



2011 GLOBAL REAL ESTATE MARKETS

Annual review & outlook
Knight Frank

HIGHLIGHTS

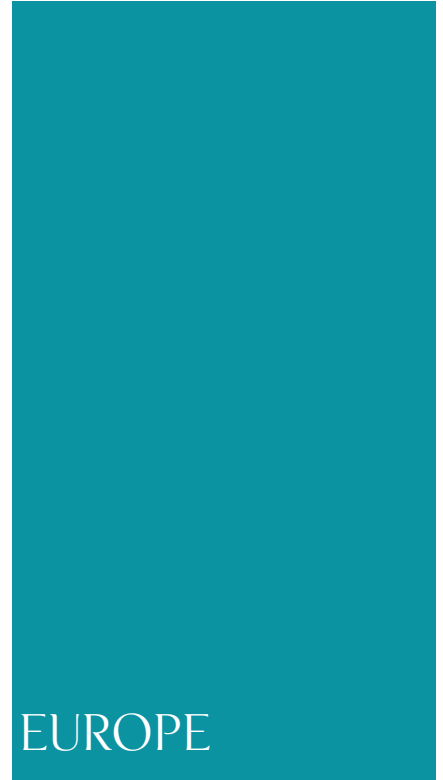
- Globally, commercial property markets are in the midst of a multi-speed recovery. While considerable variations remain between markets, the improvement of the world economy in 2010 helped to boost demand for office space in most cities, and a growing number have seen rents rise and vacancy rates fall. In many markets, particularly in North America and Europe, this process has been aided by a sharp slowing of development completions.
- Rental growth has been led by the world's major financial centres, with office rents rising in cities such as London, New York, Hong Kong and Singapore. In contrast, rents continue to come under downward pressure in a smaller group of markets, including Los Angeles, Madrid, Seoul and Dubai, where the economic outlook remains uncertain or availability is high.
- Improved investor confidence helped transactional activity to increase across all global regions in 2010. Investment volumes are likely to rise further in 2011, albeit remaining well below pre-downturn levels.

2011
GLOBAL REAL
ESTATE MARKETS
Annual review & outlook



Contents

Europe	4
North America	12
Middle East	22
Africa	24
Asia-Pacific	26
Global office rents	29



European Union GDP grew by an estimated 1.8% in 2010, having contracted by 4.2% in 2009. The economic recovery has not been smooth and growth was weaker in the second half of the year than in the first half of 2010. Growth has been led by Germany, which saw GDP rise by 3.6% in 2010 as the country's manufacturing and export-based economy benefitted from improvements in global trade. Other countries have lagged behind, most notably Greece, Ireland, Portugal and Spain, where unemployment remains high and concerns over sovereign debt have undermined economic confidence and led governments to implement strict austerity measures.

The European economy will continue to face significant headwinds throughout 2011, which will constrain growth. Restrictive fiscal policies will remain in place as governments seek to rein in their budget deficits, while high unemployment and rising inflation may also dampen consumer spending. Overall, GDP growth within the European Union is likely to continue

at a relatively modest level, with the IMF forecasting an expansion of 1.7% in 2011.

Europe's office markets experienced mixed fortunes during 2010, though for the majority it was a year of stabilisation, with demand for space gradually improving. Take-up volumes generally increased on the previous year, albeit remaining below long-term average levels in most cities. There are signs that



two-tier markets have emerged in some cities, as occupiers have been able to lease city centre space on favourable terms in recent years, while secondary locations have struggled to attract tenants, pushing vacancy rates up in secondary markets.

At the start of 2010, prime office rents were still falling in a significant number of the continent's markets but by the end of the year, rents had either stabilised or begun

to recover in most markets. However, there are exceptions, where demand remains weak and rents continue to come under pressure, particularly in the weaker economies on the periphery of Europe.

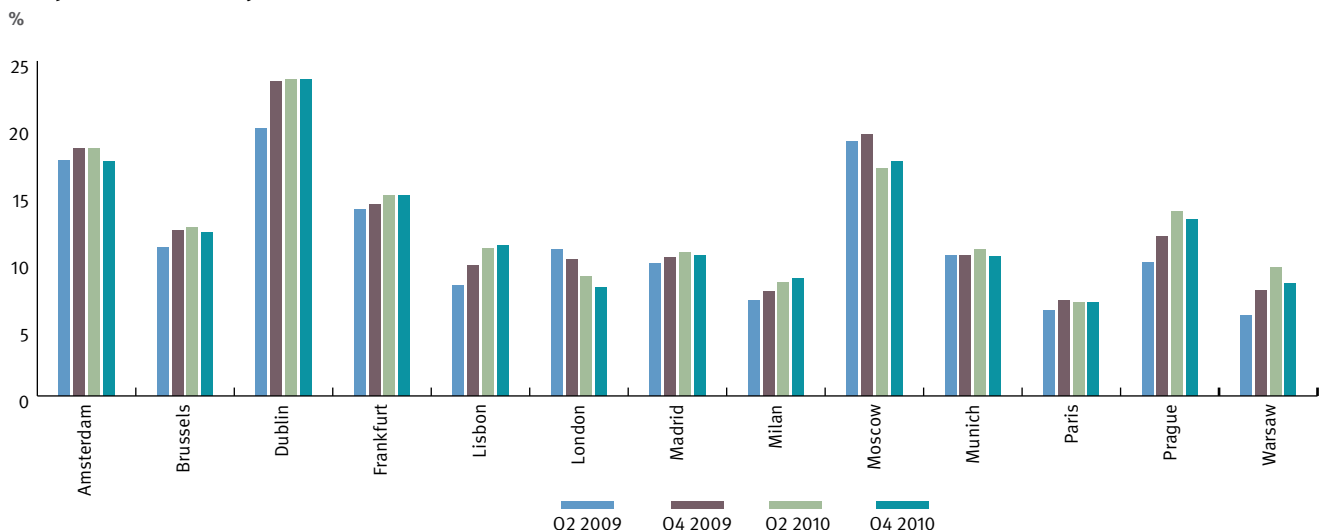
The central **London** office market has led the recovery in demand and rental values. Take-up improved strongly in 2010, largely as a result of increased demand from the financial sector. Over the course of the year,

office take-up amounted to 14.8 million sq ft, up by 57% on 2009. London saw the most dramatic rise in prime rents seen anywhere in Europe during 2010, with West End office prime rents jumping by 31% to reach £85 per sq ft per annum by the year-end. Continued rental growth is forecast for 2011, as availability is tightening and limited new space is expected to be delivered. The improved market situation has, however, encouraged some developers to commence speculative schemes.

The UK retail sector saw a gradual improvement in 2010, and the number of retailers going out of business was not on the scale seen in 2009. Demand for prime retail space has been strong, especially in central London, pushing rents upwards in some locations including New Bond Street and Oxford Street. However, this trend has not been repeated elsewhere in the country, and vacancy rates remain high in many regional town centres, keeping rents under pressure.

Headline rents in the UK industrial market have held up relatively strongly, though generous incentives remain on offer from landlords. Improved take-up levels have led to shortages of large-scale distribution units in many of the most sought-after locations, particularly near to major transport links

Figure 1
European office vacancy rates



Source: Knight Frank Research

LONDON AND PARIS WERE AMONG THE FIRST EUROPEAN MARKETS TO WITNESS A RECOVERY IN PRIME OFFICE RENTS



in and around Greater London. Though speculative development remains thin on the ground, there are signs that developers are acquiring prime sites in anticipation of a strengthening of the market.

Rental growth has returned to the **Paris** office market, albeit to a lesser degree than in London, with prime office rents ending 2010 at €750 per sq m per annum, 6% up on the start of the year. Office take-up for the whole Île de France region came to 2.2 million sq m in 2010, 16% up on the previous year. The overall vacancy rate edged slightly downwards during the year to 7%, partly as a result of a growing shortage of quality space in the CBD, which will put further upward pressure on rents in the best buildings.

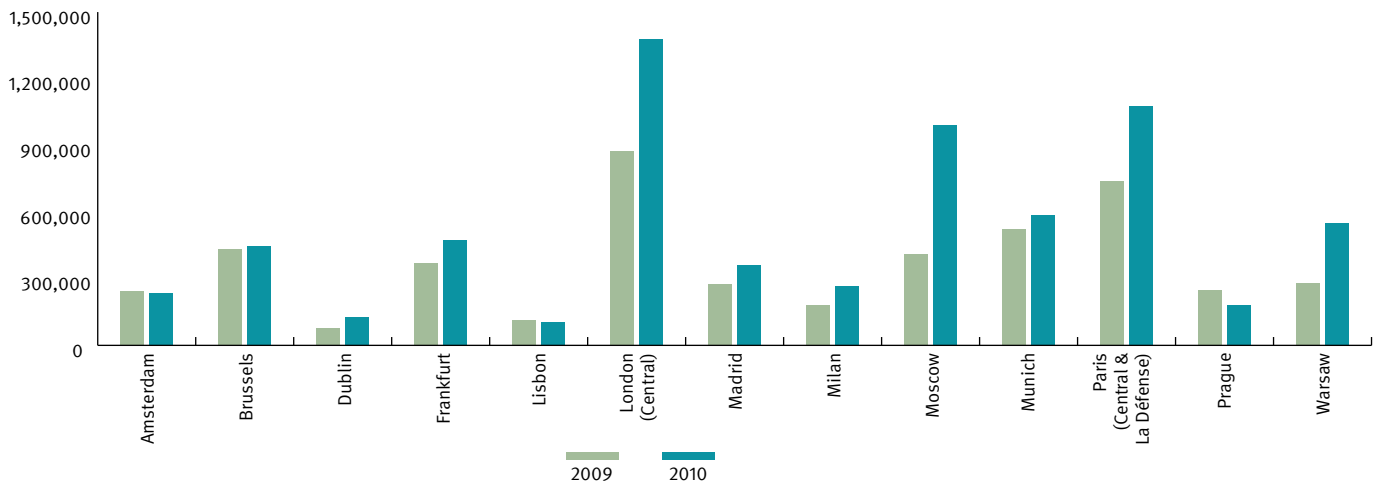
Rents for retail space on the most prestigious streets of Paris maintained their high levels throughout the downturn, and Zone A rents on the Avenue des Champs-Élysées can still reach over €10,000 per sq m per annum. Leasing activity was strong at the prime end of the Paris retail market in 2010, and luxury retailers benefitted from the improved performance of the high-end tourism sector. However, activity in secondary shopping areas remains much weaker.

Paris and London were key targets for investors during 2010. Commercial property investment in the Paris region increased by 57% on the previous year, while office investment in Central London improved by 70%. Both cities have benefitted from a continued “flight to quality”, with many investors focused on acquiring prime low-risk well-let assets in core cities. Increased competition for such properties pushed prime office yields in the West End of London down by 100 basis points during 2010, to end the year at 4.00%, and caused prime yields in Paris to compress by 75 basis points, to stand at 4.75%.

The strength of the German economy in 2010 was reflected in improved demand for space in the major office markets. Take-up in **Frankfurt** reached 472,000 sq m, 28% up on 2009, while in **Munich**, take-up increased by 11% to 585,000 sq m. Prime rents in most of the large German cities showed only moderate movement during 2010. Demand for space in the city centres is strong and though the overall vacancy rates in Frankfurt and Munich are relatively high, at 14.4% and 10.4% respectively, both cities are seeing shortages of available



Figure 2
European office take-up
sq m



Source: Knight Frank Research

space emerge in the best locations, which could fuel prime rental growth.

