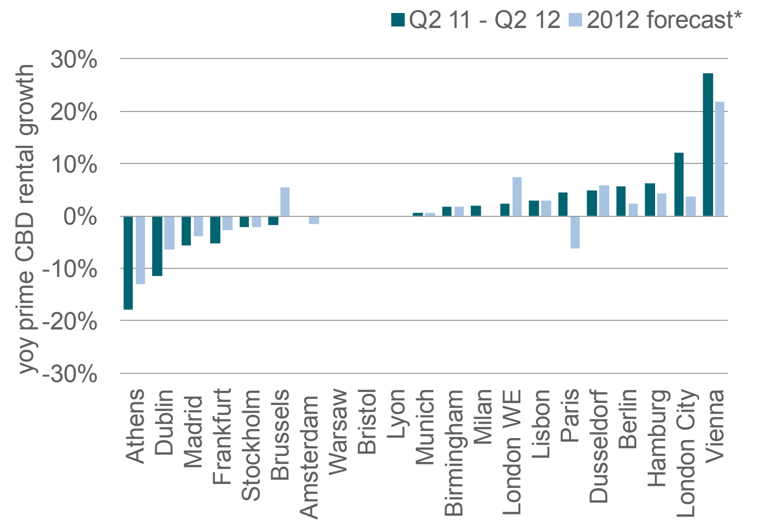
Market report
European Offices

Summer 2012

GRAPH 1

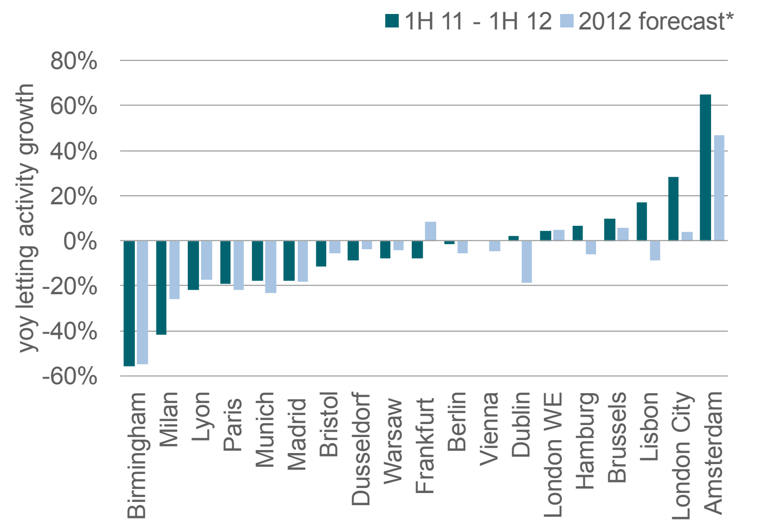
Prime CBD rental growth



Graph source: Savills / *forecast

GRAPH 2

Take-up change



Graph source: Savills / *forecast

SUMMARY

Overall rents remain stable

■ At the end of the first half of 2012, the economic recession has worsened in the peripheral markets and the risk of a spill-over effect to the core economies has increased.

■ Take-up decreased by 4.2% yoy on average in 1H 12, although some markets recorded a very strong Q2. According to our estimates take-up will pick up in most markets in the second half of the year, though annual take-up will drop by 7.7% on average in 2012.

■ Average vacancy rate decreased marginally as supply levels keep dropping. Very low completion levels which are now 47% below the peak volume in 2009, are having a stabilising effect on rents.

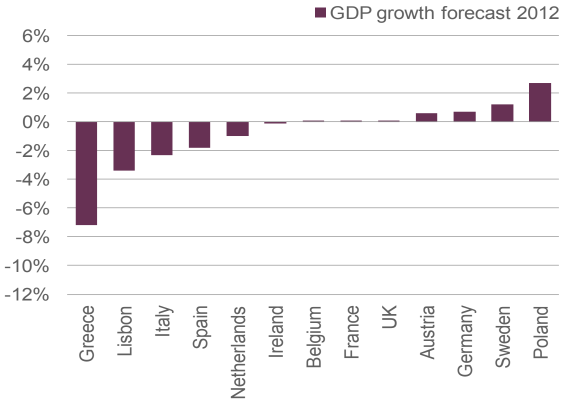
■ Prime CBD rents grew by 1.7% yoy on average in Q2 12 which is an improvement from the 1.5% decrease in the first quarter. The average rate does not reflect the regional disparity, represented by Vienna (+27.3%) and Athens (-17.9%) at the two ends of the spectrum.

■ This is also reflected in our forecast for the end of the year; we expect average prime CBD rents to increase by 1.4% yoy however with further drops in Athens, Dublin and Madrid.

"Low business confidence is hindering demand, but low completion levels help to stabilise prime rents." Julia Maurer, Savills European Research

GRAPH 3

GDP annual growth forecast Positive growth mainly outside the Euro zone



Graph source: Oxford Economics

Economy

Half way into the year, the economic situation in Europe and in the Euro zone in particular has not changed much. Indeed, following the developments in recent months the economic outlook for the peripheral economies has worsened once again and is more and more impacting on the stronger countries as well. Consensus forecast for the Euro zone economy is now down to -0.4% this year (-0.2% in February 2012) as are the forecasts for consumption (-0.5%) and investment (-2.2%) (source: Focus Economics).

Demand

The overall economic uncertainty is weighing on business sentiment, which became quite clear in the first half of the year. Take-up decreased by 4.2% year-on-year on average in the first half of 2012 although a couple of markets did record robust demand levels in Q2. The variation between different markets was even bigger than in Q4 11, with annual take-up change in Q2 12 ranging from -56% in Birmingham to 65% in Amsterdam.

"The TMT sector proved to be one of the strongest sectors in the first half of 2012, and together with Business services held up demand." Julia Maurer, Savills European Research

The letting market is still characterised by relocations to cheaper space, which are often connected with downsizing and lease extensions. Accordingly, big transactions are relatively rare and in many cities, deals below the 3,000 sq m mark are the most common ones. Again there are a couple of cities which are defying the economic downturn and where take-up levels are due to more specific circumstances (Vienna, London West End).

So which sectors are holding up demand in the European cities?

In our survey of nine markets the TMT sector (technology, media and telecommunications) provided for the largest share of take-up in four markets in 1H 12. It was exceptionally strong in Paris (47%), Dusseldorf (24%) and Milan (23%). Business services accounted for the highest share in Amsterdam (21%), London City (44%) and Madrid (31%). Comparing these levels to 2011, the TMT industries have gained in significance, on average lettings to TMT companies accounted for 17% of the total letting market, in the first half of 2012 this figure was up to 23%. In comparison, financial and business services have diminished their share, notably the insurance and financial sector from 14% to 9.5%.

