

European Valuation Monitor (EVM)

Key statistics

	% Capital Change	
	QonQ	YonY
Office	0.8	2.8
Retail	0.1	2.8
Industrial	-1.1	-1.9
All property	0.2	1.9

	% Capital Change	
	QonQ	YonY
Office ex-UK	0.9	2.2
Retail ex-UK	0.1	2.9
Ind. ex-UK	-1.5	-2.6
All prop. Ex-UK	0.2	1.5

	% Capital Change all Property	
	QonQ	YonY
France	1.9	5.3
Germany	-0.2	1.7
UK	0.3	2.9
Netherlands	-1.7	-9.9
South Europe + Ireland	-1.9	-3.3
Nordics	0.4	4.6
CEE	0.7	3.9

OVERVIEW

• Divergence in recovery of European capital values continues

While the aggregate European commercial property values rose slightly in the third quarter of 2011 (+0.2%) there was a distinct performance split, with half of the countries measured seeing capital value falls and the other half rising. Taking the past year as a whole, the value changes are mostly highly correlated with the pattern of economic growth: CEE, the Nordics (Sweden in particular) and Germany, but also France and the UK, are the markets where annual capital value change has been most positive. With the economic outlook particularly volatile in Southern Europe it is notable that the pace of value declines picked up across this region this quarter with the exception of Spain, although values there are already 35% below their peak.

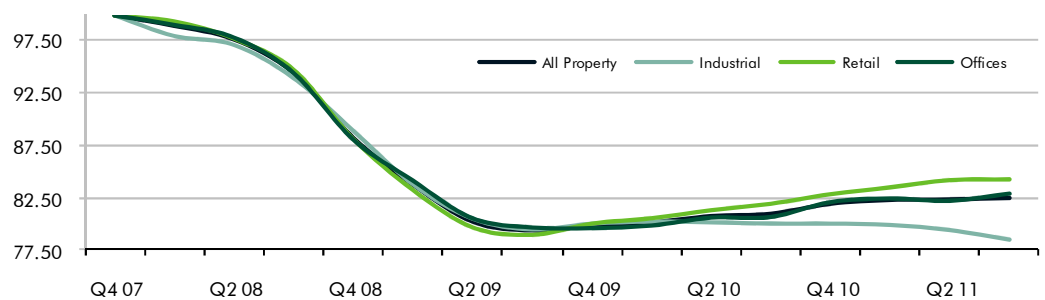
• Office sector records strongest capital value change over quarter

Office values recorded the strongest growth this quarter (+0.8%). In particular, strong performance was noted in France (+3.6%), Germany (+1.1%) and the UK (+1.0%), which more than offset the continued declines in the Netherlands (-3.3%) and Southern Europe & Ireland (-1.5%). By contrast, industrial values fell in all markets other than CEE (+0.2%) and UK (+0.2%) which saw only modest value growth.

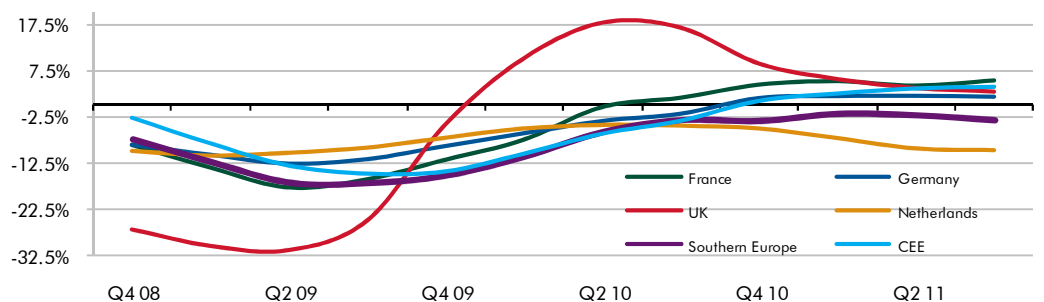
• France posts strongest quarterly growth

Despite its relatively weak economic growth, investment volumes in France were strong in Q3 and it also saw the strongest quarterly increase in capital values (+1.9%) which in turn took it to the top of the table in terms of annual growth (+5.3%). The rise in values was particularly driven by value growth of French offices (+3.6%), whereas the performance of its industrial (-0.0%) and retail sectors (+0.7%) was more modest. Within the CEE region, Poland, Czech Republic, Hungary and Romania all saw positive value increases this quarter; although it is Poland which continues to lead the way with annual growth of +5.4%.

