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Briefing
European Investment

September 2018

SUMMARY

■ During the first half of the year, the total investment volume reached more than €97bn. Although this is 5% down on the last H1 turnover, it remains 42% up on the average past 10-year H1s.

■ In an environment of improving labour market, business expansion and rental growth, offices remain the preferred asset class accounting for 45% of all investments, from 44% last year.

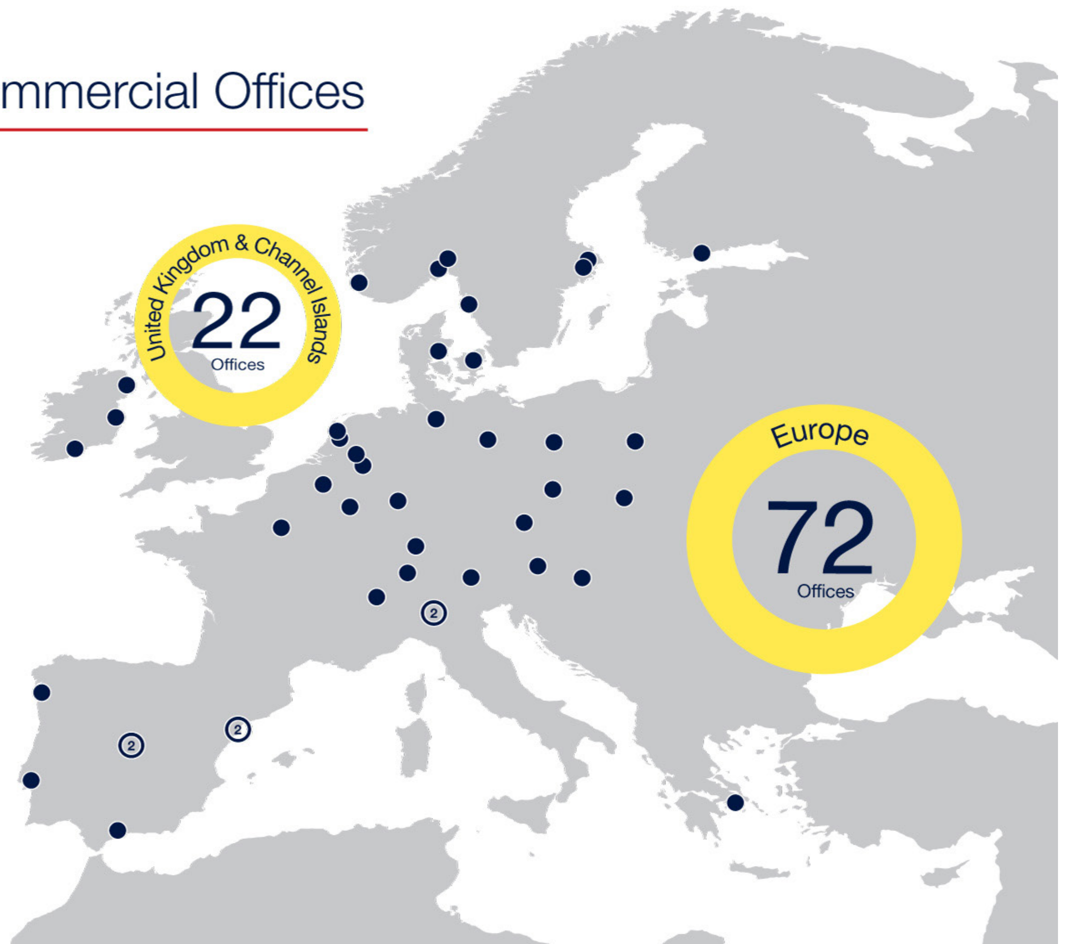
■ Europe is still attracting foreign capital, which accounted for half of the total volume, in line with the 5-year average. However, overall cross-border inflows mainly came from European countries during the first half of this year.

■ With limited significant yield compression potential in most prime markets, investment activity remains mainly driven by quality of income and rental growth prospects.

■ Although offices remain the preferred asset class, prime CBD office yields are showing signs of stabilisation. In Q2 2018 the average European prime CBD office yield was at 3.84%. This is -14bps yoy compared to the last year but only -2bps compared to last quarter.

"With the economy losing momentum and geopolitical risks rising, we expect to see a normalisation of investment activity over the next few quarters. All in all, we expect the annual commercial investment volume for 2018 to be in line with last year." Lydia Brisssy, Savills European Research

An introduction to Savills



Source: Savills

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In continental Europe, Savills has 48 offices covering Belgium, France, Germany, Greece, Italy, the Netherlands, Poland, Spain and Sweden. We also have associate offices in Austria, Denmark, Finland, Norway and Portugal.

Savills provides a comprehensive range of advisory and professional property services to developers, owners, tenants and investors. These include consultancy services, facilities management, space planning, corporate real estate services, property management, leasing, valuation and sales in all key segments of commercial, residential, industrial, retail, investment and hotel property.

A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre.

We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal. Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

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European overview

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Economy slowing down

Preliminary flash estimates from the European Commission suggest that in Q2 2018, GDP grew by 0.3% in the Eurozone and by 0.4% in the EU28. This is the second quarter of economic slowdown in a row with most European economies affected. This low pace of growth was mainly dragged down by weak exports due to the strong Euro and threats over global trade. Additionally, it was affected by the restrained level of domestic demand due to higher inflation.

The trade war between the US, the EU and China is posing a serious threat to the global economy. Policy uncertainty has already had a negative knock-on effect on the private sector confidence thus reducing global trade. Following the new US tariffs on imports from China, both economies could see their GDP growth reduced next year, by 0.7% in the US and by 0.8% in China according to Oxford Economics.

At the same time in Europe, concerns over Italy's new government and ongoing negotiations regarding the Brexit still fuel uncertainties shadowing the European economic prospects.

… Amid still positive fundamentals

Yet, overall the European economy's fundamentals remain positive. The labour market is still improving with the unemployment rate expected to reach 8.4% at year-end in the Eurozone from 9.1% in 2017 according to Focus Economics. The level of wages is also slowly rising and economic sentiment remains relatively unchanged. In July, the Economic Sentiment Indicator (ESI) moved down by 0.2 points to 112.1 in the euro area and up by 0.1 points to 112.3 in the EU.
All in all in 2018, the European Commission forecasts GDP to grow by 2.1% annually in both the Eurozone and the EU28, which remains solid by historic standards. Ireland, Portugal and Poland are forecast to be the fastest growing economies (amongst the European countries surveyed in this report), with an expected growth rate of 4.6% in 2018 whilst Italy and the UK are forecasted to record the lowest growth rate (1.3%) amongst all EU28.

Dynamic investment market driven by European investors

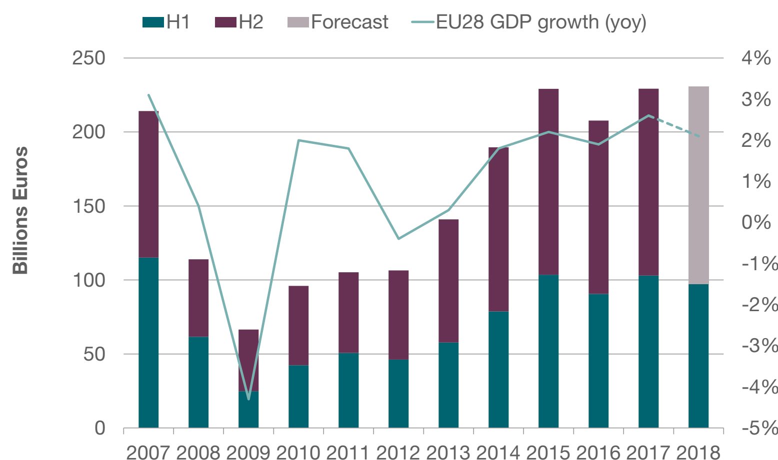
In this context, investor's interest for the European commercial property market does not seem to have faded. During the first half of the year, the total investment volume reached more than €97bn. Although this is 5% down on the last H1 turnover, it remains 42% up on the average past 10-year H1s.

The Netherlands and Poland particularly stand out, recording an annual increase of investment activity of 176% and 100% respectively, followed by Ireland (94%) and Portugal (35%), thus reflecting the fastest growing economies. The share of core markets remains unchanged, still accounting for 65% of the total volume. H1's investment volumes are down compared to last year in both the UK (-9%) and Germany (-7%). In France however, it is up by 27% compared to a sluggish first half of 2017 which was due to the presidential elections. Still, urban and infrastructure developments for the Grand Paris and the 2024 Olympic Games and improved political landscape are positive signs that attract investors in France and more particularly in the Paris region.

In an environment of improving labour market, business expansion and positive rental growth, offices remain the preferred asset class accounting for 45% of all investments, from 44% last year. The share of logistics mechanically dropped to 13%, from 17% in H1 17, which was buoyed by the Logicor portfolio deal. However, this is above the 5-year average of 11%. As logistics is becoming an integral component of a successful multi-channel retail strategy, demand for logistics assets is clearly growing, whilst investors restrain their exposure to the traditional retail sector, to ultra-prime locations let to strong covenants. Investors' appetite for alternative assets remains strong although not always reflected by high volumes. Moreover, investment in this segment can be volatile due to the still small depth of the market. The strongest component of alternative assets is the multifamily sector, but this is excluded from the analysis of

GRAPH 1

European investment vs. economic growth



Source: Savills/Oxford Economics

this report.

Although, most investors still seek prime-assets, with secure income, in good locations across all sectors, they are slowly forced to move up the risk curve due to the limited supply of such assets and the record low prime yield levels. With limited significant yield compression potential in most prime markets, investment activity remains mainly driven by quality of income and rental growth prospects.

Europe is still attracting foreign capital, which accounted for half of the total volume, in line with the 5-year average. However, overall cross-border inflows mainly came from European countries during the first half of this year, whereas both U.S. and Asian investments in European property decreased substantially, compared to last year. US capital is progressively cycling out of opportunistic strategies to focus into core/ core plus opportunities. The decrease of Asian inflows is many due to the Chinese government's restriction to outbound investments, whilst interest from Korean and Singapore investors is continuing.

Prime office yield compression easing

Although offices remain the preferred asset class, prime CBD office yields are showing signs of stabilisation. In Q2 2018 the average European prime CBD office yield was at 3.84%. This is -14bps yoy compared to the same period last year but only -2bps compared to last quarter. In nearly half of the European cities we covered, prime CBD office yields remained unchanged compared to last year.

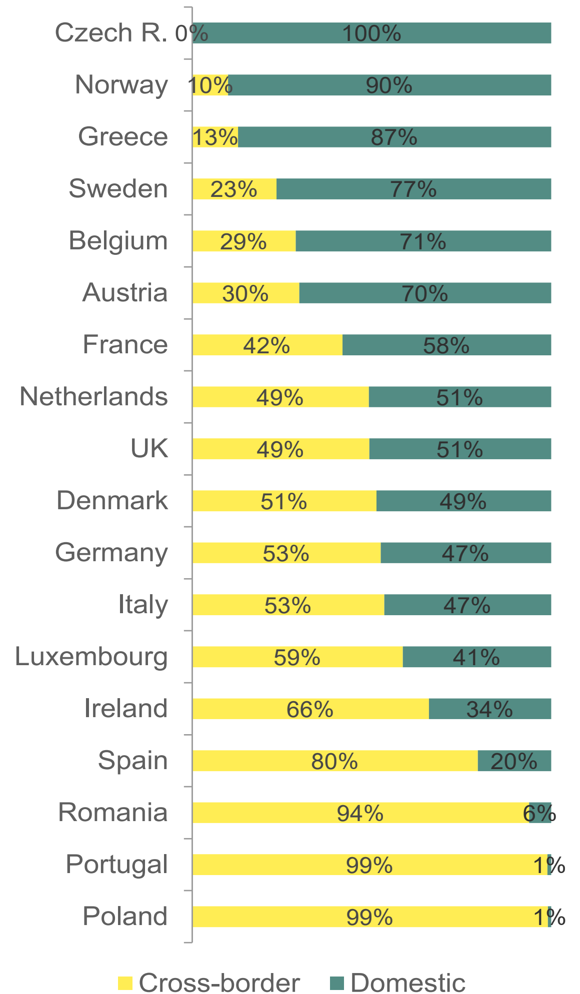
Yield gaps narrowing

Due to low prime yields and the lack of prime offices available in CBD locations, secondary CBD office yields and most remarkably prime non-CBD office yields remain under strong downward pressure. On average across Europe, they moved in by 22bps and 31bps respectively. The average prime Non-CBD office yield currently stands at 4.9% below the average secondary CBD office yield, which is at 5%, reflecting the strong investor appetite for prime/ secure assets.

