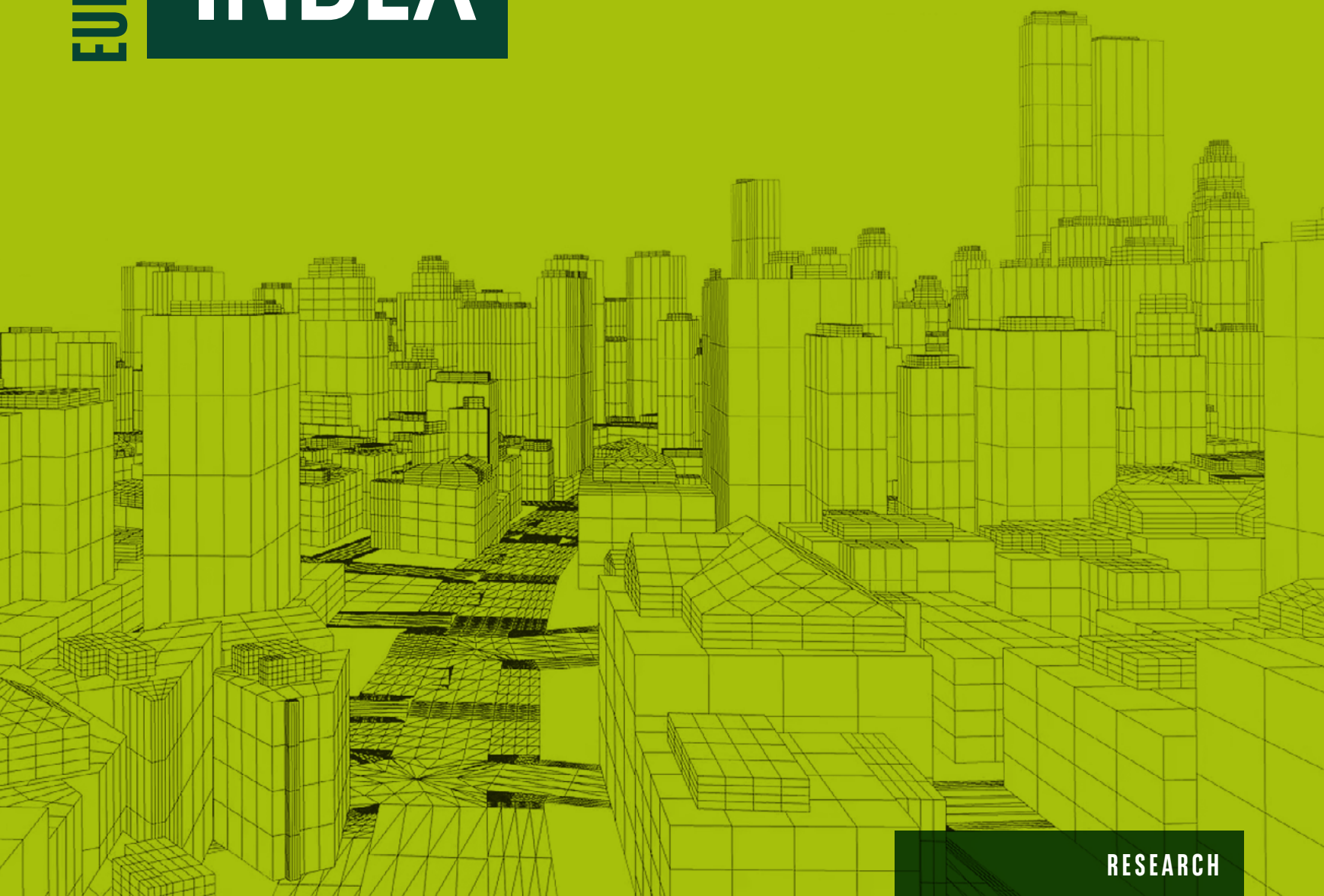


MARCH 2017

EUROPEAN REAL ESTATE

INVESTOR CONFIDENCE INDEX



RESEARCH



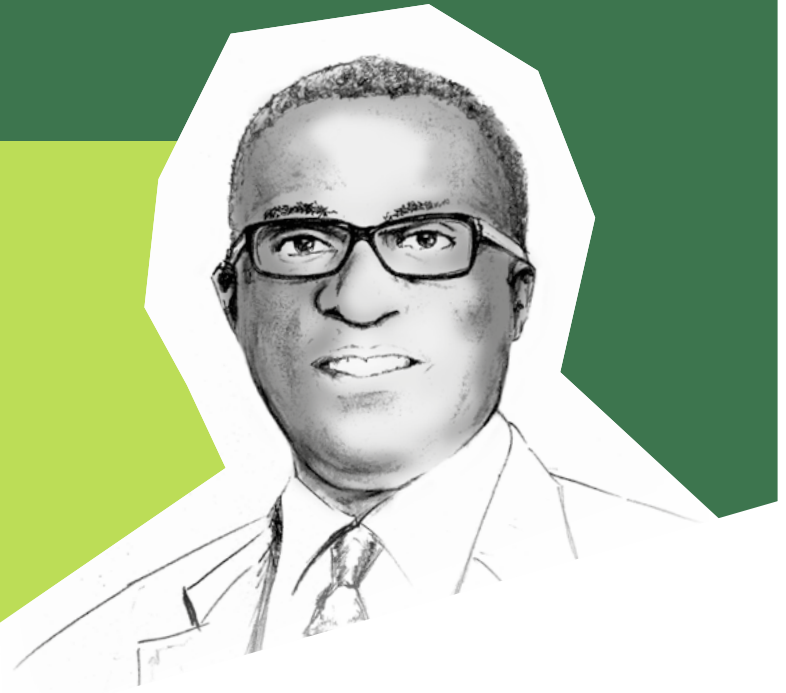
**BNP PARIBAS
REAL ESTATE**

Real Estate
for a changing
world

EDITORIAL

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STABILITY OF REAL ESTATE INVESTMENT IN A PERIOD OF CHANGE

The sense of change heralded by the US presidential election is also being played out in Europe. We are in the unusual situation, timing wise, in which all the big three European countries are in an election cycle. By the time you receive this document one of them, the French election, will be resolved. The formal announcement of the UK's intention to leave the European Union was also enacted in March.

Event risk considerations continue to occupy the top of investors' concerns and shape their opinion on business conditions going forward.

The BNP Real Estate Confidence Index (RECI) captures and quantifies these investor opinions on the market. The RECI shows that investors in the big three markets remain cautious on conditions given the uncertain landscape.

The majority still think that conditions over the next twelve months will remain stable, but that majority diminished this quarter. Opinion has moved from no change towards worsening and to a less extent towards improvement.

Timing also matters for real estate as an investment vehicle particularly since holding cycles outlast political ones. Real estate continues to be among the more predictable assets that can be bought by an investor. We continue to think that the income return offered by real estate will look favourable against the backdrop of change. ■

MAIN TRENDS



55%

Majority viewpoint on business conditions

No change is the majority viewpoint although reduced in favour of both those expecting worsening and improvement.

