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# European Research

Economic & Real Estate Summary (data as at Q4 2022)

24 February 2023



# Eurozone economic overview

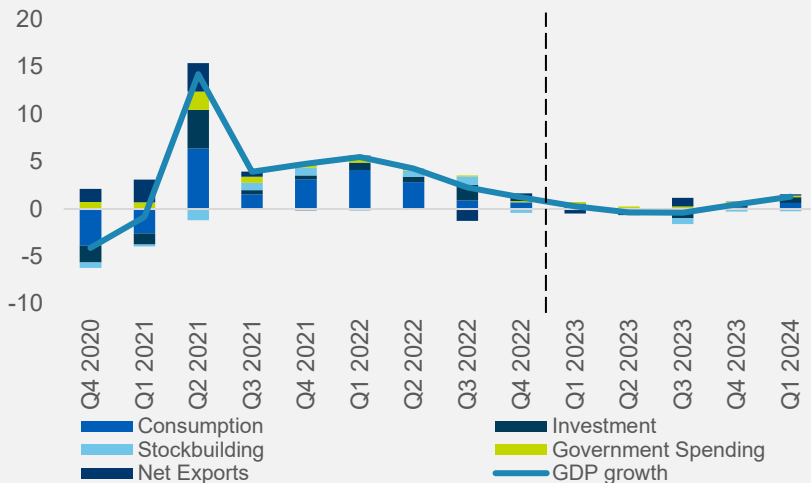
Challenging year ahead characterised by low growth, high interest rates, weak confidence and a softening labour market

## GDP: recession avoided economy remains fragile

- Despite forecast expectations GDP grew slightly in Q4
- Marginal improvement in PMIs and national surveys
- Retail sales up but industrial production down

↓	<b>+0.1</b>	Q4 2022 (q-o-q)*
	<b>+0.4</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



## CPI: inflation has eased but remains high

↑	<b>2.3</b>	Q4 2022 (q-o-q)
	<b>5.5</b>	Q4 2023 (y-o-y)**

## Interest rates: additional but measured rises ahead

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: more slack in the labour market

↑	<b>6.7</b>	Q4 2022
	<b>7.1</b>	Q4 2023





# Eurozone real estate overview

Yield softening in all sectors and limited investment activity but strong rental growth for offices and logistics

## Key messages: occupier markets remain strong

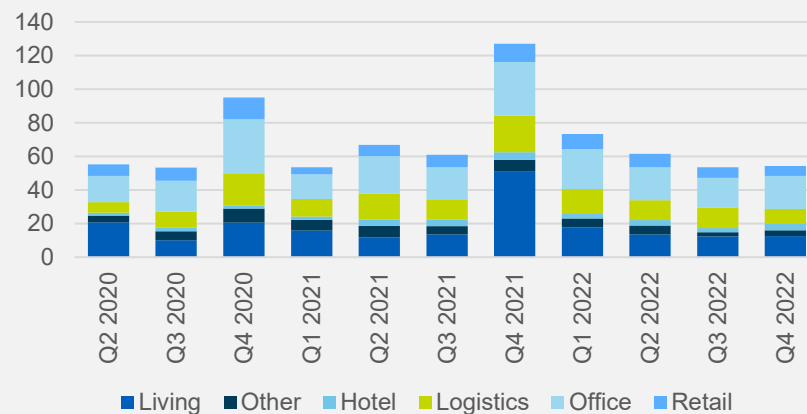
- Positive rental growth in logistics, office and retail
- Vacancy rates remain low for high-quality space
- Yield softening across all sectors in Q4

## Key metrics

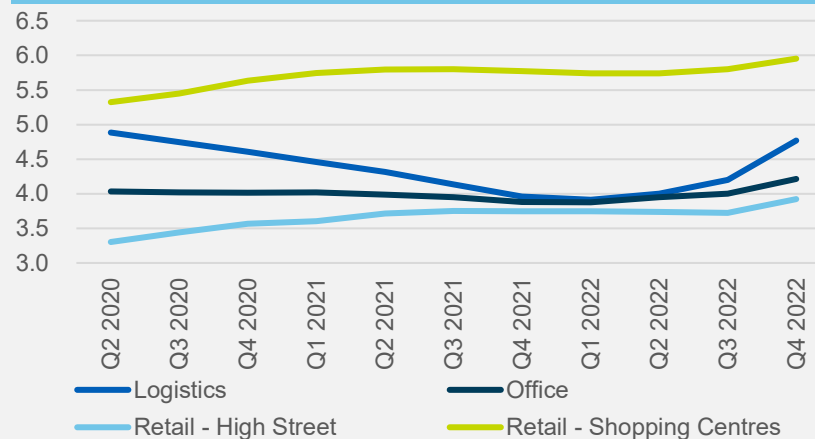
Sector	Occupier		Investment	
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
 <b>Logistics</b>	+18.4	2.6	4.8	+60
 <b>Office</b>	+6.7	7.7	4.2	+20
 <b>Retail - High Street</b>	+1.4	n/a	4.1	+20
 <b>Shopping Centres</b>	0.0	n/a	5.9	+20

Source: RCA Q1 2023; CBRE, Q1 2023









## Investment: Q4 volumes markedly down y-o-y (€bn)



## Prime yields: price softening in Q4 (%)



# Risks: Higher likelihood outside of Europe

<b>UKRAINE HORIZONTAL ESCALATION</b> 	<b>UKRAINE VERTICAL ESCALATION</b> 	<b>PERSISTENTLY HIGH INFLATION</b> 	<b>COVID-19 RESURGENCE</b> 
<b>Impact : high</b> <b>Likelihood: low</b>	<b>Impact : high</b> <b>Likelihood: low</b>	<b>Impact : high</b> <b>Likelihood: medium</b>	<b>Impact : high</b> <b>Likelihood: low</b>
<p>A geographical widening of the Ukraine invasion to include other European countries, accidental or deliberate incursions into NATO-aligned countries or confrontations on national borders. This could lead to conflict escalation, further destabilisation and the outlook would be more uncertain.</p>	<p>A tactical nuclear or biological weapon is deployed in Ukraine. This would provoke a considerable reaction from western countries and raise the stakes significantly. Conflict could escalate with a high risk of more active conflict between Russian and Ukraine-aligned western countries.</p>	<p>Inflation remains high due to rising energy/food costs, the strong USD and labour shortages. This would spur greater monetary tightening, deepen the cost of living crisis and could trigger a wage-price spiral leading to significantly worse economic outcomes. Civil unrest could result.</p>	<p>The resurgence of COVID-19 remains a global risk as the threat of immunity evading mutations persists. This risk is perceived to have risen as China dismantles COVID-19 restrictions and the virus is left to spread unchecked domestically despite low vaccination rates. The risk of reimposed Chinese lockdowns is low.</p>
<b>EXCESSIVE MONETARY TIGHTENING</b> 	<b>NEW DISTABILISING REGIONAL CONFLICTS</b> 	<b>CHINA-US TENSION ESCALATION</b> 	<b>EUROPEAN DISUNITY</b> 
<b>Impact : medium</b> <b>Likelihood: low</b>	<b>Impact : medium</b> <b>Likelihood: medium</b>	<b>Impact : medium</b> <b>Likelihood: high</b>	<b>Impact : medium</b> <b>Likelihood: medium</b>
<p>Central banks over-estimate the need for interest rate rises and monetary policy tightening. This could create higher unemployment, more bankruptcies, deeper economic contraction and prolong the downturn. Central banks have been dampening their messaging on future rises so considered a low risk.</p>	<p>New regional conflicts emerge which jeopardise the global economic recovery. Flashpoints include Taiwan and the Indian/Pakistan/China border but include Russian federal states, or territory claimed by Turkey. The greatest regional conflict risk is concentrated outside of Europe.</p>	<p>Rising China-US tension leads to greater economic conflict. This would accelerate global decoupling, increase business costs/inflation and create faster fragmentation into smaller trading blocs. US protectionist policies could come at the expense of European growth.</p>	<p>Disagreements within the Euro Area and between the EU and other European countries around trade, economic/energy policy, defence and immigration deepen. Hostilities rise inhibiting the ability to respond decisively to existing and new threats. Italy and Hungary are potential flashpoints.</p>