Prime logistics yields experienced the highest compression of all sectors, -45bps year-on-year on average, across Europe between H1 2017 and Q1 2018. The average prime yield is at a historic low of 5.4% compared to the 6.2% five-year average. At the same time, retail yields seem to reflect a shift in preferences towards retail warehouses; prime retail warehouse yields moved in by nearly 37pbs (5.3%) and prime shopping centre yields stabilised at 4.5% on average. Prime high street yields hardened by 13bps, with the European average at 3.4%.

GRAPH 3

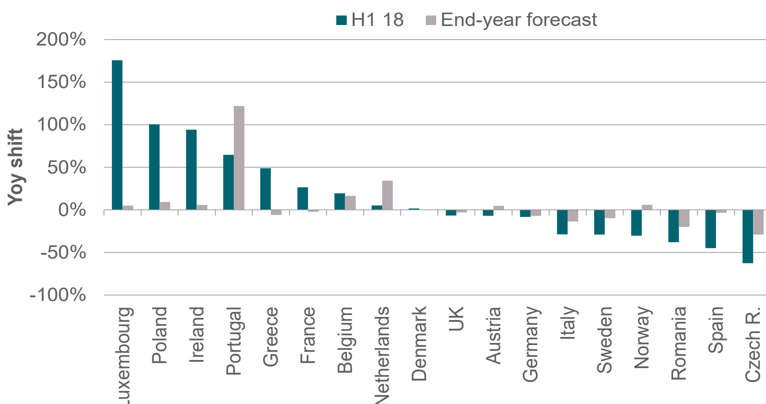
Cross-border investment



Source: Savills

GRAPH 2

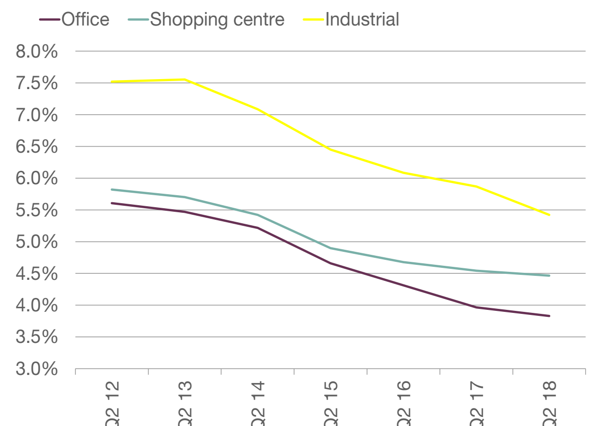
Investment volume shift per country



Source: Savills

GRAPH 4

European average prime yield



Source: Savills

OUTLOOK

Late or long cycle?

■ The European economy still relies on strong fundamentals. Although GDP growth at year-end is forecasted to be lower than in 2017, it remains solid by historic standards.

■ With the economy losing momentum and geopolitical risks rising, we expect to see a normalisation of investment activity over the next few quarters. All in all, we expect the annual commercial investment volume for 2018 to be in line with last year.

■ As economists expect the low-interest rate environment to stay at least for another year, real estate will remain an asset class of choice due to still attractive yield spreads over long-term interest rates.

■ For now, the global trade war is unlikely to have a direct impact on the European investment volumes. However, should the trade conflicts continue or intensify, it will inevitably damp out the global economy and in turn, affect cross-border activities.

■ Office vacancy rates remain extremely low in all major European cities and development activity is still insufficient to meet the demand. Overall, we expect office rental growth to remain positive for another 12 months at least, although slowly losing pace.

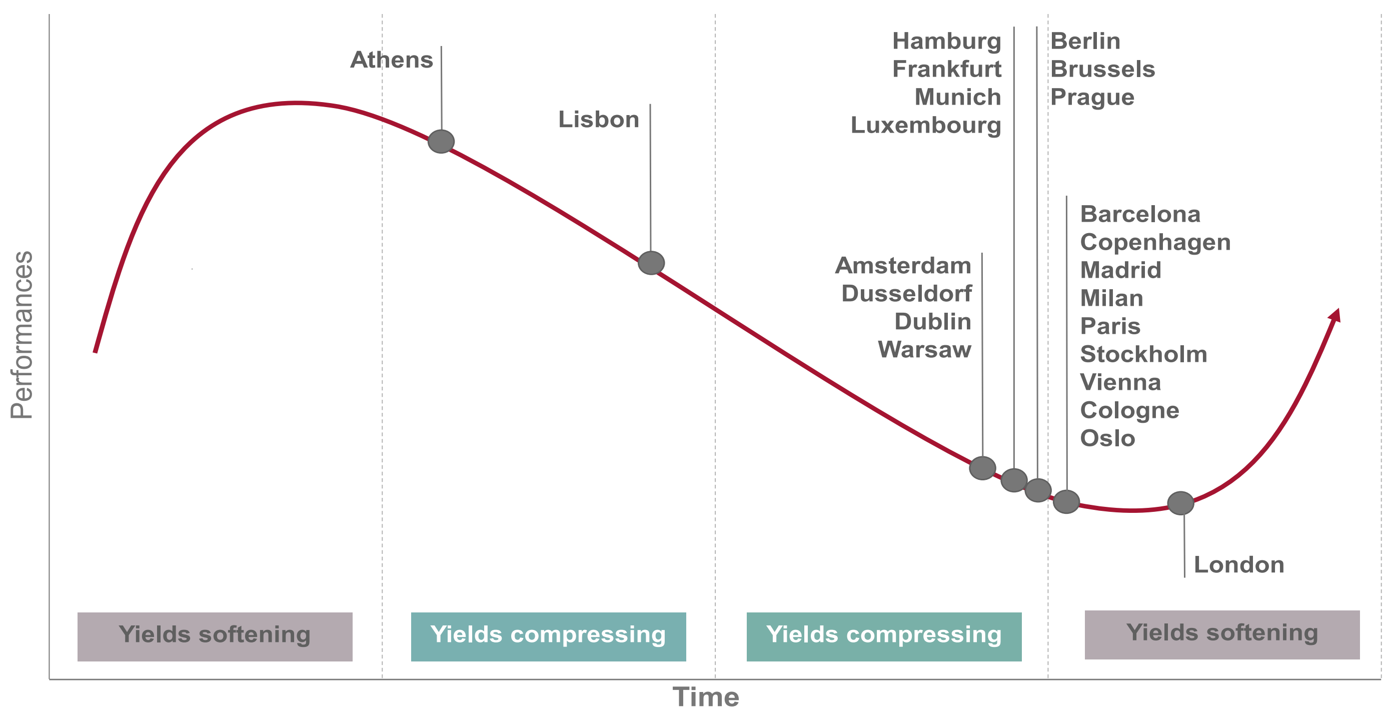
■ Offices will continue to be the preferred asset class although investors' appetite for alternative assets and logistics will continue to rise. At this stage of the cycle, income-generating assets will be, more than ever, the target.

■ As the prime European property market is becoming pricy and the global stage unstable, overseas commitments are likely to slow down. This will provide more opportunities to European property investors to develop their activities in neighbouring countries.

■ Prime office yields will remain stable in most European countries. The yield gap between assets classes and locations will continue closing.

GRAPH 5

Prime office CBD yield cycle



Source: Savills

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The Austrian real estate investment market continues to perform exceptionally well in 2018 and the market volume remains above the long-term average. In the first six months, the transaction volume reached €2.1nb, which is a just slightly lower than last year's record H1 (€2.4bn). Contrary to last year, market activity is driven by numerous medium-sized transactions, large-scale deals with a volume of more than €100m have not taken place, with one notable exception: the acquisition of the financially troubled furniture retail group Kika/Leiner from the SIGNA group for €500m. This transaction is also the reason why the retail segment accounts for 42% of the total transaction volume, followed by the office segment accounting for 23%. While hotels, as well as the logistic sector, only played a minor role in H1. Institutional investments in the residential real estate were notably on the rise.

With a share of 71% of the transaction volume, Austrian investors were the most active group on the market, followed by German investors accounting for 26% of the total volume. Other international investors were under-represented, mainly because they are almost exclusively interested in large-scale assets, which are currently not available on the market.

Yields remained stable compared to the beginning of the year. Prime yields equalled 3.75% for top office properties, 4% for shopping centres and 5% for retail parks. For forward purchases in the residential segment, yields currently stand at 3.75%.

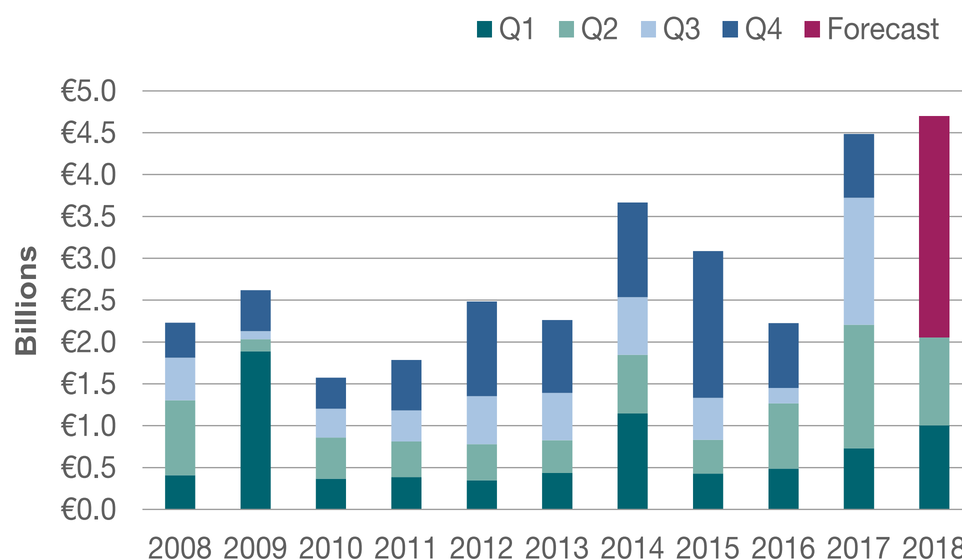
The outlook for H2 is very positive and it is expected that this year's total transaction volume will come close to last year's record of €4.7bn. Demand from both by national and international investors continues to be high in all market segments. However, there are hardly any properties available on the market in the top segment. This will lead to an increased market activity in the secondary quality segment, notably office buildings and retail properties. It will also drive the demand for alternative assets such as student housing, serviced apartments, retirement and nursing homes as well as health care. We believe alternative investments will play an increasing role in the Austrian market in the future. Office and retail yields are expected to remain stable. Residential yields will likely harden to 3.5% due to high demand in forward-purchases.

