

Q2 2011 compared to...

	Q2 10	Q1 11
Investment turnover	↑	↑
Number of transactions	↑	↑
Prime office yield (Top 5 average)	↓	↓
Capital value index office	↑	↑
Prime retail yield (Top 5 average)	↓	→
Prime shopping centre yield	↓	↓
Prime retail warehouse yield	↓	↓
Prime logistics yield	↓	↓

OVERVIEW

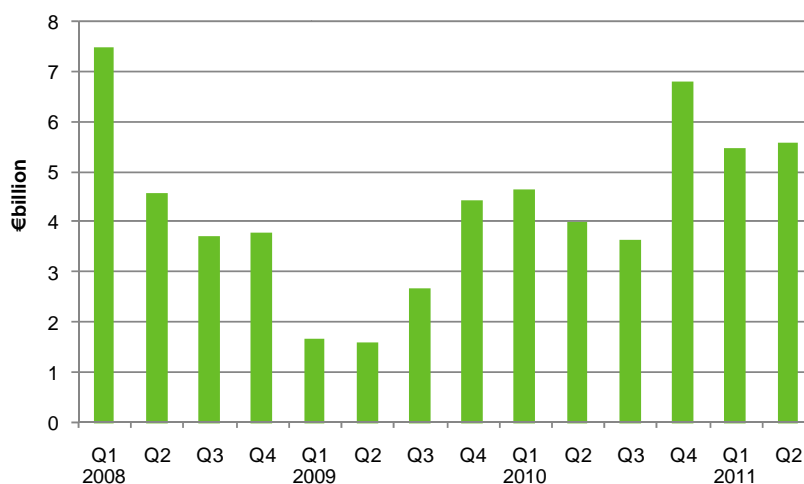
Investment activity on the German commercial real estate market remained very dynamic in the second quarter of 2011. After a strong start to 2011, a transaction volume for commercial properties of approximately €5.6bn was registered from April to the end of June. A total of €11.1bn was invested in commercial properties in Germany in the first six months of the present year; an increase of 28% compared to the same period of the previous year. A rapidly growing economy, decreasing unemployment figures and once more rising real wages underpin Germany's position as one of the most important investment markets worldwide. Foreign investors were highly interested in the German market and invested a total of €4.2bn, which equalled 38% of the overall transaction volume registered at mid-year.

National and international investors primarily focused on investments in retail properties with the result that the retail sector accounted for more than €6.2bn or 56% of the overall transaction volume. In addition, €2.7bn (24%) were invested in office properties. Above all, two large transactions in Frankfurt were responsible for the result: the sale of Greentowers (Deutsche Bank) to a closed DWS fund – with approx. €584m the single largest transaction of Q2 – and the acquisition of Occidens by Deka Immobilien Investment. Investments in logistic and industrial properties accounted for €600m (5.7%) and investments in hotels for approx. €550m (5.0%). Beyond that, just under €630m (5.7%) were invested in development sites.

By mid-year, the five major German investment centres (Berlin, Dusseldorf, Frankfurt, Hamburg and Munich) registered a total of €4.66bn invested and hence 23% more compared to the same period of the previous year. A total of 42% of the overall German investment turnover was realized in those five top locations. With a transaction volume of €1.39bn (+306%) Frankfurt came in first, followed by Hamburg with €1.1bn (+132%) and Berlin with €885m (-44%). Munich registered a transaction volume of €759m (-8%) and Dusseldorf €450m, a loss of 16% compared to the same period of the previous year.

Due to the continuous high demand for prime commercial properties, prime yields for some asset classes dropped further. Among others, yields for prime office properties in Berlin declined by 10 basis points to currently 5.10%. Since investment activities in the German retail sector, especially regarding large-scale properties, remain high, yields for prime shopping centres in A-locations declined by 15 basis points in the second quarter and are now at 5.10%; yields for comparable investment products in B-locations (i.e. major provincials) dropped by 25 basis points and are now at 6.00%. Furthermore, yields for retail parks and prime logistics properties continued to decline and are now at 6.00% and 6.50% respectively.

Investment turnover (commercial real estate) Germany



Investment market Germany

In the first half of 2011, approx. €11.1bn were invested in commercial properties in Germany. Compared to the first six months of the previous year, this is an increase of 28% or €2.45bn. About one fifth of the overall transaction volume was traded in the form of portfolios. In H1 2010, the share was somewhat higher with 32%, which was mainly a result of large-scale sales of retail portfolios traded back then.

