

RESILIENCE • QUALITY • REJUVENATION











2H and FY 2023 Results

European economic and
real estate research
supplement

26 February 2024



Risks: Geopolitics is driving most current risks

GLOBAL TRADE DECOUPLING 	WIDER MIDDLE EAST CONFLICT 	EUROPEAN POLITICAL DISUNITY 	EU GOVERNMENT DEBT CRISIS 
Likelihood: high Impact: high	Likelihood: medium Impact: high	Likelihood: medium Impact: high	Likelihood: medium Impact: high
<p>Global trade is disintegrating into blocks on geopolitical lines. A major incident e.g. a mid-air collision between militaries, US election campaign rhetoric, or a terrorist attack could accelerate decoupling leading to immediate trade barriers, sanctions & other impediments which severely restrict global trade & economic growth.</p>	<p>The Israel/Hamas conflict broadens in scope to draw in other regional & global powers including Iran, Russia & the US or their proxies. This may cause protracted, dynamic & multi-faceted conflicts & serious economic consequences related to energy price/supply, trade & stability. High risk of a cataphoric miscalculation by one actor.</p>	<p>EU disagreements intensify on trade, budgetary, energy, defence, immigration or environmental policy which impedes growth & development. Higher tension with populist governments e.g. Hungary, Italy. Elections in Finland, Russian, Belarus, Portugal, the EU Parliament & German states this year mean a high risk of upsets.</p>	<p>Higher for longer interest rates undermine national budgets predicated on spending & heavily indebted countries like Italy. High debt issuance & tighter ECB liquidity challenges bond markets. Government debt is unsustainable & undermines European finances. Populist party success in elections this year would increase this risk.</p>
SUPPLY CHAIN DISRUPTION 	UKRAINE HORIZONTAL ESCALATION 	UKRAINE VERTICAL ESCALATION 	NEW DISTABILISING REGIONAL CONFLICTS 
Impact: medium Impact: medium	Likelihood: low Impact: high	Likelihood: low Impact: high	Likelihood: low Impact: medium
<p>Multiple factors including piracy, adverse weather events, terrorism or sanctions undermine global supply chains. Shipping costs rise, the supply of goods/materials falls & inflation increases markedly, preventing central banks from cutting rates & prolonging the higher interest rate environment.</p>	<p>This risk constitutes a geographical widening of the Ukraine invasion to include other European countries, accidental or deliberate incursion into NATO-aligned countries or national border confrontations. This would lead to conflict escalation, further destabilisation and a far weaker outlook.</p>	<p>This risk constitutes 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 active conflict between Russia and Ukraine-aligned countries.</p>	<p>New regional conflicts emerge which jeopardise global economic growth & diplomacy. Flashpoints include Taiwan, North Korea and the Indian/Pakistan/China border but include Russian federal states & territory claimed by Turkey. The greatest risk is concentrated outside of Europe but this would still impact geopolitics within it.</p>

Q1 risk momentum



Risk environment has been maintained

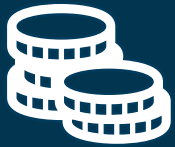
Last quarter



Key messages: the Netherlands



Successive quarters of GDP contraction last year & low growth anticipated in 2024



Inflation will carry on falling but settle at a higher rate in the medium term



Rental growth has been strong for prime assets in core locations



Yield softening ongoing in Q4 23 but repricing appears to be nearly complete

The Netherlands economic overview

Flat GDP growth in 2023 & low growth expected in 2024

GDP: declines for two consecutive quarters to Q4 23

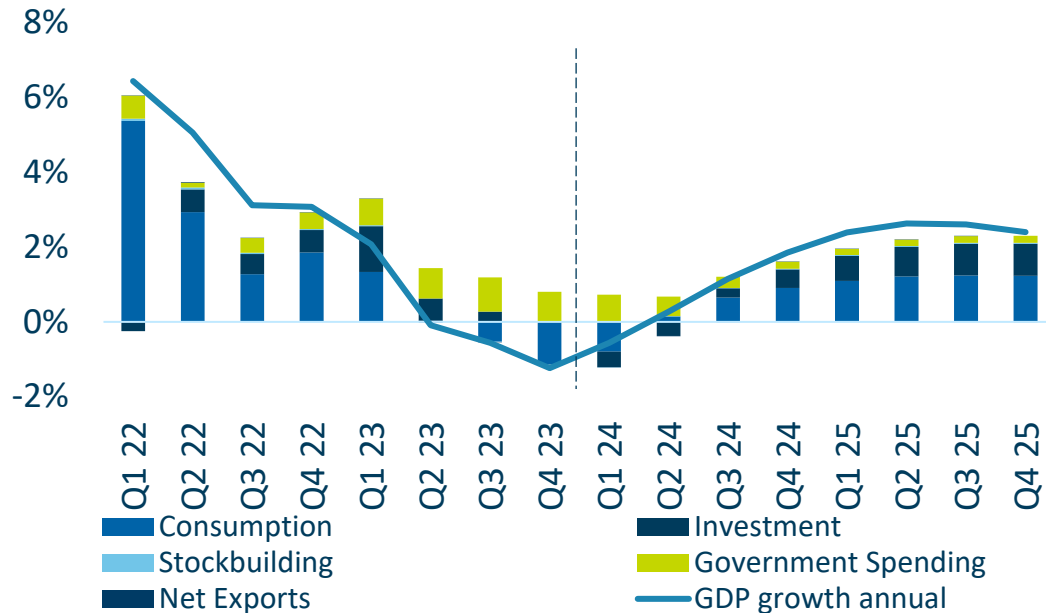
- Growth is being undermined by falling industrial production
- Household consumption has been weak
- External demand will stay subdued for some time



0.0% Q4 2023 (q-o-q)

0.7% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: falling but likely to stay elevated



-0.4% Q4 2023 (q-o-q)

3.0% Q4 2024 (y-o-y)

Refinancing rate: no rate cuts until H2 2024



4.5% Q4 2023

3.9% Q4 2024

Unemployment: labour market are tight



3.4% Q4 2023

3.8% Q4 2024





The Netherlands real estate overview

Positive prime rental growth in all sectors, yields move out further and investment liquidity improves

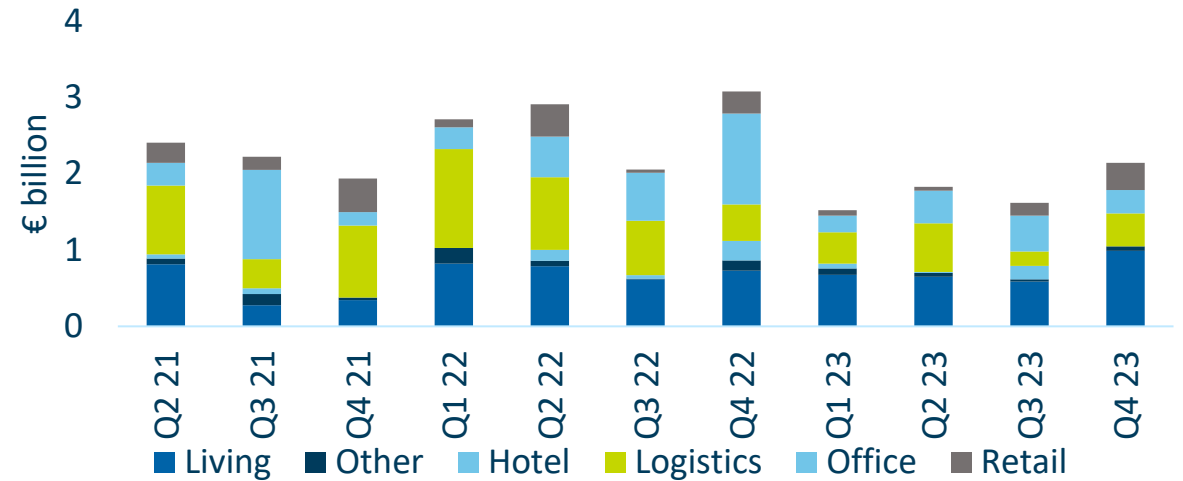
Key Messages

- Double-digit prime rental growth for logistics despite higher vacancy
- Q4 was the active investment quarter in 2023
- Yield softening in all sectors but we think stabilisation is near

