

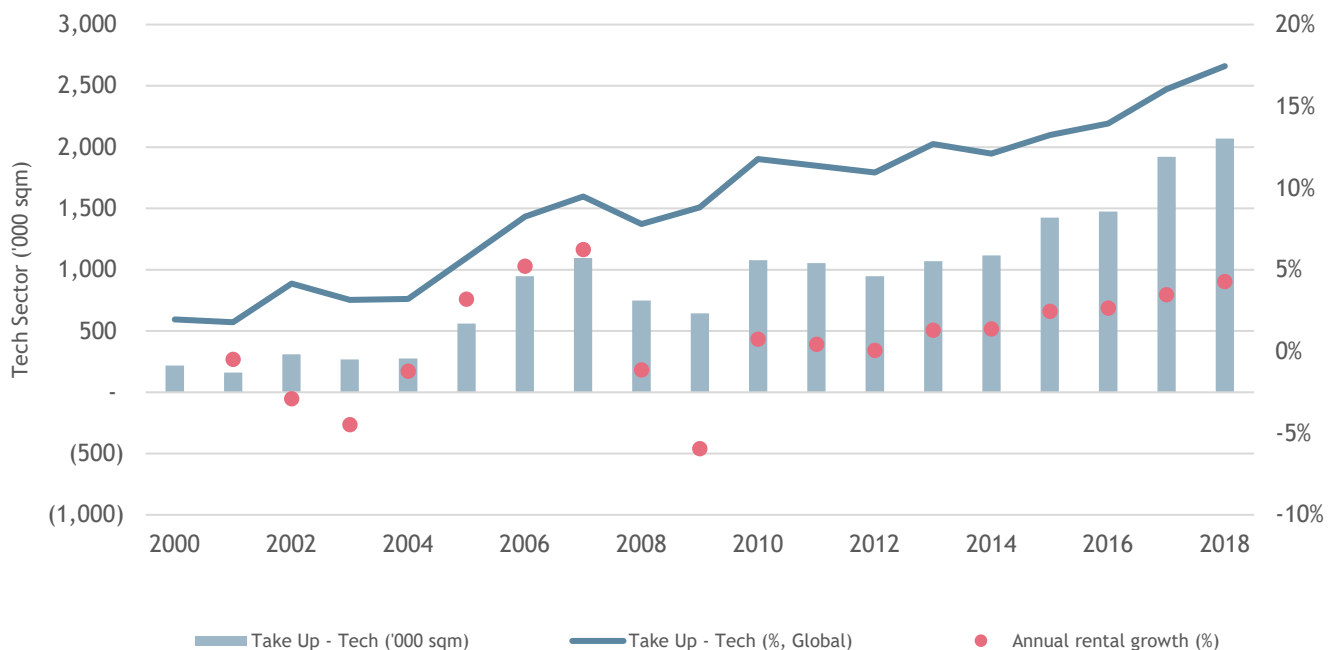
EUROPEAN RESEARCH MONTHLY UPDATE

FEBRUARY 2019

STRONG TECH SETS NEW RECORD OFFICE TAKE-UP AND PUSHES RENT UPWARDS

- The growing importance of the tech sector in the European economy is undisputed and best captured in the outperformance of tech-stocks, especially since 2015. In fact, relative to the overall stock market index, European tech stocks have done better than their US counterparts.
- On the back of this sector outperformance, job creation in the tech sector pushed its take-up of offices space to a record of 2 million square meters or 17.5% of total in 2018 across 21 European markets.
- When testing the tech related office take-up impact on rents, we show that over the long term and on an aggregate level when the share of tech in total take-up increases, rental growth is in fact higher with a correlation of above 50%.
- Also, we show a positive correlation between tech-take up and rental growth over the last 3 years for local markets, albeit some outliers including London distort the effect (mainly as rental growth is affected by Brexit uncertainty).
- Finally, a granular deep-dive in the Paris office market shows that tech-take up concentrates in specific sub-market clusters. Despite using granular data, we find no clear relationship between tech-take up and rental growth over the last 5 years for Paris office sub-markets.

