern Inner Rim (+79%) and in the Southern (+48%) and Northern River Bends (+24%). Paris CBD is experiencing a shortage of supply, which lies behind its 13% drop in take-up over the year.

Serviced offices are becoming a significant driver of the market, with more than 180,000 sqm taken up by coworking operators in 2019 (+38% vs. 2018). Whereas deals for serviced offices were initially concentrated in the CBD, the phenomenon is now spreading to the whole of Paris Region. The historically low vacancy rate in Central Paris (4.9%) is pushing prime and average rents upwards, especially within the limits of Paris Inner City, where vacancy is only 2.2%. The prime rental value increased to €880/sqm/year and may grow again in 2020. Supply under construction is increasing and reached 1.5m sqm at the end of 2019, of which 37% was located in the Inner Rim and 29% in La Défense.

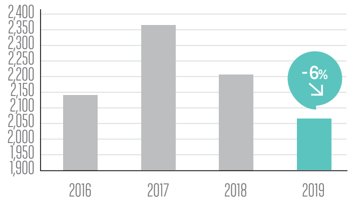
ANOTHER HIGH IN INVESTMENT VOLUMES MATCHED BY NEW LOW IN YIELDS

Investment in offices in Central Paris came to € 20.5bn, i.e. an increase of 7% over the 2018 total. Similar to 2018, there was a high number of huge deals: 57 transactions for over €100m in 2019, with 10 deals over €400m. Ile-de-France holds great appeal to international investors and the key players in 2019 came from South Korea who spent over €4bn. All buyers though face a problem with the lack of product in Central Paris and that is encouraging investors to consider other sub markets. In 2019 this included the Western Crescent that attracted the most investment during the year at around € 5.6bn.

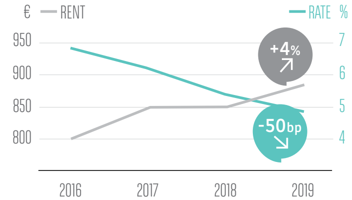
In this positive context, it is unsurprising to see prime yields continue to narrow. As such, the prime office yield in Paris CBD fell below 3.00% for the first time and outside the CBD is currently at around 3.10% over 3.25% in 2018.

2.80%
PRIME OFFICE YIELD IN PARIS

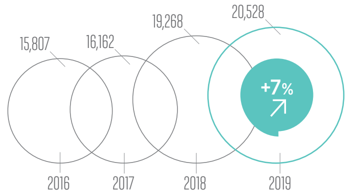
TAKE-UP
thousands of sqm



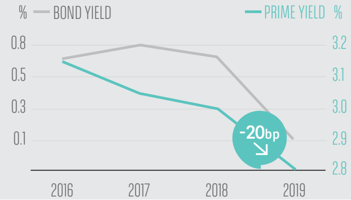
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Canal +	37,634	Sways – Issy les Moulineaux	Southern River Bend
COJO / Paris 2024	27,691	Pulse – Saint Denis	Northern Inner Rim
Accuracy	6,129	16 avenue Matignon	Paris CBD

MAIN OFFICE TRANSACTIONS: INVESTMENT

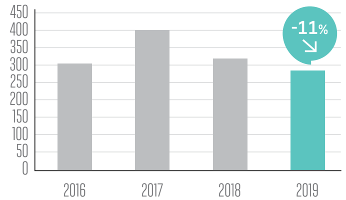
Buyer	Price (€ m)	Building-address	Submarket
Swiss Life	1,819	Portfolio	Paris CBD
Samsung / Primonial	1,200	Le Lumière	Paris 12
Mirae Asset Daewoo / Amundi	910	Majunga Tower	La Défense

CZECH REPUBLIC

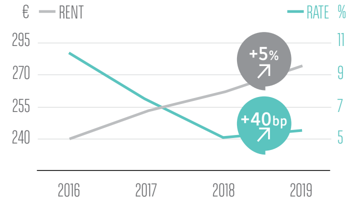
PRAGUE

Prague is experiencing rapid expansion of stock

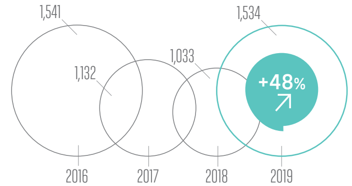
TAKE-UP
thousands of sqm



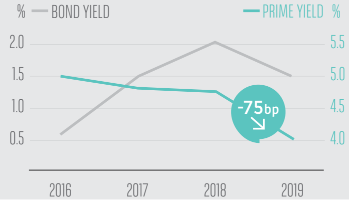
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



VACANCY REACHES HISTORIC LOW LEVELS

At the end of 2019 the total modern office stock in Prague reached 3.65m sqm. The office stock grew by 204,700 sqm in 2019, which was the highest volume of additions since 2008 and 46% above 2018. New supply included Harfa Office Center (32,000 sqm) situated in Prague 9, ČSOB SHQ (30,000 sqm) in Prague 5 and the refurbishment of Centrum Vinice (19,300 sqm) in Prague 10. The largest office districts remain Prague 4 (26% of the total stock), Prague 5 (18%) and Prague 8 (15%).

Over 369,400 sqm of office space is under construction and planned for delivery in 2020 and in 2021. More than half of the projects are already pre-leased. The Prague office vacancy rate increased slightly to 5.5%, partly caused by the delivery of 92,500 sqm of office space in Q4 2019. The speculative development of office space may slightly increase the vacancy rate in 2020.

