

Deka Immobilien Monitor

Issue 2020

From the Deka Group Macro Research Department

The Deka logo is displayed in white on a red rectangular background. It features a stylized icon of three vertical bars of increasing height to the left of the word "Deka" in a bold, sans-serif typeface.



Dear Reader,

Global economic growth has slowed due to the weakness of the industrial sector. The trade conflicts and uncertainty in connection with Brexit are also having a negative effect on the outlook. Although a recession is unlikely, some 3% for 2020/21 is not really a revelation for the global economy. Unlike the Eurozone, the US is highly robust to global economic influences due to its large, closed economy. Internal economic forces, including the excellent state of the labour market, are having a stabilising effect on the Eurozone economy. Office markets are benefiting from this. Due to the economic slowdown, however, we expect the (sometimes substantial) rent increases that were previously recorded to be followed by modest growth in coming years. New construction is also adding more space to the market and conversions are decreasing. Retail is benefiting from lively consumption, but is under massive pressure from the online boom and has to handle the structural changes needed to combine the two worlds. An increasing share of consumer expenditures are going to services and leisure. This is benefiting hotel markets, which are showing high occupancy rates compared to the long-term average and continued growth in room prices. The globally networked logistics world is suffering from political uncertainty, but has found a sustained driver in the online boom. Space needs are shifting in the direction of city centre logistics to optimise distribution of the massive flow of packages to end customers.

After a short period of monetary policy retreat, it became clear by mid-2019 that central banks would continue their new ultra-loose monetary policy for the foreseeable future. An interest rate increase by the ECB is extremely unlikely before the mid-2020s. Central banks are thus continuing to fuel the demand for real estate. The negative interest rates in the Eurozone have increased the relative attractiveness of real estate. Due to the excess demand for core products and ever-increasing prices, investors are widening their investment horizon to include, for example, nursing care properties. Sustainability is also increasingly a focus of attention. The downward pressure on initial yields continues, with the exception of retail real estate, and shopping centres in particular, which have fallen out of favour with investors due to the online boom and prospects of slower rent growth. Extremely low yields must, however, also generally be expected in the medium term. Yield increases have become a distant prospect in the Eurozone. Return prospects remain good as a result. The central banks' further extension of the real estate cycle does, however, create misallocation risks, such as the acceptance of more risk in the search for yield. The risk of housing markets overheating has also increased. There are, however, still no signs of overall bubble formation.

We hope you enjoy your reading.

Ulrich Kater
DekaBank Chief Economist

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Management summary

Global investment markets

- Global investment volume (not including residential portfolios) of around USD 750 billion in 2019 was higher than the previous year. Volume increased in North America and the Asia-Pacific region, and decreased in Europe.
- Office volume was at the same level as the previous year. Retail and hotel volume was lower, logistics higher.
- Office and logistics yields under continuing downward pressure in Europe due to ultra-loose interest rate policy. Yield increases are far in the future. The return outlook remains positive. Retail yields changes were mixed. Further increases expected for shopping centres.
- US cap rates have likely reached their low point. Sideways movement expected in 2020/21, with small increases beginning in 2023. Return growth slowing.

Office markets worldwide

- European demand remains robust. The economic slowdown, increasing construction activity and less space conversion limit potential rent increases.
- The vacancy rate is rising in the US due to increased completions. Rent increases are slowing.
- Rent increases are losing momentum in Singapore and Tokyo in 2020. More moderate rent increases in Sydney and Melbourne. Rent momentum higher in Brisbane and Perth than previous years.

European retail markets

- Integration of physical retail and e-commerce continues. Demand is polarising. Middle segment is the loser.
- Clothing discounters, pharmacies and food retailers are showing greater resilience to e-commerce.
- Vacancy rate rising. The shopping centre pipeline remains modest, with a focus on repositioning and modernisation of older properties.
- Weaker demand and cost pressure limit potential rent increases.

European hotel markets

- Occupancy continues to be high compared to the past.
- Barcelona and Madrid were the leaders in RevPAR growth in 2019. Copenhagen and Warsaw recorded the lowest growth.
- Project pipeline continues to increase. Germany and the UK are the strongest markets. Significant increase in supply in some markets, with a negative effect on returns.

European logistics markets

- The online boom is driving demand, leading to major structural changes. In addition to expansion, space optimisation and consolidation are also continuing.
- The vacancy rate remains low in spite of a record volume of completions. Companies with a need for modern space must choose from new construction projects.
- Potential for rent increases continues. Bigger increases for last mile properties than large logistics units.

European housing markets

- The upward trend in European housing prices continues. Slowdowns are occurring in many countries, with the exception of Germany, Spain and the Netherlands.
- In Germany, large urban areas in particular continue to show a gap between supply and demand.
- There is a risk of bubble formation in some locations, but not overall.

German nursing care properties

- Demographic and social change is the main driver of demand. The number of people requiring nursing care will increase to more than 4 million by 2030.
- Market consists of small operators. It is dominated by non-profit organisations, but the private sector is catching up.
- Attractive yields are accompanied by risks in the form of non-transparent markets, regional differences or dependence on an operator.

Global environment

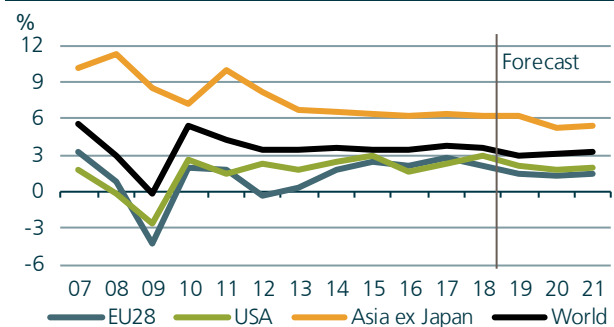
The global economic growth of 3.0% recorded in 2019 was a disappointment. The industrial sector was solely at fault, with momentum declining continuously throughout the year. Because the trade conflict between the US and China created uncertainty in both global production chains and sales markets, global industrial companies have reduced investments considerably for the time being. Brexit was another source of uncertainty. South Korea and Germany – typical industrial companies – narrowly escaped recession. We expect a stabilisation of the global economy in 2020/21. Cyclical effects are one of the reasons. Many companies have to rebuild their inventories and therefore have to submit new orders. Another reason is that we do not expect a further escalation of trade conflicts in 2020 at least, since the US administration is occupied with domestic policy issues during the election year. Although an improvement in leading indicators leads us to expect a stabilisation of the global economy in 2020, we do not expect significant stimulus, and thus the pre-crisis momentum in the Noughties is unlikely to be reached again with expected growth rates of 3.1% and 3.3% in the following year. Growth continues to be somewhat synchronous, particularly since Latin America is recovering from recession.

In the Eurozone, strong domestic economic forces helped maintain growth at 1.1% in 2019, half the rate of the previous year. The outstanding condition of the labour market is one of the main sources of support for the European economy. The unemployment rate will likely fall to a new all-time low in coming months. While no further improvements are expected in Germany, unemployment continues to decrease in Spain. Economic growth is not expected to pick up in the Eurozone in 2020. We expect growth of 0.9% in 2020 and 1.2% in 2021. Unlike the Eurozone, the US is highly robust to global economic influences due to its large, closed economy. The high level of domestic economic activity is being driven by the ongoing labour market boom and moderate wage increases. We expect growth of 1.8% in 2020 and 2.0% in 2021. Even though inflation is drifting slowly upwards, the pace is so slow that the 2% mark is not expected to be sustainably exceeded until 2021.

2019 was a turning point for capital markets. Due to the discontinuation of monetary policy tightening and subsequent loosening, both by the Fed and ECB, the current monetary policy became the new normal. The resumption of asset purchases by the ECB made an increase in key interest rates inconceivable for at least five years. It is, however, possible that the current interest rate level will be maintained for the entire decade of the 2020s. Inflation remains low. Even higher wages are causing companies only to implement productivity increases or reduce margins, rather than increase their own sales prices. We expect a Eurozone inflation rate of 1.2% in

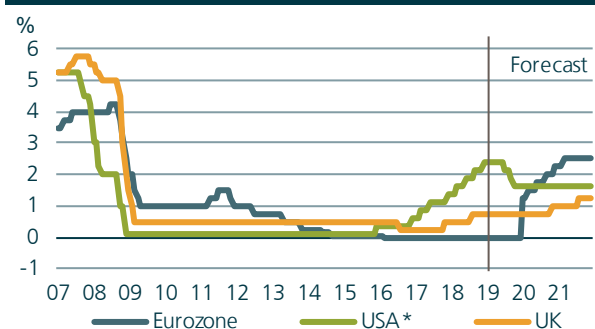
2020 and, with further steady economic growth, a recovery to 1.5% in 2021. In the US, we expect a rate of 2.5% for 2020 and 2.3% for 2021. Central banks have already hinted they will permit inflation rates to overshoot the 2% target by a certain amount in order to achieve a sustainable recovery of inflation expectations, which are currently still significantly too low. Therefore, if inflation were to follow the course outlined above, communicative preparations for monetary policy tightening would not be expected before 2021 at the earliest in the Eurozone, followed by initial implementation in the form of reduced bond purchases in 2023. An ECB key interest rate hike would then not come into consideration until 2024 at the earliest. The ongoing low interest rate environment is increasing competition in the real estate market and real estate lending with continued pressure on margins.

GDP by region



Source: IMF, DekaBank

Key interest rates



Source: Central banks, DekaBank, *mid-interval since Dec. 2008

Country risks and growth opportunities

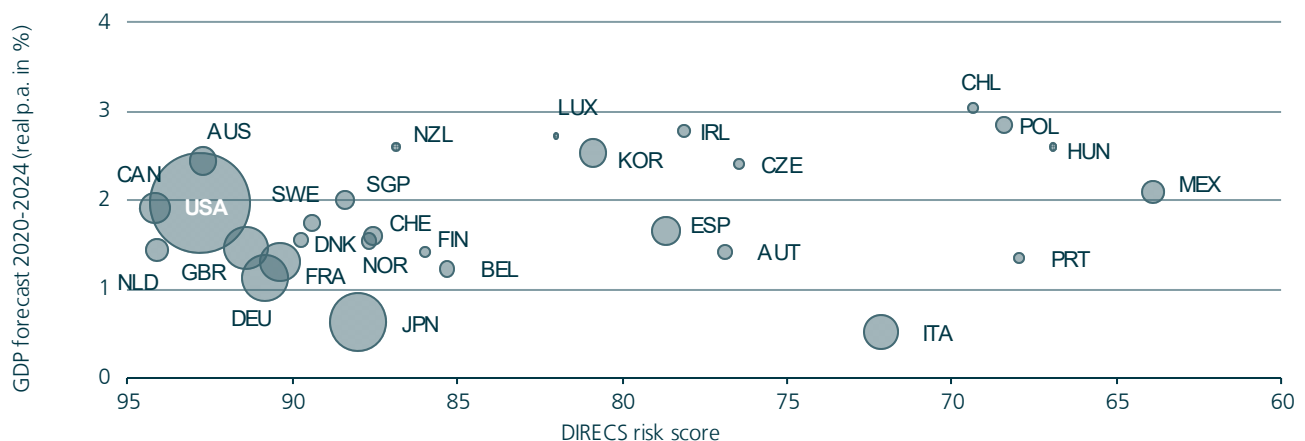
Which countries are attractive locations for real estate and which ones should better be avoided? Although a definitive answer to this question requires an in-depth case-by-case analysis, we attempt to answer at least the question of structural attractiveness with an analysis of investment risks and return prospects below. DIRECS (Deka Immobilien Real Estate Country Score) is used as a risk measure for commercial property investments at the country level. It combines a number of indicators reflecting macroeconomic, institutional and political risk factors and provides a point score between 0 (highest risk) and 100 (lowest risk) for each country. Potential future returns are estimated using forecasts for the real growth in gross domestic product up to and including 2023. This country level analysis does not include regional or real estate-specific factors in either of the two measures.

By and large, little has changed compared to last year. The US remains one of the leaders, with solid return prospects and a low level of risk. It is therefore worthwhile to take advantage of opportunities in the world's largest real estate market. Although Australia and Canada are also among the top countries in terms of risk-return profile, their markets are significantly smaller, making it more difficult to find appropriate properties. For those looking for something closer to home, the European market is worthwhile. The Netherlands is the leader by far in terms of risk-return profile, but the real estate market is extremely small. The European heavyweights – the UK, Germany and France – are good alternatives. All three are close together, both in terms of risk-return profiles and the size of their real estate markets. The UK likely has slightly better growth prospects, at least assuming an orderly transition to the next phase of Brexit, namely negotiations on the trade agreement. In general, however, all three countries offer moderate growth and low risk. Investors looking for

higher returns will have to consider smaller markets and therefore leave the core segment (DIRECS min. 90 points). In Europe, Sweden stands out in particular. It is in the core plus segment (80-89 points) and therefore still has relatively low risk, but only offers slightly higher expected returns. Luxembourg offers significantly better return prospects, but the small size of the real estate market adversely affects its risk score. Ireland and Eastern Europe also promise higher returns, but at a correspondingly higher level of risk. Ireland and the Czech Republic are in the balanced segment (70-79 points), while Poland and Hungary, at 68 and 67 points, respectively, only manage to make it into the value-add segment (50-69 points).

The rest of the world also has some highlights to offer in terms of smaller markets. Singapore and New Zealand, for example, are noteworthy members of the core plus segment that are also attractive from a risk point of view. Investments in South Korea require somewhat more courage. In return, however, the country, which just manages to make it into the core plus segment, offers higher expected returns. Chile is the leader in terms of return prospects among the countries analysed, but the risk score is reduced by somewhat lower creditworthiness and a lack of transparency, so that the country can only be recommended as value-add.

Growth outlook and structural risks of selected countries



Source: IMF, DekaBank; Circle size corresponds to estimated size of the commercial real estate market

Sustainability

Sustainability has become the buzzword in recent years and, given the current trend, one can assume that countries that are faring well in this area will also be able to compete globally in the future. We have therefore expanded our country strategy to include environmental, social and governance factors in our new ESG score. The environmental component includes, among other things, air pollution, climate protection and biodiversity. In the social sphere, differences in income, education, labour law and equal rights are the focus. Last but not least, the governance component looks at government effectiveness, as well as voice and accountability, among other factors. These components are combined in an ESG score that ranges from 100 (best ESG performance) to 0 (poorest performance).

The ESG scores generally show a strong correlation with DIRECS. Countries that are faring well economically often have the structures and resources needed to ensure a good ESG score. For example, the “safe countries” in the core segment, such as Germany (91 points), France (83 points) and the UK (82 points) in Europe, along with Australia and Canada (90 points each) from the rest of the world also receive good ESG scores. The US (79 points), which falls significantly behind the other countries in the social area, is the weakest member of this generally strong group. Overall, however, there are no disastrous downside outliers in the core segment.

