# INTERNATIONAL INVESTMENT ATLAS SUMMARY

A Cushman & Wakefield Capital Markets Research Publication

2014

# INTRODUCTION

## Welcome to the Cushman & Wakefield International Investment Atlas publication. This report has been prepared by Cushman & Wakefield to provide an introduction to the world's key commercial real estate investment markets in 2013 and an indication of activity in 2014.

The report covers the main areas of activity, showing the size and status of each and giving a flavour for the real estate sectors and a brief view on where each is heading.

This summary report is supplemented by three Regional Market Profiles for The Americas, Asia Pacific and EMEA, all of which include page by page country overviews, totalling 55 global countries.

All sections of the report as well as global contacts are free to download at our dedicated report website:

**www.investmentatlas.cushwake.com**

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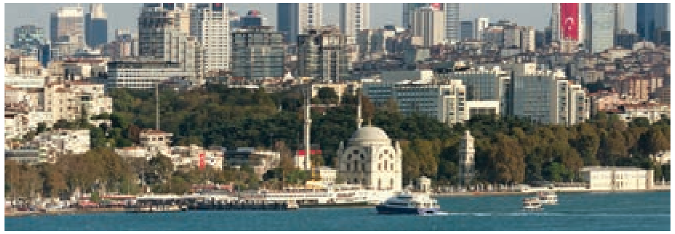
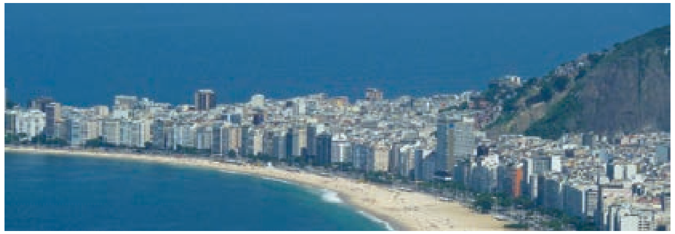






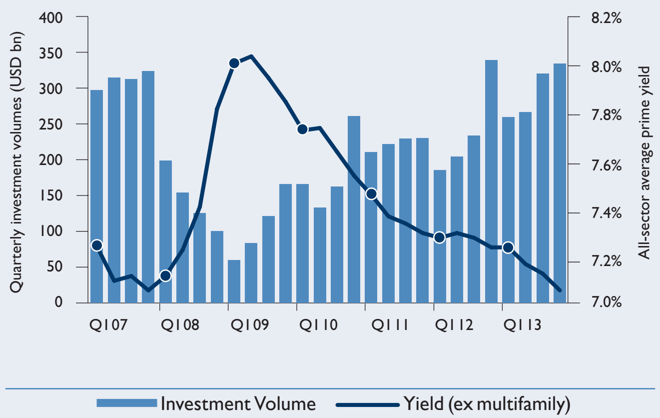
# GLOBAL INVESTMENT ACTIVITY

## PLOTTING A COURSE FOR GROWTH

The global market turned a corner in 2013, with investment activity and values picking up as recessions ended, business sentiment rallied and increased liquidity lapped the shoreline of most global markets. Indeed, the final quarter was buoyant, delivering an annual total of USD1.18 tn, a 22.6% rise on 2012. This was the highest global total since 2007 and helped to push prime yields back down to pre-crisis levels.

Growing levels of optimism and activity have their roots in a belief that the global economy is set for calmer waters and financial imbalances are on the mend. This view may have tempered somewhat this year as tapering got underway and political instability increased, but in 2013 it led to an increase in risk appetites, manifesting in a push to invest across borders, a move towards second tier assets and a narrowing in the prime to secondary yield gap.

### FIGURE 1 – GLOBAL PROPERTY INVESTMENT VOLUMES




Source: Cushman & Wakefield, RCA, KTI and Property Data: Deals over USD5 mn including land

Stronger growth was seen in most core markets, from the USA to the UK, Japan, Germany and Australia, while a surge in China, led by land sales, put the icing on the cake for a vintage year by volumes and rate of growth. Emerging market trends have been diverse however, with second tier Chinese centres up as well as a host of other countries such as Mexico, UAE, Vietnam, Malaysia, Russia and Turkey. At the same time emerging market stalwarts such as Brazil, India, Indonesia and Thailand saw volumes fall as a mix of political and economic factors impacted.

Shanghai – China

While trends are mixed, the speed with which sentiment has turned has surprised many, leading some to question whether investment markets are getting too far ahead of the occupational cycle and whether a liquidity driven bubble will burst when the Federal Reserve and others start to rein in quantitative easing (QE). The degree of unanimity on the positive outlook at the turn of the year was certainly a cause for caution, but that has now unwound. While there are downside risks and the recovery is very much multi-speed, tapering should be coincident with better economic and corporate confidence – and hence should precede an increase in occupational demand and growing property incomes. What is more, the more diverse range of current opinion hopefully sets the scene for differing investment objectives, resulting in a more varied, active and dynamic market.

With bond yields already increased, the main impact of an end to QE will be felt in emerging markets as liquidity drops. However, it should also be taken as a reminder that investors need to stay focused on fundamental real estate drivers – in particular the mismatch between supply and demand, both in terms of quantity and quality given the changes underway in what occupiers want.

The reaction of occupiers to the global recovery has been patchy to date, with some areas of increased take-up but few with rental growth and some markets still being fed by large development pipelines including emerging markets in Asia, Central and Eastern Europe and Latin America. At the same time, new occupier demand patterns are emerging globally, while demand from growth sectors led by TMT are exciting markets in all regions, led by London, New York, Singapore and Hong Kong.

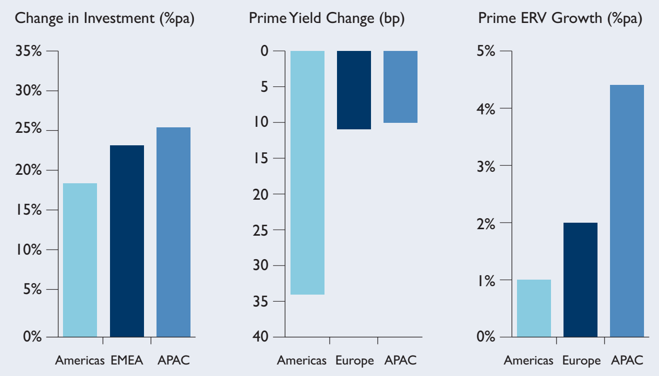
Overall, the volatility of the equity market in the opening weeks of the year is in many ways a return to normality and a reminder of the challenges and opportunities ahead. For real estate these are perhaps best encapsulated by the view that it will be change rather than growth which drives success, be that in investment and funding or in changing working and shopping patterns and sustainability needs.

## REGIONAL TRENDS

All regions saw a positive trend over 2013, but developments within each became more diverse. Asia for example led the way for volumes thanks to growth in China as well as Japan and Australia, but this had to offset declines in Taiwan, India, South Korea, Hong Kong and Thailand. Interestingly, in EMEA, while trends were again diverse, the upturn was broader than in recent years, with the UK and Germany still driving the majority of regional growth but Russia, Italy, Spain, the Netherlands and Belgium all posting marked increases as did UAE, Israel and South Africa in the Middle East and Africa sub-region. At the same time, markets such as France, Sweden and Poland did little more than keep pace with 2012 while Norway, Switzerland and Denmark all fell back.

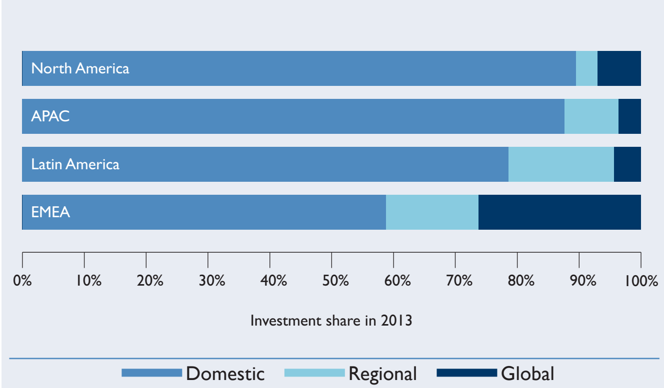

Tokyo – Japan

### FIGURE 2 – TRENDS IN THE GLOBAL MARKET IN 2013




Source: Cushman & Wakefield, RCA, KTI and Property Data Note rent and yield excluding multifamily

### FIGURE 3 – CROSS BORDER INVESTMENT BY REGION (2013)




Source: Cushman & Wakefield, RCA, KTI and Property Data

The Americas meanwhile failed to be the driver behind global growth for the first time since 2009. However, the region still produced a very strong outturn led by the USA but with a significant upturn in Mexico and a stable showing from Canada. By contrast, Brazil saw a decline in volumes as did a number of smaller markets such as Argentina.

Value trends were similarly diverse although most areas saw prime yields stabilise and fall by the year-end, with the Americas leading overall and signs of pressure spreading from tier 1 to tier 2 markets as tight supply and an attractive yield gap enticed buyers.

Rents meanwhile were largely subdued, increasing by just 2.5% globally, their slowest pace since 2009. Asia was the lead region thanks to the buoyancy of office markets such as Jakarta, Taipei and Manila. Retail was the most dynamic sector globally, with rents ahead by 3.4%, led by Europe but with all regions posting 3% plus gains as retailers focused on global expansion in gateway markets.

In all regions cross border investors grew in significance and rose by 24.3% over the year versus a 22.3% increase in domestic demand, delivering a slightly increased market share of 17.6%. A significant shift in the nature of cross border players is taking place, however, with global as opposed to regional investors coming to the fore. Regional investment rose 13% while global investment was up 36%, driven particularly by investment into Europe.

The main source of international capital is the Asia Pacific region, accounting for nearly 40% of all non-domestic spending. However, the majority of this is invested within the Asian region, and looking at global rather than regional spending, it is North American investors who very much drove the market, investing USD43.8 bn, 43% of the total spent outside an investor's home region.

