

European Valuation Monitor, Q1 2015

Values continue to trend upwards in 2015

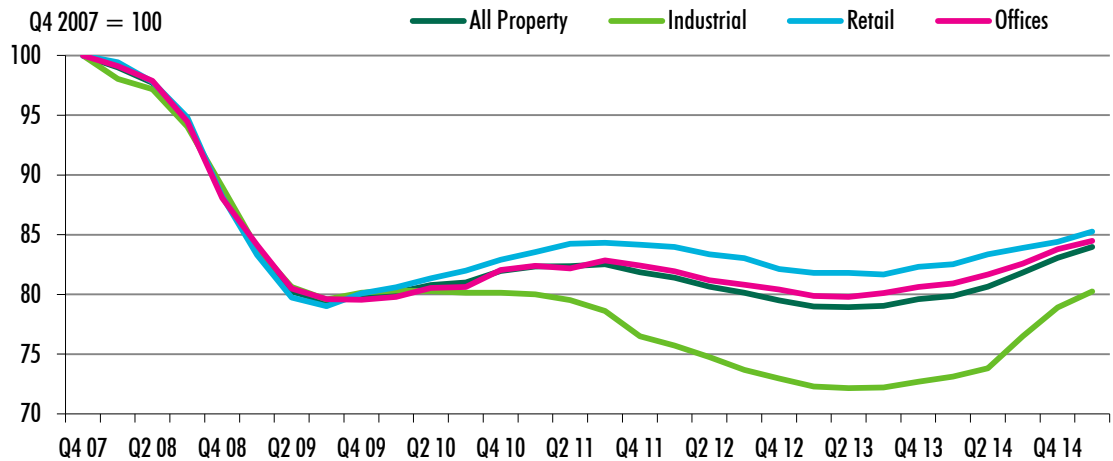
▲ Q1 All Property
1.1%

▲ Q1 Office
0.8%

▲ Q1 Retail
1.0%

▲ Q1 Industrial
1.7%

Pan-Europe sector capital values



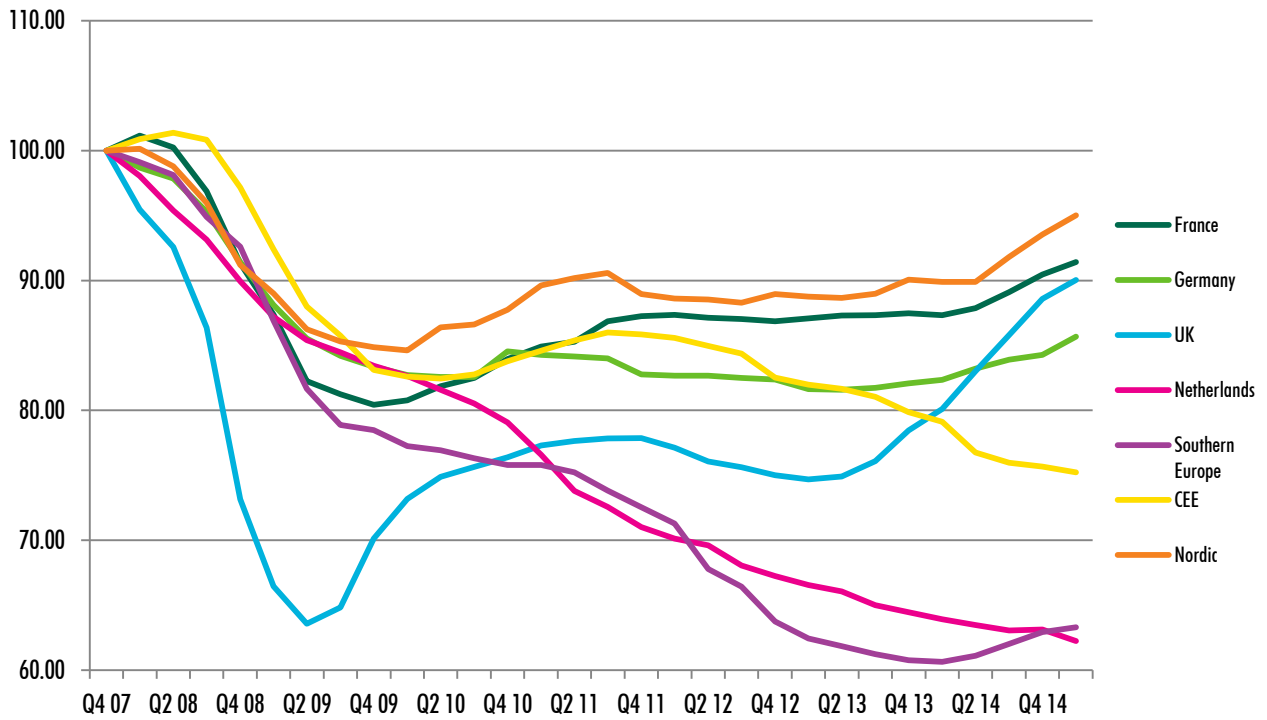
Source: CBRE

OVERVIEW

- Values rose across all asset classes, but at a slightly slower rate than seen previously. The All Property index edged up 1.1% on the quarter, continuing the positive trend for the seventh consecutive quarter.
- Industrial was once again the best performing segment, with growth of 1.7%. Retail saw the next biggest increase, rising by 1%, followed by Offices which grew 0.8%.
- For the second consecutive quarter, there was yield compression across all quartiles as investors continue to seek out opportunities further along the risk curve. Prime assets are still the most in demand, but the group of yields in quartile 4 compressed noticeably, suggesting there is growing interest in the higher yielding group.
- Over the quarter, Germany, the UK and the Nordics were the best performing at the All Property level, rising by 1.7% and 1.6% respectively. Values in Southern Europe also picked up (0.6%), driven largely by the Industrial sector (1.2%).
- Values in CEE and the Netherlands continued to slip, by 0.6% and 1.4% respectively. Falling values were not across all sectors, but were driven by the Office and Retail sector in these markets. Falls in CEE continue because of the modernisation of the CEE stock; where new supply coming to the market competes with older stock that makes up much of the sample in this index.

