



## International Property Handbook: 2017 trends and a look back at 2016

April 2017

# Introduction

Dear Colleague,

*The International Property Handbook* from Deloitte's Global Real Estate & Construction group tracks the flows of real estate capital and provides an overview of investment trends and key deals in the most active global real estate investment markets. This handbook reflects back on 2016 analyzing economic data and real estate investment in 21 countries around the world to provide insights on potential trends in 2017.

With a strong economic outlook, we saw increases in cross-border investment, yet the overall global transaction volume was around the same as it was in 2015. Private and unlisted funds were the most active investors followed by institutional funds, indicating the large amount of private capital available to be deployed to real estate investment. Given many of the investors still have significant amounts of capital to deploy, and the fundraising market for real estate investment remains strong, we believe that these trends indicate strong growth in the industry moving forward. Large institutional investors and sovereign wealth funds have been initiating or increasing capital allocations to global real estate investments, and we believe that will help sustain real estate investment activity into 2017 and beyond.

Our analysis also indicates that while many of the largest real estate investment markets have fully (or nearly fully) recovered from the global financial crisis, other markets are in earlier stages of recovery, indicating potential opportunities for 2017 and beyond.

We hope you find this report interesting. We would be delighted to discuss the details of this research with you and how it may impact your business.

Regards,



Robert T. O'Brien  
Global Leader, Real Estate & Construction  
Deloitte Global

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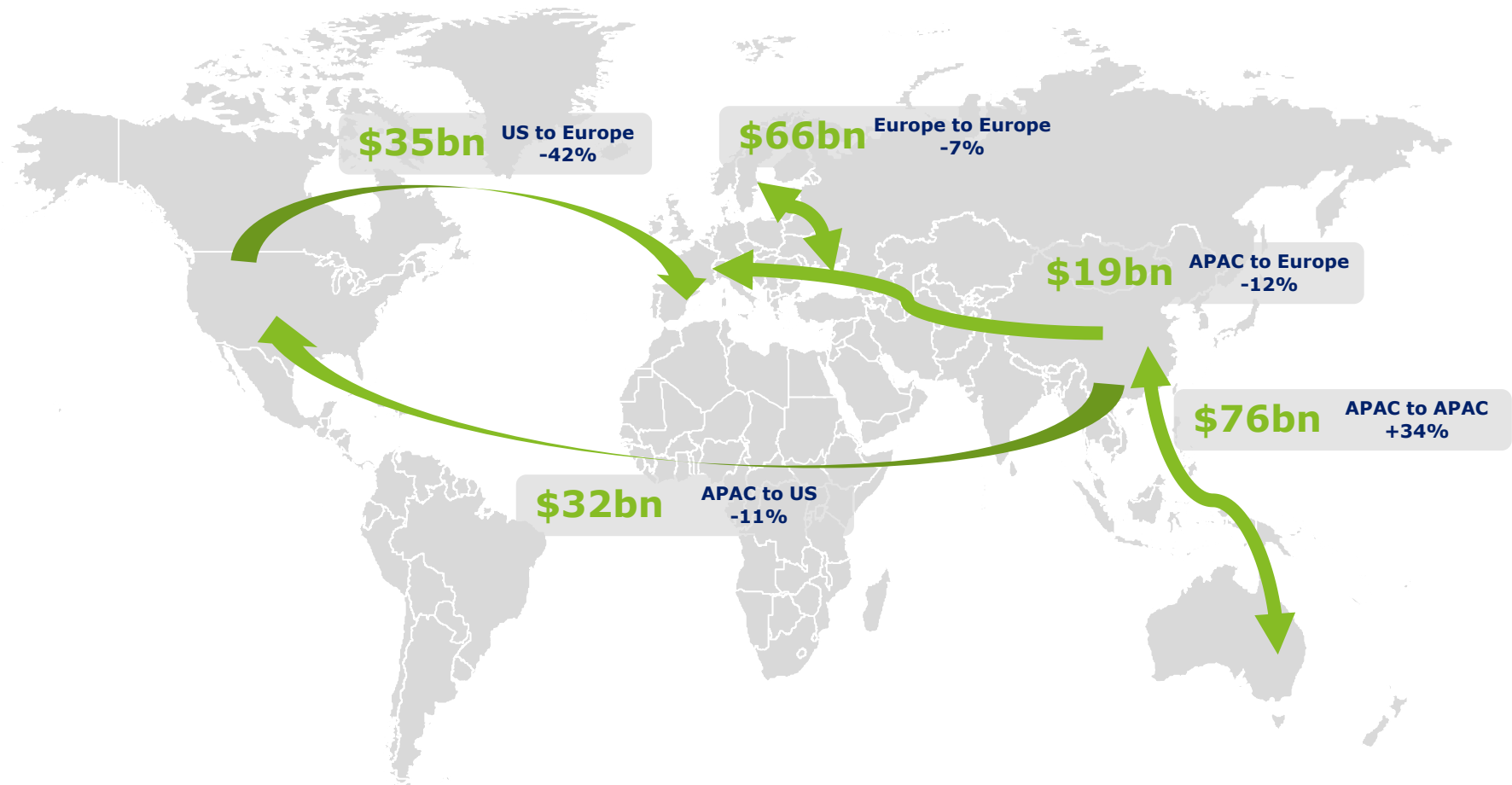
# What has changed?

## Comparing data across the 21 countries under review for 2016

- The economic outlook is stronger
  - Both the current year and the 5-year outlook for GDP growth is positive for the coming years, with an average increase of 2 percent
- Bond yields have fallen and stock markets have risen
  - The average 10-year government bond yield is now below 2 percent, remaining at historical lows
  - On average, global stock markets rose by 20 percent in 2016
- Aggregate global real estate investment totals remain broadly stable
  - Overall transaction volumes are 2 percent below the amounts reached in 2015
  - Investment trends are very polarized due to different macroeconomic indicators with significant increases in China and other countries like Spain and Ireland, while other countries such as the United Kingdom and the United States show significant decreases
  - The countries with positive investment volume growth are those in which the potential investors expect capital growth due to macroeconomic indicators, expectations of rental growth, and yield compression
- United States and China received 70 percent of total global real estate investment during 2016
  - Investment in residential and offices remains stable and makes up 62 percent of total investment
  - Offices continue to be the preference for investors and therefore yields have declined further in most markets
  - Private and unlisted funds were the most active investors, followed by institutional funds
- The capital raised continues to increase, but due to the reduction in investment opportunities in the main markets, investors are beginning to explore new alternative locations
- 2016 saw significant increases in cross-border activity, especially in key countries in Europe due to the strength of the US Dollar

# Cross-border capital flows

## The largest routes



**Investment volumes 2016**  
**Investment Volumes 2015 vs. 2016**

Source: RCA

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# International economic overview

## Main considerations

2016 was a volatile year due to the global political uncertainties including Brexit, the US election, and the Italian referendum, as well as China's slowdown.

The United States saw moderate growth. However, the financial markets have responded vigorously since President Trump was elected and the labor market continues to show improvement.

In Europe, some economies have been developing better than others, such as Ireland, Spain and Sweden; but in general terms, the European Central Bank's economic policies and the countries' efforts have made for a strong and continuous economic recovery.

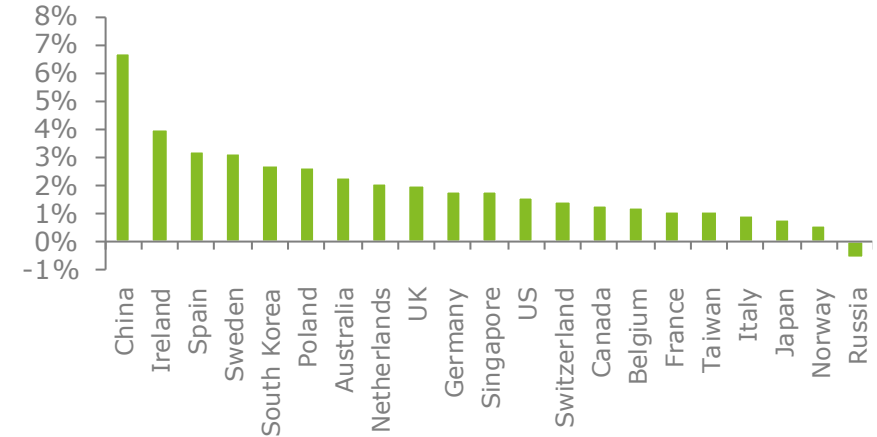
The United Kingdom's decision to leave the European Union by 2019 has raised some concern about the future of the Union, raising uncertainty.

Ireland has been one of the fastest growing economies in the Eurozone. Meanwhile Russia stands in last place; its economy contracted 0.6 percent during 2016 and its inflation is above 7 percent.

Some recent data from the Chinese government indicates that the economy is stabilizing, fuelled in part by government stimulus and an easing of monetary policy.

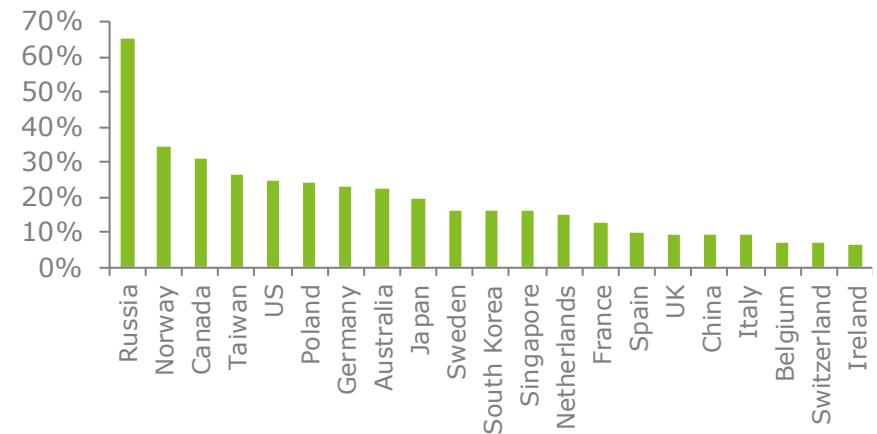
In property investment markets, where the major investors look for "macro risks", we see a correlation between the trend in property investment and the macroeconomic indicators such as GDP growth.

### 2016 GDP growth



Source: Economist/Deloitte

### 2016 Stock market performance



Source: Bloomberg/Deloitte

# International economic overview

## Main considerations

There remains significant divergence between the monetary policies being enacted by the major central banks.

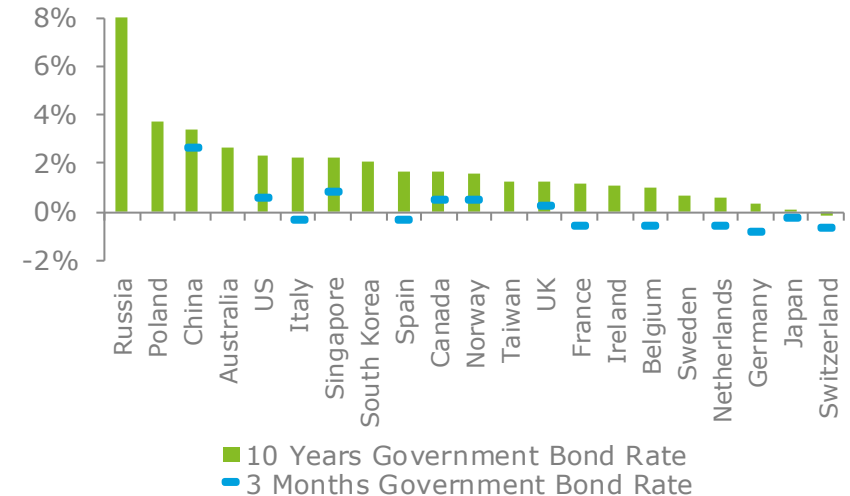
In the United States, the Federal Reserve is setting an appropriate monetary policy with an unusual situation of low unemployment, low interest rates and low inflation; raising its benchmark interest rate by 0.25 percent, only the second increase in a decade.

In Europe, although interest rates have been low for a long time, the European Central Bank's quantitative easing program (which began in March 2015 by purchasing securities every month worth €60bn) is expected to continue in order to reduce borrowing costs and bond yields to encourage corporate investment. It is anticipated that there will be further quantitative easing in Europe and interest rates are not expected to increase until at least the second half of 2017.

Despite this, due to higher oil prices and wage pressure in the United States, we expect an increase in inflation over the coming years.

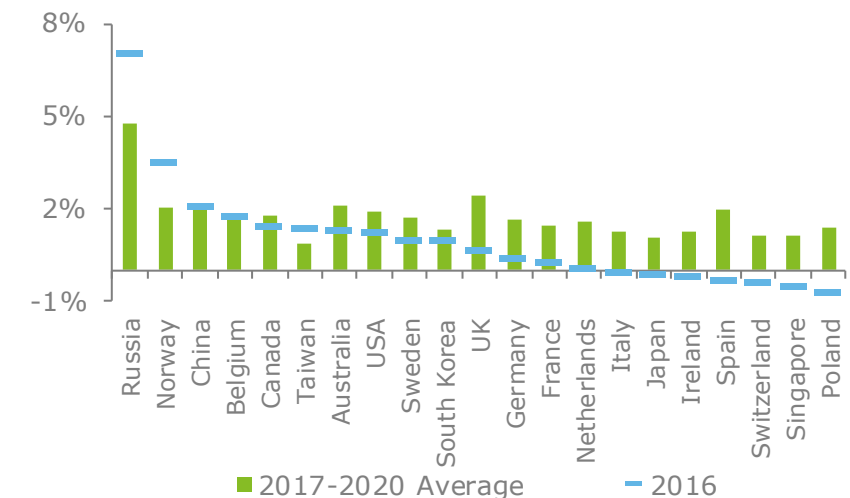
China's debt level shows potential risks that provide uncertainty. Total debt, including both private and public sector debt, is now circa 260 percent of GDP. This compares with circa 280 percent for developed economies on average, suggesting that China's debt level is not excessive. Yet China is an emerging country, and emerging countries historically carry far less debt as a share of GDP than developed economies.

**Short and long-term interest rates, January 2017**



Source: Bloomberg/Deloitte

**Inflation forecasts**



Source: Economist/Deloitte

# International economic overview

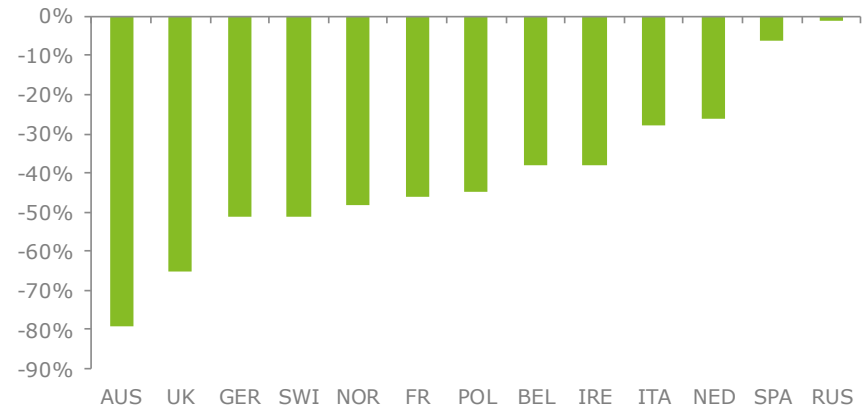
## Main considerations

The latest Deloitte European CFO Survey reported a deterioration in confidence during 2016. Sentiment has fallen most in northern European economies, consistent with the weaker export outlook for these countries. The Austrian CFOs' perception of external economic and financial uncertainty remains the highest among the 13 countries covered in the survey.

Europe faces an unusual situation with the rise of populist movements due to the declining trust in political parties and government institutions. The UK's Brexit decision is a clear warning for political leaders for 2017 and beyond.

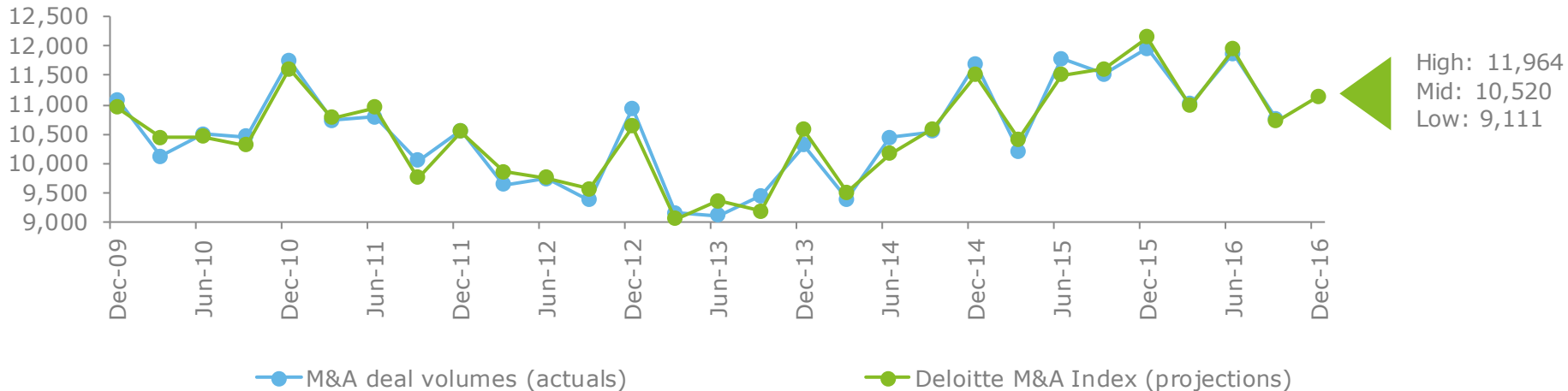
The M&A Index model predicts a modest decline in volumes for 2016. Overall, volumes have held up reasonably well and are down only 3 percent compared with 2015, due to slowing activity since the second half of 2016.

### Is this a good time to be taking greater risk onto your balance sheet?



Source: Deloitte European CFO Survey

### Global M&A deal volumes



Source: Deloitte M&A Index



# International investment activity

## Main considerations

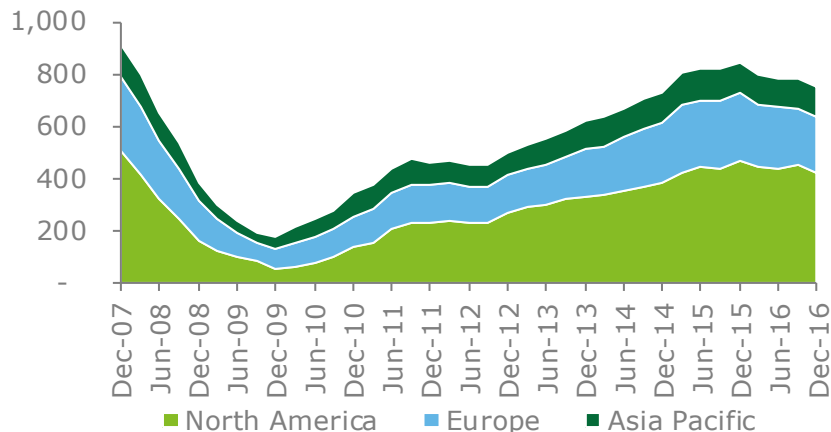
Global investment in real estate decelerated slightly during 2016, overall transaction volumes were 2 percent below the amounts reached in 2015.

However, there is a high degree of polarization between markets, driven by the differing macroeconomic environments across the regions covered.

Spain, China and Ireland saw the largest percentage increases in transaction volumes in 2016, when compared to 2015. Russia, United Kingdom and Norway saw the largest falls.

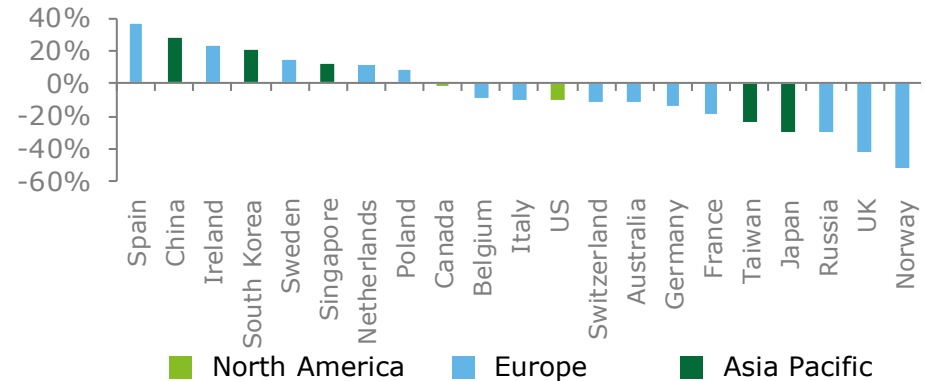
The biggest changes were in the larger investment markets such as the increase in China or the decrease in the United States and the United Kingdom.

### Investment in commercial real estate (quarterly, rolling 12m average)



Source: RCA/Deloitte

### Investment volume growth: 2015 vs 2016 (\$bn)



Country	2015	2016	Difference	Growth %	% of world investments
Spain	12.5	17.2	4.7	37.7%	1.4%
China	353.6	454.7	101.0	28.6%	36.5%
Ireland	4.9	6.1	1.2	24.2%	0.5%
South Korea	11.8	14.4	2.6	21.7%	1.2%
Sweden	16.3	18.8	2.5	15.1%	1.5%
Singapore	9.6	10.9	1.3	13.1%	0.9%
Netherlands	14.7	16.3	1.6	10.7%	1.3%
Poland	5.3	5.8	0.5	9.7%	0.5%
Canada	20.9	20.6	(0.3)	(1.3%)	1.7%
Belgium	4.3	3.9	(0.4)	(8.9%)	0.3%
Italy	12.8	11.5	(1.3)	(10.3%)	0.9%
US	464.7	414.6	(50.1)	(10.8%)	33.2%
Switzerland	7.0	6.1	(0.8)	(12.1%)	0.5%
Australia	40.4	35.5	(4.9)	(12.2%)	2.8%
Germany	78.4	66.9	(11.5)	(14.6%)	5.4%
France	39.4	31.9	(7.4)	(18.9%)	2.6%
Taiwan	6.4	4.8	(1.6)	(24.7%)	0.4%
Japan	51.7	36.3	(15.4)	(29.8%)	2.9%
Russia	5.6	3.9	(1.7)	(30.1%)	0.3%
UK	107.7	61.7	(46.0)	(42.7%)	4.9%
Norway	11.3	5.4	(5.9)	(52.1%)	0.4%
<b>Total</b>	<b>1,279</b>	<b>1,247</b>	<b>(32.0)</b>	<b>(2%)</b>	<b>100%</b>

Source: RCA/Deloitte

# International investment activity

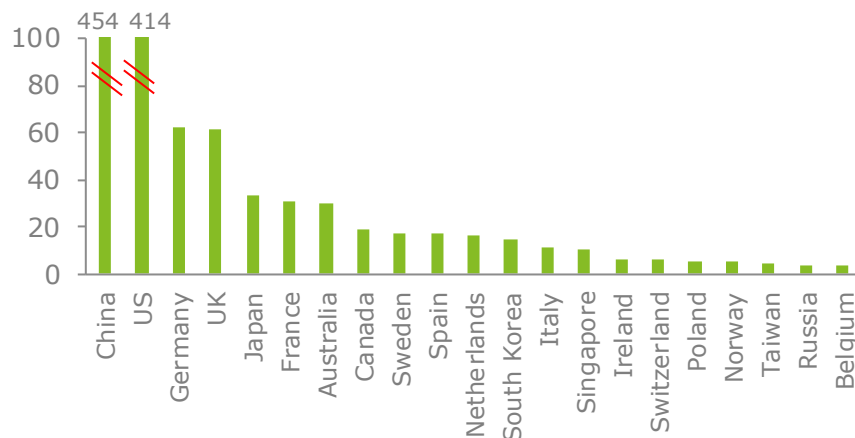
## Main considerations

For the majority of countries covered in this research, the greatest amount of investment activity takes place within the office market.

In most cases yields are falling or have stabilized at low levels, however the spread between different markets remains broad. Part of this is down to local market nuances (in Taiwan, for example, domestic funds have traditionally tolerated lower yields), while in other instances it is more a reflection of economic and demand conditions.

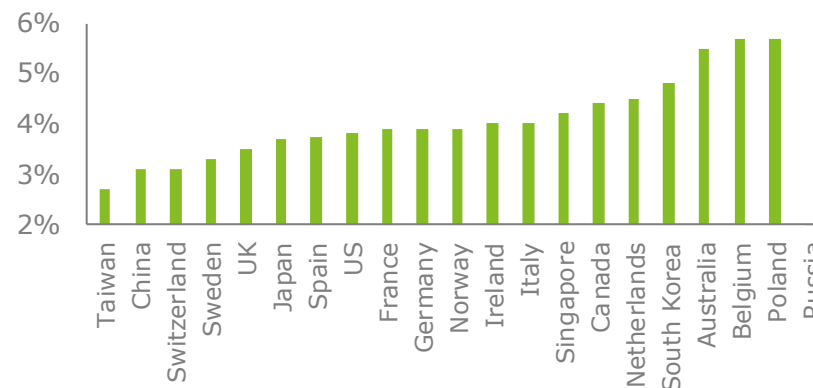
The ease of entering a market is as important as being able to exit. Compared with other asset classes, real estate has relatively low liquidity. Markets where liquidity is low can become less attractive for investors over time. Conversely, high liquidity in a market such as Spain, South Korea and Ireland, due to the percentage of investible market transacted, is an attractive feature for investors.

### Total commercial investment volumes 2016 (\$bn)



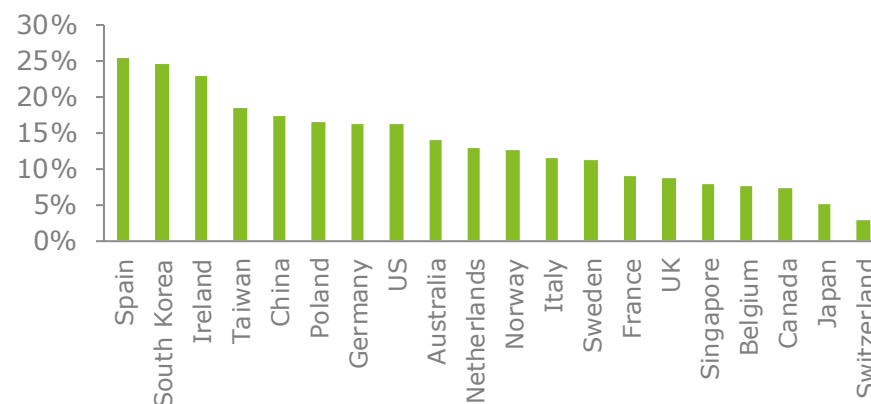
Source: RCA/Deloitte

### Prime office yields by country 2016



Source: MSCI/Deloitte

### Percentage of investible market transacted 2016



Source: RCA/MSCI/Deloitte

# International investment activity

## Main considerations

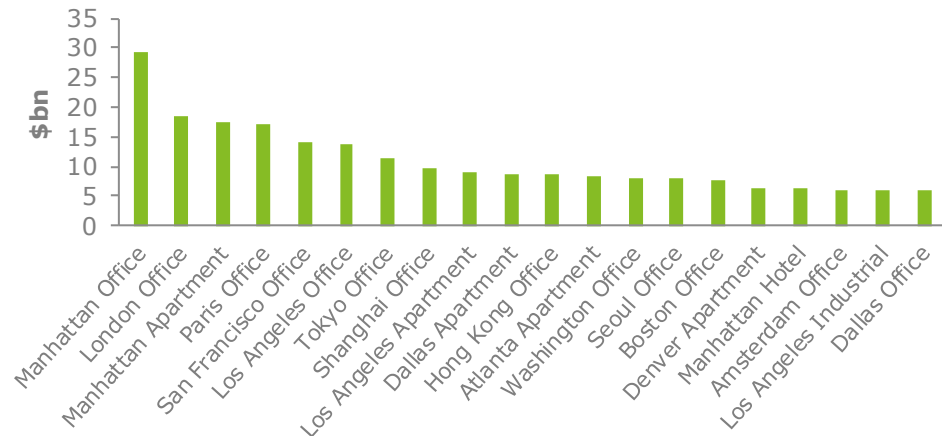
Comparing 2016 with 2015 shows that investment activity fell across all types of property.

The office sector was the top pick for investors in 2016, however activity was focused on a few larger markets including Manhattan, London, Paris and San Francisco.

The real decrease in activity was driven by the retail, hotel and industrial sectors.

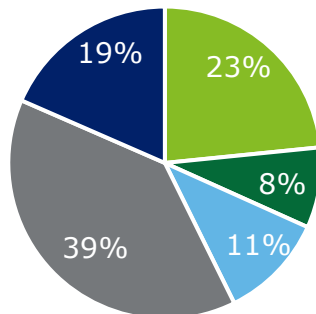
In addition, there has been a preference by investors to purchase low-risk, income-producing alternative property, and in doing so, diversify their portfolios further.

**Top 20 markets by investment activity 2016**



Source: RCA/Deloitte

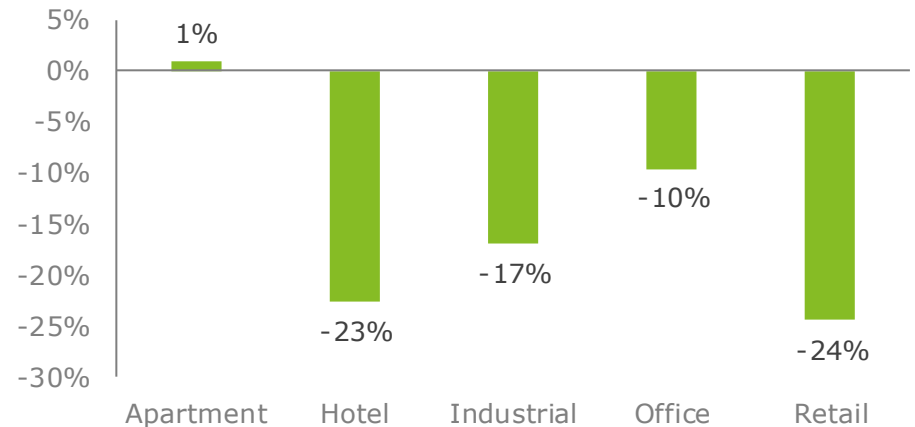
**Global investment volumes 2016 by sector**



■ Apartment ■ Hotel ■ Industrial ■ Office ■ Retail

Source: RCA/Deloitte

**Global investment volumes 2016 vs 2015**



Source: RCA/Deloitte

# International investment activity

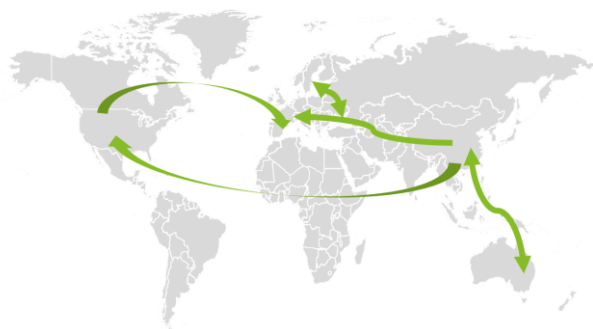
## Main considerations

An important characteristic of the investment market over the past year has been the increasing share of cross-border activity, especially in key countries in Europe. Europe is leading as the preference for international investors. This is due to cross-border trading within the continent, but has also been heavily supported by an influx of North American and Asian investors.

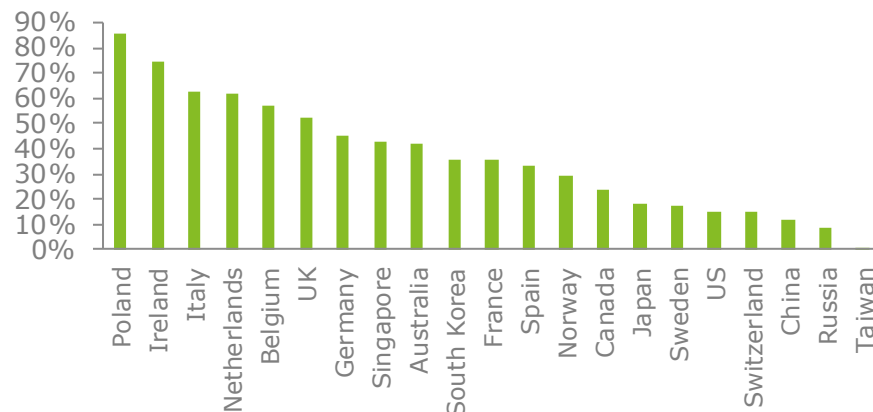
A number of factors have contributed to the recent increase in cross-border investment, including:

- Inexpensive and more easily available credit
- The attractive yield premium over government bonds
- The strength of the US\$, in the case of US investors
- The weakness of the Euro
- An overhaul of institutional regulations across Asia

The destination of cross-border capital varies depending on the country of origin. For example, the foreign real estate that US investors have been buying this year has mainly been in Europe, whereas Chinese foreign investment has mainly been in the United States. Similarly, while UK investment abroad has been almost entirely in Europe, as well as the French.

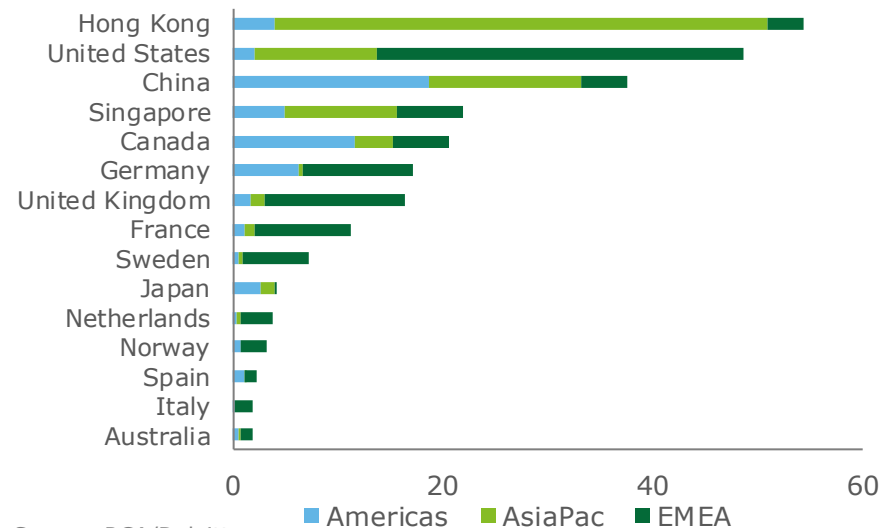


### 2016 investment from foreign sources



Source: RCA/Deloitte

### Outbound capital flows for 2016 (US\$ bn)



Source: RCA/Deloitte

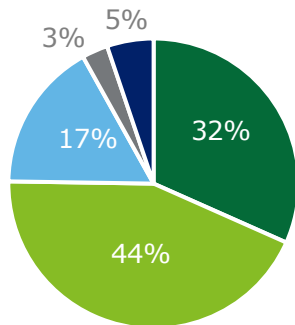
# International investment activity

## Main considerations

In terms of acquisitions, institutional/equity funds and private companies were the most active during 2016, accounting for 76 percent of all purchases made globally.

However, in terms of net investment, occupiers were the most active players in 2016, as well as in 2015. REITs/listed companies and institutional/equity have sold much more than they have purchased in 2016 following the same trend as in 2015.

### Global investment by investor type 2016

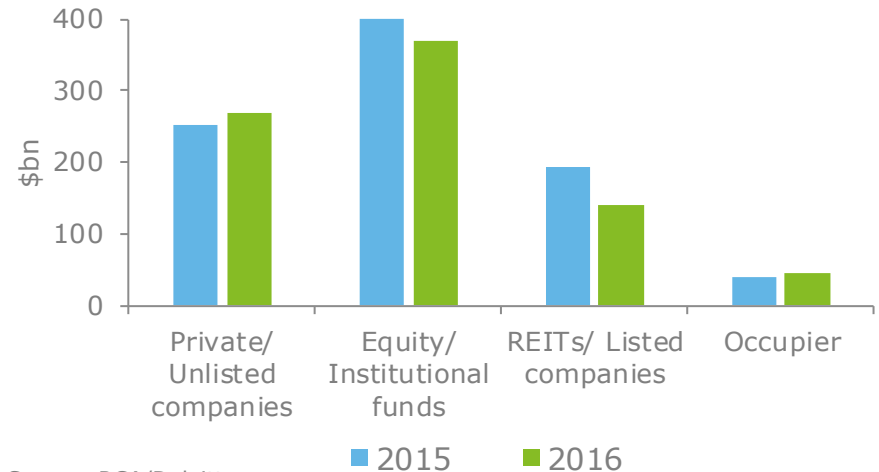


- Equity / Institutional funds
- Private / Unlisted companies
- REITs / Listed companies
- Occupier
- Unknown

Source: RCA/Deloitte

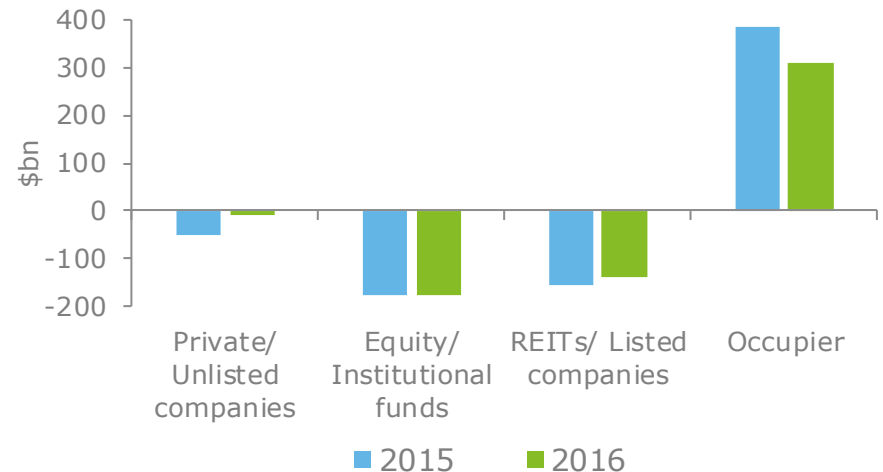
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### Global investment by investor type 2015 vs. 2016



Source: RCA/Deloitte

### Net investment by investor type 2015 vs. 2016



Source: RCA/Deloitte

# International investment activity

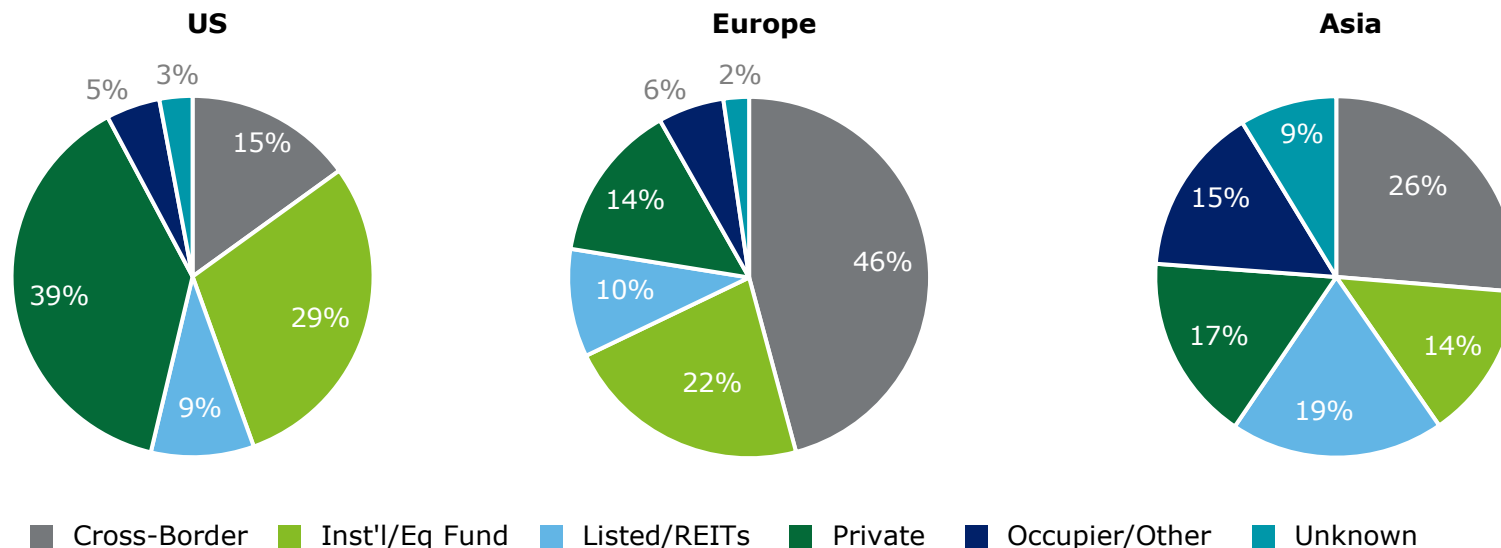
## Main considerations

### Regional investment by investor type 2016

The makeup of investors differs from region to region. While private and institutional/equity funds are the largest players in the United States, they play a smaller role in Asia.

Private investors are a more significant market player in the United States than in Europe and Asia, where they only account for 14 percent and 17 percent of investment respectively.

Cross-border investors are very significant in Europe and Asia, showing the general interest for these regions globally. This trend is due to the strength of the US Dollar with US investors buying in Europe.



Source: RCA/Deloitte

# Unlisted real estate funds

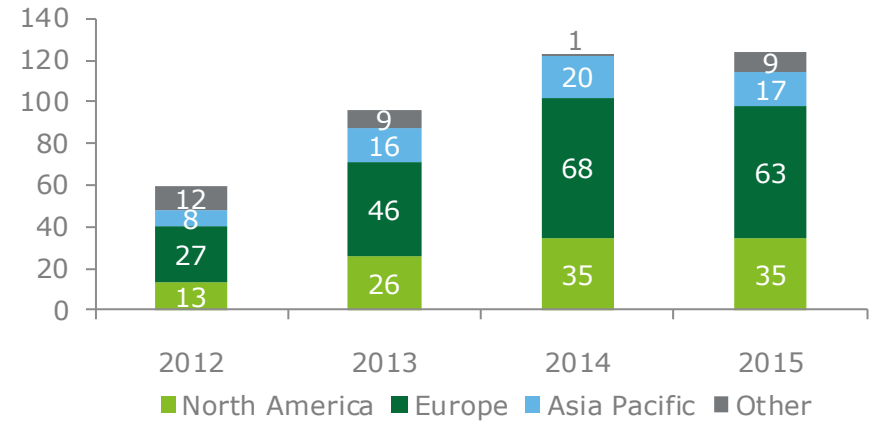
## Main considerations

The latest data from INVREV, the European Association for Investors in Non-Listed Real Estate Vehicles, shares insight into the European unlisted sector, including their strategies and preferences over the next two years.

Total equity raised globally increased to €124bn in 2015. Of the capital raised, 51 percent was expected to target European vehicles.

