EMEA

CITY OFFICES

QUARTER 4 | 2018

EXECUTIVE SUMMARY

- The main European economies experienced very low rates of growth in the last quarter of 2018, and this dragged down annual GDP growth rates: Germany and France registered y/y GDP growth of 1.5%, whilst the UK only managed 1.4% growth, in 2018. But employment rates remain at record lows in many markets, with the Eurozone registering the lowest unemployment rate since 2008 (7.9%). Against this backdrop, occupier demand remained unabated in 2018.
- EMEA take-up declined very slightly (-2% y/y) in 2018, as a result of constrained availability. Vacancy also declined, highlighting the lack of good quality supply, especially inside inner-city CBD perimeters. The average EMEA vacancy rate for the markets monitored in this report reached 6.35% by end of 2018. Vacancy has declined in every single quarter since June 2016 when it was 8.36% - a decrease of 2.1 percentage points over 2.5 years. To put this in context vacancy was 9.7% in June 2013 during the aftermath of the GFC.
- A dearth of Grade A space is driving a rise in pre-letting activity with high preleasing rates at new-build developments intensifying the pressure on vacancy. In Munich, over a third of 2018 take-up were pre-leases. In London, a strong pick-up in Grade A absorption (2 mn sq ft) in 2018 was boosted by development completions pre-let to major occupiers. In Bristol (where Grade A vacancy is at 2.4%) two new Grade A developments recently released to the market were significantly pre-let before completion. In many markets in CEE, pre-letting activity is a major component of take-up, for example in Sofia, where it accounted for 41% of leasing transactions in 2018. We expect pre-letting to remain a key component of transactional activity in 2019 with levels set to exceed the long-term trend.
- Flexible offices continued its seemingly unstoppable penetration of the market. In Paris, 25% of transactions in 2018 were by co-working operators (19% by WeWork). New 'blue chip' converts increased the diversity of tenants using flexible workplace options, with larger occupiers forced to review their options in the face of dwindling availability. The impact of the ongoing evolution of this niche could impact overall take-up levels over time, as flexible options provide for a more efficient use of space on a needs-basis, but in smaller chunks. Higher desk utilisation also often results in a requirement for smaller surfaces than traditional office spaces. This trend was apparent in Barcelona, where 2018 take-up was impacted by fast growth by co-working operators.
- Looking at rental growth on a quarterly basis, Oslo, Porto (both 10%) Minsk (7%) Manchester (6%) and Glasgow (5%) were the fastest-growing of all EMEA markets surveyed in Q418 vs. Q318. The slowest-growing (or declining markets) included St Petersburg (-15%) Moscow (-5%) Stuttgart (-2%) and London West End and London City (both flat q/q). On an annual basis, Porto (19%), Oslo (18%), Kiev (14%) Barcelona (13%) and Berlin (12%) were the top 5 fastest growing markets in 2018/2017.

KEY METRICS IN MAJOR EMEA CITIES: H2 2018

	PRIME HEADLINE RENT			VACANCY			TAKE-UP	
CITY	€/SQ M/ MONTH Q2 2018	6MONTH RENTAL GROWTH	12M OUTLOOK	% Q2 2018	6M CHANGE, BPS	12M OUTLOOK	SQ M H1 2018	ANNUAL CHANGE
Amsterdam	36.67	2.3%	▲	5.80	-40	▼	101	-40.4%
Berlin	35.10	0.7%	▲	1.50	-20	▼	414	-17.2%
Bucharest	18.00	0.0%	▬	9.50	50	▲	178	15.0%
Budapest	20.00	0.0%	▲	7.30	-30	▬	278	10.9%
Copenhagen	22.32	0.0%	▲	7.20	-30	▬	n/a	n/a
Dublin	55.83	0.0%	▬	7.40	40	▬	193	7.2%
Frankfurt	42.00	2.4%	▲	6.80	-140	▼	364	-21.8%
Istanbul	33.18	-5.0%	▼	35.99	-149	▬	108	69.7%
London - City	68.06	0.0%	▲	5.50	20	▬	326	-7.3%
London - West End	119.24	0.0%	▲	4.34	-59	▬	246	14.3%
Madrid	34.50	7.8%	▲	10.00	-10	▲	257	-16.4%
Manchester	36.76	5.7%	▲	7.95	-95	▲	92	36.9%
Milan	45.83	3.8%	▬	12.00	-10	▬	179	21.0%
Moscow	65.48	0.0%	▲	8.73	-27	▼	384	-64.2%
Munich	41.00	0.0%	▲	1.80	-50	▼	499	-12.0%
Paris	70.00	3.7%	▬	5.50	-20	▼	965	-26.3%
Prague	22.00	2.3%	▲	5.12	-174	▬	290	5.3%
Stockholm	60.81	6.4%	▬	5.00	0	▲	n/a	-100.0%
Vienna	28.00	0.0%	▬	5.70	50	▲	118	-26.3%
Warsaw	22.00	0.0%	▲	8.70	-240	▼	442	2.8%