Investment activity in Germany has improved strongly, with the sale of the Sony Center in Berlin, to the National Pension Service of Korea for €571 million, and the OpernTurm tower in Frankfurt, to a Government of Singapore Investment Corporation/JP Morgan joint venture for

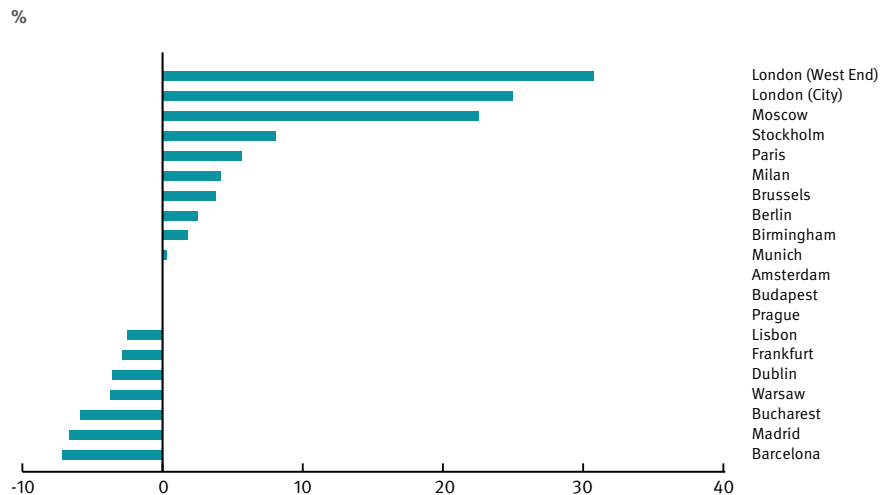
€550 million, being two of the biggest single-asset deals in Europe in 2010. Yields have compressed, but less sharply than has been seen in Paris and London, with prime office yields in the major German cities typically moving inwards by 25 to 50 basis points during 2010. The current health of the economy, combined with relatively attractive pricing, has made Germany an important target for many investors.

Office take-up in the **Amsterdam** region fell slightly in 2010, though this was largely a result of weak demand in suburban areas, while take-up in the city of Amsterdam itself rose. A number of large leasing transactions were recorded in the South Axis, Amsterdam's prime business location.

The **Brussels** office market saw a modest increase in take-up in 2010, though it



Figure 3
Prime office rents – annual change, Q4 2009 to Q4 2010
%



*Changes calculated in local currency terms

Source: Knight Frank Research

THOUGH THE
ECONOMIES
OF SPAIN AND
IRELAND HAVE
STRUGGLED,
DEMAND FOR
OFFICE SPACE IN
THEIR CAPITAL
CITIES IMPROVED
IN 2010



Milan

remained below the 10-year average. Office rents continue to come under pressure in many parts of the city, and evidence of rental growth has been restricted to buildings in a small number of prime locations.

Office take-up in **Madrid** was recorded at 362,000 sq m in 2010. While this represented an increase of 32% on 2009, take-up remained less than half the levels reached at the peak of the market in 2006 and 2007. The high unemployment rate in Spain, 20.33% in the fourth quarter of 2010, has suppressed the creation of office jobs. Office rents remain under downward pressure in most of Madrid's submarkets, though they have shown signs of stabilising in the CBD.

Activity in the **Lisbon** office market continues to be affected by the weakness of the Portuguese economy, and the take-up of office space in 2010 was down by 9% on the previous year. Prime rents in the CBD remained stable during the year, and are unlikely to move greatly in 2011. However, rents may decline in some decentralised locations, notably the Parque das Nações and the Western Corridor, where considerable development activity has taken vacancy rates to over 20%.

Though the Irish economy struggled in 2010, with the country requiring an EU/IMF financial bail-out in November, the **Dublin**

office market saw unexpectedly strong take-up. Demand has focused on the city centre, and while overall vacancy rates remain high, the availability of large office spaces in central locations has become restricted.

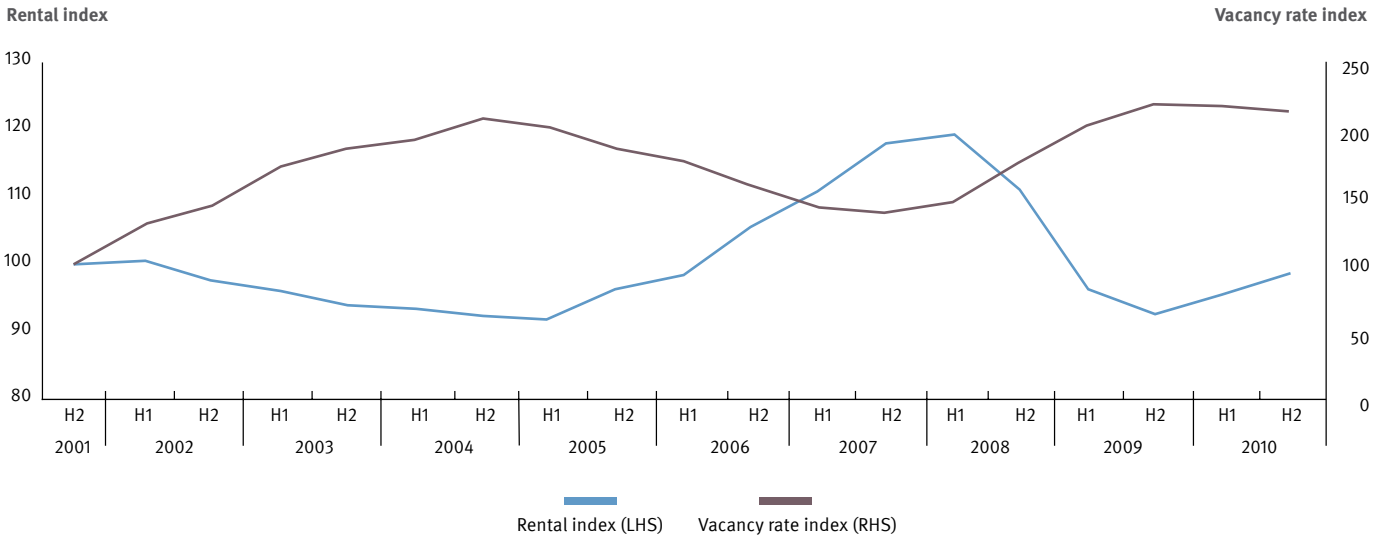
Demand has improved in many of the major Nordic office markets, with rental growth observed during 2010 in **Oslo**, **Helsinki** and **Stockholm**. The Swedish economy has been one of Europe's strongest performers, which has stimulated office market activity in Stockholm and consolidated



Prague



Figure 4
Pan European office prime rents vs vacancy rate indices



Indices are based on 15 key European markets, weighted according to size and market maturity (H2 2001=100) Source: Knight Frank Research

the country's position as the dominant investment market in the Nordic region.

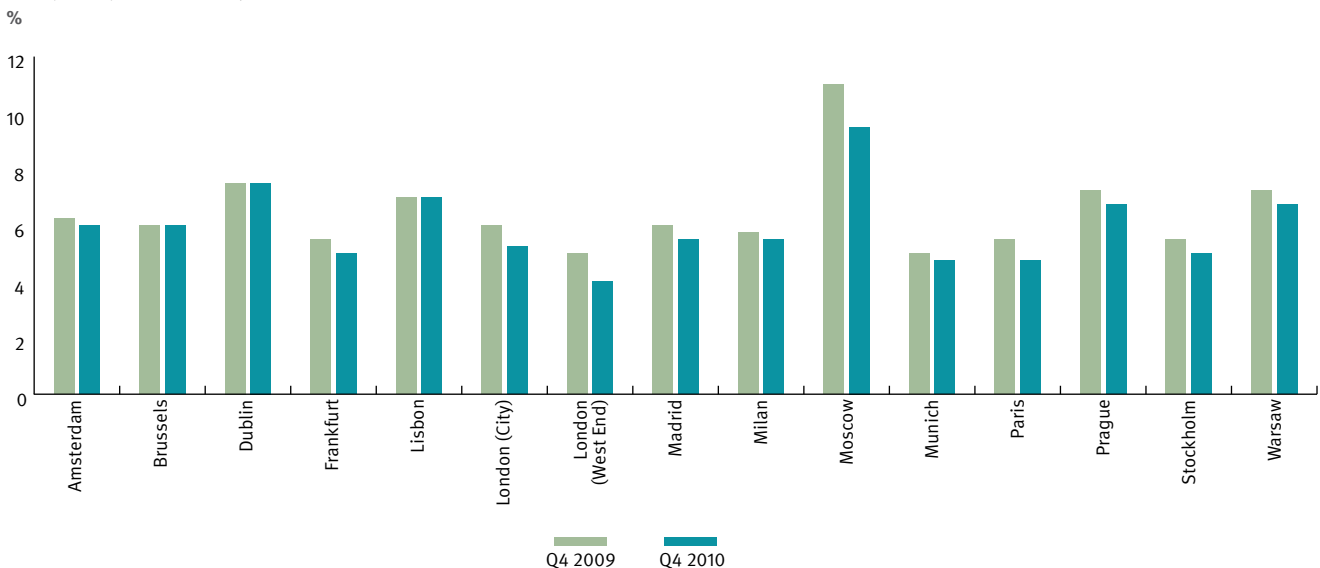
The largest Italian office markets, **Milan** and **Rome**, saw improved office take-up during 2010. Demand has focused mainly on prime space in and around the city centres, while properties in secondary locations have continued to struggle to attract tenants.

The limited supply of good quality space in the historic city centres has helped to support prime rental levels in these areas.

Prime rents in the traditionally stable **Vienna** market showed little movement in 2010. However, with supply tightening and a moderate improvement in demand expected, rents may rise in 2011.

The strength of office demand within the CEE region has varied, reflecting the diverse recent economic fortunes of countries in this part of Europe. The Polish economy has been the region's strongest performer – avoiding recession in 2009 and growing by 3.9% in 2010 – which has translated into high demand for offices in **Warsaw**. Take-up in 2010 totalled 549,000 sq m, an increase of 96%

Figure 5
European prime office yields



Source: Knight Frank Research

OFFICE TAKE-UP LEVELS IN MOSCOW AND WARSAW WERE UP SHARPLY IN 2010 COMPARED TO THE PREVIOUS YEAR



on the previous year. The vacancy rate fell to 8.4% at the end 2010, from 9.6% six months earlier, and with limited new supply expected to be delivered in 2011, rents are likely to rise.

Office take-up improved in **Bucharest** and **Budapest** in 2010, though vacancy rates remain high at around 17% and 20%, respectively, as new supply has continued to come to these markets. Prime rents appeared to have stabilised in both cities by the end of the year, but rents for secondary space may continue to weaken.

Though the **Prague** market saw reduced take-up in 2010, very little new space was delivered, helping the vacancy rate to fall in the second half of the year, to 13.2%. Prime rents were stable throughout the year and, with limited new completions expected in 2011, the pressure on landlords to offer reduced rents and high incentives is showing some signs of easing.

After collapsing in 2009, demand returned strongly to the **Moscow** market in 2010, with take-up recorded at 992,000 sq m, an increase of 140% on the previous year, though remaining below the levels of 2006-2008. Average Grade A rents have risen since bottoming out in the third quarter of 2009 at US\$600 per sq m per annum, ending 2010 at US\$760 per sq m. Development activity in Moscow has slowed significantly and with banks continuing to take a cautious

attitude to the real estate sector, the only new projects likely to come to the market in the short term are those commenced prior to the downturn. With confidence in Moscow rising, rents should increase further in 2011.

