



Study on the property investment
climate in Europe
- Measurement II/ 2015

Report

Frankfurt am Main/Hamburg

February 2016

Overview

1 Study design

2 Indicators

3 Detailed findings

Method and details of study implementation.

Method	Computer-aided telephone interviewing (CATI).
Sample	Address-based survey of real estate investors, planners, project developers and architects. The companies surveyed only qualified as part of the sample if the total value of their real estate holdings was > 0 and non-self-used real estate accounted for at least 50% of the total managed real estate portfolio.
Sample size	N= 171 net interviews, n= 75 in Germany, n= 42 in France, n= 54 in UK.
Weighting	Not weighted.
Duration of interview	14 minutes on average.
Dates of survey	20 November 2015 to 29 January 2016

Bases where n<30 are indicated by ! and bases where n<10 are indicated by !!

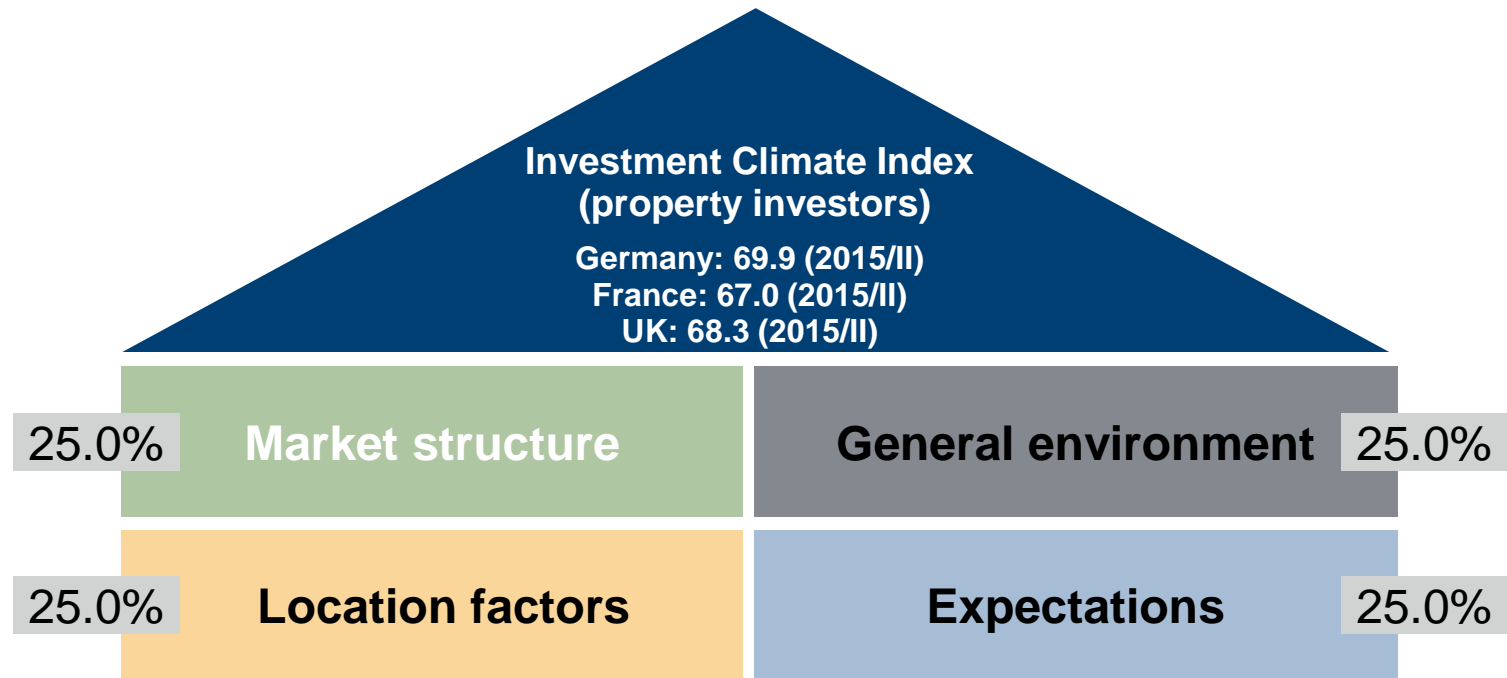
Overview

1 Study design

2 Indicators

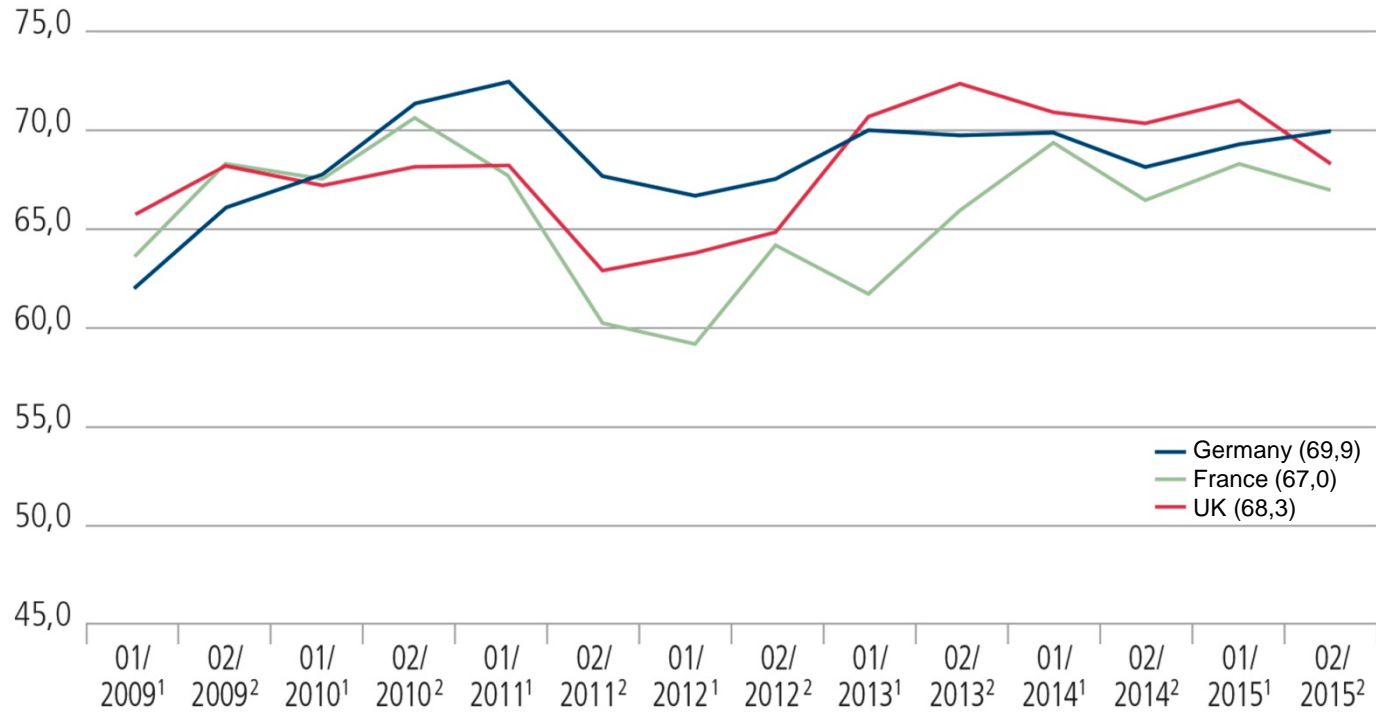
3 Detailed findings

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



Climate index now only rising in Germany

Investment climate index for real estate investors

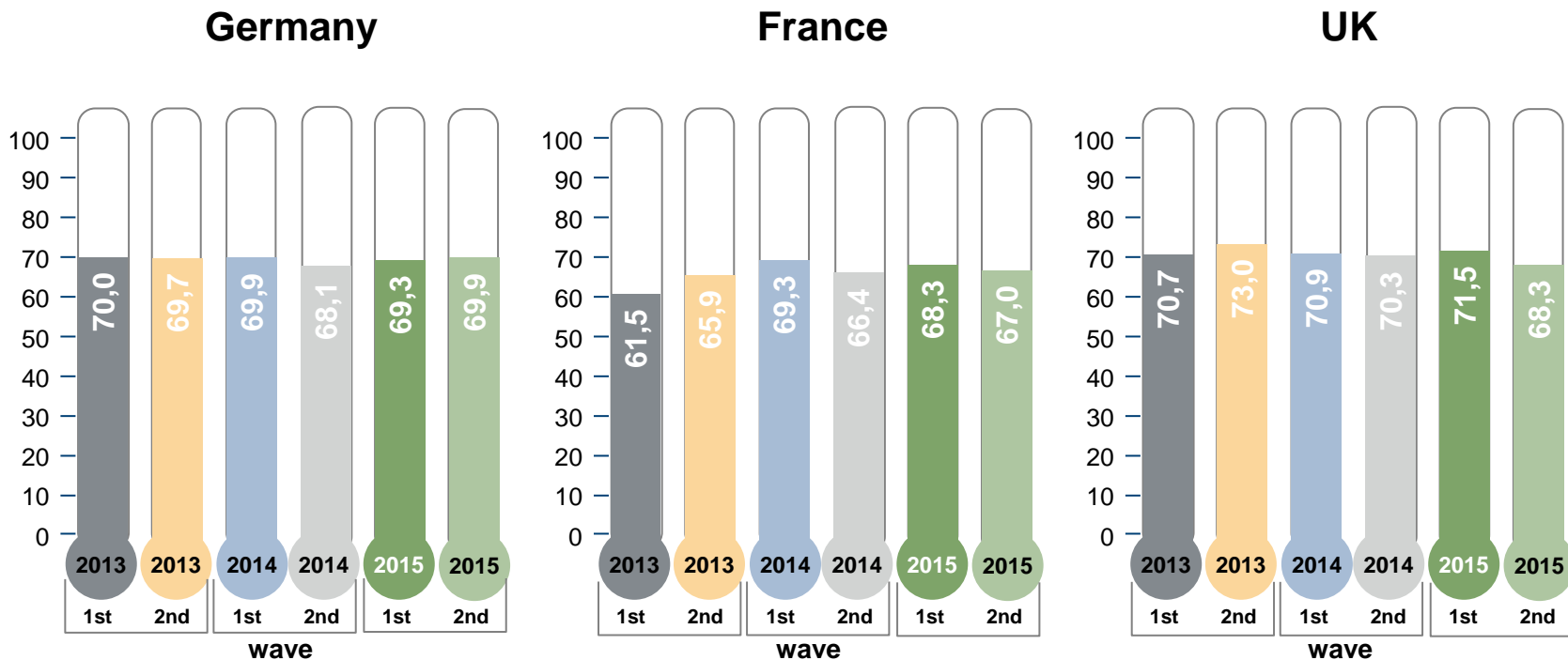


Source: Union Investment, property investment climate study II/2015 (survey of 171 real estate investors in Germany, France and the UK).

