August 2018

Global Market Perspective

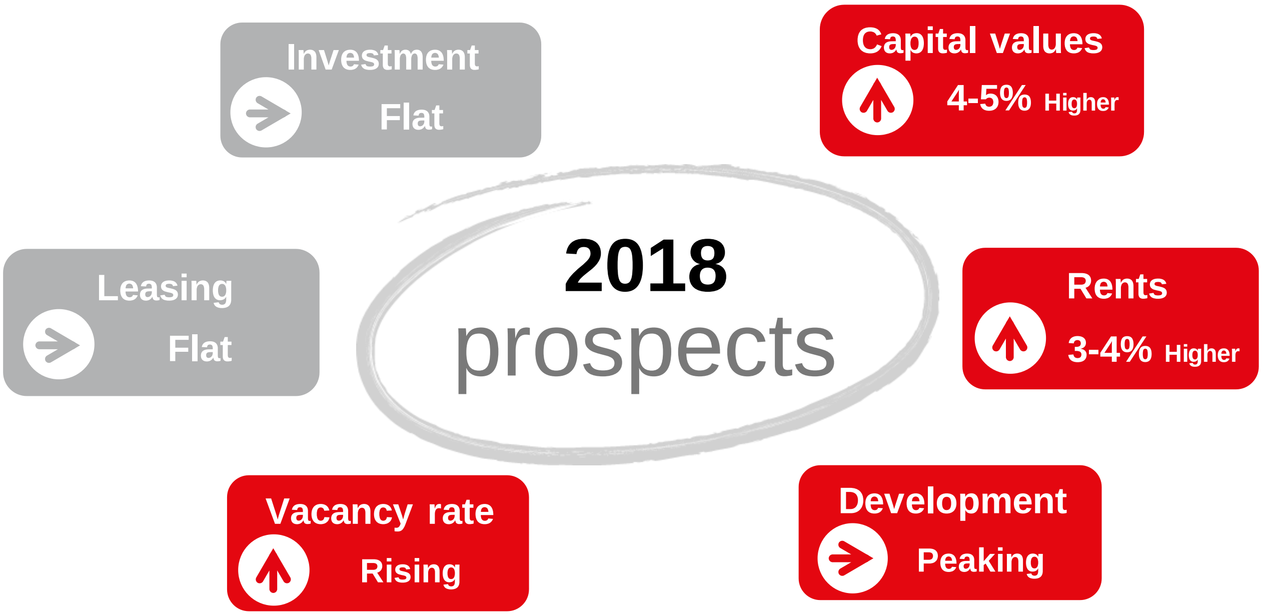
JLL Global Research

Real Estate Markets on Track for Robust 2018

First-half performance points to strong finish to the year despite rising uncertainty

Global real estate markets have maintained their momentum from the start of the year despite intensifying economic and political risks, with investment and corporate occupier activity at their highest levels for more than a decade in the first half of 2018. Healthy office demand puts the global leasing market on track for another strong year; leasing volumes are likely to at least match last year's impressive tally, although vacancy is expected to edge higher as the office development cycle peaks. In the logistics sector, robust absorption is still holding vacancy rates at record lows despite increasing new supply, driving a further acceleration in rental growth. Investor demand remains robust with growing allocations to real estate and strong appetite for large transactions, with global investment volumes anticipated to remain elevated and equal to 2017 levels.

Global Commercial Real Estate Market Prospects, 2018



Leasing, vacancy, development, rents and capital values relate to the office sector.
Source: JLL, July 2018

Global real estate investment remains elevated

Global property markets have held their positive course in 2018 as transactional volumes in the second quarter rose by 10% year-on-year to US$173 billion. This brings first half activity to US$341 billion, a 13% increase from 2017 and the strongest performance since 2007.

Investor demand remains robust with a growing number of groups increasing their allocations to real estate thanks to its defensive qualities, steady income stream and relative performance compared to other asset classes. Shifting demographic and technological trends are driving appetite for scale, especially in the logistics and alternatives sectors. Given this, we project global investment in commercial real estate over the full year to broadly match 2017 levels at around US$715 billion, despite the supply of product coming to market remaining limited relative to previous years.

Q2 leasing volumes at highest level for more than a decade

Strong leasing conditions continue across the globe. At 11.3 million square metres (across 96 markets), Q2 2018 saw the highest second quarter of leasing activity since our global records began in 2007, with volumes 15% higher than a year ago. Asia Pacific witnessed the sharpest rise in activity, up an impressive 45% year-on-year in Q2 2018, to hit 2 million square metres for the first time. The European office leasing markets also broke a Q2 record with levels 5% higher than a year ago, while gross leasing volumes in the U.S. were up 14%, despite a cooling in net absorption.

Positive second-quarter results put the global leasing market on track for another strong year, with 2018 volumes likely to at least match last year's impressive tally.

A further unexpected fall in global office vacancy rates

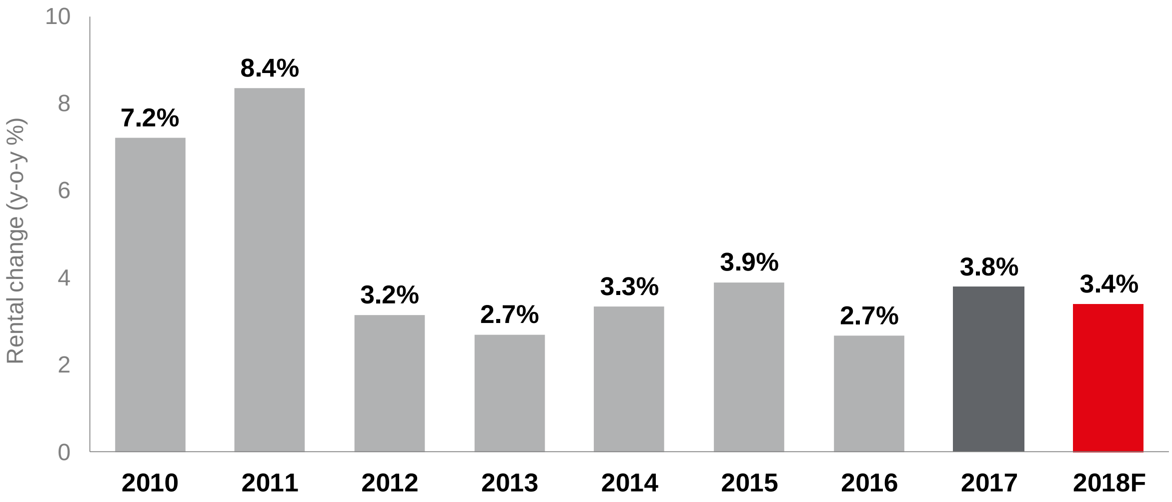
Despite high levels of new deliveries, vigorous occupier demand pushed the global office vacancy rate to a new cyclical low of 11.5% in Q2 2018, 20 bps beneath the Q1 rate. Rates fell by 30 bps in both Europe and Asia Pacific to 6.7% and 10.6% respectively, but remained unchanged in the Americas at 14.8%.

With the global office development cycle expected to deliver 17.8 million square metres this year, the global vacancy rate is predicted to edge higher to just under 12% by the end of the year.

Annual prime rental growth steady at 3.6%

Rental growth for prime offices across 30 major markets is steady at 3.6%, with annual rental growth remaining within the 3%-4% range since the beginning of 2017. For the full-year 2018, rental growth is projected to remain stable at 3.4%, with top performances likely to be in Singapore, Sydney, Toronto and Sao Paulo. Only a few major markets with large supply pipelines are expected to show rental corrections for the full year, notably Jakarta and Mexico City.

Rental Growth for Prime Offices, 2010-2018



Unweighted average of 30 markets
Source: JLL, July 2018

Selective retailer demand as landlords look for new ways to differentiate

Retailer demand remains selective and directed towards existing stronger-performing stores in many markets, as various traditional retailers continue to downsize store portfolios. This is leading landlords to look for new ways to differentiate themselves, while also opening opportunities for some smaller retailers to expand into newly vacated space.

The U.S. retail market has been showing signs of a slowdown, as major metros move from a cyclical peak to a falling market and fundamentals soften. By contrast, the strengthening employment market in Europe is supporting a positive retail sales outlook, although retailer demand for prime space is still selective across markets. In Asia Pacific, landlords continue to focus on finding new ways to differentiate, with limited rental growth across the region.

Demand for logistics space remains strong across the globe

Global logistics markets have maintained their momentum from the start of 2018, with robust demand holding vacancy levels near historic lows despite a growing supply pipeline. Propelled by an increase in absorption, Q2 rents in the U.S. industrial market rose by over 6% on an annual basis. Meanwhile, occupier activity in Europe is on track for record levels in 2018. New supply continues to be met with strong demand in Asia Pacific, with rents inching higher in most markets across the region. With strong pre-leasing trends in newly delivered stock, we expect continued competition for quality space to add pressure on rents globally through the rest of 2018.

Strong travel demand supporting optimism in the hotel industry

Healthy hotel operating performance, combined with growing demand for travel, paint a positive outlook for the hotel industry. Global hotel transaction volumes during the first half of 2018 totalled US$29.2 billion, a 5% increase on last year's H1 activity. North American investors were the largest purchaser of international hotel real estate, with the majority of their investment directed towards Europe.

Demand for units in U.S. multifamily market remains intact amid supply wave

Multifamily rental fundamentals in the U.S. continued to be held back from any major movements as elevated deliveries persisted through the second quarter of 2018. Despite the added supply, vacancy levels held steady at 5.2% and rental rates continued to appreciate, climbing 2.4% over the past 12 months. With higher delivery levels expected through to mid-2019, significant increases in rental growth will remain constricted throughout the coming year. Thereafter, we anticipate more robust rental growth as quarterly deliveries regress to normal levels.

Institutional investor demand continues to be robust in Europe, with above-average transaction activity over the first half of the year in Germany and the Netherlands. Despite subdued price growth, the UK investment market also remains active and is on track for record volumes in 2018.

In Asia Pacific, government tightening measures were introduced in Hong Kong and Singapore in the second quarter in a bid to cool markets. In China, price caps were kept in place in Q2 for new launches in Shanghai, while developers offered more competitive prices in a bid to increase sales against a tight policy environment in Beijing.

Global Economy

Protectionism casts a cloud over global upturn

World economic indicators remained broadly favourable during Q2 2018, though the trend was stable rather than upward. More worryingly, a number of global risks have intensified. In July, the introduction of US$34 billion of tariffs on Chinese imports marked a further escalation in President Trump's trade war.

It is not clear yet where this could be heading. Retaliation by China to the latest measures is inevitable and the U.S. has threatened further moves, as well as tariffs on European cars. While impacts are still modest in macroeconomic terms (at -0.1% to -0.3% off GDP), escalation is a major concern. These measures are aimed at reducing U.S. trade imbalances with other blocs, but initially they will increase import prices and boost the dollar, neither of which will help world growth.

The steady rise in oil prices has made fewer headlines, but is also an important risk factor. After stabilising at around US$50pb, prices have climbed inexorably towards US$80pb on the back of the upturn in global activity. This is having mixed consequences, supporting oil exporters but bringing downside for emerging markets (including China and India) and developed economies. Overall, global growth is thought to be robust enough to withstand the rise, but further increases may take a toll.

Despite these concerns, the outlook remains robust. In the **U.S.**, a modest Q1 has been followed by an acceleration in activity during Q2 and forecasts for the year have edged higher as a result. Domestic demand is set to be boosted by the tax stimulus, pushing growth rates towards 3%, which if realised would be a post-GFC high.

In **Europe** the data have been more equivocal. Growth stagnated in Q1, although this was mainly a result of one-off factors. There has been, however, limited evidence of a bounceback in Q2 activity. **Germany** is likely to maintain its solid momentum, but growth expectations have taken a hit since the start of the year. Forecasts for **France** have also edged lower. In the **UK**, a dire Q1 led to a major revision of prospects, though surprisingly perky Q2 data hint at a revival, despite ongoing Brexit uncertainty.

The outlook in Asia continues to be broadly stable. **China**'s forecast growth is unaltered for this year, though there are more concerns about downside after the escalation in U.S. tariffs. **Indian** fundamentals are still strong and significantly above-trend growth remains likely, notwithstanding oil price and trade risks. **Japan** saw output fall in Q1, but a revival is in prospect for the rest of 2018. Even so, it continues to be the most sluggish of the larger developed economies.

GDP Projections for 2018 in Major Economies – Recent Movements

	Australia	China	France	Germany	India	Japan	UK	U.S.
April 2018	2.7	6.4	1.8	2.4	7.3	1.5	1.8	2.9
July 2018 (Latest)	2.8	6.4	1.7	2.0	7.5	1.2	1.3	3.0
Change (bps)	**+10**	**0**	**-10**	**-40**	**+20**	**-20**	**-50**	**+10**

Source: Oxford Economics, July 2018

Fed pushes ahead as other central banks hold fire

As expected, the U.S. Federal Reserve announced another policy rate rise in June. It was the seventh increase since late 2015, taking the Fed Fund rates to a new decade high of 1.75%-2.00%. The Fed's view has remained that the economy is strong and that further tightening will be in order. Most commentators now anticipate at least two further increases during 2018.

Despite one of the weakest growth rates among the G7, the UK looks the most likely to follow the Fed. This was also true a few months ago when the Bank of England looked set to hike, but was discouraged by a run of poor data. The latest Bank of England's MPC talk hints at an August move, with Governor Carney recently delivering an upbeat assessment of the UK economy. If economic activity holds up, further steady tightening is in prospect into next year.

The ECB remains behind the curve in terms of monetary tightening. It is paving the way for a shift by tapering its asset purchases, now due to end this year, which would imply that rate rises could begin in H2 2019. A concern not to derail the fragile Eurozone recovery is expected to result in a gentle pace of upward adjustment to rates thereafter.

Global growth remains

Despite some threats from trade frictions and rising commodity prices, global growth is forecast to reach 3.8% this year, a slight uptick on a robust 2017. This is encouraging, but the pace of recovery continues to trail pre-GFC averages. Given a decade of slow and occasionally faltering growth, it is not surprising that commentators are still cautious about prospects beyond this year when rates are projected to temper slightly.

Much will depend on **U.S.** fortunes. The recent data have been buoyant and the fiscal stimulus package is expected to further boost activity. However, there are also economic headwinds, including steadily rising interest rates and the so-called trade war, which are likely to moderate activity next year. The slowdown is not abrupt, but will mean that the 3% growth benchmark is not sustained for long. These cautious views are further reinforced by the potential for escalating trade disruption.

Developing world growth rates look healthy at almost 5% a year, though this is below previous rates. There continue to be risks to emerging market performance, including the strong dollar, rising U.S. interest rates and geopolitical instability. Recently, rising oil prices have provided a counterweight, but only for commodity exporters like Russia. Downside influences will stay in place, and may even worsen if the protectionist push continues, leaving the outlook for the emerging world stable at a slightly below-par rate.

Asia has the world's largest emerging markets and continues to be the fastest-growing regional bloc. The outlook for **China** has stabilised, with its GDP growth forecast to drift down towards 6% over the next two years, but this is in line with official plans. Debt levels remain a concern, although the central view is of continued benign transition. **India** has taken on China's lead in Asia with growth edging above 7% over the next two years, provided reforms stay on track. By contrast, Asia's most important developed economy, **Japan**, continues to struggle. In the near term, a poor start has reduced expectations for this year and subdued growth is projected to persist in 2019.