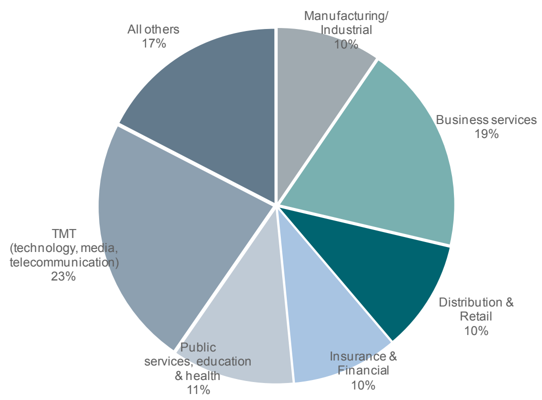
On average, we expect demand in the second half of the year to be stronger than in the first one, and the total annual volume in 2012 should be above the 2011 level in a few markets, notably Amsterdam, Frankfurt and Brussels. Across the markets covered in this report, the letting activity in 2012 will still decrease, on average we forecast that it will be down by 7.7%.

Supply

Despite the low levels of take-up average vacancy decreased marginally, from 10.5% in Q1 to 10.4% in Q2, and our estimates for the end of the year predict a further fall to 10.3% on average. However, there is again a wide difference between markets, notably between Dublin which has recorded the highest vacancy level for several years now and London's West End on the other side, where vacancy has been below the 5% mark for

GRAPH 4

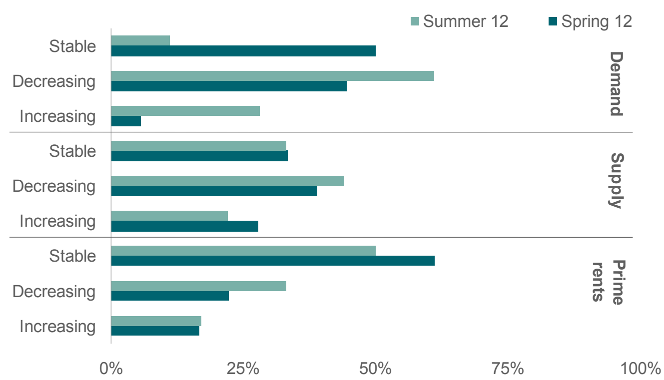
Take-up by sector in 1H 12* TMT companies are fuelling office demand



Graph source: Savills / *survey covers nine European markets

GRAPH 5

Savills end 2012 outlook survey Local experts have become more cautious compared to Spring 2012



Graph source: Savills

almost two years.

In general, the very low volume of new supply coming onto the market this year will not affect the vacancy rate. This is with the exception of the weaker markets (Madrid, Milan) where supply outweighs demand, keeping vacancy on the rise. The total volume of development completions across all covered markets is about 6% higher than the level reached last year but almost 45% below the 2010 volume. Development completions are particularly down in the German cities, compared to 2011 between 67% in Frankfurt and 8% in Hamburg.

While developers and banks are wary of entering the market in the current economic conditions, an increasing trend of refurbishments of old office stock has become apparent. In some markets the share of refurbishments has increased from below 10% to about a quarter of all development completions in 2012, for example in Vienna (27%), Madrid (26%) and Milan (25%). Interestingly the refurbishment trend is also very strong in the two London markets, with 58% of completions in the West End and 59% in the City actually being refurbished.

Rents

Prime CBD rents grew by 1.7% year-on-year in Q2 12. A positive development was noted in those markets where demand exceeded supply, particularly in CBD areas, as is the case in Vienna where prime rents grew by 27.3%. This development is underlined by the slight decrease of non-CBD rents for the fourth consecutive quarter in Q2 12.

The Savills office rental matrix shows that most of the office markets are broadly in line with their 10-year average. Stockholm is now at 20% above the long-term average although rents have decreased by 2% yoy in Q2 12. London and Paris prove, once again, to be the two top European markets, their current rental levels are both about 10% higher than the 10-year average and both markets achieved rental growth of 2.3% and 4.6% respectively. On the other side of the spectrum, rents in Dublin, Madrid and Milan are already more than 20% below the long-term average and decreased further over the past 12 months.

> "Overall supply and demand will remain balanced. Prime CBD rental growth is forecast at 1.4% at year-end but the gap between core and peripheral countries is widening." Lydia Brissy, Savills European Research

OUTLOOK

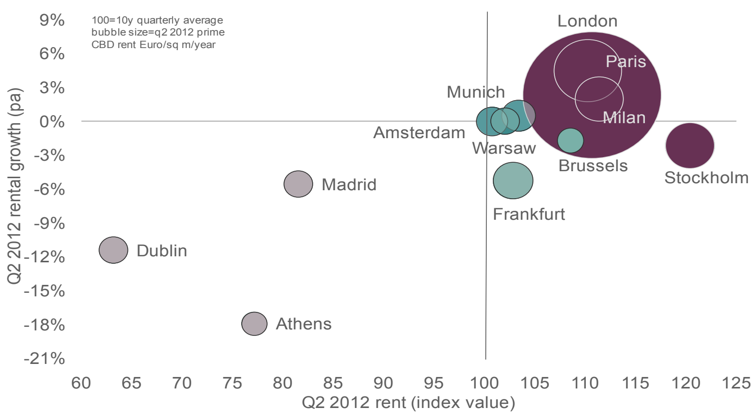
Expected annual rental growth to range between -13% to +22% at year-end

Given the economic uncertainty resulting from the development of the Euro zone crisis, business confidence will remain subdued in the second half of 2012. Robust demand is still outbalancing the low levels of new supply which will safeguard the stability of most markets. In our survey, 50% of local experts expect prime rents to stay stable until the end of the year, compared to 60% in Spring 2012. A third of our market experts predict rents to decrease, compared to 22% in the Spring survey, as previously, 17% forecast an increase of rents. For the markets we cover in this report, we expect prime CBD rents to grow by 1.4% on average, at year-end.

