

**PRESS RELEASE**

## **NEW BNP PARIBAS REAL ESTATE CONFIDENCE INDEX (RECI) SUGGESTS INVESTMENT CONDITIONS TO REMAIN FAVOURABLE IN UK, GERMANY AND FRANCE IN 2017**

- New BNP Paribas Real Estate Confidence Index finds leading investors in France and Germany largely unmoved by Brexit vote, with UK sentiment recovering in Q3,
- The balance of investor sentiment shifted from selling to buying real estate over the next 12 months.

Investment conditions in the 'big three' European markets of the UK, Germany and France are set to remain favourable in 2017 despite wider political and economic uncertainty, a survey of industry leaders has revealed.

The BNP Paribas Real Estate Confidence Index (RECI), launched today, found the majority of investors (70%) across the big three European markets in Q3 2016 anticipate that conditions would remain unchanged over the following 12 months, albeit at a slowing pace.

The RECI gauges the sentiment of key industry leaders each quarter across a range of issues, tracking the proportion that think that investment conditions will improve, worsen or stay the same over the next 12 months.

Key findings include:

- Investor sentiment dipped in Q2, driven by UK investors' reaction to the UK's decision to leave the EU, only to bounce back in Q3. Investors in France and Germany were largely unmoved by the referendum result.
- The outlook for France improved in Q3 while investors in Germany expressed more caution, possibly as a result of the market already being at historic highs.
- The net balance of investor opinion shifted towards buying property in Q3, for the first time since the RECI began 12 months ago. Around 44% of investors take the position of holding assets across all sectors.
- For yields, the net balance still favours further compression across all sectors. These signals were strongest for German offices, particularly in Berlin, reflecting its very strong occupational market.
- The net balance of investor opinion in Q3 moved away from anticipating a decline in total returns over the next year, towards growth.



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- Most investors think the lending situation in Europe will not be any different next year. The net balance felt conditions would tighten, suggesting that central bank action is only having a limited impact on the commercial real estate market.

**Simon Williams, Head of UK Investment at BNP Paribas Real Estate**, said: “The majority of investors believe the outlook for investment in the UK will either improve or remain the same in 2017, suggesting the UK will see continued good investment business, albeit at a slower pace.

“London remains one of the most active global markets, while investors continue to operate in a macro environment that is particularly favourable to acquisition.”

“Due to the stable economic situation and the positive development of labour market investors are strongly interested in German office investments. Most of the investors know that the tough competition will lead to further yield compression and are willing to accept this. Especially in Berlin where large rental upside is expected for the coming years”, said **Sven Stricker, Managing Director and Head of Investment at BNP Paribas Real Estate Germany**.

**Olivier Ambrosiali, Head of Investment at BNP Paribas Real Estate**, said: "2015 was the record for investment volumes in French history, and although we may not reach these levels this year, the market is still extremely active. Even French funds and insurance groups have had huge inflows and are investing heavily. Global investors are present, notably North American and Asian investors who are showing a high interest with financing levels at record lows. Finally with an improving French economy we are finally seeing a strong comeback for office letting markets with take up near record levels".

**ENDS**

Notes to Editors:

About the RECI:

BNP Paribas Real Estate undertakes an online survey every quarter of investors in France, Germany and the UK.

**INVESTORS WERE ASKED SIX QUESTIONS:**

Question 1: How do you see real estate investment conditions evolving in your main market of operation over the next 12 months?

Question 2: This time next year where do you think total returns for the sectors you know will be?

Question 3: This time next year where do you think prime initial yields for the sectors you know will be?

Question 4: This time next year where do you think rental values for the sectors you know will be?

Question 5: This time next year what position do you think the sectors you know about will be at in the property cycle?

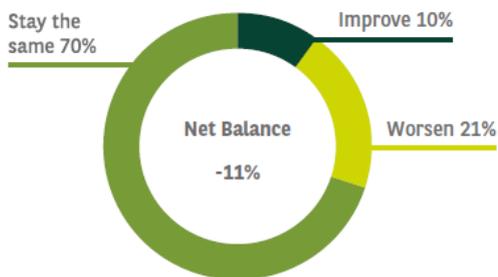


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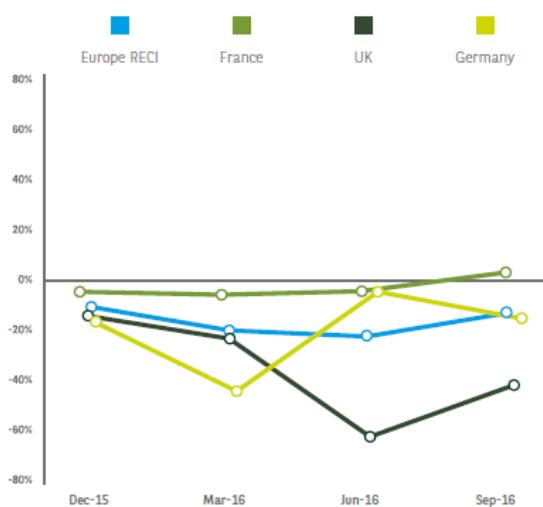
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Question 6: How do you see lending conditions to evolve in your market over the next 12 months?

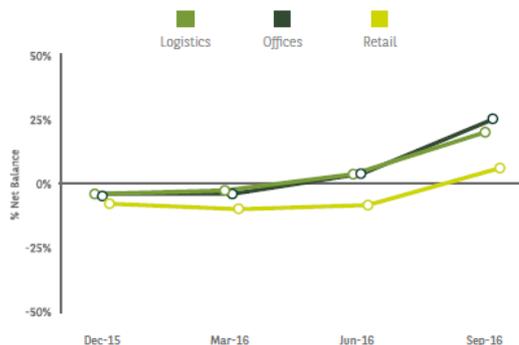
### Confidence Outlook 12 Months Ahead



### BNP Paribas Real Estate Confidence Index (RECI)



### Investor Opinion is Moving Back Towards Favouring Acquisition



### About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network).

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