EUROPEAN PROPERTY MARKET OUTLOOK **AUGUST 2020**

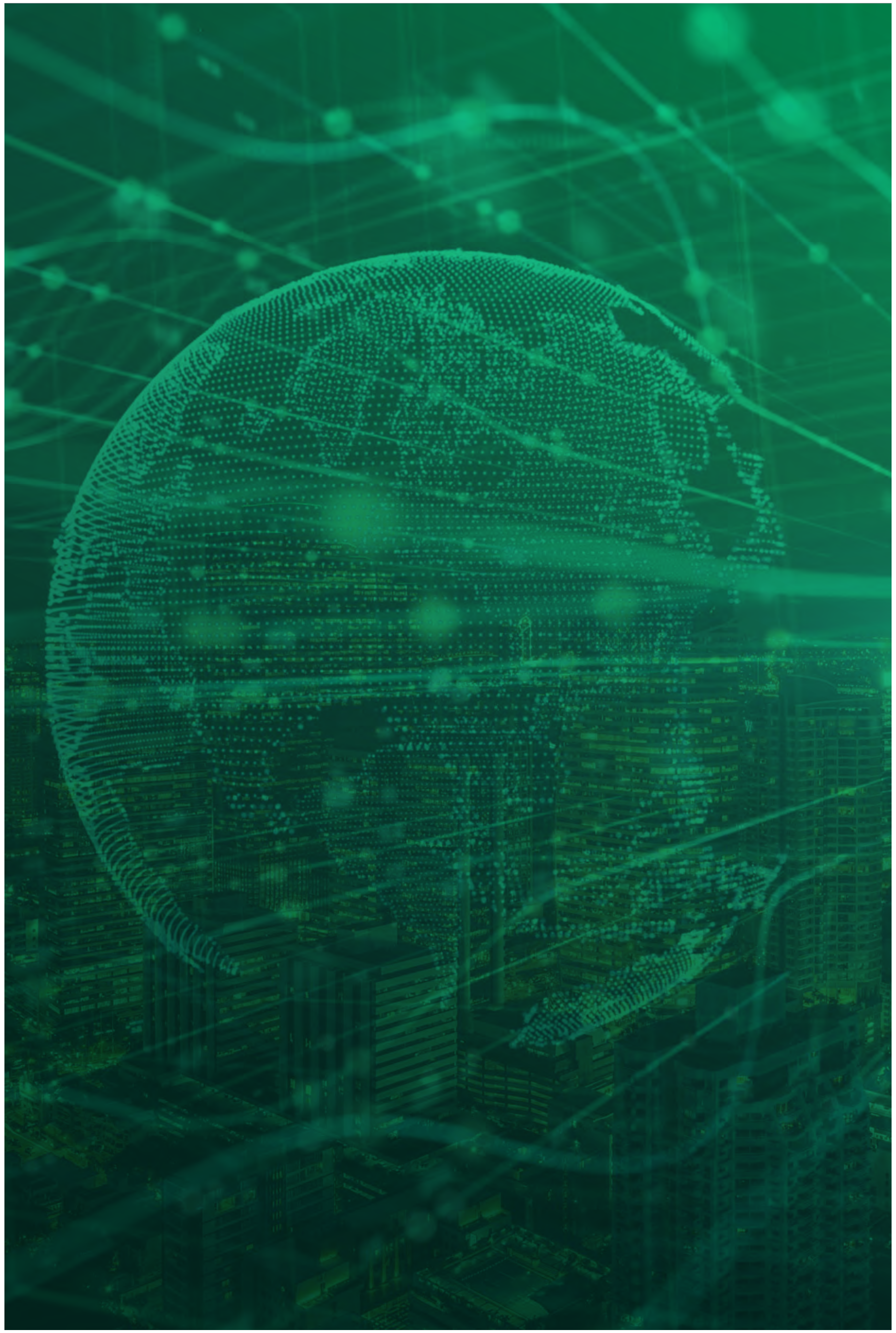
REAL ESTATE IN UNCERTAIN TIMES

INTERNATIONAL RESEARCH

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

CONTENT



FOREWORD

> In a period of uncertainty, investors seeking income and safety of capital are likely to turn to real estate. Yet, more than ever, asset selection will require greater discretion to make both those requirements a reality.

WE PRESENT OUR LATEST FORECASTS in a world where the social and economic backdrop has substantially changed from that which prevailed during our previous publication in January. The global economy has moved from worrying about systemic risk emanating from trade protectionism to one underpinned by a health crisis, the issues of which have resulted in profound disruption. We are now in a self-imposed global recession as governments struggle to contain the pandemic.

While most economists expect the recession to abate by the end of 2020, the path and speed of recovery remains unclear. The principal problem is a sharp, and potentially destabilising, expansion in unemployment. European governments, aware of this risk, have moved swiftly to create buffers, with unprecedented financial support for individuals and businesses. Growth in public spending funded by the issuance of bonds would normally result in an increase in yields. Yet it coincides with a period of exceptional demand for safe assets, a situation magnified by COVID-19, which has resulted in a renewed squeeze on sovereign bond yields.

For real estate, the macroeconomic situation remains exceptionally favourable relative to other asset classes such as equities (volatile) and bonds (low or negative yielding). However, the performance of real estate investment is underpinned by the income that investors are able to generate from the asset, which, in turn, depends on the health of corporate occupiers. This is where the greatest negative impact of the pandemic on real estate is apparent. With so many corporate occupiers challenged financially, investors will increasingly focus on covenant strength and income risk in their investment decisions.

In this report, we provide our view on the outlook for European real estate markets in this context over the next five years. We see challenges around performance in the short term, although nothing like those witnessed during the 2008/2009 financial crisis; and structural changes in the long run. We continue to be optimistic about the long-term value of investing in real estate, but our central view is that, in the short term, investors are likely to focus on prime assets in core geographies.

SAMUEL DUAH
Head of Real Estate Economics
International Research

OVER 90% OF SOVEREIGN BONDS IN THE ADVANCED ECONOMIES ARE YIELDING LESS THAN 2%. THIS IS LIKELY TO GET WORSE OVER THE NEXT TWO YEARS. MOREOVER THIS IS SIGNIFICANTLY LOWER THAN EUROPEAN PRIME PROPERTY YIELDS.

The economic outlook

SYMMETRIC SHOCK: ASYMMETRIC REBOUND

AT THE END OF 2019, ECONOMISTS AROUND THE WORLD WERE SURE about one thing: 2020 should be a year of continuity, even better than 2019 as the systemic risks faced by the global economy (mainly Brexit and the trade war between the US and China) began to diminish. The emergence of COVID-19 at the beginning of 2020 took the world by surprise with its virulence, delivering a shock just as the global economy had begun to stabilise.

The first impacts of the pandemic were both a disruption to the supply chain (with a possible shortage of goods and the closure of borders) and a decrease in domestic demand following the restrictions imposed by governments. The lockdown measures introduced by European governments added global implications that are still difficult to fully measure. Indeed, as activity and demand effectively stopped overnight, companies were pushed towards unknown horizons, forcing governments to take unprecedented steps to protect jobs and incomes.

A global recession, but what kind of recovery?

At the start of the lockdowns, the debate was not around the possible damage to the economy but on the shape of the recovery. If a global and severe recession for 2020 was quickly a reality, the generous and timely packages put in place both by governments and central banks were expected to restart the economy. But their final effects, particularly in the labour market, are still being discussed.

The first economic data available since the easing of lockdown have been very positive. We have seen a strong rebound from the supply side and the beginning of momentum on the demand side. However, this recovery is not yet secure and will depend on the sustainability of demand. To this end, the holiday season will be critical to simultaneously rebuild confidence and increase consumption in the short term. In the longer run, the ability of countries to absorb the expected rise in unemployment through sustainable demand, job creation or even incentives to accelerate sectorial mobility will drive the recovery.

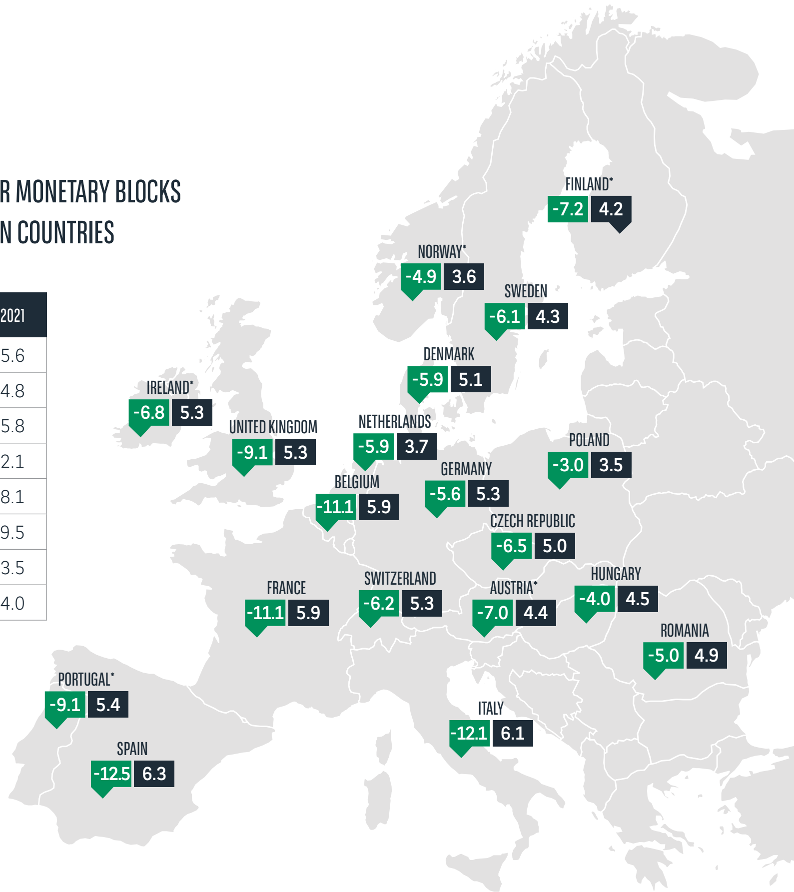
In our base case scenario, we project that global GDP will contract by 3.7% in 2020, recovering sharply in 2021 to 5.6%. Although, the shock is symmetric, we expect an asymmetric rebound within the European economy.

We anticipate that the US will rebound faster than both Japan and the broader Eurozone economy. Due to its more flexible economy, the US is likely to outperform most other advanced economies. Moreover, its less stringent and shorter lockdown measures and a bolder policy response should also improve the US recovery. In Europe, Germany should outperform other countries in the region as its lockdown was only partial, and its fiscal policy should be more effective in sustaining the momentum. In contrast, the recovery in Spain and Italy could be dragged down by a combination of heavier pre-crisis public deficits and indebtedness, a higher share of tourism in their GDPs and a greater prevalence of small and medium-sized companies. While the U.K. is open for business, the threat of a second wave of the virus in the months ahead could weigh further on its nascent economic recovery.

Ultimately, the coming months will be crucial for the global economy, and household confidence will be one of the key drivers. If all the measures put in place either by central banks or governments end up creating inflation, the final impact of the COVID-19 crisis on private consumption is still difficult to estimate. We do not subscribe to a V-shaped recovery, rather something more like a U-shaped recover.

GDP (%) EXPECTIONS FOR MONETARY BLOCKS AND SELECTED EUROPEAN COUNTRIES

	2020	2021
WORLD	-3.7	5.6
UNITED STATES	-4.9	4.8
EUROZONE	-9.0	5.8
JAPAN	-4.8	2.1
CHINA	2.5	8.1
INDIA	-4.7	9.5
RUSSIA	-6.5	3.5
BRAZIL	-7.0	4.0



Source: BNP Paribas Global Outlook & Eco Perspectives (July 2020); * Consensus Economics (July 2020)

Disinflation in the short term

The mid-term outlook for inflation is more uncertain than it has been for years. The contraction in activity in Q2 should lead to disinflationary trends. In the long term, the implications are far reaching, as economies could move from disinflation to a strong increase in prices. Indeed, with the low levels of supply that we anticipate in the near future and the support of private demand by governments, prices may rise naturally. Furthermore, with ongoing discussions about supply chain re-organisation, we may see some relocation of production sites to higher-cost locations, which will impact profit margins and could cause further inflationary pressures.

However, the outcome will be mainly determined by household confidence in the global economy and in their government's measures. A resurgence of the virus or a sharp increase in unemployment may prevent any big-ticket expenses and increase saving ratios, leading to a prolonged decrease in demand. Along with reduced energy prices, lower demand could drag down inflation considerably, with outright price falls possible in some countries (Italy or Spain, for example).

Avoiding a labour market depression

The recovery of the job market remains one of the big uncertainties with regards to the ongoing crisis. The short-term impact of the pandemic on the labour market seems inevitable and quite predictable, with bankruptcies and lay-offs in almost every sector, yet the longer-term picture is still unclear. The extent of the rebound of the employment market will have some major consequences for the sustainability of the recovery. Up to this point, governments have protected jobs through national employment support schemes across Europe, but policymakers are now recalibrating their support. In effect this will reveal that many companies are employing people that the current level of demand may not be able to support.

By autumn, the main support schemes will have cease or been restructured, and unemployment rates may increase dramatically across Europe. Consequently, most countries are bringing forward increased spending to reflate economies and prevent a destabilising increase in unemployment. Some countries are better positioned than others to service this new debt. The big five's immediate fiscal impulse will see Germany borrow €456.5 billion, France €106 billion, Spain €45.7 billion and Italy €61.3 billion. The UK will borrow £176.7 billion. To support the weaker economies, the European Union introduced a €750 billion pandemic response plan composed of €390 billion in grants and €360 billion in loans, and attached to a new €1.074 trillion seven-year budget, the Multiannual Financial Framework (MFF). The final cost of these schemes could be high for governments: increasing the level of debt and prevent necessary expenditure in other areas of society.

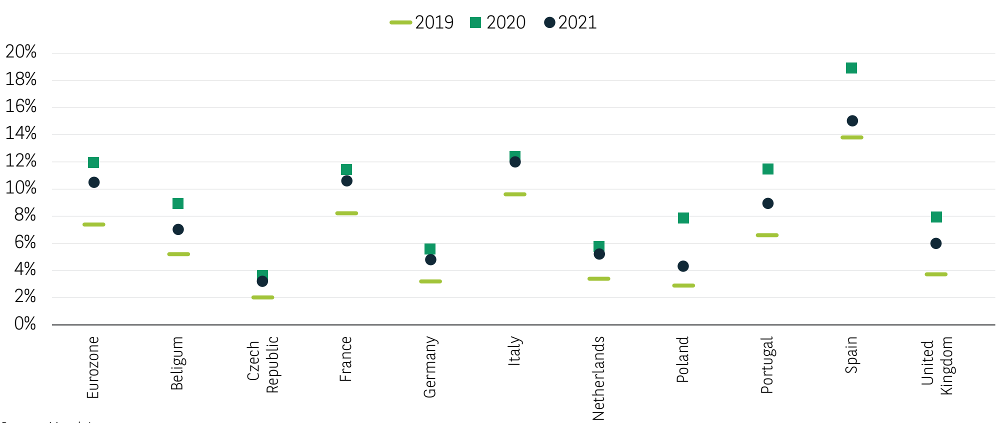
An attractive macro environment for real estate investment

What this increase in spending represents is a decisive shift in emphasis from influencing the economy through monetary policy to direct spending. Central banks are taking a secondary but important supportive role. With many economies unlikely to return to pre-crisis levels for many quarters, monetary conditions will remain accommodative for a prolonged period.

Central banks have quickly announced emergency securities purchase programmes (sometimes open-ended, as with the Federal Reserve) and major rate cuts. These programs could even be widened. The ECB may broaden the scope to include 'fallen angels' (bonds that were investment grade but have fallen into 'junk' status). We are not anticipating that corporate bond prices will be hit or any weakening in the ability of companies to refinance their debt in the medium term.

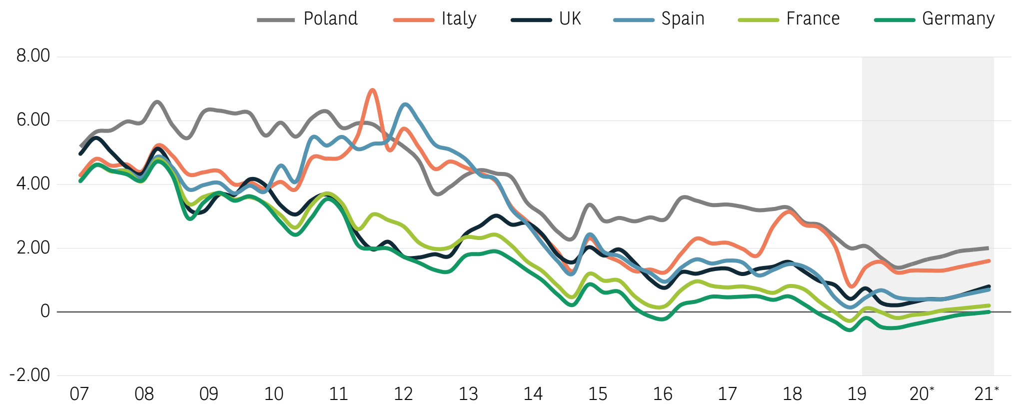
By increasing their balance sheets and buying government bonds, central banks are moving to a supportive role in the economy. They are letting government do the heavy lifting of reflating the economy by effectively underwriting government-spending programs. That surety around is encouraging investors to buy more bonds and pushing yields down. The massive issuance of debt may have negative implications for fragile public finances long term. Yet in the medium term (2 to 3 years), we do not expect government yields to increase much as central banks are ready to do whatever it takes to protect the economy and to avoid any distortion.

HERE WE GO AGAIN: 2009 REVISITED • Unemployment Rate in Europe (%)



Source: Moody's

LONG WAY DOWN • 10yr government bond yields (%)



Source: Macrobond, BNP Paribas

* Forecast

ALTHOUGH TOTAL RETURNS MAY GO NEGATIVE IN 2020, WE REMAIN OPTIMISTIC OF A STRONG RECOVERY OVER THE FORECAST PERIOD.

€102.1bn in H1 2020

European investment volumes

-6% than H1 2019

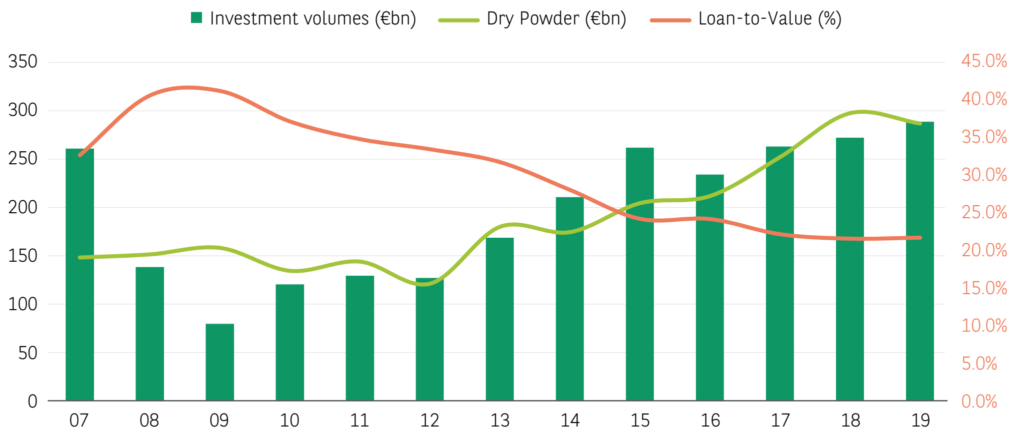
European Real Estate **GOING VIRAL**

INVESTMENT CONDITIONS: FROM HOT TO COLD

INVESTMENT ACTIVITY IN H1 2020 is clearly showing polarity. Most European markets witnessed solid investment activity in Q1 2020 and some countries even posted higher transactional volumes than in Q1 2019. Total volume of investment in Q1 was €69 billion, 46% higher than Q1 2019. The second quarter went in the opposite direction with significant falls across Europe. Lockdown with the restrictions on movement remain a large factor behind the slower activity. Many transactions, particularly low-scale deals, that do not involve lengthy negotiation periods, were simply suspended. Many large deals that went through in Q2 were ones already completed in practice, with signing a formality.

Real estate investors, by their very nature, tend to view property as a long term investment so are not likely to take a kneejerk reaction to the current environment. Investors who do not need to transact will wait for better time to do so. It is probable that some element of pausing will roll forward into Q3 before the market picks up again in Q4. Nevertheless, barring a surge in demand, 2020 (-34%) will likely see sharply reduced transaction volumes in Europe with true recovery potentially emerging in 2021 (+16%). Particularly hit here are cross-border transactions, with investors inhibited by travel restrictions. Countries such as Czech Republic (-61.0%), Ireland (-62.0%) and U.K. (-33.0%), with significant cross-border investors will be the hardest hit.

LIQUIDITY AND VOLUME OF TRANSACTIONS



Source: BNP Paribas Real Estate

Prime yields likely to stay at healthy lows

Factors internal to the property sector are more likely to drive yield shifts. What we are still likely to see in Europe is ongoing convergence of prime office yields in the core CBDs given the limited availability of product.

In times of downturn the question as to what is prime and what is secondary comes to the fore. Historically, downturn in real estate has acted as a sorting mechanism between the two. What may make this issue more complicated, for the office sector especially, is if some of the issues surrounding design and usage (remote working) that have arisen during lockdown start to manifest in the market. At present, we do not see that occurring over the forecast period but it will remain something to watch. We are now less likely to see the gap between prime and secondary yields narrow sharply, particularly for retail.

