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Market View
Vienna Offices

Half-year 2010

H1 2010 at a glance

Change to	H2 09
Supply	↓
Take-up	→
Vacancy rate	↓
Prime rent	→
Yield	↓
Investment volume	↑

H1 2010 Hot Topics*

* Compared to H2 2009

- Office lettings stayed stable.
- Vacancy rate decreased by 10 bps to ca. 4.8%.
- Prime rents remained stably at ca. EUR 22.25/sq m/month.
- Prime yield decreased by ca. 10 bps.
- Investment volume increased by ca. 104%.

OVERVIEW

- **Office stock increased again**
  Supply of office space in Vienna amounted to ca. 10.2 mln sq m by the end of H1 2010. In H1 2010 ca. four times more office space was completed than in H1 2009 and ca. 11% less than in H2 2009 (H1 2010: ca. 145,000 sq m; H1 2009: ca. 33,000 sq m; H2 2009: ca. 163,000 sq m). However, in H2 2009 ca. 60,000 sq m will be completed (e.g. Town Town Phase 3 and 4 with ca. 41,000 sq m).

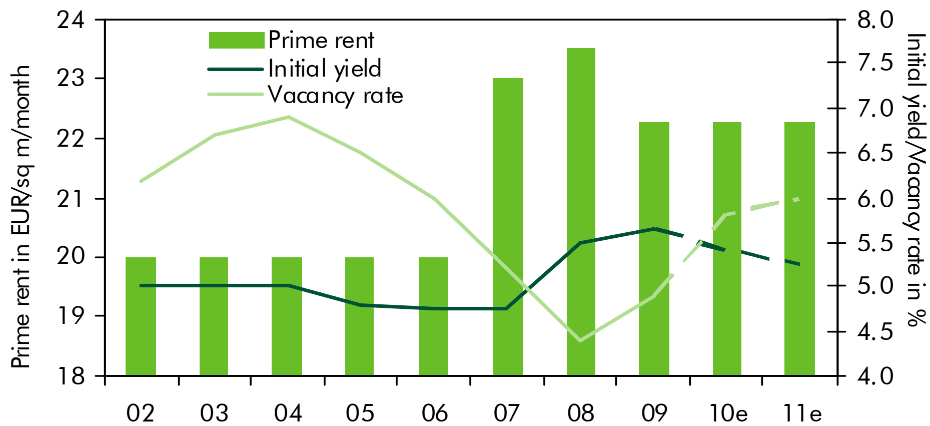
- **Take-up remained stable**
  About 120,000 sq m of office space was let in H1 2010 which represents the same amount as in H2 2009. Compared to H1 2009 this means a decrease by ca. 17% (H1 2009: ca. 145,000 sq m). It should be mentioned that this decease was relatively modest only due to two bigger letting deals which were done by Gemeinde Wien and IT-Services Sozialversicherung (in total ca. 26,800 sq m).

- **Vacancy rate decreased slightly**
  The vacancy rate was at ca. 4.8% at the end of H1 2010 and is expected to increase to ca. 5.8% by the end of the year. This is due to the low take-up expected for 2010 as a whole (2010e: ca. 215,000 sq m; 2009: ca. 265,000 sq m).

- **Prime rent stayed stable**
  The prime rent was ca. EUR 22.25/sq m/month by the end of H1 2010, staying at the same level as in H2 2009. Compared to H1 2009 this means a slight decrease of ca. 1.1% (ca. EUR 22.50/sq m/month). Rents in other office sub-locations also stayed stable or declined marginally.

- **Investment volumes increased by more than 100%**
  About EUR 1,020 mln was invested in H1 2010 and therefore reached a level which is more than twice as high as the one in H2 2009 (H2 09: ca. EUR 500 mln; H1 09: ca. EUR 800 mln). The initial yield was at ca. 5.55% by the end of H1 2010, having decreased by ca. 10 basis points (bps) since the beginning of the year (H2 09: ca. 5.65%).

