Investment activity in the main Western European office markets remains healthy and prospering, while the office occupier markets continue to dip, according to new research by BNP Paribas Real Estate, the leading property adviser.

The commercial real estate investment volumes in the nine primary Western European markets amounted to €35.4bn over the first three quarters of 2013, representing a 20% increase on the same period last year. Central Paris and all four big German cities have momentum behind them; pushed by a dynamic office investment market, they each recorded an average growth of 27% over the first nine months of 2013.

Office investment volume in Central London this year has remained on a par with the first nine months of 2012. London’s total turnover outclassed the eight other main real estate markets, with €14bn invested since the beginning of 2013. Smaller markets such as Brussels, Milan and Madrid continue to pick up.

As a result of the weakness of the labour market, occupier demand in the nine main cities is marked by an acceleration of the downward trend started in 2011. This is mainly due to the significant drop in Central Paris take-up over the first nine months in 2013, with a fall of 29% compared to the same period in 2012 and well below its average level. The downturn reflects the lack of large deals in Central Paris, a pattern mirrored in Brussels, Milan and Madrid. Conversely, Central London outperformed its peers (+36%), whilst the German office market continues to show a steady performance.

The combination of a low level of net absorption and net addition implies stability of the vacancy rate around its current level of 9.2%. Office vacant space continues to decrease in Central London and in German cities, whereas it is reaching a high point in Paris and Milan, fuelled by significant releases of second-hand office space. More vacancies will cause a further downward correction in rents for these cities. But the prevailing situation in the majority of the cities is that office prime rents are unchanged compared to the previous quarter.

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About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers 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 40 countries with more than 180 offices and 3,300 employees (18 wholly owned and 22 by its Alliance network that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

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