Investor momentum, corporate consolidation

Global Market Perspective | Q3 2013

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Real value in a changing world

Global Market Perspective

Third Quarter 2013

Investor Momentum, Corporate Consolidation

If the potential tapering of quantitative easing and higher global interest rates has given the market pause for reflection, it seems only to be in passing, as the weight of money targeting commercial real estate has overridden prospects of monetary tightening, and global investment volumes have continued to grow at a brisk pace during the past quarter.

There is also mounting evidence that investors are moving up the risk curve, targeting value-added opportunities in primary markets, as well as high-quality assets in secondary cities. The global commercial investment market is firmly on track to achieve a fourth consecutive year of volume growth.

In contrast, 2013 is shaping up to be a year of consolidation for most major corporate occupiers, as decision-makers focus on efficiency gains and cost cutting. Momentum is building in the U.S. leasing markets, but corporate occupier demand in most major markets in Europe and Asia Pacific remains subdued. Nonetheless, there is good reason to be optimistic about leasing activity in 2014, as the world economy regains some vigour, business confidence improves and strong corporate balance sheets encourage increasing capital expenditure.

The key highlights from the **Third Quarter 2013 Global Market Perspective** are:

- **Economy:** Major shift in global sentiment as hopes build for recovery in the developed world
- **Investor Sentiment:** Rising long-term interest rates cause market reflection
- **Investor Activity:** Momentum builds - transaction volumes up 10% year-on-year to US$121 billion in Q2 2013
- **Investment Outlook:** Volumes expected to be close to US$500 billion for full-year 2013
- **Risk:** Investors move up the risk curve, targeting secondary cities in the United States and Europe
- **Yields:** Further yield compression on selective prime office assets. 4.3% year-on-year capital value growth
- **Leasing:** Leasing activity expected to remain flat for full-year 2013. Encouraging signs for uplift next year
- **Corporate Sentiment:** Transitioning from ‘wait and see’ in 2013 to activity driven by strategic intent in 2014
- **Supply:** Global supply pipeline under control. Office vacancy rate stands at 13.3%
- **Rents:** Office rental growth subdued at 1.3% year-on-year. Circa 2-3% growth projected for full-year 2013
- **Retail:** Northern Europe’s prime retail locations perform strongly. Optimism finally returning to U.S. retail sector
- **Industrial:** Multi-channel retailing drives warehousing demand. Developers eye a strengthening U.S. market
- **Hotels:** Strong pickup in investment. Full-year 2013 forecasts expected to be exceeded. Private equity buyers shape the upward trend
- **Residential:** U.S. for-sale housing market improving. Tightening measures dampen sales growth in Asian markets
- **Key Transactions:** Tokyo registers sharp year-on-year increase in deals during H1 2013

Global Market Perspective

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Global Economy

Major shifts in global sentiment as hopes build for recovery in the developed world

The second quarter of 2013 marked some significant shifts in global sentiment as the shape of the recovery from the Global Financial Crisis becomes clearer. The U.S. upturn is now well enough established for the Federal Reserve to announce that it may begin to wind down its asset purchases later in the year, but this news initially sent shockwaves through global markets. Other developed economies are clearly lagging the United States. However, the UK and Japan witnessed more positive economic developments in Q2, and even in the Eurozone there were more encouraging signs. At the same time, expectations for growth in emerging markets have been downgraded, most notably in China, while political problems in Turkey and Brazil have provided a reminder of the risks in these less mature economies.

Revisions to the latest macroeconomic forecasts have reflected, for the most part, these broader shifts. Surprisingly, the U.S. growth figure has been revised down fairly sharply for 2013, although this largely indicates a poorer than expected Q1 rather than concerns about the immediate outlook. Improved sentiment in both the UK and Japan followed a run of better economic data after an equivocal start to 2013. By contrast, the high flyers of Asia are now seeing a tempering of expectations relative to the recent past.

It was a quieter quarter for the Eurozone. Economic data continued to be grim as the single currency area entered its sixth consecutive quarter of contraction, the longest slump on record and more protracted than even 2008-2009. Nevertheless, the outlook has kept broadly stable, with no new financial strains emerging and a growing feeling that the worst of the fiscal adjustment may now be over. While uncertainty will remain higher than in the other regions and the headwinds will be strong, there are tentative signs that a corner is being turned in Europe.

GDP Projections 2013 in Major Economies – Recent Movements

	Australia	China	France	Germany	India	Japan	UK	USA
April 2013	2.5	8.1	-0.4	0.7	6.0	0.8	0.7	2.0
July 2013 (Latest)	2.4	7.5	-0.5	0.5	5.1	1.7	1.1	1.6
Change (bps)	-10	-60	-10	-20	-90	+90	+40	-40

Source: IHS Global Insight, July 2013

Fed announcement triggers market uncertainty

The Fed's announcement of the potential beginnings of its 'taper' later this year was not entirely unexpected, but it triggered a stronger change in market sentiment than most commentators had anticipated. In the days after the statement, long-term interest rates in the U.S. and many other advanced economies jumped by over 50 bps. Although a phased ending of quantitative easing in the U.S. represents only a reduction of stimulus as the economic recovery becomes self-sustaining, many interpreted this as a sign that policy rates could tighten earlier than previously forecast.

In the ensuing weeks following the Fed's announcement, Central Banks in the West acted to dampen any monetary speculation. Both the Bank of England and European Central Bank issued reassurances that there were no plans to hike policy rates in the foreseeable future, whatever happens in the U.S. The Fed also went to some pains to explain its thinking and to highlight that this move could be reversed if the recovery falters.

While bond yields have since stabilised, there has been no unwinding of the previous jump, which raises some concerns about the outlook, even if short-term rates remain low. The U.S. recovery is unlikely to be derailed by higher long-term rates, though the fear is that other economies may be more at risk, not least because of the impact on fiscal consolidation. But the move must be seen in context. Before June, long-term rates were at unprecedentedly low levels and, even after the rise, rates are well below the peaks of two years ago. The key to the outlook will be the pace of change. Further steady increases in bond rates should be a welcome sign that recovery is establishing itself in the developed world and that monetary conditions are returning to normal. By contrast, further volatility and instability in market expectations will reflect continued uncertainty and will potentially be more damaging. Central Banks will be keen to avert the second scenario.

In terms of the underlying drivers of monetary conditions, inflation rates have eased over the last year, allowing many countries scope to cut short-term interest rates to boost flagging activity. This year, annual consumer price inflation rates are forecast to edge down further, though inertia in commodity prices is expected to limit the improvement. However, as global demand pressures intensify again, a partial reversal is likely over the medium term. Even so, inflation rates are expected to remain consistent with government targets in the developed world, suggesting that there will be no additional pressure there to raise rates more rapidly as the recovery broadens.

No rapid rebound, but signs that the worst may be over

While optimism about the global recovery is building, especially in the developed world, the benefits are unlikely to be felt immediately and output expectations for 2013 have generally been downgraded. World GDP is now set to increase by 2.4% this year. This compares poorly with a 10-year annual average of almost 3%, and would also mean that 2013 is the weakest year for global activity since the trough of 2009. From next year, however, the outlook improves steadily.

Sentiment has recently emphasised the political risks in emerging markets and highlighted the potential downside to their economic dynamism. But demand in emerging markets is forecast to improve after a pause this year, as the policy squeeze becomes less severe and these economies benefit from healthier exports to the West. In the developed world, after growth of just 1% this year (a four-year low), there is an even stronger acceleration next year led by a revived U.S.

Optimism about the **U.S.** recovery has continued to build, with healthy payroll increases, improving confidence and rising house prices supporting the consumer recovery. Forecasts for 2013 have been revised down from 2.0% to 1.6%, thanks to disappointing Q1 data, but the outlook for the second half of the year remains relatively healthy. There are still concerns about the impact of the fiscal tightening and of the reduced monetary stimulus from later this year; however, the signs are that the private sector revival is robust enough to overcome these obstacles. In **Mexico** and **Canada**, the pattern of growth is similar to the U.S. with a dip this year followed by a solid upturn from 2014, while in Latin America **Brazil** will lead an upturn from this year supported by a recovery in commodity exports.

Conditions in the **Eurozone** are expected to improve in H2 2013, although this will not be enough to prevent GDP falling in the year as a whole. Also, while the outlook is better, more significant headwinds persist than in other regions, including ongoing fiscal tightening, private sector deleveraging and the impact of record unemployment. The strongest economy, **Germany**, is forecast to show growth of only 0.5% in 2013, undermined by weakness in its neighbours. **France** will remain in recession this year, while the deeper contractions in **Spain** and **Italy** cause the greatest concerns.

Outside the single currency area, prospects are brighter. More robust economic developments in the **UK** during Q2 have led to a sharp upward revision in expectations for this year, albeit that growth remains subdued and the economy is still further behind in its recovery than most of its competitors. Growth is expected in both **Sweden** and **Norway**, but Eurozone weakness continues to hit exports and undermine performance in the Nordics.

Emerging Europe is the regional hotspot, but even there the outlook is uneven. CEE economies continue to be constrained by a weak Eurozone, with **Poland**'s growth dipping to a decade low. Oil-exporting CIS states remain robust, driven by expansion in **Russia (**albeit slightly slower than last year), while an upturn is in prospect for **Turkey** as well, despite its political difficulties. The **Middle East and North Africa** is expected to maintain a solid momentum against a background of lower commodity prices.

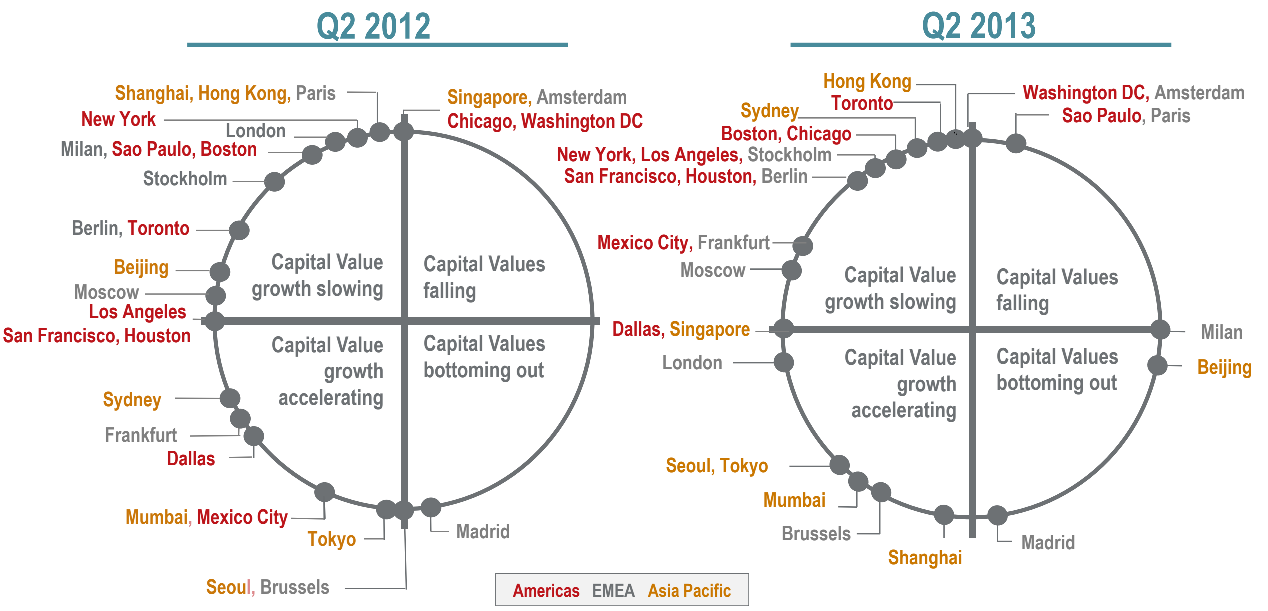
Despite some setbacks, **Asian** markets will continue to drive global growth this year and beyond. In **China**, concerns about the slowdown persist and, although the deceleration is modest, a 7.5% GDP increase this year will be the most sluggish since 1999. The medium-term risks remain too, as the Chinese authorities attempt to rebalance growth towards consumers and deflate any potential asset bubbles. **India**'s outlook is set to improve, helped by monetary easing and depreciation, although the speed of recovery is likely to be slow partly due to reform challenges. **Japan**'s prospects have been reinforced by another quarter of strong data and ongoing monetary stimulus, so growth expectations for this year and next remain the best since the recession.

Global Property

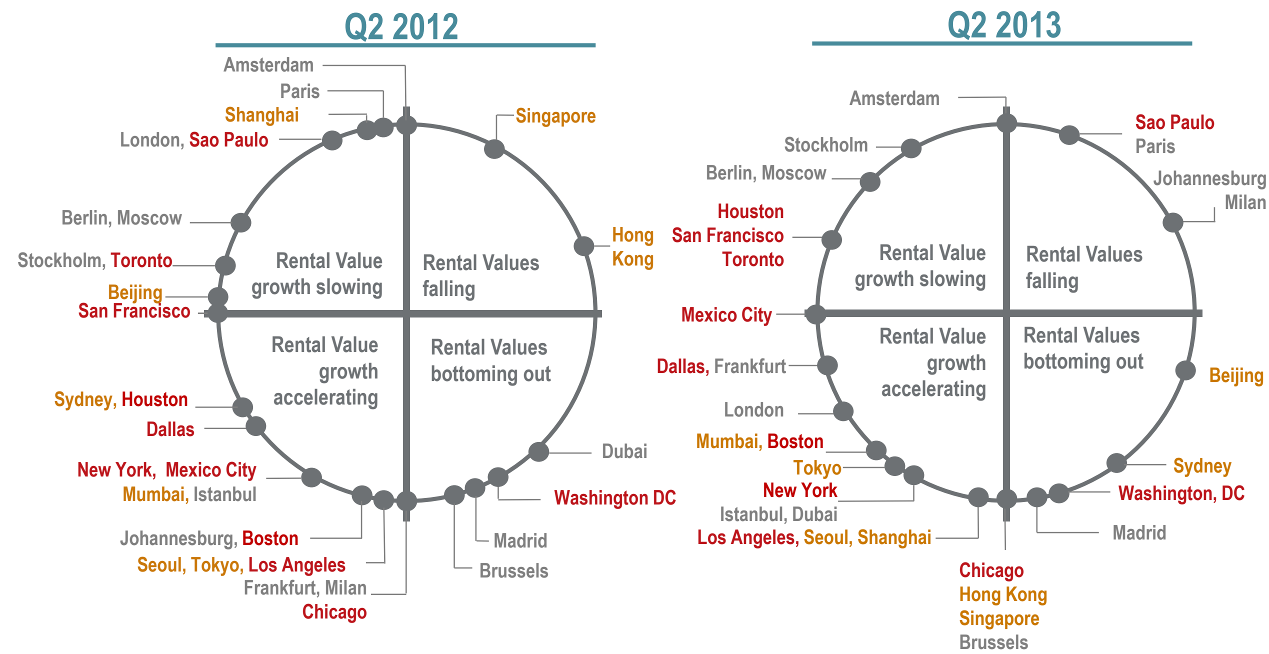
Markets diverge

Commercial real estate investment activity continues to surge ahead across the globe, with transactional volumes (on an annualised basis) at their highest level since Q3 2008. However, the leasing markets are far more patchy with conditions varying significantly on a market-by-market basis. On the one hand, robust market fundamentals characterise many technology clusters such as **San Francisco** and **Seattle**, and energy hubs like **Houston** and **Oslo**, as well as developing MIST markets, most notably **Mexico City** and **Jakarta**. On the other hand, in cities such as **Beijing** and **Sao Paulo**, markets are now softening following several years of exceptional growth. Meanwhile, in the global 'super-cities' - **London**, **New York**, **Tokyo**, **Hong Kong** and **Singapore** – there are tentative signs of renewed vigour after a challenging 2011 and 2012. The global office rental clock clearly shows this divergence in leasing market conditions.