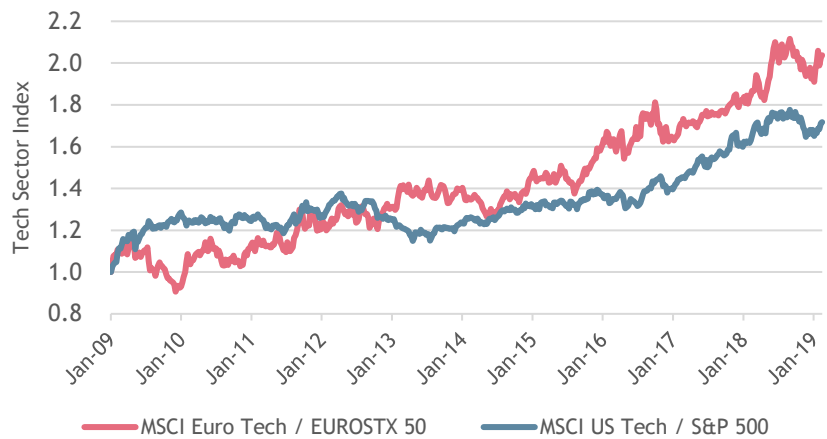
NEW RECORD TAKE-UP CONFIRMS TECH SECTOR AS LONG TERM DRIVER OF EUROPEAN OFFICE SECTOR



Sources: CBRE & AEW

EUROPEAN TECH STOCKS OUTPERFORMED THE OVERALL INDEX MORE THAN IN THE US

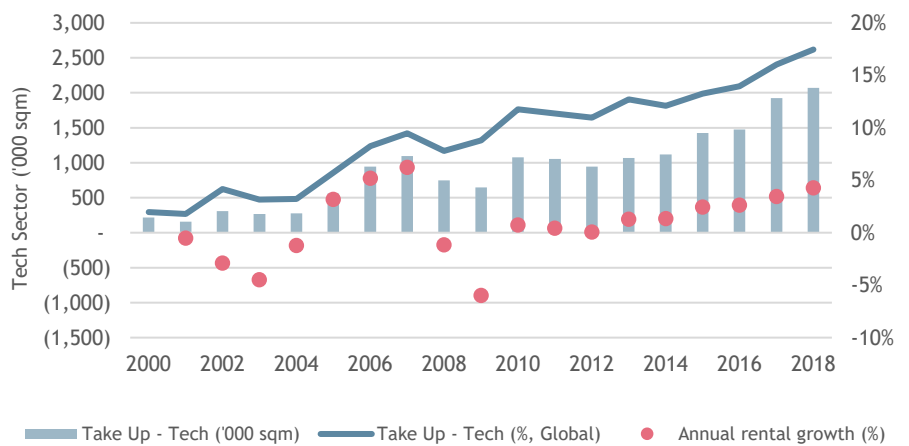
- The importance of the tech sector in the US economy has long been undisputed. But, the European tech sector has also outperformed.
- In fact, relative to its own regional stock index, European tech stocks showed a stronger relative performance than US tech stocks over the last 10 years.
- This strong performance has attracted significant investment capital into European tech companies, including start-ups.
- In turn these tech companies have been a key driver for demand for office space.



