GLOBAL OFFICE FORECAST
2015-2016

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BANGKOK

CONTENTS

GLOBAL OFFICE MARKET
FORECAST OVERVIEW

MOMENTUM BUILDS IN KEY MARKETS

From a global perspective, 2014 was a better year for the office real estate sector, with many markets in much better shape than twelve months ago, and on solid footing heading into 2015. Of course, there are a number of exceptions, particularly in markets in or near areas of political instability, and in those with stalled economic growth.

U.S. COMEBACK FUELS REGIONAL GROWTH

In the Americas, more U.S. cities (outside of those dominated by the technology and energy sectors) are experiencing economic expansion, which is translating into strong office market fundamentals. Demand, particularly for newly constructed or refurbished space, is on the upswing. While rental growth has moderated in some markets, over 80% of the locations in the study will experience rental growth exceeding inflation.

The Canadian office markets continue along a path of recovery as the global economy, especially in the U.S., experiences stronger growth. Consolidations and densification remain the norm in most markets, while the flight to quality is creating vacancies in some older office stock. The supply pipeline remains robust with the notable exception of the nation's capital, yet vacancy rates will stabilize by the end of the forecast period due to healthy demand.

Mexico City is the star of the Latin American office market, due in part to energy reforms and secondary laws passed by Congress, which have opened up the country to increased foreign investment. While GDP growth was below expectations in 2014, robust growth is projected over the next several years and the office market is teed up to reap the benefits.

SOUTH AMERICA IN SLUMP

South American markets are lagging behind, especially in Argentina and Brazil, where both production and consumption levels are dampened. While the Santiago office market in Chile had been a bright spot, recent trends including oversupply, the downsizing of mining and related industries, and uncertainty due to new tax laws have moved it in line with other South American markets, which are not expected to fully recover until 2017.

2015 GDP PROJECTIONS

2.9%

AMERICAS

5.3%

ASIA PACIFIC

1.9%

EASTERN EUROPE

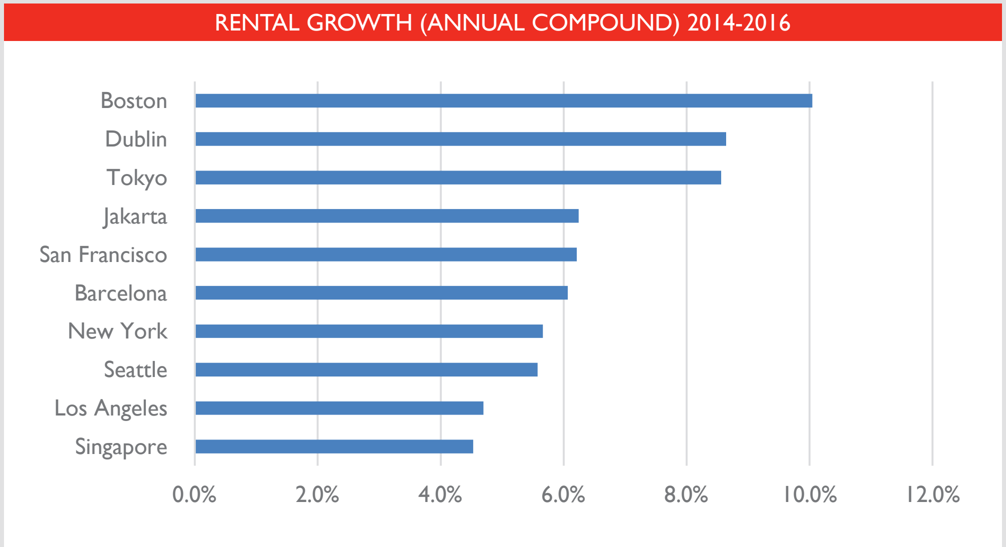
1.7%

WESTERN EUROPE

TOKYO

SUN SHINES ON JAPAN AND INDIA

Japan and India are among the strongest performers in Asia Pacific in terms of economic growth and stability. Office market demand in Tokyo is being driven by strong corporate profits despite changes to the financial regulatory environment. In India, Information Technology and IT Services companies continue to dominate the office landscape. Providing that global recovery gains strength, growth in this sector, which includes multi-national corporations that outsource technology functions, will be sustained. Singapore is also benefitting from this tech growth as, along with the Philippines, it tends to be the next destination after India for the multi-nationals. E-commerce companies are also expanding.



RENTAL GROWTH IN BOTH ESTABLISHED AND EMERGING ASIAN MARKETS

Not surprisingly, rental growth among established markets is expected to be strongest in Tokyo and Singapore, while emerging markets in Indonesia, Thailand, and select sub-markets in Chennai and Bengaluru in India are likely to experience above-average growth. Rents will grow moderately or remain stable across much of China. While Hong Kong Island has balanced supply and demand fundamentals, the Hong Kong office market is lagging behind as sluggish office employment growth has kept leasing activity at bay. Thus, continued contractions in rental rates are anticipated.

Robust supply pipelines, particularly in Australian markets, will keep vacancy rates elevated. Other cities struggling with supply and demand imbalances are those in the emerging markets of China and India.

RENTAL GROWTH EXPECTED IN MOST EUROPEAN MARKETS OVER THREE YEARS

Economic conditions across Europe are mixed, but on the whole a recovery is taking shape, albeit at different speeds across the continent. In terms of the office sector, 17 of the 21 cities monitored are anticipated to register rental growth on an annual compound basis. The two front runners of Dublin and London are supply-led recoveries in the main. Dublin, with only one scheme in the development pipeline is anticipated to see 8.6% annual compound growth over 2014-2016.

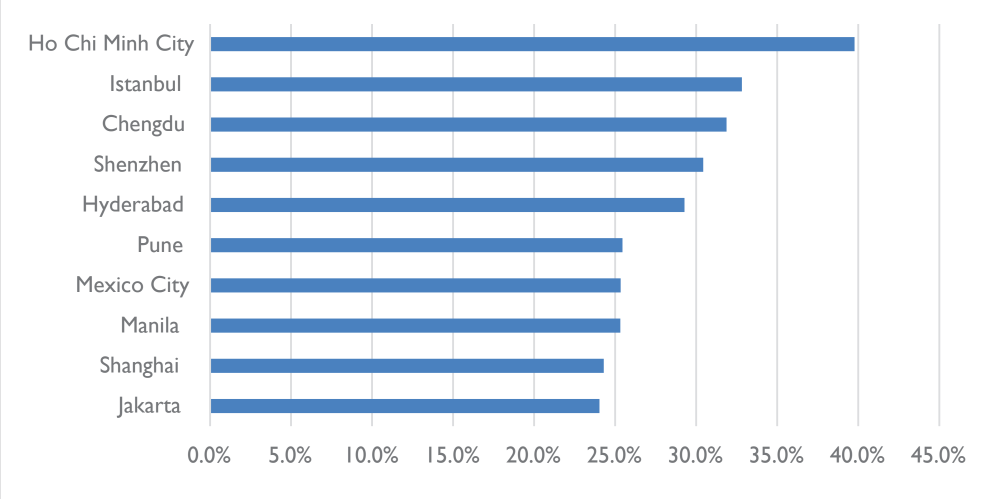
In London, fuelled by an increasingly positive economic outlook, occupier demand is set to escalate, particularly for class A space, which is in limited supply. Media and tech firms are driving activity in the West End but the City is on fire due to a combination of a resurgent banking and financial sector and strong activity from expanding media and tech companies. Prime rents are under sustained upward pressure and key submarkets across London are seeing uplifts in rents. This is linked to both improving economic fundamentals as well as a restricted development pipeline, which is anticipated to be limited over the next two years on the back of below average completions combined with the prevalence of pre-lease agreements, which is absorbing future supply.

TENANTS MOVING PROACTIVELY IN ACTIVE MARKETS

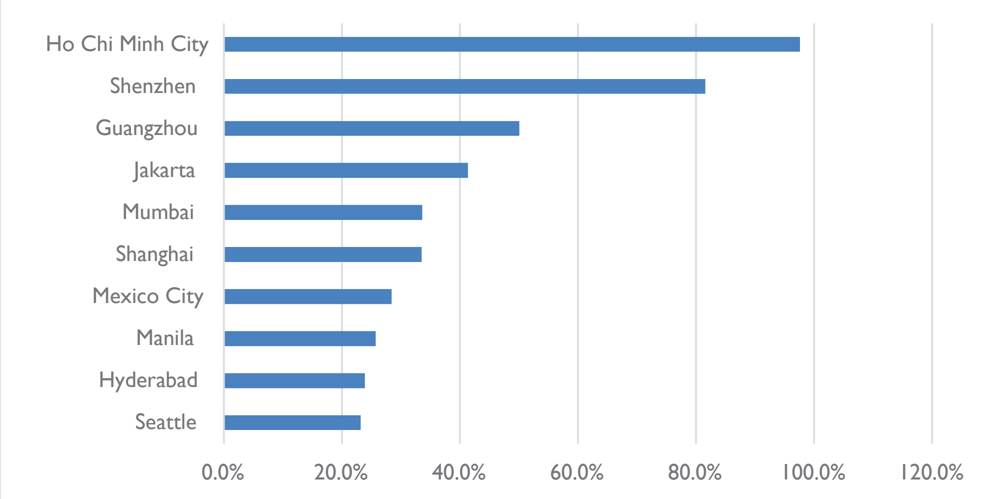
The general lack of quality space is seeing tenants investigate their real estate options, and some are moving proactively before their lease expirations in order to lock in quality space before further rental gains are recorded. With fundamentals firming, investors are looking at opportunities in secondary markets where there may be potential redevelopment angles. In addition, while consolidations and rationalizations remain common themes across Europe, the good news is that demand levels are being driven less by churn in the marketplace and more by expansions. Businesses are coming off the sidelines and are executing plans for growth. In fact, absorption levels are anticipated to be robust through 2016 despite new supply, leaving the office vacancy rate at its lowest point since 2008.