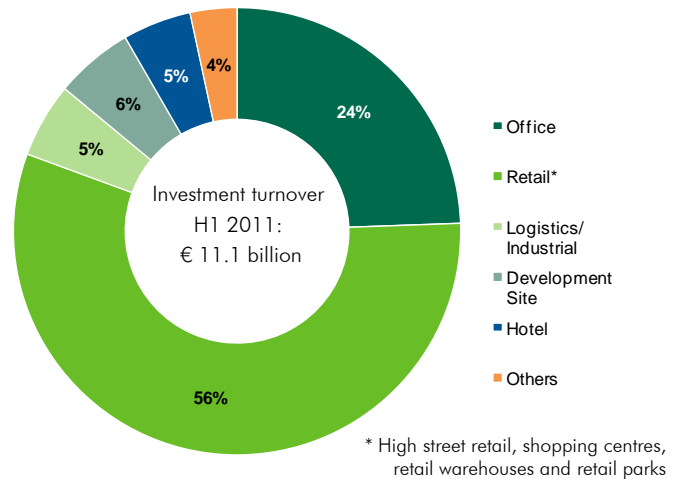
Investors continue to focus on investments in retail properties. This asset class accounted for more than €6.2bn or 56% of the overall transaction volume, about €2.3bn more compared to the first half of 2010. Shopping centres were particularly in demand and €2.7bn were invested. The three largest transactions of this segment included the sale of a 50% share of CentrO Oberhausen to Canada Pension Plan, the sale of Hamburger Meile to Real I.S. and the sale of Rheinpark-Center to Union Investment.

Despite some large transactions like the sales of Greentowers (Deutsche Bank) and Occidens in Frankfurt and the sale of Triangel in Cologne, office properties were less in demand compared to the same period of the previous year. In the first six months the transaction volume accounted for €2.7bn (24% of the overall volume). Hence, the result of H1 2011 was 6% below that of 2010. Compared to the previous year, hotel investments rose and the transaction volume for this asset class, including the sale of the Radisson Blu Hotel in Frankfurt, accounted for approx. €550m, almost 95% above the result of 2010.

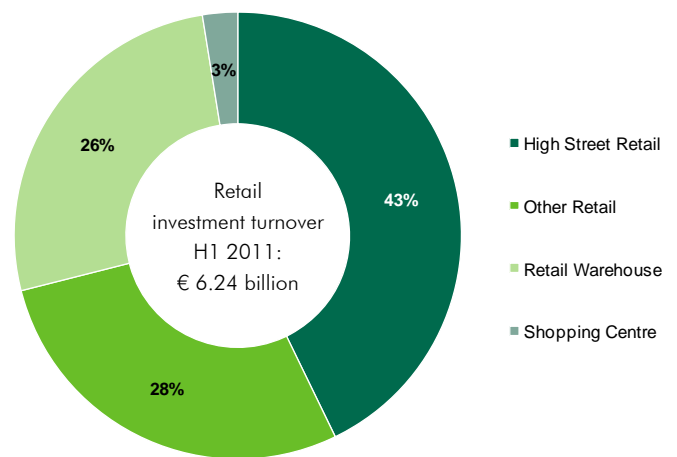
International investors were responsible for approx. 38% of the transaction volume and invested €4.2bn, an increase of 19% year-on-year. On the other side, foreign investors put fewer properties on the market than in the previous year: €3.5bn worth of properties was sold (-6%). Particularly U.S. American and British investors sold German commercial properties worth €2.2bn. At the same time, U.S. American, Canadian and British investors were among the most active foreign investor groups with €2.3bn invested. Expressed in net terms, foreign investors spend more (€4.2bn) than they earned with sales (€3.5bn).

Due to some large-scale transactions (Metro-/ Cash & Carry portfolio, CentrO), the investor group of asset and fund managers dominated the purchaser side in the first half of the year with approx. €2.6bn, an increase of 73% compared to the previous year, whereas open-ended property funds and special funds accounted for €2.3bn (+53%). Closed-ended funds accounted for €1.7bn (+32%), including the acquisition of Greentowers in Frankfurt and Hamburger Meile in Hamburg. Considering the positive market development, developers increased their investment activity significantly with almost €1.4bn (+195%). Private investors, looking for inflation resistant investments, are also increasingly investing in the German commercial property market and accounted for €1.2bn invested, an increase of 95%.