Prime Offices - Capital Value Clock, Q2 2012 v Q2 2013



Prime Offices - Rental Clock, Q2 2012 v Q2 2013



Based on notional capital values and rents for Grade A space in CBD or equivalent. Source: Jones Lang LaSalle, July 2013

Capital Markets Outlook

Full-year 2013 volumes could breach US$500 billion

With the first half of 2013 yielding US$225 billion in global investment transactions, we retain our forecast of full-year 2013 volumes being between **US$450-500 billion,** marking the fourth consecutive year of growth. In fact, the possibility has increased that the US$500 billion threshold may be exceeded, with recent history suggesting that the second half of the year, and the final quarter especially, will boost full-year volumes.

A drop off in activity in the third quarter is likely as many investors consider the duelling factors of an improving global economy with the rising costs of financing. Nonetheless, such is the weight of money entering the sector - from institutions increasing allocations or entering the sector for the first time; from private equity deploying capital; and from high-net-worth individuals looking to commercial real estate to preserve wealth and broaden their investment portfolio - that the level of transactional activity recorded over the first half looks set to be maintained through the remainder of the year.

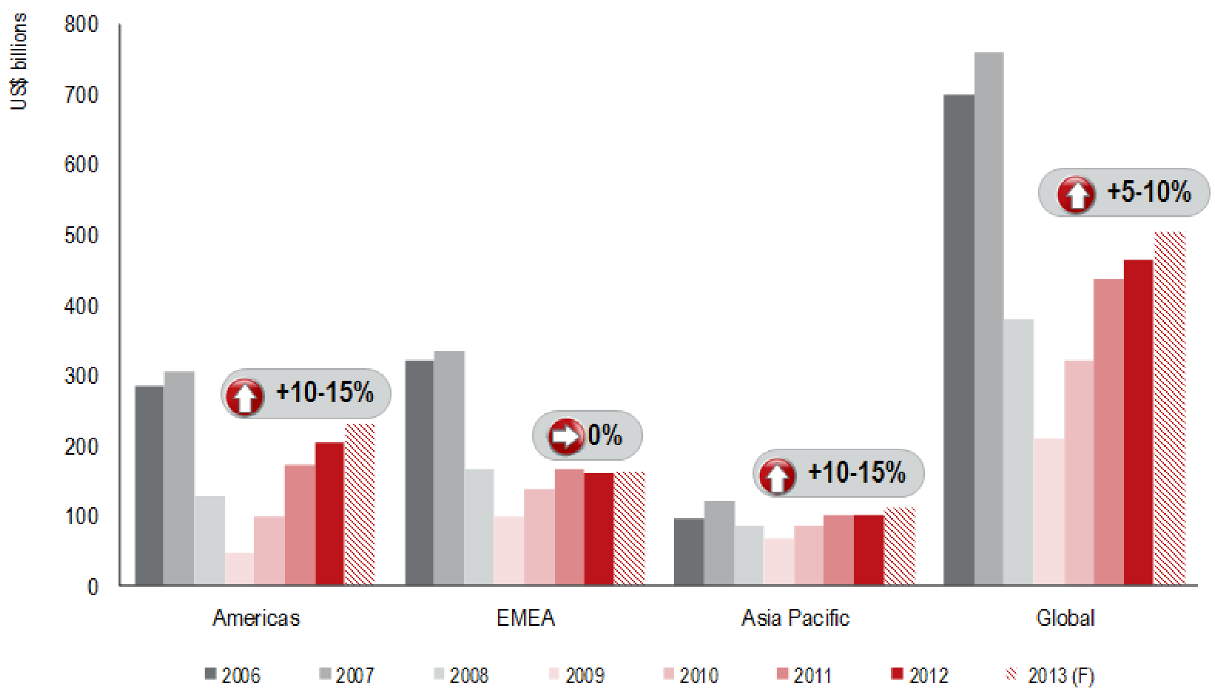
As yields are driven down on prime assets, investors are setting their sights up the risk curve and we expect more investors to consider top-quality deals in secondary markets. In addition, value-add investment opportunities in primary markets are also garnering more interest. Safety and stability will remain the favoured approach, but there will be a subset of investors who will incrementally test risk thresholds as the market gains further momentum.

In the **U.S.** we anticipate that, following an immediate period of volatility and somewhat longer closing times, sales activity will snap back smartly later in the third and fourth quarters, and that full-year 2013 volumes will increase 10-15% over 2012 levels.

Despite increased activity in **Europe** in H1 2013, we are maintaining our full-year 2013 forecast at around US$160 billion, in line with activity last year. However, if investor momentum is maintained, we may see some upside potential.

Despite volumes in H1 coming in ahead of expectation in **Asia Pacific**, some of the larger markets could slow from their strong first half results. There has been a wave of larger deals over the past six months, as well as numerous portfolio and IPO transactions, that are unlikely to be repeated at the same pace over H2. As a result, we maintain a conservative full-year forecast for 2013 of US$110 billion (+10-15% on 2012) with potential for upside.

Direct Commercial Real Estate Investment, 2006-2013



Source: Jones Lang LaSalle, July 2013

Leasing Markets Outlook

A year of consolidation

2013 is shaping up to be a year of consolidation for many corporations, with decision-makers continuing to adopt a 'wait and see' approach. Global leasing activity has remained muted, with H1 2013 volumes marginally lower (-2%) than the first half of 2012. While the second half of 2013 is expected to be better that the first, full-year volumes are unlikely to exceed 2012 levels, which itself was a disappointing year. However, with the economic outlook picking up, improving business sentiment and record corporate profits being made, the scene is set for a stronger global leasing market in 2014.

Momentum in the **U.S.** office market is mounting, with touring velocity (a lead indicator of future activity) edging up and leasing activity continuing to broaden and diversify across more cities. Full-year 2013 volumes are expected to be up to 5% higher than in 2012.

In **Europe**, corporate occupiers remain cost-sensitive and decisions are still being postponed. European office leasing volumes for the full-year 2013 are projected to stay just below the 10-year average and slightly under the 2012 out-turn. There are bright spots however; **London** is improving, activity in major CEE markets (**Moscow** and **Warsaw**) is growing, and demand is recovering in some of 'peripheral' Europe – notably **Madrid** and **Dublin -** but from a low base.

In **Asia Pacific**, we expect 2013 gross leasing volumes to be around 10-15% below 2012 levels. Financial centres continue to be weak, **China** has seen a slowdown in demand from MNCs, and some **Australian** markets are experiencing negative net absorption. On the positive side, Asian corporations are now playing a more significant role in the regional leasing markets. In addition, demand is strong in both Emerging South East Asian cities (e.g. **Jakarta**, **Manila**) and major regional hubs in inland China (e.g. **Chengdu**, **Wuhan**).

Global supply pipeline under control

While office construction is rising from an historic low point in 2012, globally new deliveries will still be well below trend over the next 18 months. Shortages of high-quality CBD space are likely to intensify, particularly when, as anticipated, leasing activity improves in 2014. Global vacancy is expected to edge down in H2 2013 to close to 13% by year-end, with anticipated falls in the U.S. vacancy rate compensating for further supply increases in Asia Pacific and Latin America.

Rental growth matches inflation

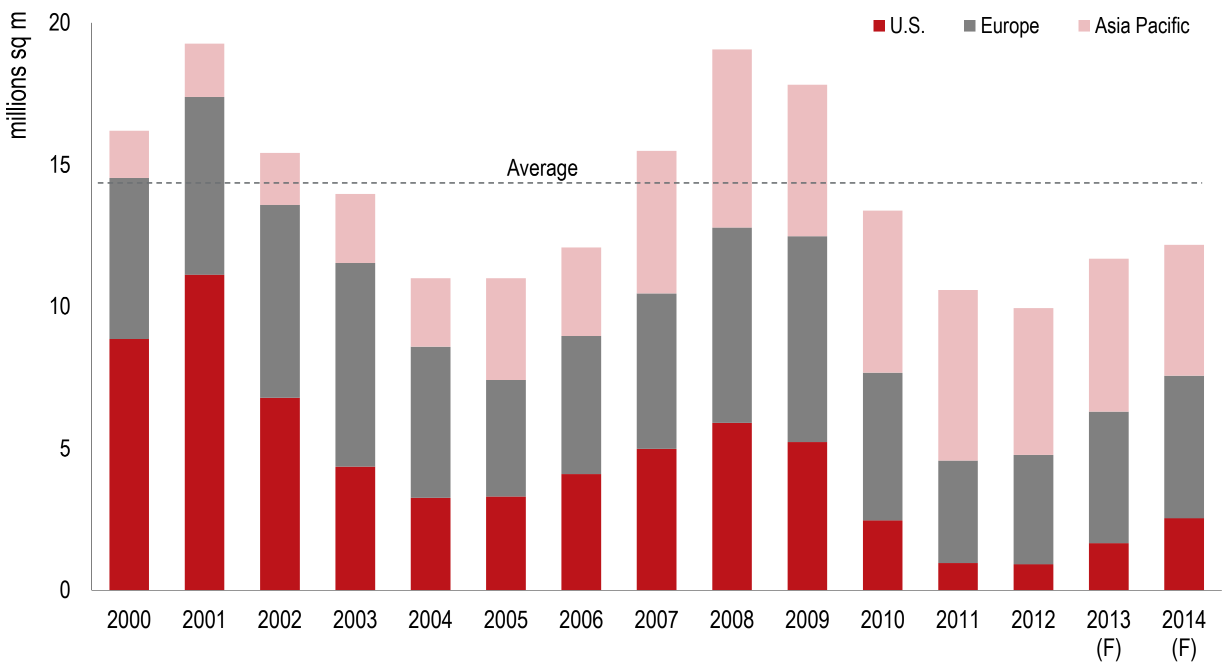
Prime rental growth for full-year 2013 is projected to be around 2-3% (on aggregate for 25 major markets). **San Francisco** is anticipated to show the strongest rental performance in 2013 at 10-15%, having already achieved 6% in H1. **Dubai** is on track to rebound strongly during the year from its deep four-year recession. **Mexico City, Tokyo, London** and **Frankfurt** are also forecast to register above average rental growth (+5-10%) for the full-year. **Beijing** is moving firmly into negative territory, while weak absorption is dampening rental prospects in **Sydney**.

Prime Offices – Projected Value Changes in 2013

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

* New York – Midtown, London – West End, Paris - CBD. Nominal rates in local currency
Source: Jones Lang LaSalle, July 2013

Global Office Construction Trends, 2000-2014



24 markets in Europe; 25 markets in Asia Pacific; 44 markets in the U.S. Asia relates to Grade A space only
Source: Jones Lang LaSalle, July 2013

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	3.7%	na	-60%	6.6%	8.3%	na	6.6%	33.0%	31.0%	22.0%
Frankfurt	0.5%	0.13	35%	4.1%	4.8%	302	3.0%	2.0%	12.0%	4.3%
Hong Kong	3.1%	na	2%	3.6%	2.9%	84	-3.8%	1.0%	3.4%	2.6%
London	1.1%	-0.07	2%	2.6%	4.0%	156	2.6%	-0.4%	6.0%	5.9%
Moscow	2.8%	-0.26	33%	-1.4%	8.8%	105	-4.2%	6.3%	13.1%	13.9%
Mumbai	5.1%	0.09	-77%	3.7%	10.1%	270	3.4%	11.3%	23.8%	17.8%
New York	1.6%	0.07	27%	0.5%	4.6%	212	2.7%	-1.1%	12.1%	1.8%
Paris	-0.5%	-0.05	-14%	-1.0%	4.5%	215	-6.2%	0.7%	6.9%	3.3%
Sao Paulo	2.4%	-0.16	26%	8.1%	9.0%	na	2.4%	6.8%	17.6%	29.4%
Shanghai	7.5%	-0.07	-22%	-0.1%	6.0%	235	0.7%	12.8%	13.1%	28.9%
Singapore	2.2%	na	31%	7.8%	3.2%	48	-3.1%	5.5%	5.4%	9.5%
Sydney	2.4%	-0.17	31%	5.0%	6.8%	299	-4.7%	-0.8%	10.3%	2.6%
Tokyo	1.7%	0.23	23%	4.7%	3.8%	296	4.7%	4.3%	4.6%	10.7%

Real estate data as at end Q2 2013

Definitions and Sources

National GDP: Change in Real GDP. National Projection, 2013. Source: IHS Global Insight

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: Jones Lang LaSalle

Capital Value Change: Notional Prime Office Capital Values. Year-on-Year Change. Latest Quarter. Source: Jones Lang LaSalle

Prime Yield: Indicative Yield on Prime/Grade A Offices. Latest Quarter. Source: Jones Lang LaSalle

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

Rental Change: Prime Office Rents. Year-on-Year Change. Latest Quarter. Source: Jones Lang LaSalle

Net Absorption: Annual Net Absorption as % of Occupied Office Stock. Rolling Annual. Source: Jones Lang LaSalle

Vacancy Rate: Metro Area Office Vacancy Rate. Latest Quarter. Source: Jones Lang LaSalle

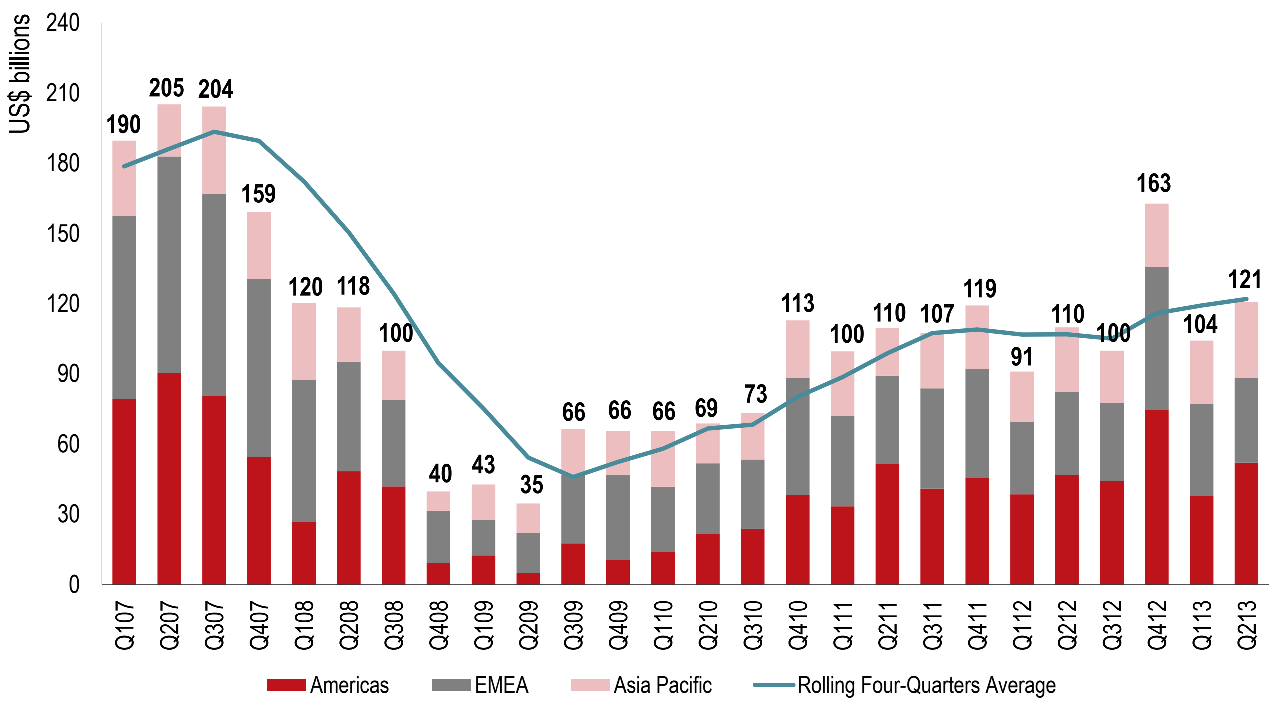
Supply Pipeline: Metro Area Office Completions (2013-2014) as % of Existing Stock. Source: Jones Lang LaSalle

Real Estate Capital

Markets continue to rally

In recent weeks, changes in the long-term and, in some countries, short-term interest rates have triggered increased debate about tightening monetary policies and their implications for the wider global economy. The **United States** and **China** have been in the headlines for contrasting but essentially the same reasons: a perceived reduction of liquidity and cheap money. In reality, higher long-term rates could in part reflect a more positive outlook for the global economy and a return of pricing to a more neutral level. At present, this interest rate movement across developed and emerging economies has had little effect on global transactional volumes, primarily because the majority of deals are being undertaken with conservative levels of debt and the increase in pricing is yet to feed through to activity. As such, global transactional levels for Q2 2013 are at **US$121 billion**, which is 16% higher than Q1 2012. Over the first half of the year volumes are 12% higher than the first half of last year, with all three global regions seeing an increase in transactional activity.

