BNP PARIBAS
REAL ESTATE



# EUROPEAN OFFICE MARKET
2013

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# EDITORIAL

**An intensifying gap between the most and the less attractive office markets across Europe**

*2012 in Europe was a year full of economic difficulties with recession recorded in the United Kingdom and in the Eurozone. Nevertheless, the European Central Bank (ECB) succeeded last summer in preventing the public debt crisis escalating into sovereign default by announcing the creation of the Outright Monetary Transaction (OMT). This decisively helped interest rate spreads to ease across Europe to the point that Italy and Spain were able to return to acceptable short and medium-term financing conditions. But at the same time, the global slowdown in growth affected European recovery negatively. The European crisis is now turning from public debt firefighting to a political debate; what kind of Europe do we want to build now?*

*For all these reasons, the upturn in GDP expected for the end of 2012 did not happen. At first glance, 2013 looks set for a rerun of 2012 but it is not the case. The main positive difference stems from the expected increase in global GDP growth in 2013; China, India, Brazil and the United States are expected to record stronger growth this year. So the main uncertainty comes from the European Union's internal political dynamics.*

*More than ever, the European office market has recorded divergent performance between the most and the less sought-after markets, for both occupiers and investors. Despite a drop in take-up, the positive net absorption and the low level of deliveries succeeded in pushing down the vacancy rate and increasing prime rents on average in Europe. But this global positive development hides very important discrepancies amongst local markets. This directly impacted the investment market in 2012. Globally, office investment volume increased. Yet cities with poor underlying office markets continued to register a decline of their investment volume.*

*With a challenging beginning of the year, the 2013 property market is unlikely to be much better than 2012 throughout Europe. However, the market may gain momentum over the year if European political issues are partly solved.*

Christophe PINEAU
MRICS
Head of International Research

# OFFICE MARKET

## POOR ECONOMIC CONDITIONS ARE WEAKENING OCCUPIER DEMAND

Total office transactions fell by 9% in 2012 in a large sample of 35 cities throughout Europe. This was the logical consequence of the economic downturn affecting the Eurozone and record high unemployment rates in most European countries. It is still a story of great contrasts across Europe. Take-up in Central Paris and Central London came close to last year's result whilst German cities performed remarkably well compared to their long term averages. On the other hand, Italian and Spanish cities underperformed as did Central and Eastern European countries. In 2013, no significant improvement is expected in the occupier markets as economic conditions will be slow to recover.

Despite the weaker occupier demand, the European average vacancy rate stabilized just above 10% at the end of 2012. Indeed, the low level of completions for the most part offset the increase in second-hand office space. However, in some CBDs, vacancy rates dropped below market fluidity. Overall, office prime rents stabilised, but in the weakest occupier markets they seem to need more time before they flatten out. That position contrasts with sustained high rents in those markets that are lacking new supply.

| | Take-up (thousand m²) | | | Vacancy Rate (%) | | | Prime Rent (€/m²/year) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | Q4 2012 | Q4 2011 | Q4 2010 | Q4 2012 | Q4 2011 | Q4 2010 |
| **Central Paris** | 1,966 | 1,982 | 1,807 | 7.7 | 7.6 | 7.5 | 830 | 820 | 830 |
| **Moscow** | 991 | 1,420 | 1,010 | 10.5 | 11.0 | 16.0 | 571 | 544 | 514 |
| **Central London** | 920 | 1,004 | 1,527 | 6.6 | 6.9 | 7.5 | 1,333 | 1,333 | 1,200 |
| **Munich** | 715 | 883 | 599 | 6.8 | 7.4 | 9.0 | 396 | 396 | 360 |
| **Warsaw** | 609 | 573 | 550 | 8.8 | 6.7 | 7.2 | 288 | 300 | 276 |
| **Frankfurt** | 580 | 525 | 516 | 12.5 | 13.2 | 13.3 | 432 | 432 | 420 |
| **Berlin** | 548 | 550 | 512 | 5.6 | 6.6 | 7.1 | 264 | 264 | 258 |
| **Brussels** | 442 | 322 | 472 | 10.7 | 11.2 | 11.5 | 265 | 265 | 295 |
| **Hamburg** | 435 | 536 | 505 | 6.5 | 7.3 | 8.0 | 288 | 282 | 276 |
| **Düsseldorf** | 346 | 362 | 383 | 11.3 | 12.0 | 11.5 | 312 | 291 | 288 |
| **Vienna** | 320 | 220 | 202 | 6.5 | 6.0 | 5.1 | 300 | 282 | 276 |
| **Cologne** | 261 | 320 | 234 | 7.5 | 9.0 | 8.3 | 258 | 260 | 259 |
| **Madrid** | 254 | 333 | 399 | 15.1 | 13.4 | 12.9 | 288 | 324 | 336 |
| **Bucharest** | 243 | 256 | 218 | 14.5 | 14.8 | 17.5 | 216 | 216 | 216 |
| **Milan** | 239 | 337 | 315 | 11.1 | 10.5 | 10.3 | 510 | 520 | 520 |
| **Prague** | 238 | 286 | 188 | 11.9 | 11.8 | 13.0 | 252 | 252 | 252 |
| **Amsterdam** | 235 | 185 | 232 | 18.0 | 18.0 | 19.8 | 345 | 355 | 350 |
| **Lyon** | 185 | 266 | 220 | 6.2 | 6.1 | 7.0 | 285 | 285 | 230 |
| **Budapest** | 181 | 242 | 174 | 21.0 | 19.2 | 20.5 | 192 | 192 | 228 |
| **Lille** | 161 | 129 | 180 | n.a. | n.a. | n.a. | 200 | 190 | 200 |
| **Marseille** | 159 | 94 | 127 | n.a. | n.a. | n.a. | 270 | 250 | 240 |
| **Barcelona** | 157 | 208 | 234 | 15.8 | 14.6 | 14.0 | 216 | 225 | 264 |
| **Luxembourg** | 147 | 178 | 117 | 5.2 | 6.0 | 7.2 | 480 | 480 | 456 |
| **Dublin** | 145 | 153 | 119 | 18.0 | 21.3 | 23.2 | 325 | 323 | 359 |
| **Saint Petersburg** | 141 | 308 | 253 | 6.4 | 8.5 | 16.7 | 395 | 336 | 330 |
| **Toulouse** | 130 | 130 | 135 | 5.5 | 6.9 | 7.4 | 209 | 210 | 200 |
| **Lisbon** | 102 | 88 | 106 | 12.4 | 12.0 | 11.2 | 216 | 222 | 235 |
| **The Hague** | 86 | 57 | 74 | 14.3 | 13.2 | 13.0 | 205 | 215 | 215 |
| **Manchester** | 79 | 60 | 124 | 9.5 | 9.5 | 9.3 | 400 | 373 | 373 |
| **Belgrade** | 74 | 113 | 70 | 22.0 | 23.0 | 22.5 | 168 | 168 | 174 |
| **Rome** | 67 | 182 | 208 | 6.5 | 6.2 | 5.8 | 410 | 420 | 420 |
| **Bratislava** | 55 | 68 | 90 | 12.0 | 10.8 | 11.3 | 186 | 204 | 204 |
| **Edinburgh** | 54 | 45 | 55 | 12.7 | 14.4 | 14.7 | 393 | 360 | 373 |
| **Birmingham** | 47 | 62 | 62 | 14.9 | 15.1 | 15.2 | 367 | 360 | 360 |
| **Glasgow** | 44 | 49 | 74 | 10.9 | 10.6 | 11.2 | 360 | 360 | 347 |
| **Oslo*** | 225 | 306 | n.a. | 7.9 | 7.6 | 6.6 | 475 | 428 | 448 |
| **Istanbul*** | 95 | 196 | 152 | 8.8 | 9.4 | 9.5 | 346 | 332 | 320 |
| **Kiev*** | 77 | 149 | 135 | 14.0 | 13.1 | 17.0 | 306 | 310 | 275 |
| **Stockholm*** | 49 | 255 | 159 | 9.0 | 9.3 | 11.1 | 522 | 510 | 452 |
| **Riga*** | 29 | 48 | 28 | 9.8 | 14.0 | 23.0 | 144 | 144 | 120 |
| **Tallinn*** | 22 | 24 | 28 | 7.0 | 7.5 | 12.0 | 200 | 200 | 190 |
| **Vilnius*** | 16 | 6 | 55 | 10.4 | 10.3 | 11.4 | 168 | 162 | 150 |
| **Helsinki*** | -3 | 171 | 70 | 10.8 | 10.6 | 12.2 | 338 | 330 | 317 |
| **Geneva*** | -53 | 35 | 15 | 1.2 | 0.6 | 0.9 | 795 | 832 | 814 |

* Net absorption

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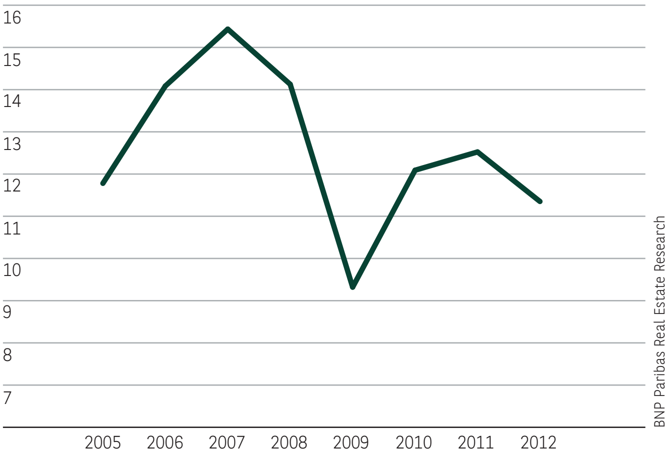
## EUROPEAN OFFICE TAKE-UP (35 CITIES)

Million m²

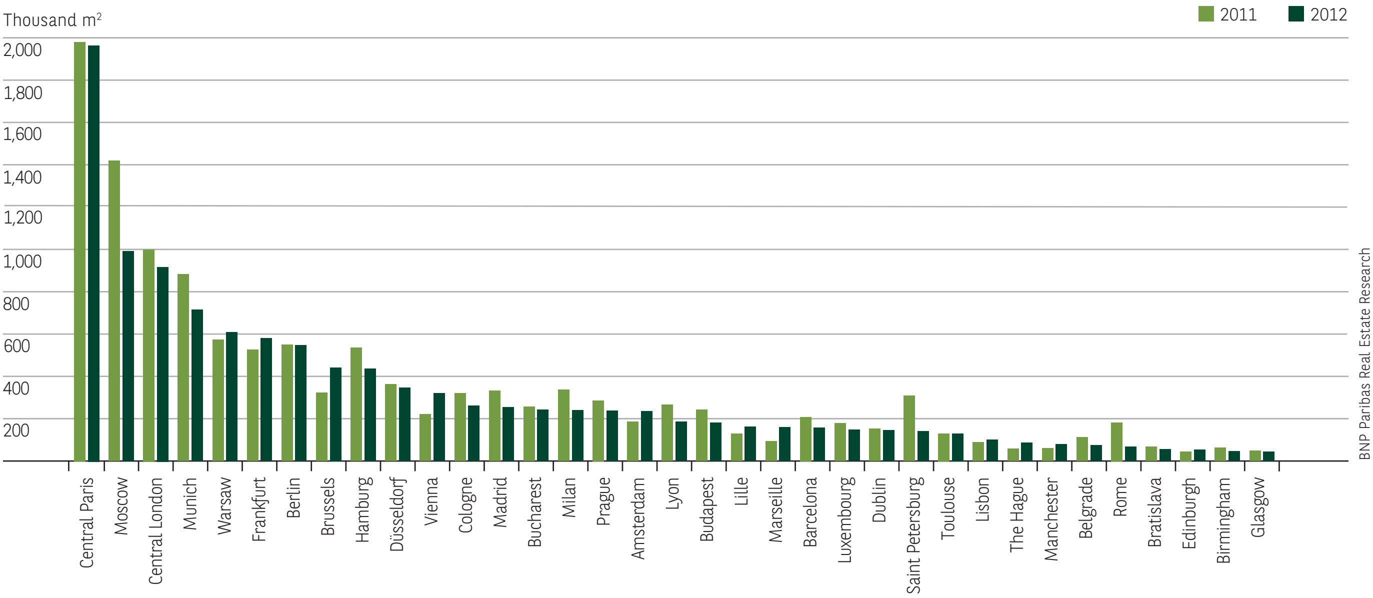



## EUROPEAN AVERAGE PRIME OFFICE RENT (44 CITIES)

€/m²/year

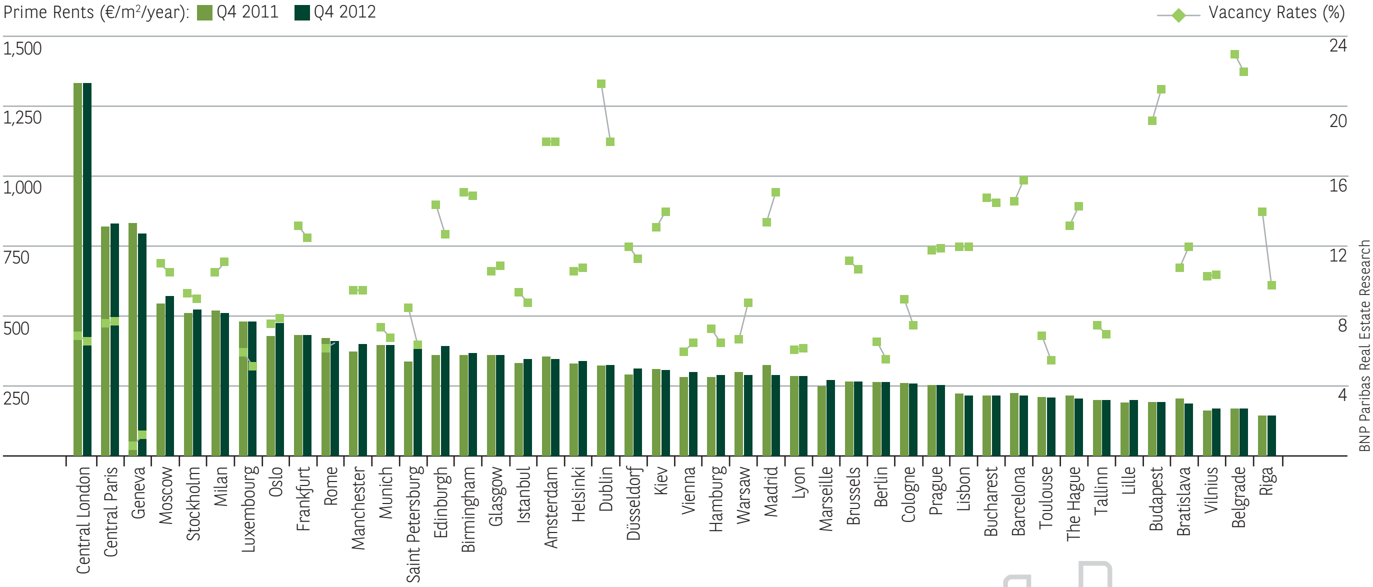

## TAKE-UP VOLUMES

Thousand m²




## PRIME RENTS AND VACANCY RATES

Prime Rents (€/m²/year): Q4 2011 Q4 2012



# INVESTMENT MARKET

## INVESTOR INTEREST STAYS CONCENTRATED ON SECURED OFFICES IN 2012

Risk aversion remained significant for investors who continued to focus on the major markets with strong economic fundamentals. Yet the demand for secured assets stayed strong but their limited supply hampered investment activity. Conversely, less secured assets still suffered from the divergence between asked and offered prices, which added to financing difficulties and hindered trading.

Commercial real estate investment volume totalled € 69.6bn at the end of 2012, on a par with 2011 figures. The investment market was significantly more active than anticipated. The office investment market turned out to be the most buoyant sector by posting € 46.5bn (13% up on 2011). On average, office prime yields increased by only 1 bp but geographical discrepancies were observed.

The anticipation of recession deepening in 2013 in the Eurozone is not a breeding ground for strong real estate investment activity. Investors might be willing to take slightly more risk by looking for value beyond the most secured locations. The European commercial real estate investment market will continue to be challenging though.

| | Total investment volume (€ million) | | | Office investment volume (€ million) | | | Office prime yield (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | Q4 2012 | Q4 2011 | Q4 2010 |
| Central London | 20,054 | 15,335 | 15,932 | 17,617 | 12,241 | 12,131 | 4.00 | 4.00 | 4.00 |
| Central Paris | 11,462 | 11,722 | 8,609 | 8,527 | 9,797 | 6,875 | 4.50 | 4.70 | 4.75 |
| Stockholm | 5,416 | 4,521 | 4,849 | 2,957 | 1,968 | 1,200 | 4.50 | 4.75 | 5.00 |
| Moscow | 3,924 | 5,300 | 3,670 | 1,399 | 2,692 | 2,528 | 9.00 | 10.00 | 9.50 |
| Berlin | 3,848 | 2,335 | 3,173 | 1,881 | 794 | 1,487 | 4.80 | 4.95 | 5.10 |
| Munich | 3,624 | 2,877 | 1,720 | 2,791 | 1,453 | 1,000 | 4.60 | 4.75 | 4.85 |
| Frankfurt | 3,230 | 2,967 | 1,883 | 2,209 | 1,382 | 1,607 | 4.75 | 4.90 | 4.90 |
| Hamburg | 2,164 | 2,187 | 1,998 | 1,128 | 1,032 | 906 | 4.70 | 4.80 | 4.85 |
| Vienna | 1,165 | 1,415 | 1,375 | 490 | 520 | 810 | 5.10 | 5.25 | 5.20 |
| Amsterdam | 1,008 | 813 | 717 | 616 | 393 | 436 | 6.00 | 5.75 | 5.75 |
| Lyon | 843 | 649 | 405 | 535 | 566 | 302 | 6.10 | 6.15 | 6.25 |
| Düsseldorf | 832 | 954 | 1,188 | 618 | 515 | 962 | 4.90 | 5.00 | 5.20 |
| Geneva | 661 | 530 | 549 | 462 | 414 | 285 | 3.30 | 3.30 | 3.50 |
| Birmingham | 639 | 688 | 866 | 223 | 243 | 525 | 6.50 | 6.00 | 6.00 |
| Rome | 622 | 818 | 1,222 | 187 | 608 | 674 | 6.10 | 5.90 | 6.00 |
| Brussels | 615 | 712 | 590 | 373 | 579 | 501 | 5.00 | 5.00 | 5.25 |
| Prague | 610 | 2,100 | 800 | 385 | 250 | 384 | 6.50 | 6.50 | 6.80 |
| Madrid | 595 | 1,330 | 1,512 | 441 | 677 | 866 | 5.90 | 5.50 | 5.50 |
| Cologne | 565 | 842 | 1,095 | 256 | 349 | 254 | 5.20 | 5.30 | 5.30 |
| Dublin | 523 | 142 | 165 | 363 | 125 | 121 | 7.00 | 7.25 | 7.50 |
| Saint Petersburg | 504 | 1,538 | 600 | 58 | 477 | 262 | 10.50 | 10.00 | 12.00 |
| Manchester | 500 | 2,610 | 719 | 136 | 397 | 426 | 6.50 | 6.00 | 6.00 |
| Milan | 469 | 1,569 | 1,244 | 321 | 554 | 960 | 5.60 | 5.25 | 5.30 |
| Barcelona | 391 | 648 | 857 | 230 | 135 | 394 | 6.00 | 5.50 | 5.50 |
| Glasgow | 377 | 498 | 854 | 220 | 54 | 490 | 6.50 | 6.00 | 6.00 |
| Istanbul | 347 | 578 | 363 | 164 | 205 | 46 | 7.00 | 7.25 | 7.50 |
| Luxembourg | 318 | 368 | 345 | 206 | 232 | 136 | 5.25 | 5.15 | 6.00 |
| Edinburgh | 282 | 246 | 361 | 33 | 93 | 180 | 6.50 | 6.00 | 6.00 |
| The Hague | 241 | 411 | 358 | 107 | 292 | 258 | 6.30 | 6.10 | 6.00 |
| Lille | 208 | 206 | 133 | 148 | 86 | 97 | 6.00 | 6.15 | 6.50 |
| Marseille | 165 | 440 | 101 | 38 | 311 | 79 | 6.10 | 6.15 | 6.35 |
| Tallinn | 129 | 151 | 31 | 41 | 34 | 21 | 8.25 | 8.50 | 9.00 |
| Bucharest | 127 | 290 | 117 | 60 | 153 | 117 | 8.25 | 8.25 | 8.75 |
| Lisbon | 115 | 146 | 135 | 69 | 68 | 54 | 7.75 | 7.25 | 6.75 |
| Budapest | 100 | 650 | 200 | 33 | 325 | 100 | 8.00 | 8.00 | 7.50 |
| Toulouse | 99 | 159 | 156 | 65 | 60 | 26 | 6.20 | 6.35 | 6.35 |
| Vilnius | 31 | 23 | 13 | 10 | 0 | 13 | 8.50 | 8.50 | 9.00 |
| Belgrade | 30 | 35 | 143 | 0 | 0 | 75 | 9.50 | 9.50 | 9.25 |
| Riga | 15 | 131 | 33 | 9 | 54 | 33 | 8.75 | 8.75 | 9.00 |
| Bratislava | 0 | 270 | 249 | 0 | 55 | 205 | 7.25 | 7.20 | 7.75 |
| Oslo* | 6,864 | 4,752 | 4,752 | n.a | n.a | n.a | 5.25 | 5.25 | 5.75 |
| Warsaw* | 2,800 | 2,200 | 820 | 1,053 | 1,220 | 530 | 6.25 | 6.50 | 6.75 |
| Helsinki* | 2,070 | 1,770 | 2,370 | n.a | n.a | n.a | 5.20 | 5.50 | 5.90 |

* Total investment volume in the country

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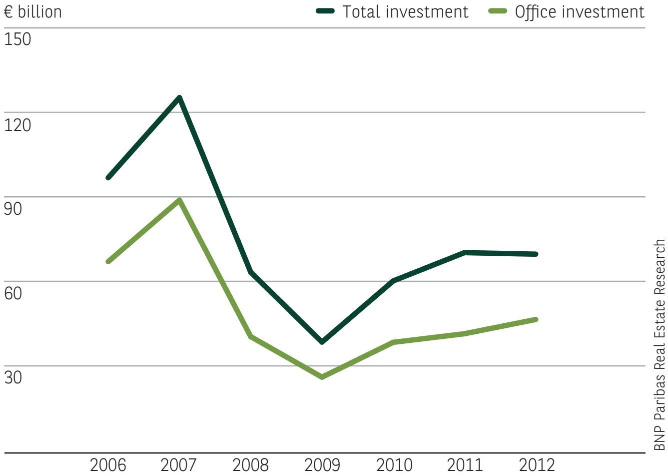
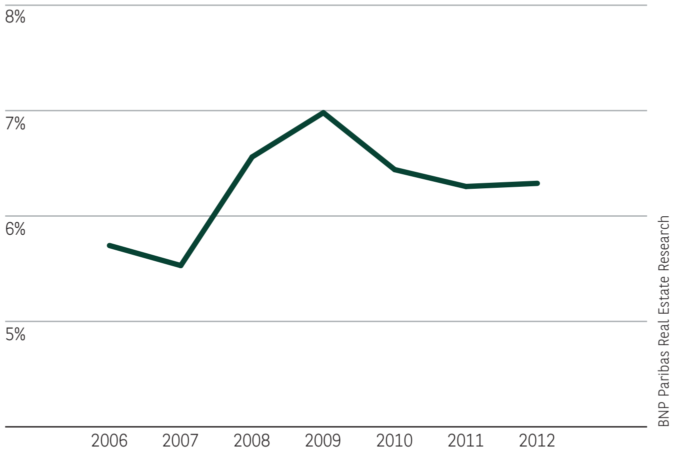
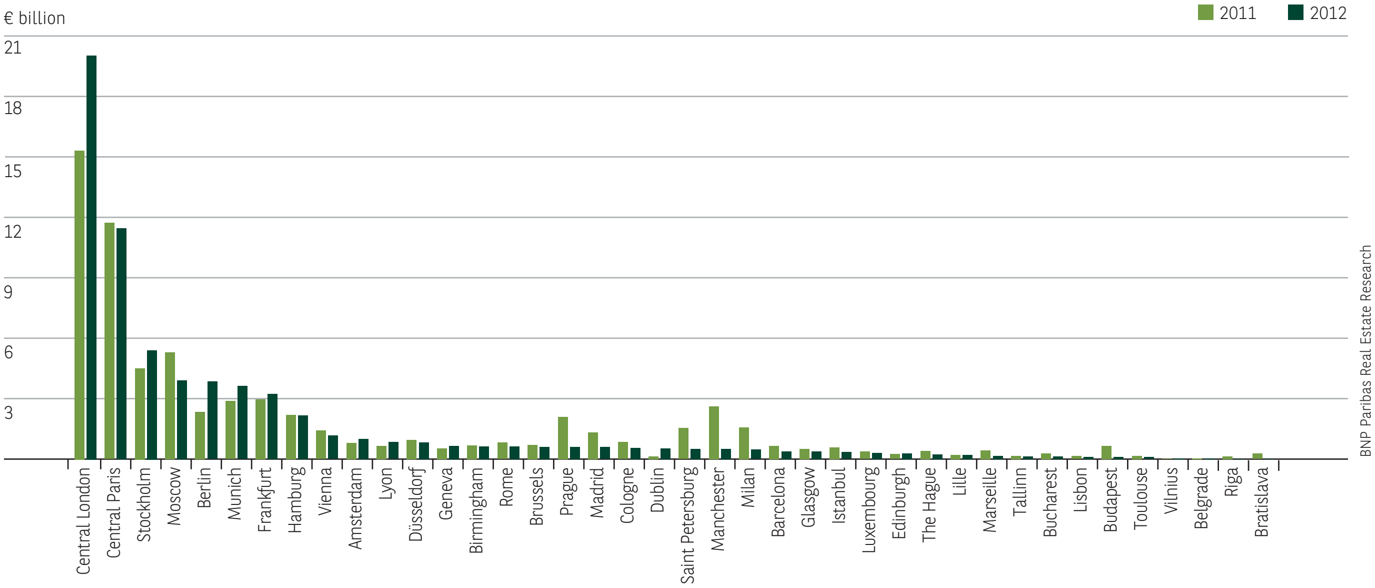
## EUROPEAN REAL ESTATE INVESTMENT VOLUME (40 CITIES)



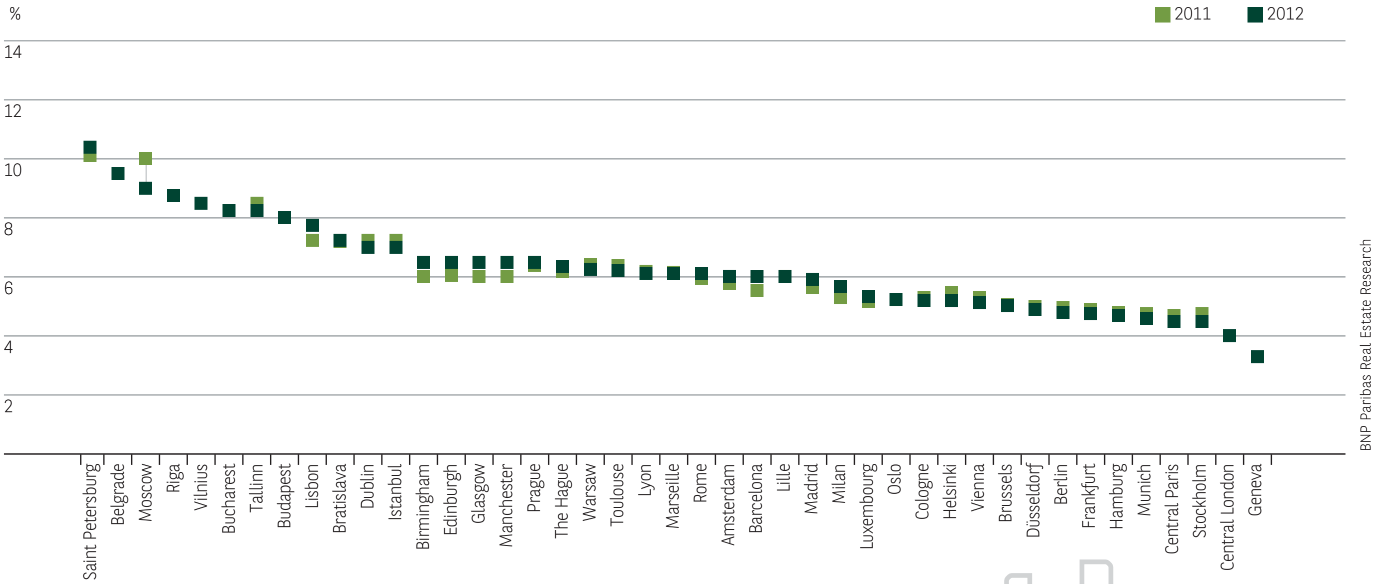

## AVERAGE EUROPEAN OFFICE PRIME YIELD (43 CITIES)




## INVESTMENT VOLUMES




## NET OFFICE PRIME YIELDS

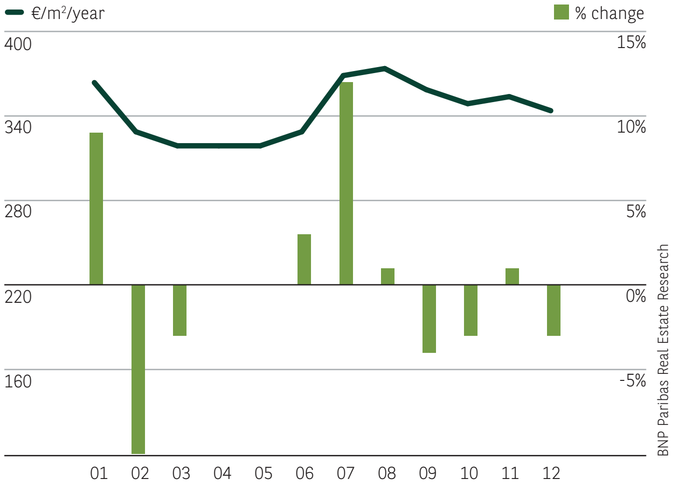


# AMSTERDAM

## PRIME RENTS SLIGHTLY DOWN ON 2011

Amsterdam's prime rents declined by approximately 3% over 2012; most of the decrease occurred in the second and third quarters. Prime rents are expected to fall slightly during 2013 but will not deviate far from the 5-year average of € 360/m². Indeed, there will still be demand for high quality office space in good locations while the development pipeline is limited. Thus, rental values are anticipated to increase gently over the mid-term.

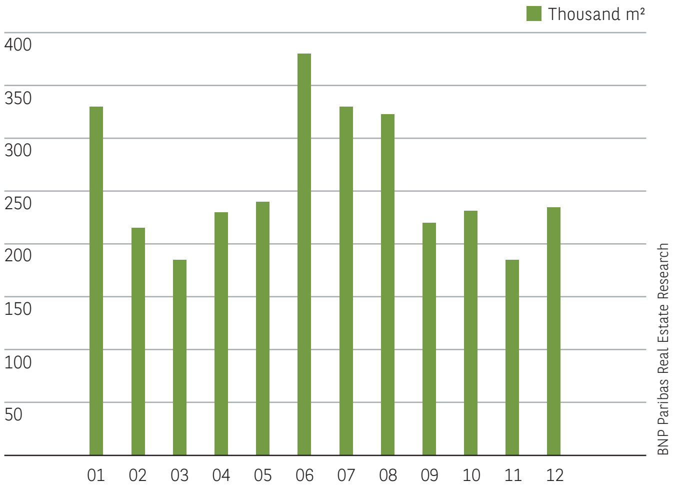
PRIME RENT




## TAKE-UP SHOWS RECOVERY

Even though take-up in Amsterdam rose by 27% compared to 2011, it stayed below its 10-year average. The growth in take-up was mainly driven by a couple of large relocations into the core area of Amsterdam South-East. One of the largest transactions was completed by Nuon Energy, who rented the 26,000 m² office 'Nieuw Amsterdam'. On the city's other side, Amsterdam City Centre and the South Axis showed stable take-up levels.

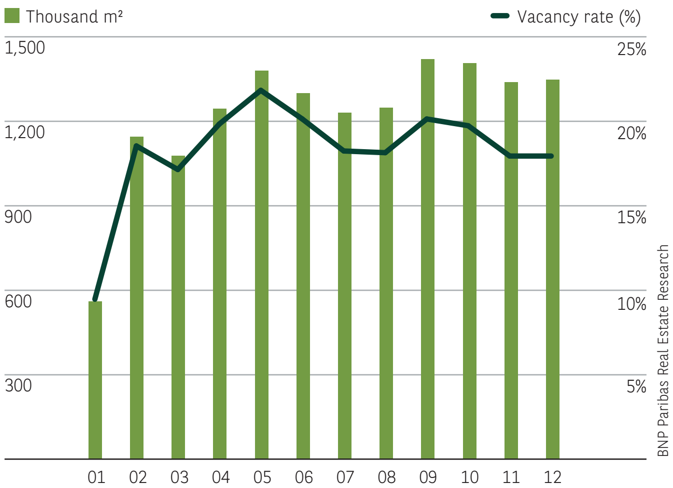
TAKE-UP



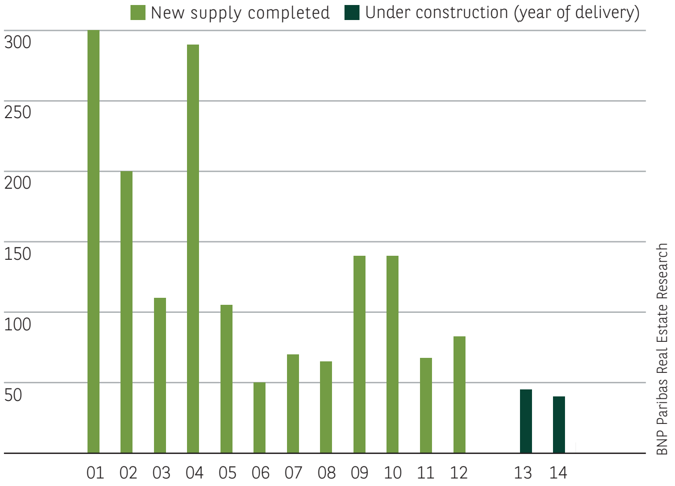

## SUPPLY IS STABILISING

The overall vacancy rate for greater Amsterdam was still flat at 18%. The negative net absorption during 2012 was compensated by removals from the stock and the conversion of offices into other uses. For instance, the second largest vacant office building in Amsterdam (The Dam, 28,000 m²) will be reconverted into a hotel. Nevertheless there are large discrepancies in vacancy levels amongst Amsterdam's submarkets. Overall vacancy may seem relatively high at 18%, but in its prime office locations such as the South Axis and the City Centre, vacancy rates stand below 10%.

VACANT SPACE



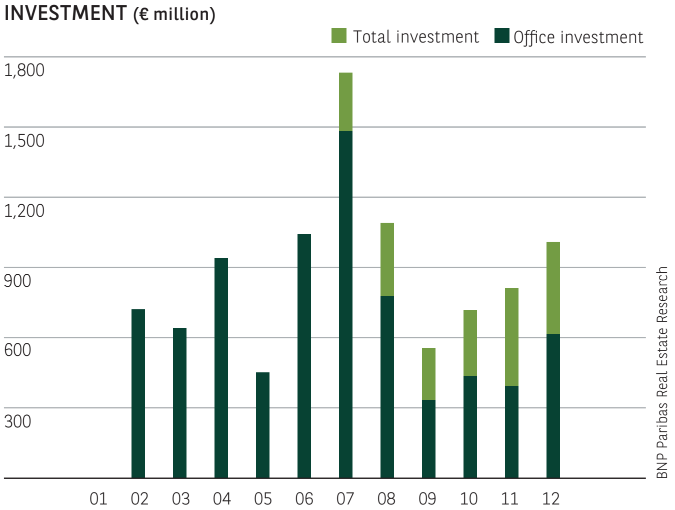
**COMPLETIONS** (Thousand m²)




## RESTRUCTURING GAINS GROUND

Due to the high vacancy rate, speculative development is at an all-time low. Even built to suit development is rather low as the sentiment towards new developments is negative. Therefore developers and corporates are examining the option of redevelopments to prevent receiving the sort of negative publicity KPMG had in these last years. There was an unprecedented public debate about new developments and KPMG was used as a symbol of high office vacancy. In 2010 KPMG left its 50,000 m² head office and moved into a new one of 60,000 m² just a stone's throw from the former one. It has remained empty since then.

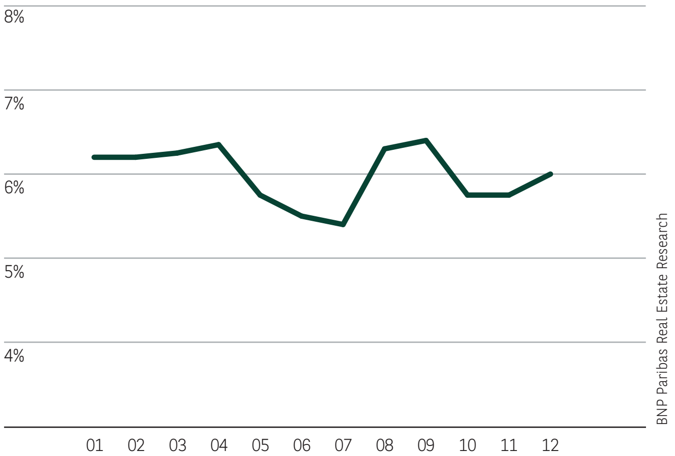
**INVESTMENT** (€ million)




## GERMAN INVESTORS DOMINATE THE MARKET

Commercial real estate investment volume amounted to € 1 billion in Amsterdam during 2012; not far from 2008 levels. With € 616 million, the office share reached 61% of the total investment. Amongst the most active investors, DEKA Immobilien was involved in three large transactions that represent 33% of the total turnover. We observed significant activity from German investors who accounted for almost 60% of the 2012 investment volume.

**NET OFFICE PRIME YIELD**




## OFFICE PRIME YIELDS INCREASE TO 6%

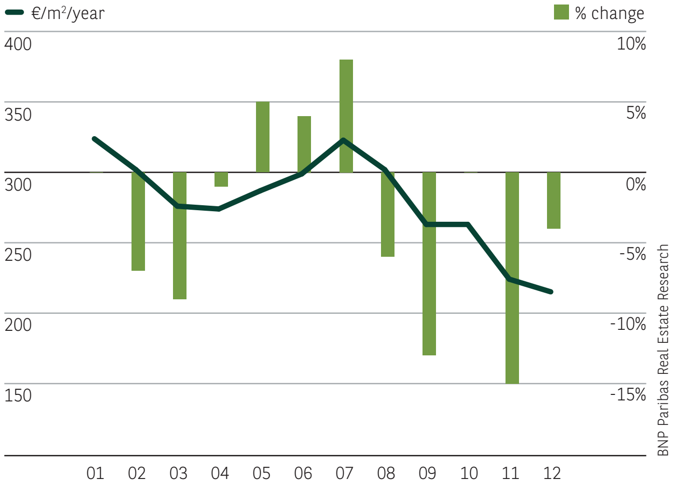
Demand remains high for prime offices, but this kind of supply is rather scarce. On the other hand, risk-aversion still takes precedence and financing remains an issue. Nevertheless, prime yields moved up by 25 bp to 6% from the second quarter of 2012 in response to weakened occupier activity. They are expected to stabilise or could increase slightly further in 2013.

# BARCELONA

## RENTS STILL AFFECTED BY INCREASED VACANCY RATES

Prime office rents fell in 2012 due to the oversupply in some areas and the difficulty in letting because of weak demand. Furthermore some areas recorded a decline in average rents. This comes from widespread discounts as the highest proportion of demand is for cheaper offices.