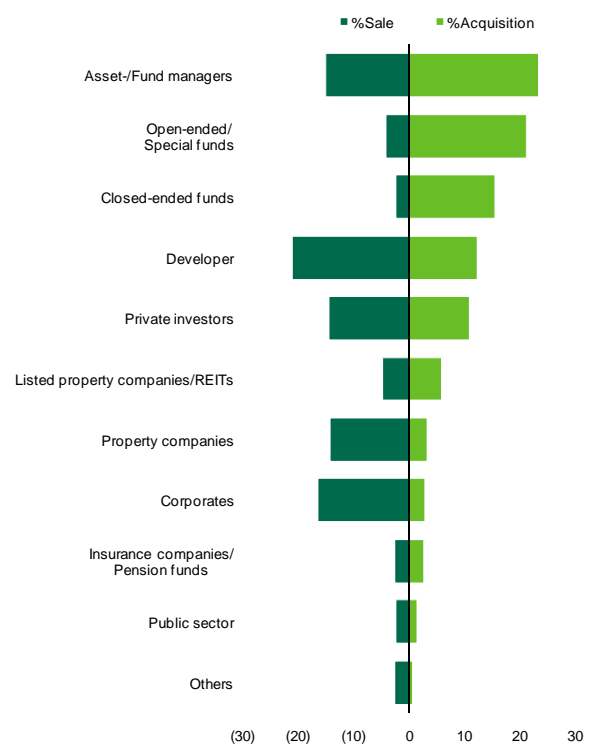
INVESTMENT TURNOVER BY TYPE OF USE



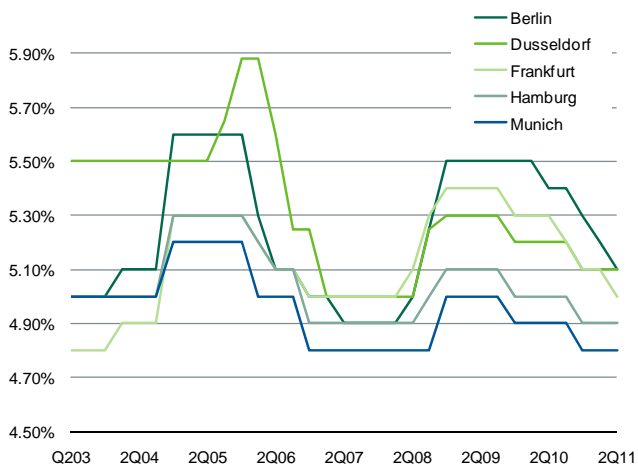
INVESTMENT TURNOVER RETAIL BY TYPE OF USE



INVESTMENT TURNOVER BY TYPE OF INVESTOR*



OFFICE

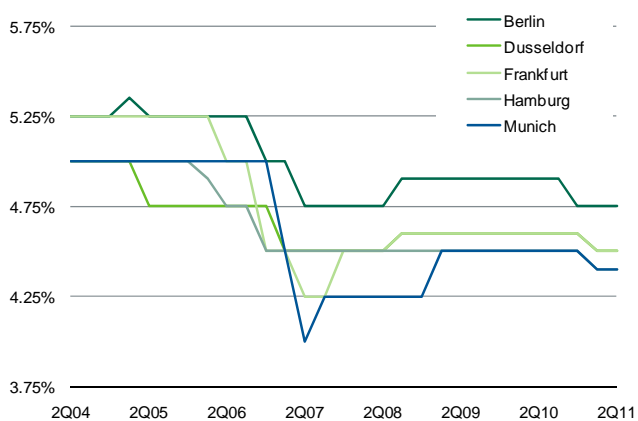


Development of prime yields

Prime yields for all asset classes remain under pressure as the demand for core investment products by security-oriented investors is high. Net initial yields therefore declined significantly. In the coming months, investors will thus increasingly turn to value-add properties as well.

Compared to the previous year, net initial yields for prime office properties declined in all top five investment locations: in Berlin and Frankfurt by 30 basis points and in Dusseldorf, Hamburg and Munich by 10 basis points. Compared to Q1, yields declined only in Berlin and Frankfurt by another 10 basis points each. Currently, prime yields are at 5.10% in Berlin and Dusseldorf, 5.00% in Frankfurt, 4.90% in Hamburg, and 4.80% in Munich. Hence, yield levels in the two latter locations and in Frankfurt have again returned to the level of the boom year 2007, whereas yield levels in Berlin and Dusseldorf are still 10 basis points above it.