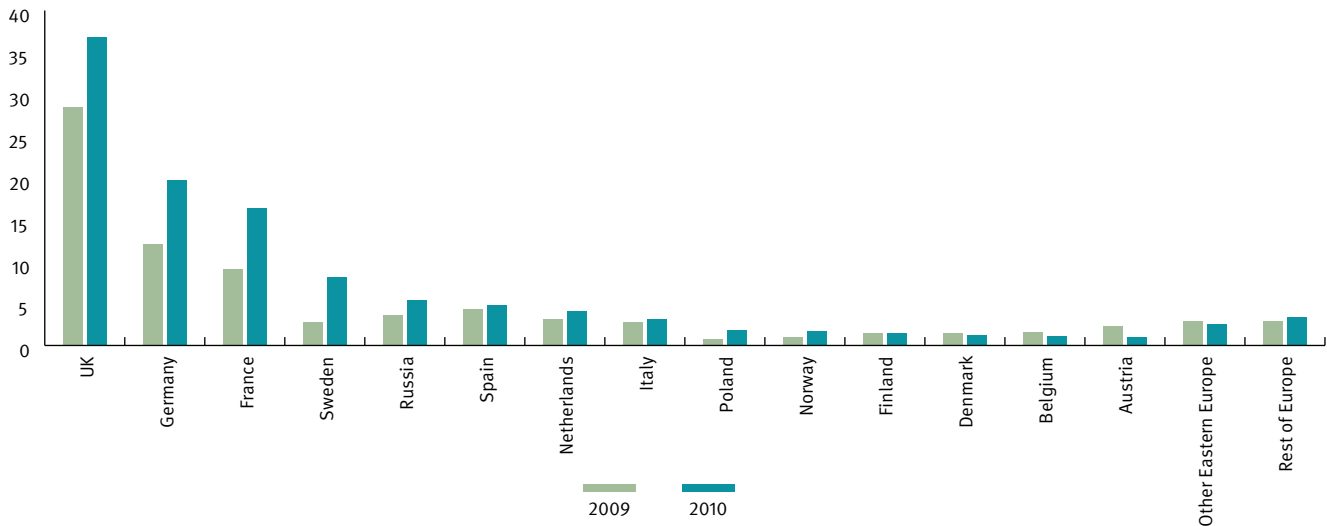
Take-up in Russia's second city, **St Petersburg**, improved strongly in 2010 though, unlike Moscow, there have only been modest signs of rental growth. While development activity has focused on the Class A sector, a greater share of take-up has been accounted for by Class B space. The availability of good quality space remains high and the Class A vacancy rate ended the year at 22.2%.

The **Kiev** office market struggled greatly during the downturn but, by the end of 2010, prime rents showed signs of stabilisation. However, rents remain well below half the peak levels reached in 2008.

The European investment market is likely to see a continued focus on prime assets in core cities during 2011. Offices in London and Paris will remain in demand, though there are concerns that both of these markets have become expensive. Investment activity in Germany, the Nordics and Poland will be encouraged by the optimistic economic outlook in these countries. With competition for prime properties remaining strong, some investors may start to look for opportunities further up the risk curve,



Figure 6
European investment volumes
 € billion



Source: Knight Frank Research/Real Capital Analytics

but it is likely that the availability of debt financing for secondary assets will remain restricted and the divergence between prime and secondary yields will continue.

European occupational markets should continue to recover in 2011, with a growing number of cities likely to join those which have already seen vacancy rates fall and prime rents rise, primarily as a result of supply side dynamics. Shortages of new

office space are likely to become increasingly evident, as the effect of development projects being delayed during the downturn will be seen in limited construction completions, and new speculative activity has yet to be encouraged to any significant degree.

The strength of occupier demand should improve, though it will be tempered by the uncertain economic environment. It will be increasingly difficult for tenants seeking

space to find good quality offices available in many city centres. This should support rental growth, though in many European markets, prime office rental increases may only be modest, and restricted to the best locations. London, Paris, Moscow and Warsaw are among the markets with the best prospects for rental growth in 2011, as occupier demand appears strong and vacancy rates are already falling.



WITH LIMITED NEW SUPPLY EXPECTED IN 2011, A GROWING NUMBER OF EUROPEAN MARKETS SHOULD SEE FALLING OFFICE VACANCY RATES



NORTH AMERICA

United States

In large degree, the performance of commercial real estate in the US surprised the global market with the speed and confidence of recovery throughout 2010. With real estate activity at a standstill in 2009, the market entered 2010 with limited liquidity to refinance the distressed CMBS pool, the perpetual threat of foreclosed properties, and the prospect of significant losses from the spiral downturn of prices. In the end, 2010 posted nearly polar opposite results.

In the office sector, \$40.2 billion in sales volume took place in 2010 – an increase over the \$16.0 billion total for 2009, although still only one third of the \$123.0 billion annual average volume seen from 2005 through 2008. Office sales averaged \$217 per sq ft in 2010, a 17.2% improvement over the 2009 average price of \$185 per sq ft, and the average cap rate for the office market in 2010 was 7.5% compared to 8.3% in 2009. Investment activity for industrial properties

in the US also increased in 2010. A total of \$15.8 billion in industrial sales took place during the year, compared to \$7.8 billion in 2009, although volume has yet to reach the amount of activity seen from 2004 to 2008 with an annual average of \$38.4 billion. The average sale price for industrial properties in the US was \$61 per sq ft in 2010, compared to \$60 per sq ft in 2009, and the average cap rate was 8.3% compared to 8.5%.



The market disconnect to the recovery also appeared with the traditional correlation between the labour market and the leasing market. In unprecedented terms, the leasing market headed towards recovery without the usual labour identifier in place. Total nonfarm employment was virtually flat for the year, increasing only 0.9% as 1.1 million jobs were added since the end of 2009. The national unemployment rate, which was 9.7% at the start of the year, finished the year at 9.4%. The average asking rent for Class A office space at the end of 2010 moved up to \$31.72 per sq ft, compared to the 2009 year-end average of \$31.64 per sq ft and, although still well below the \$37.14 per sq ft peak in the third quarter of 2008, indicated pricing strength to the market. The overall vacancy rate for Class A office space in the US finished at 16.5% for the end of 2010, compared to 16.3% at the end of 2009 and 13.9% at the end of 2008. Net absorption of Class A office space was positive on the year with 15.1 million sq ft, an improvement over the negative 17.3 million sq ft of net absorption that took place in 2009, and still running behind the 2004 to 2008 annual average of 39.1 million sq ft. Leasing activity for Class A space in the US totalled 141.8 million sq ft in 2010, representing a

12.5% improvement over the 126.1 million sq ft of leasing that took place in 2009. Between 2004 and 2008, Class A leasing activity averaged 126.0 million sq ft per year.

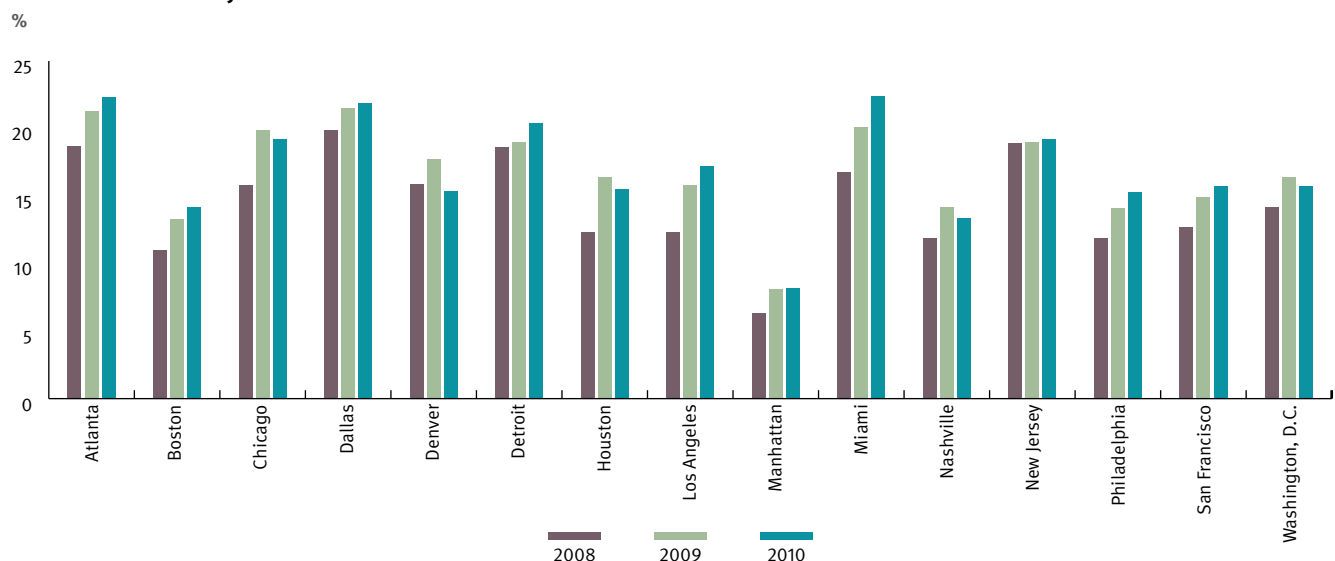
Factors that influenced the recovery were improvement in the financial position of companies and the curtailment of supply in the pipeline. By the end of 2010, corporate assets were at their highest level in more than 50 years. The accumulation of cash was a result of seven consecutive quarters of profit growth; corporate profits reached a record high of \$1.7 trillion in the third quarter of 2010 and as companies planned to begin using their cash to invest in hiring employees, pressure on the market started to push upward. Development of new office properties slowed as a total of 13.5 million sq ft of Class A space was under construction at the end of the year. This was about half of the 25.7 million sq ft that were under construction at the end of 2009. A total of 18.2 million sq ft of new space was delivered in 2010, down from 37.6 million sq ft in 2009 and the annual average of 28.2 million sq ft delivered between 2004 and 2008.

Dormant in previous decades, the manufacturing sector showed its first signs of life as a participant in the recovery since the

1970s. The US industrial market experienced a rebound in the fourth quarter of 2010 as 6.8 million sq ft of net absorption took place, marking the first quarter of positive net absorption since the third quarter of 2008. The strong quarter, however, was not enough to bring the 2010 year-end net total into positive territory and finished at negative 24.3 million sq ft for the year, compared to negative 90.3 million sq ft of net absorption that took place in 2009. The US industrial vacancy rate fell to 12.6% at the end of the year, up from 12.3% at the end of 2009. The 2010 year-end average asking rental rate was \$5.10 per sq ft, indicating a 4.4% drop from the \$5.31 per sq ft average at the end of 2009. Leasing activity in US industrial properties was 228.5 million sq ft in 2010, compared to 294.3 million sq ft in 2009 and the annual average of 266.9 million sq ft leased between 2004 and 2008.

The hurdle for the industrial market continued with limited utilisation of existing infrastructure and the continued attrition rate of performing assets. New construction in the industrial sector slowed dramatically in 2010. At the end of the year, a total of 3.6 million sq ft of new industrial space was under construction in the US, about half of the 7.8 million sq ft that was

Figure 7
Class A office vacancy rates



Source: Newmark Knight Frank Research

THE LEASING MARKET HEADED TOWARDS RECOVERY IN UNPRECEDENTED TERMS, WITHOUT THE USUAL LABOUR IDENTIFIER IN PLACE



under construction at the end of 2009 and significantly lower than the annual average of 57.9 million sq ft of industrial space that was under construction between 2004 and 2008. A total of 8.8 million sq ft of new industrial space was delivered in the US in 2010, down from 36.0 million in 2009 and the annual average of 75.6 million sq ft delivered between 2004 and 2008.