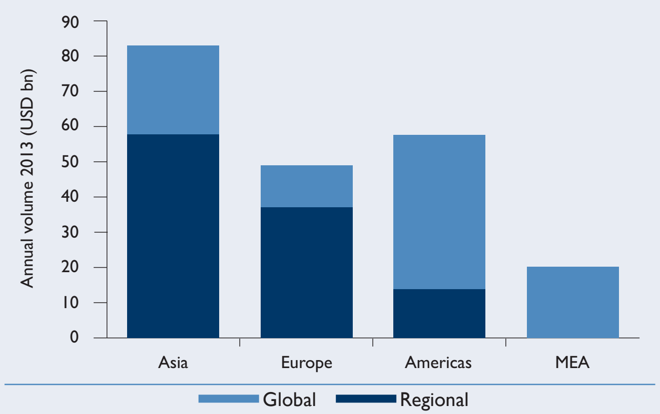
Nevertheless, the fastest growing source of global capital is no longer North America – Asian investors increased their spending outside their region by 88% while Middle Eastern Investors beat that, increasing spending by 96%. By contrast, North American investment outside the Americas rose 23%, and European investment outside the region was virtually flat.

### Momentum building as confidence returns

"The real estate market ended 2013 on a high, supported by greater confidence, rising liquidity and the fact that momentum is building further this year. Indeed, there are signs of a firmer occupier market as well as greater investment demand and new sources of debt set to drive investment activity, all of which should push property pricing higher."

# GLOBAL INVESTMENT ACTIVITY

## FIGURE 4 – SOURCES OF INTERNATIONAL CAPITAL




Source: Cushman & Wakefield, RCA

American players increased their regional spending – up by 44% – largely due to stronger Canadian investment into the USA. European investment within their own region actually fell, partly due to a greater focus domestically but also due to strong competition from global players.

Pension and Sovereign Wealth Funds (SWFs) remain more focused on Europe than other regions, with 59% of 2013 commercial investment (excluding land and multifamily) heading towards EMEA followed by 28% for the Americas and 13% for Asia. Both groups are seeking offices, averaging 57% of investment, although pension funds have a higher allocation towards retail (33%) while SWFs are frequently interested in the hospitality sector (29%).

Country targets were relatively similar for the two with the US and the UK dominating, as they do for most investor types. Other countries attracting the lion's share of pension fund investment are Germany, Canada and Australia, with each clearly having a strong domestic pension fund market underpinning this.

Among Sovereign Wealth Funds, France, Italy and the UAE were top five targets in 2013 while for insurance and private equity funds, Germany, France and China rounded out the top five. However while many of these global funds are set on core countries and gateway cities, others are increasingly ready to look towards smaller cities and second tier countries.

At the same time, changing regulations continue to drive change in the market, with Australian pension allocations increasing and Taiwanese insurers to be freed to invest overseas. Chinese insurers have already been deregulated to allow them to invest directly in foreign real estate, and major players such as Fosun International and PingAn have made their presence felt in gateway markets such as London and New York. More is to come as smaller institutions follow their lead. At the same time, other Chinese players are also looking further afield, with Gingko Tree perhaps the most travelled, looking in regional UK, Belgium, Germany and Poland in Europe for example. However while Chinese investors put USD14.5 bn into the global market in 2013, they will still struggle to be dominant overall with other Asian funds also increasing, led by Singaporean, South Korean and Japanese funds, and of course the current dominant region – North America – also set to invest more globally.

## Change – not growth – is set to drive medium term demand and performance

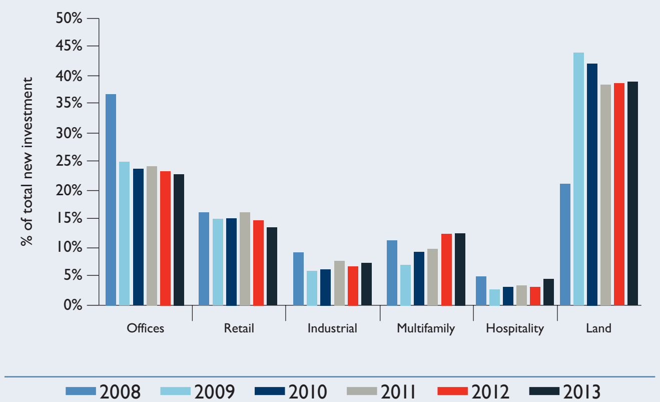
"Firmer occupier interest is emerging, but simple expansion is not the main driver of this; rather, it is a fundamental change in the property that businesses want. In all sectors, occupiers are reacting to new ways of working and shopping, to new technology and to factors such as sustainability and a need for real estate to help retain talent. Furthermore, there has been a move toward more intense uses of space, resulting in a significant reduction in the area per worker. As a result, more than ever investors need to focus on what the occupier wants as well as what they want to avoid."

London – England

## INVESTMENT TARGETS

By sector, development sites led the way in 2013 with a 31% increase and a 39% market share. This was driven by Asia where land accounted for 76% of trading last year versus just 4.3% in EMEA and 4.2% in the Americas. Away from land, offices remain the largest investment market, with a global market share of 23% and 20% growth in 2013, which was strongest in Asia but robust in all markets. Retail meanwhile had a 14% global market share after seeing relatively weak growth of 10% in 2013, with the Americas and EMEA showing stronger growth but Asian retail volumes declining by nearly 14%, giving it a market share of just 6% versus 19% in the Americas and 23% in EMEA.

### FIGURE 5 – SECTOR SHARE OF GLOBAL TRADING




Source: Cushman & Wakefield, RCA, KTI and Property Data

Globally multifamily property is just behind retail, with a 13% market share and growth of 20% last year. The Americas is the biggest market, accounting for 69% of all activity, but EMEA saw stronger growth last year of 33% versus 18% in the Americas, and the sector has now increased to 15% of all EMEA trading. By contrast Asia Pacific volumes fell 2.2% and multifamily had just a 1.6% share.

Industrial had a 7.4% global market share, with the Americas the largest market (12.6%) followed by EMEA (10%) but European growth adding more to the global total than other areas over 2013. Activity in the hospitality sector surged by 24% last year but at USD54.1 bn it remains the smallest investment sector, accounting for 4.6% of all activity in 2013, led by EMEA and the Americas. With rising confidence, increased business and tourist activity, stronger debt availability and high demand, 2014 looks likely to beat this mark with gateway hospitality markets remaining in focus but higher prices likely to lead more investors to broaden their interest towards more secondary assets and markets.

Warsaw – Poland

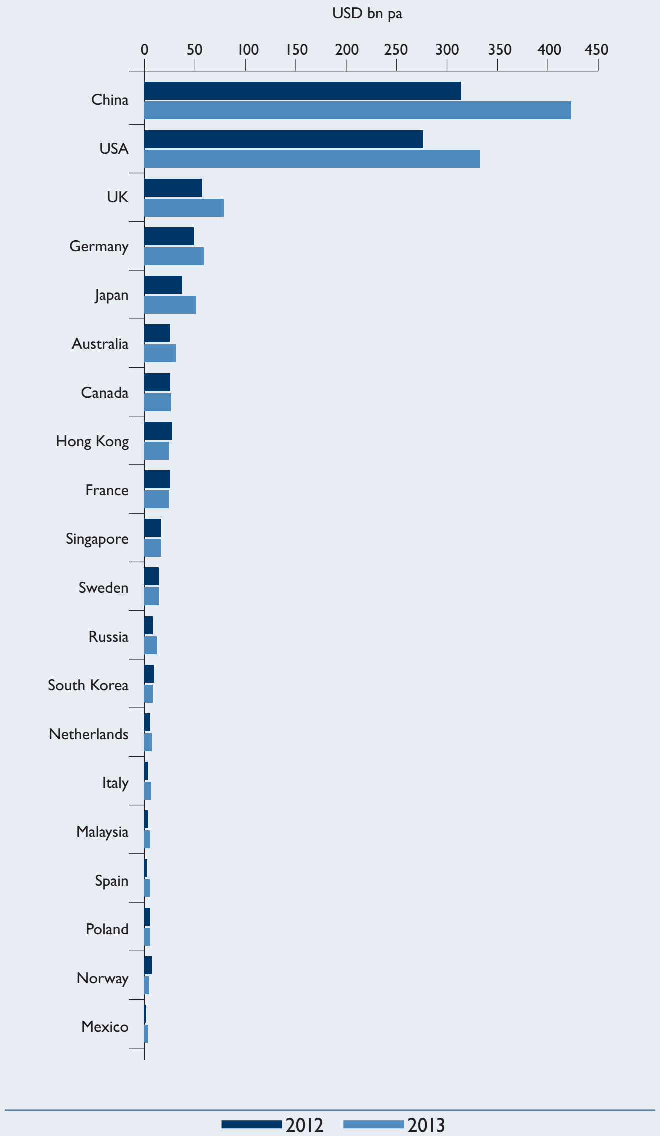
Core markets largely remain in high demand, with the top countries for investment little changed from 2012, with just India, Brazil and Taiwan moving down as Mexico, Spain and Italy rose up into the top 20. Seven of the top 20 are now in Asia, compared with ten in Europe and three in the Americas. Meanwhile, the strongest growth at a country level was in core markets albeit with a range of emerging countries such as Mexico, Russia, Turkey, Vietnam and Malaysia posting strong increases. China remained the largest global investment market thanks to further growth in land sales which served to increase its lead over the USA.

### Demand broadening to new areas and sectors

"While core markets remain in high demand, a search for stock, for yield and for performance has rapidly led investors to look further afield, with selected emerging Asian markets, second tier US cities and Southern Europe back in favour in 2013, with this recovery set to deepen this year."

