GLOBAL OFFICE FORECAST 2014-2015

A Cushman & Wakefield Research Publication

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DECEMBER 2013

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GLOBAL OVERVIEW: EFFICIENCY AND QUALITY RULE

Reduced occupancy footprints and an upgrade to better-quality space are two global trends that show no sign of letting up anytime soon. From New York to London to Hong Kong, business leaders continue to monitor their real estate costs and no longer tolerate “wasted space.” But cost is not the only way to achieve efficiencies. Floor-plate size, design and layout, and collaborative workspaces typically not found in older office stock are key factors that companies around the world see as promoting increased productivity and workplace satisfaction.

AMERICAS: BUMPY RECOVERY

Office market conditions will vary widely across the Americas in 2014: Canada is faced with oversupply in some markets, which, along with weaker demand, could lead to decreasing rents; Latin America is a mixed bag, with some markets undergoing market corrections, while others are attracting increased investment; and, the U.S. is forecast to have the highest GDP growth in the Americas at 3.1%, although this will not translate into healthy real estate market fundamentals in all cities.

Robust demand and tight office markets ignited a development boom across Canada that will see 7.9 msf feet of office space come to central markets in 2014 and 2015. Weak global economic conditions, particularly in the U.S., softened demand over 2013, but improved conditions expected by late 2014 will revive business confidence and growth. New product will push up vacancy and some easing of rental rates will result.

Several Latin American markets are at risk of oversupply with São Paulo leading the way with an astonishing 15 msf in the pipeline being delivered just as the country is entering a period of slow growth. While rents in Rio de Janeiro have begun a market correction, they are still inflated, causing occupiers to flee class A space for class B or B+ – and buck the global flight-to-quality trend.

Santiago, which has the strongest economy in South America, will outperform Mexico City and other South American markets. Its vacancy rate will drop to a rock-bottom 0.9% by 2015.

ASIA PACIFIC: STILL GROWING

Through most of Asia, 2014 is generally expected to be a repeat of 2013, with little divergence in economic patterns. Growth rates will not be as high overall, averaging about 5%. This deceleration is being driven mainly by China, India and Indonesia.

An exceptionally large office supply pipeline continues to define most of the emerging markets in Asia. By the end of 2015, the class A office stock in Asia is anticipated to grow by 15% with some Chinese markets doubling, or nearly doubling, in size. Demand will be slow to catch new supply, however, with tier 1 cities capturing much of the activity and absorption remaining at moderate levels. With high availabilities, it remains a great time to be an occupier.

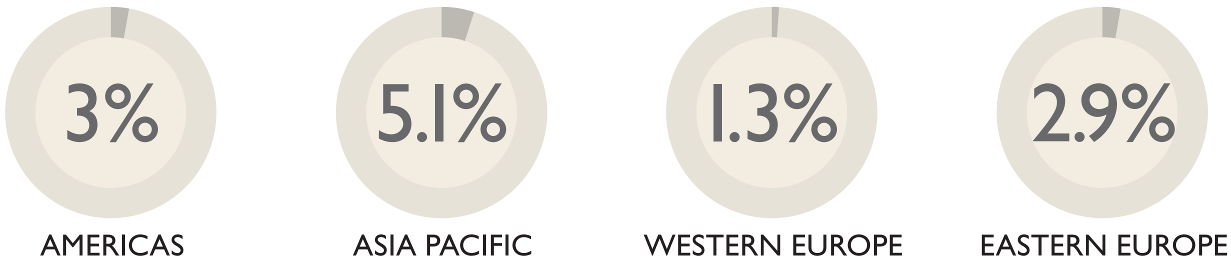
Rents will continue on their upward trajectory with growth averaging 1-2% annually, causing many tenants to take a long, hard look at their occupancy costs and devising ways to achieve efficiencies. Many businesses are seeking space in lower-cost options outside of the central business districts, and, in the process, upgrading to new construction.

The region is expected to remain attractive to investors. While the risk of interest rate increases looms due to potentially tighter monetary policy in the U.S., the prospect of further improvements in office market fundamentals will help fuel investment activity through the forecast period.

EUROPE: POSITIVE SIGNS

After a weak start to the year, Europe has stabilized. 2013 marked the end of the eurozone recession, and both business and consumer confidence is on the mend. Growth projections have been raised for 2014/15 although the regional picture will still be one of below trend growth overall with significant differences market to market.

2014 GDP GROWTH FORECAST



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

TOP-TEN GLOBAL MARKETS AT A GLANCE (2013-2015)

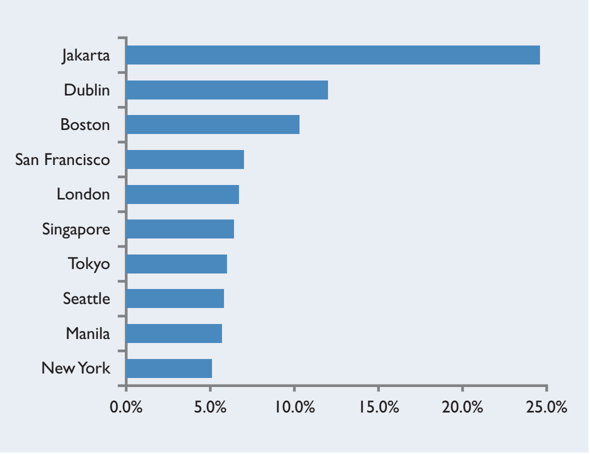
In the office markets, there is a clear divergence between primary and secondary space. The supply of modern space is beginning to dwindle, particularly in major international cities like London, Stockholm and Frankfurt, as tenants demand the best-quality space. As a result, developers are now pushing ahead with any schemes they have in the pipeline, resulting in a modest increase in new completions in 2014 which, with net absorption still low, will result in an uptick in vacancy in some markets.

However, the pipeline beyond next year is still restrained thanks to the lack of starts in recent years. Hence, as demand picks up vacancy will start to fall back, potentially dropping to its lowest level since 2008 towards the end of the forecast period.

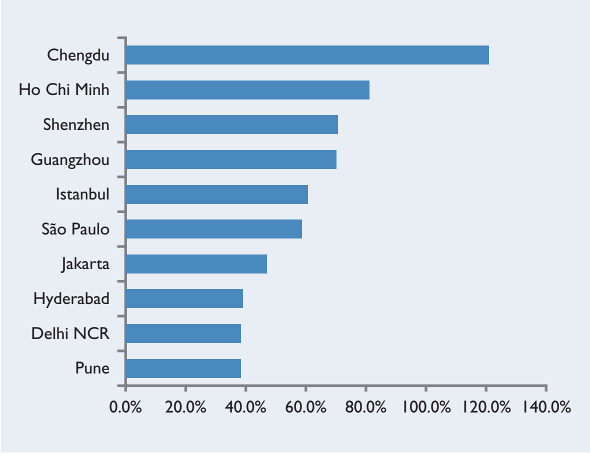
With the exception of a handful of markets at either extreme, rents in most markets will see only modest growth through the forecast period. Rents for prime space in London, Dublin and Budapest are expected to rise by 5.0% or more annually, while those in Milan, Prague and Warsaw will decline.

The majority of real estate investors in the office sector continue to favor core markets, but as prime opportunities decrease and prices become more competitive in the best markets in particular, they are prepared to move up the risk curve and look at what options are available to them in second tier cities. Also for the risk-takers, speculative development and refurbishment is expected to rise in 2014 and beyond.

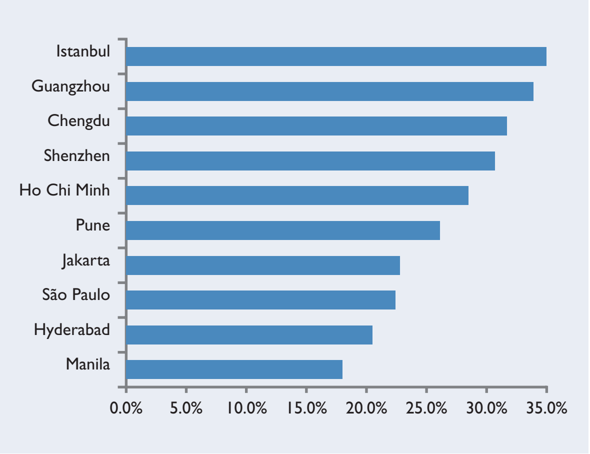
COMPOUND ANNUAL RENT GROWTH



NEW SUPPLY AS PERCENTAGE OF INVENTORY



ABSORPTION AS A PERCENTAGE OF INVENTORY



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

New Supply will remain on the upswing even in markets with elevated vacancy rates as occupiers continue to be drawn to modern, efficient space.

SPECIAL REPORT:

THE CHANGING WORKPLACE

The three main drivers for workplace transformation – cost, people, and organization – vary considerably between different business sectors.

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FOCUS ON COST AND CULTURE

In our changing world, workplace culture is more central to business success than ever before.

