

Global & CEE Capital Trends

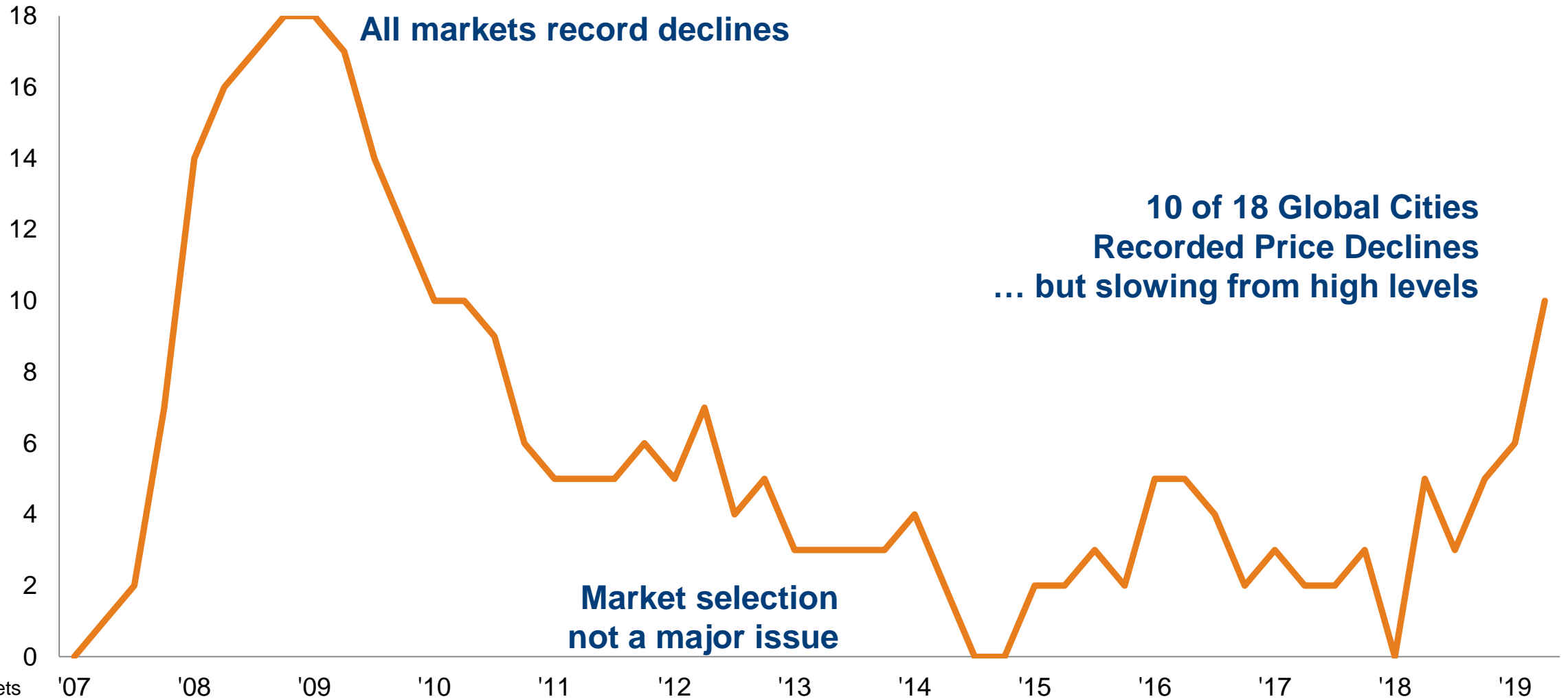
Simon Mallinson

Executive Managing Director



WHERE ARE WE? DOES THIS TELL THE WHOLE STORY?

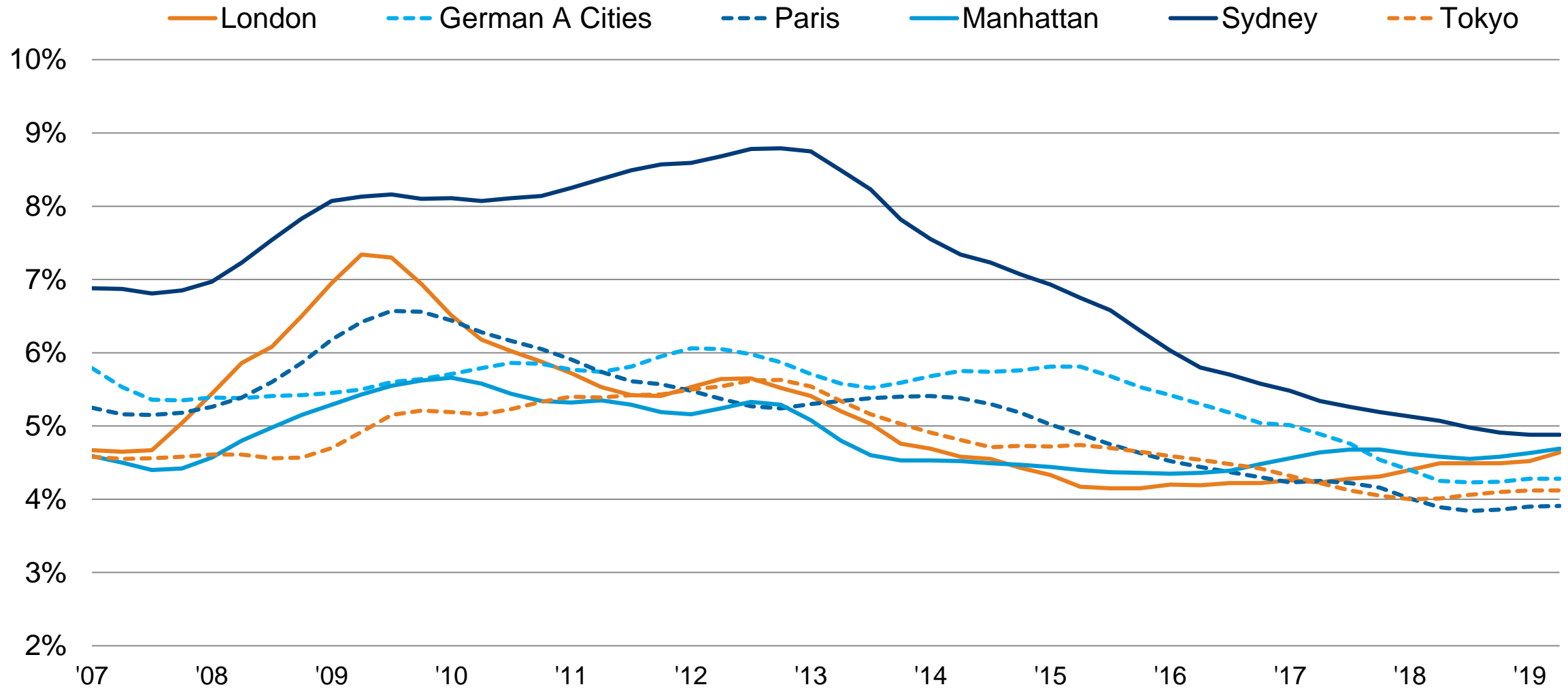
Chart shows the number of global cities recording quarterly price declines



RCA CPPI Global Cities, Q2'19. Quarterly Movements.

YIELDS FLATTENING OUT IN GATEWAY CITIES

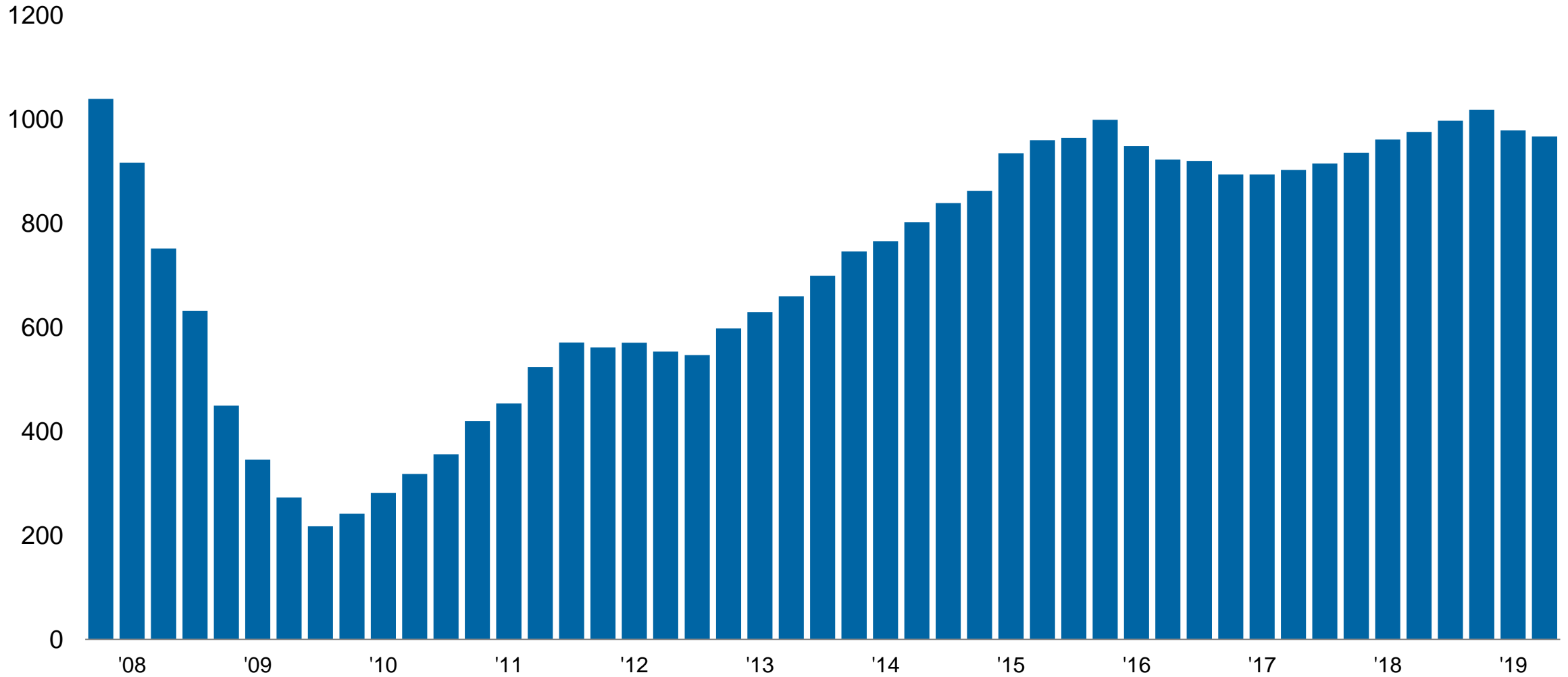
It has become more difficult to make returns