¹ Survey period: Summer. ² Survey period: Winter.

Slight upward trend in Germany. Declines recorded in France and the UK.

Climate index: Overview of indexes / All countries – comparison 2013-2015

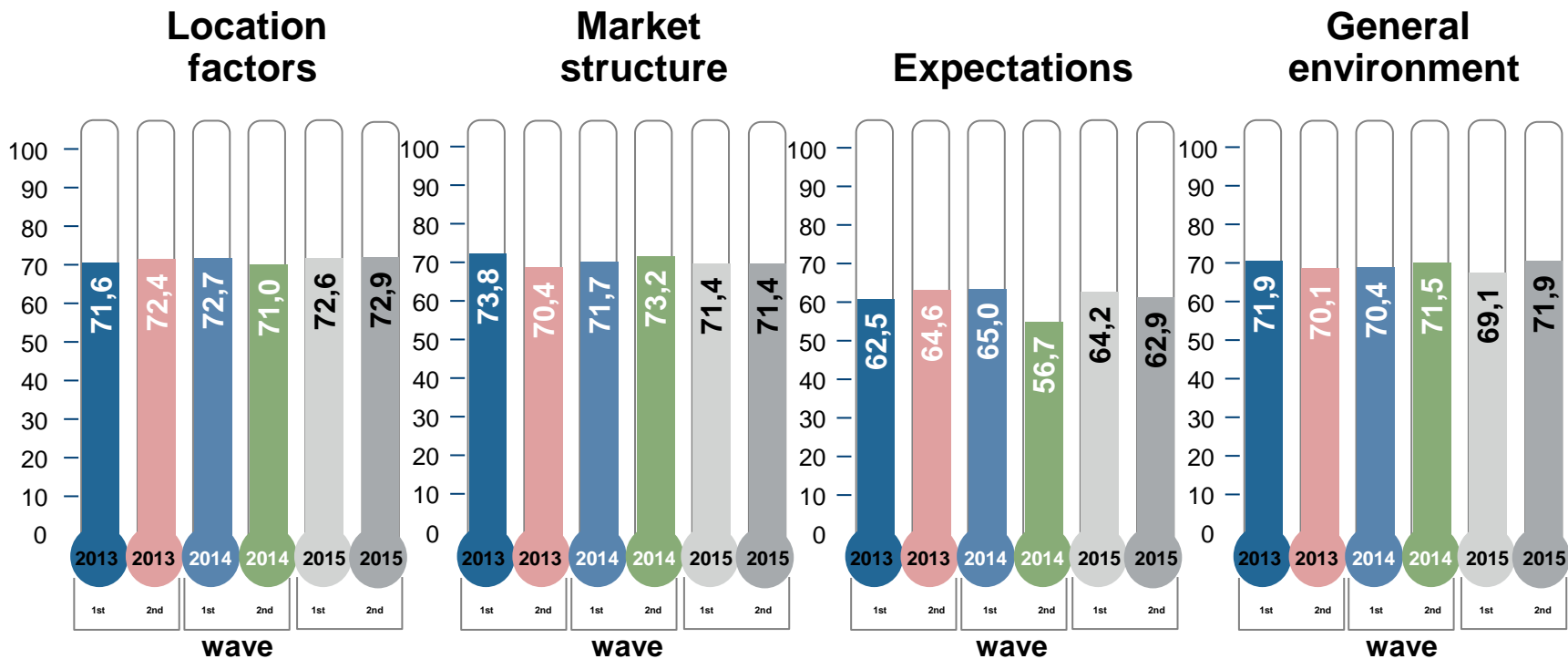


Base: All respondents (2013 1st wave n=150, 2nd wave n=168/ 2014 1st wave n=167, 2nd wave n=164/ 2015 1st wave n=165, 2nd wave n=171)

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

Marked upturn in Germany with regard to general environment.

Climate index: Overview of indicators / Germany – comparison 2013-2015

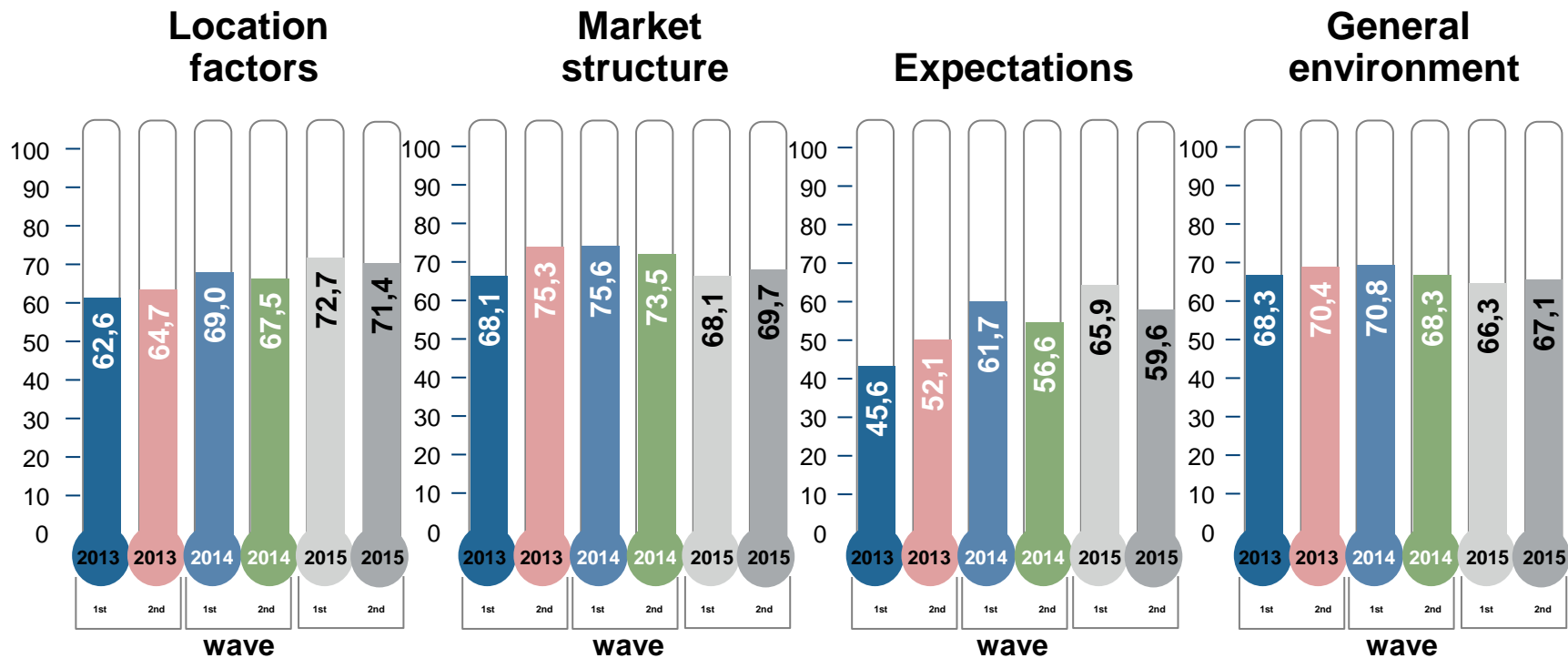


Base: All respondents (2013 1st wave n=59, 2nd wave n=68/ 2014 1st wave n=75, 2nd wave n=63/ 2015 1st wave n=81, 2nd wave n=75)

