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A REPORT ON THE ECONOMY AND ITS IMPACT ON COMMERCIAL REAL ESTATE

EUROPEAN REVIEW

AFTER THE FINANCIAL CRISIS: BACK TO THE REAL ECONOMY

As tentative signs emerge that financial markets are stabilising after the carnage of recent weeks, a clearer view is forming on what lies ahead for the European economy - and it's not pretty.

At least in the real economy, though, we can perhaps escape the labels of "unparalleled" and "unprecedented" which have had to accompany descriptions of the travails of the global financial system. Cycles are the meat and drink of the real economy – whatever politicians may try to tell us – and each downturn is followed by a recovery, eventually!

Unfortunately for now however, that prospect lies someway distant. The deeper than expected trough in the financial crisis has clearly hit an already deteriorating European economy. Weaker housing and employment markets, alongside the pressures exerted by past inflation, do not auger well for consumer demand. At the same time, business sentiment has fallen and exports and investment look set to weaken further in 2009. As a result, a number of countries are now in or teetering on the edge of recession and the region overall is expecting its slowest period of growth since 2001. This will hit occupational property markets across the region, with a demand-led fall in pricing as well as activity.

Despite this gloomier outlook, it is worth noting that the relative lack of major economic and debt imbalances in the core countries of Europe does point to a better ability to withstand the slowdown and the impact of the de-leveraging to come. This should ensure that the down-cycle is less severe and at least some European markets will see a relatively quick stabilization, helped by falling oil and commodity prices as well as a more competitive exchange rate. Falling interest rates will also help. With inflation slowing, the way is clear for central banks to cut rates more aggressively and while this won't prevent the slowdown, it should cushion the impact.

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Moving forward, some are warning that inflation will rapidly give way to deflation – but while inflation will fall as

oil and commodity prices drop, this will be positive for consumer and business spending power and may not signal a more widespread deflationary spiral. Nonetheless, it underlines the need for central banks and governments to act decisively to boost growth.

At the same time it is increasingly apparent that prospects will vary significantly between different countries as past excesses are unwound and current policy initiatives are put to the test. Indeed, as investors and businesses continuing to re-rate markets globally, greater polarisation will be seen in both growth and risk expectations, affecting mature and emerging markets alike.

The Banking Crisis

Concerted and, on occasion, co-ordinated action by authorities around the world now appears to have averted the threat of a complete collapse in financial markets. Despite the scale of this intervention however, it is clear that economic and business confidence has deteriorated significantly. Problems will in fact be stacking up in the months ahead as falling orders and profitability, as well as weaker property prices and rising unemployment, lead to a greater volume of bad debts.

As a result, it will clearly take time for the banking system to stabilise and in most European markets, more casualties can be expected as the impact of the credit crunch moves along the food chain from banks to other financial businesses and on to the wider economy. This process will intensify as businesses and consumers (and eventually governments) set to the task of paying down debt.

On a positive note, falling interest rates will allow the banks to start to rebuild profit margins and are also slowly being reflected in money market rates - which will ease financing pressures for those who can actually access debt. This will not mark a slow climb back to where we started however, and it appears a certainty that finance markets will change substantially in the future. While CMBS and other forms of securitisation will return, it seems likely that banking policy generally will be more conservative, with banks seeking to limit their exposure to wholesale markets, increasing the importance of retail depositors and relationship banking.

Despite such a change in the banking model, the authorities are likely to want to take action to avoid their rescue creating a future moral hazard. As a result, increased regulation is widely anticipated. The form of any such intervention will be closely scrutinised, particularly in so far as it might pose a threat to the competitive position of Europe’s financial centres on a global basis.