The economic backdrop suggests that offices may witness a short-term increase in prime yields over 2020-2021 before compression resumes towards the forecast end 2023/24. At the European level, this will see yields increase from 3.30% in 2020 to 3.32% in 2021 before declining to 3.15%. Germany is likely to be static to 2021 at 2.73% before falling to 2.68%. France may stabilise at 3.12% (2020-2021) before falling to 2.82% in 2024. By 2024, the Nordics may post 3.55%, Southern Europe 3.51% and Benelux 3.54%. CEE may achieve 4.70% having experienced the least compression of all. For all regions, even with compression we are anticipating higher yields at forecast end than in our previous round. We also expect the gap between yields in the gateway city yields and secondary cities to widen slightly by forecast end in 2024.

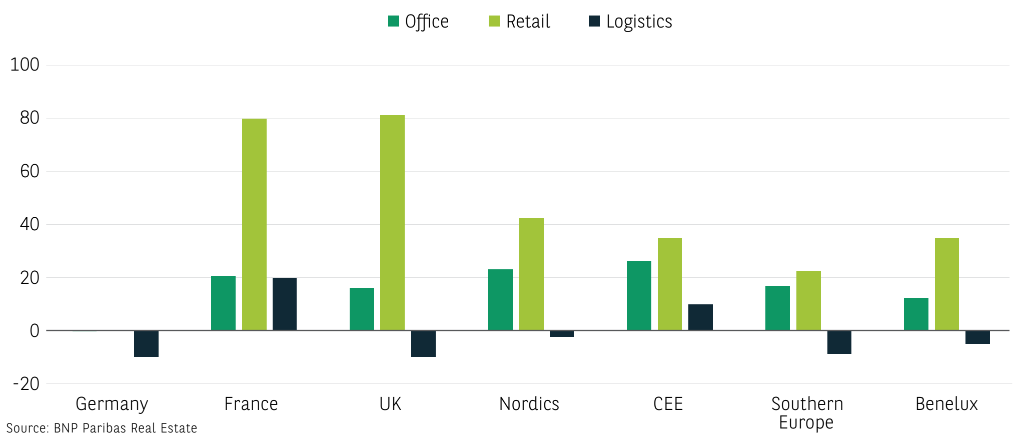
The UK, London offices especially, continues to feature in our scenario of compression even with both Brexit and Covid-19 as backdrops. Yields in the UK historically respond very quickly to changes in market conditions and have remained static compared to the rest of Europe for a long time. London West End yields may expand to 3.65% by 2021 before reducing to 3.50% by 2024.

We anticipate that logistics prime yields will cease compression because of the recession and remain stable. Although we do not forecast average yields, it is probable given the current risk aversion that this will increase strongly in most markets.

At European level, we expect prime logistics yields to stabilise at 4.88% in 2020 before falling steadily to 4.76% by 2024. All regions, except for the UK, may experience further compression post 2021 reflecting post-Covid investor demand. France and the Nordics are likely see the largest compression. France may see yields move from 4.2% in 2020 to 4% by 2024. The Nordics may move from 5.2% in 2020 to 4.89% in 2024. UK logistics yields will remain flat across most of the period.

The greatest upward shift will occur in retail yields over the forecast period. Our forecast for retail focused on prime high street, which is somewhat insulated so we are anticipating low upward shift; greater disparity may occur in other retail segments, particularly shopping centres. Much of the impact here is front loaded at the start of the forecast with some regions (the UK and Southern Europe) experiencing compression towards 2024. We anticipate at European level, retail yields to post 3.69% in 2020 before expanding gradually to 3.73% by 2024. Europe's gateway cities may see yields increase from 3.72% in 2020 rising to 3.73% by 2024, stability driven by their higher proportion of luxury retailers, a sector with few of the structural issues afflicting other elements of retail.

UNEVEN EFFECT • Average yield shift by sector, End 2019 – End 2021, (basis points)



Source: BNP Paribas Real Estate

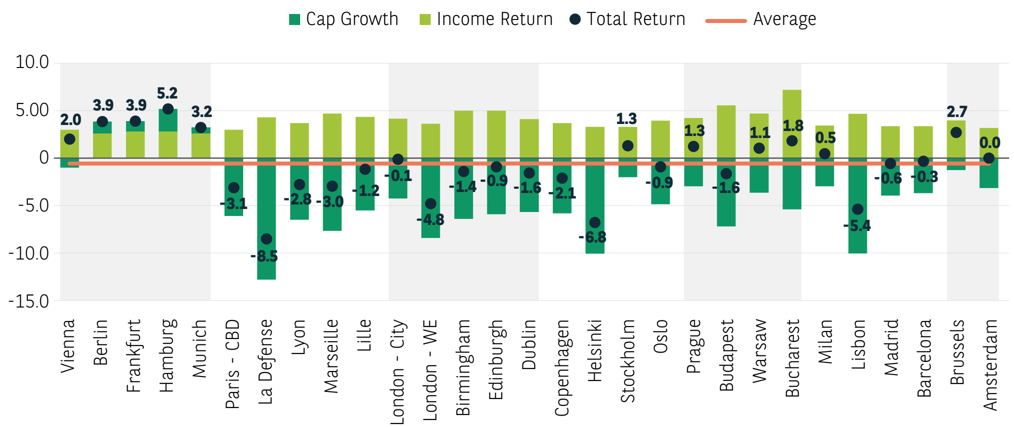
Total Return may go negative before a sharp recovery

In our previous forecast round, we suggested that investors needed to accept lower returns from real estate going forward. The recession has all but guaranteed this. We now see prime total returns (-2.2%) as negative in 2020 on average across Europe. What is positive about returns for the office sector is that we anticipate a strong recovery. We think that prime total returns will average 4.2% over the five-year forecast period across Europe. For the wider office market total returns will hold up rather better in 2020 (+1.3%) but with less strength in the later stages of the forecast period, given the high level of yields, averaging 4.4% over the forecast period. Most regions are likely to stay positive. France's total return is negative in 2020 (-3.5%), market returns may end up the strongest by 2024 at 9.0%

Logistics total returns are anticipated to be more stable at 4.3% in 2020 for Europe as a whole before increasing to 5.6% in 2024, a midterm beneficiary of post Covid demand. The only region likely to witness negative return in 2020 is France at -0.4%. Logistics overall represents the most stable sector for total return across the forecast period.

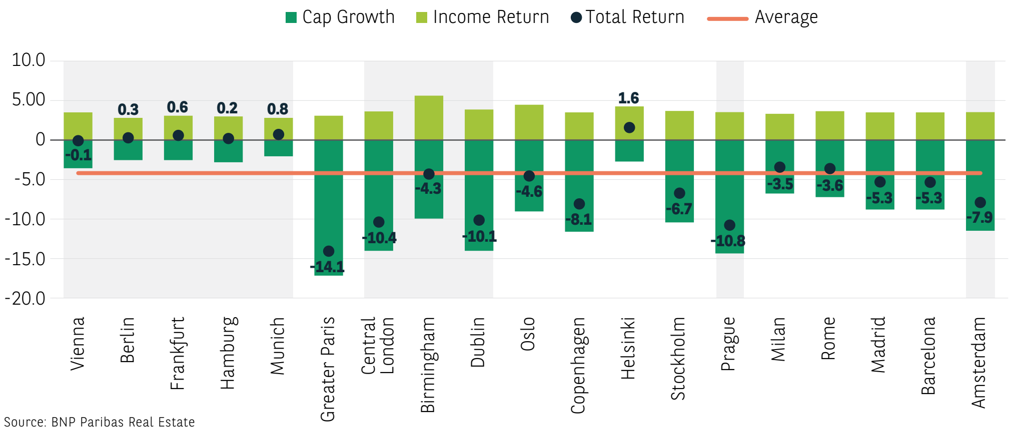
The impact of Covid on our revised forecasts is most strongly experienced in the retail sector. European retail is likely to post -8% in 2020 and we may even see double digit negative returns in a number of the regions including France (-21%), CEE (-17%), Southern Europe (-12%), Benelux (-11%) and the UK (-10%). The positive dimension to this is that negative returns are frontloaded in the forecast and are likely to reverse 2022 with all regions creating low, positive returns by 2024. The strongest region may be France at 15% by 2024.

AWAITING CLARITY • 2yr Average (2020-2021) Office Total Return, (% P.A.)



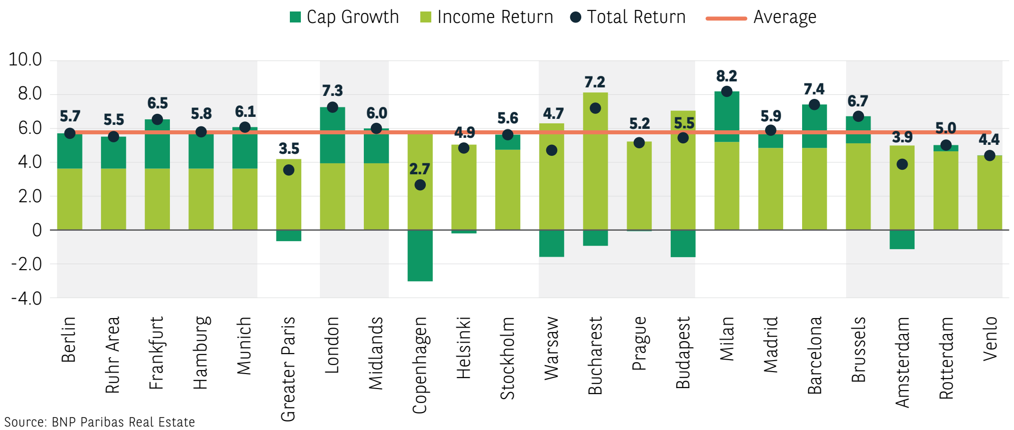
Source: BNP Paribas Real Estate

SEEKING A FLOOR • 2yr Average (2020-2021) Retail Total Return, (% P.A.)



Source: BNP Paribas Real Estate

A RESILENT SECTOR • 2yr Average (2020-2021) Logistics Total Return, (% P.A.)



Source: BNP Paribas Real Estate

SECTOR PROSPECTS

OFFICES

Occupiers will return to workplaces with a different perspective

WITH WEAK ECONOMIC ACTIVITY, employment growth is the true casualty of Covid-19. Current forecasts for growth are sharply downgraded for 2020 and 2021. Spain is worst at -4.5% for 2020, although growth remains weak across the forecast period for all countries. This matters a lot for the real estate occupational sector and our outlook for the occupational market.

Many people are on enforced leave (whether retained on government funded programs or not) from their places of work. Although this situation is receding over Europe, a return to the office may not be complete by end of 2020.

If we look back to 2009, the European office market was in much worse state than currently is the case. Large-scale vacancy, double digit in most cases such as London West End at 10%, Dublin and Amsterdam both over 20%. In addition, extremely weak, relocation driven take-up meant demand was non-expansionary for a long time.

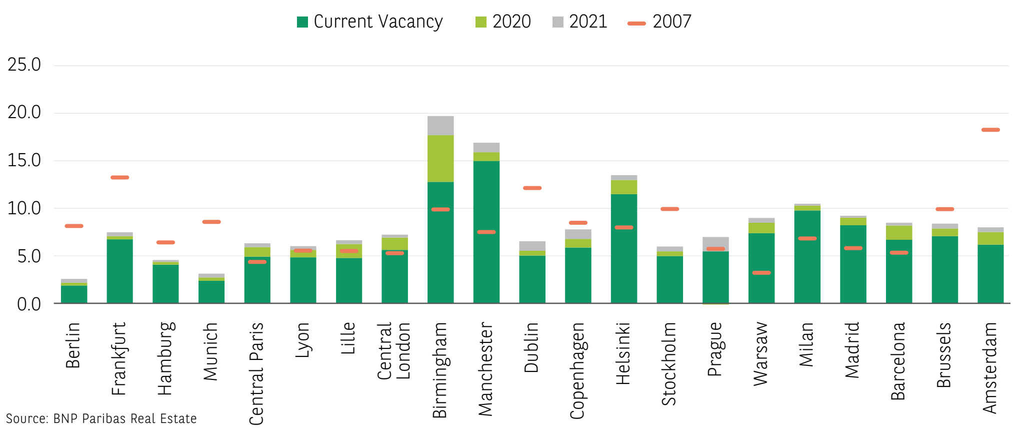
Presently, there is no surfeit of ultra-cheap modern space that will foster the large-scale relocation moves seen post 2009. Companies seeking to downsize will have limited options if they wish to take large modern space

The European market going forward continue to be characterised by lack of modern Grade A space with large floorplates. The deepest impact from COVID-19 for offices may occur in the development pipeline where future large-scale units may not be needed if occupiers switch their requirements.

Poor economic and job growth, combined with lower transactional volumes and a delayed pipeline may create a larger vacancy rate increases than we expected at the start of 2020. The region with the lowest vacancy, Germany, is likely to see vacancy increase from 4.4% (previous forecast 3.1%) in 2020 to 4.8% in 2021 (previous forecast 4.1%) and 5.3% in 2024. We continue to hold the outlook that for most regions low vacancy will remain the prevailing condition by the end of 2024.

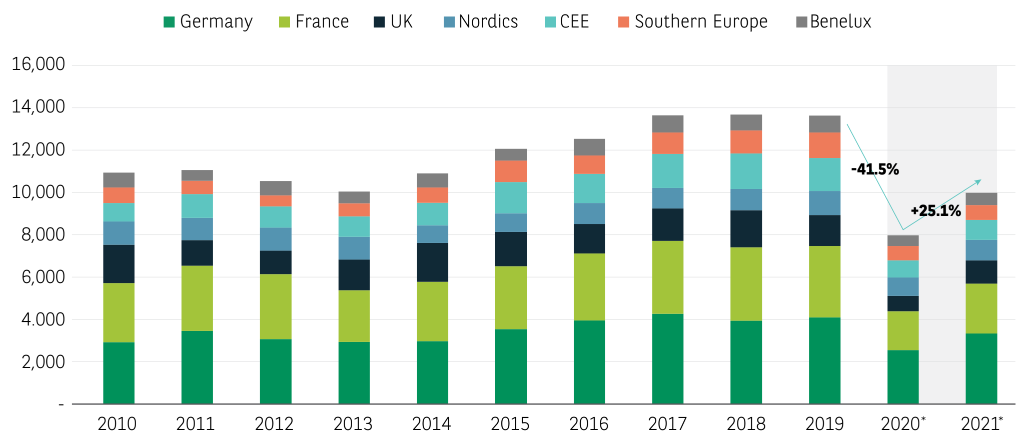
We expect prime rental growth for European offices to range between -2.6% to +1.9% over the 2020-2024 forecast period. Gateway cities are likely to see -2.1% in 2020 recover to 1.7% by 2024. Regionally, France will see sharpest fall back in 2020 at -5.5% and also the lowest growth at the end of the period at 0.4% in 20924. Germany will scale back from 4.8% in 2019 to 0.6% in 2020, being the only region likely to stay positive in 2020 and across the whole forecast period. The region with the strongest rental growth at the end of the forecast may be the Nordics at 2.7% by 2024.

SUPPLY PUSH • Vacancy rate in selected European markets (%)



Source: BNP Paribas Real Estate

DEEP DIVE • Take-Up by Regions (000's)



Source: BNP Paribas Real Estate

* Forecast

RETAIL
Survival of the most agile

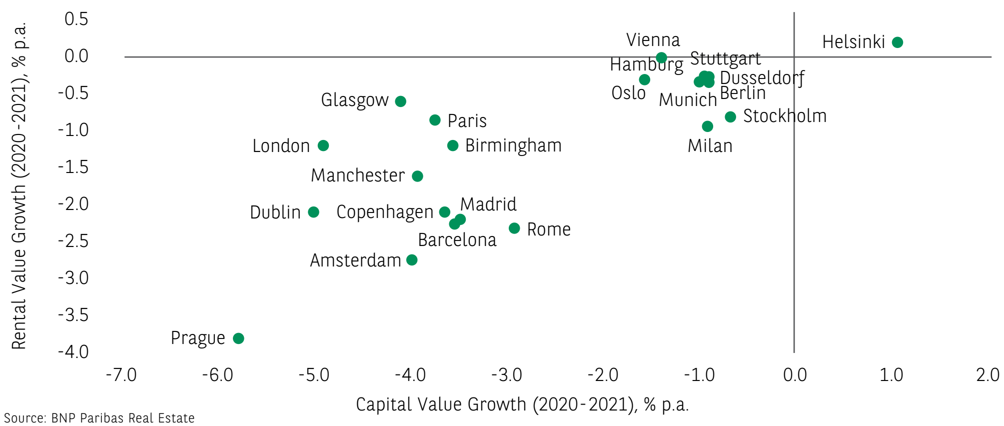
RECESSION WILL ONLY MAGNIFY THE PROBLEMS encountered by retail property during lockdown where apart from activities classed as "essential", shops closed for several months. Retailers are already reducing the number of stores and their headcount. More locations are likely to become less viable for mass-market retail through physical stores thereby increasing the number of secondary locations (and pitches at micro level) for investors. The impact will vary by retail sector type although a commonality will be a reduced pool of retailers to act as tenants. From a business perspective, the crisis legacy for retail may be closure in the debate over Omni-channel as the optimal structure for retailing. It is clear that retailers without some form of digital presence were least agile to respond to store closure, yet many pure play retailers also struggled to meet demand (especially groceries).

Retail was already undergoing structural changes. What may take longer are discussions over future leasing and rental arrangements. The income from retail property derives from retailer's operational performance and if closed, none is generated. At present this is prompting many responses across Europe from property owners and will undoubtedly shape longer-term prospects for the sector.

Our forecasts look at retail in core cities. This retail segment derives considerable revenue from touristic spending as well as domestic shoppers. Touristic spending almost vanished with the restriction on travel. It may be slow to return if current travel restrictions persist.

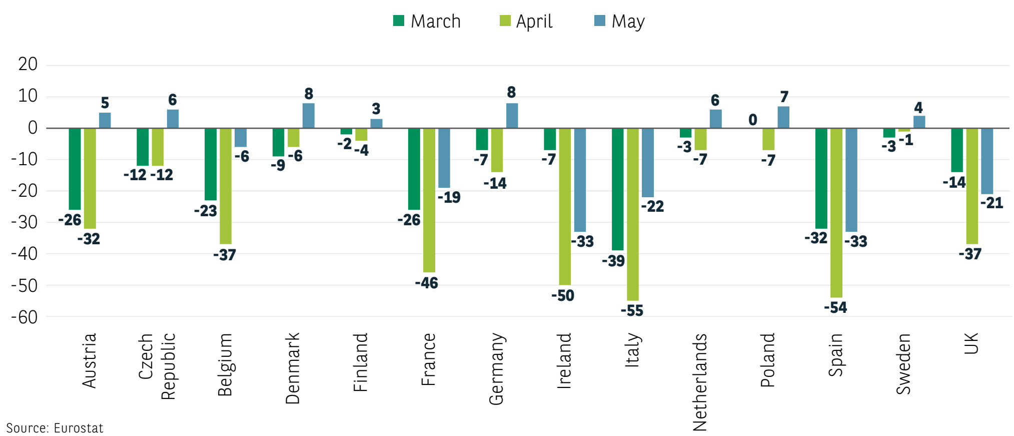
It is not surprising that we anticipate severe downward pressure in retail over the first two years of our forecast period. At European level, rents may post an outcome of -5.8% in 2020 and -2.7% in 2021. Rental growth may be 1.5% by forecast end. The three regions under severe pressure in 2020 are CEE (-15%), Benelux (-8.4%) and Southern Europe (-8.1%). CEE is likely to continue to see weak growth across the forecast period. The strongest region by 2024 will be France at 5%.

EUROPEAN RETAIL MARKET MOMENTUM



Source: BNP Paribas Real Estate

NON-FOOD RETAIL TRADE VOLUME GROWTH (% y/y)



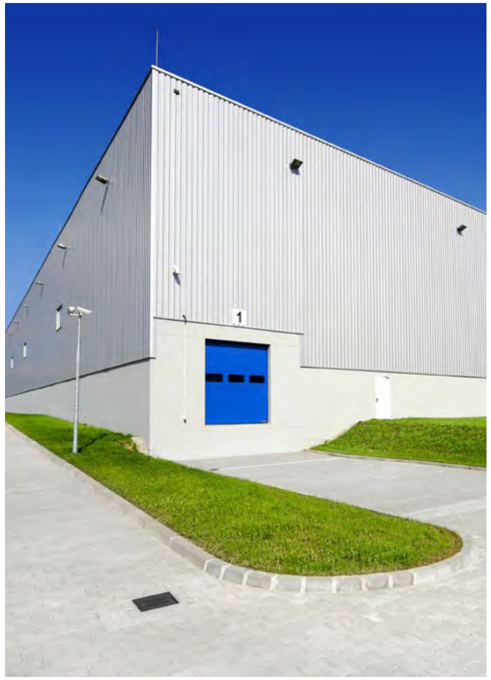
Source: Eurostat

LOGISTICS
Stocking Up

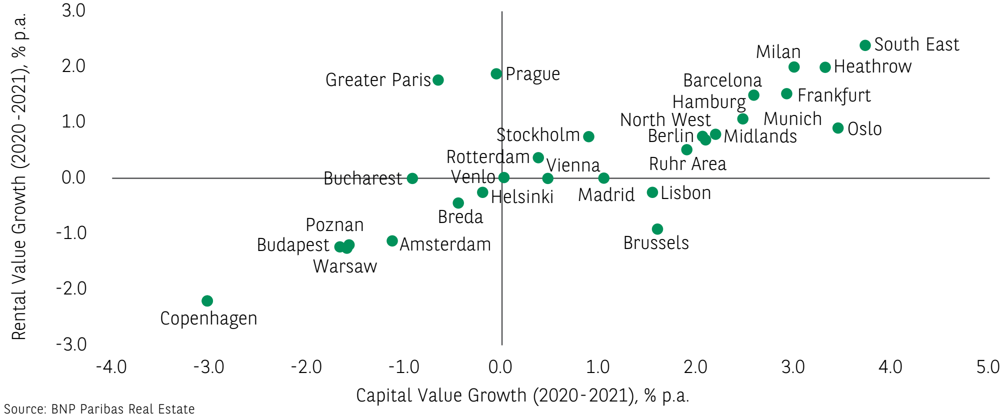
THE VIEWPOINT OF THE LOGISTICS MARKET as a clear beneficiary from European lockdowns depends greatly on which segment of the industry one looks at. The consumer led segment is witnessing a spike in occupational demand brought about by changes in consumption habits of the population over lockdown. How temporary the additional space sought by operators in essential activities and ecommerce will be depends on whether adjusted consumption patterns stick.

