CB RICHARD ELLIS | MARKET VIEW

European Investment

QUARTERLY BRIEF

Q2 2008

INVESTMENT TURNOVER
Q2 2008 COMPARED TO:

Q1 2008 ↓

Q2 2007 ↓

European investment activity in Q2 2008 fell to €26.4 billion, a 29% drop on the total in Q1 2008. This slowdown in activity brings the European investment turnover in H1 2008 to €63.4 billion, 49% down on €123.6 billion invested in H1 2007.

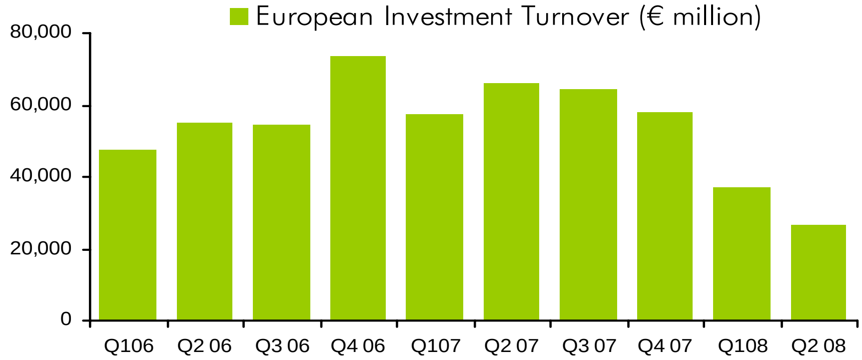
Lack of available finance, further weakening of the economic outlook and general market uncertainty remain key reasons behind the slowdown. In addition, the lack of market evidence caused by the low level of transactions increases the uncertainty over open market pricing. In the absence of a significant number of forced sellers, the mismatch between buyer and seller price expectations is making it difficult to conclude transactions.

A decline in activity was reported in most markets, with q-on-q increases in only eight of 24 countries covered. These were mainly due to a single large deal that had a substantial impact on the quarterly total for that market. Thus, the extent to which market activity has changed is better judged by the half-yearly results.

On a half-yearly comparison, lower levels of activity were evident in all markets, except for four CEE markets; Russia, Romania, Bulgaria and Croatia. In fact, the level of transactions in the CEE region as a whole has held up relatively well so far in 2008, with €5.2 billion transacted in H1.

The slowdown in H1 2008 has been most notable in the three largest markets – UK, Germany and France. After two quarters with transactions at around €10 billion per quarter, the UK market was under €7 billion in Q2 2008. To a great extent this is due to the lack of activity in Central London, where turnover in Q2 was only around €2 billion.

The fundamentals in both the German and French markets remain sound, with occupier sentiment still robust in the prime, good quality segment of the market. However, investment turnover was also sharply down due to the mismatch between buyer and seller expectations.



Source: CBRE

Market Turnover, € million	H1 2007	H1 2008	change
UK	42,924	16,234	-62%
Germany	27,146	12,100	-55%
France	13,735	6,900	-50%
Italy/Portugal/Spain	10,595	8,386	-21%
Benelux	9,384	5,027	-46%
CEE	6,611	5,224	-21%
Scandinavia	10,909	8,135	-25%
Europe	123,635	63,441	-49%

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