With a few exceptions, class A downtown office markets across Europe are poised for respectable levels of growth through 2016. However, older office stock will pay the price given the pervasive trends of densification and flight to quality. More retrofitting, conversions and a steady stream of new supply can be expected in those markets with a higher percentage of aging inventory.

ABSORPTION AS A PERCENTAGE OF INVENTORY 2014-2016



NEW SUPPLY AS A PERCENTAGE OF INVENTORY 2014-2016



AMERICAS

TWO KEY THEMES: RECOVERY & CHANGING WORKPLACE

The economic recovery in the United States, evidenced by stronger job growth, is finally translating into noticeable improvements in office leasing fundamentals. This is particularly the case in the class A segment of urban markets.

NEW YORK CITY

SAN FRANCISCO

Demand has become stronger across industries. While not all sectors and markets have fully recovered, this is no longer a story only about technology- and energy-sector growth. It is also not simply about real estate. The changing workforce is exerting its influence on where it wants to work. Atlanta, Chicago and Dallas are experiencing increased leasing velocity and have joined the ranks of San Francisco, Seattle, Boston, New York and Houston with respect to improved leasing fundamentals.

There is construction in the pipeline but demand is beginning to outpace it in a number of markets and a significant amount of deliveries is preleased. Two class A projects, totaling 1.6 million square feet will come to the Chicago market by 2017 and they are currently 50% preleased.

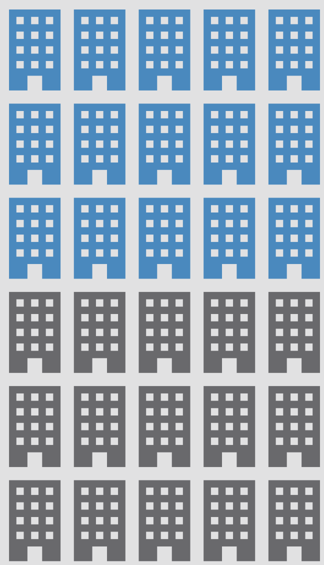
Some exceptions to this recovery include Philadelphia, Los Angeles and Washington, D.C. Philadelphia remains stable with no new construction planned. Los Angeles expects market softening due to tenant downsizing, notably in financial services firms. The Washington, D.C. market is still in the midst of a sluggish economic recovery and may see several out migrations of tenants from the market.

RENTS ON THEIR WAY UP IN U.S. GROWTH MARKETS

Double-digit rental growth is forecast for Boston, San Francisco, New York and Seattle. In fact, most U.S. markets in the study are expected to see modest increases with the slowest growth occurring in Atlanta and Chicago. Even Washington D.C. and Los Angeles will see rents rise in 2015 and 2016.

5.1M

Total amount of new office space that will come to Toronto's downtown market by 2017.

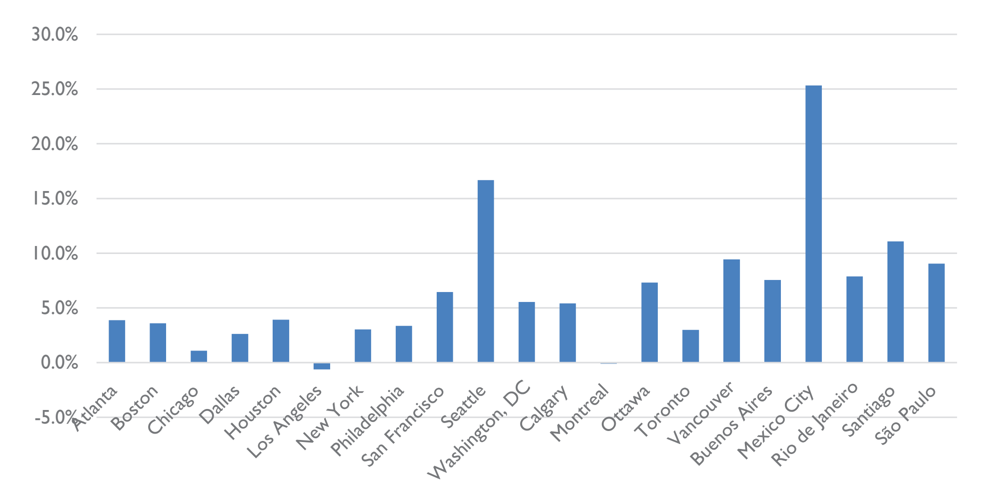


CANADA ANTICIPATES RECOVERY

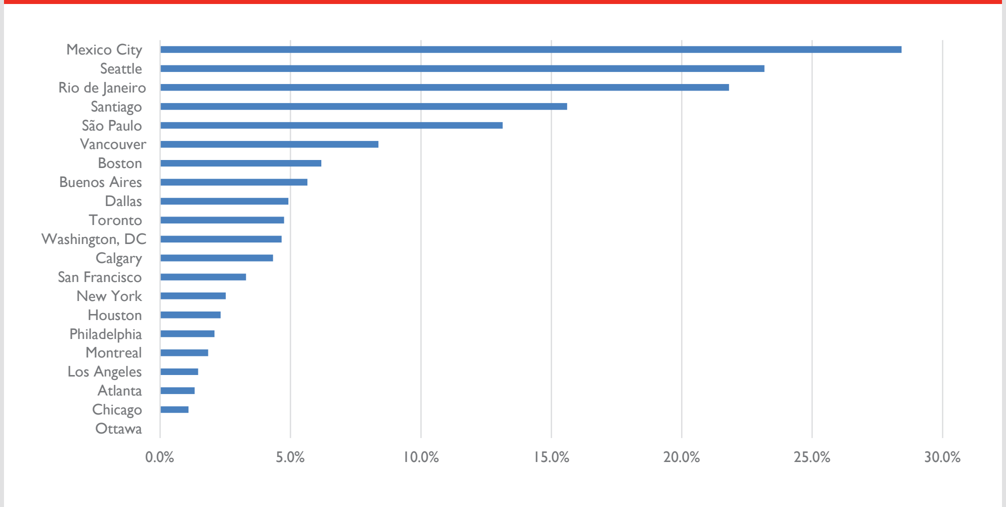
A combination of trends will converge across Canada's office markets including consolidation, densification and market churn – when tenants change locations and leave empty space behind. Toronto is experiencing a groundswell of expansionary demand that looks to be ushering a new era of growth. But it remains to be seen whether it is sustainable. As the next 5.1 million square feet of new space comes to market now to 2017, far more competition will be created, which will likely result in better deals.

Montreal will see the Deloitte Tower rise, though an equal amount of space will be displaced as major tenants move into this new tower. Calgary and Vancouver will both see new supply come to the market as tenant demand moderates. However, sufficient demand in Calgary and Ottawa should keep fundamentals balanced, while Vancouver anticipates downward pressure on asking rents. Looking forward, sustained U.S. growth is expected to have a continued positive impact on all major markets.