RCA Hedonic Yield Series – Offices, Central Areas

BUT, OVERALL GLOBAL ACTIVITY IS NOT SUBDUED

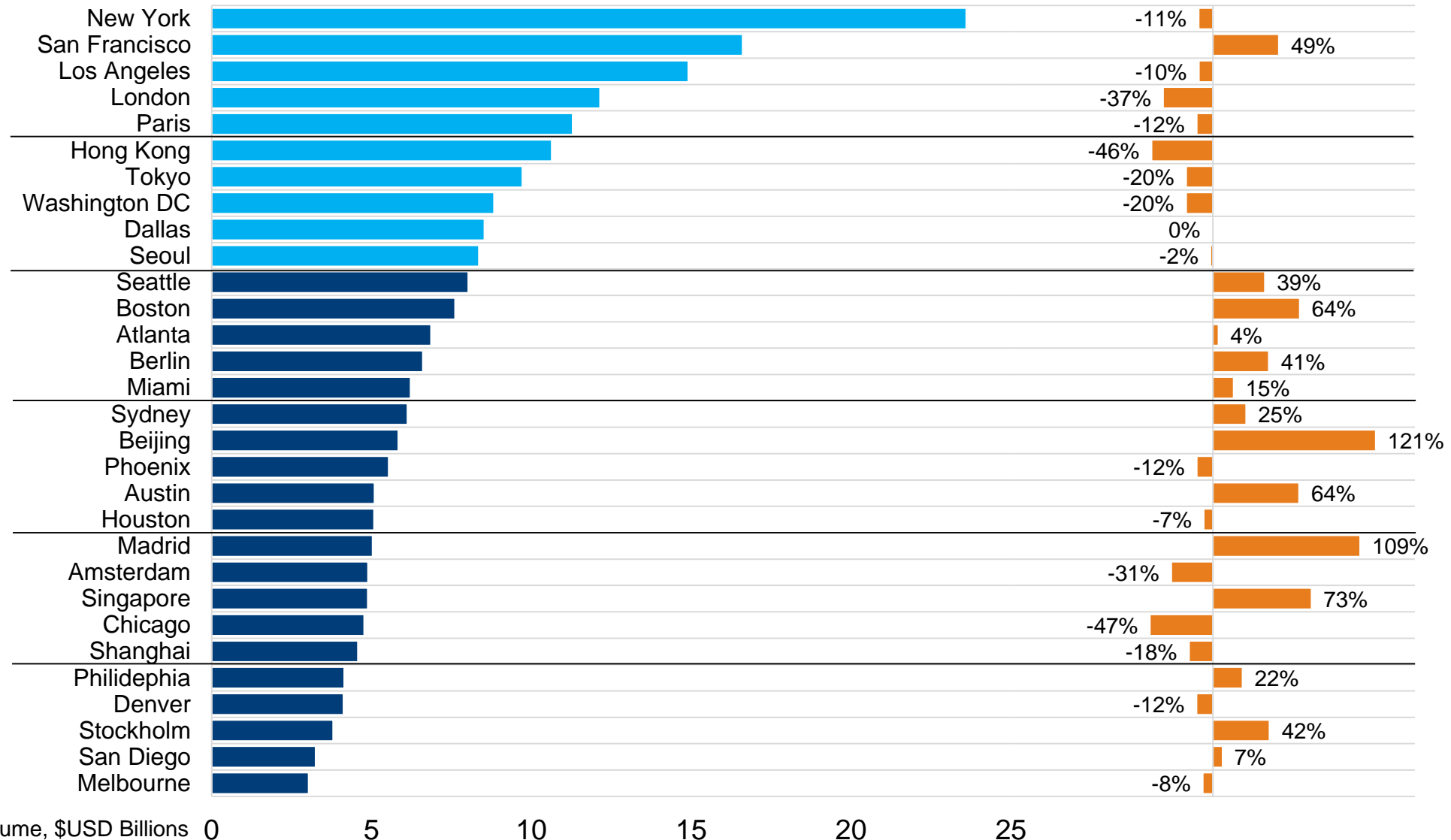
So where is capital being deployed?



Volume, \$USD Billions. Excluding land/dev sites. Rolling 12 months.

OPPORTUNITIES EXIST OUTSIDE OF TOP METROS

Only 1 of the Top 10 Global Metros recorded H1 Volume Growth

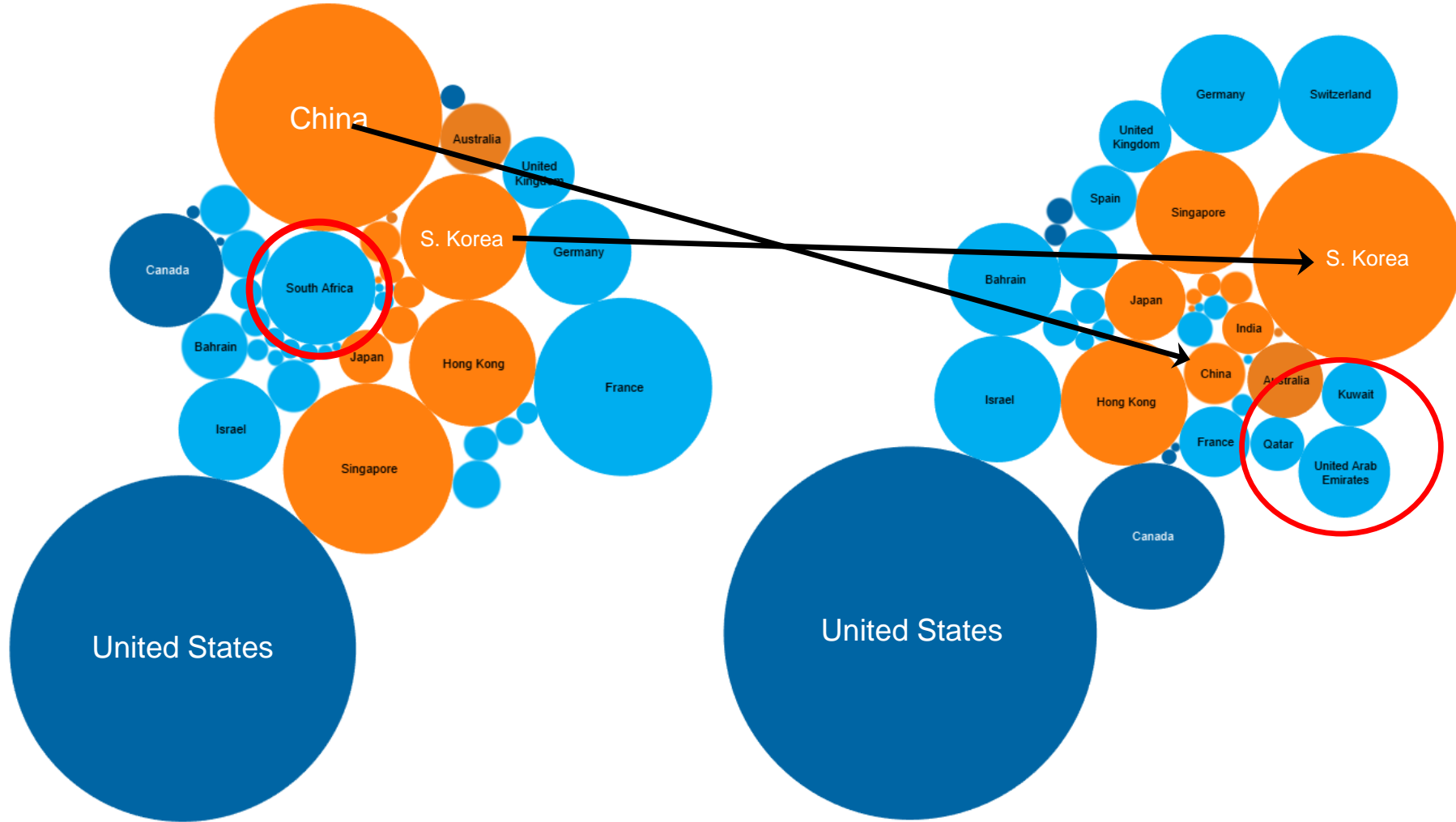


WHERE IS GLOBAL CAPITAL COMING FROM?

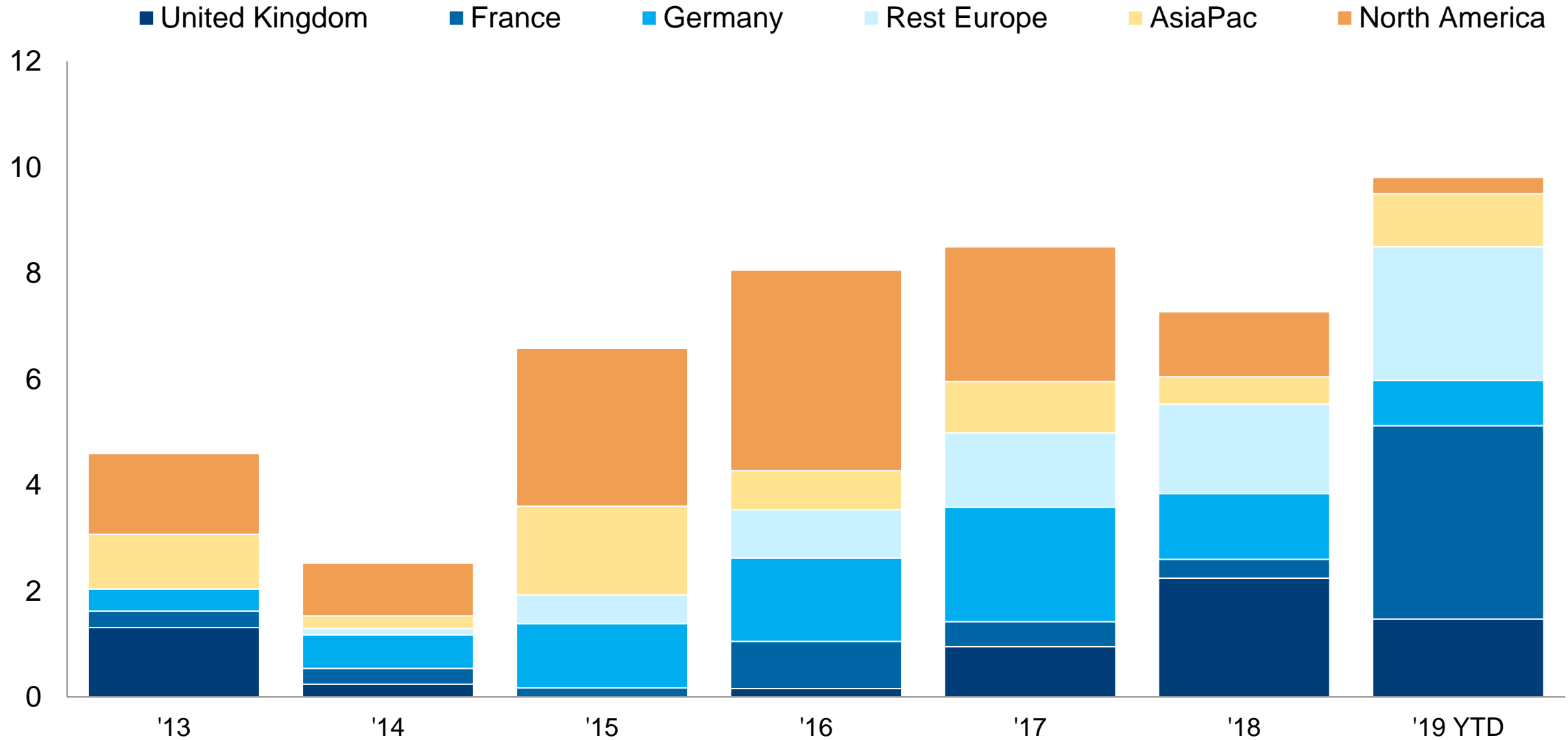
The Key Players - US remains #1, China drops, South Korea surges

Last Year - H1 2018

This Year - H1 2019



SOUTH KOREANS TARGETING FRANCE ... & CEE!



