

Retail Market Austria

Autumn 2008

Prime Rent Q4 2008e:

High Street:

approximately 220 EUR/sq m/month

Shopping Centres:

approximately 90 EUR/sq m/month

Retail Warehouses:

approximately 12 EUR /sq m/month

Investment volume in retail-used properties in the first three quarters

2008: ca. EUR 750 mln

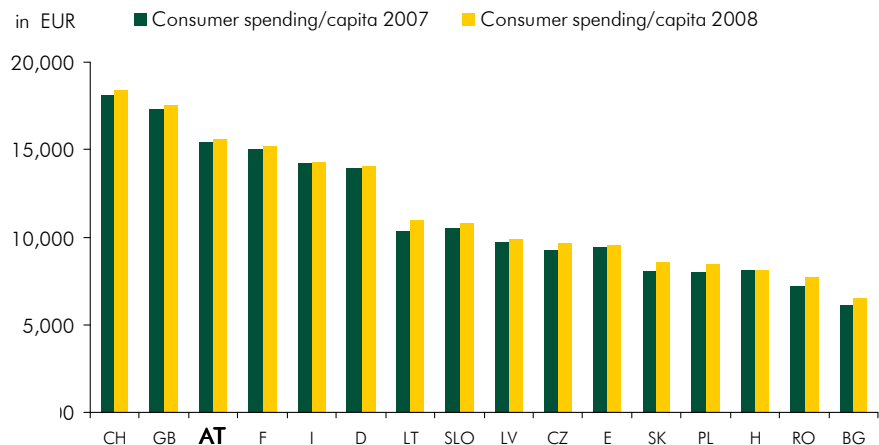
ECONOMIC DATA

Over recent years the Austrian economy has shown strong growth. This growth trend is expected to slow down in 2008 and 2009 (GDP real: 2007: +3.4%; 2008e: +2.2%; 2009e: +1.8%), but compared to the average GDP growth of the EU-15, Austria will be slightly above average through 2008. (2007: EU-15: +2.6%; 2008e: +1.7%; 2009e: +1.5%).

The unemployment rate decreased to 4.4% (EU-15: 7%) in 2007 and a further decrease is expected in 2008 (4.2%), followed by a minor increase to 4.3% in 2009.

Compared to 2007, the inflation rate is forecast to increase to 3.0% in 2008 (2007: 2.1%) and will be above the EU-15 average of 2.8% for the first time since 2000.¹

In Austria consumer spending was about EUR 15,458 per capita in 2007 (2008e: EUR 15,630 per capita). This is about 15% lower than in Switzerland and Great Britain.



Source: Experian, National Statistical Offices, Eurostat 06/2008

¹ Source of economic data: EU-Commission, EUROSTAT, OECD, STATISTIK AUSTRIA, WIFO 07/2008

Q3 2008* Trends

Take-up →

Supply ↘

Prime rent →

Vacancy rate ↘

Yield →

* until the end of 2008

HIGH STREET VIEW VIENNA

In general it is easier to lease areas up to a size of 100 sq m than areas up to a size of 300 sq m as the demand for these sizes is very high. The leasing of an area of 1,000 sq m needs a longer preparation time, especially for the listed buildings in the city centre of Vienna. This leads also to complicated amalgamation of areas. Rents, replacements and down payments (key money for the lessee moving out) are very high in good locations due to high demand and low supply.

The current tough economic situation leads to longer and more intensive negotiations until a lease contract is signed. Many retailers are forced to involve additional decision takers within their company.

HIGH STREET IN VIENNA

The principal high streets in Vienna are Kärntner Strasse, Graben and Kohlmarkt which are all situated in the inner district and form the so called "Golden U" and Mariahilfer Strasse. Other streets and squares in proximity to this area are also gaining in importance due to the attractiveness of these submarkets. The importance of other high streets will be more and more diminished to local demand. Total lettable area in the inner city amount to about 260,000 sq m and on Mariahilfer Strasse to about 185,000 sq m.