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

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

Climate index: Overview of indicators / France – comparison 2013-2015



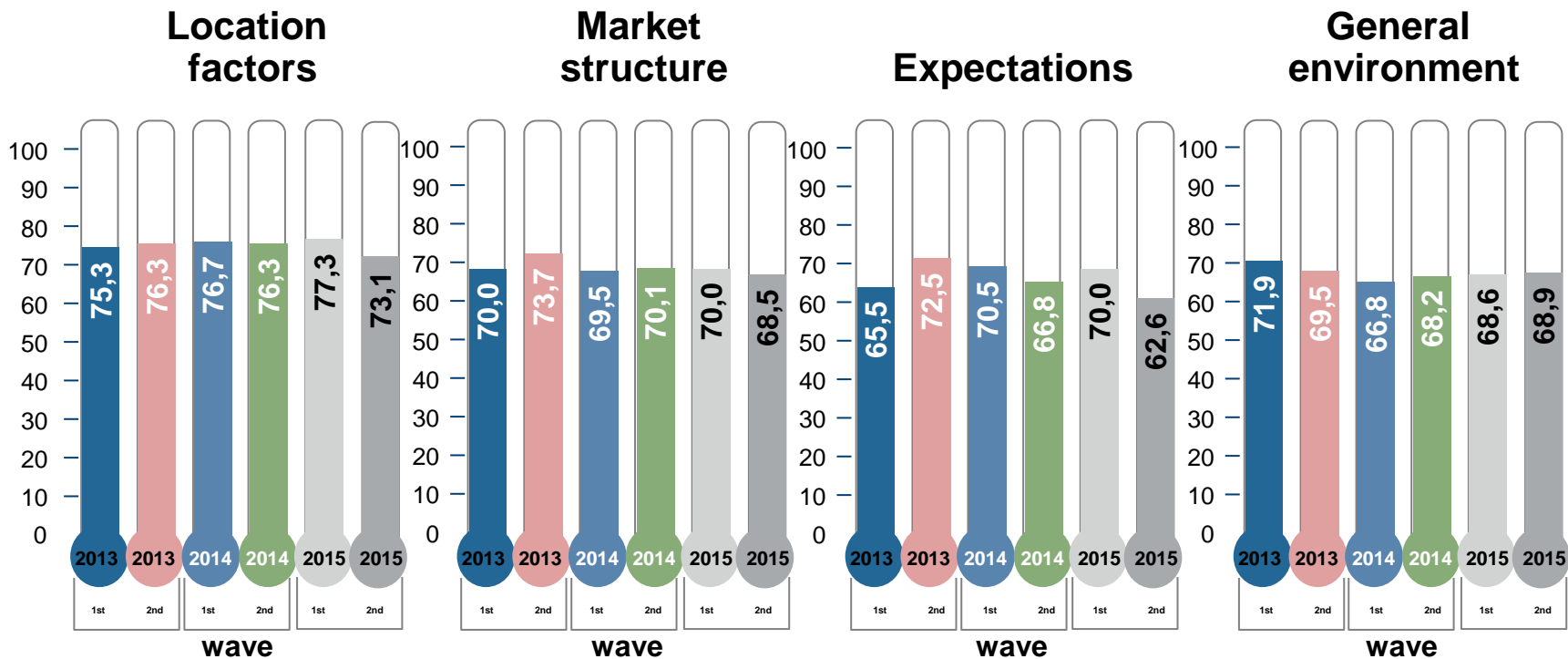
Base: All respondents (2013 1st wave n=40, 2nd wave n=50/ 2014 1st wave n=42, 2nd wave n=49/
2015 1st wave n=33, 2nd wave n=42)

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

2 Indicators

Slight downward trend overall in the UK, general environment indicator largely unchanged.

Climate index: Overview of indicators / UK – comparison 2013-2015



Base: All respondents (2013 1st wave n=51, 2nd wave n=50/ 2014 1st wave n=50/ 2nd wave n=52/ 2015 1st wave n=51, 2nd wave n=54)

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

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3. Detailed findings

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3.2 Factors influencing investment decisions

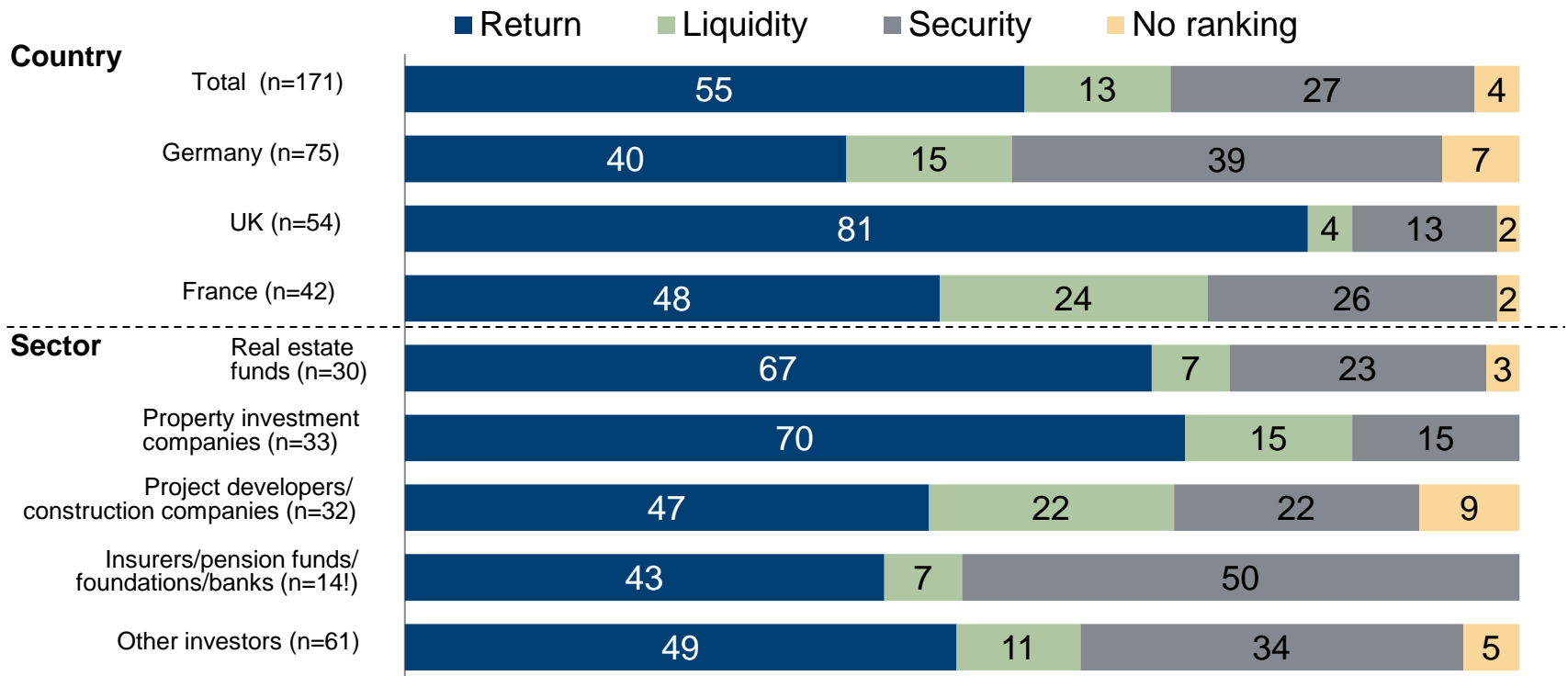
3.3 Expectations

3.4 Impact of European financial crisis

3 General environment

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

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

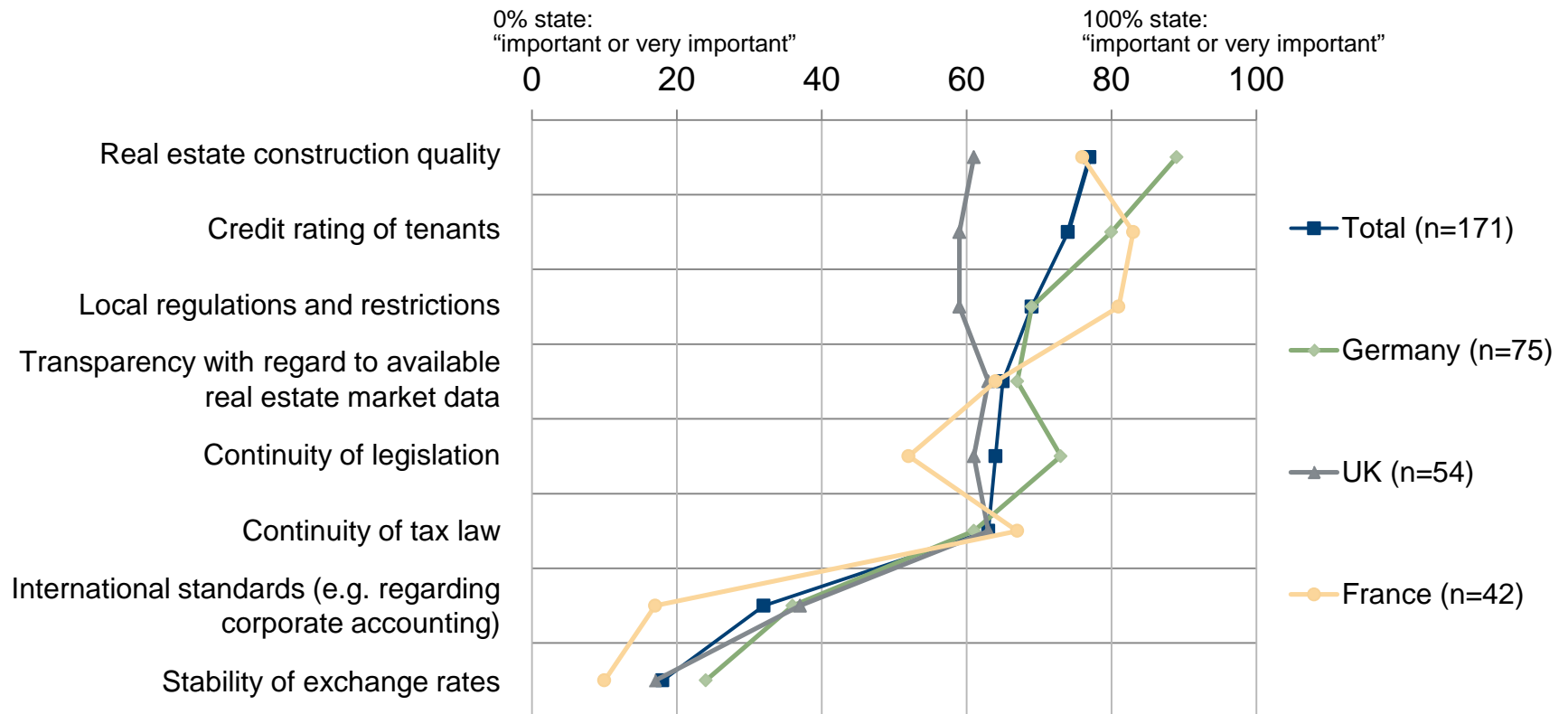


Base: All respondents (n=171); values in %

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

Construction quality and tenant credit ratings have the biggest impact on investment decisions.

