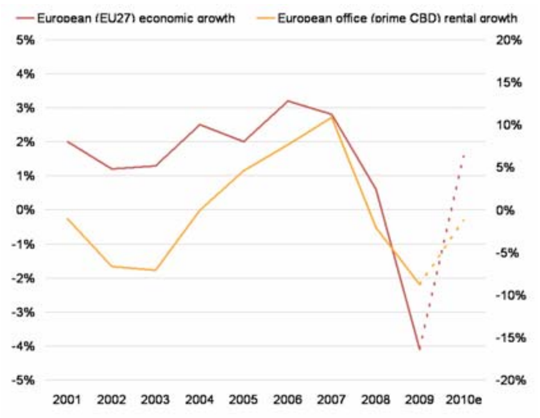
European Office Markets

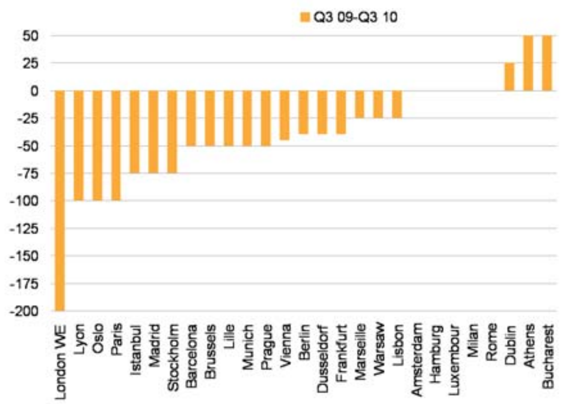
Autumn 2010

Rental growth follows the recovery of GDP growth



Source: Savills Research

Prime yields are hardening again in most markets



Source: Savills Research

"The signs of a moderate but still fragile economic recovery has brought some stability in the market in terms of demand and supply. On average prime office rental growth is improving and should become positive in most centres by 2011 due to limited development activity and improving employment prospects."

Eri Mitsostergiou - European Research

- Despite the improved prospects for the EU economy, the uncertainty remains high with non-negligible risks to the growth outlook.
- In the meantime the average quarterly volume of office space take-up across the survey area is recovering and for 50% of the markets the outlook is positive.
- After the peak of development completions in 2008 and 2009, the pipeline for new projects is drying out and we estimate that the volume of completions will drop by 12% pa in 2010. In 43% of the markets surveyed with expect the level of supply to continue to drop in the short to medium term.
- The average annual prime CBD rental growth is virtually static, ranging from -12.8% pa in Dublin to 26.5% pa in Istanbul, and with more than half of the markets covered in the report showing zero or positive growth in Q3 2010 (first estimates). We expect the average office rents to remain stable in 68% of the markets surveyed.
- After four consecutive quarters of yield compression the average prime CBD yield of our survey area (32 centres) has dropped below 6.0% at 5.9%, in line with the 10year long term average. .

Savills Research

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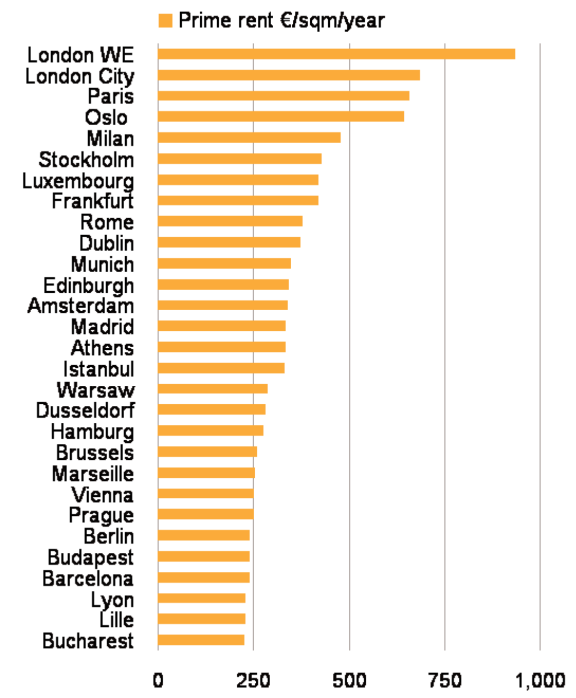
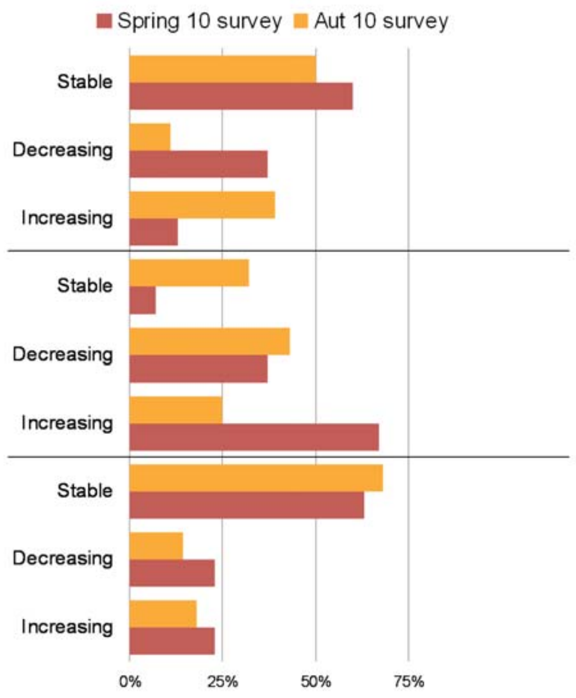
Comparisons

Prime office rent (CBD) - Q3 2010 (estimate)