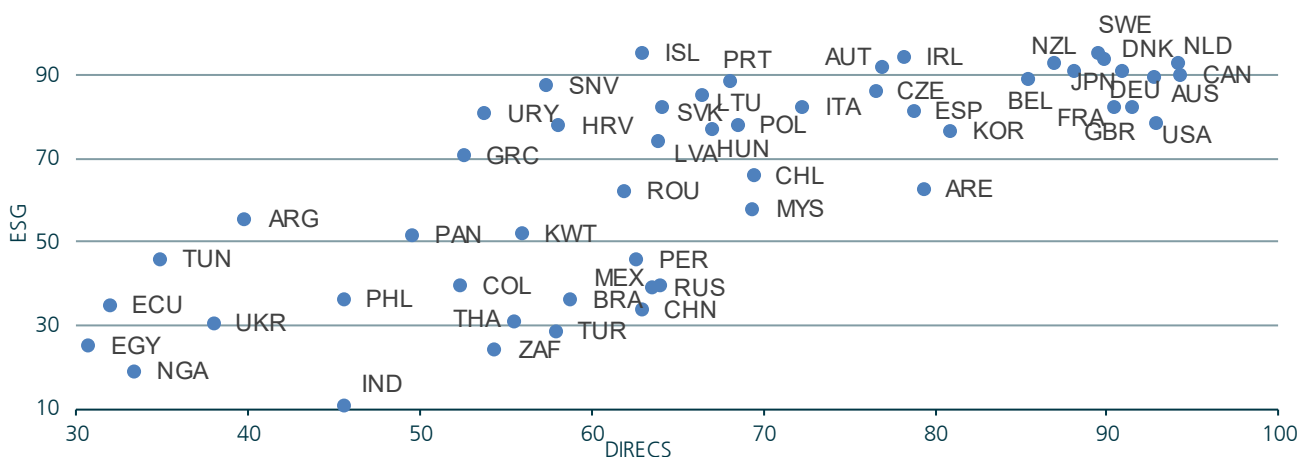
The core plus segment, however, actually has a higher average ESG score. This segment mainly includes well-to-do smaller countries, like the Scandinavian countries (all at least

94 points). Switzerland, New Zealand and Belgium (94, 93 and 89 points) are also in this group. On average, these countries fare significantly better in the social component than their larger competitors. They are more homogeneous, particularly in terms of income, and are a step ahead in their treatment of minorities. Differences in the environment and governance areas, on the other hand, are marginal.

The balanced segment already shows somewhat larger differences. The United Arab Emirates (63 points) falls especially far behind its peers, while Ireland and Austria (95 and 92 points) lead the field. The picture is considerably more mixed overall. Although all still fare quite well in terms of the environment, there are major differences in both the social and governance areas. The results are very heterogeneous in the value-add segment, where Portugal, Iceland and Slovenia (89, 96 and 88 points), for example, receive highly positive scores based on the ESG criteria, while China and Turkey (34 and 29 points) provide extremely poor examples. Both of these countries are particularly weak in the governance area.

The Nordic countries have a firm hold on the top ESG scores. The top positions go to Finland, Iceland, Sweden and Norway, followed by Ireland in 5th place as the only other European country managing to make it to the top. All these countries received at least 95 out of 100 points. Bringing up the rear with less than 20 points, Nigeria and India fail to score well in any of the areas. Major inequality, environmental pollution and poor governance go hand in hand there.

DIRECS compared to ESG scores



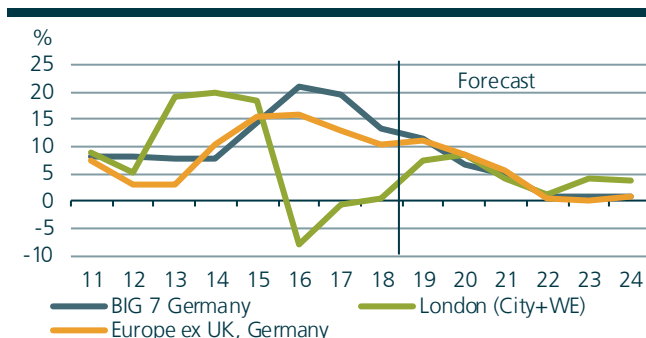
Source: DekaBank

Return prospects for office markets

Europe

Thanks to continued yield compression and some significant rent increases, 2019 was another high return year for European office markets, and further yield reductions and rent increases will likely contribute to growth of capital values in 2020. The outlook for returns remains relatively solid thanks to the recent loosening of monetary policy. Bottom formation for yields, followed by the start of small increases due to the prospects for only modest rent increases, will likely reduce the return outlook considerably after 2021. A small slide into negative territory is possible in some markets. The British locations offer above-average return prospects during this period. The Brexit vote in mid-2016 caused an immediate increase in the yield in London, followed by years of stagnation. Returns were far below-average compared to other top locations, particularly those in Germany. The yield level is relatively attractive as a result. In the event of an orderly Brexit, the reduction in uncertainty would likely manifest itself as a yield decrease and cause returns to rise. Yield increases can be expected in the case of a no deal Brexit. London returns were driven by rent increases in 2019.

Europe: Office market total returns



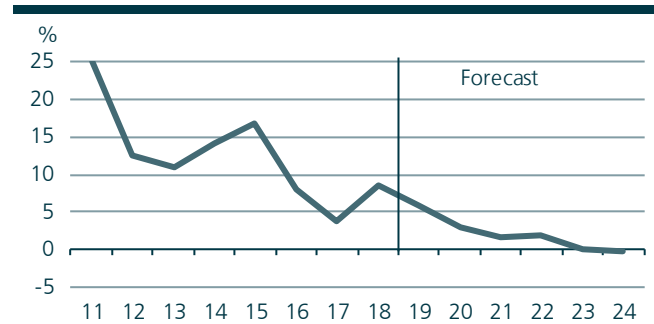
Source: PMA, DekaBank; stock-weighted averages

USA

Total returns decreased in the US in 2019. Although they are still showing solid growth at around 7%, the decreases will likely continue. Following the Fed's interest rate reductions in the second half of 2019, at least some initial yields remained under downward pressure and only a few cities have already seen small increases. The Fed, however, is on stand-by again and is likely to continue its interest rate increases as a next step, even though it might be 2022 before it does so. At the same time, rent increase are slowing given the weakening of economic growth. The higher level of interest rates achieved by the cumulative key interest rate hikes performed until the end of 2018, together with the weaker rent outlook suggest that cap rates have reached their low point. Over a five-year

period, San Francisco (2.8% p.a.) and Seattle (3.1% p.a.) are solidly in positive return territory, while Chicago is at risk of sliding into the loss zone.

USA: Office market total returns

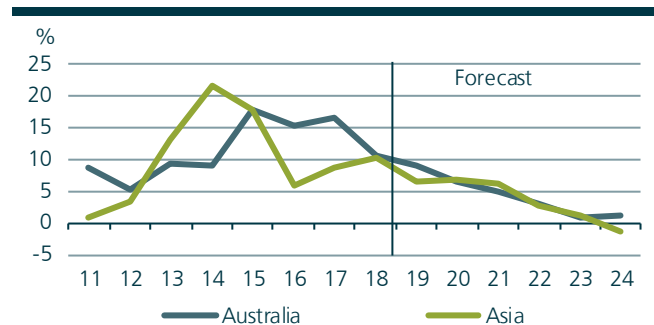


Source: CBRE-EA, DekaBank, stock-weighted average

Asia-Pacific

Although returns declined in the Asia-Pacific region in 2019 compared to the previous year, the eight markets likely reached 7% on average again. The highest returns were recorded in Osaka, Japan, as well as Melbourne and Perth in Australia. Due to ongoing yield reductions and further rent increases, similar returns are expected in 2020. This is followed by a decline in subsequent years due to yields reaching their trough and a slowing of rent increases. Osaka continues to show the greatest potential for rent increases. Perth and Brisbane are benefiting from high current rental income. These three markets will likely record the highest returns in coming years.

Asia-Pacific: Office market total returns



Source: PMA, DekaBank; stock-weighted averages of 4 markets each

Australia

Economy

The Australian economy continued its almost 30-year long upswing in 2019, although the rate of growth decreased due to the global slowdown. The decrease was particularly apparent in commercial construction investment and some areas of foreign trade, as well as the weak growth of private household expenditures. This was, however, not accompanied by a dampening of wage and income growth. One can therefore expect somewhat stronger consumption growth in coming quarters. The Royal Bank of Australia cut its interest rate three times in 2019 due to the increase in global risk. Given the relatively low level of inflation, the central bank will likely keep its key interest rate low for a long time.

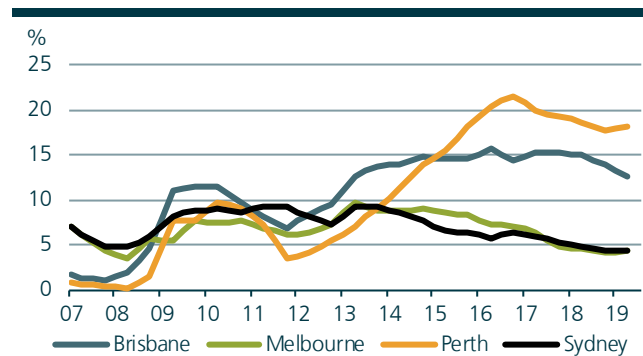


Office markets

The demand for office space remained high in the four major metropolitan cities of Sydney, Melbourne, Brisbane and Perth in the first three quarters of 2019. Net absorption was somewhat higher year-on-year in Brisbane and Perth, while moving back towards the long-term average in Melbourne following the very high result reached in the previous year. There was a moderate increase in new space, causing vacancy rates in the CBDs to decline further or remain unchanged at a very low level. Given the small supply reserve and high rents, many companies are increasingly choosing locations outside the CBD, causing these locations to also record falling vacancy rates and rising rents. Vacancy rates will likely increase in Melbourne and Sydney in 2020/21 due to further increases in completions. In Brisbane and Perth, on the other hand, they are expected to continue their decline. Rents increased around 6% and 5% in Melbourne and Sydney, respectively, in the first three quarters of 2019, and around 4% in Brisbane and 2% in Perth. At 7%, Perth recorded the largest increase in ef-

fective rents, due to a decrease in lease incentives. Rent increases will likely slow in Sydney and Melbourne in 2020/21, while maintaining their level in Brisbane and Perth.

Vacancy rates

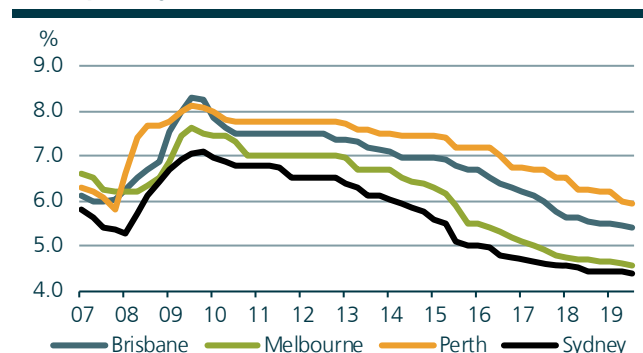


Source: PMA, DekaBank

Investment market

The transaction volume for office properties was AUD 18.2 billion nationwide in the first three quarters of 2019, a good third more than the same period in the previous year and a new record. The decrease in the number of transactions points to a significant increase in purchase prices, as well as larger property sizes. The office segment contributed 63% of the total commercial real estate volume. Foreign investors generated almost half the office investment volume, with Singapore and Canada leading the list. Perth recorded the largest compression in prime yield for office buildings, with more moderate compression in the remaining locations. We expect further yield compression in 2020.

Office prime yield (net)



Source: PMA, DekaBank

Belgium

Economy

Belgium has a diversified economy and a low unemployment rate of 6%, below the Eurozone average. Fiscal consolidation is needed, however, due to the high level of national debt. International competitiveness continued to decline due to increasing wage costs. This is having a negative effect on the economy, which is characterised by a high degree of openness. Following an increase of 1.3% in 2019, we expect GDP growth to decline slightly to 1.0% in 2020 and 1.1% in 2021, partly due to the global economic slowdown.

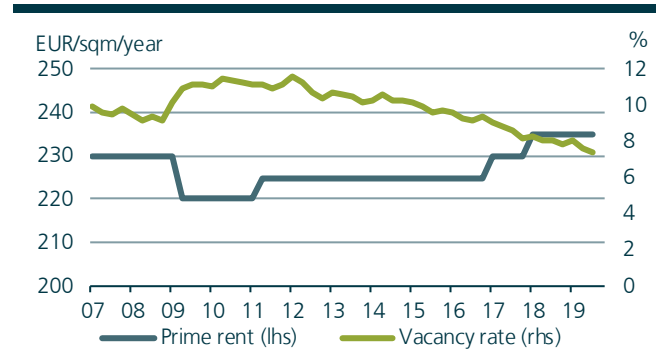


Brussels office market

Take-up was 450,000 sqm in Brussels in the first three quarters of 2019, and therefore 80% higher than the low result recorded for the same period in the previous year. 64% was due to the corporate sector and a further 31% to local and national administrations. In addition to the public sector, flexible office space providers have also become a driver of demand. Take-up was highest in the Northern submarket, followed by the Periphery. The Northern district is benefiting from easy accessibility and a supply of large areas at affordable rents. Thanks to a moderate volume of new construction and many space conversions, the vacancy rate has fallen sharply in previous years in spite of modest demand. The revival of demand in 2019 caused the vacancy rate to decline further to 7.5%. The third quarter saw the rate fall to 3.1% in the central submarkets, while remaining above-average at 14.6% in locations outside the centre. More completions and fewer conversions will end the reduction in vacancies recorded in previous years and drive the rate in the direction of 9% again. 470,000 sqm was under construction in autumn 2019, 45% of which was speculative. Construction activity is concentrated almost exclusively in the central locations. Following annual increases of 2.2% in 2017/18, prime rents remained

unchanged at EUR 235/sqm/year. Significantly higher rents of EUR 315/sqm/year can be achieved in the small-scale segment in Léopold. In view of the many challenges facing the EU, the outlook for rent increases is modest in coming years.

Vacancy rate and prime rent

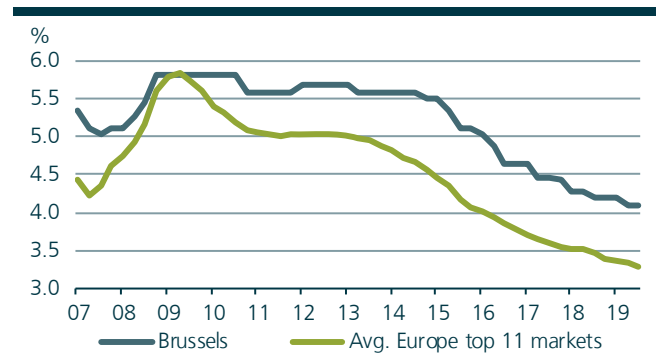


Source: PMA, DekaBank

Investment market

The office transaction volume for the country as a whole was EUR 1.2 billion in the first three quarters of 2019, 10% below the level for the same period in the previous year. The majority of the volume, 80%, was generated in the capital city region. The Finance Tower deal in the third quarter was the largest single deal ever recorded in the Brussels office market. More than 90% of the country-wide investment volume was due to foreign investors in 2018/19, primarily from Europe and the Asia-Pacific region. The prime yield for office buildings with standard leases (3/6/9) fell 10 basis points to 4.1% in Brussels. The yield level is high in a Europe-wide comparison and remains under downwards pressure. The yield level for top properties leased to highly creditworthy tenants with long binding periods was considerably lower at 3.5%.

Office prime yield (net)



Source: PMA, DekaBank

Germany

Economy

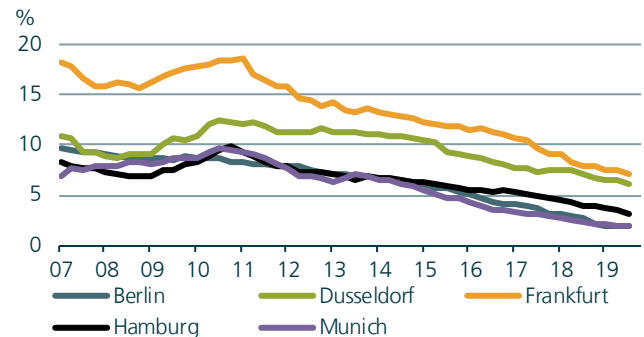
The long economic upswing in Germany has come to an end. The neo-protectionist policy of the US president, Brexit and the many other sources of geopolitical risk are taking their toll. Impulses from abroad are abating due to the slowdown in world trade. Companies around the world are preparing for difficult times ahead, deferring investments and reducing inventories of immediate goods. This is having a particularly strong effect on German industry, which is highly dependent on exports. In addition to economic problems, structural problems also exist, including reform and infrastructure backlogs and the challenges facing the automobile industry. After rising 0.5% in 2019, we expect GDP to grow 0.8% and 1.1% in the next two years.