4.0%
PRIME OFFICE YIELD IN PRAGUE

STRONG DEMAND FROM DOMESTIC AND FOREIGN INVESTORS FOR OFFICES

Total commercial real estate investment volume reached €3.1bn in 2019 with offices as the most traded asset class. Czech investors were dominant with a market share at 40% followed by investors from South Korea at 21% and Germany at 8%. We have seen capital value growth in the sector driven by rising rents and strong investor demand. Prime office yields decreased by 75 bps over the past year to 4% although for 2020 we expect stabilization in yields.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Clearstream	17,100	Futurama Business Park, Prague 8	Prague
ExxonMobil	15,400	Luxembourg Plaza, Prague 3	Prague
PricewaterhouseCoopers	13,400	City Green Court, Prague 4	Prague

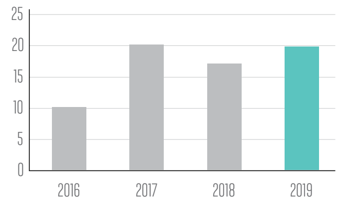
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
GLL (Hanwha Investment & Securities)	253	Waltrovka, Prague 5	Prague
Rustonka I-III	164	Rohanske nabr. 698, Prague 8	Prague
Mainpoint Pankrac	130	Milevska 2095/5, Prague 4	Prague

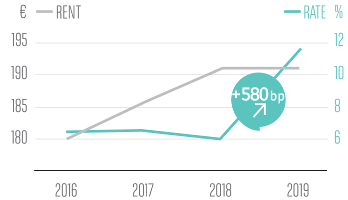
RIGA

Riga is building a new CBD

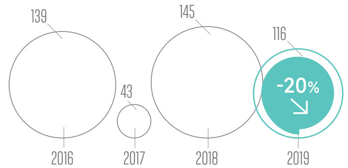
NET ABSORPTION
thousands of sqm



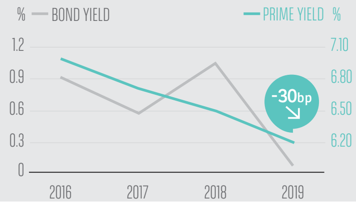
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



THE LACK OF MODERN BUILDINGS LIES BEHIND AMBITIOUS DEVELOPMENT PLANS

The Riga office market is undergoing changes that we have not seen for almost a decade, with only a few new office deliveries and stagnating new office supply. In 2019, grade B projects in secondary locations dominated the availability in the market. The lack of interest in this product plus its expansion meant the total market vacancy rose to near 12% by the end of the year. The leasing market may reignite with new grade A office space now at planning stage. These projects will help address a serious issue in Riga: the absence of a central business district. The planned projects (especially those developed by Lords LB, Galio Group) will form a viable centre. During the last 2 years, developers experienced in the Baltics market have initiated four large office projects. More than 235,000 sqm of projects are in the planning stage with expected delivery in 2-3 years. Riga has a lot of potential to become the capital of the Baltic States and must take advantage of the situation while delivering suitable quality real estate projects.

PRIME OFFICE ASSETS WILL FUEL THE MARKET IN RIGA

WESTERN EUROPEAN INVESTORS ARE SHOWING INTEREST IN RIGA

The Riga office segment is particularly appealing to investors, accounting for 50% of the €230m transaction volume in 2019. Western European investor confidence in the Latvian real estate market returned over the year. At the end of 2019, VIG Fund, an investment company owned by Vienna Insurance Group AG, acquired three office buildings totalling 20,000 sqm from Baltic RE Group. The entry of VIG is one of the first major investments by a Western European company in the Riga office sector, and one of the largest investments in the Latvian commercial property market during the last few years.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Maxima Latvia	3,500	Akropole	non-CBD
Visma	1,500	Business Garden Riga	non-CBD
Cabot Latvia	1,500	Jauna Teika Henrihs	non-CBD

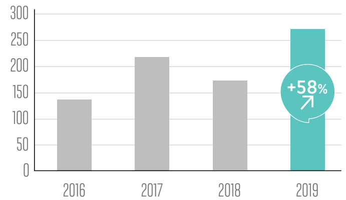
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
VIG Fund	confidential	3 office building portfolio	CC
Colonna Capital	confidential	Luminor HQ	CBD
Eastnine	25	Valdemara Centrs	CC

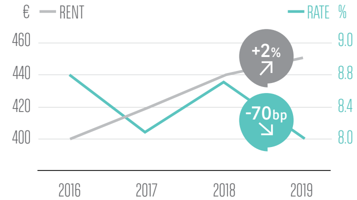
ROME

In 2019 general buoyant performance for take-up in all city's areas

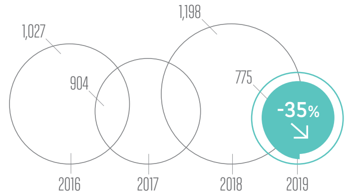
TAKE-UP
thousands of sqm



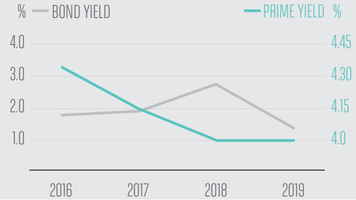
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



ROME'S BEST YEAR EVER FOR OFFICE TRANSACTIONS

2019 was the best year ever for the office leasing market in Rome, with take-up of nearly 273,000 sqm (about +60% on 2018) that exceeded the previous record level attained in 2017 (about 220,000 sqm). The 2019 performance is 50% higher than the five-year annual average and about 75% higher than the ten-year annual average.

The 2019 result is due to some large transactions including one of about 50,000 sqm that occurred in the Centre and another of about 27,000 sqm closed in the Eur submarket.

