



K&L GATES

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Global Real Estate Trends and Opportunities for 2015/2016

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THE EUROPEAN REAL ESTATE OUTLOOK

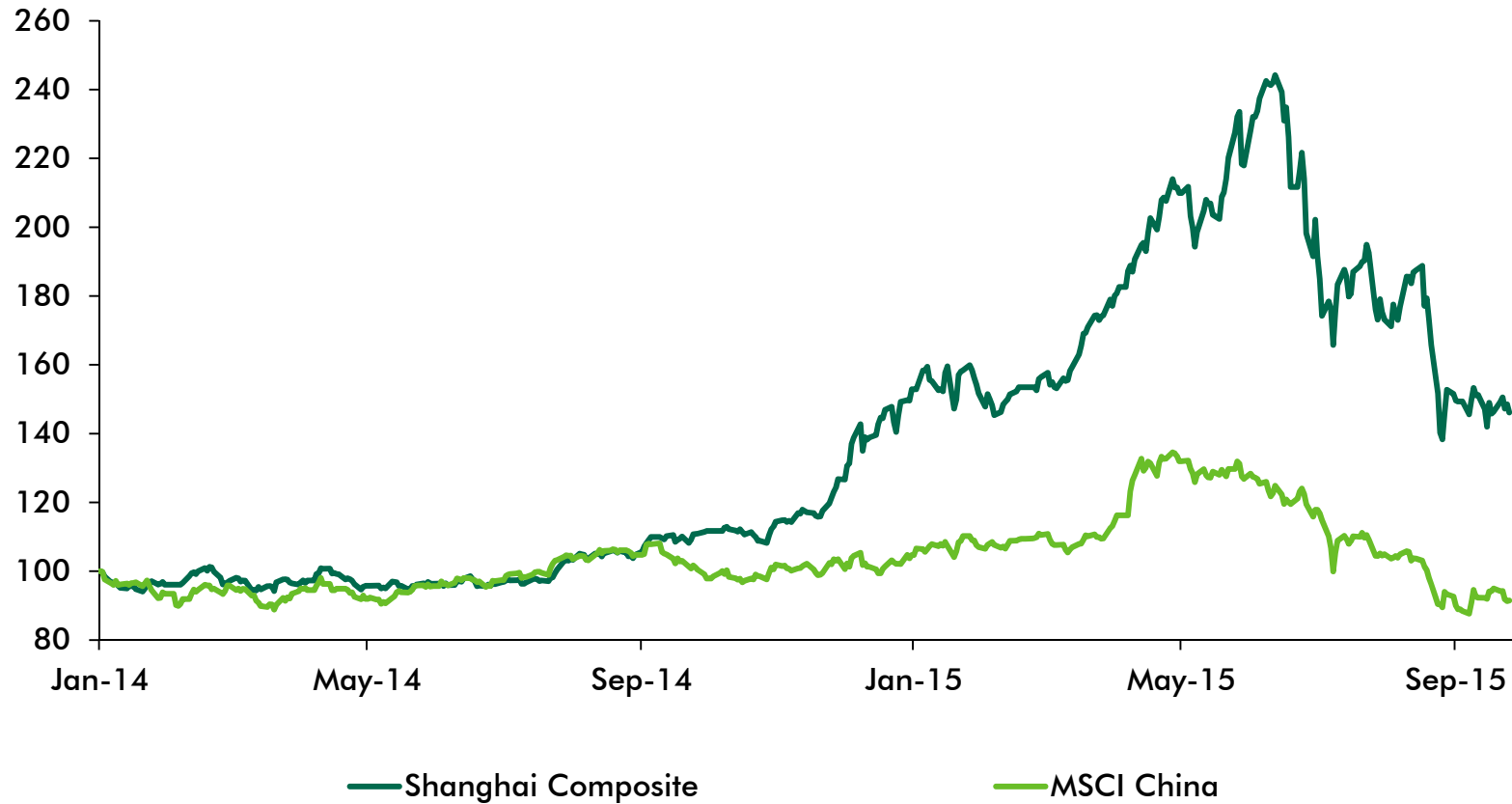
SEPTEMBER 2015

Presented by:
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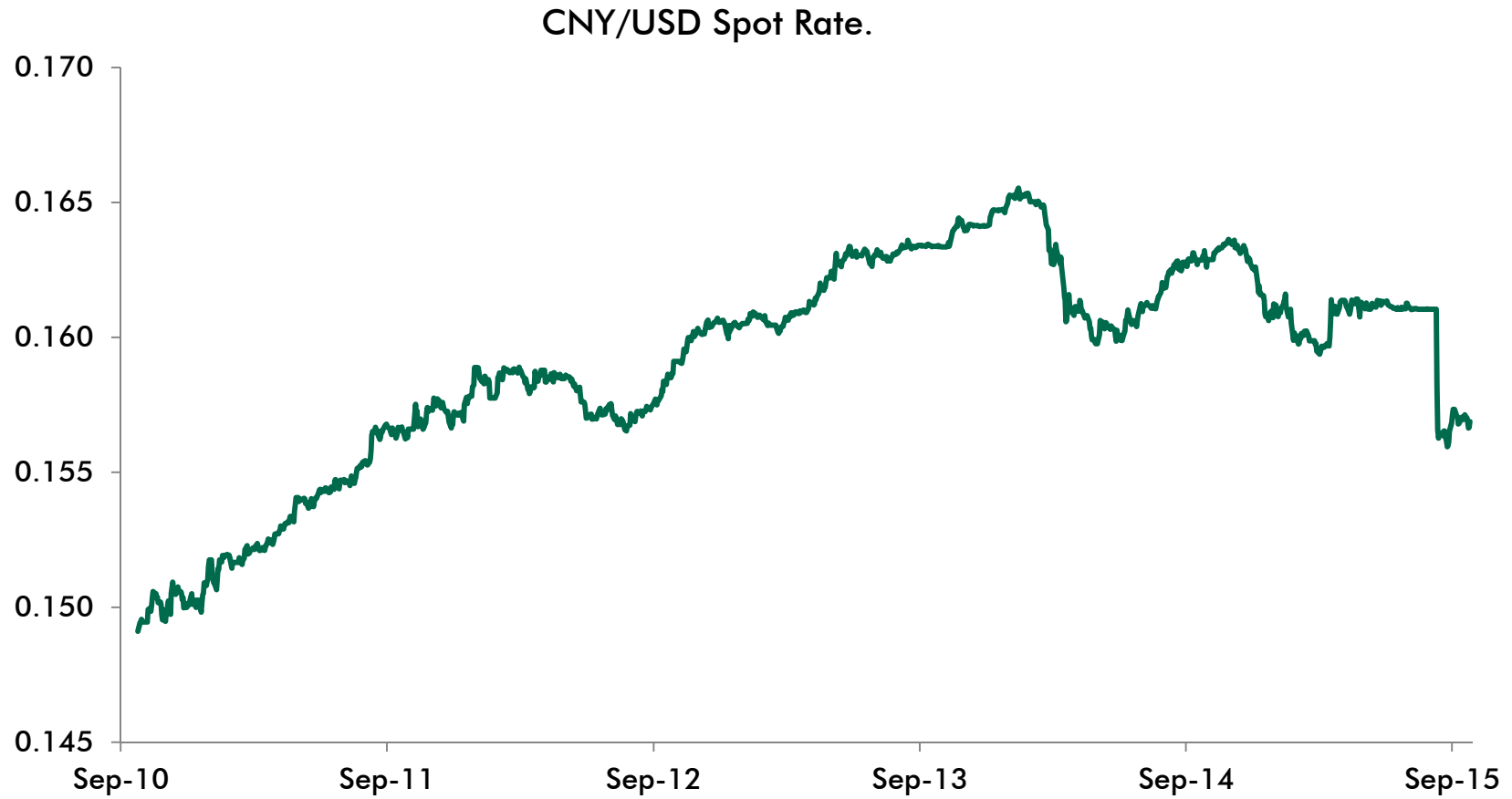
The Great Fall Of China

MSCI China & Shanghai Composite Rebased to 100 at Jan 14.



Source: Thomson Reuters DataStream.

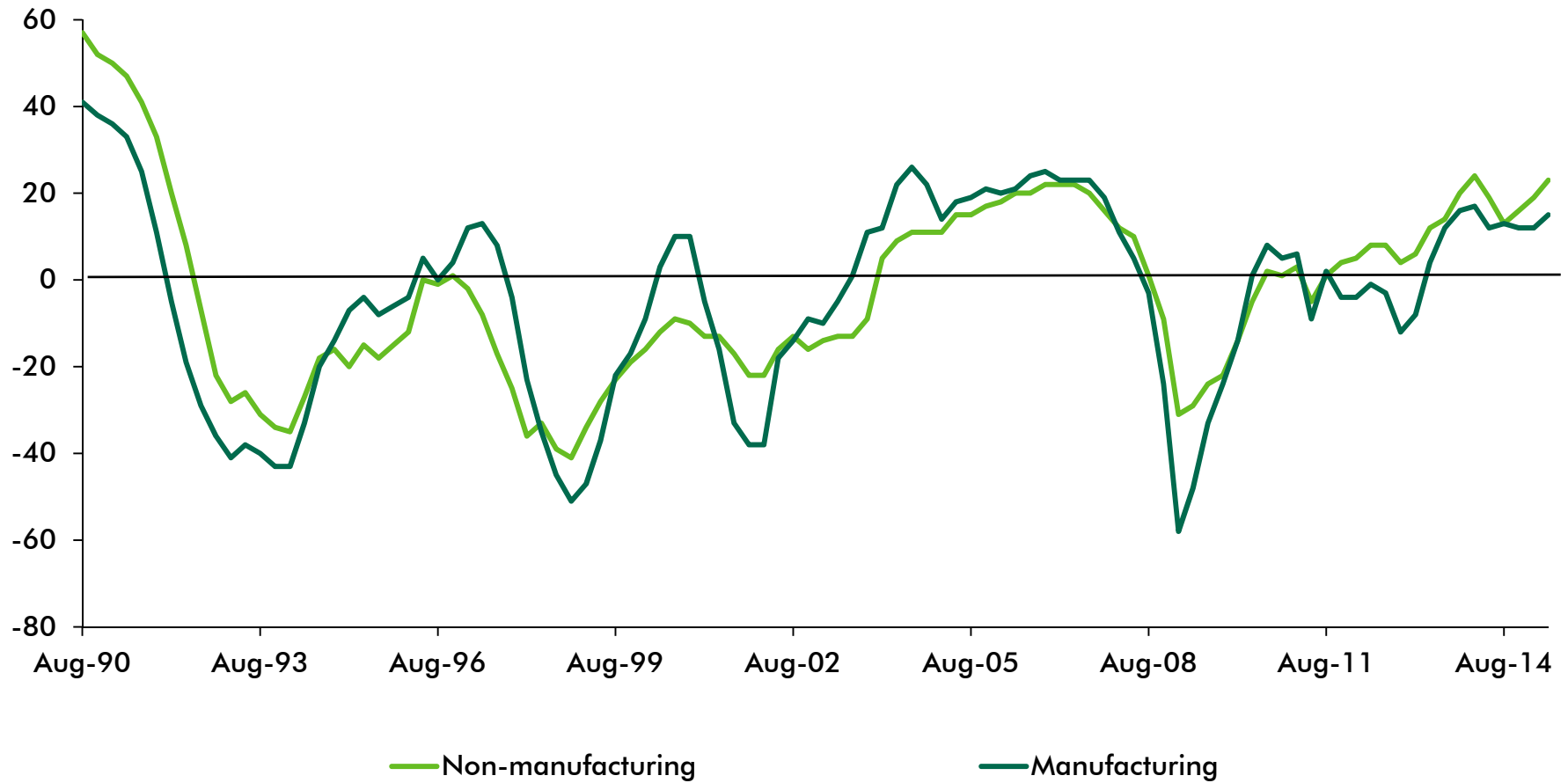
Another 20%?