# GLOBAL INVESTMENT ACTIVITY

FIGURE 6 – TOP 20 INVESTMENT TARGETS




Source: Cushman & Wakefield, RCA

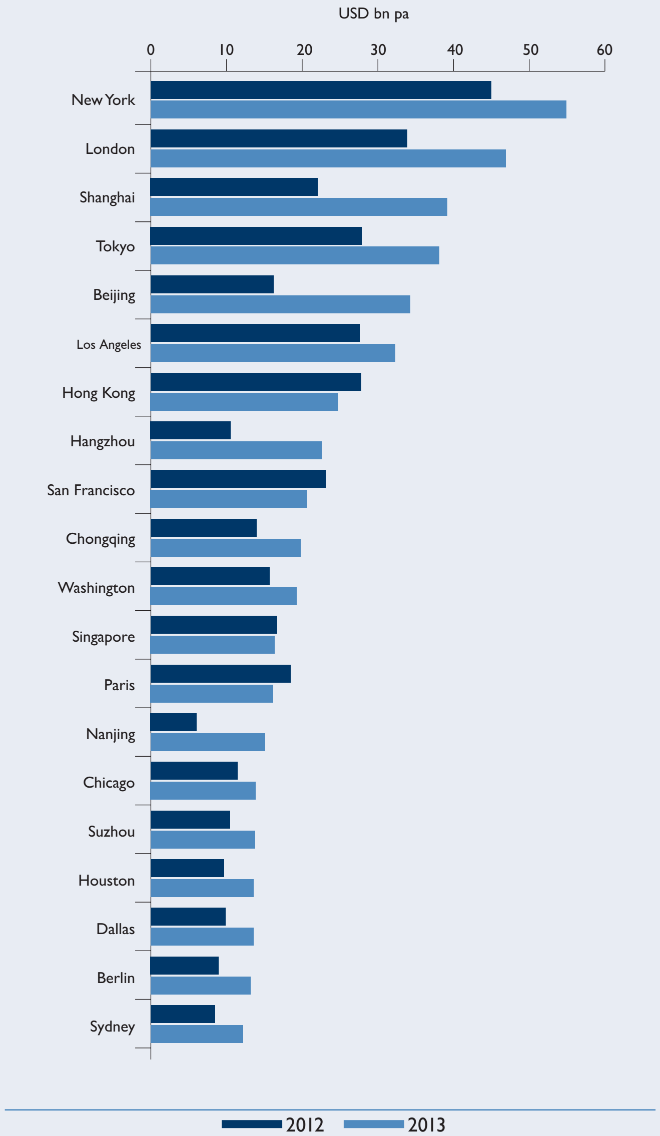
At a city level, 15 of the top 20 targets were unchanged on 2012 and the level of concentration of investment was at similar levels, with 62.6% of all investment targeted at the largest 50 cities. New York remained the number one target, attracting USD55 bn into real estate, a 22% increase on 2012. London closed the gap in second place however, with a 38% increase; while Shanghai, Tokyo and Beijing rounded out the top five as Los Angeles and Hong Kong moved down to make way for the two mainland Chinese giants. Among cross border global investors, London is very much top, with New York second, Paris third, Sydney fourth and Tokyo fifth. By sector, New York is the top global market for retail, multifamily and hotels, while London is first for offices and Los Angeles for industrial.

## A rapid but front-loaded recovery is now underway

"Recovery is taking place more rapidly than expected, and speed is likely to remain a feature of the market as much in how quickly pricing adjusts as how demand spreads out. However, while occupier markets are firmer, supply varies considerably globally. What is more, the investment recovery is running ahead of the overall tenant market – albeit to differing degrees – and thus the profile of the recovery will be front-loaded, with strong short term gains followed by slower growth as occupier markets catch up."

New York – USA

FIGURE 7 – TOP 20 CITY INVESTMENT TARGETS (excluding development)




Source: Cushman & Wakefield, RCA

## ASIA PACIFIC

Asia Pacific saw the fastest growth in investment volumes of any region in 2013, with a 25% increase delivering a year end volume of USD568.6 bn, 48% of the global market. It is notable, however, that a very significant share of this related to land sales in China, which soared 37% to USD397 bn, 34% of the global total. Taking Chinese land sales out of the regional total, volumes grew by just 5% and the market slowed considerably in the final quarter as the pace of land bank accumulation slowed due to tighter liquidity and the higher costs of holding sites. Land sales over the year were nonetheless at record levels, with Shanghai and Beijing particularly strong as well as other tier 1 cities where underlying growth is judged to be secure such as Shenzhen and Guangzhou. This planned development will also fuel a pick-up in construction that will help drive economic growth in 2014/15.

Demand for prime standing investments picked up in emerging markets in the final quarter, led by China for retail and offices, while industrial had a strong year overall with core markets such as Japan and Singapore performing well and looking set to remain in strong demand.

Vietnam and Malaysia led the way for global emerging markets, bettered only by Mexico, with volumes up 58% and 37% respectively. With growth of 36% and 23%, Japan and Australia were also up strongly but core markets still grew by just 6% versus a 33% increase in developing markets. Japan saw significant yield compression as a result while Australia was boosted by foreign buying demand, notably from China, as well as by stronger domestic demand.

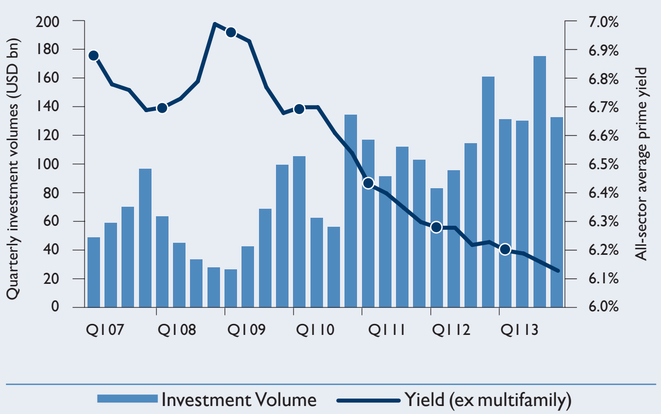
In Hong Kong and Singapore demand slowed as calming measures took effect, although Singapore looks to be ahead of Hong Kong in terms of stabilising from this. At a city level, Tokyo was again dominant although Sydney was faster growing. Hong Kong maintained its second place despite a fall in volumes while Osaka, Nanjing and Shenzhen were the fastest growing larger markets.

Despite slower demand, development has remained high in parts of the region such as non-core office areas of Shanghai and Beijing as well as tier 2 Chinese cities such as Chengdu, Tainjin and Chongqing where activity has been boosted by some developers turning away from the residential sector. Elsewhere, Kuala Lumpur, Jakarta and key Indian cities have active development pipelines.

Occupier sentiment has been mixed but somewhat lower as economic trends have been assimilated. A lot of businesses are wary of taking on more risk with a range of factors to preoccupy them from environmental disaster in the Philippines, to upcoming elections, political turmoil in Thailand, weak economic fundamentals in India and Indonesia and slowing growth and credit constraints in China.

Such caution is also not surprising given the volatile nature of the global recovery and the slower trajectory of growth that investors are growing accustomed to in Asia. However, while this creates social and economic uncertainties, it also promises growth in some areas, notably for those that successfully reform but also in areas exposed to the change in economic balance from investment to consumption and in areas offering productivity gains such as modern logistics.

FIGURE 8 – APAC PROPERTY INVESTMENT VOLUMES




Source: Cushman & Wakefield and RCA

Hong Kong

# GLOBAL INVESTMENT ACTIVITY

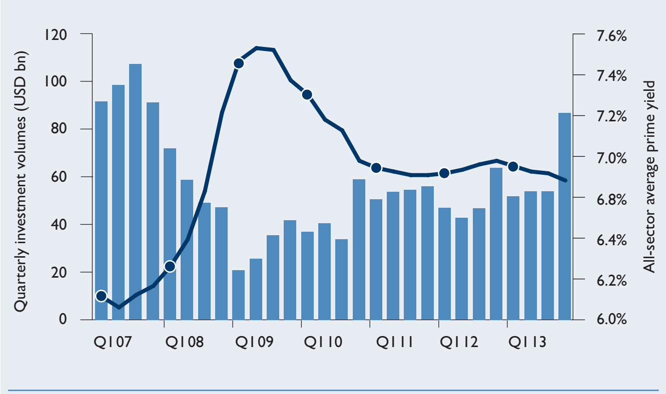
## EMEA

A strong final quarter drove volumes in EMEA to a six year high of USD246.3 bn in 2013, 23% up on the previous year. The story of the year was the bounce in activity in peripheral markets, led by Southern Europe which rose by 107%, but demand in the core remains high, supported by a greater availability of debt, and the big three of France, Germany and the UK saw a 24% rise in volumes, thus maintaining their market share of 66%. At a city level London was the fastest growing top five European market while Berlin was the fastest growing in the top ten, helped by rapid growth in apartment sales. Milan was also up strongly as were Madrid, Barcelona, Dubai, Brussels and Dublin.

Opportunistic investors have made their presence felt and foreign demand in general has been a key part of the renaissance of European markets. While cross border investment overall was stable at around 42% of all trading, non-European flows were up by a strong 49%, accounting for 27% of the total. North American capital was again substantial, but Middle Eastern and Asia Pacific flows are increasing at a much faster rate, doubling and trebling respectively according to RCA.

Overall demand is still rising as institutional allocations are raised and foreign interest increases. Greater debt availability and lower pricing is adding to buying power and while still restricted to prime in many areas, risk appetite among lenders is improving, leading to a slow broadening in availability. Alongside an appetite to invest quickly, this has helped to support a stronger level of interest in portfolio sales.

### FIGURE 9 – EMEA PROPERTY INVESTMENT VOLUMES




Source: Cushman & Wakefield, RCA, KTI and Property Data

In response to rising demand, pricing has tightened, led by prime but with good quality secondary also coming under pressure. This has helped to bring forward some profit taking – for example, listed companies making sales to free up capital in order to redeploy high up the risk curve. Banks have also been a greater source of product via asset and loan sales and this is set to accelerate as the EU's banking asset quality test draws closer and ahead of the ECB taking over supervisory responsibility in September.

Europe's economic recovery is in its early days and faces headwinds from deleveraging and possible deflation as well as the threat to export demand and the exposure of the banking sector to emerging markets. However the ECB does have leeway to act and to date, export growth, restocking and a slow stirring in consumer demand have been enough to stabilise unemployment – potentially the biggest threat to the region in terms of economic, political and social pressures.

Corporate confidence is improving meanwhile and this is slowly being reflected in tenant demand and a shift in aims from just cost control to improving business effectiveness.