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	11.6	8.2	4.7	20
 Office	3.7	6.7	5.1	30
 Retail - High Street	1.0	-	4.1	20
 Shopping Centres	0.0	-	7.0	60

Investment: strongest quarter in 2023 but 30% down y-o-y



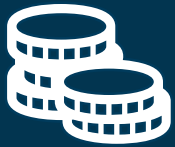
Prime yields: pronounced outward shift in all sectors



Key messages: Italy



Weak industrial demand & output has led to low economic growth



Falling inflation will support real income growth & consumption



Prime rents rise again supported by low vacancy especially in the logistics sector



Stable logistics & retail - high street yields as offices move outwards

Italy economic overview

Low growth projected in the short and medium term

GDP: modest growth in the economy this year

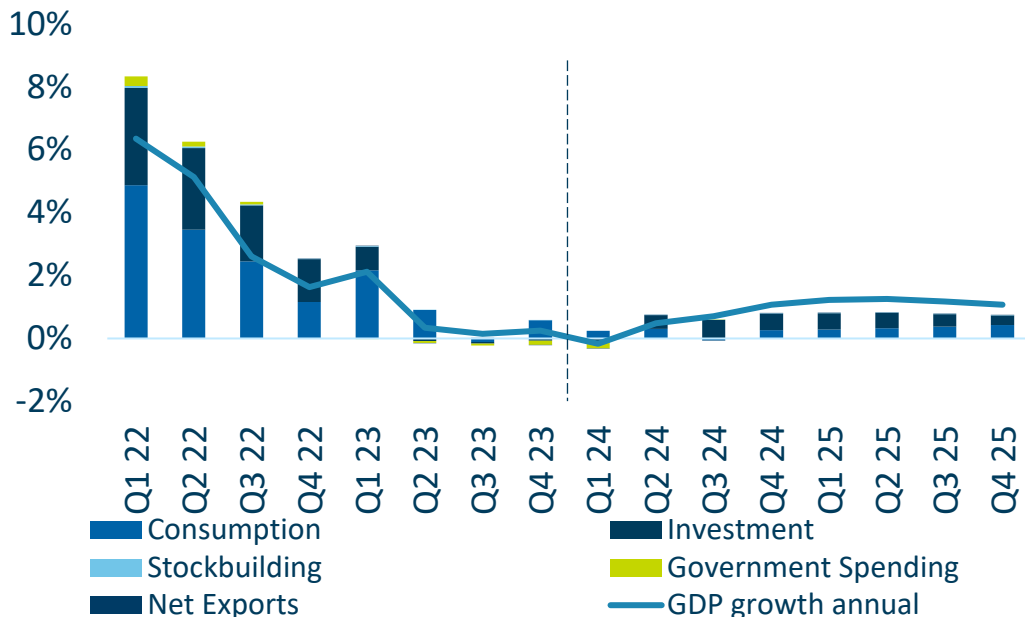
- The economy may have contracted in Q4 23
- Poor industrial production shows no signs of recovery
- Set to benefit from Next Generation EU funding this year



0.0% Q4 2023 (q-o-q)

0.5% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: rapid pace of disinflation



-0.2% Q4 2023 (q-o-q)

2.8% Q4 2024 (y-o-y)

Refinancing rate: no rate cuts until H2 2024



4.5% Q4 2023

3.9% Q4 2024

Unemployment: labour market availability to rise



7.5% Q4 2023

7.8% Q4 2024





Italy real estate overview

Positive prime rental growth in all sectors, investment activity rises, logistics yields stabilise & office yields soften further

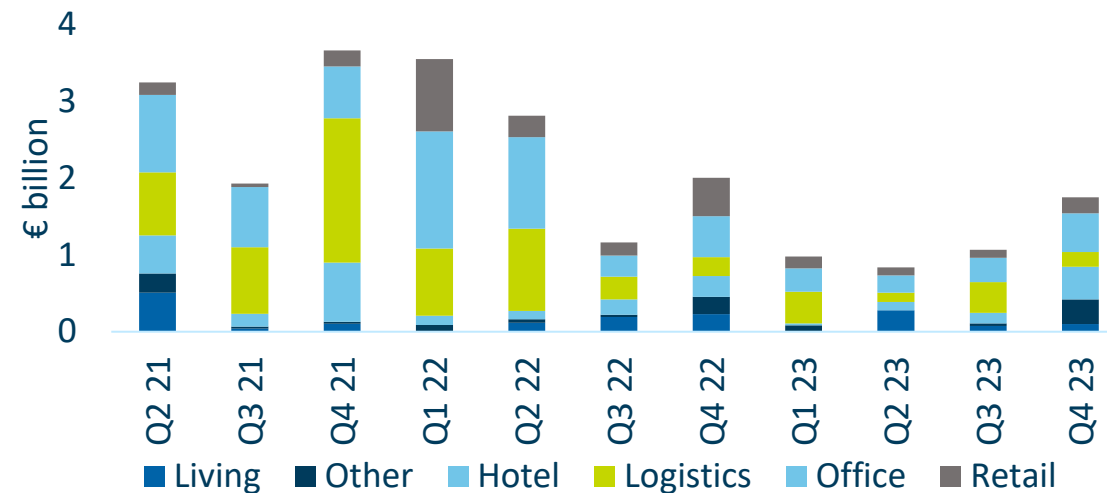
Key Messages

- Broad prime rental growth with logistics growth aided by low vacancy
- Q4 was the most active quarter in 2023 but volumes down 13% y-o-y
- Stable logistics & retail – high street yields, softening office yields

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	7.7	1.5	5.4	0
 Office	4.6	8.3	4.4	30
 Retail - High Street	2.0	-	4.0	0
 Shopping Centres	14.6	-	6.8	5

Investment: activity up in Q4 but marginally lower than Q4 22



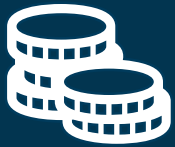
Prime yields: flat logistics yields may imply repricing is complete



Key messages: France



The French economy was flat in Q4 23 & low growth is predicted for 2024



Lower consumer spending is evident despite robust wage growth in 2023



Robust occupier demand for prime office & logistics delivered positive Q4 rental growth