Direct Commercial Real Estate Investment - Quarterly Trends, 2007-2013



Source: Jones Lang LaSalle, July 2013

Direct Commercial Real Estate Investment - Regional Volumes, 2012-2013

US$ billions	Q1 13	Q2 13	q-o-q change Q1 13 - Q2 13	Q2 12	y-o-y change Q2 12 - Q2 13	H1 12	H1 13	% change H1 12 - H1 13
Americas	38	52	37%	47	11%	85	90	5%
EMEA	39	36	-8%	35	2%	66	75	14%
Asia Pacific	27	33	21%	28	18%	49	60	21%
TOTAL	**104**	**121**	**16%**	**110**	**10%**	**201**	**225**	**12%**

Source: Jones Lang LaSalle, July 2013

Strong second quarter in the Americas

The Americas continues to see more consistent transactional volume growth than other global regions, with activity expanding beyond the **U.S.** into the neighbouring markets of **Canada** and **Mexico** in the second quarter. This wider spread of activity produced a 37% increase in quarter-on-quarter investment volumes to **US$52 billion**, which is 11% higher than this time last year. Over the first half of the year the region is 5% higher than for the same period in 2012. The Canadian and Mexican markets were boosted in Q2 by a few large portfolio deals, whereas South America recorded only slightly over US$0.5 billion in transactional activity.

Higher rates prompt reflection

The **United States** is still the engine of much of this growth with an 18% year-on-year increase. Although it remains the country most at risk from an overreaction in the debt markets, the broader economic figures bode well for an improvement in the property fundamentals over the short to medium term. Investor concern has focused on the Federal Reserve indicating a likely tapering of its US$85 billion monthly bond-buying programme later this year. This move prompted a swift 60+ basis point spike in Treasuries and a 35+ bps widening of highly-rated CMBS spreads, along with a similar rise in commercial mortgage rates. As a consequence, we are starting to see some stress on certain loans in the real estate closing process and on new acquisitions requiring debt to facilitate. While CMBS volumes, for instance, have been strong through H1 2013 to support investment activity, competition has increased, but ample capital is still available from the likes of balance sheet lenders such as life insurance companies and banks. Overall debt markets remain favourable, and the various groups of lenders are continuing to support investment activity in both primary and secondary markets.

Investors extend search to U.S. suburban and secondary markets

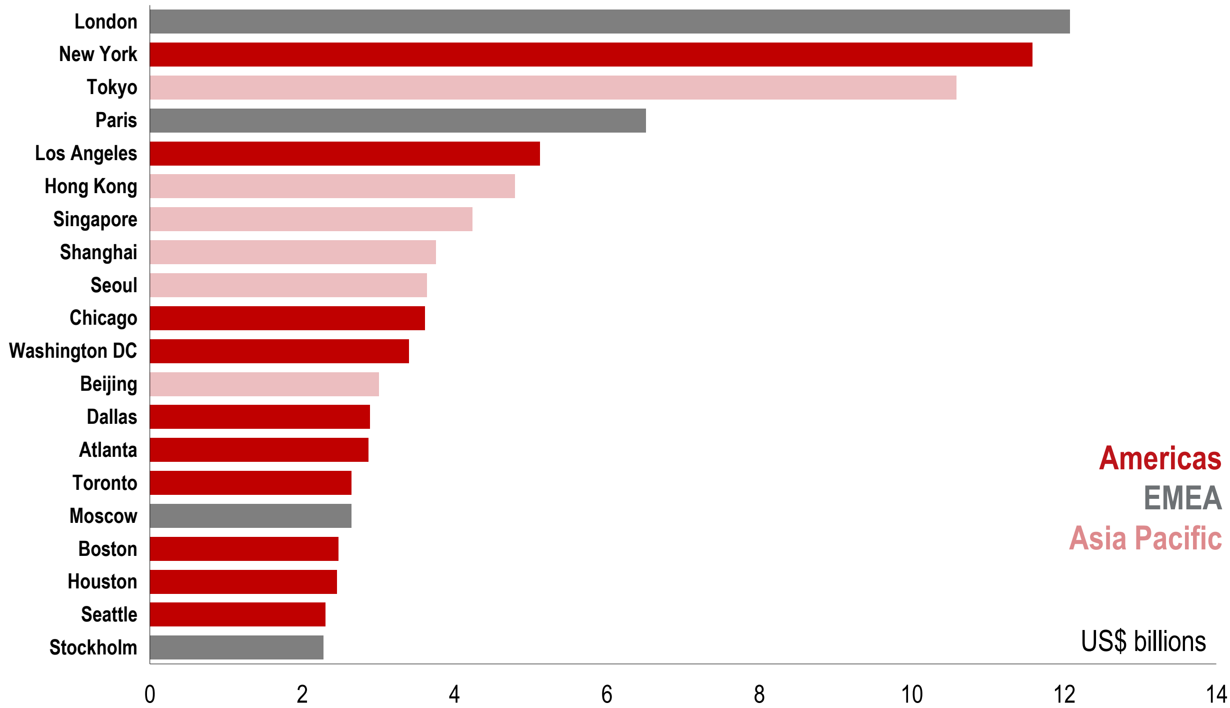
Thus far in 2013, most primary markets have continued to set a solid pace in office transaction volumes. Activity has been bolstered by fairly large office CBD deals in **New York**, **Chicago** and **Washington DC**, bringing primary market share to 53% in the first half of the year. Foreign capital has been particularly evident in these markets, notably from South Korea, the Middle East and Germany.

As demand and pricing rise further across primary markets, investors continue to search for yield across suburban and secondary markets. As a result, the share in secondary markets in H1 2013 currently remains consistent with full-year 2012 levels at 43%, with deals in **Atlanta**, **Houston**, **Minneapolis** and **Dallas** keeping the share strong, and with prospects for additional growth ahead based on the heated investment competition in primary markets.

Mexico supplants Brazil as Latin America's most active market

Investment in **Brazil** continues to register significantly lower volumes than that experienced during the boom period of two to three years ago. Investors are recalibrating expectations based on lower economic growth and adjusting market fundamentals, as well as on the major run-up in asset prices during 2010-2012. For H1 2013, total volumes reached nearly US$800 million in Brazil, compared with just over US$2 billion in the same period a year ago. **Mexico**, meanwhile, is currently looming larger on investor radars given its relatively solid economic performance of the past couple years, robust leasing market performance, and new markets opening up as far as sources of domestic institutional capital. During the first half of 2013, total transaction volumes in Mexico reached approximately US$1.5 billion, an increase of 18% over the same period in 2012.

Direct Commercial Real Estate Investment – Top Cities in H1 2013



Source: Jones Lang LaSalle, July 2013

Robust volumes in Europe

European commercial real estate remained in favour in Q2 2013, as expectations of increased allocations to direct commercial real estate continued to materialise, debt availability improved, and the volatility witnessed in the equity and bond markets added to the attraction of property as an asset class. Direct real estate investment volumes for the quarter were around **US$36 billion** (€28 billion), broadly in line with the equivalent period last year. Consequently, half year volumes were 14% ahead of 2012 and 10% above the H1 average over the past five years.

Europe's secondary cities targeted

Europe's most liquid markets – the **UK, Germany** and **France** – were most heavily traded, accounting for two-thirds of investment. These markets have benefitted from investors starting to diversify their portfolios, both in terms of risk and geography, by looking for more value added and secondary opportunities. This has been particularly evident in Germany, where an increase in the number of transactions of large, single assets in second-tier cities resulted in a year-on-year increase of 38% in Q2 and a half-year figure of around US$16.1 billion (€12.4 billion), the highest H1 volume since the peak of 2007.

Following a strong start to 2013, activity in the **UK** slowed in Q2, down 16% on Q2 2012 to US$11.2 billion, but activity in the first six months of the year was still up 4%. The weight of capital targeting the UK from around the globe remains significant, but has been constrained by a lack of prime opportunities, which is maintaining pressure on pricing across all asset classes. Overseas equity providers are seeking prime, defensive assets in the top regional centres, **London** and South East UK, but there are also a good number of institutional and opportunity funds targeting value-add assets.

The Nordics saw an improvement in activity in the second quarter, driven by growth in **Norway** and **Sweden**. Momentum is expected to continue with full-year volumes forecast to exceed 2012. In contrast, activity in Southern Europe and the CEE region remained light. Volumes in the CEE (excluding **Russia**) were down on the first six months of last year and at a similar level to H1 2010. Investor focus in CEE has primarily been on **Poland**, where activity has been stable year-on-year. Elsewhere, although there is appetite from local investors, there is a lack of interest from international buyers.

A strong second quarter in Asia Pacific

The Asia Pacific region, more than any other, has benefitted from the inflow of quantitative easing capital from the United States and Europe in recent times. During the second quarter some of this flow reversed, although we are yet to see any impact on transactional levels. For Q2 2013, investment activity was **US$33 billion**, 21% higher than the first quarter of the year and 18% higher than Q2 2012. Over the first half of the year, volumes are well up on last year, with US$60 billion having been transacted, a 21% increase.

- Despite the yen depreciating off the back of announced quantitative easing, transaction volumes in **Japan** reached US$10.2 billion in Q2, up 78% year-on-year and the strongest growth recorded of any of the major investment markets globally. Activity is being boosted by resurgence in IPO activity with J-REIT unit prices sitting well above NAV. Japan's asset purchase programme also includes the buying of listed J-REITs which has supported an upward movement in unit prices. Furthermore, existing J-REIT asset acquisitions remain accretive to existing portfolio yields, reinforced by both the low cost of debt and unit price premiums to asset values.

- **Australia** saw transaction volumes expand to US$7.3 billion in Q2, up 28% year-on-year. Transaction growth in local currency terms was even higher due to the A$ depreciation over the quarter. A number of large deals were concluded, with continued demand from both offshore and domestic institutional investors and pension funds. Cross-border purchasers accounted for 25% of total acquisitions.

- **China** bounced back from a slower first quarter, up 65% to US$6.0 billion in Q2 but on a par with the same time last year. Foreign investors, including inter-regional buyers, continue to develop their China strategies with a number of large deals executed during the quarter.

- **Hong Kong**'s policy measures aimed at cooling speculative real estate prices, in particular the doubling of stamp duty in February, have impacted deal flow, with volumes down around 50% in Q2 at US$1.5 billion compared to US$3.2 billion in Q1. However comparing the half year, H1 2013 is on a par with H1 2012 at around US$4.8 billion compared to US$4.9 billion last year. In effect the government has successfully cooled the market back to 2012 levels with local investors staying the course. Cross-border deals fell in H1 2013 by 71% compared to H1 2012. Activity is being supported by owner-occupation deals, while investor enquiries remain healthy for new developments in emerging office market locations.

- **Singapore** recorded US$2.3 billion in Q2, up 11% on Q1 and up 15% in H1 2013 against H1 2012. Investor interest remains healthy but buyers and vendors hold divergent views on the market outlook, leading to a mismatch in price expectation. A number of large deals in the pipeline should support transaction volumes towards the end of the year.

- **South Korea** recorded US$2.3 billion in Q2, up 73% year-on-year. Volumes have been supported over the past 12 months by a wave of sale and leaseback agreements.

The lending environment has been a topic of much discussion in the Asia Pacific region during the quarter. Following the announcement by the U.S. Federal Reserve that it may begin to taper asset purchases, investors are forming views around the impact that higher global interest rates could have on their portfolios. Some markets have shown upward movements at the long end of the (government bond) yield curve, with shorter-term rates mostly unchanged. Sustained upward pressure at the long end of the curve could carry swap rates higher, driving up borrowing costs.

Other concerns around the region include recent developments in **China**'s interbank lending markets. Short-term illiquidity at one point caused the key 7-day SHIBOR repo rate to spike to over 10% before recovering back to more normal levels in the following weeks. Some commentators suggest the PBoC's lack of action to provide liquidity could be a signal to the shadow banking sector to reign in rapid credit expansion, to clamp down on poorer quality credit underwriting and to improve liquidity management.

Direct Commercial Real Estate Investment - Largest Markets, 2011-2013

US$ billions	Q1 13	Q2 13	q-o-q change Q1 13 - Q2 13	Q2 12	y-o-y change Q2 12 - Q2 13	H1 12	H1 13	% change H1 12 - H1 13
USA	34.1	45.4	33%	38.3	18%	73.7	79.4	8%
UK	13.1	11.2	-15%	13.3	-16%	23.4	24.3	4%
Japan	10.6	10.2	-4%	5.7	78%	13.9	20.8	50%
Australia	3.2	7.3	127%	5.7	28%	8.3	10.5	27%
Germany	8.9	7.2	-19%	5.2	38%	11.5	16.1	41%
China	3.6	6.0	65%	6.1	-2%	9.8	9.6	-2%
Canada	3.1	4.9	59%	5.5	-11%	8.1	8.0	-1%
France	4.9	4.6	-6%	5.5	-16%	8.3	9.6	15%
Sweden	1.9	2.6	32%	2.5	3%	4.6	4.5	-1%
Singapore	2.1	2.3	11%	2.8	-18%	3.8	4.4	15%
South Korea	1.9	2.3	21%	1.3	73%	3.1	4.2	34%
Norway	0.7	1.9	160%	1.3	47%	3.4	2.6	-24%
Hong Kong	3.3	1.5	-53%	3.0	-49%	4.9	4.8	-3%
Belgium	0.4	1.4	283%	0.4	247%	0.4	1.7	374%
Mexico	0.3	1.2	268%	1.1	8%	1.3	1.5	18%
Italy	0.8	1.2	50%	0.6	82%	1.3	2.0	48%

Source: Jones Lang LaSalle, July 2013

Corporate Occupiers

Corporate balance sheets strengthen further but confidence has a way to go

Corporate balance sheets continue to strengthen as the stringent focus on cost management offsets more sluggish revenue growth. This suggests a growing corporate war chest to drive investment and expansion, but remaining subject to improving confidence and greater levels of certainty. There are some positive signs in this respect. Confidence in the **U.S.** economy is strengthening while, in a recent survey of CFOs, expectations around hiring and investment in the **UK** have returned to levels seen in early 2011. Even in the Eurozone, corporate sentiment is on an upward trajectory. But few would point to anything much beyond 'cautious optimism', particularly given recent economic volatility and the continued downgrading of emerging market growth forecasts, particularly in **China** and **India**.