Rental growth of more than 5% in 2012 will be limited to those markets where robust demand is combined with shortage of quality supply in prime locations. Indeed the core markets (London, Paris, German top 5) will see prime CBD rents to increase by 1.9% on average in 2012, while we expect a decrease by 5% on average in the peripheral markets. The divergence of European markets has been a continuous trend since the beginning of the crisis in late 2008. Since then prime CBD rents have fallen on average by 20% in the periphery but increased by 9% in the core. The outlook for all markets, however, will largely depend on how the Euro zone crisis is handled in the short-term, and if the downturn will spill-over to the still stable northern economies. A more positive growth pattern is, regardless of the scenario, most likely delayed to at least 2013.

GRAPH 6

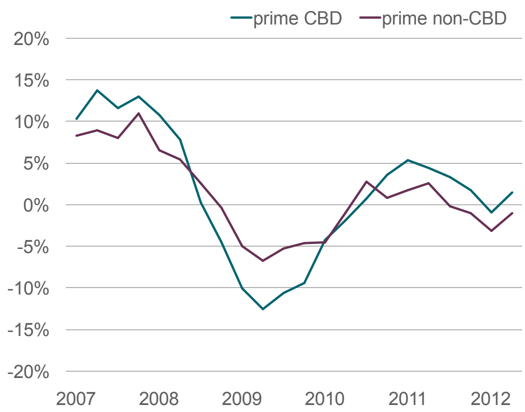
Savills rental matrix Most markets are now broadly in line with their 10-year average



Graph source: Savills

GRAPH 7

Prime CBD vs Prime non-CBD rental growth The gap is stabilising



Graph source: Savills

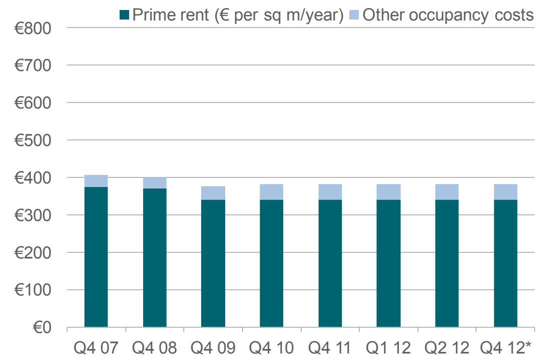
European city review

Amsterdam

During the first half of 2012 the office market provided for a substantial 184,600 sq m of new lettings, a 65% increase compared to 1H 11. The dominant area was the Southeast, responsible for 69,7000 sq m of transactions or 37.4% of total demand. The two largest lettings in 1H 12, Nuon Energy (26,000 sq m) and ING (18,800 sq m) were both recorded in the Southeast. The combination of competitive rent levels, new office completions and redevelopments, together with an ongoing emphasis of creating a mixed-use area, has underpinned demand in this submarket. The vacancy is also declining in the South Axis and the city centre . The South Axis accounted for 19,600 sq m of demand and vacancy dropped to 9.3%, while take-up in the centre totaled 38,400 sq m and vacancy decreased to 10.6%. Overall supply increased slightly and vacancy for Amsterdam as a whole stands at 16.8%. Headline rents remained stable in prime locations, but at the same time pressure on rents for secondary property remains high.

6-month outlook* Demand: **increasing** Supply: **decreasing** Rents: **decreasing**

GRAPH 8
Amsterdam



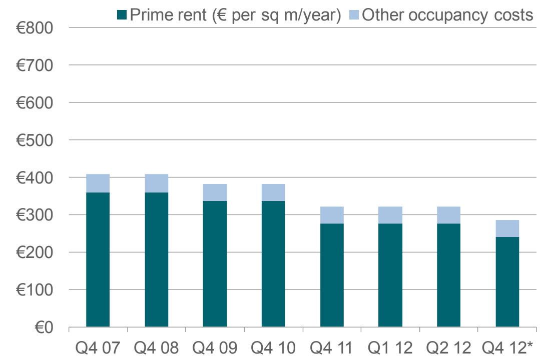
Graph source: Savills / *forecast

Athens

The office market has continued to suffer under the impact of the intense political and economic pressures. The economy remains in recession, with GDP in Q1 12 6.5% below a year earlier. In addition, at least two more years of austerity will further weaken the economy. Over the period 2009-2011 almost half a million companies have gone into administration, with adverse impact in demand for business space in the market. Market conditions have worsened during the first half of the year, with any letting activity being limited to small-medium sizes and driven mainly by downsizing and relocation to cheaper space. Demand is focused in prime areas, which have now become more affordable. Construction activity has dramatically been reduced and availability is rising in secondary buildings and fringe locations. Rents have remained static in the best locations on a quarterly basis but are still 18% lower on average compared to a year ago.

6-month outlook Demand: **decreasing** Supply: **NA** Rents: **decreasing**

GRAPH 9
Athens



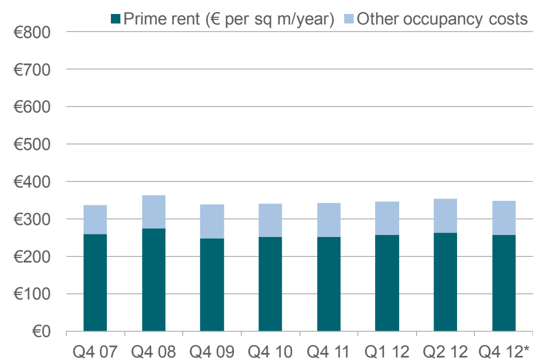
Graph source: Savills / *forecast

Berlin

Take-up levels have been stable in the first half of 2012, reaching around 190,000 sq m in both quarters. Due to the continuous strong demand on the one side, and diminishing development completions on the other, the vacancy rate has again gone back, now standing at 5.8%. Vacancy has not been that low since the mid 1990s when the post-reunification building boom set in and fuelled speculative developments. Prime rents, in particular, have thus experienced a boost, reaching €264 per sq m/year in Q2 12, which is 6% more than one year before. Judging from the demand volume currently on the market, total take-up in 2012 will once again reach about 700,000 sq m which is slightly above the long term average of 640,000 sq m. In 2012, only 140,000 sq m of new office space will come onto the market, much of which is already pre-let, meaning that vacancy levels will go back further. We also expect rental levels to stay stable.

6-month outlook Demand: **stable** Supply: **decreasing** Rents: **stable**

GRAPH 10
Berlin



Graph source: Savills / *forecast

*The 6-month outlook is the trend for average rents and the overall supply and demand situation.

