



Study on the property investment
climate in Europe
- Measurement II/2016

Report

Frankfurt am Main / Hamburg

December 2016

Overview

- 1 **Study design**
- 2 Indicators
- 3 Detailed findings

Method and details of study implementation.

Method	Computer-aided telephone interviewing (CATI).
Sample	Address-based survey of real estate investors, planners, project developers and architects. The companies surveyed only qualified as part of the sample if the total value of their real estate holdings was > 0 and non-self-used real estate accounted for at least 50% of the total managed real estate portfolio.
Sample size	N= 175 net interviews, n= 64 in Germany, n= 61 in France, n= 50 in UK
Weighting	Not weighted.
Duration of interview	15 minutes on average.
Dates of survey	14 October 2016 to 2 December 2016

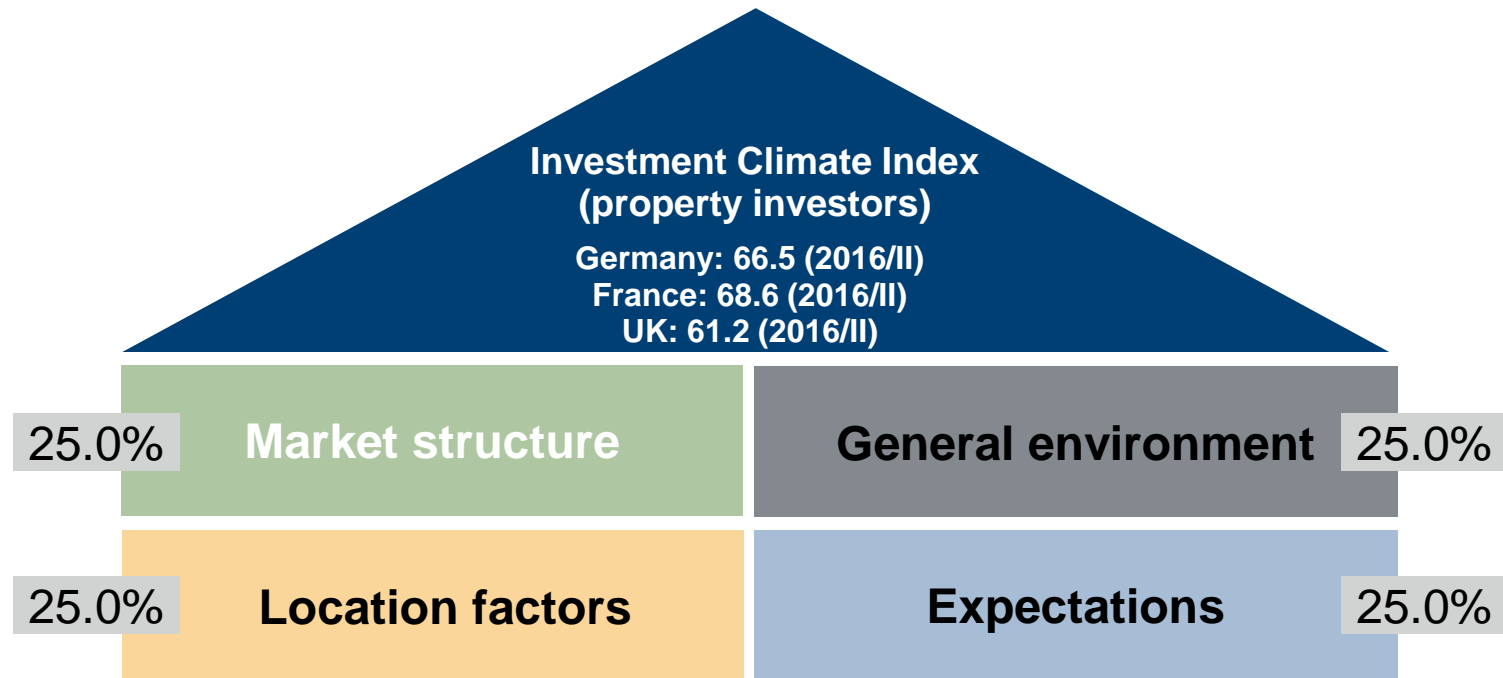
Overview

1 Study design

2 Indicators

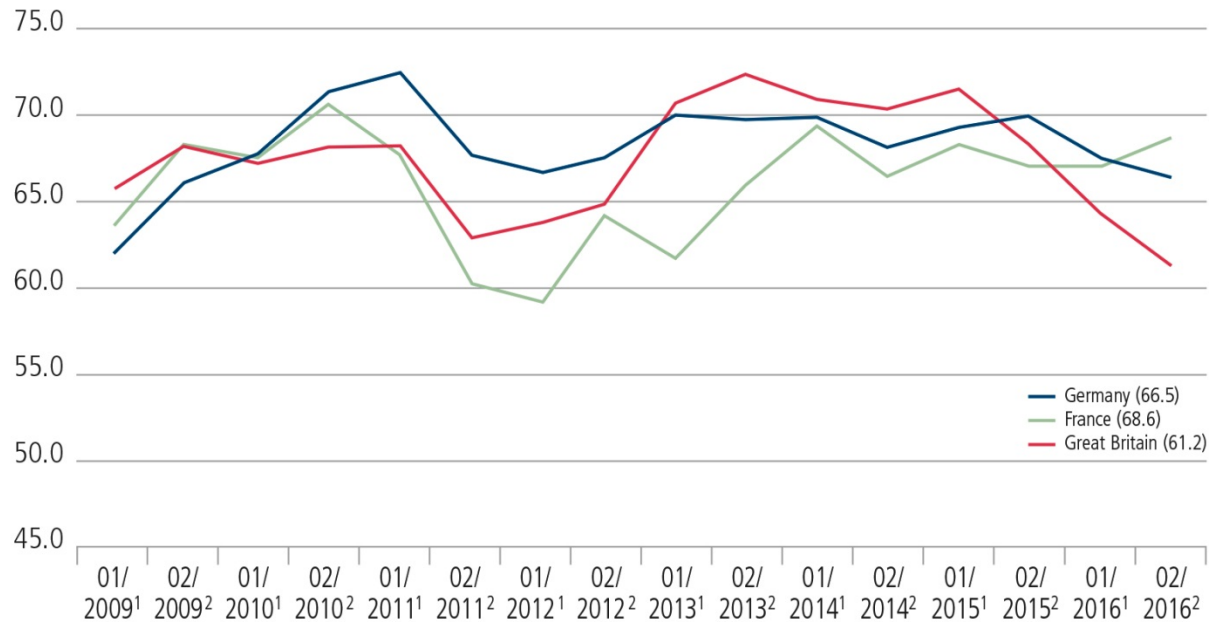
3 Detailed findings

Climate index: Constituent elements of the property investment climate – indicators and weightings.



Climate index under pressure in UK and Germany

Investment climate index for property investors

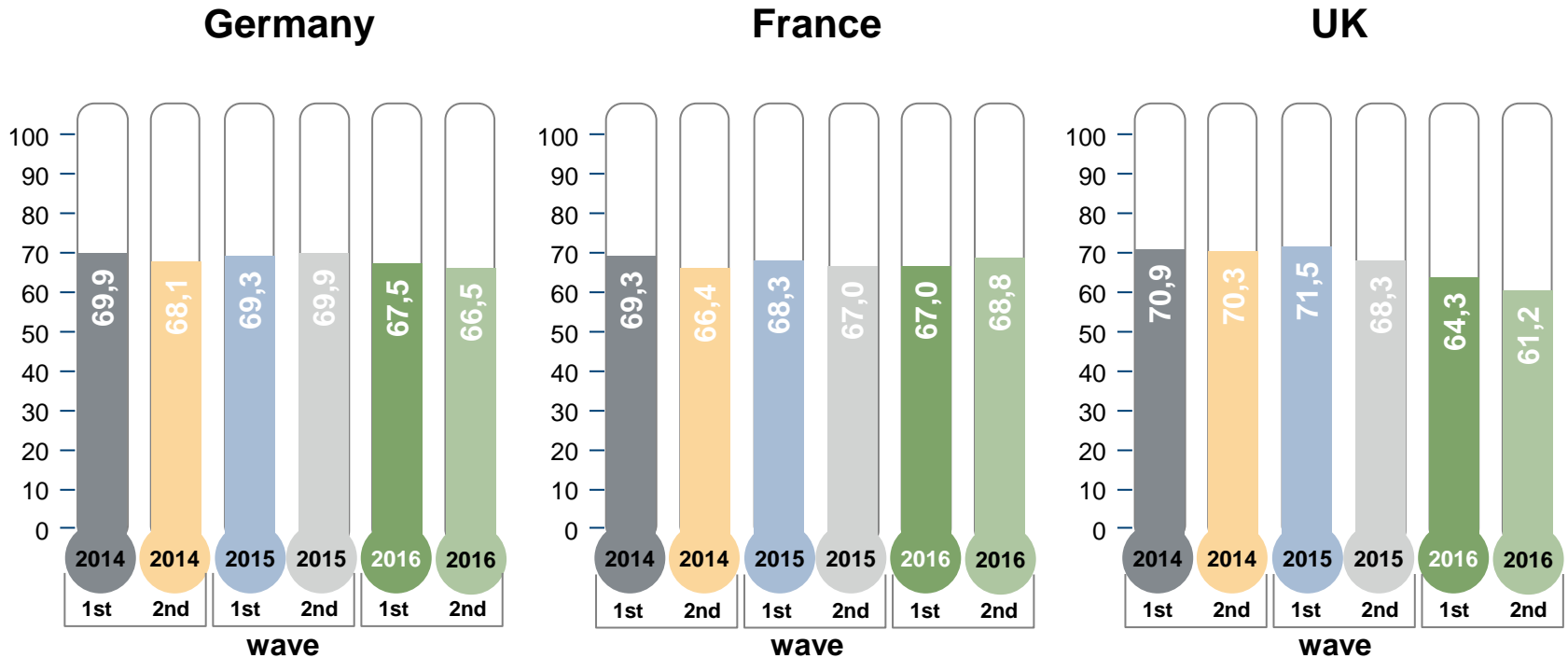


Source: Union Investment, property investment climate study II/2016 (survey of 175 property investors in Germany, France and Great Britain)

¹Survey period: summer. ²Survey period: winter.

