

Quick Stats

	Change from	
	Q4 09	Q1 09
Rent	↑	↓
Vacancy Rate	↑	↑

Hot Topics

- Economic recovery across Europe remains patchy, and more severe austerity measures will need to be implemented in some countries. For now, office demand is mostly being driven by corporate rationalisation and consolidation.
- Landlords' reluctance to cut headline rents means that substantial tenant incentive packages are still on offer in many markets. These are likely to erode as markets tighten this year.
- We are nearing the start of the next development cycle in some markets, and occupier choice is likely to expand from 2012.

OVERVIEW

- **With economic recovery still patchy, office demand driven by consolidation**
Leasing activity across Europe fell by around 30% in 2009 but has been showing signs of strengthening over the past two quarters. Corporate restructuring and consolidation are the main drivers and the resulting demand is mostly for small to medium-sized units. At this stage in the cycle, many large corporates will be able to accommodate stronger demand by using existing buildings more intensively. As economic momentum improves, however, more European markets will see expansion demand picking up.
- **Changes in the level and quality of tenant choice.....**
Vacancy is still rising across Europe but at a slowing rate, and the level of available space is close to its peak in many markets. Vacancy has already started to decline in London and Paris. With many corporates having relocated to better buildings at a time of generally falling rents, much of the newly-vacant space is of poor quality. The choice of large high-quality buildings in CBD locations is generally much more limited.
- **.....Compounded by a sharp dip in development**
Development activity has declined to very low levels since the start of the credit crunch, and development finance still remains difficult to secure. New office completions will be very subdued this year and even more so in 2011. Rising values at the prime end of the market will begin to encourage developers to reactivate schemes. This could work to the advantage of occupiers who are able to de-risk schemes by taking pre-lets.
- **Rents close to turning point in a growing number of markets**
Prime rents rose by 1% on average in the first quarter of 2010, the first increase since mid-2008. London and, to a lesser extent, Paris are leading the rental recovery so far, with rents at or approaching a floor in a number of other markets. It will become more difficult to secure rent or lease concessions from landlords as market conditions strengthen in more locations.

EMEA Rent Cycle, Q1 2010



The rental cycle is intended to show the trend in net effective rents. Markets are positioned in relation to their own cycle and do not necessarily move along the cycle in the same direction or at the same speed as other markets.