Risk momentum



Risk environment is lowering



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# The Netherlands: Economic & Real Estate Summary

Q4 2022



# Key messages: The Netherlands



**Technical recession in Q4 and weak 2023 expected**



**High inflation relative to Eurozone anticipated**



**Yields softening in Q4 as the market re-rates**



**Prime rental growth occurs for office and logistics**

# The Netherlands economic overview

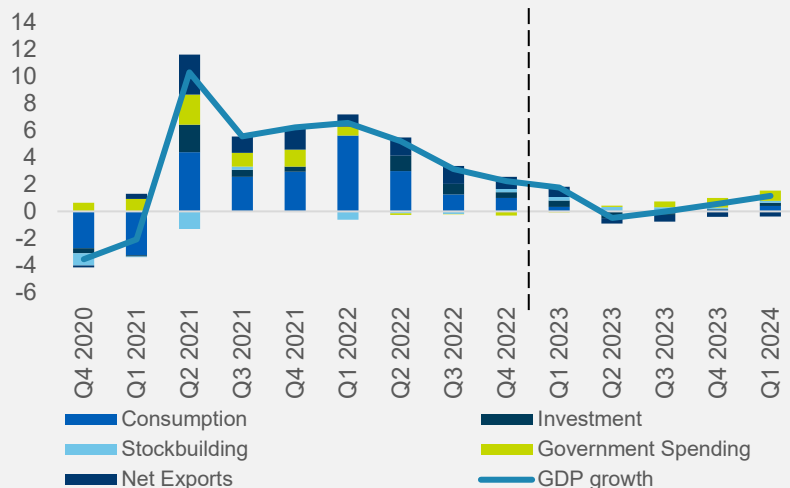
The economy entered recession in Q4 and inflation, rates and weak demand suggest modest 2023 outlook

## GDP: economy entered technical recession in Q3

- Weak consumer spending and slowing global demand
- Inflation has been slow to fall and will remain high in 2023
- Expansionary government budget will support growth

↓	<b>-0.3</b>	Q4 2022 (q-o-q)
	<b>+0.4</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



Source: Oxford Economics, Q1 2023 \* Cromwell House View Feb 23

## CPI: higher core and food price inflation

↑	<b>3.6</b>	Q4 2022 (q-o-q)
	<b>7.0</b>	Q4 2023 (y-o-y)*

## Interest rates: additional but measured rises ahead

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: job losses are expected

↑	<b>3.5</b>	Q4 2022
	<b>4.4</b>	Q4 2023





# The Netherlands real estate overview

Shortage of quality floorspace supports prime rental growth but does not prevent outward yield movement

## Key messages: strong occupier demand

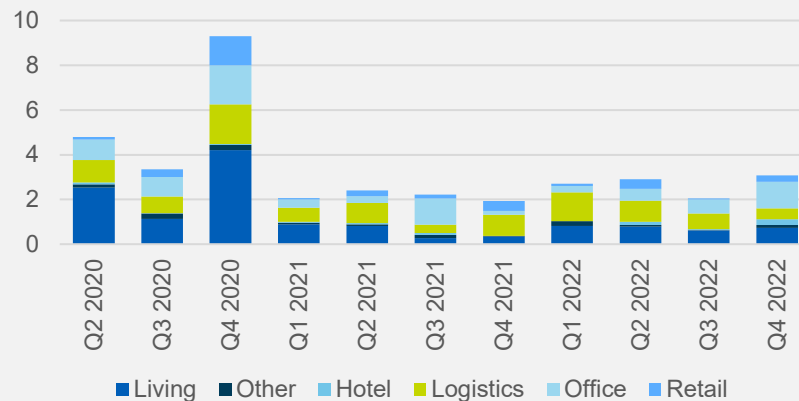
- Positive prime rental growth for office and logistics
- Yields move outwards with more negative shift likely
- Investment volumes relatively robust by recent standards

## Key metrics

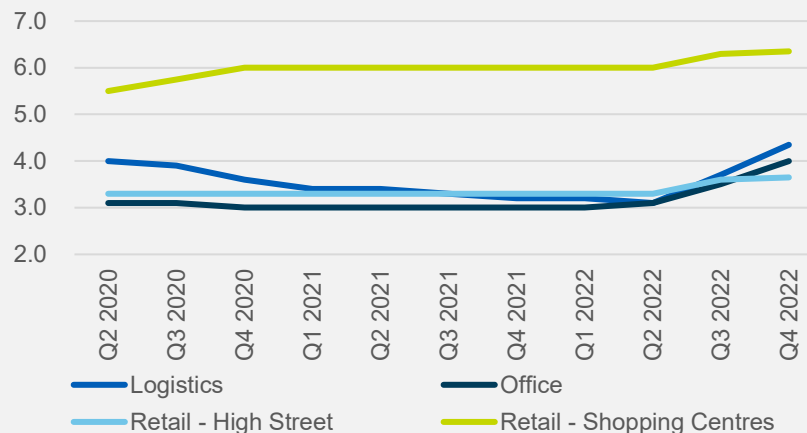
Sector	Occupier		Investment		Yield shift (bps)
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022		
 <b>Logistics</b>	+18.9	2.4	4.4		+65
 <b>Office</b>	+5.8	6.7	4.0		+50
 <b>Retail - High Street</b>	-6.1	n/a	3.7		+5
 <b>Shopping Centres</b>	-1.2	n/a	6.4		+5

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: volumes are higher y-o-y (€bn)



## Prime yields: decompression in progress (%)







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# Italy: Economic & Real Estate Summary

Q4 2022



# Key messages: Italy



**No economic growth expected this year**



**Energy vulnerabilities will maintain high inflation**



**Moderate Q4 outwards yield shift but more to come**



**Rental growth occurs for offices, logistics and retail**

# Italy economic overview

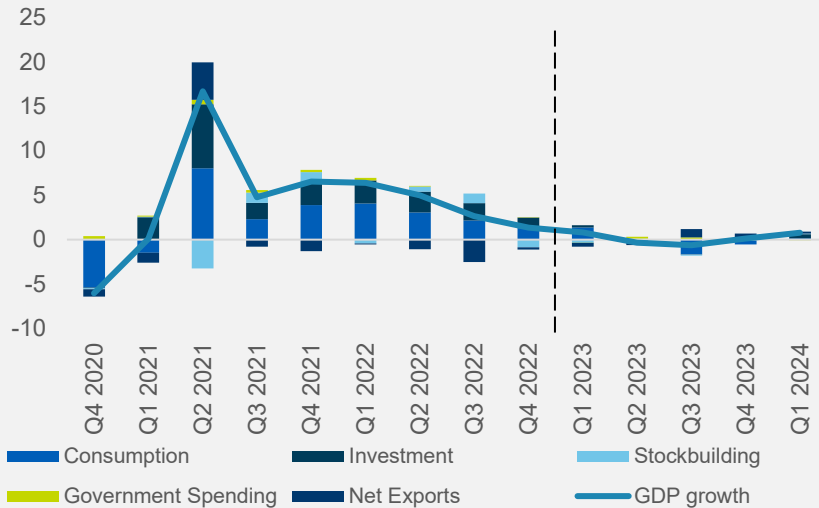
Mild recession is underway with higher rates and high inflation likely to limit the constrain the recovery in 2023

## GDP: flat economic growth predicted this year

- PMI business surveys indicate contraction
- Relative high inflation to erode real incomes and spending
- Potential risks with the EU from new governing coalition

↓	<b>-0.1</b>	Q4 2022 (q-o-q)*
	<b>+0.5</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



## CPI: stronger persistence of the energy component

↑	<b>4.3</b>	Q4 2022 (q-o-q)
	<b>6.8</b>	Q4 2023 (y-o-y)**

## Interest rates: additional but measured rises ahead

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: fall in employment expected

↑	<b>8.2</b>	Q4 2022
	<b>8.5</b>	Q4 2023



# Italy real estate overview

Lower investment activity is pricing rebases despite robust occupier demand supporting prime rental growth