Prime rent – Initial yield – Vacancy rate in Vienna 2002-2011e



Source: CB Richard Ellis 7/2010

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ECONOMIC DATA

From 2004 to 2007 the Austrian economy showed strong growth, but growth slowed in 2008 to 1.8% due to the worldwide economic slowdown. In 2009 this negative trend continued and the economy reached a negative growth rate of -3.6%. In 2010 and 2011 a slight recovery is forecasted (GDP real: 2010e: +1.3%; 2011e: +1.6%) and therefore Austria's economic growth will stay slightly above the EU-15 average (2009: -4.2%; 2010e: +0.9%; 2011e: +1.6%).

The Austrian budget deficit (in % of GDP) increased 2009 to -3.4%. This figure is expected to rise again in 2010 and 2011 especially because of the measures taken by the government to combat the recession (2010e: -4.7%; 2011e: -4.6%). However, these values are still far below the average values of the EU-15 (2010e: -7.2%; 2011e: -6.5%).

In 2009 the overall unemployment rate increased in Austria for the first time since 2005 (2009: 4.8%). For 2010 and 2011 this negative trend is forecasted to continue (2010e: 5.1%; 2011e: 5.4%). In comparison, average unemployment rate in the EU-15 is predicted to reach 9.8%, in both years 2010 and 2011.

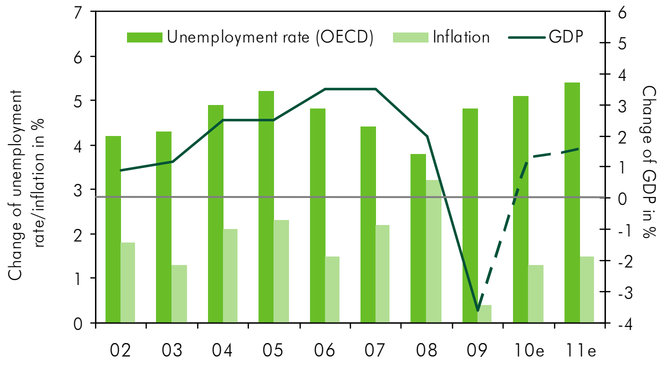
Inflation reached 0.4% in 2009 (2008: 3.2%) but is likely to increase again to 1.3% in 2010 (2011e: 1.5%). These represent values slightly below the EU-15 average (EU-15: 2009: 0.7%; 2010e: 1.7%; 2011e: 1.6%).

OFFICE SPACE SUPPLY

Vienna currently (as of Q2 2010) has ca. 10.2 mln sq m of office space. About 145,000 sq m of office space (new and refurbished) was completed in H1 2010 and comprised almost only of new built space (ca. 92%). Compared to the relatively low performance of H1 2009, this shows an increase of ca. 77% (H1 2009: ca. 33,000 sq m; H2 2009: ca. 163,000 sq m). This high completion figure is especially due to completions of major projects like Rivergate 45,000 sq m, Siemens City 36,000 sq m, BizZwei 17,000 sq m and LX2 17,500 sq m.

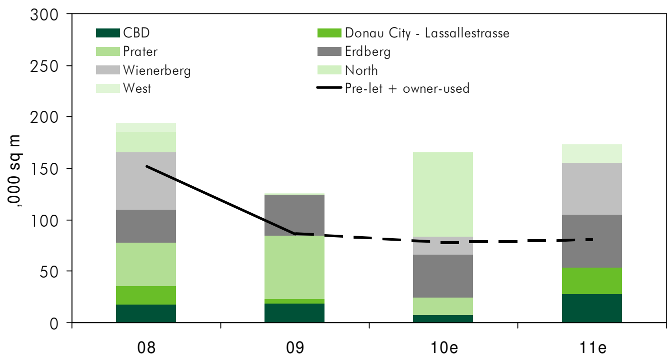
Taking a look at completions during H2 2010 (e.g. Town Town Phase 3+4 with ca. 41,000 sq m), it is notable that ca. 53% of forecast completions (excl. refurbishments) is already pre-let or will be owner-used.