Cross-Border Investment By South Korean Investors By Target Market

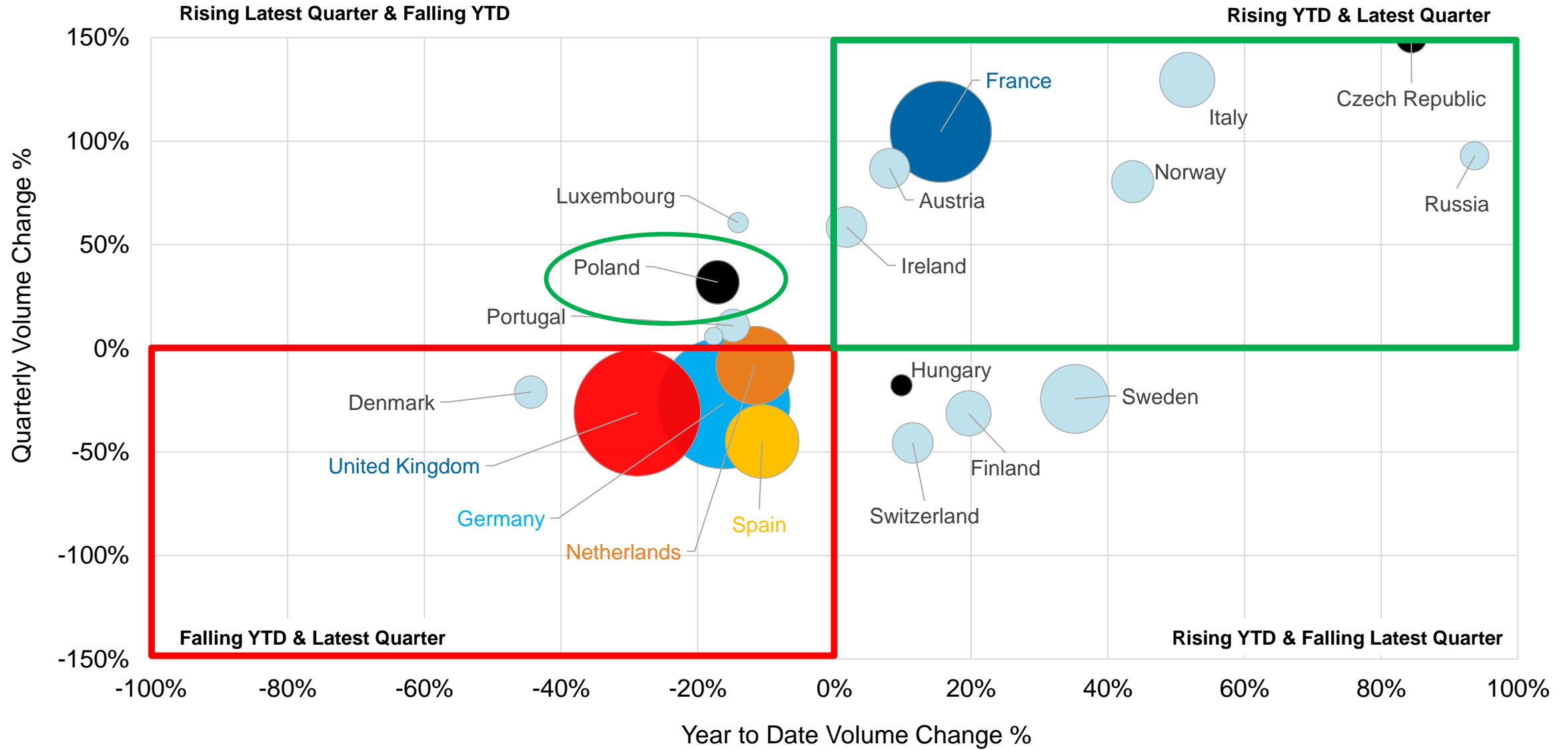
Focus On Europe & CEE Markets



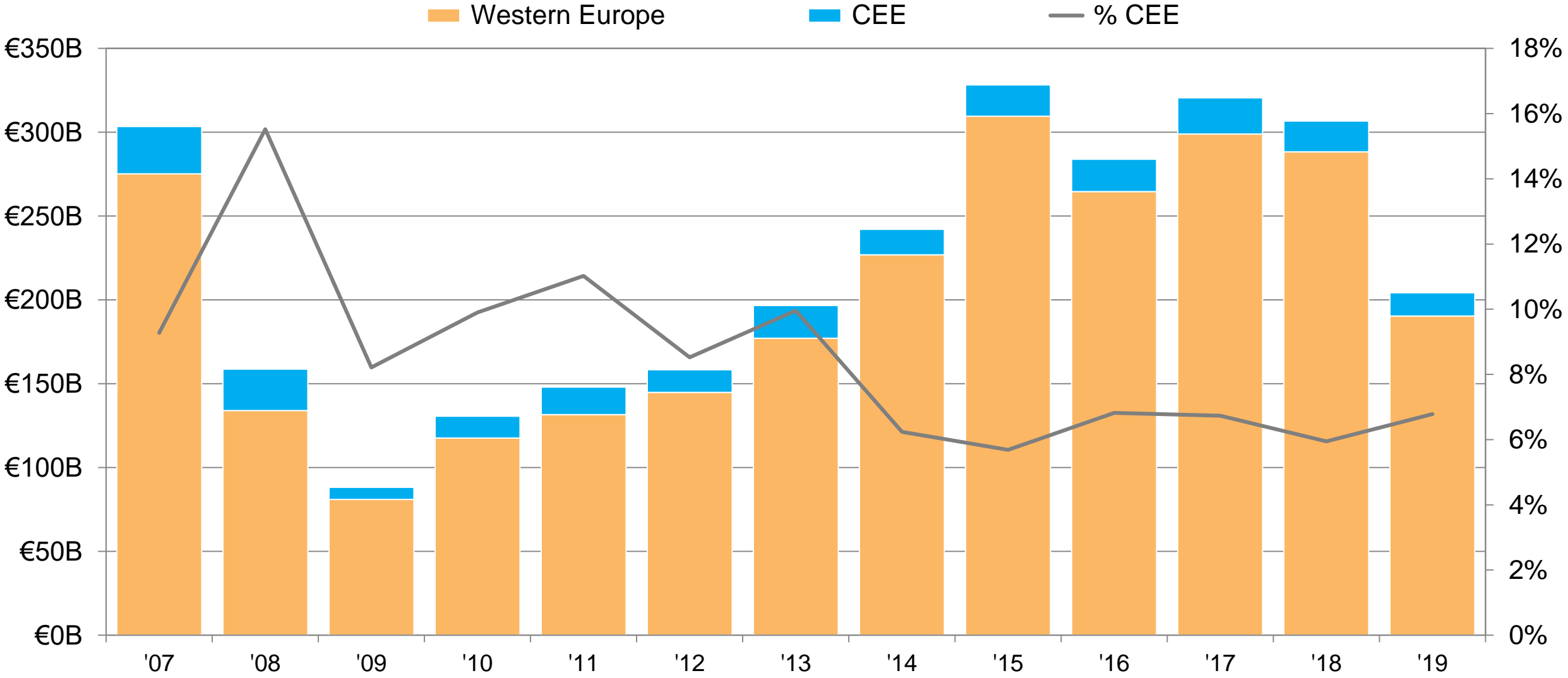
KEY EUROPEAN & CEE HEADLINES

- Germany #1 country YTD (from U.K.)
- Paris #1 city YTD (just, from London)
- European activity down 7% compared to YTD 2018
- Poland down 16% YTD but up 36% in Q3'19
- Warsaw on target for best ever office investment activity

