REINVEST SUMMIT

MIPIM Institutional Investors' Summit

summit OUTCOMES

13 & 14 March 2017

Carlton Hotel
Cannes, France
www.mipim.com

Thanks to all of you!

I am delighted to share with you the key conclusions of the MIPIM Institutional Investors' Summit: RE-Invest 2017 which took place on March 14, the opening day of MIPIM.

Now in its 6th year, the summit brought together some 60 representatives from the world's leading institutional investment funds, two thirds of whom said they would be net buyers in 2017. Combined, the RE-Invest delegates manage over $600 billion in real estate assets.

The thought leaders shared their insights on "What is the New deal for institutional investors?" through 9 roundtable discussions.

I would like to thank the students of the Wisconsin School of Business who were extremely diligent in carefully transcribing the conclusions of the summit discussions.

I also would like to thank our partners and sponsors who supported RE-Invest summit 2017: Aberdeen Asset Management, AXA Investment Managers - Real Assets, KPMG, CMS, Real Capital Analytics and Rockspring Property Investment Managers.

I look forward to seeing you again at MIPIM 2018.

Ronan Vaspart,
MIPIM Director

| About MIPIM

MIPIM, the world's leading property market, brings together all the key players in the real estate business. Investors, developers, end-users, architects, hotel groups, public authorities and property associations gather in Cannes for four intensive days of networking, matchmaking, and developing international business relations.

MIPIM plays an essential part in developing cross-border deals and facilitating investment projects. An indicator of global market trends, it represents an international marketplace that creates dialogue between a variety of real estate professionals, generates new ideas and seals contracts and partnerships.

With 23,000 participants, including 5,300 investors, attending the 2016's edition, MIPIM has become the event where the real estate industry markets itself as a reliable long-term investment asset. It has also established itself as an essential meeting place for city authorities who attend to promote inward investment opportunities and discuss key policy issues facing urban conglomerations around the world.

| About Reed MIDEM

Founded in 1963, Reed MIDEM is an organiser of professional, international markets that are essential business platforms for key players in the sectors concerned. These sectors are MIPIM, MIPIM Asia Summit, and MIPIM UK for the real estate industry and MAPIC, MAPIC China Summit in Shanghai, MAPIC Italy in Milan, REX brought by MAPIC in Moscow and IRF brought by MAPIC in Mumbai for the retail real estate sector.
www.reedmidem.com

| About Reed Exhibitions

Reed MIDEM is a division of Reed Exhibitions, the world's leading event organiser, with over 500 events in 43 countries. Today Reed events are held throughout the Americas, Europe, the Middle East, Asia Pacific and Africa and organised by 41 fully-staffed offices. Reed Exhibitions serves 43 industry sectors with trade and consumer events. It is part of the RELX Group plc, a world-leading provider of information solutions and analytics for professional and business customers across industries.
www.reedexpo.com

About MIPIM RE-Invest Summit

RE-Invest, MIPIM Real Estate Institutional Investors' Summit, was launched in 2012 as a closed-door and by invitation-only event dedicated to world's leading sovereign wealth funds, pension funds, insurance funds and other large capital owners in the real estate industry.

RE-Invest is a powerful platform designed to tackle key issues faced by real estate institutional investors. The summit is centered around open and interactive roundtable discussions enabling debates among the thought leaders. The exclusive researches produced by our industry and knowledge partners are shared during the summit and form the basis for the discussions.

This year, nine topics, run by nine moderators, are proposed to the participants who will join three discussions during the whole morning. After the third session, the moderator will be asked to identify 'key issues and insights for the future', that will provide the basis of a short final plenary discussion among all participants.

Post-summit, a summary document featuring outcomes, commentary and analysis will be published, given to participants and circulated to the wider real estate investment industry.

| Platinum sponsor

Real Experts, Real People, Real Assets

AXA Investment Managers - Real Assets has over €70 billion in assets under management, including €53.4 billion in direct property & infrastructure and €14 billion in real asset finance as of end of December 2016.

We offer a 360° approach to investing in real assets, which comprises opportunities in both equity and debt, across different geographies and sectors, as well as via private and listed instruments. We are a global leader in real assets investment, the number one property portfolio and asset manager in Europe(1), and one of the largest worldwide.

Our 200+ institutional clients include sovereign wealth funds, pension funds, insurance companies, financial institutions, corporate organisations and high net worth individuals.

Our teams have been managing funds and mandates for over 30 years and comprise about 600 people in 15 offices that operate in 24 countries around the world. They enable us to combine global strength across the full real estate investment spectrum with a substantial local operating presence.

Visit our website: https://realassets.axa-im.com

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(1) Source: IP Real Estate Top 100 Investment Management Survey – Nov/Dec 2016.

Knowledge partner

Real Capital Analytics, Inc. (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets.

Data is at the forefront of our business – having recorded over $16 trillion of commercial property transactions linked to over 155,000 investor and lender profiles, and providing our subscribers a full micro to macro view of your chosen market, no other source compares.

Across the globe, the most active investors, lenders, brokers and advisors depend on RCA's unique insight to formulate their strategies, source new opportunities, and execute their deals. An industry pioneer since 2000, RCA has earned a reputation of having the most timely and reliable transaction data and providing valuable intelligence on market pricing, capital flows and investment trends.

We publish the series of widely-read Capital Trends reports (Global, US, Europe and Asia Pacific) which are frequently quoted in industry news and academic research.

RCA is privately held and headquartered in New York City with offices in San Jose, London and Singapore.

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| Industry partner

KPMG Real Estate

The challenging and increasingly complex real estate markets require a clear focus and a flexible strategy.

Our real estate team is involved in every stage of the asset and investment lifecycle, working with all levels of stakeholders throughout the real estate industry. Whether your focus is local, national, regional or global, we can provide you with the right mix of experience to support and enhance your needs and ambitions.

We provide informed perspectives and clear solutions, drawing on our experience from a variety of backgrounds including accounting, tax, advisory, banking, regulation and corporate finance.

Our client focus, our commitment to excellence, our global mindset and consistent delivery build trusted relationships that are at the core of our business and reputation.

Please visit our website: www.kpmg.com/realestate

| Gold sponsor

Aberdeen Asset Management is one of the world's largest independent asset managers by assets under management (€360.7bn as at 30 September 2016). We are based in 26 countries with 39 offices, over 700 investment professionals and around 2,700 staff overall.

As a pure asset manager without the distractions of other financial services activities, we are free to focus all our resources on our core expertise. Investment strategies are only managed for third parties, allowing us to put client interests first.

We are also one of the few standalone asset managers to be listed on the London Stock Exchange. By managing our business to the same standards we demand in the companies in which we invest, we ensure the interests of our clients and of our shareholders are completely aligned.

Please visit our website: www.aberdeen-asset.com

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CMS is a major global law firm with a sector focus on real estate. The firm has 70 offices in 39 countries and is the 6th largest in the world. CMS Cameron McKenna, Nabarro and Olswang combined to become CMS on 1 May 2017. As a result of the merger, we have created the largest commercial real estate legal team in Europe with expertise spanning all the major core and alternative asset classes, and across key real estate markets in Europe, Asia and the Middle East. We are proud to work with some of the most dynamic companies in the real estate sector on the most complex, exciting and high profile deals.

| Gold sponsor

Rockspring Property Investment Managers LLP is a professional investment fiduciary specialising in the acquisition and management of commercial property throughout the UK and continental Europe on behalf of major institutional clients - either directly for single-client accounts or through the Group's series of tax-efficient, co-mingled investment funds. Rockspring is authorised and regulated by the FCA.

Fully independent and 100% owned by its Senior Management and employees, Rockspring is headquartered in London and has a network of offices in Amsterdam, Berlin, Brussels, Madrid, Paris and Warsaw as well as Client Services offices in Seoul and Sydney. Its Executive Committee includes Robert Gilchrist (Chief Executive), Edmund Craston (Managing Director) and Ian Baker (Partner - Finance).

Rockspring was established in 1984 by founder and Non – Executive Chairman, Richard Plummer.

As at September 2016 Rockspring had gross assets of €7.9 billion in funds under management and undrawn commitments. It represents a diverse client base including Rockspring Hanover Property Unit Trust, Rockspring PanEuropean Property Limited Partnership, Rockspring TransEuropean IV, V, and VI, The Rockspring German Retail Box Fund, Rockspring UK Value Funds 1 and 2, and single client mandates. Rockspring's property assets are currently located in the UK and 12 other European countries.

Please visit our website www.rockspringpim.com

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ROUNDTABLE DISCUSSIONS TOPICS & OUTCOMES

Submitted by Department of Real Estate and Urban Land Economics, Wisconsin School of Business

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TOPIC 1 - MAIN EUROPEAN CITIES POST BREXIT: IS LONDON STILL AN ATTRACTIVE MARKET? WHICH EUROPEAN CITIES CAN BENEFIT FROM THE APPETITE OF INVESTORS POST BREXIT?

Most long-term value investors agree that the London market, including office space, will do fine in the long run, and aren't considering pulling out of the market at this point. They continue to identify the city as a very strong market with a unique global presence and a myriad of business opportunities going forth. At the same time, many foreign investors view their presence in the London market from a strategic diversification perspective and Brexit does not change that view.

