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CATELLA

THE LEADING EUROPEAN
ALLIANCE
IN REAL ESTATE



IN THE
LAST
YEAR

STRUTT
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&

CATELLA

HAVE TRANSACTED A TOTAL OF

€15.5BN

OF COMMERCIAL PROPERTY ACROSS EUROPE'S
KEY **FINANCIAL** AND **BUSINESS** CENTRES.

Our exclusive alliance continues to undertake the largest and most significant transactions in Europe, capitalising on new opportunities through our combined understanding of each country's unique and distinctive markets.

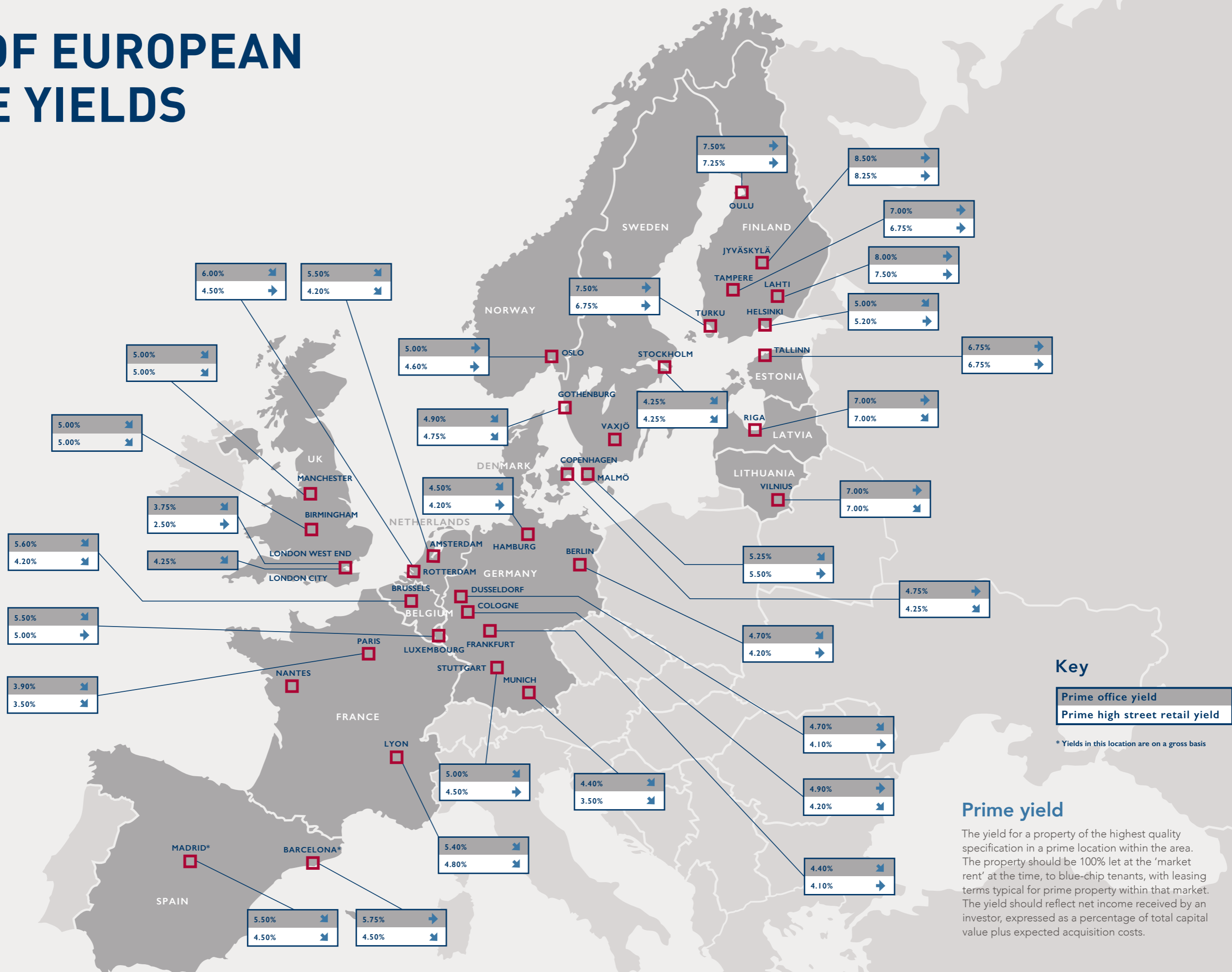
Our team of **330 professionals** has delivered some truly outstanding results for our clients who trust in us to provide **expert real estate advice across all commercial asset classes**.

