

ECONOMIC CONTEXT

There are more signs of improvement in the French economy and indeed worldwide. Against all expectations and forecasts, **GDP in France rose in the 2nd quarter 2009**; INSEE's initial estimations put growth at 0.3% thanks to improvements in foreign trade. Moreover in a particularly precarious environment, household consumption has resisted, accelerating slightly in the 2nd quarter.

Yet we cannot let this relatively good news obscure the **very depressed state of the economy**. Car sales have been boosted by car swap allowances and consumption in general from low inflation, but the latter will not last forever.

The uncertainty hanging over consumption levels in 2010 is tangible. And while things seem to be improving slightly for industry and in the service sector, entrepreneurs in virtually every branch of the economy remain extremely cautious about their prospects for the future.

Corporate cashflow is still under pressure and access to credit has not improved. In fact, in July 2009 the slowdown in credits granted to non financial companies was accentuated. In conclusion, although the economy's prospects have improved, there are still **two many uncertainties to be able to point to a sustainable improvement in business activity.**

MAIN TRENDS

Offices

Take-up



Immediate supply



Average rent



Light industrial space and warehouses

Take-up



Immediate supply



Average rent



In the whole document:

- Trends in take-up are compared to the 1st half 2008.

- Trends in immediate supply and rents are compared to end 2008's figures.

- Rents are given in euros per sq. m pa and exclude taxes and service charges.

THE OFFICE MARKET

Regional cities	Immediate supply at 30/06/2009 (in sq. m)	Share of new supply	Take-up at 1 st half 2009 (in sq. m)	Share of new supply	Rents for new or redeveloped premises	Rent for second hand premises
Aix-en-Provence	55,000	↑	15,000	↓	140 / 170 =	100 / 140 =
Anncy	46,000	↑	10,500	↓	140 / 175 ↓	80 / 145 ↑
Avignon	22,900	↑	9,300	↑	140 / 145 ↓	80 / 120 ↓
Bordeaux	127,000	↑	38,900	↓	125 / 180 ↑	125 / 140 ↑
Caen	37,000	↑	7,500	↓	130 / 140 =	85 / 125 ↑
Clermont-Fd	32,000	↑	5,000	↓	130 / 145 ↓	110 / 130 ↑
Grenoble	115,000	↑	11,500	↓	135 / 160 ↑	80 / 120 ↓
Le Havre	20,000	↑	7,000	↑	120 / 160 =	80 / 120 ↓
Lille	220,000	↑	45,500	↓	185 ↓	115 / 150 =
Lyon	315,000	↑	61,300	↓	145 / 250 =	110 / 200 ↑
Marseille	160,000	↑	30,000	↑	130 / 250 ↓	90 / 200 ↑
Metz*	56,000	↓	17,000	↑	120 / 155 ↑	80 / 135 ↑
Montpellier*	35,000	↓	20,000	↓	100 / 148 ↑	79 / 122 ↓
Mulhouse	56,200	↑	8,000	=	110 / 165 ↓	50 / 150 ↑
Nancy	40,500	↓	18,100	↑	120 / 160 =	80 / 150 ↓
Nantes*	79,000	↑	31,000	↓	115 / 170 ↓	100 / 130 ↓
Nice	44,000	↓	12,000	↑	190 / 215 ↓	120 / 170 ↓
Orléans*	45,000	↓	18,000	↓	125 / 140 ↓	90 / 100 ↓
Rennes	100,000	↑	33,000	↑	165 / 185 ↑	120 / 160 ↑
Rouen	52,000	↑	12,000	↓	140 ↓	80 / 110 ↓
Sophia-Antipolis	41,000	↓	7,400	↓	190 / 200 =	125 / 155 ↓
Strasbourg	156,800	↑	29,100	↓	120 / 160 ↓	75 / 150 ↓
Toulouse	177,000	↑	52,700	↓	130 / 180 ↓	80 / 140 ↓

* Estimates N.D.: Not Determined

Source: CB Richard Ellis

Take-up down

Regional markets adjusted to changes with **take-up falling 18% compared to the same period in 2008**. In the 1st half of 2009, 444,000 sq. m were let or sold, some 126,000 sq. m less than a year ago. Although the crisis sometimes impacts markets severely, **regional France seems to have been more resilient than the Paris region** where demand fell by 25% in the same period.

Take-up in virtually all markets in the sample* shrank. Grenoble, Nantes, Lyon, Aix-en-Provence and Sophia-Antipolis were the hardest hit with annual drops ranging from 30% to 56%.

Factors in the economy curbed activity in these markets, starting with reductions in the number of transactions and their average size. **Large transactions were few and far between** as business needs for space shrank and business leaders took longer to reach decisions. Meanwhile, **tough credit conditions, which did not help buyers, and a lack of visibility for local businesses** made managers more hesitant and blocked projects in the pipeline, especially own-account and turnkey schemes.

Finally, **occupiers have been showing less interest in moving** for several months now. Any requirements that are received tend to be prompted by **cost-cutting exercises** and involve reducing the amount of space occupied and/or grouping sites. Note that some occupiers are just looking for market information so that they have a bargaining tool with which to renegotiate on-going leases. This competition with renegotiations is weighing heavily on take-up figures.

However, **a few cities have remained active despite the crisis**. Metz, Rennes, Marseille and Nice all saw take-up rise, sometimes by significant amounts, from +10% to +50%.

Some fundamental characteristics of regional markets have a positive impact on activity. Markets that have a strong network of SMEs working in a variety of industries can maintain take-up.

New developments are also key to stimulating take-up, a constant factor in regional markets. Despite the economic crisis, **the share of new space remained at 37%**. Businesses in regional France choose new space if properties are varied, well located and at affordable rents.

In the 1st half, there was a good selection of new, well located offices in Strasbourg, Bordeaux, Marseille and Nice and business leaders did not hesitate to take the opportunity these presented.

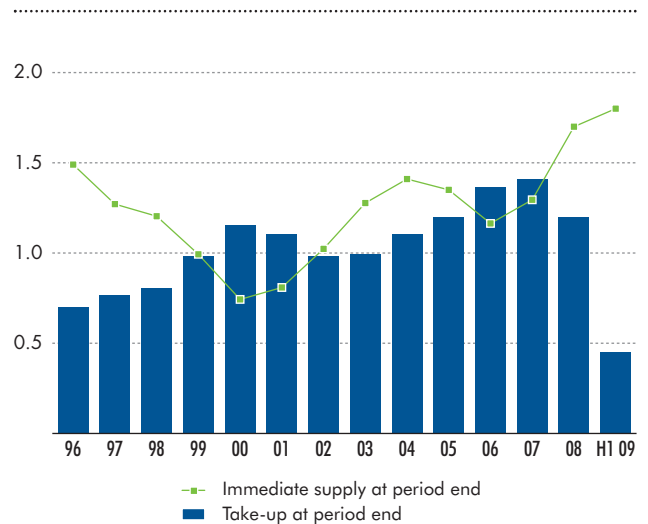
Immediate supply rises

Immediate supply in the 15 main cities* stood at 1.8 million sq. m at 1st July 2009, up 6% since the start of the year. This level of supply is one of the highest ever seen. It stems from an upward trend that started in 2003 and accelerated in 2009 due to the slowdown in take-up. A few markets saw their supply fall: Lille, Metz, Montpellier Nancy, Nice and Sophia-Antipolis.