Identifying another European city that is well-poised to take London's place is a considerable challenge. Among the most likely contenders, Frankfurt seems uniformly considered too "old-school", Dublin and Amsterdam too small, while Paris is prohibitive due to French labor laws and the language issue. As such, it just doesn't seem that there is a European city that is a close substitute for London.

The most common opinion among the panelists seemed to be that those companies and human capital that do pull out will most likely disperse without a meaningful allocation to one specific market. At the same time, long-term capital is likely to remain in London, and if some other property market in the world should benefit from capital allocation post-Brexit in a meaningful way, it would be New York.

TOPIC 2 - HOW TO PLAY CORE TODAY?

Nearly a decade into a global real estate bull market, institutional investors are looking at alternatives to traditional core real estate assets such as logistics, healthcare, student housing, agriculture, and infrastructure debt. The definition of core has been shifting as this cycle continues. The definition of core is different from what it was five years ago and will likely be different five years from now.

In an effort to maintain long-term inflation protected cash flows, investors are beginning to take on more lease up and capital expenditure risk in return for higher yields. Investors are generally not looking into secondary and tertiary markets. They would rather reposition class B assets into class A assets in primary core markets.

Acquisition of real estate assets has become increasingly difficult in recent years, and well-planned dispositions of properties require great discipline. As acquisitions become more difficult, there is concern from investors that investment managers' interests may not align with those of the investor.

Despite high real estate pricing and high uncertainty, expectations are that capital flow into commercial real estate will remain very strong going forward.

TOPIC 3 - THE FUTURE OF REAL ESTATE: WHICH CHANGES ARE CREATING THE BIGGEST RISKS AND OPPORTUNITIES?

General

Technology continues to lead the list as the largest factor for both opportunity and risk as buildings get smarter, cars become more autonomous, and Artificial Intelligence (AI) changes the needs of future workforces. No sector is immune from these changes but some are more affected than others.

Changes in tenant mix due largely to the growth of the tech companies have created a demand for more flexible leases. Especially in the UK where it is not uncommon to have a 12-year lease term, small companies are looking for the lease flexibility that better matches their growth plans. Investors agreed that investments into new markets would be done and decided on a city by city basis rather than by country. Even in this market investors are taking a hard look at liquidity. Now more than ever investors are looking at geopolitics and how new policies coming down will have long-term effects on the future of real estate.

Office

There is no greater uncertainty about the potential effects of technology than in the office sector. AI has the potential to drastically reduce the number of employees necessary in service sectors such as accounting, legal, and consulting. While working from home or virtual commuting has become more acceptable, its effects have not been drastic. Offsetting that trend as well is that the anticipated rise in autonomous cars would result in more people being able to commute in from great distances.

Retail

Overall the market has been bearish on retail. High end and smaller street retail are performing and expected to continue to perform well in the future but mid-level will continue to struggle as customer demand preferences shift. The future of successful developments will hinge on “place making” and building experiences. This implies a shift towards a greater concentration in food and beverage options and creating flexible spaces that allow for “pop-ups”.

Logistics

Consensus says that the industrial/logistics sector has the greatest potential for upside in the coming years due in large part to consumer buying trends shifting online and technology reducing inventory hold times. While most investors agreed that 3D printing had a significant potential to disrupt the industry, most also believed that we are still many years away from it becoming a real factor.

As logistics continues to evolve faster and faster, many investors suggested that it could become the new retail. Going further some expressed that last mile logistics might not actually be a traditional real estate play as much as inventory management as the speed of distribution has become a key metric and the interior build-out can be more expensive than the structure itself.

Residential

Residential became a surprisingly hot topic as some predicted a turning in tides and a shift back from urban to the suburbs. With the general view being that most of the purchases and development were occurring at the high end, most saw a large need for affordable working class housing despite the difficulty of being able to build or buy efficiently for that market.

Closing Thoughts

Overall most investors were optimistic about the future of the real estate market with the belief that it will sustain its strength in the current times of high volatility.

TOPIC 4 - BUY, BUILD OR LEND: WHAT ARE THE BEST RISK-ADJUSTED STRATEGIES IN CURRENT MARKET CONDITIONS?

The general sentiment in the market is that both the acquisition and disposition markets are drying up due to large pension funds acquiring trophy assets with an expectation of holding them for 30+ years. With a sizeable portion of capital flows coming from Asia, the US continues to be seen as one of the best areas for investment. Investors are bearish on retail properties and hesitant to invest in multi-family. Student housing continues to be growth area across the US.

Brexit continues to be an area of contention. Some investors see this time as a good opportunity to invest in Great Britain given that prices have fallen considerably. The sentiment is that Europe overreacted to Brexit and that the office sector will continue to thrive, especially due to increased investment in technology firms within the country. Other investors have a “wait and see” outlook.

Large pension funds are both reallocating more investment from bonds to real estate. The largest funds with the most capital have the strongest ability to continue purchasing best in class assets, despite steep price tags.

TOPIC 5 - BEYOND THE GATEWAYS

With gateway markets defined as New York City, London, Hong Kong, Tokyo, and Shanghai, many investors speak often of other markets beyond those such as Berlin, Boston, Frankfurt, Paris, and Washington D.C. Pension funds are uninterested in stretching beyond the major gateway cities. They are not working with unlimited pools of capital, but with billions of dollars to invest in real estate, they can only play in major markets with valuable assets. They're looking for safe, conservative investments and see stretching beyond the gateway cities as going into more opaque locations where information is not as readily available as in other cities. Taking on this additional risk is rewarded, as a means of attaining 20% growth, but they're not seeking 20%. Slow and steady, to get them through the long-term is the goal.

For investment managers that do have an opportunistic strategy beyond the gateway markets, that mandate comes from investors explicitly requesting higher returns.

While many institutional investors may not be ready to diversify their portfolios into new locations, they currently own all asset classes. When looking for yield, they feel comfortable stretching beyond the gateway by investing beyond the core into alternative core, i.e. medical office, student housing, etc.

TOPIC 6 - TAKING A LONG-TERM VIEW: HOW ARE GLOBAL REAL ESTATE MARKETS PRICED TODAY?

With investors targeting unlevered real returns of 8-9% and typically achieving 5-6%, there is a discrepancy between what the market is looking for and what the market is getting. Income and rent growth in real terms is coming in at 1-2%, with some markets seeing 0% rent growth. Some markets are experiencing office tenants negotiating rent decreases as a result of negative real rates.

Risk-free rates have fallen, risk has increased, capital expenditures have risen, and growth has declined: every component in the cap rate equation is moving in the wrong direction. Despite that fact, a majority of participants believe pricing in current markets to be fair. Long term investment strategies range from 7 to 15 years such that many companies are trying to see through the cycle for their investments.

TOPIC 7 - TECHNOLOGY: HOW CAN IT OFFER COMPETITIVE ADVANTAGE TO COMMERCIAL REAL ESTATE INVESTORS?

Technology will continue to affect the industry, with anticipated near-term changes including:

- Driverless cars will reduce demand for urban parking space while increasing the need for pick up/drop off areas and parking on the periphery. Urban parking real estate may be feasible for redevelopment.
- Real estate appraisal is increasingly automated by software, allowing more mortgages to happen online.
- Co-working spaces and office space sub-letters/operators will become more common models, acting as a buffer between the landlord and the tenant and benefiting from the increased demand for smaller office spaces with more flexible lease terms.
- Property management, rent collection, and building access are increasingly automated.
- Privacy, the threat of hacking, and data security are increasingly important issues for tenants and landlords alike.
- The use of big data in conjunction with sensors and smart buildings is getting more advanced, leading to new insights about building use and suggesting efficiencies.

The market has watched as online shopping has increased exponentially and demand for “last mile” delivery space surges while brick and mortar retail struggles. Online sales will continue to cannibalize on-site purchasing for the foreseeable future. Logistics uses as well are starting to outcompete retail uses in some locations near population centers.

A second major impact technology is making on real assets comes as smart buildings enable landlords to offer more services to tenants. Rents may begin to decrease with service charges becoming more common. Examples of tech-enabled services include renewable energy generation and energy use optimization, data storage, access to data sets about building use in shopping centers, increased lease flexibility priced via software optimization, and unmanned package storage.

There is still the low-hanging fruit of building operations optimization, both on the property management and asset management scale, but this is quickly becoming the industry standard.

TOPIC 8 - REAL ESTATE IN A WORLD OF ULTRA-LOW INTEREST RATES: WHAT SHOULD WE EXPECT?

The real estate market has been waiting for an increase in interest rates for the last 5 years, making the market fully prepared to endure interest rate increases in the foreseeable future. While the United States has forces pushing interest rates up, the Eurozone has low inflationary pressures with many European bonds trading at negative rates.

With RE-Invest members being long-term investors, they can withstand short-term price declines knowing that pricing will eventually recover. There is no consensus on how to prepare for something so uncertain, but many believe a rise in interest rates will not negatively affect the market.

In this current world of low interest rates, investors are searching for yield, driving some to take more risks such as entering value-add investment deals or development. Others are moving from traditional CBD core to logistics or student housing core assets.

TOPIC 9 - THE FUTURE OF THE FUND MODEL: MORE LIQUID, MORE TRANSPARENT, MORE FLEXIBLE, OR MORE OF THE SAME?