## Key messages: strong yield softening

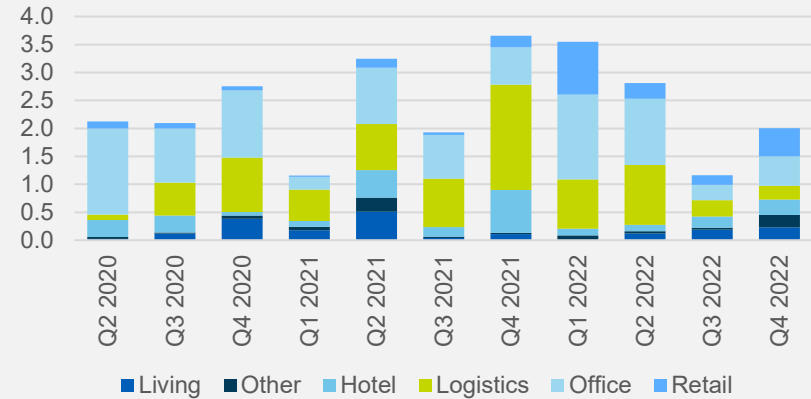
- Occupier demand is resilient with positive rental growth
- Price discovery constrains investment volumes
- Yields shift outwards across all real estate sectors

## Key metrics

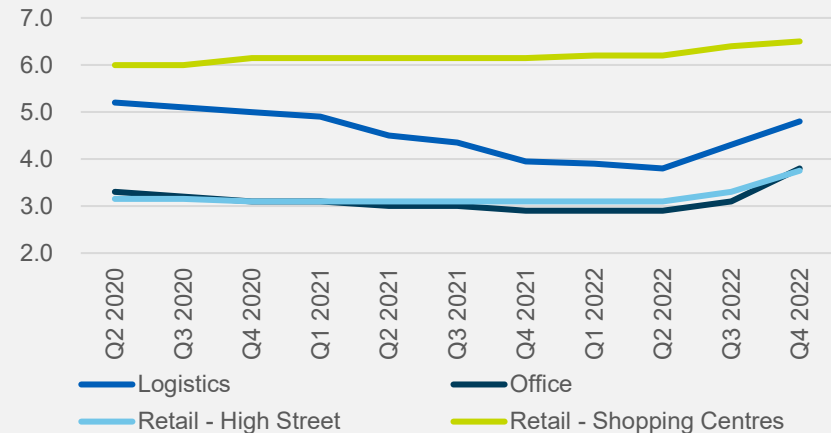
Sector	Occupier		Investment	
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
 <b>Logistics</b>	+6.9	1.8	4.8	+50
 <b>Office</b>	+10.4	8.7	3.8	+70
 <b>Retail - High Street</b>	+9.1	n/a	3.8	+45
 <b>Shopping Centres</b>	0.0	n/a	6.5	+10

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: activity down on Q4 2021 (€bn)



## Prime yields: yield softening in all sectors (%)





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# France: Economic & Real Estate Summary

Q4 2022



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# Key messages: France



**Milder winter limited economic contraction in Q4**



**Inflation curtails household spending**



**Yield softening in progress and more is expected**



**Occupier demand & low supply meant Q4 rent rises**

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# France economic overview

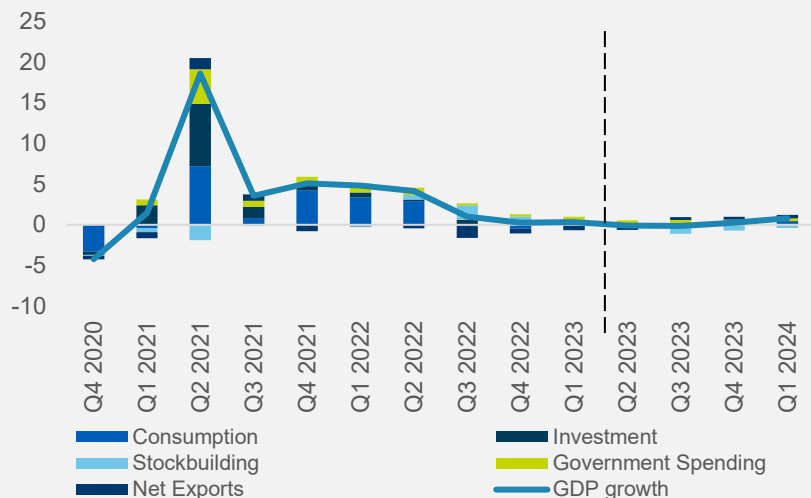
Energy supply resilience has insulated the economy from a sharper downturn but the outlook remains weak

## GDP: flash estimate suggest modest Q4 growth

- High inflation limits consumer spending
- Business surveys suggest poor short-term outlook
- Industrial action this quarter reflecting pension proposals

↓	<b>+0.1</b>	Q4 2022 (q-o-q)*
	<b>+0.5</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



## CPI: elevated inflation to persist in 2023

↑	<b>1.0</b>	Q4 2022 (q-o-q)
	<b>5.0</b>	Q4 2023 (y-o-y)**

## Interest rates: additional but measured rises ahead

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: fewer

↑	<b>7.1</b>	Q4 2022
	<b>7.4</b>	Q4 2023





# France real estate overview

Strong investment activity as yields soften with rental growth registered in all prime real estate sectors

## Key messages: rent rises as pricing deteriorates

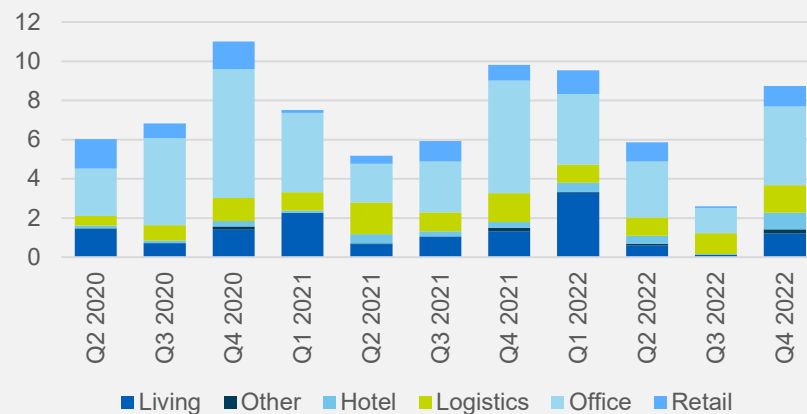
- Limited stock and robust demand drives rental growth
- Some outwards yield shift in Q4 with more expected
- Investment volumes are robust compared to Q4 2021

## Key metrics

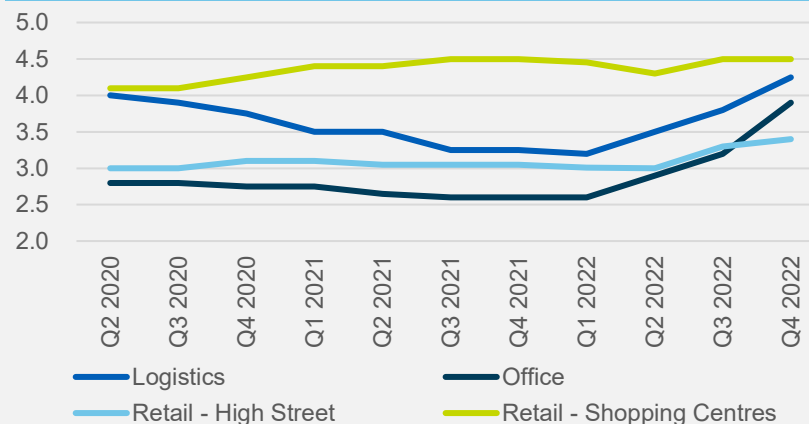
Sector	Occupier		Investment		Yield shift (bps)
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022		
 <b>Logistics</b>	+20.0	3.8	4.3		+50
 <b>Office</b>	+4.4	5.5	3.9		+70
 <b>Retail - High Street</b>	+0.1	n/a	3.4		+10
 <b>Shopping Centres</b>	+0.7	n/a	4.5		0