MOMENTUM IS WANING IN LARGEST COUNTRIES

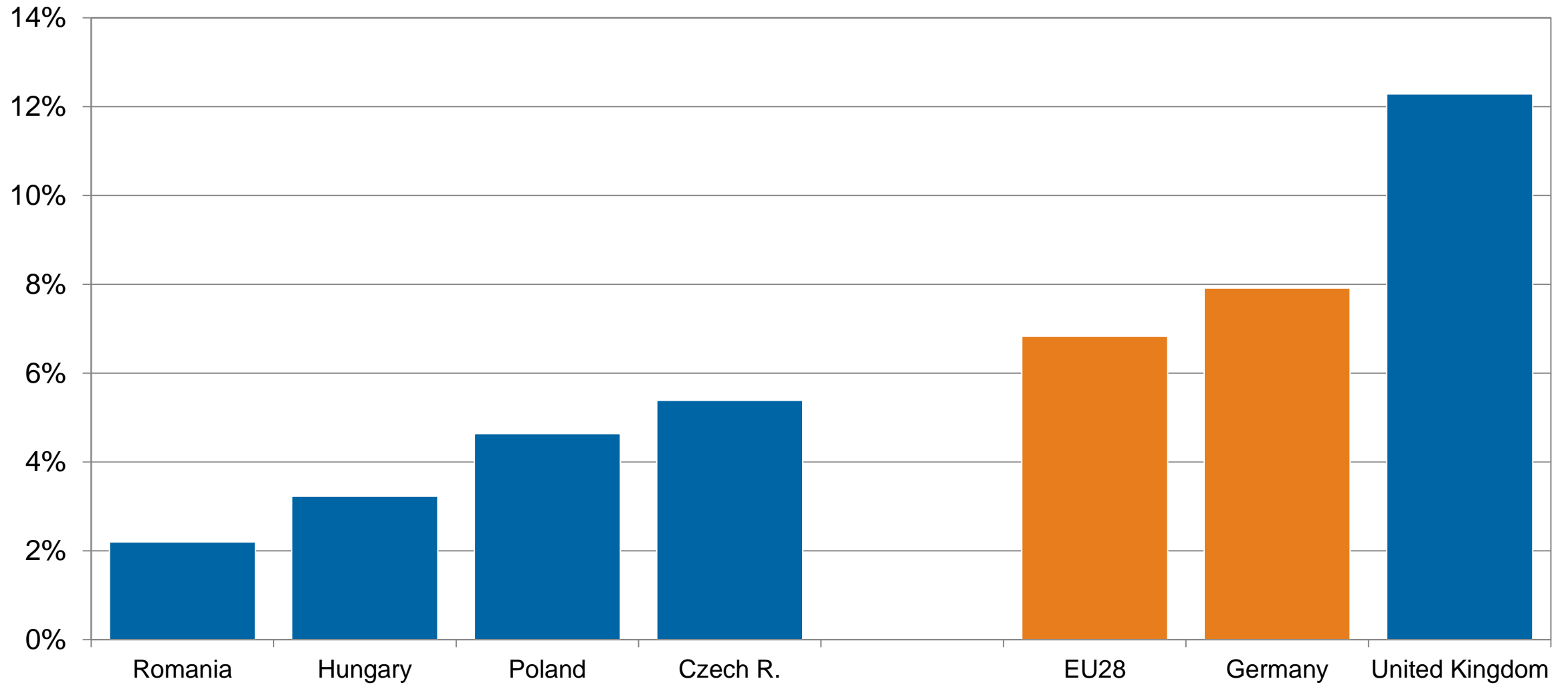


CEE ARE FAIRLY SMALL IN EURO CONTEXT



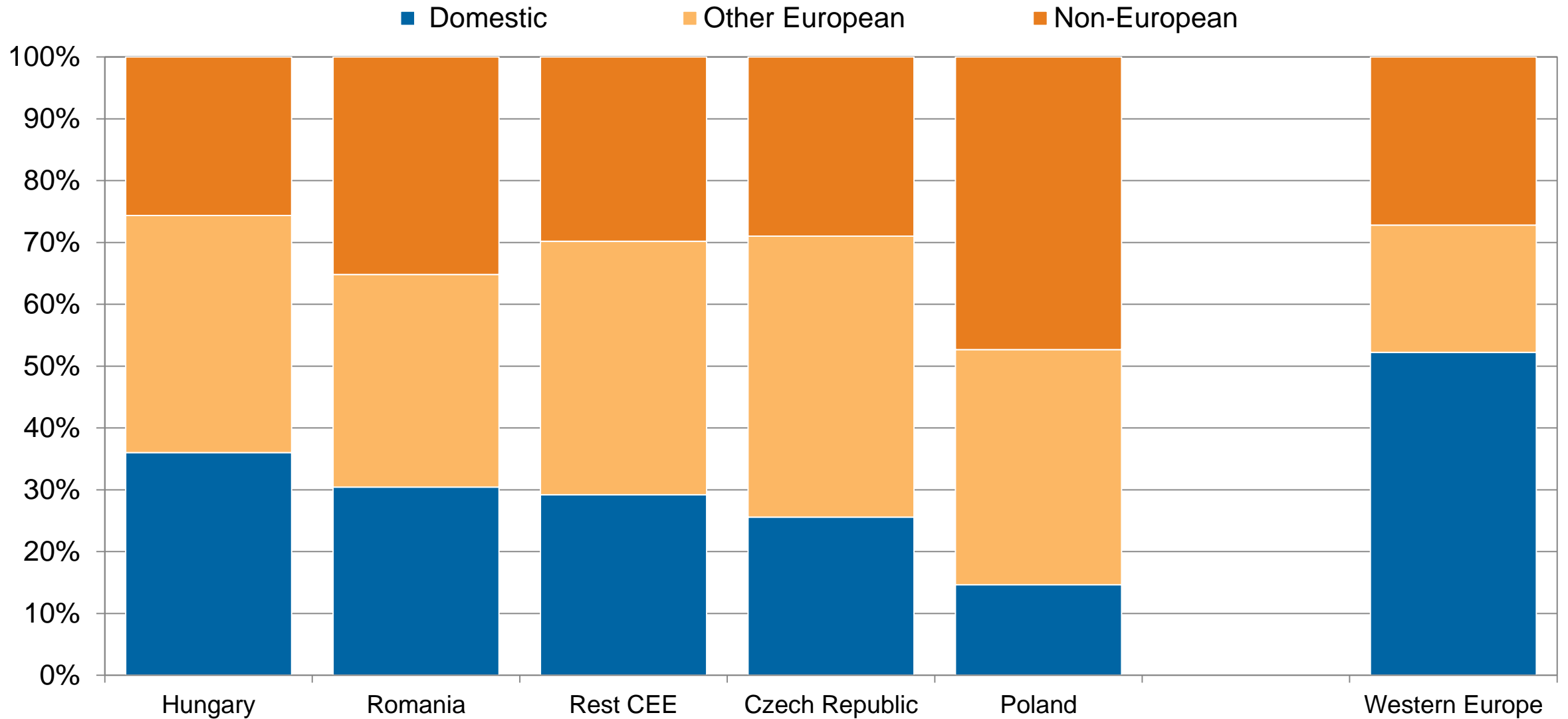
CRE Investment Volumes by Geography. 2019 YTD.

AND ACTIVITY AS % OF GDP, RELATIVELY 'UNDEVELOPED'



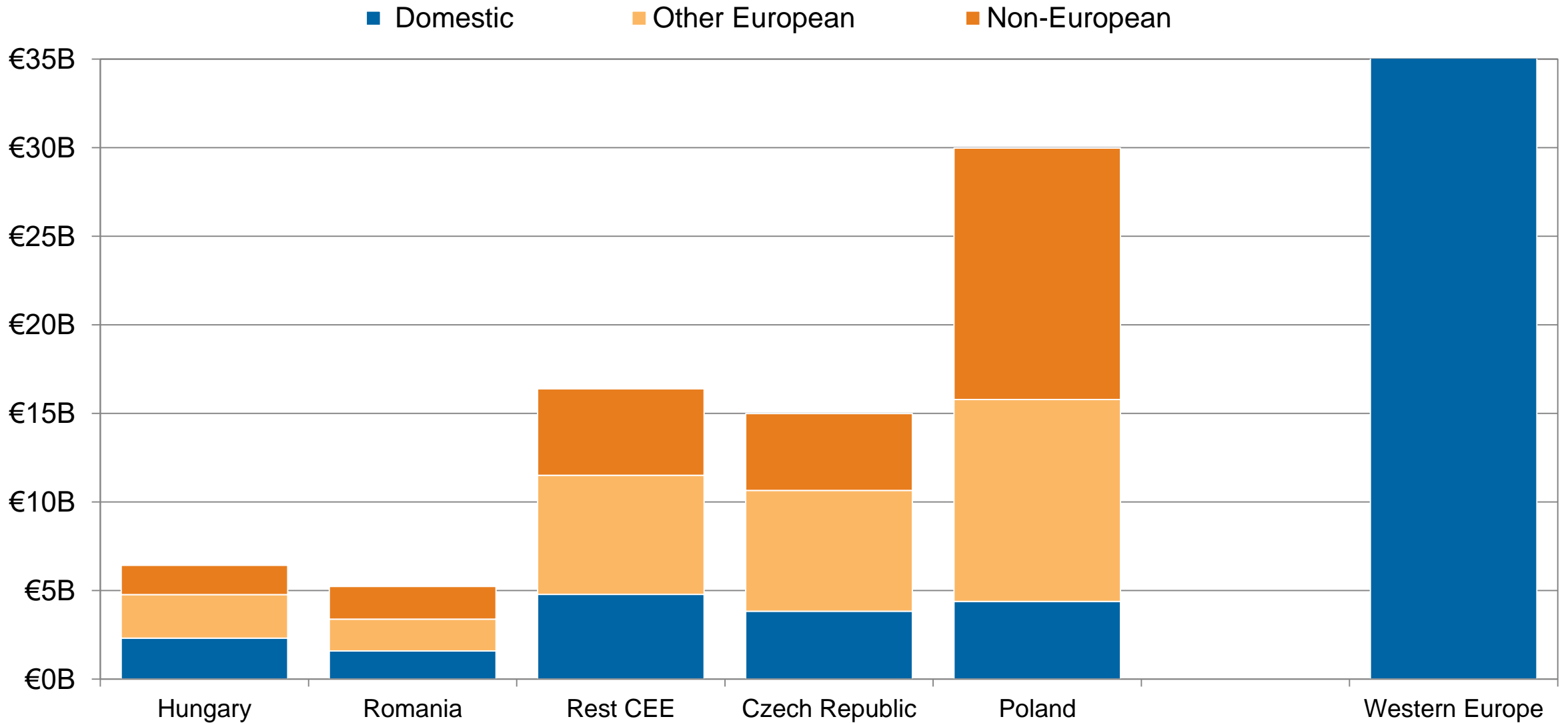
Average Annual Investment Volumes (Last 5 Years) As % GDP

WHY? SMALL DOMESTIC INVESTOR BASE



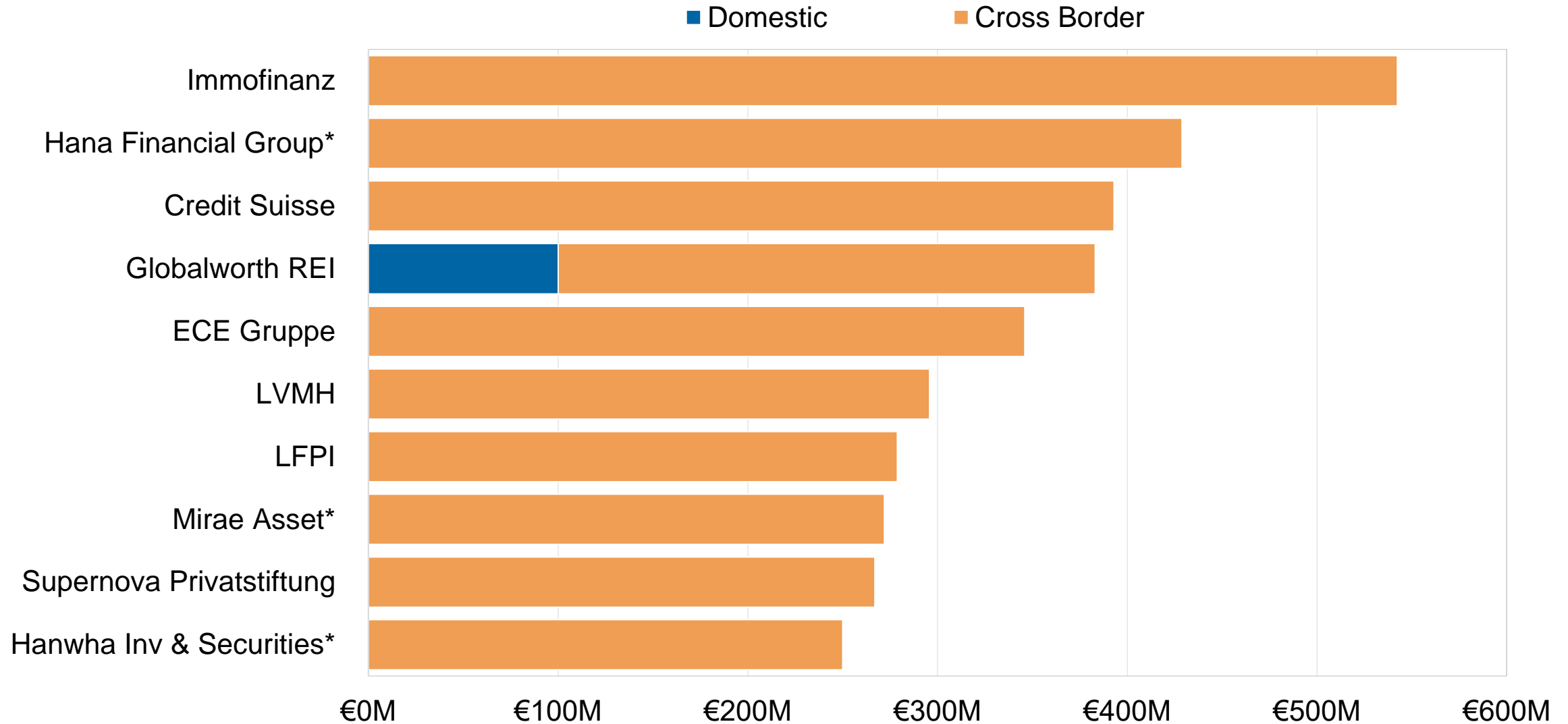
Volumes by Investor Origin, Last 5 Years

