CUSHMAN & WAKEFIELD

A Cushman & Wakefield Capital Markets Research Publication

WINNING IN GROWTH CITIES

2015/2016

CONTENTS

NEW YORK, USA

INTRODUCTION

Welcome to the 5th edition of our *Winning in Growth Cities* report.

When we first produced this back in 2011, the market recovery was just taking shape: volumes were rising in core cities, New York had reclaimed top spot from London and yield compression was picking up. However, risk was still in the air, and with supply tight, investors were facing some tough choices. Should they accept higher pricing in gateway cities or move on to second-tier markets? With cities being at the forefront of all key questions at this time, we started a new piece of research to focus on which would be the winners of the future. More than just answering this question, however, by taking our analysis down to a city level the study became much more engaging. Indeed, the excitement surrounding the cities themselves started to come through in the research we were undertaking.

Over the last five years, we have looked at not just which cities are growing and winning market share but also what drives their appeal to the occupiers and residents that, at the end of the day, create performance. A number of trends have emerged, typically around the themes of greater competition and a need for adaptability in the face of accelerating change. However, one of the most telling themes year after year has been that, while quantity in terms of size and liquidity is crucial for investors, it is not necessarily so for the people actually living and working in the city. For the users, quality is frequently more important – be that the quality of education, infrastructure, institutional integrity or the lifestyle and health the city promotes.

We hope that, by raising these issues, we have helped to shape our clients' thinking on what makes a winning city. Further, we also hope that we have contributed to the debate on how our great cities will evolve and which new competitors will emerge to become even greater cities of the future.

For further information or to join the debate, please contact the Cushman & Wakefield Research or Capital Markets teams.

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EXECUTIVE SUMMARY

THE REAR VIEW MIRROR

Global property investment rose 16% in the year to June and now stands at its highest since 2008, just 13% below the pre-crisis peak. What is more, given the escalation in the US Dollar, this understates the strength of the market. In Euro terms, global volumes rose 30% over the year.

Gateway cities have remained in exceptionally high demand, with many core, global players in particular still firmly focused on the most liquid and accessible markets. Yields in most such cities are now near record lows, and as a result, interest has spread to other cities, forcing a narrowing in the yield gap between primary and secondary cities.

Amidst heightened global volatility, however, this increase in risk taking has become more subdued in recent months, with some investors pushing back towards core cities. For example, the largest 25 targets significantly increased their market share over the year: a trend led by the USA and exemplified by New York, again the number one global market with an 8% market share.

New York has in fact increased its market share, driven by foreign buying in particular. London was again the second largest market overall but top for foreign buyers, while Tokyo, Los Angeles and San Francisco made up the rest of the top 5 — unchanged on last year. Los Angeles was the top city for industrial, London for offices and New York for retail, hospitality and multifamily.

International players have again been the most avid buyers of property, albeit the growth in their activity did slow compared with the previous year. Although American buyers are dominant, European investment globally increased at a faster pace. Asia is still the second largest global investor, while Middle Eastern buying increased strongly despite the lower oil price, driven primary by Qatar. The top global buyers by country were the USA, Singapore, Canada, China and Norway.

16%

In US Dollar terms, global property investment rose 16% in the year to June

"While the economic outturn has disappointed this year, the outlook is for improved growth into 2016 thanks in general to better domestic demand and corporate investment."

WHAT LIES AHEAD?

While increased global uncertainty will continue to affect investors, corporate confidence is still generally high. When allied to the changes in demand being wrought by new living and working practices, this underpins a fundamentally robust outlook for good quality real estate.

With businesses slowly gaining confidence, the occupier and investor cycles are becoming more synchronised. They do still remain some way apart in many cities, particularly in terms of how quickly landlords expect rents to increase compared with a frequently still cost conscious occupier. However, time is to some extent on the investors side, with a longer cycle than usual likely in this current market on the back of the lower-for-longer interest rate environment, deflationary pressures and what has to date been a slow development response to emerging supply pressures.

Moreover, while the economic outturn has disappointed this year, the outlook is for improved growth into 2016 thanks in general to better domestic demand and corporate investment. However, markets can not all be considered in the same light, with the pattern of growth increasingly divergent — depending on exposure to commodities, trading deficits and geo-political stability for example. A number of downside risks will in fact be evident:

- Volatility will be high as we draw closer to the point when this extended period of deeply relaxed **monetary policy** starts to reverse. Indeed, the actions of the Federal Reserve may have the most influence over the market in the next 2-3 years than events in China or other emerging markets. Even though many — including the eurozone, Japan and China — are still in a loosening phase, all markets will be influenced by the Feds actions as global quantitative easing (QE) starts to reverse, whatever their relative position on the spectrum today.
- Whenever they do come to each market, higher **interest rates** should be accompanying a healthier economy. Thus those markets where rates are rising will be expected to see both a stronger currency and a boost to corporate activity: two positives for property performance.
- A further area of risk comes from **financial markets**, with the transition towards a more normalised monetary policy bringing pricing volatility and the threat of rapidly changing financial flows, with emerging markets particularly at risk. However, while the removal of the very low risk premiums applied to bond markets will be disruptive, the relative calm of the markets over events — such as Greece's near default — suggests investor sentiment is resilient and the post-crisis "will to succeed" is still going strong.
- Of course, for that boost to be sustained, **structural reforms** are needed in many markets to lift productivity and cut barriers to entry, unlocking uncompetitive practices and releasing new demand. Europe is, in general, leading at least in terms of rhetoric but with solid gains evident in some other markets such as Spain, Portugal and Ireland. Elsewhere, reforms in markets such as Brazil are being tested, while others such as Japan and India continue to push ahead with exciting changes, and China's reforms are causing waves around the world. Such volatility has to be accepted as the price for pushing through the reforms markets need.

- **Migration flows** will be under the microscope like never before, with cities standing at the forefront of this as they urbanise and draw in workers and the needy alike. Migration offers an engine for growth from new ideas, capital and consumption, but it also can bring a threat where resource capacity is stretched and stability and cohesion weakened. The current problem, however, is of a scale not seen since the Second World War, with one in every 122 people on the planet displaced, a migrant or seeking asylum at the end of last year, according to the United Nations. The resolution of this matter could therefore be one of the key defining issues of the next five years. Indeed, those cities that can accommodate and integrate the migrant flow stand to gain both in profile and economic power at the expense of those too unstable, constrained or insular to do so.
- **Cities** themselves will continue to face a broad range of risk factors across both natural and man-made events such as war, oil price shocks or cyber disaster. Emerging markets in particular will need to shoulder a growing share of global economic risk as they continue to grow in importance. As younger cities, however, they often have an advantage in the battle to develop and expand capacity.
- With **urbanisation** and re-urbanisation accelerating, the pressures all cities face are mounting and so too is competition between cities. Consequently, cities need to not only get better connected and resourced but also make themselves more appealing and liveable — particularly to younger workers and students.

PROPERTY IMPLICATIONS

With an environment where interest rates will stay low for longer but investors will be nervy of the risks surrounding them, the current period of strong demand for stable, income-producing property should persist, and the cycle in most global markets will be longer than usual.

With still-rising liquidity and more profit taking and restructuring, activity is set to remain high, if not increase further, while yields will be pushed lower as short and long-term interest rates remain rooted to the floor. Our current forecast is for global volumes to rise 17% over the year to mid-2016, reaching a new record high of US$1.1 tn (excluding development), led again by growth in Europe and North America. We can expect a maintenance of high demand for core property deriving particularly from a risk-averse investment community. While the spreading of demand will continue from those unable to find core or seeking higher than current core returns, not all markets will benefit, with close attention to local risk premiums.

Foreign investment in particular looks likely to rise further, aided by an increasing supply of opportunities in many areas. North America will remain the key driver of cross-border demand, but capital from both Europe and Asia is likely to grow at a faster pace, encouraged by market volatility in other asset classes and an evident need to diversify. Investment growth from the Middle East may ease under the influence of ongoing lower oil prices, but the region is likely to continue to export capital in a bid to diversify — potentially favouring North America due to the currency and occupier market strengths in the region.

In identifying the winning cities for 2016, although major geopolitical factors remain in play, local market conditions should be of greater note, with a number of cities set to deliver steady rental growth due to constrained pipelines and firming demand. Core gateway markets such as London, Berlin, Paris, Sydney, Tokyo, Shanghai, Seoul, New York, Boston and San Francisco offer potential — albeit with more risk taking needed to boost returns, Among tier 2 markets, cities in Germany, the UK, USA and Japan will be a focus along with cities such as Madrid, Milan, Brussels, Adelaide, Austin and Raleigh-Durham. Those looking for higher risk in markets will seek markets such as Manila, Bengaluru, Mexico Istanbul or parts of Central & Eastern Europe.

Opportunities can be seen in all sectors, with offices closely linked to the economic cycle and retail and logistics enjoying a structural shift in demand due most notably to e-commerce but also other lifestyle changes. These traditional sectors will not have it all their own way, however, with demand set to keep expanding for new sectors, typically those reliant on real estate — such as student accommodation, hospitality and health care — and where long leases and public sector or other institutional backing is available.

Overall, demand in all sectors should focus on the right property and locations, with sustained low inflation indicating there will be generally no rising rental tide to lift all property and the performance enhancing benefits of leverage fading when borrowing costs incline.

