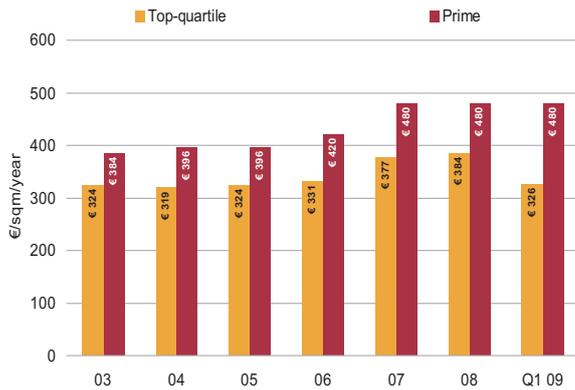


Luxembourg Office Market

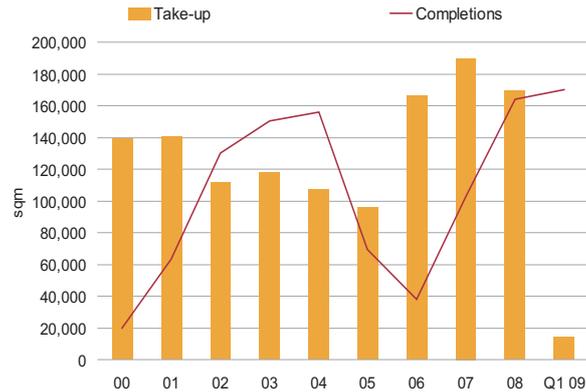
Q1 2009

Rental values



Source: Savills Research

Take-up / Development completions



Source: Savills Research

“Reality has finally sunk in following a record run in the letting and investment markets over the last three years. 2009 and 2010 will be very tough years to follow for Luxembourg.”



Sheelam Chadha (Head of Research / Investment advisor)

- Take-up during Q1 2009 reached 14,200 sqm representing a decrease of 71% compared to Q1 2008 and 60% compared to the five-year Q1 average.
- In the CBD and Station District, the average letting area was only 240 sqm compared to 780 sqm in the Periphery and Decentralised
- This year, some 170,000 sqm is expected to hit the market with most of this (70%) speculative. With the amount of supply due onto the market, it could not be unconceivable that the vacancy rate increases to around 4-5%, although still low by European comparison.
- The prime rent remained stable over the quarter at €480/sqm/year. However, since demand is weakening and supply is increasing we believe rent will fall in 2009.
- Investment levels have grinded to a complete halt since Q3 2008 with no known deals known to have closed this quarter.
- Prime yields are estimated between 6-6.5%.

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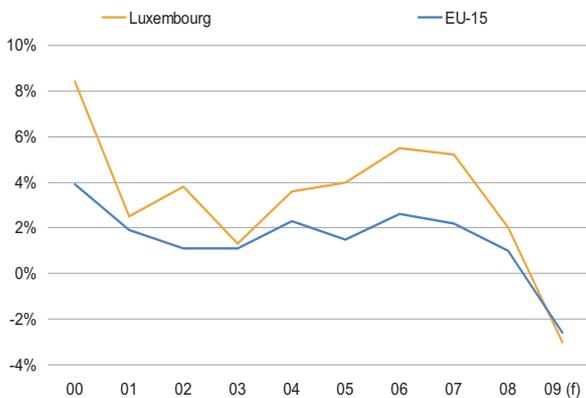
Economy and letting market

Economy

Luxembourg's small open economy currently hosts 152 mainly foreign banks, the largest fund industry and second largest money market industry in Europe. It is fully exposed to the economic turmoil and so, will not escape untouched.

Growth came to a standstill during Q3 2008 with Luxembourg facing its worst recession since the steel crisis in the mid-1970's. Nonetheless, the government's comprehensive stimulus package and well positioned public finances should help weather the impact of the recession. GDP growth is forecast at -3% for 2009 compared to -2.6% in the Euro area with recovery expected in mid-2010.

GDP Growth



Source: European Commission

Letting Market

Take-up and demand

Take-up during Q1 2009 reached 14,200 sqm representing a decrease of 71% compared to Q1 2008 and 60% compared to the five-year Q1 average. No known lettings were concluded by public sector tenants with 100% based in the corporate sector. To break this down even further, the main groups present were Business-Services (61%), Real-Estate (16%) and Banking and Finance (5.3%) with the remainder either Medical/Pharmacy, Legal services or mixed.