WHY? SMALL DOMESTIC INVESTOR BASE



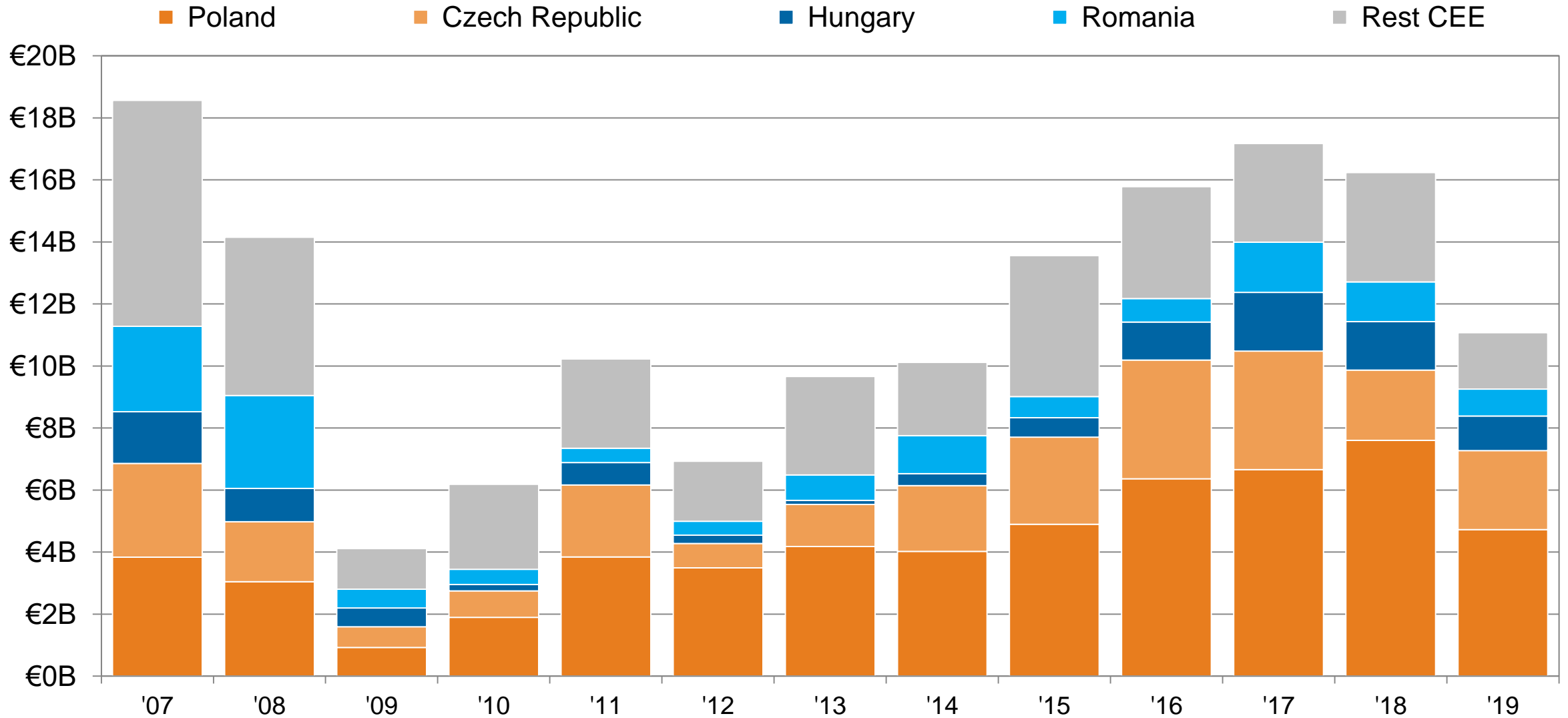
Volumes by Investor Origin, Last 5 Years

FOR EXAMPLE...



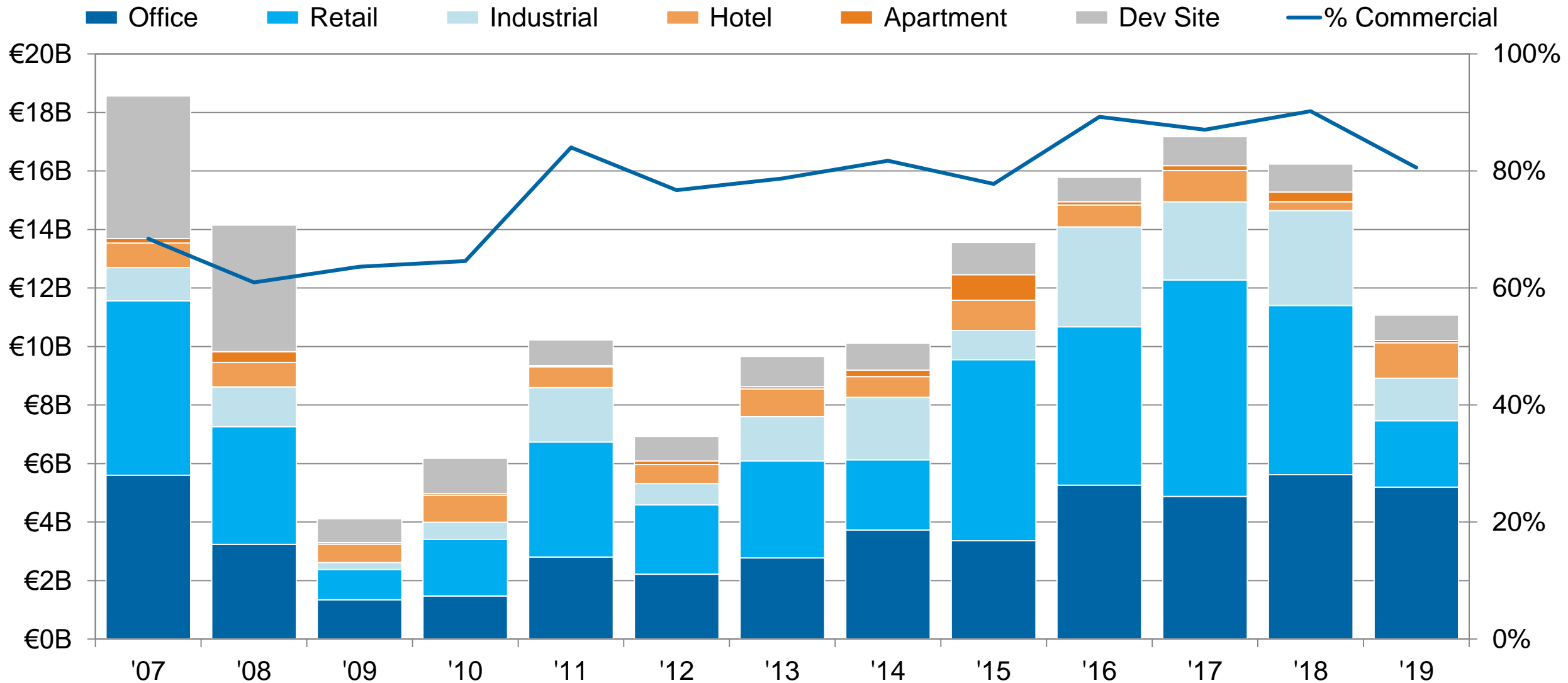
Top 10 Investors Into CEE CRE in 2019.

WHERE'S THE CAPITAL GOING?



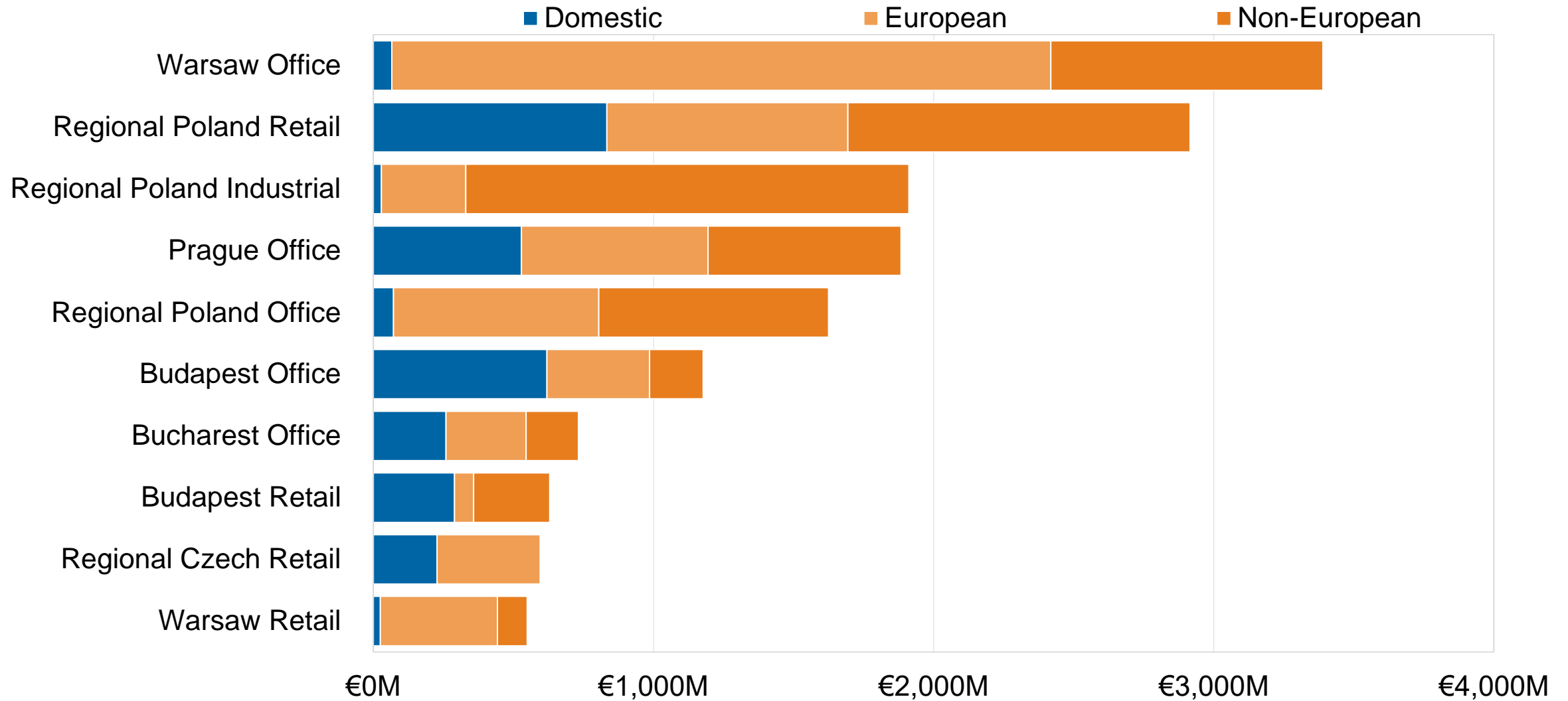
CEE Investment Volumes By Country (ex. Russia). 2019 = YTD

AND WHICH SECTORS?