All Rome submarkets, except for the CBD, showed positive performance in absorption in 2019 that increased over 2018. Prime rents demonstrated stability in all city submarkets, again except for the CBD where over H1 there was an upward trend from €440/sqm/year to the current €450/sqm/year.

As at Q4 2019, the total office vacant space amounted to 783,500 sqm, slightly lower than the previous quarter. Steady falls across the year led to the aggregate vacancy rate in the city declining to 8% from 8.7% at the end of 2018. The central submarkets showed lower vacancy rates (between 3.5% and 4%).

273,000 sqm
RECORD TAKE-UP IN ROME

STRONG INVESTMENT IN 2019: SECOND BEST YEAR EVER FOR THE CITY

Investment in Rome of €1.8bn makes 2019 the second best year ever for the commercial real estate market of the city after 2018 (nearly €2.2bn). The 2019 result is about 15% higher than the five-year annual average and about 45% higher than the ten-year annual average.

The office segment in 2019 accounted for about 45% of total volumes in Rome, offices investment of €780m is down on 2018 by 35% and was split most between two areas. Around 45% of the total occurred in the Greater Eur and another 40% in the CBD.

Office prime net yields were stable in all submarkets with lowest in the CBD that remained at 4% and the Centre at 5%.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Servizi Segreti	50,000	Piazza Dante	Centre
Accenture	27,000	Via Sciangai 53 – Bld. 1,2,3,4,5,6	Greater Eur
Queen Immobiliare	17,700	Via Pianciani 22	Centre

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Savills SGR / Urban Regeneration Fund (JV between JP Morgan & GWM)	104	Ex BPN HQ – Via Boncompagni 71/A	CBD
DeA Capital Real Estate SGR (GreenOak)	89	Ex Mirto – Viale Beethoven / Via Chopin	Greater Eur
Investire SGR / Fiepp Fund	63	Via Abruzzi 25 / Via Sardegna 38-40	CBD

STOCKHOLM

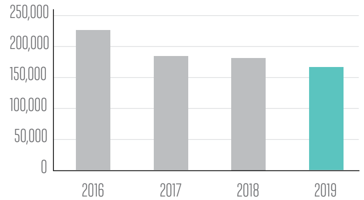
CBD supply deficiency is transferring demand to new submarkets

As in previous years, market average rents in Stockholm continued to grow at a strong rate, with those in the CBD increasing to SEK 7,200/sqm/year (€682/ sqm/year). Newsec estimates that prime rents in the CBD are now around SEK 9,300/sqm/year (€881/sqm/year), and the market expects breaching of the SEK 10,000/sqm barrier in 2020. The strongest rental growth is in the Arenastaden/ Solna submarket, which witnessed many major lettings to occupiers in need of large space unavailable in the CBD. The area also has the strongest supply pipeline in Stockholm, owing to the submarket's rising popularity and the stronger feasibility of carrying out major projects as space is less constrained. Though many occupiers would prefer to rent in the CBD, supply deficiency increasingly forces moves into Arenastaden and other suburbs.

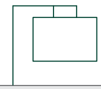
Swedish investment for 2019 reached SEK 218bn (€20.7 bn) for transactions over SEK 40m. It is the strongest transaction volume to date and represents a 40% increase over the 2018 total of SEK 155.3bn (€14.7bn). A number of major M&A deals, as well as strong interest for the office, residential and logistics sectors drove the record volume. The prime office yield fell to 3.2%, and investors looking to purchase prime properties face fierce competition, both within the CBD and beyond. Geographically, the Stockholm market dominates with 41% of transaction volume (€8.4bn), in line with previous years. The largest office transaction of the year occurred in Stockholm in September when Folksam purchased the Brädstapeln 17 property on Kungsholmen from Areim for SEK 4.3bn (€0.41bn). This was just one of many major office transactions that occurred in 2019, with the segment accounting for 24% of transaction volume, second only to residential at 32%.

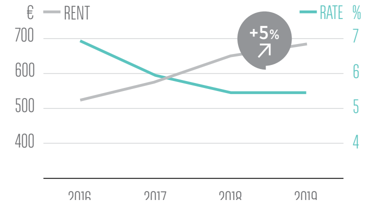
A RECORD TRANSACTION YEAR DRIVES **FURTHER YIELD COMPRESSION**

NET ABSORPTION
thousands of sqm

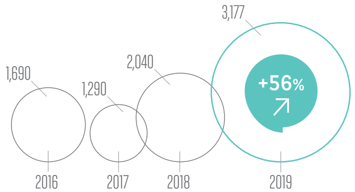


OFFICE PRIME RENT & VACANCY RATE

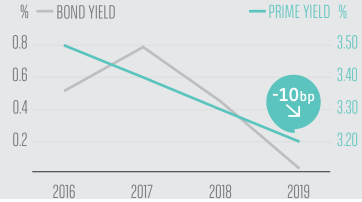




OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Skatteverket	42,000	Nya Kronan, Sturegatan 7	Sundbyberg
TietoEVRY	22,000	Kvarter Poolen, Gustav III:s Boulevard	Solna
7A	17,000	Centralposthuset, Vasagatan 28-34	CBD

OFFICE PIPELINE UNDER CONSTRUCTION

Completion	Space (m²)	Building-address	Submarket
2020	24,000	Kvarteret Hästskon	CBD
2020	40,000	Scandinavian Life Science	Hagastaden/Solna
2020	26,000	Sthlm 01	Hammarby Sjöstad

*Constant Exchange Rate (Q4 2019 average) €/SEK: 0,0939

TALLINN

Non-core areas are the focus of future development

LOW GRADE A SUPPLY IN THE CORE IS SHIFTING TENANT DEMAND TO SECONDARY MARKET AREAS

The office segment in Tallinn remains the largest and most balanced among the Baltic capitals. Total office supply increased by 21,300 sqm or almost 3% up to 827,300 sqm in 2019. Supply of modern space is diminishing and although vacancy rates remain stable, both developers and tenants are looking to secondary market areas instead of the core. Grade A office projects are under construction but local developers will pay more attention to buildings in the city outskirts. The largest development in 2019 was the 8,000 sqm built-to-suit project delivered for Postimees Grupp HQ in Fahle Park. At least 100,000 sqm of new supply may arrive until the end of 2021.