The continuing upbeat tone in the market through 2010 was carried by the emphasis on LEED associated properties, also known as the green office market, which makes up approximately 15% of investment grade office properties in the 10 major US markets. The national green office market strengthened at the end of 2010 as the vacancy rate improved to 15.7% at the end of the year from the 16.0% rate at the end of 2009. Net absorption totalled 8.3 million sq ft in 2010, compared to 8.8 million sq ft in 2009. The average asking rent for green office space in 2010 was \$32.34 per sq ft, down slightly from the \$32.48 per sq ft average at the end of 2009.

The **Atlanta** office market struggled in 2009 and well into 2010, with some recovery in the second half of the year. The net absorption total for Class A space in the market was 316,688 sq ft in 2010, including a net total of 396,697 sq ft in the second half, compared to a net total of negative 752,558 sq ft in all of 2009. The average asking rental rate declined throughout the year, finishing 2010 at \$21.40

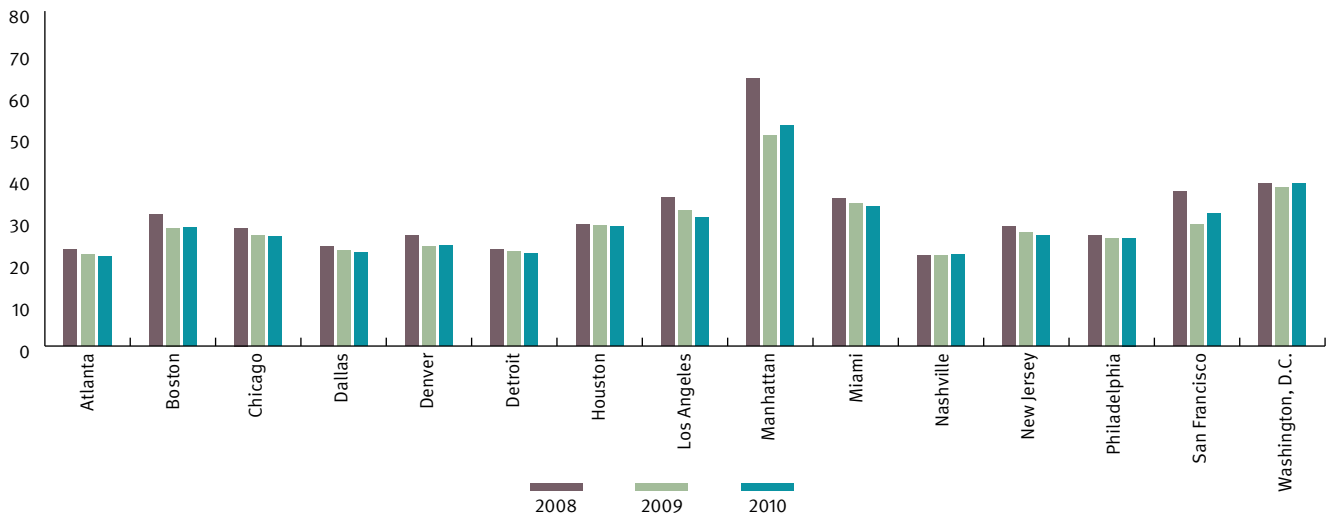
per sq ft, compared to \$21.81 per sq ft at the end of 2009. The vacancy rate for Class A buildings was 22.3% at the end of 2010, up from 21.3% at the end of 2009. Class A office buildings under construction were absent at the end of the year, although 1.6 million sq ft of new space came online during the year.

Atlanta was one of the few major office markets in the US to show a decline in investment activity in 2010. A total of \$369.2 million in office properties traded hands in 2010, indicating a 23.1% decrease from the 2009 total of \$480.1 million. The average price paid in Atlanta also fell in 2010, finishing the year at \$94 per sq ft, compared to \$139 per sq ft in 2009. The average cap rate for office properties sold in 2010 was 8.4%, compared to 7.1% in 2009. Among the more notable office sales in Atlanta during the year was the purchase of 1155 Peachtree Street NE by Dewberry for \$36.0 million, or \$80 per sq ft, in September. The seller, Redus Campanile LLC, had purchased the property in March for \$98.4 million (\$220 per sq ft) and underwent foreclosure that same month.

The asking rent for Class A properties in Boston remained fairly stable throughout the year and averaged \$28.29 per sq ft at the end of 2010, slightly above the \$28.19 per sq ft average at the end of 2009. The vacancy rate reached 14.2% at the end of the year, up from 13.3% at the end of 2009 and 11.0% at the end of 2008. The



Figure 8
Class A office average asking rents
 \$ per sq ft per annum



Source: Newmark Knight Frank Research

year-end net absorption total for Class A office space in **Boston** was positive at 266,333 sq ft in 2010, an improvement from the negative 1.9 million sq ft of net absorption that took place in 2009.

Development of new office space in Boston was relatively active in 2010. A total of 1.5 million sq ft of new Class A space was delivered to the market during the year, compared to 1.1 million sq ft in 2009 and

the annual average of 1.2 million sq ft delivered between 2004 and 2008. At the end of 2010, 950,016 sq ft of Class A office construction was still underway.

The average asking rent for green office space in Boston finished 2010 at \$42.85 per sq ft, 87.6% higher than the overall Boston office market average of \$22.84 per sq ft. In perspective, 12.4% of all office buildings in the Boston market

are LEED associated. A major lease signed in a green office building for 2010 was the MFS Investment Management 280,000 sq ft deal at 111 Huntington Avenue in the Back Bay submarket.

The **Chicago** market finished 2010 on a strong note as 1.2 million sq ft of net absorption took place for Class A office buildings in the fourth quarter. The year-end net total finished at 1.3 million sq ft, a strong improvement over the negative 2.5 million sq ft of net absorption that took place in 2009. The vacancy rate for Class A properties in the market finished 2010 at 19.2%, an improvement over the 19.9% rate reported at the end of 2009, and still remained well above the 15.8% rate reported at the end of 2008. Rents in the Chicago market remained relatively flat throughout the year. At the end of 2010, asking rent for Class A office space averaged \$26.09 per sq ft, down from \$26.32 per sq ft at the end of 2009.

Office investment activity in Chicago increased more than any other major market in the US in 2010. A total of \$2.7 billion worth of office properties were traded in the Chicago office market in 2010, reflecting a 441% improvement over the \$493.6 million in volume that took place in 2009. The average sale price for office properties in



Chicago

MANHATTAN
NET ABSORPTION
FOR CLASS A
BUILDINGS WAS
POSITIVE ON THE
YEAR AS OVER
4.0 MILLION
SQ FT OF SPACE
WAS TAKEN UP

Chicago in 2010 was \$187 per sq ft, up from \$177 per sq ft in 2009. The average cap rate for the year was 7.2%, down from 8.8%.

The Chicago industrial market, the largest in the US, finished the year with an average asking rent of \$4.09 per sq ft, a 5.5% decrease from the 2009 year-end average. Total vacancy reached 16.8%, up from 16.6%. Net absorption for industrial properties was negative 3.8 million sq ft in 2010, which was still an improvement over the negative 9.8 million sq ft of net absorption that took place in 2009. Navistar signed one of the largest industrial leases in the Chicago market in 2010, inking a deal for 860,100 sq ft at 2700 W Haven Avenue in the Joliet area.

The average asking rent for Class A space in the **Dallas** office market declined modestly throughout much of 2010, finishing the year at \$22.26 per sq ft, a 2.5% decrease from the average reported at the end of 2009. The historical high for the market occurred in the first quarter of 1999 at \$24.25 per sq ft with another peak period in the second quarter of 2008 at 24.06 per sq ft. One of the more notable office leases signed for the year in 2010 was RTKL Associates' 68,000 sq ft renewal at 325 N Saint Paul Street in the CBD.

The Dallas Class A vacancy rate was 21.9% at the end of 2010, slightly above the 21.5% rate reported at the end of 2009, although the rate had reached as high as 23.4% during year. Net absorption for Class A space was positive throughout most of 2010, and the year-end net total finished positive at 785,356 sq ft. The only quarter without positive absorption was the first quarter, which posted negative 982,434 sq ft of net absorption. Office development slowed in Dallas to 1.5 million sq ft of new Class A space delivered to the market. In 2009, 2.0 million sq ft of new space was delivered and 2.6 million sq ft of space was delivered in 2008. At the end of 2010, 459,717 sq ft of new Class A space was under construction, compared to 1.8 million sq ft under construction at the end of 2009 and 3.4 million sq ft underway at the end of 2008.

The **Houston** office market showed strong signs of improvement in 2010. The vacancy rate for Class A buildings in the market finished the year at 15.5%, an improvement of nearly 100 basis points from the 16.4% rate reported at the end of 2009. Net absorption of Class A space was positive in three out of four quarters during 2010 and finished with a year-end net total of positive 1.0 million sq ft. The average asking rent slipped during





the year, falling to \$28.53 per sq ft compared to \$28.79 per sq ft at the end of 2009.

Leasing activity remained strong in Houston in 2010. A total of 8.9 million sq ft of Class A office space was leased on the year, up from 7.0 million sq ft in 2009 and well above the 7.9 million sq ft annual average reported between 2004 and 2008. Shell Trading signed one of the largest deals in Houston in 2010, taking 316,763 sq ft of new space at 1000 Main Street in the CBD, with an expected move in March 2012.

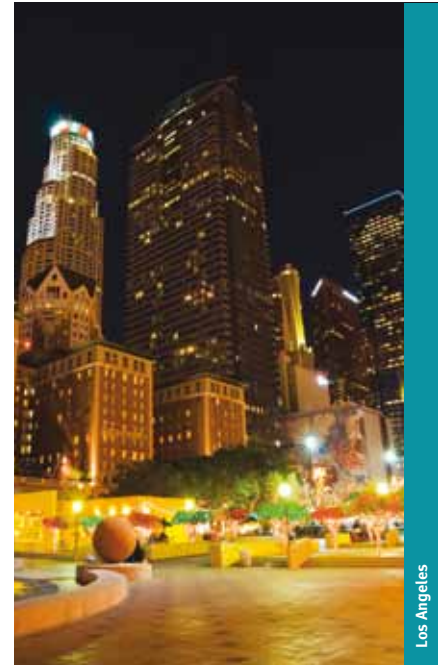
Houston new office development remained curtailed in 2010 as new completions of Class A properties totalled only 103,681 sq ft, well below the 2009 total of 4.8 million sq ft. At the end of the year, a total of 2.0 million sq ft of Class A office space remained under construction.

The recovery for **Los Angeles** looked to be running behind the balance of the country as the average asking rental rate for Class A office space in Los Angeles declined throughout much of 2010, finishing at \$30.66 per sq ft, compared to \$32.48 per sq ft at the end of 2009. The market vacancy rate rose to 17.2%, compared to 15.8% at the end of 2009, reaching the highest rate in the market since the end of 2003. Net absorption on

the year was negative 1.8 million sq ft, with 5,097 sq ft of positive net absorption in the fourth quarter. The Southern California Gas Company's 341,913 sq ft renewal at 555 W 5th Street downtown was one of the largest leases signed on the year. In 2010, 775,009 sq ft of new Class A office space was delivered, compared to 2.5 million sq ft in 2009.