Economic data 2002 – 2011e



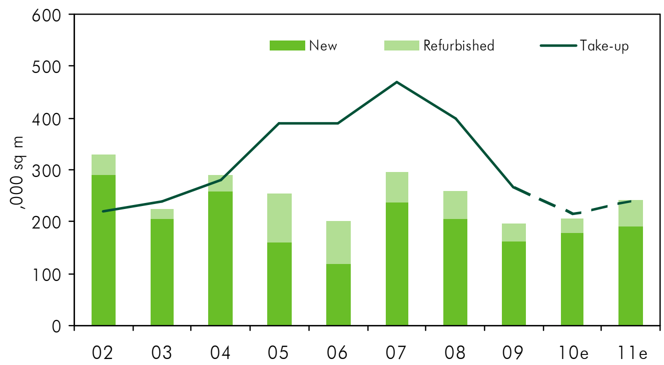
Source: EU-Commission, EUROSTAT, OECD, OeNB, WIFO 6/2010

Completions* by office locations and pre-lets 2008 – 2011e



* excl. refurbishment
Source: CB Richard Ellis 7/2010

Supply / Take-up 2002 – 2011e



Source: CB Richard Ellis 7/2010

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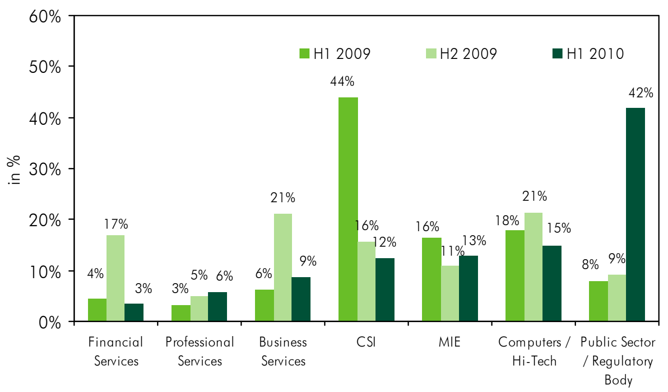
Selected letting deals Q2 2010

Submarket	Tenant	sq m
CBD	Greentube	1,800
Donau City	Gemeinde Wien	15,400
Prater	IT-Services Sozialversicherung	11,400
Prater	Johnson&Johnson	5,200
Wienerberg	Bull Software	670

Source: CB Richard Ellis 7/2010

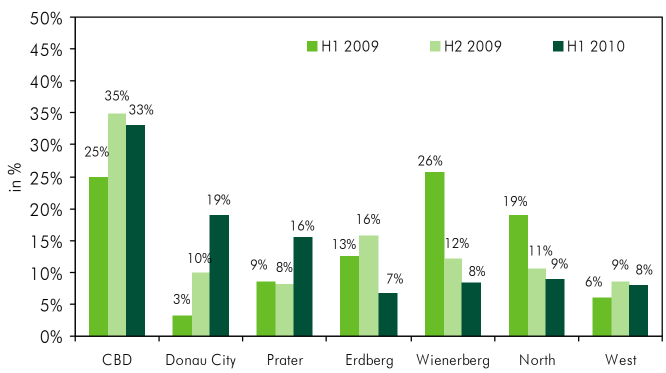
Take-up by sector H1 2009 – H1 2010



CSI = Consumer Services & Leisure; MIE = Manufacturing Industrial & Energy
Each period ca. 75% evaluated.

Source: CB Richard Ellis 7/2010

Take-up by location H1 2009 – H1 2010



Source: CB Richard Ellis 7/2010

OFFICE DEMAND

After a slight decrease in take up (ca. -17%) in H2 2009 (ca. 120,000 sq m) letting deals in H1 2010 stayed stable and reached the same level again. Quarterly seen this development is especially due to the relatively high take-up in Q2 2010 (Q2 2010: 75,000 sq m; Q1 2010: 45,000 sq m; Q4 2009: 40,000 sq m). However, more than two-thirds of this take-up were reached by only two letting deals, namely by Gemeinde Wien (ca. 15,400 sq m) in Stadlauer Strasse 54 and by IT-Services Sozialversicherung (ca. 11,400 sq m) in the office building Catamaran. In total, ca. 50% of all letting transactions in H1 2009 were for areas larger than 1,000 sq m.

