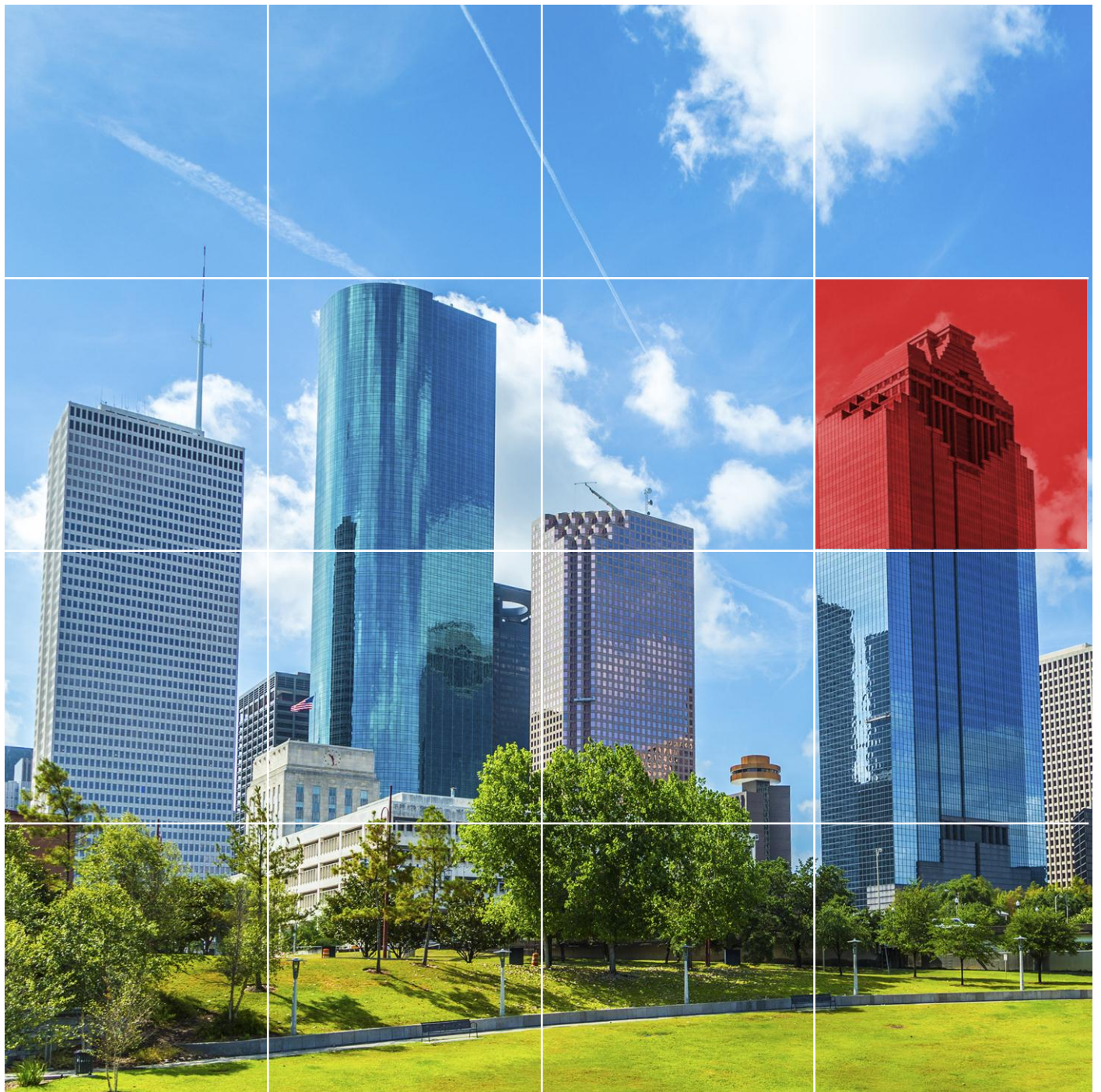


*An active and competitive
real estate landscape*

Global Market Perspective | Q4 2014



Global Market Perspective

Fourth Quarter 2014

An active and competitive real estate landscape

An active investment market supported by improving fundamentals

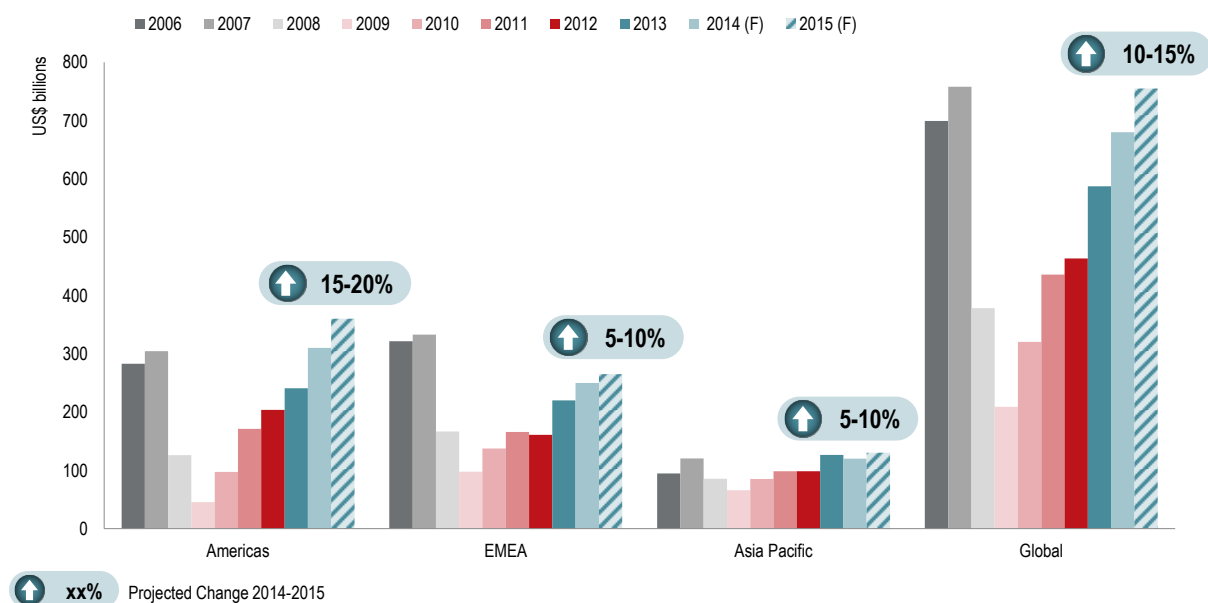
The global real estate investment landscape remains very active. A significant weight of capital is chasing commercial real estate, despite mounting geopolitical and economic uncertainty which does not appear to be overly concerning the market for now. Barring an escalation of such risks, momentum is expected to build during 2015, albeit at a slower pace, supported by improving fundamentals. Conditions in the occupational markets, while more diverse, are moving more decisively into upswing, led by the U.S., London and select Asian markets. Tenant options are being squeezed in many markets due to the dearth of quality space and corporate occupiers will be increasingly exposed to rental cost inflation over the next 12 months as positive sentiment extends over a wider geography.

Intense investor competition

Real estate assets are strongly in favour, with allocations continuing to grow from virtually all investor types. This reflects, to some extent, the continued volatility of equities, low bond yields and, despite yield compression, relatively attractive spreads between property yields and borrowing costs. Therefore, in spite of the mounting uncertainty of recent weeks, JLL remains confident that our forecast of full-year 2014 volumes of US\$700 billion will be achieved.

Investor interest is spread across a broad range of geographies, sectors and asset sizes, with volumes boosted by several portfolio and large single-asset transactions. Intense competition in core markets is compressing yields to new lows and pushing activity into 'secondary' locations. The lending environment is favourable to maintaining high levels of activity, which should be evidenced by further transactional volume growth during 2015 (of 10%-15%).

Direct Commercial Real Estate Investment, 2006-2015



Source: JLL, October 2014

Occupational markets exhibit broader diversity

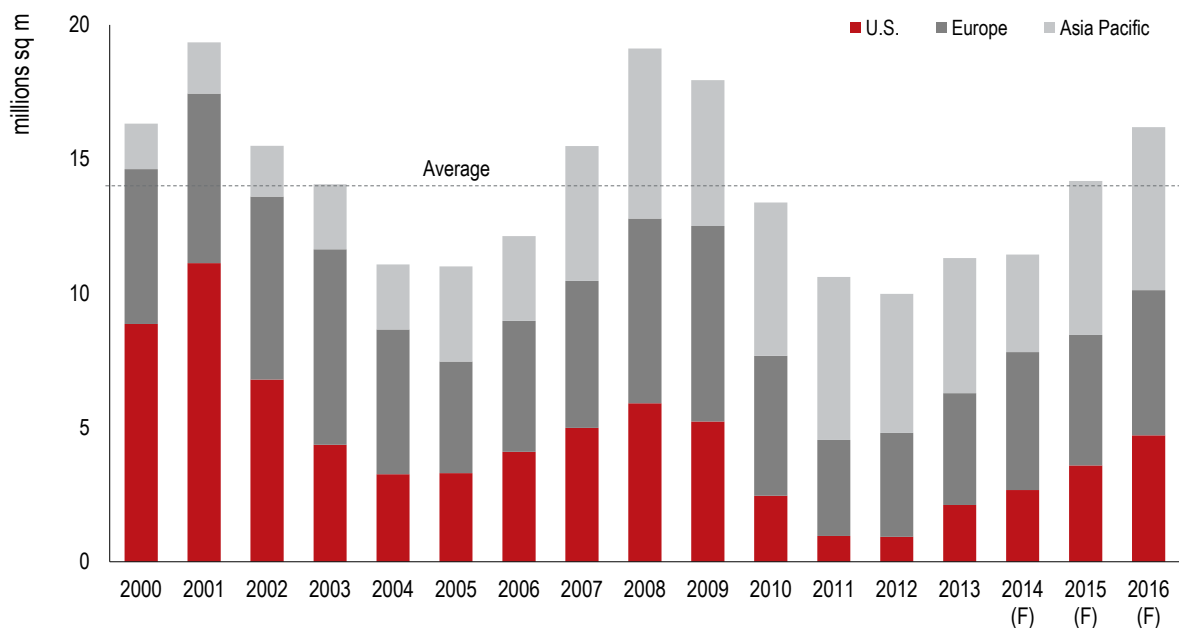
Corporate occupiers are responding to the mixed signals in the global economy in a disparate way, with leasing markets showing greater diversity in activity, sentiment and performance. Office fundamentals are improving strongly in the U.S., where net absorption is at its highest level of the current cycle and occupier activity is rippling into secondary cities. London is registering near record take-up volumes, but in Continental Europe activity is more subdued, amid renewed economic concerns. The recovery in Asia Pacific's leasing market is patchy, but year-to-date volumes across the region are up 16%. Demand in China is being driven by domestic firms and tech firms are leading in India; Manila is the star performer in emerging South East Asia as firms expand to lower-cost locations and diversify their operational risks.

Globally, gross leasing volumes are likely to finish the year at levels similar to 2013, though more encouragingly, net absorption is likely to be around 30% higher than a year ago, highlighting the selective return of expansion demand. Volumes are expected to improve steadily in 2015, up by 5% year-on-year, supported by stronger global economic growth, as well as increasing corporate headcount and capital expenditure.

The new construction cycle

The global office vacancy rate (across 98 markets) has dropped below the 13% threshold for the first time in the current cycle. Mounting supply shortages have prompted another rise in construction activity and, globally, new deliveries are anticipated to be around 25% higher in 2015 compared to 2014, with prospects of even larger construction volumes in 2016.

Global Office Completions, 2000-2016



24 markets in Europe; 25 markets in Asia Pacific; 44 markets in the U.S. Asia relates to Grade A only.
Source: JLL, October 2014

Rental growth accelerating

Falling vacancy rates, combined with a gap of another 12-18 months until the next wave of new office deliveries hits the market, should ensure rental uplift during 2015 in most dominant office markets. JLL is projecting prime rental growth (across 25 major office markets) to accelerate from 3% currently, to 4%-5% in 2015. Tokyo and Beijing are set to be the top performing office rental markets in 2015 on the back of falling vacancy rates, however it is the emergence of the

major U.S. cities (Boston, Chicago, Los Angeles, New York and San Francisco) among the top performers that will be a key feature of the market in 2015.

Prime Offices – Projected Changes in Values, 2015

	Rental Values	Capital Values
+ 10-20%	Tokyo, Beijing	Tokyo, Beijing
+ 5-10%	San Francisco, New York*, Boston Chicago, Los Angeles, London* Sydney, Dubai	San Francisco, New York*, Boston Chicago, Los Angeles, London* Sydney, Seoul, Madrid, Dubai
+ 0-5%	Hong Kong, Singapore, Paris* Seoul, Madrid, Toronto, Washington DC Mexico City, Stockholm, Mumbai, Frankfurt Shanghai, Brussels	Paris*, Stockholm, Toronto Washington DC, Mexico City Mumbai, Frankfurt, Singapore, Shanghai Hong Kong, Brussels
- 0-5%	Sao Paulo	Sao Paulo
- 5-10%	Moscow	Moscow

*New York – Midtown, London – West End, Paris – CBD. Nominal rates in local currency.

Source: JLL, October 2014

Cautious retail markets

The U.S. retail market is edging slowly into recovery, while Europe has lost some of its impetus due to concerns about economic growth and geopolitical risk. Retailers are also showing caution in Asia Pacific, save for international brands continuing to target Southeast Asia. Retailer demand is stable in mainland China, but sales in Hong Kong are partly dented by the 'Occupy Central' protests.

Warehousing markets tighten

The U.S and European warehousing markets are at their tightest for several years, underpinned by robust demand for modern functional space. Rents are increasing across multiple geographies in the United States; however, growth is much more selective in Europe (e.g. London and Munich). Construction is increasing steadily in the U.S., which will start to test the market in 2015-2016. Europe's response has so far been limited to build-to-suit, although there is a growing appetite among major international logistics operators to build on a speculative basis.

Hotel investment maintains momentum despite downside risks

Capital markets activity in the hotel sector is strong. Hotels' income growth continues on a steady upward path, lenders' confidence in the sector has returned, and sellers are motivated given the wide audience of buyers. Nonetheless, several downside risks have emerged which may adversely affect volumes – namely mounting geopolitical risk, anxieties about the Ebola epidemic and concerns that economic growth may be faltering in Europe.

Growing institutional interest in residential sector

Institutional investor interest in Europe's residential sector is strengthening, led by Germany and the Netherlands. At the same time, the UK's nascent 'build-to-rent' sector, styled on U.S. multifamily assets, is finally gathering pace, and in the U.S., tight market conditions in the multifamily sector are maintaining healthy rental growth, particularly in its tech-rich cities. Meanwhile, policy restrictions in Asia's major markets continue to dampen high-end residential sales. Dubai has seen a welcome cooling in sales prices, while price growth is moderating in London.

Global Market Perspective

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Global Economy

Concerns about momentum in H2, but consensus remains for recovery

The message from the IMF's recent report on the global economy chimed with the more pessimistic tone of market sentiment. It confirmed that as year-end approaches, not only is the recovery patchy, but downside risks are also increasing. However, the IMF's more sober assessment is not a radical re-evaluation, as its forecasts were only downgraded slightly from the spring. It largely reflects concerns about a slower-than-expected rebound from the setbacks of H1 and about fragile growth potential, as the GFC's legacy continues to exert a drag in the developed world.

The key question remains: are the most recent developments a soft patch (a pause on the path of recovery) or a relapse (that will require policy stimulus to restart). Current consensus still points to the former, including the IMF. Most developed economies are likely to see an upturn in activity during 2015, even though the uplift is modest in many cases. Moreover, individual country forecasts have only changed marginally since last quarter and, while the Eurozone clearly looks weaker, there is no consistent pattern of global downgrades (see below).

