

Q4 2009 compared to...

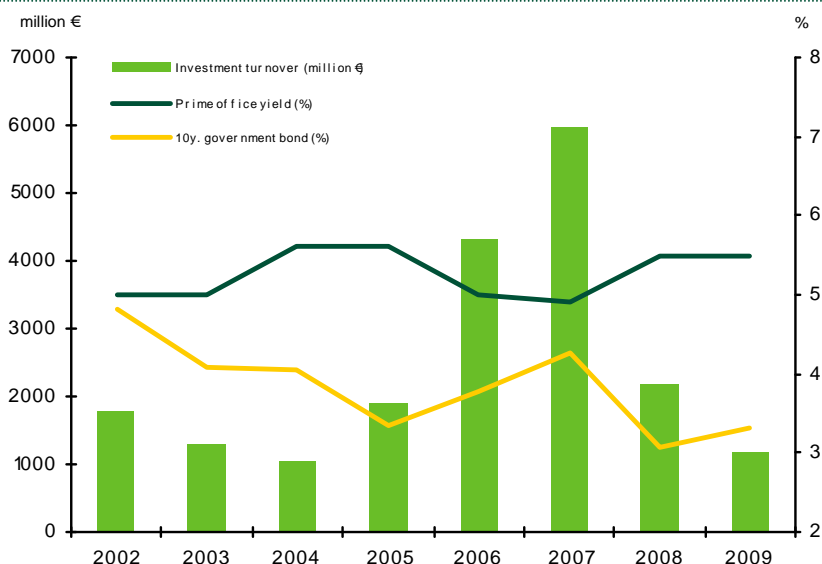
| | Q3 09 | Q4 08 |
|--------------------------------|-------|-------|
| Investment turnover | ↑ | ↑ |
| Number of transactions | ↑ | ↑ |
| Prime yield Office | → | → |
| Capital value index Office | → | ↓ |
| Prime yield High Street Retail | → | → |
| Prime yield Shopping Centres | → | ↑ |
| Prime yield Retail Parks | → | → |
| Prime yield Logistics | → | ↑ |

The activity, evident in the German investment market for commercial real estate from late summer, continued into the final quarter of 2009. By the end of the financial year, the registered total volume of transactions was €10.45bn. Compared to the year before, this was a significant fall in investment activity by around 47% (€9.2bn), but is comparably satisfactory in view of the turbulence in the global financial markets and resultant financing constraints. In contrast to the beginning of the year, when the investment market was paralysed with shock and subject to wide variations in purchase price expectations of market players, we were able to register significantly more dynamic investment activity during the second half of 2009, and increasingly in the fourth quarter. Particularly trend-setting for 2010 were some high volume deals, with some above the €100m mark, which took place before the turn of the New Year. In the four largest German investment centres: Berlin, Frankfurt, Hamburg and Munich, approx. €4.76bn was invested, which was around €2.6bn, or almost 36% less than the year before. In terms of the volume of transactions for the whole country, the four major real estate centres accounted for a share of almost 46%. This shows that the interest of investors compared to 2008 (38%) has shifted more towards low risk, prime core real estate in the major locations.

A total volume of transactions of €1.19bn (over 11% of the total for Germany) was registered in Berlin's investment market in 2009. This means that the federal capital lies behind Munich and Hamburg (with registered transaction volumes for last year of around €1.48bn and €1.35bn respectively) in third place. The financial centre of Frankfurt registered only €735m, its lowest volume of transactions of the last eight years.

Main purchasers in the Berlin investment market were national players with strong equity capital. Their share of the total volume of transactions was 85%. The figure last year was only 34%. On the selling side, however, the share of foreign players reduced considerably year-on-year by 54% to its current level of just 30%. Forced sales by foreign investors did not take place to the degree expected, at least in the federal capital. The focus of investors remains on first class products with office use. Income-generating retail properties were also in great demand; this asset class accounted for around a quarter of all transactions, similar to last year. The prime yield for office properties remained constant year-on-year at a level of 5.50%. This contrasted with the prime yield for first class shopping centres which, in line with the national trend, rose by a quarter percentage point to 5.75%.