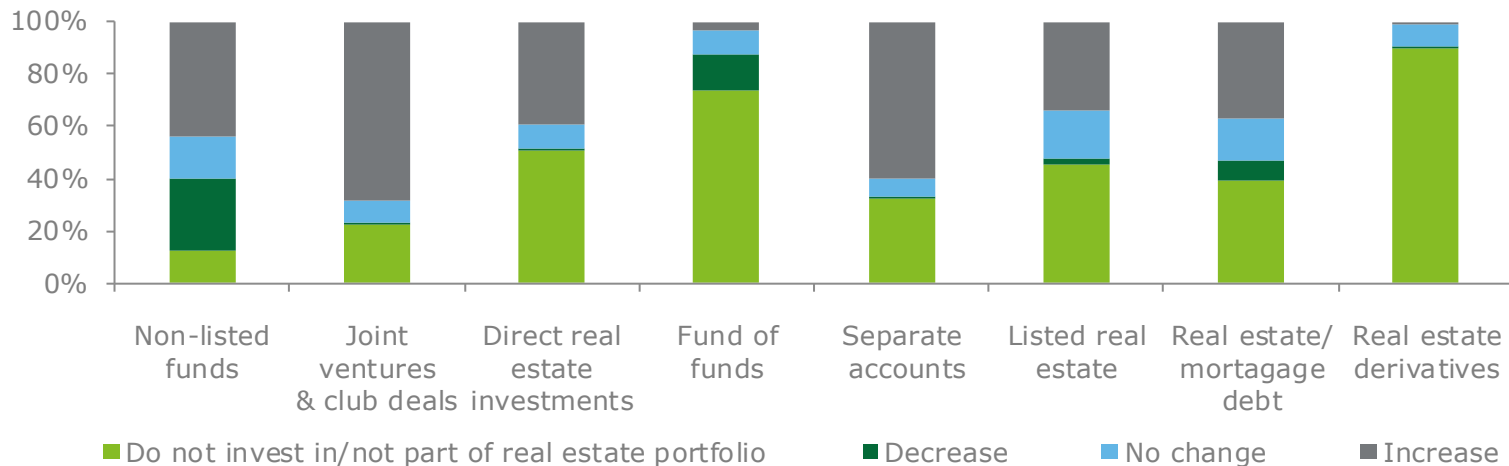
Investors have indicated that their preferred route into European real estate is through non-listed funds, followed by separate accounts investing directly in real estate.

**Evolution of total equity raised for non-listed real estate vehicles by regional strategy 2012-2015 (€bn)**



Source: INREV/Deloitte

**Expected change in investors' European allocations over the next two years (equally weighted)**



Source: INREV/Deloitte

# Private fundraising

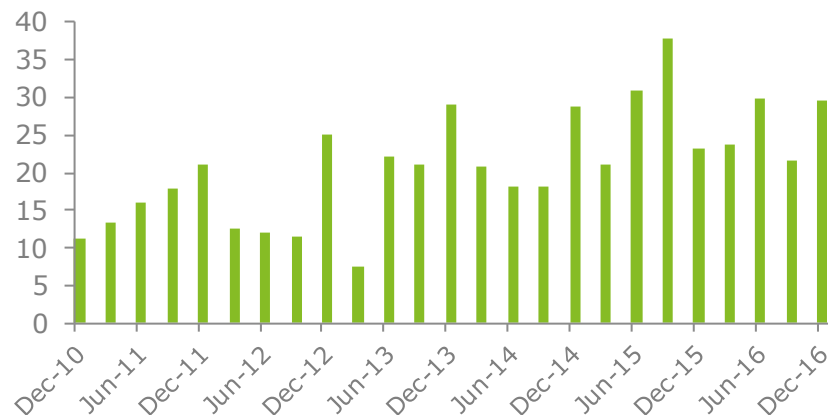
## Main considerations

The capital raised by private real estate funds provides an indication of future levels of investment.

Funds with an opportunistic strategy raised the most significant share of capital over the last year. This highlights an increasing investor appetite for higher risk allocations.

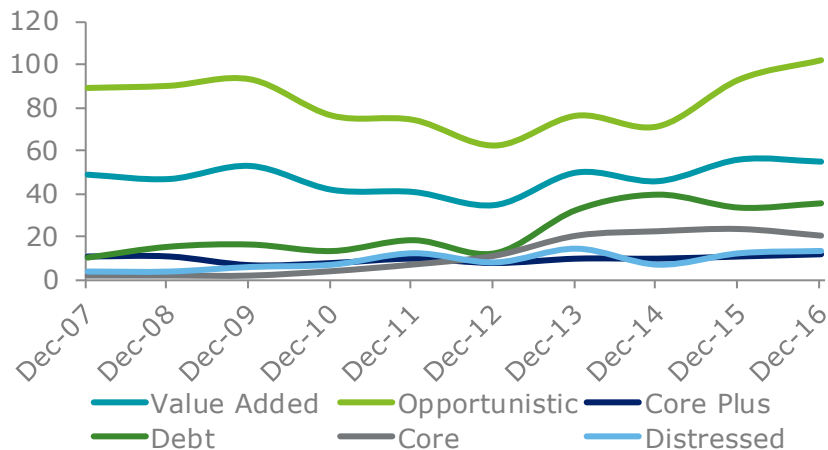
“Dry powder,” the uncalled capital held by closed-end private real estate funds, stands at \$237bn at the end of December 2016. The largest proportion of dry powder, 56 percent, is within funds with a focus on North America, followed by Europe. Funds with value added and opportunistic strategies hold 23 percent and 43 percent of the dry powder respectively.

**Aggregate capital raised (\$bn)**



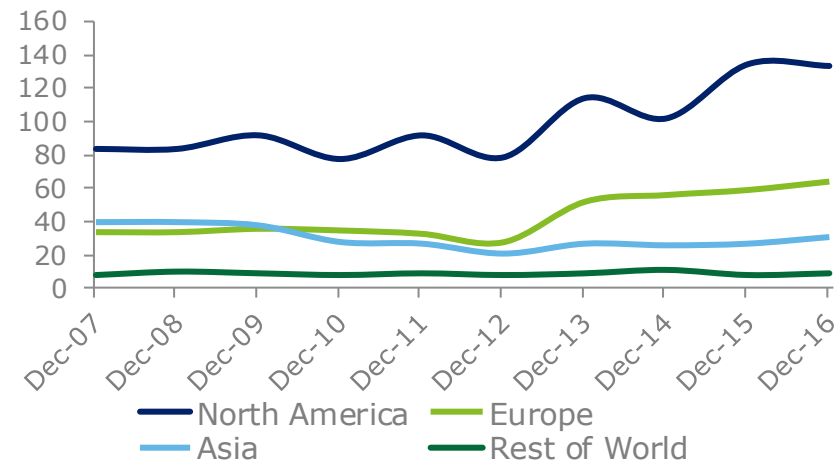
Source: Preqin/Deloitte

**Dry powder by strategy (\$bn)**



Source: Preqin/Deloitte

**Dry powder by primary geographic focus (\$bn)**



Source: Preqin/Deloitte



# Pricing and performance

## Main considerations

Broadly speaking, 2015 was a year in which the performance of directly held property improved across many markets, as capital value growth returned or rose in magnitude.

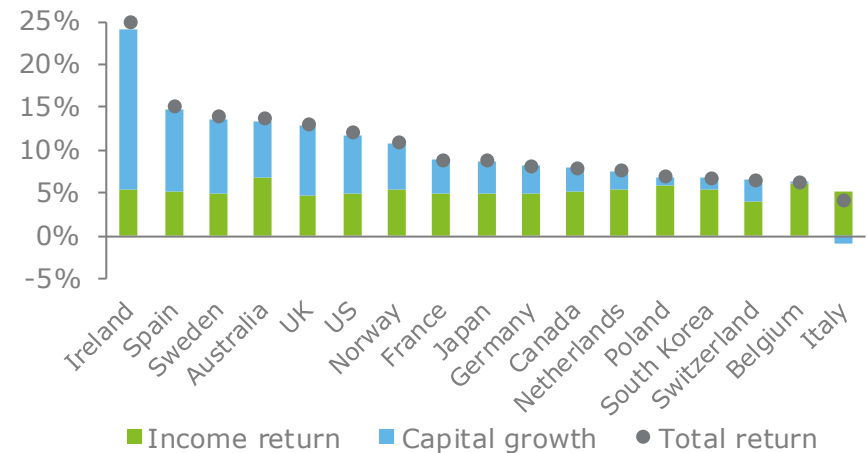
However, the range of returns recorded in 2015 was extremely wide. IPD data shows that Ireland was far out ahead followed by Spain, with a very strong recovery in capital values driving overall performance and still having some more upside potential.

In many countries, capital values suffered a significant decline during the downturn, particularly in 2008 and 2009. Some, such as the United States and the United Kingdom, have since seen values recover to pre-downturn levels. And there are some countries that still have an upside potential to recover their lost capital value, such as Japan, Italy, Spain and Ireland. Others, including Belgium, Switzerland and South Korea, never really saw any notable decline in values during this time.

Early indications for 2016 suggest performance has varied across the regions, but it was a relatively strong year for global real estate performance, with results over 10 percent for Ireland, Netherlands, Norway and Sweden.

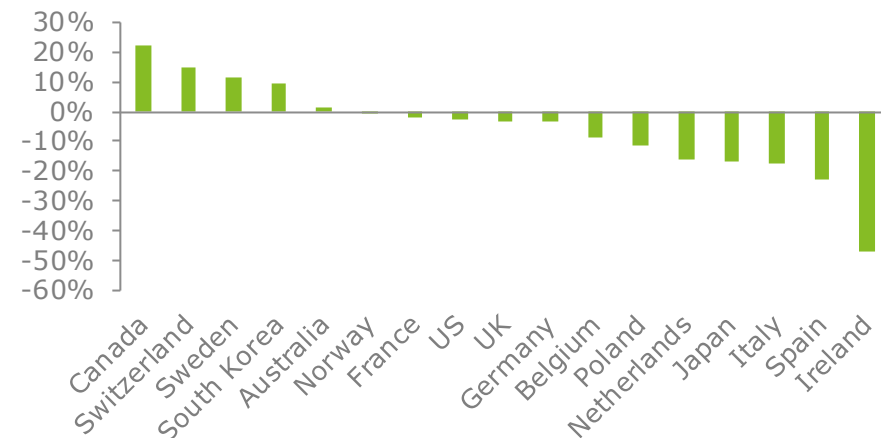
Meanwhile, the IPD Global Property Quarterly Fund Index reported strong direct property total returns across the three main regions, with Asia outperforming Europe and North America, in the year to September 2016.

### All property total return 2015



Source: MSCI/Deloitte

### Cumulative all-property capital value growth 2007-2015



Source: MSCI/Deloitte

# Listed property performance

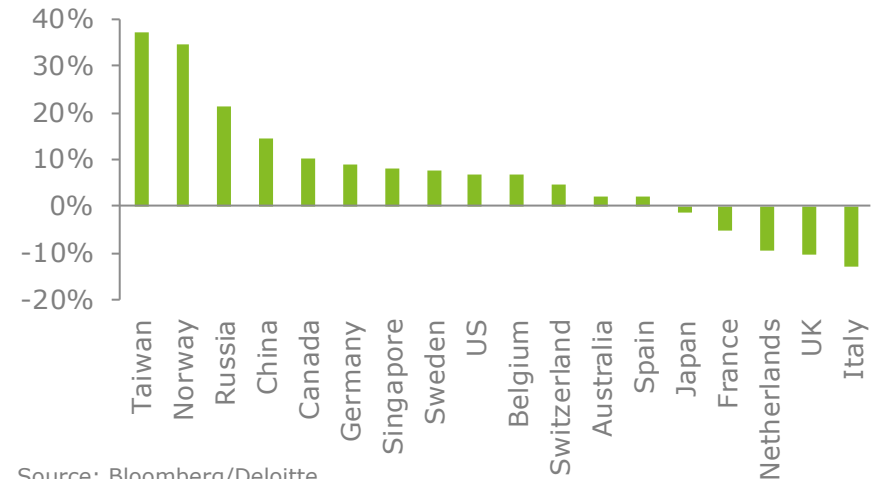
## Main considerations

The listed real estate sector has also seen strong performance in a number of the countries covered, in many cases outperforming the stock market overall.

The listed sector has been an active participant in the real estate investment markets of the majority of countries covered. In some markets, such as Spain and China, REITs and other listed vehicles' share of net purchases has increased, anticipating a steady decline in yields.

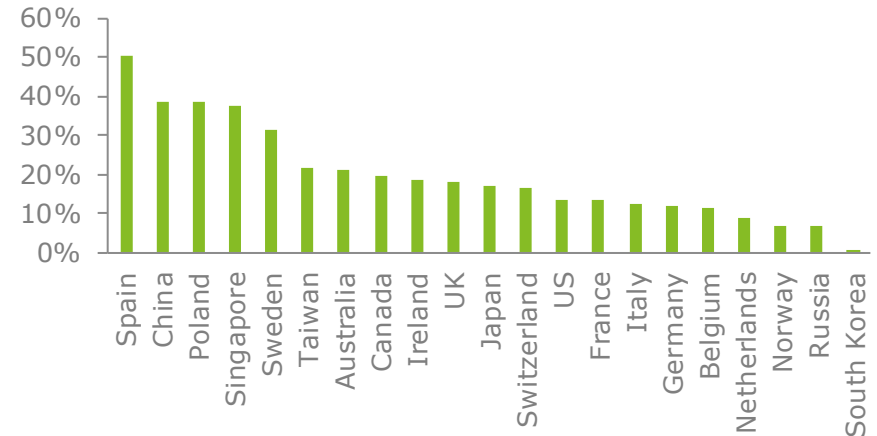
There has been a flood of corporate activity in the listed sector over the past year, with significant transactions taking place within the United States, Europe and Asia.

**EPRA listed real estate performance 2016**



Source: Bloomberg/Deloitte

**Share of investment by REITs/listed sector**



Source: RCA/Deloitte

# Data Summary

Country	Economic Outlook	GDP growth forecast 2017-20 (% p.a.)	GDP (US\$ bn)	Ease of doing business rank (1=best) *	Transparency score **	Central bank base rate	10 year govt. Bond	Property Investment Trend	Property investment (US\$ bn)	Percentage from foreign investors	Ease of registering property rank (1=best) *	Direct property total return	Rents	Yields	Office prime yield
Australia	↑	2.5%	1,200	15	79	1.5%	2.7%	↓	35.5	42.0%	45	11.7%	↑	→	5.50%
Belgium	↑	1.3%	525	42	77	0.0%	1.0%	↓	3.9	57.0%	131	6.4%	→	↓	4.30%
Canada	↑	1.8%	1,553	22	82	0.5%	1.6%	→	20.6	23.4%	43	5.7%	↓	↓	4.40%
China	→	5.0%	21,600	78	40	4.4%	3.4%	↑	454.7	12.0%	42	6.0%	↓	→	3.10%
France	↑	1.3%	2,800	29	69	0.0%	1.1%	↓	31.9	35.5%	100	9.0%	→	↓	3.00%
Germany	↑	1.5%	4,100	17	81	0.0%	0.4%	↓	66.9	45.4%	79	8.3%	↑	↓	3.70%
Ireland	→	3.1%	335	18	73	0.0%	1.1%	↑	6.1	74.5%	41	12.4%	↑	→	4.00%
Italy	→	0.8%	2,300	50	47	0.0%	2.2%	↑	11.5	62.9%	24	4.2%	↑	↑	4.00%
Japan	↓	0.7%	5,300	34	72	0.0%	0.1%	↓	36.3	19.0%	49	8.8%	→	↓	3.70%
Netherlands	→	1.7%	870	28	83	0.0%	0.6%	↑	16.3	61.0%	29	10.3%	→	↓	4.50%
Norway	↑	1.6%	329	6	85	0.5%	1.6%	↓	5.4	30.0%	14	10.6%	→	↓	3.80%
Poland	↑	3.2%	1,100	24	62	1.5%	3.8%	↑	5.8	85.4%	38	7.0%	→	↓	5.30%
Russia	↓	1.4%	3,600	40	29	10.0%	8.1%	↓	3.8	9.0%	9	-	→	→	-
Singapore	↑	1.9%	496	2	84	-	2.2%	↑	10.9	43.0%	19	6.2%	→	↓	4.20%
South Korea	→	2.3%	1,800	5	53	1.3%	2.1%	↑	14.4	36.0%	39	6.9%	↓	→	4.80%
Spain	↑	2.0%	1,689	32	58	0.0%	1.7%	↑	17.2	33.0%	50	15.3%	→	↓	3.75%
Sweden	↑	2.4%	491	9	88	(0.5%)	0.7%	↑	18.8	17.0%	10	13.9%	↑	↓	3.30%
Switzerland	↑	1.9%	533	31	86	(0.8%)	(0.1%)	↓	6.10	15.0%	16	6.6%	→	↓	3.10%
Taiwan	↑	1.5%	1,130	11	61	1.4%	1.2%	↓	4.8	1.0%	17	5.4%	↓	→	2.70%
UK	↑	1.1%	2,800	7	81	0.3%	1.2%	→	65.7	52.0%	47	3.9%	↓	↑	3.50%
US	↑	1.9%	18,600	8	74	0.8%	2.3%	↓	448.6	15.0%	36	12.1%	→	↓	3.80%

All data as at December 2016

\*World Bank Group [www.doinbusiness.org/rankings](http://www.doinbusiness.org/rankings) .Rankings from 1 to 190

\*\*A country's transparency score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). [www.transparency.org](http://www.transparency.org)

# International Tax Rates

Countries	Transfers Tax Rate	Corporate Income Tax Rate (CIT)	Withholding Taxes		Exit Taxes - Capital Gains
			Dividends	Interest	
<b>Australia</b>	Up to 7% .	30%	Up to 30% - potentially reduced to 0% under certain treaties.	Up to 10% - potentially reduced to 0% under certain treaties.	Ordinary corporation tax rate.
<b>Belgium</b>	0.2% - 12.5%	33.99%	Up to 25% - potentially reduced to 0% under certain treaties or if EU Parent-Subsidiary Directive applies.	Up to 25% - potentially reduced to 0% under certain treaties.	Ordinary corporation tax rate.
<b>Canada</b>	Property registration taxes may apply.	25% - 31%	Up to 25% - potentially reduced to 0% under certain treaties.	Up to 25% - potentially reduced to 0% under certain treaties or if interest is paid to an arms length foreign lender.	Only half of capital gains are taxable as income at ordinary rate.
<b>China*</b>	Land Appreciation Tax at 30-60%; Deed Tax to transferor at 3-5%; Stamp Duty at up to 0.05%	25% (exempt for dividends received from PRC Corporation)	Up to 10% - potentially reduced to 0% under certain treaties.	Up to 10% - potentially reduced to 5% under certain treaties and conditions.	Up to 10%
<b>France</b>	5.08% on assets. Up to 5% on shares.	33.3%	Up to 30% or 75% from a non-cooperative country. Potentially reduced to 0% under certain treaties or if EU Parent-Subsidiary Directive applies.	0% - unless located in a non-cooperative country.	Ordinary corporation tax rate. Participation exemptions may apply.
<b>Germany</b>	3.5% - 6.5%	30% (trade tax might be avoided)	Up to 26.375% - potentially reduced to 0% under certain treaties or if the EU Parent-Subsidiary Directive applies.	0% - except 25% for interests on deposits.	1.58%-33% (depending on investment structure)
<b>Ireland</b>	1% - 2%	12.5% on trading income. 25% on non-trading income.	Up to 20% - potentially reduced to 0% under certain treaties and conditions.	Up to 20% - potentially reduced to 0% under certain treaties and conditions.	33% - potentially exempt if companies are resident in EU member states.
<b>Italy</b>	0.2% stamp duty on shares. Other taxes depend on the property transferred.	31.4% (IRES: 27.5% and IRAP: 3.9%)	Up to 26% - potentially reduced to 0% under certain treaties.	Up to 26% - potentially reduced to 0% under certain treaties and EU directives.	Ordinary corporation tax rate.
<b>Japan</b>	JPY 200 - JPY 600,000 stamp duty on documents. Stamp duty on transfer of certain assets.	35.64% or 38% depending on the fiscal year.	Up to 20.42% - potentially reduced to 0% under certain treaties and conditions.	Up to 20.42% - potentially reduced to 0% under certain treaties and conditions.	Ordinary corporation tax rate.
<b>Netherlands</b>	6% - reduced to 2% for residential properties.	25%	Up to 15% - potentially reduced to 0% under certain treaties or when the EU Parent-Subsidiary Directive applies.	Not taxed	Ordinary corporation tax rate. Participation exemptions may apply.

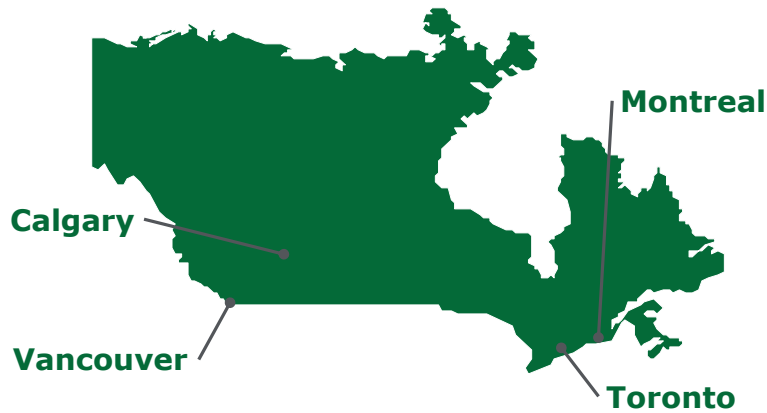
(\* ) Tax information for Hong Kong is provided within the country section

# International Tax Rates

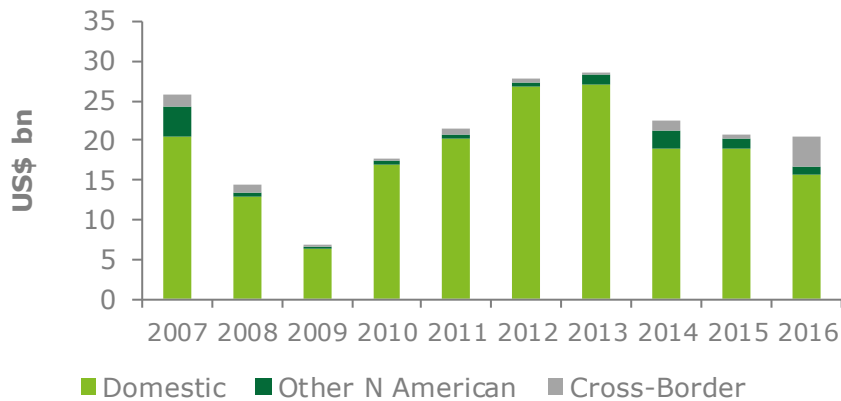
Countries	Transfers Tax Rate	Corporate Income Tax Rate (CIT)	Withholding Taxes		Exit Taxes - Capital Gains
			Dividends	Interest	
<b>Norway</b>	2.5% stamp duty on deeds of conveyance.	24%	Up to 25% - potentially reduced to 0% under certain treaties or if resident in the EEA.	0%	Ordinary corporation tax rate. Participation exemptions may apply.
<b>Poland</b>	1% - 2% on certain transactions.	19%	Up to 19% - potentially reduced to 0% under certain treaties or if the EU Parent-Subsidiary Directive applies.	Up to 20% - potentially reduced to 0% under certain treaties or if the EU Interest and Royalties Directive applies.	Ordinary corporation tax rate.
<b>Russia</b>	Minimal stamp duty on transactional documents.	20%	Up to 15% - potentially reduced to 0% under certain treaties.	Up to 20% - potentially reduced to 0% under certain treaties and conditions.	Ordinary corporation tax rate - potentially exempt if selling unquoted shares or participations in Russia.
<b>South Korea</b>	4.6% on assets. 0.5% on shares. Minimal stamp duty on documents.	22% + 2% provincial tax	Residents - 15.4%; Non-residents - 22%	Residents - 15.4%; Non-residents - 22%	Ordinary corporation tax rate - potentially reduced if Korean sourced gains.
<b>Singapore</b>	3% on assets. 5% - 15% on residential assets. 0.2% on shares.	17%	Not taxed	Up to 15% - potentially reduced to 0% under certain treaties or if domestic conditions apply.	Not taxed.
<b>Spain</b>	7% on assets. 0.75% - 2.5% on notarised documents.	25%	Up to 20% - potentially reduced to 0% under certain treaties.	Up to 20% - potentially reduced to 0% under certain treaties.	Ordinary corporation tax rate. Participation exemptions may apply.
<b>Sweden</b>	4.25% stamp duty on assets.	22%	Up to 30% - potentially reduced to 0% under certain treaties or if the EU Parent-Subsidiary Directive applies.	Not taxed	Ordinary corporation tax rate - may be exempt if sale of shares in a resident company
<b>Switzerland</b>	1% stamp duty on contributions to equity in resident companies. 0.15% - 0.3% on transfer of securities.	8.5%	Up to 35% - potentially reduced to 0% under certain treaties or if the Swiss-EU savings directive applies.	Up to 35% - potentially reduced to 0% under certain treaties.	Ordinary corporation tax rate. Participation exemptions may apply.
<b>Taiwan</b>	2% - 6% deed tax on asset price.	17%	Up to 20% - potentially reduced to 5% under certain treaties.	Up to 10% - potentially reduced to 0% under certain treaties.	Ordinary corporation tax rate. Sale of land subject to Land Value Incremental Tax.
<b>UK</b>	0% - 4% stamp duty on non-residential assets. 7% - 12% stamp duty on residential assets. 0.5% stamp duty on shares.	20%	0% - except 20% for REITS.	Up to 20% - potentially reduced to 0% under certain treaties or if EU Interest and Royalties Directive applies.	Part of a company's taxable profits. Potentially exempt for non-resident companies.
<b>US</b>	Transfer tax varies by state and in some cases, city. Mortgage recording tax may apply in some localities.	35% (state income tax may also apply)	Up to 30% - potentially reduced to 0% under certain treaties.	Up to 30% - potentially reduced to 0% under certain treaties.	Ordinary corporation tax rate - foreign corporations may be exempt.

# North America

# Canada Overview



## Property Investment by Capital Origin



Source: RCA



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Economy



The economy grew by 1.4 percent during 2016 and is expected to grow by around 2 percent in 2017 and 2018. Unemployment is expected to continue the downward trend of recent years, while consumer expenditure is expected to remain at current levels.

Property Investment



During 2016 investment remained at 2015 levels, after having experienced a 3-consecutive-year decrease. Capital from global investors grew by \$3bn, compensating the \$3bn drop in domestic capital.

Yields



Yields compressed by up to 25bps on prime assets across all sectors over the first 3 quarters; in Q4 2016, the yields in oil based economies such as Alberta showed a moderate increase of up to 25 bps due to sensitivity towards oil prices.

Rents



During 2016 rents in Canada saw a divergence between markets, but we can affirm that while in general, rents have decreased, the forecast for 2017 is for growth, supported by limited supply.

# Canada

## Key Metrics

### Economic background

Population 2015	35.9 m
GDP 2015 (US\$ bn)	1,553.2
GDP per capita 2015 (US\$)	44,091.0
GDP growth 2016	1.4%

### Prime yields Q4 2016

Office	4.4%
Retail	3.9%
Industrial	5.3%

### Economic forecasts

2017

Real GDP growth	2.0%
CPI inflation	1.9%

### Tax rates

Transfer Tax	Property registration taxes may apply
Corporate income Tax	25% - 31%
Tax on Dividends	Up to 25% - potentially reduced to 0% under certain treaties
Tax on Interest	Up to 25% - potentially reduced to 0% under certain treaties
Tax on Capital gains	Only half of capital gains are taxable as income at ordinary rate

### Economic indicators, end 2016

CPI Inflation	1.5%
Unemployment	7.0%
Base rate	0.5%
10 year bond yield	1.6%
Exchange rate 1US\$ to CAD\$	1.3341

### Property market background

Investment market size 2016 (US\$ bn)	20.6
Percentage from foreign investors	23.4%
All property total return 2016	5.7%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte



# Canada

## Real Estate Performance

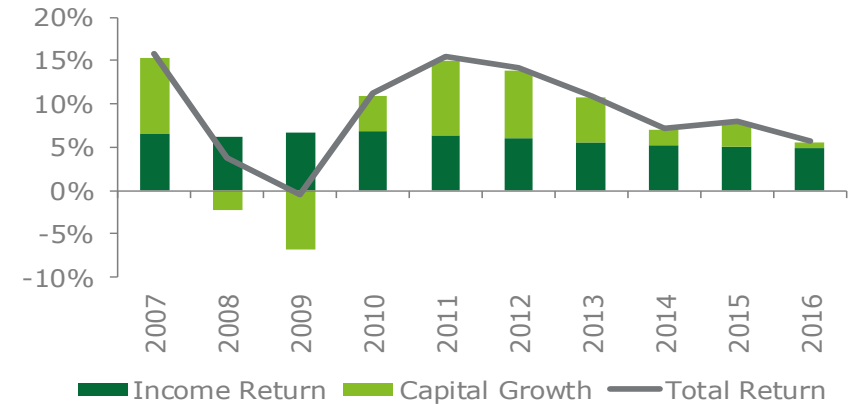
### Key Considerations

Global political instability, together with past long-term real estate market growth is causing some institutional investors and large hedge funds to question whether Canada is already at the peak of the current economic cycle. Therefore, property investment growth has been stagnant.

High levels of capital targeted towards real estate, combined with a shortage of available prime assets, has boosted investment demand for secondary assets.

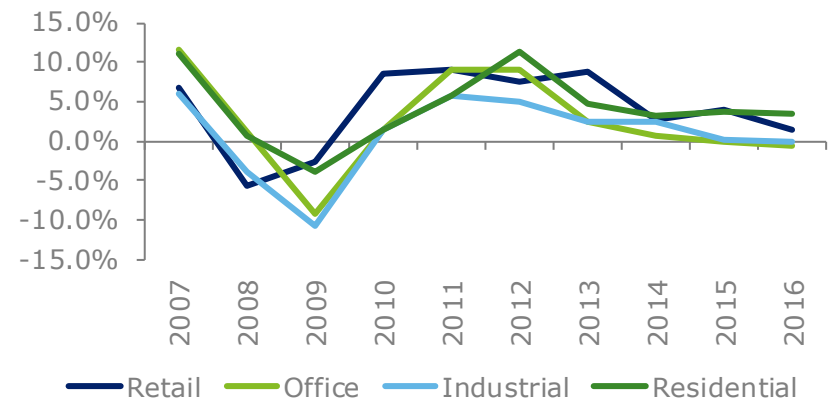
The decrease in oil prices is causing an economic downturn in some of Canada's major cities, such as Calgary, while boosting the manufacturing, transportation and warehousing industries, due to the drop in energy-related costs. This new situation is shifting investment to eastern Canada.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Canada

## Investment Market

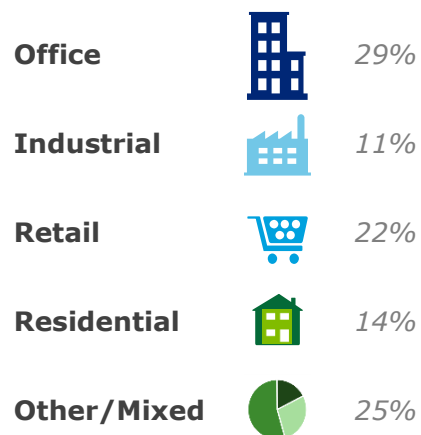
### Key Considerations

The level of investment remained at similar levels to 2015. The increase in capital from private companies and funds compensated for the drop in capital invested by listed companies.

Asia remained the largest source of overseas investment, while US listed companies gained investment power due to the strengthening of the US dollar.

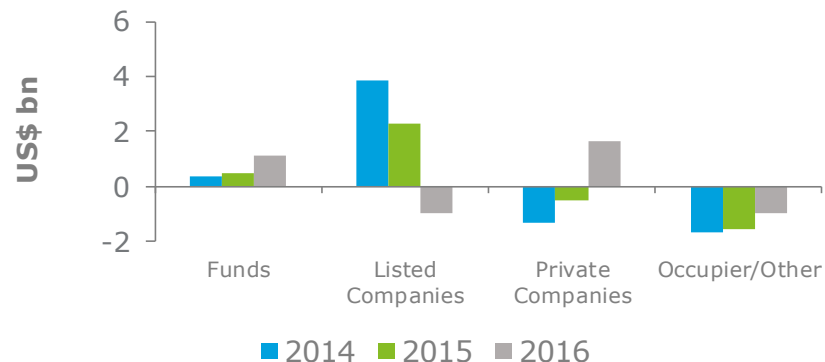
Offices remained the most attractive property although there was a shift in demand within the sector. Property owners are attracting new tenants at higher rents, as fewer top-tier offices are available to lease. Average lease lengths have reduced to less than ten years, and tenants' human resources departments are gaining decision-making power when choosing offices.

### Investment Distribution by Property Type



Source: RCA

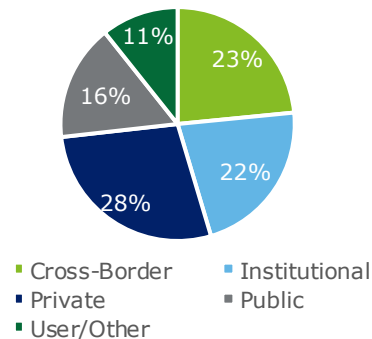
### Net Investment by Investor Type



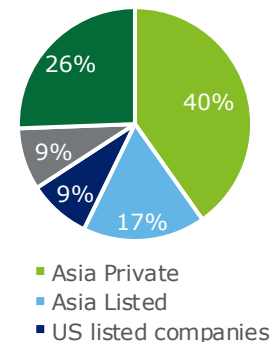
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Canada

## Toronto – Key Recent Deals

### Key Considerations

Toronto experienced a 25% increase in overall investment during 2016.

Toronto has benefited from the economic turmoil experienced by western cities, such as Calgary, caused by the oil price decrease, which at the same time has boosted the transportation and industrial sectors due to lower energy expenses.

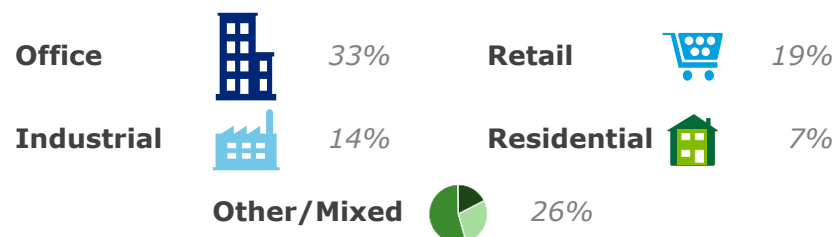
This economic backdrop, together with a diminishing regional unemployment rate, the continuous increase of e-commerce and the local population growth are boosting the real estate demand. Stable supply, is forcing a property price increase, which is causing a yield compression.

Low vacancy rates in central Toronto are boosting investor appetite in the surrounding areas, where a larger number of property transactions are taking place.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	6,413
Percentage from foreign investors	18.8%
All property total return 2016	8.6%
All property income return 2016	4.7%
All property capital growth 2016	3.7%
Office prime yield Q4 2016	4.8%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Dream Office/H&R REIT Canada Office Portfolio 2016	Office	Jun-16	949	Dream Office REIT, H&R REIT	AIMCo, KingSett Capital	N/A	2 property portfolio
Scotia Plaza	Office	Jun-16	850	H&R REIT, Dream Office REIT	KingSett Capital, AIMCo	Scotiabank	1,999,933 sf
777 Bay Street	Office	Nov-16	379	OPSEU Pension Trust (OPTrust), Canderel	Anbang Insurance Group	Government of Ontario, Bank of Montreal	914,469 sf
LCBO HQ Portfolio 2016	Retail	May-16	190	LCBO	Triovest Realty Advisors, Menkes, Greystone	N/A	N/A
Four Seasons Toronto	Hotel	Sep-16	162	Kingdom Holding Co, Cascade Investments	Shahid Khan	Four Seasons	259 Units

# Canada

## Vancouver – Key Recent Deals

### Key Considerations

Vancouver experienced a 68% increase in investment volume during 2016.

The office market has led the investment growth, with a 214% increase compared to the previous year, accounting for most of the largest transactions.

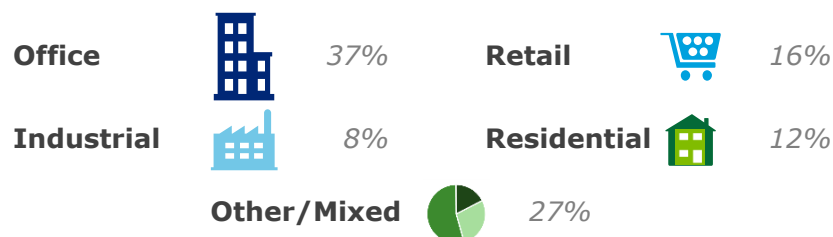
The increasing presence of technology companies in downtown Vancouver, trying to attract millennial talent, are contributing to the reduction to the overall vacancy rate to close-to-zero ratios in prime assets.

It is expected that property market will continue to see growth in investment activity during 2017.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	4,648
Percentage from foreign investors	41.2%
All property total return 2016	12.0%
All property income return 2016	4.6%
All property capital growth 2016	7.2%
Office prime yield Q4 2016	4.4%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Bentall Centre	Office	Mar-16	707	Ivanhoe Cambridge	Anbang Insurance Group	N/A	4 properties
Oakridge Transit Centre	Dev Site	Oct-16	314	SC BC Transportation Authority	Intergulf Development, Kunyuan Intl	N/A	601,108 sf
Bentall Centre Tower IV	Office	Jun-16	299	GWL Realty Advisors	Anbang Insurance Group	TD Canada Trust, Starbucks, Licious	545,404 sf
Grandview Corners	Retail	Aug-16	154	CPP Investment Board	RioCan REIT	Walmart, Home Depot, Future Shop	529,809 sf
1075 W Georgia Bldg	Office	Sep-16	144	Ivanhoe Cambridge, bcIMC	N/A	City Office REIT	349,157 sf

# Canada

## Montreal – Key Recent Deals

### Key Considerations

Montreal experienced a 3% decrease in overall investment during 2016.

The office market remains the most active despite experiencing a 28% drop in investment volumes compared with 2015.

The average vacancy rate continued to rise slowly during 2016, due to the decrease in the class-2 occupancy rate. Office construction activity also decreased during 2016, and was focused mainly in the West Island area.

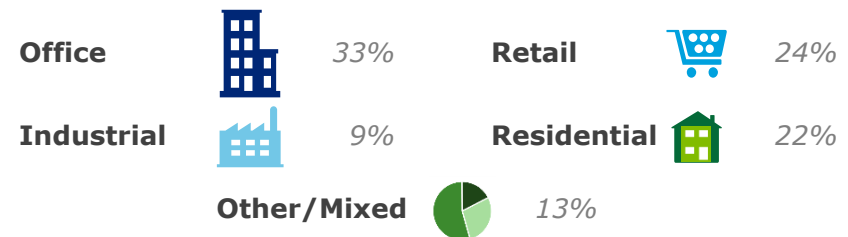
The retail sector remained as the second most attractive asset type despite the 24% decrease in investment volumes. SmartREIT starred the most relevant in the retail sector, with the purchase of Terrarium Shopping Centre.

The industrial subsector experienced a drop in the availability ratio due to the increasing demand for high-quality assets, while the construction activity still evolves slowly. This trend is expected to continue during 2017.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	2,295
Percentage from foreign investors	18.7%
All property total return 2016	3.3%
All property income return 2016	4.9%
All property capital growth 2016	-1.6%
Office prime yield Q4 2016	5.2%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Le Nordelec	Office	May-16	112	Redbourne Group, ELAD Group	Allied Properties REIT	FCB, GSOFT	786,927 sf
1000 Sherbrooke West	Office	Sep-16	57	Scotiabank	Monit Investment Inc	Fujitsu, McMillan LLP	270,044 sf
Royal Westmount	Apartment	May-16	45	9731164 Canada Inc	Plexon Group Inc	NA	194 Units
Terrarium Shopping Centre	Retail	Oct-16	44	Abacus Private Equity, KingSett Capital	SmartREIT	Wal-Mart Supercentre, Home Depot, Dollarama	381,987 sf

Source: RCA, MSCI, Deloitte

Deloitte International Property Handbook

# Canada

## Calgary – Key Recent Deals

### Key Considerations

Calgary's property market continues to struggle, having seen a 30% decrease in overall investment during 2016. This is mainly due to the continuous decrease in oil prices since 2014.

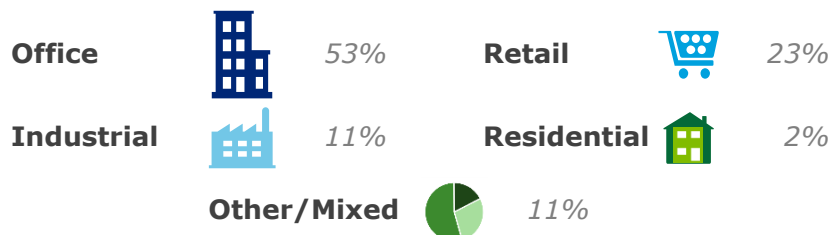
The office market, which represented 23% of the overall investment during 2015, remains as the most active sector attracting more than 50% of the investment during 2016. However vacancy rates are still at very high levels and average rents continue to decrease to compensate the continuous drop in office demand.

After a drop in retail construction in 2015, the current increase may be a predictor of the subsector's slow recuperation, as Calgary still has the largest disposable income per capita among Canada's major cities.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	1,748
Percentage from foreign investors	9.6%
All property total return 2016	-2.8%
All property income return 2016	5.3%
All property capital growth 2016	-7.7%
Office prime yield Q4 2016	6.4%

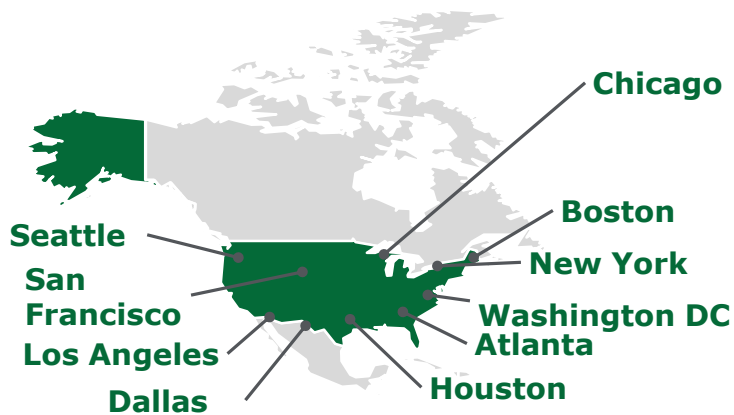
### Investment Distribution by Property Type



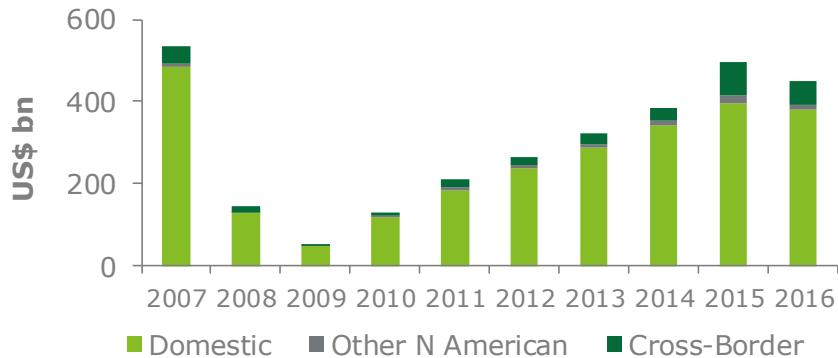
Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Brookfield Place Calgary East	Office	Oct-14	762	Brookfield Prop Ptnrs	Brookfield Canada Office Props	Cenovus	1,399,953 sf
Centennial Place	Office	Sep-16	499	Oxford Properties Group	CPP Investment Board	Baytex Energy Corp, Toro Oil, Spencer Stuart	1,287,197 sf
TransCanada Tower	Office	Nov-16	368	H&R REIT	HOOPP Ontario Pension Plan	TransCanada Corp, Osler Hoskin & Harcourt, Starbucks	931,156 sf
Imperial Oil Campus	Office	Jun-16	302	Remington Development Corp	Imperial Oil	Imperial Oil	820,497 sf
Eau Claire Tower	Office	Sep-16	233	Oxford Properties Group	CPP Investment Board	NA	599,980 sf

Source: RCA, MSCI, Deloitte

# United States Overview



## Property Investment by Capital Origin



Source: RCA



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Economy	↑	The US economy recorded growth of 1.6% during 2016. A further decline in the unemployment rate is expected, as well as a higher growth rate of 2.3% during 2017.
Property Investment	↓	Real estate investment volumes decreased by 9.5% since 2015, mainly caused by the drop in cross-border investment. The office market is experiencing a moderate slowdown, however activity in the residential market has increased considerably.
Yields	↓	The strength of the investment market has delivered a further reduction in prime office yields during 2016, however slowing capital value growth is expected to limit further falls.
Rents	→	Virtually all the major US office markets have seen solid rental growth this year and limited new supply points to further gains ahead. In the retail sector, strong increases have been seen in the best quality shopping centers.