Long distance shipping and air transport ends of the industry experienced significant disruption from controls on movement. Disruption to the manufacturing supply chain also manifests in labour shortages leading to an overall slowing in delivery times. Often suppliers carry inventories to cover demand spikes and temporary shortages. The current problems will open the way to increase the level of inventories to guarantee supply for the end customer and that in turn may prompt demand for more space in the long term. However In the short term, we are likely to see similar level of demand for logistic space over the past three-years. Supply may increase despite slowdown in the construction of new warehouses.

We anticipate that supply expansion will reduce the thrust on logistics prime rents, although mainly experienced in the form of more incentives. Rents will experience a negative impact over 2020 at -0.5% for Europe as a whole before recovering in 2021 at 1.8%. Rental growth is likely to fade by 2024 at 0.8%. The three largest logistics markets in Europe, Germany, France and the UK are not likely to see negative rental growth in 2020. Germany and the UK may see rental growth in the region of 1.0% over much of the forecast period, making them the most stable regions for rents.

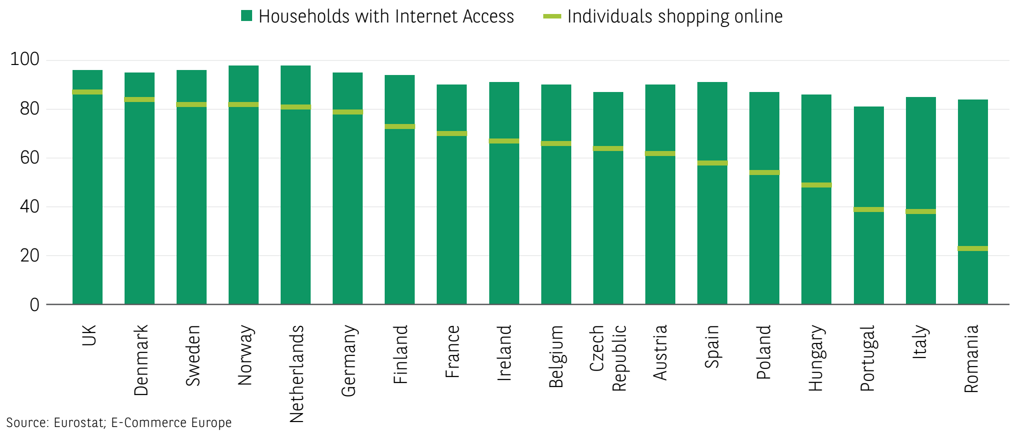


EUROPEAN LOGISTICS MOMENTUM



Source: BNP Paribas Real Estate

INDIVIDUAL USING INTERNET TO ORDER GOODS AND SERVICES, 2019 (%)



Source: Eurostat; E-Commerce Europe

Regional **OUTLOOK**

THE CURRENT RECESSION HAS THROWN UP THE DIFFERENCES IN INVESTMENT ACTIVITY AND PERFORMANCE IN DIFFERENT REAL ESTATE SECTORS AND MARKETS. AS SUCH THERE IS A TRADE-OFF BETWEEN CAPITAL PRESERVATION AND HIGHER RETURNS. CONSEQUENTLY, INVESTORS WILL NEED RE-EXAMINE THE FUNDAMENTALS OF THE REAL ESTATE SECTORS AT CITY LEVEL ACROSS EUROPE'S REGIONS.

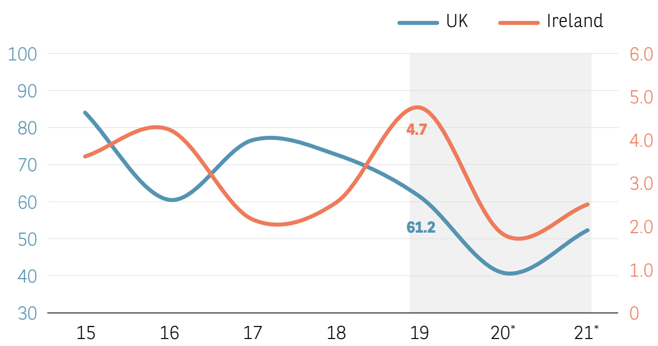
UNITED KINGDOM AND IRELAND

PLAYING CATCH-UP

THE UK ENFORCED A FULL LOCKDOWN much later than than its European counterparts, while the Irish government was quick to announce its restrictions and lockdown measures to contain the spread of COVID-19. Nonetheless, the economic impact will still be significant for both economies, with UK GDP expected to fall by 8.5% and Irish GDP by 4.9% in 2020. According to Moody's forecasts, Ireland will recover sooner than the UK, largely due to the relatively strong position of its economy when entering the pandemic.

In terms of real estate, Q1 investment volumes indicated that both the UK and Ireland were on course for relatively healthy 2020 investment totals. However, as COVID-19 took hold across the world with lockdowns enforced, investors began moderating their appetite for real estate, with not only existing deals being reviewed but also potential new deals put on hold indefinitely. The nature of real estate activity meant that the lack of physical interaction and the inability to meet with clients would have a detrimental impact on trading activity. We expect transaction levels to begin picking up somewhat in the third quarter; however, year-end investment volumes are still likely to be much lower than previously anticipated. UK investment will be down by 26% compared to 2019 levels, reaching £35bn. Ireland had enjoyed record levels of investment of late, so transaction volumes were always likely to be lower in 2020. With the impact of the pandemic, and little or no activity over two quarters, we expect Irish investment volumes to total £1.8bn by year end, considerably lower than last year.

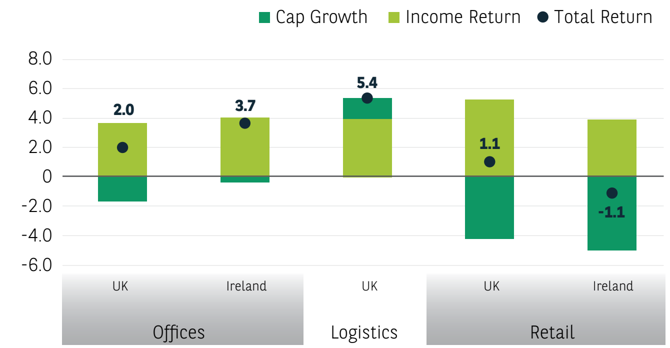
INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate

* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



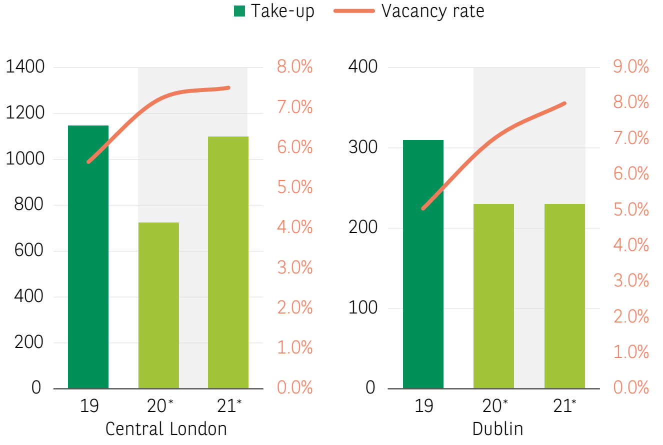
Source: BNP Paribas Real Estate

OFFICES

CENTRAL LONDON offices have shown relative strenth during Brexit and are likely to be tested further. An advantage playing in Central London's favour is the fact that it was at a different stage of the cycle entering the pandemic, partly down to Brexit paralysis. As a result, we predict a lesser impact on yields, with prime office yields moving out by 10bps and reaching 3.60% by the end of 2020. Meanwhile, rental growth has been largely down due to the imbalance of demand and supply. Despite construction sites being closed, which has constrained supply further, the evaporation of demand means that an adjustment in rental levels will occur as incentives had probably gone as far as they could. It gives some respite that the impact is likely to be more muted than in previous downturns experienced by the market. Nonetheless, prime rents will fall in the City by 3.8%, in the West End by 9.5% and in Midtown by 7%.

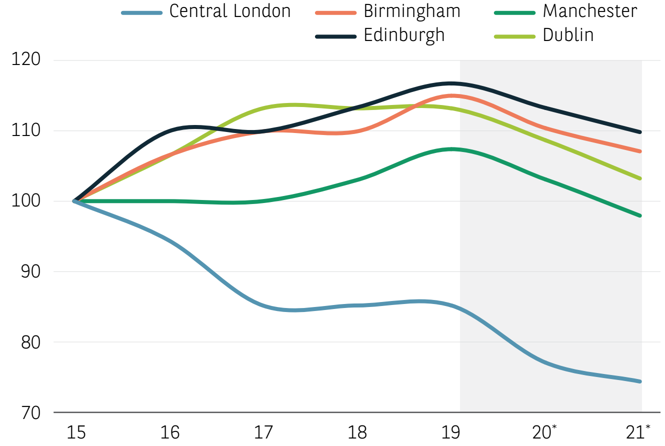
FOR DUBLIN the office development pipeline was anticipated to reach new highs in 2020. However, due to the halt in construction activity, approximately 40% of the planned deliveries have been postponed to 2021. Although this will help contain the fall in rents, the nature of the lockdown is likely to cause some rental adjustments this year, similar to those witnessed last year as occupiers began to reconsider their options. Dublin prime office rents are expected to decline by 4% this year. Meanwhile, Dublin prime office yields have been relatively stable at 4.00% since 2017, largely reflective of increased and ongoing investor interest in the market. This is down to many reasons, including strong fundamentals and, to some extent, the Brexit paralysis that had engulfed the UK. Looking ahead, the pandemic will leave a mark on both markets, and we therefore expect Dublin yields to also move out by 10bps this year.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



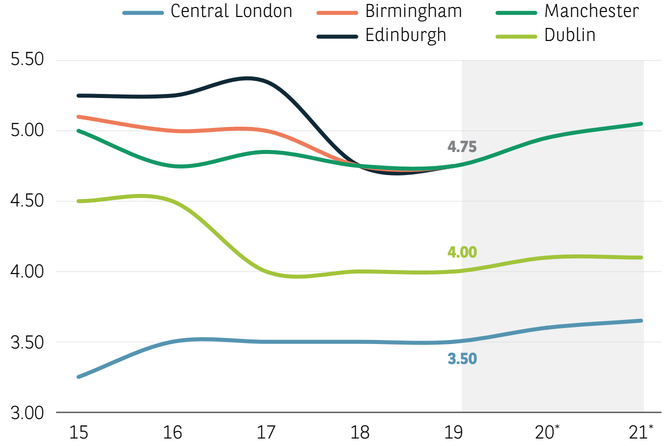
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



Source: BNP Paribas Real Estate

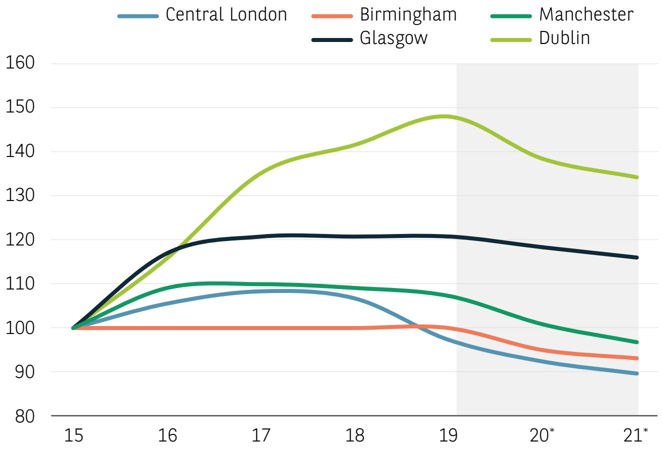
* Forecast

RETAIL

A NUMBER OF FORCES have negatively impacted the retail sector to date and, for the UK in particular, one of the biggest factors has been business rates. Although the Chancellor offered a relaxation of business rates early on in the lockdown, it will not be enough to mitigate the damaging effects on the sector. As a result, we expect retail yields to increase across the UK, with disparities across the regions. Central London prime high street will somewhat retain its appeal, with yields moving out by 50bps to 3.50% by the end of the year. For Dublin, the huge fall in trading will, like the UK, push a number of retailers over the edge. Even so, the nature of prime high street retail means that the damage will not be as severe as in out-of-town shopping centres. We forecast Dublin prime retail yields to also move out by 50bps, a movement in yields which has been extended further by the pandemic. Prime high street rents on Grafton Street and Henry Street had been increasing due to their appeal, but this year will be tough on retailers and we anticipate that prime rents will fall by 6.5% this year.

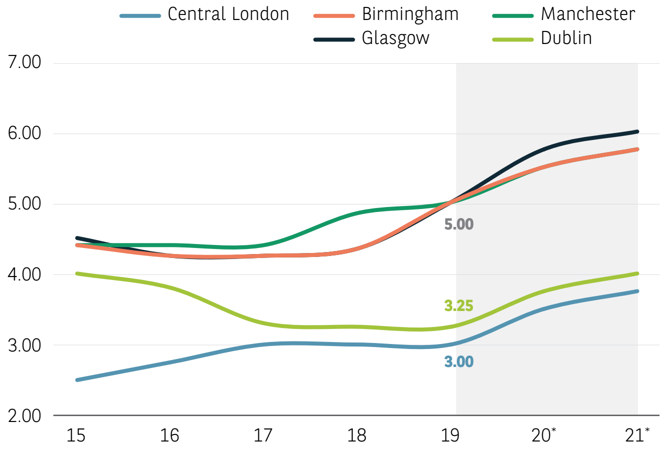
The sector certainly looks like a challenging market in the current climate, however it shouldn't be completely written off. Retail too, just like the other sectors, will evolve, and become relevant again. Retailers are beginning to keep up with consumer trends and preferences, this is likely to become key in the success of retailers going forward.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

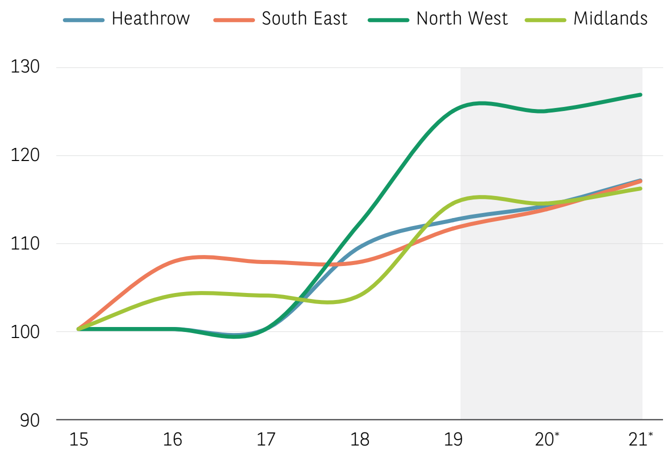
LOGISTICS

WHAT THE COVID-19 CRISIS HAS SHOWN is the extent to which online shopping has become essential and will continue to be the case. We are highly likely to witness a rapid increase in e-commerce volumes, something that is now being reflected in consumer spending numbers after lockdown. Despite retailers now opening their shop doors, many are still choosing to shop online. This will positively impact the logistics sector, with it likely to fare noticeably better than others. The supply of logistics property will continue to be restricted and, with demand continuing to be relatively strong, we expect yields to remain unchanged this year for the UK at 4.00%. As demand continues to gather steam, we forecast that yields will compress by 10bps in 2021.

Supply will be limited in the short-to-medium term, as such we could see the conversion of redundant shopping centres into industrial sites. The increasing importance of e-commerce in retailing will continue to shift investor focus away from retail asset to logistics. That said, the traditional manufacturing side of the industrial market is more exposed to the health of the global economy. For example, severely disrupted supply chains and a slump in global demand forced Tata Steel and Jaguar Land Rover to approach the government to try to secure emergency funding. New car registrations are down 42% y-o-y. With Brexit uncertainty and global trade tension both ongoing, manufacturing and its supply chains could act as a brake on industrial market in the short to medium term.

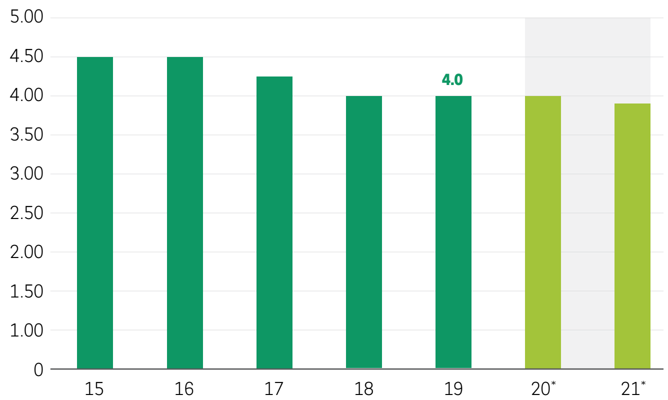
Overall, we are likely to see retailers continue to drive demand for logistics space, and e-commerce facilities dominating logistics take-up. Despite the economic headwinds, we remain positive about the logistics sector.

PRIME LOGISTICS RENTAL INDEX (2015 = 100)



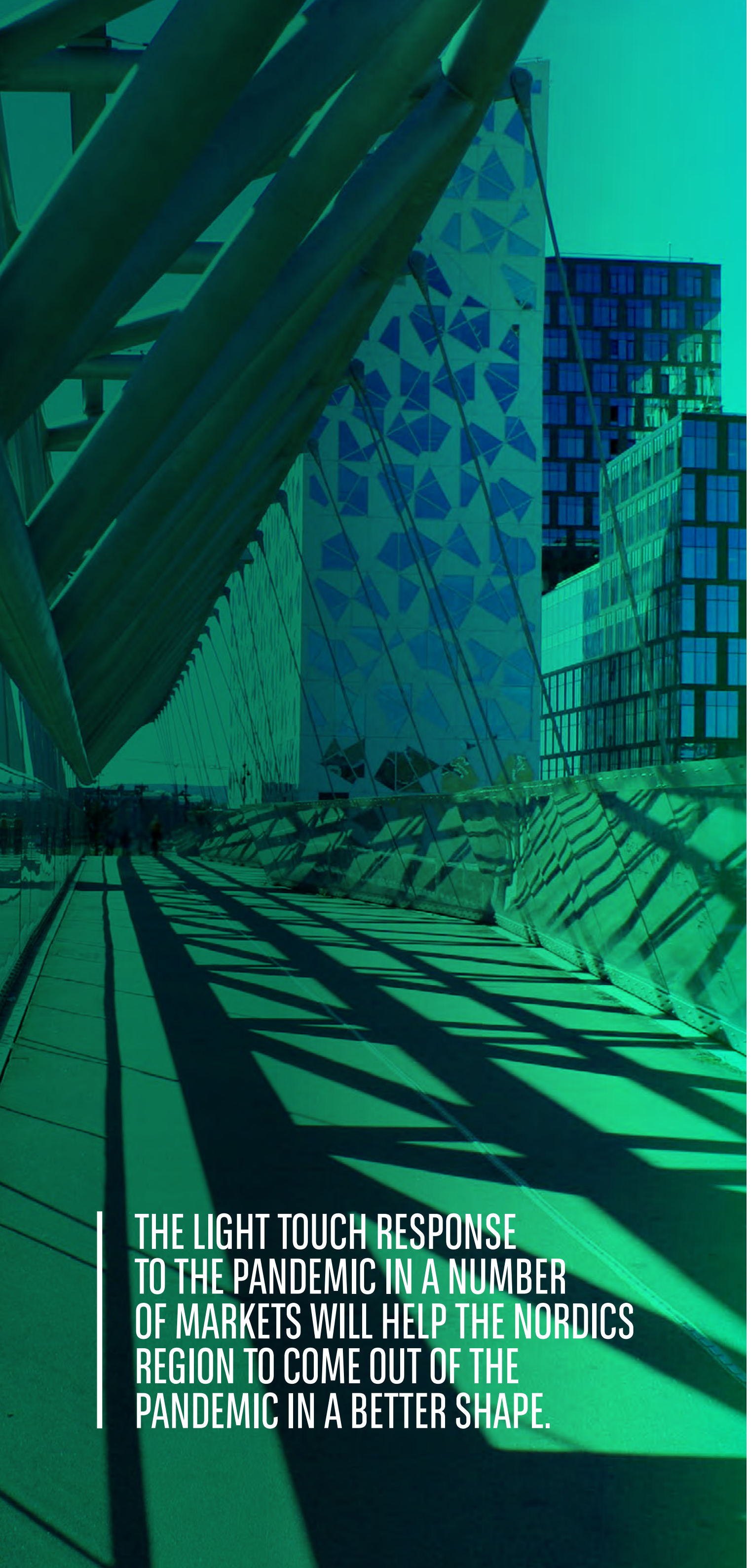
Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS UK (%)



Source: BNP Paribas Real Estate

* Forecast



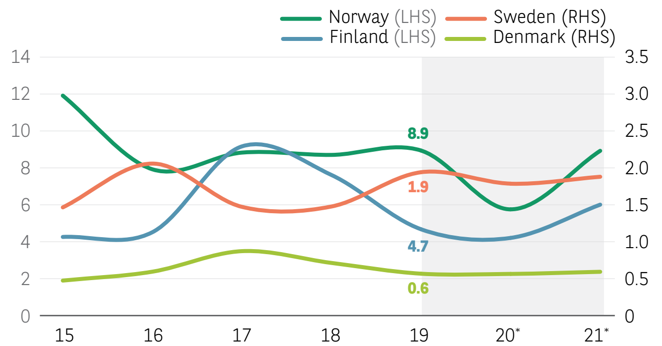
THE LIGHT TOUCH RESPONSE TO THE PANDEMIC IN A NUMBER OF MARKETS WILL HELP THE NORDICS REGION TO COME OUT OF THE PANDEMIC IN A BETTER SHAPE.