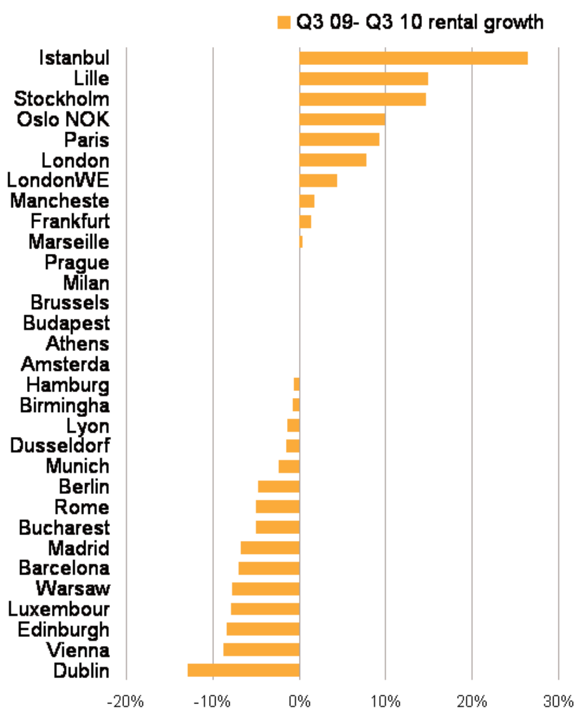
Source: Savills Research

6-month outlook survey results



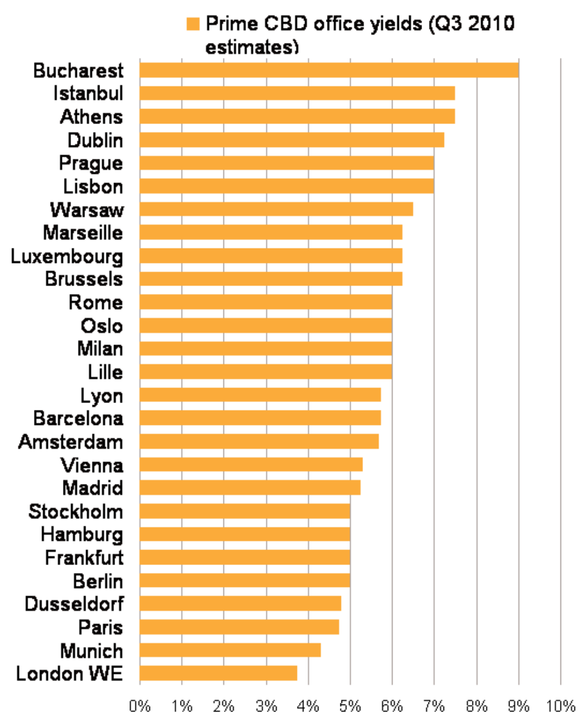
Source: Savills Research

The picture of prime rental growth is mixed



Source: Savills Research

Wide range of prime CBD pffice yields

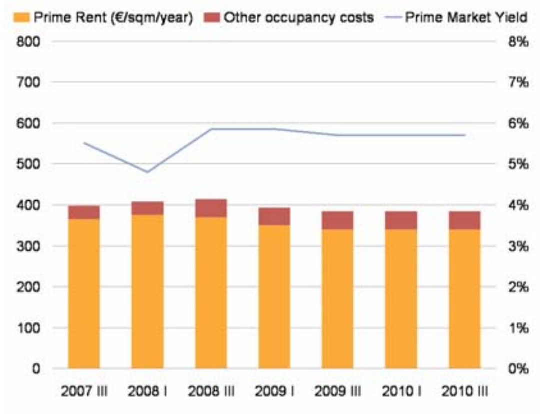


Source: Savills Research

Amsterdam, Athens, Barcelona

Amsterdam

During the first half of 2010 the Amsterdam office market showed strong signs of recovery, with tenant demand increasing by 36% to 132,000 sqm compared to the same period last year. The South Axis accounted for the largest share (24%) of take-up, with the RBS leasing 10,000 sqm at the newly developed UN Studio building at the South Axis being the most notable letting. Exactly 60% of the transactions were in offices exceeding 2,000 sqm and over two-third of total demand derives from the service industry. Supply increased during H1 2010 to 1.13 million sqm, reflecting a 16.9% vacancy rate. The Southeast and West areas account for 47% of the total supply. Headline rents remained stable in the past 6 months, but the widening imbalance between supply and demand sustains the pressure on rents as well as incentives.

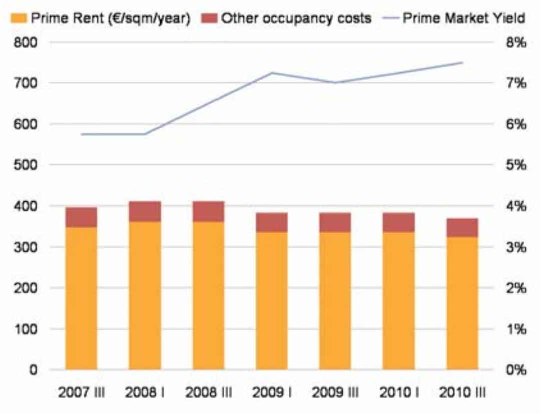


Source: Savills Research

Demand	stable
Supply	increasing
Average rents	stable

Athens

Under the pressure of the economic crisis and the uncertainty around the impact of the austerity measures taken by the government a two-tier market has emerged in the Athens office sector. On the one hand, in the prime segment of the market there are some significant large-scale (5,000-10,000sqm or above) enquiries that reflect the need for consolidation and rationalisation that most large companies are currently facing. Another important driver of demand at the moment is the reduction of costs. This has shifted demand towards emerging office locations, such as E75 and Attiki Odos, mainly close to train and Metro stations ensuring good accessibility and visibility. On the other hand, the secondary (older buildings, smaller floorplates) and second-hand segment of the market is the one that is experiencing a more immediate and deeper impact from the recession, with rising levels of vacancy, reduction of rents and limited options for reuse after vacation.

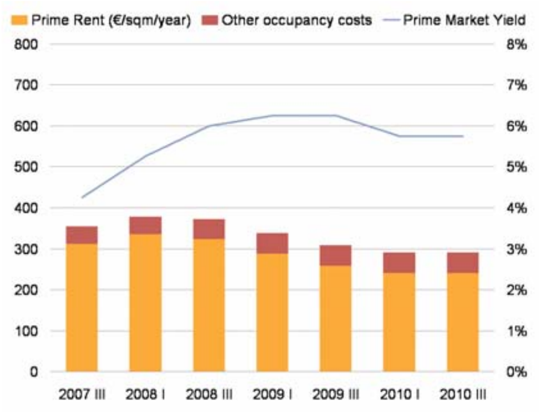


Source: Savills Research

Demand	decreasing
Supply	stable
Average rents	decreasing

Barcelona

The letting market reflects the evolution of the fundamentals of the economy, with employment growth rates mainly affecting take-up levels. Based on the gross take-up rate Q3 has confirmed the signs of slight recovery shown at the end of 2009 and beginning of 2010. Even if these months show traditionally low activity, gross take-up has reached 59,000 sqm, which represents an 18% growth with regards to the previous quarter and a 30% yoy. Comparatively, the accumulated take-up during the first three quarters of 2010 has increased by 30% yoy, but it is still below 2008 levels (-26%). Current office supply reached 690,000 sqm and the vacancy rate stands at 12.5%. Nevertheless, the significant drop on development completions (-80% in 2011) will help it stabilize around 13% until the end of 2011. Prime rents remain stable at 20€/sqm/month and we estimate this same level for the end of the year.



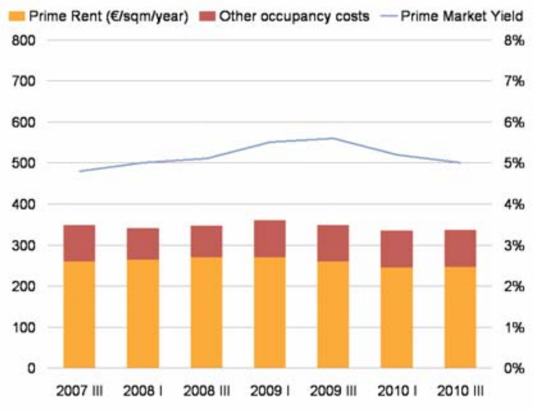
Source: Savills Research

Demand	increasing
Supply	stable
Average rents	stable

Berlin, Birmingham, Bucharest

Berlin

In 2010 H1 office take-up amounted to 279,200 sqm, only 2.5% lower compared to H1 2009. The pronounced tenant-friendly market environment is a factor which could facilitate the demand for office space in the next months. The average rent stood at €11.52/sqm/month at the end of H1 and thus matched its 10-year average. The prime rent was €20.30/sqm/month, which is €2.50/sqm/month less than at its last peak in 2008. Such a low prime rent had last been recorded in 2006. However, the downward trend should come to an end since the prime rent stabilised during the past few months. As demand for office space will likely increase moderately in the remaining months of the year and most of the office space coming onto the market in the next months is already pre-let, the vacancy rate is likely to remain almost stable. Total take-up is expected to reach approximately 550,000 sqm.

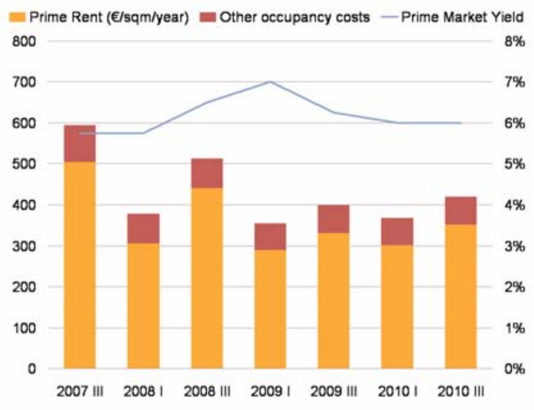


Source: Savills Research

Demand	increasing
Supply	stable
Average rents	stable

Birmingham

Take-up in Birmingham remains relatively muted, though better than the very low levels seen last year. Take-up for the first half of 2010 was 19,700 sqm. The overall vacancy rate has fallen from 17.6% at the end of 2009, to 17.1% at the end of June 2010. The restrained development pipeline is already starting to impact availability, with the proportion of supply that is of Grade A quality falling from 66% at the end of Q1 2010, to 56% at the end of Q2. Prime office rents stabilised over the last six months, with the top rent achieved this year being £27.50/sqft. Looking ahead Birmingham is facing a heavily restrained development pipeline. As and when demand returns to normal levels tenants will find it increasingly competitive, particularly for Grade A space. We expect headline rents to start to increase in 2011, with our current forecast for prime rents exceeding £30/sqft in 2012.