At the end of the 1st half, **the share of available new supply, down by 3 points in 6 months, stood at 26%**. New buildings are rapidly let or sold and no speculative developments are in the pipeline. As a result the level of second hand offices in supply is getting steadily higher and there are more and more buildings on the market that are totally obsolete.

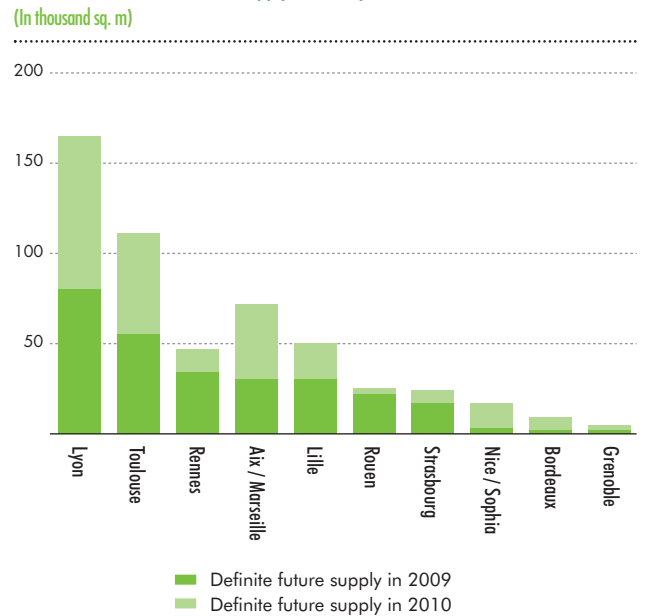
* Aix-en-Provence / Marseille, Bordeaux, Clermont-Ferrand, Grenoble, Lille, Lyon, Metz, Montpellier, Nantes, Nice / Sophia-Antipolis, Orléans, Rennes, Rouen, Strasbourg, Toulouse

Trends in immediate supply and take-up in offices in the 15 main regional cities* (In million sq. m)



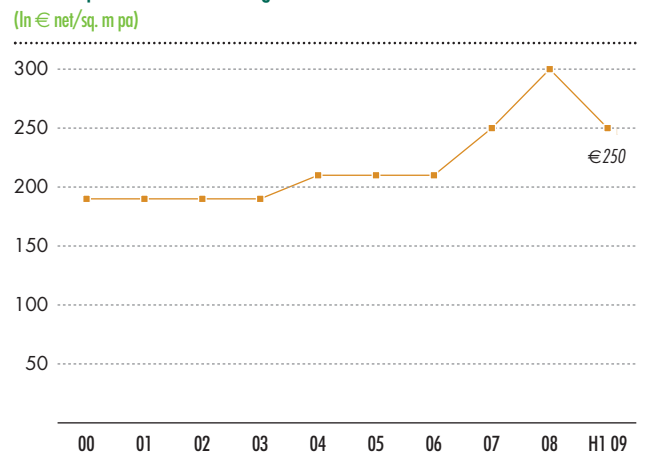
Source: CB Richard Ellis

Breakdown of definite future supply at 1st July 2009 (In thousand sq. m)



Source: CB Richard Ellis

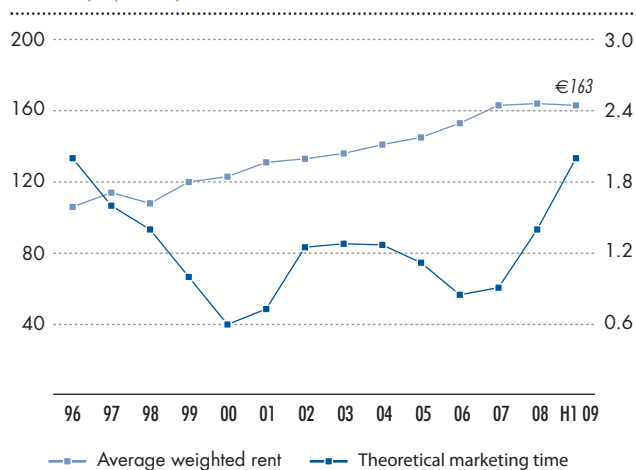
Trends in prime rent in the 15 regional main cities* (In € net/sq. m pa)



Source: CB Richard Ellis

Theoretical marketing period and average weighted rent in the 15 main regional cities*

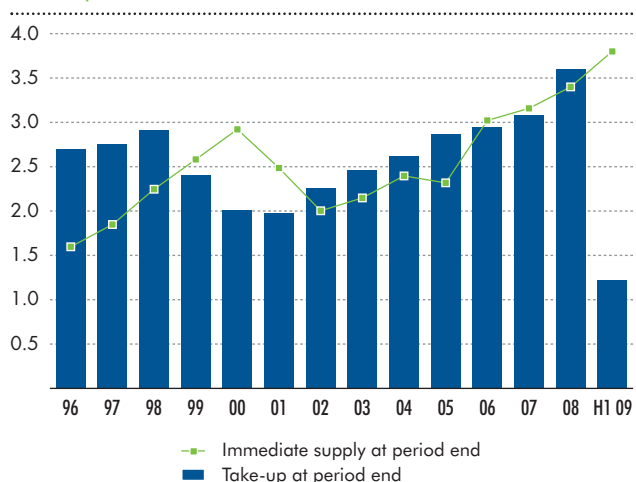
(In € net/sq. m pa and in year)



Source: CB Richard Ellis

Trends in immediate supply and take-up in warehouses and light industrial space in the 15 main regional cities*

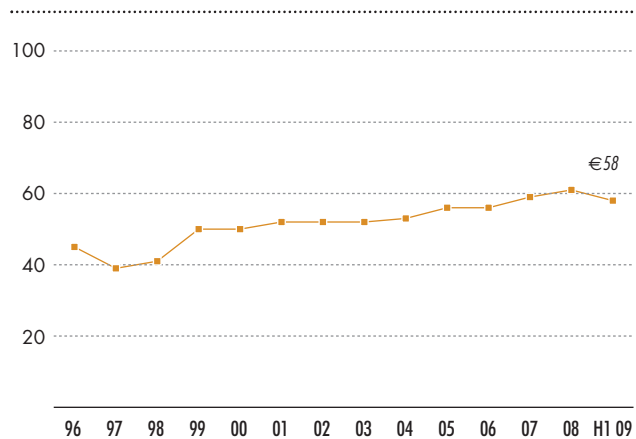
(In million sq. m)



Source: CB Richard Ellis

Trends in average weighted rent for new or redeveloped premises in the 15 main regional cities*

(In € net/sq. m pa)



Source: CB Richard Ellis

Very few buildings will be completed in the 15 cities examined in the **2nd half of 2009** (300,000 sq. m) and **2010** (250,000 sq. m). The lack of visibility is making developers reschedule projects to a later date or axe them altogether.

Headline values maintained

The average rent in the 15 principal regional cities* at the end of June 2009 stood at **€163 net/sq. m pa**. **The average fall was therefore less than 1% in six months**, leading to the conclusion that the volatility of rents has subsided, although other commercial concessions have become more frequent and substantial. For example **landlords are more willing to grant rent-free periods**. The effective rent has therefore fallen.