-36%

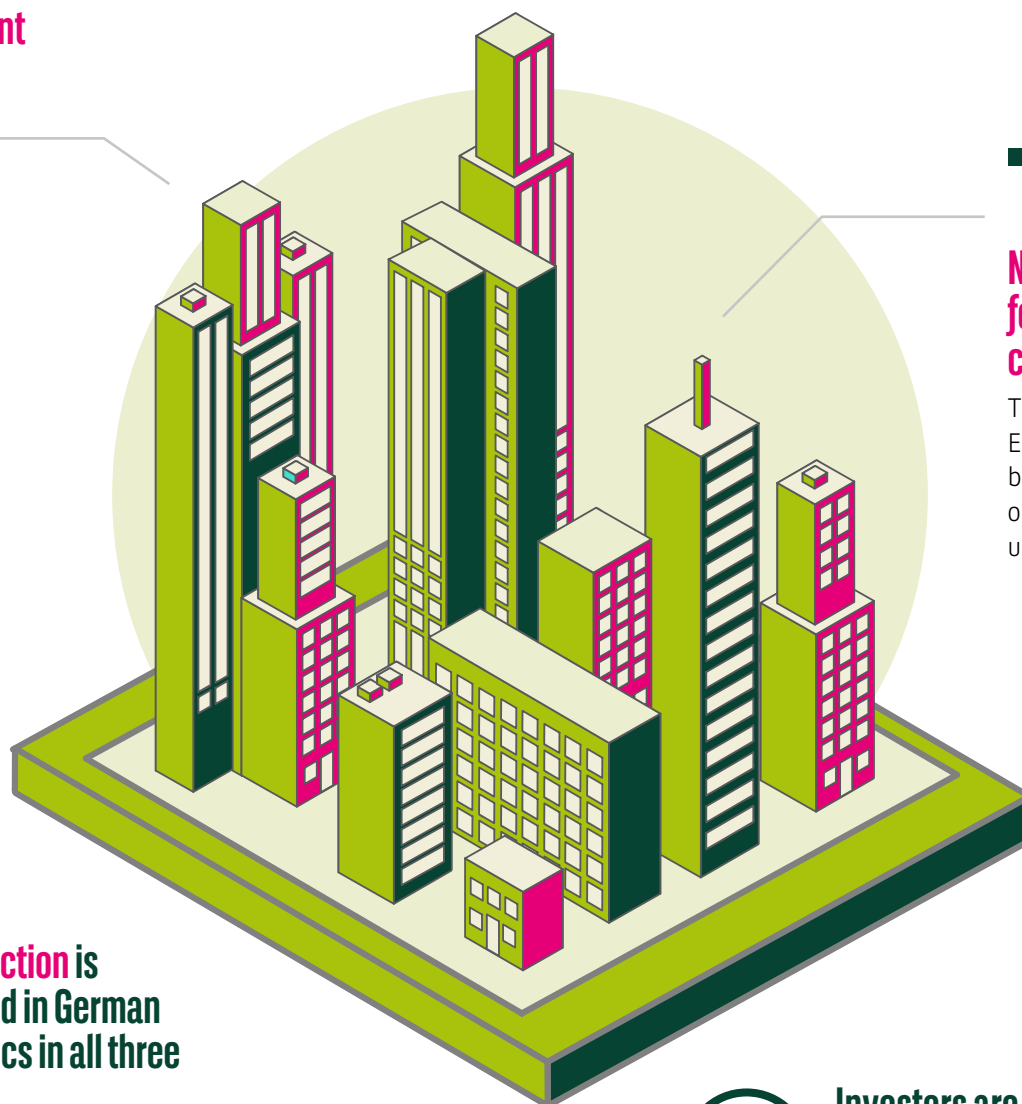
Weakening lending conditions

Investors are expecting lending conditions for investment to be tougher one year from now.

-21%

Net balance of forward looking confidence

The direction of European real estate business outlook one year ahead is unchanged this quarter.



Further yield reduction is clearly anticipated in German offices and logistics in all three countries



Investors are looking forward to rental increase in the French and German office sector but not the UK



MARKET ANALYSIS

"European Real Estate activity remains firm amidst challenges"



Sven Stricker
Head of Investment,
BNPP RE Germany

2017 anything but boring

The year ahead brings with it many unanswered questions, including the political direction in many countries, the future of international trade relations and whether basic democratic principles will be upheld. The trend in the real estate markets is uncertain as well.

For decades we have been accustomed to real estate markets developing in line with economic cycles and upcoming trends have always been relatively straightforward. Today's real estate markets are at the mercy of an environment characterised by fast-changing sentiment, alternative facts and widespread political and economic uncertainty.

Facts still matter

The good news is that markets are still responding in a rational manner. The increasing number of improbable events, such as Brexit and the outcome of the US elections, has not slowed user and investor



activity. Property investments have been and will continue to be attractive, offering a moderate risk profile, and an economic upturn without additional rental space is not sustainable.

Prospects remain bright

Current economic conditions, i.e. accelerating economic activity in Europe, the ongoing low interest rate environment and the lack of investment alternatives with

similar risk/reward profiles indicate that the boom on the European property markets will continue in 2017.