Source: CB Richard Ellis

KEY INDICATORS

Country	City	Prime Office Rent Local	€ / sq m/ annum	Last 3 Months (%)	Last 12 Months (%)	From peak* (%)	Typical lease length (yrs)	Rent Free Period (months)
Austria	Vienna	€ 22.25/sq m/month	267	0.0	-3.3	-5.3	3 - 5	3 - 6
Belgium	Brussels	€ 265.00/sq m/annum	265	0.0	-3.6	-11.7	3/6/9	1/yr secured
Bulgaria	Sofia	€ 14.75/sq m/month	177	-1.7	-13.2	-19.2	3 - 5	1 - 3
Croatia	Zagreb	€ 16.70/sq m/month	200	-0.6	-5.4	-4.6	5	3
Czech Republic	Prague	€ 21.00/sq m/month	252	0.0	-8.7	-8.7	5	1 - 5
Denmark	Copenhagen	DKR 1,675/sq m/annum	225	-1.5	-9.5	-9.5	3 - 6 or 5 - 10	0
Finland	Helsinki	€ 318.00/sq m/annum	318	0.0	-9.1	-11.7	3 - 5	0
France	Lyon	€ 246.00/sq m/annum	246	7.0	-1.6	-1.6	3/6/9	3 - 6
France	Marseille	€ 250.00/sq m/month	250	0.0	-16.7	-16.7	3/6/9	3 - 6
France	Paris	€ 750.00/sq m/annum	750	4.2	-3.8	-11.8	3/6/9	6 - 12
Germany	Berlin	€ 20.00/sq m/month	240	0.0	0.0	-11.1	5 + 5	6 - 12
Germany	Frankfurt	€ 38.00/sq m/month	456	0.0	0.0	-2.6	5	6 - 9
Germany	Hamburg	€ 23.00/sq m/month	276	0.0	-4.2	-4.2	5 + 5	5 - 6
Germany	Munich	€ 29.50/sq m/month	354	-1.7	-4.8	-6.3	5 + 5	6 - 9
Greece	Athens	€ 33.00/sq m/month	396	0.0	3.1	3.1	12 + 4	1
Hungary	Budapest	€ 20.00/sq m/month	240	0.0	0.0	-11.1	3 - 5	6 - 8
Ireland	Dublin	€ 376.00/sq m/annum	376	0.0	-30.4	-44.1	10	21
Israel	Tel Aviv	\$26.00/sq m/month	231	13.0	15.6	-25.7	3 - 5	0
Italy	Milan	€ 520.00/sq m/annum	520	0.0	-5.5	-5.5	6 + 6	6
Italy	Rome	€ 420.00/sq m/annum	420	0.0	-4.5	-4.5	6 + 6	6
Luxembourg	Luxembourg City	€ 40.00/sq m/month	480	0.0	0.0	0.0	3/6/9	1/yr secured
Netherlands	Amsterdam	€ 330.00/sq m/annum	330	0.0	0.0	-2.9	5 + 5	12-24
Norway	Oslo	NKR3,000/sq m/annum	374	0.0	-9.1	-33.3	3 - 5	0 - 6
Poland	Warsaw	€ 23.00/sq m/month	276	0.0	-17.9	-34.3	5	3-12
Portugal	Lisbon	€ 19.50/sq m/month	234	0.0	-4.9	-4.9	5	3 - 6
Romania	Bucharest	€ 19.50/sq m/month	234	0.0	-2.5	-11.4	5	3.5
Russia	Moscow	US\$ 850.00/sq m/annum	629	0.0	-29.2	-50.0	3 - 5	0 - 6
Russia	St Petersburg	US\$ 800.00/sq m/annum	592	6.7	-8.0	-41.9	3	0 - 2
Serbia	Belgrade	€ 15.00/sq m/month	180	0.0	-9.1	-28.6	5	3
Slovak Republic	Bratislava	€ 17.00/sq m/month	204	0.0	-5.6	-5.6	5	3 - 8
Spain	Barcelona	€ 246.00/sq m/annum	246	-2.4	-12.8	-26.8	3 + 2	4
Spain	Madrid	€ 348.00/sq m/annum	348	-1.7	-14.7	-28.4	3 + 2	3
Sweden	Stockholm	SEK 4,000/sq m/annum	410	0.0	-2.4	-9.1	3 - 5	3 - 6
Switzerland	Geneva	SFR 850.00/sq m/annum	597	0.0	3.7	0.0	5	3
Switzerland	Zurich	SFR 850.00/sq m/annum	597	0.0	-5.6	-10.5	5	1 - 3
Turkey	Istanbul	US\$ 40.00/sq m/month	355	0.0	-11.1	-11.1	3 - 5	1
UAE	Dubai - DIFC	AED 37.16/sq m/annum	868	0.0	-11.1	-27.3	3	2
UK	Birmingham	£ 27.00/sq ft/annum	326	0.0	-6.9	-16.9	10	24- 36
UK	Edinburgh	£ 27.50/sq ft/annum	332	0.0	-3.4	-5.2	10	36
UK	Glasgow	£ 27.00/sq ft/annum	326	0.0	-5.3	-5.3	10	36
UK	London City	£ 47.00/sq ft/annum	568	8.1	1.1	-27.7	10	26
UK	London West End	£ 85.00/sq ft/annum	1,028	6.3	-2.9	-29.2	10	18-21
UK	Manchester	£ 28.50/sq ft/annum	345	0.0	0.0	0.0	10	36

* Figures indicate degree of change from the highest rent recorded in the previous three years, and current level



Most companies in **Amsterdam** are looking for cost benefits in existing locations, rather than looking to relocate. Many are renegotiating with landlords and handing back surplus space in return for an extended commitment, and sublet space has increased.

Q1 take-up in **Brussels** was well above the corresponding quarter last year, mainly driven by occupiers consolidating premises into one modern building. There have been a number of such moves recently, particularly from the decentralised area to the periphery, such as Rockwell Automation. Tenants are increasingly aware that the current favourable market conditions will not last indefinitely and sense that the time to move, or renegotiate, is imminent.

Leasing activity in **Dublin** is gradually improving, particularly for high-quality space, and rents appear to be stabilising after a precipitous fall. Vacancy levels remain static however, as the final speculative schemes are delivered from the last development cycle. New requirements are emerging across a range of size categories, which should translate into leasing deals in the next six months.

Prime **Frankfurt** rents have barely moved in this cycle and remained unchanged in Q1. Many corporates - particularly in the banking, legal and IT sectors - are active in seeking early lease renewals close to the bottom of the market. The level of vacancy in well-specified class A buildings remains low.

