

CORFAC International

EUROPEAN MARKET REVIEWS

Autumn 2015



WELCOME TO THE CORFAC INTERNATIONAL EUROPEAN AFFILIATE MARKET DIRECTORY

Welcome to the first edition of the CORFAC International European market review. Inside you will find property and financial data relating to 10 European countries where CORFAC International is represented by local entrepreneurial and commercial real estate Firms. If you require any further information please contact the country representative and the details can be found on each report.

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UNITED KINGDOM - Farebrother | CORFAC International

CORFAC International affiliate for

France

Country Summary

Population:	66.3 million
GDP Growth:	0.2%
GDP per capita:	€39,870
Average annual inflation:	0.3%
Median monthly gross wage:	€2,874
Unemployment rate:	10.3%



Market Overview

Investment: Total commercial investments in 2014 were €23.8 billion, nearly matching the peak in 2007. S1 2015 was €10.8 billion with 30 transactions over €100 million, representing €6.7 billion. Despite a stagnant French economy, real prime rents are stabilising. Prime office yields are at a record low around 3.75%. French institutional investors, representing well over 50% of the market, are nowadays fiercely competing with American, Middle Eastern and Asian investors. Prime office yields in the major regional office markets (Lyon, Marseille, Lille and Toulouse) are approximately 200 bp higher than in Paris.

Office Sector: Ile de France office stock is 53 million m² making it one of the 2 largest office markets in the world. The Paris region, with 12 million inhabitants, represents 18% of the French population, but produces 30% of the national GDP. Vacancy rate is around 7.5%. The extremely central function of Paris in France explains the concentration of all major business HQs (both national and international) and administrative (governmental and regional) departments in the capital. This creates a permanent depth in demand, stronger than in any other European market. Gross take up in Î-d-F in S1 2015 was 915,000 m², 22% less than in the same period in 2014. Prime rents are just under € 700 per m² p.a. For the Î-d-F area the average is around € 500 per m².

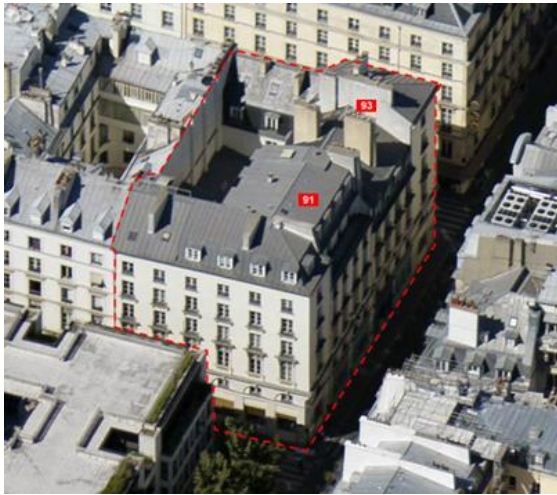
Retail Sector: Massive increase in demand for prime high street retail units in Paris, as the n° 1 tourist destination in the world, France, and particular Paris attracts tens of millions tourists per year. In addition to that, Paris can be considered the world capital of the luxury fashion and cosmetic industry. This leads to some of the main retail streets in the capital, with a limited stock of supply such as the Avenue des Champs Élysées, Rue du Faubourg Saint Honoré and some others to be high in demand by the increasing numbers of international retailers creating real rental growth in a stagnant economy. Investment yields at these locations hover around 3.50%. In the regional city centres, these yields tend to be 50-75 bp higher. Regional shopping centres prime yields are around 4.00 %.

Industrial Logistics: The backbone of the French logistics market is the North-South axis Lille-Paris-Lyon-Marseille. Overall rents in this sector in France are considerably lower than in the surrounding countries. Prime rents for new logistics class "A" space in the Î-d-F area, ignoring tenant's inducements, are around € 50 per m² p.a. In the Lille, Lyon, and Marseille regions the overall prime rents are around 10%-15% lower than IDF. Take up in France in 2014 was ± 1.8 million m². S1 2015 take up in France was ± 1.2 million m², an increase of more than 30% compared to the same period in 2014. This sector only represented ±5% of the French investment market. North American investors were involved with more than 50% of this type of investments.



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Notable BG Carré Transactions



91-93, rue de Richelieu, 75002 PARIS

Sale of a 3,500m² office building with project to develop into a 66-key, 4 star hotel. € 26.5 million



202, rue de la Croix Nivert, 75015 PARIS

Sale of a 2,900 m² fully-leased office investment € 19.5 million



PANALPINA
on 6 continents

GEODIS
WILSON – Freight Management

Centre Logistique Aéroportuaire, Saint Exupéry, Lyon

Sale of a new, fully leased 14,600 m² airfreight logistics investment € 11.25 million

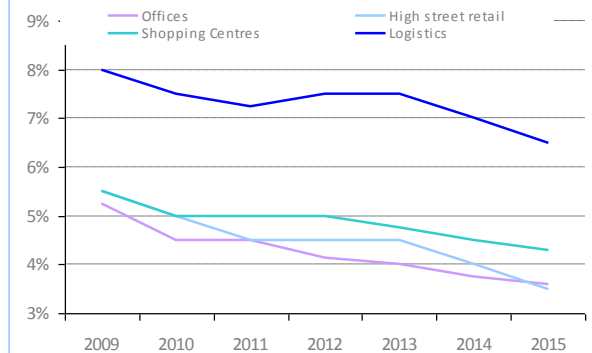


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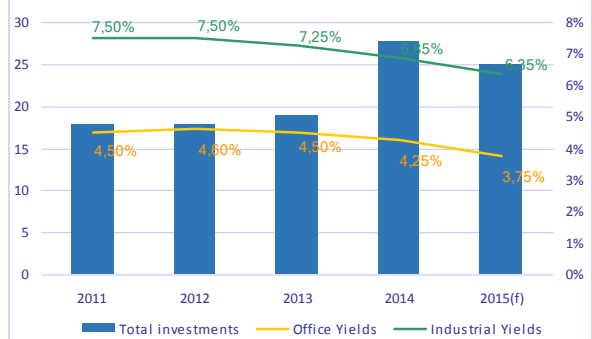
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France Market Data