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: Q4 volumes comparable y-o-y (€bn)



## Prime yields: price rebasing is underway (%)





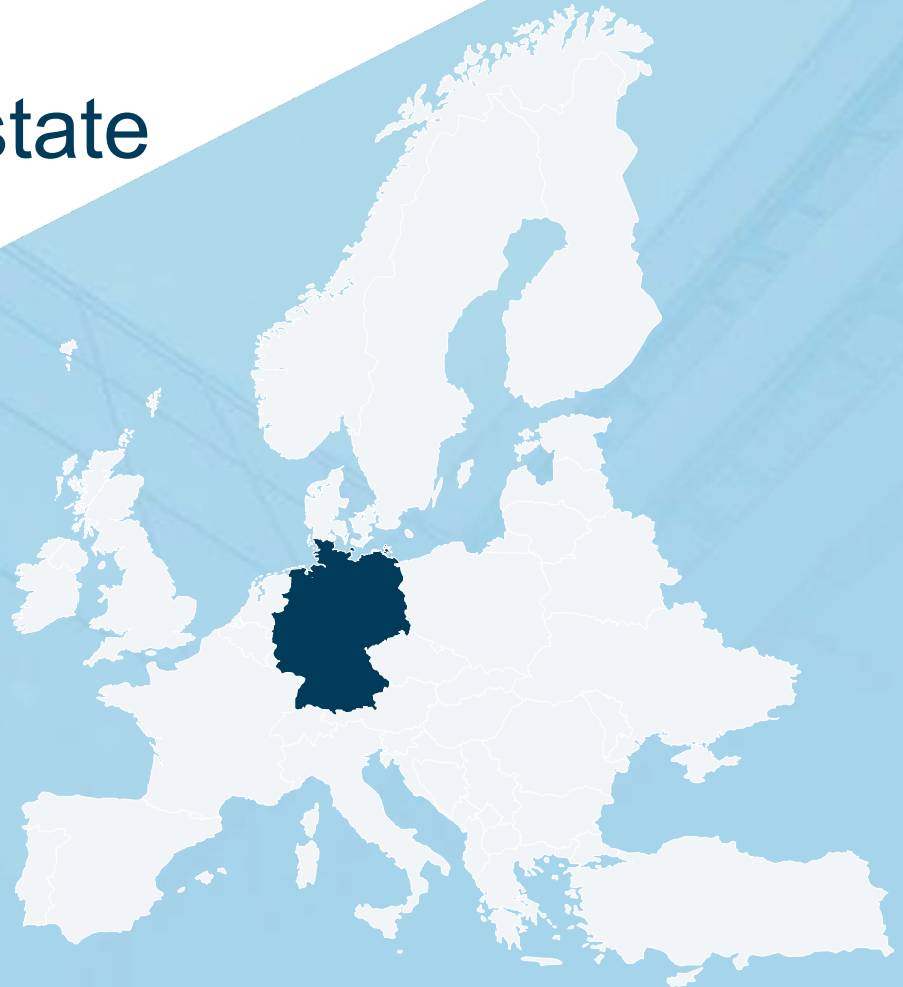


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# Germany: Economic & Real Estate Summary

Q4 2022



# Key messages: Germany



**Lower gas prices prevent a deeper Q4 recession**



**Short-term challenges from inflation & rates**



**Yield softening in all commercial real estate sectors**



**Q4 rental growth for prime offices and logistics**

# Germany economic overview

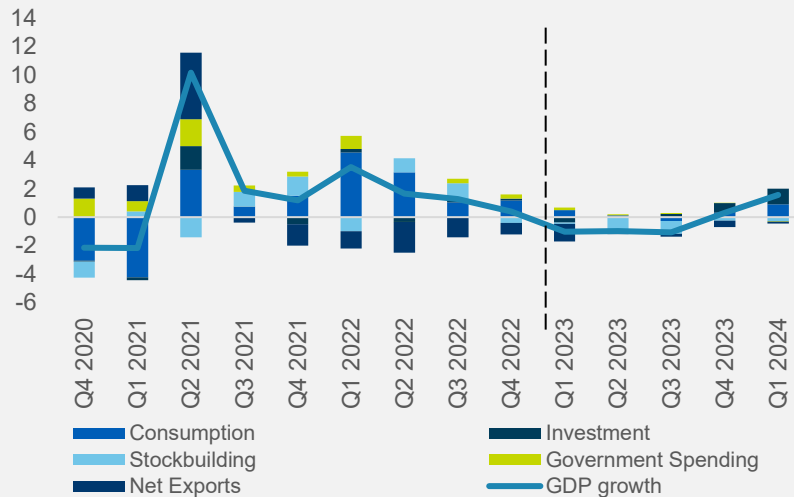
Mild winter and lower energy prices prevented a worse recession but the growth outlook will remain challenged

## GDP: shallow recession over the winter

- Falling gas prices and easing bottlenecks aid Q4 output
- Household incomes and consumption impacted by inflation
- Fiscal will assist businesses and households in 2023

↓	<b>-0.2</b>	Q4 2022 (q-o-q)*
	<b>-0.2</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



## CPI: inflation to fall but remain well above target

↑	<b>2.4</b>	Q4 2022 (q-o-q)
	<b>6.4</b>	Q4 2023 (y-o-y)**

## Interest rates: additional but measured rises ahead

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: labour pressures will remain

↑	<b>5.5</b>	Q4 2022
	<b>5.6</b>	Q4 2023





# Germany real estate overview

Robust occupier market conditions and rental growth as outwards yields shift and market uncertainty limit investment

## Key messages: softer investment despite rent rises

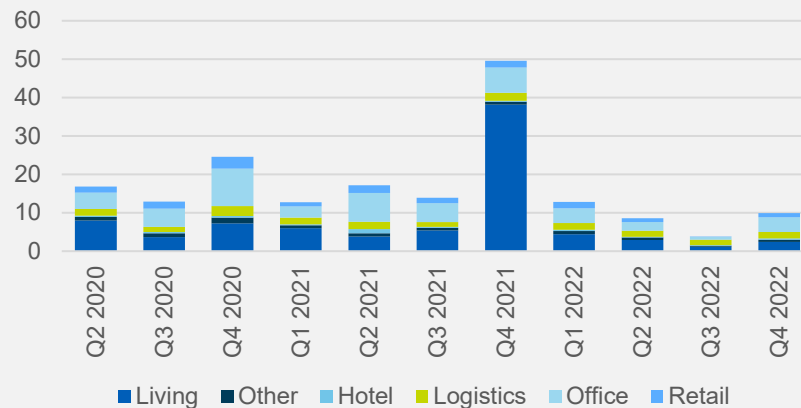
- Some positive rental growth for prime office and logistics
- Extremely low fourth quarter investment in relative terms
- Prices are rebasing and further outwards yield shift likely

## Key metrics

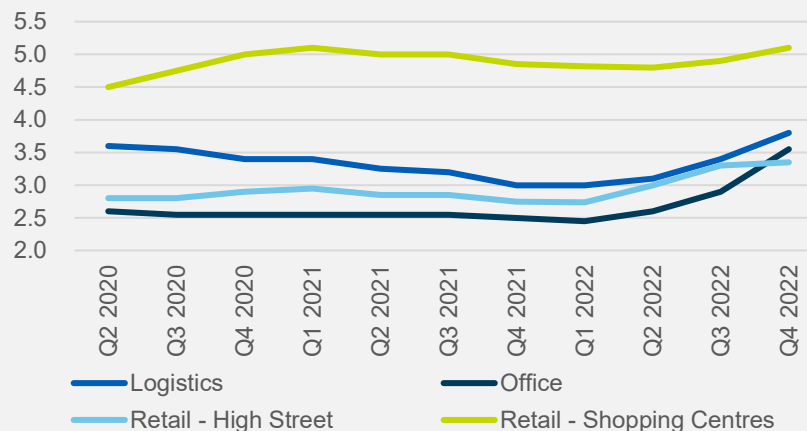
Sector		Occupier		Investment	
		Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
	Logistics	+6.3	2.0	3.8	+40
	Office	+13.5	5.4	3.6	+65
	Retail - High Street	0.0	n/a	3.4	+5
	Shopping Centres	0.0	n/a	5.1	+20

