

PRESS RELEASE

GLOBAL PROPERTY MARKET TRENDS REFLECT SYNCHRONISED ECONOMIC DOWNTURN

London, 16 February 2009 – Whilst the precise impact varies from one city or country to another, it is clear that the world's property markets continue to be impacted by global financial and economic concerns. Beginning with the U.S. sub-prime dislocation in the summer of 2007, market conditions deteriorated into a severe global credit crisis in 2008, which effectively shut down the global economy in the fourth quarter of 2008. No part of the world has escaped the spreading crisis, including the real estate sector, according to CB Richard Ellis's *Global ViewPoint* for the fourth quarter of 2008, which reports on the global status of the commercial real estate markets.

Global and regional report highlights – Q4 2008:

- Globally, real estate capital markets reflect the scarcity of debt and the gap in expectations between buyers and sellers. This is reflected in the volume of transactions in 2008, which were down by 60% globally as yields were rising across the board.
- In Europe, Middle East and Africa (EMEA), leasing activity weakened in the major markets in Q4 2008. Vacancy is generally drifting up, while prime rent declines were evident in London, Madrid, Frankfurt, Paris and some of the Scandinavian markets.
- Throughout Asia, prime office leasing activity slowed dramatically during the fourth quarter, and some buildings in major regional centres encountered difficulty filling vacant space. In the Pacific region, overall growth in office face rentals in Australia has fallen slightly, and incentives have increased. In New Zealand, face rents have been relatively stable, with incentives continuing to increase.
- In the Americas, the U.S. office vacancy rate increased by 40 basis points to 14% in the fourth quarter, while industrial and retail availability rates rose 60 basis points to 11.3% and 10.7%, respectively. In Canada, vacancy and availability rates are up in almost every asset class with the exception of multi-residential; softening rents are expected as vacant space lingers on the market for longer periods of time. In Latin America, despite falling office demand, vacancy levels remain near all-time lows, and the sublease rate has yet to rise.

Nick Axford, Head of EMEA Research and Consulting, said: "Property investment transactions were down 53% across Europe in 2008, broadly in line with the global average of 59%, with the fourth quarter seeing particularly low levels of activity everywhere in the aftermath of the Lehman's collapse.

"Some increase in investor interest is being seen in markets where yields have moved out most sharply, and we must wait to see whether this represents the first stages of a recovery - however modest - in transaction volumes. With equity investors around the world awaiting the right time to enter the market and a probable increase in the number of forced sellers, the likelihood is that activity will start to pick up at some stage in 2009; the key question is when.

“The impact of the economic slowdown is now clearly also being seen in occupier markets around the world, with vacancy starting to rise and rents beginning to fall. If anything, the rental decline in Europe is currently more modest than that being seen in the major markets of Asia and North America, yet this may change. Office leasing activity is already weakening, down by 13% in Europe in 2008, and is expected to fall further in 2009 which will accelerate the rate of rental decline. The relatively modest development pipeline in many markets will help mitigate the falls, and offers the prospect of rental increases in the medium term. However for the immediate future we can expect falling rents as landlords compete to ensure that their buildings remain income-generating.

“Whilst the specific numbers may differ, these trends are common to most of the major property markets around the world. Until such time as the financial crisis begins to ease and the economic outlook for individual countries becomes clearer, we can expect trends in the European markets to continue to be driven by these broader global considerations.”