BNP PARIBAS
REAL ESTATE

RESEARCH

EUROPEAN OFFICE MARKET
2014

CONTENTS

EDITORIAL

"Today, European economies and property markets are very diverse, meaning also full of risks and opportunities.

Recently released economic data has shown that the European economy has improved significantly. However, continued weakness in the labour market and tight credit conditions are headwinds to growth. For this reason, the economy is expected to remain highly sensitive to development in the export sector; but with recent issues in emerging economies, particularly in Asia, external demand could result in a weaker engine than expected.

A few green shoots of recovery are beginning to emerge in most of the Southern European economies, and growth is gaining momentum in some of the major economies, notably the UK. The fundamentals of the European real estate market are set to improve in the coming years, as the region's economy emerges from the recent downturn. However, government bond yields are also expected to increase, therefore raising concern on the likely impact on property yields.

We believe that for few prime assets located in the core countries, the expected future income growth will not be sufficient to offset any negative yield impact, thereby reducing capital values in the medium term. However what is true for prime is not necessarily true for non-prime assets. Indeed, yields in most secondary assets and in non-core markets are at historically high levels as a consequence of the recent economic malaise.

For most of these properties, we believe that market trough has been reached and we are at the verge of a cyclical upturn indicating a rise in income growth. However, the main gain is likely to come from re-pricing as a result of yield compression. Indeed, although government bond yields will rise, the current level of yields in these markets is sufficiently high to act as a buffer. This together with the likely income growth should support relatively healthy capital gains in these markets over the coming period."

Christophe PINEAU
MRICS
Head of International Research

OFFICE MARKET

PRIME RENTS FARE WELL DESPITE A FURTHER DECREASE IN OCCUPIER DEMAND

Total office take-up declined by 7% in 2013 compared to 2012 in a sample of 36 European cities with the principle cause being the persistent difficulties in the labour market. There is a mixed picture among countries: the UK, Ireland and Spain performed well whereas take-up in Germany, Russia and France declined due to a reduction in large transactions. Furthermore, occupiers continued to rationalise occupancy costs and to relocate into new buildings.

On average, the vacancy rate remained unchanged over 10%, in spite of the global slowdown in demand. Although second hand office space released onto the market was an important supply driver, the low level of completions limited the increase in vacant space in most cities. The effect of lack of new supply in central areas has been to push up prime rents. Conversely, vacancy was more abundant in peripheral areas, where headline rents either were supported by significant incentives granted by owners or simply decreased. Europe remains polarized between its better quality product and its least.

The expected improvement in economic conditions in Europe in 2014 is likely to have a positive impact on office take-up. Stronger occupier demand should support prime rental growth, particularly in the recovering markets.

	Take-up (thousand m²)			Vacancy Rate (%)			Prime Rent (€/m²/year)		
	2013	2012	2011	Q4 2013	Q4 2012	Q4 2011	Q4 2013	Q4 2012	Q4 2011
Amsterdam	236,200	234,500	185,000	17.6%	18.0%	18.0%	350	345	355
Barcelona	172,900	157,000	207,600	17.1%	15.8%	14.6%	210	216	225
Belgrade	61,100	74,000	113,000	17.0%	19.5%	23.0%	168	168	168
Berlin	453,000	548,000	550,000	5.4%	5.6%	6.6%	264	264	264
Birmingham	61,700	46,500	62,200	13.9%	15.1%	15.1%	365	352	346
Bratislava	80,000	55,000	68,100	14.5%	12.0%	10.8%	186	186	204
Brussels	314,600	442,000	321,800	10.5%	10.7%	11.2%	265	265	265
Bucharest	173,900	243,200	256,200	14.5%	14.5%	14.8%	216	216	216
Budapest	190,600	174,100	242,100	18.4%	21.0%	19.2%	192	192	192
Central London	1,199,300	919,600	1,003,800	6.5%	6.6%	6.9%	1,395	1,280	1,280
Central Paris	1,571,000	2,028,300	2,034,500	8.7%	7.5%	7.4%	780	830	820
Cologne	276,000	261,000	320,000	7.2%	7.5%	9.0%	258	258	260
Dublin	195,700	145,000	152,600	18.2%	20.1%	21.3%	377	325	300
Düsseldorf	415,000	346,000	362,000	10.6%	11.3%	12.0%	330	312	291
Edinburgh	61,500	54,900	44,500	12.4%	13.1%	14.4%	377	377	346
Frankfurt	493,000	580,000	525,000	12.0%	12.5%	13.2%	456	432	432
Geneva*	-21,000	-53,400	34,600	1.9%	1.2%	0.6%	730	781	817
Glasgow	77,200	44,200	48,700	10.4%	11.3%	10.6%	346	346	346
Hamburg	440,000	435,000	536,000	6.2%	6.5%	7.3%	300	288	282
Helsinki*	31,600	-2,700	170,800	10.9%	10.8%	10.6%	345	338	330
Istanbul*	356,400	188,600	164,600	8.3%	8.4%	9.3%	353	329	317
Lille	171,400	160,300	128,600	n.a.	n.a.	n.a.	220	200	190
Lisbon	77,800	102,000	87,600	13.2%	12.4%	12.0%	222	216	222
Luxembourg	150,000	147,500	177,700	5.2%	5.5%	6.0%	480	480	480
Lyon	251,600	186,800	265,900	5.8%	6.0%	6.1%	315	285	285
Madrid	365,200	253,600	333,100	15.3%	15.1%	13.4%	288	288	324
Manchester	75,700	69,100	60,100	10.1%	9.9%	9.5%	384	384	358
Marseille	106,100	156,400	94,000	n.a.	n.a.	n.a.	260	270	250
Milan	231,500	241,400	338,500	12.6%	11.2%	11.0%	490	510	520
Moscow	523,300	991,200	1,420,000	12.8%	10.5%	11.0%	613	571	544
Munich	603,000	715,000	883,000	6.4%	6.8%	7.4%	402	396	396
Oslo	110,000	160,000	135,000	8.1%	7.9%	7.6%	408	425	382
Prague	151,000	125,000	207,000	13.0%	11.9%	11.8%	246	252	252
Riga*	12,300	28,800	47,900	7.5%	9.7%	14.0%	152	144	144
Rome	159,400	66,500	182,000	7.6%	6.5%	6.2%	400	410	420
Saint Petersburg	153,900	141,100	308,000	9.1%	6.4%	8.5%	439	395	336
Stockholm*	17,900	48,800	255,400	8.9%	9.0%	9.3%	508	508	497
Tallinn*	35,400	31,900	24,300	5.5%	7.0%	7.5%	204	200	200
The Hague	126,200	86,000	57,000	15.2%	14.3%	13.2%	200	205	215
Toulouse	109,800	129,600	130,100	5.8%	5.3%	6.9%	200	209	210
Vienna	300,000	320,000	220,000	6.6%	6.5%	6.0%	306	300	282
Vilnius*	30,300	15,400	6,500	6.3%	10.7%	10.5%	177	168	162
Warsaw	451,000	441,000	405,400	11.7%	8.8%	6.7%	300	300	300

* Net absorption

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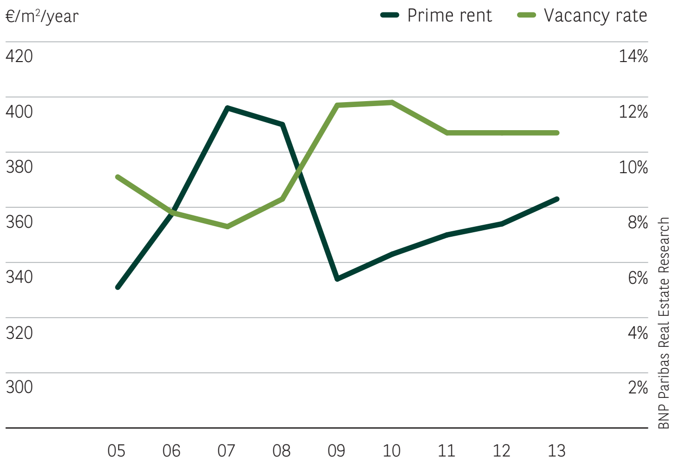
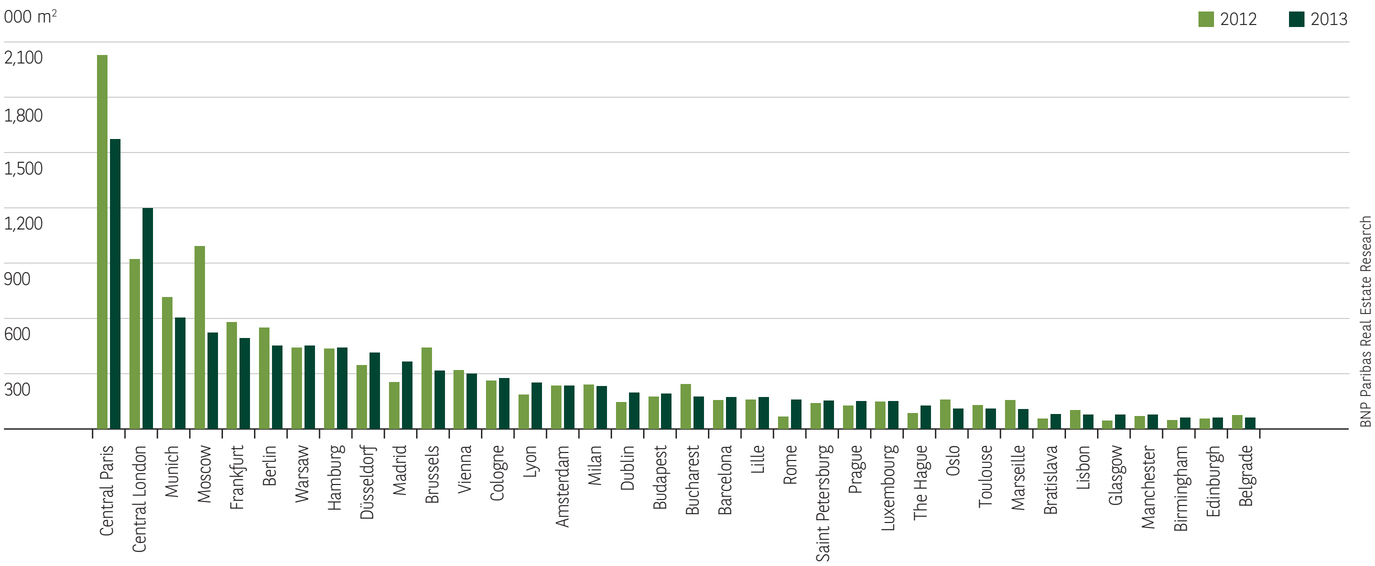
EUROPEAN OFFICE DEMAND

* 36 cities ** 23 European countries Source: Datastream, BNP Paribas

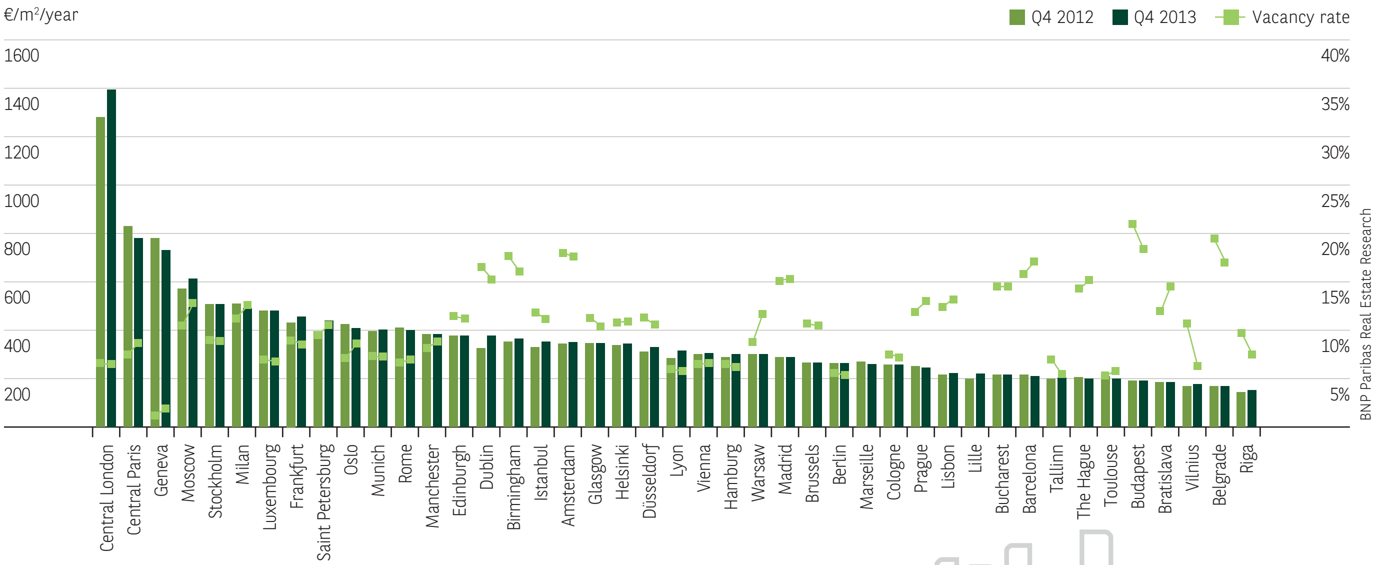
EUROPEAN PRIME OFFICES (43 CITIES)



TAKE-UP VOLUMES



PRIME RENTS AND VACANCY RATES



INVESTMENT MARKET

INVESTORS START TO DIVERSIFY THEIR INTERESTS ACROSS EUROPE IN 2013

Secured office assets in the main liquid locations were still eagerly sought after by core strategy investors in 2013, pushing down prime yields even more. The emerging trend in 2013 comes from the return of players with value added or opportunistic strategies. This is allowing risky but high potential markets to start to grow again.

Commercial real estate investment in the 43 cities analysed nearly totalled €100 billion (€65 billion for offices) at the end of 2013, an increase of 26% (30% for offices) compared to 2012 figures. Although the rise in London, the most liquid market, has been substantial (+54%), it has been outstanding in a number of markets with high potential including Dublin (+227%), Milan (+189%) or Barcelona (+209%). Thanks to this widespread increase in demand, average prime yields across those cities have declined by 20 basis points.

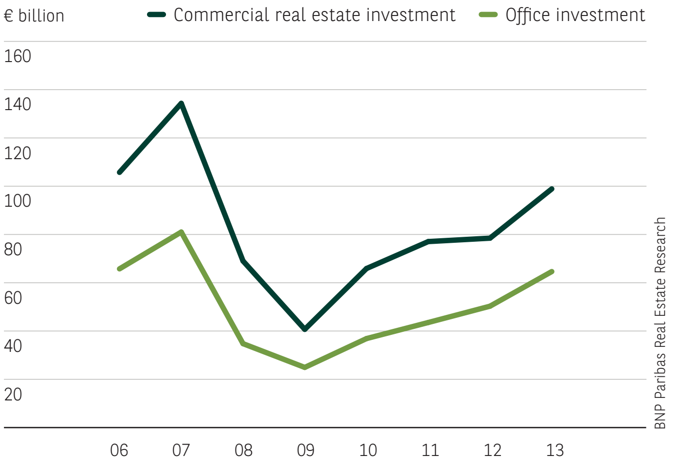
The anticipation of economic recovery will support all European markets. Demand is seeking wider variety in the quality of assets available. Any investor will be able to find the right product in this more energetic European office market; from the already expensive London market, to the high potential of Spain. This will support a high level of investment in Europe and a broad decrease in yields in 2014.

	Total investment volume (€million)			Office investment volume (€million)			Office prime yield (%)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Amsterdam	1,546	1,008	813	1,007	616	393	5.85	6.00	5.75
Barcelona	1,210	391	648	370	230	135	6.50	6.00	5.50
Belgrade	0	30	35	0	0	0	9.50	9.50	9.50
Berlin	3,589	3,848	2,335	1,621	1,881	794	4.70	4.80	4.95
Birmingham	913	550	661	336	215	234	5.75	6.50	6.00
Bratislava	125	25	270	75	22	55	7.25	7.25	7.20
Brussels	1,136	584	712	978	342	579	5.00	5.00	5.00
Bucharest	242	127	290	221	60	153	8.25	8.25	8.25
Budapest	280	100	650	190	33	0	7.75	7.75	7.75
Central London	28,376	18,383	14,728	23,906	16,030	11,757	3.75	4.00	4.00
Central Paris	12,144	12,301	11,636	9,359	9,213	9,712	4.50	4.50	4.70
Cologne	1,083	565	842	453	256	349	4.85	5.20	5.30
Dublin	1,614	493	142	764	341	125	6.25	7.00	7.25
Düsseldorf	2,078	832	954	1,236	618	515	4.75	4.90	5.00
Edinburgh	255	270	236	196	31	90	5.75	6.50	6.00
Helsinki (Finland)*	2,380	2,070	1,770	1,091	1,276	1,064	5.20	5.20	5.50
Frankfurt	3,893	3,230	2,967	2,557	2,209	1,382	4.65	4.75	4.90
Geneva	674	648	520	386	453	406	3.20	3.30	3.30
Glasgow	552	370	478	149	211	52	5.75	6.50	6.00
Hamburg	2,674	2,164	2,187	1,470	1,128	1,032	4.65	4.70	4.80
Istanbul	1,126	331	551	239	157	195	7.25	7.00	7.25
Lille	212	294	211	142	223	86	5.70	6.00	6.15
Lisbon	285	134	146	114	88	66	7.50	7.75	7.25
Luxembourg	629	318	368	490	206	232	5.10	5.25	5.15
Lyon	869	864	649	655	514	566	5.70	6.10	6.15
Madrid	956	595	1,330	299	441	677	6.20	5.90	5.50
Manchester	899	494	2,507	456	144	381	5.75	6.50	6.00
Marseille	243	188	440	17	71	311	6.10	6.10	6.15
Milan	1,354	469	1,569	795	321	554	5.75	5.60	5.40
Moscow	7,135	7,040	6,640	3,377	2,816	2,692	10.00	9.00	10.00
Munich	4,740	3,624	2,877	2,899	2,791	1,453	4.40	4.60	4.75
Oslo (Norway)*	4,941	6,137	4,249	2,974	2,353	2,478	5.00	5.25	5.25
Prague (Czech Republic)*	1,300	610	2,100	610	385	250	6.25	6.50	6.50
Riga	172	15	131	30	9	54	7.75	8.75	8.75
Rome	1,031	637	818	548	202	608	6.25	6.10	5.90
Saint Petersburg	689	504	1,538	140	58	477	10.00	10.50	10.00
Stockholm	4,465	5,380	4,402	2,691	2,879	1,916	4.50	4.50	4.75
Tallinn	86	129	151	18	41	34	7.25	8.25	8.50
The Hague	368	241	506	241	107	289	6.30	6.30	6.10
Toulouse	233	99	159	58	65	60	6.20	6.20	6.35
Vienna	1,030	1,165	1,415	435	490	520	4.90	5.10	5.25
Vilnius	126	26	23	92	5	0	7.50	8.50	8.50
Warsaw	1,440	1,337	1,595	1,030	827	1,113	6.00	6.25	6.25

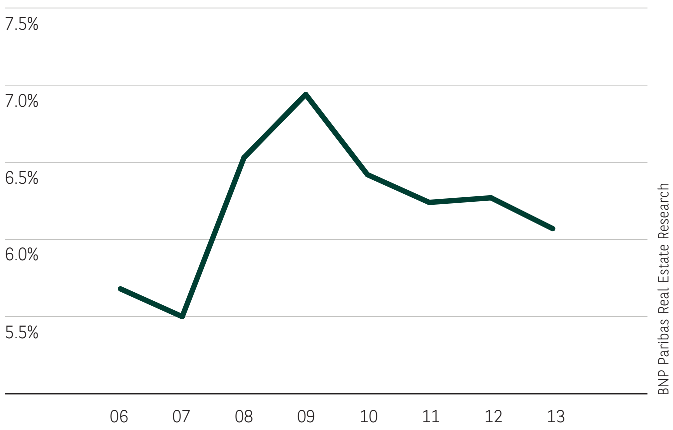
* Data for the country

BNP Paribas Real Estate Research

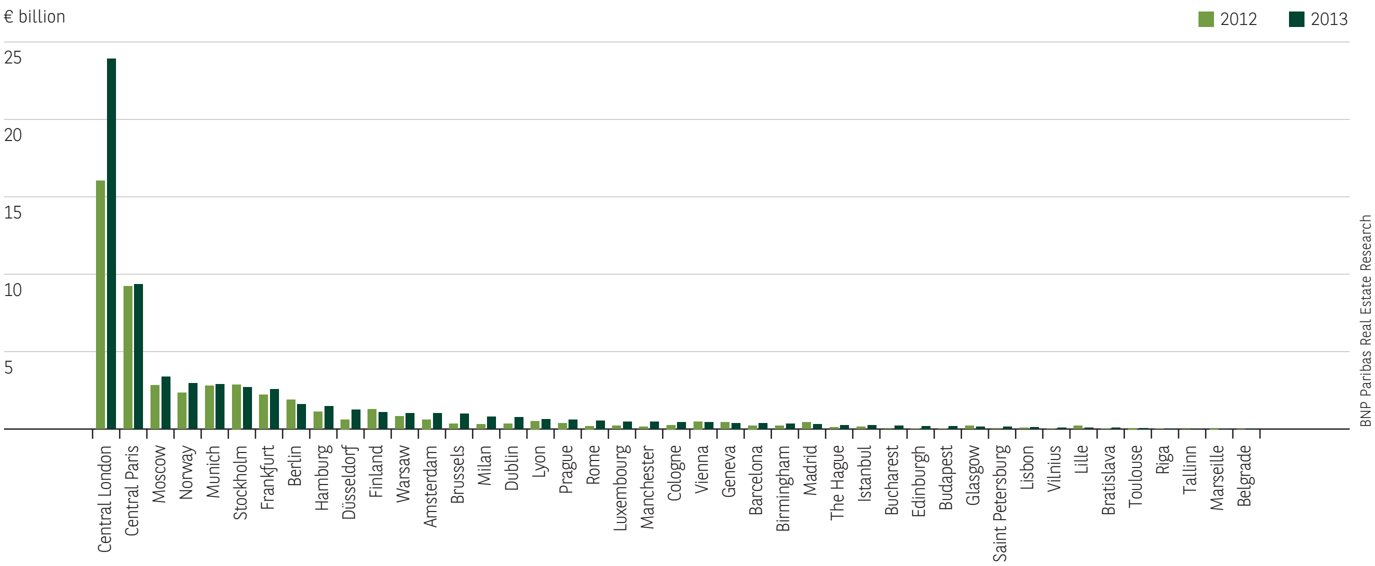
EUROPEAN REAL ESTATE INVESTMENT VOLUME (43 CITIES)



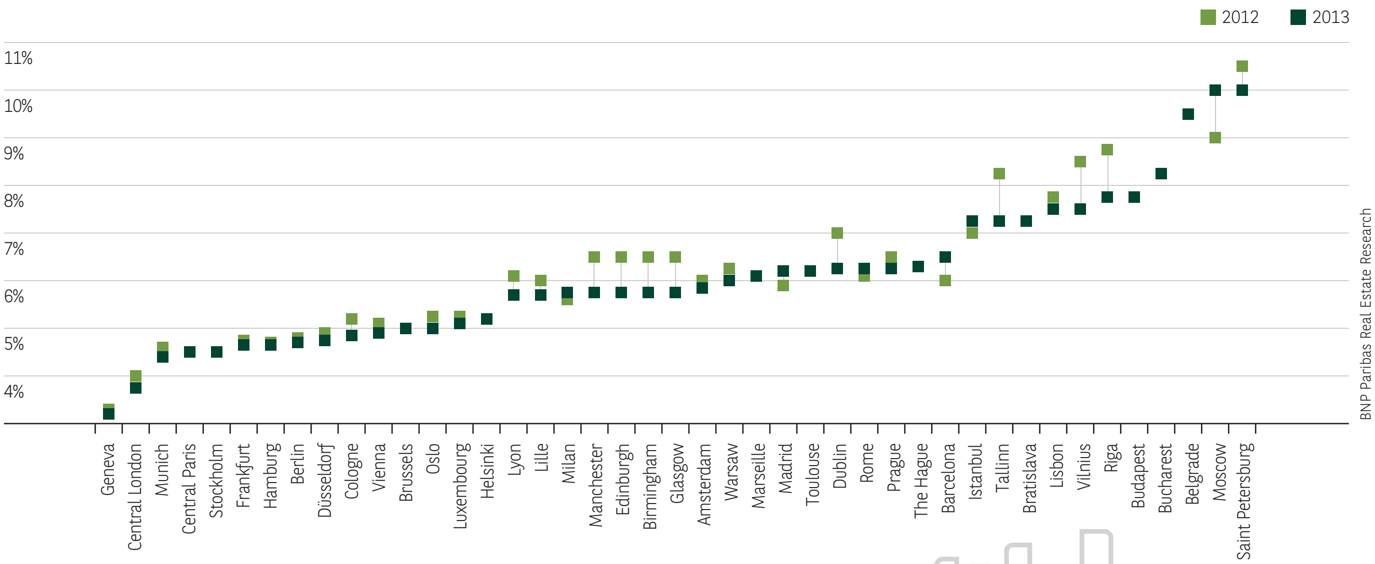
AVERAGE EUROPEAN OFFICE PRIME YIELD (43 CITIES)



OFFICE INVESTMENT VOLUMES



NET OFFICE PRIME YIELD



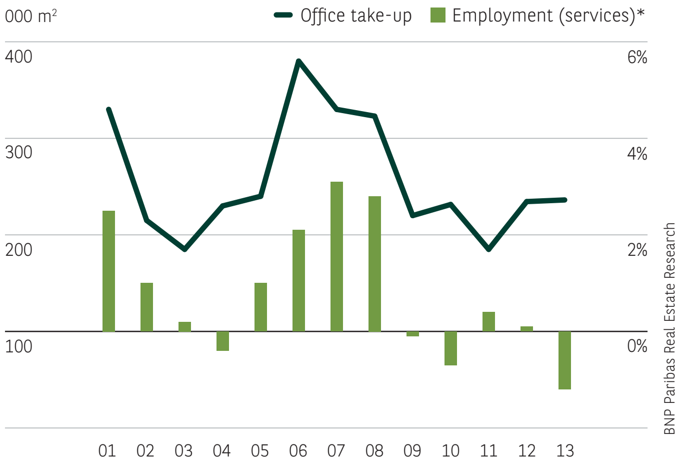
AMSTERDAM

DECLINE IN OFFICE SPACE USE PER WORKER STILL REDUCING DEMAND

The occupier market has been characterized by historically low take-up levels over the last few years. The principle factor is the gloomy economic conditions causing a rise in unemployment, especially in the service sector. Furthermore, companies are reducing their office space needs following rationalising processes.

The office market in Amsterdam is predominantly a replacement market. The current activity is mainly driven by movements of existing users within the market. Indeed the high levels of supply enabled tenants either to leave outdated offices or to renegotiate their leases. The gap in terms of quality between new or refurbished properties and existing properties has become greater.

