Real Estate Markets Weather Political and Economic Storms

Global Market Perspective | Q3 2016

Global Market Perspective

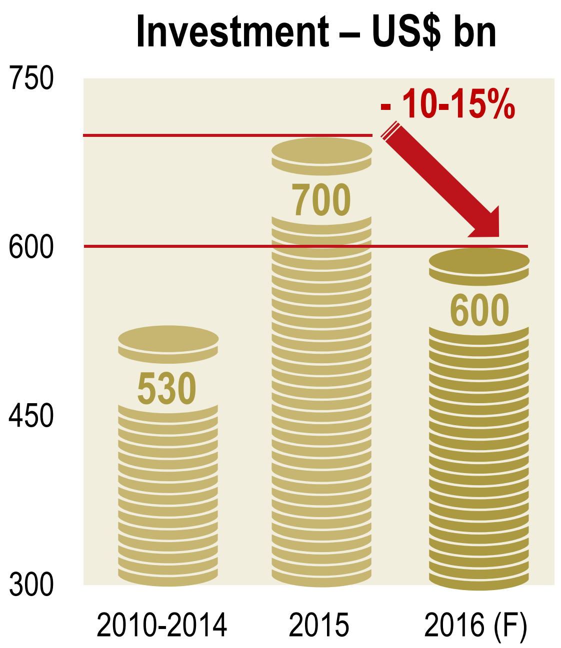
Contents

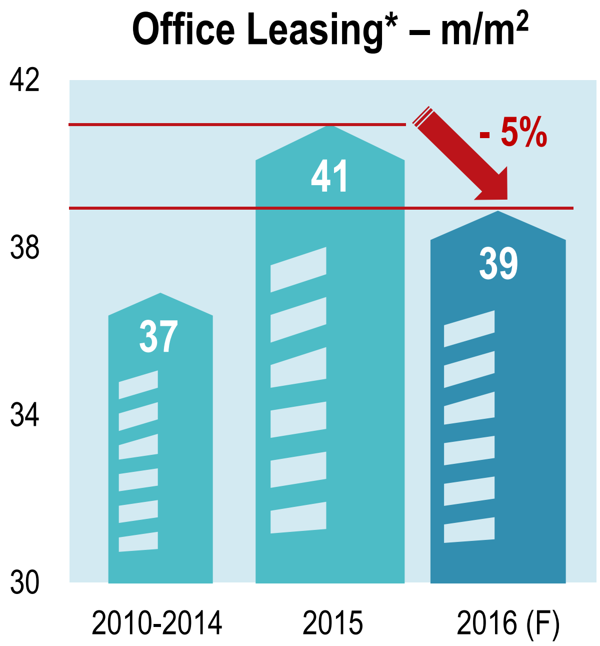
Real Estate Markets Weather Political and Economic Storms

Markets resilient during period of political and economic uncertainty

The world's dominant commercial real estate markets have, so far, weathered the political and economic storms of 2016 comparatively well. Anxiety levels have certainly increased over the last quarter, prompting more cautious risk-off strategies; but, nonetheless, global investment volumes are expected to remain at healthy levels throughout 2016. Underlying market fundamentals are sound and corporate demand is holding up well, notably in the United States and continental Europe. The UK is the biggest cause for concern following the surprise EU referendum result. Meanwhile, in Asia Pacific, the slowdown in China's economy and anticipation that the government will start to rein in credit, is affecting sentiment and real estate activity.

Global Commercial Real Estate Market Outlook, 2016





*90 major office markets
2010-2014 volumes refer to annual average
Source: JLL, August 2016

Political uncertainty impacts investor activity

The level of political uncertainty globally has increased over the last quarter. In this environment a more cautious investment strategy is to be expected, reflected in a slightly slower level of transactional activity to date this year. Q2 2016 volumes are US$155 billion, which brings the first half of 2016 to US$292 billion, 10% lower than H1 2015. Due to the change in sentiment, JLL now believes that global volumes will be 10%-15% lower than last year; although we should remember that even at around US$600 billion it would be one of the most active years since JLL started recording transactional activity in 2003.

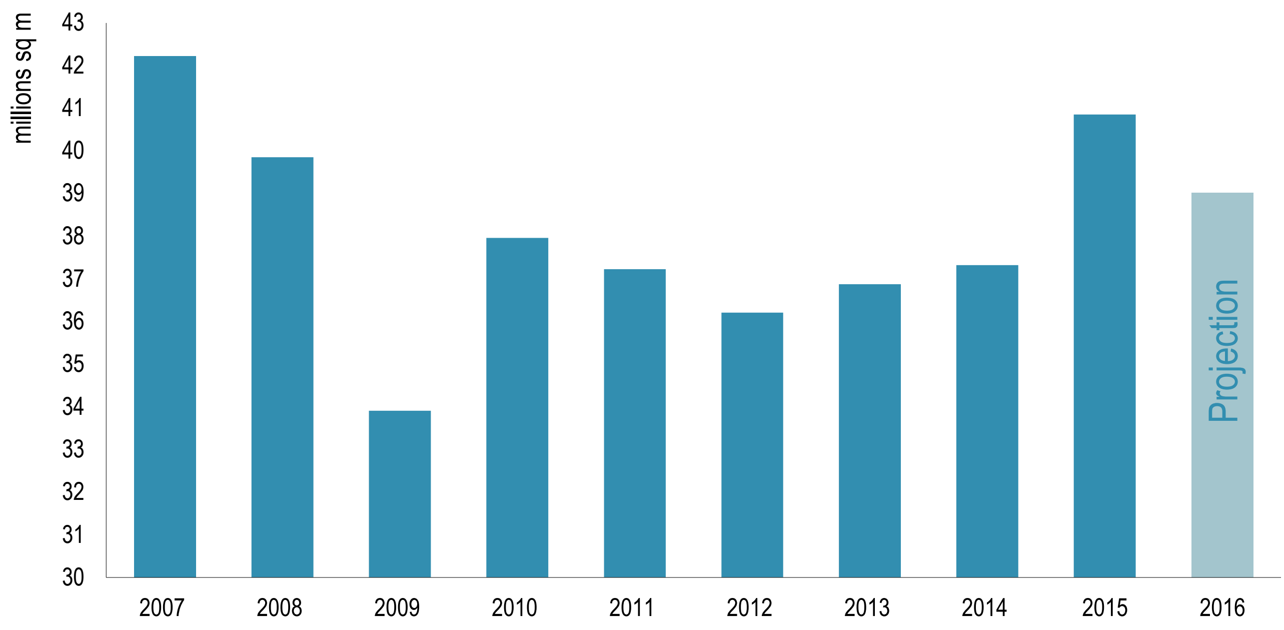
Occupiers strike a more cautious tone

The global office leasing markets are sending out mixed messages. While many markets have remained remarkably robust in the face of mounting political and economic uncertainties, and in some cases are still expanding, others are struggling to maintain forward momentum.

Corporate occupiers are undoubtedly striking a more cautious tone and a few are delaying real estate decisions. Even so, leasing activity is holding up well in the **United States**, across much of continental **Europe** and in **Japan**. Among the major markets, only the **UK** and **China** have seen substantive evidence of falling leasing volumes. In fact, global leasing volumes on aggregate in H1 2016 were down only 4% compared to the same period in 2015, and Q2 volumes were up a healthy 14% on Q1.

Nonetheless, weaker business sentiment, economic uncertainty and continued political risks are likely to dampen leasing volume growth for the remainder of 2016, with our latest projection for the full-year indicating that global volumes will be about 5% lower than the cyclical peak of 40.9 million square metres in 2015.

Global Office Demand – Gross Leasing Trends, 2007-2016



24 markets in Europe; 44 markets in the U.S; 22 markets in Asia Pacific
Source: JLL, July 2016

Tightening office supply boosts prime office rents

Office supply continues to tighten, with the global office vacancy rate falling by 10 bps in Q2 2016 to 12.1%, its lowest level since Q4 2008. The vacancy rate is expected to be broadly stable at around 12% for the remainder of the year, with rates trending down in the **United States** and **Europe** while a modest rise is anticipated in **Asia Pacific**.

Supply constraints continue to boost rents for prime office space in many of the world's dominant office markets, with prime rents across 26 major markets rising by an average of 5.1% year-on-year in Q2 2016. There are signs that aggregate rental growth is beginning to soften, however, with growth projected to slow to around 3% for the full-year.

Demand for prime space drives retail rental growth in top-tier cities

Robust demand for prime retail space is fuelling solid rental growth in top-tier cities in the **United States**, Europe and selectively in Asia Pacific. Rental uplifts in major global gateways and tourist markets continue to outpace the national market in the U.S. Meanwhile, prime areas across Europe have strengthened further with **Paris**, leading **German** markets and **London** registering vigorous rental growth over Q2. In Asia Pacific F&B was a major contributor to demand in Q2 with healthy leasing activity evident in **Tokyo's** prime shopping areas and in **Australia**, although rental levels have been stable in most of Asia's regional markets over the quarter.

Restructuring of logistics networks boosts demand

The need for corporates to restructure supply chain networks towards new omni-channel distribution models continues to support relatively resilient corporate demand for logistics. Falling vacancy and new supply are still pushing rents upwards in the **U.S.**, while demand has carried on outstripping supply in Europe, which saw another quarter of above-average occupier activity in Q2 2016. In Asia Pacific, third-party logistics providers and e-commerce retailers are selectively boosting demand with stronger-than-expected occupier activity in **Tokyo**.

Asia becomes largest source of outbound global hotel investment

Following an exceptional year of global hotel transactions in 2015, deal activity in the first half of 2016 has declined 52% year-on-year to US$24 billion. Uncertainty surrounding the global economic and political environment has contributed to hotel investors adopting more of a wait-and-see approach towards investment decisions as underwriting future income growth has become more difficult. The first six months of 2016 have seen Asia become the largest source of outbound capital flowing into global hotel real estate, with China overtaking the Middle East in terms of outbound hotel investment, marking a sign of the country's long-term strategy to secure income through investing globally.

U.S. rental apartments on course despite major development cycle

Rental growth gained slightly in the **U.S.** multifamily market in Q2 despite a marginal increase in the national vacancy rate on the back of an expanding development pipeline. Institutional investment markets continued to be lower in Europe, with sales activity in the **UK** market modestly weaker in the lead-up to the EU referendum and a marked fall in transaction volumes in **Germany** following a record 2015, although **Sweden** registered a record turnover in the first half of 2016. In Asia, developer incentives supported an improvement in sales activity in **Hong Kong** and **Singapore**.

Global Economy

Surprise Brexit result brings new anxiety for the global economy

The unexpected result of the UK's EU referendum hit world markets just as they were recovering from their New Year hangover. Stock prices nosedived across the globe in the following days and, although a U.S.-led rally had more than reversed the losses and moved into bull territory by mid-July, volatility has remained high. Market interest rates also softened to new lows across the developed world, with the Bank of England expected to step in with its first rate cut in the UK since 2009 and further action in prospect by the Bank of Japan. Sterling collapsed to a 30-year low against the U.S. dollar after the vote, while oil prices pushed up to US$50pb, albeit inconsistently.

As markets adapt to the shock, concern has shifted to the impact of Brexit on the fragile global recovery. As the self-inflicted wound originates in the world's fifth (possibly now sixth) largest economy, the UK remains the biggest cause for concern. Even before the vote, there were downward revisions in prospect, as the uncertainty began to weigh on activity. Despite much gloom, Oxford Economics' post-vote figures still show a relatively soft landing. Six months into 2016, UK growth is expected at 1.8% (a four-year low), dropping to just 1.1% next year (a post-GFC low).

Spillovers of Brexit to the rest of world are complex and uncertain

Spillovers from Brexit to the rest of the world beyond the financial markets remain complex and uncertain. The most vulnerable economies appear to be the laggards of the Eurozone and Japan. A recent report by the IMF expressed concern about the Eurozone because of the lack of policy buffers to counter any shocks after recent debt crises. There have also been worries about the weakness of the latest Eurozone data (notwithstanding that this still refers to the pre-vote period). But so far, Eurozone forecast revisions have been modest compared with the UK and, in part, the reverse upside from early 2016.

In Japan, Brexit sustained the revival in the yen which has appreciated over 15% against the U.S. dollar in the last year. This is expected to have adverse consequences for an economy where consumer demand has been exceptionally weak and which continues to be heavily reliant on exports and investment for growth. These concerns are predicted to bring further measures from the Bank of Japan, most probably an acceleration of asset purchases and possibly some fiscal stimulus too.

GDP Projections for 2016 in Major Economies – Recent Movements

	Australia	China	France	Germany	India	Japan	UK	U.S.
April	2.8	6.2	1.3	1.7	7.4	0.5	2.1	2.1
July (Latest)	2.9	6.5	1.6	1.7	7.5	0.1	1.8	2.0
Change (bps)	+10	+30	+30	0	+10	-40	-30	-10

Source: Oxford Economics, July 2016

Favourable data from the United States

More recent U.S. data have provided further optimism to bolster the equity market rally. The latest payroll figures showed an employment boost of 287,000 during June, reversing the weak out-turn of the previous month and highlighting the underlying strength of demand. Global headwinds are likely to weigh against a move by the Fed in the near term, though many still anticipate a further hike this year, possibly as early as September.

Emerging markets had been central to global concerns before the EU referendum and there remain risks, notably China's slowdown and the impact of U.S. interest rates and a strong dollar. In contrast, Brexit impacts on these markets are seen as relatively light, given the weaker trade links and limited pass-through of financial market instability. Moreover, commodity prices have been hardening over recent months, helping both the big commodity exporters, such as Brazil and Russia, and the other 'Emergers' that trade heavily in these markets.

Fragile recovery set to continue despite downside

While Brexit raises the concerns about the global outlook, it should be remembered that the **UK** accounts for only just over 3% of global GDP. The current uncertainty is unhelpful, but providing contagion is capped, the downside should be limited. The longer-term impact on the UK will clearly be most significant. This will depend on both its trade relationships outside the EU and any changes in its stance on immigration. But even the gloomiest experts currently forecast a net negative impact of a few percentage points on UK GDP (Oxford Economics for instance estimates a 4 percentage point output loss by 2030 in its worse-case scenario).

Global expectations for the next two years have not changed significantly since last quarter, as the impact of Brexit has been offset by small improvements elsewhere. This means that global GDP is only projected to match last year's mediocre out-turn and it is not until 2017 before the upward momentum resumes as the **United States** and emerging markets revive. The global economy has now stalled at slightly below-trend activity rates for over five years, making this the weakest cyclical recovery on record.

Asia Pacific is expected to consolidate its position as the most dynamic region globally. Fears of a hard landing in **China** look increasingly misplaced thanks to an active policy response. However, China's annual growth rates are still forecast to continue their gentle decline, dipping to a 20-year low of 6.2% by next year. **India** is predicted to remain the fastest-growing Asian market, though it lacks China's scope for stimulus and a modest slowdown is in prospect for next year. **Japan** is the region's weakest point, recently hit by currency appreciation and flagging consumer demand.

As anticipated, **U.S.** numbers have improved since Q1, but this momentum is not expected to be enough to prevent subdued growth rates in 2016. Weakness in external demand and the impact of last year's rate hike remain the main headwinds, though there is growing evidence of an upturn in labour markets and consumer indicators. This is likely to boost growth through this year and into next, when the U.S. is predicted to lead the global upswing.

Before the EU vote in the UK, the European recovery was slightly outstripping expectations, though Brexit has since brought downside risks. In the **Eurozone** core, growth is likely to keep below par over the next two years, but domestic demand is forecast to remain robust as **Germany** and **France** stabilise. The **UK** economy is projected to slow fairly abruptly over the coming quarters. Provided that there is progress towards a new trade and migration paradigm outside the EU, prospects for the UK will improve in the medium term, though the outlook depends as much on politics as economics.

Global Outlook, GDP Change, 2015-2017

	2015	2016	2017
Global	**3.0**	**3.0**	**3.4**
Asia Pacific	**5.3**	**5.2**	**5.2**
Australia	2.5	2.9	2.7
China	6.9	6.5	6.2
India	7.2	7.5	7.2
Japan	0.6	0.1	0.3
Americas	**1.4**	**1.2**	**2.1**
U.S.	2.4	2.0	2.3
MENA	**2.2**	**2.3**	**2.8**
Europe	**2.1**	**1.9**	**1.8**
France	1.2	1.6	1.6
Germany	1.5	1.7	1.7
UK	2.2	1.8	1.1

Source: Oxford Economics, July 2016

Real Estate Capital Markets

Investment Volumes

Year of political uncertainty makes investors more cautious

Second quarter 2016 investment volumes are US$155 billion, which brings the first half of 2016 to US$292 billion, 10% lower than H1 2015. The level of political uncertainty globally has increased over the last quarter with many countries going to the polls and producing inconclusive outcomes. In this environment a more cautious investment strategy is to be expected, which is why we are seeing a slightly slower level of transactional activity so far this year.

Pace of slowdown consistent with the first quarter

Activity in the Americas has continued at more or less the same rate over the first half of the year, with Q2 volumes of US$69 billion pushing first half activity to US$130 billion, 15% lower than a year ago and the biggest drop of all three regions. The performance of the **U.S.** market has maintained a consistent pace following the disruption of the first few weeks of the year. Elsewhere in the region, activity has been more volatile, with further falls in **Brazil** and **Mexico** counterbalanced by rises in **Canada** and almost US$1 billion traded in **Chile**.