Source: Thomson Reuters DataStream.

Abenomics Is Doing A Lot

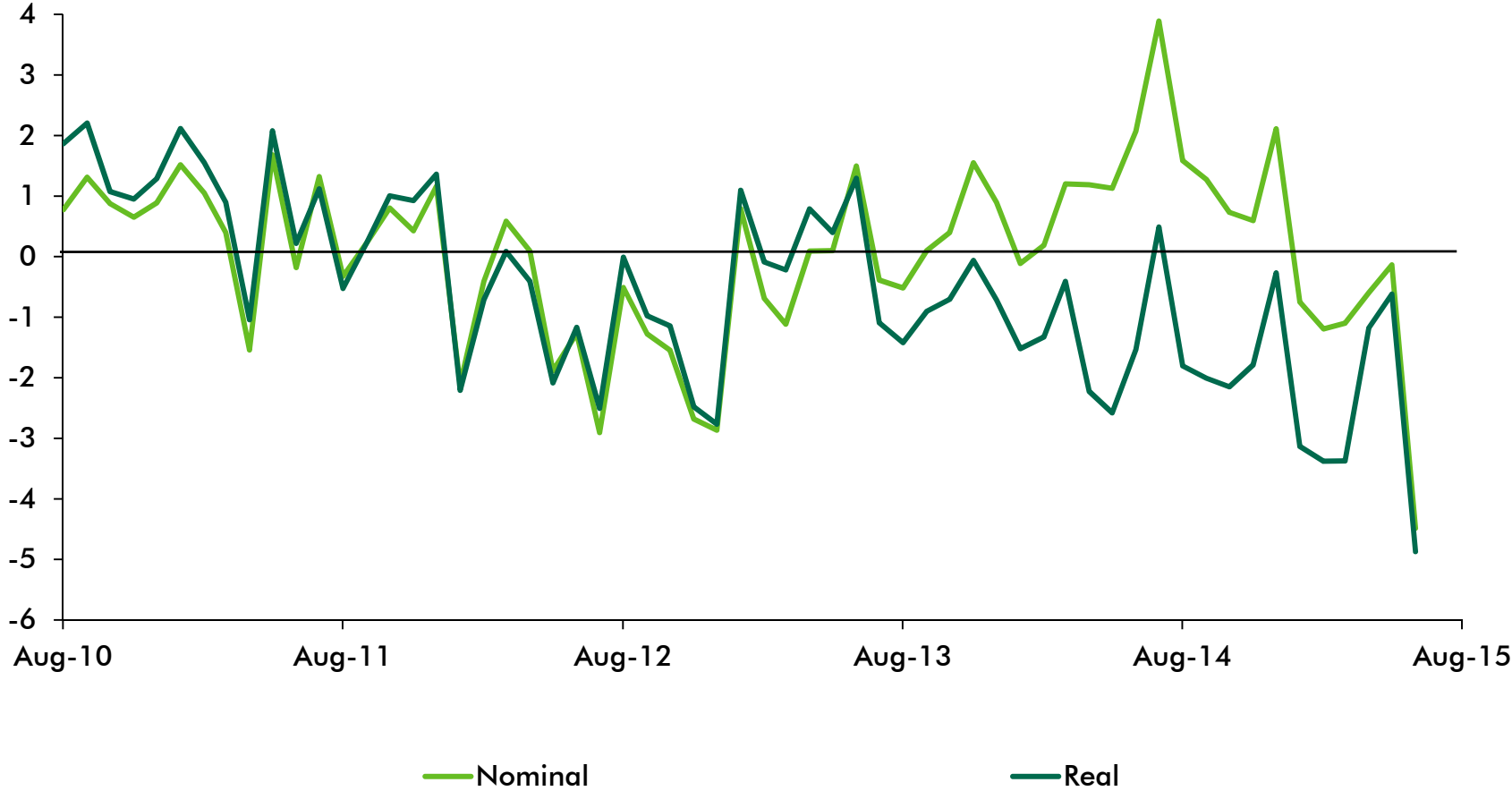
Tankan Survey.



Source: Thomson Reuters DataStream.

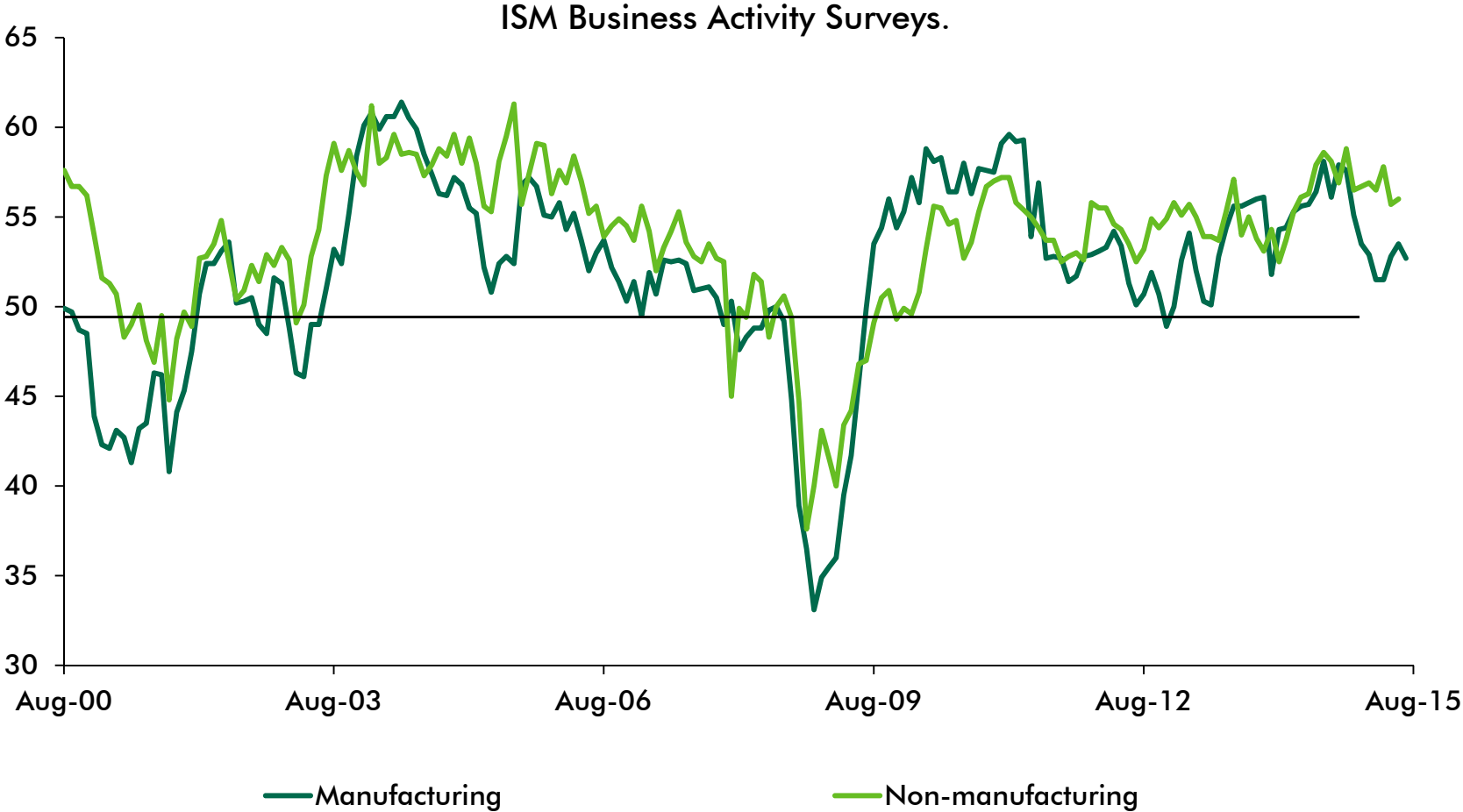
Except What It's Meant To Do

Monthly Cash Earnings, % y/y.



Source: Thomson Reuters DataStream.

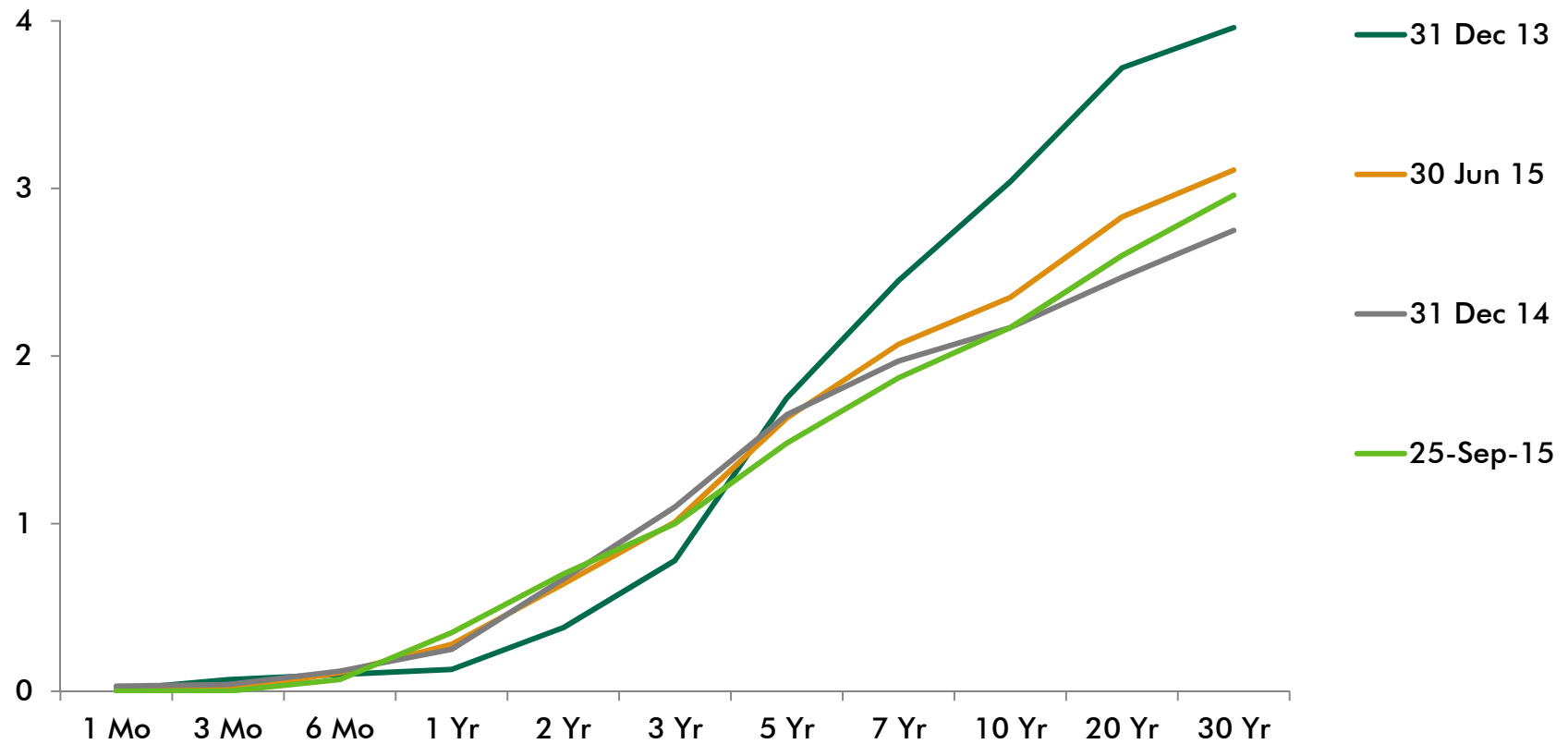
The USA Struggles To Reach Escape Velocity