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: activity well down on Q4 2021 (€bn)



## Prime yields: prices are falling (%)





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# CEE: Economic & Real Estate Summary

Q4 2022



# Key messages: CEE



**Recession across the CEE in Q4**



**Low consumer confidence constrains spending**



**Significant yield softening across all sectors**



**Strong logistics rental growth**

# Poland economic overview

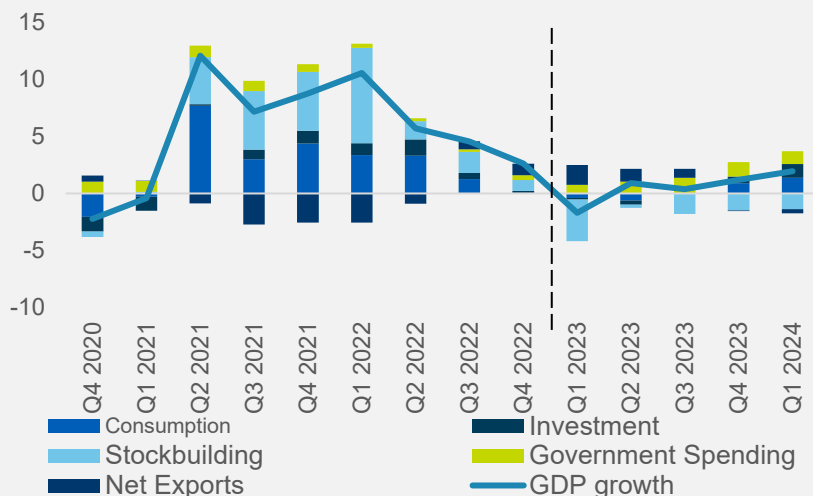
Q4 economic contraction but moderate growth anticipated in 2023 despite persistent high interest rates and inflation

## GDP: high inflation weighs down the economy

- Very high inflation is eroding real incomes and spending
- Manufacturing PMIs remain in contraction territory
- Rising unemployment will lower wage price rise pressure

↓	<b>-0.3</b>	Q4 2022 (q-o-q)
	<b>+0.2</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



Source: Oxford Economics, Q1 2023 \* Cromwell House View Feb 23

## CPI: inflation will decline only gradually

↑	<b>3.7</b>	Q4 2022 (q-o-q)
	<b>13.5</b>	Q4 2023 (y-o-y)*

## Interest rates: monetary policy tightening on hold

↑	<b>6.8</b>	Q4 2022
	<b>6.8</b>	Q4 2023

## Unemployment rate: labour pressures will ease

↑	<b>5.0</b>	Q4 2022
	<b>5.7</b>	Q4 2023





# Poland real estate overview

Ongoing occupier demand has supported prime rental growth in logistics and offices as yields are shifting outwards

## Key messages: occupier strength as prices fall

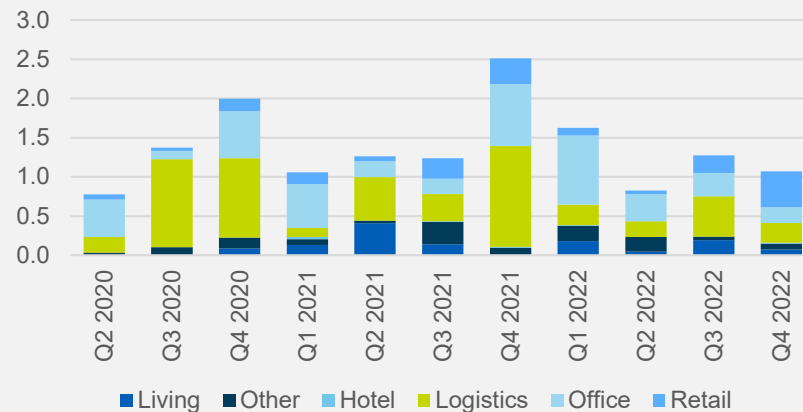
- A lack of prime stock leads to strong logistics rent rises
- Shifts decompress reflect of macro-economic conditions
- Investment volumes well down y-o-y

## Key metrics

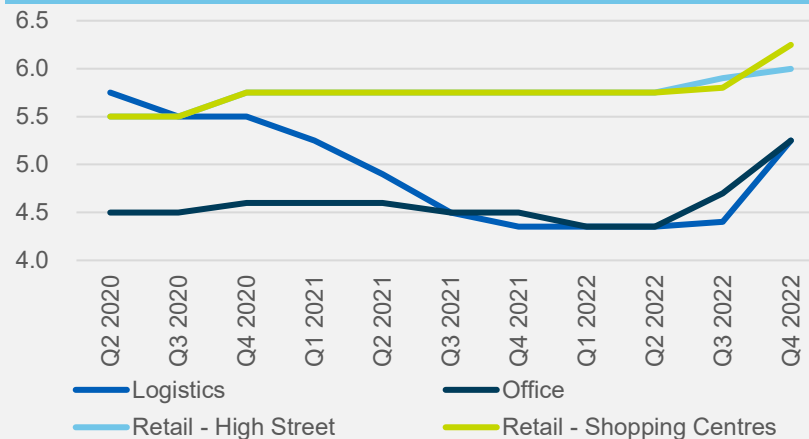
Sector		Occupier		Investment	
		Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
	<b>Logistics</b>	+35.7	4.0	5.3	+85
	<b>Office</b>	+3.8	14.2	5.3	+55
	<b>Retail - High Street</b>	0.0	n/a	6.0	+10
	<b>Shopping Centres</b>	0.0	4.5	6.3	+45

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: Q4 volumes much lower y-o-y (€bn)



## Prime yields: yields move outwards (%)





# Czech Republic economic overview

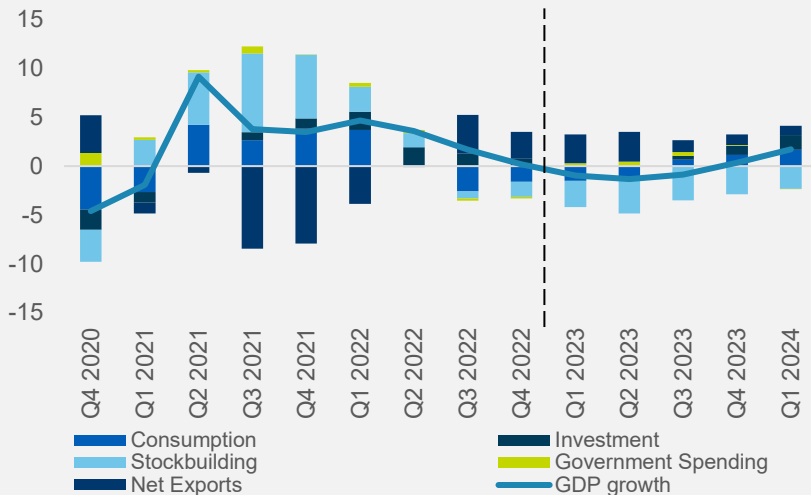
Economy entered recession in Q4 and economic weakness is expected to persist in 2023

## GDP: weak consumer spending inhibits growth

- Consumer spending falls and confidence near record low
- Central bank expected to lower rates to stimulate growth
- Inflation set to fall but will still be high relative to Europe

↓	<b>-0.3</b>	Q4 2022 (q-o-q)*
	<b>-0.7</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



Source: Oxford Economics, Q1 2023 \* Eurostat Flash Estimate \*\* Cromwell House View Feb 23

## CPI: inflation is likely to remain high this year

↑	<b>0.3</b>	Q4 2022 (q-o-q)
	<b>9.3</b>	Q4 2023 (y-o-y)**

## Interest rates: interest rate cuts are forecast

↑	<b>7.0</b>	Q4 2022
	<b>6.6</b>	Q4 2023

## Unemployment rate: labour market is weakening

↑	<b>3.8</b>	Q4 2022
	<b>4.1</b>	Q4 2023

# Czech Republic real estate overview

Logistics and offices record compelling rental growth in Q4 as yields soften in all commercial real estate sectors