Sources: : Colliers International

FIGURE 1:
UNEMPLOYMENT RATES AND GDP GROWTH 2018

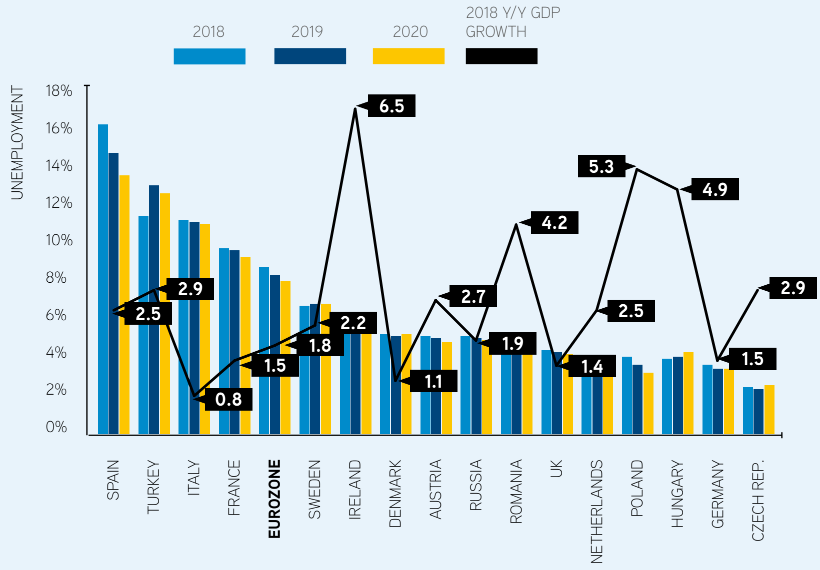


FIGURE 2:
EUROZONE: CONTRIBUTIONS TO GDP GROWTH
2011-2020

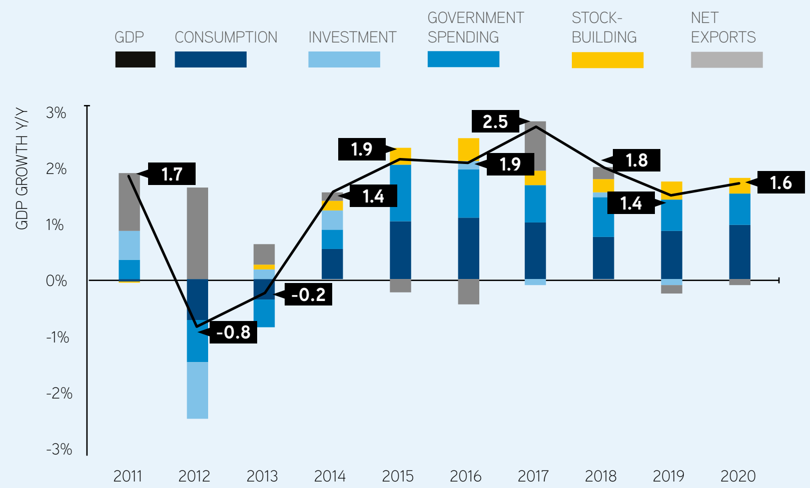
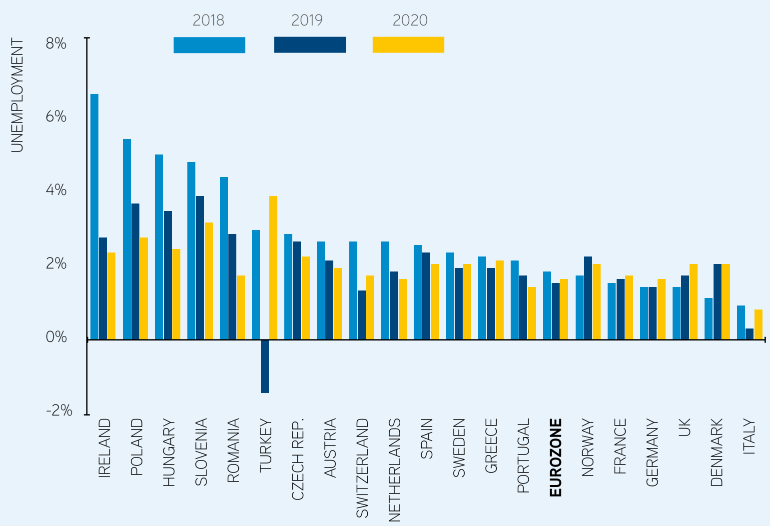


FIGURE 3:
ANNUAL GDP GROWTH RATES:
2018-2020



Sources: Figure 1: Colliers International, Oxford Economics | Figure 2: Colliers International, Oxford Economics | Figure 3: Colliers International, Oxford Economics

MACROECONOMIC OVERVIEW

The eurozone economy finished 2018 on a low note, against the backdrop of a weakening global economic environment, rising protectionism and declines in demand from China. Closer to home, Brexit adds another layer of uncertainty to the landscape. GDP growth in the eurozone reached 1.8% in 2018, but most importantly, the unemployment rate remained at 7.9% in December, marking its lowest level since 2008.

Germany narrowly avoided a recession in H2 2018, and 2018 GDP growth fell to 1.5% - after a strong performance of 2.5% y/y growth in 2017. This was partly due to temporary output cuts in the car sector, which negatively affected GDP performance in H2 2018. The labour market is strong, with unemployment at 5% and wage growth of 3% in 2018, contributing to robust domestic demand, which is leading Oxford Economics to forecast a rebound in GDP growth of 0.5% q/q for Q1 2019.

The UK saw 2018 GDP growth of 1.4%, the slowest since 2009, after q/q growth of 0.2% in the final quarter of the year. Business investment declined in Q4 for the fourth consecutive quarter, seemingly indicating a UK – specific factor at play – Brexit uncertainty. On a positive note, the three months to November delivered a 141,000 rise in the number of people in work compared to the previous three months, the biggest gain since Q1 2018, lifting the employment rate to a record high of 75.8%.

