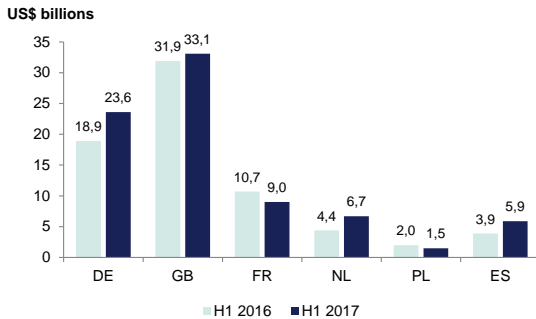


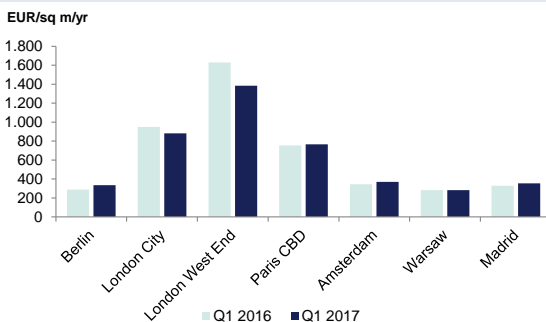
## Major Commercial Real Estate Markets in Europe in H1 and outlook H2 2017

### Commercial Real Estate Investment



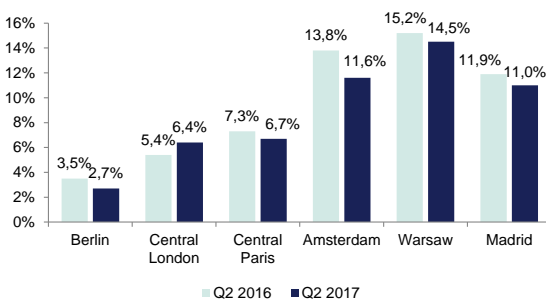
Source: Jones Lang LaSalle, BNP Paribas (Poland)  
illustrated by NORD/LB Sector Research

### Office: Prime Rent



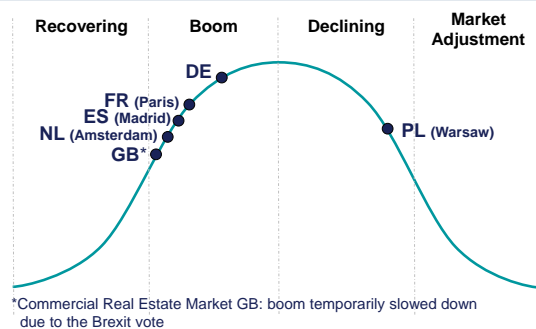
Source: Jones Lang LaSalle,  
illustrated by NORD/LB Sector Research

### Office: Vacancy Rate



Source: BNP Paribas Real Estate,  
illustrated by NORD/LB Sector Research

### Office: Real Estate Cycle H1 2017



Source: NORD/LB Sector Research

### Stable European investment volume despite political tension

The first half of 2017 saw some continued global political turbulences, especially in UK and France. However, the European investment market was largely unaffected. Overall, the total investment volume in Europe grew steadily. The UK was still Europe's largest investment market, with an 4 % increase of its investment volume year-on-year in the first half of 2017. The UK market continued to shrug off political uncertainty. Once again, Germany recorded the second best result with an 25 % increase. France fell by 16 % and Poland showed a 24 % decrease year-on-year. The investment volume of the Netherlands notably grew by 53 % and Spain by 51 %. In the first half of the year commercial real estate remained attractive to international investors. The demand for core assets in Europe tightened further on, hand-in-hand with high prices.

### Solid leasing activity on European office market in H1 2017

The strengthened overall office market performance was in line with the economic tailwinds. The downward pressure on yields for prime office properties persisted. European office vacancy reached the lowest rate in Q2 2017 since Q4 2008. The annual European office rental growth continued to exceed the 10-year average. The selected office property markets developed as follows: Germany's economic was performing well. This was reflected by strong office take-up and investment appetite. Berlin and Munich recorded particularly strong demand. Modern space in central locations across Germany was tight. The UK continued to face political uncertainty surrounding Brexit. However, the office market remained a target destination for investors, with a mixture of rental decline and growth in the submarkets. In France the investment activity slowed. The Greater Paris region concentrated more than 80 % of the total investment volume in Q2 2017. Value-added office properties in Paris became popular. The Netherlands had its highest office take-up during a first-half period since 2008. Although the availability of prime products in dominant areas was rather limited. Therefore investors' focus shifted to core+ investments in larger cities. Poland's office property market recorded healthy activity. Warsaw showed the highest volume of completed office properties in 2016 since the market has been established. However, the city had a strong take-up level of 200.500 sq m in H1 2017. In Spain the office market gained pace, but there is a lack of prime products to meet investors' demand, especially in Madrid and Barcelona.

### Boom of the office markets went on in H1 2017

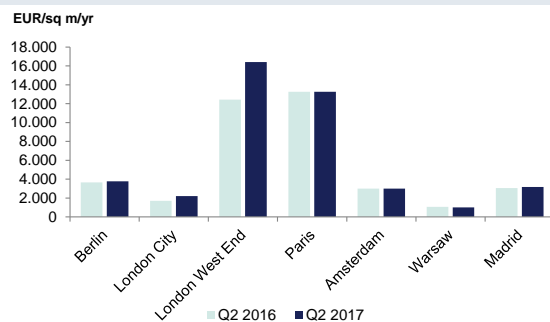
In our opinion there is no sign, that the boom of the office markets slowed in Europe. Transactions in the major European cities still remained attractive for international occupiers and investors. The country-specific parameters remained the main driver for the activities on the occupier market. Therefore please see the specific position enclosed. Poland (Warsaw) showed a strong development pipeline in 2016, with rising supply of newly completed modern office space in prime locations. We do not see a cyclical change yet despite strong take-up in H1 2017.

