



Emerging Trends in Real Estate Europe 2018

Reshaping the future

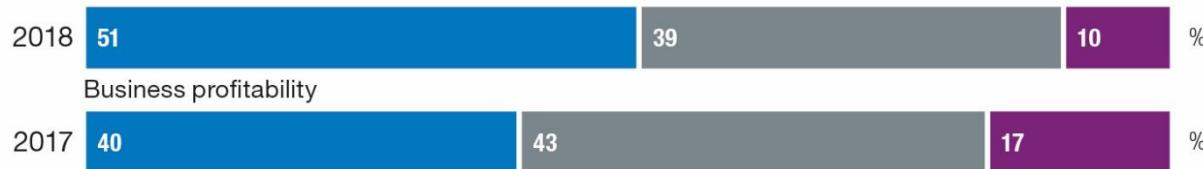
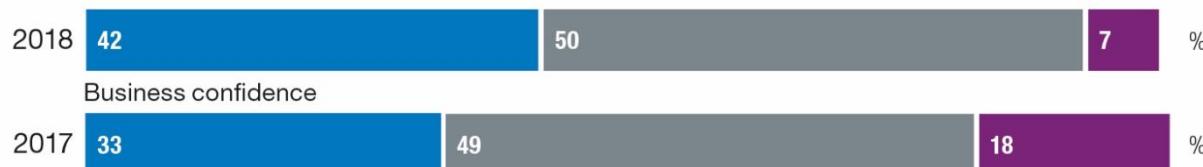
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How do we feel about 2018?