Despite the widespread unrest that followed the Yellow Vest protests during the fourth quarter of last year, France ended up weathering the storm relatively unscathed, partly thanks to stronger-than-expected exports. The economy grew by 0.3% q/q in Q4, resulting in overall GDP growth of 1.5% in 2018, and unemployment is forecast to settle at around 8.3% in 2019. Firms are starting to report skill shortages as a factor limiting production, which could result in wages being lifted and stronger domestic demand this year, but the current political upheaval has the potential to derail Emmanuel Macron's programme of reforms.

Spain continued to outperform the eurozone, although Oxford Economics revised its forecast slightly downwards to 2.3% (down from 2.4%) in 2019, compared to an estimation of 2.5% in 2018. Despite job creation growing steadily since 2013, unemployment remains high (13%), and the country is set for its third general election in four years in 2019. Weak domestic demand dragged Italy into a recession in H2 2018, and job creation stagnated, with the unemployment rate now at an annual average of 10.5%. From an economic perspective, a lot hinges on how the political situation plays out going forward.

The Nordic economies continued to enjoy record employment, with Norway and Denmark displaying unemployment rates of around 4%. Sweden presents a higher unemployment rate than its neighbours, and Oxford Economics expects Swedish unemployment to average around 6.4% in 2019. GDP growth is estimated to have reached 2.2% in 2018 in both Sweden and Norway, with Danish GDP estimated to have reached 1.1%, due to this country's reliance on its export business, vulnerability to the eurozone slowdown and the uncertainty of a 'no deal' Brexit.

Outside the Eurozone, the CEE economies enjoyed some of the strongest rates of growth in the world in 2018, with the Polish and Hungarian GDPs growing by 5% y/y in 2018. But the tightness of the labour market in some of these countries, presently running at near full capacity, could start impacting GDP growth this year because these economies are going through some of the most acute labour shortages in Europe.

FIGURE 4:
UNEMPLOYMENT RATE, MAIN EMEA CITIES,
2018-2020

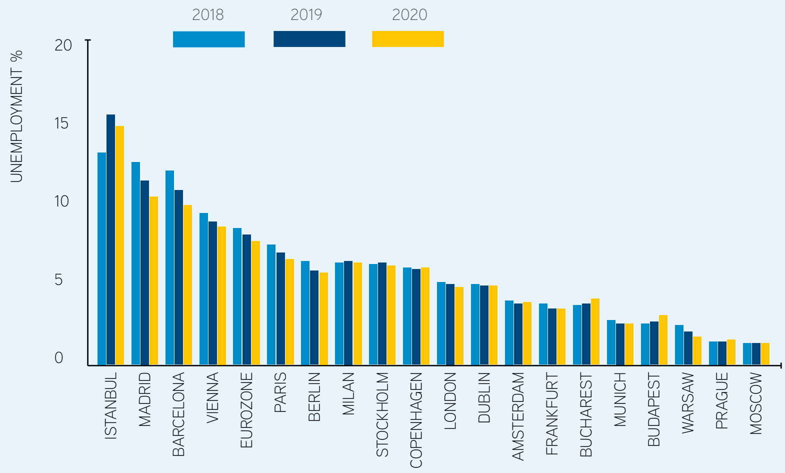


FIGURE 5:
CHANGE IN 12 MONTH ROLLING TAKE-UP

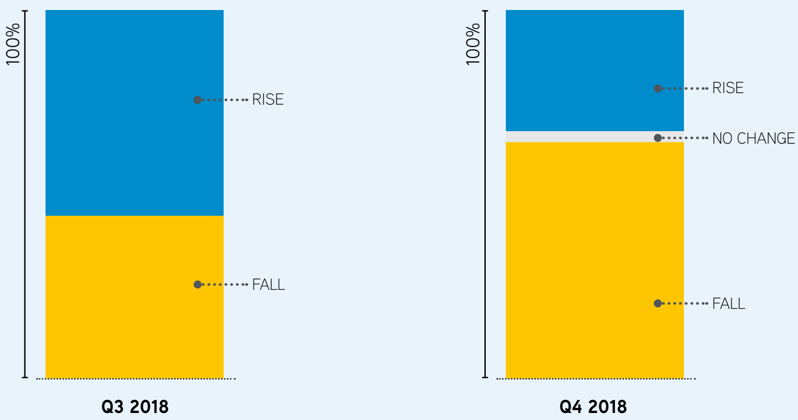
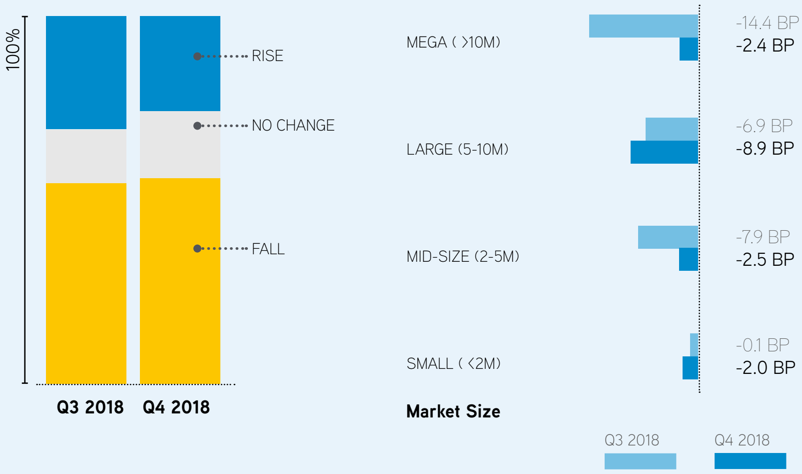


