

Q2 2010 compared to ...

	Q1 10	Q2 09
Investment turnover	↓	↑
Number of transactions	→	↑
Cross-Border Investments (%)	↓	↑
Portfolio (%)	↑	↑

Prime yields

Shopping Centre (Premium)	→	↓
Shopping Centre (Secondary)	→	↓
Retail Park	→	↓
Retail Warehouse/ Supermarket	→	→
High Street	→	→

H1 2010 Hot Topics

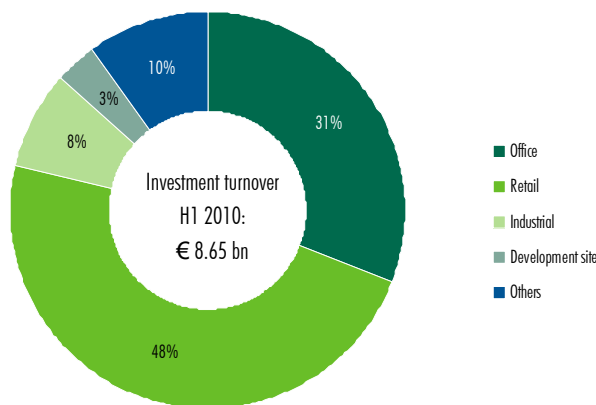
- In the first half of the year, retail properties were the central focus for German and foreign investors. The very limited supply of shopping centres in the core segment ensured that the focus of investors also extended to slightly riskier investments. This has already impacted on transaction activity relating to retail warehouses and retail parks.
- The limited supply of long-term leased retail properties will be reflected in a reduction of the prime yield in particular submarkets in the second half of the year.

OVERVIEW

• **The German investment market**

Developments in the investment market for commercial properties in Germany remain very dynamic. With a transaction volume of over €8.65bn in the first six months of this year, around 162% more was invested in commercial properties throughout Germany than in the same period last year. Germany enjoys a reputation as a safe investment haven in the national and international investment community. Similar to the bond market, we are seeing continued strong demand for first class, low-risk properties in the real estate investment market. Due to a number of large volume shopping centre investments, the focus of investments in terms of asset class in the first half of the year, with around 48% of the transaction volume, was retail properties, followed by office properties (31%) and logistics/industrial properties, which accounted for 8% of the transaction volume.

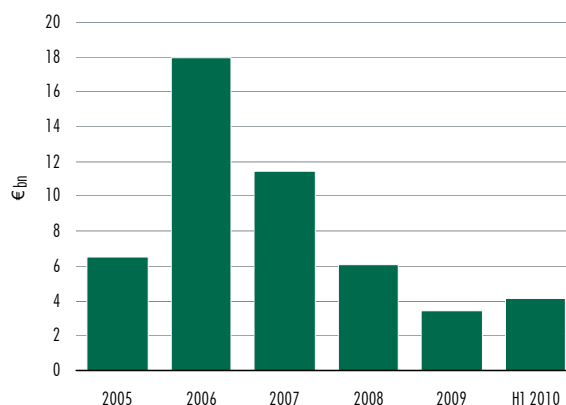
Investment turnover in Germany



• **Retail investment market**

The retail investment market recorded a very high transaction volume up to mid-year 2010. In the first six months around € 4.11 billion was invested in retail properties, which already exceeded the total figure for 2009 by € 640 million. The increase in turnover is principally a result of the take-over of a shopping centre portfolio by the Dutch investor Corio N.V. and further individual shopping centre transactions. Compared with the same period last year, prime yields for shopping centres and retail parks reduced by 25 and 10 basis points respectively as a result of increased demand combined with limited availability of suitable properties.

Retail investment turnover



Retail investment turnover by type of use

Investments in shopping centres dominated transaction activity in the retail segment in the first half of 2010; 65% (€ 2.7 billion) of the investment volume was accounted for by this segment. This figure includes the portfolio transaction by Corio N.V. Furthermore, investors are focusing on the appeal of the shopping centres' gross lettable areas. In the first half of 2010, six shopping centres with total lettable areas greater than 50,000 sq m were acquired. In all cases, purchase prices of over € 200 million were achieved. In addition to established and highly frequented shopping centres, others were being purchased even before completion. As part of the aforementioned portfolio transaction, the project developer Multi Development sold amongst others the projects Boulevard Berlin and the Arneken Galerie in Hildesheim.