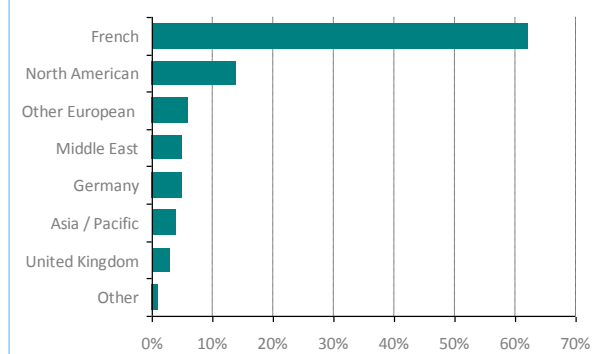
France : Prime Investment Yields



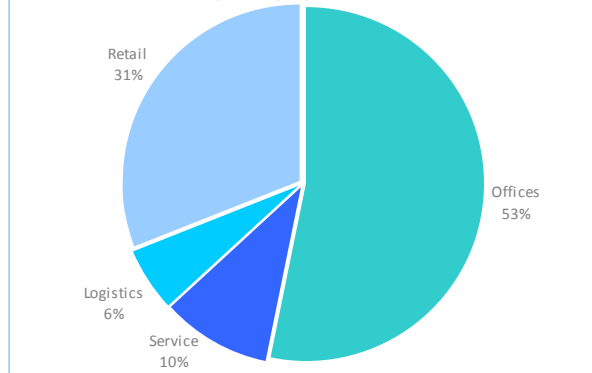
France Investment Volume and Prime Yields



France Investments by Nationality of purchasers



France Investments by category



CORFAC International affiliate for

Germany

Country Summary (2014)

Population:	81.08 million
GDP Growth:	1.6%
GDP per capita:	€35,247
Average annual inflation:	0.9%
Average monthly gross wage:	€3,527
Unemployment rate:	6.7%



Market Overview

Investment: 2014 was an extraordinarily good year in relation to real estate investment - with Germany reaching number five in the worldwide top target markets for real estate investment - after the USA, the UK, China and Japan. The investment volume was approximately €40 billion (plus approximately €13 billion in residential properties), which was more than 25% higher than in 2013. For 2015 an investment volume of more than €45 billion is expected.

Office Sector: German office stock differs from other European office markets. There are no dominant markets like Paris (52.5 million m²) in France or London, in the United Kingdom (34.5 million m²). Germany has 7 cities known as the 'big seven'.

3 German office markets are in the top 10 of Europe: Munich, Berlin and Hamburg with a total stock of about 45 million m². Office rents in Germany are still very affordable compared to other locations in Europe or worldwide. Even top rents rarely exceed €25 to €30 per m²/month. It is expected that the demand for modern and efficient office space will remain high throughout 2015.

Industrial Logistics: The stable economic situation in Germany, increasing external trade and the fast growing online shopping are the reasons for a high demand of industrial space in 2015.

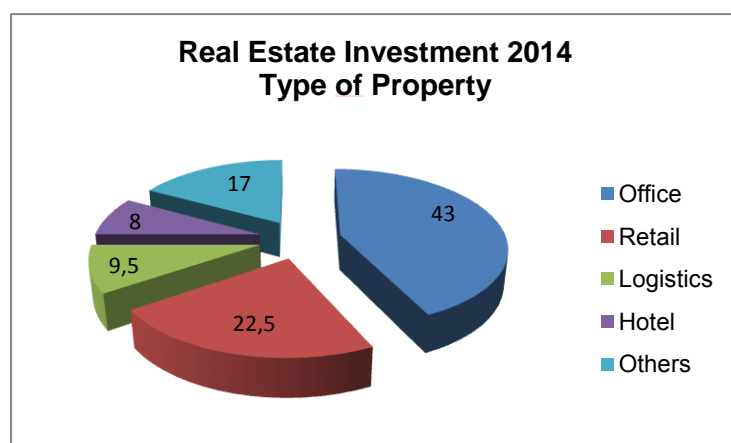
A high level of owner occupiers of more than 40% in the sector, limits the possibilities for investors wanting to invest in Germany. During the last year yields went down to 6.5% and the pressure on yields will stay. Rents are stable at between €4.50 per m²/month to €6.50 per m²/month.

Market Data

Investment by Cities

City	Investment volume 2014	Office Investment	Average Yield
Berlin	€4.0bn	58 %	4.7 %
Hamburg	€3.6bn	76 %	4.5 %
Munich	€5.1bn	59 %	4.1 %
Cologne	€1.2bn	63 %	5.0 %
Frankfurt/Main	€5.0bn	77 %	4.6 %
Stuttgart	€1.1bn	73 %	4.9 %
Düsseldorf	€1.9bn	69 %	4.8 %

Investment by Property Types



Office Market by Cities

City	Office Space m²	Vacancy Rate	Top Rent m²/month	Average Rent m²/month	Take-Up 2014 m²
Berlin	18.5m	4.8 %	€23.00	€13.50	603,000
Hamburg	13.2m	6.1 %	€24.50	€15.50	522,000
Munich	22.8m	5.3 %	€34.50	€15.00	612,000
Cologne	7.60m	6.9 %	€20.50	€11.50	240,000
Frankfurt/M.	11.7m	12.3 %	€37.50	€19.50	365,000
Stuttgart	7.5m	4.7 %	€21.00	€12.50	275,000
Düsseldorf	7.6m	9.8 %	€26.00	€14.00	246,000

B&P Transactions



Investment sale of a listed office headquarter in Berlin



Sale of a logistic center (automotive) in the Port of Emden 80,000 m²



Purchase of an office building in Stuttgart

CORFAC International affiliate for

Ireland

Country Summary

Population:	4.58 million
GDP Growth:	6.5%
GDP per capita:	\$49,360
Average annual inflation:	2.65%
Median monthly gross wage:	€2387
Unemployment rate:	9.8%



Market Overview

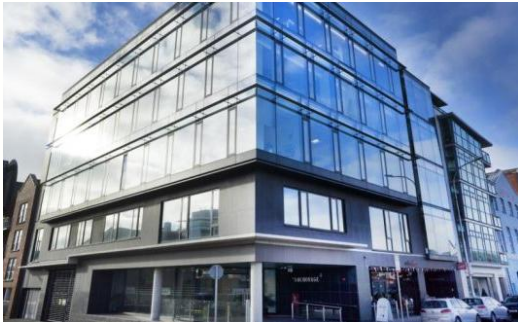
Investment: The core Dublin investment market has recovered most of the substantial losses it incurred since peaking in 2007. Offices especially have seen a remarkable recovery in both rents and yields, and now the Retail sector, driven by indigenous factors is showing positive signs off the back of a recovery in the overall economy. Regional Investment pricing remains subdued but as the recovery spreads from Dublin, we expect this to change over the next 12-24 months.

