

Strength in Numbers



Edward Symmons joined forces with German firm Ehrenberg Niemeyer Adam (ENA), Spanish firm Gesvalt, French firm Major Investment and Portuguese firm Cerat at the end of 2007, to create Valliance, a strategic alliance of leading valuation companies across Europe.

Since the launch of Valliance, Edward Symmons has valued €300 million of property and assets in Europe, a rate of instruction which we are delighted with bearing in mind that the current conditions across the European market has meant that the rate of acquisitions has dropped off.

As the UK's market volatility is echoed in Europe, investors are looking to accurately reassess the value of their investments and must combine local knowledge with service providers they know and trust. Valliance has provided us with a solution to this problem.

Chris Hornung
chris.hornung@edwardsymmons.com
Tel: +44 (0)20 7955 8484

EuroVision

The global downturn has affected the real estate markets in Europe to varying degrees, depending on the maturity of the market and the underlying economic factors of each region. As changing interest rates and occupier demand create a variety of investment cases for European investors, the five partner firms of the European alliance Valliance report on their markets:



UK
Chris Hornung, head of UK and European Valuation Services at Edward Symmons on the case for investing in the UK:

The major frustration in the UK market is the continuing lack of liquidity. Those who had ready capital have hopefully bought at a strong discount over the last six months but are now faced with the prospect that they have called the market too early; assets bought last year will be shaken by the affect of the continuing declining economy on tenant covenants.

UK Yield Shift		
SECTOR	JULY 07 (NIY %)	FEB 08 (NIY %)
Offices: London West End	3.50	6.00
Offices: London City	4.25	6.75
Offices: Major Regional City Centre	4.75	7.00
Prime Retail	4.00	6.25
Secondary Retail	4.25	7.50
Prime Shopping Centres	4.75	7.00
Prime Retail Warehousing - Open User	4.25	7.50
Prime Industrial	5.00	7.50
Secondary Industrial	6.00	9.00

Fortunately the outlook is not all bleak; deals are being considered in a fresh light as a positive yield gap returns to the UK for the first time in many years and there are a handful of banks who are now lending to long-standing clients, albeit at higher margins and loan to value ratios down to a maximum of 70%.

Many of our clients are now going back to the core fundamentals of investment - long secure income and prime locations.



GERMANY
Birger Ehrenberg of ENA on the discrepancy between the German occupier and investment markets:

The occupier market is relatively resilient. Take-up in the office market remains stable in the majority of Germany's major cities and actually increased by 33% in Q3 in Cologne. 80% of major city retail locations reported increasing or constant rents in 2008 and it is expected that premium locations will continue to be in high demand in 2009.

German Prime Yields	
SECTOR	FEB 08 (NIY %)
Offices	5.00-6.00
Retail	5.50-6.50
Industrial	7.00-7.50

However the financial crisis has caused a major problem in the investment market, which recorded a sharp decline of as much as 80% in the volume of transactions in 2008. The confidence of foreign investors has fared better, with the overall share of foreign investors decreasing by just 3% in the last quarters of 2008, and actually increasing in Cologne, Dusseldorf and Frankfurt.

The current investment market means that, despite a relatively strong occupier market, yields are likely to move out further.



Agency & Investment
 Building Consultancy
 Corporate Services
 Hospitality & Leisure
 Machinery & Business Assets
 Valuation Services

London: City
 2 Southwark Street
 London Bridge
 London SE1 1TQ
 T: 020 7955 8454
 F: 020 7407 6423

London: West End
 Nuffield House
 41-46 Piccadilly
 London W1J 0DS
 T: 020 7344 4500
 F: 020 7344 4556

Birmingham
 Charles House
 148/149 Great Charles Street
 Birmingham B3 3HT
 T: 0121 200 7620
 F: 0121 200 7630

Bristol
 Harford House
 Frogmore Street
 Bristol BS1 5LZ
 T: 0117 927 3454
 F: 0117 927 2006

Leeds
 8 St Paul's Street
 Leeds
 LS1 2LE
 T: 0113 245 8454
 F: 0113 246 8556

Liverpool
 5 St Paul's Square
 Liverpool
 L3 9SJ
 T: 0151 236 8454
 F: 0151 236 6679

Manchester
 Cloister House
 Riverside
 New Bailey Street
 Manchester M3 5AG
 T: 0161 216 9197
 F: 0161 216 3125