This is particularly true in view of the fact that an increasing number of investors are looking to properties as a stable investment, especially in times of widespread uncertainty and far-reaching change, something that is increasingly hard to come by in many other areas. ■



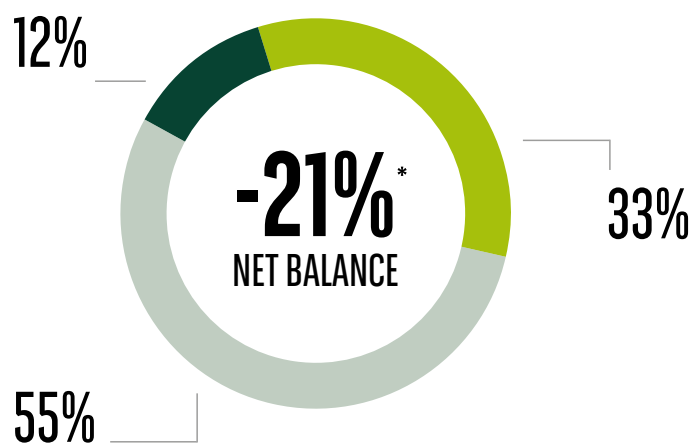
REAL ESTATE INVESTMENT CONFIDENCE

THE MAJORITY POSITION

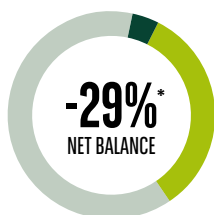
BUSINESS CONDITIONS ARE STEADY

"The net balance of business confidence remains at -21% this quarter. The majority position dipped to 55%, which may reflect the multiple uncertainties being assessed by investors."