Office Sector: The Core Dublin Office market has recovered to the extent that prime rental values are now approaching levels experienced at the top of the last cycle. One major difference is that supply has been very restricted as foreign equity has been concentrating on investment as opposed to development opportunities and construction finance is still hard to come by. This is changing and we see core development being a key part of any large investor's future return strategy - although we still see a restriction on speculative schemes in the short term. The suburban markets are beginning to see a recovery given the correction in core rents.

Retail Sector: The prime retail market in Dublin has now stabilised and strong rental growth is expected which is driving down retail yields. 2015 has seen the emergence of new entrants to the market keen to exploit the rebasing of rents to more sustainable levels and the potential of the Irish consumer to start spending again after many years of recession. Some investors are looking to key regional locations outside Dublin for value which is likely to take a little longer.

Industrial Logistics: Ireland has a limited Industrial and Logistics market but even this sector has shown significant gains in the last 12 months. The lack of good quality supply both now and in the short terms, together with the attractive discount in rents and yields, make this a safe haven for those investors who are not interested in chasing core product.

Notable Transactions



The Anchorage Building, Sir John Rogerson's Quay, Dublin 2

Prime Office investment acquired by State Street for €26million



57/58 Grafton Street, Dublin 2

Prime Retail investment guiding €16million

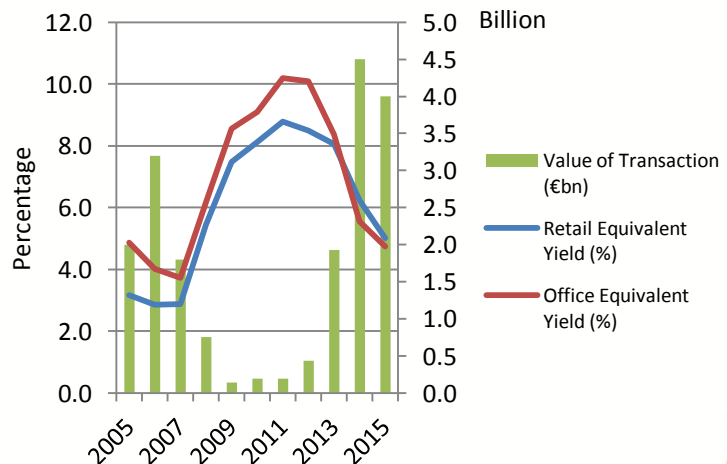
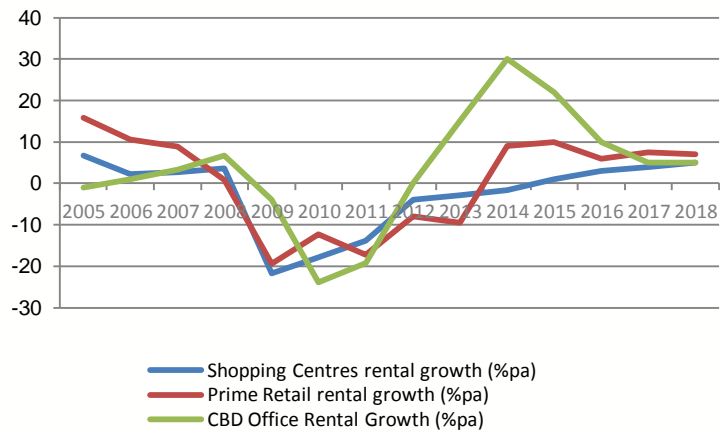


Burlington House, Dublin 4

Pre-Fund acquired by Union Investment

Occupier Focus

- Core Dublin Demand strong and growing with supply struggling to catch up
- Demand focussed on Prime but increasingly looking to Suburban and strong regional locations
- Incentives being squeezed in all prime markets feeding through into higher Headline levels
- Sizable requirements driven mainly by offshore IT and financial sectors but increasingly Irish occupiers becoming more active.



Note: Transactions do not include €53bn of loan sales over the past 3 years

CORFAC International affiliate for

Israel

Country Summary

Population:	8.05 million
GDP Growth:	2%
GDP per capita:	€30,002
Average annual inflation:	0.5%
Average monthly gross wage:	€2,200
Unemployment rate:	6.7%



Market Overview

Investment: The demand for good income yield investments is growing at a slow but steady rate. The demand exceeds the supply at this time. The income property sector continues to be attractive to both foreign and local investors due to the low interest rates. On the assumption that upward swings in the current low interest rates are not forecast to change in the near future, the viability of income producing property should continue well into 2016.

Office Sector: The Greater Tel Aviv office rental market, which incorporates Tel Aviv and adjacent city office markets including, Ramat Gan and the Diamond Bourse area, Bnei Brak, Petach Tikva, Holon, Raanana and Herzlia Pituach, saw major office building developments over the past three to five years, whilst Tel Aviv wasn't active at all. These areas were able to offer cheaper rental costs, as the land element was substantially lower than the Tel Aviv office market. Due to this fact, a great number of large space tenants, such as insurance companies, banks, financial services groups and hi-tech companies relocated out of the Tel Aviv municipal area to the greater Tel Aviv area. This market is now at 98% capacity.

During the past two years, the Tel Aviv Municipality issued building permits for office buildings, in excess of 500,000m² spread over four or five commercial and office developments, in various parts of the city. The major area of development is concentrated in the central business area of Tel Aviv. These developments will be ready from the fall of 2017 to the spring of 2018. This fact has given rise to concern that whilst the Tel Aviv office market is stable at this time, there will be an over-supply starting in the fall of 2017 and this will result in the possible fall in office market rentals as the supply will exceed the demand for new office accommodation.

Retail Sector: The retail sector is steady with most of the major shopping malls and power centres showing full occupancy. The small traditional suburban shopping areas are suffering due to the intense competition from the malls.

Industrial Logistics: This sector is expanding rapidly with the advance of major tailor made logistic centre developments throughout the country. These developments are in strategic locations giving easy access to the toll road highway and highways traversing the country.

