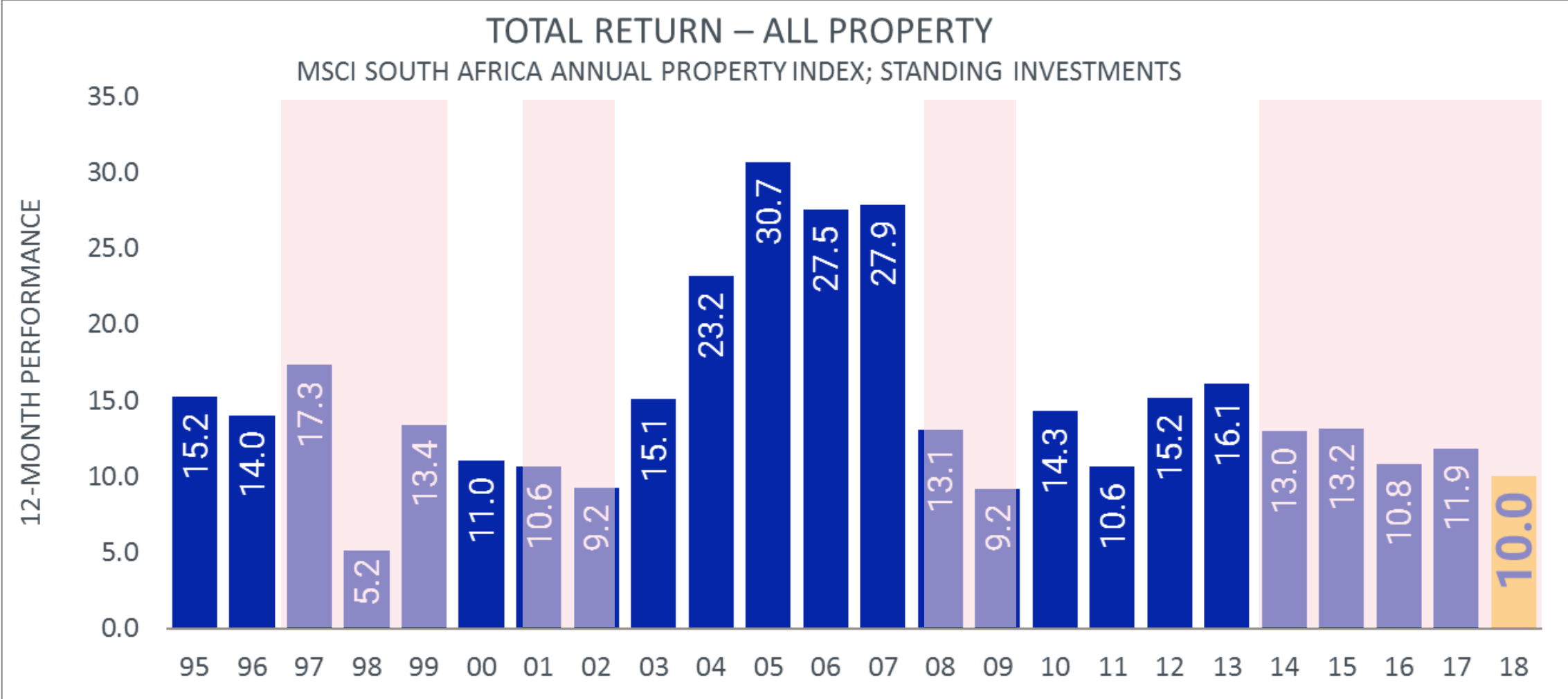


THE INTERNATIONAL PERSPECTIVE

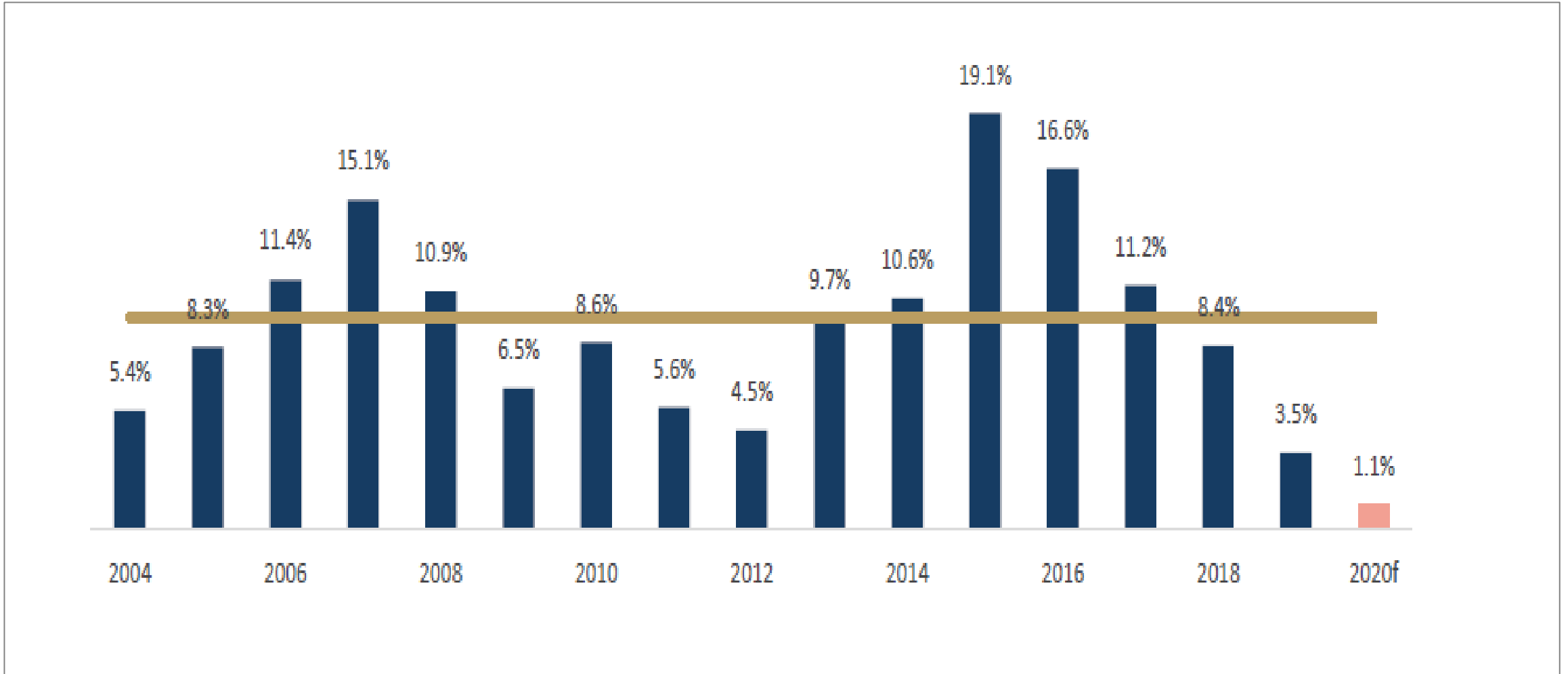
A/Professor François Viruly University of Cape Town

Total Return of 10.0% for 2018



Source: MSCI

Historical SAPY Distribution Growth



Global Economic Growth is Slowing

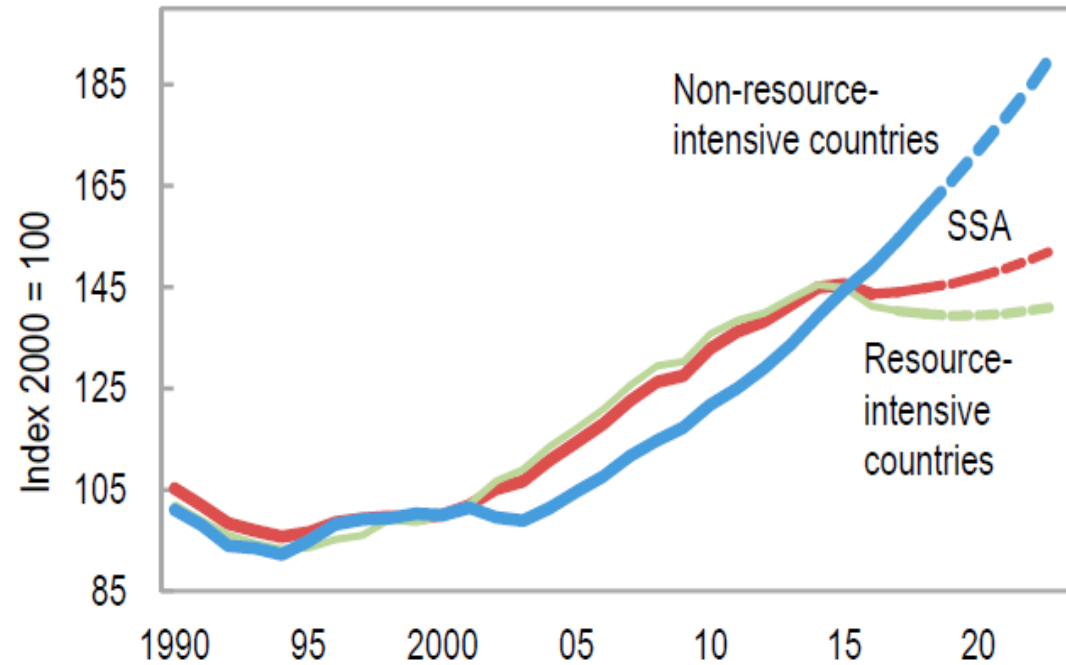
Global economic growth is slowing Latest World Economic Outlook growth projections. (percent change)