A year ago, **European** growth was outstripping expectations, but H1 2018 has seen a deceleration in activity. Both **Germany** and **France** are anticipated to see a step down in growth this year and next, although growth rates remain healthy by the standards of the recent past. Brexit uncertainty continues to undermine **UK** performance in 2018, with growth revised sharply down. The current political turmoil is unlikely to bring much respite for confidence, though recent economic data have been more upbeat than expected.

Global Outlook, GDP Change, 2017-2019

	2017	2018	2019
Global	**3.7**	**3.8**	**3.6**
Asia Pacific	**5.5**	**5.5**	**5.2**
Australia	2.2	2.8	2.5
China	6.9	6.4	6.1
India	6.2	7.5	7.1
Japan	1.7	1.2	1.1
Americas	**2.0**	**2.5**	**2.4**
U.S.	2.3	3.0	2.3
MENA	**1.8**	**2.9**	**3.2**
Europe	**3.1**	**2.4**	**2.0**
France	2.3	1.7	1.6
Germany	2.5	2.0	1.8
UK	1.7	1.3	1.4

Source: Oxford Economics, July 2018

Global Real Estate Health Monitor

	Economy	Real Estate Investment Markets					Office Occupier Markets			
	Metro Area GDP	City Investment Volumes	City Investment Volumes Change	Capital Value Change	Prime Yield	Yield Gap	Rental Change	Net Absorption	Vacancy Rate	Supply Pipeline
Amsterdam	2.7%	3.6	-31%	15.6%	3.5%	303	7.9%	3.1%	5.4%	4.3%
Beijing	6.9%	3.1	-56%	14.1%	5.2%	168	4.2%	6.8%	3.3%	15.0%
Berlin	2.3%	7.2	45%	16.4%	2.9%	259	12.5%	0.7%	3.2%	3.8%
Boston	2.8%	6.6	-47%	1.7%	4.1%	124	1.7%	0.8%	13.7%	1.9%
Brussels	1.4%	3.0	38%	11.2%	4.3%	355	5.0%	0.0%	8.1%	2.4%
Chicago	2.8%	12.0	44%	3.0%	5.3%	244	5.0%	0.7%	16.6%	2.2%
Delhi	8.1%	1.6	-	-1.1%	8.9%	84	-1.1%	7.3%	29.2%	16.9%
Dubai	3.5%	0.6	-35%	0.0%	7.5%	na	0.0%	na	10.0%	6.6%
Frankfurt	2.3%	7.3	28%	12.1%	3.3%	294	4.1%	0.7%	7.3%	2.2%
Hong Kong	3.6%	25.2	129%	18.3%	2.6%	37	6.3%	2.9%	4.2%	5.2%
Jakarta	6.1%	0.1	-75%	-9.4%	7.9%	-11	-8.8%	48.2%	33.7%	26.1%
London	1.5%	32.2	20%	0.0%	3.5%	217	0.0%	1.2%	4.8%	5.8%
Los Angeles	3.1%	21.3	-1%	2.8%	4.4%	154	5.1%	0.6%	14.1%	0.9%
Madrid	3.3%	2.5	-55%	10.0%	3.8%	242	10.0%	1.5%	10.4%	1.4%
Mexico City	2.7%	0.0	-60%	-2.8%	7.6%	0	-2.8%	7.2%	15.0%	13.4%
Milan	1.6%	3.7	42%	17.6%	3.6%	91	11.4%	0.7%	12.9%	2.0%
Moscow	2.5%	2.7	-27%	2.6%	9.8%	205	0.0%	5.5%	12.0%	3.6%
Mumbai	8.1%	0.9	271%	-0.3%	9.6%	151	-0.5%	7.5%	17.0%	9.3%
New York	2.4%	25.5	-5%	0.0%	3.7%	84	2.8%	1.8%	8.1%	2.8%
Paris	1.6%	27.9	31%	1.3%	3.0%	238	1.3%	3.1%	5.6%	3.2%
San Francisco	3.0%	4.5	-48%	5.7%	3.8%	94	5.7%	2.8%	7.7%	7.4%
Sao Paulo	1.5%	1.1	85%	16.5%	9.0%	304	2.3%	3.5%	24.4%	7.5%
Seoul	3.0%	17.4	18%	-0.5%	4.4%	188	-0.5%	1.0%	12.4%	6.2%
Shanghai	6.4%	16.9	-6%	1.8%	5.5%	197	-1.3%	13.2%	18.1%	27.0%
Singapore	3.0%	9.6	3%	14.5%	3.6%	108	16.5%	5.8%	9.2%	2.5%
Stockholm	3.3%	2.7	-18%	7.4%	3.5%	300	7.4%	1.2%	6.7%	1.8%
Sydney	2.8%	11.3	54%	10.9%	4.8%	210	12.5%	1.2%	5.5%	3.0%
Tokyo	1.1%	20.2	38%	0.9%	2.9%	287	0.9%	5.3%	2.0%	12.3%
Toronto	1.9%	8.6	19%	4.6%	4.2%	203	2.2%	1.5%	8.5%	1.1%
Washington DC	3.5%	11.8	-7%	-3.5%	4.6%	174	-1.3%	0.9%	16.2%	3.7%

Real estate data as at end Q2 2018.
See page 49 for definitions and sources.

Real Estate Capital Markets

Investment Volumes

Global real estate investment remains elevated

Global property markets have held their positive course in 2018 as transactional volumes in the second quarter rose by 10% year-on-year to US$173 billion. This brings first half activity to US$341 billion, a 13% increase from H1 2017 and the strongest first-half performance since 2007.

Rebound in the U.S. drives increase in the Americas

Second quarter investment activity in the Americas was level with the previous year at US$63.4 billion, bringing half-year volumes to US$132.3 billion, 9% higher than the first half of 2017. Driving this performance was the region's largest market, with second quarter sales activity in the U.S. steady at US$58.7 billion. Combined with the positive growth of the first quarter, half-year volumes in the U.S. are up by 11% to US$121.6 billion. Elsewhere in the region, transactional volumes in Canada were down 5% in the second quarter while Mexico and Brazil saw year-on-year declines from 2017 levels of 43% and 78% respectively.

The 'Big 3' markets remain EMEA's engine for growth

Real estate markets in Europe have maintained their strong performance with second quarter volumes rising by 11% to US$67.5 billion. Activity in the first half of 2018 was up by 9% to US$128.1 billion, the highest half-year volumes recorded in the current cycle, as the region's core markets continue to drive growth. Exchange rates continue to have an effect, as relative dollar weakness has driven volumes up while growth in local currency terms is more modest. Second quarter volumes were higher than 2017 levels in the UK (21%), Germany (30%) and France (114%) and, combined with the positive start to the year, H1 activity is up by 19%, 23% and 60% respectively across the region's three biggest markets. Across the rest of the region, Q2 investment performance was mixed as the Benelux countries (-25% year-on-year), the Nordics (-17%) and Southern Europe (-28%) all saw dips which led to softer H1 volumes compared to last year. CEE, on the other hand, overcame a 22% decline in Q2 investment levels, thanks to a very strong first quarter, enabling it to post positive investment growth for the first half.

First-half volumes reach new heights in Asia Pacific

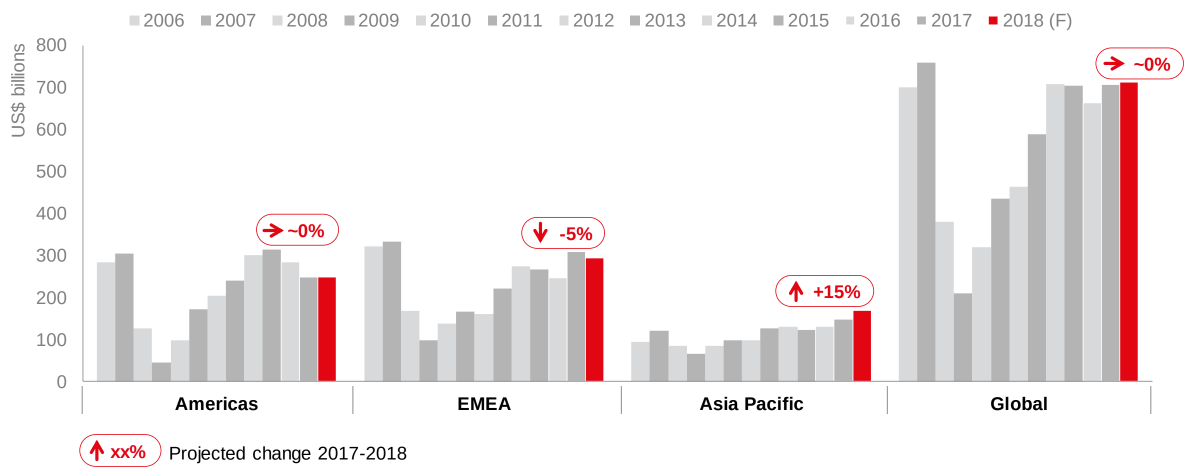
In a continuation of the strong performance over the previous two quarters, year-on-year investment activity in Asia Pacific increased by 26% in the second quarter, reaching US$41.7 billion. This brings first half activity to US$81.0 billion, 29% higher than last year and the highest level on record. Strong Q2 uplifts in Australia (17% year-on-year), Hong Kong (234%), New Zealand (155%), South Korea (108%) and Taiwan (231%) drove growth in H1 activity. First-half activity was also up in China and Japan due to the strong first quarter in spite a dip in Q2 (of -47% and -14% respectively).

Despite trade angst and political uncertainty, global real estate continues to perform

The second quarter of 2018 saw the emergence of new political and economic pressures for investors to contend with. The escalation of political tensions in London, Berlin and Washington, along with the threat of a global trade war, all weighed on markets throughout the quarter. Meanwhile, the divergence in monetary policy between the world's major central banks continued to grow; the Fed kept to its well-telegraphed plan to tighten rates, while the ECB laid out plans for halting its asset purchasing programme starting next year while keeping rates on hold, and the Bank of Japan expects little change for the foreseeable future.

Notwithstanding these factors, global property markets continue to perform well and investor demand remains robust, with a growing number of groups increasing their allocations to the sector thanks to its defensive qualities, steady income stream and relative performance compared to other asset classes. Shifting demographic and technological trends are driving appetite for scale, especially in the logistics and alternatives sectors. Given this, we project global investment in commercial real estate over the full year to broadly match 2017 levels, at around US$715 billion, despite the supply of product coming to market (large-scale portfolio opportunities in particular) continuing to be limited relative to previous years.

Direct Commercial Real Estate Investment, 2006-2018



Source: JLL, July 2018

Direct Commercial Real Estate Investment – Regional Volumes, 2016-2018

US$ billions	Q1 2018	Q2 2018	% change Q1 18-Q2 18	Q2 2017	% change Q2 17-Q2 18	H1 2017	H1 2018	% change H1 17-H1 18
Americas	69	63	**-8%**	64	**0%**	122	132	**9%**
EMEA	61	67	**11%**	61	**11%**	117	128	**9%**
Asia Pacific	39	42	**6%**	33	**26%**	63	81	**29%**
Total	**169**	**173**	**2%**	**157**	**10%**	**302**	**341**	**13%**

Source: JLL, July 2018

Direct Commercial Real Estate Investment – Largest Markets, 2016-2018

US$ billions	Q1 2018	Q2 2018	% change Q1 18-Q2 18	Q2 2017	% change Q2 17-Q2 18	H1 2017	H1 2018	% change H1 17-H1 18
USA	62.8	58.7	**-7%**	58.6	**0%**	109.8	121.6	**11%**
UK	17.1	19.5	**14%**	16.1	**21%**	30.7	36.6	**19%**
Germany	14.1	15.2	**8%**	11.7	**30%**	23.8	29.3	**23%**
Hong Kong	5.0	9.5	**92%**	2.9	**234%**	5.8	14.5	**152%**
France	5.9	9.5	**60%**	4.4	**114%**	9.6	15.4	**60%**
South Korea	4.1	9.0	**120%**	4.3	**108%**	9.3	13.1	**41%**
Japan	13.9	7.2	**-48%**	8.4	**-14%**	19.8	21.2	**7%**
Australia	4.7	5.7	**22%**	4.9	**17%**	7.4	10.4	**41%**
China	8.5	4.3	**-49%**	8.1	**-47%**	12.5	12.8	**3%**
Canada	3.8	4.0	**5%**	4.2	**-5%**	9.6	7.8	**-18%**
Netherlands	2.8	3.7	**35%**	5.3	**-30%**	8.4	6.5	**-23%**
Spain	2.0	2.6	**30%**	3.7	**-32%**	6.5	4.5	**-30%**
Sweden	1.8	2.4	**30%**	2.4	**-2%**	5.2	4.2	**-19%**
Italy	2.1	2.4	**11%**	3.3	**-28%**	5.3	4.5	**-14%**
Singapore	1.2	2.3	**90%**	3.0	**-26%**	5.0	3.5	**-31%**
UAE	-	1.3	**-**	0.2	**701%**	0.6	1.3	**133%**
Taiwan	0.5	1.3	**142%**	0.4	**231%**	0.8	1.8	**136%**
Norway	1.0	1.3	**28%**	2.9	**-56%**	4.7	2.3	**-52%**
Finland	2.4	1.2	**-50%**	1.0	**16%**	1.9	3.6	**87%**

Source: JLL, July 2018

Regions in focus

Investment activity holds up in the Americas, halting earlier decline

For the second consecutive quarter, investment volumes in the Americas outperformed expectations in Q2 2018 as transaction activity remained on par with 2017 levels at US$63 billion. This brings regional first-half transaction activity to US$132 billion, a 9% increase. As with the first quarter, the resilient investment levels heading into mid-year were driven by outperformance in the **U.S.** market, where Q2 investment volumes of US$59 billion were unchanged from 2017, while first-half activity reached US$122 billion, an uplift of 11%.

A number of factors – including strong investment activity in the industrial and hotel sectors, firmer investor sentiment, an intense search for yield from large reservoirs of capital targeting the sector, as well as stabilising initial yields and returns – are driving the sturdy capital markets activity evident in the first half of 2018. Several potential downside risks could still serve to dampen activity over the coming quarters, including a rising interest rate environment, political and policy uncertainties such as trade tensions, and product supply shortfalls. Nonetheless, for 2018 overall, we now project total investment volumes for the region to be roughly on a par with those reached in 2017.

Investors continue to be armed with large stockpiles of capital ready to be deployed in the U.S. market. Domestic private equity and institutional investor groups are particularly interested in segments of the market with yield-premium potential, with value-add strategies attracting deep interest and bidding pools. This is also leading to increased activity in secondary cities in the U.S., which represented nearly 50% of overall office volumes in the first half of the year, an increase from the average in this cycle.

Investors are actively seeking opportunities to place capital at scale across sectors in the U.S. market. This trend of strong appetite for large portfolios may be most entrenched in the industrial sector, as a number of off-market privatisations have boosted opportunities to take advantage of the revolution in e-commerce, logistics and last-mile delivery infrastructure. However, all sectors to some degree are seeing robust demand for market entry at a large scale.

EMEA core markets put in strong performance

EMEA investment volumes totalled US$67.5 billion in Q2 2018, an 11% rise on the previous year in dollar terms. While the strengthening of the euro against the dollar played a role, activity also held up in local currency terms with Q2 volumes up 4% in euros. Over H1 2018, volumes amounted to US$128.1 billion, up 9% on the same period last year in dollar terms but down 1% in local currency. Looking ahead to the full-year 2018 we are unlikely to see the flurry of one-off large transactions which drove year-end volumes in 2017, with a projected 10% decline in local currency terms (-5% in dollar terms).