After the shock comes the search for opportunities

Probably the biggest surprise this quarter was the fact that European volumes at US$57 billion were consistent with those of a year ago. This means that over the first half of 2016, Europe is down 5% at US$109 billion, comparable in performance in both U.S. dollar and euro terms to last year. While **UK** performance has declined since the start of the year, down 24% in local currency terms, the trend of investors looking continent-wide for opportunities continued in the second quarter with activity in **France**, the Nordics and Central and Eastern Europe higher. However, **Germany** is down 4% over the first half, following a very active 2015.

Mega deal helps Singapore, but Japan and China are a drag on regional growth

Despite one of the biggest deals globally closing in **Singapore** (the sale of the Asia Square Tower 1), activity across Asia Pacific has been more subdued. The US$28 billion transacted in Q2 is 8% below the same quarter in 2015, while first half volumes of US$54 billion are 4% below a year ago. Alongside Singapore, both **Australia** and **South Korea** are ahead at the end of the first half, but **China** and **Japan** are respectively 13% and 12% below last year's H1 levels.

After five years of growth, time to think about the next phase of the cycle

Although we recorded a downturn in transactional activity in 2015, much of this was down to the strength of the U.S. dollar, while activity at the local level remained robust. In 2016 there has been a notable change in investor sentiment which is now directly feeding through to reduced transactional activity, and this is likely to last for the rest of 2016 given the uncertain political environment. Economically, while global forecasts have been consistently trimmed, many of the fundamentals are still strong, particularly in relation to companies looking to take more space and create more jobs. Due to this change in sentiment we now believe that global volumes will be 10%-15% lower than last year at around **US$600 billion**. We should remember that even at around US$600 billion it would be the fifth most active year since JLL started recording transactional activity in 2003. Furthermore, following a period of subdued market activity, the bounce-back tends to be swift and sustained; historically, in the two periods after a fall in transactional activity the following year has seen over US$100 billion added to overall global transactional volumes.

Direct Commercial Real Estate Investment – Regional Volumes, 2015-2016

US$ Billions	Q1 16	Q2 16	% change Q1 16-Q2 16	Q2 15	% change Q2 15-Q2 16	H1 2015	H1 2016	% change H1 2015-H1 2016
Americas	61	69	12%	80	-14%	153	130	-15%
EMEA	51	57	12%	58	0%	115	109	-5%
Asia Pacific	25	28	13%	31	-8%	56	54	-4%
TOTAL	**138**	**155**	**12%**	**169**	**-8%**	**323**	**292**	**-10%**

Source: JLL, July 2016

Direct Commercial Real Estate Investment – Largest Markets, 2015-2016

US$ Billions	Q1 16	Q2 16	% change Q1 16-Q2 16	Q2 15	% change Q2 15-Q2 16	H1 2015	H1 2016	% change H1 2015-H1 2016
U.S.	58.5	63.5	9%	75.7	-16%	145.3	122.0	-16%
UK	16.7	16.0	-4%	22.6	-29%	45.9	32.8	-28%
Germany	8.5	11.3	32%	11.4	-1%	20.7	19.8	-4%
Japan	9.6	7.4	-22%	6.4	16%	19.3	17.0	-12%
France	3.9	6.4	65%	3.8	69%	8.9	10.3	16%
China	3.1	6.0	96%	7.9	-24%	10.5	9.1	-13%
Australia	3.4	4.4	32%	4.6	-3%	7.1	7.8	10%
Singapore	0.7	4.4	549%	1.8	144%	3.8	5.1	35%
Canada	2.6	4.0	55%	3.2	27%	5.8	6.6	15%
South Korea	2.7	3.1	16%	3.2	-2%	3.9	5.8	48%
Netherlands	1.6	2.8	79%	2.7	5%	3.7	4.3	19%
Italy	2.2	2.7	21%	1.7	60%	4.0	4.9	24%
Sweden	2.8	2.5	-8%	2.9	-11%	4.7	5.3	13%
Ireland	0.7	2.5	242%	0.7	282%	1.8	3.2	82%
Poland	0.6	1.8	210%	0.4	339%	0.9	2.4	154%
Spain	2.1	1.7	-19%	2.2	-21%	4.8	3.9	-20%
Norway	2.4	1.7	-31%	2.7	-36%	4.5	4.1	-8%
Hong Kong	3.6	1.6	-56%	3.8	-59%	4.8	5.1	6%
Austria	0.3	1.5	433%	0.1	933%	0.2	1.7	859%
Switzerland	0.6	1.1	74%	0.6	100%	1.9	1.8	-8%
Belgium	0.9	1.1	26%	0.8	31%	1.7	2.0	15%

Source: JLL, July 2016

REGIONS IN FOCUS

Americas off record 2015 pace, but U.S. fundamentals remain strong

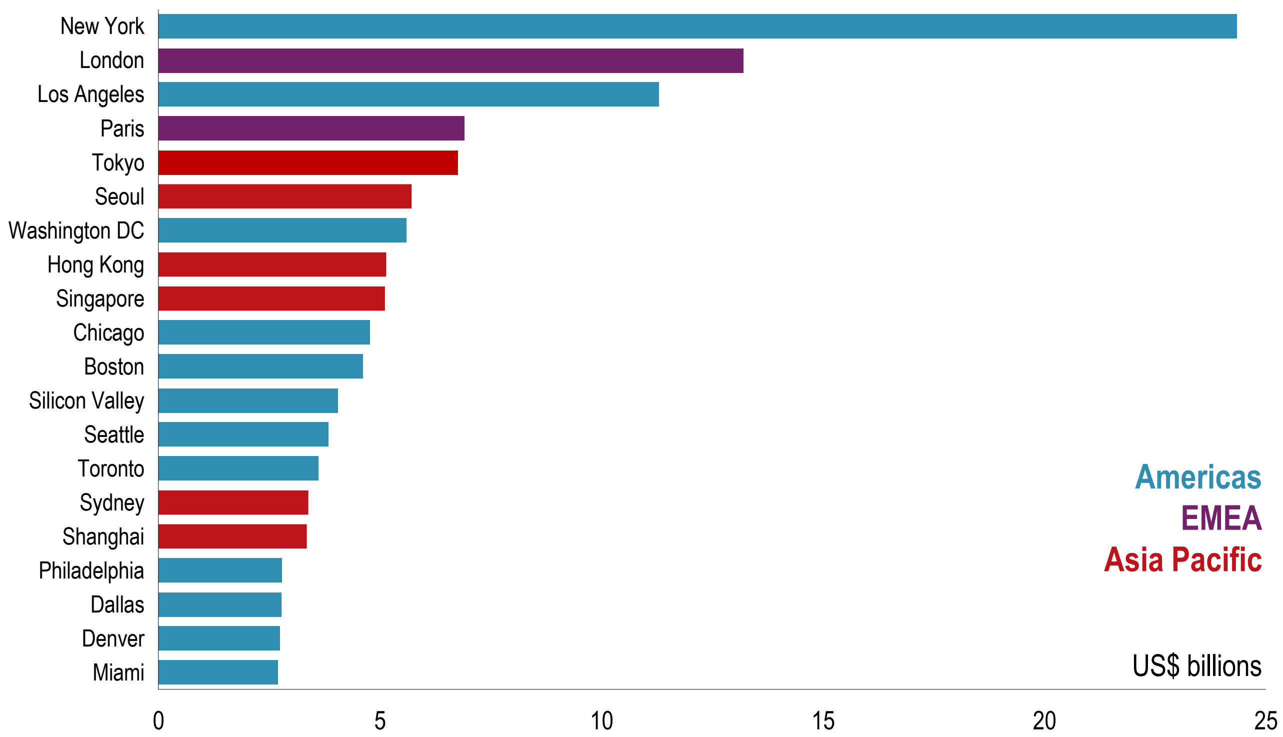
As global financial markets continued to exhibit volatility, property investors displayed increased caution over the course of the second quarter with investment volumes in the Americas declining by 14% year-on-year to US$69 billion. **U.S.** volumes accounted for US$63 billion of the regional total, equating to a 16% decline year-on-year.

Although volumes were down in most markets compared to year-ago levels, core assets in primary markets are well-positioned to gain even further in appeal to safety and yield-seeking global investors; the U.S. is currently perceived to offer a combination of stability and good growth prospects on a relative basis. This is especially applicable to U.S. gateway markets which, despite historically high values, maintain several key advantages, including strong liquidity over the longer term. Indeed, in the office sector, primary markets took back market share in terms of volumes from secondary and tertiary markets during Q2. Additionally, despite record low initial yields for prime assets, the sharp downward move in longer-term risk-free rates during the second quarter boosted already attractive spreads further still.

New York maintains top position

Testament to their strong appeal and robust growth prospects, **U.S.** cities accounted for a majority of the top global investment destinations in H1 2016. **New York** maintained the premier position with H1 volumes of US$24.4 billion, down 6% on the same period in 2015 but still its second-busiest first half on record. In **London**, volumes declined by 39% on H1 2015 to US$13.2 billion, representing its lowest first half since 2011, as Brexit concerns led to muted transactional activity. **Los Angeles** makes up the top three, registering a 38% rise on H1 2015 to US$11.3 billion. Several other U.S. markets also saw an increase in activity over H1 2015, including **Philadelphia**, **Dallas** and **Denver.**

Direct Commercial Real Estate Investment, Top 20 Cities, H1 2016



Source: JLL, July 2016

EMEA investment volumes hold up despite fall in investment in the UK

EMEA investment volumes in Q2 2016 were unchanged from a year earlier at US$57.4 billion. This is encouraging in view of the slow start to the year where Q1 levels fell 10% below those in Q1 2015. Over the first half of the year, volumes reached US$108.5 billion, representing a 5% drop on H1 2015. This decline was largely driven by the **UK**, which witnessed volumes falling 24% year-on-year in sterling terms to £22.9 billion, translating into a 28% fall year-on-year in U.S. dollar terms.

Mixed performance across Europe

Excluding the **UK**, Europe saw investment volumes increase by 18% year-on-year in the second quarter. One of the strongest performers was **France**, the third largest market, where volumes grew by 16% in H1. CEE markets also held up well with transaction levels almost doubling, propelled by **Poland**, which recorded a 154% rise on the first half of last year. **Ireland** also continued to perform well with H1 volumes up 82% on the same time last year.

Meanwhile, **Germany** was down 4% year-on-year over H1 compared to a highly vigorous 2015. Activity in the Nordics and Benelux was flat in H1; by contrast, the **Netherlands** maintained its strong investment activity (+19% year-on-year). Finally, volumes in Southern Europe remained largely unchanged from H1 2015 (+2% year-on-year) with a decline in **Spain** (-20% year-on-year) balanced by uplifts in **Italy** and **Portugal**.

Cross-border capital flows fall on lower overall transaction volumes in the Asia Pacific region

Investment volumes across Asia Pacific's commercial real estate markets continued the year on a slightly subdued note with Q2 2016 coming in at US$28.4 billion, down 8% on the same quarter a year ago. **Singapore** led the quarter with the US$2.45 billion Asia Square Tower 1 transaction, while laggards included **China** and **Japan**. Intra-regional purchaser capital flow grew by 7% year-on-year to US$3.1 billion in Q2, while inter-regional purchaser capital flow fell by 21% year-on-year to US$4.4 billion, due largely to the decline in overall transaction volumes as investors hold off in light of economic uncertainty.

Liquidity in the market is slowing, mainly due to an uncertain global economic outlook and record high pricing in some markets. Any Brexit impacts on Asia Pacific economies should be fairly limited and short-lived, given that the region as a whole has limited direct international trading links with the UK. Flight to safe-haven asset classes has pushed global government bond yields lower following the Brexit vote and is propelling grade-A yield spreads in some markets towards record highs despite low cap rates.

Several years of strong investment activity dries up supply in Australia and Japan

Transaction volumes in **Australia** reached US$4.4 billion in Q2, down 3% year-on-year, mainly due to a limited number of products coming onto the market following several years of record transaction levels. Even so, robust demand continues to emanate from global investors attracted to Australia due to its good-quality assets and yield spread. A lack of large-scale single-asset deals also weighed on transaction volumes in **Japan**, which recorded US$17 billion worth of transactional activity in H1 2016, down 12% year-on-year. The number of J-REIT acquisitions is on a downward trend due to a decrease in the expected rate of returns. However, demand in Japan is projected to remain steady from both domestic and international investors, supported by a low interest rate environment and above-average yield spread over the 10-year government bond benchmark.

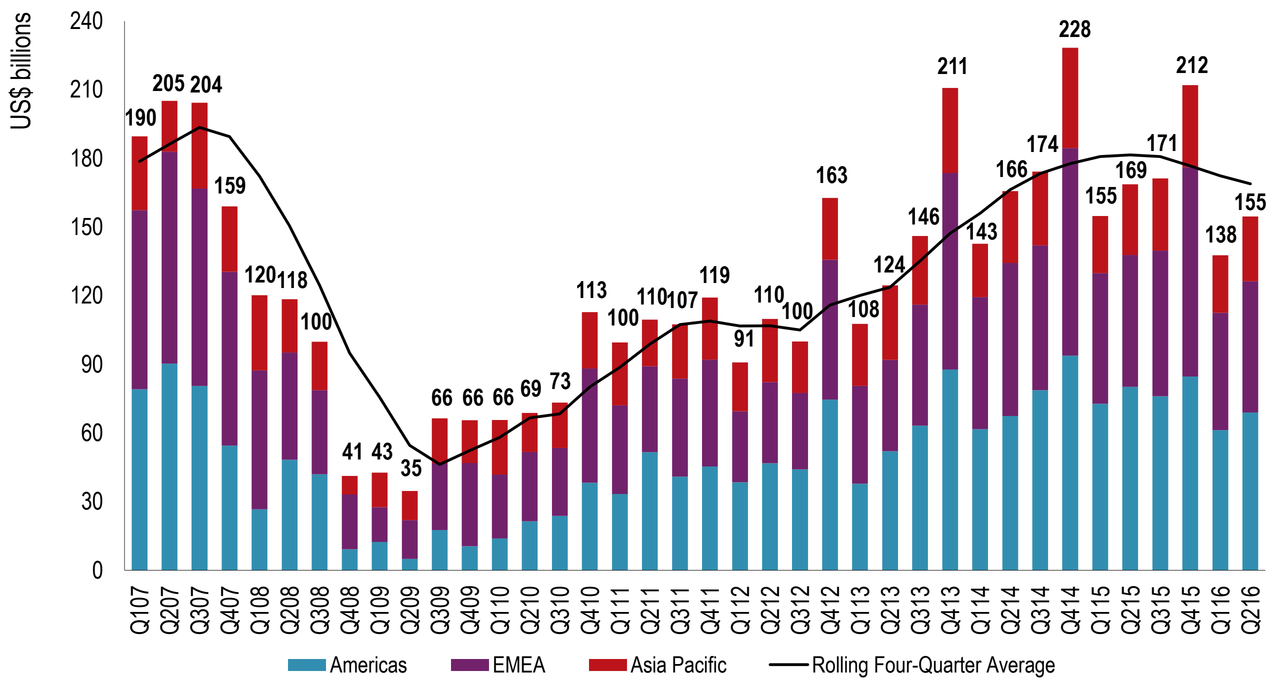
Investors continue to seek core stabilised assets in China

China recorded US$6.0 billion of transaction volumes in Q2, down 24% year-on-year but up 96% on Q1. The lacklustre result was partly due to a lack of willing sellers, with many office assets having been sold last year. Asset availability is still low and core stabilised assets are trading within a tight yield level. Institutional investors will continue to seek core stabilised assets in major cities, which are hard to come by given a strong rental growth forecast and following a record year of investment in 2015.