In general occupiers are still focused on Grade A space but with supply limited, compromises are needing to be made and rental pressures are to set to mount.

In the retail sector, improving consumer confidence is boosting markets but the importance of e-tailing is keeping a sharp focus on the best units and locations as well as new ways of retailing. Core logistics space is also benefitting from the growth of e-tailing and with quality modern space limited in core markets, rents are under pressure, particularly in transport hubs, be they international such as Antwerp and Hamburg or domestic in larger countries.

Paris – France

## THE AMERICAS: LATIN AMERICA

**Investment activity in Latin America fell 13% in 2013 to USD5.7 bn after a weak second half. The fall was due to a decline in global investment, with domestic investment increasing 38% but foreign investment falling by 61% to just 21% of the total, its lowest market share for three years.**

Intra-regional trading held up as North American and Chilean funds continued to show demand and a number of larger deals demonstrated investor faith in the long term potential of the market. However some other global players have taken a shorter term perspective and turned towards different global markets where risks are deemed to be lower, such as recovering markets in Europe. At the same time, a number of major local players have also diverted some investment outside the region as they increase their global profile.

With Brazil seeing investment volumes fall 75% last year, Mexico stood out as a growth market for the region over the period with a surge in activity of 188% driven by new REIT vehicles and strong growth in the industrial sector. While demand has increased in some tier 2 cities, there has been no let up in interest in core product, with prices pushed higher as competition remains strong.

The macro picture for the region has been mixed, although on the back of more aggressive reforms strengthening growth potential and stability, Mexico has seen its credit rating upgraded, joining Chile as the only other Latin American country with an A-grade rating. By contrast, Brazil has received a harder review from rating agencies and has something to prove at this year's soccer World Cup beyond just football.

Occupier markets have been volatile, with conditions healthiest in the residential sector but subdued demand and rising availability typical in many commercial markets. Office pipelines are high in most major cities for example, although some, led by Mexico City and Santiago, are now reporting a return of better occupier confidence. Industrial markets are suffering from oversupply as development runs ahead of demand, while retail markets are more mixed, with ongoing demand in prime areas but weaker consumer confidence and higher supply impacting on the wider market.

FIGURE 10 – LATIN AMERICA PROPERTY INVESTMENT VOLUMES


Source: Cushman & Wakefield and RCA

Buenos Aires – Argentina

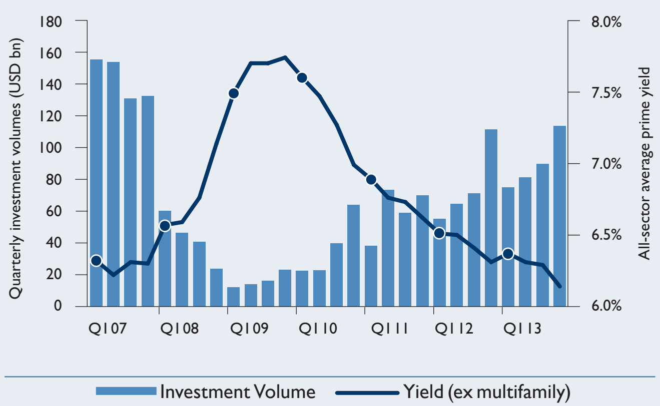
# GLOBAL INVESTMENT ACTIVITY

## THE AMERICAS: NORTH AMERICA

North America saw its best quarter since 2007 in Q4 2013, and while growth was not quite as strong as in Asia and Europe for the year, there was still a 19% rise in overall volumes to USD359 bn, 30% of the global market. The US itself has driven the increase, with demand in Canada strong but activity levels pegging with 2012 as the market was held back by high prices and stock shortages.

Strong capital flows into the sector in the USA were supported by both equity and debt markets, with more competition emerging to both buy and to lend, supported by an improving economy and the flow through to real estate market fundamentals. The senior debt market has been strong for some time, and the mezzanine debt market is also highly liquid where the LTV ratio is conservative. A further improvement in finance market conditions is likely this year as the CMBS market expands.

### FIGURE 11 – NORTH AMERICA PROPERTY INVESTMENT VOLUMES




Source: Cushman & Wakefield and RCA

Demand is easily outstripping supply in gateway markets, but more stock is likely to emerge as some investors take profits and funds and REITs continue to realign portfolios. Increased interest has also emerged in previously overlooked markets as risk appetites have grown, and while New York, Los Angeles and Washington DC have remained dominant, others such as Orlando, Las Vegas and Hawaii have seen the fastest growth in the past year.

The office sector took 29.6% of the market in 2013, on a par with the previous year, with better signs of health in the occupational market supporting investor interest as tech and energy companies were again the main driver of demand. In the retail sector, markets are still heavily polarised, with the top high streets and malls significantly outperforming and prime yields compressing as a result. Meanwhile, hotels were the strongest area of volume growth while demand in the multifamily sector eased back a little as pricing and investment approached pre-crisis highs.

The Canadian market continued its strong performance with volumes and pricing near historical highs, albeit with just a 2% increase recorded in activity overall. There were, in fact, distinct trends during the year, with volumes falling 37% between the first and second halves while in the USA volumes rose 38% over the same period. The first half was characterised by strong demand from REITs and other public RE companies with ready access to equity and debt capital. With the increase in bond yields and interest rates in the summer, however, REIT yields increased and these buyers became less active. Demand shifted to pension funds and pooled institutional funds whom will remain keen buyers in 2014 as institutional allocations once more increase.

Austin – USA

## MACRO POSITION

Macro conditions have cleared materially over the past 12-18 months but as ever a wide range of risks still exist, from geopolitical to environmental, to economic and financial. Some of the key issues set to shape investment strategy include a possible upswing in consumer spending, led by the USA, the potential for the US dollar to strengthen and a likely increase in M&A activity. In terms of geopolitical factors, disputes in the Middle East and North Africa as well as in the Ukraine and in the East and South China seas pose a real risk to stability. For the short term outlook however, perhaps the two most pressing issues revolve around the end of quantitative easing and the health of emerging markets.

In terms of QE, we face a long term correction which is starting with a slowdown in the rate of QE rather than an absolute reverse. Nonetheless, while central banks are likely to remain largely supportive, the tightening risk will bring more volatility as investors react to month by month news flows. For real estate there is likely to be only a limited short term impact on prime pricing due to the level of demand in the market, the scale of the yield gap favouring property and the prospect of a steady return of rental growth. Indeed, an end to QE will be a signal of a normalising economy, and with real estate a play on economic recovery, quality property stands to gain.

In emerging markets meanwhile, growth is slowing, but this is as one would expect as economies such as China and Brazil become larger and are unable to support historic rates of growth. However they are still growing above expected global averages according to most forecasters. What is more, while some countries face difficulties, there are opportunities in others in Africa and the Middle East, for example, and in countries such as Peru, Columbia, Chile and the Philippines which offer transparency, good infrastructure and educated workforces.

The need but also the pace of reform is actually picking up in most areas of the world, largely in reaction to the financial crisis and need for banking reform but also in response to a need to boost competitiveness and generate growth. Unsurprisingly, it has been eurozone countries leading the way, focusing on fiscal stabilisation and consolidation but also social security and labour reform. In other areas of Europe reform is underway but typically at a slower pace. A number of Central & Eastern European markets have also been active on reform – seeking to stay one step ahead of Western

Europe and competing global emerging markets. In contrast, reform in many other emerging markets has been less urgently pursued, perhaps because many were less impacted by the financial crisis, and it is only now that reform plans are being reinvigorated.

Raising employment is a key reform aim in more and more markets, perhaps most pressingly in the eurozone. In areas such as South Korea and Japan there has been more focus on raising labour productivity while in the US, education and health reforms alongside tax structures are the priority.

In the BRICs and other emerging markets such as Turkey and Mexico, education, infrastructure and barriers to competition have been in focus alongside measures to reduce the black economy, while in China, alongside a focus on raising consumption, financial sector reform is also planned.

Among emerging or mature markets, investors need to focus on countries that have economic stability and a willingness to reform. Table 1 highlights the top 30 countries for a range of indicators such as wealth and growth, innovation and business stability and an assessment of reform credentials, a qualitative view drawing on World Bank and OECD findings.

The top markets that appear in five out of six of these top rankings are Denmark, Singapore, the USA and the Netherlands. They are followed by a host of core countries such as Norway, Switzerland, Sweden, the UK, the USA, Canada, Germany, Japan and Hong Kong that appear in four out of five listings. Some smaller European markets such as Ireland, Austria and New Zealand also feature in four out of six rankings and are worthy of more investor interest as a result.

In the next tier we find a number of European markets restructuring after the eurozone crisis, with Spain and Portugal leading, Greece moving up quickly and Italy also moving forward. Other mature markets such as Belgium, Taiwan, South Korea and Australia are in this group of promising targets while emerging markets led by China, then Malaysia, Chile, Poland, Czech Republic, Mexico, Bulgaria and Peru also feature. A select number of Middle Eastern markets fair relatively well – led by Qatar, UAE and Israel – while in Africa, considerable concerns remain over stability but some markets are much improved, such as Botswana, Ghana and Angola as well as South Africa.

