

PRESS RELEASE

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PRIME RENTS AND YIELDS STABLE ACROSS EUROPE

Economic Uncertainty Stifles Market Growth in Q3 2011

London, 11th October 2011 – Amid the flow of significantly negative economic news and nervousness in the financial markets, prime commercial property rents and yields held firm in the third quarter, according to the latest figures released by CBRE.

Continuing the pattern that has emerged over recent quarters, prime rents saw little overall change across Europe in Q3 2011 in any sector. The CBRE EU-15 Prime Office Rent Index was unchanged in the third quarter, with the vast majority of constituent locations seeing no change in the prime rent level. Industrial rents were similarly flat, while high street retail rents continue to see the strongest growth albeit up by only 0.7% this quarter.

Richard Holberton, Director of EMEA Research at CBRE, said: “The market background over the past quarter has been dominated by concerns over the escalation of the Eurozone sovereign debt crisis, and its possible market consequences. This has clearly heightened occupier caution towards new building commitments and tempered the rental recovery. At the same time we are seeing more evidence of tenants increasingly favouring modern prime space across all sectors, and as a result a growing polarization between prime and secondary space.”

With a high degree of economic uncertainty and limited rental momentum, prime yields also saw little change in the third quarter. Yields in each of the three main sectors fell by less than four basis points in Q3, with yields in most locations unchanged from the previous quarter. Any yield changes in the core Western European markets were mostly slight, with larger changes confined to peripheral or emerging markets.

Holberton continued: “Investment turnover actually rose marginally in the third quarter, but investors remain generally circumspect and heavily focused on core, prime assets. It is notable that, in the context of generally limited yield movement this quarter, Paris and the City of London were among the few office markets where yields moved lower, reflecting their attractiveness in terms of market depth and liquidity”.

Yields

Office yields across Europe fell slightly during Q3 2011. The CBRE Prime Office Yield Index for the EU-15 fell by four basis points in the quarter and 20 basis points against the same quarter last year. Twelve of the 53 locations surveyed saw downward yield movements this quarter, 40 remained unchanged, and one saw an increase. The largest decrease was in Istanbul (down 75 basis points to 7.75%). Durban and St Petersburg each recorded falls of 50 basis points, while the remaining falls were of 25 basis points or less. The only increase in the quarter was in Tel Aviv where yields rose by 50 basis points to 8%.

Retail yields were unchanged in the third quarter, with the CBRE EU-15 Prime Retail Yield Index down only two basis points to 4.96%. Ten of the 47 locations surveyed saw downward yield movements this quarter, 35 remained unchanged, and two saw an increase. The largest decreases were in St Petersburg (down 100 basis points to 12.0%) and Moscow (down 75 basis points to 9.75%). The largest increase was in Tel Aviv (up 50 basis points to 8.0%).

Industrial yields were effectively unchanged over the quarter, with the CBRE Prime Industrial Yield Index for the EU-15 down by one basis point, leaving it 15 basis points lower on the year. Ten of the 46 locations surveyed saw downward yield movements this quarter, 33 remained unchanged, and three saw an increase. The largest decrease was recorded in Istanbul, where yields fell by 100 basis points to 10.5%. Moscow and St Petersburg each saw falls of 50 basis points. Increases of 50 basis points were observed in Lisbon and Barcelona.

Rents

Prime **office** rents across Europe remained stable during Q3 2011. The CBRE Prime Office Rent Index for the EU-15 was up by a notional 0.1% in the quarter, but showed a year-on-year increase of 1.9%. Eight of the 53 locations in the survey saw increases in the level of prime rent, four fell, and 41 remained unchanged. The largest increase in Europe occurred in Moscow, where rents increased by 9.5% over the quarter to \$1150 per sq m per annum. Any rental declines were generally slight, but Sofia saw a decline of 3.6% to €162 per sq m per annum.

Prime rents in the **retail** sector rose in the third quarter with the CBRE Prime Retail Rent index for the EU-15 up by 0.7% in the quarter and 4.3% over the year. Seven of the 47 locations surveyed registered an increase, 40 remained unchanged, and none fell. Among the major centres, the largest increases occurred in the City of London (up by 5.6% to £950 per sq ft per annum) and Milan (up by 5.3% to €4,000 per sq m per annum).

European **industrial** rents were effectively stable in the third quarter. The CBRE Industrial Rent Index for the EU-15 rose by 0.1% in Q3 and is down by 0.2% over the year. Thirty six of the 46 locations in the survey saw the prime rent remaining stable, two fell, and eight showed an increase. The largest fall in Europe was in Vienna (down 1.02% to €58.20 per sq m per annum) while the largest increases were in Istanbul (up 7.7% to \$7.00 per sq m per month) and Rotterdam (up 4.5% to €70.00 per sq m per annum).

Note to editors: Analysis based on quarterly monitoring of prime markets across EU-15 countries, including 53 office markets, 47 retail markets and 46 industrial markets

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