Office markets

Take-up in the BIG 7 rental markets was around 4 million sqm in 2019, or around 2% higher than 2018. Berlin, Düsseldorf and Stuttgart recorded a higher level of demand, while Frankfurt, Hamburg and Cologne saw take-up decline moderately. The only large decrease occurred in Munich, which started at a high level. Although flexible office space remained a dominant market trend in 2019, demand weakened somewhat compared to the previous year. The vacancy rate in the BIG 7 was only around 3%. New construction volume rose to its highest level since 2010, but will provide no relief this year due to high pre-leasing rates. The shortage of supply, particularly in top locations, is causing further rent increases. Berlin and Cologne recorded the largest year-on-year rent increases, followed by Hamburg and Stuttgart. We expect prime rents to increase around 3% on average in the BIG 7 cities in 2020, led by Berlin, Munich and Frankfurt. The increases are expected to slow in subsequent years. Vacancy rates will likely continue to fall in top locations, with the increase in new construction volume not expected to provide relief and increase the selection for potential tenants until 2021.

Vacancy rates

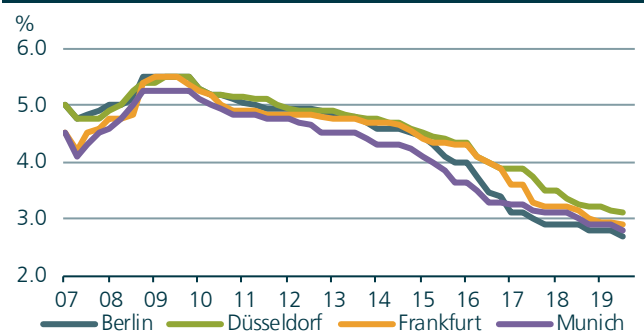


Source: PMA, DekaBank

Investment market

The transaction volume for commercial real estate was around EUR 85 billion in 2019, corresponding to an increase of 9% over the previous year. This was higher than the previous record in 2015. A very large number of big sales exceeding the EUR 100 million mark took place in the fourth quarter. Almost 60% of the total investment volume was generated in the BIG 7. Office buildings represented 47% of the volume, followed by 19% for residential real estate (portfolios) and 12% for retail property. Berlin was the leader, with an investment volume of around EUR 14 billion, followed by Munich and Frankfurt. Net initial yields for top office buildings in the BIG 7 declined an average of 15 basis points in 2019. They will likely continue decreasing in 2020 due to the turnaround in ECB interest rate policy. Yields should remain low for the foreseeable future due to the ongoing low interest rate environment.

Office prime yield (net)



Source: PMA, DekaBank

France

Economy

The economic slowdown that is affecting its most important trading partners, Germany and Italy, also had a negative effect on France in 2019. Industrial production is down since the beginning of the year. Strong protests by the “yellow vests” against President Macron’s policies have considerably slowed the government’s reform and cost-cutting efforts. There is a risk of important reforms being reversed and planned reforms remaining unimplemented. Fiscal consolidation is being helped by the favourable funding terms available in capital markets. France, however, is not achieving the speed of consolidation required by the EU Commission. We expect GDP growth rates of 1.0% in 2020 and 1.2% in 2021.

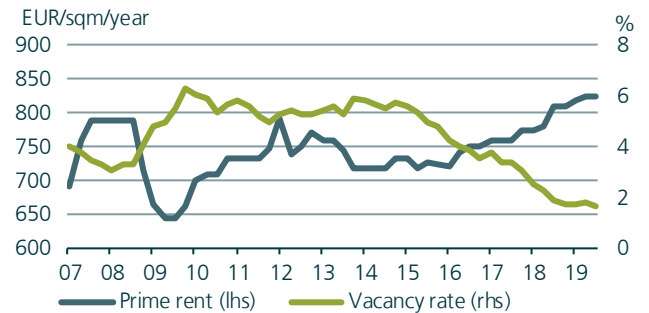


Paris office market

Office take-up in Ile-de-France was around 1.7 million sqm in the first three quarters of 2019. The year-on-year drop of 11% was due to a decrease in big deals. The Western Business District recorded a decrease of 29%. The northern and eastern inner suburbs were exceptions with significant increases. Companies are widening their search radius due to the shortage of available space and high rents in the city centre. The vacancy rate in Ile-de-France decreased to 4.8%. Only 1.7% of the existing stock was available in Centre West, while the Western Business District continues to suffer from an above-average vacancy rate. This however applies to a collection of very different sub-locations. Due to the high level of demand for modern space, many projects, including speculative projects are being started. The Grand Paris infrastructure project is an important driver. Close to 1.5 million sqm were under construction in the third quarter, with a focus on the inner suburbs, La Défense and the Western Business District. Most of the space is speculative in La Défense. Centre West has also seen construction activity pick up compared to the previous year. It mostly consists of refurbishments in central

locations. Further increases have now raised the prime rent to EUR 825/sqm/year, exceeding the record high set in 2001. Due to the high current level, weaker demand and more completions, rent increases will likely slow in coming years. Incentives are limited to around 11% of nominal value in the city, while reaching 25% in locations like La Défense.

CBD* vacancy rate and prime rent

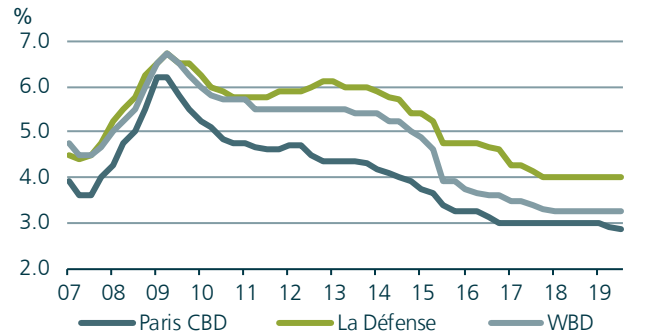


Source: PMA, DekaBank; *Centre West

Investment market

The transaction volume for office properties was EUR 15.7 billion nationwide in the first three quarters of 2019, representing an increase of 18% over the same period in the previous year. 90% of the investment volume was generated in the capital city region. The market was mainly dominated by the French and other Europeans in 2018/19, along with investors from the Asia-Pacific region. While prime yields in La Défense and the Western Business District remained at 4.0% and 3.3%, respectively, for the seventh quarter in a row, the CBD recorded another decrease of 15 basis points to 2.9%. Given the excess demand for high quality buildings in top locations and the ongoing low level of interest rates, the downward pressure on yields will likely continue.

Office prime yields (net)



Source: PMA, DekaBank

Italy

Economy

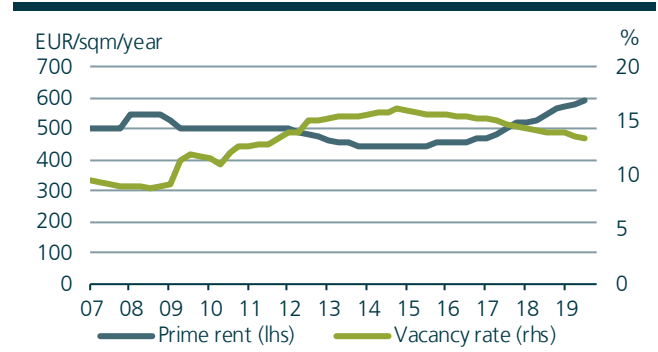
Italy has a new government comprised of the Democratic Party and Five Star Movement. The new government was not a marriage of love, however, but an attempt to prevent new elections that would have led to a right-wing coalition led by the Lega Party. This government is not only more EU-friendly, but will also likely make do with a smaller budget deficit, although it will still be too large to decrease the debt ratio. As before, the economy is not running smoothly. Growth will be around the zero mark again in 2020. That is too low to revive the labour market and improve government finances.



Milan office market

Take-up was 270,000 sqm in the first three quarters of 2019, a good 12% higher than the same period in 2018. Leasing interest was focused on both city centre and peripheral locations. In spite of an increasing volume of new construction in districts around the centre, due to the high level of demand the vacancy rate in these submarkets is considerably lower than Milan as a whole. Conversions and demolitions are also removing a great deal of older space from the market. The vacancy rate in the market as a whole was 13.4% at the end of September 2019, 4.9% in the CBD, 5.1% in the Porta Nuova Business District and 5.5% in the Semi Centro district. Prime rent for class A office space has increased 4.4% since the beginning of the year to EUR 590/sqm/year. Very few leases, however, are concluded in this price class. While prime rent is achieved in the historical centre, EUR 550/sqm/year is the maximum rent obtained in the Porta Nuova Business District, and EUR 350/sqm/year in the Semi Centro district. We expect an average rent increase of 1% per year in 2020/21.

Vacancy rate and prime rent

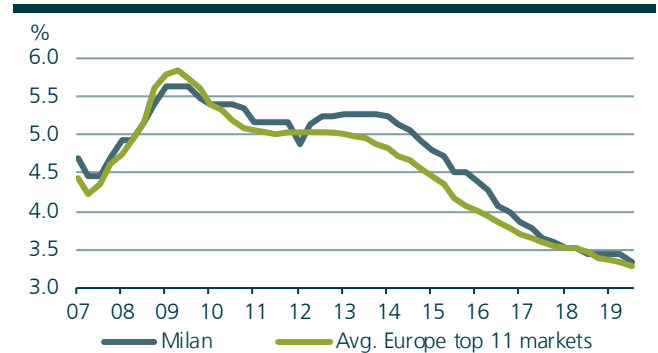


Source: PMA, DekaBank

Investment market

The transaction volume for commercial real estate in Italy was around EUR 7.5 billion in the first three quarters of 2019, one third more than the same period in the previous year. Of this, EUR 2.5 billion was attributable to office property, 66% of which was in Milan. The (net) prime yield for Milan office real estate declined 10 basis points to 3.3% in the first three quarters of 2019. The yield differential between the CBD and Semi Centro district remained unchanged at 1.6 percentage points, and increased to 2.5 percentage points for the peripheral areas. We expect further yield compression in 2020.

Office prime yield (net)



Source: PMA, DekaBank

Netherlands

Economy

The Netherlands economy continues to expand. Although private household debt in the form of long-term loans remains high, it is decreasing. Private consumption is a growth driver, and is benefiting from the low unemployment rate and increased housing prices. Due to its highly open economy, good position in the global value chain and high international competitiveness, foreign trade remains an important pillar for the economy. Economic growth slowed considerably in 2019 compared to previous years due to the problems in global trade. We expect GDP growth rates of 1.1% in 2020 and 1.6% in 2021.

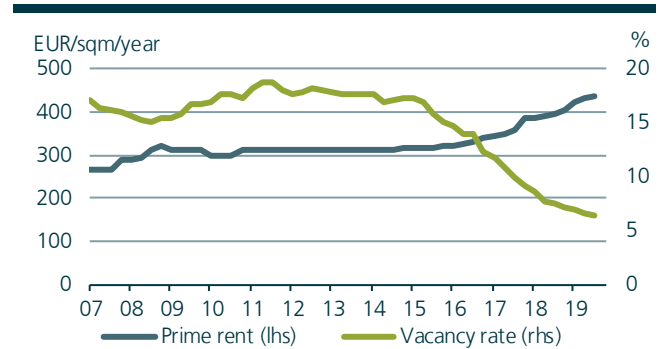


Amsterdam office market

Take-up in Amsterdam in the first three quarters of 2019 was considerably below the high level recorded in the previous year. Demand was driven by the solid economy, large owner-occupied deals and pre-leasing of new construction in previous years. There were considerably fewer big deals in 2019. A great deal of the take-up was once again generated by flexible office space providers, business service providers and high-tech firms. High demand, extensive conversion of obsolete office space and low level of construction activity contributed to the major reduction in vacancy since 2015. Conversions removed 0.3 million sqm of space from the market in the past three and a half years. The vacancy rate fell further to 6.4% in the third quarter. Prime rent recorded another increase to 7%, reaching a new record high of EUR 435/sqm/year. The highest rents were in the city centre and along the Zuidas district in the CBD. Incentives remain low, at around 8% of nominal rent. Rent increases are spreading to secondary locations. Following rapid growth in the past, prime rent is expected to increase significantly slower in coming years due to the economic slowdown and more construction activity. Completions and net additions are also increasing, as more space is being

built and less converted or demolished. The vacancy rate will therefore likely trend in the direction of 10% again. After previous experiences in the past, however, the planning authority is continuing to keep an eye on construction activity. Approximately 0.4 million sqm was under construction in the third quarter of 2019, around 40% of which was speculative. Construction is primarily concentrated in the South Axis and Amsterdam West.

Vacancy rate and prime rent

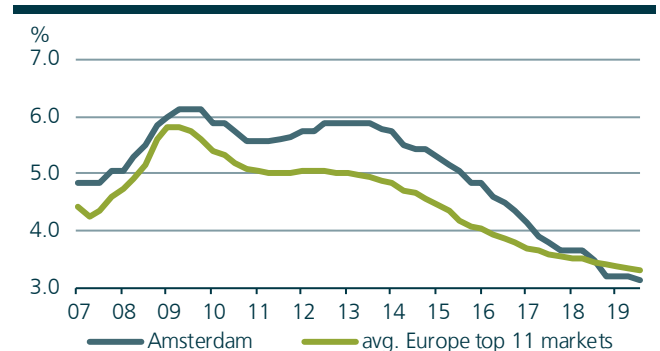


Source: PMA, DekaBank

Investment market

Office transaction volume was EUR 3.1 billion nationwide in the first three quarters of 2019, 29% less than the same period in the previous year. Amsterdam contributed half of the volume. The prime yield in the capital declined further to 3.1%, placing it below the average of the top 11 markets in Europe. The downward pressure on prime yields continues. The yield differentials versus the western and south-eastern locations outside the city centre were 115 and 140 basis points, respectively, at the end of the period.

Office prime yield (net)



Source: PMA, DekaBank

Austria

Economy

A political experiment is taking place in Austria. The two winners of the election, the conservative Austrian People's Party and the Greens, have formed a coalition led by the incumbent Chancellor Sebastian Kurz. Meanwhile, similar to Germany, the Austrian economy is suffering from geopolitical uncertainty. Net exports are slowing and investment is falling. With support from the current easing in tensions in the US-China trade conflict, the progress in the Brexit process and the fact that companies are gradually getting used to an increased level of uncertainty, the economy is stabilising again. However, overall economic growth remains below the potential growth rate.

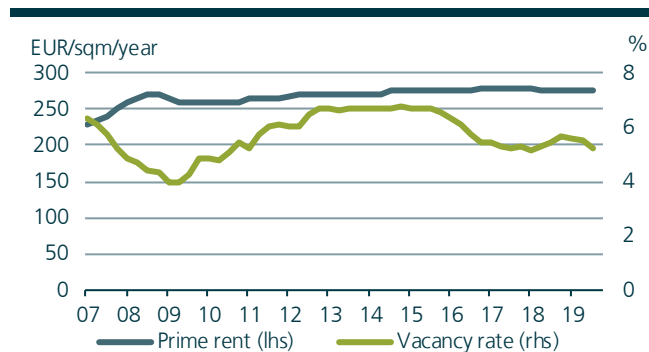


Vienna office market

Office take-up was 169,000 sqm in the first three quarters of 2019, representing a 17% decrease compared to the same period in 2018. This was partly due to a small amount of new construction. Take-up for 2019 as a whole will probably not reach the ten-year average of 300,000 sqm. Some of the largest contributions came from financial service providers, advisory companies and the public sector. In addition to the city centre, the city outskirts around the main railway station and Prater were most popular with tenants. The vacancy rate remained unchanged at 5.5% in the market as a whole. Supply was lowest in the city centre, Donau City and Prater submarkets. Completions will likely be around 70,000 sqm in 2019, which is significantly below the five-year average of 160,000 sqm. Around 200,000 sqm was under construction in the third quarter, with around 40% still available. Prime rent in the city centre remained stable at EUR 276/sqm/year in first

three quarters of 2019. Rent increases were recorded in the Donau City and Erdberg submarkets. We expect rents to increase by an average of 1.5% per year in 2020/21.

