



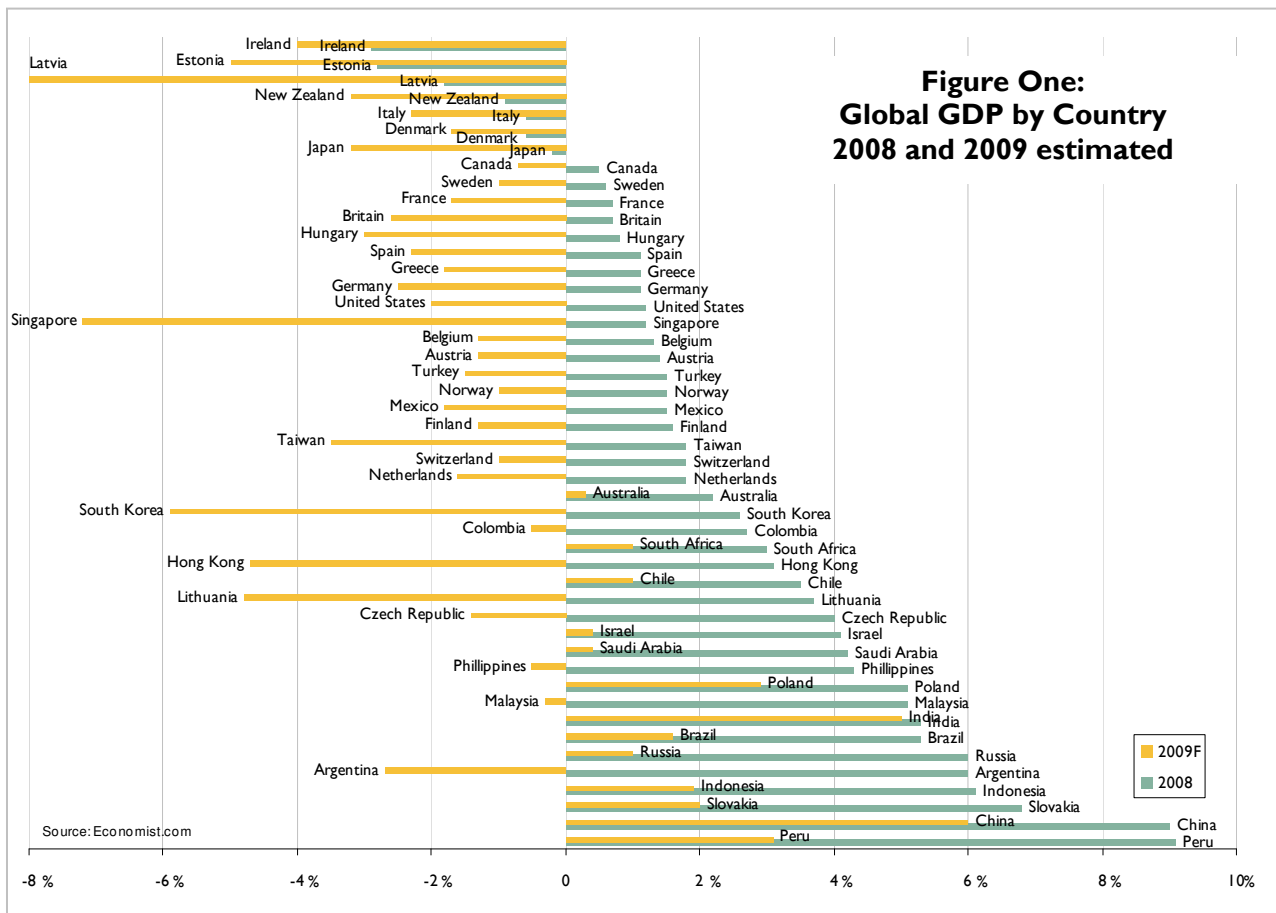
**Research Briefing: April 2009**

**International Real Estate Market Trends**

The Global Recession's Impact on Value and Opportunity

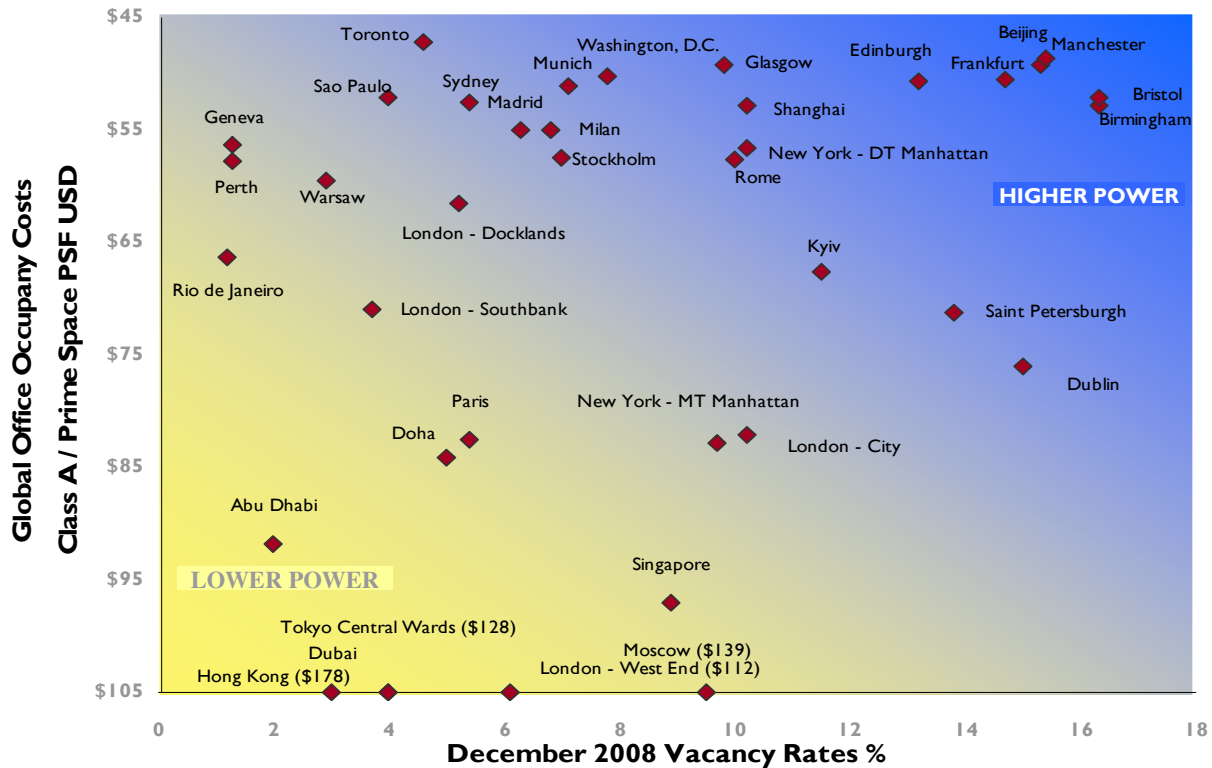
The contraction in economic activity dramatically impacting the United States over the past year is reverberating throughout the global economy. Most industrialized countries are experiencing a decrease in domestic product, and even the shining stars of recent economic growth such as China, Russia and Brazil see growth slowing, although still net positive. The chart below, derived from data published by The Economist in February 2009, compares actual 2008 GDP growth to forecasted 2009 GDP growth (or contraction) across the globe. The International Monetary Fund expects the world economy overall to decline 1.3% this year, and grow just 1.9% in 2010, markedly lower than before the recession. Europe will fare the worst; its recession is expected to run deeper and longer than the US.

As in the US, the impact upon global real estate values and leasing rates is significant and offers opportunities for corporate occupiers to obtain greater bargaining leverage or to delay commitments with less risk. Further, the breadth and quality of international real estate market intelligence has substantially increased over the past two years, empowering the corporate real estate decision maker with greater insight into local market conditions using more rigorous market research sources.



Buyer Power is increasing in major global cities, as shown in Figure Two. Double digit vacancy rates also are more prevalent, and we expect these vacancy numbers to continue rising as 2009 market data becomes available. According to Property and Portfolio Research (PPR), the hardest hit cities in terms of rent declines from peak prices are Mumbai (over 75% decline), Singapore (~50% decline), Guangzhou (~35% decline), New Delhi (over 30% decline) and Tokyo Center (over 20% decline). Rent recovery is not expected in the short term in these markets. On the other hand, rent recovery from current declines is expected in Hong Kong, Kuala Lumpur, Shanghai and Taipei.

