JLL Achieve Ambitions

November 2018

Global Market Perspective

JLL Global Research

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Real Estate Markets to Carry Momentum into 2019

Growth likely to moderate from 2018's exceptional levels

Global real estate markets have exceeded expectations as we enter the final quarter of 2018, with investment and corporate occupier activity set to surpass 2017 and finish the year at their highest levels since 2007. However, there are signs that activity is slowing as we move into 2019 and volumes are likely to moderate next year. Office leasing markets remain buoyant and although volumes in 2019 may struggle to exceed the stellar results this year, they will stay well above the 10-year average. Meanwhile in the logistics sector, sustained demand is holding vacancy rates near historic lows and keeping an expanding pipeline in check which, in turn, is driving additional rental growth. Investor demand for real estate is still high with full-year 2018 investment activity on pace to exceed 2017 levels, though volumes are expected to soften somewhat in 2019 due to continued investor selectivity and discipline.

Global Commercial Real Estate Market Prospects, 2019

Leasing, vacancy, development, rents and capital values relate to the office sector.
Source: JLL, October 2018

Global real estate investment stays on course despite elevated uncertainty

Investment in global commercial real estate stayed steady in the third quarter of 2018 with investment volumes of US$170 billion. Thanks to the robust start to the year, total year-to-date activity now stands at US$507 billion, a 7% increase from 2017.

While strong U.S. growth has underpinned the global economy, investors continue to contend with elevated trade tensions and political uncertainty, as well as rising U.S. interest rates and volatility in energy markets. In this environment, real estate investments continue to look attractive. Despite yields staying at record lows in many global markets, occupier fundamentals are still buoyant and, with rental growth forecast to tick over into 2019, the sector is set to remain attractive from a return perspective. We project that global investment in commercial real estate over the full year will edge up slightly relative to 2017 to around US$730 billion. Looking ahead to 2019, global investment is anticipated to decline to around US$700 billion as ongoing investor selectivity and reluctance to recycle capital, due to the difficulty in finding alternative income-producing assets, are likely to limit investment growth.

2018 leasing volumes at highest level since 2007

Office leasing markets remain active across the globe. Volumes are on track to exceed 42 million square metres (in 96 markets) for the full-year 2018 and are at their highest level since 2007. Year-to-date volumes are now 8% higher than 2017, although we saw some softening of activity during Q3, a trend that is expected to continue into the final quarter of the year. Asia Pacific has seen the most impressive leasing activity in 2018, with year-to-date volumes 24% up on a year ago. Europe and the U.S. have maintained steady growth, with their leasing volumes in the year to date 5% above the impressive tally of 2017.

Preliminary projections for 2019 suggest that, in the context of slowing economic growth in most major markets, global leasing volumes are likely to struggle to exceed the elevated levels of 2017 and 2018. Nonetheless, levels in 2019 are still forecast to be around 10% higher than the 10-year average.

A further fall in global office vacancy rates

Despite relatively high levels of new deliveries across the globe, robust occupier demand pushed the global office vacancy rate to a new cyclical low of 11.5% in Q3 2018. In Europe and Asia Pacific the regional vacancy rate fell by 30-40 bps during Q3 to 6.5% and 10.2% respectively, but increased in the Americas to 15% due to an uptick in new supply hitting the U.S. market.

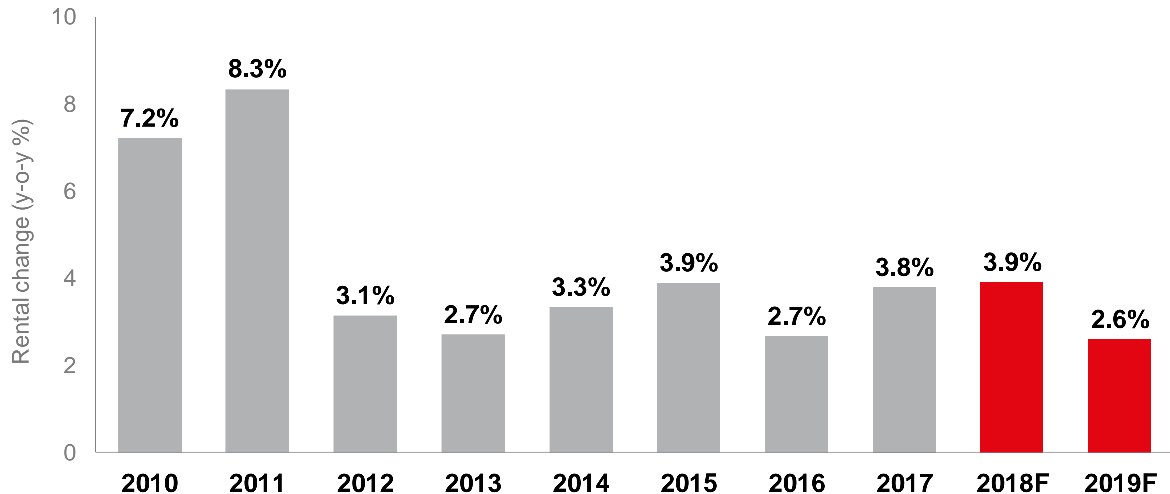
Buoyant end-user demand is encouraging construction activity, with new development over the next two years (2019-2020) projected to be 20%-25% higher than the 10-year average. With elevated new deliveries, the global vacancy rate is expected to rise over the next 12-18 months, pushing above the 12% threshold during H2 2019.

Annual prime rental growth increasing to nearly 4% in 2018

Rental growth for prime offices across 30 global cities continues at a healthy pace and is on track to reach nearly 4% for the full-year 2018, which would represent the strongest annual rental uplift since 2011.

Aggregate rental growth is expected to remain positive in 2019, although slowing to around 2.6% as supply options increase. The top rental performers are likely to include San Francisco and Boston in the U.S. and Singapore and Sydney in Asia Pacific. Several European markets are also predicted to show above-trend rental growth, including late-cycle markets like Madrid and Moscow as well as tech-rich cities such as Stockholm, Amsterdam and Berlin.

Rental Growth for Prime Offices, 2010-2019



Unweighted average of 30 markets
Source: JLL, October 2018

Retail landlords focus on adapting with new tenant mixes and customer service

A growing emphasis on experience and customer service is leading to an expanding share of non-retail tenants such as food and beverage, lifestyle brands and fitness centres, as landlords actively adjust tenant mixes to keep up with changing consumer tastes.

Recent softening in the U.S. retail sector paused in the third quarter, with net absorption rebounding and rents continuing to head upwards, although the spate of store closure announcements this year is now taking effect. While retailer demand remains selective in Europe, signs of a revival in wage growth are supporting the retail sales outlook. In Asia Pacific, landlords are focused on adjusting tenant mixes and customer service, with rents broadly stable across the region.

Sustained demand for logistics space keeps vacancy rates near historic lows

Global logistics markets have maintained their momentum through the third quarter, with record demand holding vacancy levels near historic lows despite an expanding supply pipeline. Net absorption in the U.S. industrial market rose to its highest level of the year during Q3, with annual rental growth accelerating to 6.3% despite an increase in new completions. Meanwhile, occupier activity in Europe is still robust entering the final quarter and full-year take-up is likely to match or exceed 2017's record levels. In Asia Pacific, rents continued to edge up further in most markets as sustained demand keeps supply levels in check. With strong pre-leasing trends and limited speculative construction in many global markets, we expect vacancy rates to remain stable and put further upward pressure on rents.

U.S. drives global hotel investment market

A positive outlook for tourism figures and hotel operating revenues, together with investors' search for yield, is pushing non-traditional hotel investors to invest in the sector. At the same time, there are now more vehicles which enable investors to enter the hotel market through channels other than carrying out direct acquisitions of physical assets, with debt lending and M&A activities both seeing increases. Global hotel investment volumes reached US$43.3 billion over the first nine months of 2018, 5% lower than the same period last year. The Americas was the exception to this trend, posting a 9.2% year-on-year uplift, driven by the United States.

Demand for units in U.S. multifamily market matching supply peak

Multifamily rental fundamentals in the U.S. stayed robust through the third quarter of 2018 with the national vacancy rate declining and the pace of rental growth edging upwards despite the wave of new supply being delivered across the country, bolstered by strong performance in select Sunbelt markets. Development activity across the U.S. is projected to continue into 2019, although developers remain focused on the luxury market segment, with a large share of projects falling in urban-core submarkets. This has driven a divergence in performance, with suburban submarkets witnessing stronger rental growth.

In Asia Pacific, government tightening measures continued to lead to more cautious sentiment in Hong Kong and Singapore. In China, buying momentum held strong in Shanghai's high-end market due to pent-up demand and new supply, although transaction volumes decreased in Beijing.

Global Economy

Global upturn resilient to trade wars

The healthy world expansion has continued per the latest indicators, though the underlying risks have not eased over the summer. Most worrying remains the protectionist stance of the Trump administration and the potential for retaliation by its trade partners. This confrontational approach has led to progress in some areas, notably NAFTA, but continues to impact on relations with Europe and China. This disruption is expected to limit the upside to growth over the coming quarters.

There has also been a rise in emerging market concerns. This in part relates to the effect of an appreciating dollar and rising U.S. interest rates on global credit conditions. The upheaval has hit hardest in Turkey and Argentina, which have both experienced currency problems. One ongoing concern is the potential impact on emerging market exports of a deceleration in both China and the U.S. into next year.

Despite these external risks, the outlook has kept relatively stable. In the **U.S.**, optimism is growing, though forecasts for this year and next are broadly unchanged at just under 3% (matching the post-GFC high) and 2.3% respectively. There has been a clear rebound from a poor Q1, with indicators for mid-2018 showing the strongest expansion for several years. Domestic demand is leading the growth, notably consumers supported by the tax stimulus and buoyant labour markets.

In **Europe** the picture has been patchier and forecasts have been edged down slightly. The latest data remain consistent with continued expansion. However, with signs of softness on the trade side, some loss in momentum is anticipated in the **Eurozone** this year and next. **German** fortunes are closely linked to exports and projections have dipped this quarter, as they have in **France**.

In the **UK**, Brexit continues to dominate the economic debate. Considering this, the underlying data have been resilient, though persisting uncertainty about the post-exit deal with the EU is expected to subdue prospects. UK growth rates stall at sub-1.5% this year and next.

In Asia, **China**'s growth has been edged higher in the short term, despite the ongoing spat with the U.S. over tariffs, but the gentle slowdown resumes in 2019. **Indian** fundamentals have also maintained their strength and an already-robust growth forecast for 2018 has been upgraded further with only modest deceleration in prospect next year. By contrast, **Japan** has slightly underperformed, and its expansion is set to remain close to the sluggish rates of the recent past both this year and next.

GDP Projections for 2019 in Major Economies – Recent Movements

	Australia	China	France	Germany	India	Japan	UK	U.S.
July 2018	2.6	6.1	1.7	1.6	7.2	1.1	1.5	2.3
October 2018 (Latest)	2.6	6.0	1.6	1.8	7.2	1.1	1.4	2.3
Change (bps)	**0**	**-10**	**-10**	**+20**	**0**	**0**	**-10**	**0**

Source: Oxford Economics, October 2018

Fed and Bank of England tighten in Q3 – ECB remains cautious

As anticipated, the U.S. Federal Reserve announced its third rate hike of the year during September. This was the eighth increase in the current tightening cycle, pushing the Fed Funds rate above 2% for the first time in a decade. The consensus is that another hike is in prospect at the end of the year. U.S. long rates – the key risk-free benchmark for real estate investors – have also moved higher, rising over 3% and to their highest level in several years during October.

Despite ongoing Brexit uncertainty, the Bank of England also moved decisively in raising UK interest rates by 25 bps in August. The move was well flagged and widely priced in, so market reaction was limited. The Bank's latest MPC comments remain cautious and most commentators have viewed the move as a one-off before a pause. With its EU exit looming next March, the UK authorities are likely to wait and assess the impact, before returning to normalisation later in 2019.

The ECB recently announced that it will end its QE purchases in December 2018. Otherwise, it continues to provide dovish forward guidance on interest rates. This suggests that Eurozone policy remains unchanged at least until the end of next year, perhaps even longer. A concern not to unsettle the Eurozone recovery is expected to result in a gentle pace of upward adjustment thereafter.

Growth momentum to be sustained despite projected slowdown in U.S. and China

The global growth outlook is still broadly stable, notwithstanding the challenges from trade and monetary tightening. The speed of recovery will continue to trail the pre-GFC averages, but remain around 3.5% a year into the next decade.

The **U.S.** will continue to shape the global outlook. Recent data have been encouraging; however, the consensus is that the fiscal stimulus will provide only a temporary boost to activity and not a permanent uplift. There is also the potential for headwinds from steadily rising interest rates and ongoing trade tensions. The U.S. slowdown will mean that this year's growth of close to 3% will be an exception and that rates dip to closer to long-run potential at 2% again over the medium term.

The **European** economy currently appears to have been most affected by the U.S.-led trade upheavals. In H1 2018, there has been a deceleration in activity and a downgrade in expectations, albeit still modest. Both **Germany** and **France** are forecast to see a step down in growth this year and beyond, although rates remain healthy by the standards of the last decade.

Brexit continues to colour the **UK** outlook though growth is set to continue. Hopes for a deal averting the worst-case options have risen of late, but it is a fine balance and it could be several years before the new relationship with the EU is finalised. Growth rates are projected to stay below par until a tentative revival in 2020.

Asia has the world's largest emerging markets and remains the most dynamic regional bloc, although with some risks. **China** is expected to see growth rates drift down below 6% over the next two years in line with official goals of rebalancing economic activity. High levels of indebtedness are still a worry, yet the central view is that this will be manageable under current growth assumptions. **India** has taken China's lead in Asia with growth set to exceed 7% over the next two years, provided reform efforts stay on track. **Japan**, the region's most important developed market, continues to languish in contrast, with GDP rising by no more than 1% a year.

Global Outlook, GDP Change, 2017-2020

	2017	2018	2019	2020
Global	**3.7**	**3.7**	**3.5**	**3.5**
Asia Pacific	**5.5**	**5.6**	**5.2**	**4.9**
Australia	2.2	3.3	2.6	2.6
China	6.9	6.5	6.0	5.7
India	6.2	7.6	7.2	7.0
Japan	1.7	1.1	1.1	0.1
Americas	**2.0**	**2.3**	**2.1**	**2.0**
U.S.	2.2	2.9	2.3	1.6
MENA	**1.9**	**2.9**	**2.1**	**3.3**
Europe	**3.0**	**2.3**	**1.8**	**2.0**
France	2.3	1.6	1.7	1.7
Germany	2.5	1.8	1.6	1.5
UK	1.7	1.3	1.5	2.0

Source: Oxford Economics, October 2018

Real Estate Capital Markets

Investment Volumes

Global real estate investment stays on course despite elevated uncertainty

Investment in global commercial real estate stayed steady in the third quarter of 2018 with investment volumes of US$170 billion. Thanks to the robust start to the year, total year-to-date activity now stands at US$507 billion, a 7% increase from 2017.