RETAIL HIGH STREET



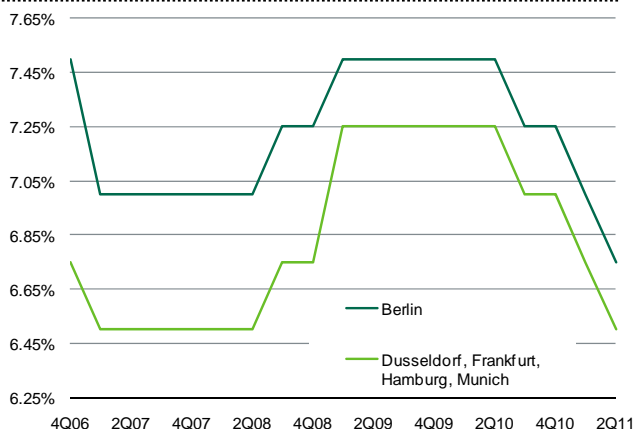
Retail prime yields also decreased along a wide front due to great demand. Prime yields for core high street properties declined further compared to mid-year results of 2010 and fell by 15 basis points in Berlin and by 10 basis points in the other top locations. Prime yields for high street properties in top locations in Berlin are now at 4.75%, in Dusseldorf and Frankfurt at 4.50%, and in Hamburg and Munich at 4.40%. The average yield for the second quarter was therefore at 4.55%, as it already was in Q1 2011, and 11 basis points below the value of Q2 2010.

SHOPPING CENTRE/RETAIL WAREHOUSE/RETAIL PARK



Prime yields for shopping centres declined as well. Yields for shopping centres in A-locations are now 40 basis points below the results of the previous year and 15 basis points below the yields of the previous quarter and are currently at 5.10%. Yields for shopping centres in B-locations, which are increasingly interesting for investors, dropped even more: within a year they declined by 65 basis points and are currently at 5.60%. Retail warehouses/supermarkets also recorded a significant decline by 50 basis points year-on-year and a decline by 25 basis points compared to Q1 2011. Those are now at 7.00%. Net initial yields for retail parks developed similarly although yield levels were lower to begin with. Prime yields for this segment declined by 50 basis points compared to the previous year and 25 points compared to the first quarter and are currently at 6.00%.

INDUSTRIAL/LOGISTICS



Logistics properties recorded the most significant decline with 75 basis points since the second quarter of the previous year. Net initial yields for prime logistics properties declined by 50 basis points between the second quarter of 2010 and the end of January 2011. Between April and the end of June it declined by another 25 basis points and is currently at 6.75% in Berlin and 6.50% in Dusseldorf, Frankfurt and Munich. This result reflects the growth of Germany's export sector and revived domestic economy.

Development of capital values in the top 5 office locations

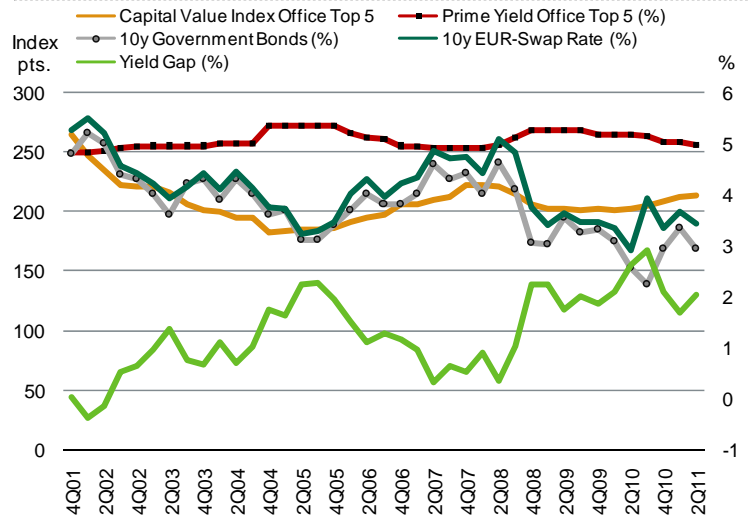
The weighted average net initial yield for prime office properties decreased by 19 basis points since mid 2010 due to the decline in some locations and is currently at 4.97%, the same level as June 2008. Compared to the first quarter of 2011, the average yield declined by four basis points. The yield gap between the weighted average yield for prime investment products and 10-year government bonds accounted for 203 basis points at mid-year. This positive risk premium causes insurance companies and pension funds in particular to reallocate their portfolios in favour of real estate allotments in order to be able to realize guaranteed returns.