In spite of continued uncertainty around Brexit in the UK and signs of political tensions in Germany, the three largest regional markets put in a strong performance over the first half of 2018 with combined investment activity up 27% year-on-year. In the **UK**, transaction activity rose 19% from last year to US$36.6 billion, while in **Germany** volumes were 23% higher at US$29.3 billion. Meanwhile, **France** witnessed a significant upswing in activity in Q2 which brought deal volumes in the first half to US$15.4 billion (up 60% in dollar and 43% in euro terms); this was driven in part by the desire to bring product to the market in order to capitalise on real estate tax advantages ending this year.

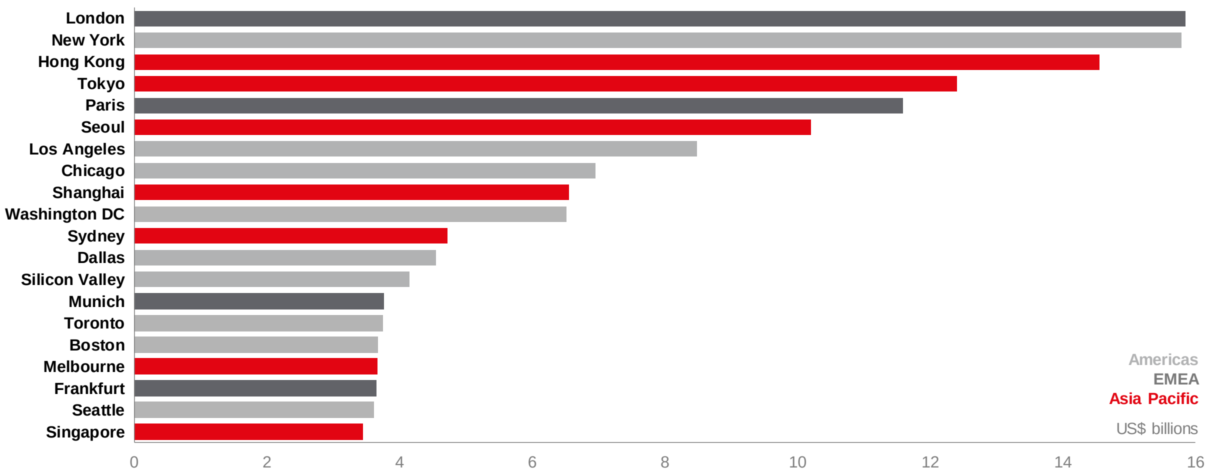
Softer activity in most regional markets

Investment activity softened across the Benelux, Nordics and Southern Europe in the first half of 2018, leading to year-on-year declines of 8%, 11% and 17% respectively. Central and Eastern European (CEE) markets saw volumes reach US$6.6bn (up 4% year-on-year in dollar terms) in H1. **Poland**, the CEE's largest market, propped up the region's volumes with H1 investment activity up 96% to US$3.5 billion.

London reclaims top position

London returned to top position as the world's most liquid city over the first half of 2018, with cross-border investors accounting for nearly two-thirds of activity. **New York** saw transaction volumes rise by 41% from the first half of 2017 to retain second place, while investment activity jumped 153% in **Hong Kong** as it registered its strongest H1 on record. Significant interest from cross-border investors also helped push up first-half volumes in **Paris** (+89% year-on-year), **Munich** (+81%) and **Frankfurt** (+96%).

Direct Commercial Real Estate Investment, Top 20 Cities, H1 2018



Source: JLL, July 2018

Investment activity sets new H1 record in Asia Pacific

Investment activity across the Asia Pacific region continued to deliver improving transaction volumes in the second quarter of 2018, reaching US$41.7 billion, a 26% increase on the same quarter of 2017. Across the first half of the year, total investment volumes in Asia Pacific established a new record of US$81 billion, up 29% on H1 2017.

Cross-border investment activity accounted for 27% of total transactional volumes, a decrease which was partially due to the higher concentration of investment activity in Hong Kong and South Korea. Cross-border investors remained net purchasers during Q2, with acquisitions of US$7.4 billion and disposals of US$7.1 billion.

Investment shifting to second-tier cities in Japan

Transaction volumes in **Japan** totalled US$7.2 billion in Q2 2018, down 14% year-on-year. **Tokyo** accounted for less than half (46%) of transaction volumes, with more activity within the surrounding prefectures as well as in **Fukuoka**, **Osaka** and a number of smaller cities. Cross-border buyers were quiet during the quarter, representing less than 20% of acquisitions.

Office transactions dominate activity in Australia

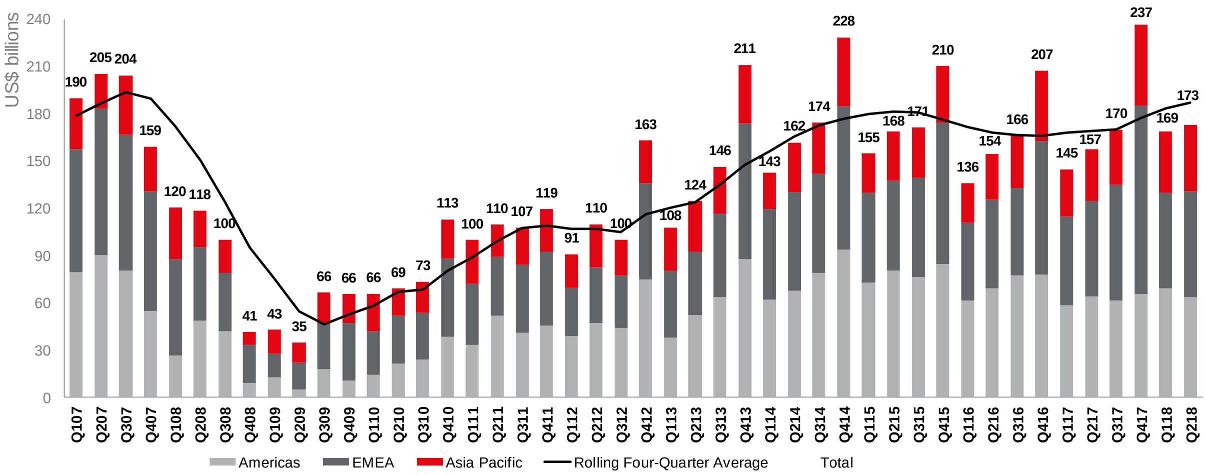
Investment volumes in **Australia** came in at US$5.7 billion in Q2 2018, up 17% on Q2 2017. Capital continues to focus on the upper prime end of the market; however, there remains limited opportunity to deploy in this segment, leaving a lot of unsatisfied capital. Activity was heavily concentrated in **Sydney** and **Melbourne** during the quarter, which comprised just shy of 80% of total national investment volumes. The office (56%) and retail sectors (30%) accounted for most of the transaction activity.

A quiet quarter for mainland China, while Hong Kong volumes continue to surge

Investment activity in mainland **China** took a breath in Q2 2018, falling 47% year-on-year to US$4.3 billion. Investor demand remains firm; even so, many investors are acting with more caution due to higher financing costs, which has impacted en-bloc transaction activity. Shanghai was responsible for 53% of national transaction volumes, while cross-border investment was noticeably quiet throughout the quarter.

Transaction volumes in **Hong Kong** grew by 234% from the previous year to US$9.5 billion in Q2 2018, making Hong Kong the largest investment market in the region in the second quarter. This figure, however, was supported by the closing of 'The Center' for over US$5.0 billion, the largest ever single-asset sale in the city. Even if this sale is removed, transaction volumes are still significantly up, registering 55% annual growth.

Direct Commercial Real Estate Investment – Quarterly Trends, 2007-2018



Source: JLL, July 2018

Capital Values and Yields

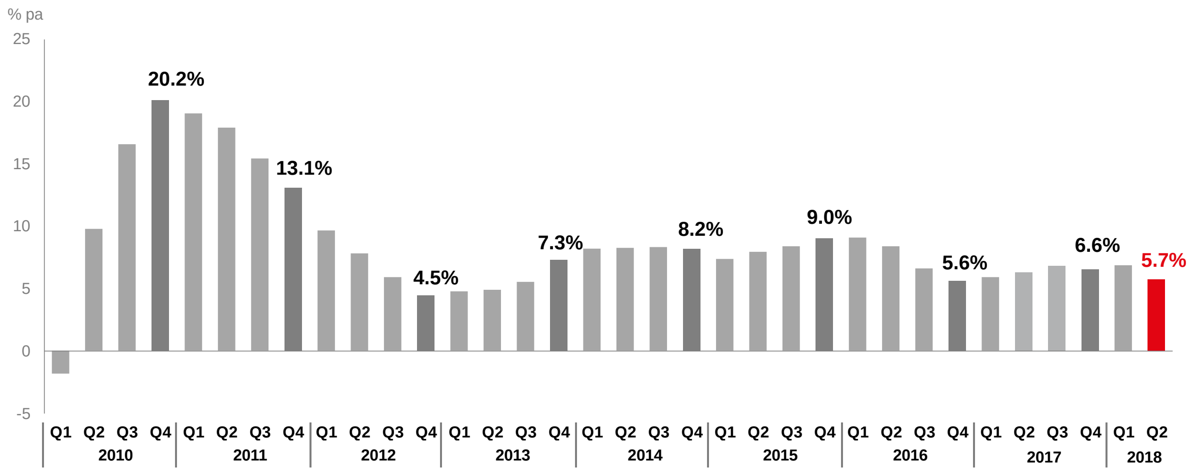
Europe continues to lead capital growth

Income growth continues to underpin capital appreciation, which grew by 5.7% year-on-year in the second quarter for prime office assets across 30 major office markets.

While **Hong Kong** (+18% year-on-year) currently tops the capital value growth table, underpinned by robust investor interest and continued rental growth, continental European markets are collectively among the strongest performers, notably **Milan** (+18%), **Berlin** (+16%), **Amsterdam** (+16%), **Frankfurt** (+12%) and **Brussels** (+11%).

Capital growth for prime office assets in 2018 is expected to slow to around 4%-5% for the full-year 2018, as rental growth moderates and yields flatten.

Prime Offices – Capital Value Change, 2010-2018



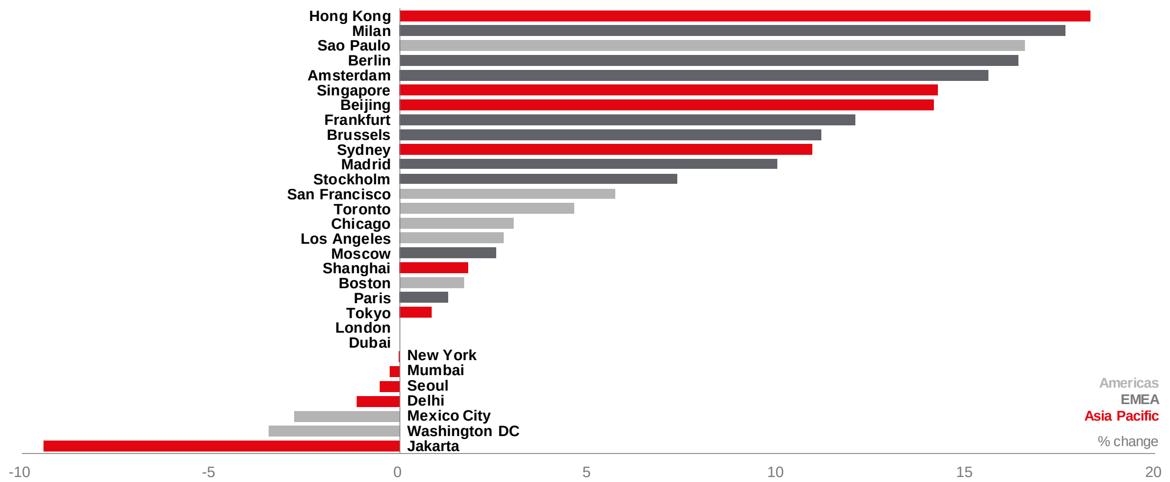
Prime office capital value growth: unweighted average of 30 major markets.
Source: JLL, July 2018

Prime Offices - Projected Change in Values, 2018

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

New York – Midtown, London – West End, Paris – CBD, Dubai – DIFC. Nominal rates in local currency.
Source: JLL, July 2018

Prime Offices – Capital Value Change, Q2 2017–Q2 2018



Notional capital values based on rents and yields for Grade A space in CBD or equivalent. In local currency.
Source: JLL, July 2018

Corporate Occupiers

Corporate occupier activity robust across major real estate markets

Global corporate occupier activity continued at a strong pace in the second quarter of 2018, with co-working and flexible space providers, tech and finance companies leading demand. Office leasing volumes in Asia Pacific were at the highest levels for more than a decade in the second quarter of 2018, while net absorption rose by 67% on the same time last year, as business sentiment remained positive across the region. Occupational demand was broad-based across domestic and international corporations.

Occupational activity in the major U.S. markets also remained strong. Despite unemployment at record lows, hiring activity remained robust, driving absorption of over 5 million square feet last quarter. A wave of urban migration is occurring in many U.S. cities as companies migrate from obsolete suburban campuses and continue their push into more vibrant and amenity-rich urban cores. This is happening across the country, with Midwestern and Central markets acting as the poster child for this activity.

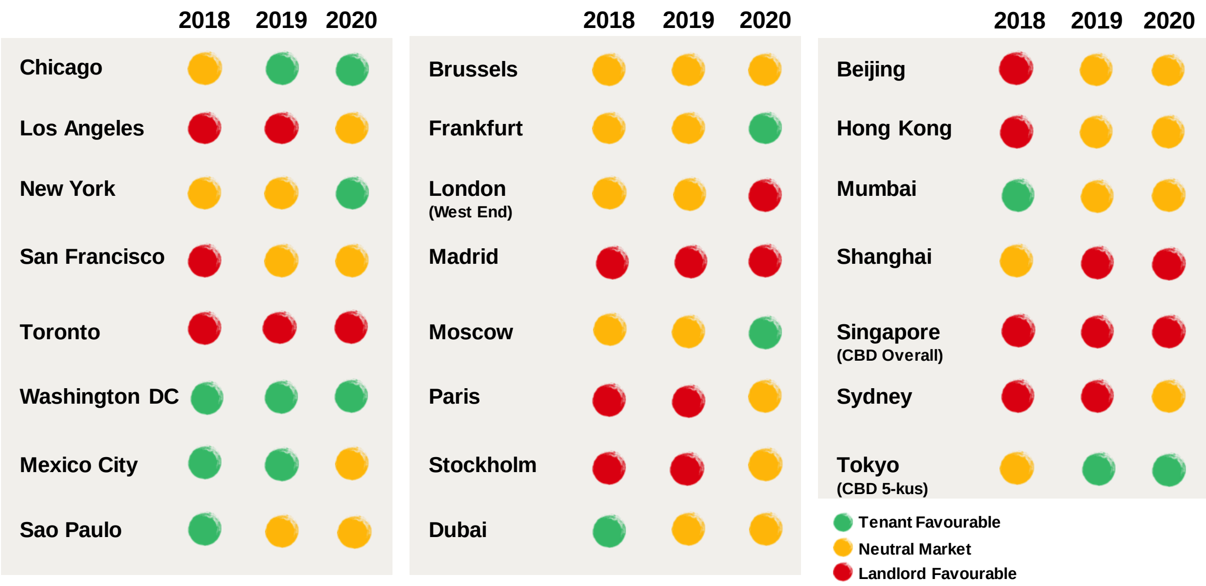
Activity across Europe was higher than forecast, with major markets in Germany defying predictions of slowing activity, while Central and Eastern Europe saw elevated leasing activity in the second quarter. A positive outlook for employment in many markets across the region is contributing to tighter labour markets and supporting an increased focus on experience and workplace design as a differentiator for employee attraction and retention.