U.S. market continues to push the Americas forwards

Investment sales activity in the third quarter jumped by 20% in the Americas to US$74 billion, the best quarterly performance since the fourth quarter of 2016. This brings year-to-date volumes to US$206 billion, 13% higher than last year. The U.S. market has been the biggest driver of this uplift and continues to outperform; three consecutive quarters of investment growth have pushed year-to-date sales volumes up 15% to US$190 billion. Performance lagged elsewhere in the region as Brazil (-12%), Canada (-15%) and Mexico (-42%) all saw year-to-date activity decline.

EMEA sees mixed performances in the third quarter

Property markets in EMEA were unable to continue their strong performance from the first half of the year as third quarter investment volumes fell by 18% to US$60 billion. This brings year-to-date volumes to US$184 billion, 4% lower than last year. Germany remains the region's strongest market as Q3 volumes edged up by 2%, pushing year-to-date volumes up by 8% to their highest level since 2007. While year-to-date activity is also up in both the UK (3%) and France (30%), both markets experienced declines in Q3 sales volumes. The biggest regional declines were in Italy (-9%), Spain (-22%), the Netherlands (-31%) and Norway (-53%). On the other hand, year-to-date volumes in CEE markets have risen 19% to an all-time high as investors continue to favour the region's bright growth prospects.

Asia Pacific unable to keep up record-breaking streak

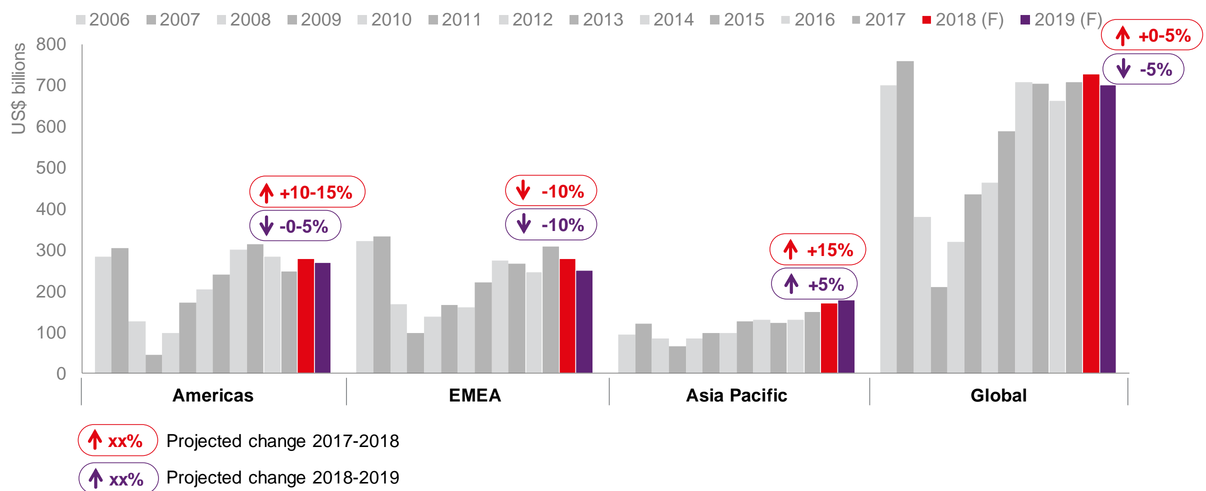
After back-to-back quarters of record-breaking growth, markets in Asia Pacific took a breath as investment ticked up by 3% in the third quarter to US$36 billion. While third quarter activity did not surpass the record levels we saw in 2007, year-to-date volumes have risen by 20% to US$117 billion, their highest level on record. Core markets such as China (7%), Japan (8%) and Australia (11%) all registered healthy growth in year-to-date investment sales activity, but the region's strongest performances have come from Hong Kong (82%) and South Korea (86%), where volumes are at all-time highs. On the other hand, Singapore continues to show signs of fatigue as year-to-date activity fell by 32%, after three consecutive quarters of declines.

Global property markets remain undeterred by rising rates and emerging market woes

While strong U.S. growth has underpinned the global economy, investors continue to contend with elevated trade tensions and political uncertainty. Moreover, rising U.S. interest rates, along with volatility in energy markets, have hit emerging markets particularly hard. With another U.S. rate hike expected before the end of the year, treasury yields at a seven-year high and oil prices continuing to rise, growth prospects may be set to diverge.

In this environment, real estate investments continue to look attractive. Despite yields staying at record lows in many global markets, occupier fundamentals are still buoyant and, with rental growth forecast to tick over into 2019, the sector is poised to remain attractive from a return perspective. We project that global investment in commercial real estate over the full year will edge up slightly relative to 2017 to around US$730 billion. Looking ahead to 2019, global investment is anticipated to decline to around US$700 billion, as ongoing investor selectivity and discipline are likely to limit investment growth. Investors have been increasingly reluctant to exit investments partly because of their inability to find alternatives that provide the same income stream that they receive from property. This has widened the bid-ask spread in investment markets and stands to further soften activity levels going forward.

Direct Commercial Real Estate Investment, 2006-2019



Source: JLL, October 2018

Direct Commercial Real Estate Investment – Regional Volumes, 2017-2018

US$ billions	Q2 2018	Q3 2018	% change Q2 18-Q3 18	Q3 2017	% change Q3 17-Q3 18	YTD 2017	YTD 2018	% change YTD 17-YTD 18
Americas	63	74	**17%**	61	**20%**	183	206	**13%**
EMEA	64	60	**-6%**	74	**-18%**	191	184	**-4%**
Asia Pacific	42	36	**-15%**	35	**3%**	97	117	**20%**
Total	**170**	**170**	**0%**	**170**	**0%**	**472**	**507**	**7%**

Source: JLL, October 2018

Direct Commercial Real Estate Investment – Largest Markets, 2017-2018

US$ billions	Q2 2018	Q3 2018	% change Q2 18-Q3 18	Q3 2017	% change Q3 17-Q3 18	YTD 2017	YTD 2018	% change YTD 17-YTD 18
United States	58.7	68.2	**16%**	54.7	**25%**	164.5	189.7	**15%**
UK	17.5	19.6	**12%**	21.0	**-7%**	51.7	53.2	**3%**
Germany	13.6	14.4	**6%**	14.1	**2%**	37.9	40.9	**8%**
China	4.3	9.5	**120%**	8.4	**14%**	20.9	22.3	**7%**
South Korea	9.0	7.6	**-16%**	1.8	**320%**	11.1	20.7	**86%**
Japan	7.2	7.6	**4%**	6.9	**10%**	26.7	28.7	**8%**
France	10.2	5.8	**-43%**	7.3	**-21%**	17.0	22.0	**30%**
Australia	5.7	5.3	**-7%**	6.8	**-21%**	14.1	15.8	**11%**
Canada	4.0	4.3	**7%**	4.7	**-9%**	14.3	12.1	**-15%**
Netherlands	3.7	3.0	**-20%**	5.3	**-44%**	13.7	9.5	**-31%**
Singapore	2.3	2.8	**24%**	4.2	**-34%**	9.3	6.3	**-32%**
Spain	1.9	2.6	**41%**	2.2	**17%**	8.7	6.8	**-22%**
Sweden	2.4	2.5	**3%**	1.2	**98%**	6.5	6.7	**3%**
Poland	1.0	2.1	**110%**	1.0	**115%**	2.8	5.5	**101%**
Italy	2.3	1.8	**-22%**	1.7	**7%**	7.0	6.3	**-9%**
Hong Kong	9.5	1.7	**-83%**	3.1	**-47%**	8.9	16.2	**82%**
Portugal	0.7	1.2	**76%**	0.5	**152%**	1.3	3.0	**119%**
Finland	1.2	1.1	**-11%**	5.3	**-80%**	7.3	4.7	**-36%**

Source: JLL, October 2018

Regions in focus

Investment activity surges ahead in the U.S., propelling Americas higher

Investment transaction activity in the Americas continues to mount a comeback following the two-year slowdown that began in 2016. In the third quarter, volumes outpaced earlier expectations and activity levels surged on a year-on-year basis to the highest quarterly total volume since Q4 2016. Combined volumes for the region reached US$74 billion, an increase of 20% on Q3 2017. This outsized performance brought year-to-date transaction activity to US$206 billion, a 13% increase.

The **U.S.** market was once again the driver of this increase in investment levels, as volumes in the world's largest, most liquid property market surged 25% year-on-year during Q3 to US$68 billion. Core investors have taken note that overall returns – which had fallen significantly over a period of two-three years for most sectors – have stabilised, as income growth in many cases compensates for the cessation of yield compression. Meanwhile, demand remains strong for higher-yielding strategies, including value-add and secondary market opportunities. Dry powder levels continue to be elevated, and buyer demand is especially strong from private equity and cross-border investors. The U.S. debt markets are functioning well and very competitive, with alternative sources such as debt fund investors continuing to open up. Potential further increases in long-term interest rates are a risk factor that warrants monitoring in the closing months of 2018. Even so, large-scale investments remain in demand; for example, three entity-level transactions, led by Brookfield Asset Management's acquisition of GGP, closed in the third quarter.

Elsewhere in the region, investment activity outside the U.S. was not as vigorous in the third quarter, with volumes down slightly in aggregate on an annual basis. However, with the U.S. leading solid momentum heading into the year-end period, overall transaction volumes for the Americas are now anticipated to grow by around 10%-15% for the full-year 2018.

EMEA investment levels drop in third quarter

EMEA investment activity fell 14% year-on-year in Q3 2018 to US$63.4 billion. Over the last three quarters, however, investment volumes reached US$192.5 billion, 1% higher than 2017 levels. The stronger euro has provided a helping hand, with activity over the first nine months of the year 7% lower in euro terms. Looking ahead to the full-year 2018, although we expect the pace of activity to continue in the final quarter, we are unlikely to see the flurry of one-off large transactions which drove year-end volumes in 2017, with a predicted 10% fall in volumes this year.

Just over two years after the EU referendum, the future relationship of the UK with the EU remains uncertain. After an initial dip in activity in the **UK** in 2016, investors returned to the market in 2017 and so far this year a further US$56 billion has been invested (in line with the same period in 2017 and up 29% on the first nine months of 2016 in local currency terms). Nonetheless, should the UK and EU fail to reach a Brexit agreement, this could once again dampen confidence. Meanwhile, **Germany** continues to surprise on the upside, with year-to-date volumes rising 20% to US$45.5 billion. **France** is also looking strong, with investment activity up 30% to US$22.0 billion.

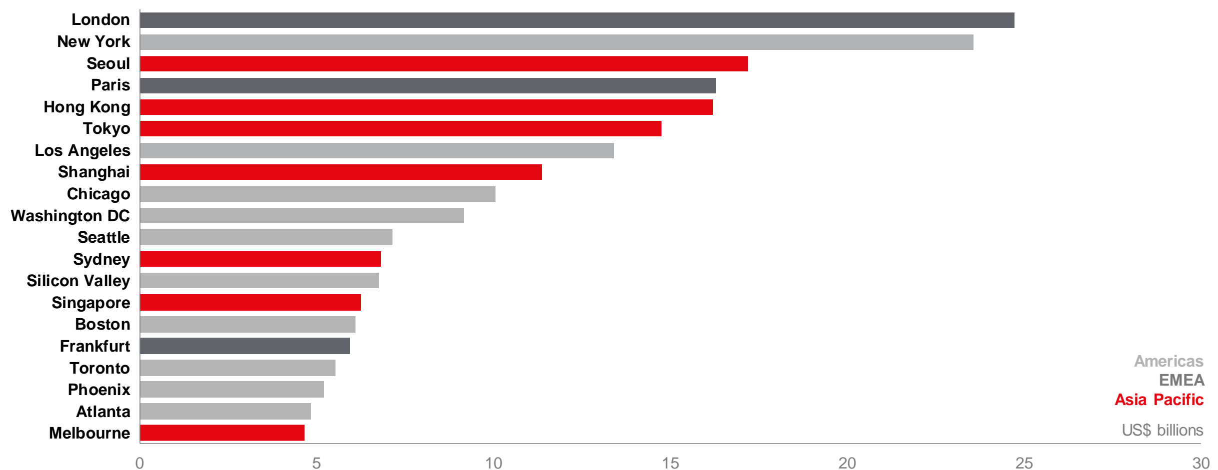
Activity continues to soften in most regional markets

Investment volumes came in lower across Southern Europe, Benelux and the Nordics over the first nine months of 2018, with declines of 5%, 20% and 27% respectively. Central and Eastern European (CEE) markets saw volumes reach US$10.1 billion (up 20% year-on-year in dollar terms) over the year-to-date. **Poland**, the CEE's largest market, propped up the region's volumes with investment activity 104% higher at US$5.6 billion.

London maintains lead as Seoul registers best year on record

London maintained its position as the world's most traded city during Q3, pushing year-to-date investment volumes 8% higher to US$25 billion. Cross-border investors continued to drive activity, accounting for nearly three-quarters of total volumes during the quarter. **New York** saw transaction volumes rise by 66% over the year-to-date to retain second place, while investment activity jumped 113% in **Seoul**, with investment over the first nine months already higher than any previous year on record. Strong interest from inter-regional purchasers in European markets helped push up year-to-date volumes in **Paris** (+48% year-on-year) and **Frankfurt** (+139%).

Direct Commercial Real Estate Investment, Top 20 Cities, YTD 2018



Source: JLL, October 2018

Investment volumes stabilise in Asia Pacific after strong first half

Investment activity across the Asia Pacific region steadied in Q3 after a strong first half of the year, with transaction levels relatively flat (+3% year-on-year) at US$35.6 billion. A strong dollar is also impacting growth rates, as most Asian currencies have depreciated against the dollar over the past year.

Cross-border investment accounted for 26% of total transactional activity in Q3, relatively flat on the last quarter but down marginally on long-term averages due to the higher concentration of deals in South Korea. Cross-border transactions were balanced over the quarter, with acquisitions of US$5.0 billion and disposals of US$5.1 billion.

