



ΠΡΟΟΠΤΙΚΕΣ ΚΑΙ ΚΙΝΔΥΝΟΙ
ΣΤΗ ΔΙΕΘΝΗ ΑΓΟΡΑ ΑΚΙΝΗΤΩΝ

OUTLOOK AND RISKS FOR THE
INTERNATIONAL REAL ESTATE MARKET

BANK OF GREECE
2ND INTERNATIONAL REAL
ESTATE MARKET CONFERENCE

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2 December
2011

AGENDA

- ▶ Ανταπόκριση της αγοράς κατά τη κρίση
- ▶ Market reaction in this crisis

- ▶ Προοπτικές για τις αγορές του Νότου και της Ιρλανδίας
- ▶ Market outlook for the Southern and Irish real estate markets

- ▶ Σενάριο δυσμενών εξελίξεων
- ▶ A stress case scenario

- ▶ Επένδυση στην αγορά ακινήτων στην Ευρωζώνη του αύριο
- ▶ The real estate investment market in tomorrow's Eurozone

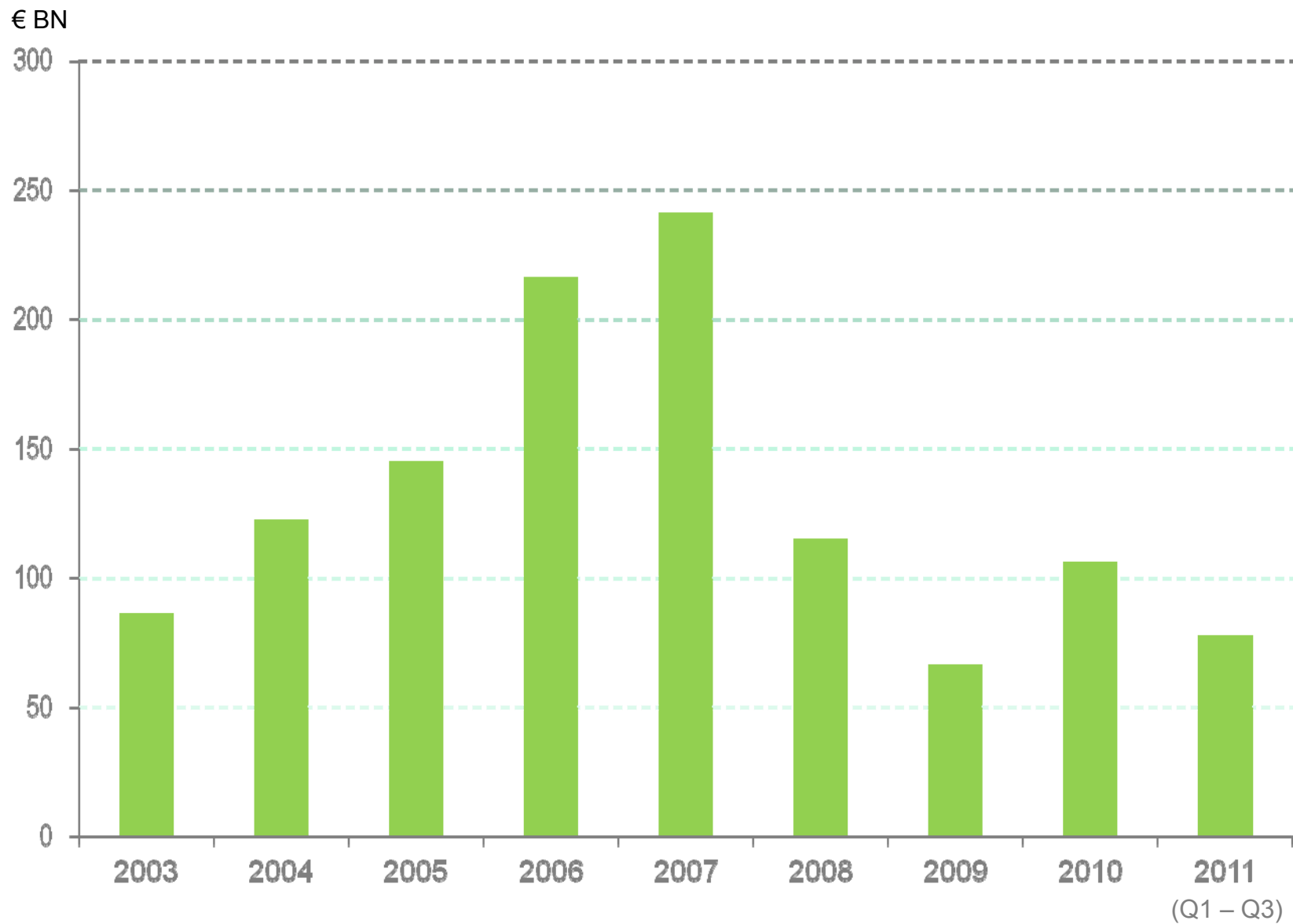


Chapter 1

MARKET RESPONSE – SOME FACTS



REAL ESTATE TRANSACTION VOLUMES IN EUROPE



Source: DTZ, CBRE



HOW HAS THIS CRISIS SHAPED THE REAL ESTATE INVESTMENT ENVIRONMENT?