Reasonable investment liquidity in Q4 as yields decompress further

France economic overview

Two successively weak quarters suggest low economic momentum

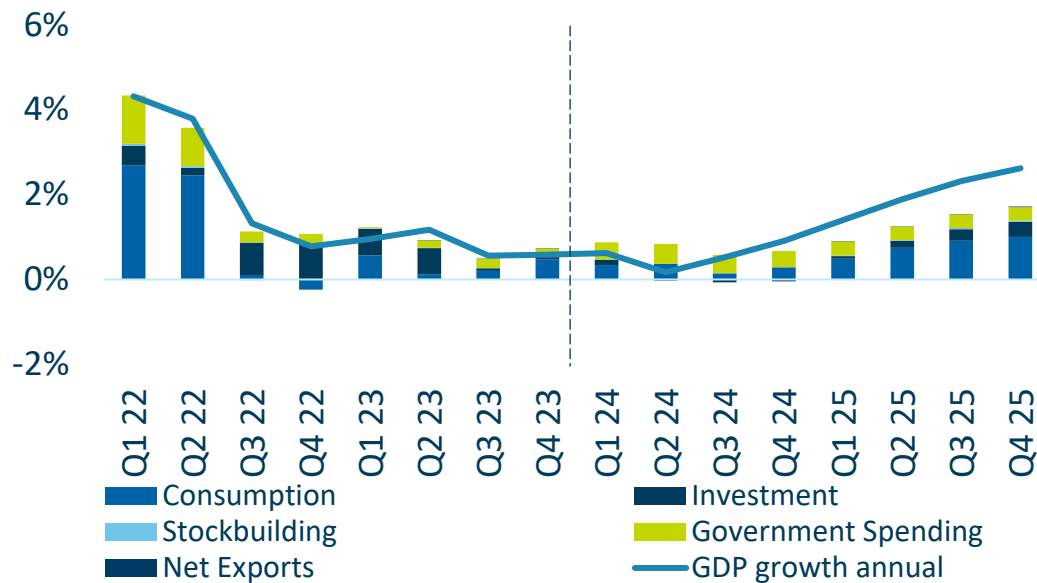
GDP: limited economic expansion expected in 2024

- Industrial production is poor reflecting lower export demand
- Consumer confidence is adversely impacting retail sales
- Resilient labour market supports wage growth



0.0%	Q4 2023 (q-o-q)
0.6%	Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



CPI: inflation is falling but will remain above the target rate



0.0% Q4 2023 (q-o-q)

3.0% Q4 2024 (y-o-y)

Refinancing rate: no rate cuts until H2 2024



4.5% Q4 2023

3.9% Q4 2024

Unemployment: labour market remains tight



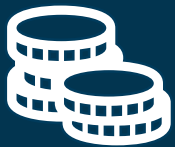
7.3% Q4 2023

7.3% Q4 2024

Key messages: Germany



The economy is in recession due largely to a weak industrial sector



Falling inflation & real income growth will support greater consumption in H2 24



Positive Q4 rental growth for prime assets due to low vacancy



Ongoing yield softening as the repricing cycle continues

Germany economic overview

The country is in recession which expected to endure into 2024

GDP: set to be a Eurozone growth laggard this year

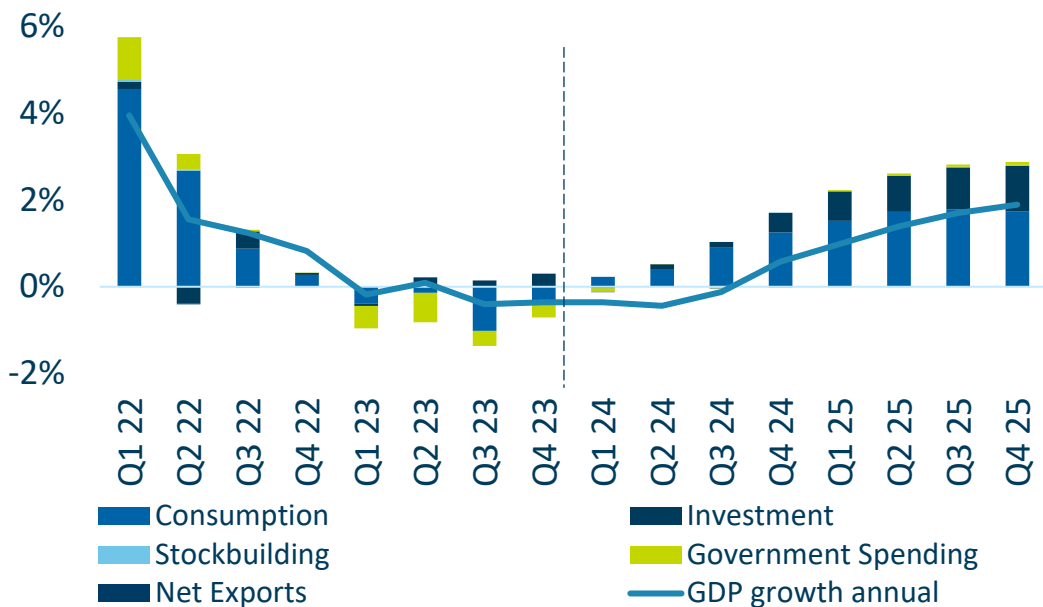
- Industrial production falls further in Q4 23
- Declining real incomes has constrained household consumption
- H2 recovery due to rising domestic & external demand



-0.4% Q4 2023 (q-o-q)

-0.1% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: gradual decline throughout the year



0.3% Q4 2023 (q-o-q)

3.0% Q4 2024 (y-o-y)

Refinancing rate: no rate cuts until H2 2024



4.5% Q4 2023

3.9% Q4 2024

Unemployment: labour market remains resilient



5.8% Q4 2023

5.7% Q4 2024





Germany real estate overview

Q4 characterised by positive prime rental growth in all sectors alongside subdued investment conditions as yields soften further

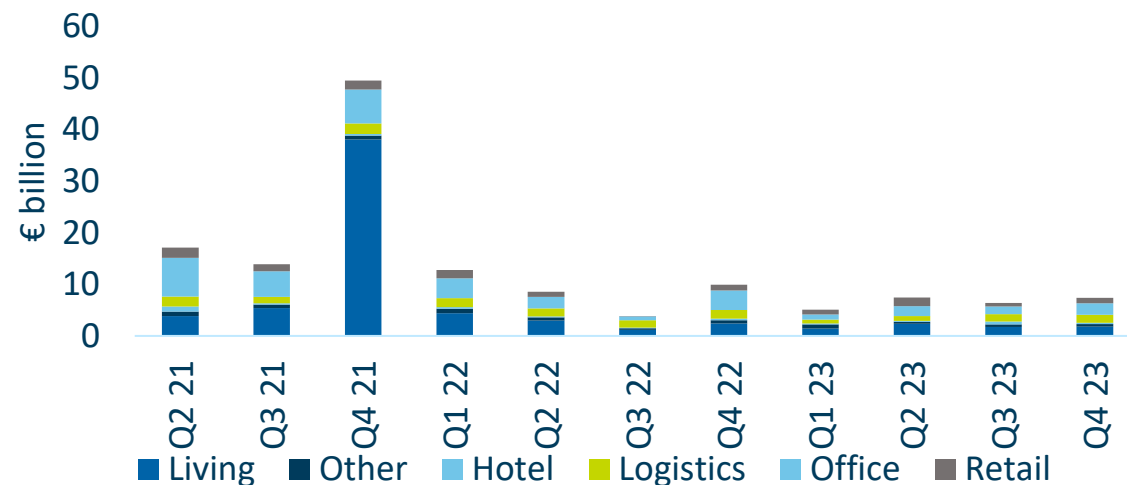
Key Messages

- Low vacancy driving positive rental growth for prime assets
- Small rise in Q4 investment activity but volumes remain low
- Yields softened in all sectors this quarter as repricing continues