Business prospects in 2018

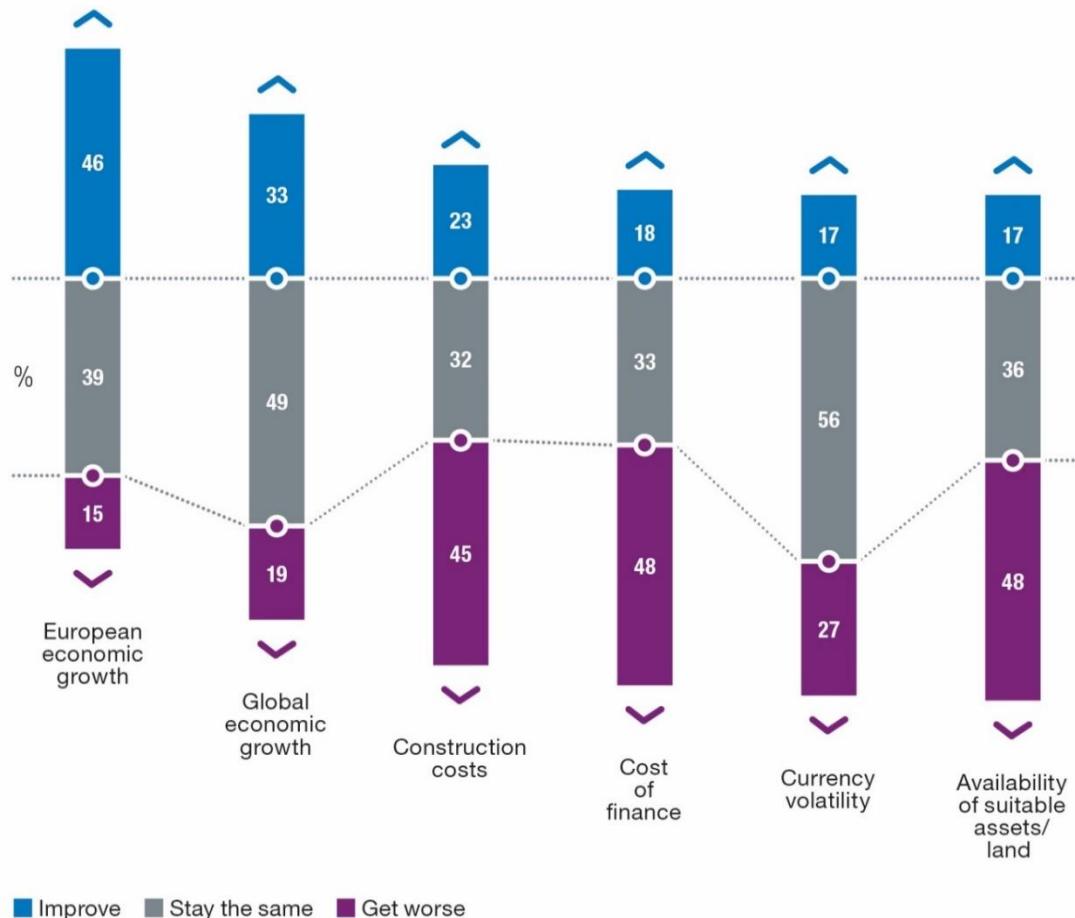


The industry is **cautious but positive.**



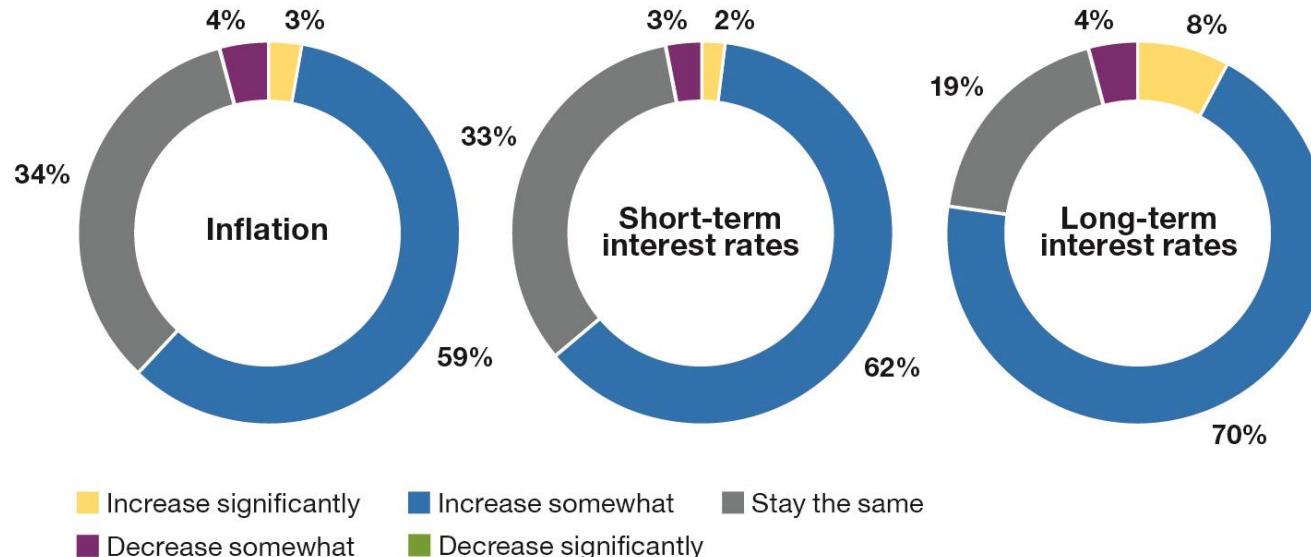
■ Increase ■ Stay the same ■ Decrease

Business environment in the next 3-5 years



"We have possibly reached the peak of the global growth cycle, but we see solid growth in European markets."

Interest rates and inflation in 2018



"Low but rising rates will make other sectors more attractive, but we will still see a big spread between bonds and property yields. Property's position will weaken but not significantly."