Rise of flexible office space continues unabated

Co-working and flexspace expansion continues to increase across all major markets. This rapid growth is being driven by the evolving nature of work and the shifting structure of the economy, supported by rapidly advancing technology. Corporate attitudes are also changing, with an increased emphasis on flexibility and agility.

Flexible space providers accounted for more than 35% of all U.S. leasing activity over the first half of 2018, with growth also seen across major Asia Pacific and European markets. Amid all this activity by co-working firms, it's important to note that flexible space providers are not really end users. They represent a change in how real estate is consumed, but this growth is underpinned by a broad economic base of SMEs and larger enterprises of all types. Growth in flexible space provision is anticipated to continue as the market adjusts to this structural shift in occupation.

Global Office Market Conditions Matrix*, 2018-2020



*Relates to conditions in the overall office market of a city. Conditions for prime CBD space may differ from the above.
Source: JLL, July 2018

Office Markets

Office Demand Dynamics

Q2 leasing volumes at highest level for more than a decade

Strong leasing conditions continue across the globe. At 11.3 million square metres (across 96 markets), Q2 2018 saw the highest second-quarter leasing levels since our global records began in 2007. Volumes were 15% higher than a year ago.

- Asia Pacific experienced the sharpest rise in leasing activity, up an impressive 45% year-on-year in Q2 2018, to hit 2 million square metres for the first time.
- The European office leasing markets broke another Q2 record, with volumes 5% up on a year ago. Europe's three largest office markets – **Paris**, **London** and **Moscow** – have registered solid year-to-date growth.
- In the U.S., gross leasing volumes increased 14% year-on-year, despite a cooling in net absorption.

The positive second quarter results put the global leasing market on track for another strong year, with 2018 volumes likely to at least match last year's impressive tally.

Asia Pacific demand is broad based, with flex workspace operators a key source

Growth in occupier demand in the second quarter was underpinned by the robust performance of a handful of Asian markets, namely **India**, the **Philippines** and **Hong Kong**. **Manila** was the regional leader in Q2, while high leasing volumes were also observed in **Bengaluru**, **Delhi** and Hong Kong. By contrast, new leasing activity was lower in supply-constrained markets such as **Melbourne** and **Beijing**.

- Gross leasing in China's Tier 1 cities was down nearly 30% year-on-year in Q2, but this largely reflected lower availability in **Beijing** and **Guangzhou** which have seen vacancy decline over the past year. Flexible space providers were a key source of demand in **Shanghai**.
- Continued strong performance from Japanese corporates and a tight labour market are supporting healthy demand for **Tokyo** offices. Nonetheless, gross leasing volumes were relatively stable due to low vacancy in existing buildings and solid commitment rates for upcoming supply.
- Gross leasing for India's Tier 1 cities picked up by nearly 70% year-on-year in Q2, with **Bengaluru** taking over the lead from **Delhi**. Flexible space providers were active across most Indian markets, while tech firms and financials were key drivers in Delhi and **Mumbai**; manufacturing and professional services also supported occupational demand. In **Bengaluru**, pre-leasing activity was a major contributor to strong leasing volumes.
- Australia's gross leasing volumes decreased 14% year-on-year as a tight vacancy environment continued to limit opportunities for occupiers in Tier 1 cities. Expansionary demand, particularly from professional services, underpinned leasing activity in

Melbourne. Tenant demand in **Sydney** remained robust and an already low-vacancy situation tightened further.

- New lettings doubled in **Hong Kong** in the second quarter compared to a year ago. Leasing demand was supported by consolidation and/or expansion requirements in Hong Kong East and Kowloon East.

- **Singapore**'s leasing market witnessed activity from a broad array of occupiers and Q2 gross leasing volumes were well up on the same quarter in 2017.

We are upbeat that the resilient economic outlook for Asia Pacific should continue to underpin a healthy demand performance. However, there is likely to be a continued divergence between markets with a select few, such as **India** and **Manila**, likely to account for the bulk of any improvement. Flexible space operators should remain a key source of leasing activity across much of the region.

Strong occupier activity pushes European office leasing to its strongest Q2 on record

After a strong first quarter, robust occupier demand pushed European office gross leasing to 3.4 million square metres in Q2, representing the strongest second quarter on record, boosted by a 33% year-on-year increase in Central and Eastern Europe.

- In **London**, occupier activity continues to be healthy, with year-to-date volumes up 6%.

- In **Paris**, leasing activity shows no sign of slowing as sentiment goes from strength to strength. Q2 2018 saw take-up reach 644,000 square metres, the second best Q2 in over 10 years.

- In Germany, following a slow start to the year, the anticipated slowdown in demand growth has not yet materialised. The 'Big 5' office markets saw a combined take-up of 785,000 square metres, up 7% year-on-year. This was mainly due to healthy growth in **Munich** (+52%) and **Dusseldorf** (+16%).

- Central and Eastern Europe registered an impressive Q2 performance, led by a significant increase in activity in **Budapest** (+81% year-on-year), **Moscow** (+52%) and **Prague** (+17%).

- Other notable first quarter performances included **Stockholm** (+38% year-on-year) and **Milan** (+27%).

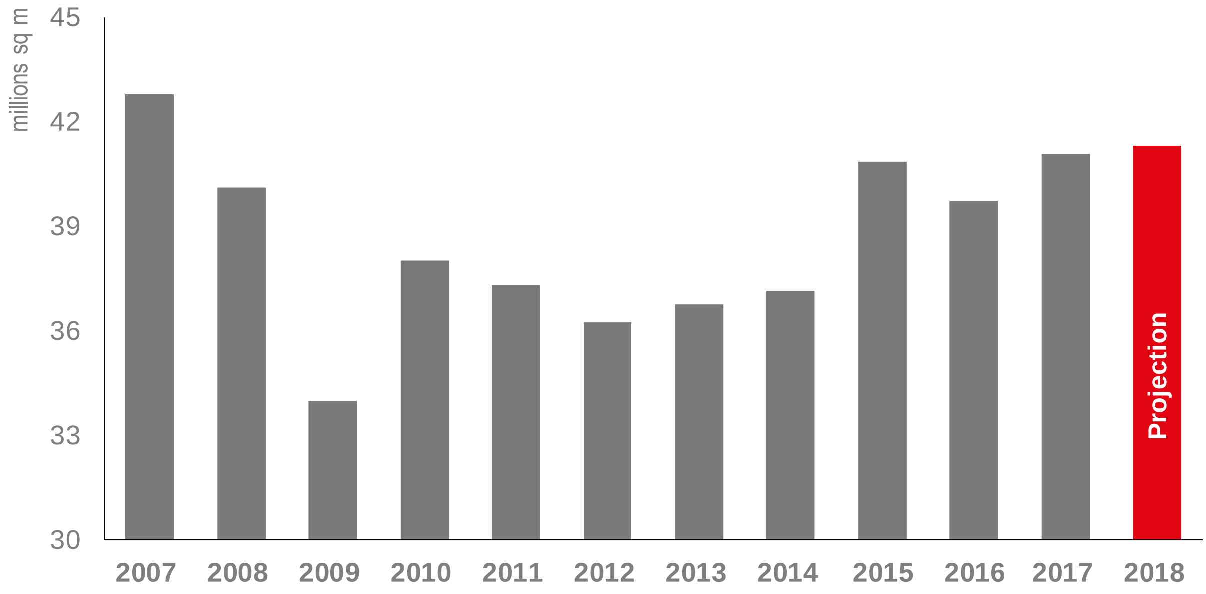
As demand for office space continues to strengthen across Europe, we have increased our full-year 2018 take-up forecast to 13.3 million square metres – below the record 2017 result but still 18% above the 10-year average.

U.S. absorption picks-up from sleepy Q1

During the second quarter, U.S. office leasing demand continued to be dominated by the tech, finance and co-working sectors, and combined they accounted for 55% of leasing activity in the first half of 2018. Overall leasing volumes were also boosted by a resurgence in very large leases of over 500,000 square feet, as well as a sizeable number of leases in the 250,000-500,000 square feet range. Several of these leases were concentrated in anchor tower tenancies in **New York** and **San Francisco**.

Net absorption in the second quarter increased but was still moderate, bringing year-to-date occupancy growth to slightly under 12 million square feet. At the current pace this would still leave full-year 2018 absorption one-third lower than in 2017. Net absorption is likely to continue to slow into 2019 but remain positive in aggregate given greater activity of give-backs upon relocations and talent shortages eating into tenants' ability to expand.

Global Office Demand – Annual Gross Leasing Volumes, 2007-2018



24 markets in Europe; 50 markets in the U.S.; 22 markets in Asia Pacific
Source: JLL, July 2018

Office Supply Trends

A further unexpected fall in global office vacancy rates

Despite high levels of new deliveries, robust occupier demand pushed the global office vacancy rate to a new cyclical low of 11.5% in Q2 2018, 20 bps beneath the Q1 rate. Rates fell by 30 bps in both Europe and Asia Pacific to 6.7% and 10.6% respectively, but stayed unchanged in the Americas at 14.8%.

Peaking global development cycle

The global office development cycle is projected to rise to 17.8 million square metres this year before peaking in 2020 at 17.9 million square meters, shy of the 19.4 million square metres recorded at the top of the last cycle in 2008. Volumes should hit their highest point this year in the U.S., but are only just ramping up in Europe where new deliveries will peak in 2019 and 2020. Following an increase in completions this year, Asia Pacific is expected to see its highest levels of new supply in 2020.

European office vacancy at its lowest since 2002

European office vacancy decreased by 30 bps to 6.7% in Q2 2018, the lowest level since Q3 2002. Robust leasing activity in the second quarter offset higher new deliveries in most cities. The majority of major markets registered a decline in vacancy in Q2, with the largest falls recorded in **Moscow** (down110 bps to 12.0%) and **Prague** (down 100 bps to 6.2%).

As expected, the development cycle continues to pick up in Europe with total Q2 office completions reaching 1.1 million square metres; **Paris** (24%) and **London** (20%) account for a large share of the new space. We expect development completions to increase towards the end of 2018, albeit that this is primarily focused on a handful of cities e.g. Paris, London and **Munich**.

Nevertheless, the pipeline does not look exaggerated, particularly when taking into account the limited speculative component and the record low vacancy rates across the continent. Completions of around 6.0 million square metres and 6.9 million square metres in 2019 and 2020 respectively are unlikely to address the supply shortages in European office markets.

U.S. vacancy edges upwards in Q2; further increases in prospect

During the second quarter, the U.S. vacancy rate increased by 10 bps to 14.9% on the back of rising deliveries, with new space hitting the market roughly twice as fast as occupancy growth. With buoyant economic conditions and largely stable leasing activity, vacancy is being kept in check from more substantial near-term increases.

There are notable divergences remaining in vacancy between both CBD and suburban markets (11.6% versus 16.8%) and Class A and B segments (14.7% versus 15.2%). These gaps will likely widen further through the medium-term given higher volatility in suburban and Class B assets.

U.S. construction markets stay very active

Build-to-suit ground-breakings and the kicking-off of 50 Hudson Yards in **New York** kept U.S. construction volumes stable at approximately 108 million square feet in Q2 – this is despite earlier expectations of a slowdown due to decelerating tenant demand and tightened construction lending.

Completions will trend higher over the next few quarters, and then taper over the 2020-2022 timeframe. Further ground-breakings in 2018 and 2019 will be increasingly determined by tenant-specific activity, as opposed to speculative projects.

Tightening conditions in Canada

In Canada, tenant demand strengthened during the second quarter, with the total office vacancy dropping 10 bps to 12.0% while Downtown Class A total vacancy saw a 60 bps fall to 10.3%. The largest movements took place in Downtown **Toronto** Class A properties where high absorption pushed the vacancy to a historically low 3.4%, with no relief in sight until 2020, when the first wave of new construction is completed. In the interim, demand will continue to outpace supply.

Mexico absorbs large pipeline

Mexico City's office inventory has grown by 11% through the first half of 2018 and will continue to expand rapidly given the 1.3 million square metres of product under construction that is schedule to deliver over the next few years. At the same time, absorption has been relatively strong, preventing even greater increases in vacancy.

Brazil's vacancy falls

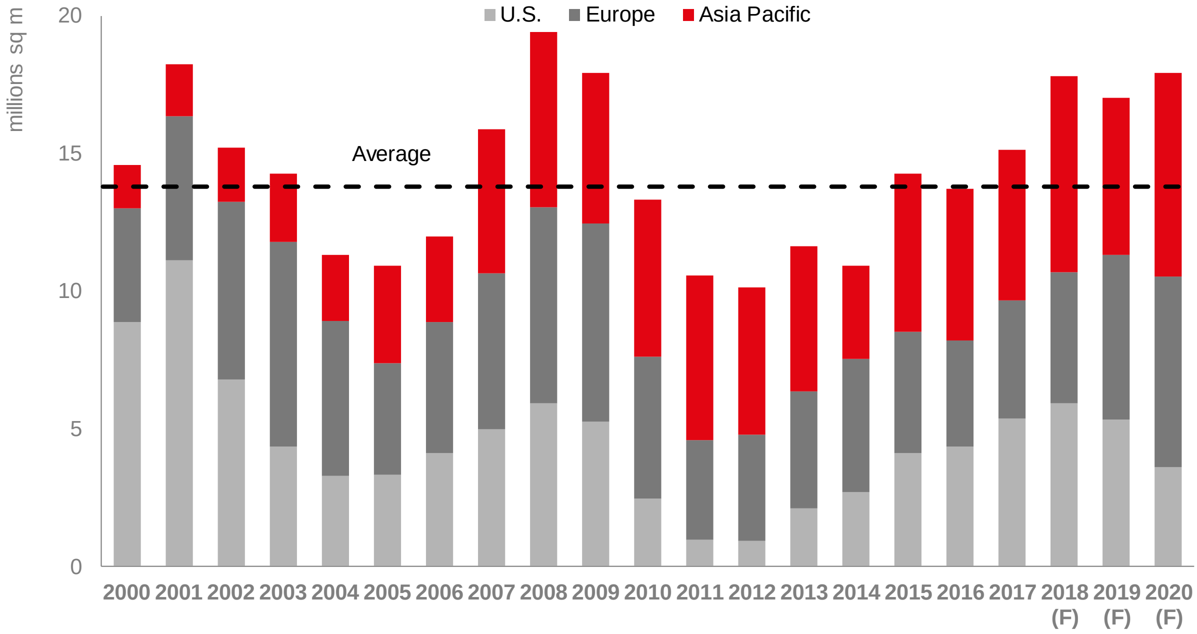
In Brazil, the office sector continues to show signs of improvement even as the economic outlook softened in Q2. The overall vacancy rate in **Sao Paulo** dropped by a substantial 110 bps in the quarter, while prime office rents remain on their newfound growth trajectory. Further recovery is in store for the balance of 2018 and into 2019.

Steady volume of supply in major Asia Pacific markets

New supply was added in more than three-fifths of all Asia Pacific markets in the second quarter. **Bengaluru**, **Shanghai** and **Manila** accounted for half of total completions in the region in Q2. By contrast, Australia's cities recorded very limited new supply.

