

Highlights

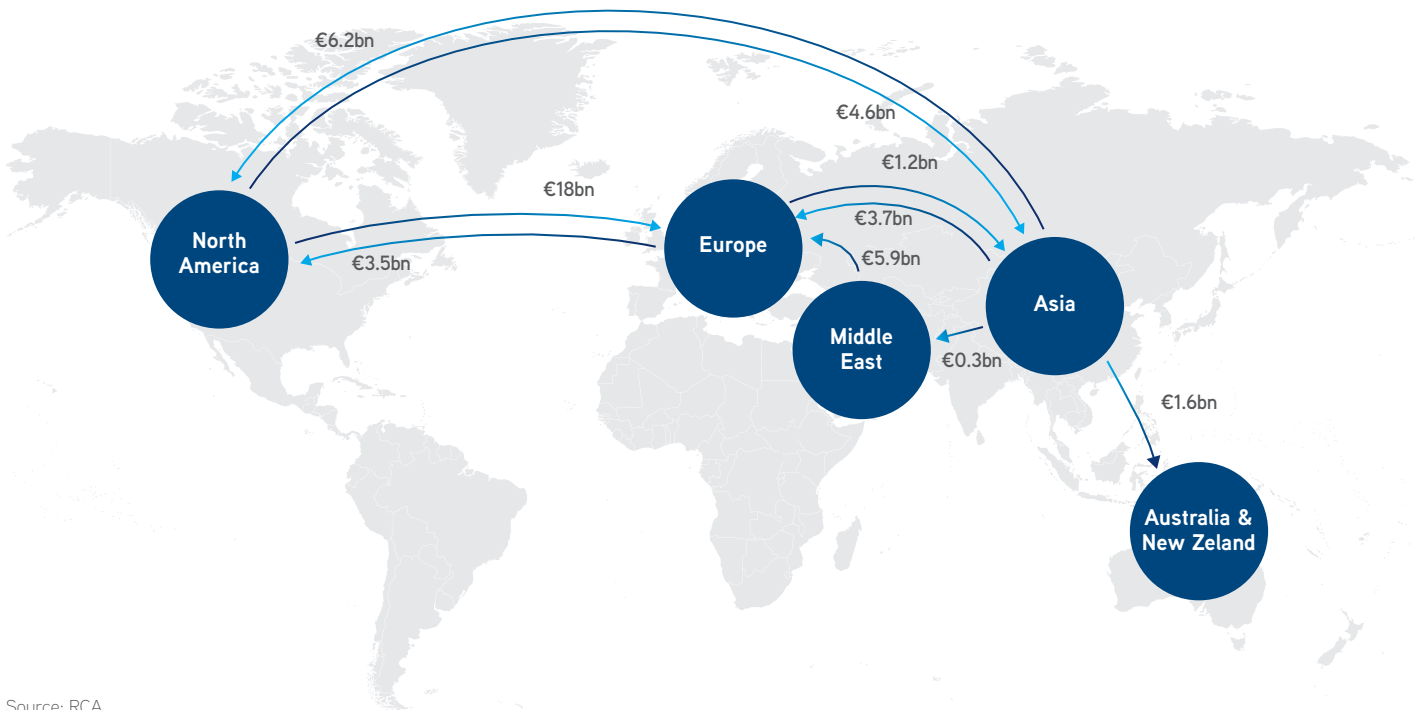
- Cross border investment in Europe up 32% y/y in H1 2014 to €44bn.
- Weight of capital and lack of product driving City of London yields lower.
- UK institutions return to Central London primarily due to rental growth story compared with regional UK performance.
- Second wave Asian capital moving up the risk curve as European economies grow, with more established buyers looking beyond Central London offices at other asset classes like shopping centres in the UK, and stable office income investments in other tier-one cities such as Frankfurt, Paris and Madrid.
- Canadian investors increasingly active in continental Europe, with Australian funds and Sovereign Wealth Funds (SWFs) such as NBIM and Kuwait Investment Authority also eyeing European expansion.
- Spain saw an increase in transactions as investors widen their focus to retail and development opportunities.
- Growing foreign interest in Dutch residential, while German investors cement their presence in Amsterdam CBD.
- Flurry of deals underscores investors' appetite for alternative product including hotels/serviced apartments.

