



DUFF & PHELPS

Real Estate Advisory Group

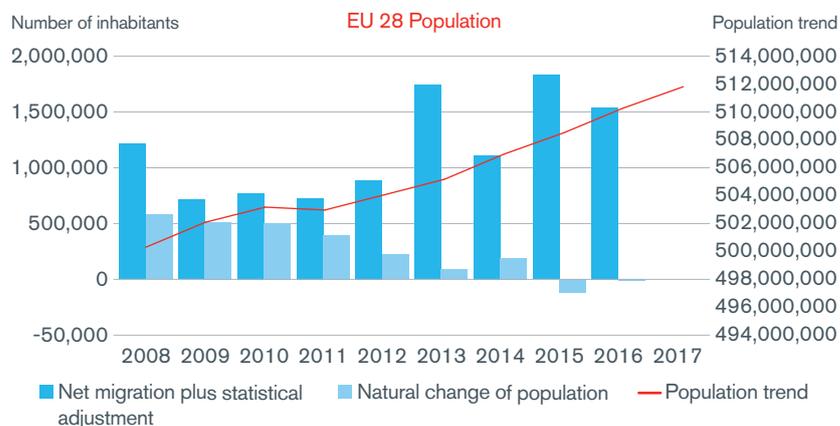
European Real Estate Market Study

NOVEMBER 2017

The European Union

THE EUROPEAN UNION

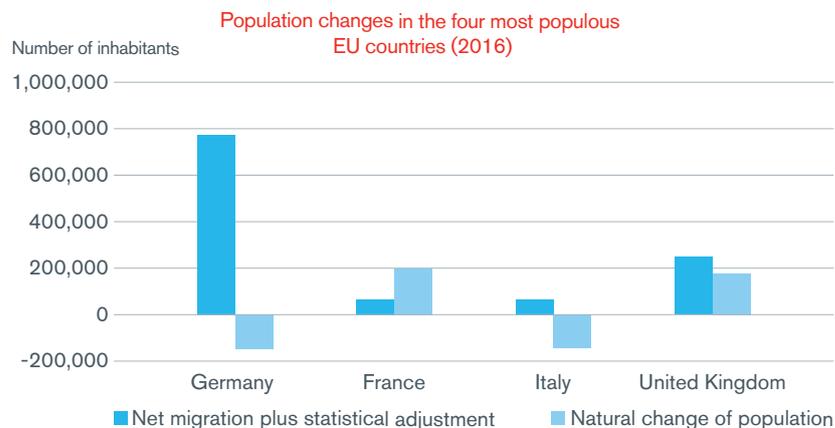
- When European countries started to cooperate economically in 1951, only Belgium, Germany, France, Italy, Luxembourg and the Netherlands participated.
- The Union reached its current size of 28 member countries with the accession of Croatia on 1 July 2013.
- Brexit negotiations are ongoing. It is unclear whether the negotiation outcomes will be “soft” or “hard”. The UK is scheduled to leave by 29th March 2019.



Source: Duff & Phelps REAG R&D analysis of Eurostat data

DEMOGRAPHY

- The current demographic situation in the EU-28 is characterized by continued population growth.
- On 1 January 2017, the population of the EU-28 was estimated at 511.8 million, a 1.5 million increase over the prior year.
- Germany, France, the United Kingdom and Italy together comprised more than half (54.0 %) of the total EU-28 population.
- The EU-28 population average age is 42.6 years and the number of elderly people is expected to grow. The oldest countries are Germany and Italy (about 45.6 years on average). The youngest are Cyprus and Norway (about 38.2 years on average).