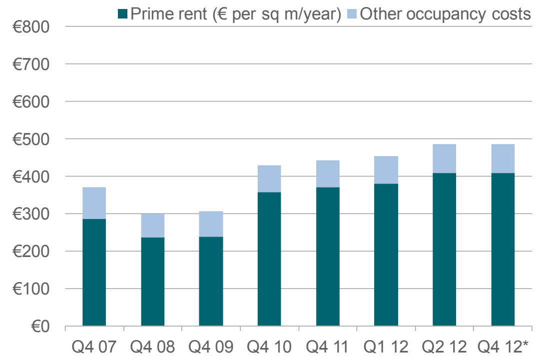
Birmingham

Total take-up for 1H 12 was 112,346 sq ft (10,437 sq m), 56% down on the same period last year. Demand for Grade A space, in particular that in the prime core, has been more robust with the latter seeing only a 8% fall highlighting the continued 'flight to quality' within the core office market. Unsurprisingly, continued uncertainty over the strength of the economic recovery or rather absence of it, has stalled a number of a larger requirements; as a result, deals have been dominated by smaller acquisitions, with 57% of deals to date being for space under 5,000 sq ft (465 sq m), a trend we expect to continue during the remainder of 2012. Despite relatively lack luster demand, the stalling of a number of office developments has assisted in maintaining availability levels and the reduction in vacancy down to 14.3% compared to the 17.6% seen in 2009. This absence of new supply is also maintaining top rents with some upward movement recorded in Q2.

6-month outlook Demand: **decreasing** Supply: **stable** Rents: **stable**

GRAPH 11

Birmingham



Graph source: Savills / *forecast

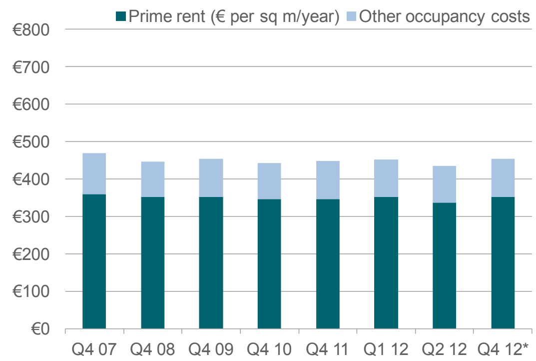
Bristol

Take-up in Q2 12 reached 143,000 sq ft (13,285 sq m), this is the lowest quarterly take-up figure since Q3 09 and 27% down on the previous quarter. This brings 1H 12 take-up to 338,757 sq ft (31,471 sq m), 11% down on the same period last year. Surprisingly, low take-up levels have not been solely the result of a lack of larger deals, 2012 has seen 4 deals over 20,000 sq ft (1,858 sq m), compared with the long-term average of 2. However, levels of occupier requirements and active searches remain at healthy levels, as occupiers take advantage of favourable terms and incentives still on offer. The business services sector has continued to drive demand in 2012, 29% of space taken so far has been from this sector. As expected, we are now beginning to see a supply shortage with approximately 2.6m sq ft (241,548 sq m) of office space available in Bristol. This is 3% down on Q1 and a fall of 10% over a 12 month period. Together with restricted levels of development activity this will help rents remain steady for the remainder of the year.

6-month outlook Demand: **decreasing** Supply: **stable** Rents: **stable**

GRAPH 12

Bristol



Graph source: Savills / *forecast

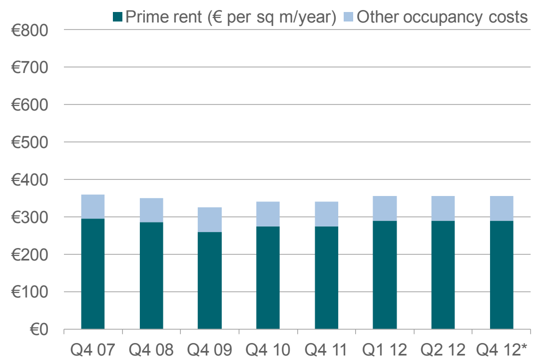
Brussels

Excluding owner occupations and renegotiations, demand for office space in 1H 12 was in line with the activity observed in the last three years, with a take-up volume of 176,700 sq m recorded. The Leopold district and the Periphery were the most dynamic areas with 35% and 30% of take-up respectively. The corporate sector, which concentrated 65% of the activity, remained the main player on the letting market. However the two largest deals were realised by the Belgian (10,000 sq m in Belair) and the European administrations (24,400 sq m in New Orban). The outlook for 2012 is that demand levels will remain stable and we expect take-up to reach 350,000 sq m by the end of the year. The overall vacancy rate will remain at 11% with development activity still at a slow pace and only 90,000 sq m of office development scheduled for 2012. The expected redevelopments of obsolete office buildings into residential properties will contribute to making the stock healthier in some districts in the coming years. Prime rents in Q2 stood at €290 per sq m/year, a slight decrease of 2% compared to 2011.

6-month outlook Demand: **stable** Supply: **stable** Rents: **stable**

GRAPH 13

Brussels



Graph source: Savills / *forecast

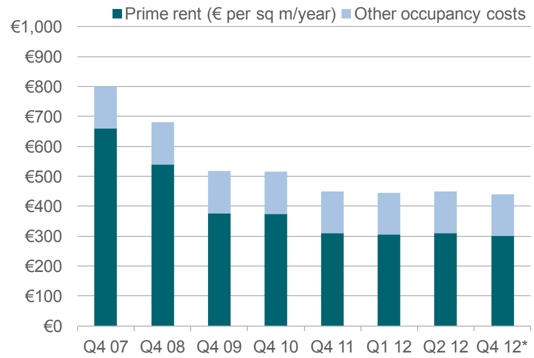
Dublin

Letting activity in the Dublin office market is dominated by demand for space in city locations with 70% of total take-up registered there in the first half of 2012. While transactions are holding up relatively well, take-up for this year will be less than previously expected due to caution on part of businesses to re-locate and expand in the current economic climate. Total take-up should reach between 120,000 and 130,000 sq m at the end of the year, which is 8% below the 5-year average. The outlook for 2012 is for demand to remain strong for prime Grade A space and for well-located space of Grade B standard. Well located Grade C space is also attractive given the value on rental terms and conditions. The fact that there continues to be no new office space in the pipeline for 2012 or 2013, is limiting prime options for occupiers and reducing the vacancy rate which is particularly evident in Dublin 2. Achievable prime rents are currently in the range of €290 to €310 per sq m/year and we expect them to stay stable for the remainder of the year.