GDP Projections for 2015 in Major Economies – Recent Movements

	Australia	China	France	Germany	India	Japan	UK	US
July	2.8	6.9	1.1	1.9	4.9	1.1	2.5	3.1
October (Latest)	2.8	6.7	1.0	1.7	5.6	0.9	2.7	3.1
Change (bp)	0	-20	-10	-20	+70	-20	+20	0

Source: Oxford Economics, October 2014

Central banks struggle with forward guidance, but rate hikes move ever closer

With asset-purchase tapering ending this October and the recovery back on track, speculation as to when the Federal Reserve will begin to increase U.S. short-term interest rates has intensified. The Fed is keen to give clear signals, but is also fearful of market reaction if it changes its currently dovish forward guidance. Most feel it will be Q2 2015 before the Fed hikes rates, proceeding initially by 25 bp and tightening gradually thereafter. The U.S. economy appears robust enough to weather this. Even so, the fear remains that the move could unsettle more fragile economies elsewhere - emerging markets and parts of Europe for instance.

The UK faces similar issues to the United States. Since abandoning his unemployment-based guidance in February, Bank of England Governor Mark Carney has given rather mixed messages, occasionally heightening the uncertainty he hopes to avoid. In the summer, the UK recovery was proceeding so well that markets anticipated interest rate hikes before the end of the current year. Since then, the Bank of England has struck a more cautious tone, as more worrying signs from the Eurozone and a cooling UK housing market have eased some of the pressures on rates. The consensus has shifted back to an early 2015 uptick, slightly ahead of the Fed move.

One place where there is no speculation about interest rate rises is Continental Europe. Here, inflation rates are lower (at just +0.3% in the year to August) and the economic recovery is less resilient. In September, the ECB followed June's raft of interest rate adjustments with further active measures. However, it has probably reached the limit of conventional methods and must now look beyond. The muted response to the TLTRO scheme (long-term refinancing operations) has not rekindled the appetite for asset purchase schemes within the ECB. But, with few other options, QE may be forced back onto the agenda should the economy worsen further in the coming quarters.

Slow but steady upturn continues in the major economies

Short-term forecasts have been revised up slightly since June, but growth this year will continue to be similar to 2013. There has been an underlying increase in growth in the advanced economies, but this has been marginal, and the gulf with the dynamism of emerging markets remains, notwithstanding recent geopolitical upheavals. Next year, the recovery is forecast to gain momentum in both developed and developing worlds; however, progress will maintain a steady rather than dramatic course as the impact of higher U.S. interest rates is absorbed.

Asia Pacific is still at the top of the growth rankings, though there appears limited upside to current rates, given mixed fortunes across the region's economies. **China's** steady slowdown will continue this year and next; however, this will be necessary to ensure that future growth is sustainable. Meanwhile, **India** has seen an improvement in recent data, but, in the absence of deeper reform, any acceleration is expected to be slow. By contrast, **Japan** has had a difficult H1 with the introduction of a new sales tax.

The **U.S.** upturn is back on track, with recent surveys and jobs data suggesting that underlying activity is back at trend in H2. The unusual weather effects in Q1 will limit growth in 2014 as a whole, but an expansion of over 3% is in prospect for next year, which would be the strongest out-turn since the GFC. The U.S. economy leads a robust Americas performance, despite the backdrop of tighter fiscal policy and higher interest rates.

Europe remains both the weakest and the most fragile region. The Eurozone has emerged from recession, but is failing to establish a vigorous recovery against a background of deflation and sluggish structural change. Despite a poor Q2 figure, **Germany** is likely to display the most consistent expansion during 2014-2015, while **France's** recovery continues to be worryingly weak and uneven in contrast. Most good news has been limited to the fringe economies, notably **Ireland** and **Spain**. In the absence of further ECB stimulus, Eurozone risks are set to still be skewed to the downside.

Outside of the constraints of the single currency, prospects are rosier. The **UK** has seen forecasts edged higher again with its expansion rates staying well above Eurozone norms. Growth is predicted to dip next year, but should be resilient to heightened uncertainty from the UK's general election and impending interest rate hikes.

Global GDP Outlook (%pa)			
	2013	2014	2015
Global	3.0	3.1	3.6
Asia Pacific	5.2	5.1	5.0
Australia	2.3	3.1	2.8
China	7.7	7.4	6.7
India	4.7	5.3	5.6
Japan	1.5	0.7	0.9
Americas	2.3	1.9	2.9
US	2.2	2.2	3.1
MENA	1.8	2.8	4.1
Europe	0.4	1.5	2.0
France	0.4	0.4	1.0
Germany	0.2	1.4	1.7
UK	1.7	3.1	2.7
Source: Oxford Economics, October 2014			

Real Estate Capital Markets

Investment Volumes

Consistent growth extends into the final quarter as volumes remain well ahead of 2013

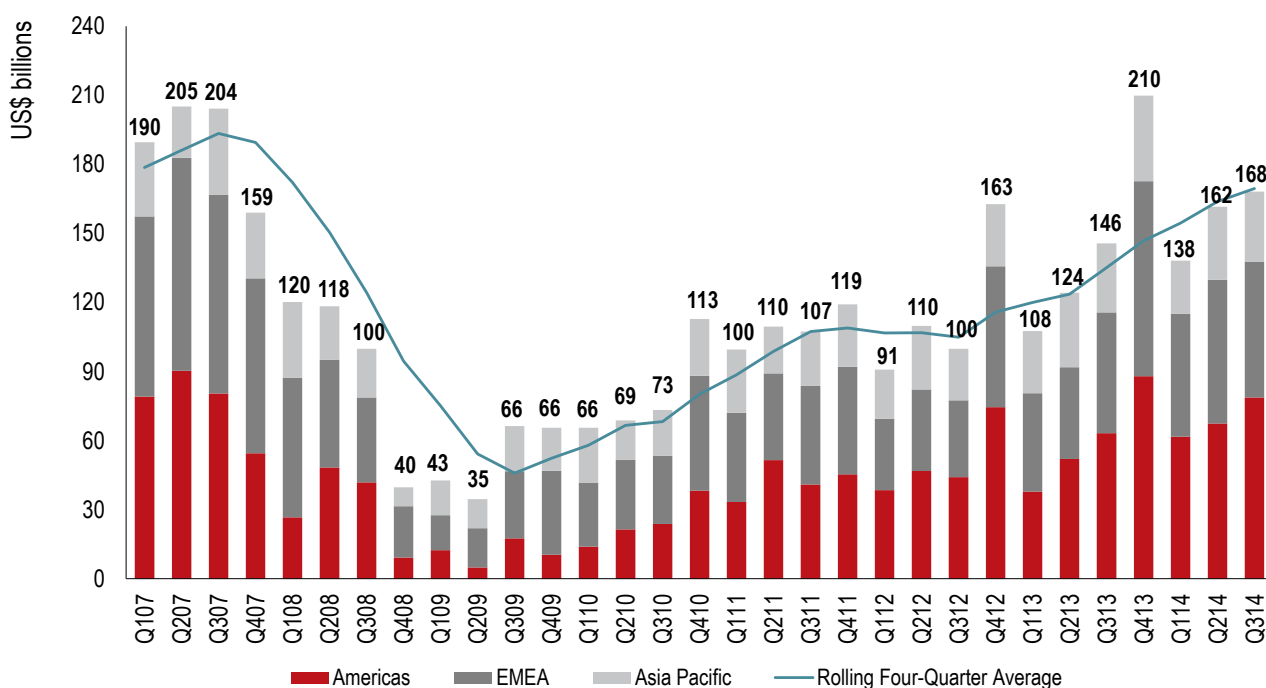
The third quarter of 2014 has continued the theme of the previous two quarters, with global transactional levels 15% higher than Q3 2013 and 24% higher on a year-to-date basis. At US\$168 billion, Q3 volumes bring year-to-date activity to US\$468 billion, already surpassing the full-year total of 2012. Regional divergence has continued, with the Americas and Europe growing more strongly than Asia Pacific.

Direct Commercial Real Estate Investment – Regional Volumes

US\$ Billions	Q2 14	Q3 14	% change Q2 14-Q3 14	Q3 13	% change Q3 13-Q3 14	YTD 2013	YTD 2014	% change YTD 2013-YTD 2014
Americas	67	79	17%	63	25%	153	208	36%
EMEA	62	59	-5%	53	13%	135	175	29%
Asia Pacific	32	30	-5%	30	1%	89	85	-5%
TOTAL	162	168	4%	146	15%	378	468	24%

Source: JLL, October 2014

Direct Commercial Real Estate Investment – Quarterly Trends, Q1 2007-Q3 2014



Source: JLL, October 2014

Asia Pacific recovers some lost ground, but pace still behind 2013

Transactional volumes in Asia Pacific during Q3 2014 were similar to Q3 2013 at US\$30 billion, although on a year-to-date basis volumes were 5% lower. Activity continues to be supported by two of the region's largest markets, Japan and Australia:

- **Japan** is managing to keep on a par with the blistering level of activity it set in 2013 when volumes doubled. The Japanese market has transacted close to US\$30 billion year-to-date, which represents one-third of all regional volumes. Investment activity should pick up in Q4, with a large pipeline of assets in advanced stages of negotiation. The market outlook for 2015 is positive and assets will continue to come to the market now that pricing has recovered. Banks are now looking to dispose of assets that they took control of following the GFC and corporates should also be more active.
- **Australia** is setting the pace in 2014 with year-to-date volumes 23% above last year. Domestic groups, particularly REITs and the wholesale funds, have been very active. Partnering remains a key trend between related groups and some foreign investors have been deploying capital through joint ventures with a domestic manager. Nonetheless, volumes are likely to be down in 2015 after the strong deal flow witnessed this year. Many of the large existing assets have already traded over recent years and high vacancy rates have slowed the development market, thus limiting new product coming to the market.
- The drag on activity and sentiment in Asia Pacific this year has been **China**, where volumes are a third lower year-to-date, as investors gauge the level of credit risk and the potential impacts of a further deterioration in the residential sector. As underlying demand for assets continues to be healthy and much of private equity funds' capital will need to be deployed, investment activity should improve at a rapid pace in 2015 once the macro environment stabilises.
- Elsewhere, **Singapore** has been fairly quiet due to a lack of available product, but the market should improve in 2015 with a number of mega-deals likely to trade. Investment volumes in **Hong Kong** were down 12% year-to-date and the market is likely to stay well below the long-term average due to property market curbs and some political risks. Investment in **South Korea** continues to pick up, supported by a number of sale and leaseback deals in both office buildings and shopping centres as corporates look to recycle capital. Interest in **India** is developing once again, a result of greater stability in the macro environment and the passing of legislation to allow the creation of REITs.

Peripheral Europe starting to steal the limelight

Further evidence of the broadening level of investor interest across the whole European market is provided by the 13% rise in Q3 2014 volumes to US\$59 billion and the 29% year-to-date increase to US\$175 billion. In the third quarter, the peripheral markets of Central and Eastern Europe (up 35%), the Benelux (up 56%), the Nordics (up 20%) and Southern Europe (up 72%) partly outshone the growth in the core markets of the **UK, France and Germany** (up 28%). Investor interest across a broad range of sectors and asset sizes is evident with many large single-asset and portfolio deals having closed or set to close before the end of the year. Troubled asset workouts also remain a key component of volume growth in Europe with a much larger group of buyers now looking to take advantage of these opportunities.

U.S. bursts the US\$70 billion mark and brings smaller markets along in its wake

The **U.S.** market passed a notable milestone in Q3 2014 with transactional activity exceeding US\$70 billion for only the second time in the last seven years. This helped to propel regional volumes 25% higher than Q3 2013 to US\$79 billion and year-to-date volumes 36% higher to US\$208 billion. The line-up of institutional and other private equity capital sources – both domestic and overseas-based – seeking placement in high-quality, primary and leading secondary city property in the U.S. has very seldom been greater. There is also substantial and growing interest in higher-yielding assets in a variety of secondary cities across the United States.

U.S. debt markets flow with increasing ease

The lending environment across the U.S. commercial property sector is very favourable to maintaining strong growth in activity levels over the near term. All major lending groups – from national, regional and local banks, to life insurers, to CMBS conduit lenders, and now to non-bank finance firms and debt funds – are increasingly active. New issuance of CMBS in the U.S. has accelerated in recent months and at the end of the third quarter had reached nearly US\$69 billion, a 14% increase from the same period in 2013.

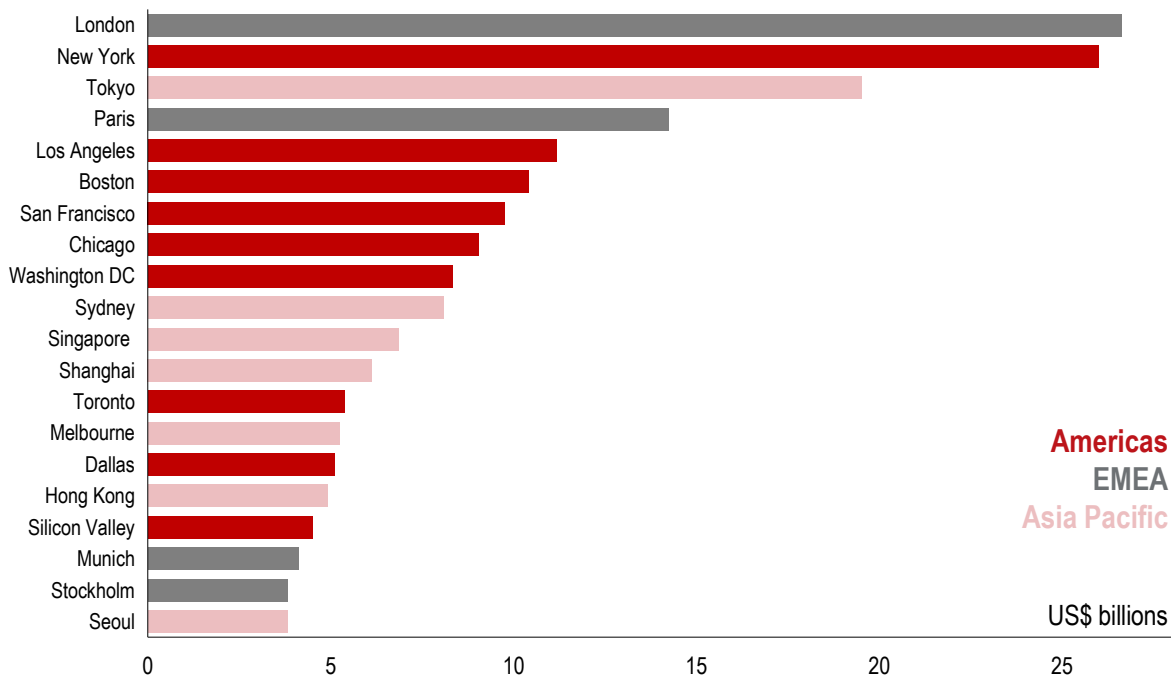
Mixed investment picture in the rest of the Americas

The capital markets in **Canada** and the major Latin American economies in Q3 witnessed more mixed conditions than the U.S., but on balance were active across a wide variety of geographic and product type markets; notably, investment in Canada strongly rebounded during the quarter, up 31% year-on-year. **Brazil** and **Mexico** each tallied approximately US\$1 billion of transactions during Q3, and both countries have also recorded healthy increases in year-to-date volumes.

U.S. cities dominate the Global Top 20

While the four global ‘Super Cities’ – **London, New York, Tokyo and Paris** – continue to attract significant investment (18% of the global year-to-date total), the gateway North American cities are increasingly featuring among the top destinations. Six out of the top ten most active real estate investment markets so far this year are in the United States, with large trades evident in **Los Angeles, Boston, San Francisco, Chicago and Washington DC**.