There is a growing desire amongst investors for more liquid, open-end funds as the overall real estate environment gets more uncertain. With this growth in demand, open-end funds need to be extremely large to protect performance should any one large investor call on their capital.

Sovereign Wealth Funds and pension funds typically invest large amounts of capital into funds. They readily admit that if they had the human capital they would be more willing to invest directly. Right now, the market is seeing many investors experimenting with co-invest strategies as a way to find a good partner on the ground while at the same time trying to reduce fees and align incentives by having operators put skin in the game. They are proving to be difficult for pension funds as pension funds have a longer decision horizon for investments due to their many levels of approvals, where smaller private equity firms tend to be flatter in the go/no-go decision-making process.

Funds overall will continue to be one of the major forms of investing in real assets because they offer a way to get familiar with a new market before investing directly and they offer access to off-market deals. However, with an increased desire from sovereign wealth and pension funds for more transparency, individual influence on investments, and standardization in performance in reporting across borders for comparison purposes, the fund model is poised to make significant adjustments in the future to continue its strong relationship with the major capital providers.

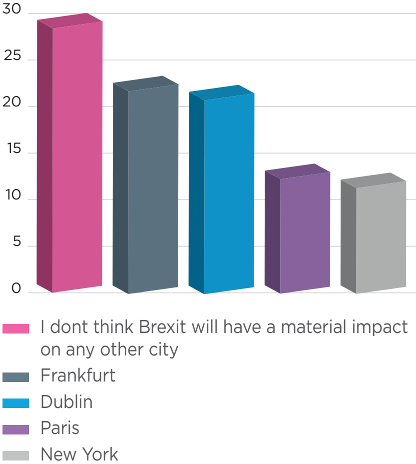
LIVE POLLING AT RE-INVEST

During the RE-Invest Summit, the participants answered key questions proposed by the table moderators about the trends for Real Estate Investment.

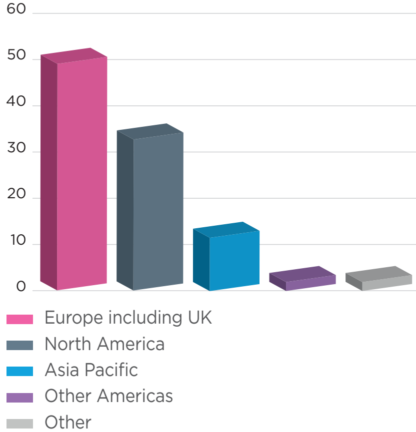
Please find here the results.

Live Polling at RE-Invest

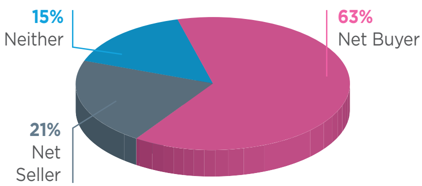
Which city you think will benefit from the Brexit?



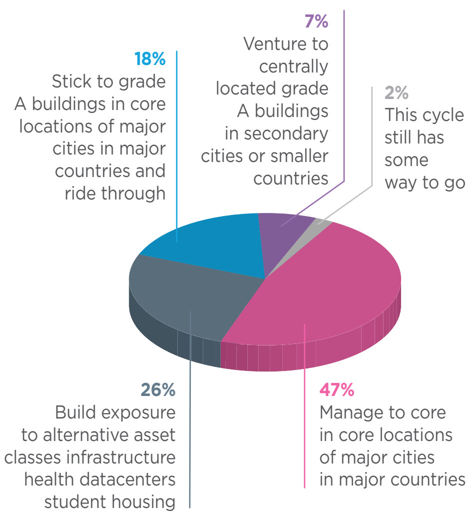
In which region will you focus the most investment during 2017?



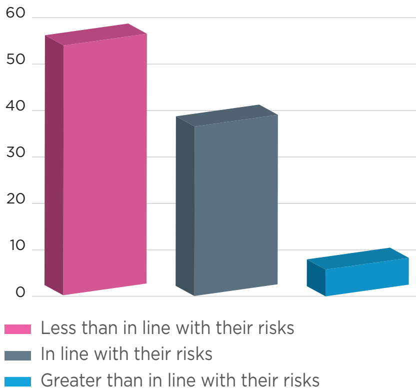
Will you be a net seller or net buyer in 2017?



What is your preferred approach to gaining exposure to core returns late in the cycle?



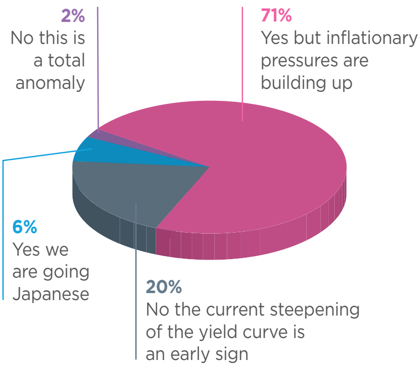
Taking a long term view, do you feel that this year's vintage of investments will deliver returns



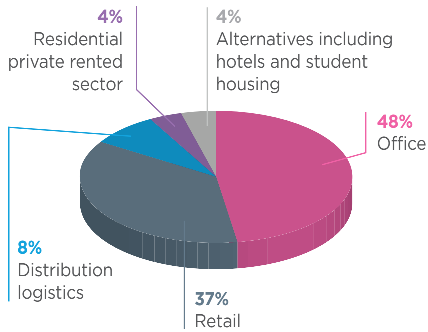
REINVEST SUMMIT

Live Polling at RE-Invest

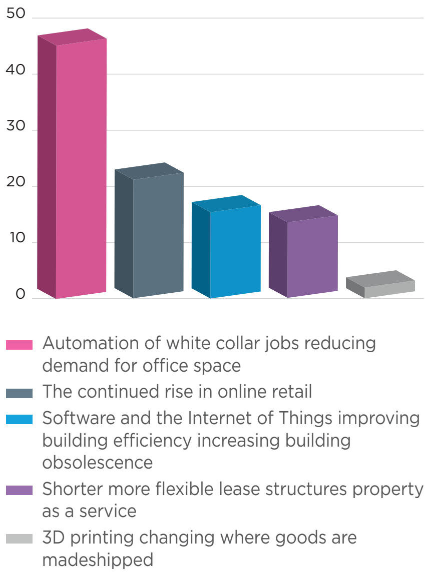
Do you believe that we are in a prolonged period of low interest rates and low inflation?



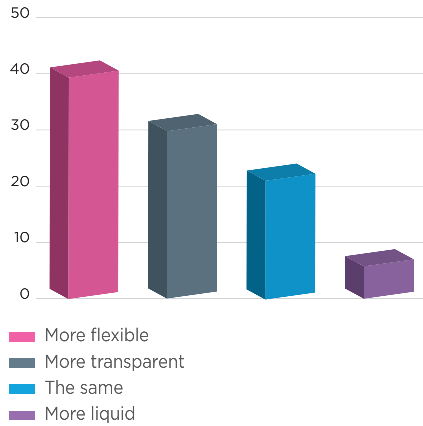
Which asset class is most ripe for disruption due to technological change over the next 5 years?



Which of the following changes will have the biggest impact on commercial real estate assets over the next 10 years



For you, the future of the fund model will be:



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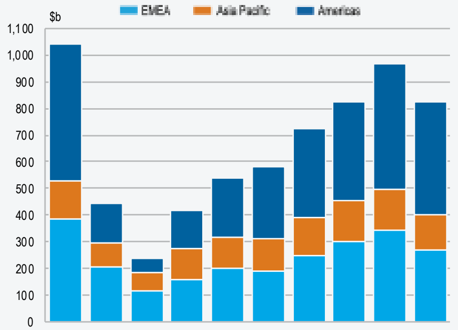
$1.3t 2016 transaction volume

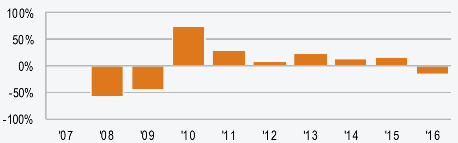
-4% 2016 YOY volume change

-10% Q4'16 YOY volume change

Annual Transaction Volume



Year-Over-Year Change



Charts exclude development site sales

	Q4'16 Volume		2016 Volume	
	$b	YOY	$b	YOY
Office	96.3	-13%	320.4	-12%
Industrial	27.0	-29%	90.8	-18%
Retail	43.8	-23%	151.8	-27%
Apartment	55.9	-13%	195.4	0%
Hotel	18.2	-31%	67.3	-25%
Income Properties	241.1	-19%	825.7	-15%
Dev Sites	152.8	9%	474.3	22%
Grand Total	393.9	-10%	1299.9	-4%
EMEA	86.1	-15%	277.6	-22%
Asia Pacific	187.7	4%	584.5	15%
Americas	120.2	-23%	437.8	-11%

After a record-breaking 2015, it was **always likely that 2016 would struggle to break new investment levels**. While the 2016 total did fall slightly compared with 2016, it was **up 25% versus the 10-year average for global deal volume**.

Hindrances to achieving sustainable higher levels of activity have included: yields in major global metros moving well below their 10-year levels (see page 9); a credit market swoon in the U.S. at the beginning of 2016 followed by a Q4'16 surge in the 10yr UST bookending a weak year; Europe being beset by Brexit uncertainty; and a slowing in Japan and Australia, due more to unwilling sellers rather than a lack of buyers and capital.