Vacancy rate and prime rent

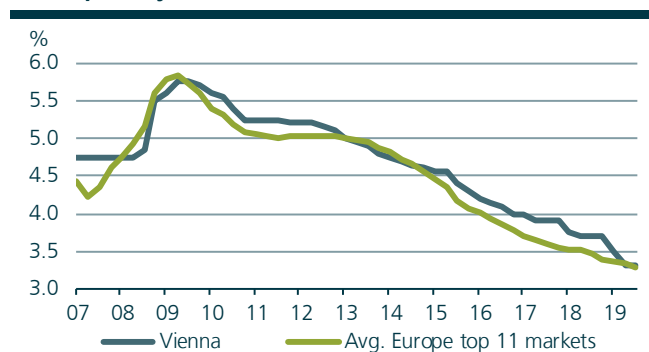


Source: PMA, DekaBank

Investment market

Around EUR 1.1 billion was invested in office buildings in Austria between January and September 2019, an increase of 30% compared to the previous year. Office property represented 26% of the total volume. International investors generated 52% of the total investment volume. The prime yield fell 40 basis points in Vienna to a level of 3.3%, which is close to the average of the top 11 markets in Europe. 3.8% was recorded in locations around the city centre, and 4.5% in peripheral locations. We expect further yield compression in 2020.

Office prime yield (net)



Source: PMA, DekaBank

Poland

Economy

The economy has benefited from the booming labour market and the strength of private consumption in the past. Fiscal stimulus, particularly in the form of social expenditures, also provided economic support. Only a small decrease in expansive fiscal policy stimulus is expected starting in 2020, which means GDP growth could remain at a solid level above 3%. The central bank is showing tolerance for temporary overshooting of the inflation target and will likely leave its key interest rate unchanged at 1.5% in 2020. Political issues are causing concerns. The course followed by the governing Law and Justice party will likely continue to draw harsh criticism from the EU after the re-election and cause a polarisation of Polish society. Although far-reaching EU sanctions are not expected due to the lack of unanimity, EU subsidies will probably be reduced beginning in 2021. This could reduce investment activity in the medium term.

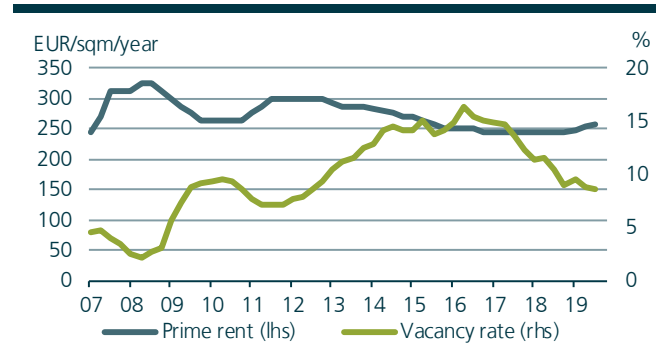


Warsaw office market

Take-up was 382,000 sqm in the first three quarters of 2019 (not including lease renewals), a volume similar to the same period in 2018. The largest demand was generated by advisory companies, financial service providers, media and technology companies and industry. A high level of demand, combined with comparatively low new construction volumes of 0.2 million sqm in the last two years, contributed to the reduction in the vacancy rate, which decreased to 8.6% for the market as a whole. Around 625,000 sqm was under construction in the third quarter of 2019, 60% of which was speculative. Around 70% of the space under construction is in the City Centre West submarket, with a focus on the area around Rondo Daszyńskiego. The vacancy rate will likely rise again beginning in 2020, as completions are picking up again. Prime rent in the city (CBD and city centre) rose around 5% in 2019 to EUR 258/sqm/year. Higher rents are also being achieved in

some cases. Warsaw, however, remains a very tenant-friendly market, with the largest lease incentives in all of Europe. We expect rents to increase around 1% in 2020. Sideways movement or small rent decreases are likely beginning in 2021 due to a higher volume of new construction.

Vacancy rate and prime rent

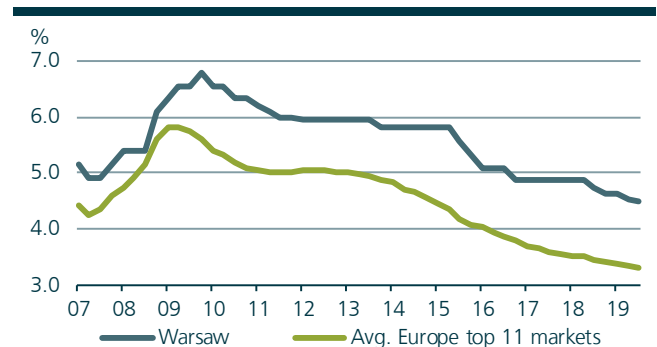


Source: PMA, DekaBank

Investment market

Office investment volume was approximately EUR 2.8 billion in Poland during the period from January to September 2019, almost the same volume as 2018 as a whole. Commercial property represented 62% of the total volume. For the first time, more than EUR 1 billion was invested in office real estate in Polish regional centres. Investors from the Far East showed great interest in the Polish real estate market. The prime yield (net) in Warsaw decreased 15 basis points to 4.5% by the end of the third quarter. The difference in yields between the city centre and locations outside the centre was up to 2 percentage points. We expect further yield compression in 2020.

Office prime yield (net)



Source: PMA, DekaBank

Sweden

Economy

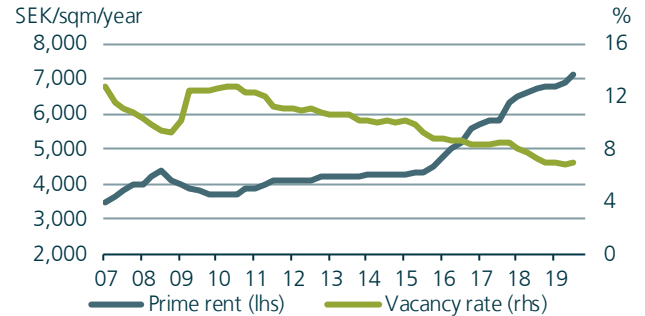
Economic growth slowed considerably in Sweden in 2019. The uncertainty caused by the trade conflicts and Brexit had a negative effect on investment. Economic growth, however, received support from solid private consumption and strong net exports, mainly due to slower growth in imports. Inflation also picked up again at the end of the period, coming close to the inflation target in November and leading the Riksbank to take the opportunity to end its negative interest rate policy in December. It is also hoping to avoid further fuelling the increase in housing prices and borrowing in this way. Given the uncertain outlook, however, no further interest rate hikes are expected in the foreseeable future.



Stockholm office market

The Stockholm office market continued to benefit from solid demand in 2019. Take-up received support from a small number of big leases, raising it to 315,000 sqm in the first three quarters, an increase of 8% over the previous year. Prime rent also rose again to SEK 7,100/sqm/year in the third quarter, representing an increase of around 6% compared to the previous year. Good infrastructure was one of the main criteria when choosing locations. This primarily benefited locations with good access to the public transport network and an abundant local supply of retail goods and services. On the supply side, the market recorded a net increase of around 170,000 sqm, but since the volume of space absorbed was almost the same, the vacancy rate remained relatively stable. A new temporary low of 6.8% was reached in the second quarter of 2019. However, momentum will likely slow in 2020 due to extensive new additions and weaker economic growth, so that a rising vacancy rate and smaller rent increases can be expected.

Vacancy rate and prime rent

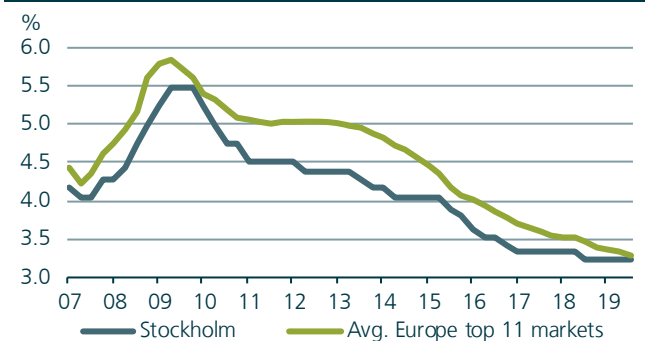


Source: PMA, DekaBank

Investment market

After the first three quarters of 2019, the transaction volume in Sweden was already close to the volume recorded for 2018 as a whole. Commercial real estate generated a total transaction volume of EUR 10.9 billion between January and September, with office and residential real estate each contributing around 30% to this figure. 25% of the total volume came from Stockholm, with office real estate being the clear winner with a share of 55%. A total of EUR 1.5 billion was spent on office buildings in the capital city, representing a year-on-year increase of 78%. However, since the total investment volume remained quite stable in Stockholm, decreases were recorded in the other segments. Although their share decreased, domestic investors continued to dominate the market. Meanwhile, prime yields remained unchanged at 3.4% in Stockholm. Further reductions are expected, but the downward pressure should decrease in coming years due to the end of negative interest rates in Sweden.

Office prime yield (net)



Source: PMA, DekaBank

Spain

Economy

In the fourth parliamentary election since 2015, the Spanish party system finally changed into a multiparty system, with a right-wing populist party in third place. Following a long stalemate, Podemos was able to form a minority government comprised of socialists and left-wing populists with a slim majority at the beginning of 2020. The new government will negotiate with Catalonia, as the Republican Left of Catalonia party helped the Sanchez government gain office. Catalanian efforts to achieve independence are a political and economic burden for Spain. Following strong growth in previous years, overall economic growth will fall below the two per cent mark in 2020, but remain above the potential growth rate.

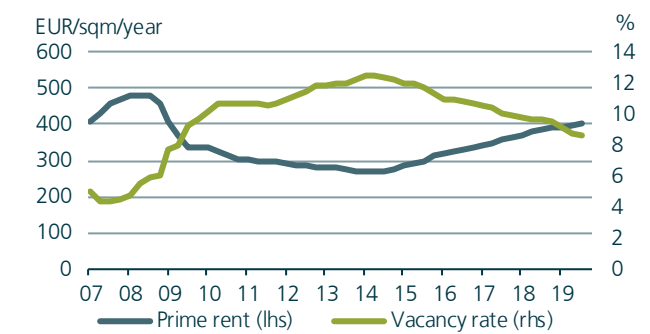


Office markets

The economic momentum of previous years was also reflected in office market demand in 2019. Take-up rose 8% year-on-year in Barcelona in the first three quarters, and 23% in Madrid. Flexible office space has become more important, particularly in Barcelona. Half the space take-up in Barcelona was in the New Business Areas, such as 22@, while central locations were in demand in Madrid. The vacancy rate continued to decline in both cities, reaching 7.2% in Barcelona and 8.6% in Madrid. The vacancy rate has fallen faster in Barcelona in previous years. Along with moderate construction activity, office space has also been converted to other usage types. In Madrid, the vacancy rate remains significantly higher in areas outside the city centre. Since 2014, rent increases have been larger and more broadly distributed geographically in Barcelona than Madrid. Rents increased 70% in the New Business Areas, for example, even more than the increase in the CBD itself, where prime rent rose 56%. In Madrid, the cumulative rent increase for the CBD was 46%. The EUR 402/sqm/year recorded in Madrid was 16% below the record set in 2008, and the EUR 303/sqm/year in Barcelona was just 6% lower. Incentives are small in a Europe-wide comparison. Following

strong momentum in previous years, vacancy rates are expected to rise and rent increases are expected to slow significantly due to high current levels, weaker demand and the steady flow of net additions expected in coming years. Construction activity as a percentage of existing stock, however, was also moderate in a Europe-wide comparison. It mainly consisted of refurbishments in Madrid, and new construction in Barcelona. The New Business Areas were the focus of development in Barcelona.

Vacancy rate and prime rent in Madrid



Source: PMA, DekaBank

Investment market

The transaction volume for office properties was EUR 2.8 billion nationwide in the first three quarters of 2019. This was 26% less than the same period in the previous year. The results in the previous year, however, were strongly affected by a corporate takeover. Without this, there was an increase. The investment market was dominated by European and US investors in 2018/19, with domestic investors contributing less than 30%. Prime yields decreased further to 3.3% in Barcelona and 3.2% in Madrid. Due to continued excess demand for high-quality products, yields will remain under downward pressure in 2020.

Office prime yield (net)



Source: PMA, DekaBank

Czech Republic

Economy

Solid domestic demand and fiscal stimulus are providing support for growth, while the economic dip in the Eurozone is having a negative effect. No fiscal measures are currently being planned for 2020, so a further slowdown in growth is expected. The threat of US tariffs against the European automobile industry presents a risk. The central bank was the first EU central bank to begin tightening monetary policy. Starting in 2017, it has since raised its key interest rate to 2.0%. Even though the inflation rate remains at the upper end of the central bank's tolerance range, we expect a steady key interest rate ahead, since economic growth in the first half of 2020 will likely remain highly uncertain. Suspension of the investigations into Prime Minister Babis for a conflict of interest between his political office and position as owner of the company Agrofert has increased the probability of his government retaining power until the regular elections in 2021.

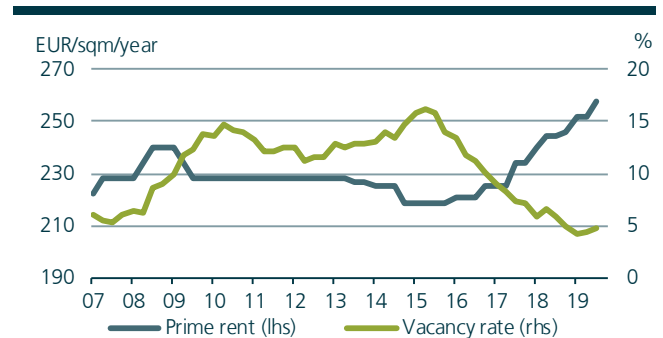


Prague office market

Take-up was 160,000 sqm in the first nine months of 2019 (not including lease renewals), 22% less than the previous year. Demand for the year will nevertheless likely be higher than the average for the past ten years. Demand was mainly driven by moves to higher quality space and expansion by existing companies. From a sector point of view, advisory firms and business service providers were particularly active, along with providers of flexible office space. Locations around the city centre, in Prague 4, Prague 5 and Prague 8 were particularly in demand. The vacancy rate for the market as a whole moved sideways in 2019, ending the third quarter at 4.8%. The lowest vacancy rates were in the city centre and districts around the centre. The peripheral submarkets had an average vacancy rate of 6.5%. The volume of completions will likely decrease in 2020 before picking up again in subsequent years. Around 250,000 sqm was under construction in the fourth quarter of 2019, 70% of which was speculative. Prague 8

(Karlín), Prague 7 (Holešovice) and Prague 4 (Pankrac) were the focus of new construction. Prime rents in the city centre rose around 5% by the third quarter to EUR 258/sqm/year, although market transparency in this segment is poor. There was a good 3% increase in maximum values around the city centre and in outlying districts. We forecast continued rent growth for 2020/21.