From a Corporate Real Estate perspective, clients think of three things when talking about offices: workplace, workplace and workplace. Faced with the relentless transformation of work habits, business is acutely aware that their physical work environment and other critical real estate decisions are key to managing change and maintaining competitiveness.

There are of course very different conditions at a local market level around the world that impact occupier decisions in terms of rental cost and existing options to occupy modern effective space. However, organizational issues and how businesses actually use their space can be of greater significance. Increasingly, business leaders recognize that workplace transformation is required to support their business strategy and performance through enhancing collaboration between departments and also attracting talent.

The 2013 Cushman & Wakefield Corenet Survey of corporate real estate executives highlighted that the three main drivers for workplace transformation – cost, people, and organization – vary considerably between different business sectors.

COST

PRIMARY MOTIVATION

- Reduce real estate costs
- Reduce churn and facility costs
- Reduce other costs (paper, utilities, travel)

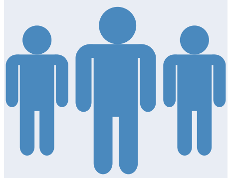
Simply put, profound changes in our work habits facilitated by technology have redefined workplace requirements, which has enabled companies to consolidate and rationalize their portfolios. The savings achieved through reduced footprints can be dramatic – up to 40% in some cases. In a more lean and agile workplace, byproducts such as the cost of churn or use of paper provide additional savings benefits.

A truly integrated workplace transformation program will see further cost savings across the enterprise with initiatives like Bring Your Own Device and the migration to soft phones, and through reduced absenteeism. For some sectors, such as banking, the cost savings are the primary driver; for others they are an added benefit to improved productivity. Still, given that real estate is typically the second largest corporate cost item, savings and new efficiencies will remain high on the agenda.

PEOPLE

NUMBER-ONE CONSIDERATION

- Attract and retain employees
- Increase employee productivity
- Improve work-life balance



For the first time since its inception, the CW Corenet CEO Challenge survey of chief executives from over 700 large global corporations ranked "human capital" as the number-one, top-of-mind consideration.

As lean businesses emerge from the recession they are targeting new growth opportunities in new global markets, and recognize that attracting and retaining the "right" talent is needed to remain innovative and competitive in the face of relentless change. This is particularly the case for the high-tech sector.

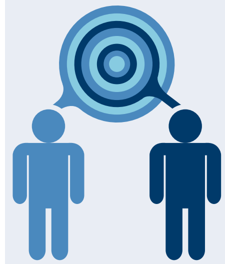
Major cities around the world are natural magnets for young educated workers, and are increasingly attracting tech companies regardless of their higher cost base. These companies are using the workplace as a major differentiator in attracting target employees.

Out-of-the-box workplace designs in this sector define a culture and brand – offering relaxed campus-like environments with many collaborative areas and other inducements such as free food and high-tech toys to entrench employee loyalty and inspire innovation. Equally, traditional professional services sectors are focused on winning the fight for talent by establishing more dynamic, flexible workplaces in targeted locations.

ORGANIZATION

PROMOTING COMMUNICATIONS AND COLLABORATION

- Increase communication and collaboration
- Increase creativity and innovation
- Improve agility and customer responsiveness



The workplace is a primary enabler (or inhibiter if badly designed) for communication and collaboration within any business. The recent initiatives by the CEOs of Yahoo! and HP, bringing remote workers back into the office, reinforce the role of the workplace in creating business cohesion and driving innovation.

In sectors where innovation is a critical success factor, a workplace strategy that supports knowledge sharing and co-creation is seen as mandatory. The pharmaceutical sector is perhaps the leader in this area, and now extends its philosophy beyond the organizational boundaries to ensure collaboration with other businesses and universities as the best way to develop the next generation of solutions.

With human capital at the forefront of CEO concerns, the relationship between the workplace and culture is empowering Corporate Real Estate executives to play an increasingly significant role in C-suite decisions.

GLOBAL ADOPTION

CATCHING ON AROUND THE WORLD

- North America 57%
- South America 31%
- Europe 62%
- Middle East and Africa 38%
- Asia 74%

The level of workplace transformation adoption varies across different regions as highlighted by the survey. CRE directors reported that Asia Pacific is now seeing the most significant level of adoption, although much of this is still in the early stages of planning and roll out. Throughout Europe and North America, the workplace transformation movement is much more mature. Indeed, some advanced companies in these regions are rethinking their initial approaches to workplace polices based on measured results.

The work-from-home movement, for example, has not only skewed occupancy levels, but in many cases has proved to have a negative impact on organizational cohesion and effectiveness. This is driving many companies to explore ways to re-energize the workplace so staff are more motivated to work out of the office.

In conclusion, the workplace is becoming more complex and inter-related with business performance and objectives. More than ever, it defines the culture of an organization and, as Professor Rene Carol from Cass Business School, put it: "Culture is more powerful than business strategy."

AMERICAS: GATHERING STRENGTH

Maria T. Sicola
Executive Managing Director,
Americas Research

UNITED STATES: RECOVERY TAKES HOLD

Technology, energy and new media continue to be the main drivers of the real estate recovery. As a result, markets like San Francisco and Boston, despite having a fair amount of construction in the pipeline expect continued strong demand over the next two years keeping vacancy rates low and pushing prime asking rates upwards by 16% and 22%, respectively. Seattle will see a slow and steady recovery.

Houston and Dallas, in particular, stand to benefit from a growing energy industry. The Dallas Central Business District (CBD) is enjoying a resurgence of activity and class A rents will rise by 3%, although vacancy will remain high. While Manhattan has over 10 msf under construction, 48% is preleased. With positive absorption expected to continue in this thriving market, class A rents will rise by nearly 15% on a cumulative basis.

On the other end of the spectrum are those markets whose tenancy foundations are built on a more traditional mix of sectors – financial, legal, professional business services, for example. Businesses in these sectors have kept their growth plans on hold as they wait for stronger signs of U.S. and global economic recovery. However, steady leasing activity related to the adoption of efficient new workplace strategies that include consolidation and densification will continue. Conditions will favor tenants in these markets as asking rents will see little upward movement in the next two years until business gains confidence and significant job creation takes place. Los Angeles, Atlanta and Philadelphia would fit into this category of markets.

Perhaps not surprisingly, economic difficulties exacerbated by a polarized Congress is no more evident in any real estate market than Washington, D.C., which does not expect to see a return to recovery – balanced leasing fundamentals – until 2015.

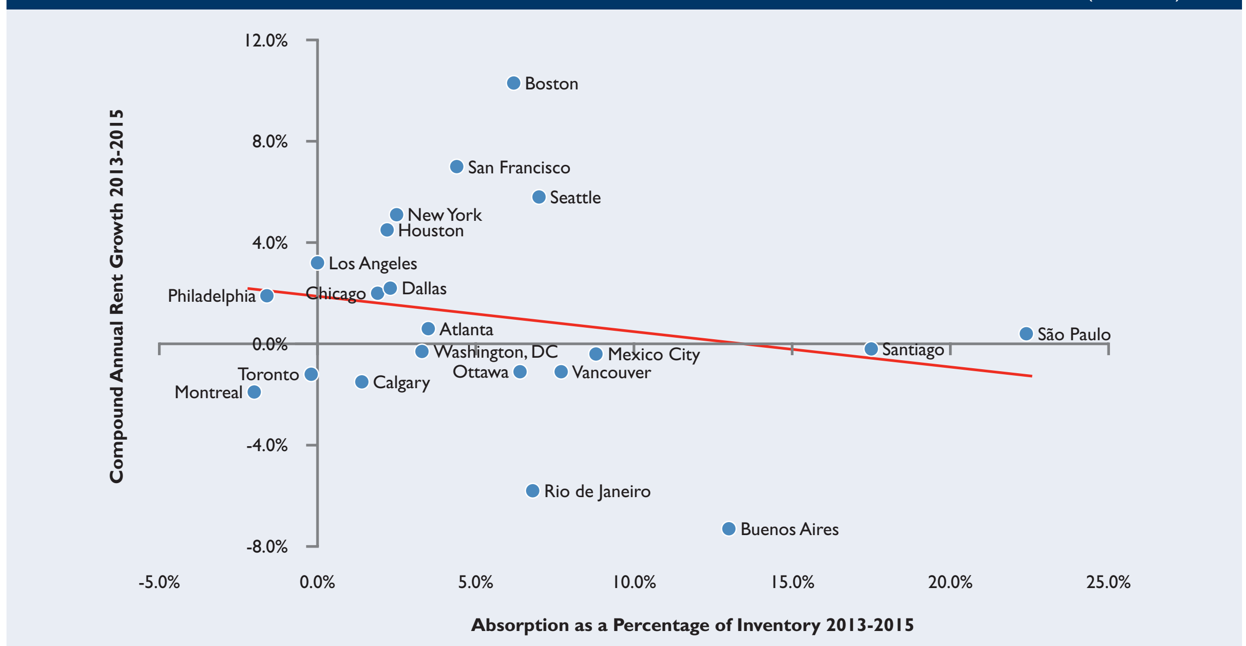
LATIN AMERICA: EYES ON SANTIAGO

Santiago is the South American superstar with projected GDP growth of 11% by the end of 2015. The economic growth will fuel real estate activity and rents will increase by 7.5% from 2013 to 2015.