		Projections	
	2018	2019	2020
World Output	3.6	3.0	3.4
Advanced Economies	2.3	1.7	1.7
United States	2.9	2.4	2.1
Euro Area	1.9	1.2	1.4
Germany	1.5	0.5	1.2
France	1.7	1.2	1.3
Italy	0.9	0.0	0.5
Spain	2.6	2.2	1.8
Japan	0.8	0.9	0.5
United Kingdom	1.4	1.2	1.4
Canada	1.9	1.5	1.8
Other Advanced Economies	2.6	1.6	2.0
Emerging Market and Developing Economies	4.5	3.9	4.6
Emerging and Developing Asia	6.4	5.9	6.0
China	6.6	6.1	5.8
India	6.8	6.1	7.0
ASEAN-5	5.2	4.8	4.9
Emerging and Developing Europe	3.1	1.8	2.5
Russia	2.3	1.1	1.9
Latin America and the Caribbean	1.0	0.2	1.8
Brazil	1.1	0.9	2.0
Mexico	2.0	0.4	1.3
Middle East and Central Asia	1.9	0.9	2.9
Saudi Arabia	2.4	0.2	2.2
Sub-Saharan Africa	3.2	3.2	3.6
Nigeria	1.9	2.3	2.5
South Africa	0.8	0.7	1.1
Low-Income Developing Countries	5.0	5.0	5.1

Source: IMF, World Economic Outlook, October 2019.

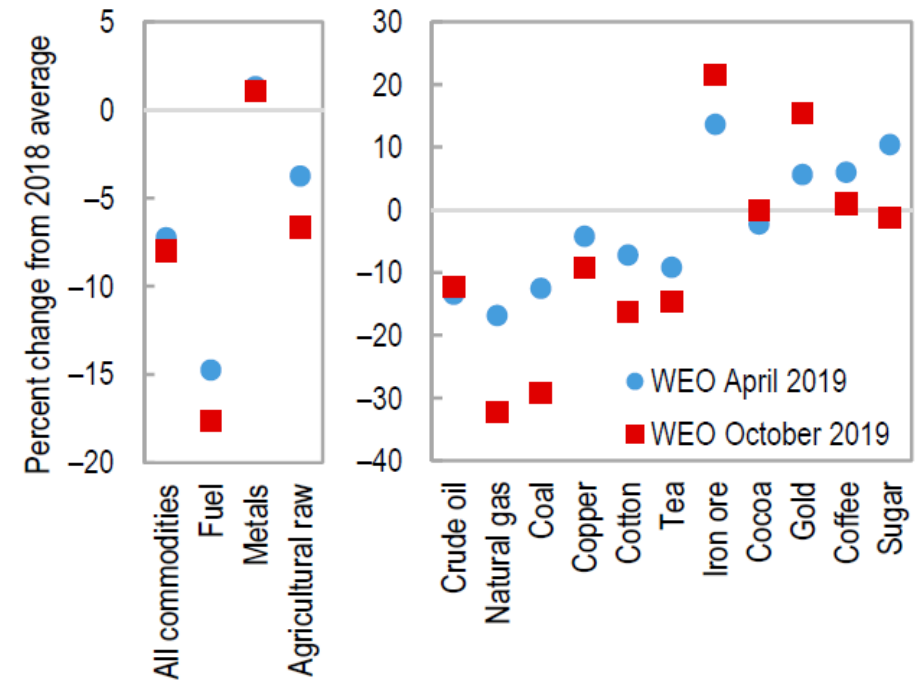
The performance in Africa will be influenced by commodity prices – IMF Forecasts

Figure 1.5. Sub-Saharan Africa: Real GDP per Capita, 1990–2023



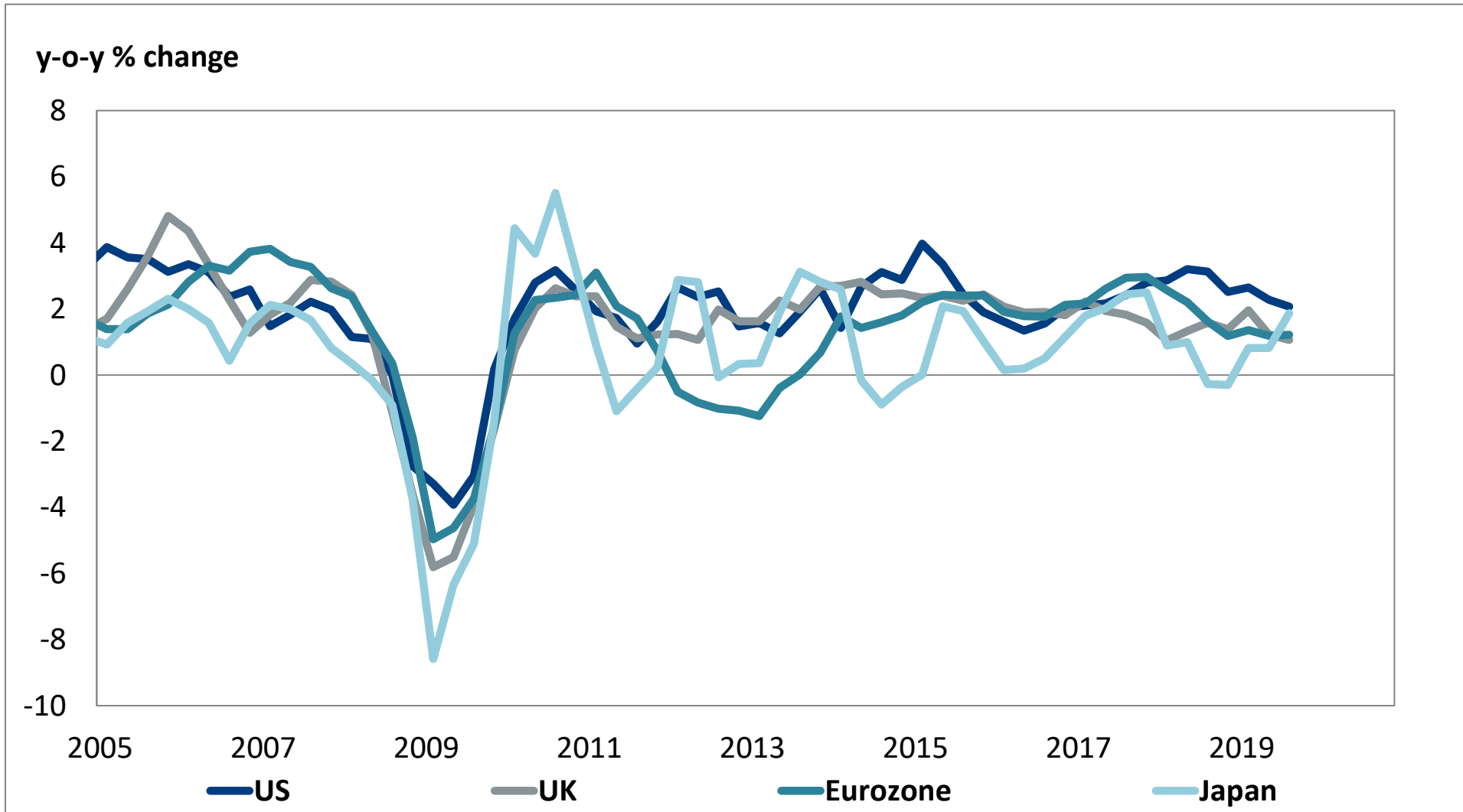
Source: IMF, World Economic Outlook database.

Figure 1.2. Projected Change in Commodity Prices: Expected Changes, Average 2019–20 versus 2018



Real Economic Growth

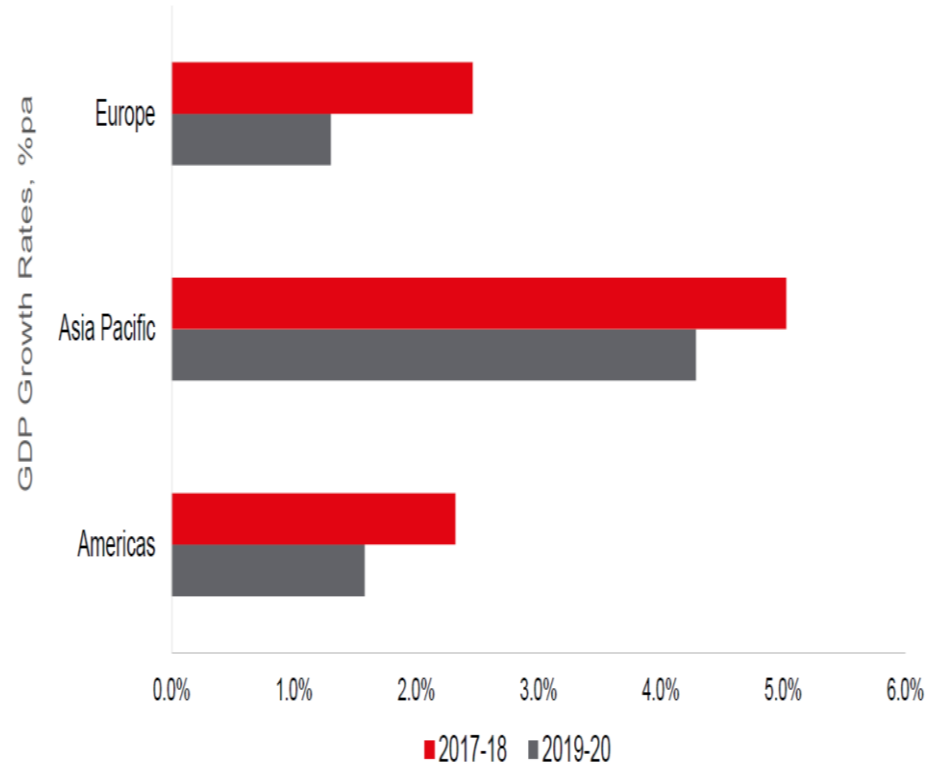
Gross domestic product (GDP)
Sources: national



