

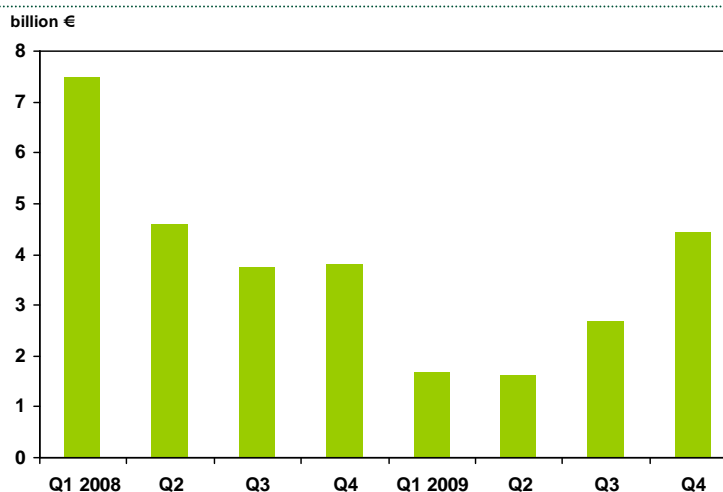
## Q4 2009 compared to...

	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. With €1.48bn, Hamburg lies in first place, followed by Munich with €1.35bn. A total of €1.19bn was registered in Berlin's investment market, whilst only €735m was accounted for by the financial centre, Frankfurt, which is the lowest volume of transactions of the last eight years.

In 2009, investors focused on office properties with around €5.1bn (49% of the volume of transactions) and retail property with approx. €3.47bn (33%). Development sites accounted for around €538m (5.1%), whilst in the case of logistics and industrial properties, the figure invested was only 4.4% or around €460m. In particular, German investors with high levels of equity capital, such as open-ended / special funds, insurance companies, pension funds and wealthy private investors, were dominant in the domestic investment market. Foreign investors were selective in their purchases. In fact, some of the more opportunistic foreign investors were forced to distance themselves from Germany in view of the unfulfilled business strategies for the properties purchased during the last boom phase, whereby the wave of forced sales forecast by some market participants for 2009 did not occur and is also not expected for 2010. As a result of restrictive financing conditions, the majority of the investment volume, of approx. €9.3bn, was accounted for by single asset deals (which equates to 89% of the volume of transactions). By the end of the year, prime yields (net initial yields) for office properties decreased slightly to their current levels of 4.90% in Munich, 5.00% in Hamburg, 5.20% in Dusseldorf and 5.30% in Frankfurt. Only Berlin registered a prime yield of 5.50% which remained at same level as the previous quarter; this was also the case in respect of core properties with other types of use.