Social and political issues in 2018



International political instability



National political instability



Availability of affordable housing



European political instability



Social inequality



Environmental issues

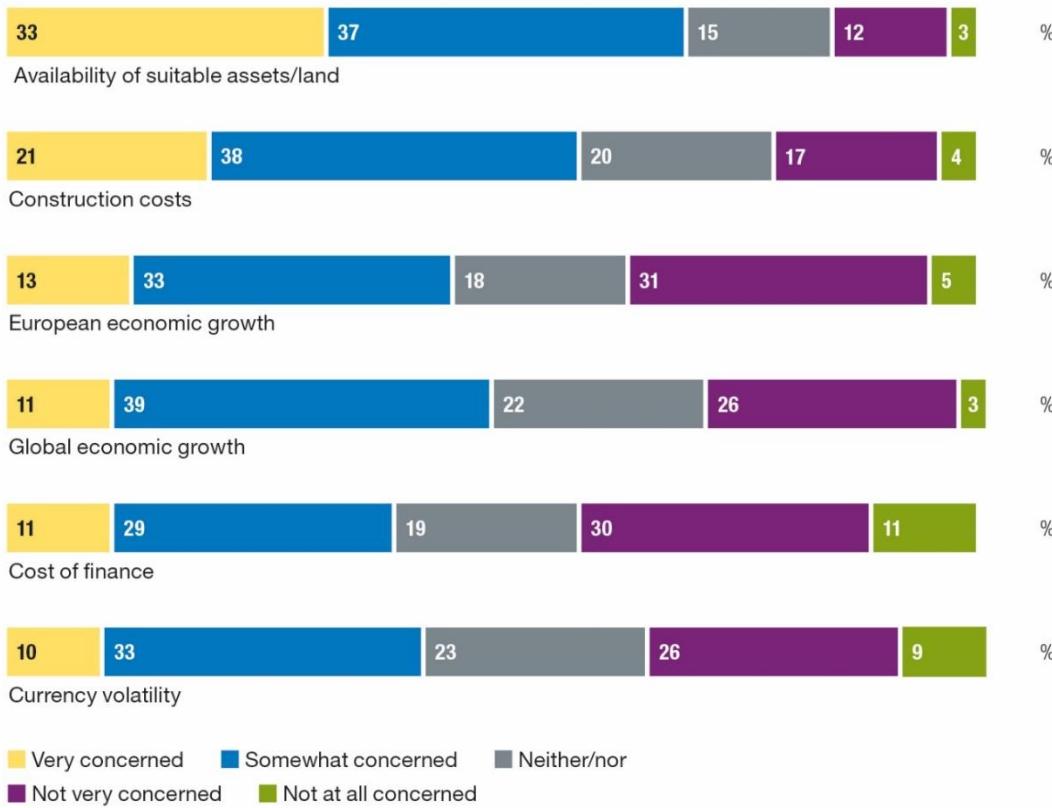


Mass migration

■ Very concerned ■ Somewhat concerned ■ Neither/nor
■ Not very concerned ■ Not at all concerned

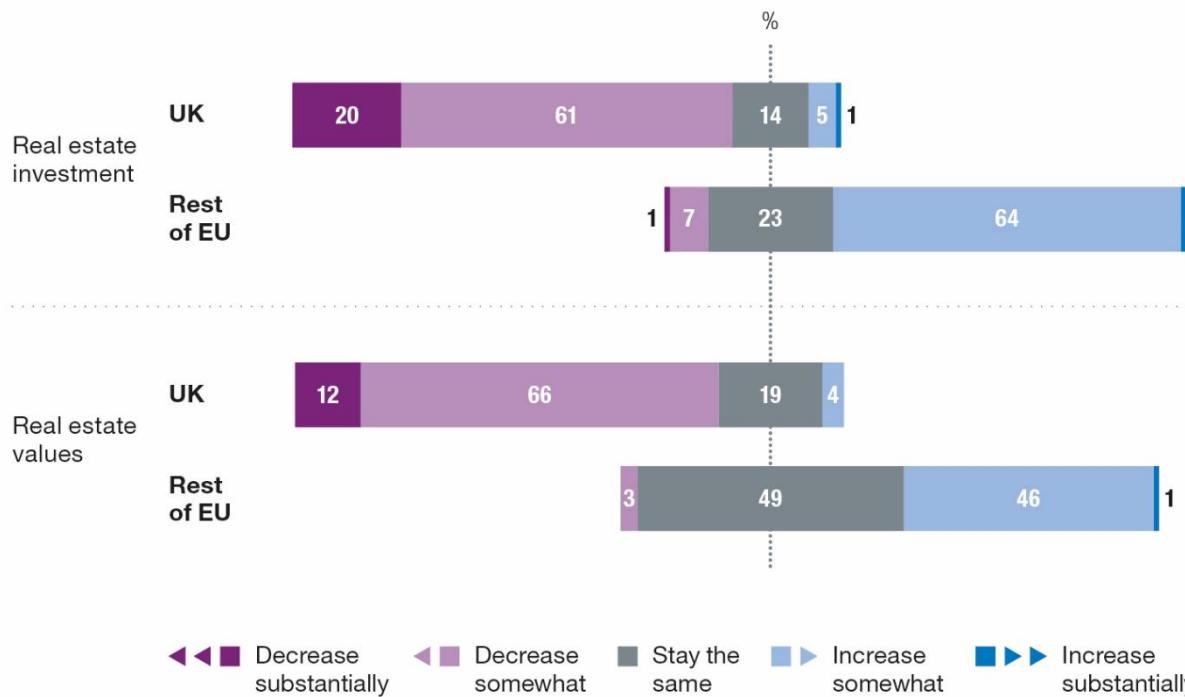
"The positive growth in Europe comes at a time when the political structure has held."

