CB RICHARD ELLIS

Market View

Vienna Offices

End Year 2008

At a glance

Differences between

	Q3 08	Q4 07
Supply	↑	↑
Take-up	↓	↓
Vacancy rate	→	↓
Prime rent	→	↑
Yield	↑	↑
Investment volume	↑	↓

Briefing

- Office lettings decreased by ca. 15% in 2008
- Vacancy rate at ca. 4.3% in Q4 2008
- Prime yield at ca. EUR 23.5/sq m/month by year end 2008
- Decrease of investment volume by ca. 30%
- Prime yield increased by 75 bps

OVERVIEW

- **Completion of office space decreased by 17% y-o-y**
  Supply of office space in Vienna amounted to ca. 10.0 mln sq m by the end of 2008. In the same year approximately 17% less office space was completed than in 2007 (2007: ca. 300,000 sq m; 2008: ca. 250,000 sq m). More than 50% of the completed space was finalised in the 4th quarter of 2008 (including Euro Plaza 4 40,000 sq m, Hoch Zwei 22,000 sq m, Plus Zwei 19,500 sq m).

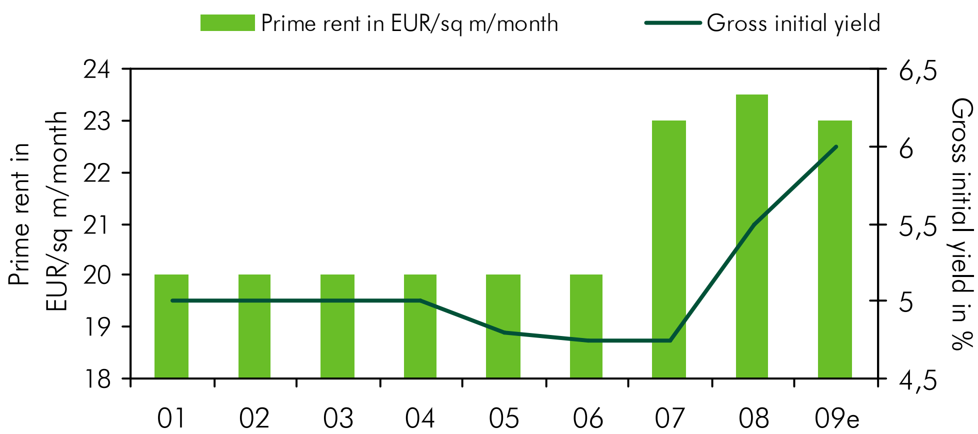
- **Office lettings decreased for the first time since 2002**
  About 400,000 sq m of office space was let in the year 2008. Compared to 2007, this was a decrease of ca. 15% (2007: 470,000 sq m). This means that office lettings decreased for the first time since 2002. Total demand came to ca. 70,000 sq m in Q4 2008, the lowest volume since Q1 2005.

- **Vacancy rate still below 5 %**
  The vacancy rate of 4.3% remains unchanged on Q3 2008's level, and was below the 5% mark at the end of 2008.

- **Prime rents remain stable**
  The prime rental rate was EUR 23.50/sq m/month by the end of 2008, having increased by ca. 7% compared to year-end 2007 (EUR 22/sq m/month). Prime rents remained stable vis-à-vis Q3 2008, due to the real estate crisis, whereas rents in other office sublocations decreased by ca. EUR 0.50/sq m/month.

- **Investment volume decreased by 30%**
  About EUR 2 bln was invested in 2008, meaning a ca. 30% lower investment volume compared to 2007 (EUR 2.8 bln). Investment volume amounted to ca. EUR 640 mln in Q4 2008, an increase of more than 50% compared to Q3 2008 (EUR 410 mln). The initial yield was at 5.5% by the end of 2008, having increased by 75 basis points (bps) since the beginning of the year (Q4 07: 4.75%).