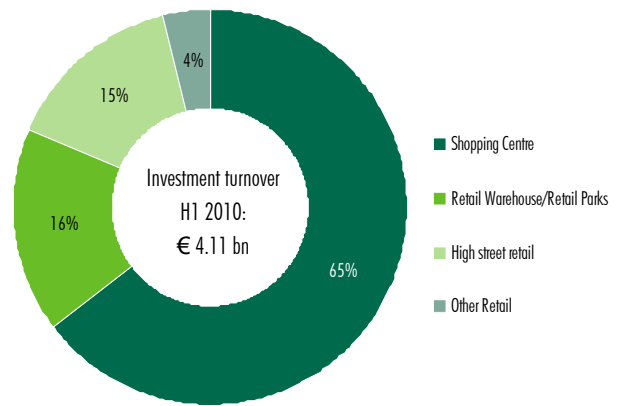
In the first half of 2010 the total volume of investment in retail warehouses and retail parks was around € 678 million. The larger volume of supply when compared to shopping centres and attractive yield level led to a noticeable upswing in this property segment, particularly in the second quarter. Furthermore, the market recovery in portfolio transactions is being reflected in the investment volume in retail warehouses and retail parks. Following the most recent portfolio sales in the shopping centre and retail warehouse segment, the portfolio rate for the first half of 2010 rose to 54%.

The general recovery of the investment market is also evident in Germany's high streets with a total of € 615 million invested in high street properties by mid-year 2010. With the exception of Cologne, investment activity in high street properties took place outside the major property strongholds. The more restrained investment activity in the major cities can be explained by the fact that properties in Germany's most renowned high streets are already predominantly owned by long-term focused, risk-averse investors.

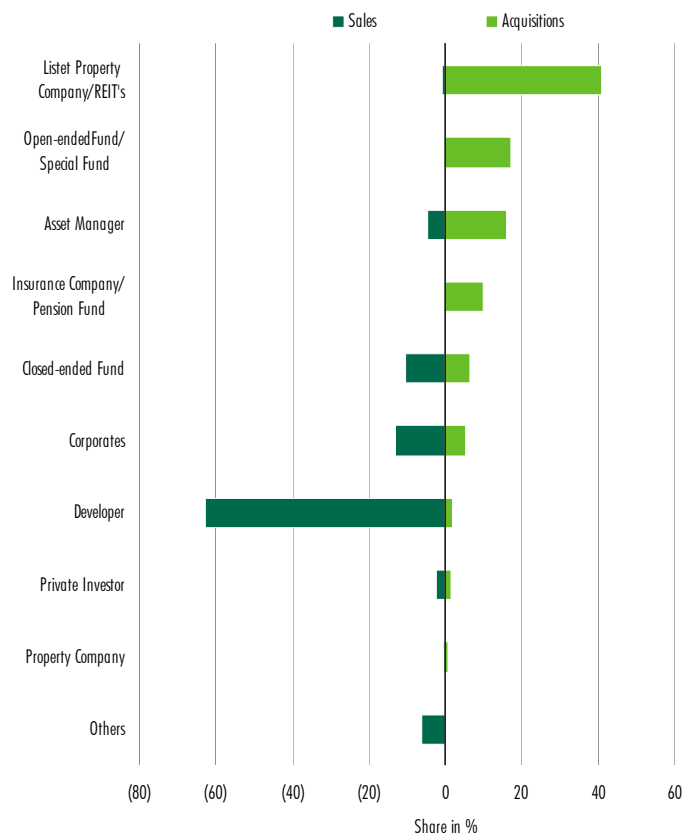
Retail investment turnover by type of investor

In the first half of 2010, as in the previous year, the retail investment market continued to be influenced by equity-led investors. This year, this group includes listed property companies, which have raised funds to purchase properties in favourable stock market conditions. Overall, the total sum invested by listed companies amounts to around € 1.69 billion and therefore 41% of the total transaction volume. With an investment volume of € 700 million, open-ended property funds and special funds were the second largest investor group in 2010; however, during the course of the first half of 2010, the investment perspectives for open-ended property funds became noticeably less clear as reforms proposed by the Federal Ministry of Finance increasingly unsettled investors in separate estates.