6-month outlook Demand: **decreasing** Supply: **stable** Rents: **stable**

GRAPH 14

Dublin



Graph source: Savills / *forecast

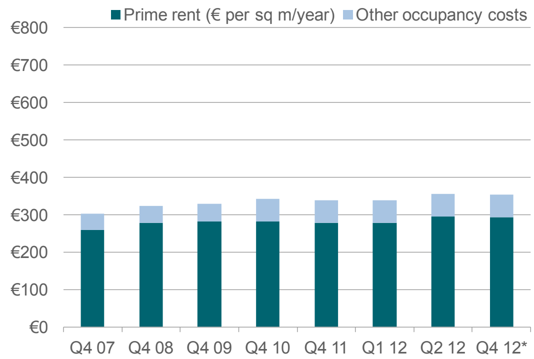
Dusseldorf

The Dusseldorf office market experienced a rather cautious first half 2012: take-up reached 131,000 sq m, 9% down on the same period last year. Although take-up was balanced across all segments, half of total take-up was registered in the medium spectrum of 2,000 sq m or less. The vacancy rate has still fallen slightly, to 11.1% at the end of June, which is a 2-year low. The relatively low volume of development completions in the first half of 2012 have had a stabilising effect on the market. In the second half, 113,000 sq m of new space will be completed, the majority of which is already pre-let. This means that vacancy levels will move further down till the end of the year. These pre-lets also helped to push prime rents to almost €300 per sq m/year which is a 5% increase year-on-year. We expect prime rents to stay stable in the second half of the year and take up to reach 300,000 sq m which is slightly less than in 2011.

6-month outlook Demand: **stable** Supply: **decreasing** Rents: **stable**

GRAPH15

Dusseldorf



Graph source: Savills / *forecast

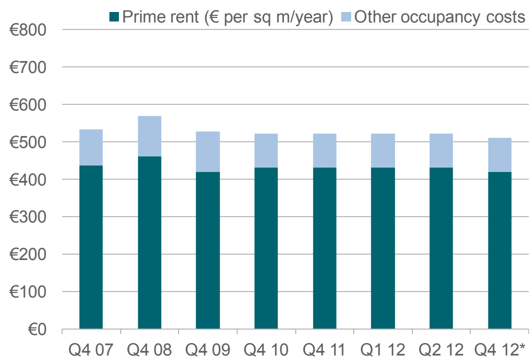
Frankfurt

Activity in the Frankfurt office market slowed down towards the end of the first half of 2012, although the half-year take up level of 219,000 sq m was still 5% higher than the five-year average. Most of the lettings were in the range of up to 3,000 sq m, only nine transactions went beyond this mark. Together these deals accounted for 90,000 sq m or 40% of total take-up. Also the development completions stayed low, in the second quarter they were literally down to zero. The falling take-up levels have thus not had an effect on rents and vacancy, in fact, the vacancy rate fell again to 14.5% at the end of June. Prime CBD rents stood at €432 per sq m/year which is a 5% decrease year-on-year. Given the very low level of development completions in 2012, which will not go much beyond 80,000 sq m, rental levels will stay stable also in the second half of the year. Equally take-up will be in line with the two previous years and reach approximately 450,000 sq m.

6-month outlook Demand: **stable** Supply: **stable** Rents: **decreasing**

GRAPH16

Frankfurt



Graph source: Savills / *forecast

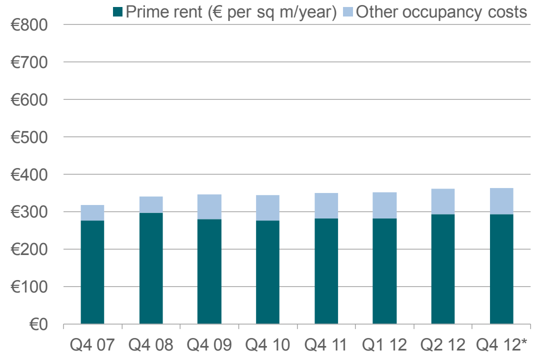
Hamburg

The Hamburg office market proved to be extraordinarily stable against the backdrop of the economic slowdown. Take-up of 215,000 sq m was recorded in 1H 12 which is only marginally below the level reached in the previous year (approx. 218,000 sq m). Consequently, the vacancy rate continued to decrease during the first six month and stood at 7.9% which is a decrease of 9% compared to the level registered one year earlier. However, vacancy is still above the 10-year average of 7.6%. Due to the high demand for office space and the reduction in vacancy, rents increased in the first half of the year. Prime CBD rents even saw a plus of more than 6% year-on-year to €293 per sq m/year. We expect the take-up volume in the second half of the year to be similar to 1H, resulting in a total 2012 take-up of about 500,000 sq m (2011: 533,000 sq m). The reduction in vacancy is expected to continue which should stabilise rents.

6-month outlook Demand: **stable** Supply: **stable** Rents: **stable**

GRAPH 17

Hamburg



Graph source: Savills / *forecast

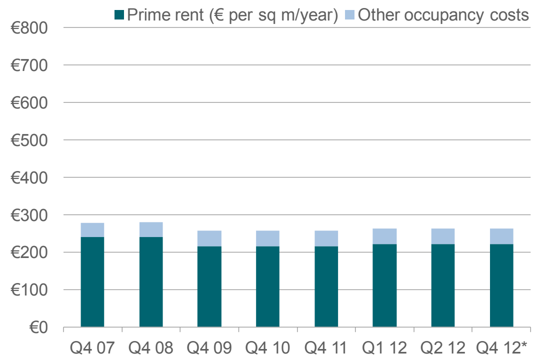
Lisbon

Portugal is currently in a deep recession. As a result of the austerity measures imposed by the "Troika" (IMF/ECB/EC) as a condition of the refinancing package, business and consumer confidence is extremely low and both public and private investment and spending are falling. The additional austerity measures in the 2012 budget (such as further salary reductions, VAT increases, property tax increases, reductions in state services and benefits) are likely to maintain this situation during 2012 and 2013. As a result, take-up in the Lisbon office market has been very weak and in 2011 reached only 88,000 sq m, and we expect a similar level of take-up volume for 2012. The vacancy rate has been stable for the last two quarters at just over 12%, after increases over 10 consecutive quarters. However, rents are still under pressure and incentives are still rising. Prime rents have held steady at €222 per sq m/month, reflecting the 7% vacancy rate in the CBD, but rents for secondary buildings or peripheral locations may fall further.