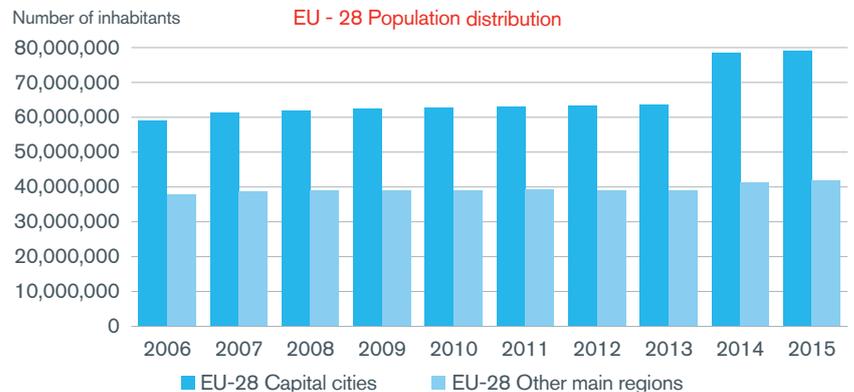


Source: Duff & Phelps REAG R&D analysis of Eurostat data

The European Union

URBANIZATION

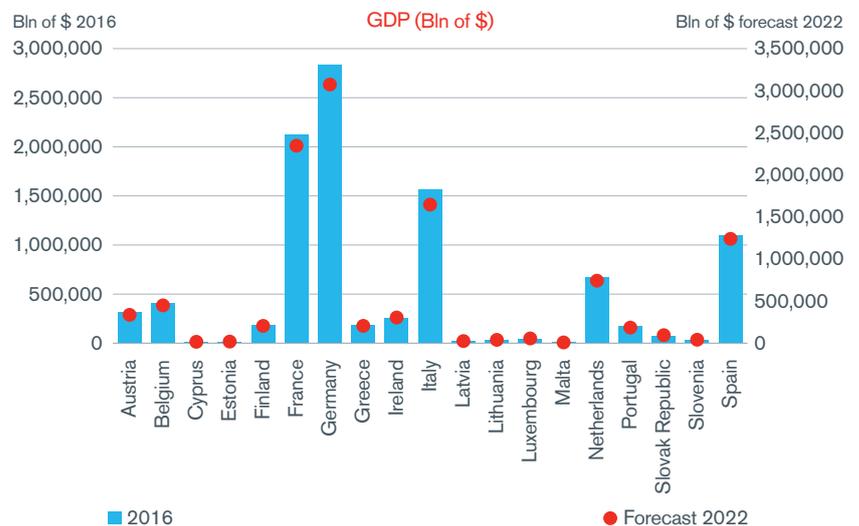
- Almost 70% of the European population lived in an urban area in 2015
- According to the United Nations (World urbanization prospects – 2014 revision by United Nations), in Europe the share of the population living in urban areas in Europe was projected to rise to just over 80% by 2050.
- In the last five years there has been a slight migration from cities to towns and suburbs.
- In 2015 EU-28 capital cities population grew 0.7% and the other macro region population grew 1.6% as compared to the previous year.
- Cities attract more working-age residents.



