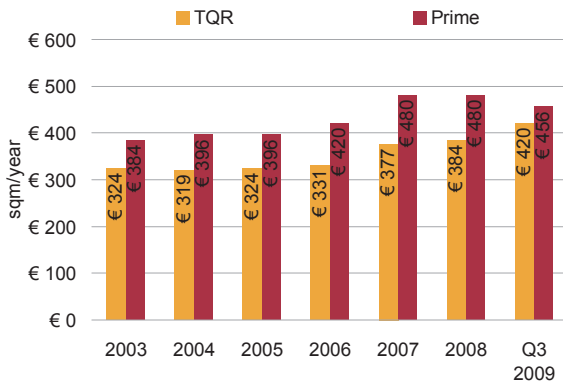


Luxembourg office market

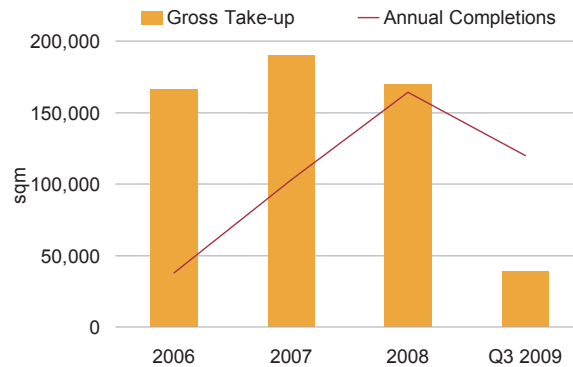
Q3 2009

Rental values



Source: Savills Research

Take-up / Development completions



Source: Savills Research

“Limited movements in the letting and investment market have profoundly affected the overall sentiment in Luxembourg. However, the underlying fundamentals remain strong despite the short term imbalances. We forecast some good ‘buy’ opportunities coming onto the market for 2010”.

Sheelam Chadha (Head of Research / Investment advisor)



- Take-up for the Luxembourg office market has decreased by 74% during the first three quarters of 2009 and is 38,770 sqm, compared to 150,159 sqm in the first three quarters of 2008.
- The vacancy rate has risen from 2.05% in 2008 up to 3.5% during the last quarter. In Q4 2009 and in 2010, an additional 330,000 sqm is expected to come onto the market, of which 69% remains speculative.
- As only small transactions are taking place and demand remains very weak, rents have had limited movement so far. Downward pressure must be foreseen during the year to come. The prime rent remains at €456/sqm/year and is still achieved in the CBD.
- The year-to-date investment volume is €88 million, representing a decrease by 71% compared to the first three quarters of 2008 and a drop of 96% in comparison with the €2.2 billion investment volume during the same period in 2007.
- Exact yields remain difficult to quote because of the small number of transactions. They are estimated to have moved from 5.35% to around 6.0%.
- The Luxembourg office market is suffering from a lack of assets fulfilling the requirements today.

Savills
Research

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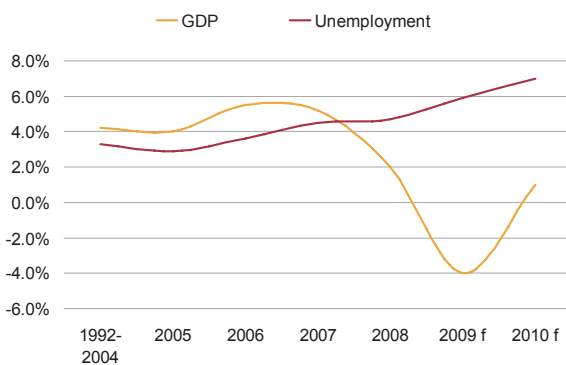


Economy and letting market

Economy

The Luxembourg economy has suffered from the financial crisis due to its reliance on the financial sector and exports. Recovery is only expected halfway through 2010. In 2009, the GDP is expected to decrease by 4.0%, in line with the expected decrease for the Euro zone. In 2010, a GDP growth of 1.0% can be expected. The unemployment rate is expected to go from 4.8% in 2008 over 5.9% in 2009 up to 7.0% in 2010. Inflation rates should be 0.4% in 2009 and 1.9% in 2010.

GDP growth



Source: Statec

Letting market

Demand and supply

During the third quarter of 2009, no more than 8,470 sqm was let compared to 28,000 sq m during the same period last year. Take-up for the overall office market decreased by 74% during the first three quarters of 2009 and is 38,770 sqm, compared to 150,159 sqm during the first three quarters of 2008. The largest decrease is found in the Kirchberg District where only 5,486 sqm was taken, representing a drop of 91%.