6-month outlook Demand: **decreasing** Supply: **decreasing** Rents: **stable**

GRAPH 18

Lisbon



Graph source: Abacus / *forecast

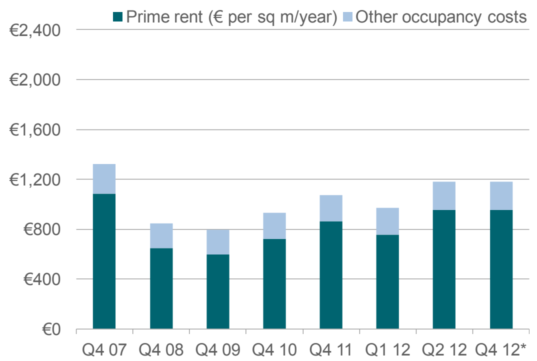
London City

By the end of Q2 12 take-up had reached just over 2m sq ft (185,806 sq m), 28% up on the same period last year. Supply slowly decreased during Q2 and now stands at 7.6m sq ft (706,063 sq m), giving a vacancy rate of 9.4%. New or refurbished space makes up 71% of all supply, including 589,602 sq ft (54,776 sq m) of brand new space at landmark building the Shard. As is traditional in the City the majority of demand has come from the Insurance & Financial Services sector (37%) and increasingly the burgeoning TMT sector (32%), average demand across the year falling just 3% below the long term average of 8.9m sq ft (826,837 sq m). By June total space under offer in the City was 1.2m sq ft (111,484 sq m), this itself falling almost exactly in line with the long term average. Positively, the current top rent of £70.00 per sq ft (€954 per sq m/year) has surpassed the £67.50 (€920 per sq m/year) achieved in 2011; interestingly both rents were achieved at the Heron Tower.

6-month outlook Demand: **stable** Supply: **decreasing** Average rents: **stable**

GRAPH 19

London City



Graph source: Savills / *forecast

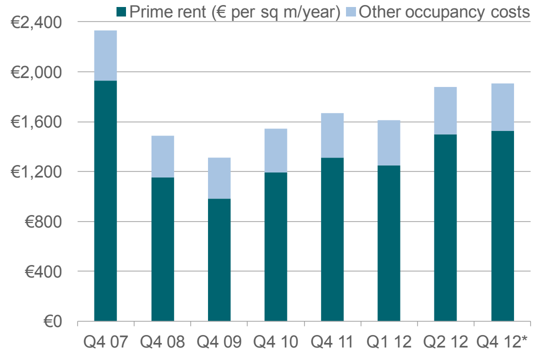
London West End

Despite take-up in Q2 12 reaching just 681,025 sq ft (63,269 sq m), the lowest quarterly take-up figure since Q3 09, 1H take-up has reached 1.6m sq ft (74,606 sq m), this is up 5% on levels reached last year and just 2% below the long-term average figure for take-up in the first six months of the year. There are currently 3.4m sq ft (315,870 sq m) of requirements in the West End, this is up 50% on requirement activity seen at the beginning of the year. Interestingly however, this is not translating into deals done, occupiers may be putting off making property decisions in the hope better rents and terms will be negotiable at a later date. The vacancy rate remains low at 4.1%, despite a rise of 7.5% in supply in June, this was the result of 300,000 sq ft (27,870 sq m) of developments entering the supply figures, 136,000 sq ft (12,634 sq m) of which is in fact a substantial refurbishment. Just two lettings over £90 per sq ft (€1,227 per sq m/year) were achieved in Q2 12, bringing average prime rents to £74.90 per sq ft (€1,021 per sq m/year), this is a 5% fall on Q1 12.

6-month outlook Demand: **stable** Supply: **decreasing** Rents: **increasing**

GRAPH 20

London West End



Graph source: Savills / *forecast

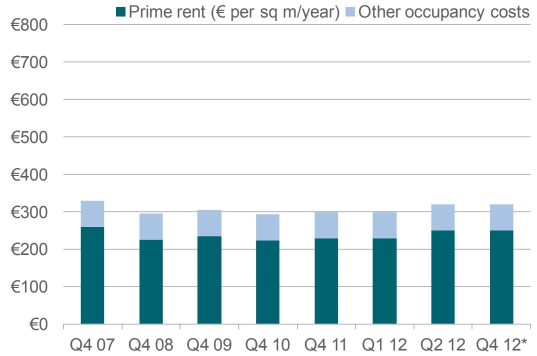
Lyon

Take-up totalled 89,887 sq m in 1H 12, 22% down compared to the same period last year as a result of a decline of large transactions. Demand was mainly driven by small and medium size companies seeking cost cutting and rationalisation. In some submarkets, including La Part-Dieu (CBD) and Grand Lyon Nord-Ouest the letting, volume halved notably due to the lack of new office supply. Lyon's suburbs are looking increasingly attractive to office tenants looking for a large choice of new office space at competitive price. Office supply is approximately 300,000 sq m reflecting a vacancy rate of 6.9%. The level of supply is slowly resorbing thanks to a halt of office completions in the past three years. Development activity is starting again and new schemes should be delivered starting from 2013. We believe office demand will remain weak until the end of the year, we anticipate take-up to be approximately at 200,000 sq m at year-end. The prime rent is likely to stay stable at €250 per sq m/year due to a lack of prime office space.

6-month outlook Demand: **increasing** Supply: **decreasing** Rents: **stable**

GRAPH 21

Lyon



Graph source: Savills / *forecast

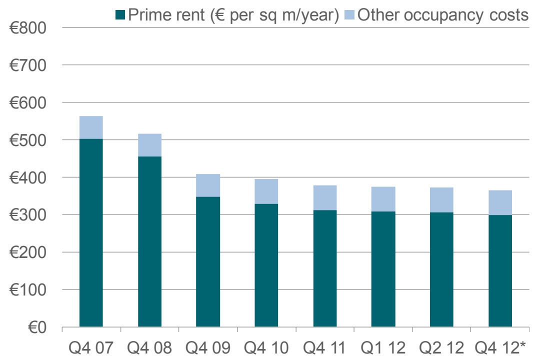
Madrid

Low business confidence has been characterising the lettings market in 2012. Take-up in the first half of the year was a little over 140,000 sq m, which is an 18% decrease compared to the same period last year and also the second lowest result registered in 12 years. Given the current economic climate, rental reviews and contract renewals are the most common practices in the market. A few companies are still expanding, for example, the Spanish IT company Indra, has taken almost 20,000 sq m in three transactions in the last nine months. The largest deal so far was by energy firm Técnicas Reunidas which has signed 8,200 sq m in the northern area of the market. However, these kinds of transactions are sporadic and at the moment the weak demand is not able to take-up the excess supply. The vacancy rate has been stable at 11.8% for two years now, also because several recent development completions were pre-let and the surfaces the relocating occupiers are vacating will have to be refurbished before going onto the market again. Until supply and demand are more balanced again, rental values will continue to be adjusted.