TAKE-UP - EMPLOYMENT



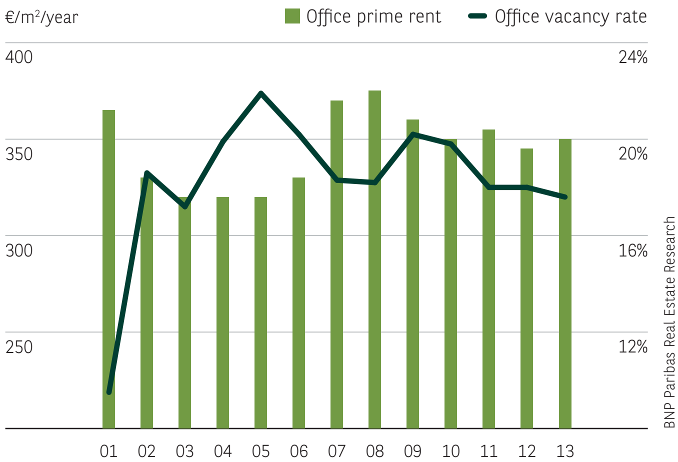
*Oxford Economics/BNP Paribas - Data for The Netherlands

PERSISTENT DISPARITIES BETWEEN PRIMARY AND SECONDARY OFFICE LOCATIONS

Supply is expected to increase again in 2014. The local government's efforts to promote office transformation and/or demolition projects cannot counterbalance the increase of supply created by new developments in prime office locations. In this context, office rents in secondary locations have been under pressure as the total vacancy rate stayed high at 17.6%.

Real estate owners had to invest in their existing stock in order to remain competitive. This resulted in a moderate growth in the quality of office supply. Landlords that had no recourse to invest, had to bring rents down and provide significant incentives to potential tenants in a stronger bargaining position. This resulted in high levels of unrecorded incentives in contracts.

PRIME RENT - VACANCY RATE

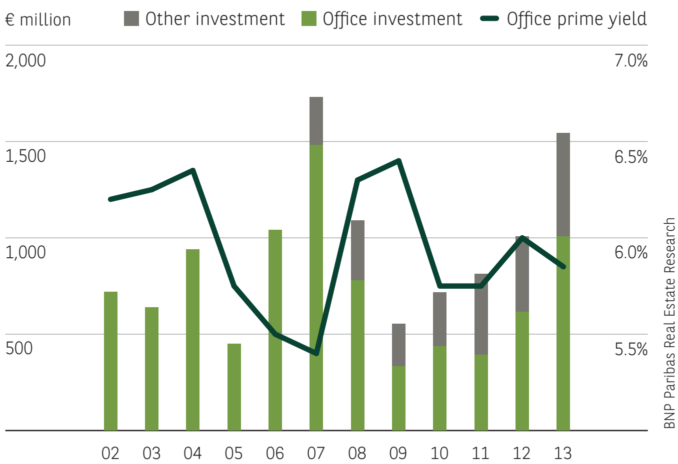


RECOVERY IN INVESTMENTS IN PRIMARY LOCATIONS

After a strong decline in the first half of 2013, investment volumes increased significantly in the second half of the year. The interest of foreign investors was notable, as they accounted for more than 50% of the total investment volume in 2013 in the greater Amsterdam region. Investment in the office market followed the same trend as the occupier market. There was strong interest for prime locations, both for existing properties and new developments, pushing yields down.

Prime office yields decreased modestly in 2013 to their average level recorded over the past four years, while yields for secondary locations increased. Indeed, price corrections in secondary locations created some momentum in this segment of the office market, with foreign parties particularly interested in portfolios with riskier assets. This may have a dampening effect on the increase of secondary yields over 2014.

INVESTMENT - YIELD

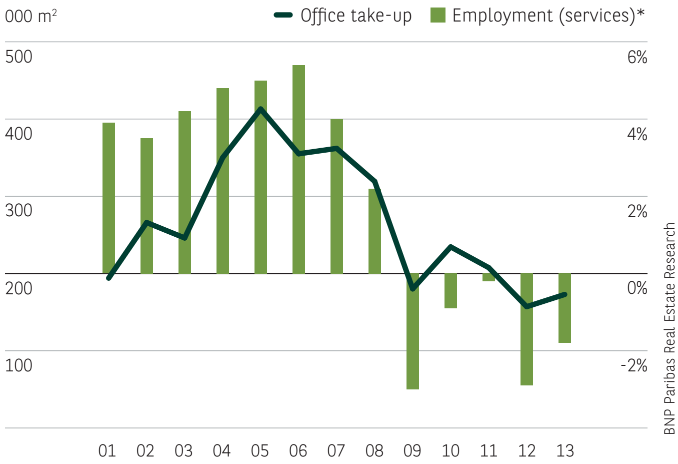


BARCELONA

Q4 2013 TAKE-UP: STRONG ENOUGH TO EXCEED 2012

The strong activity in the last quarter of 2013 resulted in an annual take-up increase of 10%. Two large transactions for new corporate headquarters of 9,000 m² and 5,000 m² boosted the market at the end of 2013. This growth was accompanied by a rise in the number of deals from 221 to 252 in the same period with the average size for office units standing at 680 m². Demand in Barcelona's market improved, especially in recent months, despite the flat outcome expected at the start of the year.

TAKE-UP - EMPLOYMENT

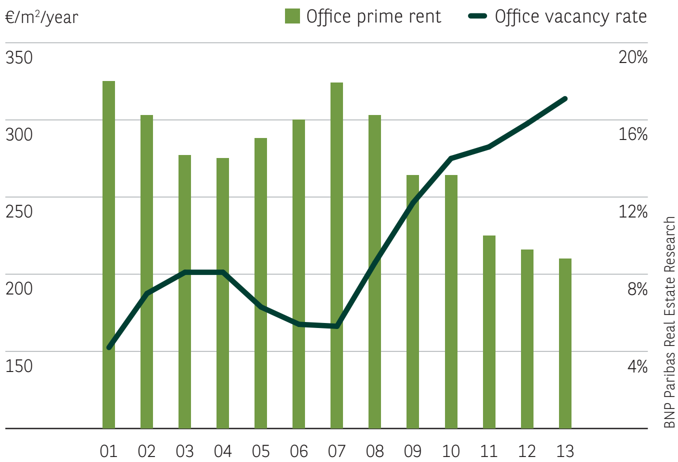


*Oxford Economics/BNP Paribas - Data for Spain

PRIME RENTS ENTERING A STABLE PHASE

During 2013, vacant space rose significantly mainly due to the release of second hand offices, in particular in the outskirts of the city. However, for the first time for years, vacancy rates started to decrease in Q4 2013 in almost all sectors. The areas with the lowest increase in supply were Decentralized and CBD, the latter displaying the lowest vacancy rate of the city, one point lower than its maximum in Q2 2013. Prime rents were stable throughout 2013, experiencing only a slight decrease with respect to 2012. No additional reduction is expected due to the shortage of quality products in the Diagonal-Gracia axis.

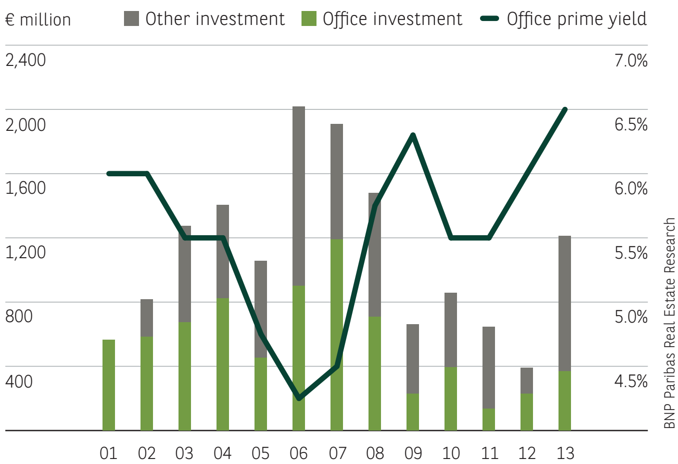
PRIME RENT - VACANCY RATE



BARCELONA: IN INVESTORS' TARGET SIGHTS

Barcelona was the most sought-after destination for investment in Spain during 2013. All segments of investment were boosted and the office sector was no exception. Investors have been looking for well-located office buildings, especially in the city centre and in the surroundings of Avenida Diagonal. The market was mainly driven by foreign investors, in particular institutional funds from Europe. Office prime yields remained stable during the year above the values seen in 2012. However, a growing interest in the main Spanish cities will push yields downwards.

INVESTMENT - YIELD

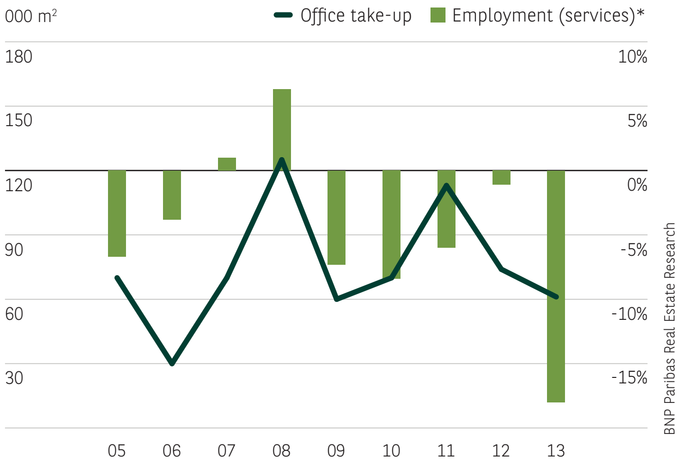


BELGRADE

BUSINESS DOWNSIZING NEGATIVELY AFFECTS THE OFFICE MARKET

The decrease in employment in 2013 was followed with a decline in overall take-up as a result of business downsizing. Gross take-up reached 61,100 m² in 2013 with an average deal size of approximately 520 m² when net take-up achieved some 42,000 m². This represented two thirds of gross take-up, while the remaining third is accounted for by renewals of the existing lease agreements. In the breakdown of lettings by location, the most popular zone for tenants is the New Belgrade area. This zone kept its top position in 2013 accounting for 75% of gross take-up.

GROSS TAKE-UP - EMPLOYMENT

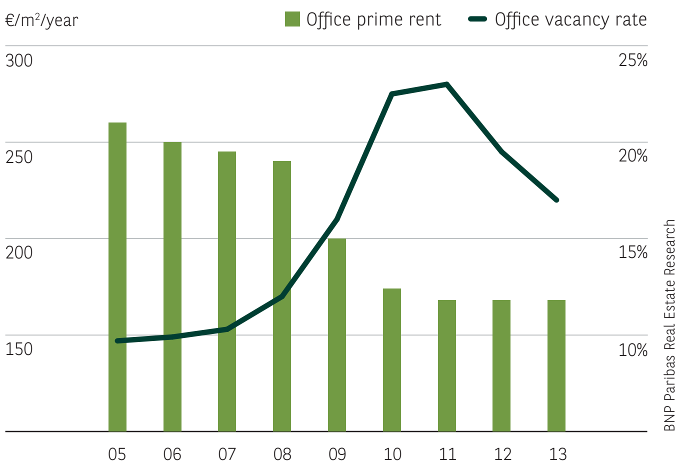


*Oxford Economics - Data for Serbia

VACANCY RATE DROPS BUT PRIME RENTS REMAIN UNCHANGED

Asking rents for grade A office buildings remain mostly stable, ranging between €13 and €15/m²/month. No movement is anticipated in the short term. Landlords continue to offer significant incentives, providing free parking space and rent-free periods, usually of three months. Despite a strong decline in the vacancy rate, reaching a four-year minimum of 17%, prime rents were unaffected.

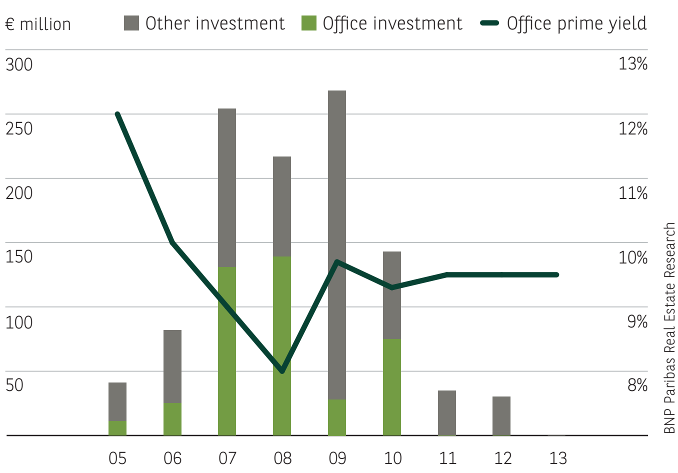
PRIME RENT - VACANCY RATE



THE MARKET HAS BEEN ANAEMIC OVER THE PAST THREE YEARS

There was no significant transaction during 2013.

INVESTMENT - YIELD

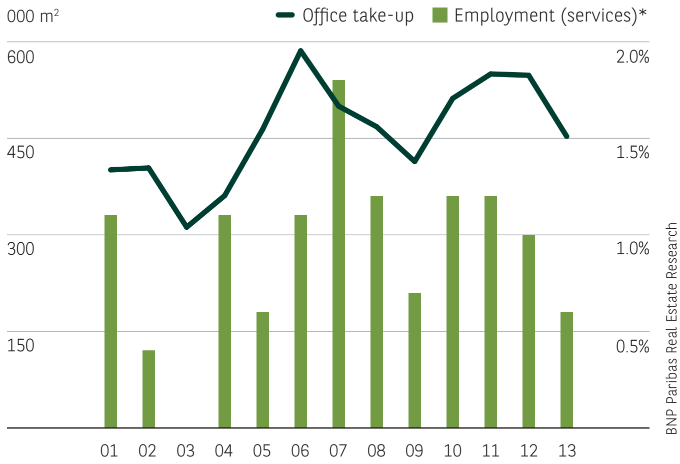


BERLIN

TAKE-UP BACK TO LONG-TERM AVERAGE

With 453,000 m², take-up in the Berlin office market in 2013 was 17 % down on the prior-year result but on a par with the long-term average. The decline was mainly due to the dearth of large deals over 10,000 m². This size category accounted for just under 6% of total take-up, whereas the year before it had contributed 37%, helping to produce one of Berlin's best-ever results. Just as in 2012, by far the most popular office submarkets were in the central parts of Berlin. Together, these zones recorded take-up of 215,000 m², almost half of the total.

TAKE-UP - EMPLOYMENT

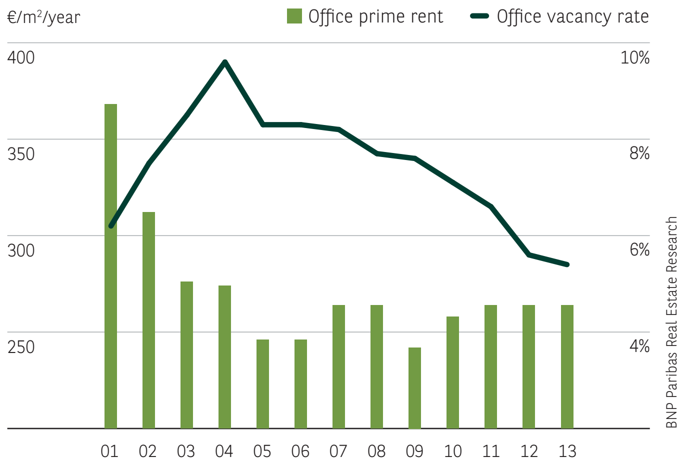


*Oxford Economics/BNP Paribas - Data for Germany

VACANCY CONTINUES TO FALL

2013 brought a further fall in the volume of vacant space. This totalled about 1.02 million m², which is 4% less than at the end of 2012. However, the modern unoccupied premises increased to 300,000 m² in Q4 2013. This corresponds to just over 29% of aggregate vacancy. Across the market area, the fall in vacant space occurred primarily in the favoured central submarkets. The vacancy rate dropped to an end-of-year figure of 5.4%. The prime rent has remained unchanged for some time now at €264/m²/year and is obtained on submarket Potsdamer Platz/Leipziger Platz.

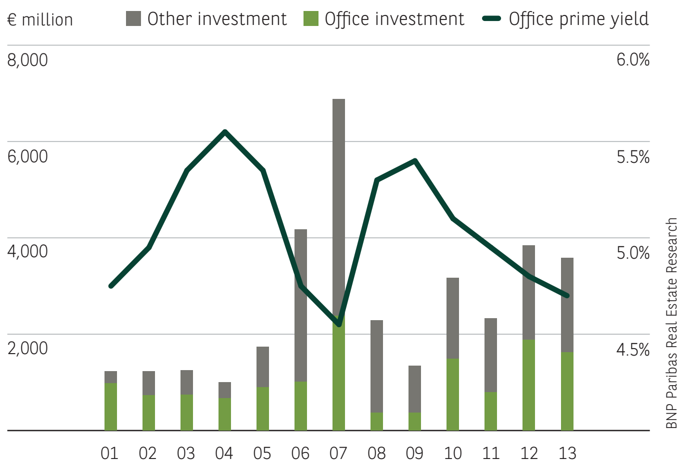
PRIME RENT - VACANCY RATE



VERY GOOD INVESTMENT RESULT

With a transaction volume of €3.59 billion, the Berlin investment market again achieved a very good result, exceeding the long-term average by about 18%. As expected, though, the total was slightly lower by 7% than the prior-year figure, which had been fuelled by several large deals. In contrast to that, 2013 generated no deal over the €200 million mark, so the high turnover is an indication of the lively scale of market activity. In the final quarter, the robust demand for top assets in combination with the still very limited supply made prices climb. The net office prime yield decreased to 4.70%.

INVESTMENT - YIELD

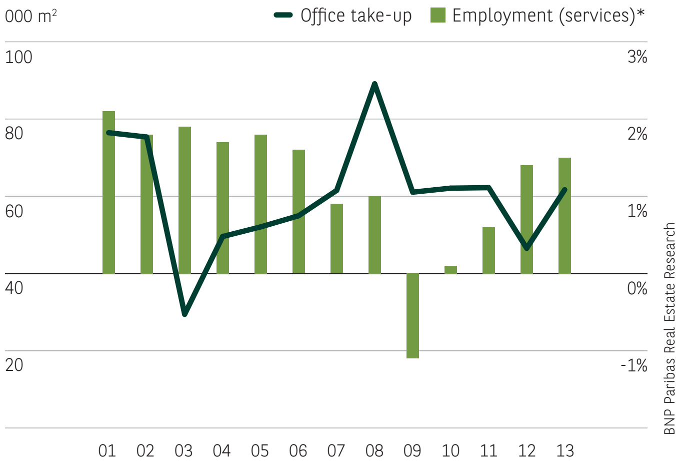


BIRMINGHAM

TAKE-UP INCREASE ACHIEVED BY A SINGLE LARGE DEAL

2013 Birmingham city centre take-up reached 61,700 m², up 33% on the 2012 level. Transactional volume was boosted by Deutsche Bank's Q2 12,450 m² letting at 5 Brindleyplace. Whilst the market benefited from a handful of larger deals like Legal & General's 3,110 m² at Centre City and i2 Office's 2,230 m² at Two Snowhill development, ultimately it was smaller deals that continued to sustain the market. Looking to the year ahead, market conditions will continue to improve as confidence levels rise. Take-up volumes should be further bolstered by the 41,800 m² of known lease expiries over the next two years.

TAKE-UP - EMPLOYMENT

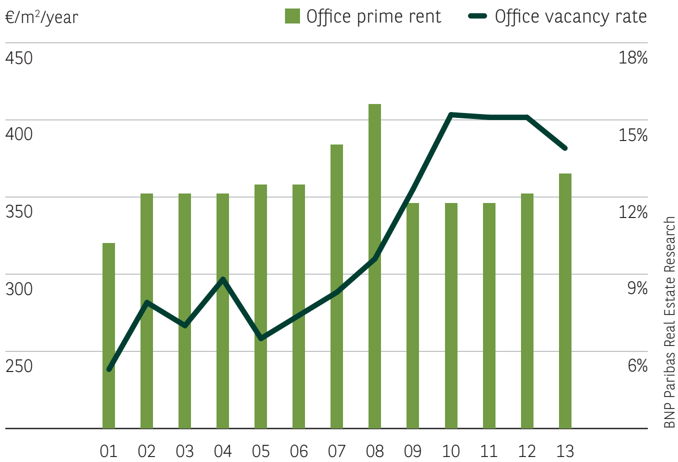


*Oxford Economics/BNP Paribas - Data for The UK

PRIME RENTS START TO RISE AS GRADE A SUPPLY FALLS

Birmingham's prime rental level rose to £ 307/m²/year (€365) in 2013, up 4% on the 2012 level. This rise reflects the increased competition for the city's best available space. There was good news for the city centre availability level, which fell to 247,900 m², down 6% on 2012. Grade A space continues to be sought-after by occupiers, as indicated by the lettings at Hines / Ballymore's brand new Two Snowhill development and Hines / Moorfields's newly refurbished 5 Brindleyplace scheme. Looking to the future, with only two years of grade A supply readily available and no new developments onsite or expected on site imminently, there is potential for prime rental levels to further rise.

PRIME RENT - VACANCY RATE

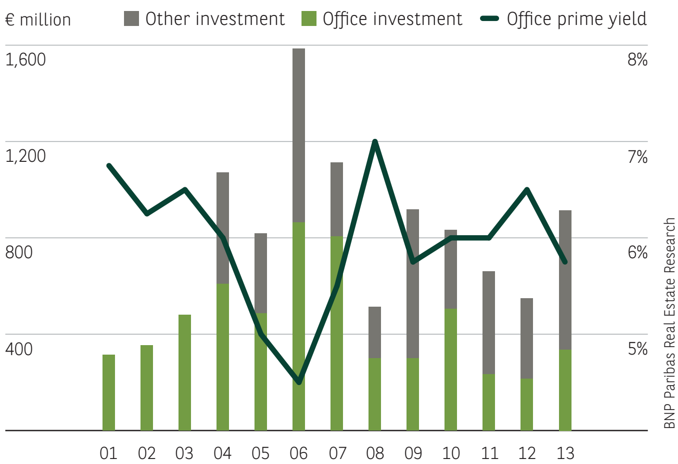


OFFICE INVESTMENT GAINS FROM OVERSEAS INTEREST

Office investment is a story of overseas interest. Volumes are dominated by one deal, One Snowhill acquired by Hamburg real estate company Union Invest Management for £ 125 million (€149 million). Foreign investors and property companies were the main source of investment, the latter seeking to take advantage of an improving economy.

The immediate development cycle finished with 2 Snowhill, although projects exist that can be activated. Speculative development may resume as space is reduced but will probably not be seen until 2015 with infrastructure development completion. Investment will continue to seek out opportunities where refurbishment leads to improved returns. Yields having reduced in 2013 are likely to go down again in 2014.

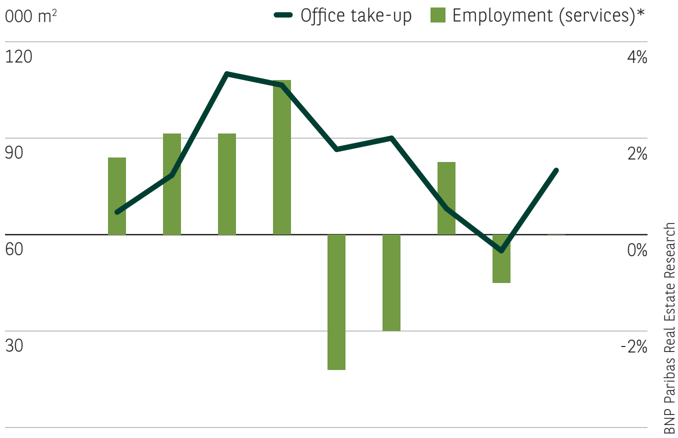
INVESTMENT - YIELD



INCREASE IN OFFICE LETTINGS

The total office stock of the Bratislava office market is near 1.5 million m² and is expected to grow during 2014 by approximately 50,000 m². The biggest project under construction is the Westend Gate building (34,000 m²), which will be completed by the end of 2014.
In 2013, around 80,000 m² of office space was let. In comparison to 2012, when 55,000 m² was transacted, the volume of office lettings increased by nearly 45%. Take-up in the second half of 2013 was slightly higher than in the first half.

TAKE-UP - EMPLOYMENT

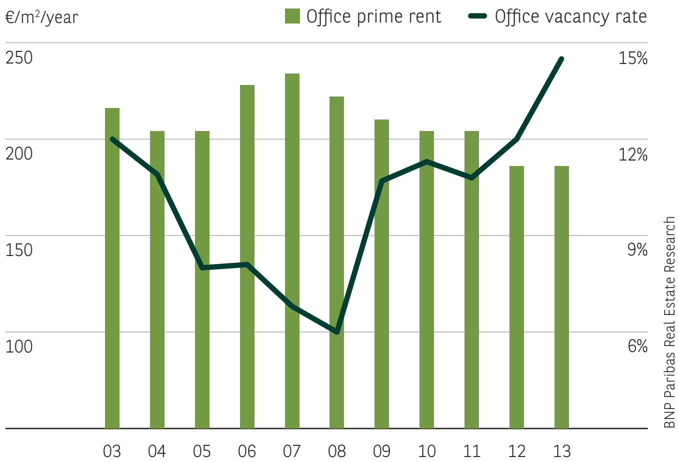


*Oxford Economics - Data for Slovakia

PRIME RENTS REMAIN STABLE

Prime rents in Bratislava were unchanged at €15.5/m²/month. In secondary locations the average rents range from €10 to €13/m²/month. In 2014 effective rents will be lower due to incentives offered by landlords, although this will vary depending on the quality of premises, location and lease length.
The vacancy rate increased to 14.5% and is expected to rise further in 2014. The higher vacancy rate is caused by the combination of low take-up and new office buildings delivered onto the market.

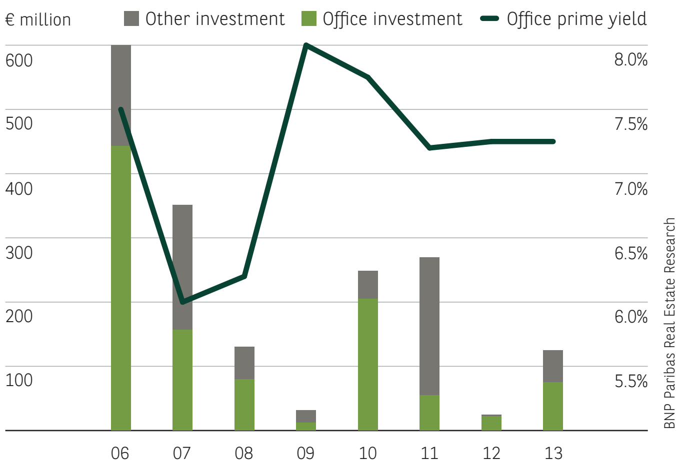
PRIME RENT - VACANCY RATE



PRIME YIELDS UNCHANGED AT 7.25%

Investors are focusing on prime properties, mainly in Bratislava, searching for a top quality, good location, long lease terms and strong tenant covenant.
In 2013 the total Investment volume reached €125 million. Some 60% of all transactions were accounted for by office properties.
The prime initial yield stayed at 7.25% having remained unchanged since the end of 2012. The initial yield ranged between 8.50 and 9.00% in well-leased secondary properties in good locations.