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



Base: All respondents (n=171); values in %; top 2 box

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

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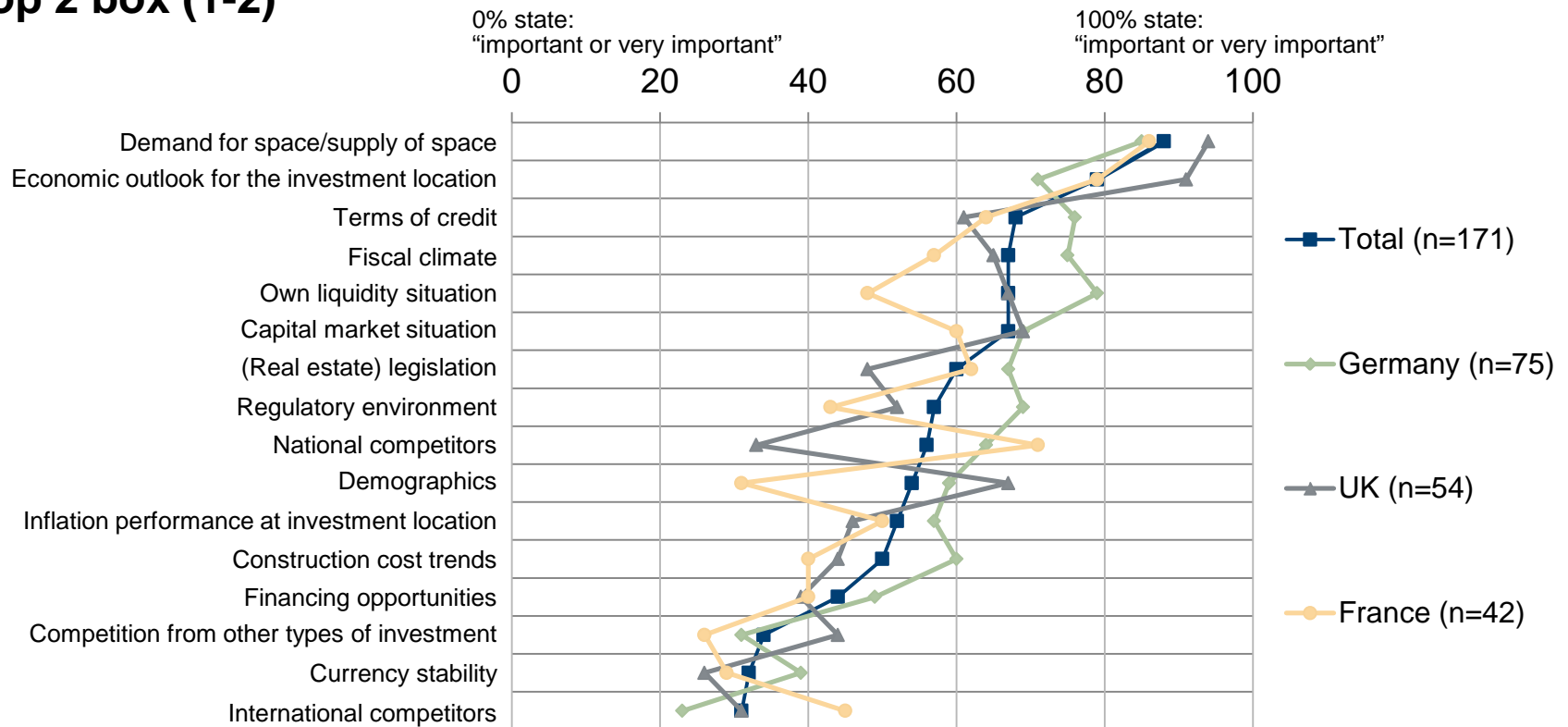
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3 Factors influencing investment decisions

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

(Very) important factors when making an investment decision Top 2 box (1-2)



Base: All respondents (n=171); values in %; top 2 box

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

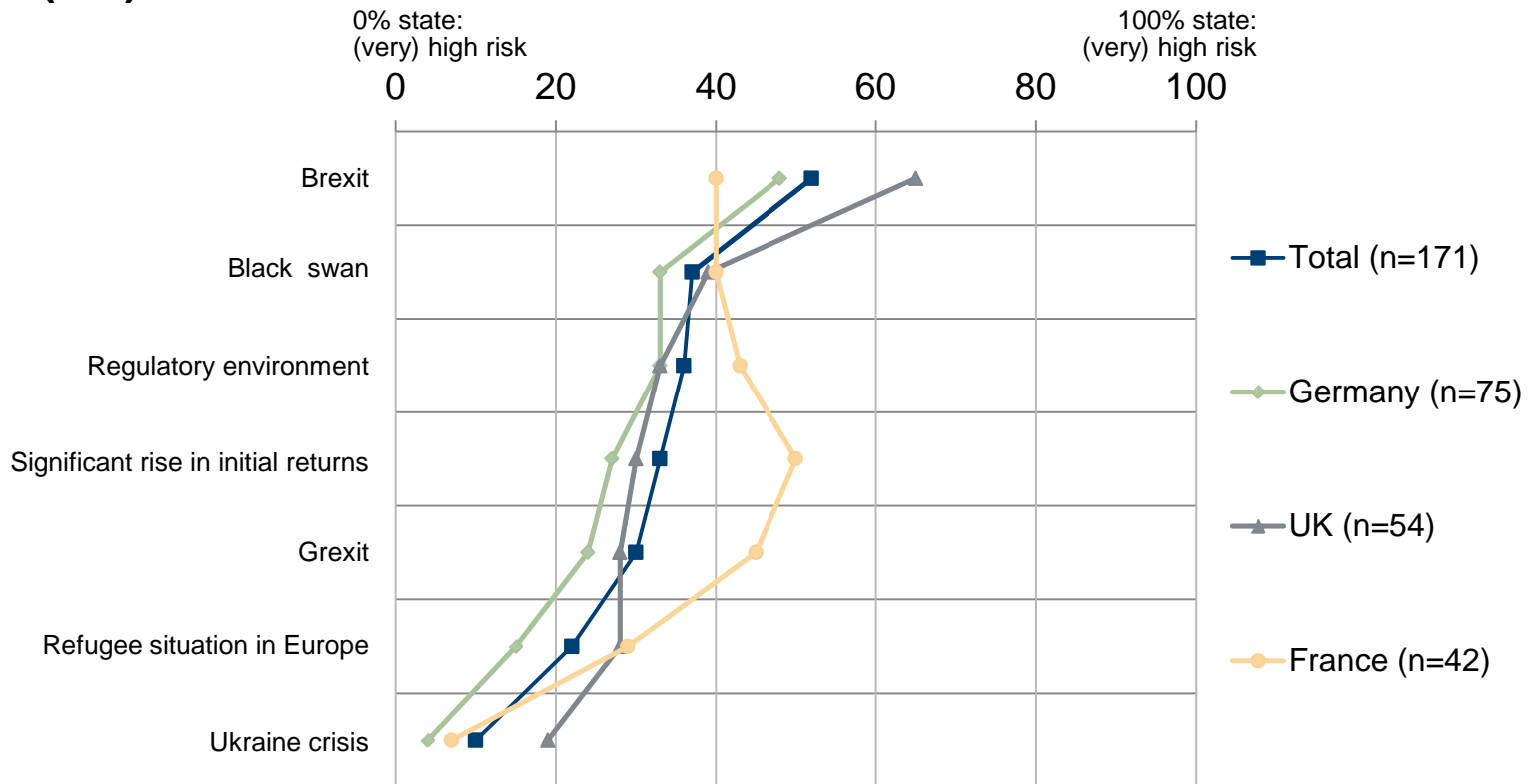
Scale: 1 = "very important" to 6 = "not important at all"

3 Factors influencing investment decisions

Possible Brexit seen as biggest risk to real estate investment in UK.

Assessment of general risks

Top 2 box (1-2)



Base: All respondents (n=171); values in %

Question 20: In terms of general risks that affect property investments, what is your opinion of the following general risks affecting property investments?