# United States

## Key Metrics

### Economic background

Population 2016	323.0 m
GDP 2016 (US\$ tn)	18.6
GDP per capita 2016 (US\$)	43,310
GDP growth 2016	1.6%

### Prime yields Q4 2016

Office	3.8%
Retail	3.9%
Industrial	4.3%

### Economic forecasts

2017

Real GDP growth	2.3%
CPI inflation	2.4%

### Tax rates

Transfer	ries by state and in some cases, city. Mortgage recording tax may apply in some regions
Corporate income	35% (state income tax may also apply)
Tax on dividends	Up to 30% - potentially reduced to 0% under certain treaties
Tax on interest	Up to 30% - potentially reduced to 0% under certain treaties
Capital gains	Ordinary corporation tax rate -foreign corporations may be exempt

### Economic indicators 2016

CPI Inflation	1.3%
Unemployment	4.9%
Base rate	0.75%
10 year bond yield	2.0%
Exchange rate 1US\$ to EUR	0.9490

### Property market background

Investment market size 2016 (US\$ bn)	448.6
Percentage from foreign investors	15.0%
All property total return 2016	12.1%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte



# United States Real Estate Performance

## Key Considerations

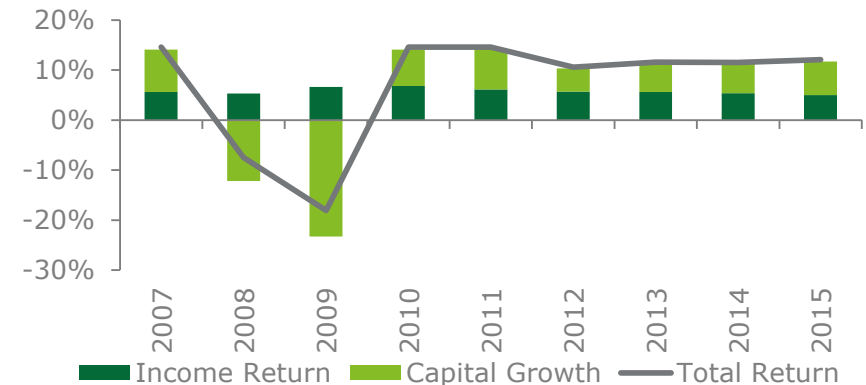
The results of the US Presidential election raised the volatility alarm during the last quarter of 2016. However, equity markets have outperformed expectations, having reached record highs in the first weeks of 2017.

The FOMC raised rates, and markets are expecting further raises during 2017.

Multifamily investment represented 32.1% of the total in Q3 2016, being the most active market.

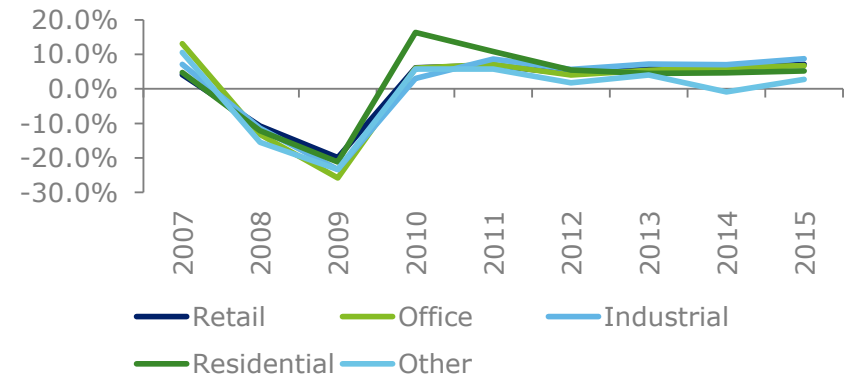
US real estate benefited from offshore capital, coming mainly from Asia. Both institutional buyers and REITs investment volumes dropped to 20.3% and 35.5%, respectively.

## All Property Total Return



Source: MSCI

## Capital Growth by Sector



Source: MSCI

# United States Investment Market

## Key Considerations

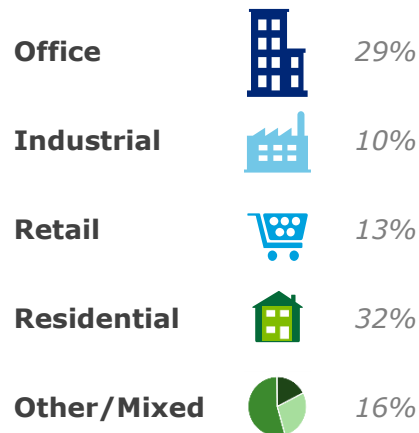
The interest rate raise by the Fed, compared to European low interest rates, is strengthening US dollar compared to foreign currencies.

This, combined with the increases in public debt yields is putting pressure on demand for real estate, as investors are increasingly able to find low-volatility alternatives to obtain similar yields.

Domestic and continental investments have been dominant during 2016 accounting for US\$380bn, followed by foreign investment with US\$68bn.

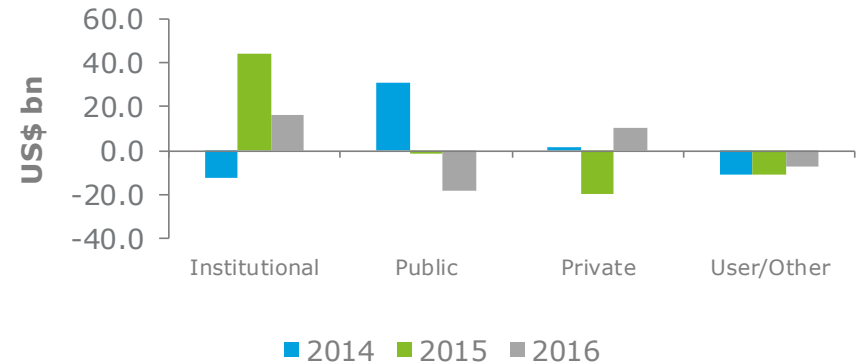
New York City continued to be the leader for investment, accounting for US\$69bn in 2016. Investment activity in Los Angeles and San Francisco metropolitan areas was also robust at US\$70bn between the two cities.

## Investment Distribution by Property Type



Source: MSCI

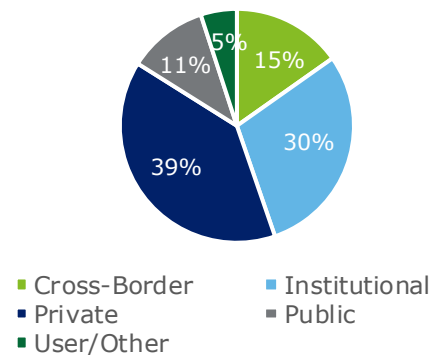
## Net Investment by Investor Type



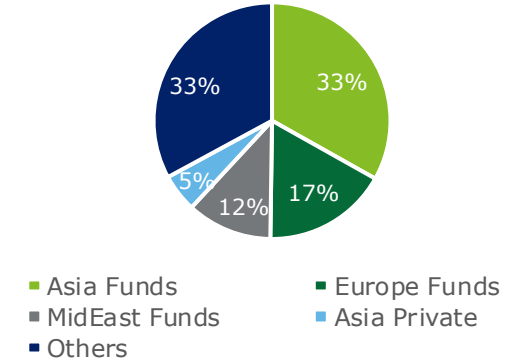
Source: RCA

## Investment Distribution 2016

### By Investor Type



### By Origin



Source: MSCI

# United States

## New York – Key Recent Deals

### Key Considerations

Political and economic uncertainty contributed to record high vacancies in the Manhattan office market; a trend that has reversed after the outcome of the elections, when leasing activity has started to grow and momentum is anticipated to turn positive during 2017.

However, Manhattan A Class vacancy rate increased to 11.2% from 10.3%, registered at 2015 year-end. The reason for such drop has been the six-month decrease in the financial workforce.

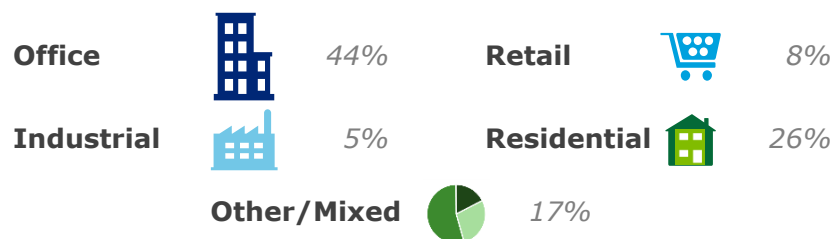
That said, offices still attract large amounts of capital, having accounted for the main transactions of the year.

Residential is the second most active asset type in New York. The median sales price decreased for the second time in the last 3 years and the number of sales slipped, while inventory increased.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	68.9
Percentage from foreign investors	28.0%
All property total return 2016	10.9%
All property income return 2016	4.4%
All property capital growth 2016	6.2%
Office prime yield Q4 2016	4.1%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Trinity NY Office Portfolio 2016	Office	Apr-16	3,466	Trinity Real Estate	Hines	N/A	N/A
11 Madison Avenue	Office	Aug-16	26	SL Green	PGIM Real Estate	Credit Suisse, Sony, Yelp, WME, Young & Rubicam	2,285,043 sf
1095 Sixth Avenue	Office	Jul-16	2,353	Callahan Cap Prtnrs, Ivanhoe Cambridge	HKMA	METLIFE, US Bank, Booz & Co	1,116,129 sf
Sky	Apartment	Apr-16	759	Moinian Group	SL Green	N/A	1,176 units

Source: RCA, MSCI, Deloitte

# United States

## Los Angeles – Key Recent Deals

### Key Considerations

Total transaction levels in Los Angeles decreased by 4.2% compared to 2015. International investment saw a slight decrease, accounting for 16% of overall investment.

The office sector in Los Angeles is considered to be near the top of the cycle, observed in the cautiously declining vacancy rate and the last-5-years positive absorption rates. At the same time, average rent has risen by 6.5% compared to 2015.

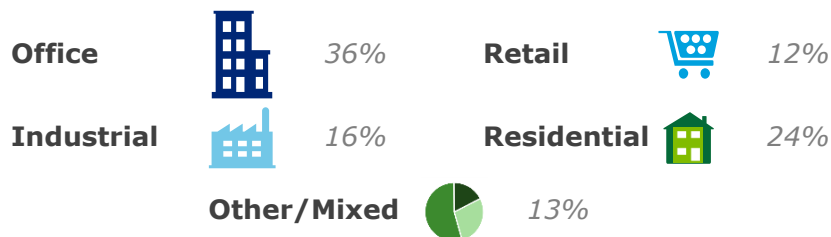
After Google and Yahoo leased space at Playa Vista, the technology sector has begun to shift away from Santa Monica, where occupancy rates have eased. It seems that this phenomena is starting to reverse.

Qatar Investment Authority has dominated the international activity during 2016, having been behind the largest transaction of the year acquiring the Blackstone office portfolio for US\$1,342bn.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	38.0
Percentage from foreign investors	16.0%
All property total return 2016	13.1%
All property income return 2016	4.7%
All property capital growth 2016	8.1%
Office prime yield Q4 2016	4.1%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Blackstone Office Portfolio 2016	Office	Feb-16	1,342	Blackstone	Qatar Investment Authority, Douglas Emmett Realty	N/A	N/A
10960 Wilshire Boulevard	Office	Feb-16	476	Blackstone	QIA, Douglas Emmett Realty	Helio LLC- 10980, Sony, Cardinia Real Estate, Saban, Adecco Employment	576,018 sf
Investors Management Trust CA Apartment 2016	Apartment	Dec-16	185	Investors Management	Essex Property Trust	N/A	N/A
LA Times Printing Plant	Industrial	Sep-16	120	Tribune Media	Harridge Dev Group	Los Angeles Times	1,008,170 Sf

Source: RCA, MSCI, Deloitte

# United States

## San Francisco – Key Recent Deals

### Key Considerations

The office sector accounted for 44% of the San Francisco market during 2016 with a volume of US\$14.2bn; a decrease of 5% since the previous year.

After five consecutive quarters of positive absorption, the industrial market recorded a net negative absorption in the 4Q of 2016.

Occupancy losses have had a considerable impact in significant buildings at Grand Ave, Utah Ave and Forbes Blvd in South San Francisco.

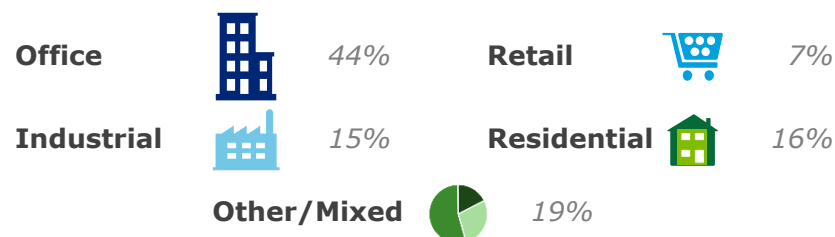
Menlo Park also recorded significant negative absorption for the first time since the third quarter of 2013.

The office market in San Francisco experienced a steady year, characterized by flat rents and a moderate expansion of supply and active leasing activity. It is expected for 2017 that the rents remain stable with a moderate rise in vacancy by year end.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	32.5
Percentage from foreign investors	19.0%
All property total return 2016	18.4%
All property income return 2016	4.3%
All property capital growth 2016	13.6%
Office prime yield Q4 2016	3.9%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
One Front Street	Office	Dec-16	521	FL State Board of Admin	Paramount Group (REIT)	JLL, Skidmore Owens & Merrill, First Republic Bank, Covington & Burling, Wells Fargo	651,732 Sf
Market Center	Office	Jun-16	510	John Hancock	Blackstone	Uber, Morrison & Foerster, DWG Services, Tibco Software	770,000 Sf
Kilroy Realty San Francisco Office Portfolio 2016	Office	Sep-16	455	Kilroy Realty Corp	Norges Bank (NBIM)	N/A	336 units
Ritz Carlton San Francisco	Hotel	Dec-16	290	MetLife, Brookfield AM, Thayer Lodging, Cascade Investments	Carey Watermark	N/A	531 units

Source: RCA, MSCI, Deloitte

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# United States

## Chicago – Key Recent Deals

### Key Considerations

Chicago has experienced a decrease in investment flows: investment in 2015 was US\$21.3bn compared to the US\$18.8bn in 2016. The level of foreign capital has been steadily decreasing.

Only 7 transactions in the office market have accounted for more than US\$200m during 2016.

The downtown office district of Chicago ended 2016 showing a positive absorption rate which caused the direct vacancy to drop 80 basis points compared to Q1 2016. The suburban office market closed 2016 with a net positive rate of absorption and a vacancy decline of 20 bps, attaining the lowest direct vacancy rate in the suburban market since pre-recession.

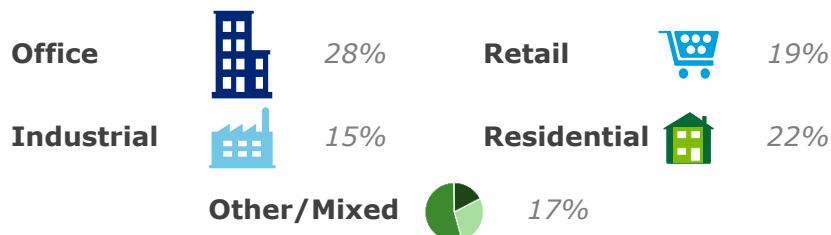
The retail sector experienced a 6% increase in investment activity with respect to H2 2015.

According to the Confidence Board, the Consumer Confidence Index had increased in November and continued upward in December.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	18.8
Percentage from foreign investors	14.0%
All property total return 2016	11.8%
All property income return 2016	5.1%
All property capital growth 2016	6.4%
Office prime yield Q4 2016	5.1%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
AMA Plaza	Office	Sep-16	467	Five Mile Capital, Riverview Realty Prtnrs	Beacon Capital Partners	Multi-let	1,119,503 Sf
321 North Clark Street	Office	Aug-16	358	Hines REIT	American Realty Advisors, Diversified RE Cap LLC	Foley & Lardner LLP, Mesirow Financial, American Bar Assoc (HQ), CBRE	896,000 Sf
LondonHouse Chicago	Hotel	Apr-16	315	Oxford Cap Group LLC, Angelo, Gordon	Metzler Real Estate, UniImmo: Europa	N/A	452 units
North Harbor Tower	Apartment	May-16	237	FL State Board of Admin	Crescent Heights	N/A	600 units

Source: RCA, MSCI, Deloitte

# United States

## Washington DC – Key Recent Deals

### Key Considerations

Behind New York and San Francisco, Washington saw the highest proportion of foreign investment among the major US cities in 2016. However, there has been a significant decline in cross-border investment compared to the previous year.

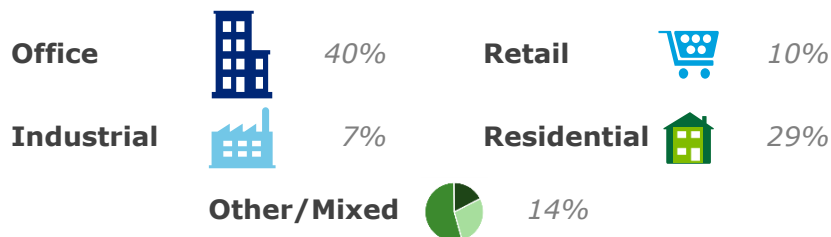
The Washington office market recorded a negative absorption rate in Q4 2016, the second consecutive quarter of occupancy loss. The vacancy rate ended with an increase of 80 bps during the quarter. Contractions by the legal and federal government sectors were the primary drivers of occupancy loss.

New housing delivery in the multifamily market totaled 3,139 units in 2016, surpassing the average of the last 5 years. Another 7,054 new units are expected to be completed in the Washington market in 2017.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	19.9
Percentage from foreign investors	18.0%
All property total return 2016	6.8%
All property income return 2016	5.0%
All property capital growth 2016	1.7%
Office prime yield Q4 2016	4.6%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Metropolitan Square 655 15th St NW	Office	Oct-16	365	Boston Properties, NYSCF	Blackstone	WeWork	587,050 sf
Independence Square Two 300 E St SW	Office	Dec-16	355	Piedmont REIT	Hana Asset Management, Korea Inv Securities	NASA	579,733 sf
GSK Global Vaccine Centre 14200 Shady Grove Dr	Industrial	Dec-16	337	BioMed Realty	CalSTRS, GI Partners	GlaxoSmithKline	635,058 sf
Hilton Washington 1919 Connecticut Ave NW	Hotel	Jun-16	305	Canyon-Johnson Urban Fund, Lowe Enterprises	Oaktree, Clearview Hotel Cap LLC	N/A	1,070 units

Source: RCA, MSCI, Deloitte

# United States

## Dallas – Key Recent Deals

### Key Considerations

Global funds experienced a slight decrease in their investment appetite for real estate. As a result, cross-border investment suffered a 7% decline in Dallas this year.

Although the office market saw fewer large deals in the first half of the year, volumes have since recovered strongly, alongside an acceleration in capital value growth.

For the 26th consecutive quarter, the Dallas office market registered positive net absorption for Q4 2016.

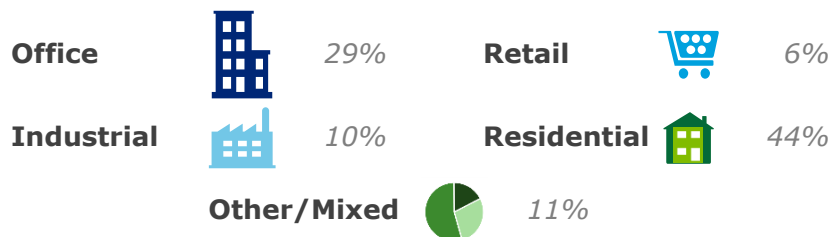
With an office occupier base reliant in part on the oil industry, vacancy rate raised to 18%, but also, rents have increased. This tendency is due to new developments becoming part of the market.

In the residential sector, demand for rental units remained strong, as over 4,000 units were absorbed in Q3 2016.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	20.0
Percentage from foreign investors	11.0%
All property total return 2016	12.9%
All property income return 2016	5.5%
All property capital growth 2016	7.0%
Office prime yield Q4 2016	5.3%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Chase Tower	Office	Jul-16	273	Hines REIT	Fortis Property Group	Locke Lord, JP Morgan Chase, Deloitte	1,248,230 sf
2000 McKinney Avenue	Office	Aug-16	225	Lincoln Property Co, Corrigan Props Inc, ADIA	Metzler Real Estate, UniImmo: Global	Texas Capital Bank, Lincoln Property Co	447,595 sf
17Seventeen McKinney	Office	Sep-16	188	MetLife, Granite Properties	Gaedeke Group	Bain & Co., Huitt-Zollars, Colliers International	369,014 sf
Timber Creek Crossing	Retail	May-16	91	RioCan REIT	Blackstone	Walmart, Sams Club, JC Penney, Whataburger, Bank of America	N/A

Source: RCA, MSCI, Deloitte



# United States

## Atlanta – Key Recent Deals

### Key Considerations

The volume of transactions declined by 7.2% in 2016, leaving Atlanta in seventh place by investment volume, among US cities.

However, the picture is different in the residential sector, which saw US\$ 8bn invested meaning that Atlanta ranks third in the US for that sector.

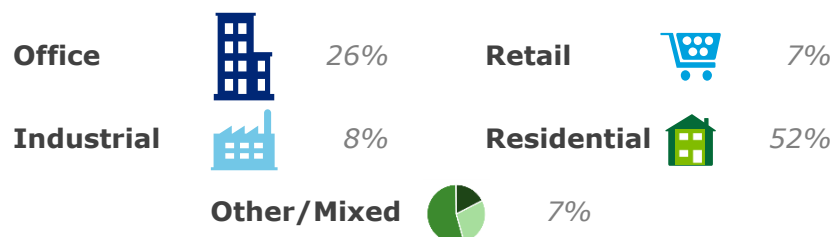
Metro Atlanta currently ranks as the lowest cost of doing business of the 3 largest metros. Combining this with the low cost of living, it is an attractive area for companies to operate offices, and there has been particular interest from the technology sector, especially Healthcare IT. Fintech also plays a major role as two-thirds of the global payment transactions are expected to pass through Georgia-based Fintech organizations.

The Multifamily sector is strong in Atlanta, highlighting rising rents, elevated occupancy and increased development activity. Domestic buyers still represent the majority of purchasers, but foreign capital is gaining ground.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	16.0
Percentage from foreign investors	13.0%
All property total return 2016	14.2%
All property income return 2016	5.9%
All property capital growth 2016	7.8%
Office prime yield Q4 2016	5.2%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
One Atlantic Center	Office	Sep-16	318	Hines US Core OFF Fund	Starwood Capital Group, Core Property Capital	Alston & Bird, Equifax, DLA Piper, Credit Suisse	1,098,709 sf
191 Peachtree	Office	Oct-16	267	Cousins Properties	Banyan Street Capital, Oaktree	Deloitte, Hall, Booth, Morgan & Morgan	1,222,142 sf
Atlanta Financial Center	Office	Dec-16	222	Hines, General Motors Pension	Sumitomo Corp	Suntrust Bank, Manning & Martin	914,774 sf
The Residence Buckhead Atlanta	Apartment	Aug-16	136	OliverMcMillan	Simpson Housing LLLP	Spanx (HQ)	370 units

Source: RCA, MSCI, Deloitte

# United States

## Boston – Key Recent Deals

### Key Considerations

Total investment in Boston has experienced a decline of 12% compared to 2015, which has been mainly due to the decline in Cross-border investment of 10%.

Investment in Boston represented 3.4% of the total investment in the US during 2016.

In the office sector, long-term declines in unemployment, driven by steady jobs growth in the finance, life insurance and technology sectors has resulted in positive net average absorption over the last 6 years.

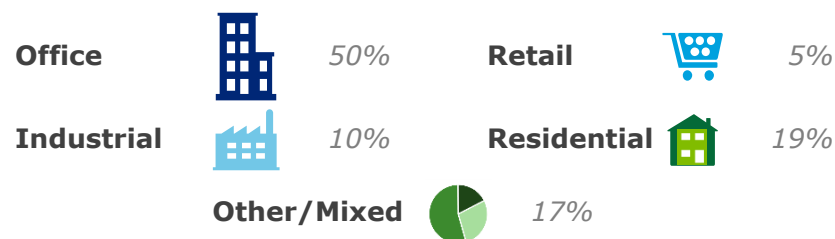
The office sector accounted for half of Boston's overall investment during 2016, which translates into strong fundamentals: constantly decreasing vacancy rates during the last 5 years and continuously increasing average asking rent.

Global talent attraction boost the cities constant expansion and improve the future perspectives, positioning the CBD and Greater Boston Area in the long-term growth potential scope.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	15.4
Percentage from foreign investors	11.0%
All property total return 2016	12.6%
All property income return 2016	4.8%
All property capital growth 2016	7.5%
Office prime yield Q4 2016	3.8%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Vertex Pharmaceuticals HQ	Office	Jul-16	1,240	N/A	Senior Housing Properties Trust	Vertex Pharmaceuticals, Babbo Enoteca Fp	1,133,723 sf
BioMed Buyout 2016	Office	Jan-16	690	BioMed Realty Trust	BioMed Realty	N/A	N/A
St Elizabeths Hospital	Other	Oct-16	189	Steward Health Care Sys	Medical Props Trus	St Elizabeths Hospital	N/A
The Victor	Apartment	Oct-16	187	Heitman, Simpson Housin	GID, CalPERS	Tavern in the Square	286 units

Source: RCA, MSCI, Deloitte

# United States

## Seattle – Key Recent Deals

### Key Considerations

Investment in Seattle commercial real estate increased by 3.2% compared to 2015.

Tenant activity continued to improve in the downtown office market, pushing the year toward a solid end.

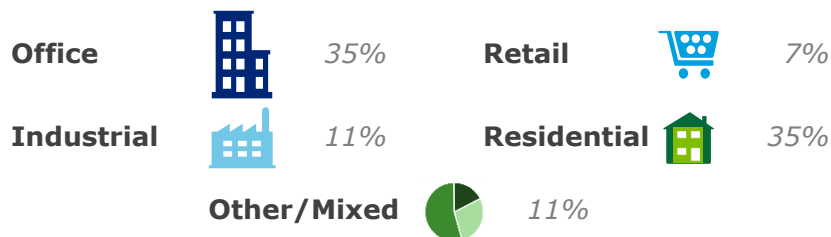
Seattle's industrial sector sale prices are high as the market remains strong. Prices for industrial buildings averaged \$142 per sf in Q4 2016.

On the land side the market experienced a 300% year on year increase in industrial land sales, accounting for \$US300m in 2016 compared to \$US100m in 2015.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	14.7
Percentage from foreign investors	13.0%
All property total return 2016	11.6%
All property income return 2016	4.9%
All property capital growth 2016	6.4%
Office prime yield Q4 2016	4.4%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Safeco Plaza	Office	Jul-16	385	CaIPERS, Commonwealth Partners	Meritz Securities, Hyundai Insurance, GLL RE Partners	Safeco (HQ), Interior Architects	793,679 sf
West 8th	Office	Feb-16	370	AEW Capital	RREEF America	Amazon, Salesforce, Sinclair Broadcast Group, Internap Corporation, TierPoint Seattle	499,000 sf
KOMO Plaza	Office	Dec-16	275	Hines Global REIT	GI Partners		291,151 sf
Seattle Marriott Bellevue	Hotel	Jan-16	188	White Lodging Services	Carey Watermark	N/A	384 units
LIV Bel-Red	Apartments	Sep-16	171	Goodman Real Estate Inc	Kennedy Wilson	N/A	451 units

Source: RCA, MSCI, Deloitte

# United States

## Houston – Key Recent Deals

### Key Considerations

Houston's office market saw an uptick in November at 12.5 million sf before dropping to 11.1 million sf by the end of the year. Oil was over \$55/bbl, the highest value since July 2015 and sublease availability began its expected decline. The energy industry has begun to show signs of stabilizing.

The local economy continues to issue new job offers, forecasting 30,000 net new jobs in 2017.

Investment activity in the Houston market is driven almost entirely by domestic investment, a large share of which is directed towards the residential market.

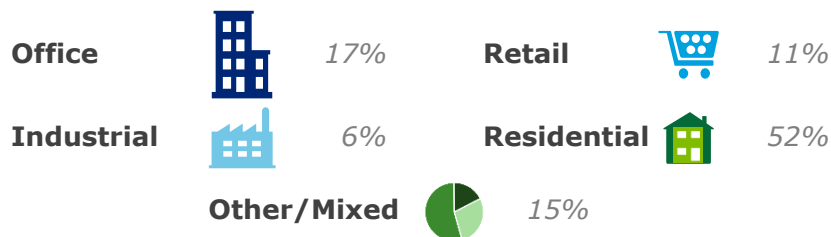
The residential market is active, led by few trades smaller than US\$200m; New construction is expected to disrupt the residential market in the near term.

Cross-border investors account for a small share of investment in Houston, only a 3% of the total stake. Of this, the major players were Canada Private investment with a 52% share followed by Canada Listed investment with 21%.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	9.0
Percentage from foreign investors	3.0%
All property total return 2016	4.8%
All property income return 2016	5.5%
All property capital growth 2016	-60.0%
Office prime yield Q4 2016	5.8%

### Investment Distribution by Property Type

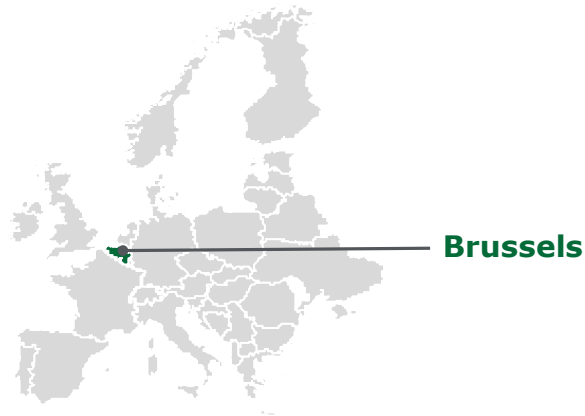


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
River Oaks District	Retail	Jun-16	550	OliverMcMillan, Baupost Group	Senior Housing Properties Trust	N/A	1,133,723
River Oaks District	Retail	Jun-16	300	OliverMcMillan, Baupost Group	BioMed Realty	Cartier, Tom Ford, Hermes, Dior, Taverna	N/A
Grey House	Apartment	Jun-16	194	OliverMcMillan, Baupost Group	Medical Props Trust	N/A	N/A
Sovereign at Regent Square	Apartment	Apr-16	114	N/A	GID, CalPERS	N/A	286 units
Greenspoint Plaza	Office	Jul-16	77	General Motors Pension, Hines	CIM Group	N/A	2,080,000 sf

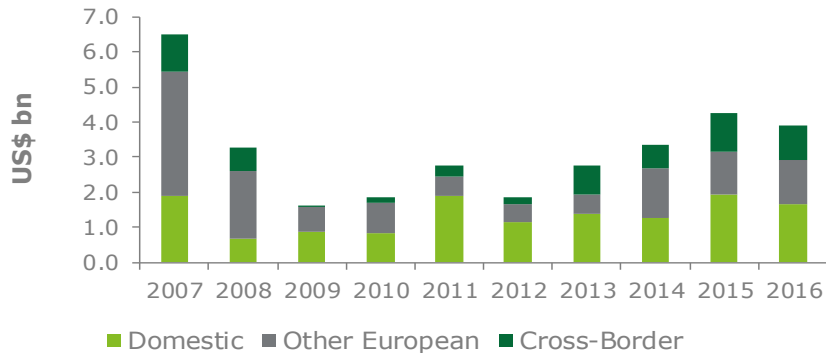
Source: RCA, MSCI, Deloitte

# Europe

# Belgium Overview



## Property Investment by Capital Origin




Source: RCA





### Local market contact


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**Economy**  GDP growth is expected to be stronger than last year standing at 1.2% for 2016 and is forecast to improve up to 1.3% in 2017. An increase in consumer spending and falling unemployment indicate that the economy is recovering.

**Property Investment**  Investment decreased in 2016 in comparison with 2015. Office assets are still the main investment target, although there is a recent trend towards a more diverse range of property types.

**Yields**  Yields experienced compression throughout 2016 in Belgium.

**Rents**  Rents are stable or rising across all property sectors. In the office sector, a decrease in vacancy rate has driven up rents in prime locations. Retail rents have remained stable due to a drop in shopping footfall caused by the terrorist threat prevalent in the country.



### Local market contact

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# Belgium

## Key Metrics

### Economic background

Population 2016	11.4 m
GDP 2016 (US\$ bn)	525.1
GDP per capita 2016 (US\$)	46,180.0
GDP growth 2016	1.2%

### Prime yields Q4 2016

Office	4.3%
Retail	3.0%
Industrial	6.3%

### Economic forecasts

2017

Real GDP growth	1.3%
CPI inflation	2.2%

### Tax rates

Transfer	0.2% - 12.5%
Corporate income	34.0%
Tax on dividends	Up to 25% - potentially reduced to 0% under certain treaties
Tax on interest	Up to 25% - potentially reduced to 0% under certain treaties
Capital gains	Ordinary corporation tax rate

### Economic indicators 2016

CPI Inflation	1.8%
Unemployment	8.0%
Base rate	0.0%
10 year bond yield	1.0%
Exchange rate 1US\$ to EUR	0.94901

### Property market background

Investment market size 2016 (US\$ bn)	3.9
Percentage from foreign investors	57.0%
All property total return 2015	6.4%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Belgium

## Real Estate Performance

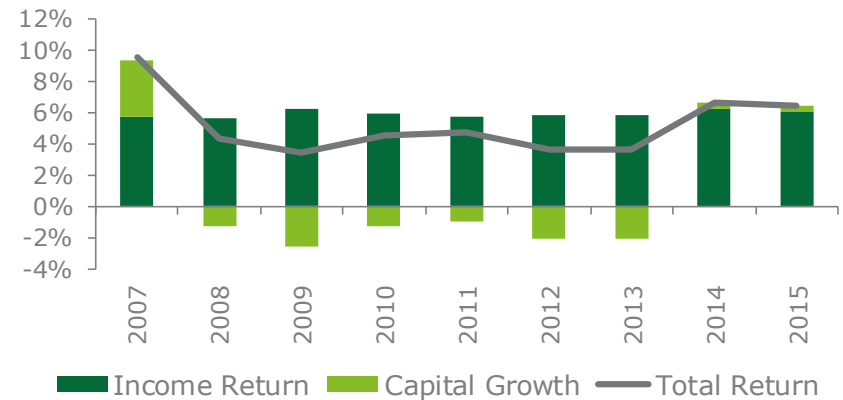
### Key Considerations

During 2015 real estate performed in-line with year 2014, with total returns on all property real estate assets being 0.2% lower than in the previous year, standing at 6.4%.

Even though performance has been marginally lower than in 2014, both years were some of the most positive in Belgium since the financial crisis that began in Europe in 2007-2008. The country has also experienced positive capital growth in these last two years, after 6 years with negative growth.

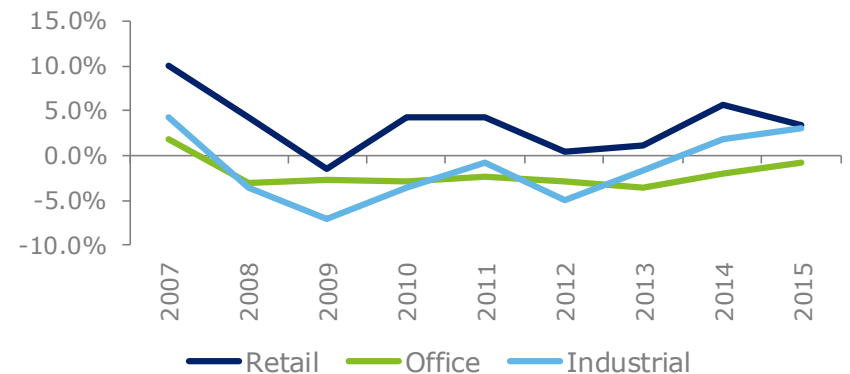
Following the trend of the last ten years, the retail sector leads capital growth in the Belgian real estate market. It was followed closely by the industrial sector, which has seen values rise steadily since 2012.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI



# Belgium

## Investment Market

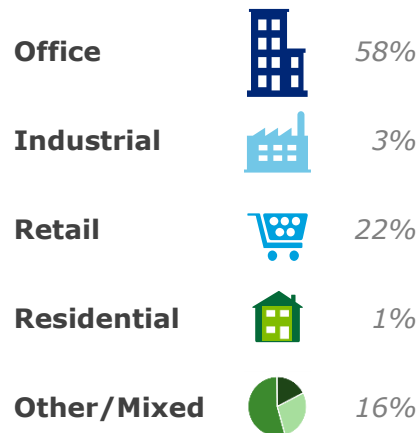
### Key Considerations

Investment in Belgian real estate decreased year-on-year by 8.9% during 2016. One of the reasons is due to the social instability present in the country after the terrorist attacks that took place during the first half of 2016. The second half of the year saw a recovery with transactions over US\$2bn.

Foreign investment was mainly based on capital coming from European funds, but was boosted by increasing volumes coming into Belgium from Asian countries.

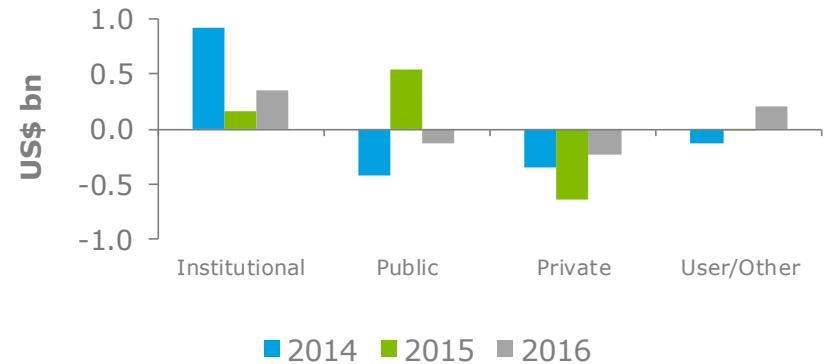
The office sector has seen its share of investment grow: it is the sector that accounts for the majority of activity, especially in the Brussels metropolitan area.

### Investment Distribution by Property Type



Source: RCA

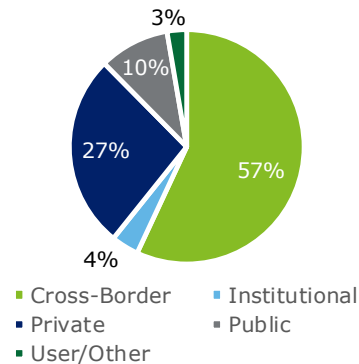
### Net Investment by Investor Type



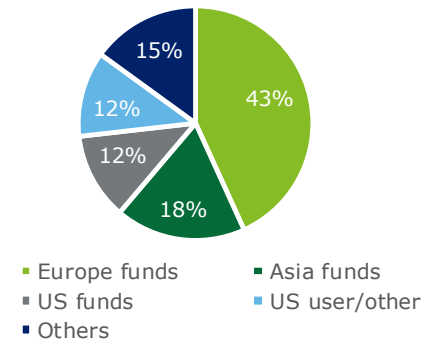
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Belgium

## Brussels – Key Recent Deals

### Key Considerations

The Brussels real estate market accounted for more than 73% of total investment in Belgian property in 2016. Capital coming from foreign investors gained even more relevance, representing 60% of the capital invested in the city.

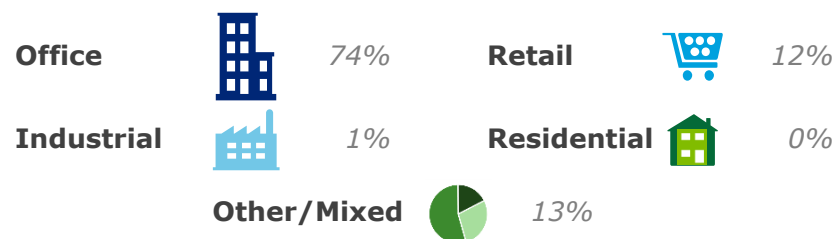
Office assets are still the preferred target for investment in Brussels. In 2016, office take up reached 5 million sf. This was one of the highest figures recorded in the post-crisis period and generates attractiveness of this property asset class for foreign investors.

On the other hand, retail assets lost share with respect to previous years. A decrease in the shopping footfall in the city and the implementation of city-centre pedestrian zone were the key drivers for this slow-down in the sector. However, it is expected that moderate positive growth will be experienced during the coming years.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	2,857
Percentage from foreign investors	60.1%
All property total return 2015	5.4%
All property income return 2015	5.9%
All property capital growth 2015	-0.4%
Office prime yield Q4 2016	4.3%

### Investment Distribution by Property Type

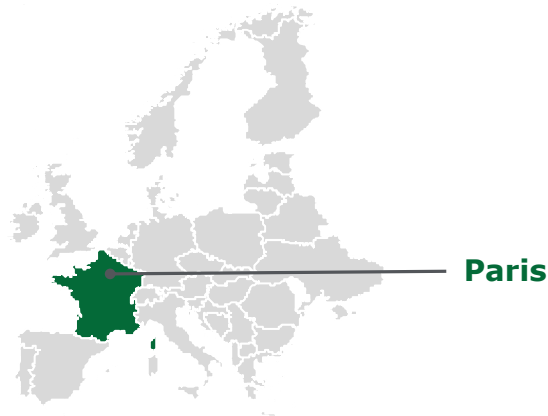


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Square de Meeus 8	Office	Dec-16	219	KanAm Grund	Hana Asset Management; etc.	European Parliament	430,399 sf
Herman Teirlinck building	Office	Dec-16	215	Extensa	Baloise Insurance Company	Flemish Public Administration	548,964 sf
Le Toison d'Or	Retail	Sep-16	201	Prowinko	GH Group	Zara; Apple; Marks & Spencer	137,779 sf
Astro Tower	Office	Jan-16	182	Santander	Patrizia	Actiris; VDAB; Bruxelles Formatio	387,501 sf
Future Allianz HQ	Office	Sep-16	95	Immobel	Allianz Insurance Plc	Allianz Insurance	286,322 sf

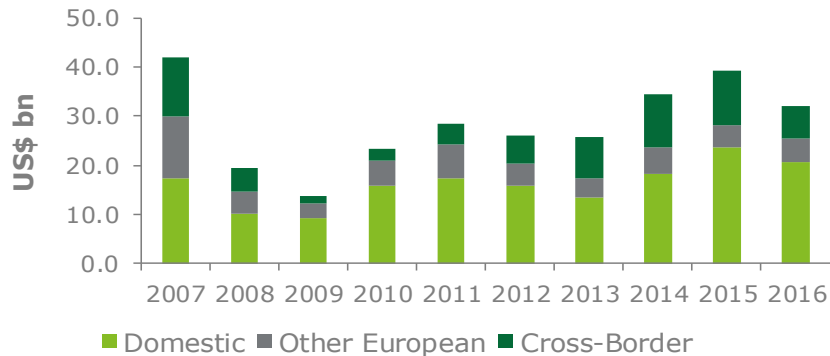
Source: RCA, MSCI, Deloitte

# France

## Overview



### Property Investment by Capital Origin



Source: RCA



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Economy



GDP is expected to have grown by 1.1% in 2016 and is predicted to improve even further for 2017. Political uncertainty due to the Brexit vote and the French elections coming in 2017, have not affected the economic expansion.