Source: Thomson Reuters DataStream.

Monetary Tightening Threatened By Global Pressures

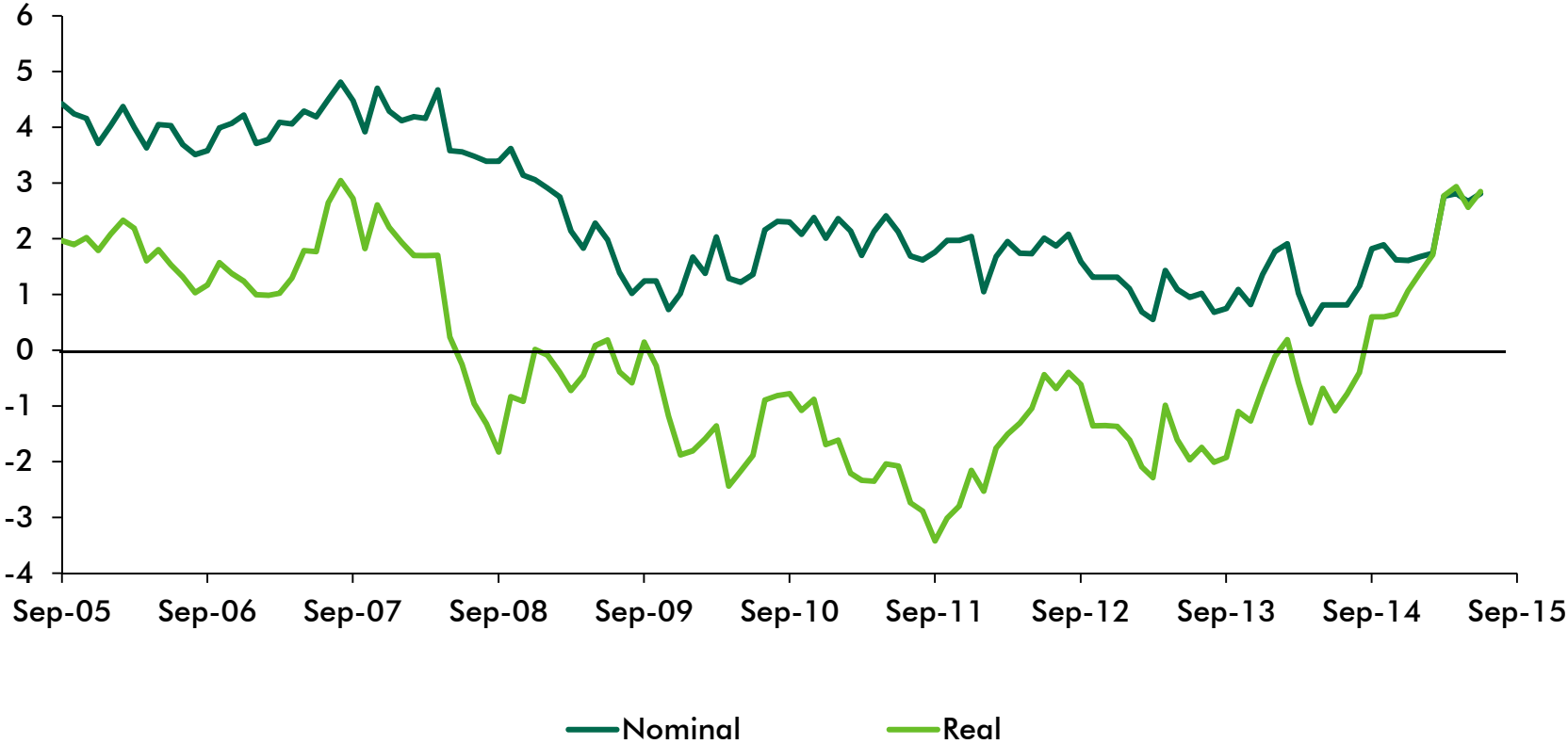
Market Implied Path of US Interest Rates, %.



Source: Thomson Reuters DataStream.

Meanwhile The UK Is In Rude Health (But Still Indebted)

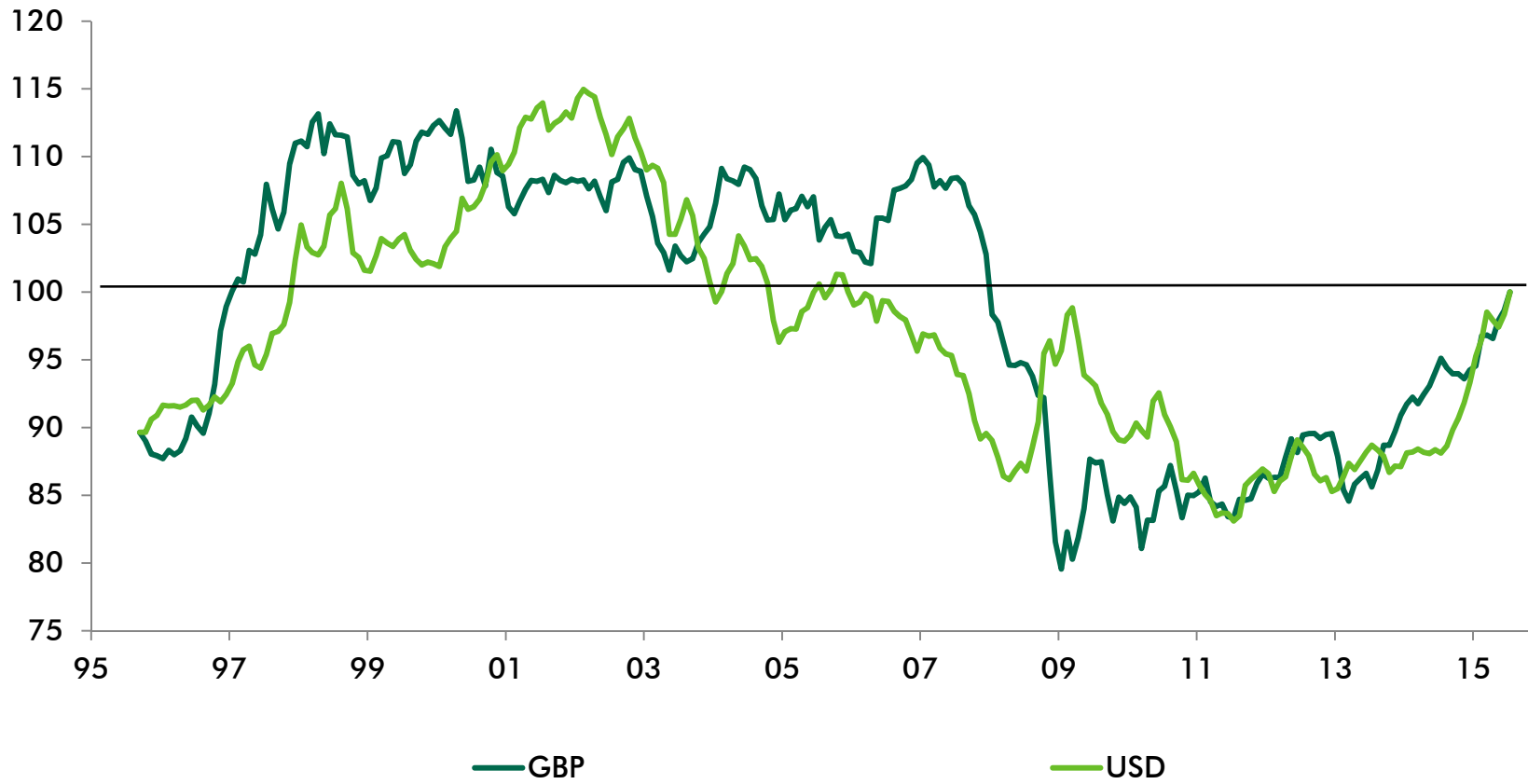
Average Earnings, % y/y.



Source: Thomson Reuters DataStream.