Hong Kong and South Korea register declines

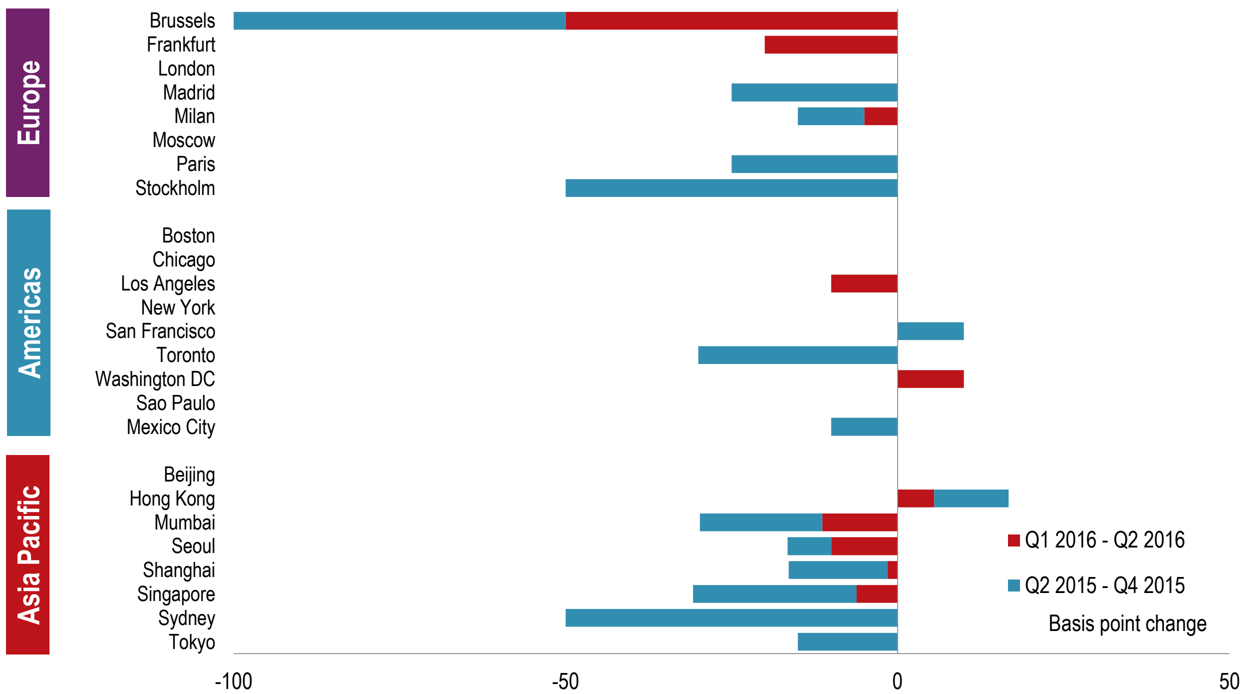
Investment activity in **Hong Kong** fell by 59% year-on-year to US$1.6 billion in Q2. This comes off the back of two strong quarters which saw a number of high-profile trades, and more prime assets are likely to become available as some owners capitalise on current high pricing levels to consider diversifying overseas. **South Korea** also witnessed transaction volumes fall, with US$3.1 billion of activity in the second quarter, down 2% from the same quarter a year ago. Nonetheless, more deals should become available for the second half of the year as there are still several large assets on the market.

Direct Commercial Real Estate Investment – Quarterly Trends, 2007-2016



Source: JLL, July 2016

Prime Office Yield Shift, Q2 2015-Q2 2016



Source: JLL, July 2016

Capital Values and Yields

Late cycle yield compression

Despite slowing investment sales growth, yields for prime assets have continued to compress in several markets, including **Brussels** (-50 bps), **Frankfurt** (-20 bps), **Los Angeles** (-10 bps), **Mumbai** (-10 bps) and **Seoul** (-10 bps).

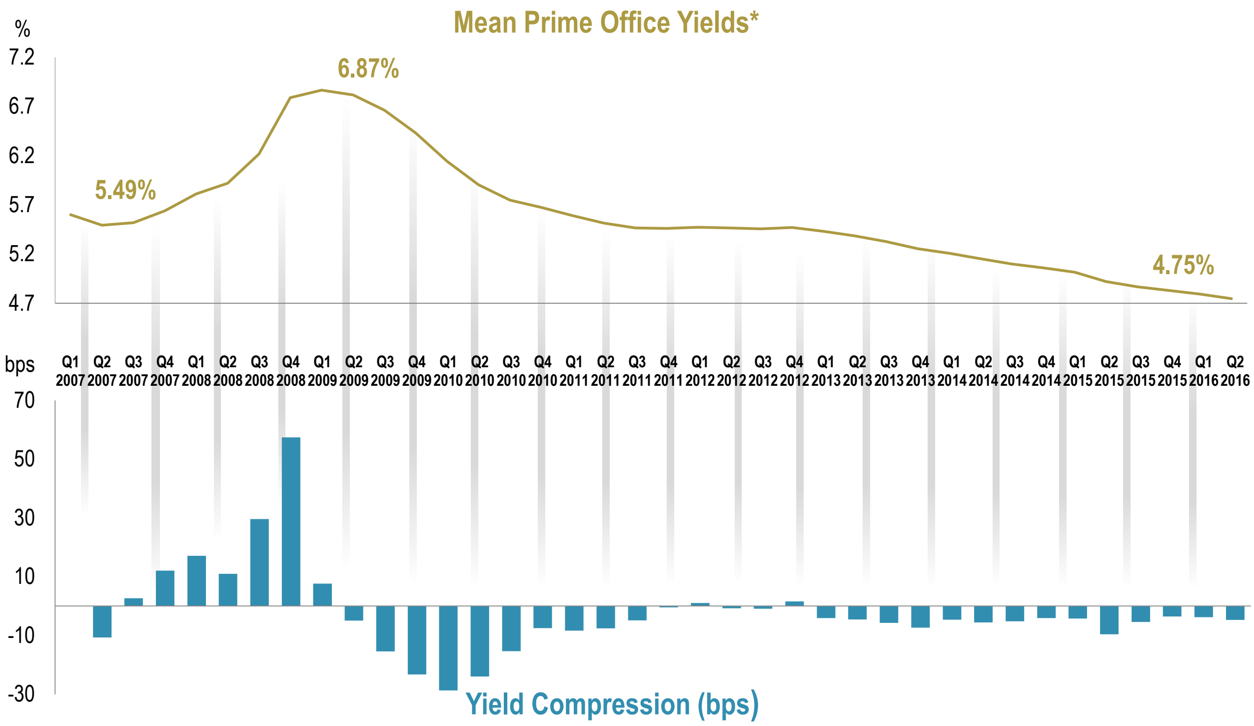
This late-stage compression is expected to flatten over the remainder of 2016 in most dominant office markets.

Capital value growth decelerating

Capital values for prime assets in 26 major office markets increased by 8.3% in the year to Q2, but this rate has been in part been inflated by exceptional 46% year-on-year growth in **Stockholm**.

As yields plateau, capital value appreciation is projected to decelerate to 5% by year-end.

Prime Office Yields, 2007-2016



*Across 21 Major Office Markets
Source: JLL, July 2016

Corporate Occupiers

Occupier activity cautious on political concerns

'Caution' appears to be the key word among corporate occupiers at the moment in leading global markets including **New York**, **London**, **Singapore** and **Beijing**. While corporate performance is healthy in most industries, all firms remain under pressure to maximise the efficiency of their real estate portfolios. The financial services sector continues to be focused on consolidation and rationalisation of its footprint, while the energy sector is still experiencing pressure from low oil prices, resulting in portfolio reviews and cost-reduction initiatives.

Corporate decision-making on hold in selected markets

In Asia Pacific, the slowdown in **China** continues to impact corporate decision-making. Although vacancy is still low in cities like **Beijing**, leasing volumes are down significantly in the first half of 2016. International companies in Asia are maintaining their attention on cost efficiency and portfolio optimisation. Notable exceptions to the general decline in H1 have been seen in **Tokyo**, **Hong Kong** and **Manila**, which are all experiencing increased tenant demand and leasing volumes.

Impact from Brexit is uneven

Considering the significant uncertainty associated with the British exit from the European Union, corporate occupier activity has actually been quite strong. Leasing volumes across Europe are only down 3% in Q2 from 2015 and they remain 6% higher than the 10-year average. Many occupiers report that they are conducting 'business as usual' until the details of the UK's exit agreement are better understood. Across EMEA, retail sales are improving and the logistics sector continues to increase its influence across the market.

While continental Europe appears rather steady, the near-term demand for space in the **UK** has declined significantly. In **London**, leasing activity was down 56% year-over-year in Q2, and take-up has fallen 28% below the 10-year average. Still, according to JLL estimates approximately 75% of all previously planned leases are expected to move forward and even financial services companies appear to be continuing their commitments to the City. Generally in London, corporate real estate leads are in a mode of 'digest and analyse' and major strategic decisions will likely be placed on hold until the facts are known regarding the long-term environment in which their companies will be operating.

Occupier sentiment positive in the United States

Q2 leasing activity in the **United States** rebounded from the slowdown of Q1 2016, exceeding the eight-year average in the process. Occupier sentiment remained very positive in the quarter as the employment market is robust and wages are slowly rising. However, the political climate in the U.S. is likely to put a pause on some major corporate decisions through the remainder of 2016.

Construction rising in the United States

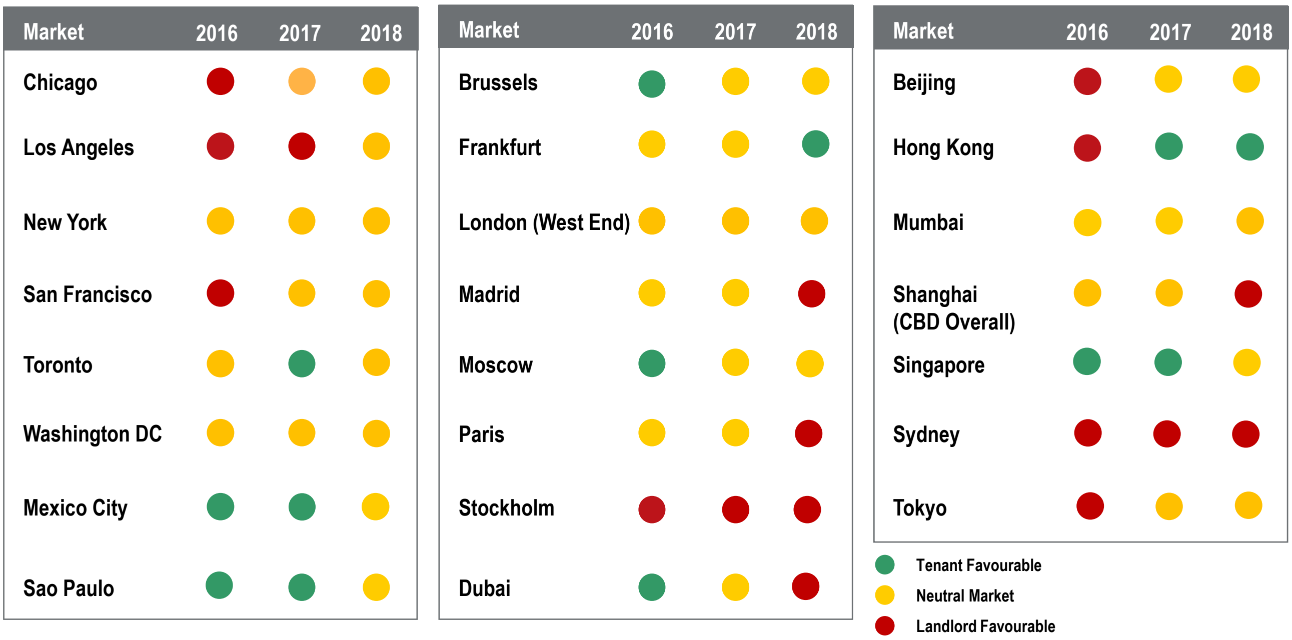
In the **United States**, supply is now increasing at its most rapid pace since 2006, and this may soon shift the market, at a national level, from landlord-favourable to more neutral conditions. Across the U.S. there are over 9 million square metres of new office developments under construction, of which 80% will deliver in 2017. Unless current leasing activity increases, this new supply will result in rising vacancy rates in several primary markets. Vacancy is already increasing in **New York**, **Dallas** and **Houston**; by 2017, it will likely start rising in **Chicago**, **San Francisco** and **Washington DC**.

Technology firms and flexible working still driving demand

Technology firms have continued their long run as the most dominant leasing group in the Americas and several countries globally. The expansion of tech firms has offset many of the space reductions planned by banks and energy firms, in sufficient volumes to maintain a mode of positive net absorption.

Finally, a continued corporate focus on flexibility is driving further growth in co-working facilities across the globe. We anticipate further growth and consolidation in this space as larger organisations employ the model as one component of their overall workplace solution.

Global Office Market Conditions Matrix*, 2016-2018



* Relates to conditions in the overall office market of a city. Conditions for prime CBD space may differ from the above.
Source: JLL, July 2016

Global Real Estate Health Monitor

	Economy	Real Estate Investment Markets				Real Estate Occupier Markets			
	GDP Change	City Investment Volumes	Capital Value Change	Prime Yield	Yield Gap	Rental Change	Net Absorption	Vacancy Rate	Supply Pipeline
Beijing	6.9%	50%	2.4%	6.3%	340	2.4%	5.8%	4.6%	14.0%
Boston	1.4%	-19%	5.7%	3.8%	229	5.7%	1.7%	13.8%	3.2%
Chicago	1.8%	-29%	4.4%	4.6%	228	4.4%	2.0%	14.2%	1.6%
Dubai	4.1%	289%	20.0%	7.5%	na	20.0%	na	16.0%	4.3%
Frankfurt	1.7%	-38%	7.8%	4.2%	424	2.8%	0.5%	9.3%	1.1%
Hong Kong	0.7%	34%	5.4%	3.2%	221	11.1%	1.2%	4.0%	4.6%
London	2.3%	-32%	2.1%	3.5%	239	2.1%	0.2%	3.7%	4.7%
Los Angeles	2.2%	13%	16.2%	4.1%	228	13.5%	1.1%	15.0%	1.4%
Madrid	3.5%	-19%	13.4%	4.0%	270	6.7%	1.4%	10.3%	1.3%
Mexico City	3.6%	-55%	-0.9%	7.4%	145	-2.2%	8.0%	14.0%	21.9%
Milan	1.6%	7%	10.1%	4.4%	291	6.4%	-0.7%	13.7%	2.4%
Moscow	-2.5%	156%	-4.8%	10.5%	197	-4.8%	5.3%	15.8%	7.8%
Mumbai	7.4%	89%	2.9%	9.7%	202	-0.1%	6.8%	19.2%	15.2%
New York	2.3%	1%	1.1%	3.3%	229	1.1%	-0.2%	9.9%	1.0%
Paris	1.8%	31%	16.9%	3.3%	299	8.5%	1.3%	7.0%	2.4%
San Francisco	2.3%	-45%	5.8%	3.5%	229	8.9%	2.5%	8.0%	5.3%
Sao Paulo	-5.3%	-55%	-7.2%	9.8%	510	-7.2%	0.0%	25.0%	9.7%
Seoul	3.6%	3%	7.6%	4.5%	303	3.8%	-0.6%	11.7%	3.2%
Shanghai	5.9%	67%	10.9%	5.7%	341	7.8%	11.2%	9.9%	42.4%
Singapore	2.0%	0%	-6.9%	3.7%	173	-14.1%	0.0%	4.8%	10.9%
Stockholm	4.5%	27%	46.1%	3.8%	341	28.9%	1.7%	8.1%	1.3%
Sydney	1.9%	-10%	16.4%	5.5%	342	17.1%	2.2%	7.4%	4.2%
Tokyo	0.2%	-51%	9.4%	3.0%	315	4.1%	6.2%	1.8%	8.7%
Toronto	2.4%	7%	9.8%	4.6%	343	3.1%	0.9%	10.0%	2.4%
Washington DC	2.5%	-14%	0.3%	4.2%	228	2.7%	0.5%	17.3%	1.7%

Real estate data as at end Q2 2016

Definitions and Sources

Metro Area GDP: Change in Real GDP. Metropolitan Area Projection, 2016. Source: Oxford Economics
OECD Leading Indicator: Composite Leading Indicator. Change in Index. Latest Month. Source: OECD
City Investment Volumes: Direct Commercial Real Estate Volumes. Metro Area Data. Rolling Annual Change. Source: JLL
Capital Value Change: Notional Prime Office Capital Values. Year-on-Year Change. Latest Quarter. Source: JLL
Prime Yield: Indicative Yield on Prime/Grade-A Offices. Latest Quarter. Source: JLL
Yield Gap: Basis Points that Prime Office Yields are above or below 10-year Government Bond Yields. Latest Quarter. Source: JLL, Datastream
Rental Change: Prime Office Rents. Year-on-Year Change. Latest Quarter. Source: JLL
Net Absorption: Annual Net Absorption as % of Occupied Office Stock. Rolling Annual. Source: JLL
Vacancy Rate: Metro Area Office Vacancy Rate. Latest Quarter. Source: JLL
Supply Pipeline: Metro Area Office Completions (2016-2017) as % of Existing Stock. Source: JLL

Office Markets

Office Demand Dynamics

Office Demand

Leasing markets sending out mixed messages

The global office leasing markets are sending out mixed messages. While many markets have remained remarkably robust in the face of mounting political and economic uncertainties, and in some cases are still expanding, others are struggling to maintain forward momentum.

Corporate occupiers are certainly striking a more cautious tone; they are 'taking stock' and a few are delaying decisions. Yet leasing activity is holding up well in the **United States**, across much of continental **Europe** and in **Japan**. On aggregate, global leasing volumes in H1 2016 were down only 4% compared to the same period in 2015, and second quarter volumes were up a healthy 14% on Q1.

Among the major markets, it is only in the **UK** and **China** where we have witnessed more substantive evidence of falling leasing volumes. EU referendum anxieties resulted in office take-up in **London** in H1 coming in one-third lower than a year ago. In China, the delayed impact of stock market volatility and concerns about the pace of economic growth have seen volumes in **Shanghai** and **Beijing** down by 40%-50% year-on-year in H1, although this decline is from the exceptional levels of 2015.

2016 global leasing volumes slated to be 5% lower than 2015

Weaker business sentiment, economic uncertainty and continued political risks are nonetheless forecast to dampen leasing volume growth for the remainder of 2016. Our latest projection for the full-year 2016 indicates that global leasing volumes will be about 5% lower than the peak of 40.9 million square metres in 2015. This is not a poor result, however – at around 39 million square metres in 2016, volumes are still expected to be higher than at any time between 2008 and 2014.

