At a glance

MAIN OFFICE MARKETS IN WESTERN EUROPE
Q1 2015

OCCUPIER MARKET FUNDAMENTALS REMAINED FAVOURABLE IN Q1 2015

• In 2014 economic conditions in the Eurozone slightly improved, recording a +0.9% GDP growth. It is likely to gain momentum in 2015 (+1.8%), sustained by the combination of the fall in oil prices, the Euro depreciation and the low interest rates. The unemployment rate started to decrease in 2014 to 11.6% after peaking at 12% in 2013. This reduction should accelerate in 2015 (10.7%) as a consequence of better employment growth expected across Europe, such as in Spain (+3.2%) and Ireland (+2.5%). However, the labour market should remain sluggish in France, Italy and Benelux.

• Office take-up in our 14 main Western European markets over the first 3 months of 2015 was stable compared to 2014 over the same period (-3%), recording 1.56 million m², a total in line with its 5-year average. German cities, except Frankfurt, showed solid performance over Q1 2015 when compared to long term Q1 results, with buoyant demand for small and medium sized premises. Conversely, there was a slowdown in the letting activity in Central Paris and Central London that stems from a drop in large transactions. Nevertheless, on a rolling year basis, office take-up in Western Europe in Q1 2015 stood above the 12-month results in the period of 2009-2014.

• Over the last 12 months, vacant space reduced in most of the Western European cities; only Madrid and Milan witnessed further increase. The most significant falls occurred in Dublin (-32%), Central London (-28%), and Berlin (-14%). Office development for 2015 should keep the same pace as 2014, excluding Central Paris where many schemes will be completed over the next few quarters. Nonetheless, new completions will feature a large share of pre-let space.

• The prime rent on average in our 14 European cities slightly picked up overall in one year, as mirrored in Madrid (+6%), in London (+10%) and more drastically in Dublin (+27%). This rental growth was driven by the attractiveness of high-quality buildings located in “core” areas, where availability is limited. Elsewhere, prime rents did not see any major change in places like Paris or the German cities.

Julien Scarpa
Office analyst

Office cycle—rolling year
Western Europe (14 cities)

<table>
<thead>
<tr>
<th>Year</th>
<th>Take-up (million m²)</th>
<th>Vacant space (million m²)</th>
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<tbody>
<tr>
<td>2015</td>
<td>1.56</td>
<td>10</td>
</tr>
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Office prime rent & vacancy rent
Western Europe (14 cities)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average vacancy rate*</th>
<th>Average prime rent**</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>7.6</td>
<td>105</td>
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*y-o-y growth
** Basis 100 at Q4 2007
Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Central Business District average rent is the average of each of the last four quarters' average headline rent in the CBD. Each quarterly average rent is weighted by the surface of each lease signed during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local conventions.

Central London includes the following districts: West End, Midtown, City, Docklands, Southbank, Western Fringe and Northern Fringe.

Central Paris includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

Core Investment Vehicles target returns at 11.5% and lower, with gearing level up to 60% of Gross Asset Value.

Closed Ended Fund is a vehicle that has a targeted range of investor capital and a finite life.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes (including major refurbishments) that have the potential to be built in the future through having a secured level of planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use to offices.

Exchange Rate from £ into € for rents is the average value over that period. Full-year investment volumes in both currencies are made up by adding the four quarters of each year.

German Open Ended Fund is a public vehicle that does not have a finite life, continually accepts new investor capital and makes new property investments. The list of German Open Ended Funds is published by the BVI (Bundesverband Investment und Asset Management e.V.).

Gross Asset Value is the sum of the Gross Capital Value of properties, cash and marketable securities and other (non-operating) assets.

Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period, whatever the purchasing price. It includes Office buildings, Retail (supermarkets, hypermarkets), Industrial and Logistics Warehousing and Others (Hotels, Cinema, Leisure, Car Parks, Care Homes, parts of portfolio which can not be split up by product, and Development Sites in Germany).

Quoted investment volumes are not definitive and are consequently subject to change.

Initial Prime Gross Yield is defined as Gross income (i.e. income before costs of ownership) over purchase price excluding costs of acquisition.

Initial Prime Net Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

Prime Rent represents the top open-market rent at the survey date for an office unit:
- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

Investment volume by investor/seller type refers to the following categories: Insurance, Private Investors, Public Sector, Corporates, Property Companies & REITS, Consortium, Funds and Other.

Investment volume by investor/seller nationality refers to the following categories: Eurozone, Non-Eurozone, North America, Other America, Asia, Middle East, Australia, International and Other.