

Q4 2009 compared to...

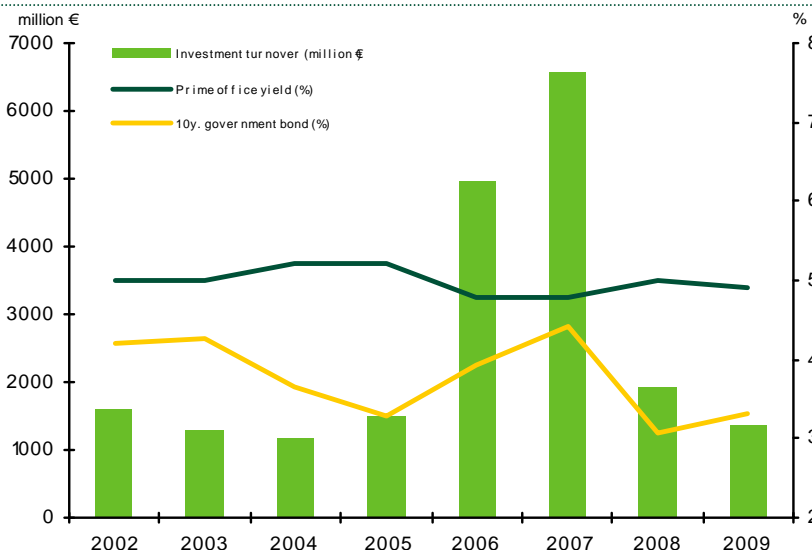
	Q3 09	Q4 08
Investment turnover	↓	↓
Number of transactions	↑	↓
Prime yield Office	↓	↓
Capital value index Office	↓	↓
Prime yield High Street Retail	→	↑
Prime yield Shopping Centres	→	↑
Prime yield Retail Parks	→	→
Prime yield Logistics	→	↑

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 a volume of €1.35bn of commercial transactions, Munich lies in second place after Hamburg, where €1.48bn was invested. This is followed by the federal capital's investment market (€1.19bn) and the financial centre of Frankfurt, which recorded its lowest volume of transactions in the last eight years in 2009, of only €735m.

The players in the Munich investment market were almost exclusively national. Their share of the total volume transacted stood at just about 85%. In the previous year it was only 67%. With a 79% share of the overall volume, investment focus is increasingly on first class products with office use (in comparison: 2008 - 48%). Furthermore, a noteworthy amount was invested in retail properties, which made up a 14% share of investment by volume. On the selling side, the proportion of foreign players increased considerably year-on-year to 43%. Thus in three of the five largest deals the vendors were foreign investors. Compared to last year, the prime yield for core office properties fell by 10 basis points to 4.90% in the metropolis on the Isar due to strong demand coupled with very limited supply.

Investment turnover Munich



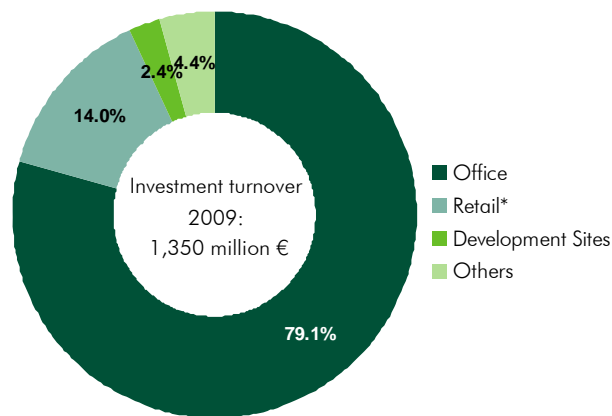
Investment market Munich

In 2009, around €1.35bn was invested in Munich in commercial property and sites for future commercial use. This is a fall of around 30% compared to last year. A good 79% of investment by volume was in properties with (predominantly) office use. This corresponds to just about €1.1bn; last year's figure was €931bn. The volume invested in retail properties fell noticeably year-on-year because of a lack of suitable low-risk products. If its share of the total volume was still 25% in 2008, in 2009 it was only 14%. In addition, residential investments with commercial characteristics are playing an increasingly important role in investors' strategic portfolio plans. In 2009 we recorded a further approx €450m flowing into this asset class in addition to the volume of commercial transactions.

The most active purchaser group in the Munich investment market was private investors / family offices, which invested over €470m, with investments focused predominantly on properties with a smaller investment volume, with the exception of the 'Lenbach-Gärten' deal. In addition, open-ended and special funds invested to a notable extent in Munich, with an investment volume of over €277m, even if the volume was only achieved by way of a few large-volume transactions. At the same time the sale of the 'Thüga' complex of buildings to *Allianz Real Estate Germany* (on which *CBRE* advised) was the only notable transaction directly undertaken by an insurance company in Munich. It is exactly these investors, oriented towards security and with good liquidity, that are finding a very limited supply of core properties in the current market environment. Asset and fund managers were the third strongest investor group, with over €174m.