Prime rent – Gross initial yield in Vienna 2001-2009



Source:B Richard Ellis

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ECONOMIC DATA

From 2004-2007, the Austrian economy showed strong growth, but slowed in 2008 to 1.9%. A negative growth rate of -0.5% is expected for 2009 (GDP real: 2007: +3.1%; 2010e: +0.5%). For the first time in years, Austria's economic growth is forecast to be below the EU-15 average (2007e: EU-15: 2007: +2.7%; 2008e: +1.1%; 2009e: - 0.1%; 2010e: 0.8%).

Austrian deficit in budget increased by 0.2% to -0.6% in 2008. This trend is likely to continue in 2009 and 2010 (2009e: -1.2%; 2010e: -1.4%).

The overall unemployment rate decreased to 3.9% in 2008 (EU-15: 7.1%); for 2009, a reversal on the employment market is expected with the unemployment rate forecast to rise to 4.2%, with the trend continuing until 2010 (4.5 %).

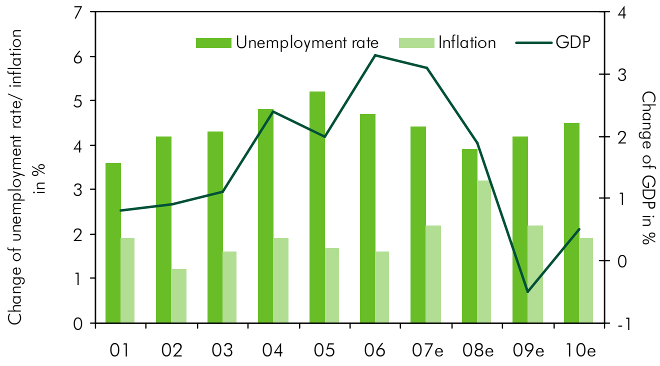
Inflation reached 3.2% in 2008 (2007: 2.2%) and is likely to decrease to 2.2% in 2009, positioning Austria on the average level of the EU-15 (EU-15: 2008e: 3.3%; 2009e: 2.1%).

OFFICE SPACE SUPPLY

Vienna currently (as of Q4 2008) has ca. 10.0 mln sq m office space. Space completed in the last 5 years accounts for between 2.1% and 3.1% of the total stock. In the mid-1990s and after the collapse of the Vienna office market, this figure was below 1% and started increasing steadily in the late 1990s. About 2.7 mln sq m office space was completed in total from 1999 to 2008, including ca. 20% generally refurbished old buildings.

Ca. 250,000 sq m of new office space (new and refurbished) was completed in 2008, which was below the value of the previous year (2007: ca. 300,000 sq m) and below the forecast for 2009 (260,000 sq m). Over 50% of the completed developments were finalised in the 4th quarter of 2008. Looking at forecast completions for 2009, it is notable that over 40% of this space is pre-let or owner-used. Approximately 90 % of this space will be available in H2 2009.

Economic data



Source: EU-Commission, EUROSTAT, OECD, STATISTIK AUSTRIA, WIFO 11/2008

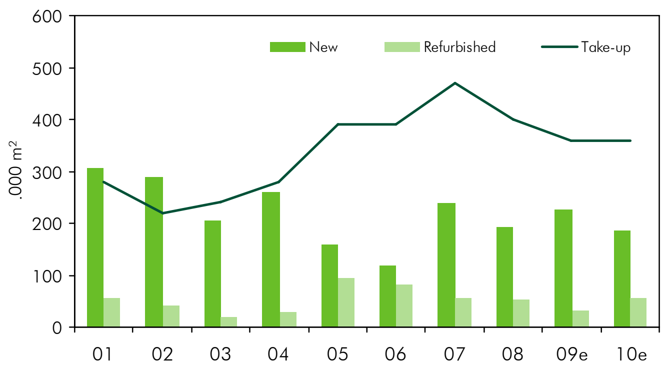
Office market indicators in Vienna

Vienna (,000 sq m)	06	07	08	09e
Total Stock*	9,600	9,800	10,000	10,200
Supply**	202	294	247	258
Take-up	390	470	400	350
Vacancy Rate	6%	5.2%	4.3%	5%

