

**Q4 2009
compared to...**

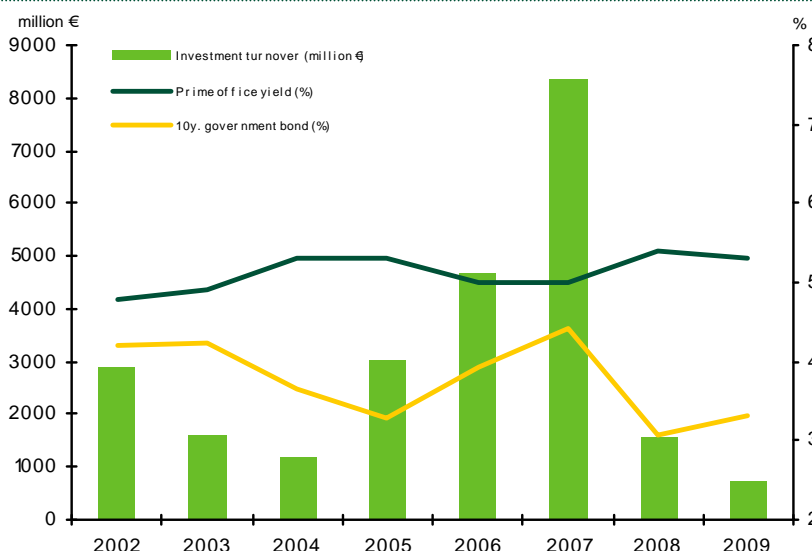
	Q3 09	Q4 08
Investment turnover	↑	↓
Number of transactions	↑	↓
Prime yield Office	↓	↓
Capital value index Office	↑	↑
Prime yield High Street Retail	→	→
Prime yield Shopping Centres	→	↑
Prime yield Retail Parks	→	→
Prime yield Logistics	→	↑

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.

In 2009, Frankfurt's investment market recorded its lowest volume of investments in the last eight years, of €735m, which was the lowest volume of the top locations. In comparison, Hamburg recorded approx. €1.48bn, followed by Munich with €1.35bn and Berlin with €1.19bn.

The players in the Frankfurt investment market were mainly national. Their share of the total volume transacted stood at just about 94% (in the previous year it was only 72%). On the selling side, the proportion of foreign players rose noticeably year-on-year from 15% to its present level of just 31%. Contrary to the expectations of many, opportunistic-oriented international investors who acquired properties in the city on the Main in the boom time with strong loan capital leverage, did not begin their retreat from Germany's largest financial centre. Investment focus remains on first class products with office use, even if the proportion fell compared to last year. In contrast, there were hardly any sales of retail properties, which made up only 3% of the volume of investments. An unusually high proportion was accounted for by other use classes (with a share of 29%), because of the large-volume sale of an underground car park at Frankfurt Airport. Compared to last year the prime yield for core office properties fell, as in the other top locations, by 10 basis points to 5.30% in Frankfurt, because of strong demand coupled with very limited supply.

Investment turnover Frankfurt



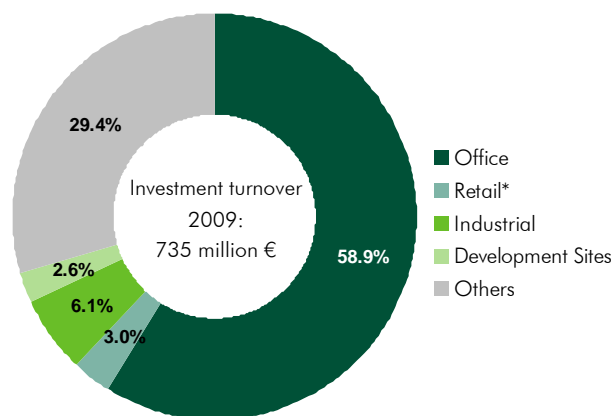
Investment market Frankfurt

In Frankfurt in 2009, a total of €735m was transacted in commercial properties. Compared to 2008 this represents a fall of 53%. The distribution of investment by use class has shifted conspicuously by comparison. If office properties were still in investors' favour, with 73%, in 2008, in 2009 this figure fell to just about 59%. For retail properties the proportion fell too from 10% to just only 3%; in absolute terms just €22m was invested in this sector in 2009. This contrasts, however, with relatively few investments last year – but these were large-volume ('Zeilgalerie' and individual mixed-use retail/commercial properties in prime locations). Investment in other use classes was strong by comparison. The sale of the car park at Frankfurt Airport – the second largest deal of 2009 after the sale of the 'Park Tower' office property – and hotel properties and data centres were particularly significant here. Investments in logistics/industrial properties and development sites for future commercial use remained – by relative proportion – around last year's level.

The general observation can be made of the Frankfurt market that – in line with global trends - traditional investors with strong equity capital (insurance companies / pension funds, open-ended funds / special funds and wealthy private investors) were particularly dominant on the purchasing side; overall they are responsible for around 64% of the total volume of transactions.