GEOGRAPHY



- CORE EUROZONE
- NON CORE EUROZONE
- NON EUROZONE

PROPERTY MARKETS



- PRIME
- NON PRIME

PRIME

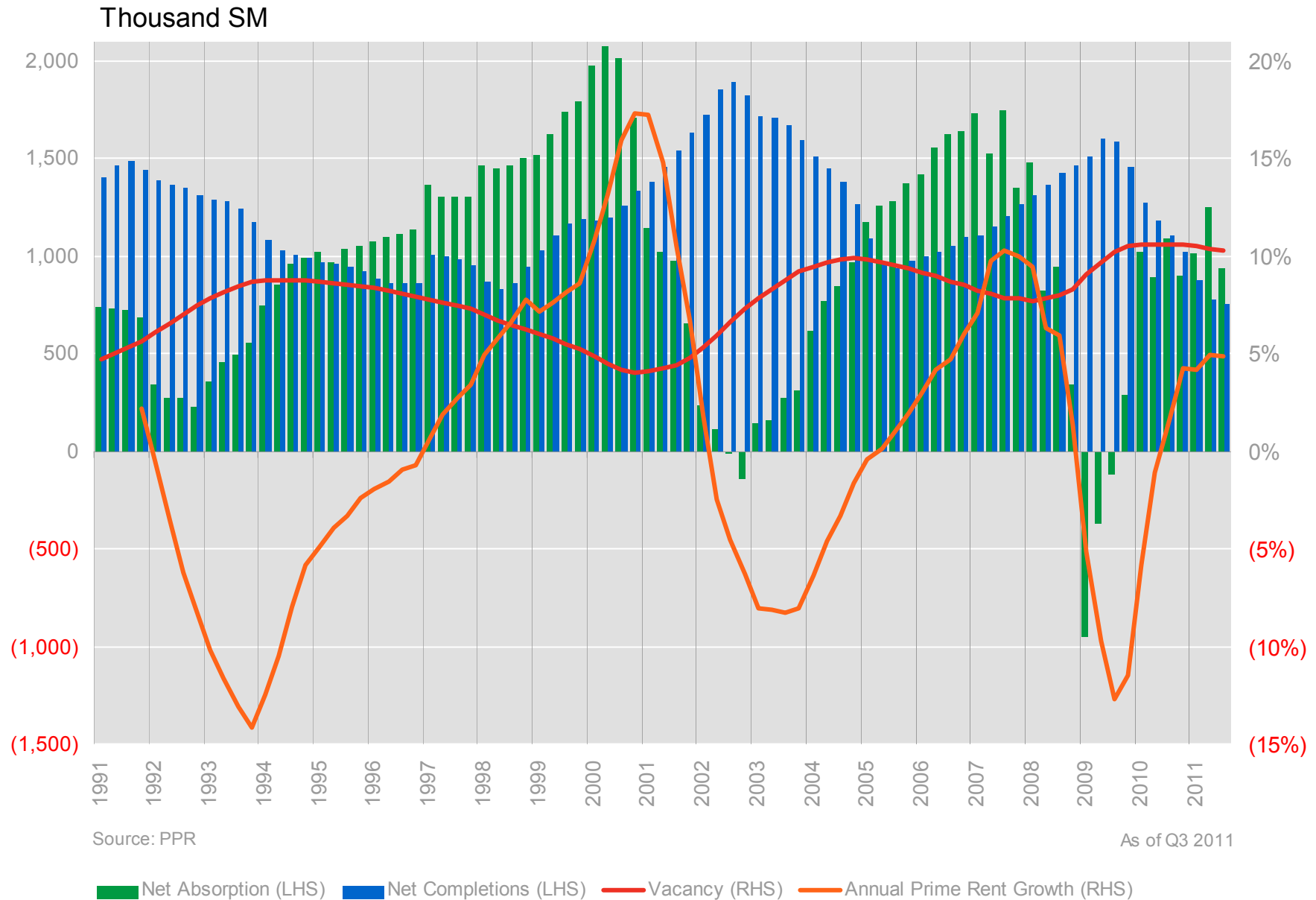


SAFE HAVEN



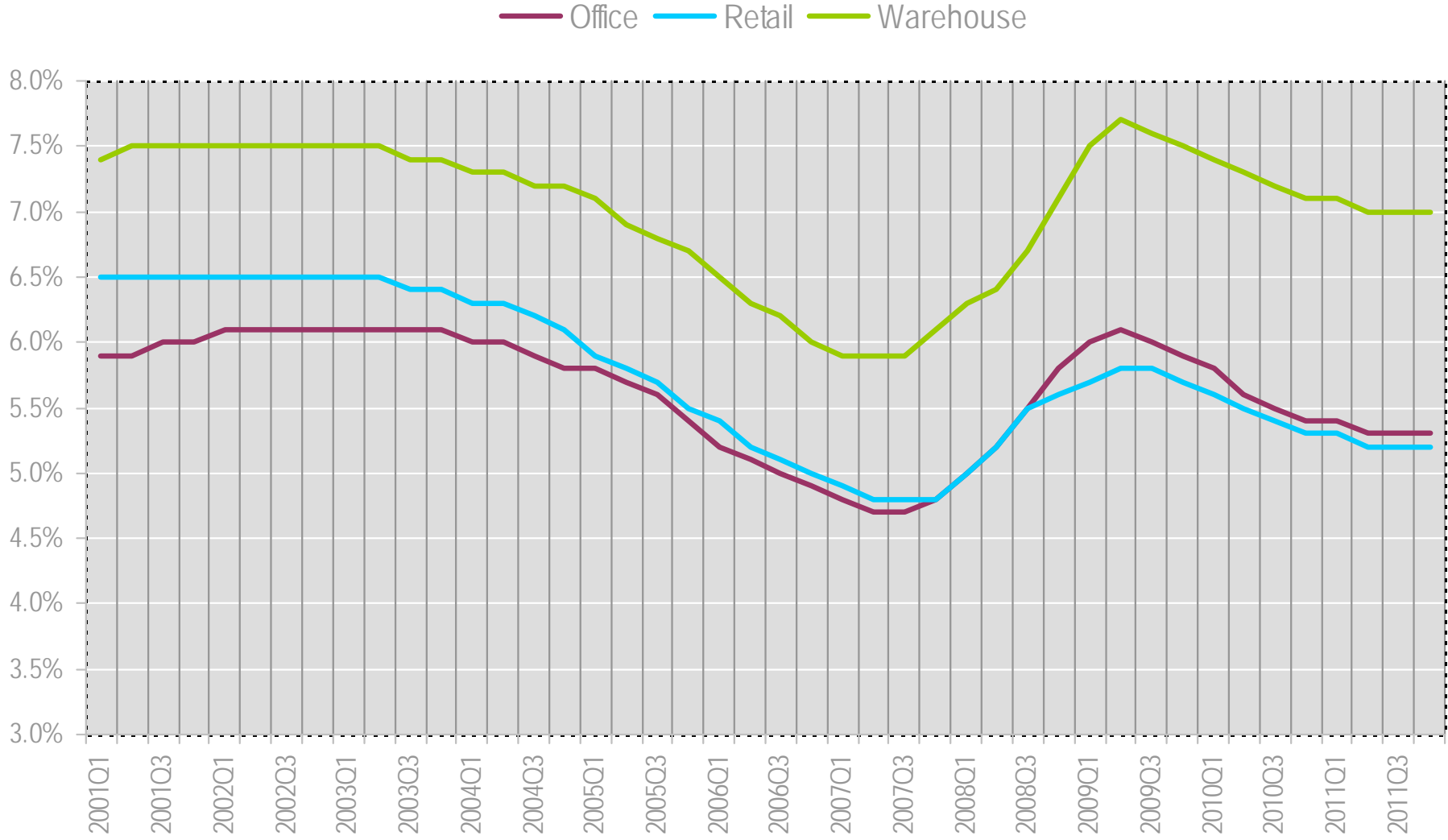
IMPROVING OCCUPIER MARKETS WILL SUPPORT RENTAL GROWTH

PPR EUROPE OFFICE FUNDAMENTALS



THE PRIME MARKET HAS DISMISSED THE EUROZONE TENSIONS

PPR EUROPE PRIME YIELDS



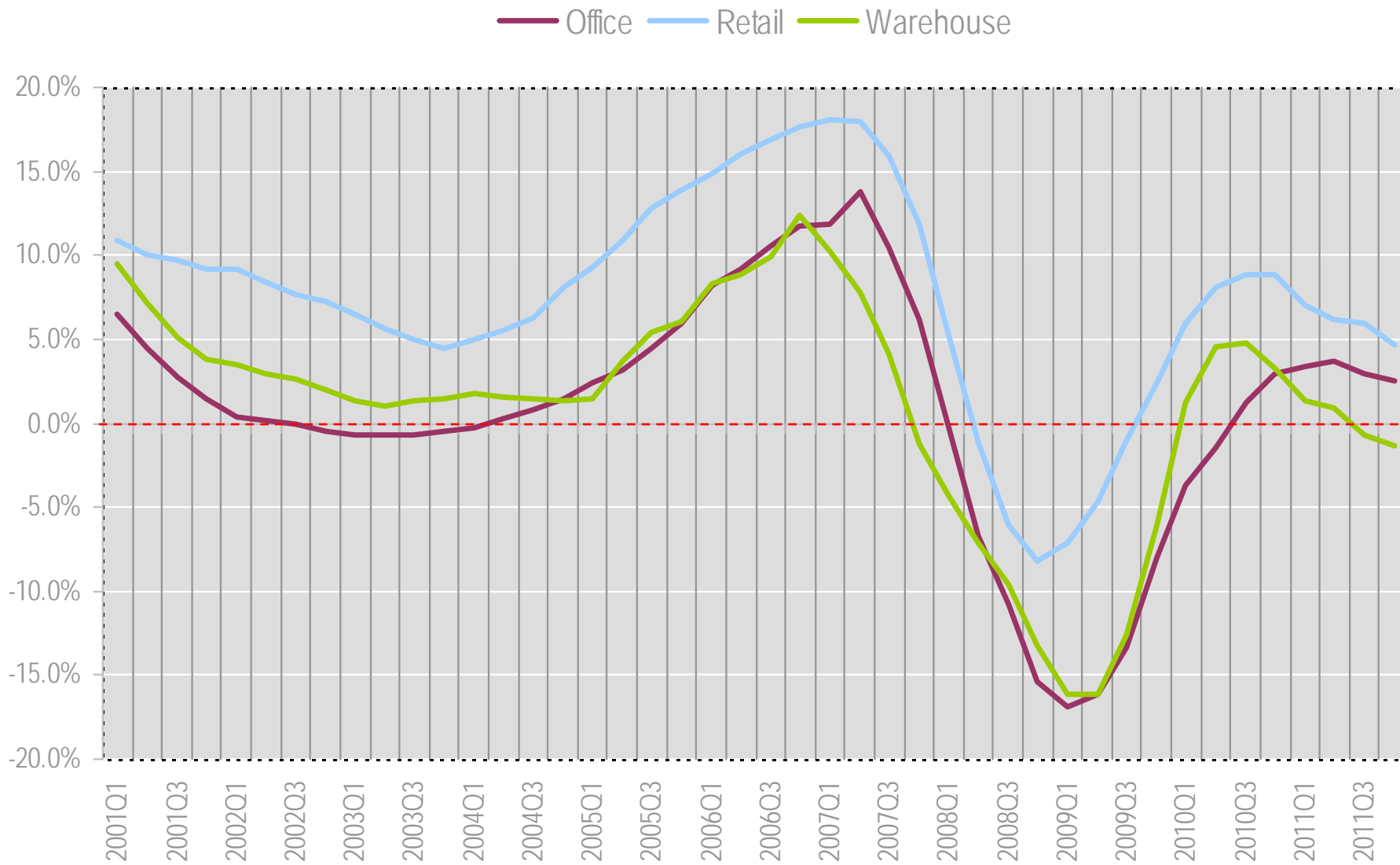
Source: PPR

The yield reflects the risk free rate, the expected net income growth and the real estate risk premium.
 Investor confidence is a key influence on the risk premium