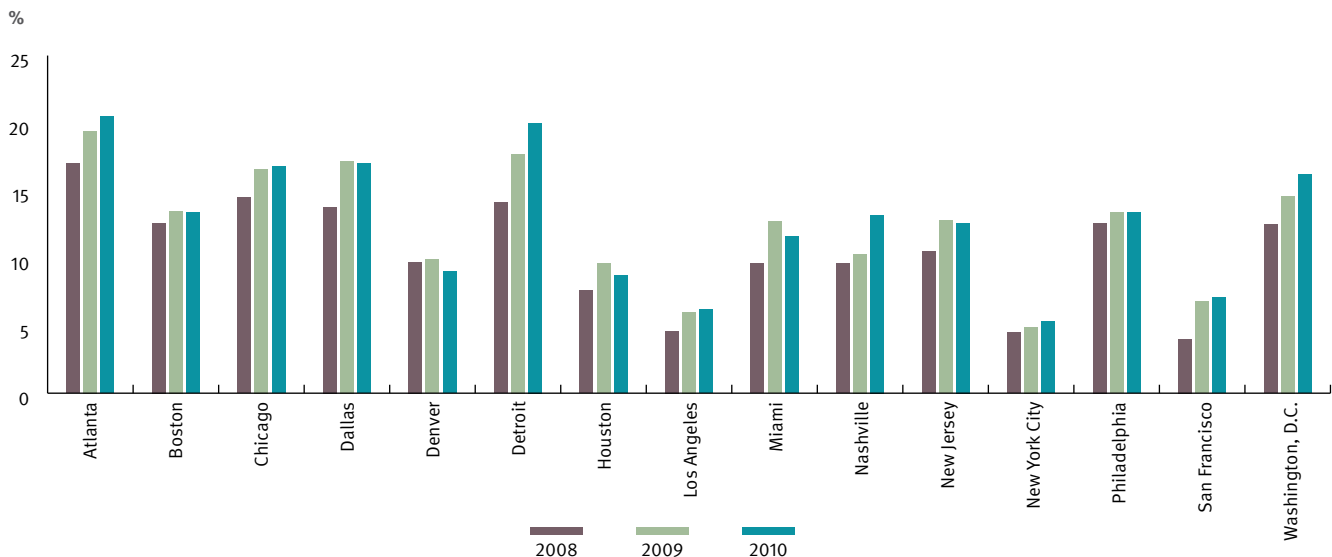
The Los Angeles industrial market, the second largest industrial market in the US, stumbled throughout most of 2010, and finished the year on an up note. Net absorption for the year was negative 3.7 million sq ft, with just over one million sq ft of positive absorption in the fourth quarter. The numbers for the year-end net total were an improvement over the 2009 net total of negative 8.0 million sq ft. The vacancy rate in industrial properties in Los Angeles ended the year at 6.2%, compared to 6.0% at the end of 2009, as asking rents finished the year with an average rate of \$6.35 per sq ft down from \$6.73 per sq ft at the end of 2009. The leading industrial lease signed in the Los Angeles market in 2010 was Coaster Furniture's 502,000 sq ft deal at 9400 Santa Fe Springs Road in Santa Fe Springs.

Leading the market recovery, rental rates in **Manhattan** turned upward in 2010 after hitting



bottom. The average asking rent for Class A office space finished 2010 at \$52.64 per sq ft, up from the average of \$50.27 per sq ft at the end of 2009, yet remained well below the peak of \$74.91 per sq ft reported in the third quarter of 2008. The average asking rate for Class A space in Midtown averaged \$57.57 per sq ft at the end of the year, while the Midtown

Figure 9
Industrial vacancy rates



Source: Newmark Knight Frank Research

THE SAN FRANCISCO REPUTATION AS THE HIGH TECH CENTRE OF THE US IS SOLIDIFIED WHEN ASSESSING THE GREEN OFFICE MARKET



South average was \$54.79 per sq ft and the Downtown average was \$37.20 per sq ft.

Much of the confidence came from the vacancy rate support in Class A buildings in Manhattan finishing flat in 2010 at 8.2% compared to 8.1% at the end of 2009 and 6.3% at the end of 2008. The vacancy rate was 8.5% in Midtown, 4.3% in Midtown South, and 9.1% Downtown. Net absorption for Class A buildings was positive on the year as over 4.0 million sq ft of space was taken up, reflecting a significant improvement over the negative 7.3 million sq ft of net absorption in 2009 and negative 7.1 million sq ft in 2008.

Leasing activity in Manhattan was strong in 2010 with 26.1 million sq ft of Class A space leased on the year, up from 21.2 million sq ft in 2009. Leasing activity in 2004 to 2008 reached an average of 19.1 million sq ft per year. Among the more notable deals signed in 2010 was the Jones Group Inc.'s lease of 1.0 million sq ft at 1411 Broadway in the Penn Station district.

Development of new office space remained cautious during the recession, and projects for new Class A properties were in a

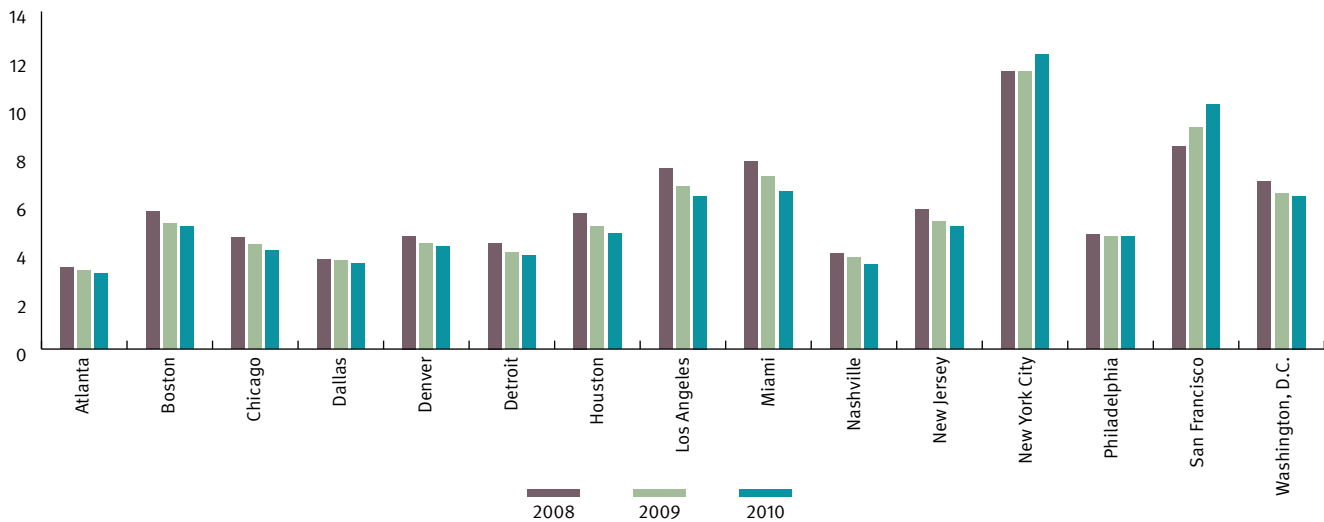
holding pattern at the end of 2010. New deliveries were absent from the skyline in comparison to 2009, with 2.6 million sq ft of new Class A space added to the market.

The **Miami** office market began to show improvement in 2010 as space was absorbed. Following the negative 280,880 sq ft of net absorption in Class A buildings during 2009, 328,876 sq ft of positive absorption took place in 2010. The 2010 net total was still below the annual net average of positive 1.5 million sq ft that took place from 2004 to 2008. The vacancy rate in Class A buildings in Miami was 22.4% at the end of 2010, an improvement over the market historical high of 23.0% in the third quarter of 2010, although still above the 20.1% rate reported at the end of 2009. The average asking rent in the market continued to slide during the year, finishing at \$33.27 per sq ft, well below the 2008 year-end average of \$35.29 per sq ft.

The green office market in Miami remains nascent compared to other major US markets. LEED buildings account for only 6.8% of the overall market. The average asking rent for green office space in Miami was \$38.88



Figure 10
Industrial average asking rents
 \$ per sq ft per annum



Source: Newmark Knight Frank Research

per sq ft at the end of 2010, 36.6% higher than the overall market average rate of \$28.47 per sq ft. One of the largest deals signed in green office space in 2010 was the 75,000 sq ft lease signed by Wells Fargo & Company in 333 Avenue of the Americas.

Following the overcorrection in 2009, the **San Francisco** market rebounded upward as the average asking rent for Class A office space climbed to \$31.58 per sq ft at the end of 2010, an 8.6% increase over the \$29.07 per sq ft average at the end of 2009. The vacancy rate for Class A properties in San Francisco finished the year at 15.7%, compared to 14.9% at the end of 2009 with net absorption for the year negative at 93,782 sq ft. New office development remained extremely limited, as only 322,410 sq ft of Class A space was delivered to the market in 2010 and no new space was under construction at the end of the year.

As one of the major industrial investment markets in the US, San Francisco improved its performance in 2010 as investment volume increased to \$442.0 million, up 483.1% from \$75.8 million in transactions in 2009. The average price paid for industrial properties in San Francisco increased from \$133 per sq ft in 2009 to \$337 per sq ft in 2010. The

San Francisco industrial leasing market also showed a strong uptick in rent, rising to \$10.15 per sq ft at the end of 2010, a 10.7% increase over the \$9.17 per sq ft average in 2009. The vacancy rate for industrial space in San Francisco was 7.1% at the end of the year, compared to 6.8% at the end of 2009.

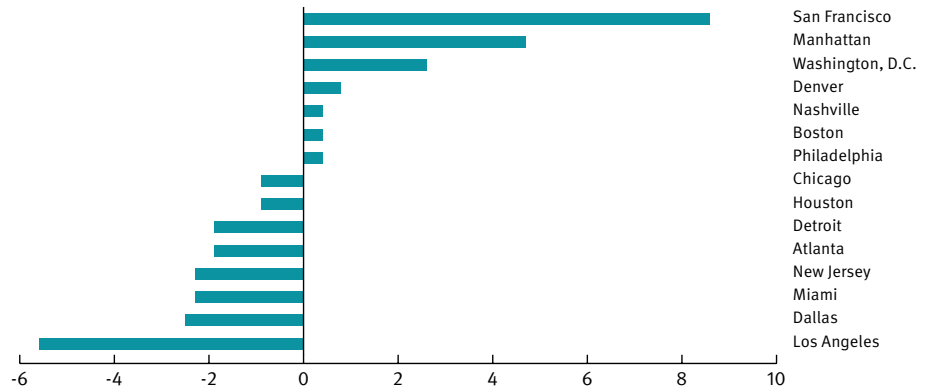
The San Francisco reputation as the high tech centre of the US is solidified when

assessing the green office market. Over 32% of the San Francisco office market comprises LEED associated properties. The average asking rent for green properties in San Francisco was \$30.15 per sq ft at the end of 2010, a 2.4% increase over the \$29.43 per sq ft average reported at the end of 2009 and a 4.0% premium above the overall market average of \$28.99 per



Washington, DC

Figure 11
Class A office rents – annual change, Q4 2009 to Q4 2010
 %



Source: Newmark Knight Frank Research

VACANCY RATES
 HAVE FALLEN
 IN THE MAJOR
 CANADIAN
 CITIES, AND
 AVAILABILITY IS
 PARTICULARLY
 TIGHT IN THE
 DOWNTOWN
 AREAS OF
 OTTAWA AND
 VANCOUVER

sq ft. Morrison & Foerster’s 220,000 sq ft renewal at 425 Market Street was one of the largest leases signed at a green office building during the year and also one of the largest deals in the San Francisco market.