## Key messages: a mixed picture for rents and yields

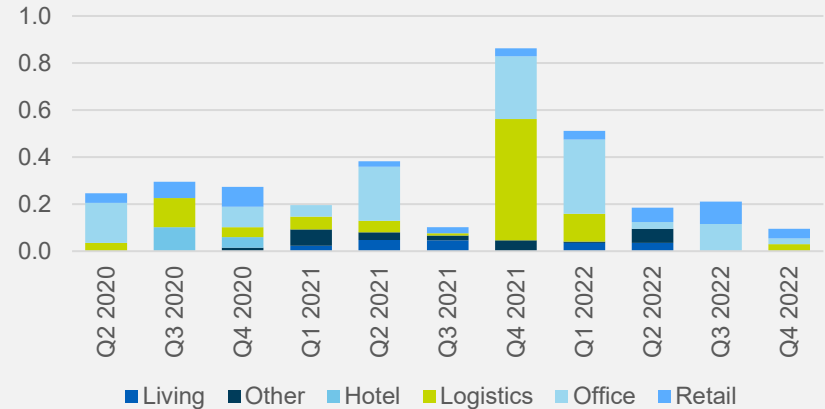
- Strong rental growth evident in logistics and offices
- Investment activity near a record low as yields soften
- Limited amount of prime stock can distort the data

## Key metrics

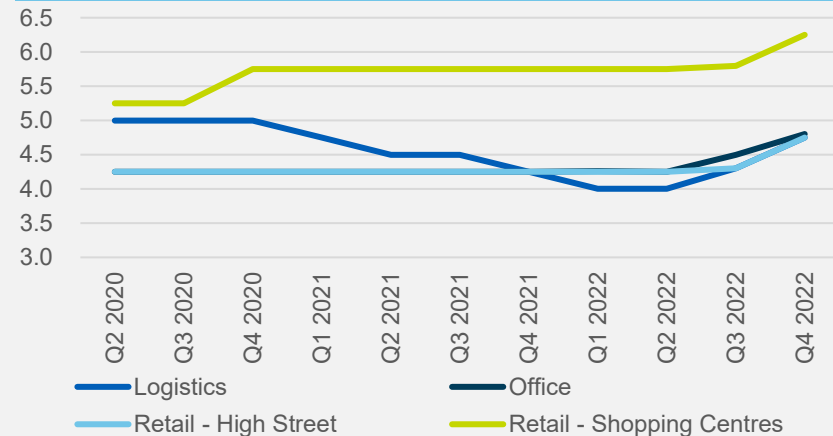
Sector	Occupier		Investment	
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
 <b>Logistics</b>	+31.7	1.2	4.8	+50
 <b>Office</b>	+10.4	7.7	4.8	+30
 <b>Retail - High Street</b>	-7.3	n/a	4.8	+50
 <b>Shopping Centres</b>	-2.6	n/a	6.3	+50

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: very little investment activity (€bn)



## Prime yields: pricing is being rebased (%)



# Slovakia economic overview

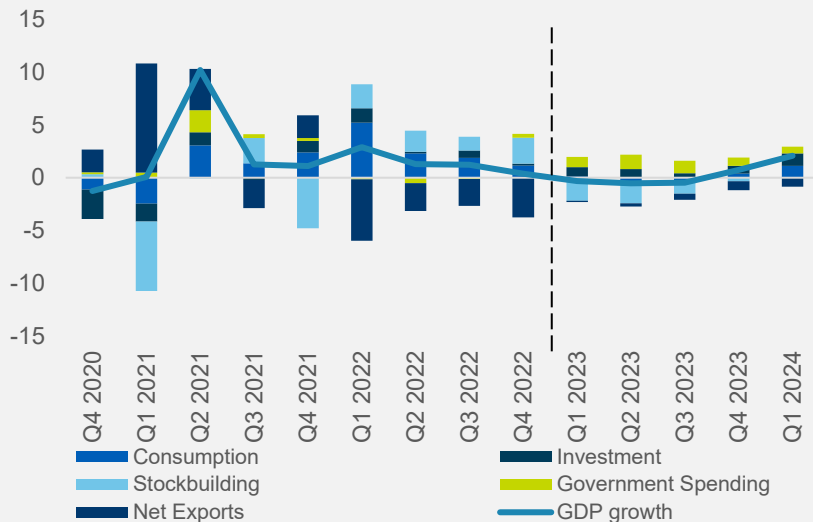
Worsening external environment and persistent inflation implies negative output growth in 2023

## GDP: resilient domestic demand

- High inflation is damaging the economic and limiting growth
- Consumer confidence has dropped to an all-time low
- Business surveys suggest a weak short-term outlook

↓	<b>-0.5</b>	Q4 2022 (q-o-q)
	<b>-0.2</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



## CPI: energy and food prices the main drivers

↑	<b>2.5</b>	Q4 2022 (q-o-q)
	<b>9.8</b>	Q4 2023 (y-o-y)*

## Interest rates: quantitative tightening from March

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: labour availability to rise

↑	<b>6.2</b>	Q4 2022
	<b>6.8</b>	Q4 2023

# Slovakia real estate overview

Investment activity attains a record low as yields rise although logistics rental growth is extremely strong

## Key messages: resilient logistics occupier market

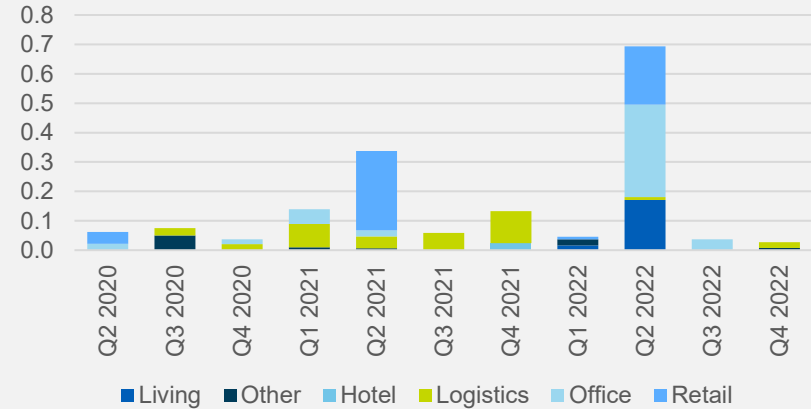
- Very strong rental growth for logistics as supply is low
- Yields move outward and further softening is expected
- Little investment although lack of stock constrains market

## Key metrics

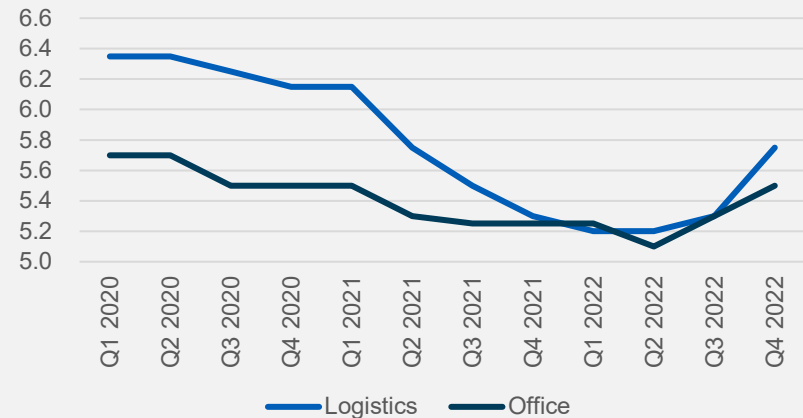
Sector		Occupier		Investment	
		Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
	<b>Logistics</b>	+25.6	3.6	5.8	+50
	<b>Office</b>	0.0	11.2	5.5	+20
	<b>Retail - High Street</b>	n/a	n/a	n/a	n/a
	<b>Shopping Centres</b>	0.0	n/a	n/a	n/a

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: record low activity (€bn)



## Prime yields: consecutive quarters of softening (%)





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# Nordics: Economic & Real Estate Summary