The **prime rent** peaked at €300 net/sq. m pa **dropping back to €250 net/sq. m pa**. This is mainly due to the fact there were **no transactions in the most popular sectors** rather than a drop in prime values. A typical case is that of Strasbourg where the so-called prime value was €160 in the absence of reference transactions in the market.

The average headline rent will continue falling in the 2nd half. However for prime rents, average rises are expected to be seen in several towns when transactions on new space are let or sold in the months ahead. This will be so in Strasbourg and in Lyon, which is expected to take the lead again as the most expensive city in France, excluding Ile-de-France, particularly with its Tour Oxygène.

THE MARKET FOR LIGHT INDUSTRIAL SPACE AND WAREHOUSES

Immediate supply continues to rise

Following a slight pause in 2006 and 2007, immediate supply in France's 15 major regional cities* started rising again to stand at **3.8 million sq. m at 1st July 2009, a 5% rise in 6 months**. All markets in the selected cities*, except for Lille, Montpellier and Orléans, followed the same rising trend. In Lille and Orléans, which are supply-rich markets, there were enough transactions to reduce total supply. In Montpellier, and several other markets, there was an absence of new development in 2009.

A fall in speculative development and occupiers' preference for new properties have led to a **reduction in the share of new space in available supply**. It fell by 2 points in 6 months to 21%. **Old, unsuitable premises that are difficult to let or sell are accounting for an ever-rising share of supply**. Some sectors, such as logistics activities, are big users of new space because regulations for warehouses are upgraded regularly therefore second hand space is rapidly made unsuitable or obsolete.

Definite future supply has fallen. The economic climate has prompted most developers to **reschedule speculative developments to a later date or at least put it on standby** until a tenant can be identified. Thus speculative schemes are estimated to total 400,000 sq. m and semi-speculative schemes increased to over 1,400,000 sq. m in the main cities*. Difficulties in the market emerge as and when supply is drained of quality space and new development dwindles.

Take-up falls

Take-up in the 1st half of 2009 stood at 1.2 million sq. m, 15% lower than at the same period in 2008. Most cities in the sample saw take-up fall. But take-up in Lille, Aix-en-Provence/Marseille and Rouen climbed at a steady pace. Some cities even saw a total pause in the market. Unsuitable supply is just as important as the economic crisis in causing the slow market.

The share of new space has increased, rising from 22% half way through 2008 (300,000 sq. m) to **40%** mid-2009 (500,000 sq. m). In the 1st half, occupiers were very interested in buying their premises, but not systematically across the country. Large sales to occupiers or self-build schemes bolstered take-up levels in some regions, but in other regions such acquisitions were blocked because there were no projects in the pipeline.

Rental values decrease

The average rent in the 15 major cities **fell by 5% in 6 months to stand at €58 net/sq. m pa.** This fall was obscured to a greater or lesser extent depending on the type of premises and the location due to the rise in commercial concessions granted by owners.

ZOOM: LOGISTICS IN FRANCE (> 10,000 SQ. M)

Decline in take-up

Take-up totalled **900,700 sq. m** in the 1st half of 2009, a 31% drop compared to the same period in 2008. Approximately 80% of take-up is situated along the principal north-south road axis across France, with notably a quarter of transactions taking place in the Rhône corridor, another quarter in Ile-de-France and the rest in the Greater North and Greater South. The north's share is shrinking while the south's is rising.

Supply on the increase

Immediately available supply has been rising steadily since the start of the year, increasing by 17% to **2.7 million sq. m** at 1st July 2009. The French logistics market is thus still in a situation of over supply - its vacancy rate is 11% - especially in Ile-de-France and the Rhône corridor.

Instability in the economy has made many developers stop speculative development, preferring to put projects on hold. As a result semi-speculative schemes in the pipeline totalled **3.5 million sq. m** at 1st July 2009. By contrast, speculative schemes fell to **586,100 sq. m.**

Rents under pressure

Following several quarters of stability, headline rents have been pushed down nationwide. They now stand between **€33 and 54 net/sq. m pa.**

* Aix-en-Provence / Marseille, Bordeaux, Clermont-Ferrand, Grenoble, Lille, Lyon, Metz, Montpellier, Nantes, Nice / Sophia-Antipolis, Orléans, Rennes, Rouen, Strasbourg, Toulouse

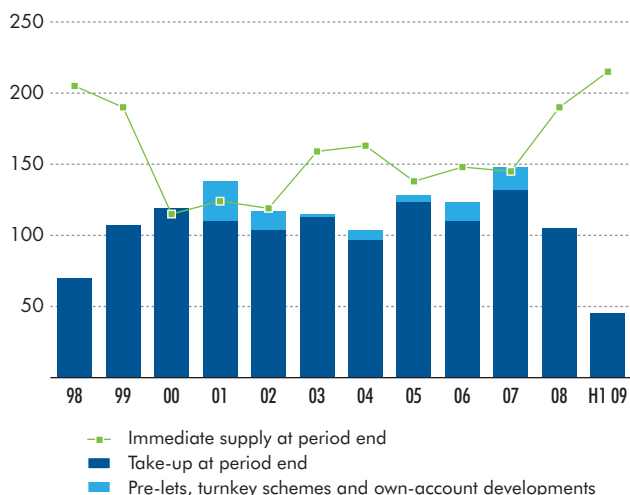
Regional cities	Immediate supply at 30/06/2009 (in sq. m)		Share of new supply	Take-up at 1 st half 2009 (in sq. m)		Share of new supply	Rents for new or redeveloped premises		Rent for second hand premises	
Aix-en-Provence	360,000	↑	20%	99,000	↓	59%	40 / 100	=	30 / 70	=
Anncy	145,000	↑	N.S.	22,300	↑	39%	80 / 100	↑	35 / 65	=
Bordeaux	287,400	↑	19%	50,300	↓	51%	45 / 78	↑	28 / 60	↑
Caen	183,000	↑	N.D.	24,000	↓	N.D.	45 / 50	↓	45 / 50	↑
Clermont-Ferrand	45,000	↑	10%	10,000	↓	50%	40 / 50	↓	20 / 40	=
Grenoble	88,000	↑	5%	35,200	↓	1%	78 / 84	↓	35 / 65	↑
Le Havre	220,000	↑	45%	47,000	↑	30%	47 / 65	↓	35 / 55	↑
Lille	358,100	↓	22%	219,300	↑	61%	41 / 55	↓	35 / 50	↓
Lyon	968,000	↑	24%	320,600	↓	48%	45 / 63	↓	35 / 55	↓
Marseille	90,000	↑	23%	28,500	↑	N.D.	60 / 110	=	40 / 65	↑
Metz*	120,000	↑	19%	35,200	↓	1%	40 / 75	=	N.D.	N.D.
Montpellier*	40,000	↓	N.D.	21,400	↓	2%	55 / 114	↑	50 / 71	↑
Mulhouse	199,800	↑	4%	41,300	↑	20%	45 / 100	=	22 / 90	↑
Nancy	18,000	↓	100%	N.S.	↓	0%	N.S.	N.S.	N.S.	N.S.
Nantes*	58,000	↑	N.D.	33,000	↓	N.D.	N.D.	N.D.	N.D.	N.D.
Nice	100,000	=	N.D.	15,000	↓	N.D.	N.D.	N.D.	N.D.	N.D.
Orléans*	270,000	↓	N.D.	60,000	↓	N.D.	40 / 60	↑	25 / 35	↓
Rennes	171,000	↑	20%	52,000	↓	20%	28 / 65	↓	30 / 55	↓
Rouen	119,500	↑	18%	69,000	↑	1%	44 / 60	=	20 / 50	=
Sophia-Antipolis	37,700	↑	11%	6,300	↓	N.S.	100	↓	75	↓
Strasbourg	506,800	↑	12%	114,400	↓	45%	48 / 95	=	30 / 87	↓
Toulouse	162,700	↑	20%	52,500	↓	37%	40 / 95	=	38 / 75	=