This resulted in a year of firsts: **Germany overtook the U.K.** as the #1 transaction market in Europe; **New York claimed London's crown** as the top destination for cross-border capital; and **China became the largest market in Asia Pacific** for income-producing assets.

In the U.S., the low yields offered in major cities seem to have nudged investors towards Non-Major Markets (NMM). Activity in the 6 Major Markets fell 9% and in the NMM grew 2%. In Europe, investors have placed more capital than ever before in the alternative sectors such as student housing, data centers and senior housing. Perhaps this is a sign of trends for 2017 globally as **investors continue to look for opportunities to place capital and secure better income**.

The most active investors, lenders, brokers and advisors depend on RCA's unique insight to formulate their strategies, source new opportunities, and execute their deals. Since 2000, RCA has earned a reputation of having the most timely and reliable transaction data and providing valuable intelligence on market pricing, capital flows and investment trends.

REAL CAPITAL ANALYTICS

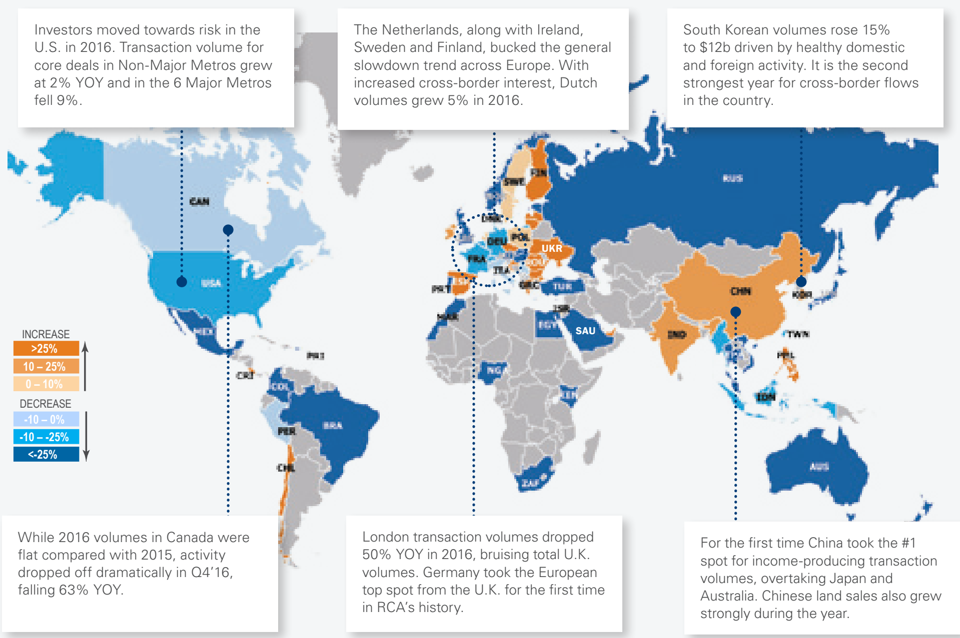
Review | 2016

Three significant stories that emerged during 2016 may roll into 2017 and beyond. In Europe, Germany finished the year as the continent's most active investment market for the first time in RCA history. The 41% decline in U.K. transaction volumes saw the country fall from the #2 spot to the #3 spot in the global ranking. The difference between Europe's top two markets was minor – just $0.3b.

While the U.K. could recoup the difference in 2017 and regain the #2 position, the cyclical upswing in the U.K.'s real estate recovery may have run its course and, coupled with medium-term concerns about Brexit, investment volumes may well remain subdued. While some currency-adjusted opportunities could present themselves, U.K. liquidity may be limited as unhedged USD investors from the past few years may hang on for a sterling recovery rather than book a currency loss at exit.

Secondly, in Asia Pacific, a far more positive story emerged as China became the region's largest investment market for income-producing real estate. While long the scene of huge land sale volumes (accounting for 32% of global volume in 2016), China surpassed Japan and Australia to trade $36.6b of stabilised assets during 2016. Chinese volumes were up 11% on 2015 levels while Japan and Australia fell 36% and 30%, respectively.

2016 YOY Change in Transaction Volume



Excluding development sites

Review | 2016 (cont.)

Thirdly, in the U.S. the new administration's medium-term economic policy positions are yet unknown. Changes to corporate rate taxes and lending restrictions could have a positive impact on the rental cycle and business investment, though they could also lead to lower lending standards and increase systematic risks. In the short term, investors appear to be moving towards risk in secondary and tertiary markets.

Looking at the main property types in 2016, only the apartment sector held at 2015 investment volume levels due to the continued strength of the U.S. market. All other sectors saw a fall in activity, most notably retail (down 27%) and hotel (down 25%). While the industrial sector fell 18% globally, it was a beacon of strength in Europe (see page 8), in part because investors focused on the retailer-led small logistics sector.

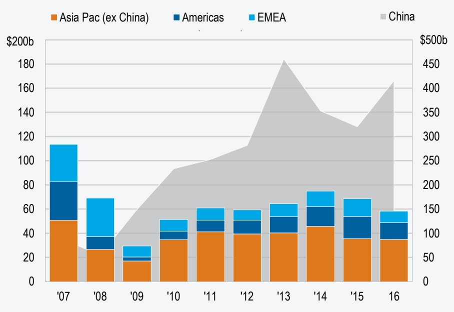
At present it does appear that the problem is the deployment of capital rather than a lack of dry powder. With yields at cyclical lows, investors are content to hold onto income-producing assets than trade out.

Most Active Countries

	Q4'16 Volume		2016 Volume	
	$b	YOY Chg	$b	YOY Chg
United States	113.4	-19%	402.3	-10%
Germany	20.6	13%	60.2	-20%
United Kingdom	15.4	-42%	59.9	-41%
China	14.1	32%	36.6	11%
France	10.4	-19%	30.2	-21%
Japan	4.4	-67%	29.2	-36%
Australia	6.7	-32%	23.5	-30%
Canada	2.5	-64%	17.7	-1%
Sweden	3.9	-9%	17.0	9%
Spain	7.1	142%	16.4	40%
Netherlands	4.6	0%	14.8	5%
Hong Kong	3.0	-1%	13.5	14%
South Korea	5.4	-19%	12.0	15%
Italy	3.4	7%	11.2	-10%
Singapore	3.3	48%	8.1	39%
All Others	22.9	-27%	73.1	-19%
Grand Total	241.1	-19%	825.7	-15%

Excluding development sites

China Surges, Rest of the World Pauses on Developments



Development and land sale activity increased 22% globally in 2016 compared with 2015, however this was entirely down to a surge in activity in mainland China. China saw activity increase 30% YOY in 2016. Excluding China, the rest of the world was down 16% on 2015.

Asia Pacific excluding China slowed just 3%, but EMEA and the Americas were down 40% and 22% YOY, respectively. Against the 10-year average, development site sales were also down globally. In the U.S., while volume was down 26% in 2016 compared with 2015, the level was 12% higher than its 10-year average transactional activity.

Top Markets | Top Five Markets Decline in 2016

In 2014 the three biggest transactions markets were New York, London and Tokyo. Fast forward to 2016 and Tokyo has fallen to #9 in the table – investment volumes have shrunk because investors there have been holding onto assets for longer in that low yield environment.

London finds itself in the #4 position following a halving of investment activity between 2015 and 2016. New York, while maintaining a clear #1 spot, has seen volumes fall 25%.

Despite the recent slowdown in activity in London and Tokyo, they remain the largest investment markets in their regions but both have regional challengers in Paris and Shanghai, respectively. Shanghai is likely the more serious rival to Tokyo than is Paris to London, as China continues to see strong transaction volume growth (see page 2).

There were other positive stories at the city level. In the U.S., Dallas edged out Chicago for the #7 spot, after years of lagging one spot behind. Dallas saw a 2% increase in activity compared with Chicago's 12% decline. Las Vegas was a major mover in the league table, from #54 in 2015 to #28 last year; three major mall transactions in the market led to a 117% increase in volume.

Seoul also posted triple-digit growth, up 142% on 2015. It moved to the #18 slot from the #46 slot in 2015. Strong activity across the office and hotel sectors drove volumes to almost $10b.

Most Active Markets 2016

2014	2015	2016	Market	Sales Volume ($m)	YOY
1	1	1	NYC Metro	59,980	-25%
4	3	2	LA Metro	34,920	-5%
5	4	3	SF Metro	30,043	-6%
2	2	4	London Metro	27,701	-50%
6	5	5	Paris	23,187	-19%
7	7	6	DC Metro	18,552	-18%
11	9	7	Dallas	18,057	2%
10	8	8	Chicago	17,510	-12%
3	6	9	Tokyo	16,382	-40%
13	10	10	Atlanta	15,644	-3%
14	13	11	Miami/So Fla	15,114	4%
16	12	12	Shanghai	14,792	-1%
12	11	13	Boston Metro	13,949	-11%
21	14	14	Seattle	13,694	2%
9	16	15	Hong Kong	13,471	14%
26	22	16	Amsterdam/Randstad	10,661	18%
23	24	17	Denver	10,472	26%
32	46	18	Seoul	9,922	142%
25	19	19	Phoenix	9,622	-9%
18	15	20	Berlin-Brandenburg	9,613	-28%
8	17	21	Sydney	9,257	-19%
27	25	22	Austin	8,331	12%
28	32	23	Singapore	8,056	39%
15	18	24	Houston	7,979	-28%
19	21	25	Rhine-Ruhr	7,948	-18%
35	31	26	Madrid	7,451	20%
33	23	27	San Diego	7,194	-15%
69	54	28	Las Vegas	7,191	117%
24	30	29	Munich	6,684	5%
22	26	30	Frankfurt/Rhine-Main	6,607	-11%

Excluding development sites

Capital Flows | Sources of Capital

The decline in the transactions of income-producing real estate during 2016 was caused by a drop across all geographic sources of capital – domestic investors were down 9%, continental investors down 15% and global investors reduced activity by 32%.

