

## **M&G REAL ESTATE: EUROZONE ECONOMIC GROWTH TO HIT FOUR-YEAR HIGH**

- *9 consecutive quarters of economic expansion*
- *3% per annum rental growth forecast for retail shops and shopping centres over 3 years*
  - *Predicted 8-year high for European real estate investment volumes*

**LONDON, 12 November 2015** – Continental Europe is following the US and the UK into a phase of solid economic growth, rental growth is improving and there are opportunities to boost returns by investing in the region's affluent second tier cities – according to the latest research published by leading global real estate fund manager, M&G Real Estate.

M&G Real Estate's 'Continental European Outlook' reports that consumers are the driving force behind the region's economic recovery, resulting in the Eurozone posting nine consecutive quarters of economic expansion and on track for more.

### **Rental growth**

- **Retail** – High street shops and shopping centres in gateway European cities will continue to see the strongest rental growth as international retailers move into Europe to take advantage of increased consumer spending. Strongest rental growth predicted for main Southern European cities of Spain (3.6%) and Portugal (4.4%).
- **Offices** – Rental growth to spread beyond Europe's top cities supported by the rise in office-based employment. Strong demand for space in undersupplied central business districts (CBDs) and further rises in prime rents expected over the next three years in the prime CBDs of Barcelona, Madrid, Stockholm, Copenhagen and Munich.
- **Industrial** – modest rental growth forecast for the undersupplied logistics sector as increased manufacturing activity drives demand for space. Retailers continue to expand their e-commerce networks and limited speculative development results in continued, strong and steady income streams for investors. Hot spots include Dublin, Barcelona and Madrid.

**Fig 1: Europe ex-UK prime rental growth - by Sector**

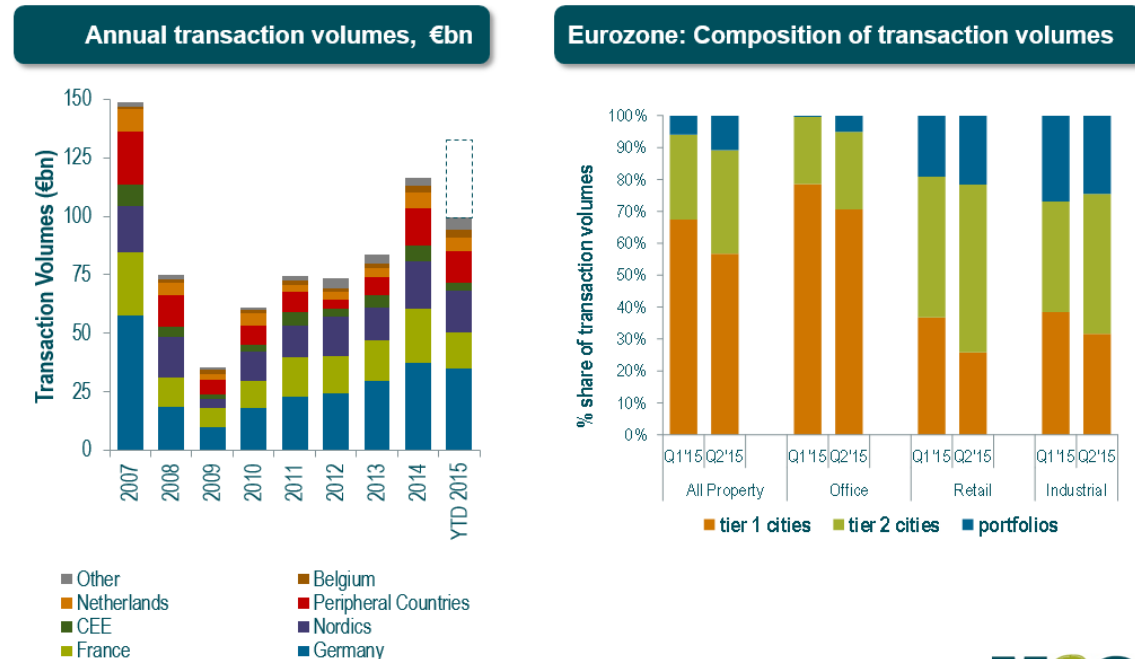


Source: JLL (Sept 15), PMA (Autumn'15), M&G Real Estate.

### Investment volumes

- **European** investment volumes are on track to beat last year's high and first half capital flows of €67 billion, up 33% year-on-year. With improving fundamentals and the competitive exchange rate, the overall figure for 2015 is set to hit an eight year high.
- **US** investors increasingly active across Europe with capital flows from the Americas in the first six months of 2015 reaching 70% of the volumes seen from the previous year.
- M&G Real Estate expects this trend to continue in the short to medium term, supported by the euro/dollar exchange rate. Continued strong investor demand for real estate to drive yield compression across the Eurozone, particularly in affluent tier two cities.

## Fig 2: Strong European transaction volumes into 2015



Source: DTZ, September 2015.

Vanessa Muscarà, Senior Research Analyst, commented: “Continental Europe is now seeing solid economic growth, with buoyant consumer demand, rising employment and improving lending conditions.

“Heightened occupier demand, driven largely by retailers upping their physical presence, is having a positive impact on rental growth across the region, with prime high street shops offering the best prospects for rent rises in the near term. We expect other sectors to do well over the coming years, resulting in an attractive investment climate for investors looking for a strong income stream at a time of low bond yields and base rates.

“With record capital flows targeting Europe’s gateway cities, encouragingly, we see the opportunity to further boost returns by looking further afield and investing in affluent second tier cities which offer greater scope for future yield compression.”

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**For further information please contact:**

Sophie Elliott or Drew McNeill  
Redwood Consulting  
drew@redwoodconsulting.co.uk  
020 7828 5553

**Notes to Editors:**

**About M&G Real Estate**

M&G Real Estate is the real estate fund management arm of M&G and is one of the top 25 real estate fund managers in the world by assets under management, with over £22.5 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 30 September 2015). M&G Real Estate has a sector leading approach to responsible property management, and is committed to assessing and improving the sustainability performance of funds under management.

M&G is the investment arm of Prudential Plc in the UK, Europe and Asia. For more information please visit [www.mandg.com/realestate](http://www.mandg.com/realestate)

**About M&G**

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 30 September 2015 the firm manages over £247.5 billion of assets through a wide range of investment strategies across equities, bonds, property and multi asset.

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