INVESTMENT - YIELD



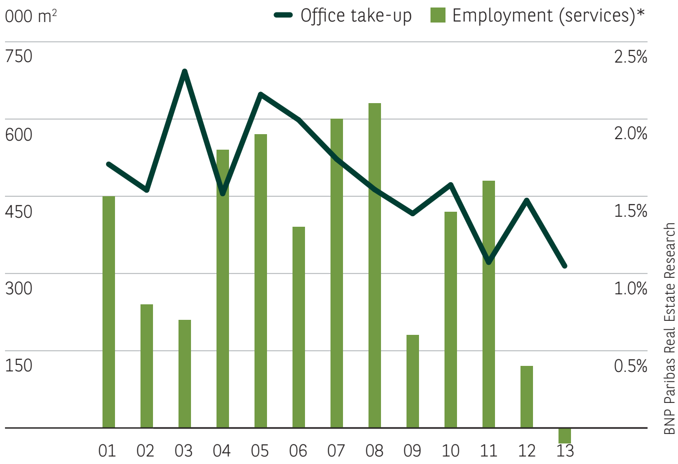
BRUSSELS

WEAK OFFICE TAKE-UP ACTIVITY

The Brussels office take-up ended the year 2013 on a minor note recording 63,900 m² in Q4 2013. Taking 2013 as a whole, it reached 314,600 m² representing a decline of 29% when compared to 2012 and 25% below the 5 year-average.

Transaction activity in 2013 continued to be mainly dominated by deals below 1,000 m², essentially from the private sector. At the same time, large transactions above 5,000 m² were rare throughout the year. Tenants prefer renegotiations given the significant incentive package granted by landlords to keep a rental income.

TAKE-UP - EMPLOYMENT

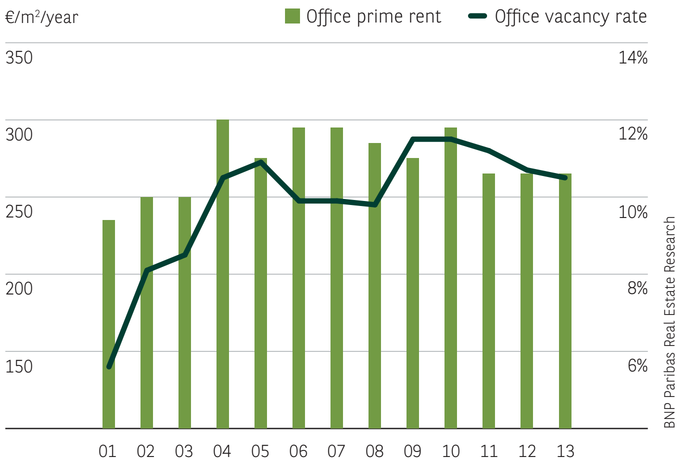


*Oxford Economics/BNP Paribas - Data for Belgium

SECONDARY LOCATIONS CONTINUE TO SUFFER

Availability in the Brussels office market reached 1,416,200 m² reflecting a vacancy rate of 10.5%. Despite this high level, the market suffered from a lack of quality office space in prime locations. While supply in the prime segment reduced, dropping to 12%, availability of second-hand premises followed the opposite trajectory rising by 5% over the last 12 months. Prime headline rents remained steady over the whole year, standing at €265/m²/year in the Leopold district. By contrast, the average rent declined slightly at the end of the year to €177/m²/year in the CBD. Rental values for secondary assets continued to be under pressure in an oversupplied market. This was especially the case for most of the office districts outside the CBD.

PRIME RENT - VACANCY RATE

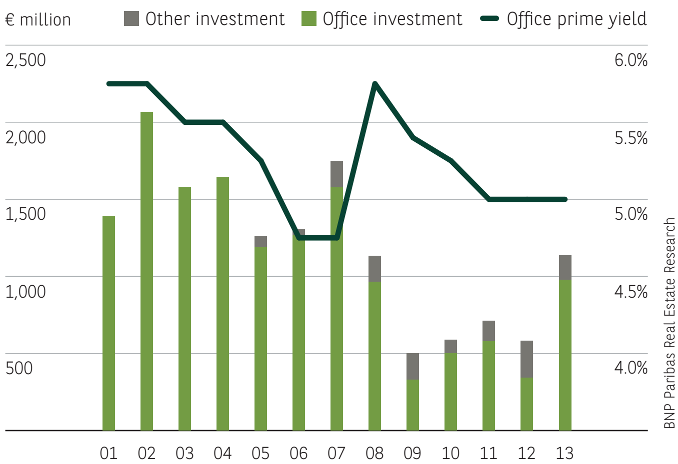


INVESTMENT VOLUME BACK TO ITS 2008 LEVEL

Total commercial real estate investment volume in the Brussels office market amounted to €1.1 billion in 2013. Once again, offices took the largest part of this amount with €978 million. Whilst investors continue to favour core assets with long-term income, a number of players are now beginning to look for properties let on a shorter basis within the CBD where there is strong historic occupancy demand.

Yields on prime properties with long-term secured income remained unchanged at 5.00%, while yields for 3/6/9-year-leased prime assets moved downward at 6.25%. This is mainly due to a lack of quality products available in this segment.

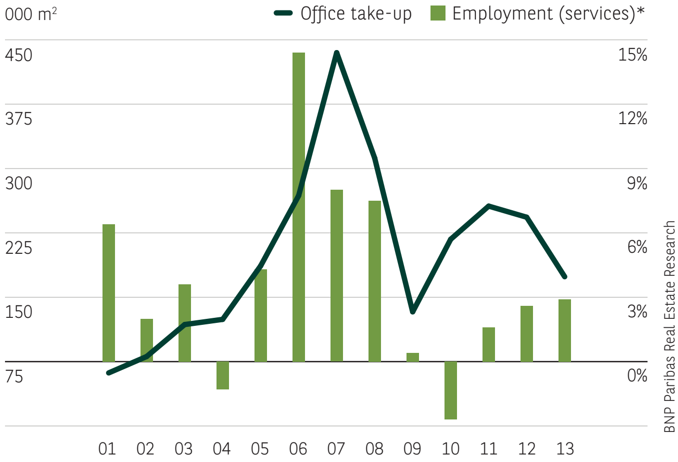
INVESTMENT - YIELD



LEASING ACTIVITY PREDOMINANTLY SUSTAINED BY RELOCATIONS

During 2013 take-up declined by 28% compared to previous year totalling 173,000 m², excluding renewals. Indeed, lease renewals have been preferred by large tenants, motivated by incentives offered by owners. Activity has also been hampered by limited opportunities as new grade A developments severely diminished during 2011-2012.
Demand was mainly secured by IT&C and service providing companies. Tenant ambition to increase the standard of their accommodation while taking advantage of lower occupancy costs contributed to a large proportion of relocations in total take-up. This factor along with a diminishing vacancy rate for high-quality and well located offices encouraged the re-emergence of pre-lets.

TAKE-UP - EMPLOYMENT

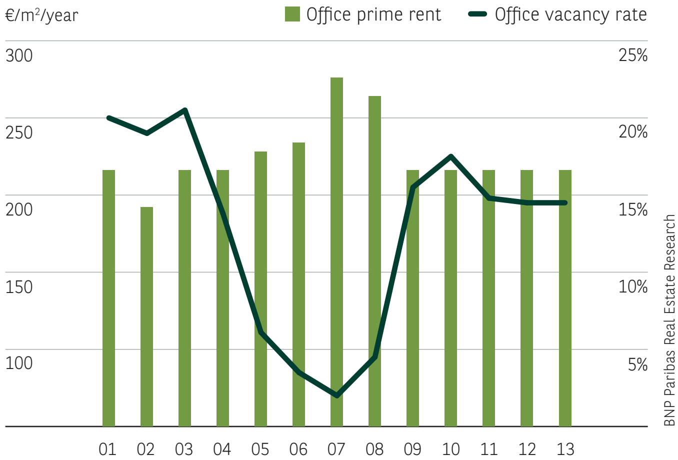


*Oxford Economics/BNP Paribas - Data for Romania

STABLE RENTS AND VACANCY RATES REFLECT A LESS VOLATILE MARKET

During the last two years, quarterly vacancy rates barely fluctuated between 14% and 15%. The market has been mainly driven by tenant relocations. Occupiers looking for grade A offices have had fewer options and considered pre-lets.
The minor fluctuations in vacancy rates are reflected in the stability of rents. Constant demand and reduced development activity counterbalance the downward pressure on prices coming from tenants. As a result, the rental level for prime offices remained stable at €16 to € 18/m²/month for the third consecutive year.

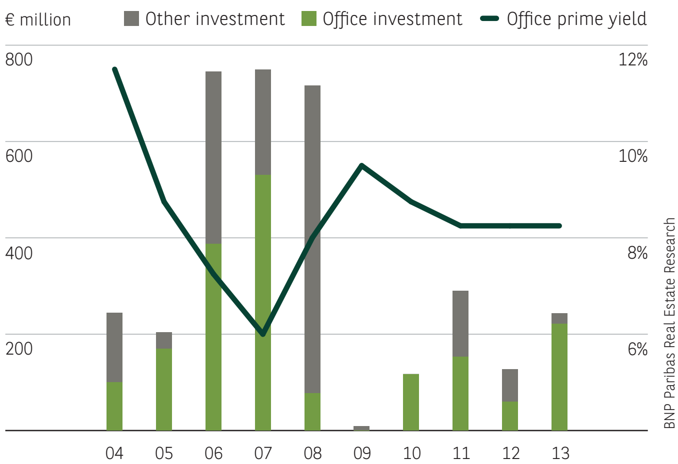
PRIME RENT - VACANCY RATE



OFFICE DEALS DOMINATED THE INVESTMENT MARKET

Office yields remained stable at around 8.25% as the real estate market and the macro-environment did not show any dramatic changes.
The investment market has been affected by the reluctance of large institutional investors to enter the local market.
The investment market was almost exclusively driven by office transactions. Indeed, offices remain the most sought-after segment due to the diversity of products on offer and strong prospects for market growth.

INVESTMENT - YIELD

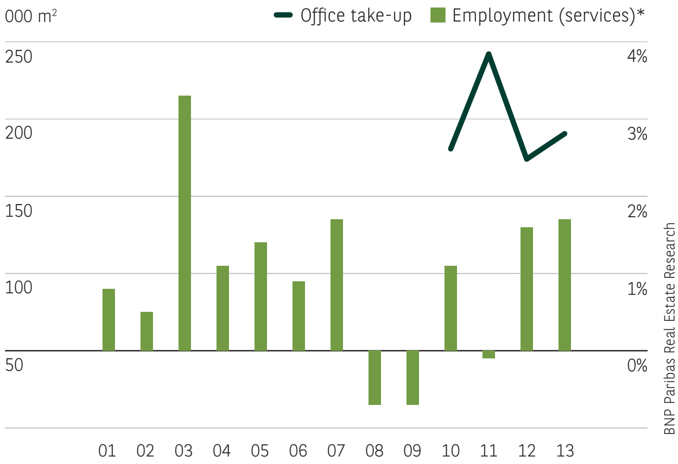


BUDAPEST

SLIGHT INCREASE IN TAKE-UP DRIVEN BY SMALL TRANSACTIONS

Office take-up rose moderately in 2013 to reach 190,500 m². Once again, the majority of this outturn was supported by small-sized transactions. Indeed, 79% of deals were under 500 m², whereas only 2% of new transactions exceeded 3,000 m². Relocations still played an important role but new demand also showed a modest increase. IT and telecom companies as well as SSC/BSC (shared & business service centres) were the most active players in the Budapest property market, accounting for 23% of take-up. Gross take-up, including lease renewals grew by 7.5% compared to the previous year, reaching 373,000 m².

TAKE-UP - EMPLOYMENT

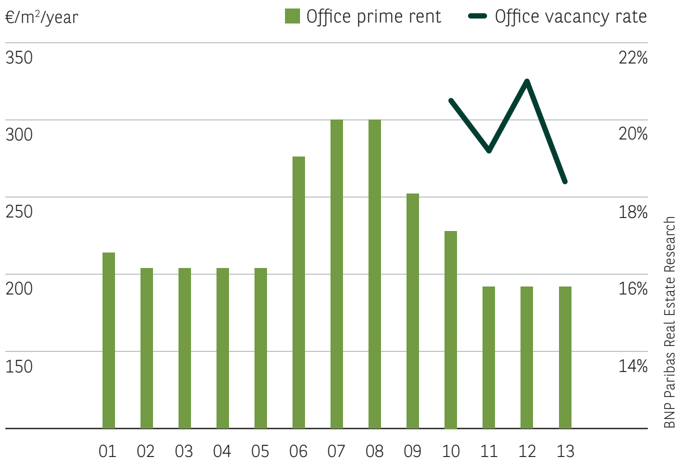


*Oxford Economics/BNP Paribas - Data for Hungary

VACANCY RATE STABILISING IN THE RANGE OF 18-19%

As predicted, the vacancy rate for grade A and B offices showed further decreases over 2013 to stand at 18.4%. The lack of new supply helped to reduce vacancy, even though it is noted that the ratio of occupied space per worker increased in 2013. Supply is expected to grow in 2014 with 66,600 m² currently in the pipeline, although nearly 43% of new completions have already been pre-let. As a result, this will not significantly influence the vacancy rate. The oversupply of office space and the poor economic situation put pressure on rents in 2012 but this negative trend turned a corner in 2013. Overall, the prime rent remained stable but rental values varied according to the location and the quality of premises.

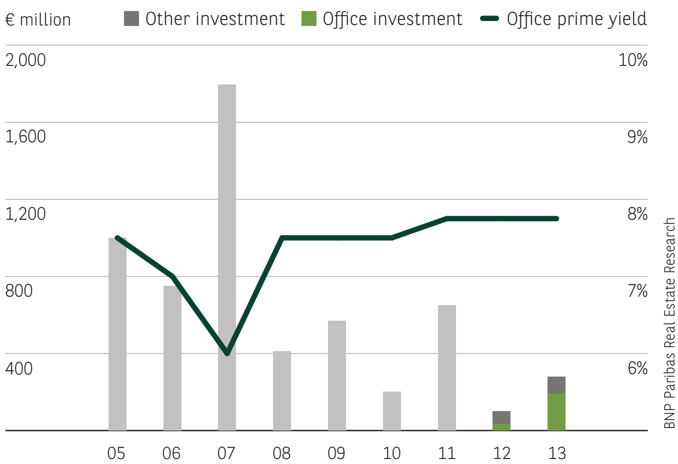
PRIME RENT - VACANCY RATE



GROWING INVESTMENT VOLUME

After a strong performance in 2011, investment volumes sharply dropped and only a few transactions were concluded. In 2013, the market followed an upward trend and the volume of investment achieved €280 million. Office properties in particular were the main focus of purchasers. Several prime office buildings were sold in 2013, including Officium and Lánchíd Palace. Besides local buyers, foreign investors also started to show interest in the Budapest office market. Prime office yields remained stable at 7.75%.

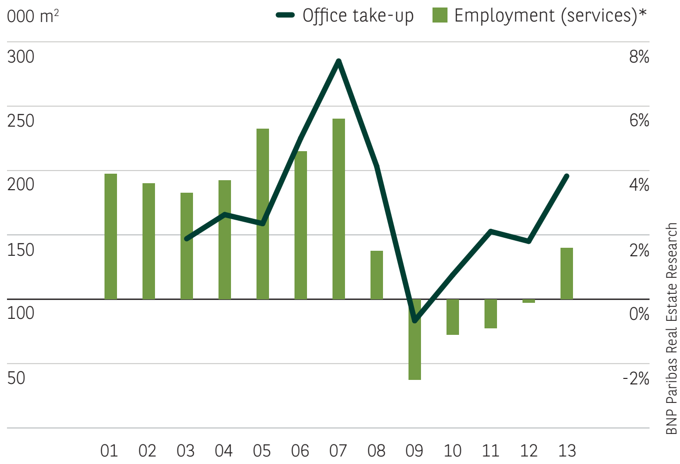
INVESTMENT - YIELD



THE MARKET IS SHOWING STRONG SIGNS OF RECOVERY

Improvements in the Irish economy achieved early exit from the EU/IMF bail-out programme in December 2013. GDP growth (+0.5%) and employment growth (+1.8%) saw consumer sentiment jumping to its highest level for six and a half years. The rise of employment within the service sector (+1.6%) has been mirrored by the volume of transactions in the office market. Indeed, office take-up reached over 190,000 m², way above its long-term average (+20,000 m²), with demand coming from diverse sources. Various types of occupiers boosted the market with several large transactions, with Facebook (11,100 m²), Deutsche Bank (10,200 m²), Susquehannah (9,600 m²), and William Fry (9,000 m²). It is worth noting that new tenants entering the Dublin office market took a large share of the take-up.

TAKE-UP - EMPLOYMENT

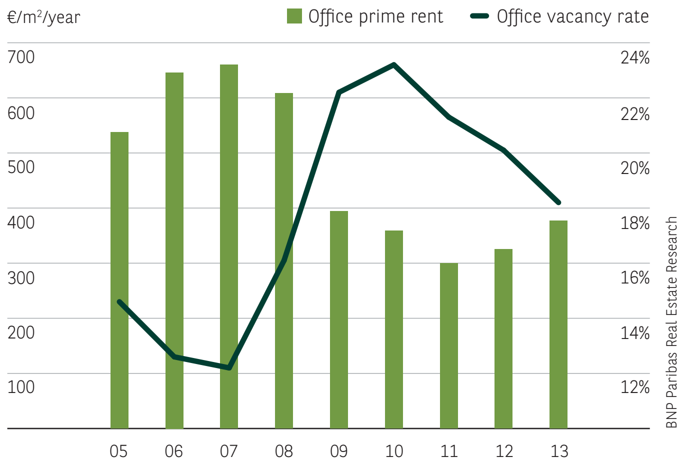


*Oxford Economics/BNP Paribas - Data for Ireland

DUBLIN OFFICE MARKET RUNNING LOW ON NEW PRODUCT

The Dublin office vacancy rate approached 18.2% with no new completions on the market over 2013. Office development re-commenced with two significant projects under construction. No.1 Ballsbridge will contain 16,000 m² of office accommodation in a mixed-use development. 65/68 St Stephens Green will replace an obsolete 1970's office building with 7,600 m² of modern grade A space.
Lack of new supply and strong demand drove rents upwards by 15% in the last 12 months with recent lettings agreed at €377/m²/year. Transactions currently in negotiation are standing at €390/m²/year, and office prime rents are expected to achieve €430/m²/year by year end 2014. This level will encourage new office development over the next quarters.

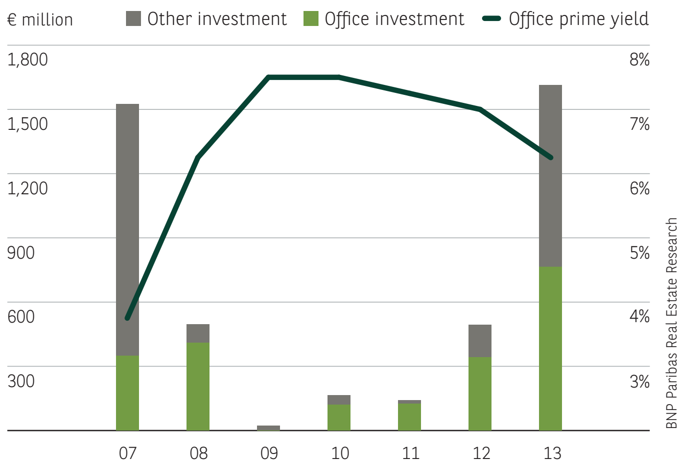
PRIME RENT - VACANCY RATE



INVESTMENT SALES BACK TO 2007 LEVELS

Total investment in commercial real estate reached over €1.6 billion for 2013 compared with just €493 million for 2012. Offices were targeted by investors as well as bank portfolios of distressed assets (office and retail). Dublin offices are clearly seen by investors as having growth potential with buildings fully repriced. Nearly half of all sales were to Irish Investors, one third were purchased by US investors and the remaining purchased by UK, European, Israeli and Canadian based investors.
2013 was the first year of capital growth in six years, underlining the recovery in Ireland's commercial and investment markets. Yields in the Dublin office market are likely to decline in 2014.

INVESTMENT - YIELD

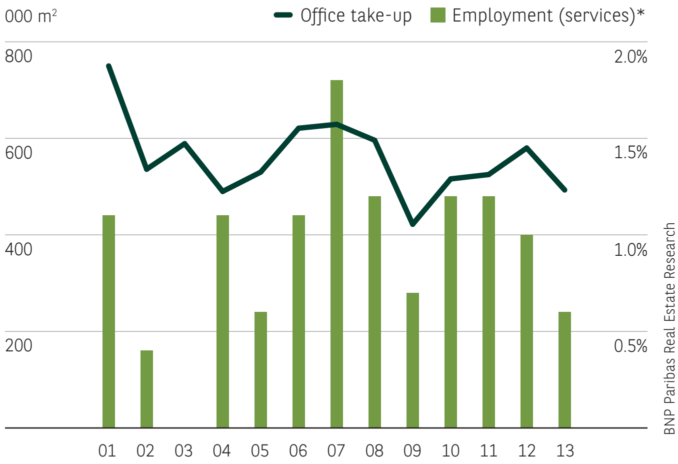


FRANKFURT

DECLINE IN TAKE-UP

In 2013 take-up in Frankfurt was appreciably lower than the year before and totalled 493,000 m², a fall of 15%. There were two main reasons for that. First, the proportion of large deals over 10,000 m², at just under 18%, was low by normal standards. Secondly, 2013 is likely to be remembered as an exceptional year for major lease contract extensions, with the four largest together accounting for over 150,000 m². Taking this factor into consideration, it is apparent that market activity as a whole was as lively as the year before.

TAKE-UP - EMPLOYMENT

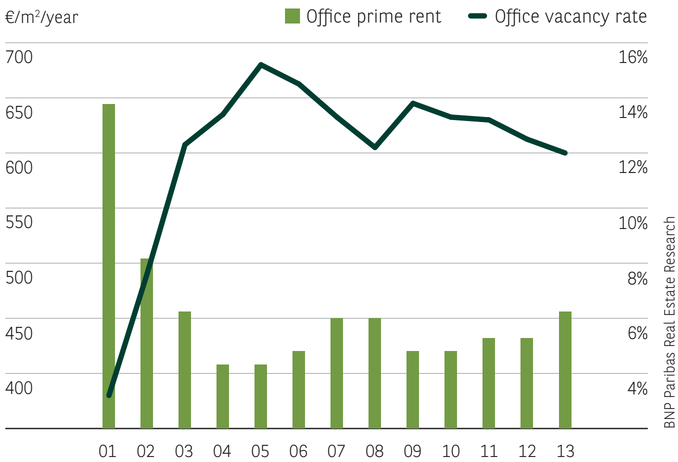


*Oxford Economics/BNP Paribas - Data for Germany

MODEST FALL IN VACANCY

In the past twelve months, vacant space shrunk slightly, by 3.5% to 1.9 million m². The reduction in the volume of modern vacant premises was somewhat sharper; it declined by just over 4% to 804,000 m². Modern office units remain the main focus of demand and continue to represent nearly 42% of the total supply. The vacancy rate stands at 12%. The prime rent increased by 6% to reach €456/m²/year at the end of 2013. This is the figure obtained in the Bankenviertel. Alongside this upwards movement in the premium market segment, both top and average rents also rose in many of the other office zones.

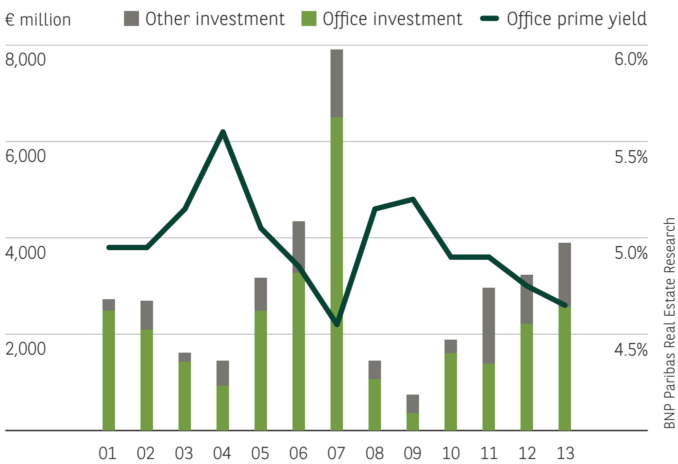
PRIME RENT - VACANCY RATE



RENEWED CLIMB IN INVESTMENT TURNOVER

In 2013, the Frankfurt investment market was able to step up its already exceptional 2012 result by nearly 21%, achieving a transaction volume of more than €3.89 billion. This was also 25% up on the average figure in the past ten years. Only in the boom years of 2006 and 2007 was the total higher – although it was fuelled much more by portfolio deals. Altogether, there were 8 transactions in the triple-digit million range. The robust demand prompted strong competition and in the final quarter of 2013 this in turn led to a further fall in the office prime yield to 4.65%.

INVESTMENT - YIELD



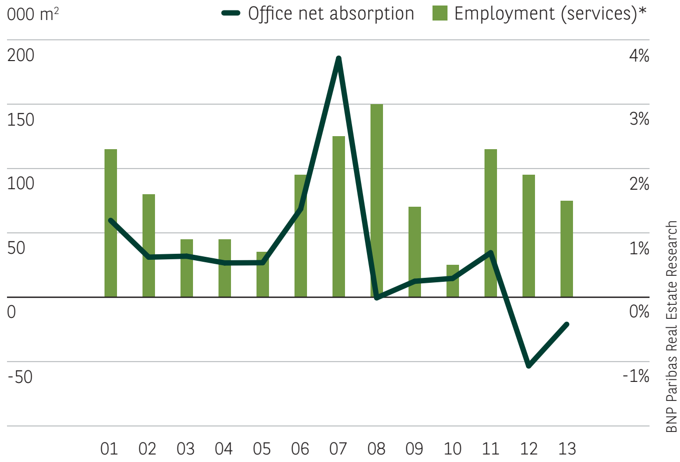
GENEVA

TWO MAJOR DEALS BUT NEGATIVE NET ABSORPTION

A few transactions for small units (under 600 m²) have been recorded in the city-centre. However, there were no major deals there (over 1,000 m²). With no companies looking for additional space or new establishments, the market is being driven more by the relocations of businesses already set up there, who are taking advantage of a downward trend in rents.

There is one positive aspect of the market, namely the pre-letting of a 9,000 m² unit in the “Hauts de Malagnou” scheme, scheduled for completion at the end of 2014. Another major transaction was the letting by EPFL of 27,000 m² on the former Merck Serono site, now called “Campus Biotech”.

NET ABSORPTION - EMPLOYMENT

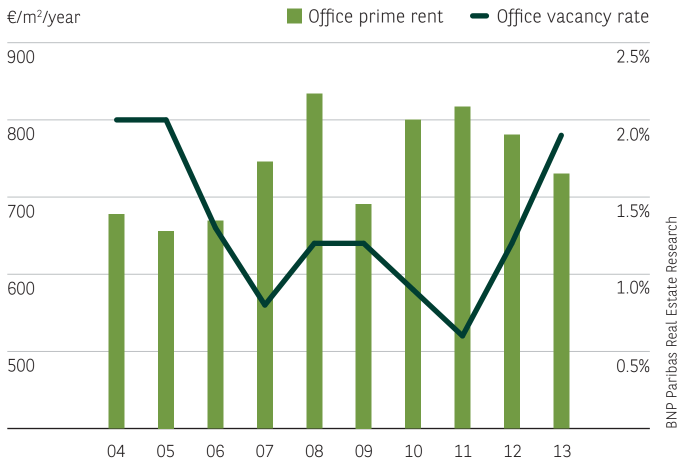


*Oxford Economics/BNP Paribas - Data for Switzerland

THE MARKET HAS BECOME MORE FLUID

According to the *Office Cantonal de la Statistique*, the vacancy rate has risen sharply over the past two years, from 0.6% to 1.9%. If we take a closer look at the amount of office vacant space, about 180,000 m² are available to rent or about 4% of the existing stock (4.36 million m²). Nevertheless the vacancy rate remained at relatively low level. Meanwhile, the downward trend in prime rents that began last year is continuing and these now stand at €730/m²/year. Average rents also slipped in 2013 and are now around €455/m²/year. Since 2010, average rents have fallen by 11.5%.