Source: Duff & Phelps REAG R&D on Eurostat data

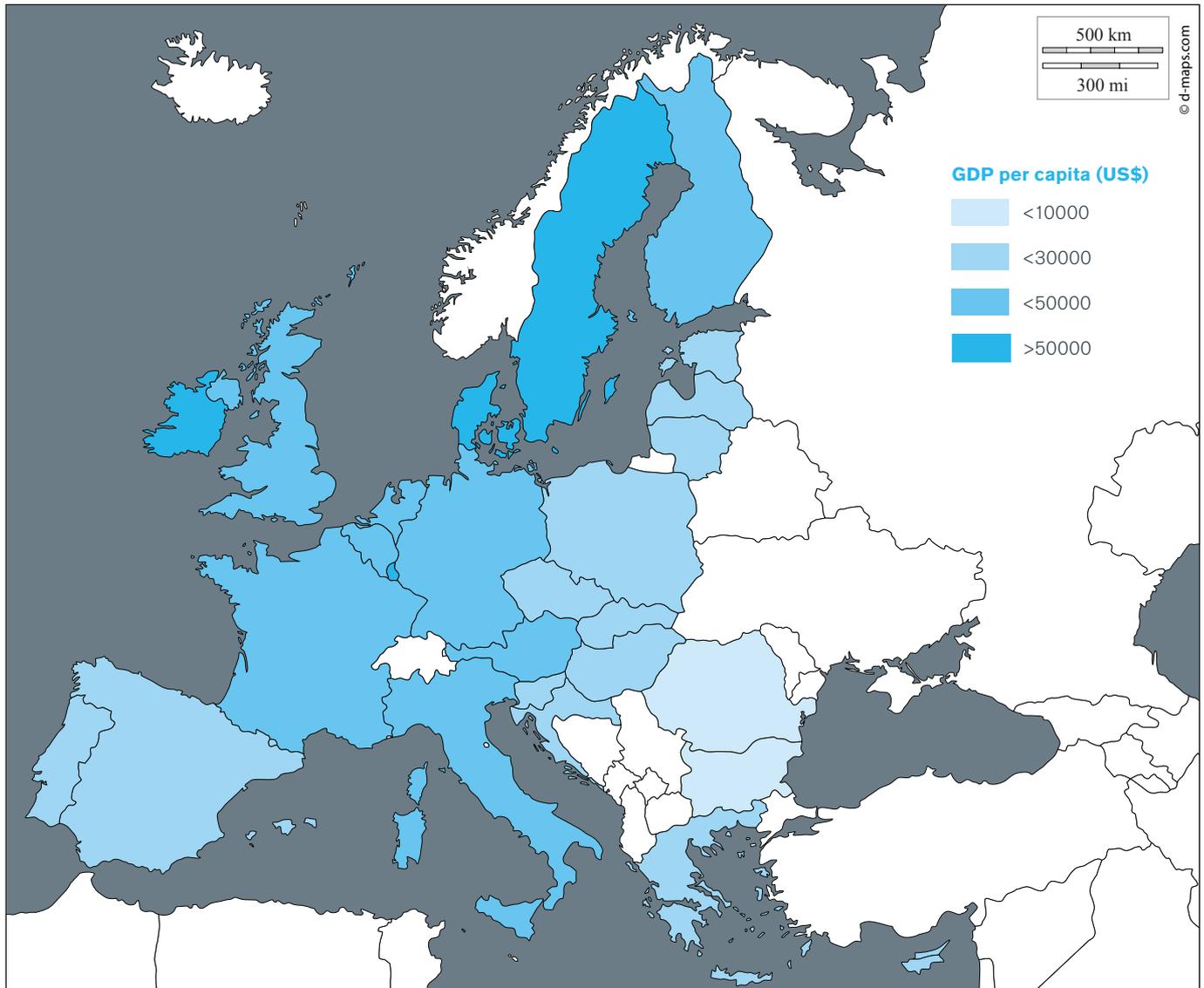
ECONOMY

- All the EU Member States are realizing the economic recovery that commenced five years ago.
- The overall increase of market demand is related to the expected ease of inflation and modest pick-up of private consumption.
- Future U.S. economic and trade policy, the broader geopolitical tensions, China's economic adjustment, the health of the banking sector in Europe and the upcoming Brexit negotiations are some of the biggest risks in the forecast.
- The European Real Estate market is experiencing signs of recovery. The reduction in vacancy and the increase of rent and sales is attributable to the improvement of the EU economy.



Source: Duff & Phelps REAG R&D on IMF data

EU 28 Countries: GDP per-capita US\$

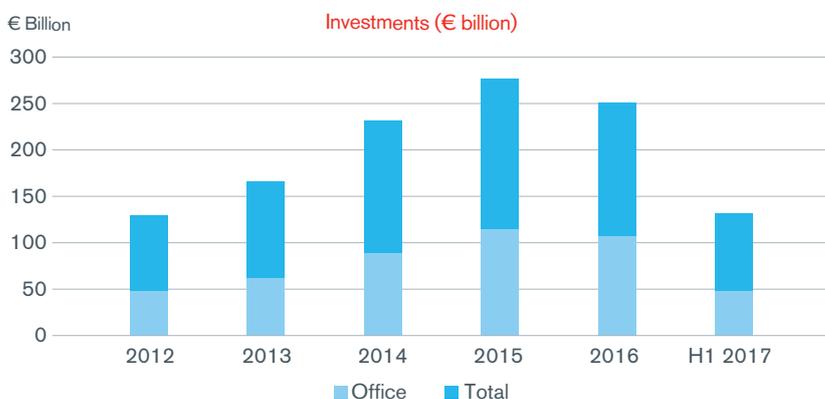


Source: Duff & Phelps REAG R&D on IMF data

European Office Market

INVESTMENTS VOLUME

- In H1 2017, the volume of investments in the office sector decreased by 6% on an annual basis.
- A positive trend in demand is confirmed in Germany, Spain and Denmark, while the negative trend in the UK continues, albeit at a lower pace compared to the last half year.
- Office still remains the most attractive sector for investors.