Unlike most markets in the US, the **Washington, DC**, office market was resilient during the recession, which may be partly attributed to the economic boost the market received from the new administration and from

a strong base of government jobs. The average asking rent for Class A space in Washington, DC, ended 2010 at \$38.91 per sq ft, up 2.6% from the \$37.92 per sq ft average at the end of 2009. The vacancy rate for Class A buildings fell to 15.7% during the year, an improvement over the 16.4% rate reported at the end of 2009, although at one point the vacancy rate did reach as high as 16.7% in 2010, the highest rate in the market since the early 1990s.



Montreal



Net absorption of Class A space was strong in 2010 as the year-end net total reached 4.8 million sq ft, compared to 791,608 sq ft in 2009. All four quarters of 2010 posted positive net absorption and there have been seven consecutive quarters with positive absorption in the market. A total of 19.9 million sq ft of leases were signed in Class A buildings in Washington, DC in 2010, which was up from the 16.7 million in 2009. The 597,249 sq ft renewal of NASA's lease at 300 E Street SW was among the largest signed in 2010 in the District.

Although development remained strong in 2010, new construction levels have levelled off since the beginning of the recession. At the end of 2010, a total of 4.1 million sq ft of Class A office space was under construction in the Washington, DC market, down from 6.4 million at the end of 2009 and the average of 11.4 million sq ft under construction between 2004 and 2008. A total of 3.9 million sq ft of new space was delivered in 2010, compared to 6.2 million in 2009 and the average of 6.1 million sq ft per year between 2004 and 2008.

Canada

Throughout 2010 the Canadian economy steadily regained its strength and momentum. According to Statistics Canada, the country's annualised Gross Domestic Product (GDP) growth reached 3.3% in 2010 – compared to a decline of 2.5% in 2009 – and the Canadian dollar attained a three-year high against the US dollar in February 2011. The GDP growth was higher than originally anticipated and caused analysts to bump up their growth estimates for 2011 into the 2.8% to 3.2% range. Unemployment figures also showed steady improvement. At the height of the recession in mid-2009, the national unemployment rate topped out at 8.7%, but had declined to 7.8% by January 2011. Further, investment in commercial real estate in the country's metropolitan centres generated robust returns of just over 11% in 2010.

The overall Class A and Class B vacancy rate in Canada's major cities stood at 6.8% at the end of 2010, down from 7.1% a year



earlier. A flight to quality characterised much of the corporate real estate activity during the year, as tenants moved quickly to lease space in the new towers that came onto the market in Toronto and Calgary. Indeed, the vast majority of the new inventory that has come on stream in Canada over the last 24 months has been leased. Through 2011, positive space absorption is expected in most major Canadian cities, and asking rents in most cities are anticipated to begin to creep upwards as vacancy rates fall.

Montreal's Class A vacancy rate fell from 7.6% to 6.8% in 2010. Vacancies are concentrated in relatively few properties, so the best opportunities for tenants in the current market are building specific. Anticipating diminishing space options in the city core and the potential for increases in rental rates, some tenants are seeking to negotiate early lease renewals. At present, there is no new construction underway.

As the nation's capital, **Ottawa** tends to be protected from economic downturns, and the office market here remains very tight, with Class A vacancy rates at 4.0%. To the west of the city, however, where most of the region's high-tech businesses are located, the total available vacancy rate is just over 16%.

Toronto has the largest office market in Canada, with a total inventory of approximately 61 million sq ft of Class A and

Class B space in the downtown district. Over the past couple of years, well over 3 million sq ft of new space has been delivered, and most of this new Class A product has been absorbed. Toronto's Class A vacancy rate at the end of 2010 stood at 6.3%, down from 8.2% a year earlier. Much of the vacant office space in the downtown area is concentrated in a limited number of older buildings.

In **Calgary**, occupancy rates had reached almost 100% in 2007, but extreme volatility in the commodities markets during the recession, combined with the delivery of new office space, set the city's downtown office market on something of a roller coaster ride. With the oil and gas markets on the upswing, however, the market is once again heating up and over the last six months of 2010, Class A vacancy rates fell from 8.0% to 6.7%. Rental rates will likely increase through 2011.

Vancouver has the lowest Class A vacancy rates in the country, registering just 3.3% at the end of 2010. Larger blocks of contiguous space are in very short supply, and the demand for high quality multi-floor space has begun to revive developer interest. While construction has not yet been initiated, plans are well advanced for the development of at least three new office towers in the city. In the meantime, tenants have begun to investigate the more plentiful leasing options in the suburban markets.



MIDDLE EAST

The economies of the Middle East showed a steady, if unspectacular, recovery during 2010, with rising oil prices boosting growth in the region's main oil exporting countries. For the Middle East as a whole, the IMF estimate that GDP rose by 3.6% in 2010, while growth of 5.0% is forecast for 2011. However, significant uncertainty remains and the civil unrest seen in parts of the region in early 2011 has caused international businesses and investors to show increased caution towards the Gulf countries.

The Middle East's major office markets have entered challenging times, as the construction boom of recent years has left many of them with an oversupply of office space, elevated vacancy rates and falling rents. Oversupply is most acute in **Dubai**, where the city-wide vacancy rate at the end of 2010 was close to 50%. Few new tenants entered the market in 2010 and leasing activity was largely driven by existing occupiers relocating within Dubai and capitalising on falling rents. Though

there have been signs that international companies are showing renewed interest in the market, continued development activity will keep rents under downward pressure.

In the Dubai International Financial Centre (DIFC) alone, approximately 200,000 sq m of office space is expected to be delivered by third party developers over the next 18 to 24 months. The DIFC Authority reacted to the increased competition in the market by announcing a revised pricing structure



Manama

in December 2010, cutting rents to levels as much as 50% below their 2008 peaks.

Development activity has been more restrained in **Abu Dhabi** but, even so, the office vacancy rate has risen from around 3% in 2008 to 12% at the end of 2010. New

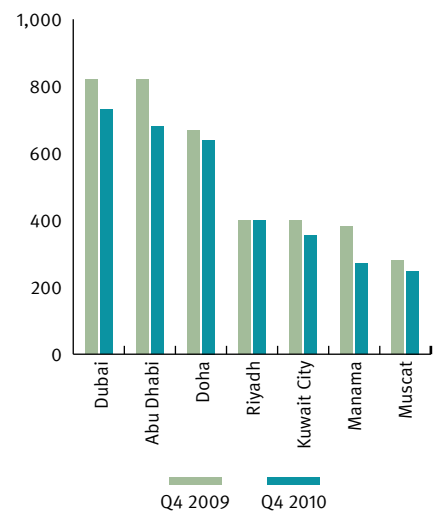
supply is expected to outstrip demand for the immediate future, which is likely to further push up the vacancy rate. A two-tier market is emerging, as older, lower quality accommodation with poor access to parking increasingly struggles to attract tenants in the face of growing competition from newer modern buildings. Prime office rents fell by about 17% over the course of 2010, and may continue to weaken during 2011, though rents should hold more firmly for prime space than poorer quality offices.

The vacancy rate for Class A and B office buildings in **Manama**, Bahrain, has risen to 24% as a result of recent completions. At current take-up rates, it would take several years to fill the empty space even if no other buildings were completed, but, nonetheless, development activity has continued, with around 100,000 sq m of offices due to be delivered within the Diplomatic Area alone over the next 18 months. There has been a shift in emphasis away from the more traditional office locations of the Diplomatic Area and the CBD, towards the rapidly developing Seef and Sanabis districts, where some government occupiers have chosen to establish offices.



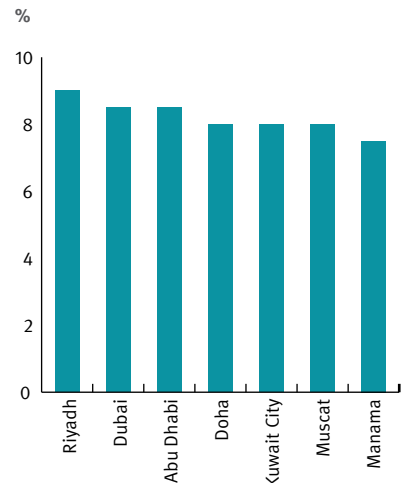
Abu Dhabi

Figure 12
Middle East prime office rents
US\$ per sq m per annum



Source: Knight Frank Research

Figure 13
Middle East prime office yields
%



Source: Knight Frank Research



AFRICA

The countries of Africa generally kept pace with global economic growth during 2010, with the IMF estimating that the overall GDP of Sub-Saharan Africa grew by 5.0%. The major oil producing countries, notably Nigeria and Angola, outperformed the average, though more modest growth was observed in South Africa, the continent's largest economy. The North African economies grew healthily in 2010, but the wave of political turmoil that crossed the region in early 2011 has brought considerable uncertainty to the outlook for this part of the continent.

The pick-up in global trade in 2010 helped to support economic growth in Africa, while improvements in domestic demand were also observed. Africa's economic fortunes are increasingly influenced by its trade ties with Asia, as Chinese and Indian investors have become very active in the continent.

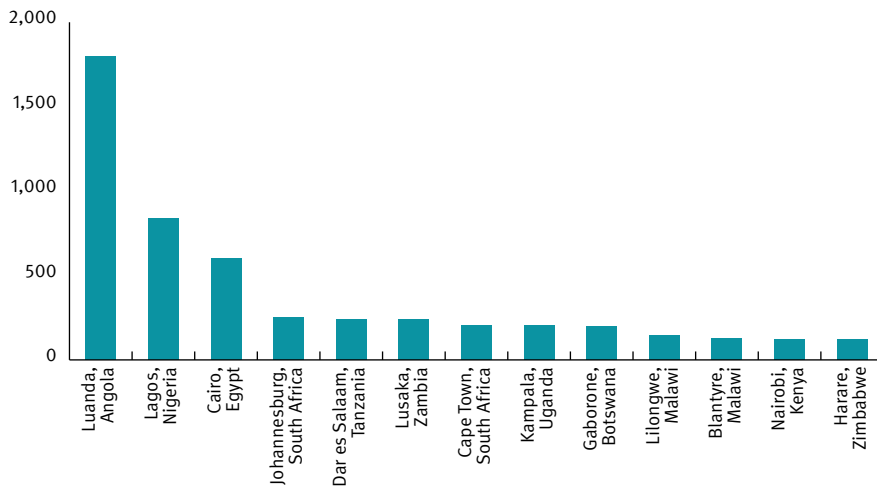
Luanda, Angola, continues to have the highest prime office rents in Africa, at

around US\$150 per sq m per month. Office demand is driven by the oil industry and there is an acute shortage of high quality offices, which means that available space in the city is quickly filled.

After five years of exceptional growth, office rents appear to have stabilised in **Lagos**, Nigeria, though the city remains Africa's second most expensive market,



Figure 14
Africa prime office rents
US\$ per sq m per annum



Source: Knight Frank Research

with prime rents at US\$70 per sq m per month. There are a number of development schemes underway which aim to provide a quality of space not currently available in the city, the most ambitious being the Eko Atlantic project, planned as a new city on land which is currently being reclaimed off the coast of Victoria Island.

In Uganda, the **Kampala** office market saw significant levels of speculative development activity in 2010, but demand from the telecom and banking sectors has waned, putting downward pressure on rents. Large oil reserves have been discovered in Uganda, and activity related to the eventual production of oil in the country is likely to drive demand for property and greatly influence the development of the Ugandan economy in the coming years.