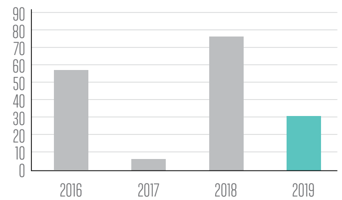
Rents have remained stable even though the demand for modern office premises is high. Significant changes to rents and vacancy are unlikely in the short term. New high-quality supply in attractive areas welcomed strong tenants in 2019, such as law firm Sorainen who signed for 1,670 sqm and Baltics based co-working operator Workland signed for 2,500 sqm at Porto Franco. One of the largest co-working operators IWG leased 3,000 sqm to operate its Spaces co-working concept at Fahle Park. Prime class premises located in the CBD and harbour area, as well as city outskirts, will continue to attract the most demand in 2020. Demand is likely to come mainly from IT, financial and start-up sectors.

6.0%
PRIME OFFICE YIELD IN TALLINN

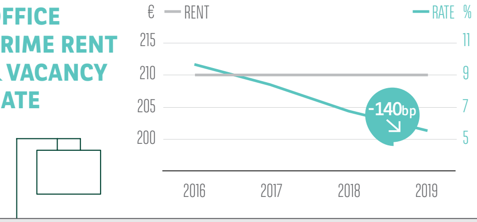
NEW PRODUCTS WILL ATTRACT FOREIGN CAPITAL TO TALLINN

In 2019, the Estonian investment market experienced a slowdown in investment to around €100m. The Tallinn office market saw an investment of nearly 45% of the country's total transaction volume. The lack of product is the primary factor behind the slower pace of investment as both local and international investors remain interested in buying: they are simply waiting for new supply to appear in the market. Local buyers accounted for most purchases. The country has a pool of local investors that actively participate in the market, the main ones being Eften Capital, Colonna Capital, Capital Mill, LHV and others. International ones from Western Europe and Scandinavian countries remain active and will chase for suitable assets when they appear.

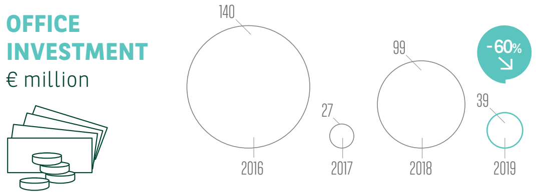
NET ABSORPTION thousands of sqm



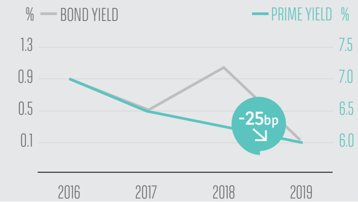
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT € million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Spaces	3,000	Fahle Park	non-CBD
Workland	2,500	Porto Franco	CC
Sorainen	1,670	Porto Franco	CC

MAIN OFFICE TRANSACTIONS: INVESTMENT

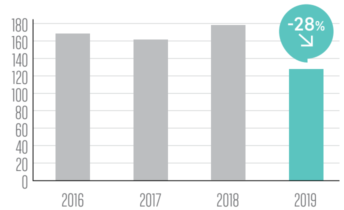
Buyer	Price (€ m)	Building-address	Submarket
LHV	confidential	Valge Maja	non-CBD
Lumi Capital	confidential	Microsoft-Skype HQ	non-CBD
Estiko	confidential	Danske Bank HQ	CC

FRANCE

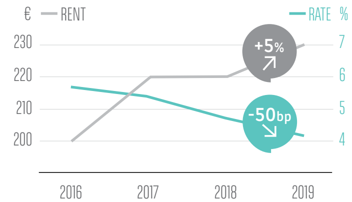
TOULOUSE

The city is facing the prospect of a limited development pipeline

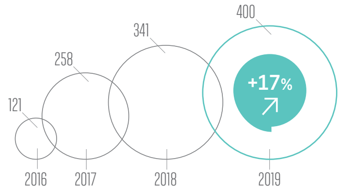
TAKE-UP
thousands of sqm



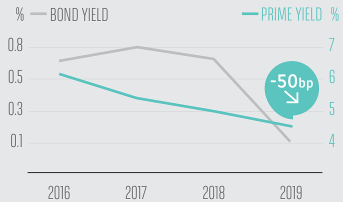
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



TOULOUSE OFFICE MARKET SLOWED DOWN IN 2019 WITH A LACK OF LARGE DEALS

With only 128,000 sqm taken up in 2019, the Toulouse office market dropped by 28% compared to 2018. This poor result is mainly due to the lack of large deals especially turnkey and owner-occupier deals. There was only one deal > 5,000 sqm recorded in Toulouse in 2019, which is very unusual for the city. Correspondingly, there was an increase in transactions for second-hand buildings over the year. The most buoyant sector was the Western periphery of Toulouse (Blagnac, Saint Martin du Touch).