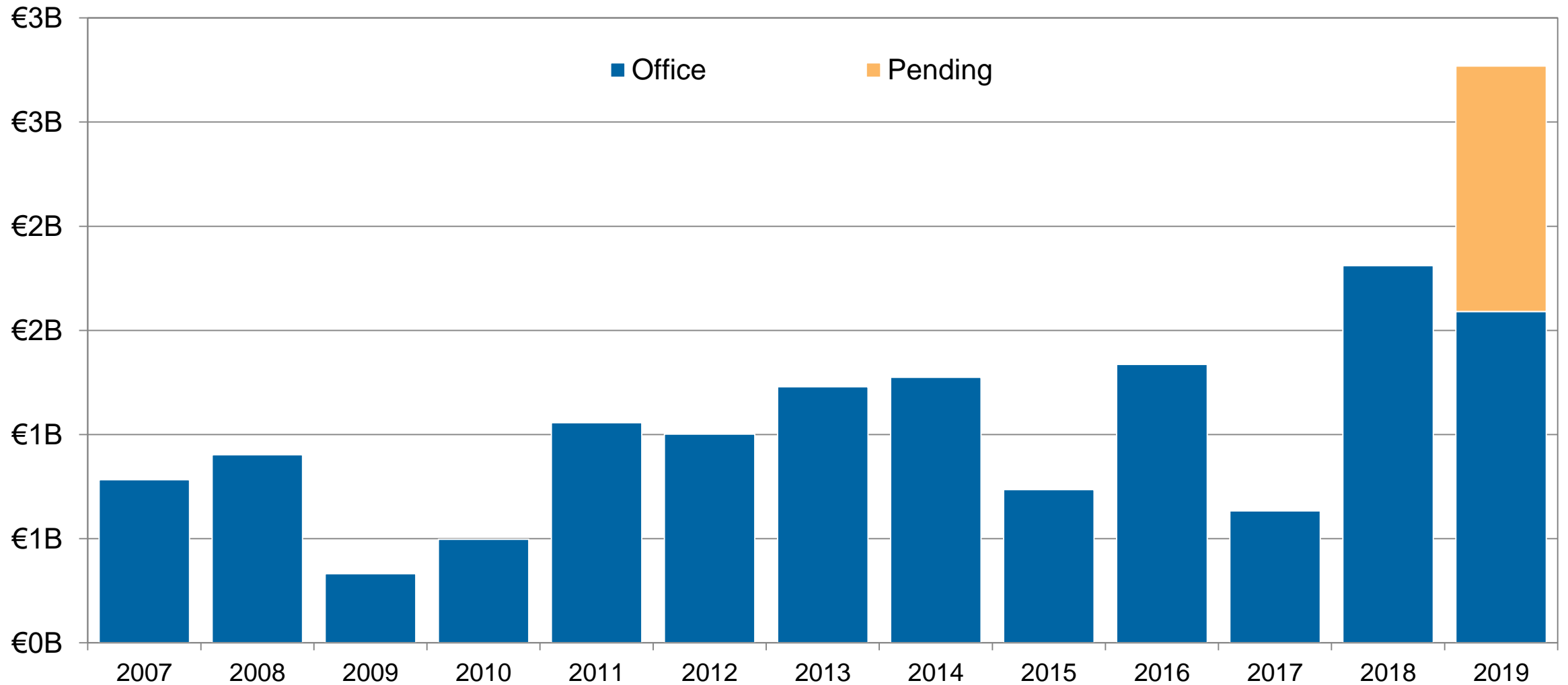
CEE investment volumes by property type (ex. Russia). Commercial = office, retail, industrial. 2019 = YTD.

BIGGEST MARKET / SECTOR COMBO



Top 10 market / sector combo. 2018 onwards

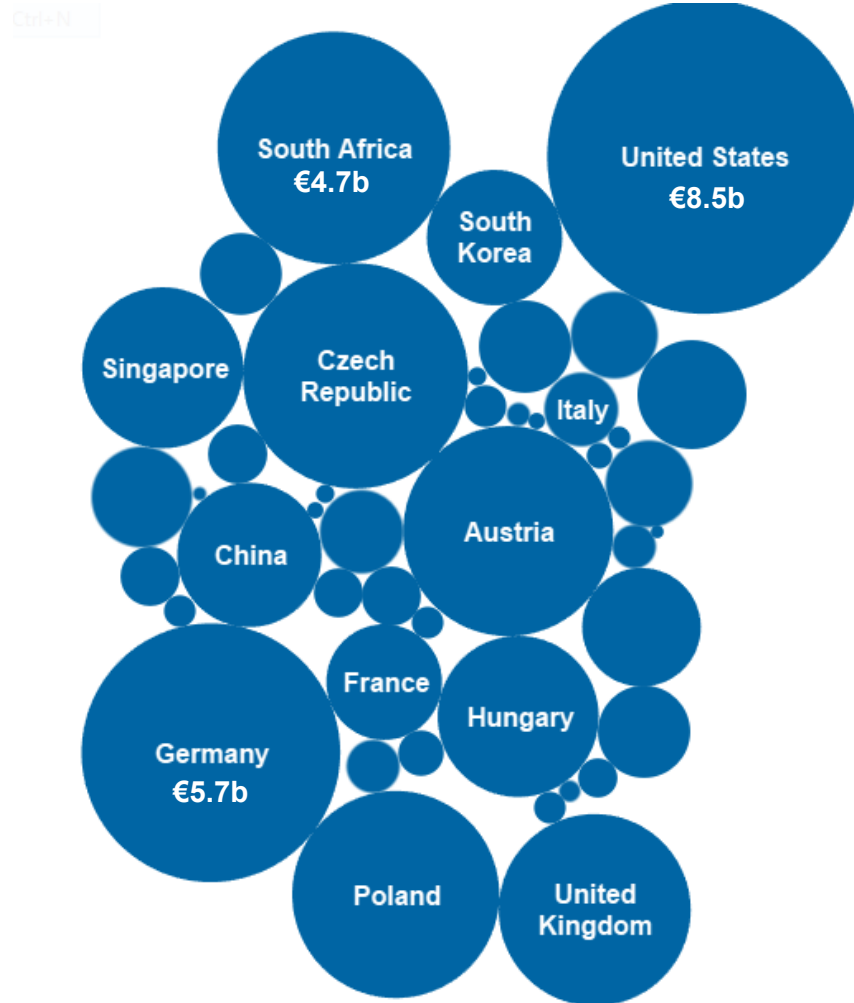
WARSAW OFFICE ON TARGET FOR ITS BEST EVER YEAR



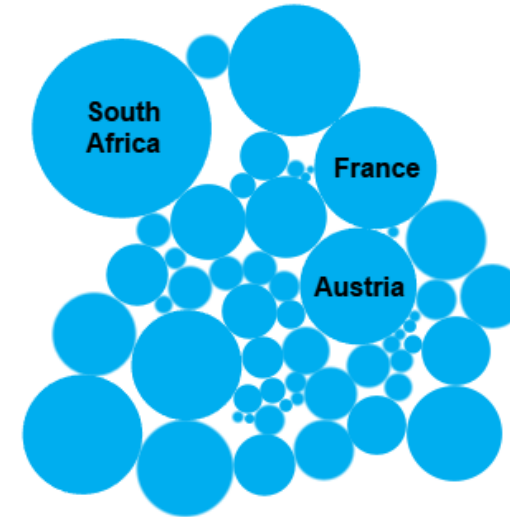
Deals greater than 5m Euros.

WHO ARE THE BIGGEST SOURCES OF CAPITAL? LAST 5 YEARS.