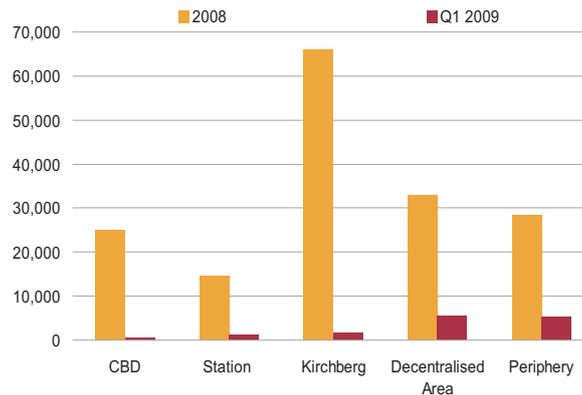
As expected, 2009 has begun extremely slowly with less than 30 transactions noted and only three above 1,000 sqm. The average letting area totalled only 510 sqm.

By location, 76% of the lettings were located in the Decentralised (39%) and Periphery (37%). The most notable lettings included PWC which let 4,474 sqm in the Laccolith Building (Cloche d'Or, Decentralised); Mach, which let 2,789 sqm in the Campus Contern Building (Contern, Periphery) and Securex, which let 1,033 sqm in the Am Bann building (Leudelange, Periphery).

In the CBD and Station District, the average letting area was only 240 sqm compared to 780 sqm in the

Periphery and Decentralised. The top three lettings were concluded by Real Estate sector tenants and included Prologis Luxembourg which let 863 sqm on Avenue de la Liberté (Station), Intervest, which let 772 sqm in the President Building (Kirchberg) and Silver Square, which let 652 sqm in the K2 building (Kirchberg).

Take-up by district



Source: Savills Research / Expertise

Vacancy rate and future completions

This year, some 170,000 sqm is expected to hit the market with most of this (70%) speculative. Of this, the Decentralised District has the most supply due (30%) followed by the Periphery (27%), Kirchberg (21%), Station (18%) and the CBD (4%).

One reason Luxembourg's owes its low vacancy rate is related to the very low supply in the market over 2008, which during the last quarter, stood at 2.05%. With the amount of supply due onto the market, it could not be conceivable that the vacancy rate increases to around 4-5%, although still low by European comparison.

Total stock in Luxembourg today stands at around 2.87mio sqm. Average annual stock growth between 1998 and 2008 grew 4.41%.

Stock growth / Vacancy rate



Source: Savills Research / Expertise

Investment and outlook

Rents

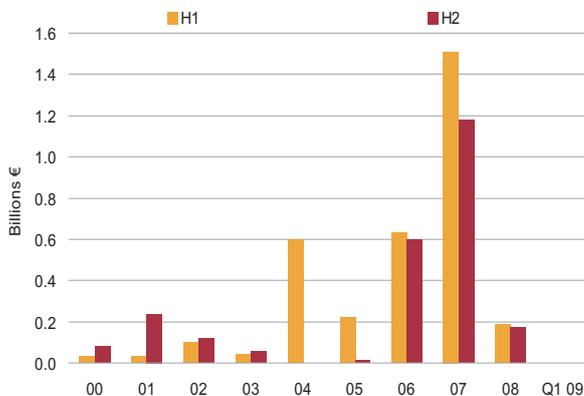
The prime rent, which at its peak reached €480/sqm/year during Q4 2007 in the CBD, will be hard to match this year. In order since 1997, prime rents increased over 65% in the Kirchberg, over 45%, in the Station District, over 40% in the Decentralised District, and over 32% in the Periphery. Top-quartile rents, the top 25% of all known achieved rents, dropped significantly this year, down 12.5% compared to Q1 2008.

Too little supply and too much demand over the last three years created an imbalance which thus pushed up rents. Since the opposite is occurring today, it is clear that this will affect the rental market, especially in some districts where much speculative supply is due.

Investment

Investment levels have grinded to a complete halt since Q3 2008 with no known deals known to have closed this quarter. Compared to Q1 2008, where €115mio was invested, and Q1 2007, where over €500mio was invested, there remains three reasons why deals are not taking place today.

Investment volume



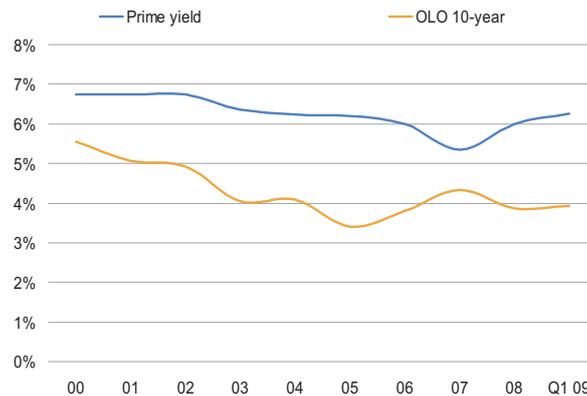
Source: Savills Research

Firstly, there still remains a lack of product which fits the criteria required today: core, long-let to tenants not linked to the financial sector and well-located. Secondly, the lack of buyers in the market today has clearly not helped especially since 80% of Luxembourg's purchase base is heavily reliant on the German funds, most of which have either too much exposure to the market today and/or are closed for business until H2 2009. Thirdly, where are yields? Since no deals have closed and clearly markets have moved, then what is the right value for an asset which could be sold today? Unless a vendor is forced to sell, which does not seem to be the case so far in Luxembourg today, then why sell? Even in a forced-sale situation, this does not necessarily take into

account the same fundamentals of a true real estate transaction, therefore it has become hard to gauge where the Luxembourg investment market is.