Slowdown in the Global Economy

Synchronised slowdown in the global economy

Deceleration in growth expected

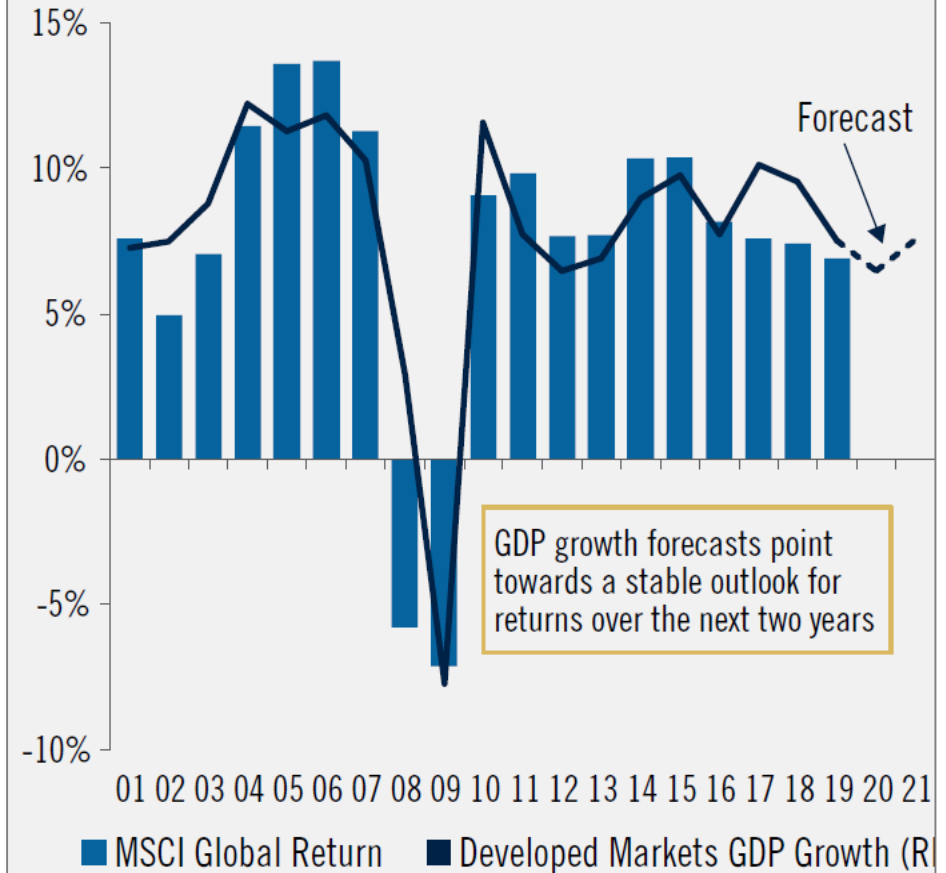


Source: Oxford Economics, October 2019

4

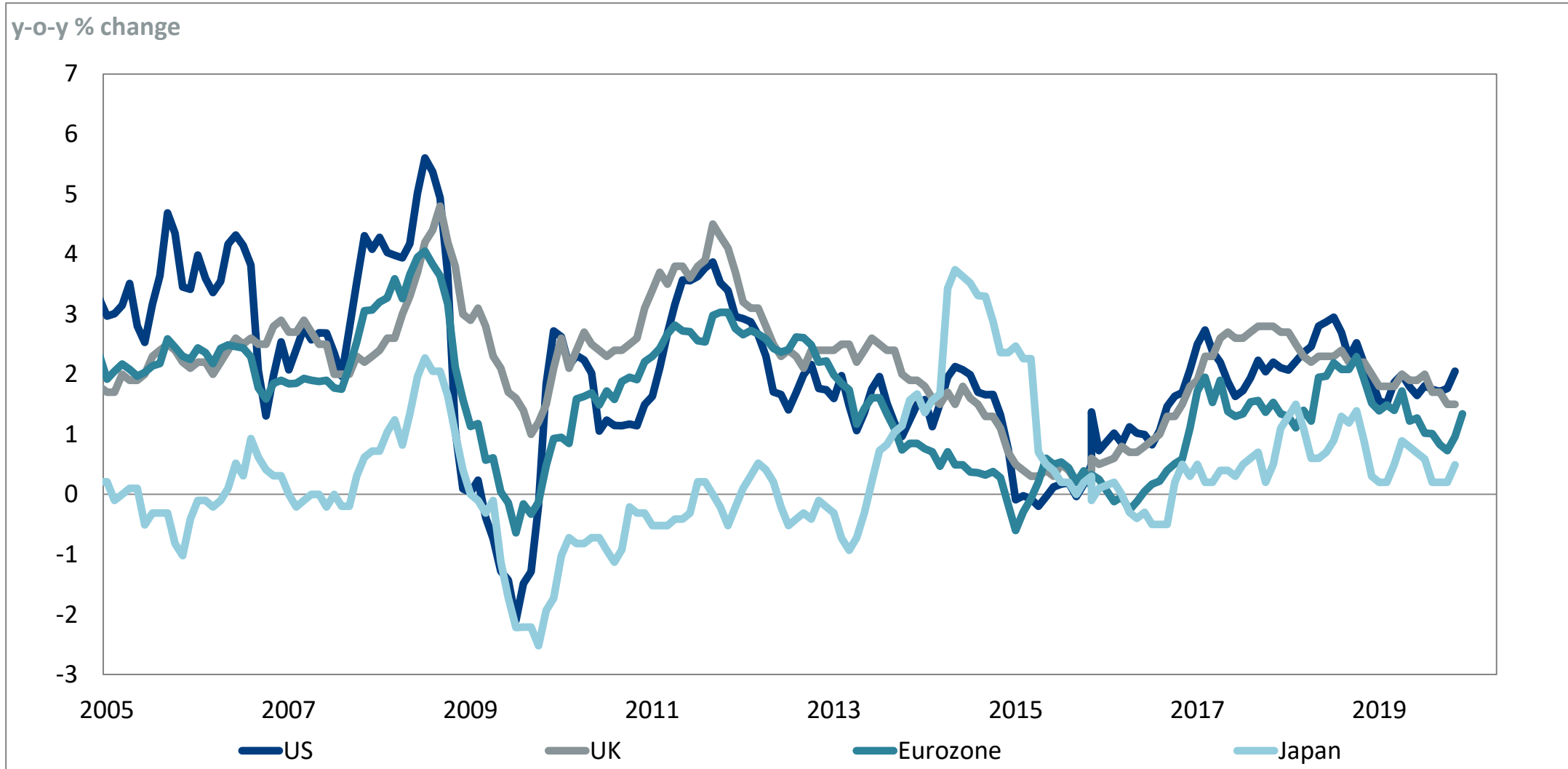
Global Real Estate Returns

Annual Developed Markets GDP Growth and MSCI Global Real Estate Index Total Return (%)