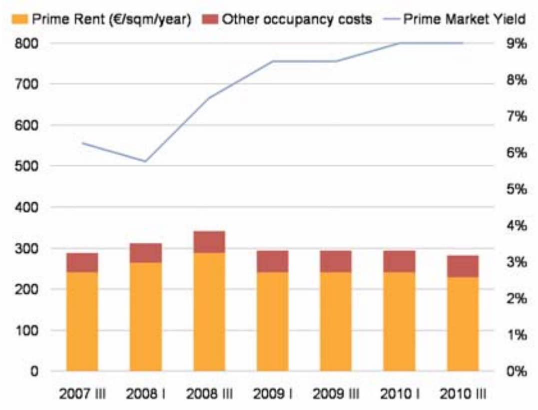


Source: Savills Research

Demand	stable
Supply	decreasing
Average rents	stable

Bucharest

In the third quarter of 2010, take-up reached approximately 100,000sqm, of which about 30% accounted for renegotiations and renewals. This equals the total volume of leasing activity of both Q1 and Q2. Despite the rise in demand rents are about 10%-15% lower than in the end of 2009, due to oversupply. However, the level of new supply is decreasing and has dropped in Q3 by one third compared to the first half of the year, reaching 40,000sqm. The higher delivery of new office space in the previous quarters has pushed the overall vacancy rate up to 18%, but currently shows signs of stabilisation. Tthe total stock of modern office space has reached 2.35 m sqm. Prime office headline rents decreased to €18-19 /sqm/month. While landlords are reluctant to reduce rental levels, they are providing increased tenant incentives in the form of fit-out contributions and rent free periods.



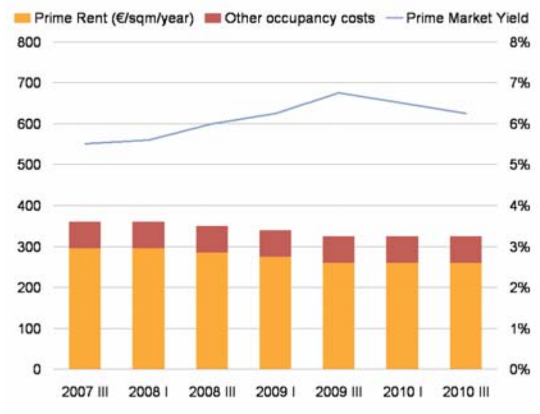
Source: EHL Immobilien GmbH

Demand	increasing
Supply	decreasing
Average rents	decreasing

Brussels, Dublin

Brussels

After an exceptionally strong start of the year, leasing activity has slowed down considerably in the second and third quarter of 2010. Take-up reached 71,000 sqm in Q3, 2% down from the previous quarter. The year to date total take-up stands at 264.500 sq m, up 52% compared to the same period during 2010 however still slower than the historical average. Completions this quarter totalled 103.000 sq m with the total stock now at 13.306.400 sq m. The weak take-up and high deliveries has now seen the vacancy rate peak at 13% although it is not forecast to increase any further. The prime rent has not changed, and remains static at €260/sq m yet some stronger lettings this quarter saw the top quartile rent increase 1.43% to €213/sq m.

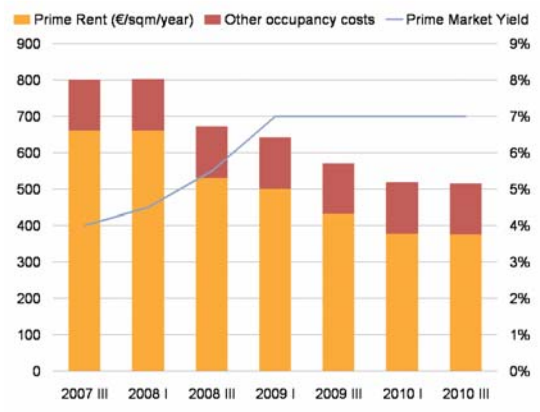


Source: Savills Research

Demand	stable
Supply	stable
Average rents	stable

Dublin

The amount of office space taken-up in quarter two was higher than in quarter one, with 23,000 sqm of space taken, compared to 21,000 sqm in quarter one. Take-up in the city centre remained strong accounting for 46% of the total. As was the case in quarter one, all office market activity in quarter two was lettings based and surprisingly there were no lettings in the IFSC during the second quarter. In terms of the number of deals, there were fewer deals signed in quarter two, with 28 deals contributing to the 23,000 sqm of take-up, compared to 37 deals totalling 21,000 sqm in the previous quarter. The IT/High Tech sector dominated take-up in quarter two accounting for 51% of the overall floor space, but only 25% of all the deals completed. Financial service occupiers signed 14% of the total number of deals but only took 5% of the overall floor space taken. Suggesting that whilst financial services are active in the market in terms of completing deals the amount of space they are taking is proportionately smaller.



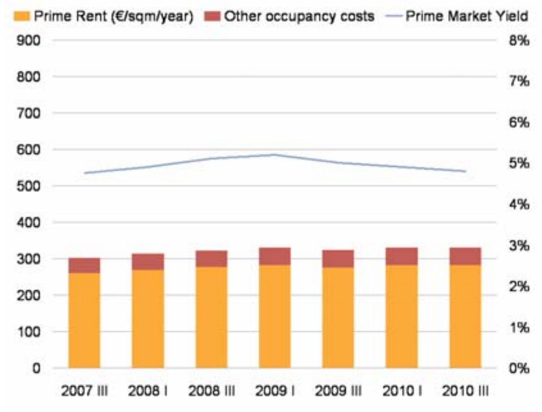
Source: Savills Research

Demand	stable
Supply	stable
Average rents	stable

Dusseldorf, Edinburgh, Frankfurt

Dusseldorf

Düsseldorf recorded a significant rise in take-up in the first half of 2010. Compared to the same period of last year it increased by more than 138% to a total of 208,000 sqm. The intensive letting activity also had a stabilising effect on rental levels. Standing at €23.50/sqm/month the prime rent remained unchanged compared to the previous year. The average rent dropped just marginally over the past twelve months to €12.90/sqm/month (-4.4%). As offices were vacated to a considerable extent and at the same time the volume of newly completed office developments was relatively high the vacancy rate rose to 10.8% despite high demand. Over the second half of the year take-up will most probably lag behind the result of the first six months and rental levels are most likely to remain largely stable until year-end. Rents will face downward pressure in few submarkets.

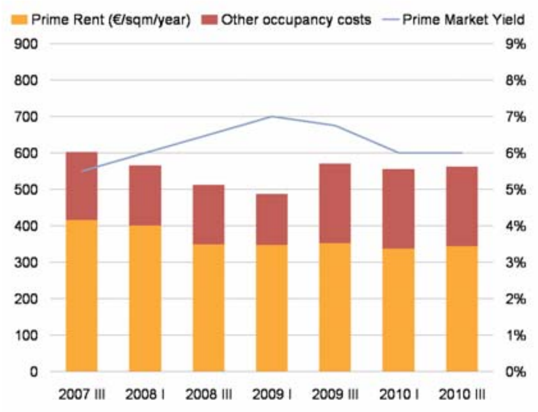


Source: Savills Research

Demand	stable
Supply	decreasing
Average rents	stable

Edinburgh

The total take-up in the first half of this year was around 25,000 sqm, an improvement on both halves of 2009. We expect that the second half of the year will deliver a similar level of take-up to the first. There has been little movement in availability over the last six months, however, with no speculative office developments in the pipeline we expect that the vacancy rate has now peaked and will begin to fall in late 2010/early 2011. Prime rents have remained stable at £27.50/sqft over the first half of this year. The same is true of net effective rents, with significant inducements on offer for leases of 10 years or longer. We expect that prime rents will remain stable for the remainder of 2010, with a recovery in net-effective rents from early in 2011. Looking further ahead the shortage of developments will begin to impact on the market in 2011/12 and this should be the spur for the beginnings of upward rental growth.