FIGURE 6:
VACANCY RATE CHANGES *| left*

AVERAGE SHIFT IN VACANCY RATES *| right*
BASIS: QUARTER-ON-QUARTER



Sources: Figure 4: Colliers International | Figure 5: Colliers International | Figure 6: Colliers International

MARKET OVERVIEW: DEMAND

Full employment supports office market fundamentals

Job creation continued apace across many European cities in 2018, and some of them are now running at close to full capacity. This will affect occupier demand in the medium term. According to the ILO (International Labour Organization) definition, the unemployment rate reached 1.4%, 2.4% and 2.5% in Prague, Warsaw and Budapest last year. The same applied to some German cities, particularly Munich and Frankfurt, which witnessed unemployment rates of 2.7% and 3.7% respectively in 2018, followed by Amsterdam (3.9%) and Dublin (4.9%). At the other end of the spectrum, Istanbul (12.9%), Madrid (12.3%), Barcelona (11.8%), Vienna (9.2%) and Paris (7.3%) had some of the highest unemployment rates.

Take-up impacted by supply shortages particularly of Grade A stock

The 12-month rolling take-up in the markets monitored in this report decreased significantly in Q418 when compared to Q318, to the tune of over eight percentage points. The share of markets witnessing take-up falls reached 61.9% in H2 2018 vs. 44.2% in H1 2018. Among the strong markets, activity in Greater London rose 10% y/y thanks to a surge in second-hand take-up (+26% y/y). In Dublin, strong demand from the ICT sector supported take-up growth of 8% y/y. Lisbon saw activity grow by 24% in 2018 - a 10-year best. But in Germany, double-digit take-up decreases were observed in Berlin (-16% y/y) and Frankfurt (-13% y/y), impacted by the lack of Grade A availability.

Vacancy following a downward trend

Vacancy compression continued in Q4, with 57.4% of EMEA markets monitored in this report experiencing vacancy falls, against 53.7% the previous quarter (an increase of 3.7 percentage points). Only 25.9% of markets saw vacancy rises, compared to 31.5% the previous quarter. Vacancy remained stable in 16.7% of markets (compared to 14.8% the previous quarter). Vacancy in some Western European cities is now extremely low, for example, in Munich and Berlin, at 1.8% and 1.6% respectively. Vacancy rates in Paris City have followed a continuous downward trend since 2015, and currently stand at 2.3% (1.3% in the CBD).

The office market is undergoing a transformation with the rise of co-working operators, and tenants are becoming more demanding regarding wellness, energy efficiency, and serviced areas. Alongside this trend, and due to the lack of available good quality stock, activity in renovation and refurbishment is surging, particularly in markets where the development pipeline is under pressure. In Rome, one of the main transactions of the year involved a CBD office building, currently undergoing extensive refurbishment, that had been illegally occupied for a long time. In Athens, where activity is recovering after a long period of stagnation, supply shortages are driving tenants to invest in refurbishments. In London, the surge in second-hand take-up (+26 y/y) in 2018 was driven in part by an unprecedented shortage of new or refurbished accommodation.

As Figure 6 indicates, vacancy decreases slowed down by year-end in ‘mega’ cities with stock >10 mn sqm and in cities with ‘medium’ stock (2-5 mn sqm). Those cities in the ‘large’ stock category (5-10 mn sqm) saw steeper decreases of 890 bps in Q4 (compared with 690 bps the previous quarter).