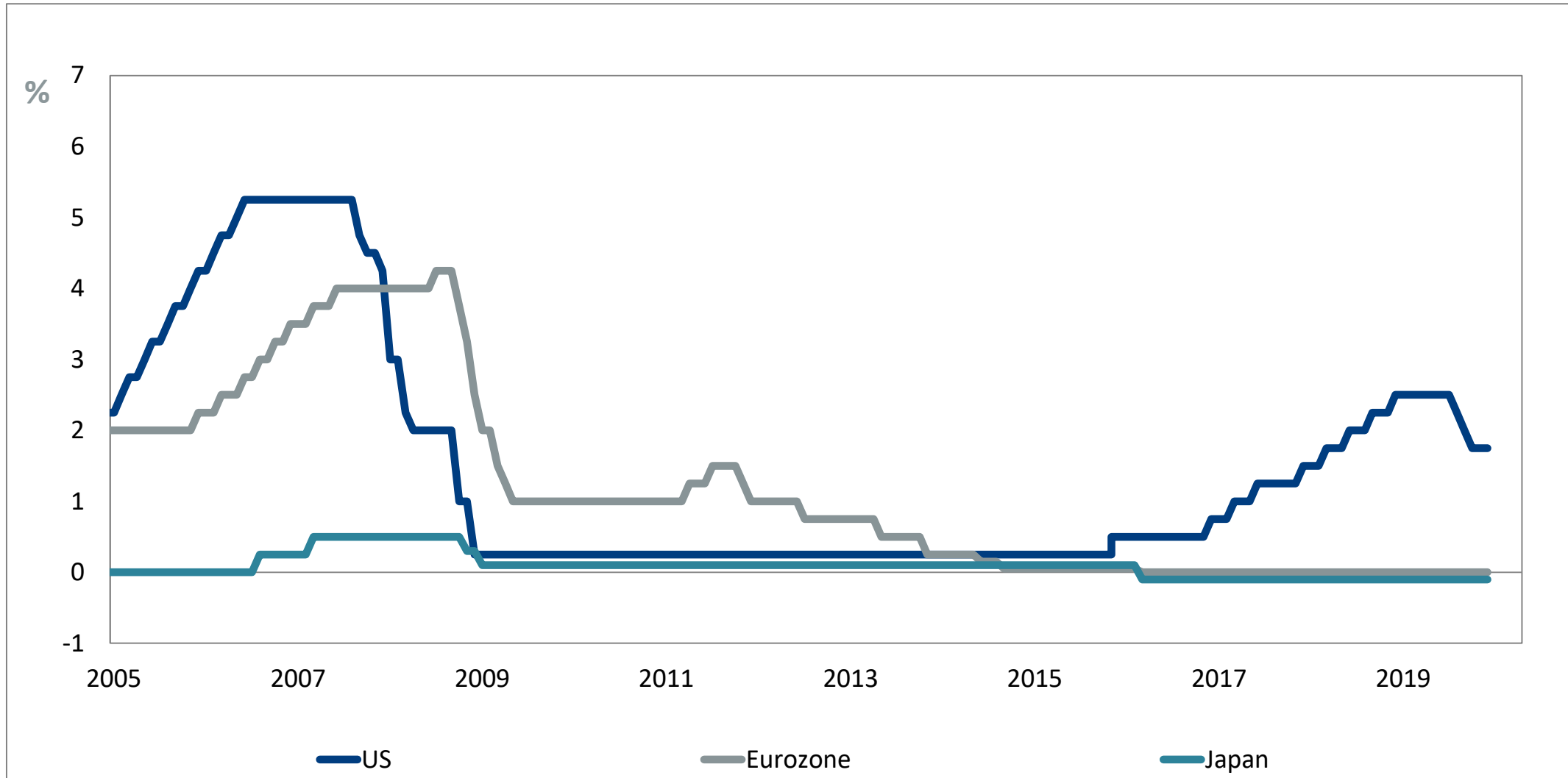


Headline Inflation

Sources: *Bar*



Policy Interest Rates



Sources: Fed, ECB, Boj

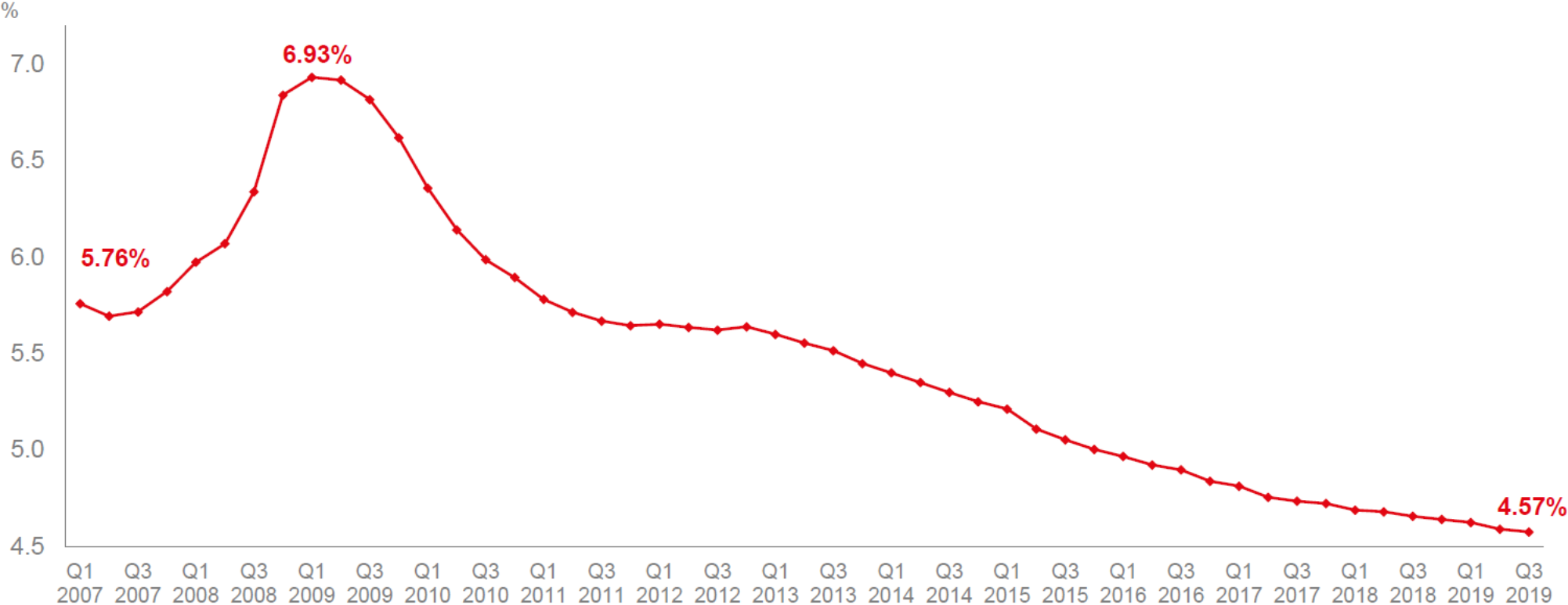
Office Yields at Record Lows



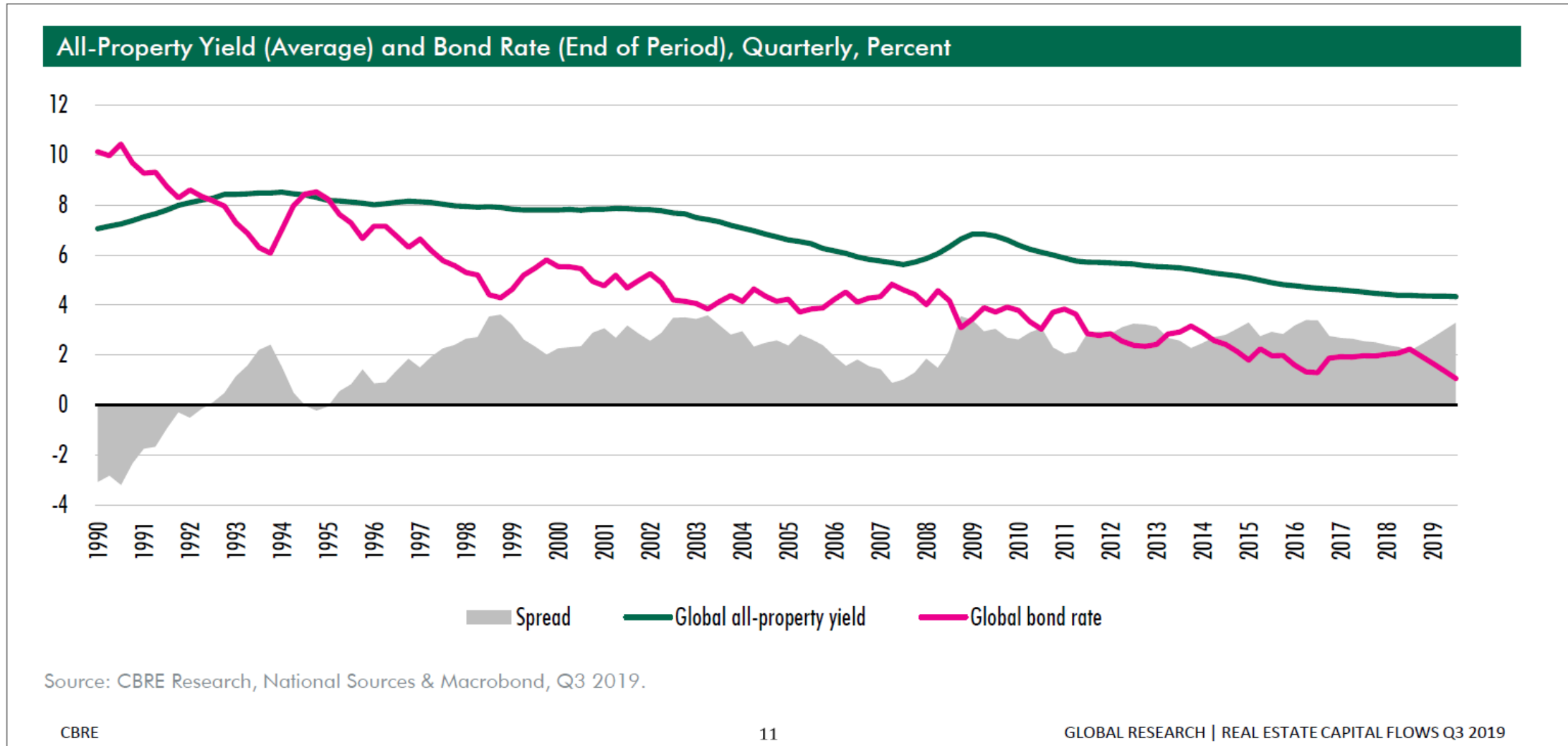
Office yields at record lows...