NORDICS

MIXED RESPONSE: SIMILAR OUTCOMES

THE NORDICS APPROACH to the pandemic has varied across countries. Norway was one of the first to curb activities in order to rein in the spread of COVID-19. Denmark, like Norway, was quick to adopt tough measures to contain the spread of the virus. Although early adoption of preventive measures was intended to buffer the economic impacts, the effects of the lockdowns have already left their mark. Finland initially took a relatively relaxed approach to dealing with the pandemic, but subsequently applied stricter measures in early April, potentially cutting off the capital from the rest of the region. Finnish economic growth is expected to deteriorate most among the Nordic nations, with its growth contracting by 8% in 2020. Sweden was the outlier in not enforcing a strict lockdown; even so, despite the absence of strict restrictions, some retailers, leisure venues and workplaces did close. However, the fact that Sweden kept its borders open will probably work in its favour: the economy is expected to only contract by 3.6% in 2020. Sweden will likely come out of the pandemic in a better position than the rest of the Nordics, as investors have still been able to visit and do deals. Nonetheless, we anticipate a reduction in transactions this year with investment volumes for Sweden totalling €19bn. Norway has fast become a favourite among investors, with more overseas investors entering the market than ever before prior to the crisis. While this has been a positive, COVID-related restrictions will have a marked negative impact on Norway's commercial real estate market, with the absence of overseas investors highly apparent. As a result, we expect investment trading levels in Norway to fall by 35% this year to €58bn. Meanwhile, Finland's investment volumes are projected to be down by 10% on 2019 levels at €4.2bn and, similarly, Denmark's volumes will also shrink by some 10% to reach €3.8bn by year end.

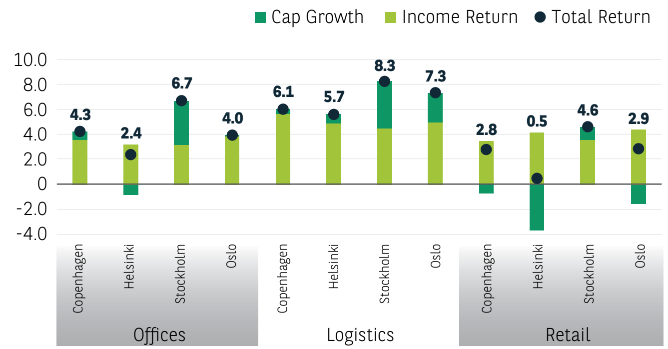
INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate

* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



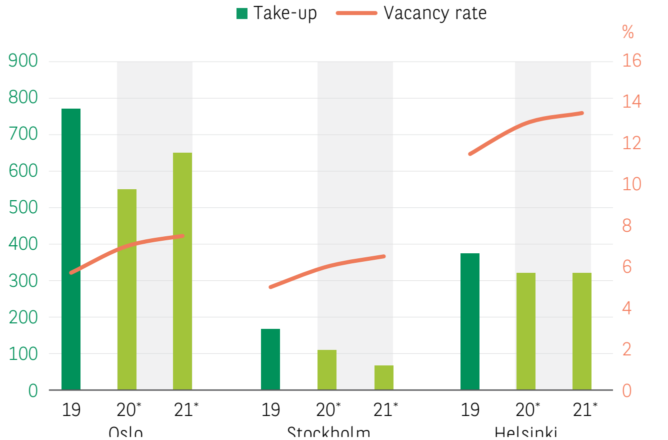
Source: BNP Paribas Real Estate

OFFICES

THE SLOWDOWN IN INVESTMENT ACTIVITY has eradicated the prospect of yield stability that was previously forecast. We now expect prime office yields to move out by 15bps on average across the Nordics. Helsinki prime yields will move out the most, by 20bps this year, as Helsinki is more in the later stage of the cycle than others, to reach 3.20%. Oslo and Copenhagen prime yields will go up by 15bps, while Stockholm prime yields will increase by 10bps by the end of 2020.

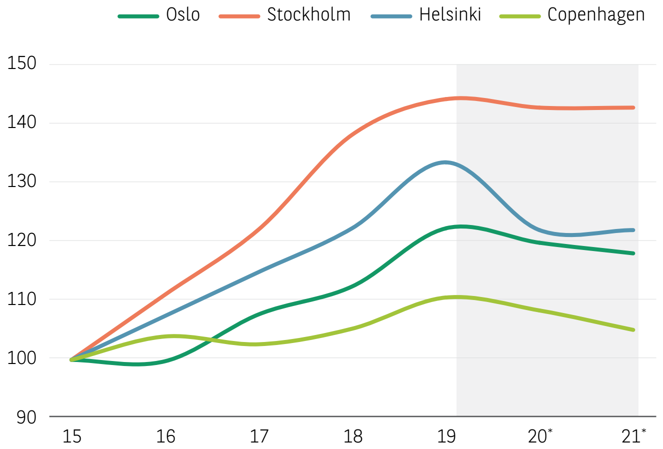
Occupiers faced with empty buildings due to the lockdown, as shown by the uptick in vacancy rates, will push office tenants to negotiate rents at a much lower level. We therefore forecast a decline in rents in 2020 across the major Nordic office markets. Furthermore, even before the onset of COVID-19, the office development pipeline for the Nordics for 2020 was already relatively modest. The halting of construction projects by the lockdown means that supply will be even more limited. Even so, this will not be enough to mitigate the downward pressure on rents as many occupiers start to re-evaluate and readjust to the 'new normal' post COVID-19. Stockholm is anticipated to experience a moderate -1% adjustment in prime office rents, while Copenhagen and Oslo prime rents are projected to both fall by 2%. Helsinki will see the largest adjustment with its prime rents declining by 8.5%.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



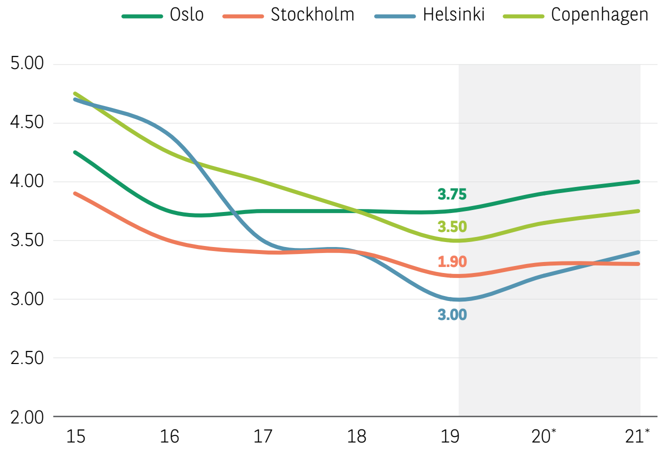
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

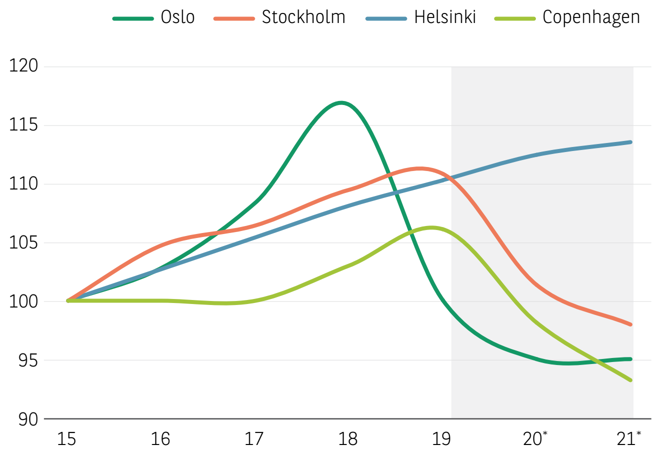
RETAIL

RETAIL WILL BE THE BIGGEST CASUALTY OF THE PANDEMIC across the Nordics, pushing many retailers over the edge. As a result, prime retail yields are likely to move out on average by 25bps across the region. E-commerce in the Nordics is not as mature as it is in countries such as the UK, with consumers still preferring to shop in prime high streets and shopping centres.

This means that retail across the region will be able to weather this crisis better than its European counterparts. Helsinki prime retail yields are forecast to move out by 20bps to 4.20% by the end of 2020, while Stockholm will also witness yields increasing by 20bps to 3.60%, as will Copenhagen to 3.40% this year, from 3.20% in 2019. Oslo's yields will rise the most by year end, by 35bps to 4.35%. The retail sector in Oslo continues to struggle; 2019 was particularly tough, with leasing activity in the city declining and vacancy ticking up on even the most sought-after prime high street locations. The pandemic will only exacerbate some of the existing challenges for retail in Oslo.

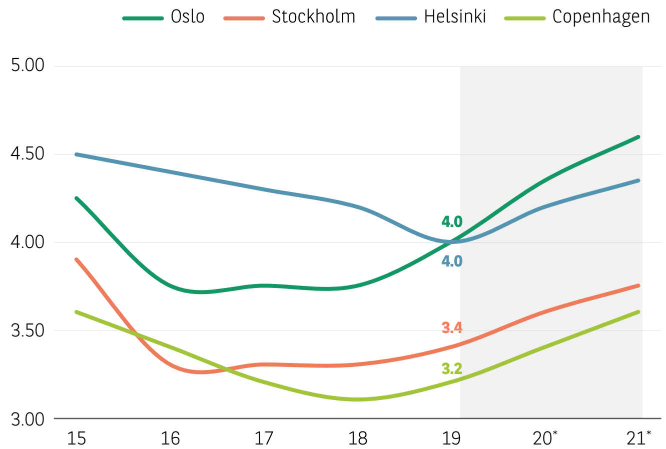
Looking ahead, the size and the role of physical stores will remain an uncertain aspect of retail. Over the past few years, the Nordics retail sector has been growing while large mainland European destinations have been struggling. Unfortunately, COVID-19 will likely accelerate e-commerce penetration and hence its impact on the retail sector. By the end of the forecast period, we see Nordics retail challenged in a similar way as most European markets.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

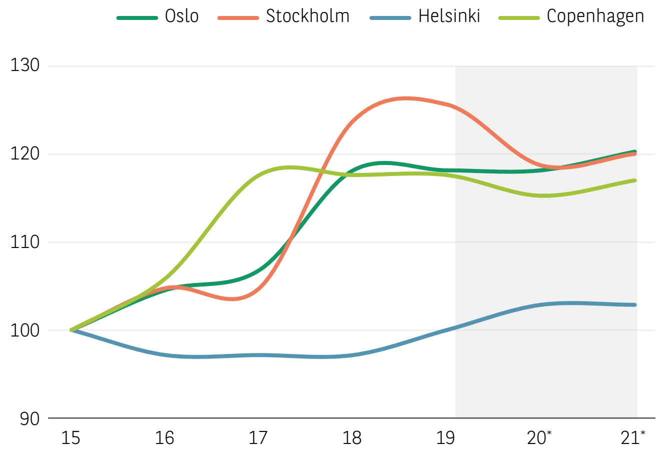
LOGISTICS

AS E-COMMERCE HAS STILL BEEN RELATIVELY SLOW to pick up across the Nordic region, the demand for logistics has been relatively moderate. Nevertheless, online retail sales as a proportion of total retail sales in the Nordics are hovering around 10%, which is about the point when the demand for logistics real estate in the UK accelerated. Notwithstanding the current backdrop, where COVID-19 has certainly dampened prospects across most property asset types, logistics is likely to perform the best across all sectors.

The lack of supply has definitely been an issue across the region. Stockholm logistics has benefitted from demand outstripping supply to date, while Copenhagen saw a slight uptick in availability last year. However, with demand remaining robust, there has been no excess space on the market. Helsinki has experienced limited development activity to date, and any deliveries that would have been expected this year have been halted. However, even with the shortfall in supply, the lack of further take-up in logistics means we can predict some adjustment in rental levels in the coming months. Prime rents will fall by 1.8% on average across the region, with Copenhagen experiencing a larger adjustment in rental levels compared to the other Nordic markets. We also expect demand to moderate, with yields moving out by 5bps on average across the region, while Oslo logistics yields will remain stable this year.

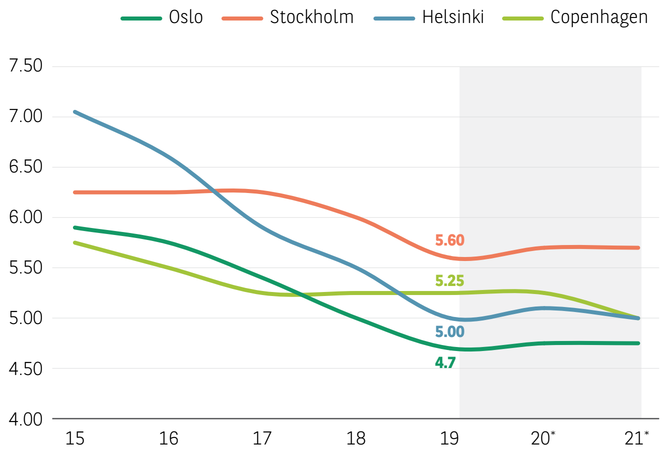
Looking ahead, the logistics sector across the region will gain greater interest among investors as they search for yields.

PRIME LOGISTICS RENTAL INDEX (2015 = 100)



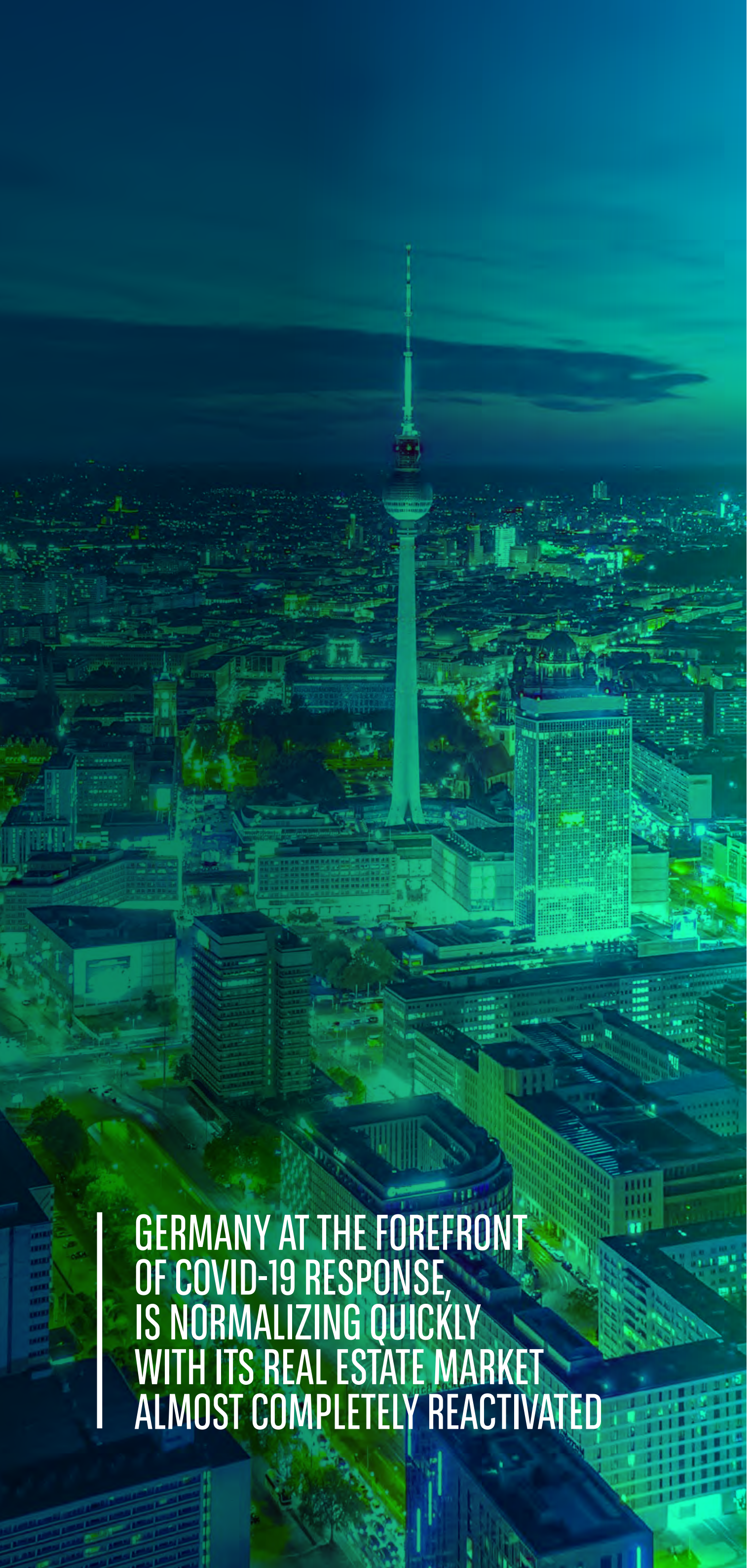
Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

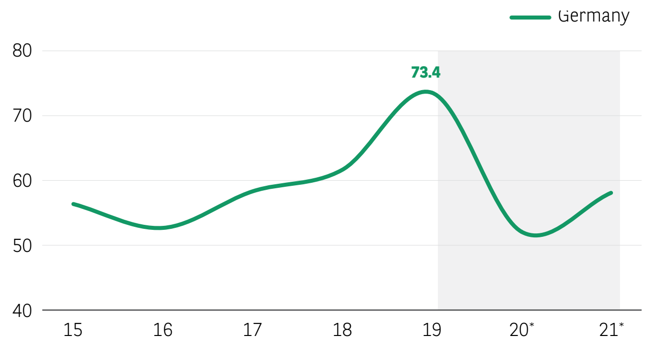


GERMANY

LEADING EUROPE'S RECOVERY

COMPARED WITH OTHER EUROPEAN COUNTRIES, Germany was relatively quick to impose a lockdown, thus preventing a faster spread of the COVID-19 virus. At the same time, the economy almost came to a complete halt. To counteract the effects of its lockdown, the German government plans to spend up to €1.4 trillion on related aid. This includes immediate support for companies and the self-employed, guarantees for loans, and numerous measures in an economic stimulus package ranging from VAT reduction to child bonuses. Although we expect the German economy to shrink by 6.5 % of GDP in 2020, the economy could grow again by 5.0 % in 2021 with the support of the economic stimulus package. This assumption is largely consistent with the forecasts of the established German economic research institutes. Both the large investment volumes and the high take-up in the first quarter of 2020 clearly indicated that the German real estate market was on its way to a healthy 2020. However, the onset of the pandemic in the second quarter represented a turning point in overall economic and real estate development. When COVID-19 gained a foothold worldwide and lockdowns were enforced, second quarter take-up not only declined but investment volumes too compared to the same period last year. Virtual contact could not replace the physical interaction required for investment transactions. Even so, despite the Q2 fall in trading, the 2020 half-year result was a new record for the investment market, almost entirely attributable to the outstanding figures posted for Q1. We anticipate that investment volumes will pick up somewhat in the fourth quarter, but will still likely to be lower than originally forecast for the full year. Of more concern, the decline in office space take-up is likely to be even more pronounced.

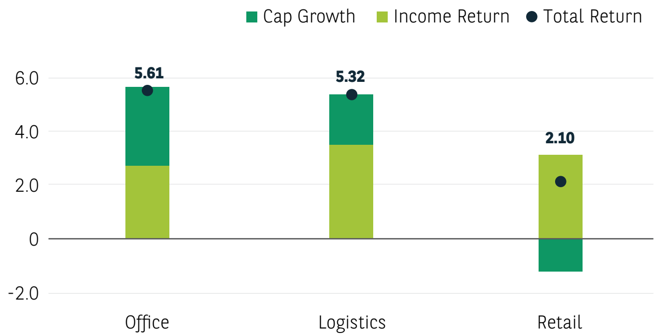
INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate

* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



Source: BNP Paribas Real Estate

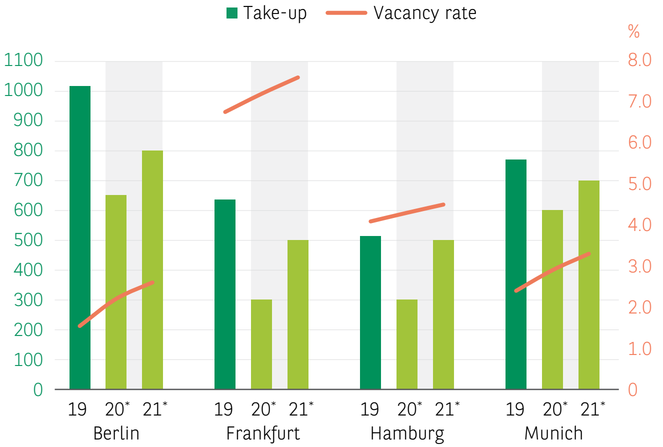
OFFICES

THE OFFICE MARKETS OF THE 'GERMAN BIG 7' could experience a dichotomy this year. While the investment markets could prove to be relatively crisis-proof, the occupier markets are likely to be subject to slumps. Prime yields appeared stable at the end of the first half of 2020 and we do not expect them to rise until the end of the year. For 2021 we anticipate stable prime yields and for 2022 we expect yield compression of 5bps in all seven markets. The only exception is Berlin, where prime yields could even fall by another 5bps in 2023.