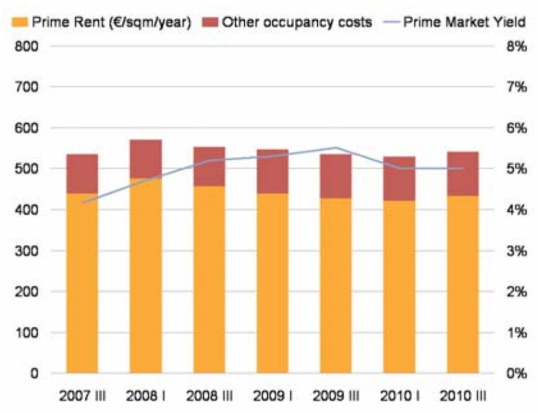


Source: Savills Research

Demand	stable
Supply	decreasing
Average rents	stable

Frankfurt

Approximately 225,000 sqm of office space were transacted in the Frankfurt office market throughout the first half of 2010, which marks an increase of just below 3.0% compared to 2009 H1. The owner occupier transaction of ECB for its new headquarters accounted for almost half of take-up. The vacancy rate increased noticeably to 17.0% year-on-year. As approximately 340,000 sqm of new office developments are scheduled for completion over the course of the year with another circa 250,000 sqm to follow in 2011 vacancies are expected to rise further. The prime rent amounted to €35.00/sqm/month and thus was just below 3.0% down on the previous year. In terms of the remaining of the year it is to be expected that vacancies will rise marginally once again and that there is no significant upside potential in respect of rents. The total transacted volume of 2010 is likely to add up to approximately 400,000 sqm.



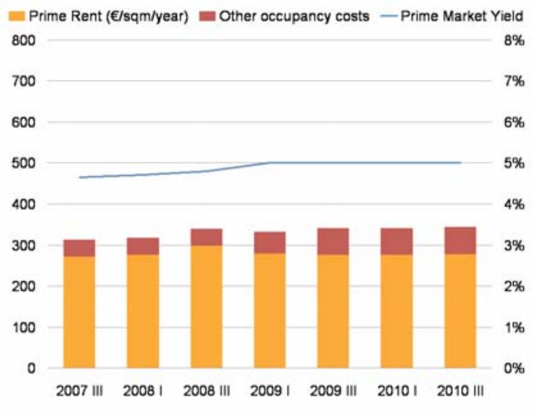
Source: Savills Research

Demand	stable
Supply	decreasing
Average rents	stable

Hamburg, Istanbul, Lille

Hamburg

Take-up totalled 180,300 sqm in H1. Compared to the first half of 2009 this marks a decrease of 7.5%. Rental levels remained stable. The prime rent matched its level of the previous year and stood at €23.20/sqm/month. With €13.89/sqm/month the average rent even stood slightly above (+6.0%). The main reason for the positive trend of the average rent is the intensive letting activity in the city centre submarket which accounted for almost 40% of total take-up. At the end of the first half of the year the vacancy rate stood at 8.0%. Apart from the still rather weak demand this result is primarily due to the high level of new office completions. This year a total of approximately 310,000 sqm of newly completed office space is being launched to the market. Given the enhanced economic environment take-up should exceed the result of H1 in the second half of the year. For 2010 overall the total transacted volume is expected to reach approximately 400,000 sqm.

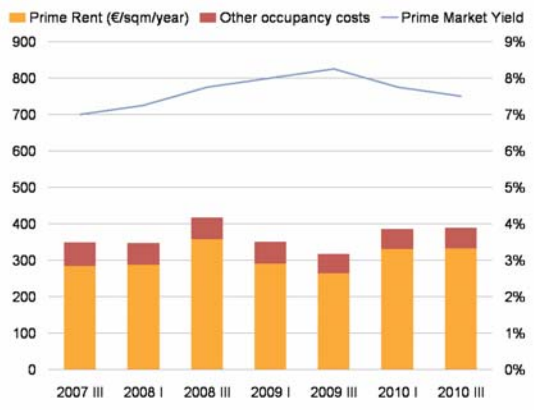


Source: Savills Research

Demand	stable
Supply	stable
Average rents	stable

Istanbul

As the effects of the global crisis are fading, demand for Grade A space has risen since the last quarter of 2009. During the first half of 2010 a total of aprox. 80,000sqm office area was taken-up. Rents have continued to increase slightly and prime CBD rent stands at $37/sqm/month, which is 16% higher than last year's figure. Office vacancy rate has not changed significantly and now stands at 9.6% for Istanbul, while in the prime submarket of Levent, the prime vacancy rate is 5.6%. Investment activities are quite limited because of lack of investment product. With the completion of A Grade new office buildings especially in Ümraniye and Kavacık, we expect that office investment market will be revitalized. Prime office yields now stand at 7.75% and gradual decrease is expected by the end of 2010.

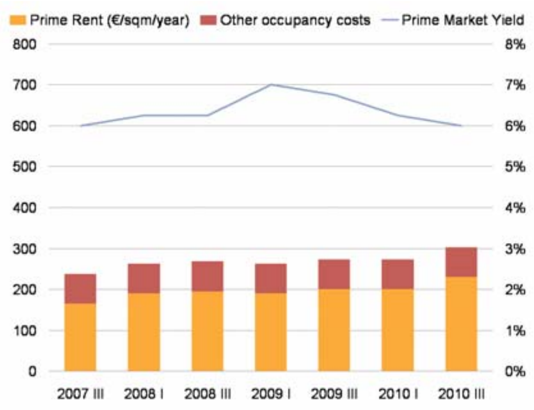


Source: Kuzeybati

Demand	increasing
Supply	increasing
Average rents	increasing

Lille

As a result of a recovery of the occupier demand notably from the public sector and administrations, the transacted volume reached more than 72,700 sqm representing an annual increase of 50.4%. Demand is mainly fuelled by consolidation and rationalisation, which tended to concentrate either in secondary buildings located in the city centre or in new office premises located in Villeneuve d'Ascq. Due to the strengthening demand, the level of supply went down from 91,600 in January to 67,200 in June 2010 and now represents approximately only one year of the average take-up level. The vacancy rate is therefore low at 1.7%. Additionally the level of development under construction is also decreasing while the number of building permits remains stable. Unsurprisingly, prime rents reached €230/sqm/year in the city centre of Lille at the end of the third quarter of the year, reflecting an annual rental growth of 17.4%.



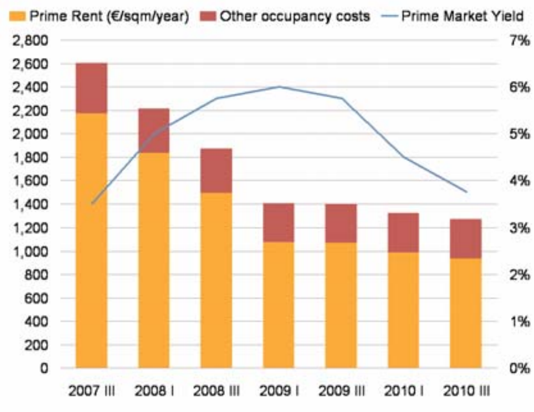
Source: Savills Research

Demand	stable
Supply	stable
Average rents	stable

London

London West End

Demand for office space in the West End has firmly picked up over the first six months of 2010, with the half year total of just over 185,000 sqm marginally ahead of the long-run average. Availability in the West End continues to decline, albeit at a relatively gentle pace. At the start of the year the overall vacancy rate was 6.5%. This then fell to 6.1% by the end of the first quarter, and has subsequently risen to 6.2% due to several development completions. While the bulk of the lettings so far this year have been in the £43-£50/sq ft range, there has been enough activity in the West End's core submarkets to drive a 5% rise in the average prime rent achieved across the West End in the second quarter of 2010. We expect tenant demand to remain intermittent over the next 12 months, with a gradual fall in vacancy rates driving rental uplifts.



Source: Abacus Property

Demand	stable
Supply	increasing
Average rents	stable

London City

Following an exceptionally strong first quarter and a more normal level of take-up in the second quarter the total for the first six months of the year was around 297,000 sqm, the strongest first half of the year since 2001. On the supply side the picture continues to improve, with the vacancy rate now standing at 11.6%. We expect that the rate of decline in the vacancy rate will accelerate in 2011 and 2012, when the speculatively developed office space due for completion is substantially below the long run average. The top rent achieved in the second quarter of 2010 being £55/sq ft, and the average prime rent in Q2 standing at £49.25/sq ft. However, these levels represent growth of 7-10% over the first six months of this year. As we enter 2011 there will be a renewed focus on development opportunities and we expect a sharp increase in capital values.