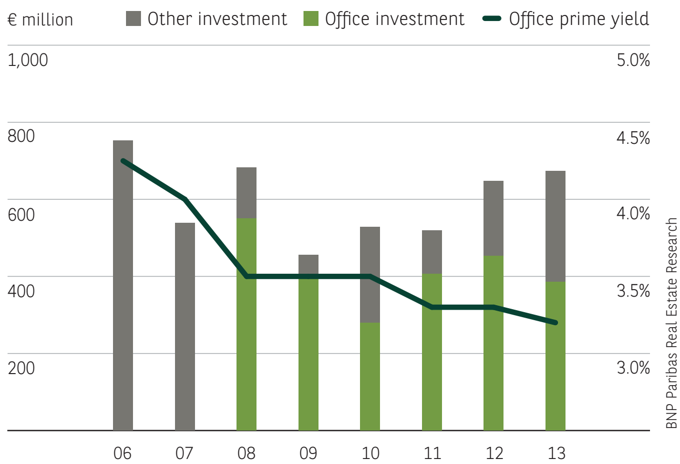
PRIME RENT - VACANCY RATE



RISK HAS INCREASED BUT THE APPEAL TO INVESTORS REMAINS

Investment in commercial real estate rose by 4% in 2013. Investment stems from 6 deals ranging from €45 million to €165 million. The acquisition by one of the main Swiss insurers of an office building in the city-centre for €163 million at a yield of 3.2 % perfectly illustrates the prime yield that was reached in Geneva in 2013. Even so, the fall in rents, the sharp rise in the vacancy rate and properties taking longer to rent have pushed up the risk premium considerably for this type of investment. In spite of difficulties, investors are still willing to pay top prices for direct ownership of office buildings.

INVESTMENT - YIELD

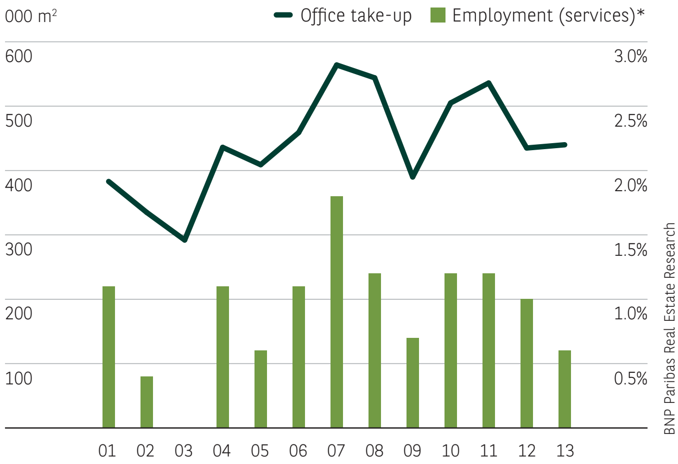


HAMBURG

TAKE-UP ON A PAR WITH LAST YEAR

Take-up in the Hamburg office market in 2013 totalled 440,000 m². Although this was marginally higher than the 2012 figure (+1%), it failed to match the ten-year average. Demand picked up across the year with take-up reaching 122,000 m² in Q4 2013, the strongest quarter of the year. Whereas in the third quarter, there were no deals over 5,000 m², the final months brought some activity in this segment. The biggest contract of the year was signed earlier by Philips for 14,000 m². Hamburg's inner city remained the best-performing office market zone by generating one quarter of take-up.

TAKE-UP - EMPLOYMENT

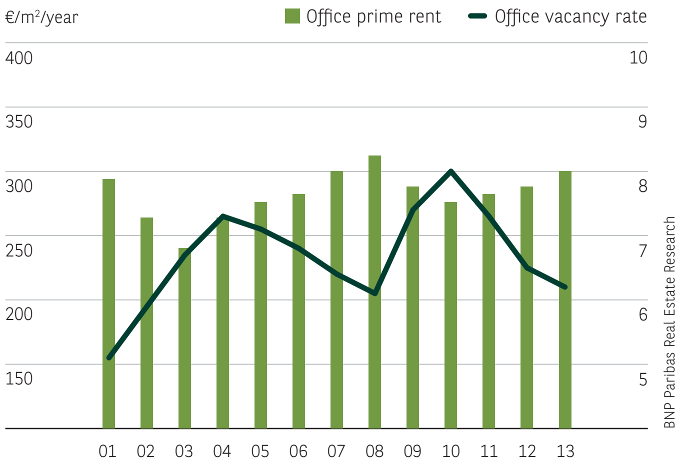


*Oxford Economics/BNP Paribas - Data for Germany

FURTHER REDUCTION IN VACANCY

In the past twelve months, vacancy continued to fall. At the end of 2013, it totalled 851,000 m². On the other hand, the volume of modern vacant premises actually increased to 209,000 m², following some building completions with unlet space. So this segment, the main focus of demand, now accounts for about one quarter of all vacant space. The vacancy rate also eased further to 6.2%. Towards the end of the year, the prime rent rose by slightly more than 4% to €300/m²/year and is obtained for high-grade newly built premises in the city centre submarket.

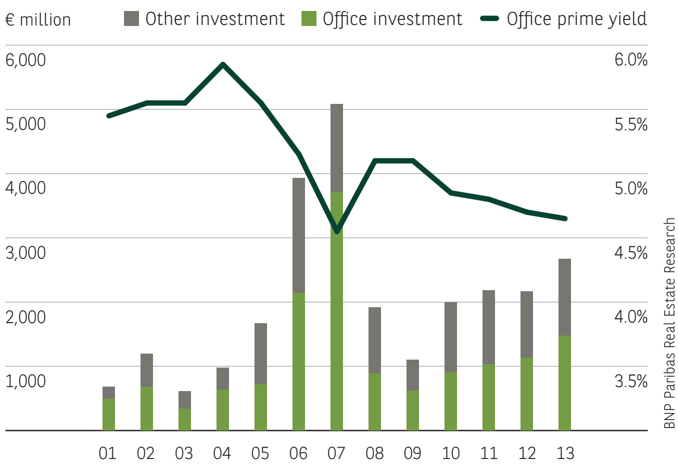
PRIME RENT - VACANCY RATE



BIGGEST INVESTMENT VOLUME SINCE 2007

In 2013, the Hamburg market achieved an investment volume of almost €2.7 bn. That was not only considerably more than the year before (+24%) but also nearly 13% above the ten-year average. This excellent result was firstly due to lively market activity, with a whole host of investments of all sizes, and secondly to a high proportion of properties sold within the framework of portfolio deals (29%). The net prime yield for office assets eased towards the end of 2013 by a further 5 basis points to 4.65%. This development reflected the tough competition for the limited number of available core products.

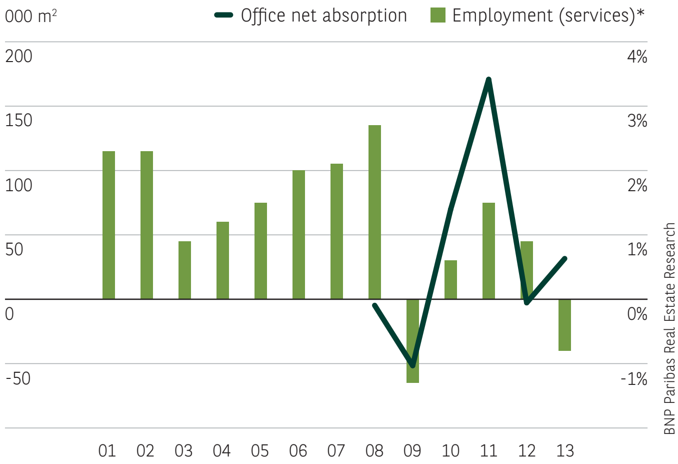
INVESTMENT - YIELD



NET ABSORPTION STAYS POSITIVE IN HELSINKI

In 2013, almost 90,000 m² of new office space was built in the city, even though the vacancy rates were high in general. Nevertheless net absorption in the city stayed positive in 2013 as occupiers are still targeting efficient and flexible offices with good transport connections. The gap in prices between the city centre of Helsinki and peripheral sectors has been stimulating office demand in the outskirts.

NET ABSORPTION - EMPLOYMENT

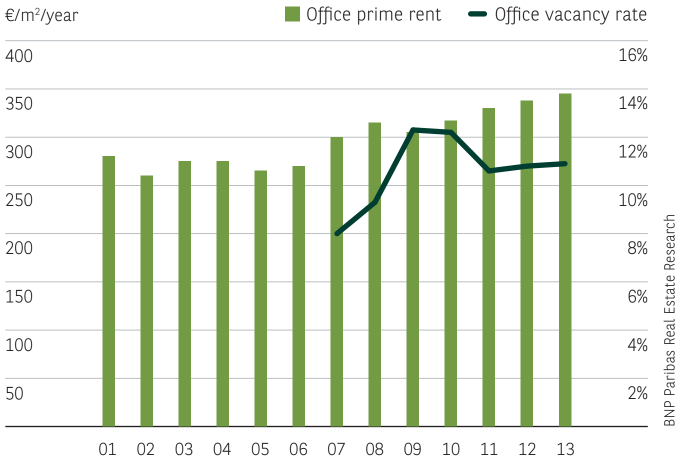


*Oxford Economics/BNP Paribas - Data for Finland

SECONDARY SUPPLY LEADS TO OFFICE VACANCY RATE INCREASES

Rental growth has been the strongest in Helsinki city centre where increases have been continuous over the past 5 years. Conversely in challenging areas, there has been downward pressure on rents, which reflects the wide geographical variations in vacancy within the Helsinki Metropolitan Area. The city's attempts at office space transformation into other use types have been difficult in some areas, resulting in the total stock staying little changed and vacancy rates increasing.

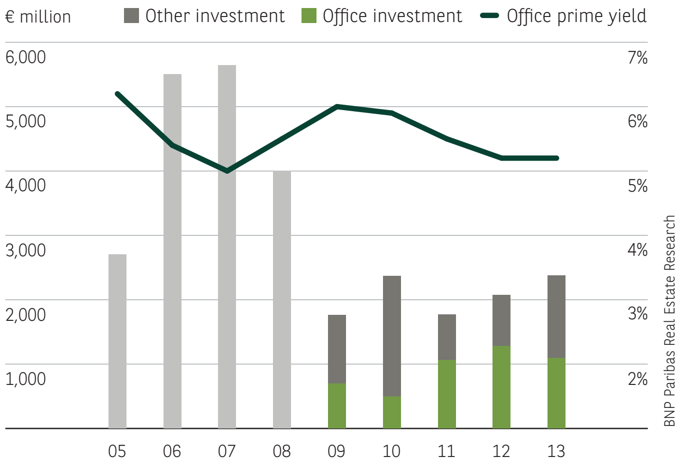
PRIME RENT - VACANCY RATE



INVESTOR DEMAND IS FOCUSED ON THE CITY CENTRE

The strongest investor demand in Helsinki is still in the city centre. This small and scarce market area keeps downward pressure on CBD office yields. More attractive options for investors are found in the new upcoming area near the city centre. Even though the early part of 2013 was very quiet in the transaction markets, investment activity picked up at the end of the year. The volume of commercial real estate investment rose by 15% to reach almost €2.4 billion in 2013.

FINLAND : INVESTMENT - YIELD

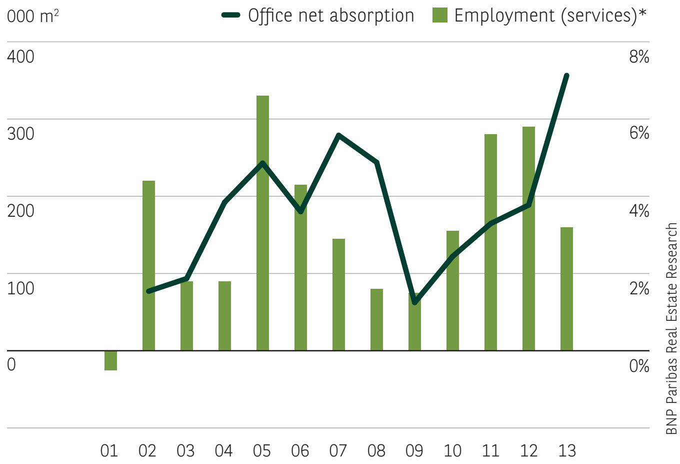


ISTANBUL

POSITIVE NET ABSORPTION DESPITE SLOWER ECONOMIC GROWTH

Despite slower GDP and employment growth in 2013, demand for offices increased resulting in positive net absorption figures. Absorption grew from approximately 180,000 m² in 2012, to reach 225,000 m² in 2013, its highest level of the last five years. Net absorption in the CBD increased as a result of large single deals from banks and corporate headquarters in new buildings.

NET ABSORPTION - EMPLOYMENT

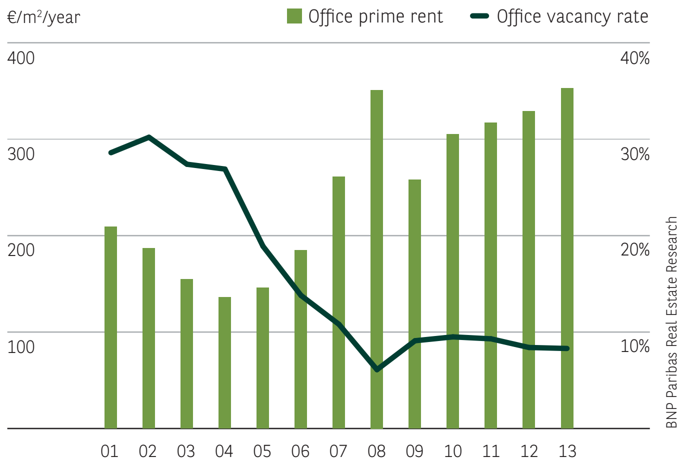


*Oxford Economics/BNP Paribas - Data for Turkey

LOW VACANCY IN THE CBD LEADS TO A SHARP INCREASE IN PRIME RENTS

With the completion of new office buildings, more than 220,000 m² of office space was added to the stock in 2013. Total stock for grade A offices reached more than 3.5 million m² at the end of 2013.
The office vacancy rate has been fluctuating moderately between 8% and 10% since 2009. The lowest vacancy rate (1.9%) was observed in Istanbul's CBD (Levent), constituting 16% of total office stock. This resulted in a sharp rise in prime rents to €353/m²/year during 2013. An increase of office stock from 1.45 to more than 2.2 million m² is anticipated in the main Istanbul's business districts over the next 2-3 years. This will affect rental values adversely.

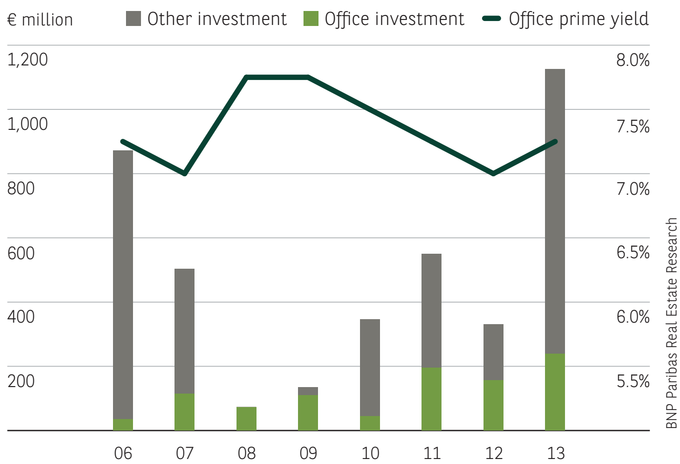
PRIME RENT - VACANCY RATE



STRONG INVESTMENT DEMAND IN THE CBD

The office investment volume in Istanbul in 2013 reached €239 million, an increase of 52% when compared with 2012. Demand from banks, national investment companies and headquarters stimulated new office projects in the CBD. The Kristalkule (90,000 m²) located in Levent, the main commercial district of Istanbul, was one of the most important transactions in recent years.
Office yields have not evolved much in prime locations since 2010, only fluctuating between 7.50% and 7.00%. The prime yield increased by 25 bp to reach 7.25 % at the end of 2013 and is expected to remain stable in 2014, kept at this level due to the interest of foreign investors.

INVESTMENT - YIELD

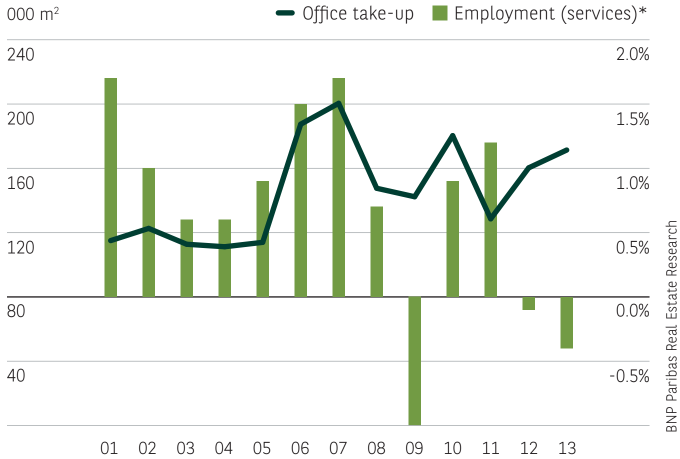


LILLE

GOOD OFFICE MARKET PERFORMANCE IN 2013

Lille's office market confirmed its vigour for another year by increasing take-up compared to 2012, despite the lack of major deals (over 5,000 m²). Medium-sized transactions (between 1,000 and 5,000 m²) were the main engine for growth in the letting activity. Occupiers mainly focused on new premises in Central Lille and particularly in the CBD (Euralille). Currently under conversion, the former industrial zone "l'Union", located in the outskirts, was boosted by two large single deals in 2013, with Vinci (7,000 m²) and a social landlord (9,800 m²).

TAKE-UP - EMPLOYMENT



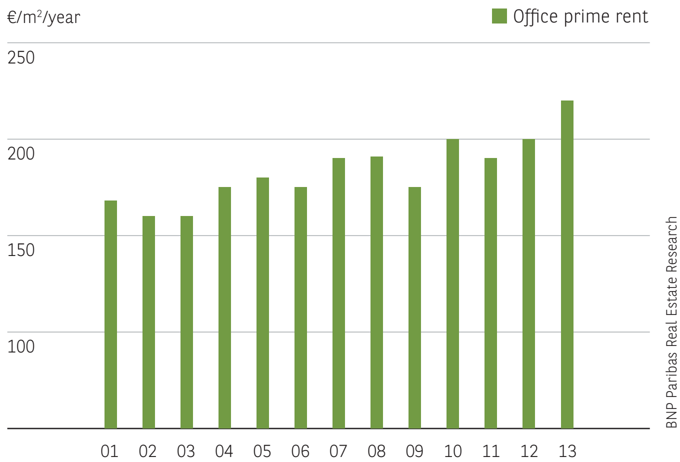
*Oxford Economics/BNP Paribas - Data for France

PRIME RENT REACHES THE €220 MARK

The prime rent has reached a historically high level of €220/m²/year, up to 10% compared to 2012. This substantial improvement is the outcome of scarcity in new office supply in the CBD, where the main local players are seeking for high-quality buildings to relocate their business. Average rental values in the CBD have varied between €140 and €200/m²/year, depending on the quality of premises.

In other districts, the robust occupier demand in new premises pushed rents upwards. Conversely, the reverse trend was observed for second hand office space, still undermined by obsolescence.

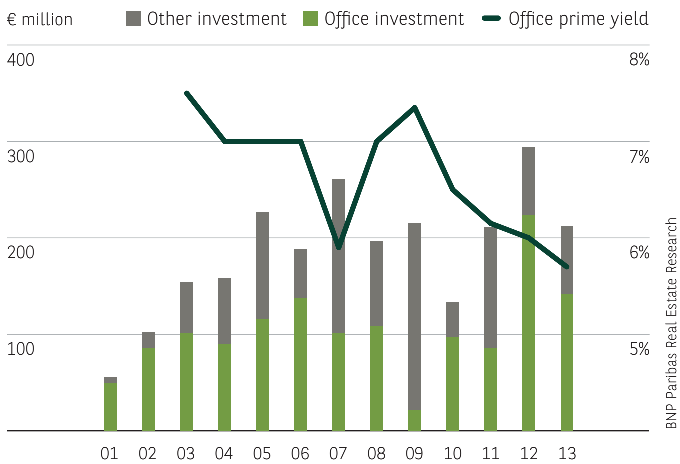
PRIME RENT - VACANCY RATE



LACK OF ASSETS SEES LOWER INVESTMENT IN LILLE

After a healthy figure in 2012, the investment market in Lille experienced a significant fall in 2013 to €212 million. This trend was mainly due to the lack of asset sales. Nevertheless, several significant deals were recorded in 2013, such as the acquisition of the Eurocentre building in Lille. Many investors have been looking for assets that are secured by long-term leases in established business districts like Euralille. In terms of prime yield, Lille is now under the threshold of 6% after the acquisition of the Onix building.

INVESTMENT - YIELD

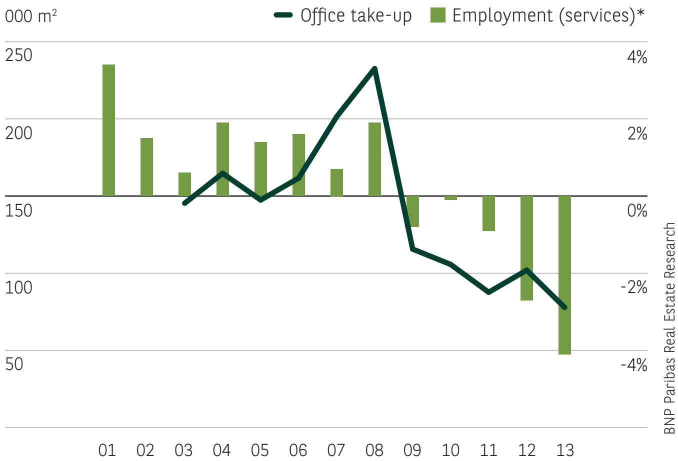


LISBON

HISTORIC MINIMUM FOR TAKE-UP IN LISBON

Take-up registered its lowest level since 1998 at 77,800 m². It was a decrease of 24% when compared to 2012. Nevertheless, the number of transactions remained stable compared to last year indicating that the average deal size diminished. Indeed, more than 50% of the transactions were below 800 m² and there was only one transaction above 5,000 m², the Novartis Headquarters in Tagus Park.
Relocations, with the view to reduce costs and take advantage of competitive market values, were one of the market drivers: they represented around 62% of take-up. A positive sign for the market is that 15% of take-up consisted of new companies, which is a significant rise compared to the year before.

TAKE-UP - EMPLOYMENT

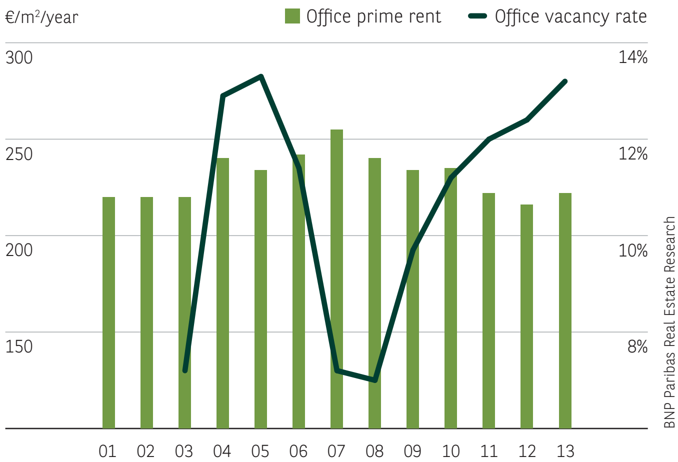


*Oxford Economics/BNP Paribas - Data for Portugal

UPWARD PRESSURE ON PRIME RENTS

The vacancy rate continued the upward trend seen since 2008. It reached 13.2% at the end of 2013, due to the low level of demand, new buildings delivered onto the market and the release of second-hand premises. It is worth noting that there was an increase in second-hand vacant space (+18% vs 2012) and a reduction in vacant new space (-27% vs 2012).
Despite the low level of take-up and the rise in the vacancy rate, there was an upward pressure on prime rents, due to the appeal of prime buildings in the CBD. This increase adds further confidence in the Lisbon market and proves the quality of its office premises.

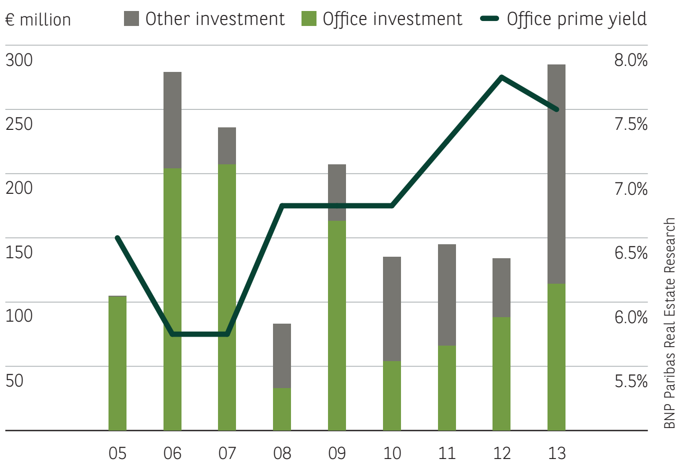
PRIME RENT - VACANCY RATE



BEGINNING OF RECOVERY IN THE INVESTMENT MARKET

The investment volume in 2013 showed a sharp increase, having reached €285 million, a surge of +113% when compared to last year's figures. This volume is close to the level reached in Lisbon during 2006, showing strong signs of recovery in market confidence.
The office sector is confirmed as the most sought-after asset, recording the largest transactions from institutional foreign investors (Deka and AFIAA) that purchased respectively, Baltico and the Espace & Explorer office complex.
A compression on yields has begun; a contrast to the downward trend observed during the last 5 years.

INVESTMENT - YIELD



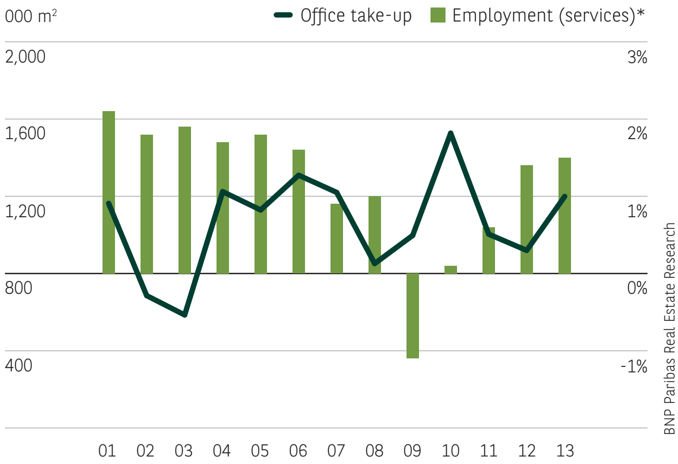
CENTRAL LONDON

TMT IS NOW A MAJOR SOURCE OF DEMAND FOR OFFICE SPACE

Almost 1.2 million m² of office space was transacted in Central London in 2013, a rise of 30% over 2012. The key trend for London is the rise of importance of the TMT sector that accounted for 34% of all office transactions in 2013. The sector is acting as a welcome compensator for the weaker contribution to take-up by the financial services sector.