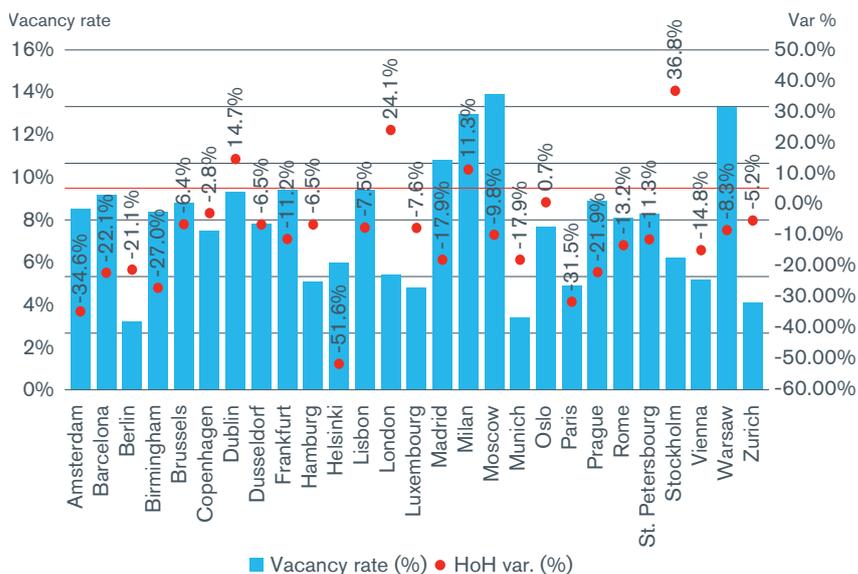
Source: Duff & Phelps REAG R&D on various sources

KEY DRIVERS

- Management of innovative office space (smart working).
- Western Europe attracts most of the investments.
- In the short-term trend rents are expected to grow and yields to compress.
- The trend of strengthening demand for office space continues.

VACANCY

- Vacancy rates continue to decline in most of the major markets reaching 7.7% on average (-0.3% vs. 2016) across European markets.
- The greatest result was registered in Helsinki with a compression of 51.6%.



Source: Duff & Phelps REAG R&D on various sources

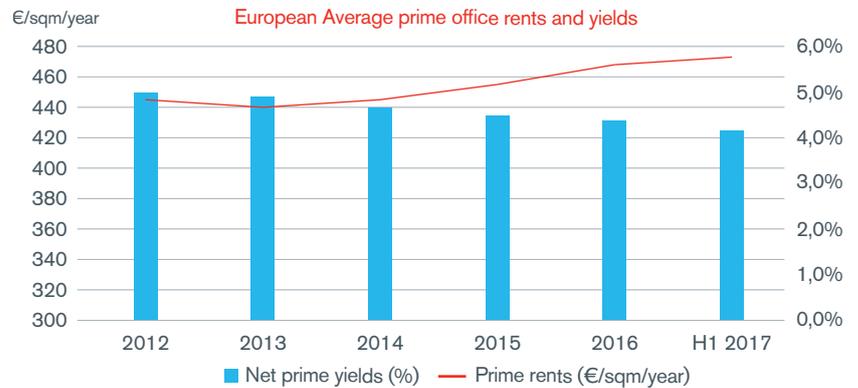
European Office Market

PRIME RENTS AND YIELDS

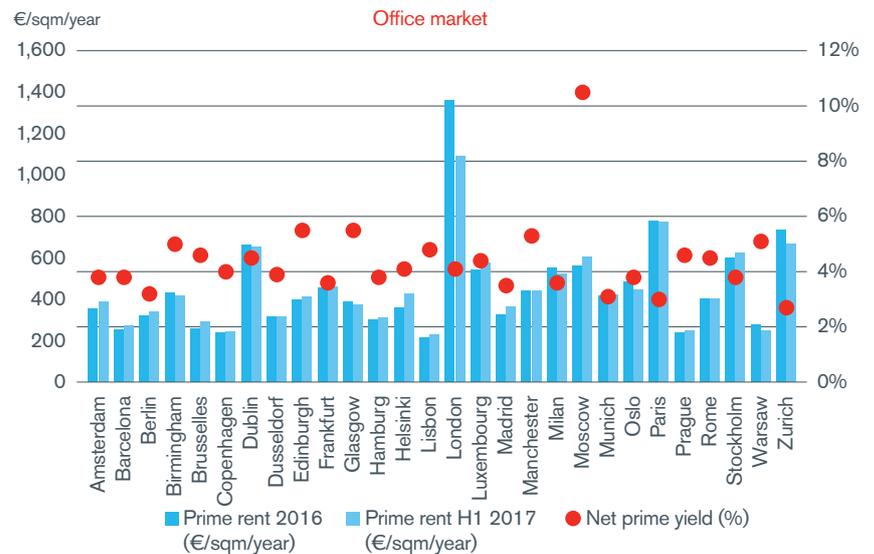
- In H1 2017, average prime rents grew by 2.3%, on an annual basis.
- Average prime yields slightly contracted, reaching 4.2% (-0.1% on half-yearly basis).
- A market improvement is expected by the end 2017.