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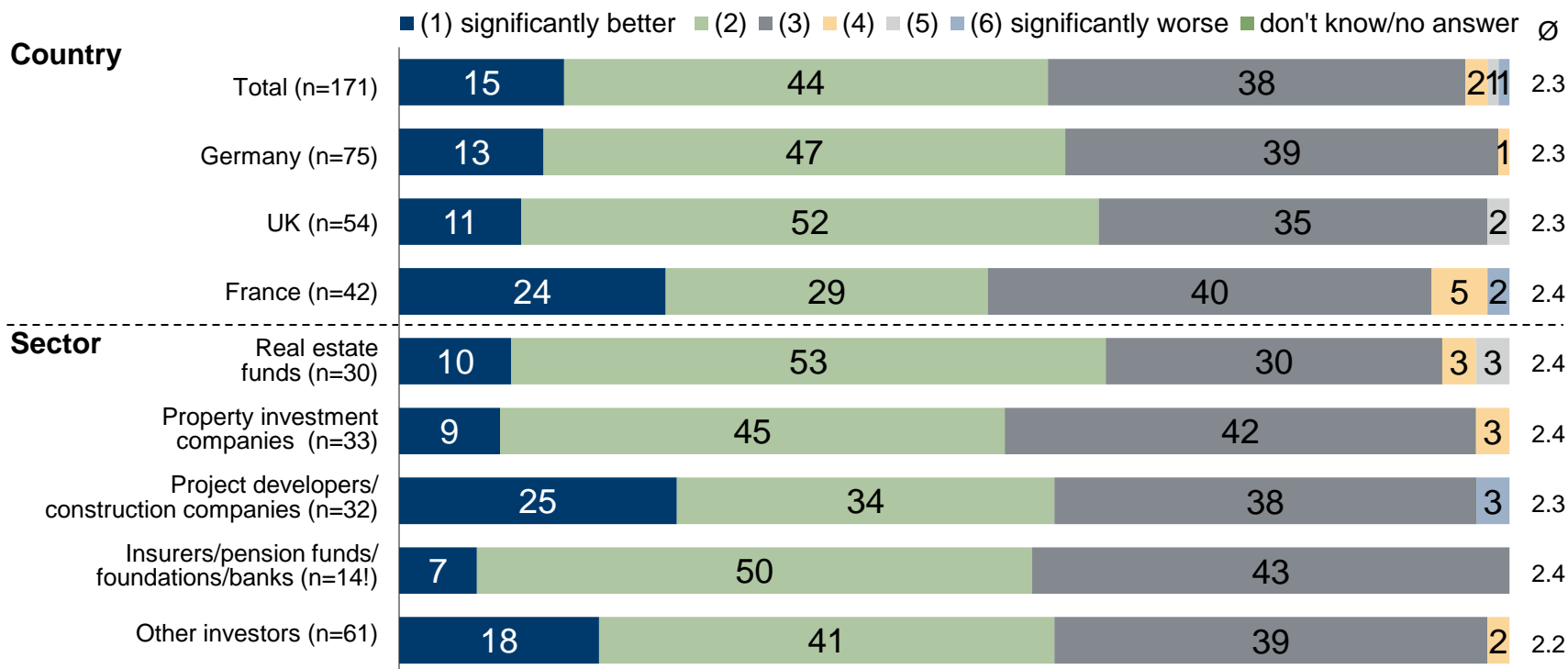
3.3 Expectations

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3 Expectations

More critical assessment of the economic situation of companies in France.

Rating of own company's current situation



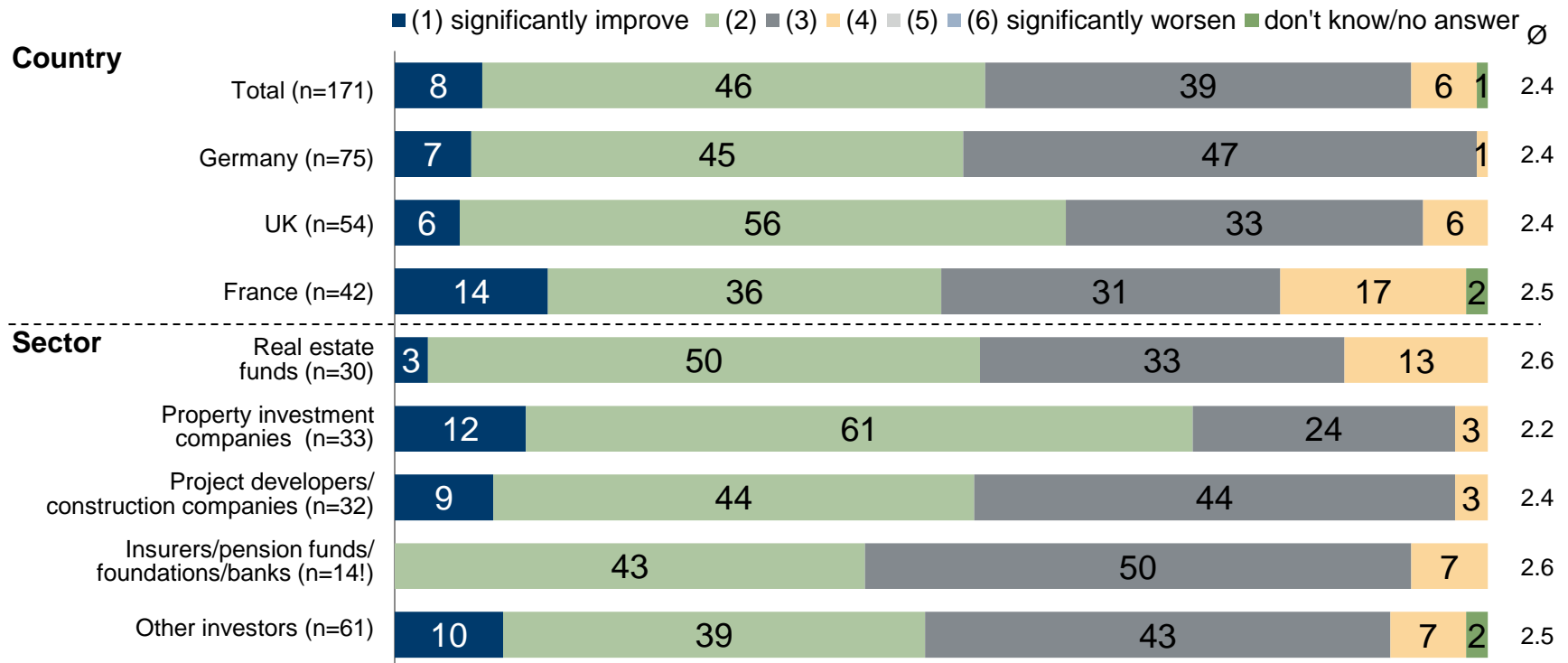
Base: All respondents (n=171); values in %

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

3 Expectations

Majority of UK respondents expect their company's economic situation to improve.

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



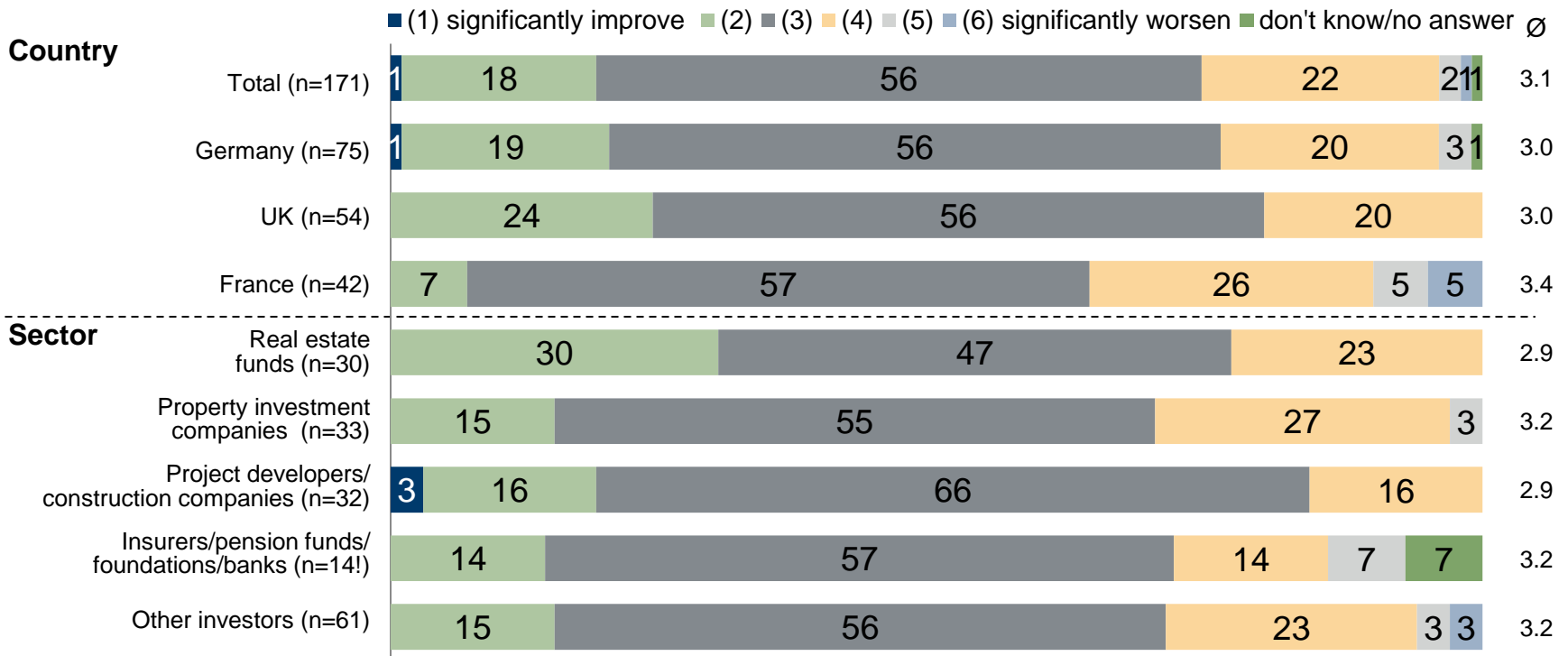
Base: All respondents (n=171); values in %

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

3 Expectations

Expectations for the general economy are comparatively negative in France.