Direct Commercial Real Estate Investment – Volumes in Top 20 Cities, year-to-date 2014



Source: JLL, October 2014

JLL maintains forecasts for full-year 2014 at US\$700 billion

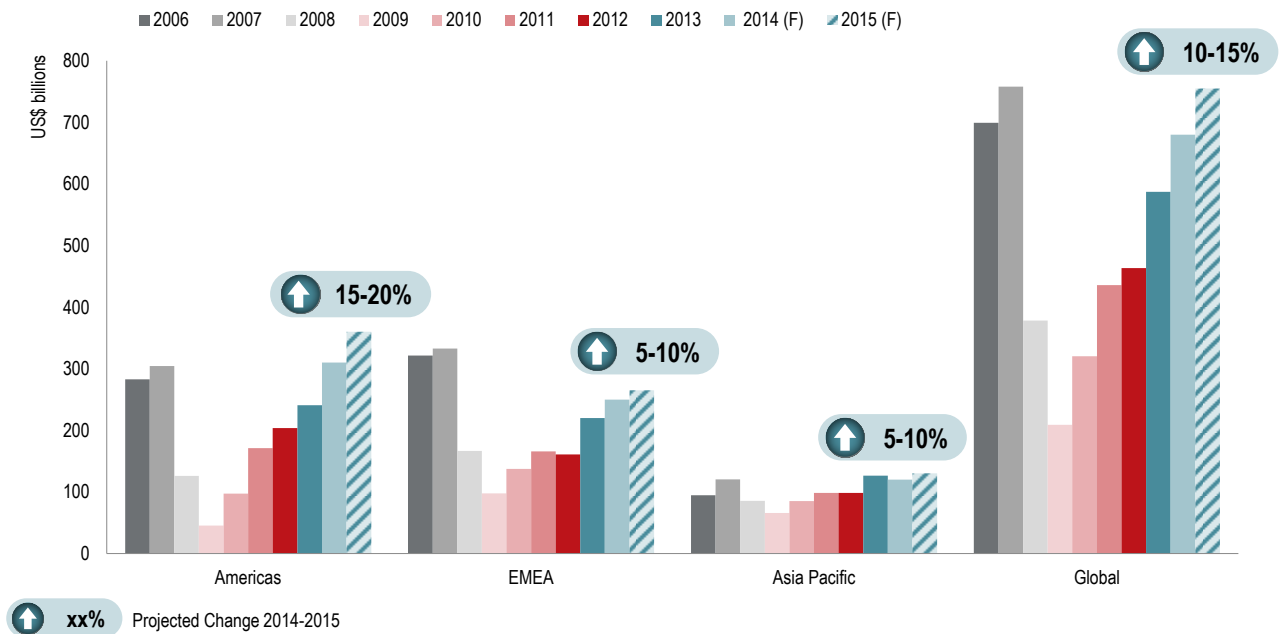
Given the consistent quarter-on-quarter growth through 2014, JLL maintains its full-year forecasts at **US\$700 billion**. This would equate to a final quarter of US\$232 billion, making it the busiest quarter since the GFC. This volume of activity concentrated into a short period of time may inevitably lead to some deals not being completed until early 2015; coupled with the appreciation of the U.S. dollar against other major currencies, this may result in final year volumes dropping slightly short. Nonetheless, the level of demand for direct real estate globally remains high and this should be evidenced by further transactional volume growth in 2015 (of 10%-15%).

In **Asia Pacific**, the pipeline for Q4 2014 looks positive and we expect full-year volumes to reach US\$120 billion. Buyers and vendors are starting to find some common ground on pricing after a period of wider bid-ask spreads in most markets earlier this year. Looking forward, a large wave of disposals is likely from private equity funds that are maturing next year, and there is ample liquidity to meet this potential supply of assets. Transaction volumes across Asia Pacific are projected to reach another record level (US\$130 billion) in 2015.

In **Europe**, JLL's forecast for full-year 2014 of €180 billion should be comfortably achieved, representing a 10% increase on 2013. This would require around €50 billion of transactions in Q4 compared to the €62 billion achieved in Q4 2013. However, due to the depreciation of the euro against the U.S. dollar, it is likely to be more of a challenge to hit the dollar forecast of US\$250 billion.

In the **Americas**, momentum continues to build in the commercial property capital markets, and especially in the U.S. Investment demand from both the equity and debt sides as well as from many types of other investors shows little signs of easing and, in fact, seems poised to grow at a healthy rate heading into 2015. After projected full-year 2014 volume growth in the 25%-30% range, JLL forecasts strong, yet moderately slower growth of 15%-20% for the Americas region in 2015.

Direct Commercial Real Estate Investment, 2006-2015



Source: JLL, October 2014

Direct Commercial Real Estate Investment – Largest Markets

US\$ Billions	Q2 14	Q3 14	% change Q2 14-Q3 14	Q3 13	% change Q3 13-Q3 14	YTD 2013	YTD 2014	% change YTD 2013-YTD 2014
U.S.	56.8	71.0	25%	55.0	29%	134.4	183.7	37%
UK	21.1	25.1	19%	21.4	17%	50.5	65.1	29%
Germany	8.6	10.3	20%	7.4	40%	23.1	30.2	31%
Japan	8.4	8.1	-4%	8.7	-7%	29.5	28.6	-3%
Australia	7.8	6.9	-11%	4.9	40%	15.5	19.0	23%
Canada	2.8	5.8	110%	4.5	31%	12.4	12.4	-1%
France	11.1	4.5	-60%	6.9	-35%	17.0	21.3	25%
China	5.1	4.0	-22%	7.0	-43%	16.6	12.1	-27%
Singapore	2.4	3.3	38%	4.2	-21%	8.3	6.9	-17%
Spain	2.1	3.1	47%	1.0	195%	2.3	6.7	197%
Sweden	3.9	2.5	-37%	2.1	16%	6.7	9.5	43%
South Korea	2.9	2.4	-16%	1.9	31%	6.0	5.7	-5%
Hong Kong	1.9	2.0	6%	0.8	163%	5.6	4.9	-12%
Netherlands	2.7	1.5	-45%	1.9	-20%	3.4	6.2	85%
Taiwan	0.6	1.5	156%	1.0	47%	2.8	2.3	-18%
Norway	2.0	1.5	-28%	1.1	35%	4.4	4.3	-4%
Ireland	1.1	1.4	25%	0.7	113%	1.4	3.8	180%
Italy	1.4	1.3	-9%	1.4	-6%	3.4	3.9	16%
Mexico	4.2	1.1	-75%	2.9	-64%	4.4	6.8	53%
Thailand	1.1	1.0	-4%	0.0	15124%	0.6	2.3	296%
Russia	0.9	1.0	15%	1.7	-41%	4.6	2.2	-53%

Source: JLL, October 2014

Capital Values and Yields

The weight of demand continues to compress prime yields

Yields for prime office assets in the world's dominant markets continue to defy expectations, and have compressed further in Q3 2014. Prime yields have tightened by 10-20 basis points in the **U.S.** gateway cities; **Madrid** has also recorded further yield compression (-25 bp), while strong investor demand for product in **Tokyo** has forced yields down by 10 bp to 3.4%. Some of the strongest yield compression is now being recorded in second-tier U.S. and European cities, as investors step up activity in these markets.

Annual capital value growth (for prime assets across 25 markets) is stable at around 8%-9%, with projections of around 4%-5% growth for 2015. **Tokyo, Beijing, Sydney** and the **U.S.** gateway cities are expected to show the strongest capital value appreciation over the next 12 months.

Pricing strengthens for core assets in the United States

Pricing of core assets in the **U.S.** has strengthened further over the course of 2014, and initial yields for prime product in several cities are now at record low levels, with trophy office asset pricing in **New York** and **San Francisco** registering under 4% initial yield. As of mid-October, the 10-year bond yield dipped well below 2.3%, reaching its lowest level of the year. This has allowed spreads on property yields to remain healthy in spite of some continued yield compression.

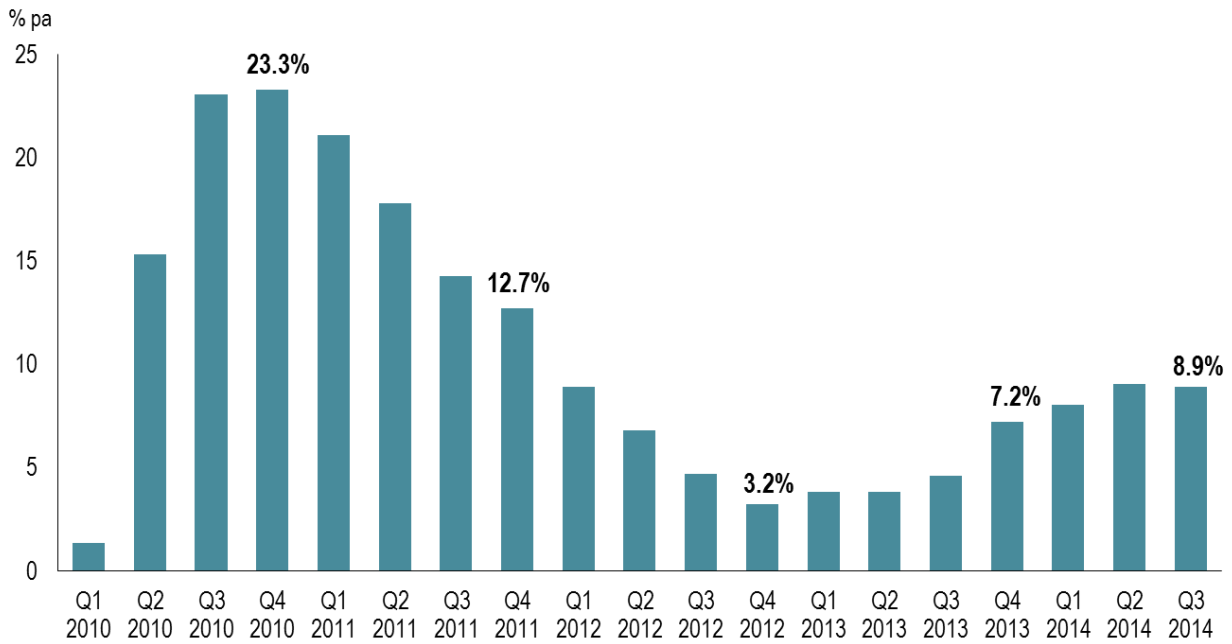
Melbourne and Tokyo top capital value growth in Asia Pacific

Capital values rose in most Asia Pacific markets in Q3, with quarterly growth averaging 2.0% (similar to Q2). The biggest quarterly increases were recorded in **Melbourne** and **Tokyo** (6.5% and 5.0%) on the back of robust investor demand and rising rentals. Single-digit capital value growth is expected across most Asia Pacific markets in 2015.

Yields compress in Europe's second-tier cities

Eight European markets (of 24 European Index cities) witnessed yield compression over the third quarter. With core markets already at yield levels close to the last peak, investors continue to widen their focus. Yields have compressed further in recovering markets such as **Madrid, Barcelona, Milan** and **Dublin**. The exception is **Moscow** where political uncertainty and a deteriorating economic outlook have contributed to yield decompression.

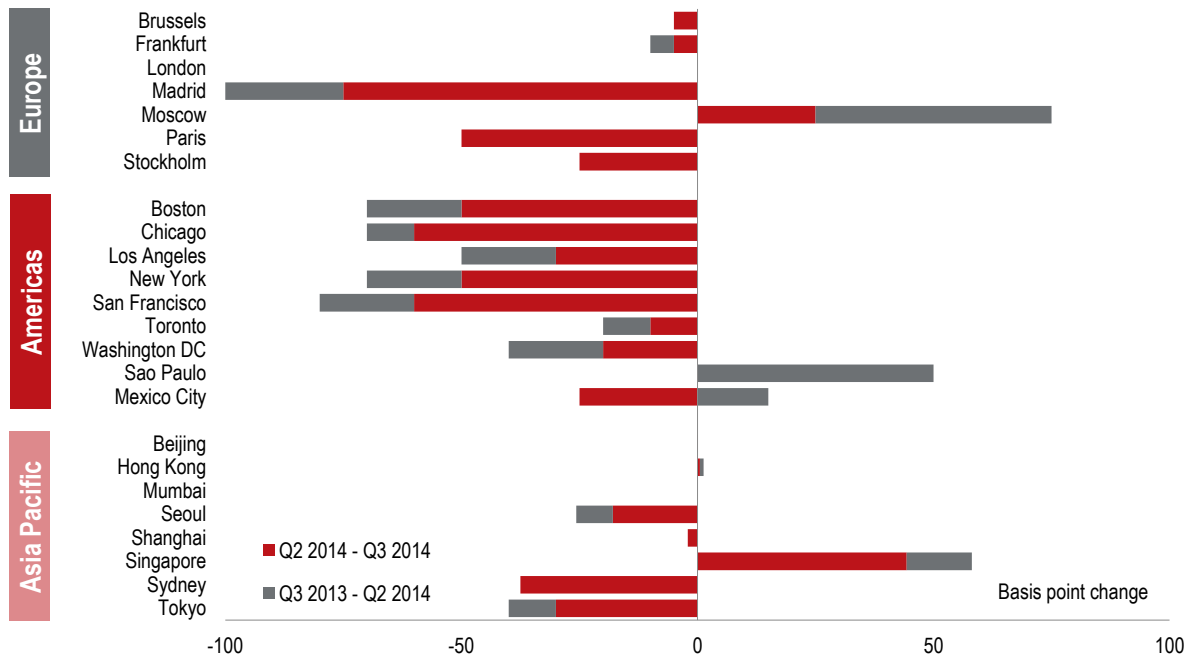
Prime Offices – Annualised Capital Value Change, 25 Major Office Locations, Q1 2010-Q3 2014



Unweighted average of 25 major office markets across the globe
 Source: JLL, October 2014

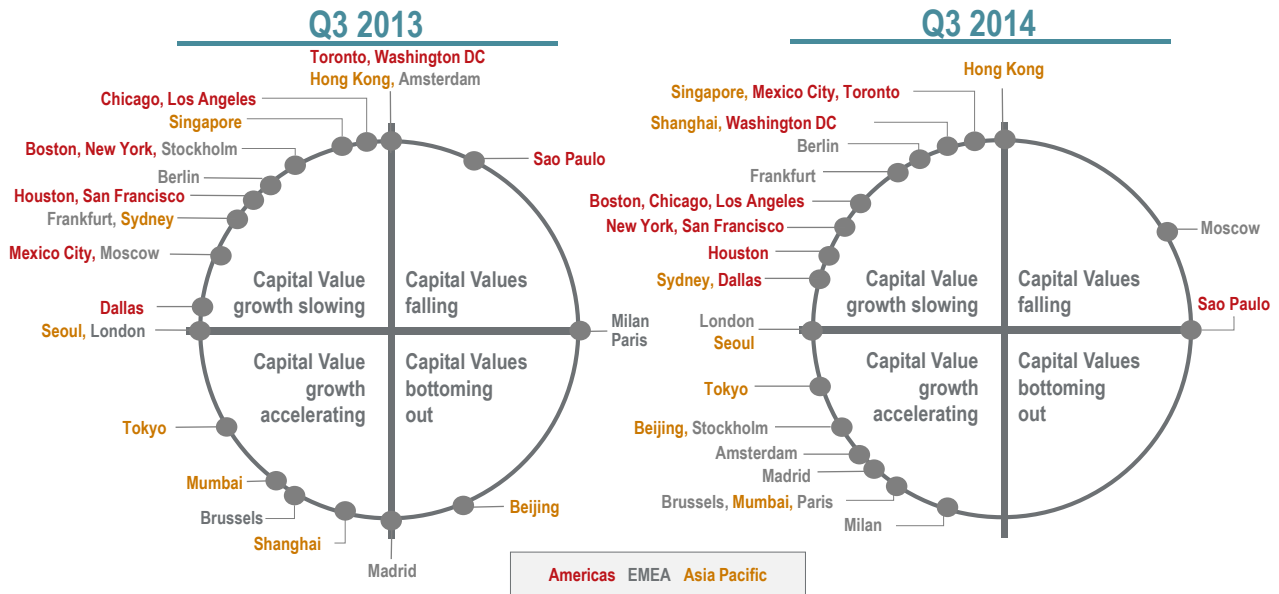
Prime Office Yield Trends, Q3 2013-Q3 2014

*Across 25 major office markets.