Regional Economic Overview

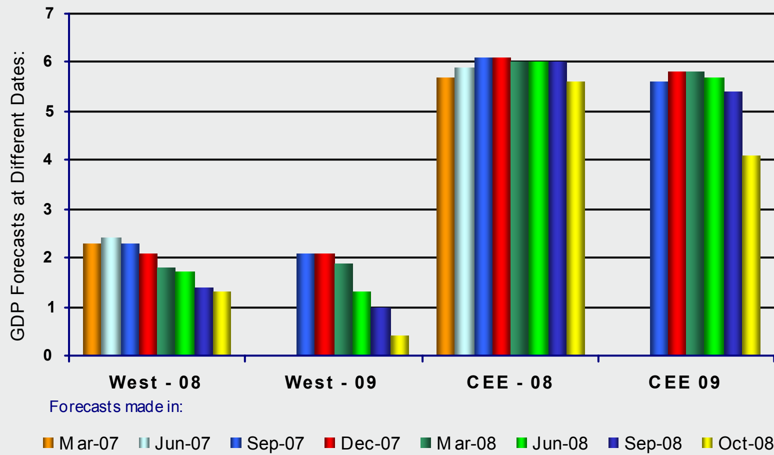
Much of Europe came into 2008 hoping for a more resilient performance than other global markets and the year did indeed start reasonably well. However, even before the summer a slowdown was clearly underway, with a number of markets seeing an outright fall in GDP in the second quarter. Most indicators point to a further reversal in the third quarter and hence a number of economies are now officially be in recession.

A key driver for this was the spike in inflation, more so in fact than the credit crunch in some areas. Higher inflation has eaten into real spending power and consumer confidence – leading to a slowing in activity. Hence while the credit squeeze will hold growth back in 2009 as de-leveraging accelerates, a fall in inflation will have a positive impact.

Since inflation spiked earlier this year, Central Banks have been alert to so-called “second round” effects, notably in wages. but with unemployment edging up, the signs are this will be limited. This is not only good news for interest rates, it also bodes well for unemployment, since, with a steady increase in labour market flexibility in parts of Europe over recent years, we may see less job shedding than in previous down cycles.

Inflation in many markets is already down and should fall further in the months ahead. This will be offset in part by a weakening in key currencies, but not sufficiently to stop inflation dropping back into the comfort zone of Europe's Central Banks.

FIGURE 1 | CHANGING VIEWS ON GDP GROWTH POTENTIAL (% per annum)



Note: West is Western Europe, CEE is Central & Eastern Europe
Source: Consensus Economics Inc/Cushman & Wakefield

Interest rates will, of course, fall at varying speeds around the region, as we have already seen. The UK has taken a lead, with the Bank of England acting decisively with 200bp of cuts in the past 2 months, while the smaller ECB cuts demonstrate a more conservative approach. In Central and Eastern Europe, some central banks may face pressure to delay interest rate cuts to protect their currencies and keep inflation under control. Nevertheless, given the apparent willingness of Central Banks to act to ward off the growing downside risks to future growth, the next six months are likely to see sharper falls in interest rates across Europe. Official rates in the Euro zone for example may fall towards 2% and 3 month market rates to below 3% as lending margins settle.

The Drivers for Growth

Falling borrowing costs will clearly be positive for consumers even though credit availability may remain tight. The past decade has seen credit become a more significant driver of consumer spending growth in many European economies, East and West. As a result, tight credit availability will subdue spending growth, particularly in those countries in which the consumer economy was most heavily dependent on credit, such as Spain, the UK and Ireland.

Nonetheless, for the region overall, consumer spending has remained relatively robust and whilst growth will be limited in 2009 and may fall back in some areas, for example in parts of Eastern Europe, relatively high saving levels and falling inflation will support the market. This may be insufficient to drive growth and offset the weakness of business investment and exports, but it should at least help the region avoid a more severe slowdown.

Export growth meanwhile – notably to emerging Asian markets – was a key support for European growth earlier this year. With the strength of the Euro and the spreading of the global slowdown however, exports have now fallen and the industrial sector has slowed sharply. A fall in the Euro will help the competitive position of Europe's exporters going forward, but a further slowing in world growth clearly suggests any recovery will be slow.

This in turn will impact further on business investment. Fixed investment in Western Europe is already likely to have halved this year after an impressive 4-5% rate of growth in 2007. With business surveys increasingly pessimistic, a fall in investment and employment is likely in 2009 before a modest recovery starts in 2010. It is worth noting however that some reports suggest the position of the European corporate sector is relatively sound with respect to debt. The sector may therefore be in a position to respond quickly as economic conditions improve – which would be positive for a recovery of demand in business space property markets.