WINNING CITIES FOR INVESTMENT

THE HEADLINES FROM 2014/15

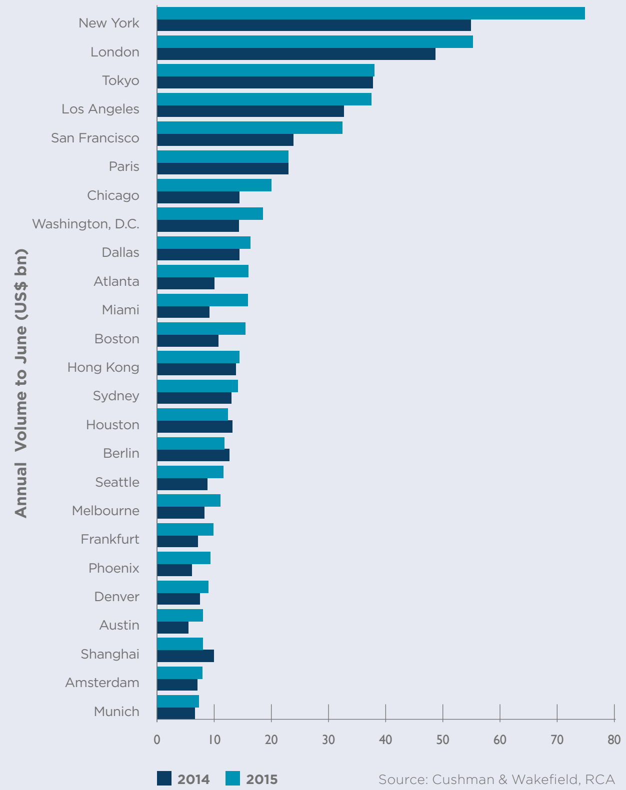
The global property investment market powered further ahead over the year to June with volumes rising 15.7% to US$942.8 bn (excluding development), driven in particular by global investors targeting North America and Europe.

Demand has been ever more focused on the biggest gateway cities — reversing a move towards smaller markets seen in 2014 — as a combination of risk aversion, profit taking and, importantly, a stronger occupier story have all pulled investors towards the biggest core cities for both prime and secondary or higher risk opportunities.

The top 25 investment targets saw capital rise 20.5% versus a 10.8% rise for the rest of the market, with the same trend evident across all sectors but most notable for retail and hospitality. As a result, the top 25 overall now hold a 53% market share, up from 50.7% in the year to June 2014.

The make-up of the top 25 was little changed on last year, with New York again top and the placings of the top six in unchanged. However, New York outgrew all of these top markets, increasing its global market share from 6.7% to 7.9%. Indeed, US cities overall had the best of the growth, with Miami and Atlanta particular winners (with volumes rising 75% and 61%, respectively), Chicago (up 39%) and San Francisco (up 36%) also performing well. Elsewhere in the top 10, London's market share stood at 5.9% following a 13.4% increase in volumes, while Tokyo and Paris saw volumes broadly stable on the previous year, holding a 4.0% and 2.4% market share respectively.

Fig 1: **TOP 25 CITIES FOR INVESTMENT (EX. DEVELOPMENT)**



Source: Cushman & Wakefield, RCA

178%

Mumbai was among the fastest growing investment markets in the year to June

MUMBAI, INDIA

Across the top 25 cities as a whole, 23 were unchanged, with just Austin and Phoenix moving in at the expense of San Diego and Stockholm. As a result, 14 of the top 25 are currently US cities, with 6 from Europe and 5 from Asia Pacific.

Interestingly, while US markets dominated the very top of the city leader board, among all larger markets (those generating over US$1 bn in sales per annum), some of the biggest rises were in two emerging Asian markets, namely Mumbai and Nanjing which posted gains of 178% and 143%, respectively. Mumbai has benefited from the increased focus shifting towards India as a whole, with the city in particular coming to prominence as a key financial hub offering larger lot sizes than most other Indian markets. Nanjing meanwhile is lifting from a lower base but is a favoured market for growth, benefitting from a new high-speed rail link and with a number of significant development sites trading in the past year.

These, however, were the only emerging markets to feature in the top 50 fastest growing investment cities, with the remainder including a number of smaller US cities such as Norfolk, Oklahoma City, Louisville and Portland but with New York, San Francisco and Chicago also among the top 50 fastest growing city markets.

Tier 2 European cities feature heavily, led by Madrid and Milan but with regional UK markets such as Glasgow and Bristol and tier 2 northern European cities such as Bremen, Oslo and Malmo also a strong feature. Other Asian representation was limited to Australia and New Zealand, with Auckland, Adelaide, Brisbane and Melbourne all featuring in the top 50.

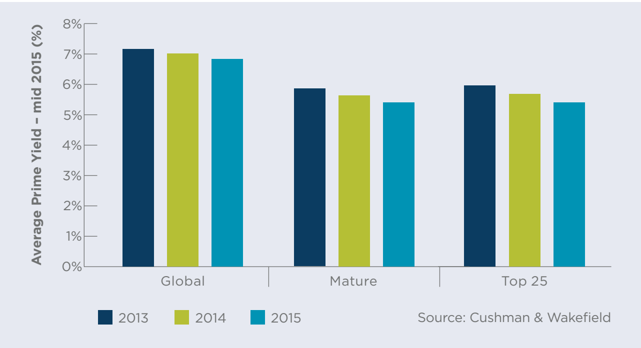
Overall, 31 of the fastest growing 50 cities were in North America (29 in the USA), 13 were in Europe (5 in the UK) and 6 were in Asia Pacific (3 in Australia).

MARKET PRICING

Yield compression picked up modestly in the last year as low interest rates and increased liquidity continued to impact.

The top cities pursued by global investors have a generally low yield profile, in line with many mature markets. In all sectors, yields in the top 25 markets have been falling at a faster pace than the market as a whole, with global prime yields down 18 bp in the year to June. The top 25 cities saw an average 27 bp drop, and mature markets overall were down 23bp.

Fig 2: **YIELD COMPRESSION FOR THE TOP 25 INVESTMENT TARGETS COMPARED**



Global prime yields on average are now 24bp below their previous cyclical low. That pattern is not uniform across all markets, however, with mature markets ahead of emerging and Asia furthest advanced. Indeed, despite the lead of markets like London, Paris and Munich, Europe overall is yet to hit pre-crisis levels. European yields on average are 33bp above their 2007 lows, while in the Americas yields are now averaging 22bp below and in Asia 64bp below.

Over the past year, compression has been led by the Americas and Europe and, most notably, by mature rather than emerging markets — even though the gap between tier 1 and tier 2 cities has closed. Trends in the coming year are likely to be similarly diverse,but with a less clear-cut divide between mature and emerging markets. An earlier rise in US interest rates is perhaps set to put a floor under yields there, but it may also signal a renewed widening in the prime to secondary yield gap unless rental growth is clearly emerging. Indeed, value-add opportunities are set to see further yield compression where occupier fundamentals justify the change.

Meanwhile, Europe should see further compression, with QE continuing or even increasing and the timing of any marked interest rate rises some way off. Among emerging markets, some will be hit as liquidity flows more towards the USA, but others may see downward pressure as investors seek out areas of higher yield, capable of delivering and sustaining occupier growth.

TRENDS BY SECTOR

Investment trends by sector in the top 25 cities were not dissimilar to the wider market, with retail weightings a little lower and office and apartments a little higher.

Interestingly, although the relative ranking of markets was broadly similar, hotel and office investment was much more heavily concentrated in the top 25 markets while retail and industrial was more broadly spread. Overall, 53% of all property investment (excluding development) occurred in the top 25 cities, but this ranged from 43% for retail up to 66% for offices. All sectors saw more demand bar development sites, which fell back in both the wider market and among the top 25 cities, largely down to falls in China.

Fig 3: **SECTORS OF ACTIVITY**

The strongest sector for growth in the wider market was hospitality (up 27.4%), driven by the US but with Europe also up strongly from a lower base. Multifamily (27%) was marginally behind, despite policy restrictions remaining in place in much of Asia. Industrial markets saw the next highest growth in volumes (19.7%) with offices (11.7%) and retail (7.6%) lagging behind. Among the top 25 cities, both hospitality and retail saw a much faster overall rate of growth as investors turned more towards gateway cities to access luxury, flagship retail and hotel property.

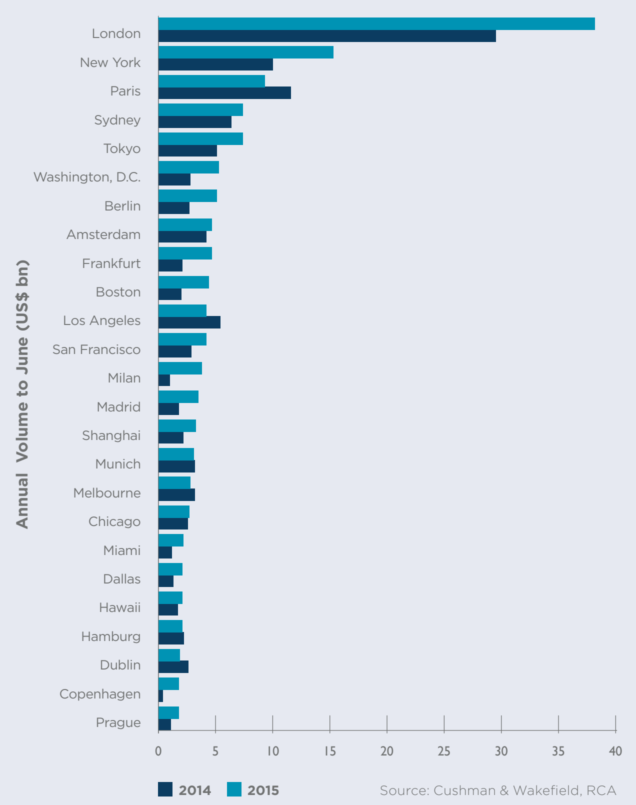
The top cities continue to be popular across multiple sectors: New York was top in retail, multifamily and hospitality; London was top for offices and second for hospitality; Los Angeles was top for industrial and second in both retail and multifamily; and Tokyo was a top 5 market in retail, office and industrial. Looking at the top 25 for sector investment, North American cities dominate in all sectors but most notably multifamily, followed by industrial. Offices are by far the most globally spread, with 10 North American cities, 7 Asian and 8 European making up the top 25. Retail is next in line; however, with 12 North American cities and 8 Asian marketsin the list, Europe, with just 5, appears under represented.

