

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

OCCUPIER OPPORTUNITIES EMERGE AS RENT & SUPPLY CONDITIONS CHANGE ACROSS EUROPE'S OFFICE MARKETS

London, 23 February 2009 – Occupiers are experiencing increased lease flexibility, greater choice of premises and greater incentives in the European office market according to the latest research by CB Richard Ellis. The report reveals that tenants are benefiting from current falls in leasing activity and the subsequent pressure that landlords are coming under to preserve cash flows and maintain capital values. Landlord flexibility has become essential as take-up across the main markets in Western Europe in 2008 declined to the levels seen in 2004-05.

Occupiers are also benefiting from the fall in office rents across Europe, with average rents declining by 2.5% in the EU-27 during the final quarter of 2008. This was driven by falls in Western European markets such as London and also in CEE markets including Moscow where recent rental growth is now being reversed.

Matthew Pullen, Head of Global Corporate Services EMEA, CBRE, said, “We anticipate that there will be pockets of new leasing activity as opportunistic occupiers who are in a position to break tenancies will seek to move to cheaper buildings or further consolidate their portfolio by taking additional space in an existing location. Other tenants will leverage their improved negotiating positions to upgrade office premises, securing attractive terms on buildings which might previously have been beyond their reach.”

The CB Richard Ellis EU-27 vacancy rate index has risen steadily from 6.7% in Q1 2008 to a figure of 7.5% at the end of Q4 2008. Vacancy rates in some of Europe's larger markets, such as Milan and London, witnessed increases of over 200 basis points in 2008, providing occupiers with improved access to quality premises. Reduced investment into Europe's emerging markets has brought the long-term stability of some cities into question, as reduced foreign demand and restricted local demand become insufficient to sustain growth. However, this supply is likely to present offshoring opportunities to organisations as they pursue cost saving targets. Further

increases in the vacancy rate are expected in the first half of 2009. This is partly due to a rise in the supply of sub-leased space as some tenants decide not to occupy their pre-let offices.

The delivery of schemes initiated during recent years will continue through 2009 in many key cities, and despite an expected 20% drop in completions in 2010, occupiers will be provided with a greater choice of good quality office space this year.

“The real winners coming out of 2009 will be those corporate occupiers who can influence further changes in their business cultures through the introduction of alternative workplace strategies, more robust planning tools and more innovative approaches to managing total occupancy costs through the building lifecycle, which would include sourcing and energy management strategies,” concluded Pullen.