Rating of general economy over the next 12 months



Base: All respondents (n=171); values in %

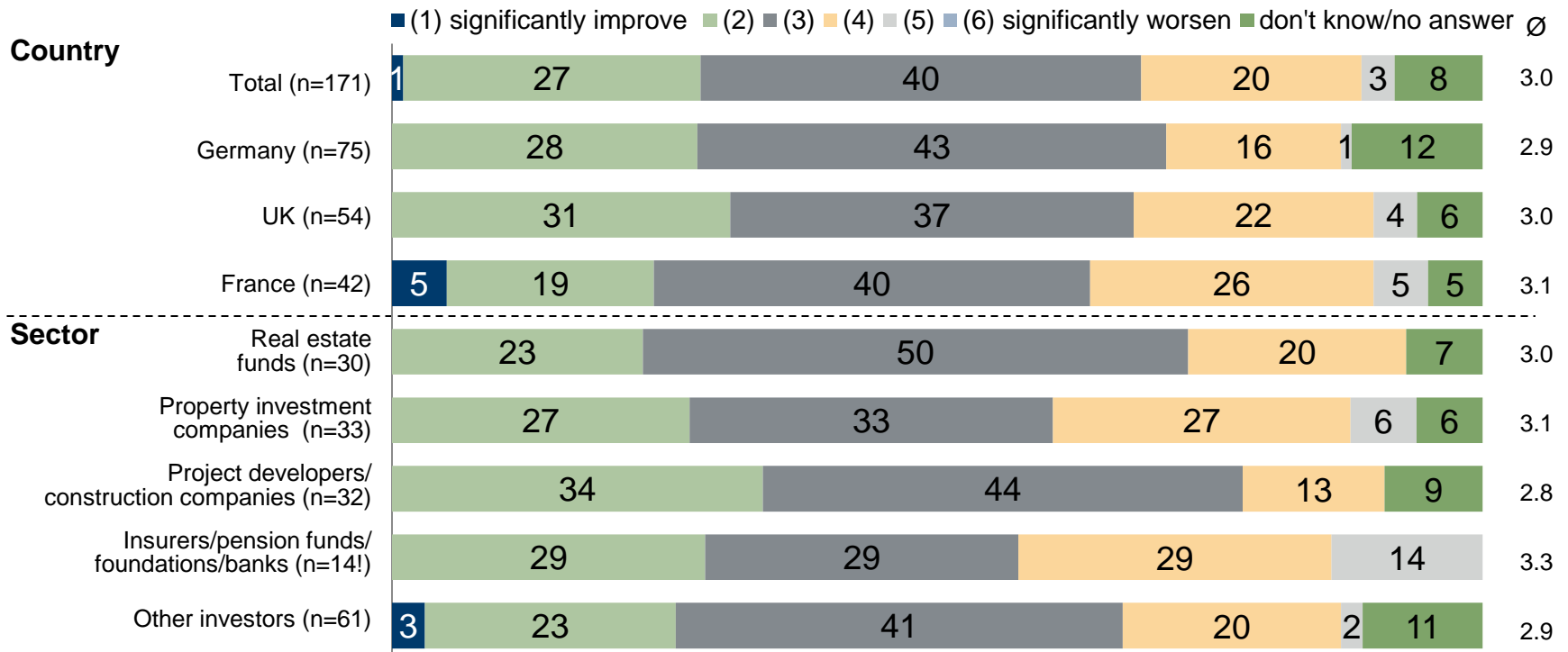
Question 11: And what about the general economic situation in [country] in 12 months?

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

3 Expectations

The investment climate for office properties over the next 12 months is viewed more pessimistically.

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



Base: All respondents (n=171) values in %

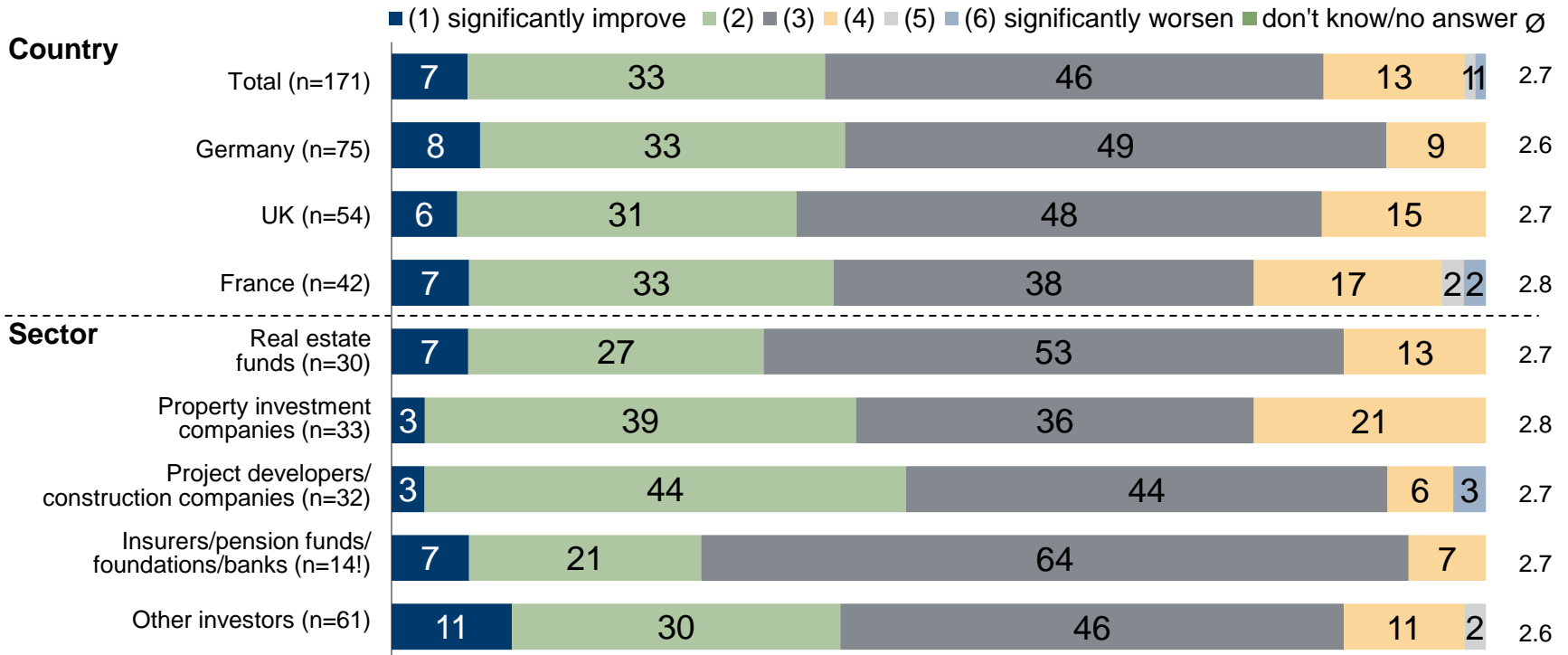
Question 12: And what about the climate for real estate investment in office buildings in [country] over the next 12 months?

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

3 Expectations

More negative expectations in France with regard to the investment climate over the next 12 months.

Rating of investment climate for property over the next 12 months



Base: All respondents (n=171); values in %

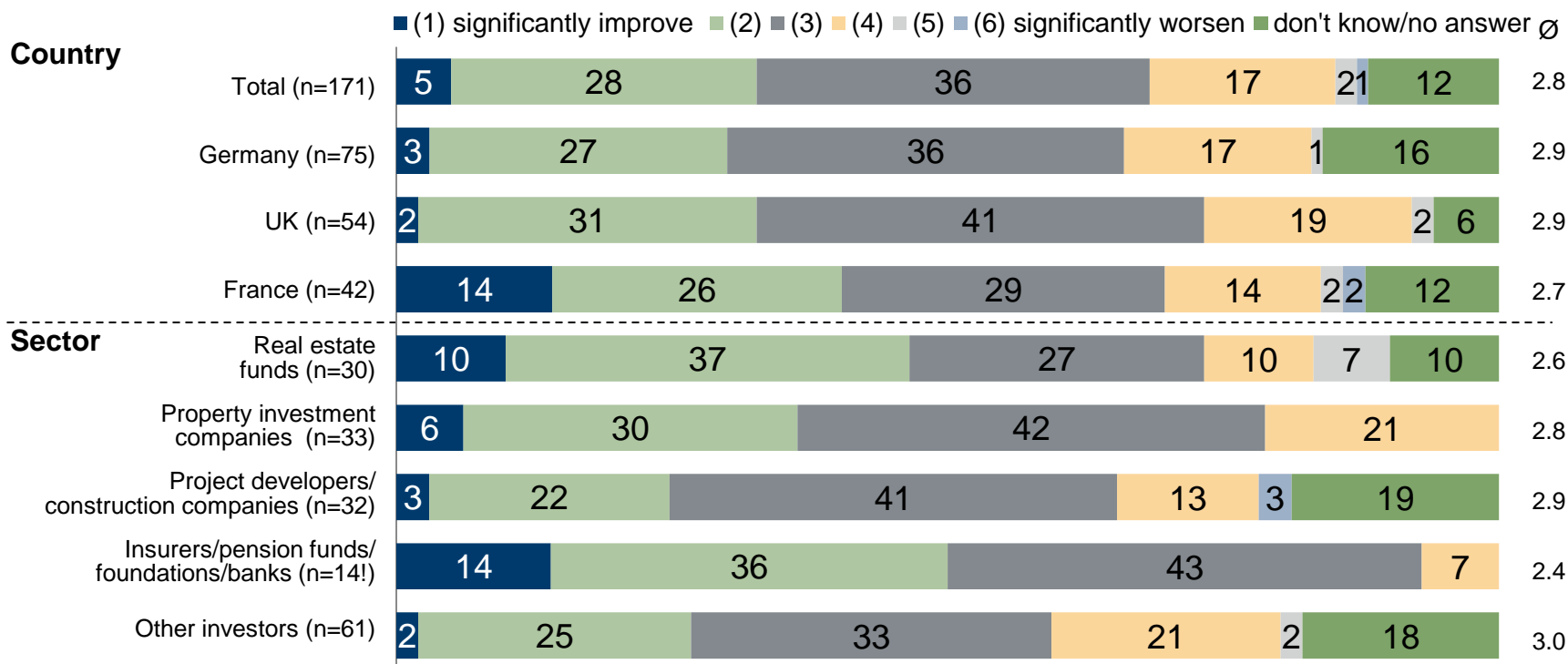
Question 13: Do you think that the willingness to invest in real estate will generally improve or worsen in [country] over the next 12 months?