Property Investment



Property investment has registered a 19% decrease with respect to 2015 and it is expected to see a further slowdown in following years.

Yields



Office yields have fallen in the face of investor competition, particularly in Paris. Elsewhere they remain some distance from their 10-year lows. Industrial yields have been stable but look likely to see compression.

Rents



Rents remain stable with respect to 2015. The logistics and industrial facilities in the country are gaining in importance and rents in this sector are forecast to increase in the near future.

# France

## Key Metrics

### Economic background

Population 2016	64.7 m
GDP 2016 (US\$ tn)	2.8
GDP per capita 2016 (US\$)	43,300.0
GDP growth 2016	1.1%

### Prime yields Q4 2016

Office	3.0%
Retail	2.9%
Industrial	5.5%

### Economic forecasts 2017

Real GDP growth	1.2%
CPI inflation	1.5%

### Tax rates

Transfer	5.08% on assets, up to 5% on shares
Corporate income	33.3%
Tax on dividends	Up to 30% or 75% from a non-cooperative country
Tax on interest	0% - unless located in a non-cooperative country
Capital gains	Ordinary corporation tax rate. Participation exemptions may apply

### Economic indicators 2016

CPI Inflation	0.3%
Unemployment	9.7%
Base rate	0.0%
10 year bond yield	1.1%
Exchange rate 1US\$ to EUR	0.9490

### Property market background

Investment market size 2016 (US\$ bn)	31.9
Percentage from foreign investors	35.5%
All property total return 2015	9.0%

# France

## Real Estate Performance

### Key Considerations

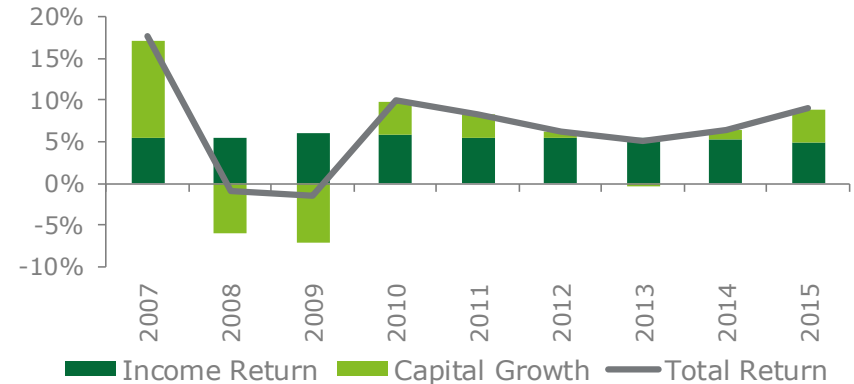
French real estate has recorded positive and improving performance since 2014 and is forecast to continue this trend in the short-run.

The total return for all property French assets in 2015 was the highest since 2010, standing at 8.9%. In recent years rental levels were stable, but are expected to increase in the near future, especially in the industrial sector, mostly due to shortage in new development.

The industrial sector performed very well during 2015 and recorded the highest capital growth, at 7.0%. This contrasts with recent history: for the last ten years, this sector saw the lowest growth in capital value.

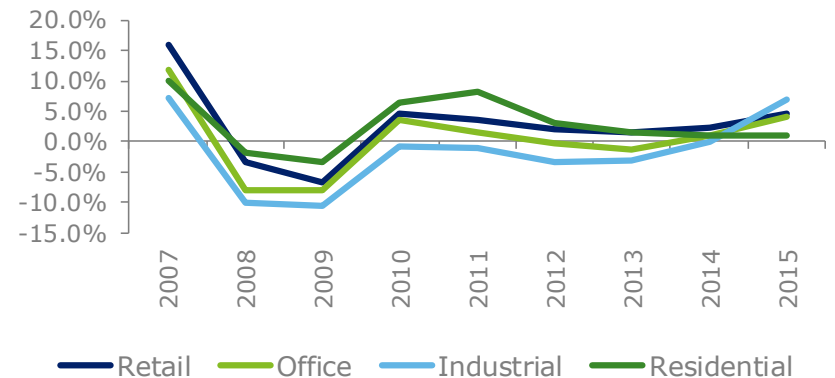
Retail and office sector also experienced the highest growth in the last five years.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# France

## Investment Market

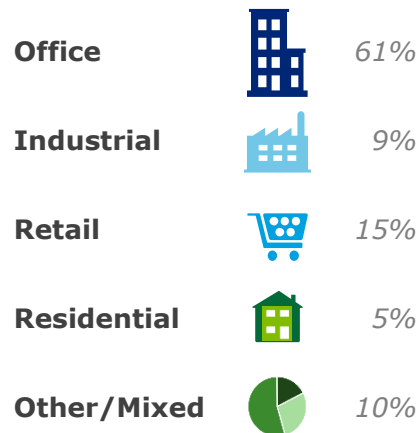
### Key Considerations

In 2016, investment in French property experienced a 19% decrease with respect to the figure recorded in 2015, driven by a weak start of the year and a slight recovery in Q4. Total investment amounted to more than US\$11bn in the last quarter of 2016 in contrast with the US\$7bn average during the first three quarters. The uptick in activity has been maintained, with a positive start to 2017 in terms of property investment.

Capital coming from the US has decreased in scale and European investors, through funds, have taken the lead.

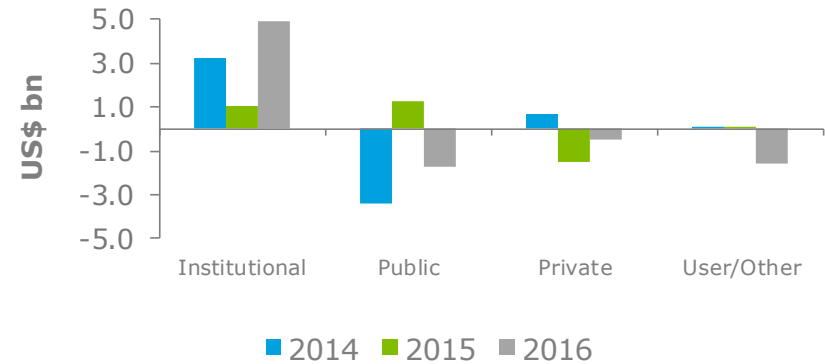
Investment in office assets has increased with respect to 2015, driven by the attractiveness of the office assets in the Paris metropolitan area. However, this market is experiencing a shortage in supply for prime location offices.

### Investment Distribution by Property Type



Source: RCA

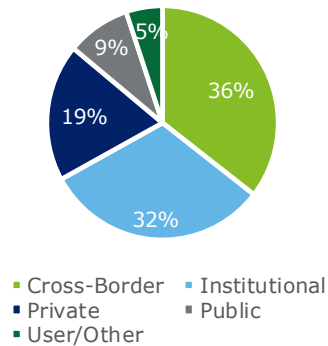
### Net Investment by Investor Type



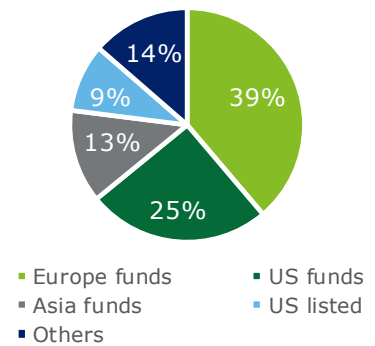
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# France

## Paris – Key Recent Deals

### Key Considerations

Investment in Paris represented 76% of the total amount invested in France during 2016. The city is one of the most active globally for real estate investment. Having recorded transactions worth US\$17bn, the office sector was the fourth largest globally in 2016, after NYC office and apartment markets and London’s office market.

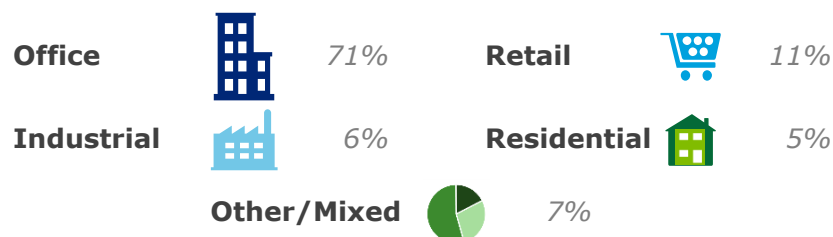
Pricing has increased steadily during 2016, after the drop experienced during the previous 5 years, but mortgage rates are low. This is attracting foreign investors and new buyers and have helped to sustain the growth of the Paris real estate which begun in 2015.

Office assets remain the most traded throughout the city. Moreover, the business district of La Défense is experiencing currently low vacancy rates due to a growing demand of available office areas.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	24,286
Percentage from foreign investors	34.7%
All property total return 2015	9.7%
All property income return 2015	4.1%
All property capital growth 2015	5.4%
Office prime yield Q4 2016	3.0%

### Investment Distribution by Property Type

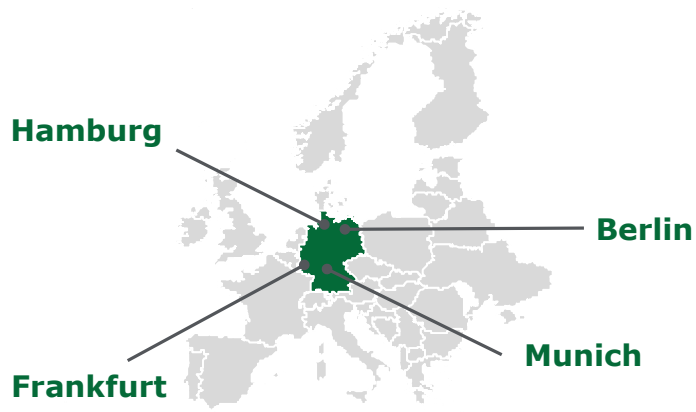


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
9 Place Vendome	Office	Dec-16	1,060	JP McManus; John Magnier	Norges Bank (NBIM)	Rolex; Lawyer; ITG	288,475 sf
Tour First	Office	Apr-16	931	Beacon Capital Partners	Credit Mutuel-CIC; AXA	Ernst&Young; Euler Hermes	865,038 sf
Marquis Building	Retail	Jul-16	543	Meyer Bergman; Thor Equities; Harel Insurance Investments	Qatar Investment Authority	Nike; Tommy Hilfiger	110,000 sf
Tour Egee	Office	Sep-16	467	KanAm Grund	Opcimmo, Amundi RE	Elior Group	582,203 sf
Le Meridien Etoile	Hotel	Nov-16	377	Cedar Capital Partners; Mount Kellet	Wafra; Henderson Park; Kuwait Inv. Auth.	Le Meridien	1,025 units

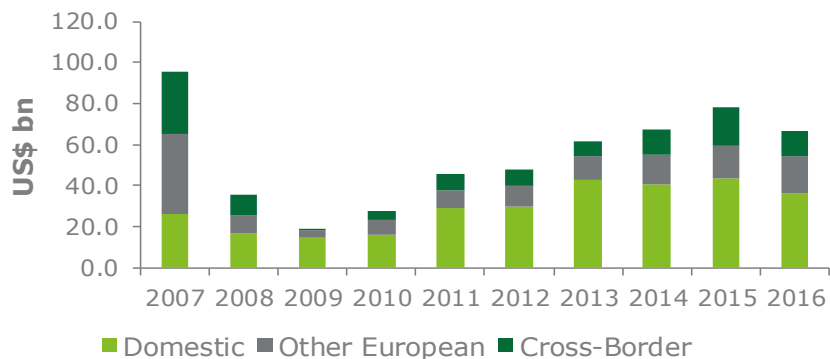
Source: RCA, MSCI, Deloitte

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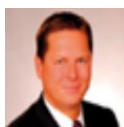
# Germany Overview



## Property Investment by Capital Origin



Source: RCA



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Economy



The economy grew by 1.8% during 2016, although the pace slowed in the second half of the year. The unemployment rate is close to 4.2% - only the Czech Republic records a lower rate in Europe.

Property Investment



As interest rates are not expected to rise in the Eurozone, in the near future, investment in property is still attractive in Germany. Despite this positive environment for investment in the country, activity eased back during 2016.

Yields



Yields contracted during 2016 in all sectors, especially in the office and retail sectors. This is mainly due to increasing demand and low interest rates.

Rents



Rents increased during 2016, following expectations from the previous year. This is primarily due to the shortage supply for offices and housing, and a continuous growing demand for these sectors.



# Germany

## Key Metrics

### Economic background

Population 2016	82.3 m
GDP 2016 (US\$ tn)	4.1
GDP per capita 2016 (US\$)	49,200.0
GDP growth 2016	1.8%

### Prime yields Q4 2015

Office	3.7%
Retail	4.0%
Industrial	5.1%

### Economic forecasts

2017

Real GDP growth	1.60%
CPI inflation	1.70%

### Tax rates

Transfer	3.5% - 6.5%
Corporate income	30% (trade tax might be avoided)
Tax on dividends	Up to 26.375% - potentially reduced to 0% under certain treaties
Tax on interest	0% - except 25% for interests on deposits
Capital gains	1.58% - 33% (depending on investment structure)

### Economic indicators 2016

CPI Inflation	0.4%
Unemployment	4.2%
Base rate	0.0%
10 year bond yield	0.4%
Exchange rate 1US\$ to EUR	0.9490

### Property market background

Investment market size 2016 (US\$ bn)	66.9
Percentage from foreign investors	45.4%
All property total return 2015	8.3%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Germany

## Real Estate Performance

### Key Considerations

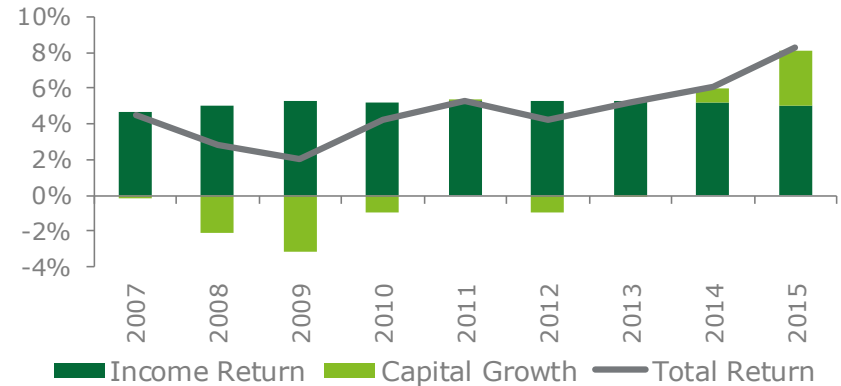
German real estate continues to perform very strongly, experiencing the highest total return for almost 20 years in 2015. This is driven by an increase in rental levels in all sectors, due to a shortage in supply for offices and housing; and a contraction in yields.

The residential sector recorded a steady growth during 2015, with values rising by 7.3%, taking the lead with respect to the other property sectors.

The industrial and retail sectors are also experiencing a steady growth in capital values during the last two years.

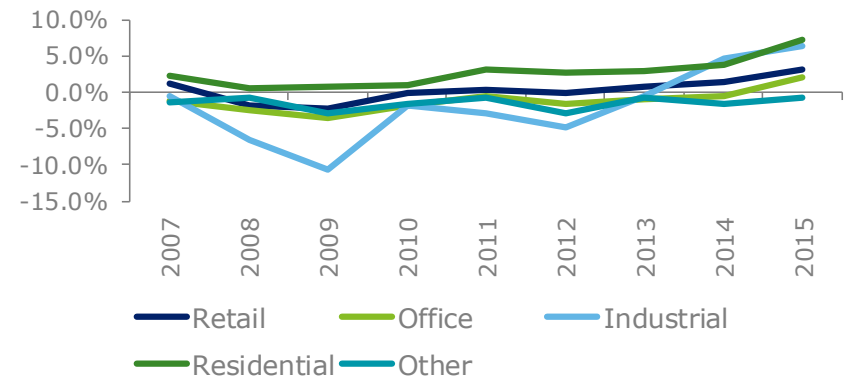
On the other hand, the office sector has reached positive growth after many years with negative capital values, reaching a 2.1% capital growth during 2015.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Germany

## Investment Market

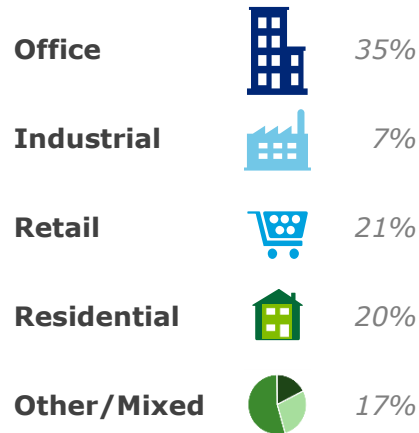
### Key Considerations

Investment in Germany recorded a 14.6% slow-down year-on-year in 2016, with total activity in the German real estate market amounting to US\$67bn. However, the second half of 2016 saw very strong growth with compare with the first half of the year. The Q4 of 2016 was one of the best in recent years in terms of property investment, recording a US\$22bn figure.

Office assets took the lead as the most traded real estate assets in Germany during 2016. The residential market has seen a considerable set back. This was mainly due to the lack of supply in sizeable residential portfolios.

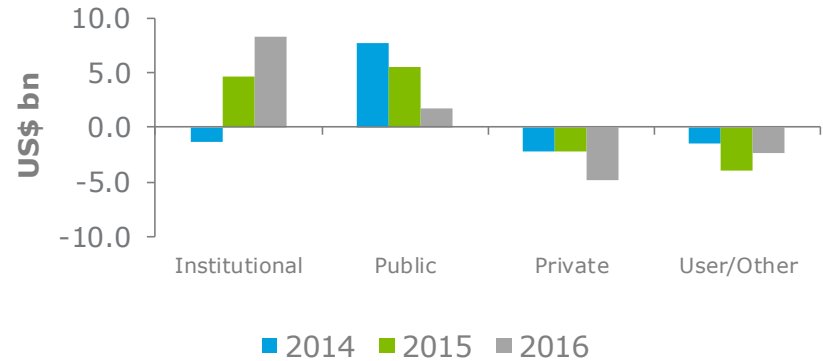
Foreign investors are still more attracted to the German property market than in 2015, with demand mainly coming from other European countries and the US.

### Investment Distribution by Property Type



Source: RCA

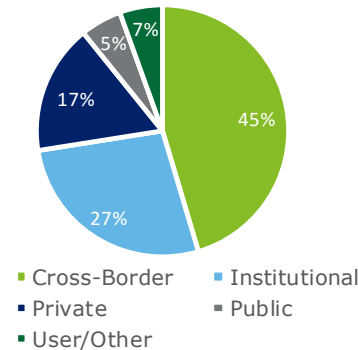
### Net Investment by Investor Type



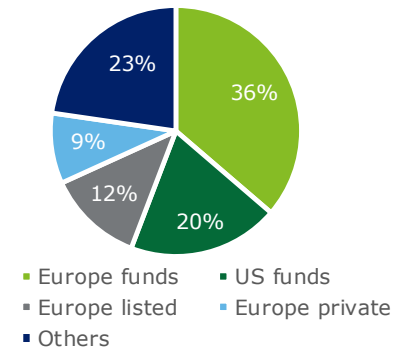
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Germany

## Berlin – Key Recent Deals

### Key Considerations

Investment demand for Berlin's property has been rising in recent years, especially from overseas - in 2016 around 64% of capital invested in the city came from foreign investors.

However, total investment in the city decreased by 18% with respect to the figure recorded in 2015, following the slow-down in investment in property during 2016 in Germany more widely.

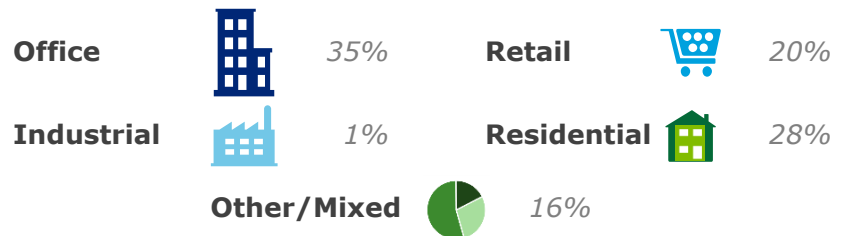
Attention has been predominantly focused on office sector, especially in prime locations of the city of Berlin, where office availability is shrinking rapidly. Despite of this growth in Berlin's office sector, it is not the key city in Germany for this type of assets.

Despite having lost share of total investment activity during 2016, and recording lower total investment than the office sector, Berlin's residential market remains the largest of Germany's major cities.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	9,937
Percentage from foreign investors	63.8%
All property total return 2015	8.3%
All property income return 2015	4.6%
All property capital growth 2015	3.6%
Office prime yield Q4 2016	3.5%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Park Inn Alexanderplatz	Hotel	Aug-16	458	Starwood Capital Group	Fonciere des Murs	Park Inn by Radisson	1,012 units
Allianz HQ	Office	Dec-16	332	Corpus Sireo	Hyundai M&F Insurance	Allianz	670,059 sf
Treptowers	Office	Jul-16	254	Deutsche Office AG	Blackstone, Quantum Capital AG	Allianz	910,979 sf
Debis Haus	Office	Jan-16	246	Savills Investment	Korea Investment Corp	N24 Media	426,244 sf
Kollhoff-Tower	Office	Jan-16	212	Savills Investment	Brookfield Property Partners	Raue LLP; Cinema	366,245 sf

Source: RCA, MSCI, Deloitte

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# Germany

## Frankfurt – Key Recent Deals

### Key Considerations

In 2016, investment volumes in Frankfurt decreased by 14% with respect to total investment in property for the previous year. This set-back follows the trend of the whole country during 2016.

Capital coming from cross-border investors also lost some weight during 2016, contributing to the decrease in total investment in Frankfurt, as domestic investors maintained activity at constant levels compared to 2015.

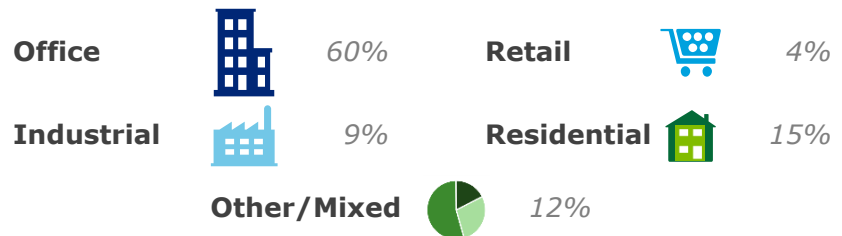
Office assets still account for by far the most significant share of investment. However, the industrial and residential sectors saw rising activity during the year, causing a shift to a more diverse mix of deals.

Nevertheless, despite this growth in demand for other property types, the top deals transacted in the city during 2016 still primarily involved office assets.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	6,933
Percentage from foreign investors	35.6%
All property total return 2015	6.1%
All property income return 2015	4.1%
All property capital growth 2015	1.9%
Office prime yield Q4 2016	3.9%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Commerzbank Tower	Office	Aug-16	815	Commerz Real	Samsung Group	Commerzbank	920,354 sf
Taunus Turm	Office	Dec-16	689	Commerz Real	Tishman Speyer	UniCredit; Credit Suisse	703,966 sf
The Sqaire	Office	Nov-16	350	OfficeFirst	Blackstone	KPMG; Europcar; Lufthansa	1,560,780 sf
IBC Complex Building C	Office	Oct-16	215	German Estate Group	Korea Investment	KFW Bank Group	383,198 sf
FR7	Industrial	Jan-16	198	TeleCity	Equinix (REIT)	N/A	383,198 sf

Source: RCA, MSCI, Deloitte

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# Germany

## Munich – Key Recent Deals

### Key Considerations

Munich stepped into second place in German real estate investment in 2016, just behind Berlin. It is the only German key city that to have seen rising investment volumes with respect to 2015, with activity up by 7.8%.

This growth was mainly driven by capital invested from private companies, which was twice as high as the figure seen in 2015, and from institutional investors. Both types of investors have helped to balance the decrease in capital coming from cross-border investments. Foreign capital has decreased from 54% to 38% in relative terms and almost US\$1bn in absolute terms.

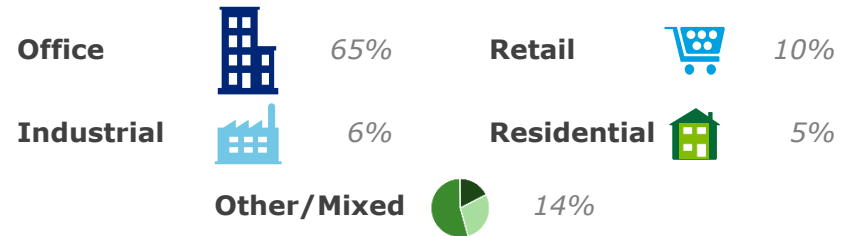
In 2016, the scale of office investment in Munich was larger than in any of Germany's other major cities, taking the lead from Frankfurt, which was the traditionally the dominant city for this property type.

The demand for the other types of property has remained stable with respect to the previous year's market share.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	7,141
Percentage from foreign investors	37.8%
All property total return 2015	11.7%
All property income return 2015	4.6%
All property capital growth 2015	6.8%
Office prime yield Q4 2016	3.3%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
HighLight Towers Office	Office	Dec-16	483	KanAm Group	HausInvest	Fujitsu; IBM	810,314 sf
Campeon	Office	Dec-16	339	Geneba	Infineon Tech AG	Infineon Tech AG	1,490,534 sf
BayWa HQ	Office	Feb-16	304	BayWa AG	UniCredit	BayWa AG	581,256 sf
Karstadt Bahnhofplatz	Retail	Jun-16	278	Signature Capital; Tristan Capital Partners	RFR Holding	Karstadt	607,090 sf
Burozentrum Siemens BA	Office	Nov-16	233	OfficeFirst	Blackstone	Siemens	617,854 sf

Source: RCA, MSCI, Deloitte

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# Germany

## Hamburg – Key Recent Deals

### Key Considerations

Investment volumes in Hamburg decreased by 10% compared with 2015. This decrease in total investment in property was explained mainly due to the decrease in the capital invested in the city by foreign investment.

Cross-border investment eased back by 9 percentage points with respect to the 44% recorded during 2015. In absolute terms, foreign investment decreased by almost US\$700m, recording a figure close to US\$2bn in 2016.

As is the cases with the other large German cities, office assets are the most liquid property type in Hamburg, with more than US\$2bn invested in this property type during 2016.

Residential assets saw a slow-down in investment in 2016. Investment in this sector decreased by close to US\$500m in comparison to the investment levels reached in 2015.

Meanwhile, the retail sector experienced a significant increase of almost 200% and building expectation for a flourishing future for this property type in Hamburg in the short-run.

Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Alter Wall 2-32	Office	Jun-16	400	Art Invest	Artzeversorgung	Illums Bolighus	322,920 sf
Sprinkenhof	Office	Jul-16	161	Allianz RE Germany	Patrizia	Sprinkenhof GmbH; Kellogg	365,976 sf
Saturn	Retail	Jun-16	128	Matrix Immobilien	RFR Holding	Saturn	258,336 sf
Telekom Campus	Office	Feb-16	127	TAS KG	Amundi RE	Deutsche Telekom AG	473,616 sf
Hamburg Two Towers H2T	Office	Sep-16	106	Orion Capital Managers	Triuva	Commerzbank	221,060 sf

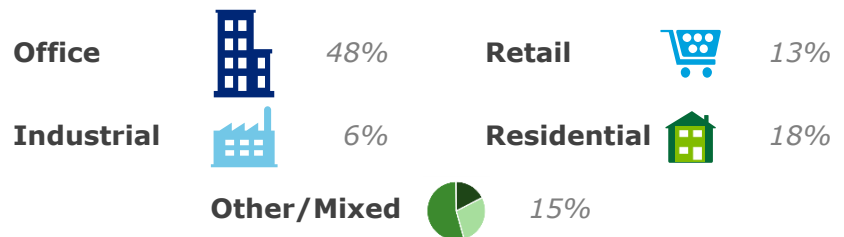
Source: RCA, MSCI, Deloitte

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### Key Market Metrics

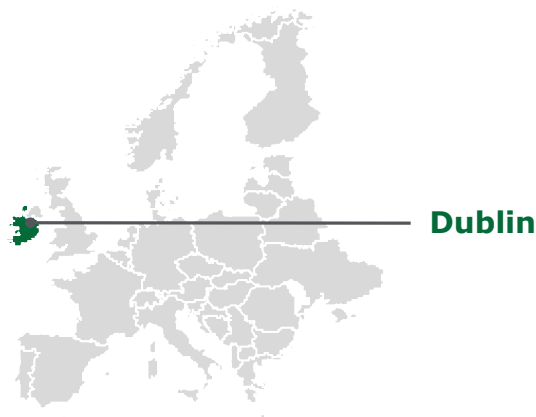
Market metrics	
Total investment 2016 (US\$ m)	4,789
Percentage from foreign investors	35.2%
All property total return 2015	8.3%
All property income return 2015	5.1%
All property capital growth 2015	3.0%
Office prime yield Q4 2016	3.5%

### Investment Distribution by Property Type

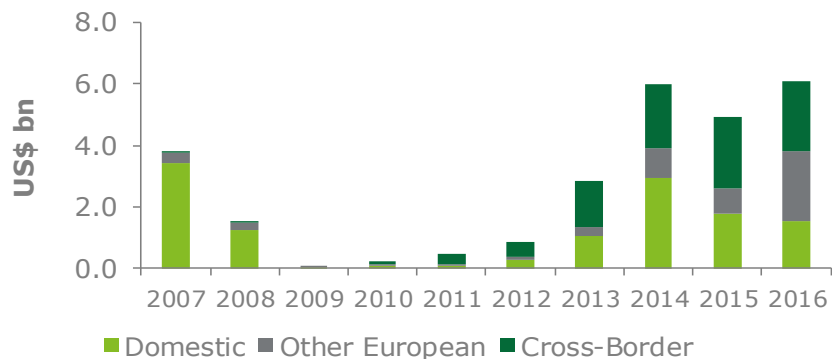


# Ireland

## Overview



### Property Investment by Capital Origin



Source: RCA



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**Economy** → Although Brexit does potentially challenge the stability of the Government, it is generally accepted that the main instability is derived from the fact that it's a minority Government which is supported by the main opposition party.

**Property Investment** ↑ Investment in property recorded exceeded US\$6bn in 2016, mainly driven by foreign capital being attracted to the country in recent years.

**Yields** → Yields remained stable throughout the whole year. Offices remain a stable asset to the eyes of investors. Investment in the office sector represented 31% of total investment in the country.

**Rents** ↑ Rents increased in all the sectors during 2016. Significant increases were seen in the industrial and logistics sector as new facilities were opened. In the other sectors, strong occupancy levels have driven up rents.



# Ireland

## Key Metrics

### Economic background

Population 2016	4.7 m
GDP 2016 (US\$ bn)	335.0
GDP per capita 2016 (US\$)	62,061.2
GDP growth 2016	4.2%

### Prime yields Q4 2016

Office	4.0%
Retail	4.5%
Industrial	6.5%

### Economic forecasts

2017

Real GDP growth	3.0%
CPI inflation	0.6%

### Tax rates

Transfer	1% - 2%
Corporate income	12.5% on trading income. 25% on non-trading income
Tax on dividends	Up to 20% - potentially reduced to 0% under certain treaties and conditions
Tax on interest	Up to 20% - potentially reduced to 0% under certain treaties and conditions
Capital gains	33% - potentially exempt if companies are resident in EU member states

### Economic indicators 2016

CPI Inflation	-0.2%
Unemployment	7.1%
Base rate	0.0%
10 year bond yield	1.1%
Exchange rate 1US\$ to EUR	0.94901

### Property market background

Investment market size 2016 (US\$ bn)	6.1
Percentage from foreign investors	74.5%
All property total return 2016	12.4%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Ireland

## Real Estate Performance

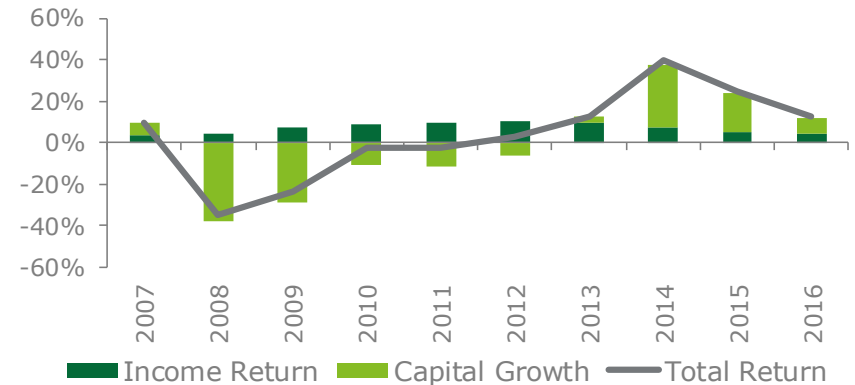
### Key Considerations

Irish real estate has been performing very strongly during the last three years. 2016 was not an exception, but performance eased back somewhat from the level of the previous two years. Total return for all property types was 12.4% in 2016. Growth was driven in recent years for increasing rental levels, due to high occupancy rates and yields remaining stable.

After many years being the weakest performer, the industrial sector moved ahead both retail and office properties in 2016, reaching a capital growth of 11.4%.

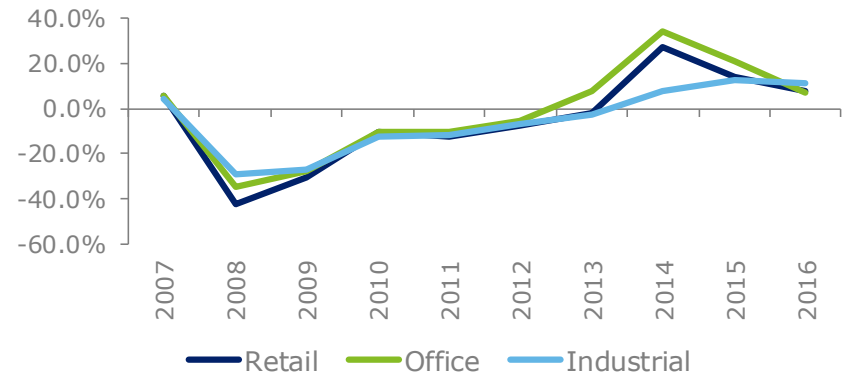
The office and retail sectors both saw capital growth of about 7.5%, well-behind the pace of growth seen in these property during 2014 and 2015.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Ireland

## Investment Market

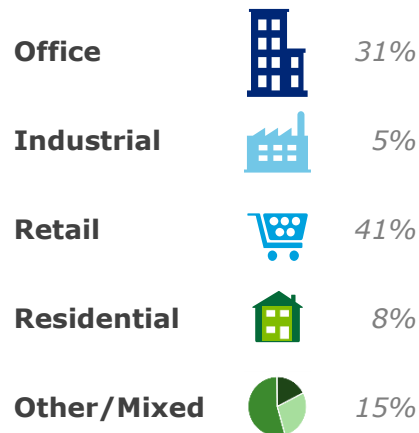
### Key Considerations

The Brexit vote, which took place in the UK during 2016, it is expected to impact negatively on the Irish economy but may have positive implications for commercial property due to the relocation of some firms from London.

Investment in Irish property in 2016 amounted to \$6bn. After a very strong first half of the year, especially in the second quarter, which recorded more than US\$2bn investment, this expansion was brought down by a weak Q3.

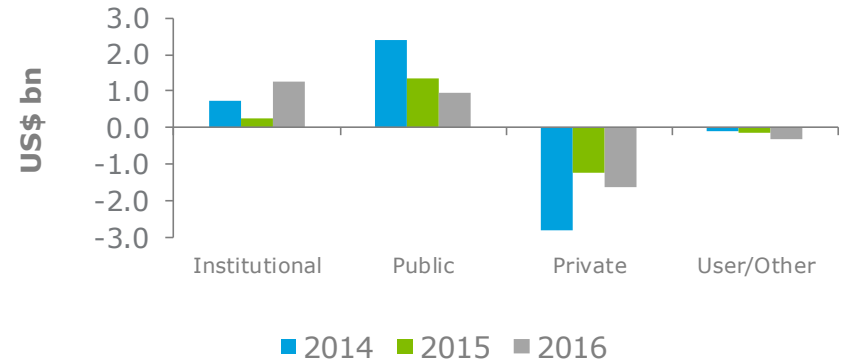
Cross-border investment amounts to 75% of total capital invested in property. It was a very positive year for the retail sector as low levels of vacancy led to increasing competition for best performing retail locations. Investment in this sector is attracted due to the high pace rent inflation.

### Investment Distribution by Property Type



Source: RCA

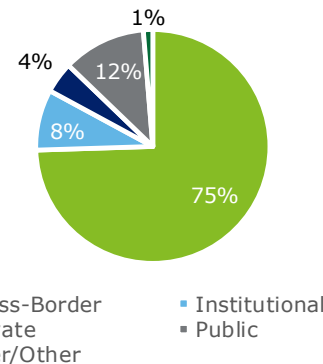
### Net Investment by Investor Type



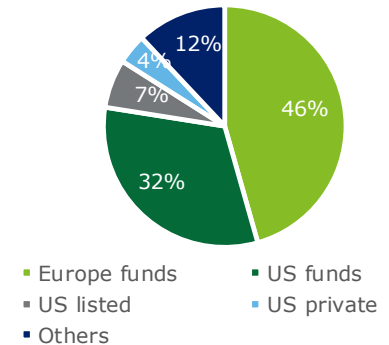
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Ireland

## Dublin – Key Recent Deals

### Key Considerations

Dublin remains by far the most active market in the country, representing 86.8% of investment in 2016. In previous years, office assets accounted for the greatest share of investment, but for investors. In 2016, retail assets took the lead, with many companies entering the city to open their first stores in Ireland during the year.

Investment in Dublin's retail sector was also boosted by rapid rental growth, especially in prime locations. Low levels of vacancy in this sector has led to strong competition for the best performing retail locations.

While office investment eased back somewhat during this year, many requirements to occupy vacant office space were made during the second half of the year, due to the results of the Brexit vote.

Demand for industrial land is expected to continue increasing in the short-run driven by a modernization of logistics venues. Rents in this sector are increasing heavily due to this increasing demand.

Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Blanchardstown Centre	Retail	Apr-16	1,066	Green Property	Blackstone	Zara; Marks&Spencer; Dunnes Stores	1,200,000 sf
Liffey Valley Shopping Centre	Retail	Dec-16	657	HSBC Alt	Universal-Investment; BVK	M&S Simply Food; Next; Boots	645,840 sf
Central Park Offices	Office	Jan-16	337	Kennedy Wilson; PIMCO	Green REIT	Vodafone; Merrill Lynch	691,000 sf
PWC	Office	Jun-16	269	Treasury Holdings	AGC Equity Partners	PWC; United Health	226,625 sf
Burlington Plaza	Office	Dec-16	265	Coolbrook Development	Colony Capital REIT	Amazon; Sky; Bank of Ireland	241,114 sf

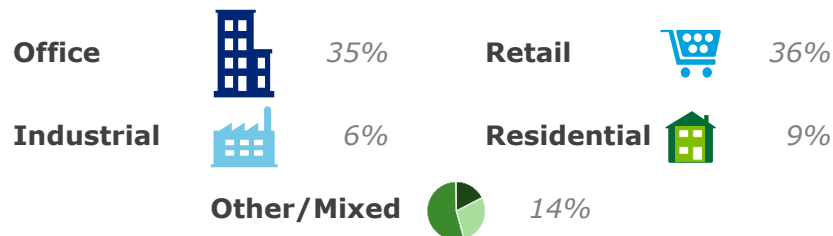
Source: RCA, MSCI, Deloitte

Deloitte International Property Handbook

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	5,286
Percentage from foreign investors	76.8%
All property total return 2016	12.4%
All property income return 2016	4.6%
All property capital growth 2016	7.5%
Office prime yield 4Q 2016	4.0%

### Investment Distribution by Property Type

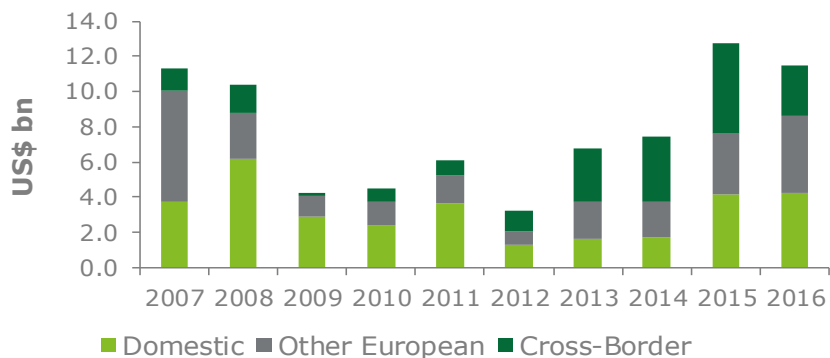


# Italy

## Overview



### Property Investment by Capital Origin



Source: RCA



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Economy



The economy continues to recover from the financial crisis. GDP recorded growth of 0.9% in 2016 due to enhanced domestic demand and is forecast to keep growing albeit at a lower pace in 2017. Unemployment rate remains high (almost 12%).

Property Investment



Investment in property recorded a solid year, mainly in the office and retail sectors. In the logistics and industrial sector, foreign investment is predominant, especially in the Lombardy area.

Yields



Yields have decreased in the face of investor competition, attracting mainly foreign investors to invest in Italian property.

Rents



Rents are increasing in the office and retail sectors, while they maintain stable in the logistics sector. Prime rents are increasing especially in Milan for offices and retail.

# Italy

## Key Metrics

### Economic background

Population 2016	59.8 m
GDP 2016 (US\$ tn)	2.3
GDP per capita 2016 (US\$)	30,973.3
GDP growth 2016	0.9%

### Prime yields Q4 2016

Office	4.0%
Retail	4.6%
Industrial	4.3%

### Economic forecasts

2017

Real GDP growth	0.7%
CPI inflation	1.0%

### Tax rates

Transfer	0.2% stamp duty on shares. Other taxes depend on the property transferred
Corporate income	31.4% (IRES: 27.5% and IRAP: 3.9%)
Tax on dividends	Up to 26% - potentially reduced to 0% under certain treaties
Tax on interest	Up to 26% - potentially reduced to 0% under certain treaties and EU directives
Capital gains	Ordinary corporation tax rate

### Economic indicators 2016

CPI Inflation	0.0%
Unemployment	11.7%
Base rate	0.0%
10 year bond yield	2.5%
Exchange rate 1US\$ to EUR	0.94901

### Property market background

Investment market size 2016 (US\$ bn)	11.5
Percentage from foreign investors	62.9%
All property total return 2015	4.2%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Italy

## Real Estate Performance

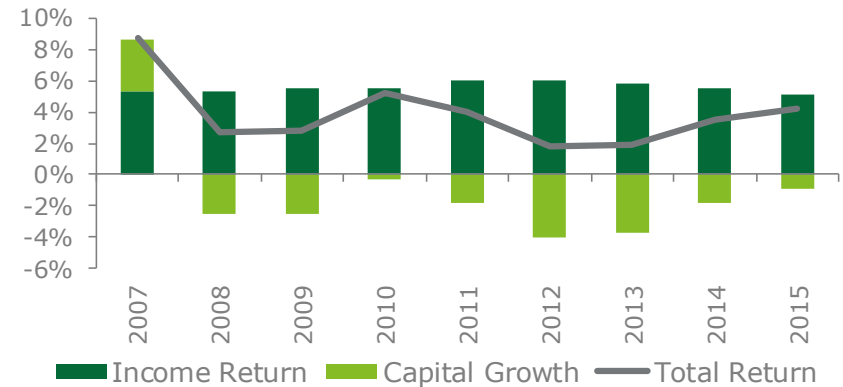
### Key Considerations

Since 2012, the Italian real estate sector has been performing solidly. Total return for all property types reached 4.2% in 2015.

