

European Valuation Monitor (EVM)

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Q2 2010

Key statistics

	% Capital Change	
	QonQ	YonY
Office	0.9	0.1
Retail	1.0	2.0
Industrial	-0.1	-0.4
All property	0.7	0.7

	% Capital Change	
	QonQ	YonY
Office ex-UK	0.4	-4.1
Retail ex-UK	0.7	-1.7
Ind. ex-UK	-0.4	-3.3
All prop. Ex-UK	0.3	-3.1

	% Capital Change all Property	
	QonQ	YonY
France	1.4	-0.5
Germany	-0.2	-3.5
UK	2.3	17.8
South Europe + Ireland	-0.4	-5.8
Nordics	2.1	0.2
CEE	-0.2	-6.3
Benelux/Other	-0.8	-4.7

OVERVIEW

This report is based on quarterly fund valuations carried out by CB Richard Ellis and designed to enhance transparency by providing a general indication of patterns of value change in the European property market.

The report was first launched for Q4 2009 and included a historical analysis to Q4 2007. A detailed technical appendix setting out the way in which the data is calculated is available on request.

- **Positive All Property ex-UK quarterly change**

After nine consecutive quarters of decline, values across the ex-UK European property market grew for the first time, achieving 0.3% in Q2 2010. The ex-UK figure was still lower than the pan-Europe result which recorded its third consecutive, and strongest, positive increase of 0.7% in Q2 2010. Year-on-year, pan-Europe values also recorded their first positive result; although they are still 19.2% below the level of Q4 2007.

- **Retail continues to lead capital value recovery**

The retail sector has shown the best performance each quarter over the past year for both pan-Europe and ex-UK capital values and grew by 1.0% and 0.7% respectively in Q2. The office sector ex-UK recorded its first positive result of the cycle (0.4% Q2), although it still lags year on year against retail and industrial.

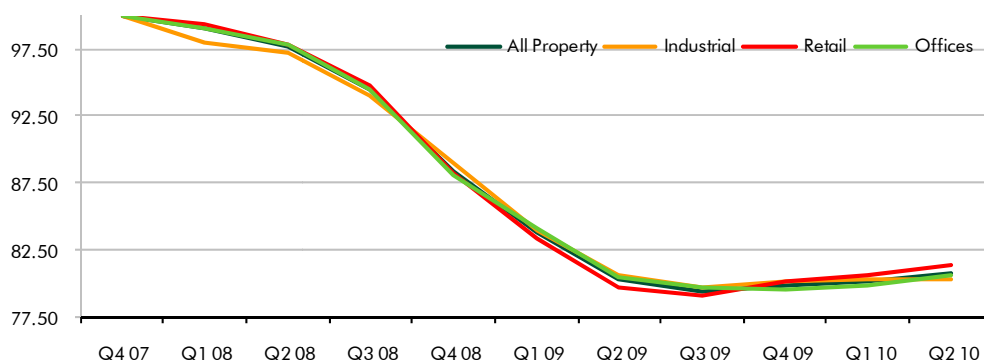
- **Nordics posts positive annual change – the first since UK; France performs well**

Since becoming the second region to record a capital value increase last quarter, following the UK, France recorded a solid return of 1.4% in Q2. However, the 2.1% return in the Nordic region, led by Sweden, means it becomes the first ex-UK European region to see a positive annual change in this cycle (0.2% Q2). Elsewhere, the pace of capital value declines further moderated from Q1.

- **Broad stabilisation, focus on prime**

While there are still some significant country specific capital values falls in evidence, notably Greece and Ireland, values in general have continued to level out across Europe. The UK once again posted the best quarterly figure, although its weakest since Q3 2009 (2.0%), and remains the market which has fallen furthest from our index base (-25.1%). Yields are broadly stable, and with both the uncertain economic outlook and limited scope for rental growth in the short term, investor appetite is focused on the prime end of the market.