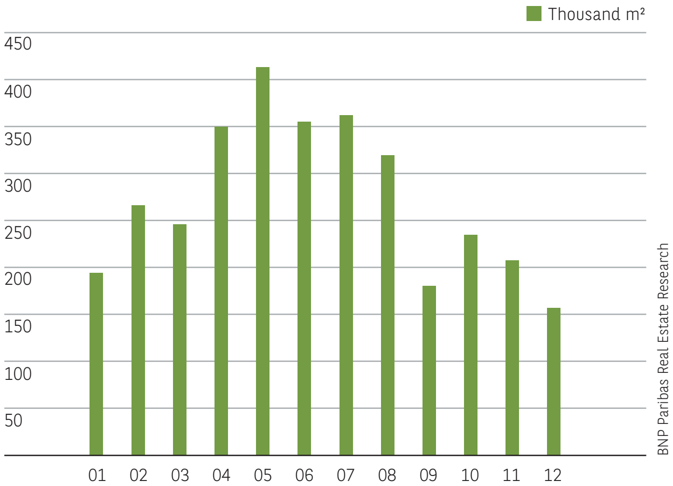
PRIME RENT




## FEWER JOBS IN CATALONIA DIRECTLY IMPACTS THE TAKE-UP FIGURE

Barcelona's office take-up in 2012 reflected the harsh conditions of the local economy. Take-up recorded the lowest volume seen in the last 15 years with an annual reduction of 24%. The fourth quarter exemplified this with the lowest volume achieved quarterly since 2001. More positively, reduced take-up has not been widespread. The central areas continue to attract demand; the CBD and the City Centre were able to capture more take-up than in 2011. But the decentralised and outskirt areas have significantly reduced activity.

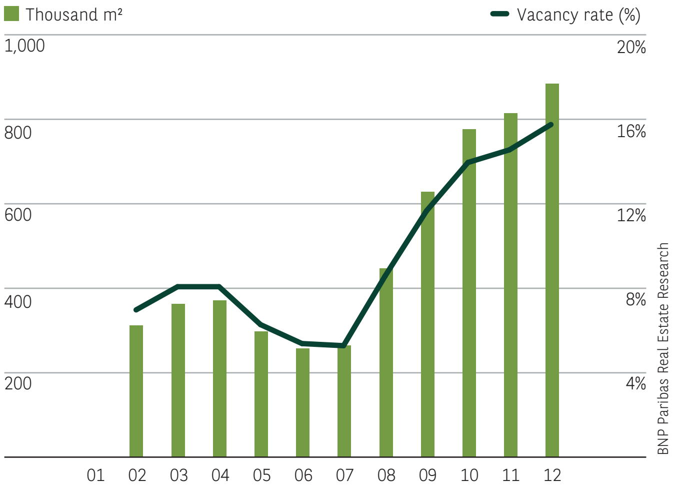
TAKE-UP



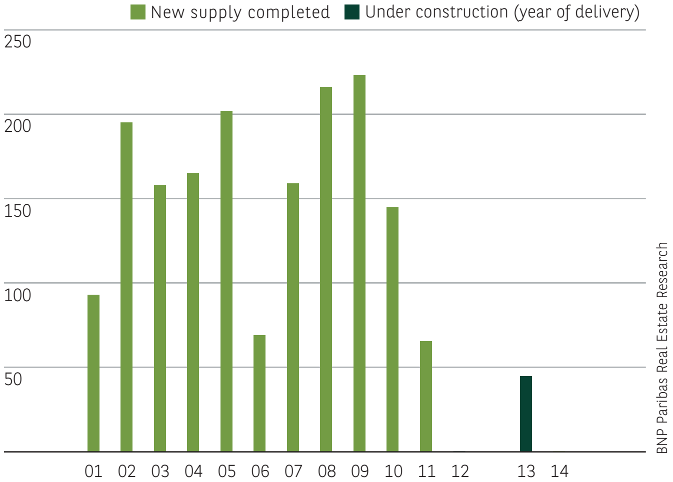

## CONSTRUCTION ENSURES LONG TERM VACANCY INCREASES

The long-term vacancy rate has grown by around 10 percentage point from the lows established in 2007. In 2007 and 2008, the main driver behind empty offices was the large volumes of new construction deliveries. Even in 2009, two years into recession, new products were still being delivered arising from the construction projects initiated at the peak of the cycle. But from 2010 to date vacancy drivers have been the consolidation and rationalisation of space by occupiers. Barcelona's vacancy rate reached 15.8% at the end of 2012, the highest value since vacancy has been recorded.

VACANT SPACE



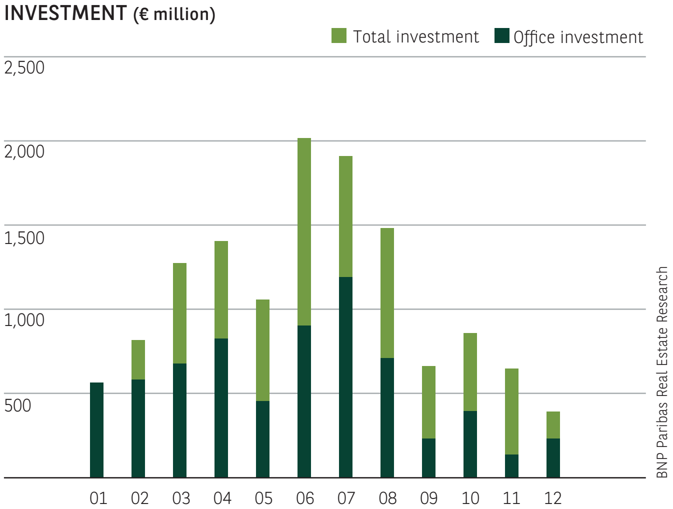
COMPLETIONS (Thousand m²)




## NO DELIVERIES IN 2012

Developers put on hold almost all activity in 2011 and new speculative office buildings were conspicuously absent last year. However, some developments were initiated last year and are due for completion in Q3 2013. This is not a signal of recovery in construction activity but acknowledgement that some opportunities can be found in the consolidation of Barcelona's areas (22@ district and Plaza Europa).

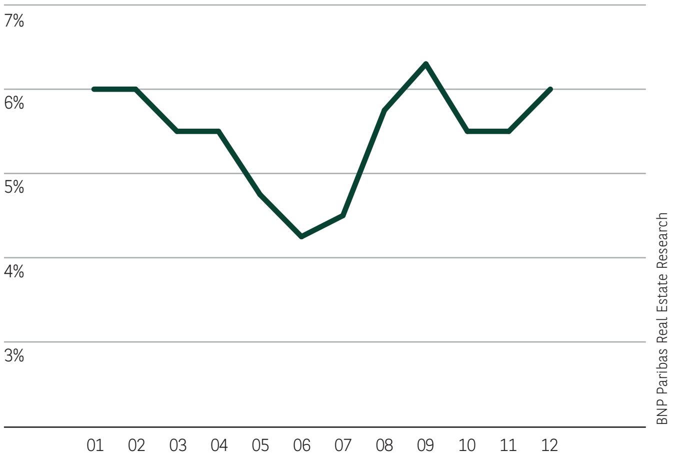
INVESTMENT (€ million)




## INVESTORS IN PRIME OFFICES ONLY

Some of the largest transactions in Spain were recorded in Barcelona in 2012. The city attracted investors looking for secured assets in prime locations, in particular, the BBVA bank headquarters and Passeo de Gracia 56 Building both located in the most expensive area of the city. However, not many transactions were closed overall and the year ended with record low volumes.

NET OFFICE PRIME YIELD




## YIELDS INCREASING AFTER A LONG SPAN OF STABILITY

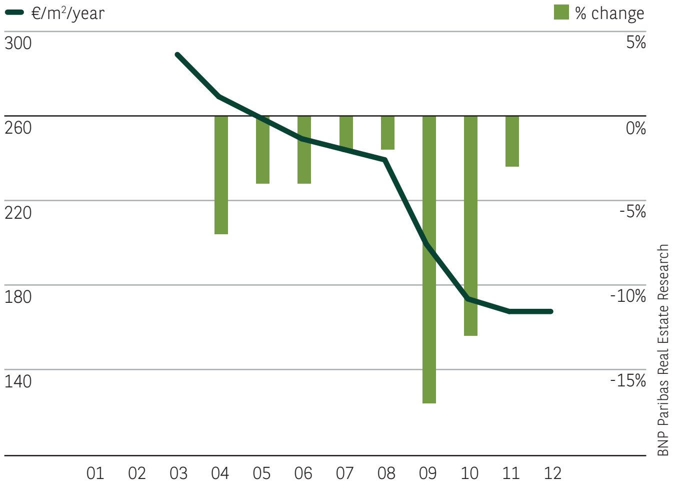
Prime office yield remained under 6% throughout 2010 and 2011. However, during the last quarter it reached that threshold, thus attracting more interest from Spanish and foreign investors. With improving macroeconomic conditions expected at the end of 2013 some assets are likely to be bought in the forthcoming quarters. These assets will be refurbished over 2013 and hopefully taken up in 2014/2015 once the up phase in the cycle is reached.

# BELGRADE

## STABILITY IN THE PRIME RENT

Belgrade's prime rents were unchanged during 2012. In the Central Business District (CBD) asking rents for high quality buildings currently range between € 156/m² and € 225/m². Because of the still low level of letting activity, landlords currently often provide different types of incentives such as rent-free period or free parking space in order to attract occupiers.

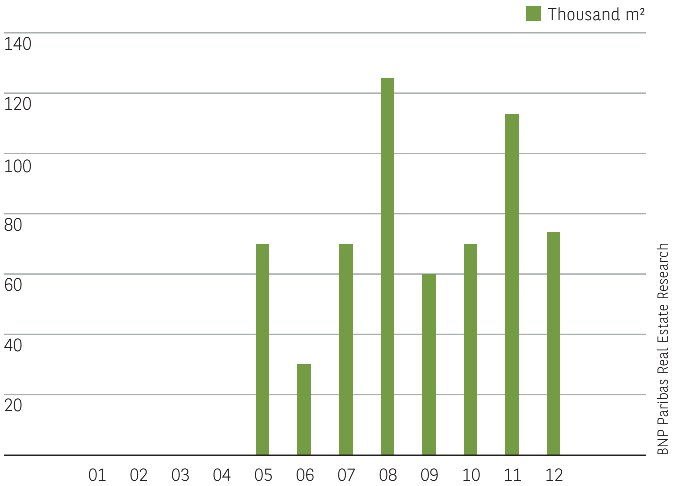
PRIME RENT




## DEAL SIZE INCREASED IN SECOND HALF OF THE YEAR

Letting activity was particularly poor in the first half year, but in the latter part of 2012 some positive signs appeared on the demand side, specifically a rise in the average size of transactions. Most tenants were focused on New Belgrade district which is part of the CBD. As usual, the IT sector was the most active representing 45% of take-up, followed by the manufacturing sector (30%).

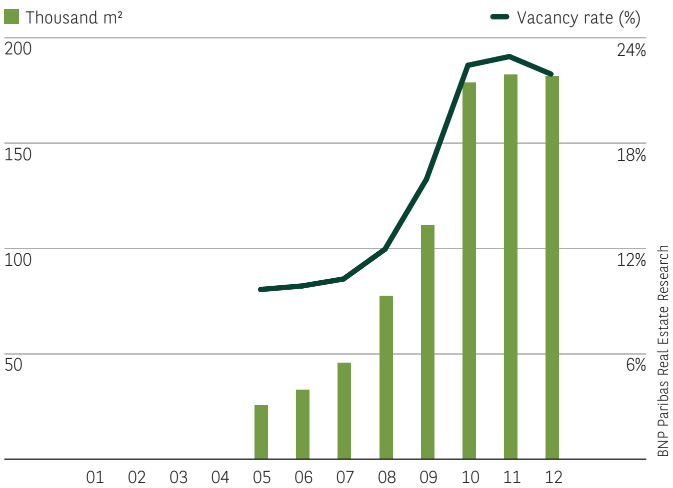
TAKE-UP

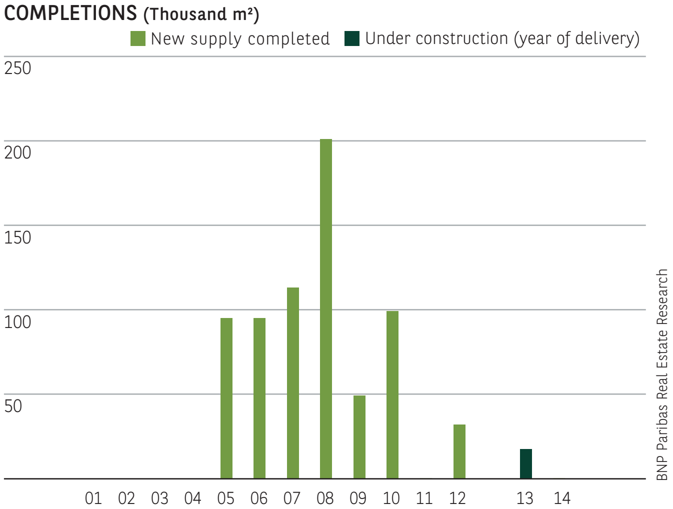



## VACANCY RATE ACHIEVES A LIMITED CONTRACTION

Compared to last year's level, total vacant office space contracted slightly thanks mainly to increased letting activity in the second half year. Most new supply coming onto the market over the course of the year did not have much impact on the vacancy rate. For instance, the largest completion was an owner-occupier operation (Raiffesen HQ).

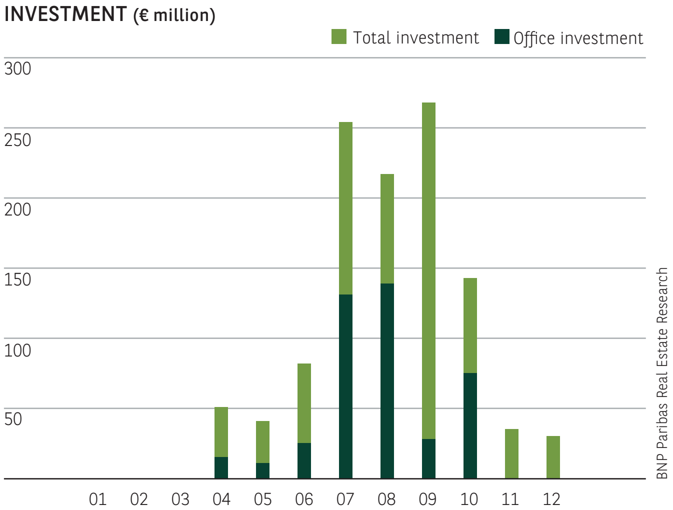
VACANT SPACE





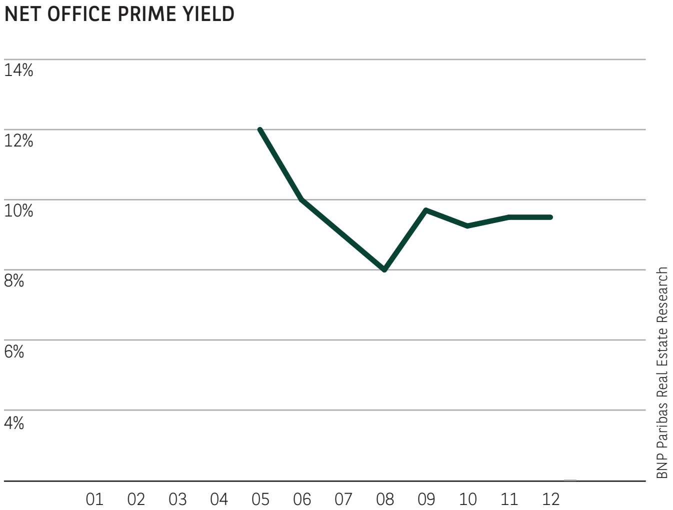

## COMPLETION OF SEVERAL OFFICE PROJECTS

During 2012 several projects were completed. Amongst them we can mention the Danube Business Centre as part of the Falkenstainer Group's mixed-use project in prime New Belgrade location (5,500 m²). Raiffeisen Bank HQ, delivered in H2 2012, brought 18,370 m² of new office space. Only one new project is expected in 2013 - Swiss Build at Blvd of Kralj Aleksandar which will be completely organized as an office building.




## INVESTORS ARE STILL CAUTIOUS

In 2012 construction activity was at a lower level compared with the previous year. The lack of new projects is clearly limiting investment activity. Besides, many projects which were postponed a few years ago are still on hold with unknown deadline. The Serbian government set a date to start negotiations for EU membership so investors are likely to become more confident about macroeconomic stability in the long term. As a consequence they will be attracted by the real estate sector.




## OFFICE PRIME YIELDS ARE UNCHANGED

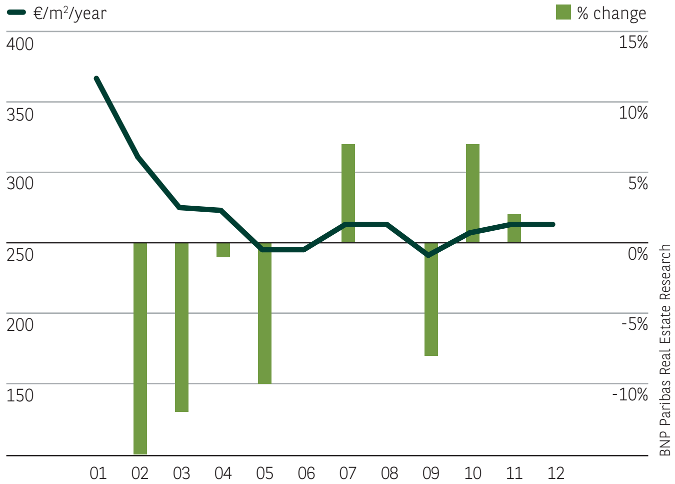
Due to poor office investment activity and no office transaction, office prime yields in Belgrade were static in 2012 at 9.5%. In the absence of new players in the market in 2013, the yield is not expected to shift.

# BERLIN

## PRIME RENT STABLE AT € 264/m²

The prime rent had already returned to its pre-crisis level in 2011. It remained unchanged during 2012 at € 264/m² and again is achieved in the top markets of Potsdamer Platz/Leipziger Platz. Top rents registered marked rises in several submarkets such as Government District (+12% to € 222 /m²) and Hackescher Markt (+10% to € 230 /m²). Average rents developed in quite different ways. Significant increases prevailed in the Topcity (+22% to € 200/m² in Topcity West), whereas the other areas recorded slight rises or even some falls.

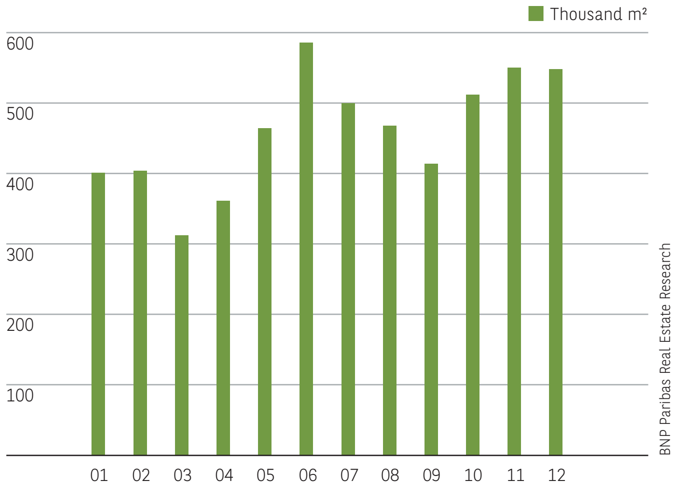
PRIME RENT




## AGAIN VERY GOOD TAKE-UP

With take-up of 548,000 m² in 2012, the Berlin office market achieved an excellent result that was virtually on a par with the already very good 2011 performance. It also exceeded the ten-year average by around 20 %. A significant role was played by several large transactions (each of them over 10,000 m²) concluded by public authorities and companies. Compared to 2011, the take-up breakdown within the municipal boundaries showed slight shifts in favour of the city centre areas which recorded a take-up volume of 270,000 m², almost 20% above the previous year.

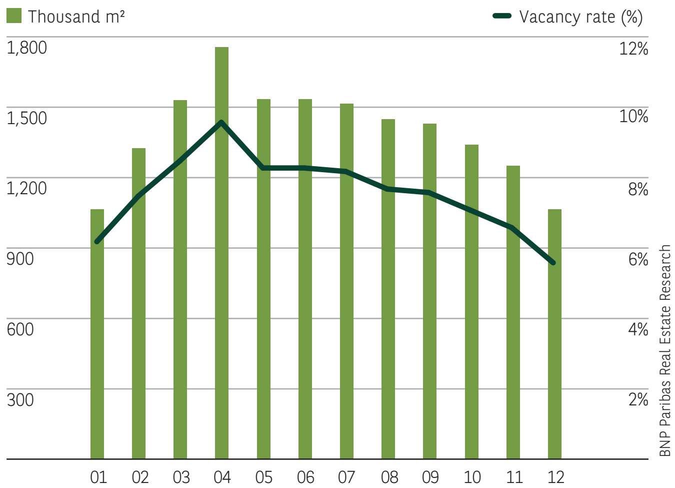
TAKE-UP



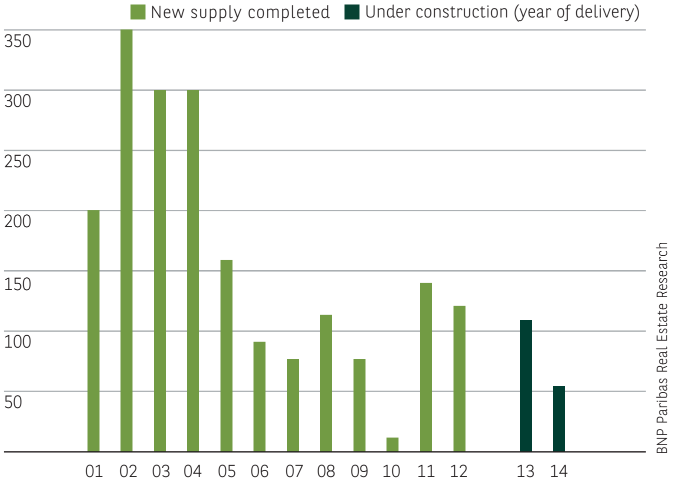

## VACANCY DROPS BELOW 6%

In 2012, against the backdrop of on-going strong demand and a low level of speculative completions, vacancy continued to shrink. At the end of the year, the volume reached about 1.07 million m²: the last time vacancy had fallen to this level was in 2001. Reflecting tenant focus on high-grade premises, the volume of unoccupied office space with modern specifications dropped even more sharply (-25 %) and bottomed out at just 241,000 m². Year-on-year, the vacancy rate fell by 100 basis points to 5.6 %. A significant supply of modern unoccupied units (67,500 m²) is in the city centre submarkets.

VACANT SPACE



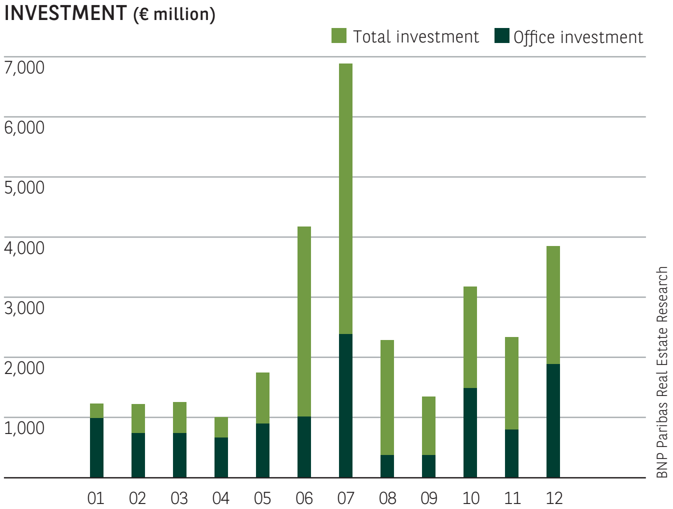
COMPLETIONS (Thousand m²)




## SPACE UNDER CONSTRUCTION BOTTOMS OUT

Despite the strong demand, construction activity is still restrained. In fact, in the course of last year, the volume of space under construction dropped by over a third and now stands at the very low level of 201,000 m². The decline in the speculative proportion of this volume plunged by almost 50% to 46,000 m². Thus, together with the drop in vacancy, the overall availability (vacancy plus un-let space under construction) has declined even further to 1.1 million m² (-17%), which also represents a new record low.

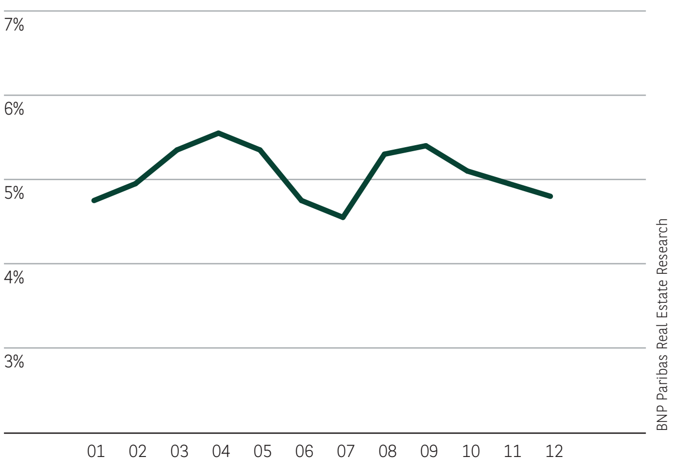
INVESTMENT (€ million)




## NO.1 FOR INVESTMENT VOLUME IN GERMANY

With a transaction volume of € 3.9 billion, the Berlin investment market last year achieved its third-best result ever. The turnover was higher only in the boom years of 2006 and 2007. The end of the year was very dynamic with € 1.8 bn, almost half of it being recorded during the final quarter. This upsurge was driven by large deals such as the sale by the Royal Bank of Scotland or the Neues Kranzler Eck in Berlin CBD.

NET OFFICE PRIME YIELD




## OFFICE PRIME YIELDS EASE FURTHER

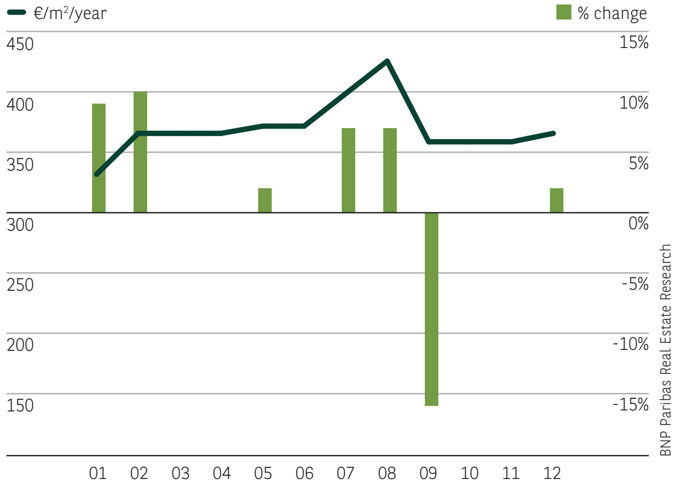
After already falling by 15 basis points in 2011, the office prime yield eased by a further 15 bp in the final months of 2012 to stand at 4.8%. This further decline was driven by an extremely buoyant market activity and a sustained surplus of demand for core properties. The only other top investment locations in Germany to register such a marked fall were Frankfurt and Munich.

# BIRMINGHAM

## BIRMINGHAM PRIME RENTS SEE A SMALL RISE

Following two years of stagnation, Birmingham finally saw a small upward shift in its prime rental level to end the year at £ 296/m²/year (€ 367), after remaining unchanged at £ 291 (€ 360) since Q3 2009. This rise follows on from the recent activity at Standard Life Investments grade A city centre building 45 Church Street. Whilst the increase is only small, it indicates a welcome improvement in city centre market dynamics.

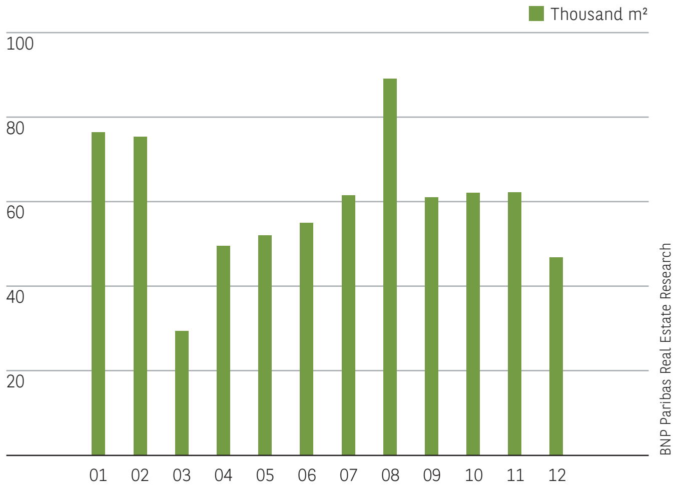
PRIME RENT




## BIRMINGHAM'S CITY CENTRE TAKE-UP FALLS 25% IN 2012

Birmingham city centre 2012 take-up fell 25% on the 2011 level, with annual take-up reaching 46,900 m², compared to 62,200 m² a year earlier. The level was also well down on the five-year average of 64,000 m² per annum. Quarterly take-up data shows that 2012 did not start well for the city centre office market, with no deals over 750 m² completing in the first quarter. Whilst the situation did improve as the year progressed, with take-up rising quarter-on-quarter, there was a lack of sizeable deals to boost the 2012 transaction volume, which was ultimately sustained by smaller deals.

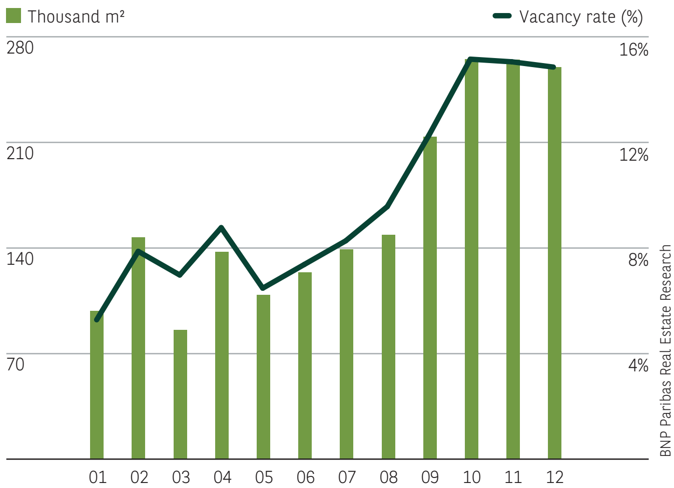
TAKE-UP



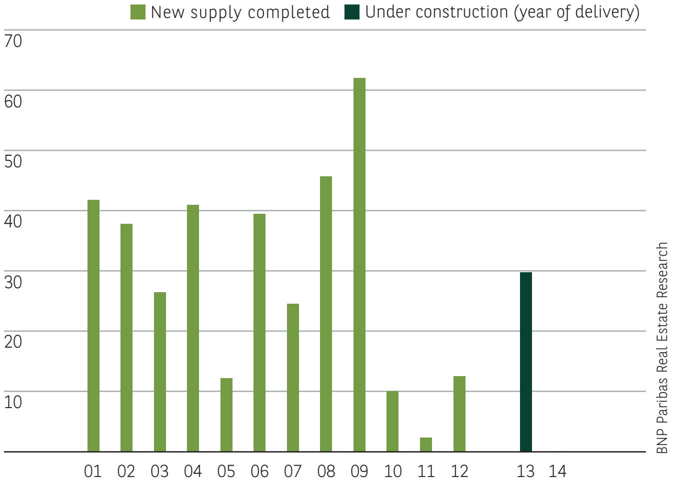

## THE AVAILABILITY LEVEL REMAINS PROBLEMATIC

At the end of Q4 2012 Birmingham availability was estimated at 260,000 m², which was only marginally down on the equivalent quarter a year earlier, but still above the five-year average of just over 230,000 m² per annum. With the market currently oversupplied with second hand space, landlords continue to review suitable alternative uses for their vacant buildings.

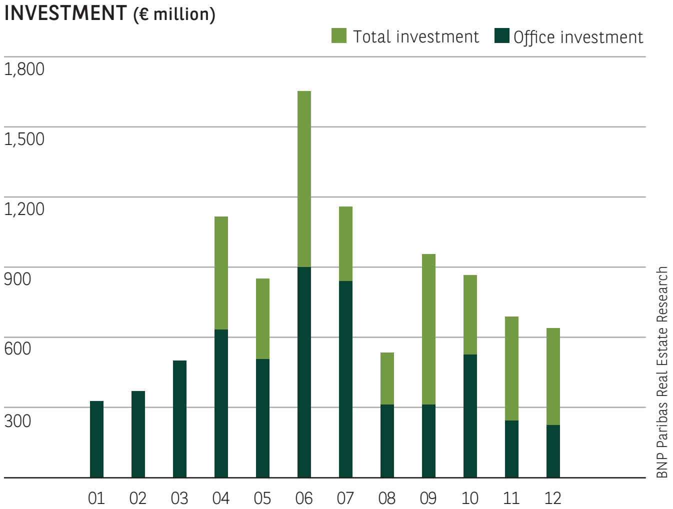
VACANT SPACE



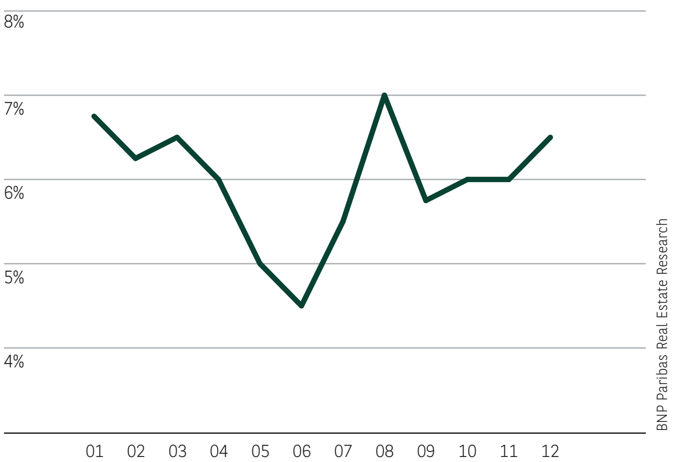
**COMPLETIONS** (Thousand m²)




**INVESTMENT** (€ million)




**NET OFFICE PRIME YIELD**




## THERE IS SELECTIVE DEVELOPMENT ACTIVITY IN THE CITY

In Q4, Hines and Moorfield launched their 12,500 m² Five Brindleyplace scheme. They spent £ 8 million (€ 9.9 million) refurbishing the building to grade A standard. In Q1 2013 Hines and Ballymore are due complete their 29,700 m² Two Snowhill development, although 60% of the space has already been pre-let to law firm Wragge & Co. Ballymore is also pursing plans for further development at Snowhill, where it is looking to build a new 23,200 m² office building on a four-acre site next to Snowhill Station. A pre-let will need to be signed before construction commences on site.

## BIRMINGHAM ONE OF THE TOP UK MARKETS FOR INVESTMENT

Birmingham is one of the UK's better performing cities in 2012 with office investment recording £ 180 million (€ 223 million), 8% lower than 2011. This puts the city at the top of the major UK cities for office investment. And unlike last year's volume that got distorted by two very large deals, 2012 showed a balance in lot sizes below £ 50 million (€ 62 million). The largest deal was for Centenary Square for £ 40.5m (€ 50m) bought by Hermes REIM. Purchasers were mainly UK funds and property companies with foreign investment more limited than in 2011; the largest purchase was Colmore Row by Israeli company CLAL insurance for around £ 32 million (€ 40 million).

## PRIME OFFICE YIELDS LIKELY TO PART WAYS WITH SECONDARY

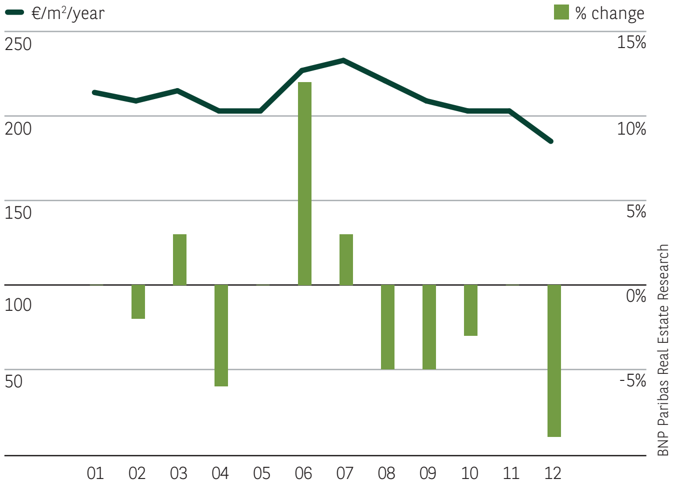
Birmingham yields did not change much over 2012. There is limited Grade A but a large supply of secondary space either vacant or let to companies with less secure tenancies. The deals that went forward in 2012 all had solid tenants but like other UK cities where this pattern has occurred, the amount of this type of stock is limited. This is likely to lead to the situation where prime yields continue to be almost unchanged but secondary yields increase even further. We expect the latter may lead to more interest in the better end of secondary property given the difficulties in obtaining prime buildings.

# BRATISLAVA

## PRIME RENTS FALL BUT INCENTIVES ALSO REDUCED

For the first time since 2010, prime rents dipped at the end of 2012 as a result of weak demand and several new speculative schemes coming onto the market. Prime rents are now at €186/m²/year and are likely to remain at this level until new space is absorbed by the market. The drop in headline rents has also seen a slight reduction in incentives available to all but the largest demands. Rents and incentives are anticipated to remain stable.

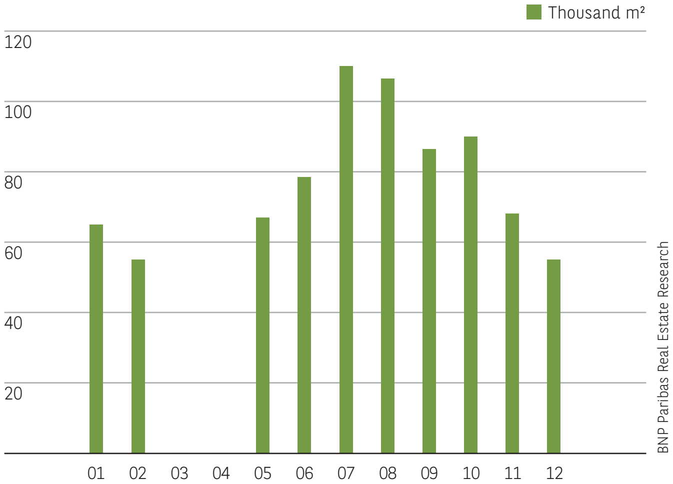
PRIME RENT




## TAKE-UP FLAT FOR 2012

Once more the Bratislava office market was dominated by a small number of larger lettings, masking an undynamic year characterised by renegotiations and small leases below 500 m². The few larger lettings were to telecoms and financial sector companies with build-to-suit developments satisfying long-term demand from occupiers. 2013 is likely to see a reduction in take-up. A scarcity of major international demand means that few leases will be to new entrants into the Slovak market.

