

# P R E S S   R E L E A S E

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## *THE GLOBAL ECONOMIC DOWNTURN: ITS IMPACT ON REAL ESTATE*

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New *Global MarketView* Analyzes Global Economic Trends and  
Commercial Real Estate Performance

Los Angeles – May 19 – *The Global Economic Downturn: Its Impact on Real Estate*, a new *Global MarketView* just issued by CB Richard Ellis (CBRE) Research, analyzes global economic trends and their impact on commercial real estate.

The report notes that following the sharp contraction of worldwide economic activity in Q4 2008, the commercial real estate market turned in a negative performance in Q1 2009 and that while the depth and speed of the decline varied across markets and regions the direction was the same:

- In Q1 2009, EMEA's (Europe Middle East Africa) total investment transaction volume fell sharply to just over \$11.5 billion—a 44% decline from the total for Q4 2008—due in large part to the after-effects of Lehman Brothers' collapse last fall. Capital values continued to fall through the quarter, with yields increasing in most European cities.
- In Asia, staff retrenchment in the business services and financial sectors, combined with a flight to cost-savings, led to a reduction in demand for prime office space, causing vacancy rates to spike in most markets. In the Pacific region, investor confidence across Australia and New Zealand continued to fall, causing investment activity to plummet to well below long-term averages.
- In the Americas, due to declining demand, the U.S. office vacancy rate increased by 70 basis points (bps) in Q1 2009 to 14.7%, with 45 out of 57 markets experiencing rising vacancy this quarter. In Canada, vacancy rates continued to increase; while cracks are emerging in rental rates, pricing erosion has been limited to select properties and submarkets and is not yet widespread. For the most part, Latin America is still experiencing low vacancy rates and has benefited from continued stable local demand for real estate.

Globally, declines in GDP in Q1 2009 were among the worst historically for many countries, and most major economies have seen significant negative growth since the end of 2008. Q1 2009 saw further reduction in global investment activity, with total volume at about \$47 billion versus \$293 billion in Q1 2007. Asset values continue to fall, and while the economy

seems to be stabilizing somewhat, real estate fundamentals remain weak, as commercial real estate lags the overall economic trends. It is expected that the remainder of 2009 will be extremely challenging.

NOTE: *The Global Economic Downturn: Its Impact on Real Estate* can be viewed [here](#). To speak with a CBRE expert, please contact Robert McGrath (212.984.8267 or [Robert.McGrath@cbre.com](mailto:Robert.McGrath@cbre.com)).

#### About CB Richard Ellis

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