

P R E S S R E L E A S E

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BACK FROM THE BRINK... BUT WHAT NEXT?

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New Global MarketView Analyzes Latest Global Economic and Commercial Real Estate Trends

Los Angeles – August 12, 2009 – *Back from the Brink... But What Next ?* a new Global MarketView issued by CB Richard Ellis (CBRE) Research and Consulting, sees some stabilization and some recovery for the commercial real estate market at the mid-point of 2009.

The report notes the obvious indicators of weak market conditions but also identifies some positive developments, including initial signs of recovery in some regions.

- There has been an uptick in investment sales volume in Asia, where the market has adjusted quickly and pricing may have hit bottom in some cities in Q2. In China and Hong Kong, residential sales transactions continued to rebound strongly, while overall market sentiment and investment transaction activity improved somewhat in Japan, Korea, India and Singapore. However, overall prime office rental rates in Asia dropped in Q2 and a number of office markets continued to record negative net absorption and falling occupancy rates.
- In the Pacific region, there were signs that property markets was stabilizing after 18 months of turmoil caused by the global financial crisis. Some larger investment transactions are finally taking place; the amount of sublease office space coming onto the market is slowing; and both consumer and business confidence measures are now improving after reaching their lowest levels in almost 20 years.
- Activity in the EMEA investment market inched up to €13 billion, from €11.6 billion in Q1 2009. While it is too early to predict a sustained upturn, there is some expectation that Q4 could see a modest further improvement in transaction volumes. Investment market activity quickened in London. However, office leasing activity in the main European markets is still very subdued, with the CBRE EU-15 index of prime office rents falling by 2.9% in Q2-- taking the year-on-year rate of decline to 8.6%--and on course to show significant year-on-year contraction relative to 2008.
- There are no signs of recovery for the market in U.S. Vacancy rates in the office, industrial and retail property markets continued to rise in Q2 2009. The U.S. office vacancy rate increased by 80 bps during Q2 2009 to 15.5%, while the national industrial availability rate increased 80 bps during Q2 2009 to 13.0%. However in

Canada, office vacancy rose at a slower rate than in the U.S. The national office vacancy increased from 7.5% in the previous quarter to 8.3% in Q2.

"It is startling how much more optimism is found in Asia, compared with investor sentiment in mature economies. Investors have 'missed the absolute bottom' is the refrain I hear most often from Asia," said Dr. Raymond Torto, CBRE's Global Chief Economist.

Dr. Torto added "It is obvious that the countries most burdened with weak credit institutions are in for a longer recovery period than others. While the severe recession of the last year was synchronized across the globe, the recoveries will widely vary, determined mostly by the strength of a country's banking system."

Back from the Brink... But What Next? finds that the prospects for commercial real estate during the balance of this year remain mixed. Ultimately real estate demand is entirely dependent on economic activity, and the global recession has taken a toll on occupiers and investors alike. The lack of financing for real estate transactions—along with rising risk premiums and weakening property fundamentals—has so far driven real estate asset prices down by 35% to 50% from the peak levels of 2007-08, with the scale and speed of decline varying depending on the market, property type, and asset quality and location. In many markets, this process of value adjustment is far from complete.

NOTE: *Back from the Brink... But What Next?* can be viewed [HERE](#). To speak with a CBRE expert, please contact Robert McGrath (212.984.8267 or Robert.McGrath@cbre.com).

About CB Richard Ellis

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