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	11.2	2.9	4.3	30
 Office	5.7	6.6	4.8	40
 Retail - High Street	4.2	-	4.4	30
 Shopping Centres	0.0	-	5.9	40

Investment: Q4 23 volumes 25% lower than Q4 22



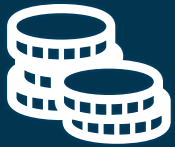
Prime yields: repricing continues in all sectors this quarter



Key messages: Nordics



Recession avoided but minimal economic growth expected this year



Falling inflation will support real incomes but offset by variable-rate household debt



Occupier demand for prime floorspace has delivered positive rental growth



Investment volumes remain low as yields move out

Denmark economic overview

Pharmaceutical sector is inflating industrial output & obscuring weakness

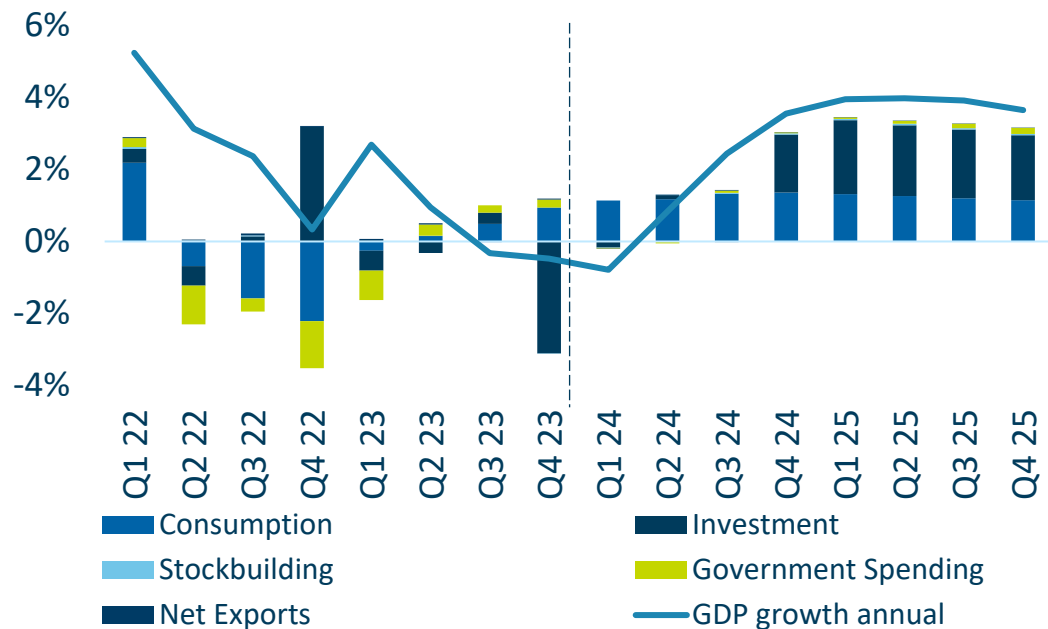
GDP: stronger 2024 growth than most European countries

- Novo Nordisk's rapid expansion elevated 2023 GDP
- Consumption has been robust as labour markets are tight
- Low inflation supports consumption and business activity



0.0%	Q4 2023 (q-o-q)
1.5%	Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: low compared to other countries



0.0%	Q4 2023 (q-o-q)
2.4%	Q4 2024 (y-o-y)

Refinancing rate: peaked but no cuts until H2 2024



3.6%	Q4 2023
2.6%	Q4 2024

Unemployment: slight rise but still extremely tight



2.9%	Q4 2023
3.0%	Q4 2024





Denmark real estate overview

Positive rental growth for office and logistics as investment volumes reach a six-quarter high

Key Messages

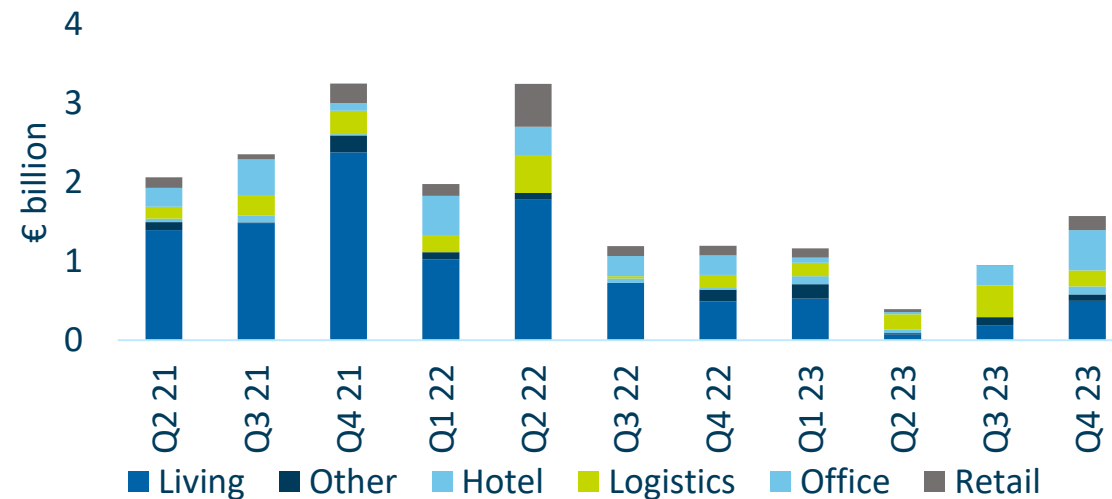
- Low vacancy rates drive positive prime rental growth
- Large office transaction boosts investment volumes
- Prime yields rose last quarter with logistics moving out 20 basis points

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	3.9	2.3	5.2	15
 Office	9.6	6.2	4.3	10
 Retail - High Street	-	3.1	4.5	20
 Shopping Centres	-	-	5.8	5

Source: MSCI Q1 2024; CBRE, Q1 2024

Investment: y-o-y volumes increase by 32% last quarter



Prime yields: all sectors reprice in Q4 23



Finland economic overview

Limited economic growth is projected in the short term

GDP: H2 24 recovery dependant on rate cuts

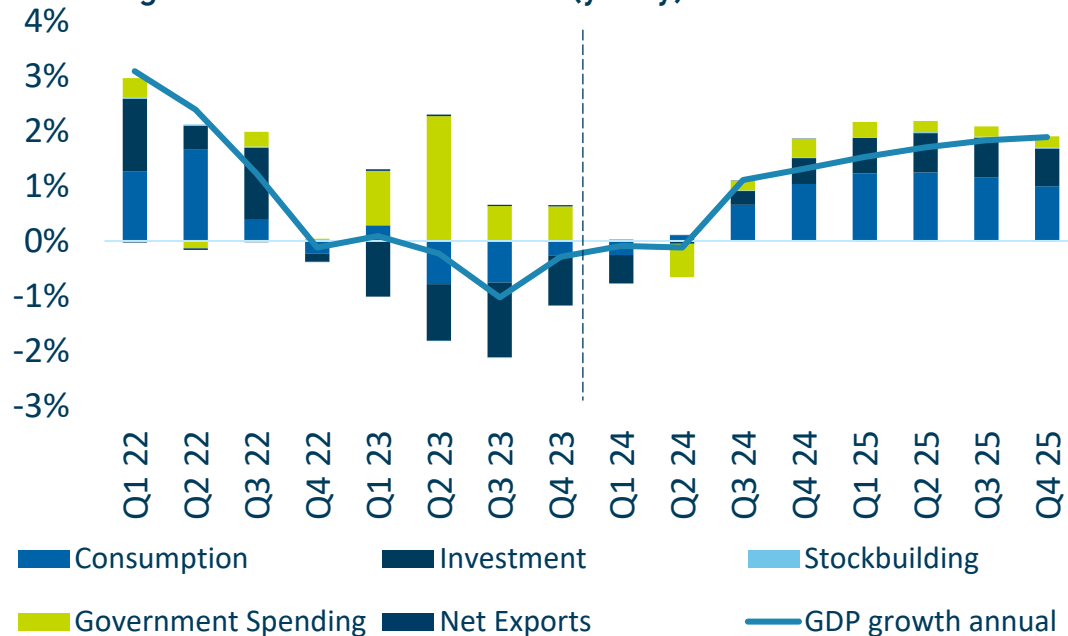
- The Finnish economy contracted in H2 23
- Modest 2024 growth expected & risks skewed to the downside
- Elections create uncertainty on the future government direction