The situation is somewhat different in the occupier markets. Office space take-up, in particular, could decline significantly in the near future. On average across the Big 7, we forecast a year-on-year decline of 25% to 30% in 2020. However, due to the largely low vacancy rates in all markets, prime rents will remain stable or even rise slightly. The amount of available space is still very limited, especially in central city locations, Munich being the possible exception. The rental uplifts seen in Munich in the first quarter of 2020 will probably not be sustainable by the end of the year. By the end of 2022, up to 1.2 million sqm of new office space could enter the Munich market and raise the vacancy rate from the current 2.6% to possibly 3.6%. We expect this development to peak at 4.2% at the end of 2024.

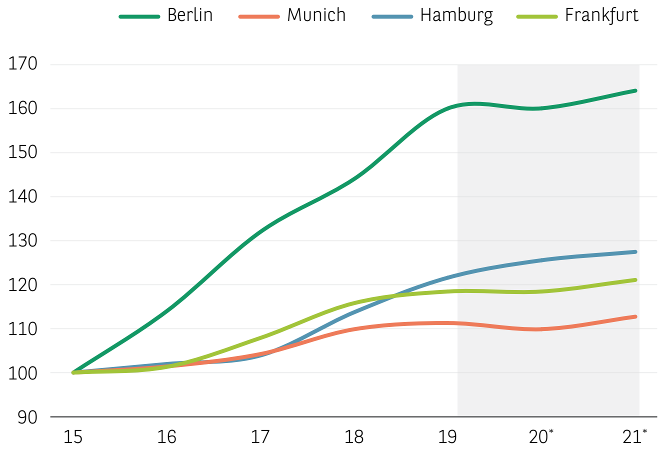
Prime total returns range between 5% and a good 6% p.a. on average over the forecast period until 2024, with Stuttgart and Berlin leading the way with 6.4% and 6.3% p.a. respectively.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



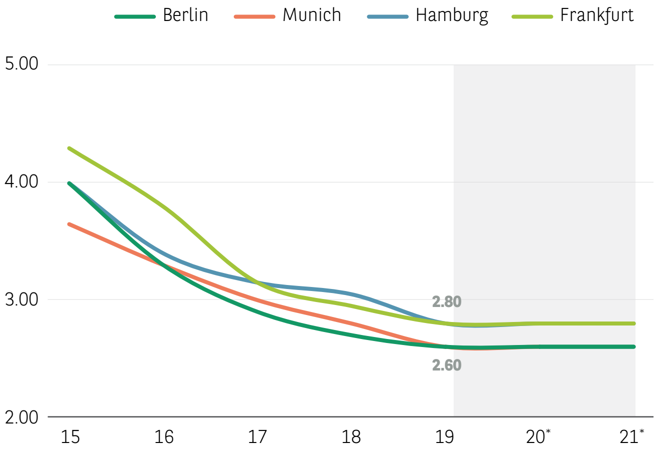
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



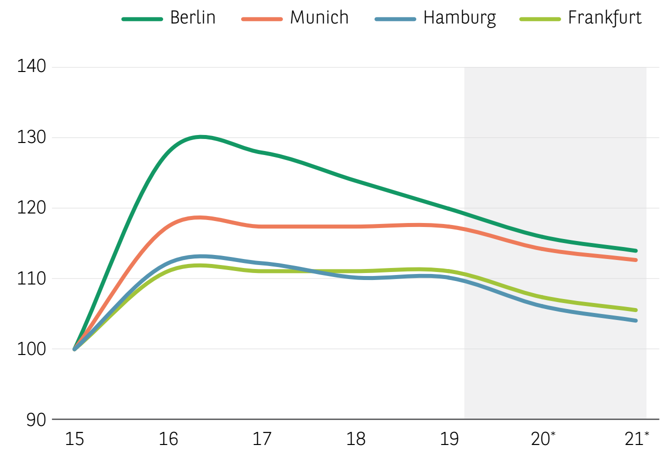
Source: BNP Paribas Real Estate

* Forecast

RETAIL

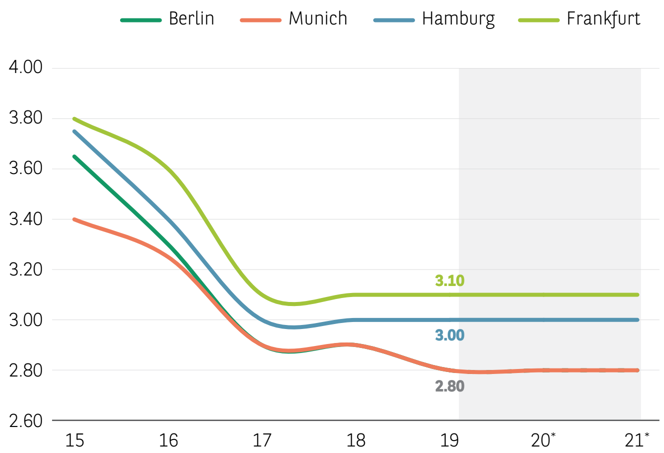
THE PANDEMIC HAS ACCELERATED WHAT WAS ALREADY APPARENT in the bricks-and-mortar retail market, with the competition with online retail exposing the limits of retailers' ability to pay rent. The numerous insolvencies in the sector since March 2020 are harsh evidence of this battle. However, since our forecast focuses on retail in the still sought-after prime locations, the effects in this sector are not yet as severe as in outlying locations or in some out-of-town shopping centres. Although we expect rents in all Big 7 markets to fall by an average of 3% this year and by less than 2% next year, prime rents could almost return to the levels achieved at the end of 2019 by the end of the forecast period. Due to product shortage and the, at least, steady to good long-term development potential of retail properties on the main shopping streets, we forecast stable prime yields (with a slight downside risk) to increase by 5bps. Accordingly, the retail sector has the lowest total returns compared to office and logistics, averaging 1.8 to 2.3% p.a. over the forecast period.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS (%)



Source: BNP Paribas Real Estate

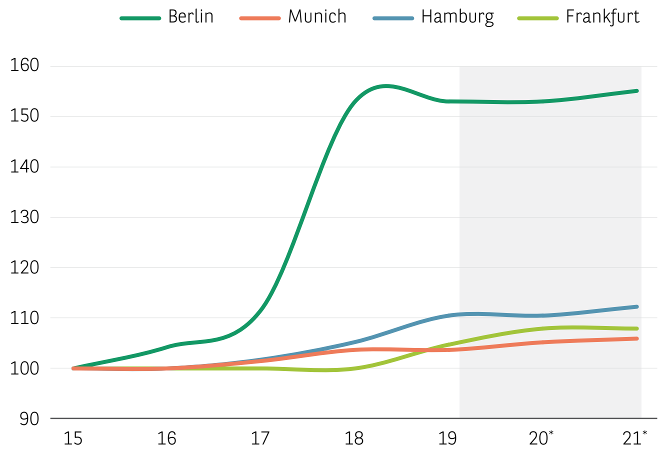
* Forecast

LOGISTICS

ONLINE RETAIL AS AN IMPORTANT DRIVER OF THE LOGISTICS INDUSTRY has been posting impressive growth rates for some years now. These have been exacerbated by the pandemic, and many consumers who have become online dependent during the lockdown will not abandon this new behaviour, even with the relaxation of lockdowns. This will have a correspondingly positive effect on the logistics sector. Although demand declined in Q2 2020 due to the contact restrictions, we expect take-up to be back at or in some cases even above the 10-year average by the end of next year.

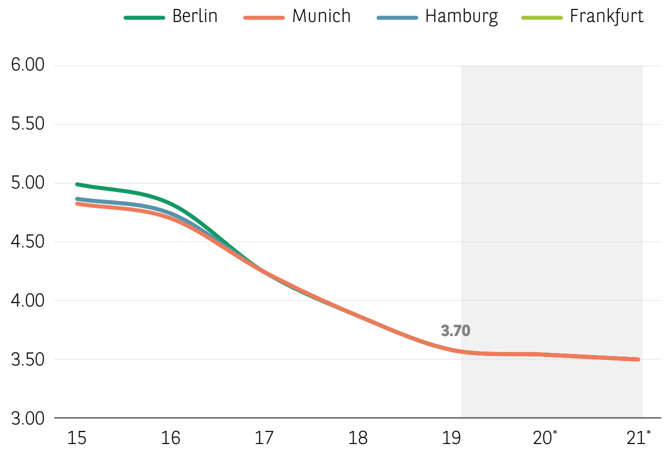
Due to limited supply, we anticipate prime rents to remain stable or slightly increase in some markets. In Frankfurt, this has already risen by 3% in the first half of 2020 and will remain stable until the end of the year. Over the entire forecast period, rental growth in the five most important logistics regions in Germany could average 1.2 % per year. We also anticipate a slight decrease in prime yields of 5 bps year on year until 2022. Only in the last year of our forecast period do we see an increase in prime yields (+5 bps). This means that total return will be good, although not to the same level as expected in the office sector

PRIME LOGISTICS RENTAL INDEX (2015 = 100)



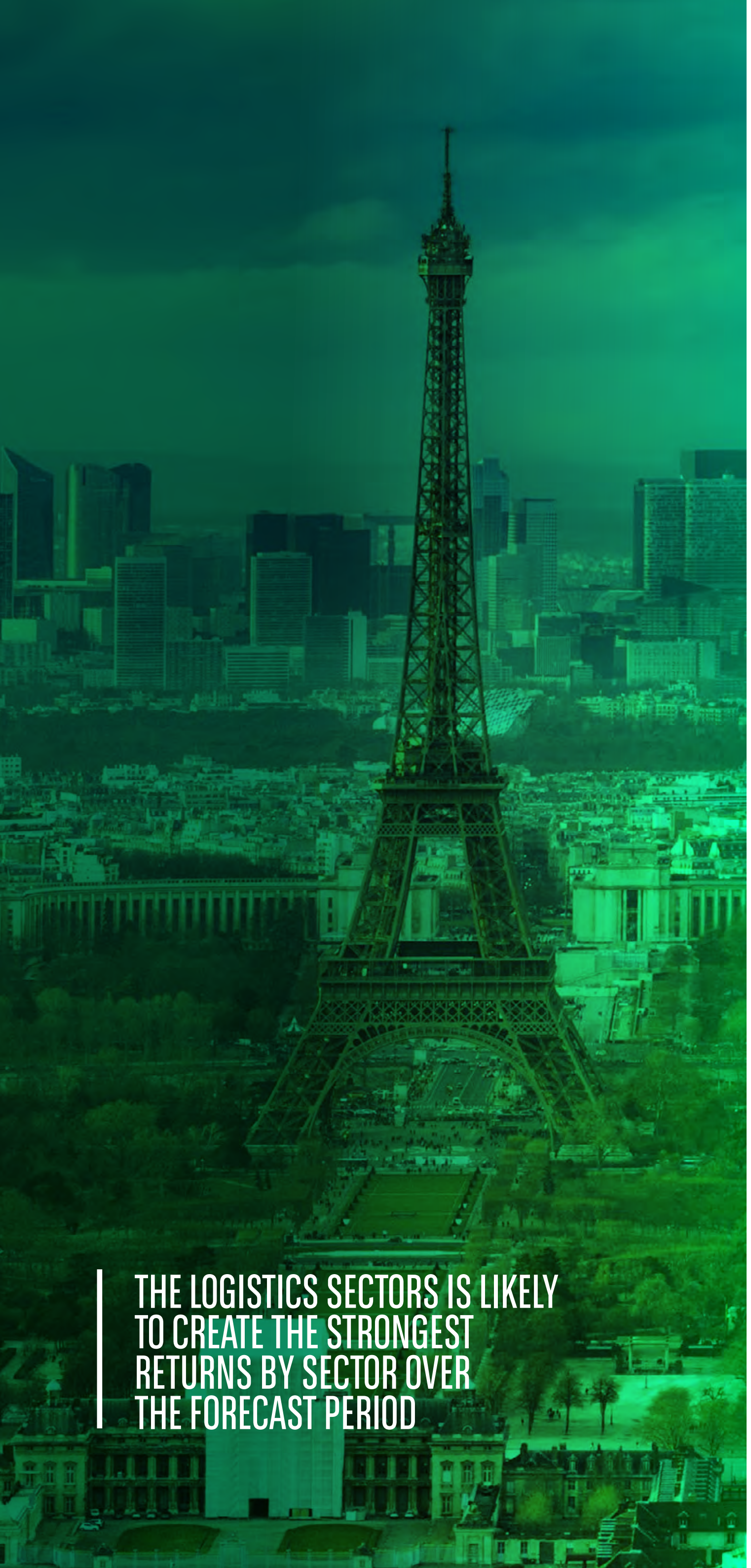
Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast



THE LOGISTICS SECTORS IS LIKELY TO CREATE THE STRONGEST RETURNS BY SECTOR OVER THE FORECAST PERIOD

FRANCE

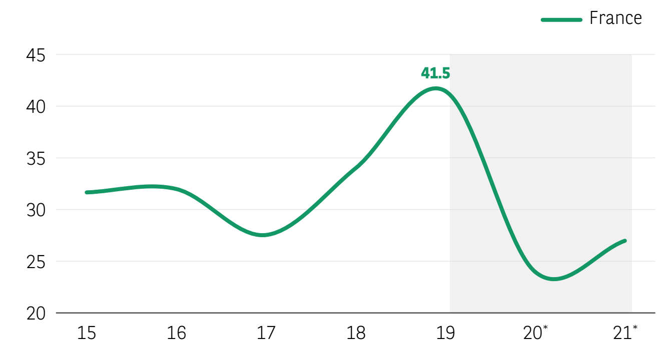
PARIS REMAINS AN ATTRACTIVE MARKET

WITH THE EASING OF FRANCE'S LOCKDOWN, the economy has been showing signs of strong activity, raising hopes for a V-shaped recovery. However, though the hard data are positive, the rebound appears to be largely a technical effect that should lessen as the catch-up effect wears off. Now that supply has started to recover, the main uncertainty for the country is whether demand can be sustained in the coming months. We foresee a U-shaped recovery (-11.1% in 2020, +5.9% in 2021). However, it will take longer for some of France's regions to return to pre-crisis levels due to the differences among them.

The French real estate investment market was hit hard by the COVID-19 crisis in Q2. Even so, thanks to a historically strong Q1, H1 2020 investment was down by just 21% compared to H1 2019, with the contraction primarily reflecting the market slowdown and delaying of deals. As lockdown measures are eased, transactions should pick up again over the second half of the year and total investment volumes for full-year 2020 should be around €24bn. During an economic slowdown, cross-border investment tends to reduce and we should therefore see an increase in the share of domestic investment in 2020. Indeed, France's domestic investors now account for more than 60% of transaction volumes and this trend should continue at least until the end of the year.

With the uncertainties in the economic environment, some repricing may occur in the coming months, although not all asset classes will be impacted equally.

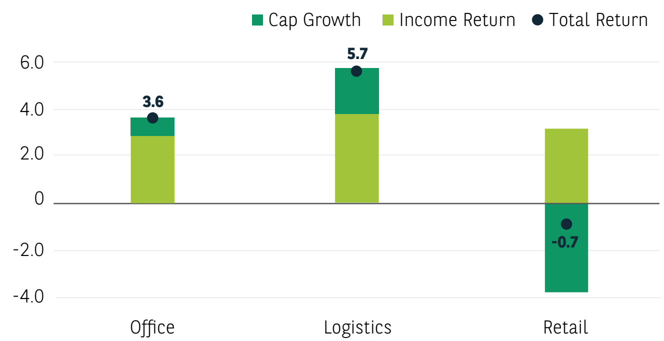
INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate

* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



Source: BNP Paribas Real Estate

OFFICES

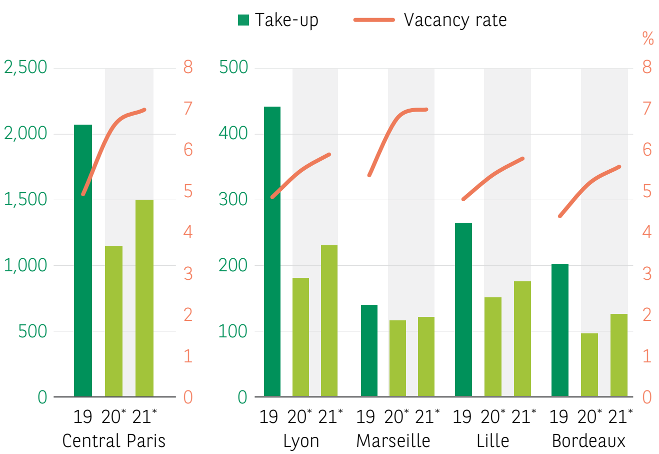
AFTER ALMOST GRINDING to a complete halt during lockdown, Q2 take-up unsurprisingly continued the steep slide already begun in Q1 in both the Parisian market and in the regions. With the exception of La Défense, take-up fell in all districts of Ile-de-France and in every regional city.

As a result of the economic impacts of COVID-19 on the employment market, office transactions should continue to be dragged down in 2021. However, and interestingly, regional cities should absorb the shock faster with the plurality of players in their markets.

In terms of supply, the crisis will have some localised effects. Even though supply was tight in a vast majority of markets in France prior to the pandemic, some large deliveries were expected for 2020 and 2021. As a result, La Défense and the Northern Inner Rim of Paris should see their vacancy rates increase sharply as the amount of delivery will not be absorbed by the demand. On the other hand, Paris CBD should continue to be undersupplied and may recover quicker than other sectors. A positive observation is that vacancy should stay below 2008/2009 levels for the main markets in France.

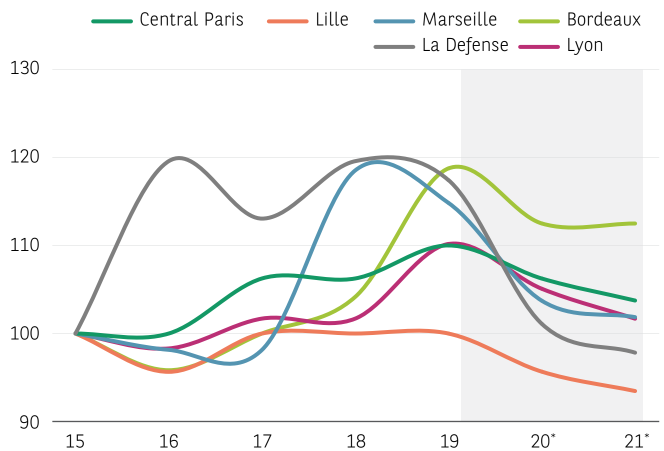
In the short term, investors are likely to focus on core markets, with their secure locations and income. The impact of the COVID-19 crisis on the prime office market is likely to be limited in the medium term.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



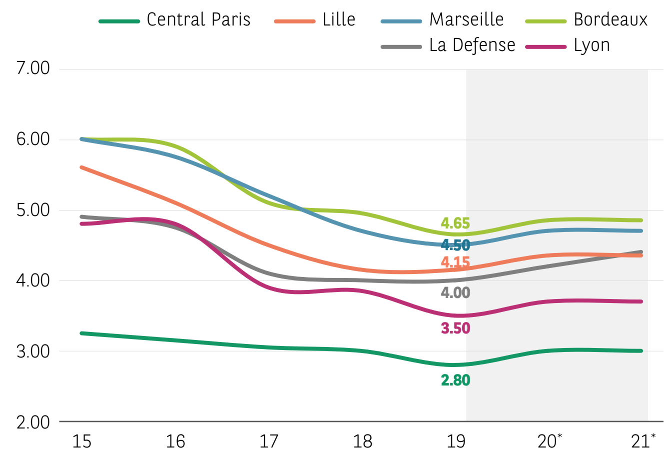
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

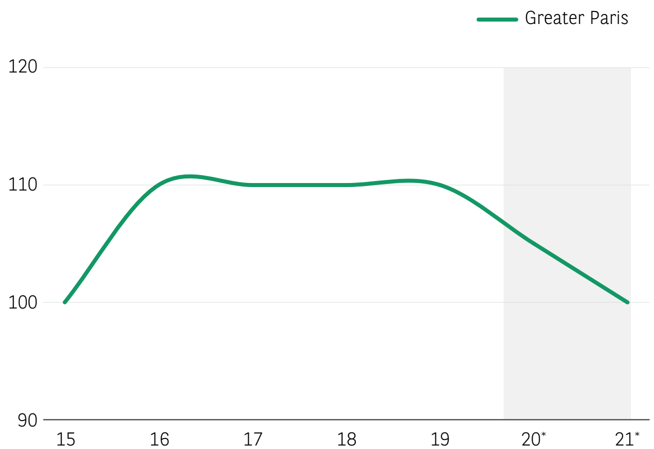
RETAIL

THE RETAIL MARKET will be the hardest hit sector in France, a result of the introduction of new safety protocols and the lack of confidence from consumers. Moreover, the prime retail market in Paris is highly dependent on the luxury sector and the spending of international tourists, whose numbers have plummeted during the lockdown.

Even though the measures taken by the French government to protect employees and their incomes should lower the impact of the crisis on consumer spending, we still predict a decrease in rental values and a global repricing. Indeed, with the ongoing restructuring of the market, retail tenants should have greater bargaining power and we may see increasing rental uncertainties, at least until a new equilibrium is found.