It should not be ignored that the Fonds Soziales Wien rented ca. 12,500 sq m in the office building adler&ameise (near Gasometer). However, this deals is not included in the documented take-up of H1 2010 as it only represents a sub-lease transformed to a normal lease contract.

Looking at the letting activity from H1 2009 to H1 2010 it is noteworthy that the largest percentage of the lettings took place in the Public Sector/Regulatory Body in H1 2010 (ca. 42%), which equals more than a fivefold increase compared to the H1 and H2 2009 figures. Nevertheless, this development is mainly due to the two major lettings of Gemeinde Wien and IT-Services Sozialversicherung in Q2 2010 which belong to this sector.

It is also worth mentioning that in the Consumer Services & Leisure sector letting activities decreased from ca. 44% in H1 2009 to ca. 12% in H1 2010 (H2 2009: ca. 16%).

Vienna's inner districts (CBD) again recorded the highest volume of take-up in H1 2010, but the CBD's share of the total take-up decreased a little bit from 36% in the previous period to 33%.

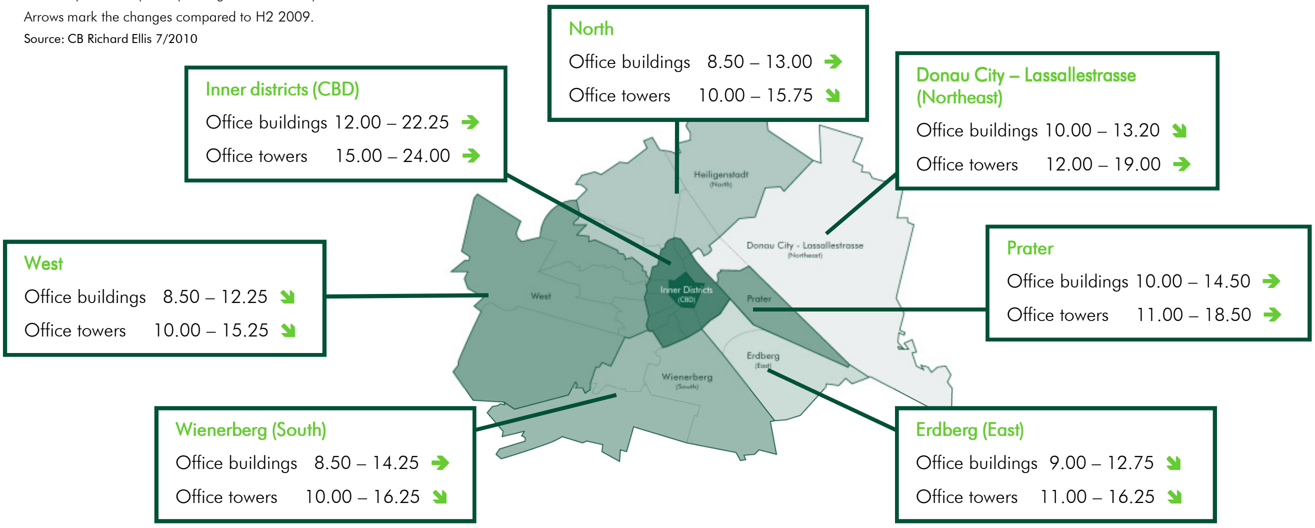
In the office submarket Donau City – Lassallestraße ca. 19% of all letting deals were registered and in the youngest submarket, Prater, already 16% of all transactions were done.

RENTS

Prime rents stayed stable at ca. EUR 22.25/sq m/month in Q2 2010 (Q4 09, Q1 10: ca. € 22.25/sq m/month). We expect that prime rents will remain stable until the end of the year.