Investment shifting to second-tier cities in Japan

Transaction volumes in **Japan** totalled US$7.6 billion in Q3 2018, 10% above the corresponding quarter last year. **Tokyo** accounted for around a third of volumes (31%), with a continuing focus on the surrounding prefectures as well as **Osaka**. The industrial sector had a strong quarter with the same share of deal flow as the office sector (both 35%), while the retail sector languished at 11%. Cross-border investors represented 41% of transaction activity; however, they were more active on the sell-side than the buy-side.

Brisbane draws interest from investors in Australia

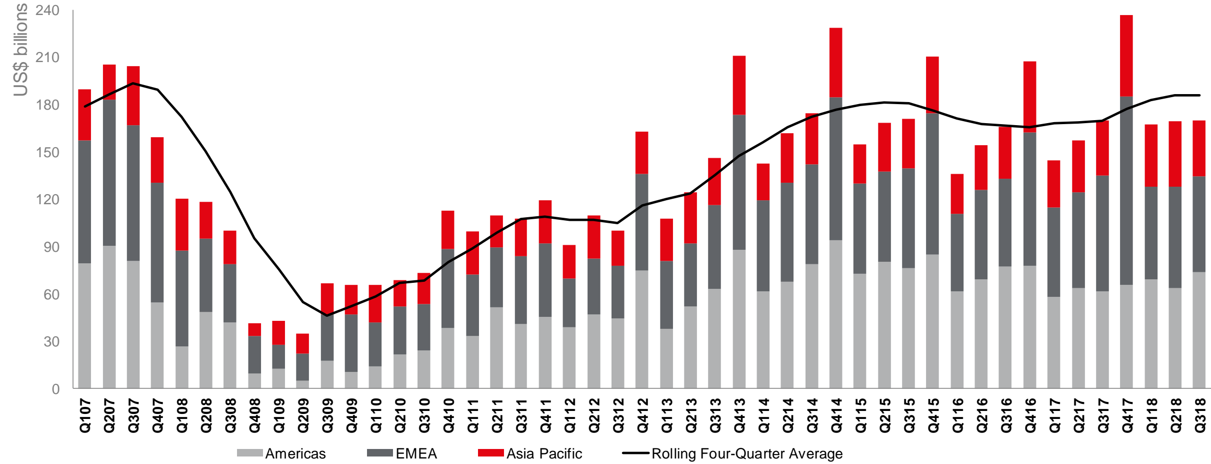
Investment volumes in **Australia** came in at US$5.3 billion in Q3 2018, down 21% on Q3 2017. Over one-third of office sales volumes were concentrated in the **Brisbane** CBD (34%), followed by the **Sydney** CBD (29%). The industrial sector improved over the quarter as institutional investors continued to demand industrial stock as they gear their strategies towards the sector. The next transaction trend will be joint ventures and capital partnering due to a limited number of portfolios coming to the market. Cross-border transactions comprised 38% of volumes, with foreign investors net purchasers during the quarter.

Volumes improve in mainland China, while Hong Kong takes a breather

After a slower second quarter, transaction volumes in **China** rebounded to reach US$9.5 billion in Q3 2018, up 14% year-on-year. Deal flow was supported by a number of very large deals, and foreign investors were active in this top end of the market during the quarter. The lower end of the market remains less active as tighter financing conditions continue to impact trading volumes. **Shanghai** continues to account for the majority of national volumes (50%), with much of the focus on the office sector (57%).

Transaction activity in **Hong Kong** cooled in Q3 2018, falling 47% to US$1.7 billion. Volumes have been breaking new records over the past year, but higher interest rates and aggressive pricing have put the brakes on several deals. The residential market also looks to be cooling after years of strong price growth, so the positive sentiment around the real estate markets has somewhat subsided.

Direct Commercial Real Estate Investment – Quarterly Trends, 2007-2018



Source: JLL, October 2018

Capital Values and Yields

Europe continues to lead capital growth

Prime office capital values grew by 6.4% over the year to date underpinned by robust income growth; capital appreciation for the full year is forecast at 5.5%. Europe accounts for four out of the top five performing markets globally – **Amsterdam** (+27.4%), **Madrid** (+18.5%), **Berlin** (+15.9%) and **Milan** (+13.9%).

Capital growth for prime office assets (across 30 global cities) is expected to slow to around 2% for the full-year 2019, as rental growth moderates and yields flatten.

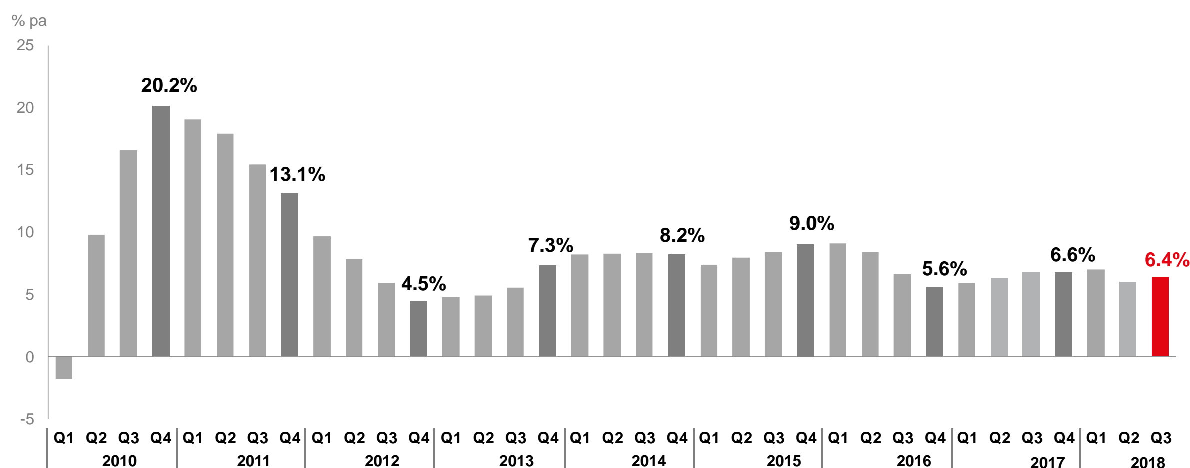
Selective compression in yields

The underlying trend for yields is flat; however, some markets still recorded compression in Q3, including **Amsterdam** (-25 bps), **Madrid** (-25 bps) and **Tokyo** (-10 bps). Yields are expected to move out over the next two years with 30 to 40 bps projected for the main Eurozone markets.

Factors which should moderate the impact on rising yields include:

- Significant weight of money targeting real estate, which is expected to be a stabilising influence.
- Continued rental growth, which should help offset the impact of rising yields on total returns.

Prime Offices – Capital Value Change, 2010-2018



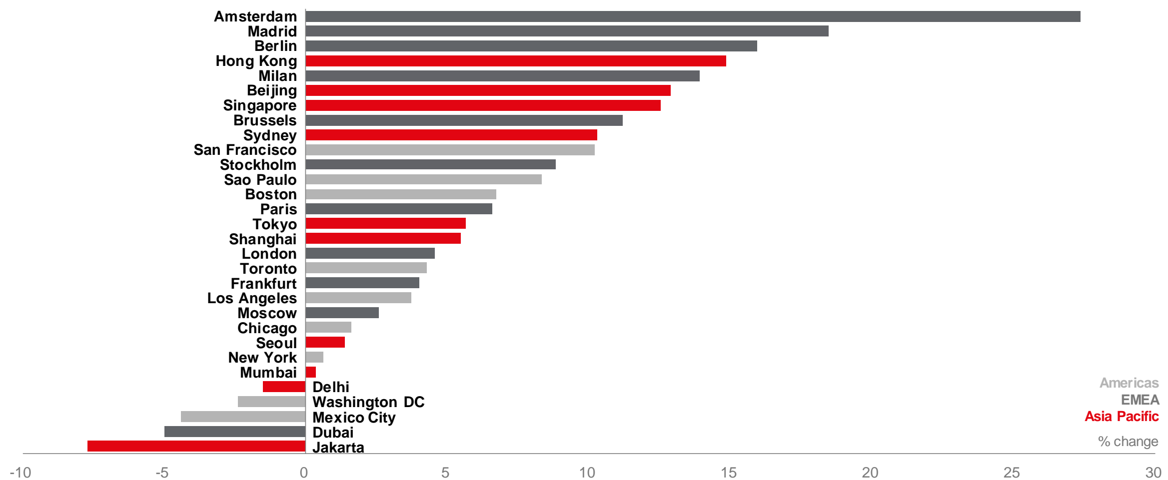
Prime office capital value growth: unweighted average of 30 major markets.
Source: JLL, October 2018

Prime Offices - Projected Change in Capital Values, 2018 and 2019

	2018	2019
↑ 10 - 20%	Amsterdam, Madrid, Hong Kong, Milan Brussels, Beijing	Moscow
↑ 5 - 10%	Singapore, Stockholm, Berlin, San Francisco Boston, Toronto, Sao Paulo, Sydney Tokyo, Moscow	Madrid, Sydney, Singapore
↑ 0 - 5%	London, Frankfurt, Paris, Los Angeles Chicago, Shanghai, Mumbai, Seoul	Beijing, Tokyo, Shanghai, Amsterdam, Berlin San Francisco, Boston, Sao Paulo, Toronto Los Angeles, Chicago, London, Hong Kong Delhi, Frankfurt, Jakarta, Mumbai, Milan Brussels, Dubai
↓ 0 - 5%	Delhi, New York, Washington DC Mexico City, Dubai	Seoul, Stockholm, Paris, New York Washington DC, Mexico City
↓ 5 - 10%	Jakarta	

New York – Midtown, London – West End, Paris – CBD, Dubai – DIFC. Nominal rates in local currency.
Source: JLL, October 2018

Prime Offices – Capital Value Change, Q3 2017–Q3 2018



Notional capital values based on rents and yields for Grade A space in CBD or equivalent. In local currency.
Source: JLL, October 2018

Corporate Occupiers

Flexible office stock growth accelerating

The volume of flexible office stock grew by 30% globally in 2017 and has continued to expand through 2018, underlining the strength of demand for flexible space. Growth rates have accelerated in the last three years as a result of continued expansion in early adopter markets such as **London** and major U.S. markets including **San Francisco**; other locations witnessing strong growth include key German markets, **Singapore** and **Shanghai**.

The future of work drives growth of flexible space

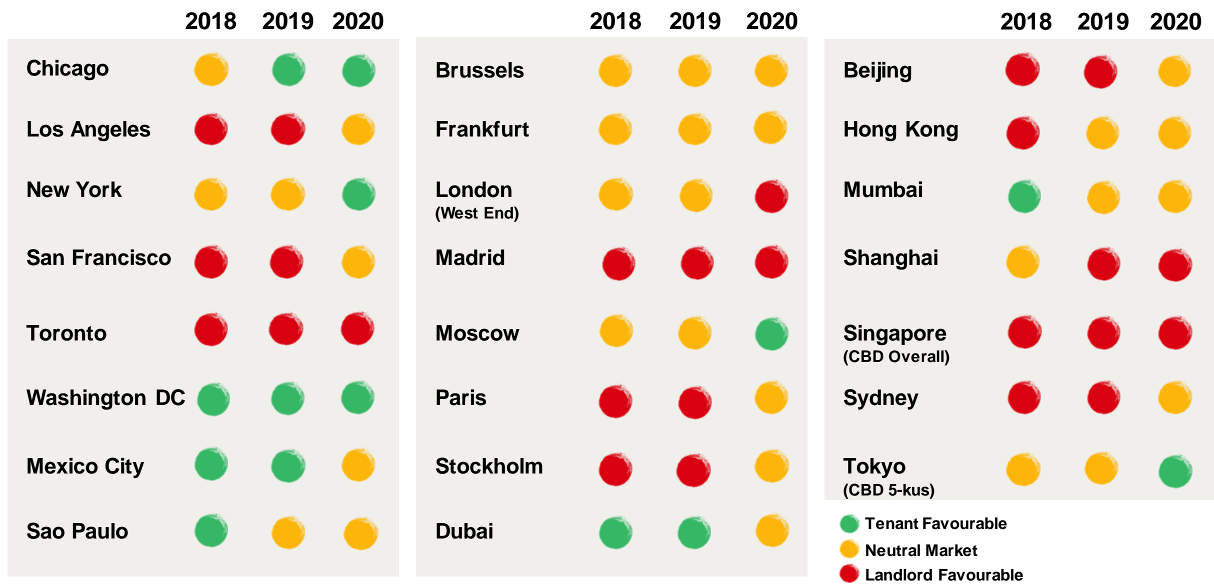
As workforces become more agile, technology advances and companies rethink how they use space, adoption of flexible space is no longer perceived as a new-age workplace practice, suitable only for start-ups. A greater variety of companies, of different sizes and from various sectors, are exploring the option to innovate and tap into entrepreneurial culture.

Businesses are responding to a raft of structural changes by optimising their portfolios and consolidating their office space to:

- **Enhance collaboration**: By freeing more space for collective working and discussion within and across teams.
- **Drive innovation**: By allowing companies to free employees from working the same way each day, co-working style offices spark new thinking that can solve key business problems.
- **Create flexibility**: By providing flexibility for businesses to expand or scale down without committing to long-term real estate costs.
- **Attract and retain talent**: By responding to the needs of a more dynamic workforce and the requirements of specific teams, businesses are able to gain an edge in recruiting and retaining top talent.
- **Drive efficiencies**: By doing away with dedicated desks for team members, flexible office strategies leave more room in the budget to drive operational efficiency and enhance portfolio productivity.

Growth in flexible space provision is anticipated to continue as markets around the world adjust to this structural shift in occupation. Not all businesses will require flexible workspace, but the vast majority will significantly increase their usage over the next five years. This will have major implications for companies leasing space, developers and landlords designing it, and investors looking for the right space to purchase.

Global Office Market Conditions Matrix*, 2018-2020



*Relates to conditions in the overall office market of a city. Conditions for prime CBD space may differ from the above.
Source: JLL, October 2018

Office Markets

Office Demand Dynamics

Full-year 2018 leasing volumes at highest level since 2007

Office leasing markets remain buoyant across the globe. Volumes are on track to exceed 42 million square metres (in 96 markets) for the full-year 2018 and are at their highest level since 2007. Year-to-date volumes are now 8% higher than 2017, although we saw some softening of activity during Q3, a trend that is expected to continue into the final quarter.

- Asia Pacific has experienced the most impressive leasing activity in 2018, with year-to-date volumes 24% higher than a year ago and full-year totals likely to be at least 15% higher than 2017. Regional volumes have been boosted by stronger leasing activity in **China**, **India** and the **Philippines**.

- Europe has maintained its steady growth, with year-to-date leasing volumes 5% higher than the impressive tally of 2017. Q3 2018 registered the highest third quarter total on record, helped by robust uplifts in the CEE region and Southern Europe.