AMERICAS: ABSORPTION AS A PERCENTAGE OF INVENTORY 2014-2016



AMERICAS: NEW SUPPLY AS A PERCENTAGE OF INVENTORY (2014-2016)



MEXICO CITY ON THE UPSWING

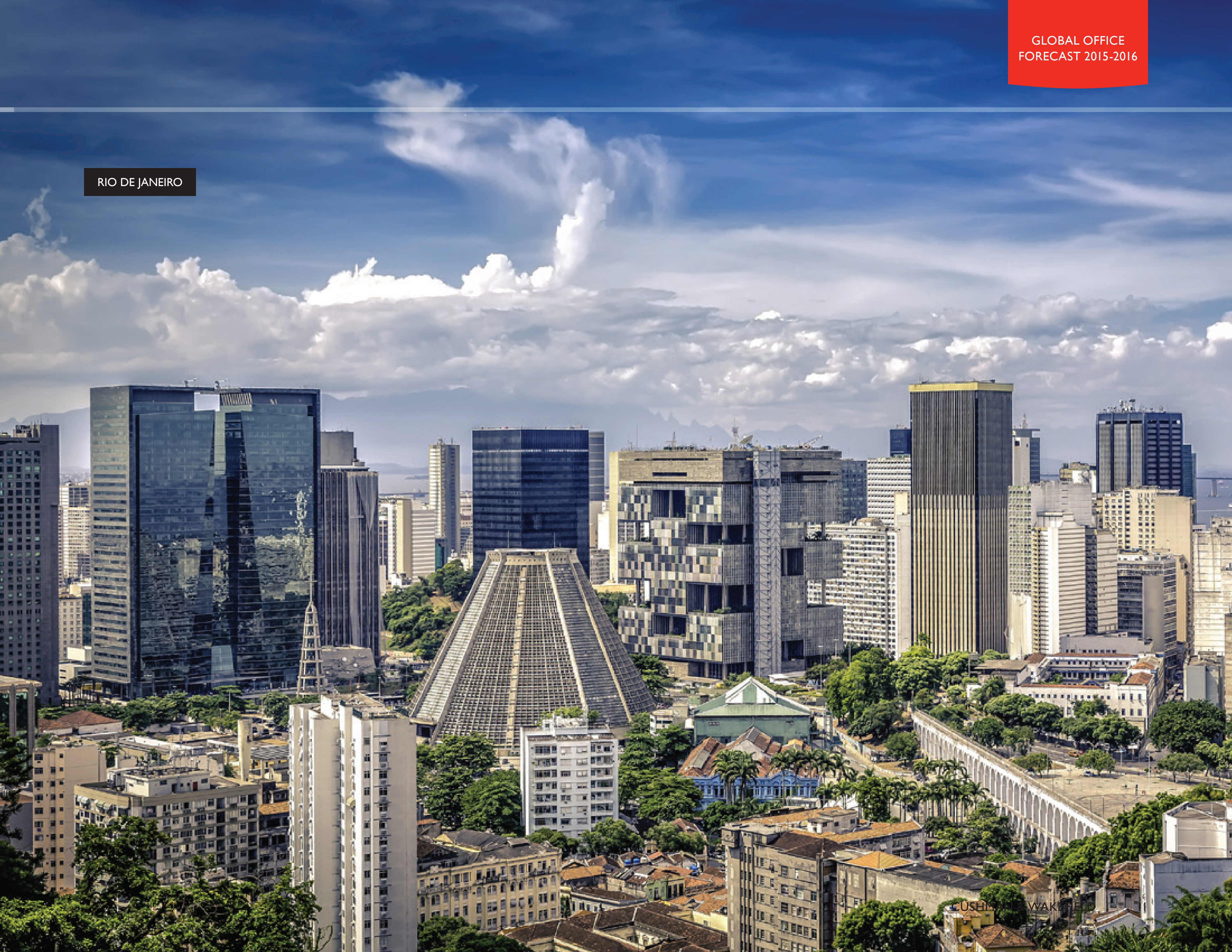
Mexico City is undergoing a surge of activity as recent legislation encouraging investment, coupled with the improved economic conditions, has fostered activity among financial services and telecommunications firms among others. A surge in supply will be met with an even stronger increase in absorption, thus rental rate growth is expected over the next three years.

SOUTH AMERICAN SLOWDOWN

The slowdown of South American economies, especially Argentina and Brazil, is impacting office market fundamentals. The weak Brazilian economy will continue to dampen the real estate outlook for São Paulo and Rio de Janeiro for the next three years. Political uncertainty also clouds the outlook for Brazil. Vacancy rates will remain elevated through 2016 while asking rents contract due to the glut of vacant space.

Peru has also cooled off but remains an overall stable economy. San Isidro is currently the most attractive class A and B+ office market, but other districts such as Miraflores, Surco and Magdalena have become attractive alternatives, capturing healthy sell and lease prices.

In Chile, the Santiago office market has been very strong and seen single-digit vacancy rates until recently. An increase in construction – 15% of existing stock – and a potential change in legislation regarding taxation have created an atmosphere of uncertainty in the real estate market. Additionally, a slowdown in the mining industry has led to weakness in the engineering sector and firms have vacated large blocks of space. Although the vacancy rate is still hovering at only 5%, rental rates in mid-2014 began to decline for the first time since 2009.



RIO DE JANEIRO

ASIA PACIFIC

FUNDAMENTALS REMAIN SOLID

Our moderate growth forecasts for Asia Pacific in 2014-2016 remain intact. Regional GDP growth is projected to remain solid at 5.4%-5.5% this year and rebound to 5.5%-5.8% by 2016. While the moderate pace of economic growth in the region resulted in a subdued leasing environment in 2014, activity is set to gain traction next year, thanks to improving sentiment.

Most core markets will still boast relatively low office vacancies of 6%-7% through 2016 with the exception of cities in Australia and Seoul, where robust construction will sustain higher vacancies. However, a supply influx in Singapore and Shanghai in 2016 will lead to double-digit vacancies in those markets.

NEW SUPPLY DRIVES UP VACANCY IN EMERGING MARKETS

New supply is concentrated in emerging markets, which, in turn, will also keep their class A vacancies on an upward trajectory, hovering around 17%-18% through 2016.

Given the region's moderate growth, rents are expected to ease up marginally at an annual rate of 0.5%-1.5% for core markets and 1.0%-2.0% for emerging markets through 2016. Tokyo and Singapore, however, are likely to top the charts for core markets, with rents rising at 8.5% and 4.6% respectively. Jakarta, Manila, Bangkok, Shenzhen, Bengaluru and Chennai will lead emerging markets with annual average rent increases in the range of 3%-4%.

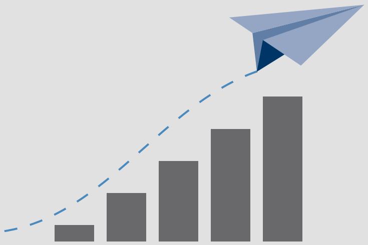
TOKYO ON RECOVERY TRACK; HONG KONG ON HOLD

With increasing regulatory oversight, office performance in the region's financial centers of Tokyo, Hong Kong, Singapore and Shanghai will be mixed, depending on demand-supply dynamics as well as tenant bases. Japan's economy is anticipated to weather the increase in consumption tax and establish a positive growth-inflation dynamic, as Prime Minister Abe looks to set his reforms in motion.

The Tokyo office market will continue its recovery, with office demand increasing across many sectors on the back of strong corporate earnings, and expects to see full-fledged rent improvements. In the case of Singapore, recovery will continue even with moderate growth in demand as prime supply remains at very low levels; the next wave is only expected in late 2016.

Hong Kong will likely remain a laggard, as employment gains in office-using sectors have yet to translate into a rebound in leasing activity. With supply of over 2.5 million square feet

TOKYO



The Tokyo office market will continue its recovery, with office demand increasing across many sectors on the back of strong corporate earnings, and expects to see full-fledged rent improvements.

expected to come online especially in Kowloon East, and limited movement among occupiers given high relocation costs, we expect the mild downtrend in rents to perpetuate across non-core districts through 2016. However, rents in Hong Kong Island submarkets are likely to remain stable given the lack of large-scale new supply over the next two years.

DYNAMICS SUPPORT LEASING ACTIVITY

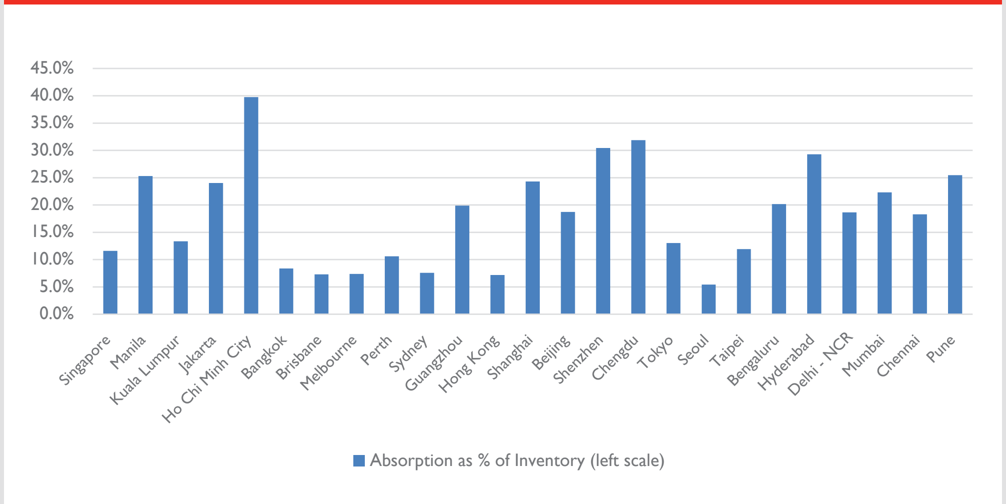
Cooling GDP growth in China should still be sufficient to support strong leasing activity despite ramped-up new construction. In Shanghai, companies are upgrading on the back of improved metro connectivity and building specifications. Incentives will increase for the financial sector in the Waigaoqiao FTZ and Jing'an where the government recently announced a shakeup of tax incentives to attract more tax paying occupiers. The decentralization trend to business parks is showing signs of easing, especially as CBD rentals in Shanghai remain soft.