* rounded
** Registered supply: new + refurbished

Source: CB Richard Ellis

Supply / Take-up



Source: CB Richard Ellis

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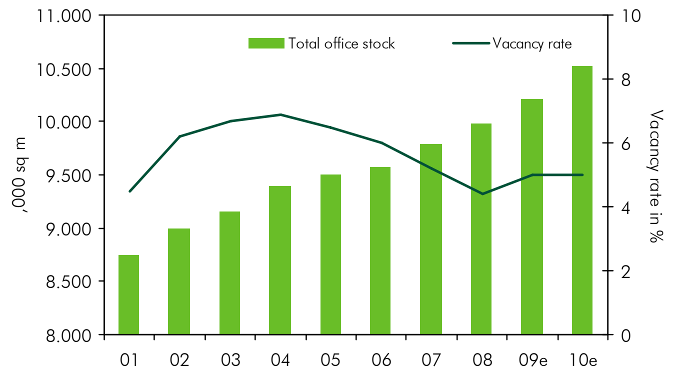
Total office stock – Vacancy rate



Source: CB Richard Ellis

Selected Lettings Q4 2008

Office submarket	Tenant	sq m
CBD	Matrix-Ware	3,000
CBD	Jumbo Touristic *	1,060
CBD	Institut für Wirtschaftsvergleiche	1,000
Donau City – Lassallestrasse	Assign Clinical Research	720
Prater	DB Schenker	2,080
Erdberg	Training institution	3,380
Erdberg	Heeresbau- und Vermessungsamt	1,700
Erdberg	Brainforce AG	1,940
Wienerberg	Taja	1,150**

* CB Richard Ellis advisor on tenant or landlord side
** Purchase

Source: CB Richard Ellis

OFFICE DEMAND

Take-up for 2008 declined y-o-y slightly for the first time since the continuous increase of office space take-up began in the mid-1990s. The lettings of 2007 were not surpassed and decreased by 15% to ca.
400,000 sq m let office space. This was caused primarily by the economic downturn, and we expect further weaker office lettings with ca. 160,000 sq m for H1 2009 (H1 08: 220.000 sq m).

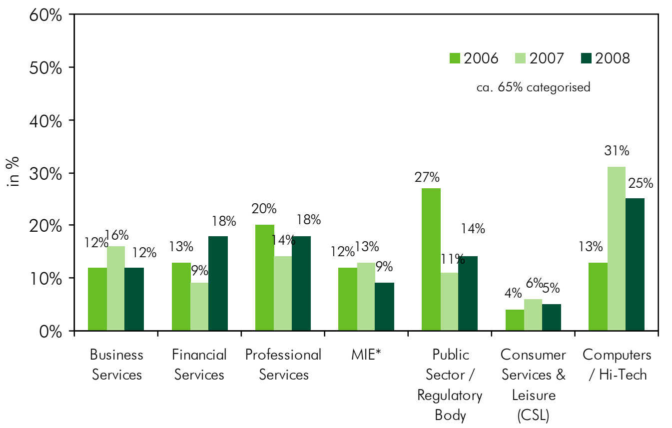
When looking at letting activity from 2006 - 2008 (only 65% of the total lettings can be categorised), it is remarkable that the largest percentage of the lettings took place in the Computers/Hi-Tech sector in 2008 (25%), but could not reach the high value of 2007 (31%). Meanwhile, 18% of all 2008 transactions took place in the Financial Services sector. This equals a doubling of the 2007 figure and can be traced back to some major lettings in the CBD. The Professional Services sector accounted for a notable 18% of all take-up in 2008, increased slightly in comparison to 2007 (14%). Lettings in the Public Sector increased to 14% in 2008 after a huge decrease in 2007(2007: 11%). Lettings in the Business Services sector decreased slightly to 12% (2007: 16%), which equals the level of 2006 (12%). In the Manufacturing, Industrial & Energy sector lettings decreased slightly to 9% (2007: 13%). The lowest percentage of lettings was by firms in the Consumer Services & Leisure (CSL) sector with 5% (2007: 6%).