Europe is likely to see volumes in 2016 down by 5%-10% on 2015 levels, largely due to a weaker **UK** market. At this stage, we anticipate that markets in Americas and Asia Pacific will be generally well insulated from the immediate Brexit fallout. In **Asia Pacific,** our forecast of leasing volume growth in 2016 has been downgraded to 0%-5%, reflecting the delayed impact of stock market volatility and concerns over China's slowdown. In the **United States**, volumes are projected to be about 5% lower than 2015 in line with slowing jobs' growth.

'Business as usual' in the United States

In the **United States**, it has been 'business as usual' in the office leasing markets. Quarterly leasing activity rebounded by 18% during Q2, quelling concerns that the first quarter was the start of a broader slowdown in the office market.

- 38% of total leasing volumes was in the country's primary markets - **New York**, **Washington DC**, **Boston**, **Chicago** and **Los Angeles** - where major leases were signed by UBS (New York's Plaza District), McDonald's (Chicago CBD's Fulton Market), Demandware (Boston's Northwest suburbs), FAA (Los Angeles' South Bay) and Ernst & Young (Washington DC's East End).
- Fears of a slowdown in the U.S. technology sector – one of the drivers of growth this cycle – have abated. There is strong demand in popular tech markets, including **Boston** and **Seattle**, and Sunbelt markets such as **Dallas and Phoenix**.

- Overall, financial services, along with scientific/technical companies, remained the top sectors propelling leasing activity in Q2, although the most notable instances of contraction activity were among financial services tenants.

Continental European leasing markets are remarkably resilient

Q2 2016 office leasing volumes in Europe were down 3% year-on-year, although annual comparisons were always going to be unflattering due to the exceptionally robust Q2 2015 (highest since 2007). Indeed, the 2.9 million square metres of office space transacted in Q2 was well ahead of the 10-year average, and H1 2016 volumes came in 5% higher than H1 2015.

Excluding the **UK**, European take-up grew by 10% year-on-year in H1, a strong sign of the upbeat sentiment on the continent. While leasing activity in **London** has clearly been affected in the run-up to and following the EU referendum, the general attitude elsewhere in European leasing markets is one of 'business as usual' with levels of activity similar to recent quarters.

- In **Germany** the combined H1 take-up for the five largest markets was up 12% in H1 2016 year-on-year. **Berlin**, **Munich** and **Frankfurt** were the outperformers. While we do not anticipate any significant acceleration of growth in the German leasing market, current take-up levels are very strong and well ahead of the long-term average.

- In **Paris** the recovery in occupier activity continued apace in the first half of 2016, with take-up rising by 20% year-on-year. Aside from a healthy number of large leasing transactions, the notable increase in small to medium-size transactions in particular points to a more broad-based improvement in corporate confidence/sentiment.

- **London** office demand has cooled. In the lead-up to the referendum, leasing volumes fell by one-third in H1 compared to a year ago. Following the vote to leave the European Union, occupiers are taking stock; however, encouragingly, existing requirements are largely continuing as planned with very few deals being withdrawn. Nevertheless, occupier decisions are taking longer and take-up is likely to remain subdued in H2 as Brexit uncertainties persist.

- There remains speculation that some **London** occupiers will investigate options elsewhere in Europe, but corporate occupiers are likely to wait until there is clarity on the new UK settlement with the EU.

- In Southern Europe the momentum of the market recovery in H1 2016 has continued in **Milan** (+29% year-on-year), but has tailed off in **Madrid** and **Barcelona** (-7%).

Our current forecast of 11.1 million square metres for European leasing volumes for full-year 2016 represents a 5%-10% decrease on 2015. However, on the back of the strong activity in the first half of the year, there is some upside potential to the full-year 2016 take-up forecast if the current acceleration of occupier activity is maintained.

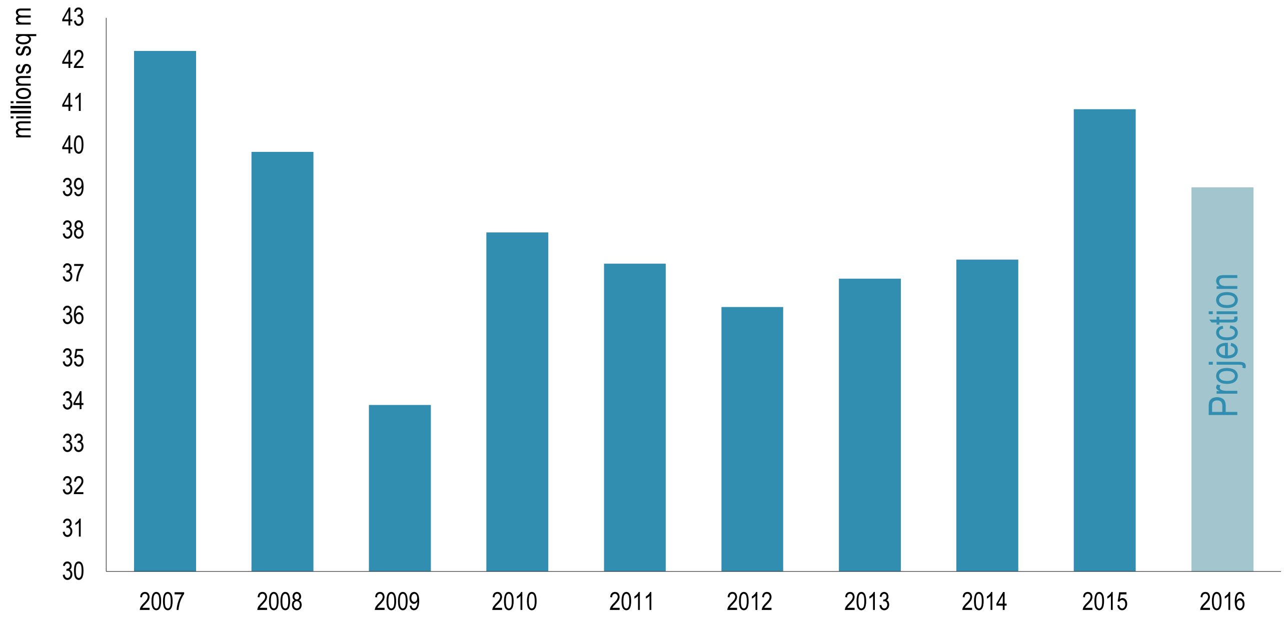
Asia Pacific forecasts downgraded

In Asia Pacific, concerns over the pace of economic growth in its two largest economies – **China** and **Japan** – combined with Brexit anxieties, are weighing on corporate occupier sentiment. Gross leasing volumes during H1 2016 were down by 4% year-on-year, largely due to a weakening of demand in China and India's Tier 1 cities.

- **Shanghai** and **Beijing** saw volumes down 40%-50% in H1 compared to a year ago, although this is partly due to lower supply.
- **India**'s leasing volumes declined by 20% year-on-year in H1, to some extent due to a lack of available space in **Bangalore** (H1 volumes were down 36% on last year) but also because of a slowdown in demand from e-commerce firms.
- On the flip side, a number of markets have recorded solid growth in leasing. **Tokyo** achieved the highest volumes in the region bolstered by large ticket pre-commitments (H1 volumes were up 93% year-on-year).
- **Hong Kong** volumes have also expanded strongly (+41% year-on-year in H1), supported by PRC financials and cost-saving relocations.
- **Manila** continues to be a favoured location for BPO with H1 volumes up 42% year-on-year.
- **Singapore** leasing volumes have improved, with a number of pre-commitments and take-up in newer buildings.
- In **Australia**, overall leasing volumes fell by 5% in H1, but this masks a large variation between cities. **Sydney** has continued its good run of growth (H1 volumes up 35% year-on-year), with activity boosted by traditional occupier groups such as finance, insurance and professional service firms. By contrast, demand is particularly subdued in **Perth** and **Adelaide** (due to ongoing weaknesses in the local economies).

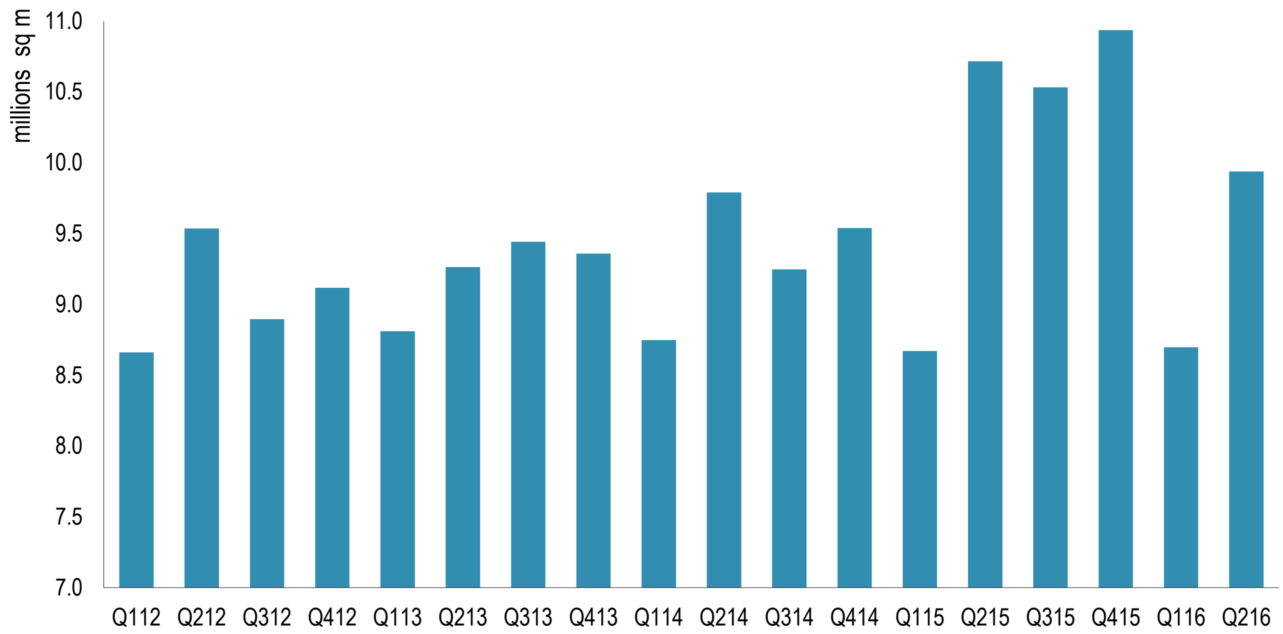
Given the year-to-date result for leasing volumes and the increased economic uncertainties both in the region and globally, the full-year 2016 forecast has been revised down to 0%-5% growth (from 10%-15% in April 2016).

Global Office Demand – Annual Gross Leasing Volumes, 2007-2016



24 markets in Europe; 44 markets in the U.S.; 22 markets in Asia Pacific
Source: JLL, July 2016

Global Office Demand – Quarterly Gross Leasing Volumes, 2012-2016



24 markets in Europe; 44 markets in the U.S; 22 markets in Asia Pacific
Source: JLL, July 2016

Office Supply Trends

Office supply continues to tighten

Office supply continues to tighten across the globe. The global office vacancy rate fell by 10 bps in Q2 to 12.1% and is now at its lowest level since Q4 2008. Vacancy rates are trending down in the **United States** and **Europe** at 14.6% and 8.6% respectively, and further modest falls are anticipated during the second half of the year. The regional vacancy rate in **Asia Pacific** has hovered in the range of 10.7%-10.9% range since 2014, but is expected to rise above 11% by the end of the year.

A shallow development cycle

Construction levels are still rising. 2017 is likely to be the peak of the current development cycle, with more schemes being pushed into 2017 and 2018 as some developers postpone ground-breaking. The current development cycle is proving to be shallower than previous cycles.

Concerns of overbuilding in the United States are low

In the **United States**, office construction is at its highest point in the current cycle at 9.4 million square metres. It is unlikely, however, that the development pipeline will become much larger and, with a pre-lease rate of 51% and with two-thirds of construction concentrated in just 10 U.S. cities, fears of overbuilding continue to be low. Risks of oversupply remain muted outside of **Houston** and sublease vacancy has yet to show signs of increasing.

U.S. vacancy nearing its cyclical low

Supply constraints continue to plague the **U.S.** market, with overall net absorption still exceeding new completions. Space is particularly hard to come by in 'New World Cities' such as **San Francisco**, **Portland** and **Seattle**, and aspiring ones like **Nashville** and **Salt Lake City**.

At 14.6%, the total **U.S.** vacancy rate is nearing its cyclical low. However, in secondary cities where new supply remains limited but tenant demand is high, vacancy is likely to constrict below pre-recession levels, most notably in **Columbus**, **Oakland-East Bay**, **Portland** and **Raleigh-Durham**.

Europe supply tightens

Office vacancy in Europe was stable at 8.6% in Q2 2016, the lowest level since Q1 2009. Even with the majority of the 2016 development pipeline yet to be completed, we expect most office markets to tighten further in 2016 due to robust demand dynamics.

In **Germany**, just 350,000 square metres of new office space was completed in H1 2016 (in the five largest markets) and with 75% of the 635,000 square metres due for completion in H2 already committed, further falls in the German vacancy rate are probable. In **Berlin**, in particular, vigorous demand for office space continues to erode the development pipeline.

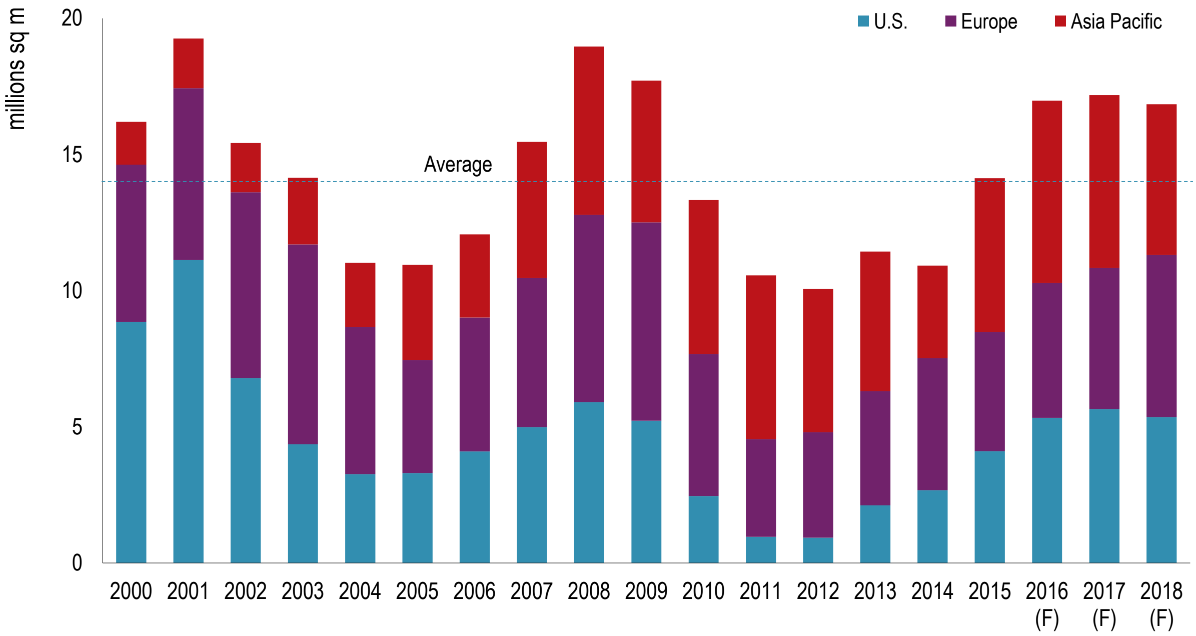
The outcome of the EU referendum has amplified concerns around the substantial development pipeline in **London**. The vacancy rate increased by 30 bps in Q2 but, at 3.7%, London is by far the tightest market in Europe. While the 1.1 million square metres of office space due to be completed in 2016-2017 will push up vacancy rates, no supply shock is anticipated. In fact, the current uncertainty may deter developers from commencing speculative schemes in H2.

Elsewhere in Western Europe, development remains relatively limited and, with restricted financing for speculative development, especially in late cyclical markets, we do not expect a structural uplift in European vacancy.