An emerging productivity trap?

The cost cutting that has fuelled improved corporate balance sheet performance cannot be sustained indefinitely. Wage compression and low interest rates cannot last; neither can the year-on-year reduction of real estate costs, either because there is no further room for negotiation or, more fundamentally, these reductions are starting to have a diminishing return in terms of corporate performance and operational efficiency.

There is a need to enhance corporate productivity, a need that is well recognised by CRE leaders. Almost 70% of respondents to Jones Lang LaSalle's Global Corporate Real Estate Survey identified an increasing pressure to reshape and improve their workplaces to enhance productivity and provide the type of space being demanded by talented workers who remain in short supply. Of course, this requires investment capital to be released, and corporates will soon be faced with a fundamental choice - free up investment to drive productivity enhancements and position for growth, or continue to drive cost savings to offset sluggish revenue growth but risk further damaging operational effectiveness.

Moderate occupier activity levels continue

Against this backdrop, occupier activity remains patchy. As confidence builds at a greater pace in the **U.S.**, there has been increased touring velocity and expanding leasing activity. This contrasts with Asia Pacific, where volumes remain subdued by around 25% when compared to 2012.

At a market level, demand is also erratic. In the **U.S.**, cities such as **Dallas** and **Houston** have seen high absorption due to a thriving energy sector, but this contrasts greatly with **Detroit** which has just filed for bankruptcy. In Europe, the contrast is starkest between **London** and **Paris** with the former seeing its strongest quarter since the end of 2010, while the latter is struggling with Q2 take-up volumes down 20% year-on-year. At a micro level, polarisation is also evident with U.S. CBD markets witnessing greater levels of demand – and rental increases - than the suburban markets.

Of course, there is a quantum of structural demand that remains in evidence across the globe, particularly as lease terms have been steadily reducing across the globe. Lease durations continue to decline in the **U.S.** to an average of 50 months presently; they are under pressure in **Europe** and remain at two to three years in **Asia**. But it should also be noted that as corporates increase revenue at a faster pace than employment and continue to drive towards space density, they will simply need less traditional space going forward. This will lead to inflated vacancy levels and acute pressure on limited amounts of high-quality stock across global markets.

As momentum builds, opportunity diminishes

Confidence will return to corporate occupiers as the year progresses, which points to a clear transition from 'wait and see' in 2013 to activity driven by strategic intent in 2014. Corporate occupier activity will increase as more investment cash is allocated, workplace productivity challenges are addressed, merger activity increases and regulatory constraints are reduced. This will occur at the time when occupier leverage in the market place is rapidly reducing, as evidenced through already lowering levels of incentives being offered to tenants. This, in turn, will place further demand on CRE leaders and will drive further growth in CRE outsourcing across an ever wider spectrum of markets.

Global Office Market Conditions Matrix, 2013-2015

Market	2013	2014	2015
Chicago	Neutral Market	Neutral Market	Tenant Favourable
Los Angeles	Tenant Favourable	Neutral Market	Neutral Market
New York	Tenant Favourable	Neutral Market	Landlord Favourable
San Francisco	Landlord Favourable	Landlord Favourable	Neutral Market
Toronto	Landlord Favourable	Landlord Favourable	Neutral Market
Washington DC	Tenant Favourable	Tenant Favourable	Neutral Market
Mexico City	Neutral Market	Tenant Favourable	Neutral Market
Sao Paulo	Tenant Favourable	Tenant Favourable	Tenant Favourable

Market	2013	2014	2015
Brussels	Tenant Favourable	Landlord Favourable	Neutral Market
Frankfurt	Landlord Favourable	Neutral Market	Neutral Market
London West End	Landlord Favourable	Landlord Favourable	Neutral Market
Madrid	Tenant Favourable	Neutral Market	Landlord Favourable
Moscow	Neutral Market	Neutral Market	Landlord Favourable
Paris	Tenant Favourable	Neutral Market	Neutral Market
Stockholm	Tenant Favourable	Tenant Favourable	Landlord Favourable
Dubai	Tenant Favourable	Tenant Favourable	Neutral Market

Market	2013	2014	2015
Beijing	Neutral Market	Landlord Favourable	Landlord Favourable
Hong Kong	Neutral Market	Landlord Favourable	Landlord Favourable
Mumbai	Neutral Market	Neutral Market	Landlord Favourable
Shanghai	Neutral Market	Tenant Favourable	Neutral Market
Singapore	Neutral Market	Neutral Market	Neutral Market
Sydney	Tenant Favourable	Tenant Favourable	Neutral Market
Tokyo	Neutral Market	Landlord Favourable	Landlord Favourable

Tenant Favourable
Neutral Market
Landlord Favourable

Note: Relates to conditions in the overall office market of a city. Conditions for prime CBD space may differ from the above.
Source: Jones Lang LaSalle, July 2013

Office Markets

Office Demand Dynamics

Leasing volumes still muted, but encouraging signs

Global leasing activity continues to be muted. While Q2 gross leasing volumes were marginally higher than Q1 (+3%), they are running 5% below the levels of this time last year. There are, however, encouraging signs in the U.S., where full-year volumes are likely to be up to 5% higher than in 2012. In Europe, leasing activity is flat, while in Asia Pacific gross leasing volumes are about 25% lower than 12 months ago.

Momentum builds in the United States

Momentum in the **U.S.** office market is mounting. As the economy picks up, with sustained jobs growth, record corporate profits and a diversifying economic engine, the shape of the recovery has broadened and diversified. Cities such as **Houston, Seattle** and **Dallas** continue to lead the expansion, but now cities with more diversified economies - like **Chicago, Atlanta** and **Philadelphia** - are entering the ranks of 'most improved'. Leasing activity for prime space in **New York** and **Washington DC** is also beginning to stabilise.

The energy and technology sectors continue to be leaders; however, they have been joined by other largely non-traditional office-using sectors including healthcare, education, entertainment and leisure. For the financial services and other traditional office-using professional and business services industries, growth in demand for space is still patchy. The recovering U.S. housing market is also, once again, generating some growth in office space users such as mortgage finance, independent lenders and homebuilders.

With the tightening at the top-end of the U.S. market, we are also seeing a rise in Class B and Class C absorption. Moreover, after several years of stagnation, there is finally space demand returning to the suburbs, but only for those areas with the best amenities and connectivity.

Slowing leasing activity in Asia Pacific

Asia Pacific is, in general, experiencing slowing leasing activity, with leasing volumes down about 25% year-on-year. **China** and **India** accounted for nearly 80% of regional take-up in Q2. Financial centres remain weak, with limited take-up in **Hong Kong** and **Singapore** mainly coming from small non-financial occupiers (e.g. IT, business support). China has also seen sluggish leasing activity from MNCs, although domestic firms continue to commit to space. In India, subdued expansion by MNCs was largely offset by solid demand from IT/ITES firms. **Tokyo** and **Seoul** mainly recorded relocation demand motivated by cost savings. And while steady take-up has been witnessed in emerging SEA, **Australian** markets experienced negative net absorption on the back of corporate cost savings.

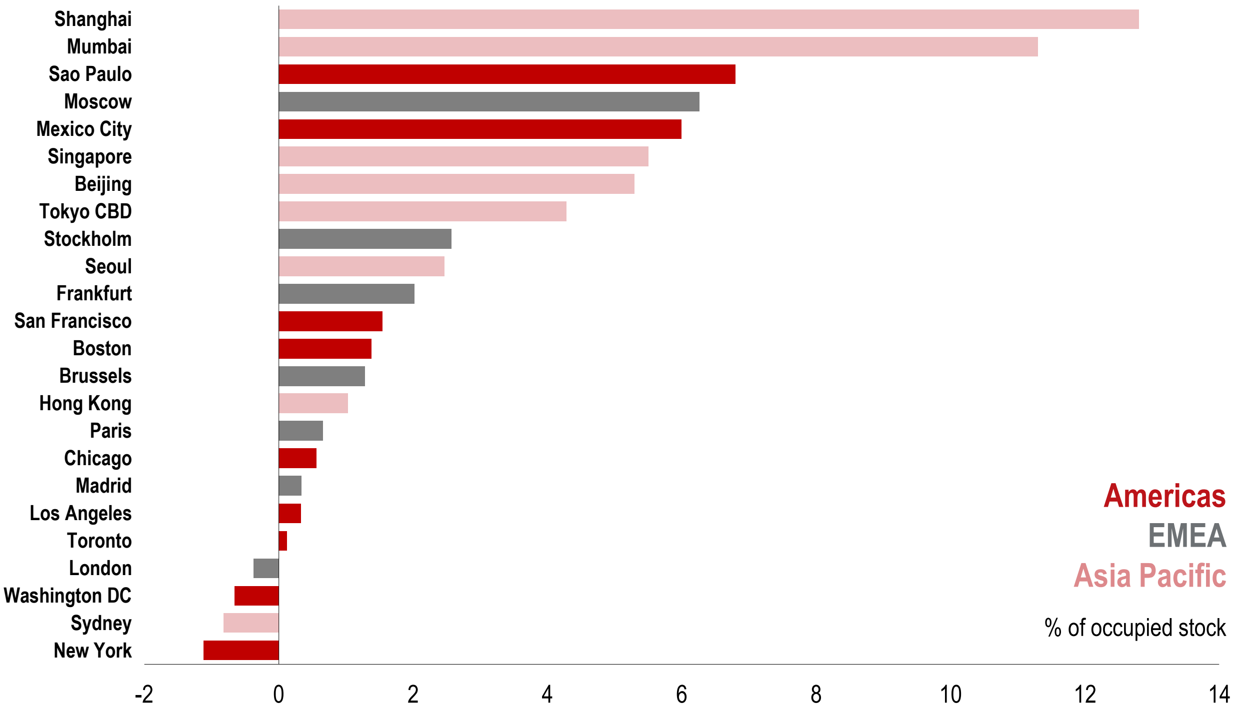
European leasing volumes are flat

Leasing activity in **Europe** is broadly flat, reaching 2.5 million square metres in Q2, down by 3% on Q2 2012. The markets are diverging, however. **London** (+44%) and the **CEE** markets (+15%) have seen an improvement in leasing volumes in H1 2013 compared to H1 2012, while **Madrid** has seen a 66% uplift in take-up in H1, but from a low base. By contrast, H1 volumes in **Milan** are down by 44% year-on-year, **Paris** is nearly 20% lower and the **German** and **Benelux** markets have fallen by around 10%. Overall European office leasing volumes for 2013 are forecast to be at levels just below 2012.

Resurgence of demand in Dubai

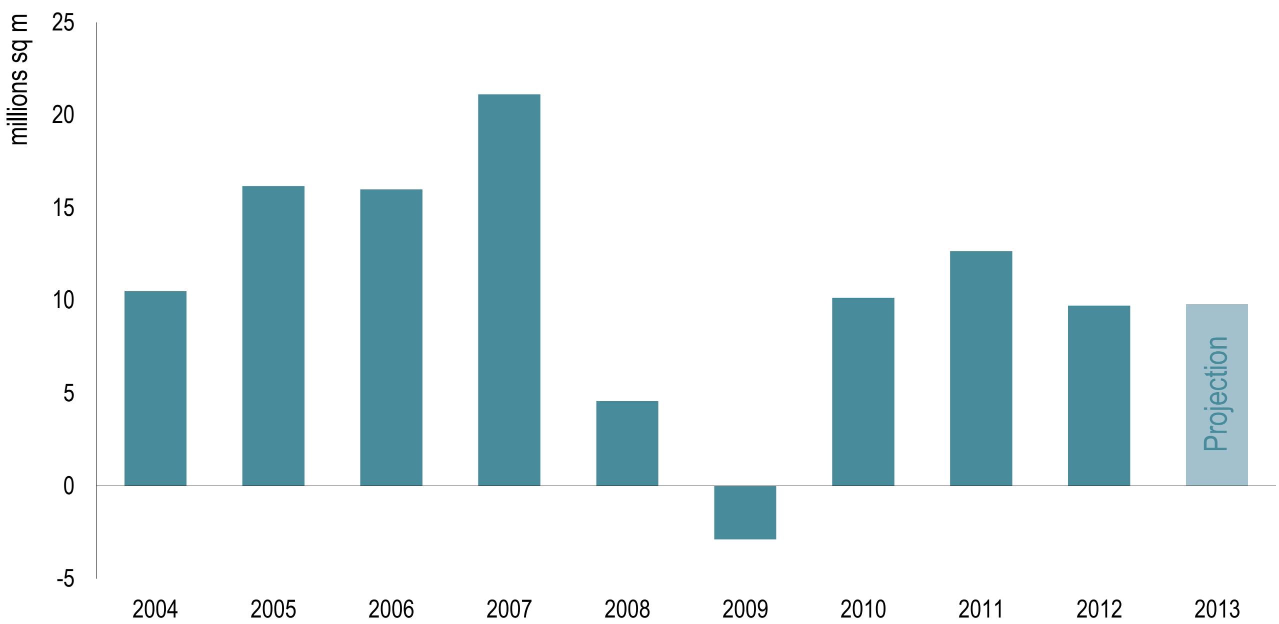
Office leasing activity continues to show encouraging signs of growth in **Dubai**, especially in the best-quality buildings and the prime locations. The 'flight to quality' remains a main trend in the market, with some newly developed areas seeing more demand.

Offices – Net Absorption, Q2 2012–Q2 2013



Source: Jones Lang LaSalle, July 2013. Covers all office submarkets in each city. Tokyo CBD - 5 kus

Offices – Global Net Absorption Trends, 2004-2013



24 markets in Europe; 25 markets in Asia Pacific; 44 markets in the U.S. Asia related to Grade A space only
Source: Jones Lang LaSalle, July 2013

Office Supply Trends

Vacancies have edged upwards

The global office vacancy rate (across 98 markets) increased by 10 basis points to 13.3% in Q2 2013. This represents the second consecutive rise and has been largely due to new supply increases in Asia Pacific and Latin America. Nonetheless, global vacancy is expected to edge down in H2 2013, with anticipated falls in the U.S. compensating for further supply increases in Asia Pacific and Latin America.

Global supply pipeline under control

New office deliveries across the globe have risen from the low point of 2012, but they are still well below trend, with only 12 million square metres likely to be delivered in each of 2013 and 2014. Shortages of high-quality space are likely to intensify, particularly when, as anticipated, leasing activity improves in 2014.