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
Industrial	↘

GRAPH 1

Austria Investment volume 2008-2018



Source: EHL

TABLE 1

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Adler&Ameise	Vienna, 3rd district	NA	TH Real Estate	Office
The Ensemble	Vienna, 3rd district	€100m	Art-Invest	Residential
Retail Park	Vösendorf	30m	Private Investors	retail

Source: EHL

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H1 2018 Investment market in Belgium has experienced an historic first semester, reaching an investment volume of €2.76bn. This represents a 70% increase compared to the H1 2017 level.

During H1 2018, retail deals represented 46% of the investment volume (€1,250 billion), while office deals accounted for 38% (€1,060 billion). Semi-industrial and residential (Student-housing, senior residences) amounted respectively to 7% and 2.5% of the transactions and hotel transactions represented a 2% market share.

Total investment volume in Brussels stood at around €1.629bn, accounting for around 59% of H1 2018 transactions in Belgium.

H1 2018 results were mainly driven by four notable transactions, namely, the sale of the Woluwe Shopping Center to Eurocommercial a Netherlands corporate investor specialised in shopping centers (€468m), the purchase of the Rive Gauche in Charleroi by CBRE GI for €300m, the purchase of the Bruksel Docks by Alberta IM (Canada) for €300m and the sale of the Egmont I&II to a Korean conglomerate for €369m.

While the first quarter of 2018 was mostly composed by the above four transactions, we still expect demand to move towards investments in the €25-50m range and CBD core+ or value add products. Furthermore, appetite for logistics product keeps increasing on the Belgian market, but the lack of quality products significantly slows downs the rising trends experienced between 2015 and 2017.

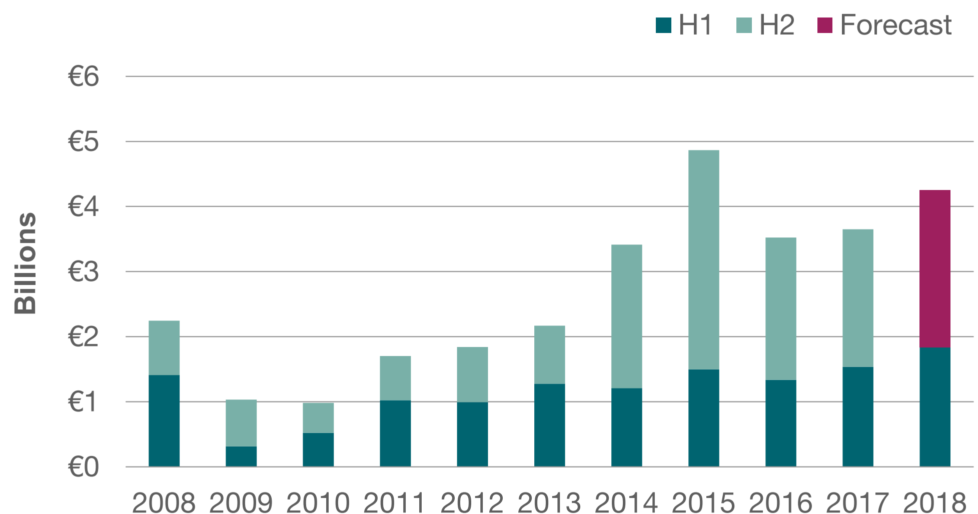
Value-add deals, opportunistic deals, and buildings in the decentralised district or periphery faced much more difficulties to trade.

Prime office yields saw a massive downward pressure of 100bps compared to 2015 and stand at 4.25% for standard 3/6/9 year's leases. Prime office yields on long-term leases stand at 3.60%, an all-time low and which was a drop of even 55bps yoy. Yields for prime retail stands at 3.25% for prime high street locations, 4.25% for prime shopping centers and 5.25% for retail warehousing. Prime logistics stand at 6.00%.

PRIME YIELDS END-YEAR OUTLOOK	
Offices	→
Retail	→
Industrial	→

GRAPH 2

Belgium Investment volume 2008-2018



Source: Savills

TABLE 2

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Woluwe Shopping Center	Brussels	€468m	Eurocommercial	Retail
EGMONT I&II	Brussels CBD	€369.5m	L'Etoile Properties (on behalf of Korean Investors)	Office
Rive Gauche	Charleroi, Wallonia	€300m	Alberta Investment Group	Retail

Source: Savills

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The total volume of transactions concluded in the Czech Republic during H1 2018 was €810m, reaching around 40% of the total investment volume recorded over the same period last year. The number of transactions remains high, however, there is an absence of large investment trades, meaning volumes at or above €200 million, which is skewing the total volume.

Office investments made up the largest share of the total investment volume (accounting for 62%) and of the total volume. So far this year, the only transaction which exceeded the €100m mark, was the sale of a regional shopping centre (39,000 sqm) named Futurum Hradec Kralove, which was acquired by the Czech-based CPI Property Group for €120 million. Most of the industrial properties that changed hands in H1 2018 were located in the Czech regional markets outside of Prague. Czech investors continued to drive investment activity, having closed the highest number of transactions and accounting for the largest investment share.

Several prime properties, mostly administrative buildings in Prague, are currently under offer in Prague, as well as in the regions, and many are expected to be traded within the next 6 months. In view of the considerable number of potential transactions in the pipeline, we expect investment activity to improve over the course of the second half of the year. The total investment volume for 2018 should oscillate between €2.4-2.6bn. Due to the continuing high demand and the lack of investment product across all value sectors, the market remains very competitive, with pricing in secondary sectors now starting to compress much more rapidly.

We expect that yields have bottomed out for prime/core sectors. In the secondary segment, yields are moving in rapidly hence closing the gap between prime and secondary assets, unlike in 2008.

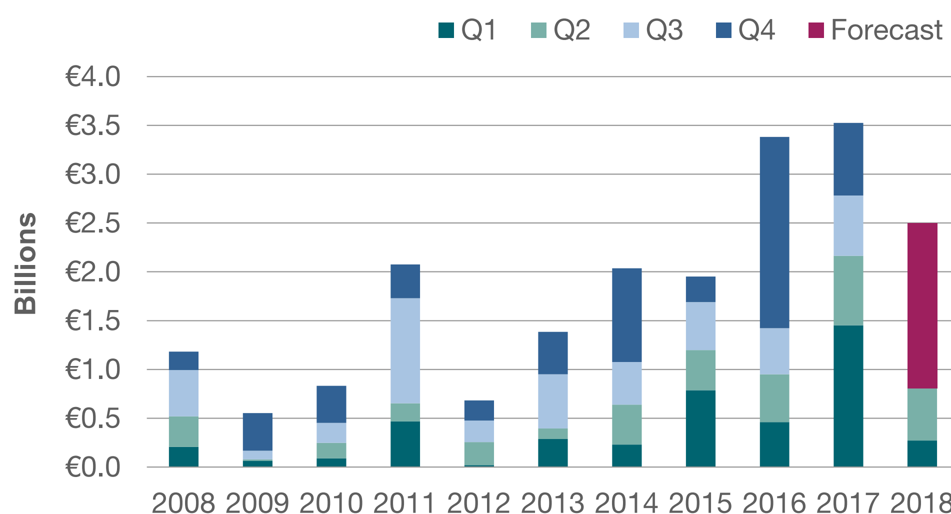
Increasing costs of debt and economic turbulences between the EU and the US are the main risks hanging over the future prospect of the Austrian investment market. Yet, nothing has triggered anything to suggest pricing will alter. Although in the late cycle of the market, foreign capital is still entering the countries and attracting new investors. Asian capital chasing cash-on-cash products are challenging the usual line-up of core European buyers for best in class product.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
Retail	→
Industrial	→

GRAPH 3

Czech Republic Investment volume 2008-2018



Source: Savills

TABLE 3

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Futurum Hradec Kralove	Hradec Kralove	€120m	CPI	Retail
Explora Business Centre	Prague	€50m	Golden Star	Office
Hadovka Office Park	Prague	€49,5m	Wood & Co.	Office
Metronom Business Center	Prague	N/A	REICO	Office
Visionary	Prague	€68m	CA Immo	Office

Source: Savills

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Investment activity in the Danish real estate market has picked up the pace from the record breaking levels in 2017 and has gotten off to a flying start of 2018.

In Copenhagen the supply of centrally located residential tenanted properties or mixed-use properties is characterised by larger individual properties with a volume of DKK 200-750m and smaller portfolios of DKK 100-500m. These property and portfolio types are ideal for the larger aggressive investors in the market. Only a few city properties with residential or mixed use are offered and sold for less than DKK 20m. This is partly because the city properties belong in the large end of the scale, and partly because the price per square meters for this property type has increased significantly over the past six years.

Office investments maintain a high level. The excellent economic state of the market and increased employment in the greater Copenhagen area form the basis of an improved letting market and a minimum vacancy risk. Office vacancy in Copenhagen is currently at the lowest level since the end of 2008. The limiting factor for further transaction activity with office properties is the supply. However, the improvements in the letting market have prompted increased construction of prime office facilities in various Copenhagen areas.

Decreasing yields on residential and office properties have sent the investors searching for new investment alternatives. As a result, real estate categories such as student accommodation, senior housing and warehouse and logistics properties have gained popularity among investors.

Warehouse and logistics properties are experiencing intensified interest from investors. The yield for this property type has dropped significantly in recent years. This is mainly caused by a letting demand that is reaching unprecedented levels in the Copenhagen area. The booming Danish economy combined with the massive growth momentum in the e-commerce market are pushing vacancy rates further down to approach record low levels.

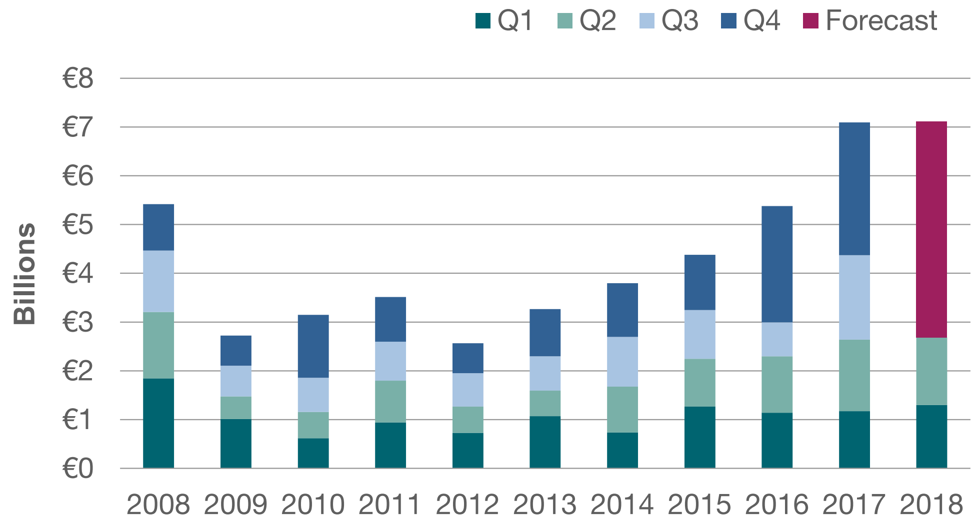
In the retail market high street properties are in particularly high demand. High street properties can roughly be divided into two categories; development properties and fully developed properties. Development properties are usually acquired by specialised property developers or asset managers, whereas the fully developed properties are usually acquired by both Danish and international funds as an element of a long-term investment strategy. The supply of high street properties is somewhat limited and competition for the best of them is fierce, which has caused the yield levels to drop to a level of 3-4.25%.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
Retail	→
Industrial	→

GRAPH 4

Denmark Investment Volume 2008-2018



Source: Nybolig Erhverv

TABLE 4

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Sønderhøj & Mega Syd	Aarhus	€333m	Dades	Office / Retail / Education
Office portfolio	Copenhagen	€98m	Klövern	Office
BRF Kredit HQ	Copenhagen	€85m	PFA Pension	Office

Source: Nybolig Erhverv

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With more than €12,500 million invested in commercial real estate in H1 2018, the French investment market is up 27%% compared to a sluggish first half of 2017 which was due to the presidential elections. Still, urban and infrastructure developments for the Grand Paris and the 2024 Olympic Games and improved political landscape are positive signs that attract investors in France and more particularly in the Paris region.