The "Golden U"

The "Golden U" (Kärntner Strasse-Graben-Kohlmarkt), situated in the inner city, is Vienna's most exclusive high street location. It is a pedestrian zone and the heart of the city.

Kärntner Strasse is a classic shopping street and hence very popular among clothing chains, for example national and international brands such as Benetton, Douglas, Geox, H&M, Humanic, Mango, Palmers, Zara and others. Due to its location between the Vienna State Opera and St. Stephan's Cathedral, as well as its length of about 800 meters, it is frequented

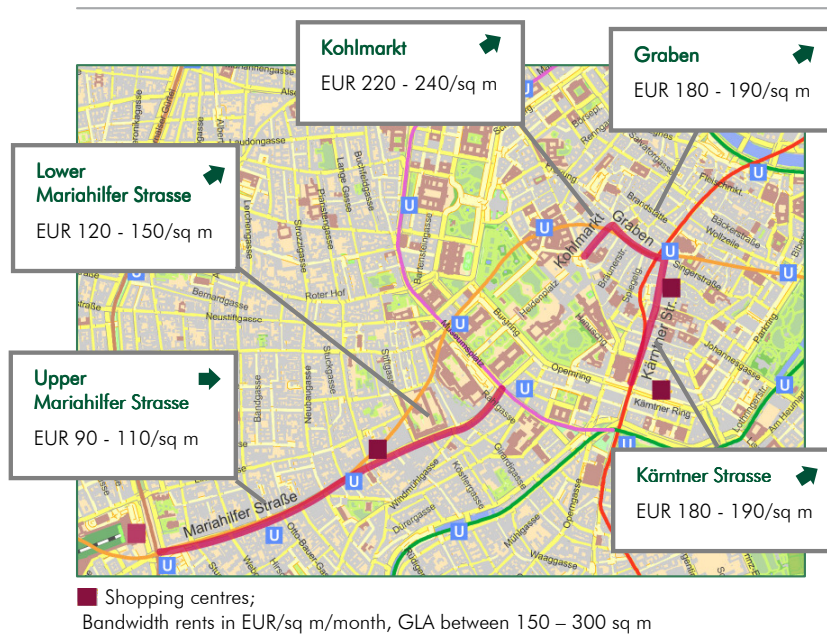
by about 4,800 pedestrians per hour, many of which are tourists, especially on Saturday afternoons.² The eight-storey department store Steffl is situated in the middle of Kärntner Strasse. It includes ca. 12,500 sq m of sales area and neighbours to the Ringstraßen Galerien, which is the only shopping centre in the city centre. Additionally Peek & Cloppenburg is currently developing a 8,000 sq m flagship-store at Kärntner Strasse 27. Over the next few years, Kärntner Strasse will be refurbished and get a modern design including new pavement and new lighting.

Graben is a 400 meter long shopping street that connects Kärntner Strasse with Kohlmarkt. It is frequented by 3,700 pedestrians per hour on Saturday afternoons.²

Graben is comparable to Kärntner Strasse. Especially high-end brands like Escada, Hermes, Lacoste, Mont Blanc have settled close to Kohlmarkt.

The most exclusive and most expensive shopping street of the inner city is Kohlmarkt with a length of 250 meters. Many flagships-stores of exclusive designers and luxury brands like Burberry, Gucci, Luis Vuitton, Salvatore Ferragamo, Tiffany & Co and Tommy Hilfiger are located here. Pedestrian frequency is about 1,600 pedestrians per hour on Saturday afternoons.² Kohlmarkt is very popular among retailers. The very low supply of space (small areas < 100 sq m) results from an average rent of about 200 EUR/sq m/month and replacement payments in the amount of millions.

