

Q4 2009 compared to...

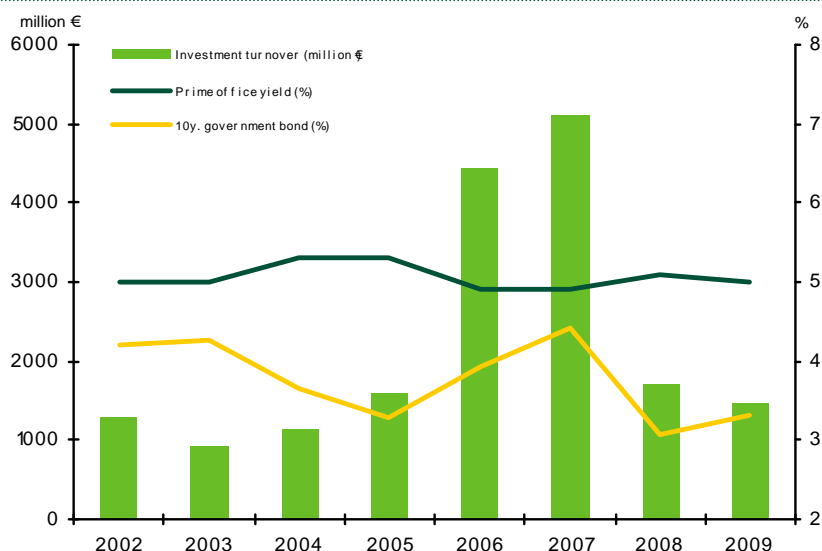
	Q3 09	Q4 08
Investment turnover	↑	↓
Number of transactions	↑	↓
Prime yield Office	↓	↓
Capital value index Office	→	↓
Prime yield High Street Retail	→	→
Prime yield Shopping Centres	→	↑
Prime yield Retail Parks	→	→
Prime yield Logistics	→	↑

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. Hamburg is one of the top locations in term of investment volume, taking first place, with around €1.48bn, ahead of Munich with €1.35bn. The federal capital, Berlin, follows in third place with €1.19bn, ahead of Frankfurt, which recorded the lowest volume of transactions in the last eight years, at €735m.

The players in the Hamburg investment market were almost exclusively national. Their share of the total volume transacted stood at just about 94%. In the previous year it was only 60%. On the selling side, the proportion of foreign players remained almost the same year-on-year, at 41%. In the other investment centres, on the other hand, the proportion of foreign investors was noticeably higher.

Compared to last year, investment focus is increasingly on first class products with office use in city centre locations. On the other hand, the proportion of retail properties in the overall volume of transactions remained constant. In contrast, the proportion of logistics and production properties has experienced a strong fall. The prime yield for first class office properties fell slightly in Hamburg compared to last year, by 10 basis points to a present 5.00%, as in the other top locations with the exception of Berlin, because of the very strong demand for low-risk core products coupled with limited product availability.

Investment turnover Hamburg



Investment market Hamburg

In the course of 2009, a total of around €1.48bn was invested in properties with commercial use. Thus the volume of transactions in the market fell by 14% compared to 2008. Investors concentrated even more strongly than in the previous year on office properties; almost 60% of the total volume of transactions went into this asset class. In 2008 the figure still stood at just about 55%. Trade in retail properties – as a proportion of the total volume – was also slightly greater in the Hanseatic city than in 2008. In 2009 their share was around 26%; in the previous year it was 22%. The absolute volume of investment increased here by around €9m. Institutional investors in particular are rearranging their rather office-heavy portfolios towards first class retail properties. As well as shopping centres the mixed-use retail / commercial properties are also sought after in Hamburg's top locations.

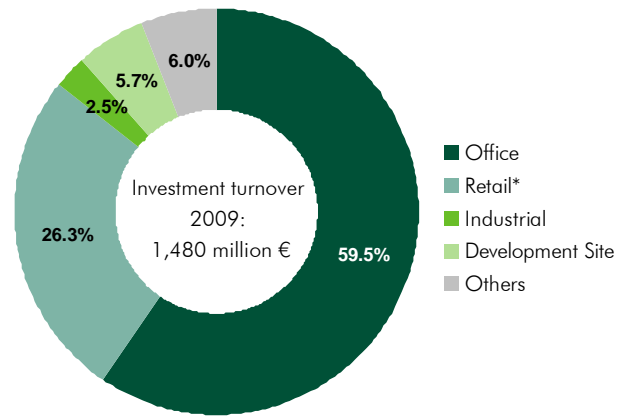
On the other hand, investment in logistics properties was only very limited, which is unusual for Hamburg as a logistics hub, but is however, understandable in view of the weakness in world trade and the lack of suitable low-risk properties.