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Increasing diversity in performance

Most economies have slowed over recent months, but a rift has also been evident between those expected to weather the storm relatively well, such as Germany, Sweden, The Czech Republic, Slovakia, Poland and the Benelux countries, and those facing a deeper correction such as the Baltics, UK, Spain, Ireland and Italy.

Indeed, as the financial crisis has moved on, it is now countries rather than just banks and companies who are in the firing line. With Iceland, Hungary and the Ukraine turning to the IMF for emergency funding, market speculation has switched to which country will be next.

FIGURE 2 | MARKET FORECASTS (October 2008)

	GDP % pa		Inflation % pa		Comment
	2008	2009	2008	2009	
Austria	2.1	1.4	3.4	2.3	Export growth slowing but domestic demand, while down, should hold firm
Belgium	1.5	1.0	4.3	3.0	Relative stability anticipated but inflation to remain above average.
Bulgaria	5.9	4.2	12.1	7.6	Inflation still high, while investors' risk premium and cost of credit are rising
Czech Republic	4.3	3.3	6.6	3.1	Growth and inflation easing, further monetary policy loosening expected
Denmark	0.7	0.6	3.2	2.6	Housing market slowdown continues to hit consumer demand.
Estonia	-1.1	0.8	10.7	6.0	Rapidly slowing economy but strong inflation partly due to labour shortages
Finland	2.4	1.6	3.8	2.7	Relatively strong outlook, consumer sector could be aided by tax cuts in 2009
France	0.9	0.5	3.1	2.1	Weakening growth on all indicators with technical recession now likely
Germany	1.7	0.8	2.9	2.0	Weaker exports and falling confidence leading to onset of recession
Greece	2.8	2.3	4.3	3.3	High inflation, but strong investment growth to buoy economic outlook
Hungary	1.9	1.6	6.3	3.9	Outlook down notably but may see improvement following IMF agreement
Ireland	-0.7	0.3	4.0	3.1	Falling housing market and contracting investment point to ongoing recession
Italy	0.0	0.0	3.5	2.4	Stagnation forecast but downside risks as external environment worsens
Latvia	-0.2	1.1	15.6	7.1	Soaring wage growth but rapidly slowing economy approaching recession
Lithuania	4.6	2.3	11.3	7.4	Unemployment very low leading to high inflation but slowdown less dramatic
Luxembourg	2.5	1.5	4.0	2.6	Slower but still positive growth prompted by high inflation and financial sector
Netherlands	2.1	0.8	2.6	2.0	Consumption and employment growth still positive, inflation continues to fall
Norway	2.8	1.3	3.9	2.8	Growth to slow but tight labour market to remain, keeping inflation up
Poland	5.2	4.0	4.3	3.5	More sheltered from financial crisis but not immune
Portugal	0.9	0.5	2.8	2.3	Weak consumer demand will hamper recovery following austerity measures
Romania	8.1	4.5	7.8	5.4	Strong recent growth to fade as exports and consumption growth drop back
Russia	7.0	4.9	13.7	11.1	Inflation still high, falling oil prices damaging economic outlook for 2009
Slovakia	6.9	5.0	4.5	3.9	Growth to slow and inflation to ease despite labour market tightness
Spain	1.3	0.1	4.4	2.8	Housing market ills and end of construction boom could lead to recession
Sweden	1.3	1.1	3.7	2.5	External demand slowing rapidly, opening the way for more interest rate cuts
Switzerland	2.0	0.8	2.6	1.4	Could suffer further from exposure to financial crisis
Turkey	3.1	2.5	10.3	8.5	Tighter monetary policy as inflation surges, consumption growth falling
UK	1.1	-0.2	3.7	2.9	Housing market falls and rising unemployment point to a recession ahead
Ukraine	5.9	4.0	24.6	14.7	Growth expected to slow. Heightened economic and political risks evident
Western	1.3	0.4	3.5	2.4	Financial market at centre of slowdown, but lower bank rates will limit depth
Central & Eastern	5.6	4.1	11.0	8.3	Effects of slowdown in WE to slow growth in main producer countries

Source: Consensus Economics Inc, EIU and Cushman & Wakefield

Marked differences obviously exist in terms of not just current account deficits but also public sector and household debt, as well as the general health of the banking, housing and corporate markets. As a result, while the re-rating of risk will continue, this should focus more on individual country fundamentals and be part of an increasing polarisation in performance going forward.