All indicators are pointing to a market with exceptionally good potential. It continues to rely on its well-established investments: the Core asset class remains active. After several years of domination, this asset class has nevertheless handed the reins over to Value Add and Opportunistic assets, which have led to this uplift. The latter assets, very popular among highly liquid Anglo-Saxon investors, are in full recovery.

Ile-de-France is the main driver: the capital and its surrounding area account for 73% of the French market (almost €9,200 million) – investment volumes in Ile-de-France are up 61%.The Auvergne Rhone-Alpes region ranks in second place in terms of investment volumes, but represents less than 6% of the Ile-de-France market.

Offices account for 68% of commercial real estate investment. However, there are significant regionaldisparities – office market share reached 82% in Ile-de-France, but fell to 30% in the regions, where industrial and retail assets took over.

Core investments continue to dominate the market, although their market share has fallen sharply (from 91% of office investment volumes to 76% in one year). The rise of Core+ and Value Add assets is a clear sign of confidence in the French market. International funds are becoming more active in the market, with their investment volumes rising from 36% to 42% in France. The Ile-de-France region is still the main gateway to the French market for international investors.

Yields are tightening: although prime yields have gradually stabilised, 'secondary' yields have hardened due to the success of the Core+ and Value Add asset classes.

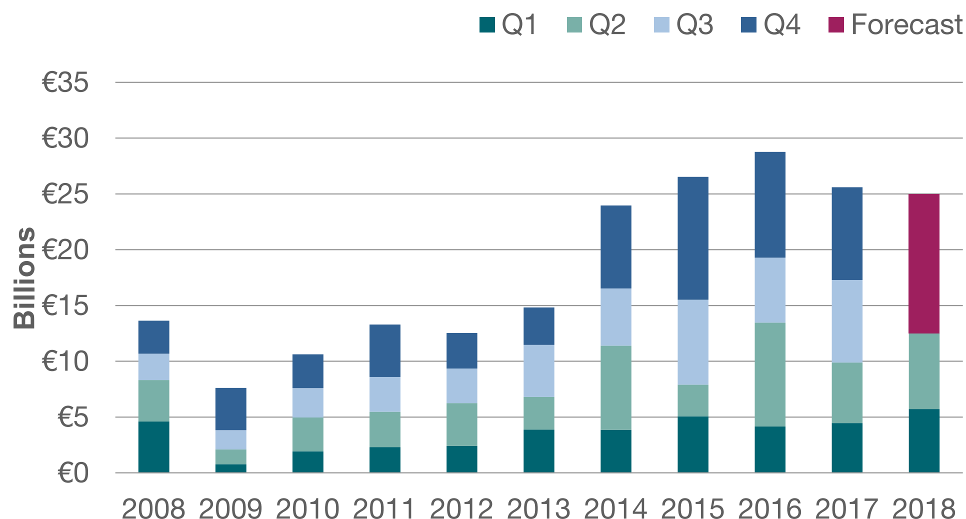
Prime yields have stabilised at record low levels. Real estate nevertheless continues to offer an advantage compared to bond yields: the spread stood at 235 basis points at the end of June 2018, above the ten year average (199bp).

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
Retail	→
Industrial	↘

GRAPH 5

France Investment Volume 2008-2018



Source: Savills

TABLE 5

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Qu4drans	Paris	€546m	Primonial REIM	Office
Kosmo	Neuilly sur Seine	€460m	Sogecap	Office
Paris Region Portfolio (49,9%)	Paris Region Portfolio	€400m	JP Morgan Asset Management	Office

Source: Savills

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On the German real estate market, commercial property changed hands for more than €25.2bn in the first half of 2018. This represents a decrease of 8% compared with the corresponding period last year. Nevertheless, this still represents the second highest investment volume for the corresponding period during the current market cycle. With regard to the types of use, office properties were in investors focus during the first half of year. Around €10.0bn were invested in office property, representing a share of 40% of the total commercial transaction volume. Transactions of retail properties amounted to €5.0bn or 20% of the total transaction volume. With transactions of almost €3.2bn, industrial and logistics properties were the third most favored asset class, contributing to 13% of the commercial volume.

Even in the late stage of the current market cycle, most investors are obviously still within their comfort zone in terms of risk. For example, there is no evidence for an increasing transaction activity outside the top-7 markets. At the same time, however, defensive investment strategies appear to be gaining traction. Examples of this include increasing investment in healthcare property, which is relatively independent of economic conditions, and acquisitions of operator-managed properties with long leases. Against the same period last year, transaction volume of healthcare property grew by almost five times to more than €1.6bn. The transaction volume of hotels increased, against the general market trend, by 41% to €1.5bn.

Many investors continue to see upside potential on the German market. Private-equity funds made net investments totalling almost €1bn during the first six months of the year. Their investments focused on office properties since these offer good potential for rent-driven capital growth. While the majority of investors are calculating with further rental growth, yield-driven capital growth will become less important. If compared to the previous years, yield compression significantly eased. On the average of the top-7 markets, office prime yields fell by 10bps against the previous quarter to 3.2%. The prime yields for prime high-street properties also showed just a moderate yield reduction of 10bps to 3.2% at the end of June. In our opinion, there are minimal prospects of further yield compression during the next months.

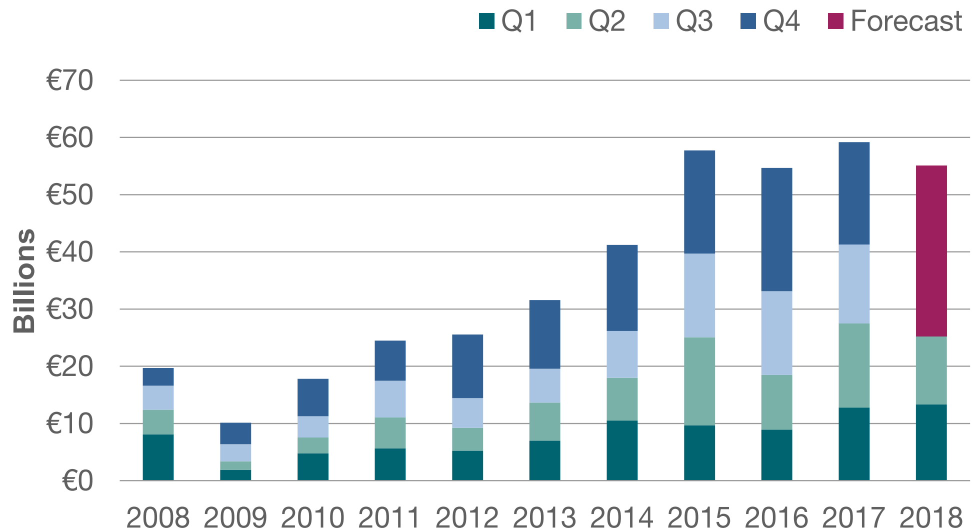
Even if intensifying trade conflicts pose a risk to the export-oriented German economy, this is unlikely to impact the German investment market at least for the remainder of this year. The overall investment volume for the year is expected to total as much as €55bn (2017: €59.2bn).

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	→
Industrial	↘

GRAPH 6

Germany Investment Volume 2008-2018



Source: Savills

TABLE 6

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Portfolio 50% share (71 properties)	nationwide	€815m	Primonial	Healthcare
Geneba Portfolio (17 properties)	nationwide	450m	Frasers Centrepoint Limited	Logistics
Gallileo	Frankfurt	356m	CapitaLand Limited	Office

Source: Savills

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During first half of 2018, the Greek real estate market kept showing signs of recovery from the economic recession with improving investment activity. The total investment volume amounted to approximately €203mn. The breaking record momentum of the Greek tourism sector, has been a major driver for attracting foreign investment activity. This is also assisted by the fact that systemic banks need to clear their portfolios from repossessed hospitality assets in order to gain some cash liquidity and move local economies. In Kos, the third largest island of Dodecanese, a major transaction took place under a joint venture between Atlantica Hotels & Resorts and TUI Group, who acquired Lakitira's for €62.9mn. On the same page, Grivalia Hospitality SA has acquired Meli Palace hotel located on the beachfront of Malia, Crete, for €13mn. Another hotel transaction has taken place in Thessaloniki, by Pangaea REIC, who acquired Lazart Hotel for €7mn.

Furthermore, the Greek REICs which currently are the most active market players have continued hand-picking commercial prime assets with an emphasis on mixed use commercial buildings. One of the most notable transactions has been the acquisition of a stand - alone multi - storey building on the junction of Omirou and Stadiou streets in the centre of Athens by Grivalia REIC for €10mn. At the same pathway, ICI REIC has acquired a luxurious office building (3,589 sqm) in Maroussi, at the intersection of 18 Nikolaou Zekakou Street and Konstantinos Karamanlis Street (Attica Tollway) for c. €7.5mn. Last but not least, Pangaea REIC has acquired two listed mixed use buildings in Athens historical CBD for 7.2mn.

Current prime gross yields in the office market stand at c. 7.25%-8.0%, in the retail market approximately between 5.50% and 7.0% for prime high street retail units of small or medium size and c. 7.00%-7.75% for well performing shopping centres. Equivalently in the logistics market yields are currently lying approximately between 9.0% - 10.0%.

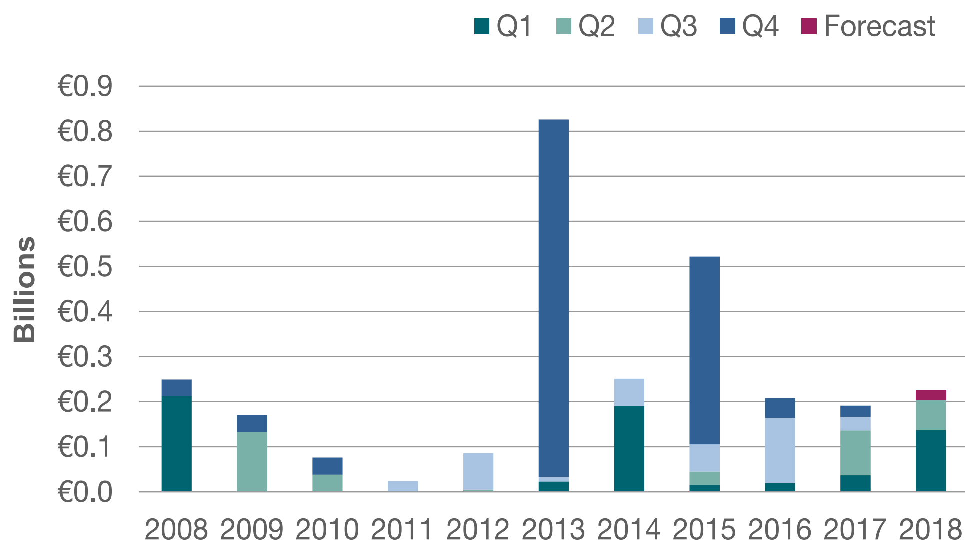
For the second half of 2018, we expect further investments to take place in the hospitality sector, as many of the domestic REICs have started diversifying their portfolios with hotel units, particularly in the largest cities and top tourist destinations of Greece. Furthermore, certain investments are expected to be carried out by domestic REICs in prime assets, either offices or retail units, with special focus on the large metropolitan areas of Athens and Thessaloniki. Lastly, we observe an increasing interest from opportunistic and private equity funds in acquiring large NPL portfolios collateralized with real estate assets sponsored by the Greek systemic banks. This increasing activity is the result of the modernization of the legislative framework related with the NPLs.