Mexico City will see rising vacancy and little movement in rents in the near term due to deliveries of about 6.5 msf. Improvement is expected by 2015 with local players in government agencies, finance and manufacturing bolstering demand.

Mexico's new government is working on putting forth a number of changes in tax and energy laws as well as educational, telecom and financial reforms. If executed, these could support business expansion plans.

ABSORPTION AS A PERCENTAGE OF INVENTORY VS. COMPOUND ANNUAL RENT GROWTH (2013-15)



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

A significant number of projects will be completed in São Paulo over the next twelve months – nearly 2.5 times the four year average. This, along with reduced demand, will drive up vacancy and exert downward pressure on pricing in existing buildings until 2015.

In Rio de Janeiro, approximately 4 msf is in the pipeline in advance of both the World Cup and the Olympics, but very little of it has been preleased. Coupled with uncertainties surrounding the upcoming election cycle, vacancy rates are expected to increase while cumulative rent growth will be moderate.

Economic uncertainty remains the story in Buenos Aires and, although GDP growth is expected to increase from 2.8% in 2014 to 3.9% in 2015, vacancy rates and rents will essentially remain at 2013 levels through 2015. However, investment activity is on the upswing as companies are finding it difficult to repatriate profits, and acquiring properties as a hedge against inflation has become commonplace.

Bogota is also a market to watch as speculative construction has returned to the western part of the city. Class A stock delivered in 2014 will help eliminate barriers to entry in this supply-constrained market.

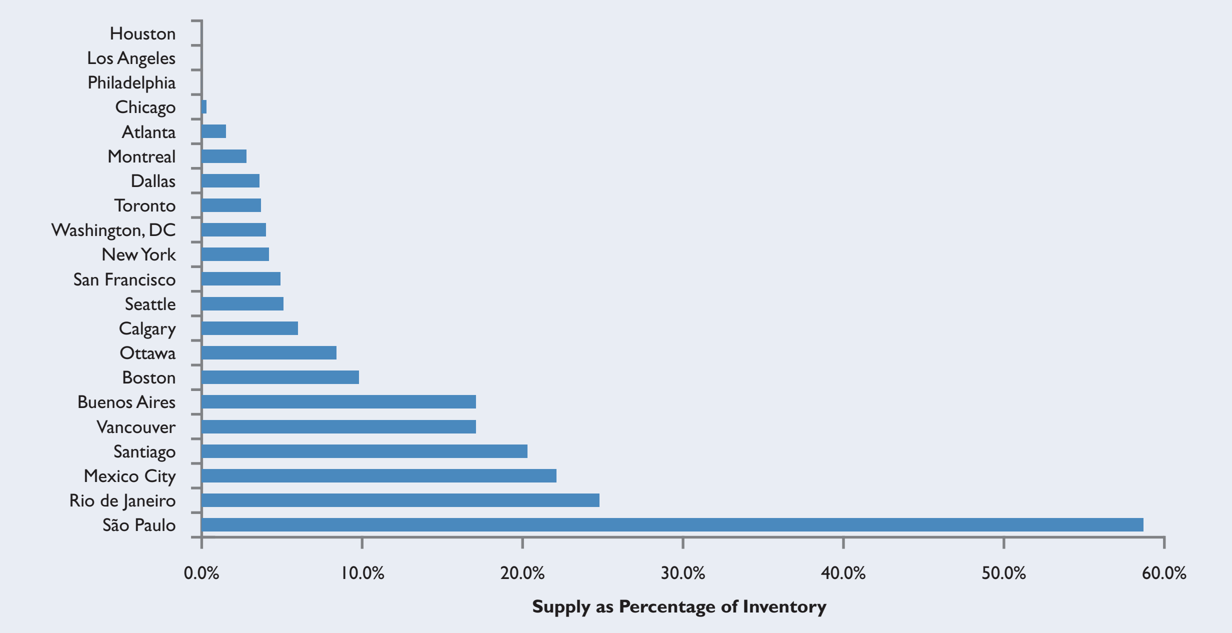
CANADA: MARKETS TO SEE IMPROVED DEMAND

Soft demand across central Canadian markets will regain traction in the latter half of 2014, driven by a strengthening U.S. economy and improved global fundamentals. One of the hottest central market development cycles in 20 years will push vacancy upward, particularly in markets like Toronto and Calgary, where in excess of 5 msf will hit each market over coming years. Heading into this supply storm, Canadian central markets are well positioned, being among the tightest markets in North America, with an average vacancy rate of only 6.0%.

So, while vacancy will rise significantly over current levels, 2014 vacancy rates in Vancouver, Calgary and Toronto will climb moderately to 7.7%, 6.7% and 7.0% respectively. Montreal will see rates rise to 9.1% and Ottawa will see rates rise to 6.6% from 4.8%. As companies relocate into the new developments, displaced space will create opportunities and rental rates will soften across most central markets, but these declines will be modest.

Steady leasing activity related to the adoption of efficient new workplace strategies that include consolidation and densification will continue, especially in markets dominated by "traditional" sectors.

NEW SUPPLY AS A PERCENTAGE OF INVENTORY (2013-2015)



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

AMERICAS: MAJOR OFFICE MARKETS FORECAST

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013 Local Currency	2013 US$/SF/YR	2014 Local Currency	2014 US$/SF/YR	2015 Local Currency	2015 US$/SF/YR	2013 Local Measure	2013 SF	2014 Local Measure	2014 SF	2015 Local Measure	2015 SF	
UNITED STATES																
Atlanta Local Currency: US$/sf/yr Local Measure: sf	21.1	20.2	19.1	26.68	26.68	26.95	26.95	27.10	27.10	0	0	550	550	0	0	Increased momentum in Atlanta's employment sector, particularly in office-using industries, will continue to drive the recovery of Atlanta's office market. Vacancies are expected to continue to slowly decline which should begin to translate into upward pressure on rental rates over the next 12 months.
Boston Local Currency: US$/sf/yr Local Measure: sf	7.5	6.4	8.1	54.35	54.35	58.43	58.43	66.27	66.27	1,833	1,833	485	485	1,314	1,314	Over 3.6 msf of class A office space is scheduled to come online through 2015. Asking rents are expected to grow 22% from 2013-2015, while vacancy rates will tick upwards but remain among the lowest of U.S. CBDs.
Chicago Local Currency: US$/sf/yr Local Measure: sf	11.9	11.0	10.8	38.65	38.65	39.39	39.39	40.51	40.51	0	0	0	0	150	150	With solid employment growth across all sectors, net absorption is anticipated to be steady for 2014 and remain positive for 2015. Vacancy rates will decline slightly and rents will keep pace with but not exceed the rate of inflation.
Dallas Local Currency: US$/sf/yr Local Measure: sf	20.8	20.0	20.6	24.67	24.67	25.24	25.24	26.08	26.08	0	0	0	0	455	455	Despite being one of the softer CBD markets in the U.S., demand in and around the Dallas CBD is stronger than seen in years. Rent growth is expected to be around 3.0% and vacancy will hold around 20.0% for the near term.
Houston Local Currency: US$/sf/yr Local Measure: sf	6.7	5.8	4.5	39.50	39.50	41.54	41.54	43.50	43.50	0	0	0	0	0	0	Over the next 12 quarters, stable job recovery combined with no new construction will result in a steady decline in vacancy and increase in rents. The energy sector remains a critical player in the market.
Los Angeles Local Currency: US$/sf/yr Local Measure: sf	20.3	20.2	20.0	36.41	36.41	37.74	37.74	39.37	39.37	0	0	0	0	0	0	Still a traditional office-using market occupied by financial, legal and back office tenants, vacancy rates are expected to hold while asking rents will inch up in relation to overall market dynamics.
New York Local Currency: US$/sf/yr Local Measure: sf	9.5	9.8	9.4	70.81	70.81	74.46	74.46	81.33	81.33	4,548	4,548	3,246	3,246	2,492	2,492	Improvement in net absorption coupled with substantial new space being delivered over the next two years (which is 48.0% preleased) supports continued rent growth averaging 7.2% over the next two years. Despite the influx of new space, Manhattan's vacancy rate will remain among the lowest in the nation.

