Annual European investment volumes rise 7% between 2010 and 2011

The volume of commercial property investments traded in the main Western European markets rose by 7% between 2010 and 2011 according to a report by BNP Paribas Real Estate, the leading international real estate adviser.

Total investment volume in 2011 amounted to €38.7bn in the nine primary markets studied by BNP Paribas Real Estate, revealing a 7% increase compared to the previous year.

Following a positive start to 2011, which saw a 21% rise during the first six months, activity during the second half of the year saw a sharp slowdown compared to the same period in 2010.

The usual buoyancy during the last quarter of the year was observed in Central Paris and Munich which realised 42% and 45% of their yearly turnover during Q4. Likewise, Madrid recorded 51% of 2011 total investment volume during the last quarter but remained down on 2010 results.

With 70% of total investment, offices continued to be by far the most favoured asset. However, while offices’ turnover rose by 5% between 2010 and 2011, it increased by 33% in retail premises and remained way above the long-term average. Sustained by investors’ undiminished demand for prime assets, commercial real estate yields continue to stay at a low level.
Due to the collapse in confidence that went with the sovereign debt crisis and the widespread fiscal consolidation measures that were introduced, it is likely that the Euro area economy will be stagnant in 2012. Indeed, following the slight 0.2% GDP growth recorded in Q3 2011, the Euro area is expected to enter a short period of recession which may last through the first half of 2012.

Andrew Cruickshank, international investment director at BNP Paribas Real Estate, says: “Despite weak GDP growth, Germany is expected to remain the strongest performer, while Southern European countries are expected to fall back into recession and the unemployment rate in the Euro area is expected to rise further during 2012.

“We expect that demand should remain strong in 2012, with some institutional investors, including pension funds and insurance companies, expected to increase their exposure to real estate. Outcomes for 2012 are blurred depending mostly on the financing conditions that banks will request. Supply is likely to remain an issue.

“Discrepancies may widen amongst markets. Concerns about the economic health of the southern European countries may inhibit investment activity, while in the United Kingdom and Germany the markets remain confident about 2012 with investment volumes forecast to stabilise.”

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About BNP Paribas Real Estate
BNP Paribas Real Estate is a leading international real estate provider, and the 2nd player in Europe, in terms of results It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries) across Europe, India and Middle East with 3,300 employees in about 150 offices. BNP Paribas Real Estate is a subsidiary of BNP Paribas, one of the world's six strongest banks in the world according to Standard & Poor's (rated AA- by Standard & Poor's i.e. 3rd rating level on a scale of 22). For more information: www.realestate.bnpparibas.com

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