6-month outlook Demand: **decreasing** Supply: **increasing** Rents: **decreasing**

GRAPH 22

Madrid



Graph source: Savills / *forecast

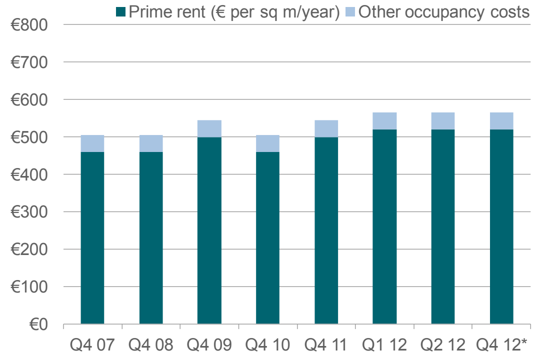
Milan

The sovereign debt crisis in the Euro zone is causing problems to the Italian economy as the financing costs for the Italian banks have risen significantly since the end of last year. Negative business sentiment due to the worsening of companies' profitability has restrained demand for offices with take-up in the first half of the year reaching 102,000 sq m, 42% down compared to the same period in 2011. Occupier main priority continues to be cost savings, in terms of both rental levels and operational expenses. Energy efficient buildings are commonly more in demand now. Recent, large-scale development completions offer more choice to occupiers, and overall vacancy has increased to 11.6%, as second-hand and lower quality space is vacated. The development pipeline for 2012 will bring onto the market a number of significant projects ranging from single properties to the regeneration of larger areas, totalling almost 330,000 sq m. Achievable prime rents have remained stable, ranging from €200 to €420 per sq m/year in non-CBD locations and standing at €520 per sq m/year in the CBD.

6-month outlook Demand: **increasing** Supply: **increasing** Rents: **stable**

GRAPH 23

Milan



Graph source: Savills / *forecast

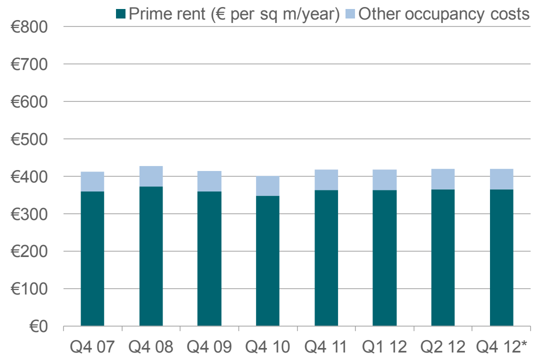
Munich

Despite letting activity increasing in Q2, take-up in the Munich office market decreased by almost 18% year-on-year in 1H 12. However, the Munich market is in a healthy condition and take-up this year is likely to reach 650,000 sq m which would be 5% higher than the 10-year average. Demand is still higher than supply thus the vacancy rate continued to decrease. At the end of June it stood at 7.2% which means a reduction of 60 basis points compared to its level one year ago. Prime CBD rent saw a slight increase to €366 per sq m/year over the past 12 months and the average rental level even increased by more than 5% within the same period of time. Assuming a stable demand in the second half of the year, this situation will not change much for the time being as only 130,000 sq m of new office space are expected to come onto the market this year and the development pipeline is even smaller in 2013 and 2014.

6-month outlook Demand: **stable** Supply: **stable** Rents: **stable**

GRAPH 24

Munich



Graph source: Savills / *forecast

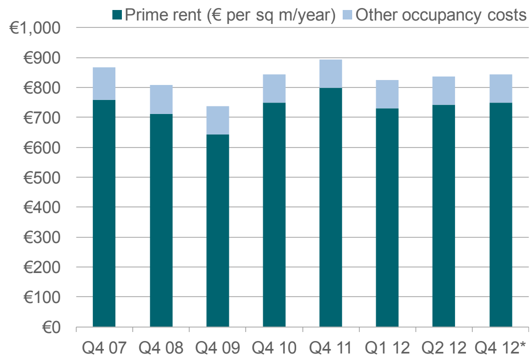
Paris

Letting activity slowed down during the first half of 2012. In 1H take-up reached 960,037 sq m, 18% down compared to the same period last year. Take-up declined in most submarkets including la Defense (-45%), the Western Crescent (-33%), Paris (-23%) with the exception of the Inner Suburbs where new competitive supply is attracting companies seeking cost reductions. Consolidation was the catchword of office users and resulted in a record high share of transactions exceeding 5,000 sq m, totalling nearly 50% of the total letting volume. The manufacturing sector has been notably active in this segment by signing 2 very large transactions – Sanofi Pasteur 50,000 sq m in Gentilly, Thales 49,000 sq m in Velizy followed by the TMT sector, which was mainly present in the Western Crescent. In spite of the weak demand the level of supply declined by 1.6% pa and is currently reflecting a vacancy rate of 7.1% in Ile-de-France but can be below 5% in some areas where supply is scarce. The prime CBD rent increased by 4.5% compared to last year to €742 per sq m/year. We expect demand to remain weak until the end of the year, take-up should reach 2m sq m by year-end.

6-month outlook Demand: **increasing** Supply: **decreasing** Rents: **increasing**

GRAPH 25

Paris



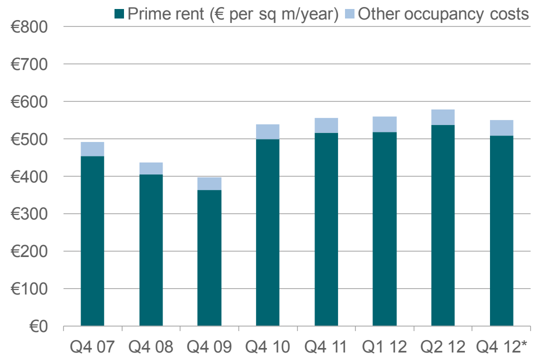
Graph source: Savills / *forecast

Stockholm

In spite of the financial turmoil and uncertainties of the future development of the Swedish economy the rental market has remained stable in the first half of the year. Take-up has been robust, helped by the positive development of employment in the private sector and brought down the vacancy further, to approximately 5.5% at the end of Q2. Vacant office space remains scarce and the vacancy rate for modern premises is as low as a 1-2% in spite of a few refurbishment projects close to being finished. Prime rents are slightly below the level of the previous year and we expect them to stay stable until the end of 2012. However, uncertainties about the economic development remain and the market could move in a negative direction if tenants become more pessimistic about the future. Vacancy levels could rise in the medium term as a number of large CBD tenants decided to leave their central offices over the next two years, in order to relocate to locations outside the CBD.