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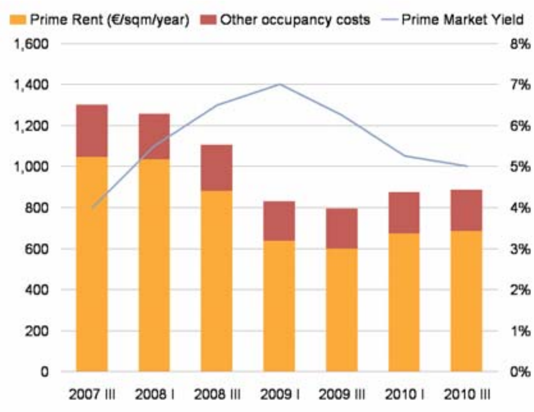


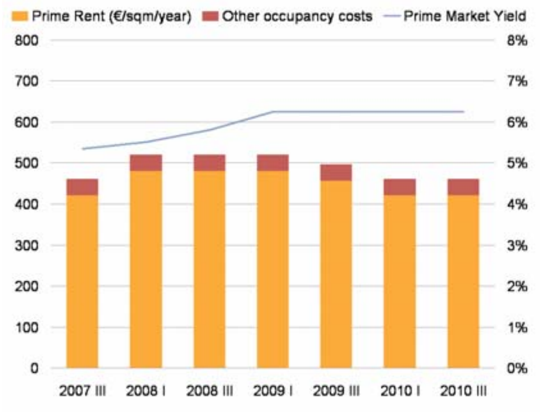
Source: Savills Research

Demand	increasing
Supply	decreasing
Average rents	increasing

Luxembourg, Lyon, Madrid

Luxembourg

Luxembourg take-up reached 28,200 sq m during Q3 2010 a 42% increase on the last quarter. Year to date take-up reached 75,900 sq m, a 20% increase on the same period in 2009. The slightly improved take-up market still faces challenges with an abundance of new supply- the vacancy rate now stands at 7.8%. New completions will slow down in the following years to come which should help ease the vacancy rates.

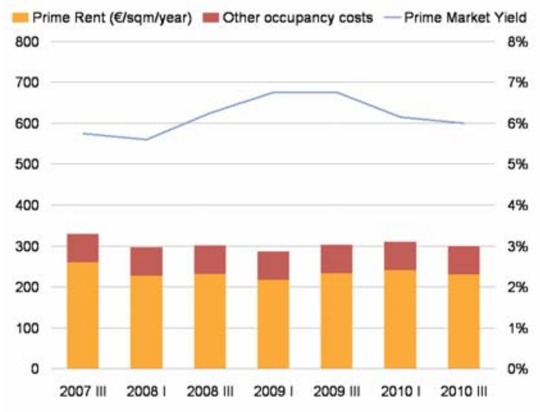


Source: Savills Research

Demand	decreasing
Supply	increasing
Average rents	decreasing

Lyon

Following a sharp decrease in 2009, the Lyon office market is gradually recovering. Around 109,000 sqm were let in Lyon since the beginning of the year, up by 62.8% compared to the same period last year. Large office occupiers have made a noted come back on the market generating few large letting deals taken in some of the newly delivered buildings. Office completions drying up have led to the stabilisation of the level of vacancies. The immediate supply stood at 340,000 sqm at the end of June this year, which is still an annual increase of 11%. The vacancy rate stood at 7.5%. Although the letting market is slowly picking up, prime rental values remain in a downward trend, falling from €233/sqm/year in Q2 to €230/sqm/year in Q3, which is a 5.6% decline pa. We believe rents will stabilise by the end of the year.

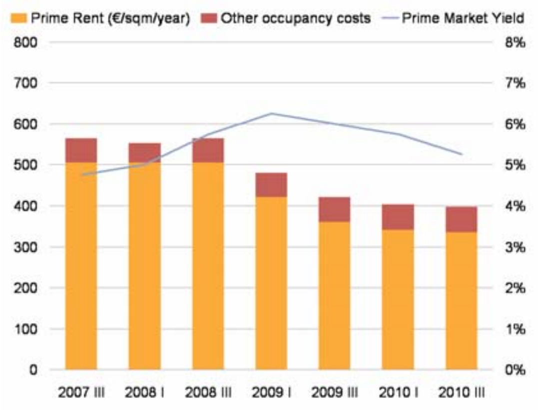


Source: Savills Research

Demand	increasing
Supply	decreasing
Average rents	stable

Madrid

The take-up volume for the first half of the year closed with a little more than 255,000 sqm, which represents more than twice the figure reached in the same period of the previous year. However, a number of voluminous transactions distort the current market situation with 8% of the transactions concentrating 49% of the take-up. At the same time it is positive the reappearance of pre-let deals and turn-key projects. Regarding supply, in June the vacancy rate stood at 12%, which implies that the 1.5 million of empty square meters barrier has been exceeded. The imbalance between supply and demand continues pushing values downward, though in prime areas rental level could shortly stabilise. In CBD rents have been kept at €28.00-29.00/sqm/month. Finally, the investment volume in the Madrid office market for the first half of the year was €406m 7% higher than the volume reached in the same period of 2009.



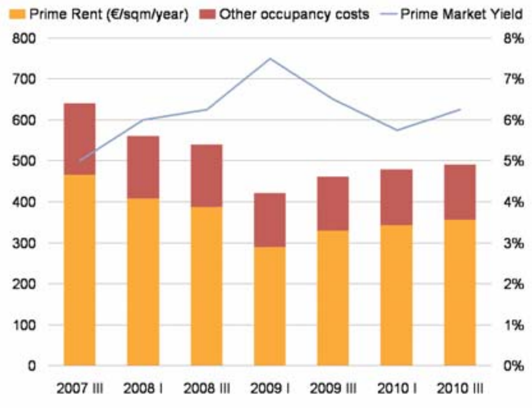
Source: Savills Research

Demand	stable
Supply	increasing
Average rents	stable

Manchester, Marseille, Milan

Manchester

Take-up in the first half of 2010 totalled 29,500 sqm. This is 37% up on the first half of 2009. Although we predict the end of year figure will be in excess of 93,000 sqm, (five year average is 80,700 sqm), this will be skewed by a major pre-let. The development pipeline peaked in 2009, with 2010 seeing no new completions. Looking ahead to 2011 and beyond, the City has a situation where no new developments are planned to start without a pre-let. Rents being achieved on the best space in the City centre have been relatively unaffected by the downturn, at least in headline terms. We estimate that top rents have fallen from £30 per sq ft at their peak, to their current level of £28.50 per sq ft. Over the last 12 months we have seen some rent stability but rent frees are yet to move back in.

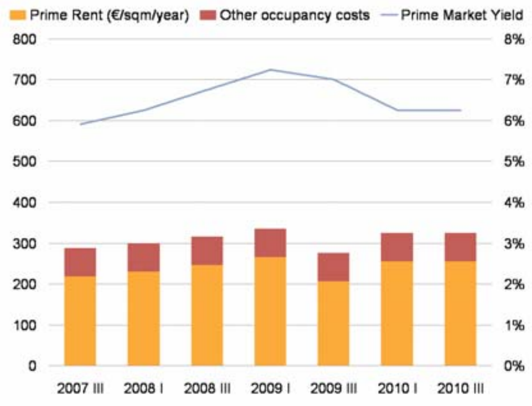


Source: Savills Research

Demand	increasing
Supply	decreasing
Average rents	stable

Marseille

During the first part of the year, the letting volume in Marseille tied up with the average long term level. Take-up reached 39,000 sqm up by 8.3% compared to last year during the same period. Yet, large office users were not active at all. In contrast, the number of small and medium size deals has significantly exceeded their usual threshold. As the letting market is active while development is drying up, the immediate supply decreased sharply. Around 94,000 sqm were available at the end of June representing an annual decline of 11.6%. The vacancy rate was at 4.3% in H1 2010. The prime rent decreased from €255/sqm/year to €240/sqm/year between the second and the third quarter of the year which is mainly due to the lack of prime transactions during the considered period.