Office Yields, 2007 – 2019

Mean Prime Office Yields*



Global Property Yield and Bond Rate Spreads

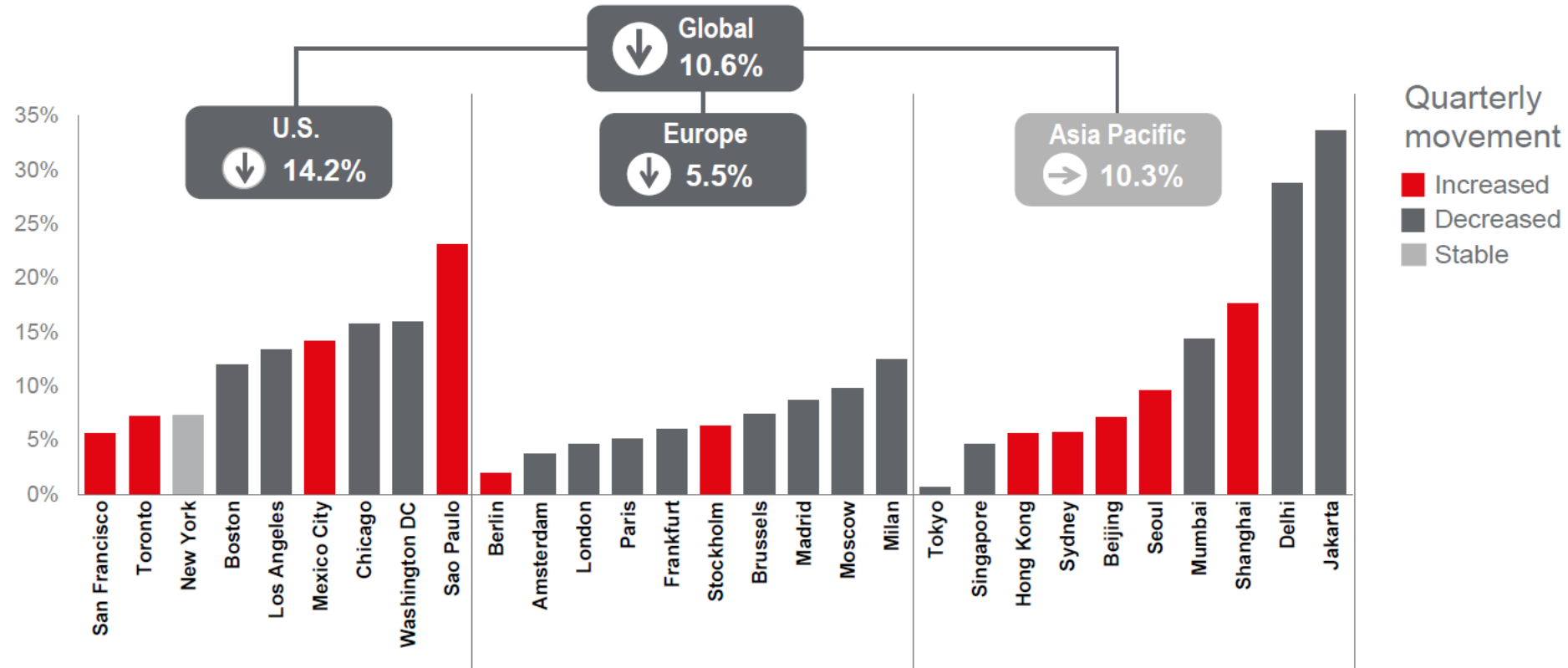


Vacancy at Record Low



Vacancy at record low in several markets

Office Vacancy Rates, Q3 2019

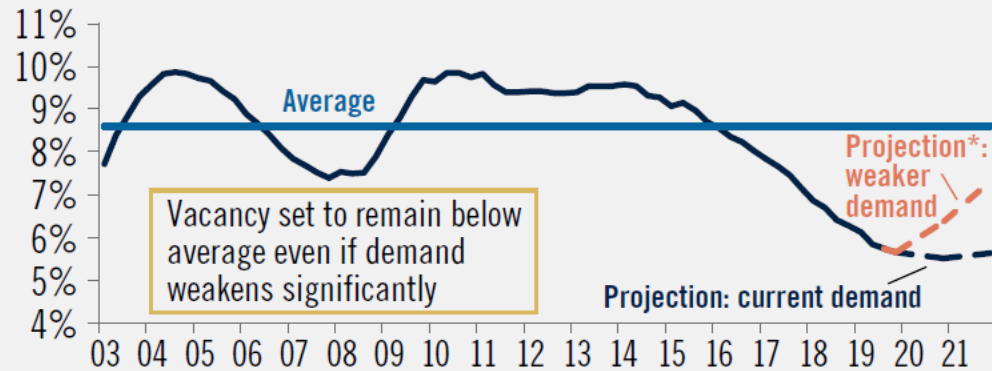


Regional vacancy rates based on 57 markets in the U.S., 24 markets in Europe and 25 markets in Asia Pacific.
 Covers all office sub-markets in each city. All grades except Asia and Latin America (Grade A only). Tokyo relates to CBD - 5 kus.
 Source: JLL, October 2019

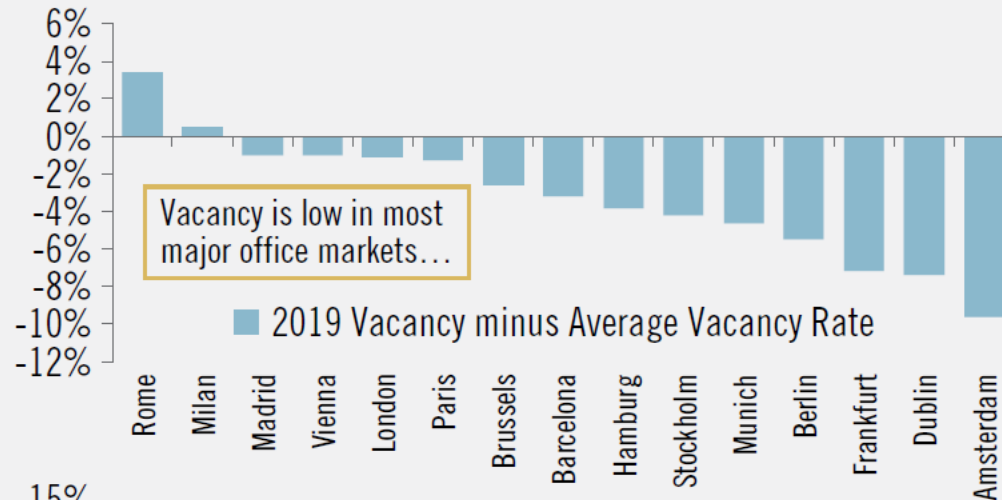
European Office Market Vacancy and Rental Growth

Exhibit EUR1: European Office Market Vacancy and Rental Growth

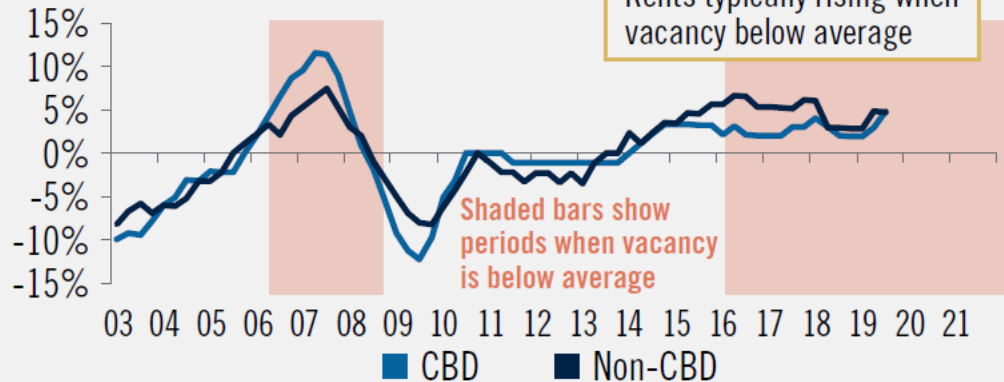
European Office Market Vacancy Rate (%)



Office Vacancy Differentials and Rental Growth By Market (%)