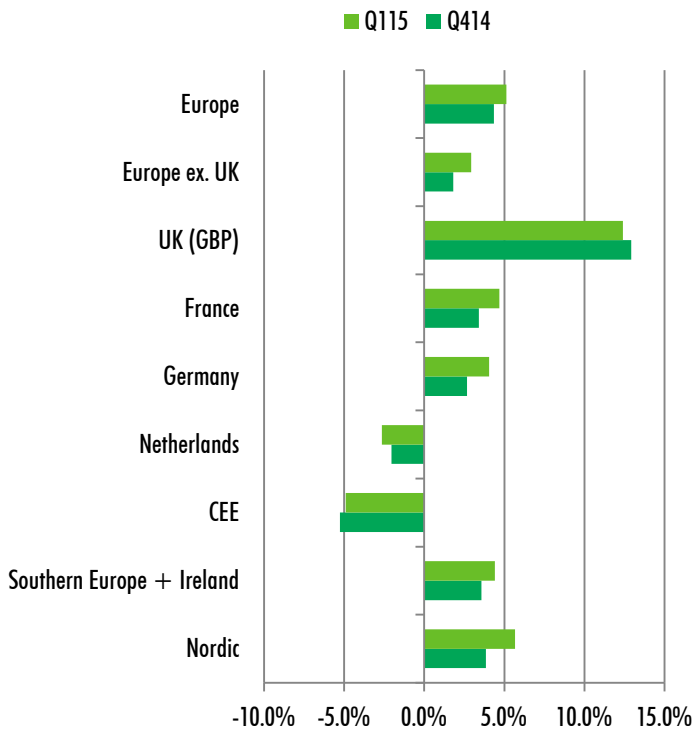
Regional European capital values

Q4 2007 = 100



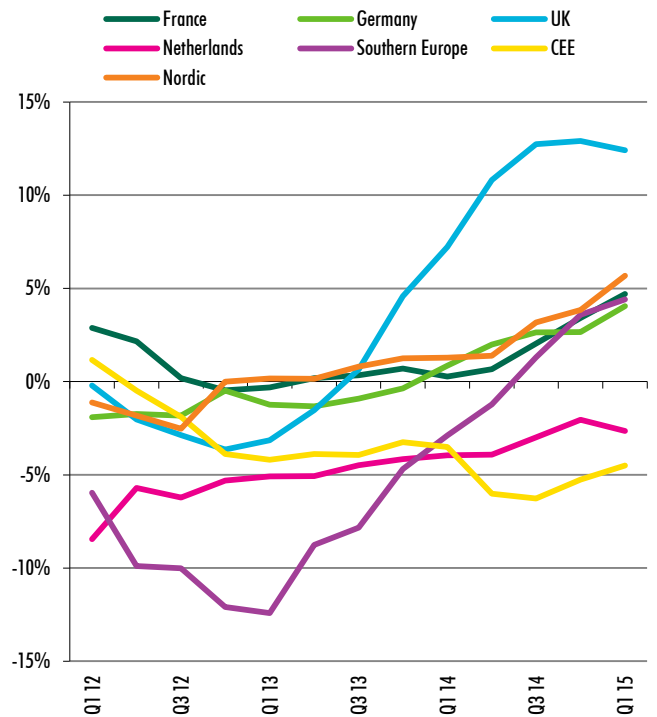
Source: CBRE

Annual Capital Value Change Q4 14 and Q1 15



Source: CBRE

Annual Capital Value Change



Source: CBRE

ALL PROPERTY

Excluding the UK, capital growth at the All Property level reached 0.9%, where once again yield movement was the main driver of the improvement. Rental growth continues to hold back values, with none yet evident at the aggregate level. France, Germany, and the Nordic countries were the main drivers of this rise.

INDUSTRIAL

Ex-UK industrial values increased once again, but without the pace seen in the previous quarter. Values rose 1.5% on Q4, with yield compression contributing to the rise. However, modest ERV growth was evident for the first time. This was largely driven by the German Industrial market.