And Wrestling With The Same Policy Dilemma As The USA

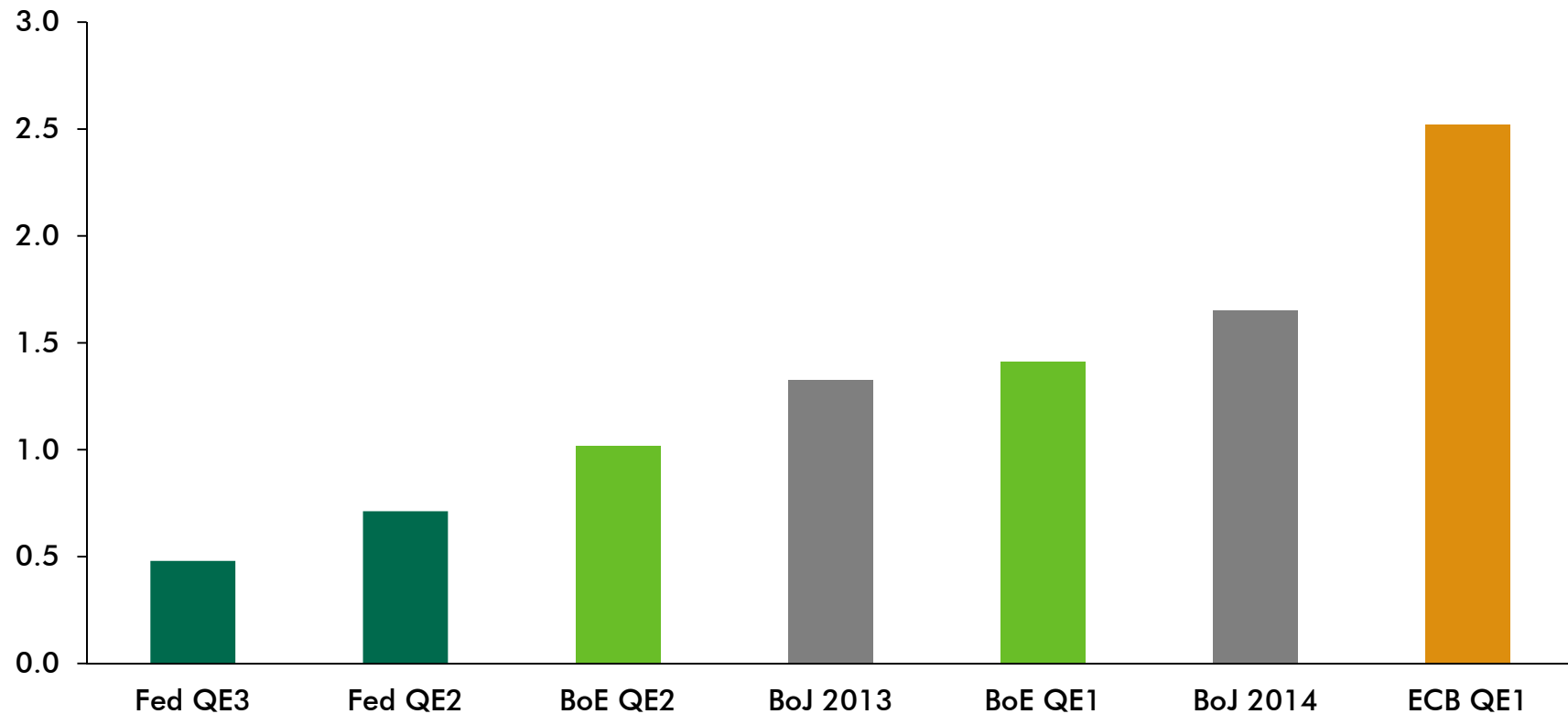
Real Effective Exchange Rate Indices.



Source: Thomson Reuters DataStream.

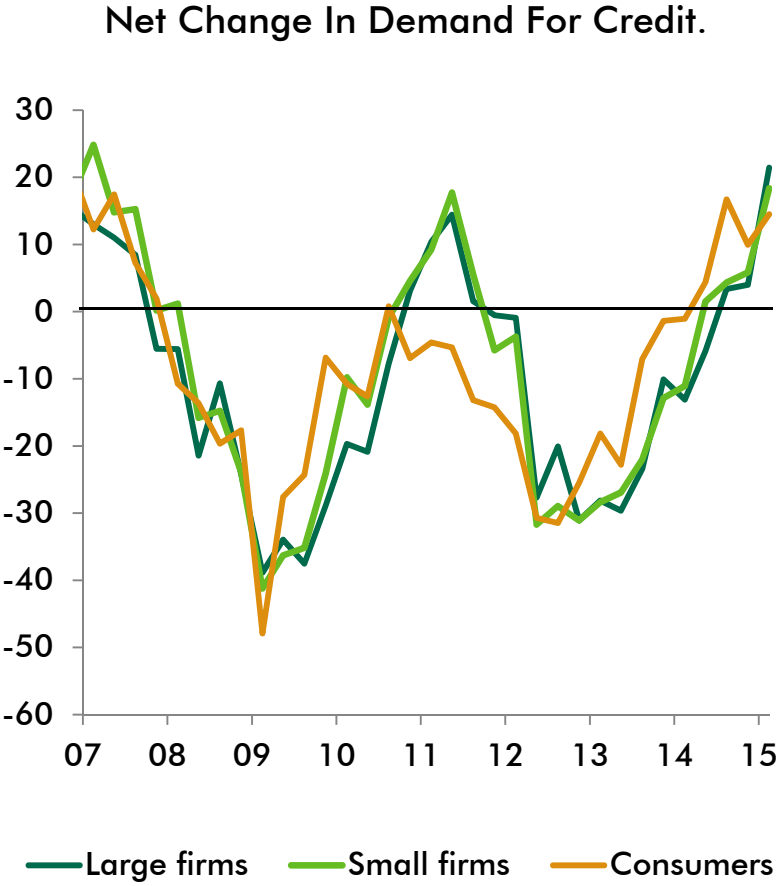
By Contrast The Eurozone Is At The Start Of Its Easing Cycle

Ratio of Central Bank's Government Bond Purchases To Net Bond Issuance.

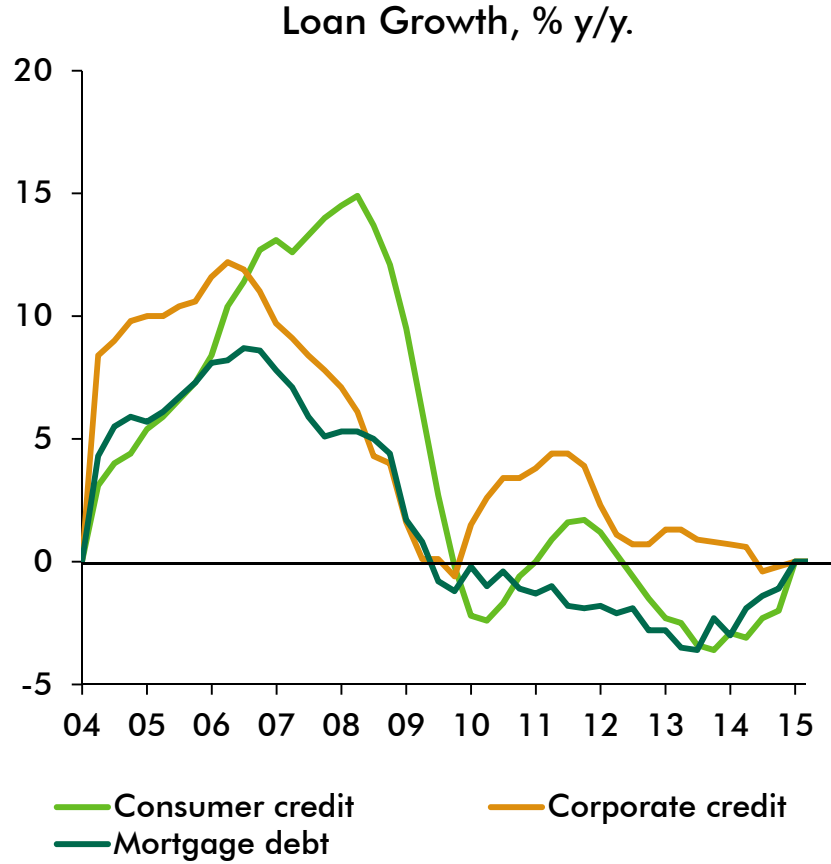


Source: Gavekal.

The Demand For Credit Is Recovering



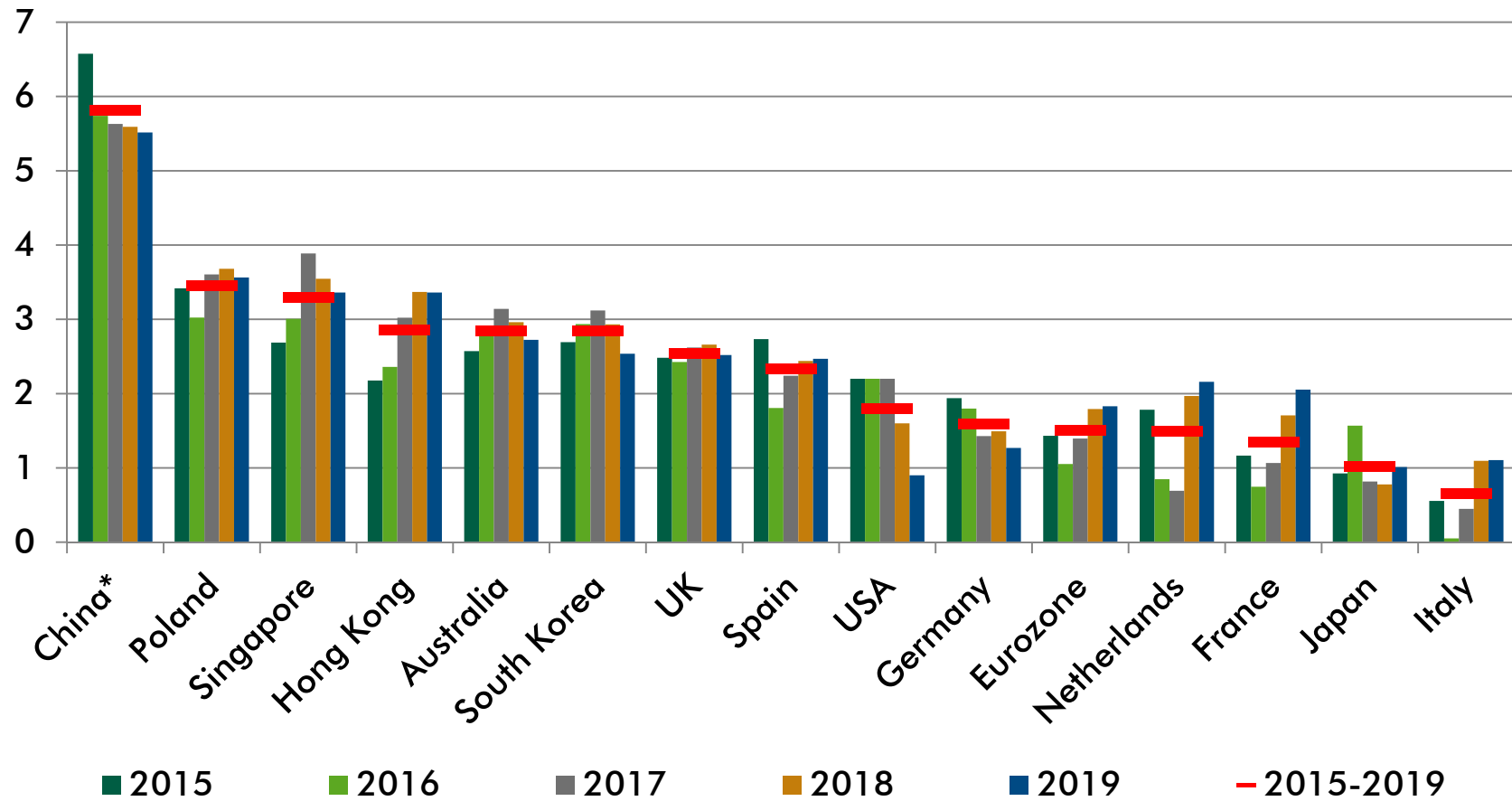
Source: European Central Bank.



Source: European Central Bank.

And Frankly There Isn't Much Between The USA & The Eurozone

GDP Forecasts, % pa.