0.2% Q4 2023 (q-o-q)

0.6% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: lower energy prices are bringing inflation down



0.2% Q4 2023 (q-o-q)

2.4% Q4 2024 (y-o-y)

Refinancing rate: no rate cuts until H2 2024



4.5% Q4 2023

3.9% Q4 2024

Unemployment: labour market likely to soften



7.5% Q4 2023

7.7% Q4 2024





Finland real estate overview

Significant increase in investment activity as prime yields fall further, office and logistics record prime rental growth

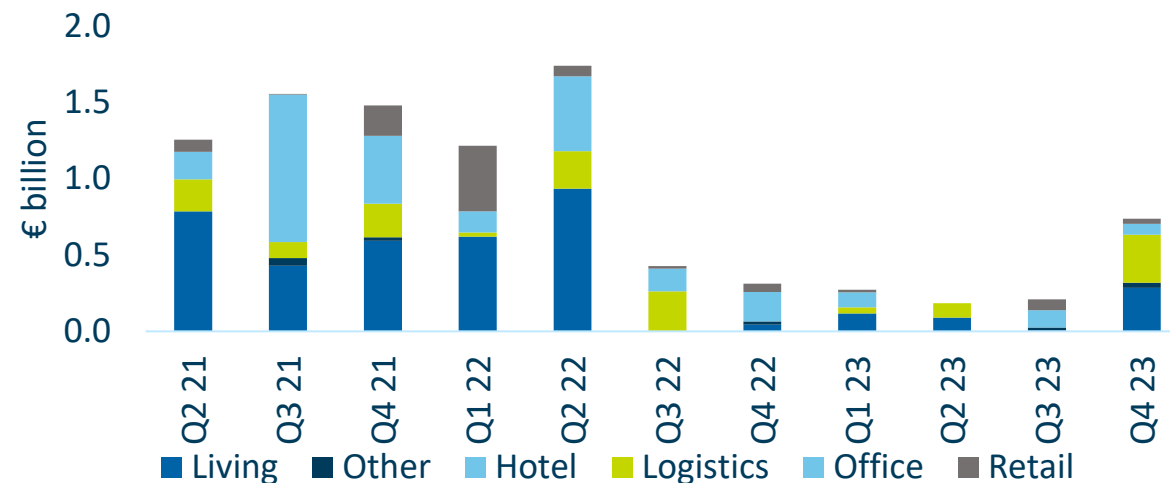
Key Messages

- Q4 office & logistics rental growth although office vacancy has risen
- Sizeable outwards yield shift in all sectors especially offices & logistics
- Investor volumes increased by 136% y-o-y aided by logistics & living

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	3.9	3.8	5.5	50
 Office	6.7	9.8	5.0	50
 Retail - High Street	-	-	5.5	40
 Shopping Centres	-	-	6.0	20

Investment: investment volumes are the highest for six quarters



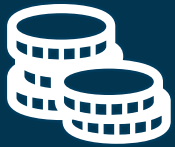
Prime yields: pronounced outward shift for offices & logistics



Key messages: CEE



Strong economic growth expected in Poland this year



Robust labour & wage growth will offset high inflation to support consumption



Positive prime rental growth in most countries and sectors



Repricing appears near competition in all CEE countries except Slovakia

Czech Republic economic overview

Above average GDP growth predicted this year

GDP: recovery to begins in H2 24

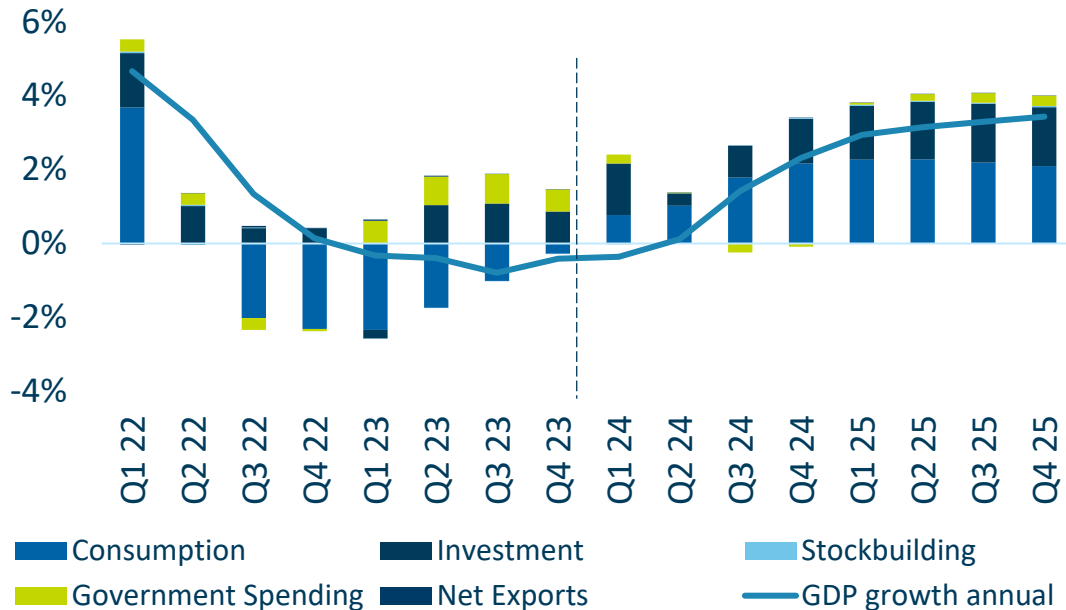
- Ongoing recession but return to growth expected in Q3 24
- Falling industrial production reflects weak external demand
- Domestic demand should gradually recover this year



0.0% Q4 2023 (q-o-q)

0.9% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: significantly lower than 2023 as disinflation manifests

1.1% Q4 2023 (q-o-q)

3.0% Q4 2024 (y-o-y)



Base rate: cuts throughout the year

6.75% Q4 2023

4.0% Q4 2024



Unemployment: tight labour market to soften a little

3.7% Q4 2023

4.0% Q4 2024







Czech Republic real estate overview

Mixed trajectory for prime rental growth as repricing appears to be approaching completion & investment volumes improve