Healthy pre-commitments in Asia Pacific push down vacancy rates

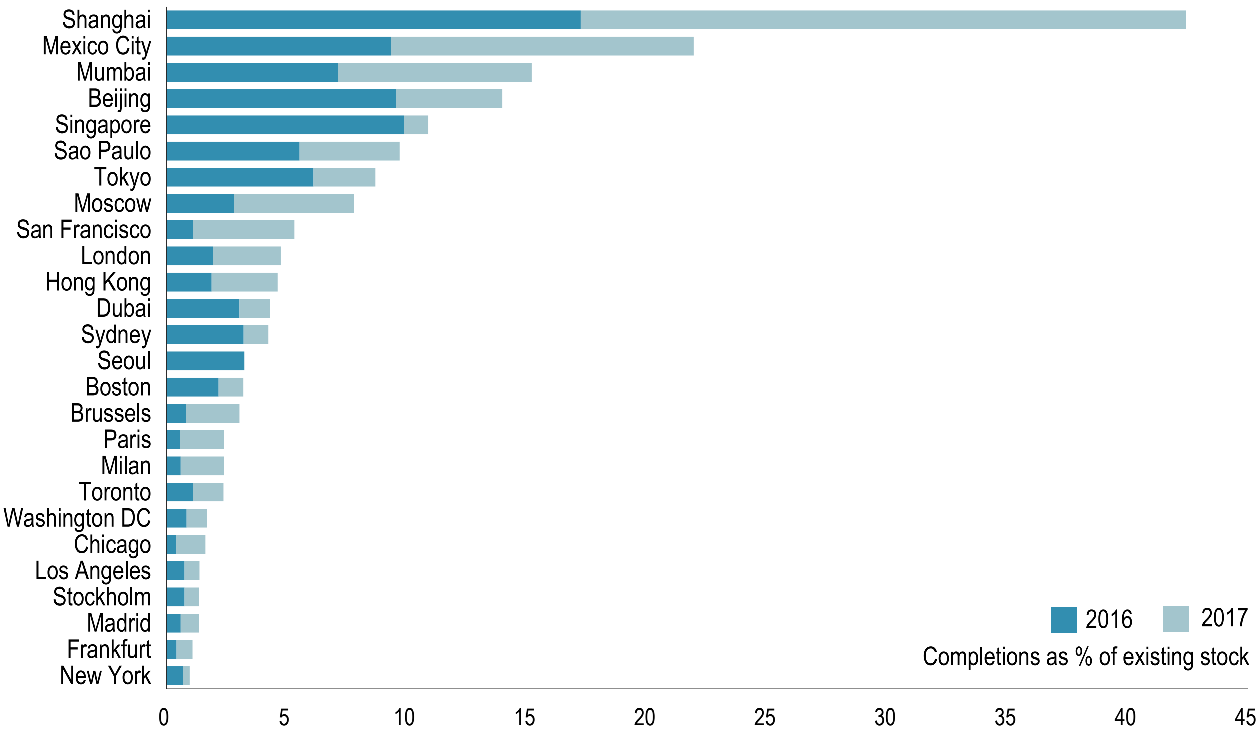
Healthy pre-commitments saw vacancy rates decline in many Asia Pacific markets in Q2 2016. In **Tokyo**'s CBD the vacancy rate has fallen to only 1.8%. In **Hong Kong** (4% vacancy), **Beijing** (4.6%) and **Shanghai** (9.9%), rates have edged up.

Global Office Completions, 2000-2018



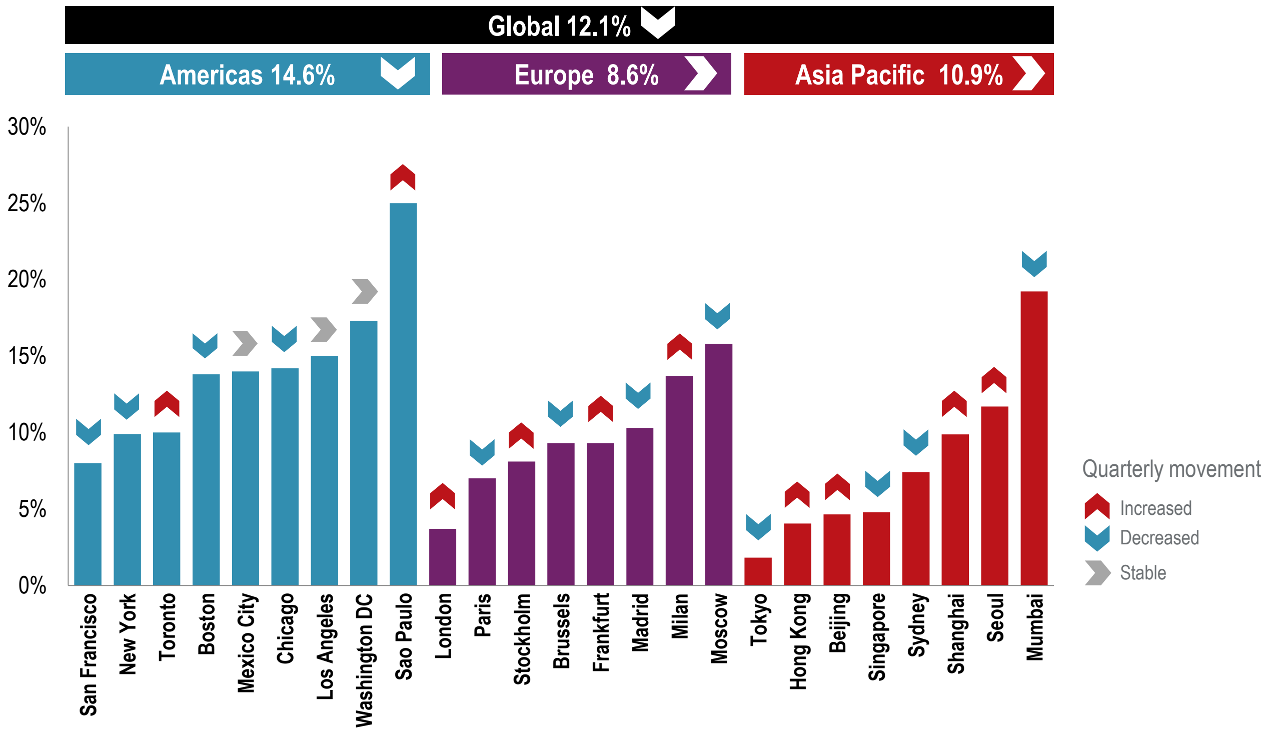
24 markets in Europe; 25 markets in Asia Pacific; 44 markets in the U.S. Asia relates to Grade A only.
Source: JLL, July 2016

Office Supply Pipeline – Major Markets, 2016-2017



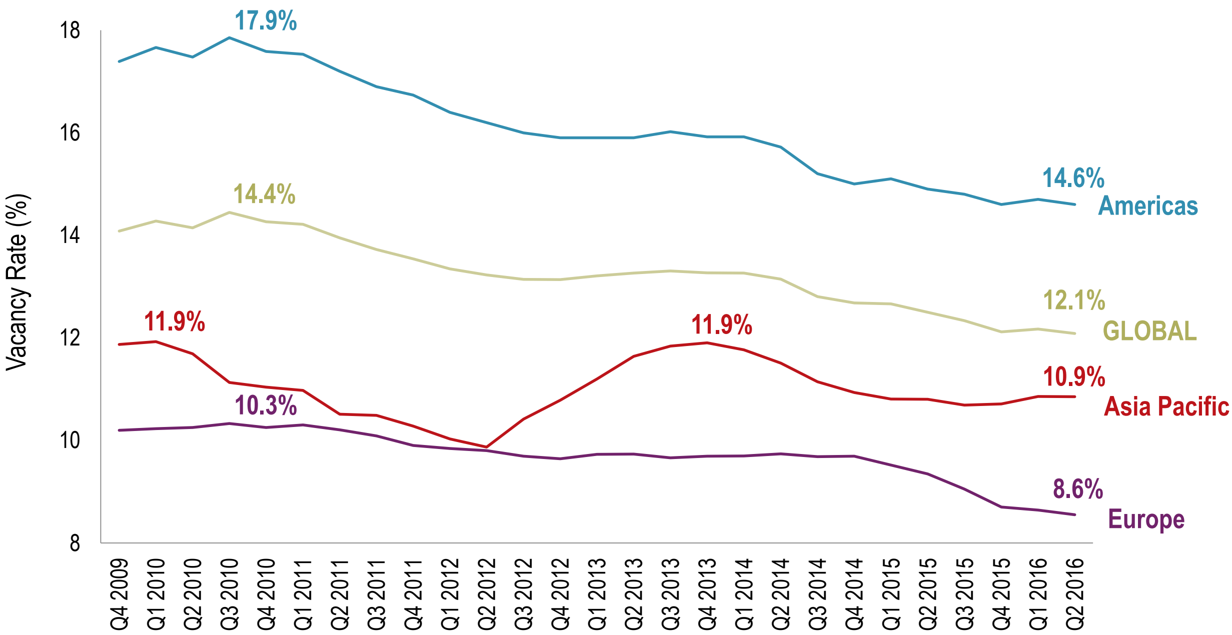
Covers all office submarkets in each city. Tokyo – CBD - 5 kus
Source: JLL, July 2016

Office Vacancy Rates in Major Markets, Q2 2016



Regional vacancy rates based on 49 markets in the Americas, 24 markets in Europe and 24 markets in Asia Pacific.
Covers all office submarkets in each city. All grades except Asia and Latin America (Grade A only). Tokyo relates to CBD – 5 kus.
Source: JLL, July 2016

Global and Regional Office Vacancy Rates, 2009-2016



44 markets in the Americas, 24 markets in Europe, 25 markets in Asia Pacific. Grade A space vacancy only for Asian markets.
Source: JLL, July 2016

Office Rental Trends

Continued upward momentum in prime office rents

Supply constraints continue to boost rents for prime office space in most of the dominant office markets. 19 out of 26 major office markets have recorded rental growth over the past 12 months, growing by an average of 5.1%. A few have seen double-digit annual rates, notably **Stockholm** (+29% year-on-year), **Dubai-DIFC** (+20%), **Sydney** (+17%), **Los Angeles** (+13.5%) and **Hong Kong** (+11%).

There are signs that aggregate rental growth is beginning to soften in 2016, particularly as **London** is forecast to move into negative territory during the second half of the year. Rental growth is expected to slow to around 3% for the full-year across 26 major cities.

Some U.S. markets see decelerating rental growth

Asking rents in the **United States** rose by just 1% during Q2 2016, as 'hot' occupier markets like **Austin**, **Denver**, **Silicon Valley** and **San Francisco** decelerate from rapid but unsustainable rental growth seen earlier in the cycle.

Rental growth is projected to moderate over the next 12-18 months, especially in primary markets, although landlords are expected to maintain the upper hand in lease negotiations through 2017. Growth for the remainder of the cycle will be most pronounced in favoured secondary markets and where new supply comes online. For example, **Oakland-East Bay**, **Nashville** and **Miami** have recorded double-digit rental growth since the beginning of the year.

Rental growth accelerates in Europe

The European Office Index for rents grew by 1.8% quarter-on-quarter in Q2 2016, the strongest increase in five years. A key driver behind the significant jump in the European aggregate was the quarterly uptick in rents recorded in **Stockholm** (+9.4%), **Berlin** (+6.3%) and **Paris** (+3.4%).

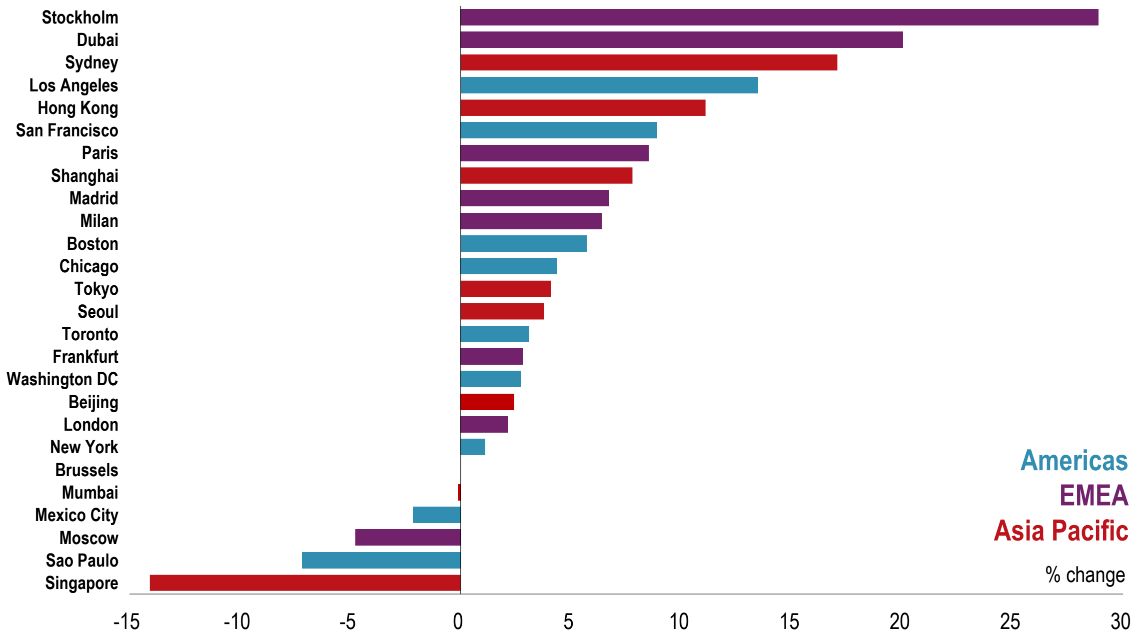
- **Stockholm** is the star performer with rents climbing by 28.9% over the past year.
- Steady rental growth has been registered in **Paris** (+8.5% year-on-year), **Madrid** (+6.7%) and **Milan** (+6.4%). The German cities have been led by **Berlin** (+10.9%).
- In **London**, headline rents have so far remained unchanged. Rent-free periods may soften as occupiers look to negotiate more flexible terms with greater lease flexibility. Rental growth is predicted to move into negative territory during the second half of the year, but low vacancy coupled with an increasingly diverse occupier base should prevent a substantial fall in rents.

Rental growth moderates across Asia Pacific

In aggregate, Asia Pacific rents increased by 0.6% quarter-on-quarter in Q2 2016, matching growth in the first quarter:

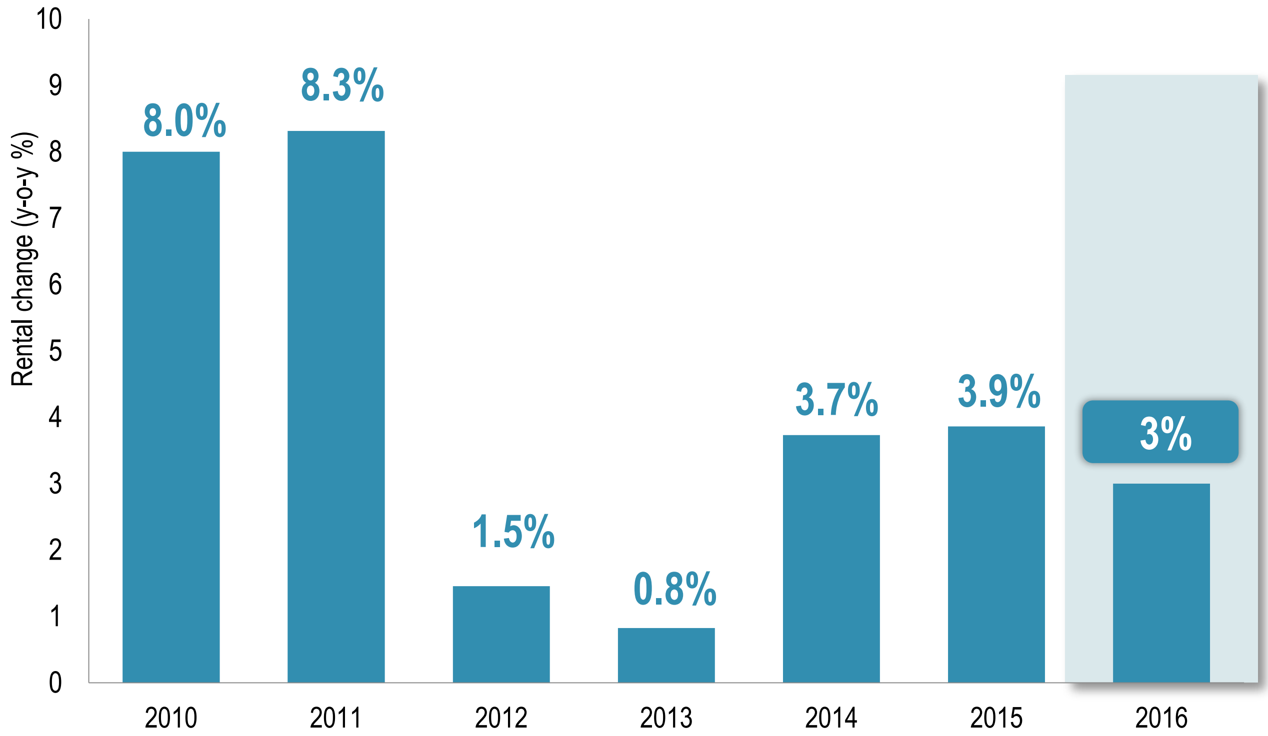
- Ongoing tech demand and lack of space led to **Bangalore** (+4.8%) achieving the region's strongest quarterly rental growth. On an annual basis, **Sydney** outperformed the rest of Asia Pacific with growth of 17.1%.
- In **China**, the clampdown on peer-to-peer lending and cost-saving strategies saw rental growth slow in **Shanghai** and rents fall marginally in **Beijing**.
- Anticipation of a large upcoming supply contributed to an only marginal uplift in **Tokyo**, despite strong leasing and very low vacancy.
- In **Singapore**, on the back of large supply and ongoing banking consolidation, rents declined by 3.3% during the quarter, contributing to a 14.1% year-on-year decline.