INTERNATIONAL CAPITAL FLOWS

The rate of cross-border investment growth, encompassing regional and global flows, actually slowed last year, standing at 21.4% compared to 39% the previous year.

However, this was still some way ahead of domestic growth of 13.7%. As a result, foreign players increased their share of the global market once more — now representing 27.5% of all trading as against 26.2% in 2013/14.

Fig 4: **TOP CITIES FOR GLOBAL INVESTORS (EX. DEVELOPMENT SITES)**



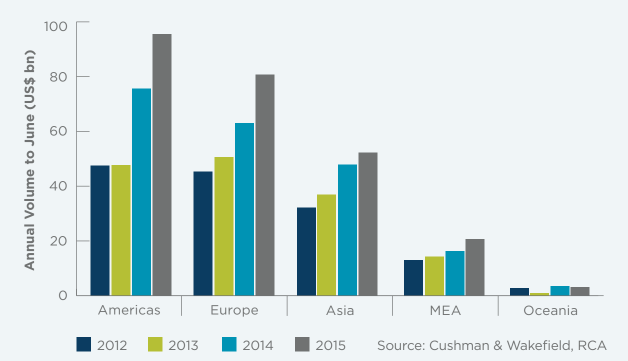
All markets saw greater global interest, but market share still varies significantly by region, ranging from 13.7% in North America to 25% in Asia, 40% in Latin America and 48.8% in Europe.

Among international players, London was again the most favoured market, with a near 16% share of trading making it almost equal to the next four markets combined. London also saw substantial further growth in overseas demand last year, rising by 29.9% in USD terms. However, this growth did lag behind New York (32.4%) and more particularly Tokyo (44.9%).

Overall, foreign demand was more broadly spread. with 12 of the top 25 in EMEA, 4 in Asia, and 9 in North America. The fastest growth among larger markets was in Copenhagen followed by Milan, Frankfurt and then Boston and Miami.

The biggest source of cross-border capital was again the Americas, with US$95.6 bn invested non-domestically, 37% of the total and 26% up on 2014. Although Europeans are the second biggest international buyer, a significant share of this is targeted within the region, and thus Asia is the number two capital source investing outside the home region.

Fig 5: **SOURCES OF INTERNATIONAL CAPITAL**

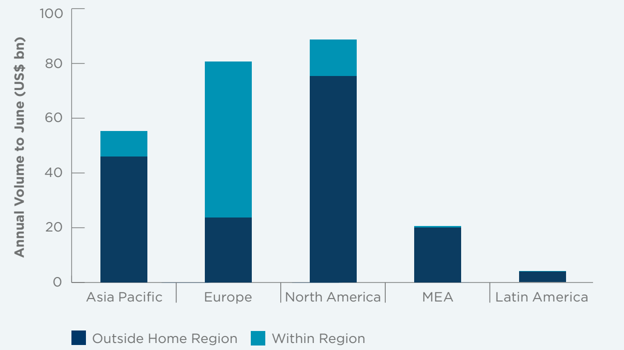


The fastest growing stream of international investment last year was from Europe, at 28.0%, followed by the Americas at 26.3%. Asian capital is the third most significant but rose at a slower pace (9.1%), while Middle Eastern investment rose 23.1% and investment from Australia and New Zealand actually fell back (down 11%).

Part of this pattern reflects changing investment within each region rather than globally. If regional investment is stripped out, Asian investors are number two after the Americas, and their investment rose 20% year-on-year as more Asian businesses have sought to diversify abroad and their initial focus on gateway cities in the US and the UK has started to spread more widely. The strongest global growth, however, came from Europe (up 65%), followed by the Americas (32%) while Middle Eastern global flows increased by 24%.

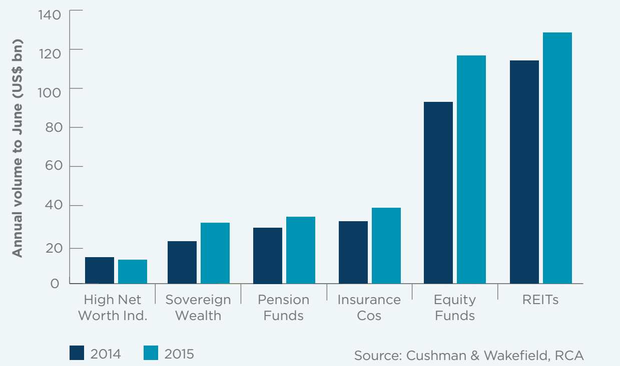
BERLIN, GERMANY

Fig 6: **REGIONAL VERSUS GLOBAL INVESTMENT**



Source: Cushman & Wakefield, RCA

Fig 7: **BUYER TYPES**



Source: Cushman & Wakefield, RCA

Within these numbers, the top 5 global investors have been the USA at US$66.8 bn, followed by Singapore (US$15.7 bn), Canada (US$11.9 bn), China (US$10.9 bn) and Norway (US$9.5 bn). Other key investor groups included the Qataris — who lifted investment by 368% to US$8.9 bn — as well as the UAE, plus Germany, the UK and South Korea.

Looking forward, higher interest rates may start to influence asset allocators in the USA away from real estate in the next 1-2 years. However, with increasing competition to buy domestically from foreign players, a strong outflow of US capital to other global markets is still likely, and Canadian demand in lower risk markets will also remain strong. Nevertheless, while North American dominance will continue, it may slow on a net basis as more private equity (PE) funds get ready to take profits. It may also move further towards new markets in search of higher returns.

Chinese and other Asian investors will continue their push to invest globally, with recent events and stock market turbulence adding to their need to diversify and reducing the options for safe investment domestically. This will result in both activity spreading further into new sectors and cities as well as demand broadening as new players emerge — be they corporates, high net worth individuals or investing institutions.

In the Middle East, lower oil prices have persisted, and this may lead to some changes in investment policies over the next year. However, uncertainty within the region and volatility in asset prices will continue to encourage an outward flow of investment towards gateway cities but also beyond as some investors from the region further loosen their risk tolerances in pursuit of higher returns. Demand within the region for secure assets may also improve, particularly in Dubai.

By investor type, REITs and private equity funds have been the most prolific buyers globally, but all investor types bar High Net Worth Individuals have increased the capital they are investing in the market in the past year. Sovereign Wealth funds have been particularly active, increasing their investment by 44%, followed by PE funds up 26%

LOOKING AHEAD

ECONOMIC BACKDROP

The economic performance of major cities around the world has continued to improve and is forecast to outperform national averages in 2015/16, with growth of 3.0%-3.5% forecast versus 2.5%-3.0% more generally. However, this performance will again grow more diverse, reflecting the same pressures impacting at a national level but emphasised by the differing drawing power of cities and their ability to build on the concentration of workers, assets and resources that they have.

At the same time, while many large cities are easily outpacing their national average, growth in many areas has been lower in early 2015 than in 2014 and while this pattern has been broad spread, an increasing dichotomy is evident between emerging and mature markets, with the former still at risk but the latter continuing a steady if slow recovery. This pattern is likely to persist into 2016, with advanced economies boosted by a still very supportive monetary policy. Even as US interest rates start to rise, the pace of increase will be slow and debt will remain cheap on an historic basis for some time.

Emerging market cities meanwhile are tending to outperform their national averages and even though growth has cooled, they are still closing the wealth gap on their more western competitors. However, looking at which city markets are outperforming their own recent economic history, and hence where growth pressures for commercial property will emerge, the list tends to be dominated by mature cities such as Barcelona, Copenhagen, Hamburg, London, Los Angeles, Madrid as well as recovering market such as Dubai and Dublin.

THE DOWNSIDE

The current profile of risks facing global markets are as broad as ever, ranging across geopolitics to separatism, wealth inequality, resources and environmental risk and migration. However, with many markets posting lower than expected economic growth in the opening part of 2015, key questions are focusing on what will drive global growth, what are the risks facing China and other emerging markets and when will interest rates start to rise.

Uncertainty in emerging markets has increased as financial market conditions have tightened amid increased volatility, exchange rate pressures, lower commodity prices and export demand as well as regional geopolitical tensions and conflicts. Conditions are far from uniform, however, with India seeing better growth as domestic demand has benefited from lower commodity and import prices. Poland also improved, seen as a relatively safe haven with rising domestic demand. The Philippines and Vietnam are also performing well, as are a number of increasingly significant markets in Africa.