Notable Transactions



Zion House, Rothschild Blvd. Tel Aviv
Prestige office building in financial district
14,700 sq ft leased to an international communication company



Habarzel St. Ramat Hachyal, Tel Aviv
65,000 sq ft office building leased to an international hi-tech company for Israel's head office



Herzlia new office development
40,000 sq ft leased to start up tech business for investment bank

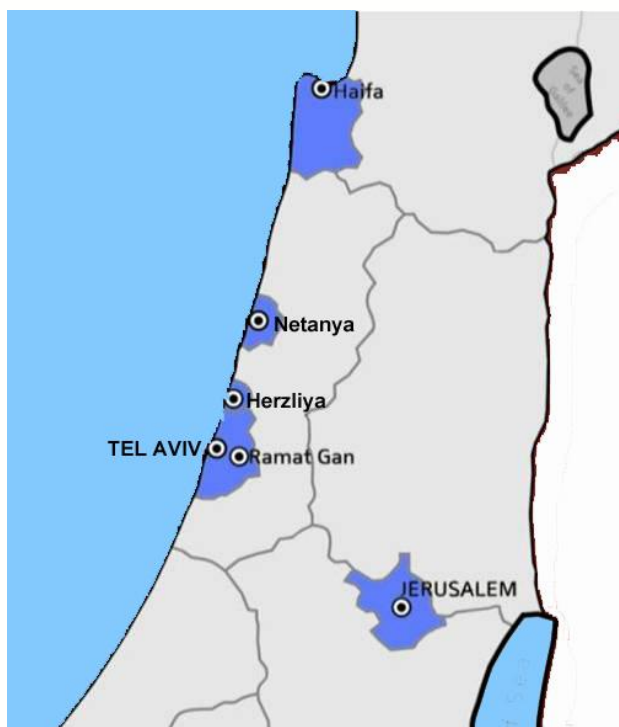
Market Data

Q4 2015 | € 1 = NIS 4.223

City	Type	% Occupation	Average rent (sqm) NIS	Average Selling Price (Sqm)
Tel Aviv	Office	90	85	14,571
	Retail	95	185	30,859
	Logistics Centers	95	50	8,570
	Industrial	95	50	8,570
Herzlia	Office	95	80	13,715
	Retail	90	140	24,000
	Logistics Centers	90	50	8,750
	Industrial	95	50	8,750
Netanya	Office	90	52	8,900
	Retail	87	80	13,715
	Logistics Centers	90	40	6,857
	Industrial	87	40	6,857
Haifa	Office	90	63	10,800
	Retail	87	88	15,010
	Logistics Centers	86	37	6,350
	Industrial	85	40	6,850
Jerusalem	Office	87	65	11,143
	Retail	90	85	14,570
	Logistics Centers	85	36	6,180
	Industrial	85	39	6,710

Average Yield on investment 7%

Prime Office Markets – Israel



**CORFAC International affiliate for
Italy**

Country Summary

Population:	60.8 million
GDP Growth:	-0.40%
GDP per capita:	€34,960.30
Average annual inflation:	0.25%
Median monthly gross wage:	€1672.50
Unemployment rate:	12.70%



Market Overview

Investment: Since the mid-90s, the Italian real estate market has experienced a deep transformation. The economic drivers that have enabled a rapid expansion are the economic recovery, the significant decline of interest rates, and the introduction of the euro, which facilitated the opening to international markets. This has made Italy one of the favourite destinations for property investment. In particular, factors that have influenced the growing number of business opportunities for foreign investors were:

- The introduction, in 1994, of closed real estate funds
- The launch, in 1996, of the process of divestment of public real estate and of the major banking groups, insurance companies, and industrial companies
- The introduction, in 2007, of the listed property investment company

In recent years the trend of investment in Italy has followed the European one, with Italy representing an average of 5% of European investments and achieving the best performance in 2009, reaching 7%.

After some difficult years, Italy is returning as an attractive destination for foreign investment. Despite Italy's weak economy and uncertain political climate, investors are showing a new appreciation for investing in Milan and Rome. They are especially interested in offices and out of town retail.

Office Sector: The office sector in Italy is concentrated especially in the cities of Milan and Rome, which are the two main markets with a stock of over 20 million m². Milan is placed among the top 10 cities to invest into in Europe 2015 - it ranks in fifth place after London, Madrid, Paris and Berlin. Rents are expected to be stable in the central business district. There is a general trend to increase the time required for a sale or lease - on average, it has stabilised at around 11-12 months for the sale and 8-9 months for the lease. The discount required on rents is on average 15-17% and the average yield stands at around 5.5% to 5%.

Retail Sector: The performance of the retail sector shows a positive trend. The turnaround of the commercial sector however is not equally distributed throughout Italy. Bologna has doubled the volume of transactions compared to 2013, and Naples, Palermo and Turin increased it by about 10% but Rome has reduced by about 4%. The re-pricing in the Italian retail sector has favoured investment, especially by foreign investors who have monopolized about 90% of the transactions concluded in 2014. The demand for properties has been directed mainly towards centres and shopping malls with transaction values between a minimum of €30 million and a maximum of €150 million. In the high streets, selling prices and rents continue their rise or at least remain stable.

Logistics Sector: In the logistics sector, transaction volumes are reaching the highest levels since 2007, overcoming in the year 2014 with a turnover of €14 billion. These results are partially due to the rapid development of the digital economy and the advent of e-commerce which, in Italy, is expected to double its turnover in the period 2013 -2016 from around € 11 billion to € 20 billion. A further element favourable for the development of logistics in the domestic market is represented by EXPO Milano 2015. The growth of interest expressed by foreign investors is supported by prices that allow good returns, as the economy improves and the opportunities increase for diversification of international portfolios.

Hospitality sector: Italy is one of the World's prime tourist destinations and it ranks at number one among tourists from emerging economies. The current economic situation in Italy has contributed to a very favourable investment / revenue ratio and competitive GOP (Gross Operating Profit) performances. Nowadays the tourist industry is crucial to the country's GDP.