MARKET HIGHLIGHTS:

- London: prime rents in the City saw a slight decrease due to the economic and political uncertainties. Despite this, London still remains a target destination for investments.
- Milan: 2017 domestic and foreign investments are growing. Prime yields are stable and vacancy still remains high, compared to the other main European markets.
- Prime cities in Germany saw a slight decrease in vacancy rates and a compression of yields. On the other hand rents grew by 2%. It is expected that these trends will continue in the coming years.
- In Spain there has been an average increase of 9% in rent and a drop in the vacancy rate by 22%.
- Paris continues to be a dynamic market with a doubling of investment volume (2.5 bln €) and a decrease in the vacancy rate.



Source: Duff & Phelps REAG R&D on various sources



Source: Duff & Phelps REAG R&D on various sources

European Office Market

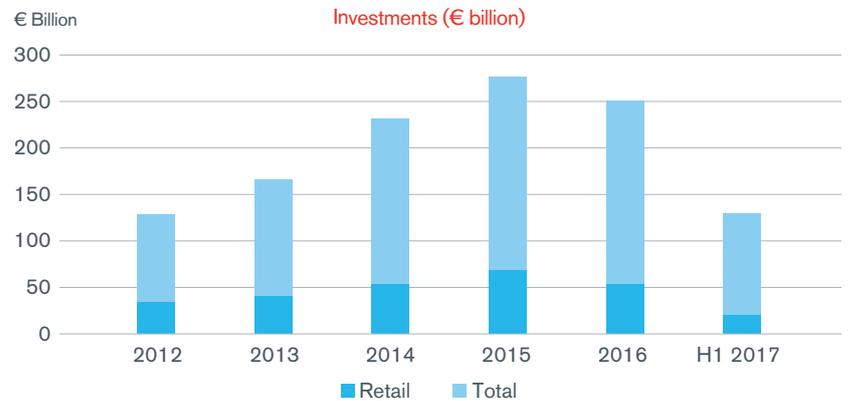


Source: Duff & Phelps REAG R&D on various data

European Retail Market

INVESTMENTS VOLUME

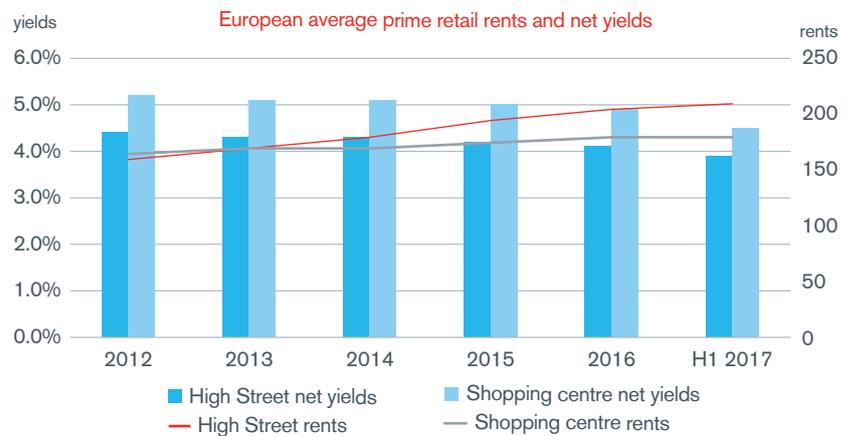
- In Western and Central Europe, consumer confidence and private consumption improved, thanks to low inflation and wage growth.
- European retail investment represents 15% of the total.
- In H1 2017, the volume of investments in the retail sector decreased (-14% over the prior year).
- Demand strengthened in Western Europe. Investors looked for core properties in these markets.



Source: Duff & Phelps REAG R&D on various sources

KEY DRIVERS

- Digital customer experience.
- Sharing economy.
- Growth of tourism in prime locations.
- E-commerce.
- The short-term trend for prices is up, but slowly.
- Lack of supply in the High Street of Western European cities.