Issues impacting business in 2018



“The feeling of most investors is that we are towards the top of the real estate cycle. I’m not sure anybody sees a crash coming imminently, or necessarily where that will come from ... but some people are taking a cautious approach given where we are.”

Impact of Brexit on real estate



“What everyone finds so troubling about the Brexit situation is there is no clear path to what it is going to look like. **Businesses don't like uncertainty, and there is no end in sight to that.**”

The availability of equity and debt will increase

Percentage of respondents who agree or strongly agree

Equity for refinancing or new investment

2018

50%

2017

48%

2016

55%

Debt for refinancing or new investment

49%

40%

55%

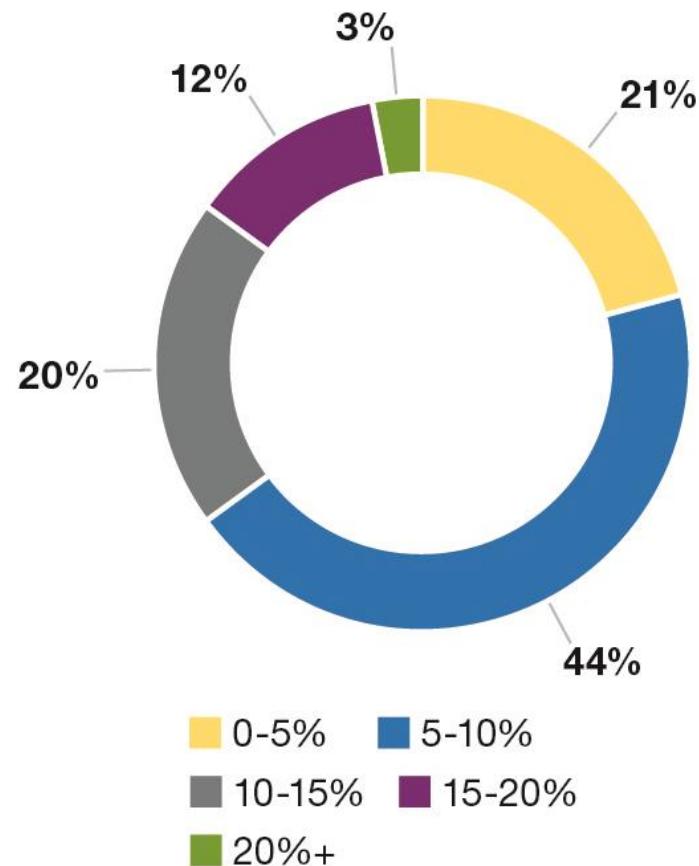
Debt for development

46%

37%

54%

Returns targeted

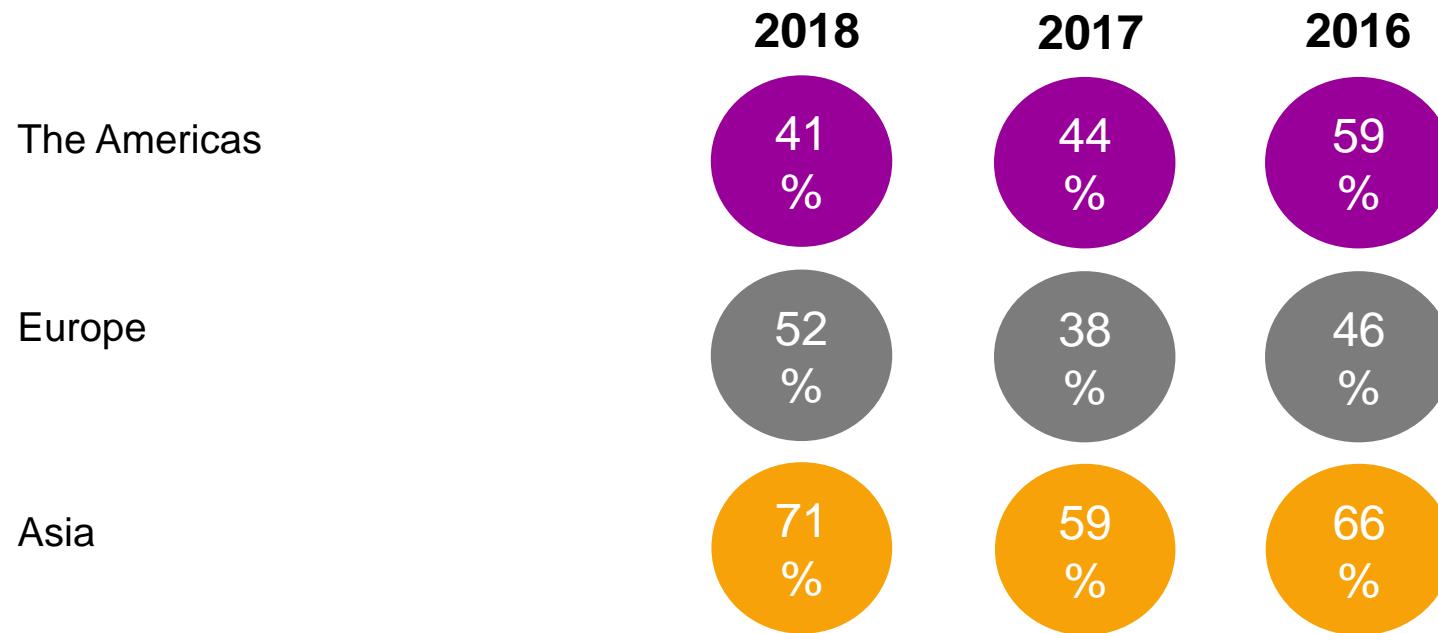


"As long as rates stay low, 3 percent yields look attractive, but in a couple of years we may look at this period as being crazy."

“Investors are taking on more risk to achieve target returns”



Increase in cross border capital into European real estate



City investment prospects



"Political stability, thriving economies, and cities that "work on being a great city" are what tick the boxes for Europe's real estate industry."

Cities rankings 2018 (investment and development prospects)

1. Berlin
2. Copenhagen
2. Frankfurt
4. Munich
5. Madrid
6. Hamburg
7. Dublin
8. Stockholm
9. Luxembourg