As prime rents remained stable compared to the previous quarter, the rent index for the five largest office market locations stood at 209.5 points, an increase of 1.6% compared to the previous year. The rising prime rents in Berlin (+10.0%) and Munich (+1.7%) contributed particularly to this result since they also compensated for the decline in Hamburg (-2.2%). Due to the positive market environment, capital values in real estate strongholds were able to rise as well. Compared to the same period of the previous year, the index rose by 5.5% until the end of June 2011. Compared to the previous quarter the increase amounted to 0.8% and the index stands currently at 213.3 points. Especially in Berlin the increase of the capital value was over-proportionally high (+14.2%).

Financial market environment

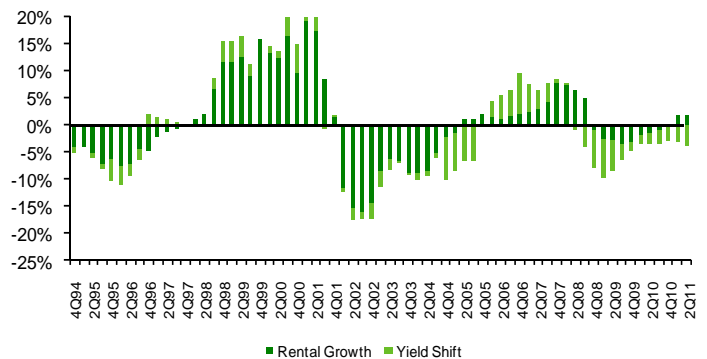
The debt crisis in Greece and other periphery countries with its potential to infect the global financial system has been the dominating topic on the financial markets. As a result, yield spreads for government bonds increased as well as the price of credit default swap spreads. According to the German central bank and the results of its Bank Lending Survey, conditions for loans in Germany relaxed due to the dynamic economic development and a very positive economic outlook in the first quarter of 2011. Furthermore, margins for average credit ratings of debtors relaxed significantly in some cases. Optimistic risk assessments of banks contributed significantly to this result. Hence, financial institutions do not expect that general conditions will change significantly in the second quarter. At the same time, the ifo Credit Constraint Indicator for June 2011 declined even further and reached a new low-point after it has last touched a low bottom in the summer of 2007. In the view of the fact that real estate markets are recovering, we noticed that banks are increasingly willing to approve loans for low-risk core investments. Large-scale but conservative commitments up to 70% of the loan-to-value ratio are also on the rise. Accordingly, German banks lately registered higher figures for newly issued mortgage bonds and should profit from the positive development on the real estate financing market.

CAPITAL VALUE INDEX OFFICE, BENCHMARK YIELD & YIELD GAP

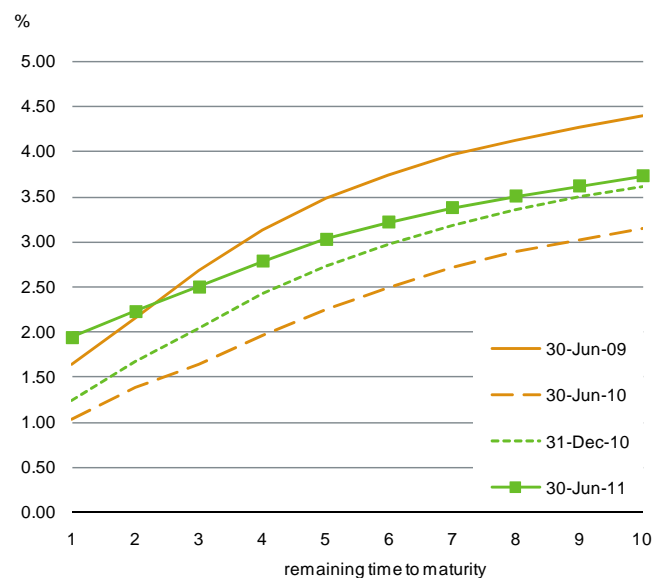


Yield Gap = difference between the weighted prime yield in the top five office locations and 10-years-Euribor-swap