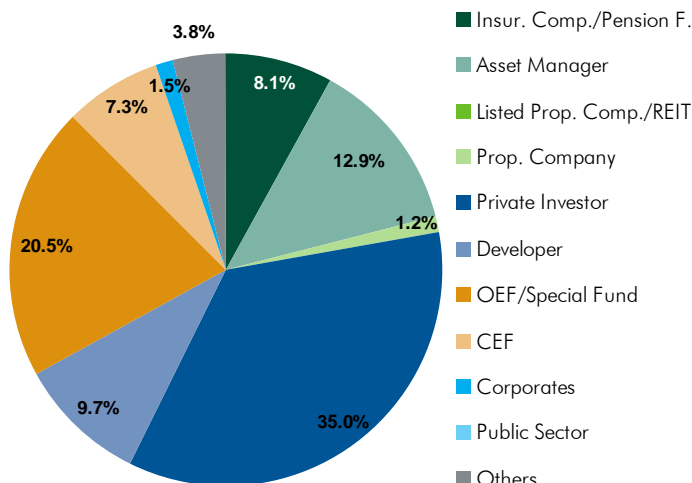
As a result of sales including the 'Lenbach-Gärten', 'Atmos', the 'Quartier Icade' property and an office property in Nymphenburger Strasse, listed property companies led the table of property vendors in 2009. In total, this group parted with properties worth just about €567m, of which around 80% of the total volume was accounted for by the four transactions mentioned. In addition, corporates disposed of a property stock worth over €340m and thus accounted for a quarter of the total volume of transactions – with just about a third of the volume down to the sale of the 'Thüga Headquarter' alone. Asset / fund managers made very selective sales of smaller number of properties with a total value of around €156m, of which the sale of the 'Munich City Tower' to *FREO* was the outstanding transaction. Furthermore, only private investors and developers were active to a notable extent on the selling side, disposing of properties worth around €116m and €92m respectively.