U.S. vacancy falls below 17% threshold

In the U.S., vacancy declines have continued, but at only a gradual pace and still from high levels. The national vacancy rate fell below 17% for the first time in five years to 16.9% in Q2. Nonetheless, all major U.S. office markets still have double-digit vacancy rates. The lowest rates are to be found in **San Francisco** (11.3% vacancy), **Portland** (11.4%) and **New York** (12.1%).

Tightening markets are leading to new construction in some geographies, but levels are still significantly below trend. Developers are, so far, focused on the **San Francisco** Bay area, **Texas** (notably **Houston**, **Dallas** and **Austin**), **Washington DC**, **New York** and **Boston**.

High construction levels in Canada and Latin America

In **Canada**, the national vacancy rate is trending upwards - it has increased by 50 bps over the past three quarters to 7.7%. Despite slowing demand in 2013, developers continue to aggressively launch new projects and there is currently around 2 million square metres of new supply under construction. The supply pipeline is concentrated in **Calgary**, **Vancouver** and **Toronto**, where larger quantities of new space will be delivered in 2014.

The office market in **Sao Paulo** has undergone a further shift in balance during Q2, as the wave of new supply is tipping the market to tenant-favourable. The city has registered one of the largest increases globally in vacancy since the beginning of the year, and considerably more supply will also be coming online in 2014, providing tenants with substantially greater options. **Mexico City** is also witnessing significant construction activity, and it may be more challenging for tenant demand to fully keep pace with supply in the city over the next year.

Europe vacancies are stable, speculative development low

The **European** regional vacancy rate is stable at 9.7%. Going forward, new space will be quickly absorbed, but the release of second-hand space will keep vacancy rates close to current levels for the remainder of 2013.

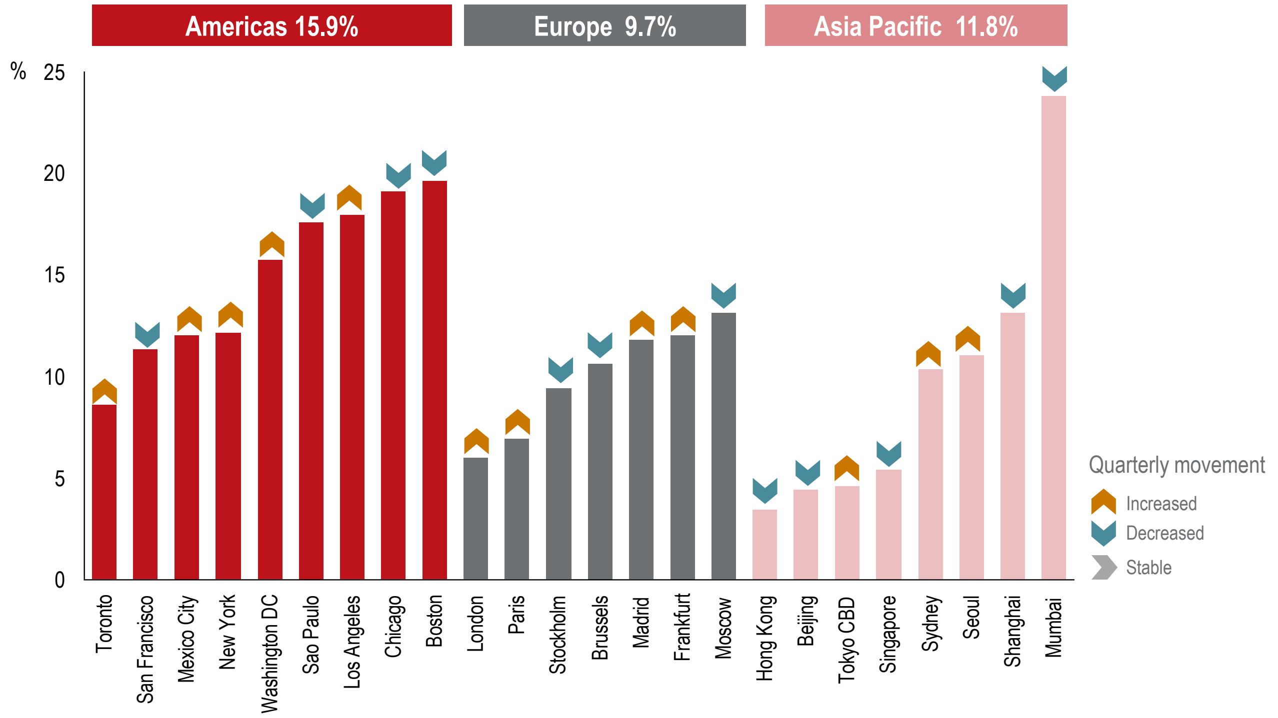
Development activity across most of Europe is limited, with office completions at a 10-year low in Q2 2013. The notable exceptions are **London, Moscow** and **Warsaw,** where there are currently modest development surges (2013-2014).

Asia's main office hubs maintain low vacancy rates

The **Asia Pacific** vacancy rate rose to 11.8% in Q2. In most of Asia's main office hubs, however, vacancies have fallen or are broadly stable, and much of the regional increase in vacancy is due to new supply additions in **India** combined with negative net absorption in **Australia**.

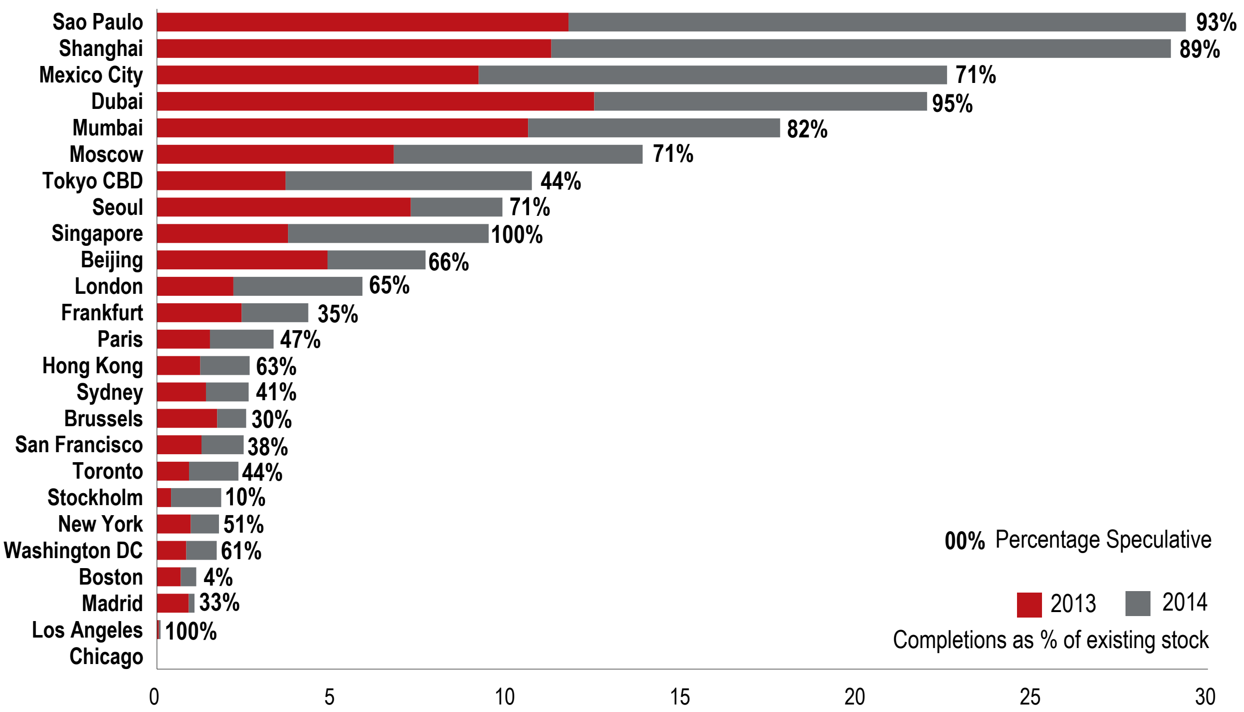
Regionally, new supply additions in 2013 are expected to be similar to last year's levels, with **China** and **India** accounting for about 75% of the total. As such, regional vacancy rates are forecast to edge slightly higher during the rest of 2013.

Office Vacancy Rates - Major Markets, Q2 2013



Regional vacancy rates based on 46 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 only
Source: Jones Lang LaSalle, July 2013

Office Supply Pipeline - Major Markets, 2013-2014



Covers all office submarkets in each city. Tokyo CBD - 5 kus
Source: Jones Lang LaSalle, July 2013

Office Rental Trends

Prime rental growth decelerates further

Prime rental growth slowed further in Q2, with 1.3% year-on-year growth recorded (across 95 markets[1]). Nonetheless, in most major markets the direction of rental change is still positive – in the **U.S.**, landlord leverage is increasing, with the Americas Rental Index up 3.0% year-on-year. The European Rental Index grew by 0.2% in Q2 and the underlying trend is improving. In most of Asia Pacific's major markets, net effective rents were broadly flat or grew moderately – the Asia Pacific Rental Index grew by 1.6% year-on-year.

Landlord leverage increases in the United States

The steady market tightening in the **U.S.** continues to feed through to rental rates, as asking rents increased for the tenth consecutive quarter in Q2. The scarcity of high-quality large blocks is helping urban Trophy and Class A product to lead the recovery with continued rent increases and concession compression. However, the current market leaders - **San Francisco**, **Austin**, **Houston**, **Dallas** and **Silicon Valley** - could be the first to see landlord leverage slip in 2014 as new supply starts to come onto these markets.

Latam's main office hubs diverge

The office market in **Mexico City** continues to display buoyant rental rates (up 9.3% year-on-year), even in the face of a formidable supply wave. In **Sao Paulo**, following the nearly 60% surge in rental rates in the last three years, evidence has finally emerged of a reversal. After peaking around year-end 2012, rental rates are now declining and have shed around 4% so far in 2013.

Improvement in European prime rents

Prime **European** office rents continue to recover on aggregate. The European Office Index increased by 0.2% in Q2, but remains in negative territory (-0.7%) compared with a year ago. The aggregate numbers disguise, however, the diverse picture across the region. Prime office rents in **Dublin** continued to recover from their historic lows, increasing by +9.4%. Rents also increased in **Edinburgh** (+7.4%) and **Dusseldorf** (+5.8%).

For the remainder of this year, rental growth is forecast to be only moderate. Growth forecasts for **London** are strong, but elsewhere there is uncertainty. Rental growth in **Germany** and the **Nordics** is also expected to lose some momentum after a couple of healthy quarters. While the bottom of the cycle appears close, there continue to be downward risks for selected Southern European markets, particularly for those that only recently saw rental decreases, such as **Milan**.

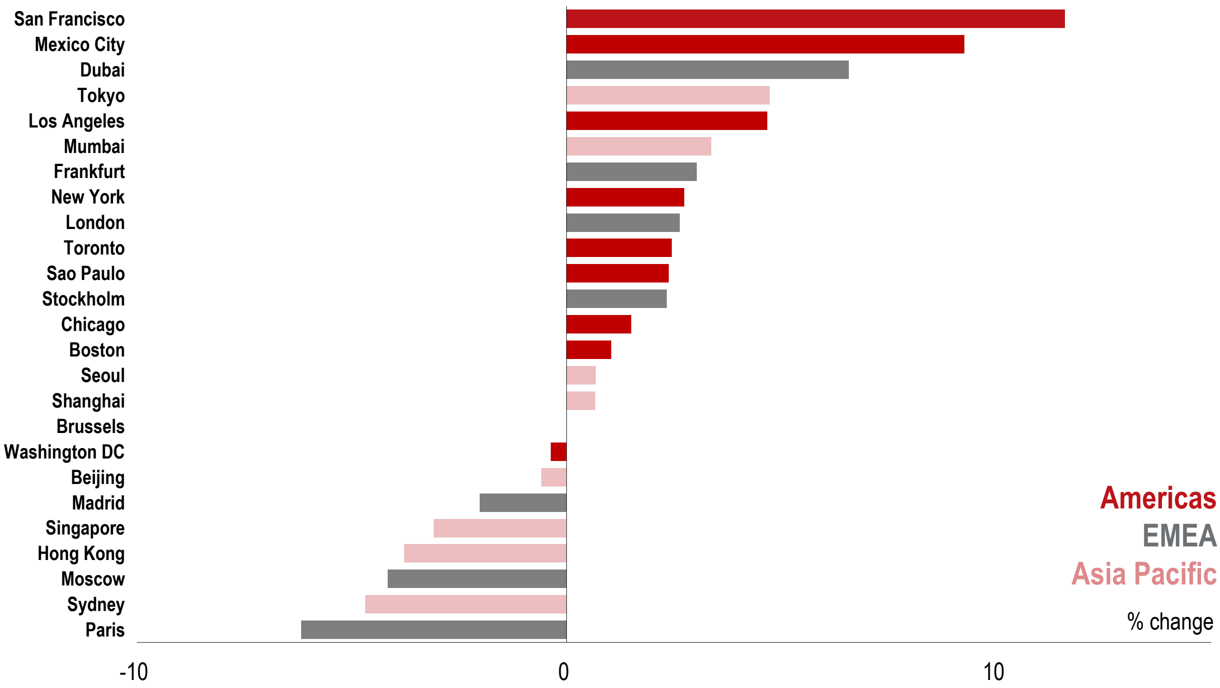
Asian markets mostly stable or see moderate growth

During Q2 2013, net effective rents were flat or grew moderately in most Asian markets. **Jakarta** continues to see the largest rental increases globally (+9.8% quarter-on-quarter) due to a lack of quality space. Rents rose in **Hong Kong** for the first time since Q2 2011 (+1.5% quarter-on-quarter) and edged up in **Singapore** (+0.6%) and **Tokyo** (+1.2%). **Beijing** saw further declines in Q2 (-1.6%), albeit easing from a drop of 3.7% in Q1. Rents fell in most Australian cities, with the largest quarterly fall in **Melbourne** (-6.4%), followed by **Sydney, Brisbane** and **Perth** (-3 to -3.5%).

Over the short term, rental growth is likely to be limited in most markets, while **Beijing** and most Australian cities (notably **Sydney** and **Melbourne**) should see small declines. Single-digit rental growth is generally expected for the full-year and the strongest growth is likely to be witnessed in **Jakarta**.