### Investment turnover Germany



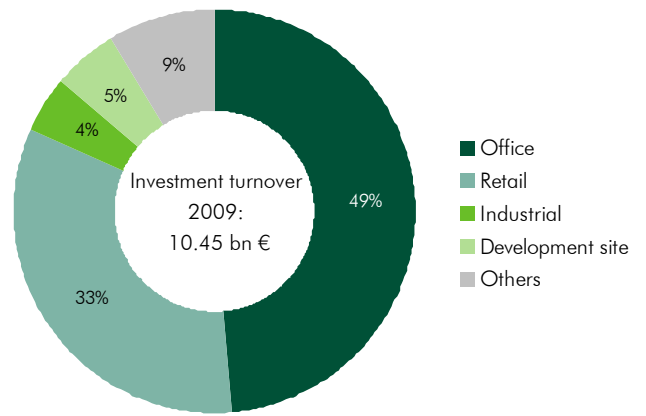
### Investment market Germany

In 2009, a total of €10.45bn was invested in commercial real estate and development sites with future commercial use. In contrast to the year before, this is the equivalent of a fall of more than 47%. At €5.1bn, almost a half of the transaction volume flowed into office properties. Around a third (approx. €3.5bn) was invested in properties with retail use. In view of the depressive macro economic trends, investor focus in the case of office investments has shifted predominantly to low risk properties with long-term lease contracts to creditworthy companies or the public sector. In addition, investors were increasingly demanding mixed-use commercial properties in city centre locations and first class, large-scale shopping centres and high turnover retail warehouses and retail parks. A figure of almost €2.1bn was invested in these large-scale retail formats, which can demonstrate a broad tenant mix and stable cashflows. In contrast, as a result of financing constraints and depressive economic forecasts, development sites (€538m) and logistics / production properties (€460m) played a lesser role. In logistics properties in particular, investment activity reduced compared to the year before, due to a scarcity of product availability from around 14% of the volume of transactions to its more recent level of only 4%, whereby in 2008 this asset class was dominated by the sale of the *Deutsche Post* logistics portfolio. In view of the continued difficult and selective financing conditions, no larger portfolio transactions were registered in 2009, compared to the boom years. Only 11% of the total investment volume for Germany, or €1.14bn, was the subject of portfolio transactions; in 2008, this figure was almost €6.8bn.

On the part of investors, purchaser groups with strong equity capital dominated investment activities in 2009, whereby almost €3.3bn was accounted for by (German) open-ended funds and special funds alone. Especially in this investor group, we observed a change in strategy in the direction of national core markets as a result of the financial market crisis. In addition, private investors and closed-ended fund vehicles were more strongly active in the domestic market, whereby these invested mainly in properties with lower investment volumes which have demonstrated a high alternative or third party use potential, and therefore are more marketable and easier to sell.

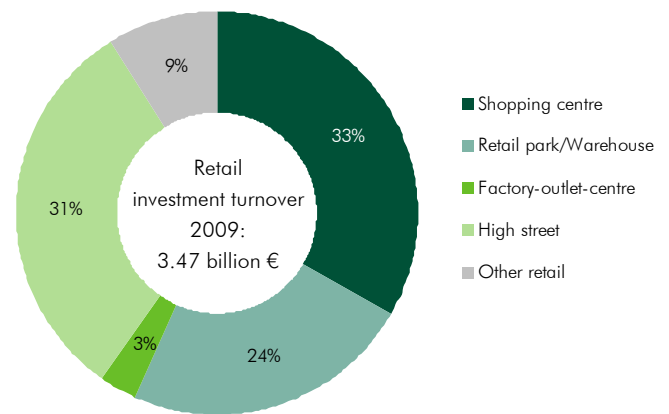
On the selling side, in addition to project developers (€3.4bn; incl. 'Schlosshöfe Oldenburg', the 'P5' in Berlin and the *E.On Bayern* headquarters in Regensburg), listed property companies, who were under great pressure to dispose of their property as a result of the dramatic fall in exchange rates, parted with properties of around € 2.1bn. Other active players included corporates with almost €1.2bn and asset / fund managers with over €1bn.