Sources: Bloomberg & AEW

NEW RECORD TAKE-UP CONFIRMS TECH SECTOR AS LONG TERM DRIVER OF EUROPEAN OFFICE SECTOR

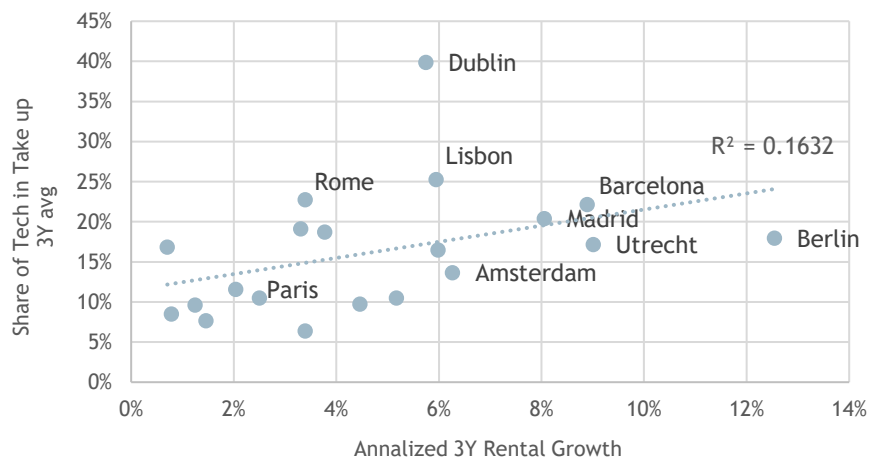
- Our universe covers 21 office markets in Europe, including markets such as London, Paris and Berlin.
- Tech occupiers accounted for a new record of over 2 million sqm in take-up in 2018, well above the five year historical per annum average of 1.6 million sqm.
- The long term correlation between office rent growth and tech take-up across the 21 markets in our universe is 52%.