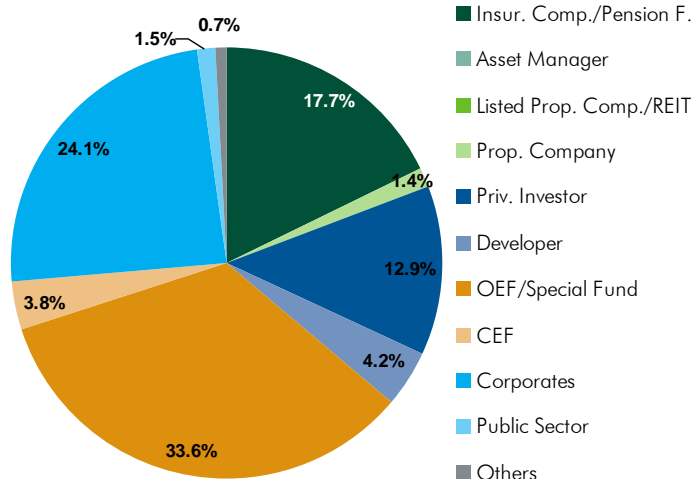
The largest investors on the Frankfurt market were the open-ended funds, with €247m. However, this amount is spread over a small number of transactions, including the acquisition by a fund vehicle of the 'ParkTower'. Open-ended funds / special funds have parted with several office properties as well as a car park at the airport. Nonetheless, the balance shows an increase in portfolios of properties worth around €97m. The property portfolios of the insurance companies – and particularly those of the pension funds, which in Frankfurt were acting exclusively as purchasers, have also grown and acquired assets (mainly with office use) of approx. €130m. Last year the amount invested in commercial properties, at €136.5m, stayed at a similar level. Businesses also invested more than they sold; here the balance stands at €112m, with investments of €177m and sales of just about €65m. In contrast, asset managers parted with their portfolios to a greater extent. They sold properties worth around €171m, whilst last year this figure was only €27m. Developers sold properties, including the 'westendFirst' and a development site in Cargo City Süd at Frankfurt Airport, with a volume of a good €197m. These players sold noticeably smaller properties, mainly office blocks needing updating.