Plymouth
 1 Russel Court
 18 St Andrew Street
 Plymouth PL1 2AX
 T: 01752 222233
 F: 01752 261844

Southampton
 Unit 3, Lake Court
 Hursley
 SO21 2LD
 T: 023 8074 1212
 F: 023 8074 1454

UK partner of Valliance with
 offices throughout France,
 Germany, Portugal and Spain

www.edwardsymmons.com



SPAIN
**Sandra Daza of Gesvalt on
 the unprecedented rise of sale
 and leasebacks in the Spanish
 market:**

The investment market in Spain suffered a 40% drop to €6billion during 2008. Nevertheless, with €1.9billion of that total arising from the Banco Santander deal and investments falling more than 75% in Q4 of 2008, it is clear that the Spanish market is suffering a steep slow-down.

Spanish Market Summary					
ASSET	Yield Q4 2007	Yield Q4 2008	Volume 2007 (€M)	Volume 2008 (€M)	% Change
Offices (Madrid)	4.05%	6.00%	3,720	1,360*	-63%
Offices (Barcelona)	4.05%	6.00%	1,942	841	-57%
Commercial	4.75%	6.00%	1,690*	1,213	-28%
Industry / Logistics	6.25%	7.25%	608	605	-1%

* Excluding deals completed for the Banco Santander portfolio

It is significant that almost half of all investment in 2008 arose through sale and leasebacks. This unprecedented level can be partly attributed to increasing risk aversion; investors are attracted by the clear guarantees of tenant solvency and long leases. It has also been driven by the shortage of liquidity in the financial system, which has encouraged occupiers to use their property investments as a source of finance.

Given that the current financial crisis does not look set to improve in the short term and that sale and leasebacks is still a relatively untapped market in Spain, it seems logical to think that the high volume of these transactions is going to dominate the market in 2009.



FRANCE
**Manuel Martinot of Major
 Investment on the French
 market's increasing
 dependence on the covenant
 of tenants:**

The French economy has been in decline since Q3 2006 and the rating of tenants will be the criteria of real estate investors in 2009, with tenants that are linked to French state services the most favoured by investors.

The French market usually follows the market in the UK but in the current climate we predict that, despite the positive economic effects of lower inflation and interest rates, take-up will continue to drop and transactional values will continue to fall across all sectors of the commercial and residential markets. Investors therefore need to prepare for a significant rise in rental negotiations as tenants look to benefit from the rise in supply of product.

In 2009 properties within the private or specialist healthcare market, regional offices and budget retail and

leisure properties are set to perform better than traditional "prime" stock and we expect the real estate market in Q1 and Q2 will be supported by transactions involving high yield assets.

PORTUGAL

**Maribel Galeas of Cerat on the
 office market in Lisbon:**



Prime rents in the Lisbon office market remained stable throughout 2008 and we expect this to continue into 2009, despite the wider market downturn.

The prime office market in Lisbon is still relatively young and many companies occupy sub-prime office space that offers them very little efficiency. As budgets become tighter, and productivity becomes more important, the relatively low rent levels for modern, efficient office space will continue to be attractive.

The construction pipe-line for Lisbon is c. 150,000 sq m, which totals about half of the current supply. Faced with predictions of diminishing gross absorption rates by the end of 2009 and the continuing adverse economic trend, we expect that Landlords with new developments in the capital are also likely to support a number of the tenant's costs to encourage relocation.

Lisbon Office Market Data:	
Total Office stock	4,271,000 m ²
Current Offer	302,000 m ²
New Buildings	130,000 m ²
Used Buildings	172,000 m ²
Global Market Vacancy	7.09%
Construction Pipeline	152,000 m ²
Construction Completed in 2008	75,000 m ² (62,000 m ² on a single development)
Market Prime Rent	21,50€ / m ² / month
Average Market Rent	12,50 € (zone 6) to 19,00 € (zone 1)
Absorption 3 ^o T / 2008*	209,000 m ²
* (Although these results have been influenced by the completion of an extraordinary operation – the rental of 65,000m ² in the Office Park Expo- the dynamism in this market is clear, as there is still demand even in the current harsh economic climate).	
Absorption 2007	201,000 m ² (na absolut high for this market in 9 years since the LPI is recorded)

For further information on Edward Symmons' Valuation Services or the Valliance Network of Real Estate Advisors contact:

Chris Hornung
 chris.hornung@edwardsymmons.com
 Tel: +44 (0)20 7955 8484