### INVESTMENT TURNOVER BY TYPE OF USE

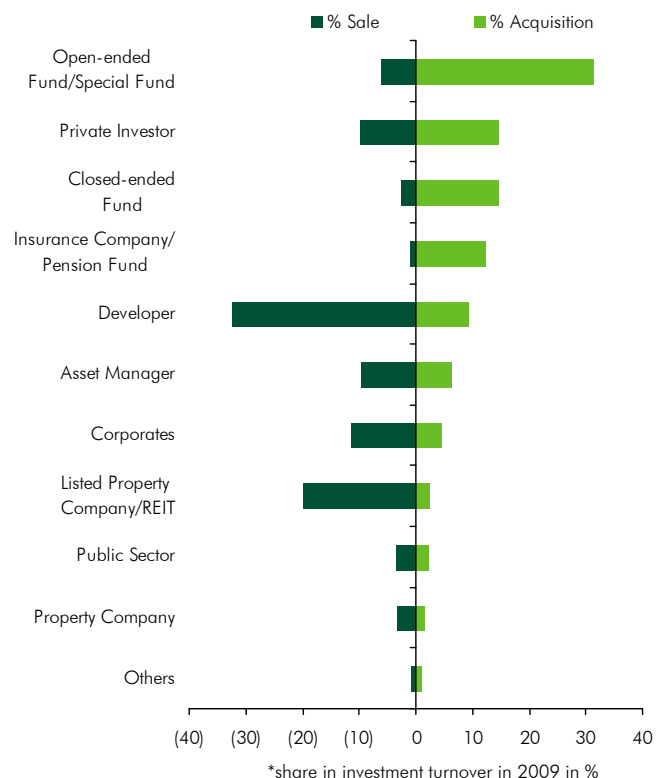


\* High Street Retail and Shopping Centre

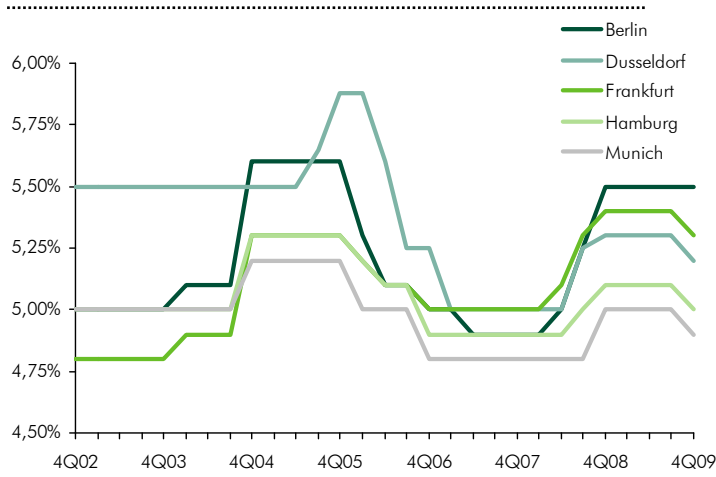
### RETAIL INVESTMENT TURNOVER BY TYPE OF USE



### INVESTMENT TURNOVER BY TYPE OF INVESTOR\*



**OFFICE**



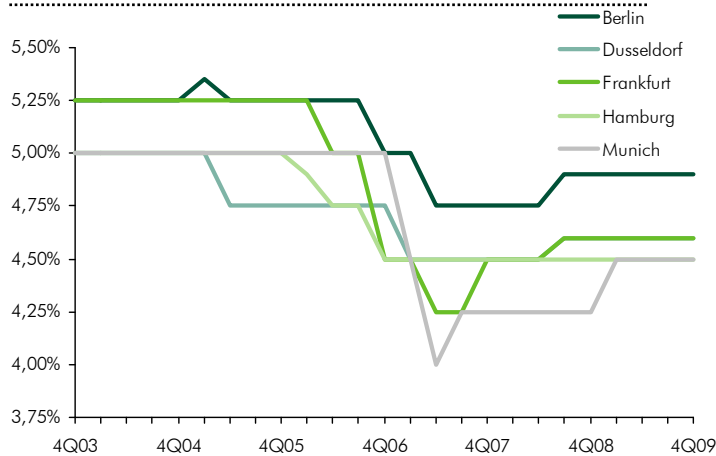
**Development of prime yields**

Due to the increasing demand for core products coupled with a limited supply of suitable investment properties, we registered falling prime yields for office properties in prime locations in the investment centres (with the exception of Berlin) in the fourth quarter of 2009.

In Munich (4.90%), Hamburg (5.00%), Dusseldorf (5.20%) and Frankfurt (5.30%), prime yields for first class office properties with creditworthy tenants and long-term lease contracts each fell by 10 basis points in a year-on-year comparison; in Berlin, they remained constant at 5.50%. For properties outside the top segment, yields remain considerably higher.