SITUATIONS AND RENTS OF PRINCIPAL HIGH STREETS IN VIENNA



Mariahilfer Strasse

Mariahilfer Strasse is the longest linked shopping street in Vienna. It measures 2.2 km and is not a pedestrian zone but is equipped with wide side-walks. About 6,000 pedestrians per hour are counted on typical Saturday afternoons.³ Many large international retail chains are found here, for example American Apparel, Benetton, Deichmann, Douglas,

Esprit, H&M, Humanic, Nike, s.Oliver, Peek & Cloppenburg, Puma and Stiefelkönig. These retailers focus on the mass market and make Mariahilfer Strasse a very popular shopping destination for Vienna's citizens. Three department stores are located on Mariahilfer Strasse: the seven-storey Gerngroß City Center (ca. 31,600 sq m lettable area) and two smaller ones - La Stafa and Generali Center. The most expensive segment of the street is located around the Gerngroß City Center between the Peek & Cloppenburg Store (Mariahilfer Strasse 26-30) and the corner of Neubaugasse (Mariahilfer Strasse 68).

SHOPPING CENTRES

The largest Austrian shopping centre is the Shopping City Süd (SCS), located directly in the catchment area of Vienna. The SCS is a two-storey shopping centre with a lettable area of about 173,000 sq m and a sales area of about 124,000 sq m. A further extension of about 40,000 sq m is planned. Including big boxes, such as IKEA, Leiner and Obi, which are next to the SCS, it is one of the largest retail agglomeration in Europe.

There are 24 shopping centres in Vienna. The Donauzentrum is the largest one. It is a closed, two-storey, air-conditioned shopping centre that includes a hotel, a free-time- and entertainment centre, two car parks, an underground garage and two office buildings. It was opened in 1975 and has been extended several times since then. Today it comprises ca. 86,000 sq m lettable area and 58,000 sq m sales area. A further extension, which is expected to be finished in 2010, is already under construction.

Millennium City is the second-largest shopping centre in Vienna. It is situated in the 20th district and comprises a lettable area of ca. 50,000 sq m and a sales area of ca. 30,000 sq m. It was finished in 1999 and has 90 different stores. The 7-storey building includes a large cinema and restaurant areas, as well as free-time and wellness facilities.

Over the next few years the Österreichische Bundesbahnen (ÖBB) (Austrian Federal Railways) will develop shopping centres within large railway stations (Westbahnhof, Bahnhof Wien Mitte and Zentralbahnhof). Another notable project is a shopping centre in Gerasdorf, which is situated in the north of Vienna. In total, about 110,000 sq m sales area in shopping centres will be finished in Vienna in 2008.

INDICATORS HIGH STREET VIENNA

High street	Q1 08	Q2 08	Q3 08	Q4 08 ^e
Prime rents (EUR/sq m/month)	190	190	195	200
Prime yield (%)	4.00	4.00	4.00	4.00
Stock (mln. sq m)	0.98	0.98	0.98	0.98
Construction costs (EUR/sq m)	1,250	1,300	1,300	1,300
Key money (mln. EUR)	0.6-2.4	0.6-2.4	0.7-2.5	0.7-2.5

INDICATORS SHOPPING CENTRES VIENNA

Shopping centres	Q1 08	Q2 08	Q3 08	Q4 08 ^e
Prime rents (EUR/sq m/month)	73	76	85	90
Prime yield (%)	4.50	5.00	5.25	5.25
Stock (mln. sq m)	0.52	0.52	0.52	0.52
Construction costs (EUR/sq m)	1,550	1,600	1,600	1,550
SC Vienna (#)	24	24	24	24

THE 10 LARGEST SHOPPING CENTRES IN AUSTRIA



RETAIL WAREHOUSES

Retail warehouses are very popular in Austria. This is especially due to land use planning laws and regulations: it is easier to get official approval of authorities for the construction of a warehouse than for a shopping centre. As a consequence a very high density of large-sized and high-quality retail warehouses with areas up to 20,000 sq m exists in Austria.