Despite the weakness of the occupier market, availability is still decreasing and stood at 229,000 sqm at end 2019. Both new supply (-11%) and second hand supply (-8%)diminished and as a result, the vacancy rate dropped to 4.4%. Future supply increases are quite limited with only 28,000 sqm of new delivery under construction: Equinox and Epoq buildings both located in the Western sector. Further ahead are 124,000 sqm of projects with planning permission granted.

Average rents remained very stable in 2019 for new and second hand premises, while top rents increased to €230/sqm/year.

4.50%
PRIME OFFICE YIELD IN TOULOUSE

HISTORIC HIGH FOR THE INVESTMENT MARKET

As the third largest regional market in France, Toulouse saw €400m invested in offices in 2019. This is the first time that the market reached such a high level. One major deal has boosted the market: the sale by Real IS to Catalyst Capital of a portfolio comprised 4 buildings rented by Airbus. Even though the prime office yield stood at 4.50%, it is highly likely to see further compression in 2020.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Insitu Business Centre	6,568	Take Off	West
Nexeya	4,674	Fairway / Golf park	South-West
Sicoval	4,470	Diagonal	South-East

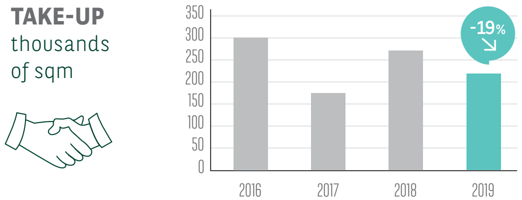
MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Catalyst Capital	107	Aurora Portfolio	Toulouse & Blagnac
La Française AM	44	Galaxia	Toulouse West
Foncière INEA	35	Take Off	Toulouse West

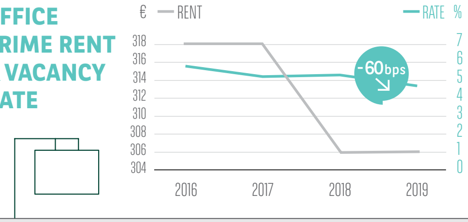
VIENNA

New construction is diversifying office space choice for tenants and investors

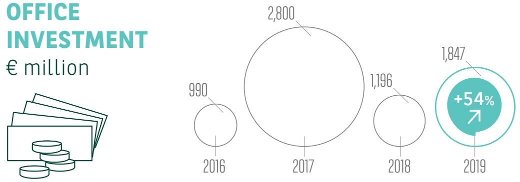
TAKE-UP
thousands of sqm



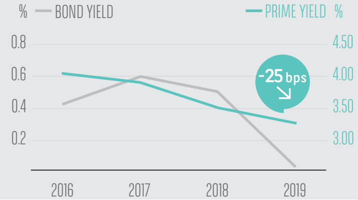
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



HIGH QUALITY REFURBISHMENTS BECOMING INCREASINGLY IMPORTANT FOR SUPPLY

In 2019, take-up amounted to 220,000 sqm with the lion's share of lettings occurring in modern, newly built properties in well-established office clusters. Rent levels remained stable with €306/sqm/year for prime office buildings in the city centre and and €178/sqm/year for the market average. The vacancy rate continues to decrease, attaining 4.7% by Q4 2019, and will fall even further over the course of 2020. Deliveries in 2019 for the Viennese office market reached a record low of 45,000 sqm. There are major implications from this for the market in 2020. With very few development plots available in the established office locations, prospective tenants will increasingly look toward high quality refurbishments. Out of the 177,000 sqm of office space due for completion in 2020, 31% are refurbishments. The alternative are newly built properties outside the office clusters, effectively in new submarkets. The structural shift in supply with newly built properties in non-traditional locations is an inevitable market response to provide tenants with offer in all price ranges and quality.

3.25%
PRIME OFFICE YIELD IN VIENNA

OFFICES ARE THE MAIN DRIVER OF RECORD INVESTMENT IN 2019

2019 set a new record high in the Austrian real estate investment market with a volume of €6bn, an increase of almost 50% compared to the previous year. The office segment was once again the dominating sector with a market share of 31 per cent, closely followed by institutional residential investments. The outstanding result was mainly due to rising activity from international investors, especially from Asian countries such as Korea. Yields for prime office properties continued to decrease and currently stand at 3.25%. The outlook for 2020 is excellent. Low interest rates, stable economic and political development in Austria and the availability of high quality office properties for sale create an exciting investment environment for domestic and international investors.

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Erste Group	17 000	10; Bel&Main	Hauptbahnhof / Quartier Belvedere
AMS & MA40	13 100	12; Inno-Plaza	Region Süd /Wienerberg
Wiener Wohnen	6 600	3; Erdbergstraße 200	Region Ost / Erdberg

MAIN OFFICE TRANSACTIONS: INVESTMENT

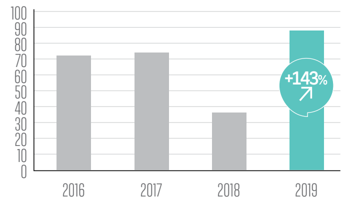
Buyer	Price (€ m)	Building-address	Submarket
BVK	185	Austria Campus 3, Rothschildplatz 1	Lassallestraße | Messe | Prater
Hallmann	170	MGC Office Park, Modecenterstraße 22	Region Ost | Erdberg
EPH Eastern Property Holdings	233	QBC 1+2, Wiedner Gürtel	Hauptbahnhof | Quartier Belvedere