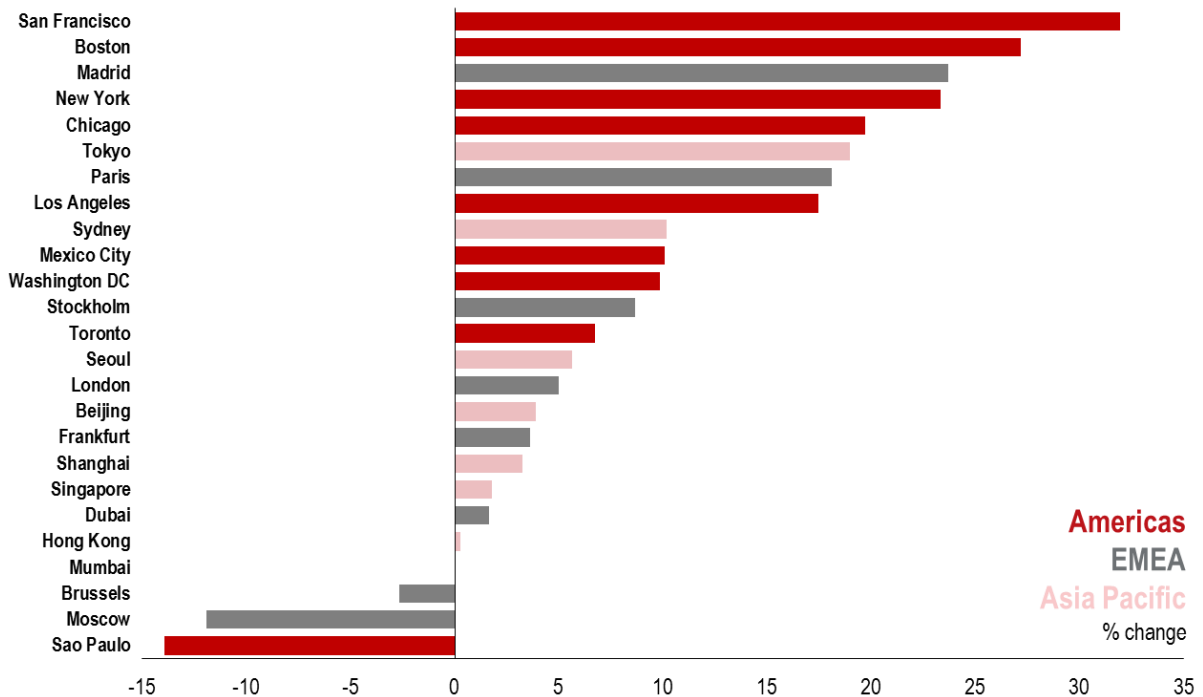
Source: JLL, October 2014

Prime Offices – Capital Value Clock, Q3 2013 v Q3 2014



Based on notional capital values for Grade-A space in CBD or equivalent. U.S. positions relate to the overall market.
 Source: JLL, October 2014

Prime Offices – Capital Value Change, Q3 2013-Q3 2014



Notional capital values based on rents and yields for Grade-A space in CBD or equivalent. In local currency.
 Source: JLL, October 2014

Corporate Occupiers

Common drivers but divergence in sentiment and action

Corporate occupiers are responding to the mixed signals of the global economy in a disparate way. In the United States, the strength of economic fundamentals together with rising corporate revenues and headcounts has brought real expansionary momentum across a range of industry sectors and geographical markets. In Asia, no such significant or widespread growth spurt is evident, although a recent JLL sentiment survey points to some expansionary intent and domestic occupiers continue to buoy market statistics. In Europe, the picture within the region remains mixed, with the UK (and London in particular) seeing near record levels of occupier activity, but this is in stark contrast to continental markets where recessionary pressures have led to occupiers applying the brakes once more.

Amid this diversity however, there are four common themes that influence current and future occupier decision making:

Talent wars and demographic pressures

The global labour market is generally tightening with corporate hiring intentions belying wider economic indicators. For example, respondents to a recent Manpower survey pointed to a clear desire to increase headcount during Q4 in 18 of the 24 European countries assessed. Similarly, the unemployment rate has nudged below the 6% threshold in a wide range of U.S. markets and will move in further as economic activity drives additional headcount growth. This serves to intensify the war for talent that has raged across select industry sectors, notably technology, for a time. It is also creating new demographic challenges for occupiers. While the dominant focus has been on attracting and retaining Millennial talent, there is a growing awareness of the need to also accommodate older workers in the workplace. In the U.S., employment of those over 65 years of age has increased by 51% since 2000. This will have a direct impact on future workplace concepts and strategies and on building specification requirements.

Shoring strategies to drive cost and productivity

Portfolio restructuring remains in evidence among international occupiers. One aspect of this has been the ongoing assessment of shoring strategies, whereby certain functions and activities are being sited in locations with appropriate cost and labour market profiles. Although some have re-shored functions placed in emerging markets, there continues to be a focus on Business Process Outsourcing (BPO) which has driven leasing activity in Asia Pacific. While the traditional BPO destination of **India** has performed strongly post the country's elections, corporates are seeking to diversify their operational risk and increase their productivity by selecting other destination markets. Consequently, **Manila** is experiencing strong growth as a BPO destination as illustrated by occupiers pre-committing to space not being delivered to the market until 2016.

Workplace transformation

The transformation of the corporate workplace into a more productive, creative and efficient environment continues to be a strategic priority for corporate real estate teams. In the United States this focus has been given teeth through a marked upturn in capital spending, with an increased dollar spend on the workplace and amenity provision as a direct response to the war for talent. While such spending is more constrained in Asia Pacific and EMEA, occupier clients consistently restate their ambitions to drive a fundamental transformation in the form and function of the occupied portfolio.

Future supply shortages present risk

It should be noted that the underlying dynamic of global real estate markets has not changed – there is a dearth of high-quality space to enable the workplace transformation agenda over the next 18-24 months. This presents a risk to occupiers and will increase their exposure to rental cost inflation as positive sentiment becomes more geographically uniform. These cost pressures are in addition to the significant inflation around energy costs. Both will serve to reshape occupier requirements with a renewed focus on sustainable and more densely-occupied real estate solutions likely.

Global Office Market Conditions Matrix*, 2014-2016

* Relates to conditions in the overall office market of a city. Conditions for prime CBD space may differ from the above.

Market	2014	2015	2016	Market	2014	2015	2016	Market	2014	2015	2016
Chicago	●	●	●	Brussels	●	●	●	Beijing	●	●	●
Los Angeles	●	●	●	Frankfurt	●	●	●	Hong Kong	●	●	●
New York	●	●	●	London (West End)	●	●	●	Mumbai	●	●	●
San Francisco	●	●	●	Madrid	●	●	●	Shanghai (Pudong)	●	●	●
Toronto	●	●	●	Moscow	●	●	●	Singapore	●	●	●
Washington DC	●	●	●	Paris	●	●	●	Sydney	●	●	●
Mexico City	●	●	●	Stockholm	●	●	●	Tokyo	●	●	●
Sao Paulo	●	●	●	Dubai	●	●	●				

● Tenant Favourable
 ● Neutral Market
 ● Landlord Favourable

Source: JLL, October 2014

Global Real Estate Health Monitor

	Economy		Real Estate Investment Markets				Real Estate Occupier Markets			
	National GDP	OECD Leading Indicator	City Investment Volumes	Capital Value Change	Prime Yield	Yield Gap	Rental Change	Net Absorption	Vacancy Rate	Supply Pipeline
Dubai	4.6%	na	387%	1.6%	7.5%	na	1.6%	na	24.0%	14.9%
Frankfurt	1.7%	-0.40	-1%	3.6%	4.7%	340	1.4%	0.3%	10.7%	1.7%
Hong Kong	2.9%	na	-24%	0.3%	2.9%	85	0.7%	0.4%	3.9%	5.2%
London	2.7%	-0.10	29%	5.0%	3.8%	108	5.0%	3.1%	4.7%	4.5%
Moscow	0.1%	0.00	-44%	-11.9%	9.5%	117	-4.3%	5.4%	15.5%	11.8%
Mumbai	5.6%	0.20	-34%	0.0%	10.1%	136	0.0%	7.0%	21.8%	15.4%
New York	3.1%	0.00	53%	23.3%	3.7%	119	3.7%	2.5%	9.7%	1.2%
Paris	1.0%	0.00	8%	18.1%	4.0%	230	5.0%	1.4%	7.4%	4.9%
Sao Paulo	0.9%	0.20	312%	-13.9%	9.0%	na	-8.9%	4.2%	20.7%	25.2%
Shanghai	6.7%	0.10	63%	3.3%	5.9%	183	2.9%	11.8%	10.7%	42.1%
Singapore	3.5%	na	-8%	1.8%	4.1%	177	18.6%	0.7%	6.0%	11.2%
Sydney	2.8%	0.10	109%	10.2%	6.4%	282	1.6%	0.0%	10.0%	3.1%
Tokyo	0.9%	-0.20	15%	19.0%	3.4%	283	6.4%	4.3%	3.9%	11.5%

Real estate data as at end Q3 2014

Definitions and Sources

National GDP: Change in Real GDP. National Projection, 2015. Source: Oxford Economics

OECD Leading Indicator: Composite Leading Indicator. Change in Index. Latest Month. Source: OECD

City Investment Volumes: Direct Commercial Real Estate Volumes. Metro Area Data. Rolling Annual Change. Source: JLL

Capital Value Change: Notional Prime Office Capital Values. Year-on-Year Change. Latest Quarter. Source: JLL

Prime Yield: Indicative Yield on Prime/Grade-A Offices. Latest Quarter. Source: JLL

Yield Gap: Basis Points that Prime Office Yields are above or below 10-year Government Bond Yields. Latest Quarter. Source: JLL, Datastream

Rental Change: Prime Office Rents. Year-on-Year Change. Latest Quarter. Source: JLL

Net Absorption: Annual Net Absorption as % of Occupied Office Stock. Rolling Annual. Source: JLL

Vacancy Rate: Metro Area Office Vacancy Rate. Latest Quarter. Source: JLL

Supply Pipeline: Metro Area Office Completions (2015-2016) as % of Existing Stock. Source: JLL

Office Markets

Office Demand Dynamics

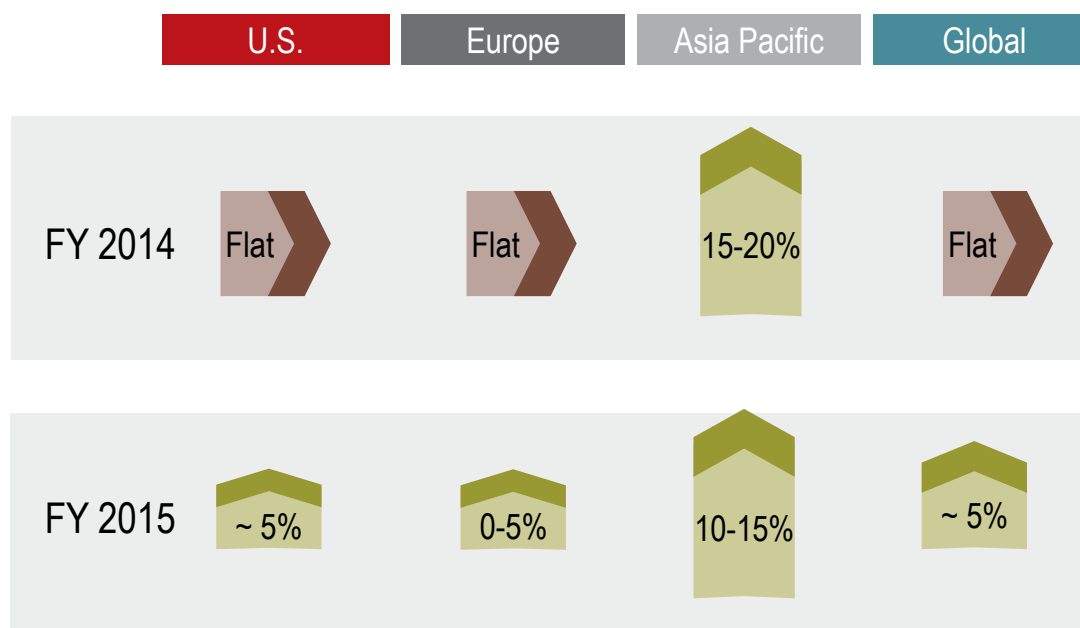
Leasing activity still uneven

Leasing activity remains uneven across the globe. In the United States, office fundamentals are improving strongly and the market has registered the highest net absorption of the current cycle (although leasing volumes are flat). The recovery in Asia Pacific's leasing market is patchy, but year-to-date volumes across the region are up 16%. Meanwhile, in Continental Europe, activity is subdued amid renewed economic concerns.

At the city level, **U.S.** cities (both primary and secondary cities), **London** and select Asian cities (such as **Bangalore**) are showing the healthiest uplifts in absorption.

Globally, gross leasing volumes are likely to finish the year at levels similar to 2013; however, more encouragingly, net absorption is likely to be around 30% higher than a year ago, highlighting the selective return of expansion demand. Volumes are expected to improve steadily in 2015, up by 5% year-on-year.

Office Leasing Volumes – 2014 and 2015



Source: JLL, October 2014

Strengthening net absorption in the United States

In the U.S., expansion demand is increasing, with year-to-date net absorption significantly higher than in 2013. However, leasing levels are slightly down on a year ago, due to relatively large volumes earlier in the cycle as firms locked in at lower rentals. In summary:

- Tech- and energy-rich cities are showing the strongest leasing demand.
- The tech sector currently accounts for a quarter of expansion demand. Google, Box.net and Amazon are major players.
- Financial services and healthcare are also demonstrating renewed momentum.

- Pre-leasing is robust – particularly from the tech, energy and creative sectors.

Accelerating economic growth in the U.S. is expected to feed through to increasing leasing momentum during 2015.

Demand perks up in Canada

After two quarters of negative absorption, **Canada's** office leasing market moved back into positive territory in the majority of cities in Q3 - **Montreal** was the only major market in the red. Leasing velocity has picked up significantly and, with business confidence growing, we expect velocity to remain high for the remainder of the year.

Asia Pacific gross leasing volumes up 15%-20% year-on-year

Overall leasing activity in the year-to-date 2014 is up 16% in Asia Pacific. The region is firmly on track for leasing volumes to be 15%-20% higher this year compared to last, with the prospect of a further 10%-15% growth in 2015. Key demand drivers include Chinese domestic firms and the ongoing regional shift from high to low-cost locations. At the same time, some caution is in order given the economic slowdown in China and subdued activity by MNCs, who remain in cost-saving mode:

- Greater **China** and **India** accounted for roughly 70% of Asia Pacific leasing volumes in Q3 2014.
- Demand in **China** is largely from domestic financial services and legal firms requiring space to accommodate new hires.
- Technology firms are driving more robust leasing activity in India, while **Manila** continues to see the strongest underlying demand in emerging SEA.
- Overall leasing activity has improved in **Australia** with positive net absorption returning to the Sydney and Melbourne CBDs. There are greater enquiries/activity from technology firms but still limited growth from banks, legal firms and the public sector.
- **Singapore** and **Hong Kong** continue to experience limited take-up, underpinned by smaller requirements.
- **Tokyo** saw slower pre-leasing activity for Grade-A space but occupier demand remains healthy for Grade B.

Occupier markets in Europe temporarily stall in Q3

Weakening sentiment across Europe has led to a slowdown in occupiers' decision-making. As a result, European office leasing volumes fell by 18% over the quarter to 2.3 million square metres – the weakest quarter since Q1 2012. Year-to-date leasing volumes are on par with volumes in the same period of 2013 but, given the expectations earlier this year for a more distinct recovery, these results are disappointing:

- Several major European cities have seen weaker leasing markets in Q3 – including **Paris, Munich, Milan, Amsterdam, Brussels** and **Stockholm**.
- **London** is bucking the trend, and has registered one of the strongest quarters on record. Pent-up demand and high pre-letting activity continue to drive leasing activity.

For the remainder of the year, activity is likely to continue to be impacted by the slowdown in the economic and labour market recovery and weaker occupier sentiment. 2014 volumes are expected to fall short of our forecasts, and be flat on 2013 levels. Demand for office space should increase during 2015, driven by a clear occupier preference for modern, highly accessible space to drive productivity and increase efficiency.