Vacancy rate and prime rent

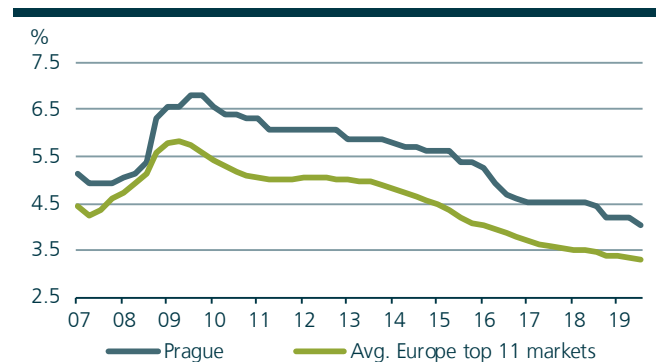


Source: PMA, DekaBank

Investment market

The investment volume for office properties was around EUR 1.1 billion in the first three quarters of 2019, almost twice the volume as the same period in 2018. Office buildings represented almost half of the total commercial volume. Investors are focusing on the Prague region, which generated 85% of the country's total investment volume. Domestic investors contributed a third of the volume, and South Korean capital represented a quarter. The prime (net) yield for office buildings in Prague city centre declined 20 basis points to 4.2% points by the third quarter. There was a yield differential of up to 175 basis points for outlying districts. We expect further yield compression in 2020.

Office prime yield (net)



Source: PMA, DekaBank

Economy

The Conservative party won an absolute majority in the new elections. That gives Prime Minister Johnson the power to implement an orderly Brexit by the deadline at the end of January. Provisions have been made for a transition phase running to the end of 2020 for negotiations on future trading relationships. This period can be extended for another two years. The UK remains a kind of passive member of the European Single Market and European Union Customs Union during this period, but without a voice in EU matters. There is a risk of a no-deal Brexit on 1/1/2021 if a free trade agreement cannot be agreed with the EU in the short time available before the end of 2020 (which is quite probable), and Johnson does not submit a request to the EU in June 2020 to extend the transition phase beyond the end of 2020. Financial markets have become accustomed to the changing prospects. Except for the pound and British government bond yields, there is hardly any reaction any more. The uncertainty around Brexit has reduced GDP growth forecasts to 1.1% for 2020 and paralysed British monetary policy.

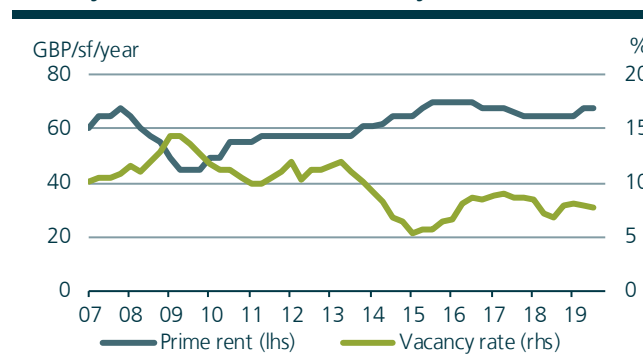


Office markets

Demand in Central London has remained stable, despite Brexit uncertainty. Take-up was 676,000 sqm in the first three quarters of 2019, 4% more than the same period in 2018. Almost a third of the demand was generated by business service providers, including flexible office space providers as a prominent example. Demand by creative businesses was below average. The vacancy rate in Central London was 7.3% at the end of September 2019. The volume of new construction likely reached around 450,000 sqm in 2019, thereby exceeding the volume in the previous year. From a net point of view, however, i.e. including space demolition and conversion, less space was added than in 2018. 800,000 sqm was under construction in the fourth quarter of 2019, 60% of which was speculative. Prime rent rose 4.6% in the City of London in the first

three quarters of 2019, and 5% in the West End. We expect rent increases of around 2% p.a. in the City of London in 2020/21, and 1.5% p.a. in the West End. In the event of a hard Brexit, large rent reductions can be expected in both sub-markets. Take-up in the regional centres was a good fifth lower in the first three quarters of 2019 than the previous year. Demand was also dominated by business service providers there, led by flexible office space providers. We expect moderate rent increases in 2020/21, with the largest increases likely recorded in Edinburgh.

Vacancy rate and rent in London City

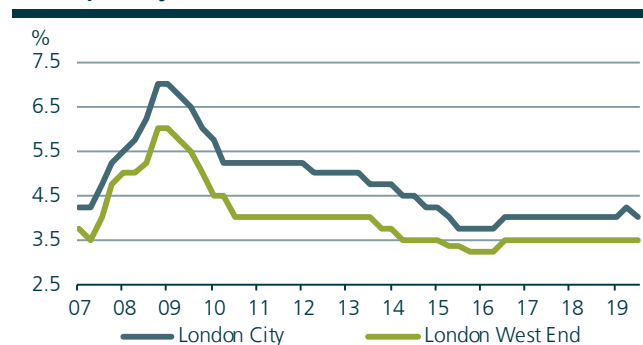


Source: PMA, DekaBank

Investment market

EUR 12.4 billion was invested in UK office real estate in the first three quarters of 2019, 45% less than the same period in the previous year. EUR 7.5 billion of this volume was generated in Central London, 51% less than the previous year. Foreign investors represented a share of 56%, compared to 76% for 2018 as a whole. Yields remained stable in Central London and the regional centres, only rising temporarily by 25 basis points in the City of London during the second quarter. We expect yields to decrease in 2020, followed by sideways movement. Large yield increases are likely in 2020 in the event of a hard Brexit.

Office prime yield (net)



Source: PMA, DekaBank

USA

Economy

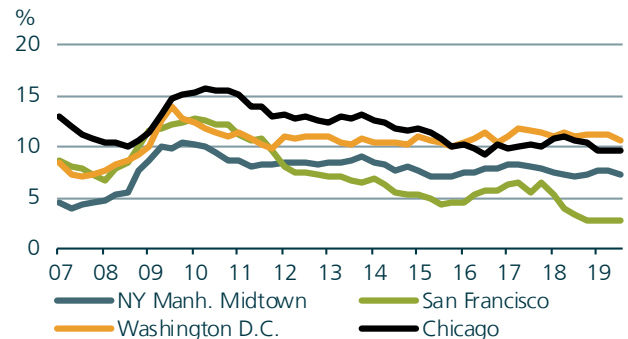
The current upswing that began in mid-2009 is now the longest in US history. Although the average growth rate of around 2% is low compared to previous upswings, the modest pace of recovery is helping to avoid any major inflationary pressures. That allowed the central bank to carefully tighten its monetary policy and then loosen it again. This monetary policy is not without risk, as companies with low credit ratings are increasingly heavily indebted. The trade conflict will likely move into the background in 2020 due to the presidential elections.



Office markets

Office real estate remained in demand 2019. Thanks to lively demand at the beginning of the year, net absorption up to the third quarter exceeded the value for the same period in the previous year. The technology sector continued to dominate the market, closely followed by financial service providers and insurance companies, which together looked set to achieve a market share of around 40% in 2019. In spite of rapid expansion in previous years, the co-working sector made up only around 7% of the total. The rate of expansion could also slow somewhat in coming years due to the problems encountered by market heavyweight WeWork. The vacancy rate for class A space fell in the third quarter to reach a new low since the financial crisis. However, given the pick-up in completions and stabilisation of demand, the trough has probably passed and the vacancy rate will likely increase again in coming years. After recording further significant increases in 2019, rent growth should also slow significantly. Los Angeles, where insufficient completions are keeping supply limited, is an exception. Rents should also increase quite strongly again in Dallas. Rents are only expected to decrease in Houston.

Vacancy rates

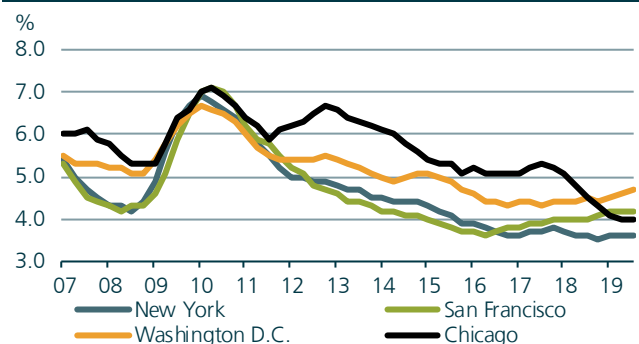


Source: CBRE-EA, DekaBank

Investment market

Commercial real estate transaction volume (not including residential) stood at around USD 227 billion in the first three quarters of 2019, 9% more than the same period in 2018. The logistics sector in particular benefited from higher liquidity, but the office sector was also strong, even though the core segment faced a more challenging liquidity environment. New York and Los Angeles remained at the top of the list of investment locations in 2019, while Silicon Valley pushed Chicago out of third place. Overall demand was mainly for technology locations, so that San Francisco, Boston and Seattle also overtook Chicago. Cap rates decreased for class A office buildings in locations that needed to catch up, but otherwise remained mostly stable. Following the interest rate cuts by the Fed, which maintained downwards pressure on cap rates, smaller rent increases and potential interest rate increases by the Fed in coming years will likely cause yields to drift upwards, but only very slowly and gradually.

Cap rates



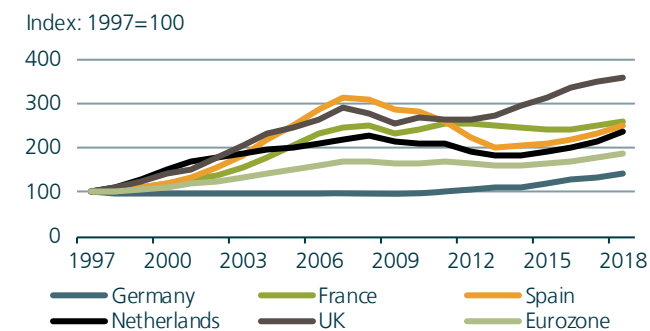
Source: CBRE-EA, DekaBank

European housing markets

Europe

Housing prices are continuing their upward trend in Europe. The ECB's low interest rate policy and an unemployment rate close to the record low are generating sufficient demand. The major cities in particular and their surrounding areas continue to be highly popular. Although construction activity is picking up, there is a lack of skilled construction workers, and the cities in particular lack the space needed to meet demand. The major cities also continue to attract people from Europe and abroad, leading to a combination of inadequate supply with population growth that frequently exceeds the national average. As a result, there is no sign of an end to the price trend or a major correction. There were, however, signs of a small slowdown in many countries in 2018. Major exceptions include the Netherlands, with a 9.5% increase in nominal house prices, Germany with an increase of 6.6% and Spain with an increase of 6.7%.

Nominal housing prices in Europe

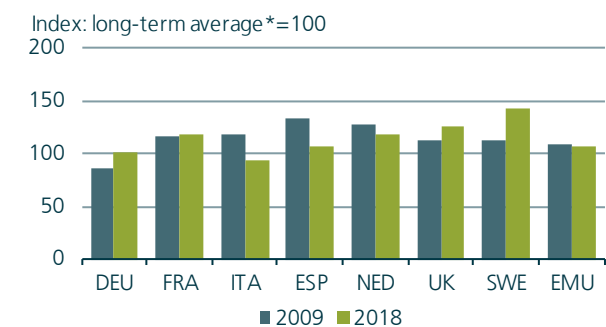


Source: OECD, DekaBank

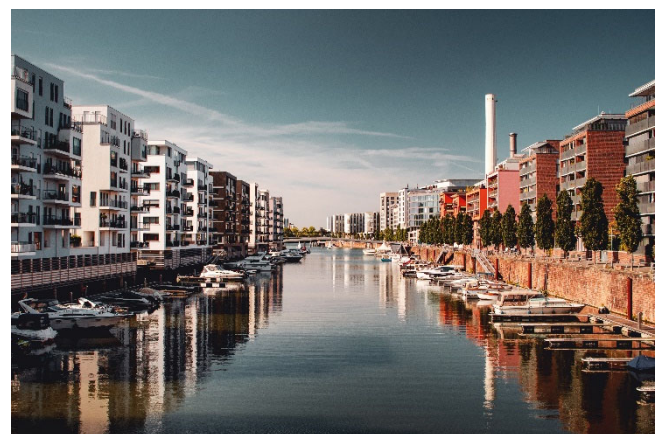
Income has not kept up in most cases, causing house price to income ratios to continue to rise above their long-term averages in many countries. Sweden and the UK have not been affected. Prices have already increased significantly for years in Sweden, and macroprudential tools were used to slow the market and allow a small correction to occur. In the UK, on the other hand, house prices continued to climb, but at a slower pace than previously, allowing incomes to catch up. The house price to income ratio nevertheless remains significantly above the long-term average in both of these countries and is still the highest among European countries. Rent increases also lagged behind, allowing the house price to rent ratio to climb further above the long-term average. Although rents also rose in almost all countries, the increases were moderate compared to house prices. The largest increase was recorded in the Baltic countries, where rents rose 4% to 7% while the average increase in the Eurozone was 1.2%. France was the only country analysed that recorded a rent reduction. It has, however, also held the European record for new construction volume for a number of years.

The gap between rural and urban prices will likely continue to widen in coming years. Remote rural regions lacking good transport links to major cities will likely be the biggest losers. In the cities, on the other hand, along with immigration and space shortages, decreasing household size also plays an important role and markets are reacting with an increasingly differentiated range of supply. Housing is being planned specifically for students, commuters or young professionals. Families with large space requirements have to move closer together or move to surrounding areas that are not quite so expensive (yet). The trend is towards optimised use of smaller spaces. Although this should help relieve the market, the supply of new housing continues to lag behind demand in the cities. Both prices and rents will therefore likely continue to rise. Rent increases are, however, expected to remain capped not only by rental contracts, but also by increasingly tight regulation in some countries.

European house price to income ratios



Source: OECD, DekaBank; *since 1980, EMU since 1996



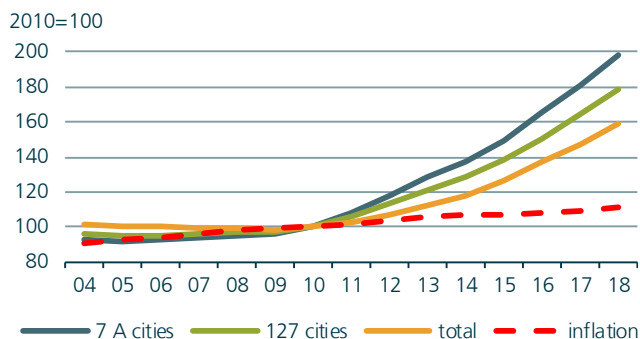
European housing markets

Germany

The imbalance between housing market supply and demand also continues in German metropolitan areas, where demographic change and the influx of young people is most apparent. Approval was given for the construction of around 258,000 units nationwide in the first nine months of 2019, almost 2% less than the same period in 2018. The decrease was somewhat larger at 3.4% for multi-family buildings. Although building permits are high compared to the long-term average, the construction backlog, i.e. the number of building projects that have not yet started or are incomplete, has continued to rise. The backlog was around 700,000 units at the end of 2018, one third more than the end of 2015. Due to the lack of skilled construction workers, rising construction costs, a shortage of available property and long approval processes, completions likely also failed to reach the 300,000 mark in 2019.

Purchase prices and rents have continued to rise. According to a study by the German Federal Statistical Office (additional microcensus survey for 2018), households that started renting in 2015 or later pay rents that are 12% higher than the German average. In the seven A cities, tenants paid a fifth more than those with older contracts. According to data for 2010 to 2018 from the German Bundesbank and bulwiengesa, the purchase prices for freehold flats and houses combined rose 100% in A cities, considerably more than the 60% increase in the market as a whole. Given the low level of interest rates, many potential buyers are prepared to borrow to pay the current high prices. Creating affordable housing for low-income households, on the other hand, is becoming a problem in large metropolitan areas. Whether government measures, such as the five-year rent freeze in Berlin starting in 2020, can remedy the situation remains to be seen.