The industrial sector maintained its solid growth in capital values during 2014 and 2015, due to increasing rental levels for this type of property asset. The Lombardy region is sustaining this growth of the industrial sector.

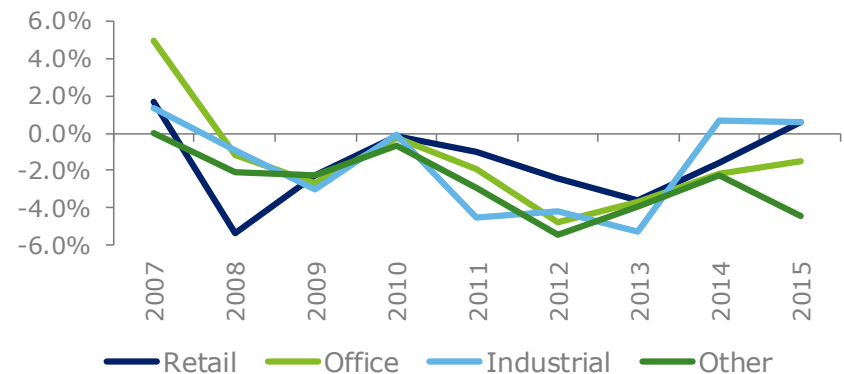
In the last three years, Italy has seen a recovery of the office and, especially, the retail sector. This recovery is driven by increase in rents for prime office and retail locations in Milan.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Italy

## Investment Market

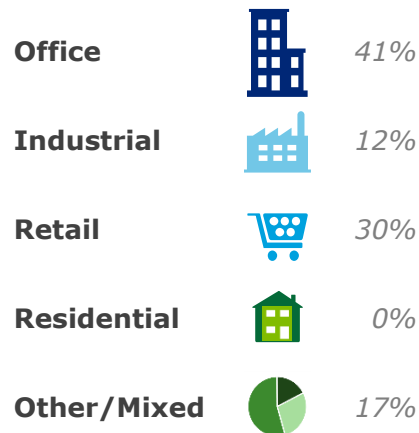
### Key Considerations

Investment in Italian real estate in 2016 failed to keep pace with the excellent performance it recorded in 2015, contracting by 10%. This drop is explained mainly by a weak Q3, with deals amounting to only 11.6% of total investment in 2016.

Foreign capital is still the main source of investment in the sector, however, at 63% in 2016, its share is lower than the 87% reached in 2015. It was broadly based in origin: 51% of this figure came from other European countries such as Germany; the remainder came from countries such as the US and China.

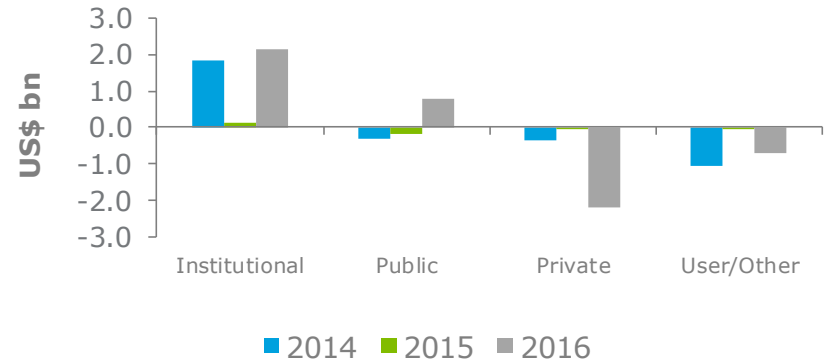
In terms of property type, office assets are still the most attractive asset to the eyes of investors, although there is a shortage in supply for prime office locations.

### Investment Distribution by Property Type



Source: RCA

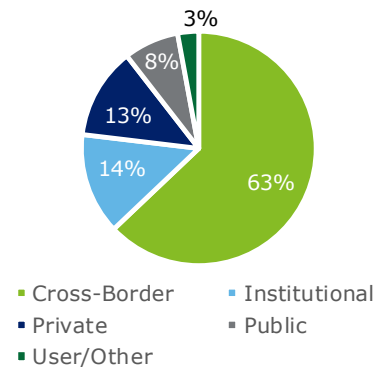
### Net Investment by Investor Type



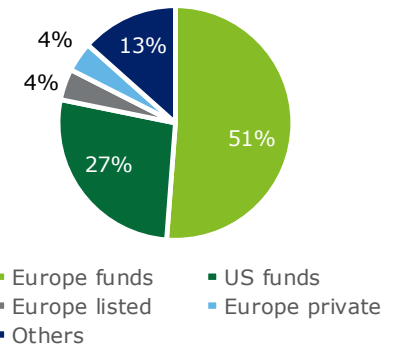
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA



# Italy

## Milan – Key Recent Deals

### Key Considerations

Investment volumes in Milan reached almost US\$4bn in 2016, representing 35% of total investment in Italian property. This figure continues last year's trend towards more widely-spread portfolio deals throughout the other main cities in the country.

Milan is still one of the most attractive cities in Europe for retail investment, due to the number of fashion and business events that take place in the city. Prime rents are increasing in the retail sector as a result of sales growth. It is forecast that sales will record a sustained growth for the next 5 years.

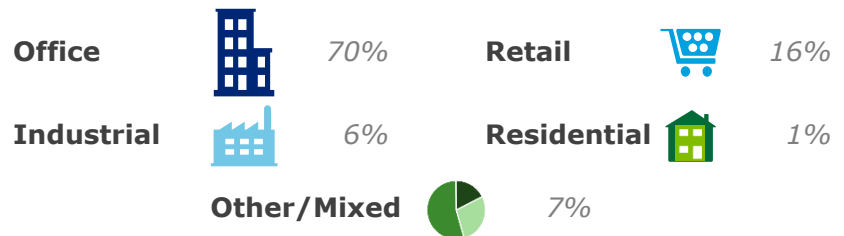
Foreign investors dominate the market, although their share of overall investment has declined in recent years.

Office assets remain the most traded asset type. High competition for prime locations has pushed up rents and resulted in falling prime yields. Four out of the top 5 key deals in 2016 were office assets.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	3,959
Percentage from foreign investors	72.1%
All property total return 2015	4.1%
All property income return 2015	4.1%
All property capital growth 2015	0.1%
Office prime yield Q4 2016	4.0%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Via Monte Rosa 91	Office	Jun-16	246	Partners Group	AXA RE	PWC; Pellegrini	925,704 sf
Palazzo della Lupa	Office	Dec-16	233	REAM SGR	CNP Assurances	Invesco; London Stock Exchange	236,808 sf
Vodafone Village 1	Office	Jun-16	222	Gruppo Carminati	Coima Res	Vodafone	665,829 sf
Milano Centrale Station	Retail	Jun-16	217	FS Italiane; Eurostazioni	Borletti Group	Bershka; Mango; Zara; Nike	236,808 sf
Torre Bonnet	Office	Dec-16	148	Gruppo Caltagirone	Qatar Investment Authority	N/A	210,974 sf

Source: RCA, MSCI, Deloitte

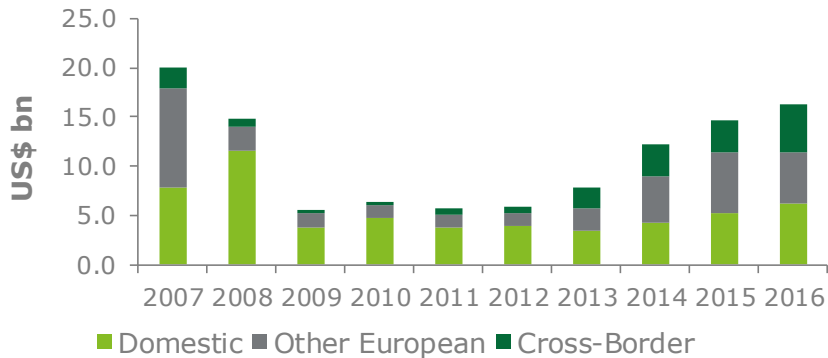
Deloitte International Property Handbook

# Netherlands

## Overview



### Property Investment by Capital Origin



Source: RCA



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Economy



GDP growth is expected to be 2.0% in 2017, 1 p.p. weaker than 2016. In 2016, consumer confidence reached the highest level in nine years.

Property Investment



Further activity among cross-border investors continues to push total volumes higher with Asian investors concluding their first direct investments. The volume of investment in 2016 amounted to US\$16bn.

Yields



In Amsterdam, yields are moving to their pre-crisis level with prime yields below 5%. There is a downward trend in yields due to the competition among investors for core assets.

Rents



In 2016, there was upward pressure on rents in the office market, mainly due to occupiers from the media and technology industry. Rents in submarkets are still under pressure.

# Netherlands

## Key Metrics

### Economic background

Population 2016	17.0 m
GDP 2016 (US\$ tn)	0.87
GDP per capita 2016 (US\$)	51,270.0
GDP growth 2016	2.1%

### Prime yields 2016

Office	4.5%
Retail	3.8%
Industrial	5.3%

### Economic forecasts

2017

Real GDP growth	1.9%
CPI inflation	1.3%

### Tax rates

Transfer	6% - reduced to 2% for residential properties
Corporate income	25.0%
Tax on dividends	Up to 15% - potentially reduced to 0% under certain treaties or when the EU Parent-Subsidiary Directive applies
Tax on interest	Not taxed
Capital gains	Ordinary corporation tax rate. Participation exemptions may apply

### Economic indicators 2016

CPI Inflation	0,1%
Unemployment	6.0%
Base rate	0.0%
10 year bond yield	0.5%
Exchange rate 1US\$ to EUR	0.94901

### Property market background

Investment market size 2016 (US\$ bn)	16.3
Percentage from foreign investors	61.0%
All property total return 2016	10.3%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Netherlands

## Real Estate Performance

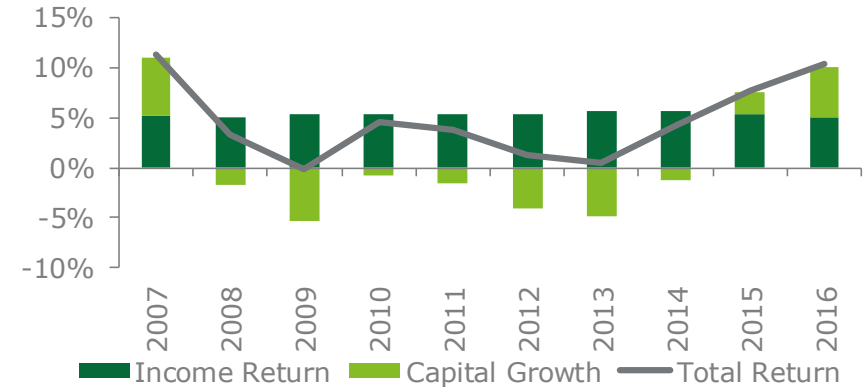
### Key Considerations

Real estate performed strongly in 2016, with yields stabilizing in the office sector.

The total return on directly-held property in the Netherlands was 10.3% in 2016, representing an improvement of 9.8p.p. versus 2013. In 2013, total return went from nearly 0 to growth almost 3p.p. per year and remained positive in 2016.

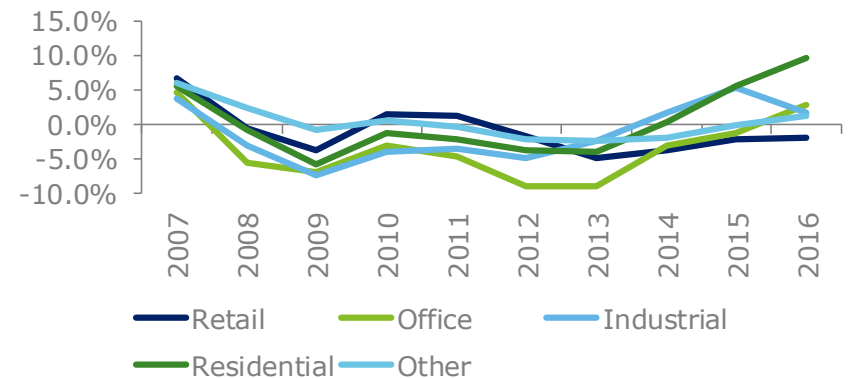
The residential market was the best performing sector in 2016 with a total return of 14.5%, while retail was the only sector to clearly underperform the market, held back by low capital growth.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Netherlands

## Investment Market

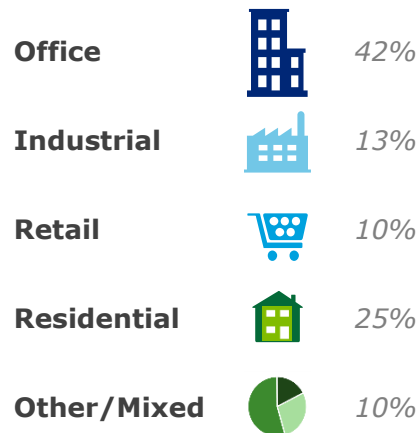
### Key Considerations

Investment in Dutch real estate has been very strong, with the 2016 total producing a year-on-year growth of over 10.7%. With deals of around US\$16bn reported in 2016, 2017 looks set to be equally active.

Attracted by the Dutch market's potential to deliver higher returns and availability of suitable stock, foreign capital has become increasingly dominant, accounting for 61% of transactions by value in 2016, lower only than Poland, Ireland and Italy in the countries under review.

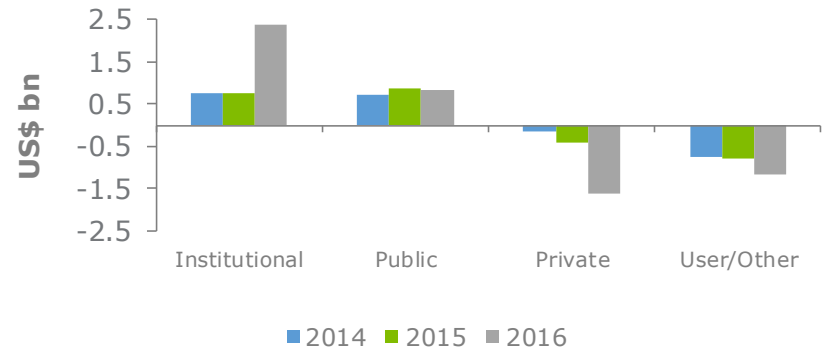
Foreign investment in 2016 was broadly based in origin. Since mid-year, Asian capital has been far more prominent, accounting for 13% of foreign spending in 2016. Whereas in 2015 Asian investors had no significant presence, in 2016 they became the fourth largest investment source.

### Investment Distribution by Property Type



Source: RCA

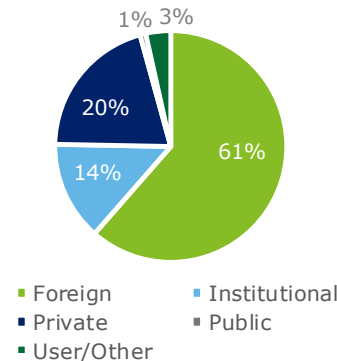
### Net Investment by Investor Type



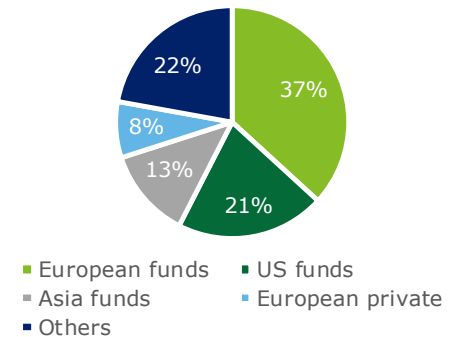
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Netherlands

## Amsterdam – Key Recent Deals

### Key Considerations

Investment volumes in Amsterdam have continued to rise, growing by 24% vs. 2015, with US\$6bn of deals transacted. This, however, represented a smaller share of investment across Netherlands as a whole than the 36% share in 2016, reflecting the shift towards more widely-spread portfolio deals.

Foreign buyers – chiefly institutional and private equity funds – dominated the market in 2016. At almost 64%, their share was the fourth among the 45 markets in this report.

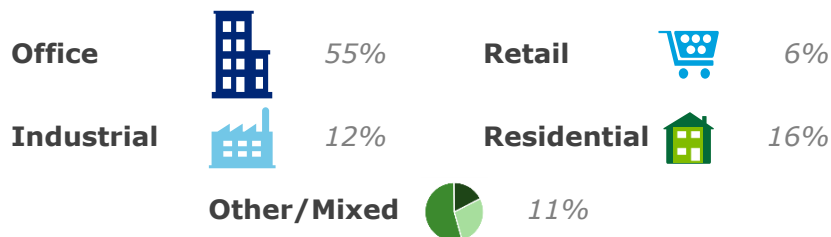
In 2016, Amsterdam total return were 7p.p. above the average all property total return for Netherlands.

Attention has been predominantly focused on office sector prime assets, where new supply is currently limited, and continued occupier demand is maintaining upward pressure on rents in the City Center. The supply of secondary space is much higher with a correspondingly weaker rental profile.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	5,851
Percentage from foreign investors	64.0%
All property total return 2016	17.0%
All property income return 2016	4.6%
All property capital growth 2016	11.9%
Office prime yield Q4 2016	4.5%

### Investment Distribution by Property Type

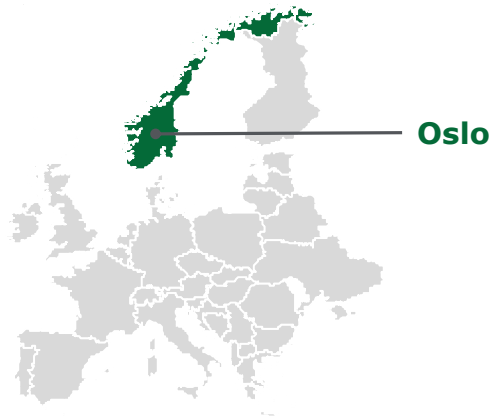


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Cross Towers	Office	Oct-16	204	Blackstone	Anbang	Ernst & Young (HQ), PWC	419,796 sf
Piet Hein Buildings	Office	Oct-16	176	Harry Nefkens & Family	Ilmarinen, Malakoff Mederic, Hannover	Booking.com, Teva, Hay Group	344,448 sf
Hourglass Office	Office	Oct-16	163	Maarsen G, Beheer Brouwershoff	Bouwinvest	Loyens & Loeff	244,343 sf
Westgate I	Office	Oct-16	138	Blackstone	Vivat Verzekeringen	PwC	285,246 sf
Acanthus	Office	Dec-16	131	CS Euroreal	Blackstone	ING Bank	443,584 sf

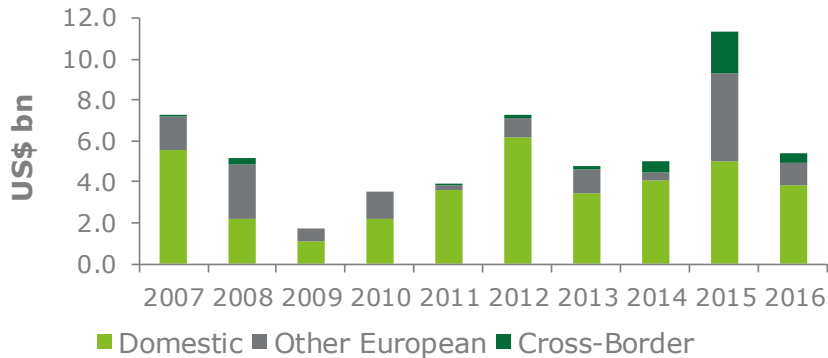
Source: RCA, MSCI, Deloitte

# Norway

## Overview



### Property Investment by Capital Origin



Source: RCA



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#### Economy



Norway's relatively low GDP growth (0.6% in 2016) results from a poor investment activity in the oil industry as prices remained low during 2016. Expansionary monetary and fiscal policies, along with a depreciated krone, are intended to trigger a higher private consumption and a rebound in non-oil investment.

#### Property Investment



Real Estate investment decreased by 51% driven by a decrease in Cross-Border investment of -74%. Domestic investors were the active players on the Norwegian market. Institutional investment accounted for 43% of total investment in real estate in 2016.

#### Yields



Prime properties have experienced stronger yield compression, while secondary property has lagged behind. This compression is due to low interest rates (0.5%), attractive relative returns and a lack of investable product.

#### Rents



Although prime yields have mainly decreased, rents have been stable along 2016. Rises may be seen in 2017 due to strong demand.



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# Norway

## Key Metrics

### Economic background

Population 2016	5.1 m
GDP 2016 (US\$ bn)	329.0
GDP per capita 2016 (US\$)	71,669.6
GDP growth 2016	0.6%

### Prime yields Q4 2016

Office	3.8%
Retail	4.3%
Industrial	5.3%

### Economic forecasts

2017

Real GDP growth	1.5%
CPI inflation	2.2%

### Tax rates

Transfer	2.5% stamp duty.
Corporate income	24.0%
Tax on dividends	25% - which may be reduced to 0% for EAA resident under participation exemption or reduced by applicable treaty
Tax on interest	0%
Capital gains	Ordinary corporation tax rate. Participation exemptions may apply

### Economic indicators 2016

CPI Inflation	3.5%
Unemployment	4.8%
Base rate	0.5%
10 year bond yield	1.6%
Exchange rate 1US\$ to NOK	8.61781

### Property market background

Investment market size 2016 (US\$ bn)	5.4
Percentage from foreign investors	30.0%
All property total return 2016	10.6%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte



# Norway

## Real Estate Performance

### Key Considerations

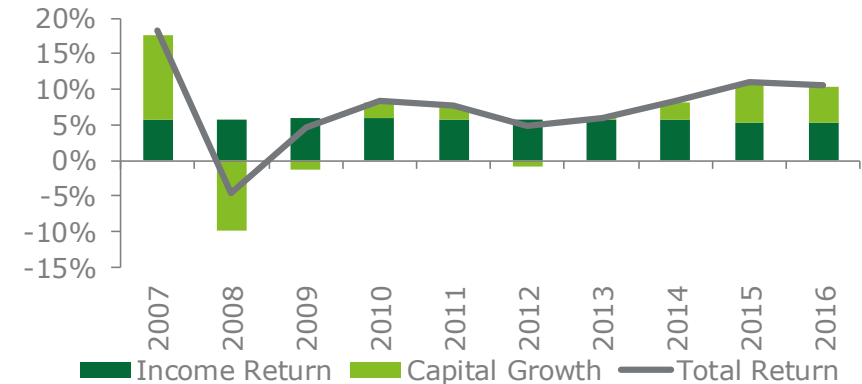
Total return from real estate investments were in line with 2015, and driven by low interest rates and further increases in property values across all sectors.

Strong demand for real estate assets in Norway has reduced prime yield levels to 5.25%, 4.25% and 3,75% in the logistic, retail and office sectors, respectively.

The category other, was the best performing sector in 2016 with a total return of 8.5%, while both office (-0.5 p.p.) and retail (-0.8 p.p.) sector clearly underperform the market, held back by low capital growth.

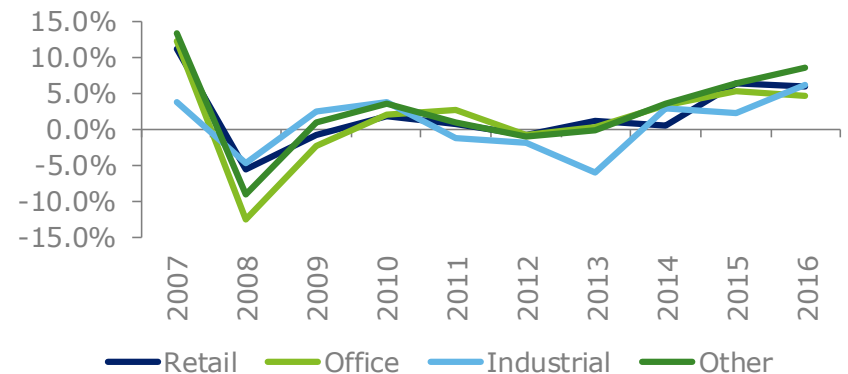
Norway has produced a fairly stable set of returns over the last seven years, and has seen significant amount of new capital from new investors in the same period (both national and international investors).

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Norway

## Investment Market

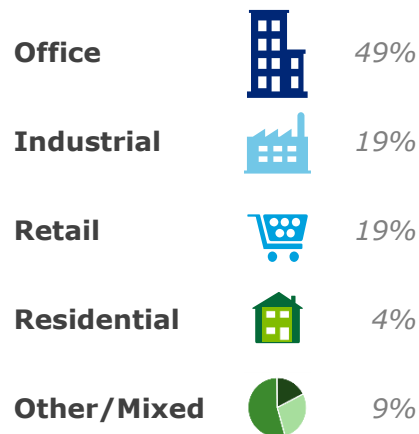
### Key Considerations

Investment in Norwegian real estate has shown some signs of recovery since the slowdown in 2015 although has remained relatively weak.

Due to the strength of the Norwegian Krone, foreign capital decreased, but still very significant, accounting for 30% of transactions by value in 2016. Foreign investment was broadly based in European funds and private companies. Overseas investment from Europe represents 69% the country's foreign investment, followed by the US funds with a 30% of the total investment.

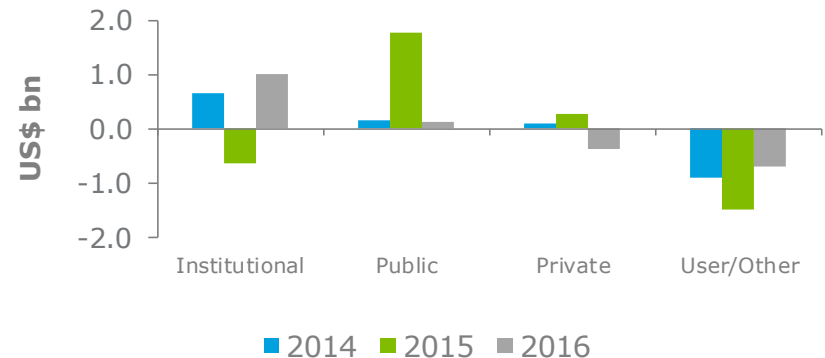
Norwegian offices have been a top target for investors even though there is a low inventory which decreased in 2016 last quarter's investments.

### Investment Distribution by Property Type



Source: RCA

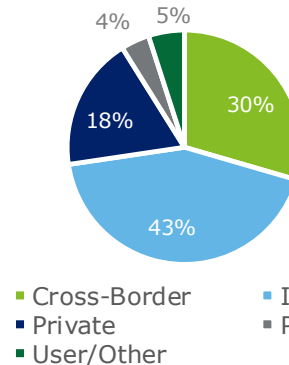
### Net Investment by Investor Type



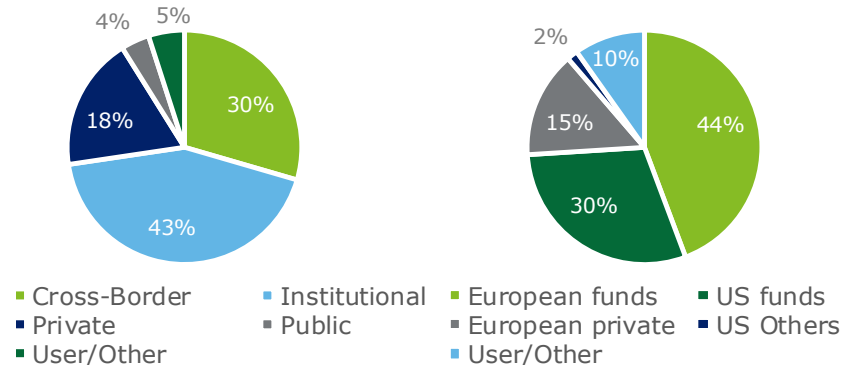
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Norway

## Oslo – Key Recent Deals

### Key Considerations

From an investment point of view, Oslo is the core market as it received 44% of the country's total investment turnover. However, the activity in second tier cities is increasing as it is easier to find higher initial yields.

The most significant deals in Oslo were all closed in the office segment. The Norwegian real estate investor Entra Eiendom purchased the commercial building "Monier" with 341,122 sf for US\$151m. Offices remain a key target for investors, due to positive financing conditions and low interest rates. Nevertheless, the pipeline continues to be slim and decreasing.

The retail market, international brands are keen to find units on Oslo's key high streets since they plan to start trading in the Norwegian market. Other retailers are searching for opportunities in streets adjacent to the traditional prime pitch and there has been a notable rise in interest along these thoroughfares.

2016 ended with yields of 3.9% in the office market and between 3.75% - 4.5% in the retail market.

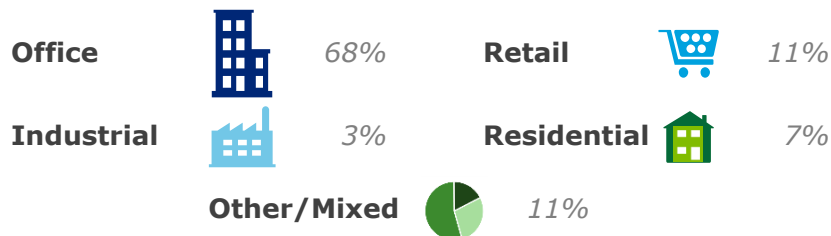
Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Monier	Office	Sep-16	151	Norwegian Properties AS	Entra Eiendom	Statens Pensjonskasse; Expo Nova	341,122 sf
Forskningsparken	Office	Aug-16	101	Arctic Securities; Lerka Eiendom	NRP Finans	Oslo Tech AS	322,920 sf
Oslo Office	Office	Oct-16	97	Selvaag Eiendom AS	KLP Eiendom AS	BA-HR	69,966 sf
Unit 6	Office	Sep-16	91	Norwegian Properties AS	Entra Eiendom	N/A	207,024 sf
Radhuspassasjen	Office	Jan-16	68	Eiendomsspar AS	Nordea Liv Norge AS	Wikborg Rein; NORDIA; Handelsbanken	107,640 sf

Source: RCA, MSCI, Deloitte  
Deloitte International Property Handbook

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	2,352
Percentage from foreign investors	34.0%
All property total return 2016	11.0%
All property income return 2016	4.8%
All property capital growth 2016	6.0%
Office prime yield Q4 2016	3.9%

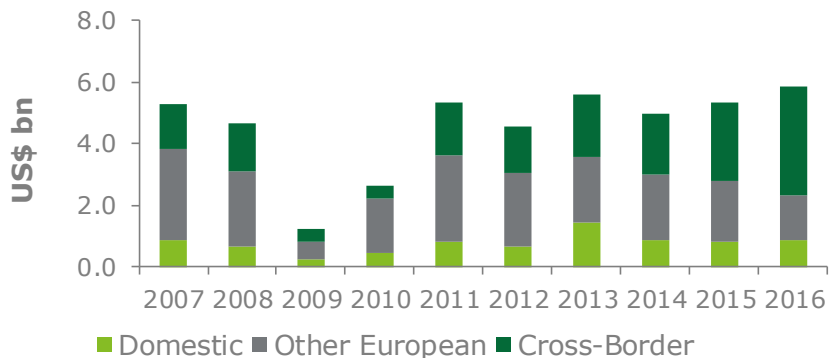
### Investment Distribution by Property Type



# Poland Overview



## Property Investment by Capital Origin



Source: RCA



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Economy



Output growth remains strong with GDP rising by 2.8% in 2016. Although expansion is expected to come in below earlier forecasts, a moderate increase is likely for 2017. Poland has a robust domestic demand, with the unemployment rate gradually coming down to historic low levels since 1990.

Property Investment



2016 was the second best year on record for Poland's investment market. Foreign investment's share has decreased to 85% of the market.

Yields



Prime yields in all sectors remain stable, between 5-7%.

Rents



Rents remained stable in 2016. The most expensive location is Warsaw, with the highest €/sqm rates in the country.

# Poland

## Key Metrics

### Economic background

Population 2016	38.4 m
GDP 2016 (US\$ tn)	1.1
GDP per capita 2016 (US\$)	27,800.0
GDP growth 2016	2.8%

### Prime yields 2016

Office	5.3%
Retail	5.0%
Industrial	6.8%

### Economic forecasts

2017

Real GDP growth	3.7%
CPI inflation	1.8%

### Tax rates

Transfer	1% - 2% on certain transactions
Corporate income	19.0%
Tax on dividends	Up to 19% - potentially reduced to 15% under certain treaties
Tax on interest	Up to 20% - potentially reduced to 0% under certain treaties or if the EU Interest and Royalties Directive applies
Capital gains	Ordinary corporation tax rate

### Economic indicators, end 2016

CPI Inflation	-0.7%
Unemployment	9.0%
Base rate	1.5%
10 year bond yield	3.8%
Exchange rate 1US\$ to PLN	4.1793

### Property market background

Investment market size 2016 (US\$ bn)	5.8
Percentage from foreign investors	85.4%
All property total return 2015	7.0%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Poland

## Real Estate Performance

### Key Considerations

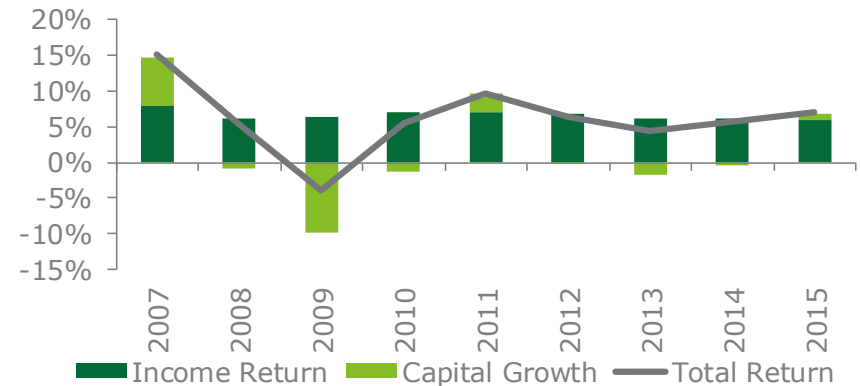
Real estate performed strongly in 2016, with yields compressing in the office sector.

From a negative all property total return in 2009, the Polish property market has seen an improvement in performance that reached 7.0% in 2015.

The retail market was the best performing sector in 2015 with a capital growth of 4.6%, while office was the only sector to clearly underperform the market, held back by low capital growth.

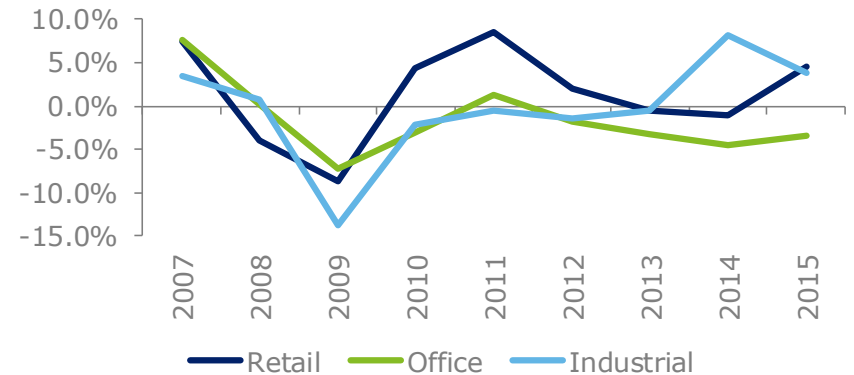
The industrial sector experienced capital growth of about 3.9%, well-behind the growth this property type experienced in 2014.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Poland

## Investment Market

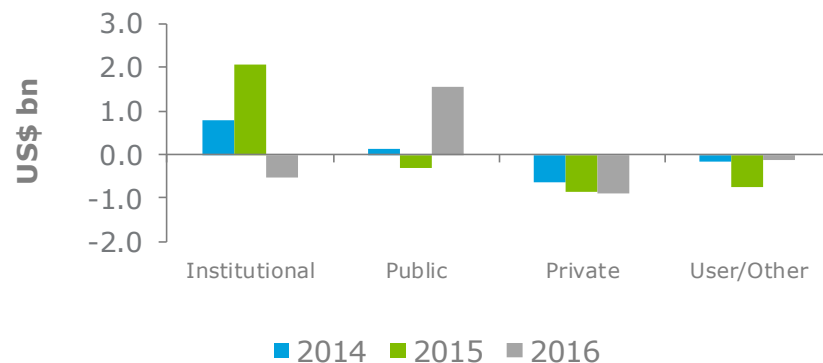
### Key Considerations

Overseas investors take a greater share of Poland's investment market than in any other European country in this report: 85% of purchases by non-domestic buyers in 2016. Foreign investment has decreased by 5p.p. compared to 2015.

The largest deal of the year amounted to EUR 891m for the sale of a retail and office portfolio from Griffin RE to Redefine. The retail sector was the dominant preference for 2016, amounting a 45% of total investments, followed by offices with a 33% share.

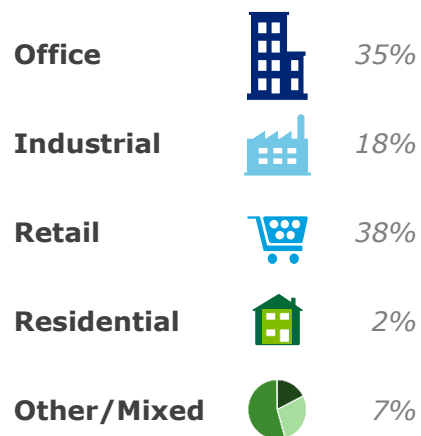
Africa listed companies have been the most active investors in 2016, followed by European and US funds.

### Net Investment by Investor Type



Source: RCA

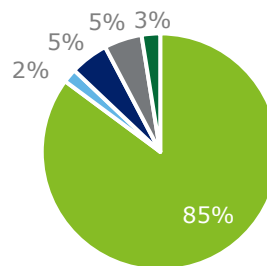
### Investment Distribution by Property Type



Source: RCA

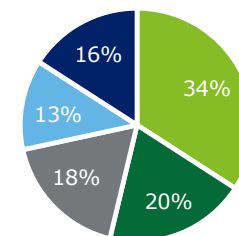
### Investment Distribution 2016

#### By Investor Type



- Cross-Border
- Private companies
- Occupier/others
- Institutional
- Public

#### By Origin



- Africa listed comp.
- European funds
- US funds
- Asia funds
- Others

Source: RCA

# Poland

## Warsaw – Key Recent Deals

### Key Considerations

Some of the largest deals in Poland in 2016, were outside the centre of Warsaw. Nonetheless, the capital accounted for just over 41% of the market transactions by volume.

Foreign buyers – chiefly institutional and private equity funds - dominated the market 2016. At almost 88%, their share was the highest among the 45 markets in this report.

Attention has been predominantly focused on prime offices, where new supply is currently limited, maintaining occupier demand and upward pressure on rents.

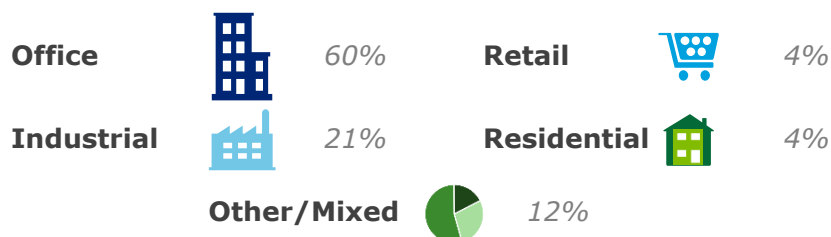
In the residential sector the market has been far quieter, with just 4 investment deals recorded so far this year, compared to the 12% market share in 2015.

In 2016, Warsaw growth 0.3p.p. below the average all property total return for Poland.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	2,243
Percentage from foreign investors	88.0%
All property total return 2016	6.7%
All property income return 2016	5.8%
All property capital growth 2016	0.9%
Office prime yield Q4 2016	5.3%

### Investment Distribution by Property Type



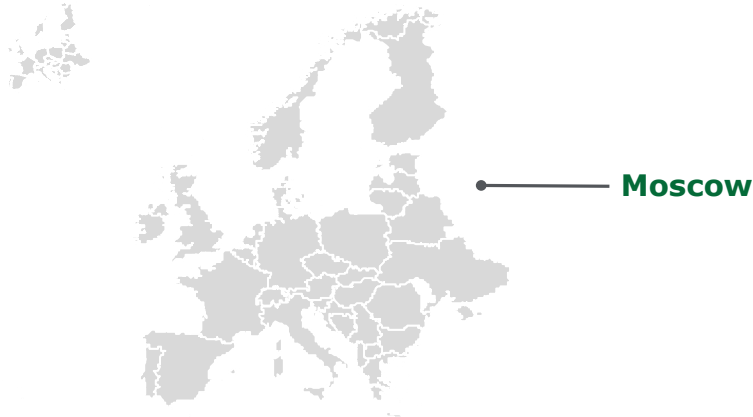
Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Q22	Office	Dic-16	289	Echo Investment	Invesco RE	Deloitte, Allegro, Linklaters	570,492 sf
Gdanski Business Centre (A-B)	Office	Dic-16	196	HB Reavis CE REIF	Savills Investment Mgmt, Employees Provident Fund	KPMG, Age. Nieruchomosci R.	516,672 sf
Konstruktorska Business Center	Office	Sep-16	134	HB Reavis	Golden Star Group	Procter & Gamble, PZU Zycie, Otis	532,818 sf
Prime Corporate Center	Office	Apr-16	94	Golub & Co	Warburg-HIH Invest	Raiffeisen Polbank (HQ)	224,968 sf
CH Jupiter	Retail	Oct-16	88	Griffin Real Estate	Echo Polska Properties, Echo Investment	Jysk, Komputronik, Black Red White	1,076,400 sf

Source: RCA, MSCI, Deloitte  
Deloitte International Property Handbook

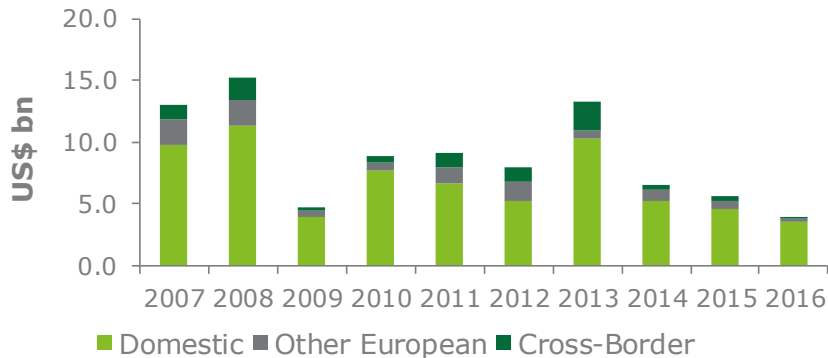


# Russia

## Overview



### Property Investment by Capital Origin



Source: RCA



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- Economy** ↓ GDP decline has slowed down at 0.2% year-on-year in the first half of 2016 compared to -2.8% in 2015. The country keeps adjusting to the economic sanctions, imposed in July 2014 and lower oil prices.
- Property Investment** ↓ Scarce activity from foreign investors in all real estate sectors. Interest rate cuts have been anticipated in order to moderate inflation ease currency volatility. Some retailers are decreasing their requirements for warehouse space in order to reduce costs.
- Yields** → Yields have remained stable and unchanged in all sectors.
- Rents** → While the exchange rate has been unstable and the inflation rate high, rents have remained mostly unchanged. This has incentivized existing occupiers upgrading to higher-quality space and taking advantage of the lower rent level.

