

# PRESS RELEASE

## CONTACT:

## **EAST-WEST SPLIT IN EUROPEAN OFFICE MARKETS AS RENTS STALL IN Q2**

**London, 2 September 2011** – Renewed caution from occupiers had led to reduced activity across Europe's main office markets, with the notable exception of Moscow, according to the latest EMEA Offices report from CB Richard Ellis (CBRE).

The report finds that uncertainty generated by the sovereign debt crisis and broader economic climate is affecting occupier behaviour, with many choosing to roll over existing leases or take short-term expansion space as opposed to relocating, at least until clearer signs of recovery are evident. As a result take up across European office markets for the first half of the year is down 6% compared to the same period last year, and 12% compared with the second half of 2010.

However, CBRE's analysis shows that there was an increase in take-up in the second quarter (Q2) of this year (+7%), which reflects stronger demand in a small number of cities, notably Moscow where 295,000 sq m was taken in Q2, a 34% increase on the first quarter. There were also q-o-q increases in take-up in Munich, Amsterdam and Frankfurt, where take-up increased by 86% in Q2.

The CB Richard Ellis EU-27 Office Rent Index was unchanged in Q2 as prime rents stalled across most Western European markets. Where increases did occur, they were concentrated in the faster-growing economies in Central and Eastern Europe (CEE) and Scandinavia. Again, one notable bright spot is Moscow, where the office market continues to perform well and prime rents have increased by 10% in Q2. In Oslo prime rents also jumped 10% q-o-q.

In a handful of markets prime rents continue to decrease. In Athens rents were down 15.5% y-o-y as the Greek economic crisis continues, and rents in Dublin (-6.4%), Madrid (-1.9%) have dipped further in Q2 2011 although the rate of decline has eased considerably.

Across virtually all European markets vacancy rates continue to decline as the availability of prime space is squeezed. CBRE's report highlights that development completions will remain low for at least two years, with only a handful of cities, London among them, having a significant development pipeline. Vacancy has reduced significantly in Moscow, Prague, Frankfurt and Barcelona, where vacancy remains high in absolute terms.

Peter Damesick, EMEA Chief Economist, CBRE said: "Growing economic uncertainty linked to the eurozone debt crisis was reflected in slower occupier activity across leading office markets in Western Europe before the August storms broke in the financial markets. In contrast a number of markets in Central and Eastern Europe kept up stronger momentum in the second quarter of 2011, notably Prague, Warsaw and Moscow. Markets are also polarising between difference qualities of office space. Office demand generally is focused on prime quality space which is in increasingly short supply as development completions sink to cyclical lows. Secondary space is rising as a proportion of overall available supply."

**ENDS.**

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