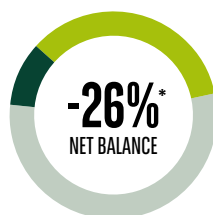
EUROPE



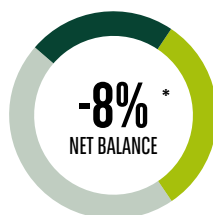
UK



FRANCE



GERMANY



IMPROVE WORSEN STAY THE SAME

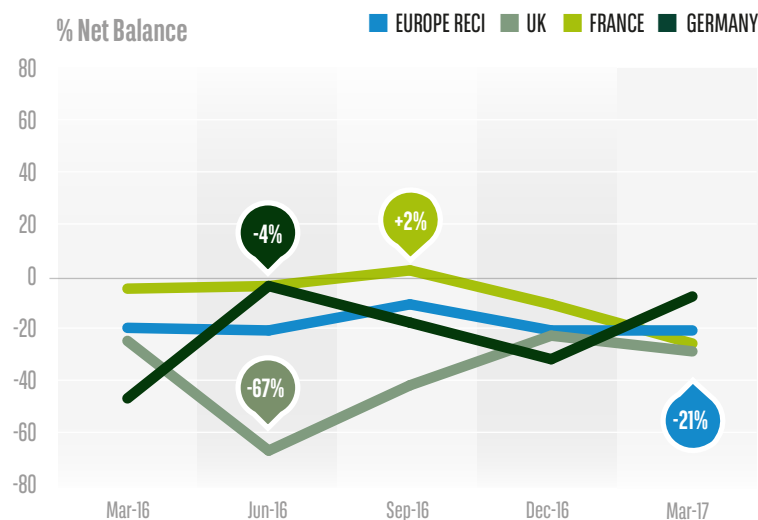
*FOR MARCH 2017

OPINION GOING FORWARD

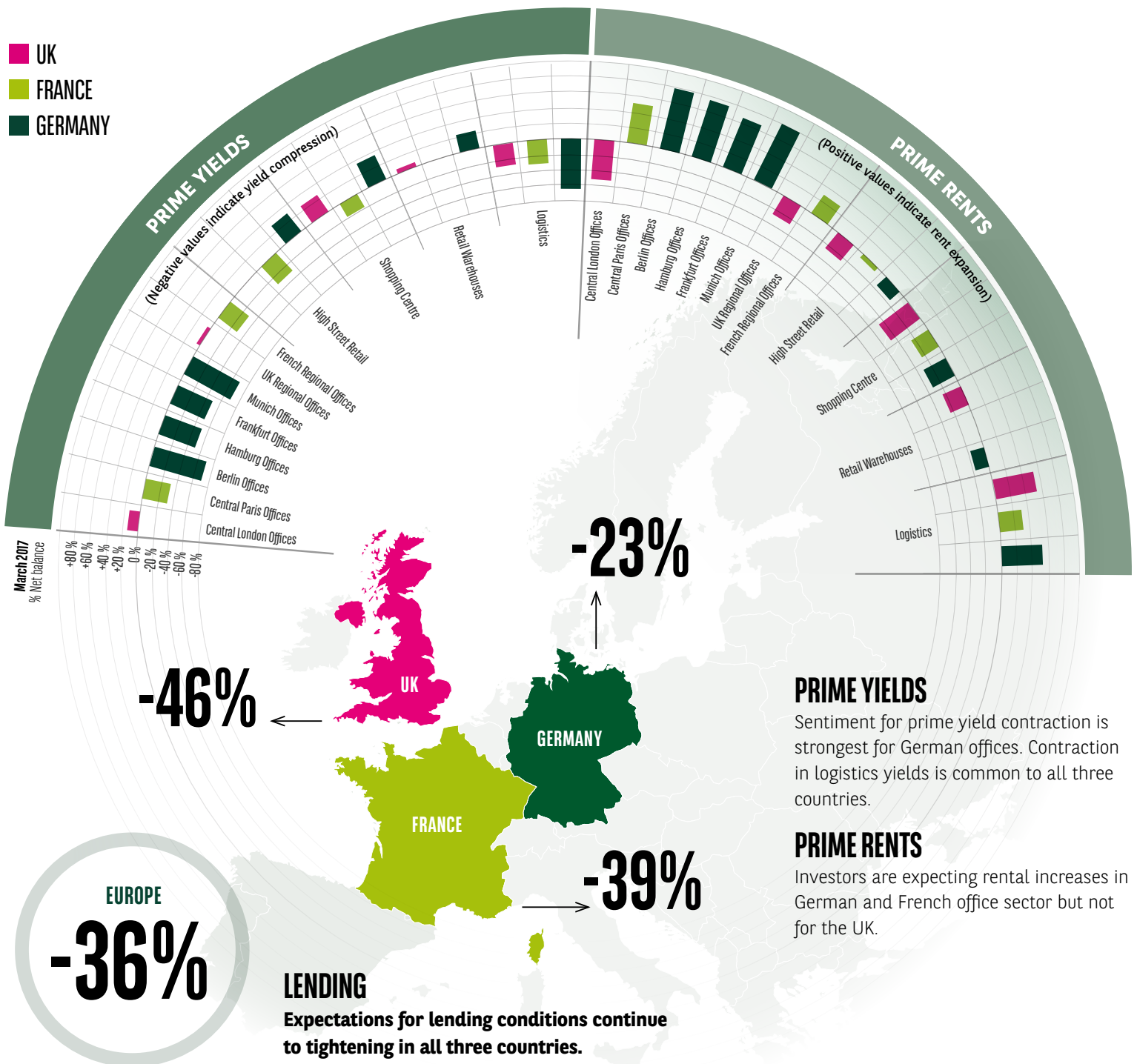
ALL THREE COUNTRIES ARE HAVING ELECTIONS

"France sees a dip in its net balance at the start of the year that may be related to the presidential election. The unusual coincidence of 2017 is that all three countries in the index are now in an election cycle, which maybe pushing political issues up the list of investor considerations."

BNP PARIBAS REAL ESTATE CONFIDENCE INDEX (RECI)



"Expectation for yield reduction and rental growth are strongest in German markets."





METHODOLOGY

BNP Paribas Real Estate undertakes an online survey every quarter of investors in France, Germany and the UK, receiving an average of 120 responses...

INVESTORS WERE ASKED FIVE QUESTIONS:

QUESTION 1

How do you see real estate investment conditions evolving in your market over the next 12 months?

QUESTION 2

How do you expect lending conditions to evolve in your market over the next 12 months?

QUESTION 3

This time next year where do you think prime initial yields for the sectors you know will be?

QUESTION 4

This time next year where do you think rental values for the sectors you know will be?

QUESTION 5

This time next year where do you think total returns for the sectors you know will be?



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* March 2017

** The alliance covers Transaction, Valuation
& Consulting

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