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

3 Expectations

Higher expectations for real estate investment in the retail sector in France.

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



Base: All respondents (n=171); values in %

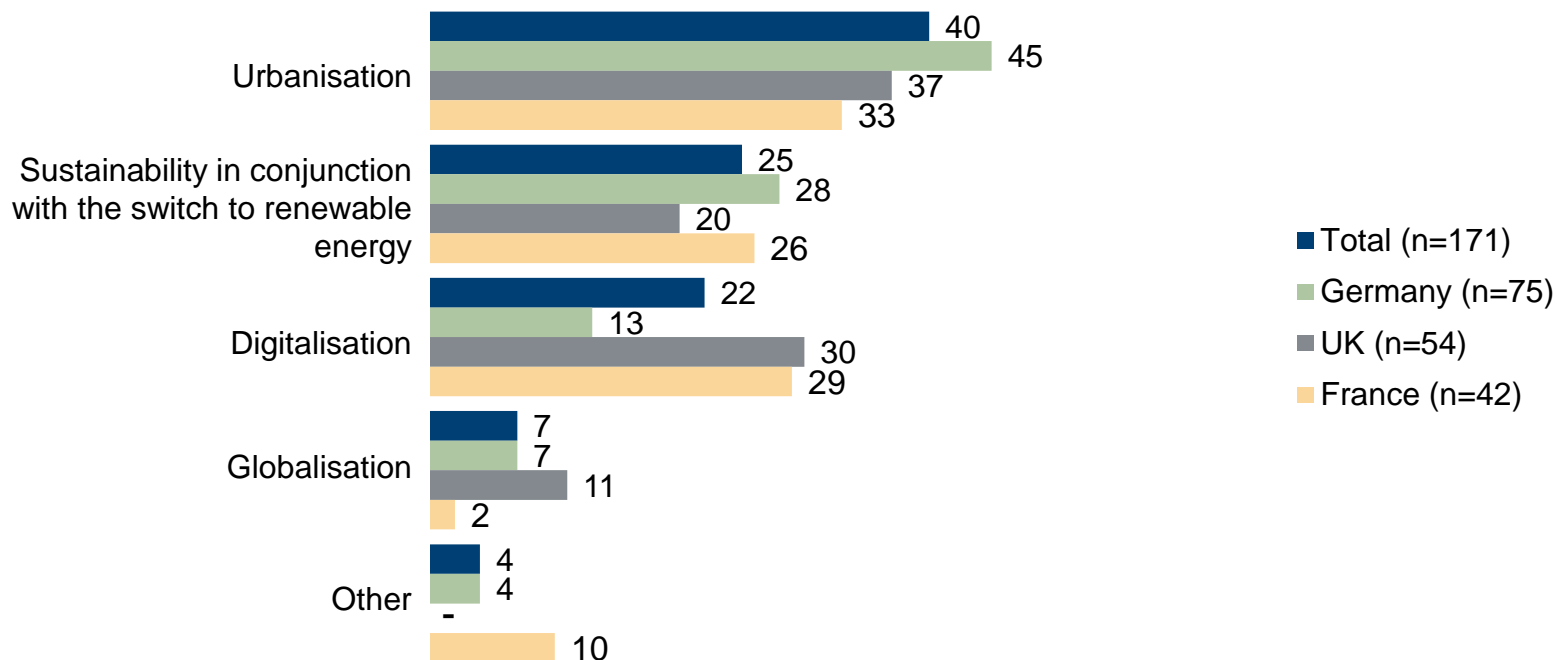
Question 14: And what about the climate for real estate investment in the retail sector in [country] over the next 12 months?

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

3 Expectations

Urbanisation will be the key trend impacting the real estate industry over the coming ten years.

Mega trends in the real estate industry



Base: All respondents (n=171); values in %

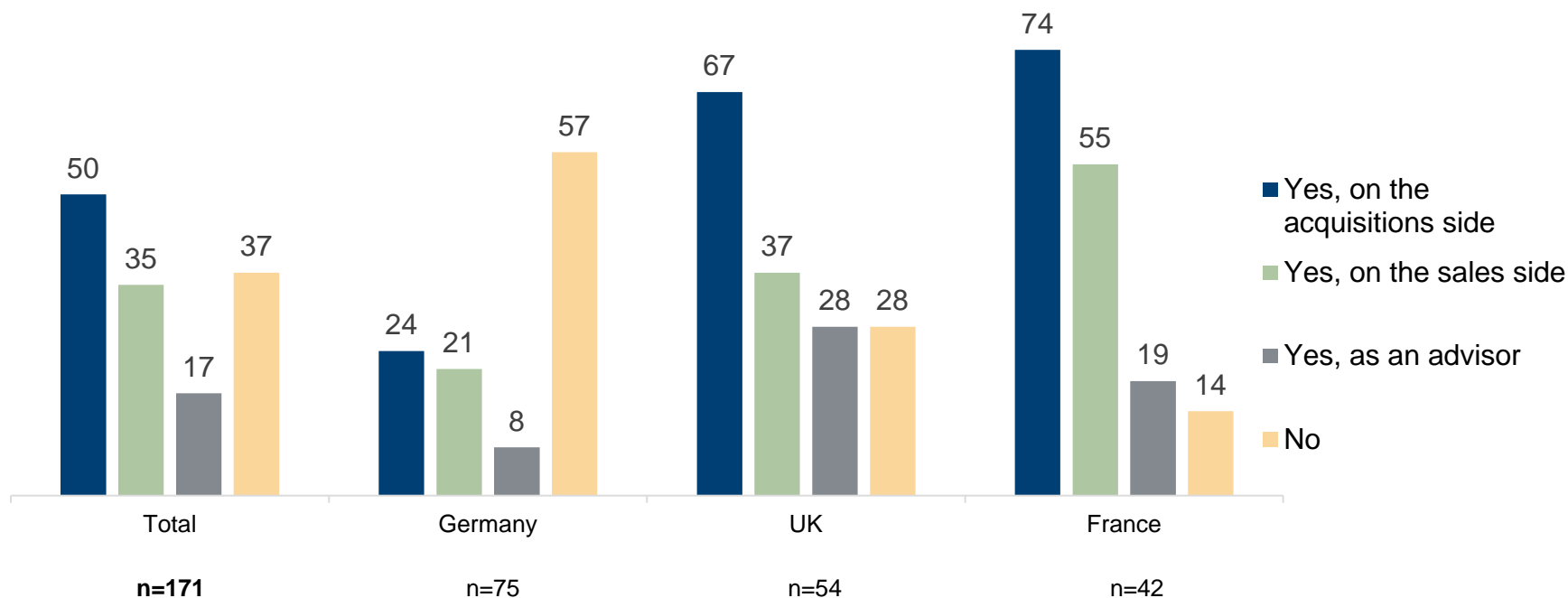
Question 23: In your opinion, which mega trend will have the greatest impact on the real estate industry over the next ten years?

3 Expectations

Almost three quarters of respondents in France are working on portfolio acquisitions.

Involvement in portfolio transactions

Country



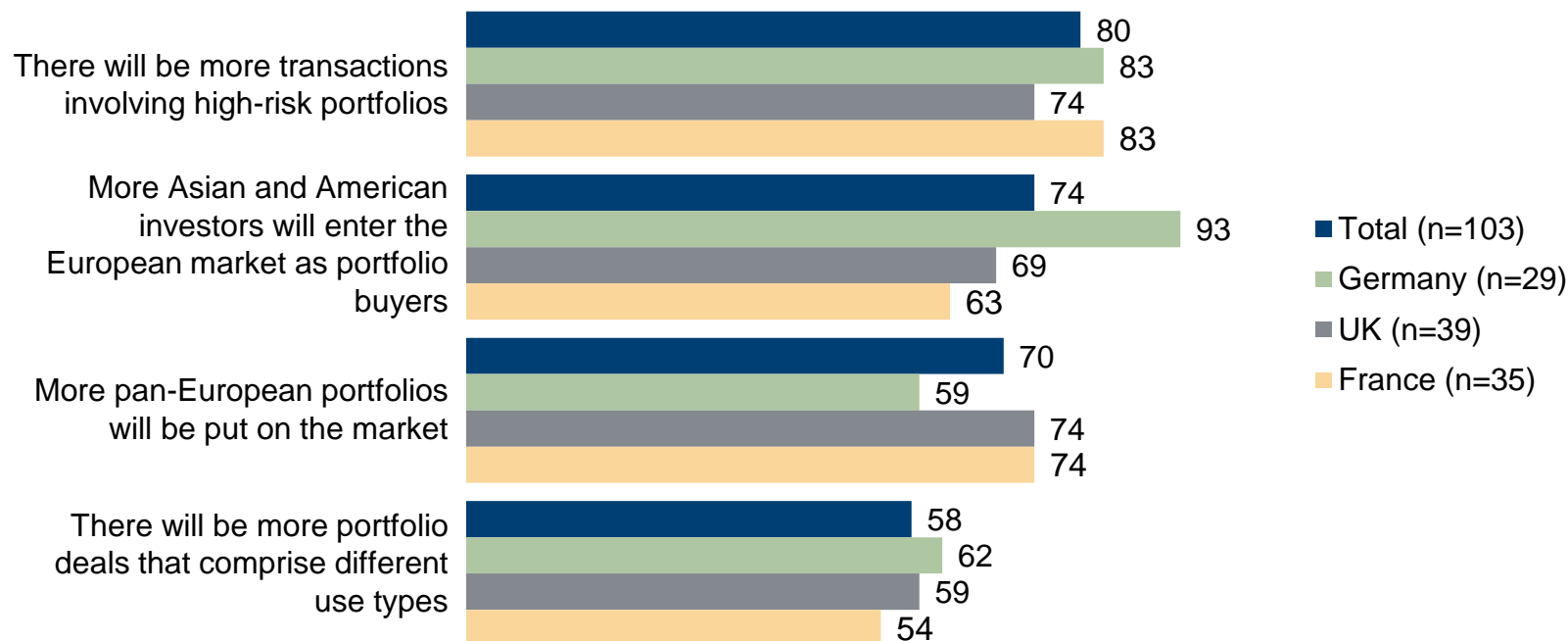
Base: All respondents (n=171); values in %

