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European commercial property investment up 25% in 2015

London, UK – A total of €64.5 billion was invested in European commercial property in Q4 2015, taking volumes for the full year to €238.5 billion. This represents a 25% increase on 2014, according to **Knight Frank's latest European Quarterly Report**.

Increases in investment activity were widespread in 2015, with the core markets of the UK, Germany and France all seeing transactions rise by more than 20%. Among peripheral markets, investment volumes grew particularly strongly in Italy and Portugal, both fuelled by surging demand from international investors.

The strength of investor demand kept European prime yields under downward pressure throughout 2015, although the pace of yield compression slowed in Q4. The Knight Frank European Weighted Average Prime Office Yield came down by 4 basis points in Q4, to an all-time low of 4.79%, largely on the back of yield compression in Amsterdam, Berlin, Brussels and Lisbon.

European occupier markets also recorded healthy improvements in activity during 2015. On an annual basis, aggregate take-up in the major office markets monitored by Knight Frank rose by 10%. This was despite falling take-up in Europe's two largest markets, London and Paris, and was driven by the strong performance of German, Iberian and CEE markets.

The Knight Frank European Prime Office Rental Index rose by 3.5% over the course of 2015, largely due to growth in markets such as Dublin, London, Madrid and Stockholm. Rental growth is expected to spread to a wider range of cities in 2016 with Paris, for example, expected to see prime office rents rise following more than two years of stability.

Andrew Sim, Head of European Capital Markets, Knight Frank, said: "A strong fourth quarter capped a stellar year for commercial real estate investment across Europe, with appetite from investors showing little sign of abating. While we forecast that investment into the UK market may stall in the

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run-up to the European Referendum in June, we anticipate increased activity in some Southern European markets, and European investment volumes overall to be at a similar level in 2016.”

Matthew Colbourne, associate, international research team, Knight Frank commented; “The European occupier market recovery gained traction over the course of 2015, and office take-up increased in the majority of key markets. We expect further growth in take-up in 2016, as corporate tenants appear increasingly prepared to make major occupational decisions. Strong demand for CBD office space, combined with limited development activity, should lead to rental growth in a growing number of European markets.”

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Notes to Editors

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