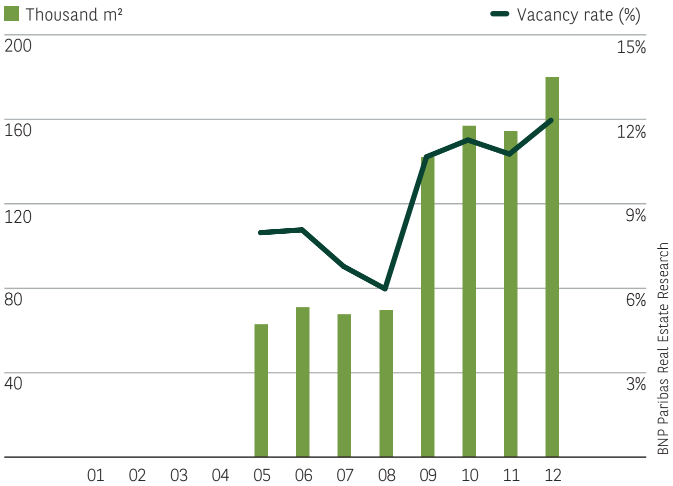
TAKE-UP



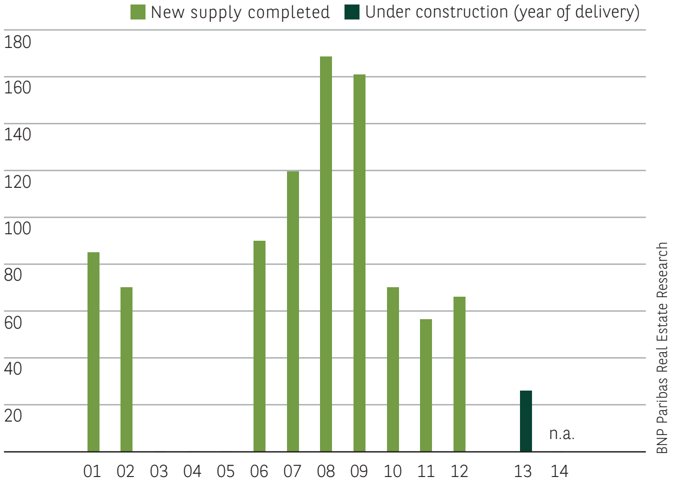

## VACANCY RATES STILL RISING

Vacancy rates in 2012 continued an upward trend, reaching a record 12%. This was the result of several new buildings coming onto market with low levels of pre-let space. Developers who had started construction in the anticipation of an uptick in the office market were disappointed and competition for the less significant demand was fierce. On one hand, grade A space increased due to the delivery of vacant new office space. On the other hand, the vacancy of grade B and C premises rose mainly in the city centre as occupiers preferred moving into high quality premises.

VACANT SPACE



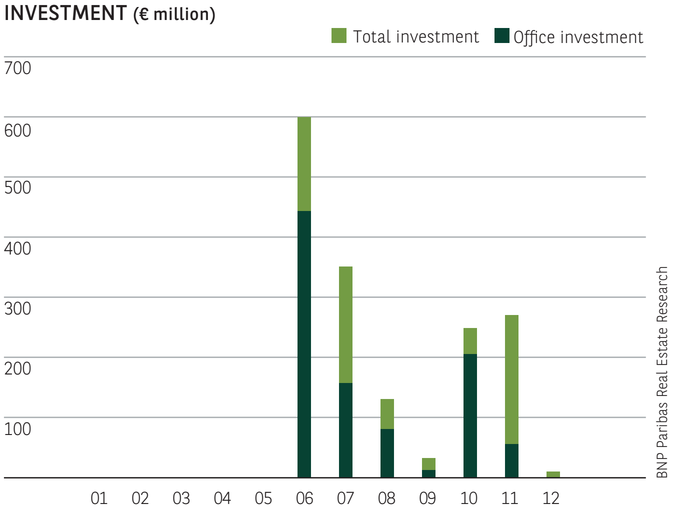
**COMPLETIONS** (Thousand m²)




## DEVELOPMENT PIPELINE SLOWS

Anticipated development for 2013, at around 50,000 m², is about half of the historic average. This slowdown from 2012 lags behind the continued reduction in demand, and is forecast to continue in 2014 with a further reduction in the pipeline. 2012 saw several major new speculative buildings coming onto the market, with varying degrees of success at finding occupiers. One third of the new supply for 2013 is made up of a single pre-let building, and in the absence of new demand and low levels of absorption, it is anticipated that appetite for developing new schemes will remain low.

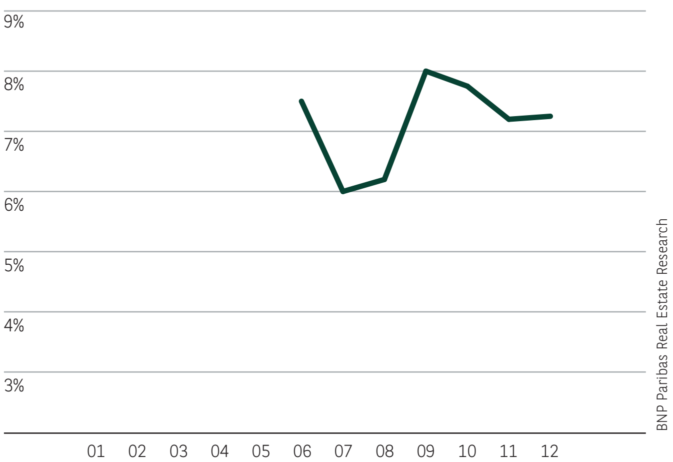
**INVESTMENT** (€ million)




## INVESTMENT TRANSACTIONS VERY LIMITED

2012 was notable in the investment market for a lack of activity in prime buildings. Several requests on the market from local and international funds were not satisfied as they did not meet vendors' requirements. The anticipated pressure upon some investors to sell did not materialise and while some interesting buildings were offered, yields were deemed to be too low. Unless this year sees a marked improvement in Eurozone confidence, 2013 is likely to show a similar lack of investment activity.

**NET OFFICE PRIME YIELD**




## OFFICE YIELDS HOLD STEADY

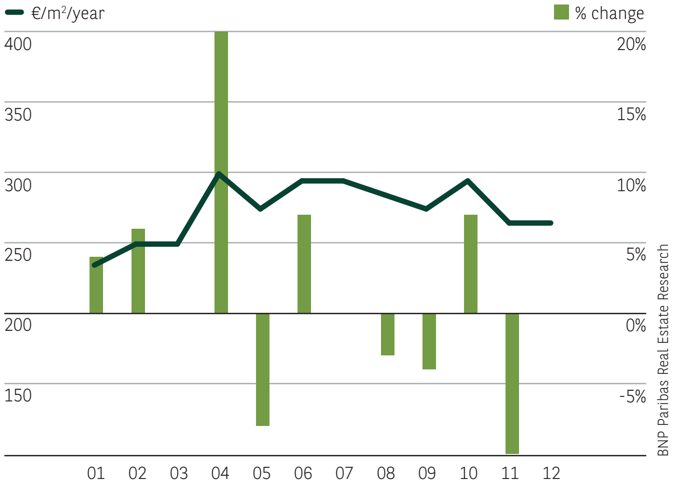
For the second year in a row, prime yields have held at around 7.25%. Once more a lack of transactions means that much pricing is the result of experts' estimation. Moving forwards into 2013, unless liquidity returns to the market, discussion around yields will continue to be primarily based upon the specifics of individual properties and the aspirations of their respective vendors and purchasers.

# BRUSSELS

## STABLE PRIME RENTS AND SMALL INCREASES IN AVERAGE RENTS

In a context of improving leasing activity and falling supply, the prime rent remained steady over the whole year, standing at € 265/m². At the same time, the average rent rose slightly at the end of the year and reached € 156/m². This upward movement is caused by demand that favors quality office space. By contrast, rents for secondary assets continued to be under pressure in an oversupplied market. Landlords are continuing to grant generous commercial incentives to attract or retain occupiers and minimize the risks of vacancy.

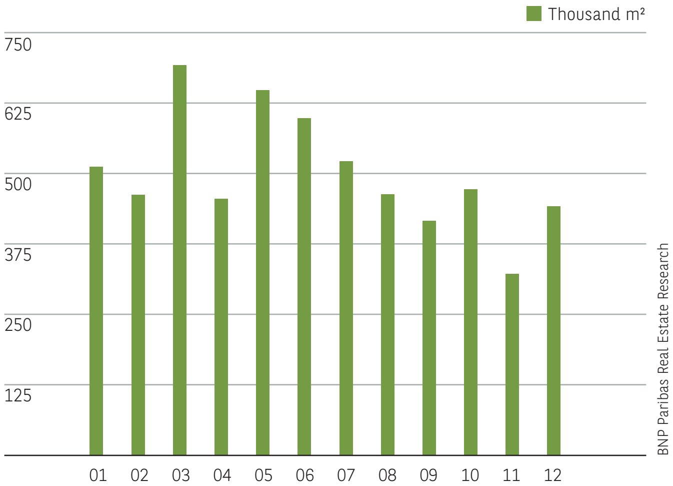
PRIME RENT




## REBOUND AS SENTIMENT PICKS UP

Leasing activity in the Brussels office market recorded a strong rebound with 441,900 m² let in 2012. The office take-up rose by 37% over 2011; however this still remained in line with the annual take-up over the last five years. The main reason for rebound was the return of demand emanating from the private sector in a difficult business climate and causing improvement in market confidence. Nevertheless, the main driver for demand remained cost-cutting policies. Meanwhile the market was boosted by several large lettings from the public sector, especially from European institutions.

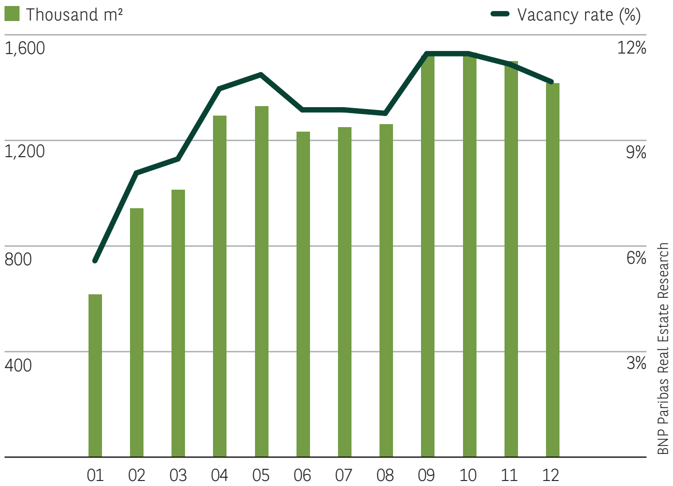
TAKE-UP



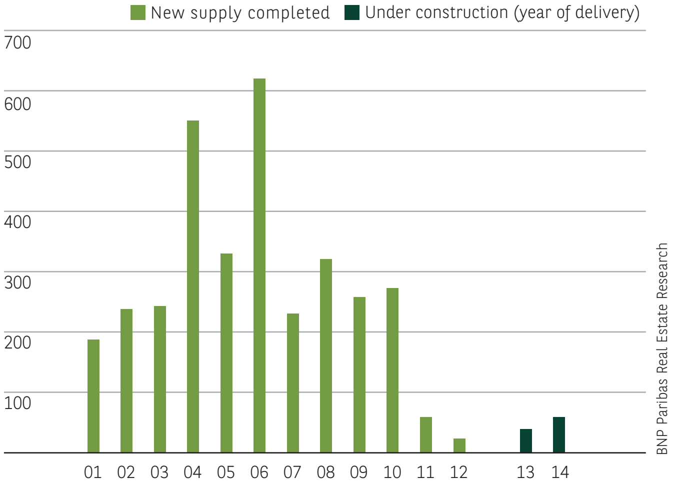

## QUALITY SUPPLY BECOMING SCARCE

Over the last 12 months, availability in the Brussels market declined by 5% to 1,416,200 m², reflecting a vacancy rate of 10.7 % versus 11.2% in 2011. This reduction is most visible in the availability of modern office space, representing a decrease of 36% compared to the same period last year. This gradual erosion has been led by limited speculative completions combined with a demand focused on quality space over the recent years. 2012 reinforced the polarisation of supply between quality and secondhand office space.

VACANT SPACE



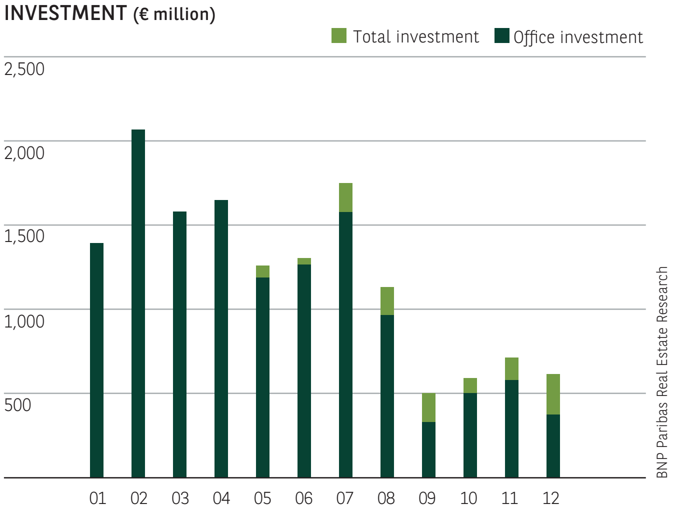
**COMPLETIONS** (Thousand m²)




## DEVELOPMENT ACTIVITY STILL LIMITED

One of the main impacts on the Brussels office market since 2008 has been the drastic reduction in the volume of office space being developed. 2012 did not deviate from this trend and developers continued to be reluctant to start office developments without pre commitment by a tenant. In the meantime, developers' interest in office conversion to residential opportunities continued to grow in 2012. Interest is supported by the disparity between the capital values, especially in the difference of margin between residential and office space.

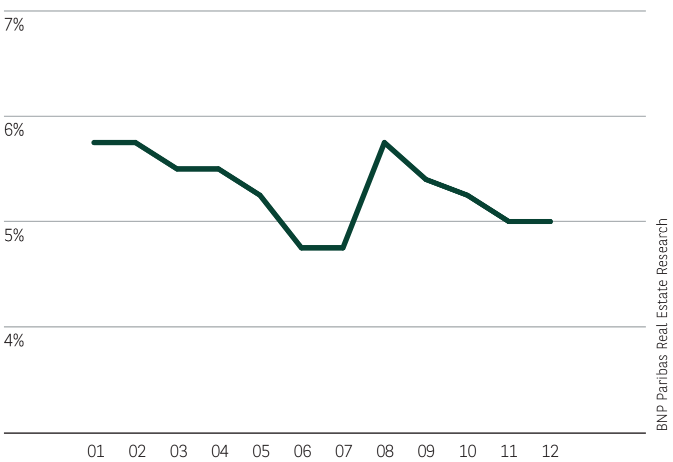
**INVESTMENT** (€ million)




## LACK OF PRODUCT LED TO WEAK INVESTMENT ACTIVITY

Investment activity in Brussels idled over the course of 2012, suffering from a lack of assets aligned with investors' needs. Indeed, investors' strategies have continued to be based on secured and high-quality assets. This mismatch continued to depress investment activity and was mirrored in the annual office investment volume. It totaled only € 372 million, standing below (-37%) the figures at the same period in 2011.

**NET OFFICE PRIME YIELD**




## YIELD MOVEMENT FOR STANDARD LONG LEASE CONTRACTS

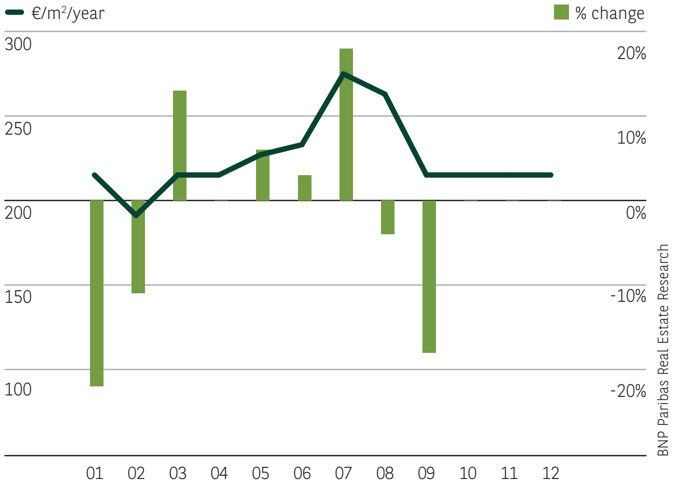
While the notable investment transactions were based on the long leases, the prime yield remained unchanged and ranged from 5.00 % to 5.25% at the end of the year. Meanwhile, an upward movement on products with standard long lease and secondary, still perceived as illiquid, was observed in the start of year and reached 6.50% and 7.00% respectively.

# BUCHAREST

## RENTS ARE UNCHANGED FOR THE THIRD CONSECUTIVE YEAR

Prime office rents remained stable for the third consecutive year at approximately € 216/m² due to sustainable demand and slow development activity that offsets the downward pressure on rents exercised by tenants. Although peripheral submarkets still recorded a high vacancy rate, the rental levels stayed unchanged at € 96-120/m². Landlords continued to offer incentives to attract tenants, the most common being rent-free periods of up to 3 months. However they are becoming reluctant to grant incentives that generate financial outflows, such as fit-out contributions.

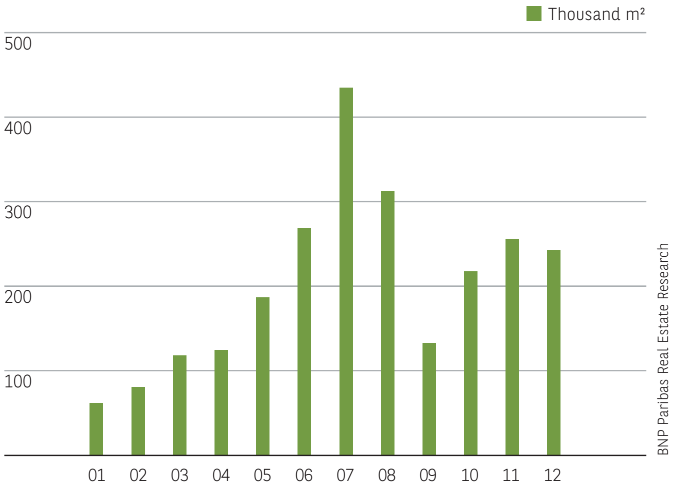
PRIME RENT




## DEMAND WAS MAINLY FOCUSED ON PRODUCTS OF QUALITY

Overall take-up in 2012 was characterised by small and medium-sized transactions (up to 1,500 m²). In terms of location letting activity was concentrated in the central-northern and northern submarkets that recorded large corporate deals. Relocations from non-competitive buildings are the main source of demand. In contrast to 2009-2011, the number and volume of pre-let transactions increased encouraging developers to take the risk of new developments with completions scheduled for 2013.

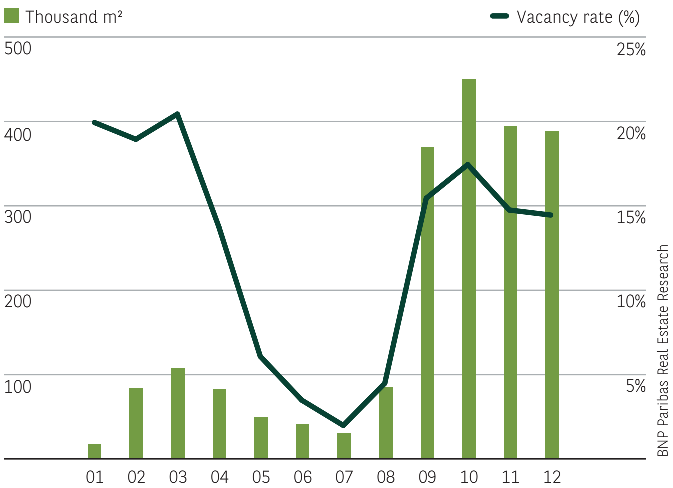
TAKE-UP



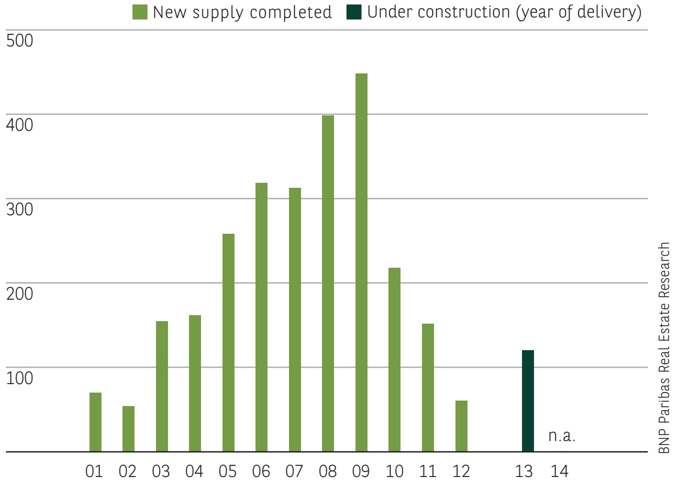

## LIMITED DEVELOPMENT ACTIVITY PERMITTED VACANCY RATE TO STABILISE

The vacancy rate fluctuated between 13-14.5% throughout 2012 reflecting the stabilisation trend started in the second half of 2011. The vacancy rate recorded temporary fluctuations as a result of relocation by tenants rather than development activity. The space released by companies downsizing and relocating fuelled the volume of available offices. The second significant factor that influenced supply was pre-let deals that increased the volume of take-up without being reflected in the vacancy rate.

VACANT SPACE



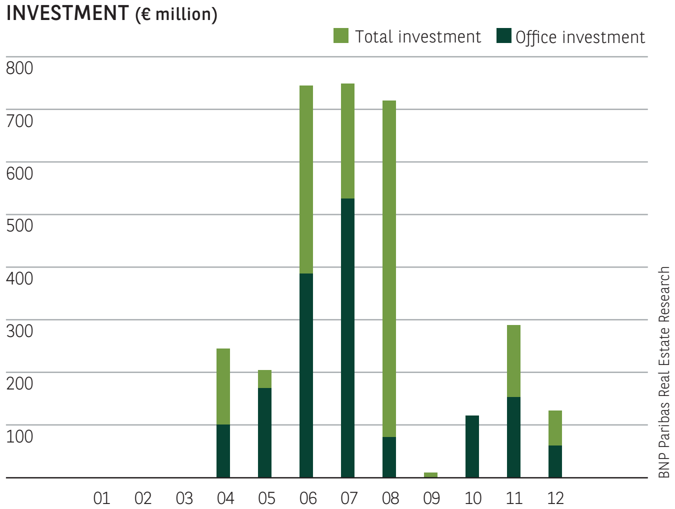
**COMPLETIONS** (Thousand m²)




## DEVELOPMENT ACTIVITY AT A HISTORIC LOW

The past year was marked by a slowdown in development activity in the local market reaching a 10 year historic low of 60,450 m². For speculative developments the decrease is more severe as part of the completed schemes is built-to-suit. The majority of speculative schemes (~75%) were large offices located in most sought after areas of Bucharest. Although secondary supply is growing faster due to tenant relocations, occupiers looking for grade A offices had fewer options. This pushed developers to start new projects, some of them being already pre-lets.

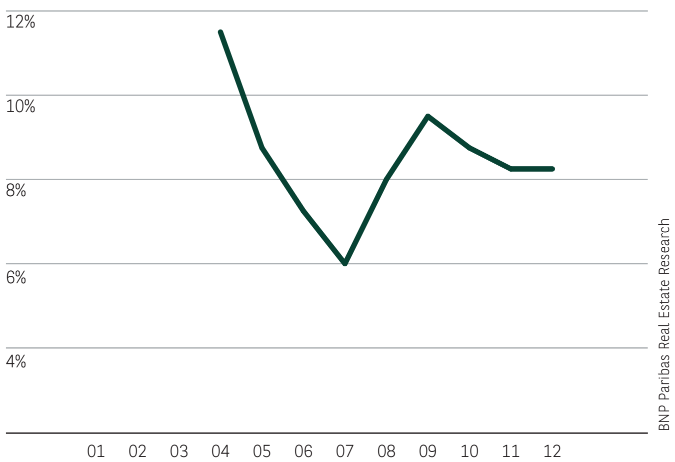
**INVESTMENT** (€ million)




## OFFICES ARE THE MAIN FOCUS OF INVESTORS

Total investment in the Bucharest market in 2012 was significantly lower compared to 2011, totalling around € 127 million with office investment accounting for € 60 million. The main reason was uncertainty due to the ongoing recession and the lack of financing, rather than office market fundamentals. Although the local market saw a slight improvement in sentiment, the level of investment remained low. As Romanian capital is limited and local bank financing for real estate purchases is inaccessible, foreign investors almost exclusively dominated the market.

**NET OFFICE PRIME YIELD**




## YIELDS STEADY SINCE THE FIRST HALF OF 2011

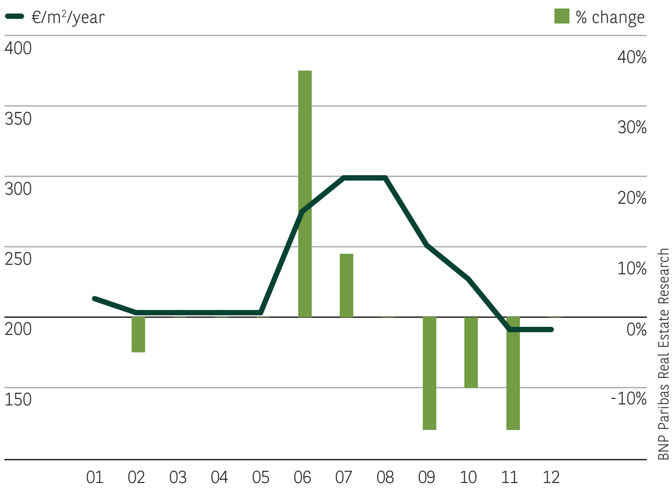
Yields for prime offices with a strong tenant covenant remained stable at around 8.25%, despite improving sentiment. This stability in yields reflects the balance between the scarce supply of prime buildings and the lack of financing. Yields are not likely to move during the first half of 2013, particularly if the economic environment remains the same as in 2012.

# BUDAPEST

## PRIME RENTS STABILISE AT LOW LEVELS

Rents for grade A office space recorded a continuous decrease after 2009 before stabilising in 2012 at € 192/m². The drop in rents is the consequence of the weak economic performance and an oversupplied market. But over the last two years the downward trend slowed gradually and has now stopped. Nevertheless landlords still offer incentives that vary according to quality and location.

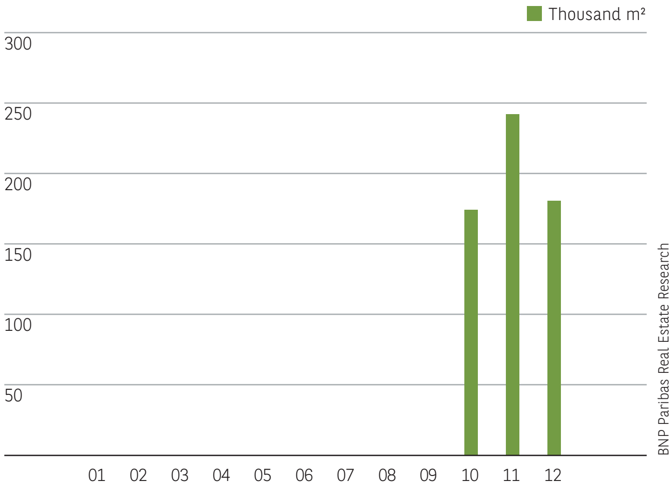
PRIME RENT




## OFFICE TAKE-UP DRIVEN BY SMALLER TENANTS

The leasing activity amounted to 174,000 m², a 28% decrease on 2011, though the difference is only 3.7% compared to 2010. IT and financial companies dominated the majority of take-up in 2012, with the public sector also showing a significant interest. Demand for office space came from smaller tenants, 78% of total transactions were for premises under 500 m². The average deal size in 2012 was 434 m². According to our forecast a higher take-up level is expected for 2013.

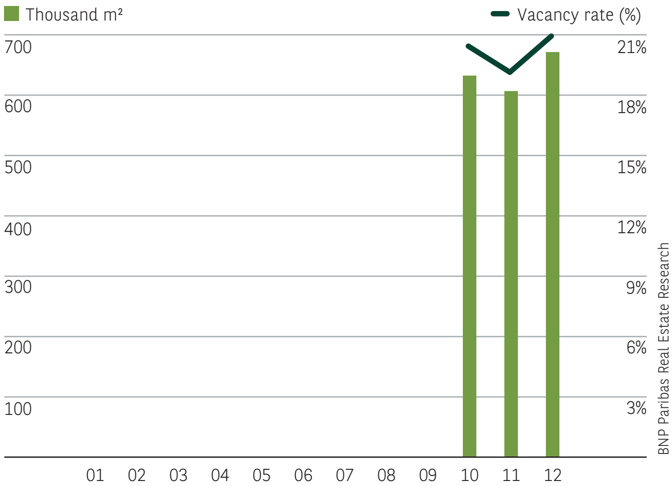
TAKE-UP

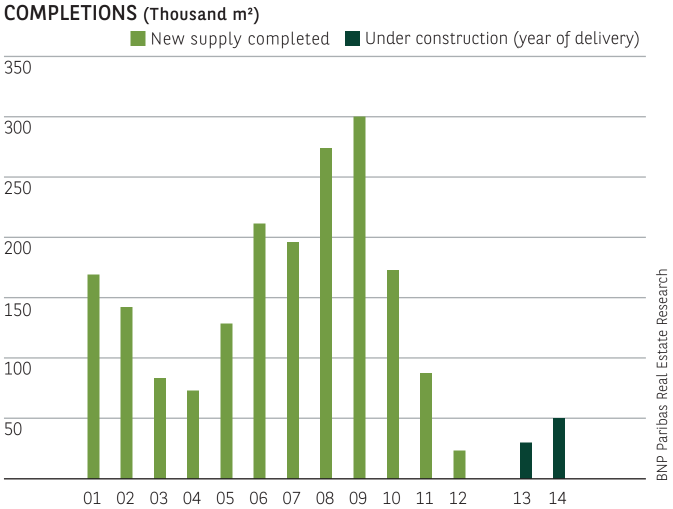



## VACANCY RATE STARTED TO DROP IN Q4 2012

At the end of 2011 there was 605,000 m² of office space available in Budapest representing a vacancy rate of 19.2%. Despite the lack of new supply in the market, the vacancy rate showed a moderate but steady increase over 2012. By the end of the year this trend stopped and the vacancy rate declined to 21%. Vacancy rate increase was mostly the result of poor economic performance; large occupiers started reducing their office space to a substantial degree. This had an impact on the vacancy rate and net absorption. Positively, the low level of new supply and improving economic performance implies a further drop in the vacancy rate in 2013.

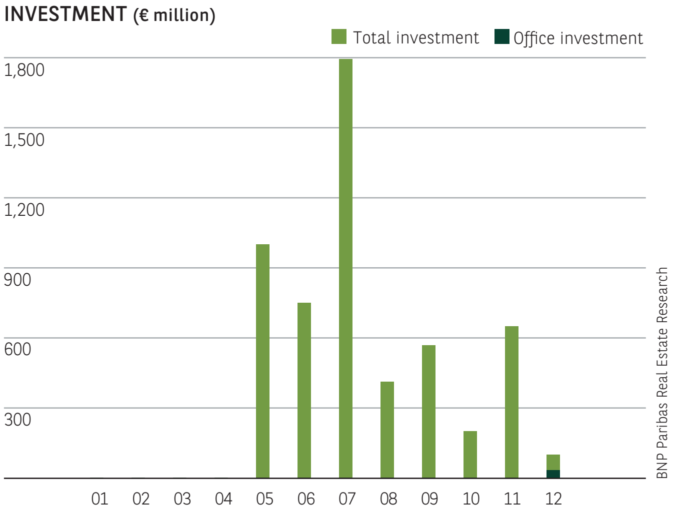
VACANT SPACE





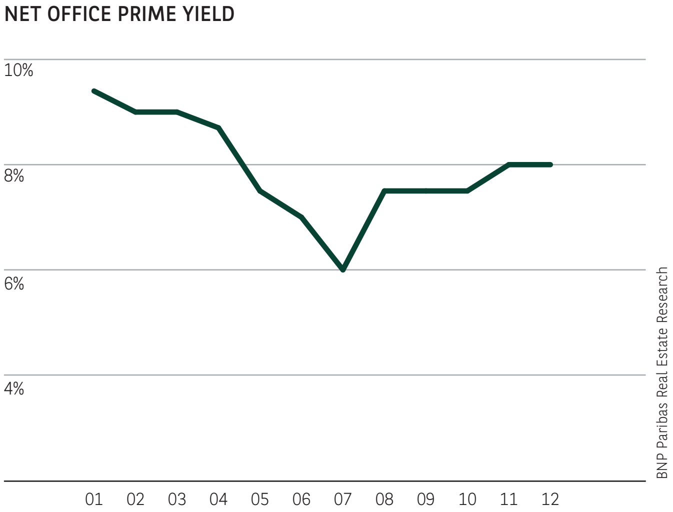

## NEW DEVELOPMENTS ARE AT A TEN-YEAR LOW

Approximately 23,000 m² of speculative developments were completed in the Budapest office market in 2012, which is just a fraction of the 300,000 m² delivered during the record year of 2009. The consequences of the financial crisis have led developers to become very cautious; the ten-year average is 160,000 m² but the volume of future new developments is far from this figure. There is only 29,000 m² in the pipeline for 2013 versus approximately 50,000 m² for 2014.




## WEAK INVESTMENT ACTIVITY

In 2012, the investment market recorded a significant drop compared to the past five years. Only three transactions were concluded over the year amounted to approximately € 100 million, of which €33 million was in office schemes. The biggest deal of the year was the acquisition of the five-star hotel, "Le Meridien" by Al Habtoor Group. In addition, Bluehouse Capital bought "Infopark E" office building and a 6,200 m² industrial property in the periphery of Budapest.




## NET OFFICE PRIME YIELDS STAGNATING

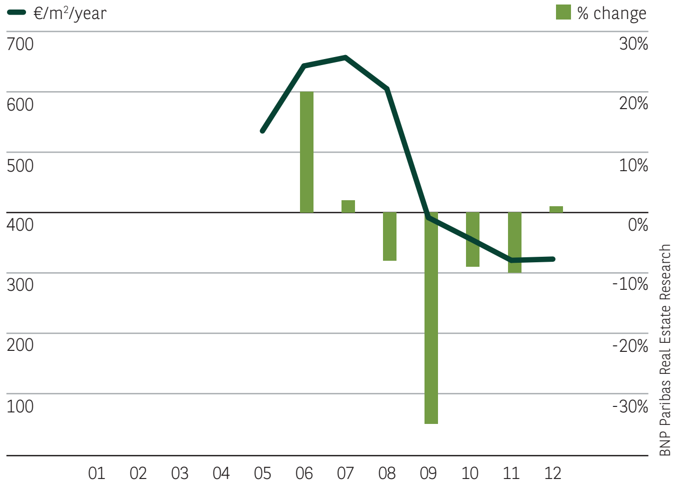
Prime yields were around 8% in 2012, the same level as at the end of 2011, due to reduced investment activity.

# DUBLIN

## ACTIVE 2012 SEES STEADY PRIME RENTS AND REDUCED INCENTIVES

At the end of 2012 prime city centre office rents had steadied at € 325/m²/year for 1,000 m² floor plates. A key feature of 2012 was the reduction in rent free periods and other tenant inducements. A typical rent free period on a five year commitment is now 9 to 12 months in prime CBD locations. Older city centre office stock achieved rents in the range € 170 to € 270/m²/year whilst Georgian offices achieved € 130 to € 215/m²/year depending on location and quality. Suburban Dublin offices achieved € 110 to € 160/m²/year but with few transactions.

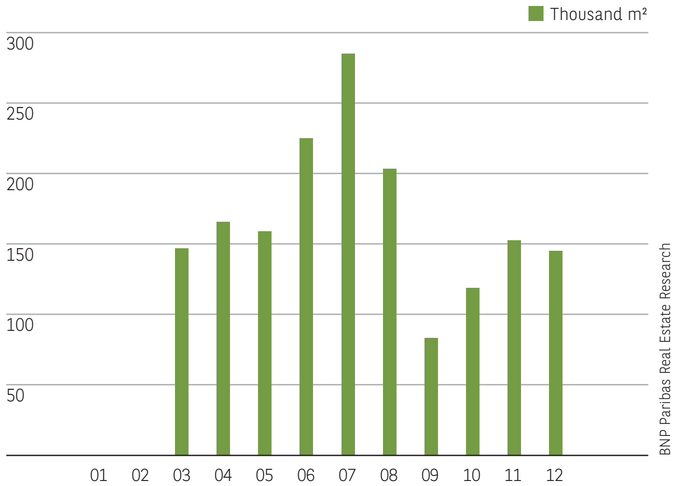
PRIME RENT




## LACK OF GRADE A OFFICE SPACE IN DUBLIN CITY CENTRE

Total take-up for 2012 accounted for nearly 145,000 m² which was slightly down on 2011. This is explained by the lack of quality office space in the CBD. There was a genuine preference from occupiers for modern Grade A office space with particularly strong demand for suites fitted out by earlier tenants. The general office requirement changed from larger suites of 1,000 – 1,300 m² in 2011 to smaller unit sizes in the range of 500 - 800 m² in 2012.

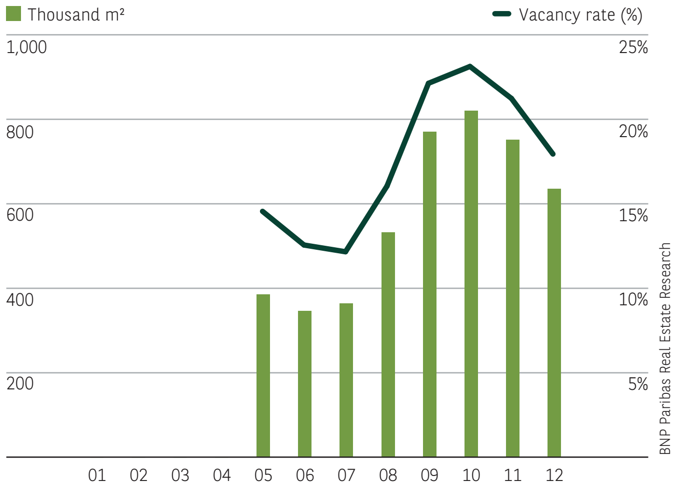
TAKE-UP



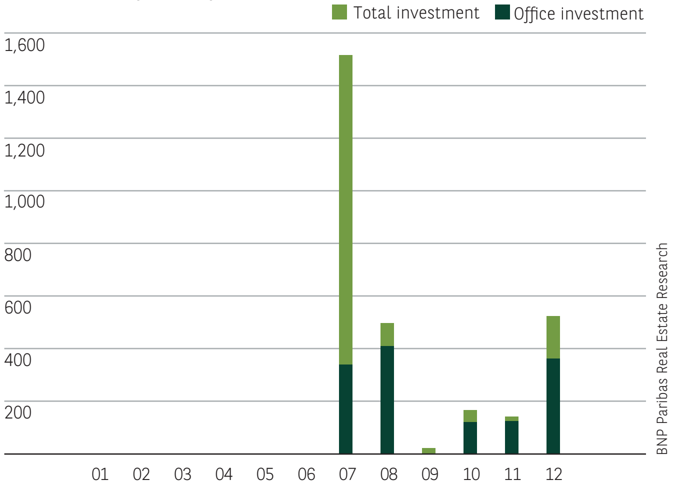

## VACANCY RATE CONTINUES TO FALL

The absence of new product coming onto the market and a general strengthening in demand has reduced the vacancy rate to approximately 18%. Vacancy is lowest in the city centre but remains stubbornly high in the suburbs where it stands at approximately 25%.