* Estimates N.D.: Not Determined N.S.: Not Significant

Source: CB Richard Ellis

Trends in immediate supply and take-up in offices

(In thousand sq. m)



Source: CB Richard Ellis

AIX-EN-PROVENCE* AND MARSEILLE

Offices

	Aix-en-Provence*		Marseille	
Immediate supply at 30/06/09	55,000 sq. m	↑	160,000 sq. m	↑
Share of new or redeveloped	8%		23%	
Vacancy rate at 30/06/09	9.6%	↑	7.3%	↑
Take-up at 1 st half 2009	15,000 sq. m	↓	30,000 sq. m	↑
New or redeveloped	€140 / 170	=	€130 / 250	↓
Second hand	€100 / 140	=	€90 / 200	↑

Source: CB Richard Ellis

Immediate supply, estimated at 215,000 sq. m at 1st July 2009, rose as new developments were completed in Marseille and companies vacated premises in Aix-en-Provence. Several new large scale developments, very much in demand in these markets that are often under supplied, will also arrive on the market before 2013. These include Euromed Center, Tour d'Arenc in Marseille and Parc Cézanne in Aix-en-Provence.

Despite the economic crisis, it appears that the level of take-up in 2009 will be strong. In the 1st half, transactional activity in Marseille kept the market buoyant. The plentiful supply of new premises in the 1st half made all the difference by enabling companies to move to quality office space.

On the whole, headline rents were stable in both cities although the number of rent-free periods has increased. Rents for prime space are €250 net/sq. m pa.

Light industrial space and warehouses

	Aix-en-Provence*		Marseille	
Immediate supply at 30/06/09	360,000 sq. m	↑	90,000 sq. m	↑
Share of new or redeveloped	20%		23%	
Take-up at 1 st half 2009	99,000 sq. m	↓	28,500 sq. m	↑
Share of pre-lets, turnkey schemes and own-account developments	6,000 sq. m		N.S.	
New or redeveloped	€40 / 100	=	€70 / 110	=
Second hand	€30 / 70	=	€40 / 65	↑

N.S.: Not significant

Source: CB Richard Ellis

The completion of several logistics platforms and industrial sites since the start of 2009 has greatly increased immediate supply in Aix-en-Provence* and Marseille. Some 80,000 sq. m of industrial space and 370,000 sq. m of warehousing were available at 1st July 2009 in Aix-en-Provence and Marseille. Apart from a few speculative warehouses in Aix-en-Provence, future supply has shrunk substantially in both cities.

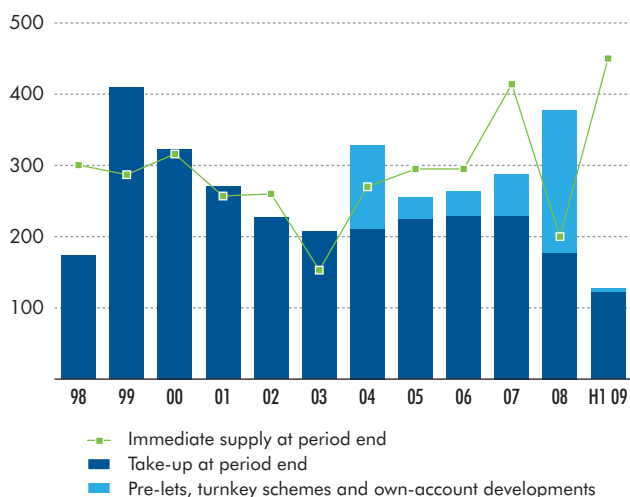
Compared to the 1st half 2008, take-up fell by 27% in Aix-en-Provence* while it rose by 14% in Marseille. Transactions on second hand space fuelled the market. The amount of pre-lets and the number of occupier sales remained low.

Rents have not shown much variation since the start of the year.

* Aix-en-Provence and Plaine de La Crau

Trends in immediate supply and take-up in warehouses and light industrial space

(In thousand sq. m)



Source: CB Richard Ellis

BORDEAUX

Offices

Immediate supply at 30/06/09	127,000 sq. m	↑
Share of new or redeveloped	29%	
Vacancy rate at 30/06/09	6.2%	↑
Take-up at 1 st half 2009	38,900 sq. m	↓
New or redeveloped	€125 / 180	↑
Second hand	€85 / 140	↑

Source: CB Richard Ellis

Although available supply rose slightly in the last six months, it contains a stable quantity of new space. The new space tends to be more concentrated in the western outskirts of the city than in the centre of Bordeaux where it is relatively scarce. Virtually no speculative schemes are in the pipeline; only 1,500 sq. m of space will be completed by the end of the year. New offices are expected to become increasingly scarce after 2010.

At the end of the 1st half of 2009, take-up was 9% lower than at the same date in 2008. The share of new space in take-up was large, standing at 42%. A substantial share of transactions was concluded only after lengthy negotiations, often commenced in 2008.

Transactions on units exceeding 1,000 sq. m are expected to play a greater role in the market this year because by the end of June the yearly average of 15 transactions had almost been reached.

Prime rents rose sharply due to transactions on new offices in very good locations.

Light industrial space and warehouses

Immediate supply at 30/06/09	287,400 sq. m	↑
Share of new or redeveloped	29%	
Take-up at 1 st half 2009	50,300 sq. m	↓
New or redeveloped	€45 / 78	↑
Second hand	€28 / 60	↑

Source: CB Richard Ellis

The immediate supply of light industrial space and warehouses, which has been on the rise since the start of the year, is dominated by warehouses. Supply is unevenly distributed across Bordeaux conurbation although more is available in north, south west and west Bordeaux.

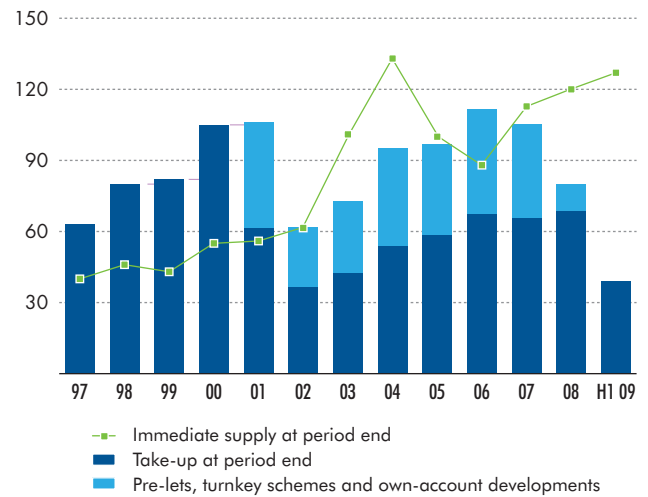
The majority of available supply is composed of second hand space which, in the context of a slowdown in construction, is likely to trigger an imbalance in the market between supply and demand in the months ahead.