INDICATORS RETAIL WAREHOUSES

Retail warehouses	Q1 08	Q2 08	Q3 08	Q4 08e
Prime rents (EUR/sq m/month)	12	12	12	12
Prime yield (%)	6.30	6.50	6.75	6.90
Stock (mln. sq m)	0.64	0.64	0.64	0.64
Construction costs (EUR/sq m)	750	800	800	800

FACTORY OUTLET CENTRES

Only one real factory outlet centre (FOC) exists in Austria: The McArthur Glen Designer Outlet situated in Parndorf (Burgenland). It was built in 1998 and was extended in two construction phases. There are plans to extend the FOC Parndorf by 2010.

The opening of a further McArthur Glen Designer Outlet Center is planned in the periphery of Salzburg in 2009 comprising ca. 28,000 sq m lettable area and 140 designer stores. This project is backed by the investment of an investor group led by the Vienna Insurance Group.

A further FOC is planned in Graz-Puntigam, and will be located next to the Shopping Center West. It is already under construction and will be realized within the next years comprising 25,000 sq m sales area.

COMPLETION SHOPPING CENTRES AND RETAIL WAREHOUSES

Shopping Centre/Retail Warehouse Pipeline 2008					
City	Name	Use	New/Extension	GLA (sq m)	
Seiersberg	Shopping City Seiersberg	shopping centre	E	23,000	
Graz	EKZ Shopping Nord	shopping centre	N	22,000	
Tulln	Rosenarcade Tulln	shopping centre	N	21,400	
Klosterneuburg	City Center Klosterneuburg	retail warehouse	N	20,000	
Linz	Interspar Wegscheid	shopping centre	E	13,000	
Salzburg	SCA Shopping Center Alpenstraße	shopping centre	E	11,500	
Leibnitz	EKZ Weinland	shopping centre	N	11,000	
Graz	Graz Kastner & Öhler	shopping centre	E	10,000	
Vienna	C 21 (Center 21)	retail warehouse	N	10,000	
Telfs	FMZ Telfspark	retail warehouse	N	9,400	
Salzburg	Forum 1	shopping centre	N	8,000	
Güssing	EKZ Güssing	shopping centre	E	7,500	
Landeck	City Passage Landeck	shopping centre	N	5,000	
Wörgl	M4	shopping centre	E	3,500	
St. Michael im Lungau	FMZ St. Michael	retail warehouse	N	2,600	

Source: CB Richard Ellis 2008



Rosenarcade Tulln



City Center Klosterneuburg



EKZ Gerasdorf

Source: www.ekz.gpk.at

Selected completions Shopping Centre/Retail Warehouse 2009/2010

Q	Year	City	Name	Use	New/Extension	GLA (sq m)
1	2009	Leibnitz	Basta Phase 2	retail warehouse	E	11,000
2	2009	Oberwart	Einkaufszentrum Oberwart	shopping centre	N	24,000
2	2009	Vienna	Shopping City Nord extension	shopping centre	E	6,000
3	2009	Wals Siezenheim	McArthur Glen Outlet	factory outlet centre	N	28,000
4	2009	Innsbruck	Kaufhaus Tyrol	shopping centre	E	30,000
2	2010	Vienna	Donauzentrum extension	shopping centre	E	24,000
3	2010	Gerasdorf	EKZ Gerasdorf	shopping centre/retail warehouse	N	54,000
3	2010	Graz	StadtGalerie	shopping centre	N	55,000
4	2010	Vösendorf	Shopping City Süd extension	shopping centre	E	40,000

Source: CB Richard Ellis 2008

INVESTMENT MARKET

During 2007 approximately EUR 2.8 billion were invested into Austrian real estate. Compared to 2006, the total investment volume has increased (2006: EUR 2.4 bln), which is related to the sale of the BAWAG-portfolio to an Austrian fund.

The share of Austrian institutional investors has slightly decreased in 2007. In comparison the share of German investors has increased by 10%, after a short "investment-break". The share of international investors is down to only 15%, which means about 45% less in comparison to their investments in 2006. This is the effect of the real estate crisis and associated uncertainty in the international real estate market.

Analysing purchased real estate by use, retail's share amounts to ca. 22% (2006: 19%). This corresponds with EUR 616 mln - 37% of retail investments went to shopping centres, 33% to high street and 29% to retail warehouses.