Take-up rose in **London** in Q1, strongly driven by the City financial district where it reached near-record levels. The rising incidence of larger deals is a key factor in this: there were nine deals of over 100,000 sq ft in Q1. Banking and finance accounted for 40% of take-up in the first quarter, which is well above trend. This more positive leasing market is also contributing to the rapid erosion of supply: there is increasingly limited choice for major occupiers seeking large floorplates as the amount of new space to be delivered through 2011 is low.

Leasing levels in **Milan** remain weak, and more organisations are considering relocating from the historic centre to the better semi-central and peripheral locations such as Sesto San Giovanni and San Donato. Demand is spread across a number of sectors and mostly focussed on smaller units of between 150 - 1,000 sq m, with an emphasis on cost containment. Prime rents remain stable.

Prime rents in **Madrid** have continued to edge down. Quarterly take-up remains volatile and much of the activity comprises deals arising from relocations, with very few producing positive net take-up. Prime rent levels are therefore expected to come under renewed pressure.

Paris demand remains uncertain, but corporates are becoming more likely to complete a deal. Rents continue to decrease overall although not on high-quality well-located space, which is still in short supply due to a lack of new development. More occupiers are therefore considering undertaking projects now, in the knowledge that future stock will be very limited from the end of 2011, and quality space will become scarcer and more expensive.

Due to increasing demand in **Zurich** from incoming companies from abroad (banking, trading, IT, engineering) and a low level of supply, competition is growing for prominent large units in the CBD. The availability of smaller units under 1,000 sq m is still rising mainly as a result of banks restructuring.



The availability of office space in **Copenhagen** rose further in Q1, although the rate of increase appears to be slowing. Prime headline rents have not fallen markedly, but there is a widening gap between headline and effective rents, with an increasing

number of leases containing an initial rent-free period. There is also a movement towards central locations either from other city locations or the suburbs, with units of under 1,000 sq m accounting for the majority of leases.

Rents are still falling in **Helsinki** and submarket differentials are increasing. Landlords also continue to support the market by offering increased incentives. Many companies, but especially international firms, are looking to re-gear their existing leases.

Take-up rose in **Oslo** in the first quarter. While aggregate office vacancy is increasing, the CBD area appears to be tightening. The prime market has shown stability for several quarters and prime rents should be expected to resume growth shortly.

We have seen a shift in the **Stockholm** market over the last month and rental levels could soon start rising in the central area. Landlords are both increasing asking rents and trimming incentives. While there are some requirements for units of over 5,000 sq m, a lot of the larger tenants are just testing the market, and most genuine demand is focussed on the 500 - 1,500 sq m range.



The fragile economic situation is putting pressure on companies to cut costs in **Athens**. The rolling break option in Greek landlord and tenant laws gives tenants the flexibility to leave or renegotiate, and landlords are being increasingly careful to retain good tenants. Demand is mostly focussed on the 400-1000 sq m

size range, with financial services, healthcare and pharmaceuticals among the key sectors. Vacancy levels for prime CBD offices remain low, and rents are currently stable.

Take-up in **Budapest** remains strong, with nearly half of the activity occurring in the largest non-central submarket. Public sector bodies accounted for two of the ten largest deals, with telecoms and high-tech companies also prominent. Some of the non-central districts continue to display high vacancy rates, and many tenants are looking to take advantage of this by starting early negotiations with their landlords at depressed rental levels.

The **Bucharest** vacancy rate is stabilising at around 16% due to stronger take-up and lower levels of new development. Vacancy is lower than this in the CBD and Central areas. Demand is being driven by consumer services and manufacturing/energy, with a strong international presence.

Demand is stable in **Moscow** but the market remains heavily oversupplied with a vacancy rate of 20%. One million sq m is due to complete this year, most of it speculative. This is almost 10% of current stock, so occupier choice will remain wide.

Occupier renegotiations are driving the office market in **Prague**, with particular activity from IT and professional services companies. Rents are stable and expected to remain so. Delayed office schemes mean that very little new space will enter the market this year.

The vacancy rate in **Zagreb** remains well under 5%. With no new space being delivered to market there is no developer-led take-up and leasing activity remains very low and in many cases is capable of being satisfied by apartments. Rents saw further slight decline in the first quarter, but are expected to stabilise shortly.



Abu Dhabi has witnessed renewed occupier interest during Q1 2010 as the market has swung in the tenants' favour. After an initially bullish outlook for 2010 from landlords, they are

increasingly willing to offer incentives and rents have dropped over the quarter for some poorer quality stock. With nearly 400,000 sq m of new internationally recognisable 'Grade A' office space being delivered in 2011, landlords of vacant Grade B buildings are cutting rents more aggressively to secure tenants before this influx of new buildings.

