

## H2 2009 at a glance

	Differences to	
	H1 09	H2 08
Supply	↑	↓
Take-up	↓	↓
Vacancy rate	↑	↗
Prime rent	↘	↓
Yield	↓	↗
Investment volume	↓	↓

## 2009 Hot Topics\*

- Take-up decreased by ca. 34.0%.
- Vacancy rate increased by 40 bps to ca. 4.8%.
- Prime rents decreased by ca. 5.3% to ca. EUR 22.25/sq m/month.
- Prime yield increased by 15 bps.
- Investment volume decreased by ca. 38.0%.

\* compared to 2008

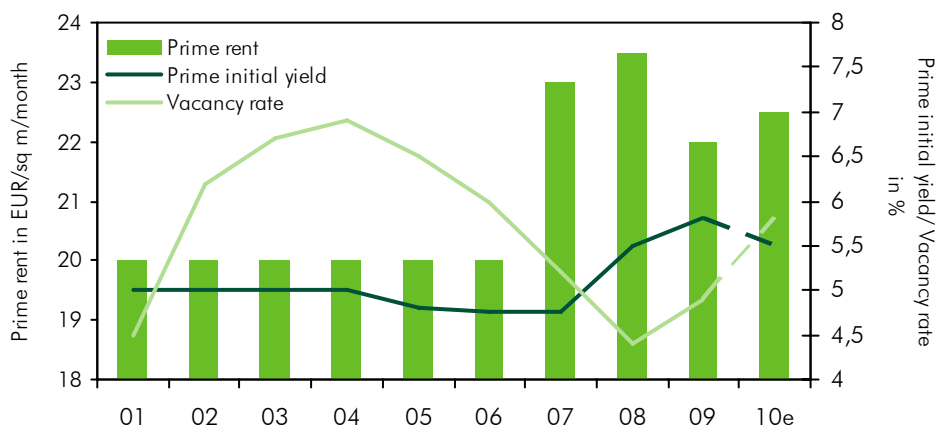
## 2010 Forecast

- Take-up will stabilize.
- More office space completions.
- Vacancy rate will increase to ca. 5.8%
- Prime rent will increase slightly
- Prime yield is slightly decreasing
- Investment volume will reach EUR 1.9 bln.

## OVERVIEW

- **Office space completions decreased**  
Supply of office space in Vienna amounted to ca. 10.1 mln sq m by the end of 2009. In 2009 ca. 171,000 sq m office space was completed (incl. refurbishment), which is 35% less than in 2008. In 2010 ca. 218,000 sq m will be completed.
- **In total take-up decreased sharply**  
About 265,000 sq m of office space was let in 2009. Compared to 2008, this was a decrease of ca. 34 % (2008: ca. 400,000 sq m). This is the lowest take-up recorded in 5 years (2004: ca. 275,000 sq m).
- **Vacancy rate increased**  
The vacancy rate was at ca. 4.8% at the end of 2009 and is expected to increase to ca. 5.8% by the end of 2010. This is due to the growing supply of newly built office space in 2010 and the low take-up expected for 2010 as a whole.
- **Prime rent is still decreasing slightly**  
By the end of 2009 the prime rent was EUR 22.25/sq m/month, having decreased slightly by ca. 5.3% compared to the end of 2008. We expect by the end of this year a slight increase of ca. EUR 22.50/sq m/month. Rents in other office submarkets will decrease marginally by ca. EUR 0.25/sq m/month.
- **Investment volume decreased by ca. 38%**  
About EUR 1.3 billion was invested in 2009, about 38% less than in 2008 (2008: ca. EUR 2.1 bln). The prime yield was at 5.65% which is approximately 15 basis points (bsp) higher than at the end of 2008 (Q4 08: 5.50 %). By the end of the year 2010 prime yield will be at the level of 2008.

Prime rent – Prime initial yield – Vacancy rate in Vienna 2001-2010e



Source: CB Richard Ellis 01/2010

**ECONOMIC DATA**

From 2004-2007, the Austrian economy showed strong growth, but growth slowed in 2008 to 2.0% due to the worldwide economic slowdown. 2009 showed a negative growth rate of -3.7%. For 2010 growth is expected again. (GDP real: 2010e: +1.1%; 2011e: +1.5%). Austria's economic growth is forecast to stay slightly above the EU-15 average (2008: +0.5%; 2009: -4.1%; 2010e: 0.7%; 2011e: 1.5%).