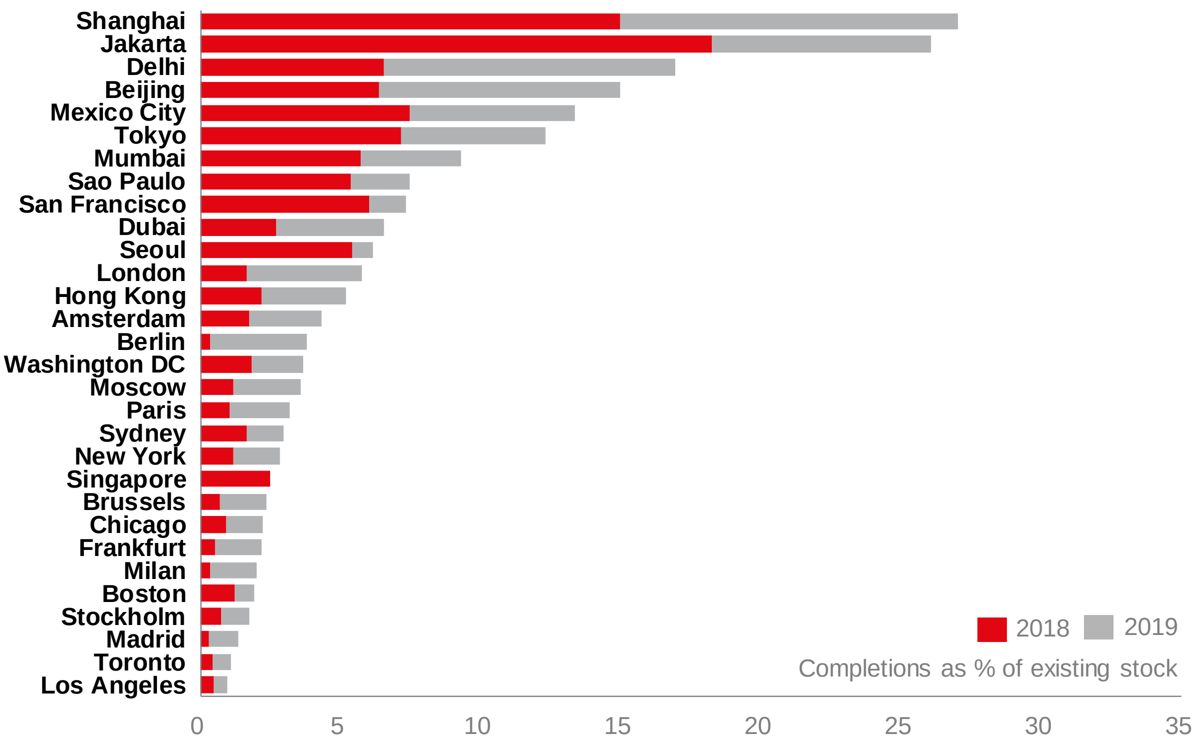
Vacancy declined in more than half of Asia Pacific markets during Q2. With a healthy level of new supply projected for the rest of 2018, regional vacancy is anticipated to inch up, led by higher rates in markets such as **Jakarta**, **Manila** and **Shanghai** which are seeing new waves of supply.

Global Office Completions, 2000-2020



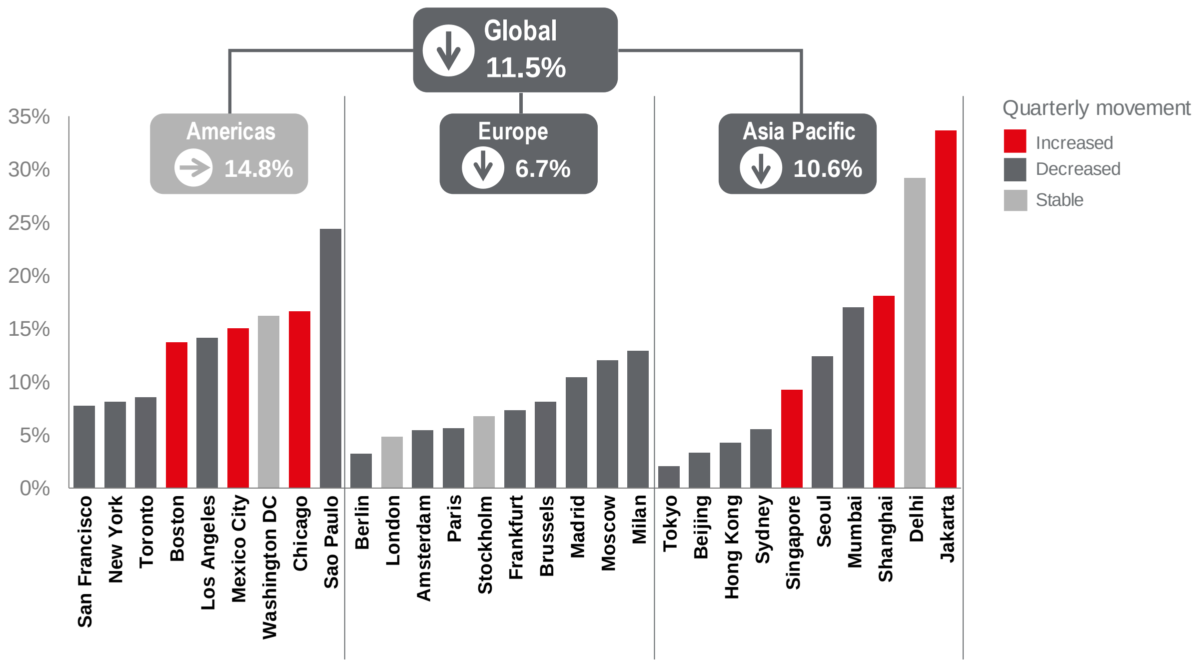
24 markets in Europe; 25 markets in Asia Pacific; 50 markets in the U.S. Asia relates to Grade A only.
Source: JLL, July 2018

Office Supply Pipeline – Major Markets, 2018-2019



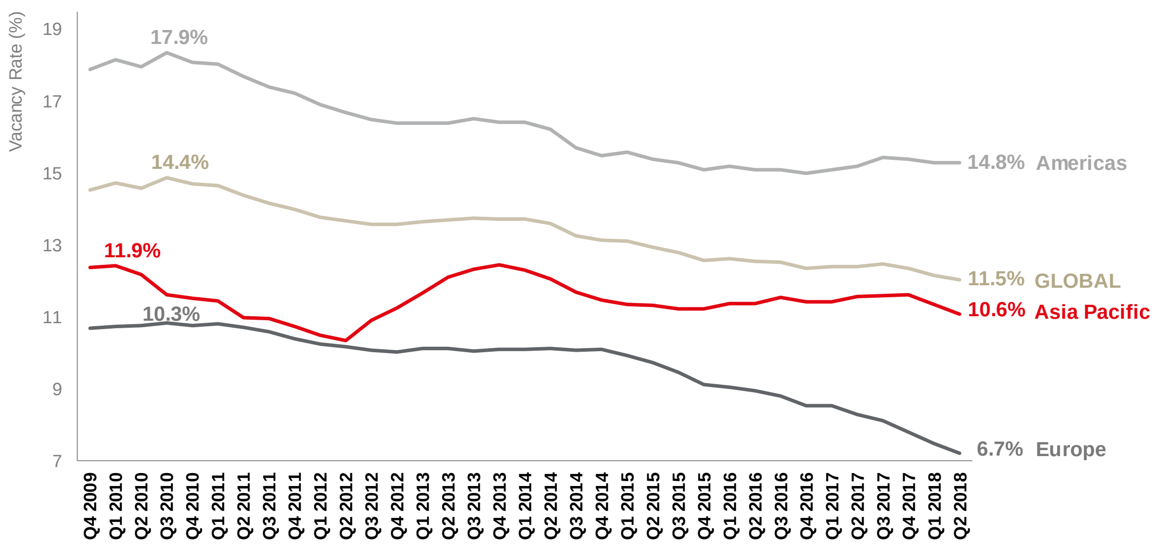
Covers all office submarkets in each city. Tokyo – CBD - 5 kus
Source: JLL, July 2018

Office Vacancy Rates in Major Markets, Q2 2018



Regional vacancy rates based on 62 markets in the Americas, 24 markets in Europe and 25 markets in Asia Pacific.
Covers all office submarkets in each city. All grades except Asia and Latin America (Grade A only). Tokyo relates to CBD – 5 kus.
Source: JLL, July 2018

Global and Regional Office Vacancy Rates, 2009-2018



62 markets in the Americas; 24 markets in Europe; 25 markets in Asia Pacific. All grades except Asia and Latin America (Grade A only).
Source: JLL, July 2018

Office Rental Trends

Annual prime rental growth steady at 3.6%

Rental growth for prime offices across 30 major markets is steady at 3.6%, with annual rental growth keeping within the 3%-4% range since the beginning of 2017.

Several major office markets registered double-digit rental growth in the second quarter, led by **Singapore** (16.5% year-on-year) and including **Berlin** (12.5%), **Sydney** (12.5%), **Milan** (11.4%) and **Madrid** (10.0%). **Hong Kong** continued to defy expectations, recording one of the strongest quarterly rental uplifts (3.2%) in Q2. **San Francisco** was the leading performer in the Americas region with annual growth of 5.7%.

For the full-year 2018, rental growth is expected to be steady at 3.4%, with top performances likely to be in **Singapore, Sydney, Toronto** and **Sao Paulo**. Only a few major markets with sizeable supply pipelines are forecast to show rental corrections for the full year, notably **Jakarta** and **Mexico City**.

Rental growth maintains momentum across continental Europe

The European Office Rental Index rose by 0.7% quarter-on-quarter in Q2 2018. At 4.1%, annual rental growth continues to well exceed the 10-year average of 0.4%.

- In **London**, prime rents remained unchanged in Q2 2018, highlighting the continued robustness of the occupier market despite some uncertainties in the macro environment. Elsewhere in the UK, prime rents are still experiencing healthy growth, with **Edinburgh** recording a 3% increase.
- In Germany, prime rents increased in **Munich** (1.4%) and **Frankfurt** (1.3%), but held stable in **Berlin**, **Hamburg** and **Dusseldorf**.
- Q2 rental growth was strongest across the Netherlands, led by **Utrecht** (6.0%) and **Amsterdam** (2.5%). These positive results come on the back of tightening Grade A supply and robust demand for prime space.
- Rental growth across Southern Europe continued apace, with **Madrid** (3.1%), **Barcelona** (1.0%), and **Milan** (1.7%) the standout performers in the second quarter.
- We continue to witness robust prime rental growth in **Stockholm** (1.4%), as the market remains exceptionally tight due to limited development.

Looking ahead, solid occupier activity and limited speculative development will continue to restrict the availability of high-quality space, driving up rents. European prime office rental growth is projected to total around 3.4% in 2018 followed by 1.9% in 2019.

Rental growth slows in the U.S. over the quarter

U.S. office rents were essentially flat over the second quarter, although rents have increased 2.3% year-on-year, in keeping with annual growth rates in recent quarters.

Rents are rising faster in suburban and Class B markets, and this is shifting block pricing dynamics. CBD and Class A rents are being weighed down by the return of commodity blocks upon tenant relocation, while new suburban supply and tightening in certain geographies for B space (given prohibitive costs of new supply) is leading to higher asking rents being realised.

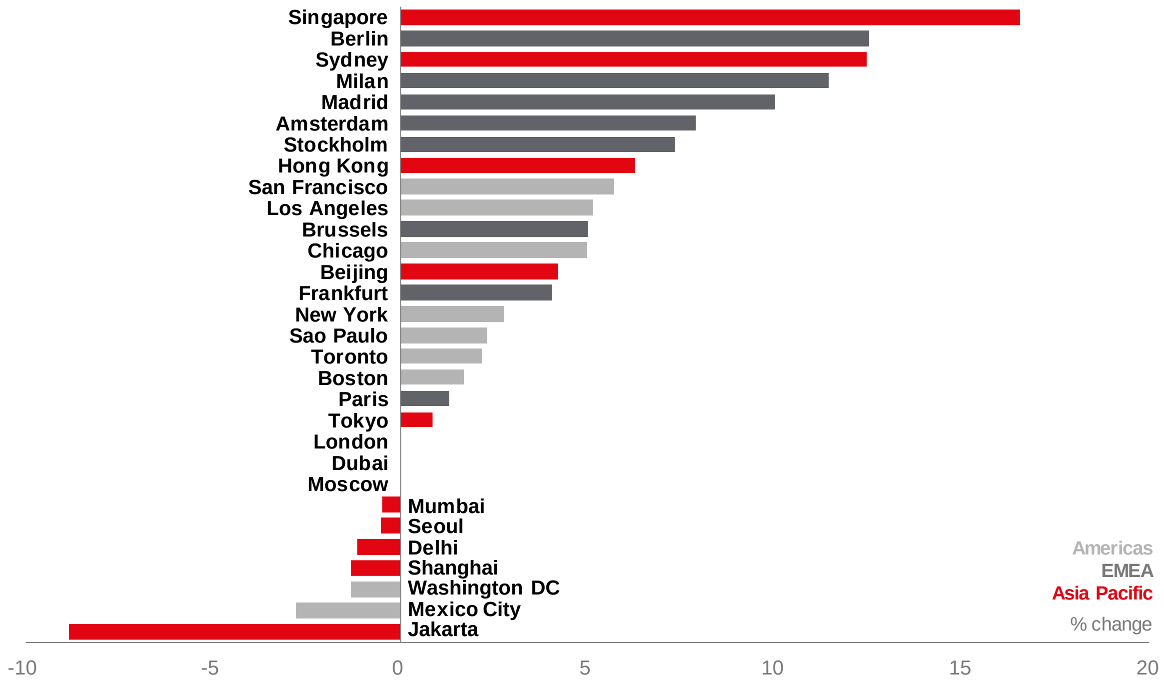
CBD Class A rents in particular are probably at their inflection point, with no growth over the past three quarters and faster-rising concession packages actually translating into negative net effective rental growth. This trend may become more accentuated in the near term as more new space hits the market and with the increasingly limited ability of many tenants to meaningfully expand headcounts given labour supply constraints.

Asia Pacific rental growth moderates

Asia Pacific rental growth moderated to 0.9% quarter-on-quarter in Q2, compared with 1.5% in Q1:

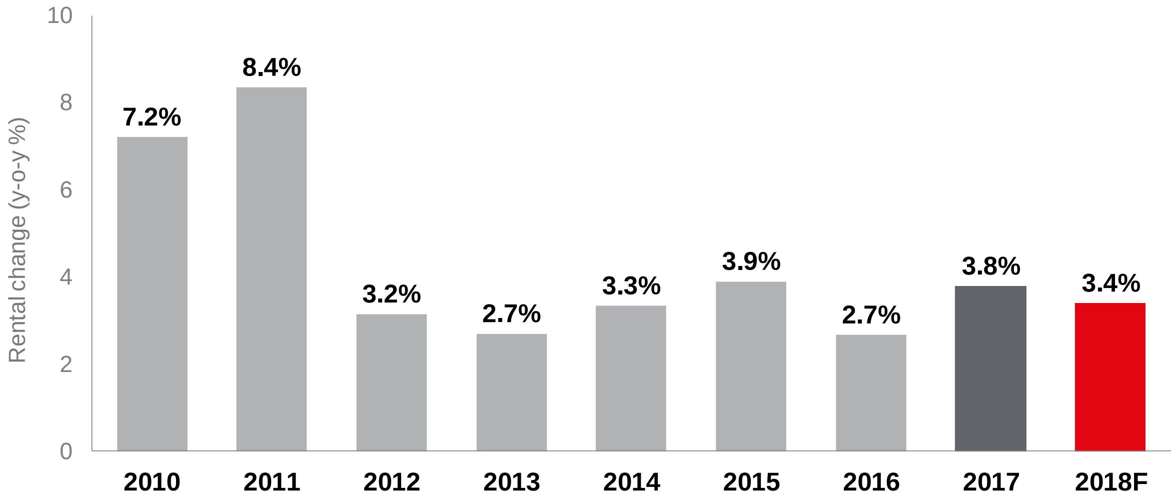
- Tight vacancy rates and healthy demand supported solid quarterly rental growth in **Hong Kong**, **Beijing** and **Guangzhou**. Meanwhile, supply volumes and elevated vacancy continued to restrain **Shanghai**'s rental growth.
- **Bengaluru**'s rents were flat, while **Delhi**'s SBD rents declined due to a sharp correction in strata-title buildings.
- **Tokyo** rents were also flat during Q2 as landlords increased incentives to help offset tenants' relocation costs.
- Rental levels in **Singapore** continued to grow at a healthy, albeit more moderate, pace of 3.1% quarter-on-quarter.
- Solid rental growth was recorded in **Sydney** as demand remained robust and vacancy edged lower.