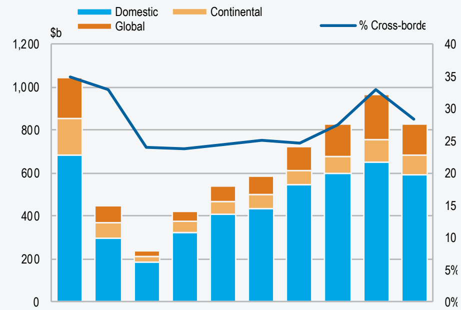
For the first time this cycle cross-border investment has fallen as a percentage of overall global investment volumes. In 2016 the cross-border share of overall volume dropped to 28% from 33% in 2015.

Asian investors consolidated their position as the fastest growing sources of cross-border capital in 2016. In Asia Pacific alone, Asia-sourced capital represented 41% of all cross-border investment. Asian investors accounted for 29% of all flows in 2016, ahead of the U.S. at 19% and Europe at 27%.

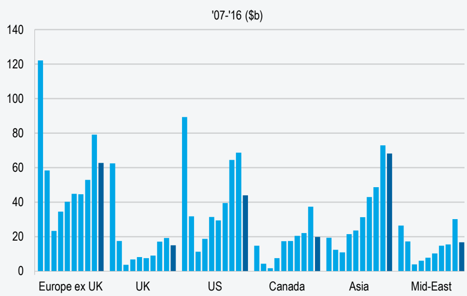
The increase in Asian flows is being driven by a combination of factors: investors are overexposed to competitive domestic markets; there is a significant weight of capital to deploy into income-producing investments; and investors have increased experience and confidence in placing capital overseas.

U.S. cross-border activity fell 36% to $43.9b during 2016, a level similar to that of 2013. This was driven largely by lower levels of activity from U.S.-based private equity firms (see below). Middle Eastern buyers were also subdued in 2016, but rebounding oil prices may see these investors emerge once again during 2017.

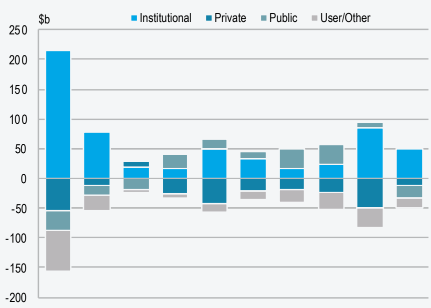
Global Investment by Source of Capital



Sources of Global Cross-Border Capital



Institutions Positive Globally, Slowing in the U.S.



While institutional investors were the only capital group recording positive net investment at a global level in 2016, private equity funds headquartered in the U.S. were notable for the 51% YOY drop in their investment volumes. It is likely that this is because of the stronger competition from domestic investors in Europe and higher pricing, which made the achievement of value-add and opportunistic returns more difficult. Investors are taking more risk in secondary markets in the U.S. However, in general the signs are that core investments will remain the focus of institutional investors in 2017.

Capital Flows | Global Trade Routes

Asian capital flows have been gathering pace and the trade routes analysis below shows that Asian investors account for seven of the top 20 routes for global flows, that is, the flows between continents.

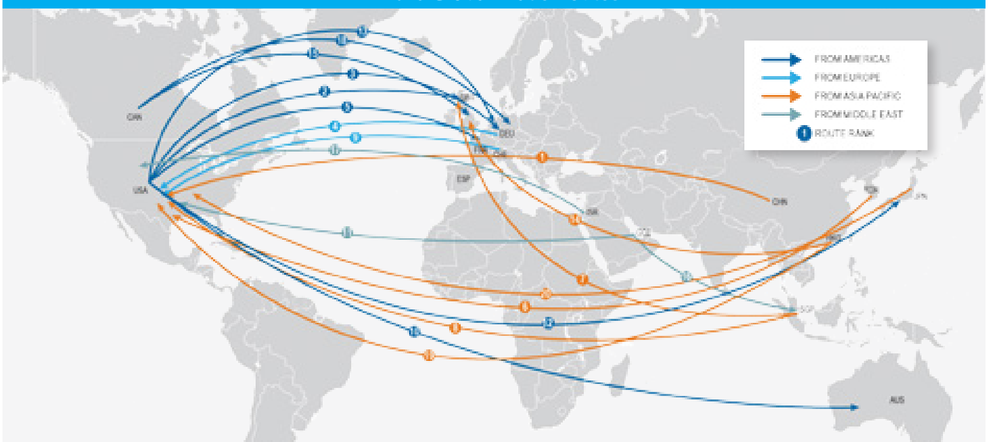
Chinese investment into the U.S. represented the largest global trade route in 2016 – a 54% increase in activity pushed it from the #4 spot in 2015. Chinese investors placed a record $14.4b in the U.S. during 2016.

South Korean flows into the U.S. grew 14% in 2016, moving to #6 from #15 in 2015. Close behind were the Singapore flows into the U.K., demonstrating that not all cross-border investors were put off by the concerns over Brexit. Singapore invested $3.4b in the U.K. in 2016.

Japanese investors made a return to the top 20, investing $2.3b in the U.S., up 88%. We expect to see an increasing presence from Japanese investors in the near term as they gear up international activity. Japanese investment into the U.S. was not reciprocated, however, with U.S. flows into Japan dropping 33% YOY.

Flows from the U.S. into Europe were also down significantly. U.S. inflows to the U.K. were particularly reduced, shrinking by 61% and dropping from the #1 spot to #2. Flows from the U.S. to Germany and France fell by 30% and 37%, respectively. Not all European countries suffered from a slowing of U.S. interest: flows to the Netherlands grew 24% YOY.

2016 Global Trade Routes



Excluding development sites

Rank	Source	Destination	Vol ($m)	YOY Chg
1	China	U.S	14,355	54%
2	U.S.	U.K.	8,894	-61%
3	U.S.	Germany	6,881	-30%
4	Germany	U.S.	5,996	-15%
5	U.S.	France	3,938	-37%
6	South Korea	U.S.	3,800	14%
7	Singapore	U.K.	3,428	4%
8	Singapore	U.S.	3,263	-78%
9	Switzerland	U.S.	3,245	4%
10	U.S.	Australia	3,197	7%

Rank	Source	Destination	Vol ($m)	YOY Chg
11	Qatar	U.S.	3,179	-31%
12	U.S.	Japan	3,011	-33%
13	U.S.	Netherlands	2,848	24%
14	Hong Kong	U.K.	2,701	-7%
15	Canada	U.K.	2,655	-45%
16	Qatar	Singapore	2,477	n/a
17	Israel	U.S.	2,469	44%
18	Canada	Germany	2,342	-38%
19	Hong Kong	U.S.	2,304	50%
20	Japan	U.S.	2,283	88%

Cross-Border Capital | Top Destinations

In 2016 New York edged ahead of London to become the #1 destination market for cross-border investors for the first time since 2008. Notably, London lost considerable share of the global investors – those moving capital between continents.

London lost favor with global investors more than New York gained favor. The U.K. capital received 10% of global capital in 2016 compared with 15% in 2015; New York claimed 11% in 2016 and 9% the year prior.

London saw cross-border investment volumes fall 54% between 2015 and 2016 while New York saw a decline of 37%. Paris also dropped by 24% but managed to hold onto the #3 position.

Of the top five markets only Amsterdam saw an increase, with cross-border investor activity up 14%. Of the top 10, San Francisco, Hong Kong and Dublin also saw increases in cross-border capital in 2016. Singapore, at #11, saw the largest increase at close to 300% but this is entirely attributable to the Qatari Investment Authority's acquisition of Asia Square for $2.6b in April 2016. It drove Singapore to #11 from #55 in 2015 and we can expect Singapore to fall back down the rankings during 2017.

In order to make the top 30 list a metro market would have had to receive $1.84b during 2016 from cross-border investors; Manchester, U.K., took this #30 position. This level is a decline from $1.96b in 2015 and it is the first time since 2012 that the amount of capital required to make the top 30 has fallen.