The UK was one of the first countries to be significantly affected by the credit crunch, due in part to its relatively heavy reliance on the financial sector. In addition, the UK, along with Denmark, Ireland and Spain, had also seen high levels of borrowing as a result of recent house price booms, meaning that consumers were hit hard as house prices reversed and debt costs rose.

The ongoing adjustment likely in the UK remains more extreme than in much of Europe. Moreover, medium term growth will be held back by the need to tighten fiscal policy. Nonetheless, due to its demographic

position and past reforms delivering a more flexible economy, UK growth capacity is still estimated to be higher than the Western European average.

Ireland and Spain will also continue to suffer more than average in 2009 as falling housing markets and rising unemployment sap consumer confidence. Spain may see a hard landing as the slowdown spreads from the construction and industrial sectors to services but with a relatively high savings rate, the downturn should not be too protracted.

Italy does not face the same debt imbalances as Spain or the UK and neither has it enjoyed a recent boom in activity. Poor export growth will be a drag on performance however and with the government committed to reducing debt and consumers likely to be restrained by tight lending, the short term outlook is weak.

Most other western markets look set to see better relative performance, although recession is still a threat. Germany has slowed quickly as global export demand has dropped and the country is now in recession but it should still suffer less than average and with a relative lack of financial imbalances, should be a safe haven for investors. France may face more of a challenge than Germany from falling house prices. However, lower inflation will boost consumer sentiment and with the banking sector relatively robust and well supported by the government, consumer spending may hold up better than most.

As with Germany, the Netherlands will be hit by a weaker export market and there is limited potential for the domestic sector to take up the slack as the housing market weakens. However, government action is supporting the banking sector and overall growth is expected to be better than the regional average in 2009. Belgium is in a similar position, although the tendency for wages to be index-linked means the country may face a slower drop in inflation.

Among the smaller economies of Europe the outlook is mixed. Austria is slowing along with its main export market, Germany, but looks set to out-perform with a more stable outlook for consumers. Growth in Greece is also set to be above average but will slow from recent levels, whilst in Portugal, exports have dropped quickly and this will continue as Spanish demand falls.

In the Nordic region, growth may be slowing but, Icealand aside, it still looks more robust than for much of the rest of Europe. There are downside risks from weaker housing markets in Denmark and Finland and from low savings ratios in Norway and Denmark, but overall the slowdown looks set to be more gradual.

Further east, the economies of Central and Eastern Europe have had little direct exposure to the financial difficulties of the past year. However, with food and fuel accounting for a larger proportion of household spending, inflation was a greater threat than in Western Europe, leading to interest rates rising in many cases. In addition, slowing growth in Western Europe has begun to feed through into Central and Eastern Europe via falling demand for exports.

Whilst emerging markets generally are expected to maintain higher levels of growth, some are now suffering from an increased appreciation of risk, be that political, economic or in the business environment. There is also a significantly increased divergence between market performance in the region – and a greater focus on debt and trading deficits.

Much of the deficit seen in emerging markets is, of course, accounted for by inward investment rather than over-consumption, (and hence will add to future productive capacity), and falling energy prices will help to stabilise export bills over the coming year. Nonetheless, a number of markets are clearly vulnerable to a withdrawal of investment and where consumption has been running ahead of income growth, a painful

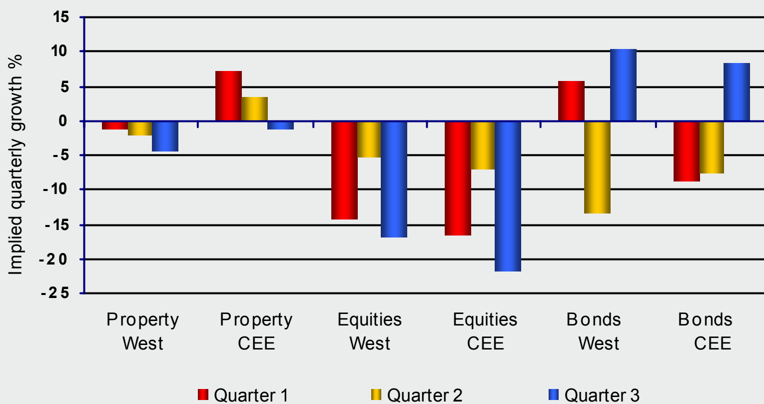
adjustment may lie ahead in those countries where personal debt has expanded rapidly and where the public sector is also in deficit. However, falling inflation will boost consumer sentiment and disposable incomes and in a more cost conscious environment, relocating businesses from the West should continue to arrive.