Q4 2022



# Key messages: Nordics



**Some resilience to European recession**



**Inflation likely to fall but remain about target**



**Significant yield softening across all sectors**



**Robust rental growth for offices and logistics**

# Denmark economic overview

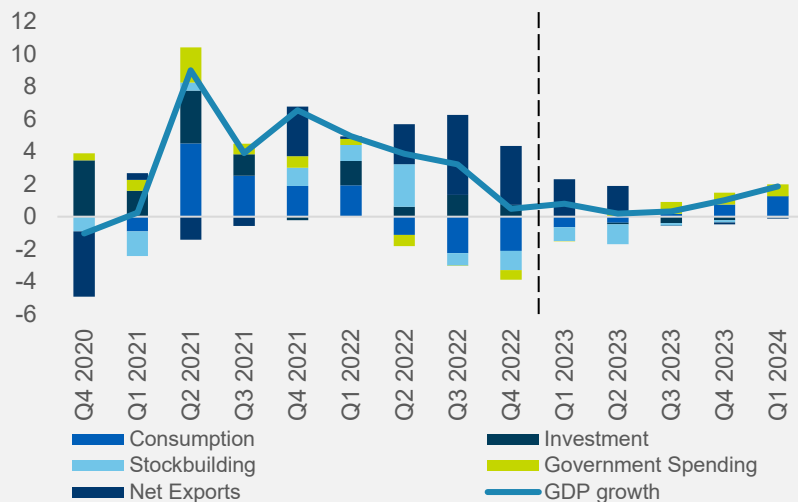
Falling economic output in the next quarter but labour markets remain robust and inflation expected to fall

## GDP: contraction over the winter quarters

- Declining retail spending and industrial output
- Inflation falls but remains well above target rates
- Real household incomes will only gradually improve

↓	<b>-0.3</b>	Q4 2022 (q-o-q)
	<b>+0.4</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



Source: Oxford Economics, Q1 2023 \* Cromwell House View Feb 23

## CPI: inflation projected to fall this year

↑	<b>1.4</b>	Q4 2022 (q-o-q)
	<b>4.1</b>	Q4 2023 (y-o-y)*

## Interest rates: further rises to track the ECB

↑	<b>1.2</b>	Q4 2022
	<b>2.6</b>	Q4 2023

## Unemployment rate: remains at a historical low

↑	<b>2.7</b>	Q4 2022
	<b>3.1</b>	Q4 2023




# Denmark real estate overview

Significant outward shift in prime yields accompanied by strong rental growth for logistics and offices

## Key messages: investment pricing is re-rated

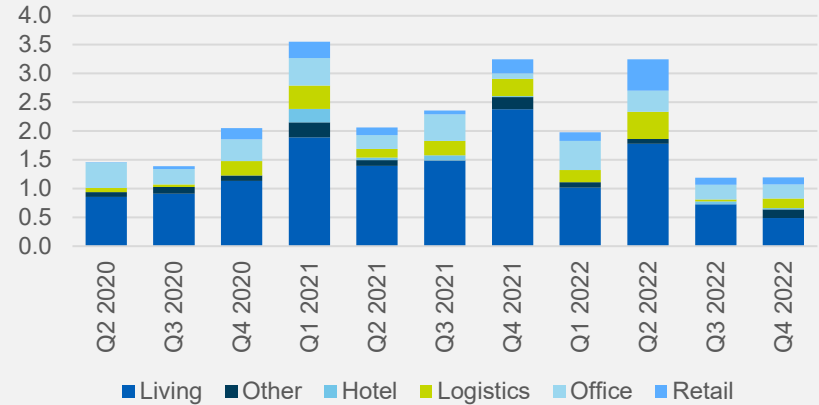
- Occupier demand remains strong as quality supply is limited
- Vacancy is extremely low for prime logistics space
- Significant yield softening across all sectors in Q4

## Key metrics

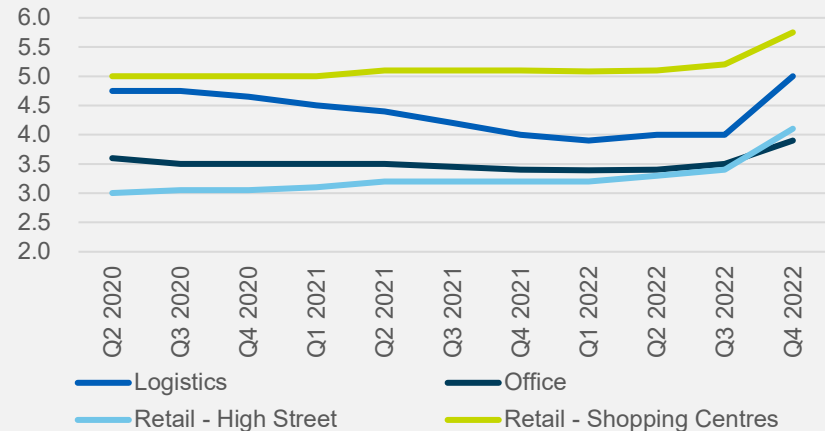
Sector	Occupier		Investment	
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
 Logistics	+8.3	2.7	5.0	+100
 Office	+3.9	6.1	3.9	+40
 Retail - High Street	0.0	2.6	4.1	+70
 Shopping Centres	0.0	n/a	5.8	+60

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: Q4 much lower y-o-y (€bn)



## Prime yields: pricing adjusts downwards (%)





# Finland economic overview

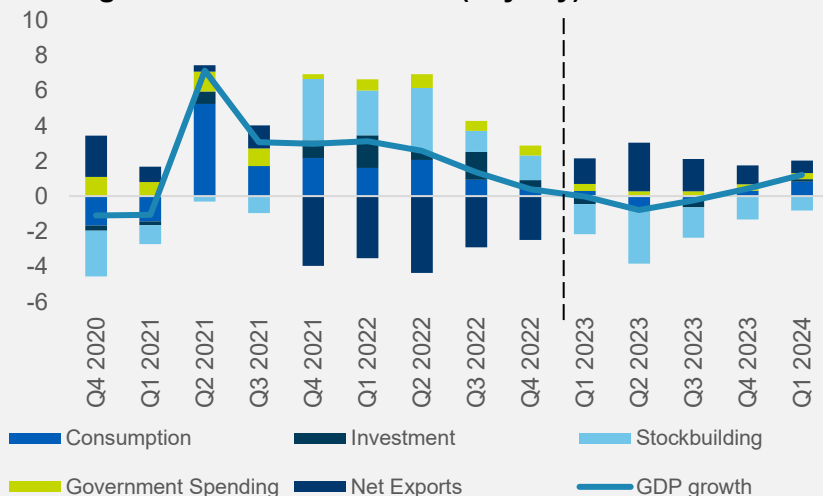
The economy loses momentum in Q4 and the slowdown expected over the next few quarters

## GDP: shallow contraction expected this year

- Weak private consumption clear in Q1
- Sentiment in all sectors has deteriorated
- Energy prices for consumers and businesses will remain high

↓	<b>-0.5</b>	Q4 2022 (q-o-q)
	<b>-0.2</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



Source: Oxford Economics, Q1 2023 \* Cromwell House View Feb 23

## CPI: headline inflation now at peak

↑	<b>2.1</b>	Q4 2022 (q-o-q)
	<b>4.4</b>	Q4 2023 (y-o-y)*

## Interest rates: additional but measured rises ahead

↑	<b>1.8</b>	Q4 2022
	<b>3.4</b>	Q4 2023

## Unemployment rate: job losses expected in 2023

↑	<b>6.8</b>	Q4 2022
	<b>7.4</b>	Q4 2023





# Finland real estate overview

Investment activity at pandemic levels as yields continue to soften

## Key messages: weak investor sentiment

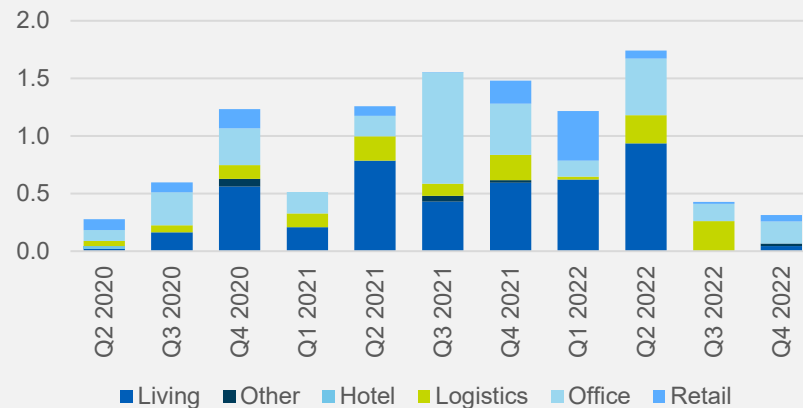
- Flat rents in Q4 In logistics, office and retail - high street
- Marked yield softening in all real estate sectors
- Investor caution is reflected in low investment volumes