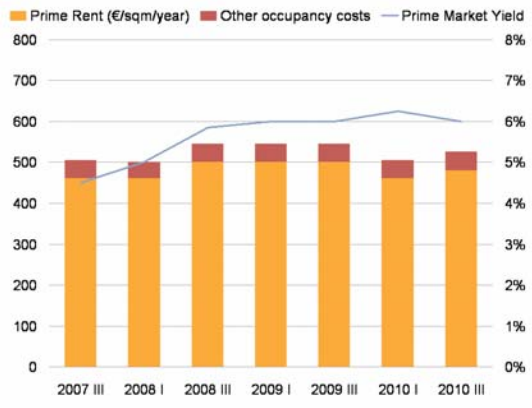


Source: Savills Research

Demand	increasing
Supply	decreasing
Average rents	stable

Milan

The first half of 2010 saw a growth in occupier activity, in particular towards the end of this period. The most active type of company tended to fall within the IT/Technology sector, which accounted for the greatest number of transactions. Prime rents have been stable over the period, with the one exception being seen in Milan's prime CBD area. Here, for Grade A properties, prime rental levels grew by just over 4% in the second quarter of 2010. However, whilst this is certainly a positive signal, it is not yet sufficient to translate this into a long or medium-term trend. In terms of occupier demand characteristics, economic factors, including both rental levels and operational costs, remain of fundamental importance. This is not, however, to the exclusion of the importance placed on the quality of space, which will ideally be Grade A new or refurbished premises. Space of this type is set to continue to become increasingly less of an exception, as development projects underway feed into the market stock scenario.



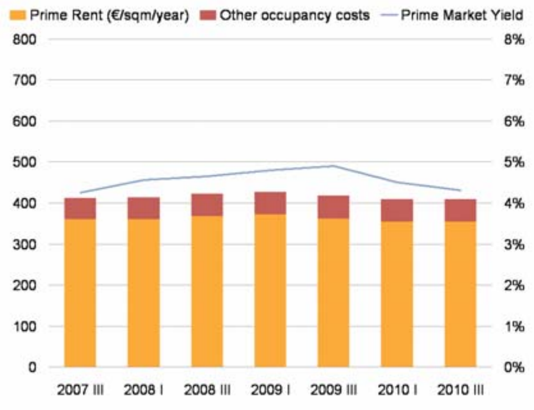
Source: Savills Research

Demand	stable
Supply	increasing
Average rents	stable

Munich, Oslo, Paris

Munich

The Munich office letting market picked up slightly over the first half of 2010. A total of 264,500 sqm of office space were transacted, which marks an increase of 5.4% compared to the same period last year. Despite the market upturn, vacancies continued to rise. At the end of June 8.0% of the office stock was unoccupied. Such a high rate had last been recorded in 2006. The market can still be characterised as a tenant's market. Thus the prime rent dropped further and stood at €29.00/sqm/month at the end of H1 (-4.9% compared to H1 2009). The average rent, which had started to rise a while ago continued its upward movement and with €14.20/sqm/month at the end of H1 is about 12% higher compared to last year. In the second half-year take-up is anticipated to match the level of the first six months of the year. Prime rents will presumably continue to drop moderately.

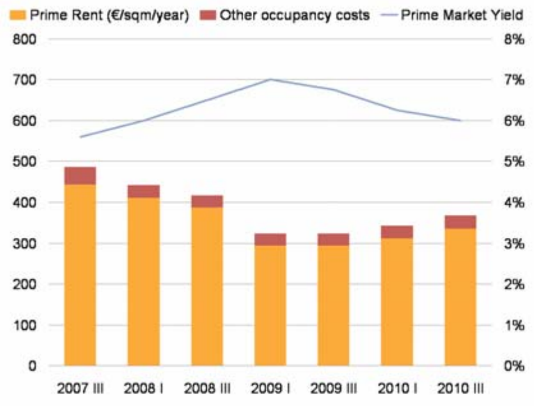


Source: Savills Research

Demand	stable
Supply	decreasing
Average rents	stable

Oslo

As demand and supply levels are becoming more balanced, office availability is also stabilising. The vacancy rate is approx. 750,000 sqm, equaling a rate of 8.2%. The delivery of 20,000 sqm of new office space at Bjørvika has increased the supply in the CBD. However, rental levels remain stable, with the CBD prime rents ranging from NOK 2,200/sqm to 2,800/sqm/year. This means that prime CBD rental growth is now positive at 10% compared to the third quarter of 2009. Average rents for modern standard offices remain at levels between NOK 1,400/sqm to 1,800/sqm/year. Investment volume during the first half of 2010 increased 3 times compared to the same period last year. Activities remained stabile during the third quarter, but some of the optimism seen this spring have faded.

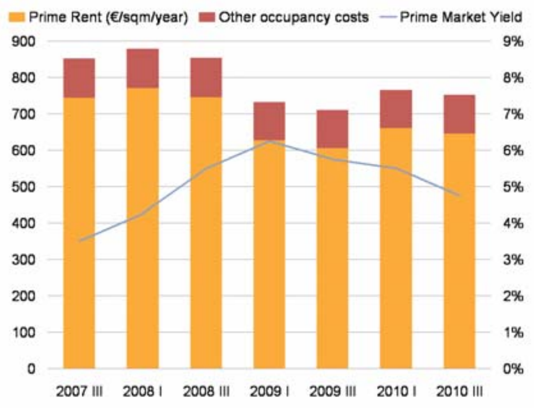


Source: Heilo Eindom AS

Demand	stable
Supply	increasing
Average rents	stable

Paris

Take-up in Ile-de-France over April to June 2010 represented 559,800 sqm allowing total take-up for the year to break through the million sqm barrier (+17.6% y-o-y). However, occupier's needs still remain modest. The slowdown in new office developments faced with relatively robust take up, have contributed to the stabilisation of supply. For the second quarter in a row, immediate supply stood at 3.6 million sqm, reflecting an average vacancy rate of 7.2%. The downward pressure on rental values appears to have been reigned in for the majority of submarkets in Ile-de-France. Strengthening demand is expected to continue and by year-end take-up is expected to range between 1.9 and 2.1 million sqm. We expect a fall in supply due to the postponement of new developments; however some Grade B space may accumulate on the market causing disparities within the different geographical areas. Upward pressure on rental values is also expected, especially in locations where there is a lack of good quality Grade A office stock.



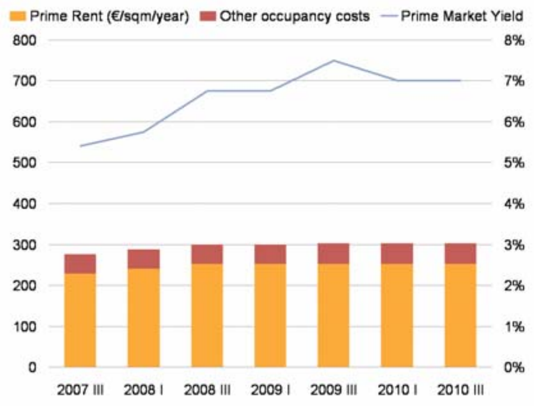
Source: Savills Research

Demand	increasing
Supply	stable
Average rents	increasing

Prague, Rome, Stockholm

Prague

The total take-up during first half of 2010 was approx. 78,800 sqm of which 50% was lease renegotiations. The total take-up for the whole 2010 is forecasted to be approx. 160,000 sqm. Lease transactions are taking longer time to conclude due to more strict approval policies for relocations. The total supply for the year is going to be approx. 54,000 sqm, due to lack of speculative development. Vacancy rate has peaked at slightly over 10% in the beginning of 2010, but it should start slowly declining due to significant decrease in supply. Rental levels have been stable as the decrease in occupier demand is balanced by a decrease in supply side, but some slight rental increase is expected in prime properties. Pre-leases are required in order to launch development projects, as banks are limiting financing for speculative construction, however there is already indication on the market that some speculative developments will be launched during second half of 2010.