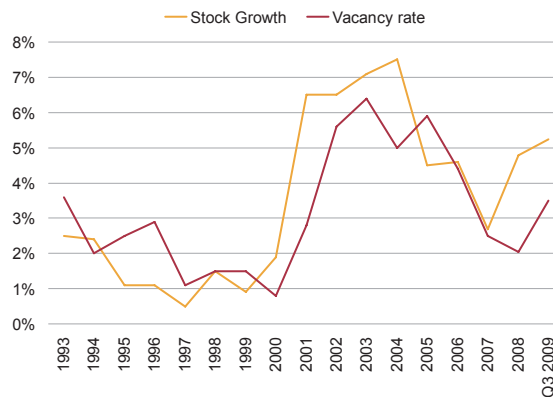
Public administration represents only 8% of total take-up, compared to 34% during the first three quarters of 2008. Banks and financial institutions only occupied 8% in comparison with 25% in 2008 and 45% in 2007. The advantage however is that the take-up is more diversified among different sectors.

In the Periphery, the major transactions include the 6,200 sqm let by Lombard International in the Airport district and the letting of 2,879 sqm by Mach in Contern/Sandweiler. In the Decentralized District, PriceWaterhouseCoopers let 4,474 sqm in the Cloche d'Or. In the Kirchberg, Ateac Luxembourg occupied 1,622 sqm and John Deere Bank took 1,083 sqm in the K2 Allegro Ballade. In the Station District, ProLogis Luxembourg let 863 sqm and in the CBD, Immo GR occupied 993 in the Valley Office Park. The average

surface area per transaction amounts to 570 sqm.

The vacancy rate has risen from 2.05% in 2008 up to 3.5% during the last quarter. In Q4 2009 and in 2010, an additional 330,000 sqm is expected to come onto the market, of which 69% remains speculative.

Stock growth vs Vacancy rate



Source: Savills Research

Rental levels

Rents have had limited movement due to a lack of transactions. It is important to remark however that only small transactions are taking place and demand remains very weak.

The prime rent remains at €456.00/sqm/year (€38.00/sqm/month) and is still achieved in the CBD. In the Decentralized Area, PWC let 4,474 sqm at €300.00/sqm in the Laccolith building in the Cloche d'Or. Intervest took 772 sqm in "Le President" in Kirchberg at €396.00/sqm, and Vodafone let 1,622 sqm in the Pixel building in the Periphery (Bevange) at €372.00/sqm. In the Station District finally, ProLogis Luxembourg let 863 sqm at a rent of €396.00/sqm.

Investment

During the first three quarters of 2009, €88 million of turnover was transacted in the Luxembourg office market, representing a decrease of 71% compared to the first three quarters of 2008, and a drop of 96% in comparison with the €2.2 billion investment volume during the same period in 2007.

The largest transaction was the acquisition of the F7 building in the Findel Golf Office Park in the Airport District for €60 million by Nord LB Bank, which will however occupy a part of the building for its own activities. Furthermore, Pylos acquired the Pedus headquarters at the Place de l'Etoile for €18 million from La Luxembourgeoise and HSBC sold its former offices, after having moved from the CBD to the Airport

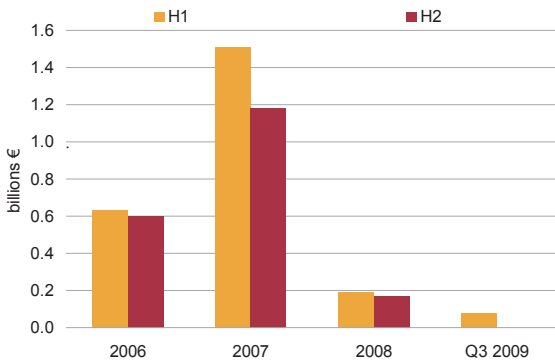
Investment and outlook

District, at the corner of the Boulevard Royal and the Avenue Marie-Therese to Schuler for around €10 million. Remaining office acquisitions are own-occupied by the buyer, by such companies as P&T and the City of Luxembourg.

The Luxembourg office market is clearly suffering the lack of buyers, in particular the German open-ended funds which represented 80% of the investments made in Luxembourg. Most of them have re-opened with some looking to buy again but most have altered their criterion which is proving difficult to find today.

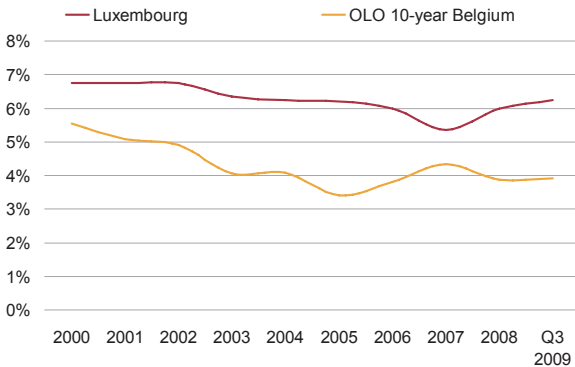
As the number of transactions is very small and limited, it remains very difficult to quote exact yields. Estimated yields have moved from 5.35% to 6.0% today for core, long-let product in top locations. The spread between a 10-year OLO bond and the prime yield has widened again and is at 233 basis points. Since the peak in 2007, capital values have decreased by 30% and are at €5,472/sqm today.