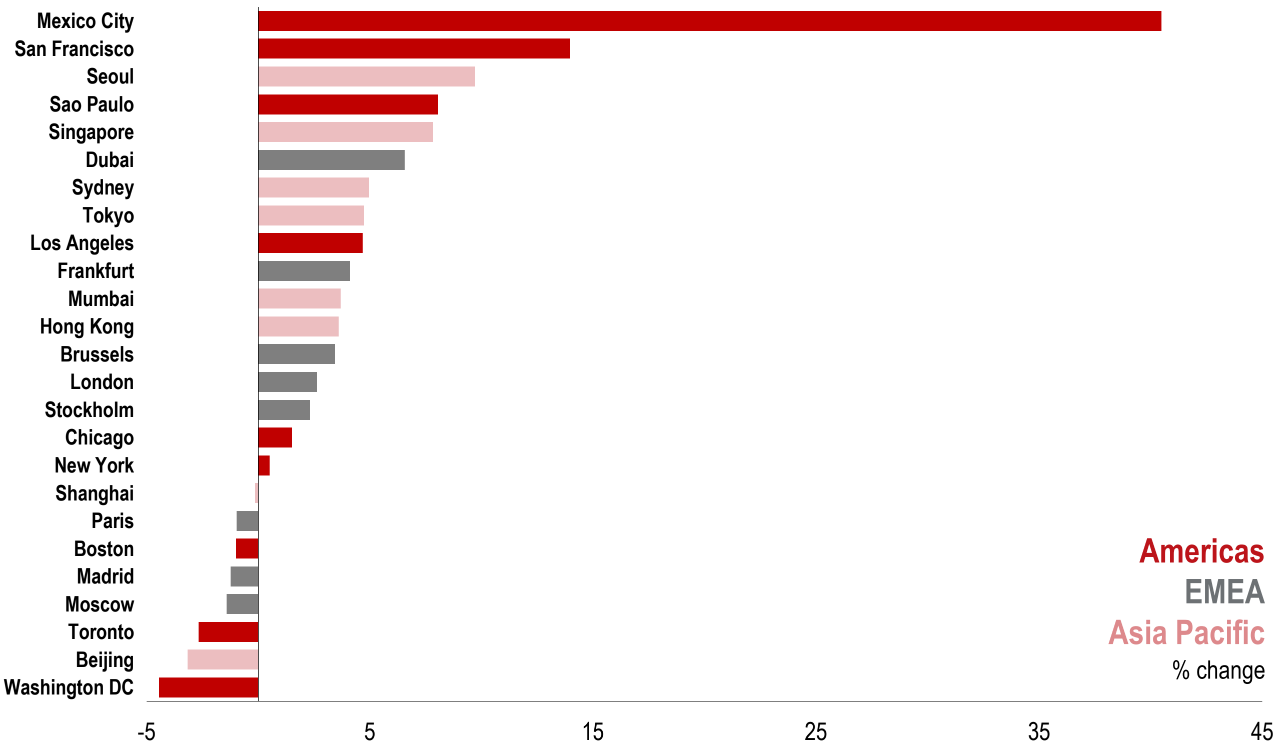
[1] Jones Lang LaSalle Global Office Index

Prime Offices - Rental Change, Q2 2012–Q2 2013



Based on rents for Grade A space in CBD or equivalent. In local currency
Source: Jones Lang LaSalle, July 2013

Prime Offices – Capital Value Change, Q2 2012 – Q2 2013



Notional capital values based on rents and yields for Grade A space in CBD or equivalent. In local currency
Source: Jones Lang LaSalle, July 2013

Office Capital Values and Yield Trends

Prime office yields compress further

Following a steady deceleration in capital value growth during 2011 and 2012, values on prime office assets have re-accelerated modestly during H1 2013. Values across 25 major markets were up 4.3% year-on-year in Q2 2013, compared to 3.2% for the full-year 2012. While rental growth is broadly in line with underlying inflation, capital growth for the full-year 2013 is likely to be ahead at 3-4%, even with higher 10-year bond yields.

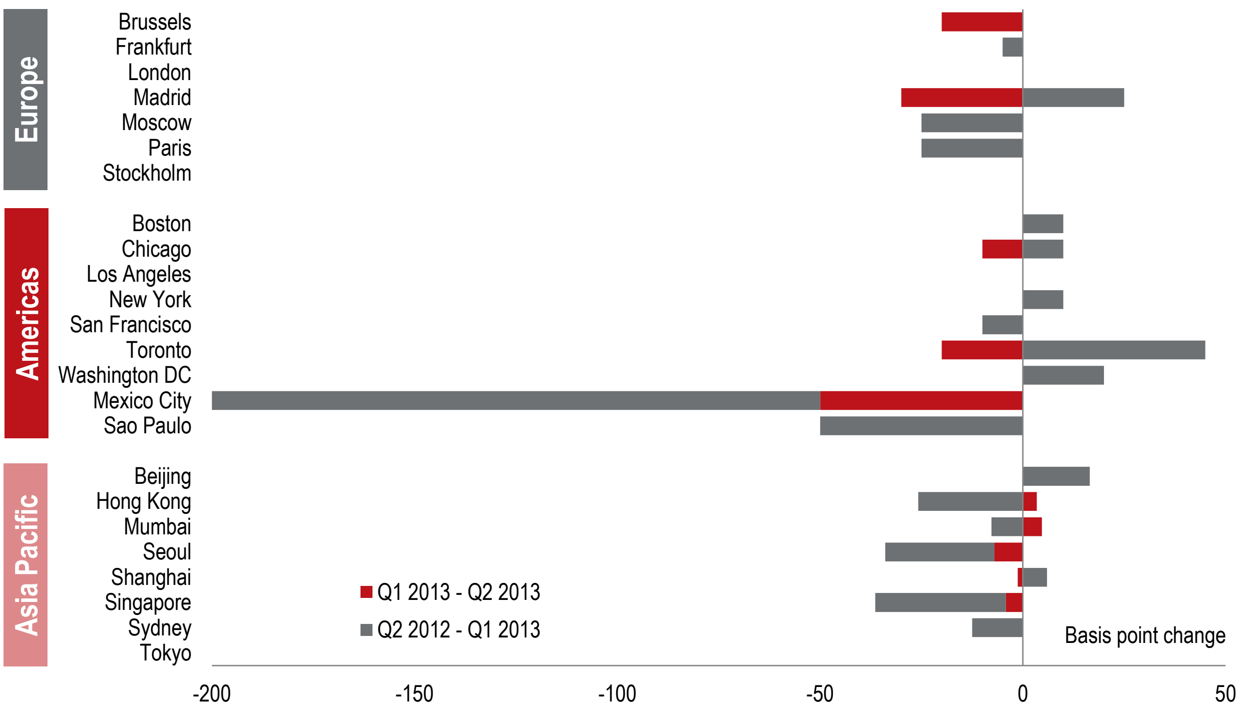
Strong demand for core product in the **U.S.** has pushed yields close to record lows, despite only slowly-improving leasing markets. Given the recent rise in 10-year bonds, the office yield premium over risk-free rates has come in by about 60-70 basis points during the quarter. Although the gap has narrowed, office yields on prime assets in the U.S gateway cities still remain attractive in the 200-300 bps range.

Mexico City has recently seen the sharpest yield compression prompted by strong domestic investor demand. Prime office yields in the city are estimated to have declined by as much as 200 bps over the past year.

Prime office yields in **Europe** have been largely stable. There has been some yield compression in **Madrid** and **Dublin**, as well as in **Brussels**, **Moscow** and UK regional centres (**Manchester** and **Birmingham**).

Market yields in Asia Pacific have remained mainly steady, except for mild compression of 5-20 bps in a few markets (i.e. **Singapore**, **Seoul** and **Melbourne**). Continued investor interest should drive further modest growth in capital values in most markets in H2 2013, while yields are forecast to remain flat or compress slightly (by 5-10 bps).

Prime Offices – Yield Shift, Q2 2012–Q2 2013



Source: Jones Lang LaSalle, July 2013

Retail Markets

Retailer demand remains healthy across Asia

China continues to see generally healthy demand for retail space, mainly supported by mid-tier retailers and new-to-market foreign brands; meanwhile, luxury brands have slowed expansion plans. In **Hong Kong**, take-up is being increasingly driven by demand in non-core locations due to high rents in core areas. Vacancy rates in the second quarter were generally stable across the region outside of **India**, as most completions achieved good occupancy rates (albeit slightly weaker for some suburban malls in **Shanghai** and **Singapore**).

Rents grew more slowly across the region in Q2 2013 (by up to 2.5% quarter-on-quarter) with the exceptions of **India** and **Singapore**, where rents were flat. Growth was strongest in **Jakarta** (+2.5% quarter-on-quarter), **Beijing** (+1.6%) and **Hong Kong** (+1.4%). Retailer demand is expected to remain relatively healthy for the remainder of 2013, and most major Asian markets are likely to see a further upswing in rents, even if moderate.

Leasing activity picked up slightly in **Australia** with more realistic landlord expectations. Average rents were broadly unchanged over the second quarter except for marginal declines in **Sydney** and **Melbourne**.

Cause for more optimism in the United States

The **U.S.** retail sector continues to make slow but fairly steady progress in its long recovery. During Q2, the overall national vacancy rate inched down another 10 basis points to 6.7%. Net absorption totalled 2.1 million square metres, outstripping the 0.9 million square metres of deliveries during the quarter. Rents crept up very slightly as well, offering further evidence that all indicators are now moving, however slowly, in the direction of a strengthening market.

There is mounting evidence that meaningfully better times for retail investors will be on offer in the not too distant future, with the Conference Board's Consumer Confidence Index surging during the second quarter. Significantly, the housing market's sustainable and strengthening growth bode well, not only for home-related retail segments but also for the economy and consumer spending at large. Stronger conditions lie ahead into 2014.

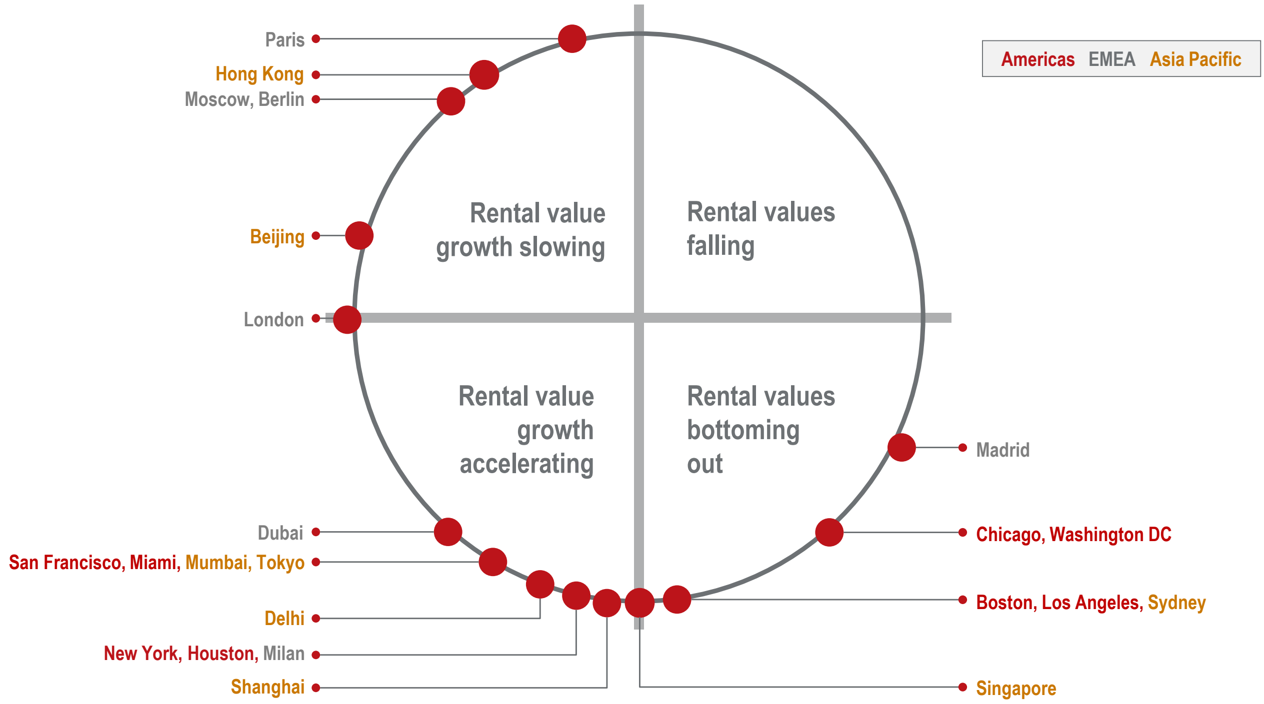
Europe's prime retail pitches on course for further growth during H2 2013

Consumer confidence has improved across **Europe** too. Retail sales in the region rose by 1.2% during May, the strongest monthly increase in the last year. However, underlying sales trends remain weak due to rising unemployment and continued fiscal austerity. The outlook for the remainder of 2013 continues to be subdued for most of the continent, but with positive retail sales growth projected for **Russia, Turkey** and the **Baltics**.

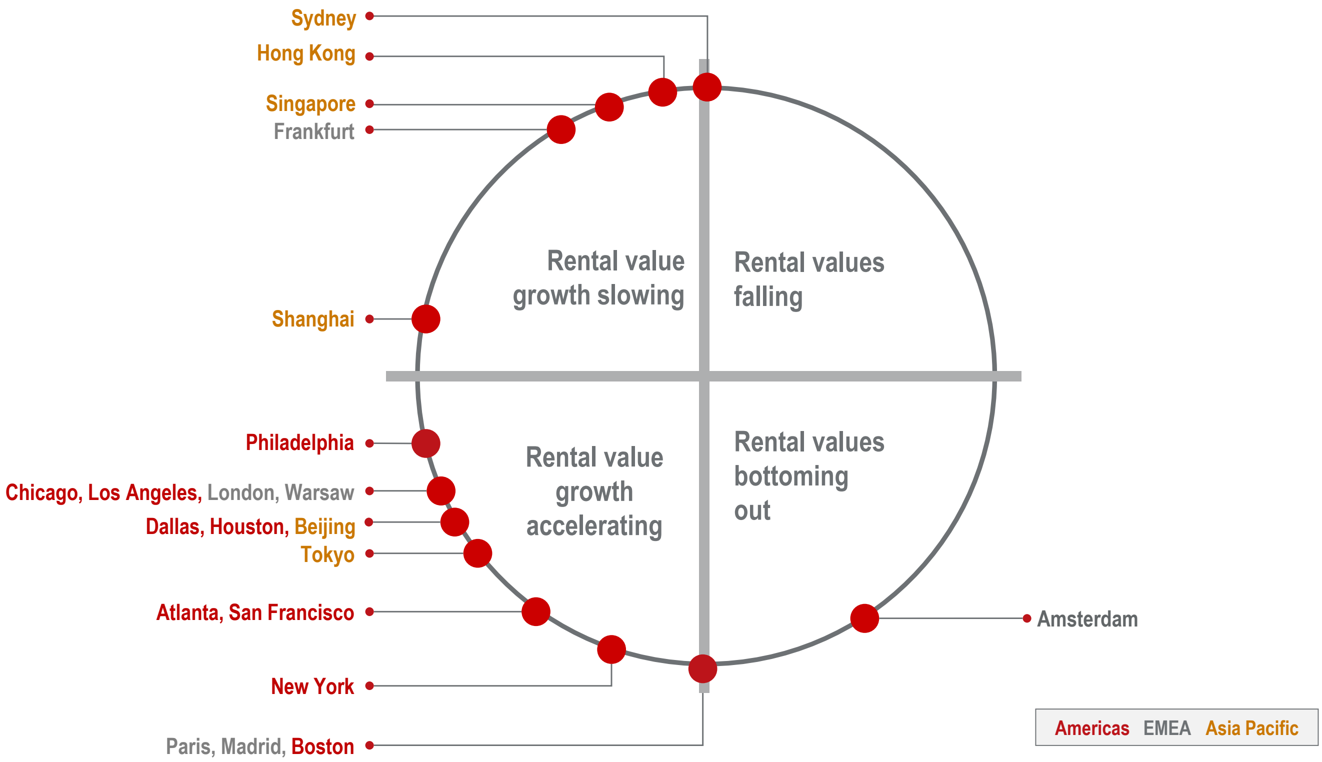
International retailers have continued their expansion into core markets that have healthy fundamentals and a positive sales outlook. But they remain very cautious when acquiring new stores. Prime rental values saw particularly strong increases during Q2 in **London** (+21.1% quarter-on-quarter) and **Oslo** (+11.8%), driven by robust demand and scarce prime supply. Rents also increased during the quarter in the German cities of **Munich** (+6.1%), **Dusseldorf** (+3.9%), **Berlin** (+3.7%), and **Stuttgart** (+2.1%). Prime rents in most other European retail markets remained stable. The outlook for rental growth is strongest for prime shop units in **London**, **Moscow** and the major **German** cities.