LITHUANIA

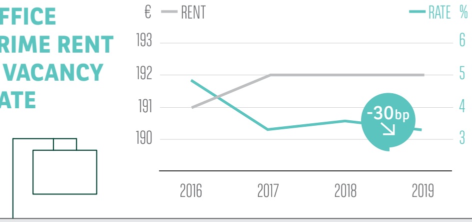
VILNIUS

Low vacancy drives office preleasing and construction activity

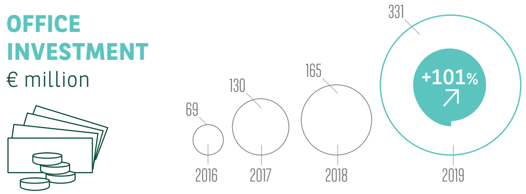
NET ABSORPTION
thousands of sqm



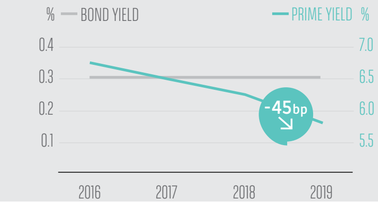
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



A RECORD LEVEL OF TAKE-UP SUPPORTS ACTIVE DEVELOPMENT

By the end of 2019, the stock of modern office premises in Vilnius totalled 724,100 sqm and the vacancy rate remains among the lowest in the Baltics. Around 300,000 sqm of new supply is under construction to meet improved demand. The record level of new lease transactions at 115,000 sqm in 2019 signals increasing demand for high quality newly developed space. Net absorption remains positive indicating that the market remains attractive to newcomers as well as existing tenants.

Tenants are coming from many sources. In the global business services sector, Vilnius have attracted some of the biggest names from the Fortune 500, including Moody's, AmerisourceBergen and McKesson. Vilnius is also experiencing development of the FinTech sector, which has already gained momentum and the biggest tenants such as Revolut are now present. The largest lease transactions in Vilnius included Tesonet who signed for 15,000 sqm in Sparta Campus, while Danske Bank Group IT Lithuania signed for another 13,000 sqm forming its campus in S7 office complex. Among the most significant was the Lithuania's first tech unicorn Vinted who decided to relocate and signed 9,000 sqm in Uptown Park. Low vacancy is likely to remain as most of these transctions are pre-let.

INCREASED FOREIGN INVESTOR CONFIDENCE IN THE OFFICE MARKET

In 2019, the total investment volume in Lithuania was €436m, which is the highest ever recorded. Investors focused most money at the capital city Vilnius with a smaller share of capital allocated to the second city Kaunas. The office segment accounted for 76% of the total volume. Nordic and Western Europe investors drove market growth and responsible for large office transactions that brought renewed profile to Vilnius. Two of the largest office investment transactions in the Baltics history occurred in 2019. In February 2019, Eastnine purchased S7 office campus in Vilnius for more than €128m. At the end of 2019, Deka Immobilien bought a Quadrum business city from Schage Real Estate for more than €156m. It will be a challenge to maintain similar investment activity in 2020. Therefore, yield compression is no longer expected and will remain below 6% in the CBD.

3.4%
OFFICE VACANCY RATE IN VILNIUS

MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
Tesonet	15,000	Sparta Campus	non-CBD
Danske Bank	13,000	S7 Office Campus	CBD
Vinted	9,000	Uptown Park	non-CBD

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Deka Immobilien	156	Quadrum Business City	CBD
Eastnine	128	S7 Office Campus	CBD
Northern Horizon	21	North Star	non-CBD

POLAND

WARSAW

Developers lead the westward expansion of the central area preferred by tenants

SPACE SHORTAGE IS ACCELERATING DELIVERY OF NEW SUPPLY TO MEET ROBUST TENANT DEMAND

Massive demand resulted in total letting activity reaching an all-time high (878,000 sqm) in 2019.

The net take-up figure of 583,000 sqm is good although below the record of 2018. The market was strongly driven by big deals above 10,000 sqm, with an unprecedentedly large space (45,600 sqm) secured by mBank in Mennica Legacy Tower. The central area of Warsaw, where most developer activity is concentrated, is the most sought-after location for tenants seeking new buildings; hence took nearly half of net take-up.

In 2019, new supply in Warsaw was limited to 162,000 sqm in 17 buildings, resulting in the year-end stock reaching nearly 5.6m sqm. The central area of the city added approximately 35% of new space, mostly to its western fringe (City-Centre West) that is the office cluster developing at the fastest pace.

Muted new supply over the past three years coupled with buoyant occupational activity resulted in the vacancy rate reaching new lows. At the end of 2019, it stood at around 7.8%, 0.9 pp lower than in 2018 and almost half its peak of 14.2% three years ago.

Around 750,000 sqm are under construction with delivery scheduled for 2020-2022, of which 86% will open in the central area of Warsaw. Particularly high activity is concentrated near the Daszyński roundabout in the City Centre – West sub-zone, where almost 300,000 sqm will complete within the next two years.

Prime rents for the best assets in the Warsaw City Centre cluster increased over 2019 to peak at €288/sqm/year. The substantial volume of new supply will keep rental levels relatively stable in 2020-2021.

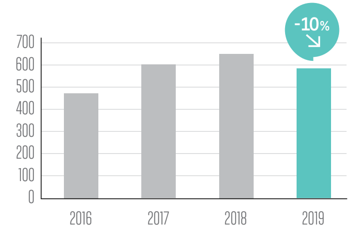
€2.45bn

SPENT ON 45 OFFICE PROPERTIES IN WARSAW

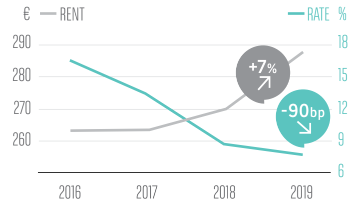
ANOTHER STRONG YEAR WITH RECORD-BREAKING INVESTMENT VOLUME

Strong investor appetite for office product in Warsaw continued in 2019. Investors spend €2.45bn on 45 office properties, the volume surpassing the previous year's outcome by over 40%. Seven transactions over €100m totalling €1.46bn account for nearly 60% of the 2019 office investment volume. The biggest deal was the purchase of Warsaw Spire Tower by Immofinanz for €386m. The prime yields for office assets compressed by 65 bps to 4.50% in 2019 with further compression expected in 2020.