Luxembourg investment volume



Source: Savills Research, RCA

Prime yield - Belgium OLO bond



Source: Savills Research

Outlook

Letting market

The letting market has had one of its most severe declines in recent years in Luxembourg due to the credit crunch effect. In the short-term, we see overall take-up to remain weak, only picking up in late 2010 and returning to full speed by 2012. The fourth quarter of 2009 will be as equally dire as the last three quarters with no more than 10,000 sqm being let which should see an end year total of 50,000 sqm. Much of the letting market is dictated by the global economy, which of late, has shown signs of improvement compared to a year ago.

Investment

The investment market has been as catastrophic as the letting market with very few deals being discussed. Since most of the pipeline had been purchased during the height of the market, a lack of assets that tick the boxes today are hard to find. Nonetheless, we believe that good deals can be done where strong locations and long leases are concerned as we still believe in the basic fundamentals of Luxembourg, despite its short term problems. Our belief is that in 2010, some funds may begin to re-assess their positions in Luxembourg. This could create some good 'buy' opportunities for the funds which missed their chances in the 2006-07 heydays.

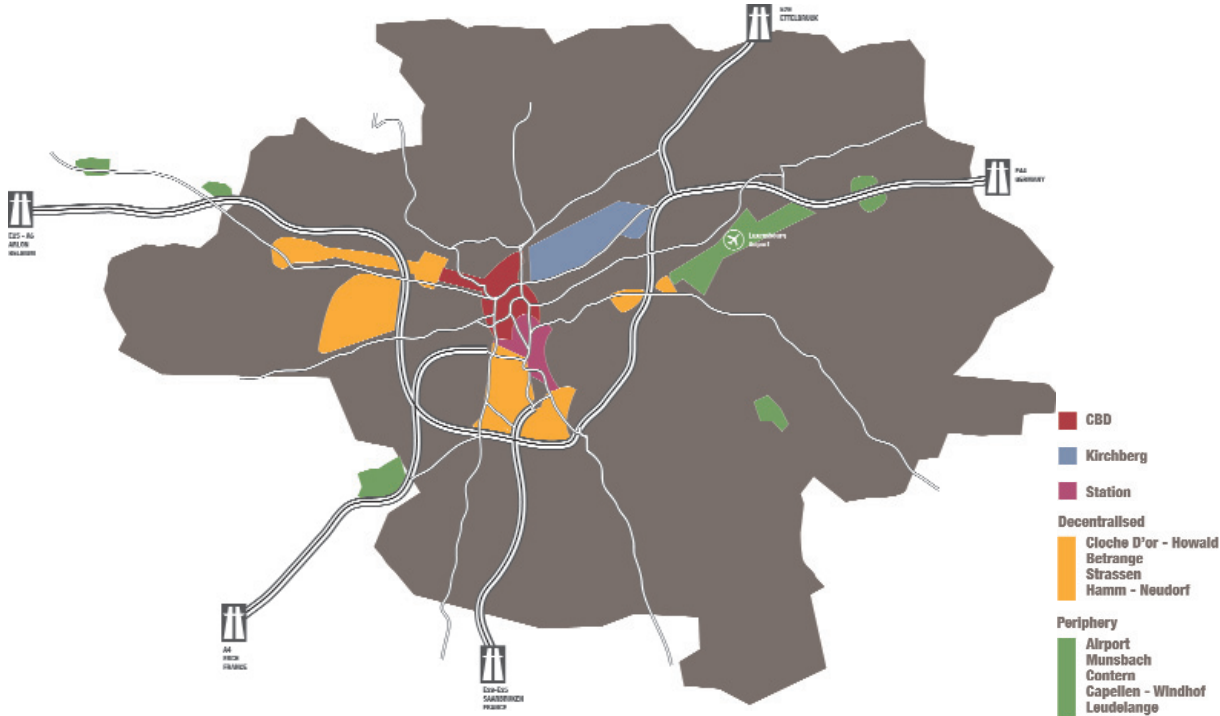
Prime yield - OLO bond

Building	Price in million €	Seller	Buyer
F7 Findel Golf Office Park	60	Somaco	Nord LB Bank
Pedus HQ	18	La Luxembourgeois	Pylos
Boulevard Royal-Avenue Marie-Therese	10	HSBC	Schuler

Source: Savills Research

Luxembourg office survey area

Survey map



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