Market Data

Forecasts of the current average prices of offices in major Italian cities

CITY	2015	2016	2017
Bari	-4.40%	-0.80%	2.00%
Bologna	-1.70%	1.6%	4.00%
Firenze	-2.60%	0.10%	2.10%
Milano	-2.10%	1.20%	3.80%
Napoli	-2.20%	0.90%	3.20%
Roma	-2.90%	0.30%	2.80%
Venezia	-4.30%	-0.90%	1.80%

Forecasts of the current average prices of shops in major Italian cities

CITY	2015	2016	2017
Bari	-2.40%	1.20%	3.70%
Bologna	-0.90%	2.10%	4.10%
Firenze	-3.10%	-0.50%	1.30%
Milano	-2.10%	1.10%	3.30%
Napoli	-1.60%	1.20%	3.10%
Roma	-2.90%	0.00%	2.10%
Venezia	-2.80%	0.10%	2.30%

Prime Retail Markets – Italy



Notable Transactions



Milan Piazza Cordusio, former headquarters Unicredit Bank
30,000 sq ft of office space in the heart of the City



Milan, Via Solferino 120, headquarters Corriere della Sera
A Blackstone Investment



Milan, Porta Nuova district
A Qatari Investment



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CORFAC
International

CORFAC International affiliate for

Poland

Country Summary

Population:	38.5 million
GDP Growth:	3.3%
GDP per capita:	€ 10,500
Average annual inflation:	0.0%
Median monthly gross wage:	€ 923.18
Unemployment rate:	10.3%



Market Overview

Investment: According to general estimates, the value of investment transactions finalised in the first half of 2015, for the commercial real estate markets in Central - Eastern Europe (without Russia), amounted to approx €2.55 billion. The largest share of the volume were Czech Republic (47% - 1.2 billion), Poland (32% - 813 million), Hungary (11% - 280 million); followed by, Romania (7.5%) and Slovakia (0.5%). The other countries in the region accounted for 2% of the transaction value.

With 12 transactions recorded in Q1 2015, Poland saw the highest investment activity in the region but, due to a moderate average deal size, the volume was at €430m, down by 52% year-on-year. However, this excludes the acquisition of a majority stake in ECHO Investment.

Office Sector: 2015, as well as 2014, is exceptionally favourable for office tenants especially in Warsaw. The Polish Office Research Forum has published its figures for the Warsaw office market H1 2015. In June 2015, total modern office stock in Warsaw amounted to 4,538,800m² having increased by 147,000m² since the end of 2014. Over 22% of new supply was located in office buildings located in the City Centre, whereas 50% was in buildings located in the Upper South zone.

At the end of the second quarter, the overall vacancy rate amounted to 14.4% and the rate increased by 0.9% in comparison with 2014 year-end data.

Gross take-up in H1 2015 amounted to 390,200m² which is around 64% of 2014's full year data. Approximately 36% of the letting activity took place in office buildings located in the City Centre, and the Upper South zone was the most popular among all non-central locations (30% of total take-up).

Renegotiations and lease renewals accounted for 27% of total volume of take-up while pre-lets accounted for 18% of the letting activity. The share of expansions was over 7.5%.

Notable Transactions



Warsaw Spire, Warsaw



Rondo 1, Warsaw



Gdański Business Center, Warsaw

Occupier Focus

The largest transactions concluded during the first half of the year were:

- 21,100m² let by a company representing IT Sector in the tower building of Warsaw Spire
- 17,500m² by PZU in the Konstruktorska Business Centre
- Ernst & Young's lease extension in Rondo 1 (13,500m²)
- Aviva pre-let in the next phase of Gdański Business Centre (12,000m²).



Konstruktorska Business Center, Warsaw

The biggest investment transactions finalized in the first half for the 2015 in the Polish office market outside Warsaw:

- the purchaser of Enterprise Park in Krakow by Tristan Capital Partners
- the acquisition of Green Horizon in Łódź by Griffin
- the purchase of Katowice Millenium by Lonestar

Major transactions in the retail segment:

- the purchase of Sarniego Stok in Bielsko-Biala and Focus Park in Rybnik by Union Investment
- the purchase of Solaris Center in Opole by Rockcastle Real Estate.

CORFAC International affiliate for

Romania

Population:	19.95 million
GDP Growth (2015):	3.3% (p)
GDP (PPP) per capita (2014):	€15,232
GDP per capita in PPS (2014):	54 (EU 28 = 100)
Average annual inflation:	0.2%
Average monthly gross wage:	€551
Unemployment rate:	5.3%
Memberships:	EU (since 2007) NATO (since 2004)

Sources: National Institute of Statistics, Eurostat, National Bank of Romania, National Commission on Prognosis



Map source: The World Factbook 2013-14. Washington, DC: Central Intelligence Agency, 2013

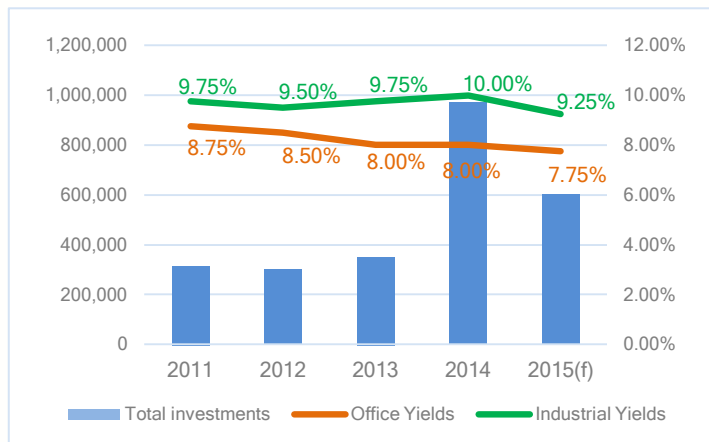
Country Highlights. Romania is on the track to becoming the 2nd most important economy in the Central Eastern Europe (CEE) after Poland. It is the 2nd largest country in the CEE in terms of population, and the 7th largest in the European Union (EU). Romania is therefore attractive both from a consumer market perspective, and a labour force one. The economy registered a solid recovery starting in 2013, with a remarkable GDP growth of 3.5% in 2014, the 3rd highest increase in the EU countries. The first quarter of 2015 outperformed itself further, with GDP growth of 4.3% - the largest level registered in an EU country. Romania is a business destination chosen by large global companies due to its accessible and highly educated / multilingual labour force.