INVESTMENT TURNOVER BY TYPE OF USE

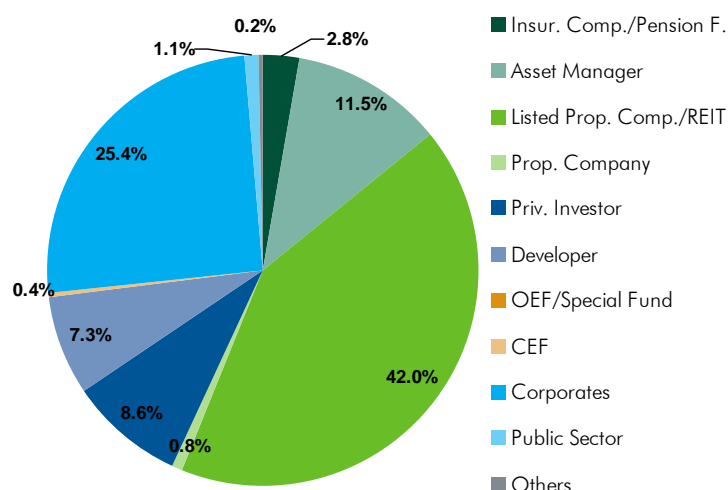


* High Street Retail and Shopping Centre

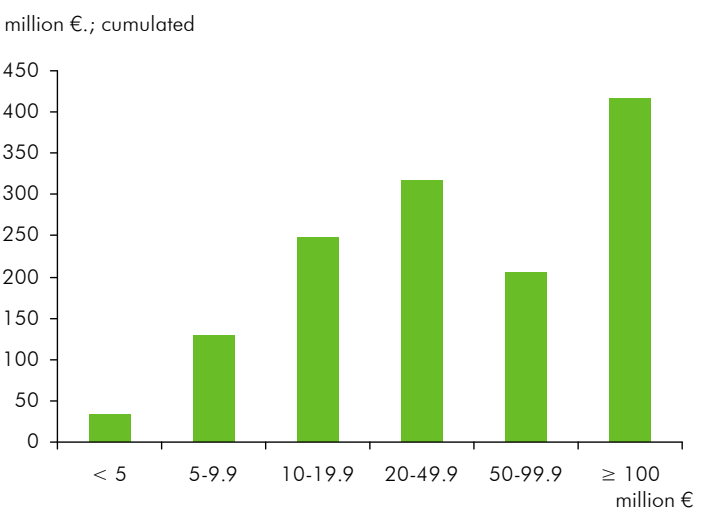
INVESTMENT TURNOVER BY TYPE OF INVESTOR



INVESTMENT TURNOVER BY TYPE OF VENDOR



INVESTMENT TURNOVER BY SIZE



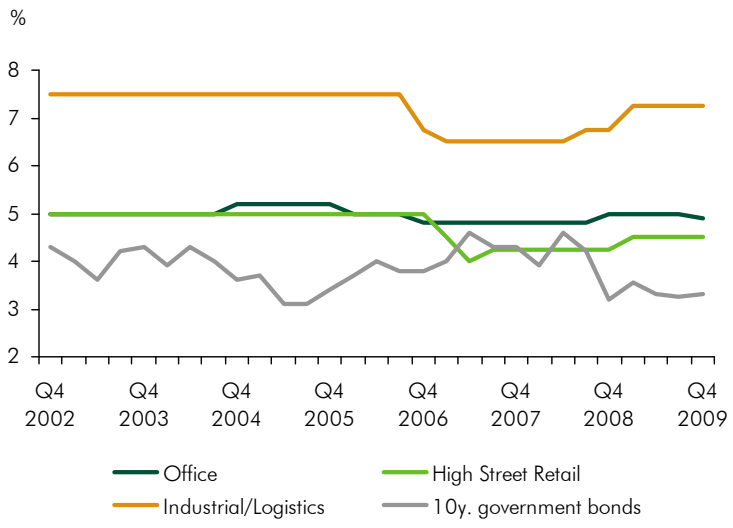
In terms of the average purchase price per transaction, the trend in Munich, following that throughout Germany, was towards lower investment volumes. Thus, in 2009, because of a few large volume deals, the figure stood at €21.1m and so was €6.5m below last year's average. However, compared with the other German investment capitals, the transactions with the highest average investment volume took place in Munich

With the acquisition of 'Lenbach-Gärten' by Alpha Family Office, the 'Thüga-Headquarter' transaction by Allianz, on which CBRE advised, and 'Atmos' by Union Investment, only three purchases above €100m were completed in 2009.

Development of prime yields

As a result of increasing demand for core products and continued very limited supply, the prime yield for office properties slumped by 10 basis points in Dusseldorf, Frankfurt, Hamburg and Munich; here Berlin remains the exception, with an unchanged prime yield.

PRIME YIELDS COMMERCIAL REAL ESTATE



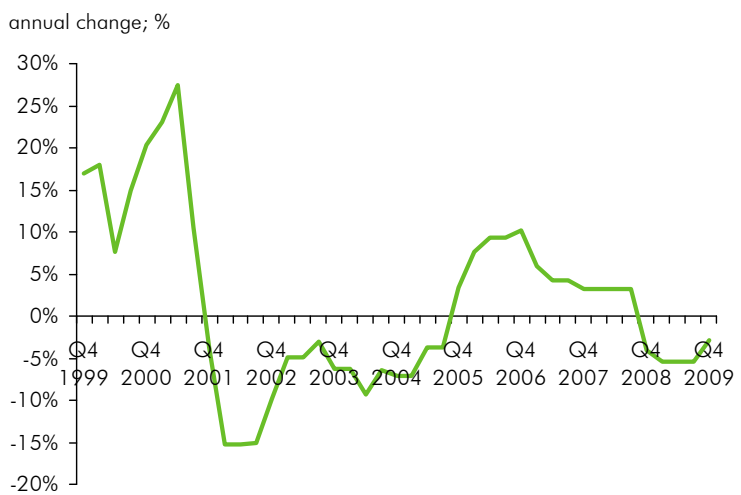
By the end of 2009 in Munich, we recorded a prime yield for first class office properties of 4.90%. In comparison: Berlin remains unchanged at 5.50%, Frankfurt at 5.30%, Dusseldorf at 5.20% and Hamburg at 5.00%. Compared with the benchmark yield for 10-year government bonds, this corresponds to a premium of 158 basis points for the Munich market.

For high street retail properties in Munich's prime locations, there was a registered increase in the prime yield compared to last year. Year-on-year the yield rose by 25 basis points to 4.50% and corresponds to a premium of 118 basis points over the benchmark yield. Here, we anticipate stable yields in the future, falling again later in the year.

In comparison, prime yields for shopping centres rose by year-end 2008 by 25 basis points and thus stood at 5.75% by the end of 2009. This trend was repeated in all top locations. As a result, the premium over the benchmark yield stands at 243 basis points.

For high-quality logistics properties too, prime yields in all the top locations rose compared to last year's level. In Frankfurt, Dusseldorf, Hamburg and Munich the rise amounted to 50 basis points. Here, the yield currently stands at 7.25%. In Berlin the increase turned out to be rather weaker, by 25 basis points to 7.50%.

CAPITAL VALUES OFFICE



The capital value index for first class office properties stood at 219 points at year-end 2009, 3% 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 € 1.5bn might be achieved in Munich.

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