Improvement in France, downward trend in UK and Germany.

Climate index: Overview of indexes / All countries – comparison 2014-2016

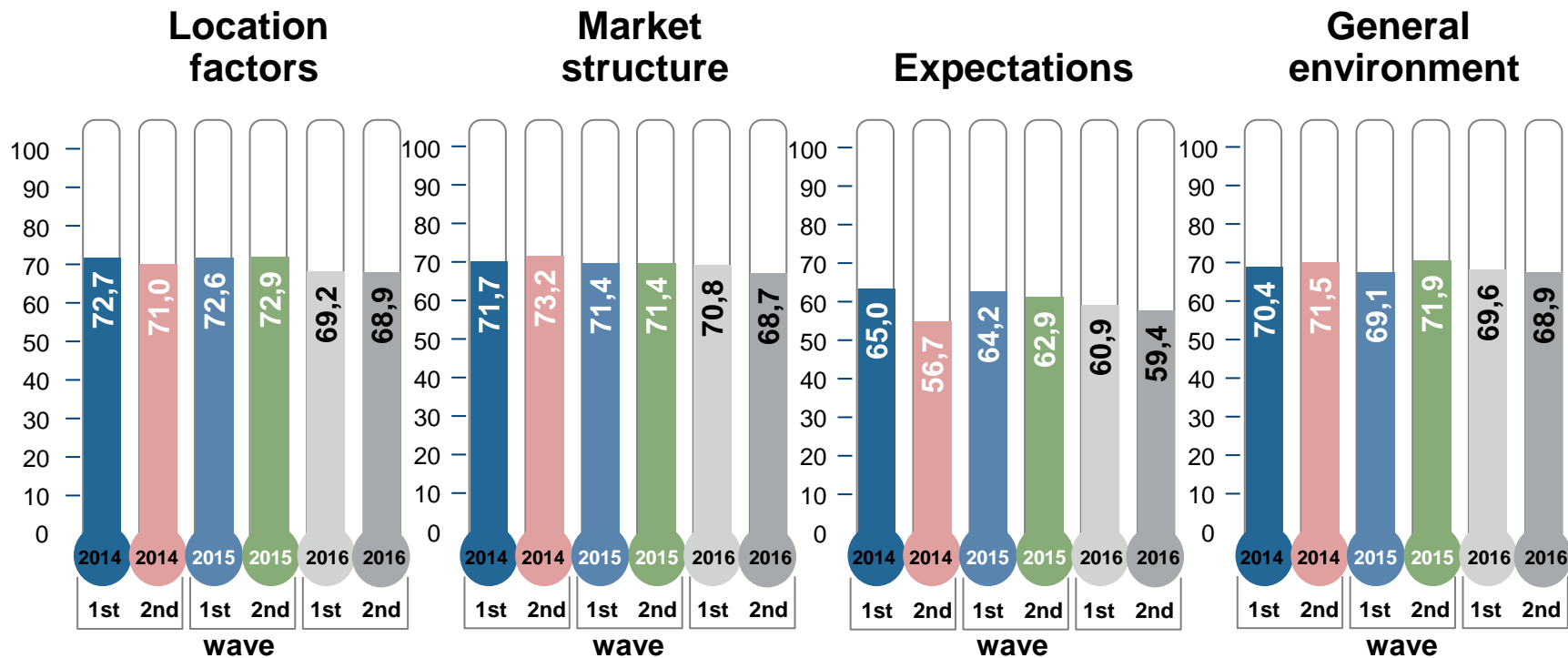


Base: All respondents (2014 1st wave n=167, 2nd wave n=164/ 2015 1st wave n= 165, 2nd wave n=171/
2016 1st wave n= 161, 2nd wave n=175)

Due to fundamental differences in composition, the individual indicators are not directly comparable!

Further decline in Germany, especially with regard to market structure and expectations.

Climate index: Overview of indicators / Germany – comparison 2014-2016

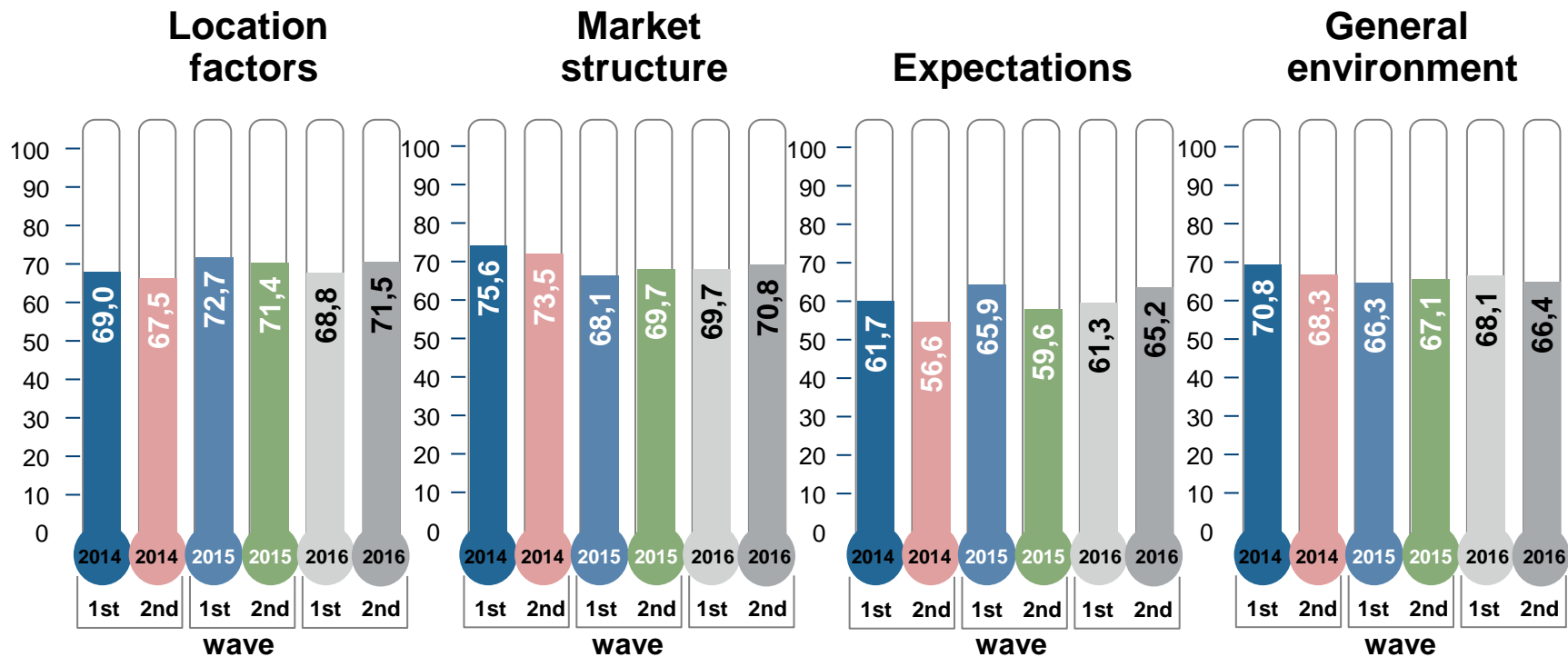


Base: All respondents (2014 1st wave n=75, 2nd wave n=63/ 2015 1st wave n=81, 2nd wave n=75/
2016 1st wave n=61, 2nd wave n=64)

Due to fundamental differences in composition, the individual indicators are not directly comparable!

Significant improvement in expectations in France, but general environment rated less favourably.

Climate index: Overview of indicators / France – comparison 2014-2016

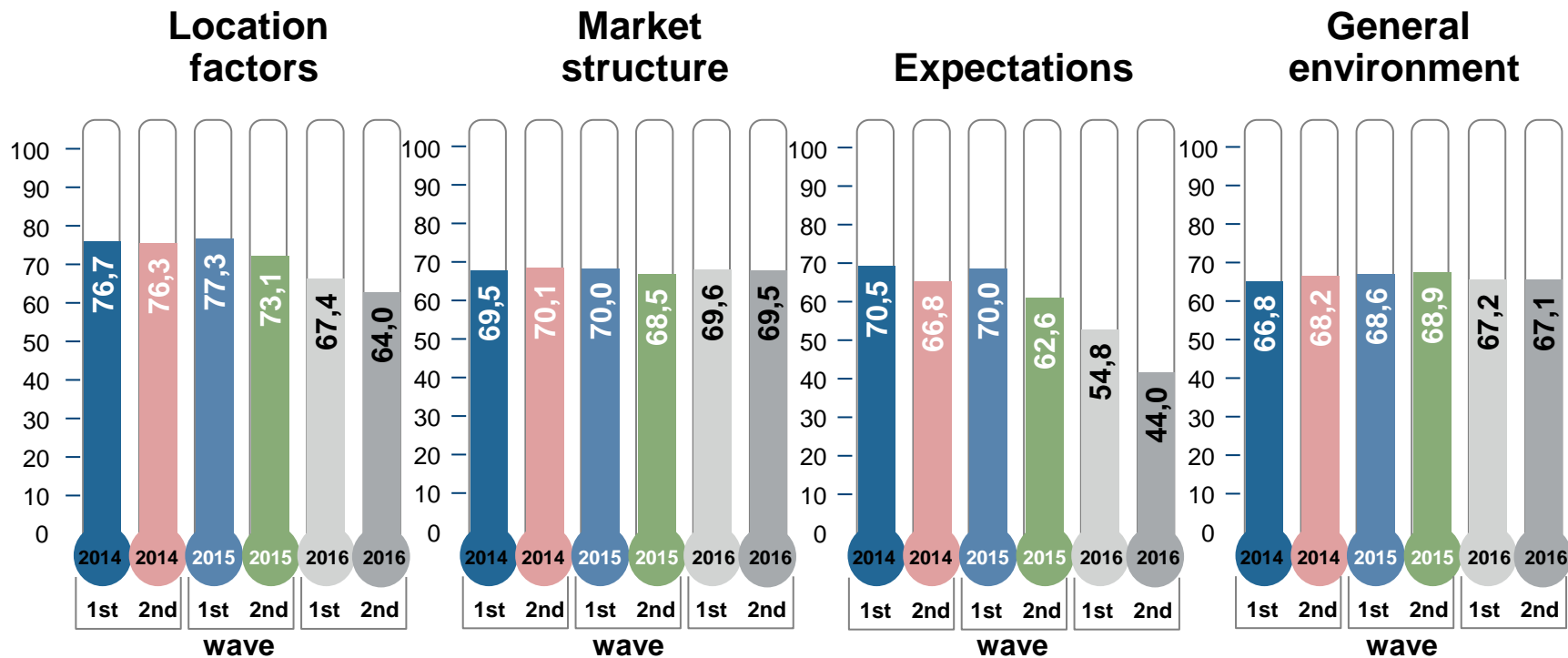


Base: All respondents (2014 1st wave n=42, 2nd wave n=49/ 2015 1st wave n=33, 2nd wave n=42/ 2016 1st wave n=50, 2nd wave n=61)

Due to fundamental differences in composition, the individual indicators are not directly comparable!