Investment turnover Berlin



Investment market Berlin

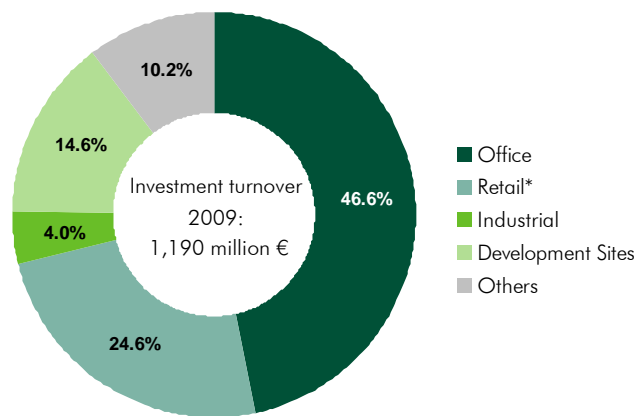
In Berlin, a total of €1.19bn of commercial properties were traded in 2009. Almost half of the invested financial capital flowed into office properties, with properties with retail uses following at some distance behind. The year before, the focus of investors with almost 65% was also office properties, whilst less than 10% was accounted for by retail properties. A major contributor to the higher market share of retail properties of the total investment volume in 2009 was the sale of the city centre shopping centre 'Die Mitte', which was also the only deal above the €100m mark. Together with the purchase of 'Forum Steglitz', almost €200m was invested in shopping centres, whilst mixed-use commercial/retail properties in prime locations only managed slightly over €40m. At €177m, almost the same volume of development sites with future commercial use were traded as in the year before (2008: €192m). Logistics and production properties played a very minor role, accounting for only almost €37m over the last twelve months; this contrasts significantly with the previous year, when the high volume transaction of the *Kaiser's Tengelmann* central logistics base for almost €117m, took place.

The majority of the investments were undertaken by project developers (almost a quarter), who mostly sold smaller volume properties. On balance, project developers disposed of properties to a value of €556m. Open-ended funds / special funds were responsible for around €211m, whereby this was re-directed after they changed their investment strategies for their mainly office-based portfolios, increasingly focusing on retail properties as demonstrated by the most recent transactions. In contrast, this investor group sold only selected properties to a value of €52m in 2009. The third largest purchaser group was private investors with strong equity capital, accounting for €181m; this was mainly due to the acquisition of the office property 'Römische Höfe' for over €50m. This transaction alone exceeded the total volume recorded for private investors the year before.

Private investors were also more active on the selling side than the year before, investing mainly in smaller volume properties whose fungibility makes them easier to market particularly in the current difficult financial climate. Insurance companies and pension funds have committed almost €175m to the Berlin market; no sales were registered by this investor group.

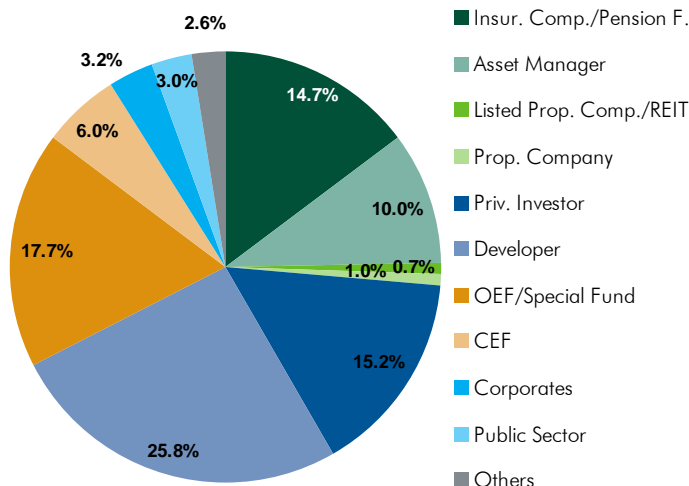
In contrast, listed property companies cleaned up their portfolios, selling properties with almost €197m. The public sector also disposed of stocks of properties to a value of €134m, making it the fourth most active vendor group in 2009.