Global Office Demand – Net Absorption Trends, 2004-2015



24 markets in Europe; 25 markets in Asia Pacific; 44 markets in the U.S. Asia relates to Grade A only.
Source: JLL, October 2014

Office Supply Trends

New construction continues to rise

New construction has continued to rise during the third quarter. Globally, new deliveries are expected to be around 25% higher in 2015 compared to 2014, which at 14 million square metres means that new deliveries will be at their highest level since 2009, and there are prospects of even greater development activity in 2016.

Construction up 42% in the United States

Supply constraints have prompted another quarterly increase in construction in the U.S. – with space under development up 42% on a year ago. Total construction is expected to grow further, with a number of proposed developments likely to break ground over the next six-nine months. Some of the largest increases in construction are in **Houston, Dallas, Silicon Valley** and **Boston**.

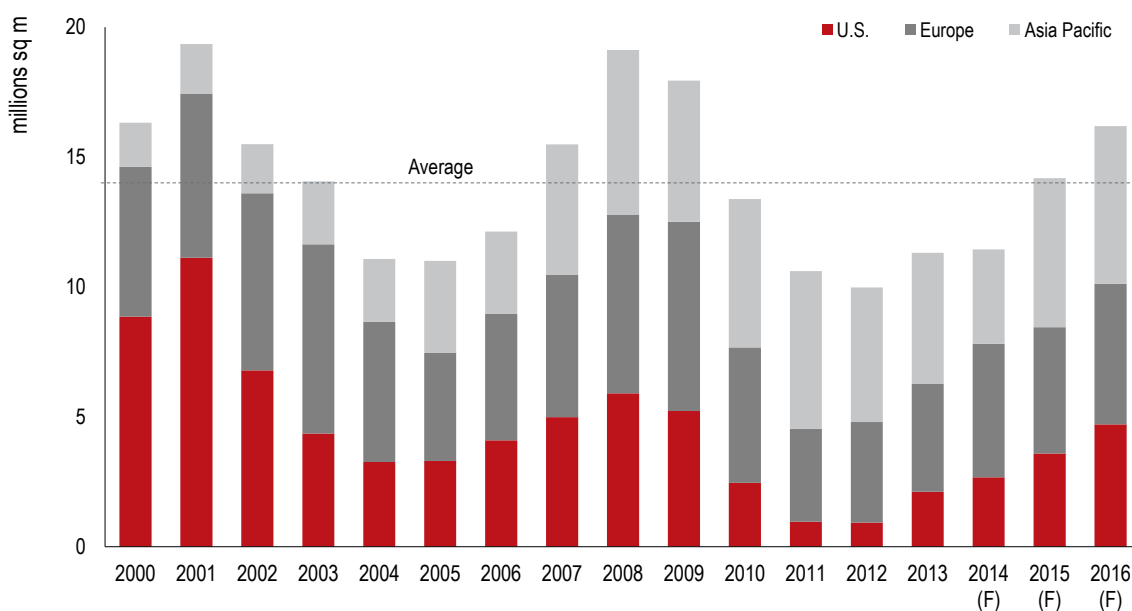
A temporary lull in new deliveries in Asia Pacific

In Asia Pacific office stock additions are well below trend with only 3.6 million square metres of space expected to be completed across the region in 2014, the lowest level since 2006. Nonetheless, new deliveries are projected to increase sharply in 2015, up by about 60%. Among the main Asian office markets, **Shanghai** has the largest supply pipeline relative to existing stock.

Construction rising in Europe

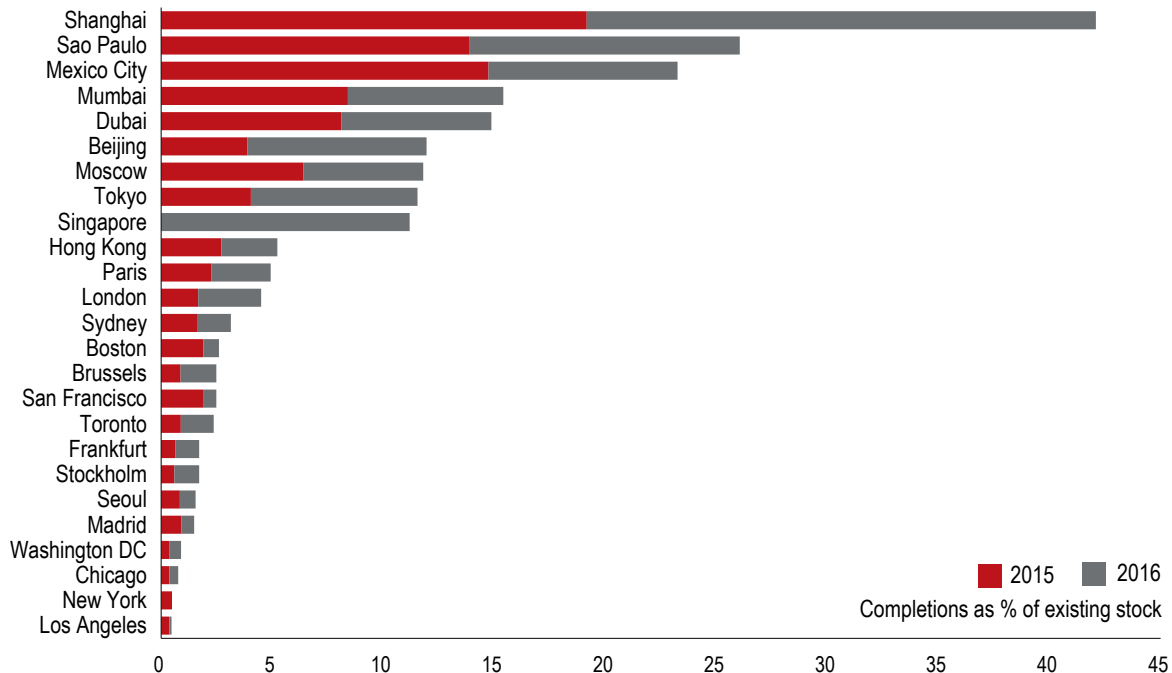
Construction activity continues to trend upwards in Europe with year-to-date 2014 volumes up 22% on the same period last year. **Moscow** accounts for a significant proportion of regional construction where, in Q3 alone, the city saw almost 500,000 square metres of new space delivered. Future supply is projected to increase across Europe, though at a slightly slower pace than anticipated earlier this year. Regional completion volumes are estimated to reach about 5 million square metres in both 2014 and 2015 – close to the 10-year average.

Global Office Completions, 2000-2016



24 markets in Europe; 25 markets in Asia Pacific; 44 markets in the U.S. Asia relates to Grade A only.
Source: JLL, October 2014

Office Supply Pipeline – Major Markets, 2015-2016



Covers all office submarkets in each city. Tokyo – CBD - 5 kus
Source: JLL, October 2014

Vacancy rates finally fall below 13%

The global office vacancy rate (across 98 markets) has fallen below the 13% threshold for the first time in the current cycle. As at Q3, it stood at 12.9% and is projected to decline steadily to around 12.5% by the end of 2015, driven primarily by a further drop in U.S. rates.

U.S. vacancy at six-year low

Vacancy levels in the **U.S.** closed Q3 at a six-year low, finally dipping below the 16% mark. Rates for Grade-A CBD product have fallen to 12.7%, below historic equilibrium levels. Suburban vacancy rates are also decreasing (to 15%) with those suburbs with high levels of amenities, walkability and transit, performing best. Overall U.S. office vacancy is expected to fall below 15% by early 2016, approaching single-digits in many CBDs.

Large supply pipelines push up vacancy in Canada and Brazil

Despite positive absorption, **Canada's** national vacancy rate increased once again to 9.4% and is now 160 bp higher than 12 months ago. With new deliveries exceeding absorption, the vacancy rate should continue to rise during coming quarters.

With a large new supply wave inundating the markets in **Brazil**, overall office market conditions are still weakening, and tenants continue to enjoy the lion's share of leverage over landlords. Vacancy rates remain on an upward path, reaching 20.7% and 18.6% in **Sao Paulo** and **Rio de Janeiro**.

Most major Asian markets have single-digit vacancy rates

The Asia Pacific vacancy rate has fallen to 11.2%, the lowest rate for 18 months. However, an uptick in new deliveries during 2015 is likely to result in vacancy rates creeping up again to about 12% by the end of next year. Nonetheless, most major markets continue to register single-digit vacancy rates, with the lowest rates seen in the CBDs of **Hong Kong, Tokyo, Manila and Jakarta** (4% or below). The exceptions include the **Shanghai** decentralised market, and most Indian and Australian cities where vacancy levels generally range between 10% and 20%.

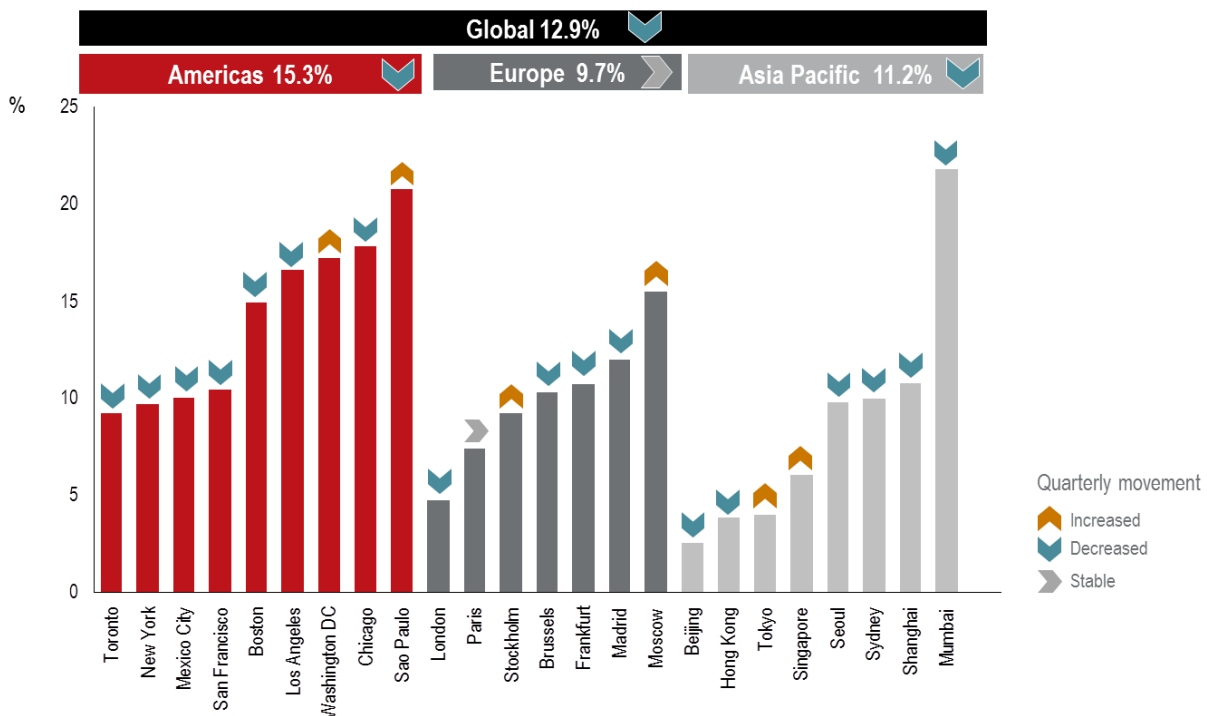
Europe's vacancy remains unchanged

The European office vacancy rate remained unchanged at 9.7% for yet another quarter though, as in recent quarters, individual markets witnessed some significant movements. Sizeable decreases were recorded in **Dublin and London**, where vacancy is now down to levels last seen in 2008-2009. At the opposite end of the spectrum, vacancy increased notably in **Moscow, Warsaw, Amsterdam and Milan**.

Dubai's high vacancy rate conceals low availability of quality space

Dubai's vacancy rate has fallen in recent quarters, but at 24% is still significant. Much of the vacant space is, however, in secondary-quality buildings, many of which are in strata-title ownership and of little interest to major corporate occupiers.

Office Vacancy Rates in Major Markets, Q3 2014



Regional vacancy rates based on 49 markets in the Americas, 24 markets in Europe and 24 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 2014

Office Rental Trends

4%-5% per year rental growth projected for 2015

Rental growth continues to move at a steady pace, with the annual rate of growth on prime office assets across 25 markets standing at 3%, the highest since 2013. Momentum is building with projections of steady 4%-5% growth for 2015.

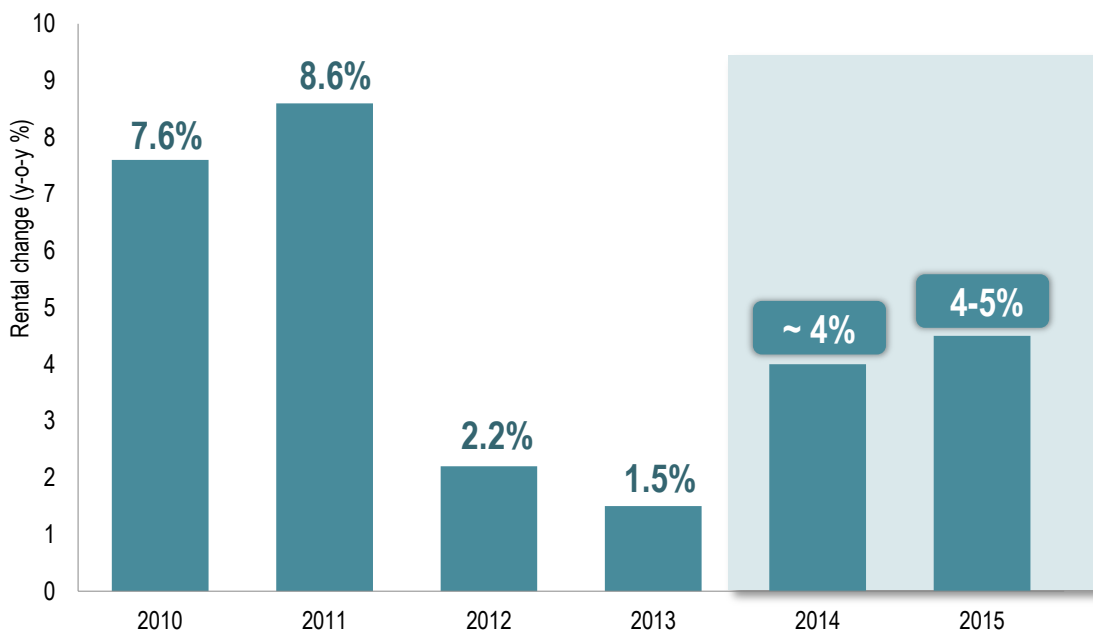
Singapore – the standout market in 2014

Singapore (+3.5%) was, once again, the standout market (in Q3) and is on track to be the top performing office leasing market for the full-year 2014. **Beijing** (+2.1%) and **Tokyo** (+2.0%) grew steadily during the quarter, while **Madrid** is bouncing back robustly (+2.0%). In **Sao Paulo**, rental rates fell another 1.2% during Q3 due to heavy deliveries.

Major U.S. markets joining the top performers in 2015

Tokyo and **Beijing** are projected to be the top performing office rental markets in 2015 on the back of falling vacancy rates, but it is the emergence of the major U.S. markets (**Boston, Chicago, Los Angeles, New York** and **San Francisco**) among the top performers that will be a key feature of 2015. **London** and **Dubai** are forecast to be the strongest rental performers among the major markets in EMEA.

Prime Offices – Rental Change, 2010-2015



Prime office rental growth: unweighted average of 25 major markets.
Source: JLL, October 2014

U.S. markets poised for robust rental growth

Office rents in the **U.S.** have now risen in 14 out of the last 15 quarters, and are now increasing across different scales of quality and by location. While the rate of growth has slowed, it is the result of declining availability of higher-priced CBD space, rather than a consequence of weak demand. A gap of another 15-18 months until the next wave of deliveries will result in consistent rental growth through 2015 and 2016. Moreover, high levels of pre-leasing may temper oversupply concerns and keep rental growth extended through to late 2016 / early 2017, when the U.S. market is expected to peak.