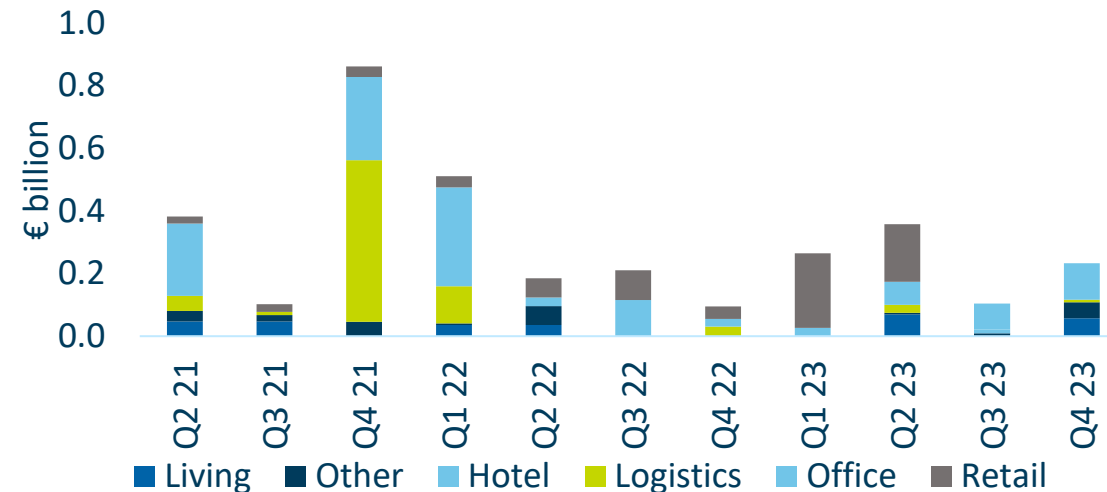
Key Messages

- Prime logistics rents fall despite low vacancy rates
- Investment volumes double y-o-y driven by office deals
- Prime office yields move out as deal evidence emerges

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	-4.4	1.8	5.0	0
 Office	3.8	7.2	5.4	15
 Retail - High Street	0.0	-	5.0	0
 Shopping Centres	0.0	-	6.4	-5

Investment: office deals create an active market in Q4 23



Prime yields: flat or moderate shifts imply stabilisation is near



Poland economic overview

Expected to be the best performing European economy in 2024

GDP: growth forecasts for the year have been revised up

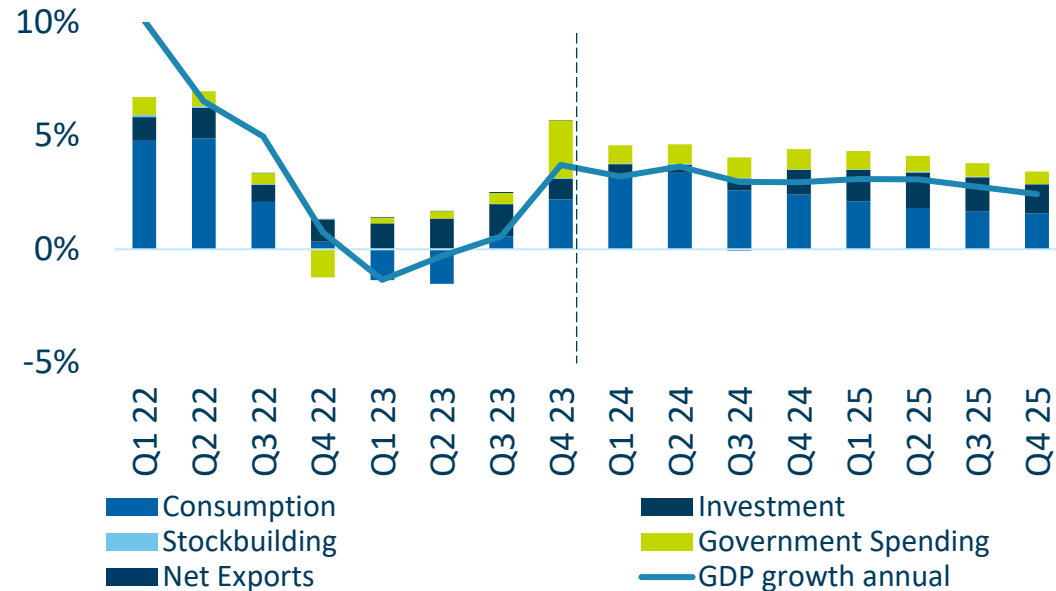
- Inflation remains high but wage growth is stronger
- Industrial output has contracted but growth expected in 2024
- Improving household consumption to be the major growth driver



0.8% Q4 2023 (q-o-q)

3.2% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: high but gradually declining in 2024

0.6% Q4 2023 (q-o-q)

6.0% Q4 2024 (y-o-y)



Refinance rate: cuts expected in Q2 24 or later

5.8% Q4 2023

5.0% Q4 2024



Unemployment: labour market remains tight

5.3% Q4 2023

5.0% Q4 2024







Poland real estate overview

Some positive prime rental growth as yields soften further & investment volumes remain low

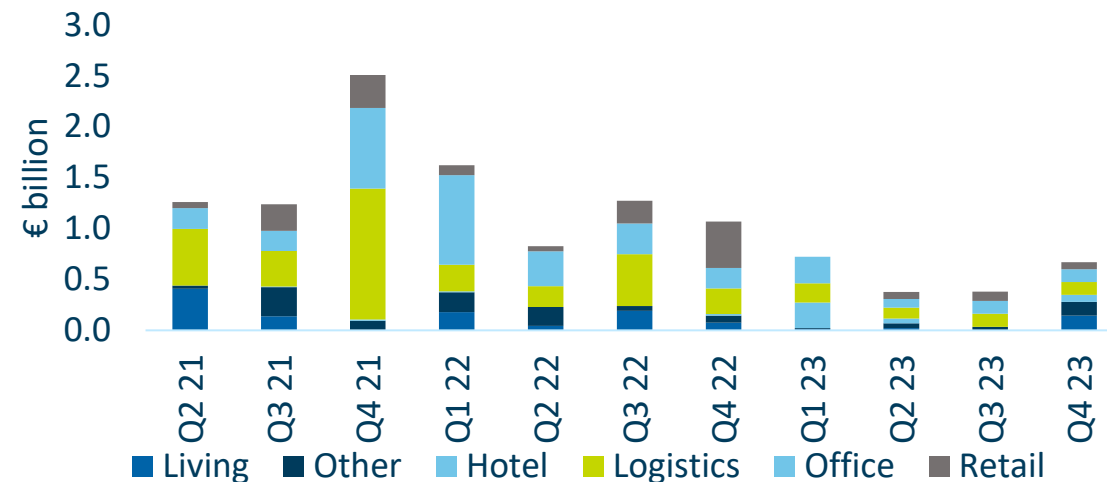
Key Messages

- Moderate prime growth for office & logistics despite high vacancy
- Investment activity increased in Q4 but down 38% y-o-y
- Further yield softening for office & logistics