Central Europe

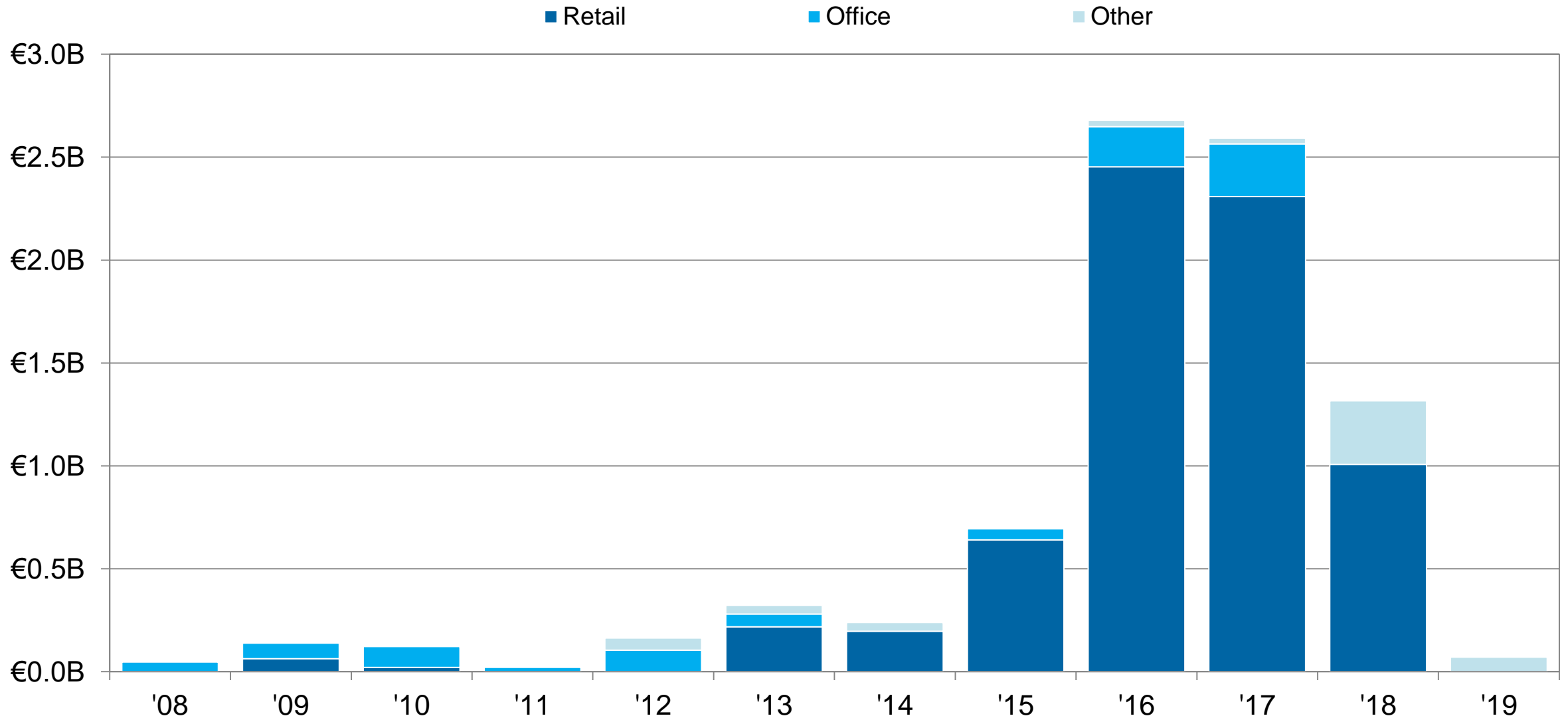


Eastern Europe



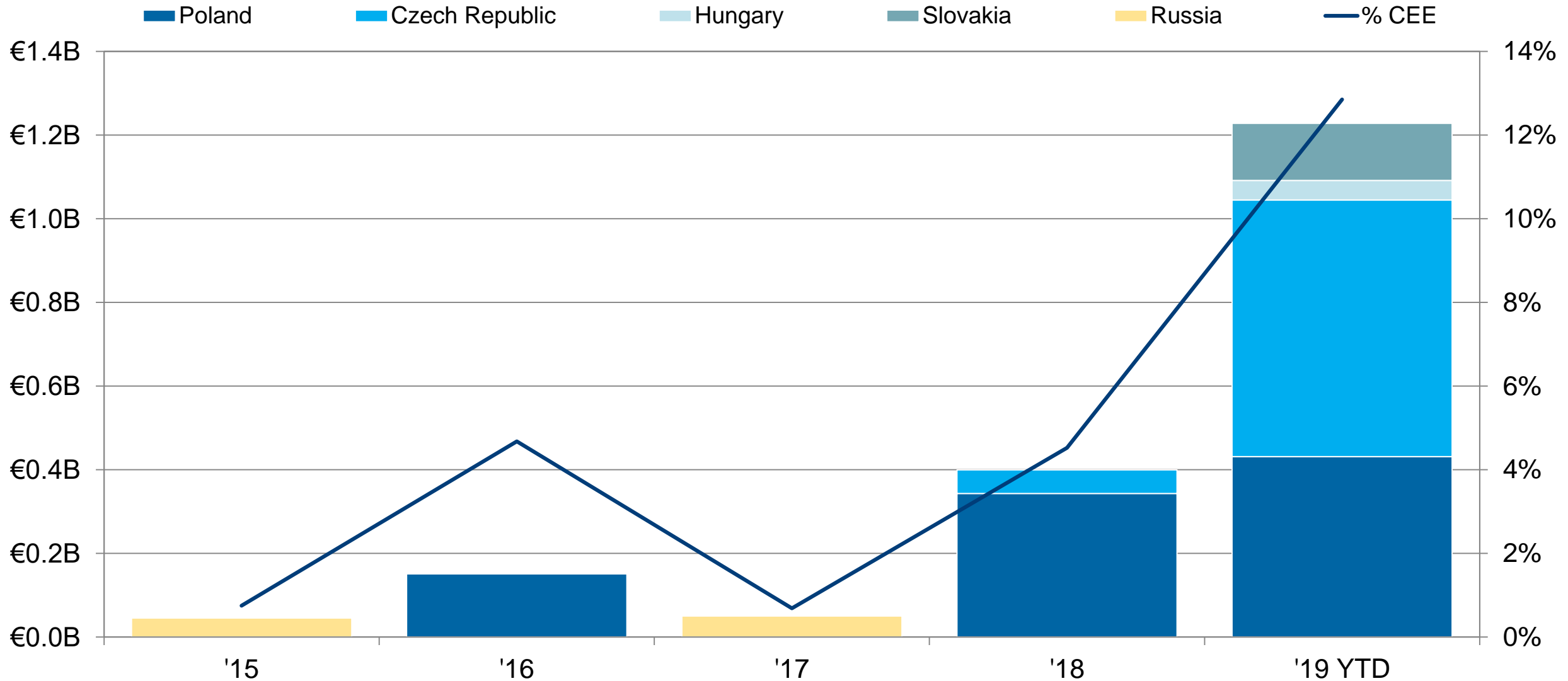
Top Sources of Capital in CEE Markets, Last 5 Years

SOUTH AFRICAN'S PAUSE AFTER STRONG FEW "RETAIL" YEARS



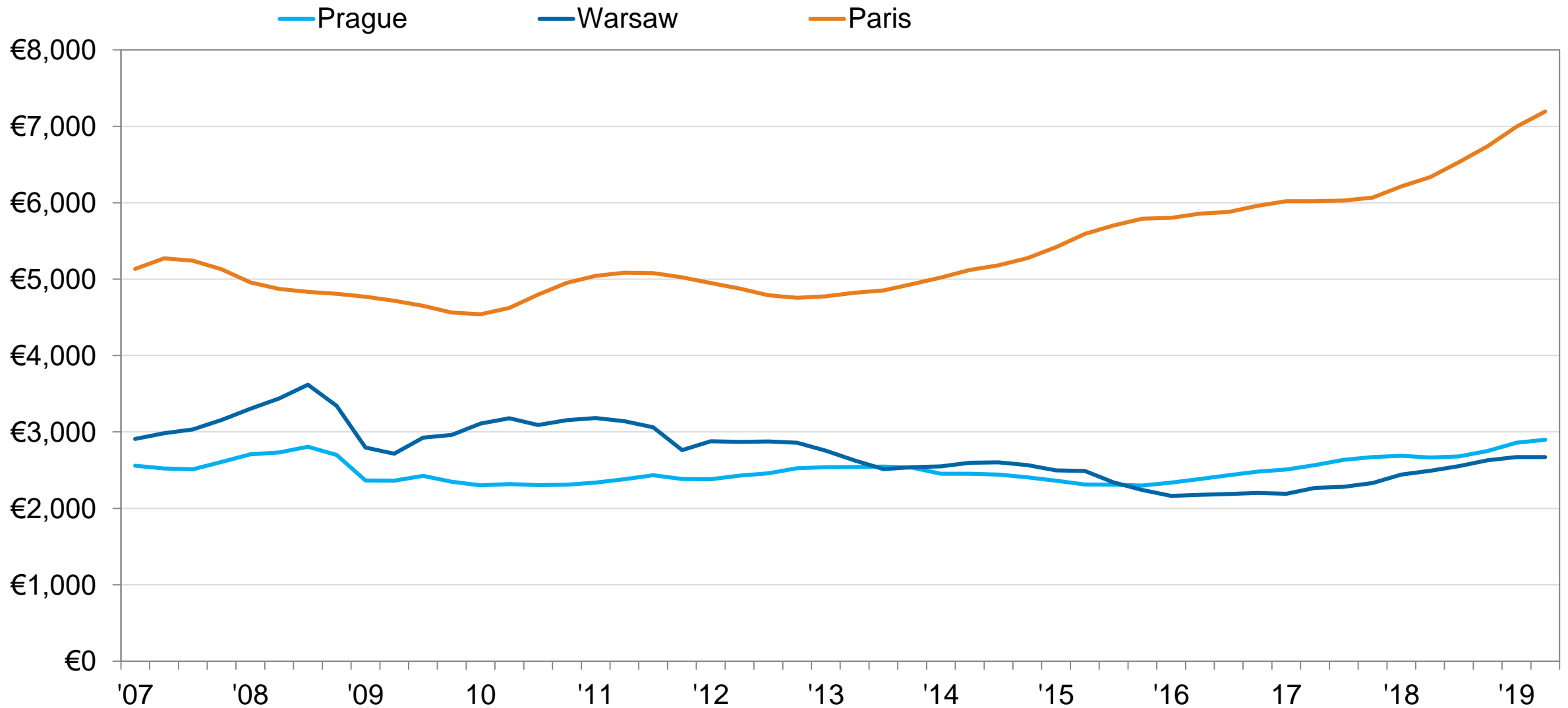
Cross-Border Investment By South African Investors By Property Type. 2019 = YTD.

BUT, SOUTH KOREANS STARTING TO TARGET CEE +€1 BILLION IN 2019



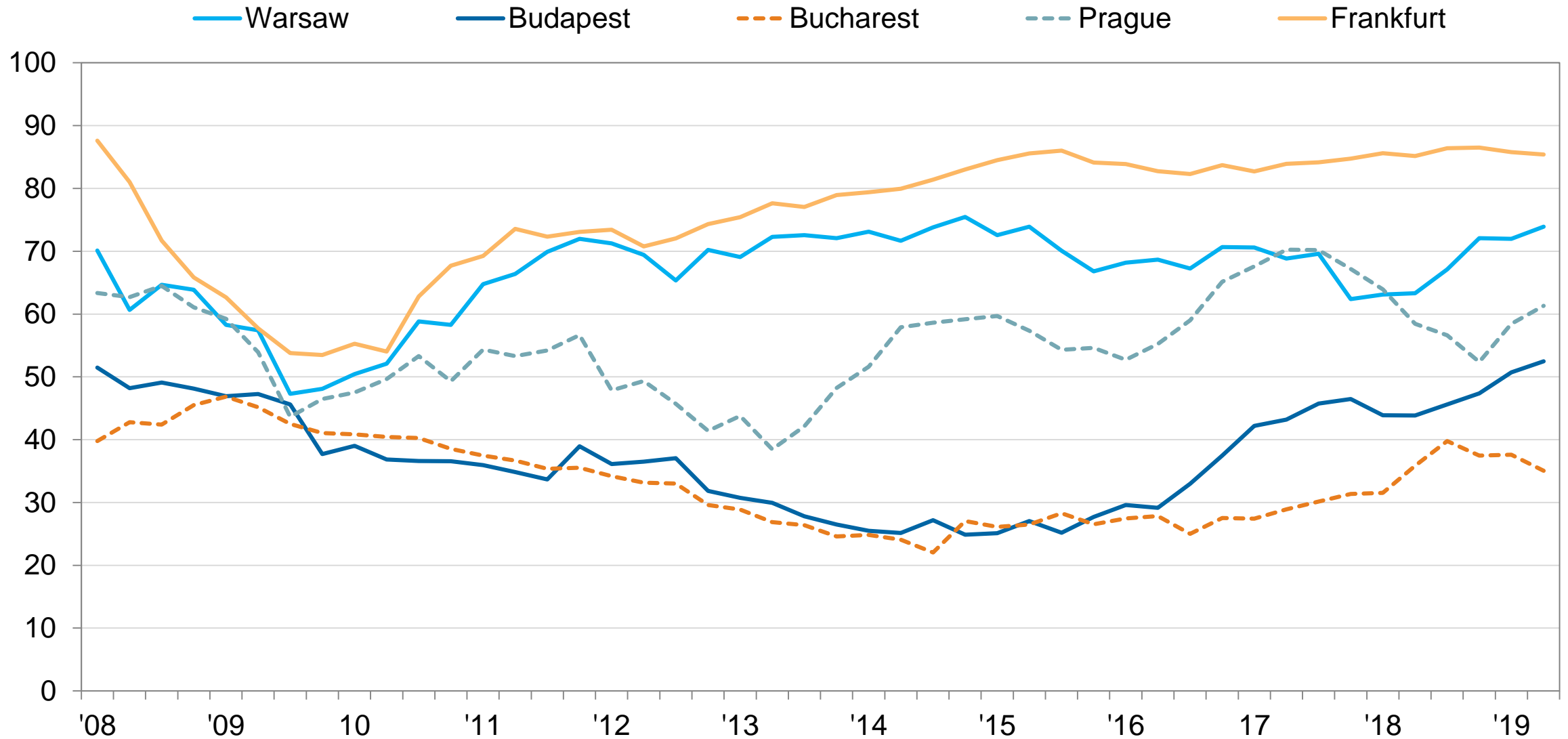
Cross-Border Investment By South Korean Investors By Target Market