The highest volume of take-up took place in inner districts (CBD) in 2008, but its share of the total take-up decreased to 39% (2006 and 2007: 46%). Take-up at the office sublocation Wienerberg came in at 21%, which is a slight increase. (2007: 18%).

VACANCY

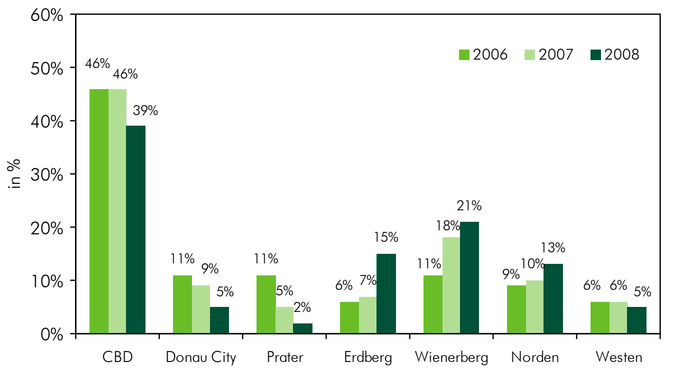
Since 2004 the vacancy rate has slowly been declining and reached ca. 4.3% by the end of 2008. We assume that the vacancy rate will reach 5% by the end of 2009.

Take-Up by Sector 2006-2008



*MIE: Manufacturing Industrial & Energy
Source: CB Richard Ellis

Take-Up by Location 2006-2008



Source: CB Richard Ellis

RENTS

Prime rents amounted to EUR 23.50/sq m/month in Q4 2008 and remained stable at the level of Q3 2008. We expect rents to remain on a stable level in Q1 2009. Decreasing rents and a slight deterioration of prime rents to ca. EUR 23.00/sq m/month are expected for 2009.

A slight decrease of rents in the outer districts and at locations without a subway connection was noted already in 2008. For 2009 we expect the same.

In general Vienna office rents have been on a stable level over the last 15 years in comparison to other European cities.

INVESTMENT MARKET

Ca. EUR 2 bln was invested in the Austrian market in total in 2008. Therefore, investment volume slightly decreased for the first time since 2001 and is only marginally above the value of 2005, which was ca. EUR 1.9 bln. In comparison to 2007, this means a decline of ca. 30% (2007: EUR 2.8 mln). The decline on H1 2008 was lower than expected given the real estate crisis, and resulted from the Rodamco-Deal – Shopping City Süd (ca. EUR 607 mln).

As a share of all investment volume across Europe, Austrian investment transactions accounted for only 1.7% of the total European investment volume; where in previous years, Austria's share was only about 1%.

Approximately 22% of the total investment volume was for portfolio purchases, remaining far below the value of 2007 (46%). In terms of real estate transactions, shopping centres hold the first rank with ca. 40%, resulting mainly from the sale of the Shopping City Süd in Q2 2008 (2007: 6%). 28% was invested in office buildings and ca. 8% in hotels (2007: offices 32 %, hotels: 2 %).

INVESTORS

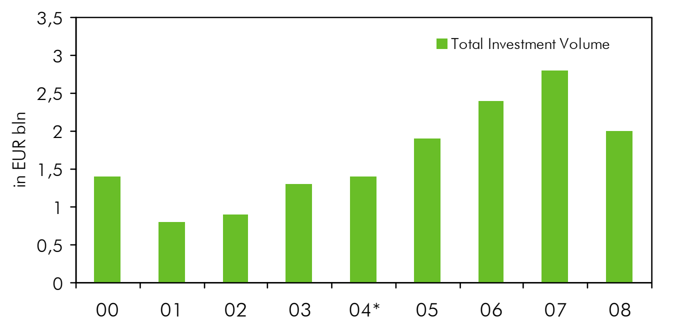
Approximately 45% of investments in the Austrian market were undertaken by local investors in 2008, slightly lower than in 2007 (49%). German investors accounted for 20% of the total investments. The marginal doubling of the other international investments (compared to 2007) results only from the Rodamco deal.

