

PRESS RELEASE

EUROPEAN PROPERTY INVESTMENT ACTIVITY SLOWS IN Q1 2008

CB Richard Ellis Group, Inc. announced today that, as widely expected, European investment activity continued to slow in Q1 2008 as the credit squeeze impacted transaction volumes. European investment turnover totaled €37 billion in Q1 2008, compared with €58 billion in the final quarter of last year.

The decline in activity, which became evident in the last quarter of 2007, was more pronounced during the first quarter of 2008. Lower levels of activity were reported across most of continental Europe. In the UK, however, where the slowdown in transactions emerged earliest, turnover remained at a similar level as Q4 2007 at approximately €10 billion. The UK has seen a sharper correction in pricing than other markets, and higher yields have already started to attract the interest of equity investors.

Outside the UK, the continent's two largest markets - Germany and France – saw lower volumes than in the previous quarter or in the equivalent period of last year. After a record final quarter of 2007, trading in Germany has slowed, especially for large assets and portfolio deals. In France, where the majority of trading tends to be in Ile-de-France offices, the reduced number of deals reflects an ongoing mismatch in pricing expectations between buyers and sellers. With yields still amongst Europe's lowest, buyers are reluctant to transact at current prices with investors thus adopting a "wait and see" approach.

Despite the weakening in Europe as a whole, activity in some markets remained healthy. The total value of deals actually increased in Finland and Italy relative to the levels seen in recent quarters; activity in both markets was driven by strong cross-border interest, especially in the retail sector.

Michael Haddock, EMEA Research Director, CB Richard Ellis, said: "The underlying property fundamentals remain relatively sound. Expectations of economic weakening are a cause for concern, but thus far the impact on occupier demand has been limited. The European investment market has started to see a correction in pricing in the first few months of the year, with the prime segment of the market having seen an outward yield shift of somewhere between 25 and 50 basis points. Following a rather rapid correction, the general feeling is that the UK market is levelling off, with current pricing not far from equilibrium, provided there is no further deterioration in the economic outlook."

Jonathan Hull, Executive Director of EMEA Capital Markets, CB Richard Ellis, said: "Investors who are reliant on the debt markets for their capital have inevitably been less active, but there are many equity-based investors who are watching pricing developments closely. The German open-ended funds have been most active in seizing opportunities so far. In the first quarter of this year, they accounted for almost 20% of the Central London office market activity, and also were very active in the Nordic and Central and Eastern European markets. Given that these German funds are estimated to have current liquidity of around €22 billion, we expect them to be very active in Europe for the remainder of the year."