The Austrian budget deficit (in % of GDP) increased slightly to -4.3% in 2008. This figure is expected to rise strongly in 2010 and 2011 mainly due to the measures taken by the government to combat the emerging recession (2010e: -5.5%; 2011e: -5.3%).

2009 saw a reversal on the employment market with the unemployment rate rising to 5.5%, with the trend continuing until 2010 (6.0 %). In 2011 a slight decrease to ca. 5.7% is expected. Austria's unemployment rate is much lower than the EU-15 unemployment rate of 9.1%.

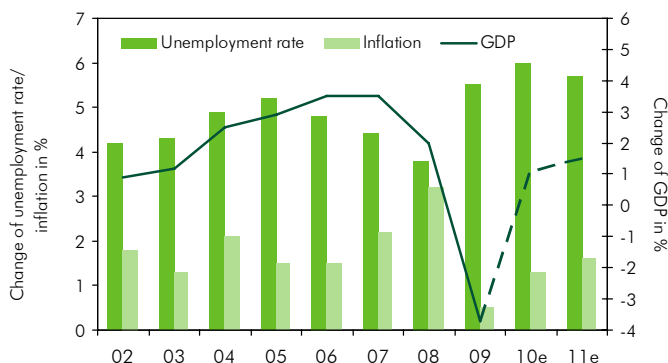
Inflation reached 0.5% in 2009 (2008: 3.2 %) and is likely to increase to 1.3% in 2010 (2011e: 1.6%), positioning Austria at the average level of the EU-15 (EU-15: 2009: 0.6%; 2010e: 1.2 %; 2011e: 1.5%).

**OFFICE SPACE SUPPLY**

Vienna currently has ca. 10.1 mln sq m of office space (Q4 2009). About 171,000 sq m of new office space (new and refurbished) was completed in 2009. Compared to the relatively strong performance of 2008, this was a decrease of ca. 35% (2008: ca. 260,000 sq m). In 2010 ca. 218.000 sq m will be completed, about 30% more than in 2009. The new office developments include Biz Zwei at Prater and LX2 near the new central station (Hauptbahnhof) each with 17,500 sq m and Rivergate in the North with ca. 46,000 sq m.

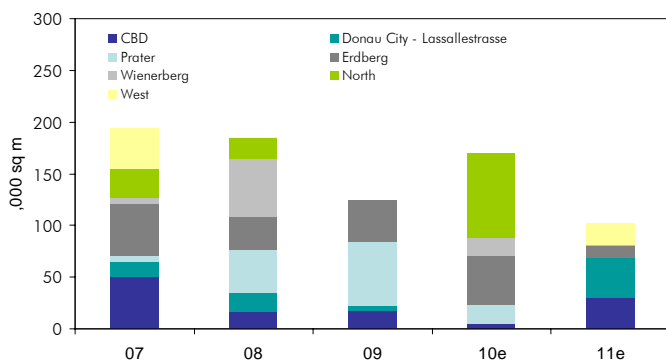
46% of forecast completions are already pre-let or will be owner-used compared to a 5 year average of ca. 61%. Furthermore only 15% are renovated, this amount decreased continuously over the last years. One of the reasons is due to conversion of former office property to hotel or residential.

**Economic data 2002 – 2011e**



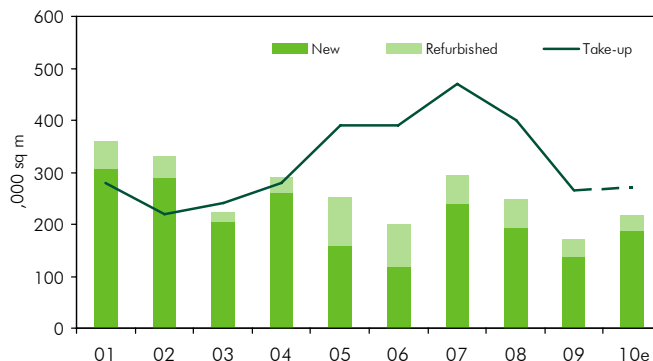
Source: EU-Commission, EUROSTAT, OECD, OeNB, WIFO 12/2009