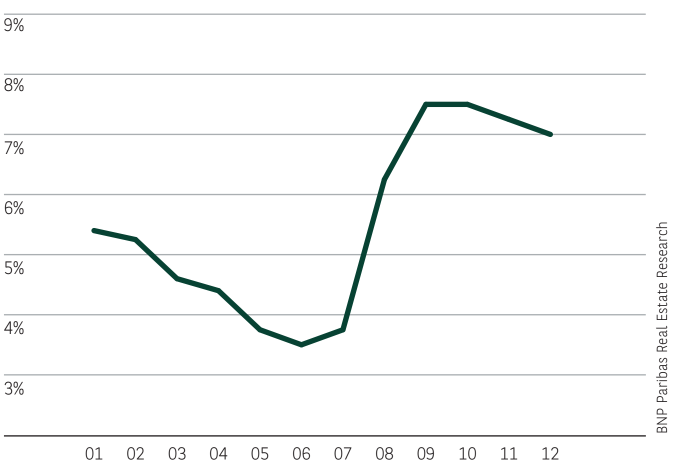
VACANT SPACE



INVESTMENT (€ million)




NET OFFICE PRIME YIELD




## HIGHEST INVESTMENT VOLUMES IN DUBLIN SINCE 2007

The 2012 investment market was the busiest in five years with volume of sales increasing threefold from 2011 levels to a total value of € 520 m. The office sector was the strongest performer recording sales of over €360m. This year also witnessed the return of foreign investors who were the only purchasers of properties in the € 15m plus lot size. Notable office investment sales in 2012 were 78 Sir John Rogersons Quay for €108m to Kennedy Wilson; Riverside II for € 35m to AM Alpha and One Warrington Place for € 27m to Northwood Investors.

## DUBLIN OFFICE YIELDS STABILIZE

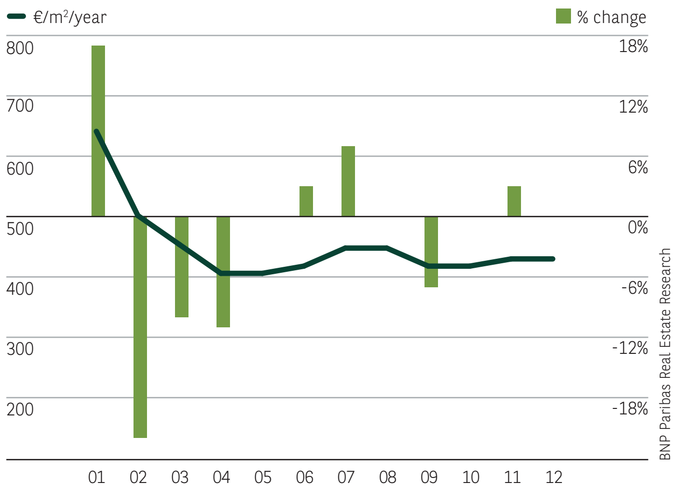
Due to the over-rented nature of the majority of properties, net initial yields ranged from 7.15% to 10.0% depending on the length of time to a lease event and strength of tenant covenant. From our analysis of the 11 substantial office investment sales in 2012 sales, we are of the opinion that the prime equivalent yield for Dublin offices in 2012 was 7%. Down by 25bp during Q2 2012, they stabilized over the rest of the year.

# FRANKFURT

## PRIME RENT UNCHANGED

In Frankfurt, as in other key office centres, the prime rent stayed unchanged in 2012. At € 432/m² in Westend it remained the highest rent in Germany. This figure is only slightly higher than the top rents in the Bankenviertel (€ 420/m²) and the Inner City (€ 408/m²). The stabilisation of the prime rent is due to the more difficult economic situation, though, top and average rents increased in several office submarket zones.

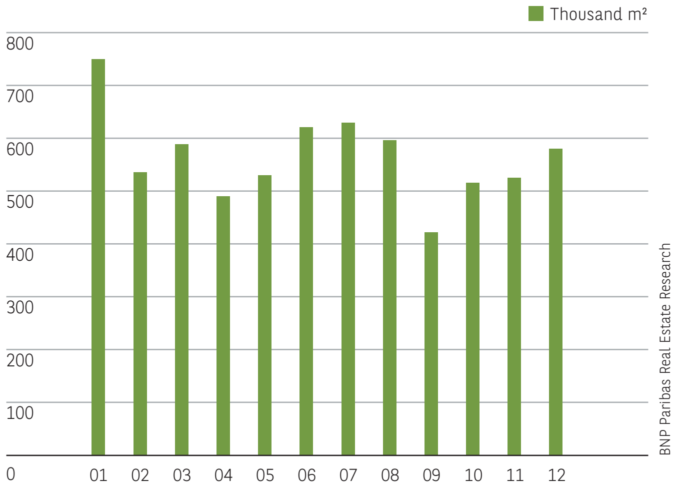
PRIME RENT




## BEST IMPROVEMENT AMONG ALL GERMAN LOCATIONS

In 2012 take-up in Frankfurt totalled 580,000 m², corresponding to a rise of 10.5 % on the already good 2011 result. This performance makes Frankfurt the only major office location in Germany to register any significant year-on-year improvement. The result also exceeded the ten-year average by 5%. This was mainly due to the strong contribution (25%) of large deals over 10,000 m². It is worth mentioning that the final quarter was very buoyant. Indeed despite the slowdown in the economy, the take-up reached 193,000 m² which was one of the five best quarters in the last ten years.

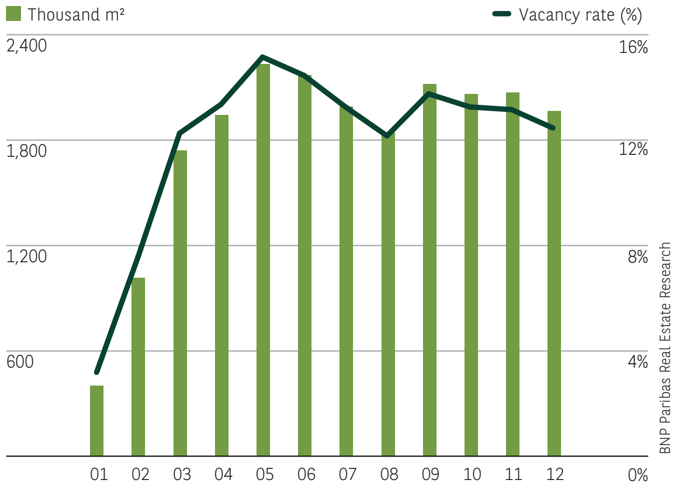
TAKE-UP



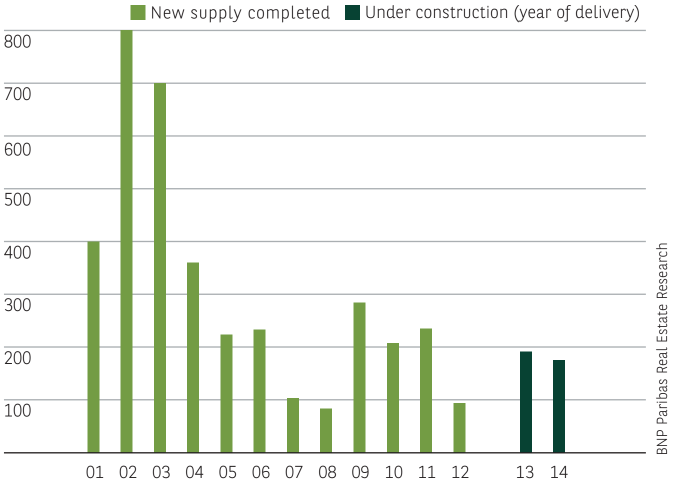

## SLIGHT DECLINE IN VACANCY

As expected, vacancy showed a moderate decline with a volume of nearly 1.97 million m², 5% below 2011 level. Modern vacant office space – the main focus of demand – accounted for 841,000 m² representing 43 % of the total. Most empty premises were located in the Inner City (284,900 m²) which is the strongly favoured office market zone. The lion's share of this, more than 179,000 m², included high-quality office space which occupiers' prefer. In the market as a whole, the vacancy rate was 12.5 % and reached 13.1% in the narrow market area.

VACANT SPACE



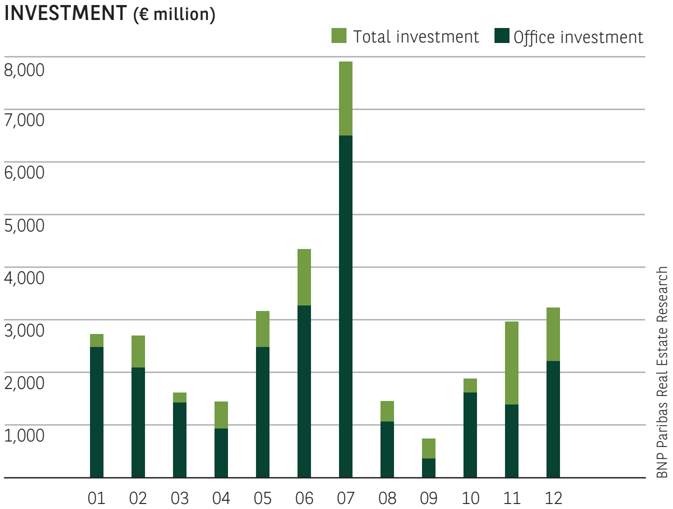
**COMPLETIONS** (Thousand m²)




## MODEST RISE IN SPACE UNDER CONSTRUCTION

Although 2012 registered a slowdown in actual deliveries space under construction increased by almost 10% to 470,000 m² in 2012, compared with 2011. The unlet proportion of this space rose by 13.5 % to 143,000 m², representing more than 30% of space under construction. Over 87 % of total availability was located in the Bankenviertel and the Inner City, both of which traditionally attract strong demand and tenants almost exclusively interested in high-grade modern units.

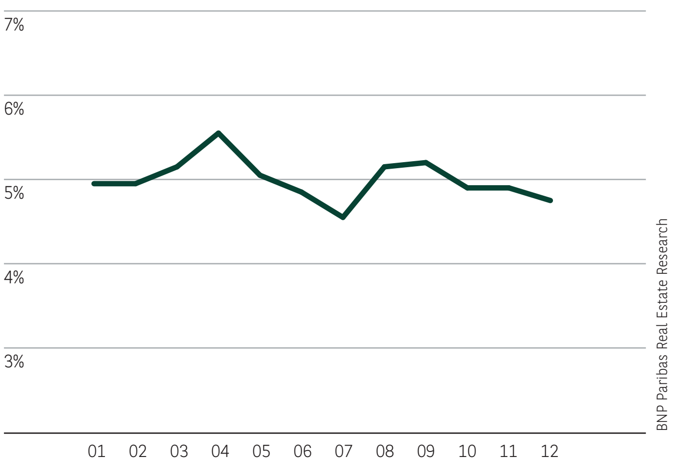
**INVESTMENT** (€ million)




## THIRD-BEST INVESTMENT TURNOVER EVER

With a transaction volume of € 3.2 bn, the Frankfurt market area (including the periphery) recorded an outstanding performance in 2012. The total exceeded the 2011 figure by nearly 9% and was in fact the third-best volume ever registered. It was more than 12% up on the ten-year average, which was only surpassed in the boom years of 2006 and 2007. This performance was mostly due to the upsurge during Q4 with € 1.8 bn invested. Moreover, offices remain investors' main target with more than two third of the total turnover in 2012.

**NET OFFICE PRIME YIELD**




## PRIME YIELDS EASE AGAIN

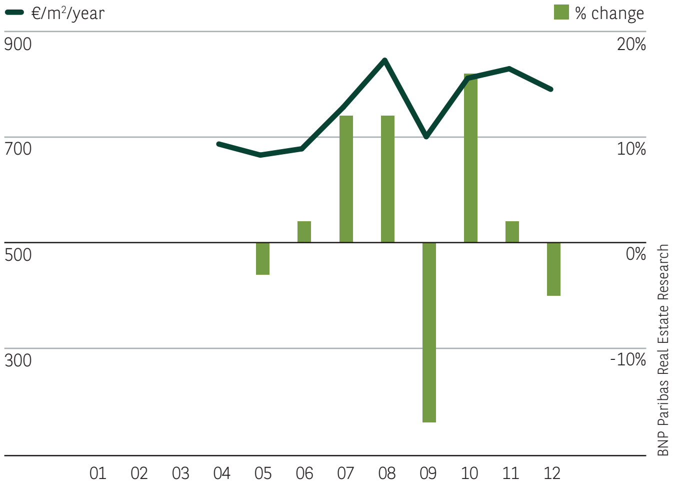
After two years of stability, office prime yields in Frankfurt dropped by 15bp to 4.75% during the final quarter. This further contraction is driven by the strong demand for prime products and the related tough competition amongst both domestic and international investors.

# GENEVA

## A DECLINE IN PRIME RENTS AFTER TWO YEARS OF INCREASE

After rising for the two previous years, prime rents fell 4% in 2012 to around CHF 960/m²/year (€ 796). This decline was related to the release of large offices in the city centre. Indeed, some financial companies exposed to the current crisis are cutting costs by relocating their offices from the centre to the periphery. Nevertheless, demand for offices to rent in the city centre is still robust, particularly from companies looking for premises of under 500 m² and/or a prestigious address in Geneva. Moreover, it takes less than six months to let such units.

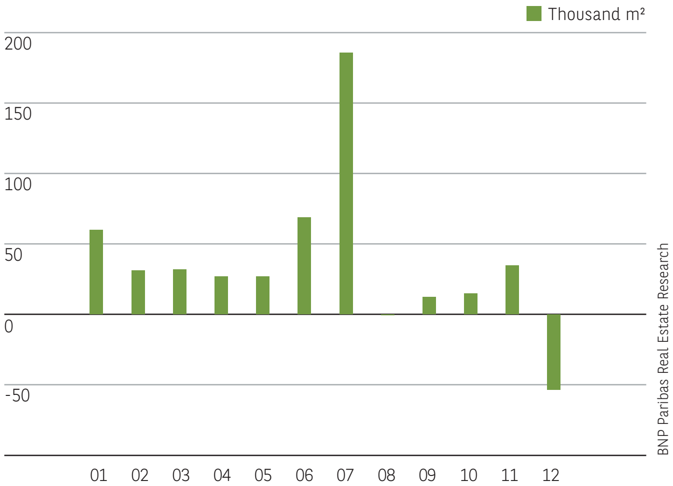
PRIME RENT




## SHARP FALL IN TAKE-UP IN 2012

The significant fall in net absorption stems from a decline in the total office stock and an increase in the vacancy rate, according to the data from the Geneva Statistics Office. Although transaction volumes are still not measured by the Canton of Geneva, the various market players are agreed that there was a sharp fall in take-up in 2012. Companies took an opportunistic approach to relocations with a view to streamlining costs and space. In this context, only offices that are of good value and high quality are rented quickly.

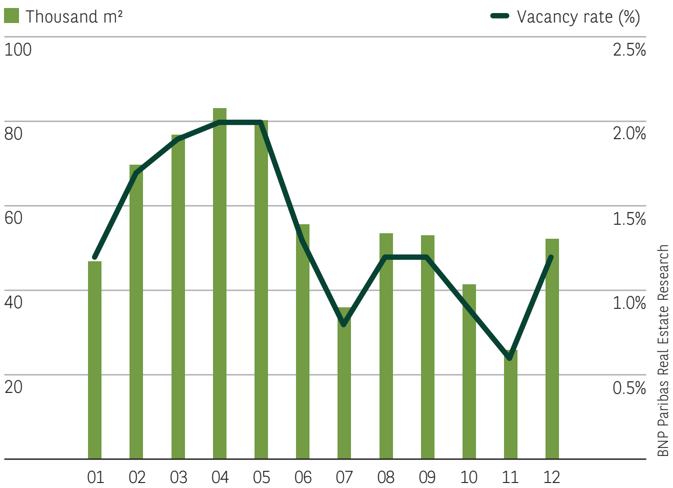
NET ABSORPTION



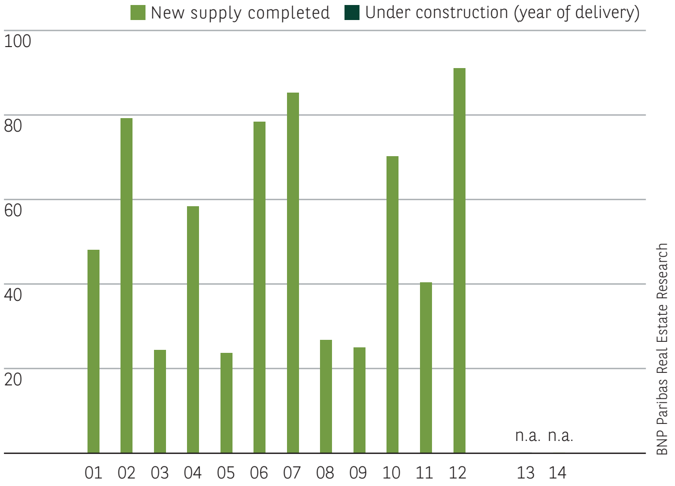

## STEEP INCREASE IN THE STOCK OF VACANT UNITS

Immediate availability doubled in 2012, with the vacancy rate rising from 0.6% to 1.2% in a year. However, this figure from the Geneva Statistics Office does not reflect the reality of the market. In particular, it does not take into account units for which leases are drawing to an end and will not be renewed. Similarly, sublet availability is not factored into the calculation. As such, based on real availability the vacancy rate lies somewhere between 2.7% and 3.2%, which is low compared to other international cities. Nevertheless, it does represent a negative trend for the Geneva market, after having flourished for the past decade.

VACANT SPACE



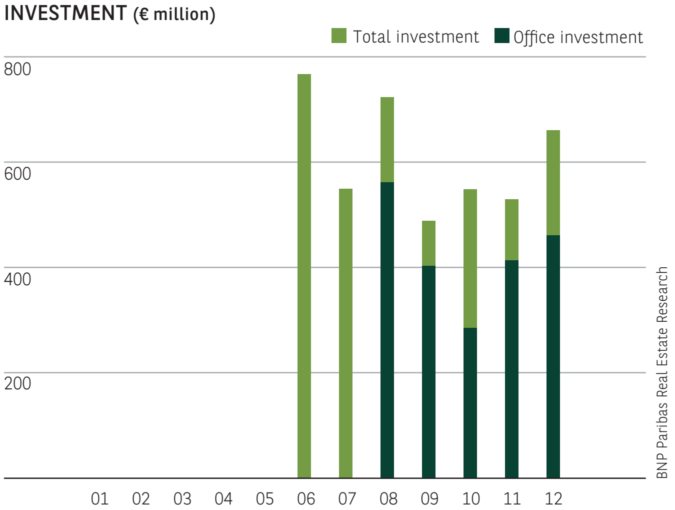
COMPLETIONS (Thousand m²)




## LOTS OF SCHEMES IN THE PIPELINE DESPITE FALTERING DEMAND

The healthy rental market over the past decade has encouraged developers to build new office space. There were a number of substantial completions in the periphery in 2012, notably in the international organisation district, around the airport and in the district of Grand-Saconnex. Against an uncertain economic backdrop, future availability will continue to rise in the coming years, as there are many projects under construction despite the difficulty of absorbing current availability.

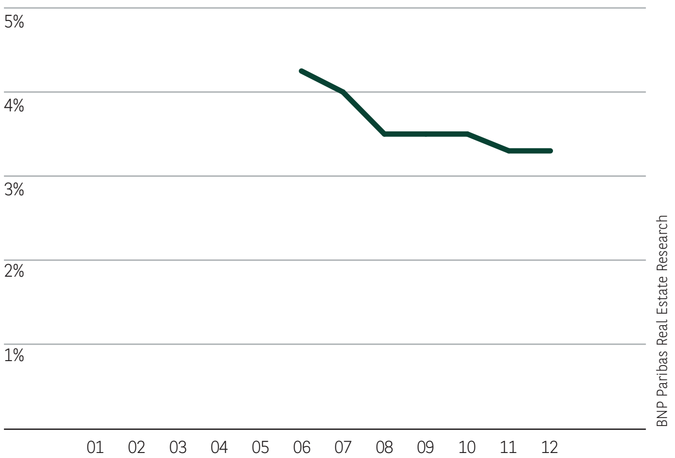
INVESTMENT (€ million)




## COMMERCIAL REAL ESTATE: MORE RISKY BUT STILL SOUGHT AFTER

Investment in commercial real estate increased by 25% in 2012 compared to the previous year. For this type of investment, the average deal is for CHF 21.5 m (€ 17.8 m) and the biggest transaction was the sale of a building in the city centre to a Chinese investment fund for CHF 108m (€ 89.5 m). The busiest investors in 2012 fell into the "Property Company/Fund/Insurer" category, accounting for 57% of acquisitions, with private investors the biggest players in terms of the number of sales (53% of transactions).

NET OFFICE PRIME YIELD




## PRIME YIELD REMAINS STABLE

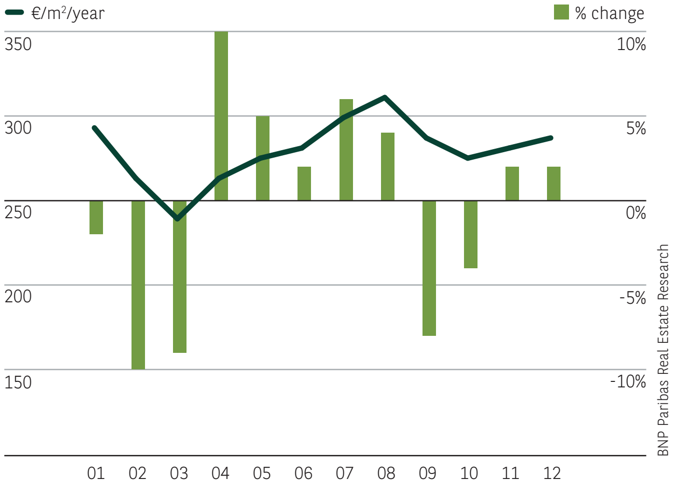
Despite a relatively low yield, commercial real estate is still an excellent safe haven, with the financial market offering few alternatives. The prime yield of 3.3%, which applies to offices in the city centre, reflects the appeal of this type of building and the scarcity of available assets. Moreover, ten-year mortgages are currently less than 2%. This parameter is fully factored in by the market and continues to drive up prices. Another reason behind the low risk premium attached to commercial real estate is the low vacancy rate in the Canton of Geneva.

# HAMBURG

## TOP RENTS IN HAFENCITY

In the second quarter of 2012, the prime rent in Hamburg rose by 2% to € 288/m² and has remained stable since then. This rent was achieved for newly built high-quality premises in HafenCity. In the City Centre, the top rent was left unchanged at a slightly lower level of € 282/m². Similarly, in other areas, high rents are commanded by premises offering high quality and a waterfront connection. This is the case for the locations with a view of the Elbe in the office market zone of Western Harbour Fringe as well as in the Alster Precincts, with top rents of € 240/m².

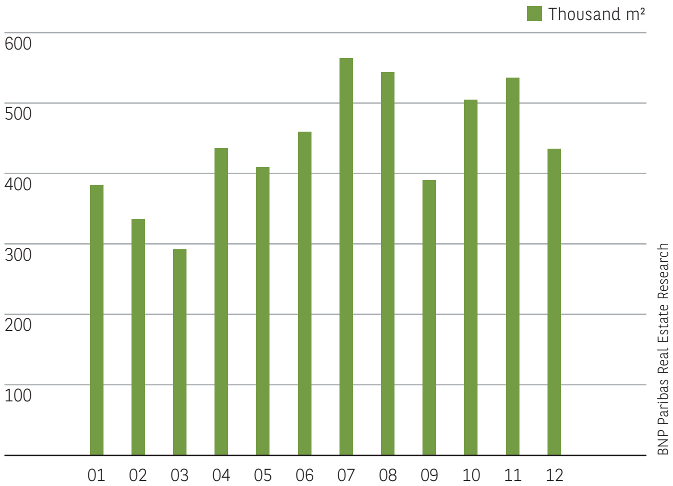
PRIME RENT




## TAKE-UP DROPS BUT REMAINS STRONG

Take-up in 2012 totalled 435,000 m², failing to match the city's outstanding results of 2010 and 2011 with a 19% drop compared to 2011 figures. Even though take-up fell, it remained in line with the 12-year average showing rather strong resilience. One key reason was the unusual lack of deals above 10,000 m² that last year contributed 15% to the aggregate turnover. The largest letting deal in 2012 was concluded by the head office of DIY chain store operator Praktiker for 8,200 m² in the area of Centre South.

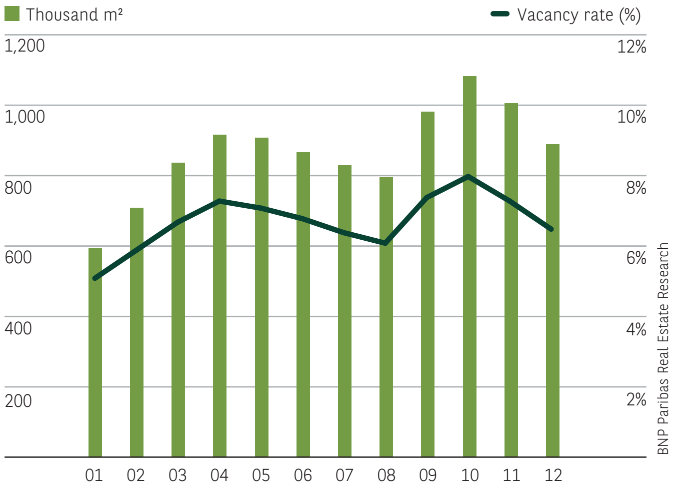
TAKE-UP



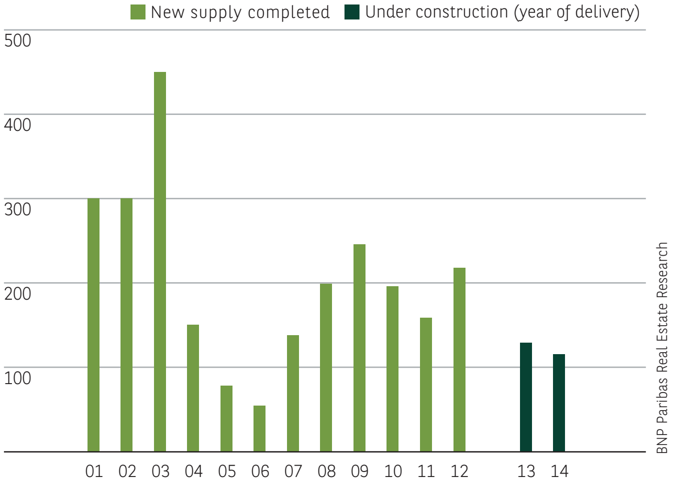

## MARKED FALL IN VACANT SPACE

In the past twelve months, vacancy fell steadily to 889,000 m². The decline was particularly sharp for modern premises, where vacant space declined by almost one third to 176,000 m². Thus only 20% of total availability is requested by tenants. In 2012 almost all office market zones registered drops in vacant space; the biggest falls were in HafenCity (-55%) and the City Centre (-38%). The vacancy rate in Hamburg was 6.5% at the end of 2012.

VACANT SPACE



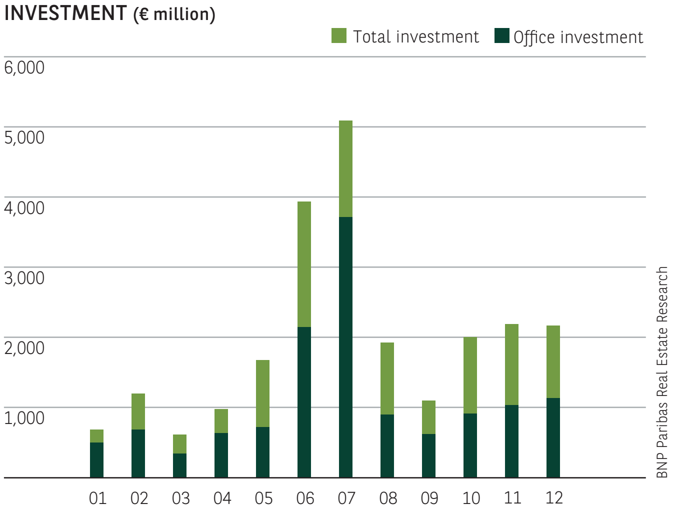
COMPLETIONS (Thousand m²)




## DECLINE IN SPACE UNDER CONSTRUCTION

The volume of space under construction continued to fall in the past twelve months (-17%). With a total of 314,000 m² it matches the 2006 level. Even though the reduction of the speculative share was slightly more marked, unlet space remained fairly high at 59% of the total volume of space under construction. However, about 80% of the unlet space is only due for completion from 2014 onwards. Construction activity was concentrated on the subcentre Alster Precincts (57,000 m²), the City Centre (54,000 m²) and HafenCity (49,000 m²).

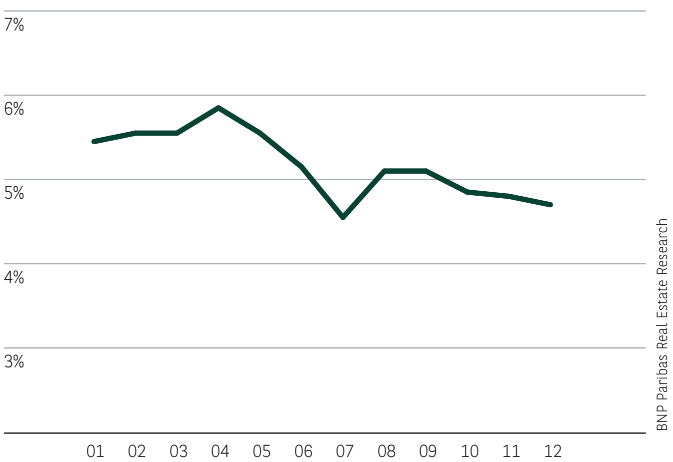
INVESTMENT (€ million)




## STABLE INVESTMENT VOLUME

In 2012, the investment market totalled € 2.2 bn, virtually the same as the year before (-1%). Office investment amounted to € 1.1 bn and recorded a 9% growth compared to 2011. Following a weaker first half year, investment activity gained momentum in the final six months and made the transaction volume soar. Turnover figures were considerably higher in the boom years of 2006 and 2007 only, but they were fuelled by large portfolio transactions. It is worth mentioning that the investment activity in 2012 was driven by single deals. They totalled € 2.1 bn, the highest level ever recorded.

NET OFFICE PRIME YIELD




## YIELDS SAW A FURTHER DROP

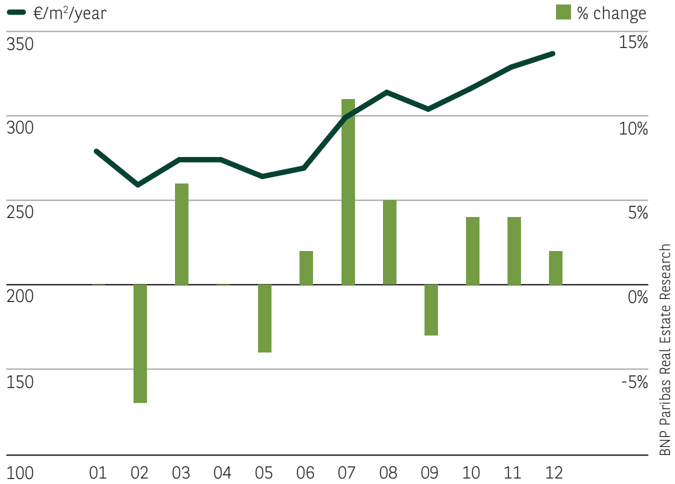
As a result of the buoyant demand for the limited number of prime assets coming onto the market, the net prime yield fell by 10 basis points reaching 4.7%. It remains 15 bp higher than the office prime yield back in 2007.

# HELSINKI

## OVERALL RENTAL DEVELOPMENT IS LIKELY TO BE MODEST

Business cycles have not affected tenant demand in the Helsinki city centre, where rents have been growing continuously since 2010. Regional discrepancies are still significant and are further emphasized in the way rental levels are changing. Indeed, rents have remained more or less stable in outskirt submarkets such as Sörnäinen and Vallila, whereas they decreased in Ruoholahti, a near centre area. Prime rents of € 340/m²/year were registered in centre of Helsinki.

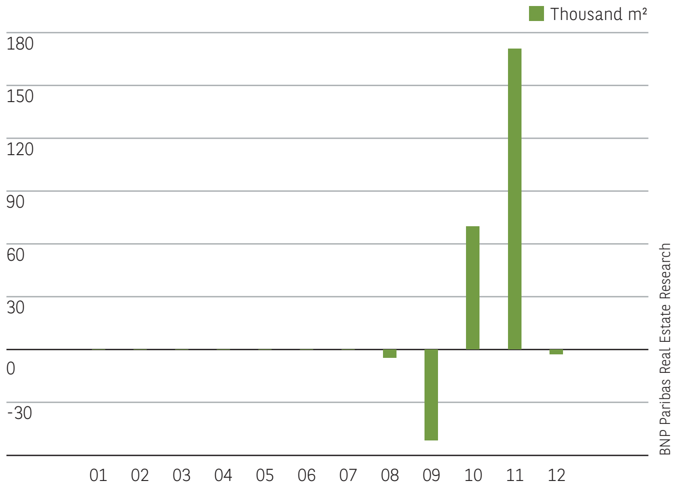
PRIME RENT




## TAKE-UP OF PREDOMINANTLY SMALLER SIZED UNITS

The downward trend in the vacant space observed in 2011 reversed in 2012. There are two causal factors operating here. The office supply is too high to meet a limited demand. Secondly, occupiers are focusing on cost reduction and consequently when they do rent, they are choosing smaller and efficient sized offices. Thus, net absorption has been null in 2012.

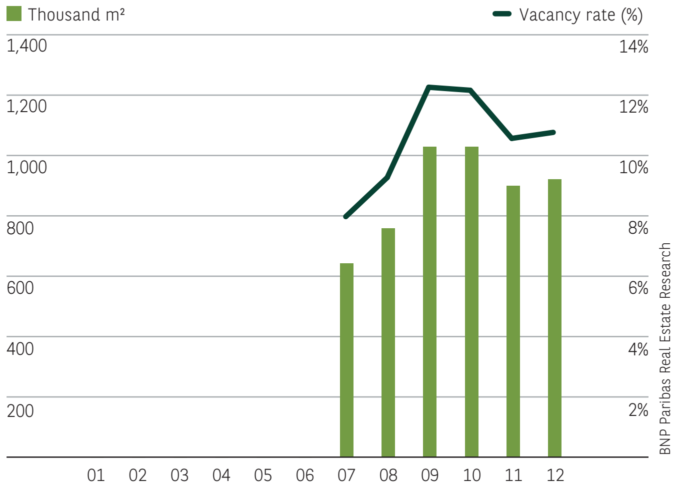
NET ABSORPTION



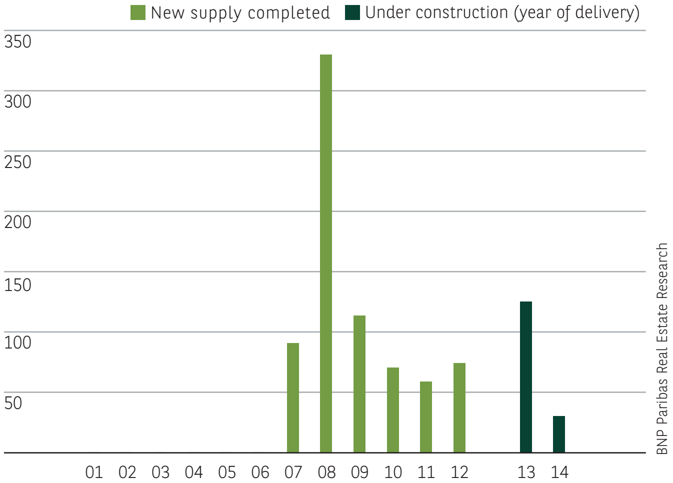

## NO MAJOR CHANGE IN VACANCY

The overall vacancy rate in Helsinki Metropolitan Area was 10.8 % at the end of 2012. It is only around 4% in Helsinki CBD while the vacancy rate can exceed 20 % in some secondary areas; the latter is expected to rise due to occupiers' attraction to modern premises. In the city centre, space will be vacated with occupiers moving to the newly built offices in Töölönlahti, this movement is only temporary. Vacancy is also increasing in Ruoholahti area as some major occupiers, such as Nokia, leave their premises. However, some positive signs can be observed in the Ruoholahti rental markets.

SUPPLY



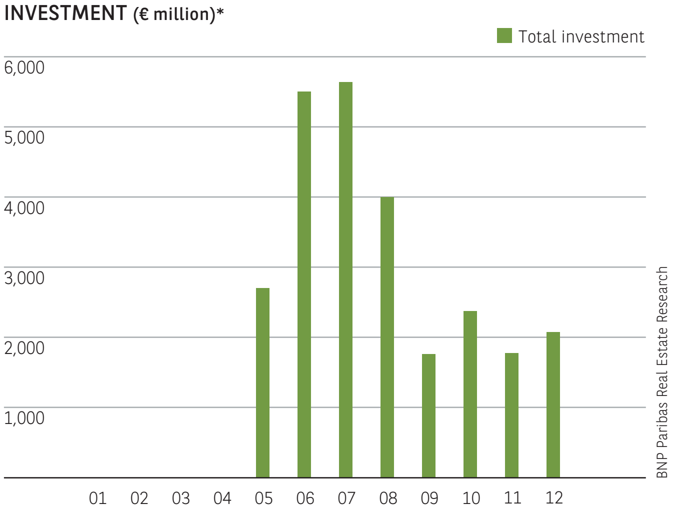
**COMPLETIONS** (Thousand m²)




## NEW SUPPLY CLOSE TO THE CBD

There are 165,000 m² of office space under construction to be delivered in 2013 and 2014. The new construction will provide much needed prime office supply but widen the gap between modern premises and secondary, older office buildings. The major development is in Töölönlahti, a new area near the CBD, with 40,000m² fully pre-let. Also close to the centre, Jätkäsaari is being redeveloped with 300,000 m² of office due to be built between now and 2025.

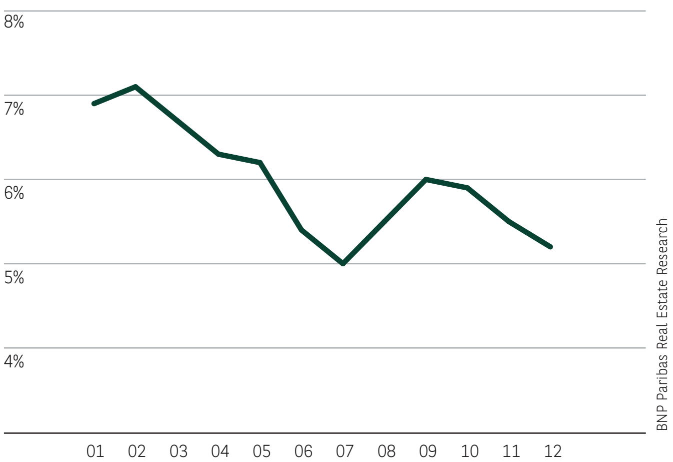
**INVESTMENT** (€ million)*




## STRONG INVESTMENT DEMAND IN THE CBD

Due to its strong position in the rental market, the Helsinki CBD has always been a safe haven and remains the most attractive area in the investment market. Foreign investors focus on Helsinki CBD's assets that will maintain good liquidity even in weaker market conditions. At the other end domestic institutional investors and private investors stay interested in secondary properties within the metropolitan area. But banks are being more critical than before towards funding secondary properties, and this makes trading even more difficult.

**NET OFFICE PRIME YIELD**




## DOWNWARD PRESSURE ON OFFICE PRIME YIELDS

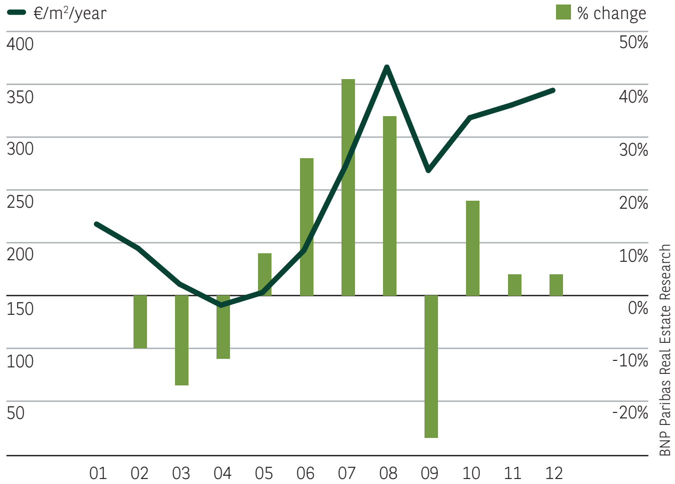
One significant transaction was the sale of the property in CBD Aleksanterinkatu 11 by Nordea Life Insurance to Cordea Savills. The building includes retail and office premises with the sale price valued at approximately € 60 million. The completion of the sale established downward pressure on yield requirements in the CBD. Prime office yields stood at 5.20%, down 30 bp compared to 2011.