RETAIL CAPITAL VALUES PERFORMING BEST

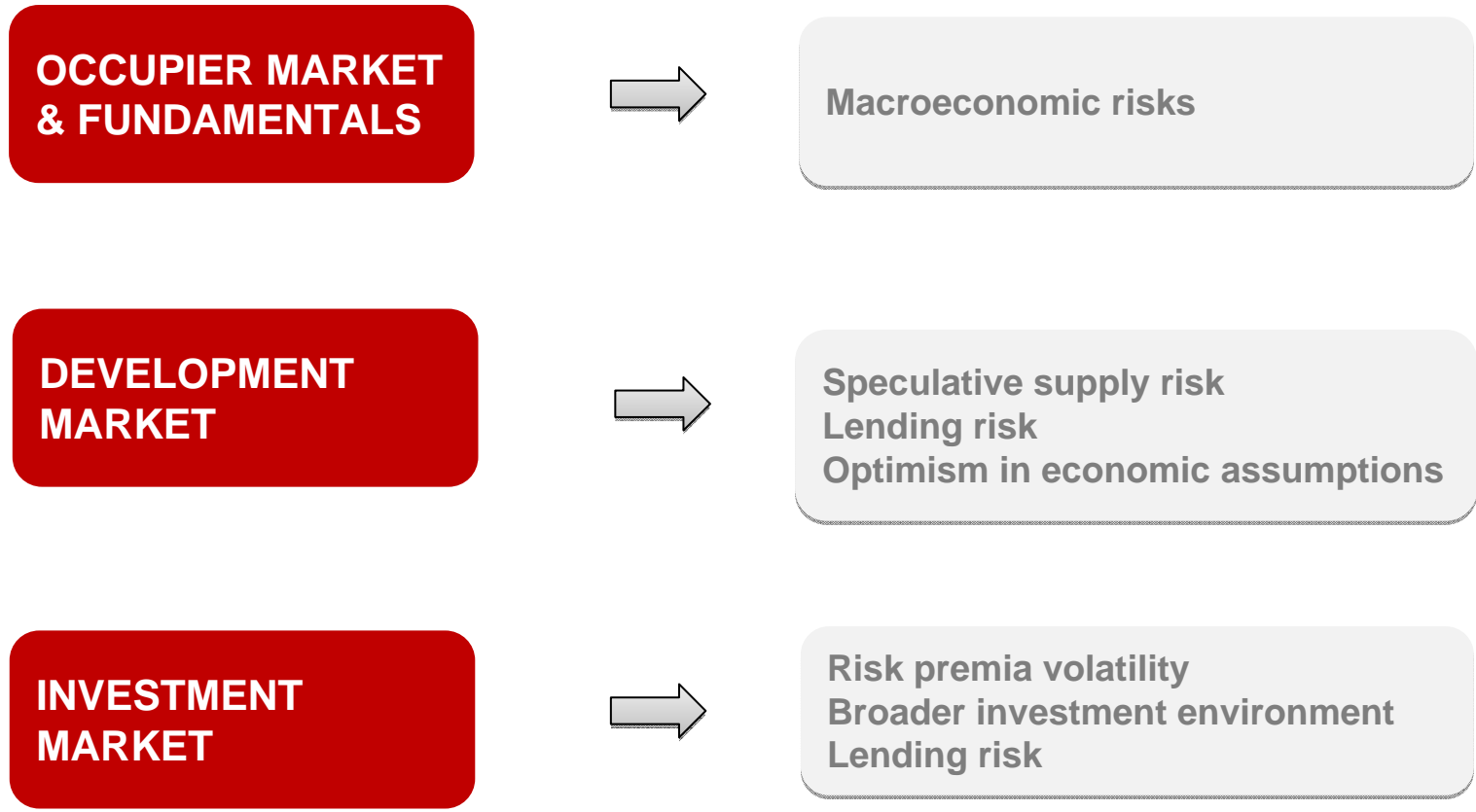
PPR EUROPE CAPITAL VALUES



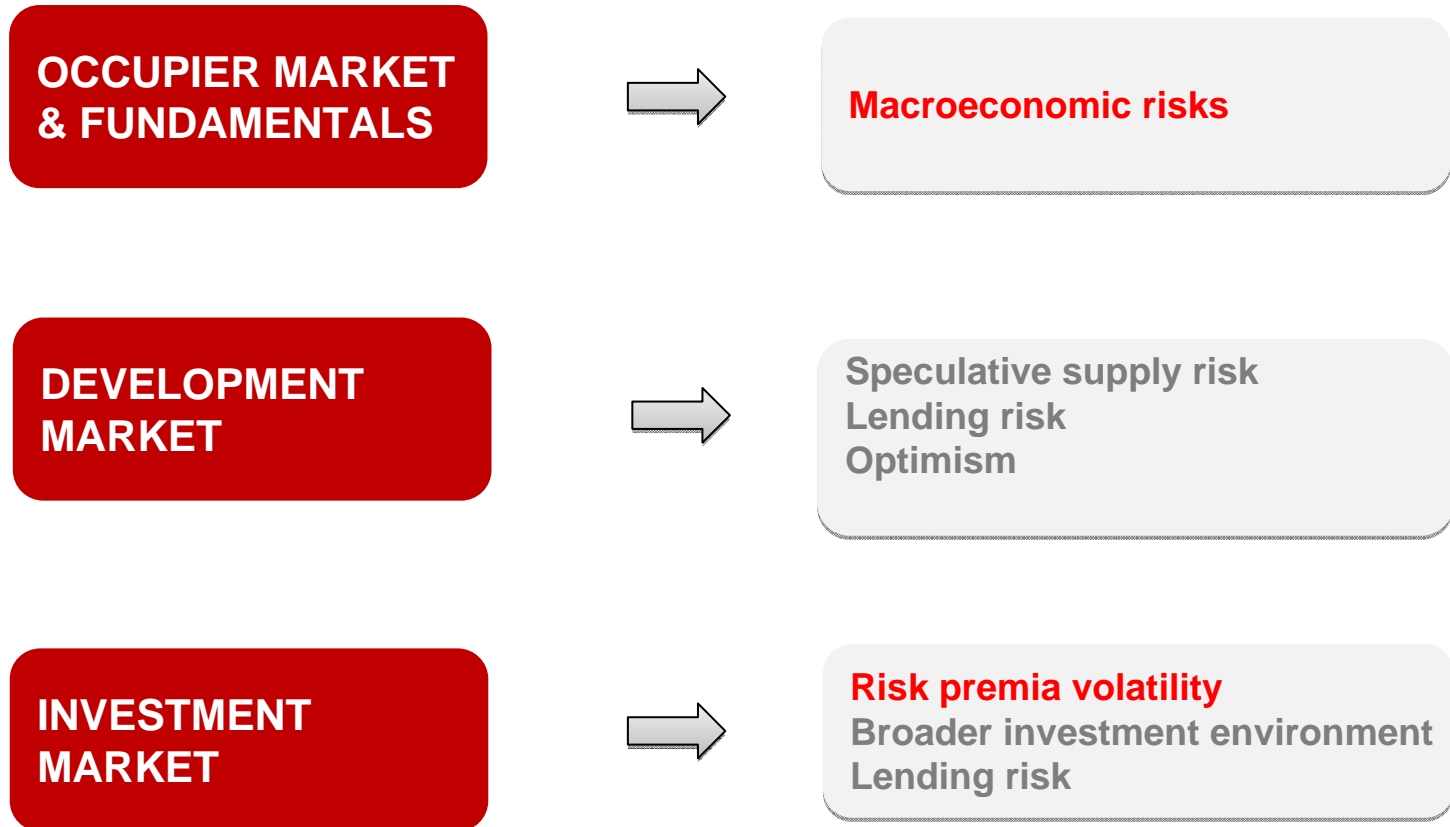
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ASSESSING OUTLOOK AND RISKS