**Completions\* by submarkets\*\***



\*excl.: refurbishments  
Source: CB Richard Ellis 01/2010

**Supply / Take-up 2001-2010e**



Source: CB Richard Ellis 01/2010

Selected letting deals H2 2009

Submarket	Tenant	sq m
CBD	Siemens Enterprise Communications	~6,500
CBD	McFit	1,400
Donau City	EPA Media	2,000
Donau City	Wagner-Biro	6,400
Prater	Vienna Communications	2,500
Erdberg	ERGO	~9,900
North	Global Refund	~1,100
Wienerberg	mobiltouch Austria	~1,900

OFFICE DEMAND

About 265,000 sq m of office space was let in 2009. This is the lowest take-up recorded in 5 years and mainly due to the weak result in Q4 2009 (40,000 sq m). Take-up decreased by 34% compared to 2008 (400,000 sq m).

Before expanding and looking for new office space, companies try to look for cost saving potentials in the current let space and landlords provide incentives for lease prolongations.

We expect a stable take-up in 2010, in which the level in 2004 will be just reached (2004: 275,000 sq m).

Ca. 46% of all letting transactions in 2009 were for areas larger than 1,000 sq m (52 letting deals). In 2008 larger letting deals had a similar share, however, 79 such letting deals were done.

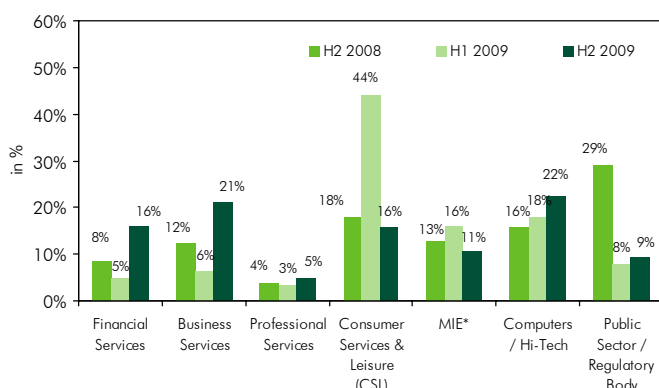
The largest letting deals were the letting of ERGO in Marximum and Siemens Enterprise Communications in Erdberg in Q3 2009 and in Q4 2009 the letting of Vienna Communications in Rund Vier and mobiltouch Austria in the 23<sup>rd</sup> district.

Looking at letting activity in H2 2009 it is noteworthy that the largest percentage of the lettings took place in the Computer/Hi-Tech sector (ca. 22%) followed by Business Services (ca. 21%) and Financial Service and Consumer Services & Leisure each with ca. 16%. It is also worth mentioning that in the Public Sector/Regulatory Body sector letting activity decreased compared to previous years.

Vienna's inner districts (CBD) again recorded the highest volume of take-up in H2 2009 (ca. 35%). In other submarkets the total take up was between 10% - 15%.

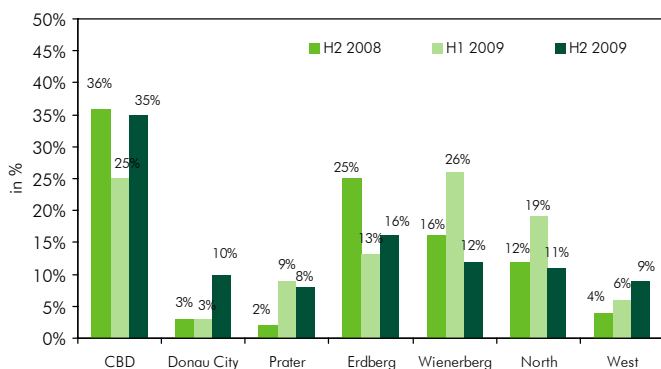
Source: CB Richard Ellis 01/2010

Take-up by sector H2 2008 – H2 2009



\*MIE = Manufacturing, Industrial & Energy  
Each period ca. 70 % evaluated  
Source: CB Richard Ellis 01/2010