Housing prices in Germany

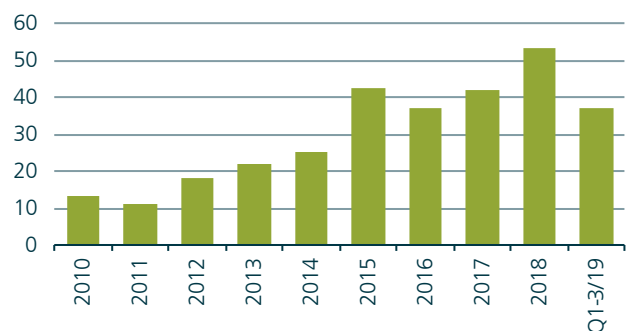


Source: Bundesbank, bulwiengesa, Destatis, DekaBank
Freehold flats and houses combined; transaction-based property and regional weighting

Investment market

European investment volume for commercial residential real estate was around EUR 37 billion in the first three quarters of 2019. This was a year-on-year decrease of 5%. The volume in 2019 will likely not fully reach the record value of EUR 53.4 billion set in 2018. In Germany, the largest market, sales of residential portfolios with 50 units or more generated a volume of EUR 12 billion in the first three quarters of 2019. Although the volume was dominated by portfolios of existing properties, the one-fifth share for development projects underscores the need for new housing that satisfies market requirements. Berlin has been the most popular investment location for a number of years and generated a good quarter of the transaction volume. The other A cities generated a further 20%. Due to the shortage of supply in top locations, attention is increasingly turning to attractive B and C cities. Only 7% of the investment volume was generated by foreign investors. After Germany, the UK, Netherlands and Sweden were the highest volume markets. Initial yields declined in 2019. According to Catella, the European average for multi-family buildings was 3.72%, or 25 basis points below the previous year. Large cities in Sweden and Switzerland were among the most expensive locations, ahead of Berlin, Hamburg, Munich, Vienna and Paris.

European residential investment volume, EUR billions



Source: CBRE, DekaBank; not including France

Key facts

- Demand remains high in Europe, but price increases are slowing
- Differences exist between urban and rural areas, the supply aimed at specific target groups is increasing
- Building permits are at a high level in Germany, but the construction backlog is increasing
- There is a risk of bubble formation in some locations, but not overall
- Germany is the largest investment market in Europe

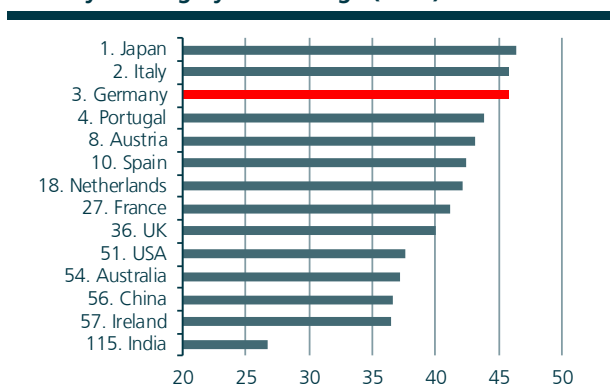
German nursing care properties

Demographic change

Nursing care properties have become a growth market thanks to the increase in demand for nursing care services. In addition to nursing homes, this asset class also includes alternative forms of housing for seniors requiring care, such as assisted living. The broader term healthcare real estate also includes hospitals, rehabilitation clinics and medical care centres. Demographic change is playing a key role as a demand driver. Other factors include social changes, such as individualisation, i.e. the increase in single households, and the elimination of traditional gender roles.

German society is ageing. Although population growth is expected to continue in the medium term due to the influx of refugees and free movement of workers within the EU, gains from immigration cannot halt the ageing process in the long term. The (too) low birth rate and further increases in life expectancy are causing a steady increase in the elderly share of the population. The median age, that is, the age that divides the population into two equally sized age groups, has already increased 8 years to around 46 years since reunification. Germany thus joins Japan and Italy in the top three in terms of oldest population worldwide. The median age in Germany will likely increase to 48.5 years by 2035. Demographic change is also reflected by the old-age quotient, namely the ratio of retirement-age to working-age people. It will likely rise from 29% today to 45% in 2035, as the large "baby boomer" generation born in the 1950s and 1960s is entering retirement.

Country ranking by median age (2015)



Source: UN World Population Prospects: The 2017 Revision, DekaBank

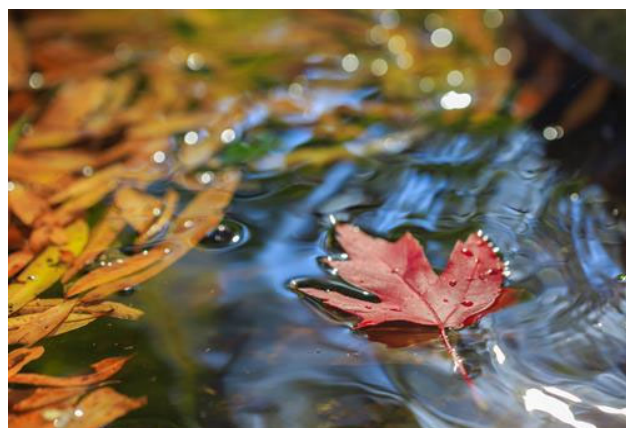
As life expectancy increases, so does the number of cases of multimorbidity and, therefore, the probability of people requiring nursing care. Along with demographic factors, legislative changes (expansion of eligibility for benefits) have also recently helped to increase the number of people requiring nursing care significantly. In 2018, around 3.4 million people required nursing care in Germany (benefit recipients under Book XI of the German Social Code (SGB XI)), i.e. 4% of the total population. More than 10% of the population between the

ages of 75 and 85 required nursing care, with this figure already rising to one in four people between the ages of 85 and 90. More than half of the people requiring nursing care were cared for by relatives or other private persons. 30% lived in a nursing home, 15% in an assisted living facility and 2% in special forms of housing, such as shared assisted living accommodations for outpatients. Family-based care will likely continue to decline in the future as children and grandchildren move out, mobility increases and the labour force participation rate rises. According to estimates, the housing needed for seniors requiring nursing care will increase more than 50% by 2030. This corresponds to around 250,000 places for full inpatient care, and around 450,000 senior housing units (assisted living, etc.).

People requiring nursing care in Germany, millions



Source: German Federal Statistical Office, German Federal Institute for Population Research, DekaBank



German nursing care properties

Operator market

The operator market for nursing care properties consists of small operators, but is increasingly undergoing consolidation. Non-profit organisations belonging to church or secular charities provide 56% of total nursing care places. Two umbrella organisations, the protestant Diakonisches Werk and catholic Caritas, provide by far the most nursing homes in Germany. With respect to non-religious associations, the Arbeiterwohlfahrt, German Red Cross, Bavarian Red Cross and Paritätische Wohlfahrtsverbund provide the greatest supply. 7% of the nursing care places are provided by public-sector institutions backed by local companies of individual cities, administrative districts and states, or subsidiaries of clinics and clinic associations. The Vivantes Hospital Group of the Berlin clinic association is the largest public operator. Private-sector organisations have a market share of around 40%, and this is currently the most dynamic part of the market. Many acquisitions have taken place in previous years, including by private equity companies. The three largest private operators are the Korian Group, providing around 32,000 places, and the Altheim Group and Pro Seniore Group, each providing around 20,000 places. The top 10 private providers have a market share of less than 20%. Further mergers and acquisitions are therefore likely, including the acquisition of publicly operated nursing homes by private operators.

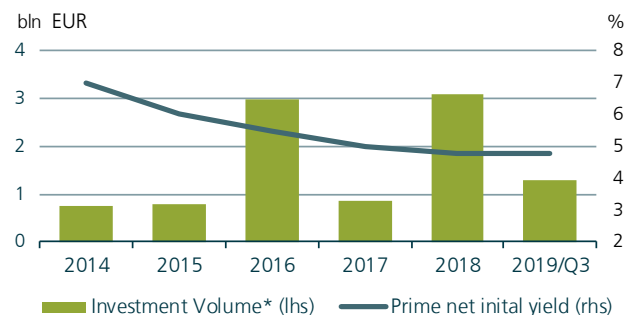
Investment market

Investments in nursing care properties are dominated by listed real estate companies and institutional investors with long-term strategies. Around EUR 8 billion was invested in healthcare real estate in the last five years. Transaction volume was around EUR 1.3 billion in the first three quarters of 2019. Almost half of this was attributable to nursing homes. International investors dominate the market, with operators from France, Luxembourg and Belgium in particular continuing to expand in Germany. The prime yield for nursing homes remained unchanged compared to the previous year at 4.75%, but will likely decrease in 2020.

Nursing care properties are a sustainable asset class that offers attractive returns due to demographic and social change. Risks do exist, however, due to a lack of market transparency, regional differences and legal frameworks, e.g. different legislation (Heimgesetze) and regulations for nursing homes in the individual German states. There is also operator risk and a shortage of skilled nursing care personnel to consider.



German investment market for nursing care properties



Source: CBRE, DekaBank; *incl. medical centres, clinics and assisted living beginning in 2018

Key facts

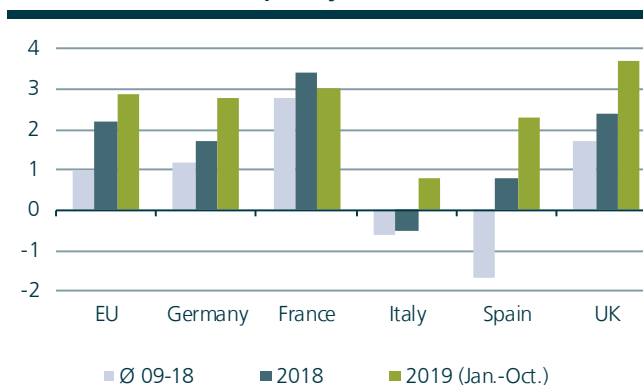
- Demographic and social change is the main driver of demand
- The number of people requiring nursing care will increase to more than 4 million by 2030
- The market consists of small operators and consolidation is occurring, particularly for private organisations
- International investors dominate the investment market
- Returns are attractive, but risks also exist due to regional differences, legal frameworks, significance of the operator, etc.

European retail markets

Retail sales

Inflation-adjusted retail sales rose 2.2% in the EU in 2018. In 2019, a year-on-year increase of 2.9% was recorded for the period of January to October. German retail sales grew strongly by 2.8% following an increase of 1.7% for 2018 as a whole. In France, the rapid growth recorded in the previous year continued. The UK also recorded rapid growth, partly due to continued strong growth in online sales. Brexit uncertainty was reflected in the weakness of the pound, which generated a foreign tourist boom that benefited British retail sales. The British are also increasingly spending their holidays in their own country, thereby increasing domestic consumption. The largest real increases in retail sales were recorded in Ireland, Portugal and the Eastern European countries. After a small drop in 2018, retail sales also recorded an increase in Italy again. The southern and eastern European markets still have to catch up structurally in the booming global online retail market.

Real retail sales, % vs. prev. yr.



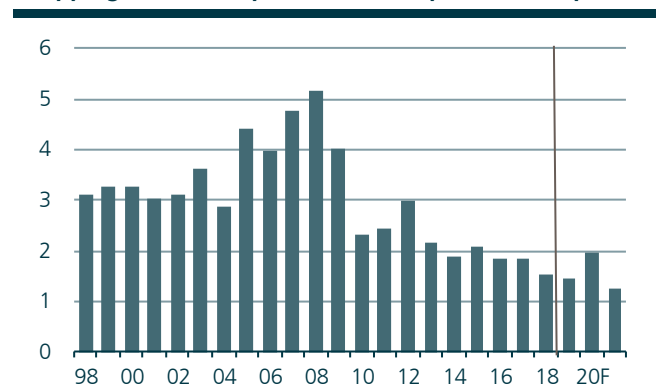
Source: Eurostat, DekaBank

Supply and demand

The situation remains challenging for physical retail due to the online boom and changes in consumer behaviour, as spending is increasingly channelled into areas such as housing, services and leisure. The clothing industry, in particular, is suffering, while sales of day-to-day products, such as pharmacy goods and groceries, remain relatively robust. This is benefiting retail parks and shopping centres. Online grocery sales are considerably more challenging, especially for fresh products. The large financial cost has to be weighed against low consumer acceptance and small margins, particularly in Germany. Retail companies are focusing on expanding digital sales channels and optimising branch networks and concepts. Retailers are being selective. Space in top locations is in demand, including for opening prestigious flagship stores. New demand is coming from online retailers that want to use physical stores to create synergies. Due to a lack of differentiation, retailers in the mid-price segment are being more negatively affected by the ongoing polarisation of the retail market, while luxury retailers and discounters are able to hold their ground better. The sector mix in prime locations is increasingly moving away from clothing towards more restaurants, pharmacies, sporting goods and fitness studios. City centre locations and shopping centres have been battling with rising vacancies since 2016. Unlike the top locations in metropolitan areas and large shopping centres of national importance, small properties – frequently city centre arcades – are increasingly suffering from vacancies. Shopping centre construction has adjusted to the structurally lower level of demand. The focus is on expansion and modernisation of older properties for repositioning. Attractive food courts and leisure areas are being used to meet the consumer preference for experience orientation. The future lies in mixed-use properties and flexibly usable space, including co-working.



Shopping centre completions in Europe, million sqm



Source: PMA, DekaBank

European retail markets

Given smaller space needs, high current rents and high cost pressure, partly due to the implementation of new technologies, rent increases were generally very modest in top city centre locations. Shorter lease terms, flexible adjustment clauses, rent adjustments and revenue-based rents are even topics of discussion for top properties. Rents remained unchanged in most markets in the first three quarters of 2019. Rents decreased in Amsterdam, Dublin and London. Except for locations like Barcelona, Budapest, Prague and Warsaw, the outlook remains extremely modest. British markets in particular are at risk of further corrections. Shopping centre rents will also perform poorly in coming years. They are increasingly suffering from the online boom due to their traditional tenant structure, which depends heavily on clothing and the use of large areas. Following large drops in 2019, the UK is expected to record further rent decreases in 2020 and 2021. Shopping centres in Poland will likely record above-average performance in coming years.

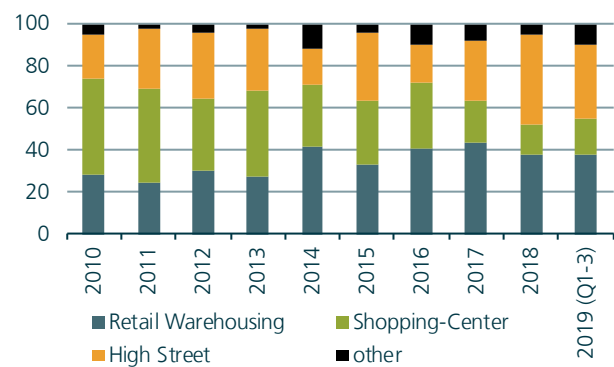
Investment market

The Europe-wide investment volume of around EUR 26 billion generated by retail properties up to and including September 2019 was one third lower than the same period in the previous year. Germany, the strongest market with a volume of EUR 7.2 billion, recorded a decline of 10%. In spite of the major contribution to volume by city centre commercial buildings in the first half of the year due to the Signa acquisition of the Kaufhof properties, retail parks were the strongest market segment in the first three quarters of the year, generating 38% of the volume. City centre commercial buildings followed with 35%. Only 17% was generated by shopping centres, which have fallen significantly out of favour with investors since 2017 due to their vulnerability to the online boom. The Europe-wide share due to shopping centres was significantly higher at 29%. The largest shares were recorded in Austria, Portugal, Ireland and Finland, while the share of 14% in the UK was the lowest. In the UK, the large investment volume generated in the previous year due to the Unibail-Rodamco acquisition of Westfield declined by almost half to EUR 3.9 billion. France remained practically unchanged versus the previous year at EUR 2.4 billion. Italy recorded a 6% decrease to EUR 1.7 billion.

