

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

RENTAL MOVEMENTS REFLECT REDUCED LEASING ACTIVITY ACROSS EUROPEAN OFFICE MARKETS

Significant local differences in market conditions across the region

London, 23 February 2009 – European office markets generally saw downward pressure on rents over the final quarter of 2008, driven by a combination of lower levels of demand and increased levels of vacancy in most markets, according to CB Richard Ellis' latest market report, *EMEA Office MarketView Q4 2008*. Across the 27 European markets, prime office rents fell by 2.5% in the fourth quarter of 2008, leaving them just above their level of a year ago.

However rental decline is not occurring everywhere. A number of the German markets including Munich, Hamburg and Berlin are showing a high degree of stability, as are Zurich and Geneva. Most other western European markets, including London, Paris and Madrid, are seeing some degree of decline, as are some of the larger CEE markets now, including Warsaw and Moscow.

Changes in rental levels reflect the impact of a deteriorating economic background on tenant demand. Take-up slowed in the final quarter, with nearly all markets seeing at least some contraction. Again, there are some exceptions to this general trend, including Amsterdam and Moscow, but overall take-up was around 13% lower in 2008 compared with the previous year. In some markets such as Paris, Frankfurt and Oslo, reduced demand and growing cost-sensitivity are creating heightened interest in lower-cost locations that are close to established core markets but still offer significant cost discount.

On the supply side, aggregate vacancy levels have now been rising for three quarters as significant volumes of new development have entered the market. Despite this, vacancy in many markets remains well below previous highs of 2003-04, and in some cities, including Vienna and Copenhagen, it is still falling.

Richard Holberton, Director of CB Richard Ellis' EMEA Research and Consultancy, said: "Conditions across the European office markets are changing rapidly, as occupiers and developers adjust to economic circumstances. Concern about the prospects for occupier markets is only one of the factors underlying the repricing that has been evident across the European office markets, but it is increasingly coming to the fore as economic conditions weaken."

"However, it is important when making investment selection decisions to appreciate the degree of variability in market conditions. Supply-side conditions in particular differ enormously among the major markets, both in terms of current vacancy and development levels. In addition, the responses of tenants in some markets include rationalisation and increased cost-sensitivity, which is improving the prospects for cheaper decentralised districts in a number of markets. As markets weaken, therefore, it is becoming increasingly important to appreciate the significant differences that still exist between and within the main markets and the investment opportunities these changes bring."