Contact
Victoria Cambridge
E: vcambridge@savills.com
DL: +44 (0) 20 7409 8940
F: +44 (0) 20 7495 3773

20 Grosvenor Hill
London W1K 3HQ
T: +44 (0) 20 7499 8644
savills.com

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SAVILLS TOP TEN SEES GERMANY AND POLAND ADDED TO THE SHOPPING LIST

International real estate advisor Savills has revised its top ten European hot spots for the final quarter of 2010. It has added Frankfurt and Munich offices for the risk averse, and for risk embracers logistics hubs, green developments and Polish retail.

Giles Wilcox, Savills head of European cross border investment, says: "Investors remain focused on core markets of London and Paris but are now looking towards sectors and geographies that will return higher yields. Those areas that present rental growth opportunities will be key and a lack of development in major cities will drive this."

Risk averse

- **London CBD offices** – Take-up doubled in London WE between H109 and H110 and rental growth is forecast at 8.0% and 5.3% at end of 2010 and 2011 respectively due to a plunge in development. Forecast average annual GDP growth between 2009-2014 is +3.5%, ranking London in the top five best performing EU 27 cities.
- **Paris CBD offices** – Office demand is increasing, with a 17% rise in take up between H109 and H110. Prime rents are forecast to increase by 5.5% at the end of 2010 and by 5.9% in 2011 due to a shortage in supply. During 2009 financial business sector employment represented 30% of total employment in Paris Ile-de-France and is anticipated to grow 1.6% on average per annum over the period 2010-2014.
- **Core shopping centre market in Germany and France** – Strong retailer interest has continued in prime locations where, due to a lack of available financing, development activity has been restrained. Rental values have remained steady compared to other property types with Paris, Berlin, and Hamburg at 0% and -5% in Frankfurt alongside consumer spending. Retail sales are forecast to grow by 2% on average pa over 2010-2010.
- **Frankfurt / Munich office -** Unemployment rates in Frankfurt and Munich at 6.1% and 3.3% respectively are the lowest out of the big five German cities, furthermore employment growth is expected to rise by 1.2% pa on average over 2009-2014 in Munich and 0.2% across the country. Frankfurt H1 2010 take-up

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has been 3% higher than in H1 2010 meanwhile the letting market in Munich picked up by 5.4%. Annual rental growth expected in 2011 is 2.9% in Frankfurt and 3.4% in Munich.

- **Stockholm offices -** Prime rents are expected to grow by 17.3% at year-end and by 4.5% in 2011 following a sharp fall of development completions (-68%) expected next year. The average annual GDP growth over the period of 2009-2014 is forecast at +3.8%, which ranks Stockholm in the top four best performing EU 27 cities.

Risk embracers:

- **Paris and London non CBD offices -** Well let offices in non-CBD locations are seeing lettings activity improve - London and Paris office markets are the two most liquid markets across Europe. Rental growth in Paris non CBD is 0% and in London's M4 corridor is 3%.
- **Warsaw offices -** Poland was the only European country to record growth in 2009 and when compared to the 45 major European cities, Warsaw is expected to show the best GDP growth prospect (5.8% average annual growth over 2009-2014). It is one of the very few European cities where unemployment rate will decrease from next year (7.4% - 6.1% - 4.6% in 2010-2011 and 2012), prime CBD office rents are forecast to increase by 12.5% next year.
- **Polish retail –** See above for Polish GDP growth. Retail sales are expected to grow by 3% at the end of the year and by 5.3% in 2011.
- **Logistics in the main distribution hubs –** By year end 2011, both transport and manufacturing sectors will be totally out of the red zone (+4% for manufacturing and +1.8% transportation sector in the EU27). Next year a 5% average growth is forecast in the major Western European logistic hubs. Yields in the sector have proven to be very stable.
- **Green development -** Corporate responsibility policies and governments put some pressure on many occupiers, often the larger ones, to choose environmental certified properties. On average more than 50% of green buildings are leased before completion thus reducing the risk of vacancy. Potential growth in capital values can be achieved through a decline in operating costs.

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For further Information, please contact:

Giles Wilcox, Savills Tel: +44 (0) 20 7409 8864

Lydia Brissy, Savills research Tel: +44 (0) 20 7016 3776

Victoria Cambridge, Savills press office Tel: +44 (0) 20 7409 8940

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