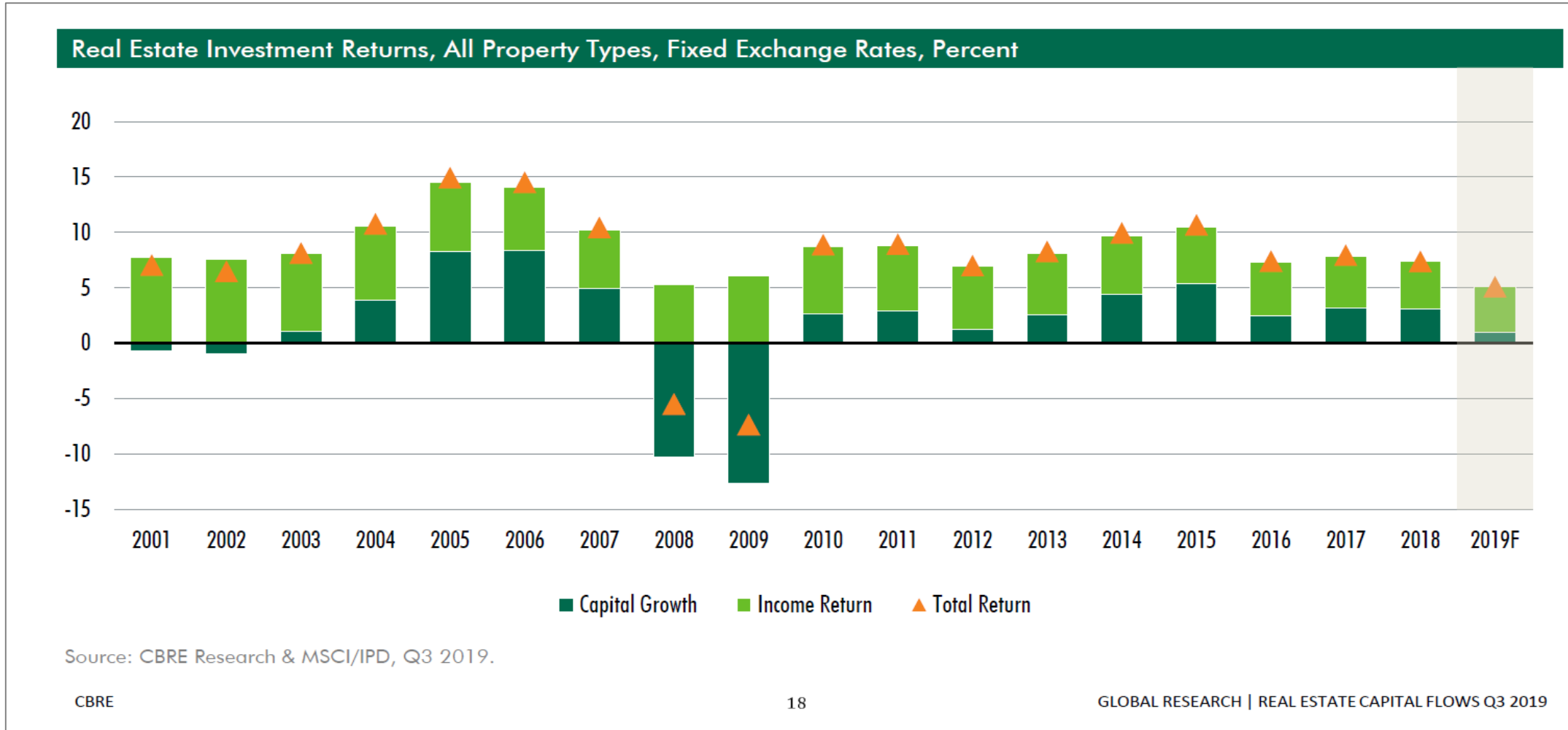
Prime Office Rent Growth (% p.a.)



* Weaker demand projection based on space absorption reverting to its lowest level during the current cycle

Sources: Cushman & Wakefield, PMA, PGIM Real Estate. As of December 2019.

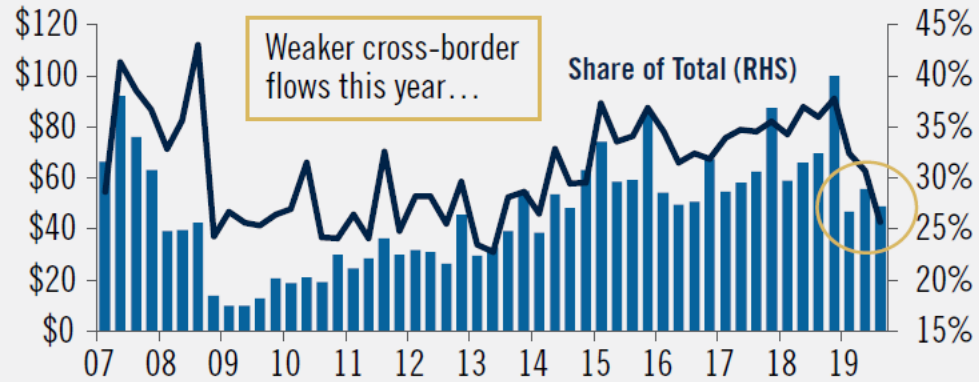
Global Real Estate Income and Capital Returns



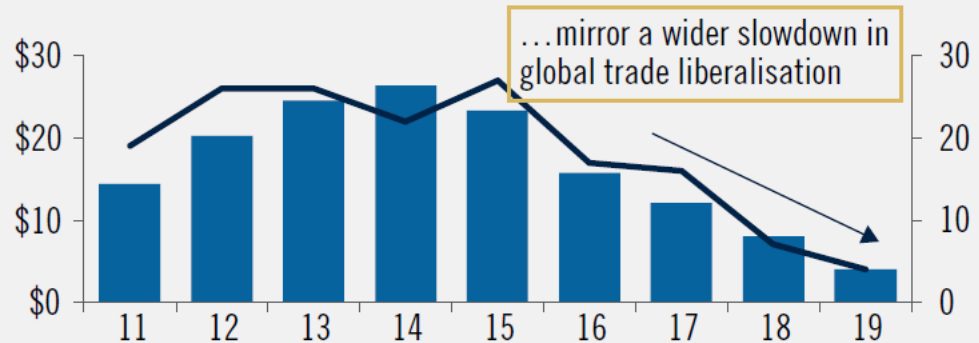
Global Cross Border Investments

Exhibit 4: Global Cross-Border Investment Activity

Global Cross-Border Investment Volume (\$ Bil)

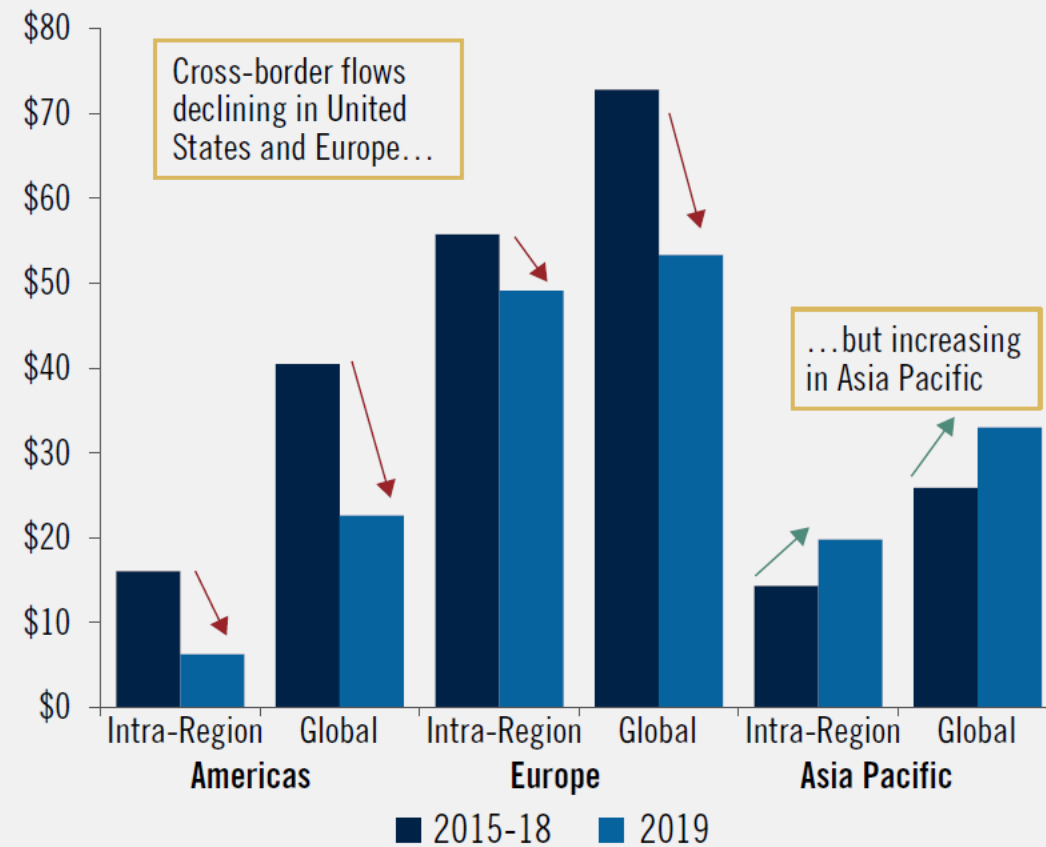


Cross Border Investment Volume (\$ Bil) and Trade Liberalization



■ Change in Trend Annual Global Cross-Border Investment Volume
 ■ Number of Free Trade Agreements Signed (RHS)

Cross-Border Volume by Region and Origin of Capital (\$ Bil)