Marked downturn in UK with regard to expectations and location factors.

Climate index: Overview of indicators / UK – comparison 2014-2016



Base: All respondents (2014 1st wave n=50, 2nd wave n=52/ 2015 1st wave n=51, 2nd wave n=54/
2016 1st wave n=50, 2nd wave n=50)

Due to fundamental differences in composition, the individual indicators are not directly comparable!

Overview

1. Study design

2. Indicators

3. Detailed findings

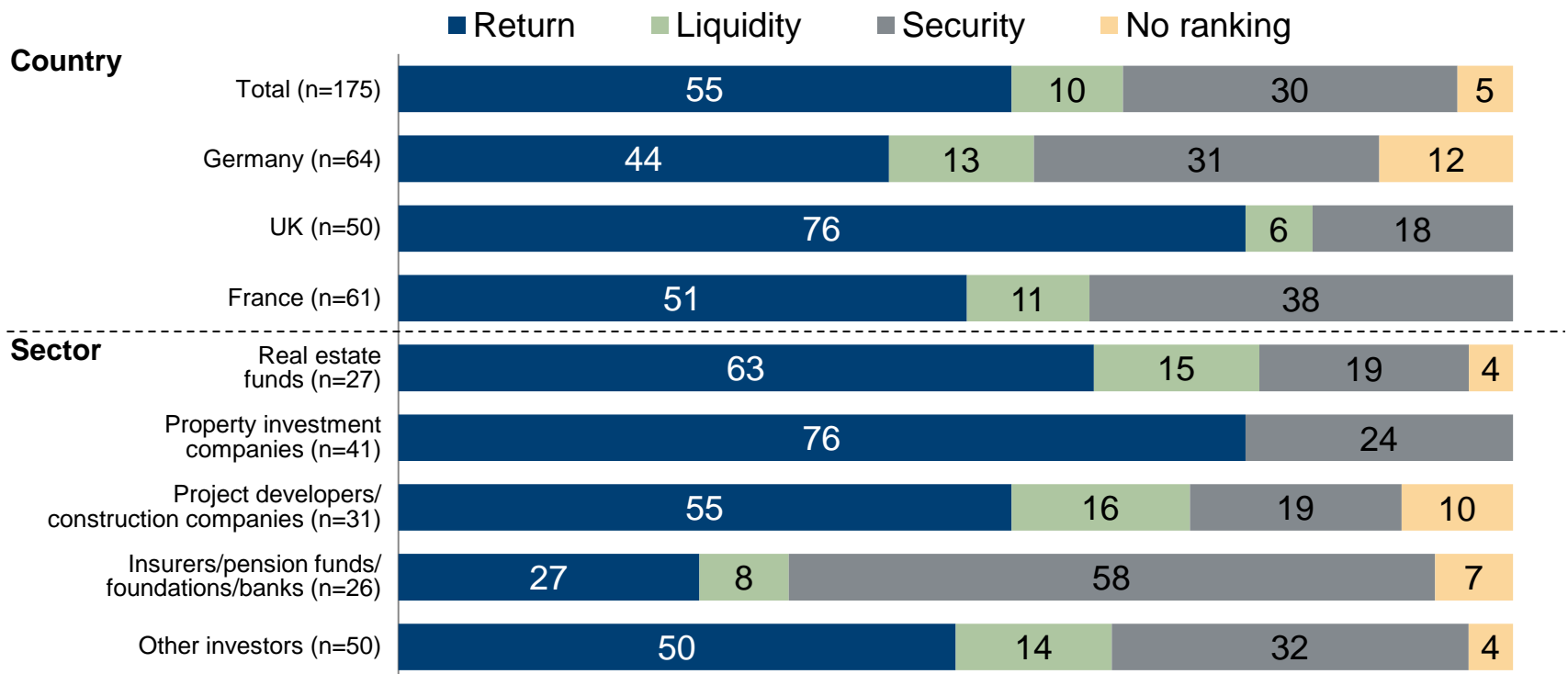
Overview

3. Detailed findings

- 3.1 General environment
- 3.2 Factors influencing investment decisions
- 3.3 Expectations
- 3.4 Risks and investment strategies

Very strong focus on returns in UK and among investment companies.

Importance of return on investment, security and liquidity in investment decisions – ranked top

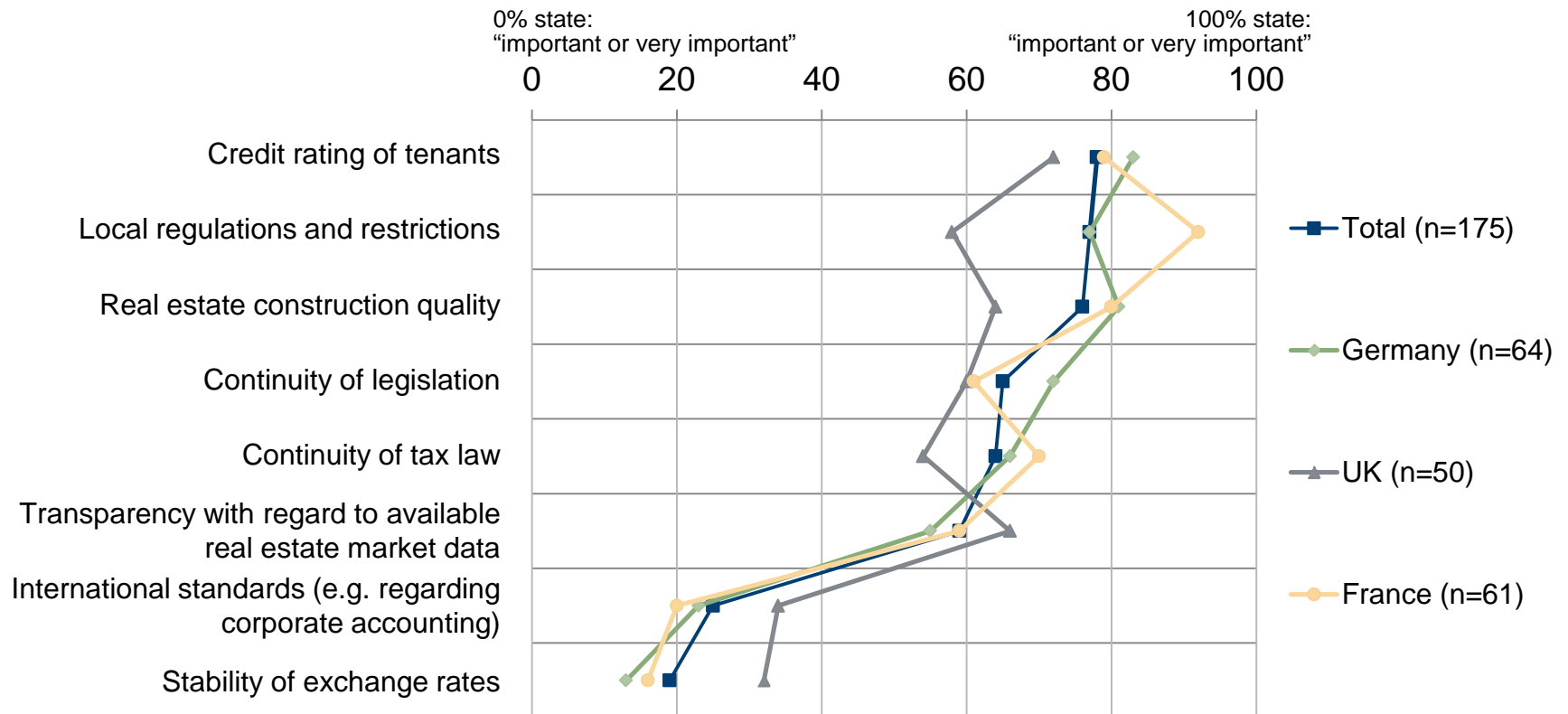


Base: All respondents (n=175); values in %

Question 6b: Please tell me which of the following factors is generally the most important for your company when making investment decisions at present?

Creditworthiness of tenants and local regulations have the biggest impact on investment decisions.

