

# London loses property investment crown

## COMMERCIAL REAL ESTATE

### LaSalle study blames downturn

### But research at odds with demand

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London has been knocked from the top of a list of best European cities for commercial property occupiers and investors for the first time

since 2005, according to a leading global property fund manager.

Munich has been identified as the European city most attractive for investment on a medium-term outlook, followed by Paris, according to LaSalle Investment Management's eleventh European Regional Economic Growth Index.

London's slippage in the rankings reflects the city's exposure to the financial downturn compared with other rival business hubs.

Dublin fell from fifth place to 73rd place.

The research appears to conflict with the attitude among many investors, given the large amount of capital looking to invest in London property from a variety of sources such as sovereign wealth funds, private investors, property companies and domestic pension funds.

LaSalle is one of the largest property investors in the world with about \$37.5bn of funds under management. Robin Goodchild, LaSalle's head of European research and strategy, stressed that London was still an attractive investment location, but that real estate investment could be

stronger in the other top cities over the medium term.

The study is based on a range of indicators, ranging from relative wealth, growth levels and business structure, consisting of global players and domestic industries. Paris has benefited from its greater exposure to different sources of employment outside financial services.

Charles Maudsley, LaSalle Investment Management's co-head of Europe, said: "Notwithstanding its decline in the rankings, London remains a very attractive place for property investment because yields

have expanded well beyond fair value even allowing for the weak demand outlook."

Underlying wealth was a big factor in the rankings, with affluent locations in the Nordic regions, such as Stockholm and Oslo, moving in to the top five in front of Luxembourg.

According to LaSalle, property markets across Europe are approaching the bottom. However, the recovery will be selective, it says, with larger, more liquid markets seeing a growing share of activity, particularly in the prime segment.

The worst performing cities were those where the property bubbles were most inflated, and which were still going through a correction. These included cities in Spain and central and eastern Europe, which have dropped down the rankings. For the first time since 2001, there is no Spanish city in the top 10.