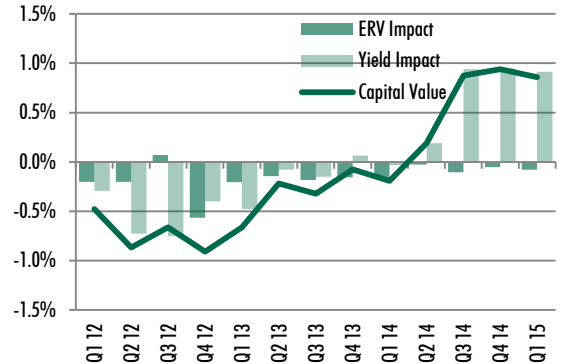
RETAIL

Retail values picked up strongly in the first three months, rising by 1.1% after only edging up in the previous quarter. Germany, France and the Nordics saw the largest increases this quarter, while they fell in the Netherlands and CEE countries. Rental growth remains negative, falling 0.4% after stabilising in Q4, meaning yield compression was once again the driver of value growth.

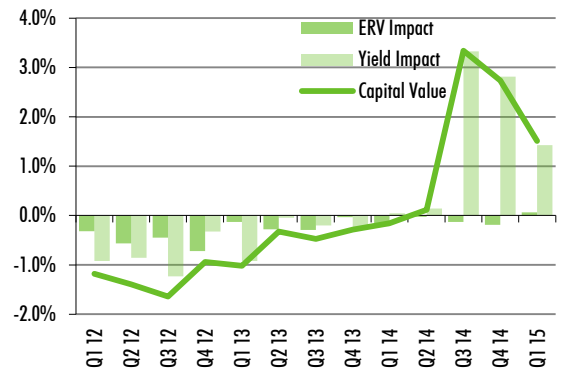
OFFICE

Ex-UK offices saw values rise 0.4% in Q1, driven by good performance in the Nordics, and sustained growth in France. There was also an uptick in German values, but falls in the Netherlands and CEE. ERVs edged up moderately after stabilising rising in the previous period, with yield movement making up the rest of the gains in value.

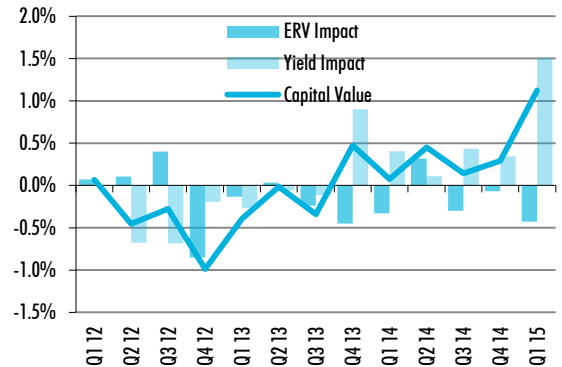
All Property Capital Value Components (Europe ex-UK)