Further reshaping of the occupational pattern is occurring in the geography of tenants. London's new locations such as Kings Cross and Southbank are now attracting major occupiers away from the older core areas of the City and West End. These locations are also likely to exert greater influence in the future in where occupiers choose to locate.

TAKE-UP - EMPLOYMENT



*Oxford Economics/BNP Paribas - Data for The UK

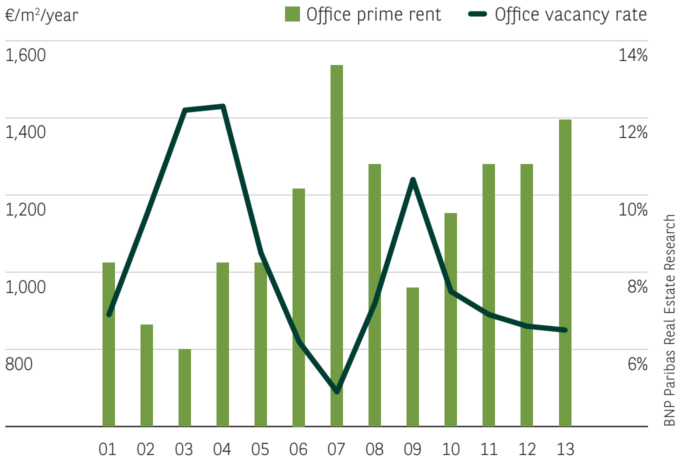
PERFECT ALIGNMENT OF RISING RENTS AND FALLING VACANCY RATES

The strong occupier market resulted in the vacancy rate falling in all London sub markets. For Central London as a whole the vacancy rate stands at 6.5% down from a peak of 10.4% in 2009. Even with the new locations and developments due to complete in the City and West End over the next two years, supply constraints in grade A space exist. Consequently large pre-let deals are likely to become a greater feature of the market.

Prime rents have risen in all sub markets across London with St James and Mayfair rising to £109/sq ft/year (€1395/m²/year). A number of sub markets including Holborn, the South Bank and Kings Cross have all seen double digit rental growth.

For 2014 we expect that prime rents in the City will rise by 6% and 5.5% in the West End.

PRIME RENT - VACANCY RATE

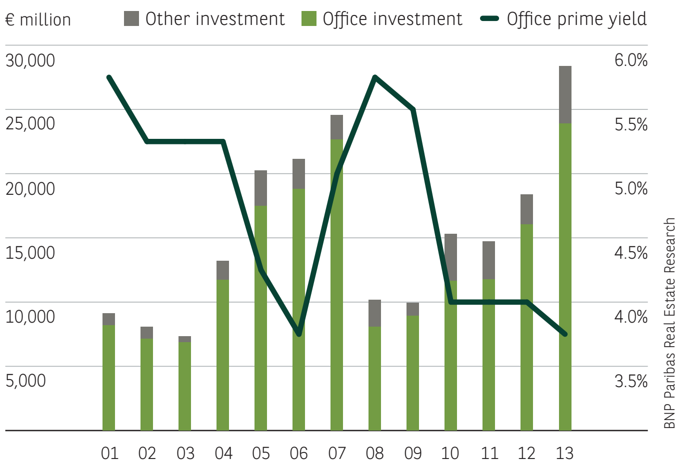


HUGE SURGE IN CENTRAL LONDON INVESTMENT

Investment in Central London offices reached £ 20 billion (€24 billion) in 2013, one of the highest ever seen. This was helped in the fourth quarter by two of the largest transactions in history when St Martins Property acquired the More London Estate for £ 1.7 billion (€2 billion) and GIC who acquired the 50% stake in the Broadgate Estate from Blackstone, again for £ 1.7 billion (€2 billion).

There has been greater interest from all quarters including UK institutions. It remains the case that international investors dominate the London investment market, accounting for over two thirds of deals. American and German investors were key with ever increasing amounts from Asia and other emerging markets. This situation will continue in 2014. The demand is such that prime yields reduced from 5% to 4.5% in the City and 4% to 3.75% in the West End during 2013 and will stay close to these levels across 2014.

INVESTMENT - YIELD

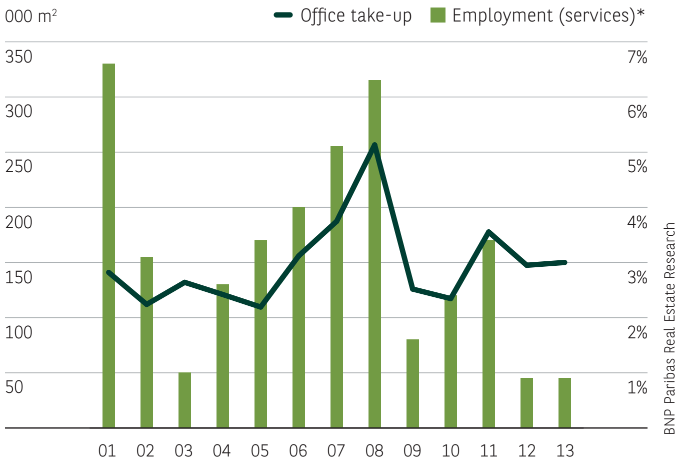


LUXEMBOURG

TAKE-UP HELD UP WELL IN 2013

Office take-up stabilised in 2013 compared to 2012, both in volume and in number of deals, slightly above its 5-year average (143,000 m²). The large deal by the European Union in Kirchberg (10,000 m²) drove the market volume up, while small and medium sized deals held up well. Therefore, public sector activity as well as financial institutions, such as Crédit Suisse in Kirchberg (5,072 m²) are still providing the main boost to take-up. Occupiers mainly focused on Luxembourg City (80%) at the expense of the Periphery (15%).

TAKE-UP - EMPLOYMENT

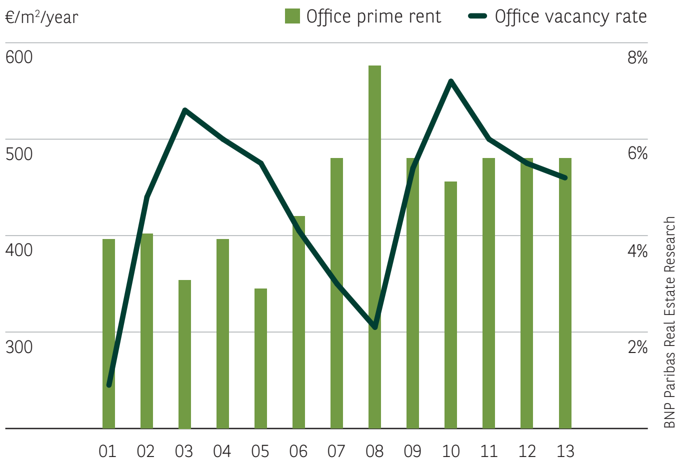


*Oxford Economics/BNP Paribas - Data for Luxembourg

FURTHER DECREASE IN VACANCY RATE

The vacancy rate is down for its fourth consecutive year at 5.2% with total supply representing approximately 175,000 m². This downward trend can be explained by a low level of completions in 2013. Consequently, the office prime rent kept resilient at €40/m²/month in the CBD. The current pipeline shows little prospect for a significant increase in the vacancy rate over the next few months.

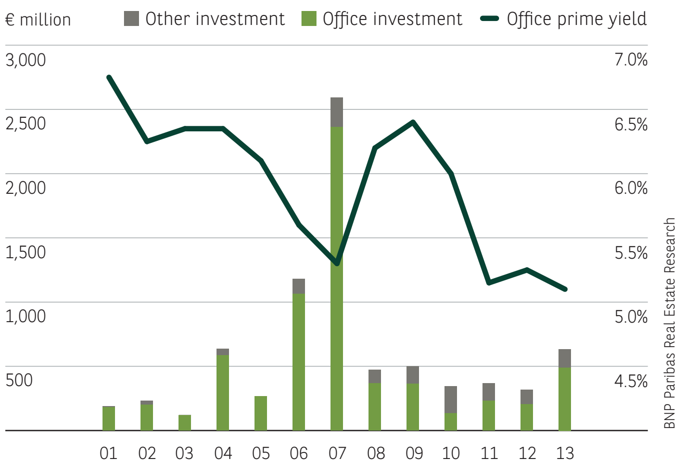
PRIME RENT - VACANCY RATE



A SURGE IN INVESTMENT VOLUME

Like many countries in Western Europe, Luxembourg in 2013 was marked by a strong improvement in office investment activity; its best performance since 2007. Once again, offices consolidated their pole position amongst assets (78%), thanks to large transactions over €20 million. Competition between investors pushed prime yields downward to 5.10%, sustained by the shortage of supply and high rental values in the CBD.

INVESTMENT - YIELD



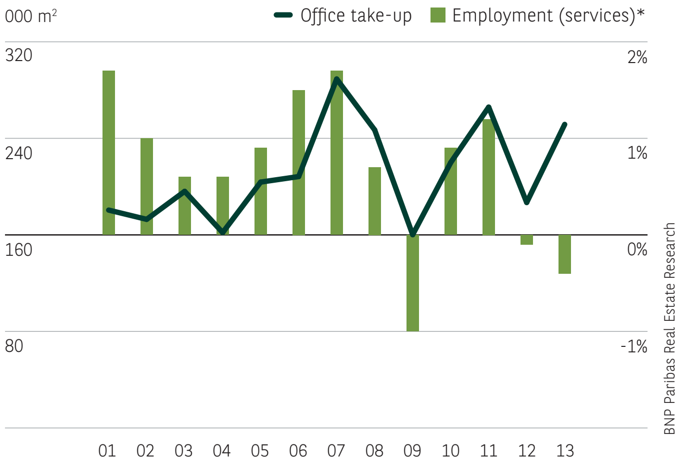
LYON

OFFICE MARKET PUSHED UP BY MAJOR DEALS

Office market activity in Lyon was particularly buoyant during 2013. Take-up increased by more than 30% to reach over 250 000 m², exceeding the 10-year average by more than 30,000 m².

The market was boosted by the return of large transactions, including 3 mega deals over 15,000 m²: Alstom at Villeurbanne for 29,000 m², SNCF at Part-Dieu for 22,000 m² and Sanofi at Gerland for 18,500 m². Transactions signed in new premises, mostly pre-lets, accounted for nearly 60% of take-up, reflecting tenant need to move into more efficient buildings. It is worth noting that the segment for transactions under 500 m² increased by 11% in volume in 2013, showing some positive signs in the market.

TAKE-UP - EMPLOYMENT

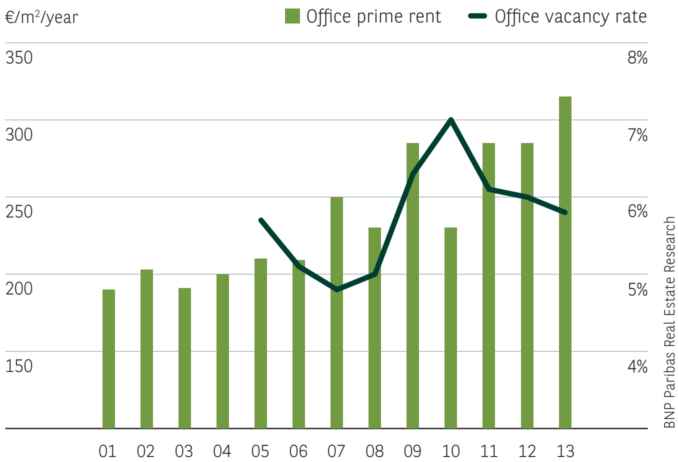


*Oxford Economics/BNP Paribas - Data for France

PRIME RENTS INCREASE IN CENTRAL LYON

The office vacancy rate stood at 5.8% in 2013. It continued to decrease for the third year running, due to a slight drop of second-hand supply. New supply remained scarce in central areas thus affecting rents upwards. Indeed, average rents for new offices rose due to the strong occupier demand in sought-after areas in the CBD (Part-Dieu), Gerland and Lyon 5th/9th arrondissements. The prime rent in Lyon reached a historic value of €315/m²/year in the Incity tower, expected to be delivered in 2015.

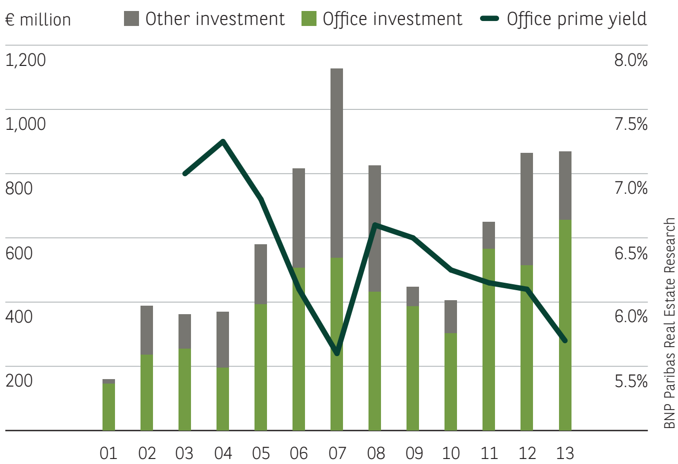
PRIME RENT - VACANCY RATE



HEALTHY FIGURES FOR THE INVESTMENT MARKET

With € 869 million invested in commercial real estate in 2013, the market in Lyon was stable compared to 2012. Nevertheless, 2013 was a record breaking year for the office investment market, up 27% compared to 2012, totalling € 655 million. There were a number of significant deals in Lyon, like the off-plan acquisition of the Silky building by ANF and CERA for € 100 million and the Danica building by Viveris REIM for €58 million. The scarcity of secured assets in Lyon Part-Dieu caused the prime yield to contract in 2013 to 5.7%.

INVESTMENT - YIELD

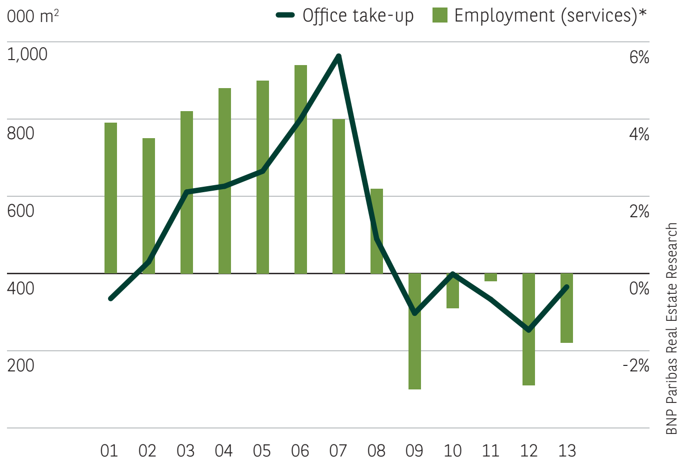


MADRID

TAKE-UP BOOSTED BY A FEW LARGE DEALS

A number of companies decided to bring forward their real estate strategies during 2013, relocating to more modern or better located offices. The low level of rents and the outlook for improvement in the Spanish economy continued to guide occupier's decisions. However, 38% of take-up was done by four deals, with the remaining take-up equivalent to 2012's volume. The number of deals recorded in 2013 also fell by 15% to 291, representing the lowest record since the beginning of the crisis. The reason for this decline in small-sized transactions is low employment rate in the service sector.

TAKE-UP - EMPLOYMENT

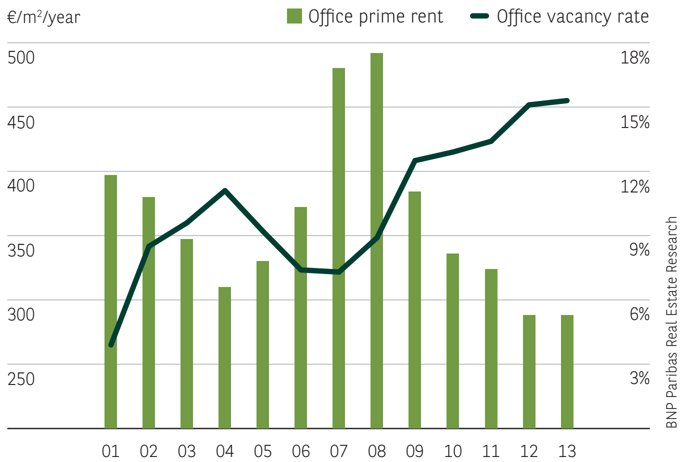


*Oxford Economics/BNP Paribas - Data for Spain

HEADING TOWARDS A FALL IN VACANCY

Vacant floor space stayed unchanged year-on-year at 1.8 million m², leading the vacancy rate to hold steady at 15%. This stability is due to the lack of development activity, with barely 6,500 m² of new offices added to stock in 2013. Low figures for delivery are still anticipated for 2014, although there are several buildings which are currently being refurbished. Prime rents remained stable throughout the year at €24/m²/month. In 2014, there is a scope for slight increases in prime rent due to the scarcity of quality space in the CBD.

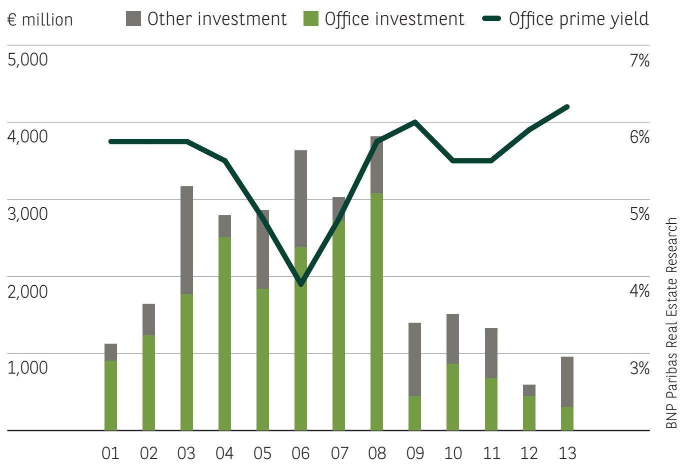
PRIME RENT - VACANCY RATE



INVESTMENT VOLUME BOUNCED BACK IN 2013

The Madrid investment market improved in 2013 and the annual volume for the city far exceeded that of 2012 by almost reaching €1 billion. The main driver for increase was the demand for distressed assets. Sales of portfolios held by banks, government agencies and SAREB (the Spanish bad bank) plus the perception that capital values are at historic minimums attracted demand. Nevertheless, offices represented only 31% of the total amounts invested, when it dominated the market over the last three years. The scarcity of prime products in the CBD of Madrid is generating competition. Thus, it is pushing prime yields downwards and a drop by 35 basis points is expected in early 2014.

INVESTMENT - YIELD

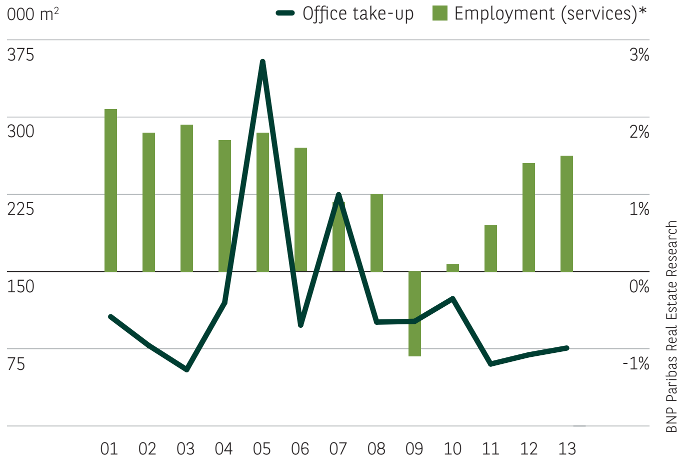


MANCHESTER

OCCUPATIONAL MARKET BENEFITS AS THE ECONOMY IMPROVES

2013 saw optimism levels rise in the Manchester occupational market, as improving economic conditions helped buoy market confidence. This upturn was reflected in the 1,580 m² pre-let deal signed by MediaCom at Allied London's Spinningfields, where it reportedly agreed a 15-year lease. Nonetheless, the letting activity remained subdued regarding its long-term trend. The improving market sentiment will continue into 2014, which in turn will help boost transactional activity in Manchester's occupational market. There are also several occupiers with known lease events (law firm Shoosmiths, accountants Ernst & Young) over the next 2-3 years, which will help drive up take-up volumes.

TAKE-UP - EMPLOYMENT

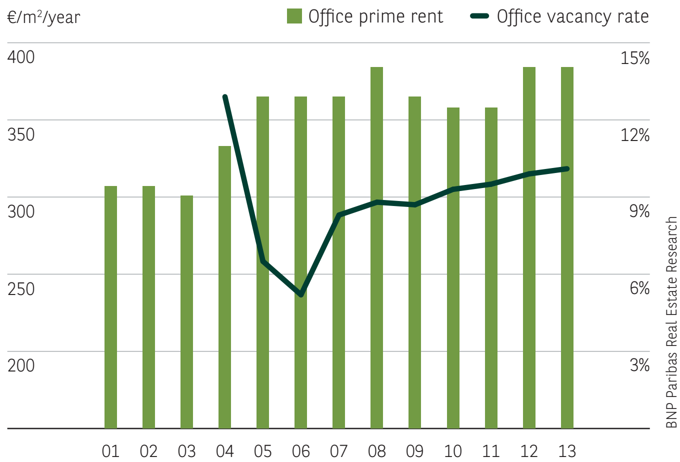


*Oxford Economics/BNP Paribas - Data for The UK

MARKET CONDITIONS FOSTER DEVELOPER CONFIDENCE

Developers are keen to take advantage of the slight improvement in occupational market conditions. In spring 2014, Argent and the Greater Manchester Property Venture Fund will complete their brand new 24,900 m² building, One St Peter's Square, which will launch 19,000 m² of new grade A space onto the market (the remaining space was let to KPMG in 2011). Further speculative development activity is expected to get underway, with Mosley Street Ventures planning to begin work on its £ 80 million (€95 million) 14,600 m² Two St Peter's Square development; completion is scheduled for summer 2016. An upturn in development activity will be good news for the market, as occupiers continue to look to secure high quality space. This will help push up prime rental levels, which in 2013 remained stable at £ 323/m²/year (€384), despite the slight increase in the vacancy rate (+20 bps).

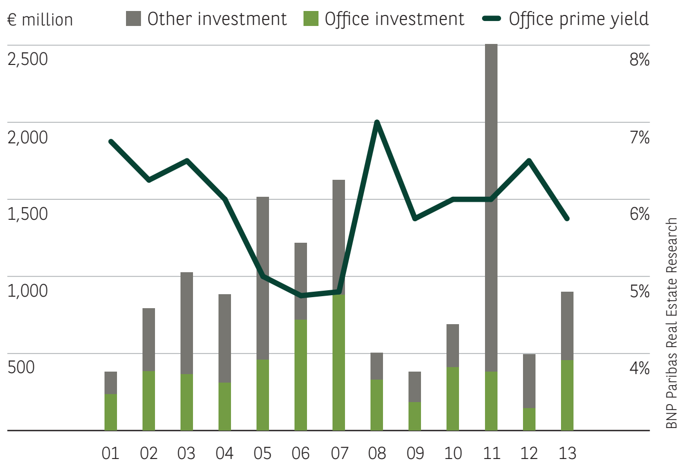
PRIME RENT - VACANCY RATE



BUYING BY FOREIGN INVESTORS BOOSTS MARKET ACTIVITY

A clear pick-up in momentum occurred in the city in 2013 with office investment reaching over £ 383 million (€456 million), its highest level since 2007. Overseas investors were highly active making all the largest purchases including 1 Angel Square for £ 142 million (€169 million) acquired by German investor Grundbesitz Europa. Manchester looks set to become one of the few regional UK cities in 2014 to see speculative development rather than pre-let led. Consequently investment yields should continue to move downwards over 2014 and, with improving confidence in the occupational market, is likely to see investment continue to grow.

INVESTMENT - YIELD

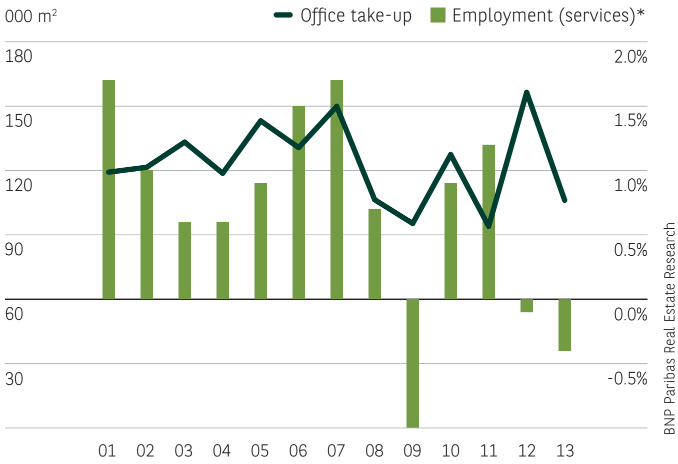


MARSEILLE

MARKET HELD BACK BY A LACK OF MAJOR DEALS

Take-up fell by 32% in 2013 compared to the exceptional record year of 2012. The subdued activity in large transactions, despite a recovery during the last quarter, impacted the market negatively. Only one major deal (over 5,000 m²) was signed (by a public sector body) in Euroméditerranée compared to 5 in 2012. This single deal shows that Marseille CBD retains its attractiveness in the region, representing 44% of the take-up for new offices.
Aix-en-Provence continued to rank first amongst business districts, concentrating 28% of take-up, although it dropped significantly by 37% in one year.

TAKE-UP - EMPLOYMENT

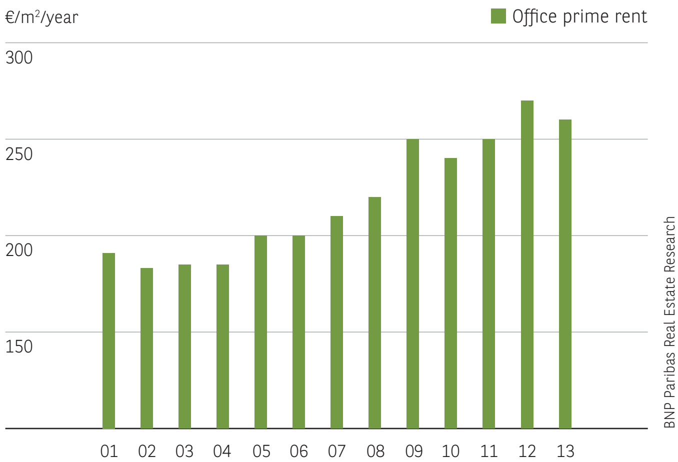


*Oxford Economics/BNP Paribas - Data for France

NO SUBSTANTIAL CHANGES IN RENTAL VALUES

The office prime rent diminished by 4% to €260/m²/year in the CBD. The average rent for new offices in Marseille inner-city slightly increased as new supply dropped, while rents for second-hand offices followed the opposite trend. In outlying districts, where vacant space in non-renovated premises is abundant, rents tended to decline. Around 37,000 m² of new office vacant space are expected to fuel the office stock for the next 2 years. Mainly located in the CBD, where the shortage of new supply is already softening, this will prevent rents from rising again.