Occupier activity in **Dubai** continued to strengthen in Q1 2010. With availability increasing, many occupiers are expecting landlords to offer greater incentives. However, due to the fragmented nature of Dubai (freezones and non-freezones) occupiers continue to be restricted by licensing regulations on where they can legally operate. Office buildings under strata-title ownership are under increasing rental pressure from increasing supply and modest demand.

The **Istanbul** market became more active in the first quarter. No single sector is dominant in the market but legal and pharmaceutical companies are prominent. Typically units of up to 3,500 sq m are sought, with some call centre operators looking for larger buildings.

Except for a few districts, vacancy rates in **Johannesburg** are rising and rents continue to soften, presenting good opportunities for occupiers to re-gear leases or move to alternative premises. A number of infrastructure projects currently being undertaken (railway line connecting Pretoria, Johannesburg and the international airport and the upgrade of most motorways and airports) will have a positive impact on those areas that lie close to these transport hubs.

More detailed MarketViews on many of these markets are available at www.cbre.eu

MARKET TALKING POINTS

Business Infrastructure Spurring Relocation Interest in Switzerland

A number of corporate clients in major U.S. and European markets are enquiring about relocating office-based functions to Switzerland. The interest spans a wide range of functions, from senior management to back office activities. Interest is evident across a wide range of sectors including banking and finance, manufacturing and pharmaceuticals. In many cases these companies are also looking to consolidate their European operations into a central hub.

The level of personal and corporate tax in many EU countries has in several cases acted as the trigger for clients to examine locations across the 26 individual Cantons in Switzerland's federal structure. Each Canton has its own regime in terms of autonomy, constitution, law and, perhaps most significantly, control over non-federal layers of taxation.

Taxation is not the only draw however. The skilled Swiss workforce has specialist talents and training across many sectors including finance and pharmaceuticals. Along with English language skills, robust transport infrastructure, high living standards and the attractions of an outdoor lifestyle, this has put Switzerland to the fore as an international relocation destination. Zurich, Geneva and Basel in particular are the focus of interest as they offer some of the best transport links and expatriate infrastructures in the country.

African Continent Increasingly Attractive to International Corporates

While most advanced economies in Europe, Asia and North America contracted in 2009, Sub-Saharan and North Africa and the Middle East economies grew by 2-2.5%, according to the IMF. The African continent is attracting a range of international businesses keen to expand in a market with the potential for above-average returns.

This is producing a steady increase in corporate client demand for real estate across the African continent. While the oil, gas and finance sectors are prominent as might be expected, expansion plans are evident across a wide range of businesses looking to enter the market. Supporting industries such as telecommunications, security, construction and logistics firms are also more active, and there is growing interest from consumer goods manufacturers looking to tap into a growing consumer market.

A lack of suppliers and an underdeveloped commercial infrastructure can make it difficult and costly for businesses to establish operations in emerging markets in the African continent. However, many multinationals are realizing and proactively addressing these issues in order to take advantage of these opportunities.

Disclaimer 2010 CB Richard Ellis

Information herein has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis. © Copyright 2010 CB Richard Ellis. CB Richard Ellis Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2009 revenue). The Company has approximately 29,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices (excluding affiliates) worldwide. CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis has been named a BusinessWeek 50 "best in class" company for three years in a row. Please visit our website at www.cbre.com.

For more information regarding the MarketView, please contact:

EMEA Research

Richard Holberton
Director, EMEA Research
t: +44 20 7182 3348
e: richard.holberton@cbre.com

Catherine Bushnell
Analyst, EMEA Research
t: +44 20 7182 3405
e: catherine.bushnell@cbre.com

EMEA Global Corporate Services

Matthew Pullen
Head of Global Corporate Services (GCS) EMEA
t: +44 20 7182 3243
e: matthew.pullen@cbre.com

Mike Gedye
Senior Director, GCS Account Management EMEA
t: +44 20 7182 3325
e: mike.gedye@cbre.com

John Wilson
Senior Director, GCS Corporate Strategies
t: +44 20 7182 3561
e: john.wilson@cbre.com

Nick Lambert
Senior Director, GCS Complex and Emerging Markets
t: +44 20 7182 3384
e: nick.lambert@cbre.com

CB Richard Ellis
St Martin's Court,
10 Paternoster Row
London EC4M 7HP

www.cbre.eu