PRESS RELEASE

Stockholm, 16 September 2015

Catella: Office transactions in Europe will reach max EUR 65 billion by end of 2015

In our new Market Indicator Office 2015/2016, Catella predicts that the volume of office transactions for 2015 will reach the third-highest annual figure since 2001. This is being driven by the recovery in the European economies, supporting the real estate markets, and by a rise in capital going into real estate investments.

We are moving towards a broad-based cyclical recovery in the European economies in the 2015–2016 period. This is due to historically low interest rates, spare capacity in the labour markets and low commodity prices.

“The economy is now in a situation where, after seven years of stagnation, households and companies have strong opportunities for consumption and investment. This will, of course, also support the real estate markets,” said Dr. Thomas Beyerle, Group Head of Research at Catella, today at the launch of the latest Catella Market Indicator at the Business Arena in Stockholm.

The attractiveness of European markets is likewise being steadily supported by a rise in the capital going into real estate investments. According to Catella’s observations, the amount of declared capital of real estate investors across all asset classes totals around EUR 500 billion, which equates to double the amount of capital from the pre-crisis days.

The world has seen many changes since last year, and these have been highly positive for the real estate sector. Property prices are rising and vacancy rates are falling. By the middle of the year, it was clear that this process of recovery had become firmly rooted in most European countries. However, not everything is rosy in the economic-political garden. Since the start of the summer, the generally positive situation has been overshadowed by debates about Greece and Ukraine, the outlook for the EU and the euro, the much discussed downturn in the world economy triggered by economic turbulence in China and its stock market crash, and by the immense influx of refugees currently confronting Europe.

“Here is our opinion: we do not expect these to have any major impact on property prices in the short term except, perhaps, on the level of surveys. Demand from investors for property will continue to rise and, as a result, returns will continue to fall. In such conditions, investors are willing to accept 'relative' losses in returns due to higher interest costs and lower returns on purchases. In addition to this, more capital than ever is flooding into Europe as new sources of capital in Asia and the Middle East turn their attention to the continent’s markets,” explains Dr. Thomas Beyerle.

More insights in Catella’s new Market Indicator Office 2015/2016

- Changes in yields: out of a cohort of 33 markets, only one, Oulu in Finland, displays rising yields. Sixteen locations have seen no changes, while another 16 register falling yields. The highest yields are currently being generated by Warsaw, Rotterdam and Lyon, while London’s West End and Stockholm have the lowest yields.
- Changes in rents: in the 33 markets under observation, we see stable top-level rents in 17, while we expect figures to increase further in the remaining 16. Madrid will top the table, followed by London.

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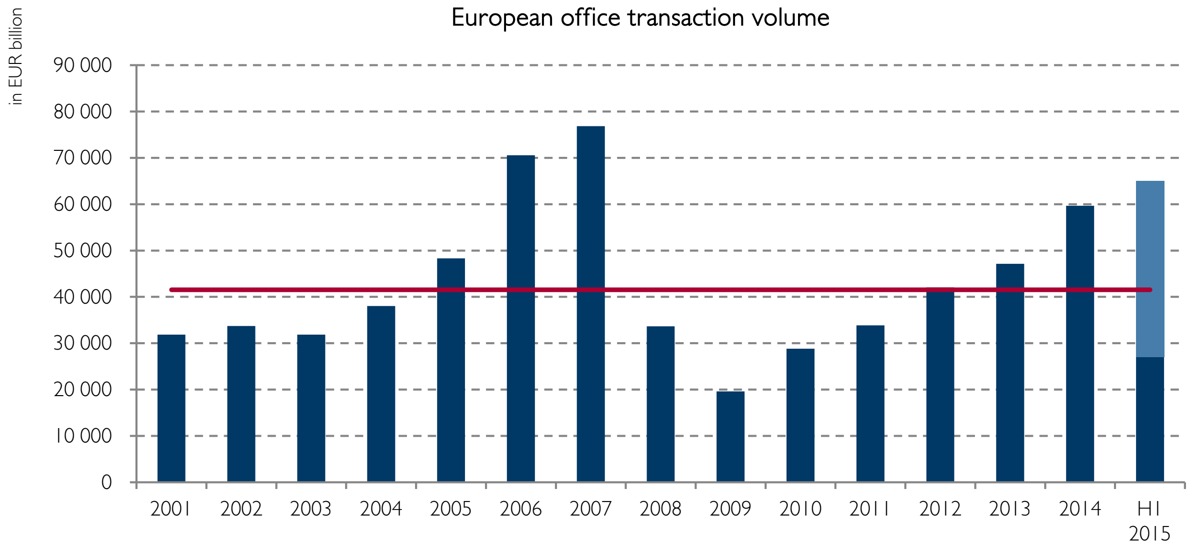
- We believe that the volume of transactions in Europe will reach a maximum of EUR 65 billion by the end of 2015, the third-highest annual figure since 2001.
- Looking at the situation from a risk/return perspective, London and Warsaw bookend the investment spectrum.
- Between now and 2019, Madrid will generate by far the highest total return (TR).



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Catella is a financial advisor and asset manager with in-depth knowledge of property, fixed income and equities. Catella is a leader in the property sector, with a strong local presence in Europe, and employs some 500 professionals in 12 countries. Catella is listed on First North Premier on Nasdaq Stockholm. Read more at catella.com.