Take-up in the 1st half was down; it was generally in sectors on the right bank of the Bordeaux conurbation. But the only significant transaction, a class A warehouse of 6,500 sq. m, was located in Cestas, in the southwest. The remaining new transactions were essentially on the right bank outside the Bordeaux conurbation.

Rental values rose, even though the spread of rents in Bordeaux is getting wider as city centre rents rise and peripheral rents fall.

Trends in immediate supply and take-up in offices

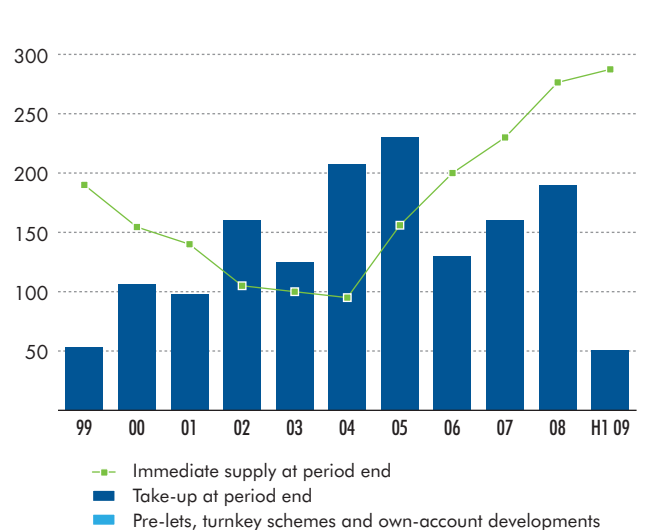
(In thousand sq. m)



Source: CB Richard Ellis

Trends in immediate supply and take-up in warehouses and light industrial space

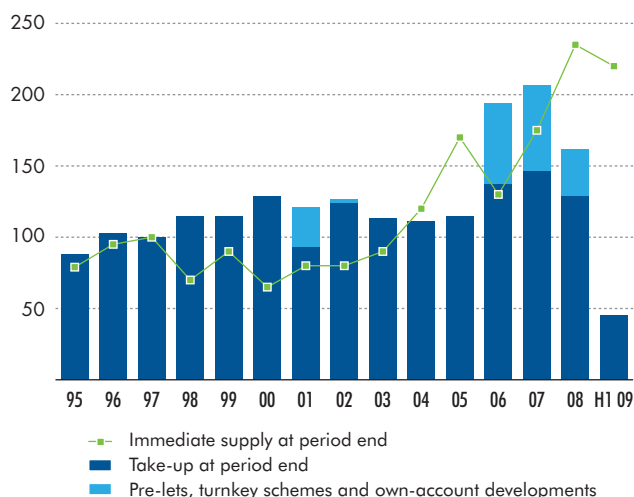
(In thousand sq. m)



Source: CB Richard Ellis

Trends in immediate supply and take-up in offices

(In thousand sq. m)



Source: CB Richard Ellis

LILLE

Offices

Immediate supply at 30/06/09	220,000 sq. m	↓
Share of new or redeveloped	27%	
Vacancy rate at 30/06/09	5.5%	↑
Take-up at 1 st half 2009	45,500 sq. m	↓
New or redeveloped	€185	↓
Second hand	€115 / 150	=

Source: CB Richard Ellis

The 5% fall in immediate supply in six months illustrates how market activity remained buoyant in the 1st half of 2009. Yet Lille is still a buyers' market with a significant proportion of quality offices available, leaving occupiers with a good choice and giving them the edge in negotiations.

Although take-up was 8% down on last year's figures at the same date, the 1st half of 2009 was quite active at 45,500 sq. m. Some companies do have large requirements but are taking longer to make decisions and for the moment no transaction above 1,500 sq. m has been signed. The breakdown of actual transactions is virtually identical to previous years.

Headline rents are stable for new premises, but more commercial incentives are incorporated into leases by landlords. Prime rents are in the region of €185 net/sq. m pa.

Light industrial space and warehouses

	Industrial		Warehouses	
Immediate supply at 30/06/09	210,000 sq. m	↓	148,100 sq. m	↑
Share of new or redeveloped	10%		52%	
Take-up at 1 st half 2009	40,000 sq. m	↓	179,300 sq. m	↑
Share of pre-lets, turnkey schemes and own-account developments	6,000 sq. m		109,400 sq. m	
New or redeveloped	€55	↓	€41 / 44	=
Second hand	€40 / 50	=	€35 / 39	↓

Source: CB Richard Ellis

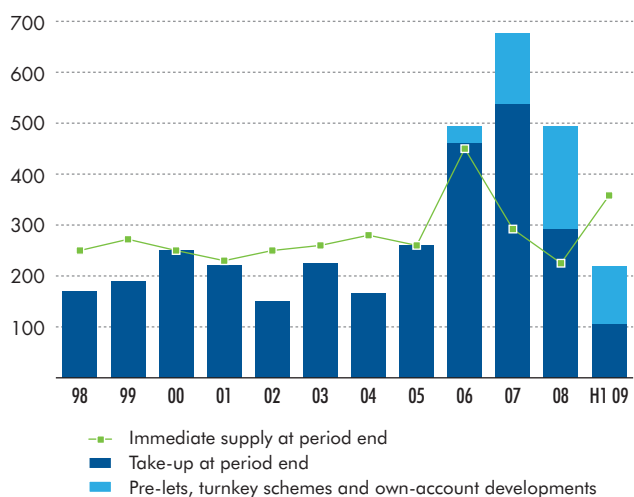
Immediate supply of light industrial space has fallen by 11% since the start of the year and is predominantly composed of old premises. During the same period immediate supply of logistics facilities dropped by 34%. The interruption of speculative development is creating problems for logistics operators who, on average, have short start up schedules of about 6 months.

At 1st July 2009 take-up of light industrial space was 20% down on 2008's half-year figure. By contrast the logistics market had grown by 23%. Following a relatively slow 1st quarter, market activity picked up in the 2nd quarter largely due to a 27,000 sq. m transaction. This market is dominated by companies looking for new or very recent space that meet all the latest standards.

Rental values changed little, but landlords are more inclined to grant more and larger commercial concessions in the logistics market.

Trends in immediate supply and take-up in warehouses and light industrial space

(In thousand sq. m)



Source: CB Richard Ellis

LYON Offices

Immediate supply at 30/06/09	315,000 sq. m	↑
Share of new or redeveloped	44%	
Vacancy rate at 30/06/09	7%	↑
Take-up at 1 st half 2009	61,300 sq. m	↓
Share of pre-lets, turnkey schemes and own-account developments	23,300 sq. m	
New or redeveloped	€145 / 250	=
Second hand	€110 / 200	↑

Source: CB Richard Ellis

Since the end of 2008, immediate supply rose due to the combined effect of several developments being completed and low take-up. By contrast, the sector of Part-Dieu is systematically busy and is experiencing a shortage of large good quality new units. Currently only three buildings can provide units of more than 7,000 sq. m.

The market in Lyon is affected by the crisis and saw a 43% fall in take-up compared to the 1st half of 2008. Since the start of the year, the market has been dominated by small and medium transactions. Nevertheless, there has been a rise in the number of pre-lets, turnkey schemes and own-account developments. As usual, occupiers show a clear preference for new premises.

Rental values for new premises, which have been stable since the start of the year, range from €145 to €250. Much higher rents may be paid for one-off opportunities or exceptional products.

