

# P R E S S   R E L E A S E

## ***BACK FROM THE BRINK... BUT WHAT NEXT?***

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### **New *Global MarketView* Analyses Latest Global Economic and Commercial Real Estate Trends**

*Back from the Brink... But What Next?*, a new *Global MarketView* report issued by CB Richard Ellis (CBRE), reports some stabilisation and recovery in the world's commercial real estate markets at the mid-point of 2009.

The quarterly global report, which scrutinises economic and real estate trends across the world's three key regions, looks at the obvious indicators of weak market conditions but also identifies some positive developments, including initial signs of recovery in some regions:

- Activity in the European investment market inched up to €13 billion in the second quarter, from €11.6 billion in Q1 2009. While it is too early to predict a sustained upturn, there is some expectation that Q4 could see a modest further improvement in transaction volumes. Investment market activity quickened in the London market towards the end of Q2, as investors target the markets that have seen greatest price corrections. However, office leasing activity in the main European markets is still very subdued, with the CBRE EU-15 index of prime office rents falling by 2.9% in Q2 – taking the year-on-year rate of decline to 8.6% – and on course to show significant year-on-year contraction relative to 2008.
- There has been an uptick in investment sales volume in Asia, where the market has adjusted quickly and pricing may have hit bottom in some cities in Q2. In China and Hong Kong, residential sales transactions continued to rebound strongly, while overall market sentiment and investment transaction activity improved somewhat in Japan, Korea, India and Singapore. However, overall prime office rental rates in Asia dropped in Q2 and a number of office markets continued to record negative net absorption and falling occupancy rates.
- In the Pacific region, there were signs that property markets was stabilising after 18 months of turmoil caused by the global financial crisis. Some larger investment transactions are finally taking place; the amount of sublease office space coming onto the market is slowing; and both consumer and business confidence measures are now improving after reaching their lowest levels in almost 20 years.
- There are no signs of recovery for the market in U.S. Vacancy rates in the office, industrial and retail property markets continued to rise in Q2 2009. The U.S. office vacancy rate increased by 80 bps during Q2 2009 to 15.5%, while the national industrial availability rate increased 80 bps during Q2 2009 to 13.0%. However in Canada, office vacancy rose at a slower rate than in the U.S. The national office vacancy increased from 7.5% in the previous quarter to 8.3% in Q2.

“It is startling how much more optimism is found in Asia, compared with investor sentiment in mature economies. The refrain I hear most often from Asia is that investors have ‘missed the absolute bottom’,” said Dr. Raymond Torto, CBRE’s Global Chief Economist.

Dr. Torto added: “It is obvious that the countries most burdened with weak credit institutions are in for a longer recovery period than others. While the severe recession of the last year was synchronised across the globe, the recoveries will widely vary, determined mostly by the strength of a country’s banking system.”

*Back from the Brink... But What Next?* finds that the prospects for commercial real estate during the balance of this year remain mixed. Ultimately real estate demand is entirely dependent on economic activity, and the global recession has taken a toll on occupiers and investors alike. The lack of financing for real estate transactions—along with rising risk premiums and weakening property fundamentals—has so far driven real estate asset prices down by 35% to 50% from the peak levels of 2007-08, with the scale and speed of decline varying depending on the market, property type, and asset quality and location. In many markets, this process of value adjustment is far from complete.