# ISTANBUL

## MODERATE RENTAL GROWTH IN THE CBD

Following the 2009 downturn, the effect of the economic recovery on rents was felt sharply in 2010. With recovery, a substantial increase of 18% in prime rents was recorded in the office sector. In the last two years, the prime rent in Levent, the CBD of Istanbul, grew at a steady pace by 4%. It rose from € 332/m²/year in 2011 to € 346/m²/year at the end of 2012.

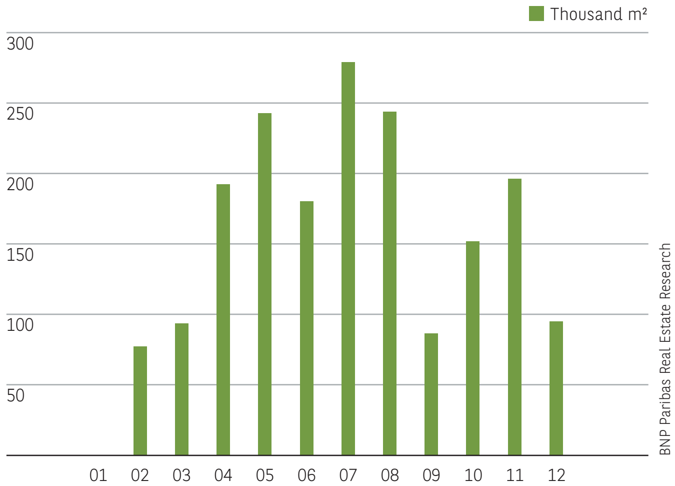
PRIME RENT




## MARKET SLOWDOWN REDUCED TAKE-UP

The decrease in demand in 2009 affected office take-up negatively. A gradual recovery was noticed between 2010 and 2011 and by the first half of 2012, the volume of office take up was promising. However, the market becalmed in the second half of 2012 resulting in a total of 95,000 m² being absorbed overall during 2012 which represents a decline of over 50% on 2011.

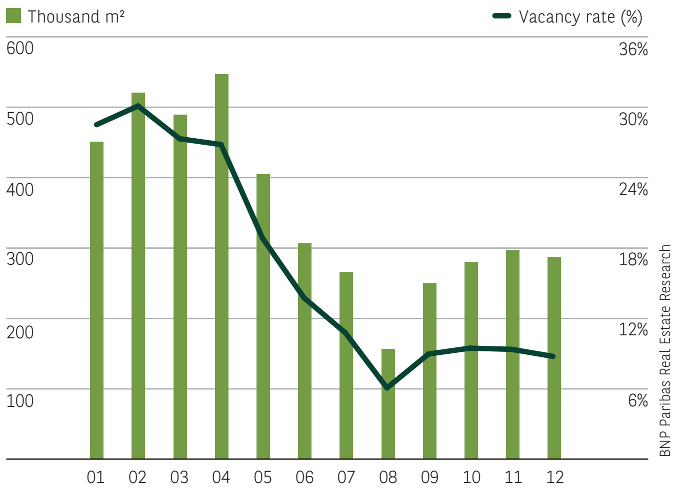
NET ABSORPTION



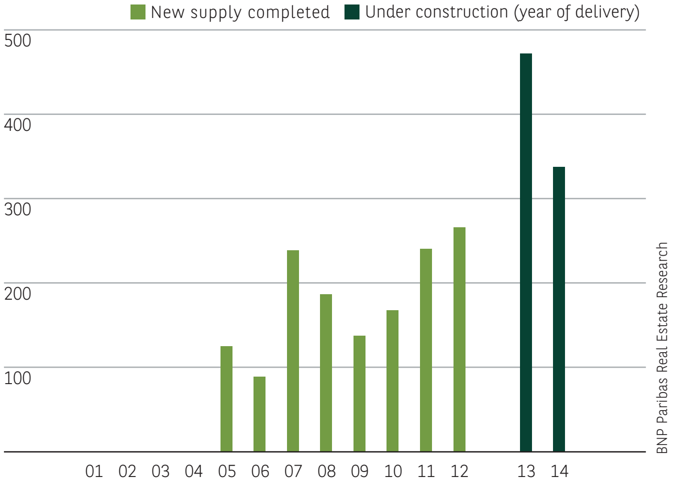

## VACANCY IS LOW IN LEVENT

Office stock stood at 3,200,000 m² in Istanbul at the end of 2012, of which 1,300,000 m² was located in the CBD. Office vacant space accounted for 287,000 m² representing some 8.8% of the total office stock. The highest vacancy rate in Istanbul was seen in Kavacık region at 20%. Supply meets demand in the CBD of Istanbul, especially in Levent where the vacancy rate reached its lowest level in the city at 3.2%. In the coming quarters, it is expected that new deliveries will boost office supply.

VACANT SPACE



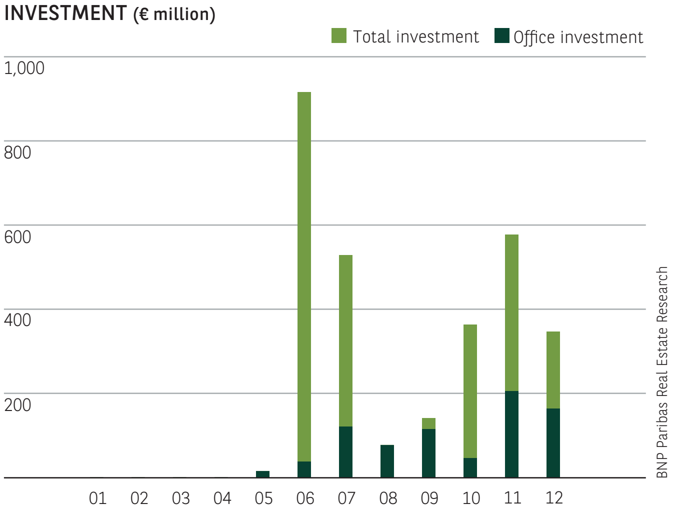
COMPLETIONS (Thousand m²)




## INCREASING DEVELOPMENT VOLUME FOR 2013

New office building deliveries totaled 266,000 m² in 2012. The economic recovery boosted the construction process of new projects and completions reached volumes well above the pre-crisis levels. Office completions in 2013 are expected to reach 417,000 m², a 77% increase on 2012. On the Asian side of Istanbul, the PPP office projects (Public Private Partnership / Finance Centre) gained pace with a large investment in Atasehir Region. Additionally, urban transformation is a growing matter of fact contributing to an increase in office supply in the Asian side in Kartal. On the European side, Kagithane has become attractive to occupiers due to lower rents.

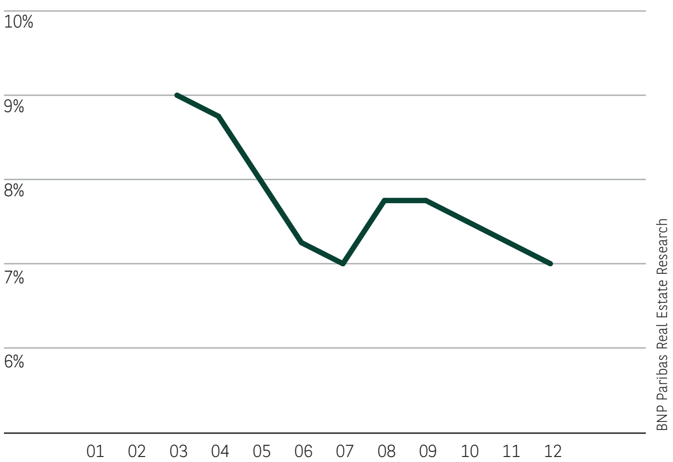
INVESTMENT (€ million)




## LACK OF STOCK HAS SEEN INVESTMENT VOLUMES REDUCE

In spite of the European economic downturn, investors' demand in Turkey remained relatively strong in 2010 and 2011. During the immediate aftermath of the crisis period, national investors dominated in the market. Activity here has reduced somewhat and in 2012 total investment in Istanbul was 35% lower than in 2011. Although investors have been very interested in offices, there has been a lack of products that are fully let or owned by a single owner in prime areas. In 2012, some 45% of total investment accounted for grade A offices.

NET OFFICE PRIME YIELD




## POSITIVE OUTLOOK FOR YIELDS IN 2013

The prime office yield in the CBD of Istanbul reached 7% at the end of 2012. A noticeable trend is the convergence between prime yields in the CBD and outside the CBD. In 2012, yields were as low as those recorded during the pre-crises levels. This is a sign of returning interest towards Turkish office space.

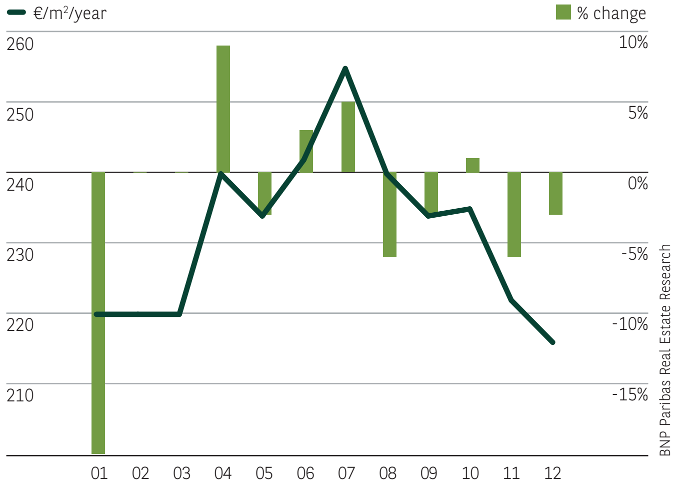
# LISBON

## STABILISATION OF PRIME RENTS AT 12 YEAR LOW

Lisbon prime office rents decreased in the first quarter of 2012 and have stabilized since then. Nevertheless at € 216/m²/year the rent is at the minimum value of the past 12 years. This is the result of the rise in vacant space along with the low take-up level.

There is a general downward pressure on rent levels in all sectors which tends to be more marked in the secondary areas and second hand office space. As the market has adjusted over the past few years, further changes that may occur in 2013 will tend to be residual.

PRIME RENT

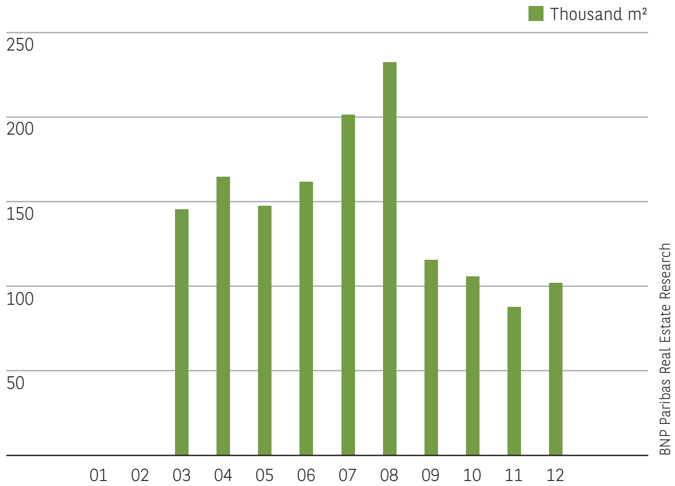



## LOW TAKE-UP LEVELS MAINTAINED IN LISBON

2012 proved to be a year of better performance with a total take-up of 102.000 m², an increase of 16% over 2011. Although this is a positive sign it is important to understand that some transactions result from the reorganisation of the government departments that occupy the buildings they own in order to rationalise their costs.

Nevertheless one of the major transactions of the past years occurred in 2012 with the 12,400 m² take-up of the Zon new headquarters followed by the 7,000 m² of the new CMVM headquarters (Portuguese securities market commission) as well as two transactions by Teleperformance with a total area of 8,000 m².

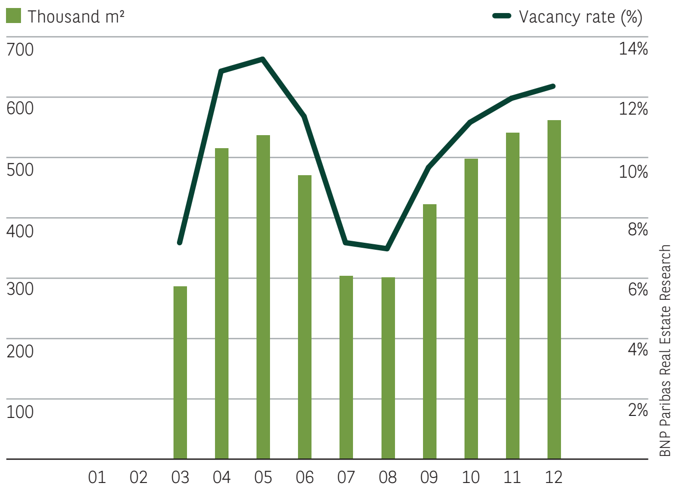
TAKE-UP



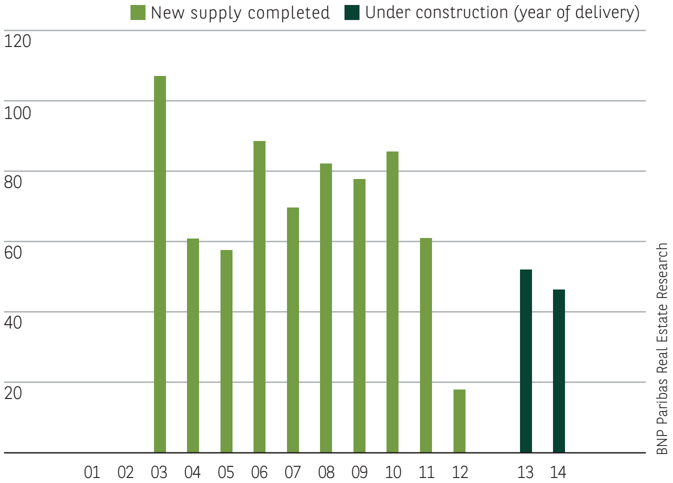

## VACANCY RATE INCREASES HALT TEMPORARILY

Although the vacancy rate has recorded its highest level since 2004, it stabilized at 12,4% in 2012. The reduced absorption has been compensated by new supply shrinkage. In fact the new supply that entered the market in 2012 has been fully let and therefore did not have any impact on the vacancy rate. The vacancy rate could increase further in 2013 if the low net absorption level persists as there are nearly 60,000 m² of new office space that will come onto the market next year.

VACANT SPACE



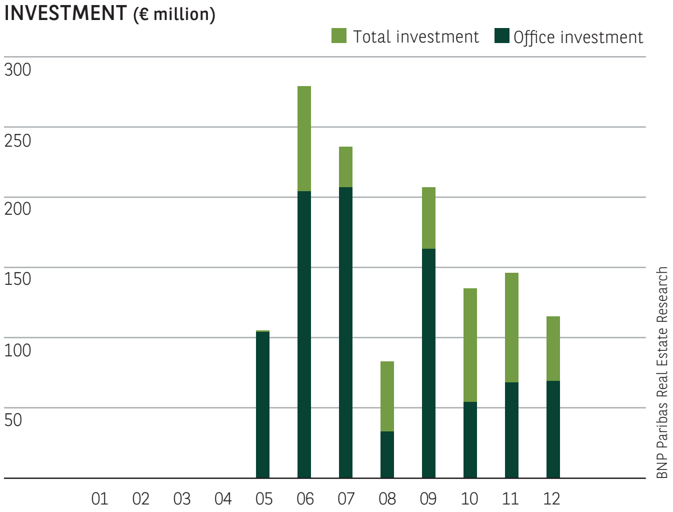
COMPLETIONS (Thousand m²)




## DEVELOPMENTS IN PRIME CBD WILL ADDRESS SUPPLY SHORTAGES

For the first time there was a huge amount of refurbished office space entering the market in the prime CBD. Some 30% of the new supply under construction is located in the Prime CBD for a total of 23,200 m² and 6 buildings. This is a new trend as new developments were concentrated in secondary locations and expansion areas in the previous years. The lack of supply in the Prime CBD that meets clients' requirements and the current standards was one of the main constraints in the office market. The investment in the refurbishment of office buildings is crucial to attract new companies that want to relocate in the core office area of Lisbon.

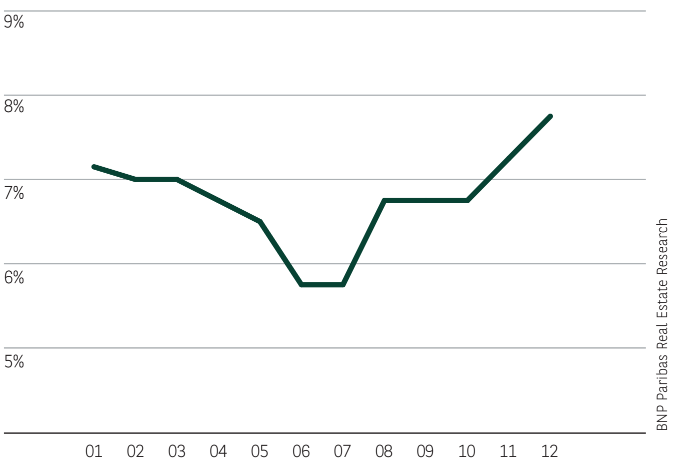
INVESTMENT (€ million)




## LOW LEVEL OF INVESTMENT VOLUME PERSISTS

Total investment in the Lisbon market in 2012 was around € 115 million, a decrease of 21% when compared with 2011 and further down again on the highest peaks of 2006 and 2007 (€ 250 million). The office market investment volume stood at only € 69 million which represented 52% of the total amount invested in Lisbon. Out of the major 5 transactions, 3 were accounted for by the office sector: the Castilho 5 for € 32.7 million, the Microsoft Headquarters for € 16 million and the Axa Headquarters for € 15 million.

NET OFFICE PRIME YIELD




## LISBON OFFICE PRIME YIELDS TO STAY UNCHANGED IN 2013

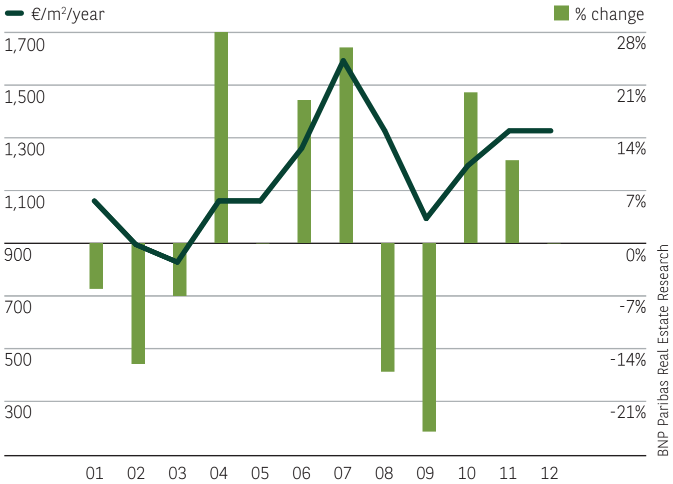
Prime office yield increased by 50 bp and reached 7.75% in the end of 2012. The market uncertainty and the government's austerity measures have strongly impacted the risk of the real estate market. The weak investment volume and the lack of interest from international investors in Portugal are also impacting the general market risk sentiment. As the market has made several adjustments over the last few years, it is expected that the prime yield will remain stable in 2013 and eventual changes will be residual. Nevertheless yields in secondary locations may increase further.

# CENTRAL LONDON

## CORE RENTS ONLY LIKELY TO SEE MINOR INCREASES

Rental growth is becoming nuanced as it is the sub areas that are likely to see strongest growth. Prime rents did not move in the City core during 2012 but at City fringe, rents went up due to strong letting activity from the TMT sector. Core rental values stayed at € 727/m² unchanged from 2011. They are likely to remain flat in 2013 and start to increase in 2014. It is a similar story for the West End. The overall rent of € 1,333/m² established at the end of 2011 in the West End stayed unchanged. Similarly, stronger rental growth occurred in some West End sub-markets.

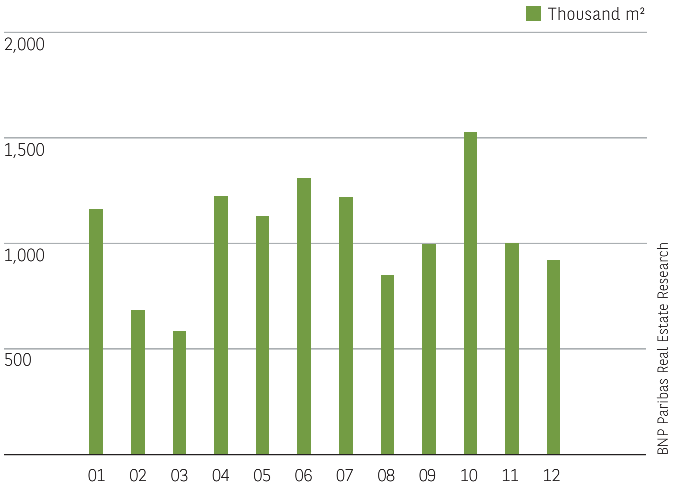
PRIME RENT




## TMT SECTOR BECOMING MORE IMPORTANT AS A SPACE USER IN LONDON

The TMT sector, which currently accounts for 26% of the letting market, continued to grow in 2012 unlike the financial sector (only 12% market share). The City, where TMT and insurance occupiers dominated demand in 2012, ended with a strong final quarter which pushed total take-up by 8% on 2011. Financial sector demand remains weak and jobs continue to be lost - we are unlikely to see take-up improve in the medium term. In the West-End there was a lack of sizeable deals in 2012 partly due to large occupiers being priced out to other locations as rents in the core remain high. Take-up fell by 7% on 2011.

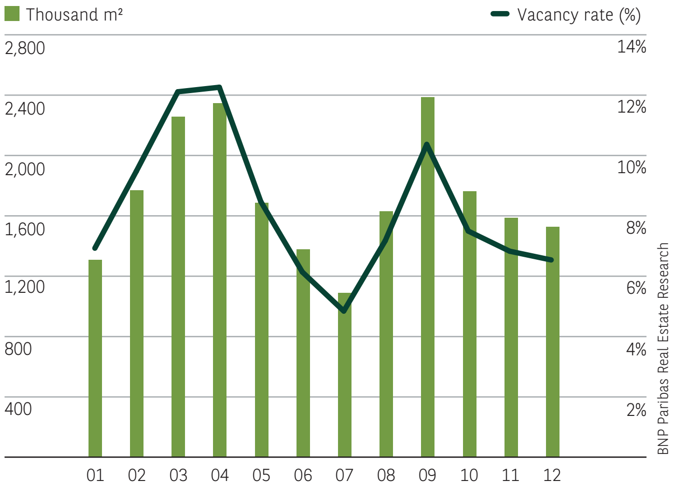
TAKE-UP



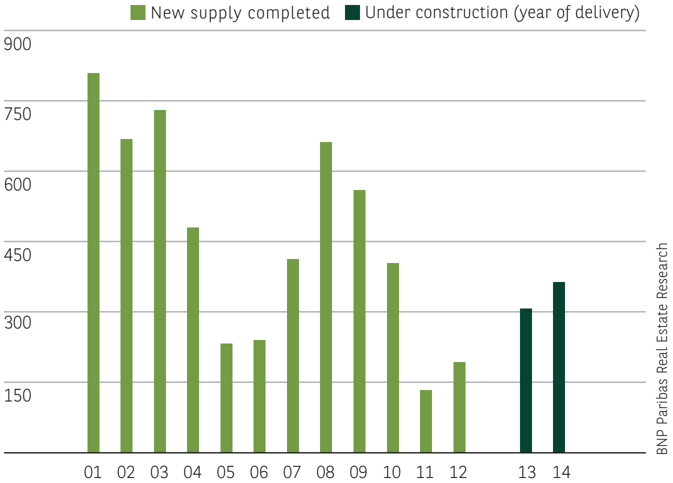

## GRADE A SHORTAGES MAY BE ON THE HORIZON

The overall vacancy rate stands at 6.6% for 2012 compared with 6.9% at the end of 2011. Total supply has dropped to around 1.5 million m². At a submarket level, the vacancy rate In the City decreased to 8.5% compared to 9.2% at the end of 2011. Surplus space started being released back to the market from larger financial institutions and lawyers which may cause availability to experience short term uplift. Supply in the West-End stood at 313,000 m² up marginally on 2011. Residential conversion is a big feature in the West-End which will lead to a lack of supply and is a factor in keeping rents high.

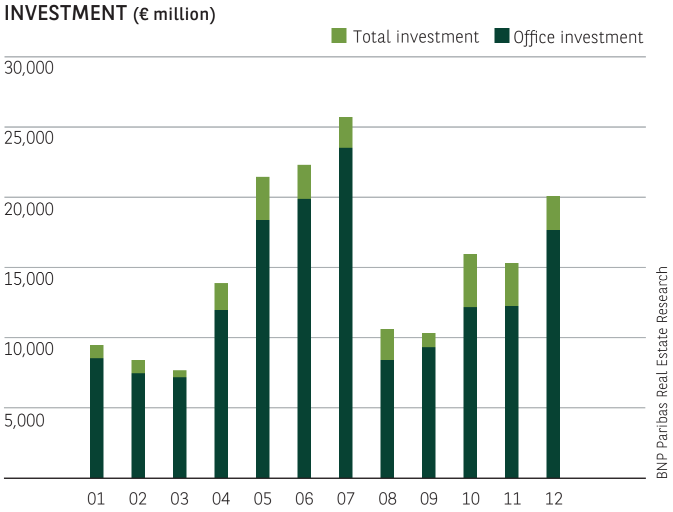
VACANT SPACE



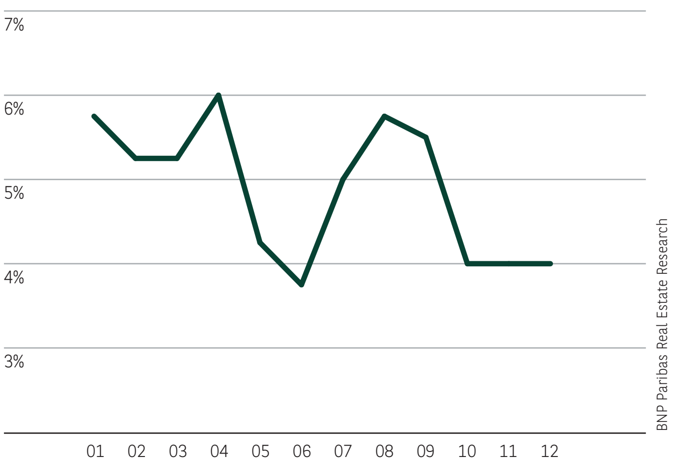
COMPLETIONS (Thousand m²)




INVESTMENT (€ million)




NET OFFICE PRIME YIELD




## DEVELOPMENT NOT LIKELY TO MAKE AN IMMEDIATE IMPACT

In the City completions in 2012 represented just 54,000 m². Although projected deliveries are to rise in 2013/2014 they will remain below the long term average. A couple of major schemes under construction have achieved early-letting success, further reducing the volume of available space being delivered. In the West-End, space under construction rose over the last year and 2013 is set to be a busy year with circa 149,000 m² scheduled for delivery. We expect to see few new schemes get started in the near term across Central London which may lead to shortages of grade A space being delivered in 2015.

## OVERSEAS INVESTORS THE DOMINANT FORCE IN LONDON OFFICES

Total investment in the London market went up in 2012 to around £ 16.2 bn (€ 20.1 billion) with office investment accounting for £ 14.2 bn (€ 17.6 billion). Foreign purchasers remain the key group of investors accounting for 65% of office transactions by value. North American investors lead the way followed by Far Eastern and European (Germany). London's foreign investors have become substantially more diverse, including new players who are keen to acquire large assets costing over £ 100 million (€ 124 million). In 2011, there were 26 deals over £ 100 m (€ 124 m), totalling £ 4.8 bn (€ 5.9 billion). In 2012 these figures rose to 38 deals and £ 7.4 bn (€ 9.2 billion).

## PRIME YIELDS TO STAY UNCHANGED FOR A THIRD CONSECUTIVE YEAR

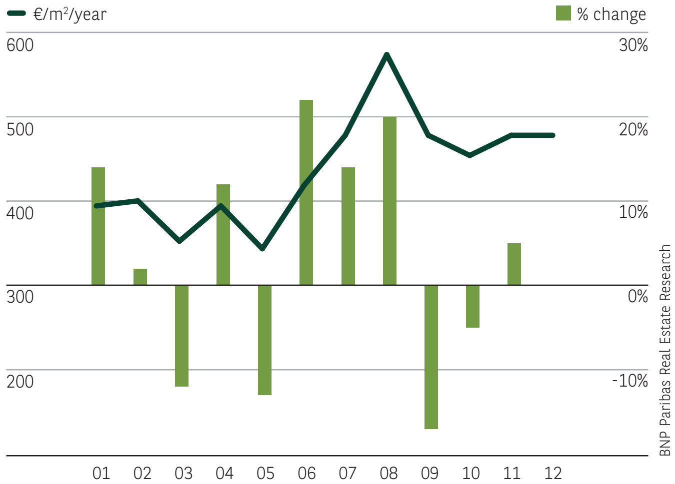
Prime yields in both the City (5%) and West-End (4%) stayed unchanged over the whole year. There is little indication that yields will increase given the weight of money still being directed at London from abroad. The emphasis is on no change but there is a strong probability of yield contraction.

# LUXEMBOURG

## RENTAL STABILITY AHEAD

The falling vacancy rate kept office rents at the same level as last year with prime office rents unchanged at € 480/m² since the first half of 2011. The average rent in the CBD, following the peak recorded in Q1 2012 (€ 420/m²) dropped to € 396/m² reflecting lower occupier demand in the second half of the year. In 2013, the more probable scenario for rents is stabilisation given the anticipated further reduction in immediate supply.

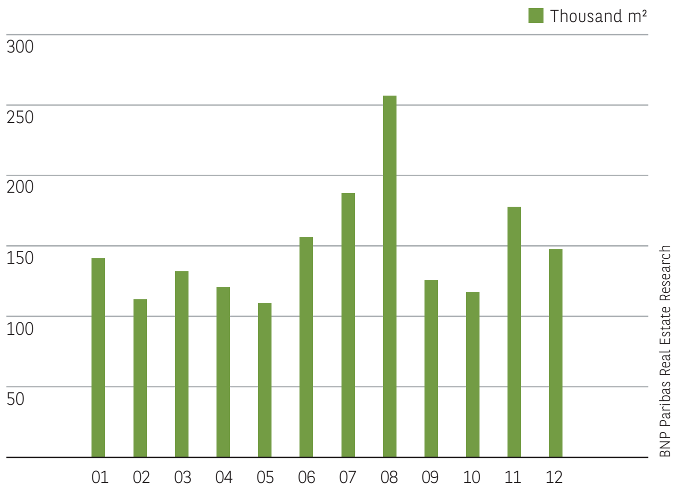
PRIME RENT




## SLOWER OCCUPIER DEMAND IN THE SECOND HALF YEAR

Although 2011 was a very good year for office take-up in Luxembourg, occupier demand in 2012 confirmed the expectation for slowdown. Therefore, total take-up stood at 147,500 m² which represents a 17% yearly decline but this is a level still close to the 10-year average. This fall back in office demand was essentially due to a lack of large transactions that animated the market during the first six months. Take-up in all business segments decreased compared to last year. For instance the financial segment was considerably impacted by the uncertainty surrounding the Euro area debt crisis.

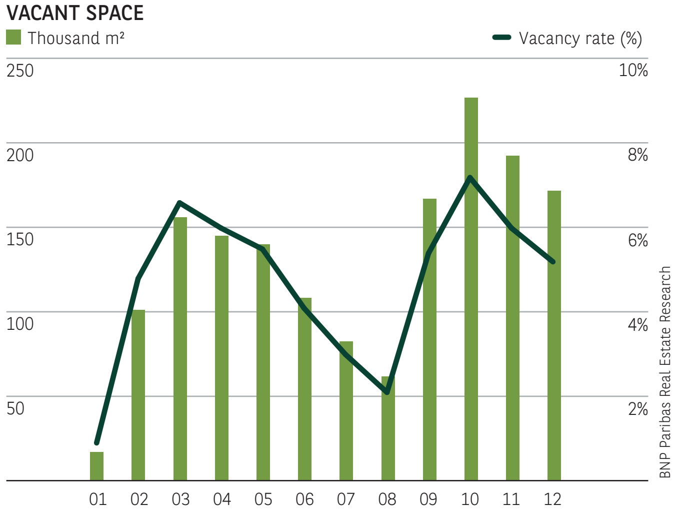
TAKE-UP



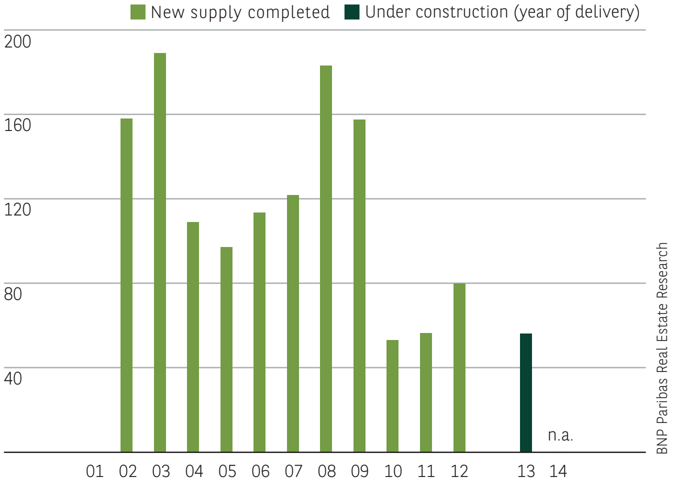

## CONTINUOUS REDUCTION IN VACANT OFFICE SPACE

Thanks to a limited level of completions, office vacant space continued to decrease in 2012 and accounted for approximately 172,000 m² at the end of Q4 2012, dropping by 11% compared to the same period last year. Consequently, the vacancy rate fell from 6% in 2011 to 5.2% closing in the gap with the 10-year average (5.1%). Currently, the vacancy rate is significantly below the average of major Western European markets (9.1%). The on-going contraction in vacant office space is likely to be the dominant trend in the occupier market in 2013 as well, due to the current low pipeline.

VACANT SPACE



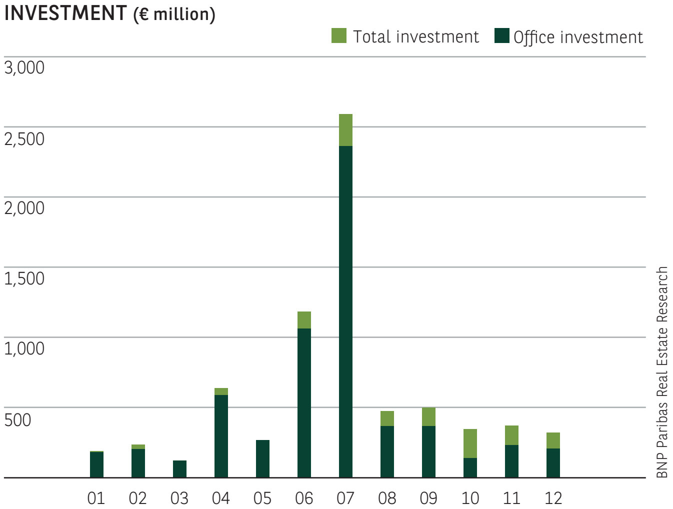
**COMPLETIONS** (Thousand m²)




## SHRINKING OFFICE PIPELINE IN 2013

Office deliveries in 2012 totalled roughly 80,000 m², a figure that is significantly under the average level of the past ten years (116,000 m²). Amongst the projects completed, the largest was the 16,000 m² "Atrium Vitrum" (Periphery-West) in the first quarter of 2012. Other notable buildings delivered include "Central Plaza" (11,700 m²) in Station district, "Stargate" in the CBD and "488" in Merl; most new deliveries are either fully let or with limited space available for letting. In 2013, new supply should be even lower totalling 56,000 m².

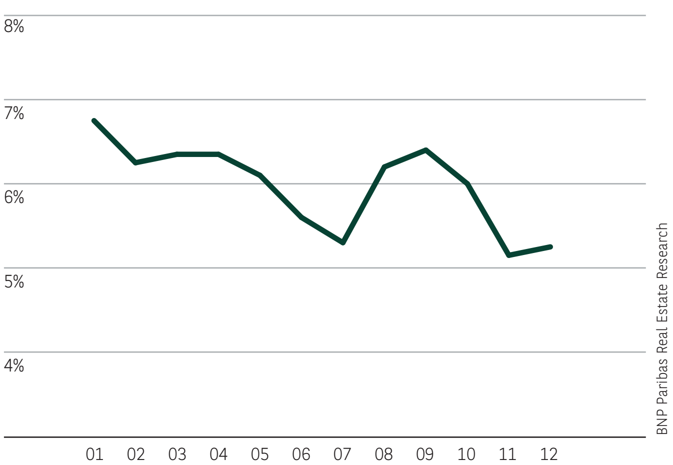
**INVESTMENT** (€ million)




## INVESTMENT AT THE LOWEST LEVEL SEEN IN THE PAST SEVEN YEARS

The slight recovery in the investment market in 2011 was not confirmed in 2012. Indeed, the reinforcement of uncertainty around the Euro area debt crisis had a negative impact on investment markets. The year's final quarter was especially weak with only € 33 million invested which put the total volume at € 318 million. This represents a 13% contraction compared to 2011 and the weak activity is also reflected in the significantly lower number of deals (16 vs. 26). Contrary to last year, Luxembourg investors were less active in 2012; the market was driven by foreign players who made up 72% of the total volume.

**NET OFFICE PRIME YIELD**




## OFFICE PRIME YIELD ROSE MINIMALLY DURING 2012

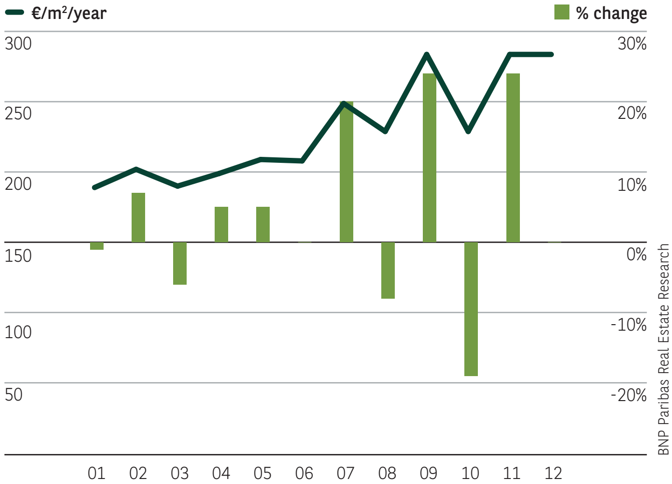
Office prime yield moved out slightly in response to weakened investment activity. Currently at 5.25%, the prime yield remains close to historically low levels and ranks Luxembourg slightly above the average in Western Europe.

# LYON

## THE RANGE OF RENTS HAS NARROWED

The top rent in Lyon has stabilised at € 285/m²/year excluding VAT and charges. As in 2009 and 2011, it pertains to the Oxygène Tower at Part-Dieu. Average rents for new offices have shifted to around € 201/m²/year, with variations between districts. Rents to the west of Lyon (Vaise), where new supply is abundant, are being squeezed. The trend also reflects efforts by occupiers to reduce real estate costs, confining their choice of location to premises with moderate rents. The average rents for second hand buildings have risen in the most fashionable districts and fallen in more outlying areas.