INVESTMENT TURNOVER BY TYPE OF USE

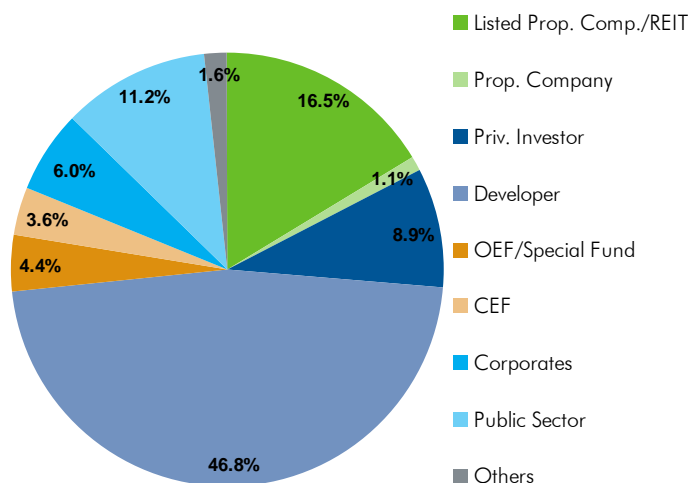


* High Street Retail and Shopping Centre

INVESTMENT TURNOVER BY TYPE OF INVESTOR

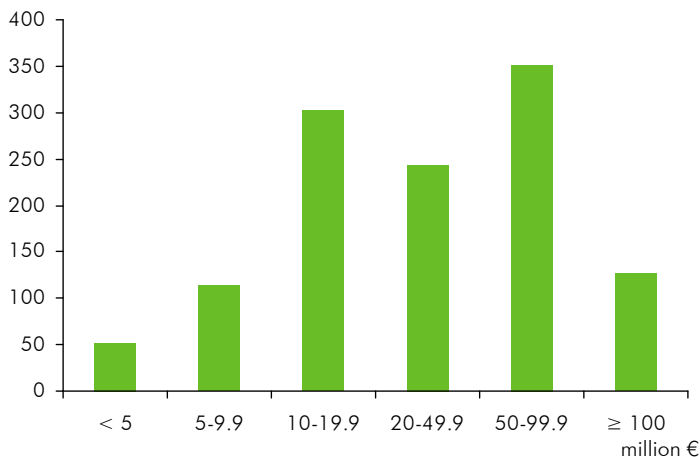


INVESTMENT TURNOVER BY TYPE OF VENDOR

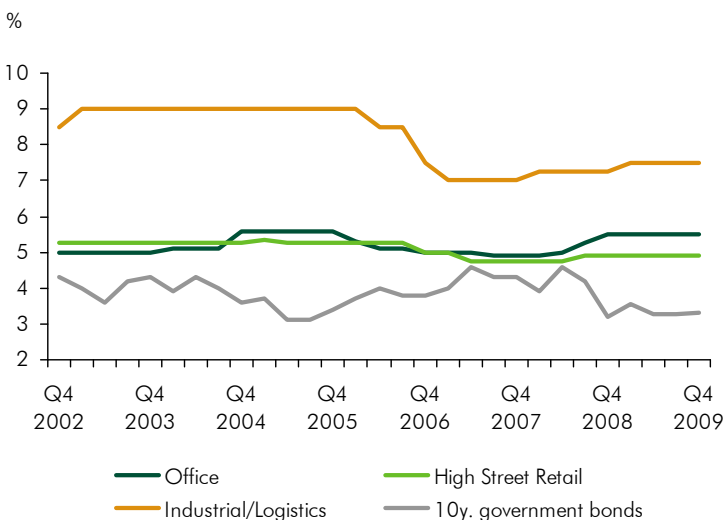


INVESTMENT TURNOVER BY SIZE

million €; cumulated



PRIME YIELDS COMMERCIAL REAL ESTATE



CAPITAL VALUES OFFICE

annual change; %



Based on an almost identical number of transactions in the Berlin market compared to the year before, the average sales price reduced by almost 40% to €17.8m. In 2009, only one purchase above the €100m mark was registered (shopping centre 'Die Mitte'). There were several deals in the category between €50m and < €100m, including the 'P5' on Potsdamer Platz, 'Forum Steglitz' and 'Kaiserhöfe'. Almost half of all acquisitions concerned products with a purchase price below €10m, accounting for a share of around 14% of total volume. The year before, this figure was almost 45% of all transactions, which corresponded to a good 7% of the investment volume.