Rents at Vienna Office Market (in EUR/sq m/month) Q4 2008

Office Submarket	Office Building	Office Towers
CBD	13.00 – 23.50	15.00 – 25.00
Donau City – Lassallestrasse	10.00 – 14.75	12.00 – 20.00
Prater	10.00 – 15.00	11.00 – 19.00
Erdberg (East)	9.00 – 14.25	11.00 – 18.00
Wienerberg (South)	8.50 – 15.50	10.00 – 18.00
North	8.50 – 13.75	10.00 – 17.00
West	8.50 – 13.50	10.00 – 17.00

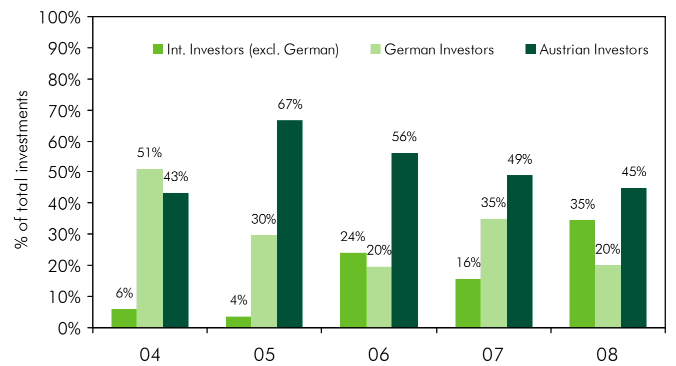
Source: CB Richard Ellis

Total Investment in Austria 2000-2008



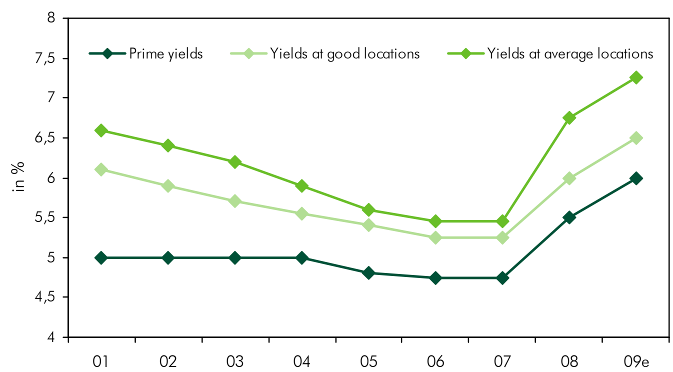
* 2004: excl. BUWOG-Deal
Source: CB Richard Ellis

Investment in Austria 2004 - 2008



Source: CB Richard Ellis

Gross initial yields for offices in Vienna 2001-2009



Source: CB Richard Ellis

Total turn-over investments in Europe Q3 2008 – Q4 2008

Europe: Q4 08: EUR 19.5 bln (Q3 08: EUR 27.7 bln)

Investment turn-over (EUR mln)	Q4 2008	Q3 2008	Change
UK	4,973	5,369	-7%
Germany	3,804	3,746	+2%
France	2,808	2,491	+13%
Italy/Spain	3,432	2,346	+46%
Benelux-Countries	1,165	1,337	-13%
CEE	501	2,927	-83%
Austria	640	410	+56%
Europe	19,520	27,681	-29%

Source: CB Richard Ellis

YIELDS

Prime yields for newly built office properties with long-term leases outside of the City Centre have increased from 4.75% (2007) to 5.5%. We expect prime yields to increase further to 6% by the end of 2009. Furthermore, we expect yields to rise as high as 7.25% for properties at average locations or with short-term leases.

H2 2008 transactions were covered by equity capital in general. Reduced demand has put pressure on prices and led to significantly higher yields. As a consequence, special purchaser groups like opportunistic investors have disappeared completely. Other interested investors with high debt-to-capital shares were unable to close deals, as banks have exercised restraints related to financing.