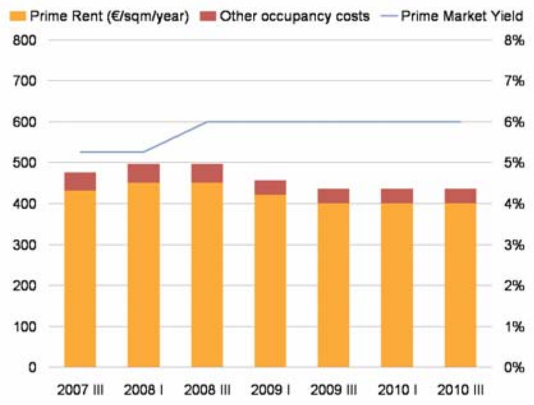


Source: EHL Immobilien GmbH

Demand	decreasing
Supply	decreasing
Average rents	stable

Rome

Following a further rental reduction at the beginning of the year or, at the best, continually stable rental levels, asking rents for prime office properties in the CBD and in the EUR area remained stable. Forecasts to year end suggest that this will continue to be the case in the near future, although some further tightening in rental levels is expected until the end of 2011's first quarter. Whilst availability of space and average vacancy rates continue to edge upwards, such vacancy tends to be focused on sub-prime premises and locations, therefore with a lower than average vacancy rate found for the category of space consisting of prime, Grade A premises in prime locations. Despite this, in the light of negative market and economic considerations, speculative developments have been placed on hold so that the quality of available space is expected to remain constant in the short to medium term.

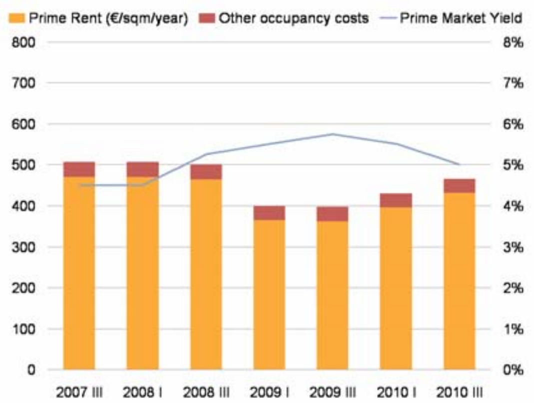


Source: Savills Research

Demand	decreasing
Supply	increasing
Average rents	stable

Stockholm

Rental activity bottomed out in 2009 and the positive letting trend that we saw in the Q1 2010 has continued throughout H1 and the start of Q3, but is still at modest levels. Even though the economic downturn led to negative growth figures for five consecutive quarters during 2008 and 2009 the Service sector has remained resilient. The availability for modern office space are very low and the overall vacancy rate is at 6-7% within Stockholm CBD. The downturn has led to very little new development, and with only one new development project finished this year the supply of modern premises is very limited. Market rents started to increase earlier during 2010 and are expected to continue to increase as a result of a strong service sector, growing economy, stable demand, low vacancy rates and very little new space coming onto the market. Tenant incentives in form of rent-free periods and tenant improvements paid by the owner are decreasing.



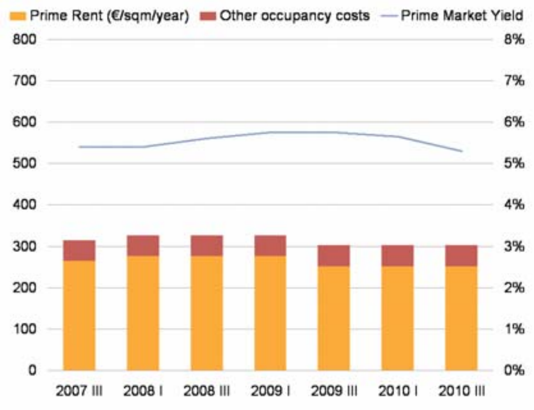
Source: Savills Research

Demand	stable
Supply	stable
Average rents	increasing

Vienna, Warsaw

Vienna

The Viennese office market experienced a significant rise in demand in the second quarter and is set to continue this in the second half of 2010. However, due to the very weak first quarter, take-up in overall 2010 will fall by approx. 10% to 220,000 sqm. Parallel, supply will further drop to just 185,000 sqm, the lowest rate since a decade. Demand is mainly driven by cost-cutting and modernisation as, despite a downturn in supply, sufficient space in newly developed office buildings is available at highly favorable rates. Prime rents are slightly falling to €20/sqm/month, average rents are stable. There is good demand for quality space at average or below-average rents, whereas demand for prestigious first-rate space remains limited. The vacancy rate is widely unchanged and stands at 6% with rising vacancies in older buildings.

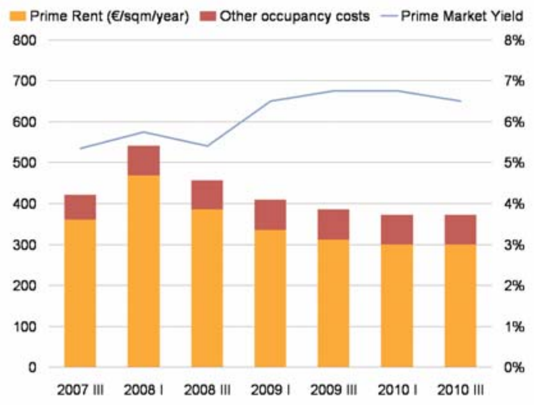


Source: EHL Immobilien GmbH

Demand	increasing
Supply	decreasing
Average rents	stable

Warsaw

Warsaw modern office stock increased in H1 2010 by almost 135,000 sqm to over 3,380,000 sqm. Most of the new supply was delivered in non-central locations. Development activity decreased significantly due to lack of equity, limited bank financing and the low volume of pre-leasing. Demand for offices has stabilized at the level exceeding 100,000 sqm per quarter (twice higher comparing to H1 2009). About 40% of the total take-up accounts for renegotiations and extensions of the existing leases. The share of pre-let deals decreased to only 2% in Q2 2010. The average vacancy rate is now at around 8% and does not differ significantly between the city centre and suburban office areas. Prime CBD headline rents stabilized over Q2 2010 at the level of €25.00/sqm/month. Effective rents are usually 10% lower. We expect that the market will remain stable in H2 2010 with the potential for effective rental growth to start later in 2011 once the vacancy rates decrease.



Source: Savills Research

Demand	stable
Supply	decreasing
Average rents	stable

Office costs and yields

Prime[1] CBD occupancy costs[2] and yields (Q3 2010 estimates)

City	Prime rent	Parking (per space)	Rental[3] growth Q3	Prime rent Q4[4]	Prime yield[5]
Amsterdam	340.00	3,250.00	0.0%	340.00	5.70% (G)
Athens	324.00	2,640.00	0.0%	336.00	7.50% (N)
Birmingham	28.00[4]	2,000.00	-0.7%	28.00[4]	6.00% (N)
Barcelona	240.00	1,920.00	-7.0%	240.00	5.75% (G)
Berlin	247.00	4,200.00	-4.7%	242.00	5.00% (N)
Bucharest	228.00	1,800.00	-5.0%	240.00	9.00%(G)
Budapest	240.00	2,160.00	0.0%	240.00	7.25% (G)
Brussels	260.00	1,800.00	0.0%	260.00	6.25% (N)[6]
Dublin	375.00	3,750.00	-12.8%	377.00	7.25% (N)
Dusseldorf	278.00	3,000.00	-1.4%	282.00	4.80%(N)
Edinburgh	27.50[4]	2,500.00	-8.3%	27.50[4]	6.00% (N)
Frankfurt	432.00	3,360.00	1.4%	420.00	5.00% (N)
Hamburg	278.00	3,000.00	-0.6%	276.00	5.00% (N)
Istanbul	333.00	1,100.00	26.5%	346.00	7.50% (G)
Lille	230.00	1,200.00	15.0%	230.00	6.00% (G)
London (WE)	75.00[4]	4,000.00	4.4%	95.00[4]	3.75% (N)
London (City)	55.00[4]	3,250.00	7.8%	57.00[4]	5.25% (N)
Luxembourg	420.00	3,500.00	-7.9%	420.00	6.25% (N)
Lyon	230.00	1,200.00	-1.3%	230.00	5.75% (G)
Madrid	336.00	2,640.00	-6.7%	336.00	5.25% (G)
Manchester	28.50[4]	3,500.00	1.8%	28.50[4]	6.25% (N)
Marseille	255.00	1,000.00	0.4%	255.00	6.25% (G)
Milan	480.00	3,500.00	0.0%	500.00	6.00% (G)
Munich	354.00	3,600.00	-2.3%	348.00	4.30% (N)
Oslo	2,750.00[4]	36,000.00	10.0%	2,750.00[4]	6.00% (N)
Paris	660.00	3,000.00	9.3%	680.00	4.75% (G)
Prague	252.00	2,280.00	0.0%	264.00	7.00% (G)
Rome	380.00	4,200.00	-5.0%	380.00	6.00% (G)
Stockholm	4,300.00[4]	40,500.00	14.7%	4,400.00[4]	5.00% (N)
Vienna	252.00	1,620.00	-8.7%	252.00	5.30% (G)
Warsaw	288.00	2,400.00	-7.7%	288.00	6.50% (G)