ASSESSING OUTLOOK AND RISKS



PPR SCENARIOS – AUGUST 2011

Scenario	Impact	Probability
<p>A. STATUS QUO: CURRENT STRUCTURE WITH GREECE DEFAULTING</p> <p>(i) Greece defaults (90% odds up from 64% in May) but does not exit the euro</p> <p>(ii) Portugal/Ireland do not seek further bailout funding</p> <p>(iii) Italy and Spanish bond yields <6%</p>	<ul style="list-style-type: none"> - Contagion is contained - Italy & Spain continue with austerity - Banks with exposure to Greece recapitalised - Banking crisis averted and no adverse shock to eurozone's growth 	<p>85% ↓</p>
<p>B. ESCALATION: ITALY & SPAIN UNDER ATTACK</p> <p>THEY SEEK BAILOUT OR HELP TO OVERCOME LIQUIDITY PROBLEMS</p>	<ul style="list-style-type: none"> - Significant impact on Eurozone; - Contagion spreads to France - EFSF size increases significantly - Eurobond 	<p>10% ↑</p>
<p>C. BREAK UP – SMALLER EUROZONE</p> <p>Greece, Ireland, Portugal, Italy and Spain all leave the euro</p>	<p>Smaller euro area but major impact on 'new core' lasting about 3 years</p>	<p>4.5%</p>
<p>D. ARMAGEDDON: NATIONAL CURRENCIES</p> <p>Complete break up and return to national currencies</p>	<p>Implosion, return to old Europe</p>	<p>0.5%</p>



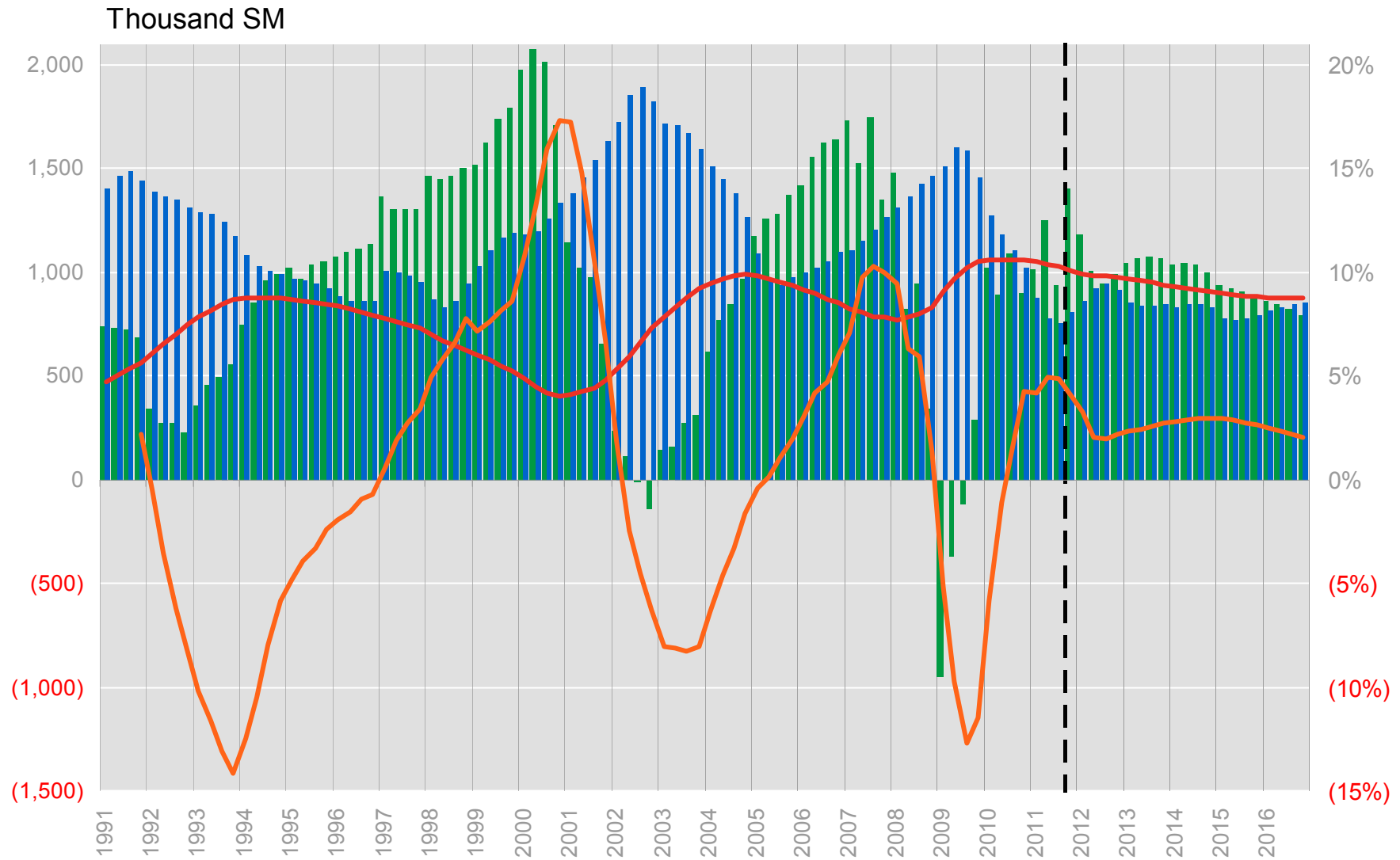
Chapter 2

THE OUTLOOK UNDER NORMALITY RETURNING



IMPROVING OCCUPIER MARKETS WILL SUPPORT RENTAL GROWTH

PPR EUROPE OFFICE FUNDAMENTALS



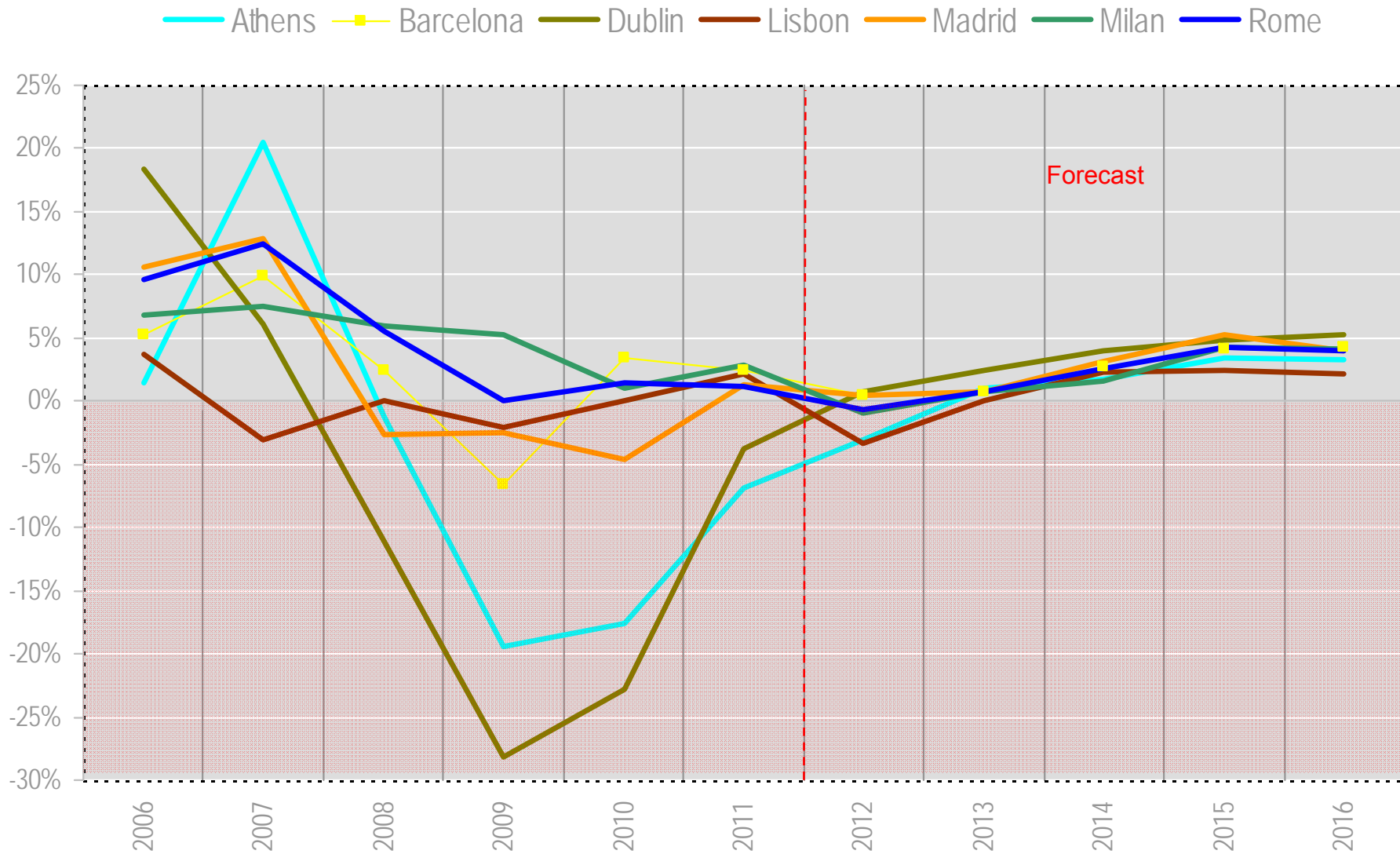
Source: PPR

As of Q3 2011

■ Net Absorption (LHS)
 ■ Net Completions (LHS)
 — Vacancy (RHS)
 — Annual Prime Rent Growth (RHS)