Source: Duff & Phelps REAG R&D on various sources

VACANCY

Vacancy rates continued to decline in most of the major markets, reaching 4.8% on average across Europe.

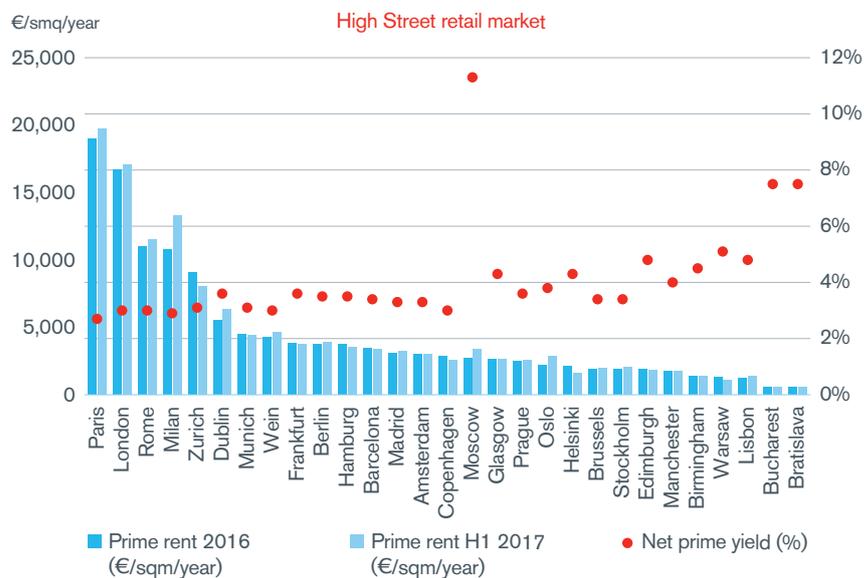
European Retail Market

PRIME RENTS AND YIELDS

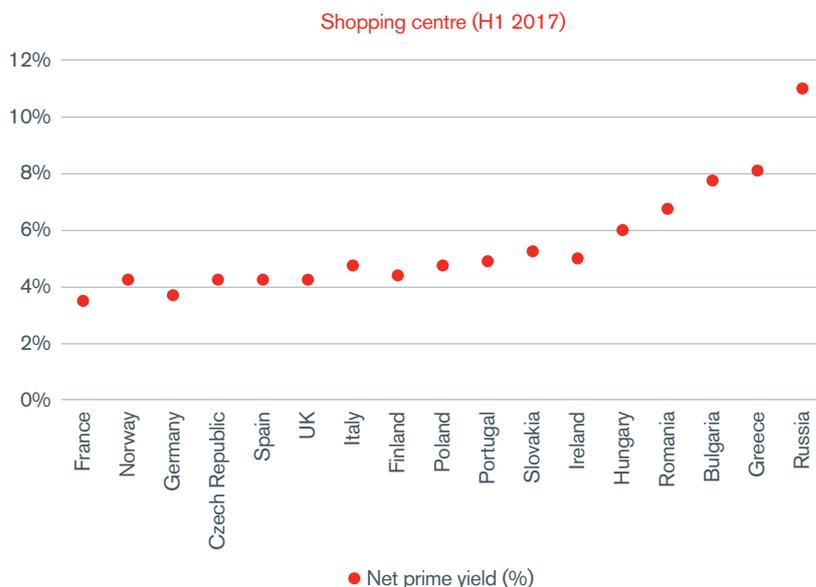
- In H1 2017, average prime rents grew by 2.4% for the High Street market, but remained stable for shopping centres.
- Average net prime yields declined, reaching 3.9% for the High Street market and 4.5% for shopping centres.
- For the end of the year, a further compression of net yields is expected in the main markets.

MARKET HIGHLIGHTS

- UK: political and economical uncertainties are affecting investments, which registered their lowest levels since 2012.
- Italy: it remains one of the most attractive countries. In H1 2017, Milan and Rome registered an increase in rents.
- Germany: investment volume grew by 10% compared to H1 2016. In the second half of the year, important investment activity is expected.
- France: in Paris, rents of luxury locations saw further growth and the city remains the most expensive location in Europe. Net yields will remain at a historically low level.
- Spain: the lack of supply in prime locations will move interest toward secondary locations, which saw a reduction in rents and vacancy rate.