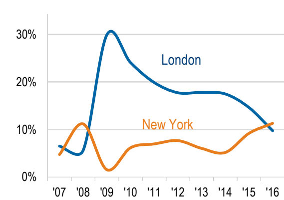
Top 30 Metro Destinations for Cross-Border Capital

2014	2015	2016	Market	Sales Volume ($m)
3	2	1	NYC Metro	17,769
1	1	2	London Metro	17,711
2	3	3	Paris	8,242
7	8	4	Amsterdam/Randstad	6,620
11	5	5	Berlin-Brandenburg	6,133
12	9	6	SF Metro	5,702
13	4	7	LA Metro	5,652
4	7	8	Sydney	4,686
20	17	9	Hong Kong	4,584
16	26	10	Dublin	3,982
58	55	11	Singapore	3,776
17	11	12	Shanghai	3,681
9	6	13	DC Metro	3,547
25	44	14	Seoul	3,188
10	23	15	Melbourne	3,032
8	10	16	Rhine-Ruhr	2,997
19	18	17	Munich	2,657
29	13	18	Chicago	2,615
30	14	19	Milan	2,601
35	48	20	Saxon Triangle	2,540
33	16	21	Miami/So Fla	2,435
14	15	22	Frankfurt/Rhine-Main	2,368
31	36	23	Prague	2,342
55	20	24	Dallas	2,273
5	12	25	Tokyo	2,094
57	34	26	Copenhagen	2,027
49	24	27	Seattle	1,962
22	46	28	Warsaw	1,921
74	19	29	Atlanta	1,880
40	33	30	Manchester Metro	1,836

■ Global ■ Continental

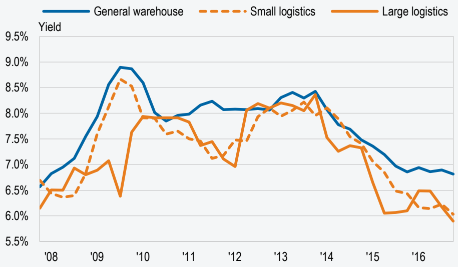
Excluding development sites

NY's Global Share Edges London in '16



Global Trend Snapshots

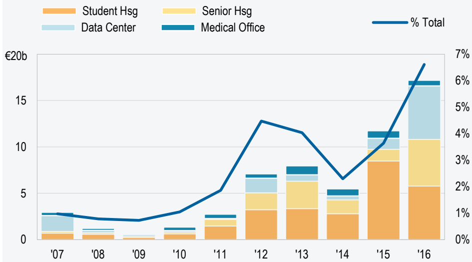
Logistics Yields Push Lower in Europe



Small logistics <10,000 m²; large logistics > 50,000 m²

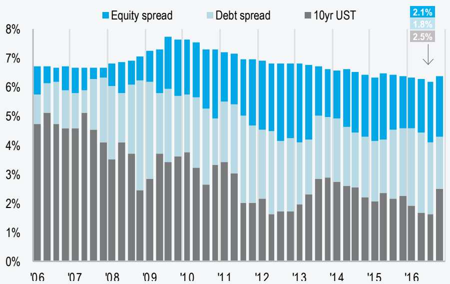
Capital has shifted from the retail market into the retailer-led segment of the logistics market in Europe. This is demonstrated by the inwards yield movement for logistics units smaller than 10,000 m², which tend to be the urban parcel delivery hubs that are crucial for the next-day delivery services.

European Alternatives Increasing Share



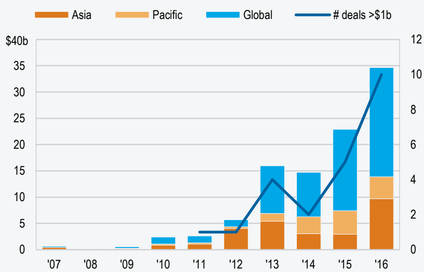
2016 was a record year for the alternative sectors in Europe as investors hunted for value in a crowded market. RCA has seen an expansion in the market for senior housing and data centres, with more than €5b changing hands in both sectors in 2016 – a market record. Student housing outside the U.K. also saw record volume of €2.5b.

Rising US Interest Rates Shrugged Off



Investors feared the move in U.S. Treasuries between Q3'16 and Q4'16 might have had more impact on cap rates. There has been a slight increase in cap rates in the retail sector but overall the adjustment has been very modest. Given the current political transition it is too early to say if new policies will have a medium-term impact

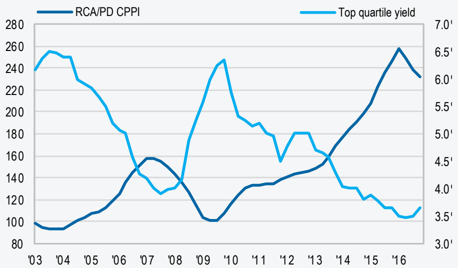
Chinese Investors Pour Capital Overseas



RCA data shows that $32.6b was invested abroad by Chinese investors in 2016 – 38% higher than 2015. However, the strong growth does not come without its challenges. Speculation about new capital control rules squeezing the pipeline of Chinese outbound capital is causing some concern among investors.

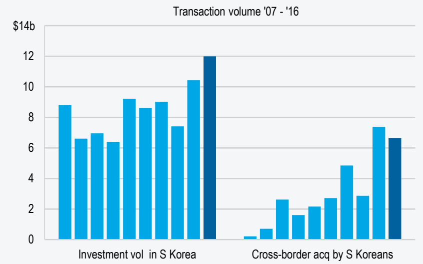
Global Trend Snapshots

Central London Prices Begin to Tail Off



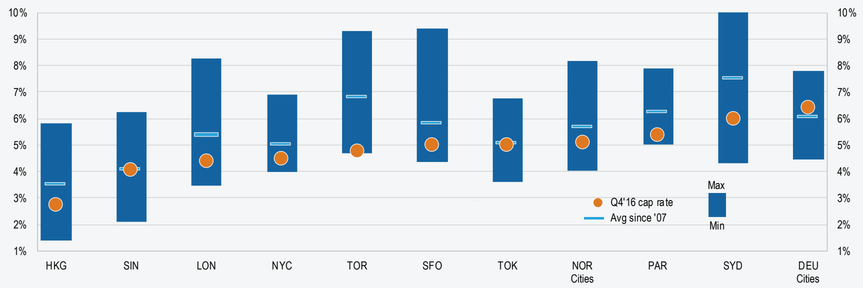
With some of the initial fallout from the Brexit vote settling, six months down the line we can see the impact it has had on the Central London market. Prices as measured by the RCA/PD CPPI peaked in Q1'16 and we have now seen three successive quarters of decline. This is also reflected in the top quartile yields, which have ticked out by 20 bps.

A Record Year for South Korea Acquisitions



South Korea's domestic investment market and the overseas activity of South Korean investors have been one of the big surprises of 2016. Not only has investment in South Korea reached a record high at $12.0b, but also South Korean investors abroad had a banner year, placing $7.4b in cross-border commercial real estate.

Most Major Office Market Transaction Yields Below 10-Year Averages



Major metro office yields have come under increasing pressure in recent years as investors have looked to invest in a relatively small number of markets. Most of the major metro markets now find their yields below their 10-year averages and significantly below the levels they reached immediately following the Global Financial Crisis. In the U.S. investors have begun to push out into Non-Major Metros and we are seeing increasing investment in smaller markets across Europe and Asia as investors seek higher yield levels.

Top Buyers & Sellers | 2016

Buyers By Sector

Office

Blackstone
China Life Insurance
QIA
Brookfield AM
ARA AM

Industrial

Blackstone
Equinix
CBRE Global
GIC
Gramercy PT

Retail

Blackstone
Brookfield AM
PGIM
DRA Advisors
CBRE Global

Hotel

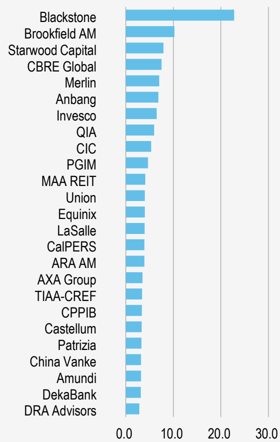
Anbang
Marriott
Fonciere des Murs
Bluesky Hotels
China Life Insurance

Ranked by investment volume

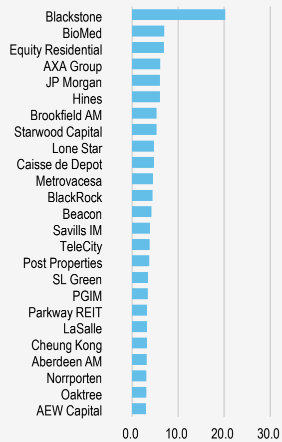
Methodology

Rankings are based on the pro-rated share of the total property or portfolio value. For more infor-mation on rankings please visit the RCA website.