Light industrial space and warehouses

	Light industrial		Warehouses	
Immediate supply at 30/06/09	380,000 sq. m	=	588,000 sq. m	↑
Share of new or redeveloped	5%		37%	
Take-up at 1 st half 2009	147,300 sq. m	↑	173,300 sq. m	↓
Share of pre-lets, turnkey schemes and own-account developments	22,100 sq. m		90,100 sq. m	
New or redeveloped	€ 55 / 63	↓	€ 45	↓
Second hand	€ 37 / 55	↓	€ 35 / 40	↑

Source: CB Richard Ellis

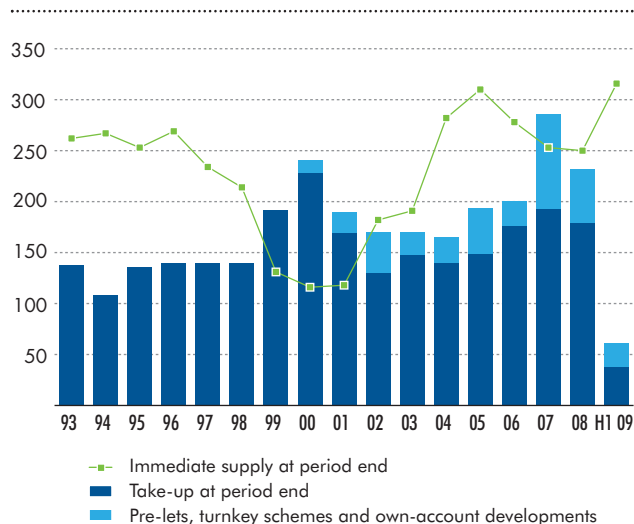
Immediate supply of light industrial space and warehouses has altered little since the start of the year. The only feature to have changed is the share of new warehousing, which fell significantly. The immediate supply of warehousing was fed by the completion of developments on Ile d'Abeau and by second hand class-A warehouses being put on the market. The market for industrial space has a limited amount of new supply.

Rising by 1.5%, take-up for industrial space has been resilient. The share of new premises was low, at 19%, but pre-lets and occupier sales continued at the same pace as in the 1st half of 2008. The 1st half figures for take-up in warehousing fell by 40% since mid-2008. But two transactions above 40,000 sq. m (Hartmann and Décathlon) were concluded. The most active seekers of space were consignors while service providers took a back seat. The majority of transactions, 73%, involved new premises.

Rental values have changed little since January 2009 and are well matched to the market.

Trends in immediate supply and take-up in offices

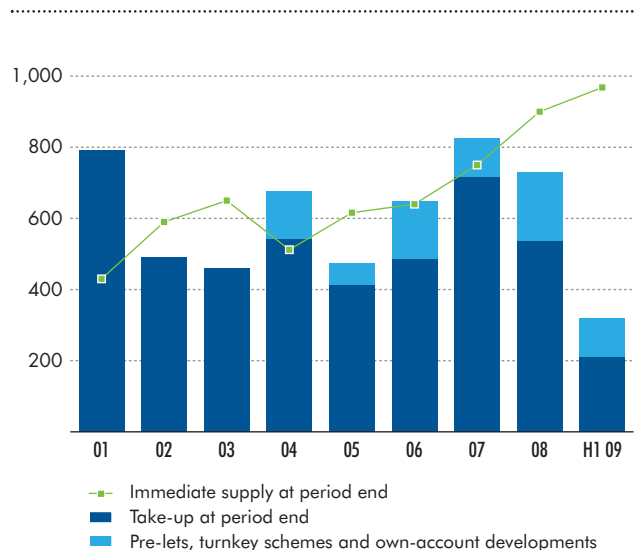
(In thousand sq. m)



Source: CB Richard Ellis

Trends in immediate supply and take-up in warehouses and light industrial space

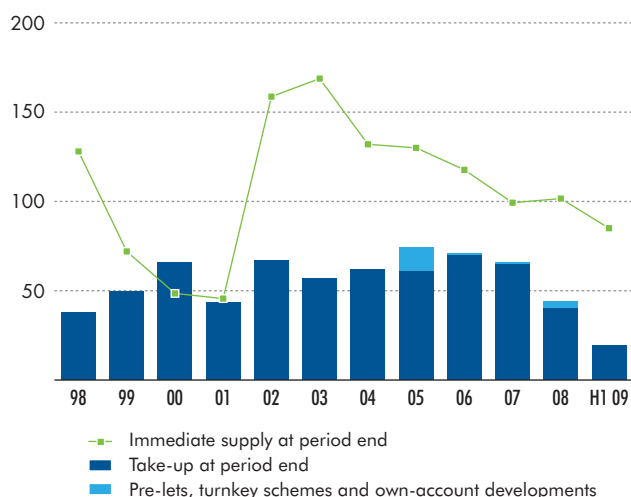
(In thousand sq. m)



Source: CB Richard Ellis

Trends in immediate supply and take-up in offices

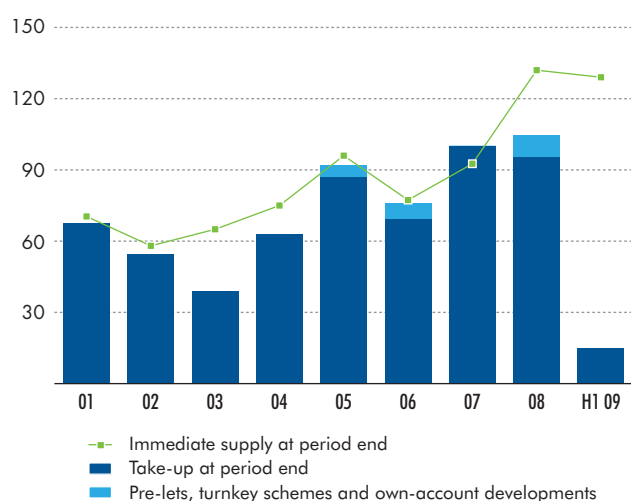
(In thousand sq. m)



Source: CB Richard Ellis

Trends in immediate supply and take-up in warehouses and light industrial space

(In thousand sq. m)



Source: CB Richard Ellis

NICE ET SOPHIA-ANTIPOLIS

Offices

	Nice		Sophia-Antipolis	
Immediate supply at 30/06/09	44,000 sq. m	↓	41,000 sq. m	↓
Share of new or redeveloped	59%	↓	20%	↓
Vacancy rate at 30/06/09	13.7%	↓	3.8%	↓
Take-up at 1 st half 2009	12,000 sq. m	↑	7,400 sq. m	↓
New or redeveloped	€190 / 215	↓	€200	=
Second hand	€120 / 170	↓	€125 / 155	↑

Source: CB Richard Ellis

Since January 2009, immediate supply fell by 21% in Sophia-Antipolis and by just 2% in Nice.

Available supply in Sophia-Antipolis is not expected to change much by the end of the year because no businesses are planning to close and only one development of 2,500 sq. m, known as WTC 5, will be completed. In 2010, Schneider Electric is leaving the site, however, and that will have a substantial impact on supply because the company will be vacating 9,000 sq. m. The "Business Pole" scheme of 3,800 sq. m is the total of future new supply. No developments are in the pipeline in Nice for completion in the 2nd half of 2009 and no probable schemes are on the cards before 2012. The Méridia development for 10,200 sq. m is the only development for 2010.