Investors' confidence in Kenya was strengthened by the adoption of the country's new constitution in 2010. Development activity has continued in **Nairobi's** major decentralised office nodes such as Westlands, Upperhill, Riverside, Karen and Gigiri, and the new space has been let at a steady rate. Significant progress has been made in improving Kenya's broadband infrastructure, which has boosted the country's position as an emerging location for business process

outsourcing and call centre activities.

There is a substantial amount of development activity underway in Botswana's capital, **Gaborone**, which is leading to the creation of a new CBD. This will significantly increase the availability of high quality offices in the city and may suppress rental growth.

Demand for office space has improved in Malawi's two largest cities, **Lilongwe** and **Blantyre**, leading to rising rents in both cities. While Lilongwe currently has a shortage of office space, availability remains high in Blantyre.

Most of the new office space which has been delivered to the market in **Dar es Salaam**, Tanzania, in the last two years has been occupied and vacancy rates are low for both the new and older stock. The next developments due to come to the market are not expected to be completed until late 2011, which could result in rising rents in the first half of the year.

A shortage of high quality office space in **Lusaka**, Zambia, has left many occupiers struggling to find space which meets their requirements. Prime office rents are likely to rise in the short-to-medium term.

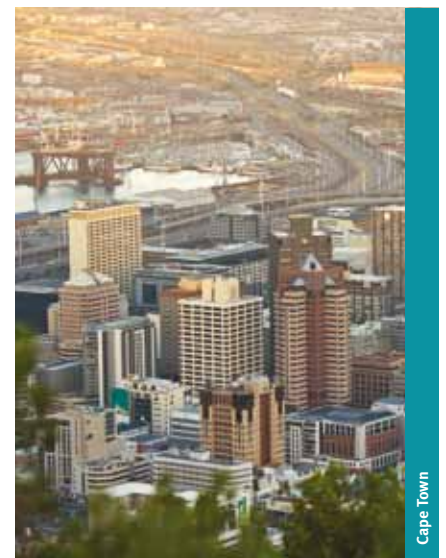
Office take-up in **Harare** has been slow, with many businesses scaling down their

operations. Nonetheless, prime office rents have doubled since the introduction of multi-currency trading in Zimbabwe in February 2009. Demand for space is currently focused on suburban office parks, rather than the CBD.

South Africa's property markets have recovered slowly, reflecting the relatively uncertain performance of the economy, and vacancy rates remain elevated in many locations. Rents were broadly flat during 2010 in Sandton, **Johannesburg's** premier financial district. In **Cape Town**, the Century City node has grown in importance, attracting some tenants to relocate from the CBD with its secure modern accommodation.

Retail markets across Africa have continued to see development activity. Examples of shopping centres which opened in 2010 include the Sea Plaza mall in **Dakar**, Senegal's first major lifestyle shopping destination, and the Bab Ezzouar mall in **Algiers**, Algeria, which has 45,000 sq m of retail space. However, the rate of shopping centre completions has slowed considerably in South Africa, by far the continent's most mature retail market.

Industrial property markets remain underdeveloped in many African countries, outside of South Africa. This sector is, though, experiencing the influence of the growing number of Chinese manufacturers which have been setting up operations in Africa.



Cape Town



ASIA-PACIFIC

The emerging economies of the Asia-Pacific region led the global economic recovery in 2010. China and India saw estimated GDP growth of 10.3% and 9.7%, respectively, boosted by strong domestic demand and improvements in global trade, which aided increased investment and export activity. Other emerging economies, including Indonesia and Vietnam, also witnessed robust growth, while the more developed “Asia Tigers” of Hong Kong, South Korea, Singapore and Taiwan posted growth figures that well exceeded those of most European and North American economies.

Growth levels are likely to moderate in 2011, as governments withdraw stimulus measures and tighten monetary policy in order to reduce growing inflationary pressures and deflate asset price bubbles. Nonetheless, the region’s economies should continue to be at the vanguard of global economic growth, with the IMF forecasting that China’s GDP will rise by 9.6% and that India will grow by 8.4%.

India’s largest office markets stabilised in 2010. Take-up levels improved on the previous year, but rental growth was generally limited as vacancy rates remained high as a result of continued development completions. Modest rental growth was seen in the National Capital Region (NCR), with Connaught Place in **New Delhi’s** CBD continuing to command the highest rents. The



peripheral markets of **Gurgaon** and **Noida**, both of which saw considerable declines in rents and take-up during the downturn, saw improved activity in 2010 as demand from IT/ITES occupiers returned to the market.

Prime office rents showed little movement in most of **Mumbai's** submarkets during 2010. With the vacancy rate at 18%, and with large amounts of new supply due in the coming quarters, rents may come under continued pressure in 2011.

India's organised retail sector revived in 2010, boosted by improvements in the economy and increased consumer spending. High street rents in Delhi NCR, Mumbai and **Bangalore**

rose strongly over the course of the year, with rental growth of around 30% observed in two of Delhi's prime retail pitches, Connaught Place and South Extension, where vacancy rates are low. The "revenue sharing" rental model, whereby retailers typically share a percentage of their sales with landlords on top of a fixed "minimum guarantee" per sq ft, has gained increased acceptance across Indian retail markets.

The sustained economic growth observed in China has supported strong demand for office space in the major markets on the mainland, and international financial occupiers have been particularly active. With limited new supply coming on stream, vacancy rates in **Shanghai** and **Beijing** have dropped below 10%.

The retail sector in China has been boosted by strong consumer confidence. Development activity has continued at a rapid pace; **Guangzhou**, for example, saw four shopping centres completed during 2010, providing a total floor area of over 300,000 sq m. The presence of international retailers in the country has continued to grow.

Strong activity has been observed in Chinese investment markets, though investors have been affected by government measures aimed at curbing house price growth. It is

anticipated that these actions will cause some Chinese investors to shift their focus from residential to commercial property, or to seek opportunities overseas. Chinese investors are becoming increasingly active on the global investment stage.

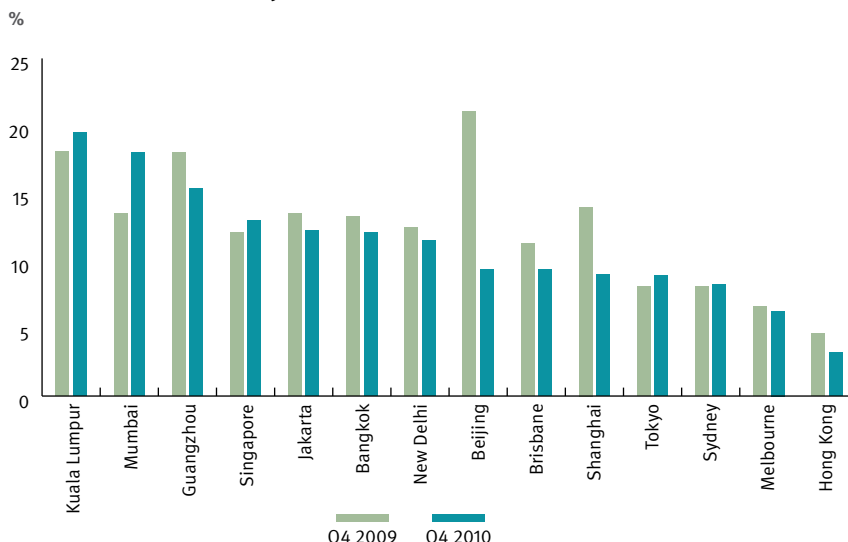
The **Hong Kong** office market was the first in the Asia-Pacific region to record significant rental increases following the economic downturn, and has seen consistently rising prime rents since the summer of 2009. The take-up of office space in Hong Kong's major business districts has been strong, pushing the Grade A vacancy rate down to 3.2% at the end of 2010. With tenants competing for the limited space, landlords have been able to increase their asking rents aggressively and shorten rent-free periods. Grade A office rents grew by 33.5% in 2010, with particularly sharp increases being observed for prime space in Central.

Office rents in **Singapore** have followed a similar path to those in Hong Kong, albeit recovering a year later. Rents fell sharply between late 2008 and early 2010 before bottoming out in the summer and then bouncing back into strong growth in the second half of 2010. Strong demand for prime offices in Raffles Place has led to a rapid recovery in rental values in this location.

Significant amounts of new office space were delivered to the **Seoul** market in 2010, including the 168,000 sq m Center 1. Prime office rents have fallen and are likely to remain under pressure as there are a number of sizeable new projects in the pipeline, most notably the International Finance Center in the Yeouido Business District, a large mixed-use scheme including three office towers with a total floor space of 328,000 sq m, which are due to be completed during 2011 or 2012.

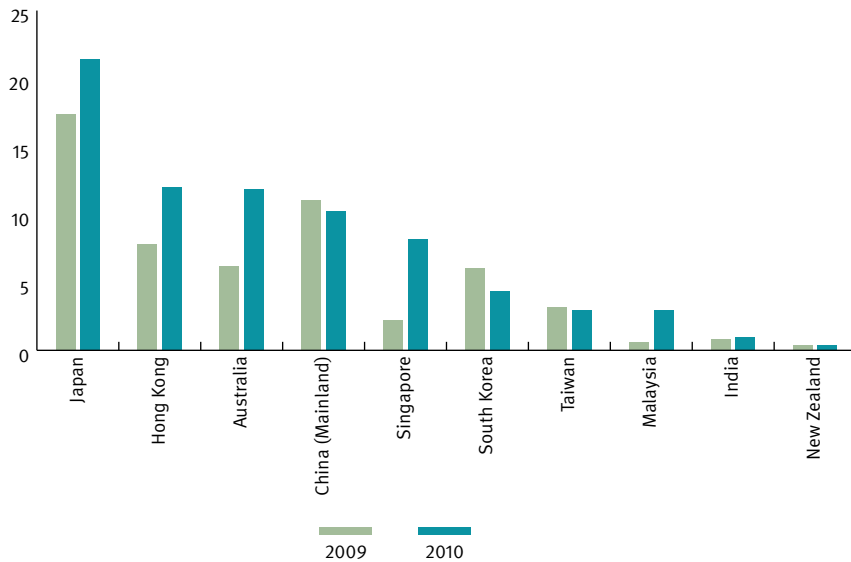
Rising vacancy rates put downward pressure on office rents in **Tokyo** during 2010. Though office market activity had been expected to improve over the course of 2011, the earthquake in March has had an impact on all aspects of Japanese life and may stall economic growth, delay the recovery in rental levels and, in the short term at least, cause international investors to show increased reservations towards the Japanese market.

Figure 15
Asia-Pacific office vacancy rates



Source: Knight Frank Research

Figure 16
Asia-Pacific investment volumes
US\$ billion



Source: Knight Frank Research/Real Capital Analytics. *Excludes development sites

Availability levels have also increased in Vietnam, with the **Ho Chi Minh City** and **Hanoi** markets both seeing considerable amounts of new Grade A office supply during 2010. This has caused vacancy rates to rise and put pressure on Grade A rents. Demand remains strong in the Grade B and C office sectors.

The **Jakarta** office market saw a gradual build up in demand over the course of 2010. The CBD vacancy rate has fallen, but remains relatively high at 12.2%. However, with reduced levels of new supply expected in 2011, vacancy rates should fall further and some rental growth is anticipated.

The office vacancy rate in **Kuala Lumpur** is high, ending 2010 at 19.5%. There are large amounts of available space in a number of new buildings which have been completed in recent years. This has suppressed rental growth, and rents are not expected to rise during 2011.

Confidence in the **Bangkok** market has improved since the violence of April and May 2010. However, the political environment remains uncertain and businesses are likely to remain cautious, keeping expansion plans on hold until there are clear signs of greater economic and political stability in Thailand.