3.0%-3.5%

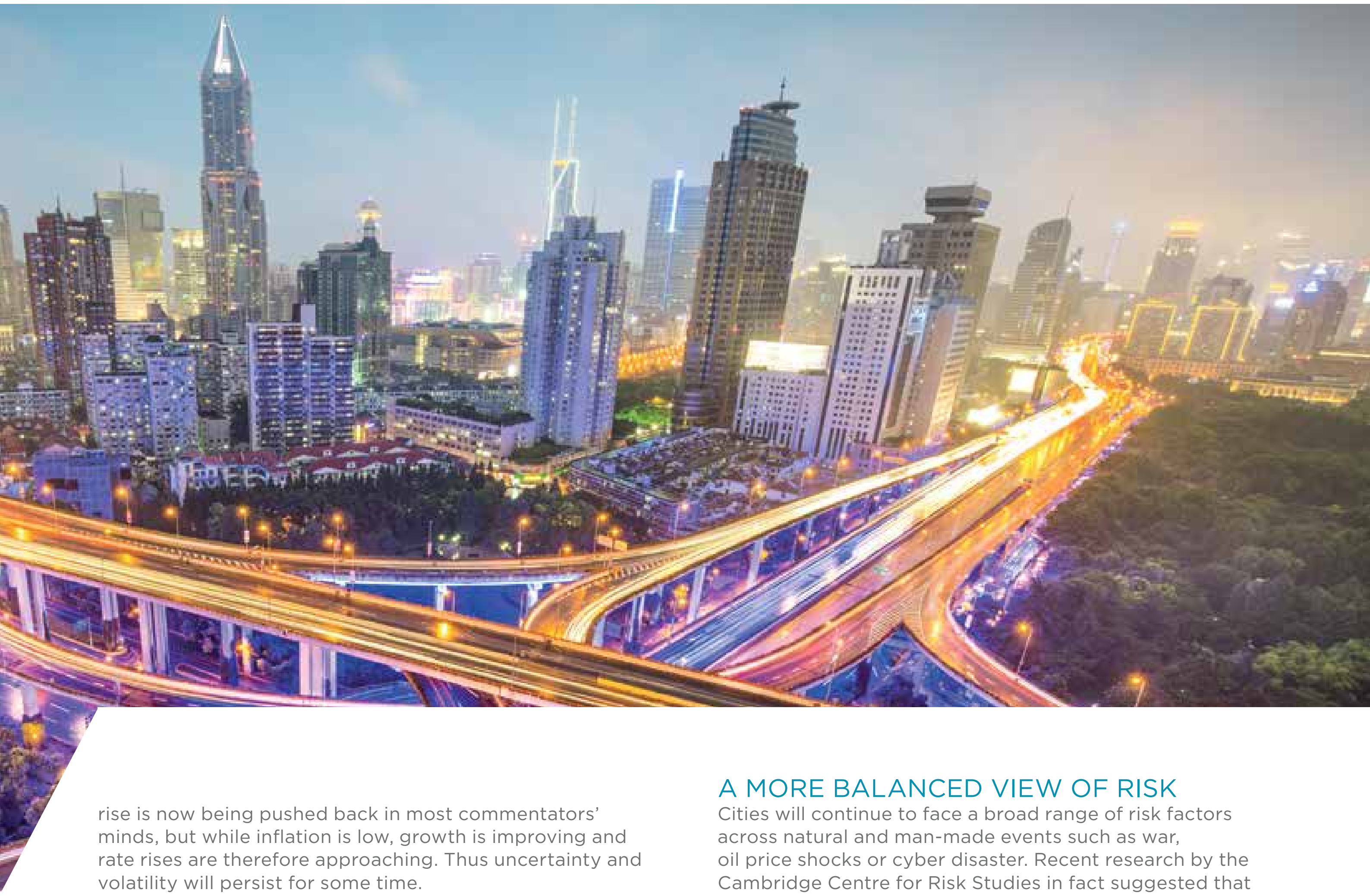
Forecast economic growth in major cities in 2015/16 — outperforming national averages


SHANGHAI, CHINA

While the implications of a slowdown in China itself could be far reaching — both for global growth and confidence — China's woes are really more a form of growing pains as it adjusts its economic model towards consumption over investment and introduces reforms to open up its economy. The authorities are under pressure, of course, and politics rather than economics could be a more significant risk. However, measures are in place to stabilise demand, and while the exceptional growth of recent decades is past, returning to growth of 6.0%-7.0% per annum from a now much larger economy is still enough to keep Chinese prosperity moving forward and drive global growth as well.

At the same time, increased volatility as well as a shortage of domestic investment opportunities and demand for diversification will continue to drive Chinese capital towards global markets. What is more, liberalisation in areas such as foreign exchange and the stock market is part of a positive long-term trend that will boost confidence in China as a business partner and help to maintain a two-way flow of capital and investment.

What is arguably more important in the short term than China is what is happening at the Federal Reserve and when this era of cheap, abundant money is going to start coming to an end. Every time we approach a point where QE or monetary policy are to be tightened, markets take fright, however well sign-posted the move is. A Fed rate



rise is now being pushed back in most commentators' minds, but while inflation is low, growth is improving and rate rises are therefore approaching. Thus uncertainty and volatility will persist for some time.

Looking more fundamentally, demographic shifts will remain a key driver of performance, whether that is in changing user needs from, for example, the growth of the millennial generation or the ageing of city populations more generally and changing population totals. The latter in particular will be more under focus due to migration: on one hand a key source of workers and a distinguishing factor of winning cities but on the other an increasingly socially devise issue, particularly with respect to the influx of lower paid workers.

The political sensitivity of the issue in most global markets is now being amplified by the mass exodus of economic migrants and refugees occurring away from the conflict zones of Africa and the Middle East. This refugee crisis is impacting Europe above all, but other regions are and will increasingly be affected. Aside from the tragic human cost, there is an economic cost from the disruption caused as well as the cost of processing and caring for the refugees.

Longer-term issues will persist if current instability driving migration does not settle down but there are of course positives from an increased market and labour force which will hopefully allay some of the negative trends of an ageing and shrinking population impacting on mature and some less mature markets. There is also potential for the increased integration of migrants and a show of compassion to help smooth the very conflicts giving rise to these issues.

A MORE BALANCED VIEW OF RISK

Cities will continue to face a broad range of risk factors across natural and man-made events such as war, oil price shocks or cyber disaster. Recent research by the Cambridge Centre for Risk Studies in fact suggested that the latter — man-made events led by a financial market crash — are the most severe economic risks facing cities overall based on an analysis of 22 risk factors. However, next in line in their analysis comes pandemics and natural disasters such as earthquakes and floods.

300 cites in all were analysed with the 50 riskiest highlighted. Overall the Cambridge Centre research found that Taipei and Tokyo were most at risk in terms of the scale of GDP that could be lost, followed by Seoul, Manila, Tehran and Istanbul in the second tier, with New York, Los Angeles, Hong Kong, Istanbul, Osaka, Shanghai, Mumbai, Buenos Aires, Delhi and Lima next in line in the third tier. In the highest risk tier, Paris was seen as the riskiest European market followed by London and Moscow.

While this is a mixed list between mature and emerging markets, the research found that emerging markets would face a growing share of global economic risk as they continue to grow in importance. The research also suggested that a growing share of the risks faced by cities are relatively new or rapidly developing such as cyber disasters or pandemics and therefore their likelihood and outcome is hard to predict, hence adding further to uncertainty. Their final conclusion however is that investment in risk mitigation via more robust institutions and stronger infrastructure for example, can reap huge benefits and reduce the burden of economic risk by as much as a half.

WHAT MAKES A WINNING CITY?

DEMOGRAPHICS & URBANISATION

ONLY **2**

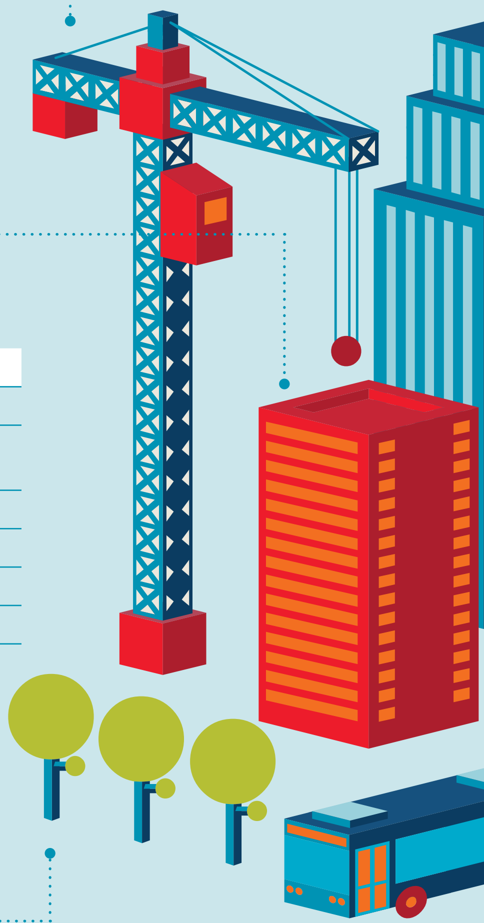
Of the fastest growing cities for property investment were in emerging markets last year.

TOKYO

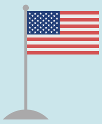
Remains the largest urban area in the world, followed by Jakarta and Delhi.

17/20

17 of the top 20 most bicycle-friendly cities are in Europe.



BUYER TYPE & SECTOR INVESTMENT



8/10

8 of the top 10 cities for multifamily residential property investment are American cities.