Note 1: Prime rents and yields refer to modern, minimum 1,000 sqm, fully let, standard leased building

Note 2: All costs are in /sqm/year

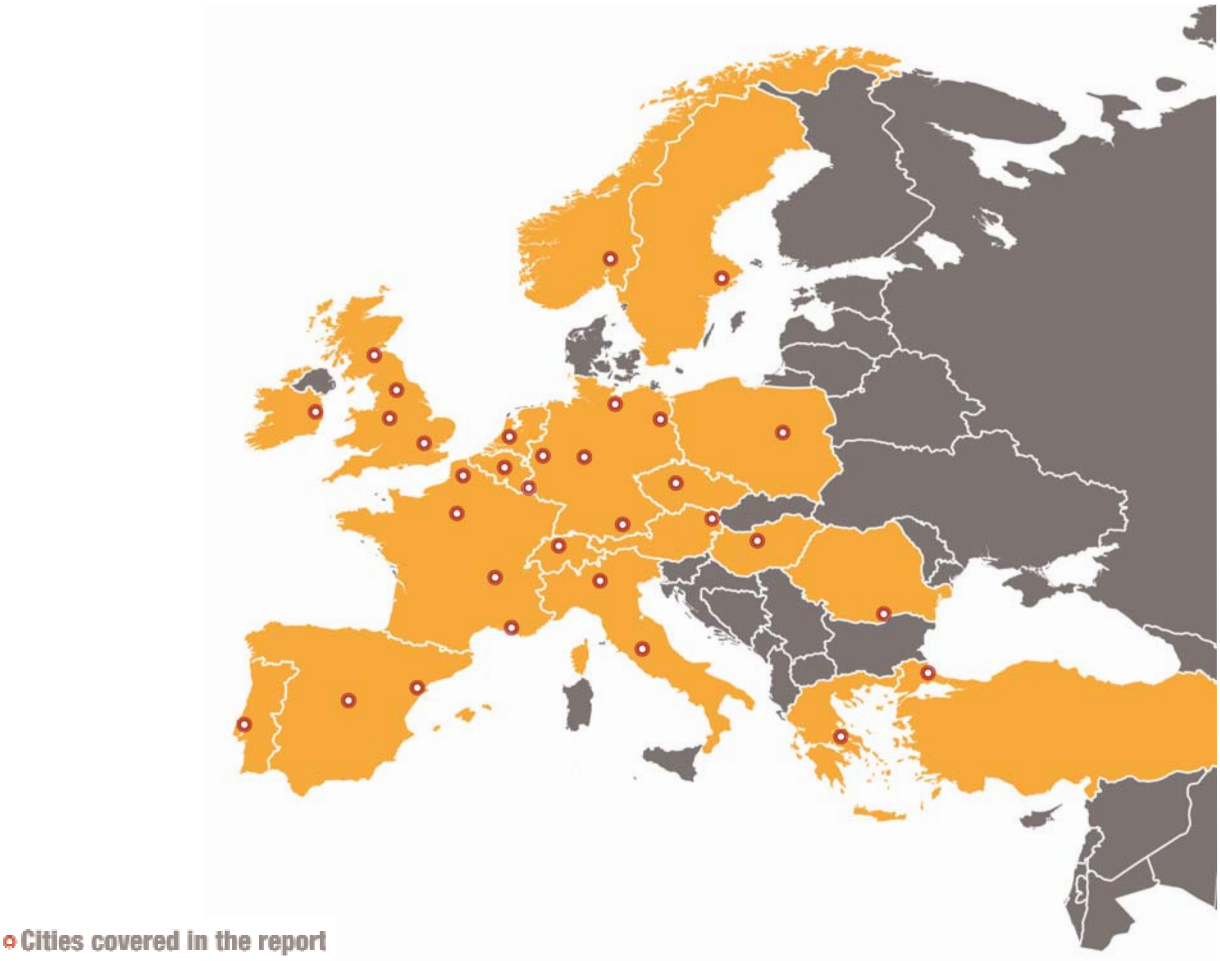
Note 3: Rental growth is annual and calculated in local currencies

Note 4: UK cities (GBP/sqft/year), Oslo (NOK/sqm/year), Stockholm (SEK/sqm/year)

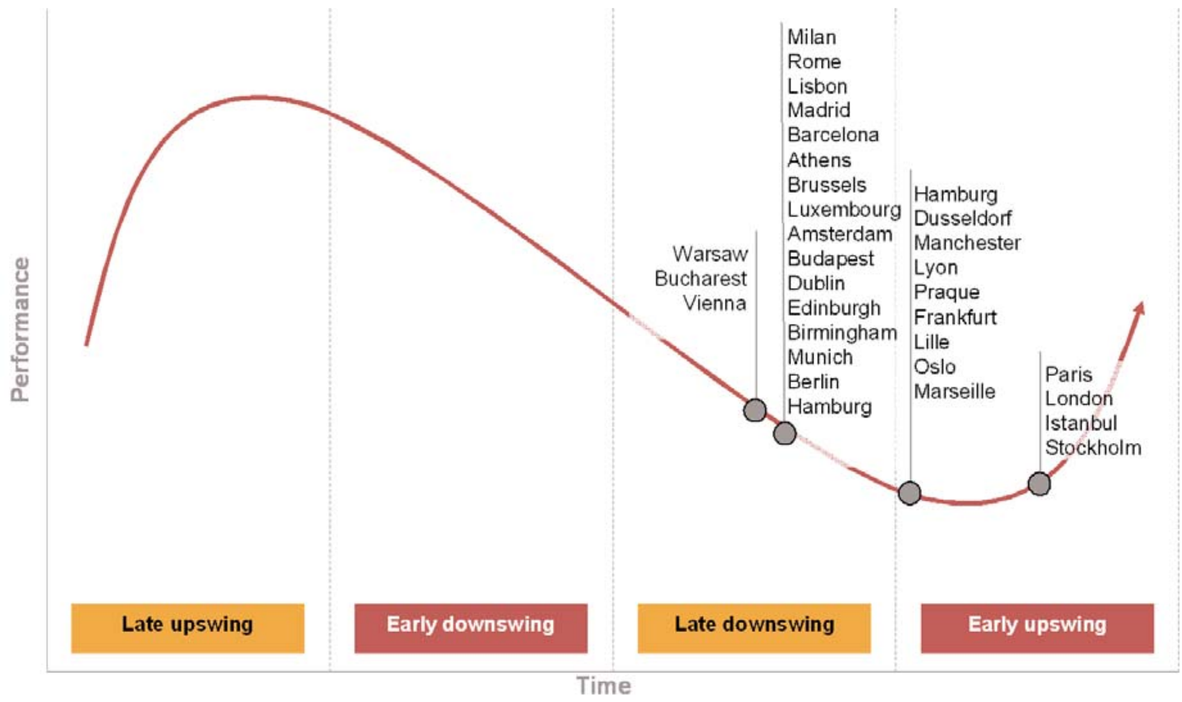
Note 5: N=Net, G=Gross, Note 6: for short leases only (3/6 years)

Survey map and office market cycle

Survey Map



European office market cycle



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