Rentals in prime buildings with good infrastructure and high occupancy are holding up, underpinned by stable demand, which is increasingly coming from Chinese companies. Thus far, it remains a winner-takes-all market with quality projects typically seeing pre-commitment of 60% or more while decentralized properties with poor infrastructure, basic specifications and poor local amenities are struggling to lease at all.

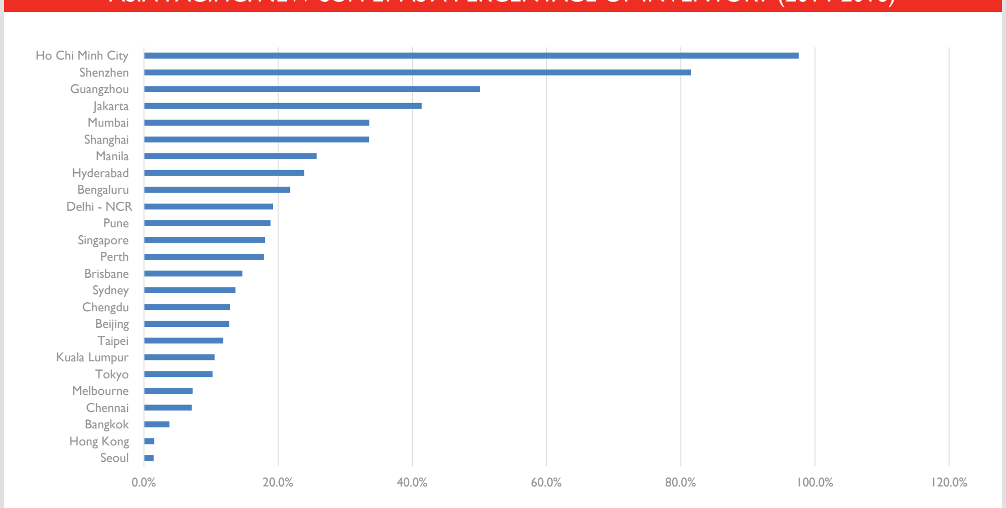
TENANT LEVERAGE IN SEOUL TO ERODE

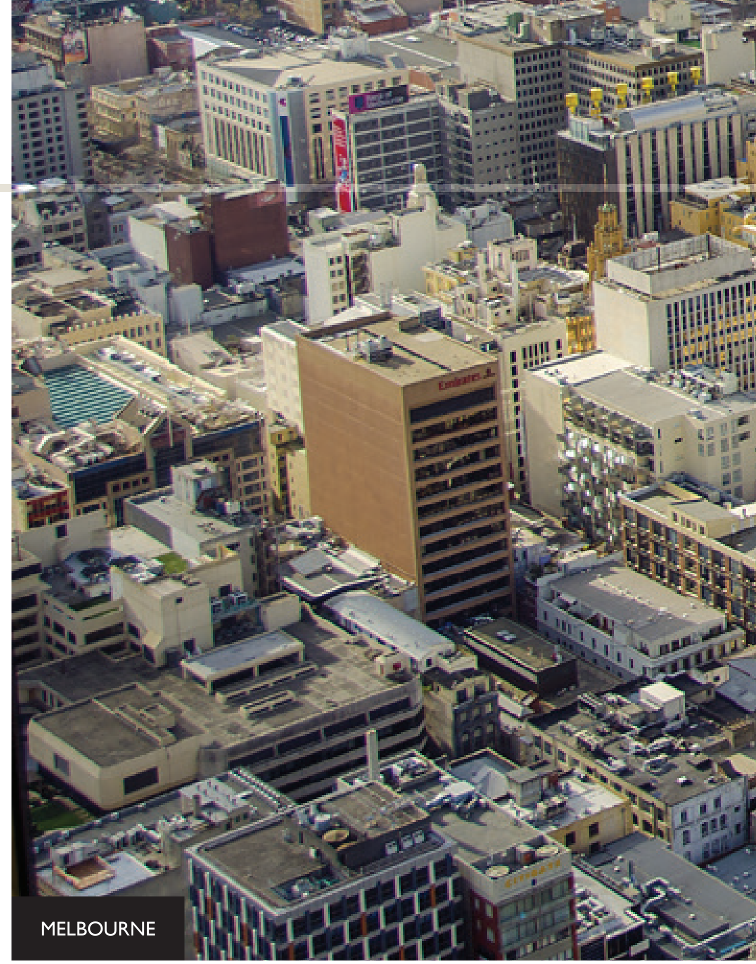
Leasing momentum in South Korea has mostly been sustained by a flight-to-quality this year. However, the supply spigot is about to shut off, with limited completions across all major districts through 2016. Against this backdrop, notwithstanding an economic upturn sustaining healthy leasing activity, vacancies in Seoul will begin their descent through 2015 after rising non-stop since 2010. Consequently, tenant leverage will erode as effective rents show renewed strength by the end of next year.

ASIA PACIFIC: ABSORPTION AS A PERCENTAGE OF INVENTORY 2014-2016



ASIA PACIFIC: NEW SUPPLY AS A PERCENTAGE OF INVENTORY (2014-2016)




MELBOURNE

SOUTHEAST ASIA AND INDIA'S OUTLOOK BRIGHTENS

The stage is set for another strong period for Southeast Asia, with upbeat leasing progress continuing in most markets. Meanwhile in India, an improvement in the global environment should bode well for the country's Information Technology and Information Technology-Enabled Services (IT-ITeS) sector, which remains the dominant demand driver for the eight major cities tracked in India. The formation of a stable government has helped to improve India's macro outlook. The new government's emphasis on industrialization and infrastructure can also add to the leasing demand as other sectors of the economy pick up pace.

AUSTRALIA'S REBALANCING ACT

Class A properties in Perth, Brisbane, Sydney and Adelaide are expected to see elevated vacancies over the next two years.Melbourne will also witness rising vacancies, but levels are less likely to breach 10%. Nonetheless, efforts to rebalance the economy should augur well for the office sector. We expect the non-mining sectors to keep gaining traction.

SOLID INVESTMENT FUNDAMENTALS

One important factor that bodes well for investment activity is the increasing allocations to real estate by pension funds and other institutions. The macro landscape is improving and supporting property fundamentals. Even with slower economic growth expectations over the near term, the underlying property fundamentals remain solid and are still expected to outperform most markets globally over the long term.

Even if the U.S. Federal Reserve nudges up short-term interest rates in 2015 and 2016, and borrowing costs subsequently increase in most parts of the region, any fallout will be offset by a stronger property market performance. Indeed, gradual improvement across the region presents opportunities for investors to earn attractive returns.

EUROPE

ON THE ROAD TO RECOVERY

Europe is continuing on its recovery march – indeed, there are increasingly positive signs being seen across the office markets, and the outlook is brighter than it has been for some considerable time. Overall performance is strong across leading indicators including rental growth, supply levels and demand, although variances do, of course, exist from city to city across the continent.

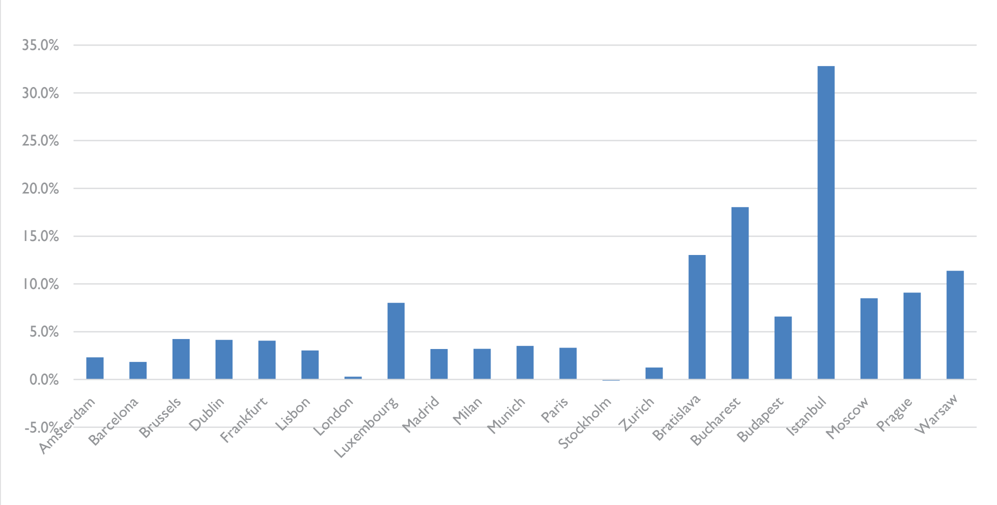
While geopolitical risks remain and occupiers are viewing some locations with an unsurprising amount of caution, the European economy is generally on firmer ground. However, while overall recovery is slow, local performances are anticipated to vary from market to market. The UK, Poland, Romania and Hungary are the brightest stars in terms of GDP growth, while momentum is also increasingly positive for some reforming peripheral economies, with Spain in particular expected to surprise on the upside. While growth has stumbled in larger economies such as Germany, France and Italy, overall recovery remains steadily on track.