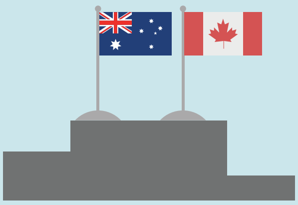
72%

Not only was Los Angeles top for industrial property investment, volumes grew by 72% in the year to June.

Where are investor types targeting?
And where are they growing their capital?

BUYER TYPE	CAPITAL	GROWTH
REITs	New York	Madrid
Sovereign Wealth Funds	London	Chicago
Pension Funds	London	Atlanta
Insurance Funds	London	Geneva
HNWIs	London	Hawaii
Equity Funds	New York	Barcelona

QUALITY OF LIFE



Of the top ten most liveable cities in the world, 7 are in Australia and Canada alone.

STOCKHOLM
TALINN
EDINBURGH
ZURICH
MUNICH

Are some of the least polluted cities in the world.

SEOUL & SINGAPORE

Are two of the cities with the lowest crime rate.

UNIVERSITIES & EDUCATION

LONDON

Considered the world's best city for hosting and attracting students. Followed closely by Paris and Seoul.

NEW YORK

The world's most "youthful" city offering the best suitability for young people.

STOCKHOLM

Ranks top for percent of population with higher education, followed by San Francisco and Paris.

CROSS-BORDER INVESTMENT

London is the world's top target market for cross-border property investment capital — and received 152% more capital than the second biggest target market, New York.

LONDON
$38.2 bn

Countries targeting the top 4 cities for cross-border investment.

1. USA	→	**London**
2. Canada	→	**New York**
3. USA	→	**Paris**
4. China	→	**Sydney**

Singapore tops for registered FDI projects and is considered the FDI 'city of the future'.

BUSINESS & TECHNOLOGY

LONDON
NEW YORK
PARIS

Are seen as the most appealing cities to work in for expatriates.

NEW YORK

WALL ST

The world's leading global financial centre, just surpassing London.

SAN FRANCISCO

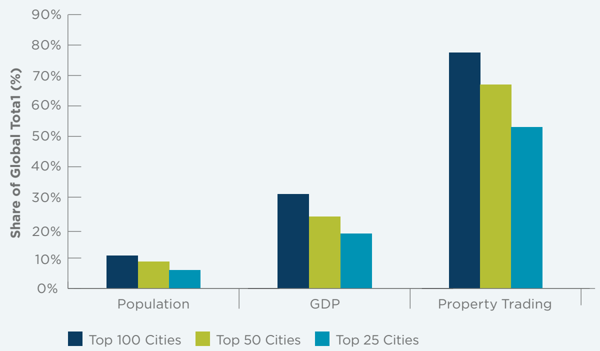
Considered the best in the world for innovation and has the highest density of venture capital firms in the world.

URBANISATION

Cities as we know are more important in market terms than their size suggests, with the top 100 accounting for 10% of population but 30% of GDP and 76% of property investment activity.

However while power lies increasingly with the city rather than the state, the hierarchy of cities is changing. Growth forces are in fact polarised between demand-side factors which favour a self-perpetuating focus on the biggest and the best, such as clustering and the agglomeration benefits that can follow, and other forces spreading power between a broader group, facilitated by supply-side factors such as technology and urbanisation as well as "scale sensitive" issues such as sustainability and changing living and working patterns.

Fig 8: **MARKET CONCENTRATION**



Source: Cushman & Wakefield, RCA, Various

Urbanisation is estimated to have passed a milestone last year with more people now living in cities than outside. The process won't slow down from here, with rapid urbanisation in emerging markets as well as re-urbanisation in many mature markets as lifestyles and demographics change, densification gathers pace and migration continues. However, the process is becoming more discerning with winners and loosers; not every city will carry on growing, particularly in underperforming mature markets or cities that lack their own identity or draw to compete for talent. Indeed, as competition mounts, cities need to get better connected and face a number of challenges:

76%

The top 100 cities account for 76% of global property investment activity

To make cities work and alleviate pressure on surrounding green areas, they will need to be **denser than today** so they can deliver accessibility and proximity at an affordable cost. Smart buildings make this possible but making denser living and working more desirable also requires creative planning and design to get round problems and provide vibrant, interesting, efficient but flexible and user-friendly working and living environments. These will typically be dependent on safe, affordable and reliable mass-transit systems, in many cases taking precedence over car borne accessibility.

Suburban areas also need to be remade to be fit for purpose. In less accessible places this will be via economics to make them attractively priced. Elsewhere it may be through improving access and public transportation, providing more mixed-use development and creating more public space and areas for the local community to interact.

Building the **right infrastructure** for the future: just at a time when public spending is under pressure in many areas, cities are demanding more investment — be it in infrastructure from utilities to roads to rail, or in public buildings and public space. This is needed to boost safety as well as efficiency, to raise a city's profile and confidence in its governance, but also to plan ahead for new technologies and new needs – for high speed communication, developing interactive power grids or adapting to electric vehicles or driverless cars for example. Public: private partnerships and other means of incentivising private sector investment will be key.

Thinking healthily: There are many strands to creating healthy cities but a sensible starting point is allowing – and where possible promoting – walking and cycling through both the infrastructure and public spaces but also via more mixed use facilities. A second must be in providing common space where the city's residents can meet and relax to provide a lower stress environment, be that on the grand scale of an urban park or High Line type innovation, or at a more local level in areas with seating, wi-fi areas and good lighting.

Information is power: Backed by more data openness, technology-enabled business models as well as new technology —be it in drones, sensors or smart apps — information will be key to making a city work. Indeed, it will make transportation more effective, services more accessible and well managed, as well as helping to adjust lighting or other services on an "as needed" basis, aiding health and safety as well as energy and operational efficiency and cost reduction — to name a few examples, Above all, it will deliver more insight and power into users hands so they feel empowered to contribute and able to thrive and innovate.

Inclusivity: Concentrations of the super-rich in a city can be a threat as well as an opportunity, and cities must be seen to serve all segments of the community. However "value-add" and high skilled a city becomes, it still needs a mix of workers and must accommodate their needs for housing, transportation and services in accessible facilities if it is to function successfully. This applies to the differing needs of the population by income, as well as age and ethnicity.

LIVEABILITY VERSUS SIZE

Cities clearly have at least part of their destiny in their own hands if they can capture the best of being "smart" and position themselves to draw in talent at all levels.

However, the building blocks that make them more likely to succeed are the same as ever, centred on the existing economic and cultural resources of the city and how they come together in terms of the quality of the working and living environment. Indeed, it is increasingly important to note that size is not everything. For example, according to the Economist Intelligence Unit, cities of all sizes can succeed, and size itself is no guarantee of competiveness, with the quality of a city's physical infrastructure of most importance and the quality of its institutions also highly correlated. Going forward, quality indicators that help to build, attract and retain a talented and creative workforce will be key.

Table 1 (page 16) shows some of the key indicators for a city today: starting from the obvious of economic size, moving onto its role as a financial centre and a hub for technology, and then looking at the softer side, its quality of life and more specifically its appeal to younger people. Across these areas, only a handful of markets take a global leading position in all cases and most of these will come as no surprise: London, New York, Tokyo, Paris, Singapore, San Francisco, Boston, Washington, Chicago, Sydney, Toronto and Amsterdam. Just behind this group are Los Angeles, Seoul, Shanghai, São Paulo, Hong Kong, Munich, Vancouver and Montreal who rank highly in 4 out of 5 segments.

This group dominates the upper reaches of the global ranking for most variables. Quality of life is one exception, however, where issues such as cost, security and environmental quality are often harder to deliver in a large city. Indeed, the highest ranked cities tend to be mid-sized cities in wealthier countries with a relatively low population density, which boast increased recreational activities but without high crime levels and overburdened infrastructure. Unsurprisingly, cities with major conflicts are ranked lowest while those subject to ongoing change and upheaval — such as Cairo or Kiev — have been most vulnerable to seeing living standards decline.

The high quality and liveable environments of market such as Vancouver, Vienna, Copenhagen and Frankfurt are pushing them further ahead as global targets. However, this "liveability" needs to be appealing to the young — the talent businesses are looking to recruit and serve — if the city is to really succeed in the future. On this measure it is interesting that the larger dominant cities re-assert themselves at the top of the hierarchy, with cool, dynamic and fast changing social and cultural environments appealing to younger workers and students.

According to Youthfulcities latest Global Index, New York just edged out London to be the best global city from a youth perspective, with Tokyo the leading Asian city and Mexico the leading Latin American and emerging market city. Based on their surveys of young people, they have identified and ranked a wide range of key indicators led by safety, affordability, transit and health but also including issues such as digital access, film and music and diversity.

Clearly no city can excel across all of these areas on a sustained basis. However, this underlines both the growing degree of competition that exist between cities as well as the need for cities to continue to develop and evolve to meet the changing demands placed upon them.

From a property investment perspective, such a message points to not only the value of diversification but also the need to focus on core markets where the fundamentals are right across a range of variables and the drivers of growth are understood and catered for. Just investing in a centre because it has a cluster of growth industries, for example, may only be right for the short term. Rather, it could be a concern if the city cannot adapt and appeal to other users and sustain a vibrant, growing economy going forward, with the right quality and flexibility of property to meet more exacting but changing user needs.