- In the **U.S.**, year-to-date leasing volumes are 5% up on 2017, although activity eased in Q3. Net absorption rates continue to fall, reflecting the challenges of U.S. business expansion in very tight labour market conditions.

Preliminary projections for 2019 suggest that, in the context of slowing economic growth in most major markets, global leasing volumes are likely to struggle to match the elevated levels of 2017 and 2018. Nonetheless, levels in 2019 are still expected to be around 10% higher than the 10-year average.

Robust leasing across Asia Pacific

Occupational demand remains healthy across the Asia Pacific region, with financial and technology firms and flexible space operators propelling higher demand levels. Overall leasing activity in the region was up about 15% year-on-year in Q3, buoyed by vigorous activity in India, China and the Philippines. **Bengaluru**, **Delhi** and **Manila** were the standout markets for leasing volumes.

- Gross leasing volumes in the three China Tier 1 cities are up 15% year to date. Flexible space operators are a key source of demand, while domestic and foreign financial services firms are underpinning demand in **Shanghai**’s CBD. Limited availability is constraining new lettings in **Beijing**.

- Gross leasing volumes declined in **Tokyo** due to limited availability. The solid performance from Japanese corporates continues to support broad-based demand for Grade A offices. The technology sector is particularly strong.

- Aggregate gross leasing for the four India Tier 1 cities is 29% higher (year to date) with technology firms and flexible space operators a major source of occupational demand. Banking, financial services and insurance have also supported demand in **Delhi** and **Mumbai**. The growing supply pipeline in **Bengaluru** has provided more options for tenants and helped bolster leasing activity.

- Q3 leasing volumes in Australia were down by 8% year to date, with tight vacancy environments in **Sydney** and **Melbourne** limiting tenant options for large contiguous space. Demand remains buoyant at the top end of the Sydney CBD market, while a significant uptick in net absorption was reflective of substantial demand for office space in Melbourne's CBD.

- In **Hong Kong**, year-to-date leasing volumes are 60% higher amid continued support from decentralisation activity as well as strong expansion by flexible space operators.

The outlook for leasing activity in Asia Pacific continues to be bright and JLL holds the view that full-year 2018 volumes will be at least 15% higher than 2017, with upside potential following the region's strong performance in the first three quarters of the year. Occupational demand is projected to remain broad-based with leasing activity led by technology, financials and flexible space operators. Given the robust performance this year and expectations of sustained occupier demand, we are optimistic that leasing volumes in Asia Pacific in 2019 should be in line with 2018's healthy level.

Europe sees strongest Q3 leasing volumes on record

Following a strong H1 2018, occupier demand shows no signs of weakening in Europe, with Q3 office take-up rising to a record 3.3 million square metres - a 4% increase year-on-year.

- In **London**, Brexit headwinds have not had a significant impact on leasing so far. Year-to-date volumes are 1% above the same period in 2017.

- In **Paris**, Q3 take-up fell by 18% year-on-year. However, this is unlikely to represent a slide in occupier sentiment and full-year 2018 volumes are expected to be in line with 2017 levels.

- In Germany, following a robust Q2, activity continued apace in the third quarter, albeit with overall volumes slightly lower than 2017 levels. Of the 'Big 5' office markets, strongest growth has been recorded in **Munich** (+14% year to date) and **Frankfurt** (+10%). However, demand in **Berlin** (-21%) and **Hamburg** (-10%) has slowed due to a lack of quality supply.

- Limited supply is also constraining demand in **Amsterdam**. Leasing volumes in Q3 were down 38% year-on-year, with the vacancy rate dropping to a record low of 4.6% (down from 7.9% a year ago). Occupiers are finding it increasingly difficult to find space in the key office districts and are now looking towards other Randstad cities.

- Central and Eastern Europe recorded a strong third quarter, led by a significant increase in leasing activity in **Warsaw** (+20% year-on-year) and **Prague** (+12%).

- Other notable Q3 performances included **Barcelona** (+84% year-on-year), **Milan** (+72%), **Stockholm** (+48%) and **Madrid** (+38%).

Demand for office space continues to be solid across most of Europe, and full-year 2018 leasing volumes are expected to total 13.2 million square metres – below the record 2017 figure, but still well above the 10-year average. A further softening of about 5% is anticipated in 2019.

Flex space operators drive demand in the United States

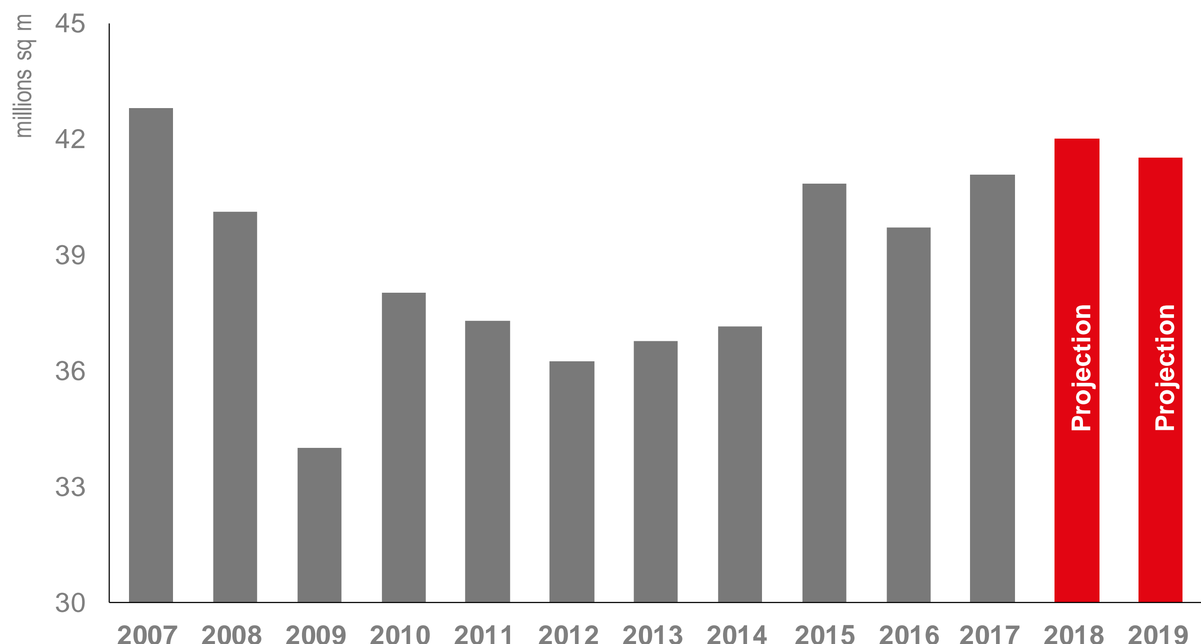
Leasing activity in the U.S. was maintained at trend levels in the third quarter, with volumes up 5% over the year to date. Flexible space operators were the largest single industry segment during Q3. As nearly all space taken by flexible space operators represents organic growth, its contribution to absorption is disproportionately high, and this will continue to be the case.

Net absorption rates continue to slow. At the current pace of occupancy growth, full-year net absorption would be 29% lower than in 2017, the lowest annual level since 2010. Talent shortfalls in several primary and secondary metro areas have been a significant hindrance to tenants' ability to expand. The three consecutive years of slowing net absorption have coincided with unemployment falling to cyclical lows, exacerbated by job openings now exceeding the number of unemployed.

Select secondary and certain tech-driven markets are still reporting the fastest and most consistent net absorption, with **Denver**, **Phoenix**, **Austin**, **Pittsburgh** and **Orlando** continuing to benefit from a combination of broad-based economic activity and inbound movement from businesses and residents from other metro areas.

Flight-to-quality has become highly evident in the United States. As a share of inventory, occupancy growth in Class A space is now 2.4x faster than the 0.5% recorded across all asset classes. The flight-to-quality trend is most acute in the suburbs, due to build-to-suit headquarters and campuses, consolidations and reduced barriers to entry.

Global Office Demand – Annual Gross Leasing Volumes, 2007-2019



24 markets in Europe; 50 markets in the U.S.; 22 markets in Asia Pacific
Source: JLL, October 2018

Office Supply Trends

A further fall in global office vacancy rates

Despite relatively high levels of new deliveries across the globe, robust occupier demand pushed the global office vacancy rate to a new cyclical low of 11.5% in Q3 2018. In Europe and Asia Pacific the regional vacancy rate fell by 30-40 bps during Q3 to 6.5% and 10.2% respectively, but rose in the Americas to 15% due to an uptick in new supply hitting the U.S. market.

With elevated new deliveries, the global vacancy rate is expected to rise over the next 12-18 months, pushing above the 12% threshold during H2 2019.

An extended development cycle through to 2020

Buoyant end-user demand is encouraging construction activity, with new development over the next two years (2019-2020) forecast to be 20%-25% higher than the 10-year average. New deliveries will peak during 2019 in the U.S, and during 2020 in Europe and Asia Pacific. Projections point to a sharp fall in new construction in 2021.

European vacancy at lowest since 2002

European office vacancy decreased by 30 bps to 6.5% in Q3 2018, its lowest level since 2002. While office completions have increased over the past 12 months, vigorous demand and active pre-letting have limited any impact on overall vacancy.

Most European markets have registered a decline in vacancy – the notable exception being **Dublin** (+20 bps to 8.7%). The largest vacancy rate falls were recorded in **Rotterdam**, **Frankfurt** and **Warsaw**.

New deliveries will increase next year, with completions of around 5.6 million square metres and an additional 6.7 million square metres in 2020, and this will start to address the supply shortages in many European office markets.

New project deliveries to remain elevated in the U.S. until early 2020

The development cycle is currently peaking in the U.S.; however, it is an extended peak that will continue throughout 2019 and into the first part of 2020. Concerns about overbuilding, as well as tighter construction lending standards, are leading to more cautious, tenant-led starts which is somewhat slowing the pace of new ground-breakings. Meanwhile, 2.4 million square metres of the near-term pipeline space has yet to be pre-leased, which will intensify increases in vacancy, competitive pricing in both new and existing buildings, and flight-to-quality.

The U.S. national vacancy rate rose again in Q3 to 15.2%, with the progressive increases driven by the accelerating delivery of new supply. Vacancy will grow yet more substantially in the coming quarters as the supply-and-demand dynamic shifts. Just as flight-to-quality is defining absorption trends, vacancy is also divergent based on asset class, ranging from 11.6% in CBD Class A space (+10 bps over the year to date) to 17.2% for suburban Class B buildings (+70 bps over the year to date).

Canada sees sharp falls in vacancy

In Canada, the national total vacancy rate dropped 10 bps to 11.9% in the third quarter after recording solid net absorption across most key office markets. **Toronto** and **Vancouver** are firing on all cylinders with strong occupancy gains and new construction announcements. Toronto now has over 1 million square metres under construction, almost all of which is being built in the downtown area, but with the delivery wave not beginning in earnest until 2020.

Vacancy rises in Mexico City, falls in Sao Paulo

In **Mexico City**, tenant demand is strong, as the public sector and flexible space operators drive the largest leasing transactions. However, an historic construction cycle is adding record amounts of new supply at the same time. Mexico City's vacancy rate is now at 15%, one of the highest levels of the past decade, and it is poised to rise further.

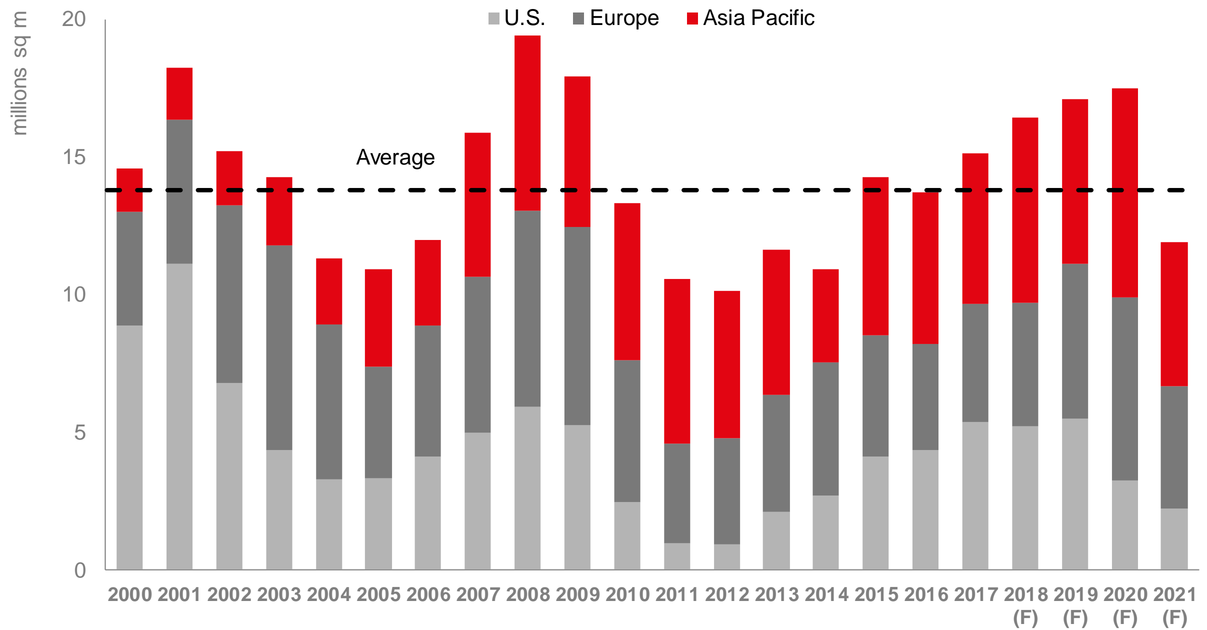
Tenants in the **Sao Paulo** market continue to chip away at the significant inventory of vacant space in the wake of the recession. The vacancy rate fell another 160 bps in Q3 to 22.8%, despite the delivery of several high-end projects.

New deliveries focus on China, India and Japan

Elevated levels of new deliveries in Asia Pacific during 2018 are concentrated predominantly in China, India and Japan, with **Shanghai** and **Delhi** projected to record the highest growth of new stock in the region over the next two years (2019-2020). **Jakarta**, which at 33% has the highest vacancy rate of the 30 markets tracked in the Global Market Perspective, will also continue to see raised levels of new deliveries in 2019 and 2020.