## TABLE 1: A MACRO ASSESSMENT OF MARKETS

| | WEALTH GDP PER CAPITA | DYNAMISM GDP GROWTH 2013-18 | OPEN FOR BUSINESS | ECONOMIC STRUCTURE BALANCE – 2014 | OPEN TO REFORM | THE GLOBAL INNOVATION INDEX 2013 |
|---|---|---|---|---|---|---|
| 1 | Luxembourg | Mongolia | Singapore | Sweden | Greece | Switzerland |
| 2 | Norway | Libya | Hong Kong | Switzerland | Latvia | Sweden |
| 3 | Qatar | Mozambique | New Zealand | Denmark | Malaysia | United Kingdom |
| 4 | Switzerland | Sierra Leone | United States | Luxembourg | Portugal | Netherlands |
| 5 | Australia | Cote d'Ivoire | Denmark | Norway | Spain | USA |
| 6 | Kuwait | Zambia | Malaysia | United States | Chile | Finland |
| 7 | Denmark | Cambodia | South Korea | Austria | China | Hong Kong |
| 8 | Sweden | China | Norway | Belgium | Colombia | Singapore |
| 9 | Singapore | Angola | United Kingdom | Canada | Czech Republic | Denmark |
| 10 | United States | Malawi | Australia | Finland | Denmark | Ireland |
| 11 | Canada | Uzbekistan | Finland | Germany | Estonia | Canada |
| 12 | Austria | Myanmar | Iceland | Netherlands | Ireland | Luxembourg |
| 13 | Netherlands | Sri Lanka | Sweden | Hong Kong | Japan | Iceland |
| 14 | Ireland | Kazakhstan | Ireland | Saudi Arabia | Kazakhstan | Israel |
| 15 | Finland | Tanzania | Taiwan | Singapore | Lithuania | Germany |
| 16 | Belgium | Vietnam | Lithuania | Taiwan | Mexico | Norway |
| 17 | Germany | Uganda | Thailand | France | Netherlands | New Zealand |
| 18 | Iceland | Ethiopia | Canada | South Korea | Philippines | South Korea |
| 19 | UAE | Qatar | Mauritius | Oman | Poland | Australia |
| 20 | France | Bangladesh | Germany | Qatar | Singapore | France |
| 21 | New Zealand | India | Estonia | Chile | Slovak Republic | Belgium |
| 22 | Ukraine | Panama | UAE | China | Sri Lanka | Japan |
| 23 | Japan | Kenya | Latvia | Israel | Taiwan | Austria |
| 24 | Hong Kong | Iraq | Macedonia | Kuwait | India | Malta |
| 25 | Israel | Indonesia | Saudi Arabia | Estonia | Egypt | Estonia |
| 26 | Italy | Moldova | Japan | Malaysia | Ukraine | Spain |
| 27 | Spain | Nigeria | Netherlands | Slovakia | UK | Cyprus |
| 28 | Oman | Ghana | Switzerland | Algeria | USA | Czech Republic |
| 29 | Bahrain | Philippines | Austria | Malta | Russia | Italy |
| 30 | Cyprus | Cameroon | Portugal | New Zealand | Italy | Slovenia |

Source: Cushman & Wakefield, World Bank, Economist Intelligence Unit, Oxford Economics

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# GLOBAL INVESTMENT ACTIVITY

## OUTLOOK

A more positive but realistic appraisal of the macro environment should support further robust demand for property as an investment and this will be underpinned by the availability of debt and the supply of available product from profit takers, deleveraging banks, investors and developers moving up the risk curve as well as businesses and the public sector raising capital. We are forecasting a 13% increase in investment globally to USD1.33 tn in 2014, with the USA and Western Europe driving the increase. At the same time yield pressures will push capital values up, with the yield gap between prime and good secondary closing as investors reappraise and re-price risk. Rising interest rates will put a ceiling on how far yields can move but the sector has a cushion in high yield premiums and pricing will also benefit from a slow return of occupier demand.

A normalising economy should spur more interest in real assets such as property and with institutional allocations increasing, particularly in Asia, private buyer demand growing, a larger quoted sector developing and international interest up as investment objectives become more global, the outlook is clearly for real estate demand to strengthen. A stronger relative increase in capital flows between regions is also likely, be that North Americans looking for risk arbitrage, Asians looking for diversification or Europeans looking for growth.

In terms of regional trends, Asia Pacific markets are forecast to see a robust performance in 2014 against the backdrop on an improving global economy and rising domestic demand. IPOs and capital raisings may be delayed by recent global volatility but at the same time, uncertainty may divert demand from equities to real estate. Indeed, with insurance companies of growing importance across the region and ready to take on more risk as well as increased allocations from private players and foreign investors, a further steady rise in activity of 7–8% is forecast.

More capital will flow towards higher risk sectors and emerging markets as core markets offer stabilised lower returns. Those with higher return horizons make sales in the core to redeploy capital to higher growth areas. The yield gap favouring property over bonds remains attractive and while the slow ending of QE is likely to push yields up in some markets, with others such as Japan maintaining QE, trends will become more diverse within the region.

A number of export orientated markets will benefit as world growth picks up and Japan remains a particular bright spot. While tax increases will impact this year and the need for further reform is a clear, underlying corporate and economic news point to Japan staying at the forefront of growth in the occupier market alongside China, although Shanghai and Beijing may both see slower demand due to high costs and limited availability. Taipei meanwhile should benefit from the Cross-Strait Trade in Services Agreement while other major markets will see a gradual recovery, led by those which can offer a cost arbitrage, including markets in India given the fall in the Rupee.

Turning to Europe, volumes are forecast to rise 12–13% with the recovery deepening and an increasingly optimistic view forming for activity, with a sharpening in prices helping to bring stock to the market. Geographically, demand is still broadening, with opportunistic players leading the way into what were previously overlooked areas, typically seeking quality assets in large cities.

With austerity easing and economic growth slow but generally up, better news will continue to spread in occupier markets. However supply will be a big factor for occupiers as well as investors, with a lack of development impacting on choice and leading to higher pricing. Core assets will therefore benefit from rising rents while some second tier assets stand to benefit from falling yields but also from falling vacancy due to an overflow of demand from the core.

However, this improved picture is at least partially priced in and with risk free yields rising, this will put pressure on yields in some areas. Nonetheless, the gradual improvement in the economy will increase the recovery momentum in major markets and hence rental growth, improving financial conditions and the weight of money will counteract the effect of rising interest rates, resulting in mild yield compression for prime and somewhat stronger compression for good quality secondary.

### TABLE 2 – INVESTMENT VOLUMES (INCLUDING LAND AND MULTIFAMILY, ASSETS OVER USD5 MN)

| | VOLUMES IN 2013 | | | 2014 OUTLOOK | |
|---|---|---|---|---|---|
| | USD bn | Change on 2012 | % 2007/8 peak | USD bn | Change on 2013 |
| Europe – West | 216.9 | +21.1% | 61% | 247.3 | 14% |
| Europe – Central & East | 24.0 | +37.6% | 88% | 24.9 | 4.0% |
| Middle East & Africa | 5.5 | +50.0% | 35% | 5.9 | 7.5% |
| Latin America | 5.7 | -12.9% | 38% | 5.9 | 5.0% |
| North America | 359.0 | +18.9% | 63% | 430.8 | 20% |
| Developing Asia | 432.5 | +33.1% | 327% | 471.4 | 9.0% |
| Mature Asia Pacific | 136.2 | +6.0% | 87% | 141.6 | 4.0% |
| GLOBAL | 1,179.6 | +22.6% | 95% | 1,327.8 | 13% |

Source: Cushman & Wakefield, RCA

### TABLE 3 – VALUE CHANGES IN THE GLOBAL MARKET

| | CHANGE IN YIELDS (BP) 2013/14 | | | CHANGE IN FACE RENTS | |
|---|---|---|---|---|---|
| | 2013 Relative to 2012 | Relative to last peak | 2014 relative to 2013 | Relative to 2012 | Relative to 2013 |
| Europe – West | -10 | 91 | -20 | 2.3% | 2.6% |
| Europe – Central & East | -15 | 32 | -10 | 0.4% | 1.8% |
| Middle East | -37 | 38 | -25 | 1.4% | 3.5% |
| Latin America | -45 | 8 | -20 | 0.9% | 3.0% |
| North America | -17 | -7 | -10 | 1.2% | 3.3% |
| Developing Asia | -1 | -77 | +5 | 5.2% | 3.6% |
| Mature Asia Pacific | -17 | -30 | -5 | 3.8% | 2.1% |
| GLOBAL | -18 | 1 | -15 | 2.5% | 2.9% |

Source: Cushman & Wakefield, RCA. Note: Middle East rental growth and yields for offices only. Other regions are all-sector excluding multifamily. Rental levels referred to are face rents. *RCA data relates to all deals over USD5 mn, as of 5th Feb 2014*

North American volumes are forecast to rise 20% this year with the US remaining the engine of global growth amid signs of a stronger economic and real estate recovery. Job growth is expected to be stronger, corporate earnings are growing and signs are positive for increased consumer and business spending.

The gap between the occupational and investment market is less than in Europe and thus the firming economy will offer more immediate support to the property sector. Occupancy gains should flow quickly with many markets still below replacement costs.

Upward pressure on interest rates will translate into pressure on yields, but high demand and signs of rental growth will be sufficient to hold yields, steady in gateway markets, with demand for institutional assets set to remain well above demand in the top six markets.

Canada appears set for robust, albeit reduced, investment activity in 2014 as allocations to domestic pension funds grow and institutional demand remains unspent. REIT purchasing activity is beginning to renew as capital markets remain available for equity for new acquisitions. Foreign investment has played a relatively minor role in the past few years, but interest in Canada remains high and a lower-priced dollar may renew appetite from this sector. The large Canadian pension funds are expected to continue their global investment while focusing largely on major developments in their home country. Pricing is expected to remain very strong for well-leased prime assets while secondary and tertiary assets face some headwinds in terms of liquidity.

Investment in Latin America is expected to show cautious growth in the short term as the region stabilises. Latin America faces a mixed macro backdrop, albeit with conditions certainly improving as export markets pick up and past reforms and stimulus measures impact. At the same time, however, public protests are a concern for foreign investors and a warning of imbalances in society. Trends in the region have in reality become more diverse. Occupier and investor demand has held up better than many anticipated and cities such as Mexico City and São Paolo have performed well in terms of investment activity. Investment has tended to become more focused, with retail generally up and Mexico gaining over South America, and while the long term appeal of the market is not in doubt, in the short term the efficacy of government decision making and market stability will remain under the microscope.

A firmer economy in the region is expected to support renewed occupier demand which will offset higher availability and produce modest rental growth in some areas. Retail rents may remain under pressure in much of the region until consumer confidence improves and inflation fears are subdued although Mexico may outperform as growing wealth and a larger middle class generate more retailer demand, particularly in tier 2 cities where modern development has been less concentrated.