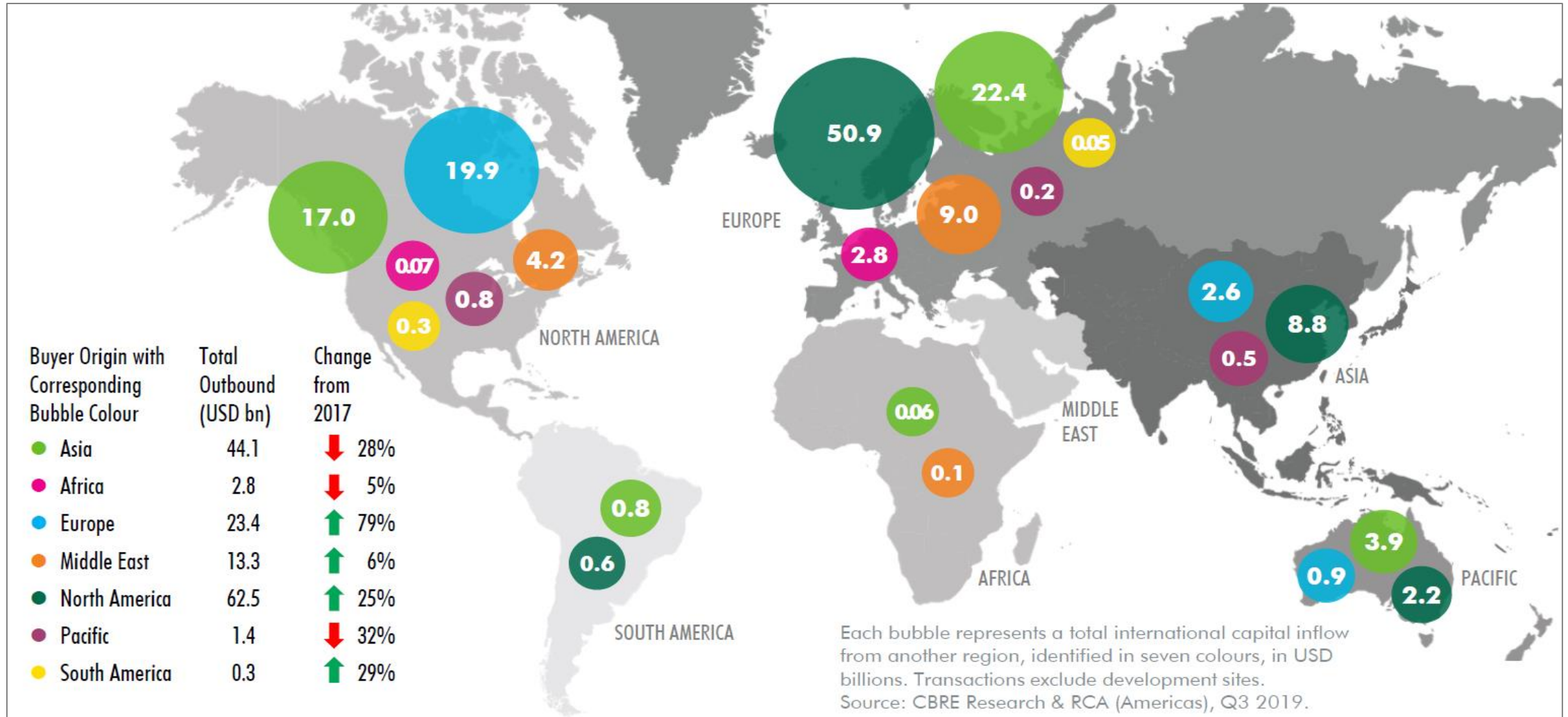


Note: "Global" refers to an aggregation of all capital originating from outside the region.

Sources: Real Capital Analytics, World Trade Organization, PGIM Real Estate. As of December 2019.

PGIM

Destination of Cross-Regional Capital Flows by Buyer Origins FY 2018



Real Estate Prospects Europe



Business and Real Estate Prospects

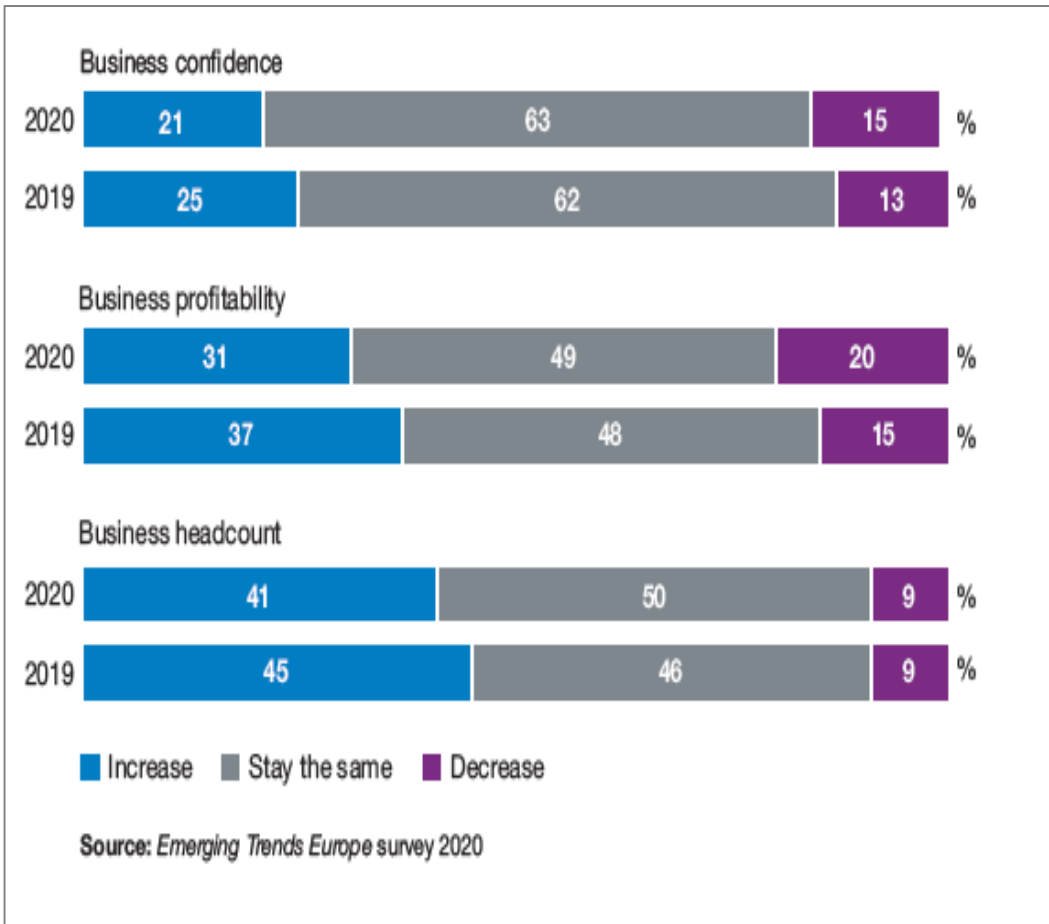


Table 3-1 Overall real estate prospects

Overall rank	City	Overall prospects
1	Paris	^ 2.16
2	Berlin	^ 2.13
3	Frankfurt	^ 2.07
4	London	^ 2.03
5	Madrid	^ 1.89
6	Amsterdam	^ 1.85
7	Munich	^ 1.82
8	Hamburg	— 1.68
9	Barcelona	— 1.54
10	Lisbon	— 1.52
11	Milan	— 1.36
12	Dublin	— 1.35
13	Brussels	— 1.32
		Mean
14	Warsaw	— 1.14
15	Vienna	— 1.09
16	Luxembourg	— 1.06
17	Zurich	— .95
18	Stockholm	— .92
19	Copenhagen	— .87
20	Prague	— .85
21	Helsinki	— .79
22	Rome	— .78
23	Manchester	— .72
24	Birmingham	— .64
25	Edinburgh	— .60
26	Lyon	∨ .59
27	Budapest	∨ .56
28	Athens	∨ .55
29	Oslo	∨ .37
30	Istanbul	∨ .35
31	Moscow	∨ .17

Legend: ^ More than 1 standard deviation above mean, — +/- 1 standard deviation of mean, ∨ More than 1 standard deviation below mean

Table 3-2 Local outlook: Change expected in rents and capital values in 2020

Overall rank	City	Rents	Capital values
1	Athens	^ 4.14	^ 4.00
2	Lisbon	^ 3.87	^ 3.75
3	Berlin	^ 3.84	^ 3.70
4	Amsterdam	^ 3.78	^ 3.74
5	Munich	^ 3.84	^ 3.67
6	Hamburg	^ 3.80	^ 3.65
7	Frankfurt	^ 3.73	^ 3.62
8	Lyon	^ 3.66	^ 3.68
9	Luxembourg	^ 3.69	^ 3.64
10	Copenhagen	^ 3.69	^ 3.56
11	Dublin	^ 3.69	^ 3.57
12	Paris	^ 3.65	^ 3.58
13	Helsinki	^ 3.65	^ 3.58
14	Oslo	^ 3.75	— 3.47
15	Madrid	^ 3.63	^ 3.54
16	Vienna	^ 3.50	^ 3.62
17	Warsaw	— 3.47	^ 3.57
18	Prague	^ 3.54	— 3.46
19	Budapest	^ 3.52	— 3.46
20	Milan	^ 3.51	— 3.45
21	Stockholm	^ 3.59	— 3.36
22	Barcelona	— 3.43	— 3.24
23	Zurich	— 3.19	— 3.45
24	Brussels	— 3.32	— 3.30
25	Edinburgh	— 3.28	— 3.11
26	Rome	— 3.18	— 3.09
27	Birmingham	— 3.24	— 3.00
28	Moscow	— 3.05	— 3.11
29	Manchester	— 3.11	— 3.00
30	London	— 2.65	— 2.57
31	Istanbul	— 2.60	— 2.56

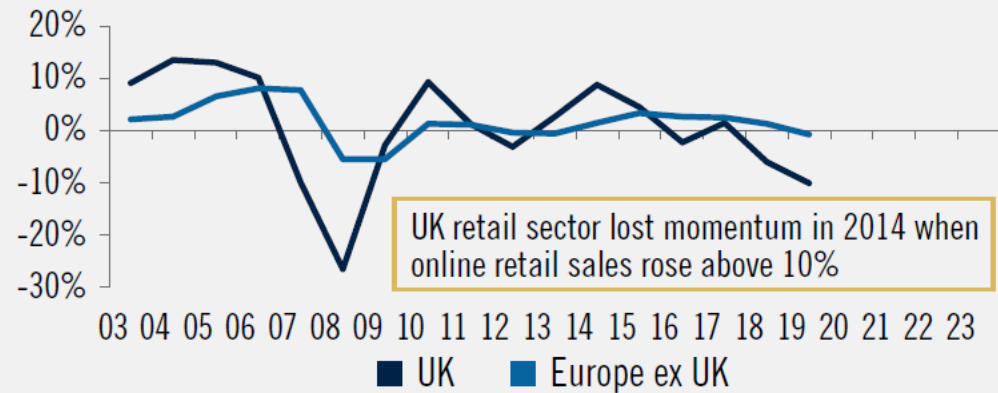
Legend: ^ Increase, — Stay the same, ∨ Decrease