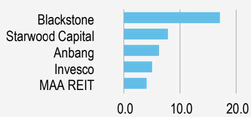
Buyers Globally



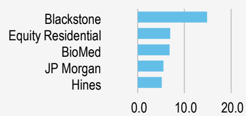
Sellers Globally



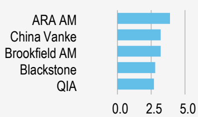
Buyers Americas



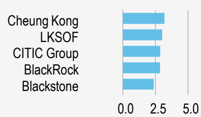
Sellers Americas



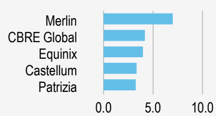
Buyers Asia Pacific



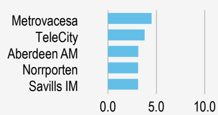
Sellers Asia Pacific



Buyers EMEA



Sellers EMEA



By investment volume ($b), excluding development sites

Top Global Transactions | 2016

Property Sales

	Property	Location	Size		Type	Volume ($m)△	$/unit	Buyer	Seller
1	Shanghai Century Link	Shanghai, CHN	3,900,454	sq ft	OFF	3014.5	773	ARA AM OBO China Life	Cheung Kong Holdings JV LKSOF
2	Asia Square Tower 1	Singapore, SGP	1,287,000	sq ft	OFF	2477.1	1,925	QIA	BlackRock
3	787 Seventh Avenue	New York, NY	1,706,007	sq ft	OFF	1941.5	1,138	CalPERS JV CommonWealth Ptnrs	AXA Group
4	Citigroup HQ	New York, NY	2,634,670	sq ft	OFF	1884.0	715	Citigroup	SL Green
5	PaineWebber Building	New York, NY	1,749,000	sq ft	OFF	1649.8	943	RXR Realty JV David Werner RE	AXA Group JV JP Morgan
6	Mass Mutual Tower	Hong Kong, HKG	345,426	sq ft	OFF	1606.1	4,650	Evergrande RE Group	Chinese Estates
7	550 Madison Avenue	New York, NY	852,830	sq ft	OFF	1416.7	1,661	Olayan Group JV Chelsfield	Chetrit Group JV Clipper Equity
8	Dah Sing Financial Centre	Hong Kong, HKG	400,113	sq ft	OFF	1285.0	3,212	Everbright Group	SEA Hldgs Ltd
9	Fashion Show Mall	Las Vegas, NV	836,006	sq ft	RET	1250.0 *	2,990	TIAA-CREF	GGP
10	1095 Sixth Avenue	New York, NY	1,116,129	sq ft	OFF	1153.0 *	2,108	HKMA	Caisse de Depot JV Callahan Cap Ptnrs
11	The Shops at Crystals	Las Vegas, NV	262,327	sq ft	RET	1100.0	4,193	Simon Prop Grp JV Invesco RE	MGM Resorts Int'l JV Dubai World
12	Miracle Mile Shops	Las Vegas, NV	493,984	sq ft	RET	1100.0	2,227	Miller Capital	RFR Realty JV Investcorp
13	Blanchardstown Centre	Dublin, IRL	1,200,000	sq ft	RET	1066.4	889	Blackstone	Green Property
14	9 Place Vendome	Paris, FRA	288,475	sq ft	OFF	1060.1	3,675	Norges Bank (NBIM)	John Magnier JV JP McManus
15	11 Madison Avenue	New York, NY	2,285,043	sq ft	OFF	1040.0 *	1,138	PGIM	SL Green
16	fmr McGraw-Hill HQ	New York, NY	2,625,640	sq ft	OFF	1030.5 *	872	Invesco RE OBO China Invmt	CPP Investment Board
17	HBP Powai	Mumbai, IND	4,500,000	sq ft	OFF	1000.0	222	Brookfield AM	Hiranandani Developers
18	10 Hudson Yards	New York, NY	1,813,465	sq ft	OFF	-	-	Allianz	Related Companies JV OMERS
19	Tour First	Courbevoie, FRA	865,038	sq ft	OFF	931.2	1,076	AXA Group JV Credit Mutuel-CIC	Beacon Capital Partners
20	Corporate Avenue 3	Shanghai, CHN	608,166	sq ft	OFF	865.7	1,423	Lee Kum Kee JV China Vanke	Shui On Land Limited

Portfolio Sales

	Buyer	Seller	Location	# Props	Type	Volume ($m)△
1	Blackstone	BioMed Realty Trust	World Wide	110	APT, DEV, IND, OFF	6992.0 *
2	Anbang	Blackstone	Multiple, USA	15	HTL	5500.0
3	Starwood Capital	Equity Residential	Multiple, USA	69	APT	5365.0
4	Merlin Properties	Metrovacesa	Europe	63	APT, HTL, OFF, RET	4364.1 **
5	Equinix	TeleCity	Europe	40	IND, OFF	3780.2
6	MAA REIT	Post Properties	Multiple, USA	61	APT, DEV	-
7	Castellum AB	Norrporten	Europe	123	IND, OFF, RET	3091.0
8	Cousins Properties	Parkway Properties REIT	Multiple, USA	33	DEV, OFF	- *
9	Brookfield AM	Rouse Properties	Multiple, USA	36	RET	2752.9 *
10	GIC	P3 Logistic Parks AKA TPG Capital	Europe	59	DEV, IND, OFF	2279.3

Development Site Sales

	Property	Location	Size		Volume ($m)△	$/unit	Buyer
1	Shenzhen 2016-13	Shenzhen, CHN	5,685,371	sq ft	4,679.3	823	Shenzhen Overseas Chinese Twn JV China Merchants Prop Dev
2	CITIC Target Property 2016	Multiple, CHN	60,767,303	sq ft	2,142.8	76	China Overseas L&I
3	Shenzhen 2016-10	Shenzhen, CHN	1,640,885	sq ft	2,132.1	1,299	Logan Property
4	Chow Tai Fook Land China 2015	Multiple, CHN	17,195,447	sq ft	2,004.0 *	121	Evergrande RE Group
5	Hangzhou Land Plot MU 01-03	Hangzhou, CHN	1,698,420	sq ft	1,901.4	1,119	China Cinda AM

△ When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although $/unit reflects 100% valuation.
* Partial interest   ** Forward sale

REPORT & SURVEY

Produced by KPMG

KPMG

Global real estate investors take a position on Brexit Britain

REINVEST m

Andy Pyle
UK Head of Real Estate

At a glance:

- Attitudes vary hugely by investor according to factors such as origin of capital, investment strategy and opinion on Brexit
- Many private and overseas investors view Brexit as an opportunity, due to the cheaper pound and less competition from other buyers
- Overall 2016 UK transaction volumes were relatively healthy and significantly higher than some predicted
- Several commentators expect London to remain a global financial centre regardless of Brexit – the factors that make London attractive are not going to change overnight

Our survey of global real estate investors at the recent RE-Invest Summit at MIPIM 2017 revealed that nearly half (46 per cent) of respondents intend to continue with the same level of investment in UK property following the triggering of Article 50. Meanwhile, of the remaining respondents, 44 per cent said their organisation is likely to slow down investment, whilst just 10 per cent said they expected to stop investment altogether.

Since the Brexit vote there has been a noticeable dip in transaction volumes. Yet, the fall is nothing like the levels predicted prior to the vote, with many investors still very eager to invest in UK property. The reality is that what Brexit will mean for the real estate sector continues to unfold on a daily basis, and much still unknown – as the recent announcement on a general election demonstrations, we need to be prepared for the unexpected. This level of uncertainty is clearly having an impact on the industry's attitudes towards investing in the UK. Not surprisingly, these attitudes vary by investor according to the origin of capital, investment strategy and their own opinion on Brexit.

Global real estate investors' views on Brexit

intend to continue with the same level of investment in UK property following Article 50 being triggered	said their organisation is likely to slow down investment	said they would stop investment altogether	did not believe Brexit would have a material benefit on any other city

1st Frankfurt

2nd Dublin

Most international investors pointed to Frankfurt and Dublin as the main EU cities to potentially benefit from increased inward investment as a result of the UK leaving the EU.

"However, many respondents argue London will remain a global financial centre regardless of whether the UK is in or out of the EU."

This small sample of global real estate investors, albeit with a combined real estate portfolio of $600 billion (USD), is by no means conclusive. Yet, it does suggest investors are split when it comes to the future merits of investment in UK property. Conversations in the market indicate that division over sentiment is driven, at least in part, by whether Brexit is viewed as an opportunity or as a threat. With Article 50 now triggered, the uncertainty that follows is likely to prolong this polarisation.

This is demonstrated by UK transaction volumes in 2016, which showed a dip following two very strong years in 2014 and 2015, but overall remain relatively healthy and significantly above the drop that followed the global financial crisis.

Private and overseas investment has certainly been a contributing factor to this, with the cheaper pound and less competition from other buyers marking an opportunity. In their Q4 review of the Central London market, Cushman and Wakefield reported that overseas investors accounted for nearly three quarters of buyer activity in Central London in the second half of 2016, and 2017 is showing a similar trend. Regional markets, such as Birmingham and Manchester, have also attracted interest from overseas buyers.

When asked which cities would be likely to benefit from increased inward investment as a result of the UK leaving the EU, as many as a third (30 per cent) stated they did not believe Brexit would have a material benefit on any other city, with other respondents pointing mainly to Frankfurt (23 per cent) and Dublin (22 per cent).

As two of the EU's main financial centres outside of London, it is perhaps unsurprising that our survey highlighted Frankfurt and Dublin as cities with the potential to benefit from Brexit. Equally noteworthy, however, is that many respondents - and indeed many of my clients - strongly argue London will remain a global financial centre regardless of whether the UK is in or out of the EU.

The factors that make London attractive to occupiers remain in place and are not going to change overnight – language, timezone, transparency, rule of law, an established ecosystem of expertise and a history of adapting to global change. Furthermore, there are questions over whether other European financial centres could realistically absorb the vast financial services sector should these businesses look to move jobs out of the City.

Decisions about the future structure of businesses and their locations will undoubtedly be based on the expected out-turn of the Brexit negotiations, with particular attention on market access. While to date companies have generally looked to defer key decisions in areas that have potential to be affected by Brexit, this will change later this year as more businesses begin executing their Brexit plans.