Source: OEF except USA which is Moody's.

So Where Does Europe Stand Relative To Its Global Peers

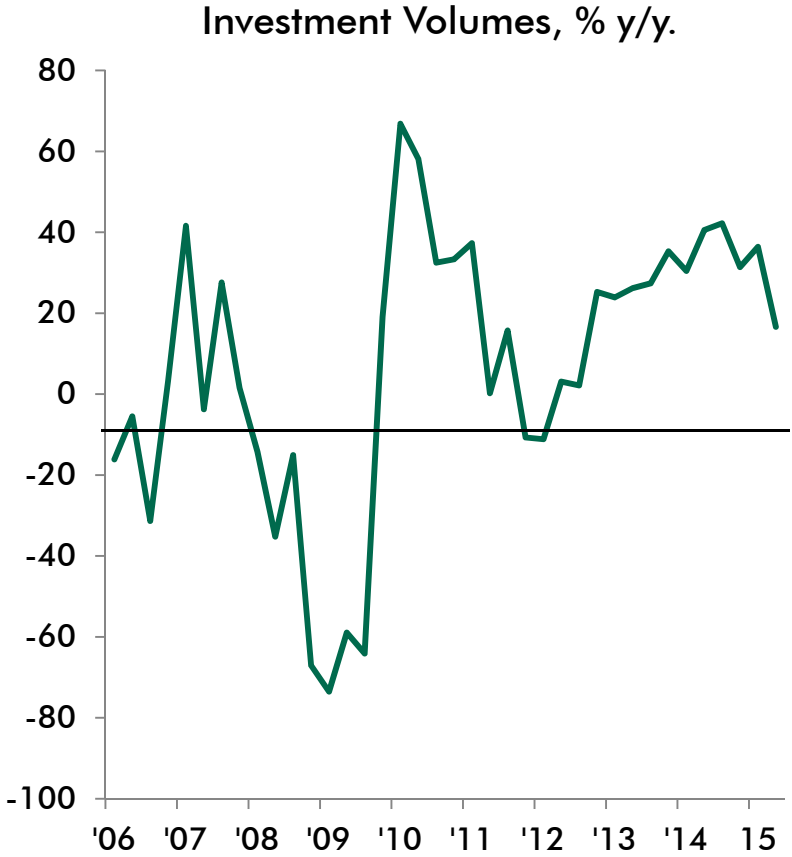
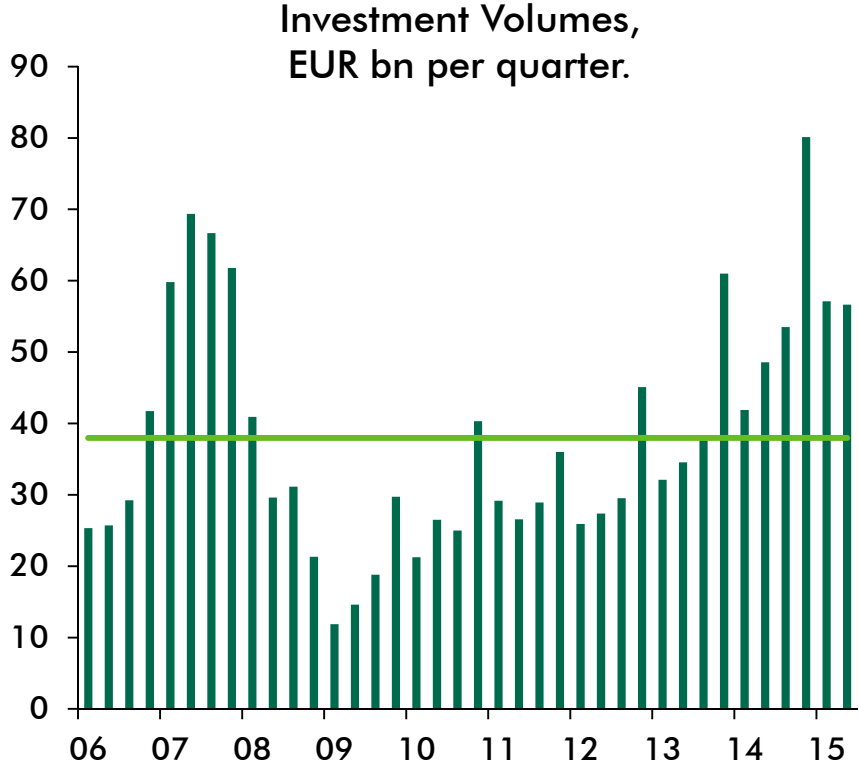
THE EUROZONE

- EASY MONETARY POLICY
- WEAKENING EXCHANGE RATE
- RECOVERING DEMAND
- AND DESPITE BREXIT & GREXIT, COMPARABLY STABLE POLITICAL & LEGAL BACKDROP

THE UK

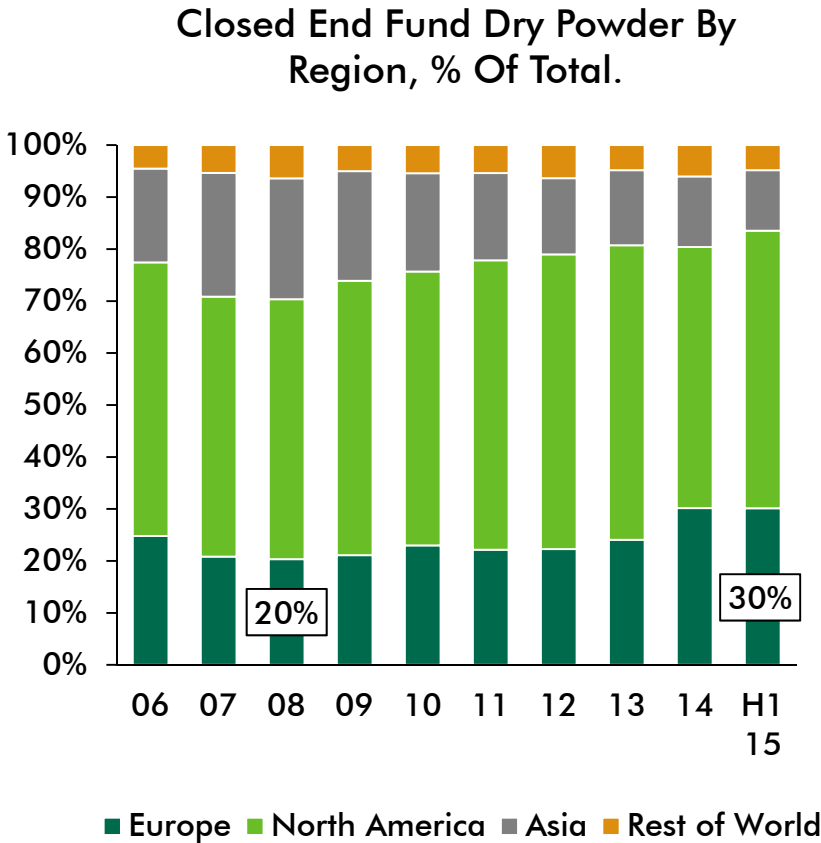
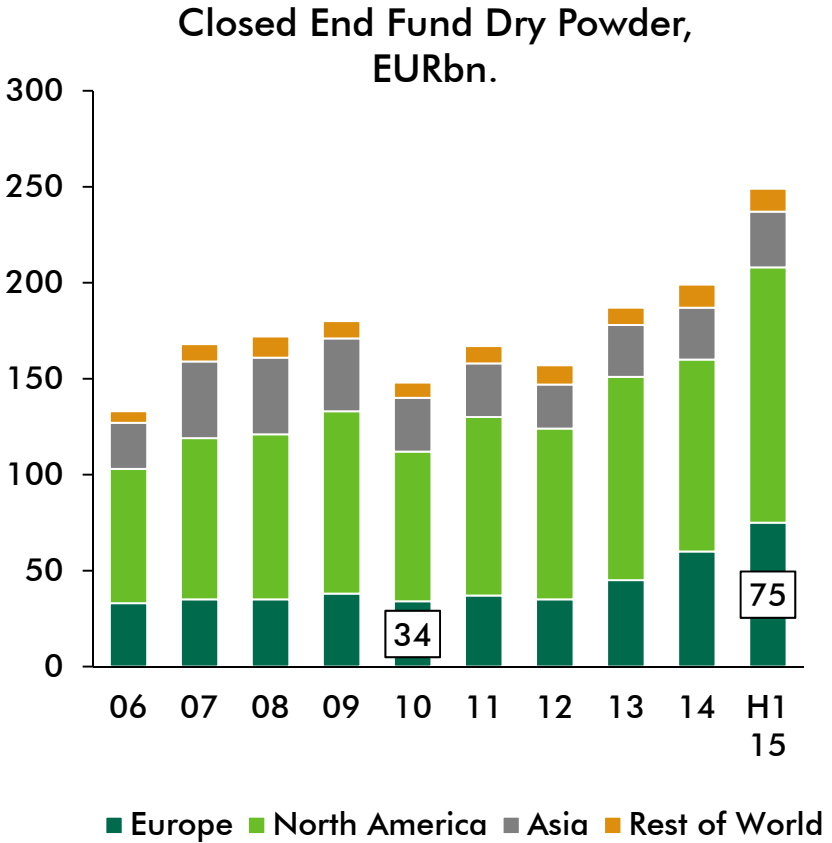
- MONETARY POLICY CYCLE EXTENDED BY GLOBAL VOLATILITY
- LATE CYCLE BUT DEMAND STILL SURPRISINGLY STRONG
- BACK TO A SAFE HAVEN ONCE THE EU REFERENDUM IS TRAVERSED (?)

The Problem Is That Europe's Attractions Are Not Unnoticed



Source: CBRE EMEA Research.