TABLE 1: **MARKET POWER**

	ECONOMIC SCALE	FINANCIAL CENTRE	TECHNOLOGY HUB	QUALITY OF LIFE	TALENT – APPEAL TO YOUNG PEOPLE
1	Tokyo	New York	London	Vienna	New York
2	New York	London	San Francisco	Zurich	London
3	Los Angeles	Hong Kong	Tel Aviv	Auckland	Berlin
4	Seoul	Singapore	New York	Munich	San Francisco
5	London	Tokyo	Stockholm	Vancouver	Paris
6	Paris	Zurich	Berlin	Düsseldorf	Toronto
7	Osaka	Seoul	Singapore	Frankfurt	Chicago
8	Shanghai	San Francisco	Bangalore	Geneva	Los Angeles
9	Chicago	Chicago	Boston	Copenhagen	Mexico City
10	Moscow	Boston	Seoul	Sydney	Amsterdam
11	Beijing	Toronto	Toronto	Amsterdam	Washington, D.C.
12	Cologne-Düsseldorf	Washington, D.C.	Beijing	Wellington	Tokyo
13	Houston	Geneva	Dublin	Bern	Boston
14	Washington, D.C.	Riyadh	Hong Kong	Berlin	Tel Aviv
15	São Paulo	Vancouver	Austin	Toronto	Warsaw
16	Hong Kong	Shanghai	Amsterdam	Hamburg	Sydney
17	Dallas	Luxembourg	Copenhagen	Melbourne	Vancouver
18	Mexico City	Montreal	Los Angeles	Ottawa	Montreal
19	Guangzhou	Frankfurt	Paris	Luxembourg	Hong Kong
20	Tianjin	Doha	Sydney	Stockholm	Santiago
21	Singapore	Sydney	Melbourne	Stuttgart	Seoul
22	Nagoya	Shenzhen	Moscow	Brussels	Madrid
23	Shenzhen	Dubai	Washington, D.C.	Perth	Dallas
24	Boston	Busan	Seattle	Montreal	Rome
25	Istanbul	Taipei	Chicago	Nuremberg	Detroit
26	Philadelphia	Abu Dhabi	Eindhoven	Singapore	Rio de Janeiro
27	Suzhou	Tel Aviv	Mumbai	Adelaide	Buenos Aires
28	San Francisco	Melbourne	Oulu	Paris	Osaka
29	Taipei	Beijing	Zurich	San Francisco	Bogota
30	Jakarta	Munich	Santiago	Canberra	Moscow
31	Amsterdam-Rotterdam	Osaka	Munich	Helsinki	São Paulo
32	Buenos Aires	Johannesburg	Delhi	Oslo	Lima
33	Chongqing	Calgary	Houston	Calgary	Miami
34	Milan	Vienna	Dallas	Boston	Quito
35	Busan-Ulsan	Stockholm	Shenzhen	Dublin	Johannesburg
36	Atlanta	Paris	Vienna	Honolulu	Tehran
37	Toronto	Kuala Lumpur	São Paulo	Brisbane	Shanghai
38	Seattle	Amsterdam	Vancouver	Barcelona	Karachi
39	Miami	Santiago	Tokyo	Lyon	Singapore
40	Madrid	Casablanca	Kuala Lumpur	London	Mumbai
41	Brussels	São Paulo	Auckland	Lisbon	Jakarta
42	Chengdu	Istanbul	Barcelona	Milan	Delhi
43	Wuhan	Bahrain	Dubai	Chicago	Istanbul
44	Frankfurt	Rio de Janeiro	Manchester	New York	Casablanca
45	Sydney	Almaty	Denver	Seattle	Bangkok
46	Munich	Bangkok	Montreal	Tokyo	Manila
47	Hangzhou	Dalian	Shanghai	Kobe	Durban
48	Wuxi	Dublin	Prague	Los Angeles	Cairo
49	Minneapolis	Mumbai	Helsinki	Yokohama	Lagos
50	Qingdao	Mexico City	Miami	Washington, D.C.	Dubai
	GDP 2014 PPP Brookings	*Z/Yen 2015 GFCI*	*Composite based on various studies – C&W*	*Mercer 2015*	*Youthfulcities, 2015,most attractive for young people*

Note: Shaded cities appear in 5 categories.

Source: Cushman & Wakefield, Various

STRATEGY

The year ahead will offer a changing but positive macro backdrop.

Investors will nonetheless have to continue coping with a higher level of volatility and as a result will tend to focus heavily on risk — with many asking the question should they take property and leasing risk in low risk core cities or expand their horizons to higher risk cities? Their conclusions will of course depend on their tolerance for different kinds of risk, their experience, their need for liquidity and their likely investment timeframe.

A starting point, therefore, will be views on where we are in the monetary cycle. The coming year may see something of a sea change as monetary policy starts to tighten and we start the process of rolling back QE and normalising monetary policy. However, on balance more markets are still likely to be stimulating rather than restricting their economies, and what by historic standards will be ultra-low interest rates will be with us for some years in many cases. Hence investors should have a longer cycle to exploit market opportunities.

The expectation of higher US interest rates and a stronger economy will continue to encourage a flow of investment towards US dollar assets and, in particular, away from many emerging markets. Growth patterns will also continue to favour mature over emerging markets, although not exclusively: opportunities will come in both camps. For example, mid-range cities in India and China are now in the faster growing category as they enjoy catch-up growth relative to their big neighbours but also as their scale makes them more accessible.

Some emerging markets are also less dependant on dollar or Yuan trade flows and some — like South Korea, Mexico and Taiwan — have the scope to boost government spending or are making (or could) quick reforms to promote market activity. Infrastructure spending is one fruitful area to exploit.

Nonetheless, there should also be an increased focus on getting the real estate right and not just counting the income. This will deliver risk-averse investor demand in core proven markets — including those markets such as Tokyo, London and New York where rental pressures are particularly evident. There are, in fact clear, fair-value opportunities in a range of core markets in the Americas, Europe and Asia where steady growth can be anticipated to accommodate current pricing levels. Indeed, in some cases, yields will fall further.

A number of these markets also offer value-add opportunities across all sectors via taking leasing risk, redevelopment or outright new development. At the same time, more city risk can also be taken, both as rising costs and limited supply in core markets cause occupiers to look further afield but also as economic activity spreads and fundamentally attractive, if not smaller, business locations come under the spotlight. With development risk shunned outside the top markets, supply pressures and investment opportunities in a number of sectors are already being seen in such cities in the USA, UK, Japan and Germany, for example. This will spread to other markets such as the Netherlands and Spain over the coming year and on to emerging markets such as China, India, Mexico and Turkey, perhaps with more focus on retail and logistics than offices.

However, a critical issue for large scale investors will continue to be finding an adequate pool of assets to invest in. Large funds need a market which is scalable, offers choice but also a potential exit and enough opportunities to build a portfolio efficiently. Hence a move into smaller markets will not suit all — or may be best tackled indirectly.

Table 2: **CITY TARGETS FOR INVESTMENT IN 2016**

	AMERICAS	ASIA PACIFIC	EMEA
CORE	• **Offices**: US CBD Gateway cities (New York, San Francisco and Los Angeles); core Canadian cities (Toronto and Vancouver) • **Retail**: Core 24-hour gateway cities in the USA and Canada • **Apartments**: Multifamily in top US cities e.g. New York, Boston, San Francisco, Los Angeles	• **Offices**: Sydney, Melbourne, Shanghai, Beijing, Tokyo Singapore and Seoul • **Retail and Hospitality:** Hong Kong, Tokyo, Sydney, Osaka and Singapore • **Residential**: Japan • **Logistics**: Singapore, Sydney, Hong Kong, Tokyo and Osaka	• **Offices**: London, Paris, Stockholm, Munich, Frankfurt and Berlin • **Retail**: Dominant shopping centres and luxury/flagship high streets in Core German and Nordic cities, plus Paris and London • **Logistics**: London, Paris, Munich, Hamburg, Rotterdam and Antwerp
CORE-PLUS	• **Offices**: Core space, growth markets (Atlanta, Boston, Seattle and other tech or lifestyle cities) • **Development**: gateway cities • **Suburban offices**: Core US and Canada cities • **Logistics**: Core assets in Southern California, New Jersey, Miami and Seattle, as well as Dallas and Chicago • **Core leased assets**: Mexico	• **Offices**: Singapore, Hong Kong, Seoul, key Indian cities: NCR, Mumbai and Bangalore, plus Beijing, Shanghai • **Retail**: Growth markets such as Singapore, Chengdu, Jakarta, Kuala Lumpur and Seoul • Mid-market centres in tier 2 Chinese cities close to Shanghai and Beijing. Osaka in Japan • **Residential**: Hong Kong, Singapore	• **Offices**: Amsterdam, Brussels, tier 2 German and UK Cities, Prague, Madrid, Barcelona, Milan, Lisbon, Warsaw plus development in core cities: London, Paris, Stockholm, Frankfurt, Berlin • **Retail**: Retail refurbishment in core cities in northern Europe. Core space in larger cities in Italy, Poland and Spain • **Logistics**: German second-tier, Warsaw, Prague and Budapest
OPPORTUNISTIC	• **Logistics**: Market-servicing key Brazilian and Mexican cities • **Retail and residential development**: Santiago, 1st and 2nd tier Brazilian, Mexican and Colombian cities • **Offices**: Mexican cities for short-term gain • **Under-rented Class A US office and apartment property**: South Florida, Dallas and Chicago	• **Offices in emerging growth markets**: Manila, Jakarta and Kuala Lumpur • **Retail**: Emerging markets including Hanoi, Bangkok, New Delhi as well as other top Indian and Chinese cities • **Logistics**: Gateway Chinese cities including Shanghai, Beijing and Guangdong, as well as Indian hubs, Hong Kong and Singapore	• **Offices**: Spec development and repositioning in core West and Nordic cities, plus let property in Moscow, Istanbul and the EU East • **Retail**: Major cities in Turkey; Eastern markets of the EU, led by Romania, and active management/development in larger cities • **Logistics**: Development and units serving large Eastern European cities and peripheral western cities, e.g. Oporto, Barcelona and Milan

Source: Cushman & Wakefield, Global Capital Markets

In the office sector, CBD markets are still favoured, mirroring demand trends among corporate occupiers — although interest will strengthen from both groups in suburban and decentralised markets where there is strong access and a more diverse, mixed-use environment. The drive towards BPO markets is also strengthening as corporates look to cut costs and raise efficiency. However, the beneficiaries of this are as likely to be tier 2 mature cities such as Birmingham, Atlanta or Perth as they are more traditional than offshore targets such as Bengaluru, Manila, Mexico, Dublin or Krakow.