Source: Duff & Phelps REAG R&D on various sources



Source: Duff & Phelps REAG R&D on various sources

European Retail Market

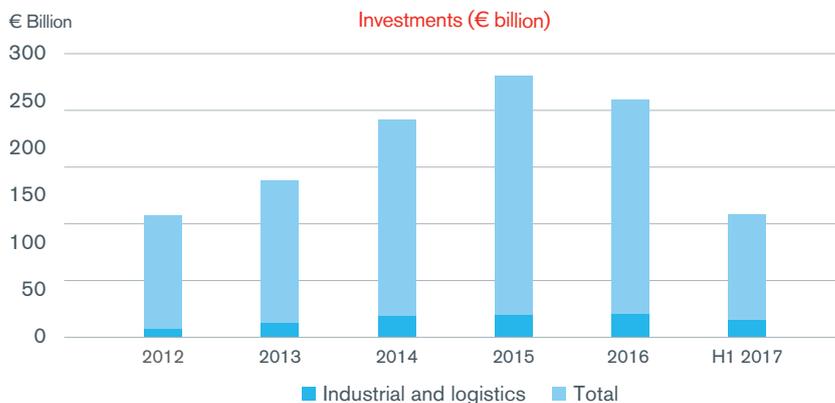


Source: Duff & Phelps REAG R&D on various sources

European Logistics Market

INVESTMENTS VOLUME

- In H1 2017, the volume of industrial investments increased by 10% on an annual basis.
- Industrial was the most attractive sector of the real estate market in terms of investments.
- Industrial investments absorbed 25% of the total.
- Political uncertainty could have affected investment volume.
- Investors looked for assets in the core markets of Western Europe.
- Germany registered the highest volume of investment.



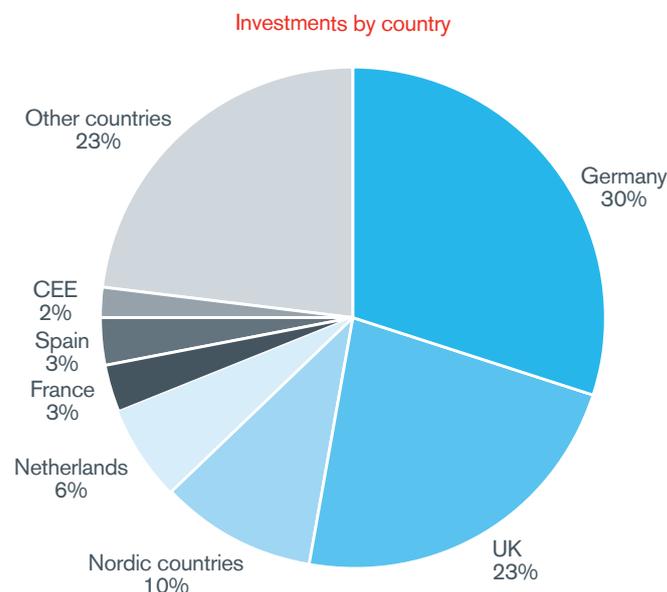
Source: Duff & Phelps REAG R&D on various sources

KEY DRIVERS

- E-commerce warehouse space.
- Drones.
- Lack of land availability.
- Favorable economic backdrop.
- Abundant financial liquidity.
- Well-connected assets.
- Sharing economy.
- Proximity to key markets.
- Build-to-suit developments.

VACANCY

- Vacancy rates continued to decline in most of the major markets, reaching the lowest levels in the past 5 years.