Hungary aside, the rest of Central Europe is in a relatively robust position, with lower trade and government deficits. Indeed, the Czech Republic may well prove to be more robust than some markets in the West while Poland and Slovakia are tipped to perform well.

Investment markets remain volatile

Whilst now somewhat more positive, it is clear that investment markets remain very uncertain. Volatility is still high and a flight to quality has depressed bond yields significantly. Equity pricing is deemed increasingly attractive in some areas – with relatively high dividend yields on an historic comparison for example and a growing feeling that some riskier assets are oversold. Still, many investors are waiting to see how far future incomes and profits - not to mention asset values – have to fall, before taking a view on pricing.

FIGURE 3 | INVESTMENT MARKET PERFORMANCE – CAPITAL GROWTH



Note: Property is prime, Bonds are 10 yr government bonds
Source: Reuters and Cushman & Wakefield

In the bond market, deteriorating government finances point to yields increasing at some point but at the same time, falling inflation and low borrowing costs, as well as the risk aversion of investors, may all serve to keep rates down for the foreseeable future

The flight to quality by investors is particularly notable in the growth shown by emerging markets, with weaker performance in both stock and bond markets over the year to date as investors have increased the risk premiums they demand.

The performance of differing market segments has also varied, with the opening part of the year seeing greater resilience from property – even with further positive growth in some emerging markets. The third quarter however saw bond markets outperform, both East and West, and this has continued in the final quarter.

While correlations between all asset classes have tended to increase in recent periods of extreme stress, it is still clear over any reasonable period of time that the case for a multi-asset portfolio remains intact and, moreover, that such a portfolio should include real estate which, at least on a relative basis, would have helped smooth returns over recent months.

Implications for Property

For some time now the two key forces driving property performance - the capital markets and the occupational sector - have been far from in tune.

Through much of the bull run for the sector, investment trends ran well ahead of the fundamentals of the occupational market, while in the past year this reversed, with a calamitous slide in the capital market underpinnings for the sector despite the relative strength of the occupational market.

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This disparity may start to unwind as we move into 2009, partly because of a relative improvement in capital markets but more particularly, because of a weakening in the occupational sector.

In the capital markets, it may be too early to expect a recovery in lending even though some areas are reporting a stirring in bank and borrower interest after the near freeze in activity seen at the height of the credit crisis. Nonetheless, recent events may well open the door to an improvement in 2009 by encouraging more activity and a greater acceptance of where market pricing now is. Moreover, deep cuts in short term interest rates and the maintenance of low medium term bond rates will be important in supporting the market.

FIGURE 4 | INVESTMENT MARKET DATA (November 2008)