FIGURE 7:
CHANGE IN SPACE UNDER CONSTRUCTION
BASIS: QUARTER-ON-QUARTER

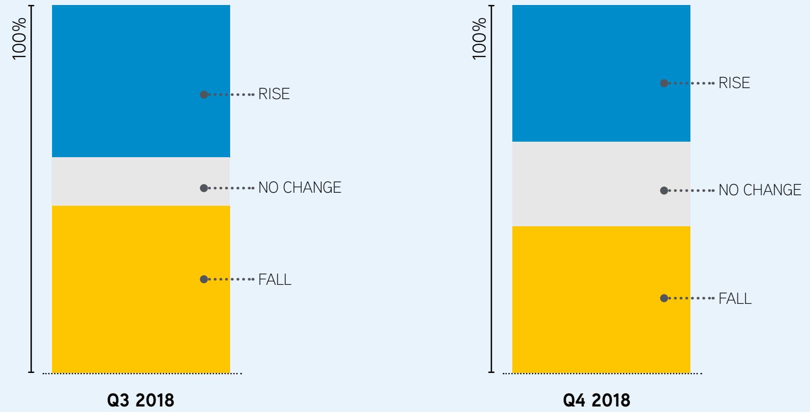
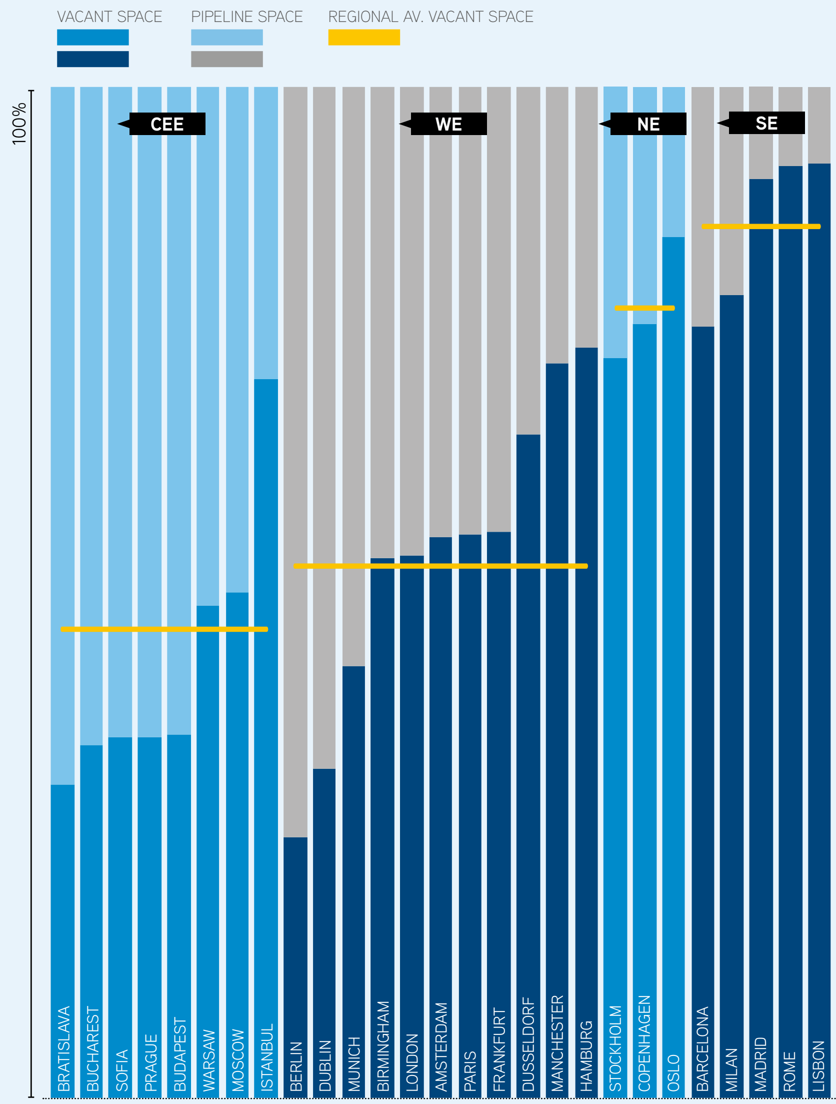


FIGURE 8:
EXISTING VACANT SPACE VS. PIPELINE SUPPLY



Sources: Figure 7: Colliers International | Figure 8: Colliers International

MARKET OVERVIEW: SUPPLY

Space under construction improves slightly

As seen in Figure 7, development activity improved slightly in 2018 as healthy occupier demand is leading developers to be less risk-averse with a corresponding rise in speculative construction. The percentage of markets that saw a fall in the development pipeline in Q4 dropped to 40% of the total, 5 percentage points lower than the previous quarter, indicating that new construction is accelerating.

Pipelines are displaying greater dynamism in Western European cities including Copenhagen, where there are currently two major development projects under construction in the harbour, in Havneholmen. Signs of a rise in speculative development were illustrated by construction beginning on a new project in Ørestad in Q3, spanning 65,000 sqm. The resulting completion rates of Copenhagen are expected to pick up significantly in 2020, having been very low in the past 3-4 years, although demolition and conversion activity will keep net new supply low. In Frankfurt, completions are expected to increase in the period 2019-2020, with a number of high-rise developments scheduled for completion, primarily in 2019. This should provide the market with a significant boost.

Pipeline supply on the rise

Figure 8 shows the differences between markets reliant on existing vacant space and those where availability is being driven by the addition of new space. In the markets of Eastern Europe new space is driving availability thanks to strong pipelines. The CEE region has higher rates of development activity than other sub-regions in EMEA, and this has pushed vacancy very slightly upwards in some markets. An active pipeline in Bucharest saw close to 150,000 sqm in new office buildings become available in 2018 (+20% y/y) taking the total stock to over 2.4 mn sqm, and vacancy is expected to climb to at least 13% by end of 2019 due to estimated deliveries of 360,000 sqm in 2019 just as demand is set to slow amid a tight labour market.

However, even in CEE, there are some markets where activity is being impacted by supply shortages. Such is the case of Budapest for example, where the 2019 pipeline will reach just 50% of the 2018 figure. Assuming that demand remains strong, vacancy will likely be under continuing downward pressure throughout 2019.

Many Nordic and German cities (with the exception of Frankfurt) have very weak pipeline numbers. However, several construction projects are under construction in Munich, with the eastern part of the city, from the St.-Martin-Strasse/Balanstrasse area to Werksviertel and Berg am Laim, witnessing a lot of activity. Stockholm, Copenhagen and Oslo all have a very small proportion of floor space under construction when compared with existing vacant space. In the Baltics, Tallinn has seen strong demand from the ICT sector driving a dynamic development pipeline by year-end, with a total surface area of approx. 100,000 sqm spread over 12 projects under construction as of December 2018.

Average EMEA vacancy stood at 6.35% by year-end – and lack of new completions was compounded by sustained demand. Few deliveries have come onto the market and tenants are being forced to wait, or move into sub-standard, older office buildings. Supply shortages are set to continue for years to come as European cities implement more stringent regulations regarding energy-efficiency and other eco-measures. In the Netherlands for example, regulations require that as of 2023, energy labels of office buildings have to be at least in category C. This law will render many older office buildings obsolete, exerting downward pressure on vacancy levels.