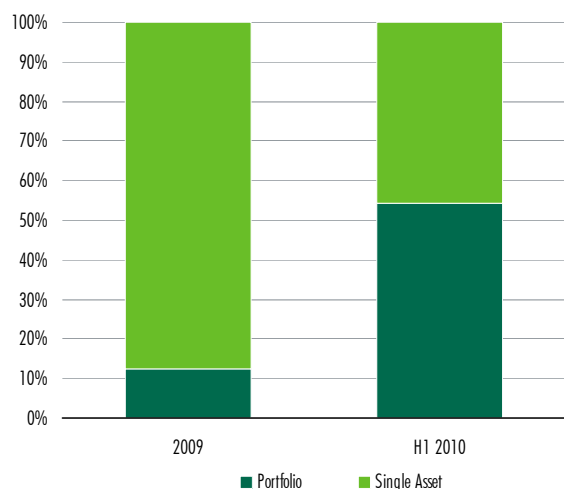
Investment turnover by type of use



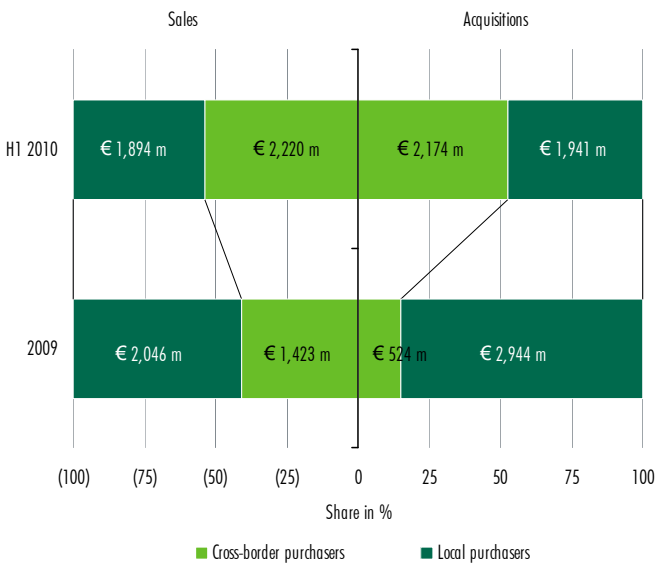
Investment turnover by type of investor



Investment turnover by portfolio ratio



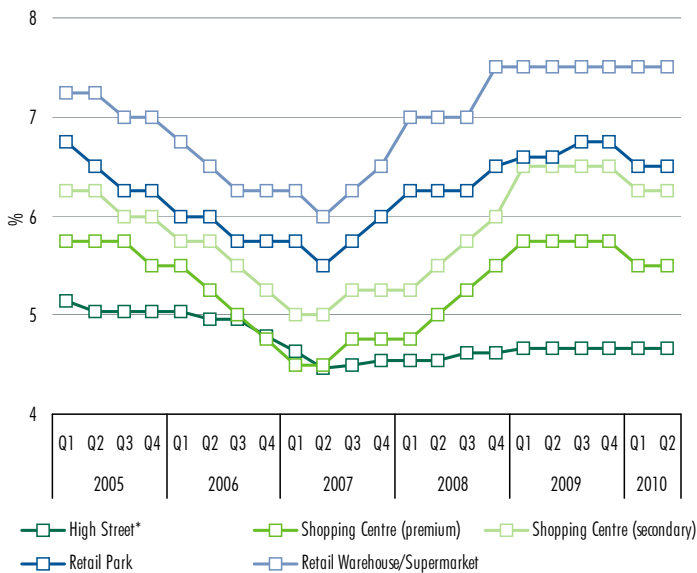
Investment turnover by investor's nationality



Fund managers have invested around € 665 million in the German retail property market on behalf of their investors. The most significant acquisition by this purchaser group was the Ruhr-Park in Bochum which, with a gross lettable area of almost 110,000 sq m, is one of the largest shopping centres in Germany. The general property investment market recovery, especially in the case of retail property, can be interpreted as attributable to the return of foreign investors. Around 53% of the transaction volume in the first half of the year came from purchasers from abroad; who were particularly active in the high volume sector. During the investment year 2009, which was dominated by the financial market crisis, the percentage share of foreign investors was only 15%.

