“Investment in secondary offices in Western Europe lowest for ten years”
says BNP Paribas Real Estate

Investment into secondary offices across Western European markets is at its lowest for ten years, according to BNP Paribas Real Estate.

The leading real estate adviser’s latest market report analyses the performance of second-tier offices in 16 secondary locations across Western Europe: Amsterdam, Barcelona, Birmingham, Cologne, Dusseldorf, Edinburgh, Glasgow, Lille, Lisbon, Luxembourg, Lyon, Manchester, Marseille, Rome, The Hague and Vienna. The research revealed flat market trends despite deteriorating economic indicators.

“Office investors are generally still averse to risks and remain focussed on prime assets and locations. Prime yields have remained at low levels but there is a possibility that these move upwards as the Euro zone crisis continues,” says BNP Paribas Real Estate’s international investment director Andrew Cruickshank.

In the first quarter of 2012 occupational take-up increased by just 2% on a rolling year basis compared to the last quarter of 2011. A few markets were boosted by some large transactions over the previous 12 month period but the gap between supply and take-up remains high and the risk of vacancy is set to increase if economic conditions worsen.

“Prime rents demonstrated a strong resilience again reflecting the lack of new supply in prime locations and office investment in the second-tier markets hit its second lowest volume in ten years, proving less resistant than the main markets led by Paris, London and the major German cities,” Cruickshank adds.

BNP Paribas Real Estate’s report indicates that despite the broad based weakness in the Euro zone, with most economies recording a GDP contraction in Q4 2011, annual GDP growth at +1.7% was respectable. 2012 started in the same vein, with the ECB liquidity programmes providing some support to an economy where fiscal tightening has become wide spread.
“While financial markets appear to have regained their confidence, uncertainty persists among consumers and businesses in their spending decisions and we expect that the first half of 2012 will see the broad based contraction in quarterly GDP carry forward, leading to flat annual GDP growth in western European economies overall in 2012,” says Cruickshank.

The German office markets have benefited from stronger economic indicators than any other European country, recording some of the highest levels of take-up in the past ten years. French cities have also profited from a growth in GDP during 2011 which reflected positively on the main regional office markets. Conditions in 2012 do not seem as favourable.

In the UK, the economic difficulties of 2011 impacted on most regional cities, most of which have been standing far below their average levels.

Concluding, Cruickshank says: “We have seen a marked improvement in risk appetite in recent months on the back of increased liquidity under the ECB’s LTRO programmes. While financial market sentiment has improved, sentiment in the real economy is still cautious.”

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About BNP Paribas Real Estate
BNP Paribas Real Estate is a leading international real estate provider. 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 and 15 by its Alliance network, that represent today more than 2,500 people) with 3,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas with more than 150 offices.
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