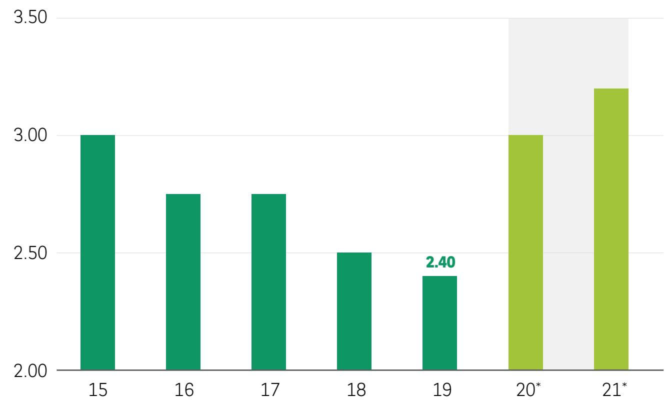
In terms of yields, we anticipate the highest decompression in the retail market over the coming years. Nevertheless, prime high street retail should continue to be attractive with its stable income and strong footfall. The impact of the pandemic will be considerably more severe for secondary locations, shopping centres and retail parks.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS Greater Paris (%)



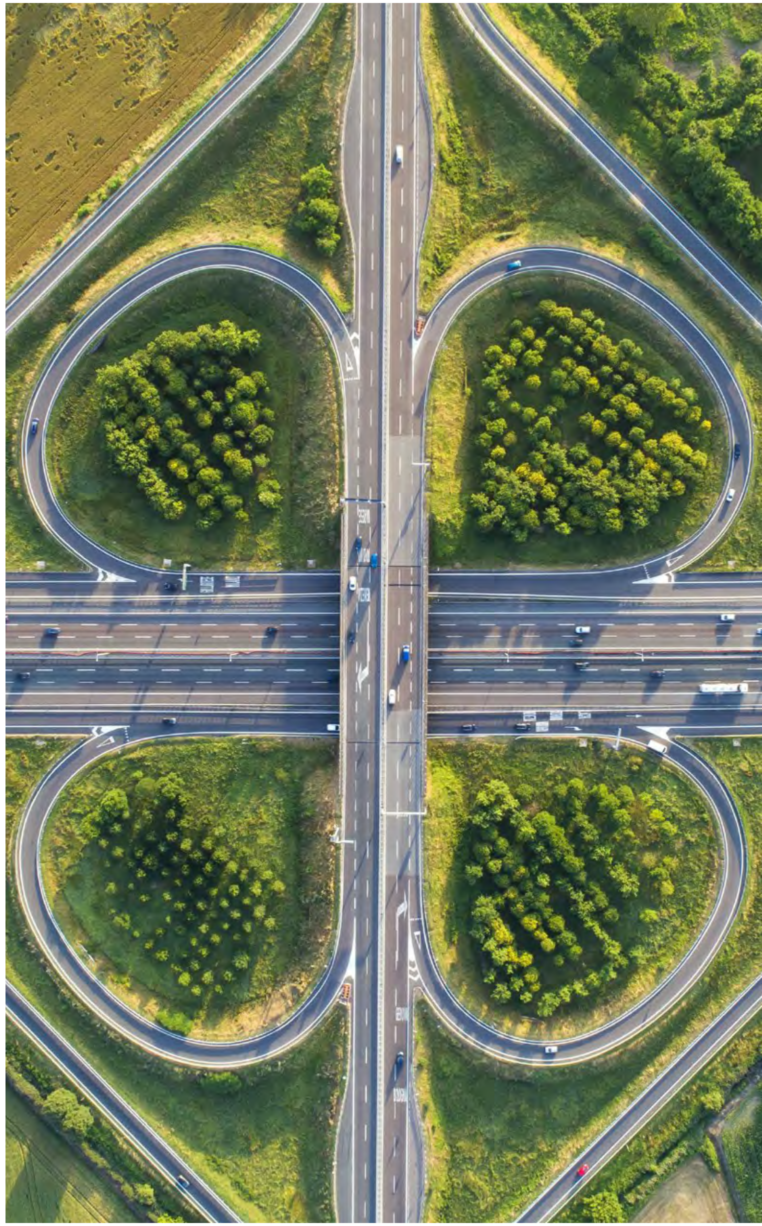
Source: BNP Paribas Real Estate

* Forecast

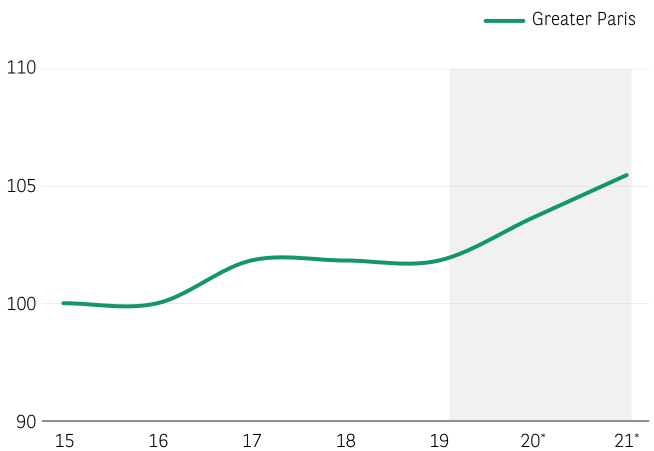
LOGISTICS

IN FRANCE, the logistic sector is probably the most resilient real estate market. Indeed, as e-commerce is expected to increase following the COVID-19 crisis, we are likely to see rising demand from occupiers. However, and on a less positive note, e-commerce sales in France experienced their lowest growth during Q1. The lack of confidence from consumers may also dampen non-physical retail, as saving ratios are now at their highest in France. As supply is relatively tight and stable (with only few speculative developments), we continue to be confident about rental values in the coming years.

Investment demand for logistics has increased during the pandemic, driven by the perception that the sector is relatively well position to benefit from the ensuring changes in consumer behaviour; rising e – commerce. As such we are beginning to see downward pressure on prime yields. Currently prime logistic assets are trading at 3.90% yields, in Greater Paris, and we expect this to prevail till the end of 2020. This represents a 10bps yield compression by the end of 2020, following a strong compression last year (-75bps).

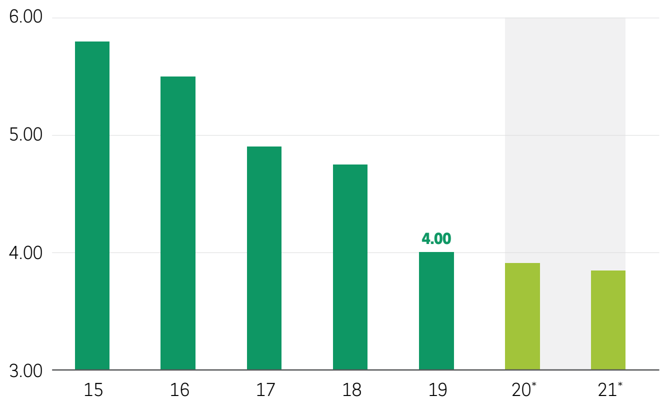


PRIME LOGISTICS RENTAL INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS Greater Paris (%)



Source: BNP Paribas Real Estate

* Forecast

SOUTHERN EUROPE

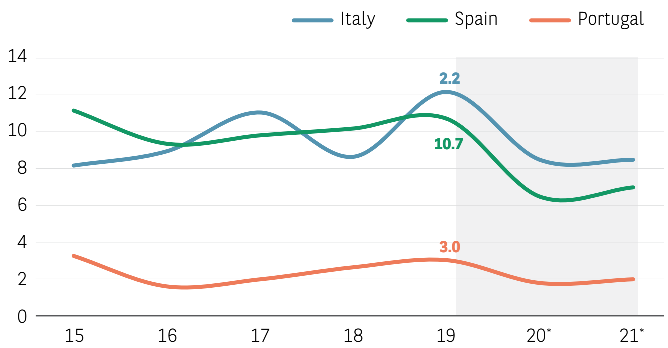
AWAITING RE-OPENING

THE SOUTHERN EUROPE COUNTRIES were the first to be hit by the COVID-19 crisis, and the resultant enforcement of restrictions on movement meant that Q1 2020 investment volumes in Italy remained flat relative to the same period last year, compared to a 14.0% increase across Europe on average. In Q2, the fall in volumes intensified in Italy (-37.0%) and extended to Spain (-68%) and Portugal (-86%). Both Spain and Portugal markets are dominated by cross-border activity, which froze amid travel restrictions.

We do not see major improvements in Q3 as international investors continue to assess the economic impacts of the pandemic, particularly in Spain and Portugal whose economies depend significantly on tourism. Both employment and economic activity are likely to be affected significantly in the near term. Overall for the full-year 2020 we expect investment volumes to be considerably lower in Spain (-39%), Italy (-30%) and Portugal (-40%) compared to 2019.

In terms of returns, we are likely to see disparate fortunes for the different sectors in the region, as is the case across the rest of Europe. The highest average total return will be found in logistics (+6.3%), followed by the office (+3.9%) and retail (+0.8%) sectors over the forecast period. Although, in the short term, the region will experience some strong negative performance, particularly in retail, Southern Europe is likely to witness a strong bounce-back towards the end of the forecast period. This will be supported by sustained activity in the occupational market.

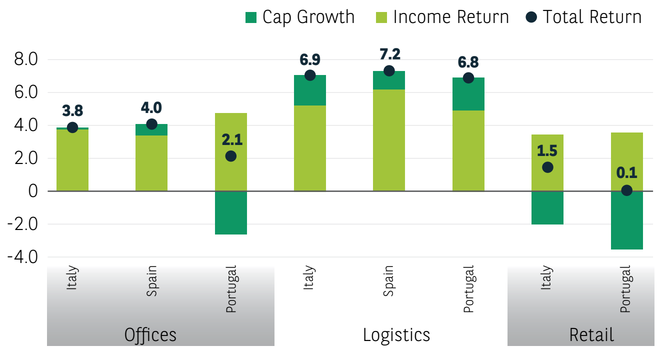
INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate

* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



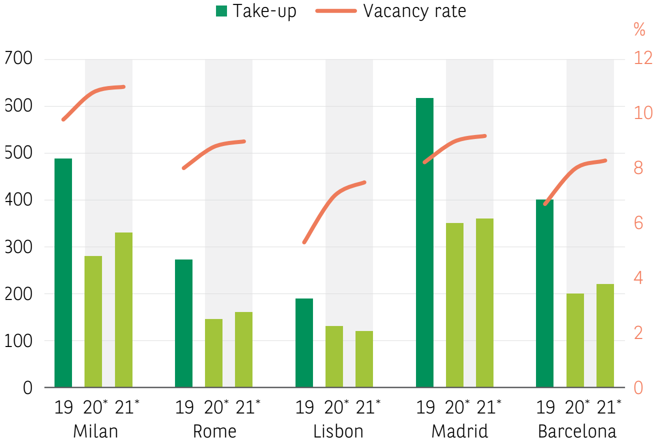
Source: BNP Paribas Real Estate

OFFICES

WE EXPECT UNEMPLOYMENT TO RISE meaningfully in most Southern European countries. As such, we anticipate that demand for office space will wane in most markets. Net absorption in the region as a whole will fall by 45,000 sqm in 2020. This, together with increased supply, will push the regional vacancy rate up in 2020 (+150bps) and it will only bottom-out in 2022. Thereafter it will begin to decline, ending 2024 (+200bps) on end 2020 still up. In terms of markets, the largest increases will be in Lisbon (+400bps) and Barcelona (+110bps). In both Madrid and the Italian markets, where new supply remains fairly moderate over the period, vacancy rate increases are expected to be muted. We see prime rental falls in all the markets in the region averaging -2.3% p.a. over 2020-2021. However, over the forecast period, we anticipate limited growth, which turns the initial fall in rents to a moderate growth of 0.2% p.a. With the exception of Lisbon (-8.0% in 2020), no market stands out in terms of an expected negative rental trajectory.

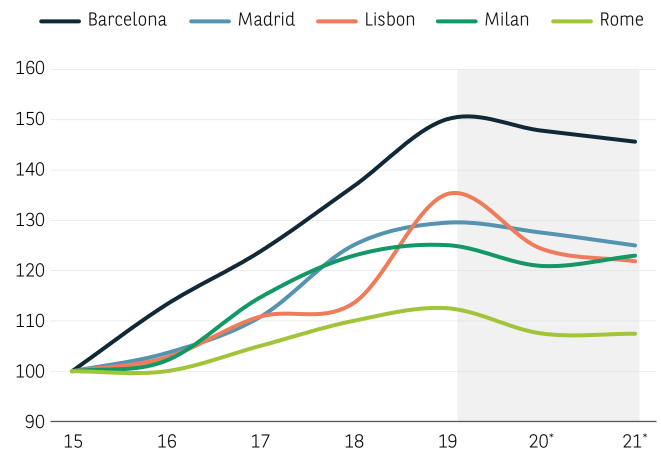
Near-term (2020) prime total returns will be negative for all markets, averaging -2.02%. This will be driven by significant falls in capital growth (via yield shifts). Returns will be back-loaded in all markets, although Lisbon and Madrid may see a longer period of negative prime total returns. Over the forecast period, the region will see a moderate average prime total return (+3.73% p.a.): capital growth (+0.16%) and income return (+3.56% p.a.). At the individual market level, Milan and Rome, with limited yield decompression over the forecast period, will have the lowest fall in capital value at 1.1%. Yield compression may end by 2023 and all office submarkets in the region will witness decompression by an average 5-10bps by 2024.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



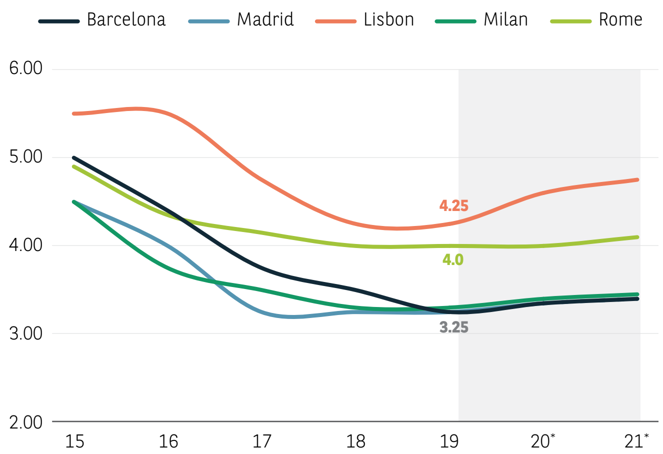
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

RETAIL

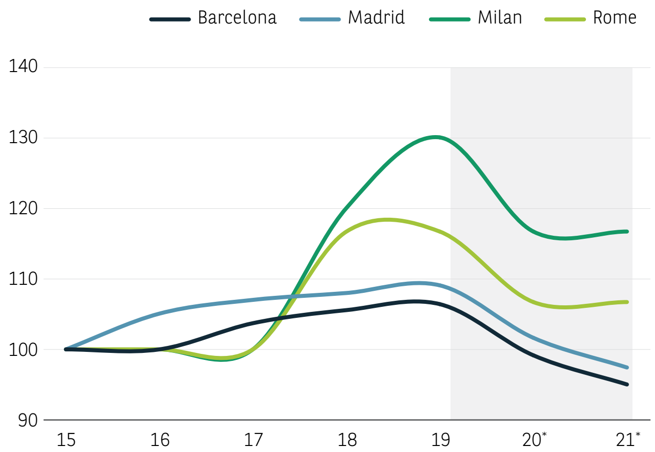
MILAN CONTINUES TO BE BEST in class for prime total returns in the high street retail segment, which is the focus of our forecast. Although 2020 is likely to experience negative total returns for all Southern European markets, with Milan (-14.3%) seeing the biggest fall, the bounce-back after this is strong. We expect an average total return in Milan (+2.3% p.a.), which is far above Rome (+0.6%), Madrid (-0.1%) and Barcelona (0.0%).

The strength of the total return in Milan is attributable to yield compression that is predicted in 2021 and beyond, following the initial decompression. In 2020, we forecast yields to increase in Milan (+30bps), Rome (+35bps), Madrid (+25bps) and Barcelona (+25bps). Subsequently, yields for 2020-2024 are expected to compress in Milan (-25bps) and Rome (-20bps), but are projected to remain stable in the Spanish markets.

The retail sector in Europe is facing some significant challenges, including increased competition from online sales. According to Eurostat, only 38% of the Italian population buy goods online, compared to 58% in Spain, and this perhaps underpins some of the resilience of retail real estate in Europe.

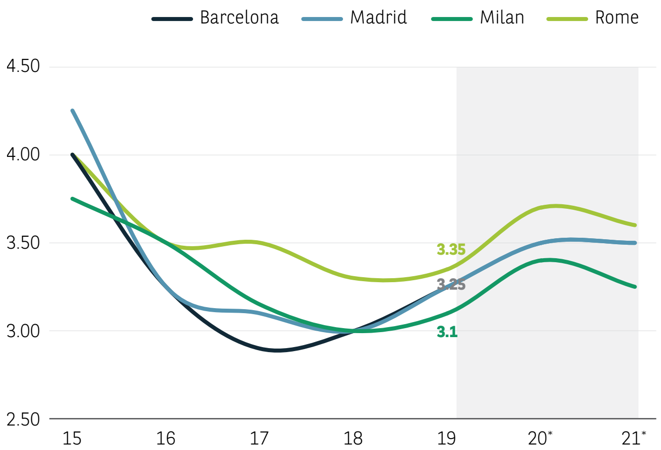
This is helping to limit the impact of the occupational woes on the high street in Italy, where rental falls are likely to remain checked in Milan (-0.9% p.a.) and Rome (-1.4%) over the forecast period. In the Spanish markets, Madrid (-2.3% p.a.) and Barcelona (-2.5%) will have the largest declines in the region, which reflects the greater role the internet plays in retail in Spain. Investor caution on shopping centres, more directly affected by e-commerce, is now common across Southern Europe.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

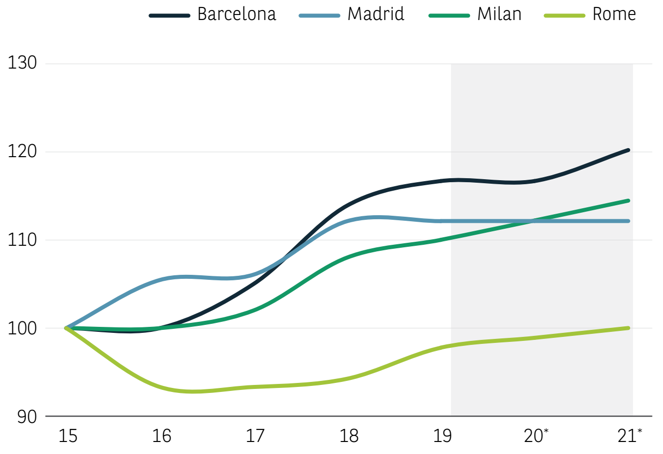
LOGISTICS

DESPITE COVID-19, creating significant challenges for all real estate sectors, both investor and occupier sentiments for the logistic sector has been robust. In the Southern European markets we think the sector will significantly outperform. We see average total return over the forecast period in the office and retail sector, been less than half of that achievable in the logistics sector.

In 2019, prime total returns reached a high in the region (+11.5%) with equally strong returns at the individual market level: Barcelona (+15.7%), Madrid (+13.7%), Lisbon (+10.0%) and Milan (+7.1%). Returns are now set to slow in the region and decrease by around 7.0% on average over the five-year forecast horizon. Lisbon (+8.0%) may achieve more due to its higher capital growth; its net initial yields are expected to compress by 5bps in 2020, against flat at best in most markets.

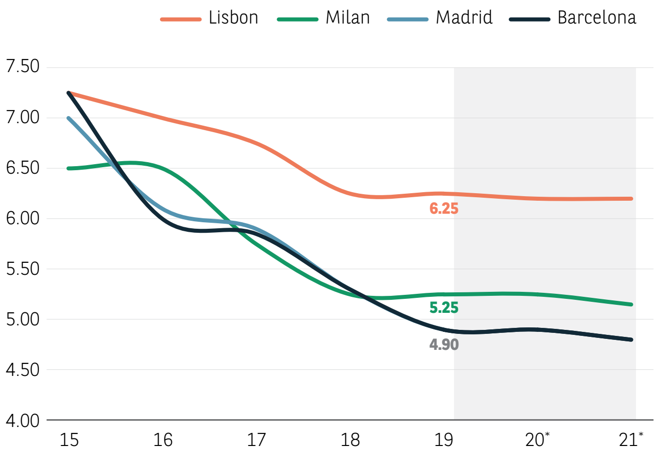
Prime yields in 2019 range from 4.90% in Madrid and Barcelona to 5.35% in Milan and 6.25% in Lisbon. Aside from Lisbon, all other markets will witness stability across the frontend of the forecast period until 2022. Thereafter we are likely to see compression in yields. Limited supply is likely to result in consistent rental increases of between 0.6% and 1.2% p.a. for all the regional markets over 2020-2024. The exception is Lisbon, where we anticipate a decline in rents of 3.0% due to falling demand for space.