Prime yields are estimated between 6-6.5%.

Prime yield - OLO



Source: Savills Research

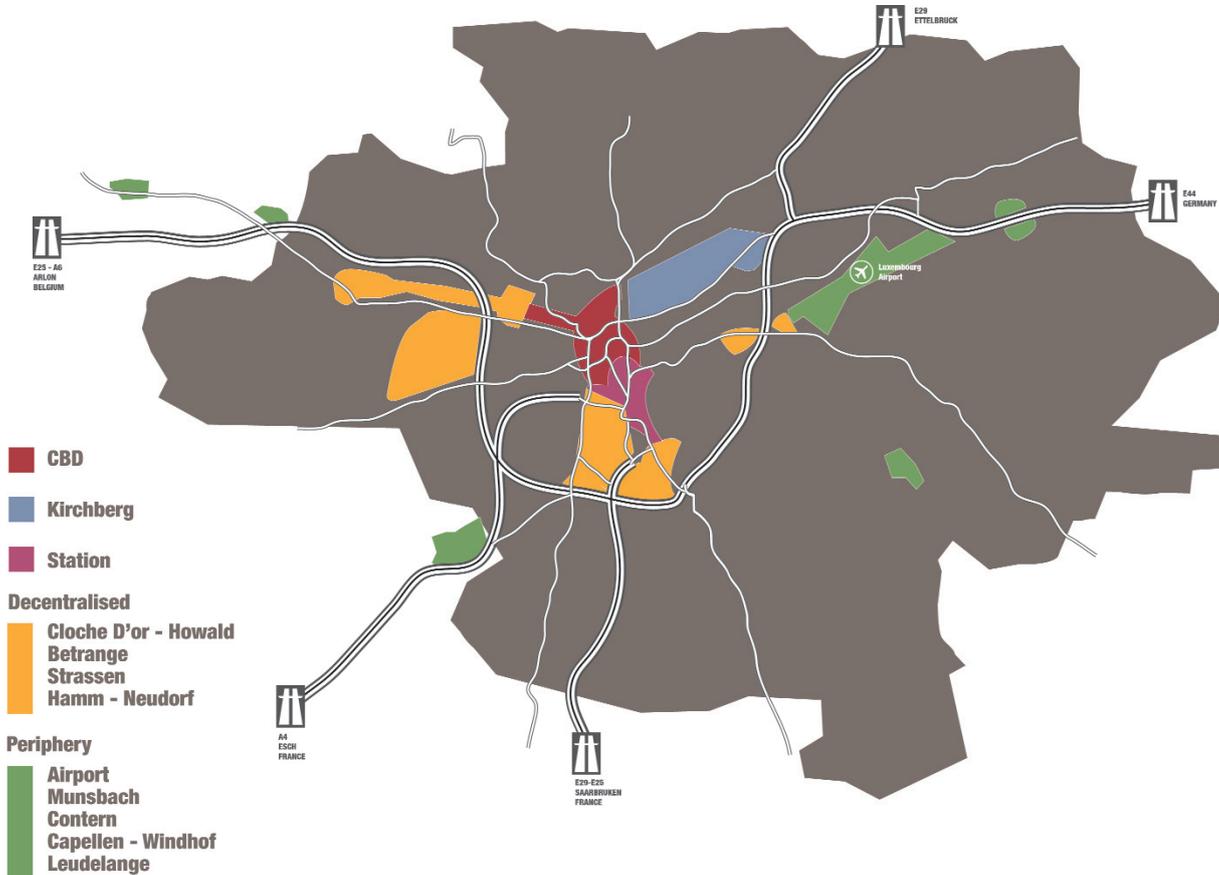
Outlook

Take-up is not expected to reach the same levels seen during the 07-08 years as only now are we seeing the effects of the recession on global take-up around Belux. Although the low vacancy rate in the last few years owes itself to the growth in the financial sector and the low available supply, the reverse is now present with decline in financial expansion and an abundance of supply due this year. It is quite conceivable that take-up levels could drop by around 50% compared to 2008 (which was however a very strong year) or 40% if you compare to the annual average since 2000. Vacancy is also expected to increase by double to at least 4%- mainly affected by high speculative supply and low take-up. Rents therefore will be affected and could fall further.

The investment market is not expected to reach any substantial level this year and will unlikely reach any level above €300mio. Although it is hard to estimate at such an early stage as much depends on the re-opening of the German funds and their strategy for H2 2009, we still do not expect any major transactions to take place this year.

Luxembourg Office Market

Survey map



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