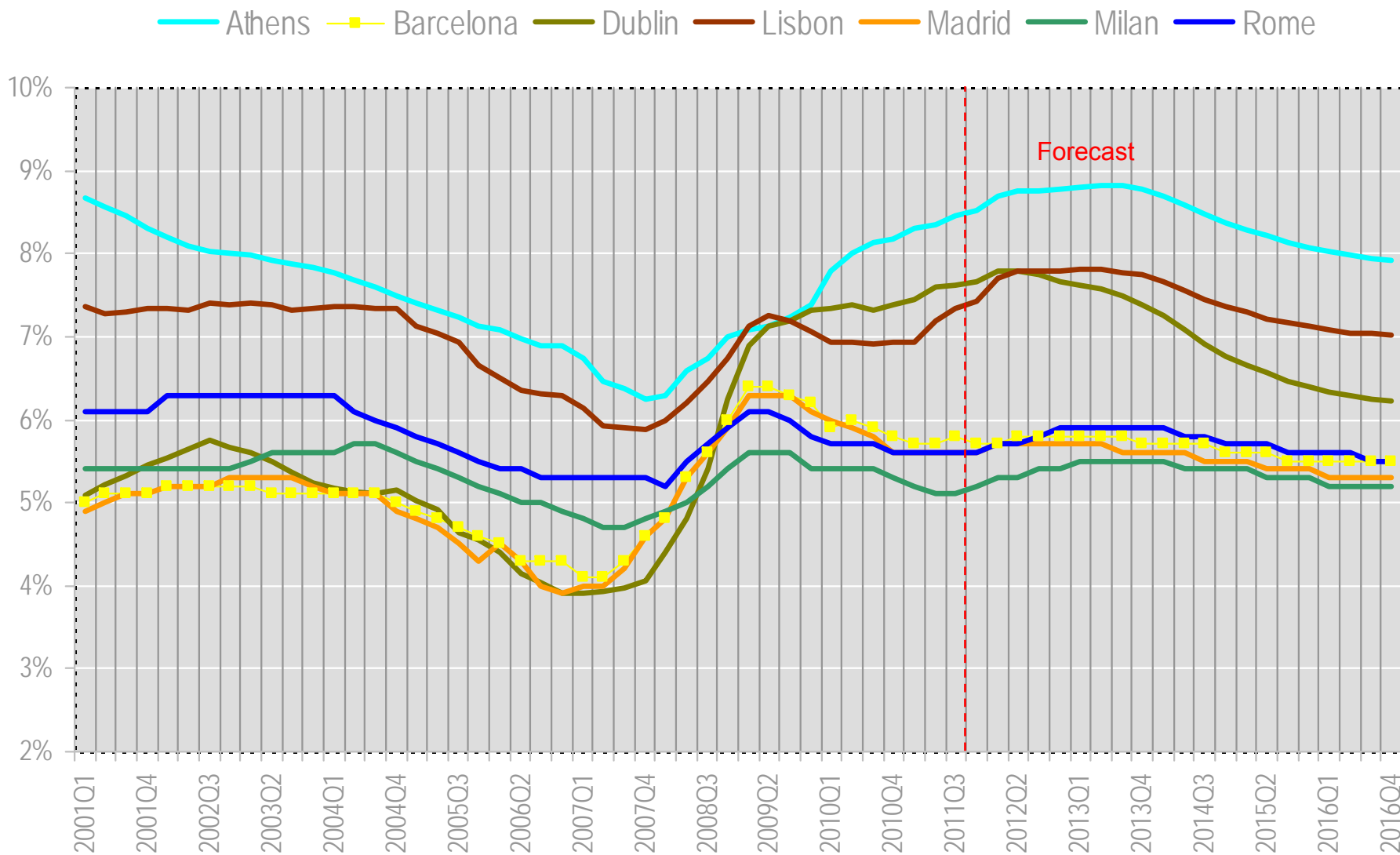
PRIME OFFICE RENT GROWTH



Source: PPR



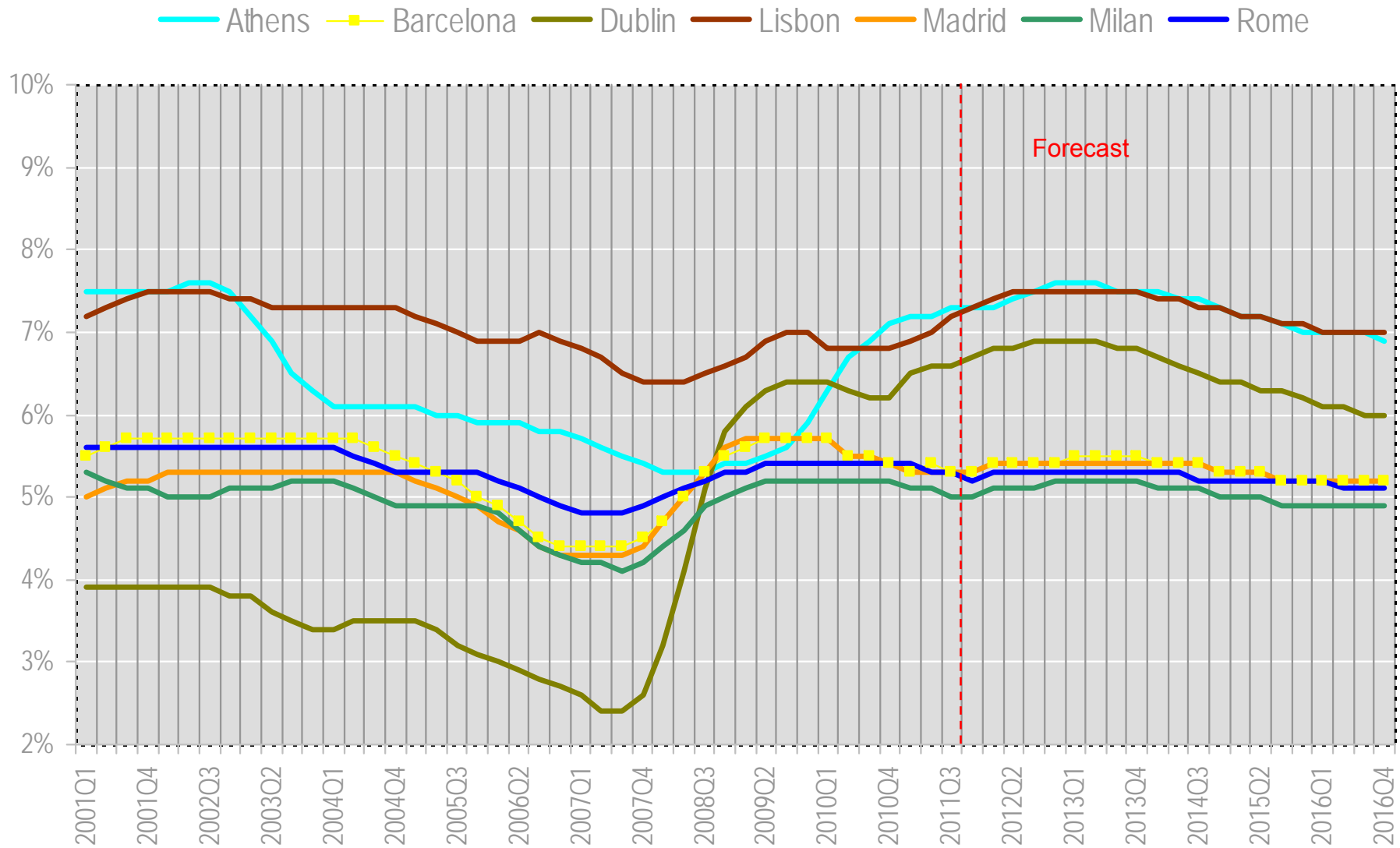
PRIME OFFICE INITIAL YIELDS



Source: PPR



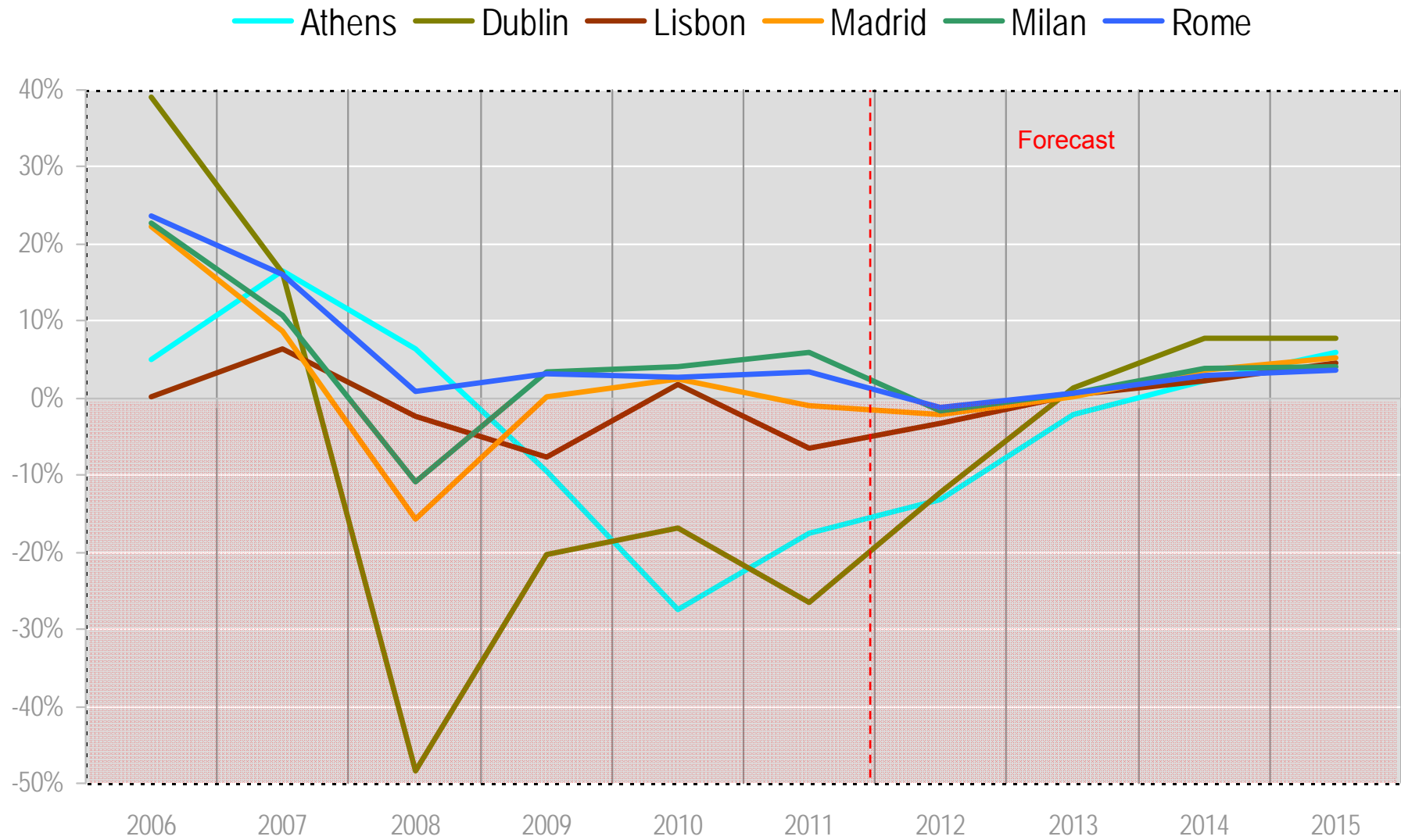
PRIME RETAIL INITIAL YIELDS



Source: PPR



CAPITAL VALUES FOR PRIME RETAIL



Source: PPR



Chapter 3

A STRESS CASE SCENARIO