Rents Vienna Submarkets H1 2010

in EUR/sq m/month (excl. operating costs and taxes)
Arrows mark the changes compared to H2 2009.
Source: CB Richard Ellis 7/2010



INVESTMENT MARKET

Ca. EUR 1,020 mln was invested in the Austrian property market in H1 2010. This represents an increase of ca. 104% compared to H2 2009 (H2 09: ca. EUR 500 mln; H1 09: ca. EUR 800 mln). In Q2 2010, investment transactions of a total amount of ca. EUR 820 mln were recorded. This means a three times increase compared to Q1 2010 (ca. EUR 200 mln) and an increase of ca. 447% in comparison to Q2 09 (ca. 150 mln). This high volume is especially due to the transaction of the IZD Tower bought by Signa and R&V Versicherung.

As a share of the entire investment volume across Europe, Austrian investment transactions in H1 2010 accounted for ca. 2.7% of total European investment (H1 2010: ca. EUR 43.8 bln); in H2 2009 this share amounted to ca. 1.7%.

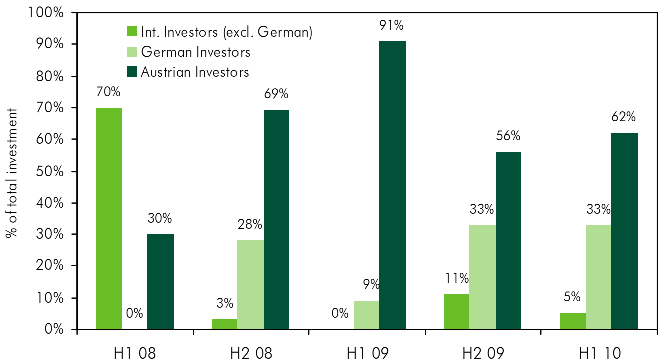
Approximately 8% of H1 2010 total investment volume was for portfolio purchases, which was ca. 35% below the value of H1 2009.

In terms of real estate transactions, office buildings hold the first rank with ca. 55% (H1 2009: 40%; H2 2009: 34%). About ca. 12% was invested in residential buildings (H1 2009: 10%; H2 2009: 23%). In both retail and mixed-used properties ca. 5% of the investment volume was invested. The remaining 22% was invested in other types of property (eg. hotels and retirement homes).

INVESTORS

Local Austrian investors accounted for ca. 62% of the investment volume in the Austrian market in H1 2010. After a slight decline of this share in H2 2009, this represents a further increase (H1 2009: ca. 91%; H2 2009: ca. 56%). German investors accounted for ca. 33% of the total investment volume (H1 2009: ca. 9%; H2 2009: ca. 33%). Investment transactions completed by investors of other nationalities in H1 2010 was ca. 5% (H1 2009: 0%; H2 2009: ca. 11%).

Investment in Austria H1 2008 – H1 2010



Source: CB Richard Ellis 7/2010

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Total investment turnover in Europe Q1 2010 + Q2 2010

Investment turnover (EUR mln)	Q2 2010	Q1 2010	Change
UK	8,338	6,715	+24%
Germany	4,004	4,646	-14%
France	2,150	1,470	+46%
Scandinavia	3,661	3,208	+14%
Benelux-Countries	1,365	1,276	+7%
Italy/Spain/ Portugal	1,998	1,878	+6%
CEE	953	721	+32%
Austria	**820**	**200**	**+310%**
Europe	**23,454**	**20,327**	**+15%**