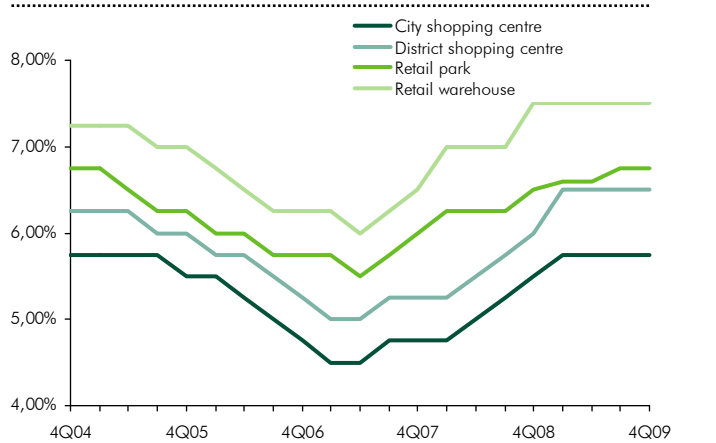
Compared to the benchmark yield for 10-year government bonds, which can be considered an alternative to a real estate investment and was 3.32% by year-end 2009, the risk spread for first class real estate investments in the five major investment centres of Berlin, Dusseldorf, Frankfurt, Hamburg and Munich ranged between 218 and 158 basis points.

**HIGH STREET RETAIL**



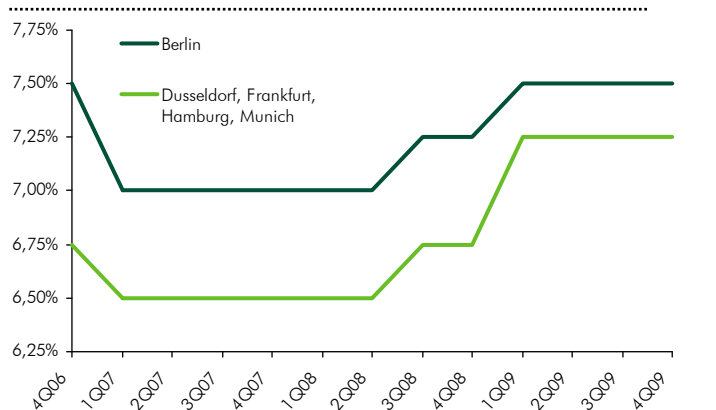
In the high street retail property segment in prime locations, prime yields generally remained stable. We only registered a rise of 25 basis points in the final quarter in Munich. This means that prime yields for the best city centre retail properties are at a current level of 4.50% (Munich and Hamburg) to 4.90% (Berlin). Compared to the benchmark yield for 10-year government bonds, this produces a premium of between 118 and 158 basis points. In the case of shopping centres, a yield rise of 25 basis points to 5.75% was registered in all locations compared to the year before. For retail parks, we have registered a prime yield by year-end 2009 of 6.75%, which is also 25 basis points higher than the rate registered at the end of 2008. In contrast, prime yields for retail warehouses remained at 7.50%.

**SHOPPING CENTRE/RETAIL PARK**



In the case of prime yields for modern logistics properties, we have registered a stable level of 7.50% in Berlin since the start of 2009 and 7.25% in the other four major locations. Year-on-year, this corresponds to a rise of 25 basis points (Berlin) and 50 basis points (Dusseldorf, Frankfurt, Hamburg and Munich).

**INDUSTRIAL/LOGISTICS**



A discrepancy remains between the price expectations of purchasers and vendors, especially in the case of B and C class properties in peripheral locations. This lack of re-pricing to reflect the new risk scenario, particularly on the part of vendors, means that there is distinct scarcity of comparable values. However, in international terms, value and price trends in the German commercial real estate market are less volatile. Nonetheless, we expect a continued fall in prices and thereby rising initial yields, particularly in the case of non-prime properties in secondary locations.