Catella and Strutt & Parker work together across Europe's key financial and business centres to provide the following services:

- Investment, sales and acquisitions
- Valuations
- Debt financing
- Equity funding
- Asset management
- Development
- Leasing
- Occupier solutions
- Research

MAP OF EUROPEAN PRIME YIELDS

SPRING 2015



MARKET COMMENTS



Stephanie McMahon
Head of Research
Strutt & Parker



THE WEIGHT OF MONEY SURPRISED ON THE UPSIDE IN 2014 AND IS SET TO DO THE SAME IN 2015, IF THE STOCK CAN BE FOUND

A year ago the economic hot topics were QE and interest rate shifts, today much of the talk is about inflation. The UK Consumer Price Index or CPI has fallen to 0.3%, its lowest levels since records began in 1988. The Bank of England is putting this down to temporary factors, such as oil pricing, and as such, if we move into negative territory we will experience 'good deflation'.

In reality, if pricing falls for a short time and increases consumer confidence and purchasing power, that is not a bad thing. We must remain wary, however, of longer term deflationary pressure. The Bank of England is predicting that instead we will return to CPI in the region of 2% much faster than expected, indeed within the next 12 months.

Further on the upside, consumer confidence will be given a boon by house prices which delivered 9.8% growth in 2014 across the UK and over 13% in London. For those that own, price inflation provides a greater sense of wealth accumulation. Finally, GDP is forecast at 2.9% for this year and next, with healthy growth being driven by increased purchasing power and real income growth.

Turning to the UK commercial property markets, 2014 volumes reached their highest levels since 2006 with over £63bn transacted, surpassing 2013 by approximately £8.5bn. This time last year we were of the view that the transactions would not reach 2013 levels, mainly due to lack of stock. We were wrong. Instead far more stock was brought to market, particularly in shopping centres which transacted nearly £6bn.

It is tempting to reiterate the same notion for 2015, as where we currently stand, it feels unlikely that stock levels will match demand. The weight of money around the globe is not questionable, however, and we know that investors are still looking to find safety in whichever asset type they buy whether equities, bonds or alternative assets such as property. The demand is not going away, although it is tentatively moving along the risk curve. In addition to the potential for yield compression across elements of the sub-sectors and sub-markets, appraisals are, in many cases, factoring in rental growth. As such, there is a benefit for shorter term investors to exit their holds and take the capital growth upside.

As such, the UK looks set for another strong year.



Thomas Beyerle
Head of Research
Catella



GROWING REAL ESTATE INVESTMENTS AND HIGH CROSS-BORDER ACTIVITY

In 2014 the European investment market saw a recovery in property investment volumes in many locations. Bond yields are at record lows and equity markets have been quite turbulent. Volumes of capital looking for property investments, especially prime assets, are expected to remain high or will even rise in 2015. At the same time financing conditions are becoming more favorable for the right quality assets. Both risk averse and risk embracing investors are looking for opportunities. The majority – institutional investors – will focus on 'safe haven' markets and asset classes. While opportunistic players will be taking advantage of expected sales of non-performing assets and positive market development of second tier-locations. Fundamentally, many European markets still have a lack of new office space. Prime rents will show a slight increase, while vacancy rates in most markets will decline. Investments of A-quality in second tier-locations and B-quality in first tier-locations have been rising over the past years due to price competition in prime segments and a lack of new supply.

In addition to that there has been an increasing demand for alternative investments e.g. student housing, residential and hotels. Additionally there is strong demand for higher yielding assets like logistics and value-add properties across the property use spectrum.

This demand will be sustained in 2015 and investors will continue to look to diversify from core. The European real estate market we cover will continue to be positive with mainly stable and increasing investment volumes. In Catella's markets, approximately EUR 60 billion was invested in office and retail properties in 2014, of which Germany, France and Sweden were the top-destinations of investors' capital. For 2015 an increasing investment volume between 5% -10% is forecast.

