

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

FURTHER EVIDENCE OF EUROPEAN YIELDS STABILISING IN THIRD QUARTER

Rents edging down as occupier markets remain fragile

London, 6 October 2009 – Prime yields have shown further signs of stabilisation across Europe's real estate markets, and are trending downwards in several locations, according to the latest third quarter data from CB Richard Ellis. Initial estimates show the CBRE EU-15 all-property average prime yield index remaining stable at 6.13% in Q3, reflecting stronger investor sentiment towards core prime assets in many parts of the market. This series had risen by 130 basis points (bps) between mid-2007 and the first quarter of this year, since when it has remained level.

While the theme of stabilisation is common across all sectors, certain differences are also apparent. The EU-15 office yield index fell slightly in the third quarter (as it had in Q2), reflecting downward yield movements in the City of London and Paris, both markets where investor interest has clearly strengthened. The prime Paris yield has improved by 50 bps since March. Small upward adjustments are still evident in some markets including the main Italian cities, but elsewhere prime yields are broadly unchanged from their mid-year levels. The EU-15 industrial yield index remained static in the third quarter, reflecting unchanged figures in the bulk of the main markets, while the retail yield index rose marginally but is still within 25bps of its end-2008 level.

The adjustment in the capital markets cycle continues to run ahead of the occupier market, where demand remains generally subdued. Nevertheless, with some economic indicators showing signs of improvement in a number of markets, the rental movements recorded in the third quarter were mostly very slight. The CBRE EU-15 index of prime office rents fell by 1.2% in Q3 2009, the smallest quarterly decline for a year, which takes the year-on-year rate of change to -10%. Among the major Western European markets, some downward adjustments were recorded in the City of London, Madrid, Barcelona and Vienna. The industrial and retail indices were both unchanged in the third quarter - reflecting near-universal stability in prime rents at a local level - and in year-on-year terms are down by 4.5% and 1.6% respectively.

Nick Axford, Head of EMEA Research and Consulting, CB Richard Ellis, said: “There is still some variation in the extent to which individual markets have repriced, but in general prime yields are showing clearer signs of leveling off. Indeed, in some highly liquid markets that have seen substantial repricing - notably London and Paris - the direction of yield movement is now downward. The rental market remains more difficult with economic conditions still weak, although even here the degree of decline seen in the third quarter is moderate by recent standards”.