

P R E S S R E L E A S E

CONTACT:

LITTLE MOVEMENT IN PRIME EUROPEAN RENTS AND YIELDS IN FIRST QUARTER

Slight fall in prime yields in Q1 2011

Little sector differentiation in scale of yield change

London, 08 April 2011 – The first quarter of 2011 was one of general stability in values across the European commercial property market, with prime rents and yields seeing little movement, according to the latest figures released by CB Richard Ellis (CBRE).

While the direction of prime yield movement is still downward, the pace of change is slow, with falls of less than ten basis points in each of the main commercial sectors, according to CBRE's latest *EMEA Rents and Yields Indices*. Prime rents edged up marginally in all sectors in Q1, most strongly in the retail market which saw a 1.4% increase. Year-on-year rental growth remains strongest in the office sector, with a rise of 2.3%.

Richard Holberton, Director of EMEA Research at CB Richard Ellis, said: "The absence of strong movements in either rents or yields this quarter reflects a number of factors that, in combination, are having the effect of delaying a more convincing recovery. Economic momentum remains uneven and, with fiscal strains within the Eurozone continuing to loom large, investor concerns persist about the impact of government austerity measures on the shape of any rental recovery. With prime yields having sharpened more significantly in late 2009 and early 2010, some of the capital targeting the prime end of the market may be finding it more difficult to identify value."

Yields

Office yields across Europe fell during Q1 2011. The CB Richard Ellis Office Yield Index for the EU-15 fell by four basis points in the quarter and 23 basis points versus the same quarter last

year. Fifteen of the 56 locations in the survey saw downward yield movements this quarter, 39 remained unchanged, and just two saw an increase. The largest yield reduction was in Kiev (down 100 basis points to 13%), followed by Sofia, Belgrade, Geneva, and Dubai which all saw yield reductions of 50 basis points. The only increases were in Lisbon and Oporto where yields rose by 25 basis points to 7.00% and 8.75% respectively.

Retail yields also fell during the quarter. The CB Richard Ellis Retail Yield Index for the EU-15 fell by five basis points in the quarter and 25 basis points from the same time last year. Thirteen of the 50 locations saw downward yield movements, 33 remained unchanged, and only four saw an increase. The largest increases were seen in Brussels, Athens, and Edinburgh, with upward shifts of 25 basis points to 4.75%, 7.00%, and 5.50% respectively. The largest yield reductions (of 25 basis points) were in Prague, Milan, Oslo, Bucharest, Madrid, and Barcelona. There were also smaller 10 basis point falls in Zagreb, Helsinki, Dusseldorf, Frankfurt, Hamburg, Munich, and Zurich.

Industrial yields displayed the largest quarterly decrease. The CB Richard Ellis Industrial Yield Index for the EU-15 fell by eight basis points in the quarter and 27 basis points on the year. Twelve of the 47 locations in the survey saw downward yield movements, 32 remained unchanged, and only three saw an increase. The largest yield reductions (of 100 basis points) were in Belgrade (down to 12%) and Kiev (15%), while increases were recorded in Lisbon, Istanbul and Dubai.

Rents

Prime **office** rents across Europe increased slightly during Q1 2011. The CB Richard Ellis Office Rent Index for the EU-15 area rose by 0.7% in the quarter, showing a year-on-year increase of 2.3%. Fifteen of the 56 locations in the survey saw increases in the level of prime rent, four fell, and 37 remained unchanged. The largest increases in Europe occurred in Lille, where rents increased by 8.1% over the quarter to €200 per sq m per annum and Kiev where rents increased by 6.25% to €288 per sq m per annum. The largest falls were in Athens (down 12.5% to €336 per sq m per annum) and Lisbon (down 2.6% to €222 per sq m per annum).

Prime rents in the **retail** sector displayed the largest quarterly increase. The CB Richard Ellis Retail Rent index for the EU-15 rose by 1.4% in the quarter and 1.5% over the year. Fourteen of the 50 locations in the survey registered an increase, 34 remained unchanged, and only two declined. The only falls were recorded in Dublin (down 4.8% in the quarter to €2,350 per sq m per annum) and Athens (down 3.9% to €1,410 per sq m per annum). The largest increases were in Warsaw, where rents increased by 12.5% to €1,080 per sq m per annum and Brussels, up by 6.25% to €1,700 per sq m per annum.

European **industrial** rents saw a slight change in the quarter. The CB Richard Ellis Industrial Rent Index for the EU-15 rose by 0.8% in Q1, but fell by -0.1% over the year. Thirty-five of the 47 locations in the survey saw the prime rent remaining stable, five declined, and seven showed an increase. The largest falls were in Dublin (down 14.5% to €65 per sq m per annum) and Sofia (down 11% to €48 per sq m per annum). The largest increases in Europe occurred in Moscow, where rents increased by 9% in the quarter to €84.70 per sq m per annum, and Geneva where rents rose by 8.7% to €192 per sq m per annum.

Note to editors: Analysis based on quarterly monitoring of prime markets across EU-15 countries, including 56 office markets, 50 retail markets and 47 industrial markets

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