Prime Offices – Rental Change, Q2 2015-Q2 2016



Based on rents for Grade A space in CBD or equivalent. In local currency.
Source: JLL, July 2016

Prime Offices – Rental Change, 2010-2016



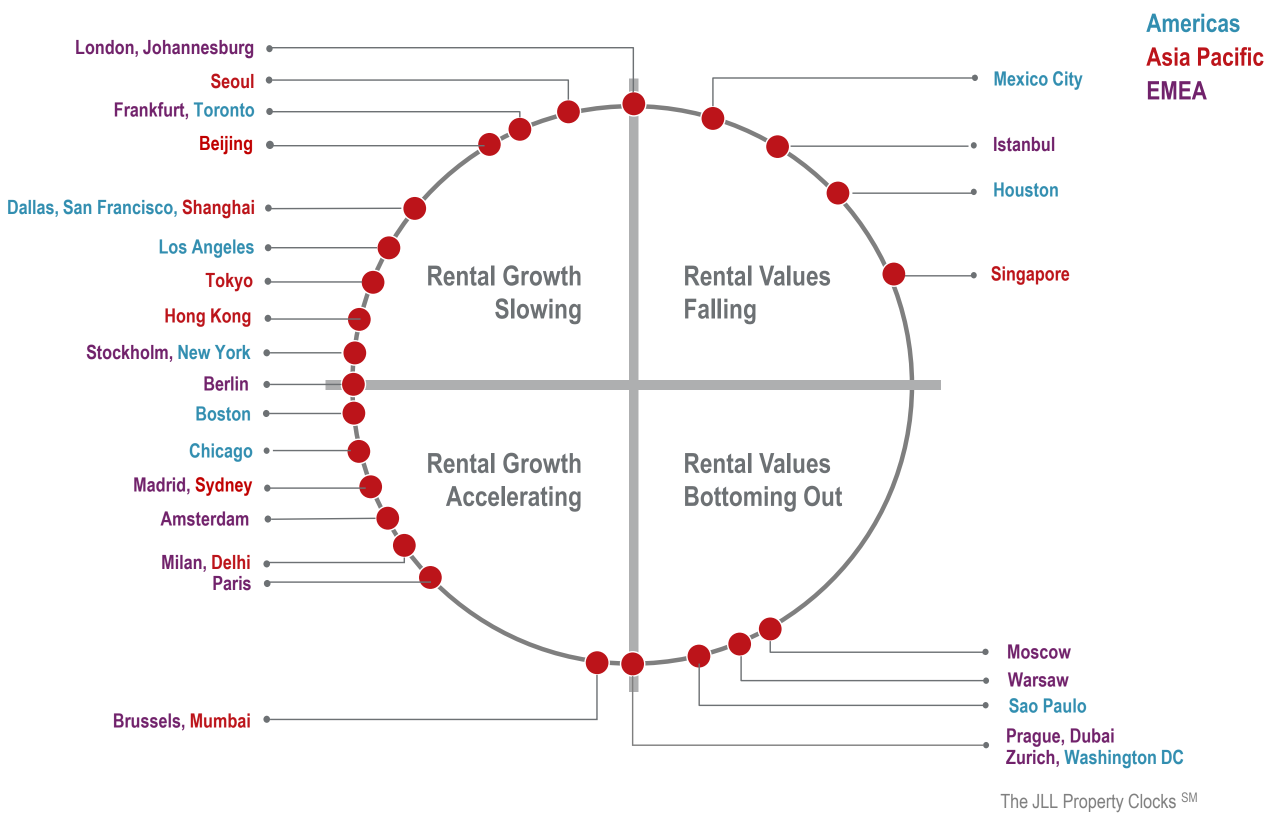
Prime office rental growth: unweighted average of 26 major markets.
Source: JLL, July 2016

Prime Offices – Projected Changes in Values, 2016

	Rental Values	Capital Values
+ 10-20%	Los Angeles, Stockholm	Stockholm, Brussels Los Angeles, Frankfurt
+ 5-10%	Hong Kong, Dubai* Chicago, San Francisco Sydney, Madrid	Madrid, Sydney, Paris* Dubai*, Chicago, San Francisco Milan, Tokyo, Seoul, Shanghai
+ 0-5%	Shanghai, Milan, Seoul, Frankfurt Boston, New York*, Toronto, Washington DC, Tokyo, Paris* Mumbai, Brussels, Beijing	Mumbai, Hong Kong, Boston, New York*, Toronto, Washington DC, Beijing
- 0-5%	London, Mexico City, Moscow	London, Mexico City, Moscow
- 5-10%	Sao Paulo	Singapore, Sao Paulo
- 10-20%	Singapore	

*New York – Midtown, London – West End, Paris – CBD, Dubai – DIFC. Nominal rates in local currency.
Source: JLL, July 2016

Prime Offices – Rental Clock, Q2 2016



Based on rents for Grade-A space in CBD or equivalent.
U.S. positions relate to the overall market
Source: JLL, July 2016

Retail Markets

Solid rental growth in premier U.S. markets

The **United States** retail market continued its steady growth trend in Q2 2016, with nearly 50 million square feet absorbed, more than twice the amount absorbed in the previous quarter. A combination of modest absorption and relatively low construction levels has pushed vacancy down slightly from 5.5% in Q1 to 5.3% this quarter. In major markets, where vacancy rates are slightly lower at 5.0%, average weighted quoted rents grew by 2.4% over Q2 – a pace greater than the overall national retail market. Major global gateway and tourist markets continue to lead the nation in low vacancy rates; standout markets include **San Francisco** (2.0% vacancy), **Miam**i (3.1%) and **Boston** (3.4 %.)

Prime space in high demand across Europe despite uncertainty

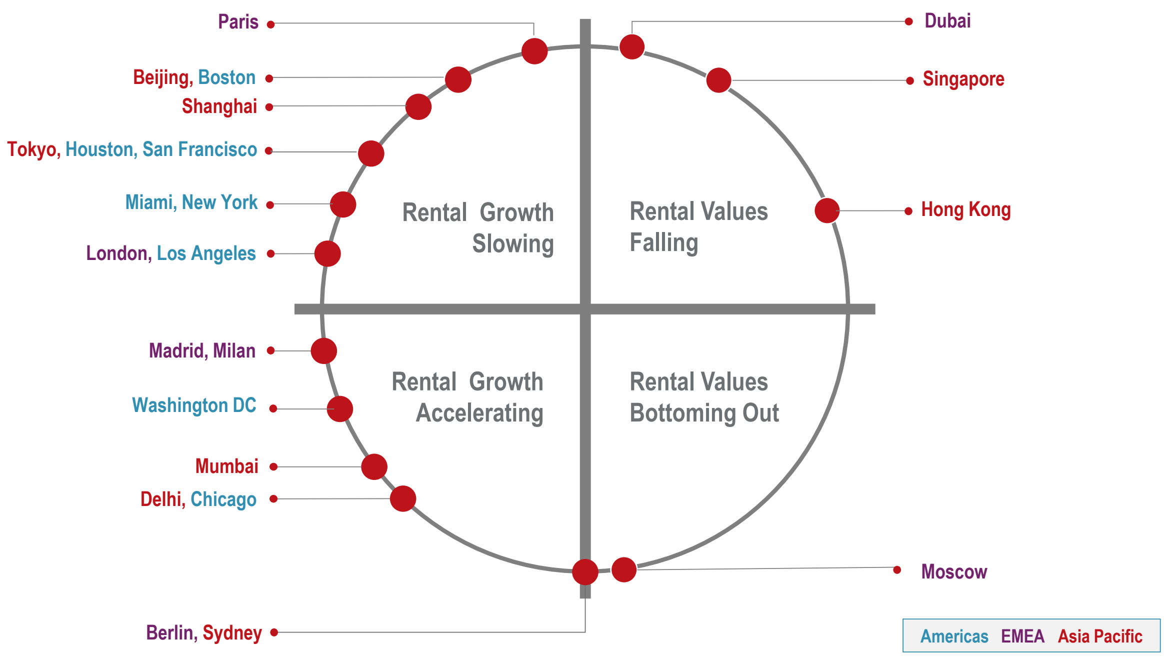
International retailer demand remains concentrated in Europe's top-tier cities as they continue to demonstrate resilience. We expect prime areas across Europe to strengthen further and new retail pockets to keep emerging in larger cities. Prime rents in **Paris**, which continues as Europe's most expensive city, now stand at €22,000 per square metre, 20% above last year's value. During Q2, strong rental growth was witnessed in a number of German cities: **Hamburg** SC (+10% year-on-year), **Berlin** HS (+9.4%), **Cologne** SC (+7.1%) and in **London** HS (+5.9%). Looking forward, we forecast prime rents in **London** to continue to rise despite the uncertainty following the EU referendum, while more secondary locations in the **UK** may suffer. In addition, **Dublin**, **Stockholm** as well as the German cities of **Hamburg**, **Dusseldorf**, **Berlin** and **Munich** are expected to experience the strongest growth in the next 18 months.

F&B major contributor to demand in Asia

Demand drivers remained largely in line with recent quarters in **China**'s major markets in Q2 2016, with F&B the main driver while children's brands were active in select malls. Landlords of high street shops in **Hong Kong** continued to cut rents to lease space, while mall landlords are being proactive about adjusting tenant mixes with an increased focus on F&B. Generally healthy demand was witnessed in **Tokyo**'s prime areas, but some retailers have been guarded about new stores amid slower sales growth. In **Singapore** the ongoing labour crunch and cautious spending intentions of consumers impacted retailer demand in the second quarter. Meanwhile, international retailers continued to be a key driver of leasing activity in **Australia**.

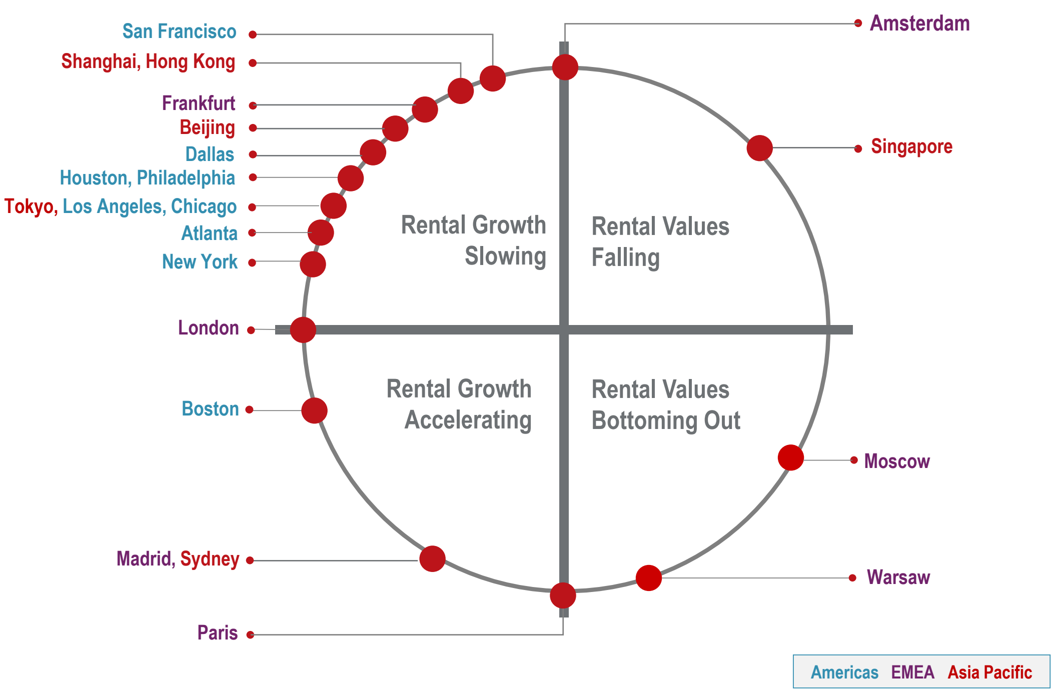
Average rental growth in Q2 was similar to the previous quarter, but further falls were recorded in the **Singapore** and **Hong Kong** high streets. Overall, prime malls in Hong Kong saw relatively stable rents, but high-quality centres have performed better thanks to adjustments in leasing strategies. Supply pressures have impacted rental growth in **Shanghai**.

Prime Retail – Rental Clock, Q2 2016



The JLL Property Clocks SM

Prime Industrial – Rental Clock, Q2 2016



The JLL Property Clocks SM

Relates to prime space. U.S. positions relate to the overall market
Source: JLL, July 2016

Industrial Warehousing Markets

U.S. industrial market in stellar health

The pipeline of new industrial construction in the **United States** expanded by 7.3% on the previous quarter, with speculative completions also increasing in Q2 2016, up by 13.4% quarter-over-quarter – but 36% of this new space was pre-leased before delivery (up from prior quarters). Despite the rise in new speculative completions, robust net absorption levels and higher pre-leasing rates have helped keep the U.S. vacancy rate stable, with the overall vacancy rate falling by 20 bps to 6.0% in Q2. As tenants look to remain in close proximity to the city cores, redevelopments and conversions of older industrial product are also expected to increase.

U.S. industrial outlook optimistic

Moving forward, we will be watching to see if development maintains its current pace. Through the remainder of the year, if tenant demand remains fairly stable across most markets, landlords will continue to enjoy a steady pipeline of leasing activity. Falling vacancy and an increase in new supply will keep pushing rents upwards as we move into the second half of 2016.

Demand continues to outstrip supply in European logistics markets

European logistics markets witnessed another quarter of above-average occupier activity in Q2 2016, partly driven by companies shifting their networks towards new omni-channel distribution models. JLL maintains a positive outlook for total 2016 take-up, although the **UK**'s vote in favour of Brexit has heightened uncertainty in one of Europe's largest occupier markets for logistics. However, the need for corporates to restructure supply chain networks in order to remain competitive persists and should make occupier demand for logistics space relatively resilient.

Development activity continued to be fairly stable over the quarter with new warehousing space under construction still significantly above the five-year average. Nevertheless, available supply continues to edge down as new construction remains heavily driven by Build-to-Suit (BTS) developments. We expect the European average vacancy rate to drop to a cyclical low of around 6% by the end of the year, with vacant space covering just 10-months of occupier demand based on 2015 take-up. Combined with rising land scarcity (in particular for larger units), growing resistance to grant planning permission for large-scale warehouses and higher land prices for units close to cities, the risk of a looming supply shortage is more pronounced.

We maintain our projections of a further hardening in rental conditions over the course of the year as most markets are now firmly landlord-favourable. However, the overall rental growth potential will remain limited, partly due to competitive rents available in the BTS market.

Third-party logistics and e-commerce firms support demand in Asia Pacific

Logistics demand in Q2 2106 continued to be supported by third-party logistics providers and e-commerce firms in Asia Pacific. Existing tenants in **Hong Kong** became more conservative during lease renewals amid weakness in external trade. Stronger-than-expected demand from third-party logistics companies and e-retailers was witnessed in **Tokyo**, while pre-commitments for logistics space were moderately healthy in **Singapore**, although overall trade and export figures remained weak. Occupier take-up in Q2 was fairly subdued overall in **Australia**, particularly outside of the **Sydney** and **Melbourne** markets.

Rents were muted across the Asia Pacific region in the second quarter, with rental growth slowing in **Shanghai** and **Tokyo** as new completions commanded lower-than-average rents. Rents remained largely flat in **Hong Kong** with the ongoing weakness in external trade capping growth. In **Australia,** rental growth was generally passive owing to competition for pre-lease deals in most markets and elevated vacancy in select submarkets.

Hotel Markets

H1 2016: Asia becomes largest source of outbound capital

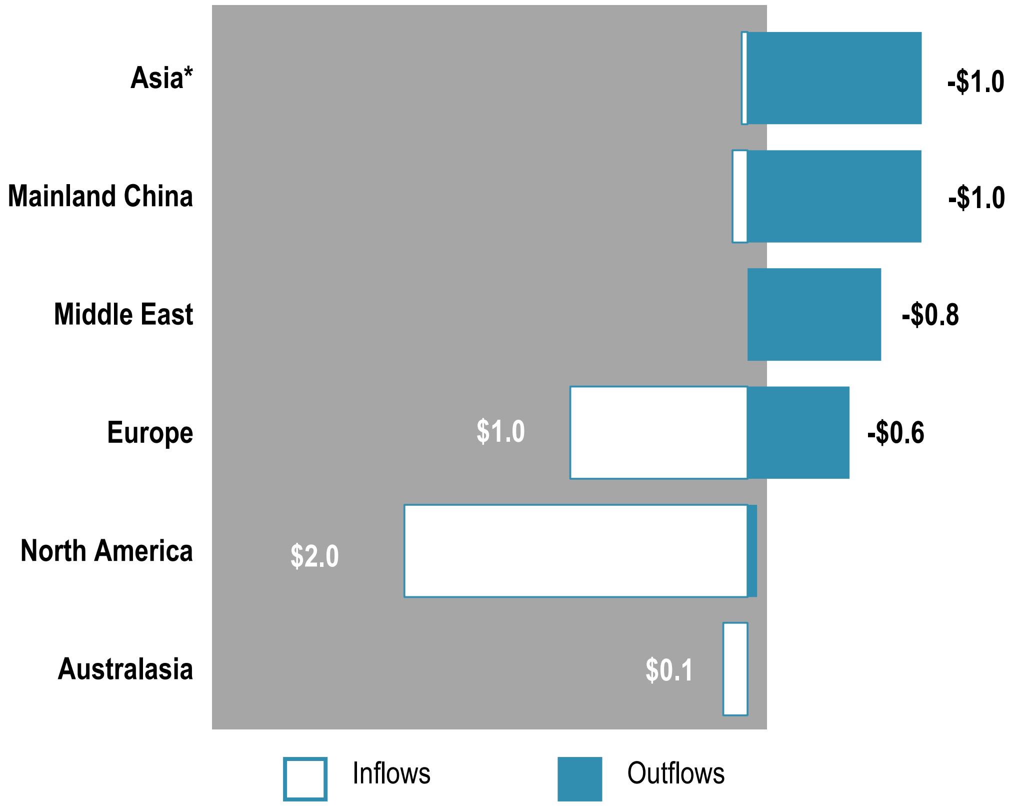
Following an exceptional year of global hotel transactions, deal activity in the first half of 2016 declined 52% compared to the same time last year, totalling US$24 billion. There has been a shift in investor sentiment due to a mix of geopolitical and economic issues. Uncertainty surrounding the global economic and political environment such as the UK's EU referendum, the upcoming U.S. presidential election, terrorist attacks and stock market fluctuations has made hotel investors adopt more of a wait-and-see approach towards investment decisions as underwriting future income growth has become more difficult.