WHY? A PRICE ADVANTAGE (AT THE MOMENT)



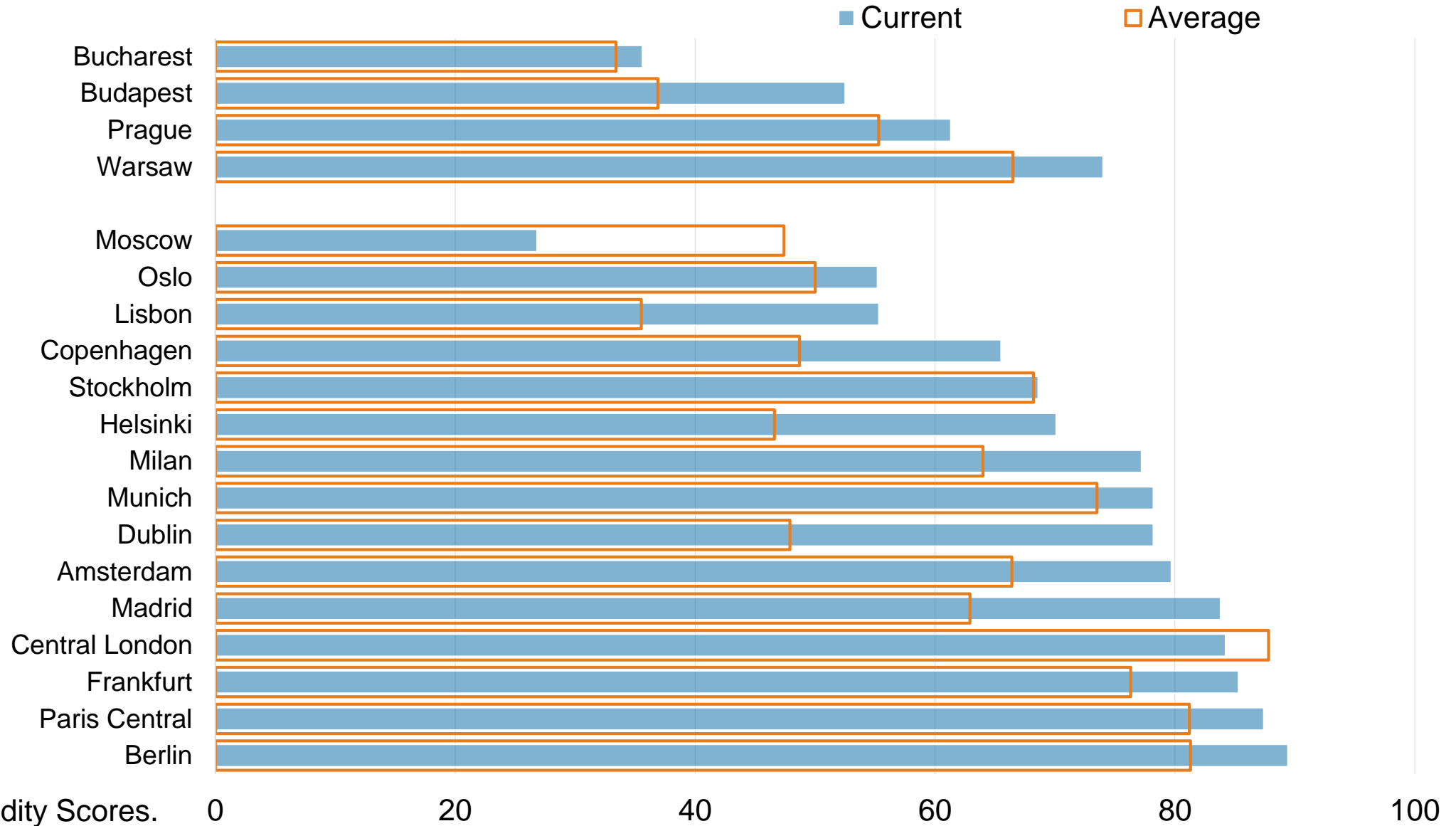
RCA Hedonic Average Price Series – Offices, €/sqm

HELPING TO DRIVE UP LIQUIDITY



RCA Capital Liquidity Scores

LIQUIDITY IS ABOVE AVERAGE IN MOST MARKETS – GOOD OR BAD?



RCA Capital Liquidity Scores.

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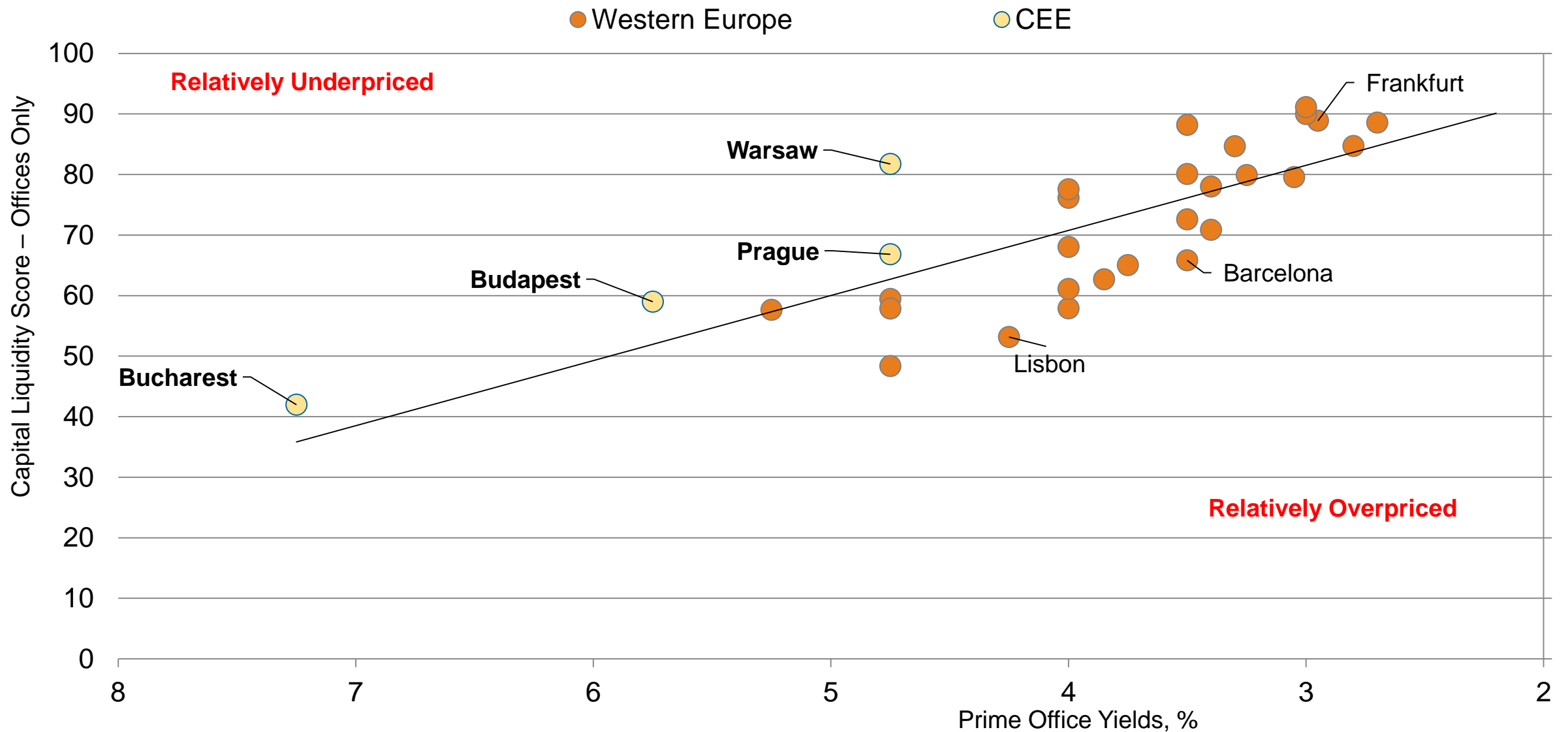
40

60

80

100

WARSAW STILL LOOKS RELATIVELY GOOD VALUE



RCA Office Liquidity Score vs. Prime Office Yields (source: BNP Paribas). Q2 2019

CONCLUDING COMMENTS

- Investors seeking new markets and sectors to deliver returns.
- Largest countries and cities recording slowing activity.
- CEE markets gaining share, Warsaw's office market on track for best ever year.
- Increased global capital flow brings risks to exit that investors need to understand.



Thank-you

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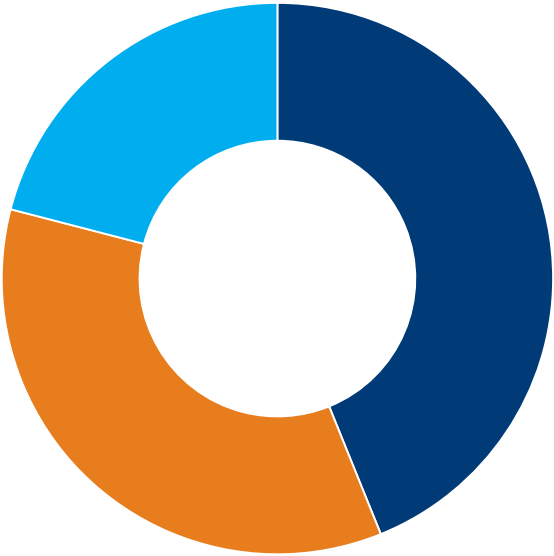
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YTD 2019 GLOBAL RCA HEADLINES



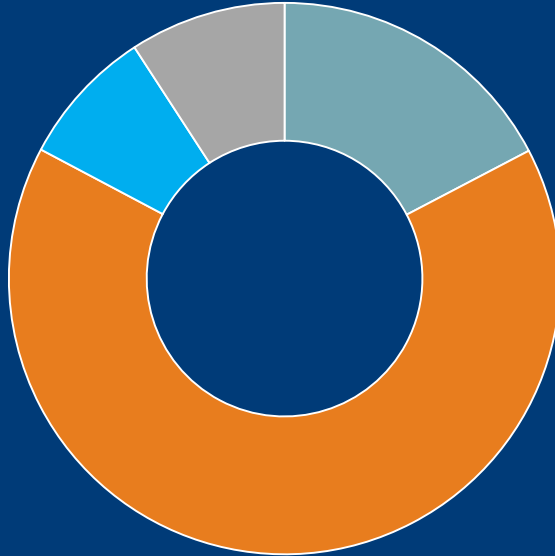
■ Dev Site ■ Income-Producing

\$1.1tr
spent



■ Americas ■ AsiaPac ■ EMEA

16,710
deals



■ Institutional ■ Private ■ Public ■ Other

10,815
investors