Prime Offices – Rental Change, Q2 2017-Q2 2018



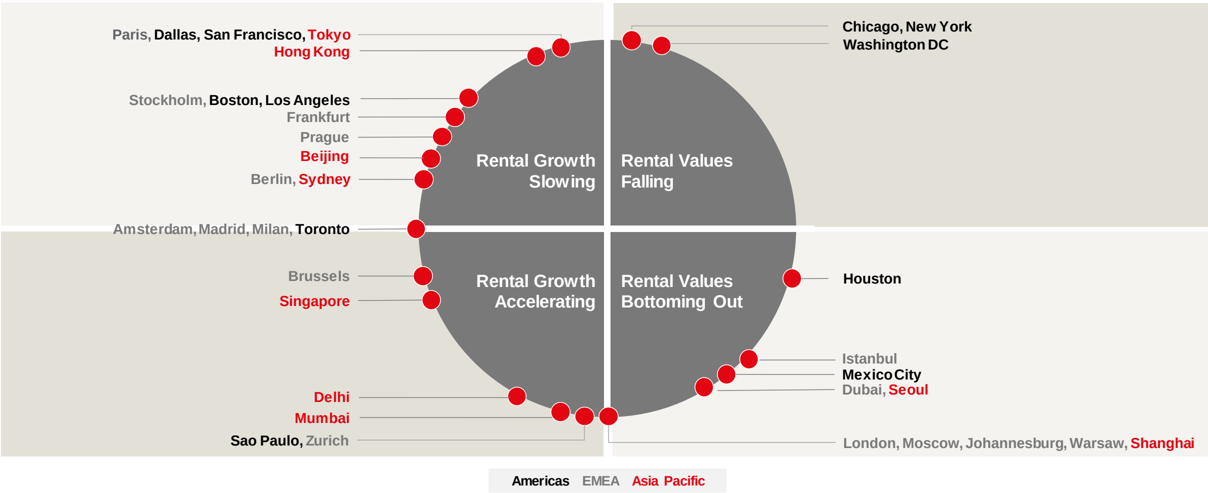
Based on rents for Grade A space in CBD or equivalent. In local currency.
Source: JLL, July 2018

Prime Offices – Rental Change, 2010-2018



Prime office rental growth: unweighted average of 30 major markets.
Source: JLL, July 2018

Prime Offices – Rental Clock, Q2 2018



Based on rents for Grade A space in CBD or equivalent.
U.S. positions relate to the overall market.
Source: JLL, July 2018

Retail Markets

U.S. retail market slows, while store closures present opportunities for smaller retailers

The **U.S.** retail market has been showing signs of a slowdown as major metros move from a cyclical peak to a falling market and fundamentals soften. The pace of demand has been decelerating while vacancy compression has flattened, although rents have been on the rise. Fortunately, construction continues to be very restrained.

While store closures continue, it's not all bad news. As some big-box retailers close their doors, they are making way for smaller retailers to become relevant again. Neighbourhood and strip centres are perfectly suited for mom-and-pop stores, medical offices and gyms, given their proximity to residents, and have led all retail subtypes in demand growth over the past two years. While the Toys "R" Us closures hit retail centres with millions of square feet of vacant space, there has been a flurry of demand for a portion of these locations, including from off-price retailers like Big Lots and Ollie's, home furnishing stores, groceries, and real estate companies.

Strengthening employment market remains a key driver for spending growth in Europe

As Europe's employment market continues to strengthen, real wages are picking up and expected to grow at their fastest pace in a decade in 2018, at 1.2%. With consumer confidence levels near an all-time high, the retail sales growth outlook remains positive.

While various traditional retailers continue to downsize store portfolios, including some department store operators, others have announced expansion plans for Europe's major cities. Value operators, in particular, are looking to grow their retail footprints, with additional demand coming from health & beauty, furniture & homeware and leisure operators.

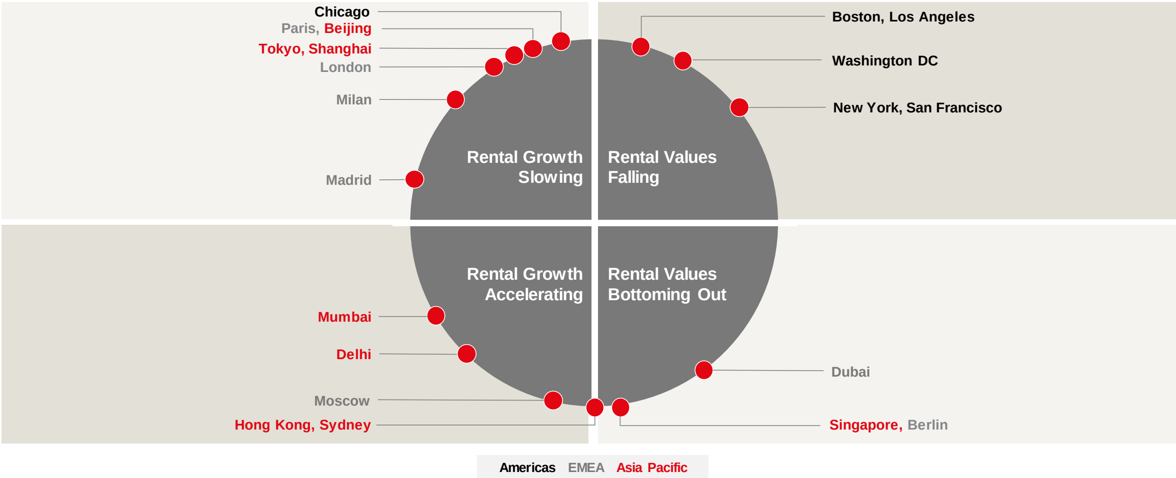
Retailer demand for prime space across Europe's key retail cities continues to be selective, with notable Q2 growth in high street rents recorded in **Budapest** (12.5% year-on-year), **Paris** (6.8%), **Prague** (5.0%), **Lisbon** (3.8%) and **Madrid** (3.7%), while prime shopping centre rents have grown 8.0% in the **Czech Republic** and 4.8% in **Finland**.

Landlords in Asia Pacific continue to look for new ways to differentiate

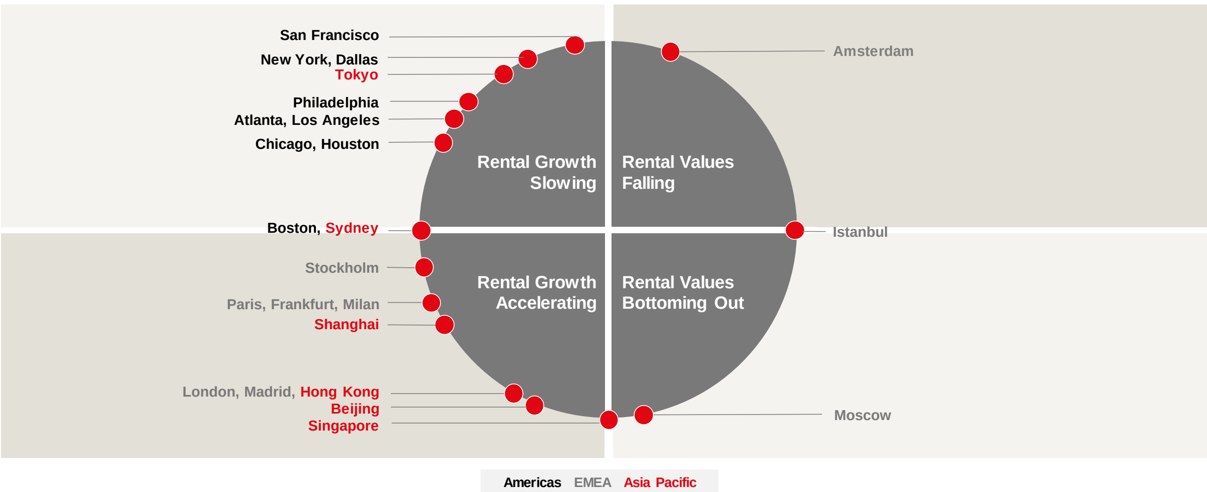
Retailers remain cautious towards store expansions in **Australia**, given the subdued retail sales environment, and are focusing on existing stronger-performing stores. F&B, kids' brands and activewear retailers continued to be key drivers of demand in **China** in the second quarter. Meanwhile, robust inbound tourism and strong domestic consumption in **Hong Kong** continued to underpin a rebound in retail sales in Q2 with personal care and pharmacies actively leasing space.

Limited Q2 rental growth was recorded in most markets across the region, including **Australia**. Rental increases in the decentralised submarkets of **China**'s Tier 1 cities continued to outperform the core markets, while overall mall rents in **Hong Kong** edged up, supported by better sales at select premium malls and tourist-oriented malls.

Prime Retail – Rental Clock, Q2 2018



Prime Industrial – Rental Clock, Q2 2018



Relates to prime space. U.S. positions relate to the overall market. Source: JLL, July 2018

Industrial Markets

U.S. industrial vacancy remains stable despite robust development pipeline

The **U.S.** industrial market rebounded in the second quarter with strong growth in net absorption and over 6% annual growth in rents, maintaining the positive momentum seen at the start of 2018. Vacancy kept stable on the previous quarter in the upper 4.0% range and continues to be at an all-time historic low, supported by strong pre-leasing trends in newly built industrial product. While total new deliveries were up by nearly 28% on Q2 2017, vacancy has declined by nearly 60 bps over that time. As top logistics markets continue to operate at a sub-3.0% vacancy rate, we expect competition to persist for quality space, adding pressure on rents through 2018.

European warehousing markets on path for a new record-setting level in 2018

The European warehousing market is expected to carry its momentum into the second half of the year, largely driven by the same combination of economic growth and structural change seen in the past two to three years.

Despite greater difficulty in obtaining suitable development land, the European warehousing construction pipeline remains at record levels and there are no signs that new developments will slow significantly. The majority of this new-build stock will be built-to-suit, although there remain some exceptions. Speculative development has soared in **Spain**, where roughly 70% of logistics space under construction is speculative, and remains high in the **Czech Republic** (45%), the **UK** (42%) and the **Netherlands** (31%). Although occupier demand in these markets is still healthy and we do not expect significant oversupply, vacancy rates are likely to go up in select locations.

Overall, we remain optimistic that occupier activity in 2018 will be in line with or even slightly higher than 2017's record volumes. Unsurprisingly, considering overall healthy demand and a tight supply situation, rental growth continued to accelerate over the second quarter, a trend that we expect to continue.

New supply continues to be met by strong demand in Asia Pacific

E-commerce retailers, 3PLs and manufacturers continued to be the most active players in the **China** and **Tokyo** leasing markets in Q2, with a shortage of workers increasing demand for efficient modern logistics space in Tokyo. In **Hong Kong**, demand in the quarter turned weaker on the back of slower growth in imports and exports as well as the recent decline in container throughput. Demand for **Singapore**'s logistics space was driven primarily by renewals and relocations.

Rents crept up further in most markets across the region in the second quarter, with additional increases in **Beijing** and **Shanghai**, where they rose at their highest annual pace in four years. Amid weakened trading performance and tenant relocation activity, rents edged down in **Hong Kong**. **Singapore**'s business park rents increased for the third consecutive quarter, in line with the sustained rise in office rents and generally positive business climate.

Hotel Markets

Strong travel demand supporting ongoing optimism in the hotel industry

Strong consumer confidence and positive economic sentiment supported global travel demand in the first half of 2018. The latest statistics from the UNWTO reveal that the number of international travellers rose 6% year-on-year in the first four months of 2018, with Asia and Europe experiencing the highest growth.

The impressive results were reflected in hotel performance. Over the year to May 2018, the U.S. reported annual RevPAR growth of 3.3%, marking 99 months of consecutive RevPAR growth. Europe posted a 13.4% increase in RevPAR year-on-year, with the UK, Germany, France, Italy, Spain, Portugal and the Netherlands all reporting substantial increases, ranging from 9.3% to 22.2%. In Asia, China, Vietnam and Japan outperformed.

Healthy hotel performance metrics, combined with growing demand for travel, paint a positive outlook for the hotel industry. Coupled with solid economic fundamentals and investors' hunt for yield, they provide a solid investment case for hotel real estate.

Global Hotel Investment Volumes, H1 2017-H1 2018

US$ billions	H1 2017	H1 2018	% change H1 17-H1 18
Americas	12.8	15.7	**23%**
EMEA	10.3	9.5	**-8%**
Asia Pacific	4.7	4.0	**-15%**
Total	**27.8**	**29.2**	**5%**

Source: JLL, July 2018

Global hotel transaction volumes during the first half of 2018 totalled US$29.2 billion, a 5% increase on last year's H1 activity. Continuing on from a strong first quarter, the **Americas** posted a 23% uplift in hotel investment over the first half to US$15.7 billion, with the **United States** accounting for 95% of total regional volumes.

Portfolio transactions in the Americas in Q2 were more than double relative to the same time last year, with the largest portfolio transaction in the quarter being the GIC Real Estate portfolio (three hotels), acquired by Blackstone from Singapore investor GIC Real Estate. In terms of single-asset sales, **New York**, **Honolulu** and **Phoenix** were the three most liquid cities, each registering significant growth. Private equity accounted for nearly half of buying activity, followed by development companies.

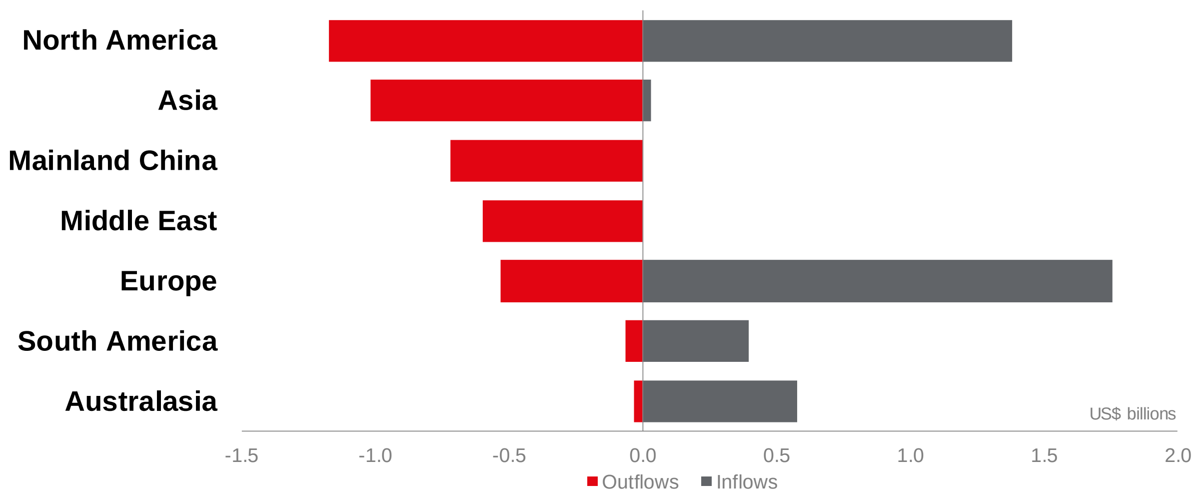
EMEA reported US$9.5 billion worth of hotel transactions in H1 2018, 8% lower than the same period last year. The decline was partly due to a slowdown in single-asset sales. However, there has been strong interest in portfolio sales, which represented 44% of total H1 volumes, compared to 32% in H1 last year. Key transactions include the US$1.2 billion Principal hotel portfolio (14 hotels) in the U.K. and the Vincent hotel portfolio (10 hotels) in the Netherlands.