Key Transactions in Q2 2014

COUNTRY	CITY/REGION	PROPERTY	TYPE	BUYER	SELLER	ESTIMATED VALUE (€M)	YIELD
Belgium	Brussels	North Galaxy	Office	ATP (Denmark)/AXA	Cofinimmo	475	5.6%
Czech Republic	Prague	Four Seasons Prague	Hotel	Northwood Investors (US)	Avestus Capital Partners	80	n/a
France	Paris	Paris Marriott Hotel Champs-Elysees	Hotel	Kai Yuan Holdings (Hong Kong)	MCE PropCo.	344	n/a
UK	London	22 Hanover Square	Office	Indiabulls (India)	Scottish Widows Investment Partnership - Aberdeen	193	3.4%
Spain	Madrid	Edificio Espana	Mixed-use	Dalian Wanda Groups (China)	Banco Santander	265	n/a
Spain	Vigo	Gran Via de Vigo	Shopping Centre	Oaktree Capital (US)	CBRE GI	110	7%
Italy	Rome	Roma Est	Shopping Centre	GIC (Singapore)	CBRE GI	200 (50% share)	n/a
Various	Germany/Poland/France	Portfolio	Industrial & Logistics	SEGRO/PSP (Canada)	Tristan Capital Partners/AEW Europe	472	7.1%
Ireland	Northern Ireland, UK and Europe	Eagle Loan Portfolio	Debt	Cerberus (US)	NAMA	5,600	n/a
Germany	Düsseldorf	Metro HQ	Office	IVG Institutional Funds	Metro Group	200	n/a
The Netherlands	Amsterdam	The Edge	Office	DEKA Immobilien (DE)	OVG	200	6.5%

Source: Colliers, RCA

Global Cross Border Flows - H1 2014



Source: RCA

Increase In Cross Border Investment In H1 2014

- Cross border investment in Europe reached €44bn in the first half of 2014, up 32% from €33.4bn in the same period last year, according to preliminary estimates from RCA.
- Circa 53% came from outside of Europe.
- Cross border investment represented approximately 57% of total European investment turnover in H1 2014.

New Wave Of Asian Investors Chasing London Property

- Asian capital still dominates Central London.
- Established Asian capital paying sub-5% yields in the City of London as a result of less competition and improved understanding of the UK market, for example:
 - > China Overseas Land and Investment (COLI) paying 4.6% NIY for Carmelite Riverside (€200m)
 - > Ginkgo Tree paying 4.8% NIY (€375m) for Sainsbury's HQ in Holborn
- The key deal in London this quarter was China Life and Qatar Investment Authority taking a 90% interest (70%+20%) in Clifford Chance HQ in Canary Wharf, 5.3% NIY (€980m).
- More established Asian buyers are increasingly prepared to venture outside Central London, looking at other asset classes such as shopping centres/malls with asset management potential, for example:
 - > KWAP from Malaysia recently acquired an 80% share of Intu's Uxbridge Shopping Centre for €220m, reflecting a yield of 6%

> Ginkgo Tree is also rumoured to be buying a c.50% stake in Cabot Circus Shopping Centre in Bristol

Asian Investors Looking At Rest Of Europe

- A better economic outlook, and understanding of the market, is pushing some Asian capital onto the continent.
- Some Asian institutions – led by South Korean, Chinese and Taiwanese insurance companies – bidding for assets in the tier-one cities of Paris and main German cities.
- An increase in Asian capital is also entering Madrid and Rome, as highlighted by GIC (Singapore) recently taking full control of a shopping centre in Rome (Roma Est) for approximately € 200m, and Dalian Wanda buying a historic skyscraper (Edificio Espana) for redevelopment in Madrid from lender Banco Santander for €265m.

Canadian Capital In Continental Push

- Canadian capital is increasingly active. Recent examples include PSP teaming up with Drago Capital to purchase an office property in Madrid (Castellana 200) for approximately €140m.
- PSP and SEGRO JV completed the acquisition of a €472m logistics portfolio in Germany, Poland and France from Tristan Capital Partners and AEW Europe.
- Oxford Properties is also believed to be finalising the acquisition of Tour Blanche in La Defense, its first acquisition in Paris, for circa €250m.

NBIM Global Drive And Australian Pension Fund Expansion Plans

- NBIM, the world's largest SWF, expects to invest 1% of the fund in real estate in each of the next three years, globally, which amounts to circa €20bn. In Europe, NBIM is understood to be looking to invest mainly in core markets, with London, Paris, Munich and Berlin as top target destinations.
- Pension Fund Australian Super, worth €52bn, has recently mandated Rockspring to expand its European portfolio, with a focus on landmark office properties and dominant retail investments.