Sources: CBRE & AEW

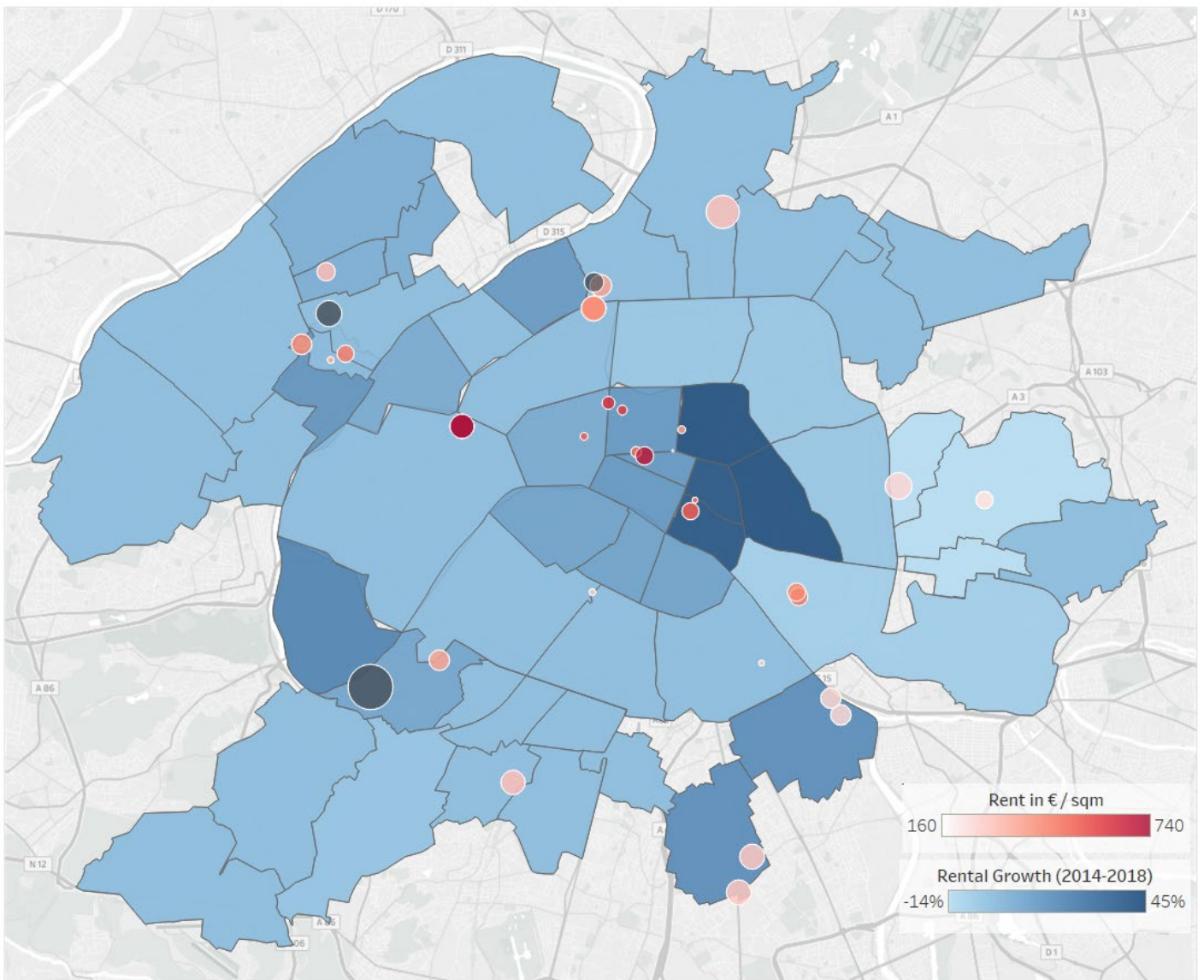
TECH SECTOR DRIVES RENTS IN MOST LOCAL OFFICE MARKETS OVER THE LAST 3 YEARS

- Short term, market-level correlations are less strong than in aggregate.
- However, across 20 office markets, we still show a correlation of 40% between their respective 3 year average tech share in take up and the office annualized rental growth.
- Dublin shows the highest average tech share at over 30%. Notice that office rents here have already adjusted by 100% from 2013 to late 2015.
- Please note that London has been excluded from our analysis, as rents have been negatively affected by Brexit over the last 3 years.



Sources: CBRE & AEW

PARIS TECH LEASE DATA DOES NOT YET DRIVE SUB-MARKET RENTAL GROWTH



Sources: CBRE, JLL, MBE Conseil & AEW

The above Paris office market map shows rental growth per sub-market and 38 tech-related actual letting deals with average rents per square meter over the last five years. The map shows no clear trend of high or above average rents for tech leases. But, there are a number of other useful observations:

- Several clusters of tech lease deals stand out: in La Défense, Saint-Ouen/Clichy, Issy-les-Moulineaux and Paris CBD.
- Motivation for Paris tech tenant location seems diverse:
 - Tech companies in La Défense are willing to get close to the largest European business district and their client base.
 - Paris CBD locations benefit from the appealing urban living environment that attracts young highly skilled workers.
 - Metro extensions, in the north of Paris and in Clichy/Saint-Ouen, attract tech companies to emerging neighborhoods.
 - Strong IT infrastructure is a selling point in Issy-les-Moulineaux, south of Paris.
 - In the eastern periphery, companies are clearly looking for attractive rents.
- As Paris CBD already display the highest rents and a strong and diversified demand, there is less evidence of correlation between rental growth and tech company movements in the area. The relation becomes more robust when looking at peripheral areas as in Clichy/Saint-Ouen, Villejuif/Ivry-sur-Seine (Southeast) and Issy-les-Moulineaux.

ABOUT AEW

AEW is one of the world's largest real estate asset managers, with €65.4bn of assets under management as at 31 December 2018. AEW has over 700 employees, with its main offices located in Boston, London, Paris and Hong Kong and offers a wide range of real estate investment products including comingled funds, separate accounts and securities mandates across the full spectrum of investment strategies. AEW represents the real estate asset management platform of Natixis Investment Managers, one of the largest asset managers in the world.

As at 31 December 2018, AEW managed €31.4bn of real estate assets in Europe on behalf of a number of funds and separate accounts. AEW has close to 400 employees based in 9 offices across Europe and has a long track record of successfully implementing core, value-add and opportunistic investment strategies on behalf of its clients. In the last five years, AEW has invested and divested a total volume of over €20bn of real estate across European markets.

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