EUROZONE GROWTH SUSCEPTIBLE NOT ONLY TO GERMANY
 PROBABILITIES OF NEGATIVE ANNUAL GROWTH IN EUROZONE FROM DIFFERENT
 ANNUAL GROWTH RATES IN MEMBER STATES

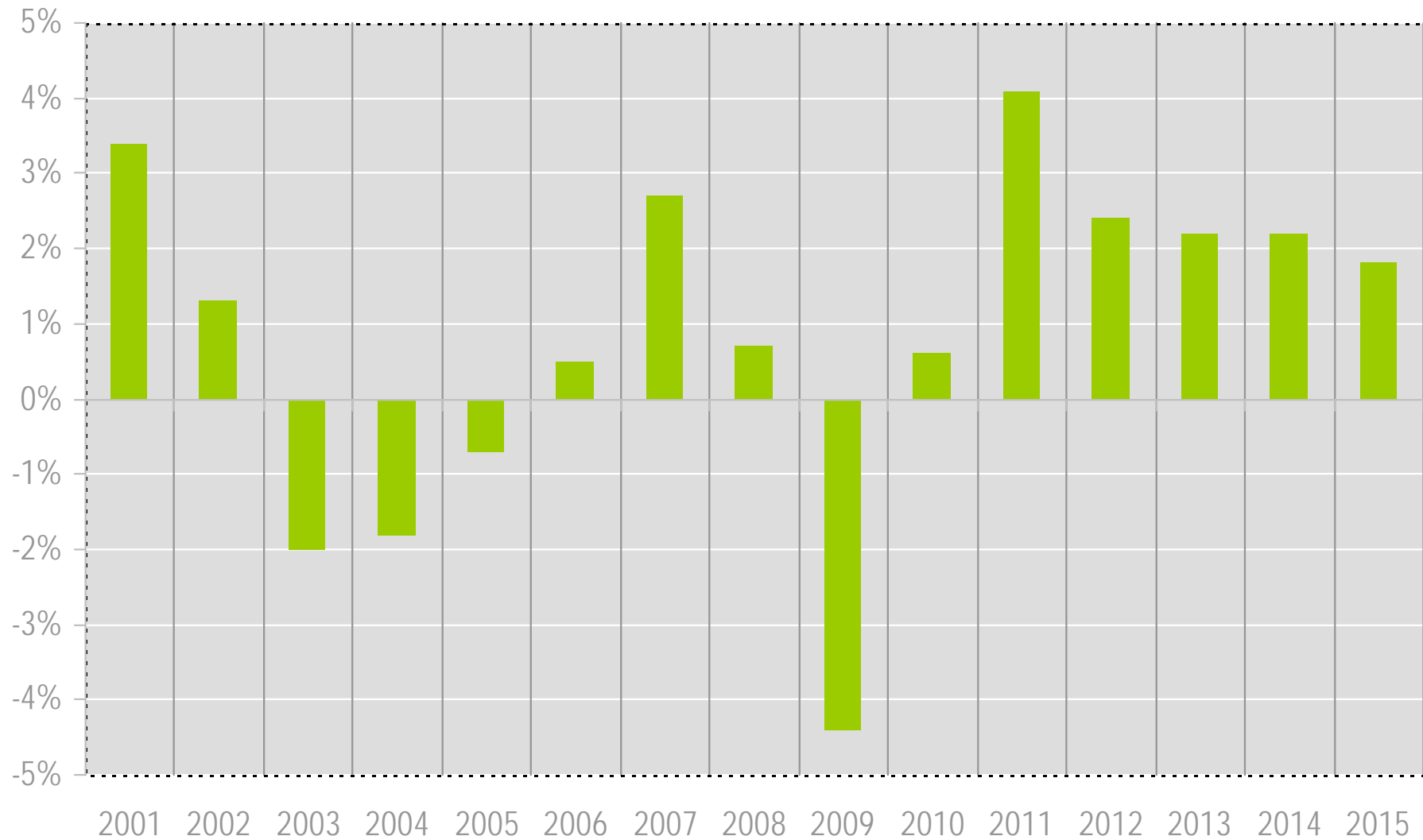
Growth rate in member state	1%	-1%	-2%
Greece	5%	10%	14%
Italy	1%	38%	81%
Spain	5%	48%	80%
Germany	0%	47%	94%

Source: PPR



A PERIOD OF POSITIVE RENT GROWTH IN 'NEW CORE'