Phnom Penh has a limited supply of good quality offices and take-up remains fairly slow, with cheaper alternatives such as converted residential accommodation available. Prime rents in the best buildings are around US\$22 per sq m per month, and could come under downward pressure with around 20,000 sq m of new supply imminent, and two large new buildings, the Vattanac Tower and Royal Tower, due to be constructed within the next five years.

Headline rents in the **Sydney** office market have been relatively stable over the last two years. Incentives rose considerably during this period, but are now stabilising and should retract sharply once tenant demand

gains further momentum. In **Melbourne**, a shortage of new supply appears to be looming, with limited new space due to be delivered in 2011, most of which is pre-committed. Both cities have significant amounts of “backfill” space, created by tenants relocating to new buildings, and the rate at which this is absorbed will heavily influence the movement of vacancy rates over the coming year.

Office market conditions in **Brisbane** have improved as occupier demand has been boosted by the progress of a number of natural resource projects. The vacancy rate has dropped and developers are showing greater interest in pursuing projects to cater to major tenant relocations during 2013 and 2014.

The Australian retail sector was subdued during 2010, with interest rate hikes by the Reserve Bank of Australia having an impact on consumer spending levels. There has been a slowing of retail development activity.

Occupier demand in Australia’s industrial sector has improved, with an increased number of large tenant requirements being noted. As the availability of modern space is low in many markets, increased development activity, mostly on a design and construct basis, has been stimulated.

The Australian investment market saw a strong increase in activity during 2010, with Sydney and Melbourne seeing office transactions totalling AUS\$1.5 billion and AUS\$1.3 billion, respectively. Domestic funds and international investors have returned to the market in greater numbers.





Table 1
Global office rents, Q4 2010

Market	Region	Rent (€/sq m/yr)	Rent (US\$/sq ft/yr)	Rent (UK£/sq ft/yr)	Rank 2009	Rank 2010	Outlook 2011
London (West End), UK	Europe	1,067.88	131.48	85.00	2	1	↑
Tokyo, Japan	Asia-Pacific	1,051.43	129.44	83.67	1	2	↘
Hong Kong, SAR China	Asia-Pacific	901.92	111.03	71.77	10	3	↑
Moscow, Russia	Europe	754.53	92.90	60.05	3	4	↑
Paris, France	Europe	750.00	92.33	59.68	4	5	↗
Singapore	Asia-Pacific	715.19	88.05	56.91	9	6	↑
London (City), UK	Europe	690.98	85.07	55.00	12	7	↑
Sydney, Australia	Asia-Pacific	651.68	80.23	51.86	11	8	↗
Mumbai, India	Asia-Pacific	641.91	79.03	51.08	15	9	→
Lagos, Nigeria	Africa	633.76	78.03	50.44	5	10	→
Geneva, Switzerland	Europe	601.54	74.06	47.87	13	11	↗
Dubai, UAE	Middle East	550.83	67.82	43.84	7	12	↓
Abu Dhabi, UAE	Middle East	513.07	63.17	40.83	6	13	↓
Brisbane, Australia	Asia-Pacific	511.38	62.96	40.69	23	14	↗
Delhi NCR, India	Asia-Pacific	502.83	61.91	40.02	19	15	↗
Milan, Italy	Europe	500.00	61.55	39.79	14	16	↗
St Petersburg, Russia	Europe	482.93	59.46	38.43	8	17	↗
Doha, Qatar	Middle East	482.93	59.46	38.43	16	18	↓
Ho Chi Minh City, Vietnam	Asia-Pacific	452.72	55.74	36.03	27	19	→
Stockholm, Sweden	Europe	444.46	54.72	35.37	31	20	↑
Hanoi, Vietnam	Asia-Pacific	439.16	54.07	34.95	N/A	21	↘
Manhattan, USA	North America	427.54	52.64	34.03	26	22	↑
Melbourne, Australia	Asia-Pacific	421.68	51.91	33.56	40	23	↗
Rome, Italy	Europe	420.00	51.71	33.42	17	24	↗
Oslo, Norway	Europe	409.19	50.38	32.56	N/A	25	↑
Frankfurt, Germany	Europe	408.00	50.23	32.47	20	26	↗
Aberdeen, UK	Europe	376.90	46.40	30.00	30	27	→
Dublin, Ireland	Europe	376.00	46.29	29.92	24	28	→
Istanbul, Turkey	Europe	362.16	44.59	28.82	N/A	29	↗
Kiev, Ukraine	Europe	362.16	44.59	28.82	44	30	↗
Birmingham, UK	Europe	358.05	44.08	28.50	38	31	↗
Munich, Germany	Europe	354.00	43.58	28.17	32	32	↗
Manchester, UK	Europe	351.77	43.31	28.00	34	33	→
Bristol, UK	Europe	345.48	42.54	27.50	41	34	→
Shanghai, China	Asia-Pacific	341.37	42.03	27.17	42	35	↗
Edinburgh, UK	Europe	339.21	41.76	27.00	33	36	→
Glasgow, UK	Europe	339.21	41.76	27.00	35	37	→
Madrid, Spain	Europe	336.00	41.36	26.74	28	38	↘
Amsterdam, Netherlands	Europe	325.00	40.01	25.86	37	39	→
Helsinki, Finland	Europe	324.00	39.89	25.78	N/A	41	↗
Washington, DC, USA	North America	316.03	38.91	25.15	48	40	→
Brussels, Belgium	Europe	310.00	38.16	24.67	50	42	→
Riyadh, Saudi Arabia	Middle East	301.81	37.16	24.02	47	43	↓
Leeds, UK	Europe	301.52	37.12	24.00	39	44	→
São Paulo, Brazil	South America	301.08	37.07	23.96	18	45	↗
Newcastle, UK	Europe	288.96	35.58	23.00	49	46	→
Vienna, Austria	Europe	288.00	35.46	22.92	N/A	47	→
Beijing, China	Asia-Pacific	283.38	34.89	22.55	62	48	↗
Warsaw, Poland	Europe	283.00	34.84	22.52	43	49	↑
Vancouver, Canada	North America	270.30	33.28	21.51	N/A	50	↓
Miami, USA	North America	270.22	33.27	21.51	53	51	→
Kuwait City, Kuwait	Middle East	267.86	32.98	21.32	21	52	↗
Cardiff, UK	Europe	263.83	32.48	21.00	54	53	→

Continued on the next page

2011 GLOBAL REAL ESTATE MARKETS

Annual review & outlook

Table 1 (Continued)
Global office rents, Q4 2010

Market	Region	Rent (€/sq m/yr)	Rent (US\$/sq ft/yr)	Rent (UK£/sq ft/yr)	Rank 2009	Rank 2010	Outlook 2011
San Francisco, USA	North America	256.49	31.58	20.41	65	54	↑
Liverpool, UK	Europe	251.27	30.94	20.00	60	55	→
Sheffield, UK	Europe	251.27	30.94	20.00	69	56	→
Seattle, USA	North America	249.43	30.71	19.85	66	57	→
Los Angeles, USA	North America	249.02	30.66	19.82	57	58	↓
San Diego, USA	North America	246.91	30.40	19.65	55	59	→
Ottawa, Canada	North America	246.91	30.40	19.65	N/A	60	↓
Berlin, Germany	Europe	246.00	30.28	19.58	52	61	↗
Long Island, USA	North America	244.47	30.10	19.46	64	62	→
Toronto, Canada	North America	241.79	29.77	19.24	N/A	63	↗
Prague, Czech Republic	Europe	240.00	29.55	19.10	58	64	↗
Budapest, Hungary	Europe	240.00	29.55	19.10	59	65	→
Copenhagen, Denmark	Europe	234.75	28.90	18.68	63	66	↗
Houston, USA	North America	231.72	28.53	18.44	67	67	↗
Boston, USA	North America	229.77	28.29	18.29	75	68	↗
Lisbon, Portugal	Europe	228.00	28.07	18.14	61	69	→
Barcelona, Spain	Europe	222.00	27.33	17.67	51	70	↓
Westchester/Fairfield, USA	North America	221.24	27.24	17.61	56	71	→
Montreal, Canada	North America	220.35	27.13	17.54	N/A	72	↗
New Jersey, USA	North America	214.99	26.47	17.11	71	73	↗
Chicago, USA	North America	211.90	26.09	16.86	72	74	→
Philadelphia, USA	North America	209.55	25.80	16.68	76	75	→
Orange County, USA	North America	205.49	25.30	16.35	70	76	↓
Seoul, South Korea	Asia-Pacific	205.35	25.28	16.34	N/A	77	↓
Manama, Bahrain	Middle East	204.51	25.18	16.28	46	78	↓
Baltimore, USA	North America	201.99	24.87	16.08	77	79	↗
Phnom Penh, Cambodia	Asia-Pacific	199.20	24.53	15.85	90	80	↓
Phoenix, USA	North America	197.85	24.36	15.75	73	81	→
Denver, USA	North America	195.25	24.04	15.54	78	82	↗
Portland, USA	North America	192.82	23.74	15.35	79	83	→
Bangkok, Thailand	Asia-Pacific	192.49	23.70	15.32	87	84	→
Bucharest, Romania	Europe	192.00	23.64	15.28	68	85	→
Johannesburg, South Africa	Africa	190.14	23.41	15.13	91	86	→
Muscat, Oman	Middle East	188.64	23.23	15.02	N/A	87	↓
Guangzhou, China	Asia-Pacific	187.46	23.08	14.92	88	88	↗
Dar es Salaam, Tanzania	Africa	181.12	22.30	14.41	86	89	↗
Lusaka, Zambia	Africa	181.12	22.30	14.41	89	90	↗
Dallas, USA	North America	180.80	22.26	14.39	80	91	↗
Detroit, USA	North America	179.82	22.14	14.31	81	92	→
St. Louis, USA	North America	178.52	21.98	14.21	82	93	→
Nashville, USA	North America	176.73	21.76	14.07	84	94	→
Atlanta, USA	North America	173.81	21.40	13.83	83	95	↗
Kansas City, USA	North America	172.19	21.20	13.70	85	96	→
Bangalore, India	Asia-Pacific	171.18	21.07	13.62	93	97	↑
Cape Town, South Africa	Africa	153.91	18.95	12.25	92	98	→
Kampala, Uganda	Africa	153.91	18.95	12.25	95	99	↓
Gaborone, Botswana	Africa	149.36	18.39	11.89	94	100	→
Kuala Lumpur, Malaysia	Asia-Pacific	134.27	16.53	10.68	96	101	→
Jakarta, Indonesia	Asia-Pacific	120.34	14.81	9.58	97	102	↗
Blantyre, Malawi	Africa	94.62	11.65	7.53	98	103	↗
Nairobi, Kenya	Africa	90.56	11.15	7.21	99	104	↗
Harare, Zimbabwe	Africa	90.56	11.15	7.21	100	105	↑



RESEARCH



Americas

USA
Bermuda
Brazil
Canada
Caribbean
Chile

Australasia

Australia
New Zealand

Europe

UK
Austria
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
Switzerland
The Netherlands
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Cambodia
China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
South Korea
Thailand
Vietnam

The Gulf

Bahrain
UAE

Europe, Asia-Pacific, Middle East and Africa

Matthew Colbourne

Senior Analyst, International Research
+44 (0) 207 629 8171
matthew.colbourne@knightfrank.com

The Americas

Newmark Knight Frank Research

+1 212 372 2000
researchdepartment@newmarkkf.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

Knight Frank Reports are also available at www.knightfrank.com

© Knight Frank LLP 2011

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.

Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.