The investment market in the Hanseatic city was conspicuously dominated in 2009 by national players with strong equity capital, such as open-ended funds / special funds, private investors and insurance companies, which took responsibility for two thirds of the volume of transactions. Open-ended and special funds have extended their portfolios the most over the last year. Whilst they acquired commercial properties worth nearly €564m (of which the largest part was accounted for by open-ended funds), they sold only smaller assets for a total of just about €16m. One of the reasons for the high volume of investments is that the two largest deals were concluded with open-ended funds as purchasers.

Private investors, which traditionally are strongly involved in the Hamburg market, reveal a total transaction balance of €163m. They were the second largest group of purchasers, with €248m. Their investment focus was principally on properties with office and commercial use. In addition, insurance companies acquired properties in an amount of over €181m.

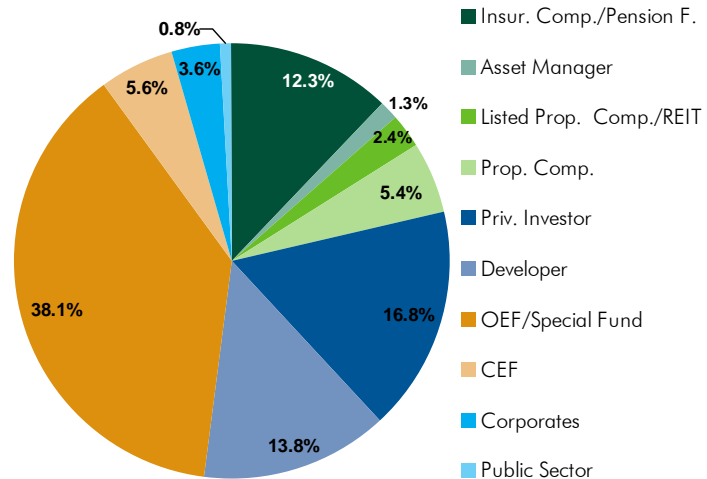
On the selling side, as well as developers, asset / fund managers were particularly dominant; the latter parted with €520m of commercially-used properties (including the largest transaction on the market, the 'Mercado' shopping centre in Altona). In addition, listed property companies parted with properties with a value of just about €156m, after several companies saw their share prices fall by up to 90% in the 2009 trading year.