10. Amsterdam

“Germany has been steady state for a long time now. With Berlin, people truly believe it's going to become a major City.”

Amsterdam and Dublin are also tipped as Brexit benefitters. Both have skilled local workforces, English speaking, good infrastructure and strong reputations as liveable cities: all features prized by the financial sector.

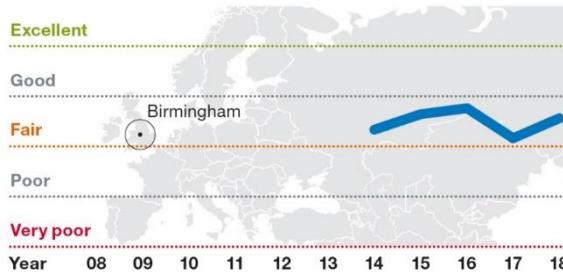
17. Paris
20. Manchester (2017: 23)
21. Birmingham (2017: 22)

UK Cities

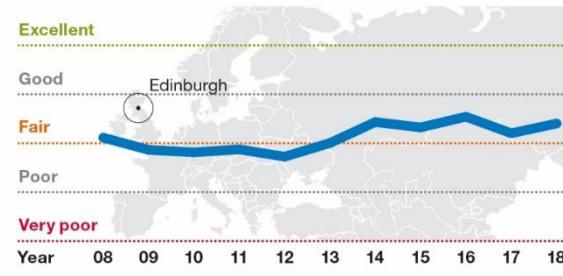
London



Birmingham



Edinburgh



“We have not seen much interest from UK institutions in prime Edinburgh CBD property until recently because of the political uncertainty and risk”.

Europe's 10 most active markets



Source: Real Capital Analytics

Sector rankings 2018 (investment prospects)

1. Logistics facilities
2. Self-storage facilities
3. Private rented residential
4. Student housing
5. Retirement/assisted living
6. Housebuilding for sale
7. Shared / serviced offices
8. Healthcare
9. Serviced apartments
10. Data centres

“Urban logistics – the smaller edge-of-town warehousing which can fulfil the “last mile” of the delivery chain – is cited by many as a growth sector to watch.”

“Student housing is something that has been big in the UK, and now Ireland. The Netherlands and Germany are seeing that.”

“Senior living and healthcare are two sectors which should benefit from demographic trends. But it can be a challenge to find the right operating model.”