In the retail sector, consumer confidence is up in many regions, notably the US but also much of Europe. Key centres in Asia are also more buoyant as foreign demand and interest in new flagship stores drives interest, particularly in tourist-linked cities. The overall demand for space in many cases is, of course, still negative thanks to the changes being wrought by the internet and new retailing patterns, but these changes are at the same delivering new patterns of demand, focused on key centres and high streets. This includes asset repositioning and redevelopment in some cases as larger flagships and more mixed-use facilities are demanded to accommodate more services and better access.

The same factors are also continuing to revolutionise the logistics market around the world, opening up core and higher risk opportunities including ground-up development as faster delivery times are demanded. Urban facilities for the “last mile” offer the greatest potential gains and security — although out-of-centre big box logistic facilities are also seeing strong growth in well-accessible locations to service these cities. Growth is broad based at present, with major cities in all regions enjoying increased rents: for example Montreal, Miami, San Francisco, Los Angeles, Hong Kong, Auckland, Tokyo, London, Lille and Dublin.

GLOBAL YIELDS

The following figures indicate the views of Cushman & Wakefield's Capital Markets team and relate to the top investment city and very best prime property in each market rather than an historic or sample average. The figures are drawn from legacy C&W databases.

Table 3: **GLOBAL YIELDS JUNE 2015**

REGION	COUNTRY	OFFICES	SHOPS	INDUSTRIAL
Americas	Argentina	7.25%	7.50%	10.00%
Asia Pacific	Australia	5.50%	5.25%	7.25%
EMEA	Austria	4.65%	3.20%	7.25%
EMEA	Bahrain	10.00%	9.00%	9.00%
EMEA	Belgium	6.00%	4.00%	6.90%
Americas	Brazil	8.50%	8.00%*	10.50%
EMEA	Bulgaria	8.75%	8.75%	11.25%
Americas	Canada	4.90%	4.00%	5.70%
EMEA	Channel Islands	6.00%	6.50%	–
Americas	Chile	8.00%	7.50%*	9.50%
Asia Pacific	China	4.60%	4.70%*	7.50%
Americas	Colombia	7.70%	16.00%*	17.50%
EMEA	Croatia	8.25%	8.00%	9.00%
EMEA	Czech Republic	6.00%	5.00%*	7.00%
EMEA	Denmark	5.00%	3.75%	7.50%
Americas	Ecuador	12.00%	15.00%	12.50%
EMEA	Estonia	7.00% – 7.50%	8.00%	8.50% – 8.75%
EMEA	Finland	4.50% – 5.00%	5.00%	7.25%
EMEA	France	3.75%	3.25%	6.50%
EMEA	Germany	3.85%	3.40%	6.00%
EMEA	Greece	8.30%	7.00%	11.00%
Asia Pacific	Hong Kong	3.00%	2.30%	2.90%
EMEA	Hungary	7.25%	7.25%*	8.50% – 9.00%
Asia Pacific	India	8.00% – 10.00%	8.00% – 10.00%	8.00% – 10.00%
Asia Pacific	Indonesia	7.00%	10.00%	10.00%
EMEA	Ireland	4.25%	3.90%	6.00%
EMEA	Israel	7.25%	7.25%	7.50%
EMEA	Italy	4.75%	4.00%	7.50%
Asia Pacific	Japan	3.20%	3.40%	5.00%
EMEA	Latvia	7.00% – 7.50%	6.75% – 7.75%	8.75% – 9.25%
EMEA	Lithuania	7.00% – 7.25%	6.75% – 7.00%	8.50% – 9.50%

Table 3: **GLOBAL YIELDS JUNE 2015**

REGION	COUNTRY	OFFICES	SHOPS	INDUSTRIAL
EMEA	Luxembourg	5.10%	4.75%	8.00% – 8.50%
Asia Pacific	Malaysia	6.50%	5.50% – 6.50%	7.50%
Americas	Mexico	10.50%	10.25%	11.50%
EMEA	Netherlands	5.70%	4.10%	6.25% – 6.75%
Asia Pacific	New Zealand	7.00%	5.25%	6.50%
EMEA	Norway	4.40%	4.50%	5.75%
Americas	Peru	9.40%	15.00%*	12.00%
Asia Pacific	Philippines	8.00%	3.00%*	11.40%
EMEA	Poland	6.00%	5.50%*	7.25%
EMEA	Portugal	5.50%	5.25%	7.00%
Asia Pacific	Rep. of Korea	5.00% – 6.00%	6.75%*	–
EMEA	Romania	7.75%	7.50% - 7.75%*	9.75%
EMEA	Russia	10.50% – 11.00%	10.00% – 11.00%*	12.00% – 13.00%
EMEA	Serbia	9.25%	7.75%	11.25%
Asia Pacific	Singapore	4.00%	5.50%	6.70%
EMEA	Slovakia	7.25%	6.50%*	7.50% – 8.50%
EMEA	Slovenia	8.50%	7.00%	10.25%
EMEA	South Africa	8.75%	7.25%*	9.75%
EMEA	Spain	4.50%	4.00%	7.00%
EMEA	Sweden	4.10%	4.00%	6.25%
EMEA	Switzerland	3.70%	3.20%	5.60%
Asia Pacific	Taiwan	2.30%	2.00%	3.00%
Asia Pacific	Thailand	7.00%	8.00%*	8.00%
EMEA	Turkey	6.80%	5.80%	8.50% – 9.00%
EMEA	Ukraine	13.50%	12.00% – 13.50%	14.00% – 15.00%
EMEA	United Arab Emirates	7.25%	7.50%*	9.50%
EMEA	United Kingdom	3.50%	2.25%	5.00%
Americas	USA	3.90%	2.75%	5.45%
Asia Pacific	Vietnam	11.25%	11.50%*	10.00%

*Shopping Centres

Note: Yields markes in red are calculated on a net basis to include transfer costs, tax and legal fees.

Source: Cushman & Wakefield

INVESTMENT VOLUMES

Table 4: **TOTAL INVESTMENT VOLUMES (EX DEV. SITES)**

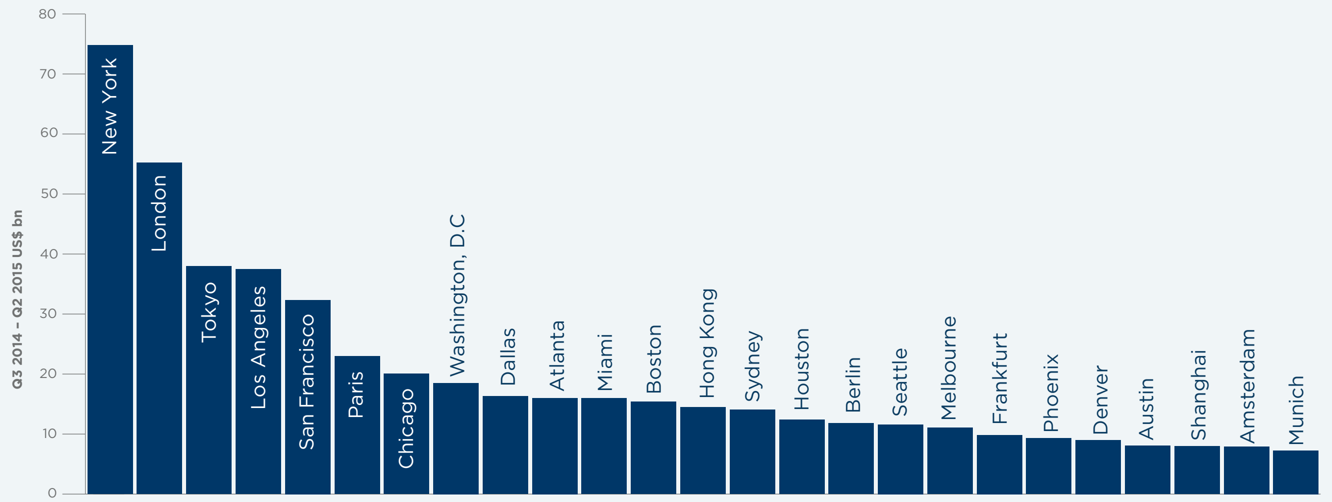
	METRO	Q3 2014 - Q2 2015 (US$)	GROWTH*
1	New York	74,799,870,615	36.3%
2	London	55,206,679,357	13.4%
3	Tokyo	37,971,179,153	0.7%
4	Los Angeles	37,457,376,509	14.4%
5	San Francisco	32,355,485,613	35.9%
6	Paris	22,955,312,136	-0.2%
7	Chicago	20,036,200,994	39.4%
8	Washington, D.C	18,515,548,212	29.5%
9	Dallas	16,296,780,618	13.4%
10	Atlanta	16,022,394,226	60.7%
11	Miami	15,949,703,541	74.5%
12	Boston	15,365,776,426	43.2%
13	Hong Kong	14,447,415,389	4.9%
14	Sydney	14,075,615,656	7.9%
15	Houston	12,365,902,892	-6.2%
16	Berlin	11,814,090,834	-6.2%
17	Seattle	11,609,540,148	31.9%
18	Melbourne	11,078,147,297	33.1%
19	Frankfurt	9,845,334,528	38.0%
20	Phoenix	9,312,751,061	53.5%
21	Denver	9,029,533,977	19.6%
22	Austin	8,046,028,787	45.3%
23	Shanghai	7,978,366,830	-19.6%
24	Amsterdam	7,942,738,059	13.3%
25	Munich	7,271,540,067	9.9%