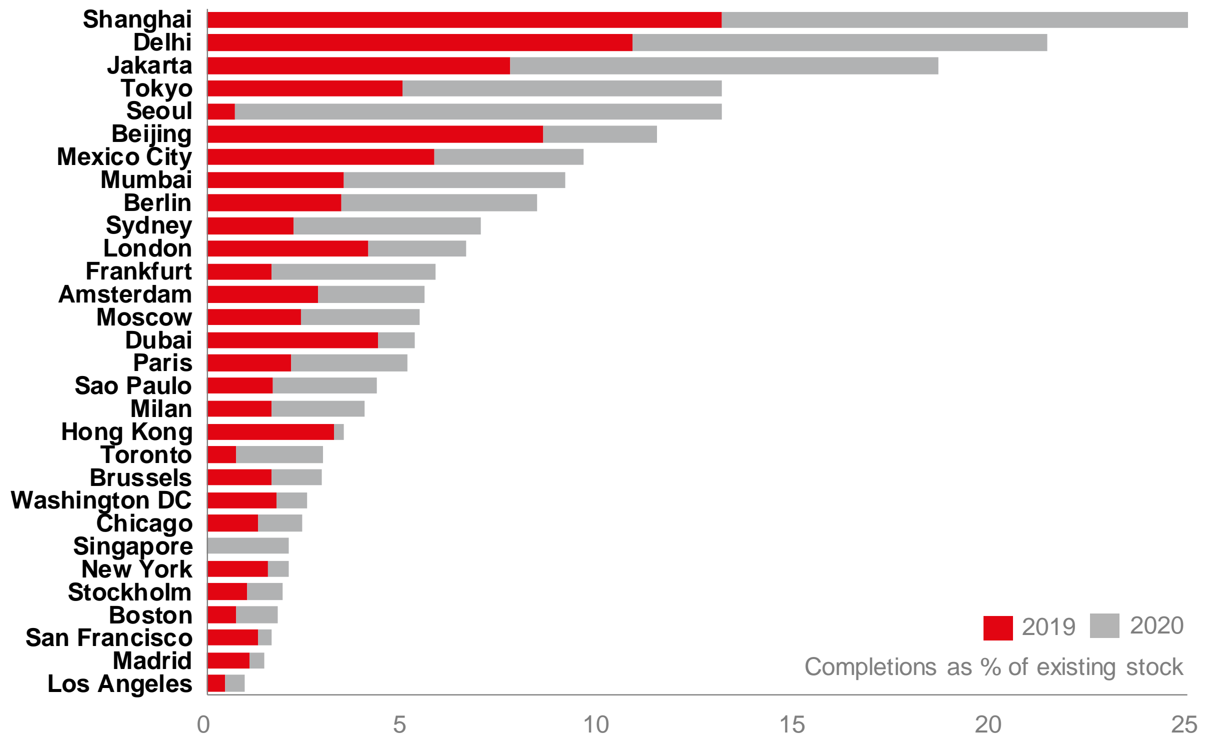
With a healthy level of new supply expected next year, the regional vacancy rate is anticipated to edge up to around 11.1% by the end of 2019.

Global Office Completions, 2000-2021



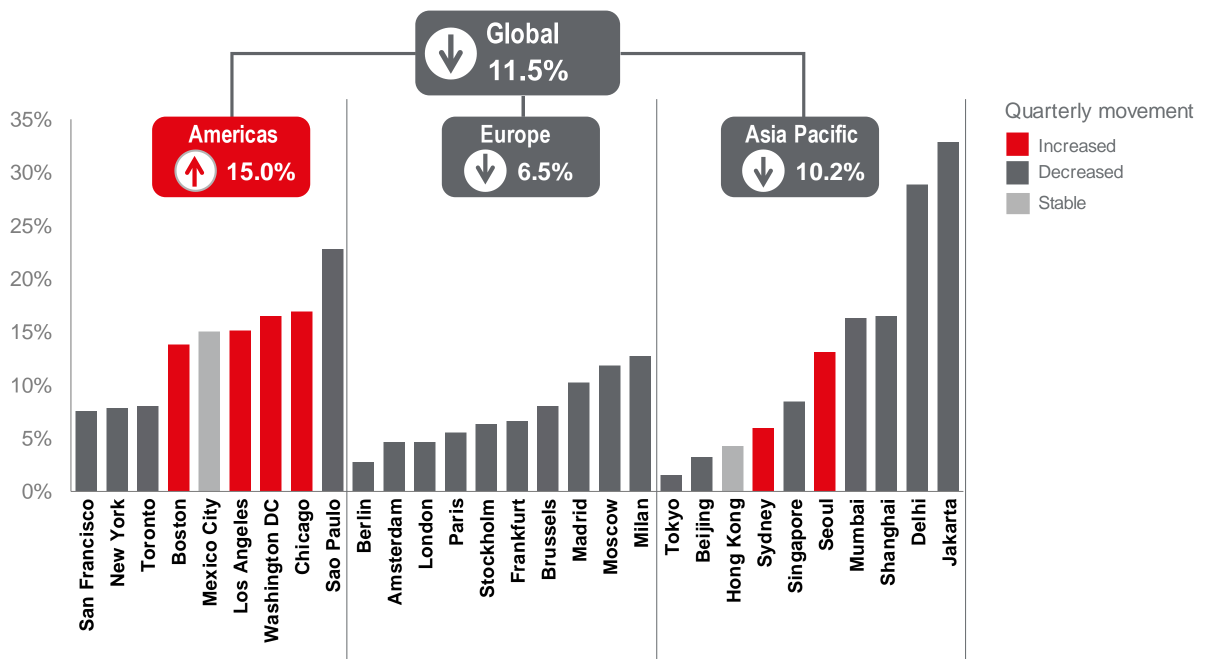
24 markets in Europe; 25 markets in Asia Pacific; 50 markets in the U.S. Asia relates to Grade A only.
Source: JLL, October 2018

Office Supply Pipeline – Major Markets, 2019-2020



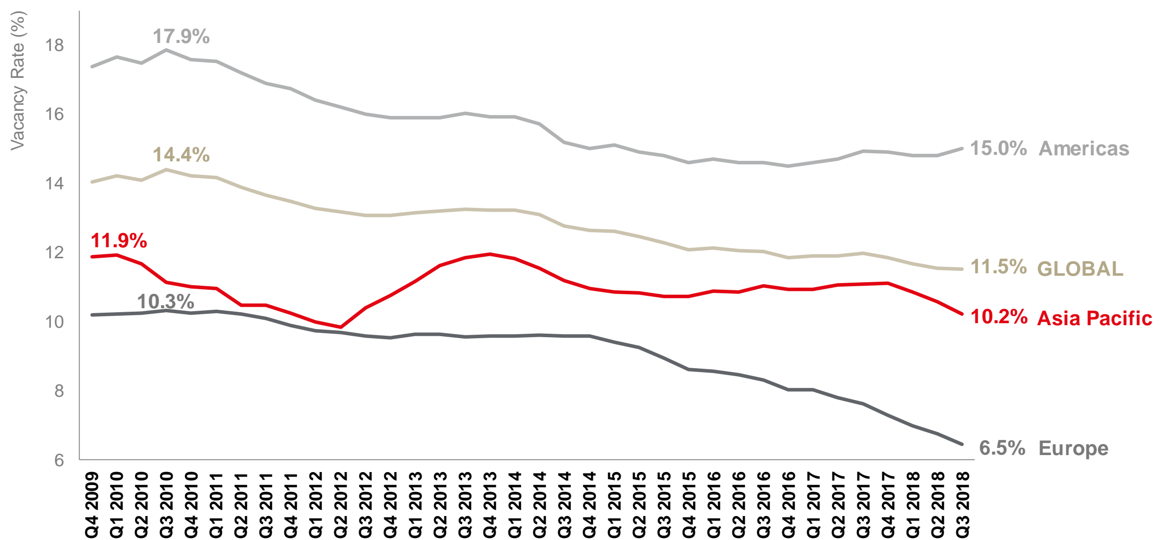
Covers all office submarkets in each city. Tokyo – CBD - 5 kus
Source: JLL, October 2018

Office Vacancy Rates in Major Markets, Q3 2018



Regional vacancy rates based on 62 markets in the Americas, 24 markets in Europe and 25 markets in Asia Pacific.
Covers all office submarkets in each city. All grades except Asia and Latin America (Grade A only). Tokyo relates to CBD – 5 kus.
Source: JLL, October 2018

Global and Regional Office Vacancy Rates, 2009-2018



62 markets in the Americas; 24 markets in Europe; 25 markets in Asia Pacific. All grades except Asia and Latin America (Grade A only).
Source: JLL, October 2018

Office Rental Trends

Annual prime rental growth at nearly 4% in 2018

Rental growth for prime offices across 30 global cities continues at a healthy pace and is on track to reach 3.9% for the full-year 2018, which would represent the strongest annual rental growth since 2011.

Several major office markets are registering double-digit annual rental growth, led by **Singapore** (+14.4%), **Berlin** (+12.1%), **Madrid** (+10.6%), **Amsterdam** (+10.4%) and **San Francisco** (10.2%). Only **Jakarta** (-7.7%) and **Dubai** (-5%) have recorded a notable fall in prime rents over the past 12 months.

Rental growth to moderate in 2019

Aggregate rental growth for prime offices across the 30 global cities is expected to remain positive in 2019, although slowing to around 2.6% as supply options increase.

The top rental performers in 2019 are predicted to include:

- The leading tech-rich gateway cities of **San Francisco** and **Boston**, where new rental benchmarks for the cycle are likely to be set, although tenant incentives for top-tier properties in several major U.S. CBDs are now significantly higher.
- **Singapore** and **Sydney**, which should continue to record solid rental uplift next year, even if at a slower pace than recent years.
- **Sao Paulo**, where further improvements are projected over the coming quarters, with reinvigorated tenant demand and lower new supply levels.
- Several European markets, which are predicted to show above-trend rental growth; these include late-cycle markets like **Madrid** and **Moscow**, and tech-rich cities such as **Stockholm, Amsterdam** and **Berlin**.

European rental growth posts strongest quarterly increase since 2010

The European Office Rental Index (covering 24 cities) increased by 2.4% during Q3 and, at an annualised rate of 6.0%, growth continues to outperform the 10-year average.

- In **London**, prime rents rose by 4.5% in Q3, reflecting the resilience of the occupier market despite headwinds in the wider macro environment.
- In the Eurozone, Q3 rental growth was strongest in the Netherlands, led by **Rotterdam** (+7.1% quarter-on-quarter), **Utrecht** (+3.9%), **Amsterdam** (+3.7%) and **The Hague** (+2.6%). These notable performances were a result of low vacancy and competition for high-quality space.
- The German office market continued to go from strength to strength, with the ‘Big 5’ office markets all recording solid rental uplifts over the quarter. The top performer was again **Berlin** (+3.2% quarter-on-quarter).

- Elsewhere in Europe, late-cycle recovery markets were the standout performers, with both **Barcelona** (+3.1% quarter-on-quarter) and **Madrid** (+3.0%) posting healthy results.

Looking ahead, European office rental growth of 1.9% a year is forecast over the next five years, with demand remaining robust and low speculative development supporting rental levels.

Overall rental growth is steady in the United States

Rental growth in the U.S. is running at an annualised rate of 2.8%, which is consistent with annual gains in recent quarters. Sustained absorption in select secondary and tech-centric markets is maintaining rental growth above the long-term average.

Double-digit annual increases continue to be logged in markets such as **Oakland-East Bay**, **Seattle-Bellevue**, and **Raleigh-Durham**, while more diversified secondary markets, including **Fort Lauderdale**, **Charlotte** and **Atlanta**, continue to benefit from corporate relocation and expansion, as well as a lack of development.

Asia Pacific rental growth accelerates

Asia Pacific rental growth accelerated to 1.2% quarter-on-quarter in Q3:

- Relatively moderate rental growth was recorded in **Shanghai** and **Beijing**; however, healthy demand and declining vacancy saw rents rise at a robust pace in **Guangzhou**. Meanwhile, landlord-favourable conditions supported continued growth in **Hong Kong** premium rents.

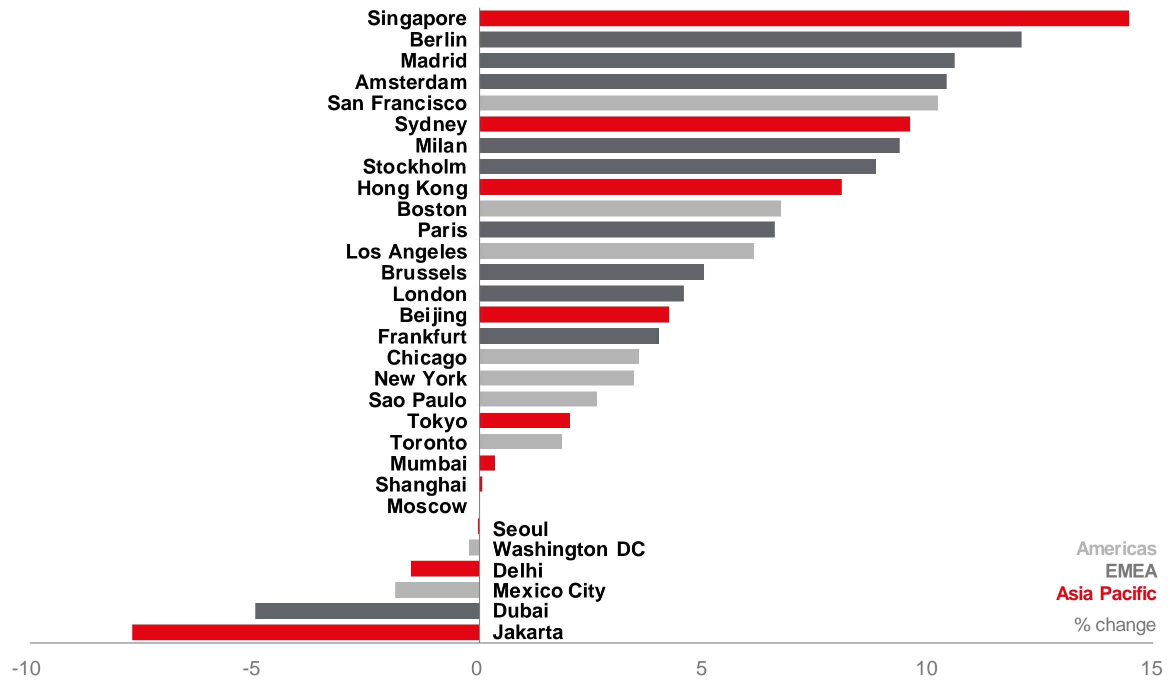
- Tight vacancy and strong pre-commitments gave **Tokyo** landlords sufficient confidence to raise rents in Q3.

- Balanced supply-and-demand dynamics kept **Mumbai** SBD BKC and **Bengaluru** SBD rents flat, while new supply pulled down **Delhi** SBD rents slightly.