**Figure Two: Global Buyer Power**

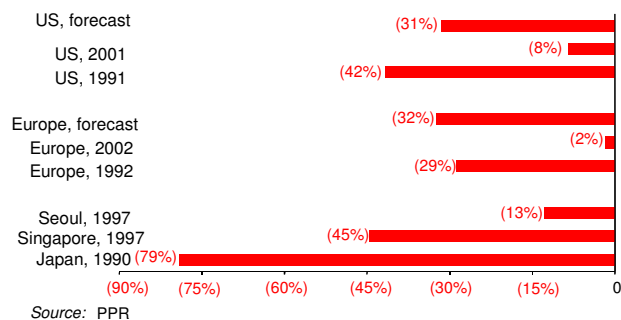


Source: Colliers Q4 2008

Investment activity is also taking a hit, with declines in office values predicted to reach 30% or more from peak values. However, as the analysis presented in Figure Three shows, tough times have come before, as in the early 1990's.

As development activity grinds to a halt due to the dearth of lending globally, new supply will not be added to the degree it has been in recent years. This implies that once the global economy recovers (many predict 2011) lease rates may rise as vacancy starts to decrease. Careful attention to changing market dynamics is essential.

**Figure Three: Peak to Trough Value Loss Comparison**



Source: PPR

The drop in large (over \$10 million) commercial property sales has also been felt globally. While sales were off 75% in the US, they were also 58% lower in the UK and off 48% in Europe. Deal volume fell in East Asia by 45%, Southeast Asia by 38% and India by 37%. Sales still kept increasing in the Middle East by 72% and Latin America kept pace with 2007 levels (Real Capital Analytics: RCA). As investment property sales greatly slowed in the past year, cap rates rose, as summarized by RCA in the table on the following page. These recently reported numbers on the past year's transactions over \$20 million, show that higher cap rates have accompanied a "flight to quality".

property sales markets are truly global cities and most likely to hold value in the longer term. Further increases in cap rates are expected as banking losses in the European Union likely exceed even those in the US, and a great deal of real estate debt globally is coming due in the coming year. We are seeing Place Strategy Partners considering taking ownership positions in locations where they currently lease, as ownership at lower purchase prices yield a long term cost and control advantage over leasing.

Top 10 Markets - Office Globally				Top 10 Markets - All Property Types Globally		
Rank	Market	Volume (\$mil)	Cap Rate	Market	Volume (\$mil)	Cap Rate
1	NYC Metro	13,727	5.7%	Tokyo	20,891	4.8%
2	Tokyo	12,547	4.5%	NYC Metro	19,099	6.1%
3	London	8,725	6.5%	London	14,522	6.2%
4	Paris	5,615	6.1%	Beijing	9,098	9.0%
5	Stockholm	5,220	5.5%	Moscow	7,701	8.3%
6	Madrid	4,802	5.9%	Paris	7,365	6.3%
7	Seoul	3,980	5.9%	Seoul	7,138	5.9%
8	Moscow	3,381	7.9%	Stockholm	6,904	5.5%
9	Beijing	3,021	9.0%	DC Metro	6,094	6.6%
10	Vienna	2,915	5.5%	Shanghai	6,089	n/a

### **Applying Deal Zone™ Analytics to International Transactions**

Rapidly changing market conditions require even greater due diligence by the corporate real estate decision maker. CP Analytics is seeing a significant increase in the number of International Deal Zones requested by our Partner companies. The tables on the following two pages list the cities in Europe and Asia Pacific which have enhanced real estate market intelligence data available. Notably, coverage has more than doubled over the past two years, expanding the reach of Deal Zone analytics. For example, partners are using Deal Zones both to assess the transaction performance of their service providers, as well as to establish transaction priorities and structure at the front end of each transaction cycle.

Market Intelligence	PPR	DTZ	IPD	TWR	Market Intelligence	PPR	DTZ	IPD	TWR
<b>Asia Pacific</b>									
Adelaide			✓		Melbourne (AU)		✓	✓	
Auckland	✓	✓	✓		Mumbai		✓		
Bangalore		✓			Nagoya			✓	✓
Bangkok		✓			Nanjing				✓
Beijing	✓	✓		✓	Ningbo				✓
Brisbane		✓	✓		Osaka	✓			✓
Canberra			✓		Perth		✓	✓	
Chengdu		✓		✓	Pune (IN)		✓		
Chennai		✓			Qingdao (CN)		✓		✓
Chongqing	✓				Sapporo				✓
Dalian	✓			✓	Sendai				✓
Delhi		✓			Seoul	✓		✓	
Fukuoka			✓	✓	Shanghai	✓	✓		✓
Gold Coast (AU)		✓			Shenyang		✓		
Guangzhou	✓	✓		✓	Shenzhen		✓		✓
Hangzhou	✓			✓	Singapore	✓	✓		
Hiroshima				✓	Sydney	✓	✓	✓	
Hong Kong	✓	✓		✓	Taipei		✓		
Hyderabad (IN)		✓			Tianjin		✓		✓
Jakarta	✓	✓			Tokyo			✓	✓
Kawasaki			✓		Wellington NZ	✓			
Kobe				✓	Wuhan (CN)		✓		✓
Kolkata (IN)		✓			Xiamen				✓
Kuala Lumpur	✓	✓			Xian	✓			✓
Kyoto				✓	Yokohama			✓	