Source: Emerging Trends Europe survey 2020

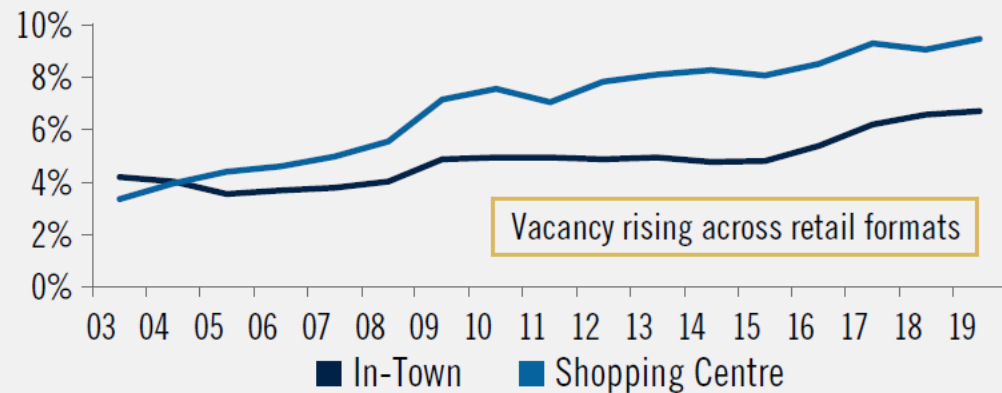
Retail Market Analysis

Exhibit EUR2: Retail Market Analysis

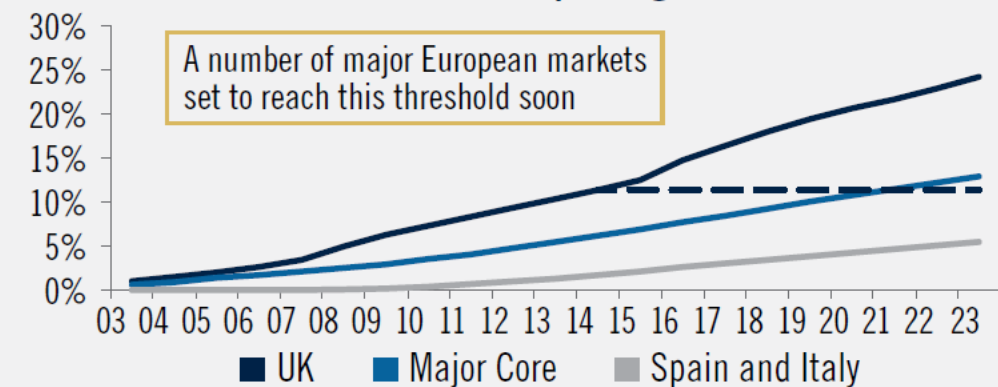
MSCI All Retail Capital Value Growth (% p.a.)



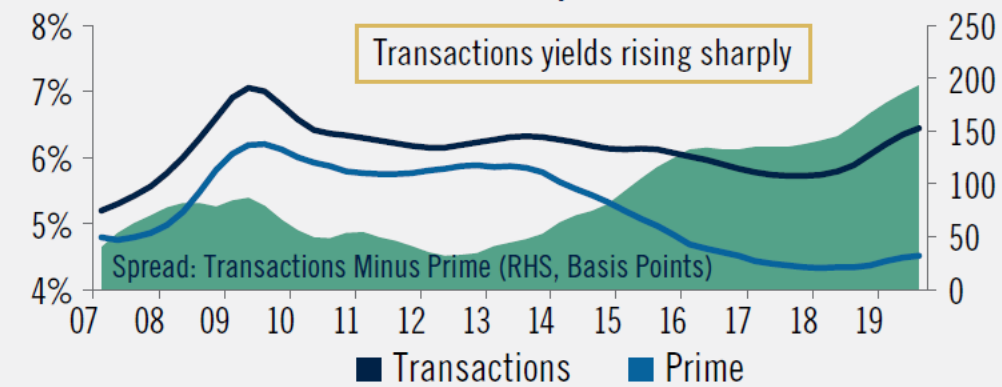
Retail Vacancy Rate – Major European Cities (%)



Share of Online Sales in Total Retail Spending (%)



Prime and Transactions Yields – European Retail (%)



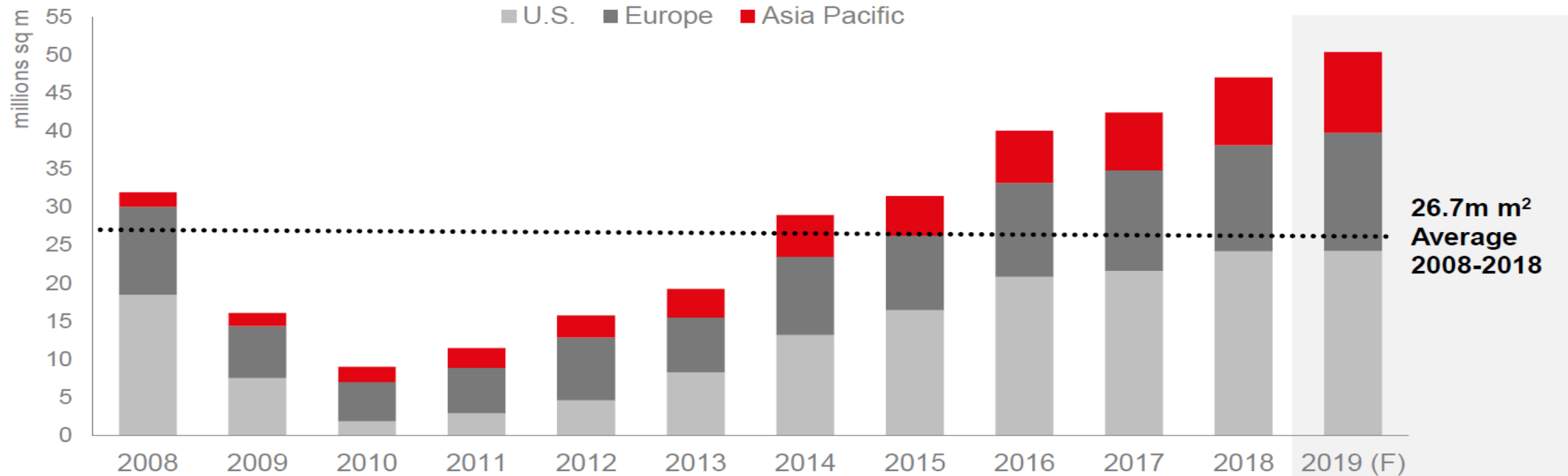
Note: “major core” markets refer to France, Germany, Netherlands and Sweden

Sources: Cushman & Wakefield, MSCI, PMA, Real Capital Analytics, PGIM Real Estate. As of December 2019.

Demands in Fuel

Demand fuels record logistics pipeline

Logistics, Completions, 2008 – 2019 (incl. build-to-suit and speculative)



U.S. based on aggregate of 52 city markets; Europe based on aggregate of 11 national markets; Asia Pacific based on aggregate of 10 city markets.
Forecast completions/future supply is based on hard data (projects confirmed in the pipeline or where construction has already started) with no assumptions on potential new projects.
Data as at 31 December 2018
Source: JLL, October 2019

Urban Land Institute Emerging Trends (2020)

Table 2-1 Sector prospects in 2020

Overall rank		Investment	Rank	Development	Rank
1	Logistics facilities	○ 4.35	2	○ 4.29	1
2	Retirement/assisted living	○ 4.37	1	○ 4.26	2
3	Co-living	○ 4.31	3	○ 4.23	3
4	Private rented residential	○ 4.17	7	○ 4.14	5
5	Student housing	○ 4.25	4	○ 4.06	9
6	Affordable housing	○ 4.13	9	○ 4.17	4
7	Healthcare	○ 4.21	5	○ 4.09	7
8	Data centres*	○ 4.14	8	○ 4.14	6
9	Serviced apartments	○ 4.11	11	○ 4.06	8
10	Flexible/services offices and co-working	○ 4.12	10	○ 4.01	10
11	Industrial/warehouse	○ 4.03	12	○ 3.98	11
12	Self-storage facilities*	○ 4.19	6	○ 3.81	15
13	Hotels	○ 4.03	13	○ 3.87	12
14	Housebuilding for sale	○ 3.92	15	○ 3.87	13
15	Science parks*	○ 4.00	14	○ 3.76	16
16	Social housing	○ 3.84	17	○ 3.87	14
17	Central city offices	○ 3.92	16	○ 3.69	17
18	Leisure	○ 3.71	18	○ 3.41	18
19	Parking	○ 3.56	19	○ 3.39	19
20	Business parks	○ 3.39	20	○ 3.19	21
21	Suburban offices	○ 3.34	21	○ 3.22	20
22	High street shops	○ 3.02	22	○ 2.75	22
23	Retail parks	○ 2.90	23	○ 2.44	24
24	City centre shopping centres	○ 2.87	24	○ 2.44	23
25	Out-of-town shopping centres	○ 2.47	25	○ 2.18	25

○ Generally good = above 3.5 ○ Fair = 2.5–3.5 ○ Generally poor = under 2.5

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Thank You

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