Importance of general environment (top 2 box (1-2) on 6-point scale)

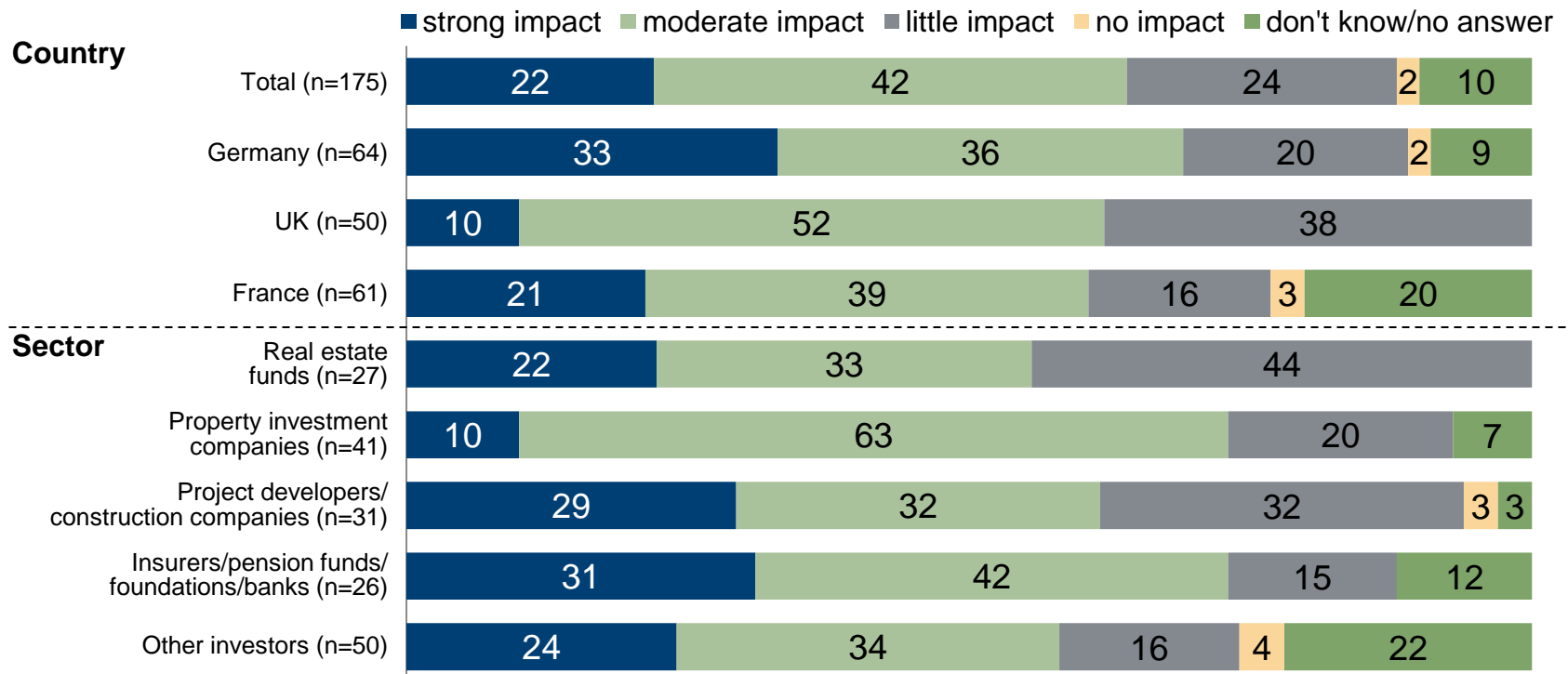


Base: All respondents (n=175); values in %; top 2 box

Question 6: How important are the following conditions/factors for your company or your real estate investment activity? Scale: 1 = "very important", 6 = "not important at all"

UK respondents report least impact of Brexit on the British property market.

Impact of Brexit on the UK property market

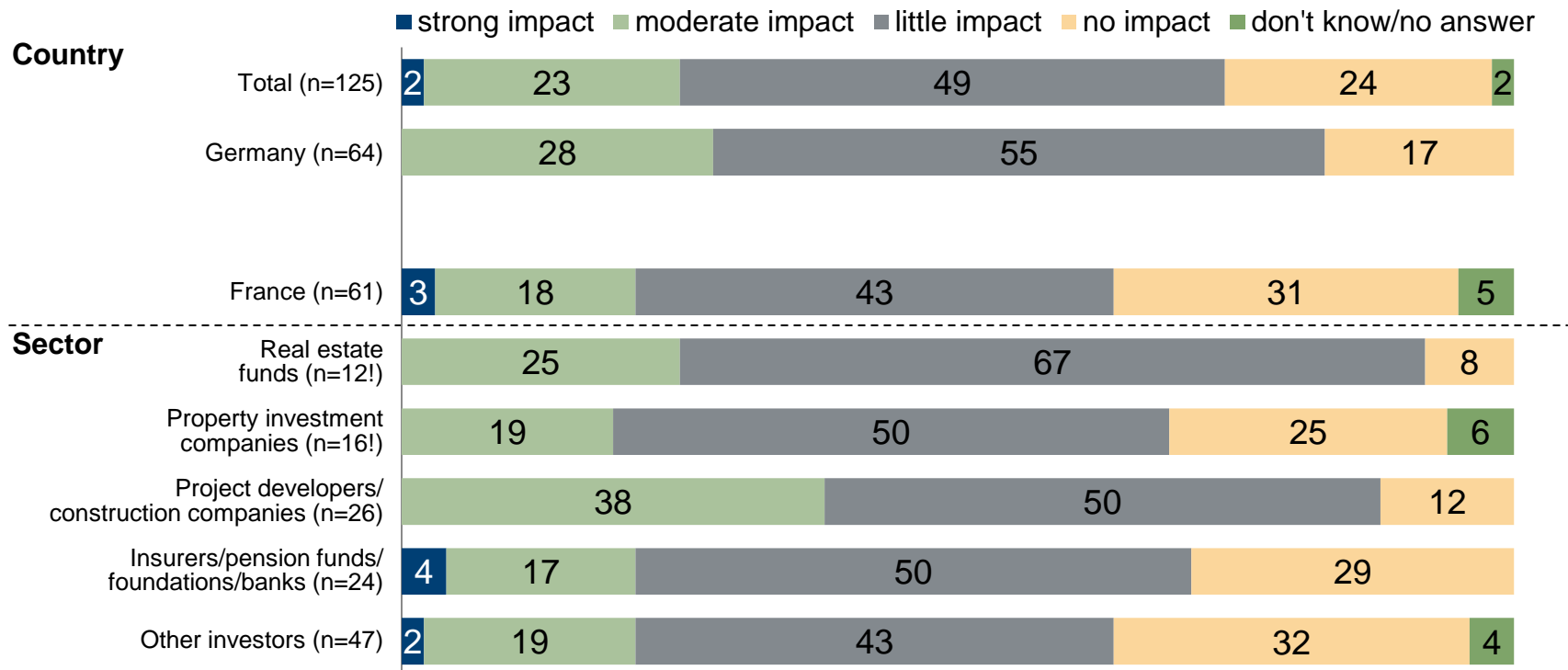


Base: All respondents (n=175); values in %

Question 20a: What is your current assessment of the impact of Brexit on the UK property market?

Only limited impact of Brexit on local real estate markets in Germany and France.

Impact of Brexit on the property market in Germany / France



Base: All respondents in Germany and France (n=125); values in %

Question 20b: What is your current assessment of the impact of Brexit on your domestic property market?

Overview

3. Detailed findings

3.1 General environment

3.2 Factors influencing investment decisions

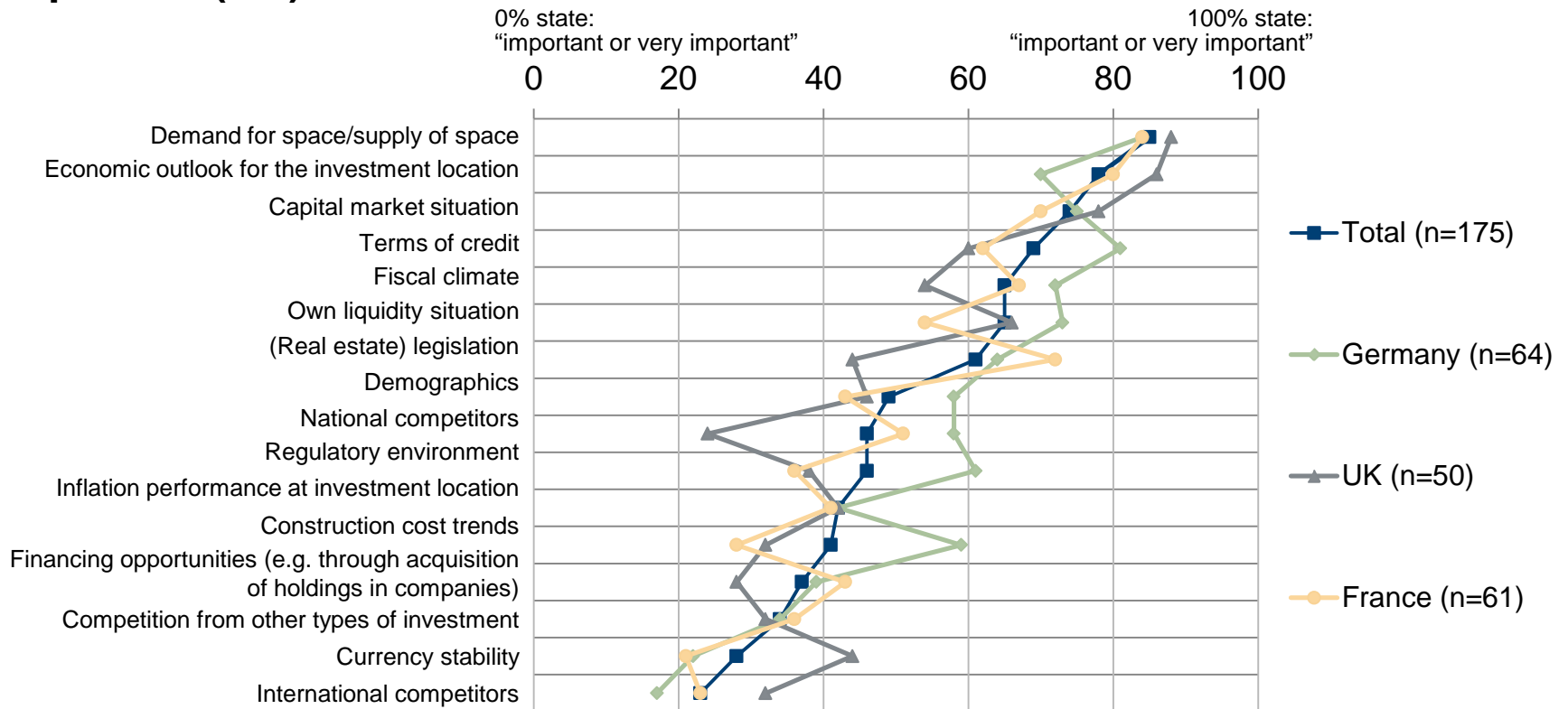
3.3 Expectations

3.4 Risks and investment strategies

The demand for space/supply situation is the most important overall factor in investment decisions.