Question 21: Are you currently involved in portfolio transactions?

3 Expectations

High-risk portfolios are the key trend with regard to portfolio transactions.

Trends around portfolio transactions



Base: All respondents actively involved in portfolio transactions (n=103); values in %
Question 22: How will portfolio transactions develop in 2016?

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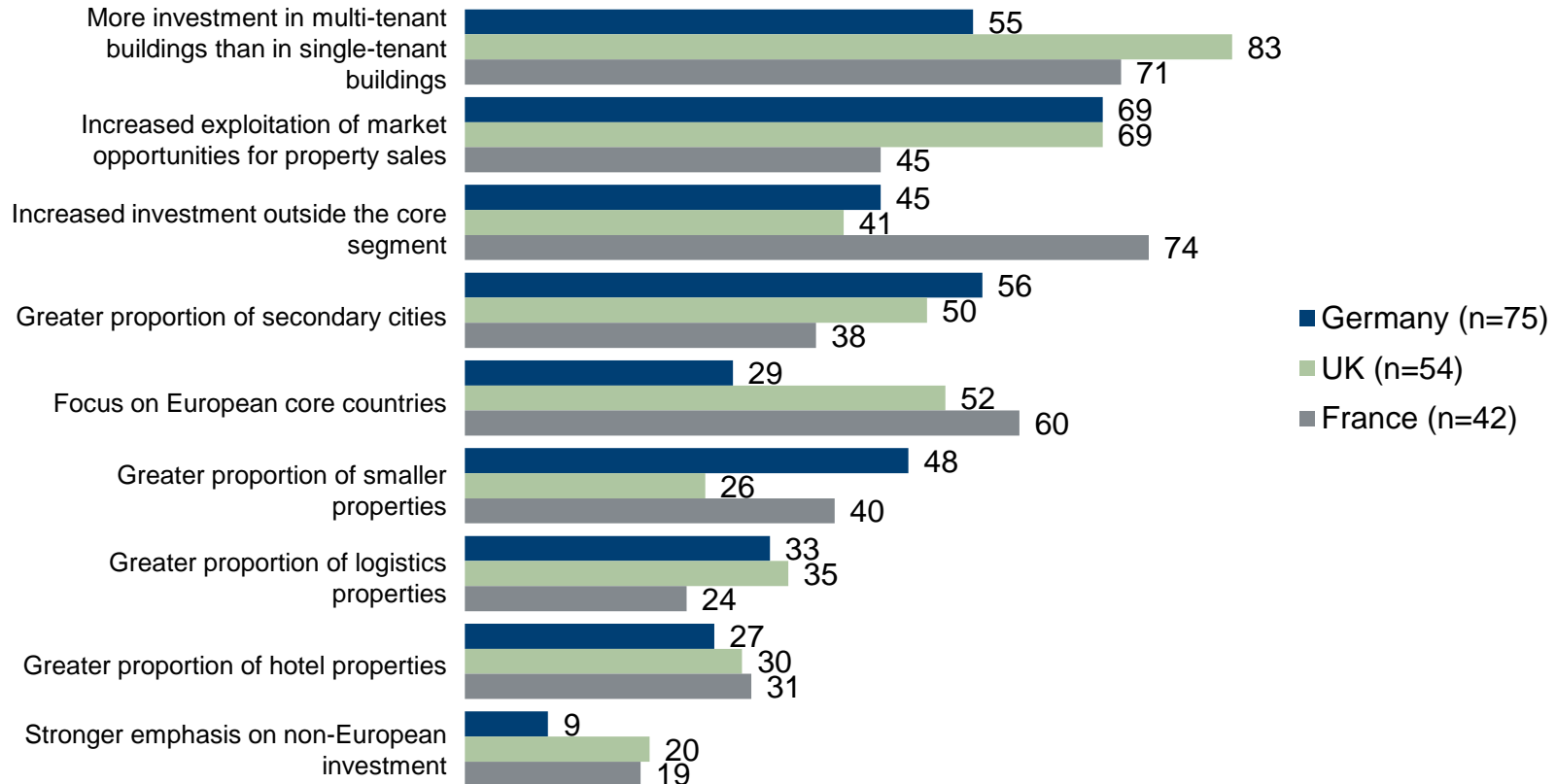
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3 Impact of European financial crisis

The European financial crisis is mainly boosting investment in multi-tenant buildings, especially in UK.

Action in response to the European financial crisis

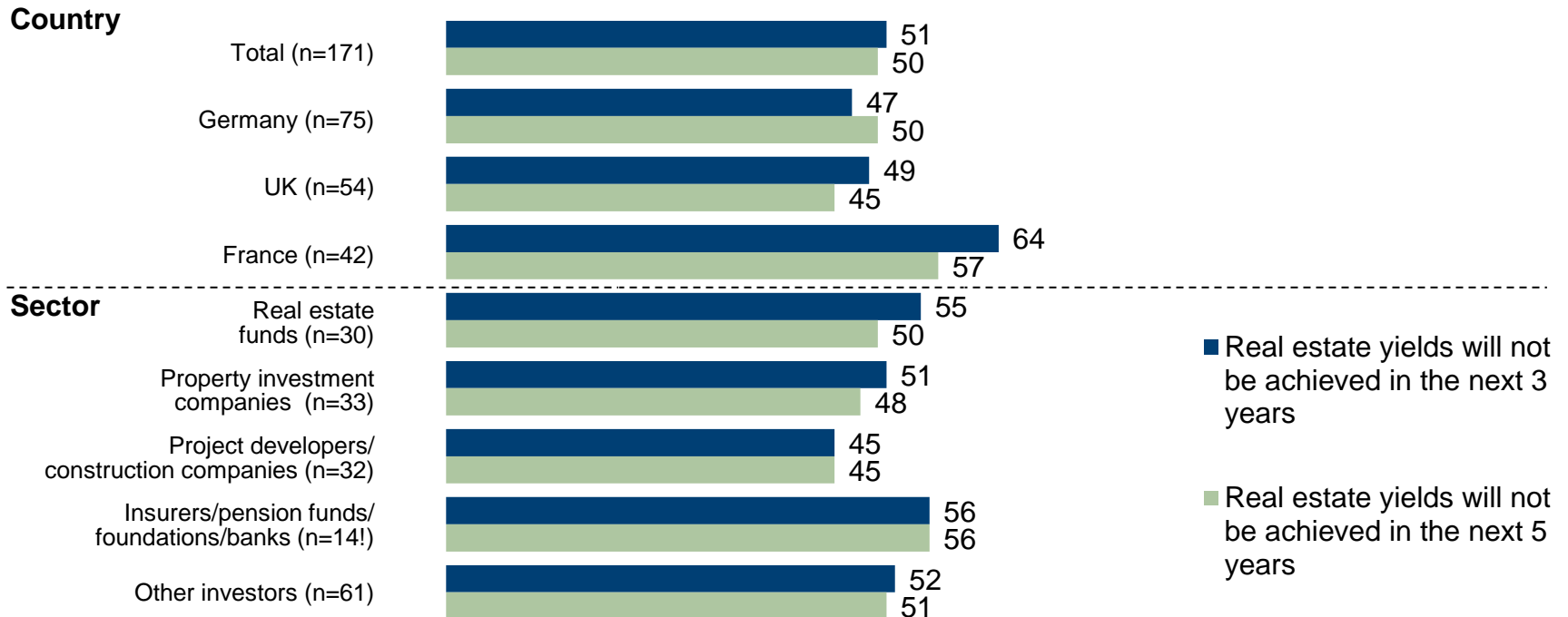


Base: All respondents who said that the financial crisis has had a strong or relatively strong impact (n=171); values in %; agreement with statements
Question 17b: Which of the following changes to your investment strategy will you make in the next 12 months? I will read out a number of possible changes. Please answer either "Yes, applicable" or "No, not applicable":
Scale: 1= "Yes, applicable" 2= "No, not applicable"

3 Impact of European financial crisis

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

Achievement of own real estate yield targets – mean values



Base: All respondents (n=171); mean values

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

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