Table 4: **TOTAL INVESTMENT VOLUMES (EX DEV. SITES)**

	METRO	Q3 2014 - Q2 2015 (US$)	GROWTH*
26	San Diego	7,251,264,452	-0.3%
27	Madrid	7,097,274,018	164.3%
28	Orlando	6,981,214,900	55.1%
29	Stockholm	6,338,824,520	-20.7%
30	Hawaii	6,048,702,620	48.5%
31	Osaka	5,839,892,968	26.1%
32	Hamburg	5,794,518,685	23.7%
33	Toronto	5,780,113,060	-23.9%
34	Singapore	5,575,750,013	-24.4%
35	Beijing	5,408,756,455	-25.9%
36	Brisbane	5,368,732,014	39.2%
37	Philadelphia	5,333,247,720	-22.0%
38	Seoul	5,264,240,793	-16.0%
39	Nanjing	5,190,516,937	142.6%
40	Minneapolis	5,098,620,802	64.1%
41	Raleigh/Durham	4,867,567,697	86.1%
42	Charlotte	4,763,778,197	46.2%
43	Tampa	4,763,108,826	55.5%
44	Portland	4,459,699,959	91.5%
45	Milan	4,258,359,663	142.1%
46	Dublin	4,257,624,236	-3.7%
47	Oslo	4,250,853,127	92.7%
48	Manchester	4,224,580,070	25.2%
49	San Antonio	3,727,740,580	58.7%
50	Birmingham (UK)	3,708,838,018	27.4%

*Compared to previous 12 months. Source: Cushman & Wakefield, Real Capital Analytics

TOP 25 CITIES FOR GLOBAL PROPERTY INVESTMENT (EX DEV. SITES, Q3 2014 – Q2 2015)



Source: Cushman & Wakefield, RCA

TOP 10 CITIES FOR INVESTMENT BY SECTOR

Table 5: RETAIL INVESTMENT VOLUMES

	METRO	Q3 2014 – Q2 2015 (US$)	GROWTH*
1	New York	12,982,177,343	47.2%
2	Los Angeles	7,899,343,804	44.1%
3	London	7,001,151,036	18.0%
4	Tokyo	5,292,029,661	-15.7%
5	Melbourne	4,785,206,147	155.1%
6	Hong Kong	4,766,036,158	23.3%
7	Miami	4,721,930,850	179.7%
8	Nanjing	4,203,775,884	157.9%
9	Hawaii	3,553,067,286	217.7%
10	San Francisco	2,913,887,613	58.5%

Table 6: OFFICE INVESTMENT VOLUMES

	METRO	Q3 2014 – Q2 2015 (US$)	GROWTH*
1	London	36,172,154,424	1.4%
2	New York	31,220,860,650	24.9%
3	Tokyo	23,564,942,036	7.2%
4	San Francisco	16,748,118,298	40.4%
5	Paris	16,364,914,806	3.1%
6	Boston	9,702,900,465	49.7%
7	Los Angeles	9,322,222,921	-30.1%
8	Chicago	9,318,797,316	60.5%
9	Washington, D.C.	8,468,025,024	14.1%
10	Sydney	7,171,932,178	-15.9%

Table 7: INDUSTRIAL INVESTMENT VOLUMES

	METRO	Q3 2014 – Q2 2015 (US$)	GROWTH*
1	Los Angeles	8,376,737,761	72.4%
2	New York	4,707,207,711	3.9%
3	San Francisco	4,627,198,402	60.9%
4	Chicago	3,397,715,254	55.2%
5	Tokyo	3,244,199,016	-1.4%
6	Dallas	2,729,160,756	26.2%
7	Sydney	2,590,013,994	52.0%
8	Atlanta	2,291,096,385	59.9%
9	Hong Kong	2,174,603,014	-8.7%
10	Miami	1,688,804,942	91.6%

Table 8: DEVELOPMENT SITES INVESTMENT VOLUMES

	METRO	Q3 2014 – Q2 2015 (US$)	GROWTH*
1	Shanghai	29,390,508,884	-21.4%
2	Beijing	23,391,258,004	-39.3%
3	Chongqing	15,244,070,866	-45.1%
4	Guangzhou	12,959,034,742	-0.7%
5	Seoul	10,858,645,232	7538.6%
6	Nanjing	10,785,350,813	-34.7%
7	Wuhan	10,728,707,100	14.2%
8	Hangzhou	9,876,246,380	-57.4%
9	Tianjin	8,686,474,682	-46.8%
10	Chengdu	8,066,137,656	-29.3%

Table 9: MULTIFAMILY RESIDENTIAL INVESTMENT VOLUMES

	METRO	Q3 2014 – Q2 2015 (US$)	GROWTH*
1	New York	18,925,017,473	38.4%
2	Los Angeles	8,812,441,490	20.5%
3	Atlanta	6,695,276,059	69.2%
4	Dallas	6,680,231,473	14.9%
5	Houston	5,562,612,482	9.4%
6	San Francisco	5,514,193,712	30.1%
7	London	5,323,573,404	98.7%
8	Berlin	5,081,319,085	-33.4%
9	Washington, D.C.	5,022,652,104	48.0%
10	Denver	4,173,062,075	74.4%

Table 10: HOTEL INVESTMENT VOLUMES

	METRO	Q3 2014 – Q2 2015 (US$)	GROWTH*
1	New York	6,964,607,438	145.1%
2	London	5,291,464,632	89.2%
3	Miami	3,196,235,257	24.4%
4	Paris	3,132,600,644	114.8%
5	Los Angeles	3,046,630,534	73.1%
6	San Francisco	2,552,087,588	-12.6%
7	Orlando	2,195,758,082	89.7%
8	Tokyo	1,722,955,721	18.6%
9	Sydney	1,696,805,056	86.2%
10	Hawaii	1,666,182,547	-37.4%

*Compared to previous 12 months. Source: Cushman & Wakefield, Real Capital Analytics

RESEARCH SERVICES / ABOUT THE REPORT

OUR RESEARCH SERVICES

Cushman & Wakefield (C&W) is known the world-over as an industry knowledge leader. Through the delivery of timely, accurate, high-quality research reports on the leading trends, markets around the world and business issues of the day, we aim to assist our clients in making property decisions that meet their objectives and enhance their competitive position. In addition to producing regular reports such as global rankings and local quarterly updates available on a regular basis, C&W also provides customized studies to meet specific information needs of owners, occupiers and investors.

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Cushman & Wakefield and DTZ have recently merged. We appreciate your patience as we integrate our legacy websites to create a new online presence. To access our industry-recognized research, please visit:

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THE REPORT

This report has been prepared using data collected through our own research as well as information available to us from public and other external sources. The transaction information used relates to non-confidential reported market deals, excluding indirect investment and future commitments. All investment volumes are quoted pertaining to deals of US$5 million and above. Alongside Cushman & Wakefield information, data has been used from Real capital Analytics (RCA). Where the data was sourced from RCA, it is as at 14 September 2015.

In respect of all external information, the sources are believed to be reliable and have been used in good faith. However, Cushman & Wakefield cannot accept responsibility for their accuracy and completeness, nor for any undisclosed matters that would affect the conclusions drawn. Certain assumptions and definitions used in this research work are given within the body of the text. Information on any other matters can be obtained from the Research and Capital Markets teams of Cushman & Wakefield.

A number of the rankings contained within this *Winning in Growth Cities 2015/2016* report are Cushman & Wakefield composite rankings, collated using a variety of in-house proprietary data, reliable secondary sources and a range of data indicators. These individual data sets, scores and other forms of discreet data have been further weighted, scored and ranked using a strict methodology, which vary depending on the sector, region or indicator.

All growth rates and figures relate to the change between the periods of Q3 2013 – Q2 2014 and Q3 2014 – Q2 2015.

SOURCES

Investment Data
Cushman & Wakefield, Real Capital Analytics, Oxford Economics Forecasts

Other Sources and Market Power Rankings
Cushman & Wakefield, Real Capital Analytics, Oxford Economics Forecasts; Boston Consulting Group, Brookings, Cambridge Centre for Risk Studies, Copenhagenize Design Company, Demographia, Economist Intelligence Unit (EIU), Mercer, Numbeo, PricewaterhouseCoopers, QS Quacquarelli Symonds Ltd, Youthfulcities. Z/Yen Group, 2thinknow

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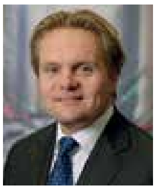

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