PRIME YIELDS END-YEAR OUTLOOK

Sector	Outlook
Offices	↘
Retail	→
Industrial	→

GRAPH 7

Greece Investment Volume 2008-2018



Source: Savills/RCA

TABLE 7

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Attica Tollway, N. Zekakou 18 & K. Karamanlli	Athens North	7.5m	Intercontinental International REIC	Office
Omirou 2 & Stadiou	Athens CBD	€10m	Grivalia REIC	Office
Grecotel Melia Palace, Lassithi	Crete	€13m	Grivalia Hospitality S.A.	Hotel

Source: Savills

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A strong first half to 2018 saw nearly €1.4bn of non-residential real estate changing hands. This is almost double H1 2017 turnover and leaves the market on course for a full-year spend of over €2.0bn on commercial assets.

Office-based employment now accounts for over 35% of jobs in Dublin and has been growing strongly. This has led to 189,000 sq m of net absorption in the last 24 months and has ensured that offices remain firmly on many investors' buy-lists. Despite less standing product being available than in recent years, a pipeline of new construction and forward commitment arrangements will continue to provide investors with opportunities to deploy capital into this sector.

Savills' econometric modelling shows that jobs growth is ultimately the strongest driver of growth in retail rents. With total employment rising by 64,100 (3.4%) per annum the consumer economy is performing very well and there is investor appetite for prime retail investments. However, with opportunities to acquire prime and large-scale retail assets around Dublin now limited, the sector's share of investment turnover has fallen from 31% last year to just 17% in H1 2018. With only limited retail development currently underway the sector is set to account for a smaller share of full-year investment turnover than in recent years.

Given the perceived upside from growth in e-commerce, there is very strong investor demand for logistics property in Ireland. However the scarcity of good-quality modern units coming to the market means that the sector continues to account for a relatively small proportion of overall investment turnover.

Although excluded from the figures in this report, it would be remiss not to highlight the weight of demand behind private residential investment and student housing in Ireland. Affordability barriers have precipitated a substantial tenure shift from owner-occupation to renting, with one quarter of Dublin households now renting privately. So far, supply has failed to keep pace with demand and rents have been rising sharply. With little prospect of this changing in the near-term, investors will continue to seek opportunities in this sector. In total, some €510m of multi-family and student housing accommodation traded in H1 2018.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
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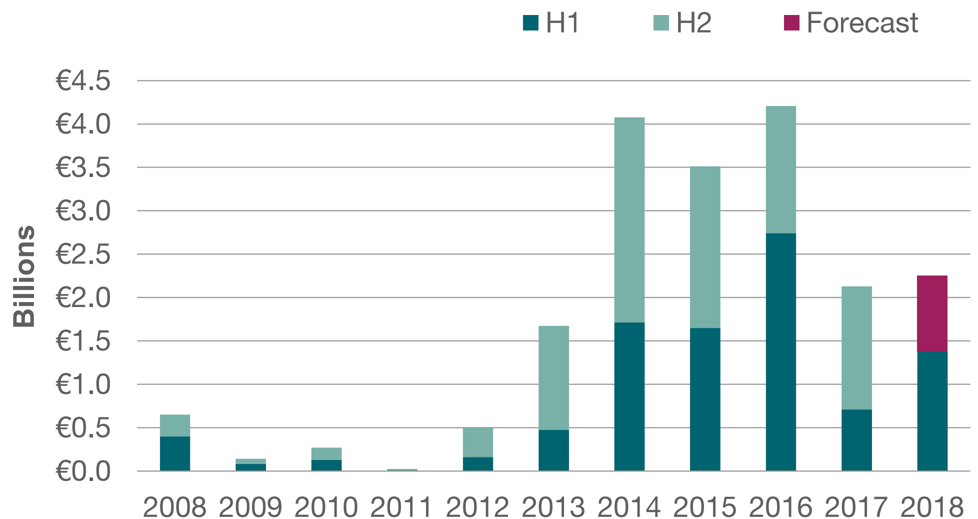
GRAPH 8

Ireland Investment Volume 2008-2018



Source: Savills

TABLE 8

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Swap Deal: Deloite House	Dublin	€160m	IPUT / SSGA	Office
Westend Retail Park	Dublin	€147,7m	Deutsche Bank	Retail
The Beckett, Dublin 3	Dublin	€101m	Kookmin Bank	Office

Source: Savills

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Following two years of extraordinary performances, the Italian real estate market is currently experiencing a «consolidation phase» with H1 volumes in the region €3.2bn, circa 30% below H1 2017 but well above the long term average (+35%). In the first 6 months of 2018, international buyers confirmed their dominance in the Italian real estate arena (55% of total volumes). Investment volumes raised significantly over the past 5 year and strong demand is on-going for selected type of opportunities. However, the limited availability of institutional product together with the political uncertainty of the first period of the year, have caused a slowdown of the investment activity.

The retail segment dominated the scene representing over 40% of the total volumes with over €1.3bn transacted recording an increase of circa 10%. Portfolio transactions dominated the scene (70% of the total volumes) with single asset transaction volumes in the region of €370m. The majority of purchasers continue to be long-term investors seeking fundamentals and defensive products.

The office sector, representing circa 35% of H1 volumes, seems to have marked a pause during the first half of 2018 with total volumes in the region of €1.15m, a 40% shift down compared to the same period last year. It must be noted that, during 2017, office investment activity was well above the 10 year average (+80%) and the fall in volumes is a sign of stabilization of the market. In addition, due to the political uncertainty in the first months of 2018, international investors have taken a "wait & see" approach. Once again, Milan represented the «destination of choice» of the investors with over €570m invested in the city representing 65% of total office single asset activity and prime net yield in the region of 3.50%.

However, Rome market is currently experiencing a strong interest with single asset volumes in excess of € 350m (almost 40% above 2017) and net yields in the region of 4%.

In spite of a slow start, the outlook for 2018 remains positive with office volumes consolidating throughout the year and sizeable on-going marketing process. Focus in mainly on long term opportunities with yield tightening on Milan CBD and prime high street retail products in capital cities (Milan / Rome). Regarding yields we expect a stable down yield for prime shopping centres currently at 4.90%, stable forecast for high street products (currently at 2.75%) and a potential 25bps contraction on Milan CBD net yields currently at 3.50%.

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	→
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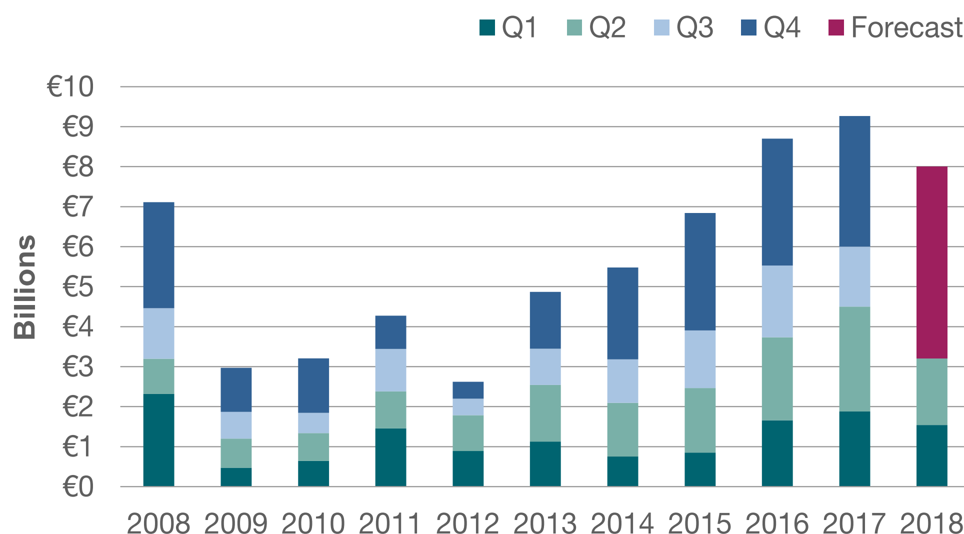
GRAPH 9

Italy Investment Volume 2008-2018



Source: Savills

TABLE 9

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
4 shopping centres portfolio	Various	€187m	IGD	Retail
Centro Sicilia - Misterbianco	Catania	€145m	GWM Group	Retail
3 logistic buildings portfolio	Various	€120m	Kryalos SGR	Industrial

Source: Savills

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In the first half of 2018 commercial real estate activity has been quite strong reaching a total investment volume of around €891m. The first quarter of 2018 got off to a slow start (€240m recorded) but the second quarter was comprised of several large-size deals pushing the Q2 volume to a record volume of over €650m.

Due to the fact that vacancy rates in central districts remain among the lowest in Europe (0.9% in Kirchberg, the largest office district) and rents are following an upward trend, the Luxembourg real estate market is of high interest for both domestic and cross-border investors.

However high demand and the lack of available investment products make the market very competitive and prime yields are declining. In the Central Districts prime office yields are currently standing at below <4,0% for short-term leases. Given that investments in real estate still offer a yield spread compared to bonds, and investment managers and institutional investors have a significant capital inflow seeking property investments, the demand for core assets keeps being on a high level which could lead to further yield compression in the central districts in 2018.

Commercial investment activity for the whole year 2017 reached €1,2bn and we anticipate that this year will exceed last year's volume. There is currently a number of large volume deals underway in both retail and office sectors of the commercial property market.

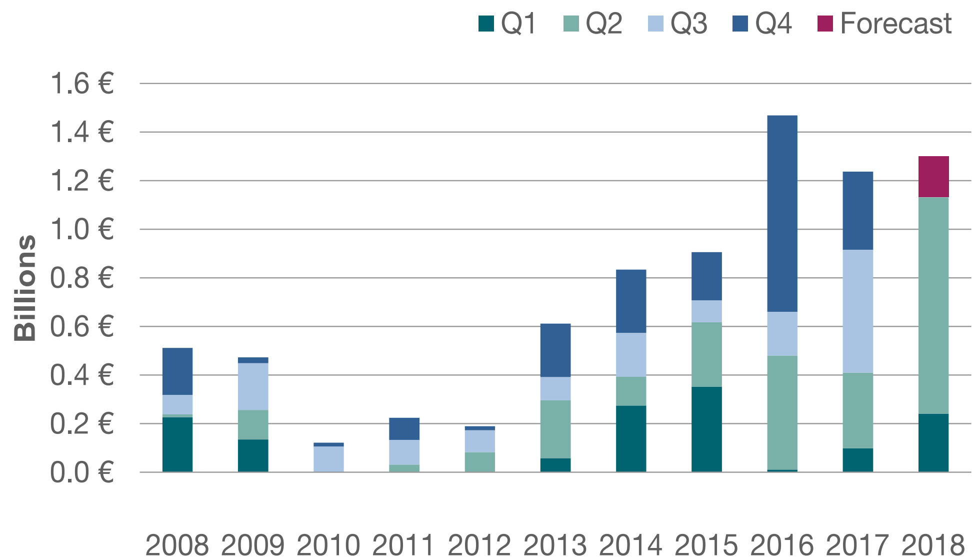
The majority of the investment volume in Luxembourg comes from cross-border investors. In H1 2018 the share of foreign capital invested in Luxembourg real estate was more than two-third of the market and the majority of the capital comes from Belgium, US and France but there are also investments from the UK and the Middle East.
Luxembourg's economy is expected to continue to grow strongly through 2018 with a GDP growth rate forecast of 3.9% and the country is experiencing increasing attractiveness which results in rapidly growing office and residential markets. The combination of these factors and the importance of available equities in the market will certainly attract national and foreign real estate players in the second half of 2018.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
Retail	→
Industrial	→

GRAPH 10

Luxembourg Investment Volume 2008-2018



Source: RCA

TABLE 10

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Deloitte HQ	Cloche d'Or	€250m	Insurance	Office
Aerogolf	Airport	€100m	Fidelity	Office
Espace Kennedy B	Kirchberg	€55m	Alides	Office

Source: Savills

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The first quarter of the Dutch investment market achieved an investment volume of €3bn, which was fairly higher compared to 2017 Q1. The second quarter of 2018, however, could not keep up entirely with the pace from 2017 and totalled at €3.1bn, compared to €4.4bn.