(Very) important factors when making an investment decision

Top 2 box (1-2)



Base: All respondents (n=175); values in %; top 2 box

Question 18: How important for your company are the following factors in influencing your investment decisions?

Scale: 1 = "very important", 6 = "not important at all"

Overview

3. Detailed findings

3.1 General environment

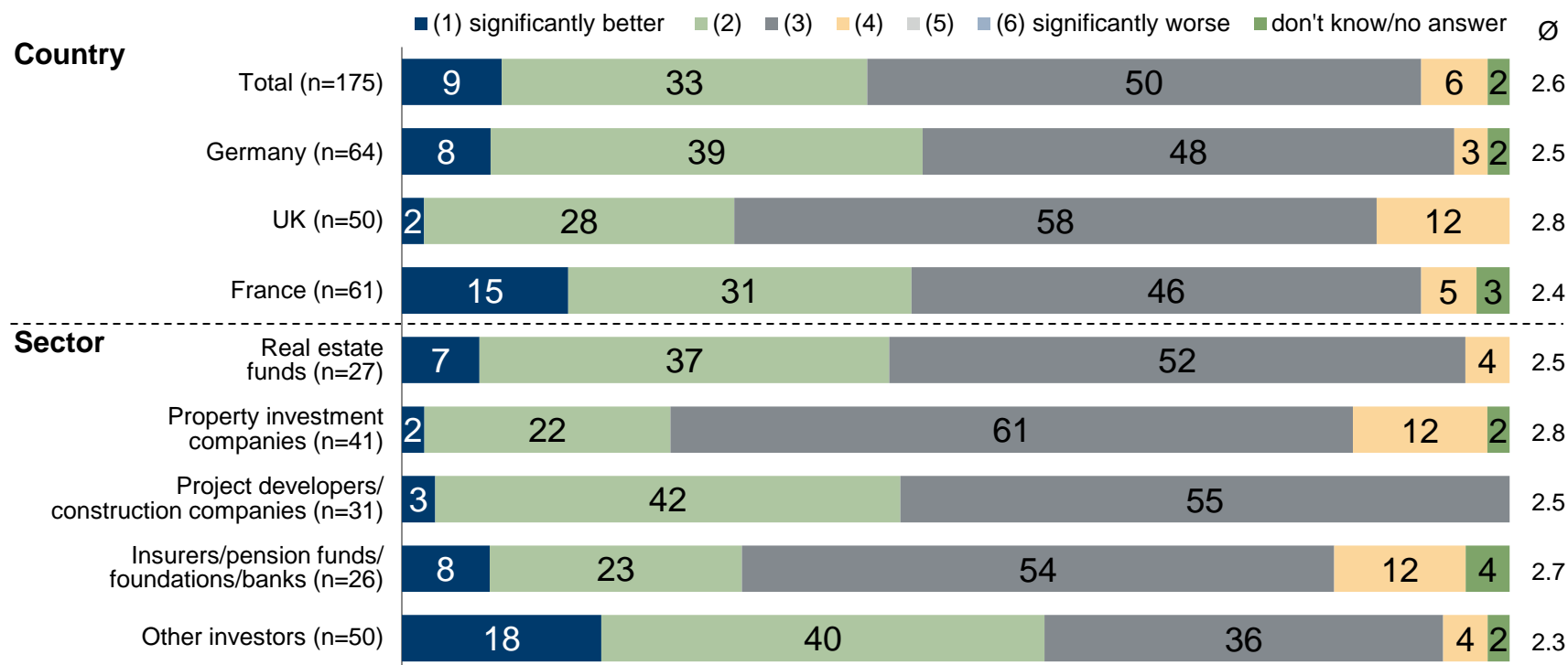
3.2 Factors influencing
investment decisions

3.3 Expectations

3.4 Risks and investment
strategies

More positive assessment of the economic situation of companies in France and Germany.

Assessment of own company's economic situation

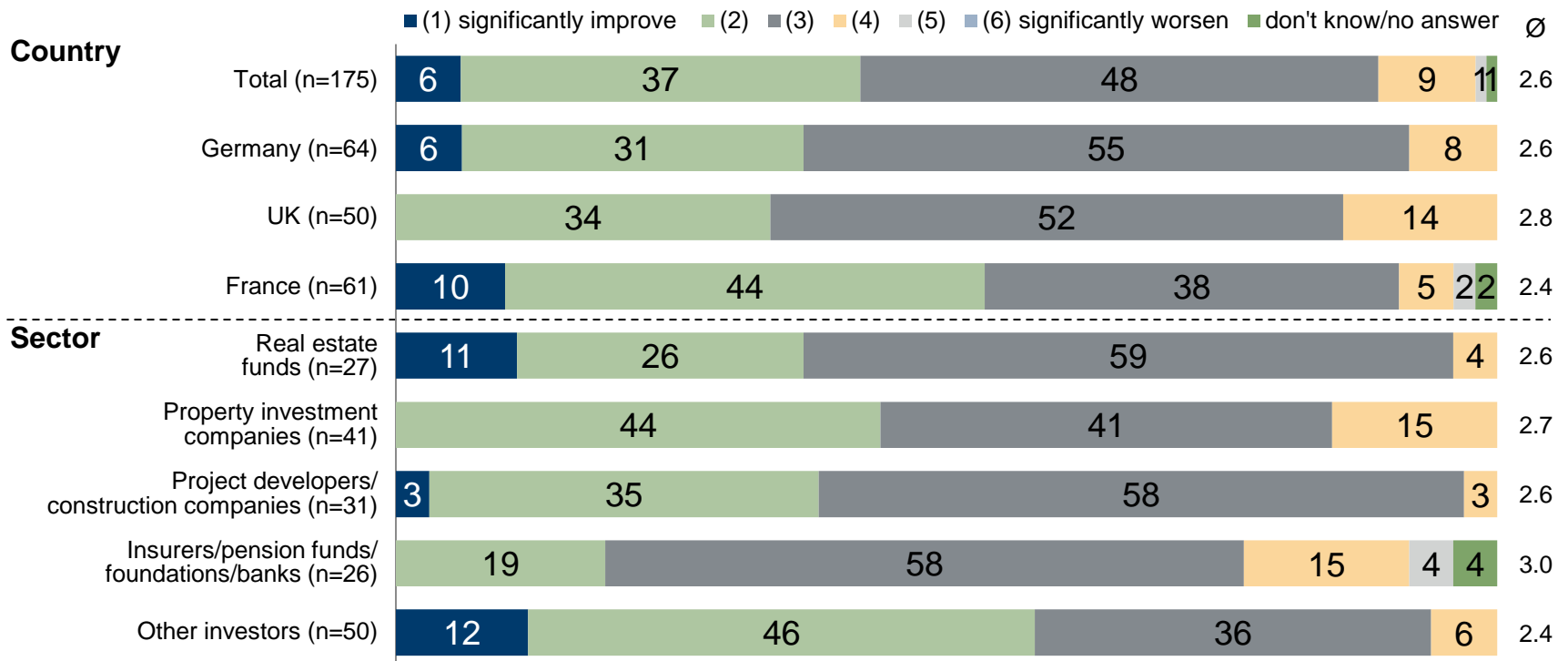


Base: All respondents (n=175); values in %

Question 9: Would you say that your company's economic situation is better or worse now compared to a year ago? Scale: 1 = "significantly better", 6 = "significantly worse"

French companies are positive about their economic situation going forward.

Assessment of own company's economic situation over the next 12 months

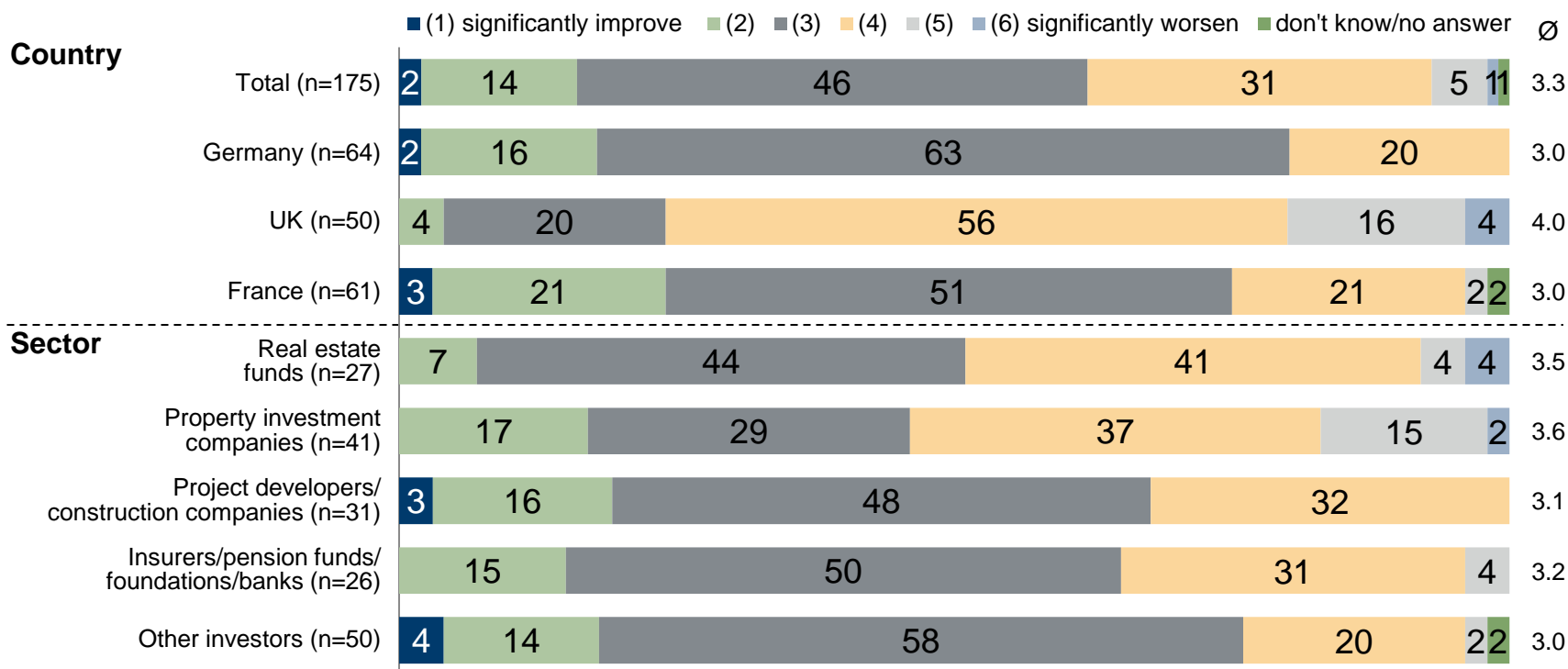


Base: All respondents (n=175); values in %

Question 10: Do you think that your company's economic situation will improve or get worse over the next 12 months? Scale: 1 = "significantly improve", 6 = "significantly worsen"

Relatively negative assessment of the general economic situation in the UK.