INVESTMENT TURNOVER BY TYPE OF USE

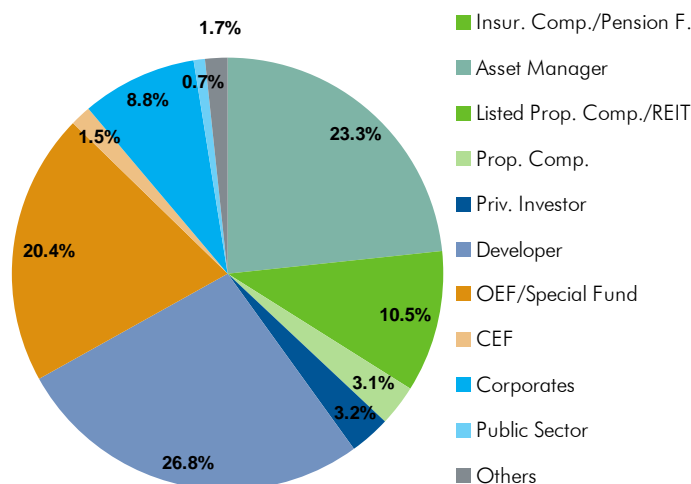


* High Street Retail and Shopping Centre

INVESTMENT TURNOVER BY TYPE OF INVESTOR

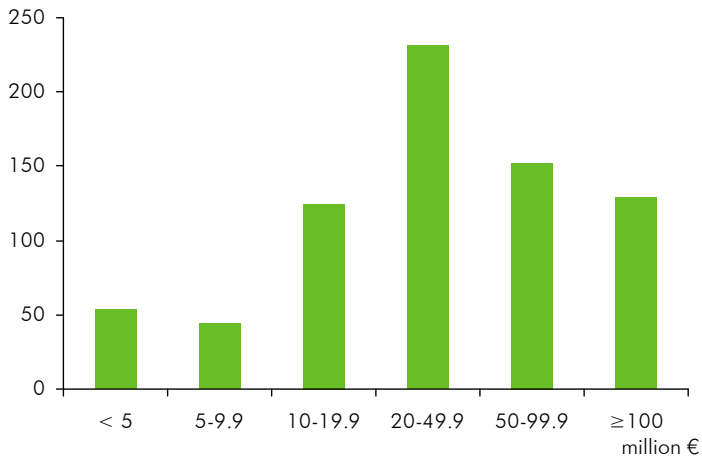


INVESTMENT TURNOVER BY TYPE OF VENDOR

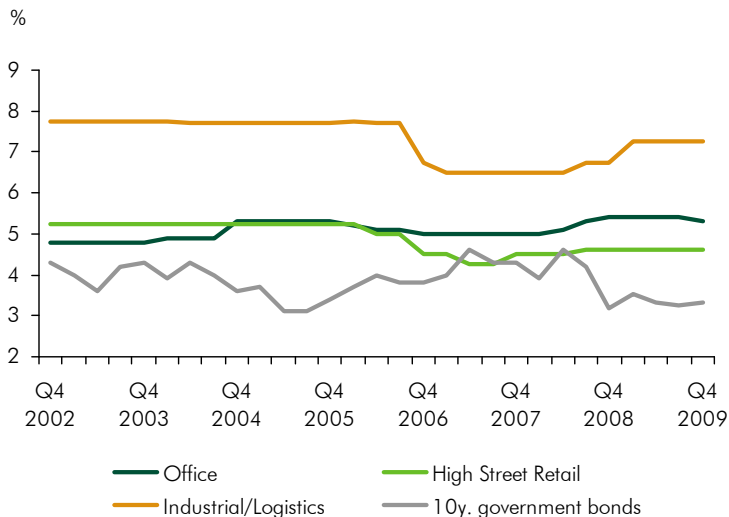


INVESTMENT TURNOVER BY SIZE

million €; cumulated

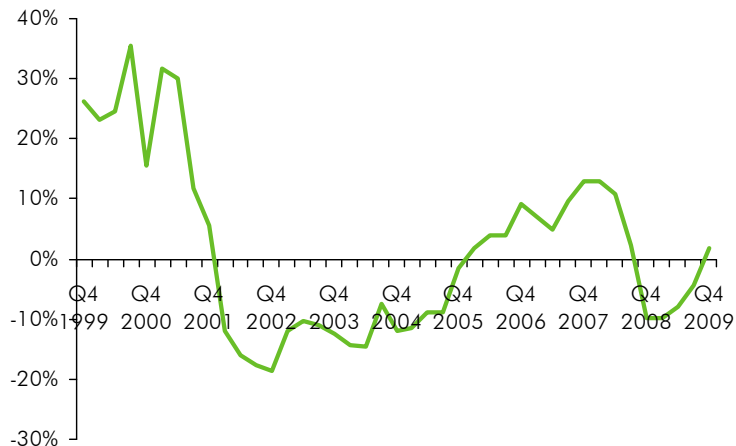


PRIME YIELDS COMMERCIAL REAL ESTATE



CAPITAL VALUES OFFICE

annual change; %



A good half of all purchase contracts (by number) were concluded in relation to properties with purchase prices of less than €10m, thus reflecting investors' strategy, constrained by finance, of becoming involved with a higher proportion of equity in properties where the investment amount is smaller. Accordingly the average purchase price stood at €17.9m, when the figure was still €24.4m the year before. In contrast, large deals were rare. In the €50m to €99m category there were only two transactions recorded: the sale of the underground car park at the airport and the 'westendFirst' office property. The sale of the 'ParkTower', in an amount of close to €123m, which was communicated to the market shortly before the year-end, was the only nine digit figure deal in 2009.

Development of prime yields

Because of increasing demand for core products and continued very limited supply, the prime yield for office properties reduced by 10 basis points in the top locations – with the exception of Berlin. At the end of 2009, in Frankfurt we recorded a prime yield for first class office properties of 5.30%. In comparison: Berlin remains unchanged at 5.50%, Dusseldorf at 5.20%, Hamburg at 5.00% and Munich at 4.90%. Compared with the benchmark yield for 10-year government bonds, this corresponds to a premium of 198 basis points for the Frankfurt market.

With regard to high street retail in Frankfurt's prime locations, compared to last year no increase in yields has been recorded for first class city centre retail properties. The yield here remains unchanged at 4.60% and corresponds to a premium of 128 basis points over the benchmark yield. It is precisely this sector which is enjoying very strong demand from both wealthy private investors and institutional investors, ensuring stable yields.

In contrast, the prime yield for shopping centres rose by 25 basis points compared to the end of 2008, following the trend across Germany, to a current 5.75%. On this basis, the premium over the benchmark yield stands at 243 basis points.

For high-quality logistics properties too, the prime yield in all the top locations rose compared to last year's level as a result of cyclical the re-pricing in this use class. In Frankfurt, Dusseldorf, Hamburg and Munich the increase amounted to 50 basis points. Here the yield stands at 7.25%. In Berlin the increase turned out to be rather weaker, of 25 basis points to 7.50%.

The capital value index for first class office properties stood at 202 points at the end of 2009 and so is slightly above last year's level. Aside from the financial capital, of the top locations only Düsseldorf has also been able to record a slight increase; in the other markets, capital values were still falling in the last quarter, even if they too increasingly seem to have reached their low point.

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 €1bn might be achieved in the financial centre Frankfurt.

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