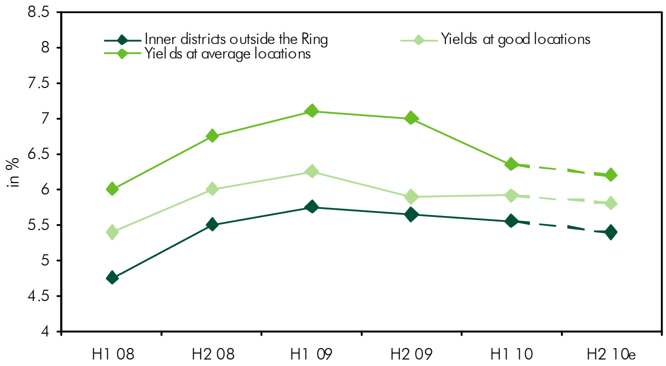
Source: CB Richard Ellis 7/2010

YIELDS

Prime yields for newly built office properties with long-term leases outside of the City Centre have decreased from ca. 5.65% (Q4 2009) to ca. 5.55%. We expect prime yields to decline further to ca. 5.40% by the end of 2010.

Furthermore, we expect yields to decrease to ca. 5.80% for properties at average locations and to ca. 6.20% with short-term leases.

Gross initial yields for offices in Vienna H1 2008 – H2 2010e



Prime Yield means Gross Initial Yield (Annual Rental Income Fully Let divided by purchase price (excl. transaction costs)).

Source: CB Richard Ellis 7/2010

Selected deals in Austria H1 2010

Address	Name	Investor	Use	NLA (sq m)
1010 Vienna, Opernring 1-5	Opernringhof	Privatstiftung Kaindl	Office	~ 17,400
1010 Vienna, Schubertring 5	ShangriLa	Flick	Hotel	~ 24,000
1020 Vienna, Obere Donaustrasse 95	IBM-HQ	Raiffeisen Holding Wien-NÖ	Office	~ 21,700
1070 Vienna, Mariahilfer Strasse 78-80	Atterseehaus	Rutter	High Street Retail	~ 9,000
1100 Vienna, Oberlaaer Strasse 233	Canon	LHI Leasing	Office	~ 5,500
1120 Vienna, Pottendorfer Strasse 25-27*	INNO-CENTER	S+B Plan & Bau	Office	~ 16,700
1120 Vienna, Schönbrunner Strasse 297-307	Forum Schönbrunn	Credit Suisse	Office	~ 15,374
1190 Vienna, Muthgasse 11	BOKU BioTech Zentrum	BACA Real Invest	Office	~ 21,300
1220 Vienna, Wagramer Strasse 17-19	IZD Tower	Signa/ R&V Versicherung	Office	~ 63,600
6020 Innsbruck, Fürstenweg 144*	Campus West	ERSTE Immobilien KAG	Residential	~ 3,200

Figures with ~ are estimated by CB Richard Ellis.
*CB Richard Ellis worked on the buyer- or vendor-side.

Source: CB Richard Ellis 7/2010

FORECAST – TRENDS THROUGH THE END OF 2010

Supply ↗
The office space supply will further increase until the end of the year. However, the amount of completed office space in H2 2010 will be ca. 57% lower than in H1 2010.

Take-up ↘
In H2 2010 the letting activity is expected to decline slightly compared to H1 2010. In general, take-up in 2010 will be lower than in 2009 in which a weaker performance was already shown (2009: ca. 265,000 sq m; 2010e: ca. 215,000 sq m).

Vacancy rate ↗
The vacancy rate will increase to ca. 5.8% due to lower demand and new completed office space without substantial pre-lettings.

Rents →
Prime rents will stay stable at ca. € 22.25/sq m/month until the end of the year.

Investment ↗
Investment volume will be slightly higher than in 2009 (ca. EUR 1.3 bln.) and is expected to reach a level between EUR 1.5 bln and EUR 1.9 bln.

Office market indicators Vienna H1 2010

Vienna (,000 sq m)	H1 10	Compared to H1 09	Compared to H2 09	H2 10e
Total stock*	10,200	+3.0%	+1.0%	10,240
Supply**	145	+339.0%	-11.0%	60
Take-up	120	-24.0%	±0	95
Vacancy rate	4.8%	+80 bps.	-10 bps.	5.8%

* Rounded, conversions included
** Registered supply: new + refurbished

Source: CB Richard Ellis 7/2010

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