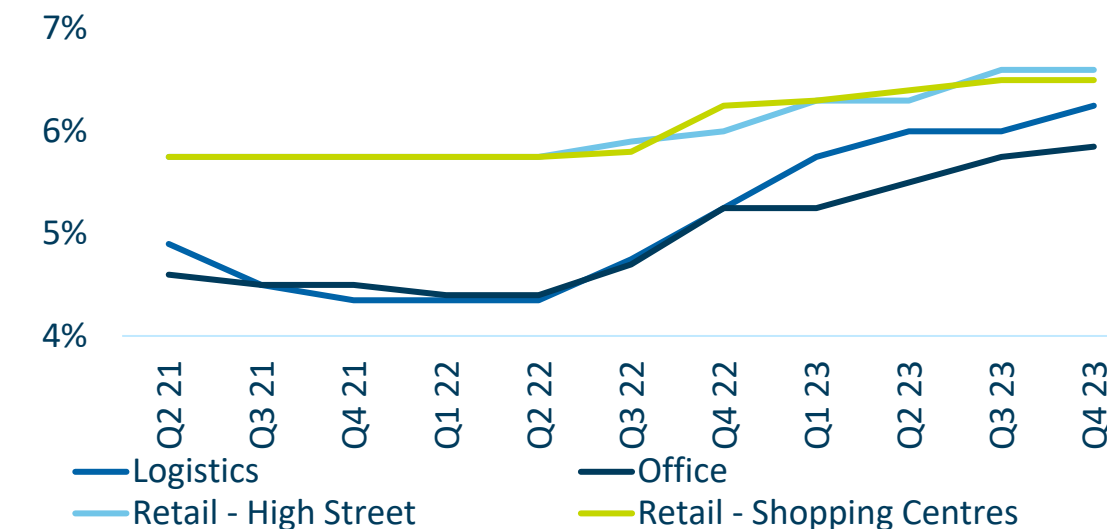
Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	3.0	7.8	6.3	25
 Office	0.6	15.0	5.9	10
 Retail - High Street	3.3	-	6.6	0
 Shopping Centres	0.0	2.9	6.5	0

Investment: small rise in activity but volumes are down y-o-y



Prime yields: further outward shift for office & logistics



Slovakia economic overview

Economic resilience evident as Q4 23 recession appears avoided

GDP: growth outlook better than other Eurozone countries

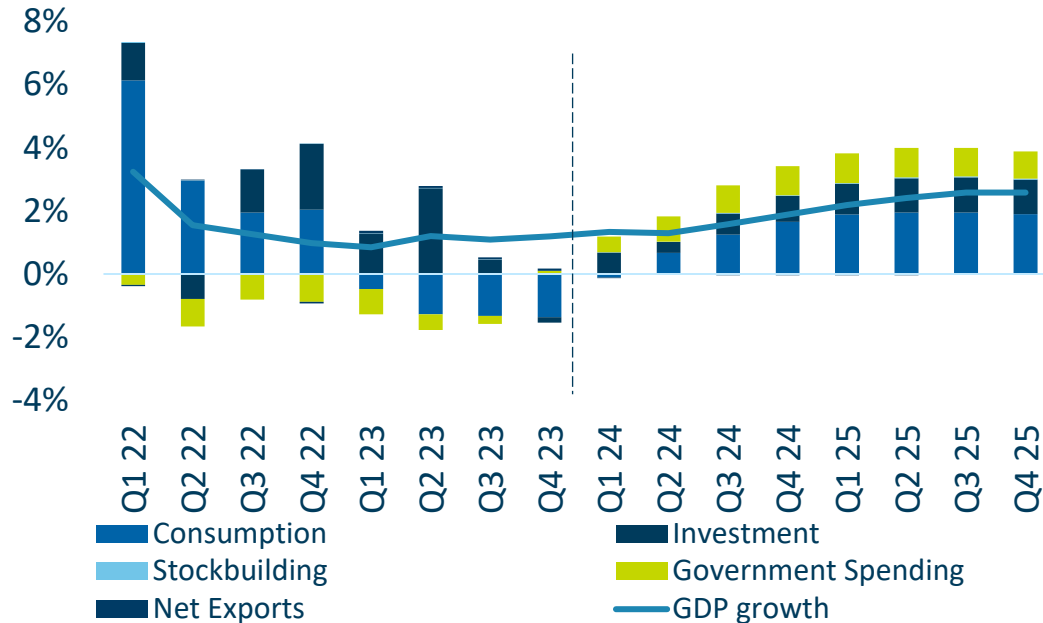
- Robust labour market to weaken a little this year
- Slovakia is experiencing weak domestic & external demand
- Social strife related to populist government poses risks



0.3% Q4 2023 (q-o-q)

1.5% Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: remains one of the highest rates in the Eurozone



0.3% Q4 2023 (q-o-q)

3.5% Q4 2024 (y-o-y)

Refinancing rate: no rate cuts until H2 2024



4.5% Q4 2023

3.9% Q4 2024

Unemployment: labour shortages should ease somewhat



5.2% Q4 2023

5.9% Q4 2024





Slovakia real estate overview

Logistics prime rents rise markedly in Q4 23 as yields move out further & investment markets remain inactive

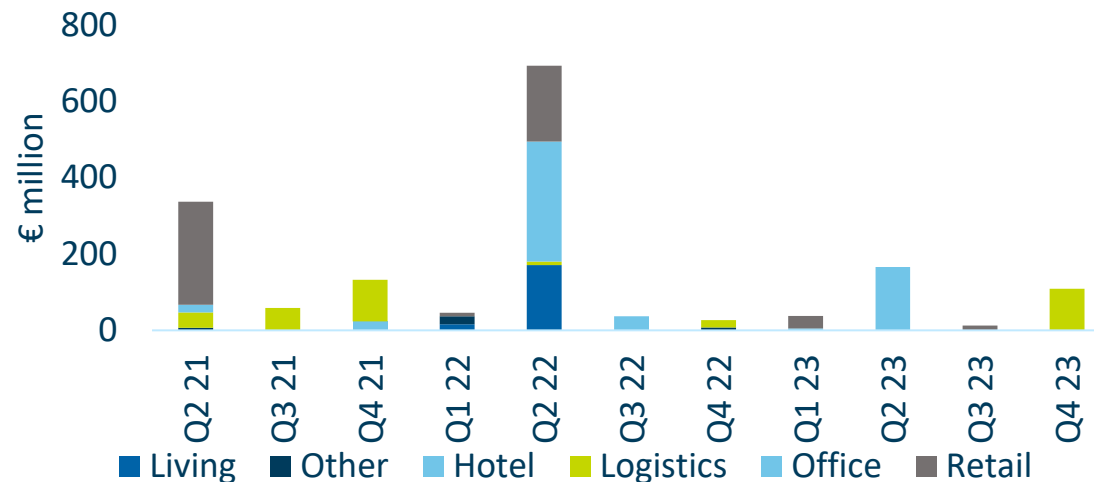
Key Messages

- Prime rental growth for both logistics and offices
- Despite stabilisation in Q3 prime yields shifted out further in Q4
- Prime market data is distorted due to small market size

Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	17.4	2.6	6.3	30
 Office	5.9	14.2	6.0	25
 Retail - High Street	-	-	-	-
 Shopping Centres	-	-	-	-

Investment: just one transaction in Q4 23



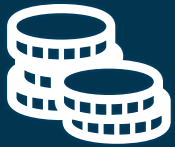
Prime yields: sizeable outwards yield shift



Key messages: UK



Low economic growth expected over the next two years



Interest rates to be cut in H2 as inflation continues to fall although higher than the Eurozone