Mixed picture in Asia Pacific

Net effective rents grew in about half of Asia Pacific markets, but average quarterly growth in Q3 2014 slowed marginally to 0.9% from 1.0% in Q2. **Singapore** again experienced the strongest rental growth among major Asian markets (+3.5%) as vacancy edged lower. Rents in **Tokyo, Beijing** and most emerging SEA markets grew steadily by 1%-2%. Effective rents fell in most Australian cities, with the largest fall registered in **Perth** (-6%).

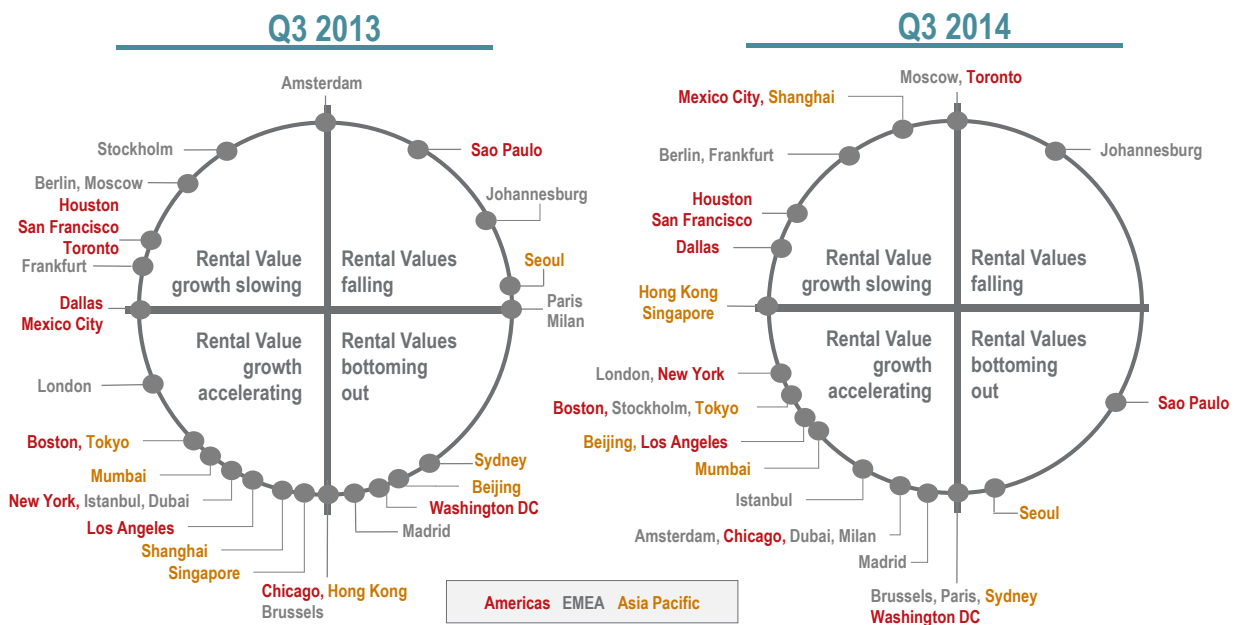
Single-digit rental growth is generally expected for 2015 across Asia. The healthiest growth is likely to be seen in **Tokyo** and **Beijing** on falling vacancy, but the growth rate will likely slow sharply in **Singapore** (the top performer in 2014) due to upcoming volumes of supply.

Rents largely unchanged in Europe

Prime office rental growth in Europe stalled over the quarter, with the European Office Index unchanged in Q3. Despite the lack of growth over the quarter, prime office rents across the region still stand 2.4% higher than a year ago. There is evidence of recovery in Southern Europe, with both **Madrid** and **Milan** recording uplifts.

The majority of markets are likely to see stable rents over the next 12 months. Conditions will vary with robust growth in **London**, and moderate growth in Nordic hot spots such as **Oslo** and **Stockholm**, as well as in **Germany**. Rents in the Eurozone periphery will continue to recover, while in the CEE there is downward pressure in **Warsaw**.

Prime Offices – Rental Clock, Q3 2013 v Q3 2014



Based on rents for Grade-A space in CBD or equivalent.
 U.S. positions relate to the overall market
 Source: JLL, October 2014

Retail Markets

U.S. retail – slow and steady with optimism gathering

The U.S. retail market is edging slowly into recovery. Rents increased by 0.2% during the quarter and are now 1.7% higher than a year ago. Vacancy rates are falling, most notably for shopping centres in major cities. Several standout markets like **Miami**, **New York**, **Houston**, **Dallas**, **Fort Lauderdale**, **San Diego**, **Boston** and **San Francisco** are showing stronger evidence of a rising market, as rents improve and vacancy continues to head downwards.

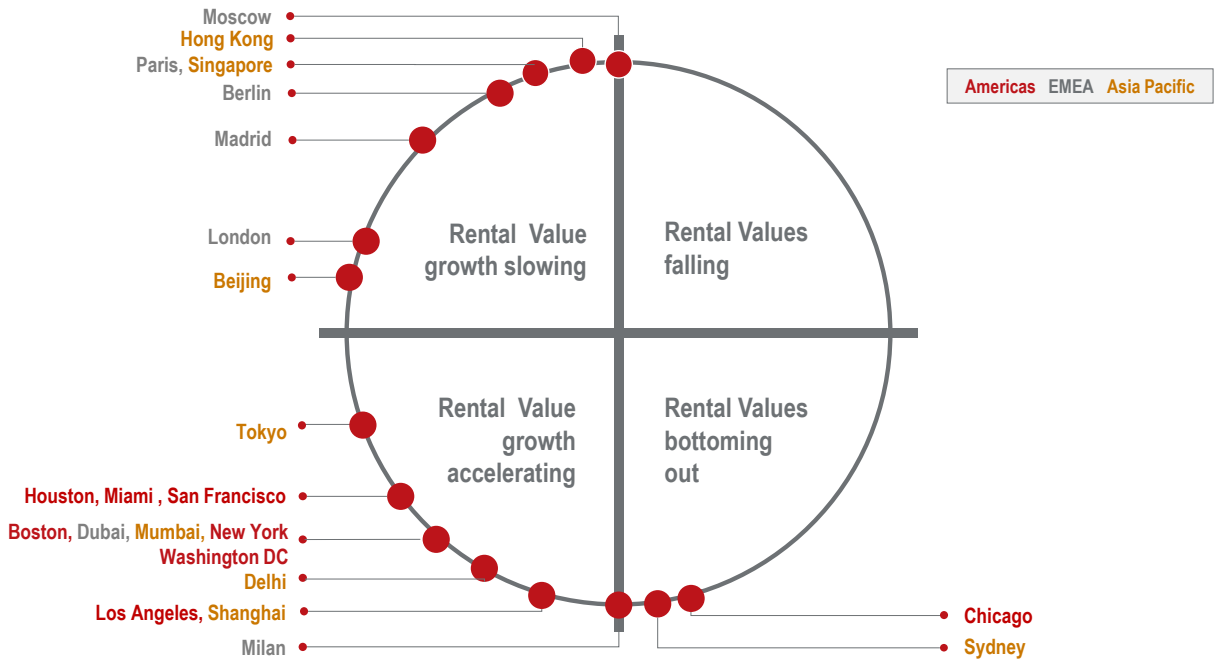
Consumer demand falters in Europe

Stalling growth and rising concerns regarding Eurozone's main economies have tempered consumer demand across Europe during Q3, ending 18 months of robust recovery. The most robust retail sales are found in non-Eurozone economies such as the **UK**, **Sweden** and the CEE region. This is reflected in patterns of rental growth, with the highest rental uplifts recorded during the quarter in **Budapest**, **Leeds** and **Edinburgh**. Rents are also recovering in some Southern European cities like **Barcelona** and **Athens**. Prime high street rental growth in **London**, **Leeds**, **Birmingham**, **Dublin** as well as **Munich** and **Hamburg** is expected to outperform the rest of Europe in 2015.

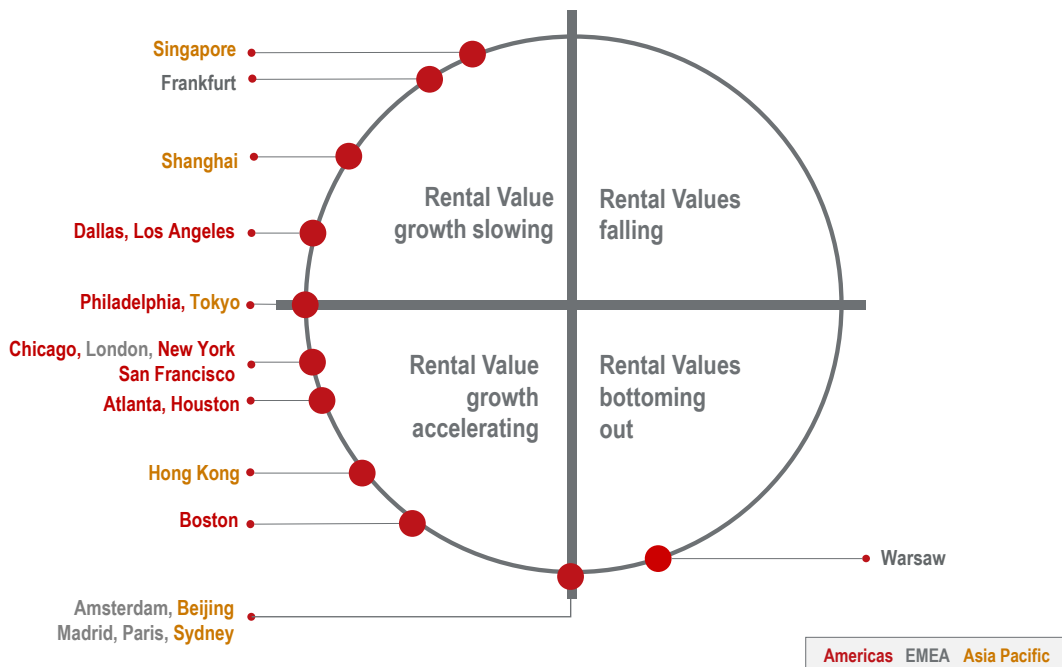
Retailer caution in Asia Pacific

China witnessed stable demand in Q3 2014, with the higher-quality malls attracting greater retailer interest, but many landlords are reorienting tenant mixes to offer more F&B and services. Rents rose slightly in **Shanghai** during Q3 on the back of stable demand. In **Hong Kong**, retailers are focusing on malls over high streets due to more affordable rents, and the 'Occupy Central' protests have hurt sales in some locations. New international retailers continue to enter South East Asia, while in **India** a lack of quality mall space is leading many retailers to lease space on prominent high streets. **Australia** saw stable leasing demand in Q3; however, international fashion brands were more active.

Prime Retail – Rental Clock, Q3 2014



Prime Industrial – Rental Clock, Q3 2014



Relates to prime space. U.S. positions relate to the overall market
 Source: JLL, October 2014

Industrial Warehousing Markets

U.S. industrial tenants are in clear expansion mode

The U.S. industrial sector vacancy rate reached a six-year low of 7.2% during Q3 2014. Tenant requirements are robust and, with construction playing catch-up after 2010-2013 marked a 50-year delivery-low, vacancy will continue to fall through to year-end. While construction continues to expand, developers are generally more disciplined in this cycle in pacing future completions with active tenant requirements. A handful of markets, including the **Inland Empire** (Southern California), **Dallas** and **Indianapolis**, run the risk of overbuilding in some size segments, but the majority of U.S. markets are generally evenly paced. The Southeast market, which has lagged the rest of the country, is now experiencing tightening market fundamentals. **Atlanta** today is arguably where the Inland Empire was three years ago, with large blocks of space finding tenants and the return of speculative development.

New construction deliveries in the U.S. increasing through to 2016

U.S. industrial vacancy is on track to finish the year at 7%, down 70 basis points from 2013, while net absorption will be up around 10%. Meanwhile, warehousing asking rents are expected to post a 4% year-on-year gain. 2014 annual construction deliveries will reach 135 million square feet (reminiscent of 2003's levels), and will further increase in 2015 (170 million square feet; evoking 2005's figure) and 2016 (190 million square feet; an echo of 2007's prior cyclical high). As speculative completions expand, rental growth is anticipated to slow and the overall occupancy rate to plateau.

Canadian industrial market performs strongly

The industrial markets in **Canada** are performing well. Demand for new Class-A industrial warehouse and logistics space is still robust and, despite falling oil prices, investment in the Canadian oil and gas industry is set to surpass the 2007 high.

Occupational demand maintains its strong momentum in Europe

European logistics occupier demand is being maintained at strong levels, driven by ongoing network realignment as retail markets continue to shift towards a seamless omni-channel approach. Vigorous occupier activity in recent months supports expectations that 2014 take-up levels will remain in line with the five-year average, although take-up volumes are being constrained by a shortage of immediately available supply.

Development dominated by build-to-suit

Development activity in Europe continues to edge up but, unlike in the U.S., continues to be predominantly pre-let or build-to-suit. Excluding **Russia**, where 60% of all the continent's speculative developments are located, only 5% of total floorspace under construction is currently being built speculatively. However, many of the leading international logistics developers are starting to show increasing appetite to build on a speculative basis across a wider geography.

Selective signs of rental growth in Europe

Rents for prime logistics space across Europe are still generally flat. However, they are now rising in **Birmingham**, **London** and **Munich**, and have finally stabilised across Europe's southern fringe markets. Meanwhile, **Moscow** rents declined for the second straight quarter on the back of a cautious occupational market.

Warehousing demand in Asia Pacific driven mainly by the retail sector

E-commerce and logistics continue to underpin leasing activity across the Asia Pacific region. Tight supply is pushing up rents in **Hong Kong** (3.7% quarter-on-quarter), while rental growth in **Shanghai** has been curbed due to increasing competition from neighbouring cities. Moderate growth in exports and retail sales in Asia Pacific suggests only a small movement in rents in most cities over the next 12 months.

Hotel Markets

Hotel investment activity continues upswing

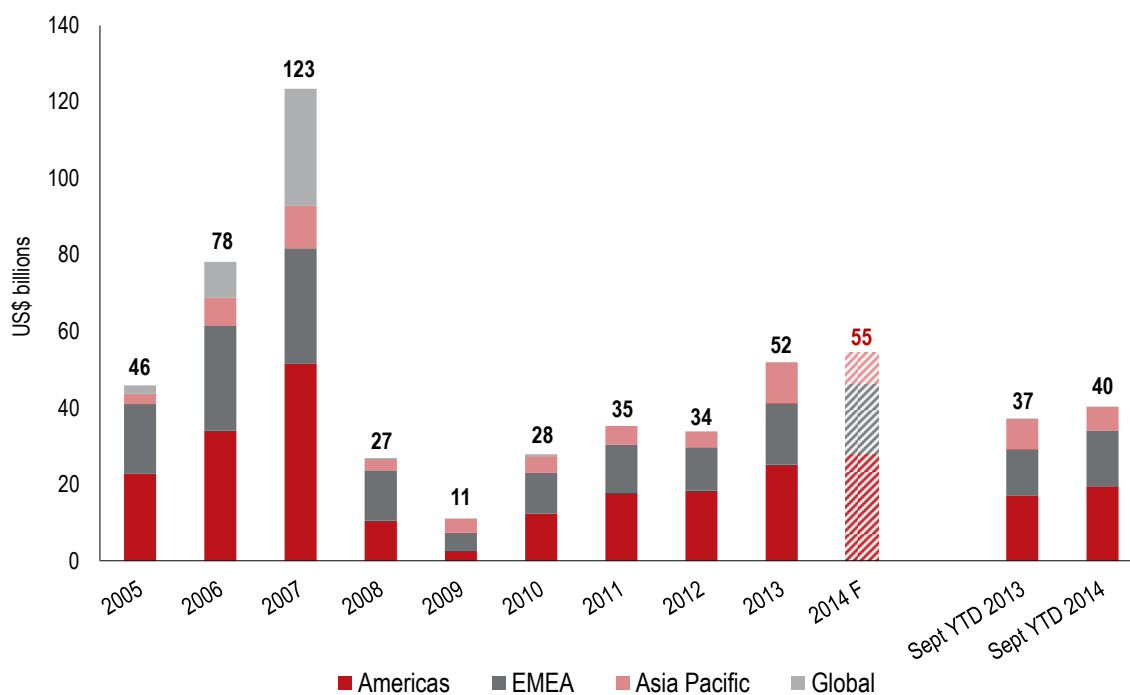
Capital markets activity in the hotel sector is strong, as various factors pull in a positive direction. Hotels' income growth continues on a steady upward path that encourages investors to underwrite growth. Lenders' confidence in the sector has returned and sellers are motivated given the wide audience of buyers. During the first three quarters of 2014, volumes reached US\$40.4 billion, the highest year-to-date total since 2007 and an 8% increase on the same period last year. 2014 is currently on track to rank as the third-most active on record, at a projected global volume of US\$54.5 billion.