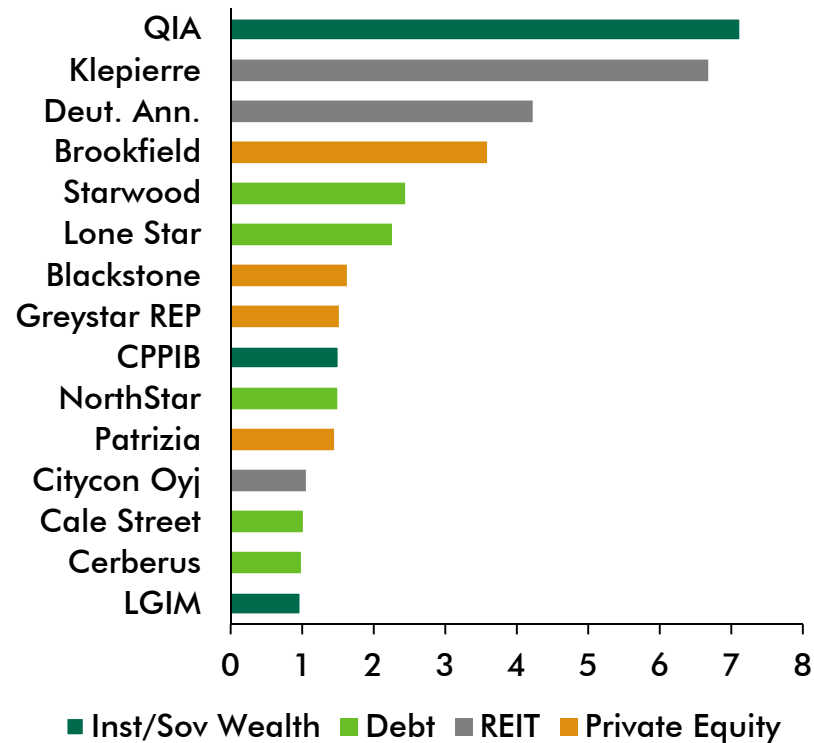
Closed End Funds Are Back And Targeting Europe



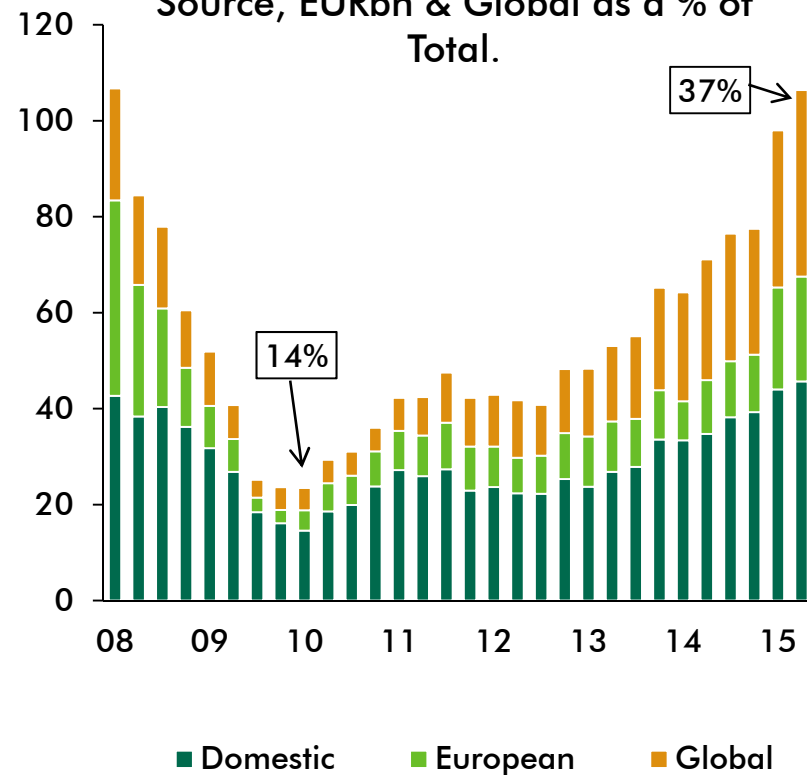
Source: Preqin.

Desperate Investors Are Using Portfolios To Place Capital Quickly

Top 15 Portfolio Investors In Europe
In H1 2015, EURbn.

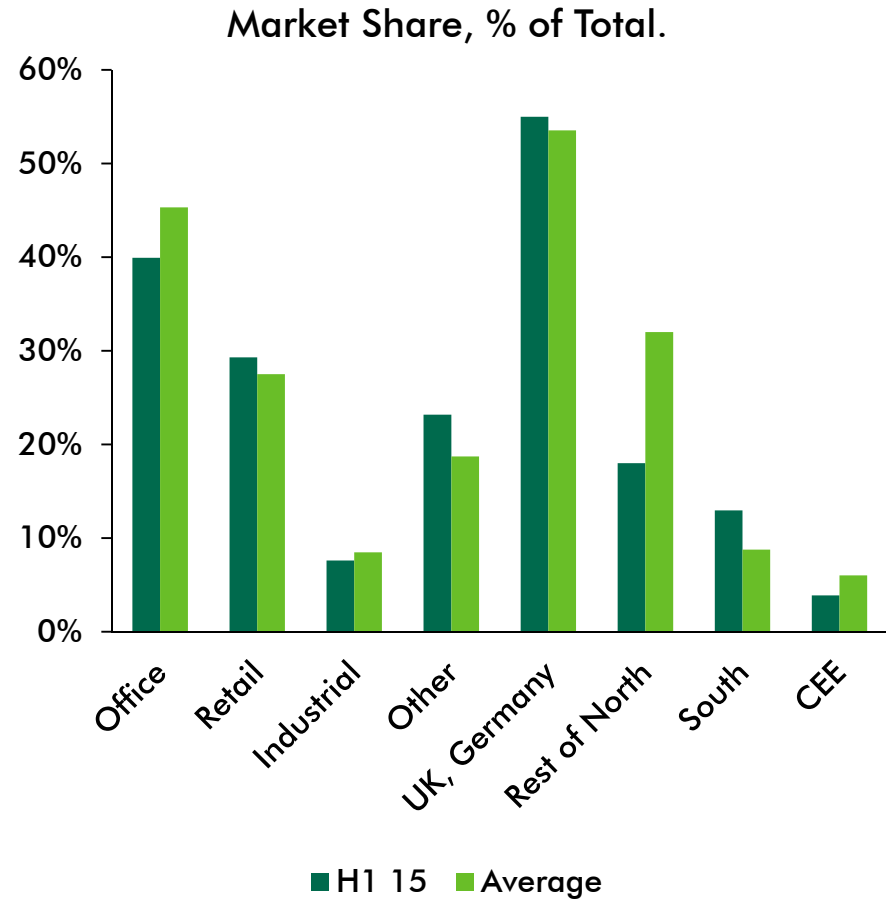
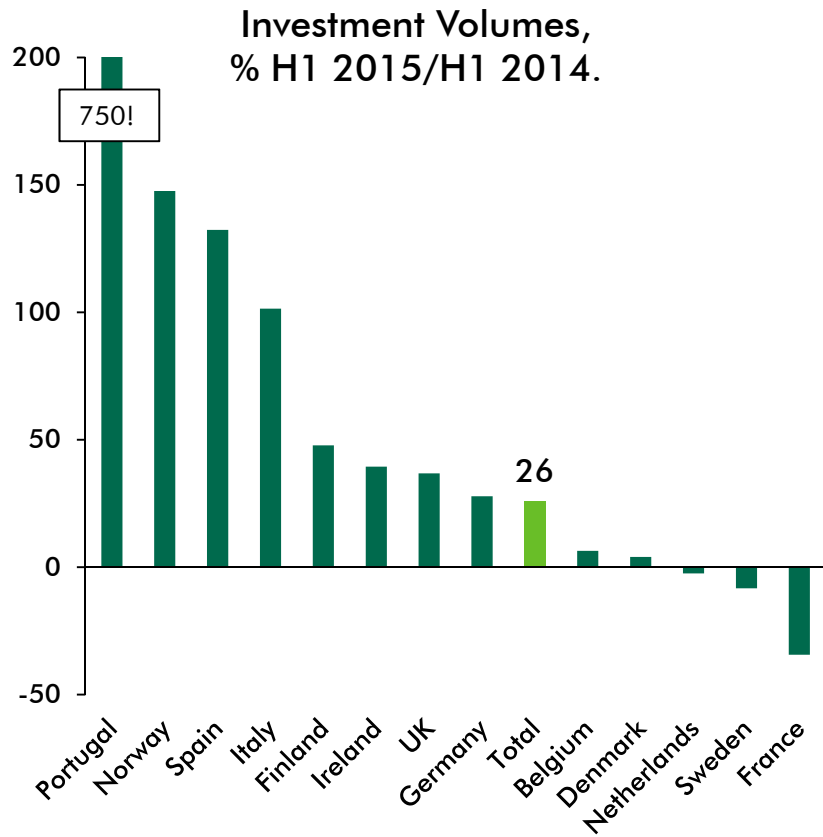


Portfolio Acquisitions By Capital Source, EURbn & Global as a % of Total.



Source: Real Capital Analytics.

The Biggest Increase In Activity Has Been In The South



Source: CBRE EMEA Research.

But London Still Dominates Transaction Activity

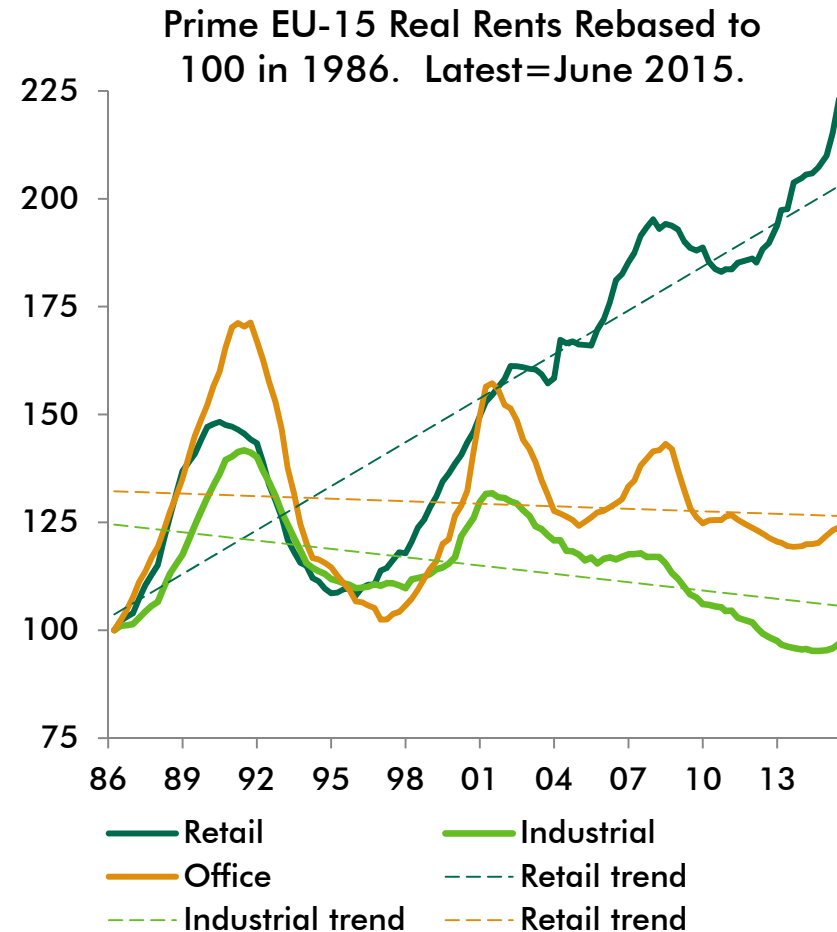
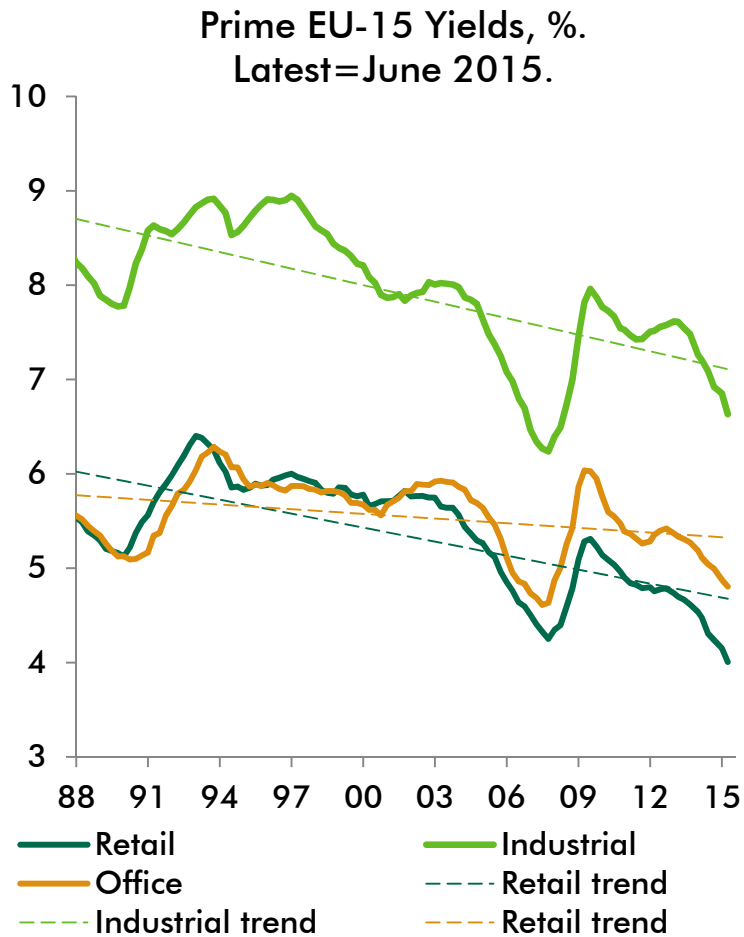
Transactions In Europe In H1 2015.