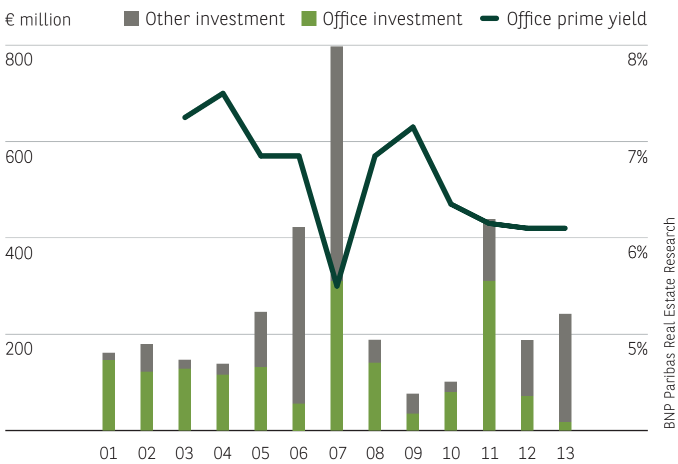
PRIME RENT - VACANCY RATE



LACKLUSTRE OFFICE INVESTMENT MARKET IN 2013

Unlike the logistics market, office investment in Marseille remained lacklustre over 2013. It was a historically weak year with just € 17 million invested, way short of the average for the last ten years of €126 million. Among the four office transactions that took place was the acquisition by property company INEA of the fifth and last building in the Ywood Business L'Ensoleillée scheme in Aix-en-Provence for € 3 million. In terms of yield, the trend has been flat overall at 6.10%, as no prime deals took place.

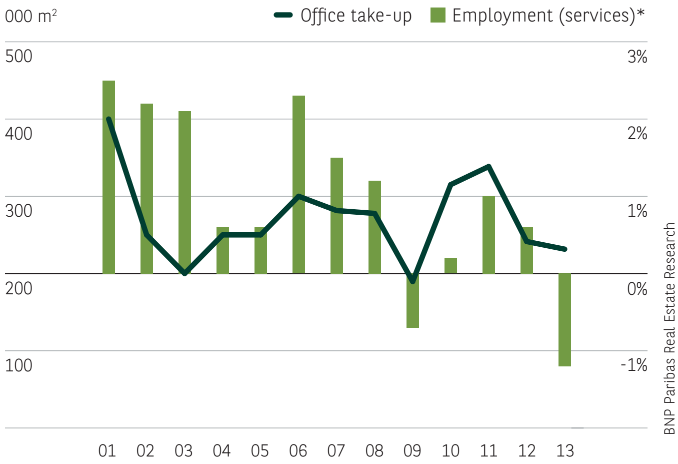
INVESTMENT - YIELD



TAKE-UP ACTIVITY STILL REDUCING

The recession reduced the volume of take-up even further during 2013. The market suffered both from the fall of employment throughout the year and the lack of large deals. The forecasts for growth in employment over the next few years are low and it will take time for the job market to reabsorb the unemployment created. Consequently, companies mainly move to rationalise their office space for greater efficiency and above all, to obtain savings on rent. Moreover, many companies prefer to renegotiate their lease agreements instead of moving and benefiting from the high level of supply to secure better space.

TAKE-UP - EMPLOYMENT

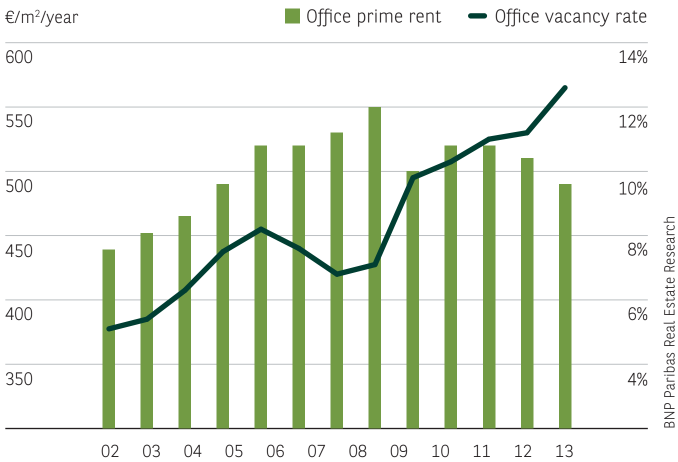


*Oxford Economics/BNP Paribas - Data for Italy

SUPPLY RISE PUSHED RENTS DOWN

The reduction in the space occupied by companies resulted in an increase in office supply. This trend will continue as no employment growth is expected before the end of 2014. The combined effects of a low take-up volume with a constantly growing vacancy makes Milan a "tenants' market". In fact, the contracts provide for lower rents and substantial incentives, usually longer than twelve months. The downward trend of average rents began at the end of 2011 and is still in progress. Prime rents, which remain a "niche" indicator, also fell for the third consecutive year, below the €490 mark.

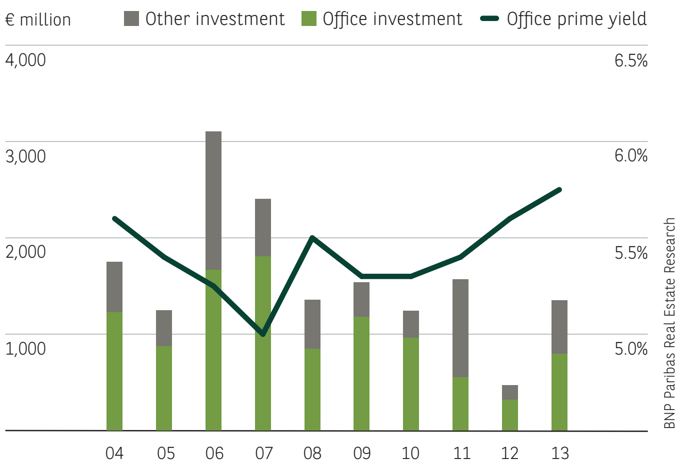
PRIME RENT - VACANCY RATE



A RECOVERING INVESTMENT MARKET

Several large transactions were recorded, particularly in the office sector. Investors are looking for core products, with the best locations and secure tenants. Otherwise, the products are never sought unless they give high returns: this is the case of the Bodio Center with a 10% yield. The fourth quarter saw for the first time in many quarters, the sale of two vacant office buildings that will be restructured and partly converted into residential accommodation. Investors therefore see value-added products in the city as they believe the Milan market may have reached the lowest point in the property cycle.

INVESTMENT - YIELD

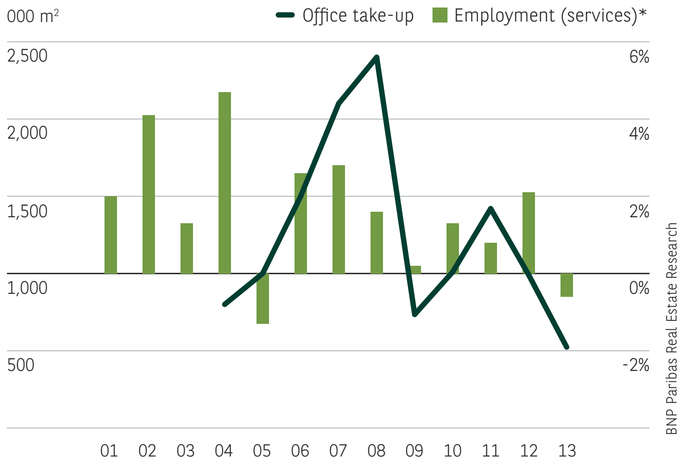


MOSCOW

OFFICE TAKE-UP DROPS TO ITS LOWEST LEVEL FOR YEARS

Net absorption dropped significantly during 2013 reflecting the economic backdrop of slackening GDP growth (+1.4%) and job losses in the service sector. In this context, demand for offices weakened and take-up figures plunged to the lowest level seen in over 5 years at 523,000 m². In 2014, net absorption is likely to deteriorate again due to the Russian economy's stagnation and the ongoing decrease in employment.

TAKE-UP - EMPLOYMENT

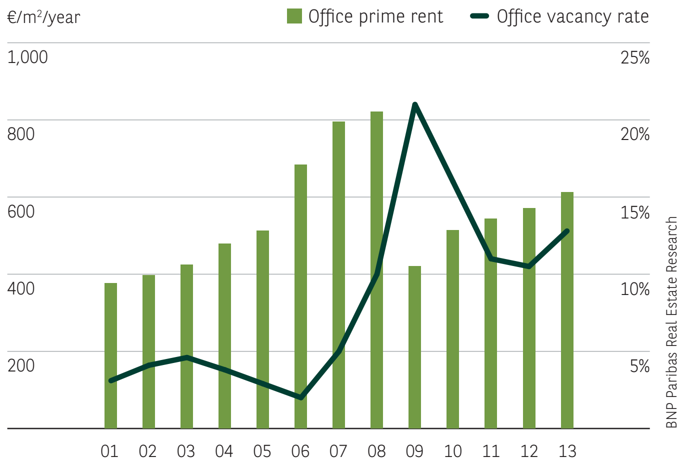


*Oxford Economics/BNP Paribas - Data for Russia

NEW DEVELOPMENT IS PUSHING VACANCY UPWARDS

The office market in Moscow showed some similarities with Saint Petersburg's. Newly delivered office buildings and limited demand resulted in an increase of the vacancy rate mostly affecting grade A office schemes. Surprisingly, office prime rents kept on increasing to over €600/m²/year, whereas average rents remained unchanged.

PRIME RENT - VACANCY RATE



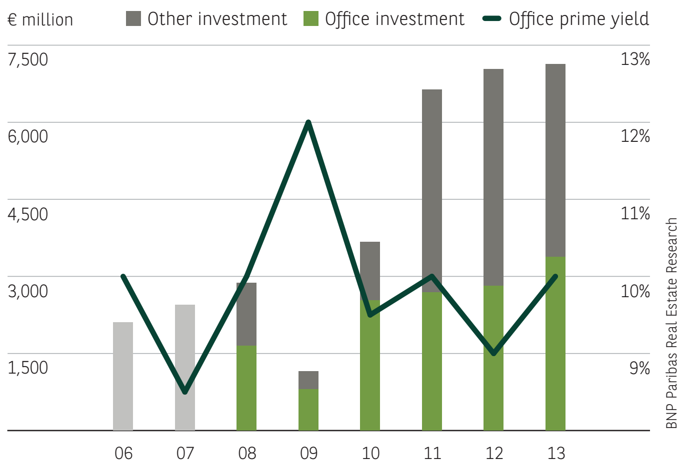
CONSISTENT GROWTH IN COMMERCIAL REAL ESTATE INVESTMENT ACTIVITY

The economic stagnation of Russia showed no effect on investment volumes. The major part of Russian investment is still drawn by Moscow.

During 2013, office investment gained more popularity and reached €7.1 billion, accounting for 47% of the total volume against 40% in the previous year.

Moscow office prime yields showed a 100 bps growth, which corresponds to the level recorded in Saint Petersburg, following the uptrend in the vacancy rate.

INVESTMENT - YIELD

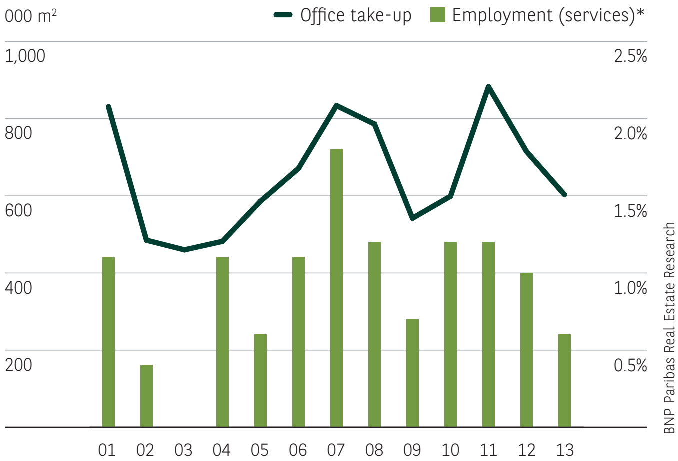


MUNICH

DECLINE IN TAKE-UP

Take-up in the Munich office market in 2013 totalled 603,000 m², a year-on-year fall of nearly 16%. One key reason for this decline was the much lower contribution to the total made by industrial companies, which in recent times were particularly active sources of demand for new headquarters. Such companies tend to be somewhat more reticent in periods of just modest economic development and furthermore, they had already made many of their investment decisions in the years before. Nevertheless, Munich once again finished well ahead of all the other key German office locations.

TAKE-UP - EMPLOYMENT

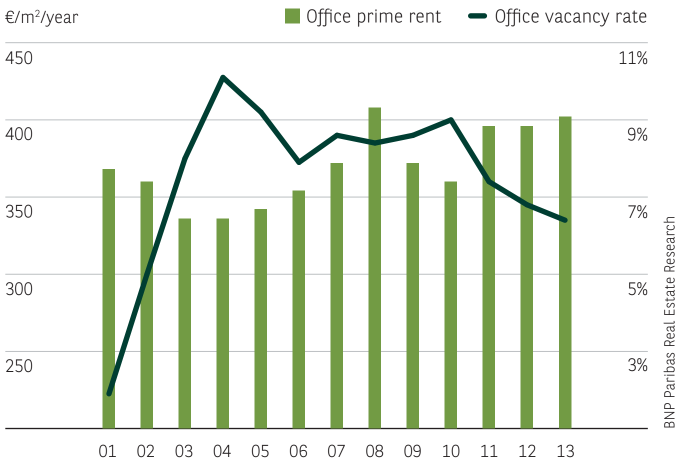


*Oxford Economics - Data for Germany

SLOWDOWN IN REDUCTION OF VACANCY

The reduction in vacancy continued in 2013, but at a slower pace with the vacancy rate at 6.4%. The volume of vacant space currently stands at slightly less than 1.23 million m², which is 5% down on last year's figure. It is notable that year-on-year modern vacant space remained unchanged at 361,000 m² (28% of the total). Nevertheless the marked reduction in modern office supply in previous years means rental price levels have generally moved higher. The prime rent climbed by 1.5% to €402/m²/year.

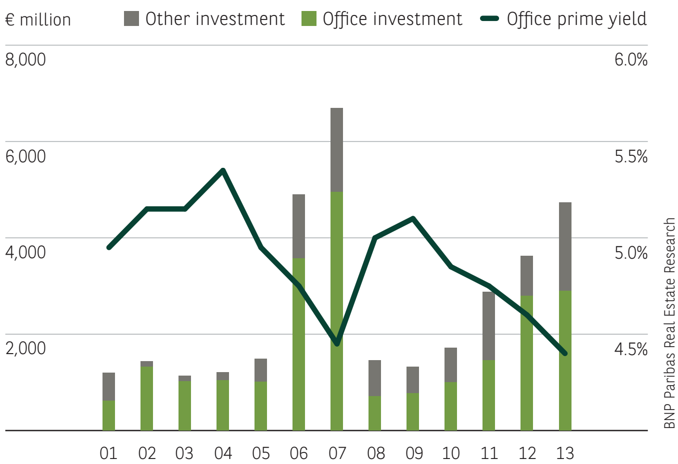
PRIME RENT - VACANCY RATE



EXCEPTIONAL INVESTMENT YEAR

With €4.74 billion, the Munich investment market was able to exceed its already very good 2012 figure by nearly 31% and in fact almost equalled the total achieved in the boom year of 2006. It also topped the ten-year average by 58% and is the only German city which passed the €4 billion mark. Among other things, this was due to a whole series of major deals in the triple-digit million range. In the final quarter of 2013, the buoyant demand for core properties and the subsequent competition resulted in a further fall in the prime yield for office buildings to 4.4%.

INVESTMENT - YIELD

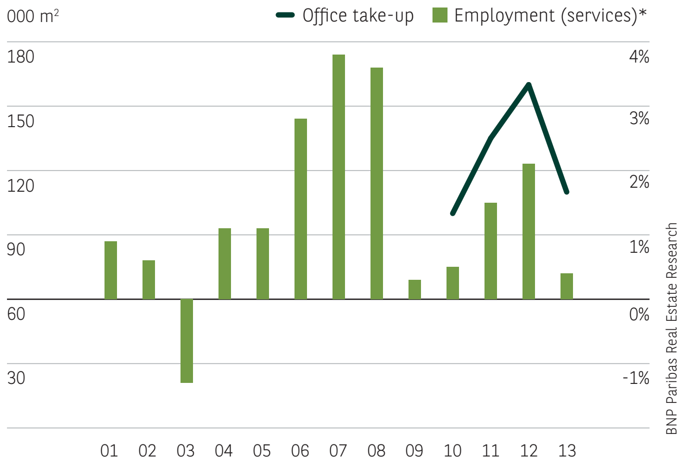


OSLO

WEAK ECONOMIC BACKDROP PREVENTS MARKET GROWTH

Market demand in the past year declined reflecting weak economic indicators that included slowing GDP and employment growth as well as falling consumer confidence. However, the Norwegian industry remains healthy. In general there are more occupiers in the Oslo region with growth ambitions and plans to expand than there are companies wanting to reduce their office space. Looking at the most popular locations, the city centre remained the most attractive sector with a wide variety of occupiers and a very large spread of rent levels.

TAKE-UP - EMPLOYMENT

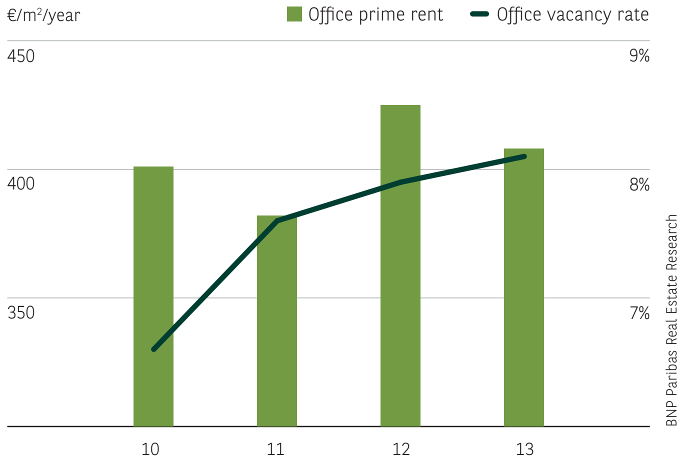


*Oxford Economics/BNP Paribas - Data for Norway

RENT ADJUSTMENTS REFLECTED RISING VACANCY RATES

The vacancy rate in Oslo continued to increase throughout 2013 to 8.1%, with 800,000 m² of vacant office space. Combined with sluggish activity, the prime rent went down slightly to NOK 3,360/m²/year (€408). The city centre and the CBD recorded strong demand and the lowest vacancy rate. The outer western districts along with Økern, Alna and Ryen had the highest vacancy levels. Low construction activity in 2014 and 2015 combined with office conversions into residential and normal levels of absorption is likely to push the vacancy rate down. Only 65,000 m² of office space will be built in 2014, a significant drop compared to 2012 and 2013.

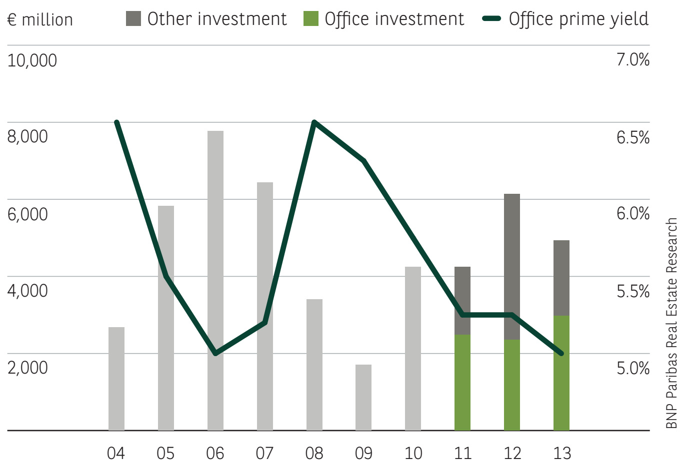
PRIME RENT - VACANCY RATE



NORWAY IS ATTRACTING FOREIGN INVESTORS

The investment market in Norway achieved another good performance in 2013 compared to the excellent levels recorded in 2012. The volume of investment in Norway amounted NOK 40 billion (€4.9 billion) in 2013, boosted by foreign interest of mainly German, Canadian and Dutch origin. This trend is likely to continue as foreigners are becoming familiar with the market. Offices remained the major buyers' target, representing 60% of the amount invested. The yield spread increased substantially through 2012 and 2013 reflecting the scarcity of prime assets, which in turn exacerbated the gap between grade A, B and C properties.

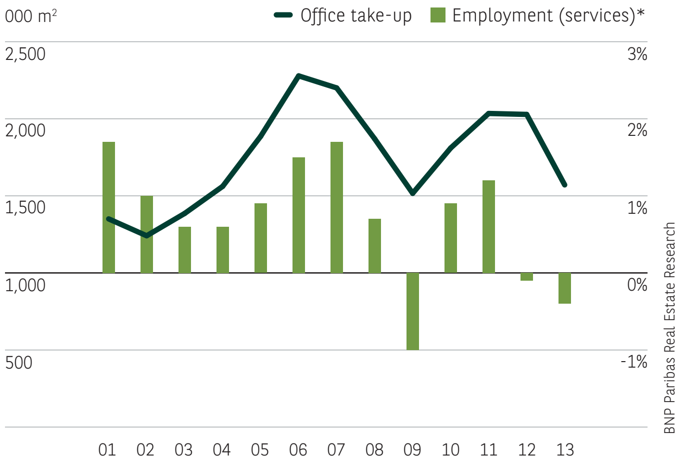
NORWAY : INVESTMENT - YIELD



A MARKET CHECKED BY THE STEEP FALL IN LARGE DEALS

Weaker economic activity has been weighing on the labour market since 2012. The unemployment rate is expected to increase again from the 10.9% seen in 2013. More dynamic than the rest of France, the Parisian economy has outperformed the national economy thanks to the resilience of the services sector. Yet, with take-up of 1,571,000 m² in 2013, the office market in Central Paris fell by 23% compared to 2012. It was mainly large deals (over 5,000 m²) that were lacking in 2013; these slumped by 45% in volume terms. Meanwhile, units of less than 5,000 m² once again proved to be a solid foundation for the market.

TAKE-UP - EMPLOYMENT

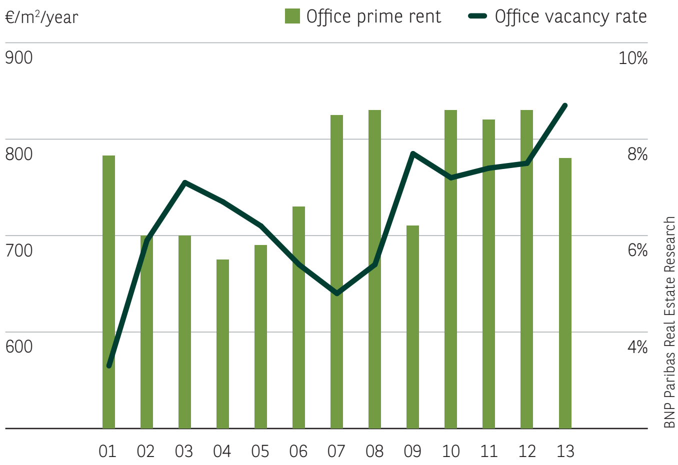


*Oxford Economics/BNP Paribas - Data for France

INCREASE IN VACANCY SQUEEZED PRIME RENTS

Gradual rises each quarter led immediate supply to increase by 15% between December 2012 and December 2013, reaching 2.84 million m². This reflected the release of second hand buildings as well as a great amount of completions in 2013. As such, the vacancy rate rose to 8.7% at the end of 2013, compared to 7.5% a year earlier. The increase in availability squeezed prime rents as tenants had a larger choice of quality offices. Prime rents dwindled from €830/m²/year in 2012 to €780/m²/year at the end of 2013. Likewise, incentive measures increased to 18% in 2013.

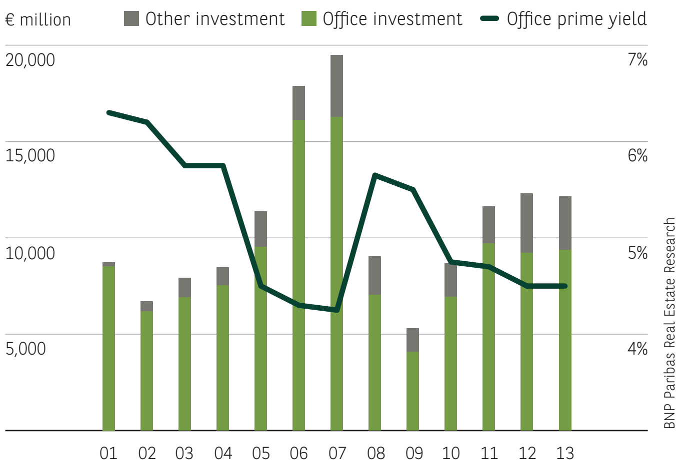
PRIME RENT - VACANCY RATE



HEALTHY TREND FOR THE INVESTMENT MARKET

With €12.1 billion, the volume invested in Central Paris in 2013 was little changed compared to 2012. Offices are still investors' favourite asset, attracting 77% of total investment. Core deals over €100 million remain the most popular, like the joint purchase by Thor Equities and Meyer Bergman of an office and retail building at 65-67 Champs-Élysées for €260 million. Given the stiff competition for core assets, the prime yield stayed low, at around 4.5%. Investors continued to secure their rental revenues by buying the best assets (with long-term leases) that are located in traditional business districts.

INVESTMENT - YIELD

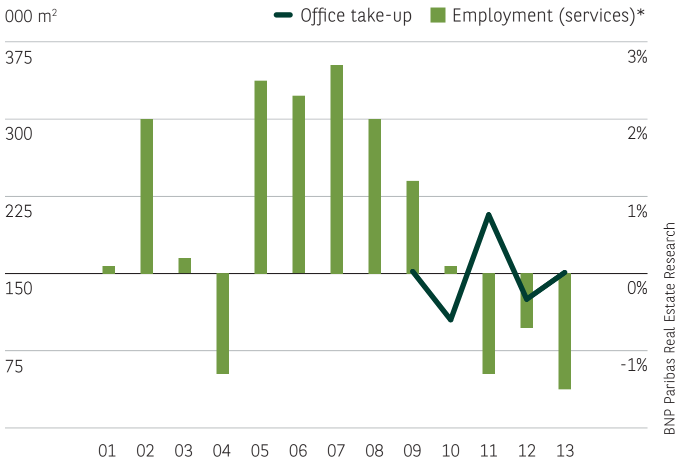


PRAGUE

MODEST LETTING ACTIVITY RECORDED IN PRAGUE

In line with a weak economic backdrop, net office take-up in Prague picked up modestly in 2013 reaching over 150,000 m². Office take-up was front loaded in 2013 with the first quarter posting more than 53,000 m² whilst the last quarter contributed just 28,000 m² of the total volume. The majority of tenants stayed focused on Prague's grade A office buildings, the most sought-after product. It is worth noting that lease renewals were significant during the year, amounting for around 166,000 m². As a result, gross take-up reached 317,000 m² in 2013.