## Development of capital values in the top 5 office locations

By year-end 2009, the weighted average prime yield for modern, city centre office properties was 5.20%; this was slightly lower than the previous year's figure, due to very high demand for core products coupled with a very limited supply. The weighted index for the yield development in the five prime locations fell by 1.6% compared to the previous year, standing at 106 index points by year-end 2009. The last time this value was reached was at the end of the first quarter of 2006.

At 207 points, the rental growth index by year-end 2009 was a good 3% below the previous year's figure. This figure was last registered at the end of the third quarter 2007.

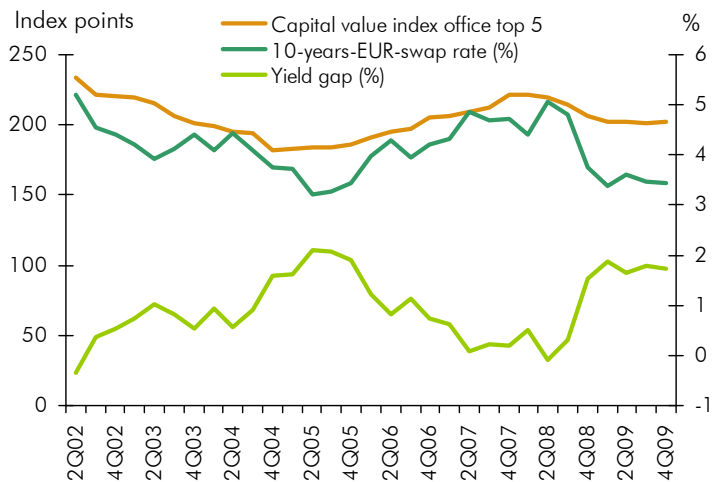
The reduction in achievable prime rents in the investment centres (with the exception of Frankfurt) and reduced prime yields for office properties (with the exception of Berlin) meant that the weighted, aggregate capital value index for the five prime locations in Germany in the fourth quarter 2009 fell by 2% year-on-year to 202 index points.

The downturn in the capital value indices in the five prime office locations was between -9.1% (Berlin) and -2.3% (Hamburg). In Munich, the fall amounted to 2.8%. In Düsseldorf, the capital value index rose by 1% year-on-year as a result of higher purchase prices; the rise in Frankfurt was even greater at 1.9%. In international terms, premium properties in the German investment centres remained relatively robust and less volatile, despite the difficult market environment.

## Financial market environment

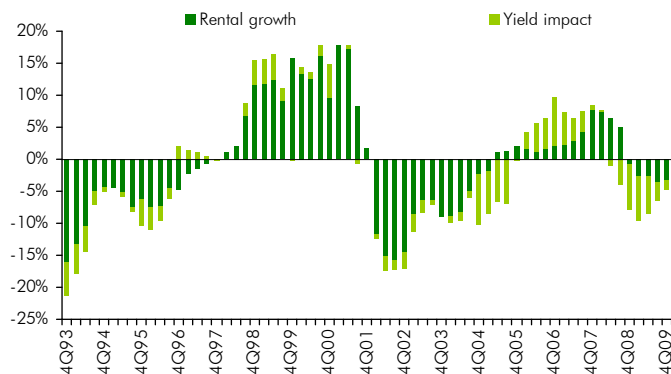
Global financial markets have fundamentally recovered over the last few months, so that a more stable market environment is expected for investment decisions in 2010. Inflationary expectations for German consumer prices appear too high considering the falling M3 monetary supply and a historic low in production activity in the manufacturing sector. In the medium-term, a longer period of low inflation rates should be expected. This low inflation, coupled with the expected stability in interest rate conditions, will increasingly promote real estate as an attractive investment, due to the relatively high interest rates in real terms and positive credit leverage. A rash reversal of the historic low in loan provision by corporate banks does not appear realistic, given the low use being made of the 'Bad Bank' statutory provisions. Low interest rate conditions will facilitate the extending of current credit commitments with existing loan providers, whilst refinancing with another bank is not widely available due to the increased requirements for equity capital in the case of new business.