The office market forms the largest category with an investment volume of €3bn in 2018 H1. The investment volume in this category remains strong as structural improvements in the office stock have been made to reduce the overall vacancy rate. This has also led to a decrease of office yields in mainly secondary areas in the Randstad. Prime yields for office currently stand at 3.5%

The second largest category is retail with an investment volume of €1.2bn. The share of retail investment volume has decreased compared to 2017 as the first quarter saw a relatively low volume. The second quarter caught-up with the purchases of several home furnishing centres. Yields for retail have been relatively stable in the past years and stand at 3.25% at prime locations.

The industrial category had a relatively calm second quarter which resulted in a total investment volume of €1.3bn in 2018 H1. The logistics market was again the major driver for the industrial market, making up ¾ of the industrial investment volume in 2018 H1. Yields for logistics real estate have been and will compress during the course of 2018 due to the ongoing demand from both occupiers and investors. Currently prime yields for industrial (logistics) stand at 4.5%.

The year 2017 was an absolute record-breaking year in regard to the investment market, with a strong second half of the year. Expectation is that 2018 will match the investment volume of 2017. An important driver of the total investment volume is the residential sector as many large portfolios are being sold, for example Vesteda purchasing a portfolio of €1.5bn. The commercial markets are expected to show slightly higher volumes compared to 2018 H1.

The majority of the investment volume in the Netherlands comes from cross-border investors. In 2018 H1, the share of foreign capital invested in Dutch real estate was 60%. Mainly the United States, United Kingdom and Germany invest in the Netherlands. However, capital from Asia and especially from the middle-east is on a rise.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
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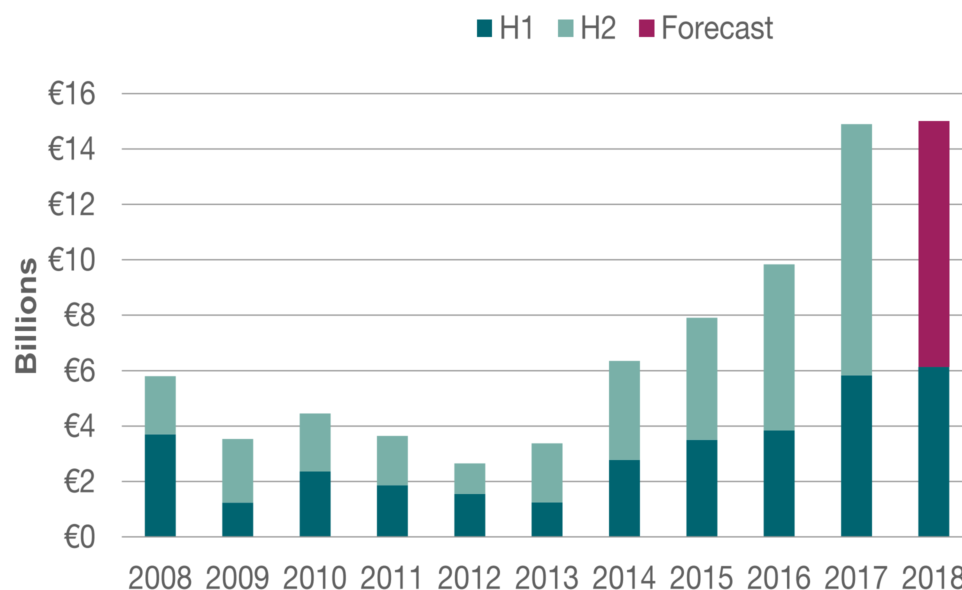
GRAPH 11

Netherlands Investment Volume 2008-2018



Source: Savills

TABLE 11

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Maastoren	Rotterdam	€150.3m	FOM Real Estate	Office
Unilever HQ	Rotterdam	€85.5m	Aegila	Office
Ringpark	Amsterdam	€70.0m	Round Hill Capital	Office
MM25	Rotterdam	€50.3m	Unknown	Office

Source: Savills

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After a more moderate pace in the transaction in Q1 than last year, the pace has picked up again in Q2 with a registered volume of approximately NOK33bn (excluding residential) divided into 102 transactions. Another sign of a strong momentum is the high number of off-market deals we are seeing taking place. The appetite is still there for both buyers and potential sellers.

Interest rates have had an unstable direction over the past 6 months, and although the Norwegian Central Bank has been signalling a rate increase in the key policy rate in September, the 5-year NOK swap has decreased slightly since the beginning of the year. The 5-year NOK swap is now sitting at a just above 1.80 %, after having been up at 2.00 % in mid-March.

We estimate prime office yield to be 3.75 %. This is an increase of 10 bps since our last report, and our belief is that it is a reaction to the medium term outlook for interest rates. We maintain that this increase in the yield levels is subject to lag effects, and that there are other drivers in place to moderate further increases. The expected rental increases have manifested themselves, especially in Oslo city centre. Further rental increases are expected to materialize. Our estimate for normal yield is held firm at 5.10 %.

Office rents continue on a positive trend, and is expected to continue the growth throughout 2018. Increasing economic growth in Norway, and low vacancy among central and high quality assets supports the positive outlook. The latest rental statistics supports the strong letting market in continuing in 2018 with a growth of around 6% from Q1 to Q2 for the average of all signed rental contracts in Oslo. There is also a new historic high for the most expensive contracts, with the A-category average up 7% from Q1 to Q2 at NOK3,830/sq m.

The office vacancy level is continuing to decrease, and is now at 6.2% (on average in the office clusters we follow). Vacancy is starting to become very low in the city centre, and tenants in immediate need of large space will struggle to find high quality space. We are projecting the vacancy to drop further in the medium term, towards a low 5% vacancy. As net additional supply is rather limited, we continue to see favourable construction volumes for owners, and low supply in the medium term. These underlying drivers will continue to support the investment market, despite what seems to be the end of the yield compression for now.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
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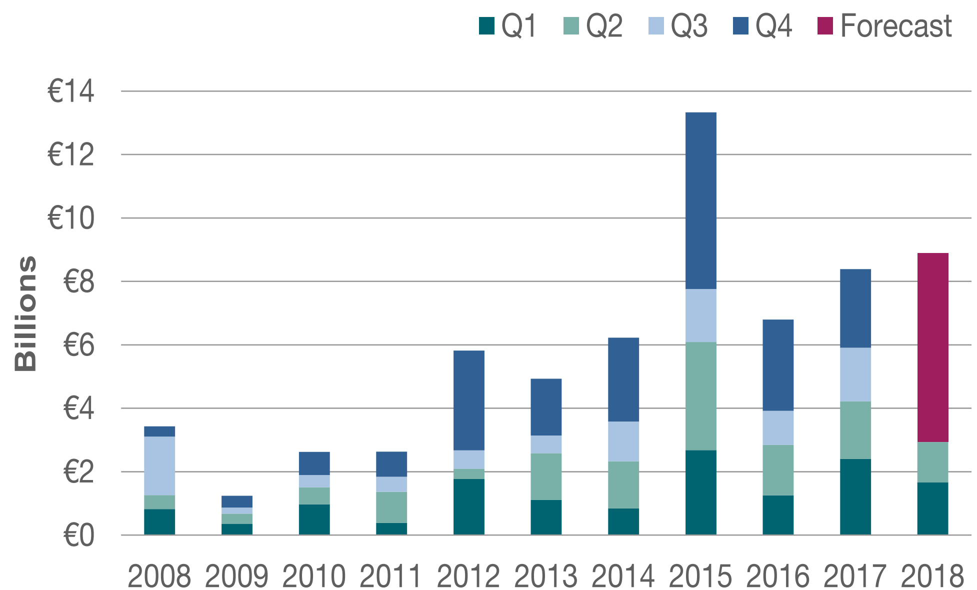
GRAPH 12

Norway Investment Volume 2008-2018



Source: Malling

TABLE 12

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Strømsveien 245	Oslo/Alnabru	NOK2,000m	Joh Johannson Eiendom AS	Retail
Social infrastructure portfolio	Nationwide	NOK1,100m	Infranode	Public services
Brynsveien 7	Oslo/Bryn	NOK1,100m	Entra	Mixed use
Karl Johans Gate 16B	Oslo/City Centre	NOK720m	Unknown	High Street retail

Source: Malling

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Investment activity in Poland remains high, despite some slowdown observed across major European markets. Following a very good 2017 with a record investment volume of approximately €5.03bn, Poland is on a good way to break another record with total transaction volume expected at the end of the year to exceed € 6.0bn.

The first half of 2018 ended with a high transaction volume of over €3.24bn, boosted by €1.0bn portfolio transaction in the retail sector closed at the beginning of the year. This large acquisition contributes significantly to a high share of the retail sector in the total investment volume, although considering the number of transactions, a shift towards the office and industrial sectors is now clearly visible. As far as the origin of capital is concerned, cross-border capital remains dominant, with a growing share of overseas investment, particularly from Asia and South Africa.

Prime yields have recently sharpened and set new benchmarks, breaking a psychologic barrier of 5.00% for the first time. Prime office yields reached 4.75% for the best assets in Warsaw and 6.00% for the best office properties located in the leading regional cities (Kraków and Wrocław). Prime retail yields are on the level of 5.00% with one-off transaction estimated to significantly break this barrier and a limited number of comparables due to a shortage of product. Prime industrial yields range from 5.25% for single-tenant assets let to 6.75% for multi-let warehouses.

Investment sentiment on the real estate market in Poland remains positive. Despite some political concerns, that are no exception on the European area, economic growth is strong and sustainable, driven mainly by consumption, however, in H2'18 should be additionally boosted by domestic investment, mainly in the public sector. Commercial property market in Poland is still offering a decent yield premium compared to major property markets in western Europe, while rental levels remain sound with visible prospects to grow. Strong performance of occupational markets, particularly in the office and industrial sectors, fuels development activity, which delivers good quality products for potential buyers. Summing up, although the market seems to be in a late-cycle phase, the property market in Poland is far from overheating.

PRIME YIELDS END-YEAR OUTLOOK	
Offices	↘
Retail	↘
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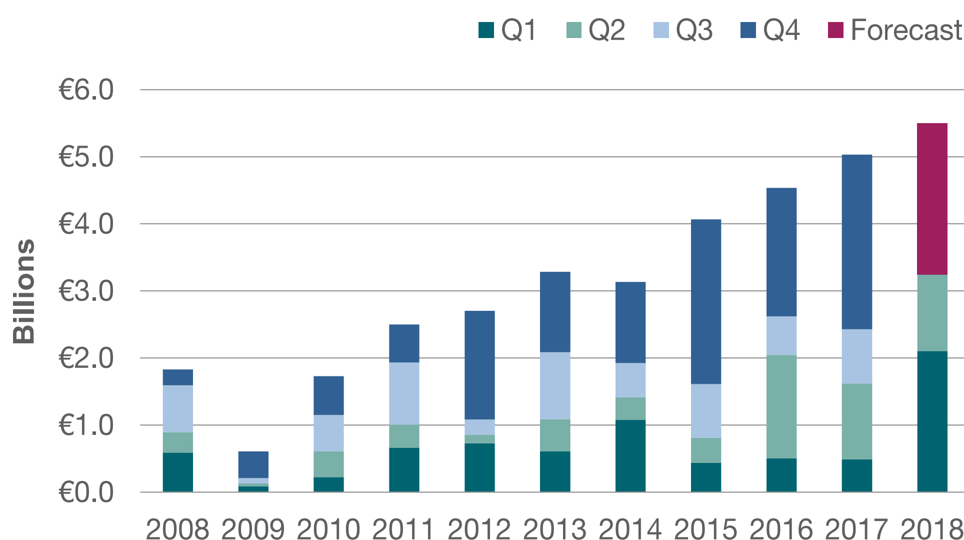
GRAPH 13
Poland Investment Volume 2008-2018



Source: Savills

TABLE 13
Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Prime Corporate Center	Warsaw	€91m	Warburg-HIH Invest	Office
NBGI Portfolio	Nationwide	€80m	Hines	Warehouse
Jantar Slupsk	Słupsk	€92m	CBRE Global Investors	Retail
Ferio Konin	Konin	€71m	Union Investment	Retail

Source: Savills

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The performance of the market during the first half of the year followed the expectations for this period. The investment volume in commercial properties in Portugal stood at around €1.4bn, although some transactions in pipeline took a little longer and will only be closed during the second semester.