Investment. Romania has developed in recent years as a higher yield market, in a more stable environment. The available investment products are most often with values between €20 and €80 million. The capital value per square metre is currently at a historically low level for the last 10 years, due to an over-supplied market and therefore rents decreased during the economic crisis. Yield rates have preserved in the recent years between 7.5%-8.25% for the office segment, and between 9%-10.25% for the industrial market. The economic growth of 2013 was followed by 12 months of consistent improvement of the investment market. 2014 registered a total investment value of over €970 million, which is a level similar to that registered in years like 2006 and 2008 and more than double the annual investment volume in 2009-2013.

Office Sector. Romania has probably the most competitive cost per workstation in the EU. Combined with great internet connectivity (7th country in the world in July 2015, with a download speed of 69.31 Mbps according to NetIndex/Ookla.), a highly skilled labour force and good energy prices, Romania is definitely attractive and competitive, and already proved a popular destination for the top international companies. The IT&C is the largest industry player in terms of annual office take-up, involved in 34% to 40% of the office transactions in recent years. The leading office market in Romania is the capital city, Bucharest, with an official population of 1.9 million inhabitants, concentrating 83% of the country's total stock of modern offices (A and B class), namely 2.6 million m². Bucharest has been a market rich in offer supply in the last 5 years, with net effective rental levels decreasing 10% to 18%. Due to an increased competition on labour force in the capital city, the last 3 to 5 years has seen increased development in the other 4 major cities and university centres - Cluj-Napoca, Timisoara, Iasi and Brasov.

Industrial. The industrial market in Romania is an attractive development opportunity, in the context of the still limited presence of the large sized European industrial developers, and of a solid country recovery. Romania benefits from its strategic location in Europe and the CEE, with 4 Pan-European corridors, and a major port to the Black Sea, in Constanta. The industrial market's development is fuelled by low wages in the manufacturing industries and competitive energy prices. Industrial and logistics space in Romania amounts to around 1.95 million m², with more than half located in Bucharest, while the rest is located in secondary cities like Timisoara, Arad, Cluj-Napoca, Sibiu, Brasov, Ploiesti and Pitesti.

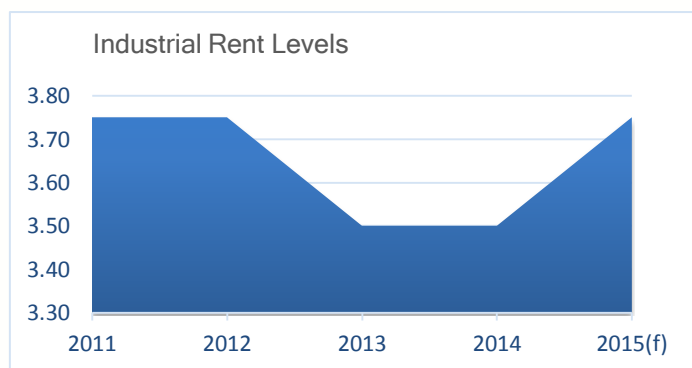
Romania Investment Volume and Prime Yields



Office Market Indicators

Indicator	Reference region	
	Bucharest	Secondary cities
Modern Office Stock	(m ²)	(m ²)
A and B class total stock	2,6 mil	0,5 mil
Annual Transitioning Volume (2014)	(m ²)	(m ²)
Take-Up(Leasing&Pre-leasing)	233.000	37.000
Renewals	72.800	NA
Headline Rent Level	(Eu/m ² / month)	(Eu/m ² / month)
For A class properties	15,5-17,5	13,0-14,0
For B class properties	12,0-14,5	11,0-13,0
Negotiation Margins	(%)	(%)
Provided through incentives	10 -22	7-15
Vacancy Rate	(%)	(%)
Prime locations	7 -13	3 - 8
Overall market	18,5	7 - 12

Industrial Market Indicators



Relevant ESOP Transactions

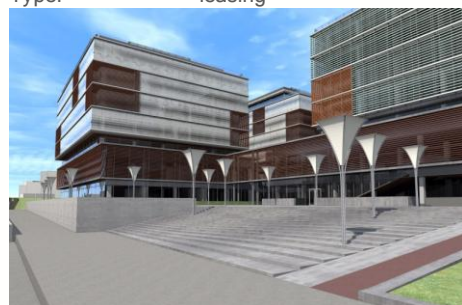
SKY TOWER (Bucharest)

Clients: Amadeus Romania, Bomax, 1
&1 Internet Development, Proiect Bucuresti
Surface (GLA): 5,528 m²



CITY Business Centre - Bldg. E (Timisoara)

Client: Hella Romania
Surface (GLA): 4,200 m²
Type: leasing



OLYMPIA Tower (Bucharest)

Client: Burda Romania
Surface (GLA): 2,000 m²
Type: leasing



CORFAC International affiliate for

Russia

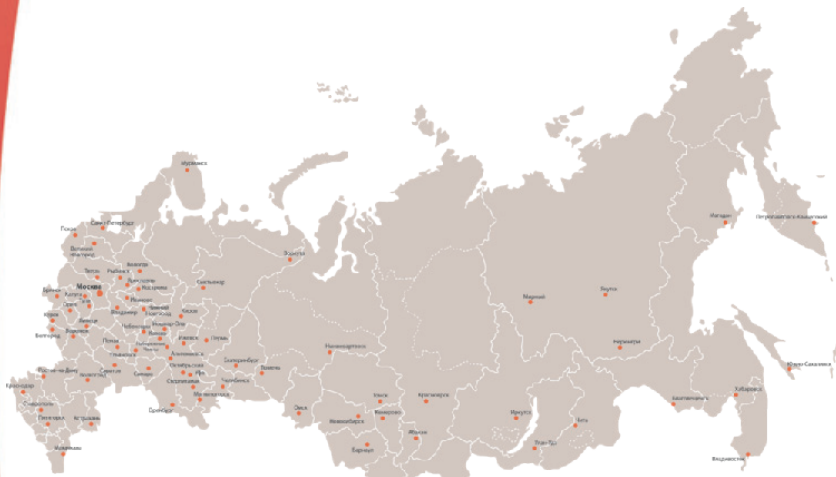
Population: 146.3 million
Population St.Petesburg & Moscow: 17.2 million
GDP Growth: 1%
GDP per capita: \$ 3,461.00
Average annual inflation: 9.39%
Average monthly gross wage: \$ 500
Unemployment rate: 5.3%



OFFICES

In Moscow in Q2 2015, key figures of the office market showed a slight positive trend after significant decline in the end of 2014 and a difficult Q1 2015. However, it is too early to speak about change in the dynamics. The negative value of net absorption signifies the absence of demand for new offices; although, the absolute index value in Q2 2015 was 100,000m² lower than in Q1.