Take-up by location H2 2008 – H2 2009

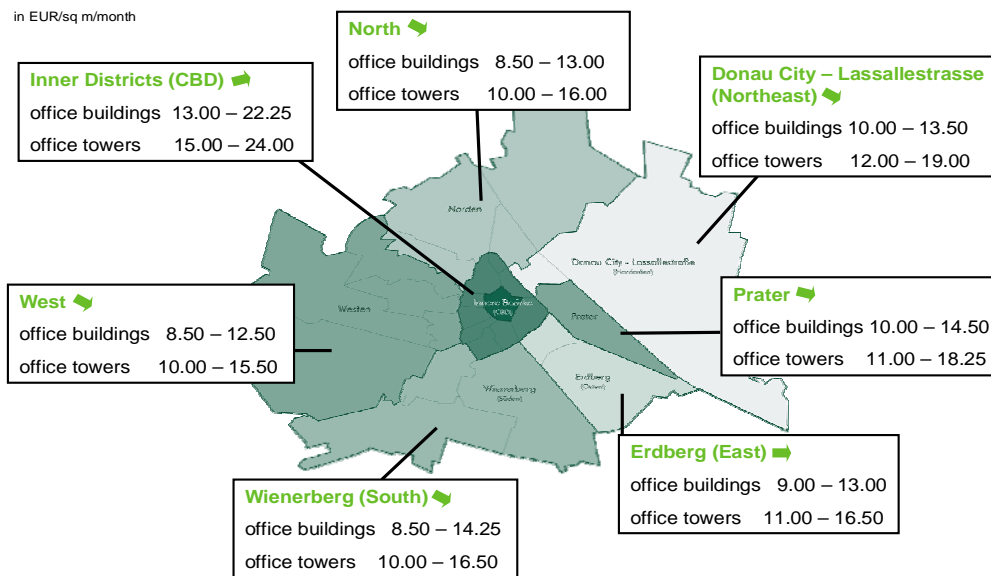


Source: CB Richard Ellis 01/2010

## RENTS

Prime rents were EUR 22.25/sq m/month in Q4 2009 (CBD), which represented a further slight decline of 5.3% compared to Q4 2008 (Q4 08: EUR 23.50/sq m/month). We expect an increase of ca. EUR 22.50/sq m/month by the end of 2010. Rents in other submarkets will decrease by up to EUR 0.25/sq m/month by the end of 2010.

### Rents Vienna Submarkets End Year 2009



Source: CB Richard Ellis 01/2010

## INVESTMENT MARKET

Ca. EUR 1.3 bln was invested in the Austrian property market in 2009. This is a decrease of ca. 38% compared to 2008 in investment volume.

In terms of real estate transactions, office buildings hold the first rank with ca. 38% followed by multi use buildings. About ca. 11% was invested in residential buildings\* and just 3% in retail properties.

\* Including only residential transactions with a volume over EUR 10 mln

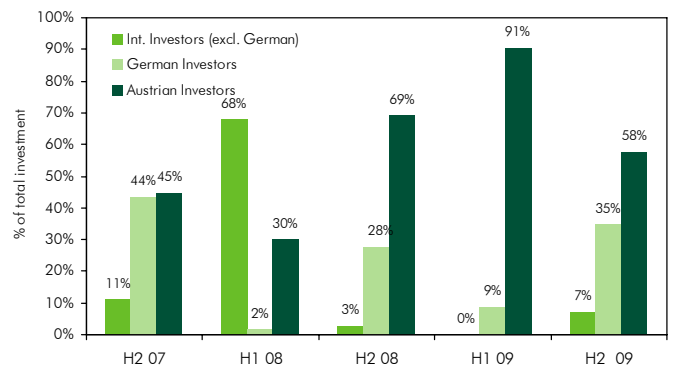
Local Austrian investors' share in the Austrian market continued to increase in 2009. Investors of other nationalities (incl. German investors) accounted for only ca. 21% of the total investment volume.

In 2010 we expect an increase of the share of German investors in the Austrian investment market.

## INVESTORS

Open-ended funds and closed-ended funds such as Hypo Real Invest, IMMAC, KGAL, Union Investment had increased interest and accounted for 40% of the total investment volume. Private investors accounted for 11%, this value has continuously increased for the last 3 years and we expect a further increase in 2010.