ANNUAL PERFORMANCE, TOP 5 OFFICE MARKETS



PFANDBRIEF-SPREADS



Source: Bloomberg

Overview prime yields Q2 2011

	Q2 2011 (%)	Δ Q2 2010 BP		Q2 2011 (%)	Δ Q2 2010 BP
Office: Berlin	5.10	-30	High Street Retail: Berlin	4.75	-15
Office: Dusseldorf	5.10	-10	High Street Retail: Dusseldorf	4.50	-10
Office: Frankfurt	5.00	-30	High Street Retail: Frankfurt	4.50	-10
Office: Hamburg	4.90	-10	High Street Retail: Hamburg	4.40	-10
Office: Munich	4.80	-10	High Street Retail: Munich	4.40	-10
Logistics: Berlin	6.75	-75	Shopping Centre (A-locations)	5.10	-40
Logistics: Dusseldorf	6.50	-75	Shopping Centre (B-locations)	5.60	-65
Logistics: Frankfurt	6.50	-75	Retail Park	6.00	-50
Logistics: Hamburg	6.50	-75	Retail Warehouse	7.00	-50
Logistics: Munich	6.50	-75	Hotel	6.00	-25

BP = basis points

CB Richard Ellis Quarterly Index Office* Q2 2011

	Index Q1 1986 = 100	Δ % Q1 2011	Δ % Q2 2010
Prime yield	101.3	-0.8	-3.7
Prime rent	209.5	0.0	1.6
Capital value	213.3	0.8	5.5

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

Macroeconomic data and forecast*

	2009	2010	2011f	2012f
Gross domestic product (real) Germany	-4.7	3.6	3.3	2.0
Euro zone	-4.0	1.7	2.0	1.7
U.K.	-5.0	1.3	1.6	2.1
U.S. (annualized)	-2.6	2.9	2.5	3.1
Private consumption	-0.2	0.4	1.7	1.4
Machinery and equipment investment	-22.6	10.9	12.0	5.7
Industrial production	-15.4	10.1	8.0	3.9
Unemployment rate (BA), %	8.2	7.7	6.9	6.5
Consumer prices, %	0.4	1.1	2.4	2.0
Producer prices, %	-4.2	1.7	4.9	2.5

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

Sources: Federal Employment Agency (=Bundesagentur für Arbeit - BA), Consensus Economics, Destatis, German Federal Bank (as of June 2011)

Outlook

Ongoing insecurity on international financial markets and rising inflation risks make tangible assets a more attractive investment. Particularly international institutional investors consider Germany's investment market as stable and prosperous and they therefore increasingly invest in Germany. We expect that investment activities will continue to be dynamic given the large-scale transactions that are planned for the second half of the year. Furthermore, we do not only expect numerous core and core plus investments but also more sales of properties from insolvency estates, particularly in the retail sector, like the recent sale of the Neumarkt Galerie in Cologne.

In view of the fact that less new office buildings are being built, we noticed that investors and developers are more open to risks and increasingly demand refurbishment properties. In the coming months, investors will thus turn increasingly towards value-add properties that need more management involvement.

For 2011, we expect a commercial transaction volume of more than €20bn, whereof retail properties will account for a good half. Significant increases in turnovers are also expected for the logistics and hotel sector due to the strengthening positive economic outlook.

In addition, we noticed that the demand for German residential properties remains on a high level; particularly national and international institutional investors want to stabilise their portfolios with residential objects. Given the positive market development, we expect investment activities on the supplier's side to remain on a high level in the second half of 2011. Currently a large number of small and medium residential portfolios are being prepared for sale, the planned sale of the LBBW-portfolio also puts a large-scale portfolio with a volume of more than €1bn and more than 10,000 residential units in southern Germany on the market. If the deal is successful, it will give the residential property investment market in Germany a fresh impetus. If the LBBW-portfolio will be sold until the end of this year, we expect the total transaction volume for residential portfolios to account for of more than €5bn, in addition to the commercial investment volume.

DEFINITION

Prime yield

The prime yield is the ratio between annual net rental income (rent less non-recoverable costs) and the total amount invested (purchase price plus purchasers' on-costs), expressed as a percentage figure, achievable in the relevant prime location in a building with first-class fit out, let according to market conditions. It is based both on sale & purchase contracts concluded during a period and also on the market overview of the local investment department.

Disclaimer 2011 CB Richard Ellis

Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis GmbH clients, and cannot be reproduced without prior written permission of CB Richard Ellis GmbH.

For further information:

CBRE Research Germany

Dr. Jan Linsin

Director,
Head of Research Germany
t: +49 69 170077 663
e: jan.linsin@cbre.com

Anja Scholz

Analyst
t: +49 211 86066 149
e: anja.scholz@cbre.com

CBRE Capital Markets

Fabian Klein

Managing Director,
Head of Investment Germany
t: +49 69 170077 0
e: fabian.klein@cbre.com