The market performance in the first semester was 23% above the H1 2017, €1.15 bn. Shopping centers and offices segments dominated the market and accounted for 47% and 36% of the transaction volume, respectively. The sale of a shopping centers portfolio (€411M) to Grupo Auchan and Dolce Vita Tejo (€230M) to Blackstone represented 95% of total volume transactions in this segment. The relevance of offices sector is due to the sale of an important office campus in Lisbon, "Lagoas Park", for €375M to Kildare.

International investment continues to lead the market being the majority of the volume made by non-Portuguese purchasers. UK and French been the most active investors during the current year. Many foreign investors continue to find in Portugal valid alternatives with great upside potential and low risk associated. Asset management companies and private funds have had a significant position in the commercial transactions of the country, accounting for more than €1bn in the last 18 months.

The yields compression started in 2015 has been constant until today, giving evidences of the confidence and trust in Portuguese economy and in real estate markets. Their attention is still very focused on Office and Retail assets and until the end of 2018 it is expected to be concluded at least more 6 relevant deals that will raise the total volume for 3 €bn or more. Alternative assets are also starting to gain notability such as healthcare infrastructures, educational assets and hotels. Other alternative assets are expected to become more dynamic in Portuguese market, as it is the case of Student Housing and Senior Housing. These are segments traditionally non-explored in Portugal, but are raising some investors' awareness.

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	↘
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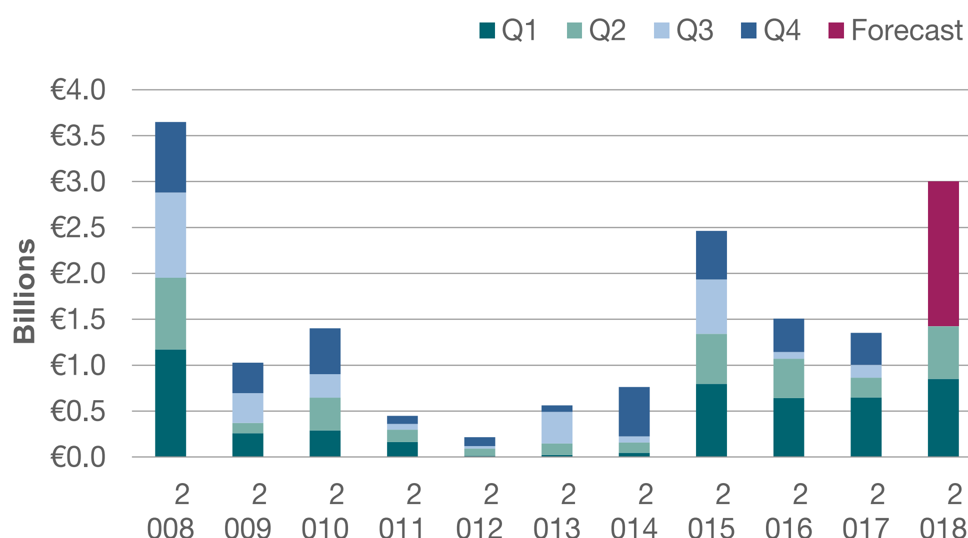
GRAPH 14

Portugal Investment Volume 2008-2018



Source: Savills

TABLE 14

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Lagoas Park	Lisbon	€375m	Kildare	Offices
Intercontinental Hotel	Porto	€55m	GCP Hospitality	Hotel
Torre Zen	Lisbon	€33.3m	Merlin Properties	Offices

Source: Savills

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With a slow start in Q1, the Romanian investment market has recorded a significant volume of transactions in the second quarter, which balanced the total value of deals for the first half of 2018. Although 20% lower than that of H1 2017, the transaction level reached about €428m, with €384m transacted in Q2.

Investors in the office segment have been the most active, the volume of office transactions having a 65% share in the total value of transactions. The largest office transaction (€170m) was the sale of the Oregon Park office complex in Bucharest to Lion's Head Investment, a fund with South African source of capital and a newcomer to the Romanian investment market.

With a 32% share of the total investment activity, the retail sector registered a large transaction in Bucharest, where Militari Shopping Center was sold for €95m to another large South African investor, MAS RE. The other two cities where a few smaller retail products attracted investors were Sibiu and Brasov.

Due to a lack of new products, only one significant deal was concluded on the industrial market, in Brasov, where WDP acquired a 20,000 sq m industrial project for €11m.

With pending deals worth over €300m and new products expected to become available on the market, the second half of 2018 will register a sustained investment activity.

An aspect we have already observed in H1 and which will most likely continue throughout 2018 is that new actors are entering the Romanian market. Dominated by foreign investors, especially South African funds, Romania has been the entry point for South African institutions looking to expand their portfolios into CEE. Romania's investment market records the highest level of investment yields in Europe (7.25 – 7.5%). Taking into account the relatively good economic outlook we expect an increased interest from foreign investors and potentially a yield compression.

Office buildings will continue to be the most sought-after products. Along with the delivery of new industrial projects and the existing players' surging need for expansion there is a big chance a few large transactions will be registered in this segment in 2018. The retail investment activity will most likely concentrate on small projects present on secondary markets.

Bucharest will remain the top destination for investors, because of its attractive products, the availability of qualified workforce and the presence of the most successful businesses in the country.

PRIME YIELDS END-YEAR OUTLOOK

Offices	↘
Retail	→
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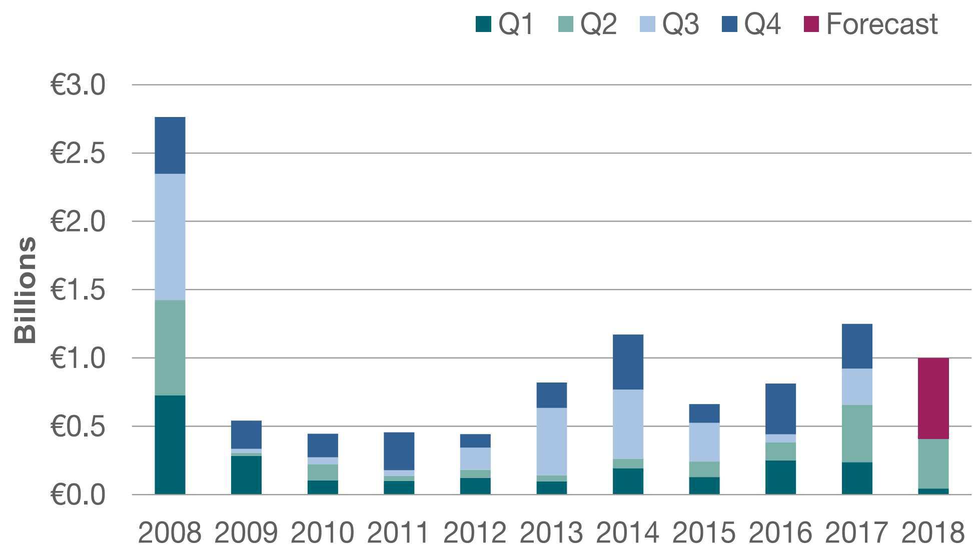
GRAPH 15

Romania Investment Volume 2008-2018



Source: RCA/Crosspoint

TABLE 15

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Oregon Park	Bucharest	€170m	Lion's Head Investment (AG Capital/Old Mutual)	Office
Militari Shopping Center	Bucharest	€95m	MAS Real Estate Inc	Retail
Campus 6 (Building 1)	Bucharest	€53m	CA Immo	Office
UTI Business Center	Bucharest	€23m	ForeVest Capital Partners	Office

Source: Crosspoint

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The volume transacted between January and June reached approximately €3,600m, representing a decline in investment activity of almost 36% yoy.

The delay in the closing of some of the so-called mega-deals (≥€100m) was one of the factors that influenced this adjustment. Whilst in the first half of 2017 there were 16 agreements of ≥€100m that accounted for more than 50% of the total volume, only ine were recorded up to June 2018, which represented barely 40% of the total invested volume. We expect the situation to be balanced at the end of the year, with the closing of several mega deals currently underway.

On the other hand, the lack of products for sale continues in the market. Although more new open processes of assets for sale are being incorporated, the demand does not find the opportunity that matches requirements, and consequently, it will continue to wait until the type of product is identified.

International investors continue to dominate the commercial sector. The volume transacted by foreign investors represents 71% of the total, the highest percentage in the last five years. Additionally, it is important to note that the predominance of cross-border investments occurs in segments, such as offices, where the domestic investors accounted for most of the volume transacted in the historical series.

The excess liquidity in the market and the economic forecasts allow us to be optimistic towards the end of the year. Despite the slowdown in economic growth, the labour market will continue to improve, favouring positive consumption levels. It is expected that a volume similar to that registered in 2017 will be reached at year-end (in the region of €9,000m).

The investment pipeline of offices and retail accounts for nearly €5,000m. If all the open transactions are closed, both sectors would exceed the €3,000m transacted. The office market could reach a similar level to that of 2008 and the retail sector would be in line with the annual average volume recorded since 2015.

One must take into consideration that there are some off-market products that are not included in the pipeline of open sales processes. Although corporate deals were not included in the closed and expected volumes, it is important to highlight that there are some deals such as the merging of Axiare with Colonial and the takeover bid of Blackstone over Hispania, converting it as one of the key real estate players of the current panorama.

Investment yields for prime assets in most of the markets are below the last market peak, favoured primarily because rents are still in the growth phase and capital values are currently below 2007-2008 levels.