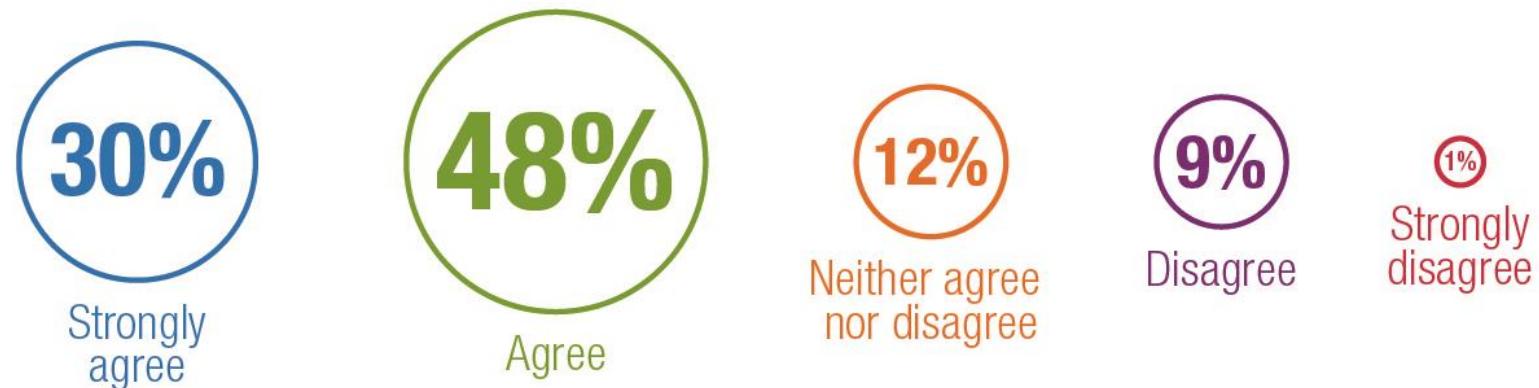
Biggest trends impacting real estate between now and 2030



Market Working Business
Digitalisation Urbanisation
Technology Space Flexibility
Retail Offices Changing Work
Data Mobility Cities People Driverless cars
Artificial intelligence Automation

Densification

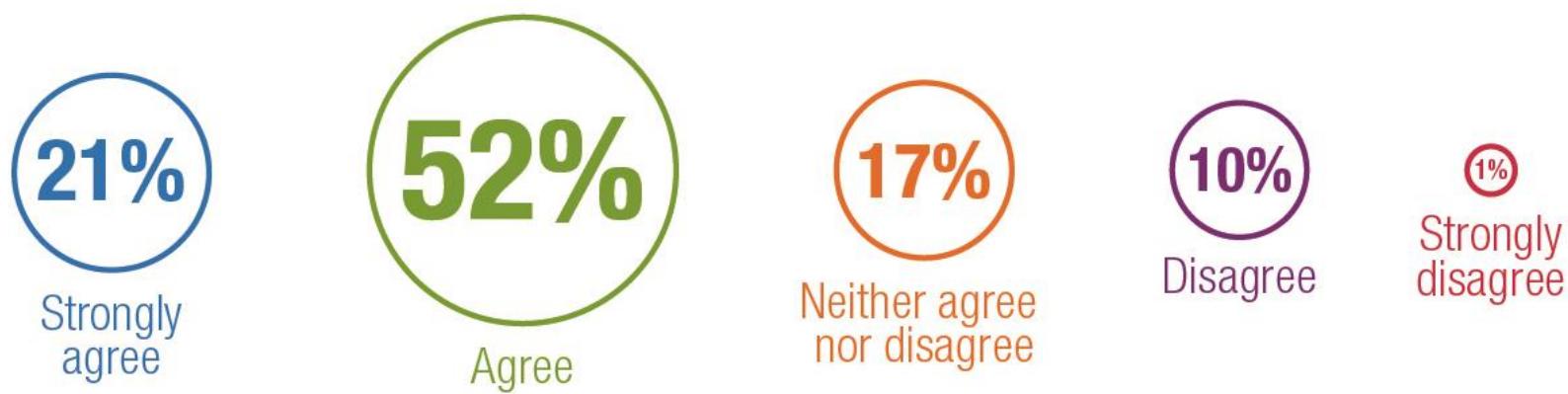
“Changes in ways of working, mobility and lifestyle will lead to more densification in cities”



“We are looking at the blurring of boundaries between residential and commercial as a result of the trend towards people moving back into city centres into more of a live/work setting.”

Blurred lines

“Occupiers are willing to pay for shorter leases and increased flexibility”



“Changing behaviour of people is driving the sector to **omni-use developments rather than mixed-use developments**, meaning facilitating the need for people to be able to work anywhere, shop anywhere on-and off-line and to relax anywhere.”

Space as a Service & Flexibility

“The business model of real estate investors is changing as a result of the move towards “space as a service”



“It’s not a question of if we would like to become more of a service provider than a pure provider of real estate space: we need to.”