Development of prime yields

Due to a continued lack of supply, coupled with increasing demand for core products, the prime yield for office properties in Dusseldorf, Frankfurt, Hamburg and Munich fell by 10 basis points; the federal capital was the exception here, reacting with the traditional time delay to general trends in the national investment market.

By year-end 2009, we registered a prime yield for first class office properties of 5.50%. Comparison of prime yields: Frankfurt 5.30%, Dusseldorf 5.20%, Hamburg 5.00% and Munich 4.90%. Compared with the benchmark yield for 10-year government bonds, this corresponds to a premium of 218 basis points for the Berlin market.

In the case of retail properties in Berlin's prime locations, there has been no year-on-year rise in the prime yield for high street retail. The yield here remains at 4.90%.

In contrast, the prime yield for shopping centres rose by 25 basis points compared to year-end 2008, reaching 5.75% by the end of 2009. This development applies to all top locations. Thus, the premium over the benchmark yield lies at 243 basis points.

Prime yields also rose for high-quality logistics properties in all top locations compared to the previous year's level. In Berlin, the rise was less severe than in the other property centres. Here, the yield rose over the year by only 25 basis points to 7.50%; in the other locations, the rise was 50 basis points to 7.25%.

Since mid 2008, Berlin's capital value index has experienced the strongest year-on-year fall of the top locations. During the course of 2009, the fall weakened slightly due to the stability of the prime yield; whereas in March the fall was -19% compared to the previous year, by the end of the year, the figure was only 9%. In view of the sustained, strong interest from investors in core properties, we expect capital values to rise again on the basis of stable prime rents during the course of 2010.

Outlook

Looking back, 2009 was a difficult, and in part, challenging investment year; nevertheless, the higher dynamic at the end of the year provides optimism for 2010. Current major deals, such as the sales of the 'A10-Shopping-Center' near Berlin and the 'maxCologne' and 'Domkarree' in Cologne demonstrate that the investment market has not only reached the bottom of the slump, but is also shifting back towards normality, i.e. the transaction of high volume investments at market prices, which is also allowing the current and future risk parameters of active players to be better estimated. Although in 2010, the real economy in Germany will continue to experience the effects of the worst recession in post war history, there are signs in the global financial market of an important recovery for the real estate market. As a result of the high interest rates in real terms and positive credit leverage, we believe that real estate will become an even stronger demanded asset class.

In the more stable and reliable credit environment we expect in 2010, it is foreseeable that investors with greater, but still relatively moderate, credit leverage will once again participate in the German real estate market. These market players will concentrate on other properties than, for example, the open-ended funds and insurance companies/pension funds, which have focused mainly on first class core and core plus properties with long-term secured cashflows, and on office and retail use, and with an increased focus on residential. Couple with a limited supply in the prime segment, we expect further price rises in some asset classes during the course of the year. As a result of the limited availability of product, investors are becoming more prepared to assume a greater degree of risk in their real estate investments.

According to the trend barometer of the accountants *Ernst & Young* (E&Y) 'Immobilienanlagen der Assekuranz 2009' [Assurance 2009 Real Estate Investments], 70% (2008: 63%) of the medium-sized insurance companies surveyed wanted to increase their property quota, whereas 25% (2008: 26%) wanted to maintain it at its current level. On average, the property quota has therefore lifted from 6% to 6.3%. In addition, we expect that the open-ended funds too, and especially the special funds, as well as closed-ended fund vehicles will continue to play an important role in the domestic market.

In addition to the fundamental data which can be positively assessed, national and international investors' perception of the significantly lower volatility of value trends of commercial real estate, compared with other countries, suggests that they will commit to the German real estate market. Thus, for 2010 we also expect an increase in cross-border investments by foreign investors. In particular, we have recently registered a greater number of opportunistic investors with Germany in their investment focus. In addition to office and retail properties in the metropolitan regions, housing in locations with sustainable population and economic structures can also be found on the shopping list.

In view of these outline conditions and the improving mood, we expect a higher volume of transactions of commercial real estate in Germany in 2010, of at least €12.5bn, whereof €1.5bn might be achieved in Berlin.

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