

P R E S S R E L E A S E

SALE & LEASEBACK TRANSACTIONS CONTINUE TO PLAY GROWING ROLE IN EUROPEAN INVESTMENT MARKET IN FIRST HALF OF 2008

Corporate disposals occurring in broader range of European markets despite general economic uncertainty

London, 19 September 2008 – Corporate sale and leaseback transactions have grown rapidly across Europe, rising by 585% between 2004 (€6.7 billion) and 2007 (€46 billion), and expanding from 6% of the European investment market in 2004 to 21% in the first half of 2008, according to a new report by CB Richard Ellis Group Inc.

Against the backdrop of economic uncertainty and a substantial increase in the cost of corporate debt, these transactions – a cashflow management solution – are gaining momentum across Europe and accounted for 21% of all European investment activity in the first half of 2008 – their highest percentage contribution ever.

Corporates' decisions to proceed with a sale and leaseback are motivated by a range of factors, including the increased pressure to raise capital, the high cost of debt, the need for more flexible lease structures and the growing cultural acceptability of selling real estate. These factors have raised the status of sale and leasebacks as a means of capital raising for corporates.

John Wilson, Head of Corporate Strategies within CBRE's Global Corporate Services business, said: "The wave of sale and leasebacks in the banking sector in recent years eradicated the 'last resort' stigma previously attached to this type of transaction, transforming it into another viable choice for corporates looking to raise capital.

"Moreover, their robust investment characteristics – longer leases, strong covenants and operational flexibility – make sale and leasebacks attractive to the type of long-term, equity-based investors that are most active in today's more challenging market. As a result, sale and leaseback transactions remain increasingly popular in today's market."

Sale and leaseback activity has become more geographically dispersed in recent years. The UK accounted for 21% of the sale and leaseback market over the past 18 months, down from 42% in 2005. France, Italy, Spain and Sweden have each seen more than €2 billion worth of sale and leaseback transactions undertaken in their domestic markets since the beginning of 2007, contributing to the overall growth of this activity in Europe. However, the UK and Germany still dominate activity, accounting for more than half of all sale and leasebacks in the past 18 months, with Germany alone accounting for 34% of that total, up from 18% in 2005. Increased activity is also starting to become evident in Central and Eastern Europe, where €291 million of sale and leaseback transactions were completed in the first half of 2008 compared to €178 million in all of 2007.

Traditionally dominated by office properties, sale and leaseback activity has also seen sector diversification over the past few years. Retail, industrial and mixed-use assets now contribute significantly to this market. In the first half of 2008, retail disposals (€4.2 billion) were almost equal

to those in the office sector (€4.7 billion). This reflects a number of changes in retailing – including moves toward larger average store sizes and the public listing of retail companies – that have made retailers look more favourably on real estate disposal strategies.

“The strong performance of sale and leasebacks over the past few years, including the first half of 2008, suggests that they continue to be a growth opportunity in Europe and a key driver of growth in real estate investment,” continued Mr Wilson.

“As sale and leasebacks become more commonplace, the parameters within which they are transacted become better known and the decision-making process more streamlined, creating a more transparent and accessible solution.

“Despite the rapid growth of sale and leasebacks in recent years, owner-occupation remains dominant in most parts of mainland Europe. With the total value of corporate owner-occupied property probably exceeding €2.25 trillion, the scope of future sale and leaseback activity is significant.”