In St. Petersburg as the result of the current economic situation in the country at the end of last year was the increase in the volume of vacancies in the segment of high-quality office real estate. At the end of H1, 2015 the volume of vacancies was 426,195, 92 m², most of which (195 988 m², or 45.98 %) was represented by the class A.



WAREHOUSES

In St. Petersburg, despite the significant drop in several sectors of the economy, tenants of quality industrial and warehouse real estate showed a slightly higher activity compared with the H1, 2014. At the end of H1, 2015 the total market volume for speculative-quality industrial and warehouse real estate of St. Petersburg amounted to 1 669 468 m². The growth in the market in relation to the previous year was only 2.61%.

In Moscow the forecast on new proposals for 2016 is about 500-600 000 m². Due to the difficult situation on the market, most developers stopped construction of new projects. During the H1 2015 510 000 m² of warehouses were built with an increase of the vacant space share from 7% up to 9%. For the end of 2015 we predict a reduction of the vacancy.

RETAIL

During H1 2015 in Russia 13 shopping centres were opened with a total rentable area of 547,700 m². 6 of them in Q1 (GLA 348,700 m²) and 7 (GLA 199 000 m²) - in the Q2. Five shopping centers (GLA 306,000 m²) was opened in Moscow, one - in Perm, Tumen, Izhevsk, Murmansk, Yekaterinburg, Magnitogorsk, Barnaul, Ozersk.

In 2015, in Russia will be commissioned no more than 1.3 million m². Even more noticeable is the likely decline in new construction in 2016.

INVESTMENT

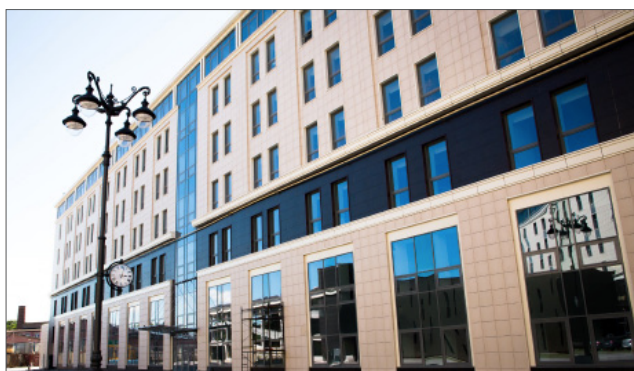
Q2 2015 showed the worst results in terms of investments since 2006. Expected through to the end of 2015 the total investment amount will be 1 billion USD. The forecast for 2015 is left unchanged at 2.5 billion USD. The largest volume of investments in H1 came to the office real estate sector and amounted 600 millions USD. The share of investment by foreign investors has decreased in total investment, at the same time, there was a lack of significant investments from Asia.

Notable Transactions



Aeroplaza

Surface (GLA): 7,000 m²
Type: lease



Energo

Surface (GLA): 3,000m²
Type: lease

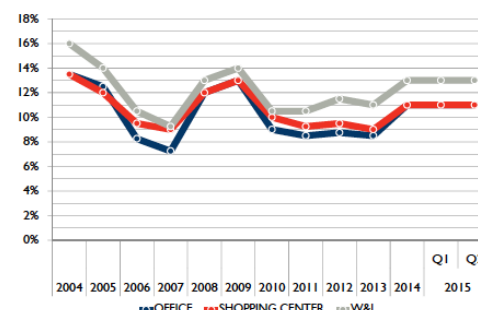


Armada Park

Surface (GLA): 12,500 m²
Type: lease

Market Data

CAP.RATE



CAP.RATE 2Q 2015

Office	11%
W&I	11%
Shopping Center	13%

OFFICES REAL ESTATE

THE RESULTS, H1 2015

Total supply	18,43 ml m ²
New construction	400 000 m ²
Total volume of deals	650 000 m ²
Space available	3 ml m ²
The vacancy rate	20%
Asking rental rates	
Class A	\$632 (Moscow), \$260 (St.Petersburg)
Class B	\$299 (Moscow), \$240 (St.Petersburg)

RETAIL REAL ESTATE

THE RESULTS, H1 2015

New construction in Russia	547 700 000 m ² , 13 shopping center
In Moscow	306 000 000 m ² , 5 shopping center
Forecast for Russia in 2015	1,3 ml m ² , totally 30-40 shopping centers

INDUSTRIAL & WAREHOUSES REAL ESTATE

THE RESULTS, H1 2015

New construction in Moscow	510 000 m ²
New construction in regions	350 000 m ²
Leased or purchased in Moscow	405 000 m ²
leased or purchased in regions	182 000 m ²

CORFAC International affiliate for

Spain

Country Summary

Population:	46.6 million
GDP Growth:	Est. 3% (2015)
GDP per capita:	€27,488
Average annual inflation:	Est. 0% (2015)
Median monthly gross wage:	€2052.26
Unemployment rate:	Est. 22.2% (2015)



Market Overview

Investment: There is frantic activity across all sectors of the Property Investment Market in Spain from both domestic and foreign players – direct asset acquisitions, debt purchases, Company and Corporate Buyouts. The Spanish SOCIMIS (REITS) are key players in the markets driving investment volumes and activity to recent highs. There is a general shortage of prime product across all sectors, leading to yield compression for quality product.

Greater liquidity and depth in the financial markets is also underpinning the investment markets and we consider this will continue to be the case in the medium term.

Office Sector: Occupier demand in both Madrid and Barcelona tends to be focused on CBD and Grade A space. Take up in Madrid in the first half of the year amounted to 238,805 m² compared to 212,000 m² for the same period in 2014. Prime rents in both Madrid and Barcelona have increased over the first 6 months by 6% and 7% (€26.00 per m²/month and €18.50 per m²/month) respectively and peripheral rents have stabilised.

There has been little new development since 2007/2008, and there is little pipeline which will feed into further reductions in the vacancy rate which currently stands at around 11% for Madrid and 12% for Barcelona.

Retail Sector: Occupier and Investment markets are continuing to improve as labour market conditions develop and consumer spending increases. Both occupiers and investors are battling to secure prime locations. Occupiers are still looking to upgrade and new international brands are fighting to get a presence on the main thoroughfares. In our opinion, Prime product is expected to outperform.