Hotel Sector – Real Estate Transactions, 2013-2014

US\$ billions	YTD Q1-Q3 2013	YTD Q1-Q3 2014	% YTD Change	Q3 2013	Q3 2014	% Change
Americas	17.2	19.5	14%	5.3	6.4	22%
EMEA	12.1	14.6	21%	3.9	4.9	27%
Asia Pacific	8.0	6.2	-22%	4.2	1.9	-54%
TOTAL	37.2	40.4	8%	13.4	13.3	-1%

Source: JLL Hotels & Hospitality Group, October 2014

Global Hotel – Real Estate Investment, 2005-2014



Source: JLL Hotels & Hospitality Group, October 2014

But downside risks loom

However, several threats have emerged since the last quarter which may adversely affect volumes:

- geopolitical risks in the Middle East have mounted, leading to heightened security concerns;
- the recognition that the Ebola epidemic is having an impact well beyond West Africa has led to the share prices of the major public brand and operating companies to be marked down by up to 12% since the September peak, as analysts perceive the demand for accommodation may soften until the disease is brought under control;
- and economic growth appears to be faltering in Europe.

It may be that the weight of capital chasing deals chooses to ignore these risks and continues unchecked, but the threats will not pass unobserved by some more cautious investors.

Upbeat sentiment in the United States

Upbeat sentiment in the **United States** is being buoyed by the steady improvements in trading fundamentals and the lending environment. With the demand for lodging accommodation at an all-time high and new hotel openings constrained, occupancy rates are increasing. The demand recovery is impressive and primarily fuelled by transient corporate and leisure travellers, while some group segments, such as incentive programmes, are still below potential.

New York once again proved to be the sweet spot and saw 18 transactions close with a combined volume of US\$2.5 billion. With high-profile assets sold in the first nine months of 2014, the average deal size surged by 25%.

Private equity funds' hunger for select service hotel portfolios unwavering

Private equity funds placed some US\$9 billion of capital in North America in the first three quarters of the year, making them the largest buyers by volume, a trend we expect to continue. Although private equity groups invest across the whole real estate spectrum, hotels are becoming an increasingly favoured asset class. The medium-term outlook for income growth is still perceived to be strong; as a form of hedge against inflation, hotels provide diversification in a commercial real estate portfolio.

With an economies-of-scale approach, private equity groups continue to make large investments in select service portfolios with 50 or more assets. Supporting this trend are the results of JLL's 2014 U.S. Select Service Hotel Investor Survey, which confirms a positive outlook for the sector's operating fundamentals and returns. With investors underwriting higher leveraged returns for select service developments compared to the full service segment, and with about 60% of the construction pipeline being select-service hotels, this trend is expected to strengthen further.

EMEA as a 'sweet spot' on the radar of cross-border capital

EMEA continues to attract a bulk of attention from both U.S. private equity firms and Asian investors – who, along with local buyers, underpinned a 21% uplift in transaction volumes in the first three quarters of 2014, compared to the same period last year.

Investment activity is being boosted by robust trading fundamentals across the region. Revenue per available room (RevPAR) rose 5.4% year-to-August in Europe, driven by a 3.4% uplift in average rates. While Eastern Europe continues to suffer due to the political instability in Russia and Ukraine (with RevPAR falling 12%), the reverse is true for Northern Europe, witnessing a 12% RevPAR growth. A check in the pace of economic growth may have a negative effect on current dynamics but it is unlikely to result in a return to falling RevPAR in the region.

Asian buyers continue to focus on core cities such as **London** and **Paris**, although they are increasingly considering other destinations such as **Madrid**, **Barcelona** and **Rome**. In Q3 2014, Asian investors became particularly active across German cities, acquiring both single assets and portfolios for a total value of more than US\$200 million. U.S.

private equity firms are also looking for deals in the region as returns are perceived to be better in Europe than on their home soil.

More opportunistic investors are now looking towards **Portugal** and **Greece**. Both countries have seen buoyant RevPAR growth. While Greece is outpacing the rest of Europe, reporting a 22% RevPAR uplift from a low base, Portugal has seen growth of 12.3%.

Interest in portfolio platforms remains high

Single-asset deals accounted for 54% of overall volumes in EMEA, while portfolio deals accounted for the remaining 46%. Activity in Europe's two most liquid markets – the **UK** and **Germany** which collectively accounted for more than 50% of the overall investment volumes in Q1-Q3 2014 – was almost equally spread between portfolio and single-asset sales. Transactions in **France** and **Spain**, on the contrary, were predominantly single-asset sales, despite the still high interest in portfolio plays due to the limited product on the market.

Momentum continues to build in the European lending space

The debt markets across the UK, Eurozone and the rest of the Continental Europe are continuing to open up in a controlled manner. Senior banks are making their way back into the hotel lending space; however, as they are subject to new and tighter regulations under Basel III, including increased tier-one capital requirements, the LTVs for a pure senior piece have hit a plateau of 55% to 60%, while margins are tightening fairly slowly in most regions. The most liquid markets, such as **London**, **Paris** and **Munich**, are seeing a somewhat more aggressive senior lending behaviour.

Given the current situation that the traditional senior lenders find themselves in, the hotel lending market has seen the entrance of non-balance sheet commercial lenders such as private equity, hedge funds and direct lenders, who are able to go where the traditional senior banks cannot – both in terms of LTV and geography. These shadow banks are here to stay as it is expected that the traditional senior lenders still have some distance to go before their balance sheets are clean.

Securitisation can be expected to return as well, as the ECB has indicated a CMBS purchase programme of around €500 billion. A number of the major global banks have to date successfully floated shelves (CMBS issuances).

Landmark deals will characterise the Asia Pacific market in the next six months

Transactions in Asia Pacific totalled US\$6.2 billion during the first nine months of 2014 which represents a 22% year-on-year decrease, with volumes reaching only US\$1.9 billion in Q3 compared to US\$4.2 billion in Q3 2013. However, there are some notable landmark deals in the pipeline and, although likely to complete early next year, they could potentially account for a further US\$2 billion of transactions.

Investment activity spreads across the region

With limited opportunities available in Asia Pacific's key gateways and pricing reaching new highs in many markets, investors are looking further afield, particularly for higher-yielding investments. Although the major gateways still topped the most active hotel transaction markets in the first three quarters of 2014, investment is broadening geographically. Volumes were highest in **Shanghai**, **Sydney**, **Tokyo**, **Kota Kinabalu** (in **Malaysia**) and **Melbourne**.

Japanese investment market remains robust

Japan continues to have a major impact on regional transactional activity, with a complete turnaround in investor sentiment from just two years ago after securing the 2020 Olympics. Accounting for one-third of regional volumes, Japan was the region's most active hotel investment market in the first nine months of 2014. Deal flow is expected to remain robust with more asset sales due to come in the balance of the year.

Despite the overall impact of a declining population base and a weaker economy following the consumption tax hike in 2014, hotels are a bright spot amid a surge in international visits and the Olympic halo effect. Japan surpassed the 10 million visitors target in 2013 and is on track to achieve double-digit growth in 2014.

While private equity groups and investment funds continue to dominate the sell-side, the buyer profile has become more diverse with acquisitions by domestic and offshore REITs as well as Japanese real estate developers. The current depth of the buyer pool is expected to continue to underpin higher transactional volumes and ongoing yield compression in Japan. A recent portfolio sale has seen more than 75 investors register interest, which is unprecedented.

New sources of capital in Asia Pacific

New sources of intra-regional and domestic capital are emerging as Asian corporates look to place large capital reserves into alternative investment classes. Many companies have experienced strong trading in their respective industries and this is leading some to consider investing in hotels, buoyed by the strong growth story.

Cross-border investment in Asia Pacific accounted for about a quarter of the overall liquidity in the first nine months of 2014, but remains predominantly intra-regional. While inter-regional capital spiked pre-GFC, it has remained limited over the past five years, accounting for only 10% in Q1-Q3 2014. Nevertheless, groups from outside the region are increasingly revisiting investments in Asia Pacific hotel real estate. **Australia** continues to attract the highest capital inflows with cross-border investors being the dominant purchasers of hotel real estate over the past six years. The source of offshore capital is also shifting with greater inflows from **China**; a trend we expect to gain pace.

Residential Markets

German residential portfolio investment market in a healthy state

The German residential transaction market has enjoyed a stable nine months. In the year-to-date, approximately €9.7 billion was invested in housing projects and portfolios, slightly higher than the same period of 2013 (at €9.5 billion). Moreover, almost 170,000 apartments changed hands, up 25,000 compared with last year (+19%). At €6.8 billion, national portfolios make up more than 65% of the German transaction volume; they totalled €5.1 billion (or 55% of total volumes) just 12 months ago.

The two largest portfolios to change hands in the first nine months were the approximately 30,000 apartments purchased by Deutschen Annington from the Vitus Group for €1.4 billion and the 11,500 apartments bought from the Dewag Group for around €970 million. The largest transaction in the third quarter was undertaken by Westgrund AG, which purchased the majority of the Berlinovo residential portfolio for €390 million.

In contrast to 2013, which saw the German residential transaction market dominated by national investors, an increasing number of international investors are returning to the German housing market. International players now account for almost 25% of volumes and have come mainly from Austria and Israel, but also from France, Sweden and the U.S. Strong demand has weakened available supply, particularly for better-quality assets and portfolios.

Netherlands residential investment: continued market growth in 2014

Dutch residential investment transaction volumes are on track to grow year-on-year by nearly 50% to €1.5 billion in 2014. Circa 20% of the total investment volume in Dutch real estate is now in residential, reflecting planned portfolio expansion by institutions into the sector of around 15%. A recent JLL survey suggests €2.9 billion is allocated for Dutch residential assets before the end of 2015. This growth is linked with a desire for core assets and a notable expansion of demand from international institutions. It is anticipated that this will continue to drive value in the main urban centres and put yields under further downward pressure.

France residential investment: Paris stable, despite economic backdrop

Despite the current economic downturn, **Paris** residential prices have been sustained by strong demand, with a limited year-on-year drop of -1.1% in Paris intra-muros and -1.4% at a regional level to Q2 2014.

The French residential investment market is growing; in 2013 approximately €2.8 billion was invested in France, reflecting nearly 20% of all the country's property investment. This growth has been driven by a few domestic institutional investors (such as SNI and Caisse des Dépôts et Consignations) and foreigners investors (e.g. Patrizia, Akelius) seeking long-term investment that also provides potential for capital growth.

UK residential: maturing, not turning

UK residential markets are now showing signs of moderation after 18 months of strong growth, peaking at around 10% nationally and as high as 20% in London. This is related to pre-general election uncertainty at the upper end of London property markets, alongside expected increases to the Bank of England base rate and some concern over the impact of weak exports to the flagging Eurozone. JLL national forecasts are for mid-single digit per annum growth over the medium term, led by the **London** region.

UK residential investment continues to see further market entrants, with only a modest uptick in available stock. However, the nascent 'build-to-rent' sector styled on U.S. multifamily assets is beginning to see genuine development activity, with JLL research suggesting current planning permissions could amount to around 20,000 'build-to-rent' units spread around the main UK regional cities and the wider **London** area. Strong rental growth in **Manchester** continues to support outmigration of demand that had been centred on London opportunities. This is expected to continue in line with improving economic prospects in these regional centres.

U.S. multifamily — a sector with staying power

Economic growth and evolving demographics continue to bring strong demand levels to the U.S. multifamily segment, driving absorption to outpace new deliveries. Tight rental market conditions still exist, especially across the Northeast and Southwest markets, the majority of which currently sit below the 4.1% national average vacancy rate. As the volume of new deliveries increases over the next 18 months, it will begin to outpace absorption and push up the national vacancy rate. However, while slower than the prior two years, rental growth of around 2%-3% should persist.

U.S. tech-rich cities lead rental growth — Sunbelt cities lead absorption

While most U.S. markets have seen net absorption exceed new deliveries, a few markets — notably **Washington DC** — have seen new supply outpace absorption. This is also the case in cities such as **New York, Austin, Seattle** and **Boston**, but these markets have maintained their confidence in the demand for new product, evidenced by rental growth above the national average of 3.3%. Vigorous rental uplifts have particularly been the case in expanding tech markets — **San Francisco** and **Seattle** lead the country with annualised rises exceeding 6%. However, robust population growth in the Sunbelt cities is driving the strongest absorption rates in **Raleigh-Durham, Austin, Jacksonville** and **San Antonio** — all absorbing in excess of 3% of inventory over the past year.

Policy restrictions subdue Asia's high-end residential sales

Policy restrictions in Asia's markets continue to dampen high-end residential sales. However, primary market sales in **Hong Kong** have improved since the double stamp duty was relaxed in May. The healthiest capital value growth has been registered in Hong Kong and **Manila** (up 2.5%-3.0% over the quarter). For the next 12 months, sales in the high-end residential segment in Hong Kong and **Singapore** are likely to be stable, while sales activity in mainland **China** may improve after the loosening of mortgage lending policy.

A welcome cooling of residential prices in Dubai

Residential prices and rents in **Dubai** have been increasing at an unsustainable level over the past few years (with average prices up 56% over the two years to June 2014). This had fuelled fears of another bubble and has also reduced the city's competitiveness by increasing the cost of doing business. It is therefore encouraging to see that both prices and rents have begun to stabilise in recent months, with average villa and apartment prices increasing by just 3% and 1% respectively over the last quarter, with declines reported in asking prices in some locations.

In neighbouring **Abu Dhabi**, sales prices have gone up by around 25% over the past year, while the rental market has been boosted by the recent decision to remove the rental cap. This has resulted in average villa rents rising by around 15% in the past year, with even higher increases being demanded by some landlords.