Assessment of general economy over the next 12 months



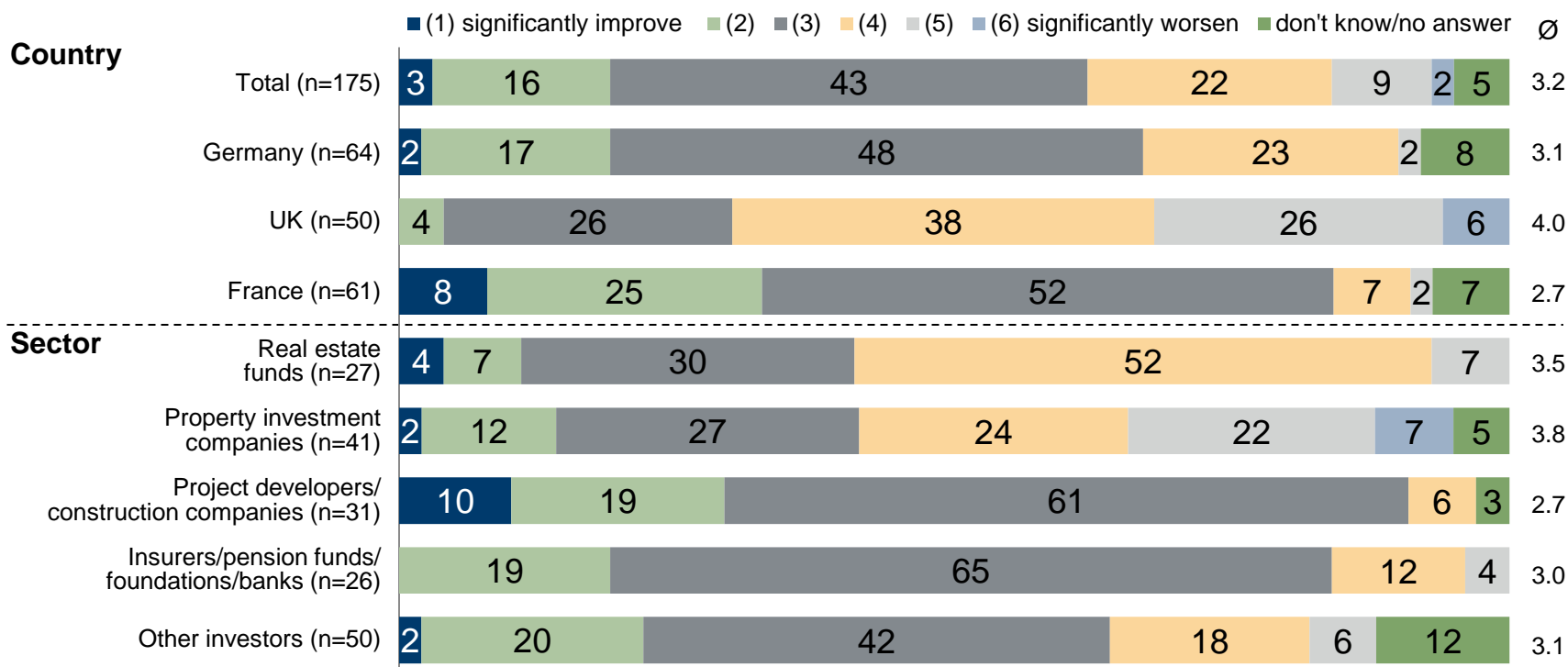
Base: All respondents (n=175); values in %

Question 11: And what about the general economic situation in (country) in 12 months?

Scale: 1 = "significantly improve", 6 = "significantly worsen"

The climate for investment in office properties over the next 12 months is mostly viewed with concern.

Assessment of investment climate for office properties over the next 12 months



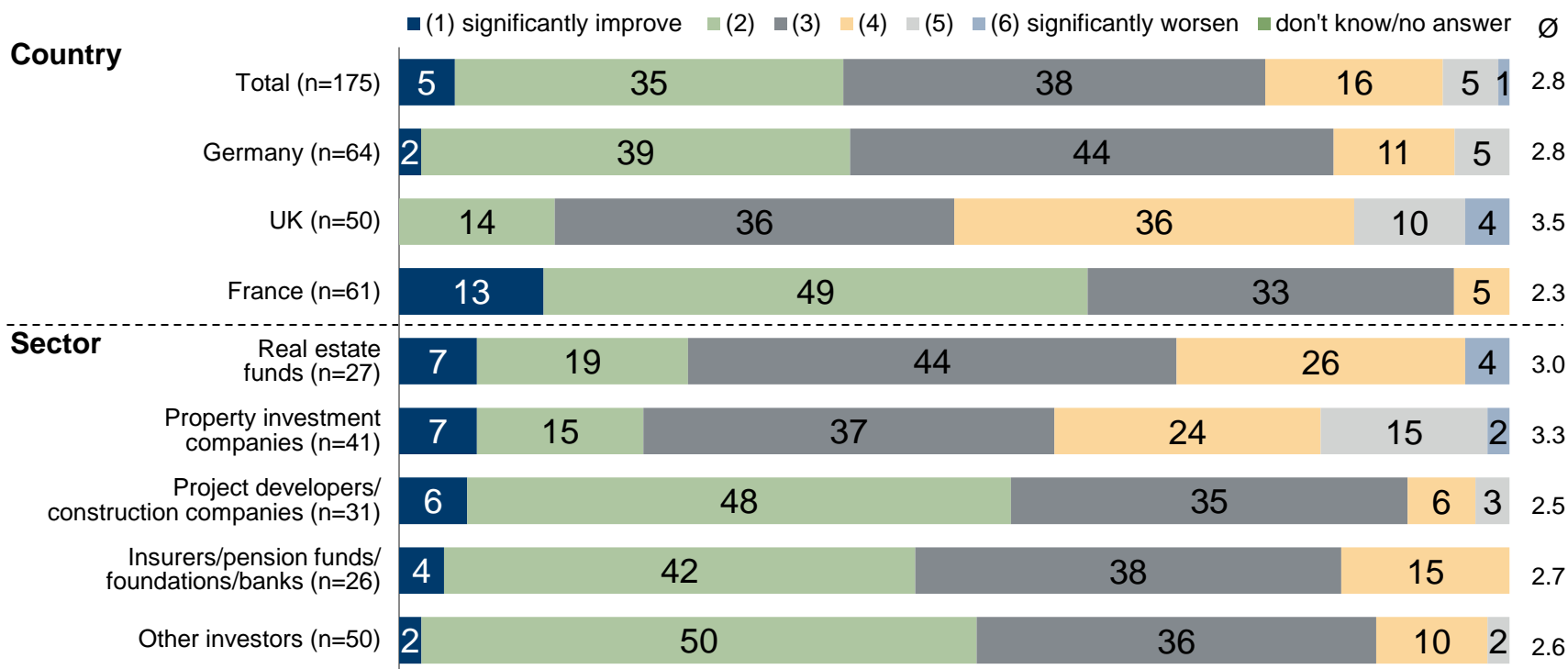
Base: All respondents (n=175) values in %

Question 12: And what about the climate for real estate investment in office buildings in (country) over the next 12 months?

Scale: 1 = "significantly improve", 6 = "significantly worsen"

More negative expectations in the UK regarding the investment climate over the next 12 months.

