REAL-ESTATE REPORT
- OCTOBER 2017 -

Business Climate… Economy… Analysis… Insight… Update…

WE FORECAST

> A rise in the dollar
> A rise in bond yields

> Online sales in 2018 will represent 18% of global sales (vs. 14% currently)

REAL-ESTATE CYCLES REMAIN CORRELATED TO ECONOMIC CYCLES

23/06/2016
Brexit vote
Concerns over the impact on the economy. The real-estate sector is holding up but needs to be followed closely.

20/01/2017
President Trump
The markets have doubts about Trump: the dollar has fallen by 15% against the euro

2016 - 2017
Explosion of e-Commerce
In the next 5 years between 220 and 275 shopping centres will close in the US

EUROPE
THE BIGGEST PRICE HIKES ARE BEHIND US

Commercial real estate: 5% average return expected
Residential real estate: Positive and no downturn is expected in the event of a rise in interest rates
Neutral on REITs

UK: stabilisation of luxury residential prices in London

North America
Top-tiered commercial Neutral Neutral
Lower-tiered commercial Neutral Neutral
Residential Neutral Neutral

Europe
Top-tiered commercial Neutral Neutral
Lower-tiered commercial Positive Positive
Core residential Positive Positive
Badly-impacted housing markets Positive Positive

Emerging markets (Emerging Asia & Latin America)
Commercial Neutral Neutral
Other top-tier residential Neutral Neutral
Other lower-tier residential Neutral Neutral
Latin America: residential Neutral

OUR REAL-ESTATE STRATEGY
BY LOCATION

US SLOWDOWN IN PRICE GROWTH

US housing prices (as at 31 May 2017)

Monthly change (%) Annual change (%)

<table>
<thead>
<tr>
<th>City</th>
<th>Monthly %</th>
<th>Annual %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seattle</td>
<td>1.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Portland</td>
<td>1.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Denver</td>
<td>0.9%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Dallas</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Detroit</td>
<td>1.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>US average</td>
<td>1.1%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

EMERGING MARKETS
HONG KONG’S OFFICE PROPERTY IS THE MOST EXPENSIVE IN THE WORLD

Hong Kong Manhattan: $3700
San Francisco: $2450
London: $2500

Source: Knight Frank, 7 July 2017

OUR REAL-ESTATE STRATEGY
BY LOCATION

Emerging markets (Emerging Asia & Latin America)
Commercial Neutral Neutral
Other top-tier residential Neutral Neutral
Other lower-tier residential Neutral Neutral
Latin America: residential Negative Negative

Property stocks
Neutral on Continental Europe, the US and Asia.
Negative on the UK

Chinese: Neutral on the biggest cities
Positive on the regional cities
Latin America: Negative