

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

CBRE: PRIME YIELDS EDGE DOWNWARDS IN EMEA PROPERTY MARKETS IN Q3 2010

Latest data shows contrasting upward yield shift in UK regional office market

Yields from prime commercial real estate in Europe, Middle East and Africa (EMEA) continued to edge downwards in the third quarter (Q3) of 2010, falling by up to 11 basis points across the office, retail and industrial sectors, representing a slightly larger fall than in Q2 2010, according to CB Richard Ellis' latest *EMEA Rents and Yields Indices*. There was relatively little change in prime rents across the key European markets during the quarter.

Richard Holberton, Director of EMEA Research, CBRE, said: "This quarter's changes reinforce the offset in the timings of the rental and capital markets cycles. While prime rents in many markets have now stabilised, there is an absence of widespread upward momentum. This is one of the factors now tempering the downward movement of yields. Perhaps more importantly, following significant repricing in the second half of last year, many investors paused over the summer period to assess the market in light of the possible impact of government austerity measures."

While Q3 yield shifts across the region's major commercial sectors represent slightly larger falls than recorded in Q2, the degree of movement seen over the first three quarters of 2010 remains lower than in the second half of 2009. Around a third of the markets covered across all property sectors saw some fall in prime yields in Q3, although in most cases the largest reductions were in markets that carry relatively little weight in the indices.

"A notable feature of this quarter's yield changes was the contrasting rise in a number of the UK regional office centres, including Birmingham and Manchester, reversing some of the aggressive repricing that had been seen in these markets since the end of 2008," observed Holberton.

Rental measures across EMEA saw very little movement, with none of the sector rental indices changing by more than half a percentage point. This reflects the tentative nature of economic

recovery so far and the resultant fragility of occupier demand. As a result, the aggregate level of prime rents remains roughly unchanged in year-on-year terms.

Yields

Office yields across Europe fell during Q3 2010. The CB Richard Ellis office yield index for the EU-15 fell by eight basis points in the quarter and 49 basis points from the same quarter last year. Fifteen of the 55 locations in the survey saw downward yield movement, 36 remained unchanged and four saw an increase. The largest yield reductions were in Moscow (down 50 basis points to 10.5%) and Warsaw (down 35 basis points to 6.25%). The largest increases were in Birmingham, Manchester and Dubai in each of which yields increased by 25 basis points.

Retail yields fell during the quarter. The CB Richard Ellis retail yield index for the EU-15 fell by seven basis points in the quarter and 28 basis points from the same time last year. Seventeen of the 49 locations saw downward yield movements, 31 remained unchanged and just one saw an increase. The single increase was in Dubai where yields rose by 50 basis points to 9.50%. The largest yield reduction was in Helsinki (down 30 basis points to 5.50%), with 25 basis point falls in Brussels (to 4.75%), Rotterdam (4.25%), The Hague (4.25%), Stockholm (5%) and London West End (3.75%).

Industrial yields fell during the quarter. The CB Richard Ellis industrial yield index for the EU-15 fell by 10 basis points in the quarter and 31 basis points on the year. Sixteen of the 46 locations in the survey saw downward yield movements, 29 remained unchanged and just one saw an increase. The single yield increase was in Dubai (up 25 basis points to 12.25%). The largest yield reductions of 50 basis points were in Warsaw (down to 7.75%, Moscow (13.5%), Barcelona (8%), Stockholm (7%) and Cape Town, Durban and Johannesburg (all down to 10%).

Rents

Prime **office** rents across Europe increased slightly during Q3 2010. The CB Richard Ellis office rent index for the EU-15 area increased by 0.2% in the quarter, showing a year-on-year increase of 0.9%. Nine of the 55 locations in the survey saw increases in the level of prime rent, seven fell and 39 remained unchanged. The largest increases occurred in Tel Aviv, where rents increased by 20% over the quarter to €237 per sq m per annum and Warsaw where rents increased by 8.7%

to €300 per sq m per annum. The largest falls were in Dubai (down 5.4% to €752 per sq m per annum) and Madrid (down 3.6% to €324 per sq m per annum).

Prime rents in the **retail** sector fell slightly in the quarter. The CB Richard Ellis retail rent index for the EU-15 fell by 0.6% in the quarter and 0.4% over the year. Three of the 49 locations in the survey saw a decline in the prime rent level, 38 remained unchanged, and eight showed increases. The largest falls were recorded in Madrid (down 14.1% in the quarter to €2,400 per sq m per annum) and Zagreb (down 3.2% to €900 per sq m per annum). The largest increases were in Johannesburg, where rents increased by 14% to €253.14 per sq m per annum and Zurich, up by 6% to €5,974 per sq m per annum.

European **industrial** rents also saw minimal change in the quarter. The CB Richard Ellis industrial rent index for the EU-15 increased by 0.3%, taking the year-on-year rate of growth to -0.5%. Thirty-nine of the 46 locations in the survey saw the prime rent remaining stable, three declined, and four showed an increase. The largest falls were in Madrid (down 7.7% to €72 per sq m per annum) and Birmingham (down 4.5% to €65 per sq m per annum). The largest increases occurred in Paris, where rents increased by 12.5% in the quarter to €90 and in Stockholm and Moscow, where rents rose by 10% to €90 and €59 per sq m per annum respectively.

Note to editors: Analysis based on quarterly monitoring of 55 office markets, 49 retail markets and 46 industrial markets