Prime yields for commercial buildings in prime locations remained unchanged in the first three quarters of 2019. Budapest, Frankfurt and Stockholm recorded small decreases, while some large increases of up to 75 basis points were recorded in British regional markets. Brussels, Dublin, Copenhagen and Prague also recorded small increases. Shopping centre yields

recorded further increases overall. Some retail park yields fell slightly again, including in Germany. While initial yields for commercial buildings in prime locations will likely remain close to their current low level, further increases should be expected for shopping centres. With few exceptions, such as Poland, there is a risk of further decreases in returns in 2020 due to a general stagnation of prime rents. British shopping centres will likely continue to record above-average corrections. Further large losses can also be expected for city centre commercial buildings in the UK, while returns in the rest of Europe will likely remain in positive territory in most cases.

Retail investment in Germany by segment, %



Source: CBRE, DekaBank

Key facts

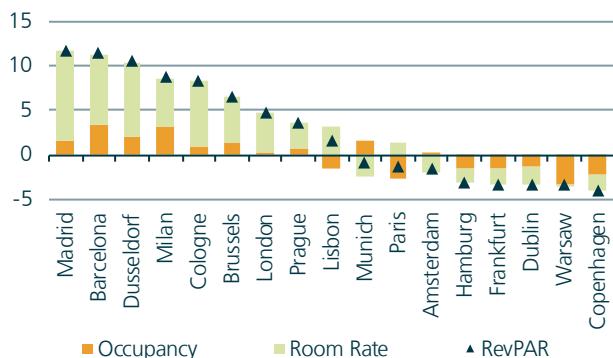
- Polarisation between low and luxury segments, middle segment is suffering due to a lack of differentiation
- Clothing discounters, pharmacies and food retailers are showing greater resilience to e-commerce
- The shopping centre pipeline is concentrating on renovations and expansions with a focus on leisure
- The rent outlook is very modest in general
- The investment market is divided, with excess demand for city centre commercial buildings and retail parks
- The drop in demand for shopping centres is causing yields to rise and returns to fall

European hotel markets

Market performance

Thanks to lively demand and further increases in room rates, European room revenues rose 2.4% compared to the previous year from January to November 2019. Barcelona and Madrid were at the top of the list of markets analysed, each increasing more than 11%. Occupancy also recovered from the political escalation in Barcelona. Paris recorded a drop in occupancy due to rioting in connection with the yellow vest protests, which was also reflected by a decrease in RevPAR. Dublin, Copenhagen, Warsaw and Frankfurt were negatively affected by increases in supply. In addition, the solid figures recorded in the previous year in Frankfurt were due to the Achema trade fair, which only takes place every three years. Room rates rose in the London market. The weak pound caused by Brexit uncertainty increased domestic and foreign demand. At close to 84%, London and Dublin had the highest occupancy rates in the European hotel market. Amsterdam, at around 83%, continues to be one of the markets with the highest occupancy rates, in spite of increases in capacity. The restrictive approval practice will likely take effect there after 2020.

Hotel key figures for 2019 (Jan.-Nov.), % vs. prev. yr.

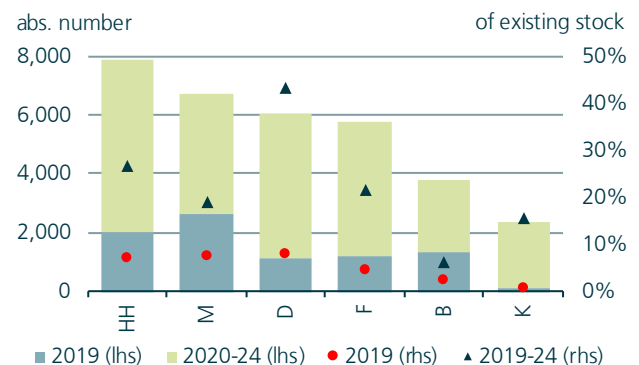


Source: STR global, DekaBank, prices in EUR

According to Lodging Econometrics, the project pipeline hit a record high of 1,710 hotels in the third quarter. Half of the 264,080 rooms were already under construction. 450 hotels are expected to open in 2020, and up to 500 in 2021. Marriott International, AccorHotels, Hilton Worldwide and InterContinental Hotels Group have the largest pipelines. From a regional point of view, Germany and the UK have the largest pipelines, with France a distant third. In Paris, supply will continue to expand in the top segment and luxury hotels. The share of upscale hotels (4 stars or more) in the number of rooms realised had also increased significantly in the German BIG 6 in 2018. The focus will move back towards the three-star segment in 2020/21. Many providers are developing their own lifestyle brands to satisfy customer needs. 8,400 rooms in 44 projects were likely completed in the top six German markets in 2019, 5% more than the previous year. A further

24,000 rooms were under construction and in the concrete planning stage. Hamburg is the leader in terms of absolute numbers. Düsseldorf is expected to have the largest percentage increase in existing stock, followed by Hamburg and Frankfurt. The lively construction activity will likely have a negative effect on returns in some cases. A large increase in supply is also expected in Dublin, Copenhagen and Warsaw.

Hotel room pipeline for the German BIG 6



Source: DekaBank, projects under construction and in the concrete planning phase



Investment market

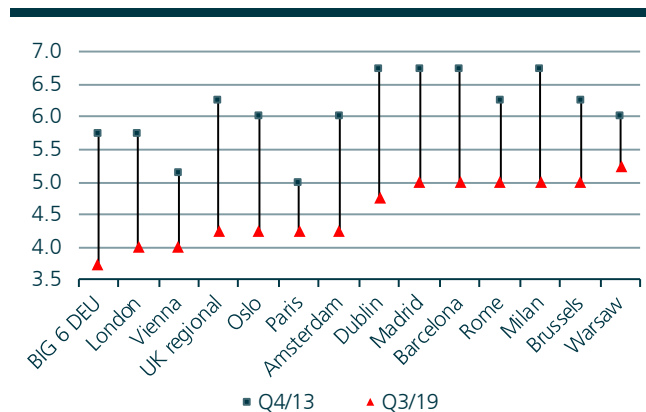
The investment volume of EUR 16.2 billion in the first three quarters of 2019 was 8% below the high level of volume recorded during the same period in the previous year. In spite of a drop of 26%, the UK market generated the largest volume of EUR 4.2 billion, followed by Italy and Germany with EUR 2.5 billion each. Thanks to a large portfolio deal, the volume in Italy more than doubled compared to the previous year, while Germany recorded a 16% drop. France was in 4th place with EUR 1.5 billion. Spain recorded a large drop of 68% to EUR 1.2 billion following a high level in the previous year that was driven by portfolio sales. Prime yields declined 50 basis

European hotel markets

points in Amsterdam and Lisbon. The Italian, Spanish and German markets recorded decreases of 25 basis points. Initial yields were the lowest in the German BIG 6, at 3.75%, and

between 5.0% and 5.25% in Brussels and the southern and eastern European markets.

Change in prime yield, %



Source: CBRE, DekaBank

Key facts

- Occupancy is high compared to the past
- Barcelona and Madrid are the leaders in RevPAR growth
- Project pipelines continue to increase, with Germany and UK the strongest markets
- The current lively construction activity in some markets is having a negative effect on returns
- The high level of investment demand is maintaining downwards pressure on yields

Hotel key figures

Location	ADR in EUR	Occupancy in % Jan.-Nov. 2019	RevPAR in EUR	ADR in EUR	Occupancy in % percentage change yoy	RevPAR in EUR	RevPAR local
Amsterdam	149.7	82.7	123.8	-1.9	0.2	-1.6	-1.6
Barcelona	148.1	80.8	119.6	7.8	3.4	11.5	11.5
Berlin	99.9	80.1	80.0	0.0	1.6	1.6	1.6
Brussels	121.2	74.3	90.1	5.3	1.3	6.6	6.6
Dublin	143.5	83.9	120.4	-1.8	-1.4	-3.2	-3.2
Dusseldorf	119.9	71.2	85.4	8.3	2.1	10.6	10.6
Edinburgh	116.4	82.3	95.8	-1.1	-1.0	-2.1	-2.4
Frankfurt	119.7	69.5	83.2	-1.7	-1.6	-3.2	-3.2
Hamburg	115.0	78.8	90.6	-1.8	-1.4	-3.2	-3.2
Cologne	119.8	74.9	89.7	7.3	1.0	8.4	8.4
Copenhagen	135.4	78.4	106.1	-1.7	-2.3	-3.9	-3.7
Lisbon	127.5	78.1	99.6	3.3	-1.6	1.6	1.6
London	175.3	83.8	147.0	4.5	0.3	4.7	4.0
Madrid	119.5	76.7	91.6	9.9	1.7	11.7	11.7
Milan	150.3	74.4	111.8	5.3	3.2	8.7	8.7
Munich	164.1	78.6	129.0	-2.5	1.6	-0.9	-0.9
Paris	220.3	77.6	170.9	1.4	-2.6	-1.2	-1.2
Prague	92.9	79.2	73.6	2.8	0.8	3.7	3.6
Vienna	107.0	77.9	83.4	7.6	1.2	8.9	8.9
Warsaw	74.7	73.6	55.0	-0.2	-3.2	-3.4	-2.6

Source: STR Global, DekaBank; ADR = average daily rate; RevPAR = revenue per available room

European logistics markets

Industry and world trade

Industrial production fell sharply in the Eurozone in 2019, mainly due to German industry. The German economy, which specialises in capital goods exports, is suffering from decreasing demand worldwide, political uncertainty and structural changes in the automobile industry. Even though Germany has the biggest industrial problems, industrial production also decreased in France and Italy. Of the four large countries in the EMU, only Spain recorded a small increase. The escalation of global trade tensions and economic slowdown in many countries led the World Trade Organisation (WTO) to lower its 2019 growth forecast for world merchandise trade from 2.6% to 1.2%. The forecast for 2020 was reduced from 3.0% to 2.7%. This assumes, however, a return to more normal trade relations. Downside risks continue to exist.



Supply and demand

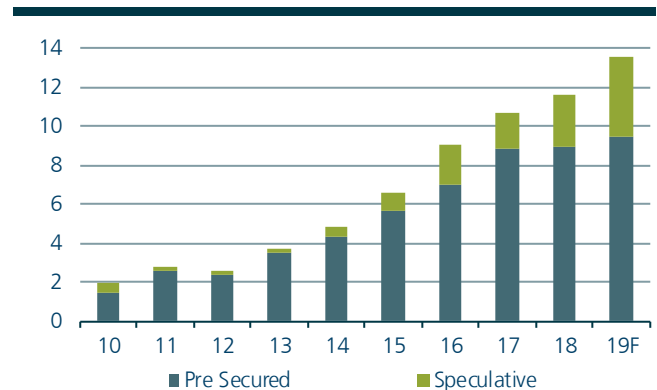
The demand for modern logistics space remains high. However, due to an inadequate supply of properties meeting market requirements, the lease markets in most countries have been unable to repeat previous record high volumes. This is also true of the UK and France. In Germany, the results in the first three quarters of 2019 were only slightly below the record high recorded for the same period in the previous year. In addition to expansion, space consolidation and optimisation are also taking place in the market. There is also greater fluctuation due to shorter lease terms, especially for existing stock. The online boom and major structural changes in the retail sector continue to drive demand. Retail, including e-commerce and logistics service providers, generated most of the take-up in the past one and a half years. Amazon was once again the biggest user of new construction in 2019. Although the gap between the online retail giant and its competitors has decreased significantly compared to previous years, it was still very large. Lidl, Zalando, conforma, XXXLutz and Inditex hold the next highest positions on the list. The largest occupiers of new schemes were nine retail companies (including e-commerce) and only one logistics service provider, DPD.

The space needs of logistics companies are shifting in the direction of city centre logistics to optimise distribution of the massive flow of packages to end customers.

Each euro of e-commerce sales requires three times the logistics space needed for physical retail sales.

The European vacancy rate is low, at around 5%. Due to the low reserve supply of large, modern logistics space, companies still often have to cover their needs through new building projects. Completions have increased steadily across Europe since 2013. 11.6 million sqm were completed in 2018, with Germany, France, Poland, the UK and Netherlands the strongest markets. 22.5% was speculative. 2019 will likely set a new completions record of 13.6 million sqm, with a speculative share of around 30%. Panattoni was by far the most active, followed by Gazeley, SEGRO, ProLogis and Goodman. Germany is once again ahead of Poland, the UK and France. Even though speculative projects have gradually increased, owner-occupied deals and custom-tailored lease properties continue to dominate. The high level of investor demand is stimulating the developer market. One trend is the conversion of former industrial areas to urban logistics space.

Completions in Europe, million sqm



Source: PMA, DekaBank; area > 10,000 sqm in 15 countries

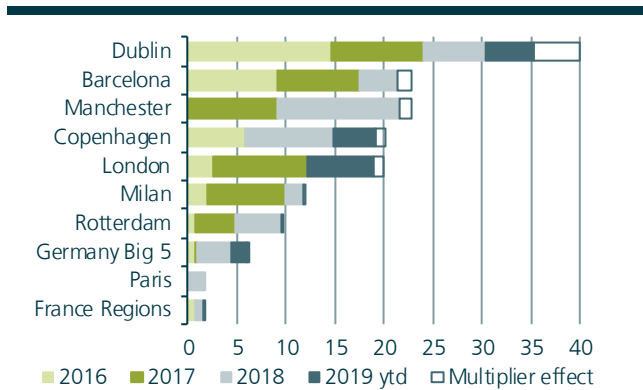
Rent increases

Prime rents rose 3% on average over 30 European markets in 2018. This was a larger increase than the two previous years. Rent increases were driven by excess demand for modern class A space, as well as increased construction and labour costs. A further increase of 2% occurred in the first three quarters of 2019. Lisbon recorded the largest increase of 14%, followed by 7% for London, and 6% each for Hamburg and Budapest. The level remained unchanged in France, Spain and UK regional markets. Dublin is the leader in terms of cumulative

European logistics markets

rent increases since 2015. Due to higher property prices and competition from other usage types, last mile properties are recording larger rent increases than large logistics units. Prime rents will likely continue to rise in top locations with a shortage of supply, although the low margins of logistics service providers and retailers and competition by new construction space will have a limiting effect.

Rent increases, %



Source: PMA, DekaBank

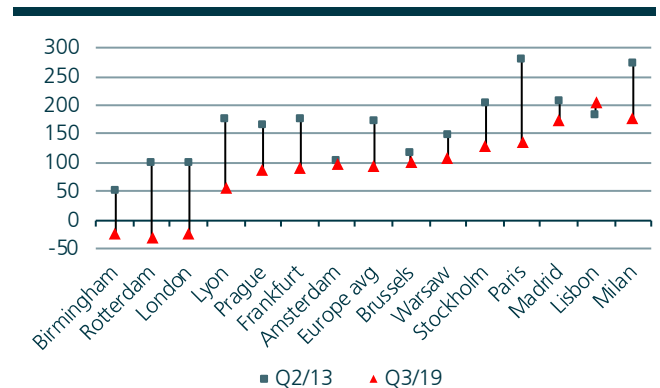
Investment market

Logistics and industrial real estate with a total value of EUR 21 billion changed hands in the first three quarters of 2019. This was 9% below the high result recorded in the previous year. The UK generated a volume of EUR 5.2 billion, 15% less than the same period in 2018. In spite of the high level of demand for high quality logistics properties with long-term leases, investors were cautious due to the political and economic uncertainty in connection with Brexit. Germany also recorded a 23% decrease to EUR 4 billion after the high volumes achieved in previous years. France was the third largest market, with EUR 2.6 billion (+12%). The volume in Sweden almost doubled to around EUR 2 billion. The result in the Netherlands was slightly below the previous year at EUR 1.4 billion. There was a 16% increase in Spain to EUR 1.3 billion. The logistics share of the commercial investment market (incl. residential) remained generally the same as the previous year, at around 11%.