With the Brexit countdown having now begun, it is vital that real estate investors now look at their assets on a granular level and understand the logic at work that will shape the wider real estate investment landscape.

About this survey

KPMG conducted this survey at the RE-Invest Summit at MIPIM in March 2017. The 60 delegates comprised of global real estate investors from 45 institutions across 23 countries, with combined real estate investment portfolios worth in excess of $600bn.

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REINVEST SUMMIT

KPMG REPORT & SURVEY

KPMG

The changing face of occupational demand in London

Andy Pyle

14 March, 2017

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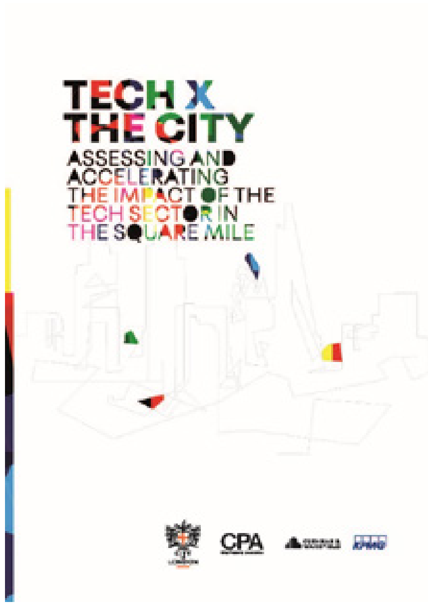
kpmg.com/uk

REINVEST SUMMIT

Tech X the City

- Research report commissioned by the City of London Corporation and the City Property Association. KPMG and Cushman and Wakefield assisted with analysis and research.
- Examines the way the technology sector will impact the City's core occupier base.
- Interviews with City of London landlords, established City corporates, high-growth firms and interested parties, such as accelerators.
- Report launched at MIPIM on Thursday 16 March.



Rapid pace of change

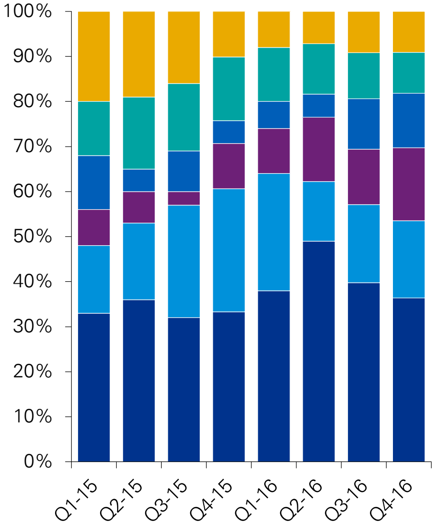
Central London offices	2012	2016	% growth
TMT take up	2.04m sq. ft.	3.01m sq. ft.	48%
Flexible workspace	239,017 sq. ft.	767,937 sq. ft.	221%
Tenants relocating to sub-markets	39% of deals	66% of deals	69%

Source: (a) Knight Frank/KPMG analysis.

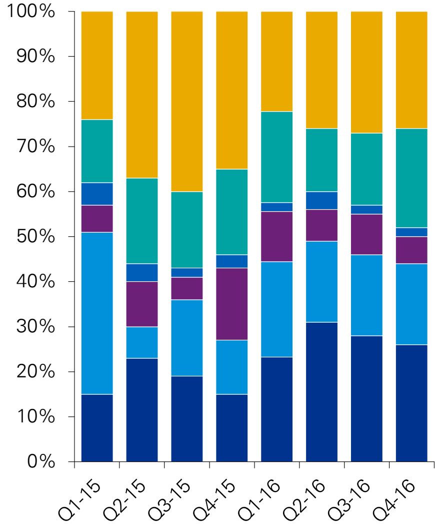
- Number of jobs in TMT sector in the City grown by 55% since 2010 [City of London.
- TMT now regularly represents the highest proportion of quarterly office take-up in London.
- TMT and co-working space accounted for one third of the largest leasing deals in 2016.
- Co-working and serviced office space in the City has increased by almost 50% since 2010.
- Non-core locations attracting firms – Shoreditch, King's Cross, Battersea, Docklands.

Demand for London offices by sector

Active demand – West End



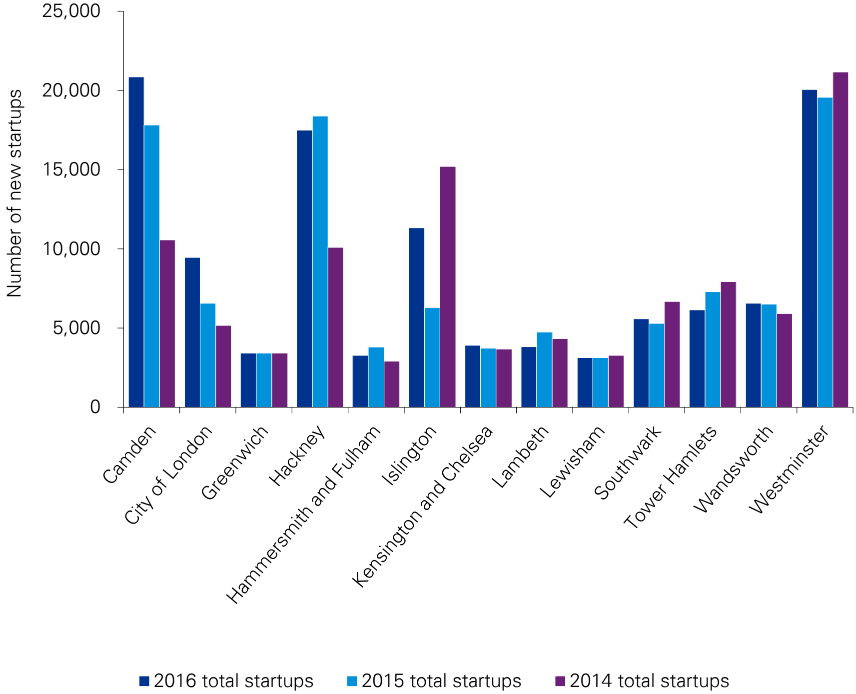
Active demand – City



- Banking & Finance
- Professional services
- Manufacturing
- Public & adminstrative
- Service industries
- TMT

Source: JLL/KPMG analysis.

Inner London startup trends



Source: Startup Britain/Cushman and Wakefield.

— 29 of the FinTech top 50 are located in London.

— 31 of the 54 LegalTech start ups are located in London.

Drivers of Change

— The Fourth Industrial Revolution is here: AI/machine learning, Big Data and the Internet of Things.

— Cyber security and digital/tech driven-disruption are now key Board level issues.

— Disrupters threating traditional big City occupiers in legal, banking and insurance sectors.

— The emerging tech sector typically takes affordable, functional space with simple demands of – Connectivity, meeting rooms and good local amenities.

— Tech sector workforce is younger with different demands – More collaborative space and better placemaking.

72% of CEOs believe the next three years will be more critical for their industry than the previous 50

KPMG's 2016 Global CEO Outlook study

The technological revolution is "hollowing out…middle class services jobs"

Mark Carney, Governor of the Bank of England

Key interview findings

Landlords

- Support attracting emerging technology into The City.
- Feel that the City is a suitable location for emerging technology due to transport links, proximity to capital and the existing ecosystem.
- Are hesitant to offer discounts or enticements to emerging technology companies.
- Want emerging technology and large corporates to work alongside each other.

Large corporates

- Are embracing new technologies within their businesses.
- Feel that property owners need to welcome a culture that attracts different types of companies, including the emerging technology sector.
- Recognise that the diverse property offer within the City is a major pull factor.

Tech sector

- Is worried about the threat of exploitation by large corporates.
- Finds that co-working spaces don't meet their compliance needs.
- Want to be treated as partners, rather than marketing initiatives for a corporate innovation agenda.

Conclusions of 'Tech X the City'

— The City should actively promote its existing ecosystem in order to inform traditional occupiers of the benefits of 'cross pollination' with tech businesses and high-growth firms.

— Relationships between high-growth firms and big business is a two-way street that allows the flow of new ideas and products as well as mentoring and professional advice.

— Landlords need to:

- Repurpose office space for modern use.
- Create a 24/7 culture from the street level upwards.
- Assist high-growth firms with flexible spaces and contracts.

— Tech and high-growth companies can:

- Learn from and mix with established businesses.
- Create the digital tools these businesses will increasingly rely on.
- Fill the physical spaces created by corporate restructuring.

Challenges facing landlords

- Increased need for partnerships
- Attract existing and new occupiers
- Physical and digital connectivity
- Security
- Demand for 24/7 access
- Demand for flexible leases and spaces
- Demand for co-working space
- Impact on valuations
- Asset management requirements
- Tenant as a customer
- Building obsolescence

Summary thoughts for investors

- The business climate, and with it the property landscape, is changing rapidly
- Evaluate property investments through the lens of the next 20 years and consider potential disruptive changes and the risk of building obsolescence
- Occupier demand for flexible leases and more engagement with landlords
- Property as a service and the tenant as a customer
- Greater risks – How to price the required return?
- Change creates a big opportunity for those who think and invest long term

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NOTE

For more information,
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