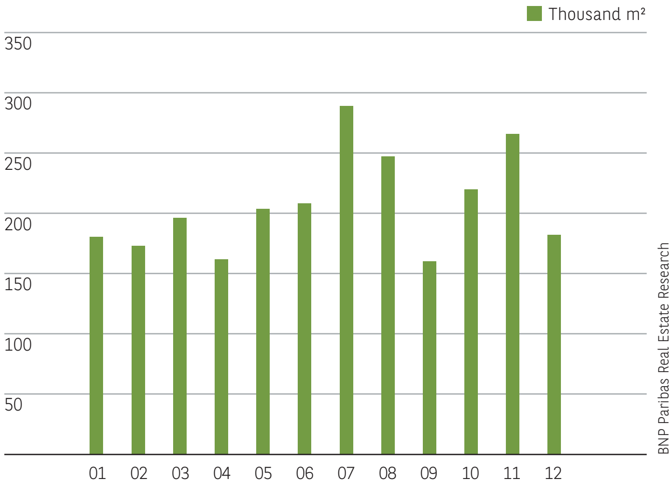
PRIME RENT




## MARKET HELD BACK BY A LACK OF MAJOR DEALS

Take-up fell by 31% in 2012 compared to an historical year like 2011. There was a lack of major transactions (over 5,000 m²): only two compared to eight in 2011. These were a turnkey operation by Véolia at Carré de Soie of 11,300 m² and a pre-let by Atos Worldline of 5,400 m² in Villeurbanne. Part-Dieu, the Central Business District of Lyon, is still the top service hub of the city, accounting for some 20% of take-up. Almost all districts experienced a decline, particularly the city centre.

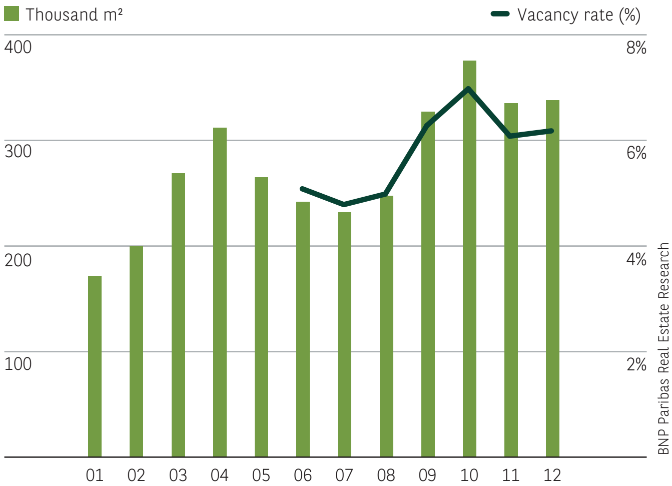
TAKE-UP



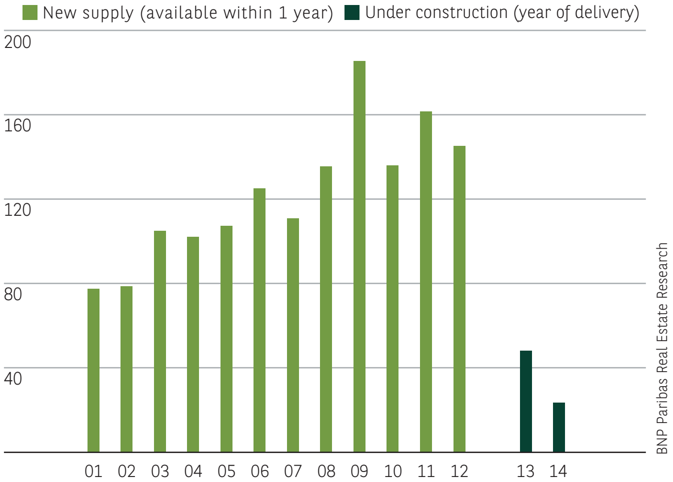

## OVERALL VACANCY RATE PLATEAUS BY END OF THE YEAR

At the end of 2012, availability stabilised for both new and second-hand offices. Major building releases from tenant relocations, notably in the city centre, have meant that second-hand availability remains high. For modern space, the absorption of new availability has been compensated by the completion of new buildings. Half of the existing new supply is in three business districts: Part-Dieu, Vaise and Gerland.

VACANT SPACE



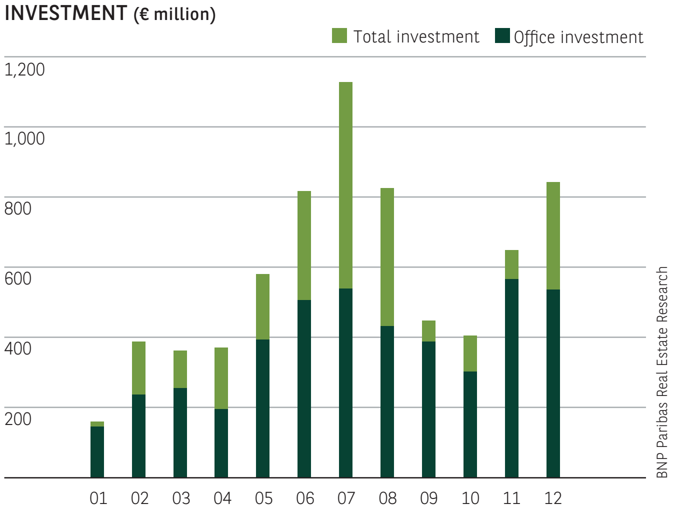
**NEW SUPPLY** (Thousand m²)




## HIGH QUALITY SUPPLY IS STILL RARE IN PRIME DISTRICTS

The volume of building starts has decreased compared to the end of 2011 and represents less than a year of new office take-up. In 2011, the scarcity of new supply in the most sought-after districts led to good absorption of second-hand supply. At the end of 2012, the market lacks new supply, at least in certain districts. However, actual and ongoing completions of buildings, particularly in Part-Dieu, should ease tensions in the market for new offices, but at the expense of second-hand supply that may struggle to find occupiers.

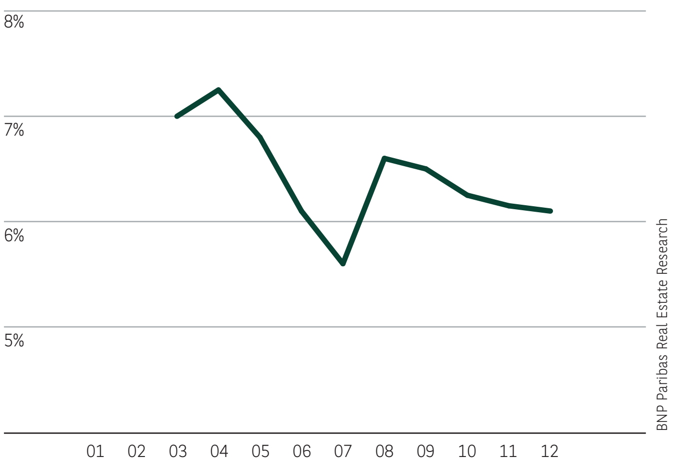
**INVESTMENT** (€ million)




## A RISE OF 30 % IN VOLUMES INVESTED

With € 843 million invested in commercial real estate in 2012, Lyon registered a strong performance compared to 2011 (+30%). At a time when investors are averse to risk, they naturally prefer the most liquid categories. Offices accounted for 63% of this amount. Retail premises were the runners up, representing 23 % of investment. The most significant transaction was the acquisition by Grosvenor of a portfolio of assets which include offices, retail and residential premises for € 313 million. The Oxygen Tower located in Part-Dieu business district was also one of the most important transactions (€ 126 million).

**NET OFFICE PRIME YIELD**



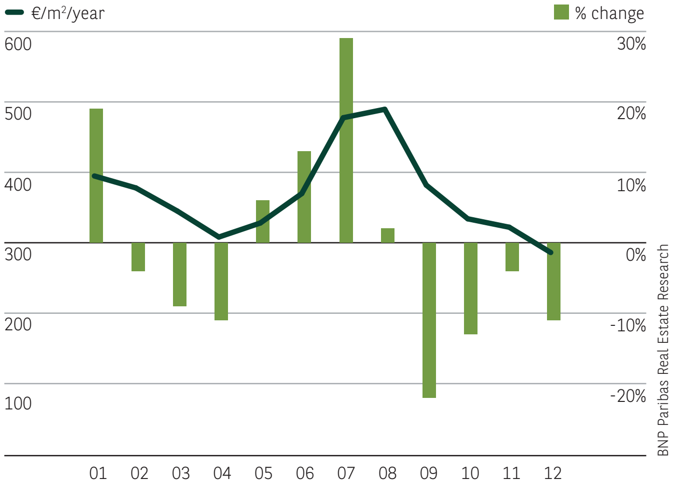

## NO CHANGES ON THE HORIZON FOR PRIME YIELDS

Even though the investment market registered a good performance in Lyon, the office prime yield remained stable at 6.1 % in 2012. Investor demand mainly focuses on prime assets but supply remained very low for this type of asset.

# MADRID

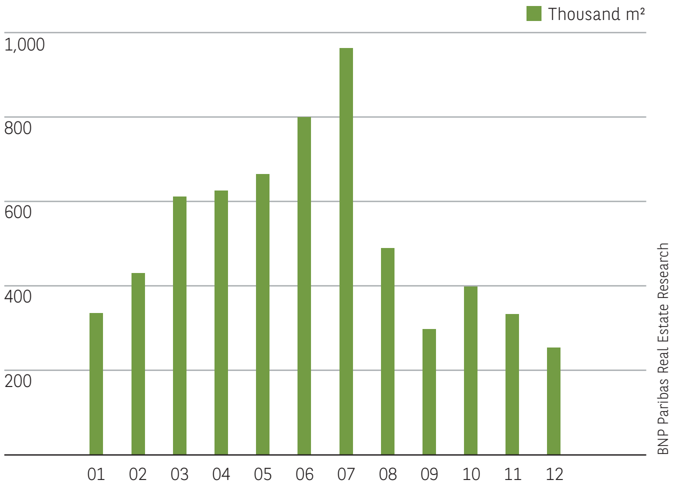
## PRIME RENT DECLINES FOR A FOURTH CONSECUTIVE YEAR

Both prime and average rents were adjusted further down during 2012, reflecting the on-going negative net absorption. Nevertheless, prime rents remained more resilient despite entering a fourth consecutive year of contraction while average rents decline for the fifth year in a row. The sharpest fall in average rents was recorded in the Outskirt (-19%). Against such a weak employment market context, further decline may happen in the isolated buildings of the Outskirts. Moreover, there are extended incentives such as rent-free periods as the vacancy rate stays high.



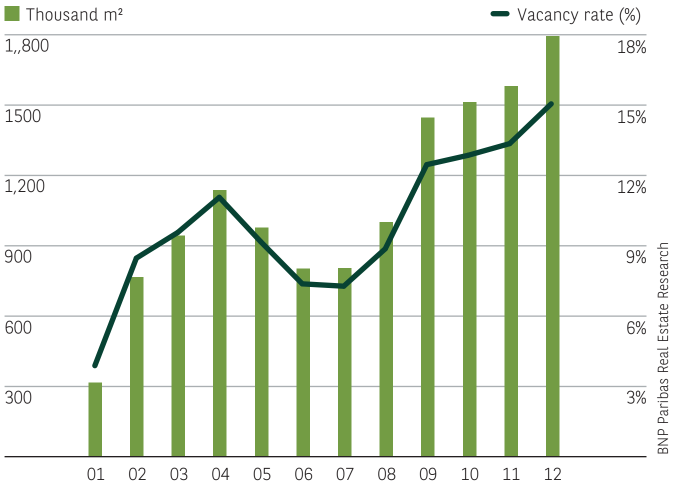

## TAKE-UP HITS A RECORD LOW

Madrid's take-up hit a record low that reflects the difficult local economic context. The rally that traditionally occurs during the final quarter of the year did not happen in 2012. On the contrary, take-up during Q4 2012 slowed down worsened by large-sized transactions that were absent. Tenants are increasingly focused on the CBD which gathered a large majority of deals. Demand for corporate headquarters was postponed in 2012 but this may come as a booster for 2013 take-up activity.

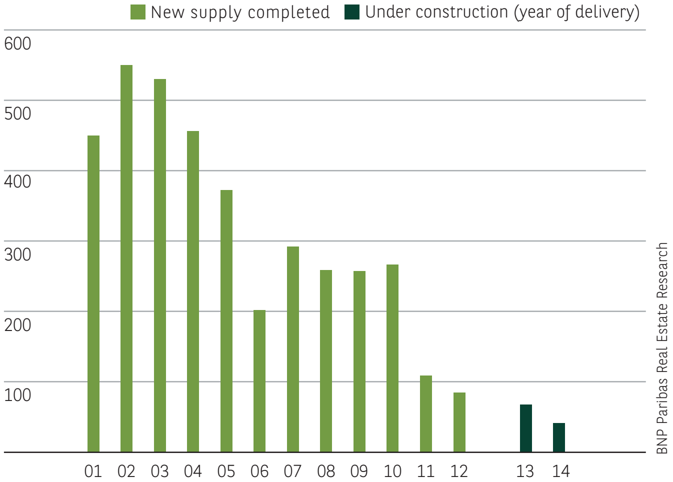



## VACANCY RISE DRIVEN BY A NEGATIVE NET ABSORPTION

Besides a record low level of deliveries, vacant space increased because of negative net absorption. Indeed after two years of positive net absorption, 2012 plunged to – 140,000 m². Against this backdrop, the vacancy rate reached a new record, slightly above 15%. All submarkets recorded a rise in their vacancy rate but second hand availability grew faster.



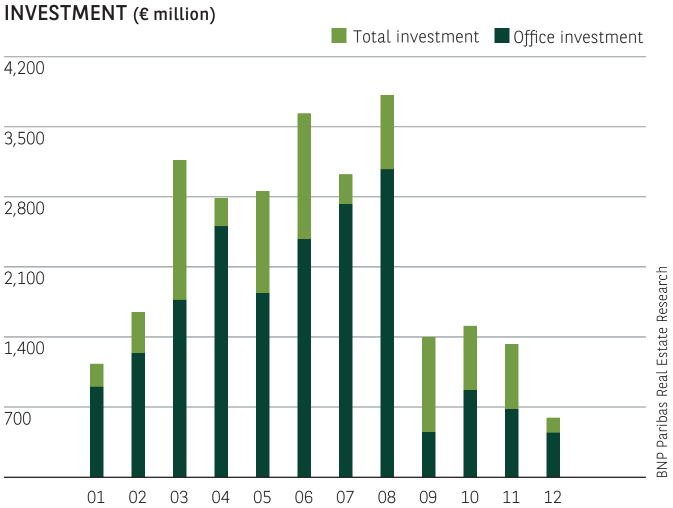
COMPLETIONS (Thousand m²)




## DELIVERIES SLOW DOWN

As a response to high vacancy rates, low take-up volumes and low rent levels, supply in the pipeline remains low. Only 67,000 m² of new office space are expected in Madrid for delivery in 2013, of which 51,000 m² are refurbishments. By 2014 the deliveries will further decline, adding 41,000 m² extra space to the office stock.

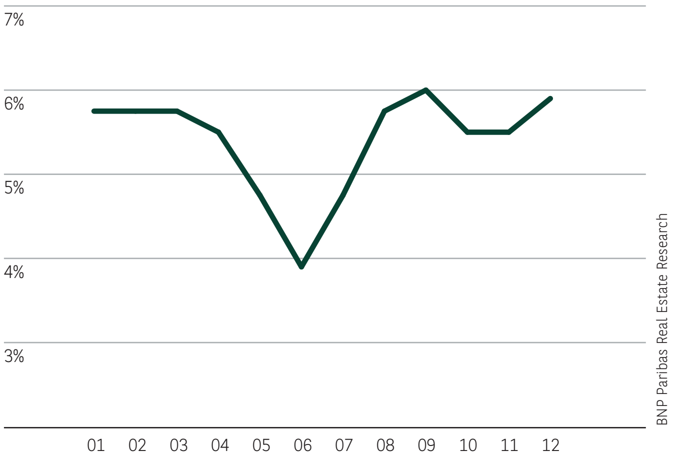
INVESTMENT (€ million)




## PRIVATE EQUITY INVESTORS ARE THE MAJOR PLAYERS

Commercial real estate investment volume in Madrid in 2012 reached € 595 million, by far the lowest results of these last 12 years. However, the last quarter brought a significant increase in investment activity, with a volume three times that of the first nine months. The main players have been local private investors who have enough equity for acquiring small or mid-sized properties without financial leverage. Some international investors also took position in response to the long path of capital value corrections. More activity will be seen in 2013 as prices are likely to cease reducing; opportunistic investors may then take positions.

NET OFFICE PRIME YIELD




## PRIME YIELDS FACE UPWARD PRESSURES

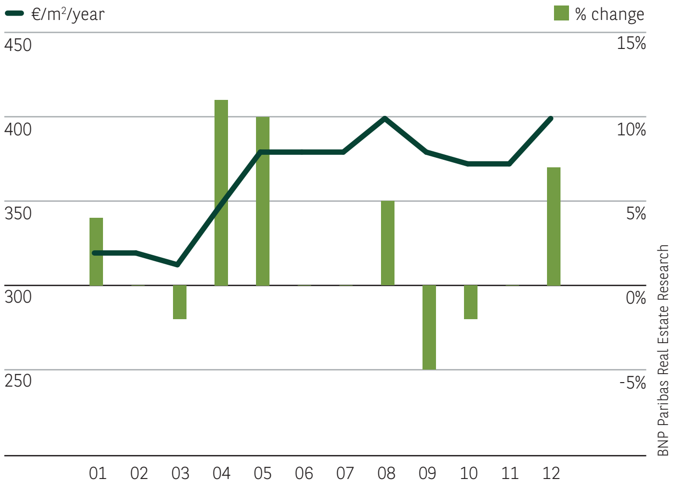
Office prime yields started an upward move in H2 2012 after a period of more than one year of stability. With yields reaching 5.9% in Madrid, expectations of institutional investors are more closely met. This could improve the level of transactions in 2013.

# MANCHESTER

## PRIME RENTS HAVE GROWTH POTENTIAL

Last year Manchester recorded a new top rent of £ 323/m²/year (€ 400) following the completion of two separate lettings. The first was a smaller Q1 deal where QBE Insurance took 640 m² at Chancery Place. This was then followed by the completion of a much larger deal in Q4 when i2 Office let 2,055 m² at Spinningfields. As Grade A supply diminishes in Manchester there could be potential to achieve further rental growth in 2013.

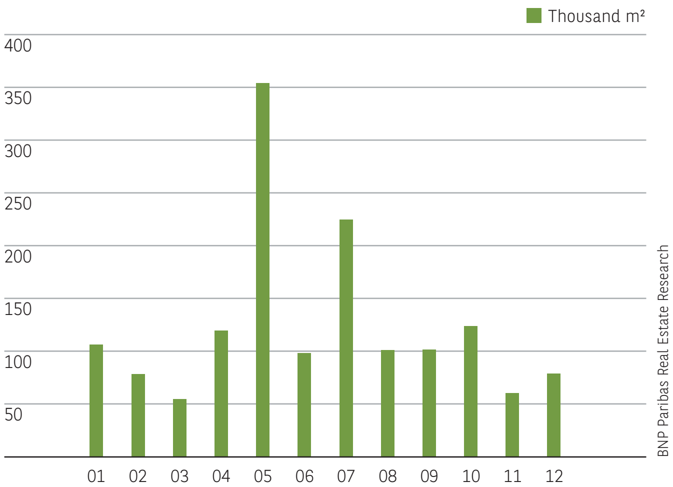
PRIME RENT




## OFFICE TAKE-UP OUTPERFORMS IN 2012

Manchester 2012 take-up outperformed 2011 with take-up reaching 78,700 m² in 2012, compared to 60,100 m² the previous year. Whilst take-up levels remained down on more buoyant years, last years transactional level was certainly an improvement, given the lack of growth in the UK economy last year. This upward trend looks to continue into 2013, with a 2,000 m² deal already completed at 3 Hardman Square, Spinningfields to WorldPay and a further 5,600 m² let to Traveljigsaw at Sunlight House. Barclays Bank is also reviewing its North West operations and is looking at city centre options for a 23,000 m² building.

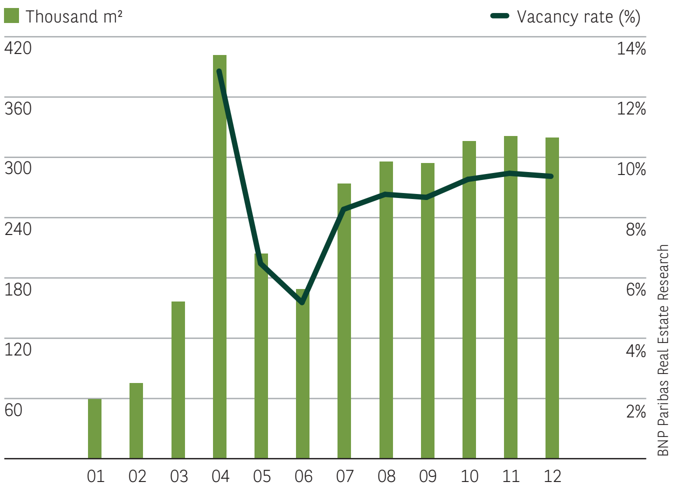
TAKE-UP



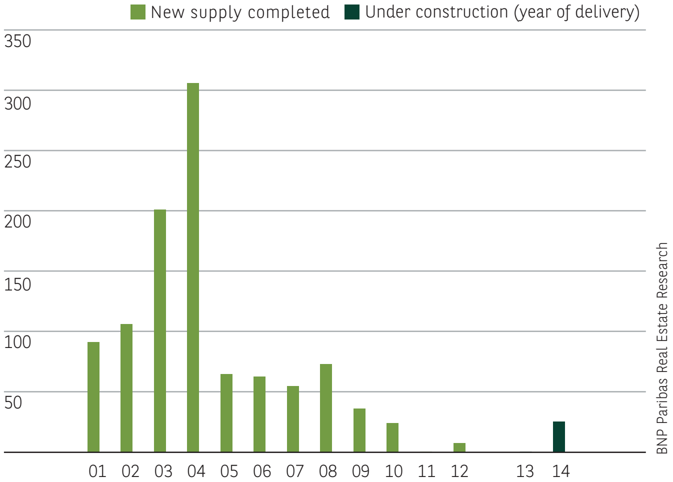

## MANCHESTER AVAILABILITY REMAINS STAGNANT

At the end of Q4 2012 Manchester availability was 321,600 m², which is similar in level to Q4 2011. Whilst the city's take-up improved, there was some speculative space that came onto the market. With no speculative city centre schemes scheduled to complete this year, Manchester should see a fall in its availability level in 2013.

VACANT SPACE



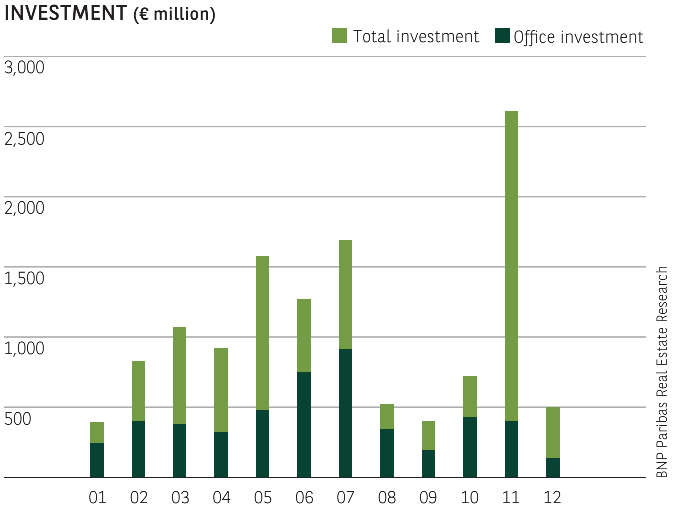
COMPLETIONS (Thousand m²)




## MAJOR SPECULATIVE SCHEME CURRENTLY UNDER CONSTRUCTION

There were three speculative schemes completed in H2, with 3,700 m² completing at Allied London's Tower 12 at Spinningfields, 1,900 m² at Galliford Try's Fabrica in Pollard Street and HIMOR Group's part-speculative 1,700 m² Clarence House in Clarence Street. The big news for Manchester last year was however the Greater Manchester Pension Fund and Argent going under construction on their 25,000 m² One St Peter's Square development following the signing of a 6,000 m² pre-let deal with KPMG in late 2011. The scheme is scheduled to complete early 2014.

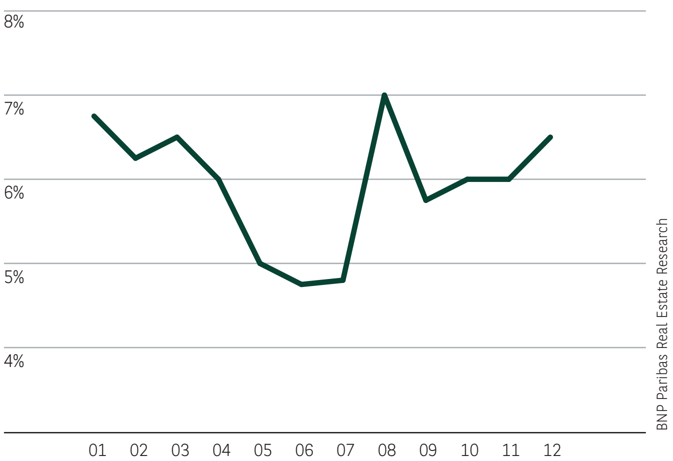
INVESTMENT (€ million)




## A QUIET YEAR FOR MANCHESTER'S OFFICE INVESTMENT MARKET

Manchester remains a popular city for investment, but in office terms acquisitions were more selective in 2012; that may reflect stock issues. The office volume of £ 109m (€ 135m) was 66% down on 2011 and dominated by three deals. The majority of deals were small and of little interest to institutional and overseas investors who were mostly absent from Manchester's office market in 2012. Many of the deals that went forward were for refurbishment purposes reflecting Manchester position as one of the UK's better occupational markets.

NET OFFICE PRIME YIELD




## STASIS CONTINUES FOR PRIME OFFICE YIELDS

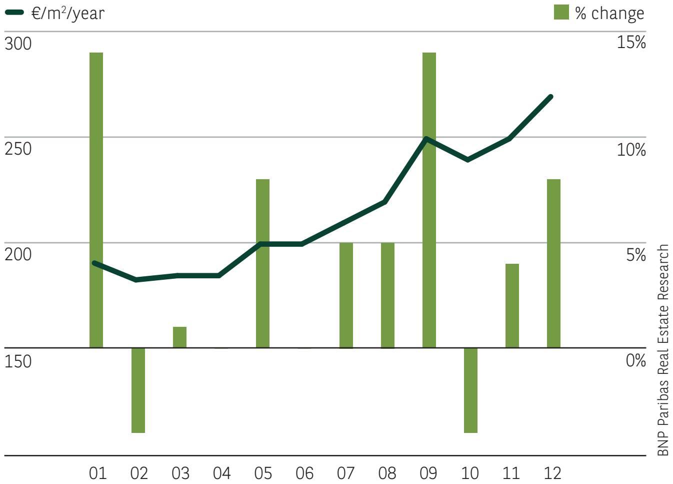
Manchester's low level of office investment activity gave little impetus to changing office yields. Prime yields are not likely to increase in 2013 given investor demand for prime buildings that are harder to obtain in Manchester. And like other UK cities, Manchester may see an increase in secondary yields. Of anywhere in the UK, investor purchase of quality secondary stock is more likely to go forward here given Manchester has some of the most positive market fundamentals among UK regional cities.

# MARSEILLE

## PRIME RENT INCREASES IN MARSEILLE

There has been no dramatic change in average rents for new offices in recent years. They have tended to decline slightly in outlying districts and have held up in Marseille inner-city. Meanwhile, second-hand supply is still abundant, preventing an increase in rents. The prime rent has reached a historically high level of € 270/m²/year excl. VAT and charges for a building currently under construction in the Euroméditerranée business district that has already been let.

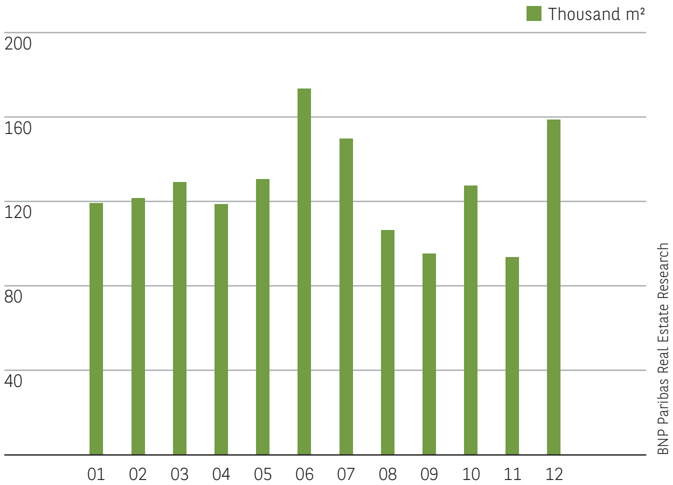
PRIME RENT




## MARKET REBOUND AFTER THE WEAK PERFORMANCE OF 2011

Unlike most other major French cities in 2012, office take-up increased significantly on the Aix-Marseille market vs 2011. Major deals (over 5,000 m²), particularly for owner-occupier and turnkey operations, drove the market in 2012, whereas they were lacking the previous year. This was notably the trend at Euroméditerranée and Aix-en-Provence, with the two combined accounting for over half of take-up in the Bouches-du-Rhône region in 2012.

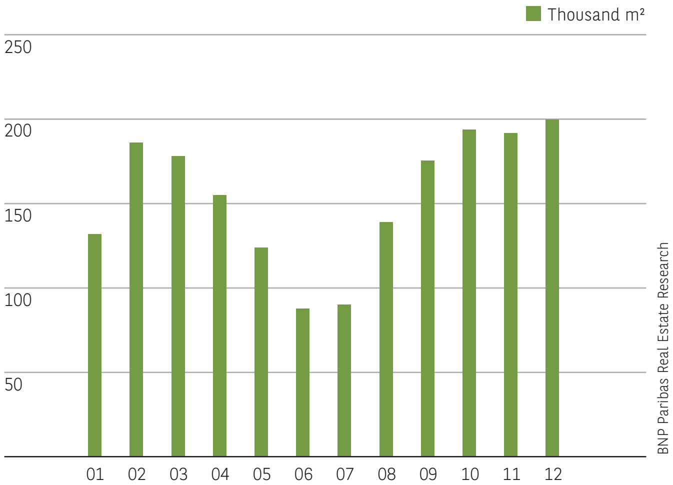
TAKE-UP




## LARGE GEOGRAPHICAL CONTRASTS IN AVAILABILITY

Availability at the end of 2012 was nudging the 200,000 m² mark, with a slight increase in the stock of new supply. On the one hand, this stems from the completion of new office buildings that are arriving on the market. On the other, the absorption of existing new supply has remained limited, as transactions in this segment have mainly been for offices that are not yet built. Meanwhile, second-hand supply has stabilised, but is still at high levels. There are disparities from area to area: second-hand availability has fallen significantly in Marseille inner-city whereas in Aix-en-Provence it has risen sharply with the release of many obsolete office buildings onto the market.

VACANT SPACE

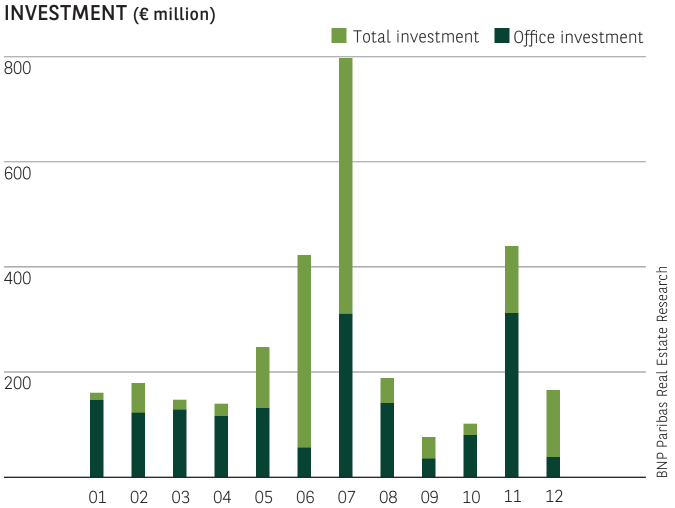


**NEW SUPPLY** (Thousand m²)


## FEW COMPLETIONS BEFORE 2015

A low level of space is still available in office buildings to be completed within the next two years. Most is at Euroméditerranée and Aix-en-Provence, where the demand for this type of asset is greatest. In the Central Business District of Marseille, the shortage of new supply is starting to ease with these new completions and the market will become more fluid with the arrival of major schemes scheduled for 2015-2016.

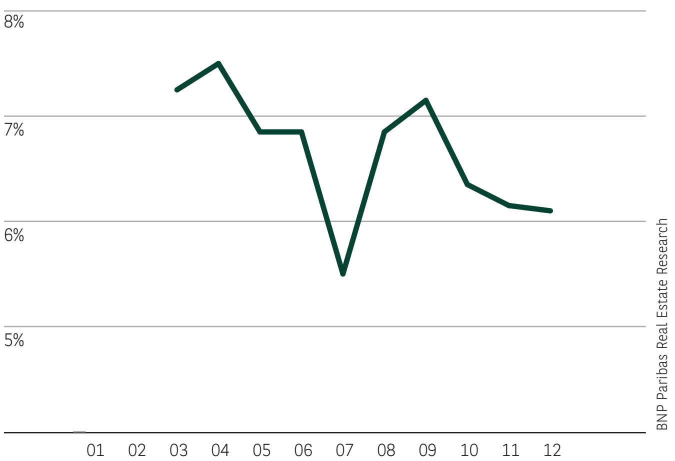
**INVESTMENT** (€ million)




## A SIGNIFICANT DROP IN INVESTMENT

With € 165 million, the volume invested in commercial real estate in Marseille in 2012 plunged sharply (-62%) compared to 2011. Thus, 2011 was particularly exceptional with significant office deals. In terms of asset types, logistics and industrial premises accounted for 42% of the investment volume in 2012, while the proportions of investment in offices and retail were quite low (23% and 26% respectively). However, the biggest office deal was the acquisition by a SCPI of a building in Aix en Provence (7,900 m²) for € 20 million rented with a long term lease.

**NET OFFICE PRIME YIELD**




## OFFICE PRIME YIELD REMAINS STABLE

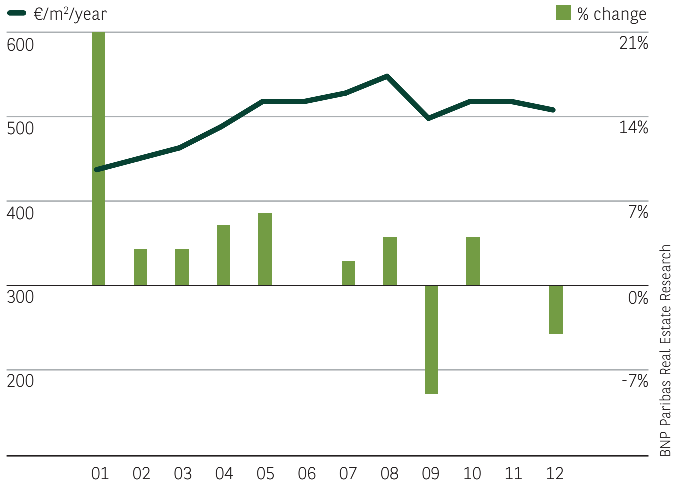
Despite the interest of some investors in regional assets, demand substantially outstrips the supply of the most sought-after category: high quality assets in established business districts let to well-known tenants with long leases. Even though this type of asset is very rare, the office prime yield remained at 6.1% in 2012.

# MILAN

## RENTAL FALL ONGOING OVER 2012 WITH MORE DECLINE TO COME

In 2012, the prime rent in the CBD decreased slightly to €510/m². Rising supply is putting pressure on landlords who instead of having empty premises, now accept reduction in the asking rent since incentives are not sufficient anymore. Therefore, CBD average rents dropped by 18% compared to the level of 2011. This trend is observed in all market districts, with the Periphery registering the lowest fall (-4%). Compared to the previous peak, rental fall was the highest in the Hinterland reaching -25% since Q2 2011.

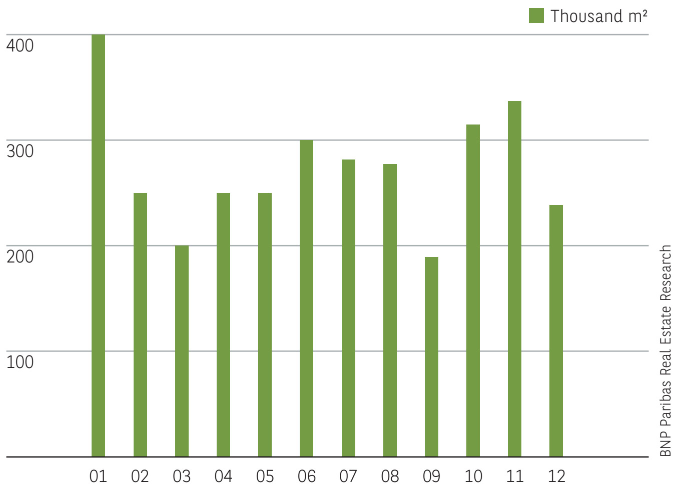
PRIME RENT




## LEASING ACTIVITY IS REDUCING

In 2012, take-up volume reached some 240,000 m², down by 29% compared to 2011. With the start of the new recession, the different indicators of the office market are emphasising a difficult situation. Indeed, with employment drops, the main drivers for companies to move are the rationalisation of their office space in the city to obtain a more efficient occupancy and lower rents. Moreover, a market feature that is being observed more frequently is the renegotiation of current leases to make an immediate saving without having to face all the costs and problems of relocation.

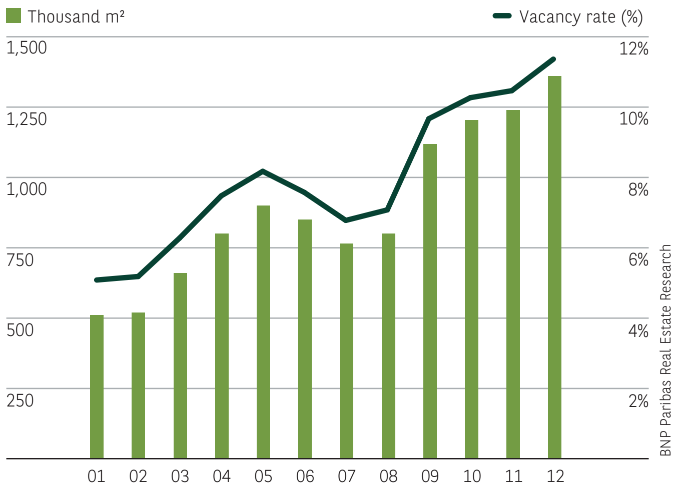
TAKE-UP



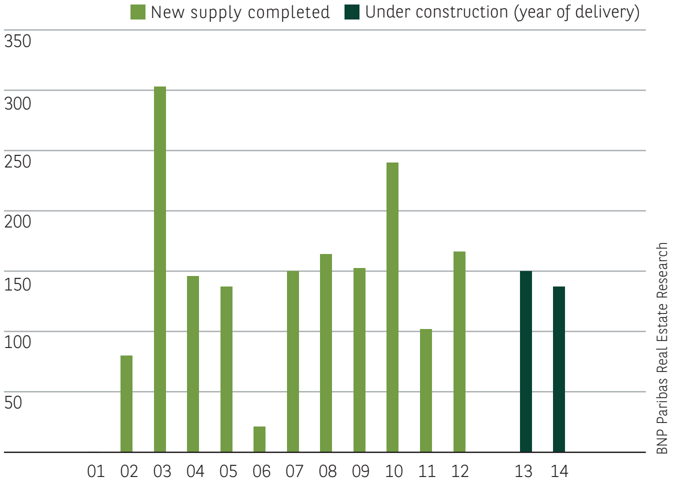

## IMMEDIATE SUPPLY HAS NOT PEAKED YET

Supply volume represents some 1,332,000 m², increasing continuously in the last year (+7%) since companies release more space than they take up, and magnified by important deliveries. Although an increase in the office stock occurred, the rise in the vacancy rate was more moderate at just 60 basis points. Works already started could not be stopped but they were delayed. However, since just a part of those developments being realised is pre-let, net absorption in 2012 was negative. This trend will continue in 2013 and consequently supply is expected to continue its upward trend. Supply is expected to stabilise only in 2014 and then start decreasing in 2015.