PRIME YIELDS END-YEAR OUTLOOK

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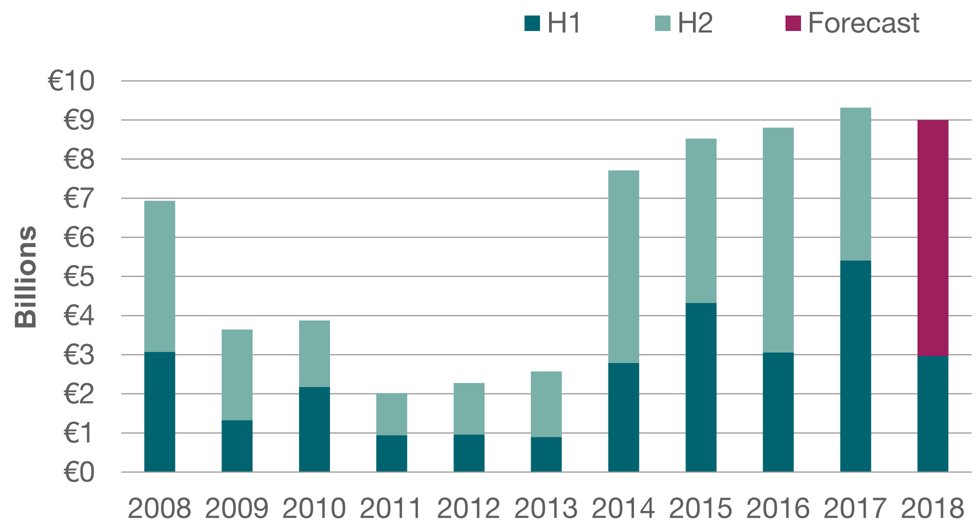
GRAPH 16

Spain Investment Volume 2008-2018



Source: Savills

TABLE 16

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Portfolio 6 Shopping centres	Multiple	€182m	Carmila	Retail
Portfolio 6 hypermarkets Eroski	Multiple	€105m	Intermediate Capital Group (ICG)	Retail
L'Aljub	Elche	€170m	Deutsche Bank	Retail
San Fernando B.P.	San Fernando de Henares	€120m	Starwood Capital	Offices

Source: Savills

Sweden

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The first half of 2018 ended with an investment volume amounting to SEK 68bn (€6.6bn), which is a decrease of 17% compared to the same period in 2017. The decline in the investment volume is mainly explained by the exceptionally high investment volume in H1 2017, nevertheless this half year amounted to the same level as the long-term H1 average.

The transaction pace, measured as the number of transactions carried through, decelerated slightly in H1 2018 compared to H1 2017. A total of 308 transactions were carried through during the first half of 2018 with an average deal-size of SEK 222m (€21.5m).

Office properties remained an attractive asset during the first half of the year with an investment volume amounting to SEK 18bn (€1.7bn), representing 26% of the market. Industrial, warehouse and logistics, covered 10% of the market in H1 2018.

Prime assets in Stockholm, Gothenburg, and Malmö are still very attractive from an investment perspective, corresponding to approximately 68% of the total investment volume.

The Swedish investment market is booming and the high demand surpasses the supply, causing a highly competitive market. The existing market is well-supplied with equity and favourable lending conditions. Yields have reached historically low levels across all property sectors no matter geographical location. During the first quarter of 2018, yields remained rather stable across most property sectors. Noteworthy is a slight yield increase noted for secondary assets in the retail park sector over the last six months, which may be a result of increasing cautiousness and uncertainties due to the rapid growth of e-commerce.

The outlook for the economy is positive and dominated by two elements, domestic uncertainty surrounding the housing market on the one hand and strong global activity on the other. The slowdown in construction activity will affect GDP growth negatively but the effects should be dampened by the exceptionally strong global growth favouring export industries.

Consensus forecasts confidently indicate a GDP growth of 2.6% in 2018 but will slow to 1.9% in 2019.

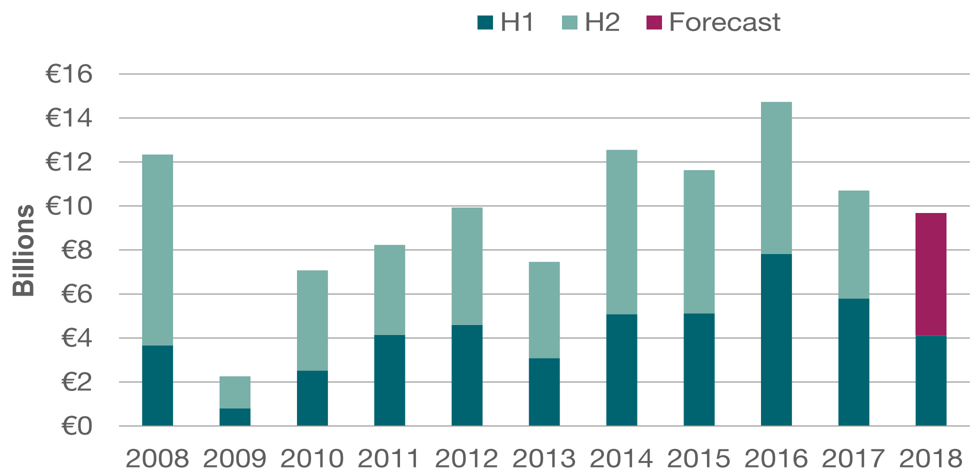
Stockholm is the financial centre of Sweden, corresponding to a third of national GDP, and the current boom in Swedish economy has enhanced a flourishing business climate and increased demand for office space. We expect both the office etting and investment market to remain strong in the short term.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
Retail	→
Industrial	→

GRAPH 17

Sweden Investment Volume 2008-2018



Source: Savills

TABLE 17

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Boken 6	Stockholm	€120m	AxFast	Office
Public Portfolio	Portfolio	€115m	Hemfosa	Other
Härolden 44	Stockholm	€110m	Barings	Office
Gårda 18:23 & 18:24	Göteborg	€105m	Platzer	Office

Source: Savills

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The UK MSCI Monthly Index recorded 11.1% total return for the year to May 2018, driven equally between capital growth and income return around the 5.5% level for each performance measure. There are marked differences between sectors, with the UK retail sector showing a 6.4% total return in the year to end-May 2018; the industrial sector has posted over 22% total return during the same period. Offices sit in the middle, towards retail, at 8.4%.

Investment activity in the first half of 2018 has broadly mirrored the performance of these sectors, with investment in retail down 24% yoy, and offices and industrials only down 1% and 2% respectively. Overall, the six months of 2018 are 4.8% down on the same period of 2018, with the second quarter of 2018 being much stronger than the first.

In terms of prime yields the last six months has seen a 25bps hardening in prime logistics and multi-let industrial yields, while office yields in and out of London have remained stable. Most retail segments have seen a 25bps-50bps softening in yields.

Looking ahead, we expect similar trends to prevail in the second half of 2018, thought transactional volumes are likely to be stronger than they were in the first half. London will remain popular with non-domestic investors and given the current strength of the occupational story in London some investors may well be prepared to look at shorter income deals, as well as development or refurbishment opportunities.

The prime regional office markets will remain popular with domestic institutions, but will also continue to attract increasing attention from non-domestic investors who are looking for more yield than is available in London. Logistics, particularly around major urban centres will remain many investor's top pick, and this segment is forecast to see the strongest total returns over the next five years.

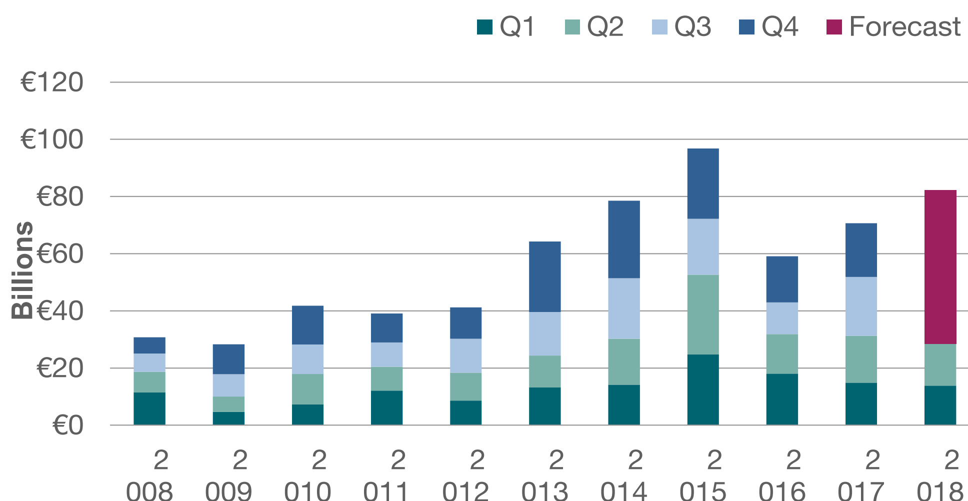
Retail property is expected to see further yield softening, and this may present a buying opportunity for investors later in the year. At present the sector is re-pricing in a relatively unscientific way, and this will mean that some prime assets and locations will over-correct. Late 2018 and early 2019 will see some opportunistic investors re-entering this space to capitalise on any over-correction in values that may be occurring.

PRIME YIELDS END-YEAR OUTLOOK

Offices	→
Retail	↗
Industrial	→

GRAPH 18

UK Investment Volume 2008-2018



Source: Savills

TABLE 18

Major investment transactions Q2 2018

Property	Location	Price	Buyer	Usage
Old Bailey, 20	London	£341m	Mirae Asset Daewoo	Office
Chapter London Portfolio	Portfolio	£350m	Allianz Real Estate	Student housing
Ropemaker Place	London	£650m	Ho Bee Land Ltd	Office
Starwood Hotel Portfolio	Portfolio	£858m	Fonciere des Regions	Hotel

Source: Savills

Key investment indicators

GDP growth, prime rental growth[1], prime yields and yield shift[2] in Q2 2018

City	GDP growth 2018 (f)[4]	Office rental growth	Office yield	Office yield shift	Industrial yield	Industrial yield shift	SC[5] rental growth	SC yield	SC yield shift
Amsterdam	2.50%	5.10%	3.50%	-50	5.00%	-25	2.60%	5.00%	-25
Athens	1.80%	4.30%	7.25%	-25	9.25%	-25	0.00%	5.00%	-15
Barcelona	2.80%	10.30%	3.75%	0	5.50%	-50	0.00%	4.25%	0
Berlin	2.00%	7.70%	3.00%	-10	5.00%	-30	NA	4.40%	20
Brussels	1.60%	3.33%	3.60%	-10	6.00%	-100	0.00%	4.25%	0
Bucharest*	3.80%	0.00%	7.25%	0	8.50%	0	0.00%	7.00%	-25
Copenhagen**	1.70%	2.10%	4.00%	0	6.50%	0	2.00%	4.00%	0
Dublin	4.60%	5.00%	4.00%	-25	5.25%	-50	5.40%	4.50%	0
Dusseldorf	2.00%	3.10%	3.30%	-50	5.00%	-30	NA	4.10%	20
Frankfurt	2.00%	1.30%	3.10%	-20	4.40%	-30	NA	4.00%	20
Hamburg	2.00%	0.00%	3.30%	-20	4.50%	-30	NA	3.80%	20
Lisbon	4.60%	10.53%	4.75%	0	6.75%	-15	NA	5.00%	0
London	1.30%	-1.3%	3.25%	0	4.00%	-50	0.30%	4.75%	50
Luxembourg	3.50%	4.44%	4.00%	-20	NA	NA	NA	NA	NA
Madrid	2.80%	14.40%	3.25%	0	5.75%	-40	0.00%	4.25%	0
Milan	1.30%	5.80%	3.50%	0	6.00%	0	0.00%	4.90%	0
Munich	2.00%	2.90%	2.90%	-20	4.40%	-40	NA	3.50%	20
Oslo****	1.90%	12.50%	3.75%	5	4.85%	-30	0.00%	4.25%	0
Paris	1.70%	7.00%	3.00%	0	4.75%	-75	0.00%	4.50%	25
Prague	3.10%	4.65%	4.75%	10	5.75%	0	21.20%	5.00%	-15
Stockholm	2.70%	13.30%	3.50%	0	5.25%	-15	1.40%	4.00%	0
Vienna*****	2.60%	0.00%	3.75%	0	6.40%	0	0.00%	4.00%	0

Note 1: Rental growth is annual and calculated in local currencies

Note 2: Prime yield shift is annual - in basis points

Note 3: First estimations

Note 4: GDP is national, growth is annual and it is the Oxford Economics forecast for the year 2018

Note 5: SC=Regional Shopping Centre. Rental growth refers to prime standard unit of approx 100sqm

Note 6: London offices refer to West End

Note 7: Yields are quoted Net unless noted otherwise

Source: Savills *Crosspoint/**Nybolig Erhverv/***Realia/****Malling/*****EHL/

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