Take-up in Sophia-Antipolis was 48% lower in 2009 than in the same period last year. The number of transactions and their average size has fallen. The share of new space stood at 31%. In Nice, take-up was 20% higher in the 1st half 2009 than in 1st half 2008. However the number of office requirements has tended to fall since October 2008. Rental values are stable in Sophia-Antipolis and they fell in Nice. Commercial concessions granted by landlords have become more common in both markets.

Light industrial space and warehouses

	Nice		Sophia-Antipolis	
Immediate supply at 30/06/09	100,000 sq. m	=	37,700 sq. m	↑
Share of new or redeveloped	10%		11%	
Take-up at 1 st half 2009	15,000 sq. m	↓	6,300 sq. m	↓
New or redeveloped	€80 / 100	=	€100	↓
Second hand	€60 / 70	=	€75	↓

Source: CB Richard Ellis

Immediate supply has risen by 18% in Sophia-Antipolis and it has stabilised in Nice since the start of the year. There is very little new space in both sectors and the crisis has triggered a severe reduction in future supply. No speculative schemes have been started and a single semi-speculative scheme for 5,000 sq. m has been identified in Mouans Sartoux. These markets will be hit by a shortage of new space in the months ahead.

Take-up has fallen by 40% in Nice and 71% in Sophia-Antipolis. The markets are under a lot of pressure. Companies move either to become owners and have direct control of real estate costs or because they have to group together on one site.

Rental values have changed little since January even though negotiations are difficult.

STRASBOURG

Offices

Immediate supply at 30/06/09	156,800 sq. m	↑
Share of new or redeveloped	17%	
Vacancy rate at 30/06/09	5.6%	↑
Take-up at 1 st half 2009	29,100 sq. m	↓
Share of pre-lets, turnkey schemes and own-account developments	6,800 sq. m	
New or redeveloped	€120 / 160	↓
Second hand	€75 / 150	↓

Source: Rive Gauche - CB Richard Ellis

Since the end of 2008, the rate of supply growth has calmed down mainly due to a halt in speculative development. Following the increase in the amount of new supply due to many developments being completed in recent months, supply contains a significant amount of second hand space that is more difficult to market. Several office schemes in Strasbourg are on the drawing board, but the unstable economic climate is holding them up.

Take-up for the 1st half 2009 showed a year-on-year fall of 24%. This is due to the lack of large transactions and because occupiers are choosing to renegotiate on-going leases to lower real estate costs rather than move. Own-account developments and turnkey schemes have fallen sharply, but lettings of new premises rose by 22% in a year.

Headline rents are stable. The absence of transactions at the top-end of the market in the most sought-after sectors has, however, resulted in a temporary drop in typical rental values for new offices. The prime rent fell to €160 net/sq. m pa.

Light industrial space and warehouses

	Light industrial		Warehouses	
Immediate supply at 30/06/09	312,000 sq. m	↓	194,800 sq. m	↑
Share of new or redeveloped	4%		26%	
Take-up at 1 st half 2009	83,300 sq. m	↑	31,100 sq. m	↓
Share of pre-lets, turnkey schemes and own-account developments	24,500 sq. m		19,500 sq. m	
New or redeveloped	€60 / 95	=	€48 / 53	=
Second hand	€42 / 87	↓	€30 / 48	=

Source: Rive Gauche - CB Richard Ellis

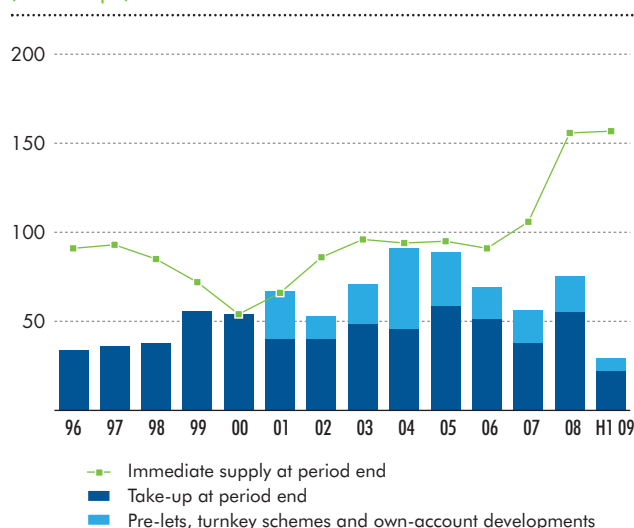
Immediate supply of light industrial space has been on the decline because developers have put a stop to speculative development, some sites have been withdrawn from the market to be redeveloped and letting activity has continued at a steady rate. Yet the rise in the number of companies going into business failure over the last few months will probably lead to an increase in supply. Available supply of warehouses has risen since the end of 2008 and contains a larger share of new space. The supply of second hand premises contains a substantial amount of unsuitable space.

There was a time lag before the economic crisis hit the market for industrial space, it therefore benefited from a good level of activity in the 1st quarter 2009. A large transaction by the French postal service, La Poste, successful local firms, and a very varied industrial fabric in the region all combined to increase demand. By contrast, as consignors withdrew from the market and the number of tenders fell, take-up of warehousing dropped.

Headline rents for light industrial space and warehouses remained virtually unchanged but landlords were more generous with other concessions for industrial space.

Trends in immediate supply and take-up in offices

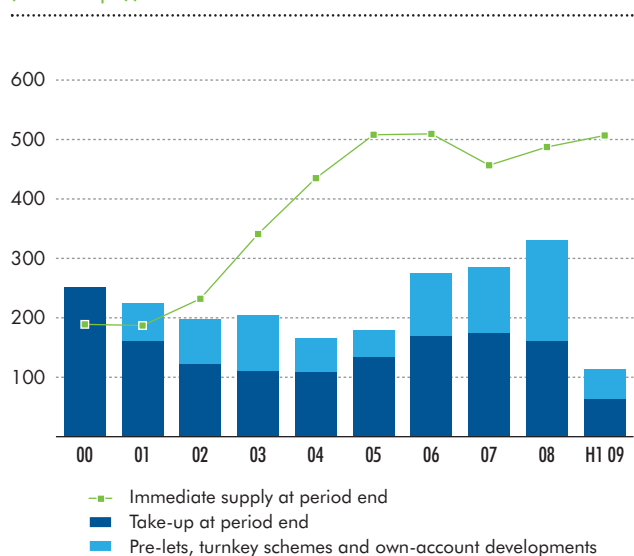
(In thousand sq. m)



Source: Rive Gauche - CB Richard Ellis

Trends in immediate supply and take-up in warehouses and light industrial space

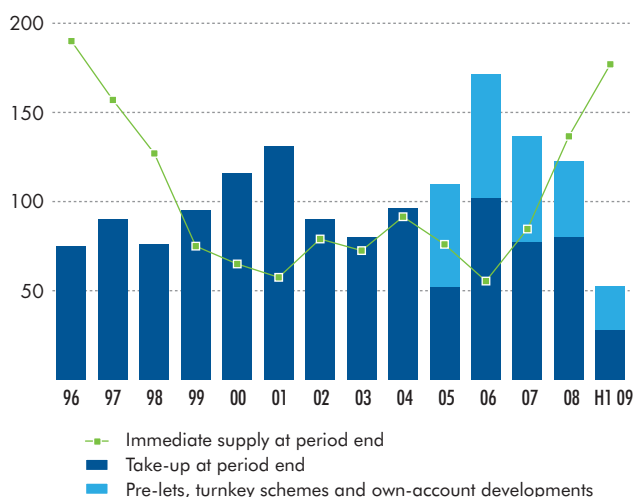
(In thousand sq. m)