VACANT SPACE



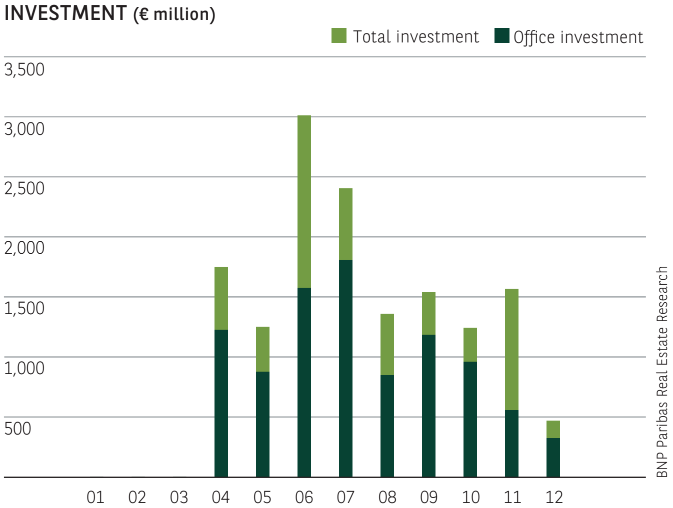
COMPLETIONS (Thousand m²)




## NEW PROJECTS ARE ARRIVING WITH POOR TIMING

Some 166,000 m² of new offices were completed, of which 60% was already rented. This level is higher compared to 2011 in terms of completions but so was the share of pre-let. A similar level of completions is expected in 2013 but with a share of pre-let much lower (20%). Developers would like to wait and find a tenant before beginning works. Conversely occupiers prefer renting space under construction to be sure that the offices will be completed in the agreed deadline. Thus developers have to start works, running the risk of not finding any tenant before completion.

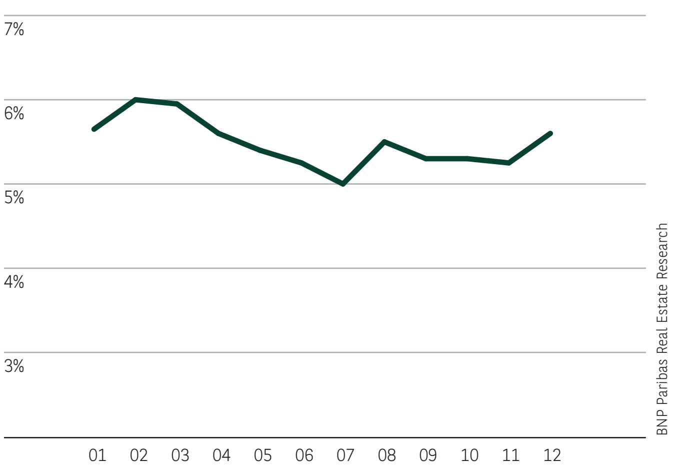
INVESTMENT (€ million)




## OFFICE INVESTMENT IS GETTING RARE

In 2012, the investment market in Milan carried on the trend started in Q4 2011 of strong slowdown. Investment is not only low compared to the previous year but also compared to the previous real estate crisis; just € 469 million of investment were recorded in 2012. Office investment has been rare when usually offices are the product preferred by investors. Indeed, they are now considered riskier since economic conditions may be negative until the end of 2013 and the high volume of supply gives tenants a wider choice and a strong position during negotiations.

NET OFFICE PRIME YIELD




## PRICE CORRECTION WILL HAVE TO CONTINUE

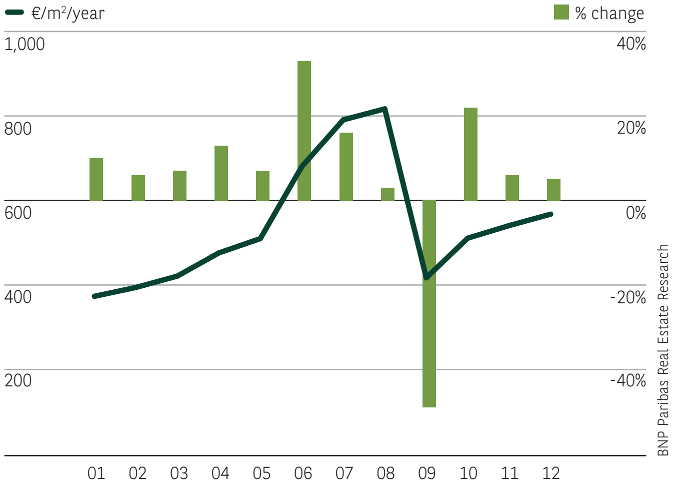
In a market with few transactions, prime yield movement was believed going upward since the overall situation of the real estate and financial markets remained quite critical in 2012. Owners are still asking for yields that are not matching the level buyers are offering: thus the market remains blocked. Looking at the deals closed at the end of the year and under negotiation at the moment, we believe that prime yields are not expected to grow further in 2013.

# MOSCOW

## LIMITED RENTAL GROWTH MAINTAINED

In 2012 rents increased slightly (+5%) for high-quality premises - with a surface of 100-300 m² and located within the CBD - supported by the ongoing reduction in vacant office space. However, rental growth is much less spectacular than in the past two years. In 2012, asking rents for high-quality office buildings ranged between € 500 and € 925, versus € 230-500 for grade B offices.

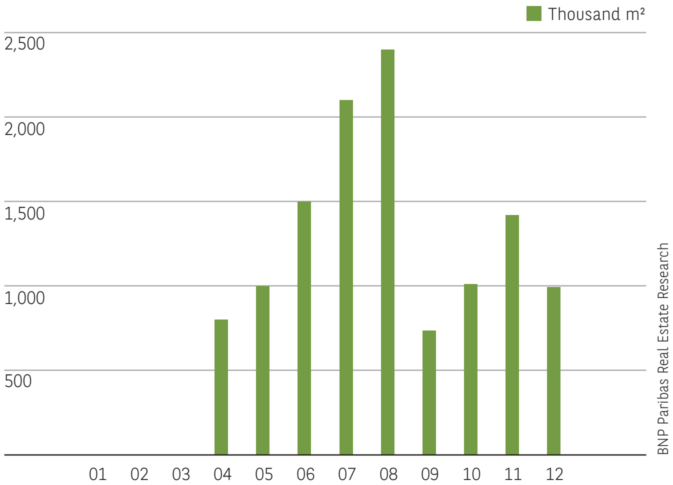
PRIME RENT




## FALLBACK IN OFFICE TRANSACTIONS

Despite the fact that occupier demand picked up progressively during 2012, annual take-up still remained significantly below last year's result. Net absorption was considerably weaker and can be regarded as companies' unwillingness to extend in a more uncertain macroeconomic context. In 2012, most demand came from companies operating in the financial, service and industry sectors. The most dynamic segment proved to be for premises between 100 and 300 m².

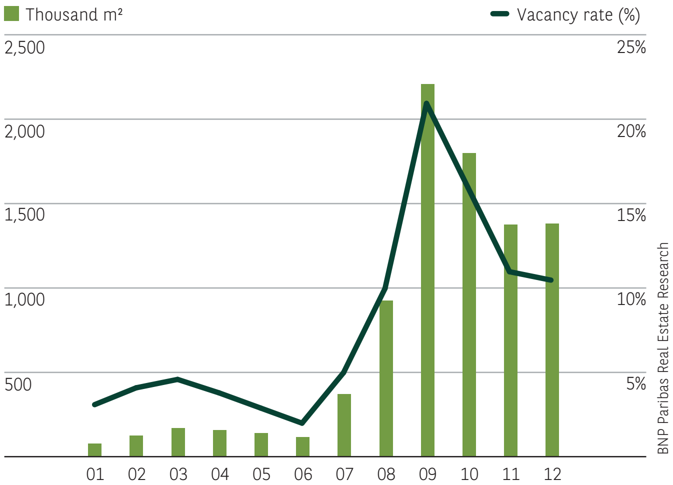
TAKE-UP



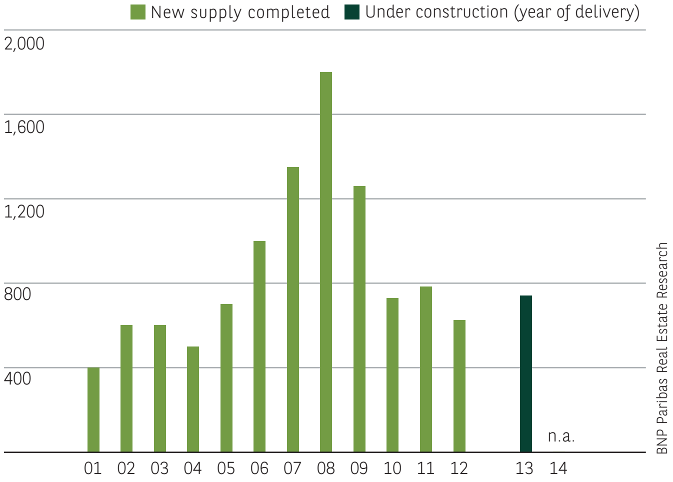

## VACANCY RATE DROPPING GRADUALLY

Vacant office space at the end of 2012 totaled 1.38 million m² which represents an overall vacancy rate of 10.5% versus 11% a year ago. Within the office stock the vacancy rate was 12.5% for grade A and 9% for grade B premises. The gradual reduction in the vacancy rate will continue in the near future, ensured by the shrinking development pipeline.

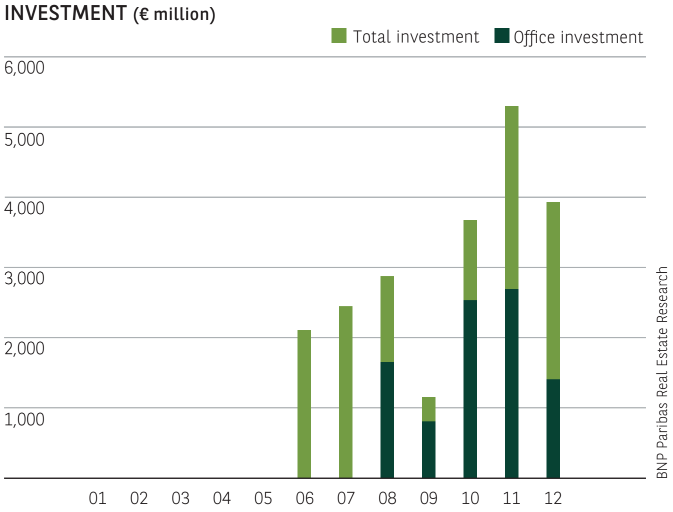
VACANT SPACE



**COMPLETIONS** (Thousand m²)




**INVESTMENT** (€ million)




**NET OFFICE PRIME YIELD**


## MOSCOW MIGHT FACE A SHORTAGE OF QUALITY SUPPLY

The office projects that were put on hold in 2008/2009 were resumed by developers. However, some schemes were still postponed in 2012 (ex. Riga Land, Solutions, Trefoil Plaza, Orbita, and Smart Park). As a result, the volume of completed schemes constantly decreased for the past 4 years. For instance, new supply in Moscow in 2012 (approximately 625,000 m²) was 20% lower than a year before. New office premises were mainly constructed outside the CBD, in the North-Western Administrative Okrug of Moscow.

## REDUCED OFFICE INVESTMENT VOLUME IN 2012

In accordance with the political tensions that marked the start of the year and confirmed economic slowdown, investment volume in Moscow recorded a marked decline in 2012. Not spared, total office investment volume dropped significantly to just € 1,400 million, a results 48% down on 2011. Its market share declined from 51% in 2011 to 36% in 2012.

## COMPETITION OVER SECURED ASSETS PRESSURE YIELDS DOWN

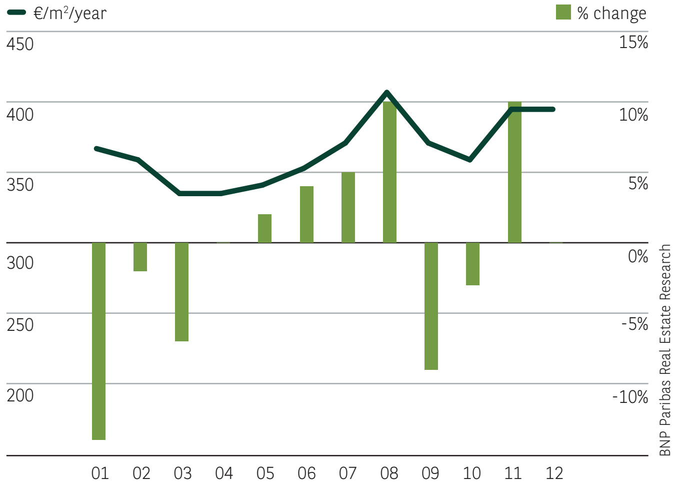
Investors' interest focused only on high quality offices. This led to a drop in prime office yields to 9%.

# MUNICH

## PRIME RENT STAYS THE SAME

Against a difficult macroeconomic backdrop, the prime rent in Munich stayed at the 2011 level (€ 396/m²) and was again reached in the City Centre. In the meantime, several office market zones recorded increases in both top and average rents, reflecting the marked reduction in the availability of modern office premises. Even though the more likely scenario for top rents is stabilisation, average rents for high-quality premises may move further up in good areas.

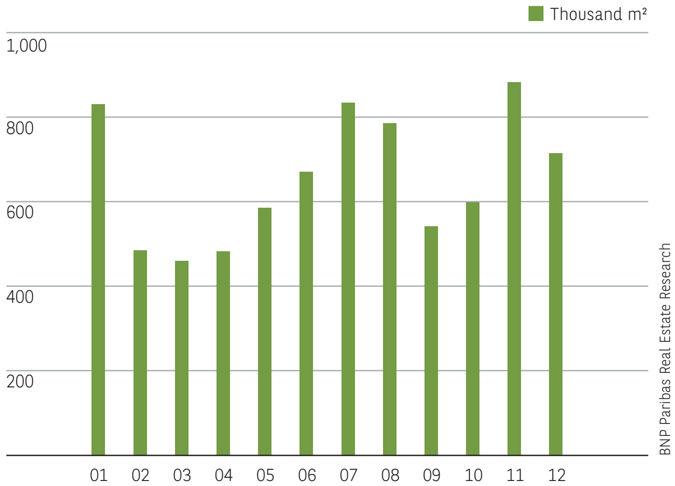
PRIME RENT




## GOOD RESULT BY LONG-TERM STANDARDS

As anticipated, the take-up level in 2012 was not expected to compete with the results of 2011, which were even higher than in 2007. Nevertheless, Munich recorded a strong performance with 715,000 m² of take-up during 2012. Despite a 19% drop on 2011, it exceeds the ten-year average by 9%. The decline in take-up was mainly due to the lower number of deals above 10,000 m² which accounted for about 11% of take-up in 2012 versus 25% in 2011.

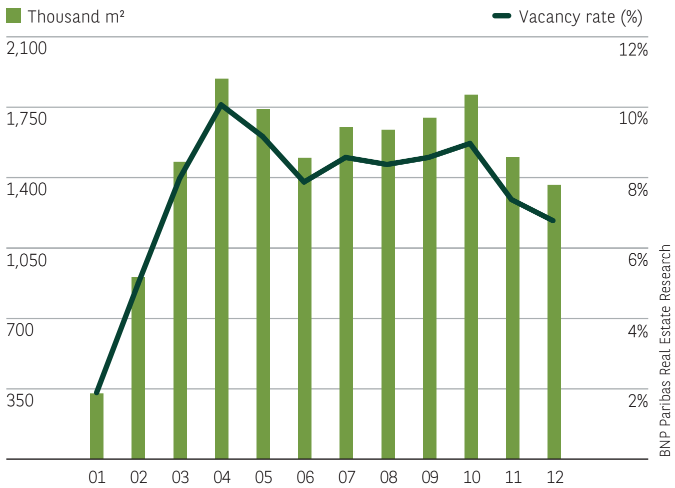
TAKE-UP



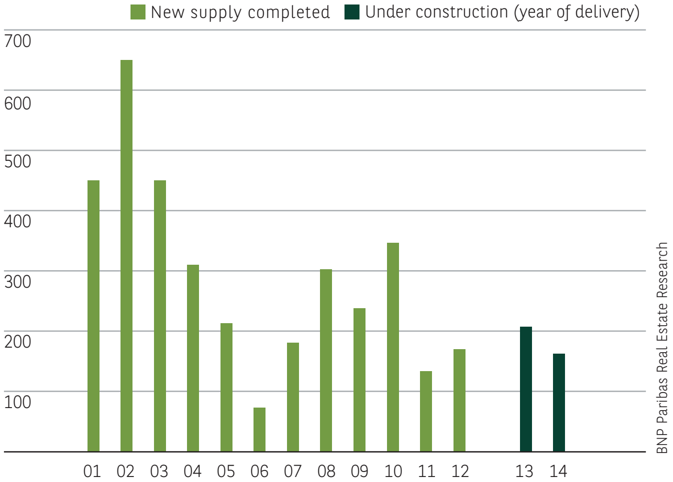

## VACANCY RATE DROPS BELOW 7%

Vacancy continued its decline in 2012. Indeed, the low level of completions these past two years and the strong level of net absorption pushed vacancy down even further. The volume of vacant space, 9% down on 2011, bottomed out at 1.4 million m². Globally in Munich, the vacancy rate was 6.8% while it reached 5.6% within the municipal boundaries. In the City Centre, office space was in short supply.

VACANT SPACE



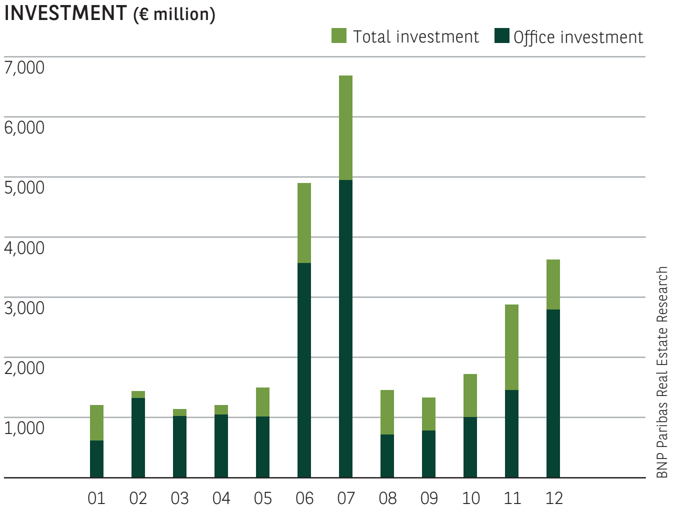
**COMPLETIONS** (Thousand m²)




## CONSTRUCTION PICKS UP AGAIN

In contrast to vacancy, the volume of space under construction in Munich has soared. At the end of 2012, it totalled 427,000 m², 77% higher than 2011 figures. The expansion of building activity is mainly due to the on-going drop in the availability of modern office units. Moreover, despite the strong rise in space under construction, the volume of un-let premises fell by almost 4 % to 131,000 m².

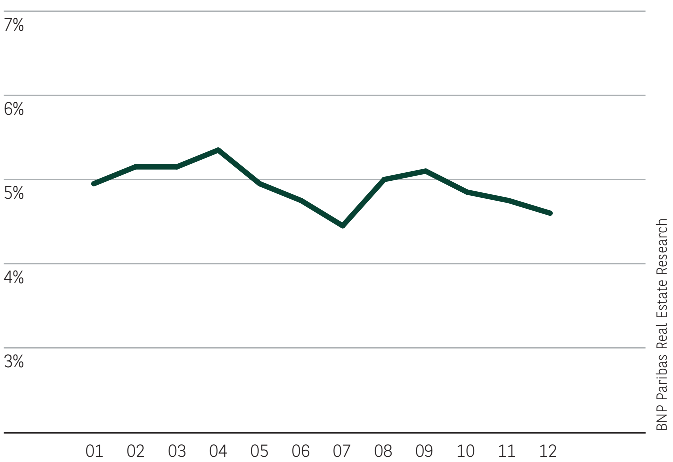
**INVESTMENT** (€ million)




## SUBSTANTIAL RISE IN TRANSACTION VOLUME

Munich asserts itself as one of the key markets in Europe. With a total investment amounting to € 3.6 bn, Munich realised an excellent performance in 2012, exceeding an already good year in 2011 by 26 %. So it is hardly surprising that 2012 volume surpassed the ten-year average by 37%. The marked increase in turnover was mostly due to a succession of single asset transactions above € 100 million, such as the Ten towers, the Palais an der Oper or the Maximilianhöfe. Office premises represented 77% of the total volume invested during 2012.

**NET OFFICE PRIME YIELD**




## LOWEST PRIME YIELDS IN GERMANY

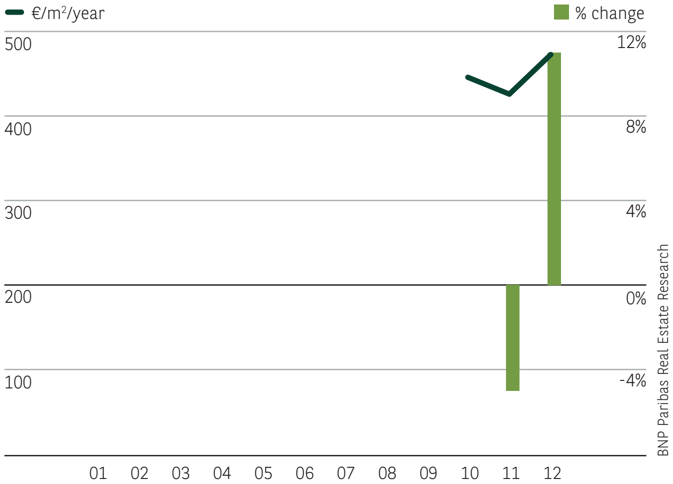
After falling quite sharply up to mid-2011, the office prime yields initially stayed more or less stable at around 4.70%. In the final quarter of 2012, though, the buoyant demand for prime products and the resulting competition among investors made them decrease by another 10bp.

# OSLO

## RENTS ROSE IN OSLO IN 2012

Average rents for all areas were up 6% in 2012, whereas Oslo Centre and Skøyen saw a 2-digit increase in rents. CBD was up nearly 3%. Grade A office rents in the same areas rose even more. For 2013 the trend will continue, rents are expected to increase in central Oslo, with spillover into other areas. Nydalen in particular seems poised and ready to take part in an increase, reflecting a steady fall in vacancy levels throughout 2012. CBD rents are however expected to stay idle, perhaps even fall. The large volume becoming vacant after the release of DNB should have an impact on rental levels.

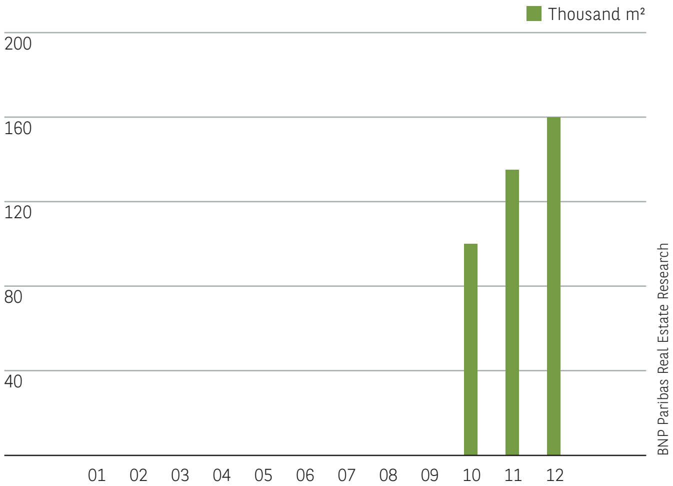
PRIME RENT




## STRONG GDP GROWTH PUSHED-UP NET ABSORPTION

Linked to a strong GDP growth of 2.9% recorded in 2012, net absorption registered an increase of 19% over the year. Oslo Centre has seen several large lease contracts signed in 2012. The effects of the 22 July 2011 bombing led the Government headquarters to lease more than 90,000 m² of office space in Oslo centre and Nydalen. This affected rents, pushing them up to record high levels.

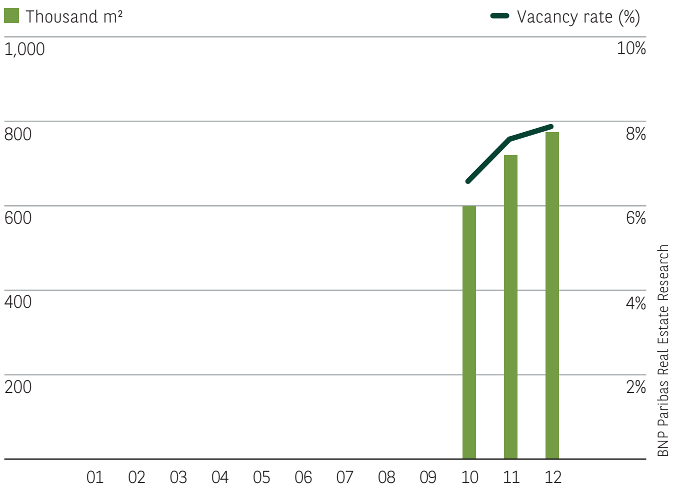
NET ABSORPTION

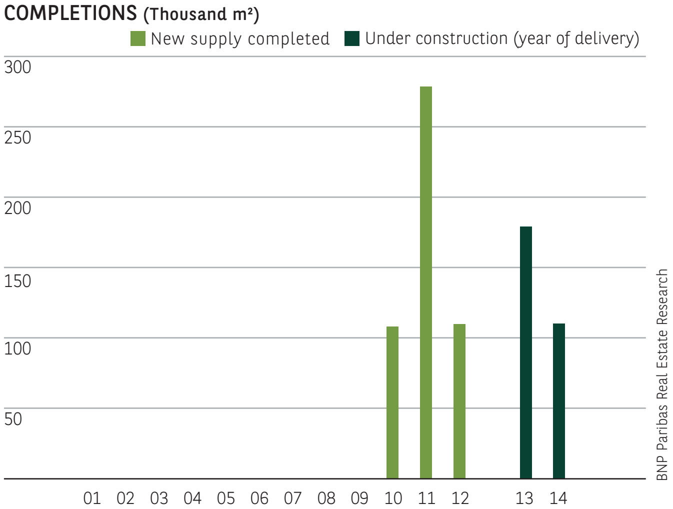



## VACANCY INCREASED SLIGHTLY THROUGHOUT 2012

The total office stock in greater Oslo was nearing 9.8 million m² in Q4 2012, after a record high of 280,000 m² was delivered over 2012 (3% of the stock). Of these, the two largest buildings, Statoil HQ (65,500 m²) and DNB HQ (60,000 m²) accounted for nearly 40% of total deliveries. The vacancy rate increased slowly throughout the year to reach 7.9% in Q4 2012 compared to 7.6% one year before.

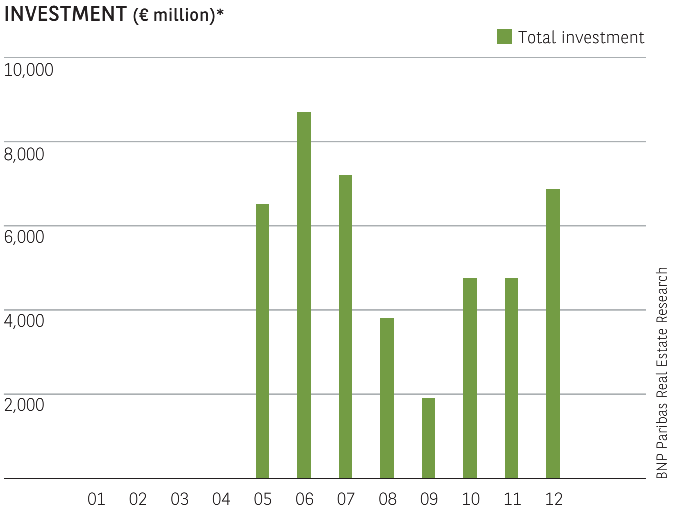
VACANT SPACE






## EXPECTED DELIVERIES WILL NOT OFFSET THE DROP IN THE VACANCY RATE

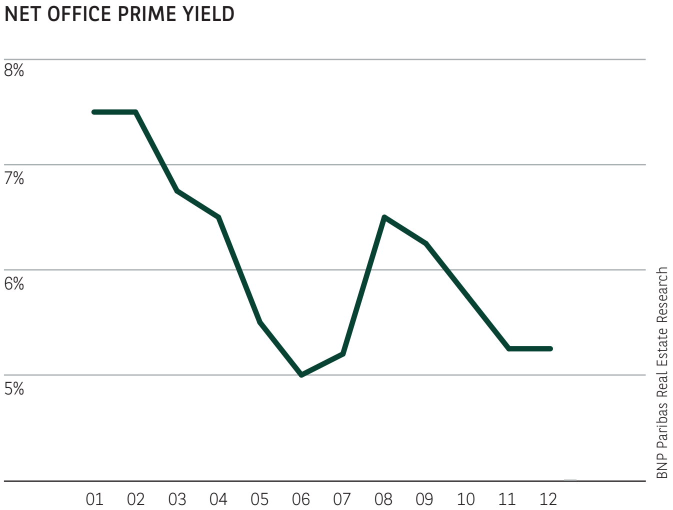
With approximately 180,000 m² to be delivered in 2013 and an estimated 70,000 m² of office space to be converted into residential areas, the vacancy rate is forecast to drop down under 7.5% by the year end. It should fall further in 2014. A continued strong macroeconomic context with high employment growth underpins this scenario. Local markets will of course be affected by micro events, such as the release of 40,000 m² of office space by DNB, thus inducing a substantial increase in the vacancy rate in the CBD.



* Total volume of investment in Norway

## A THRIVING INVESTMENT MARKET

2012 was a great year for the Norwegian investment market. We need to go back to the booming years of 2006 and 2007 to find a parallel. The transaction volume in 2012 ended at NOK 51 billion (€ 6.9 billion), a 45% increase from 2011. In the last quarter, no less than 4 sales exceeded one billion NOK (€ 136 million). The largest sale in 2012 was Sektor's Shopping Centre portfolio sold to a Norwegian consortium of private investors. The largest single properties sold were the DNB HQ in Bjørvika, sold for NOK 4.8 billion (€ 652 million) in Q1 and Statoil HQ in Fornebu, for NOK 3.2 billion (€ 434 million) sale.




## PRIME YIELD IN OSLO CBD STAYS LOW

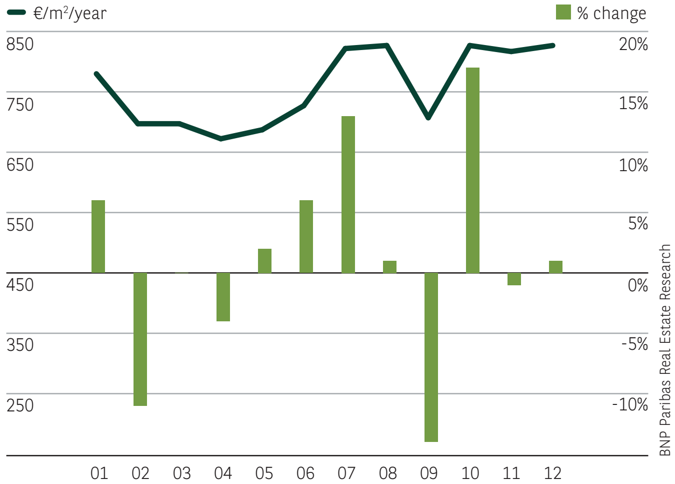
Investors are showing great interest in core office properties and properties with long leases. Yields are kept at bay at low levels, as office prime yield in Oslo CBD bottomed at 5.25%. Residential projects are still attractive and several of the largest transactions in 2012 were residential conversion projects. Secondary properties have suffered a yield increase in 2012, both due to financing issues and risk adverse investors. 2013 is anticipated to stay segmented, with a high yield spread. The prime yield in Oslo is expected to stay at 5.25% in 2013.

# CENTRAL PARIS

## PRIME RENT BACK AT 2008 LEVEL

In 2012, the prime rent in Paris CBD stood at € 830 per m². There were a number of major deals in this asset class over the full year, including the lease by the law firm Hogan Lovells of 7,000 m² of offices at 17 Avenue Matignon in the 8th arrondissement of Paris. In 2013, the prime rent is likely to fall slightly to € 810 m², due to the lack of availability of such top quality and location assets. Nevertheless, some pre-lets are anticipated on buildings due for completion in 2014, and thereby nudge the € 830 mark.

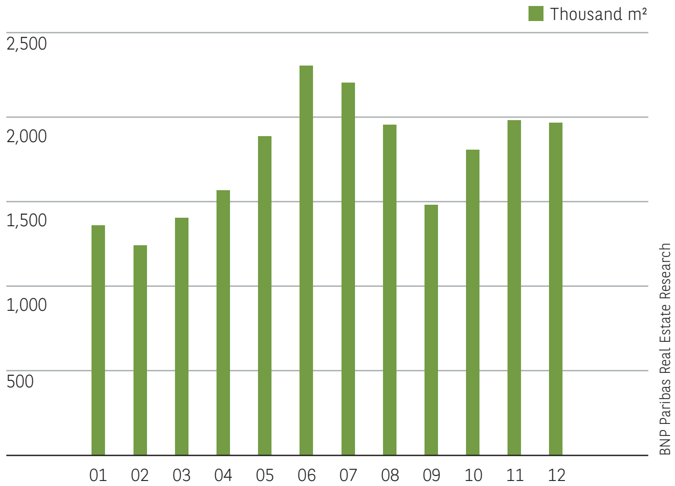
PRIME RENT




## FINE PERFORMANCE BY LARGE OFFICE SPACE IN 2012

Despite the prevailing economic uncertainty, take-up in Central Paris in 2012 neared 2 million m². Unlike small and medium-sized units, the market for offices over 5,000 m² performed well, up 13% over a year. Meanwhile, turnkey deals accounted for about half of all deals for large units, such as that by the Ministry for Defence, which built about 135,000 m² of offices in Balard. In terms of location, although the decline in Paris CBD was confirmed, outlying districts built on their appeal.

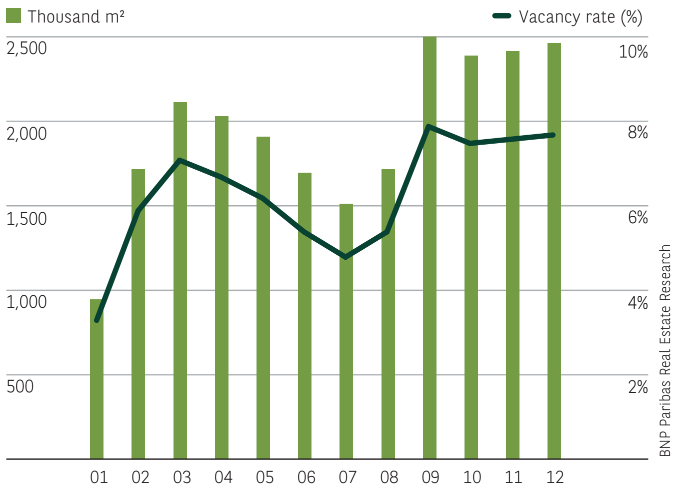
TAKE-UP



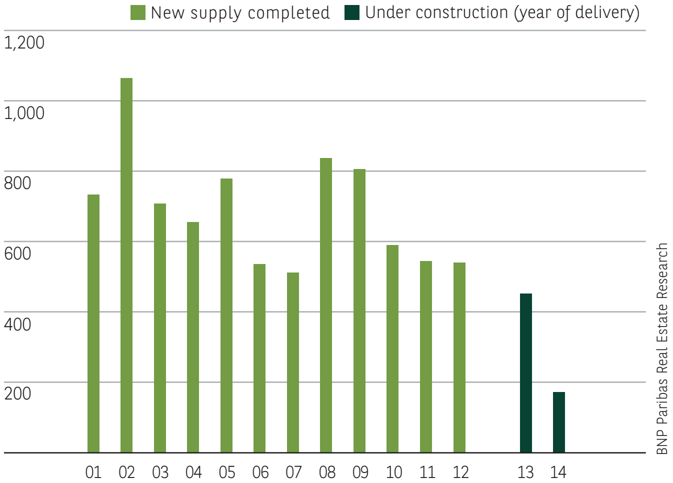

## SLIGHT RISE IN THE VACANCY RATE

Immediate availability in 2012 increased slightly to 2.5 million m². This was notably due to the substantial release of second-hand assets onto the market combined with the low level of building starts. As such, the vacancy rate edged up slightly in Q4 2012 to 7.7%. In 2013, given the lack of economic growth and renewed job losses in Île-de-France, net absorption is likely to be low compared to the plentiful number of completions. For this reason, the vacancy rate is likely to rise.

VACANT SPACE



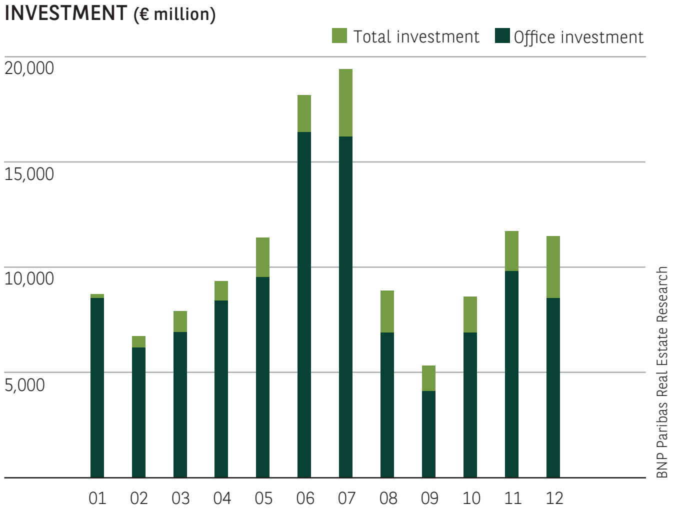
COMPLETIONS (Thousand m²)




## THE LEVEL OF SUPPLY UNDER CONSTRUCTION IS STILL LOW

At the end of Q4 2012, there were 716,000 m² of offices under construction and still available in Central Paris, i.e. an increase of 3% vs. 2011. Despite this slight rise, supply under construction is still below its 10-year average of 756,000 m². Under these conditions, the revived trend of office refurbishment that began in late 2011 is likely to be extended, starting with the weaker districts. Otherwise the market could find itself divided between a fairly low level of new supply and a relatively high number of second hand assets.