SOURCE FOR EXCHANGE RATES: FINANCIAL TIMES, 21 OCT 2013, CLOSING PRICE

AMERICAS: MAJOR OFFICE MARKETS FORECAST

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013		2014		2015		2013		2014		2015		
				Local Currency	US$/SF/YR	Local Currency	US$/SF/YR	Local Currency	US$/SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
UNITED STATES																
Philadelphia Local Currency: US$/sf/yr Local Measure: sf	12.8	12.3	11.5	26.80	26.80	27.34	27.34	28.02	28.02	0	0	0	0	0	0	Fundamentals are forecast to slowly improve in Philadelphia's CBD over the next two years. With no new construction scheduled to deliver over that period, the vacancy rate will decrease and rent growth will trend above inflation, averaging 2.2% per annum.
San Francisco Local Currency: US$/sf/yr Local Measure: sf	8.3	7.8	8.6	57.45	57.45	61.77	61.77	66.55	66.55	476	476	649	649	1,313	1,313	San Francisco is in the midst of a building boom, with over 2.4 msf of new space coming to market by year-end 2015. Demand is expected to keep pace, resulting in only a slight increase in vacancy. Rent growth is forecast to be robust, averaging 7.6% per year.
Seattle Local Currency: US$/sf/yr Local Measure: sf	13.3	11.0	11.8	34.77	34.77	36.26	36.26	38.76	38.76	302	302	0	0	1,018	1,018	The Seattle market is recovering nicely from its 2009 downturn. Vacancy is forecast to decrease only slightly due to 1 msf coming online in 2015. Asking rents are forecast to average a solid 5.6% growth per annum through 2015.
Washington, DC Local Currency: US$/sf/yr Local Measure: sf	14.9	14.8	13.6	59.63	59.63	59.68	59.68	60.98	60.98	1,271	1,271	168	168	590	590	With the exception of trophy properties and new construction, demand will be slow to return, with no significant improvements until 2015 and 2016 when job growth accelerates. Outdated inventory coupled with tenant rightsizing will leave vacancy rates elevated through the forecast period.
CANADA																
Calgary Local Currency: CAD/sf/yr Local Measure: sf	4.6	6.7	7.3	50.52	49.07	49.53	48.11	48.28	46.90	100	100	1,000	1,000	1,100	1,100	Due to its dependence on the energy sector, the Calgary market has always experienced some volatility. Vacancy will rise over the next two years due to lackluster demand and new developments coming to market.
Montreal Local Currency: CAD/sf/yr Local Measure: sf	8.3	9.1	10.5	38.81	37.70	38.19	37.10	37.62	36.54	0	0	230	230	500	500	As market conditions soften across Canada, Montreal is the first to feel the effects of declining business demand. Class A availabilities will increase moderately from current levels by year end 2015, putting downward pressure on rental rates.
Ottawa Local Currency: CAD/sf/yr Local Measure: sf	4.8	6.6	5.7	48.75	47.35	49.22	47.81	49.69	48.27	0	0	840	840	0	0	CBD class A vacancy will increase in 2014 from a weakened economy but modest demand in 2015 is expected to bring rates back down. The delivery of new, government occupied space will generate positive absorption for the near term.

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				Local Currency	US$/SF/YR	Local Currency	US$/SF/YR	Local Currency	US$/SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
CANADA																
Toronto Local Currency: CAD/sf/yr Local Measure: sf	5.0	7.0	8.8	52.15	50.66	51.34	49.87	49.35	47.94	0	0	1,600	1,600	280	280	Weaker demand across the region as a result of the sluggish economy combined with robust new supply coming to market will push vacancy rates higher through 2015. Rent levels will decline to compensate for the 5.1 million square feet of new development presently under construction.
Vancouver Local Currency: CAD/sf/yr Local Measure: sf	5.3	7.7	10.5	52.28	50.78	51.79	50.31	50.50	49.05	20	20	1,137	1,137	1,200	1,200	Vancouver, historically one of the tightest markets in Canada, will see vacancy rise into low double digits by the end of 2015 due to new developments coming to market. Rental rates will also decline, but at a relatively slow rate, bolstered by the addition of new top-tier space.
LATIN AMERICA																
Buenos Aires Local Currency: US$/sqm/mo Local Measure: sqm	8	8.5	8.5	26.25	29.28	25.98	28.97	25.79	28.77	129	1,388	73	791	30	320	The GDP of Buenos Aires is anticipated to grow 2.8% in 2014 and 3.9% in 2015. Demand for space in the market will be flat as uncertainty in the economy keeps tenants on the sidelines. Both the vacancy rate and market rents for class A space will maintain current levels through the end of 2015.
Mexico City Local Currency: US$/sqm/mo Local Measure: sqm	11.9	16.7	16.9	28.70	32.01	29.21	32.58	29.64	33.06	309	3,325	292	3,142	0	0	New construction delivery through 2014 will push vacancy up while slower demand for space from local business will minimize absorption growth resulting in sustained higher vacancy and flat rents through the end of 2015.
Rio de Janeiro Local Currency: R$/sqm/mo Local Measure: sqm	17.6	20.2	21.7	131.39	60.46	134.97	62.11	137.56	63.30	80	859	158	1,705	147	1,586	Vacancy rates are forecast to increase 4 percentage points through 2015. Larger expansion decisions are expected to be put off in the the short term due to uncertainties about the upcoming election cycle. Preparations for both the 2014 World Cup and the upcoming 2016 Olympic games are driving a robust development pipeline.
Santiago Local Currency: US$/sqm/mo Local Measure: sqm	2.7	2.2	0.9	24.15	26.93	25.11	28.00	25.96	28.95	100	1,076	132	1,420	126	1,356	GDP is expected to grow over 11% by the end of 2015 making Chile one of the strongest economies in South America. Asking rents will increase 7.5% between 2013 and 2015 driven by new construction and increased demand.

AMERICAS: MAJOR OFFICE MARKETS FORECAST

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				Local Currency	US$/SF/YR	Local Currency	US$/SF/YR	Local Currency	US$/SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
LATIN AMERICA																
São Paulo Local Currency: R$/sqm/mo Local Measure: sqm	17.5	21.3	23.8	129.99	59.82	134.15	61.73	139.62	64.25	451	4,854	462	4,968	528	5,681	New construction flooding the market through 2015 will push up vacancy rates in the near term. Asking rents will also jump as these higher priced new buildings come online. However, longer term, rents will flatten as slower demand for space forces landlords to adjust in order to compete against the increased number of tenant opportunities in the area.

ASIA PACIFIC: STILL SOLID GROWTH

Sigrid Zialcita
Managing Director,
Research, Asia Pacific

GROWING SLOWLY BUT SURELY

The Asia Pacific region will continue to be an engine for world economic recovery next year, but will move to a lower growth path. Regional real GDP is projected to expand by 5.0-5.3% in 2014-2015, down slightly from 5.4-5.5% in 2012-2013. Prospects will vary, with relatively solid growth in Japan, an incipient recovery in most export-oriented economies, and weakening in some major emerging markets.

"Abenomics" will continue to underpin the economic upswing in Japan; an additional stimulus package will be rolled out to cushion the impact of the sales-tax rise, though the long-awaited "third arrow" is a prerequisite to put its economy on a more durable growth trajectory over the long term. This relatively upbeat assessment for Japan, along with the steady improvement in the U.S. and Europe, should gradually benefit export-oriented economies led by Singapore and South Korea.

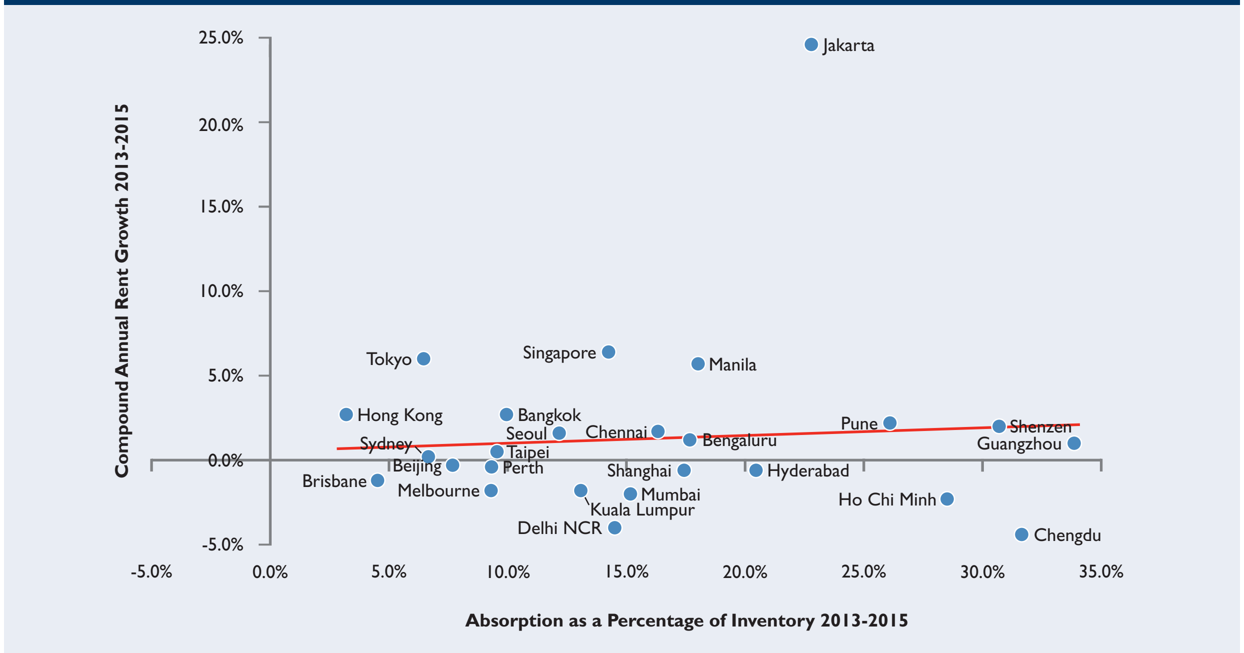
Growth in most ASEAN economies is set to return to its potential on the back of solid domestic demand. For the Philippines, preliminary estimates expect the damage from super typhoon Haiyan to shave off at least 1.0% from its output in 2014. Nonetheless, other economic centers that account for a larger share of its GDP, and were left unscathed by the typhoon, should continue their positive momentum. In Australia, economic strength will hinge on domestic consumption and export volumes to mitigate the shortfall from mining investment.