Source: Rive Gauche - CB Richard Ellis

Trends in immediate supply and take-up in offices

(In thousand sq. m)



Source: CB Richard Ellis

TOULOUSE

Offices

Immediate supply at 30/06/09	177,000 sq. m	↑
Share of new or redeveloped	38%	
Vacancy rate at 30/06/09	5.3%	↑
Take-up at 1 st half 2009	52,700 sq. m	↓
Share of pre-lets, turnkey schemes and own-account developments	25,000 sq. m	
New or redeveloped	€130 / 180	=
Second hand	€80 / 140	↓

Source: CB Richard Ellis

Immediate supply rose by 30% in six months. It contained a 4 points rise in the share of new premises due to a wave of new space being completed in 2009. More programmes are expected in 2010. The aeronautics sector, already well supplied, will see more new constructions in the Andromède estate in Blagnac. Toulouse is thus an occupiers' market with a significant quantity of quality space. Given the amount of development in the pipeline that will be completed soon, new projects have been put on hold.

There was a constant level of activity in the market in the 1st half of 2009 with take-up lower by just 1% compared to 2008's figures. At 57%, the share of new space in take-up rose; it is composed almost entirely of pre-lets, turnkey schemes, and own-account developments. Take-up was also marked by transactions above 2,000 sq. m.

Prime rents were stable with headline rents for new offices changing little, although commercial concessions granted by landlords are on the rise. There are great variations in rents for second hand offices depending on their quality and their location.

Light industrial space and warehouses

Immediate supply at 30/06/09	162,700 sq. m	↑
Share of new or redeveloped	20%	
Take-up at 1 st half 2009	52,500 sq. m	↓
Share of pre-lets, turnkey schemes and own-account developments	18,000 sq. m	
New or redeveloped	€40 / 95	=
Second hand	€38 / 75	=

Source: CB Richard Ellis

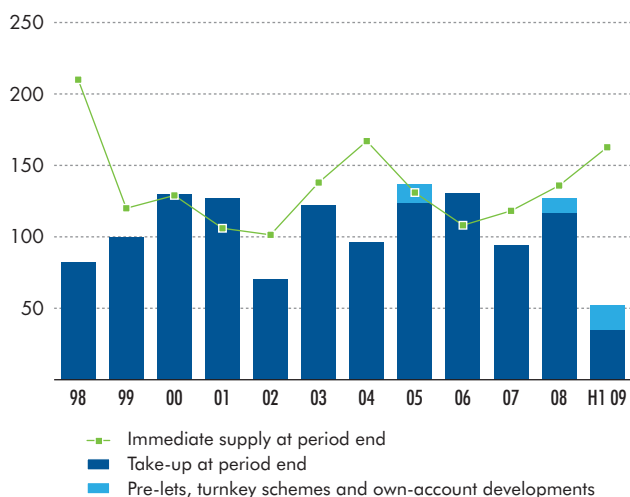
Immediate supply has increased by 20% since the start of 2009. The supply of industrial space stood at 109,300 sq. m and that of warehouses at 53,400 sq. m mainly composed of units smaller than 5,000 sq. m. Only one 10,000 sq. m logistics development is due on the market in the year ahead.

Take-up for the 1st half 2009 fell by 38% compared to mid-2008. Most market activity centred around industrial premises, the majority of which were second hand. There were 54 transactions, including 16 new light industrial premises under 500 sq. m and one 9,000 sq. m warehouse situated in the Barcelona dry port in Eurocentre.

Rental values were stable because landlords preferred to adjust commercial concessions.

Trends in immediate supply and take-up in warehouses and light industrial space

(In thousand sq. m)

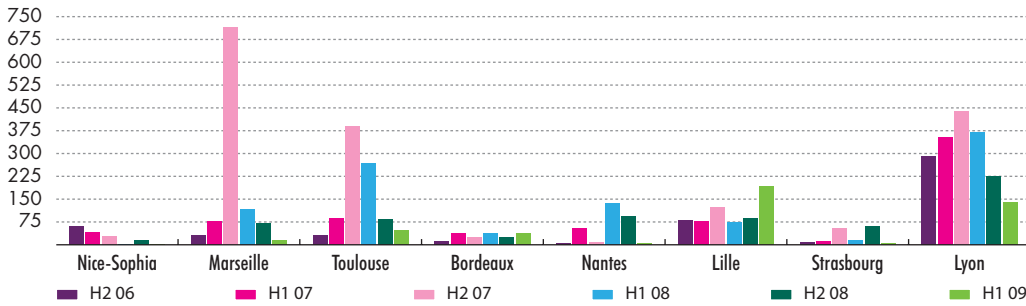


Source: CB Richard Ellis

THE INVESTMENT MARKET

Trends in commercial real estate investment in the main regional cities

(In million euros - excluding multi-site portfolios)



Source: CB Richard Ellis

Investment in regional France fell by 49% to **less than 1 billion euros** in the 1st half of 2009, a less **spectacular fall** than the 68% seen nationwide. Virtually no activity took place in the 1st quarter – only 240 million euros were invested – then **the market picked up in the 2nd quarter, boosted by the first large transactions of the year**. The Alcudia portfolio (mainly composed of regional assets) was sold by Casino to Mercyalis for 334 million euros and the “31” development in Lille was sold for 160 million euros. These large deals on retail facilities meant the **share of retail in investment rose to 63%**. By contrast, investment activity in industrial space and warehousing and in the office sector slowed down because credit difficulties prevented any off-plan sales; the share of industrial space and warehouses in investment shrank to 15% and that of offices, to 22%. The size of the Alcudia deal also skewed figures for investment in the 8 largest cities, which dropped to 45%. Lille grabbed the first place in investment rankings because of the one-off “31” sale; **investment in most other cities slumped**. The exceptions are Lyon and, to an even greater extent, Bordeaux, where markets were relatively resilient.

Investment in regional France

(In million euros)

2000	607
2001	735
2002	946
2003	1,327
2004	1,449
2005	3,212
2006	3,001
2007	4,375
2008	3,110
H1 2009	966

Source: CB Richard Ellis

Investors are still refusing to reduce prices, so the number of sales between investors remained low, accounting for 19% of investment. The high share of occupier sales, 35%, is due to the Alcudia transaction. Developers were the main sellers feeding supply, with 46% of total sales. But buyers are no longer buying off-plan, they are now looking for new properties that are already completed and let. Property companies, that have always been active in regional markets, became the main buyers once again with 41% of acquisitions, mainly due to the Alcudia transaction. The acquisition of “31” by Anglo-Saxon investors marked the **return of funds** (25%). Equity investors – mainly institutional investors (23%), SCPIs and insurance companies – are coming up against more competition from private investors (11%). Despite the reappearance of international players in the 2nd quarter, **French investors still dominated the market** with 67%. **Prime yields** have been rising steadily for more than a year, but they now seem **to have stabilised in major regional cities** like Lyon and Marseille, or at least the rate of increase has slowed down. However the spread of yields is getting wider for secondary or insecure assets.

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