Hotel Investment Volumes, H1 2016 versus H1 2015

US Billions	H1 2016	H1 2015	% Change
Americas	13.1	26.9	-51%
EMEA	7.1	19.7	-64%
Asia Pacific	3.8	3.3	13%
Total	24.0	49.9	-52%

Volumes and % Change have been rounded
Source: JLL, July 2016

Hotel Transactions: Capital Outflows and Inflows, H1 2016



*Asia excluding Mainland China
Figures are in US$ Billions
Source: JLL, July 2016

Chinese outbound hotel investment overtakes Middle East

The first six months of 2016 saw US$1 billion of Chinese capital flowing into global hotel real estate, overtaking the Middle East in terms of outbound hotel investment. Despite slowing economic growth in **China**, there is still appetite for offshore hotel investments from China. In fact, the recent stock market fluctuation has highlighted the benefits of income diversification through overseas investments. In addition, the Chinese government has deployed policies which have encouraged investment abroad. This marks a sign of the country's long-term strategy to secure income through investing globally, notwithstanding that the pace of outbound investment has slowed over the past nine months.

As Chinese buyers become more knowledgeable about the lodging sector, their focus has widened from individual hotel assets to broader hospitality-related products. This is evident through a number of high-profile transactions such as the announced sale of Carlson Hotels to HNA, the acquisition of Kew Green Hotels by HK CTS, Fosun's increased stake in British travel company Thomas Cook, and Anbang's planned purchase of Strategic Hotels & Resorts.

Besides Chinese insurance companies that have already targeted the hotel market, private high-net-worth investors, developers and industrialists are increasingly showing their interest. Examples include Shanghai Yudu Group, a construction and property development company, which has purchased the Marriott **Los Angeles** Airport and Nanshan Group, a privately-owned Chinese conglomerate, which has bought the Pullman **Sydney** Airport for US$61 million.

Pension funds and sovereign wealth funds are increasing exposure to real estate

Institutional investors, such as pension funds, have received a heightened amount of capital from domestic savings contributed by an ageing population. As a result, they are increasing their exposure to direct hotel investment as their allocation towards real estate increases. Recently priced transactions include the sale of the Interhotel portfolio in **Germany** to Foncière des Murs. In addition, the LondonHouse **Chicago** has been acquired by Union Investment from Oxford Capital Group. Open-ended funds require lease structures and are therefore insulated to an extent from the trading fluctuations of individual assets. These funds have frequently invested heavily during contracyclical market movements.

Impact of Brexit on the UK market

Despite the referendum vote for the **UK** to leave the EU, market fundamentals in the UK should remain largely unchanged in the short term. The recent weakening of the pound may induce inbound travel to the UK. Immediately after the referendum, China's leading online travel agency, Ctrip, saw the number of searches for UK holidays triple. Kayak also reported a 54% uplift in searches for flights from the U.S. to the UK.

In terms of investment into the hotel sector, there may be a repricing of hotel assets, as a result of both reduced trading expectations and, despite potentially lower base rates, increased lending costs. Opportunistic investors are taking advantage of the weaker pound. Chinese investor Fosun recently increased its stake in Thomas Cook after the share price fell by more than 20%.

Moreover, a group of Hong Kong-based investors acquired the Travelodge Royal Scot Hotel in Kings Cross **London** on the day of the referendum, confirming ongoing appetite from Asian investors. At the same time, we have seen an increase in enquiries from other opportunistic Asian investors. The UK hospitality market is widely sought-after and while there may be a pricing correction of hotel assets, investors will continue to look for opportunities.

New York, the most liquid city in the world

In the first half of 2016, investment activity in the Americas totalled US$13.1 billion, down 51% from same time last year. There has been a significant decline in portfolio transactions, with volumes down 76%, while single-asset sales have fallen by 34% to stand at US$10.4 billion.

Private equity investors remain the largest buyer group, accounting for 37% of investments. For the first time in five years, REITs have become net sellers, placing a considerable number of assets on the market for sale. While REITs' purchase activity is down, the hotel and lodging REITs Index has rallied approximately 32% since its recent low in mid-January 2016.

New York continues to be the most liquid city in the world, with transactions reaching US$2.3 billion as of June 2016. The 'Big Apple' is one of the most attractive business and tourism centres in the **United States**, with a record 58.3 million visitors in 2015. The market has received an equal amount of interest from both domestic and international buyers, a trend we anticipate to continue for the rest of 2016. Key transactions in 2016 to date include the portfolio sale of seven hotels from Hersha Hospitality to China-based investment management platform Cindat Capital Management for US$574.1 million, and the US$320 million sale of the Virgin Hotel New York from Lam Group to property developer Morgan Management.

Other cities which have seen an uptick in hotel investment sales include **Washington DC** and **Chicago**. We expect the U.S. to continue to attract a significant amount of inbound capital.

Japan remains in the spotlight in Asia Pacific

Six months into 2016, hotel investment sales in Asia Pacific have reached US$3.8 billion with the region experiencing a 13% uplift in transactions compared to other regions. **Japan** remains the star performer, accounting for over half of transaction volumes. The country reported US$2.2 billion worth of transactions in H1 2016, an impressive 83% uplift from the prior year. The US$604.7 million sale of the Grand Pacific Le Daiba **Tokyo** from Keikyu Corporation to Hulic Co., Ltd has marked the largest transaction within Asia Pacific in 2016 to date.

In terms of buyer profiles, **Japan** has traditionally been dominated by domestic buyers; J-REITs accounted for nearly half of sales activities in H1 2016. However, the country is also catching the eye of mainland Chinese investors due to the recent influx of Chinese tourists, reflected in the Greenland Group's move in early 2016 to acquire Candeo Hotels in **Chiba** in the Greater **Tokyo** area.

After a record year of transactions in 2015, volumes across **Australia** softened by 35% in H1 2016, in part because of the amount of high-quality stock that has been traded recently; in addition there is a lack of hotels available for sale. The Australian hotel market continues to receive significant interest from mainland Chinese investors, to some extent due to the China-Australia Free Trade agreement which allows a larger investment threshold for Chinese to invest in Australia. A recent example is the sale of Pullman **Sydney** Airport to Nanshan Group. Private equity funds were among the most prominent buyers in the country in the first half of 2016, followed by corporates.

China has also witnessed an increased level of investment activity, up 118% to US$244.2 million. The recent uncertainties in the domestic economy are leading to more owners evaluating the sale of their assets and transaction volumes are expected to rise in the future.

UK still in top spot in EMEA

Transaction volumes in EMEA totalled US$7.1 billion for the first half of 2016, which is 64% below last year's level. The fall is mostly due to a decline in investment activities in the **UK**, down 75% year-on-year to US$2.6 billion. However, the UK remains the leading destination for hotel investment within EMEA, accounting for over one-third of all deals, followed by **Germany** and **Spain**.

In H1 2016 the proportion of single-asset transactions in the **UK i**ncreased from 16% last year to 46%, mainly due to large portfolio sales in 2015. The largest single-asset deal in 2016 to date has been the 50% stake of the InterContinental London **-** The O2 from Queensgate Investments to the Arora Group for US$144.9 million.

During the first half of 2016, developers and property companies accounted for around 40% (assets valued at US$1 billion) of buying activities. A key deal was the sale of 47 Holiday Inn Express hotels to London & Regional Properties from Lone Star for US$840.7 million. Institutional investors are also on the rise, with volumes up four times to US$293.2 million, making them the second largest group of buyers. On the other hand, private equity firms have significantly reduced their investment, down 83% to US$396.6 million. This is in line with the trend seen in the **United States**.

Germany is also attracting considerable investor interest with **Frankfurt**, **Hamburg** and Berlin being the top three cities. The biggest agreed transaction in Q2 was the sale of Interhotel Portfolio, which consists of nine hotels, by Starwood Capital to Foncière des Murs.

Residential Markets

U.S. rental apartments stay on course despite major development cycle

Vacancy increased in the **U.S.** multifamily market by 10 bps from year-end 2015 to 4.5% at the end of Q2 2016, spurred by a softening in select Southeastern markets. **Charlotte** has seen an 80 bps softening, while **Miami** and **Orlando** have decreased 70 bps. However, these markets' current vacancy rates are at 5.2%, 5.0% and 5.7% respectively, and still indicate vibrant rental markets at or below long-run averages when examined in conjunction with absorption and rental growth figures. The greatest increases in vacancy across markets are a result of the pace of construction deliveries, and investors are attributing higher-risk premiums to secondary markets seeing accelerated construction activity.

U.S. annual rental growth has gained 50 bps year-on-year and is currently at 4.5% (end Q2), although this rate has fallen 50 bps from the current cycle peak of 5.0% set at year-end 2015. Western region markets continue to lead the way with respect to rental growth, as the four fastest-growing markets – **Portland**, **Seattle-Bellevue**, **San Francisco** and **Sacramento** – have each increased between 9.0% and 7.4%. The Western region also features 8 markets in the top 10 for rental growth, with **Denver**, **Oakland-East Bay**, **Phoenix** and **Silicon Valley** each witnessing annual rental growth between 6.3% and 5.8%.

UK sales activity modestly weaker but house price growth continues

Activity in the **UK** housing market was modestly weaker in the lead-up to the EU referendum, although house prices continued to grow at over 8% year-on-year in May nationally and 14% in **London**. Prime markets are still experiencing the effects of two previous stamp duty changes.

Institutional investors continue to drive sharp yields for residential property, in the order of around 4.75% gross in **London** and 5.5% on average in regional cities. Some estimates now put the number of Build-to-Rent/ Private Rented Community units planned or under construction at over 30,000 nationally. Early indications are that most investors see the sector as either unaffected or a potential beneficiary of the Brexit vote.

Marked fall in investment volumes in Germany

There was a marked fall in the volume of transactions for residential property in **Germany** in H1 2016. A total of €4.4 billion of residential properties and portfolios containing 42,000 apartments changed hands, more than 50% below the five-year average, making the first half of 2016 one of the weakest on record. The decrease is mainly due to the lack of large-scale transactions, with the five largest deals in the first six months generating €690 million – in comparison, the top three deals alone in H1 2015 generated more than €11 billion.

Demand remains strong for new apartments, with the completion of almost 25,000 apartments the highest number since 2006, according to the Federal Statistics Office. There has already been a notable rise in the number of forward deals to institutional investors in recent years and this sector now accounts for almost a quarter of all transactions. There continues to be a growing number of micro-apartment building and private student apartment transactions as investors search for attractive returns, with more than €300 million invested in this residential sub-sector in H1 2016.

Price growth continues in Netherlands

There continues to be upward price pressure in both the sales and rental markets across the **Netherlands**, notably in larger cities such as **Amsterdam** and **Utrecht**. Changing regulations for the rental market, that predominantly impact smaller units, is driving investor demand for this sector. Cheap mortgages and high rents have fuelled demand for residential purchases and this is expected to be maintained with no signs of an interest rate rise. Investment volumes in Q2 have been stable with large developments and forward funding deals representing a significant share of activity.

Record sales activity in Sweden

Sweden registered a record turnover during the first six months of 2016, with residential sales volumes of approximately US$2.5 billion. The largest transaction in Q2 was the sale by Akelius of its entire western Swedish portfolio (4,300 apartments) to Willhem for circa US$600 million. Municipalities have continued to be active, selling around US$300 million worth of assets, while the market for newly-built rental apartments is also strong.

Accelerating capital value growth in Spain's major cities

Spanish residential property prices continued to increase on a national basis in Q2 2016, with accelerated growth in capital values in the major cities of **Madrid** and **Barcelona**. There is a demand/supply imbalance in both cities, which is particularly marked in Madrid, where a number of significant projects have been delayed or postponed due to local politics. This imbalance will continue to drive residential prices in both cities.

Residential investment transactions in the market are still dominated by non-institutional investors. With these investors finding limited opportunities in the €5 million - €25 million range in the principal CBD areas of the two primary Spanish cities, investors are starting to consider acquisitions in secondary cities such as **Valencia** and **Bilbao**.

Robust demand in Portugal

The residential market is very active in **Portugal**, with demand from both domestic and overseas purchasers. Low interest rates have supported demand, with record housing debt raised by banks over the first four months of 2016. Foreign purchasers accounted for 15% of houses sold in **Lisbon** during H1 2016, driven by the Golden Visa programme.

Sales volumes continue to decline in Dubai

There has been a continued decline in the volume of residential sales in **Dubai** as investors become more cautious. The Dubai Land Department shows a 27% fall in the volume of activity over H1 2016 (compared to the same period in 2015). The increased maturity of the market is reflected in far more modest falls in average sale prices, which dropped by 5% for apartments and 6% for villas year-on-year in Q2. The residential sales market may currently be experiencing its cyclical trough, having softened by 15% since the peak in mid-2014. Rental levels have held up more strongly than sale prices, but nonetheless they have also experienced a decline, with average rents falling by 4% over the past year.

Some improvement in Hong Kong and Singapore sales activity

Policy restrictions remain in place in various markets across Asia. Tightening measures introduced by the **Shanghai** government at end-Q1 have dampened sales volumes following the earlier surge in activity. In **Hong Kong**, the focus remains on the primary sales market with developers offering discounts and attractive financing incentives. Sales volumes rose in **Singapore**'s prime districts in Q2 as some developers cut prices and offered deferred payment schemes to entice buyers.

A seasonal pick-up in leasing activity was witnessed in some markets in the second quarter due to the start/end of the school year but demand has generally remained subdued with limited rental growth in most markets across Asia.

.

Key Investment Transactions in Q2 2016

Europe, Middle East and Africa

Country	City	Property	Sector	Sales price US$m	Comments
France	Paris	Tour First	Office	906	AXA IM, acting on behalf of a club of investors, has purchased the office tower in the La Défense district for €802 million. The tallest building in France, Tour First comprises over 80,000 sq m of prime office space across 44 office floors and is currently 83% let on long leases. The vendor was Beacon Capital Partners.
France	Paris	65 Avenue des Champs-Élysées	Mixed	553	A venture that includes Thor Equities and Meyer Bergman has sold a retail-anchored asset on the Avenue des Champs-Élysées for about €490 million to an unnamed Middle Eastern investor. Tenants at the property include Nike and Tommy Hilfiger.
France	Paris	Sofitel Paris le Faubourg	Hotels	187	Mount Kellett Capital Management (UK) has sold the 147-room hotel to Joint Treasure International Ltd.
Germany	Various	German Retail Portfolio	Retail	361	Patrizia, acting on behalf of a German occupational pension fund, has bought a 183,000 sq m German retail real estate portfolio from Savills Investment Management for €320 million. Around 75% of the portfolio's value is in Bavaria, Baden-Württemberg and Hamburg. All assets are from Savills IM's German Retail Fund CSGRF and tenants include Edeka, Rewe and Media Markt.
Ireland	Dublin	Blanchardstown Centre	Retail	1,073	JLL has advised Green Property on the sale of Blanchardstown Centre, a dominant 112,000 sq m retail complex comprising over 180 leading stores as well as numerous restaurants and leisure facilities. The buyer was Blackstone's Real Estate Partners Europe IV fund, and the price paid was c. €950 million.
Italy	Florence	St. Regis Florence, Westin Excelsior Florence	Hotels	213	Jaidah Holdings has bought the two hotels from Starwood Hotels & Resorts.
Netherlands	Various	Maxima Portfolio	Mixed	421	Credit Suisse has sold a portfolio of commercial real estate assets to MCAP Global Finance. The Maxima portfolio, comprising 14 assets totalling c. 140,000 sq m, was formerly held in Credit Suisse's CS Euroreal and CS Property Dynamic funds. Approximately 85% of the portfolio is located in the Randstad and three-quarters of the portfolio by income is offices, with the remainder retail, hotel, educational and logistics assets. The price paid was €372 million.
Poland	Various	Echo Commercial Platform	Mixed	1,006	JLL has advised Echo Investment, a Polish platform majority-owned by a consortium comprising Griffin Real Estate, Oaktree and Pimco, on the sale of a 75% stake in Echo's standing office and retail portfolio to Redefine Properties. The total volume of the stake purchased amounts to approximately €891 million (based on the total valuation of assets totalling €1,188 million).
Spain	Various	Spanish Industrial Portfolio	Industrial	116	CBRE Global Investors, acting on behalf of one of its separate account clients, has acquired a portfolio of 16 logistics assets totalling 250,000 sq m from Gran Europa. The portfolio is located along the A-2 motorway (Madrid-Barcelona), which constitutes one of the main logistics hubs in Spain. The assets are leased to 10 logistics operators, such as DSV, Luis Simoes and FM Logistic, and the occupancy rate is around 94%. The price paid was €103 million.
UK	Dudley	Merry Hill	Retail	588	Intu has acquired the remaining 50% of Merry Hill Shopping Centre for £410 million from Queensland Investment Corporation (QIC). The shopping centre comprises 1.4 million sq ft over two retail levels with 214 shop units and a further 300,000 sq ft of other adjacent retail space. It is home to tenants such as Marks & Spencer and Debenhams and has a 96% occupancy rate.
UK	London	InterContinental London - The O2 (50% stake)	Hotels	144	Arora Hotels has purchased a 50% stake in the 453-room hotel
UK	London, Liverpool	Atlas Hotels (47 Hotels)	Hotels	841	Lone Star has sold a portfolio of 47 Holiday Inn Express hotels to London & Regional Properties.
UK	Reading	Green Park	Office	807	Mapletree Investments has acquired Green Park business park from Oxford Properties Group for £563 million. The 79-hectare property has approval to provide about 2.1 million sq ft in lettable space. Currently, some 1.4 million sq ft of Grade A offices across 19 buildings have been built, with an occupancy of 93%.