- Tightening vacancy supported moderate rental growth in **Melbourne** and **Sydney**'s CBDs.

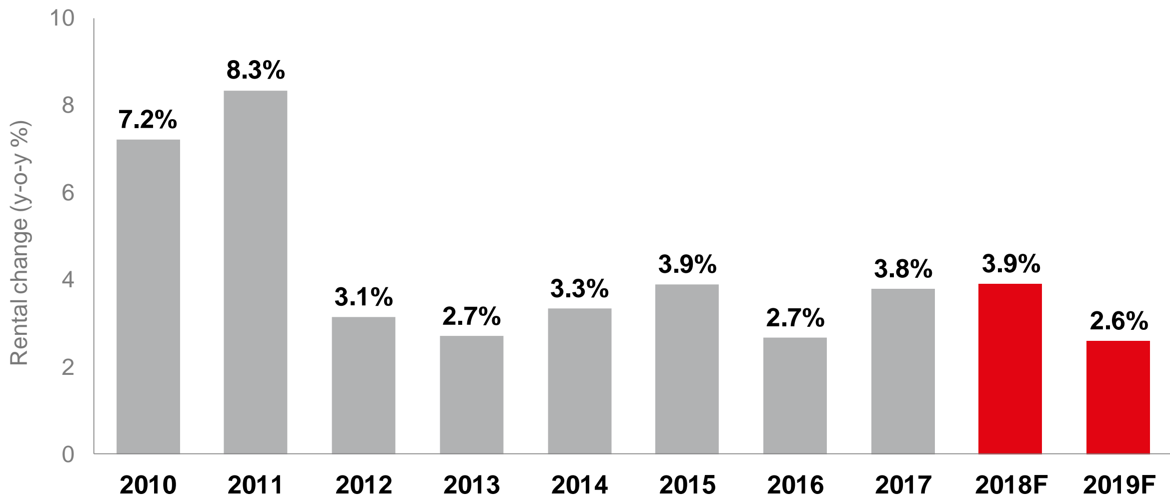
- Rents maintained their growth trajectory in **Singapore**, albeit with the pace easing slightly from Q2 amid stable demand.

Prime Offices – Rental Change, Q3 2017-Q3 2018



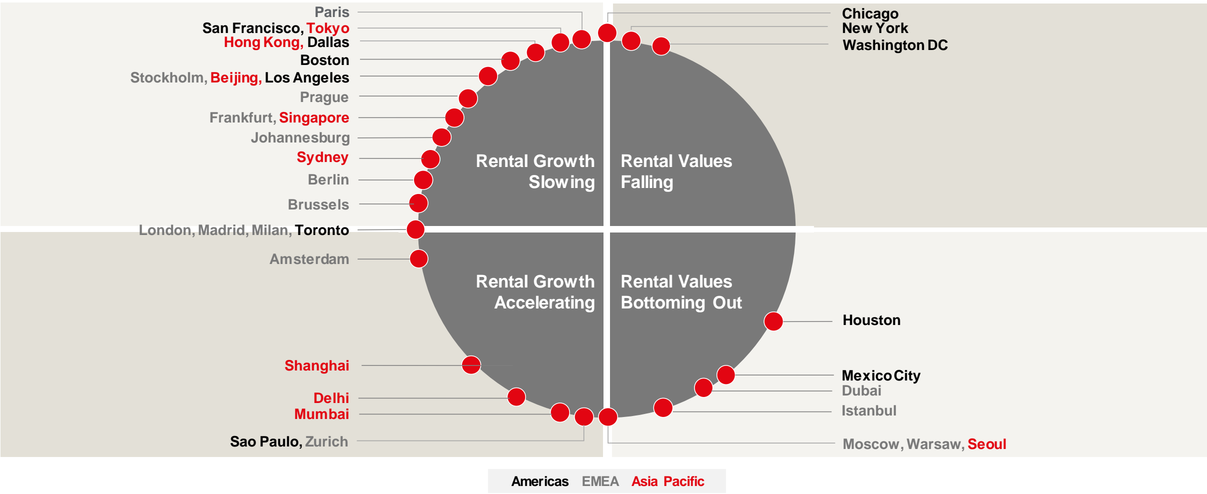
Based on rents for Grade A space in CBD or equivalent. In local currency.
Source: JLL, October 2018

Prime Offices – Rental Change, 2010-2019



Prime office rental growth: unweighted average of 30 major markets.
Source: JLL, October 2018

Prime Offices – Rental Clock, Q3 2018



Based on rents for Grade A space in CBD or equivalent.
U.S. positions relate to the overall market.
Source: JLL, October 2018

Retail Markets

Pressures persist in U.S. retail market as landlords adapt with new tenant mixes

The recent softening in the **U.S.** retail sector paused in the third quarter, as net absorption increased by 70% from the previous quarter. National vacancy remained flat at 4.4%, while rents increased an above-trend 4.4% year-on-year. Nonetheless, the store closure announcements that have filled headlines for months are now taking effect and impacting the market. Over 2,500 locations closed during the first half of this year, with another 573 specified locations expected to close by year-end according to Creditntell. As anchors like Sears and Bon-Ton and big boxes such as Toys 'R' Us closed their doors in the second quarter, fundamentals are now softening, as predicted. On the positive side, construction remains restrained and rents, in general, are still heading upwards.

The growing focus on experience has led to an expanding share of non-retail tenants, including food and beverage (F&B), salons, movie theatres, fitness centres and medical clinics. In 10 years, the share of F&B space at malls is projected to jump 12 percentage points to 26%, while other services will grow 11 percentage points to 24% of mall GLA, according to ICSC. Similarly, in open-air centres, traditional retail tenants will take up less space, with more space being devoted to F&B and other services. The growth in these tenants is already boosting shopper visits and dwell time.

Real wage growth in Europe to provide a boost to consumer spending

Consumer demand in Europe has been sustained by the ongoing economic upturn. The rise in headline inflation has curbed real spending power in 2018, yet there is evidence of a revival of wage growth. This is still tentative but should help boost real incomes over the medium term. Retail sales are forecast to grow by 2.0% and 1.9% on average a year until 2020 across the EU (28 countries) and Eurozone respectively.

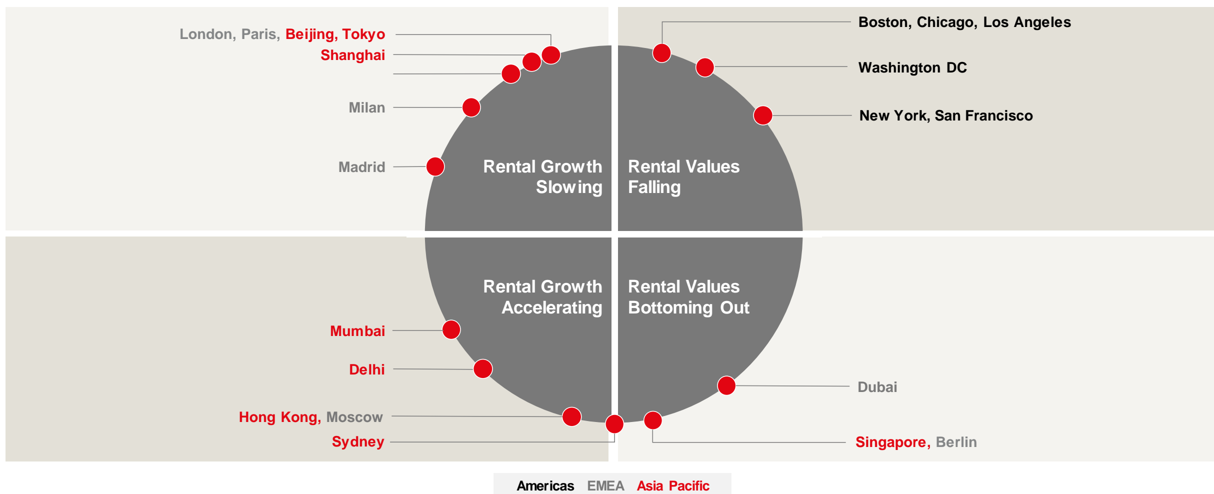
Various established retail brands as well as operators of new retail concepts are looking at international store expansion to drive revenue growth, even if demand for retail space continues to be selective. Prime rents generally remained stable in most European markets, although notable growth of 5% or more in Q3 was observed for shopping centres in the UK and for retail warehousing in the Czech Republic and Slovakia.

Landlords in Asia Pacific focus on experience and service

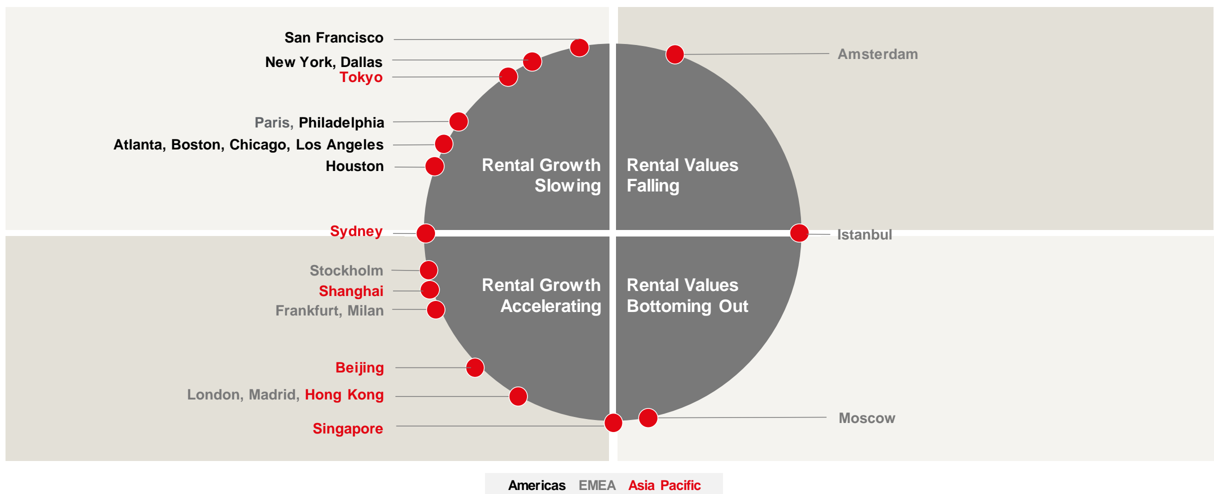
Retailers in **Australia** in Q3 continued to focus on existing store performance and customer service, utilising new technologies and concepts. Mall operators in **China** actively adjusted tenant mixes to keep up with changing consumer tastes, with F&B operators, lifestyle brands, furniture stores and online retailers expanding their presence. Leasing momentum improved in the third quarter for high streets in **Hong Kong**'s core areas except for Central, as landlords of shops with large rental payments struggled to secure tenancies without major rental reductions.

Limited rental growth was observed across the region. Rents remained stable across both **Sydney** and **Melbourne** as the leasing environment continues to be challenging for landlords. **Hong Kong**'s shopping mall rents rose, driven by select premium prime malls and tourist-oriented centres, while rents appeared to firm across Singapore with largely flat values in the Orchard and Suburban submarkets, while the decline in the Marina submarket eased further.

Prime Retail – Rental Clock, Q3 2018



Prime Industrial – Rental Clock, Q3 2018



Relates to prime space. U.S. positions relate to the overall market. Source: JLL, October 2018

Industrial Markets

U.S. industrial rents continue upward trend

The **U.S.** industrial market maintained the momentum seen over the first half of 2018 through the third quarter, with net absorption reaching its highest level for the year and annual rental growth accelerating to 6.3%. Vacancy remained stable for the third consecutive quarter at 4.8% and continues to be at an all-time low. An increase in pre-leasing rates has helped keep vacancy levels steady, despite a 17-year high for new completions in Q3. Leasing sentiment is still optimistic for the final quarter of 2018 and, with top logistics markets operating at a sub–3.0% vacancy rate, most U.S. markets should continue favouring landlords through the rest of the year.

European warehousing markets remain on track for record take-up in 2018

The European logistics market continues to enjoy robust levels of occupier demand. Although activity appears to be moderating as we enter the final quarter of the year, we expect total take-up in 2018 to be in line with, or slightly higher than, 2017's record levels.

This year, the market has continued to see a growing proportion of take-up driven by online retail fulfilment. By the end of the year, take-up linked to online retail could reach around one-fifth of the total, compared with just 5% in 2013 and an average of 9% over the last three years (2015-2017).

New logistics development continues apace, but this is still predominantly build-to-suit (BTS) rather than speculative. As a result, the overall European vacancy rate continues to hover around the 5% mark. Despite this tightness, overall rental growth has remained relatively modest in many markets. In Q3 2018, only Budapest and Lyon among major cities registered an uplift in headline rents according to our figures. However, a growing number of secondary locations also witnessed rising headline rents in the same period.

Sustained strong demand keeps supply in check in Asia Pacific

Logistics demand continued to be driven in the third quarter by e-commerce, 3PLs and manufacturing companies in Greater **China** and **Tokyo**, where labour shortages, especially of truck drivers, pushed demand for efficient modern logistics space. Amid the lagged effect of trade war concerns as well as tight vacancy, 3PLs expanded their space requirements in **Hong Kong**. Demand was steady in **Sydney** and **Melbourne** with the retail trade and transport, postal and warehousing sectors the main drivers.

Rents edged up further in most markets across the region with sharp increases in **Beijing**, where they reached a record high as landlords in prime locations had great bargaining power in an extremely tight market. Rents inched up in **Hong Kong** on the back of tightened vacancy caused largely by tenants' expansionary activity. Due to higher rents in new supply, especially those in the Bay area, the average rent increased slightly in **Tokyo**. Rents grew in the majority of **Sydney**'s precincts, most notably in the South precinct, on low availability and high demand.

Hotel Markets

The U.S. is driving the global hotel investment market

Robust consumer spending, an increase in travellers from emerging markets and solid economic fundamentals are contributing to the sustained growth of the travel and tourism industry. According to the WTTC, the sector accounted for 10.4% of world GDP and grew by 4.6% in 2017, which outpaced the growth in the world economy for the seventh consecutive year.

Hotels are directly benefitting from the strong growth in tourism. The latest data from STR reveals that key gateway cities such as Paris, Rome, Madrid, Berlin, Beijing, Hong Kong and Toronto have all seen a double-digit uplift in RevPAR year-on-year. London and Tokyo have also recorded growth of approximately 7%.