Recent Key Investment Transactions

Europe, Middle East and Africa

Country	City	Property	Sector	Sales price	
				US\$m	Comments
France	Paris	Le Madeleine, 17-23 Boulevard de la Madeleine	Office and Retail	564	JLL has advised BlackRock on the sale of the Le Madeleine complex to Norges Bank Investment Management for €425.6m. This transaction marks the first Norges purchase without a partner. JLL had acted on the previous sale of the asset to MGPA (later acquired by BlackRock) in 2009. Following the acquisition, the group invested significantly in the 30,600 sq m property and signed new retail and office leases with eight tenants including Chanel and Visa.
France	Paris	Paris Hotel Marriott Champs-Elysées	Hotels	445	A Chinese investor has acquired the 192-room hotel, one of Paris's finest real estate assets, for €344.5m. JLL's Hotels & Hospitality Group acted as the transaction advisor for the seller. It is the only hotel located on the prestigious Avenue des Champs-Elysées.
France	Paris	32 Rue Blanche	Office	349	JLL has advised The Carlyle Group on the sale of 32 Rue Blanche in Paris's 9 th arrondissement. The buyer, Oxford Properties Group, which is an arm of Canada's Ontario municipal workers pension fund OMERS, paid €263m, reflecting a NIY of 4.6%. The 21,000 sq m asset was extensively redeveloped by Carlyle in 2012 and is fully let to high-quality tenants including the French digital marketing company Criteo (brought in by JLL) which occupies 70% of the space.
Germany	Munich	Theresie, Theresienhöhe 11-13	Office	341	Deka has acquired the Theresie building complex from Quebec-based manager Ivanhoé Cambridge for €257m. Built in 2003 in Munich's inner city, the property encompasses six building parts with a total GLA of 70,000 sq m including 55,000 sq m of offices, 6,000 sq m of retail, and 5,000 sq m of residential. It is leased to some 40 tenants, including the Bavarian state lottery administration, the Loyalty Partner Group and American Express.
Germany	Various	Dream Portfolio	Office	293	Canada's Dream Global REIT, which invests in German offices, has formed a JV with South Korean pension fund Public Officials Benefit Association (POBA); the latter has acquired a 50% interest in seven Dream properties for €221m, reflecting a NIY of 5.3%. The deal, which marks POBA's entry into Germany, includes the offices ABC Bogen in Hamburg, Löwenkontor in Berlin, Werfthaus and K26 in Frankfurt, doubleU in Düsseldorf, Z-Up in Stuttgart and Marsstrasse 20-22 in Munich.
Ireland	Dublin	Redwood Portfolio	Mixed	285	NAMA has sold the four assets in its Redwood portfolio for a combined price of around €215m, reflecting a NIY of sub-4%. Irish Life acquired no. 2 Grand Canal Square in Dublin 2 for around €120m; Hibernia REIT has exchanged contracts to acquire the Observatory Building for €52.25m; and Lone Star has acquired One Clarendon Row and the immediately adjacent Chatham Court for a combined price of €41m. Lone Star already owned a loan, in Project Stone, secured by a 90% stake in the One Clarendon Row retail component.
Netherlands	Various	Dutch Office Fund Portfolio	Office	497	JLL has advised CBRE Global Investors on the sale of 32 properties out of the Dutch Office Fund. The properties comprise approximately 300,000 sq m and include buildings in Amsterdam, Rotterdam, The Hague and Utrecht as well as in eight other cities across the Netherlands. The portfolio was bought by Lone Star for €375m.
Spain	A Coruña	Marineda City Mall, Carretera Baños de Arteixo	Retail	345	Newly-formed REIT Merlin Properties has paid €260m to acquire the Marineda City mall and hotel near A Coruña; the NIY was 6.6%. The shopping centre and hotel, together with the adjacent IKEA, El Corte Inglés and Business Centre (not part of this transaction), comprise some 218,000 sq m of floorspace in the second largest shopping and leisure complex in Spain.
Sweden and Finland	Various	Niam Fund III	Retail and Office	398	Swiss private investment manager Partners Group has bought a retail and office portfolio across Sweden and Finland for €300m from Swedish private equity firm Niam in an off-market transaction. The assets, which comprise 380,000 sq m of leasable space, were the last remaining properties in Niam's Fund III.
UK	Basingstoke, Warrington and Glasgow	MEPC Business Parks	Mixed	718	JLL has advised Hermes Real Estate on the sale of three MEPC mixed-use parks for £430m, reflecting a NIY of 7.3%. Funds managed by Oaktree Capital Management and Patrizia Immobilien will take ownership of the three parks in the south-east and north-west of England, and in Scotland: Chineham Park in Basingstoke, Birchwood Park in Warrington and Hillington Park in Glasgow.

Country	City	Property	Sector	Sales price	
				US\$m	Comments
UK	Bristol	Cabot Circus (50% stake)	Retail	447	JLL has advised Land Securities on the sale of its 50% stake in the Cabot Circus shopping centre. AXA REIM, acting on behalf of its clients, purchased the shopping centre for £267.8m. The centre was developed by Land Securities in a JV with Hammerson, who retains the remaining 50% stake. Cabot Circus comprises: a 830,000 sq ft covered shopping centre; Quakers Friars, a 170,000 sq ft luxury goods and dining quarter; and 370,000 sq ft of adjoining high street shops.
UK	Edinburgh	Crowne Plaza Edinburgh - The Roxburghe	Hotels	Confidential	The 4-star hotel in Charlotte Square has been sold in the largest single-asset hospitality transaction in Edinburgh since 2007. The Roxburghe, which is owner operated under an IHG franchise as part of the Crowne Plaza group of hotels, has been sold to US-based investment management firm Starwood Capital, following a competitive process managed by JLL's Hotels & Hospitality Group in Scotland and London.
UK	London	The Pollen Estate	Mixed	636	Norges Bank Investment Management (NBIM), in partnership with The Crown Estate, has purchased from the Church Commissioners for England their 64.2% holding in The Pollen Estate for £381m. The purchase follows on from the successful Regent Street partnership between The Crown Estate and NBIM whereby The Crown Estate owns 75% and NBIM 25% of the £3.25bn Regent Street portfolio which immediately abuts The Pollen Estate holdings. JLL and Nabarro acted for the Church Commissioners for England.
UK	Multiple	LRG Portfolio	Hotels	N/A	Kew Green has completed the acquisition of 19 Holiday Inn hotels from LRG, bringing its portfolio of Holiday Inns to 38 and making it InterContinental Hotels Group's largest Holiday Inn franchise partner in Europe. The hotels are located throughout the UK in prominent cities and commercial centres. They will continue to trade as Holiday Inns under a new franchise agreement and will all undergo extensive refurbishment over the next few years.
UK	Multiple	Travelodge (Grove) Portfolio	Hotels	est. 870	A portfolio of 144 nationwide hotels leased to Travelodge has been acquired by Goldman Sachs, GoldenTree Asset Management and Avenue Capital Group for around £520m in an initial all cash purchase. The Travelodge hotels formed part of the Grove portfolio which was marketed for consensual sale by consortium owners, Prestbury Investment Holdings, Tom Hunter's West Coast Capital and the Reuben Brothers' Aldersgate Investments.
UK	Multiple	De Vere Hotels	Hotels	est. 250	An American investment firm - Sankaty Advisors, part of Bain Capital - has agreed to acquire six of Britain's biggest golf resorts for an estimated £160m. The portfolio includes Cameron House on Loch Lomond, Slaley Hall in Northumberland, Oulton Hall near Leeds, Belton Woods near Grantham, Dunston Hall near Ipswich, and Mottram Hall in Cheshire.
UK	Multiple	QMH Portfolio	Hotels	est. 220	US investment firm Marathon Asset Management has acquired the Queens Moat House hotel portfolio of 11 primarily IHG branded regional UK hotels from Goldman Sachs for an undisclosed sum, reportedly in the region of £135m. The portfolio consists of some 2,000 bedrooms within three Crowne Plaza hotels, seven Holiday Inn hotels and one Best Western PLUS in key trading locations across the country from Glasgow to Plymouth.
Various	Various	SEB Portfolio	Industrial	365	SEB Asset Management has sold a logistics portfolio to Logikor, Blackstone's European logistics platform, for €275m. The 434,300 sq m portfolio comprises 18 properties across the UK, the Netherlands, Germany, Spain, Norway, Hungary, Austria and France. The average economic occupancy rate is approximately 85% and the remaining lease term is 3.8 years.

Asia Pacific

Country	City	Property	Sector	Sales price	
				US\$m	Comments
Australia	Melbourne	CBW Building 1 & 2 and Goldsborough Lane	Office	563	GPT and its wholesale office fund have expanded their presence in Melbourne with the A\$608m acquisition from super fund Cbus of the two towers at the CBW (Corner of Bourke and William) complex.
Australia	Melbourne	700 Bourke St, (North Tower)	Office	401	AMP Capital's Wholesale Office Fund (AWOF) has agreed to acquire 100% of 700 Bourke Street from Cbus Property for A\$433.5m.

Country	City	Property	Sector	Sales price US\$m	Comments
Australia	Melbourne, Perth	Grand Hyatt Melbourne and Hyatt Regency Perth	Hotels	110	Morgan Stanley has sold the controlling share in the Grand Hotel Group to Tuan Sing, the co-owner. The Group owns Melbourne's Grand Hyatt and Perth's Hyatt Regency. The payment was based on the A\$276.6m net book value of the hotel entity, with the hotels valued at A\$583m.
Australia	Perth	QV1	Office	359	The Investa Commercial Property Fund has agreed a A\$388.5m deal to buy a half-stake in the landmark QV1 complex from the group's balance sheet on a yield of 7.4%.
Australia	Sydney	Colonial Centre, 52 Martin Place	Office	514	REST Industry Super has purchased the 100% leasehold interest in 52 Martin Place, after the property was brought to the market by QIC Global Real Estate via an EOI campaign. The asset offers an unusually long WALE of approximately 33 years.
Australia	Sydney	Sofitel Sydney International Convention Centre Hotel	Hotels	330	Lend Lease, an international property and infrastructure group, has signed a conditional agreement to develop, build and sell the hotel to Australian hotelier, Jerry Schwartz. French hotel manager Accor will operate the hotel under its luxury 5-star Sofitel brand.
China	Shanghai	ShanghaiMart	Office	572	Shanghai Industrial Urban Development Group (SIUD), a subsidiary of Shanghai Industrial Holdings, the municipal government's listed investment arm in Hong Kong, has agreed to form a joint venture with Hong Kong's Nan Fung Group to buy the majority owner of trade exhibitions venue, ShanghaiMart
China	Shanghai	Sky SOHO	Office	495	Ctrip.com International has entered into an agreement with SOHO (Shanghai) Investment to acquire the 100,000 sqm office building (GFA) for just over RMB 3 billion. The office building will be used by Ctrip for their own occupation
Japan	Kanagawa	Higashi Ogishima Soko A, B, C (Portfolio 3)	Industrial	528	LaSalle Investment Management ('LaSalle') has acquired a portfolio of three multi-tenant modern logistics properties located in Higashi-Ogishima, Kawasaki City, Kanagawa Prefecture. The acquisition took place via a fund arranged by LaSalle and backed by Japanese domestic investors.
Japan	Multiple	Mystays Portfolio	Hotels	400	The US-based Fortress Investment Group has sold a portfolio of 18 hotels to the Invincible Investment Corporation REIT. The portfolio includes ten hotels in the Mystays chain, seven hotels in the Flexity Inn chain and one Vista Primio hotel. They are located in Tokyo, Osaka, Yokohama, Fukuoka, Nagoya, Kyoto and Urayasu.
Japan	Tokyo	Meguro Gajoen	Office	1,248	Mori Trust Co., Japan's second-largest developer by sales, has acquired Meguro Gajoen, an office and banquet hall complex that was put up for sale by Lone Star Funds.
Japan	Tokyo	Ochanomizu Sola City	Office	384	Hulic Co., Ltd. has acquired 31% ownership of the Ochanomizu Sola City office building.
Japan	Tokyo	GLP Tokyo II	Industrial	347	GLP J-REIT has purchased a nine-property portfolio from their sponsor GLP for JPY 53.83bn. The asset is a large multi-tenanted logistics facility located in the Tokyo Bay area. The main tenants are FedEx and ELGC.
Japan	Urayasu/Tokyo	Tokyo Bay Maihama Hotel Club Resort	Hotels	est. 290	Hulic Co., a Japan-based company mainly engaged in the real estate-related business, has acquired the 703-room hotel which is an official hotel of Tokyo Disney Resort. The entire building is leased to Tokyo Bay Hotels Co., Ltd. under a fixed-term lease agreement.
Singapore	Singapore	Marina Bay Financial Centre Tower 3	Office	997	Keppel REIT has entered into a conditional share purchase agreement with Bayfront Development Pte. Ltd., a wholly-owned subsidiary of Keppel Land Limited, to acquire a one-third interest in the two-year-old Marina Bay Financial Centre Tower 3 (MBFC Tower 3).
Singapore	Singapore	Straits Trading Building	Office	360	The Straits Trading Building has been sold for S\$450m to Singapore-based real estate developer and investor Sun Venture Group. The vendor, Straits Developments Private Limited (SDPL), a wholly-owned subsidiary of The Straits Trading Company, has committed to a guaranteed gross rent of not less than \$1.5 million per month.
Taiwan	Taipei City	Dunnan Cathay Building (Eslite Bookstore)	Office	372	Homax Development Co. has acquired full ownership of this asset from Cathay Life Insurance. It had acquired a 37% share of the asset in early 2013.

Americas

Country	City	Property	Sector	Sales price US\$ m	Comments
Brazil	Sao Paulo	Top Center	Retail	64	Clavas Empreendimentos Imobiliarios Ltda (Gazit-Globe) has purchased the nearly 6,300 sq m retail asset on Avenida Paulista from General Shopping Brasil S.A.
Canada	Montreal	Centropolis	Retail	122	Caisse de Dépôt has sold the nearly 63,000 sq m retail centre to Cominar REIT
Canada	Toronto	150 Bloor St. West	Office	234	Ponte Gadea Group has acquired this more than 24,000 sq m office property at a reported 4.6% initial yield from Kevric Real Estate Corporation.
Canada	Toronto	Dixie Outlet Mall	Retail	182	Cominar REIT has acquired this 53,000 sq m outlet mall in Mississauga from Caisse de Dépôt.
Mexico	Mexico City	Masaryk 111	Office	111	Mexican REIT Fibra Uno has purchased this circa 30,000 sq m office asset in the Polanco district from GICSA.
US	Chicago	InterContinental Chicago O'Hare Rosemont	Hotels	Confidential	Acting on behalf of Bletchley Hotel at O'Hare Field, LLC, JLL's Hotels & Hospitality Group has closed the sale of the 556-key hotel to Loews Hotels & Resorts, which has plans to convert the property to the Loews Chicago O'Hare.
US	Chicago	300 N. LaSalle	Office	850	Irvine Co. has purchased the approximately 121,000 sq m trophy office tower from KBS REIT II for a record high single-asset purchase price as well as a record price per sq m for the Chicago market.
US	Fort Lauderdale	Doubletree Bahia Mar Fort Lauderdale Beach	Hotels	Confidential	JLL's Hotels & Hospitality Group has sold the 39-acre oceanfront hotel complex on behalf of Blackstone. TRR Bahia Mar, LLC, a partnership between Tate Capital LLC, Rok Acquisitions LLC, Rialto Capital and RCI Marine Inc., purchased the leasehold interest in the hotel and marina.
US	Honolulu - Oahu	The Kahala Hotel & Resort	Hotels	283	Kahala Hotel Investors, a subsidiary of Honolulu-based Trinity Investments, has sold the 338-room luxury resort in East Oahu to Japan-based Resorttrust Inc.
US	Jacksonville	Flagler Center	Industrial	133	Fortress has sold this over 130,000 sq m industrial asset to Investcorp.
US	Los Angeles	Former Robinson-May Store	Retail	400	Chinese investor Dalian Wanda Group has purchased this circa 31,000 sq m Beverly Hills retail asset from Joint Treasure International.
US	Multiple	U.S. Upscale Extended Stay Hotel Portfolio	Hotels	Confidential	Blackstone has acquired a 47-hotel portfolio from Clarion Partners. The properties in the portfolio are positioned in the long-stay segment and located in major destinations across the United States. Part of the portfolio is operated by Marriott International, under the Residence Inn brand, and the other by Hilton Worldwide group and its Homewood Suites chain.
US	New York	Park Avenue Tower	Office	750	Shorenstein Properties has sold the approximately 58,000 sq m Midtown office asset to Blackstone Group.
US	New York	Park Hyatt New York	Hotels	390	Hyatt has acquired 100% of the 210-room flagship hotel which opened in September within the 90-storey glass tower that also houses One57, one of New York City's most luxurious condominium residences.
US	New York	Sofitel New York	Hotels	273	Keck Seng Investments, a Hong Kong-listed property investment firm, has acquired the 398-room hotel in Manhattan which will continue to be operated under the Sofitel brand.
US	Orlando	Southpark Center I & II	Industrial	261	Fortress sold this circa 149,000 sq m industrial complex in August to AEW Capital Management.
US	San Francisco	50 Beale Street	Office	395	Paramount Group has acquired this approximately 61,000 sq m office property from Rockefeller Group.
US	San Francisco	JW Marriott San Francisco Union Square	Hotels	147	Chesapeake Lodging Trust has acquired the 337-room hotel for a purchase price that equates to approximately \$437,000 per key. The Trust assumed the existing management agreement with Marriott International, Inc., as well as the existing ground lease covering the property, which expires in 2083.
US	Washington, DC	Shops at Georgetown Park	Retail	273	German investor Jamestown has acquired this circa 25,000 sq m retail centre at a reported 4.9% initial yield from Angelo Gordon.

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