FIGURE 9:
ABSORPTION VS. AVAILABILITY SUMMARY

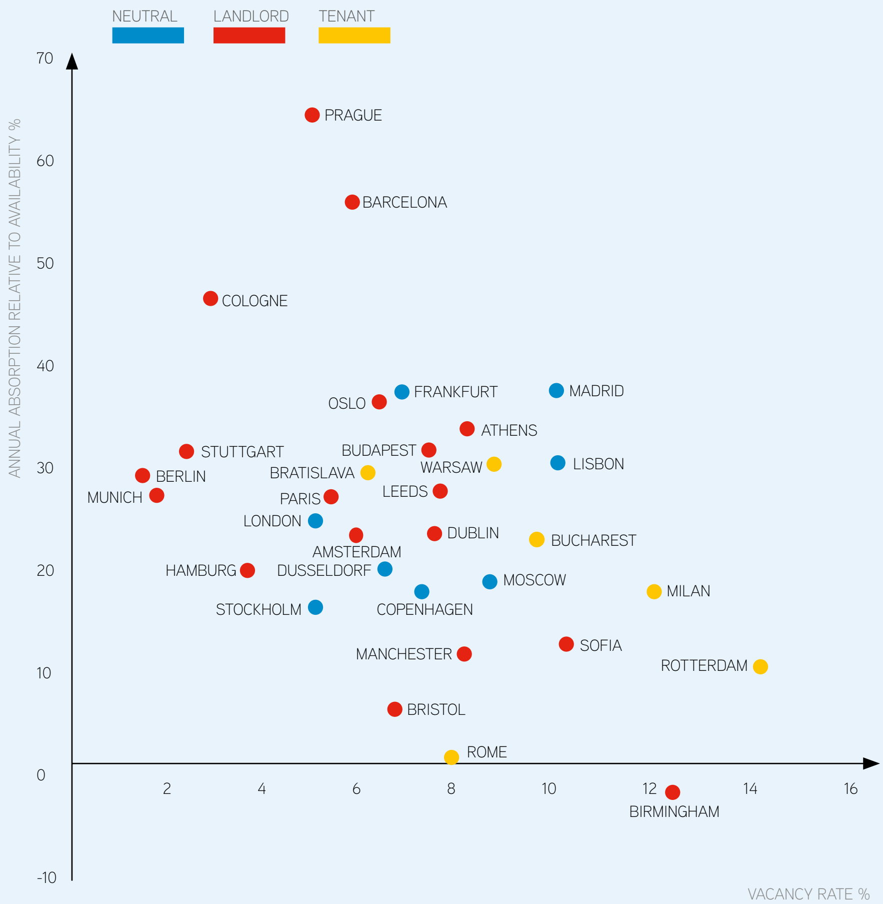


FIGURE 10:
RENTAL GROWTH PRIME RENTS *| left*

RENTAL GROWTH SECONDARY RENTS *| right*
BASIS:
QUARTER-ON-QUARTER

Click here for our
Office rent & occupier conditions map

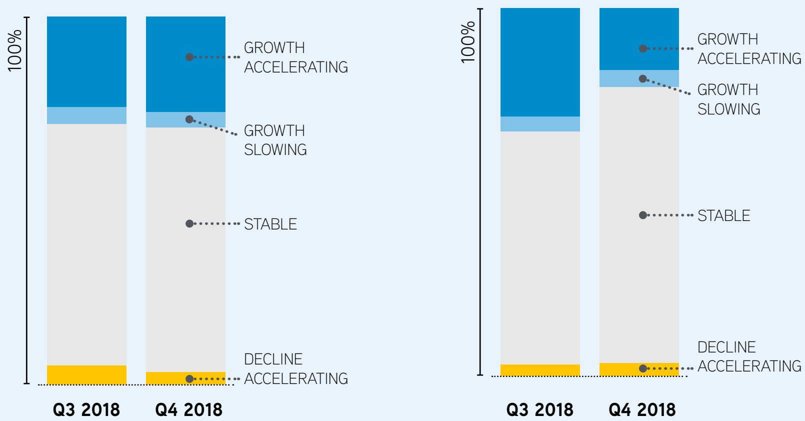
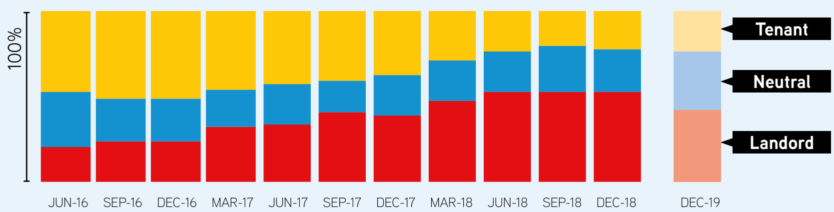


FIGURE 11:
EVOLUTION OF OCCUPIER CONDITIONS



Sources: Figure 9: Colliers International | Figure 10: Colliers International | Figure 11: Colliers International

MARKET OVERVIEW: RENTS & OCCUPIER CONDITIONS

Absorption impacted by availability

Net absorption levels rose in H2 2018 and were positive in every big city with the sole exception of Birmingham (-19%) and Milan - the weak economic position of Italy isn't helping absorption rates, and Milan saw flat net absorption y/y.