About EUR 1.4 bln was invested into Austrian real estate in the first nine months of 2008. Compared to the same period in 2007, total investment volume decreased by 7% (Q1-Q3 2007: EUR 1.5 bln). About 54% of the total investment volume was invested into retail-used properties, mostly from the EUR 607 mln Unibail-Rodamco-Deal (Shopping City Süd) in the second quarter.

In general there is increased interest in retail properties and properties that are mainly for retail use. Especially international investors prefer to invest into the retail market. An important issue is land use planning restrictions, which are given by the laws in terms of new developments. All in all this has led to an increase of prices and to a decline of yields in the last years especially for regional retail properties, retail warehouses and retail warehouse agglomerations. Yields have decreased by about 150 basis points in the last three years. We expect here the largest corrections, that yields go up 50-100 bps due to more restrictive investment strategies of investors.

Besides regional and nationwide retail properties, properties on high streets are especially in very high demand by national and international investors, because of their sustainability and their very good locations in the inner city. These properties are often owned by domestic institutional investors. Prime yields of these high street properties are historically low and have fallen only slightly in recent years. They are moving within a scope of 3.5% - 4.5% in the inner city, between 4.5% - 5.25 % in the Mariahilfer Strasse and between 5% - 6% in the other high streets areas. The initial yields are very low due to the potential yield increase.

INVESTMENT DEALS

Investmentdeals during the last 12 months					
Address	Name	Purchaser	Use	Total Area (sq m)	Initial Yield
Vienna, 1 st district	Palais Dorotheum	Dorotheum	other retail	18,400	N/A
Vienna, 6th district	Generali Center	Redevco	high street retail	13,800	N/A
Vösendorf	SCS	Unibail-Rodamco	shopping centre	140,400	~4.75%
St. Pölten	Traisenpark	APN/UKA	shopping centre	22,700	N/A
Tulln	Rosenarcade Tulln	IG Immobilien	shopping centre	21,400	~6.35%
Linz Leonding	UnoShopping	BACA Real Invest	shopping centre	48,000	N/A
Salzburg	SC Alpenstraße	Convergenta	shopping centre	12,900	N/A
Telfs	FMZ Telfspark	Warburg Handerson	retail warehouse	9,400	N/A
Leoben	Star Center Leoben	Warburg Handerson	retail warehouse	9,400	N/A
Nationwide (*)	IBT-Portfolio (11 properties)	Axa Investment	retail portfolio	64,000	6.15%
Nationwide	Edeka/Tengelmann-Portfolio (17 properties)	Orlando	retail warehouse	80,000	>7.00%

(*) CB Richard Ellis acting as consultant to either the buyer or the vendor
Italic fonts incl. tilde are reflecting estimates by CB Richard Ellis.

RETAIL PRIME YIELDS IN VIENNA Q3



* excl. Kohlmarkt, Graben and Kärntner Strasse

KEY FACTS Q3 2008

Key Facts Vienna			
	High Street	Shopping Centre	Retail Warehouse
Typical Lease Length (years)	10-15	5+5 option	10+5 option
Typical Rent Free Period (month)	no	no	no
Typical Rental Deposit (month)	Small companies	3	3,00

DEFINITIONS

- Shopping Centres:** Minimum 4,000 sq m GLA with minimum of 20 tenants or 4,000 sq m GLA with minimum 10 tenant if minimum 2 anchor tenants of different sectors are lessees. Roofed mall, mostly multi-storey, can be also situated in the city centre.
- Retail Warehouses:** Several middle- and large-area retail warehouses (big boxes) or stores from different retail industries which can be compared to warehouses, managed and marketed by one operator. Mostly single-storey, no mall and large offer of free parking lots.
- Key money:** Amount paid by the new lessee for compensation of investments of the existing lessee.
- Sales area:** Accessible area for the customer on which the goods are presented.
- GLA (lettable area):** Sales area incl. storage and side rooms (excl. mall of shopping centres).

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