SUPPLY LED REVIVAL

Low levels of new speculative completions over the last 18 to 24 months have resulted in a lack of quality supply in a number of locations. The exceptions are Moscow, Paris and Warsaw where higher than average levels of new development have stifled short-term rental growth. Aside from this, the knock-on impact for occupiers is that the shortage of modern stock is limiting choice, particularly for those seeking larger floor plates. This is encouraging some occupiers to assess their lease options and move sooner than expected to secure deals on good quality space.

Indeed, on the supply side, while the overall vacancy rate of markets monitored across Europe reached 9.88% at the end of 2013, it is expected to rise only marginally to 10% despite downsizing by some and the 4.8 million sq.m of space scheduled for delivery in 2014. After this, as more solid and sustainable demand takes hold and development completions decline further, the vacancy rate is expected to edge down to 9.6% in 2015 and then 9.5% in 2016 – this will be the lowest rate seen since 2008. Despite greater confidence and a more relaxed lending environment, cautious developers are still only dusting down previously shelved schemes where the construction viability has been thoroughly assessed.

EUROPE: ABSORPTION AS A PERCENTAGE OF INVENTORY 2014-2016



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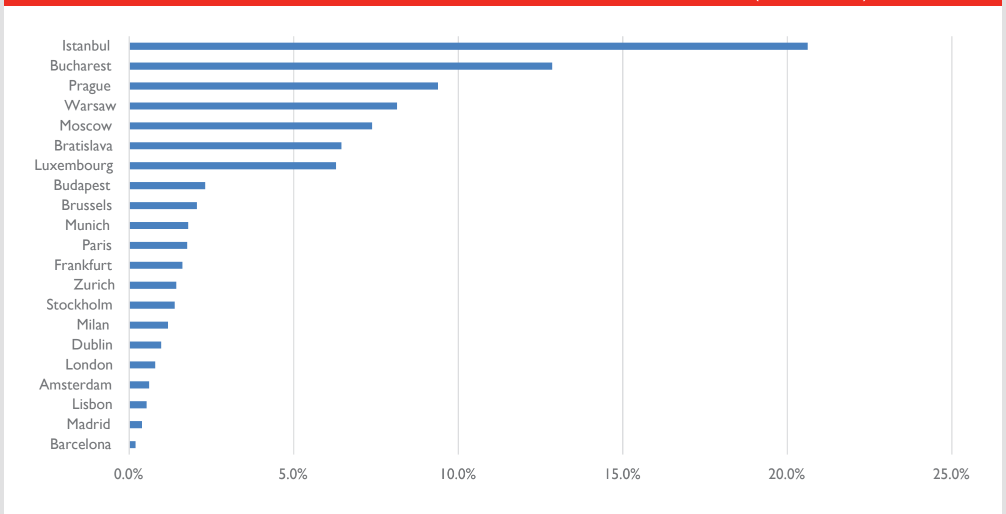


FRANKFURT

QUALITY SPACE IN DEMAND

Occupier activity is on the up with H1 2014 reaching 6.4 million sq.m (33 cities), some 3.2% higher than in the equivalent period of 2013. Encouragingly, a smaller proportion is accounted for by tenants churning space. Indeed, more expansion-driven take-up is being recorded, and new requirements are also being seen in the majority of markets, in particular London as well as the key cities in Germany and Sweden in terms of Western locations and Hungary and Poland to the East. Needless to say, this trend is tracking the positive job growth in these markets, although unemployment, while improved, remains stubbornly high in countries such as Portugal, Spain and Greece.

IS SECONDARY AN OPTION?

There is a clear preference for prime space, but as availability erodes, occupiers are increasingly looking at the best of the secondary options in order to secure their accommodation needs before rental growth takes hold in earnest. From an investor perspective this indicates that there are more opportunities emerging away from the class A market; indeed, some have already moved up the risk curve to take on development and refurbishment risk.

PRIME RENTAL GROWTH IN CORE CITIES

Positive prime rental growth has been seen in a small group of core city centers as the European economy improves further and the balance of control begins to shift away from the occupier. Dublin holds the top spot for rental growth against a backdrop of a pick-up in demand and a complete lack of new construction over the past 36 months. London, Munich and Amsterdam are also anticipated to see solid supply-led growth, followed at a slower pace by Istanbul and Stockholm.

The performance of the stronger markets is of course linked to their continued economic recovery, and thus rental rises may stall if growth slows. Cities registering negative growth in 2014 are Moscow, Prague, Paris and Zurich, but encouragingly most are expected to see positive growth return in 2015 and 2016. The exception to this may be Moscow, which is suffering downgraded forecasts linked to sanctions and events in Ukraine that have negatively impacted on corporate confidence. Activity there is characterized by cost-cutting moves, hesitant new entrants and a pipeline that is delivering speculative schemes, resulting in rents coming under downward pressure.

SIGNS OF IMPROVEMENT

The performance of the European office market is positive across a number of indicators including rental growth, supply levels and demand, although there are variations from city to city.

MOSCOW

UNITED STATES

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
ATLANTA (US$/SF/YR)	20.5	19.2	18.9	26.90	26.90	27.10	27.10	27.22	27.22	575	575	0	0	500	500	Demand for class A space in Atlanta's CBD markets is beginning to outpace supply. The real estate pendulum is slowly shifting back in the landlord's favor, as the number of available spaces are dwindling. This will continue to drive down vacancy rates.
BOSTON (US$/SF/YR)	9.4	10.4	10.3	52.17	52.17	58.62	58.62	63.18	63.18	780	780	1,066	1,066	1,460	1,460	As technology companies continue to migrate towards central Boston in an attempt to tap into a highly skilled labor pool, we can expect to see steady demand for Boston's class A product over the next two years.
CHICAGO (US$/SF/YR)	12.7	13.2	13.0	37.91	37.91	38.16	38.16	38.26	38.26	0	0	0	0	550	550	Two class A buildings will be added to the market by 2017. The projects, totaling 1.6 msf, currently under construction are almost 50% pre-leased. While demand for high-end office space is expected to stay robust, tenants will lease less space as they occupy more efficient space.
DALLAS (US$/SF/YR)	23.3	21.1	23.2	25.61	25.61	26.41	26.41	27.37	27.37	0	0	0	0	615	615	Market indicators for class A CBD space do not tell the full story of the DFW office market, which is at its healthiest in years, thanks in large part to strong job growth. Rents are expected to increase, while vacancy rates remain stable. New supply will finally be delivered to the Dallas CBD for the first time since 2007.
HOUSTON (US$/SF/YR)	7.4	5.4	5.4	38.49	38.49	43.65	43.65	43.46	43.46	0	0	0	0	606	606	The CBD is characterized by historically low vacancy. 6 Houston Center will bring a total construction up to approximately 1.5 msf in two projects, with estimated completion in early 2017.
LOS ANGELES (US$/SF/YR)	22.5	22.7	24.2	37.13	37.13	38.81	38.81	40.70	40.70	0	0	0	0	355	355	Los Angeles CBD class A will continue to soften as financial firms downsize. Vacancy is expected to climb to 24% with the addition of space from three major firms and the delivery of 400,000 sf of office space in 2016.

UNITED STATES

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
NEW YORK (US$/SF/YR)	10.2	10.1	9.9	69.80	69.80	71.16	71.16	77.93	77.93	3,902	3,902	3,668	3,668	2,611	2,611	A strengthening economy will lead to moderating vacancy and solid rent growth in 2015 and 2016. Beyond 2016, however, new construction will keep the vacancy rate above equilibrium—preventing a rental spike, but allowing asking rents to rise at a measured pace.
PHILADELPHIA (US$/SF/YR)	11.8	10.5	9.4	26.91	26.91	27.92	27.92	28.68	28.68	0	0	0	0	622	622	The outlook for Philadelphia is cautiously optimistic, with solid demand trends combined with no new space coming online tightening the market and allowing for above-inflation rent growth.
SAN FRANCISCO (US$/SF/YR)	7.5	8.3	6.9	63.53	63.53	67.81	67.81	71.67	71.67	1,111	1,111	1,298	1,298	50	50	Although 2.5 msf of new class A space is coming online over the next three years, most of it is pre-leased by both new and expanding tenants. The outlook for the San Francisco market is favorable for the next two years.
SEATTLE (US$/SF/YR)	9.2	10.2	11.9	36.10	36.10	38.01	38.01	40.24	40.24	0	0	3,364	3,364	2,661	2,661	Similar to the story in San Francisco, the amount of new office space coming online is substantial, but there is sufficient demand from both new and expanding tenants occupying space here. Amazon, in particular, has leased upwards of 2 msf in the past 18 months alone.
WASHINGTON DC (US$/SF/YR)	14.8	15.3	14.1	57.28	57.28	58.84	58.84	60.81	60.81	168	168	1,576	1,576	892	892	Stabilizing fundamentals suggest a recovery on the horizon, but 2014 remains a tenant's market. D.C. will wait out several large tenant moves this year, concurrent with the sluggish regional economic recovery, before more substantial growth can be realized in late 2015 and beyond.

