European Office Rents Grow for Eighth Consecutive Quarter

- *DNA of Real Estate report tracks European office, retail and logistics sectors*
- *European offices and logistics both demonstrate 0.7% growth in Q3*
- *Offices post the strongest year-on-year growth at 2.5%*
- *Logistics rental growth at its strongest since 2008 and continues to show biggest yield compression*

London, 25 October 2018 – European offices have recorded eight quarters of continuous rental growth by achieving a 0.7% increase in Q3 2018, according to Cushman & Wakefield's latest *DNA of Real Estate* report.

On an annual basis, European offices have posted the strongest rental growth, at 2.5%. European logistic rents, meanwhile, grew by an annualised 1.8%, in line with the 1.9% last quarter and is the strongest rate of growth since 2008.

In contrast, while retail rents have recovered strongly since the financial crisis and are more than 30% above 2008 levels, supported by strong growth across Western Europe, more recently the performance has been much weaker and has reported a fall of 0.4% in Q3 2018 and a fall of 0.5% on an annualised basis.

Nigel Almond, Head of Data Analytics at Cushman & Wakefield, commented: *"Across all property types, the core European markets of France, Germany, Nordics, Benelux and the UK have largely recovered since the financial crisis with rents now at or above pre-crisis levels. Semi-core markets – including Ireland, Italy, Portugal, CEE and Spain – were hit harder post crisis, but high street rents have generally now recovered any losses; underscoring demand for prime units in key cities across Europe."*

"The core markets within CEE follow the same trend in all asset classes, as is seen in Europe overall. Office and logistics rents in Poland are on the rise, and Prague high-street is a European top performer in terms of retail rental growth. Across all sectors in CEE we expect to see continued yield compression", **added Partner, Capital Markets, Cushman & Wakefield.**

Offices

Annual growth in European office rents was above 2% for a fifth consecutive quarter, yet it is still 1.4% off its pre-crisis level in Q3 2008.

Rental growth was recorded in 12 out of the 47 monitored markets and the main drive remained in Germany (Munich 4.1%, Hamburg 1.9% and Berlin 1.6%). Elsewhere regional UK markets also showed some upward

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movement (Bristol 6.2%, Edinburgh 4.5% and Newcastle 2.1%) on the back of solid demand and low availability. The strongest growth over the quarter was in Sofia, where rents grew 7.1% over the quarter taking annual growth to over 11% supported by strong demand

The overall European office yield moved down 1bp to 4.41% as only seven out of the 47 monitored markets saw some yield compression ranging between 10 to 25bps. Munich moved down 10bps to 2.7% and is now the market with the lowest office yield in Europe. In total, four out of the five German office markets monitored saw yields move in, led by Frankfurt at 25bps underscoring the strong investor demand and market fundamentals. Both Budapest and Lisbon also registered 25bp inward movement.

Logistics

Logistics continues to show strong performance in both leasing and investment markets with the strongest quarterly rental growth, on a par with offices and by far the strongest yield compression, as the prime European logistics yield was 5bps lower over the quarter and 41bps year-on-year to 5.9%.

UK regional markets contributed the most to the 0.7% overall rental growth in Europe, including Leeds (8.7%), Cardiff (8.3%) and Bristol (3.6%). This is driven by strong demand from occupiers absorbing new supply in a tight market. Pockets of growth were also found in Moscow (6.6%), Dublin (4.4%) and Budapest (3.8%).

Overall yield fell further below 6% to 5.90%, 5bps lower than Q2 2018. Over 20bps yield compression was recorded in Benelux with both Brussels and Antwerp moving down 40bps from 5.90% to 5.50%. In total 17 out of the 45 logistics markets saw yield moving inward. Overall yield in Germany was down 11bps over the quarter and 65bps year on year to 4.45%, with all monitored markets reporting very similar yields (4.4% to 4.6%).

High Street Retail

Only four of the 41 retail markets monitored posted growth this quarter - Prague (4.5%), Stockholm (3.7%), London (2.3%) and Helsinki (1.4%). This limited growth was offset by the double-digit drop in Istanbul to result in an overall 0.4% fall in Europe. In contrast to its blooming office and logistics sectors, German retail rents in the leading five cities have remained static in the past 18 months.

Meanwhile retail yields moved outward in more markets than those that moved inward for a second quarter in a row, and the first time sinceQ1 2012. UK regional markets saw yield softening by 25bps in Cardiff, Manchester and Newcastle. Istanbul and Zurich also saw high street yields rise leaving the overall European prime weighted average yield up 3bps to 3.25%, the UK is now shifting further away from its all-time low yield of 3.12% recorded in Q2 2016. All other major markets are now at their 10-year low.

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Note to editors

Data presented in the report relates to prime rents and yields. Country and regional aggregates are GDP weighted average of markets monitored in those locations. Further details available on request.

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of $6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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