Meanwhile, major emerging markets will continue to decelerate. Together, the downward adjustments for the three large economies of China, India and Indonesia explain the growth slowdown in the region. China's slower growth and relatively weak domestic demand will possibly necessitate looser financial conditions for many economies, even with policy normalization by the U.S. Federal Reserve. Fortunately, inflation should generally remain within central banks' comfort zones against a backdrop of moderate growth and benign outlook for global commodity prices, and that should allow space for policy easing, if necessary.

The changing growth dynamics have brought new risks to the forefront. First, the Fed taper over the coming year would create spillover effects, with capital outflows likely to intensify and reduce liquidity and, in turn, restrain economic growth in some economies.

Second, given current insufficient fiscal and structural reforms across the region, there is a risk of stagnation or deterioration in domestic fundamentals that could have adverse effects. Lastly, the elections in India and Indonesia slated for 2014 could have ramifications on the coordination of economic policy.

ABSORPTION AS A PERCENTAGE OF INVENTORY VS. COMPOUND ANNUAL RENT GROWTH (2013-15)



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

CAUTIOUS LEASING ACTIVITY

More subdued growth in the region would cause leasing conditions to remain less buoyant over the next year. Specifically, absorption gains are expected to dip modestly from 2013, as leasing in most markets will continue to be undermined by the lack of strong demand catalysts. However, new construction remains robust particularly in emerging markets within China and India, and the regional construction pipeline of nearly 400 msf will remain the highest globally.

Notably, grade A stock is set to grow by 10-15% by 2015. While overall occupancies will vary across the region, rents are still expected to advance annually by 1-2%, on average, through 2015. Considering further the continued rent increases in most markets since 2009, and the prevalence of high rents, occupiers will be more focused on space efficiency and cost containment. Notably, most markets are expected to achieve positive rental reversions once again. Occupiers with three-year leases up for renewal in 2014 will likely see average rent increases of 3-5% in core cities and 9-11% for emerging markets relative to 2011. For 2015, the positive rent reversion trend is expected to persist, with increases in core cities set to accelerate to 6-8%, but more moderate increases in emerging markets of 2-4%.

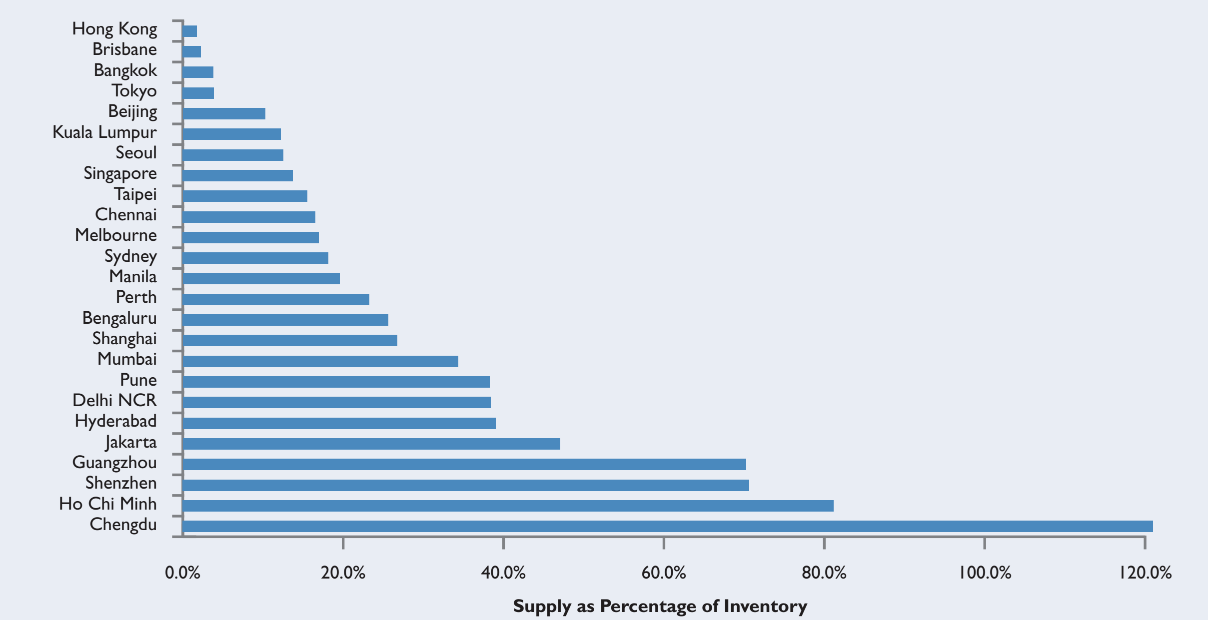
POSITIVE INVESTOR SENTIMENT

Conditions across most of Asia continue to be favorable for investors. Macro trends, including the emerging policy direction in China, influence on liquidity of "Abenomics," elections in Indonesia and India and Australia's consumption trends will be closely watched as they stand to impact sentiment. At the property level, rental growth rates in the core and core-plus space will continue to drive allocations. We expect rental growth rates to accelerate in a number of core and emerging locations led by Tokyo and Manila, where supply risks are limited, upon the resumption of stronger economic growth over the medium term. In emerging markets, China is now seen as presenting value again and acute equity financing gaps in India and Vietnam will continue to offer compelling opportunities. Additionally, the incremental allocation to Asian real estate strategies from large money managers, defined benefit pension plans, insurance companies and endowments from North America and Europe will further strengthen in the years ahead. 2014 promises to be another solid year in terms of investment volumes for Asia.

2015 Rents Look Up

For 2015, the positive rent reversion trend is expected to persist, with increases in core cities set to accelerate to 6-8%, but more moderate increases in emerging markets of 2-4%.

NEW SUPPLY AS A PERCENTAGE OF INVENTORY (2013-2015)



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

ASIA PACIFIC: OFFICE MARKET FORECAST 2013-2015

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013		2014		2015		2013		2014		2015		
				Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
SOUTHEAST ASIA/PACIFIC																
Singapore Local Currency: SGD/sf/mo Local Measure: sf	6.2	5.5	4.2	9.67	93.42	10.07	97.29	10.50	101.44	808	808	720	720	801	801	Absorption to remain positive due to firm economic and property fundamentals. Tightening vacancies and limited supply to allow moderate increases in rents.
Manila Local Currency: PHP/sqm/mo Local Measure: sqm	4.4	4.2	2.0	937.75	24.24	959.85	24.81	1,054.19	27.24	476	5,126	560	6,023	112	1,210	Demand from BPO operations remains healthy and vacancies are expected to remain low despite a steady flow of supply over the next two years. Rents are on the rise.
Kuala Lumpur Local Currency: MYR/sf/mo Local Measure: sf	21.0	20.5	20.6	8.35	31.61	8.15	30.85	8.00	30.28	681	681	1,596	1,596	1,988	1,988	With high vacancies and excess supply under construction, developers have slowed down or deferred the completion of the office projects. Lower occupancy and rent levels are expected going forward.
Jakarta Local Currency: RP/sqm/mo Local Measure: sqm	8.3	11.0	15.3	462,241	45.48	531,612	52.30	584,773	57.54	189	2,032	362	3,897	570	6,132	Higher supply is expected over the next two years; absorption, while healthy, will lag with vacancy increasing towards 2015. Rental rates, however, are still expected to grow but at a much slower pace than 2013.
Ho Chi Minh City Local Currency: US$/sqm/mo Local Measure: sqm	13.0	20.0	26.0	46.00	51.28	46.00	51.28	46.00	51.28	23	252	55	592	49	527	Rents reached a bottom in 2013 and are expected to remain relatively stable in 2014. Shortage of larger spaces likely to continue next year and we expect the impact of new supply on rent to be marginal in 2015.
Bangkok Local Currency: THB/sqm/mo Local Measure: sqm	11.2	11.5	8.3	776.55	27.86	789.40	28.32	801.50	28.75	0	0	45	479	0	0	Limited grade A supply, construction delays in non-core locations and stable absorption will reduce vacancy and increase CBD rents over the next two years.
Brisbane Local Currency: AUD/sqm/yr Local Measure: sqm	10.0	8.8	5.8	655.00	58.86	660.00	59.31	670.00	60.21	19	200	0	0	0	0	With state government cutbacks now behind us, it is expected that vacancy has peaked. While demand remains low, a lack of new construction may limit the pressure on vacancy rates.