The European real estate market is increasingly becoming a focus for globally active investors. The development is mainly driven by expansive monetary policies, the weak performance of the bond markets and the interest in stable long-term investments. Prime investment opportunities in the main continental European cities attract investors from Asia, North America, Russia and the Middle East. The top destination for international investors was again France, followed by Germany. A strong increase in international investment in Finland and Denmark was witnessed, driven mainly by Swedish investors. Foreign investments in Sweden remained stable compared to 2013. In 2015 we expect more European real estate markets to benefit from the increasing cross-border investment being seen outside the core markets, on both a local and regional level.

MARKET OVERVIEWS



UK

10-yr government bond yield	1.8%
GDP forecast 2015	2.9%
Population change 2015-2030	7.5%
Purchasing power index (Europe = 100)	145.9

The UK economy has been in expansion mode for the last couple of years and GDP is forecast for growth of 2.9% both in 2015 and 2016. Much of that growth is consumer led. Low levels of inflation are more of a concern; however, the Bank of England is predicting that CPI will return to circa 2% within the next 12 months as temporary factors, such as low oil prices, are removed. In 2014 the UK commercial markets exceeded the 2006 peak with £63bn transacted. The weight of global money is not diminishing and although we have seen investors move up the risk curve, there is still nervousness about rental growth outside of core markets/assets for some sectors, most notably retail. In 2015 the greatest challenge will be the ability to access appropriate stock.



GERMANY

10-yr government bond yield	0.4%
GDP forecast 2015	1.9%
Population change 2015-2030	-3.6%
Purchasing power index (Europe = 100)	164.6

GDP growth is expected to accelerate from 1.6% in 2014 to 1.9% in 2015. Thereafter, growth should gradually slow to around 1.5% by 2019. Surplus demand from tenants will continue in 2015, and interest rate levels are still historically low representing a very attractive environment for real estate finance.

Investment demand is expected to remain very strong going forward, with investors increasingly focused on acquisitions in second and third tier locations, due to stable occupier demand in these markets and higher yields. However, the yield gap of 150 basis points between the first and second tier locations is still healthy. This search for yield will drive stronger yield compression on non-core assets this year. Offices will remain the main target for investment and interesting investment opportunities. Overseas investors are expected to continue to chase investment opportunities throughout 2015, with property yields still attractive on a global basis.



FRANCE

10-yr government bond yield	0.6%
GDP forecast 2015	1.2%
Population change 2015-2030	6.6%
Purchasing power index (Europe = 100)	149.8

France is set to slightly underperform the Eurozone recovery over 2014–2016. GDP growth will be just 0.5% in 2014, before picking up to 1.2% in 2015 and 1.4% in 2016.

Investors' appetite for core properties is still high, especially for grade A properties, and yields in the most popular investment areas will continue to compress. The investment market should remain effervescent in 2015, although there is a high risk of a shortage of high-quality office space in the most popular destinations for companies who want to expand their business.

Office take-up in France decreased, with a lack of large transactions and negotiations proving more difficult to finalise. High-quality renovated buildings within well-connected, affordable hubs are the most sought after by tenants, particularly in submarkets such as the Western Business District of Paris. Prime rents fell in 2014 and incentives are still vital in attracting tenants.



SPAIN

10-yr government bond yield	1.5%
GDP forecast 2015	1.5%
Population change 2015-2030	2.2%
Purchasing power index (Europe = 100)	112.0

Spain continues to lead the Eurozone out of recession, with a recovery that started with exports now broadening into domestic demand. Overall, GDP growth is expected to pick up to 1.5% in 2015 and then 2.0% by 2017.

The improved economic climate in Spain and the expectations for growth in consumption and production will keep the investment market busy, with a significant presence of international investors, especially from US and the UK. Institutional investors seeking core assets are back in the market and will push up capital values due to a lack of stock within this segment. There is still some margin for a reduction in prime office and retail yields in 2015.

Significant vacancy rates still exist in a number of office, retail and logistics locations. Occupancy may increase in 2015, in line with wider economic growth.



SWEDEN

10-yr government bond yield	0.6%
GDP forecast 2015	2.5%
Population change 2015-2030	10.3%
Purchasing power index (Europe = 100)	162.6

The Swedish economy is growing at a relatively strong pace compared to the rest of Europe, and GDP is expected to grow by about 2.5% annually in 2015 and 2016.