Pan- Europe sector capital values (Q4 2007 = 100)



Source: CB Richard Ellis EVM

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Sector capital value series (Q4 2007 = 100)

	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Office	80.5	79.6	79.5	79.8	80.6
Retail	79.7	79.0	80.1	80.6	81.4
Industrial	80.6	79.6	80.1	80.3	80.3
All Property	80.3	79.4	79.9	80.2	80.8
All Property ex-UK	84.7	83.1	82.2	81.8	82.0

Country capital value series, All property (Q4 2007 = 100)

	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
France	82.3	81.2	80.4	80.8	81.9
Germany	85.5	84.2	83.4	82.7	82.6
UK	63.6	64.8	70.1	73.2	74.5
Southern Europe & Ireland*	81.7	78.8	78.5	77.3	76.9
Nordics**	86.2	85.3	84.9	84.6	86.4
CEE***	88.0	85.8	83.1	82.6	82.5
Benelux & other****	82.7	81.3	80.4	79.5	78.8

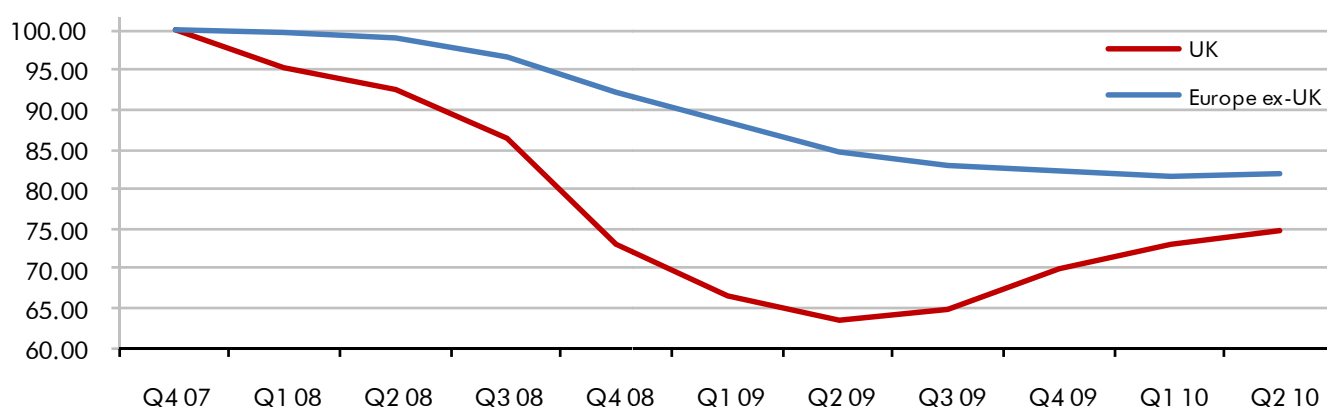
* Spain, Portugal, Italy, Greece, Ireland

** Sweden, Denmark, Finland, Norway

*** Poland, Czech Republic, Hungary, Slovakia, Romania, Serbia, Bulgaria, Slovenia, Croatia

**** Belgium, Netherlands, Austria, Switzerland

Europe ex-UK capital values (Q4 2007 = 100)



Source: CB Richard Ellis EVM

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Key Eurozone economic indicators

	Q1 2010	Q2 2010
Unemployment (%)	10	10
Inflation (HICP y-on-y chg)	1.4	1.4 (est.)
GDP (y-on-y change)	0.6	n/a
Yield on 10-yr Euro bond	3.58	3.25
Interest rate (%)	1.0	1.0

Source: Eurostat / ECB

EXPLANATORY NOTE

The figures reported in this document are based on regular valuations of standing-investment portfolios carried out by CB Richard Ellis' international and national valuation teams in Europe. In total the sample of approximately 60 funds has an aggregate market value of €17.6bn (as at June 2010). The reported country and sector index categories are produced by weighting the raw results according to the estimated size of the investment market in each country/region, and the sector distribution typical of institutional portfolios. The UK is represented in the results by the CB Richard Ellis UK Monthly Index which comprises a sample from 36 funds with over £10.6bn aggregate market value. A fuller technical appendix is available on request.

The measures reported here are intended as a general indication of capital value movements in the European property market, and are provided for information only. They are not intended as the basis for investment or financial decisions, and any forecasts or other analysis derived from these figures are the sole responsibility of the client organisation and should not be sourced or attributed to CB Richard Ellis.

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For more information regarding this MarketView, please contact:

Andrew Barber

Senior Director, Valuation Advisory
CB Richard Ellis
Kingsley House
Wimpole Street
London W1G 0RE
t: +44 20 7182 2452
e: andrew.barber@cbre.com

Richard Holberton

Director, EMEA Research
CB Richard Ellis
St Martin's Court
10 Paternoster Row
London EC4M 7HP
t: +44 20 7182 3348
e: richard.holberton@cbre.com

Simon Threlfall

Associate Director, Valuation Advisory
CB Richard Ellis
Kingsley House
Wimpole Street
London W1G 0RE
t: +44 20 7182 2530
e: simon.threlfall@cbre.com

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