SOURCE FOR EXCHANGE RATES: FINANCIAL TIMES, 21 OCT 2013, CLOSING PRICE

ASIA PACIFIC: OFFICE MARKET FORECAST 2013-2015

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013 Local Currency	2013 US$/SF/YR	2014 Local Currency	2014 US$/SF/YR	2015 Local Currency	2015 US$/SF/YR	2013 Local Measure	2013 SF	2014 Local Measure	2014 SF	2015 Local Measure	2015 SF	
SOUTHEAST ASIA/PACIFIC																
Melbourne Local Currency: AUD/sqm/yr Local Measure: sqm	9.6	10.3	10.5	625.00	56.16	620.00	55.72	610.00	54.82	152	1,635	67	721	103	1,113	An increase in building completions over the coming years will maintain upward pressure on vacancy rates. With only a moderate increase in office demand, it can be assumed that vacancy will continue to climb.
Perth Local Currency: AUD/sqm/yr Local Measure: sqm	6.6	9.2	13.9	810.00	72.79	810.00	72.79	800.00	71.89	0	0	34	361	106	1,141	The downturn in the resources sector has not had as great an impact as expected, with a lack of speculative development helping to keep the lid on vacancy rates.
Sydney Local Currency: AUD/sqm/yr Local Measure: sqm	11.4	12.0	15.2	875.00	78.63	875.00	78.63	860.00	77.28	50	539	48	519	225	2,416	With much of upcoming new developments pre-committed, a sizeable amount of backfill space will enter the market over the next 2-3 years. Attractive rents and flexible lease terms should continue.
NORTHEAST ASIA																
Guangzhou Local Currency: RMB/sqm/mo Local Measure: sqm	18.0	9.0	14.0	283.62	51.90	299.24	54.76	307.87	56.34	810	8,718	185	1,988	710	7,637	Limited supply is likely to reduce vacancy in 2014 whereas a large volume of new supply will increase availabilities in 2015. Strong demand and healthy leasing activity should support steady rental growth over next two years.
Hong Kong Local Currency: HK$/sf/mo Local Measure: sf	7.0	6.6	5.7	105.51	163.37	105.77	163.77	115.63	179.05	0	0	95	95	172	172	Banks in Greater Central, and large occupiers in general, will continue to focus on cost containment, but overall demand will slowly improve due to more stable economic conditions. Rents have stabilized and will likely experience flat growth in 2014.
Shanghai Local Currency: RMB/sqm/mo Local Measure: sqm	5.5	5.5	7.5	459.88	84.15	464.68	85.03	453.48	82.98	492	5,298	483	5,202	783	8,427	With the establishment of Shanghai Free Trade Zone, office demand is likely to grow in emerging submarkets and the decentralizing trend will gain momentum. Rentals may record a modest growth in 2014 given a lack of new supply.
Beijing Local Currency: RMB/sqm/mo Local Measure: sqm	6.4	7.6	7.3	556.46	101.82	558.62	102.22	559.93	102.46	225	2,421	261	2,809	273	2,939	The rise of emerging submarkets due to decentralization and other office property types, as well as the slowdown of macro-economic growth will influence the core-area office demand and rental growth. The decentralizing trend will be on the rise.

ASIA PACIFIC: OFFICE MARKET FORECAST 2013-2015

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013 Local Currency	2013 US$/SF/YR	2014 Local Currency	2014 US$/SF/YR	2015 Local Currency	2015 US$/SF/YR	2013 Local Measure	2013 SF	2014 Local Measure	2014 SF	2015 Local Measure	2015 SF	
NORTHEAST ASIA																
Shenzhen Local Currency: RMB/sqm/mo Local Measure: sqm	12.6	11.7	16.4	333.09	60.95	348.72	63.81	349.42	63.94	486	5,231	324	3,483	251	2,706	Moderate supply and demand growth should keep rents elevated in 2014. However, the pre-leasing of large-scale upcoming space could hinder rental growth in 2015 despite healthy leasing activity.
Chengdu Local Currency: RMB/sqm/mo Local Measure: sqm	36.8	33.2	40.2	170.76	31.25	170.91	31.27	158.79	29.06	468	5,040	341	3,666	1,025	11,031	Demand would balance new space in 2014 and stabilize rents at current levels. However, a steady stream of supply will cause rents to fall sharply in 2015 and beyond.
Tokyo Local Currency: JPY/tsubo/mo Local Measure: tsubo	3.8	3.1	2.5	25,500	87.62	28,000	96.21	30,000	103.08	113	4,031	136	4,826	165	5,883	Demand is set to grow gradually following the economic recovery and absorb vacancies. Accordingly, vacancy rates are anticipated to trend downward over the next 4 years, helped by a moderate level of new constructions, and rents are expected to rise.
Seoul Local Currency: KRW/sqm/mo Local Measure: sqm	14.6	12.9	10.9	37,810	39.68	38,245	40.14	38,878	40.80	373	4,012	140	1,502	137	1,474	New supply will boost vacancies in CBD during 2014. Given the market conditions, occupiers will actively review more efficient relocation options, thereby keeping transaction activity stable.
Taipei Local Currency: NT$/ping/mo Local Measure: ping	11.6	12.0	15.7	4,890	56.09	4,890	56.09	4,890	56.09	0	0	9	303	26	919	Moderate demand and new supply in Xinyi Planned Area will impact vacancies. Upcoming space in Nankang submarket at much lower rents is likely to be a barrier for rental growth in 2014-15.
INDIA*																
Bengaluru Local Currency: INR/sf/mo Local Measure: sf	14.5	14.2	12.0	58.19	11.35	57.71	11.26	60.42	11.79	9,135	9,135	6,932	6,932	5,498	5,498	Vacancy levels are expected to decline starting in 2014 due to limited supply and healthy demand. Rental rates in most locations are set to see a gradual uptrend over the next two years.
Hyderabad Local Currency: INR/sf/mo Local Measure: sf	12.6	17.4	16.2	47.67	9.30	47.70	9.31	47.72	9.31	1,868	1,868	4,560	4,560	3,250	3,250	Supply will exceed demand thereby increasing vacancies in 2014. Availability of large-sized space options in the Madhapur submarket will help to keep the leasing momentum healthy. Rents are likely to remain stable.

* RENTS ARE NOT CONFINED TO THE CBD IN INDIA DUE TO A MORE DIVERSE OFFICE MARKET. HOWEVER, PROPERTIES CHOSEN TO BENCHMARK RENTS ARE COMPARABLE TO THOSE FOUND IN THE REGION'S CBDs.

ASIA PACIFIC: OFFICE MARKET FORECAST 2013-2015

	CBD CLASS A VACANCY			CBD CLASS A RENTS						CLASS A NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013		2014		2015		2013		2014		2015		
				Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
INDIA*																
Delhi NCR Local Currency: INR/sf/mo Local Measure: sf	29.0	31.4	30.9	82.02	16.00	74.85	14.60	70.77	13.81	8,396	8,396	7,800	7,800	6,457	6,457	Rents will increase marginally in the CBD due to lack of supply and scarcity of space. High demand and increasing rents are likely in Gurgaon CBD. Oversupply will impact rents in Gurgaon and Noida non-core locations in 2014-15.
Mumbai Local Currency: INR/sf/mo Local Measure: sf	18.7	25.6	25.8	295.36	57.63	284.55	55.52	279.63	54.56	150	150	1,500	1,500	1,139	1,139	Relocations from CBD to BKC and Lower Parel may gain momentum with increasing availabilities at lower rents due to a rise in supply. Vacancy in non-core markets such as Andheri and Malad are expected to decline, with low supply and healthy absorption pushing rentals upward in 2014 and beyond.
Chennai Local Currency: INR/sf/mo Local Measure: sf	15.1	13.3	11.3	54.29	10.59	54.62	10.66	54.74	10.68	3,663	3,663	666	666	950	950	High vacancy and availability of better-quality IT space in suburban locations like Guindy, Perangudi and Taramani should keep CBD rents in check. Limited supply, healthy absorption and rising rents are expected in non-core locations in 2014.
Pune Local Currency: INR/sf/mo Local Measure: sf	23.2	21.4	18.2	57.17	11.16	56.12	10.95	56.96	11.11	4,066	4,066	3,180	3,180	2,998	2,998	Moderate demand, high vacancy and an increased preference for suburban markets with lower rentals could pressure core areas. Healthy demand is expected in non-core markets and rents are likely to remain stable.

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EMEA: POSITIVE SIGNS

David Hutchings
Partner, Head of the European
Research Group

A BRIGHTER, IF STILL MIXED FUTURE

Marked improvements in Europe's economy have been seen this year with the eurozone officially emerging from recession and confidence rising in both consumer and business sectors. While this is clearly positive, downside risks are still very much in the picture. Growth is expected to be slow overall and remain very mixed country by country. Indeed, while the action of the European Central Bank has been critical in underpinning confidence in the region as a whole, austerity measures continue to weigh on individual markets, making risks more local in nature. Hence, as some of the core markets of Europe gain momentum, the slow recovery in other areas continues to subdue occupier demand for property.