# Russia

## Key Metrics

### Economic background

Population 2016	146.5 m
GDP 2016 (US\$ tn)	3.6
GDP per capita 2016 (US\$)	8,743.3
GDP growth 2016	-0.2%

### Economic forecasts 2017

Real GDP growth	0.9%
CPI inflation	5.4%

### Economic indicators 2016

CPI Inflation	7.0%
Unemployment	5.5%
Base rate	10.0%
10 year bond yield	8.4%
Exchange rate 1US\$ to RUB	60.8034

### Property market background

Investment market size 2016 (US\$ bn)	3.8
Percentage from foreign investors	9.0%

### Tax rates

Transfer	Minimal stamp duty on transactional documents
Corporate income	20.0%
Tax on dividends	For foreign legal entities up to 15% - potentially reduced to 5/10% under certain doubled tax treaties and conditions. For Russian legal entities 13% - potentially reduced to 0% under certain conditions
Tax on interest	Foreign legal entities up to 20% - potentially reduced to 0% under certain treaties and conditions. Russian legal entities - 20%
Capital gains	Foreign legal entities without tax presence - taxable at a rate of 20% if the sale of shares (participatory rights) takes place in companies in which more than 50% of assets directly or indirectly consist of immovable property located in Russia (unless publicly traded) – potentially exempt under certain double tax treaties and conditions. Russian legal entities or foreign legal entities having a PE in Russia - Generally taxed at a rate of 20% - potentially reduced to 0% under certain conditions.

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Russia

## Investment Market

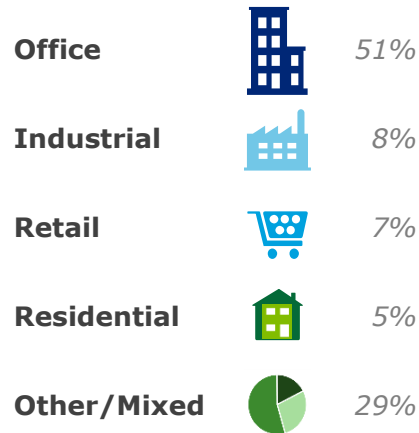
### Key Considerations

Investment in Russian real estate has total producing a year-on-year decrease of -30%, with deals that reached US\$2.3bn.

The total amount invested in the office segment comprehended a 51% of the 2016 total investment. This amount was mostly used to purchase buildings for owner occupation and debt-to-equity swaps. Although the vacancy rate stood at 18.4%, demand for offices was stable and construction activity was low, which will help to decrease the current vacancy level.

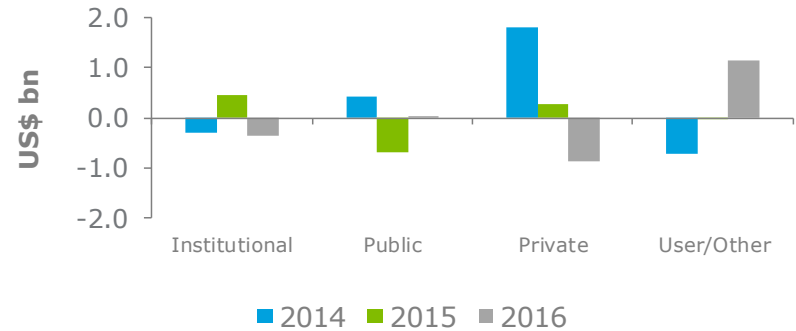
Cross-Border investment in 2016 reached a share of 9%. European capital has been the most prominent, accounting for 87% of foreign investment, followed by the Middle East with a total share of 11%.

### Investment Distribution by Property Type



Source: RCA

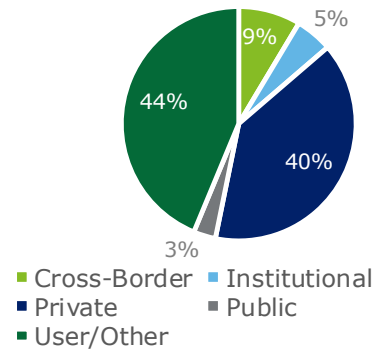
### Net Investment by Investor Type



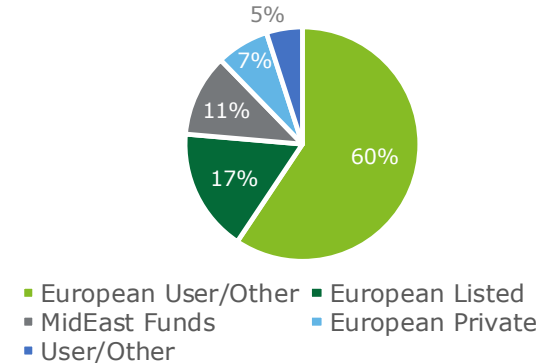
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Russia

## Moscow – Key Recent Deals

### Key Considerations

In 2016, 78% of all deals were closed in Moscow. The office market remains as the most important player for investors in Moscow. The volume of transactions over 2016 was 32% lower than 2015. Cross-Border investment decrease by 79% and the market became even more dependent on domestic buyers.

Low development activity is reflected in lack of new large office projects and the delay of many business centres delivery dates planned for 2016.

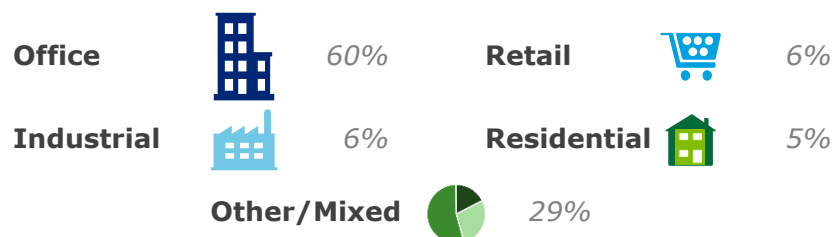
The most active player in the office segment was the financial sector whose market share increased to 33% from 12% in 2015. Moscow high street indicators show that the prime rent (roubles/sq m/ year ) remained stable in 2016. Nevertheless, the vacancy rate decreased 0.6p.p. closing the year at a 9.6% vacancy rate in the retail segment.

In the residential sector the market growth from 1% of investment distribution to 5% in 2016.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	2,961
Percentage from foreign investors	6.0%

### Investment Distribution by Property Type



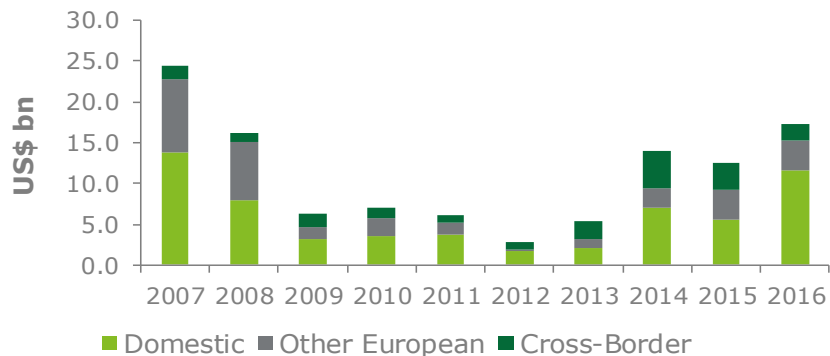
Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Evolution Tower	Office	Apr-16	960	Snegiri Development	Transneft	N/A	1,657,641 sf
Avrora Business Center	Office	Aug-16	450	Forum properties	O1 Properties	N/A	1,614,585 sf
OKO Tower	Office	Jul-16	224	Capital Group	Moscow Mayors Office	N/A	592,020 sf
IQ Quarter 1st Tower	Office	Nov-16	190	VTB Bank	Russian Agricultural Bank	N/A	476,845 sf
Zelenopark	Retail	Aug-16	85	Russian Development Fund (RDF)	DG-19	Auchan; Decathlon; Leroy Merlin; H&M	828,820 sf

Source: RCA, MSCI, Deloitte

# Spain Overview



## Property Investment by Capital Origin



Source: RCA



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Economy



Spain's growth outstripped the European average in 2016, reaching 3.2%. The Spanish economy is growing strongly with all sectors of the economy making healthy contributions. Unemployment rate (2016) decreasing by 9.7% (CAGR) since 2013.

Property Investment



Investor willingness to invest in Spain remains strong, although the share of overseas investment decreased by 19% in 2016. The investment rate in retail increased. SOCIMIs (Spanish REITs) took part in 55% of total office transactions in Spain during 2016.

Yields



Due to a positive economic situation, investor appetite to invest in Spanish properties and a lack of products lead to a further yield compression forecast.

Rents



In 2016, the prime office sector rents saw upward pressure particularly in Madrid and Barcelona, increasing in both cities by 5% and 8%, respectively. In the retail sector prime rents have remained generally stable.

# Spain

## Key Metrics

### Economic background

Population 2016	46.1 m
GDP 2016 (US\$ tn)	1.7
GDP per capita 2016 (US\$)	36,680.0
GDP growth 2016	3.2%

### Prime yields Q4 2016

Office	3.8%
Retail	4.5%
Industrial	6.0%

### Economic forecasts

2017

Real GDP growth	2.3%
CPI inflation	2.1%

### Tax rates

Transfer	7% on assets. 0.75%-2.5% on notarised documents
Corporate income	25.0%
Tax on dividends	Up to 20% - potentially reduced to 0% under certain treaties
Tax on interest	Up to 20% - potentially reduced to 0% under certain treaties
Capital gains	Ordinary corporation tax rate. Participation exemptions may apply

### Economic indicators 2016

CPI Inflation	-0.3%
Unemployment	19.6%
Base rate	0.0%
10 year bond yield	1.7%
Exchange rate 1US\$ to EUR	0.94901

### Property market background

Investment market size 2016 (US\$ bn)	17.2
Percentage from foreign investors	33.0%
All property total return 2015	15.3%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Spain

## Real Estate Performance

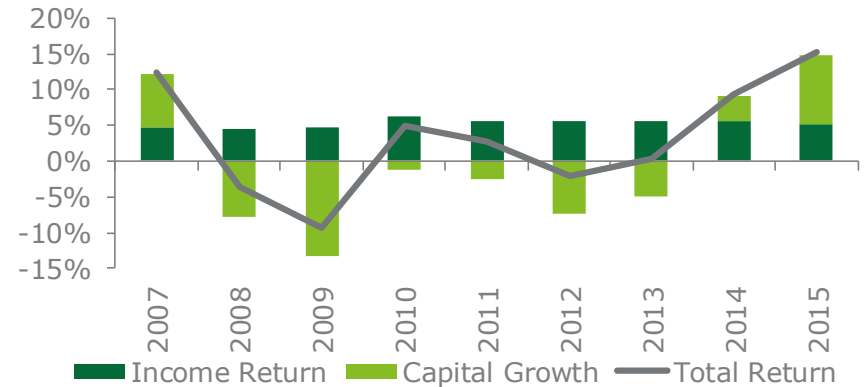
### Key Considerations

Improving rental growth and stable office yields helped drive an improvement in performance in 2016, lifting it well above the long-term average.

In 2015, Spanish real estate produced a total return of 15.3%, which implies 5.9 p.p above 2014, and a return to pre-crisis levels.

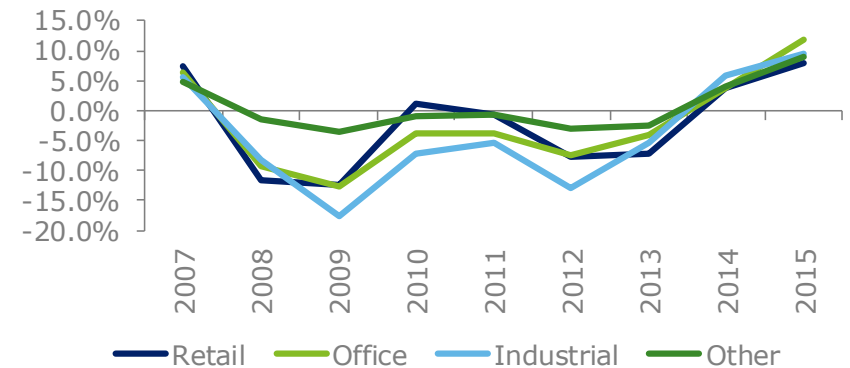
Thanks to stronger income return, offices were the best-performing property, with a total capital growth of 11.9% (8 p.p. above 2014). However, the spread between sectors was fairly narrow, with retail property the weakest at 8.0%.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Spain

## Investment Market

### Key Considerations

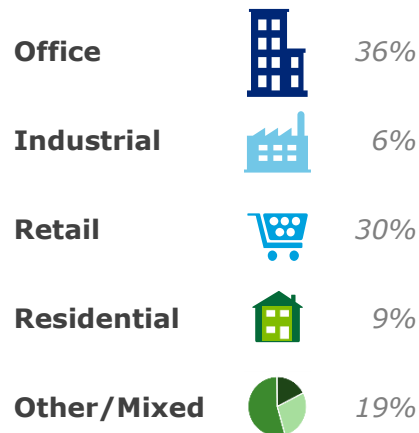
The total investment volume was 38% higher in 2016 than in the previous year.

In 2016 the office sector saw more than US\$6bn of investment, 16% higher than the investment in retail sector, which saw the majority of investment during 2014 and 2015.

The recovery in business confidence indicators is having a positive impact on average rental prices in Madrid and Barcelona Markets.

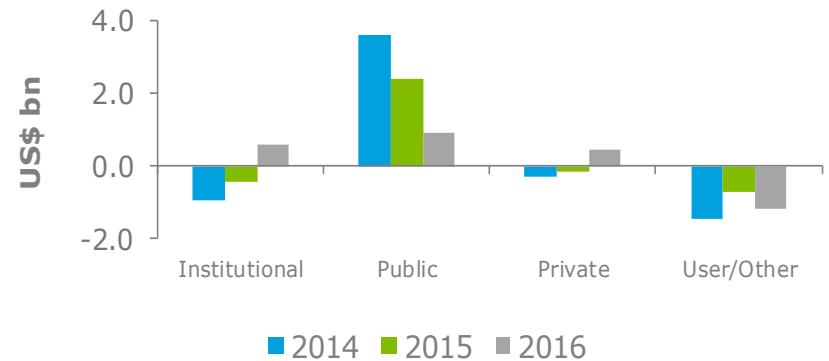
From a cost perspective, Madrid and Barcelona are the most competitive cities despite the limited office space available. Around 70% of the current vacancy is located in Madrid and Barcelona, resulting in a concentrated office market in Spain.

### Investment Distribution by Property Type



Source: RCA

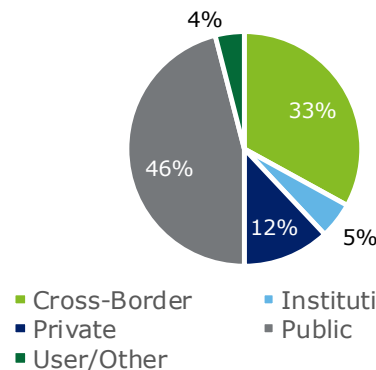
### Net Investment by Investor Type



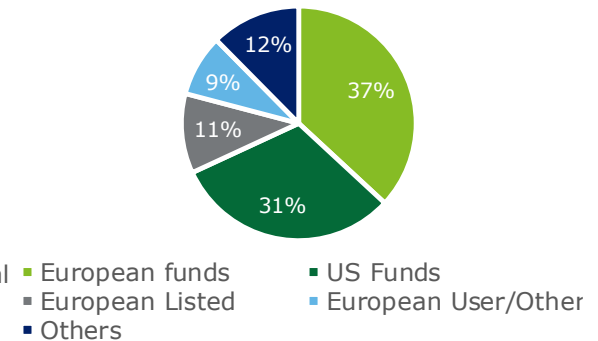
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA



# Spain

## Madrid – Key Recent Deals

### Key Considerations

Buoyant rental growth forecasts in Madrid have encouraged investors to deploy capital in the market. The vacancy rate stands at 11% and is slowly decreasing.

Approximately US\$8bn of capital was invested into commercial real estate during 2016, of which 62% has been invested in Madrid's office segment with a total of US\$5bn was invested in 2016. Cepsa Tower (\$547m) was the main office transaction in Spain and the fourth largest in Europe in 2016.

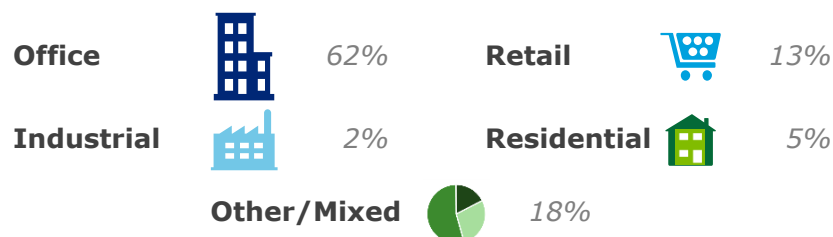
Domestic investors have been the most dynamic accounting for 77% of the total volume. They intend to achieve their expected returns through rental growth.

Attention has been predominantly focused on prime offices, where new supply is currently limited, maintaining occupier demand and upward pressure on rents in the CBD. The supply of secondary space is much higher with a correspondingly weaker rental profile.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	7,995
Percentage from foreign investors	22.8%
All property total return 2015	16.7%
All property income return 2015	4.7%
All property capital growth 2015	11.6%
Office prime yield Q4 2016	3.8%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Torre Cepsa	Office	Sep-16	547	Bankia, Caja Madrid	Ponte Gadea	Cepsa	605,475 sf
Adequa	Office	Sep-16	424	Lone Star	Merlin Properties	Renault; Técnicas Reunidas	1,300,431 sf
Hotel Villa Magna	Hotel	Mar-16	198	Queiroz Pereira Family	Dogus Holding A S	N/A	150 units
IBM HQ	Office	May-16	176	Finaccess	Inmobiliaria Colonial SA	IBM	505,133 sf
El Corte Ingles	Retail	Sep-16	167	El Corte Ingles	Monthisa	El Corte Inglés	188,370 sf

Source: RCA, MSCI, Deloitte

# Spain

## Barcelona – Key Recent Deals

### Key Considerations

Public companies moved ahead of foreign investors as the largest buyer type in 2016. Their investment increased by US\$1.4m versus 2015. Domestic public companies such as Grundbesitz Europa, Merlin, etc. have successfully competed on a number of the largest deals.

Within the retail market, the Diagonal Mar shopping centre, which was sold for \$551m was the main transaction of 2016 in Europe.

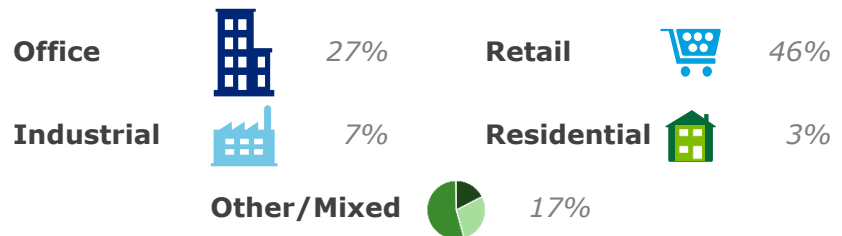
There is a city centre retail development coming through and a limited shopping centre pipeline, competition for space among retailers is fierce and rents on the best pitches have been driven up.

In the office market, the vacancy rate is around 10% and falling, with an average prime rent of 21€/sqm/month and increasing in the best office assets. While the office rent in the new business district has an average rent of 14€/sqm/month, that could reach 17€/sqm/month for the best office assets.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	3,419
Percentage from foreign investors	43.6%
All property total return 2015	14.6%
All property income return 2015	4.7%
All property capital growth 2015	9.5%
Office prime yield Q4 2016	4.0%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Diagonal Mar Shopping Center	Retail	Aug-16	551	Northwood Investors	Grundbesitz Europa (RREEF)	Zara; H&M; FNAC; Alcampo; Primark	635,862 sf
CC Arenas de Barcelona	Retail	Oct-16	447	Metrovacesa	Metrovacesa (Merlin)	FNAC; Mercadona; Mango; Desigual; Tous	333,684 sf
CC Vilamarina	Retail	Oct-16	372	Metrovacesa	Metrovacesa (Merlin)	Mercadona; H&M; Mango; Zara	341,434 sf
Mango	Industrial	Dec-16	159	Mango	VGP Group	Mango	1,937,520 sf
Poblenou 22@	Office	Oct-16	90	Metrovacesa	Metrovacesa (Merlin)	Sitel	350,390 sf

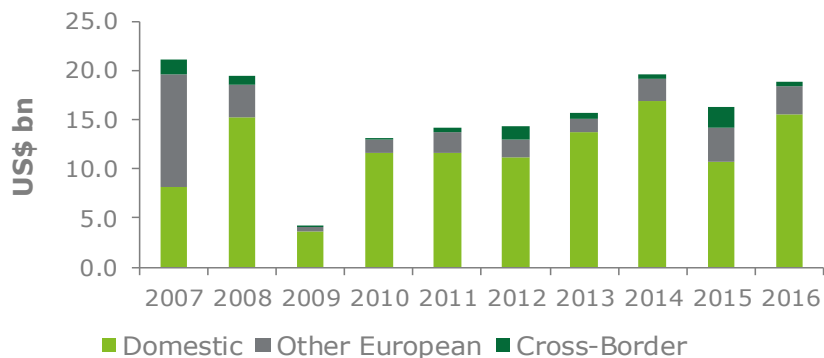
Source: RCA, MSCI, Deloitte

# Sweden

## Overview



### Property Investment by Capital Origin



Source: RCA



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Economy	↑	GDP growth accelerated to 3.1% in 2016, and is forecast to improve further in 2017. An increase in consumer spending and falling unemployment indicate that the economy is strong.
Property Investment	↑	Investment in real estate assets increased by 18% compared with 2015. This was mainly due to a very strong Q2, one of the strongest quarters in recent years.
Yields	↓	Strong demand, coupled with good capital availability and favorable lending conditions, has contributed to historically low yields across all property sectors and geographical markets.
Rents	↑	Boosted by the relatively strong underlying economy and the almost non-existent vacancies, the rental market continues to perform well. The office sector has seen strong rental growth that continues to put downward pressure on yields.

# Sweden

## Key Metrics

### Economic background

Population 2016	10.0 m
GDP 2016 (US\$ bn)	490.8
GDP per capita 2016 (US\$)	49,210.0
GDP growth 2016	3.1%

### Prime yields Q4 2016

Office	3.3%
Retail	4.1%
Industrial	5.8%

### Economic forecasts

2017

Real GDP growth	2.1%
CPI inflation	1.6%

### Tax rates

Transfer	4.25% stamp duty on assets
Corporate income	22.0%
Tax on dividends	Up to 30% - potentially reduced to 0% under certain treaties
Tax on interest	No withholding tax
Capital gains	Tax exempt under participation exemption regime otherwise ordinary corporate tax rate

### Economic indicators 2016

CPI Inflation	1.0%
Unemployment	7.0%
Base rate	-0.5%
10 year bond yield	0.7%
Exchange rate 1US\$ to SEK	9.08394

### Property market background

Investment market size 2016 (US\$ bn)	18.8
Percentage from foreign investors	17.0%
All property total return 2016	13.9%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Sweden

## Real Estate Performance

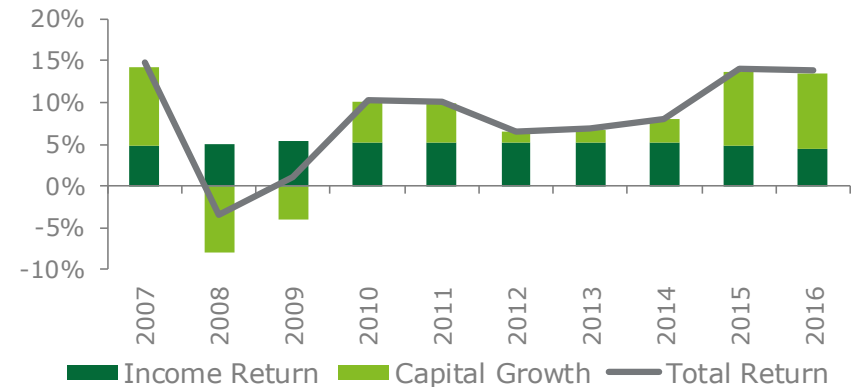
### Key Considerations

Swedish real estate performance, as in previous years, is still dependent primarily on the office sector, which registered 11% capital growth in 2016. This growth was driven by strong rental growth which has begun to push down yields for prime office locations down.

The total return for Swedish property was 13.9% in 2016, well above the average of the last 5 years and one of the highest returns since 2006.

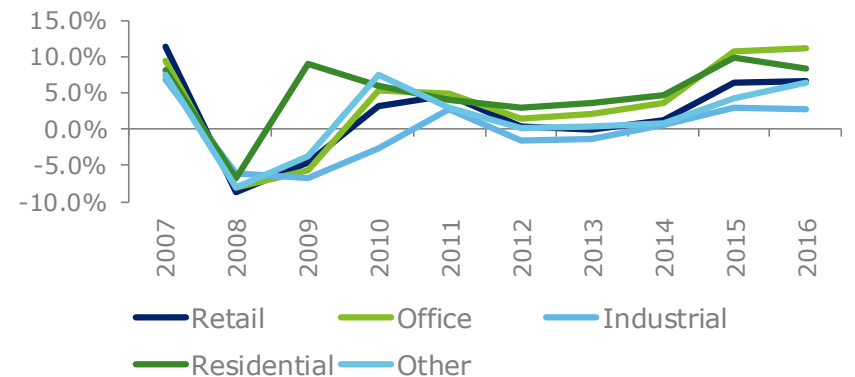
The residential and industrial sectors were the property types that recorded a decline in values during 2016. On the other hand, the retail sector continued to see capital growth, reaching the highest pace of growth for four years. The office sector also maintained a positive trend and saw the highest growth of the major property types in Sweden.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Sweden

## Investment Market

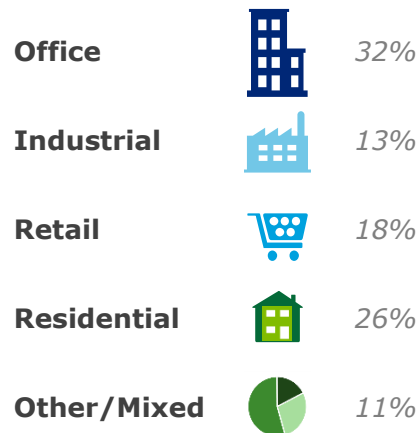
### Key Considerations

Real estate performed strongly throughout 2016, with yields compressing in the office sector. Investment increased by 18% compared with the 2015 figure, reaching almost US\$19bn.

The office sector dominated, seeing a record US\$6bn of activity, representing 32% of the transaction volume. The residential sector gained relevance throughout 2016, recording a transaction volume of US\$5bn.

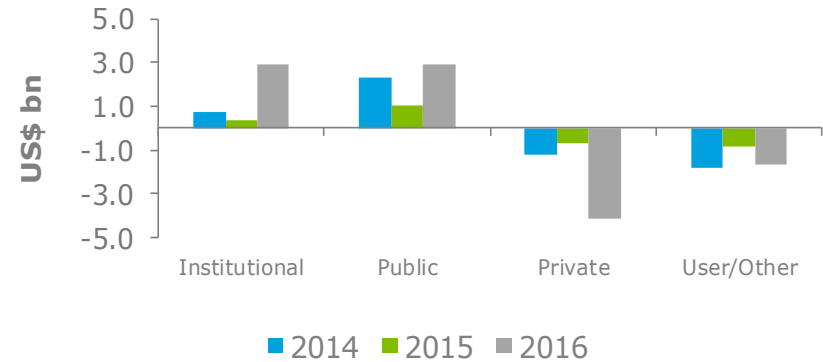
In particular, a large proportion of institutional capital was invested in residential assets focusing on higher returns, while listed property companies mainly acquired commercial properties. The transaction volume is expected to remain high across all property sectors in the short-run.

### Investment Distribution by Property Type



Source: MSCI

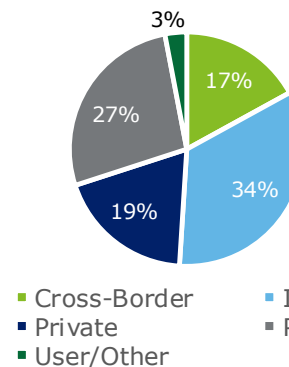
### Net Investment by Investor Type



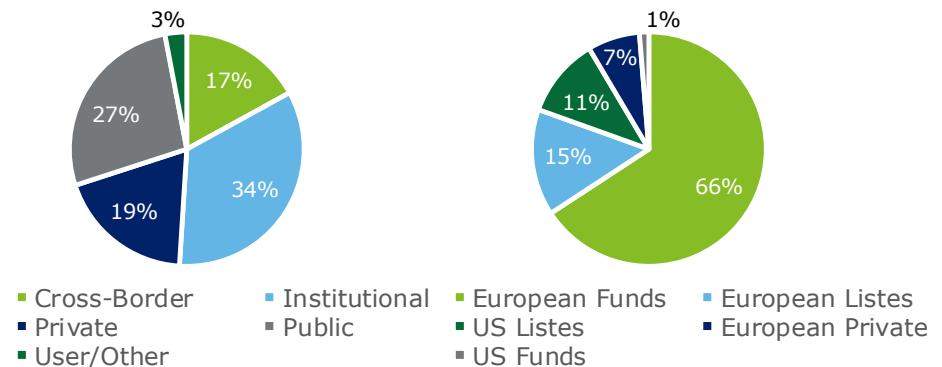
Source: RCA

### Investment Distribution H1 2015

#### By Investor Type



#### By Origin



Source: MSCI

# Sweden

## Stockholm – Key Recent Deals

### Key Considerations

As a single market, Stockholm contributed by 30.8% to Sweden's total investment market activity.

With a GDP per capita of US\$51,191.5, Stockholm is a small but wealthy city where current prime yields are low and rental growth is, at present, at one of the highest levels recorded in the city.

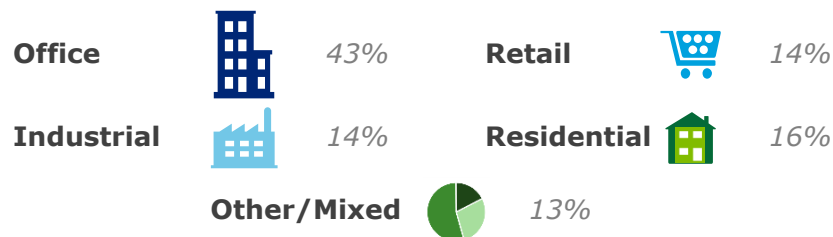
The rental market has continued to perform well throughout 2016 where high demand for office space has put downward pressure on vacancy rates. Office properties remain the most liquid assets in Stockholm, following the trend of previous years. Both residential and industrial assets lost some weight during 2016.

The office segments recorded 43% of total investment activity by property type. The biggest transaction made in 2016 involved Fabega AG selling Uarda 5, Vattenfall's headquarters office, to UniImmo (Deutschland) for US\$265 m.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	5,792
Percentage from foreign investors	26.0%
All property total return 2016	15.7%
All property income return 2016	4.1%
All property capital growth 2016	11.2%
Office prime yield Q4 2016	3.3%

### Investment Distribution by Property Type



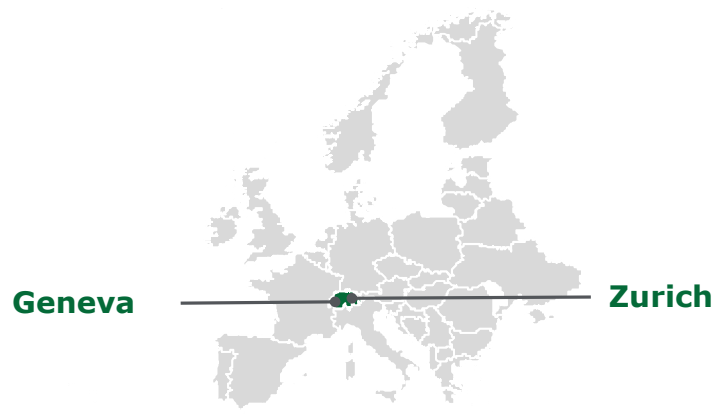
Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Uarda 5	Office	Feb-16	265	Fabega AG	UniImmo: Deutschland	Vattenfall AB (HQ)	473,616 sf
Kungshuset	Office	Jul-16	178	GIC	KPA Pension; Folksam	Lansstyrelsen; Rigoletto	185,262 sf
Quality Hotel Globe	Hotel	Jul-16	142	Home Properties AB	Strawberry Brothers	N/A	526 units
Peritas Portfolio	Retail	Jun-16	134	Perium Fastigheter	DC & Co	Grann garden, Byggmax, etc.	871,389 sf
Chokladfabriken	Office	Jul-16	125	AREIM	Atrium Ljungberg AB	ST1 Energy AB, Aditro, etc.	290,628 sf

Source: RCA, MSCI, Deloitte

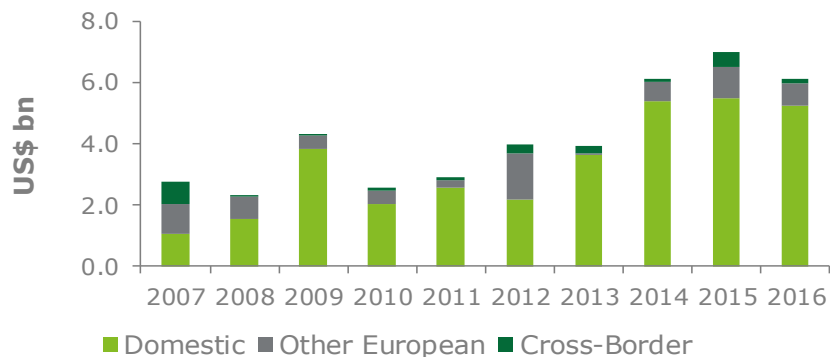
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# Switzerland

## Overview



### Property Investment by Capital Origin



Source: RCA







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- Economy**  Swiss real GDP growth is expected to climb back towards its average annual rate of 2% registered over last decade in 2017.  
The real estate market in Switzerland is still benefiting from low interest rates, which stands at -0.75%
- Property Investment**  Total investment in 2016 was 10% below that recorded in 2015. Institutional investors continue to dominate the market, whereas cross-border investors only represent a 15% of the total market.
- Yields**  Yields saw compression of 40bps or more on prime assets in all sectors in 2016.
- Rents**  The regulation of immigration is having an adverse impact on rental increases.



# Switzerland

## Key Metrics

### Economic background

Population 2016	8.2 m
GDP 2016 (US\$ bn)	533.0
GDP per capita 2016 (US\$)	81,807.6
GDP growth 2016	1.4%

### Prime yields Q4 2016

Office	3.1%
Retail	2.8%
Industrial	3.6%

### Economic forecasts 2017

Real GDP growth	1.7%
CPI inflation	0.4%

### Tax rates

Transfer	1% stamp duty on contributions to equity in resident companies. 0.15%-0.3% on transfer of securities
Corporate income	8.5%
Tax on dividends	Up to 35% - potentially reduced to 0% under certain treaties or if the Swiss-EU savings directive applies
Tax on interest	Up to 35% - potentially reduced to 0% under certain treaties
Capital gains	Ordinary corporation tax rate. Participation exemptions may apply

### Economic indicators 2016

CPI Inflation	-0.4%
Unemployment	3.3%
Base rate	-0.8%
10 year bond yield	-0.1%
Exchange rate 1US\$ to CHF	1.0189

### Property market background

Investment market size 2016 (US\$ bn)	6.1
Percentage from foreign investors	15.0%
All property total return 2015	6.6%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Switzerland

## Real Estate Performance

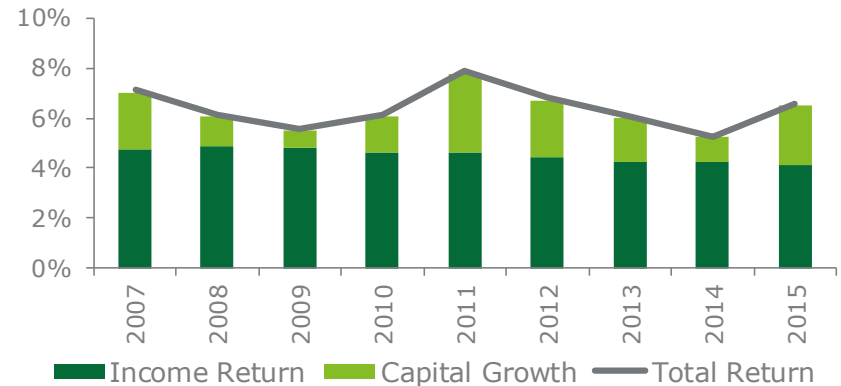
### Key Considerations

Swiss real estate has produced a very stable performance over recent years with capital growth consistently positive. In 2015, total returns for all property were the highest since 2012, at 6.6%.

The residential market was the best performing sector in 2015 with a total return of 4.2%, while industrial was the only sector to clearly underperform the market, being the only sector with negative capital growth in the analysed period.

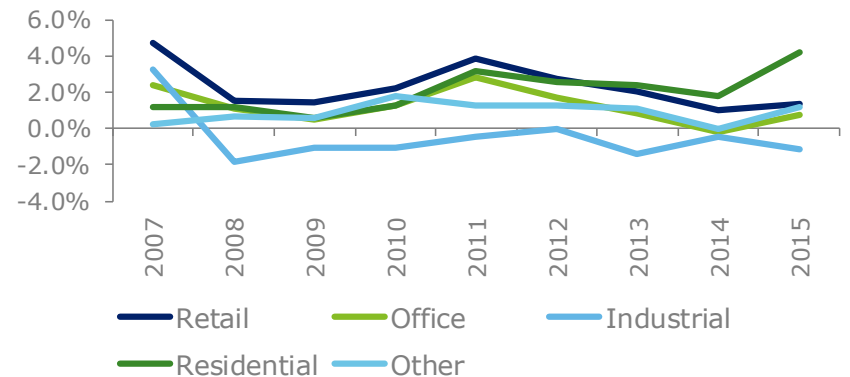
Residential property has produced the strongest returns over recent years, due to superior capital growth, however the retail sector moved ahead in the latest annual results.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Switzerland

## Investment Market

### Key Considerations

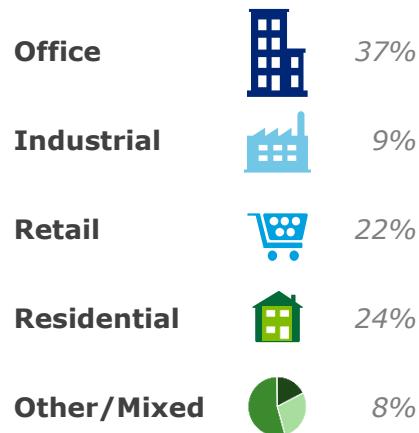
Institutional investors dominate the Swiss market, accounting for 66% of domestic investment and 47% of total activity. Institutional investors have gained market share mainly due to the decline in activity from private investors.

Foreign investment is being hurt by the strong Swiss franc, as expected. Switzerland ranks amongst the countries with the lowest levels of foreign investment in this report.

Residential property is an important part of the market, with the 24% share well above the European average.

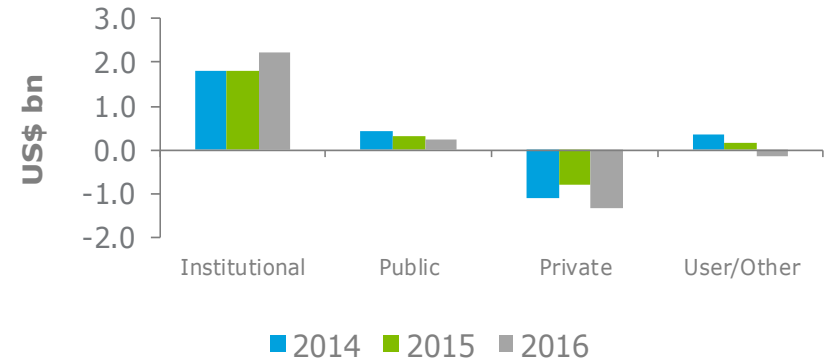
Investment in retail assets increased compared to 2015, up from 11% to 22%. However, this mainly reflects a decrease in investment in other sectors.

### Investment Distribution by Property Type



Source: RCA

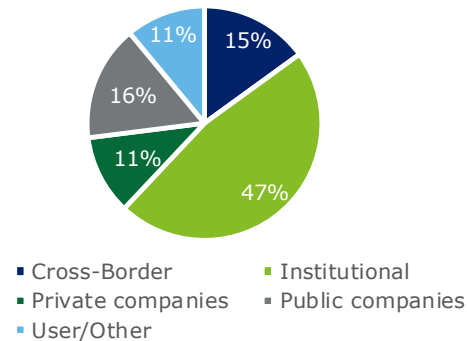
### Net Investment by Investor Type



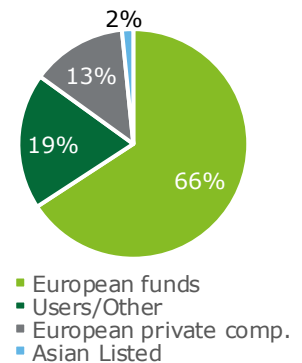
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: RCA

# Switzerland

## Geneva – Key Recent Deals

### Key Considerations

In 2016 Geneva attracted around 16% of the total investment in Switzerland, less than the 46% of the total investment it accounted for in H2 2015.

Office assets are still the target for investment in Geneva making up 68% of activity, 7p.p. higher than 2015. This was one of the highest figures recorded in the post-crisis period and reflects the attractiveness of this property sector in the eyes of domestic and foreign investors.

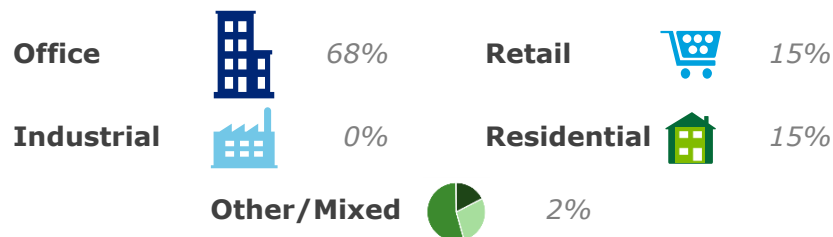
Rental levels in Geneva remain high. The completion of the CEVA rail line and its accompanying real estate projects will give rise to new office locations.

There were no investment deals recorded in the industrial sector in 2016 in Geneva, in contrast to the 6% market share seen in 2015.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	981
Percentage from foreign investors	23.0%
All property total return 2015	6.6%
All property income return 2015	3.8%
All property capital growth 2015	2.7%
Office prime yield Q4 2016	3.1%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Saint-Georges Center	Office	Nov-16	143	SI St. Georges Center SA	Baloise Group	Government	96,876 sf
Lancy Center	Retail	Dec-16	87	Barry Kenny	Swisscanto	Casino; Aldi	139,932 sf
L'atelier	Office	Feb-16	87	Squarinvest	Rockspring	N/A	484,380 sf
Banque Heritage	Office	Apr-16	59	Banque Heritage	Swiss Life AM	Banque Heritage	12,917 sf
Rue de Rive 3	Retail	Aug-16	45	Swiss Prime Site	Swiss Life AM	Fust AG; Caliburn Capital Partners	20,010 sf

Source: RCA, MSCI, Deloitte

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# Switzerland

## Zurich – Key Recent Deals

### Key Considerations

In 2016 Zurich attracted 36% of the total investment in Switzerland, more than twice the total of Geneva.