Prime shopping centre rents kept steady in most European markets in Q2. Rents rose by 5% or more quarter-on-quarter in **Cologne**, **Stuttgart**, **Dusseldorf**, **Frankfurt** and **Munich**, while **Paris** saw a 4.8% increase. Healthy uplifts in prime rents are also forecast for the **Netherlands** and **Russia** for the remainder of 2013.

Prime Retail – Rental Clock, Q2 2013



Prime Industrial – Rental Clock, Q2 2013



Relates to prime space. U.S. positions relate to the overall market
Source: Jones Lang LaSalle, July 2013

Industrial Warehousing Markets

U.S. industrial - tenant competition for prime space

Consistent positive demand growth in **U.S.** gateway markets, a beneficial spillover into secondary markets and a dwindling supply of larger blocks of Class A space are capturing the attention of developers. However, rental rates remain below their previous peaks and the lessons learned by developers from over-building during the last cycle still linger; as a result, the increase in development activity has so far been fairly measured.

The Q2 preliminary vacancy rate for the U.S. industrial market was 8.2%, down 220 basis points from the recession's high, while net absorption was positive for the thirteenth consecutive quarter. Although speculative construction has returned, current ground-breakings will not sufficiently address present demand requirements for modern space. This will lead to tenants competing for quality space (which will elevate rents), exploring Class B options, considering smaller spaces, opting for build-to-suits or negotiating renewals.

U.S. West Coast markets continue to outpace other U.S. markets in terms of rental growth and tightening vacancy rates. As for construction activity, the **Inland Empire** (in Greater **Los Angeles**) presently leads with total activity - a mix of build-to-suit and speculative development - up 164% from 2012. Preleasing has been strong, and momentum is beginning to spread to other logistics corridors such as **Dallas**/**Fort Worth**, **Chicago**, **New Jersey** and **Atlanta**.

Elsewhere in North America, the national industrial availability rate in **Canada** increased by 20 bps during the second quarter to 4.8%, although net absorption was positive. The increasing availability can largely be attributed to greater new supply added during the period, the majority being concentrated in Canada's western markets. In **Mexico**, there continues to be a divide in industrial market performance between the north and the rest of the country. The **Bajio** and **Central** regions have demonstrated healthy fundamentals and speculative construction is now poised to resume. By contrast, some markets in the Northern region are experiencing double-digit vacancy rates.

Warehousing demand in Asia is underpinned by retailers

Retailers continued to drive warehousing leasing demand in Asia in the second quarter, while the export-related bonded segment stayed subdued as manufacturing activity remains weak in major markets. E-commerce and logistics companies continue to fuel leasing demand in **China**, while traditional retailers are still cautious. Rental growth has maintained its moderate pace in most markets, with the largest quarterly growth seen in **Beijing** (+2.8%) and **Hong Kong** (+1.7%), supported by tight supply situations. Rents edged up slightly in **Singapore** and **Shanghai**, while keeping broadly stable in most **Australian** markets. Moderate rental growth is projected for most centres for the rest of this year.

European logistics continues to see solid activity

European logistics demand remained uneven in Q2 due to persisting occupier caution against a background of weak economic growth. Nevertheless, by the start of July, there were signs that the Eurozone manufacturing sector had stabilised. This, combined with continued global supply chain realignments, is expected to bring improvements in take-up. Retail in particular, driven by e-commerce and home delivery, remains a significant contributor to overall demand. The lack of speculative development activity also continues to stimulate build-to-suit demand.

However, despite limited prime logistics supply, rents have kept broadly stable across Europe over Q2. The logistics sector is still facing pressure on cost levels and thus increasingly seeking cheaper locations outside of large urban areas. The European Warehousing Index posted a second quarter of marginal rental growth (+0.2%), thanks to a 9.2% rise in **Dublin**, though rents fell year-on-year (-0.6%) due to year-on-year declines in **Amsterdam** (-5.6%), **Barcelona** (-3.8%) and **Milan** (-9.1%).

Hotel Markets

Hotel investment volumes set to exceed expectations

Hotel investment activity has continued to show strong growth, with global investment volumes reaching US$21 billion in the first six months of the year, representing a 51% increase on the same period last year. Given the current weight of activity, coupled with improving financing conditions and market sentiment, we now expect full-year 2013 volumes to exceed our initial forecast of US$33 billion.

Hotel Investment Volumes, 2012-2013

US$ billions	H1 2012	H1 2013	% change	Q2 2012	Q2 2013	% change
Americas	**7.2**	**10.8**	50%	**3.9**	**5.0**	28%
EMEA	**5.2**	**7.4**	42%	**1.6**	**2.2**	37%
Asia Pacific	**1.7**	**3.0**	82%	**1.4**	**1.6**	22%
TOTAL	**14.0**	**21.1**	51%	**6.9**	**8.9**	29%

Source: Jones Lang LaSalle, July 2013

During Q2, the Americas continued to dominate in terms of volumes, whereas Asia Pacific led in terms of the year-on-year growth. Investment activity in the Americas and EMEA was almost equally weighted in terms of portfolio versus individual transactions, whereas in Asia Pacific the vast majority of the deals were single-asset transactions.

A focus on prime assets in key locations

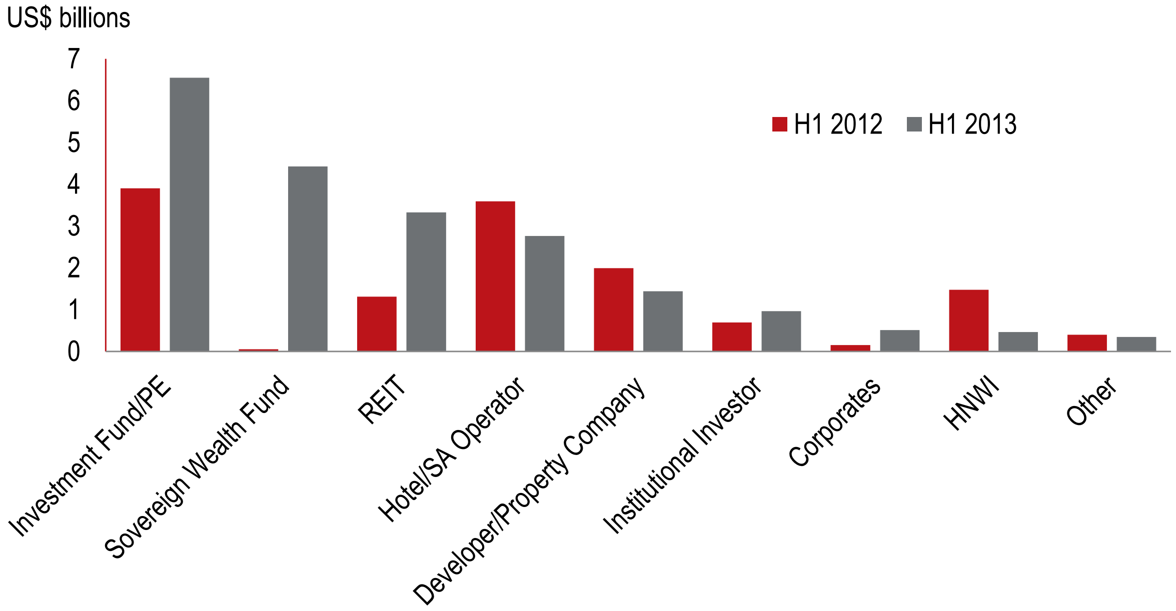
Prime assets in key locations continue to be most sought after, and secondary markets are featuring a wide pricing gap between buyers and sellers. Although investors remain cautious about timing and are reluctant to become overexposed, a number of creative and opportunistic players in pursuit of yield have found attractive buys, notably in the **UK**.

Private equity shapes an upward trend

Counter-cyclical buyers, such as private equity investors in the **United States** and **Europe,** continue to lead the pack, seizing opportunities to acquire rare assets in displaced capital markets. Given their significant buying power and risk tolerance in a volatile environment, they are taking advantage of current market conditions to achieve opportunistic returns. Sovereign wealth funds, from **Qatar** and **Abu Dhabi** in particular, have been scouring the globe for trophy assets – the average size of such deals completed in H1 2013 stood at US$630 million. REITs, who have a lower risk profile, have continued to make headline acquisitions, seeking to diversify their portfolios, particularly in North America. In Asia Pacific, REITs in **Japan** have remained the most active players. Meanwhile, the successful listing of two new hotel REITs in **Singapore** has already resulted in some high-volume transactions.

On the sell-side, private equity firms and institutional investors have been active (37% of transaction volumes) as they continue to liquidate some of their previous acquisitions, either to divest selective non-core assets or to meet fund life maturities. Hotel operators have become the second largest player on the sell-side (18% of transaction volumes), disposing of some of their assets in pursuit of additional capital to repay their loans and finance a stronger pipeline.

Hotel Investment Volumes by Buyer Type



Source: Jones Lang LaSalle, July 2013

Americas remains the front runner

Transaction volumes in H1 2013 in the Americas marked a 50% increase compared to the same period last year. The significant uptick is supported by the advantageous combination of improved economic prospects, low new supply, strong hotel trading fundamentals and the increasing availability of debt financing.

The market continues to be dominated by private equity buyers, which accounted for 40% of acquisition volumes in Q2. The current position in the market cycle is favourable for private equity buyers that have significant capital to place.

Another driving force in the **U.S.** has been the greatly increased liquidity in resorts. Resort markets had initially lagged the recovery curve, but occupancy levels have now returned to previous peaks and the sector is attracting significant attention.

Positive outlook for EMEA

Although the economic situation in Europe remains complex, several indicators give cause for optimism and have led to an improvement in investor confidence. Despite H1 2013's soft performance in terms of trading fundamentals, there is a positive outlook for H2 backed by an accelerated booking pace in a number of key markets.

The first half of 2013 has re-emphasised the importance of Middle Eastern capital which almost tripled from US$991 million in H1 2012 to US$2.8 billion in H1 2013. Key players were once again sovereign wealth funds from **Qatar** and **Abu Dhabi** which have continued to deploy capital in core European markets. Global investors such as Westmont, Starwood Capital and Morgan Stanley were the second largest group of investors in H1 2013 with a market share of 19% of invested capital, followed by domestic investors with an 18% market share.

Given the compression of portfolio yields in the **U.S.**, EMEA has become comparatively more attractive from a yield perspective and is expected to continue to receive interest from U.S. investors, notably private equity.

Whereas transaction activity in Q1 was driven by portfolio deals, Q2 has seen a significant shift towards individual assets (92% of investment volumes in Q2 versus 28% in Q1) and was marked by various trophy deals (see *Recent Key Investment Transactions*).

The **UK** remains Europe's most active transaction market with investment volumes totalling US$3.0 billion (40% of total EMEA volumes), followed by **France** at US$1.7 billion (23%) and **Germany** at US$840 million (11%).

Strong pockets of growth across Asia Pacific

Asia Pacific continues to see accelerated growth in hotel investment activity. Investment volumes in H1 2013 were up 82% compared to the same period last year. Such dynamics have been driven by increased activity in **Japan**, **China**, **Singapore** and **Australia**, which collectively accounted for three-quarters of the regional total.

Japan topped the acquisition and disposal market with total volumes of US$800 million in H1 2013. Such outstanding results were supported by improving global economic prospects as well as by the policy-led pickup. REITs were the primary driver of transactions, being involved in more than half of all the transactions in H1.

Singapore continues to be a hotspot in Asia Pacific. While there was only one deal recorded on the market for the whole of last year, three transactions totalling US$397 million had already taken place in Singapore by the middle of this year.

Despite the recent slowdown in economic growth and the weaker economic outlook, **China** has yet again proved to be the second largest investment arena in Asia Pacific with total volumes of US$665 million in H1 2013.

The investment pace in **Australia** has moderated with transaction volumes totalling US$337 million in H1 2013, compared to a record US$955 million during the same period last year. This is due to lower levels of liquidity in regional centres and key leisure markets.

Residential Markets

U.S. apartment market – strong demand, supply at the gates

Rental unit demand remains very strong across the **U.S.** with occupancy gains and rental growth occurring in every major metro market as of Q1 (the latest quarter for which data are available). A sizeable wave of new supply is now entering the market with 250,000 apartment units now under construction across the country. Markets with the largest percentage of new inventory underway include **Austin**, **Raleigh**, **Charlotte**, **New York**, **Washington DC**, **San Jose** and **Seattle**. Nevertheless, even with this large increase in the supply pipeline, construction activity is now merely pushing more ‘normal’ levels, following several years of historically low deliveries. Deliveries will, however, slow the pace of vacancy decreases during the remainder of 2013. The recovering for-sale housing market will also pull some renters into homeownership over the coming quarters. In fact, even as the national homeownership rate declined another 40 basis points in the first quarter, for the first time since the housing downturn, a portion of the millennial age cohort exited the rental pool in noticeable numbers.

U.S. for-sale housing market continues to improve

Total existing home sales in the **U.S.** increased again in May, running nearly 13% over the level of a year earlier. In addition, home price trends continue to move upwards, adding to consumer confidence and lifting the spirits of homebuilders. There is ample reason to believe a good deal of pent-up housing demand has been building over the last several years. However, one potential risk to the housing market is higher mortgage rates, which have recently jumped markedly from their record low levels. If rates continue to increase quickly, it could slow the housing recovery.

Muted residential sales in most Asian markets

Slower high-end residential sales have been seen in some Asian markets after a new round of tightening measures were announced by various governments (e.g., a 20% capital gains tax on secondary transactions in **Beijing**, and higher stamp duties in **Hong Kong** and **Singapore**). Primary sales in the high-end market in **China** edged lower in Q2 due to fewer project launches by developers, while secondary sales volumes also moderated after buyers rushed to complete deals in Q1 ahead of tightening measures. In Hong Kong, sales volumes remained at the low levels evident since new tightening measures were imposed in late February. In contrast, Singapore saw more sales launches by developers with demand mainly coming from local buyers. In emerging SEA markets, **Jakarta** has witnessed strong demand from local investors, but sales have moderated in **Manila** and **Kuala Lumpur**.

In H2 2013, sales in the high-end residential segment in Greater **China** and **Singapore** are likely to remain at levels similar to H1. On the other hand, low interest rates should help to limit any downside in prices in the major markets.

Asian leasing demand in line with trends in the office sector

Leasing demand has moderated in **China** and is still subdued in **Hong Kong** and **Singapore**, but has been generally stable in emerging SEA markets (and stronger in **Jakarta** and **Manila**). Rents in most markets either stayed flat or rose moderately (1- 4%), although rents were lowered in some serviced apartments in China in order to improve occupancy rates.

London outperforms

The introduction of the UK Government’s ‘Help to Buy’ programme has transformed the **UK** housing market funding landscape and sales momentum is building. Nonetheless, the contrast in the residential markets in **London** and its commuter belt locations compared with the rest of the country remains stark. Outside of London, regional price movements over the past year have been flat at best. London is the clear standout, with 12 month growth of 5%. International demand and London’s stronger economic prospects will continue to underpin this divergence in housing market performance over the medium term.