6-month outlook Demand: **NA** Supply: **NA** Rents: **decreasing**

GRAPH 26
Stockholm



Graph source: Savills / *forecast

Vienna

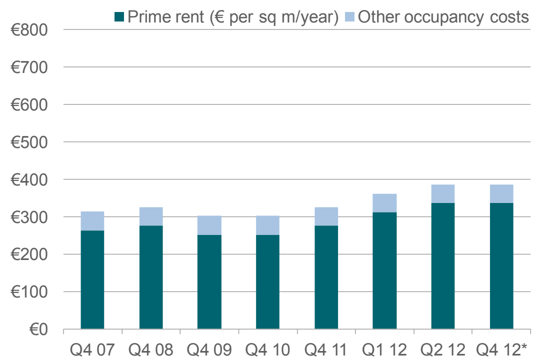
Take-up of approximately 90,000 sq m was recorded in the first half of 2012, which is equal to the volume reached in the same period last year. The main drivers for relocations were cost-cutting and consolidation, however, in most cases the total rental space remained unchanged or was even reduced. The strong performance of the prime CBD area, the city centre, indicates that relocating companies are setting a greater value on quality than in the past years. The rising number of large-scale leases to private tenants is a positive signal, too.

Prime rents rose significantly to €336 per sq m/year which is an increase of 27% year-on-year. The average vacancy rate rose slightly to 6.7%, but is still amongst the lowest registered in the European capitals.

The letting of 10,000 sq m at the Rivergate building to French high-tech group Thales was the most significant deal in 1H 12. The biggest transactions in the city centre were the lease of 6,000 sq m and 3,200 sq m, respectively to two leading Austrian law firms.

6-month outlook Demand: **decreasing** Supply: **increasing** Rents: **stable**

GRAPH 27
Vienna



Graph source: EHL / *forecast

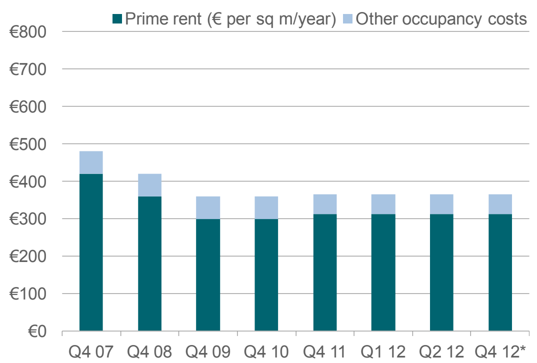
Warsaw

Take-up of almost 298,000 sq m in 1H 12 demonstrates strong demand for office space in Warsaw.

The biggest transaction was a 27,000 sq m pre-let to T-Mobile in a new office development in Mokotów. New and pre-let transactions accounted for over 60% of total take-up, and lease extensions for about 33%. Take-up at year end should reach the 2011 level of approximately 570,000 sq m, which is 15% above the 5-year average. Over 97,000 sq m of office space was completed in the first six months of 2012 which together with absorption of 57,500 sq m resulted in vacancy to increase to 7.4%. By the end of the year we expect another 170,000 sq m of new space to be added to the market which will push the vacancy further up to slightly below 8%. Altogether over 665,000 sq m of office space is currently in the pipeline. Prime headline rents have stabilised since 2011 and currently stand at €312 per sq m/year in prime CBD locations.

6-month outlook Demand: **decreasing** Supply: **increasing** Rents: **stable**

GRAPH 28
Warsaw



Graph source: Savills / *forecast

Key office indicators

Prime[1] CBD rents[2], letting data in Q2 12 and projections for Q4 12

City	GDP growth 2012*	Prime rent Q2 12	Prime rent Q4 12	Rental growth³ Q2 11-12	Rental growth³ 2011-2012*	Take-up growth 1H 11-12	Take-up growth 2011-2012*	Vacancy rate Q2 12
Amsterdam	-1.0%	340	335	0.0%	-1.5%	64.9%	47.5%	16.8%
Athens	-7.2%	276	240	-17.9%	-13.0%	NA	NA	NA
Berlin	0.7%	264	258	5.6%	2.4%	-1.7%	-5.4%	5.8%
Birmingham	0.1%	395	395	1.8%	1.8%	-56.0%	-55.4%	14.3%
Bristol	0.1%	375	375	0.0%	0.0%	-11.3%	-5.7%	NA
Brussels	0.1%	290	290	-1.7%	5.5%	9.7%	5.7%	11.0%
Dublin	-0.1%	310	290	-11.4%	-6.5%	1.8%	-18.7%	21.0%
Dusseldorf	0.7%	296	294	4.9%	5.8%	-8.6%	-3.9%	11.1%
Frankfurt	0.7%	432	420	-5.3%	-2.8%	-8.0%	8.4%	14.5%
Hamburg	0.7%	293	294	6.2%	4.3%	6.7%	-6.2%	7.9%
Lisbon**	-3.4%	222	222	12.1%	12.1%	17.0%	-8.7%	12.2%
London West End	0.1%	1,500	1,500	2.3%	7.3%	4.5%	5.0%	4.1%
London City	0.1%	954	954	12.0%	3.7%	28.1%	3.8%	9.5%
Lyon	0.1%	250	250	0.0%	0.0%	-22.2%	-17.4%	6.9%
Madrid	-1.8%	306	300	-5.6%	-3.9%	-17.9%	-18.4%	11.8%
Milan	-2.3%	520	520	1.9%	0.0%	-42.2%	-26.3%	11.6%
Munich	0.7%	366	366	0.6%	0.6%	-17.7%	-23.3%	7.2%
Paris	0.1%	742	750	4.5%	-6.3%	-18.4%	-18.4%	7.1%
Stockholm	1.2%	537	502	-2.1%	-2.1%	NA	NA	5.5%
Vienna***	0.6%	336	336	27.3%	21.7%	0.0%	-4.8%	6.7%
Warsaw	2.7%	312	312	0.0%	0.0%	-8.1%	-4.2%	7.4%

Note 1: Prime rents refer to modern office space, minimum 1,000 sq m

Note 2: All costs are in Euros per sq m/year

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

Source: Savills / *Oxford Economics national forecast / **Abacus / ***EHL

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