CBRE
CB RICHARD ELLIS

PRESS RELEASE

CBRE: OFFICE RENTS INCREASE GLOBALLY

London, 16 June 2011 – Global office rents increased 4.3% year-on-year in the first quarter of 2011, according to CB Richard Ellis' (CBRE) Q1 2011 *Global Office MarketView.*

Dr. Raymond Torto, Global Chief Economist, CBRE, said: "While global and regional rents have not returned to pre-recession levels, the robust 4.3% year-over-year increase provides encouragement to property owners that have endured seven quarters of consecutive Index declines."

Global Office Development and Construction

- The development of new office space is trending downward in EMEA and the Americas—with the latter dominated by U.S. activity—while new supply is growing rapidly in Asia Pacific.
- The supply of new office space in Asia Pacific will set a record of nearly 9% growth, and has been above 5% for many years. By contrast, the growth of stock for EMEA and the Americas is trending lower—and running well under 1% in North America.
- In the EMEA region, completions are set to rise in 2012 in a small group of cities, including London, Warsaw, Hamburg, Vienna, Milan and Stockholm, but in general, the pattern is one of little change compared with 2011.
- New office construction in the U.S. remains restrained due to high vacancy rates, high shadow vacancy, lack of construction financing, and the fact that rents are low and not at replacement rent levels.

Regional Vacancy Rates

- The U.S. office market had the highest vacancy rate, of 16.4%, relative to Asia and EMEA; however, that rate is expected to continue on a gradual downward path as the U.S. economy and job market improve further.

- In Asia, vacancy has experienced a sharp decline of more than 300 basis points (bps), from 13.5% in Q4 2009 to 10.3% in Q1 2011. This strong vacancy recovery has been attributed to strong economic growth in the region which fueled robust absorption.
- The EMEA region has experienced the least-volatile and lowest vacancy, which dropped 10 bps in Q1 to 9.2%. However, this rate is still above its trough of 6.9% in Q2 2008, demonstrating that the current market remains soft in the aftermath of the global financial crisis and in the midst of the sovereign debt crisis.

Regional Office Performance Summaries

- The U.S. economic recovery continues its slow but steady pace. Its progress has been moderated by external forces such as the uncertainty in the Middle East, dampened consumer sentiment and elevated energy and food prices. GDP rose a lackluster 1.8% in Q1 2011, signaling that the recovery remains modest.
- After a strong bounce-back in 2010, office take-up in EMEA was subdued in the first quarter. Gross leasing activity in the main European cities totaled 2.4 million sq. m. (25.8 million sq. ft.) in Q1, down by over 20% compared to the previous quarter. Although this is partly due to seasonal effects, take-up was also 14% lower compared with the same quarter last year, with London, Brussels and Moscow registering substantial year-over-year declines.
- Corporate expansion remained the major demand driver for prime office space in Asia Pacific during Q1 2011. Though Asia Pacific was hit by a series of natural disasters in Q1 2011, robust export demand and domestic consumption continued to fuel regional economic growth during the period.

ENDS.