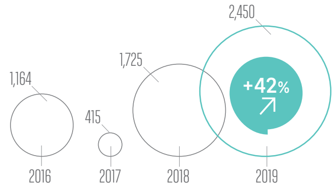
TAKE-UP
thousands of sqm



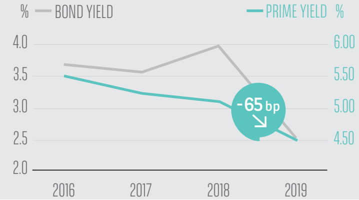
OFFICE PRIME RENT & VACANCY RATE



OFFICE INVESTMENT
€ million



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m²)	Building-address	Submarket
mBank	45,600	Mennica Legacy Tower; Pereca 21	City Centre – West
Orange	44,800	Miasteczko Orange; Al. Jerozolimskie 160	Jerozolimskie Corridor – Lower
T-Mobile	27,400	Marynarska 12	Mokotów – Służewiec

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
Immofinanz	386	Warsaw Spire A; Plac Europejski 1	City Centre – West
CPI	275	Warsaw Financial Center; Emilii Plater 53	CBD
CPI	255	Eurocentrum Office Complex; Al. Jerozolimskie 134 - 136	Jerozolimskie Corridor – Upper

KEY FIGURES OFFICE MARKET

	Take-up (sqm)			Vacancy Rate (%)			Prime Rents (€/sqm/year)		
	2019	2018	2017	Q4 2019	Q4 2018	Q4 2017	2019	2018	2017
Central Paris	2,064,363	2,206,488	2,364,163	4.9%	5.5%	6.2%	880	850	850
Central London	1,147,084	1,400,461	1,177,744	5.7%	5.0%	6.2%	1 407	1 407	1 439
Berlin	1,016,000	831,000	913,000	1.5%	1.7%	2.0%	480	432	396
Munich	770,000	975,000	995,000	2.4%	2.3%	3.3%	474	468	444
Frankfurt	635,000	678,000	796,000	6.8%	7.4%	8.9%	540	528	492
Hamburg	512,000	563,000	613,000	4.1%	4.5%	5.1%	372	348	318
Warsaw	583,000	657,000	600,000	7.8%	8.6%	13.4%	288	270	264
Brussels	514,680	361,423	400,347	7.1%	7.9%	8.3%	315	310	310
Madrid	617,133	533,595	552,982	8.4%	9.6%	10.2%	435	420	372
Bucharest	329,519	292,019	322,100	10.5%	8.3%	8.9%	228	222	216
Milan	488,087	389,530	353,984	9.8%	10.6%	11.7%	600	590	550
Prague	284,063	340,504	398,053	5.5%	5.1%	7.5%	276	264	252
Vienna	220,000	270,000	175,000	4.7%	5.3%	5.2%	306	306	318
Amsterdam	282,387	377,798	407,379	6.2%	7.2%	10.3%	460	425	410
Lyon	441,838	331,910	270,426	4.7%	5.5%	6.0%	325	300	300
Barcelona	400,169	354,569	304,345	6.7%	8.8%	10.1%	342	312	282
Budapest	361,980	385,787	278,484	5.6%	7.3%	7.5%	300	288	276
Dublin	309,847	359,480	342,595	5.1%	6.4%	8.1%	670	670	650
Lille	264,106	277,691	212,747	4.7%	4.7%	4.3%	240	240	230
Stockholm*	165,900	180,750	184,000	5.5%	5.5%	6.0%	676	648	573
Luxembourg	260,606	247,882	204,351	3.6%	3.7%	4.6%	600	600	600
Bratislava	81,400	106,100	117,000	8.7%	6.0%	6.2%	204	198	192
Toulouse	127,895	177,888	161,773	4.2%	4,7%	5.4%	230	220	220
Helsinki*	42,577	62,416	61,128	11.0%	12.0%	14.0%	420	396	372
Lisbon	188,527	206,428	166,980	4.8%	5.8%	8.6%	300	252	246
Rome	272,619	172,529	217,854	8.0%	8.7%	8.1%	450	440	420
Manchester	134,709	163,649	112,227	15.0%	11.7%	14.3%	457	438	425
Marseille	138,586	124,634	145,287	6.5%	6.1%	5.9%	295	320	320
Geneva*	n/a	n/a	-80,540	5.0%	4.8%	3.4%	610	620	630
Vilnius*	87,879	36,201	74,001	3.4%	3.7%	3.4%	192	192	192
Edinburgh	37,077	68,019	93,898	6.6%	7.5%	8.8%	438	425	413
Athens	80,000	70,000	59,000	5.0%	8.0%	9.5%	252	250	250
Copenhagen*	37,100	-77,778	189,478	5.9%	6.0%	5.7%	281	268	261
Birmingham	72,470	70,155	93,374	12.8%	12.4%	13.5%	432	413	413
Glasgow	58,154	91,829	46,155	10.1%	9.5%	11.0%	407	406	388
Oslo*	133,792	134,093	19,108	5.7%	5.9%	7.1%	550	506	485
Tallinn*	30,549	76,230	5,893	5.5%	6.9%	8.5%	210	210	210
Riga*	19,837	17,149	20,210	11.8%	6.0%	6.6%	192	192	186
Belgrade*	n/a	n/a	n/a	3.0%	4.0%	6.0%	196	n/a	198