The positive outlook on tourism figures and promising hotel operating revenues, together with investors' search for yield, is pushing non-traditional hotel investors to place capital into the sector. At the same time, there are now more vehicles which enable investors to enter the hotel real estate market through channels other than carrying out direct acquisitions of physical assets. This can come through debt lending or M&A activities, which are both seeing increases.

Global Hotel Investment Volumes, 2017-2018

US$ billions	YTD 2017	YTD 2018	% change YTD 17-YTD 18
Americas	21.6	23.5	**9%**
EMEA	16.8	13.9	**-17%**
Asia Pacific	7.2	6.0	**-17%**
Total	**45.6**	**43.4**	**-5%**

Source: JLL, October 2018

Global hotel investment volumes reached US$43.4 billion over the first nine months of 2018, 5% lower than the same period last year. The **Americas** posted a 9.2% year-on-year uplift to US$23.5 billion, with the **United States** accounting for over 90% of total volumes. The continuing positive economic sentiment in the U.S., combined with the prolonged RevPAR growth cycle, is encouraging domestic investment – and this now accounts for 85% of total volumes.

Private equity remained the largest investor in the hotel real estate market in the Americas, representing approximately 50% of total activity and rising 62% year-on-year. A notable transaction includes the sale of JW Marriott San Antonio Hill Country Resort to Blackstone, providing evidence of the strength of the resort market.

While the U.S. sat comfortably in the top spot in terms of global liquidity, the **UK**, **Germany** and **Spain** followed close together in the top-five ranking markets. Combined, these three markets comprised 65% of total EMEA volumes.

Germany posted a 24% upsurge in deal volumes over the year to date, with institutional investors continuing to dominate, investing in cities such as **Frankfurt**, **Dusseldorf**, **Cologne** and **Munich**. The UK experienced a decline in volumes to US$3.6 billion, compared to US$4.1 billion during the same period last year, although this figure is expected to rise over the remainder of 2018 with a number of transactions looking to close in Q4.

Spain ranked fourth in the global league table. After a sharp uplift in transactional activity in 2017, particularly in Barcelona and Madrid, we are witnessing a shift to regional cities as they offer the opportunity for higher yields.

Japan, fifth in the global ranking, recorded a 15% increase in hotel investment volumes to US$1.6 billion. Single-asset transactions are driving the market, with almost 95% of volumes. Corporates are the key buyer group, followed by private equity and fund development firms/property companies.

Within Asia Pacific, **China** overtook Australia and is now in second place within the region. Investment volumes over the year to date total US$1.2 billion with domestic buyers accounting for almost 95% of volumes as the government encourages local investments and limits outbound capital flows.

The increasing importance of debt funds

Debt funds are emerging as a major source of financing for hotels in the U.S. The sector is becoming prominent as other lenders with significant existing exposure to hospitality, such as banks, become more risk-averse given the market is in its eighth year of growth.

The most active lenders for hotels have traditionally been banks and commercial mortgage-backed securities (CMBS). But debt funds are generally more flexible and can be willing to lend up to 75% of the value of the real estate.

Debt investing can be a solid strategy for investors that are concerned about a low-yield environment and the longevity of the current cycle. Lenders sit lower in the capital stack to equity investors, which allows them to avoid the potential losses that could be incurred by equity investors if property valuations come under pressure. This has become an important consideration amid caution around rising interest rates and the overall strength of economic growth.

In Europe, while banks still finance the majority of hotel transactions, we are seeing an increase of debt fund activity. Earlier in the year, Brookfield and GreenOak closed their first European property debt fund, while French fund manager Amundi launched a European real estate debt fund in mid-2018.

Residential Markets

Renters – and developers – flock to U.S. Sunbelt

Multifamily rental fundamentals in the **U.S.** remained strong through the third quarter of 2018 despite the wave of new supply being delivered across the country. In fact, the supply pipeline has not hindered national vacancy rate improvements over the year to date, as vacancy declined 15 bps to 4.7% while rent growth accelerated slightly to 3.9%. Sector fundamentals continue to be bolstered by strong performance in select Sunbelt markets. **Las Vegas**, **Orlando** and **Phoenix** led the pack, with all three markets experiencing better-than-average rental growth through Q3. Meanwhile, markets with increased development activity, like **Dallas**, **Nashville** and **Seattle**, have all seen rental growth fall behind the national average as these markets absorb new deliveries.

Development activity across the U.S. is projected to continue into 2019. That said, developers remain focused on the luxury market segment, with a large share of their projects falling in urban-core submarkets. This has driven a divergence in performance, with suburban submarkets witnessing stronger rental fundamental performance. This divergence will likely continue in the near term, as deliveries will stay focused on the urban core.

UK investment volumes set to double in 2018

The UK residential market continued to soften during Q3, with price growth running at around 2.5% and transaction volumes broadly flat. Transactional activity in London was down by 25% year-on-year, with the market taking a cautious approach while the UK and EU continue to debate the terms of a potential Brexit deal. With considerable uncertainty on a deal persisting, the knock-on impacts for market sentiment and pricing remain broad.

In contrast, institutional investment into the UK's multifamily sector has continued unabated, with 2018 volumes expected to be close to £5 billion, more than double those in the previous year. Continued international investor demand, provided with a fillip through a weaker pound sterling, is also complemented by a strong and growing domestic investor base. Importantly, strength and depth in operating platforms is improving, creating greater confidence for investors going forward.

Institutional investors remain active in Germany

Residential investment in Germany reached €3.5 billion during the third quarter, below the €7.2 billion and €4.1 billion seen in Q1 and Q2 respectively. However, year-to-date transaction volumes still amount to €14.9 billion (accounting for around 103,000 residential units), which compares well with previous years. Volumes of more than €18 billion are expected to be reached by the end of the year, even without any more big-ticket deals.

International investors remain positive on the German residential market, despite relatively low initial yields, with players from the U.S., UK and France particularly active so far this year. Insurance companies/pension funds, both domestic and international, are ranked in second place for transaction activity during 2018 (after listed residential property companies) with almost €2.5 billion in acquisitions in the year to date — the highest volume since 2005.

Investment activity on track for record year in the Netherlands

The number of completed owner-occupier transactions in the **Netherlands** in the third quarter fell by 2.3% from the previous year; this is despite ongoing high demand and due to very limited supply of owner-occupier residences. The average transaction price has now climbed to €294,203, a record for the Netherlands. The housing market is expected to continue to perform strongly in the final quarter of 2018 and into 2019.

The investment market saw approximately €1 billion of transactions in Q3. Although lower than the previous quarter, investment volumes are still on track to achieve another all-time high for the full year. While interest rates are likely to harden after 2019, the limited size of the development pipeline will result in continuing pressure on the housing market. This is particularly the case in the Randstad conurbation, where both rents and vacant possession values are projected to continue rising.

Megadeal drives sharp increase in transaction volumes in Sweden

Residential investment turnover in **Sweden** for the third quarter was approximately SEK21.5 billion, compared to SEK5.1 billion last year. This is largely the result of Vonovia's purchase of Victoria Park, which has a portfolio of about 14,000 apartments across Sweden, valued at around SK17.1 billion. Vonovia is now in control of approximately 81.4% of the shares and 81.1% of the votes in the listed company.

Residential investment in Spain remains elevated

Residential institutional investment volumes in **Spain** remained high during Q3, reaching €1.5 billion. There is now significant equity entering the residential market either through residential SOCIMIs/REITs buying income-producing assets, or through private equity or institutional-backed Spanish property developers acquiring land. There are now 55 REITs active in Spain and over 40 are exclusively residential or include residential assets in a mixed portfolio. Meanwhile, banks are selling or transferring residential loans or assets to private equity or development platforms.

Government cooling policies continue to play a role in several Asian markets

Buying momentum held strong in **Shanghai**'s high-end market due to pent-up upgrading demand and new supply, evidenced by most high-end new launches receiving more than one applicant per unit during pre-sale. However, transactions volumes for villas and luxury apartments in **Beijing** decreased in June and July from the two preceding months. The proposed vacancy tax in **Hong Kong** has led to less aggressive pricing from developers releasing new projects into the market. Buyer sentiment started the quarter on a strong note with some new projects rapidly achieving sales rates of over 90%; however, sentiment weakened considerably towards quarter-end as uncertainties related to the economic outlook and new vacancy tax set in.

Cautious sentiment and increased supply affected rents in select Asian markets. Rents in **Beijing** increased for both villas and luxury apartments. In **Hong Kong**, the pace of growth in luxury rents remained largely stable, amid a pick-up in leasing during the peak season (July and August). Rental growth slowed in **Singapore**, reflecting generally cautious sentiment in the residential market.

Key Investment Transactions in Q3 2018

Europe, Middle East and Africa

Country	City	Property	Sector	Sales price US$m	Comments
Finland	Helsinki	Urban Environment House	Office	192	The Helsinki City Board has decided to sell the under-construction building to Union Investment. The City of Helsinki intends to lease the property for the use of its Urban Environment Division with a long-term lease agreement once the property is completed.
France	Paris	Iconik - Morland Mixité Capitale	Office	409	TH Real Estate, on behalf of Cityhold Office Partnership (CHOP), has acquired the urban regeneration scheme. Expected to complete in H1 2021, the development is part of the structural and architectural regeneration of the former Paris Prefecture, an emblematic 43,000 sq m site.
Germany	Frankfurt	Junghof Plaza	Office	460	PGIM Real Estate and Frankfurter Gewerbeimmobilien GmbH (FGI) have signed an agreement with TRIUVA on the future sale of the Plaza, a 33,000 sq m mixed-use redevelopment. Acquired as a vacant asset by the joint venture in December 2016, the property will be redeveloped into modern office space featuring two inner courtyards, retail space with food and beverage outlets, and hotel use. The property is more than 60% pre-let to tenants including Clifford Chance, Ruby Hotels and L'Osteria.
Germany	Frankfurt	Omniturm	Office	814	Commerz Real has purchased the asset, located in the city's CBD and currently under construction, for its open-ended real estate fund hausInvest. The seller is a joint venture led by international developer and fund manager Tishman Speyer.
Hungary	Budapest	Mammut	Retail	295	NEPI Rockcastle, advised by JLL, has bought 100% of Mammut 2 and 81% of Mammut 1, which jointly form the Mammut shopping centre, for €254 million. With a GLA of 56,400 sq m, the project is 89% let and includes key anchors such as Cinema Pink, Hervis, H&M, Interspar, Media Markt and Reserved.
Poland	Warsaw	Gdański Business Center (C+D)	Office	230m	JLL has advised Savills Investment Management on the acquisition of the remaining two office buildings in the business centre from HB Reavis for over €200 million. The assets have been purchased on behalf of the Malaysian pension fund EPF. Both buildings offer circa 53,000 sq m of office space and boast a 100% occupancy rate. The current list of tenants includes Aviva, KPMG, GE, Nielsen and BGŻ BNP Paribas.
Portugal	Almada	Rio Tejo Portfolio	Retail	473	JLL, acting on behalf of Blackstone, has completed the sale of Almada Fórum from the Rio Tejo retail

Country	City	Property	Sector	Sales price US$m	Comments
		(Almada Fórum)			portfolio to Merlin Properties. The portfolio originally consisted of three prime shopping centres and a retail park. Almada Fórum is the last property in the portfolio to be sold. Combined, the Rio Tejo portfolio represents the largest ever portfolio transaction in Portugal at over €900 million.
Netherlands	Multiple	Apollo Hotels Portfolio (the Netherlands)	Hotel	186	Fattal European Hotels Fund LP. has purchased the portfolio of 14 hotels located across the Netherlands from European Hotel Management B.V.
Spain	Multiple	Portfolio of 4 Shopping Centres	Retail	535	Castellana Properties, Vukile's Spanish REIT, has acquired a portfolio of four Spanish shopping centres for €460 million from Unibail-Rodamco-Westfield.
Sweden	Multiple	Hemfosa Industrial Portfolio	Industrial	402	Starwood, together with its local operating affiliate Scius Partners, has sold a portfolio of 51 predominantly industrial assets to Hemfosa. The portfolio offers a total of approximately 460,000 sq m of warehouse/logistics assets spread across 17 towns. The current pool of tenants includes Speed Logistics, DHL Nordic, Haldex Brake Products and PostNord Sverige.
UK	London	Plumtree Court (Goldman Sachs HQ)	Office	1,300	LaSalle Investment Management, acting on behalf of Korea's National Pension Service, has acquired the 830,000 sq ft building at 25 Shoe Lane for over £1 billion. The vendor, Goldman Sachs, will lease back the entire office space on a 25-year lease with a break at 20 years. JLL advised LaSalle Investment Management.
UK	London	The Curtain	Hotel	117	The 4-star hotel has been acquired by Reuben Brothers from Gansevoort Hotel Group.
UK	Multiple	Arches Portfolio	Mixed	1,903	Network Rail has selected a preferred party to buy its £1.46 billion Arches portfolio. Blackstone and Telereal Trillium will buy the 5,200-asset portfolio on a 50:50 basis. The vast majority of the portfolio is located under railway arches. It has a huge range of occupiers including restaurants, bars, offices, retail, leisure operators, breweries, car washes, gyms and healthcare centres. Spread across England and Wales, around 80% of the portfolio's value is located in London, with much of the remainder in Manchester and Birmingham.
Hungary	Budapest	Mammut	Retail	295	NEPI Rockcastle, advised by JLL, has bought 100% of Mammut 2 and 81% of Mammut 1, which jointly form the Mammut shopping centre, for €254 million. With a GLA of 56,400 sq m, the project is 89% let and includes key anchors such as Cinema Pink, Hervis, H&M, Interspar, Media Markt and Reserved.