In H1'15 London accounted for more transaction volume than the next 7 European cities combined.

Source: Real Capital Analytics.

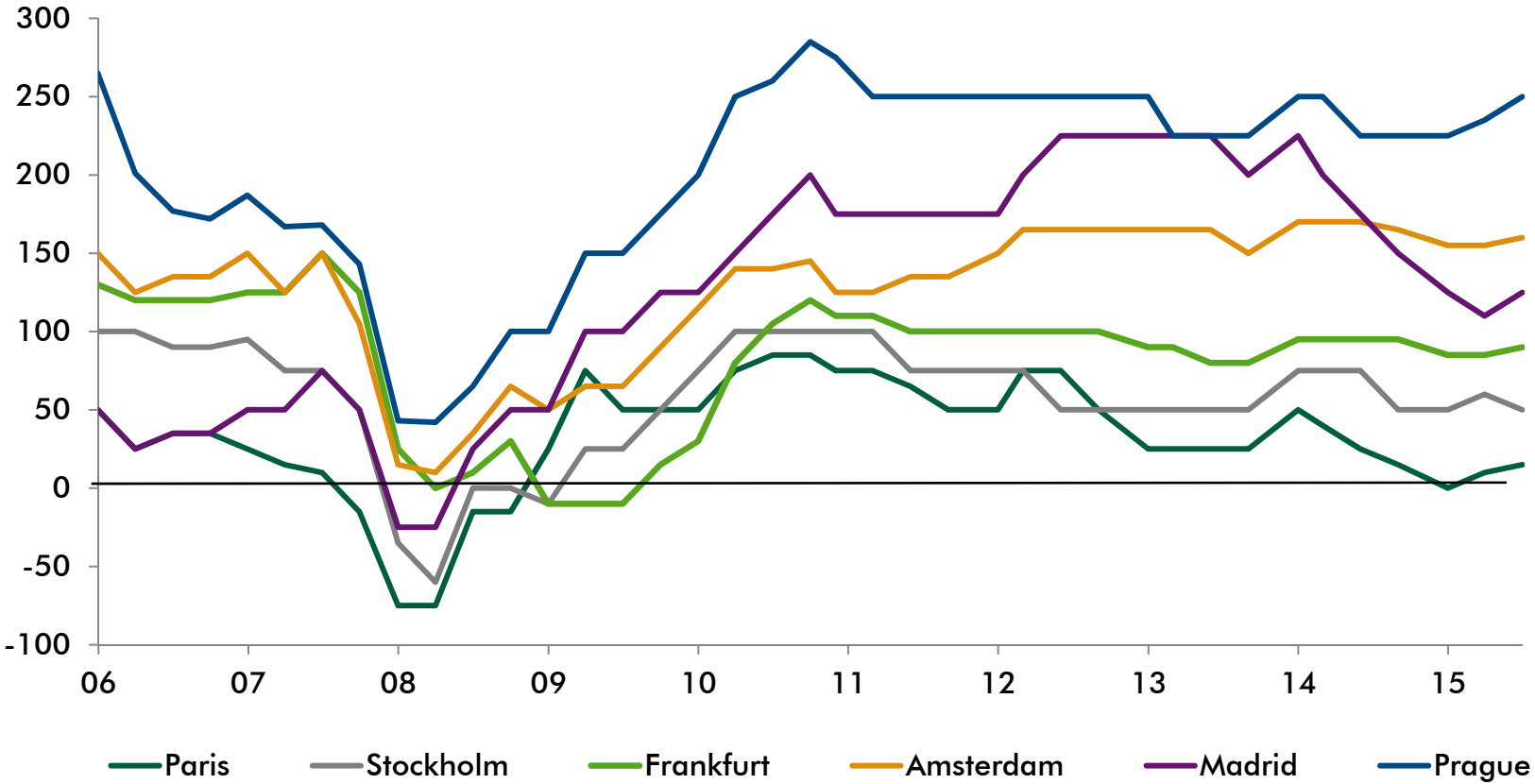
Pricing Is Reaching Record Levels



Source: CBRE EMEA Research.

Spain In Particular Has Seen Yields Compress At A Rapid Rate

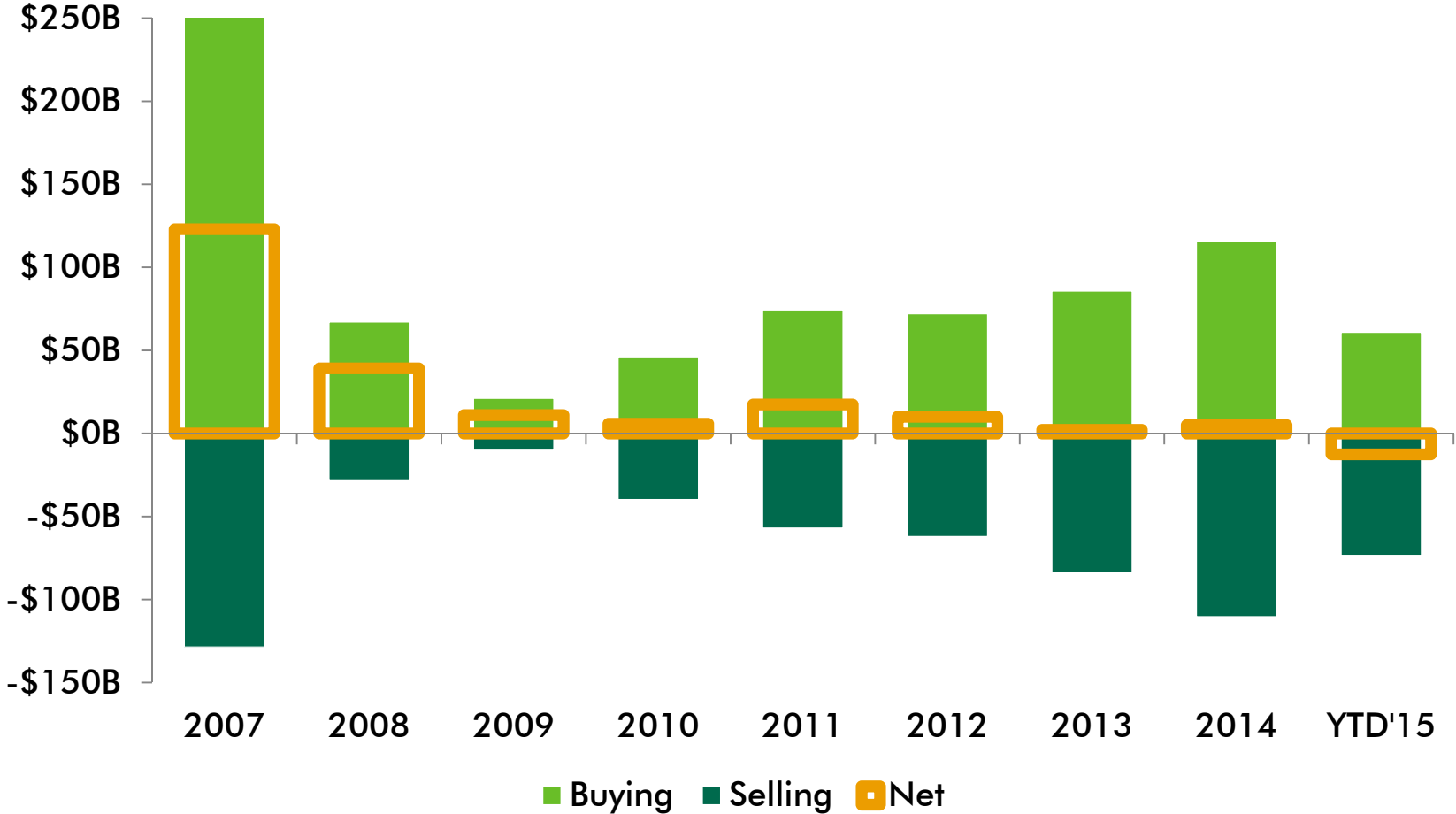
Prime Office Yield Premium Over West End, bps.



Source: CBRE EMEA Research.

