

LONDON, PARIS DOMINATE INVESTMENT ACTIVITY IN 2008

London/Cannes, 10 March 2009 – Despite the sharp fall in overall investment activity in commercial property in 2008, Europe’s largest cities dominated investment turnover for the year, according to new research from CB Richard Ellis. London and Paris maintained their dominance of the European office market, accounting for 36%* of all office transactions completed last year, or one in every three deals. This concentration extended to the market’s largest deals, with 44% of office deals over €100 million being done in either London or Paris.

Europe’s 10 largest markets accounted for 43% of all investment transactions in 2008*, effectively retaining their historical control of investment liquidity, even though marked changes in overall activity significantly impacted the shape of the European property market.

Ten Biggest Investment Markets in Europe, 2008

City	2008 Turnover (€ million)	Percent of whole market*
London	11,402	12.9%
Paris	8,499	9.6%
Madrid	3,696	4.2%
Stockholm	3,081	3.5%
Moscow	2,399	2.7%
Berlin	2,063	2.3%
Copenhagen	1,960	2.2%
Munich	1,831	2.1%
Hamburg	1,605	1.8%
Brussels	1,577	1.8%

*Excluding Multi-city portfolios where the value cannot be broken down

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In recent years, the composition of Europe’s list of top 10 property investment markets has remained very stable. Six of the markets – London, Paris, Stockholm, Madrid, Berlin and Hamburg – have been in the top 10 list every year since 2005, including in 2008, a year when change was the dominant force in the property and broader investment markets, in Europe and globally. Going against this grain of change, eight out of the top 10 cities were the same in 2008 as 2007.

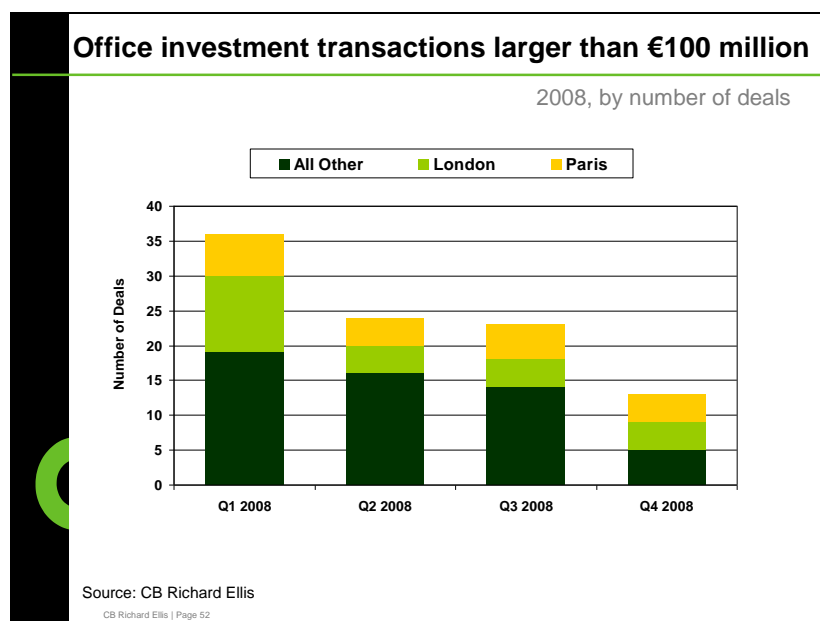
Michael Haddock, Director, EMEA Research and Consulting, CB Richard Ellis, said: “A persistent feature of the European property market is the concentration of investment activity in the top two cities – London and Paris. And this did not change from 2007 to 2008 despite the fall off in overall activity or the sweeping impact

* Excluding indivisible multi-city portfolios

of the global economic downturn. This ‘tale of two cities’ is particularly true when looking at the office sector, with London and Paris accounting for 36%* of all office transactions in 2008, effectively one in every three deals.”

The top 10 cities for office investment last year in Europe accounted for 61% of the total value of office transactions, even more concentrated than activity for the top 10 cities across all sectors.

In addition to geographic concentration, liquidity was also concentrated from the perspective of lot size. Difficulties in the financial markets have translated very quickly into the commercial real estate investment market, resulting in a significant fall in average deal size in 2008. For office transactions, the average lot size fell to €34 million last year, compared to €48 million in 2007. The vast majority of deals completed in 2008 were under €50 million, meaning liquidity was concentrated in smaller deals. Of around 1,500 office deals recorded in Europe last year, 83% (by number) were for less than €50 million.



“The significant reduction in the average deal size in Europe in 2008 does not mean that there was no market at all for larger deals; but large deals were very heavily concentrated in the most liquid markets, London and Paris in particular. Of the 96 office deals over €100 million reported in 2008, London accounted for 23, followed by Paris with 19, clearly illustrating the greater liquidity in these two markets,” Haddock said.

Aside from London and Paris, the list of larger European office deals tailed off very quickly, with Stockholm reporting six deals over €100 million, and Moscow and Warsaw four each for 2008.

* Excluding indivisible multi-city portfolios