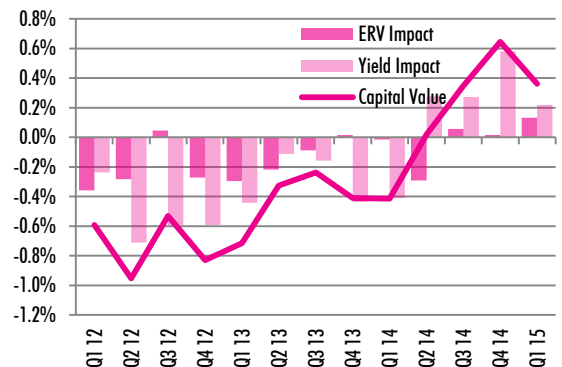
Industrial Capital Value Components (Europe ex-UK)



Retail Capital Value Components (Europe ex-UK)

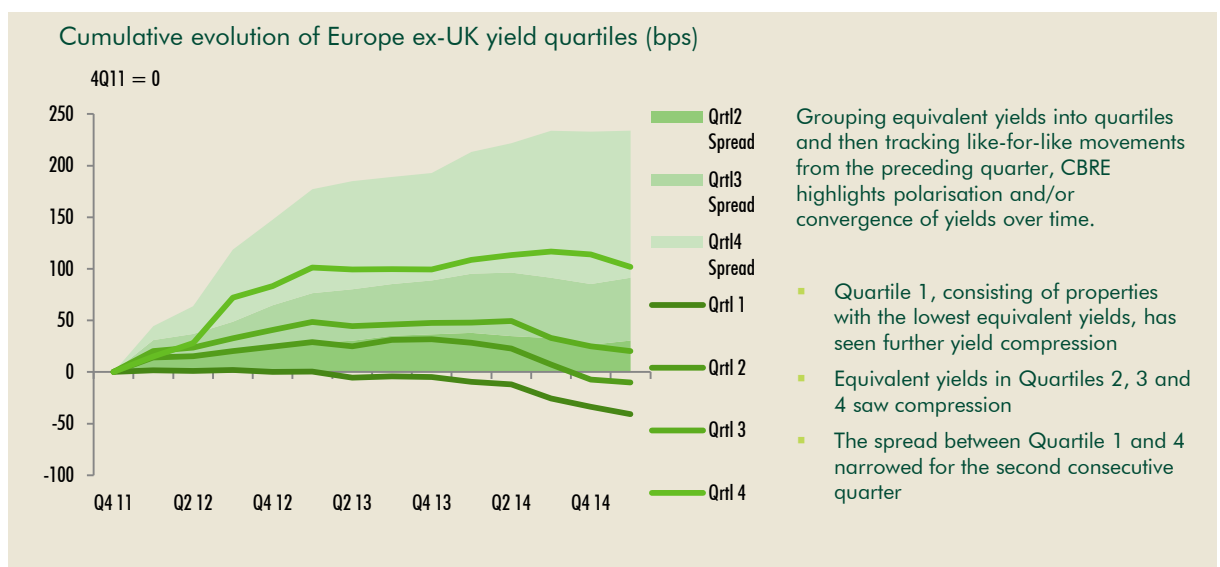


Office Capital Value Components (Europe ex-UK)



CBRE European Valuation Monitor Q1 2015							Index, Q4 2007 = 100
Region	% 3 months	% Year-to-date	% 12 months	2Q14	3Q14	4Q14	1Q15
France	1.1	4.7	4.5	87.8	89.1	90.5	91.4
Germany	1.7	4.0	4.4	83.2	83.9	84.3	85.7
UK	1.6	12.4	14.8	83.0	85.8	88.6	90.0
Netherlands	-1.4	-2.6	-3.4	63.5	63.1	63.1	62.2
Southern Europe + Ireland	0.6	4.4	4.2	61.1	62.0	62.9	63.3
Nordics	1.6	5.7	5.5	89.8	91.8	93.5	95.0
CEE	-0.6	-4.4	-5.8	76.7	75.9	75.6	75.2

CBRE European Valuation Monitor Q1 2015							Index, Q4 2007 = 100
Sector	% 3 months	% Year-to-date	% 12 months	2Q14	3Q14	4Q14	1Q15
Office	0.8	4.4	4.8	81.7	82.6	83.8	84.5
Retail	1.0	3.3	3.6	83.4	83.9	84.4	85.3
Industrial	1.7	9.7	10.4	73.8	76.5	78.9	80.2
All Property	1.1	5.1	5.5	80.6	81.8	83.6	83.9
All Property ex-UK	0.9	2.9	2.7	79.1	79.8	80.5	81.2



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