	3 Month Interest Rates		*10 year Government Bond Rates*		*Stock Market Growth*
	Sep 08	*Nov 08*	*Sep 08*	*Nov 08*	*Jan to Nov 08 (%)*
Austria	5.06	4.34	4.54	4.27	-55.8
Belgium	5.06	4.34	4.67	4.35	-48.3
Bulgaria	7.48	6.47	5.63	6.67	-74.2
Czech Republic	3.82	4.29	4.50	4.63	-52.3
Denmark	5.10	6.02	4.47	4.14	-40.5
Finland	5.06	4.34	4.52	3.99	-43.4
France	5.06	4.34	4.42	4.06	-40.6
Germany	5.06	4.34	4.17	3.66	-41.0
Greece	5.06	4.34	4.92	5.02	-60.4
Hungary	8.66	11.66	8.04	9.81	-53.4
Ireland	5.06	4.34	4.73	4.67	-59.5
Italy	5.06	4.34	4.85	4.62	-44.9
Netherlands	5.06	4.34	4.43	4.06	-50.1
Norway	7.12	6.11	4.50	4.33	-51.5
Poland	6.59	6.82	5.83	6.61	-48.2
Portugal	5.06	4.34	4.70	4.41	-49.2
Romania	12.84	16.98	na	Na	-67.2
Russia	9.08	17.42	6.43	7.80	-63.7
Slovakia	4.25	3.83	4.93	4.75	-17.7
Spain	5.06	4.34	4.64	4.23	-41.3
Sweden	5.37	4.55	3.90	3.53	-39.9
Switzerland	2.82	2.22	2.81	2.59	-28.6
Turkey (5 yr bond)	18.49	20.96	18.53	24.14	-52.8
UK	6.20	4.38	4.58	4.21	-34.2
Ukraine	15.72	24.36	na	Na	-76.5
Average of Western Markets	5.14	4.44	4.43	4.13	-45.6
Average of CEE markets	9.66	12.53	7.70	9.20	-56.2

Source: Reuters and Cushman & Wakefield

At the same time, the occupational fundamentals of the market have weakened as a result of the deteriorating outlook for economic activity. Many markets are already seeing the economic impact come through in a slowdown in leasing activity, increased decision making times, reduced shopping centre turnovers and increased tenant incentives. Outright rental falls are set to follow in a number of areas.

In contrast to some other global markets however, in much of Europe, at least in the more mature markets, this occupational slowdown will be demand rather than supply driven. This makes the impact harder to predict but does argue in favour of a more rapid recovery in the future. At the same time of course, there are some segments where the supply threat is greater and this will amplify the resulting impact on rents in such areas.

To date, the UK and markets such as Spain and Norway have very much led the yield re-pricing of property in Europe.

Some of the same markets will lead in the occupational market downturn since the financial market excesses which led to property prices over-shooting also supported a broader level of economic activity which drove occupier demand. Additionally, the health of the investment market opened the door to more new development to come forward – albeit still generally at a more restrained level than in past cycles.

In a demand driven cycle few markets will be immune and as a result, we anticipate an acceleration in the pace of yield correction in much of Europe over the next three months as risk is re-priced more aggressively.

Nonetheless, the impact will also start to be more polarised. As a reflection of the increasingly global nature of business and investment, other than in the more extreme markets supported by the era of easy debt, the impact of the credit crunch has been relatively indiscriminate around Europe – even acting without regard to the health of the local banking sector. This is now changing however and will continue to do so, with individual market fundamentals and risk coming more to the fore. Greater polarisation in performance is therefore anticipated in 2009.

Higher inflation has been a positive for some markets meanwhile, particularly those with indexed-linked leases in place. In some cases however this is an area of potential risk since it will leave some markets over-rented where inflation has exceeded rental growth.

By sector, negative trends can clearly be assigned to all markets, with the drivers for growth in commercial, retail, hospitality and residential markets all down. Retail and perhaps parts of the logistics market may be more robust over the short term however – at least for prime space, as office markets struggle to cope with a reversal in corporate investment and de-leveraging. Nonetheless, in many areas the corporate sector is arguably in a more robust position than the consumer and will drive the eventual economic upturn. Office property may therefore under-perform short term but could be one of the first sectors to recover.

Importantly, a key driver for opportunity in 2009 will continue to be the nature and position of the owner and financier more so than the geographical location or sector of the property. It will continue to be those with a real need to raise capital, reduce debt or re-organise their occupation which will provide potential for incoming investors.

For occupiers, real estate will be an important potential source of finance for those who own their space, although with yields heading above financing costs, owner occupation will again be a favoured route to occupation for some cash-rich companies. For those looking to change their space requirements meanwhile, they will be in a very strong position to expand or re-negotiate – but will face a tougher battle if they need to dispose of space, particularly if it falls short of the high standards now demanded.

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Market Data

Given the paucity of transactional data and fast moving pace of market sentiment, the yield figures below are a broad estimation only and do not relate to any one specific asset or transaction. The figures are based on prime assets let at today's market rent and assume a willing vendor and a securely financed purchaser. It should also be noted that, typically, these yields relate to lot sizes of up to €75mn. Larger lot sizes will see a discount in today's market, with yields 25 to 50 bp higher in many markets for lots of say €100 to €200mn.