Amsterdam – The Netherlands

## INVESTMENT STRATEGY

Stronger global economic conditions and liquidity will underpin a further marked improvement in activity in the property market this year, with investors seeking secure income producing assets but also assets that may benefit in an economic upturn. As a result, more will be ready to take on risk whether in waiting for growth or in actively managing or repositioning assets for future demand. At the same time, tapering and a return of normality in a growth constrained world means investors need to get their diversification policy right, in many cases looking further afield to do this.

It may therefore be time to change or adjust strategy for those that have not done so already, with a new strategy attuned to differing trends market by market, to seeking and pricing risk correctly, to finding differing opportunities up and down the capital stack and above all to the need to look closely at what the occupier wants.

When it comes to the occupier, two things are important: finding talent and finding space that offers the effectiveness and efficiency the business needs e.g. through encouraging collaboration, creativity and productivity and helping to attract staff via image and quality. As ever this can point to bigger cities that offer more but it also points to better cities that have the right cost base, effective transportation and can support a higher quality of life for employees.

Strategy towards asset types also needs to adjust meanwhile, with attitudes towards other real assets changing and generally favourably so, notably towards energy and infrastructure but also areas such as agriculture and woodlands as well as multi-family residential, leisure, health and other sub-sectors. Each can offer useful diversification and performance merits to enhance a portfolio.

Looking by region, **Europe** looks set to benefit from the start of US tapering and ongoing emerging market concerns. Core markets look attractive due to the balance of investor demand as well as improving occupier interest against a backdrop of a typically restricted supply of good quality assets thanks to restrained development and an ageing stock, frequently with inadequate capital investment over recent years. Opportunities to take more risk are also increasing, either to develop or reposition assets in core markets, or to look beyond the core markets to access higher yields.

# GLOBAL INVESTMENT ACTIVITY

Demand for markets such as the UK, Germany and the Nordics is likely to remain high. At the same time however, higher competition, stock shortages and an ongoing acceptance of risk will focus more interest on other markets, both second tier cities in core countries and second tier countries. Among what were distressed markets, Ireland has clearly passed its low point for prime space, while values in Spain appear to have reached their floor and Italy and Portugal are not far behind – albeit occupational recovery will be gradual as reforms and deleveraging continue. Central and Eastern Europe could also pick up more rapidly than expected given the value offered by modern property in larger cities in the stronger countries across the region, led by Poland and Czech Republic from a risk minimisation viewpoint.

For higher risk takers, current political concerns aside, Russia and Moscow specifically is seeing stronger growth while Turkey is somewhat further back in the cycle. Africa meanwhile is attracting more if still selective interest as infrastructure and resource development, urbanisation, growth of the middle class and increased political stability raise opportunities. The Middle East is of course volatile and still beset by problems but stronger centres are expanding again – led by Dubai – and infrastructure development and urbanisation are key areas of long term potential as and when political stability starts to build.

Mexico City – Mexico

A positive office supply dynamic can be seen in much of EMEA with the UK in particular on course for robust growth. Leasing activity is expected to rise modestly, led by London, Dublin, Stockholm and top German cities. Paris may underperform in the short term but will offer opportunities as infrastructure works are progressed and as its strengths as a city overcome national weaknesses. Other core markets should also come more into favour, such as Amsterdam where stock levels are dropping and Brussels with a higher global profile, long leases and low volatility.

In others sectors, key logistics hubs have strong investment potential, benefiting from trends such as e-commerce. Retail is under a lot of pressure and consolidation of weaker stores will continue but physical retail space is clearly still key in a multichannel world even if more innovation is needed and rental growth will be focused on the best locations.

Turning to the **Americas**, in 2011/12 the focus of the US market was safety and quality and in 2013 that moved to yield and despite rising bond rates, the market looked towards secondary areas in pursuit of higher incomes. 2014 is likely to be marked by a further increase in risk appetite as investors look to get ahead of changing trends in areas such as inflation and technology and as fundamentals take over from monetary policy as the driving force behind performance and strategy.

Foreign investor demand is also likely to increase as the US is seen to combine safety, liquidity and growth potential, with a focus on core assets in gateway cities but with more buyers also ready to follow domestic capital into secondary markets, prompting a further fall in yield levels.

For investors in general to compete they are going to be forced to find cheaper sources of capital, and this will include more partnerships between foreign investors and local partners, a push into the public markets, new finance vehicles and sources such as crowd funding.

With the recovery in the multifamily sector well developed and retail markets, other than prime city centre space, just starting to stabilise, hospitality, office and warehouse space may offer the best short term opportunities. In the office sector, demand looks set to rise further and energy and tech markets such as San Francisco, Boston, Seattle, Denver, Houston and Austin remain favoured for growth, together with gateway markets led by New York, and LA, with Washington held back somewhat.

In core markets there should be a focus on income growth potential including asset management and refurbishment, as a hedge against the impact of higher interest rates while attractive development opportunities will be seen in gateway and tech markets. Warehousing markets also offer potential, either for development on major hubs or acquisitions in regional markets serving strong cities as online retailing continues to exert its impact.

In Canada, considerable new office supply is under construction in major downtown markets for delivery in the next three years which will place upward pressure on vacancy, although well-leased CBD assets will continue to have very strong liquidity. Although rare, regional shopping centre offerings will continue to attract peak pricing and the apartment sector, with its persistently low vacancy, will see ongoing robust demand from private and institutional investors. The industrial sector is seeing a steady improvement in leasing fundamentals with investors largely focused on modern product.

In Latin America, stronger global economic growth will bring more stability and a focus on the longer term drivers of wealth and population together with foreign investor and corporate demand to access markets, resources and production. Logistics hubs should be a key area benefitting from this in the shorter term. The largest cities in the region will continue to push up the global rankings, led by Mexico but also Brazil as the World Cup and Olympics draw closer – but investors should also be ready to look more widely in the region, at new markets such as Colombia and Peru and at second tier cities where modern supply is typically more limited.

## Investors are well advised to buy the stock, not the market

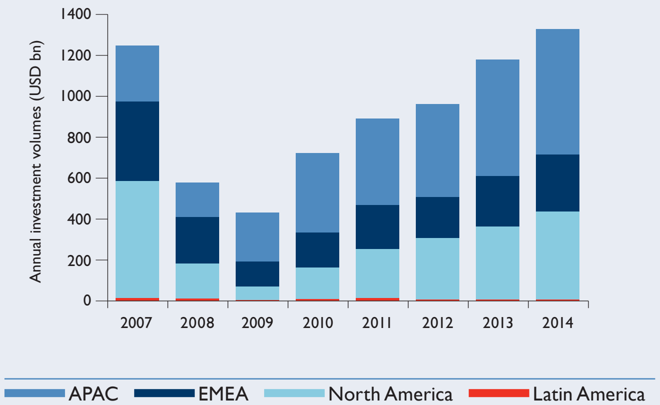
"Real estate is a "buy" based on relative pricing, risk and prospective growth. However, not all property is equal – some countries are more reformed, innovative and productive, and some cities are innately more competitive and attractive than others or the countries they sit in. Therefore, markets are becoming more idiosyncratic and driven by their own individual advantages, leading to a more divergent global market with real winners and losers."

In **Asia Pacific**, changing growth dynamics and a divergence in performance should be taken as an opportunity for investors to realign their investment strategy. Parts of the region may be vulnerable to a shift in yield as capital flows change and liquidity is diverted from emerging markets by an end to QE but at the same time, better economic performance should encourage portfolio investors seeking medium term growth opportunities.

Growth in the logistics market for example is likely to be widespread as consumer demand, trade and market changes impact on leasing patterns. In other sectors a return of growth will not be uniform. Office markets have been driven by consolidation, but there are now signs of firming demand in some areas, with growth led by cities such as Jakarta and Tokyo but others such as Singapore and Seoul also bottoming out. Overall, markets such as Bengaluru, Bangkok, Hong Kong, Hyderabad, Jakarta, Manila, Seoul, Singapore and Tokyo look likely to lead for rental growth.

Retailer confidence remains good, although expansion is somewhat slower as rising costs are assimilated, but the development of the retail market is still spurring change and should be a target for more investment going forward. Bangkok and Jakarta will lead for short term retail growth, with key Chinese cities also steadily gathering pace.

FIGURE 12 – GLOBAL PROPERTY INVESTMENT BY REGION




Source: Cushman & Wakefield, RCA, KTI and Property Data

TABLE 4: TARGETS FOR INVESTMENT IN 2014/15

| | AMERICAS | ASIA | EMEA |
|---|---|---|---|
| Core | **Offices**: US CBD Gateway cities (New York, San Francisco and LA), core Canadian cities (Toronto, Vancouver)<br>**Retail**: Core 24 hour gateway cities in USA and Canada<br>**Apartments**: Multifamily in top US cities e.g. New York, Boston, San Francisco, LA | **Offices**: Sydney, Melbourne, Shanghai, Beijing, Tokyo<br>**Retail and Hospitality**: Hong Kong, Tokyo, Sydney<br>**Residential**: Japan<br>**Logistics**: Top Australian cities | **Offices**: London, Paris, Stockholm, Munich, Frankfurt, Berlin<br>**Retail**: Dominant shopping centres and luxury/flagship high streets in core German cities including Munich, Berlin and Stuttgart plus Paris, London<br>**Logistics**: London, Paris, Munich, Hamburg, Rotterdam, Antwerp |
| Core-Plus | **Offices**: Core space, growth markets (Atlanta, Houston, Dallas, Denver, Boston, Seattle)<br>Suburban offices in core US and Canada cities<br>**Logistics**; **Core assets**: South California, New Jersey, Miami and Seattle, Dallas, Chicago<br>**Core leased assets**: Mexico | **Offices**: Singapore, Hong Kong, Seoul<br>**Retail**: Growth markets such as Singapore, Beijing, Shanghai, Chengdu, Jakarta, Kuala Lumpur and Seoul<br>**Logistics**: Tokyo, Singapore, Hong Kong | **Offices**: Amsterdam, tier 2 German cities, UK Thames Valley, Prague, Madrid, Warsaw plus development in core cities: London, Paris, Stockholm, Frankfurt<br>**Retail**: Retail refurbishment in core cities in northern Europe. Core space in larger cities in Italy, Poland and Spain<br>**Logistics**: German second tier, Warsaw, Prague and Budapest |
| Opportunistic | **Logistics**: market servicing key Brazilian and Mexican cities<br>**Retail and residential development**: Santiago, 1st and 2nd tier Brazilian, Mexican and Colombian cities<br>**Offices**: Mexican cities for short term gain and possibly Lima<br>Under rented class A US office and apartment property: South Florida, Dallas, Chicago | **Offices in emerging growth markets**: Jakarta, Kuala Lumpur, Mumbai and other top Indian cities<br>**Retail**: Emerging markets: Hanoi, Kuala Lumpur, Bangkok, New Delhi and other top Indian and Chinese cities<br>**Logistics**: Gateway China Cities: Shanghai, Beijing, Guangdong and India hubs | **Offices**: Lisbon, Moscow, Istanbul, Milan, Barcelona<br>**Retail**: Moscow, major cities in Turkey and active management/ development in larger cities<br>**Logistics**: Development and units serving large Eastern European cities and peripheral western cities: e.g. Oporto, Barcelona and Milan |

Source: Cushman & Wakefield

Areas of reform will open up new opportunities within the region, led of late by Japan where the third arrow of reform is awaited but quantitative easing is likely to boost property demand and with a potential boost to retail and logistics as deflation ends, the market should see increased activity.