Assessment of investment climate for property over the next 12 months



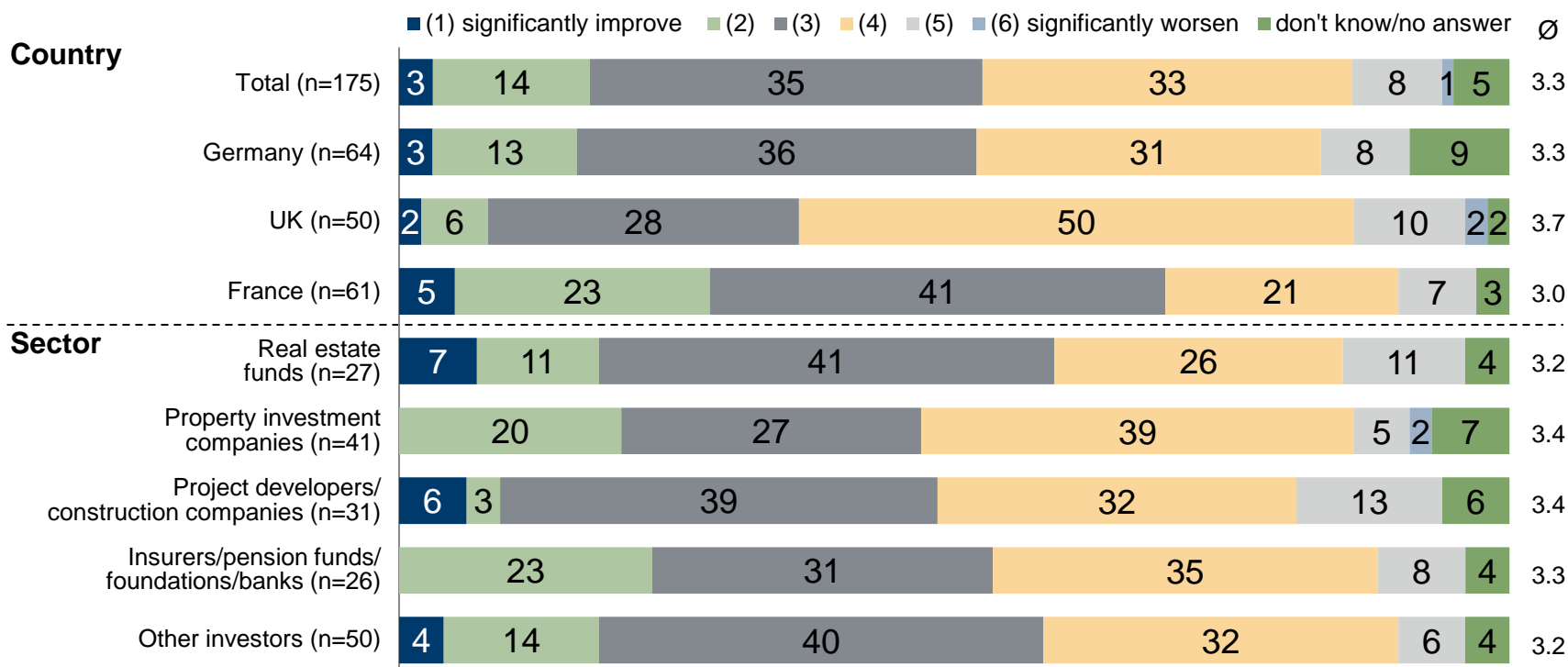
Base: All respondents (n=175); values in %

Question 13: Do you think that the willingness to invest in real estate will generally improve or worsen in (country) over the next 12 months?

Scale: 1 = "significantly improve", 6 = "significantly worsen"

Higher expectations with regard to investment in retail real estate in France.

Assessment of the climate for real estate investment in the retail sector over the next 12 months



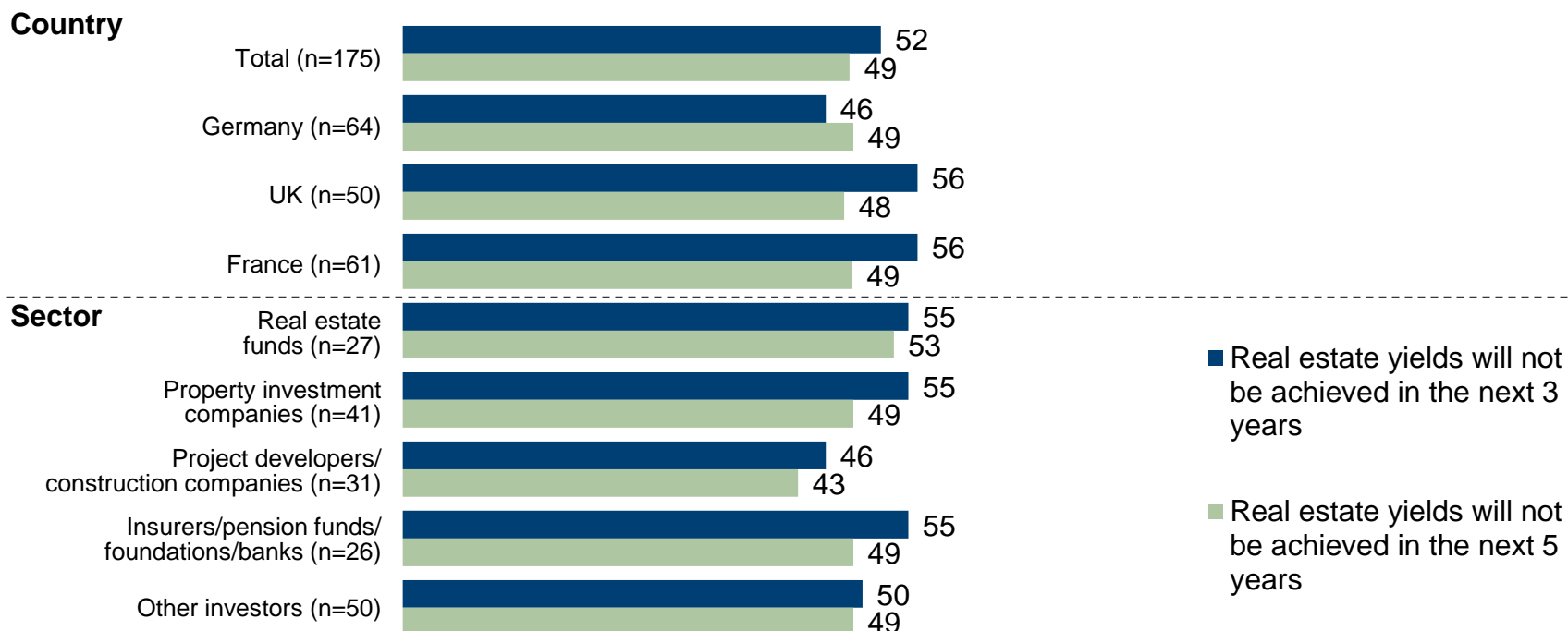
Base: All respondents (n=175); values in %

Question 14: And what about the climate for real estate investment in the retail sector in (country) over the next 12 months?

Scale: 1 = "significantly improve", 6 = "significantly worsen"

Half of real estate investors will not achieve their own real estate yield targets.

Achievement of own real estate yield targets – mean values



Base: All respondents (n=175); mean values

Question 17a1: Please consider the totality of real estate investors for a moment. How many real estate investors will NOT achieve their own real estate yield targets in the coming 3 years, according to your estimate?

Question 17a2: And how many real estate investors will NOT achieve their own real estate yield targets in the coming 5 years, according to your estimate?

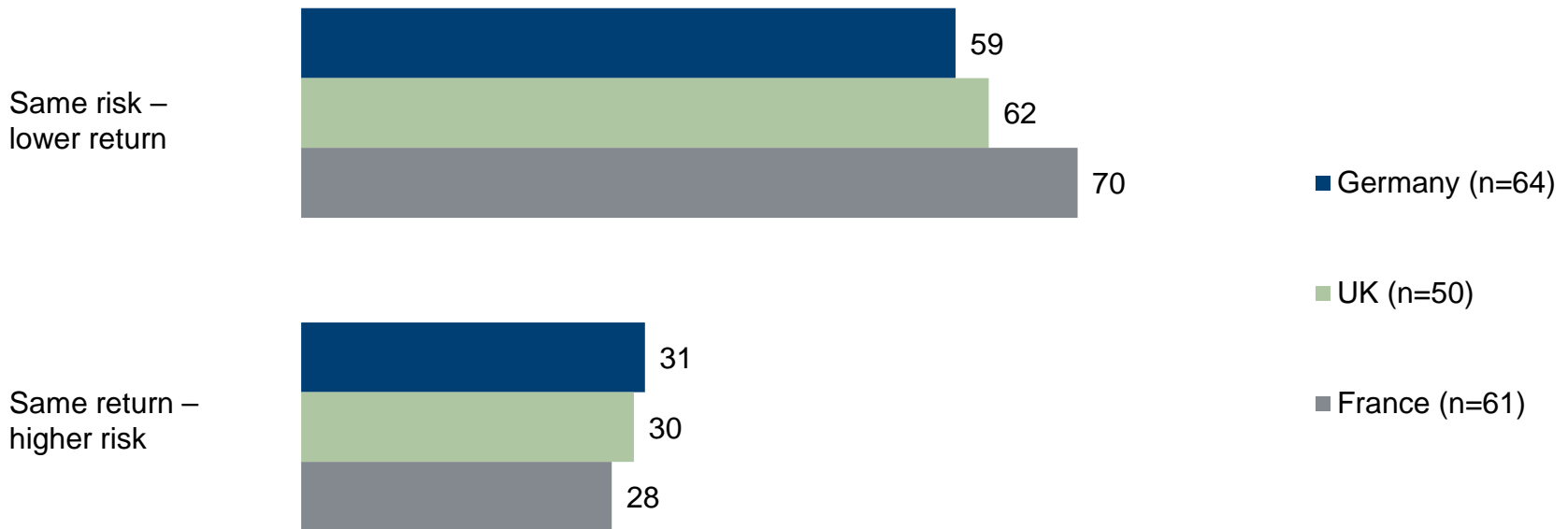
Overview

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Greater willingness to take on risk in investment strategies of German companies.