Source: Duff & Phelps REAG R&D on various sources

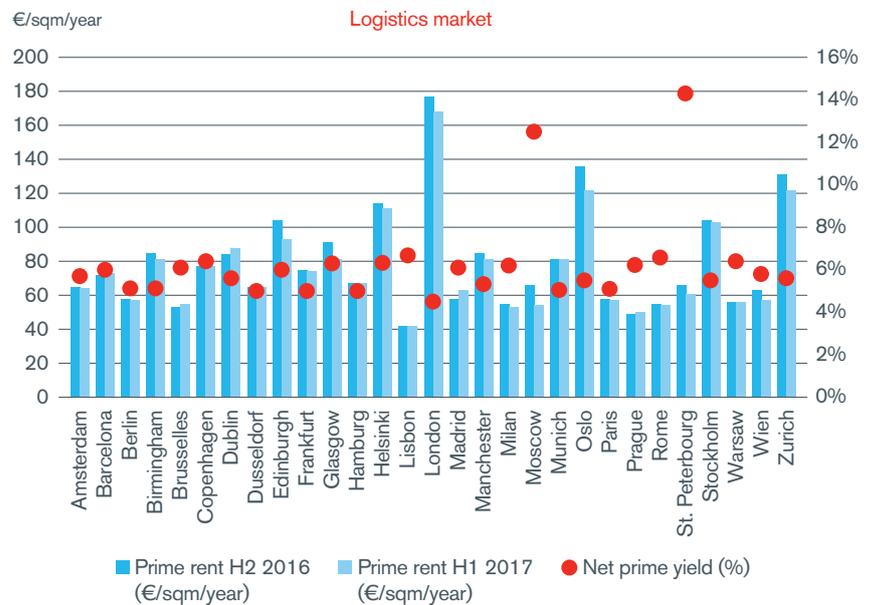
European Logistics Market

PRIME RENTS AND YIELDS

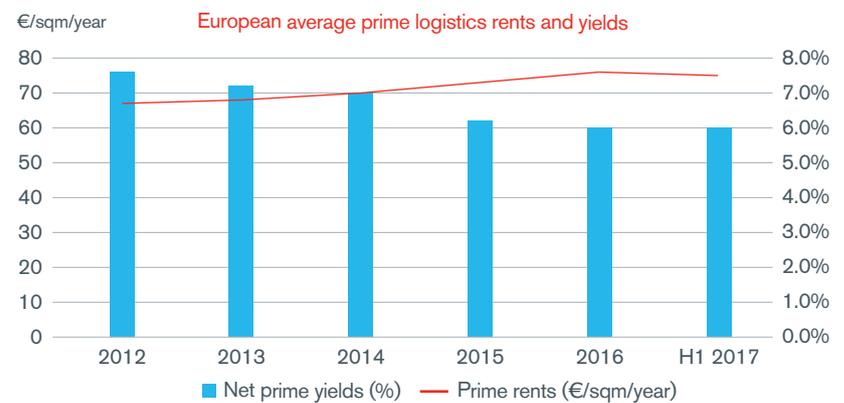
- In H1 2017, rents remained stable in almost all countries, but a slight increase is expected for the end of the year.
- Rental growth prospects are positive despite different patterns for each country.
- Average net prime yields remained stable at 6%. This trend will continue in the second half.

MARKET HIGHLIGHTS

- UK: demand for e-commerce spaces is rapidly increasing and currently represents about 30% of the total. Rents are put under pressure by the lack of developable lands for new construction.
- Italy: prime assets and build-to-suit development in strategic areas. The take up in H1 2017 is confirmed at 0.6 million smq (+50% over the prior year).
- Germany: in H1 2017, the take up in the top five cities grew up by 4% on a yearly basis, with Berlin as the most attractive city.
- France: lack of supply of modern logistics space and scarcity of new developments. Net prime yields will stop the decline by the end of 2017.
- Spain: investors' interest in this nation is high, as reflected in rents, which registered an important increase.



Source: Duff & Phelps REAG R&D on various sources



Source: Duff & Phelps REAG R&D on various sources

European Logistics Market



Source: Duff & Phelps REAG R&D on various sources

CONTACT

Duff & Phelps Real Estate Advisory Group
R&D Dept. Italy
+39 039 6423876
REAGinfo@duffandphelps.com

www.duffandphelps.it
www.duffandphelps.com



About Duff & Phelps

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, disputes and investigations, M&A, real estate, restructuring, and compliance and regulatory consulting. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world. For more information, visit www.duffandphelps.it

The information presented in this report has been obtained with the greatest of care from sources believed to be reliable, but is not guaranteed to be complete, accurate or timely. Duff & Phelps, LLC expressly disclaims any liability, of any type, including direct, indirect, incidental, special or consequential damages, arising from or relating to the use of this material or any errors or omissions that may be contained herein.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory and capital raising services in Canada are provided by Duff & Phelps Securities Canada Ltd., a registered Exempt Market Dealer. M&A advisory and capital raising services in the United Kingdom and across Europe are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. In Germany M&A advisory and capital raising services are also provided by Duff & Phelps GmbH, which is a Tied Agent of DPSL. Valuation Advisory Services in India are provided by Duff & Phelps India Private Limited under a category 1 merchant banker license issued by the Securities and Exchange Board of India.