Prompting Some Investors To Take Profits

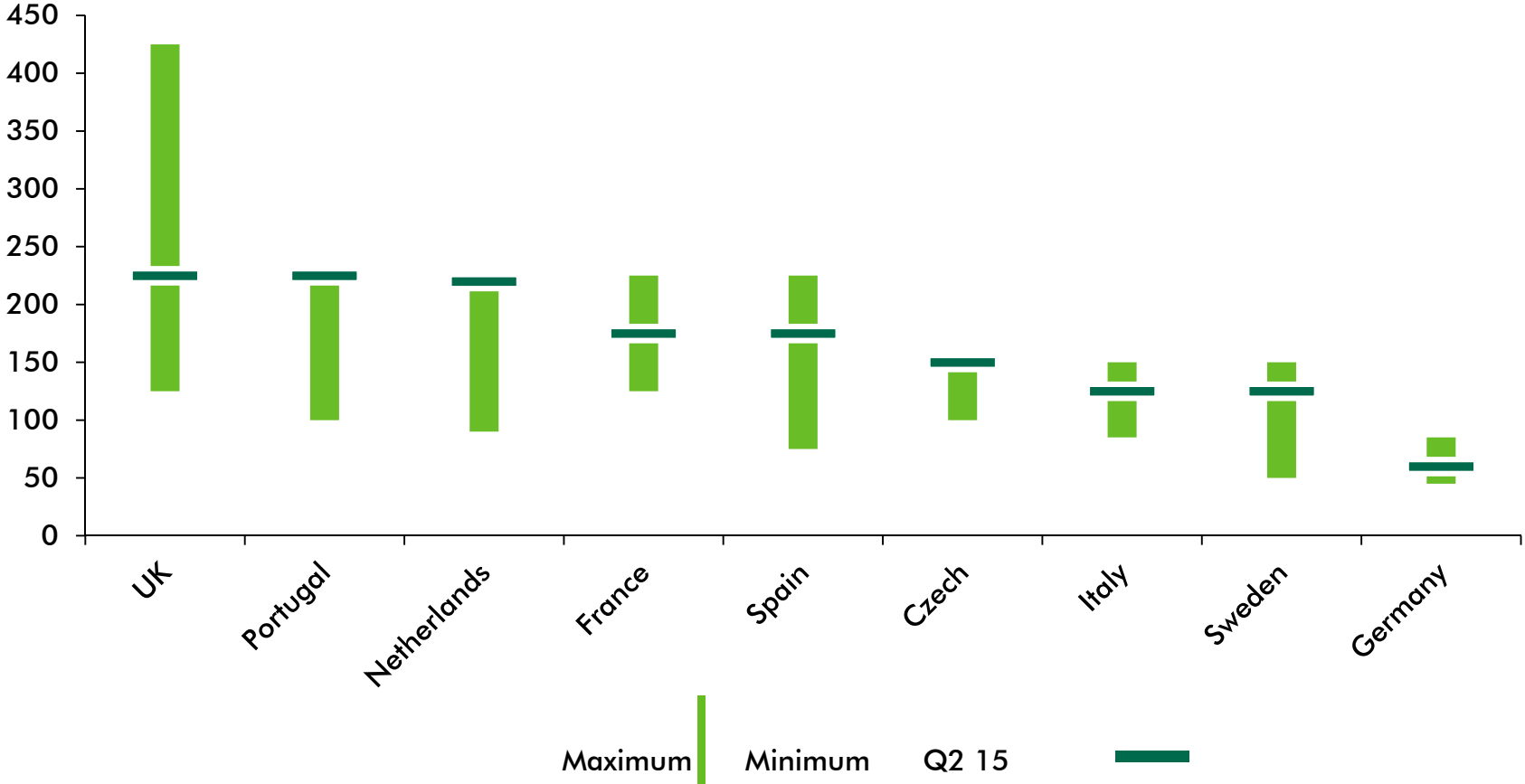
Private Equity Fund Transactions In Europe.



Source: Real Capital Analytics.

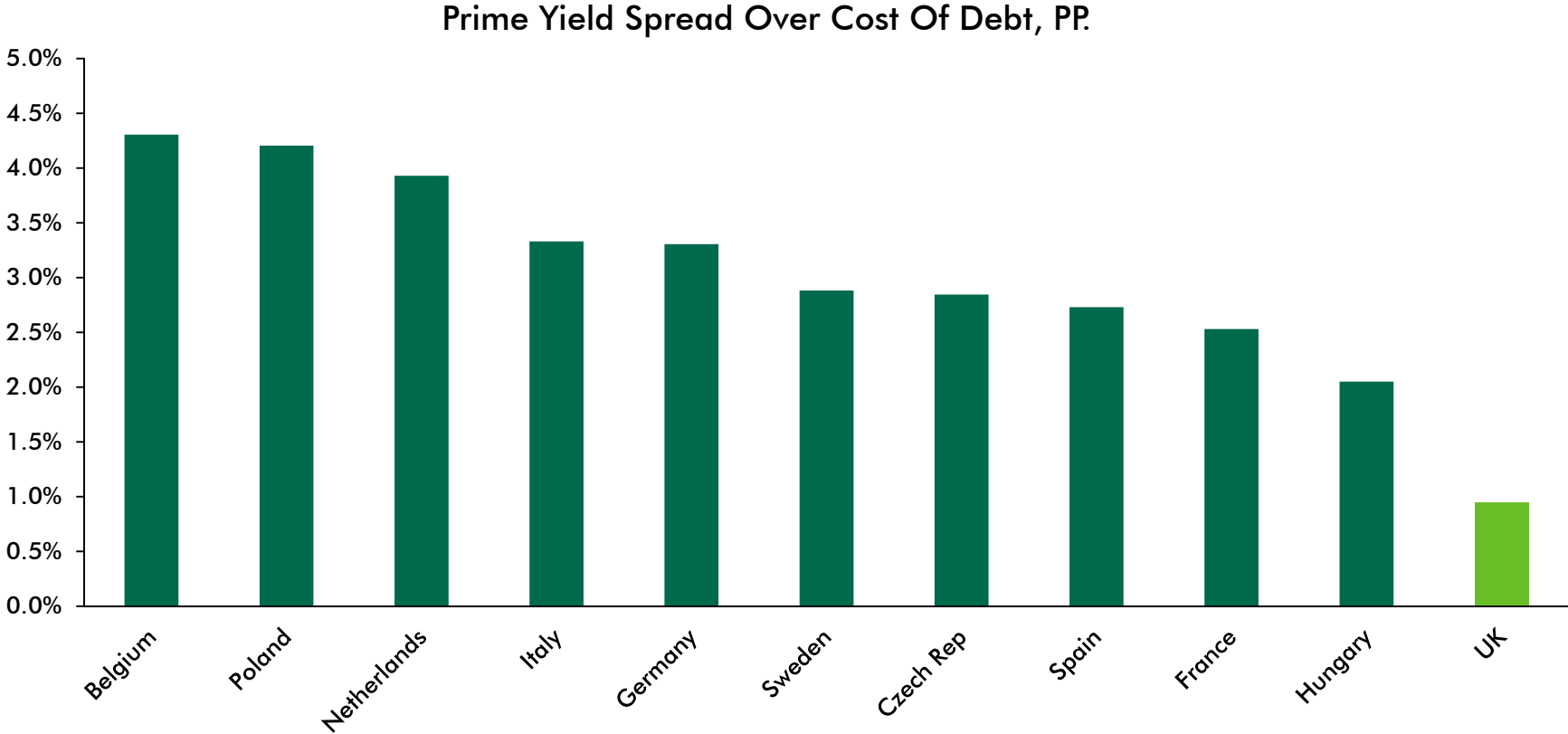
Others Are Looking For Higher Yielding Assets

Yield Gap Over The Current Cycle.



Source: CBRE EMEA Research.

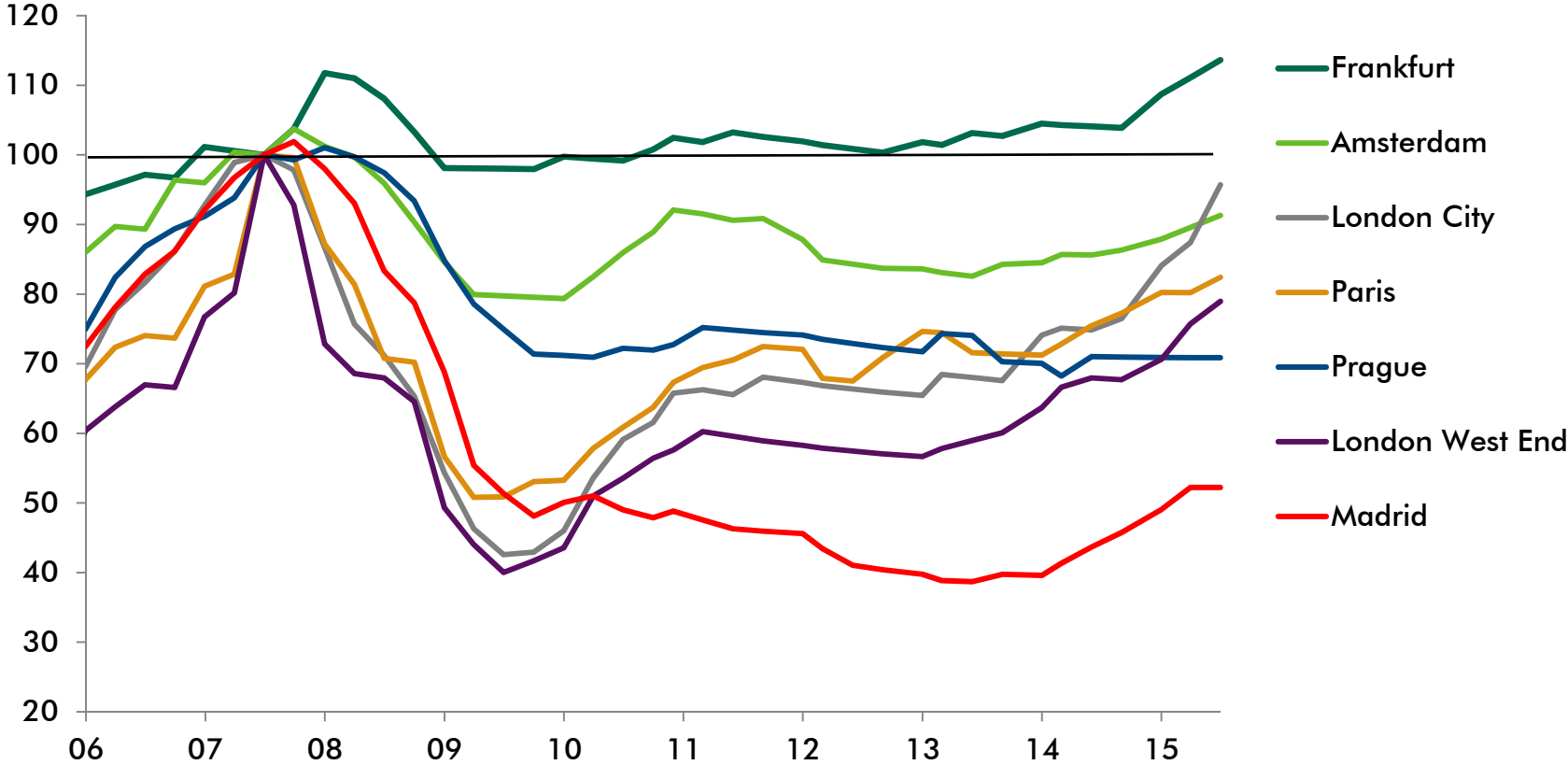
Others Are Using Leverage To Increase IRRs



Source: CBRE Global Investors Treasury Department.

So Is There Still Embedded Value In This Market?

Real Prime Office Capital Values Per Sq M Rebased To 100 In Q2 2007.



Source: CBRE EMEA Research.

We Are Still Early Cycle For The Rent Recovery

Real Prime Rent Growth, % cumulative, 2015-2019



Source: CBRE Global Investors.

European Real Estate Investment Themes



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