Prime office yields in Stockholm's CBD and other key locations are close to all-time lows. A lack of assets for sale, and actual and expected rental growth support current yield levels. The spread between prime and secondary office yields in the major cities has declined significantly during the last 18 months, and there is strong investor demand across a wide spectrum of properties. Yields are set to keep on compressing in secondary and tertiary locations, as more value-add and opportunistic capital targets Sweden and Stockholm. With rental growth outside prime locations still moderate, the major support for lower yields comes from a combination of reduced vacancies and higher market liquidity.



DENMARK

10-yr government bond yield	0.3%
GDP forecast 2015	1.8%
Population change 2015-2030	6.1%
Purchasing power index (Europe = 100)	168.1

Denmark's GDP growth of 1.3% for 2014 was driven by deterioration in both domestic demand and the external sector of the economy. The Danish economy is expected to grow to 1.8% in 2015 and to accelerate further in 2016, to 2.0%.

Demand for office space in Copenhagen's CBD is expected to increase in 2015, especially for smaller office units in the 100-300 sqm range. A 15% increase in rents over the next five years is expected to be the result. Investor demand for prime assets is high, but there is limited stock from vendors. Capital is now also seeking value-add strategies and opportunities in the secondary segment, and consequently we anticipate yield compression in the secondary market.



FINLAND

10-yr government bond yield	0.5%
GDP forecast 2015	0.5%
Population change 2015-2030	3.5%
Purchasing power index (Europe = 100)	147.8

For 2014 as a whole, economic activity is expected to contract by 0.2%, the third consecutive year of decline. Recovery will be modest at best in the coming quarters. As a result, GDP growth forecasts are just 0.5% in 2015 and 1.2% in 2016.

This year Finland's transaction volume is expected to rise above previous years to EUR 4 billion. Foreign investors continue to be very selective, but have again started to look beyond prime assets in the Helsinki Metropolitan Area to large diversified portfolios elsewhere in Finland. Finnish properties offer attractive yields compared to their European counterparts, and this will attract attention even with concerns regarding the domestic economy.



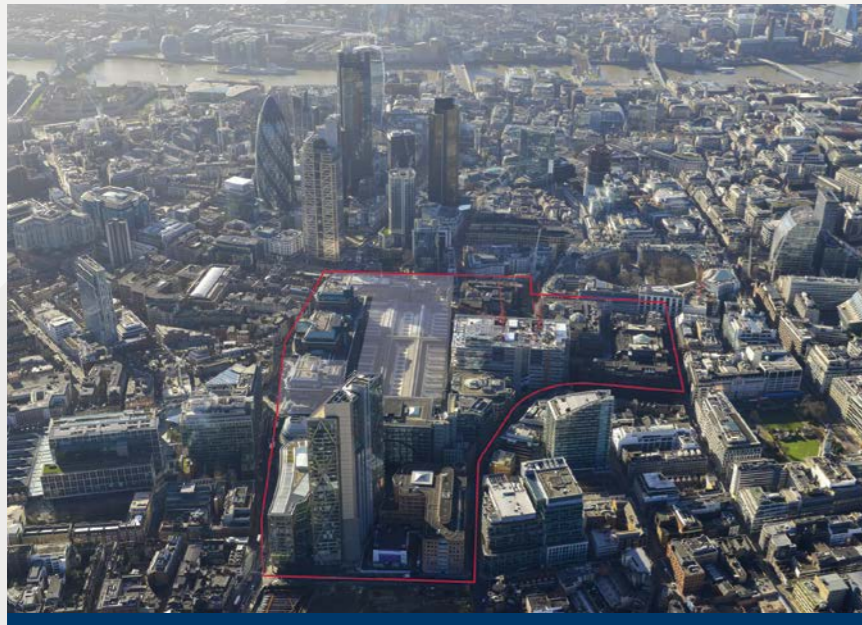
BALTICS

10-yr government bond yield	-
GDP forecast 2015	3.0%
Population change 2015-2030	-6.7%
Purchasing power index (Europe = 100)	60.5

Although the Baltic states were badly hit during the crisis, it has been one of the fastest growing regions in the EU for the better half of a decade. The Baltic region's GDP growth was 3.3% in 2013 and 2.3% in 2014. In 2015 GDP growth will accelerate to 3.0% and then increase to 3.5% in 2016.