## CAPITAL VALUE INDEX OFFICE, BENCHMARK YIELD & YIELD GAP

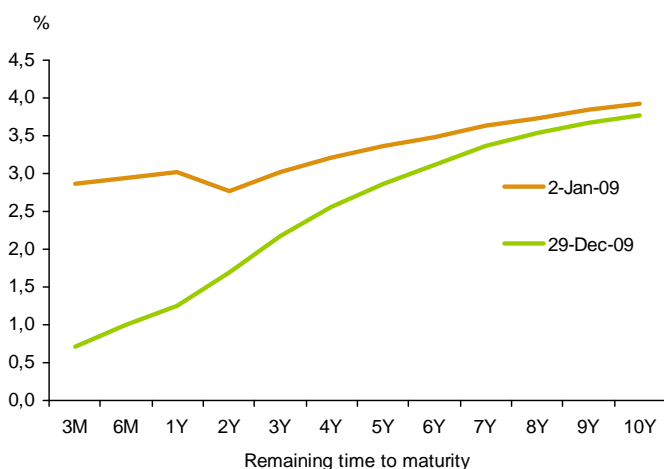


Yield gap = difference between the weighted prime yield in the top five office locations and the 10-years-Euribor-swap rate

## ANNUAL PERFORMANCE, TOP 5 OFFICE MARKETS



## PFANDBRIEF-SPREADS



Source: Bloomberg

## Overview prime yields Q4 2009

	Q4 2009 (%)	Δ Q4 2008 BP		Q4 2009 (%)	Δ Q4 2008 BP
Office: Berlin	5.50	0	High street retail: Berlin	4.90	0
Office: Dusseldorf	5.20	-10	High street retail: Dusseldorf	4.60	0
Office: Frankfurt	5.30	-10	High street retail: Frankfurt	4.60	0
Office: Hamburg	5.00	-10	High street retail: Hamburg	4.50	0
Office: Munich	4.90	-10	High street retail: Munich	4.50	25
Logistics: Berlin	7.50	25	Shopping centre (City)	5.75	25
Logistics: Dusseldorf	7.25	50	Shopping centre (District)	6.50	25
Logistics: Frankfurt	7.25	50	Retail park	6.75	25
Logistics: Hamburg	7.25	50	Retail warehouse	7.50	0
Logistics: Munich	7.25	50			

BP = Basis Points

## CB Richard Ellis quarterly index office\* Q4 2009

	Index Q1 1986 = 100	Δ % Q3 2009	Δ % Q4 2008
<b>Prime yield</b>	105.5	-1.6	-1.6
<b>Prime rent</b>	207.1	-1.1	-3.3
<b>Capital value</b>	202.2	0.5	-1.7

\* Top 5 (Berlin, Dusseldorf, Frankfurt, Hamburg, Munich)

## Macroeconomic data and forecasts\*

	2008	2009	2010f	2011f
<b>Gross domestic product (real) Germany</b>	1.3	-5.0	1.7	1.6
<b>Eurozone</b>	0.6	-4.0	1.1	1.7
<b>Großbritannien</b>	0.6	-4.8	1.4	2.2
<b>USA (annualized)</b>	0.4	-2.4	3.1	3.0
<b>Private consumption</b>	0.4	0.4	-0.1	0.8
<b>Machinery and equipment investment</b>	3.3	-20.3	2.5	3.5
<b>Industrial production</b>	0.0	-16.2	4.5	3.2
<b>Unemployment rate (FLA), %</b>	7.8	8.1	8.9	9.2
<b>Consumer prices, %</b>	2.6	0.4	1.0	1.3
<b>Producer prices, %</b>	5.5	-4.2	0.2	1.8

\* % change on the previous year – unless otherwise noted; f = forecast

Sources: Federal Labour Agency (FLA), Consensus Economics, Destatis, Federal Bank (as of February 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.

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