PRIME LOGISTICS RENTAL INDEX (2015 = 100)



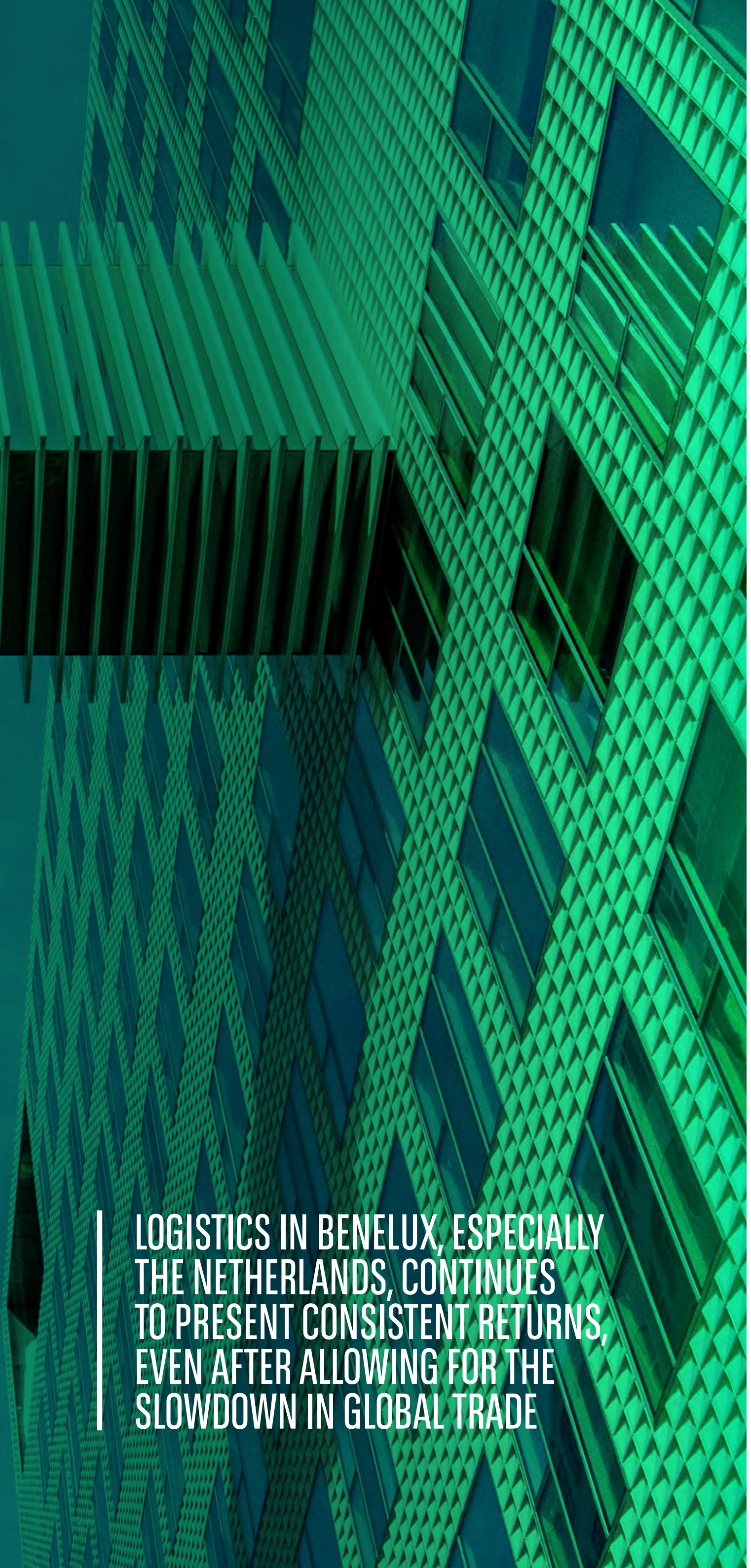
Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast



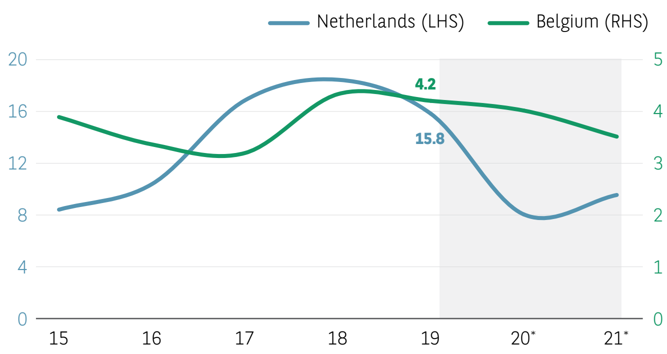
LOGISTICS IN BENELUX, ESPECIALLY THE NETHERLANDS, CONTINUES TO PRESENT CONSISTENT RETURNS, EVEN AFTER ALLOWING FOR THE SLOWDOWN IN GLOBAL TRADE

BENELUX
CALM AND CONSISTENT

BELGIUM IS AMONG THE FEW EUROPEAN COUNTRIES that was able to buck the downward trend in investment activity in the first half of 2020. Investment volumes rose by 40% in H1 2020 compared to the same period last year, mainly thanks to a strong Q1. Additionally, the fall in activity during Q2 (-14.1%) was limited relative to other European countries. We believe this is due to the strong institutional occupier base that underpins the market. In the Netherlands, where cross-border activity is strong, Q1 (+46%) saw growth in investment activity, but the onset of the pandemic caused trading volumes in Q2 (-65.3%) to drop significantly. This meant that, overall in H1 2020, investment levels fell by 20.2% year-on-year in the Netherlands. We see continued weakness in Q3 with some recovery in Q4 as the pandemic abates in the latter part of the year and allows increased foreign travel. For the full-year 2020, we expect investment volumes to shrink in the Netherlands (- 49.1%) and Belgium (-4.5%); but while 2021 will witness some recovery in the Netherlands (+18%), Belgium (-12.1%) will continue its downward trend.

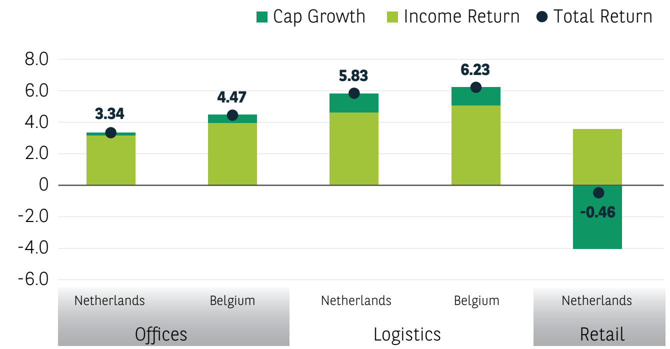
Despite the considerable falls in investment volumes, we do not anticipate a meaningful movement in prime office yields (+5bps) in both countries over the forecast period. In the logistics (-10bps) and retail (+25bps) sectors, we expect a higher level of yield shifts. These, together with softening rental values, will result in weaker capital values. We forecast total returns ranging between -0.5% and +6.2% p.a. over the forecast period among the sectors and countries.

INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate
* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



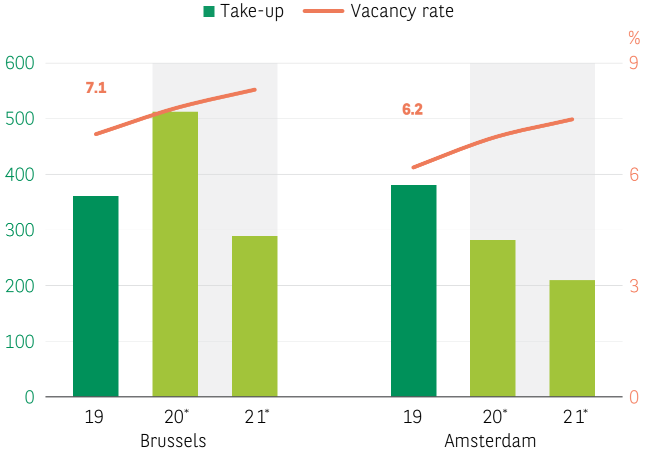
Source: BNP Paribas Real Estate

OFFICES

ALONGSIDE GERMANY, the Benelux region is where we expect the office market to be most resilient in the short term. Prime office total returns in the region is set to remain positive (+2.13%) in 2020. This positive performance is persistent throughout the five-year forecast period, averaging 3.9% p.a. Brussels is the leading city in the Benelux region for prime total returns in 2020 (+2.7%), and one of the few cities that we predict will show positive total returns throughout the forecast period; over this period Brussels averages 4.5% p.a. Amsterdam, likewise, will see its total return remain positive, except in 2021, where stronger rental falls will lead to significant capital value falls and, in turn, negative total return. The wider market total return may be stronger than prime in Brussels in 2020 (+3.6%), and also over the forecast period of 2020-2024 (+5.1%), due to better income-return performance. However, the opposite is the case in Amsterdam, where prime will outperform the wider market in terms of total returns in both 2020 (+0.7% vs. +1.6%) and over the forecast period (+2.7% vs. +3.3%). We anticipate cumulative rental falls of 13.0% and 3.0% in the wider and prime markets respectively for the first three years of the forecast period. This comes on the back of an expected 150bps increase in Amsterdam's vacancy rate, predominantly elevated by secondary offices. In Brussels, the vacancy rate rise is anticipated to be 100bps, which will take the edge off any rental growth. Cumulatively, rental growth in Brussels' wider market is expected to be -3.3% vs. +1.0% for the prime segment.

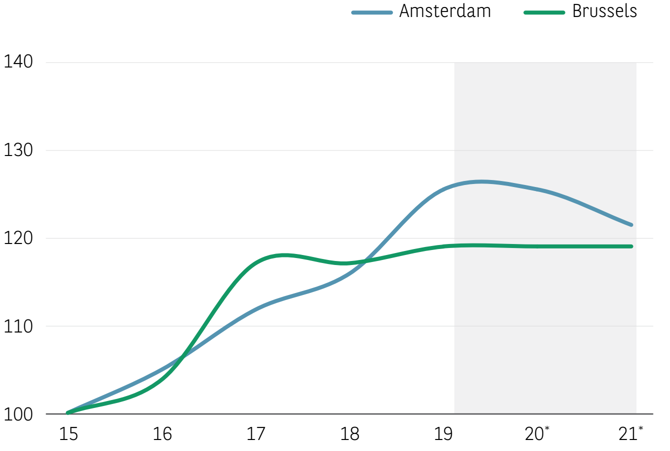
We see limited decompression in prime net initial yields in both Amsterdam and Brussels over the near term, given their stable occupier bases, particularly in Brussels. A total yield shift of +10bps is expected until 2021, giving way to a mix of stability and decompression thereafter. In the wider market, the initial yield shift could be as much as +20bps, followed by a slower decompression.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



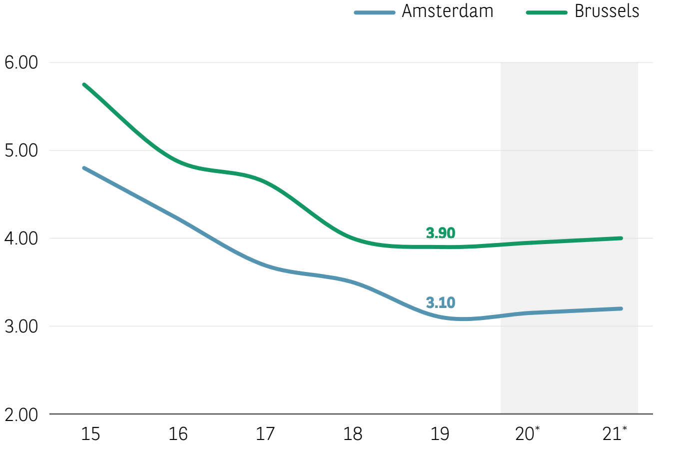
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



Source: BNP Paribas Real Estate

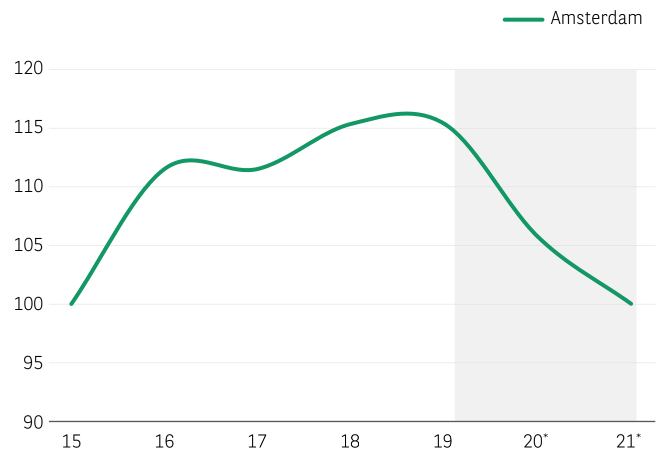
* Forecast

RETAIL

OUR RETAIL COVERAGE in the Benelux region focuses only on Amsterdam prime high street. Here we are witnessing increased e-commerce volumes having significant negative implications on bricks-and-mortar retail. According to Eurostat, about 80% of the population in Netherlands uses the internet for shopping; this compares to 87% in the UK, which is the country with the highest e-commerce penetration in Europe. We think the pandemic will accelerate the e-commerce phenomenon across Europe, amplifying the negative implications for retail real estate.

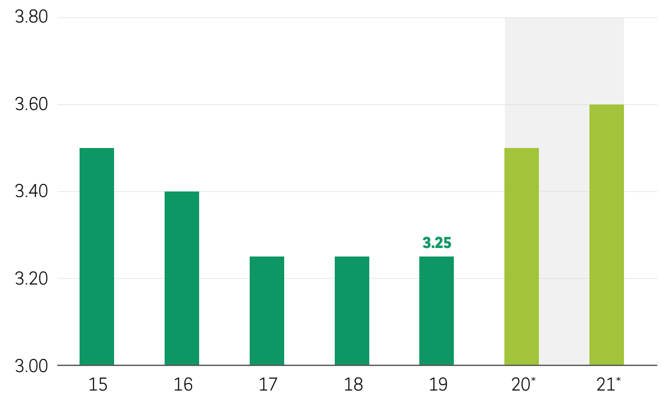
We expect Amsterdam's prime total return to be around -0.5% p.a. over the five-year forecast period, with a large amount of negativity in the first two years of the period. Among the seven European regions that we cover, Benelux will post the second lowest average total return (after the CEE market) over the forecast period; falls in capital values will be the main driver behind the low total return. Capital growth will remain negative for the first three years of the forecast period, driven by both increases in yields (+35bps) and cumulative falls in rental values (-15.7%). Although we are likely to see some level of recovery at the tail end of the forecast, this will still leave meaningful yield decompression (+25bps) and rental falls (-13.7%) over the five-year period.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS Amsterdam (%)



Source: BNP Paribas Real Estate

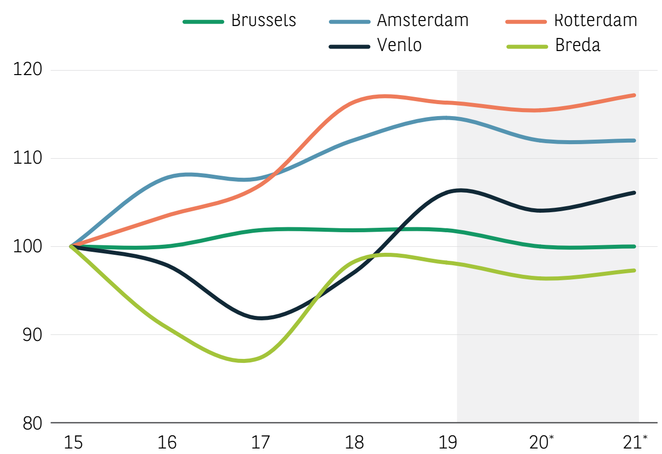
* Forecast

LOGISTICS

LOGISTICS HAS BEEN ONE OF THE STRONGEST PERFORMING sectors in Europe during the COVID-19 crisis. The Benelux, particularly the Netherlands, is one of the most important logistics hubs in Europe and e-commerce penetration in the region is very high. As such, we see all the major markets in the region performing well and posting positive total returns across the whole forecast period. Most of the returns though will be back-loaded, with stable yields and limited rental growth in the near term. The port of Rotterdam (+6.5% p.a.) leads the way, followed by Brussels (+6.2%), Amsterdam (+6.0%), Venlo (+5.6%) and Breda (+5.3%) over the forecast period.

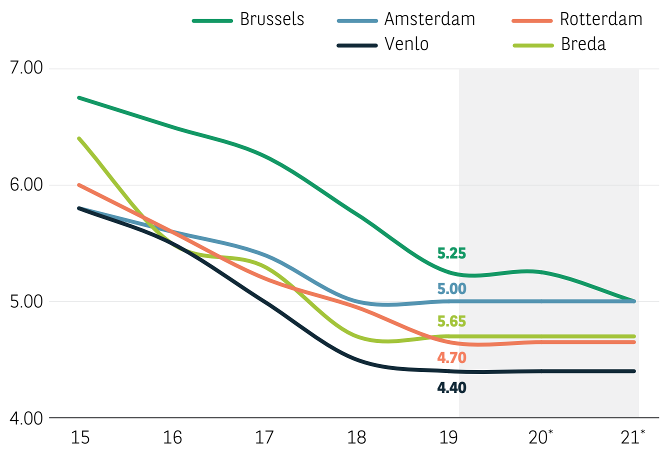
For all the markets in the Benelux region, we anticipate falls in capital values in 2020, albeit driven by different factors. In the Netherlands, the lack of yield movement in the early years of the forecast period means that the limited rental falls will drag down capital values. In Brussels, rental declines will be enough to produce negative capital values amid stable yields. Beyond 2020, we forecast stable and positive capital growth in all the markets. The average capital growth across 2021-2024 will range between 2.6% p.a. in Rotterdam and 1.2% p.a. in Breda.

PRIME LOGISTICS RENTAL INDEX (2015 = 100)



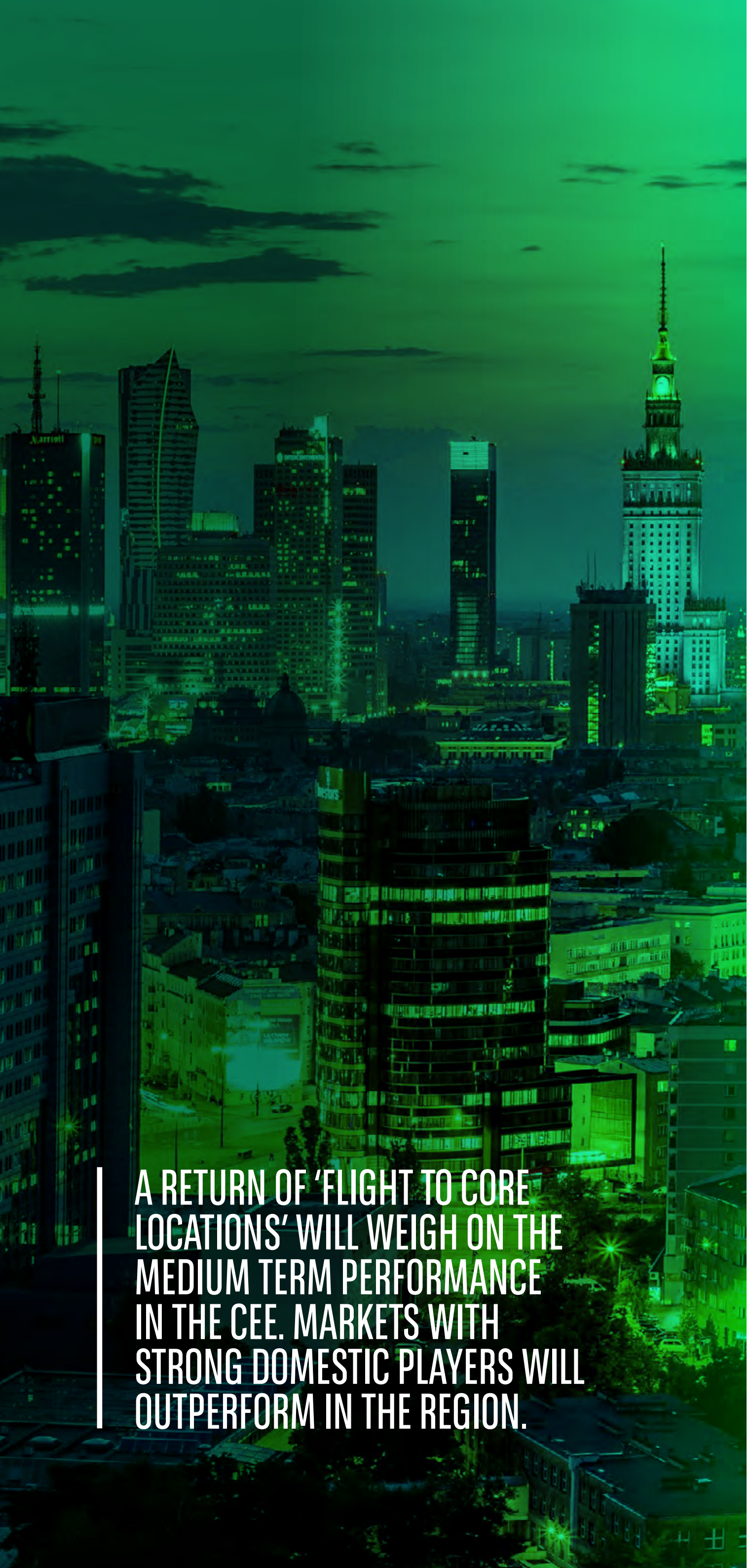
Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast



A RETURN OF 'FLIGHT TO CORE LOCATIONS' WILL WEIGH ON THE MEDIUM TERM PERFORMANCE IN THE CEE. MARKETS WITH STRONG DOMESTIC PLAYERS WILL OUTPERFORM IN THE REGION.