The region has seen property investment volume of circa EUR 450 million per annum from 2012. However, considering the deals currently in the pipeline, 2015 should witness a solid growth in transaction volume. Local investors, as well as investors from the Nordic and CIS countries, dominate the market. In general, there is considerably more capital seeking a home than suitable projects to match it. There has been a substantial yield compression over the last year in the Baltics, with current prime office yield levels at around 6.75% in Tallinn and 7.00% in Vilnius and Riga.

DELIVERING SUCCESS ACROSS EUROPE UK



Broadgate Estate, London, EC2

- Advised GIC on the purchase of 50% of this 30 acre City estate comprising 16 office buildings for £1.7bn.
- Completed in 2014 and the largest single investment transaction ever to be undertaken in the UK.



Devonshire House, London, W1

- Advised Devonshire Realty Investments Ltd on the sale for circa £400m.
- Reappointed as letting agents by Ponte Gadea.



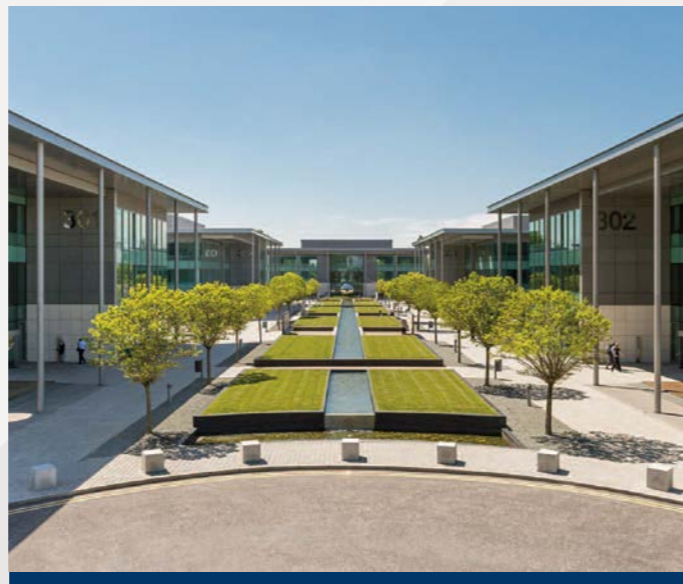
Trident Place, Hatfield Business Park, Hatfield

- Advised on the sale of Everything Everywhere's HQ, on behalf of Goodman, for in excess of £130m.
- Largest single-let South East office deal of 2014.



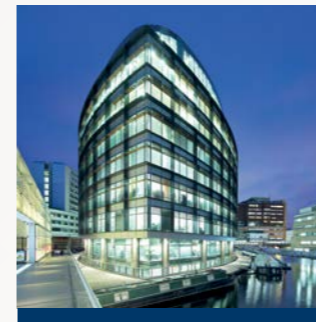
Minster Court, London, EC3

- Advised a private German close ended fund on the loan refinancing of Minster Court at £43m.



MEPC Portfolio

- Advised on the purchase of three business parks on behalf of Oaktree Capital and Patrizia for £430m.
- Biggest regional UK office deal of 2014.



Point, Paddington, London, W2

- Advised Hermes and WELPUT on the sale of this landmark office block in Paddington for circa £210m.



One Chapel Place, W1

- Instructed by WELPUT to sell this 34,000 sq. ft. office investment with a guide price of £60m.
- This instruction was following a successful lettings campaign.



King Edward Court, Windsor

- Advised SWIPPT Fund at Aberdeen Asset Managers on the acquisition of the 215,000 sq. ft. shopping centre for £104m.
- Secured the asset following an extremely competitive bidding process.



Innova Park, Enfield

- Advised Kuwait Finance House on the sale of this 245,000 sq. ft. Iceland distribution unit for £44m, reflecting a net initial yield of 5.05%.
- Previously advised on the acquisition in 2012 for £35m.



One Carter Lane, London, EC4

- Advised London Metric on the sale of this City office investment for £139m to Fubon Life Insurance.



Emperor Portfolio

- Advised ABPP on the sale of nine office assets for £137m.



Trafford Park, Manchester and Dove Valley Park, Derby

- Advised Topland on the sale of two logistics units for in excess of £55m.