NOTE *: Net absorption instead of take-up

Constant Exchange Rate (Q4 2019 average) €/£: 1.1620 - €/CHF: 0,9124 - €/DKK: 0.1339 - €/SEK: 0,0939 - €/NOK: 0,0991

GLOSSARY

BNP PARIBAS REAL ESTATE is working on producing indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Nevertheless, as we aim to actively contribute to the transparency of the markets, we have **highlighted** those definitions and indicators which are strictly comparable, so that our readers can understand what the indicators mean.
Furthermore we have decided to adopt the PEPCIG[1] definitions, on which most of the following indicators published by BNP Paribas Real Estate are based. Other indicators are from INREV[2] and from BNP Paribas Real Estate.

CENTRAL BUSINESS DISTRICT AVERAGE RENT is the average of each of the last four quarters' average headline rent in the CBD. Each quarterly average rent is weighted by the surface of each lease signed during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local conventions.

COMPLETIONS represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

CENTRAL LONDON includes the following districts: West End, Midtown, City, Docklands, Southbank, Western Fringe and Northern Fringe.

CENTRAL PARIS includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

CORE INVESTMENT VEHICLES target returns at 11.5% and lower, with gearing level up to 60% of Gross Asset Value.

CLOSED ENDED FUND is a vehicle that has a targeted range of investor capital and a finite life.

DEVELOPMENT PIPELINE represents the total amount of floor space for all developments under construction and/or schemes (including major refurbishments) that have the potential to be built in the future through having a secured level of planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use to offices.

GERMAN OPEN ENDED FUND is a public vehicle that does not have a finite life, continually accepts new investor capital and makes new property invest-ments. The list of German Open Ended Funds is published by the BVI (Bundesverband Investment und Asset Management e.V.).

GROSS ASSET VALUE is the sum of the Gross Capital Value of properties, cash and marketable securities and other (non-operating) assets. Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period, whatever the purchasing price. It includes **Office buildings, Retail** (supermarkets, hyper-markets), **Industrial and Logistics Warehousing** and Others (Hotels, Cinema, Leisure, Car Parks, Care Homes, parts of portfolio which cannot be split up by product, and Development Sites in Germany). Quoted investment volumes are not definitive and are consequently subject to change.

PRIME RENT/YIELD represents the top open-market rent/net yield at the survey date (or in Q4 for annual data) for an office unit:
- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

INITIAL GROSS YIELD is defined as Gross income (i.e. income before costs of ownership) over purchase price excluding costs of acquisition.

INITIAL NET YIELD is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

INVESTMENT VOLUME BY INVESTOR/SELLER TYPE refers to the following categories: Insurance, Private Investors, Public Sector, Corporates, Property Companies & REITS, Consortium, Funds and Other.

INVESTMENT VOLUME BY INVESTOR/SELLER NATIONALITY refers to the following categories: Eurozone, Non-Eurozone, North America, Other America, Asia, Middle East, Australia, International and Other.

MAJOR REFURBISHMENTS REPRESENT REFURBISHMENTS, where building work must involve either structural alteration, and/or the substantial replacement of the main services and finishes. The quality of the floor space must have been substantially improved from its previous condition so as to offer accommodation of a modern standard – although not necessarily to the standard of a completely new building.

OPPORTUNISTIC INVESTMENT VEHICLES target returns in excess of 17%, with gearing levels above 60% of Gross Asset Value. Actual transactions are used in France, Germany and Belgium to support the headline prime rental quoted, but one-off deals, which do not represent the market, are disregarded. In the UK & Spain, if there are no prime transactions during the survey period a hypothetical rent is quoted, based on expert opinion of market conditions.

SPACE CALCULATION differs in Spain, where figures in m² (Take-Up, Vacancy, Pipe-line, Completions) as well as Rental values are based on Gross Letting Area space, contrary to the other main European markets, which use Net Letting Area. In or-der to make the Spanish figures comparable across all monitored markets, they should be multiplied by 0.82 (NLA = 0.82 GLA). This ratio is applied by BNP Paribas Real Estate to produce international indices and benchmarks.

TAKE-UP represents the total floor space known to have been let or pre-let, sold or presold to tenants or owner-occupiers during the survey period. It does not include space that is under offer
- A property is deemed to be "taken up" only when contracts are signed or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or constructionstage
- All deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is compatible with the European NACE code.

UNDER CONSTRUCTION represents the total amount of floor space in properties where construction has commenced (on a new development or a major refurbishment) at the survey date. It includes properties for owner occupation, which are reported separately. It does not include sites being cleared for possible development in the future.
Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

VALUE-ADDED INVESTMENT VEHICLES target returns of 11.5% to 17%, with gearing levels between 30% and 70% of Gross Asset Value.
Vacancy represents the total floor space in existing properties, which are physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date.

VACANCY includes sublet space (except in Germany), but where possible, vacant sub-let space is recorded separately.
In France, vacancy excludes premises which the owner will renovate only once a lease is signed. Spain only counts immediately available space.

VACANCY RATE represents the total vacant floor space including sublettings divided by the total stock at the survey date (or in Q4 for annual data).

[1]Pan-European Property Common Interest Group.
This group assembles a wide range of European advisors and investors and major agents
[2]European Association for Investors in Non-listed Real Estate Vehicles.

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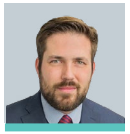

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* March 2019
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