'NEW CORE' EUROZONE AVERAGE OFFICE RENT GROWTH – BASE CASE



Source: PPR

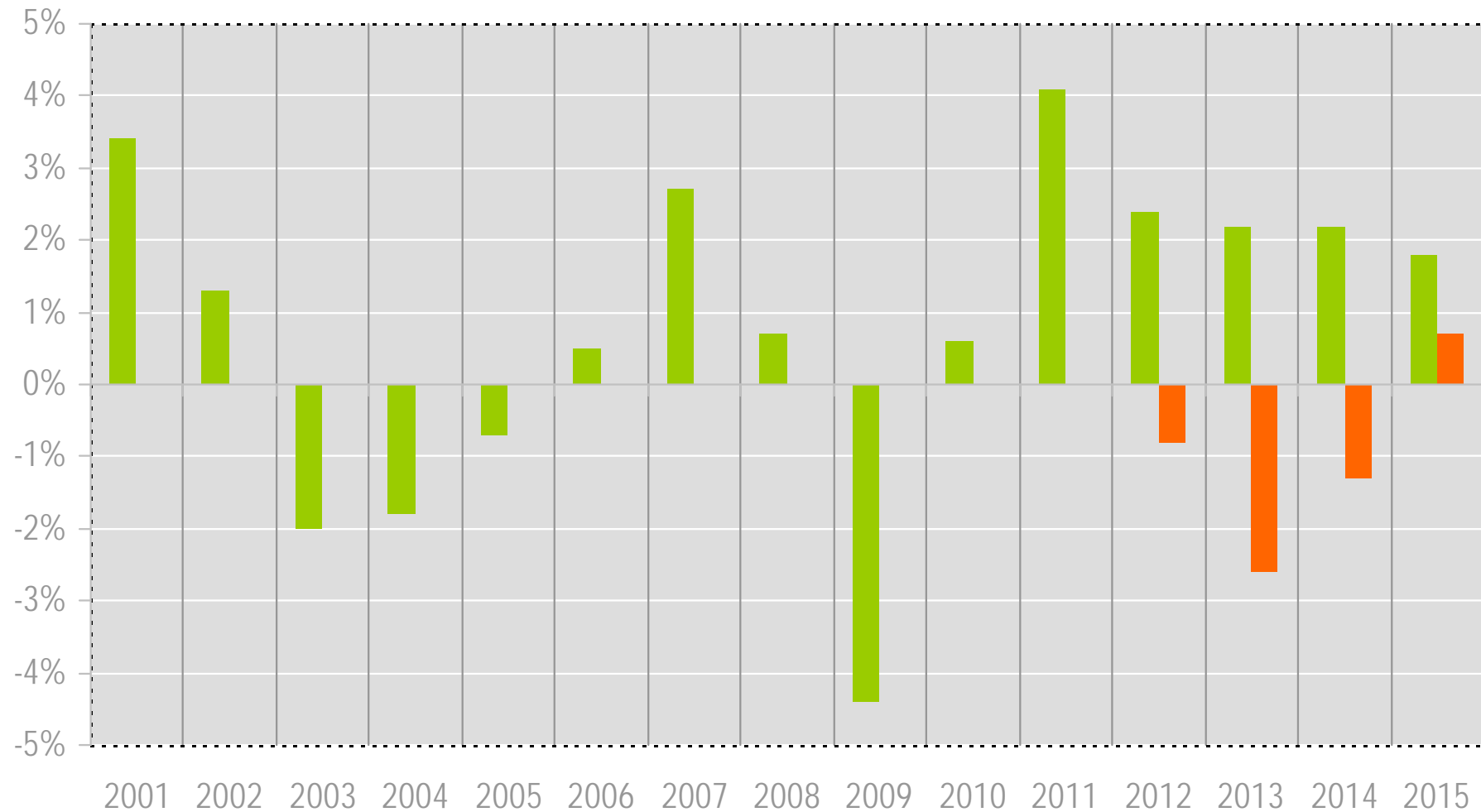
'New Core': Germany, France, Austria, Finland, Netherlands, Belgium