At an aggregated level, following an increase in completions this year, 2014 will also see more activity. This will be reflected in the vacancy rate, which is anticipated to rise in 2014 before declining as development completions plateau and demand firms, potentially taking vacancy down to its lowest since 2008.

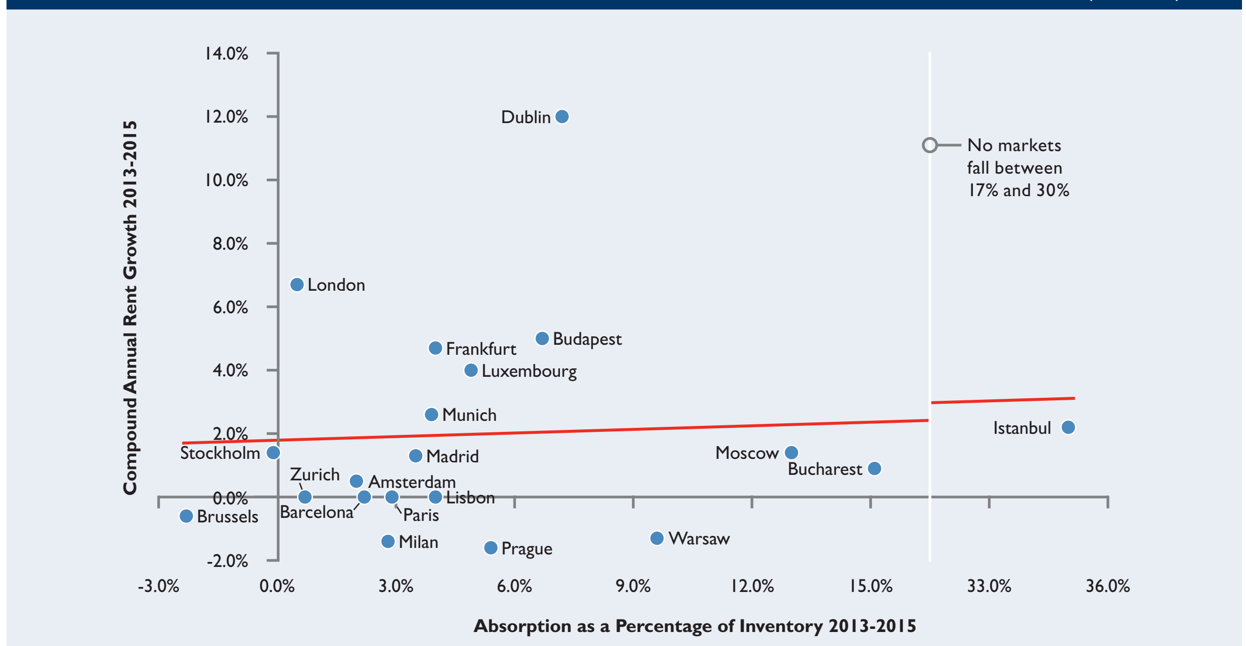
The decline in completions is linked to both the lagged impact of the eurozone crisis and the ongoing shortage of financing for speculative projects. For occupiers, this will exacerbate the shortage of modern stock already evident within the profile of availability – delivering an ongoing two-tier market with limited prime supply and an abundant choice of second-tier space. For investors, this suggests areas of opportunity away from the grade A market, as well as for those ready to take risks and restart development and refurbishment. Investors are very much focused on core markets, but as opportunities reduce for well-priced quality stock they are pushing their geographic boundaries and looking at the 'best-of-the-rest' in second tier cities and markets.

SOME CLEAR WINNERS

Returning confidence will help to reignite the leasing market, as more occupiers are ready to act to improve or grow their business, not just save costs. The market will however remain differentiated city by city not just country by country. Occupiers have a clear preference for quality space at the expense of secondary, and many are encountering supply constraints in some cities, particularly those seeking larger floor plates. This is pushing some to move sooner than expected to secure deals on the decreasing amount of quality space that is available.

Major international cities such as London, Stockholm and Frankfurt have led in this recovery, but others are now joining in, including some that had been in what was Europe's distressed fringe. Dublin, for example, has

ABSORPTION AS A PERCENTAGE OF INVENTORY VS. COMPOUND ANNUAL RENT GROWTH (2013-15)



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

bounced strongly and with no new construction underway and more stringent planning procedures coming, double-digit rental growth is anticipated.

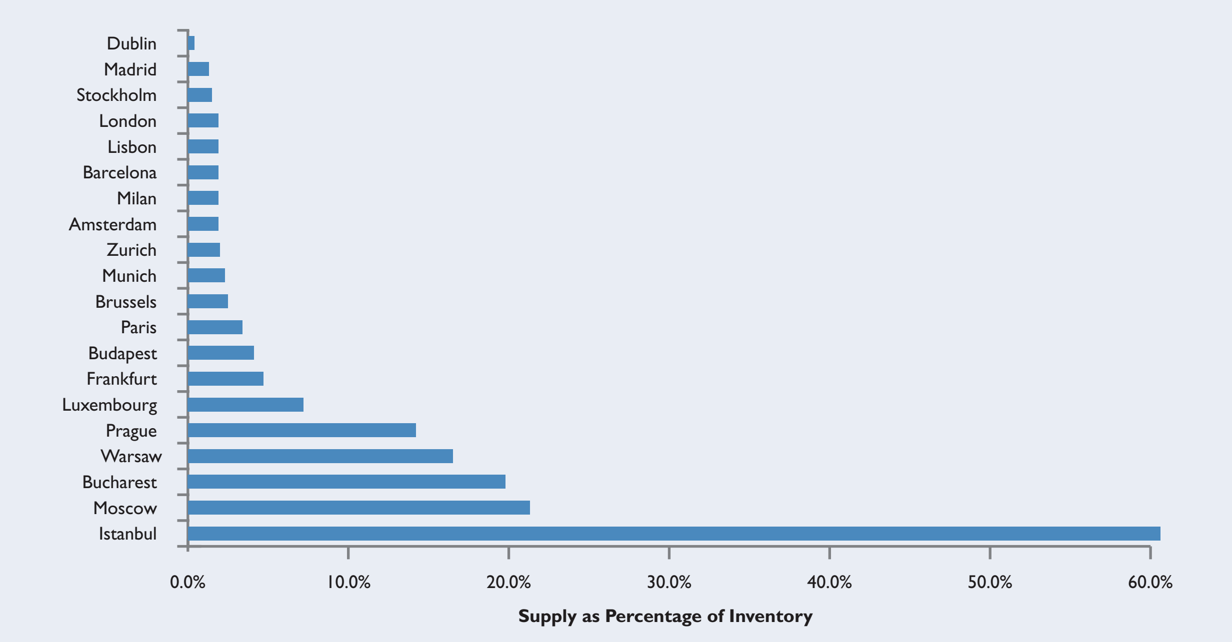
More widely, a modest rise in speculative development is anticipated from late 2014 onwards as investors and lenders take on more risk. Pre-letting will be attractive and markets with expanding demand pipelines, such as London, could lead the development cycle. In key German and Nordic cities, the recovery has been supply-led but more companies are also now looking to increase their operational footprint as economic growth improves. To the east, the story is the same with star performers Moscow and Istanbul where rental growth is anticipated on the back of limited quality supply and improving demand. In Istanbul, new submarkets are emerging due to infrastructure developments.

OTHERS STILL WAIT FOR TAKEOFF

Thanks to the depth and duration of the downturn, manifested in high levels of unemployment, concerns over income levels and tight credit conditions, a number of cities are blighted by an oversupply that will take time to absorb and, in markets such as Rome, Lisbon and Barcelona, occupiers can choose from a plethora of options. To the east, new development in Warsaw and Prague should attract more occupiers but here and in other markets such as Bucharest and Budapest, conditions will continue to favor tenants, with landlords offering attractive incentives, including rent free periods even on short leases and capital contributions, in order to attract and hold tenants in situ. However, even in these markets, occupiers are moving to take more favored space off the market at the expense of lower quality and less efficient office accommodation – some of which is converted into alternative uses such as hotels or more commonly residential. In time, this will limit quality supply and exert mild upward pressure on rents as early as next year even in some markets where vacancy is still high, such as Milan, Madrid and Amsterdam.

Occupiers have a clear preference for quality space at the expense of secondary, and many are encountering supply constraints in some cities, particularly those seeking larger floor plates.