Domestic investment accounted for 97% of total investment in Zurich, driven by institutional investment with a 62% share.

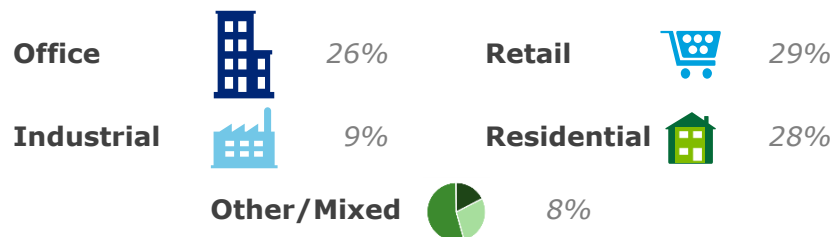
While investment in Geneva is concentrated in the office market, investment in Zurich is more evenly distributed between: (i) retail, (ii) residential and (iii) office.

Some of the largest deals in Switzerland in 2016, were in Zurich, all of them purchases by domestic buyers. Nonetheless, the capital from foreign investors stands just over a 3% of the market share.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	2,210
Percentage from foreign investors	3.0%
All property total return 2015	6.9%
All property income return 2015	3.9%
All property capital growth 2015	2.8%
Office prime yield Q4 2016	4.0%

### Investment Distribution by Property Type

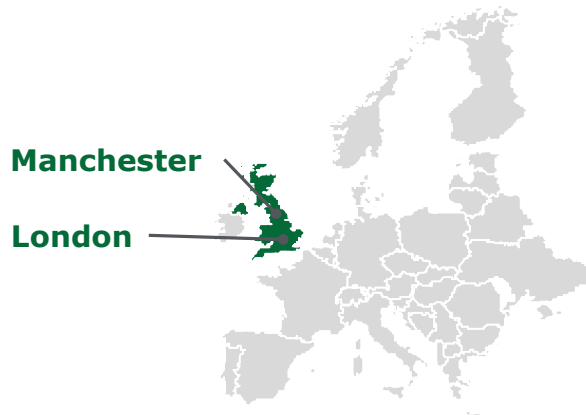


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Franz-Carl-Weber-Haus	Retail	May-16	240	Gaydoul Group	Swiss Life AM	Franz-Karl-Weber	26,910 sf
Hardturmstrasse 101-105	Office	Jul-16	148	Gassmann Immobilien- und Beteiligungs AG	Tschuggen	TELAG AG, InfoSec Global AG, Travis	259,499 sf
Gassmann Modehaus	Retail	Aug-16	114	Gassmann Immobilien	Tschuggen	Louis Vuitton	10,764 sf
Leuenhof	Retail	Aug-16	103	Credit Suisse	SPA Immobilien Schweiz	Credit Suisse	53,820 sf
Maaghof North and East	Apartment	Mar-16	97	Swiss Prime Site	SPA Immobilien Schweiz	N/A	137 units

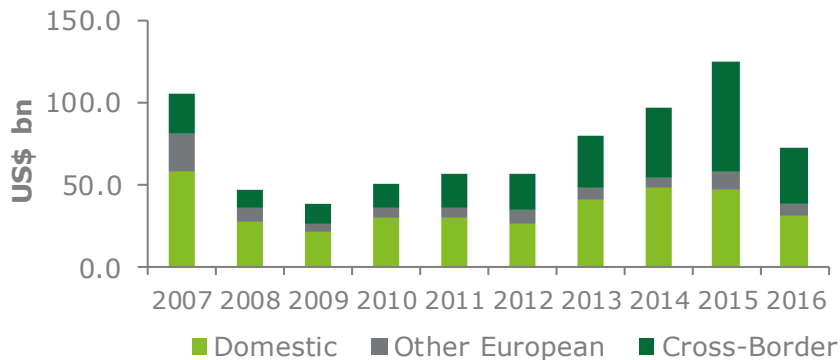
Source: RCA, MSCI, Deloitte

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# UK Overview



## Property Investment by Capital Origin



Source: RCA



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**Economy** ↑ The economy continues its steady growth since Q1 2010, now with 28 consecutive quarters of expansion. Even after the Brexit vote, the forecasts for the following years are positive, which shows the UK's capacity to weather the uncertainty generated by the referendum.

**Property Investment** → In 2016 total investment was 42% below 2015 registered volumes, in part due to the uncertainty generated by the Brexit vote. Overseas buyers continue to dominate the market, specially private investors.

**Yields** ↑ Prime yields rose by 25bps across most UK property types during 2016. More recently, however, there has been renewed downward yield pressure on certain property types, such as central London offices.

**Rents** ↓ Occupational demand for commercial property slowed during mid-2016, but saw a recovery towards the end of the year. Certain sectors, such as logistics, have seen a more limited impact, and supply shortages remain in some locations.



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# UK

## Key Metrics

### Economic background

Population 2016	64.9 m
GDP 2016 (US\$ tn)	2.8
GDP per capita 2016 (US\$)	43,310
GDP growth 2016	2.0%

### Prime yields Q4 2016

Office	3.5%
Retail	3.7%
Industrial	4.1%

### Economic forecasts 2017

Real GDP growth	1.7%
CPI inflation	1.2%

### Tax rates

Transfer	Stamp duty on property 0%-4% on non-residential; 0%- 12% on residential
Corporate income	20%
Tax on dividends	0% (except 20% on REITs)
Tax on interest	Up to 20%
Capital gains	Part of a company's taxable profits

### Economic indicators 2016

CPI Inflation	0.7%
Unemployment	4.9%
Base rate	0.3%
10 year bond yield	1.2%
Exchange rate 1US\$ to GBP	0.7992

### Property market background

Investment market size 2016 (US\$ bn)	65.7
Percentage from foreign investors	52.0%
All property total return 2016	3.9%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# UK Real Estate Performance

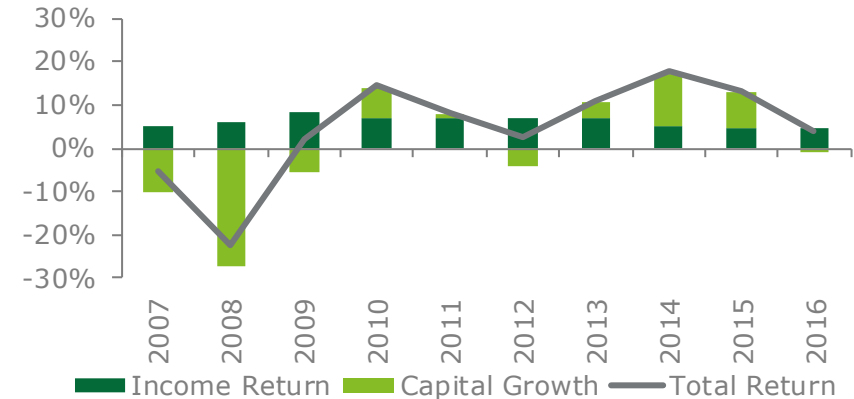
## Key Considerations

Recent years have seen yields have fall further and for longer than was initially forecast, meaning that capital value growth has made a strong contribution to performance.

The 2016 total return on UK property came in below 2015's strong result as the decline in yields saw a mild reversal, and the income component became the driving force of performance. We expect returns to be around 4% for 2017, albeit with some disparity between the major property sectors.

Offices properties have produced the strongest returns over recent years, due to superior capital growth. However, the consensus outlook for 2017 suggests that industrial property will take the lead, benefitting from modest capital value growth and a level of income return that is typically higher than that found in offices or retail property.

## All Property Total Return



Source: MSCI

## Capital Growth by Sector



Source: MSCI



# UK Investment Market

## Key Considerations

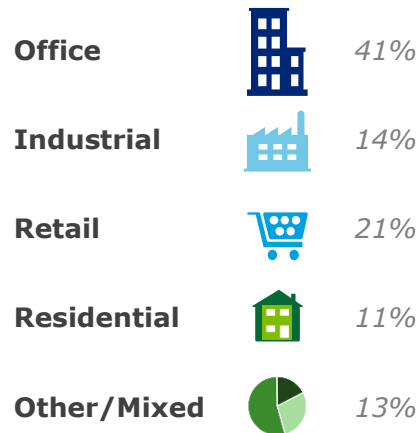
The level of activity in the investment market was down some 42% year-on-year in 2016, in part due to weaker trading around the time of the referendum.

Cross-Border investors became the market's driving force during 2016, as all the other main investor types continued to be on balance net sellers. Net investments shows a change in the trend, with intuitional investors becoming sellers and private investors becoming buyers.

The offices sector was the dominant preference for 2016, amounting for 41% of total investments, followed by retail with a 21%.

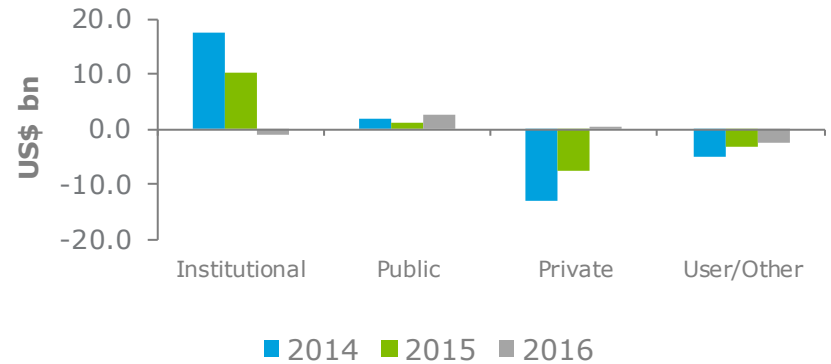
In terms of overseas investment, US funds have been the most active investors, followed by European funds and notably below we find the Asian funds.

## Investment Distribution by Property Type



Source: RCA

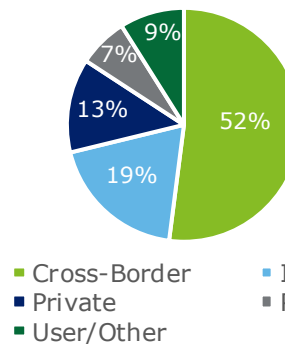
## Net Investment by Investor Type



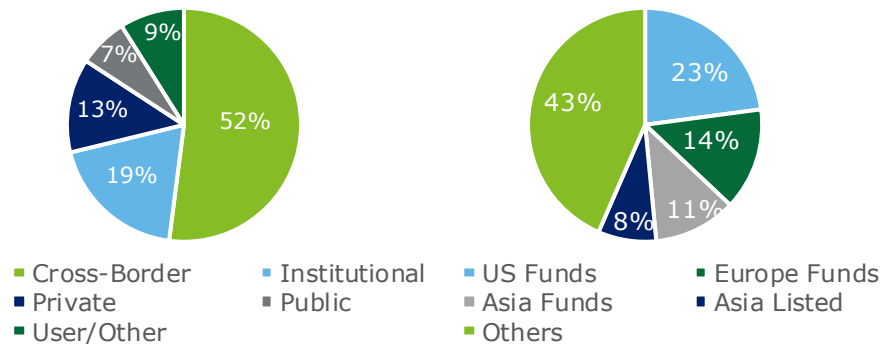
Source: RCA

## Investment Distribution 2016

### By Investor Type



### By Origin



Source: RCA

# UK

## London – Key Recent Deals

### Key Considerations

After a slowdown in investments during Q3 2016 following the referendum, investment activity has picked up again.

Private investors continue to be very active and have played a key role in supporting pricing, while institutional investors have been more cautious during 2016.

Capital continues to target the London market, with Asian buyers showing particular interest, amounting 14% of total international investments.

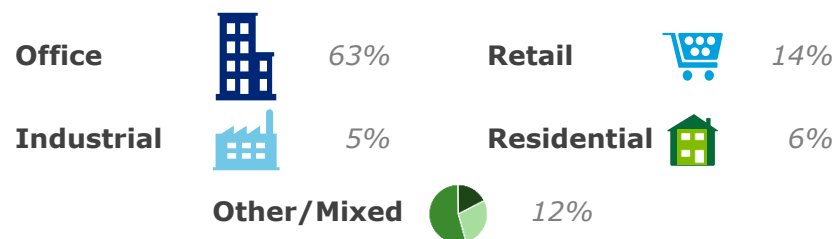
City office assets continue to be the preferred choice of international investors. Rental growth prospects have been reduced, but there remains strong demand for low yielding, liquid, assets.

The purchase by Brookfield Europe of the CityPoint Tower above Ropemaker Street for US\$701m is just one example of the ongoing attractiveness of the London market in the wake of the referendum.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	29.3
Percentage from foreign investors	63.0%
All property total return 2016	4.8%
All property income return 2016	3.6%
All property capital growth 2016	1.2%
Office prime yield Q4 2016	3.5%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
CityPoint Tower	Office	Dec-16	701	Beacon Capital Partners	Brookfield Europe	Multi-Let	706,973 sf
FCA Building	Office	Jan-16	546	Lend Lease, LCR	RREEF	Financial Conduct Authority	515,000 sf
Debenhams London	Retail	Jul-16	533	British Land	Ramsbury Invest AB	N/A	366,706 sf
Fitzroy Place	Office	Nov-16	531	Government of Iceland	Ashby Capital	Debenhams	250,850 sf
Interncontinental London O2	Hotel	Jul-16	288	Queensgate Investments	Arora International Hotels	Intercontinental	453 units

Source: RCA, MSCI, Deloitte

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# UK

## Manchester – Key Recent Deals

### Key Considerations

Regional office investment activity was steady in 2016, with strong demand for tier one locations, such as Manchester. Is it true that some deals have reportedly struggled due to Brexit clauses, but the majority of them have gone ahead.

Rents across Manchester have continued to rise during 2016, with prime offices, seeing an uplift of 3%. Values have recovered much of the lost ground following the global recession but are still below the peaks reached before the crisis.

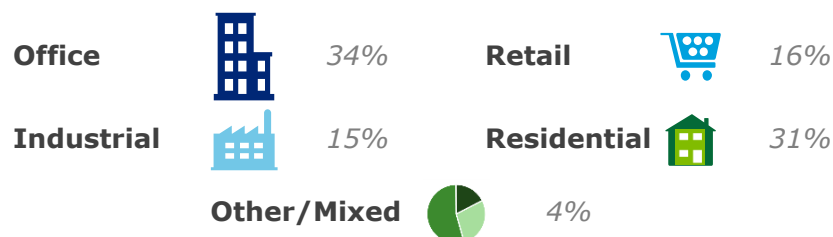
Cross-border investments accounted for 62% for 2016 with US funds as the main investors.

The residential market is gaining popularity among investors as the city is setting as the economic engine and regional financial centre for the region.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ bn)	3.0
Percentage from foreign investors	62.0%
All property total return 2016	3.7%
All property income return 2016	4.6%
All property capital growth 2016	-0.8%
Office prime yield Q4 2016	4.9%

### Investment Distribution by Property Type

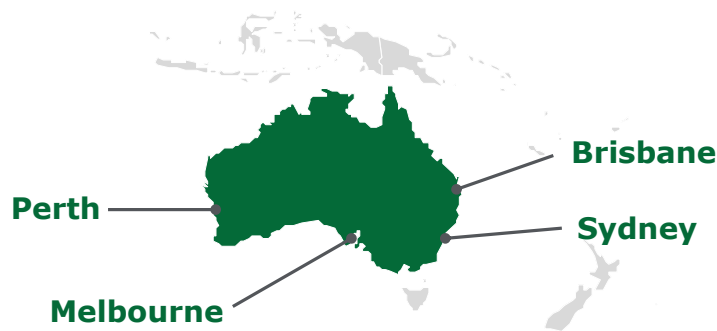


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Kampus Development	Apartment	Feb-16	250	Capital & Centric Plc, Henry Boot Developments	Ares Management	N/A	550 units
One St Peters Square	Office	Aug-16	217	Argent Group, Manchester Pension Fund	WestInvest InterSelect	KPMG, DLA Piper	288,000 sf
Heaps Rice Mill	Apartment	Feb-16	185	Elliot Group	Mercer RE Partners	N/A	781 units
3-4 Piccadilly Place	Office	Apr-16	167	Carlyle Group	Ares Management	NuGen, Weightmans, NHS, EC Harris	300,000 sf
Jura Portfolio 2016 1 of 3 properties	Retail	Sep-16	141	British Land	BMO RE Partners	N/A	N/A

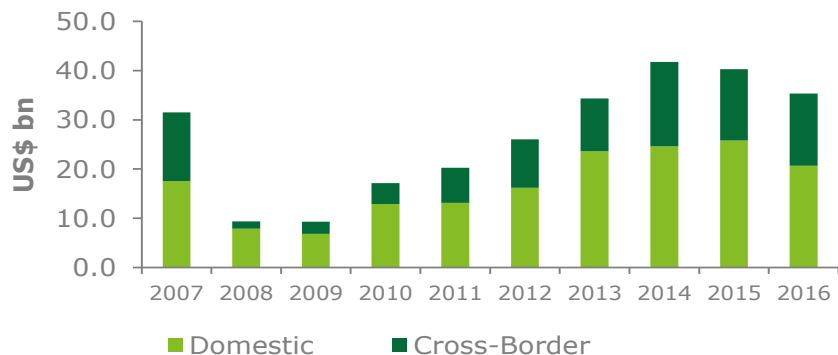
Source: RCA, MSCI, Deloitte

# Asia Pacific

# Australia Overview



## Property Investment by Capital Origin



Source: RCA



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**Economy** ↑ The Australian economy has averaged 2.7% GDP annual growth in the last 5 years, placing it among the strongest economies around the globe. The forecast for 2017 is 2.6% for both GDP growth and private consumption growth.

**Property Investment** ↓ Overall transaction volumes have declined by 12% in comparison to 2015, driven by lower domestic investor demand. Cross-border investors have a leading role in the market.

**Yields** → Further yield compression has been seen since last year across all cities and markets, only office yields in Sydney and retail yields in Brisbane increased during 2016.

**Rents** ↑ Rents have been increasing in most of the Australian office market. The Sydney and Melbourne CBDs have experienced the highest rise, while Canberra's CBD market rental growth has remained sluggish and Perth has experienced a decline due to the increase in vacancy rates.

# Australia

## Key Metrics

### Economic background

Population 2016	24.3 m
GDP 2016 (US\$ tn)	1.2
GDP per capita 2016 (US\$)	48,230
GDP growth 2016	2.2%

### Prime yields Q4 2016

Office	5.5%
Retail	5.5%
Industrial	6.3%

### Economic forecasts 2017

Real GDP growth	2.6%
CPI inflation	2.1%

### Tax rates

Transfer	Up to 7%
Corporate income	30%
Tax on dividends	Up to 30% - potentially reduced to 0% under certain treaties
Tax on interest	Up to 10% - potentially reduced to 0% under certain treaties
Capital gains	Ordinary corporation tax rate

### Economic indicators, 2016

CPI Inflation	1.3%
Unemployment	5.7%
Base rate	1.5%
10 year bond yield	2.7%
Exchange rate 1US\$ to AUS	1.4

### Property market background

Investment market size 2016 (US\$ bn)	35.5
Percentage from foreign investors	42.0%
All property total return 2016	11.7%

# Australia

## Real Estate Performance

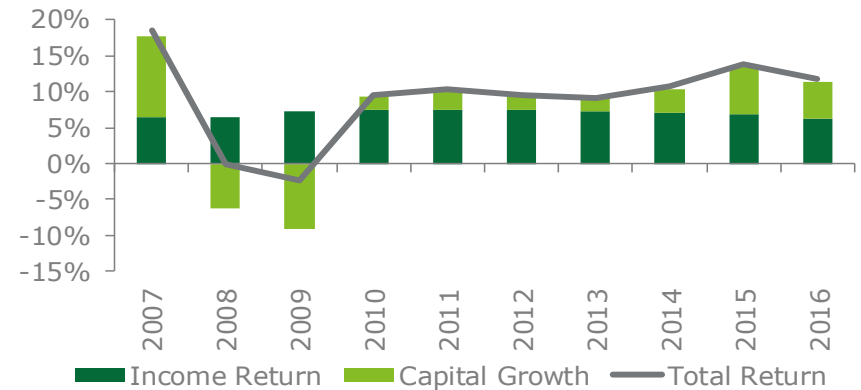
### Key Considerations

The performance of direct property peaked in 2015 at 13.8% and subsequently fell to 11.7% in 2016 according to MSCI's IPD results.

This deceleration was largely due to the decrease in capital growth across all sectors. The more volatile sectors were industrial, whose capital growth decreased from 9.0% to 4.1% and retail, which decreased from a 5.6% capital growth in 2015 to 3.4% in 2016.

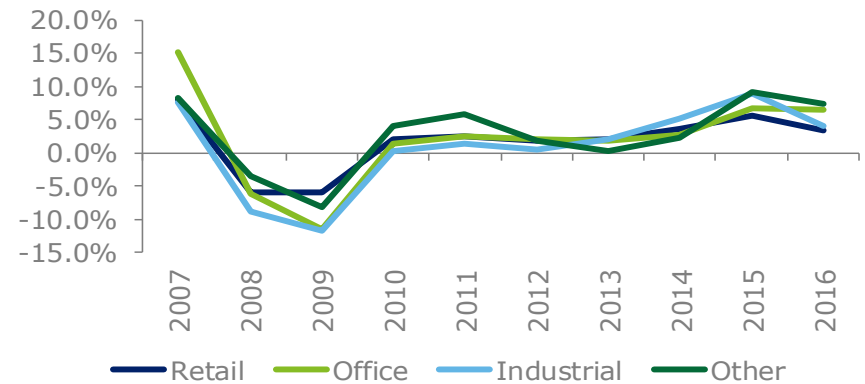
In the retail sector, neighbourhood shops, smaller centres and big box formats continued to outperform the major centres. In the industrial sector, multi-let estates produced the strongest returns in Q2, with New South Wales the best-performing region.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Australia

## Investment Market

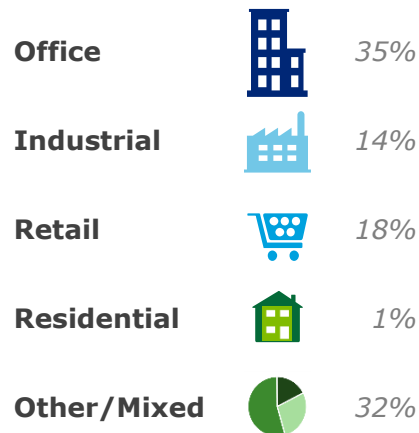
### Key Considerations

Investment of US\$10.6bn into the Australian property market in 4Q 2016 pushed the 2016 total to US\$35bn, still 12% less than the total investment volume of 2015.

Cross-border investment still represents an average of 42% of the total volume, which shows the strong foreign appetite for the Australian market. Domestic private investors remain a strong presence in the market, with an average of 13% of the total investment volume.

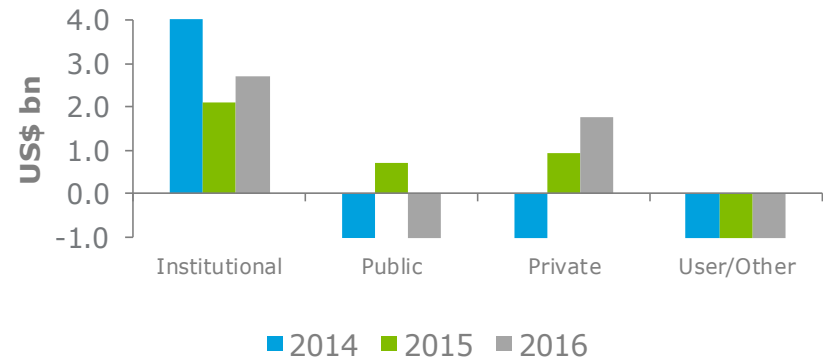
While inflows of investment from the US and other Asian investors remain the backbone of overseas activity, new players have begun to show interest in the Australian market such as European funds.

### Investment Distribution by Property Type



Source: MSCI

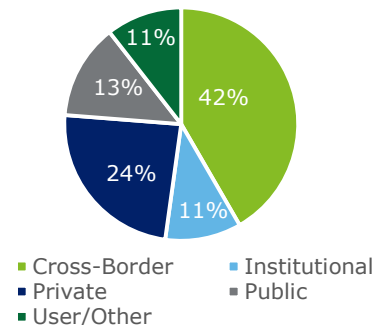
### Net Investment by Investor Type



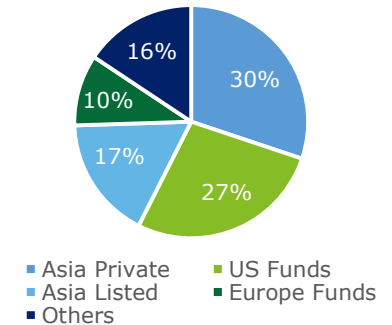
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: MSCI



# Australia

## Sydney – Key Recent Deals

### Key Considerations

Sydney's dominance within the Australian market remained intact in 2016 as the total investment volume stood at US\$14.9bn. Among overseas investors it remains the primary target, attracting over 50% of the total capital deployed.

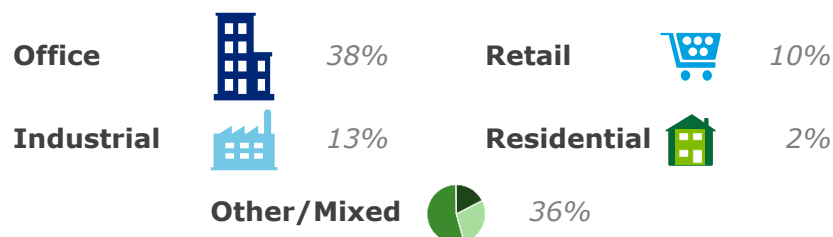
Asian funds and private investors remain the main purchasers in the office sector, while the market share of the domestic investors remains unchanged.

A large portion of major tenant moves over 2016 were in the prime sector of the market. The withdrawal of office space is expected to increase in 2017, which should lead to the contraction of the Sydney CBD market. CBD vacancy rate is consequently expected to trend downwards over the next year. CBD office rents have been increasing throughout 2016.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	14,981
Percentage from foreign investors	50.0%
All property total return 2016	14.5%
All property income return 2016	6.2%
All property capital growth 2016	7.9%
Office prime yield 4Q 2016	5.6%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Goodman Industrial Portfolio	Office	Oct-16	498	Goodman Group	Blackstone	N/A	N/A
420 George St	Office	Apr-16	447	Fortius Funds	ICPF	AECOM, State Street, JLL	405,673 sf
Macquarie Group Bldg	Office	May-16	399	Brookfield Prop Prtnrs	Charter Hall, Morgan Stanley	Macquarie Bank Limited	355,061 sf
W Sydney Hotel	Hotel	Jun-16	387	Grocon	Zhengtang Group	N/A	402 units
Mid City Centre	Retail	May-16	324	Fortius Funds	NGI Investments	Kathmandu, G Star, Lovisa	98,070 sf

Source: RCA, MSCI, Deloitte

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# Australia

## Melbourne – Key Recent Deals

### Key Considerations

Melbourne's total investment volume declined 29% during 2016, totalling US\$7.9bn. The majority of the most important transactions in Melbourne took place during Q4 2016. The total volume of foreign investment grew to US\$4.2bn (from US\$3.4bn in 2015)

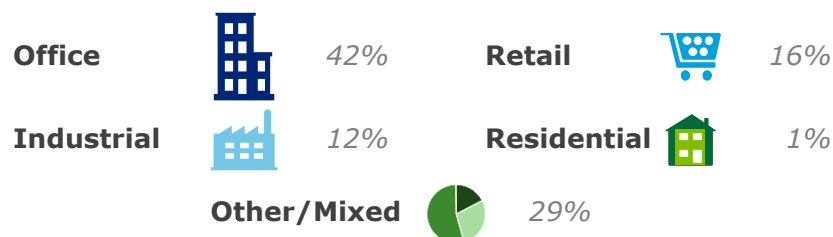
Asian players (public, funds and private investors) remain the main purchasers in the Melbourne area, especially for offices, accounting for 42% of the total investment volume. Purchases by European funds have lately picked up and currently account for a 10% share of the total market.

Forecasts by analysts indicate that overall vacancy should decline to a cyclical low in 2017 and subsequently rise through 2019-2020. As a result, a robust rental growth is anticipated for 2017, with landlords expected to continue to ease incentives to correlate with the improving business sentiment.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	7,916
Percentage from foreign investors	53.0%
All property total return 2016	11.9%
All property income return 2016	6.0%
All property capital growth 2016	5.5%
Office prime yield 4Q 2016	5.5%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Myer	Retail	Sep-16	307	Myer Family Company	TIAA-CREF	Myer	495,140 sf
28 Freshwater Place	Office	Aug-16	195	Frasers Property, GPT	JP Morgan Asset Mgmt	MMG Limited, CPA Australia	365,973 sf
fmr ANZ Bank HQ	Office	Nov-16	192	ANZ Bank	GPT Wholesale Office Fund	ANZ Bank	419,796 sf
Australia On Collins	Retail	Sep-16	167	LaSalle	JP Morgan Asset Mgmt	TAG Heuer, Coach	85,875 sf
Novotel Melbourne on Collins	Hotel	Sep-16	161	LaSalle	Frasers Hospitality Trust	N/A	380 units

Source: RCA, MSCI, Deloitte

Deloitte International Property Handbook

# Australia

## Brisbane – Key Recent Deals

### Key Considerations

Brisbane saw total property investment reach US\$3.7bn in 2016. Nevertheless, the local market has seen a small decline in foreign investor interest. Although local and Asian funds have dramatically decreased their investments, the total volume decreased from US\$1.17bn in 2015 to US\$0.88bn in 2016.

Some major office deals were the purchase of One One One Eagle st Asset by GPT to ADIA, in December 2016 and the HSBC Building by ARA Asset Management to Seymour Group.

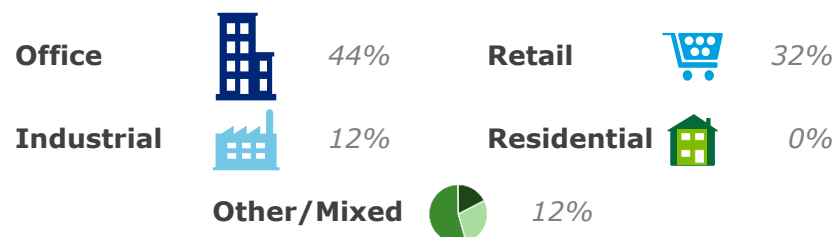
The office market has been the most active during 2016, with 44% of the total market share. Retail follows with 32%.

While vacancy rates are currently high due to recent new supply, vacancy rates have now peaked in Brisbane and should decline over time.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	3,709
Percentage from foreign investors	24.0%
All property total return 2016	9.0%
All property income return 2016	6.5%
All property capital growth 2016	2.4%
Office prime yield 4Q 2016	6.5%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
One One One Eagle St	Office	dec-16	638	ADIA	GPT Wholesale Office Fund	BRH Lawyers, Colliers	686,743 sf
The Myer Centre Brisbane	Retail	sep-16	584	Vicinity Centres	ISPT	Coles, DAISO	684,278 sf
HSBC Building	Office	apr-16	143	Seymour Group	ARA Asset Management	HSBC, Queen Street Dental	207,400 sf
Mineral House	Office	jan-16	116	Queensland Inv't Corp	AEP Investment Management	Queensland Government	317,150 sf
222 Margaret Street	Hotel	dec-16	111	Billbergia Group, AMP Capital	N/A	N/A	380 units

Source: RCA, MSCI, Deloitte

Deloitte International Property Handbook

# Australia

## Perth – Key Recent Deals

### Key Considerations

Perth remains the smallest among Australia's big four markets seeing just US\$1.4bn of investment during 2016. Foreign investments in Perth saw a sharp year-on-year decline in activity of around 38%. Now at US\$0.33bn of total investment market volume, it clearly remains a niche market for Asian investors.

The investment distribution by property in Perth is well-balanced among all the major assets classes, excepting the residential sector which has had negligible activity in 2016.

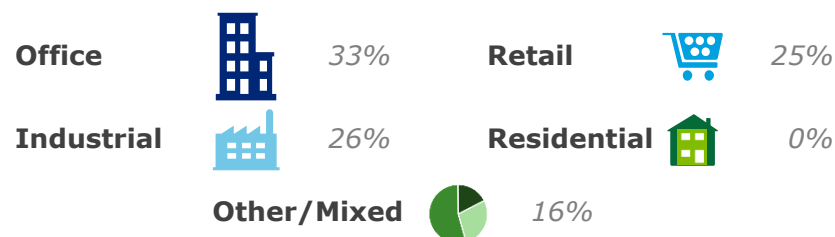
The Perth CBD market has experienced some of the largest transactions in 2016, notably the Exchange Plaza sale by Colonial First State in March 2016.

The limited development activity and the ongoing tenant competition for high quality space will keep rents stabilized in 2017. Vacancy is also expected to remain elevated due to the slow down in the mining sector.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	1,422
Percentage from foreign investors	23.0%
All property total return 2016	6.1%
All property income return 2016	7.0%
All property capital growth 2016	-0.8%
Office prime yield 4Q 2016	7.5%

### Investment Distribution by Property Type

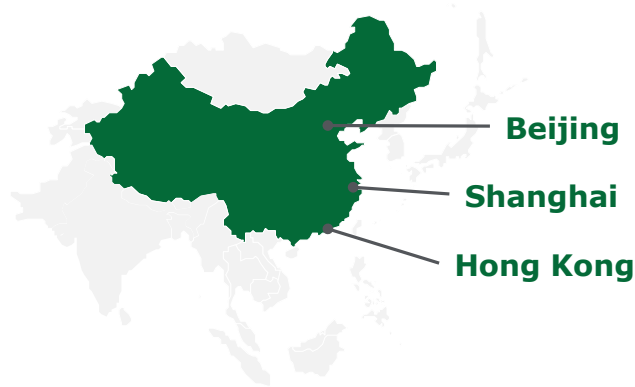


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Exchange Plaza	Office	Mar-16	159	Colonial First State	Primewest	Azure Consulting	366,729 units
Forrest Centre	Office	Feb-16	156	Insurance Commission WA	Perth Upper China	Perth Energy, Byrne	326,676 sf
Carillon Shopping Centre	Retail	Oct-16	107	Hawaiian, Brookfield Prop	DEXUS	Topshop, Paul Carroll	177,077 sf
Westralia Plaza	Office	Jul-16	65	Insurance Commission WA	Zone Q	Dome, HWL Ebsworth	113,936 sf
Novotel Langley	Hotel	Oct-16	61	Alceon	Ewart Trust	N/A	253 units

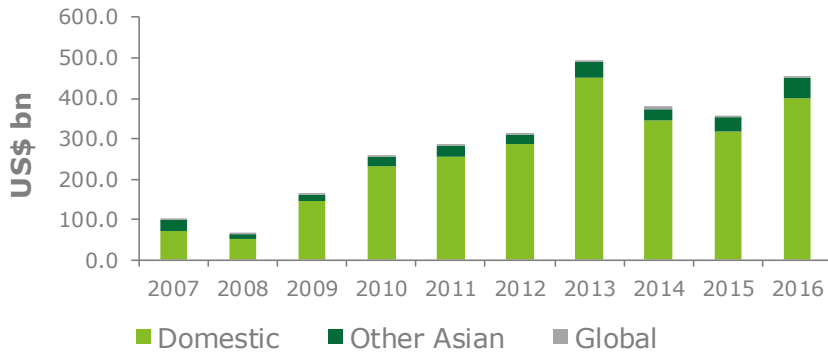
Source: RCA, MSCI, Deloitte

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# China Overview



## Property Investment by Capital Origin



Source: RCA



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- 
- Economy ➔ The necessary transition to a services-based economy is slowing the pace of growth. GDP growth stood at 6.7% in 2016 and a rate of 6.4% is expected in 2017.

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  - Property Investment ⬆ Total property investment in China increased by 33% during 2016. Overall investment activity by Asian investors remained robust with institutional investors continuing to lead investment activity.

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  - Yields ➔ Prime office yields in Hong Kong remained at 3% in 2016.

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  - Rents ⬇ Rents are expected to decline in 2017 due to emerging trends: the consolidation of suburban markets around cities like Shanghai and Beijing and the fact that 2017 will see a large amount of new prime office supply complete, which will change the prime office market dynamics in major cities.
-

# China

## Key Metrics

### Economic background

Population 2016	1366.0 m
GDP 2016 (US\$ tn)	21.6
GDP per capita 2016 (US\$)	15,840
GDP growth 2016	6.7%

### Prime yields Q4 2016

Office	2.2%
Retail	2.2%
Industrial	3.0%

### Economic forecasts

2017

Real GDP growth	6.4%
CPI inflation	2.0%

### Tax rates

Transfer	Appreciation Tax at 30-60%; Deed Tax to transferor at 3-5%; Stamp Duty up to 0.05%
Corporate income	25% (exempt for dividends received from PRC Corporation)
Tax on dividends	Up to 10% - potentially reduced to 5% under most of the treaties.
Tax on interest	Up to 10% - potentially reduced to 0 / 5 / 7% under certain treaties and conditions
Capital gains	Up to 10%

### Economic indicators 2016

CPI Inflation	2.1%
Unemployment	4.1%
Base rate	4.4%
10 year bond yield	3.4%
Exchange rate 1US\$ to CNY	6.9

### Property market background

Investment market size 2016 (US\$ bn)	454.7
Percentage from foreign investors	12.0%
All property total return 2015	6.0%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# China

## Investment Market

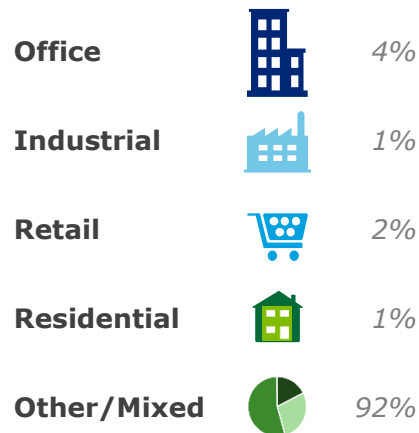
### Key Considerations

Investment activity in China has remained unaffected by the somewhat weaker economic outlook, increasing by 28% in 2016 to reach US\$454bn. The second half of 2016 was particularly strong, accounting for 63% of the total investment volume.

Chinese government has repeatedly introduced regulations regarding the Chinese real estate investment and financing regulations, but during 2016 some of the previously implemented restrictions were removed, in part to stimulate economic growth.

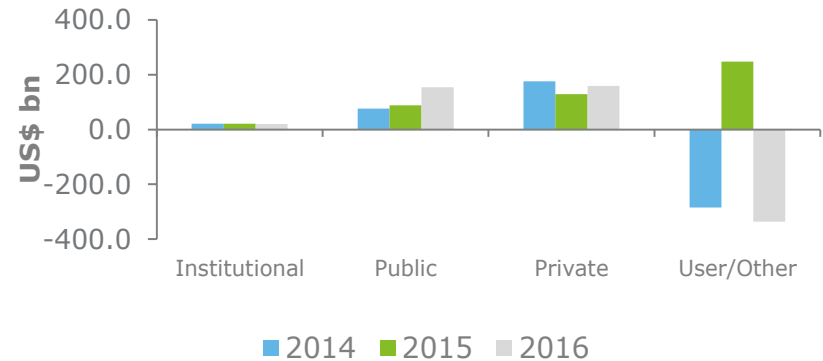
Development land account for the majority of the transacted volume, while the rest of the property types represent a negligible percentage of the market with Asian Public companies as the most active investors.

### Investment Distribution by Property Type



Source: MSCI

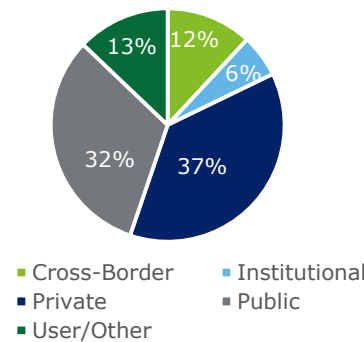
### Net Investment by Investor Type



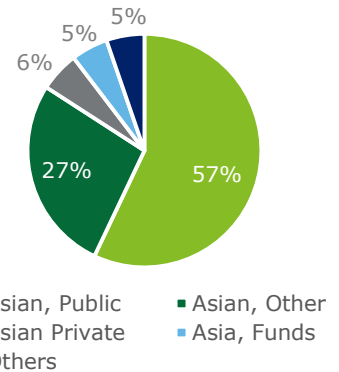
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: MSCI

# China

## Hong Kong – Key Recent Deals

### Key Considerations

Total investment in Hong Kong increased from US\$20.5bn in 2015 to US\$25.5bn in 2016. Property investment in the office sector doubled in the last twelve months, reaching US\$8.8bn in 2016, 34% of the market.

The Hong Kong Lands Department has been a major actor during 2016, selling three US\$1bn development sites in Kowloon Island for offices purposes.

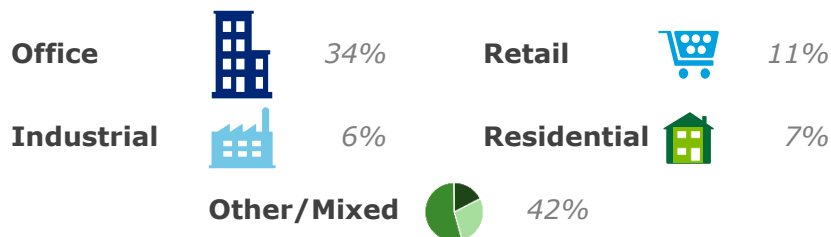
According to the supply horizon for the next 6-12 months, CBD rents will likely face increased downward pressure in 2017 by a 5% margin, on average.

While the new stamp duty measure in the residential sector could boost interest for non-residential opportunities, recent announcements of capital controls on outbound Chinese capital and rising interest rates could diminish investment appetite.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	25,541
Percentage from foreign investors	29.0%
All property total return 2015	6.9%
All property income return 2015	3.1%
All property capital growth 2015	3.8%
Office prime yield 4Q 2016	2.2%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Mass Mutual Tower	Office	Jan-16	1,606	Chinese Estates	Evergrande RE Group	Chinese Holdings	345,426 sf
Dah Sing Financial Centre	Office	Feb-16	1,285	SEA Hldgs Ltd	Everbright Group	Dah Sing Bank	400,113 sf
New Kowloon Inland Lot No 6565	Dev Site	Nov-16	1,140	HK Lands Dept	HNA Grp	N/A	121,224 sf
New Kowloon Inland Lot No. 6557	Dev Site	Nov-16	953	HK Lands Dept	Lifestyle Int'l Hldgs	will host SOGO	152407 sf
New Kowloon Inland Lot No. 6533	Dev Site	Oct-16	937	HK Lands Dept	Kerry Properties	N/A	231,307 sf

Source: RCA, MSCI, Deloitte

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# China

## Shanghai – Key Recent Deals

### Key Considerations

Shanghai's investment market has remained steady, with only a 3% increase in activity during 2016, when transactions reached US\$40.5bn. Nevertheless, foreign investments into Shanghai have dramatically declined over the last year. In addition, foreign investments suffered a 25% decline in 2016, reaching US\$6.9bn for foreign investments.

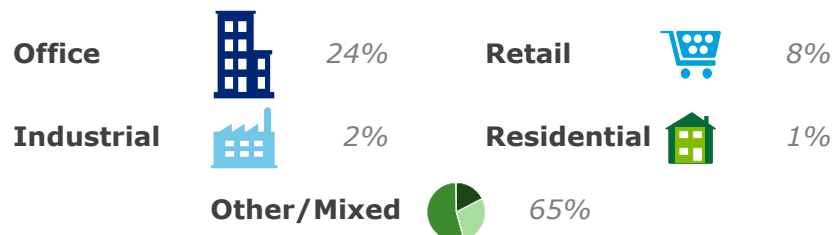
The investment distribution by property in Shanghai is tilted towards development sites and other assets, which account for 65% of the total investments. Offices are the second most active investment type, accounting for 24% of activity.