The region continues to attract private equity and institutional investors, each buyer group increasing their level of investment activity and accounting for 33% and 29% of total volumes respectively in the first half of the year. The **UK** and **Germany** were the top two markets in the region, each posting an uplift of approximately 20% year-on-year in transaction activity. **Spain** ranked third, with US$1.3 billion worth of hotel investments.

In **Asia Pacific**, transaction volumes totalled US$4 billion in H1 2018, equating to a moderate year-on-year decline of 15%. Nevertheless, there was a strong uptick in portfolio sales during the first half of 2018, with a total of six portfolios worth US$1.1 billion traded, nearly five times higher than the previous year. The largest deal was the Outrigger Portfolio, which included six properties located in Fiji, the Maldives, Mauritius and Thailand.

China was the most liquid market in Asia Pacific over H1, with US$1.1 billion in transaction volumes. We expect to see the upward trend continue as Chinese investors look to the domestic market for investment opportunities due to the government's restriction on outbound capital. The rise of the Chinese middle class and their increased demand for domestic travel provides investors with confidence in the future of the industry.

Hotel Transactions: Capital Outflows and Inflows, Q2 2018



Excludes multijurisdictional portfolio transactions
Source: JLL, July 2018

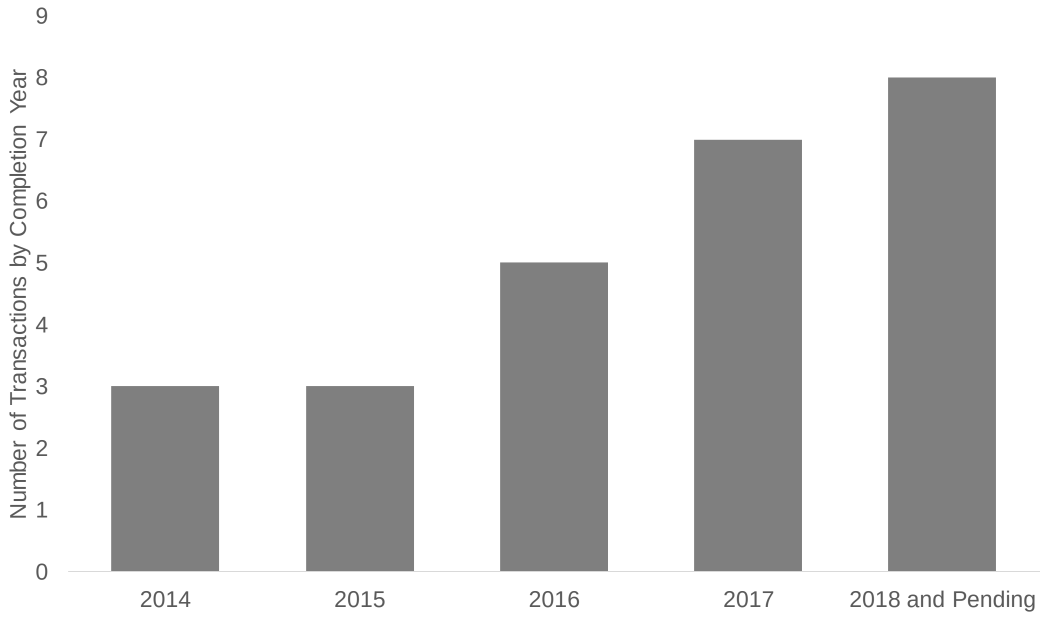
The evolving landscape of the hotel industry

The hotel investment landscape continues to evolve, with more M&A activity in recent years. AccorHotels has been on a shopping spree, making investments in hotel companies such as the Mantra Group, Mövenpick Hotels & Resorts, Atton Hoteles, Mantis Group and SBE Entertainment Group.

Earlier in the year, Wyndham Worldwide Corp. announced the purchase of La Quinta for US$1.9 billion; the merger will bring a significant number of midscale and economy properties to their portfolio.

The ambition to gain global market share and distribution strength are the key reasons behind M&A activity. Hotel companies are able to acquire market share within a short period of time through brand acquisition, which is generally viewed as more efficient than organic development. It immediately broadens hotels' customer reach through loyalty programmes, and strengthens negotiating power against online travel agencies. We expect to see more M&A activity in the future as the industry is still relatively fragmented compared to other sectors, creating more opportunities for consolidation.

Hotel Transactions: M&A Activity, 2014-2018



Brand / parent company M&A activity involving publicly traded or large global hotel companies
Source: JLL, July 2018

Residential Markets

Demand for units in U.S. multifamily market remains intact amid supply wave

U.S. multifamily rental fundamentals continued to be held back from any major movements as elevated deliveries persisted through the second quarter of 2018. Despite the added supply, vacancy levels held steady at 5.2% and rental rates continued to appreciate, climbing 2.4% over the past 12 months. In fact, the vacancy rate across the country has seen little movement over the past 18 months.

With elevated deliveries expected through mid-2019, significant increases in rental growth will remain constricted throughout the coming year. Thereafter, we anticipate more robust rental growth as quarterly deliveries regress to normal levels. With single-family home prices continuing to increase, the average U.S. renter is seeing their opportunity to make the jump to home ownership dwindle, and this should bode well for multifamily demand in the mid to long-term.

UK investment market on track for record volumes in 2018

Activity in the **UK** residential market remains broadly stable, although subdued price growth is now the norm across the country in the lead up to final Brexit negotiations. Government efforts to stimulate new housing supply are hampered somewhat by the market context and systemic labour cost inflation, meaning delivery targets remain nearly 100,000 units ahead of reality.

Residential investment, however, is defying wider market trends, with 2018 on track for record volumes ahead of the £2.4 billion registered in 2017. This is excluding the circa £2 billion Quintain deal at Wembley, which if it progresses to successful completion this year will be the largest ever residential transaction in the UK. Forward funding deals remain common as investors seek to source new stock, and international capital remains active alongside a broad range of domestic institutions and other property investors.

Transaction activity at elevated levels in Germany

Transaction volumes for residential properties and portfolios in **Germany** reached €11.3 billion in the first half of 2018, exceeding the 5-year average by 35% and the 10-year average by 95%. A total of 83,900 residential units had changed hands by the end of June 2018.

The commercial residential investment market is still dominated by domestic investors, which have accounted for 80% of transaction volumes over the last several years. By mid-2018, three-quarters of the capital invested from abroad was attributable to three countries: the U.S. (€600 million), the UK (€580 million) and Singapore (€350 million).

Berlin continued to attract the most capital in the first half of the year with volumes of €1.65 billion, followed by the **Frankfurt-Rhine-Main** area; the €920 million invested here already exceeds the volume for the entire previous year. **Hamburg**, meanwhile, achieved three quarters (corresponding to €750 million) of its 2017 volume by the middle of the year.

Robust investment demand in the Netherlands

The number of owner-occupier transactions in the **Netherlands** in Q2 2018 fell by 6.7% from the previous year. The continuing decrease in the availability of owner-occupier residences is weighing heavily on transaction activity and leading to market stagnation in the country's larger cities. Average transaction prices nevertheless increased by 8.3% on last year's level, and now stand at a historical high of nearly €284,000.

The investment market experienced robust levels of demand in Q2, with volumes exceeding those witnessed in the last two years. This is primarily due to Vesteda's acquisition of the National Nederlanden portfolio for €1.5 billion.

Investment activity in Sweden slows in Q2

Residential transaction volumes in **Sweden** were approximately SEK11 billion in the second quarter, a relatively large drop from last year's Q2 total of SEK16 billion. The quarter saw a couple of sizeable transactions as Slättö Förvaltning sold newly produced rental apartments in Karlstad, Umeå, Västerås and Stockholm in two different portfolios to Lansa (insurance) and Trenum (private/pension). The total price was approximately SEK1.6 billion for 667 apartments.

Significant levels of capital targeting the residential market in Spain

Residential investment volumes in **Spain** reached a total of €875 million in Q2 2018. There is now significant equity entering the residential market, either through residential SOCIMIs seeking buildings to acquire and lease or through private equity or institutional-backed Spanish property developers acquiring land. Local developers have started to acquire land with planning management needs due to the lack of urban land in Spain's city centres.

Policy measures tightened in Hong Kong and Singapore

Price caps remained in place for new launches in **Shanghai** in the second quarter and buyers continued to try to acquire units being sold at below-market prices. In **Beijing**, developers offered more competitive prices in a bid to increase sales against a tight policy environment. Buyers continued to be drawn to new launches in **Hong Kong** in Q2, with some projects nearly selling out within a short period after their launch. The continued ascent of prices and the resultant reduction in affordability has led the government to announce new policy measures including a levy on vacant units in a bid to cool the market.

In **Singapore**'s prime districts there was no new supply in Q2 after a supply in the previous quarter, impacting sales volumes; however, transaction volumes in the secondary market picked up, driven by pent-up demand spilling over from the primary market, as well as demand from displaced owners from the collective sales market looking for replacement properties. Unexpectedly, the government tightened policy measures in early July which is expected to put a dampener on market sentiment.

Mixed rental trends were observed across Asia in the second quarter. Rental growth accelerated in **Hong Kong** amid a pick-up in leasing enquiries and lack of availability. The opening of new schools in the New Territories has lifted some demand from traditional core districts. In **Singapore**, fewer completions, as well as the withdrawal of stock for redevelopment or sale, helped rents maintain their modest recovery.

Key Investment Transactions in Q2 2018

Europe, Middle East and Africa

Country	City	Property	Sector	Sales price US$m	Comments
Belgium	Brussels	Docks Bruxsel	Retail	357	Portus Retail and Alberta Investment Management Corporation (AIMCo), acting on behalf of its clients, have acquired the urban shopping centre. Docks Bruxsel was developed by Equilis and TPF and opened in 2016. It is the first new shopping centre in Brussels for over 30 years and was awarded the best new large shopping centre development in 2018 by ICSC Europe.
France	Paris	49.9% stake in Oxford Properties Portfolio	Office	477	Oxford Properties has sold a 49.9% stake in its French portfolio to a fund advised by J.P. Morgan Asset Management for approximately €800 million. The assets include 32 Rue Blanche, 92 Avenue de France and Paris Bastille.
Germany	Frankfurt	Gallileo	Office	424	TRIUVA has sold the 38-storey office tower to CapitaLand Limited and CapitaLand Commercial Trust. Gallileo is situated in Frankfurt's central business district and its 34,000 sq m of office space is solely let to Commerzbank, while the building also offers retail and gastronomy options.
Germany	Multiple	50% stake in MPT Portfolio	Healthcare	977	Primonial Group has acquired a 50% interest in a Medical Properties Trust (MPT) portfolio of 71 post-acute hospitals throughout Germany. MPT will retain a 50% interest in the portfolio through the joint venture, and an MPT affiliate will continue to manage the facilities. The transaction values the portfolio at approximately €1.6 billion.
Germany	Munich	Leonardo Royal Hotel Munich	Hotel	185	Israeli hotel operator Fattal Hotels Group has sold the 424-room, full-service upscale asset to Invesco Real Estate in a sale and leaseback deal.
Ireland	Dublin	Bolands Quay	Office	357	Google has acquired the Bolands Quay site for c. €300 million. The development, which is located on Dublin's Barrow Street, will comprise 28,000 sq m of office space, 46 apartments, cafés and cultural space. JLL advised the receiver.
Italy	Multiple	Shopping Centre Portfolio	Retail	223	JLL has advised Immobiliare Grande Distribuzione (IGD) on the acquisition a portfolio of four shopping centres and a retail park from Eurocommercial Properties for c. €190 million. The assets, located in Northern Italy, are: Centro Commerciale Leonardo in Imola, Centro Commerciale Lame in Bologna, Centro Commerciale and retail park La Favorita in Mantova, and Centro Commerciale CentroLuna in Sarzana.
Multiple	Multiple	Industrial Portfolio	Industrial	763	JLL has advised Blackstone on the purchase of a cross-border portfolio from Goodman. It consists of

Country	City	Property	Sector	Sales price US$m	Comments
					24 logistics warehouses located across France, Germany and Poland.
Netherlands	Multiple	Dutch Residential Portfolio	Residential	1,787	JLL has advised Vesteda on the acquisition of a Dutch residential portfolio from NN Investment Partners. The portfolio consists of 5,983 existing residential units and 794 units in development projects, both part of the former residential real estate portfolio of Delta Lloyd. The price paid was c. €1.5 billion.
Netherlands	Multiple	Mesdag Delta Portfolio	Mixed	733	HighBrook has acquired the portfolio in an off-market deal through a partnership with Breevast to structure a portfolio recapitalisation. The portfolio is made up of 56 assets located throughout the Netherlands that total 456,000 sq m. Breevast will retain full responsibility for the property, asset and development management of the portfolio.
Netherlands	Multiple	Vincent Portfolio (10 hotels)	Hotel	139	Westmont Hospitality Group has bought out The Baupost Group Europe's equity in a portfolio of 10 assets across the Netherlands.
Poland	Warsaw	Warsaw Spire Building A (Tower, 50%)		200	JLL has advised Ghelamco on the sale of a 50% stake in the tower to Madison International Realty. At 220m high and with 46 floors, the prime office building comprises 71,500 sq m of office space and is 100% let to a strong line-up of international tenants including Samsung, JLL, Mastercard, Goldman Sachs, The Heart, Daftcode, Panattoni and Ghelamco. The value of the tower is approximately €350 million.
Portugal	Lisbon	Lagoas Park	Mixed	447	Teixeira Duarte has sold its entire holdings in Lagoas Park to a subsidiary of the European private equity fund Kildare. Lagoas Park comprises 13 office buildings with approximately 85,000 sq m of green spaces, more than 5,000 car parking spaces, 12 restaurants, a 4-star hotel, a congress centre, a health club, public parking, a school and a commercial gallery.
UK	London	5 Broadgate	Office	1,359	UBS's London headquarters has been acquired by CK Asset Holdings Limited (a company founded by the Hong Kong tycoon Li Ka-shing) for £1 billion, reflecting a yield of just below 4%. The asset was previously owned by British Land and GIC and offers over 66,000 sq m of space.
UK	London	Ropemaker Place	Office	884	JLL has advised AXA Investment Managers – Real Assets, acting on behalf of its clients, on the sale of Ropemaker Place to Ho Bee Land (a listed Singaporean company). The asset was acquired for £650 million. The 21-storey building provides over 53,000 sq m of space and is currently 96% occupied by a strong group of investment-grade tenants,

Country	City	Property	Sector	Sales price US$m	Comments
					providing a weighted average lease term of 10.5 years to expiry.
UK	Multiple	Principal Hotels Portfolio (14 hotels)	Hotel	1,181	French institutional investor Foncière des Murs has purchased 14 four and five-star hotels totalling 2,269 rooms from Starwood Capital Group EMEA.