TAKE-UP - EMPLOYMENT

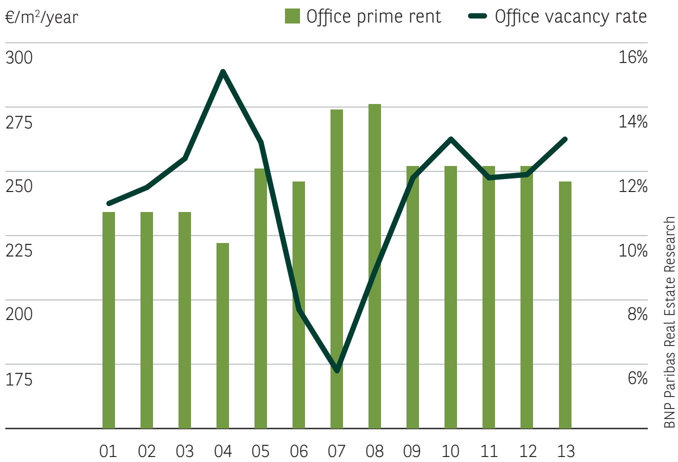


*Oxford Economics/BNP Paribas - Data for the Czech Republic

HIGHER VACANCY SEES A DOWNWARD CORRECTION IN PRIME RENTS

No change occurred in the CBD prime office rent (€20.0-21/m²/month) until the second half of 2013 when It dropped by €0.5/m²/month as a consequence of the increasing vacancy rate (+110 bps). Prime office rental values in the inner city and the outer city remained consistent with their long-term levels, respectively €15-17.5/m²/month and €13.0-14.5/m²/month. The lowest vacancy rate was recorded in the Chodov – Opatov business hub.

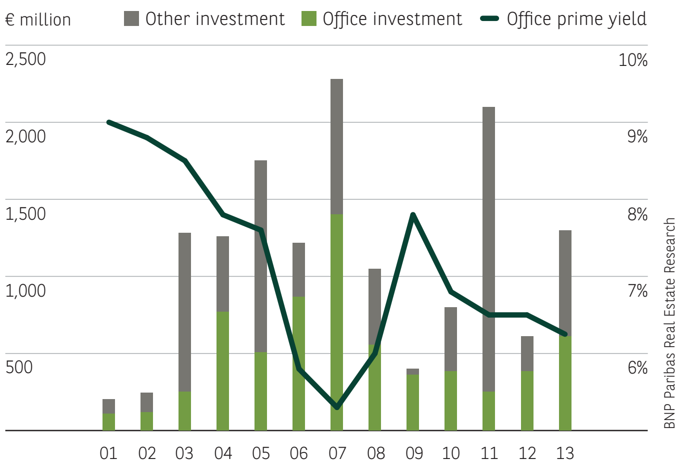
PRIME RENT - VACANCY RATE



RECOVERING CZECH INVESTMENT MARKET

After a slowdown of investment activity in 2012, a clear upswing during 2013 pushed total investment back over the €1 billion mark. The Czech Republic saw €610 million invested in offices that were the main target for investors. The largest transaction was the sale of the office complex "The Park", representing almost half of the total office investment volume. Office prime yields declined slightly by 25 bps and stood at 6.25%.

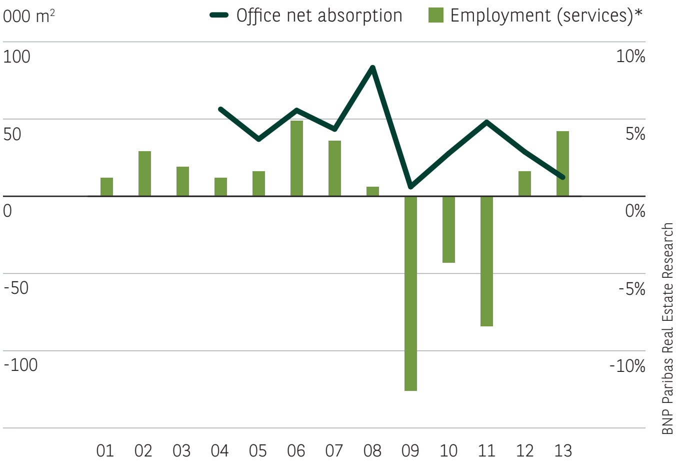
CZECH REPUBLIC : INVESTMENT - YIELD



SHORTAGE OF VACANT PRIME OFFICE SPACE

The office market in Riga was mainly driven by the relocation or expansion of existing players. Therefore, there were no major newcomers into the market in 2013. Total absorption in grade A and B offices was around 12,000 m² during 2013, which is about 60 % lower than in 2012 and well below its long-term average. This slowdown was mainly due to a relative shortage of good-quality vacant office space and growing rent expectations by landlords. The total modern office stock in Riga reached 539,000 m² at the end of 2013. No new speculative schemes were completed in 2013; however it is expected that 43,000 m² of office space will be added in 2014.

NET ABSORPTION - EMPLOYMENT



*Oxford Economics - Data for Lativia

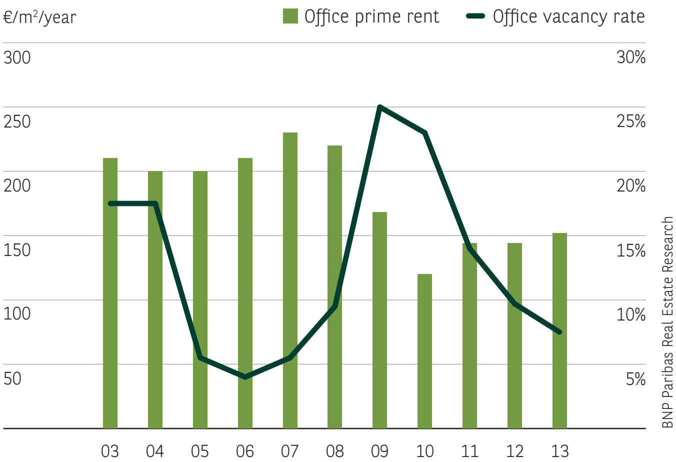
GRADUAL IMPROVEMENT IN OFFICE MARKET CONDITIONS

The overall vacancy rate at the end of 2013 stood at 7.5%, a decrease of 2.3 percentage points since the end of 2012. Specifically, the vacancy rate for grade A offices dropped to 2.5%, while grade B offices declined to 8.5%.

The reason for such a low vacancy rate in grade A offices is that there are almost no speculative buildings in this segment. Grade A office vacancy is expected to remain low until new projects are delivered onto the market.

Modern office rents remained stable throughout the year. At the end of 2013 the prime rents in Riga's city centre increased up to €152/m²/year.

PRIME RENT - VACANCY RATE

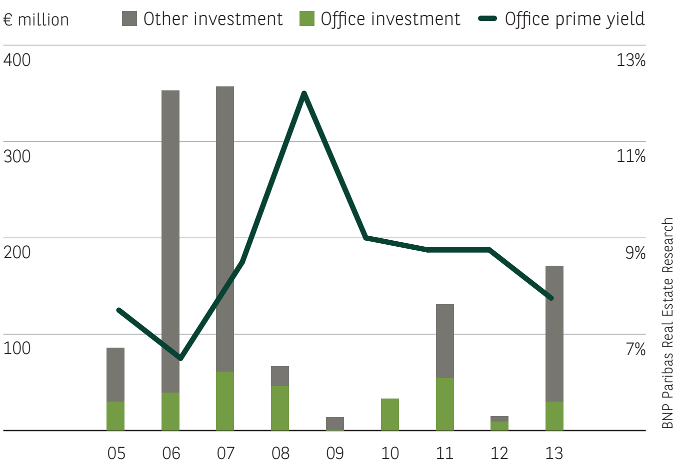


RECORD HIGH REAL ESTATE INVESTMENT ACTIVITY

2013's volume of €172 million was a record year for the Latvian investment market, well above the volumes recorded over the last five years. All investment was achieved in the capital city, retail being the dominating segment, whilst office investment was particularly low in 2013 compared to the previous years. It accounted for just 18% of the total. The largest office investment was made by Capital Mill (real estate fund based in Estonia) for the "Valdemara" office centre, located in the CBD of Riga.

Prime yields stood at around 7% in the Baltics. The average yield for prime offices in Latvia stood at 7.75% in 2013 (100 bps down to 2012).

INVESTMENT - YIELD

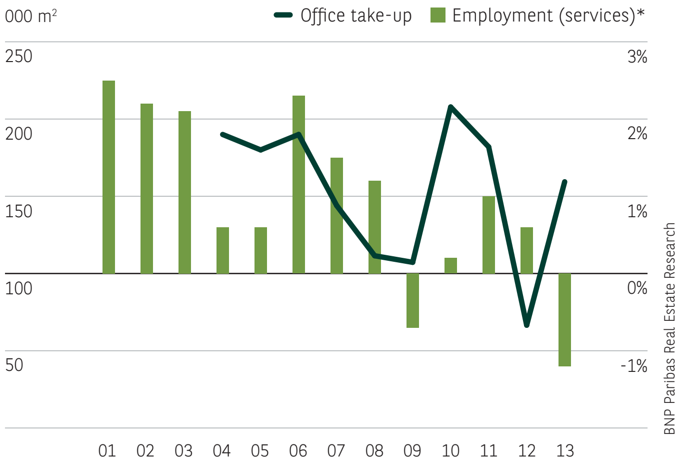


ROME

A LACK OF PUBLIC SECTOR ACTIVITY

The annual take-up volume recorded exceeded 2012's total and was in line with its 10-year average, thanks to large transactions in the first two quarters of 2013. The public sector, typically the main market player, remained absent throughout 2013 leaving the main driving engine behind demand, the process of rationalising office space. With ongoing economic problems, companies prefer to renegotiate their lease agreements. It allows them to obtain both a reduction in rents and avoid the costs of moving.

TAKE-UP - EMPLOYMENT

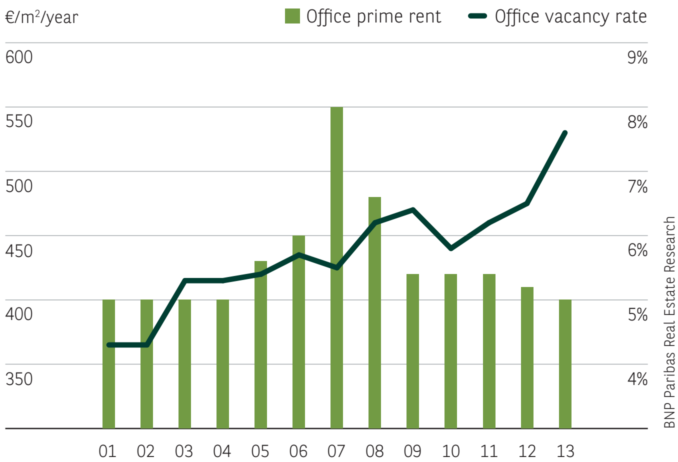


*Oxford Economics/BNP Paribas - Data for Italy

FURTHER INCREASE IN OFFICE SUPPLY

The recession has resulted in a construction slowdown and has delayed the projects designed to give Rome modern and efficient office buildings. Therefore, the increase in supply is the result not so much of new premises coming onto the market, but rather of space vacated by companies during their rationalisation processes. With this increase in office supply, the pressure on rental values remains high, pushing the prime rent further downwards at €400/m²/month.

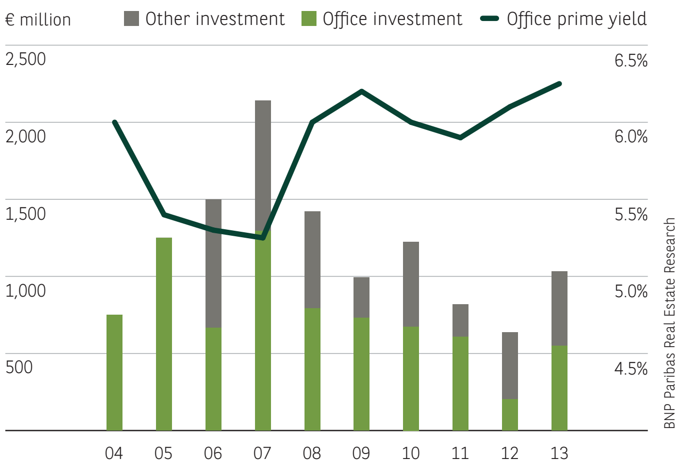
PRIME RENT - VACANCY RATE



SOME SIGNS OF REPRICING

Thanks to large transactions such as the sale of the Eden hotel, the new H&M department store and the Market Central Da Vinci shopping centre - all of which exceeded €100 million – the total investment volume reached €1,031 million; half of this volume concerned offices. Rome managed to benefit from the recovery of the market and attract foreign investors in particular. With a gross yield close to 9%, the sale of the Market Central Da Vinci indicates how some products are being repriced. Rome has an upward office prime yield trend.

INVESTMENT - YIELD

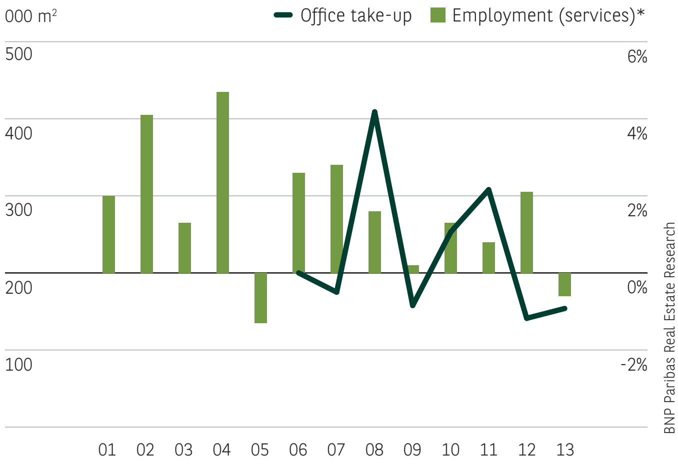


SAINT PETERSBURG

TAKE-UP IS UNLIKELY TO GROW DUE TO WEAK EMPLOYMENT TRENDS

Although take-up in 2013 grew by 9% in the Saint Petersburg office market, the total result of 153,800 m² cannot be seen as impressive, since it stayed 30% below its long-term average. The employment rate showed a slight decline over a year. However the number of white-collar workers may increase as a result of labour force migration. Indeed, many of Gazprom's departments are being relocated from Moscow to Saint Petersburg in moves that are likely to have a significant impact on future office take-up figures.

TAKE-UP - EMPLOYMENT

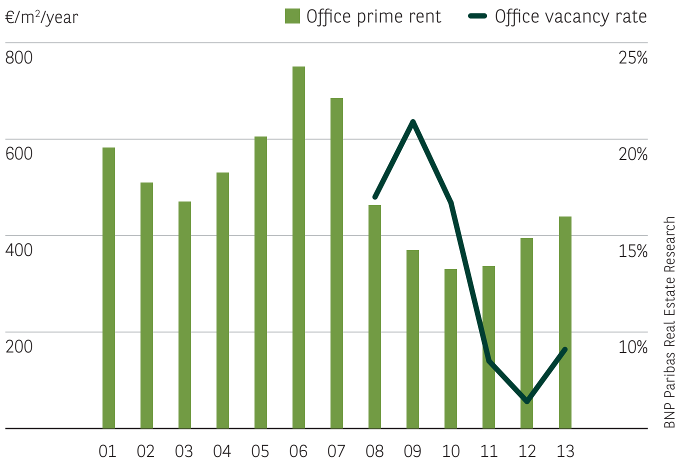


*Oxford Economics/BNP Paribas - Data for Russia

RENTAL GROWTH SLOWING WITH RISE IN VACANCY

Prime rents steadily grew over the last two years (+10% in 2013) but may now be peaking. Due to the large amount of new offices mostly delivered during the second part of the year, an increase of the vacancy rate was observed at the end of 2013. As a result, prime rents are unlikely to experience large increases over the coming year, especially with the slowdown in office demand occurring over 2013.

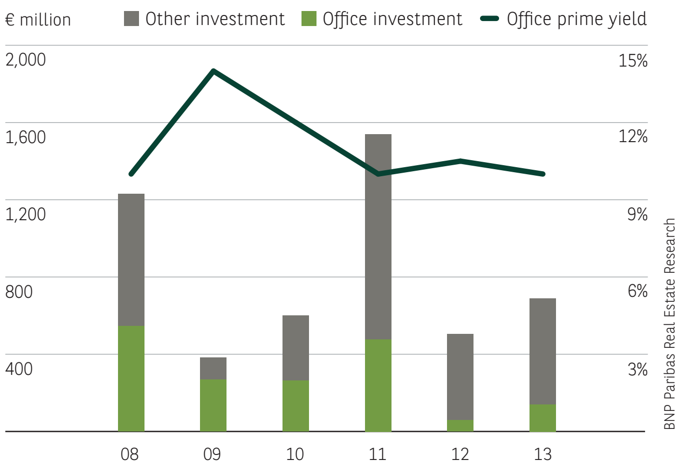
PRIME RENT - VACANCY RATE



THE INVESTMENT OFFICE MARKET IS SLOWLY RECOVERING

Commercial real estate investment in Saint Petersburg increased by more than 35% compared to 2012, when investment activity was subdued. In 2013, offices started to attract investor interest again, although they represented just 20% of total investment. Investors mainly acquired St Petersburg's best office space in terms of quality and location. This has had limited effect on prime office yields in Saint Petersburg that have fluctuated around 10% over the past three years.

INVESTMENT - YIELD



STOCKHOLM

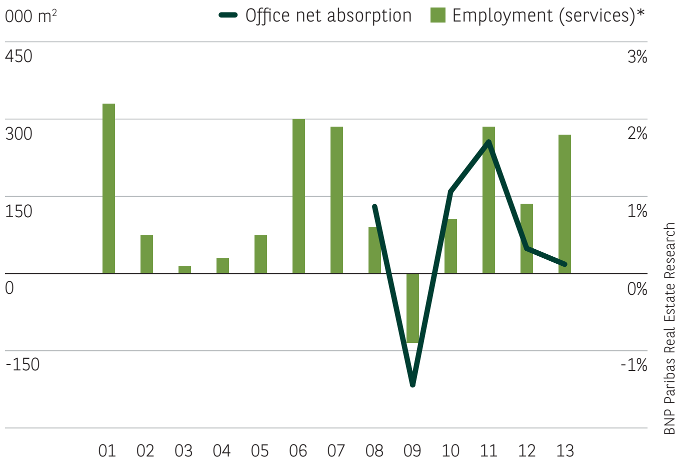
OFFICE DEMAND FROM INCREASING EMPLOYMENT

The Swedish labour market had a healthy increase in 2013 despite the global economic uncertainty. It is the employment growth within the service sector in Stockholm that, more than anything else, stimulated demand for high-quality office premises in good locations. This sector as well as private consumption will both continue to be important growth engines in the coming years.

However, the net absorption in the Stockholm office market in 2013 dropped compared to 2012, as companies streamlined costs. Key variables like cost per employee are becoming more decisive, resulting in even more efficient use of office premises.

A high proportion of pre-lettings is showing a steady demand for office premises whereas inefficient offices are being converted for other use.

NET ABSORPTION - EMPLOYMENT



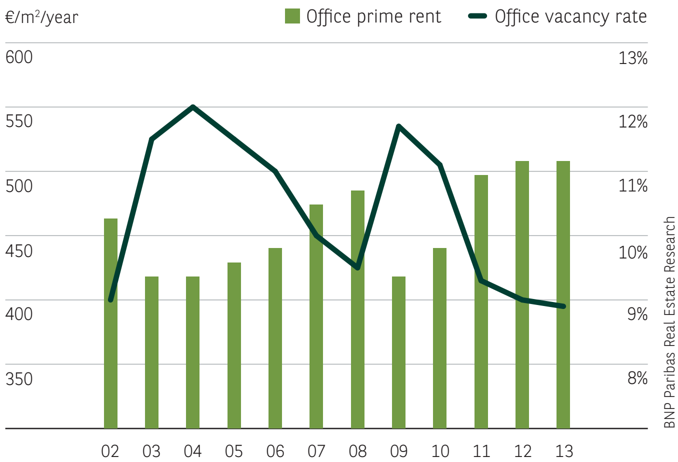
*Oxford Economics/BNP Paribas - Data for Sweden

STABLE RENTS AND VACANCY FALLING SLIGHTLY

The rental level for modern, space-efficient office properties in the CBD in Stockholm remained stable at €508/m²/year in 2013. We expect rents to rise only marginally during 2014. This is the result of psychological effects mainly caused by general economic anxiety and worries about increasing vacant space as several large companies will leave the CBD in the very near future.

A growing service sector, together with a shortage of new office building projects resulted in today's low vacancy rate of about 4% in the CBD. Surrounding districts stand to benefit from the CBD's high rents and development issues. They are characterized by higher vacancy levels and a number of new-construction projects. In less attractive submarkets and for non-modern office premises, rent discounts and other contributions are likely to be common during renegotiations.

PRIME RENT - VACANCY RATE

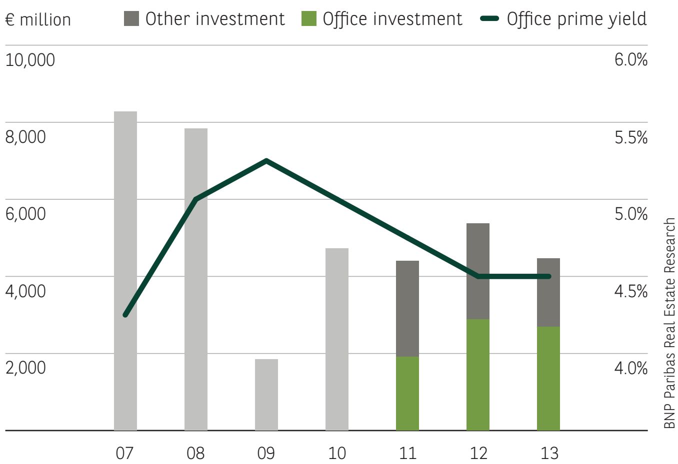


MARKET SHIFT TOWARDS SECOND BEST LOCATIONS

Office properties make a significant share of the investment volume but there was a clear shift in the Swedish real estate market in 2013 regarding the location of the asset. Transaction activity for properties outside the city centre increased and only one major office deal was made in the CBD. As in previous years, Swedish institutions and well-funded property companies were the biggest investors.

Yields have remained stable in prime locations and have fallen for properties situated in the inner city and suburbs. Although foreign investors made some significant investments during the year, the total proportion of domestic investment remained at a high level. Good banking relationships and access to the corporate-bond market have been crucial for obtaining financing. Also issuing new shares has been used as a way of financing.

INVESTMENT - YIELD

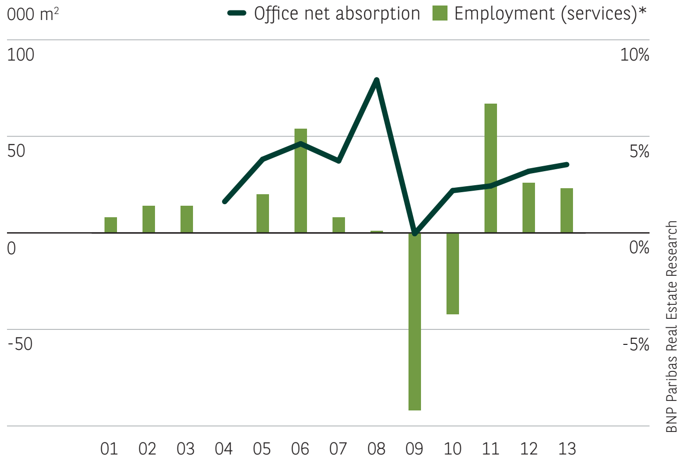


TALLINN

GROWING ABSORPTION RATES

The modern office stock in Tallinn accounted for more than 590,000 m² at the end of 2013. The city centre remains the main office development area although development activity is moving to the city outskirts as well. Nearly 30,000 m² of new office space were launched in Tallinn during 2013, same as in 2012.
The employment dynamics in the service sector remained positive in Estonia for the past three years, thus supporting a positive net absorption in the same period. Yet, developers are still cautious as at the beginning of 2014, less than 25,000 m² of new offices were announced to be delivered in Tallinn during the year.

NET ABSORPTION - EMPLOYMENT

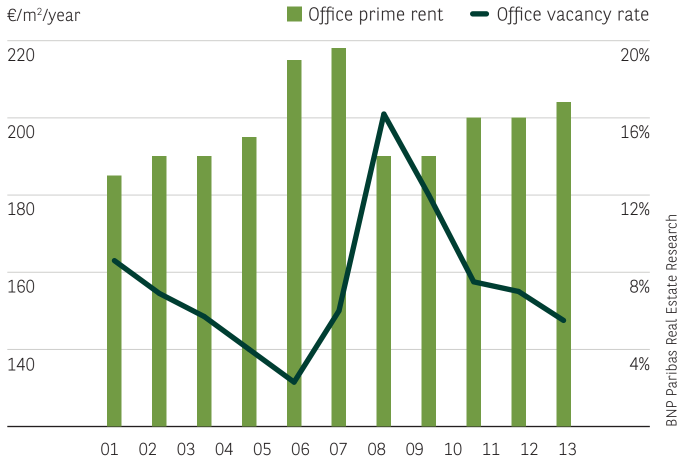


*Oxford Economics - Data for Estonia

MODERATE GROWTH IN RENTS

Moderate growth in rents continued in Tallinn in 2013 as a result of both little development and low vacancy rates in prime locations. The average prime rent at the end of the year reached €204/m²/year and is expected to rise slightly (+3%) in 2014.
The average vacancy rate in Tallinn was below 6% at the end of 2013, whereas in the CBD and several office buildings on the border of the city centre (where there is free parking) it was below 4%. The balance between supply and demand is expected to be maintained in 2014. This will hold the average vacancy rate to the level recorded in 2013 with insignificant downwards correction in grade A premises.

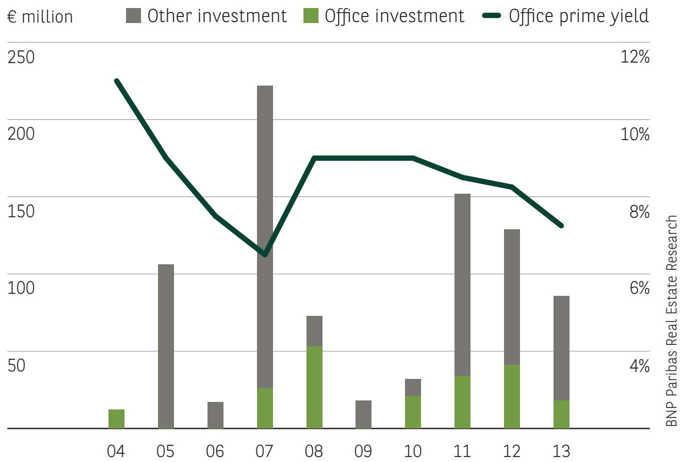
PRIME RENT - VACANCY RATE



POTENTIAL FOR COMPRESSION IN THE PRIME YIELD

Yield levels in Estonia are 25 to 50 bps lower than for similar properties in Latvia or Lithuania. This was caused by a strong economy and the introduction of the Euro at the beginning of 2011. The average yield for prime office properties in Tallinn stood at 7.25% at the end of 2013. Yields are expected to remain stable in the forthcoming months, with 25 bps downwards potential for institutional quality products.
The total real estate investment volume in Estonia accounted for €140 million in 2013. In Tallinn, it reached €86 million whilst office investment accounted for nearly 20% of the total real estate investment volume.