Developers dominated the vendor side, with a percentage share of almost 63% of the total sales volume. An example of this is the sale by the French-Portuguese consortium Sonae Sierra/Foncière Euris of its majority shares in the Alexa shopping centre, which has become firmly established in the highly competitive Berlin retail landscape since its opening 2½ years ago. Second place on the sales side was assumed by Corporates, with a percentage share of just 13% of the investment volume. Retail companies rely mainly on sale-and-leaseback transactions to progress and finance their expansions.

Prime retail yields



*Average high street yield of Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg and Munich

Development of prime yields

The past few months have seen resurgence in demand for retail properties in all segments. The stabilising financial market environment and associated liquidity have contributed to this. In the shopping centre segment prime yields will continue to be defined by the developments in demand from open-ended property funds. At present, individual investment companies with mainly corporate and/or public-law banking backgrounds are registering enormous cash inflows. This concentration is creating additional pressure on the affected funds resulting in demand for large volume property assets in the core segment. In view of the limited availability of suitable products, prime yields for shopping centres have fallen by 25 basis points since last year to their current level of 5.50%. Also, prime yields for shopping centres in secondary locations and retail parks have not been unaffected by the general surplus demand for first class products. Yields have fallen since last year to 6.25% and 6.50% respectively. As a result of the current market conditions and their low degree of diversification per se, prime yields for individual retail warehouses and supermarkets remain unchanged at 7.50%. As risk-averse investments, prime retail properties are proving to be resilient to the turmoil in the investment markets. The average prime yield for the six major property strongholds is 4.65%.

Prime retail yields (High Street)

	Q2 2010	Δ Q2 2009 BP	Δ Q2 2007 BP
Berlin	4.90%	± 0	+15
Cologne	4.50%	± 0	± 0
Dusseldorf	4.85%	± 0	+10
Frankfurt	4.60%	± 0	+10
Hamburg	4.60%	± 0	+35
Munich	4.50%	± 0	+50

OUTLOOK

For the second half of the year, continued brisk investment activity is expected in the retail property segment, evidenced by several large volume investment deals currently awaiting completion. In addition, this expectation is supported by the intentions of various investors to expand their shopping centre portfolios. Overall, however, the amount of transaction activity should be less spectacular in the second half of the year compared with the first. The historically low yield level for alternative investments, e.g. 10-year government bonds, also opens prospects for the acquisition of prime retail properties in the major property centres. The sustained demand for core and core-plus properties, combined with very limited supply, would suggest that prime yields in the shopping centre segment will fall moderately in the second half of the year in prime and secondary locations.

DEFINITIONS

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.

Shopping centre

Based on the pan-European definition by the International Council of Shopping Centers (ICSC), shopping centres are understood to mean retail properties with a gross lettable area of at least 5,000 sq m. Shopping centres consist of an agglomeration of retailers of various types and sizes as well as communal areas, which are planned as a whole and have been constructed and are managed as such in their entity. Normally, parking is available at the property. Specialist forms of large-scale retailing, such as local convenience centres, retail parks, factory outlet centres, theme-oriented centres and retail arcades/galleries, are distinguished from traditional shopping centres.

Retail park

In a retail park, in contrast to a conventional shopping centre, retail warehouse units form the dominant type of retail use. The retail park, oriented towards car-borne customers and mostly single storey in structure, is characterised by a basic interior and exterior architectural design. Normally, extensive open ground level parking is available. Retail parks are understood to mean retail properties with a gross lettable area of at least 5,000 sq m.

Gross lettable area

The gross lettable area (GLA) comprises the sum of all retail space which is available for exclusive use by the tenants. This extends to half of the apportioned external wall as well as the line of the display window. The GLA excludes common parts such as circulation space, parking spaces, service areas, etc. In addition, areas with uses other than retail, such as offices and apartments, are not included.

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