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PRESS RELEASE

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CMS European Real Estate Deal Point Study 2016:

Seller-friendly contracts at record levels across Europe

- *Strong demand for office and retail properties*
- *More agreements signed with liability caps and shorter contractual limitation periods for sellers*
- *Increase in national investors in the European real estate market*

Brussels – The European property market remains seller-friendly. Ongoing strong demand for real estate against a backdrop of historically low interest rates strengthened the negotiating position of property sellers throughout Europe in 2015. That is the main finding of the CMS European Real Estate Deal Point Study 2016, which covers the European real estate transaction market. In the course of the study, international law firm CMS systematically assessed and evaluated around 1,000 real estate agreements on which it advised. The information was gathered from 14 countries in the period from the start of 2010 to the end of 2015.

"The study gives a detailed, comprehensive overview of the recent developments within the Real Estate market and aims at assisting sellers and purchasers in their preparation for contract negotiations" said Bruno Duquesne, Head of the Real Estate & Construction practice at CMS in Belgium.

Elevated demand for properties in European conurbations

The proportion of office transactions rose further in 2015, climbing four percentage points in the past two years to reach 42% of all transactions evaluated. The proportion of retail properties also rose year-on-year, increasing from 13 to 19% overall. The principal drivers of this development were high levels of domestic spending and buoyant consumer sentiment in a number of European countries. Demand was focused on shopping centers, retail parks and urban department stores. Logistics properties were the only category to experience a decline, falling from 18 to 11% in 2015, although this was still significantly above the levels seen in the period 2010 to 2013. By contrast, the proportion of residential transactions was roughly the same in 2015 as in previous years, at 17%.

“The study highlights some disparities between European regions regarding the various asset classes: while offices stand at the top of market shares in German-speaking countries with 42% of transactions, logistics lead the list of transactions in Eastern European countries with 39%; in Western Euro-

pean countries, offices represent 39% of market shares, retail 24% and logistics 15%" said Pierre-Axel Chabot, a partner in the Real Estate & Construction practice at CMS in Belgium.

The number of transactions involving individual properties rose year-on-year. While the figure was 70% of all evaluated real estate transactions in 2014, it reached 78% in 2015. One reason for this rise was increased demand for core properties, which were often sold individually – even when they formed part of a real estate portfolio.

Real estate agreements favour sellers

In 65% of cases, sellers were able to negotiate an agreed liability cap in property agreements in 2015. In 2010, the proportion of deals with a contractually-agreed maximum liability was just 25%. The share of transactions with seller-friendly clauses that provide for a threshold or minimum limit for warranty or guarantee claims by the buyer (*de minimis* and basket clauses) also increased. In addition, more agreements with shorter limitation periods for the buyer's warranty or guarantee claims were signed in 2015. The results indicate that property agreements concluded in 2015 tended to favour the seller.

More investments by national buyers

National investors played a bigger role again in the European real estate market in 2015. While more investments were made by foreign buyers (53%) than by national investors (47%) in 2014, the position was reversed last year. In 2015, national investors accounted for 53% of buyers across Europe, while 47% were foreign investors.

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