SLOWDOWN OF INVESTMENT ACTIVITY IN WESTERN EUROPE
-Central Paris, Central London, Berlin and Munich remain the most liquid markets-

With the exception of good performances recorded in Central Paris, Central London, Berlin and Munich, commercial real estate investment turnover in Western Europe slowed further, dropping by 9% over the first nine months of 2012 against the same period in 2011, according to BNP Paribas Real Estate (BNPPRE), the leading property adviser.

From January to September 2012, total commercial real estate investment volume in Western Europe amounted to €69.8bn - Q3 2012 alone totalled up €23.3bn. Totalling €12.7bn, the office investment market is more than half of the total commercial real estate investment volume in Q3 2012. Investment in retail real estate for the quarter amounted to €5.6bn, relatively stable since the beginning of 2012.

Andrew Cruickshank, international investment director at BNP Paribas Real Estate, commented: “Risk aversion remained the driving force for investors who stayed focused on prime assets - high quality buildings in top locations, rented to renowned tenants with long leases. Investors dissect each market and its exposure to the Eurozone crisis and consequently remain strongly interested in the most liquid markets. Thus, while demand from investors in core markets remains strong, it is the lack of prime supply that constrained investment activity over the first three quarters of 2012.”

Due to the economic downturn and allowing for an anticipated rise in investment volume during the final quarter, prospects for the rest of 2012 remain quite subdued. The two most liquid markets, the United Kingdom and Germany, should experience slight drops around 5% compared to 2011, while investment volume in France is expected to end 2012 down 25% on the previous year. Harsher falls are expected in Spain and Italy, but a trend reversal is anticipated for 2013, while investment in major countries should stabilise.

Over the first nine months of 2012, only three countries amongst the 14 monitored recorded increases of their investment volume. Austria, driven by two large retail deals saw its total investment volume grow by 40% to €1.2bn. Thanks to a 25% rise in Sweden, driven by good economic performance during the first half of the year, total investment volume in the Nordic countries was up 9% during the first three quarters of 2012 compared to the same period a year
ago. Although coming from a lower base, Luxembourg also registered a slight increase of 4%. Moreover, Luxembourg reported its highest quarterly result since 2009.

“Central London continues to dominate with strong levels of investment between Q1 and Q3 2012, up 31% on last year, whereas the United Kingdom was 6% down. It remains a target for risk averse overseas investors wishing to avoid Euro exposure. Likewise, Munich and Berlin recorded significant growth of 32% and 35% respectively while total investment volume in the whole Germany fell by 13%, weighed down by a lack of prime products in the office and retail sectors,” added Cruickshank.

Over the year to date, office investment volume totalled up €37.9bn, a significant increase of 16% compared to the equivalent period last year. The office investment market stays in pole position, representing 54% of the total investment volume compared to a 43% share a year ago. The United Kingdom, with €16.7bn invested since January 2012, remains the most liquid market in Western Europe and reached a new record since Q3 2007, with €6.3bn invested in Q3 alone.

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