## Key metrics

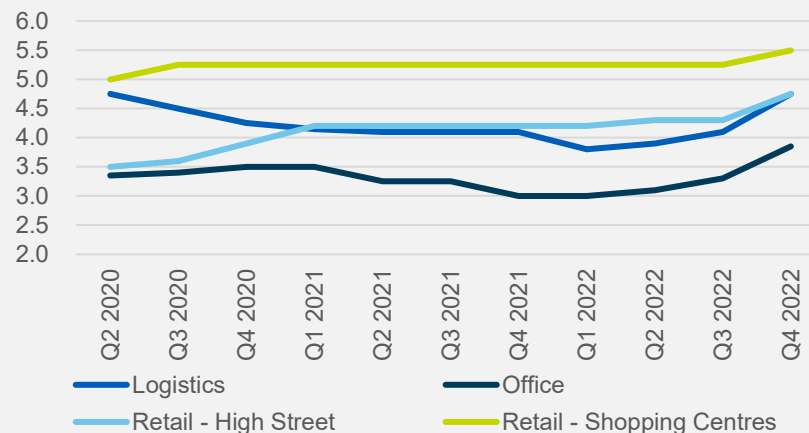
Sector	Occupier		Investment	
	Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
 Logistics	0.0	4.0	4.8	+70
 Office	0.0	8.8	3.9	+60
 Retail - High Street	0.0	n/a	4.8	+50
 Shopping Centres	+0.6	n/a	5.5	+30

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: Q4 volumes well down y-o-y (€bn)



## Prime yields: yield softening evident in Q4 (%)





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# United Kingdom: Economic & Real Estate Summary

Q4 2022



# Key messages: UK



**Q4 recession likely avoided but weak outlook**



**Fall in wholesale gas prices should lower inflation**



**Investment volumes well down for the final quarter**



**Significant rental growth emerges this quarter**

# UK economic overview

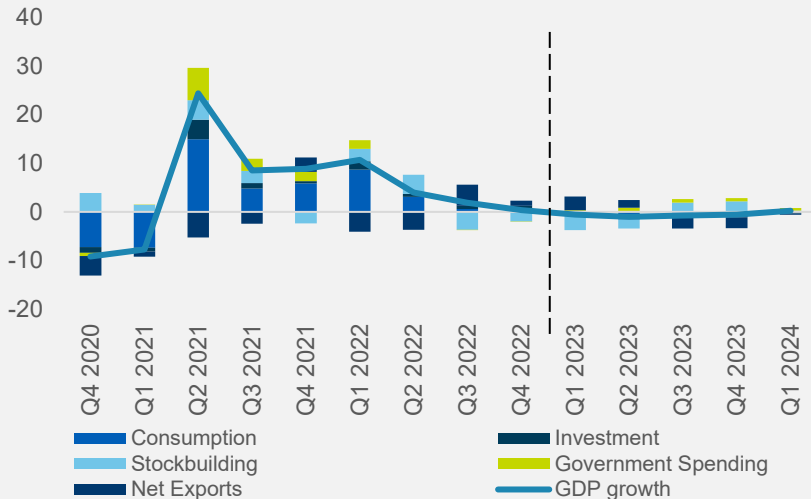
Weak leading indicators and structural difficulties suggest the UK will be Europe's worst performing major economy this year

## GDP: recession likely avoided in Q4

- PMI's and consumer confidence are poor
- Real incomes eroded by high inflation
- Tight monetary conditions will constrain the recovery

↓	<b>0.0</b>	Q4 2022 (q-o-q)
	<b>-0.7</b>	Q4 2023 (y-o-y)

## GDP growth and contributions (% y-o-y)



Source: Oxford Economics, Q1 2023 \* Cromwell House View Feb 23

## CPI: falling inflation but remaining well above target

↑	<b>2.9</b>	Q4 2022 (q-o-q)
	<b>7.0</b>	Q4 2023 (y-o-y)*

## Interest rates: Q1 rise but cuts later this year

↑	<b>2.8</b>	Q4 2022
	<b>3.9</b>	Q4 2023

## Unemployment rate: labour supply to rise

↑	<b>4.0</b>	Q4 2022
	<b>4.6</b>	Q4 2023





# UK real estate overview

Yield re-based is in progress with strong rental growth evident for prime space and especially logistics

## Key messages: active occupier markets

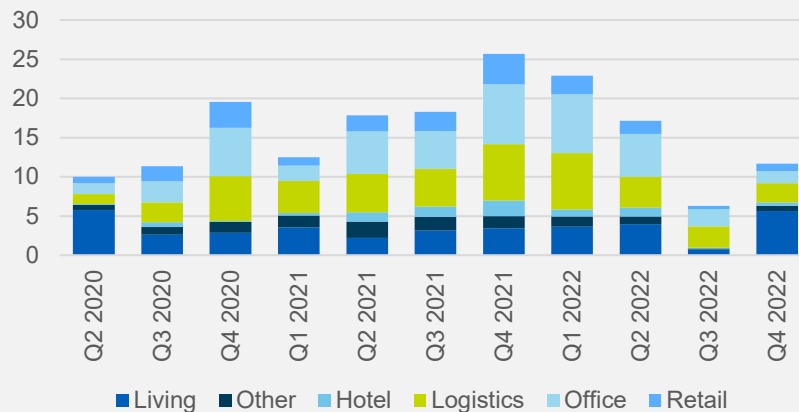
- Lack of logistics space leads to extremely large rent rises
- Outwards yield shift in motion with more expected
- Investment volumes much lower than usual fourth quarters

## Key metrics

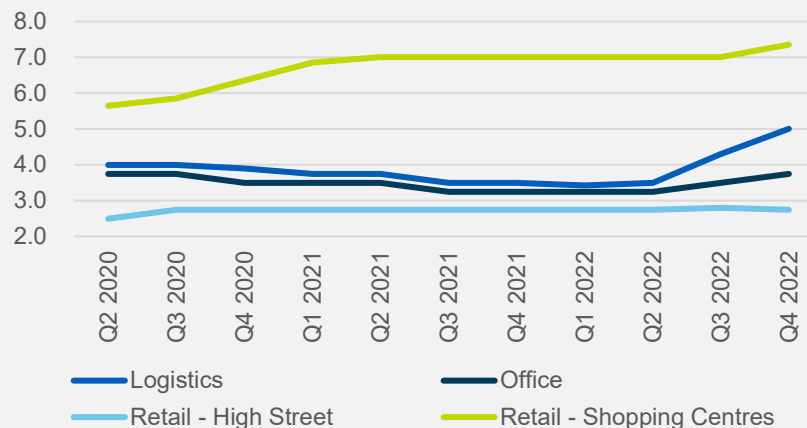
Sector		Occupier		Investment	
		Annual rental growth 2022	Vacancy rate Q4 2022	Prime yield Q4 2022	Yield shift (bps)
	<b>Logistics</b>	+32.5	2.0	5.0	+70
	<b>Office</b>	+6.2	7.8	3.8	+30
	<b>Retail - High Street</b>	+1.2	n/a	2.8	0
	<b>Shopping Centres</b>	0.0	n/a	7.4	+40

Source: RCA Q1 2023; CBRE, Q1 2023

## Investment: Q4 volumes much lower y-o-y (€bn)



## Prime yields: moving outwards (%)



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