Rising competition in all markets indicate that rental growth will probably accelerate in 2017. Overall leasing patterns remained similar to earlier this year. Vacancy decreased in prime areas as projects in mature submarkets improved occupancy.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	40,529
Percentage from foreign investors	17.0%
All property total return 2015	7.7%
All property income return 2015	4.7%
All property capital growth 2015	2.9%
Office prime yield 4Q 2016	3.5%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Shanghai Century Link	Office	Oct-16	3,014	Cheung Kong Holdings, LKSOF	China Life Insurance, ARA Asset Management	Yin Zhuan Group	3,900,453 sf
Shanghai Krupp Houtan Project Site	Industrial	Sep-16	1,911	Lujiazui Finance & Trade	Kerry Properties	Shanghai Krupp Stainless	4,434,983 sf
Shanghai 2016-068	Dev Site	Aug-16	1,662	N/A	Rongxin Group, China Vanke	N/A	334,051 sf
The Bund Finance Center	Office	Dec-16	1,546	Fosun Int'l Ltd	Jiaxing Shengshi Wenli Inv	N/A	4,578,908 sf
Shanghai 2016-050	Dev Site	Jul-16	1,322	N/A	Gemdale Corp	N/A	1,509,677 sf

Source: RCA, MSCI, Deloitte

# China

## Beijing – Key Recent Deals

### Key Considerations

Cross-border investment in Beijing has picked up significantly over the last year while domestic investors have decreased their activity. Total volumes, however, have declined by 50% since 2015.

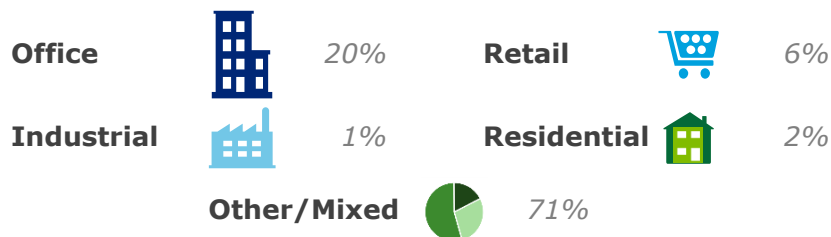
The large amount of land sales that dominate the market are broadly split between residential and office or mixed-commercial developments.

The market shows signs of cooling and the new government policy is set to control prices in 2017 and is holding back developers from launching new projects. Consequently, demand and supply are not expected to recover rapidly in the high-end market.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	21,489
Percentage from foreign investors	18.0%
All property total return 2016	5.2%
All property income return 2016	5.6%
All property capital growth 2016	-0.4%
Office prime yield 4Q 2016	3.5%

### Investment Distribution by Property Type



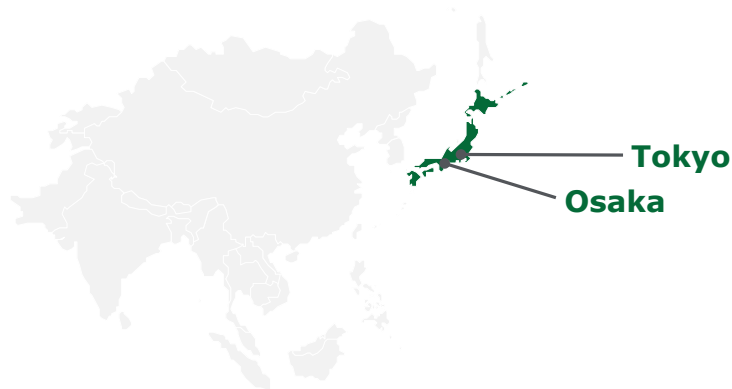
Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Beijing Niceline Garden	Dev Site	Jan-16	830	Chow Tai Fook	Evergrande RE Group	N/A	5,488,563 sf
Ronsin Technology Center	Office	Dec-16	740	Shanghai Lu'an Inv	Warburg Pincus	N/A	1,273,284 sf
Beijing Chaoyang Joy City	Retail	Sep-16	696	Joy City	GIC, China Life Insurance	N/A	4,365,555 sf
Beijing 2015-081	Dev Site	Jan-16	638	N/A	Beijing Urban Constr	N/A	197,128 sf
Financial St Guang'an Center Bld Block D	Office	Oct-16	474	Fin'l Street Holding Co	China Taiping Insurance	N/A	537,123 sf

Source: RCA, MSCI, Deloitte

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# Japan

## Overview



### Property Investment by Capital Origin



Source: RCA



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#### Economy



Economic growth slowed to 0.8% in 2016, meaning that Japan is seeing a relatively weak pace of expansion compared with other large Asian countries, despite the looser monetary policy enacted by the Bank of Japan. Consumer spending increased by a modest 0.4%.

#### Property Investment



The investment market contracted 30% from 2015 to 2016, primarily due to the decline of domestic investment. Only J-REITs and other listed companies have increased their positions in the Japanese market.

#### Yields



There has been further downward movement in all sectors, although prime office yields and residential sector yields have declined 50% less than retail yields

#### Rents



All-Grade office net absorption exceeded new supply in Q4 2016. However, aside from the boost to average rents provided by newly completed buildings, rental growth is sluggish overall.

# Japan

## Key Metrics

### Economic background

Population 2016	126.3 m
GDP 2016 (US\$ tn)	5.3
GDP per capita 2016 (US\$)	41,850
GDP growth 2016	1.0%

### Prime yields Q4 2016

Office	3.7%
Retail	3.9%
Industrial	4.5%

### Economic forecasts

2017

Real GDP growth	1.0%
CPI inflation	1.2%

### Tax rates

Transfer	PY 200 - JPY 600,000 stamp duty on documents. Stamp duty on transfer of certain assets	
Corporate income	35.64% or 38% depending on the fiscal year	
Tax on dividends	Up to 20.42% - potentially reduced to 0% under certain treaties and conditions	
Tax on interest	Up to 20.42% - potentially reduced to 0% under certain treaties and conditions	
Capital gains	Ordinary corporation tax rate	

### Economic indicators 2016

CPI Inflation	-0.1%
Unemployment	3.1%
Base rate	0.0%
10 year bond yield	0.1%
Exchange rate 1US\$ to JPY	111.1

### Property market background

Investment market size 2016 (US\$ bn)	36.3
Percentage from foreign investors	19.0%
All property total return 2015	8.8%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Japan

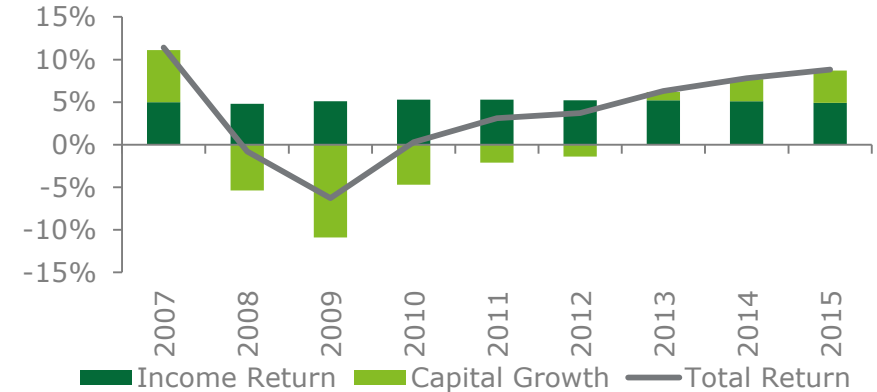
## Real Estate Performance

### Key Considerations

Over the full year 2015 continued capital value growth caused a further improvement in performance. Annual total returns on All Property reached 8.8% at the end of Q4 2015, with all sectors of the market contributing to this growth.

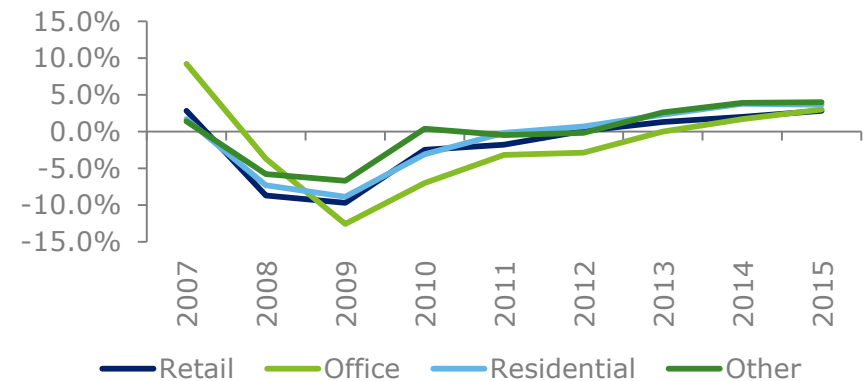
The performance of Japanese real estate took some years to recover from the lows of 2009, but in 2014 total returns reached 7.8% and 8.8% in 2015. The sector contributing the most to this recovery were the office and the retail sector (76% and 40% capital growth, respectively since the low-point in 2009).

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# Japan

## Investment Market

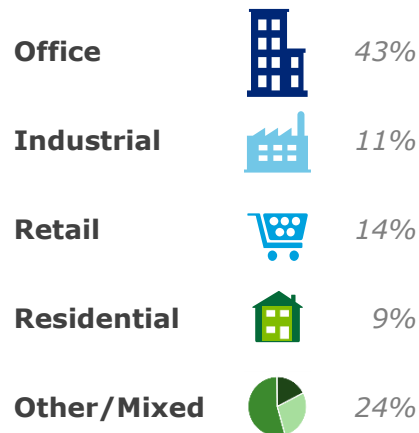
### Key Considerations

The downward trend in the Japanese market continued during 2016: total property investment amounted to US\$36.3bn, a 30% decrease from the levels of 2015. This decrease is mainly due mainly to the fall in property investments by domestic investors.

The continental Asian and overseas share of the market remained virtually unchanged at around 20%. Japanese public investors accounted for 40% of the total investment volume, while institutional investors' share remained at 9%.

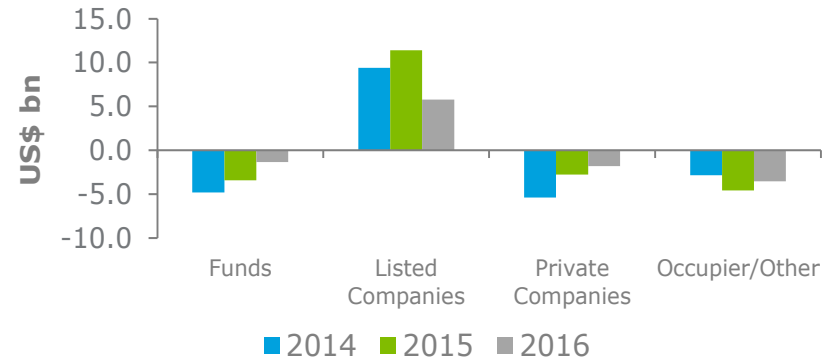
The office sector was the dominant preference for 2016, accounting for 43% of total investments, followed by development sites and other assets, which represent a 24% share.

### Investment Distribution by Property Type



Source: MSCI

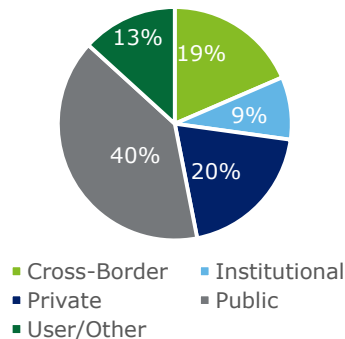
### Net Investment by Investor Type



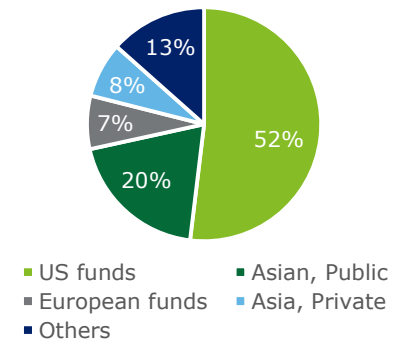
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: MSCI

# Japan

## Tokyo– Key Recent Deals

### Key Considerations

Total investment in Tokyo mirrored the national picture, falling from US\$29.5bn in 2015 to US\$19.8bn in 2016. Nonetheless it remains a significant market among the large global cities and the third largest office market worldwide.

This decline in volume was largely due to a sharp reduction in office and retail sector transactions, which both account for a 70% of the total property investment market.

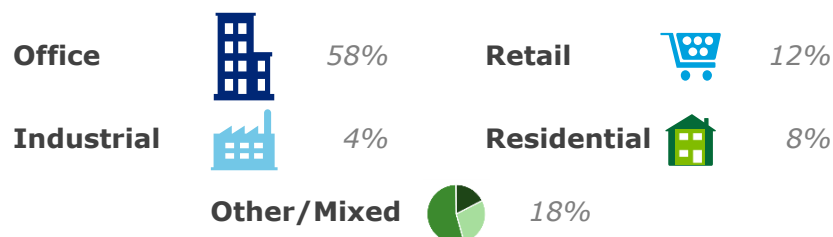
Notable transaction have included the acquisition of the NEC HQ by Nomura Master Fund or the Hotel Grand Pacific Meridians by Hulic Co.

Vacancy is decreasing due to the rising occupation of several building completed throughout the year. Strong investor interest is expected to persist.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	19,848
Percentage from foreign investors	11.0%
All property total return 2015	8.2%
All property income return 2015	4.4%
All property capital growth 2015	3.7%
Office prime yield 4Q 2016	3.8%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Hotel Grand Pacific Meridian	Hotel	May-16	605	Keikyu Corporation	Hulic Co Ltd (JPN)	Okura Nikko	884 units
Harumi Island Triton Square Office Tower Y Condo	Office	Jul-16	486	Virgo Property YK	Idera - Fosun	Sumitomo Corp	534,082 sf
Ark Yagi Hills	Office	Jul-16	301	IBJ Leasing	Mitsui Fudosan Private REIT	Yagi Tsusho, Mori Hills REIT	159,757 sf
Abercrombie & Fitch Ginza	Office	Apr-16	222	B&V	PGIM Real Estate	Abercrombie & Fitch	21,440 sf

Source: RCA, MSCI, Deloitte

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# Japan

## Osaka – Key Recent Deals

### Key Considerations

The real estate market in Osaka has experienced a similar downward trend to the rest of Japan: investment volumes have declined from US\$5.1bn in 2015 to US\$3.7bn in 2016, a significant 27% decrease that shows that the overall economic situation is negatively affecting the investors outlook on the market.

While the office sector saw the bulk of investment, the Hotel Vista Grande Osaka was the largest single transaction reported in 2016.

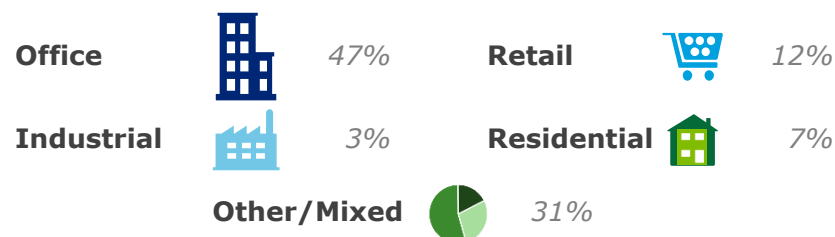
The rental property outlook for Osaka is moderating as rental growth is expected to slow during 2017.

The single most transacted asset in Osaka during 2016 was the Umeda Gate Tower, which was purchased by Phoenix Property Advisors in March for US\$197m and subsequently sold 5 months later for US\$208m.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	3,742
Percentage from foreign investors	20.0%
All property total return 2015	9.8%
All property income return 2015	5.2%
All property capital growth 2015	4.4%
Office prime yield 4Q 2016	5.2%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Hotel Vista Grande Osaka	Hotel	Aug-16	263	GK Apollo	Japan Hotel REIT	Holiday Inn	314 units
Umeda Gate Tower (5-20FL)	Office	Sep-16	208	Phoenix Property Investors	Activia	Yanmar, Mitsubishi	147,939 sf
Umeda Gate Tower (5-20FL)	Office	Mar-16	197	Marubeni Corporation	Phoenix Property Investors	Yanmar, Mitsubishi	147,939 sf
Hyatt Regency Osaka	Hotel	Nov-16	154	Gaw Capital	Hoshino Resorts REIT	N/A	480 units
Sharp Tanabe Bldg	Office	sep-16	135	NTT Urban Development	Sharp Corporation	Sharp Corporation	391,848 sf

Source: RCA, MSCI, Deloitte

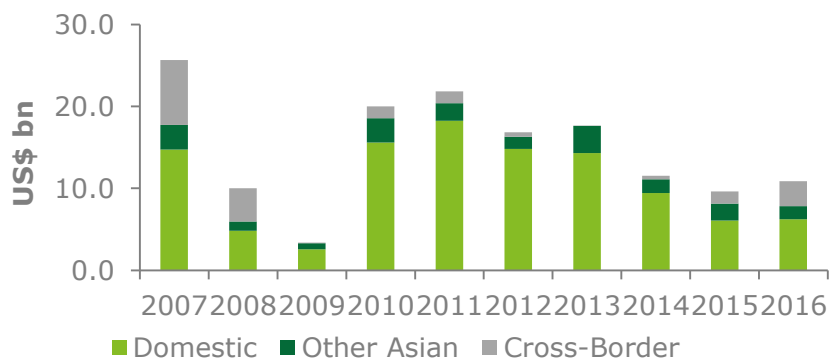
Deloitte International Property Handbook



# Singapore Overview



## Property Investment by Capital Origin



Source: RCA




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**Economy**  Economic growth in 2016 remained a healthy 1.8%. Consumer prices are set to increase in 2017

**Property Investment**  The investment market increased by 13% from 2015 to 2016, mainly due to the surge in cross-border investments (+100%) from Middle East funds.

**Yields**  Yields are down for prime office space, and the residential sector. Retail yields have compressed for prime space but remained at higher levels in suburban areas.

**Rents**  The office leasing market is stabilizing as shown by the marginal rental decline in Q4 2016. Economic growth is expected to be subdued in 2017 which will lead to a slight decline of Grade A CBD rents.

# Singapore

## Key Metrics

### Economic background

Population 2016	5.6 m
GDP 2016 (US\$ bn)	496.0
GDP per capita 2016 (US\$)	88,482
GDP growth 2016	2.0%

### Prime yields Q4 2016

Office	4.0%
Retail	4.5%
Industrial	6.0%

### Economic forecasts

2017

Real GDP growth	2.1%
CPI inflation	0.9%

### Tax rates

Transfer	3% on assets. 5% - 15% on residential assets. 0.2% on shares
Corporate income	17%
Tax on dividends	Not taxed
Tax on interest	to 15% - potentially reduced to 0% under certain treaties or if domestic conditions apply
Capital gains	Not taxed

### Economic indicators 2016

CPI Inflation	-0.5%
Unemployment	2.1%
Base rate	-
10 year bond yield	2.2%
Exchange rate 1US\$ to SGD	1.4459

### Property market background

Investment market size 2016 (US\$ bn)	10.9
Percentage from foreign investors	43.0%
All property total return 2015	6.2%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Singapore Investment Market

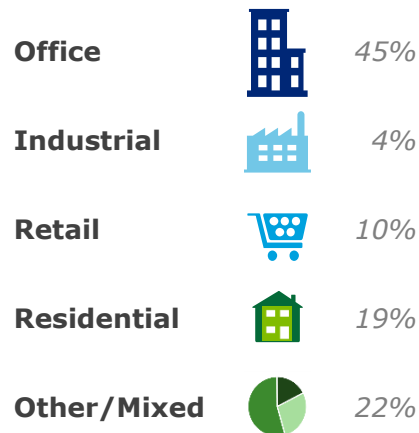
## Key Considerations

Singapore's real estate market was given a boost last year. Investment volume rose 13% year-on-year to US\$10.9bn, underpinned by major deals such as the sale of Asia Square Tower 1 and other transactions like the top bid for the prime Central Boulevard white site in the Marina Bay area.

Cross-border investments represent a 43%. The most active players in the country within foreign investor continue to be Middle East funds, which accounted for 53% of the total market activity in 2016

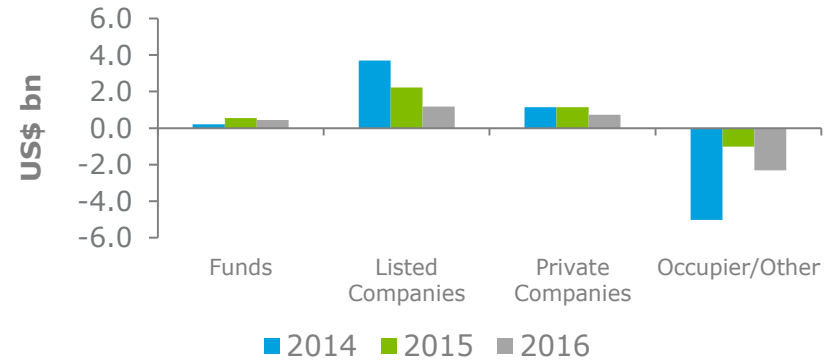
The offices sector was the dominant preference for 2016, accounting for 45% of total investments, followed by 22% for development sites and retail at 10%.

## Investment Distribution by Property Type



Source: MSCI

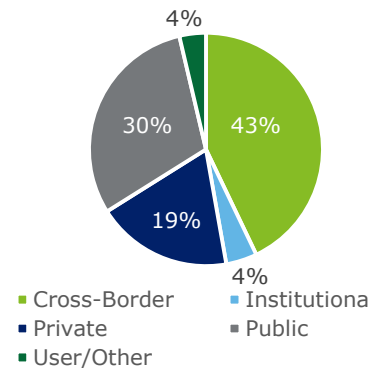
## Net Investment by Investor Type



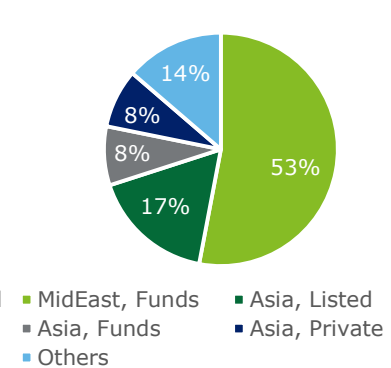
Source: RCA

## Investment Distribution 2016

### By Investor Type



### By Origin



Source: MSCI

# Singapore– Key Recent Deals

## Key Considerations

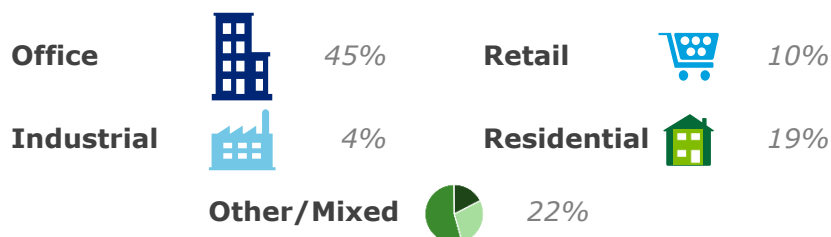
As in 2015, the overall office market in Singapore remained positive as tenants took advantage of the attractive rents and leasing incentives. Demand came mainly from the business services, finance and insurance businesses. The slower economic growth and cautious corporate real estate outlook resulted in fewer relocations and/or expansions in Q4 2016 compared to Q3 2016.

Most of the major transactions took place in the last quarter of 2016. The Asia Square Tower 1 deal, closed in June 2016, has the highest-value transaction across the continent and underpinned the strong interest that Middle East funds like the Qatar Investment Authority have traditionally shown towards Singapore.

## Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	10,894
Percentage from foreign investors	43.0%
All property total return 2015	6.2%
All property income return 2015	4.9%
All property capital growth 2015	1.3%
Office prime yield Q4 2016	4.0%

## Investment Distribution by Property Type

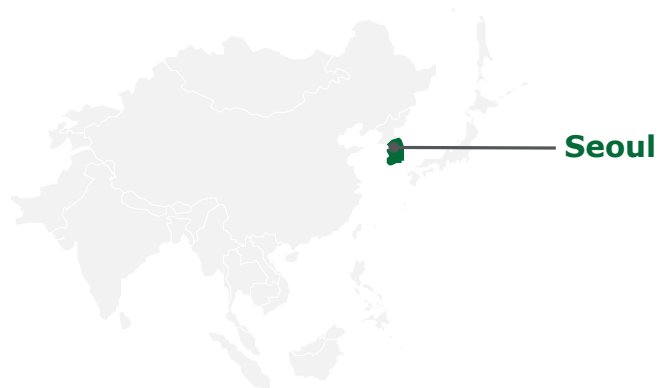


Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Asia Square Tower 1	Office	Jun-16	2,477	BlackRock	Qatar Investment Authority	Google, Citigroup, KKR, Julius Baer Bank	1,287,000 sf
Central Boulevard	Dev Site	Nov-16	1,848	Urban Redevelopment Authority	IOI Group	n/a	118,404 sf
CapitaGreen	Office	aug-16	1,195	Mitsubishi Estate	CapitaCommercial Trust	Artemis Grill, Schroders, XL Catlin	703,122 sf
Nouvel 18	Apartment	Oct-16	717	City Developments	Summervale Properties	n/a	156 units
Capital Square	Office	Nov-16	684	Alpha Investment	ARA Asset Management	Morgan Stanley, Bloomberg, Citi Bank	386,525 sf

Source: RCA, MSCI, Deloitte

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# South Korea Overview



## Property Investment by Capital Origin



Source: RCA



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### Economy



Total GDP growth in 2016 was 2.7%, as opposed to the forecasted 3.6% in 2015 despite the cut to the base lending rate by the Central Bank. Both private consumption and consumer prices are nevertheless increasing, so 2017 perspectives remain optimistic.

### Property Investment



Investment activity in property markets has increased, mainly due to the impact of foreign investors from Canada and the rest of Asia.

### Yields



Yields appear close to bottoming out. Indeed, they may expand marginally due to the higher cost of financing in 2017.

### Rents



Rental growth continues to slow after two years of increasing housing prices. This is mainly because lending rules were tightened by the government at the start of 2016, and there's an oversupply of housing.

# South Korea

## Key Metrics

### Economic background

Population 2016	50,5
GDP 2016 (US\$ tn)	1.8
GDP per capita 2016 (US\$)	36,280
GDP growth 2016	2.7%

### Prime yields Q4 2016

Office	5.0%
Retail	6.0%
Industrial	7.0%

### Economic forecasts

2017

Real GDP growth	2.8%
CPI inflation	1.6%

### Tax rates

Transfer	4.6% on assets. 0.5% on shares. Minimal stamp duty on documents.
Corporate income	22% + 2% provincial tax
Tax on dividends	Residents - 15.4%; Non-residents - 22%
Tax on interest	Residents - 15.4%; Non-residents - 22%
Capital gains	Ordinary corporation tax rate - potentially reduced if Korean sourced gains.

### Economic indicators 2016

CPI Inflation	1.0%
Unemployment	3.7%
Base rate	1.3%
10 year bond yield	2.1%
Exchange rate 1US\$ to SKW	1,203

### Property market background

Investment market size 2016 (US\$ bn)	14.4
Percentage from foreign investors	36.0%
All property total return 2015	6.9%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# South Korea

## Real Estate Performance

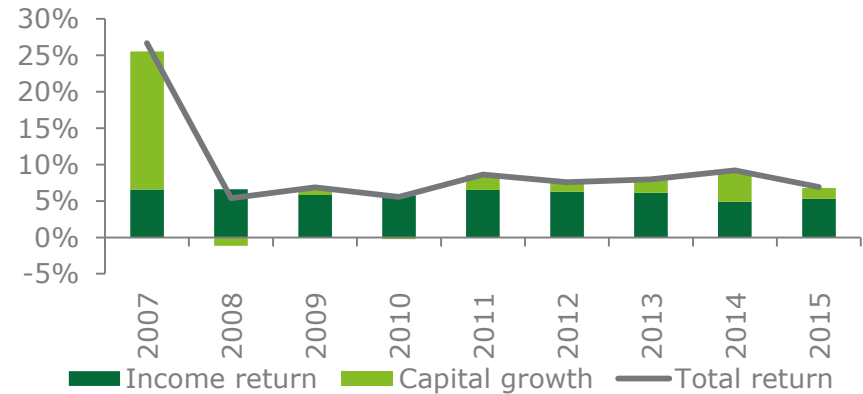
### Key Considerations

South Korean real estate produced a total return of 6.9% in 2015, down from 9.2% in 2014, which had been the highest recorded since 2007.

The overall income return rose from 4.9% in 2015 to a 5.3% in 2016. The overall capital growth was the major cause of the decrease in total returns. While the capital growth of the office sector fell from 5.2% in 2014 to 1.5% in 2015, the retail sector increased from 3.5% to 5.2%.

Prime yields in the main office markets continue to show a downward trend in 2015. In addition, Seoul CBD saw steady rental growth. Therefore, we expect real estate in 2017 to maintain 2016 performance.

### All Property Total Return



Source: MSCI

### Capital Growth by Sector



Source: MSCI

# South Korea

## Investment Market

### Key Considerations

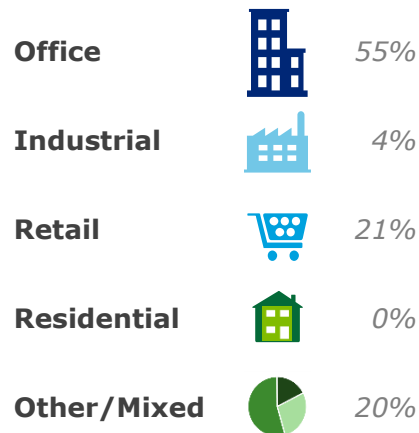
The South Korean market has increased 21% YoY, from US\$11.8bn in 2015 to US\$14.4bn.

The office sector was the dominant preference for 2016, amounting 55% of total investments, followed by retail with 21%.

Canadian funds have been the most active investors, followed by Asian and, to a lesser extent, US funds.

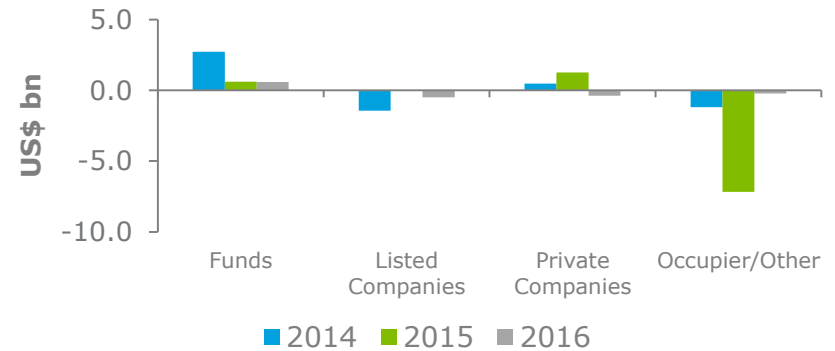
Net absorption is projected to be negative for 2017 due to several domestic tenants relocating to their own newly completed buildings. In addition, changes in borrowing costs will certainly be monitored by investors and should be a key determinate of investor sentiment.

### Investment Distribution by Property Type



Source: MSCI

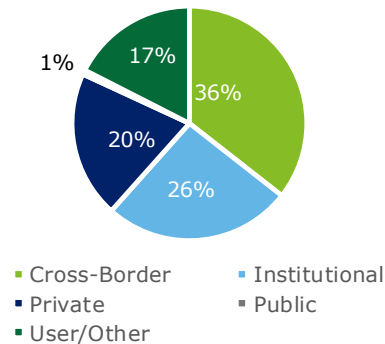
### Net Investment by Investor Type



Source: RCA

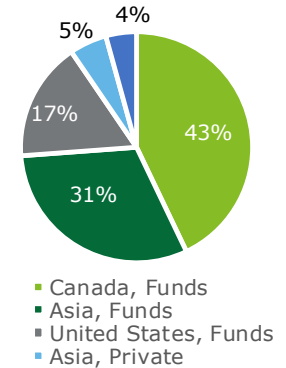
### Investment Distribution 2016

#### By Investor Type



Source: MSCI

#### By Origin





# South Korea

## Seoul – Key Recent Deals

### Key Considerations

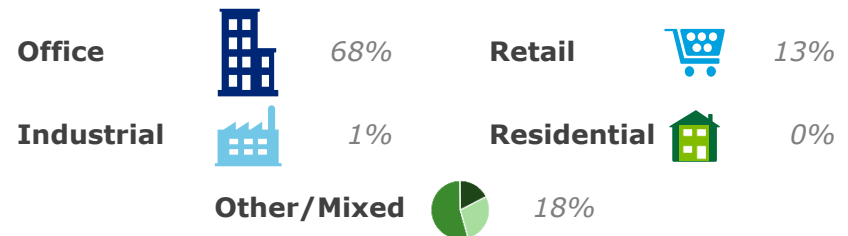
Record sales volumes bolstered by the KRW disposition of IFC Seoul boosted investment to an exceptional US\$11.55bn in 2016. Moreover, the local market has seen a great increase in foreign investor interest. Asian funds and Canadian funds dramatically increased their investments, bringing the total foreign investment volume from US\$1.41 in 2015 to US\$3,87 in 2016.

The offices sector was the dominant preference for 2016, amounting 68% of total investments, followed by development land and other assets, which represent a 18%. Retail is still important, at 13%, while the rest of the asset classes hold a negligible share of the total market.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	11,514
Percentage from foreign investors	34.0%
All property total return 2015	6.7%
All property income return 2015	5.3%
All property capital growth 2015	1.6%
Office prime yield Q4 2016	5.0%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
IFC Seoul Offices	Office	Nov-16	1,559	AIG Global RE	China Investment Corp, Brookfield AM	IBM, SolidWare	2,845,323 sf
Belle-Essence Hotel	Hotel	May-16	597	Sambu Construction Co.	Shin Heung-woo	N/A	493 units
IFC Mall	Retail	Nov-16	532	AIG Global RE	China Investment Corp, Brookfield AM	H&M, Zara, Uniqlo, YP Books	818,290 sf
Samsung Life Taeyeongno	Office	Aug-16	513	Samsung Life Insurance	Booyoung	Samsung Life (HQ), Woori Bank	936,468 sf
Capital Tower	Office	Nov-16	413	Mirae Asset Financial	Blackstone	NHN, Descente, Facebook	674,219 sf

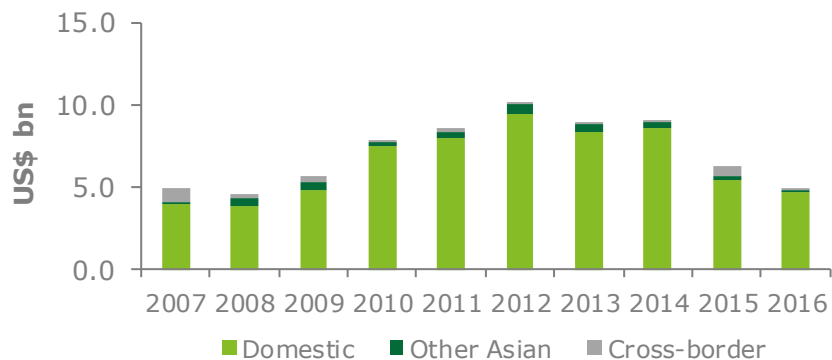
Source: RCA, MSCI, Deloitte

# Taiwan

## Overview



### Property Investment by Capital Origin



Source: RCA



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Economy



Economic growth in 2016 was 1.5%, twice the pace of the previous year, mainly due to the increasing in consumer prices and the relative robustness of the national consumer spending.

Property Investment



Transaction volumes continue to decline further, as foreign investor sentiment remains cautious of the overall property market momentum and its pricing.

Yields



Due to falling demand, yields on prime offices have increased, and further movement can be expected as confidence remains fragile. Nonetheless, they remain some of the lowest among the major global markets.

Rents



Office rental growth remains sluggish and forecasts predict that residential property prices in Taiwan are likely to fall by about 10% this year on average.

# Taiwan

## Key Metrics

### Economic background

Population 2016	23.5 m
GDP 2016 (US\$ bn)	1,130.0
GDP per capita 2016 (US\$)	48,010
GDP growth 2016	1.5%

### Prime yields Q4 2016

Office	2.7%
Retail	3.0%
Industrial	3.0%

### Economic forecasts

2017

Real GDP growth	1.8%
CPI inflation	1.9%

### Tax rates

Transfer	2% - 6% deed tax on asset price.
Corporate income	17%
Tax on dividends	Up to 20% - potentially reduced to 5% under certain treaties.
Tax on interest	Up to 10% - potentially reduced to 0% under certain treaties.
Capital gains	Ordinary corporation tax rate. Sale of land subject to Land Value Incremental Tax.

### Economic indicators 2016

CPI Inflation	1.4%
Unemployment	3.9%
Base rate	1.4%
10 year bond yield	1.2%
Exchange rate 1US\$ to TWD	32.3160

### Property market background

Investment market size 2016 (US\$ bn)	4.8
Percentage from foreign investors	1.0%
All property total return 2016	5.4%

Source: EIU, Bloomberg, ISTAT, RCA, MSCI, Deloitte

# Taiwan

## Investment Market

### Key Considerations

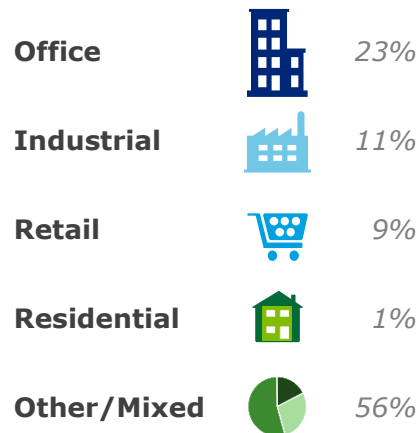
Investment activity declined by 25% from 2015 to 2016.

Foreign investment in Taiwan fell further in 2016 to just a handful of small purchases, representing 1% of the market and thus leaving it almost completely in the hands of domestic buyers.

The economy is expected to see some signs of improvement in 2017 with upside potential for further gains in trade and industrial production.

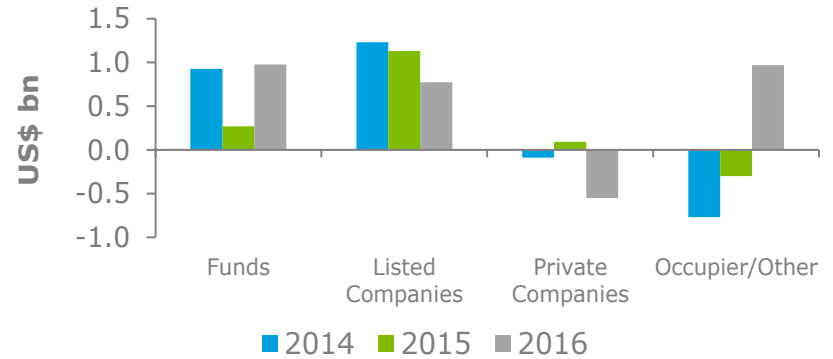
Development sites and other assets were the dominant preference for 2016, amounting a 56% of total investments, followed by the office sector that has a market share of 23%.

### Investment Distribution by Property Type



Source: MSCI

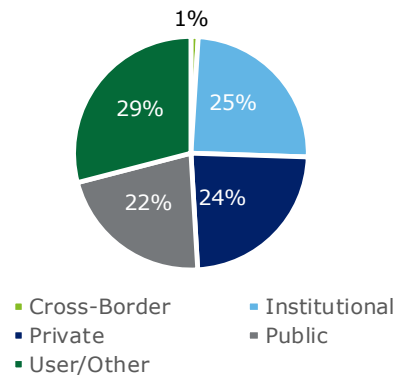
### Net Investment by Investor Type



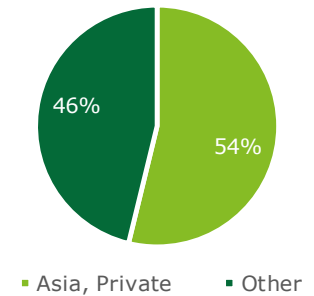
Source: RCA

### Investment Distribution 2016

#### By Investor Type



#### By Origin



Source: MSCI

# Taiwan

## Taipei – Key Recent Deals

### Key Considerations

The Taipei market has suffered significantly from weaker investor demand. Just US\$1.9bn of assets were transacted in 2016.

The office sector was the dominant preference for 2016, amounting 53% of total investments, followed by development sites and other assets, which represented 41%. The rest of the asset types hold a negligible share of the total market.

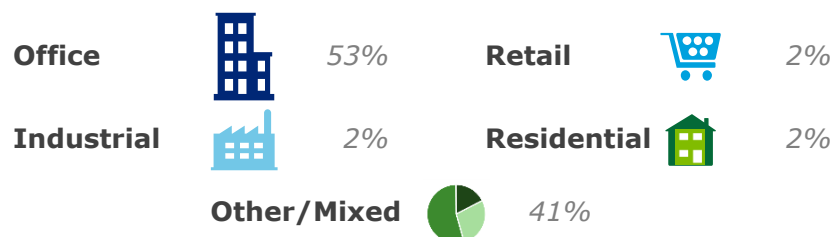
Occupiers and investors remain cautious due to the weak economic situation.

The Zhongyang North Road Deal, closed in September 2016, has the highest-value transaction across the island.

### Key Market Metrics

Market metrics	
Total investment 2016 (US\$ m)	1,925
Percentage from foreign investors	0.0%
All property total return 2015	5.4%
All property income return 2015	2.9%
All property capital growth 2015	2.5%
Office prime yield Q4 2016	2.7%

### Investment Distribution by Property Type



Asset	Type	Date	Price (US\$ m)	Vendor	Purchaser	Key tenants	Size
Zhongyang North Road Section 4 Lane 515 (4 Land Pl)	Dev Site	Sep-16	247	EMI	ASUSTEK	to have Asustek	407,140 sf
70 Jingmao Sec	Office	Apr-16	203	Jut Land Construction	WPG Holdings	N/A	311,597 sf
Yucheng Area Nangang District Dev Site	Dev Site	Nov-16	174	N/A	Hontai Life	N/A	95,034 sf
Pei Fang Building	Office	Jul-16	161	Chiao Thai Hsing	Ma Family	CubicPower, Konew	216,753 sf
China Bills Finance HQ	Office	Oct-16	147	Ting Hsin Intl Grp	Wisdom Marine, PESCADORES Ltd.	N/A	95,928 sf

Source: RCA, MSCI, Deloitte

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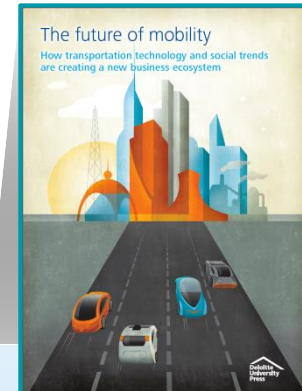
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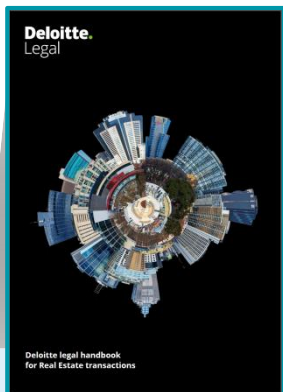
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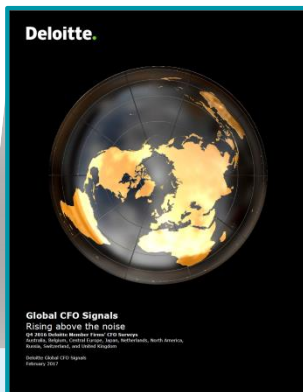
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