### Investment in Austria H2 2007 – H2 2009

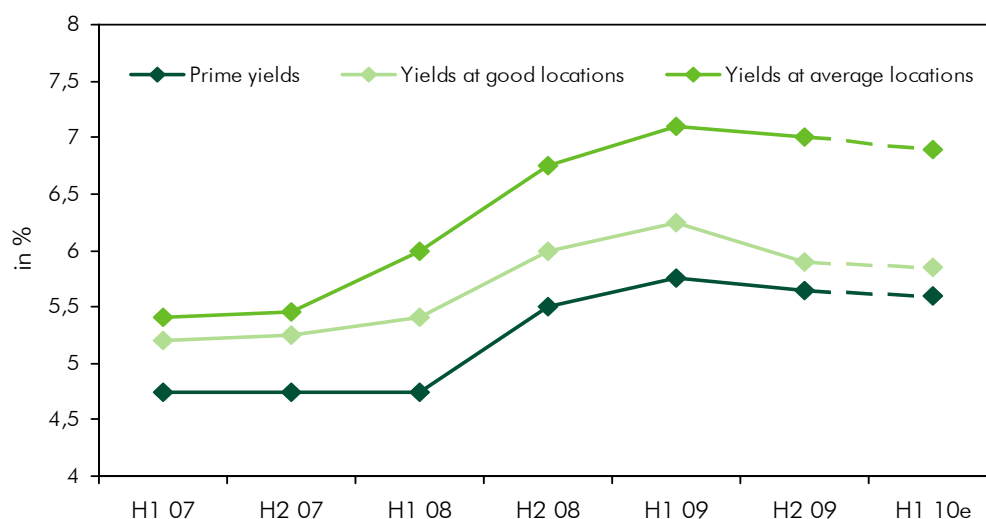


Source: CB Richard Ellis 01/2010

## YIELDS

Prime yields for newly built office properties with long-term leases outside the City Centre have slightly increased till the end of 2009 to ca. 5.65%, which is about 15 basis points (bsp) higher than at the end of 2008. In 2010 we expect a decrease to ca. 5.50%. Furthermore, we expect yields to fall by 20 bsp for properties in good and average locations or with short-term leases.

### Gross initial yields for offices in Vienna H1 2007 – H1 2010e



Source: CB Richard Ellis 01/2010

### Selected deals in Austria H2 2009

Address	Name	Investor	Use	NLA (sq m)
Trabrennstrasse 4	Rund Vier*	Union Investment	Office	~ 24,300
1030 Vienna, Ungargasse 64-66	ZRS*	Hypo Real Invest	Office	~ 16,900
1100 Vienna, Laxenburger Strasse 2	LX2	KGAL	Office	~ 17,500
Purkersdorf	Pflegeheim „Sanatorium Purkersdorf“	IMMAC	Special property	N/A
Enns	C&A Logistik Zentrum*	SEB Europe	Industrial	~ 33,700
Austria-wide	Hyperion	Signa	Mixed-Use	N/A
Austria-wide	BAWAG Portfolio*	FLE	Mixed-Use	12,200

\* CB Richard Ellis

Source: CB Richard Ellis 01/2010

## FORECAST – TRENDS 2010

### Supply ↗

More office space completions compared to 2009.

### Take-up →

Due to the weak economic growth take-up will stay stable or slightly increase.

### Vacancy rate ↗

The vacancy rate will increase in 2010 to ca. 5.8% due to low demand and the higher supply of new office space without huge pre-lettings.

### Rents ↗

Prime rents will increase slightly by the end of the year.

### Investment ↗

Investment volumes will increase and will reach about the level of 2005 (ca. EUR 1.9 bln). German Open-Ended Funds are showing substantial interest.

#### Office market indicators Vienna

Vienna (,000 sq m)	End Year 2009	Compared to End Year 2008	End Year 2010e
Total stock*	10,100	+ 1.3%	10,310
Supply**	171	- 34.0%	218
Take-up	265	- 33.0%	270
Vacancy rate	4.8%	+ 0.4 %	5.8%

\* rounded

\*\* registered supply: new + refurbished

Source: CB Richard Ellis 01/2010

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