Asia Pacific

Country	City	Property	Sector	Sales price US$m	Comments
Australia	Brisbane	HSBC Building	Office	140	Seymour Group has divested the HSBC Building to ARA Asset Management for about A$188 million. The transaction was completed on an initial passing yield of about 7.5%. The 19,364 sq m office property is 100% occupied and anchored by the international bank with an overall WALE of five years.
Australia	Sydney	One Shelley Street	Office	391	Charter Hall and Morgan Stanley Real Estate Investing have jointly acquired the Macquarie Bank building from Brookfield Office Properties. The property was developed and built by Brookfield in 2009, and was one of the first office properties in the King Street Wharf precinct. Macquarie Bank is the anchor tenant and has a remaining lease of 7.5 years.
Australia	Sydney	420 George Street	Mixed	330	Investa Property Group has purchased a 75% interest in the CBD property from Fortius Active Property Trust No.1 for A$443 million. The transaction was completed with a core yield of 5.3%. The grade-A building comprises 37,688 sq m of NLA and is 100% occupied with a WALE of approximately six years. Major tenants include AECOM, State Street and JLL.
Australia	Sydney	MidCity Centre	Retail	238	A Hong Kong high-net-worth family office has purchased the premium Pitt Street retail centre from Fortius Active Property Trust No.1 for A$320 million. The sale of the 75% stake in the property reflects a price of about A$35,000 per sq m at a yield of about 4.8%. Lend Lease holds the remaining 25% stake through one of its property funds.
Australia	Sydney	The Zenith	Office	208	Centuria and BlackRock have jointly purchased the office complex located at 821 Pacific Highway from DEXUS Property Group and GPT Group's wholesale office fund for A$279 million. The two 21-storey office towers were sold as part of GPT's fund strategy to improve the overall quality of its portfolio.
Australia	Sydney	Pullman Sydney Airport	Hotels	61	Nanshan Group has purchased the 229-bedroom hotel from Goodman Group.
Australia	Various	Vicinity Centres Portfolio	Retail	627	Vicinity Centres has sold four of its shopping centre assets to Blackstone and Mirvac as part of its ongoing divestment initiative to sell down assets non-core to its portfolio strategy. The assets sold under the portfolio deal consist of Toombul and Clifford Gardens Shopping Centres in Queensland, and Forest Hill Chase and Brimbank Shopping Centres in Victoria.
China	Beijing	Shimao Gongsan Plaza	Office	447	Letv, a Chinese technology company and one of the largest online video companies in China, has bought the office building from Shimao Gongsan for about RMB2.9 billion.
China	Beijing	Somerset Zhong Guan Cun	Hotels	93	The apartment hotel has been sold to Hong Kong Qianhai Zhongjin Group Co., Ltd by Ascott Residence Trust Management Limited.
China	Shanghai	Yongfen International Plaza	Office	194	East Money Information Company Limited, a China listed-corporate, has purchased the office building from Shanghai Guang Wan Real Estate Company for about RMB1.3 billion.
China	Shanghai	Evergo Tower	Office	176	Chinese Estate Holdings Limited has divested its 30-storey landmark office tower to Real Power Capital, a local private equity real estate company, for about RMB1.2 billion.
Hong Kong	Hong Kong	NWS Kwai Chung Logistics Centre	Industrial	483	NWS Holdings Limited has sold the property to China Resources Enterprises for about HK$3.75 billion. The asset is a five-storey ramp-access logistics facility located at Kwai Chung Container Terminals with a total gross floor area of 694,000 sq ft. It has been fully leased out since commencing operation in 2011.
Japan	Saitama	Urawa Royal Pines Hotel	Hotel	162	United Urban Investment Corporation has completed the acquisition of the 196-room landmark hotel from Godo Kaisha URP. The property is situated in Saitama City and has an estimated NOI yield of about 5.8%.
Japan	Tokyo	Roppongi Hills Mori Tower	Office	323	Mori Hills REIT Investment Corporation has purchased three floors (26th, 27th and 29th) of the tower building from its sponsor Mori Building Co., Ltd for JPY 34.9 billion. The acquisition is part of its aim to further improve portfolio revenue through external growth while maintaining the present portfolio policy that focuses on premium properties.
Japan	Tokyo	Shinagawa Seaside East Tower	Office	163	Invesco Office J-REIT has bought the office tower from GUC as part of a property portfolio that consists of hotel, retail and parking facility components. The 23-storey office building was completed in 2004 with a NLA of about 300,300 sq ft and is fully leased.

Country	City	Property	Sector	Sales price US$m	Comments
Japan	Tokyo	Ueno East Tower (60% stake)	Office	150	Nippon Building Fund Management Ltd has purchased a 60% equity stake in the office tower from Mitsui Fudosan as part of its portfolio enhancement strategy. The building, located in Tokyo's CBD, has a total NLA of about 17,227 sq m and is currently 100% occupied.
Japan	Tokyo	Grand Pacific Le Daiba	Hotels	884	Keikyu Corporation's sale of the hotel to Hulic Co., Ltd marked the largest hotel transaction within the Asia Pacific region in Q2 2016.
Japan	Various	Invincible Portfolio	Hotels	151	Invincible Investment Corporation has acquired two properties from the Fortress Investment Group (Japan) GK.
Singapore	Singapore	Asia Square Tower 1	Office	2,500	Qatar Investment Authority has acquired the premium office tower from BlackRock, marking the largest ever single-tower transaction in Asia Pacific. The 43-storey property, located in Marina Bay financial district, comprises more than 1.2 million sq ft of Grade-A office space and about 30,000 sq ft of retail space.
Singapore	Singapore	CapitaGreen (60% stake)	Office	707	CapitaLand Commercial Trust has exercised a call option to acquire the remaining 60% equity stake on the office tower from CapitaLand Group (50%) and Mitsubishi Estate Asia (10%). The call option is part of a JV agreement signed in 2011 and is conditional on market valuation being equal to or above the hurdle price of S$1.59 billion. CapitaGreen's agreed market value of S$1.6 billion (S$2,276 per sq ft) is based on the average of two independent valuations.
Singapore	Singapore	Straits Trading Building	Office	412	An Indonesian high-net-worth individual has purchased the office building from Sun Venture Group for S$560 million through Singapore-listed investment holding firm MYP. The 999-year leasehold building has a NLA of about 159,000 sq ft. Based on the purchase price, this works out to a record price of about S$3,520 per sq ft.
South Korea	Seoul	Migeun Dong Lim Kwang Building	Office	271	NH Life Insurance, a South Korean insurance group, has purchased the office building from IGIS Asset Management. The transaction was completed on an estimated core yield of 4.7%.
South Korea	Seoul	Nara Jong Geum Building	Office	179	An unidentified buyer has purchased the office building for KRW 208 billion from M&G Real Estate. The transaction was completed on an estimated net yield of 4.3%
Thailand	Bangkok	Park Ventures Ecoplex	Office	284	Golden Ventures REIT, which was newly set up by two of Thailand's major property developers, Univentures and Golden Land, has acquired the Park Ventures Ecoplex. The office and commercial building has direct access to Ploenchit BTS station and enjoys an 100% occupancy rate for its floor space totalling 26,313 sq m.
Vietnam	Saigon	Duxton Hotel Saigon	Hotels	55	Low Keng Huat (Singapore) Limited has sold the hotel to New Life Real Estate.

Americas

Country	City	Property	Sector	Sales price US$m	Comments
Canada	Toronto	Shops of Summerhill	Retail	53	A partnership of RioCan REIT, Tricon Capital Group and Diamond Corp. has acquired the 3,000 sq m property on Yonge Street from Woodcliffe Corporation.
Canada	Vancouver	1166 W Pender Street	Office	55	Reliance Properties has purchased the 13,000 sq m asset from a JV of Triovest Realty Advisors and Greystone at a reported 5.4% initial yield.
Mexico	Mexico City	Torre Cuarzo	Office	157	Mexican REIT Fibra Uno has purchased this approximately 47,000 sq m office tower asset located in the Reforma submarket at a reported 10.7% initial yield.
Mexico	Mexico City	Corporativo Dos Patios	Office	117	Union Investment Real Estate has acquired this nearly 29,000 sq m property in the Polanco submarket from Gigante Grupo Inmobiliario.
U.S.	Austin	Brodie Oaks	Retail	93	Lionstone Investments has acquired the nearly 30,000 sq m shopping centre from L&B Realty Advisors.

Country	City	Property	Sector	Sales price US$m	Comments
U.S.	Chicago	LondonHouse Chicago	Hotels	315	Union Investment Real Estate has purchased the hotel from Oxford Capital Group.
U.S.	Fort Lauderdale	SunTrust Center	Office	90	Steelbridge Capital has purchased this 25,000 sq m CBD asset from SunTrust.
U.S.	Los Angeles	Burbank Town Center	Retail	250	Cypress Equities has purchased the 93,000 sq m shopping centre at a reported 6.0% initial yield from Crown Realty & Development.
U.S.	Nashville	Airpark Business Center	Industrial	87	The Silverman Group has acquired the roughly 107,000 sq m industrial asset located on Donelson Pike from Island Capital.
U.S.	New York	Citigroup HQ	Office	1,764	Citigroup has purchased its 245,000 sq m headquarters on Greenwich Street from SL Green.
U.S.	New York	Hersha Portfolio	Hotels	571	Chinese investment fund Cindat Capital Management Ltd has purchased seven hotels in New York (1,087 bedrooms) from Hersha Hospitality Trust.
U.S.	New York	Virgin Hotel New York	Hotels	320	The Lam Group has agreed to the sale of the hotel to Morgan Management.
U.S.	New York	Park Lane Hotel New York (41% Stake)	Hotels	287	Chinese investor Greenland Group has purchased a 41% stake in the hotel from Al Waseet International.
U.S.	Northern New Jersey	QTS Piscataway	Industrial	125	QTS Realty Trust has acquired the approximately 33,000 sq m flex property from DuPont Fabros Technology (DFT).
U.S.	Philadelphia	The Shops at Valley Square	Retail	82	Ares Management has purchased the 27,000 sq m shopping centre in the suburb of Warrington from iStar Financial at a reported 6.5% initial yield.
U.S.	San Francisco	The Pacific Telephone Building	Office	284	Pembroke Real Estate has acquired the 32,000 sq m New Montgomery Street CBD asset from Wilson Meany Sullivan at a reported 4.5% initial yield.
U.S.	Seattle-Bellevue	Symetra Financial Center	Office	185	Sterling Realty has purchased this 40,000 sq m office property located on 108th Ave. NE in Bellevue from Walton Street Capital.
U.S.	Washington	Hilton Washington, DC	Hotels	305	The 1,070-bedroom hotel has been sold to Clearview Hotel Capital.

Illustrative Office Occupational Transactions in Q2 2016

Europe

Country	City	Property	Tenant	Industry Sector	Floorpsace sq m
France	Paris	Tour M2, Place de l'Iris, Courbevoie (La Défense)	Saint-Gobain	Industry	49,000
France	Paris	'Qu4drans', rue Lucien Bossoutrot, Paris 15	Groupe Altice	Media	25,800
France	Paris	'A2A-A2B', avenue Pierre-Mendès France, Paris 13	Le Monde	Media	18,630
France	Paris	'Elements', avenue Pierre-Mendès France, Paris 13	Natixis	Banking & Financial Services	14,780
France	Paris	'France Avenue', avenue de France, Paris 13	BPCE	Banking & Financial Services	14,775
Germany	Berlin	Robert-Koch-Forum	Einsteinstiftung Berlin	Foundation	11,100
Germany	Cologne	MesseCity Köln West	Zurich	Banking & Financial Services	60,000
Germany	Dusseldorf	DUO	Douglas Holding	Trade	8,600
Germany	Frankfurt	Gerlinghaus	Union Asset Management	Banking & Financial Services	7,800
Germany	Hamburg	Fleet Office II	Confidential	Banking & Financial Services	10,200
Germany	Munich	Midsite	Landeshauptstadt München	Public Administration	15,100
Germany	Stuttgart	Office World	Techniker	Banking & Financial Services	9,000
Russia	Moscow	Eurasia Tower	VTB	Banking & Financial Services	93,878
Russia	Moscow	White Gardens	Servier	Pharmaceuticals	5,982
Russia	Moscow	Krasnoselskiy BC	Ipsos	Marketing	5,100
United Kingdom	London	Riverside Building, SE1	Etc. Venues	Business Services	4,038
United Kingdom	London	20 Triton Street, NW1	Dentsu Group	Media	2,966
United Kingdom	London	Beaufort House, EC3	Amazon	Retail	4,413
United Kingdom	London	The Monument Building, EC3	Booking.com	ITES	2,348

Asia Pacific

Country	City	Property	Tenant	Industry Sector	Floorpsace sq m
Australia	Canberra	3 Molonglo Drive, Pialligo	Department of Immigration and Border Protection	Public Administration	34,000
Australia	Sydney	105 Phillip Street	NSW Department of Education	Public Administration	25,500
China	Beijing	Genesis	Dentsu Group	Media	6,800
China	Shanghai	Park Place	Hitachi Chemical	Pharmaceuticals	1,224
Hong Kong	Hong Kong	Tower 535	WeWork	Business Services	6,100
India	Delhi	World Trade Center, Greater Noida Tower 1	Vivo Mobiles	Telecommunication	18,813
India	Mumbai	Gigaplex	GEP Solutions	ITES	9,075
Japan	Tokyo*	Otemachi Financial City Grand Cube	Nomura Research Institute	Business Services	17,500
Malaysia	Kuala Lumpur	The Ascent	MSD	Pharmaceuticals	1,600
Singapore	Singapore	Robinson 77	Intertrust	Business Services	1,100
South Korea	Seoul	101 Pine Avenue	SK Telecom	ITES	5,871

*JLL estimate

Americas

Country	City	Property	Tenant	Industry Sector	Floorpsace sq m
Canada	Montreal	1050 Beaver Hall	Desjardins	Banking & Financial Services	10,993
Canada	Toronto	438 University Avenue	Infrastructure Ontario	Public Administration	17,749
Canada	Toronto	2 Prologis Boulevard	RSA	Banking & Financial Services	16,258
Mexico	Mexico City	Ejército Nacional No. 843 - B	General Motors	Automotive	32,676
Mexico	Mexico City	Avenida Revolución No. 1267	Banamex	Banking & Financial Services	15,215
U.S.	Chicago	1045 W. Randolph Street	McDonald's	Restaurants	37,161
U.S.	Chicago	1400 American Lane	Paylocity	ITES	28,707
U.S.	Columbus	5100 Rings Road	Cardinal Health	Healthcare Services	38,090

Country	City	Property	Tenant	Industry Sector	Floorpsace sq m
U.S.	Columbus	Route 161 and Hamilton Road	Big Lots	Retail	27,871
U.S.	Houston	CityPlace 2	American Bureau of Shipping (ABS)	Business Services	30,361
U.S.	New York	222 E. 41st Street	NYU Langone Medical Center	Healthcare	36,188
U.S.	Northern New Jersey	101 Hudson Street	Bank of America /Merrill Lynch	Banking & Financial Services	36,066
U.S.	Northern New Jersey	211 Mount Airy Road	Daiichi Sankyo	Pharmaceuticals	28,385
U.S.	San Diego	4775-4785 Executive Drive	Illumina	Biotechnology	29,382
U.S.	San Francisco	215 Fremont Street	Fitbit	Consumer Electronics	28,335