THE NEW CORE IS NOT IMMUNE TO A EUROZONE BREAKUP

'NEW CORE' EUROZONE AVERAGE OFFICE RENT GROWTH

■ Base ■ Scenario



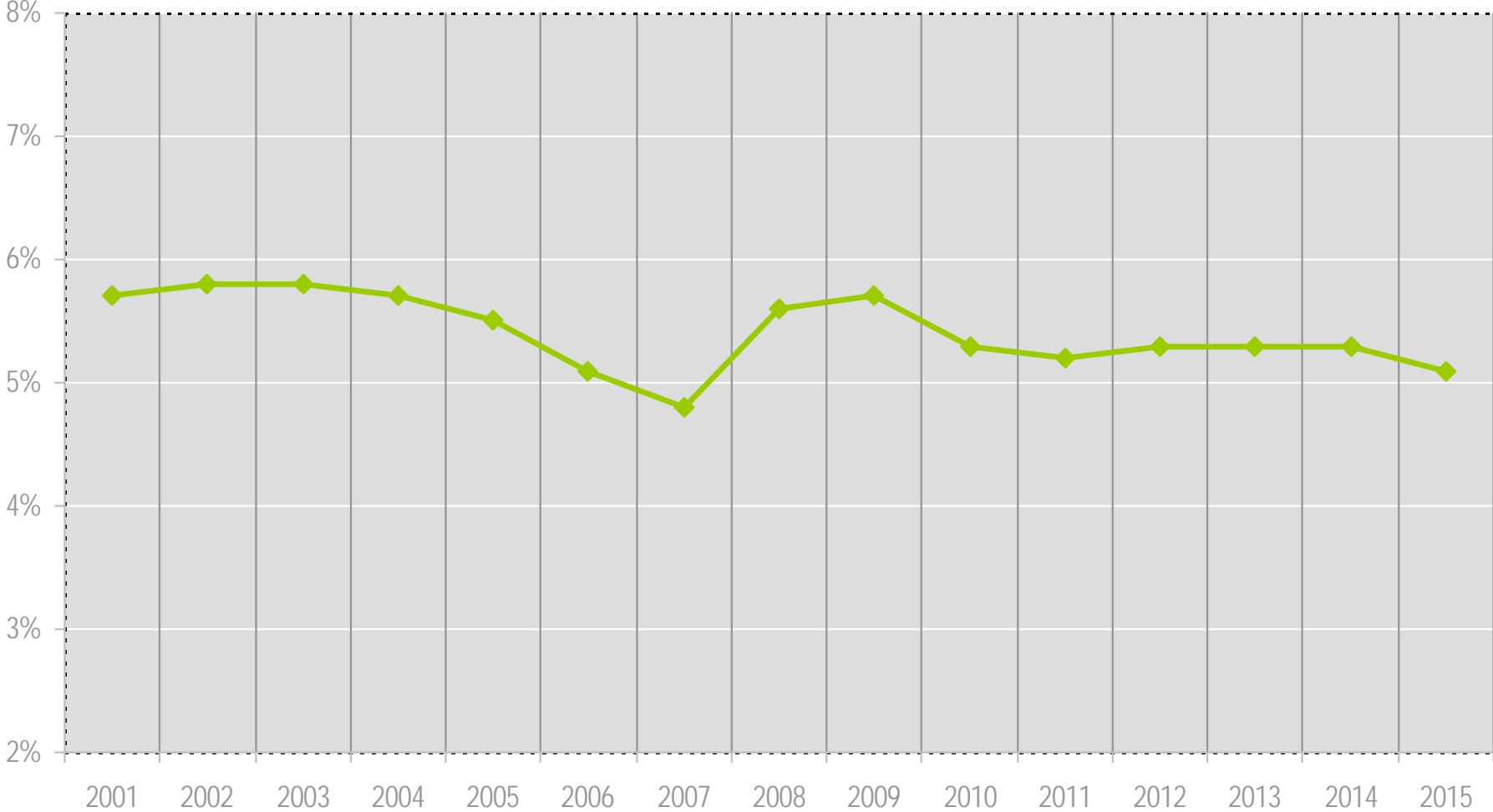
Source: PPR

'New Core': Germany, France, Austria, Finland, Netherlands, Belgium



OFFICE YIELDS WILL STABILIZE

'NEW CORE' EUROZONE PRIME OFFICE YIELDS



Source: PPR

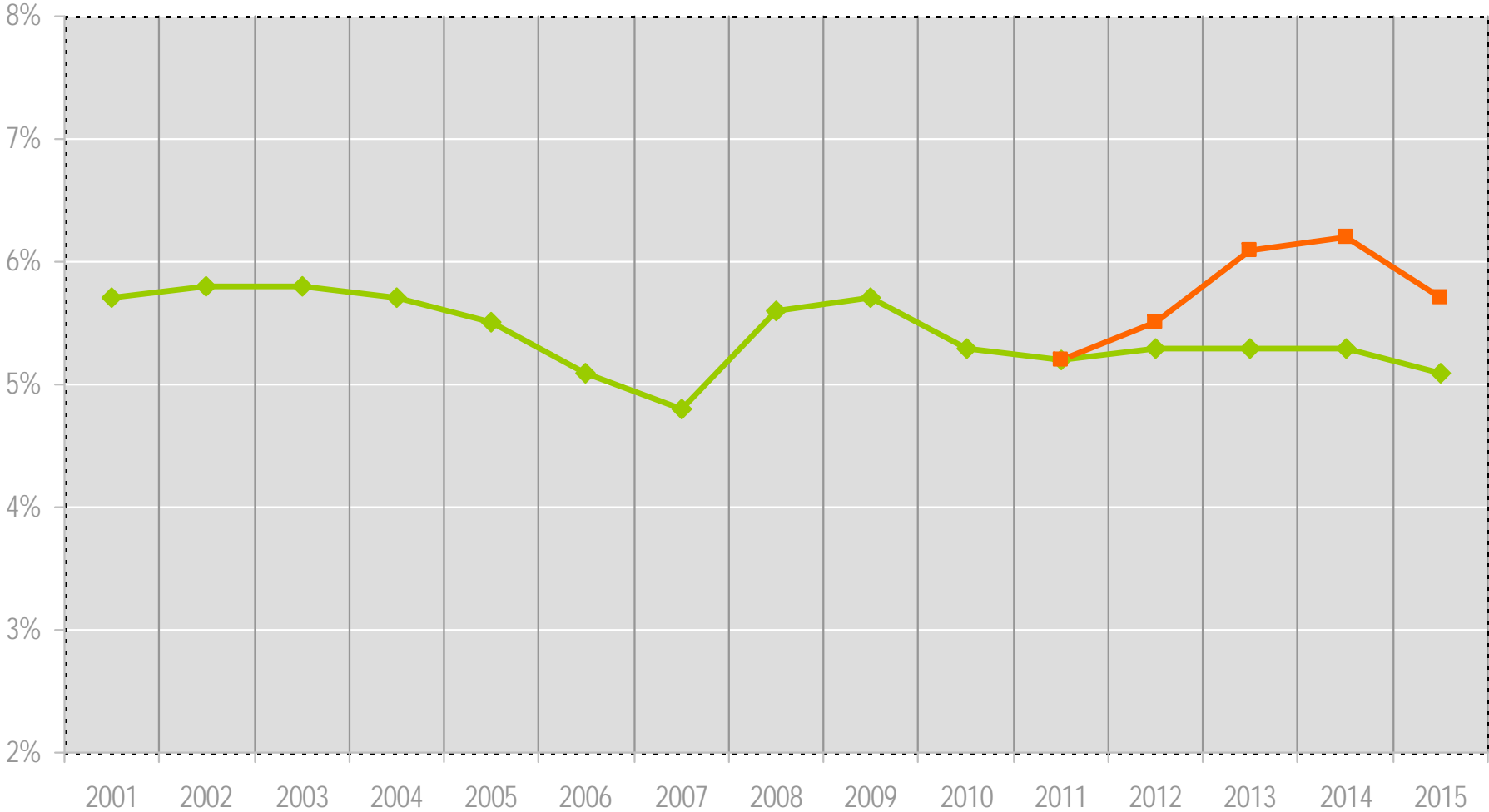
'New Core': Germany, France, Austria, Finland, Netherlands, Belgium



YIELD RISES EXPECTED IN THE NEW CORE

'NEW CORE' EUROZONE PRIME OFFICE YIELDS

◆ Base ■ Scenario



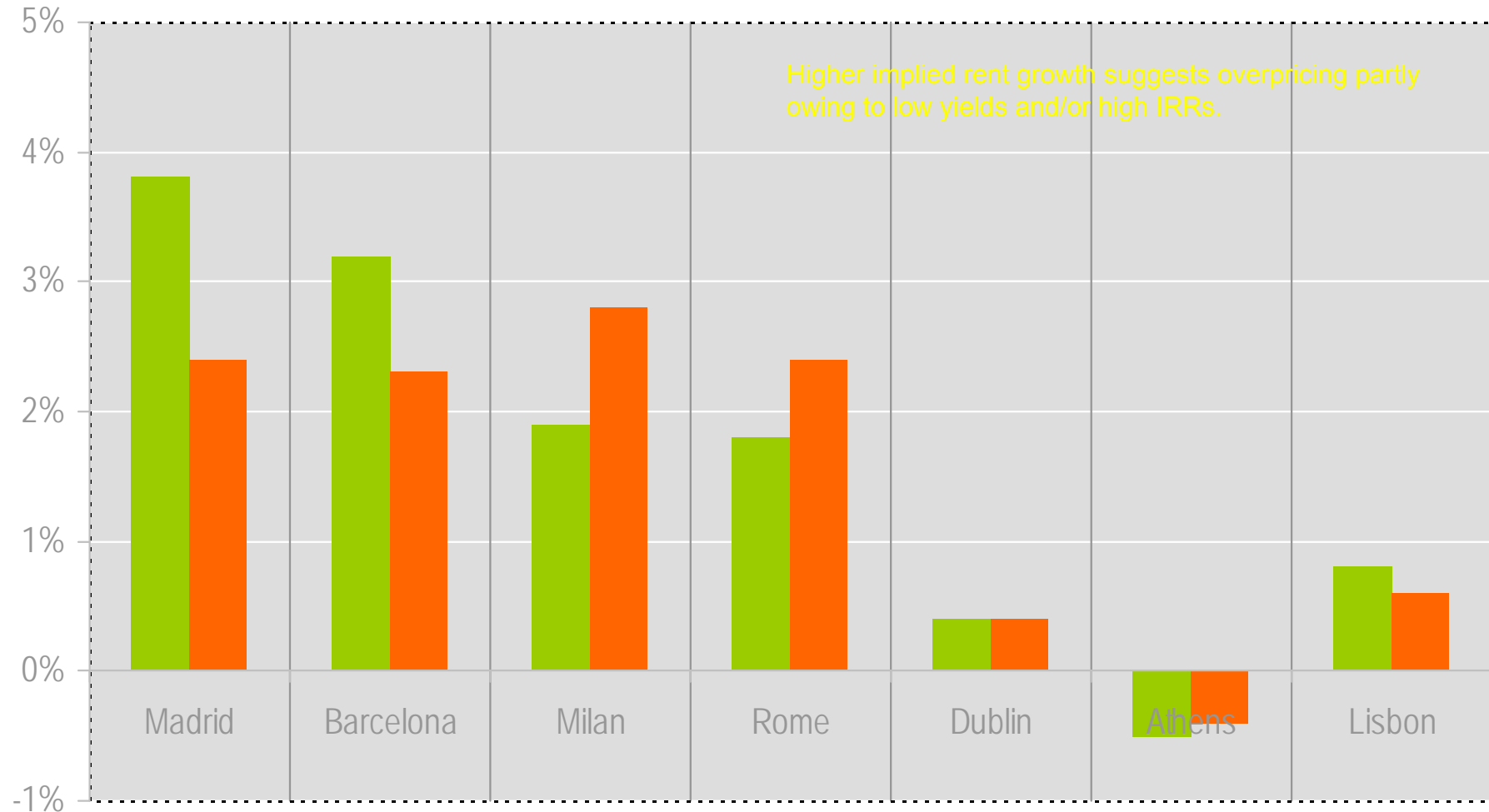
Source: PPR

'New Core': Germany, France, Austria, Finland, Netherlands, Belgium



HAS PRICING IN THE MARKET AND RETURN EXPECTATIONS ADJUSTED?

■ Predicted ■ Implied



Source: PPR

Assumptions: Net initial yields as per 4Q 2011, IRR 8%, rent reviews annual



Chapter 4

EUROZONE REAL ESTATE MARKET TOMORROW



TOMORROW'S EUROZONE – WHAT'S IN IT FOR THE INVESTOR?

AN ENVIRONMENT ENCOURAGING DIVERSIFICATION

- An area of significant fiscal discipline
- Δημοσιονομική σταθερότητα

- Mechanisms in place to avert fiscal and banking crises
- Μηχανισμοί αποφυγής δημοσιονομικών και τραπεζικών κρίσεων

- Focus on the region's economic competitiveness
- Έμφαση στην ανταγωνιστικότητα

- A distinctive monetary policy
- Διακριτική νομισματική πολιτική

- Reserve currency area – additional hedge against global shocks
- Ένωση με αποθεματικό νόμισμα – προφύλαξη από διεθνείς κρίσεις

- Liquid region – demonstrated in this crisis
- Ύπαρξη ρευστότητας