Attitude to risk in investment strategy

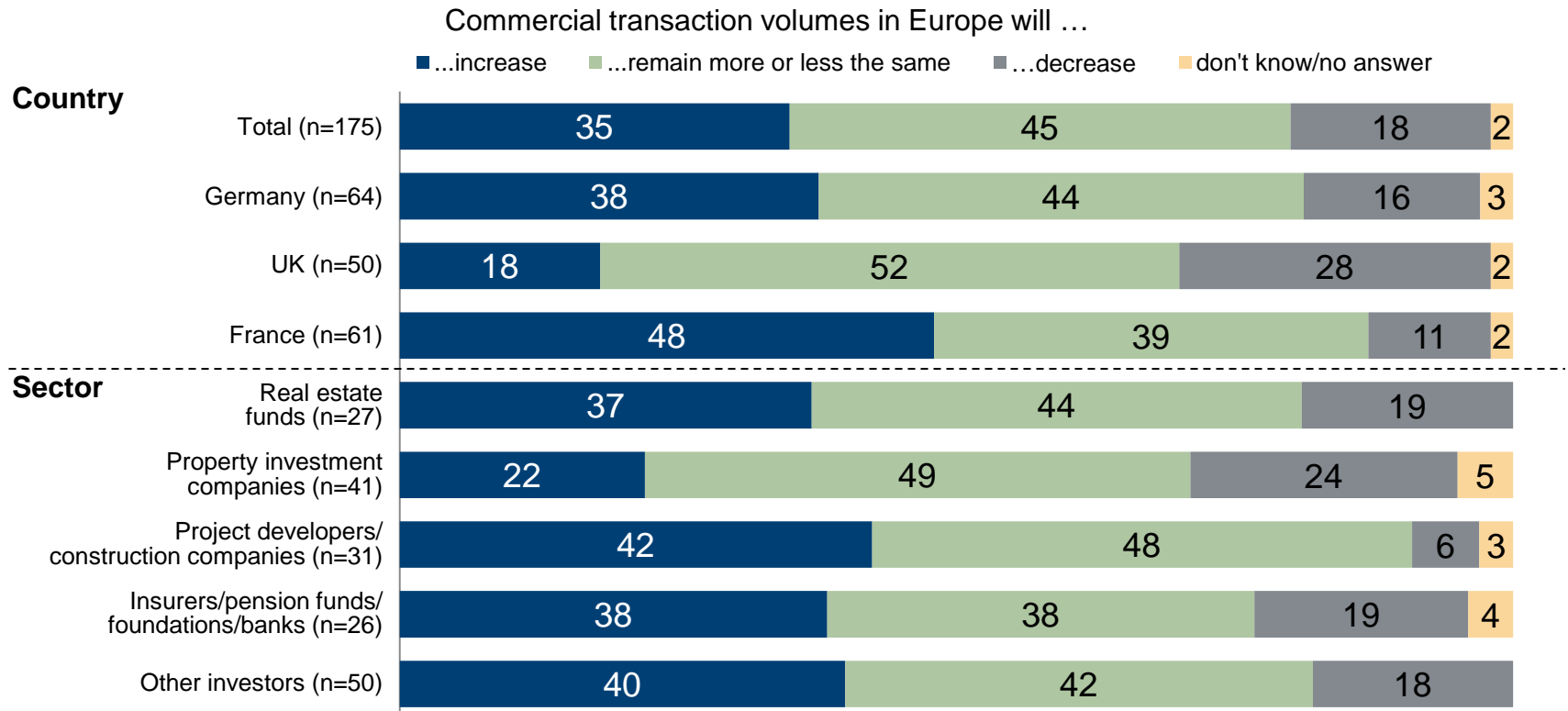


Base: All respondents (n=175); values in %

Question 19: Which investment strategy is your company pursuing in an ongoing low interest rate environment with continuing strong demand for real estate?

Around a third of respondents expect commercial transaction volumes in Europe to increase.

Development of commercial transaction volumes in Europe over the next 12 months



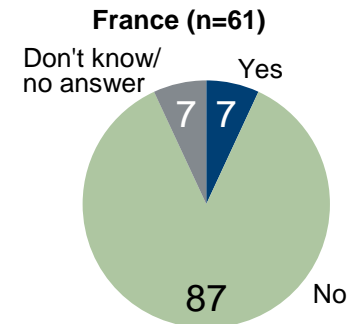
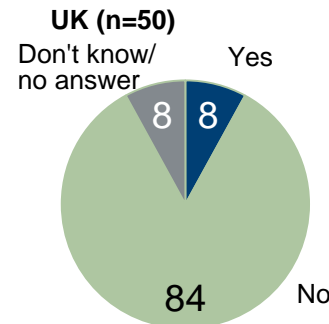
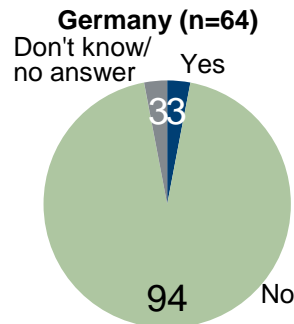
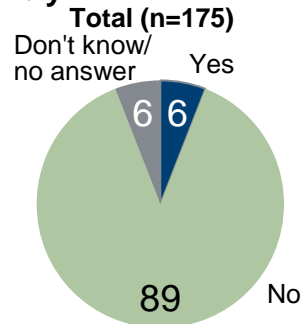
Base: All respondents (n=175); values in %

Question 21: In your opinion, how will commercial transaction volumes in Europe develop over the coming 12 months?

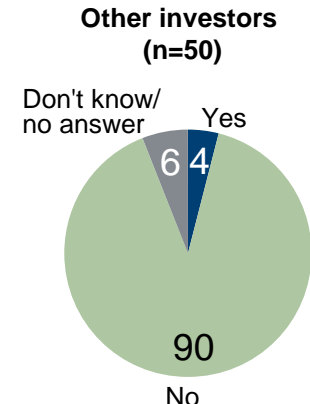
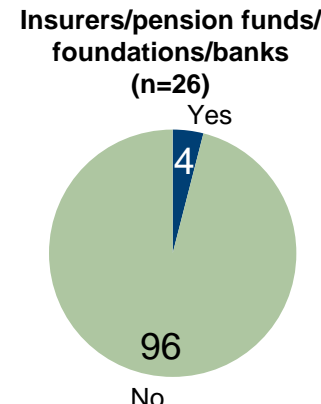
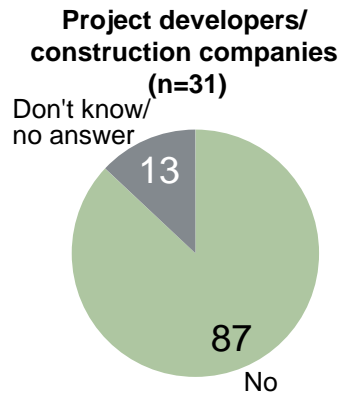
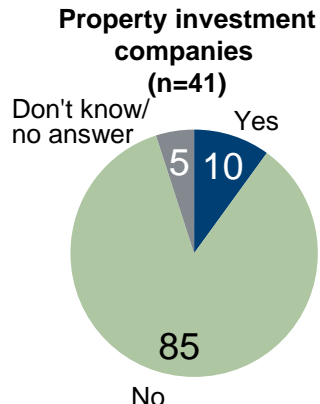
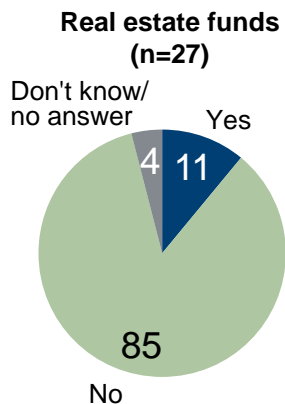
Vast majority will not scale back investment in Europe in favour of non-European markets.

Investment in Europe versus outside Europe

Country



Sector

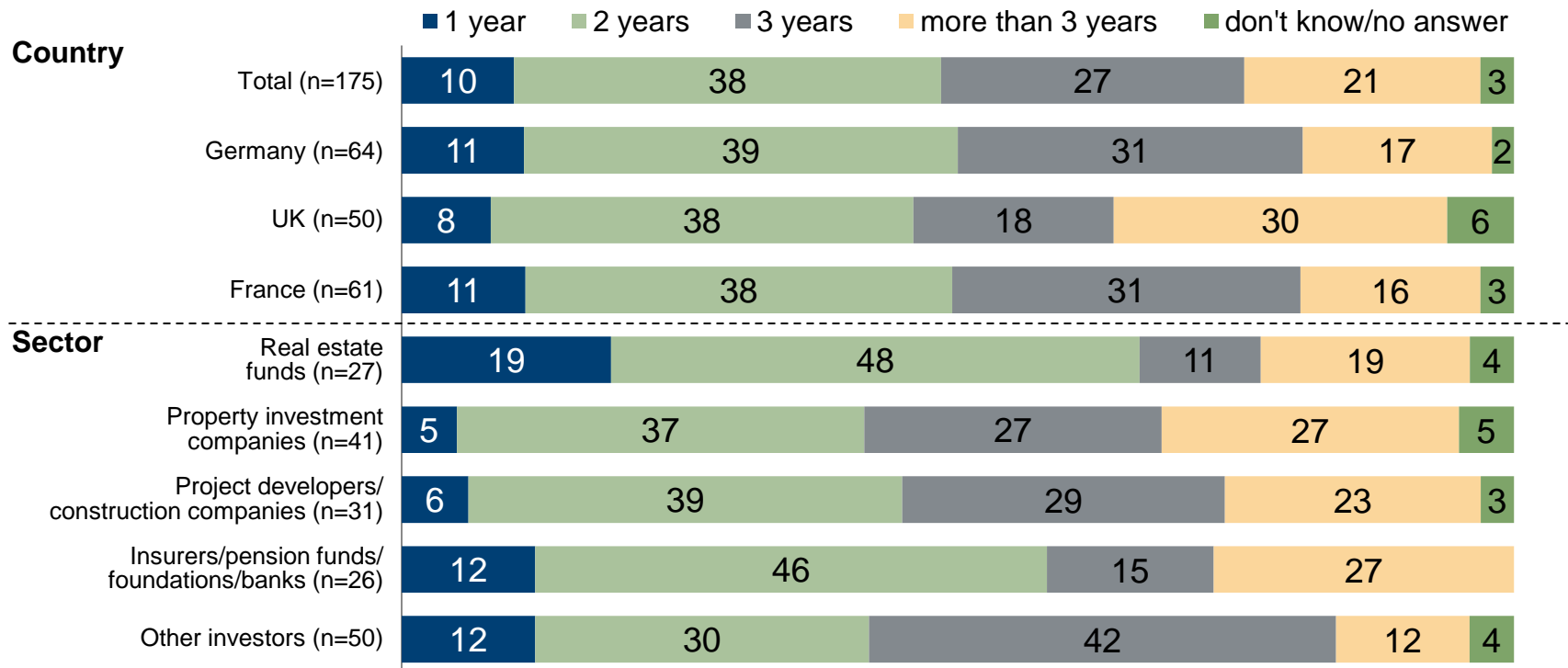


Base: All respondents (n=175); values in %

Question 22: Will you scale back investment in Europe in favour of markets outside Europe?

Almost half the companies surveyed expect the current property market cycle to last for another 1-2 years.

Duration of the current property market cycle



Base: All respondents (n=175); values in %

Question 23: How long will the current property market cycle continue?