INVESTMENT - YIELD

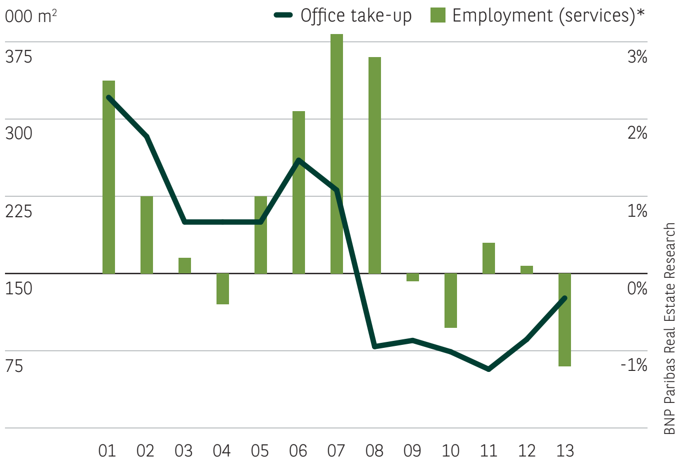


THE HAGUE

SUPPLY IS SET TO GROW AS GOVERNMENT OCCUPIERS REDUCE SPACE

The office market in The Hague is bound to weaken as the Dutch national government is cutting budgets and more responsibilities are given to local government. Less employment in the public service sector will definitely affect office space in this region. In the years to come, the government will leave over 600,000 m² of currently occupied office space. Because of the strong impact expected on the office market in The Hague, the public sector is actively seeking alternative occupiers and uses for these properties as they come to market.
The take-up figures are nevertheless relatively high as a result of movements of large tenants in the New Centre area that is still attractive for occupiers.

TAKE-UP - EMPLOYMENT

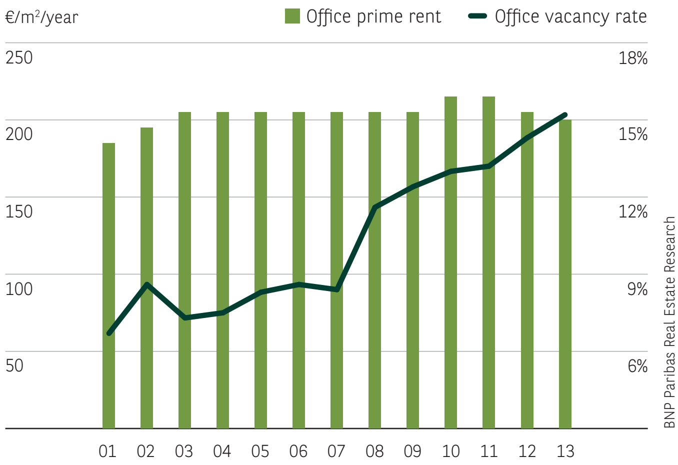


*Oxford Economics/BNP Paribas - Data for The Netherlands

NEW DEVELOPMENTS IN SPITE OF INCREASING VACANCY RATES

Despite the rising vacancy rates, there are still new developments in the pipeline. Secondary locations are particularly affected because of this trend. Consequently, rents are under pressure due to the skewed market conditions.
Property owners have to provide high incentives in both new lease agreements and renewals to sustain rental incomes. Consequently, prime rents are declining to levels below €200/m²/year.
In The Hague there is a large discrepancy between the vacancy rate within the CBD (10%) and the suburbs such as Voorburg and Rijswijk, with the vacancy rate of more than 20% in some office parks.

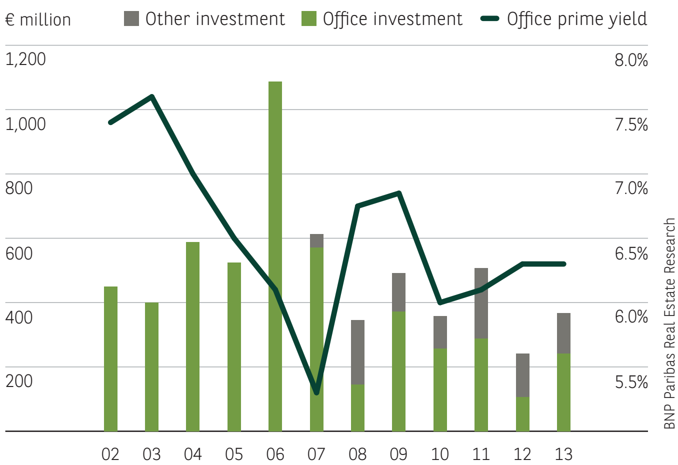
PRIME RENT - VACANCY RATE



STABLE INVESTMENT MARKET

Investment volumes have stayed relatively low since the financial crisis hit the economy, in line with its 5-year average. However, interest for offices in prime locations has been increasing.
Stable in 2013, yields for prime office locations could decline in 2014. The expected yields in secondary locations will be subject to higher levels at 12.0%.

INVESTMENT - YIELD

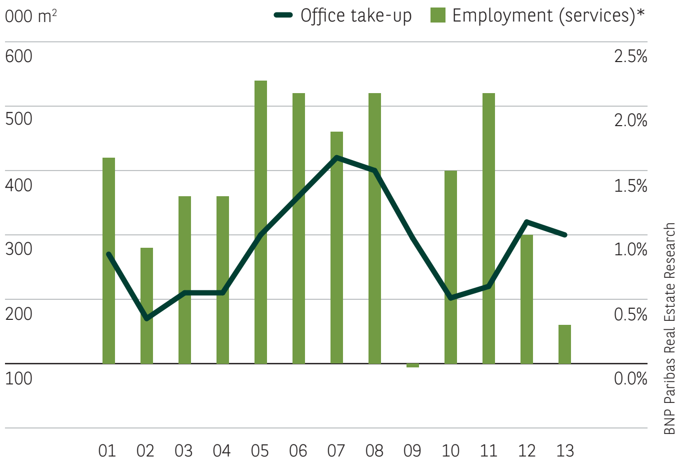


VIENNA

OFFICE TAKE-UP DECREASED IN 2013

Despite a slowdown in employment growth, office take-up in Vienna fared well in 2013 with 300,000 m² let. This represented a decline of 6% in comparison to 2012, reflecting a slow start to the year, before take-up acquired momentum in the second half of 2013. Analysing the office market by location, the highest transaction volume in 2013 was recorded in the CBD, followed by the sub-markets Donau City and Wienerberg.

TAKE-UP - EMPLOYMENT

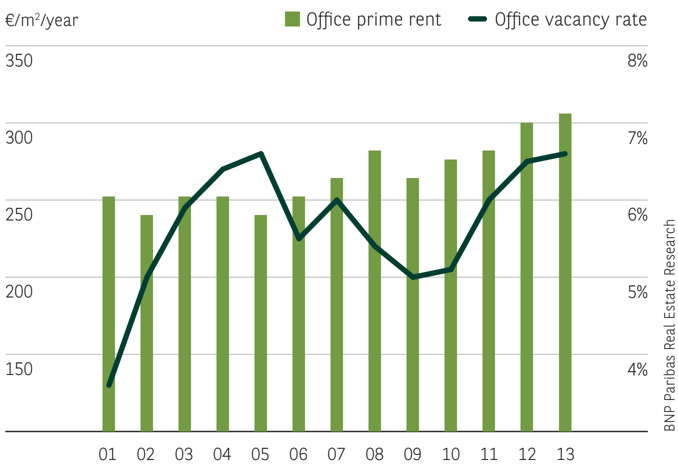


*Oxford Economics/BNP Paribas - Data for Austria

PRIME RENTS STILL GROWING AS VACANCY RATE GREW FURTHER

The prime rent rose again in 2013 to €25.5/m²/month. This reflected the scarcity of supply for prime premises. Nevertheless, the vacancy rate registered a modest increase over the first half of 2013 to 6.6%. Consequently, the average rent in the CBD remained constant at around €18.0/m²/month. Globally, rents have been fairly stable for second-hand offices and premises located in secondary locations. However, older office buildings or properties located in peripheral areas with poor transport connections have been receiving less demand, thus recording falling rents.

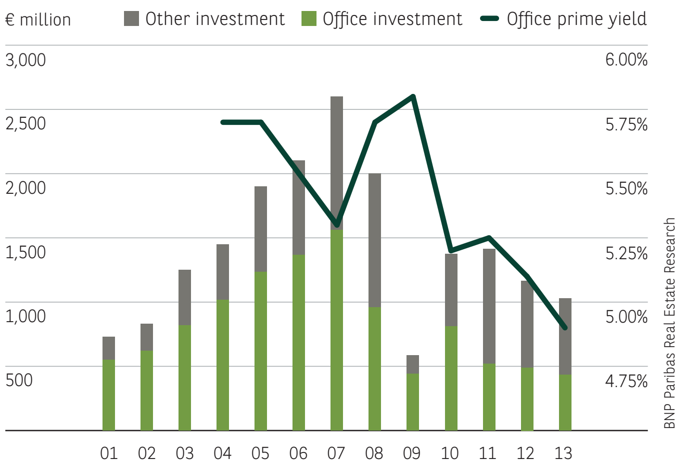
PRIME RENT - VACANCY RATE



LACK OF PRIME ASSETS FOR INVESTORS

Commercial real estate investment volumes barely passed the €1 billion mark in 2013 declining by 12% annually. Office investment remained the largest sector accounting for 42% of total investment. Investors have focused on core assets; those in prime locations, with long-term leases and good tenants. The supply of these buildings is accordingly low and therefore prices are kept high. In addition to prime properties, demand has been strong from opportunistic investors for properties with uplift potential. Particularly the process of converting older office buildings into residential buildings is growing in importance in Vienna. At the end of 2013 the prime yield in CBD declined slightly by 20 basis points to 4.90 %. In 2014 a further decrease of the prime yield is expected.

INVESTMENT - YIELD



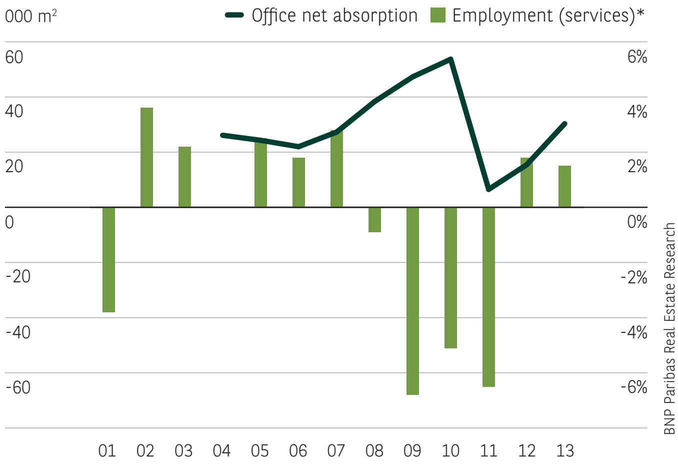
VILNIUS

HIGH OFFICE DEMAND

The total stock for modern offices in Vilnius exceeded 387,000 m² at the end of 2013. New supply stood at 14,700 m² and remained stable compared to 2012 (+4%). Over the next 2 to 3 years, an additional 90,000 m² of modern office space will be introduced into the Vilnius office market.

Net absorption achieved a significant increase for the second year in a row. Indeed, the letting activity in 2013 was relatively high at 44,000 m², reflecting a 15% growth compared to 2012. Demand for grade A offices was buoyant and is expected to remain high in 2014, leading vacancy towards record low levels. The largest lease transactions in Vilnius during 2013 were undertaken by international finance and IT companies, as well as state institutions.

NET ABSORPTION - EMPLOYMENT



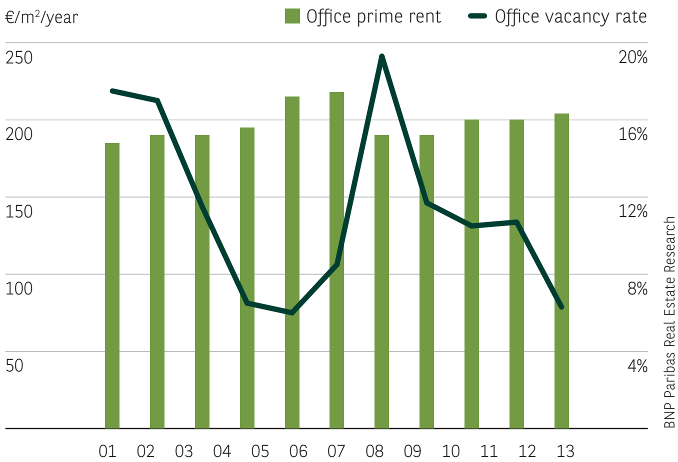
*Oxford Economics - Data for Lithuania

RECORD LOW VACANCY

The average vacancy rate in grade A offices in Vilnius decreased to a critically low level; from 5% to 2% in the past twelve months. At the same time, grade B office vacancy declined from 13.7% to 8.6% over the same period. Therefore, new tenants requiring large office space need to plan at least two years ahead in order to relocate to grade A buildings, currently under construction.

During 2013, office rents in Vilnius kept increasing due to the shortage of modern office supply. At the end of 2013, the average rent for prime offices in Vilnius CBD reached €177/m²/year. In other central areas, prime rents were approximately 20% lower.

PRIME RENT - VACANCY RATE



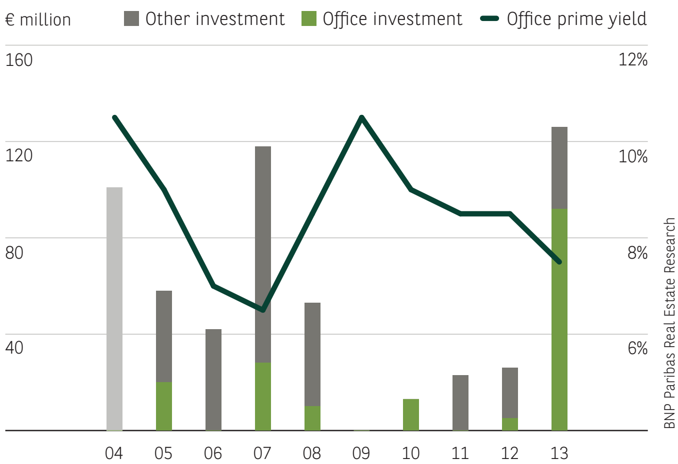
SURGE IN INVESTMENT ACTIVITY

Nordic, Baltic and Russian investors are currently the key players in the Baltic market. All existing Scandinavian funds continued to enlarge their portfolios while successfully implementing exit strategies of their first funds. An important group of buyers are newly established local funds and asset management firms, growing strongly since their launch four years ago.

Total real estate investment in Vilnius increased significantly in 2013 to reach €126 million. Office investment recorded its strongest performance (€92 million) and was the most active market among the Baltic capitals.

The prime yield for office properties in Vilnius stood at 7.5% at the end of 2013 and is expected to decrease further in the forthcoming quarters.

INVESTMENT - YIELD



WARSAW

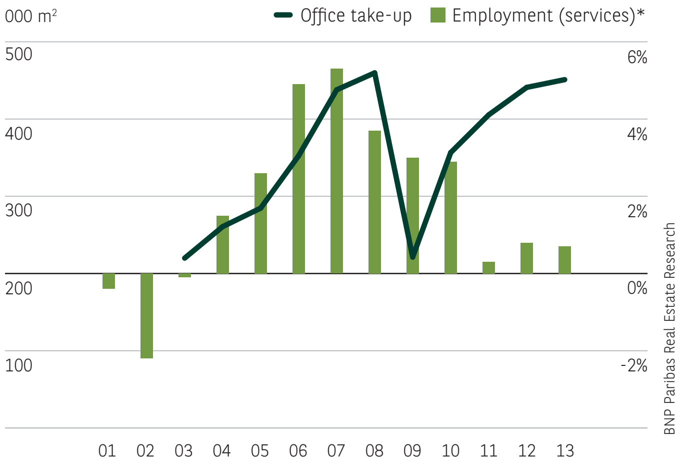
OCCUPIERS ON THE MOVE

In 2013 occupiers took over 450,000 m², the best result since the record year of 2008 when 460,000 m² were absorbed. Nearly 40% of take-up in 2013 was recorded as "pre-let" deals. Renegotiations accounted for some additional 182,000 m².

Several factors contributed to such a strong performance:

- Continuous good results in the Polish economy and improving conditions in the international markets, which strengthened occupiers' confidence,
- Expiry of lease agreements signed over 2007-2008, which created demand for both new as well as older schemes,
- Favourable conditions offered by landlords because of increased competition.

TAKE-UP - EMPLOYMENT



*Oxford Economics/BNP Paribas - Data for Poland

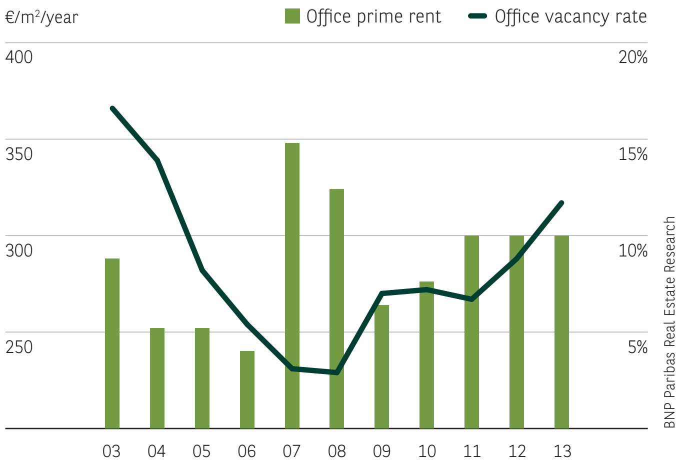
RISING VACANCY WITH STABLE PRIME RENTS

Prime rents remained stable. Yet a large pipeline supply over 550,000 m² will be completed within the next 18 months and there is a substantial amount of second hand vacant stock. Consequently, average rents for both the city centre and out of centre were under pressure, creating a 10% to 15% decline.

The gap between headline and effective rents is notably increasing, especially in the case of large occupiers. The situation is likely to continue over the next 12 months.

The vacancy rate rose by 290 basis points, over the past year with further upward trends expected. Central locations recorded a higher rate of 12.2% at the end of 2013, while non-central schemes stood at 10.6%.

PRIME RENT - VACANCY RATE



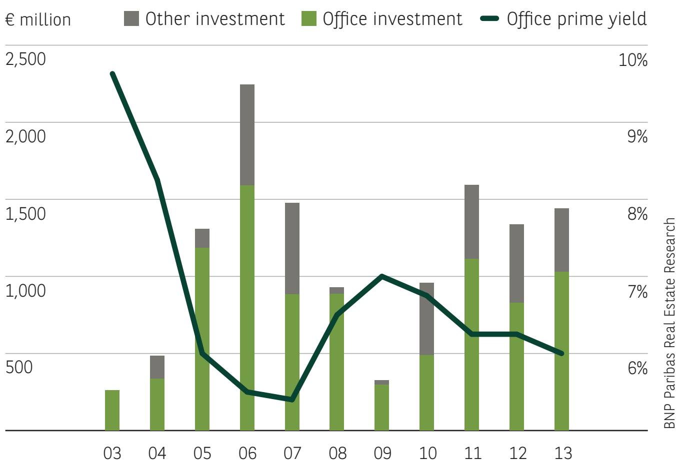
INVESTORS TARGETING WARSAW

Investor confidence in Poland, and Warsaw in particular, was maintained. With €1.4 billion invested in the capital, the investment volume returned to the levels recorded in 2007.

The office sector constituted 71.5% of total investment boosted by some spectacular transactions including the purchase of Senator by Union Investment and the acquisition of New City by Hines Global REIT.

Yields for prime assets have sharpened at around 6.00%. The trend is expected to continue in the short and medium terms.

INVESTMENT - YIELD



GLOSSARY

BNP Paribas Real Estate is working on producing indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Nevertheless, as we aim to actively contribute to the transparency of the markets, we have highlighted those definitions and indicators which are strictly comparable, so that our readers can understand what the indicators mean.

Furthermore we have decided to adopt the PEPCIG1 definitions, on which most of the following indicators published by BNP Paribas Real Estate are based. Other indicators are from INREV2 and from BNP Paribas Real Estate .

Central Business District average rent is the average of each of the last four quarters' average headline rent in the CBD. Each quarterly average rent is weighted by the surface of each lease signed during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local conventions.

Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Central London includes the following districts: West End, Midtown, City, Docklands, Southbank, Western Fringe and Northern Fringe.

Central Paris includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

Core Investment Vehicles target returns at 11.5% and lower, with gearing level up to 60% of Gross Asset Value.

Closed Ended Fund is a vehicle that has a targeted range of investor capital and a finite life.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes (including major refurbishments) that have the potential to be built in the future through having a secured level of planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use to offices.

German Open Ended Fund is a public vehicle that does not have a finite life, continually accepts new investor capital and makes new property investments. The list of German Open Ended Funds is published by the BVI (Bundesverband Investment und Asset Management e.V.).

Gross Asset Value is the sum of the Gross Capital Value of properties, cash and marketable securities and other (non-operating) assets.

Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period, whatever the purchasing price. It includes Office buildings, Retail (supermarkets, hypermarkets), Industrial and Logistics Warehousing and Others (Hotels, Cinema, Leisure, Car Parks, Care Homes, parts of portfolio which cannot be split up by product, and Development Sites in Germany). Quoted investment volumes are not definitive and are consequently subject to change.

Prime Rent/Yield represents the top open-market rent/net yield at the survey date (or in Q4 for annual data) for an office unit:

- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

Initial Gross Yield is defined as Gross income (i.e. income before costs of ownership) over purchase price excluding costs of acquisition.

Initial Net Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

Investment volume by investor/seller type refers to the following categories: Insurance, Private Investors, Public Sector, Corporates, Property Companies & REITS, Consortium, Funds and Other.

Investment volume by investor/seller nationality refers to the following categories: Eurozone, Non-Eurozone, North America, Other America, Asia, Middle East, Australia, International and Other.

Major Refurbishments represent refurbishments, where building work must involve either structural alteration, and/or the substantial replacement of the main services and finishes. The quality of the floor space must have been substantially improved from its previous condition so as to offer accommodation of a modern standard – although not necessarily to the standard of a completely new building.

Opportunistic Investment Vehicles target returns in excess of 17%, with gearing levels above 60% of Gross Asset Value.
Actual transactions are used in France, Germany and Belgium to support the headline prime rental quoted, but one-off deals, which do not represent the market, are disregarded. In the UK & Spain, if there are no prime transactions during the survey period a hypothetical rent is quoted, based on expert opinion of market conditions.

Space calculation differs in Spain, where figures in m² (Take-Up, Vacancy, Pipeline, Completions) as well as Rental values are based on Gross Letting Area space, contrary to the other main European markets, which use Net Letting Area. In order to make the Spanish figures comparable across all monitored markets, they should be multiplied by 0.82 (NLA = 0.82 GLA). This ratio is applied by BNP Paribas Real Estate to produce international indices and benchmarks.

Take-Up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period.
It does not include space that is under offer

- A property is deemed to be "taken-up" only when contracts are signed or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construction stage
- All deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is compatible with the European NACE code.

Under Construction represents the total amount of floor space in properties where construction has commenced (on a new development or a major refurbishment) at the survey date. It includes properties for owner occupation, which are reported separately. It does not include sites being cleared for possible development in the future.

Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

Value-added Investment Vehicles target returns of 11.5% to 17%, with gearing levels between 30% and 70% of Gross Asset Value.

Vacancy represents the total floor space in existing properties, which are physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date. Vacancy includes sublet space (except in Germany), but where possible, vacant sub-let space is recorded separately.
In France, vacancy excludes premises which the owner will renovate only once a lease is signed. Spain only counts immediately available space.

Vacancy Rate represents the total vacant floor space including sub-lettings divided by the total stock at the survey date (or in Q4 for annual data).

[1] Pan-European Property Common Interest Group. This group assembles a wide range of European advisors and investors and major agents.

[2] European Association for Investors in Non-listed Real Estate Vehicles.

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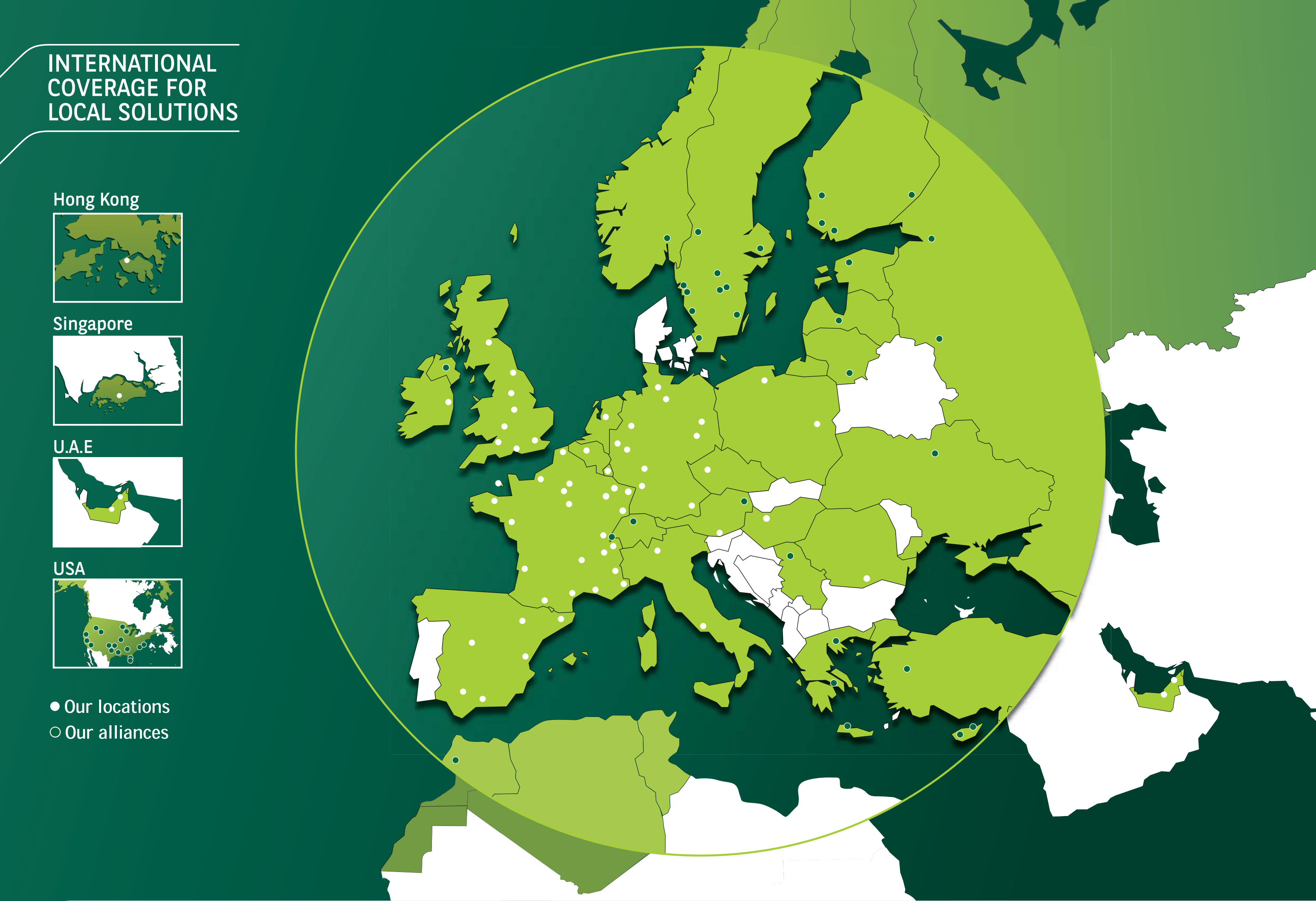
INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



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