NEW SUPPLY AS A PERCENTAGE OF INVENTORY (2013-2015)



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

EMEA: MAJOR OFFICE MARKETS FORECAST

	OVERALL VACANCY			CLASS A / PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013 Local Currency	2013 US$/SF/YR	2014 Local Currency	2014 US$/SF/YR	2015 Local Currency	2015 US$/SF/YR	2013 Local Measure	2013 SF	2014 Local Measure	2014 SF	2015 Local Measure	2015 SF	
WESTERN EUROPE																
Amsterdam Local Currency: €/sqm/yr Local Measure: sqm	14.5	13.9	13.8	360.00	45.74	365.00	46.37	365.00	46.37	59	636	67	721	0	0	Minimal economic growth and austerity measures are intrinsic to office market performance. A drive for efficiency and consolidation, in particular from public bodies, is seeing excess space released and vacancy rates stabilise at best as construction slows.
Barcelona Local Currency: €/sqm/mo Local Measure: sqm	13.5	14.0	13.1	17.50	26.68	17.75	27.06	18.00	27.44	46	497	9	99	55	595	Total availability is high, but grade A vacancy is low with space absorbed as occupiers upgrade in a pressurized rental market. Positive growth will follow as limited speculative completions decrease further with developers reluctant to commit in the absence of pre-lets.
Brussels Local Currency: €/sqm/yr Local Measure: sqm	10.0	10.0	9.7	275.00	34.94	275.00	34.94	280.00	35.57	281	3,029	30	323	40	431	An improving macroeconomic environment provides the backdrop for a better performance in the office market from 2014. The choice of quality supply levels are relatively low, with rising numbers converted buildings, which is supporting positive rental growth as incentives are gradually withdrawn.
Dublin Local Currency: €/sqm/yr Local Measure: sqm	17.8	15.5	11.9	339.00	43.07	390.00	49.55	431.00	54.76	0	0	0	0	15	161	Recovery is on its way in the Irish office market alongside a more robust economic performance. Quality space is in demand as companies upgrade or expand their accommodation. Availability is falling and there are constraints for those seeking large amounts of contiguous space.
Frankfurt Local Currency: €/sqm/mo Local Measure: sqm	12.3	11.8	12.1	37.00	56.41	37.50	57.17	39.00	59.46	195	2,103	252	2,713	117	1,254	Structural oversupply challenges exist, however quality space is still being absorbed with relative ease, bolstered by solid economic fundamentals that are supporting positive rental growth. Net addition to stock is being offset by new completions as stock withdrawals continue.
Lisbon Local Currency: €/sqm/mo Local Measure: sqm	12.3	11.8	10.1	18.50	28.21	18.00	27.44	18.50	28.21	41	436	37	394	8	87	Tough economic conditions were particularly pronounced for the financial and business service sector which shed employment negatively impacting on rents. As demand improves in 2015 and competition intensifies for high quality space, which is limited, a rental recovery should follow.
London Local Currency: £/sf/yr Local Measure: sf	6.6	6.8	6.3	110.00	177.75	120.00	193.91	127.50	206.03	3,075	3,075	6,433	6,433	2,456	2,456	Occupier activity strengthens as the risk appetite to take decisions grows in anticipation of a dearth of future supply, increasing rental values amid a steadily more positive economic scenario.

SOURCE FOR EXCHANGE RATES: FINANCIAL TIMES, 21 OCT 2013, CLOSING PRICE

EMEA: MAJOR OFFICE MARKETS FORECAST

	OVERALL VACANCY			CLASS A / PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013		2014		2015		2013		2014		2015		
				Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
WESTERN EUROPE																
Luxembourg Local Currency: €/sqm/mo Local Measure: sqm	5.6	5.1	5.0	43.00	65.56	44.00	67.08	45.00	68.61	64	693	106	1,139	74	791	A healthy financial and banking sector is imperative to office sector performance. Rising demand and restricted speculative development results in erosion of grade A space that will support rental growth. Central areas will reap long term benefits from approved transport projects.
Madrid Local Currency: €/sqm/mo Local Measure: sqm	11.8	10.9	9.5	24.50	37.35	25.00	38.12	25.50	38.88	81	868	70	753	0	0	Secondhand space continues to be released by tenants who are downsizing and/or upgrading their workplaces in a weak tenant market with muted rental growth. Any improvements are not expected until late 2014 at the earliest when some positive growth is likely.
Milan Local Currency: €/sqm/yr Local Measure: sqm	15.1	14.5	13.3	475.00	60.35	465.00	59.08	480.00	60.99	47	506	70	755	74	792	The ongoing weak economy is underpinning a market characterized by strategic relocations and renegotiations of existing contracts as occupiers look for more efficient space. Landlords are increasingly flexible offering rent-free periods and capital incentives. Conditions will persist through 2014, with improvements in 2015.
Munich Local Currency: €/sqm/mo Local Measure: sqm	7.1	7.1	5.6	32.00	48.79	32.50	49.55	34.00	51.84	161	1,734	189	2,030	106	1,138	Healthy fundamentals will support good growth going forward. Strong take-up levels, held back by supply shortages especially for large floorplates, will outstrip the amount of new speculative supply coming to the market. In turn rents at the top end will rise.
Paris Local Currency: €/sqm/yr Local Measure: sqm	8.0	7.7	7.4	810.00	102.91	810.00	102.91	820.00	104.18	642	6,909	496	5,341	684	7,361	Persistent fiscal pressures, an uncertain business environment and high unemployment have slowed occupier activity, and rents declined in 2013. A revival of activity in 2014-2015 is expected as limited new completions are due in Paris proper and demand continues to erode excess space.
Stockholm Local Currency: SKr/sqm/yr Local Measure: sqm	8.9	9.7	11.0	4,650	67.48	4,700	68.20	4,800	69.65	20	215	56	606	88	947	The strong performance of the economy will continue. As unemployment trends downwards and the financial and business service sector grows, vacancy for quality stock will fall as rents increase linked to companies increasing their real estate footprints.
Zurich Local Currency: SFr/sqm/yr Local Measure: sqm	4.7	4.9	4.8	760.00	78.30	760.00	78.30	760.00	78.30	32	340	56	597	40	431	Companies move to new developments as they consolidate and reduce costs in what is still a pressurized rental market. As supply gradually reduces expansion plans are reactivated in late 2014, underpinned by a stronger economy, vacancies may reduce, followed by potential rental rises.

EMEA: MAJOR OFFICE MARKETS FORECAST

	OVERALL VACANCY			CLASS A / PRIME RENTS						NEW SUPPLY (000s)						COMMENTARY
	2013 (%)	2014 (%)	2015 (%)	2013		2014		2015		2013		2014		2015		
				Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Currency	US$/ SF/YR	Local Measure	SF	Local Measure	SF	Local Measure	SF	
CENTRAL AND EASTERN EUROPE																
Bucharest Local Currency: €/sqm/mo Local Measure: sqm	13.5	14.7	14.0	19.00	28.97	19.00	28.97	19.50	29.73	123	1,328	147	1,585	100	1,076	As domestic conditions recover and unemployment continues to decline, office market fundamentals will also improve. However, this is from a low base and despite less speculative construction and more robust demand, rental rises are unlikely before late 2015.
Budapest Local Currency: €/sqm/mo Local Measure: sqm	17.9	16.4	15.8	21.00	32.02	21.00	32.02	22.00	33.54	61	661	45	487	24	254	Hungary is still working through the after effects of its recession and despite an improving financial and business services sector, unemployment is stubbornly high. However, occupier activity is improving and 'control' is firmly with tenants as landlords compete for deals in an oversupplied market.
Istanbul Local Currency: US$/sqm/mo Local Measure: sqm	8.4	7.7	6.3	45.00	50.17	45.50	50.72	47.00	52.40	300	3,229	937	10,082	640	6,887	Rental growth may be restrained short-term as supply surges ahead with the emergence of new submarkets. 2014 will see the situation rectify itself as requirements are satisfied and demand for quality stock, which the city severely lacks, increases.
Moscow Local Currency: US$/sqm/yr Local Measure: sqm	13.3	16.1	12.9	1,200	111.48	1,225	113.81	1,250	116.13	1,169	12,580	900	9,688	728	7,834	Despite an upward tick in overall vacancy in 2014, a strong and improving economy will see occupier activity gain further traction, and increased competition from tenants for quality space and rents will come under sustained upward pressure over the next 18-24 months.
Prague Local Currency: €/sqm/mo Local Measure: sqm	14.2	15.0	16.2	20.50	31.26	20.00	30.49	20.00	30.49	88	947	170	1,830	150	1,615	With a plethora of choice for occupiers, the market continues to be tenant-led. Due to huge current construction the vacancy rate will increase in spite of strengthening demand, putting additional pressure on incentives and rents.
Warsaw Local Currency: €/sqm/mo Local Measure: sqm	11.5	12.0	11.5	25.50	38.88	25.00	38.12	25.50	38.88	321	3,459	224	2,408	239	2,570	Pressure on real estate fundamentals may ease temporarily, but there is a danger that with a large amount of speculative space due to complete in 2014 any improvements in employment will not be able to offset rental declines before a more robust 2015.

Cushman & Wakefield is known as a global industry knowledge leader. Through the delivery of timely, accurate, high-quality research reports on the leading trends, markets around the world, forecasts and business issues, we aim to assist our clients in making property decisions that meet their objectives and enhance their competitive position. Cushman & Wakefield also provides customized studies to meet the specific information needs of owners, occupiers and investors.

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