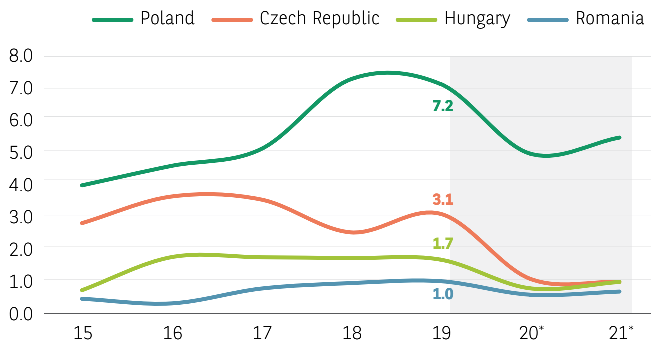
CENTRAL AND EASTERN EUROPE

FOREIGN INVESTORS RETREAT

THE FIRST QUARTER OF THE YEAR, as per most other European markets, saw a healthy level of activity in the CEE region, with investment volumes (€2.3bn) 15% higher than the same period in 2019. However, with the onset of the global pandemic, activity fell by 40% in Q2 compared to Q2 2019. The Czech Republic (-72%) and Poland (-36%), which rely more on cross-border investment, experienced the most pronounced effects of the crisis. However, in Hungary, where domestic and regional investors play a significant role, the second quarter actually recorded an increase in transaction volumes (+52%). Even so, we anticipate that Q3 will remain challenging for the whole of the CEE but, as the crisis abates, activities will likely return to some semblance of normality in Q4 across the region. Nonetheless, we expect investment volumes for this year as a whole to be significantly lower (-42%) than last year, driven by transactional falls in the hotel and office sectors.

We are likely to see 'flight to core locations' becoming a feature of the European market again in the medium term. This will cause investors to be domestically focused with cross-border activity being limited and directed towards perceived safe-haven markets. In this regard we think the CEE region will see a relatively higher level of yield increases, leading to a meaningful fall in capital values. Total return over the forecast period will be back-loaded, with the next two years returning an average of -4.8% p.a. across sectors in the region. The average over the five-year forecast period (+1.4% p.a.) remains weak.

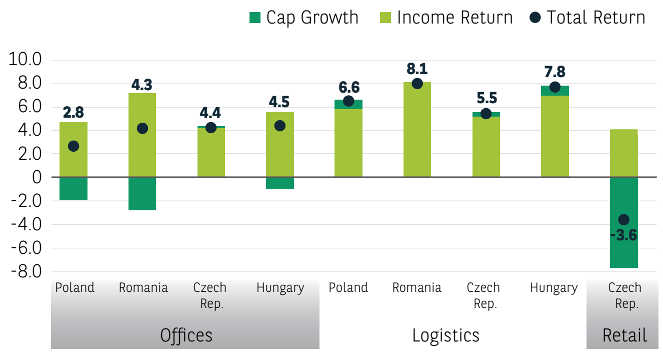
INVESTMENT VOLUME (€bn)



Source: BNP Paribas Real Estate

* Forecast

5YR (2020-2024) AVERAGE TOTAL RETURN BY SECTOR (%, p.a.)



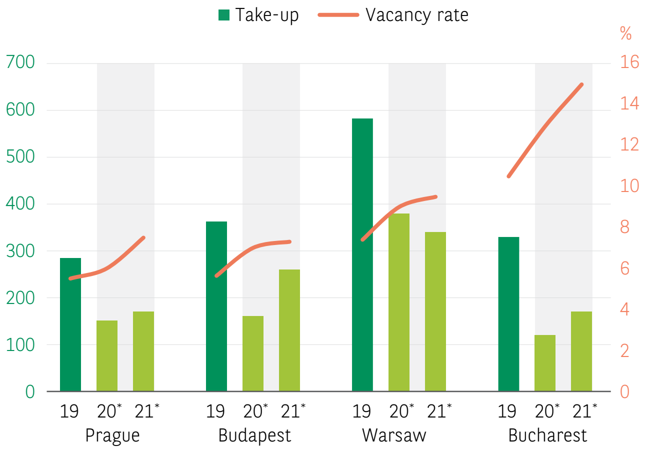
Source: BNP Paribas Real Estate

OFFICES

THE OUTLOOK FOR OFFICE SECTOR PERFORMANCE in the region will continue to be challenging. While the CEE is unlikely to experience the largest near-term falls in values in the European context, its falls are likely to be more persistent over the next five years. A key driver of this will be the limited activity of foreign investors, allowing markets with a high number of domestic players to outperform. For this year, total returns will be limited with negative outcomes for both Budapest (-3.6%) and Prague (-0.6%). However, Warsaw (+1.4%) and Bucharest (+4.4%) will see positive returns due to their high yields Beyond 2021, we see the level of returns starting to rise again as yields stabilise in the region. Although the occupational market will remain supportive, capital growth uplifts will begin again with a compression in yields. This means that total returns will be back-loaded and that the average over the five-year forecast period will be weak for most markets: Budapest (+4.5%), Warsaw (+2.8%), Bucharest (+4.3%) and Prague (4.3%).

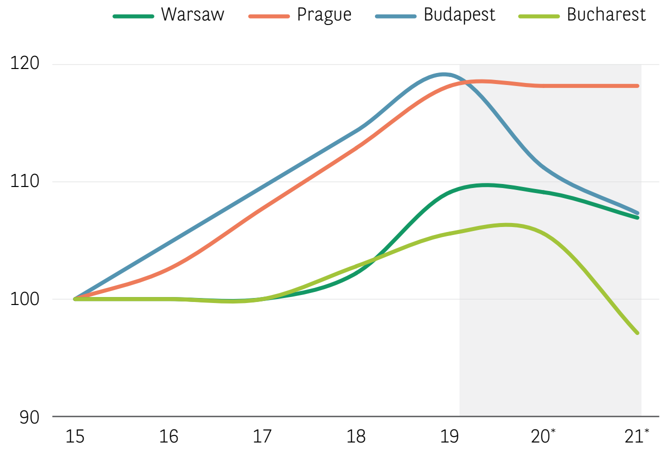
The occupational market in CEE looks set to remain robust, with good GDP growth and low unemployment. Over the next three years, the top four cities in the region will deliver approximately 2.5 million sqm of new space, while net demand (absorption) will be about 40% (approximately 1 million sqm) of that. As such, the vacancy rate will increase by 100bps across the region. Prime rental growth will fall by 0.5% p.a. over that period, with the largest fall in rents anticipated in Bucharest (-1.2% p.a.) due to its sheer volume of planned deliveries.

TAKE-UP (000's sqm) AND VACANCY RATE (%)



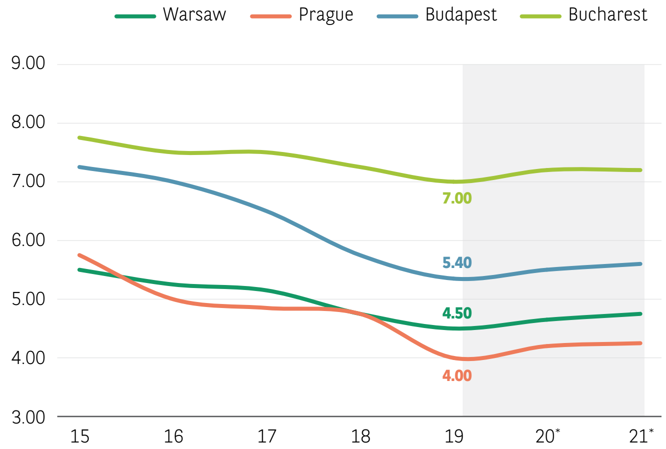
Source: BNP Paribas Real Estate

PRIME RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME OFFICE YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

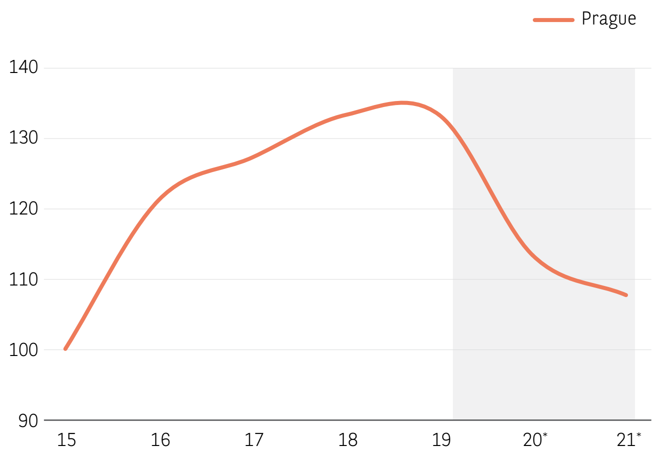
RETAIL

THE ONLY PRIME HIGH STREET RETAIL MARKET covered in this report for the CEE region is Prague. Nonetheless the coronavirus crisis has exposed the structural trend that has been apparent in the retail sector for many years. In the CEE, the trend has been less pronounced due to the limited penetration of online sales. However, similar to most of Europe, total returns are expected to be significantly impacted, particularly in the short term. In 2020, across CEE markets we expect total returns to be heavily down; posting one of the largest falls among the seven regions covered. Yield shift (+75bps) plays an important role in this outcome, but we also anticipate considerable weakness in occupier demand going forward and hence a fall in rental values (-15.0%).

Over the longer term, we continue to see weakness in the markets with total returns in the CEE region averaging -3.6% p.a., the weakest returns in Europe, driven both by ailing rental growth and the decompression in yields.

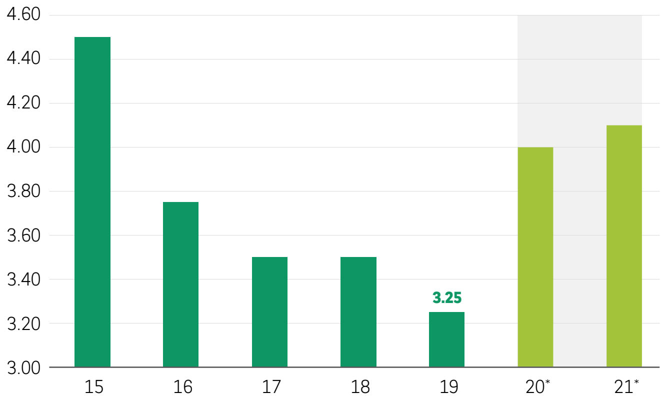
The weakness in returns will be front loaded, with the first two years of the forecast period exhibiting persistent negative returns. However we see yield decompression lasting a bit longer, until 2022, with a total yield shift of +90bps during this period. Thereafter yields and rental levels will remain flat and income will drive the limited total return at the back end of the forecast period. Although this report focuses on prime high street, in the CEE shopping centres are where most middle market retailing are predominantly done. Therefore we think while the returns presented are weak, we see a more challenging performance for the wider retail sector in the CEE region.

PRIME RETAIL RENTAL VALUE INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME RETAIL YIELDS Prague (%)



Source: BNP Paribas Real Estate

* Forecast

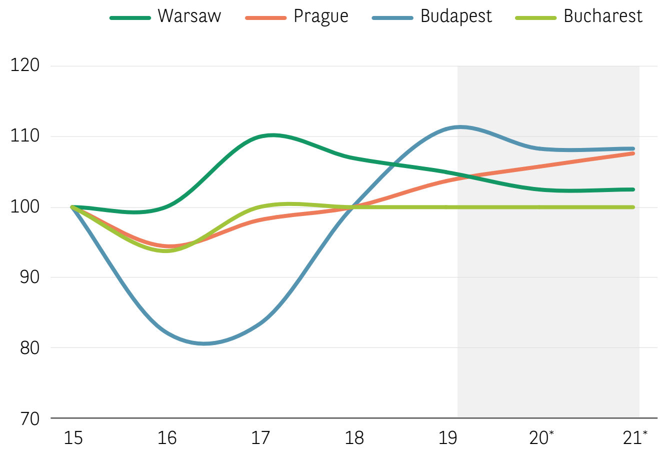
LOGISTICS

THE LOGISTICS MARKET IN THE CEE REGION is one of the fastest-growing markets in Europe. All the CEE logistics markets are likely to generate positive total returns in 2020, with the highest expected in Bucharest (+6.9%). Although average returns in the CEE market (+3.7% p.a.) over the forecast period will be lower than that in Europe overall (+4.3% p.a.), it presents significant opportunities for future growth, particularly with the potential for increased e-commerce penetration.

In the short term, the region will lag in performance, as investors focus on more mature e-commerce markets such as the UK, France and Germany, and also for pure 'flight to safety' reasons. Yields will rise (+10bps) across the CEE in 2020, but by end 2024 are likely to fall by 15bps compared to the end of 2019. The biggest declines will be seen in both Warsaw (-10bps) and Budapest (-10bps), while Bucharest will remain flat. Prague, however, could see an increase in yields (+10bps). The key to this is the developing connectivity between Asia and Western Europe running through the region, which is increasing freight transport and demand for logistics buildings. In addition, the region is playing catch-up in terms of e-commerce penetration.

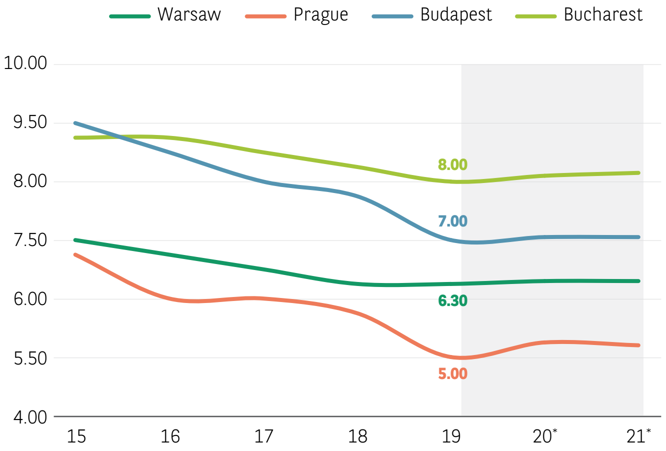
In combination, these factors are contributing to stable rental growth (+1.0% p.a.) in the logistics market in the region. We project rental growth in Prague (+0.8% p.a.), Budapest (+0.5%) and Warsaw (+0.3%), and flat growth in Bucharest over the five-year forecast period.

PRIME LOGISTICS RENTAL INDEX (2015 = 100)



Source: BNP Paribas Real Estate

PRIME LOGISTICS YIELDS (%)



Source: BNP Paribas Real Estate

* Forecast

APPENDIX

EUROPEAN OFFICE MARKET OVERVIEW (5yr average, 2020-2024, % p.a.)

	PRIME OFFICE				WIDER OFFICE MARKET			
	Rental Growth	Income Return	Capital Growth	Total Return	Rental Growth	Income Return	Capital Growth	Total Return
Vienna	-0.4	3.0	-0.4	2.6	-0.8	4.8	0.2	5.0
Berlin	3.3	2.6	3.7	6.3	3.8	3.3	3.2	6.5
Cologne	2.9	3.0	3.3	6.2	2.4	4.0	1.5	5.5
Dusseldorf	1.7	3.0	2.0	5.0	2.4	3.9	1.8	5.7
Frankfurt	1.7	2.8	2.1	4.9	3.0	3.8	1.9	5.6
Hamburg	2.2	2.8	2.5	5.3	2.7	3.7	2.1	5.7
Munich	2.2	2.6	2.6	5.2	2.5	3.5	1.5	4.9
Stuttgart	3.1	3.0	3.4	6.4	2.1	4.0	1.9	5.8
Paris - CBD	-0.2	2.9	0.7	3.6	0.2	3.5	0.7	4.2
La Defense	-2.5	4.3	-2.7	1.6	-2.0	5.9	-4.1	1.8
Lyon	-0.4	3.5	1.4	5.0	-0.5	5.1	-1.1	4.0
Marseille	-1.6	4.6	-0.4	4.2	-1.9	5.9	-1.5	4.4
Lille	0.1	4.2	0.4	4.6	-0.2	5.8	-1.0	4.8
Bordeaux	0.6	4.7	1.2	5.9	0.0	5.2	-1.2	4.0
London - City	0.7	4.1	0.8	4.9	-0.3	4.9	-0.9	4.0
London - West End	-1.8	3.6	-1.7	1.9	-0.9	4.5	-1.4	3.1
Birmingham	0.0	4.9	-0.3	4.6	-2.8	7.2	-1.4	5.8
Bristol	-0.9	4.9	-1.2	3.7	-2.2	6.9	-1.4	5.5
Manchester	-0.4	4.9	-0.7	4.2	-2.2	6.7	-1.5	5.2
Edinburgh	-0.4	4.9	-0.7	4.2	-2.1	7.3	-1.7	5.6
Dublin	-0.4	4.0	-0.4	3.7	-2.4	5.1	-2.0	3.0
Copenhagen	0.3	3.6	0.7	4.3	-1.5	4.9	-0.4	4.5
Helsinki	-0.4	3.2	-0.8	2.4	-0.5	4.7	-0.6	4.1
Stockholm	2.1	3.2	3.5	6.7	1.0	4.1	1.2	5.3
Oslo	0.3	3.9	0.1	4.0	-1.2	5.0	-0.5	4.4
Prague	0.8	4.2	0.1	4.3	-3.0	5.1	-3.3	1.9
Budapest	-0.6	5.6	-1.0	4.5	-2.7	6.8	-1.6	5.1
Warsaw	-1.3	4.7	-1.9	2.8	-2.1	4.7	-2.8	1.9
Bucharest	-2.6	7.2	-2.8	4.3	n/a	n/a	n/a	n/a
Milan	-0.3	3.4	-0.3	3.1	-1.6	5.3	-1.1	4.2
Rome	0.5	4.1	0.0	4.2	-1.2	6.6	-1.1	5.5
Lisbon	-1.2	4.7	-2.6	2.1	-0.8	6.9	-2.8	4.1
Madrid	0.9	3.4	0.7	4.0	-0.8	5.4	-1.5	3.9
Barcelona	0.9	3.4	0.7	4.0	0.5	5.8	-0.8	5.0
Brussels	0.5	4.0	0.5	4.5	-0.1	5.6	-0.5	5.1
Amsterdam	0.5	3.2	0.2	3.3	-1.7	4.2	-1.5	2.7
Average	**0.3**	**3.9**	**0.4**	**4.2**	**-0.4**	**5.0**	**-0.6**	**4.4**

Source: BNP Paribas Real Estate

EUROPEAN RETAIL MARKET OVERVIEW (5yr average, 2020-2024, % p.a.)

	PRIME HIGH STREET RETAIL			
	Rental Growth	Income Return	Capital Growth	Total Return
Vienna	0.0	3.5	-1.4	2.1
Berlin	-0.3	2.8	-1.0	1.8
Cologne	-0.4	3.2	-1.0	2.3
Frankfurt	-0.3	3.1	-1.0	2.2
Hamburg	-0.3	3.0	-1.0	2.0
Munich	-0.3	2.8	-1.0	1.9
Stuttgart	-0.3	3.2	-1.0	2.3
Dusseldorf	-0.3	3.2	-1.0	2.3
Greater Paris	-0.9	3.1	-3.8	-0.7
London - Central	-1.2	3.7	-4.9	-1.3
Birmingham	-1.2	5.7	-3.6	2.1
Manchester	-1.6	5.7	-4.0	1.8
Glasgow	-0.6	6.0	-4.1	1.9
Dublin	-2.1	3.9	-5.0	-1.1
Oslo	-0.3	4.4	-1.5	2.9
Copenhagen	-2.1	3.5	-3.7	-0.2
Helsinki	0.2	4.2	1.0	5.2
Stockholm	-0.8	3.6	-0.7	2.9
Prague	-3.8	4.1	-7.7	-3.6
Milan	-0.9	3.2	-0.9	2.3
Rome	-2.3	3.6	-3.0	0.6
Madrid	-2.3	3.5	-3.6	-0.1
Barcelona	-2.2	3.5	-3.5	0.0
Amsterdam	-2.7	3.6	-4.0	-0.5
Average	**-1.1**	**3.7**	**-2.5**	**1.3**

Source: BNP Paribas Real Estate

EUROPEAN LOGISTICS MARKET OVERVIEW (5yr average, 2020-2024, % p.a.)

	PRIME LOGISTICS			
	Rental Growth	Income Return	Capital Growth	Total Return
Vienna	0.0	5.3	0.4	5.7
Berlin	1.2	3.6	1.8	5.4
Ruhr Area	1.2	3.6	1.8	5.3
Frankfurt	1.2	3.6	1.8	5.3
Hamburg	1.2	3.6	1.8	5.4
Munich	1.0	3.6	1.5	5.1
Greater Paris	1.1	4.1	1.1	5.2
London - Heathrow	1.8	4.0	1.8	5.8
South East	1.8	4.0	1.8	5.8
Midlands	1.0	4.0	1.0	4.9
North West	1.0	4.0	1.0	5.0
Oslo	0.7	5.0	2.4	7.3
Copenhagen	0.5	5.7	0.4	6.1
Helsinki	-0.1	4.9	0.7	5.7
Stockholm	0.5	4.5	3.8	8.3
Poznan	0.5	5.4	0.9	6.3
Warsaw	0.3	6.2	0.7	6.9
Bucharest	0.0	8.1	0.0	8.1
Prague	0.8	5.2	0.4	5.5
Budapest	0.5	7.0	0.8	7.8
Milan	1.2	5.1	1.8	6.9
Lisbon	0.6	6.1	1.9	8.0
Madrid	0.6	4.8	0.8	5.6
Barcelona	1.2	4.8	1.4	6.3
Brussels	0.6	5.1	1.2	6.2
Amsterdam	0.6	5.0	1.0	6.0
Rotterdam	1.4	4.6	1.9	6.5
Venlo	0.8	4.4	1.2	5.6
Breda	0.2	4.7	0.6	5.3
Average	**0.8**	**4.8**	**1.3**	**6.1**

Source: BNP Paribas Real Estate

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