INVESTMENT TURNOVER BY TYPE OF USE

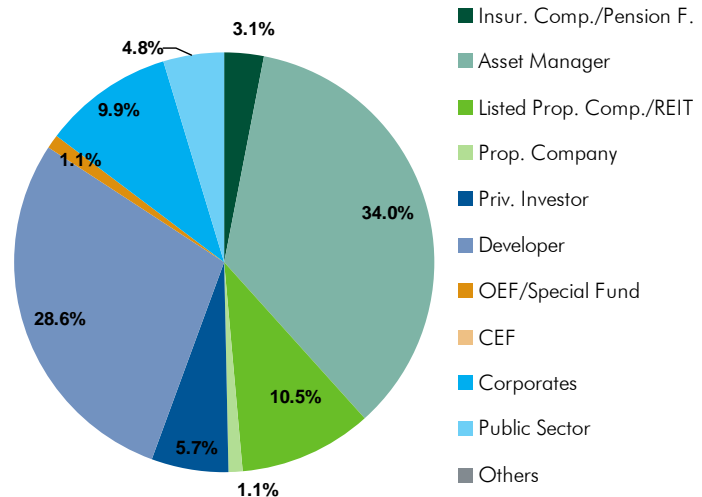


* High Street Retail and Shopping Centre

INVESTMENT TURNOVER BY TYPE OF INVESTOR

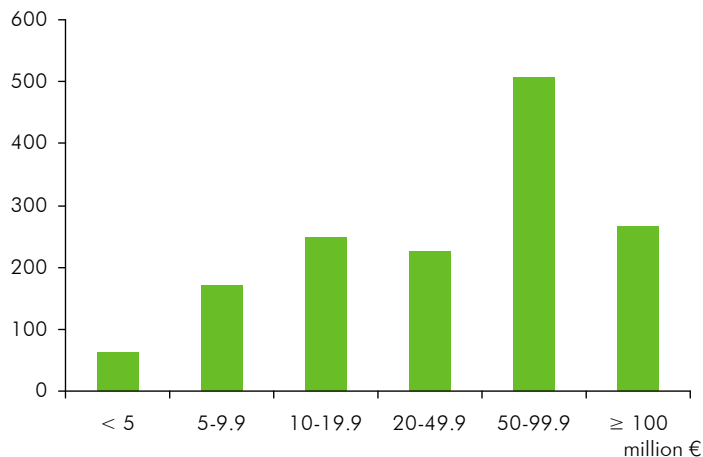


INVESTMENT TURNOVER BY TYPE OF VENDOR



INVESTMENT TURNOVER BY SIZE

million €.; cumulated



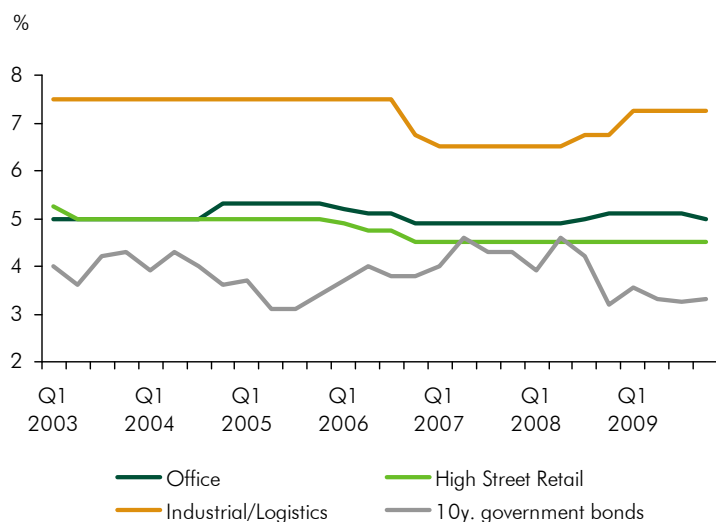
Almost 60% of all purchase contracts were concluded for properties with purchase prices below €10m, this corresponds to a good €233m. Last year, only every third transaction was below the €10m-mark. At around €18m, the average purchase price nearly halved during the year; in 2008 it still stood at €33.1m.

With the acquisition of the 'Mercado' shopping centre in Altona by *Union Investment* and *Unilever's* new development in 'HafenCity' by *RREEF*, only two purchases over €100m were concluded in the Hamburg market in 2009. The bulk of the investment market was concentrating on small to medium-sized deals, due to financing constraints and an investment strategy adjusted to the current situation in the investment market.

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 Dusseldorf, Frankfurt, Hamburg and Munich; Berlin remains the exception, with a prime yield which to date remains unchanged. By the end of 2009, we recorded a prime yield for first class office properties of 5.00% in Hamburg. In comparison: Berlin remains unchanged at 5.50%, Frankfurt at 5.30%, Dusseldorf at 5.20% and Munich at 4.90%. Compared with the benchmark yield for 10-year government bonds, this corresponds to a premium of 168 basis points for the Hamburg market.

PRIME YIELDS COMMERCIAL REAL ESTATE

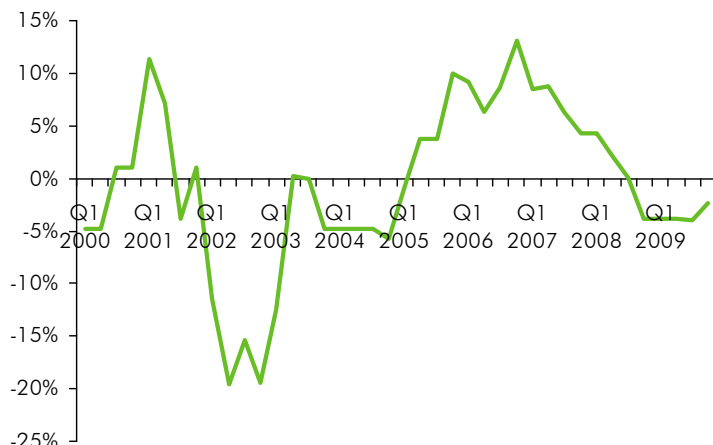


Because of the very strong demand for high street retail properties in Hamburg's prime locations coupled with a lack of product in this sector, we recorded a constant level in the prime yield for high street retail properties during the course of 2009. The yield here remains at 4.50% and corresponds to a premium of 118 basis points over the benchmark yield.

In contrast, the prime yield for shopping centres rose by 25 basis points compared to year-end 2008 and thus by the end of 2009 it stood at 5.75%. This trend applies to all top locations. On this basis, the premium over the benchmark yield stands at 243 basis points.

CAPITAL VALUES OFFICE

annual change; %



For high-quality logistics properties too, the prime yield in all the top locations rose compared to last year's level. In Frankfurt, Dusseldorf, Hamburg and Munich the increase amounted to 50 basis points. Here the yield currently 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 158 points at year-end 2009, which is 2% below last year's level.

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 € 1.7bn might be achieved in Hamburg.

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