China meanwhile is adjusting to lower and more domestically orientated growth. High quality logistics and shopping centres are likely to benefit from this while more generally sentiment is improving beyond just the usual top cities with other tier one cities such as Suzhou, Wuhan, Chengdu and Guangzhou becoming mainstream targets for international capital and many tier 2 cities also on the rise.

India should also be in the spotlight as promised reforms move forward to boost growth and as urbanisation, increasing incomes and labour cost/quality make the high returns on offer look attractive on an absolute and risk adjusted basis. Leased core office assets in tier 1 cities are favoured followed by residential investment, while industrial is likely to grow in potential quite rapidly.

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# GLOBAL INVESTMENT VOLUMES

**EUR MILLIONS – Above USD5 million equivalent, excludes apartments**

| COUNTRY | 2012 | 2013 | ANNUAL CHANGE | 2014 TREND |
|---|---|---|---|---|
| Argentina | 60 | 43 | -28.8% | → |
| Australia | 19,561 | 23,336 | 19.3% | ↗ |
| Austria | 820 | 835 | 1.8% | ↗ |
| Bahrain | 0 | 0 | n/a | ↗ |
| Belgium | 2,127 | 2,520 | 18.5% | ↗ |
| Brazil | 3,161 | 791 | -75.0% | ↗ |
| Bulgaria | 43 | 54 | 26.0% | ↗ |
| Canada | 16,883 | 17,403 | 3.1% | → |
| Channel Islands | 31 | 42 | 34.1% | ↗ |
| Chile | 298 | 318 | 6.6% | ↗ |
| China | 241,862 | 317,837 | 31.4% | → |
| Colombia | 0 | 0 | n/a | ↗ |
| Croatia | 47 | 198 | 324.4% | ↗ |
| Czech Republic | 546 | 1,017 | 86.3% | ↗ |
| Denmark | 2,724 | 4,867 | 78.7% | ↘ |
| Ecuador | 0 | 10 | n/a | ↗ |
| Estonia | 109 | 135 | 23.4% | ↗ |
| Finland | 2,130 | 2,374 | 11.5% | → |
| France | 14,923 | 15,080 | 1.1% | ↗ |
| Germany | 25,430 | 30,600 | 20.3% | ↗ |
| Greece | 100 | 1,082 | 982.3% | ↗ |
| Hong Kong | 21,048 | 18,401 | -12.6% | → |
| Hungary | 153 | 357 | 133.6% | → |
| India | 2,604 | 1,019 | -60.9% | ↗ |
| Indonesia | 525 | 422 | -19.7% | ↘ |
| Ireland | 533 | 1,893 | 255.3% | ↗ |
| Israel | 312 | 374 | 19.9% | ↗ |
| Italy | 2,496 | 4,093 | 64.0% | ↗ |
| Japan | 25,135 | 33,663 | 33.9% | ↗ |
| Latvia | 0 | 69 | n/a | ↗ |
| Lithuania | 20 | 93 | 364.1% | ↗ |

Source: Cushman & Wakefield, Property Data, KTI and RCA
Annual change figures have been calculated based on the total values and not rounded values

**EUR MILLIONS – Above USD5 million equivalent, excludes apartments**

| COUNTRY | 2012 | 2013 | ANNUAL CHANGE | 2014 TREND |
|---|---|---|---|---|
| Luxembourg | 542 | 946 | 74.5% | → |
| Malaysia | 3,031 | 3,987 | 31.5% | → |
| Mexico | 1,004 | 2,814 | 180.3% | ↗ |
| Netherlands | 3,782 | 4,877 | 28.9% | ↗ |
| New Zealand | 1,202 | 1,436 | 19.4% | ↗ |
| Norway | 6,384 | 4,929 | -22.8% | ↗ |
| Oman | 37 | 0 | n/a | ↗ |
| Peru | 4 | 0 | n/a | ↗ |
| Philippines | 557 | 415 | -25.4% | ↗ |
| Poland | 2,807 | 3,124 | 11.3% | → |
| Portugal | 108 | 322 | 198.1% | ↗ |
| Romania | 276 | 461 | 67.2% | ↗ |
| Russia | 5,671 | 5,657 | -0.2% | ↗ |
| Saudia Arabia | 62 | 67 | 8.3% | ↗ |
| Serbia | 7 | 4 | -40.7% | ↗ |
| Singapore | 12,229 | 11,806 | -3.5% | ↗ |
| Slovakia | 17 | 231 | 1302.4% | → |
| Slovenia | 0 | 86 | n/a | ↗ |
| South Africa | 1,337 | 1,877 | 40.4% | → |
| South Korea | 6,547 | 5,484 | -16.2% | ↘ |
| Spain | 1,756 | 2,678 | 52.5% | ↗ |
| Sweden | 11,742 | 11,096 | -5.5% | → |
| Switzerland | 4,800 | 3,673 | -23.5% | → |
| Taiwan | 7,665 | 2,584 | -66.3% | ↗ |
| Thailand | 1,090 | 610 | -44.1% | → |
| Turkey | 1,058 | 1,384 | 30.8% | → |
| Ukraine | 396 | 482 | 21.9% | → |
| United Arab Emirates | 711 | 1,373 | 93.0% | ↗ |
| United Kingdom | 41,734 | 63,816 | 52.9% | ↗ |
| USA | 150,780 | 178,803 | 18.6% | ↗ |
| Vietnam | 337 | 529 | 57.0% | ↗ |

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USD MILLIONS – Above USD5 million, excludes apartments

| COUNTRY | 2012 | 2013 | ANNUAL CHANGE | 2014 TREND |
|---|---|---|---|---|
| Argentina | 77 | 55 | -29.0% | → |
| Australia | 25,169 | 30,897 | 22.8% | ↗ |
| Austria | 1,072 | 1,129 | 5.4% | ↗ |
| Bahrain | 0 | 0 | n/a | ↗ |
| Belgium | 2,774 | 3,349 | 20.7% | ↗ |
| Brazil | 4,064 | 1,027 | -74.7% | ↗ |
| Bulgaria | 56 | 72 | 29.1% | ↗ |
| Canada | 21,736 | 22,861 | 5.2% | → |
| Channel Islands | 40 | 58 | 43.6% | ↗ |
| Chile | 389 | 425 | 9.4% | ↗ |
| China | 311,684 | 421,364 | 35.2% | → |
| Colombia | 0 | 0 | n/a | ↗ |
| Croatia | 60 | 264 | 340.1% | ↗ |
| Czech Republic | 704 | 1,357 | 92.8% | ↗ |
| Denmark | 3,529 | 6,471 | 83.4% | ↘ |
| Ecuador | 0 | 13 | n/a | ↗ |
| Estonia | 140 | 170 | 21.3% | ↗ |
| Finland | 2,768 | 3,194 | 15.4% | → |
| France | 19,365 | 20,111 | 3.9% | ↗ |
| Germany | 34,836 | 41,918 | 20.3% | ↗ |
| Greece | 129 | 1,467 | 1035.2% | ↗ |
| Hong Kong | 27,085 | 24,350 | -10.1% | → |
| Hungary | 198 | 474 | 139.7% | → |
| India | 3,347 | 1,343 | -59.9% | ↗ |
| Indonesia | 677 | 567 | -16.1% | ↘ |
| Ireland | 691 | 2,540 | 267.5% | ↗ |
| Israel | 402 | 492 | 22.3% | ↗ |
| Italy | 3,226 | 5,511 | 70.8% | ↗ |
| Japan | 32,451 | 44,469 | 37.0% | ↗ |
| Latvia | 0 | 90 | n/a | ↗ |
| Lithuania | 26 | 132 | 378.3% | ↗ |

Source: Cushman & Wakefield, Property Data, KTI and RCA
Annual change figures have been calculated based on the total values and not rounded values