TORONTO

CANADA

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
CALGARY (CAD/SF/YR)	4.1	5.2	5.3	53.47	49.01	52.96	48.54	52.98	48.56	1,039	1,039	882	882	579	579	With over 2.5 msf set to deliver over the next 12 quarters, asking rents will soften slightly, though moderate demand will ensure vacancy rates remain relatively tight across Calgary central markets.
MONTREAL (CAD/SF/YR)	10.0	11.4	11.7	40.52	37.14	41.05	37.62	41.97	38.47	531	531	495	495	0	0	Tenants continue to consolidate and densify, bringing space back to market across Montreal's CBD markets. While vacancy will rise to 11.7% by Q4 2016, modest expansionary demand will occur in 2015 due to a strengthening U.S. economy.
OTTAWA (CAD/SF/YR)	6.1	5.7	4.8	48.40	44.36	49.01	44.92	49.63	45.49	839	839	0	0	0	0	Ottawa Class A CBD vacancy rates will tighten as modest demand and a lack of new supply erode available space. Limited new space options will mean modest rises in overall asking rents.
TORONTO (CAD/SF/YR)	6.2	7.7	9.1	50.27	46.07	49.94	45.77	49.10	45.00	1,585	1,585	285	285	2,294	2,294	Demand will continue to strengthen in downtown Toronto, but as tenants move into the new towers, significant space will be displaced across existing inventory and this will soften asking rental rates.
VANCOUVER (CAD/SF/YR)	9.0	11.4	12.2	49.31	45.19	48.32	44.29	47.44	43.48	1,440	1,440	909	909	369	369	New construction coupled with moderate demand will mean rising vacancy in Vancouver's central area over the next few years. As vacancy rises, some downward pressure on asking rates will be experienced.

LATIN AMERICA

CITY (LOCAL MEASURE)	OVERALL VACANCY 2014 %	2015 %	2016 %	CLASS A/PRIME RENTS 2014 LOCAL CURRENCY	2014 US$/SF/YR	2015 LOCAL CURRENCY	2015 US$/SF/YR	2016 LOCAL CURRENCY	2016 US$/SF/YR	NEW SUPPLY (000s) 2014 LOCAL MEASURE	2014 SF	2015 LOCAL MEASURE	2015 SF	2016 LOCAL MEASURE	2016 SF	COMMENTARY
BUENOS AIRES (US$/SQM/MO)	11.6	11.8	11.0	23.36	20.95	22.04	19.77	20.92	18.77	86	929	31	338	28	302	In the midst of a slowly contracting economy, the office market is expected to remain stagnant with weak absorption and slow growth in inventory.
MEXICO CITY (US$/SQM/MO)	9.6	10.6	12.1	31.76	35.41	33.60	37.46	34.50	38.46	305	3,287	501	5,393	403	4,336	Expect a noticeable increase in absorption in the short run with significant future upside coming from financial, telecom and other industries as a result of an improved overall business environment. Recent legislation approved by Congress has opened up a broad range of new investment opportunities.
RIO DE JANEIRO (R$/SQM/MO)	15.7	17.7	20.7	133.18	65.33	130.46	64.00	135.68	66.56	72	775	139	1,495	145	1,559	The decline in Brazil's economy and political uncertainty due to the upcoming elections pose additional challenges to more sustainable growth. This will directly affect the performance of the office market over the next two years, causing the vacancy rate to climb markedly to over 20% by year-end 2016.
SANTIAGO (US$/SQM/MO)	6.2	9.5	12.3	22.86	20.51	21.76	19.52	21.12	18.94	138	1,488	157	1,688	174	1,878	Economic stability and a favorable business climate are helping to drive new office development in Santiago, where 470 million sq. m are expected to be delivered from 2014 to 2016.
SÃO PAULO (R$/SQM/MO)	18.7	20.0	19.1	123.90	60.78	120.40	59.06	116.90	57.35	350	3,766	216	2,329	155	1,672	The decline in Brazil's economy and political uncertainty due to the upcoming elections pose additional challenges to more sustainable growth, which will directly affect the performance of the office market in 2015 and 2016. Vacancy will remain elevated in the wake of significant new office completions.

SOURCE FOR EXCHANGE RATES:
FINANCIAL TIMES, 15 AUG 2014, CLOSING PRICE

SOUTHEAST ASIA/PACIFIC

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
SINGAPORE (SGD/SF/MO)	5.5	3.4	11.6	10.36	99.76	10.95	105.44	11.32	109.00	1,202	1,202	179	179	3,886	3,886	Positive business sentiments, economic growth and growing presence of dot-com majors are likely to sustain occupier demand over the next two years. Newer premium buildings, limited availability of prime class A space is likely to support rental increments until 2015 and a large scale supply in 2016 is expected to push vacancies up.
MANILA (PHP/SQM/MO)	4.4	5.8	7.2	955.00	24.39	980.00	25.03	1,005.00	25.67	576	6,200	645	6,943	594	6,394	Strong growth in outsourcing and offshoring services is expected to sustain office demand going forward. Class A stock is likely to expand significantly with a large scale of upcoming supply over the next two years and a subsequent moderation in rents is expected.
KUALA LUMPUR (MYR/SF/MO)	17.6	16.5	16.5	8.35	31.76	8.27	31.46	8.15	31.00	1,144	1,144	1,654	1,654	2,142	2,142	Strong demand and moderating supply will continue in 2015-16 but that would not mean rental growth as vacancy rates are already elevated at 16%-18%. The market will remain favorable to tenants over the next two years.
JAKARTA (RP/SQM/MO)	9.5	14.2	14.4	504,117.37	48.15	541,926.17	51.76	569,022.48	54.34	162	1,744	560	6,025	554	5,961	Supply buildup and rising vacancies will impact rental growth over the next couple of years. Rental growth will be much slower this time as compared to 2013-14. Positive demand should continue as business sentiments improve going forward.
HO CHI MINH CITY (US$/SQM/MO)	8.0	15.0	20.0	46.00	51.28	44.00	49.05	42.00	46.82	9	97	104	1,119	58	624	Occupancy rates have improved this year. A sizeable supply projected next year will impact effective rents. Concessions are on the rise and landlords are offering flexible leasing terms. It will remain tenant favorable over the next two years.
BANGKOK (THB/SQM/MO)	6.4	3.8	2.6	830.00	29.05	856.35	29.97	880.25	30.81	0	0	45	479	0	0	Lack of new supply and stable demand will continue going forward. Vacancies are set to decline further to below 5% by 2015-16 and an above average rent growth is likely. It will be landlord market for the next two years.

SYDNEY

SOUTHEAST ASIA/PACIFIC

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
BRISBANE (AUD/SQM/YR)	10.5	12.6	16.0	655.00	56.60	650.00	56.16	640.00	55.30	13	141	45	488	84	906	The hangover from the slowdown in the resources sector and state government cutbacks continues to plague the Brisbane market. An increase in the number of projects completed over the coming 12 months will drive vacancy higher.
MELBOURNE (AUD/SQM/YR)	7.2	8.2	9.0	624.00	53.92	620.00	53.57	620.00	53.57	50	541	78	835	74	802	Office market in Melbourne appears to have turned a corner with demand increasing across the board. Increasing supply remains a concern; however, an improvement in the financial services sector will help cushion the impact of this increased supply.
PERTH (AUD/SQM/YR)	10.9	18.3	14.7	730.00	63.08	710.00	61.35	710.00	61.35	12	131	102	1,094	8	91	Increasing supply coupled with a number of projects that were commissioned prior to the global financial crisis will push vacancy higher in the coming years. There is hope that a boom in the gas and energy industries will help to drive office demand, but this has yet to be quantified.
SYDNEY (AUD/SQM/YR)	9.9	14.8	14.3	875.00	75.60	875.00	75.60	875.00	75.60	29	317	176	1,894	75	812	Office demand willl recover in Sydney as a strengthening financial services sector boosts the office sector. A looming supply pipeline, notably the Barangaroo precinct will drive vacancy higher, despite the increase in demand.