Private Equity Appetite For Non Performing Loans (Npls) And Core+ Product Undiminished

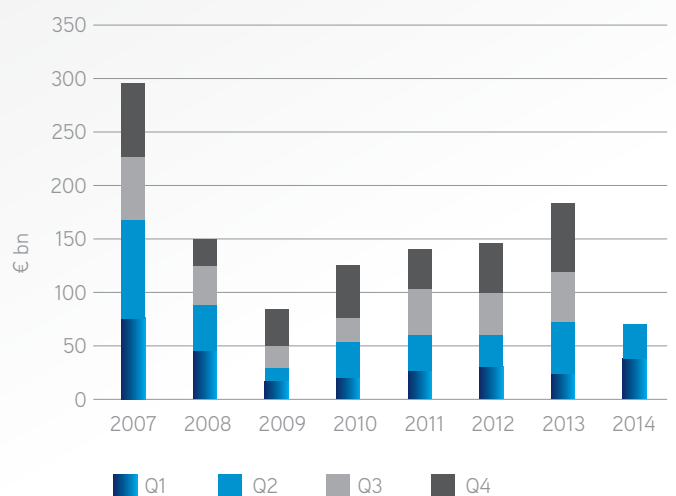
- According to Indirex, 2013 allocations to Europe and the UK amounted to approximately 25% (\$40bn - €30bn) of \$156 bn (€115 bn) raised globally, with Blackstone and Kildare Partners earmarking the largest sums to Europe.
- Blackstone has recently acquired:
 - > Alban Gate in London for approximately €360m, reflecting a yield of circa 6%
 - > Herzogterrassen in Düsseldorf for approximately €350m
 - > Cap Gemini HQ in Utrecht for just over €60m
 - > A retail park in Italy for an estimated price of € 115m
 - > A €473m logistics portfolio from Foncier des Regions in France and Germany
 - > A €257m logistics portfolio from SEB Asset Management
 - > A €118m logistics portfolio in Poland from the Standard Life Select Fund
- Other notable portfolio transactions (including NPLs) concluded by private equity include:
 - > Kildare Partners acquired the Mars portfolio - 26 office and two hotels properties in Germany plus debt - from Deutsche Bank for approximately €1bn
 - > Oaktree Capital won Project Adelaide - 200 retail, office and industrial properties in Germany - from Nationwide for circa €675m
 - > NAMA sale to Cerberus of the Northern Ireland real estate loan book, known as Project Eagle, for approximately €5.6bn

Spanish Revival Continues As Investors Widen Focus To Retail And Development Opportunities

- Cross border investment in Spain continued to grow, reaching €2.3bn in H1 2014, up from €780m a year ago, according to RCA.



Total European Property Investment



Source: RCA

- There has been a significant increase in investment in shopping centres. Orion Capital Management, for example, acquired Islazul Shopping Centre in Madrid for approximately € 200m.
- Oaktree recently made its first foray in the Spanish property market, buying a shopping mall in Vigo for approximately €110m, reflecting a 7% yield.
- Dalian Wanda, from China, acquired the “Edificio Espana” in Madrid, highlighting growing interest in development opportunities.

Growing Foreign Interest In Dutch Residential

- The Netherlands is also seeing a high level of interest, with transaction volumes reaching nearly €4bn in H1 alone (+70% y-o-y), of which €2.4bn was cross border capital.
- A number of large residential portfolios, from housing corporations like Vestia (€500-600m) and WIF (approximately €350m), have reportedly come on the radar of some foreign investors.
- Offices were still the most traded asset class in H1:

German institutions further cemented their presence in Amsterdam CBD with DEKA acquiring “The Edge” new office development for approximately €200m, reflecting a 6.5% gross yield.

Flurry Of Hotel Deals

- Recent transactions show Hotels gaining further ground as an asset class. Examples include:
 - > Apollo Global Management (US) acquired a portfolio of 18 hotels across Germany, Spain and France, valued at € 425m, in what is believed to be its first hotel investment in Europe
 - > QIA (Qatar) recently added five more properties to its hotel portfolio, located in Cannes, Madrid, Frankfurt, Amsterdam and Rome
 - > QAFIP (Qatar) acquired the Hotel Renaissance in Barcelona for approximately € 78m
 - > Union Investments (Germany) acquired a Radisson Blue hotel in Amsterdam for an estimated price of € 90m
 - > Joint Treasure (Hong Kong) paid approximately €150m for the London Marriott Grosvenor Square Hotel

The commercial real estate market of Europe will continue to exhibit continuity of volumes in Q3 irrespective of the summer period. Expect a few large additional surprises as capital seeks out opportunity.

Metro HQ - 15 year sale and leaseback - Dusseldorf

BUYER IVG Institutional Funds

SELLER Metro Group, advised by Colliers International

PRICE €200m



For more information, please contact:

Richard Divall
Head of Cross Border Capital Markets | EMEA
TEL +44 20 7487 1605
richard.divall@colliers.com

Bruno Berretta
Senior Research Analyst EMEA
TEL +44 20 7344 6938
bruno.berretta@colliers.com

Colliers International EMEA
50 George Street
London W1U 7GA, United Kingdom
TEL +44 20 7935 4499

Copyright © 2014 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.