USD MILLIONS – Above USD5 million, excludes apartments

| COUNTRY | 2012 | 2013 | ANNUAL CHANGE | 2014 TREND |
|---|---|---|---|---|
| Luxembourg | 697 | 1,259 | 80.7% | → |
| Malaysia | 3,873 | 5,306 | 37.0% | → |
| Mexico | 1,292 | 3,767 | 191.7% | ↗ |
| Netherlands | 4,924 | 6,542 | 32.9% | ↗ |
| New Zealand | 1,585 | 1,979 | 24.8% | ↗ |
| Norway | 8,399 | 6,547 | -22.0% | ↗ |
| Oman | 46 | 0 | n/a | ↗ |
| Peru | 6 | 0 | n/a | ↗ |
| Philippines | 702 | 561 | -20.0% | ↗ |
| Poland | 3,698 | 4,184 | 13.1% | → |
| Portugal | 142 | 444 | 211.6% | ↗ |
| Romania | 360 | 625 | 73.6% | ↗ |
| Russia | 7,347 | 7,451 | 1.44% | ↗ |
| Saudia Arabia | 79 | 89 | 11.5% | ↗ |
| Serbia | 9 | 6 | -30.4% | ↗ |
| Singapore | 15,716 | 15,622 | -0.6% | ↗ |
| Slovakia | 22 | 309 | 1320.8% | → |
| Slovenia | 0 | 113 | n/a | ↗ |
| South Africa | 1,725 | 2,485 | 44.0% | → |
| South Korea | 9,573 | 8,110 | -15.3% | ↘ |
| Spain | 2,315 | 3,591 | 55.1% | ↗ |
| Sweden | 15,343 | 14,840 | -3.3% | → |
| Switzerland | 6,272 | 4,825 | -23.1% | → |
| Taiwan | 9,791 | 3,416 | -65.1% | ↗ |
| Thailand | 1,416 | 785 | -44.6% | → |
| Turkey | 1,356 | 1,816 | 33.9% | → |
| Ukraine | 497 | 644 | 29.7% | → |
| United Arab Emirates | 937 | 1,849 | 97.3% | ↗ |
| United Kingdom | 54,291 | 85,567 | 57.6% | ↗ |
| USA | 196,564 | 239,084 | 21.6% | ↗ |
| Vietnam | 433 | 691 | 59.6% | ↗ |

CUSHMAN & WAKEFIELD

# GLOBAL YIELDS

## GLOBAL YIELDS

| COUNTRY | OFFICES | SHOPS | INDUSTRIAL | TREND |
|---|---|---|---|---|
| Argentina | 9.00% | 7.50% | 10.00% | → |
| Australia | 6.25% | 5.25% | 8.00% | ↘ |
| Austria | 4.80% | 3.10% | 7.25% | ↘ |
| Bahrain | 10.00% | 10.00% | 10.00% | ↓ |
| Belgium | 6.25% | 4.35% | 7.10% | ↓ |
| Brazil | 9.00% | 8.00%* | 10.50% | ↗ |
| Bulgaria | 9.50% | 9.25% | 11.75% | ↘ |
| Canada | 5.50% | 5.75% | 6.50% | ↗ |
| Channel Islands | 6.00% | 6.75% | 8.00% | → |
| Chile | 8.50% | 7.50% | 9.50% | ↘ |
| China | 5.60% | 4.80% | 7.00% | → |
| Colombia | 9.00% | 15.00%* | 14.00% | ↓ |
| Croatia | 8.25% | 8.00% | 9.00% | ↘ |
| Czech Republic | 6.25% | 5.50%* | 8.25% | ↘ |
| Denmark | 5.00% | 4.75% | 7.50% | → |
| Ecuador | 11.90% | 15.80% | 12.45% | → |
| Estonia | 7.90% | 8.25% | 9.50% | ↘ |
| Finland | 5.25% | 5.00% | 7.50% | ↘ |
| France | 4.25% | 3.75% | 7.25% | → |
| Germany | 4.20% | 3.60% | 6.50% | ↓ |
| Greece | 9.25% | 7.80% | 12.00% | ↓ |
| Hong Kong | 2.90% | 2.40% | 2.70% | → |
| Hungary | 7.50% | 7.25%* | 9.25% | ↘ |
| India | 10.50% | 7.00% | 12.00% | → |
| Indonesia | 8.50% | 10.00%* | 9.50% | → |
| Ireland | 6.00% | 5.50% | 8.00% | ↓ |
| Israel | 7.50% | 7.25% | 7.50% | ↘ |
| Italy | 5.75% | 7.00%* | 8.25% | ↓ |
| Japan | 3.90% | 4.00% | 5.30% | ↘ |
| Latvia | 7.75% | 8.00% | 9.25% | ↘ |

* Shopping Centres
Note: Yields marked in red are calculated on a net basis to include transfer costs, tax and legal fees.
Source: Cushman & Wakefield
Data as at Dec 2013

## GLOBAL YIELDS

| COUNTRY | OFFICES | SHOPS | INDUSTRIAL | TREND |
|---|---|---|---|---|
| Lithuania | 7.00% | 8.00% | 8.50% | ↘ |
| Luxembourg | 5.75% | 5.00% | 8.50% | → |
| Malaysia | 6.00% | 5.50%* | 7.50% | → |
| Mexico | 10.75% | 10.50% | 11.75% | ↘ |
| Netherlands | 6.30% | 4.50% | 7.70% | ↓ |
| New Zealand | 7.50% | 7.50%* | 7.40% | ↓ |
| Norway | 5.00% | 4.75% | 6.50% | → |
| Oman | 9.00% | 9.00% | 9.00% | ↘ |
| Peru | 11.50% | 23.00%* | 12.00% | ↘ |
| Philippines | 7.25% | 3.50% | 10.20% | ↘ |
| Poland | 6.00% | 5.75%* | 7.50% | ↘ |
| Portugal | 7.50% | 6.75% | 9.75% | ↓ |
| Romania | 8.50% | 8.50%* | 9.50% | ↘ |
| Russia | 8.50% | 9.00%* | 11.50% | → |
| Serbia | 9.50% | 8.00% | 13.00% | → |
| Singapore | 3.90% | 5.30% | 6.80% | ↘ |
| Slovakia | 7.25% | 7.25%* | 8.75% | ↘ |
| Slovenia | 8.50% | 7.00% | 10.00% | ↘ |
| South Africa | 8.75% | 7.25%* | 9.50% | → |
| South Korea | 5.50% | 6.75%* | - | → |
| Spain | 5.75% | 4.85% | 8.25% | ↓ |
| Sweden | 4.50% | 4.50% | 6.50% | ↘ |
| Switzerland | 3.75% | 3.80% | 5.50% | → |
| Taiwan | 2.25% | 2.00% | 2.50% | → |
| Thailand | 7.00% | 9.00%* | 8.00% | → |
| Turkey | 7.00% | 7.00%* | 9.00% | ↘ |
| Ukraine | 12.50% | 12.50% | 11.00% | → |
| United Arab Emirates | 7.50% | 9.25%* | 10.00% | ↓ |
| United Kingdom | 3.75% | 2.50% | 5.50% | ↓ |
| USA | 5.41% | 6.35% | 6.97% | ↘ |
| Vietnam | 11.25% | 12.00% | 10.00% | → |

# RESEARCH SERVICES

## OUR RESEARCH SERVICES

The Central Research & Consultancy Team provides a strategic advisory and supporting role to our clients. Consultancy projects are undertaken on a local and international basis, providing in-depth advice and analysis, detailed market appraisals and location and investment strategies. Typical projects include:

- Site specific location analysis, ranking and targeting for occupation or investment
- Analysis of future development activity and existing supply/competition
- Market research and demand analysis by retail or industry sector
- Rental analysis, forecasts & investment portfolio strategy
- Reliable and comparable data and market intelligence – we regularly track over 65 countries, including multiple data points across the world. As part of this consultancy service line, we can provide this timeseries data on the retail, office and industrial property sectors.

For more information on this service line, contact Joanna Tano (joanna.tano@eur.cushwake.com)

## THE REPORT

This report was written by David Hutchings, Joanna Tano and Erin Can of Cushman & Wakefield.

This report has been prepared using data collected through our own research as well as information available to us from public and other external sources. The transaction information used relates to non-confidential reported market deals, excluding indirect investment and future commitments. In reference to investment volumes, while the report summary considers all sectors including multifamily residential, the country pages and global volume tables exclude multifamily residential deals. All investment volumes are quoted pertaining to deals of USD5 million and above.

In respect of all external information, the sources are believed to be reliable and have been used in good faith. However, Cushman & Wakefield cannot accept responsibility for their accuracy and completeness, nor for any undisclosed matters that would affect the conclusions drawn. Certain of the assumptions and definitions used in this research work are given within the body of the text. Information on any other matters can be obtained from the Central Research & Consultancy Team of Cushman & Wakefield.

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This report has been prepared by Cushman & Wakefield and its alliance partners globally. The information was collected and edited by the Central Research & Consultancy Team from the Cushman & Wakefield network, with particular thanks to the following offices:

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## SOURCES

**Macro economic data**

Macrobond, Economist Intelligence Unit, Consensus Economics and the Financial Times.

On each country page:

- The GDP per capita data is on a purchasing power parity (PPP) basis
- The interest rates are year-end base rates
- Currency conversion rates are December month end spot rates

**Transactional data**

Alongside Cushman & Wakefield information, data has been used from Property Data, KTI and Real Capital Analytics.

Where the data was sourced from RCA it is as at 5 February 2014.

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# REGIONAL MARKET PROFILES

This International Investment Atlas Summary is supplemented by three Regional Market Profiles, all of which include page by page country overviews. To download all sections of this report and access global contacts please visit our dedicated International Investment website:
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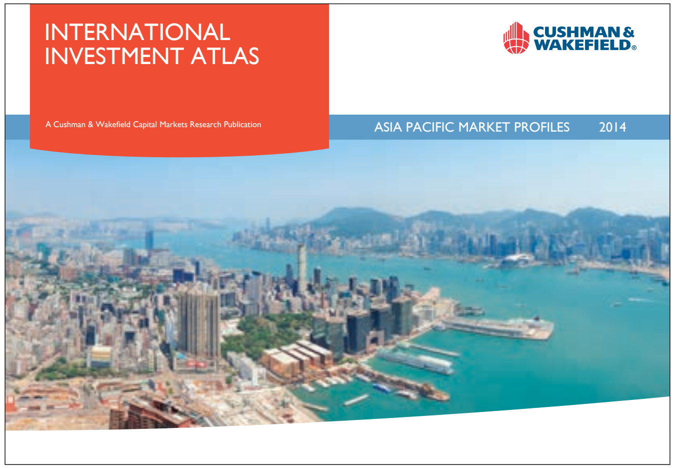
Canada
Colombia
Mexico
Peru
United States of America

## MARKETS PROFILES: ASIA PACIFIC




Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Singapore
South Korea
Taiwan
Vietnam

## MARKETS PROFILES: EMEA


Austria
Bahrain
Belgium
Bulgaria
Channel Islands
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Israel
Italy
Latvia
Lithuania
Luxembourg
Netherlands
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