SOURCE FOR EXCHANGE RATES:
FINANCIAL TIMES, 15 AUG 2014, CLOSING PRICE

NORTHEAST ASIA

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
GUANGZHOU (RMB/SQM/MO)	12.0	15.0	28.0	206.04	37.37	206.74	37.50	203.50	36.91	145	1,566	417	4,488	1,201	12,927	Space availability will decline due to limited supply and demand recovery in the short term. However, supply projections over the next two years indicate a sizeable rise in vacancy and therefore stable-to-moderating rents are likely.
HONG KONG (HK$/SF/MO)	6.7	6.2	5.9	105.45	163.27	107.60	166.60	110.83	171.60	53	53	0	0	244	244	Expansion of Mainland financials will serve as a primary demand catalyst, while many MNC's and large banks continue to reduce occupancy costs. Limited demand for prime space, where large availabilities are still present, will prevent a sizable upswing in rents and keep class A office availability slightly elevated.
SHANGHAI (RMB/SQM/MO)	6.8	10.2	11.4	337.86	61.28	335.48	60.84	331.45	60.11	266	2,866	628	6,757	745	8,024	Large-scale supply projections for 2015-16 may not necessarily translate into substantial rental corrections as a major portion of the new supply is comprised of premium space commanding higher than average rentals. Office expansions are likely and construction delays could offset a rise in vacancies.
BEIJING (RMB/SQM/MO)	8.2	7.1	6.4	410.46	74.44	410.27	74.41	410.04	74.37	641	6,899	503	5,408	495	5,326	The office market will remain favorable to in favor of landlords over the next 12-18 months, but a large scale of supply post 2016 may impact the market in advance well before. Tenants can expect more competitive rentals and cost savings starting from 2017.
SHENZHEN (RMB/SQM/MO)	10.9	10.6	20.3	260.50	47.25	272.75	49.47	273.50	49.60	258	2,774	253	2,726	1,533	16,498	Office demand should remain positive and may experience growth in 2015-16. The newly authorized "innovation demonstration zone" could be a catalyst to market activity going forward. Rentals could stabilize post 2015 with a sizeable supply pipeline, becoming more favorable to tenants.

NORTHEAST ASIA

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL CURRENCY	US$D/ SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
CHENGDU (RMB/SQM/MO)	33.2	26.5	22.7	167.40	30.36	168.10	30.49	168.80	30.61	336	3,619	111	1,197	108	1,164	Higher vacancies and supply buildup will impact Chengdu over the next two years. The market will remain favorable to occupiers with stable to moderating rentals and the possibility of improved cost savings. Demand from the financial services sector is likely to continue in the short term.
TOKYO (JPY/TSUBO/MO)	5.6	5.6	6.3	28,000.00	92.25	30,000.00	98.84	33,000.00	108.73	312	11,108	265	9,413	303	10,795	Strong business sentiments, expansions and flight to quality will continue to drive the office market going forward. Pre-leasing is on the rise and class A vacancies are expected to drop further over the next couple of years. Above average rental growth is likely in 2015-16.
SEOUL (KRW/SQM/MO)	12.9	10.2	9.5	37,663.00	41.12	38,378.00	41.90	39,586.00	43.22	417	4,493	0	0	86	931	Flight to quality and rising vacancies will continue in the short term. However, if new supply is delivered in 2014 as planned, the supply spigot will be turned off, with no new completion across all major districts in 2015. Vacancies in the GBD are likely to remain elevated as some government divisions will relocate outside of Seoul. Overall rents are likely to remain flat in H2 2014 and 2015.
TAIPEI (NT$/PING/MO)	12.0	15.7	12.0	5,455.00	61.37	5,531.00	62.23	5,609.00	63.11	3	90	26	919	0	0	Limited new supply and moderate demand in Xinyi Planned Area is expected. Office market is reversed in favor of landlords with higher prospective rents. Economic integration with China could further boost leasing activity in the CBD going forward.

SOURCE FOR EXCHANGE RATES:
FINANCIAL TIMES, 15 AUG 2014, CLOSING PRICE

INDIA

CITY (LOCAL MEASURE)	CBD CLASS A VACANCY 2014 %	CBD CLASS A VACANCY 2015 %	CBD CLASS A VACANCY 2016 %	CBD CLASS A RENTS 2014 LOCAL CURRENCY	CBD CLASS A RENTS 2014 US$D/SF/YR	CBD CLASS A RENTS 2015 LOCAL CURRENCY	CBD CLASS A RENTS 2015 US$D/SF/YR	CBD CLASS A RENTS 2016 LOCAL CURRENCY	CBD CLASS A RENTS 2016 US$D/SF/YR	CLASS A NEW SUPPLY (000s) 2014 LOCAL MEASURE	CLASS A NEW SUPPLY (000s) 2014 SF	CLASS A NEW SUPPLY (000s) 2015 LOCAL MEASURE	CLASS A NEW SUPPLY (000s) 2015 SF	CLASS A NEW SUPPLY (000s) 2016 LOCAL MEASURE	CLASS A NEW SUPPLY (000s) 2016 SF	COMMENTARY
BENGALURU (INR/SF/MO)	13.6	17.3	14.9	61.00	12.04	62.50	12.33	64.50	12.73	10,973	10,973	14,785	14,785	6,970	6,970	Growing demand and healthy pre-leasing activity will control availabilities amidst a large scale of supply until 2016. Suburban and peripheral markets would gain a major share of leasing from the IT industry. Rental growth will be positive, but below trend.
HYDERABAD (INR/SF/MO)	12.2	8.2	10.2	49.50	9.77	49.50	9.77	50.00	9.87	4,502	4,502	2,785	2,785	4,355	4,355	Growth in the IT industry will favor office market in Hyderabad over the next couple of years. Shortage of high-quality space in the Madhapur submarket could drive demand towards Gachibowli in 2015-16. Rental growth will remain flat with supply and demand in balance.
DELHI - NCR (INR/SF/MO)	27.1	27.6	26.2	84.50	16.67	83.00	16.38	83.00	16.38	7,539	7,539	8,081	8,081	6,322	6,322	Core areas in Delhi and Gurgaon will see rents rising along with steady demand and dwindling supply. Demand spillover will benefit non-CBD markets in Gurgaon and Noida where space options are abundant and more supply is underway. Limited rental growth is expected in Noida and Gurgaon suburbs over the next couple of years.
MUMBAI (INR/SF/MO)	12.1	16.3	15.8	294.00	58.01	296.50	58.51	302.00	59.59	0	0	1,500	1,500	1,139	1,139	Office demand will remain stable and below trend in the CBD but in SBD, it is expected to pick up gradually in 2015-16. Rents however, will remain stable with a sizeable supply underway in 2015. Robust demand will continue in non-core markets such as Malad – Goregaon and Thane-Belapur Road, low cost destination for tech companies.
CHENNAI (INR/SF/MO)	14.5	10.8	8.2	56.50	11.15	59.00	11.64	61.50	12.14	1,685	1,685	862	862	1,250	1,250	Stable demand, declining vacancies and flat-to-increasing rents will continue in the CBD during 2015-16. Suburban and peripheral markets will continue to attract tech companies. A steep rise in rents is likely in non-core markets post 2015 due to limited availability of space options.

HYDERABAD

INDIA

CITY (LOCAL MEASURE)	CBD CLASS A VACANCY 2014 %	CBD CLASS A VACANCY 2015 %	CBD CLASS A VACANCY 2016 %	CBD CLASS A RENTS 2014 LOCAL CURRENCY	CBD CLASS A RENTS 2014 US$D/SF/YR	CBD CLASS A RENTS 2015 LOCAL CURRENCY	CBD CLASS A RENTS 2015 US$D/SF/YR	CBD CLASS A RENTS 2016 LOCAL CURRENCY	CBD CLASS A RENTS 2016 US$D/SF/YR	CLASS A NEW SUPPLY (000s) 2014 LOCAL MEASURE	CLASS A NEW SUPPLY (000s) 2014 SF	CLASS A NEW SUPPLY (000s) 2015 LOCAL MEASURE	CLASS A NEW SUPPLY (000s) 2015 SF	CLASS A NEW SUPPLY (000s) 2016 LOCAL MEASURE	CLASS A NEW SUPPLY (000s) 2016 SF	COMMENTARY
PUNE (INR/SF/MO)	20.7	22.8	15.4	61.00	12.04	60.50	11.94	62.00	12.23	2,434	2,434	5,030	5,030	791	791	Increasing demand will offset higher supply and keep vacancies stable in the short term. Rents are likely to remain flat over the next 6-12 months but are expected to rise gradually from the end of 2015. Tech and manufacturing companies will continue to drive the office market going forward.

WESTERN EUROPE

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
AMSTERDAM (€/SQ.M/YEAR)	16.0%	15.3%	13.8%	375	47.70	380	48.33	390	49.61	67,000	721,188	25,500	274,482	15,000	161,460	Economic improvements are being mirrored by more robust occupier activity although this is limited to the best locations in key cities. The structural vacancy issues are being worked through with the conversion of space to alternative uses. Development starts are limited and as such rents may see slight upward growth
BARCELONA (€/SQ.M/MONTH)	13.0%	12.5%	12.6%	18.00	27.47	19.00	29.00	20.25	30.91	31,220	336,052	1,500	16,146	10,000	107,640	Availability is on a downward trajectory over the next 12-18 months as demand picks up, eroding class A availability in particular. New development is limited with developers cautious, and positive rental growth should follow as new requirements are logged and potentially satisfied.
BRUSSELS (€/SQ.M/YEAR)	10.5%	9.5%	8.8%	275	34.98	280	35.61	290	36.89	105,000	1,130,220	150,000	1,614,600	133,800	1,440,223	Corporate demand is still restrained as reducing operation costs and increasing efficiency take precedence despite the early signs of an economic recovery. The public sector is relatively active however. The scarcity of class A stock and limited construction work will see vacancy fall gradually and rental growth improve slightly.
DUBLIN (€/SQ.M/YEAR)	15.0%	11.9%	14.3%	458	58.19	515	65.44	540	68.68	0	0	12,134	130,610	22,500	242,190	Dublin is leading the office market recovery with very strong rental growth anticipated as the economy gathers further momentum. With only two buildings set to complete in 2015, quality supply levels are very limited, and combined with a steady appetite of new requirements on the market, rents are expected to rise.
FRANKFURT (€/SQ.M/MONTH)	11.4%	10.8%	10.6%	37.00	56.47	37.00	56.47	37.50	57.24	303,400	3,265,798	82,400	886,954	116,050	1,249,162	Momentum in the market is showing signs of picking up, supported by further improvements in the economy. The vacancy rate is expected to further decrease as investors and developers tend to refurbish and convert older office premises that do not meet modern quality standards. Quality space is being absorbed, but positive rental growth is offset by completions until 2016.