Overall, net absorption rates (Figure 9) reflect that improving market activity is generating real growth in the demand for space, supported by occupier expansion strategies. Absorption rates were greatest in Paris (210%) Warsaw (110%) and Frankfurt (109%) relative to overall availability, resulting in vacancy rates of 6%, 7% and 9% respectively.

Office take-up reached 2.5 mn sqm in the Paris region in 2018, surpassing the 10-year average of 2.3 mn sqm, but slightly down (-5% y/y) on 2017. We have probably seen the peak of the market in Paris and take-up in 2019 is expected to be robust but below current levels.

In Warsaw, take-up reached over 873,700 sqm in 2018 (+6.5 % y/y). Vacancy decreased in Q418 to 8.6%, which is the lowest level seen in Warsaw in two years.

In Frankfurt, take-up reached 618,000 sqm in 2018, exceeding the 10-year average by 27%, but declining by 13% y/y. Vacancy declined 280 bps to 6.8% in 2018, and construction activity was low with only 91,500 sqm completed. Completions, however, are expected to increase in the period 2019-2020, providing the market with a significant boost.

Prime rents enjoyed a slight up-tick over the quarter

Low levels of speculative development and high pre-letting activity are supporting prime rents. We can see in Figure 10 that prime rent growth accelerated in 25.4% of markets in H2, in contrast with 23.7% in H1, driven by an imbalance between supply and demand of Class A office space, as corporates continue to compete for scarce opportunities to occupy prime facilities near the CBD.

Overall, prime rents remained stable in the vast majority of markets (66.1%) with the percentage unchanged in H2 / H1. Concurrently, the percentage of markets witnessing a decline in prime rents remained in single digits, and was even lower than in H1 (3.4% vs 5.1%).

By contrast, secondary rents seem to have stagnated in the majority of markets but are holding up - the percentage of markets with stable secondary rents reached 74.1% in H2 compared to 62.1% in H1, an increase of 12 percentage points. Only 17.2% of markets in H2 saw secondary rental growth compared to 31% of markets in H1, a significant decline.

The outlook has also moderated for both prime and secondary rents, particularly secondary rents. In the prime market, the outlook for 49% of markets has deteriorated slightly compared to H1, with the percentage of markets with 5 percent more markets (from 3.5% to 8.6%) expecting rents to decline as of Q4. Concurrently, the outlook for markets expecting rental growth shrunk from 47.4% to 4.8%. Small changes, but a weakening outlook nonetheless.

Since H1 2016, every single quarter has witnessed an increase in the number of EMEA markets that are landlord friendly – save a blip in Q417. As of end Q4 2018, Figure 11 indicates 54.2% of 59 EMEA markets monitored were landlord friendly. Concurrently, the percentage of tenant favourable markets has decreased steadily since Q416 from 50.8% to vs 22% today.

The remaining tenant-friendly markets include Vienna, Dusseldorf, Frankfurt, Milan, Rome, Rotterdam, Warsaw, Wraclaw, Bratislava, Geneva, Zurich, London-Canary Wharf, London-Docklands and London City.

AROUND THE MARKETS

BRISTOL *Availability remains very low, and although two new Grade A city centre buildings (Aurora and 3 Glass Wharf) completed in 2018, there was significant pre-letting activity at both buildings before their completion dates, leaving little new Grade A space available. 92,000 sq ft of space is currently under construction at the Distillery-Glassfields and will complete at the end of 2020. Overall city centre vacancy rate now stands at 5.7%, whilst Grade A vacancy is 2.4%.*

LONDON *Despite the spectre of Brexit uncertainty, the London office market confounded expectations in 2018, with transaction levels rising 10% y/y. A key trend was the surge in second-hand take-up (+26% y/y) driven in part by an unprecedented shortage of new/refurbished accommodation. Significant deals included new headquarters for Goldman Sachs, Shell, Fidelity and Turner Broadcasting.*

OSLO *It is becoming harder to find available office space in the city centre and occupiers are moving to secondary locations. PwC, for example, is planning to move from offices in Bjørvika, in the CBD, to Dronning Eufemias gate in June 2019. The old Bjørvika office will be converted into a more energy-efficient building. There are currently two development projects under construction, the VIA building at Aker Brygge and Orkla at Skøyen, both mixed-use developments, primarily office buildings with some retail space on the ground floor*

PARIS *2018 was a watershed year for the co-working market in Paris City (flexible operators accounted for 8 out of a total of 32 transactions), and particularly WeWork, with an unprecedented 6 leases. Pre-letting activity is on the rise, and in Q4, advertising company WPP pre-let 27,885 sqm in the Western suburb of Levallois-Perret, and videogames maker Ubisoft pre-let a 16,670 sqm surface in the Eastern surburb of Montreuil. Vacancy was very low by year-end, at 2.3% in Paris, and 1.3% in the CBD.*

FRANKFURT *Banks and financial services accounted for almost 20% of overall take-up (119,000 sqm) in 2018, followed by ICT companies and consulting firms. Frankfurt is set to continue benefitting from a wave of financial services companies relocating from London, as exemplified by Goldman Sachs and Morgan Stanley. Construction activity was low (only 91,500 sqm completed) in 2018, but a number of high-rise developments scheduled for completion this year should provide the market with a significant boost.*

BARCELONA *Take-up of new leases reached 357,000 sqm in 2018 (+4% y/y). This growth in activity, combined with very low availability within the CBD, pushed up prime rents to levels not seen since the previous peak in 2007. The largest office transaction closed in Barcelona in Q4 was signed by IT services company Everis, which signed a pre-letting agreement with Meridia for a 25,000 sqm space in 22@, a business district near Diagonal that occupies an area of 200 hectares of what used to be industrial land..*