UK residential investment expands

There has been a general improvement in private investor interest, alongside increased activity from institutional investors. Jones Lang LaSalle estimates that nearly £3 billion (US$2 billion) has been earmarked by institutions specifically for investment in **UK** residential assets. However, a lack of suitable stock remains an ongoing challenge. As a result, certain markets outside the **London** commuter belt are seeing the first signs of improved investor demand. This is for large-scale, quality assets that present more attractive yields than are on offer in London.

A broad-based recovery in Dubai

The **Dubai** residential market appears to be experiencing a more broad-based recovery, with prices and rents now picking up in affordable secondary locations. Despite the continuous growth in rental values and sale prices, there remains encouraging signs that the market has more mature characteristics than in the boom years of 2006 and 2007. The limited availability of finance and the high levels of future supply, in addition to the more rigorously enforced market regulations, offer hope that Dubai may witness a period of modest growth rather than a speculative boom similar to that experienced in the previous cycle.

Recent Key Investment Transactions

Europe

Country	City	Property	Sector	Sales price US$ m	Comments
Austria, Slovenia, Italy	Various	SES portfolio	Retail	Confidential	Allianz Real Estate has acquired a 50% stake in a portfolio of seven shopping centres owned by SES Spar European Shopping Centres. Located in Austria, Slovenia and northern Italy, all the assets are in established retail locations and have good transport links. SES will continue to manage the shopping centres. Jones Lang LaSalle advised.
Belgium	Brussels	Belair	Office	> 390	Hannover Leasing has acquired the Belair office project, alongside a confidential Asian institutional investor. Due to complete in December 2013, the scheme is located in the heart of the CBD and will total c. 80,000 sq m. Belgium's Federal Police has agreed a long-term lease on the vast majority of Belair. The vendor was a joint venture between Breevast and Immobel. Jones Lang LaSalle advised.
France	Paris	33 Rue LaFayette and Tour Pacific La Défense	Office	643	In separate transactions Ivanhoé Cambridge has disposed of two buildings. The first, 33 Rue La Fayette totals 27,000 sq m and is the current headquarters of Areva (US$362 million). The second is the 25-storey Tour Pacific, which has been acquired by Tishman Speyer (US$281 million). Jones Lang LaSalle advised on both transactions.
France	Various	Portfolio Icade Logicad	Industrial	189	French REIT/SIIC Icade has disposed of the bulk of its remaining logistics assets to U.S. investor Apollo. The portfolio comprises 11 assets totalling 370,000 sq m located across France. Jones Lang LaSalle advised.
Germany	Frankfurt	Skyper, Taunusanlage 1	Office	> 400	A fund managed by UBS has disposed of the Skyper office complex in Frankfurt's banking district to Allianz Real Estate. The total floorspace is 54,000 sq m of which 90% is offices. The remaining 10% comprises a mix of retail and residential space. The building is multi-let with tenants including Deutsche Bundesbank, DEKA Investmentfonds and law firm Bird & Bird. Jones Lang LaSalle advised.
Germany	Frankfurt	Gallileo, Gallusanlage 7	Office	> 340	IVG has acquired office tower "Gallileo" on behalf of a number of South Korean institutional investors, demonstrating the increasing appetite for real estate from Asian investors outside of central London and onto the continent. The property comprises 40,000 sq m and is let on a long-term basis to Commerz Bank, the previous owner of the asset. Jones Lang LaSalle advised.
Germany	Various	Deikon Supermarket portfolio	Retail	232	Patrizia has acquired a supermarket portfolio from insolvent investor Deikon. The price paid was reported to exceed market expectations. The portfolio, which comprises 86 supermarkets with an average lease term of just over seven years, is believed to have attracted interest from a broad range of investors, including international buyers such as U.S.-based Taurus Investment.
Italy	Rome	H&M Store, Via del Corso / Via Tomacelli	Retail	235	Retailer H&M has acquired Benetton's flagship store in Rome for its own occupation. The new store is expected to open later this year. Located in Rome's principal shopping district, the landmark building comprises 6,000 sq m.
Netherlands	Amsterdam	Atrium, Strawinskylaan	Office	est. 130	Atrium, an office building in te Zuidas business district, has been sold to private equity investor Victory Advisors, after Lloyds Banking Group called in the defaulted loan extended to Irish investor Derek Quinlan in 2007.
Netherlands	Amsterdam	NH Grand Hotel Krasnapolsky	Hotels	206	AXA Real Estate has acquired the 468-room NH Grand Hotel Krasnapolsky from NH Hoteles SA on behalf of a European and an Asian client.
Sweden	Lund	Ideon Science Park	Office	229	Ikano Fastigheter has sold 10 assets in Ideon Sciewnce Park to Wihlborgs, who will become the sole owner of the park. As part of the transaction, Wihlborgs has also obtained office building rights in the Ideon district while Ikano gained residential building rights in Limhamn.
UK	Birmingham	Bullring Shopping Centre	Retail	471	Australia's Future Fund has sold its 33.3% stake in the Bullring to a 50/50 joint venture between Hammerson and Canada Pension Plan Investment Board (CPPIB). The new joint venture is the third partnership between Hammerson and CPPIB. The Bullring celebrates 10 years of trading this year and is one of the UK's top 10 retail destinations, anchored by Selfridges and Debenhams. It is over 99% let and attracts around 40 million shoppers per annum. Ownership of the Bullring is now held by Hammerson (50%), CPPIB (16.7%) and Henderson Shopping Centre Fund (33.3%).
UK	London	Lloyd's Building, 1 Lime Street	Office	400	In the first overseas transaction by a Chinese insurer, Ping An has acquired the City headquarters of Lloyd's of London. The building was opened in 1986 and has been owned by German investor Commerz Real since 2005. Lloyd's lease on the site expires in 2031. The deal further highlights the dominance of overseas investors in London at present.

Country	City	Property	Sector	Sales price US$ m	Comments
UK	London	London Stock Exchange, 10 Paternoster Square	Office	361	Oxford Properties (the real estate arm of Canadian pension fund OMERS) has acquired 10 Paternoster Square, which is home to the London Stock Exchange (LSE), from Japanese investor Mitsubishi Estate Company. The asset is located on the edge of London's financial district, close to St Paul's Cathedral. Oxford Properties commented that the building was attractive due to its prime location and the strength of LSE's lease covenant.
UK	London	88 Wood Street	Office	330	Malaysian pension fund KWAP has purchased 88 Wood Street from Korean pension fund NPS, as early overseas entrants into the London real estate market begin to sell properties to new arrivals who view the city as a safe haven for their capital. The 18-storey building totals 32,980 sq m and was acquired by NPS in 2009.
UK	London	St James's Market, Regent Street	Office	246	Oxford Properties has taken a 50% stake in the commercial element of the St James's Market scheme forming a joint venture with the existing owner, The Crown Estate. The transaction illustrates the growing demand from overseas equity providers to partner with local developers. The scheme forms part of The Crown Estate's investment strategy for St James's and when complete will provide around 19,500 sq m of office space and 50,000 sq m of retail and restaurant space.
UK	London	InterContinental London, Park Lane	Hotel	463	The 447-bedroom trophy hotel has been sold to a private Middle Eastern investor in the largest ever sale and manageback of a single asset in the London hotel market. The sale was subject to a 60-year long-term management agreement with InterContinental Hotels & Resorts.
UK	Various	LondonMetric portfolio	Industrial	380	A joint venture between Prologis and Norges Bank has acquired a portfolio of warehouses from LondonMetric, adding to the €2.4 billion joint venture portfolio established earlier this year. The portfolio is primarily let to third-party logistics operators, including Kuehne + Nagel Drinkflow Logistics. Jones Lang LaSalle advised.

Asia Pacific

Country	City	Property	Sector	Sales price US$ m	Comments
Australia	Brisbane	480 Queen Street	Office	540	Dexus Property Group and Dexus Wholesale Property Fund (DWPF) has each acquired a 50% stake in the premium-grade office development. The income guarantee, together with pre-commitments, will provide an initial yield of circa 7.25%. When completed in February 2016, the 5-star NABERS Energy rated building will offer corporate tenants one of the largest floor plates in the CBD.
Australia	Melbourne	Greensborough Plaza	Retail	357	Acting on behalf of Australian Prime Property Fund Retail and Lend Lease Funds Management Limited, Jones Lang LaSalle has negotiated the sale of the regional shopping centre to Blackstone. The 61,940 sq m centre is anchored by a department store, two supermarkets and a cinema.
Australia	Perth	Raine Square	Office	454	Raine Square, one of the largest assets to be offered to the market in Australia this year, has been sold by Jones Lang LaSalle on behalf of the receiver, KordaMentha. The asset comprises a 22-storey premium grade office tower, one of the CBD's largest retail centres and a strong performing hospitality component of two hotels and entertainment venues. The office tower is 100% leased to Bankwest on a 12-year term until 2024.
Australia	Perth	Kings Square 1, 2 & 3	Office	431	Dexus Property Group has purchased three Grade A office buildings in the City Link precinct in a block deal from Leighton Properties who was represented by Jones Lang LaSalle. The Kings Square developments, which are part of City Link project initiated by the state government, will have circa 53,000 sq m of office and retail space when completed in mid-2015.
Australia	Various	Federation Centres portfolio	Retail	597	Acting on behalf of Federation Centres, Jones Lang LaSalle has advised on the sale of a 50% stake in six malls (Centro Toormina, Centro Bankstown, Centro Roselands, Centro Karratha, Sunshine Marketplace, Centro Lennox) acquired by Challenger, on behalf of ADIC. Federation Centres will retain the other 50% stake as well as the management of the assets. The aggregated passing yield at the purchase price is 7.4% to the buyer.
Australia	Various	ISPT portfolio	Retail	527	Acting on behalf of the vendor Coles, Jones Lang LaSalle has sold a 75% interest in 18 neighbourhood shopping centres and one sub-regional shopping centre. Coles will retain 25% ownership and will continue to manage the centres as well as be given development control. Both parties have signalled their intention to place more properties into the joint venture.

Country	City	Property	Sector	Sales price US$ m	Comments
China	Beijing	Guang An Centre Tower 1	Office	447	Domestic end-user Beijing Huarong Investment Company has acquired Guang'an Centre on Finance Street from Beijing Financial Street Holding.
China	Beijing	Zhongguancun Plaza Shopping Centre	Retail	357	Guangyao Dongfang Group has purchased Zhongguancun Plaza from Science Park Real Estate.
China	Shanghai	Central Plaza	Office	267	Singapore-listed Forterra Trust has sold Central Plaza to private equity giant Carlyle Group. The sale price represents a discount of approximately 7.9% to the latest independent valuation commissioned.
Hong Kong	Hong Kong	Citibank Plaza	Office	278	Hong Kong's Champion REIT has acquired the remaining interests in the Citibank Plaza from Financial Secretary Inc, a government property agency.
Japan	Tokyo	Kamiyacho Central Place	Office	507	Invesco RE has sold the 11-storey office building to Hulic, a locally listed real estate development and investment company. This acquisition will likely be part of the initial AUM of the J-REIT that Hulic is planning to launch in mid-2014.
Japan	Tokyo	Shibuya Flag	Retail	325	Mori Trust Sogo REIT has acquired the property from Prudential Real Estate Investors. The development, consisting of six storeys of retail and 5 storeys of office, is located in the Shibuya area. The retail component is entirely leased to H&M as its flagship store.
Japan	Tokyo	Hilton Tokyo Bay	Hotels	347	The hotel has been acquired by Japan Hotel REIT Investment Corporation.
Japan	Tokyo	Akasaka Garden City	Office	304	US-based Westbrook Partners and Kendix Inc, a Japan-based real estate investment company, has purchased a majority stake in Akasaka Garden City from a Morgan Stanley Real Estate Fund.
Singapore	Singapore	Park Hotel Clarke Quay	Hotel	237	The 336-room Park Hotel Clarke Quay has been acquired by the Ascendas Hospitality Trust.
Vietnam	Ho Chi Minh City	Vincom Tower A	Office	470	Vingroup has sold its entire stake in the prime development via equity sale of its wholly-owned company, to VIPD a local property and infrastructure company, in one of Vietnam's largest transactions in recent years. The development comprises a high end retail mall and a 5-star hotel.

Americas

Country	City	Property	Sector	Sales price US$ m	Comments
Brazil	Fortaleza	Shopping Parangaba	Retail	57	Aliansce Shopping Centers SA has purchased 40% of the about-to-open mall, initially comprising 200 stores across nearly 32,000 sq m.
Brazil	Louveira	Magazine Luiza - Standard DC	Industrial	100	REIT FII Fundo Kinea Renda Imobiliária has purchased this 44,800 sq m distribution centre in a sale and leaseback transaction. Magazine Luiza SA maintains its tenancy in the property.
Canada	Calgary	Quarry Parkside A	Office	54	Artis REIT has purchased this 9,200 sq m CBD office property from Remington Properties Inc.
Canada	Toronto	Upper Canada Mall	Retail	188	CPP Investment Board has purchased the nearly 93,000 sq m mall from OMERS.
Canada	Vancouver	QLT headquarter	Office	64	Dundee REIT has acquired this over 15,000 sq m office asset from seller Discovery Parks.
Mexico	Multiple	Mall portfolio	Retail	254	A joint venture of Planigrupo and Walton Street Capital has purchased this nine-property retail portfolio.
Mexico	Multiple	Office building portfolio	Office	180	REIT Fibra Inn has acquired this eight-building office portfolio.
United States	Atlanta	One Alliance Center	Office	183	Orix Capital Markets has sold this more than 51,000 sq m suburban office property to Highwoods Properties at a reported 4.9% initial yield.
United States	Charlotte	301 S. College St.	Office	245	Starwood Capital Group has acquired the nearly 92,000 sq m downtown office asset from Childress Klein Properties at a reported 6.7% initial yield.
United States	Fort Lauderdale	The Shops at Pembroke Gardens	Retail	188	Duke Realty has sold the over 36,000 sq m South Florida shopping centre asset to Jeffrey R Anderson Real Estate.

Country	City	Property	Sector	Sales price US$ m	Comments
United States	Houston	BG Group Place	Office	480	Invesco has purchased the over 90,000 sq m CBD office asset from Hines at a reported initial yield of 5.8%.
United States	Jacksonville	Winn-Dixie Distribution Center	Industrial	100	Supermarket chain Winn-Dixie has sold its 113,000 sq m occupied distribution centre to American Realty Capital.
United States	Las Vegas	Grand Canal Shoppes at The Venetian	Retail	347	General Growth Properties has sold a 50% interest in its 46,000 sq m luxury shops asset to TIAA-CREF.
United States	Multiple	Apple REIT Six and Blackstone merger	Hotel	1,190	One of the largest hotel transactions of the year thus far has been the purchase of Apple REIT Six by an affiliate of Blackstone Real Estate Partners VII. Apple REIT Six's portfolio of 66 upscale, extended-stay and select-service hotels across the U.S. comprises 7,658 rooms.
United States	Multiple	Hotel portfolio	Hotel	900	Omni Hotels & Resorts has acquired a portfolio of five iconic resorts from U.S. private equity firm KSL Capital Partners in a purchase that has increased Omni's portfolio by 2,362 rooms.