**Office: Market Trends 2017**

	Germany	UK	France	Netherlands	Poland	ES
Demand	↗	→	↗	↗	↗	↗
Supply	↘	→	↘	↘	→	→
Vacancy Rate	↘	→	↘	↘	→	↘
Prime Rent	↗	→	↗	↗	→	↗
Prime Yield	↘	→	↘	↘	↘	↘
Investment Volume	↗	→	↗	↗	→	→

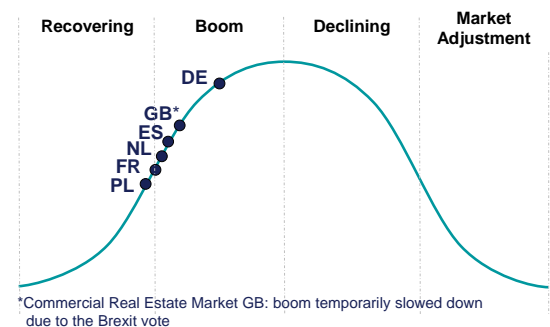
Source: NORD/LB Sector Research

**Retail: Prime Rent**



Source: Cushman & Wakefield, illustrated by NORD/LB Sector Research

**Retail: Real Estate Cycle H1 2017**



Source: NORD/LB Sector Research

**Retail: Market Trends 2017**

	Germany	UK	France	Netherlands	Poland	ES
Demand	→	→	→	↗	→	↗
Supply	→	→	→	→	↗	↗
Vacancy Rate	→	→	→	→	→	→
Prime Rent	→	→	→	→	→	↗
Prime Yield	↘	→	→	→	→	↘
Investment Volume	↗	→	→	↗	→	↗

Source: NORD/LB Sector Research

**Reference of source**

- BNP Paribas Real Estate:** Investment Market in Poland at a glance Q2 2017
- Cushman & Wakefield:** Office and Retail Market Snapshot DE, GB, FR, NL, PL, ES Q2 2017, European Shopping Centres April 2017
- Jones Lang LaSalle:** Global Market Perspective August 2017; Office Property Clock Q2 2017
- NORD/LB Economics:** Economic Adviser August 2017 (in German)
- Real Capital Analytics:** Europe Capital Trends Q1 2017

**Ongoing strength in office markets in H2 2017**

Occupiers` and investors` demand is expected to strengthen further in 2017, in particular in Germany, the Netherlands and Spain. Even in other markets, where investment volumes have fallen, we do not see dropping prices for prime office properties. With economic confidence European prime rental growth is forecasted to total at around 2.2 % in 2017 and office vacancy to remain stable. With a more buoyant 3.2 million sq m in the H1 development pipeline, total 2017 completions are expected to reach 5.1 million sq m, which is 25 % above the 5-year average. The target cities for new quality office space in the medium term should be London, Paris, Dublin, Berlin and Munich.

**Demand for quality retail space remains strong in H1 2017**

The continued growth of online sales, omni-channel retailing and technical innovations were forcing many retailers to review business models, convert larger stores and invest in distribution networks. Demand remained strong and prime retail rents were predominately stable across all asset classes. The selected retail markets developed as follows: Germany was a consistent target for international retailers. Although rents were relatively static. Prime rents peaked in some locations. In the UK retail sales turned to growth in Q2 despite a fall in consumer confidence following the UK general election. In France the services sector recovery since end-2015 led to further improvement in the labor market. Retailers` movements were numerous and the trend was globally positive with stable prime rents. In the Netherlands demand was driven by expanding overseas retailers. They were the main driver of the take-up volume in the dominant cities. Prime rents remained stable. Sentiment and turnover in the retail sector recovered steadily. In Poland a record low unemployment rate in May and a stellar increase in retail sales over Jan-May are the main growth drivers for the retail market in H1. There was a wide rental gap between Warsaw and other major markets. Occupiers` and investors` demand for prime retail locations remained strong. In Spain the expansion trend went on, with growing demand focusing on prime space and stable rent levels across all prime segments.

**Robust trend in retail will continue in H2 2017**

France, the UK and Germany are still the largest markets for shopping centres and account for around half of the total shopping centre space in Western Europe. However, prime shopping centre rents are expected to record the strongest growth in Spain among others in 2017. Prime high street rents in Barcelona and Madrid among others are forecast to see the most robust uplifts in the medium term. Little change of the retail market trends is expected in 2017 further on (see enclosed).

**Outlook for commercial real estate in Europe in H2 2017**

Economic fundamentals, overseas capital and monetary policy will push the European commercial real estate market in 2017. However, the risk of terrorist attacks and political uncertainties could influence investment decisions. Furthermore geopolitics will continue to play a major role in determining investor sentiment and market activity in 2017. The level of interest rates is still forecasted to remain unchanged this year. Local imbalances of prices should still persist. Although yields are at their cyclical low, the weight of capital targeting the commercial property market shall continue to increase.

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