DELIVERING SUCCESS ACROSS EUROPE

UK



Moorgate Exchange, London, EC2

- Advised Brookfield on the acquisition of this 218,000 sq. ft. prime City office investment for £211m.



Mid City Place, London, WC1

- Advised Temasek, from Singapore, on their first UK purchase.
- Acquired 50% of this prime Mid Town office investment for £186m.



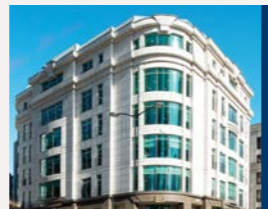
101 New Cavendish Street, London, W1

- Advised WELPUT on the acquisition of this West End office investment for £87m.



Ashley Centre, Epsom

- Advised the Carlyle Group on the sale of this 311,000 sq. ft. shopping centre for £78.5m.



Camomile Court, London EC3

- Advised AXA Real Estate on the acquisition of this prime City office investment for £48m.

SWEDEN



Hemsö/Hemfosa exchange transaction

- Advised Hemsö on the sale of 60 public properties for EUR 353m.
- Hemsö also acquired the life science property Novum in Huddinge from Hemfosa with an underlying property value of over EUR 122m.



Creation and listing of new company, Torslanda Property Investment

- Acted as financial advisor and manager in the creation of the new property company Torslanda Property Investment AB.
- Advised Torslanda on its listing process on First North Nasdaq Stockholm, in January 2015.



Capital raising for and listing of NP3 Fastigheter

- Acted as financial advisor to NP3 Fastigheter assisting with capital raising and acquisitions advice.
- Advised NP3 Fastigheter in their share issue amounting to EUR 25m and their listing process on Mid-Cap Nasdaq Stockholm in December 2014.

GERMANY



Schiffgraben 20, Hanover & Herzog-Carl-Strasse, Ostfildern

- Advised ENDB on the sale of office and retail investments.



Trophy building Opernplatz XIV, Frankfurt on the Main

- Advised an international investor on the sale of this office/retail and hotel project in a prime location of Frankfurt on the Main.



Office building, Hanover

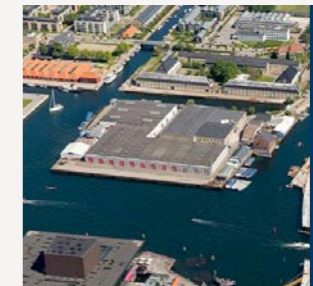
- Advised HSBC on the approx. EUR 40m sale of a 20,000 sq.m. office building with a 20 years lease contract of a public tenant.

DENMARK



Holberg Fenger

- Advised Holberg Fenger in the divestment of a shopping centre development project, sold to Tristan Capital Partners for EUR 100m.



Christiansholm, Papirøen

- Advised Union Holding on the establishment of a joint venture for the development of an inner-city harbour front residential development.



KPMG Copenhagen Headquarters

- Advised EY on the sale of the former KPMG headquarters in Copenhagen for EUR 65m.



The Nordic Living portfolio

- Advised PensionDenmark on the sale of 700 apartments to Nordic Real Estate Partners.

DELIVERING SUCCESS ACROSS EUROPE

FRANCE



37 boulevard de Montmorency, Paris 16

- Advised EADS on sale and lease back of 14,000 sq.m. of offices for EUR 78.1m.



Irisium, Lille

- Advised Deka on the sale of 9,500 sq.m. of offices for EUR 26.7m.



Portfolio Mr Bricolage

- Advised Icade on the sale of 36 retail assets all over France for EUR 135m.



M7, Paris 13

- Advised Meag on the sale of 17,450 sq.m. of offices for EUR 133m.



4/8 rue Condorcet, Paris 9

- Advised Backstone on the sale of a 25,000 sq.m. offices and residential property for EUR 229.5m.



Pointe Métro, Gennevilliers

- Advised Hines on the sale of 23,700 sq.m. of offices for EUR 102m.

FINLAND



Derby Business Park, Helsinki Metropolitan Area

- Advised SRV on the sale of three office buildings comprising approx. 20,000 sq.m.

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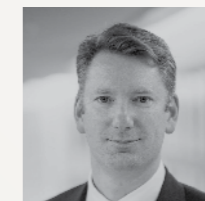
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