Figure 5 | PRIME RENTS AND YIELDS ACROSS EUROPE (Q4 2008)

	Rents Euro/sqm/yr			Prime Yields			
	Shops	Offices	Industrial	Shops	Shopping Centres	Offices	Industrial
Amsterdam	2,400	375	95	4.50%	5.75%	6.00%	7.00%
Athens	3,600	360	72	5.50%	6.50%	7.00%	7.50%
Barcelona	2,760	324	90	5.25%	5.50%	6.00%	7.00%
Belgrade	1,320	216	36	11.0%	11.0%	10.0%	14.0%
Berlin	2,640	258	54	4.65%	5.60%	5.25%	6.95%
Birmingham	2,022	444	82	6.00%	6.00%	6.75%	7.50%
Bratislava	960	240	50	7.00%	7.00%	6.75%	8.00%
Brussels	1,625	270	50	4.75%	5.00%	5.75%	6.75%
Bucharest	1,800	252	48	7.75%	7.00%	7.00%	8.50%
Budapest	1,560	264	50	6.25%	6.50%	6.75%	7.75%
Copenhagen	2,275	281	74	5.25%	5.50%	5.75%	7.00%
Dublin	6,000	590	122	4.75%	5.50%	5.50%	6.75%
Dusseldorf	2,640	276	60	4.55%	5.35%	5.00%	6.95%
Edinburgh	2,207	400	102	6.50%	6.00%	6.75%	7.50%
Frankfurt	2,880	450	72	4.50%	5.35%	5.00%	6.70%
Glasgow	2,517	389	82	6.00%	6.00%	6.75%	7.50%
Hamburg	2,520	282	60	4.45%	5.35%	5.00%	6.70%
Helsinki	1,620	360	114	5.75%	6.00%	6.00%	7.00%
Istanbul	1,973	427	73	8.00%	7.50%	7.50%	9.00%
Kiev	3,587	683	120	13.00%	13.00%	10.00%	10.50%
Lisbon	900	240	48	6.50%	5.75%	6.50%	7.75%
Ljubljana	360	204	84	9.00%	Na	9.50%	11.00%
Luxembourg	1,440	480	Na	5.50%	Na	5.75%	Na
London	6,147	1,571	167	5.00%	6.00%	6.25%	7.00%
Lyon	1,473	260	47	5.50%	4.75%	6.50%	7.25%
Madrid	2,880	504	99	5.25%	5.50%	6.00%	7.25%
Manchester	2,049	410	75	6.00%	6.00%	6.75%	7.50%
Milan	6,800	550	75	5.00%	6.50%	5.75%	7.50%
Moscow	3,559	1,068	103	na	10-11%	10-11.5%	11-12%
Munich	3,360	372	69	4.10%	5.35%	5.00%	6.70%
Oslo	1,827	514	115	6.15%	6.75%	7.00%	8.25%
Paris	7,732	765	51	4.50%	4.50%	4.75%	7.00%
Prague	2,160	276	56	6.00%	6.50%	6.25%	7.50%
Riga	540	222	72	8.50%	7.50%	7.50%	9.00%
Rome	6,400	510	80	5.25%	6.50%	6.00%	7.70%
Sofia	1,200	216	78	6.50%	7.50%	8.00%	9.00%
Stockholm	1,429	470	102	5.25%	5.50%	5.25%	6.75%
Tallinn	600	216	72	7.50%	7.50%	7.50%	9.00%
Vienna	2,400	270	54	4.60%	5.80%	5.00%	6.50%
Vilnius	600	210	75	7.50%	7.50%	7.50%	9.00%
Warsaw	1,020	372	54	7.75%	6.75%	6.75%	7.50%
Zagreb	1,020	222	82	8.00%	7.50%	8.00%	9.00%
Zurich	5,079	540	102	4.00%	5.50%	4.50%	7.00%

Note: Yields are quoted on their local market basis. Those shown in red are calculated net, to include transfer costs of tax and legal fees.
Source: Cushman & Wakefield

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