

# PRESS RELEASE

## EUROPEAN RENTS REMAIN STABLE IN THE THIRD QUARTER OF 2008

### Rising yields likely to attract interest from equity-rich investors targeting the commercial real estate market

**London – October 15, 2008** – Despite the economic uncertainty affecting European and world markets at the present time, prime rents across Europe remained stable in the office and retail sectors during the third quarter of 2008, with rents in the industrial sector falling slightly, according to the latest CB Richard Ellis Rent Indices. However, whilst the annual rental growth rates for all three sectors are still in positive territory there are growing indications of downward pressure on rents in a number of countries as the continued financial uncertainty reduces confidence in the occupier markets. This may in turn contribute to a general reduction in corporate occupation costs.

The CB Richard Ellis office rent index for the EU-15 area fell by 0.2% in the quarter, reducing the year-on-year rate of growth to 5%. Eight of the 49 locations in the survey saw increases in the level of prime office rents, seven declined and 34 remained unchanged. The largest increases occurred in Dubai and Marseille, with rents up by 12% to €1,113 and €240 per sq m per annum, respectively. The largest declines were recorded in St. Petersburg and Oslo, down by 8% and 4% to €866 and €518 per sq m per annum, respectively. The key City and West End markets in Central London also saw rents come under downward pressure.

Reflecting the trend seen in the office markets, prime rents in the retail sector remained stable in Q3 2008. The CB Richard Ellis retail rent index for the EU-15 area fell by 0.1% in the quarter, lowering the year-on-year growth rate to 4.6%. Six of the 42 locations surveyed saw increases in the level of prime retail rents, two declined and 34 remained unchanged. The largest changes occurred in Dubai and Bucharest, with rents up by 11% and 7% to €1,041 and €1,680 per sq m per annum, respectively. The largest decrease was recorded in Madrid, down by 4% to €3,000 per sq m per annum.

European industrial rents fell slightly in the quarter. The CB Richard Ellis industrial rent index for the EU-15 area fell by 1%, reducing the year-on-year rate of growth to 0.4%. Only two of the 41 locations surveyed saw increases in the level of prime rent, four declined and 35 remained unchanged. The only rises occurred in St. Petersburg and Zagreb, with rents up by 39% and 2% to €177 and €71 per sq m per annum, respectively. The largest decreases were recorded in Milan and Rome, down by 6% and 4% to €58 and €62 per sq m per annum, respectively.

Richard Holberton, Director, CBRE EMEA Research and Consulting, said: "While the annual growth rates for all three sectors remain positive, the weaker outlook for the European economy is reflected in support for rents at their current levels, and the growing incidence of actual rental declines."

The onset of slower rental growth has led to yields across all three sectors continuing to move up in the third quarter of 2008. Richard Holberton continued: "The combined effects of much-reduced

levels of liquidity and investment turnover, and a weaker short-term income growth outlook, are now contributing to upward pressure on yields in all sectors. This latest evidence of rising yields will be of interest to equity-rich investors that are targeting the commercial real estate market.”

Turmoil in the debt and investment markets has driven prime office yields in Europe up by 18 basis points in the quarter and, as a result, they are now 79 basis points higher than a year ago. The CB Richard Ellis office yield index shows that 32 of the 49 locations in the survey saw upward yield movements, with 17 remaining unchanged. The largest rises occurred in Dublin, Bucharest and Sofia, in each of which yields rose by 75 basis points.

The CB Richard Ellis retail yield index for the EU-15 area also rose by 19 basis points in the quarter, and as a result is 56 basis points higher than Q3 2007. Twenty four of the 39 locations in the survey saw upward yield movements, and 15 remained unchanged. The largest rise occurred in Dublin, with yields moving 75 basis points higher to 4.5%. Several markets, including Brussels, Prague, Berlin and Moscow, recorded yield increases of 50 basis points during the third quarter.

In the industrial sector, the CB Richard Ellis industrial yield index for the EU-15 area rose by 23 basis points in the quarter, and as a result is 75 basis points higher than this time last year. Thirty one of the 41 locations surveyed saw upward yield movements, one saw yields move lower and nine remained unchanged. The largest rise occurred in Bratislava, with yields moving 75 basis points higher to 7.5%. The only yield reduction, of 50 basis points, occurred in St. Petersburg taking it to 11%.