Selected investment deals of the last 12 months

Address	Name	Investor	Use	NLA (sq m)	Initial yield
1010 Vienna, Wipplingerstrasse 35	Haus der EU	European Parliament	mixed-use	2,500	N/A
1020 Vienna, Handelskai 348	Katamaran	ÖGB	office	40,000	5.25%
1030 Vienna, Am Stadtpark 3	Hilton Vienna Hotel (75%)	RZB	hotel	N/A	N/A
1030 Vienna, Marxergasse 4	City Point	Deka	office	33,300	~ 6%
1030 Vienna, Karl-Farkas-Gasse 22 *	Solaris	Union Investment	office	10,300	N/A
1070 Vienna, Seidengasse 9-11	Silk 7	Deka	office	10,400	~ 6.45%
1100 Vienna, Computerstrasse 6 *	Green Park Center	Credit Suisse	office	13,400	~ 6.2%
1110 Vienna, Warneckestrasse	Pan-European Portfolio Kühne+Nagel	Goodman European Logistic Fund	logistics	32,600	N/A
1210 Vienna, Seyringer Strasse 12-14	FMZ Seyringer Spitz 2. Phase	Redevco	retail warehouse	3,400	N/A
1220 Vienna, Wagramer Straße 8 *	Arcotel Kaiserwasser 4*	Union Investment	hotel	17,200	N/A
2334 Vösendorf	SCS, Sale City, Motor City	Unibail-Rodamco	shopping centre	140,400	~ 4.75%

* CB Richard Ellis adviser of purchaser or vendor side
Yields with ~ are estimated by CB Richard Ellis.

Source: CB Richard Ellis

FORECAST – TRENDS 2009

Supply ↗
The office space supply will increase slightly by the end of the year.

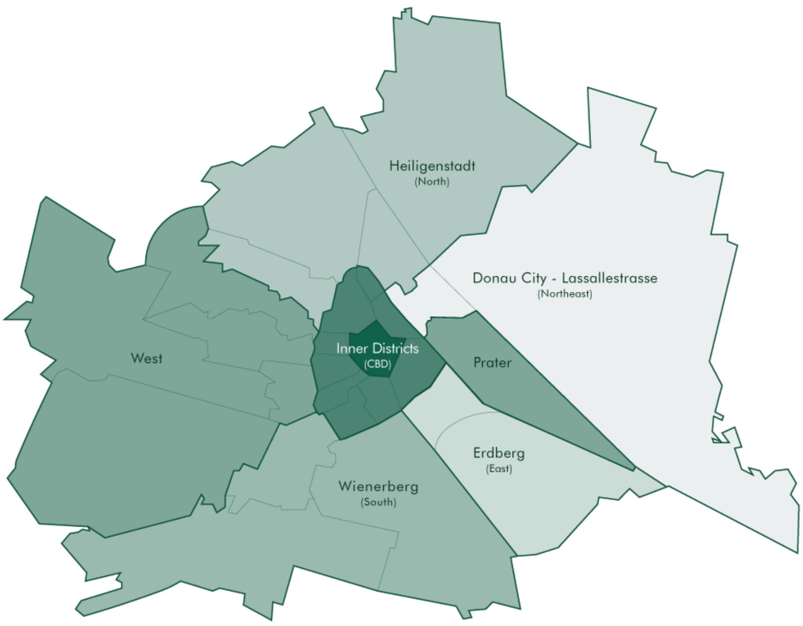
Take-Up ↘
A further decline in letting activity is expected because of the economic slowdown and the real estate crisis affecting the Vienna market.

Vacancy rate ↗
The vacancy rate will increase to ca. 4.5% due to low demand and the new office space without pre-lettings.

Rents ↘
Prime rents will decrease slightly by the end of the year.

Investment ↘
Investment volume will be below the volume of 2008. German Open-Ended Funds have shown substantial interest.

Map Office Locations Vienna



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