Industrial Logistics: The logistics occupier market activity has started to gain momentum with demand strengthening for product in prime locations. Many corporations are taking advantage of low rental levels and incentives to relocate and /or consolidate their facilities in prime locations. This is hindered by the fact that there has been practically no new development since 2007/2008, therefore restricting occupier's ability to relocate and starting to increase rental levels.

Notable Transactions



Merlin Properties buys TESTA

Valued in excess of €3.2 billion (includes one of the four Towers)



Calle Rios Rosas, 26 Madrid

Acquired and simultaneous sale and leaseback by WPP with British Fund



The Cornerstone Building, Poblenou, Barcelona

Sold by Benson Elliot to UBS managed Fund for €80 million

Market Outlook All Sectors

Prime Rents	Upwards pressure in best locations	↑
Prime Yields	Compression	↓
Supply	Little new development	↓
Demand	Improving with growing business confidence and Consumer spending	↑
Availability Finance	Improving liquidity	↑

CORFAC International affiliate for
United Kingdom

Country Summary

Population:	64.9 million
GDP Growth:	0.7%
GDP per capita:	£25,981.70
Average annual inflation:	2.05%
Median monthly gross wage:	£2395.00
Unemployment rate:	5.4%



Market Overview

Investment: 2014 was a record year for investment into UK commercial real estate in both London and the key UK regional Cities. The UK continues to be the leading European destination for global real estate investment and the UK investment volume was in the region of £70.7billion, up almost 47% on 2013. London accounted for nearly £20billion of this, so a third of the capital inflows and this dominance is expected to continue with considerable equity, estimated to be circa £30billion, looking for placement in London. Whilst it is anticipated that a number of transactions will be put into the market in the final two quarters we expect some of this capital to diversify further into the Regional Markets as the supply/demand imbalance is marked. Pricing is a concern as Real Estate generally continues to trade at record levels, however with the ongoing Global Instability, this pricing looks sustainable in the short term.

Office Sector: The UK office market is led by Central London which has seen high levels of take up in the past year as population and employment growth has led to very low vacancy levels, strong rental growth, hardening Yields and rising Capital Values across both Central and Greater London. This is forecast to continue throughout 2015 as there is a very restricted development pipeline. The major UK regional Cities are also seeing increased Take-up, rental growth and improving Capital Values. Occupiers and Investors are now looking outside the South East and London for lower occupational costs, a lower cost of living for employees and greater choice. The strongest interest and Take-up is in the main regional UK Cities including Birmingham Manchester and Edinburgh.

It is expected that the demand for high quality core office space in London and the key regional UK cities will remain high throughout 2015 and in to 2016.

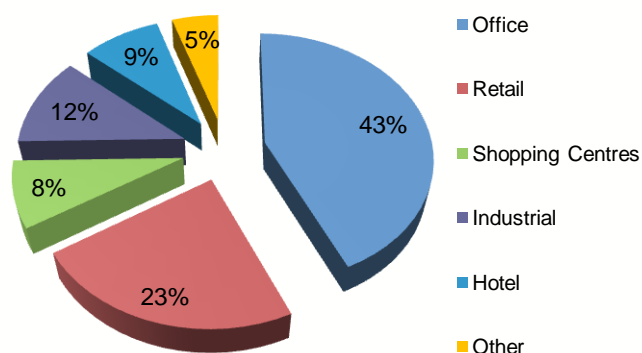
Retail Sector: The Central London retail and restaurant markets shows no sign of slowing with every week it would appear new domestic and international occupiers seeking space and existing operators are expanding or moving to better locations. Competition for Prime space is fierce pushing up rents and this is having an effect on locations previously considered peripheral across Central London resulting in significant rental growth. Mayfair is a prime example with Bond Street, Oxford Street and Regent Street all seeing high levels of footfall and high demand. Dubai retailer Toy store recently took a 27,000 sq ft { 2,508 m² } at a rent over £900 Zone A in the West One shopping centre on Oxford Street which itself is reputedly under offer at over £240 million. In Covent Garden there are rumours of a £1,000 per sq ft ZA on Prime James Street. New consents for restaurants are difficult to get, resulting in a very strong Premium market for prime sites with existing consents. The same improved demand applies to prime locations in most major UK Cities.

Industrial Logistics: Due to the strengthening and growing UK economy there continues to be increasing demand for well located logistic and industrial space in most parts of the UK, especially the southern half. Take-up has remained very strong and Prime Yields are now down to around 4.75% for logistics and 4.25% for prime industrial which also reflect the anticipation of further rental growth. Prime rents are between €65 to €80 m² per annum.

Office Investment by UK Cities

UK City	Investment Volume H1 2015	Investment Volume 2014	Prime Yield
London	£8bn	£27.9bn	4.00%
Birmingham	£151m	£546m	5.00%
Bristol	£180m	£159m	5.25%
Cardiff	£53.8m	£87m	5.75%
Edinburgh	£135m	£325m	5.50%
Glasgow	£119m	£164m	5.50%
Leeds	£81m	£200m	5.25%
Manchester	£243m	£1.08bn	5.00%

Total UK Investment by Property Type



Total = £70.7billion

Office Market by Cities

UK City	Availability (sq ft)	Vacancy Rate	Prime Office Rent (per sq ft)	Total Take-up H1 2015 (sq ft)	Total Take-up 2014 (sq ft)
London	9.90m	2.8%	£120.00	4.1m	14.99m
Birmingham	2.86m	11.9%	£30.00	623,422	1.13m
Bristol	2.30m	8.8%	£28.50	261,482	1.24m
Cardiff	1.29m	9.3%	£22.00	103,918	519,696
Edinburgh	1.95m	10.4%	£28.00	403,984	1.42m
Glasgow	1.86m	14.3%	£29.50	224,920	1.28m
Leeds	1.58m	9.9%	£26.50	348,737	819,226
Manchester	2.32m	10.2%	£32.00	357,009	1.98m

Notable Farebrother Transactions



20 Old Bailey

Farebrother sold this 202,852 sq ft asset on behalf of Mitsui to Blackstone for £91.5million.



Weston House

Farebrother purchased this 86,870 sq ft asset on behalf of Frogmore from Allianz for £60.5million.



81 Chancery Lane

Farebrother let Deerbrook Group's entire scheme totalling 50,912 sq ft to 39 Essex Street Ltd.

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