WESTERN EUROPE

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
LISBON (€/SQ.M/MONTH)	11.6%	10.8%	10.2%	18.50	28.24	19.00	29.00	19.50	29.76	29,734	320,057	24,502	263,740	0	0	The office sector should benefit from a relative improvement of the Portuguese economy and real estate market. Demand is expected to see a moderate rise and vacancy rates will gradually decrease with downward pressure on rents diminishing. However, incentives will adapt accordingly before rental growth is seen.
LONDON (£/SQ.FT/YEAR)	5.3%	4.6%	5.2%	120.00	205.20	127.50	218.02	130.00	222.30	1,486,442	1,486,442	235,789	235,789	1,780,963	1,780,963	The supply squeeze due to the scarcity of development completions over the next 12 months, and a further strengthening in occupier activity, amid positive economic news, will result in good rental growth.
LUXEMBOURG (€/SQ.M/MONTH)	5.1%	4.9%	4.5%	45.25	69.07	45.50	69.45	46.00	70.21	62,500	672,750	103,000	1,108,692	120,000	1,291,680	The finance and banking sector remain an important element to activity levels. Despite rises in new completions in 2015 robust demand, supported by a healthy economy, will continue to erode class A space. Vacancy is anticipated to fall below 5%, suporting rental growth in central areas in particular.
MADRID (€/SQ.M/MONTH)	10.9%	9.5%	9.8%	24.50	37.39	25.00	38.16	26.00	39.68	70,000	753,480	0	0	45,000	484,380	Class A space is declining, particularly in the CBD as occupier activity picks-up alongside forecasted economic growth, and this will put upward pressure on rents which are expected to rise in 2015 after a period of stability. Speculative construction has come to a halt and the amount of secondhand space being returned has slowed.
MILAN (€/SQ.M/YEAR)	14.8%	14.5%	13.1%	475	60.42	480	61.05	490	62.32	10,000	107,640	44,900	483,304	73,000	785,772	As GDP recovers over the next 18-24 months, renewed optimism will translate into albeit a modest, broad-based improvement in domestic demand. Rising business sentiment linked to proposed structural reforms sees some occupiers reactivate their accommodation plans with a willingness to pay higher rents for quality space which is in short supply.

SOURCE FOR EXCHANGE RATES:
FINANCIAL TIMES, 15 AUG 2014, CLOSING PRICE

AMSTERDAM

WESTERN EUROPE

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
MUNICH (€/SQ.M/MONTH)	6.5%	6.1%	5.8%	33.00	50.37	33.00	50.37	33.50	51.13	199,900	2,151,724	238,800	2,570,443	125,000	1,345,500	Sound economic fundamentals and broad-based demand, alongside strong business sentiment, will erode available supply further. Despite the healthy development pipeline vacancy will fall and, in due course, as incentives continue to be withdrawn, positive rental growth will ensue as Munich reinforces its position in the German hierarchy.
PARIS (€/SQ.M/YEAR)	8.0%	7.7%	7.5%	775	98.58	790	100.48	810	103.03	662,937	7,135,854	661,980	7,125,553	296,589	3,192,484	Weaker economic growth and muted business sentiment have seen rents come under downward pressure with incentives evident. Demand is largely driven by occupiers taking advantage of this and consolidating their accommodation needs into more efficient space, giving rise to interest in larger floorplated buildings.

WESTERN EUROPE

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
STOCKHOLM (SKR/SQ.M/YEAR)	9.7%	11.0%	10.7%	4,750	66.01	4,850	67.40	4,950	68.79	56,300	606,013	88,000	947,232	68,380	736,042	Business sentiment is strong, underpinned by robust domestic demand. Rents are rising as quality supply dwindles, linked to a scaling back in speculative development and good demand. Despite this, vacancy may move up in 2015 before declining again as owners of older stock consider ways to reposition their assets.
ZURICH (SFR/SQ.M/YEAR)	4.9%	5.0%	5.1%	750	78.57	750	78.57	765	80.14	27,000	290,628	40,000	430,560	51,550	554,884	After a relatively long period of low vacancy, availability is expected to rise as schemes complete albeit from a low base. Landlords are having to adjust their asking rent expectations, resulting in rental decline in 2014. The development pipeline has slowed on a higher perceived risk of vacancy.

CENTRAL & EASTERN EUROPE

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
BRATISLAVA (€/SQ.M/MONTH)	11.9%	11.6%	10.9%	15.00	22.89	15.25	23.28	15.75	24.04	40,000	430,560	40,000	430,560	60,000	645,840	Economic fundamentals are improving and growth is expected as austerity eases, exports rise and unemployment falls. Decreasing levels of supply and improving demand from new requirements as well as current occupiers upgrading their accommodation will see vacancy fall and rents incline, although remaining below their pre-crisis peak.
BUCHAREST (€/SQ.M/MONTH)	12.6%	11.5%	10.6%	19.00	29.00	19.00	29.00	19.25	29.38	146,243	1,574,160	125,000	1,345,500	150,000	1,614,600	Domestic conditions continue to improve and the recovery is now more broad based. Better business sentiment is more evident and occupiers are now reactivating their real estate plans, albeit on a selective basis. Rental growth will lag with an upswing anticipated in 2016 alongside a decline in the vacancy rate.
BUDAPEST (€/SQ.M/MONTH)	16.4%	15.2%	15.0%	21.00	32.05	21.25	32.43	22.10	33.73	65,468	704,698	61,623	663,310	12,800	137,779	New class A space is declining, as is vacancy, which is recalibrating the market away from an extremely tenant favourable position with incentives shortening ahead of positive rental growth. Business confidence is growing with larger occupiers looking 2-3 years in advance of their lease expiries to identify suitable options owing to dwindling existing stock.
ISTANBUL (US$/SQ.M/MONTH)	16.1%	14.3%	12.6%	45.00	50.17	46.50	51.84	47.25	52.68	1,213,651	13,063,739	448,000	4,822,272	472,000	5,080,608	Demand is improving benefitting from new pipeline projects. However, the number of completions anticipated will offer options to occupiers, keeping rents largely flat. Older stock will continue to offer redevelopment opportunities. A more tenant friendly market seems possible along with the increases in market supply throughout 2015 and 2016.

SOURCE FOR EXCHANGE RATES:
FINANCIAL TIMES, 15 AUG 2014, CLOSING PRICE

ISTANBUL

CENTRAL & EASTERN EUROPE

	OVERALL VACANCY			CLASS A/PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2014	2015	2016	2014		2015		2016		2014		2015		2016		
CITY (LOCAL MEASURE)	%	%	%	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL CURRENCY	US$/SF/YR	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF	
MOSCOW (US$/SQ.M/YEAR)	15.9%	16.0%	15.6%	1,100	102.19	1,000	92.90	1,000	92.90	1,100,000	11,840,400	600,000	6,458,400	500,000	5,382,000	Downgraded growth forecasts linked to events in Ukraine have impacted on corporate confidence. Activity there is characterised by cost cutting moves, hesitant new entrants and a pipeline that is delivering speculative schemes, resulting in rents coming under downward pressure. Financing constrains will affect construction rates.
PRAGUE (€/SQ.M/MONTH)	16.5%	16.9%	16.2%	19.50	29.76	18.50	28.24	18.50	28.24	178,495	1,921,320	164,655	1,772,346	122,836	1,322,207	Confidence is slowly improving with renewed interest from companies being registered as GDP expands and unemployment falls. However, rents are under downward pressure due to lingering oversupply brought on by the full development pipeline. Growth is not anticipated until 2016 until availability declines.
WARSAW (€/SQ.M/MONTH)	14.3%	15.1%	12.7%	25.00	38.16	24.50	37.39	24.50	37.39	310,460	3,341,791	230,707	2,483,330	129,263	1,391,387	Economic growth has accelerated on the back of rising domestic and external demand. This has not been reflected in the office market, as the substantial development pipeline is expected to see vacancy rise prime rents decline over 2015, after which, with real estate fundamentals in better balance, stability should follow.

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