Except for the British markets, initial yields continued to decline in 2019. Lille, Lyon, Marseille and Copenhagen recorded the largest compression of up to 75 basis points during the

period up to and including September. Yields fell up to 45 basis points in Warsaw, Amsterdam and Rotterdam. Decreases of 30 basis points were recorded in Barcelona, Paris, Milan and the German BIG 5, which means they have caught up with London as the most expensive market. The spread between logistics and office yields is narrower than ever before. In Rotterdam and some UK locations, logistics properties in the prime segment have lower yields than office real estate. The return prospects remain good. Although the period of high returns is likely behind us, we continue to expect total returns in the high single-digit range in 2020 due to continued yield compression and further rent increases. Small increases in initial yields can generally be expected starting around 2023. Due to just moderate rent growth, small losses in capital value and correspondingly low total returns can be expected. They may slip into negative territory in markets with very low yields.

Yield gap between logistics and office yields, bp



Source: PMA, DekaBank

Key facts

- There is excess demand for modern logistics space
- Logistics service providers and retail, incl. e-commerce, are drivers
- The European vacancy rate is low, at around 5%, in spite of lively construction activity
- A new record was set for completions, user-specific buildings dominate, the speculative share, however, is 30%
- Rent increases expected to continue
- High demand is keeping yields under downwards pressure

Forecasts

Global economic growth

Country/Regions	GDP % yoy					Consumer Prices ¹⁾ % yoy				
	2017	2018	2019F	2020F	2021F	2017	2018	2019F	2020F	2021F
Germany	2.5	1.5	0.5	0.8	1.1	1.7	1.9	1.4	1.6	1.7
France	2.3	1.7	1.3	1.0	1.2	1.2	2.1	1.3	1.4	1.5
Italy	1.7	0.9	0.1	0.2	0.4	1.3	1.2	0.7	0.9	1.2
Spain	3.0	2.6	2.0	1.7	1.7	2.0	1.7	0.8	1.0	1.4
Netherlands	2.9	2.6	1.6	1.1	1.6	1.3	1.6	2.7	1.9	1.8
Belgium	1.7	1.4	1.3	1.0	1.1	2.2	2.3	1.2	1.3	1.9
Austria	2.6	2.7	1.5	1.0	1.5	2.2	2.1	1.4	1.5	1.7
Portugal	3.5	2.4	1.8	1.0	1.3	1.6	1.2	0.3	0.6	1.2
Finland	3.0	1.7	1.7	1.6	1.5	0.8	1.2	1.1	1.2	1.5
Luxembourg	1.5	2.6	3.2	2.8	3.0	2.1	2.0	1.6	1.7	2.0
Eurozone	2.5	1.9	1.1	0.9	1.2	1.5	1.8	1.2	1.3	1.5
UK	1.8	1.4	1.3	1.1	1.7	2.7	2.5	1.8	1.4	1.8
Sweden	2.4	2.3	1.3	1.2	1.6	1.9	2.0	1.7	1.7	1.8
Denmark	2.3	1.5	2.0	1.6	1.6	1.1	0.7	0.8	1.2	1.6
Poland	4.9	5.1	4.3	3.4	3.3	2.0	1.6	2.2	2.3	2.3
Czech Republic	4.4	3.0	2.5	2.0	2.4	2.5	2.2	2.8	2.1	2.0
Hungary	4.1	4.9	4.4	3.2	2.6	2.4	2.8	3.4	3.3	3.1
EU28	2.8	2.2	1.5	1.3	1.5	1.7	1.9	1.5	1.5	1.7
USA	2.4	2.9	2.2	1.8	2.0	2.1	2.4	1.8	2.5	2.3
Japan	1.9	0.8	1.2	0.8	1.0	0.5	1.0	0.5	0.9	1.3
Canada	3.0	1.9	1.8	2.0	1.8	1.6	2.2	2.2	1.9	2.2
Australia	2.4	2.7	1.8	2.3	2.4	2.0	2.0	1.6	2.2	2.4
Switzerland	1.9	2.8	0.9	1.8	1.5	0.5	0.9	0.4	0.3	0.6
Norway	2.4	2.5	2.5	1.7	1.2	1.9	2.8	2.2	2.1	2.2
Russia	1.6	2.3	1.2	2.0	1.7	3.7	2.9	4.5	3.4	4.0
Turkey	7.5	2.8	0.4	2.8	3.3	11.1	16.3	15.5	10.8	9.7
Ukraine	2.5	3.3	3.5	3.0	3.2	14.4	10.9	8.5	7.7	7.4
Brazil	1.1	1.1	1.1	2.3	2.1	3.4	3.7	3.6	3.2	3.8
Mexico	2.1	2.0	0.1	1.6	2.1	6.0	4.9	3.6	3.3	3.1
Argentina	2.7	-2.5	-3.0	-1.1	1.6	25.7	34.3	53.7	45.3	29.8
Chile	1.3	4.0	2.2	2.7	2.8	2.2	2.3	2.3	2.7	2.7
China	6.8	6.6	6.1	5.9	5.8	1.6	2.1	2.9	3.8	2.7
India	7.2	6.8	5.1	6.1	6.3	3.6	3.4	3.5	4.4	4.1
South Korea	3.2	2.7	1.8	2.1	1.9	1.9	1.5	0.4	1.2	1.4
Hong Kong	3.8	3.0	-1.2	-0.6	1.9	1.5	2.4	2.9	2.3	2.2
Singapore	3.7	3.1	0.5	1.3	1.6	0.6	0.4	0.6	1.0	1.0
World²⁾	3.8	3.6	3.0	3.1	3.3	3.2	3.6	3.1	3.3	3.0

1) For the Eurozone, Denmark, Sweden and United Kingdom: the harmonised index of consumer prices.

2) Due to hyperinflation, Venezuela consumer prices were not included starting in 2017.

Source: National statistical offices, IMF, Oxford Economics, DekaBank forecast

Forecasts

European office markets: Prime rent

	EUR/sqm/year*		Change vs. previous year-end (%)					
	Q3/19	Q3/19	2019F	2020F	2021F	2022F	2023F	2024F
Berlin	438	9.0	10.0	5.0	1.1	1.1	1.1	1.0
Dusseldorf	312	0.0	3.5	1.6	1.6	0.9	1.2	1.4
Frankfurt	504	3.7	5.8	1.7	1.3	1.5	1.5	1.4
Hamburg	348	5.5	7.3	1.4	1.2	0.6	0.9	1.4
Cologne	276	7.0	7.0	0.7	1.1	1.4	1.4	1.4
Munich	474	3.9	4.6	3.5	1.9	1.3	0.5	0.0
Stuttgart	276	4.5	5.0	0.0	1.2	1.1	1.1	1.4
Avg. Germany**	n.a.	4.8	6.6	2.5	1.3	1.1	1.0	1.1
Amsterdam	435	7.4	8.6	3.4	0.0	1.6	1.3	1.0
Barcelona	303	5.2	6.3	2.5	0.0	0.1	0.5	0.8
Brussels	235	0.0	1.3	0.2	1.0	1.0	1.3	1.6
Budapest	234	5.4	5.4	2.0	1.0	0.1	-0.4	-0.4
Helsinki	320	2.6	3.8	-1.1	0.9	1.6	2.0	2.1
Lisbon	204	0.0	2.9	0.7	0.5	0.9	1.2	1.6
London City	815	4.6	5.0	0.6	3.2	2.8	3.1	2.2
London West End	1259	5.0	5.5	1.2	1.5	1.1	1.5	1.5
Luxembourg	564	0.0	0.0	-2.3	-1.4	4.1	2.9	2.2
Madrid	402	3.1	4.6	2.5	0.3	0.0	1.0	2.2
Milan	590	4.4	6.2	2.5	0.0	0.9	1.4	1.5
Oslo	449	8.6	8.9	2.3	-1.0	-2.7	-1.6	0.5
Paris CBD	825	1.9	4.2	0.0	0.0	0.7	0.5	0.5
Prague	258	4.9	4.9	3.1	2.1	1.0	1.0	1.0
Stockholm	691	4.4	5.0	2.8	2.3	2.2	2.1	2.1
Warsaw	258	4.9	4.9	0.9	-0.3	-0.9	-0.3	0.3
Vienna	276	0.0	2.2	1.6	1.3	0.9	0.7	0.8
Avg. Europe ex Germany**	n.a.	3.7	4.5	1.1	0.6	1.0	1.1	1.3
Avg. Europe incl. Germany**	n.a.	4.0	5.3	1.6	0.9	1.0	1.1	1.2

Source: PMA, DekaBank; *constant exchange rates Dec. 2018, **stock-weighted

European office markets: Prime yield

	multiplier		Prime net initial yield (%)					
	Q3/19	Q3/19	2019F	2020F	2021F	2022F	2023F	2024F
Berlin	37.0	2.7	2.7	2.6	2.5	2.5	2.5	2.5
Dusseldorf	32.3	3.1	3.0	2.9	2.8	2.8	2.8	2.8
Frankfurt	34.5	2.9	2.9	2.8	2.7	2.7	2.7	2.7
Hamburg	33.9	3.0	2.9	2.8	2.7	2.7	2.7	2.7
Cologne	31.7	3.2	3.0	2.9	2.9	2.9	2.9	2.9
Munich	35.7	2.8	2.8	2.6	2.5	2.5	2.5	2.5
Stuttgart	32.8	3.1	3.0	3.0	2.9	2.9	2.9	2.9
Avg. Germany*	n.a.	3.0	2.9	2.8	2.7	2.7	2.7	2.7
Amsterdam	32.0	3.1	3.1	2.9	2.7	2.7	2.7	2.7
Barcelona	30.3	3.3	3.3	3.1	2.9	2.9	2.9	3.0
Brussels	24.4	4.1	4.0	3.8	3.6	3.6	3.6	3.6
Budapest	20.8	4.8	4.8	4.6	4.5	4.5	4.5	4.5
Helsinki	29.4	3.4	3.4	3.2	2.9	2.9	2.9	2.9
Lisbon	25.3	4.0	4.0	3.7	3.5	3.5	3.6	3.7
London City	25.0	4.0	4.0	3.8	3.8	3.9	3.9	3.9
London West End	28.6	3.5	3.5	3.3	3.3	3.4	3.4	3.4
Luxembourg	25.0	4.0	3.9	3.8	3.6	3.6	3.6	3.6
Madrid	31.2	3.2	3.1	2.9	2.7	2.7	2.8	2.8
Milan	29.9	3.3	3.3	3.3	3.2	3.3	3.4	3.4
Oslo	27.8	3.6	3.5	3.4	3.3	3.3	3.3	3.3
Paris CBD	35.1	2.9	2.8	2.5	2.5	2.5	2.5	2.5
Prague	24.8	4.0	4.0	3.8	3.5	3.5	3.5	3.5
Stockholm	31.0	3.2	3.1	2.8	2.6	2.7	2.7	2.7
Warsaw	22.2	4.5	4.4	4.1	3.9	3.9	4.0	4.1
Vienna	30.3	3.3	3.3	3.1	3.0	3.0	3.0	3.0
Avg. Europe ex Germany*	n.a.	3.7	3.5	3.3	3.1	3.1	3.2	3.2
Avg. Europe incl. Germany*	n.a.	3.5	3.2	3.1	3.0	3.0	3.0	3.0

Source: PMA, DekaBank; *stock-weighted

Forecasts

US office markets: Average class A rent (gross asking rent)

	USD/sf/year		Change vs. previous year-end (%)					
	Q3/19	Q3/19	2019F	2020F	2021F	2022F	2023F	2024F
Atlanta Downtown	30.2	-1.8	2.0	2.0	1.0	0.5	0.5	0.5
Boston Downtown	70.3	8.8	9.0	3.5	0.5	0.0	1.0	1.0
Chicago Downtown*	27.1	2.9	3.1	1.0	-0.5	0.5	1.0	1.0
Dallas*	24.1	2.8	3.1	2.5	0.5	1.0	1.5	1.5
Houston*	22.1	1.8	1.7	-0.5	0.0	0.5	1.0	1.0
Los Angeles Downtown	36.8	1.3	1.2	4.0	0.5	1.5	0.5	1.0
Manh. Downtown (NYC)	59.6	3.7	-2.6	2.5	1.0	2.0	2.5	2.5
Manh. Midtown (NYC)	84.3	4.8	4.5	1.0	0.0	0.5	1.0	1.5
San Francisco City	73.8	11.2	11.5	4.5	2.0	1.5	2.5	3.0
Seattle Downtown	42.3	10.0	10.0	4.0	1.0	0.5	1.0	1.5
Washington D.C.	53.1	1.6	2.9	0.0	0.0	0.5	1.0	1.0
Average**	n.a.	3.7	3.5	1.9	0.3	0.8	1.2	1.4

Source: CBRE-EA, DekaBank; *net asking rent **stock-weighted

US office markets: Cap rate

	Cap Rate (%)						
	Q3/19	2019F	2020F	2021F	2022F	2023F	2024F
Atlanta Downtown	4.7	4.7	4.7	4.7	4.7	4.8	4.9
Boston Downtown	3.7	3.7	3.7	3.7	3.7	3.8	3.9
Chicago Downtown	4.0	4.0	4.0	4.0	4.0	4.1	4.2
Dallas	4.6	4.6	4.6	4.6	4.6	4.7	4.8
Houston	5.0	5.0	5.0	5.0	5.0	5.1	5.2
Los Angeles Downtown	4.0	4.0	4.0	4.0	4.0	4.1	4.2
Manh. Downtown (NYC)	3.6	3.6	3.6	3.6	3.6	3.7	3.8
Manh. Midtown (NYC)	3.6	3.6	3.6	3.6	3.6	3.7	3.8
San Francisco City	4.2	4.1	4.1	4.1	4.1	4.2	4.3
Seattle Downtown	4.5	4.5	4.5	4.5	4.5	4.4	4.5
Washington D.C.	4.7	4.7	4.7	4.7	4.7	4.8	4.9
Average*	4.2	4.2	4.2	4.2	4.2	4.3	4.4

Source: CBRE-EA, DekaBank; *stock-weighted

Asia-Pacific office markets: Prime rent

	EUR/sqm/year*		Change vs. previous year-end (%)					
	Q3/19	Q3/19	2019F	2020F	2021F	2022F	2023F	2024F
Seoul	526	1.1	1.4	0.2	0.3	1.9	2.7	2.9
Singapore	880	5.8	6.4	1.3	-0.8	-2.3	0.5	3.6
Tokyo	1032	3.7	5.1	0.6	2.1	3.4	-1.1	-2.2
Brisbane	357	3.8	4.0	2.1	2.5	1.9	1.4	0.3
Melbourne	391	5.9	6.1	1.0	0.2	2.6	2.5	0.5
Perth	353	1.7	3.0	1.7	3.3	3.0	-0.2	-0.1
Sydney	673	4.8	5.0	1.8	0.4	0.4	0.2	-0.7
Average**	n.a.	3.7	4.5	0.9	1.1	2.0	0.5	0.1

Source: PMA, DekaBank; *constant exchange rates Dec. 2018, **stock-weighted

Asia-Pacific office markets: Prime yield

	Prime net initial yield (%)						
	Q3/19	2019F	2020F	2021F	2022F	2023F	2024F
Seoul	4.4	4.4	4.2	4.2	4.2	4.3	4.3
Singapore	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Tokyo	2.5	2.5	2.4	2.3	2.3	2.3	2.4
Brisbane	5.4	5.4	5.2	5.1	5.1	5.2	5.2
Melbourne	4.6	4.5	4.4	4.3	4.3	4.3	4.3
Perth	6.0	5.9	5.8	5.6	5.6	5.7	5.7
Sydney	4.4	4.4	4.2	4.1	4.1	4.2	4.2
Average*	3.6	3.6	3.5	3.4	3.4	3.5	3.5

Source: PMA, DekaBank; *stock-weighted

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