COPENHAGEN *Skanska is developing two office projects spanning a total surface of 31,500 sqm in the harbour, in Havneholmen. Software company SAS Institute signed a lease for 5,850 sqm, a third of the total available office space of 16,600 sqm in the first building, to be completed in July 2020. Strong demand is translating into an increase in speculative development activity, and construction began in Q3 in a new project in Ørestad, where KLP is developing a 65,000 sqm multi-user office.*

BERLIN *The largest transaction in 2018 was the lease signed by Swedish utilities company Vatenfall for 29,900 sqm at the Edge property development in the Südkreuz submarket. Berlin enjoys a lively technology start-up scene, and has garnered a reputation that also attracts established players in this sector. However, Google recently halted its plan to build a 32,000 sqm campus in the Kreuzberg neighbourhood, after staunch opposition to the project from local anti-gentrification campaigners.*

MOSCOW *Demand from IT companies has been increasing since 2015, as this sector remains focused on young talent with specific expectations regarding workplace facilities, driving demand for Class A space. Notable transactions in 2018 included the lease signed by WeWork (4,290 sqm in Class B Krasnaya Roza Savin) and the lease signed by Finnish retail company SOK (3,110 sqm in Class A Pekin Gardens).*

MUNICH *Some of the largest lease contracts of the last decade were signed in 2018, by electronic payments company Wirecard (39,500 sqm in Aschheim-Dornach) and advertising company Serviceplan Group (38,500 sqm in Werksviertel). Many submarkets are now almost fully let, and pre-leases accounted for over a third of overall take-up in 2018. There are several construction projects in the pipeline with the eastern part of Munich, from the St.-Martin-Strasse/Balanstrasse area to Werksviertel and Berg am Laim, witnessing a lot of activity.*

BUCHAREST *Demand held up well in 2018 despite a slight annual decrease and net take-up reached 135,000 sqm (compared to 170,000 sqm in 2017). Microsoft drove the largest transaction in 2018, consolidating part of its local business around the Campus 6 project (18,500 sqm) in the Center West submarket. This submarket is a prime location that attracted 27% of total leasing deals.*

OUTLOOK

There are tentative signs that the economic outlook for the eurozone has improved in Q1, after a dip in Q4. Some of the latest indicators in February2019 provide reason for cautious optimism. The composite PMI index, for example, improved slightly over the previous month, although Oxford Economics' estimates GDP growth of only 0.1%-0.2% q/q in Q1 2019, consistent with a weak business cycle.

That said, a sharp duality is emerging in he European economy: on the one hand, dynamic job creation and tight labour markets are driving private demand; on the other hand, business sentiment is declining and the gap between the services and manufacturing PMIs in some of the main economies - particularly Germany (German manufacturing PMI slumped from 49.7 in

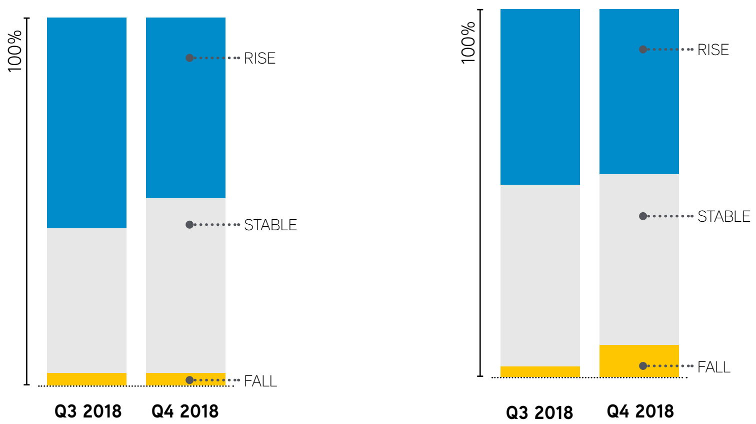
January to 47.6 in February) - is growing. This is creating imbalances that don't bode well for the next few quarters. Increased political uncertainty, protectionism worries, the downturn of the automobile sector are all weighing on the outlook. The German economy is losing momentum and this will impact the eurozone as a whole.

The continued strength of the labour market is a key factor supporting growth despite the current headwinds. Against this backdrop, demand for office space could be about to peak across many mature markets but for now, it seems that occupiers' thirst for Grade A stock is not showing the impact of a weakening economic outlook and correspondent deteriorating sentiment. Take-up declined by 2% across the EMEA markets surveyed in 2018. In some markets, take-up activity accelerated included Lisbon, Dublin and Madrid - markets which are later in the cycle. Although occupier conditions and rental outlooks remained very robust, some signs of deterioration in prime rents were noticed in Q418, with only 49.1% of markets forecasting a rise in rents, down from 56.90% in Q3. However, the percentage of markets forecasting rental declines remained in the single digits, at around 3% in both quarters. Some 47.46% of markets surveyed forecast a stable outlook.

Supply shortages may ease slightly in some geographies where a slight acceleration in pipeline deliveries is projected in the 2019-2020 period, resulting in a stabilisation of rental rates. However, the volume of eliveries in most Western European cities is still too low to meet current demand, supporting the outlook for stable or slight increases in rents.

FIGURE 12:
12M OUTLOOK PRIME RENTS *| left*

12M OUTLOOK SECONDARY RENTS *| right*



Sources: Figure 12: Colliers International

FOR MORE INFORMATION

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