Market Intelligence	PPR	DTZ	IPD	TWR	Market Intelligence	PPR	DTZ	IPD	TWR
<b>Europe</b>									
Amsterdam	✓	✓	✓	✓	Dublin (IE)	✓	✓	✓	✓
Antwerp (BE)		✓	✓		Dusseldorf		✓	✓	
Arhus (DK)		✓			Edinburgh	✓	✓	✓	
Athens (GR)	✓	✓			Eindhoven			✓	
Auckland			✓		Frankfurt	✓	✓	✓	✓
Barcelona	✓	✓	✓	✓	Geneva (SZ)	✓		✓	
Basel (SZ)			✓		Glasgow		✓	✓	
Belgrade (SP)	✓				Gothenburg (SE)		✓	✓	
Bergen			✓		Hamburg	✓	✓	✓	✓
Berlin	✓	✓	✓	✓	Helsinki (FI)	✓	✓		✓
Bern (SZ)			✓		Istanbul (TR)	✓	✓		
Birmingham	✓	✓	✓		Katowice (PL)	✓			
Bologna (IT)		✓			Kiev (UK)	✓			
Bordeaux (FR)			✓		Krakow (PL)	✓			
Bratislava (SK)	✓				Lausanne (SZ)			✓	
Bristol		✓	✓		Leeds		✓	✓	
Brno (CZ)	✓				Leipzig			✓	
Brussels (BE)		✓	✓		Lille (FR)			✓	✓
Bucharest (RO)		✓			Lisbon	✓	✓	✓	
Budapest (HU)		✓	✓		Prague (CZ)	✓	✓	✓	✓
Cardiff (UK)		✓			Rome	✓	✓	✓	
Christchurch			✓		Rotterdam	✓	✓	✓	
Cologne			✓		Sheffield			✓	
Liverpool			✓		Sofia (BG)	✓			
London	✓	✓	✓	✓	St Petersburg (RU)	✓			
Luxembourg (LU)		✓			Stockholm (SE)	✓	✓	✓	✓
Lyon (FR)			✓		Strasbourg (FR)			✓	
Madrid	✓	✓	✓	✓	Stuttgart	✓		✓	
Malmo (SE)		✓	✓		Tallin (EE)	✓			
Manchester	✓	✓	✓		The Hague		✓	✓	
Marseille (FR)			✓		Toulouse (FR)			✓	
Milan	✓	✓	✓		Triangle Area (DK)		✓		
Montpellier (FR)			✓		Tromso			✓	
Moscow (RU)	✓	✓			Turin (IT)		✓		
Munich	✓	✓	✓	✓	Utrecht			✓	
Newcastle		✓	✓		Utrecht (NL)		✓		
Nottingham			✓		Vienna			✓	
Oslo	✓	✓	✓		Vilnius (LT)	✓			
Paris (FR)	✓	✓		✓	Warsaw (PL)	✓	✓	✓	✓
Porto			✓		Wellington			✓	
Poznan (PL)	✓				Zagreb (HR)	✓			
Copenhagen (DK)	✓	✓			Zurich (CH)	✓		✓	✓
Cork (IE)			✓						

International Deal Zones are produced using best available data specifically purchased for the location under consideration and the cost of data is passed through at cost to Place Strategy Partners. Emerging market data, including the Middle East, is also available through Real Estate Investment & Development Information Network REIDIN.com and Citiscap. We also consult local brokerage firm data as available.

Additional international market data discussed in this Brief is available upon request. This Briefing is for the exclusive use of Participating Companies in the PLACE STRATEGY™ PARTNERSHIP. Unauthorized distribution, both electronically or in hard copy, infringes on our registered Copyright and violates the investment made by PSP participants. Please don't.

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