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



Year-on-Year capital value % change



Sector capital value series (Q4 2007 = 100)

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Office	80.6	82.1	82.4	82.2	82.9
Retail	82.0	82.9	83.6	84.2	84.3
Industrial	80.2	80.1	80.0	79.5	78.6
All Property	81.0	82.0	82.3	82.4	82.5
All Property ex-UK	82.1	83.1	83.3	83.2	83.3

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

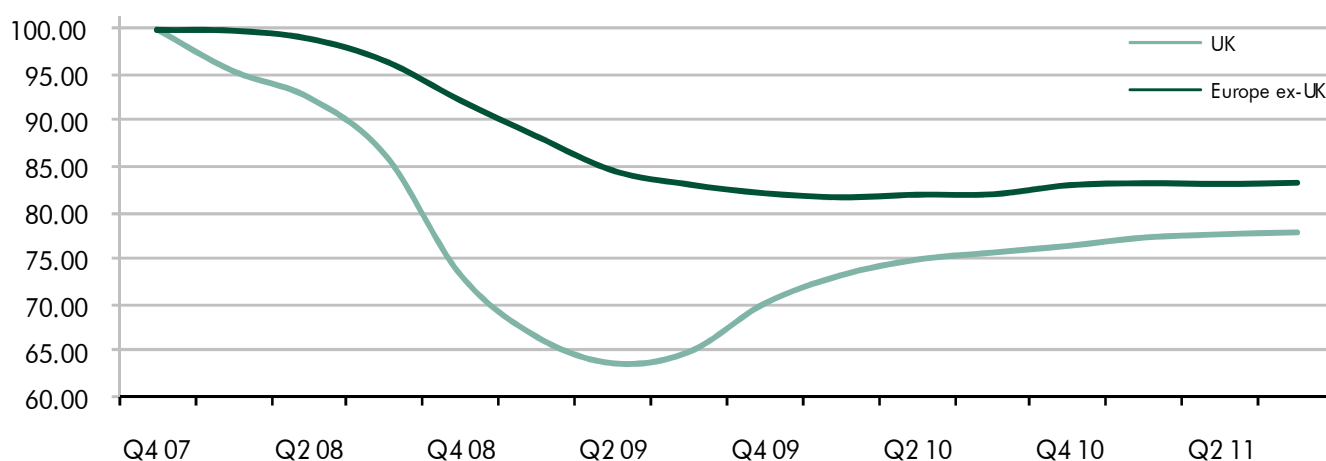
	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
France	82.5	84.0	84.9	85.3	86.9
Germany	82.6	84.5	84.3	84.2	84.0
UK	75.7	76.4	77.3	77.7	77.9
Netherlands	80.5	79.1	76.6	73.8	72.6
Southern Europe & Ireland*	76.3	75.8	75.8	75.2	73.8
Nordics**	86.6	87.7	89.6	90.2	90.6
CEE***	82.8	83.8	84.6	85.4	86.0

* Spain, Portugal, Italy, Greece, Ireland

** Sweden, Denmark, Finland, Norway

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

Capital value indices (Q4 2007 = 100)



Source: CBRE EVM

Disclaimer 2011 CBRE

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 CBRE clients, and cannot be reproduced without prior written permission of CBRE.

© Copyright 2011 CBRE

Key Eurozone economic indicators

	Q2 2011	Q3 2011
Unemployment (%)	10.0	10.2
Inflation (HICP y-on-y chg)	2.7	3.0
GDP (% y-on-y change)	0.2	n/a
Yield on 10-yr Euro bond	3.35	2.85
Interest rate (%)	1.25	1.25

Source: Eurostat / ECB

EXPLANATORY NOTE

The figures reported in this document are based on regular valuations of standing-investment portfolios carried out by CBRE's international and national valuation teams in Europe. In total the sample of approximately 65 funds has an aggregate market value of €20.9bn (as at June 2011). 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 CBRE UK Monthly Index which comprises a sample from 36 funds with over £12.5bn 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 CBRE.

These measures should not be regarded as proxies or lead indicators of any other market indices, including those that are, or come to be, used as the basis for financial trading; nor should they be used as a benchmark for portfolio or manager performance. CBRE offers no guarantee that it will continue to produce these measures indefinitely in the future, nor that the size, asset distribution or weighting structure of the sample will remain unchanged.

For more information regarding this MarketView, please contact:

Andrew Barber

Senior Director, Valuation Advisory
CBRE

Henrietta House
Henrietta Place
London W1G ONB

t: +44 20 7182 2452

e: andrew.barber@cbre.com

Richard Holberton

Director, EMEA Research
CBRE

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
CBRE

Henrietta House
Henrietta Place
London W1G ONB

t: +44 20 7182 2530

e: simon.threlfall@cbre.com

Disclaimer 2011 CBRE

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 CBRE clients, and cannot be reproduced without prior written permission of CBRE.

© Copyright 2011 CBRE