Rental growth remains positive despite rising office & logistics vacancy rates



Repricing may be over as yields remain flat

UK economic overview

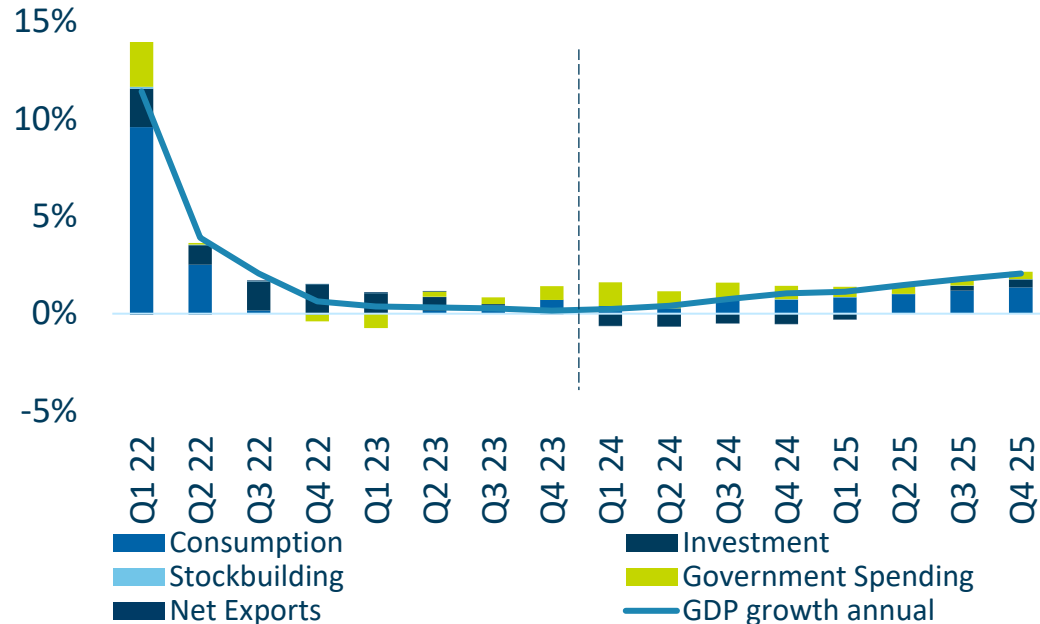
Q4 recession avoided but low growth over the short and medium term

GDP: expected to underperform Europe this year

- Public sector industrial action constrains economic activity
- Falling oil & gas prices support disinflationary momentum
- Real wage growth to materialise as labour remains tight

↑	0.0%	Q4 2023 (q-o-q)
	0.6%	Q4 2024 (y-o-y)

GDP growth and contributions (y-o-y)



Source: Oxford Economics Q1 2024; Cromwell Property Group, Q1 2024

CPI: inflation to fall further but upside risks remain



0.4% Q4 2023 (q-o-q)

3.3% Q4 2024 (y-o-y)

Refinancing rate: BoE to cut sooner than the ECB



5.3% Q4 2023

4.8% Q4 2024

Unemployment: near record low although set to rise



4.0% Q4 2023

4.5% Q4 2024





UK real estate overview

Strong prime rental growth in all sectors alongside flat yields suggests repricing may be complete

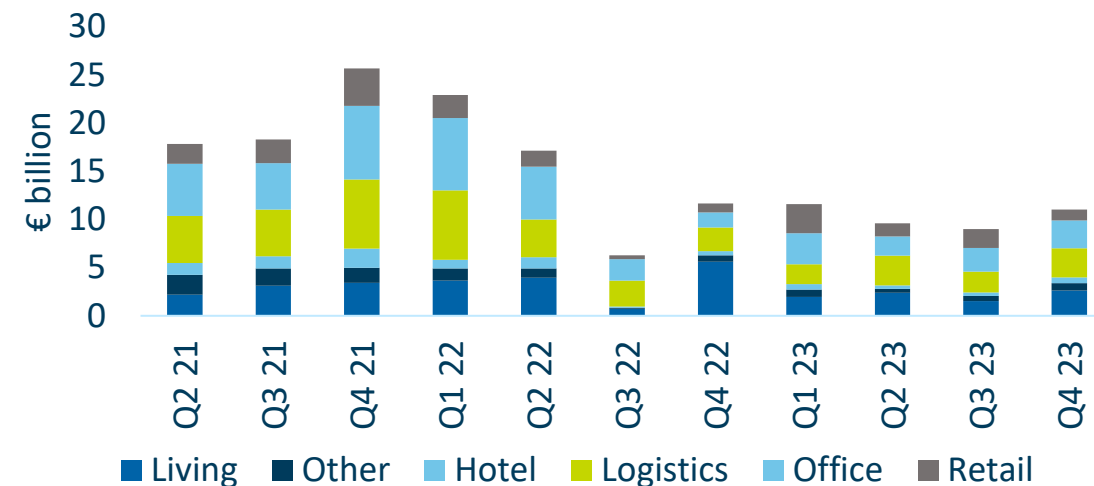
Key Messages

- Prime rents increased despite relatively high vacancy rates
- Investment volumes rose in Q4 with activity in all sectors
- Repricing appears complete as yields stabilised in Q4 in all sectors

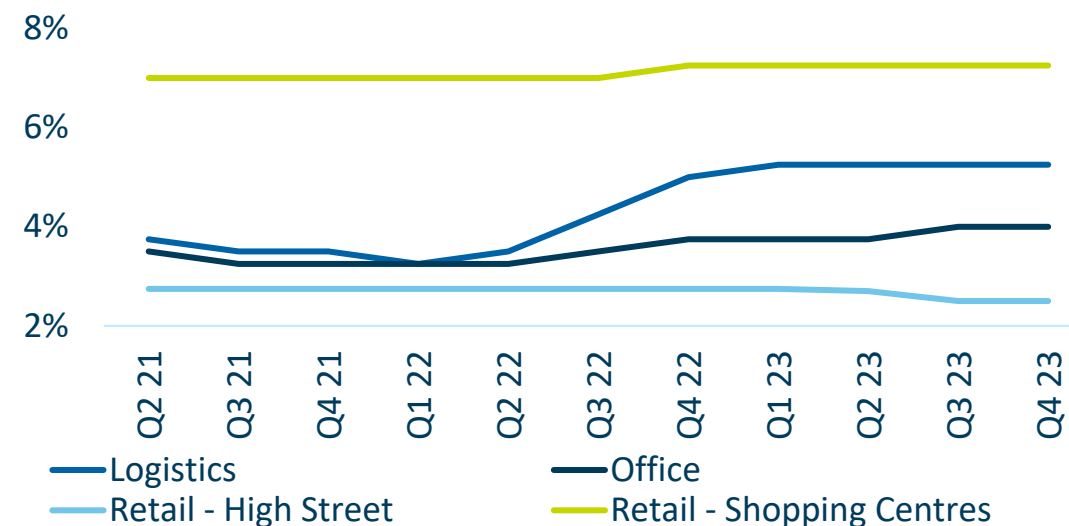
Key metrics

Sector	Occupier		Investment	
	Annual rental growth Q4 23 (%)	Vacancy rate Q4 2023 (%)	Prime yield Q4 2023 (%)	Yield shift (bps)
 Logistics	8.5	5.7	5.3	0
 Office	6.5	9.1	4.0	0
 Retail - High Street	6.0	-	2.5	0
 Shopping Centres	8.0	-	7.3	0

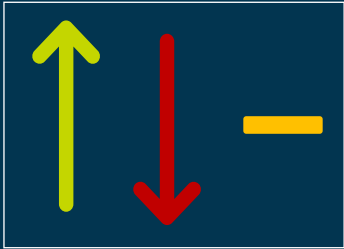
Investment: comparable volumes to Q4 22



Prime yields: the repricing cycle may be complete



Appendix



The arrows used in this presentation show the rate of growth relative to the previous quarter.

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