Asia Pacific

Country	City	Property	Sector	Sales price US$m	Comments
Australia	Brisbane	80 Ann Street	Office	306	M&G Real Estate has partnered with Mirvac on the development at a price of A$418 million (50% interest) and a record capitalisation rate of 5% (via a pre-sale and fund-through transaction). The building represents the highest half-share capital investment for any asset in the Brisbane CBD.
Australia	Melbourne	Pullman Melbourne on the Park	Hotel	113	Brookfield has sold the 5-star, 419-room hotel to private equity iProsperity Group.
Australia	Sydney	Westfield Eastgardens	Retail	527	Tower Terrace has sold a 50% stake in the asset, reflecting a cap rate of 4.25%. It is the fourth largest individual asset transaction on record across Australia and highlights strong demand for prime assets within the Sydney metropolitan market, as well as the tightly held nature of the major regional shopping centres.
China	Hangzhou	Wyndham Grand Plaza Royale Hangzhou	Hotel	223	Institutional investor Tibet Hongrong Asset Management Co. Ltd has sold the 360-room hotel to Guangzhou Ge Fei Golden Commerce Co. Ltd
China	Multiple	CapitaLand China Retail Portfolio 2018	Retail	1,229	CapitaLand has entered into agreements to divest its share in a group of companies that hold 20 retail assets. Each mall has an average gross floor area (GFA), excluding car parking, of about 40,000 sq m. They are spread across 19 cities, of which 14 are non-core cities where CapitaLand has a single mall in each.
China	Multiple	Swire China Logistics Portfolio 2018	Industrial	290	Vanke has expanded its logistics holdings in China by purchasing Swire Cold Chain Logistics from Hong Kong-listed Swire Pacific.
China	Shanghai	Shanghai Rainbow Source International Cultural City Project	Office	1,984	China Evergrande, the country's second biggest developer by sales, has taken over a stalled RMB 13.5 billion project near the Shanghai Hongqiao International Airport. This project was previously owned by a consortium consisting of Hong Kong-listed furniture retailer Red Star Macalline, Shenzhen-based Shengshi Wanxiang Investment Management and Shouyuan Investment Management from Shenyang.
China	Shanghai	Longyu International Business Plaza	Office	475	Developed by BaoTou Bank and managed by HengYu Hang Management Company, the office building is located in the Puxi core CBD in Zhabei District. It is close to Shanghai Railway Station and a 2-minute walk to metro line 1 at Hanzhong Road Station.
China	Shanghai	The Mall Jingqiao, The Mall Nanxiang	Retail	294	CCH Asset Management has purchased the two assets as part of a focus on suburban malls in China's Tier 1 cities.

Country	City	Property	Sector	Sales price US$m	Comments
China	Shanghai	Haibo Yuhui Building 8	Mixed	257	The building has been sold by Greenland Group, a major Shanghai-based developer.
Japan	Hyogo	HUB AMAGASAKI	Industrial	388	LaSalle Investment Management has acquired the asset for over JPY 40 billion from a SPC (special purpose company) of Center Point Development. It was built as a TV display factory by Panasonic and refurbished as a logistics centre in 2017.
Japan	Osaka	GLP Osaka	Industrial	323	GLP has sold eight properties to its J-REIT entity, GLP J-REIT. The highest-value asset is GLP Osaka at JPY 36 billion, which achieved a NOI yield of 4.3%.
Japan	Tokyo	Hilton Tokyo Odaiba	Hotel	267	Hulic has acquired a 50% share of the full-service hotel, which has 453 rooms, from Fuyo General Lease.
Singapore	Singapore	OUE Downtown (Office components)	Office	664	Alkas Realty Pte. Ltd. (a wholly owned subsidiary of OUE Limited) has sold the office components of OUE Downtown to OUE Commercial REIT for S$908 million, or S$1,713 per sq ft on a net lettable area (NLA) basis. The properties are expected to generate an acquisition net property income yield of about 5.0%.
Singapore	Singapore	Westgate (70% interest in Infinity Mall Trust)	Retail	577	CapitaLand Limited has sold its 70% stake in Infinity Mall Trust (IMT) that holds Westgate – the retail component of an integrated retail and office development in the Jurong Lake District - to CapitaLand Mall Trust (CMT). This increases CMT's previous holding of a 30% stake in IMT to 100%. The divestment is based on an agreed market value of Westgate at S$1,128 million (S$2,746 per sq ft) on a 100% basis, 70% of which is S$789.6 million.
Singapore	Singapore	5 Logistics Properties	Industrial	569	Mapletree Logistics Trust (MLT) has purchased five modern ramp-up warehouses from CWT Pte. Limited and its subsidiaries. The acquisitions are expected to generate an initial net property income yield of around 6.2% based on the purchase price of S$778.3 million. CWT Pte. Limited and its subsidiaries will lease back the entire space in the respective properties from MLT for lease terms ranging from 5 to 10 years.
South Korea	Seoul	Samsung C&T Building (B Tower)	Office	667	Samsung C&T has sold the tower, located in Gangnam, to Koramco in Seoul's largest deal of the quarter. The deal was closed with a record high price per pyung in the office market of KRW 30.5 million and is the latest in a series of mega deals by Samsung affiliates.

Country	City	Property	Sector	Sales price US$m	Comments
South Korea	Seoul	Gangnam N Tower	Office	403	The second largest deal of the quarter in Seoul was the sale of the brand-new Gangnam N Tower, sold by Yeoksam PFV (Next Properties) to KB Real Estate Trust for KRW 452.5 billion. The property represents the first Grade-A building completion at the west end of Teheran-ro since 2011 and has drawn significant interest, securing tenants Korbit and Lotte in the two largest Grade-A leasing contracts in Gangnam during the third quarter.
South Korea	Seoul	L'Escape Hotel	Hotel	192	The 204-room hotel has been sold to private equity company NOMURA-RIFA Asset Management.
South Korea	Seoul	Gangnam P Tower	Office	284	Gangnam P Tower has been sold by Koramco to Hangang Asset Management for KRW 318 billion. The property is located near Yangjae Station and is fully occupied by the SPC Group.

Americas

Country	City	Property	Sector	Sales price US$m	Comments
Brazil	Uberlândia	PK Center - Galpão 2	Industrial	45	Credit Suisse Hedging-Griffo Corretora de Valores S.A. has acquired this approximately 89,000 sq m asset at a reported 9.7% initial yield.
Cayman Islands	Grand Cayman	Fortress Two-Property Grand Cayman Portfolio	Hotel	340	Asian REIT Invincible Investment Corporation has bought the two resorts in Grand Cayman.
Canada	Edmonton	Edmonton Tower	Office	306	AIMCo has purchased this roughly 59,000 sq m CBD assest from ONE Properties at a reported 5.8% initial yield.
Canada	Toronto	2360 Dixie Road	Industrial	40	Pearson Corporate Centre GP Inc has purchased this nearly 44,000 sm Mississauga asset from Samuel, Son & Co. Limited.
Canada	Vancouver	Government House	Office	172	Crestpoint has acquired the approximately 21,000 sq m property from a joint venture of CPPIB and OMERS at a reported 4.25% initial yield.
U.S.	Atlanta	3480 Camp Creek Pkwy	Retail	80	A JV of Wicker Park Capital and DRA Advisors has purchased the approximately 39,000 sq m retail centre located in the East Point submarket from a JV of Blackstone and DDR.
U.S.	Boston	136-146 Northern Ave	Office	450	CommonWealth Partners has acquired the approximately 35,000 sq m property from a JV of Tishman Speyer, China Life and Ping An Insurance at a reported 4.9% initial yield.

Country	City	Property	Sector	Sales price US$m	Comments
U.S.	Chicago	8750 W Bryn Mawr Ave	Office	141	Shidler Group has purchased the roughly 59,000 sq m property from Equity Commonweath.
U.S.	Houston	13770 Industrial Rd	Industrial	121	KJD Industrial LLC has purchased the nearly 41,000 sq m distribution centre from Hines.
U.S.	Los Angeles	2850 Ocean Park Blvd	Office	616	A JV of Boston Properties and CPPIB has acquired this roughly 111,000 sq m asset from Blackstone at a reported 3.5% initial yield.
U.S.	Minneapolis	1708 W Creek Ln	Industrial	78	Next Tier HD has purchased the approximately 39,000 sq m data centre in Chaska from Stream Realty.
	Multiple	Blackstone Group Seven-Property Portfolio	Hotel	115	Blackstone has sold a portfolio of seven hotels located across the U.S. to developer / property company PEG Development.
U.S.	New York	304 Hudson St	Office	650	Disney has purchased the approximately 37,000 sq m property from a joint venture of Trinity Real Estate, Norges Bank Investment Management and Hines.
U.S.	New York	The Plaza A Fairmont Managed Hotel	Hotel	600	The property has been purchased by Middle Eastern investor Katara Hospitality.
U.S.	Northern New Jersey	698 Rte 46	Industrial	149	The Goodman Group has acquired this more than 57,000 sq m Teterboro distribution centre from TIAA.
U.S.	San Antonio	JW Marriott San Antonio Hill Country Resort & Spa	Hotel	649	Blackstone has bought the 1,002-room hotel from Miller Frishman Group.
U.S.	Silicon Valley	110 W Tasman Dr	Industrial	174	Santa Clara County has purchased this nearly 40,000 sq m vacant San Jose data centre from Shorenstein.
U.S.	Washington DC	425 Eye St NW	Office	115	Saban Capital Group has acquired the roughly 36,000 sq m propety from Paramount Group.

Illustrative Office Occupational Transactions in Q3 2018

Europe

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
France	Paris	‘Smart up’, Châtillon	STIME	Business Services	16,390
France	Paris	‘Freedom’, Paris 16	Murex	ITES	15,653
France	Paris	‘Gambetta Village’, Paris 20	Publicis Groupe	Media	15,409
France	Paris	‘#Curve’, Saint-Denis	ARS	Public Administration	12,361
France	Paris	2-4 rue Jules Lefebvre, Paris 09	WeWork	Business Services	11,828
France	Paris	‘Tour Europe’, Courbevoie	Dalkia	Business Services	10,912
France	Paris	173-175 boulevard Haussmann, Paris 08	Lazard	Banking & Financial Services	10,563
Germany	Berlin	B:HUB	Deutsche Bahn	Transport	13,000
Germany	Berlin	Andreasstrasse 71-73	Lesson Nine	Media	11,700
Germany	Cologne	I/D Cologne - Design-Offices-Haus	Design Offices	Business Services	13,000
Germany	Frankfurt	Cielo	Commerzbank	Banking & Financial Services	36,100
Germany	Hamburg	Bramfelder Spitze	akquinet	ITES	12,000
Germany	Munich	iCampus	Serviceplan	Media	38,500
Germany	Munich	Kustermannpark	Landeshauptstadt München	Public Administration	11,000
Russia	Moscow	Kuntsevo Plaza	Media Instinct	Media	6,060
Russia	Moscow	Hermitage Plaza	Ingrad	Construction	4,634

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Russia	Moscow	Krasnaya Roza	WeWork	Business Services	4,289
Russia	Moscow	Ring Park	Compel	Manufacturing	4,135
Russia	Moscow	Silver City	Cordiant	Manufacturing	2,889
UK	London	11-21 Canal Reach and P2 Handyside Street, N1	Facebook	ITES	55,581
UK	London	S1 Handyside Street, N1	Nike	Retail	5,574
UK	London	22 Bishopsgate, EC2	Hiscox Group	Banking & Financial Services	6,964
UK	London	25 Cabot Square, E14	Competition and Markets Authority (CMA)	Public Administration	10,496

Asia Pacific

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Australia	Brisbane	62-80 Ann Street	Suncorp	Banking & Financial Services	39,600
Australia	Melbourne	254-294 Wellington Road	Nissan Australia	Manufacturing	10,000
Australia	Melbourne	222 Exhibition Street	Victorian State Government Department of Treasury & Finance	Public Administration	14,772
China	Beijing	898 Innospace	Guazi.com	ITES	37,400
China	Shanghai	China Life Finance Center	China Development Bank	Banking & Financial Services	15,400
China	Shanghai	Poly Xuhui Bund Project	OneConnect	ITES	11,550

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Hong Kong	Hong Kong	Mapletree Bay Point	Tricor Services Limited	Business Services	6,665
Hong Kong	Hong Kong	Kingston International Centre	Swire Resources	Consumer Products	3,702
India	Delhi	DLF Forum	WeWork	Business Services	16,700
India	Delhi	Vipul Tech Square, Phase 2	Zomato	ITES	6,300
India	Mumbai	Raheja Platinum	WeWork	Business Services	14,900
India	Mumbai	HCC 247 Park - Tower A	Gravitas Technology Services	ITES	2,500
Singapore	Singapore	Twenty Anson	SANNE	Banking & Financial Services	303
Singapore	Singapore	6 Battery Road	Allfunds Singapore	Banking & Financial Services	279
South Korea	Seoul	FKI Tower	KB Bank	Banking & Financial Services	8,874
South Korea	Seoul	Gran Seoul	SK Innovation	Manufacturing	5,910

Americas

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Brazil	Rio de Janeiro	Passeio Corporate	CEF - Caixa Econômica Federal	Banking & Financial Services	32,603
Brazil	Rio de Janeiro	Ventura Corporate Towers - Torre Oeste	Shell - Brasil	Oil & Gas	12,497
Brazil	São Paulo	TEK Nações Unidas	Prevent Senior	Health	22,080
Brazil	São Paulo	17007 Nações - Torre Sigma	Nestlé	Food & Beverage	21,656
Canada	Calgary	Southland Park 1 & 4	Alberta Health Services	Health	31,316
Canada	Calgary	The Bow	Nexen	Oil & Gas	27,871
Canada	Toronto	The Well	Shopify	ITES	39,948
Canada	Toronto	Bay Adelaide North	Scotiabank	Banking & Financial Services	39,019

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Canada	Toronto	Waterfront Innovation Centre	WPP	Media	24,155
Mexico	Mexico City	Panorama Pedregal	Total Play	Media	20,887
U.S.	Atlanta	3 Glenlake Pkwy	Arby's	Food & Beverage	33,396
U.S.	Houston	1430 Enclave Pkwy	Schlumberger	Oilfield Services	20,996
U.S.	Houston	801 Texas Ave	Vinson & Elkins	Legal Services	19,695
U.S.	New York	55 E 52nd St	Evercore	Banking & Financial Services	32,516
U.S.	New York	21 Penn Plz	WeWork	Business Services	24,001
U.S.	New York	1271 Avenue of the Americas	Bessemer Trust	Banking & Financial Services	21,984
U.S.	Northern Virginia	700 Army-Navy Dr	United States Drug Enforcement Agency	Public Administration	23,876
U.S.	San Francisco	405 Howard St	PwC	Business Services	18,335
U.S.	Silicon Valley	700 Santana Row	Splunk	ITES	26,909
U.S.	Silicon Valley	520 Almanor Ave	Nokia	Telecommunications	21,461
U.S.	Silicon Valley	1173 Coleman Ave	Roku	Consumer Electronics	18,097

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JLL (NYSE: JLL) is a global professional services and investment management firm specialising in real estate. Our expert teams look beyond the present to deliver integrated services that help real estate owners, occupiers, and investors achieve their business ambitions. In 2017, JLL had revenue of $7.9 billion and fee revenue of $6.7 billion and, on behalf of clients, managed 4.6 billion square feet, or 427 million square meters, and completed sales acquisitions and finance transactions of approximately $169.8 billion. At year-end 2017, JLL had nearly 300 corporate offices, operations in over 80 countries and a global workforce of more than 82,000. As of December31, 2017, LaSalle Investment Management has $58.1 billion of real estate under asset management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit www.jll.com.

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