Asia Pacific

Country	City	Property	Sector	Sales price US$m	Comments
Australia	Melbourne	Pacific Werribee & Pacific Epping	Retail	757	Fund manager QIC (Queensland Investment Corporation) has paid A$1 billion to the Alter family's Pacific Group of Companies for a half-share in its flagship shopping centres in Melbourne's north and west. It is reported that 50% of Pacific Werribee, a 131,000 sq m shopping centre in Hoppers Crossing, fetched A$598 million, while the half-stake in Pacific Epping sold for A$402 million.
Australia	Melbourne	Bell City Hotel	Hotel	121	Elanor Investors Group, an Australian investment fund, has sold the 844-room, four-star hotel to Hong Kong-based Gaw Capital.
Australia	Sydney	Westpac Place	Office	648	JLL has advised Blackstone on the sale of 50% of the asset, which was acquired by ISPT for A$722 million at a yield of below 5%. Blackstone acquired its 50% share in 2014 for A$435 million.
China	Beijing	New Everbright Centre No.2 Office Building	Office	627	Postal Savings Bank of China has acquired the tower in its entirety for its own use.
China	Multiple	Banyan Tree China Porfolio (27.2% stake, 3 hotels)	Hotel	204	Chinese developer China Vanke Co., Ltd. has purchased a 27.2% stake in the three-asset portfolio.
Hong Kong	Hong Kong	The Center	Office	5,122	CK Asset Holding Limited (Cheung Kong) has disposed of its 75% share of The Center in reportedly the largest single-asset deal in the city's history. The asset was sold to an all Hong Kong-based consortium of investors, including Pollyanna Chu and Hui Wing Mau of Shimao.

Country	City	Property	Sector	Sales price US$m	Comments
Hong Kong	Hong Kong	Octa Tower	Office	1,019	Nan Fung Group has sold the Kowloon Bay area asset for HK$8 billion. The transaction reportedly involved a number of bids from mainland Chinese groups as well as a foreign consortium, which supports the huge amount of liquidity in the market despite the aggressive valuations.
Hong Kong	Hong Kong	299 Queen's Road Central	Office	268	Real estate investor Francis Law Sau-fai has sold a commercial building in the Sheung Wan area for HK$2.1 billion — three times the price he paid for the asset eight years ago. The yield is reportedly around 2%, with the sale equating to just over US$30,000 per sq m.
Hong Kong	Hong Kong	Cargo Consolidation Complex	Industrial	255	PAG has disposed of the Cargo Consolidation Complex to a local private investor for just over HK$2 billion. The sale is reportedly 46% above its acquisition price in 2015.
Hong Kong	Hong Kong	Butterfly on Waterfront	Hotel	103	Domestic developer Tai Hung Fai Enterprise Co Ltd has acquired the 94-room asset from Kai Yuan Holdings Limited.
Japan	Osaka	Hotel Universal Port	Hotel	320	The 600-room resort has been purchased by ORIX JREIT from developer ORIX Golf Management.
Japan	Tokyo	Musashino Building	Retail	329	Hulic has acquired the 11,250 sq m shopping centre in Tokyo's Shinjuku ward for ¥35.9 billion. The centre houses tenants including the Musashino-kan Theatre, Zara and a number of domestic F&B tenants.
Multiple	Multiple	Outrigger Portfolio 2018	Hotels	310	Hawaii's Outrigger Enterprises Group has sold all six of its beachfront hotel and resort properties in Asia and the Pacific and Indian Oceans to Singha Estate Public Company Limited of Thailand. The hotels are located in Thailand (2), Fiji (2), Mauritius and the Maldives. Outrigger will continue to manage the properties under the Outrigger brand.
New Zealand	Auckland	VXV Portfolio	Office	460	New Zealand's Goodman Property Trust (GMT) has sold its majority-held VXV office portfolio to a number of Blackstone funds. The VXV portfolio is owned by Wynyard Precinct Holdings Ltd, a JV between GMT (51%) and GIC, Singapore's sovereign wealth fund (49%). The portfolio includes seven low-rise office buildings, totalling about 88,000 sq m.
Singapore	Singapore	The Patina, Capitol Singapore (50%)	Hotel	396	Perennial Real Estate Holdings has acquired the outstanding 50% stake in The Patina, Capitol Singapore Hotel for S$528 million from previous partner Pontiac Land. The transaction follows a settlement agreement by both groups to discontinue their partnership following a deadlock around a number of key issues related to the project.

Country	City	Property	Sector	Sales price US$m	Comments
Singapore	Singapore	Twenty Anson	Office	387	CapitaLand Commercial Trust has sold the 20-storey building to an offshore private equity fund in the largest office transaction in Singapore in 2018. The asset was sold for S$516 million, a 19.2% premium to its December 2017 valuation.
South Korea	Seongnam	Alphadom City 6-3	Office	432	Mirae Asset has acquired the 87,710 sq m property from POBA (Public Officials Benefit Association) for ₩466 billion. The building is located in Pangyo Techno Valley, the South Korean version of Silicon Valley, home to the country's up-and-coming IT companies and game developers. The asset attracted numerous bids from both domestic and offshore investors and reflects growing investment interest in South Korea.
South Korea	Seoul	Kumho Asiana HQ Building	Office	387	Kumho Asiana Group will sell its headquarters building in Gwanghwamun in downtown Seoul to Germany's Deutsche Asset Management to aid the cash flow of Asiana Airlines Inc. This follows a string of deals in Q1, and again highlights increasing foreign investor demand in South Korea.
Thailand	Bangkok	The Bangkok Edition, Boutique Hotel	Hotel	204	The 154-room hotel has been sold to King Power by Thai developer Pace Development Corporation.

Americas

Country	City	Property	Sector	Sales price US$m	Comments
Argentina	Buenos Aires	Sheraton and Park Tower	Hotel	105	The Sheraton Buenos Aires Hotel & Convention Center and Luxury Collection Park Tower properties have been bought by PointState Argentum from hotel operator Starwood Hotels & Resorts Worldwide, Inc.
Canada	Calgary	411 1st Street SE	Office	83	Hines has acquired the CBD property from TT Portfolio Inc.
Canada	Edmonton	Sunwapta Business Centre	Industrial	49	Fiera Properties has purchased the nearly 39,000 sq m warehouse property from ONE Properties at a reported 6.1% initial yield.
Canada	Toronto	Parkway Place	Office	199	Romspen has acquired the 75,000 sq m suburban asset from Agellan Commercial REIT.

Country	City	Property	Sector	Sales price US$m	Comments
Canada	Toronto	Sheridan Centre	Retail	54	Sun Life Financial has sold the 51,000 sq m suburban Mississauga shopping centre to Sheridan Retail Inc.
Canada	Vancouver	Richmond Industrial	Industrial	44	Nexus REIT has purchased this over 16,000 sq m warehouse asset located in Richmond at a reported 6.5% initial yield.
U.S.	Boston	28 State Street	Office	418	Heitman has acquired the 53,000 sq m CBD property from a joint venture of Rockefeller Group and Mitsubishi Estate at a reported 4.8% initial yield.
U.S.	Boston	21 Properzi Way	Industrial	88	Rafi Properties has acquired the 28,000 sq m flex/R&D asset located in Somerville at a reported 3.7% initial yield.
U.S.	Charlotte	400 S Tryon Street	Office	100	Oaktree has acquired the 54,000 sq m asset from a joint venture of DRA Advisors and Trinity Capital at a reported 6.6% initial yield.
U.S.	Chicago	410 N Michigan Ave	Office	255	Investor Joe Mansueto has purchased Wrigley Tower, a 44,000 sq m asset on the Magnificent Mile. The property was sold by a joint venture of Zeller Realty Corp. and investors Brad Keywell, Eric Lefofsky and Byron Trott.
U.S.	Los Angeles	5300 Sheila Street	Industrial	121	Rexford Industrial Realty has purchased the 64,000 sq m warehouse property from Supervalu Inc.
U.S.	Multiple	GIC Real Estate Portfolio (3 hotels)	Hotel	1,635	GIC Real Estate Pte Ltd has sold a portfolio of three assets (totalling 2,342 rooms) to Blackstone Real Estate Advisors.
U.S.	New York	1745 Broadway	Office	633	A joint venture of Invesco and QSuper has purchased the 59,000 sq m asset from SL Green Realty Corp. and Caisse de dépôt at a reported 5.3% initial yield.
U.S.	Orange County	75 Enterprise	Office	152	Rockpoint Group has purchased the 46,000 sq m two-building asset located in Aliso Viejo from Deutsche AWM.
U.S.	Phoenix	6770 N Sunrise Blvd	Retail	133	YAM Properties has acquired the 47,000 sq m Glendale shopping centre from iStar Financial at a reported 7.1% initial yield.
U.S.	San Francisco	123 Mission Street	Office	290	Northwood Investors has purchased this 32,000 sq m South Financial District tower from HNA Group at a reported 4.75% initial yield.
U.S.	Silicon Valley	Sunnyvale Town Center, 200 W Washington Ave	Retail	95	Sand Hill Property Company has sold the 16,000 sq m Sunnyvale shopping centre to a joint venture of SARES-REGIS Group and Hunter Storm.

Illustrative Office Occupational Transactions in Q2 2018

Europe

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
France	Paris	Shift	Nestlé	Manufacturing	46,800
France	Paris	Convergence	Danone	Manufacturing	25,000
France	Paris	Le France	WeWork	Business Services	19,000
France	Paris	7 Rue de Madrid	WeWork	Business Services	11,000
France	Paris	Carré Michelet	MSD	Chemicals & Pharmaceuticals	9,900
Germany	Berlin	Südkreuz Office	Vattenfall Europe	Manufacturing	27,000
Germany	Dusseldorf	Heinrich Campus	Deloitte	Business Services	35,500
Germany	Munich	Die Macherei	Design Offices	Business Services	14,000
Russia	Moscow	Arbat 1	Aeroflot	Business Services	18,447
Russia	Moscow	VEB Arena	Transneft Technology	Mining & Exploration	12,666
Russia	Moscow	Efremova Street, 10	Transmashholding	Manufacturing	11,360
Russia	Moscow	Naberezhnaya Tower C	Ozon	Retail	11,221
Russia	Moscow	1Zhukov	Lamoda	Retail	7,061
Russia	Moscow	LeFORT	Nokia	ITES	5,600
Russia	Moscow	Krasnoselskiy (Phase II)	Blondinka.ru	Business Services	5,000
United Kingdom	London	Aviation House, 125-133 Kingsway, WC2	WeWork	Business Services	12,218

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
United Kingdom	London	Brunel Building, Paddington, W2	Sony Pictures Entertainment	ITES	7,172
United Kingdom	London	Royal Mint Court Buildings, EC3	Chinese Embassy	Public Administration	54,759
United Kingdom	London	Governors House, 5 Laurence Pountney Hill, EC4	Berwin Leighton Paisner	Business Services	11,828

Asia Pacific

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Australia	Sydney	55 Hunter Street	Macquarie Bank	Banking & Financial Services	50,000
Australia	Sydney	Barangaroo South C1, Barangaroo Avenue	WeWork	Business Services	10,032
Australia	Sydney	60 Martin Place	Norton Rose Fulbright/Henry Davis York	Business Services	9,527
China	Beijing	Zijin Science Park	Master News	ITES	9,610
China	Shanghai	Longemont Yes Tower	Kr Space	Business Services	5,491
China	Shanghai	World Trade Center	DuPont	Chemicals & Pharmaceuticals	4,410
Hong Kong	Hong Kong	Two Harbour Square	DBS	Banking & Financial Services	12,814
Hong Kong	Hong Kong	Hopewell Centre	AIA	Banking & Financial Services	9,290
India	Delhi	Candor TechSpace, Gurgaon NH-8 Phase 2 Building 8	Accenture	Business Services	3,575
India	Delhi	Two Horizon Center	WeWork	Business Services	4,529
India	Mumbai	Empire Tower	Cipla	Chemicals & Pharmaceuticals	4,350

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
India	Mumbai	HCC 247 Park - Tower A	Gravitas Technology	ITES	2,550
Japan	Tokyo*	Tokyo Midtown Hibiya	Panasonic	Manufacturing	3,173
Singapore	Singapore	Ocean Financial Centre	Dalian Commodity Exchange	Banking & Financial Services	216
Singapore	Singapore	Chevron House	ECOMMPAY APAC	Business Services	195
South Korea	Seoul	Jongno Tower	WeWork	Business Services	8,214
South Korea	Seoul	101 Pine Avenue	CJ Healthcare	Medical & Pharmaceuticals	4,802

*JLL estimate

Americas

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
Brazil	São Paulo	América Business Park - Atlanta & Philadelphia	Abril	Media	8,947
Canada	Toronto	160 Front Street W	Ontario Teachers' Pension Plan	Public Administration	22,297
Canada	Toronto	243 Consumers Road	Shoppers Drug Mart	Retail	17,651
Canada	Toronto	Yonge Corporate Centre	Ontario Lottery and Gaming Corporation	Public Administration	13,378
U.S.	Atlanta	600 W Peachtree St NW	State Properties Commission	Public Administration	28,647
U.S.	Chicago	433 W Van Buren Street	Walgreens	Retail	18,581
U.S.	Fort Worth	2200 W Airfield Drive	DexYP	ITES	41,713
U.S.	New York	435 10th Ave	Pfizer	Chemicals & Pharmaceuticals	73,579
U.S.	New York	1271 Avenue of the Americas	Latham & Watkins	Business Services	37,812
U.S.	New York	225 Liberty Street	J. Crew	Retail	30,162
U.S.	New York	770 Broadway	Facebook	ITES	29,729

Country	City	Property	Tenant	Industry Sector	Floorspace sq m
U.S.	Northern Virginia	7950 Jones Branch Drive	Appian	ITES	19,003
U.S.	Philadelphia	3 Fayette Street	Amerisource Bergen	Logistics	39,701
U.S.	Philadelphia	26-46 S 7th Street	ADP	Business Services	23,226
U.S.	Silicon Valley	130 Holger Way	Micron	ITES	21,929
U.S.	Silicon Valley	120 Holger Way	Micron	ITES	21,143

Global Real Estate Health Monitor

Definitions and Sources

Metro Area GDP: Change in Real GDP. Metropolitan Area Projection, 2018. Source: Oxford Economics

City Investment Volumes: Direct Commercial Real Estate Volumes. Metro Area Data. Rolling Annual Total in USD Billion. Source: JLL

City Investment Volumes Change: Direct Commercial Real Estate Volumes. Metro Area Data. Rolling Annual Change. Source: JLL

Capital Value Change: Notional Prime Office Capital Values. Year-on-Year Change. Latest Quarter. Source: JLL

Prime Yield: Indicative Yield on Prime/Grade-A Offices. Latest Quarter. Source: JLL

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

Rental Change: Prime Office Rents. Year-on-Year Change. Latest Quarter. Source: JLL

Net Absorption: Annual Net Absorption as % of Occupied Office Stock. Rolling Annual. Source: JLL

Vacancy Rate: Metro Area Office Vacancy Rate. Latest Quarter. Source: JLL

Supply Pipeline: Metro Area Office Completions (2018-2019) as % of Existing Stock. Source: JLL

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