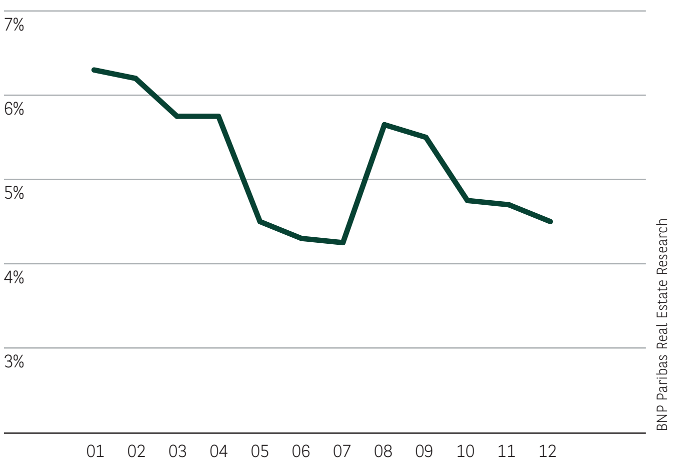
INVESTMENT (€ million)




## SECURED ASSETS ARE STILL FAVOURED

At € 11.4 billion the volume invested in commercial real estate in Central Paris in 2012 was quite stable compared to 2011. Investors, still averse to risk, favoured secured assets in Paris. Foreign investors were very active in 2012, especially sovereign funds from Middle East plus Eastern and Northern Europe. However, the biggest deal remains the acquisition by a Qatari fund of the building currently occupied by Virgin at 52, Avenue des Champs Élysées for over € 500m. The uncertainties about the economic situation and the slowdown expected in the occupier market could impact negatively the investment market in 2013.

NET OFFICE PRIME YIELD



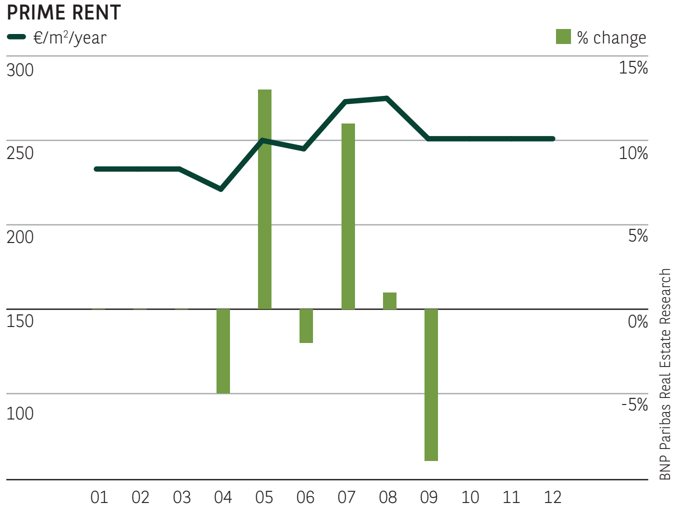

## CONTRACTION OF PRIME YIELD IN PARIS CBD

Office prime yield in Paris CBD decreased in 2012. The undersupply of secured assets in Paris CBD led to high competition between investors. This had a negative impact on the prime yield in this business district. In the other areas, the trend was stable. In 2013, the prime yield in Paris CBD could drop slightly while yields are anticipated to remain stable in the other sub-markets.

# PRAGUE

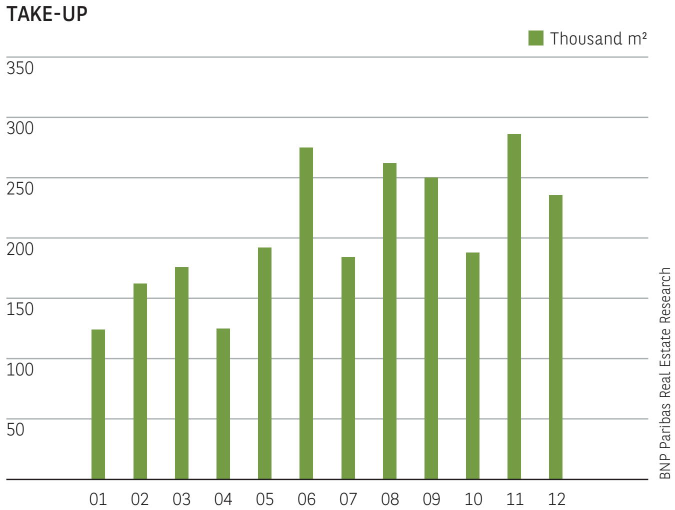
## PRIME RENTS HAVE BEEN UNCHANGED FOR A LONG TIME

Prime rent remained in 2012 at € 240/m² in the City Centre, at € 180-210/m² in the Inner City and fluctuated at around € 156-174/m² in the periphery. As usual, the highest prime rent was achieved in Prague's historic centre. The level has been stable in the capital over the past three years and important rent movements are not expected in 2013.



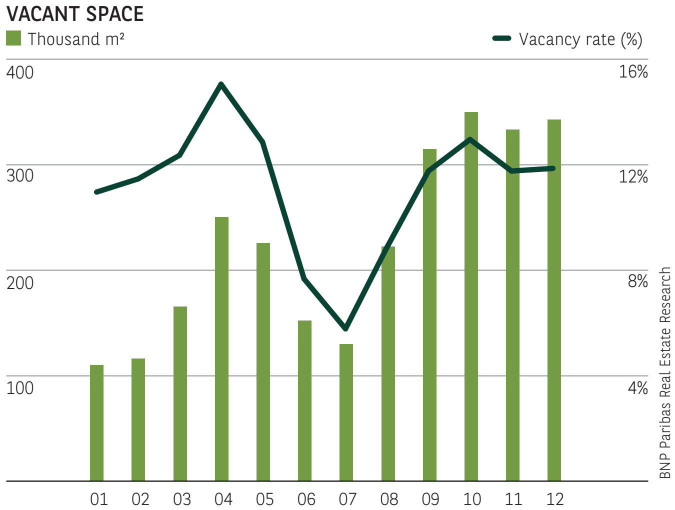

## A SIGNIFICANT INCREASE IN RENEGOTIATIONS OVER 2012

Total office gross take-up reached 237,600 m² in 2012, a 17% decrease compared with the previous year. The share of renegotiations significantly rose from 31% in 2011 to 47% in 2012. Overall, Prague recorded 253 letting deals; the total number of transactions of grade A office space being almost five times higher than the amount of grade B deals.

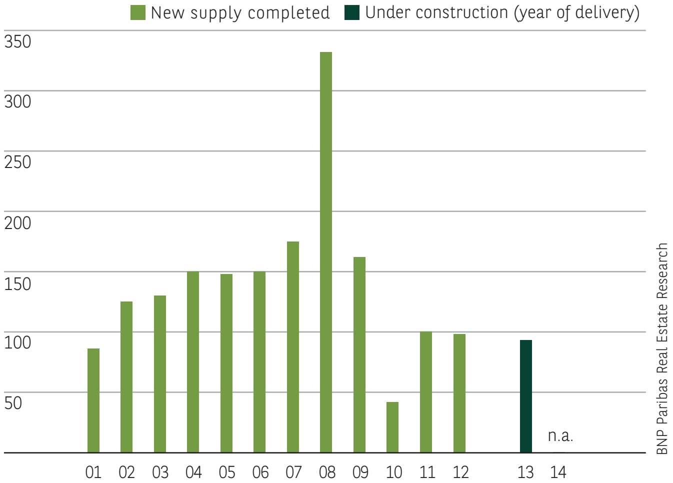



## TOTAL OFFICE STOCK IS ABOUT TO HIT 3 MILLION M²

At the end of 2012 the overall office stock in Prague reached some 2.88 million m². A total of 98,400 m² of new office space was completed in 2012, a slight decline of 2% over 2011. Total vacant space accounted for 343,000 m² at the end of 2012 leaving the vacancy rate roughly unchanged at 11.9% compared to last year.



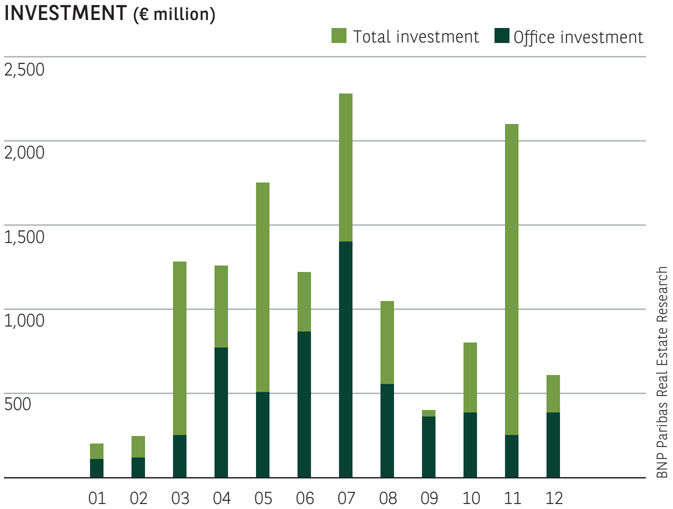
COMPLETIONS (Thousand m²)




## NEW SUPPLY TO BE IN LINE WITH 2012 FIGURES

New supply in 2012 included 11 new buildings, among them River Gardens with 16,900 m² and City West A2 with 15,200 m². There are several office buildings under construction in Prague. One of the largest office developments is Florentinum (49,000 m²) which is located in the City Centre and is due for completion in Q4 2013. Overall, further 93,200 m² can be expected to be delivered in 2013.

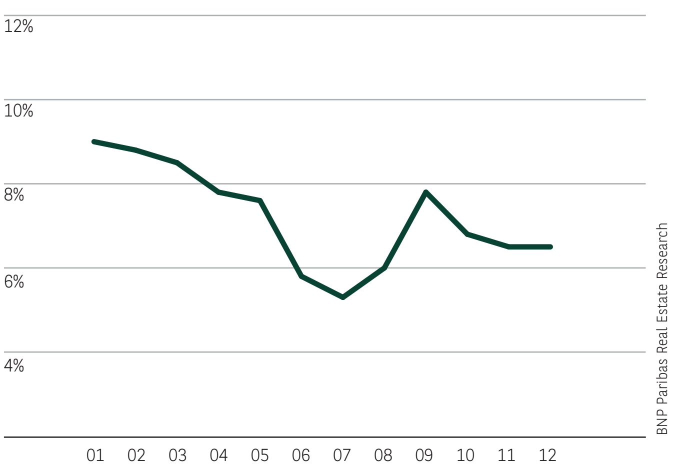
INVESTMENT (€ million)




## LOWER INVESTMENT VOLUMES IN 2012

The investment activity in 2012 recorded a marked slowdown, with only € 610 million invested in commercial property, a 71% drop in comparison with last year's figures. Offices remained resilient, accounting for approximately 63% of the total volume. The key investment deals concluded in 2012 were the sale of the Radio Free Europe Building (€ 74 million), followed by the sale of City Tower, the highest administrative building in Prague (price undisclosed), and finally the sale of City Green Court building to German fund Deka Immobilien (€ 54 million).

NET OFFICE PRIME YIELD




## OFFICE PRIME YIELDS REMAINED STEADY

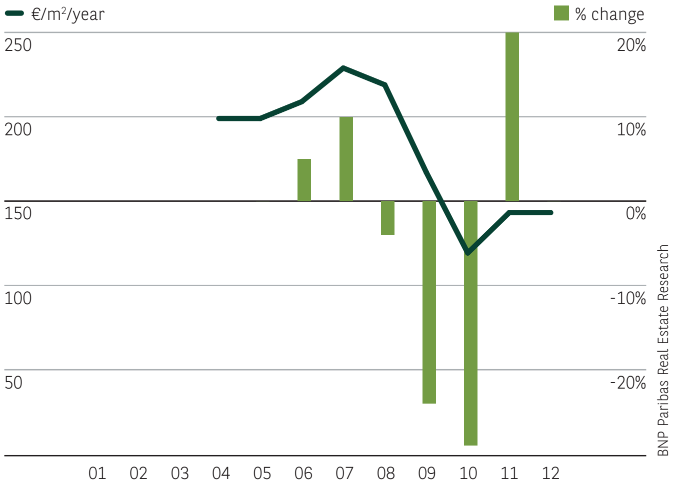
After a sharp increase in office prime yields in 2009, the rate fell back during 2010 and since then office prime yields have not moved much, fluctuating between 6.25% and 6.50% throughout 2012. It is envisaged that the ongoing difficulties in European markets and problematic financing may affect pricing in a broader perspective in 2013.

# RIGA

## MODEST PRIME RENTAL GROWTH EXPECTED IN 2013

Rents in modern offices remained steady throughout the year in Riga. At the end of 2012, average market rents for prime office premises in Riga's centre reached € 144, while for grade B offices they varied between € 96 and € 132 depending on the location. Average asking prices in Riga are the lowest among the three Baltic countries. Despite the stagnation in rents in 2012 a modest uplift in prime rents is expected in 2013.

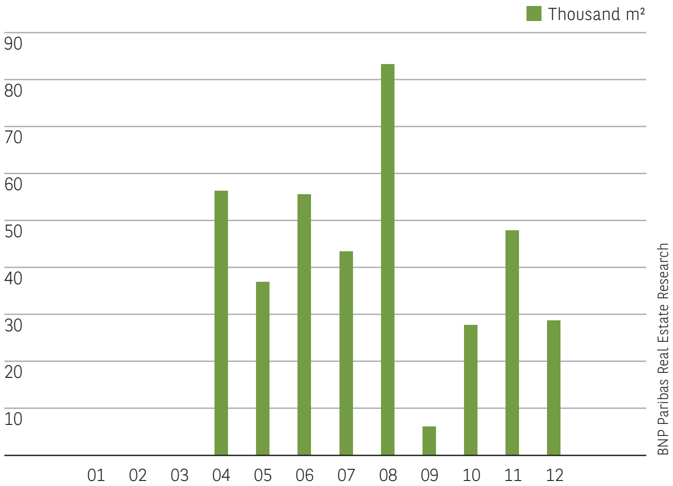
PRIME RENT




## EXPANSION BASED TAKE-UP

Total office space absorption in grade A and B segments was approximately 28,000 m² in 2012 in Riga. Most lease agreements were linked to expansions. The rest of market activity was due to the relocation of companies seeking better lease conditions or strategically more convenient locations. There were no large newcomers in the market. Net absorption is not expected to increase in 2013 as no new office space has been launched.

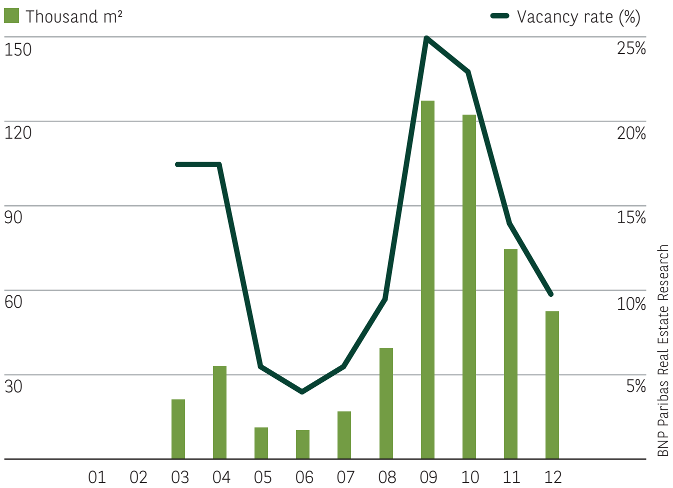
NET ABSORPTION



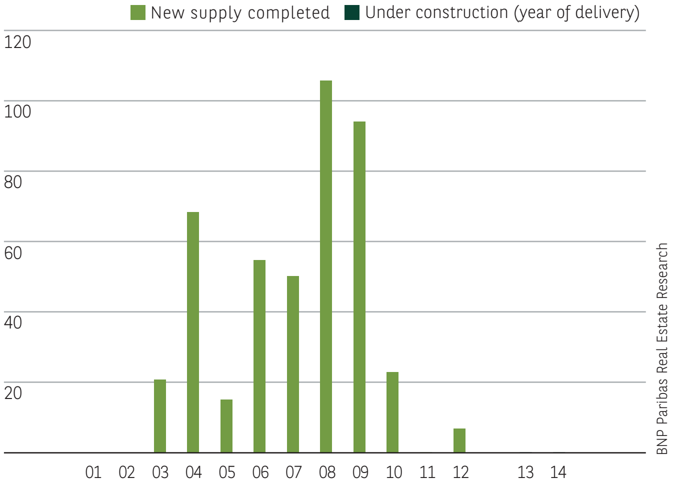

## SHARP DROP IN VACANCY

The vacancy rate in the Riga office market in 2012 was 9.8%, significantly lower than during the peak of the economic crisis when average vacancy rates exceeded 25%. The vacancy rate for grade A offices shrunk to 3.8%, while it slightly exceeded 11% for grade B office premises. The reason for such a low vacancy rate for prime offices is that there are almost no speculative buildings in this segment. Grade A office vacancy is expected to remain very low until new projects are delivered to the market.

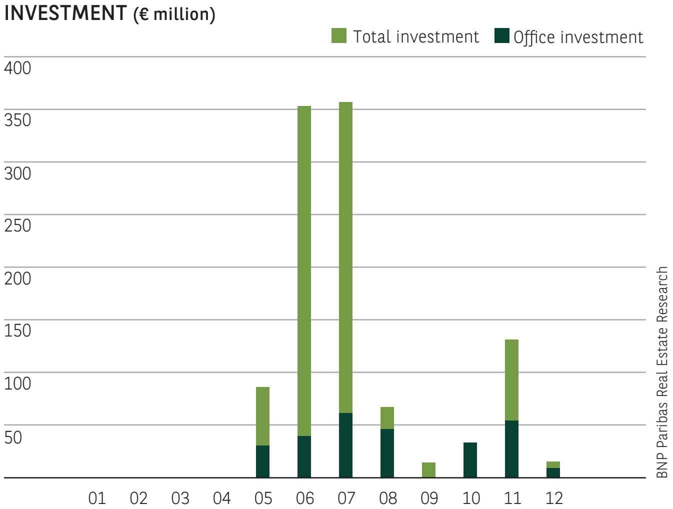
VACANT SPACE



COMPLETIONS (Thousand m²)




INVESTMENT (€ million)




NET OFFICE PRIME YIELD


## NO OFFICE SPACE UNDER CONSTRUCTION

The total stock of modern office premises in Riga amounted to 539,000 m² at the end of 2012. No new speculative office projects were commissioned in 2011 whereas the modern office supply increased by 6,800 m² in 2012 as two new office projects were delivered to the market. Further development of office stock is strongly related to the financial performance of occupiers, their expansion activities and the entrance of new companies. Among key future trends is the increasing demand for green technology and energy efficient solutions. New developments are scheduled in 2014 only.

## GOOD ECONOMIC BACKGROUND MAY BOOST INVESTMENT

Total investment volume in 2012 reached € 15.1 million in Riga with office investment accounting for more than half of the volume. Investment decreased significantly compared to 2011. However, Latvia's good economic performance and intentions to adopt Euro let international investors have more confidence in the country's potential.

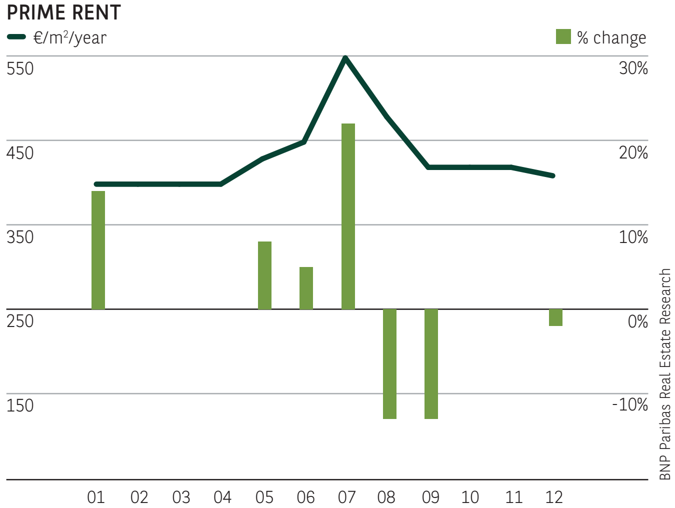
## PRIME YIELDS SHOULD DECREASE

After peaking at 12% in 2009, the office prime yield ranged around 8.5-8.75% at the end of 2012. Office prime yields in Riga are the highest among Baltic countries, however a reduction of around 25-50 bps is forecasted for 2013.

# ROME

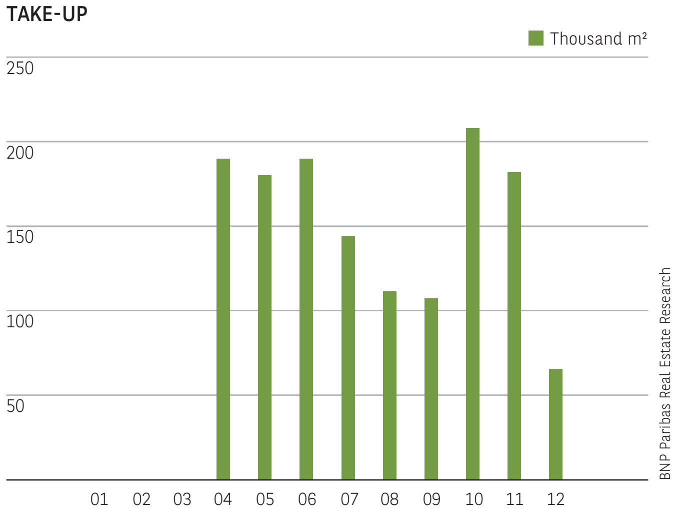
## PRIME RENTS DROPPED WITH INCENTIVES MORE COMMON

The increase in office supply did not result in major downward pressure on rents since the few deals that were recorded impacted positively on average rents. However, this cannot be considered as a reversal of market fundamentals as prime rents dropped in the city centre to € 410/m²/year. Rent-free periods have not been a commonplace feature of the Roman market. But landlords have had to adapt to the reality of the market so in 2012 this type of incentive started to appear more regularly.



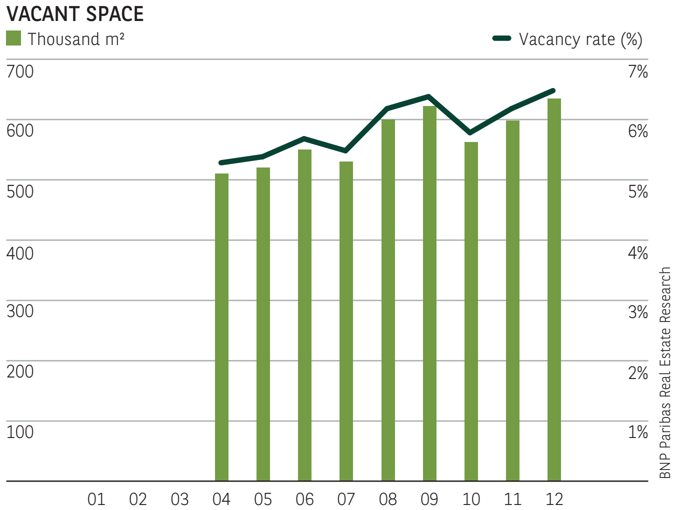

## TAKE-UP REDUCED STRONGLY AS GOVERNMENT CUTS BACK

During 2012, activity in the office sector decreased strongly with only 65,000 m² of offices taken up. To put this in context, the volume achieved in one year corresponds to the level recorded in Q1 2011. Moreover, lack of transactions involving the public sector stands out. Apart from a pre-let of 22,000 m² in the Europarco project, the public sector did not close any significant deal, as opposed to the previous year. This absence was not compensated by the private sector that encountered major difficulties; deals here were generally of small size.




## THE MARKET INERTIA INCREASES SUPPLY

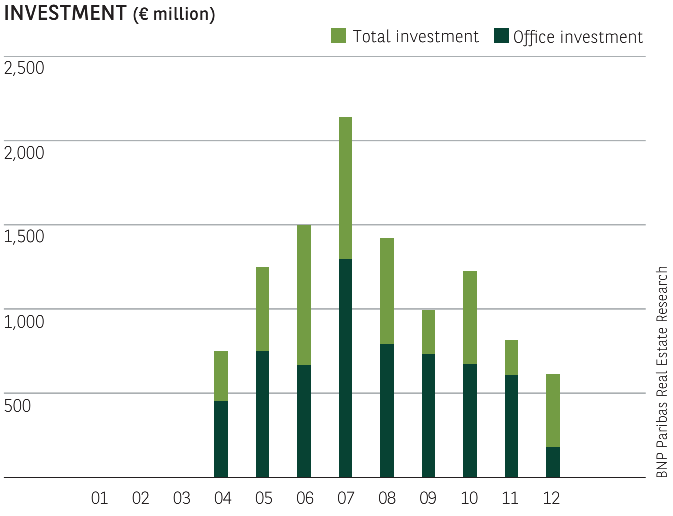
Office supply in Rome continued its growth trend, reaching 634,000 m² at the end of the year, representing 6.5% of the office stock. The increase by 6% in availability over one year was the result of the market inactivity and the economic crisis. Companies disposed of space that they did not need anymore, and the few deals recorded resulted in the release of more space than was let during relocations. Developers froze or completely stopped new projects, waiting for recovery, but this was not enough to prevent supply from rising.



## DEVELOPMENT PROJECTS AT A STANDSTILL

New development projects in the Roman market have been limited since developers have chosen to secure pre-lets before starting works. The major projects in the city have been predominantly initiated by the public sector. As part of a rationalisation process these have been reduced mainly as a result of general and local elections (Municipality, Province and Region) that will take place in February and May 2013. This will further prevent new supply from arriving into the market given the current economic situation.

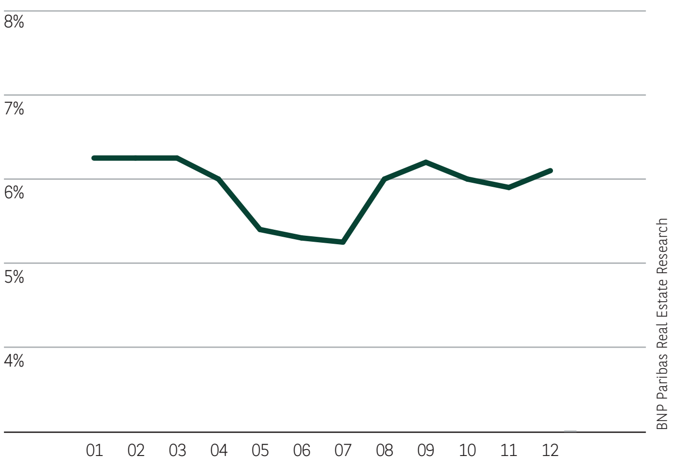
**INVESTMENT** (€ million)




## INVESTMENT VOLUMES DOWN BY A QUARTER

The activity was low with only € 622 million of investment at the end of 2012, down by 24% compared to 2011. The decrease in the number of deals is even stronger with just 12 deals. However, the three largest transactions in the Italian market in 2012 were recorded in Rome. The largest deal was the sale of a building in Via del Tritone that will be refurbished and will become the new department store of the Rinascente in the historical centre. Consequently the Roman market is more active than the Milanese one (+33%) in terms of investment volumes.

**NET OFFICE PRIME YIELD**



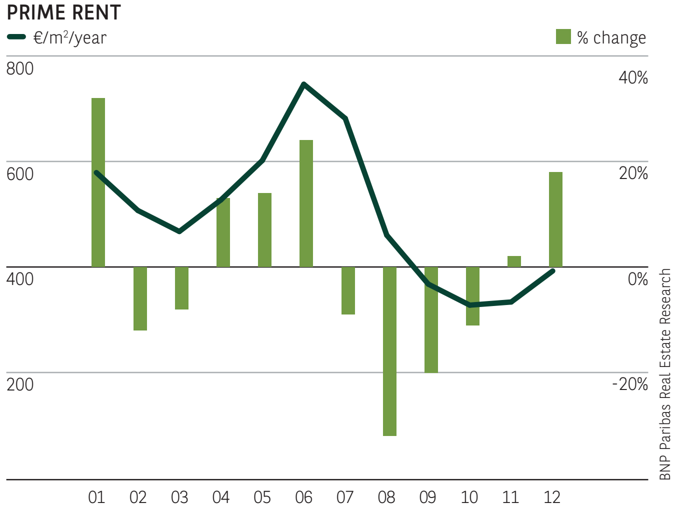

## PRICE CORRECTION TOOK PLACE

In a market with few transactions to provide evidence, prime yield are believed to have moved upwards since the overall situation of the real estate and financial markets remained quite critical in 2012. Owners were asking for yields that were not in line with the level buyers were offering: thus the market remained blocked. Looking at the deals closed at the end of the year and under negotiation, we believe that prime yields are not expected to grow further in 2013.

# SAINT-PETERSBURG

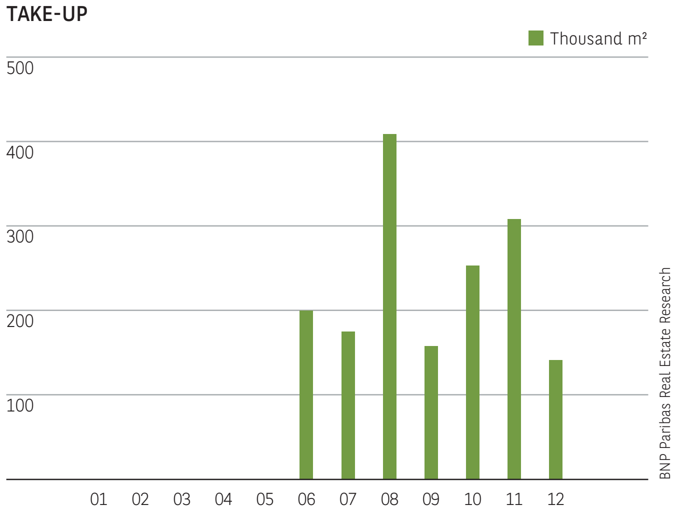
## UPWARD TREND FOR OFFICE RENTS

The office prime rent in the CBD reached € 395/m² at the end of 2012 thus showing a significant annual increase supported by the reduction in vacant office space. However during 2012, average rental growth was more moderate; only Grade B+ offices recorded a rise (+16%). As regards Grade A and Grade B premises, average rents grew by 7.6% and 5.5% respectively within the boundaries of annual indexation.



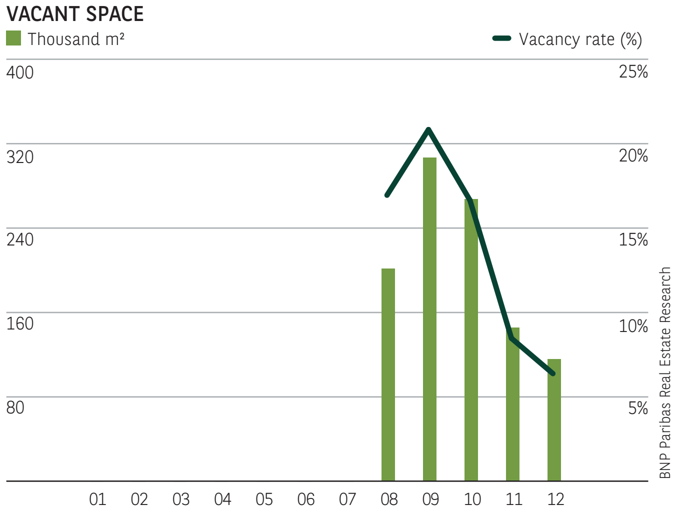

## DEMAND DRIVEN BY RELOCATIONS

In 2012 office take-up (141,100 m²) dropped significantly over 2011 especially due to a weaker second half year. The main driver behind demand was tenant relocation into higher class offices. Most demand came from companies operating in construction, banking and education, whilst the large majority of premises acquired by tenants ranged from 100 to 500 m².

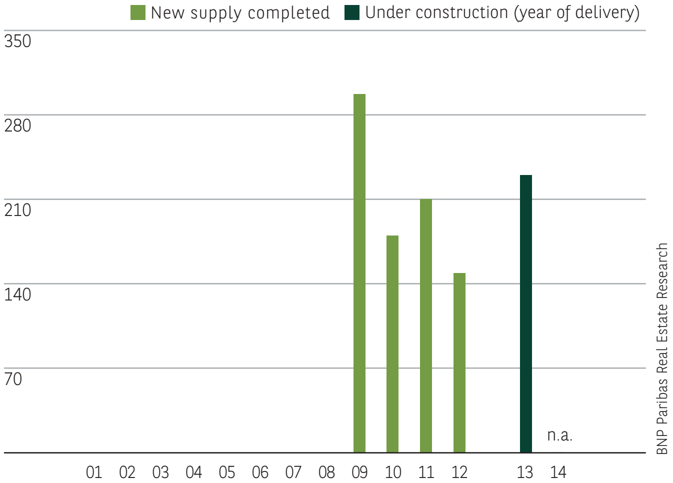



## VACANCY LEVEL IS GRADUALLY DECLINING

The average vacancy rate continued to fall during 2012, although at a smaller pace compared to previous years. It represented 6.4% at the end of the year. By age of the existing building stock, vacancy rates in Grade A, Grade B+ and Grade B offices were 10%, 4.4% and 5.6% respectively.



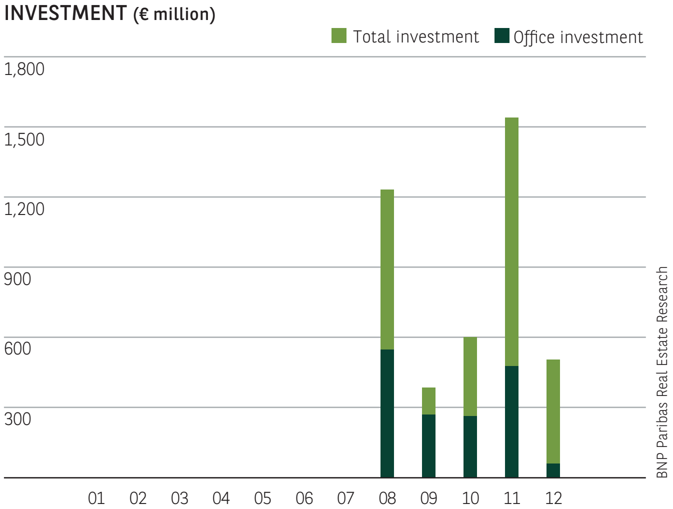
COMPLETIONS (Thousand m²)




## COMPLETIONS WILL GROW IN 2013

Providing that the projects in 2013 are realized, the office stock could increase by 230,000 m² and would correspond to the highest level in the past four years. The largest amount of new supply is expected to arrive in the CBD (45%) and in Moskosvki district, a developing business zone outside the city centre located on one of the major city roads.

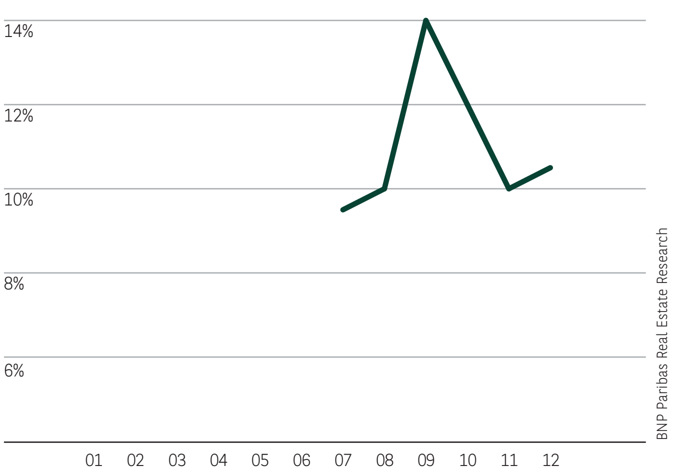
INVESTMENT (€ million)




## OFFICE INVESTMENT FALLS BACK SIGNIFICANTLY

Investor sentiment weakened in 2012 and buyers focused on more secure assets. In this context, office investment stayed at very low levels all year.

NET OFFICE PRIME YIELD




## CONSEQUENTLY, PRIME YIELDS INCREASE

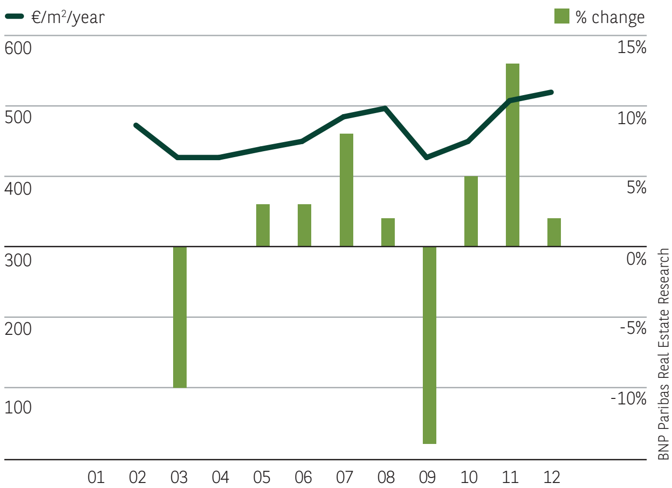
The weaker investment activity led to a slight yield shift over last year. Currently at 10.50%, office prime yields are the highest amongst the CEE cities.

# STOCKHOLM

## WEAKER MARKET ACTIVITY KEPT RENTS STABLE

Towards the end of 2012 the activity in the Stockholm rental market slowed down to some extent resulting from concern about global financial markets and forecasted economic downturn. The rental level in modern, space-efficient office properties in Stockholm CBD increased to around SEK 4,500/m²/year (€ 520). The market rent is anticipated to fall slightly in 2013 as a result of the general economic anxiety and worries about new vacancies in office premises in Stockholm CBD as several large companies will leave the submarket in the near future.

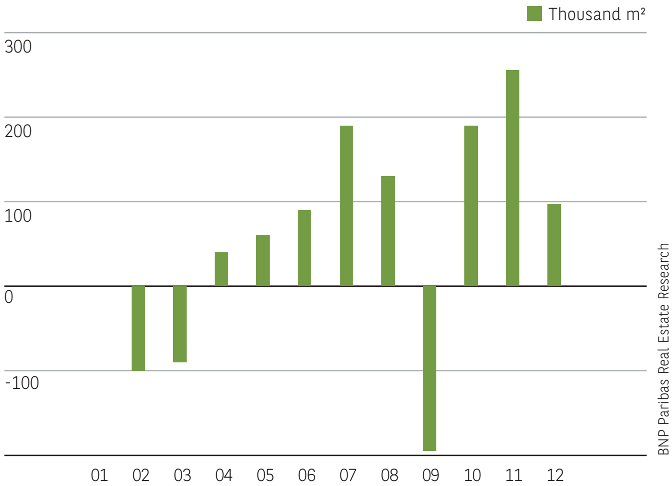
PRIME RENT




## NET ABSORPTION REDUCES DUE TO A SLOWING ECONOMY

Employment continued to rise in 2012 but at a slower pace than in 2011 with indicators showing an increase of 1.7% in Stockholm. The labour market is expected to remain relatively stable in 2013, despite the slowing economy, and the private service sector will continue to be an important growth engine. The demand for high-quality office premises in good locations will therefore remain. However, the net absorption in the Stockholm office market in 2012 dropped compared to 2011, from 260,000 m² to 100,000 m², as companies are streamlining costs. In 2013 net absorption is expected to be stable comparable to the 2012 levels.

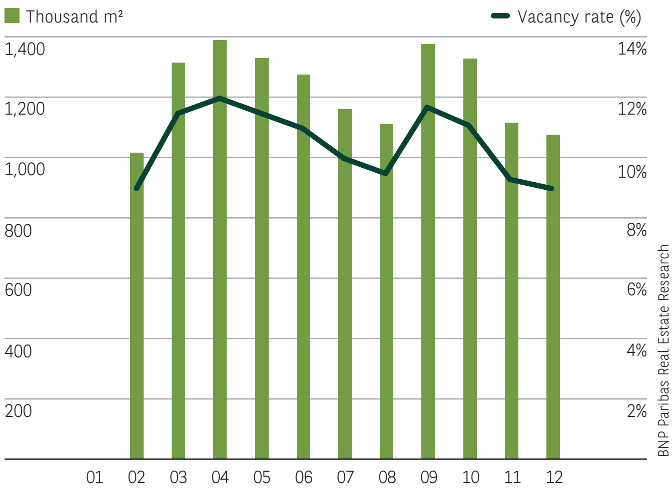
NET ABSORPTION



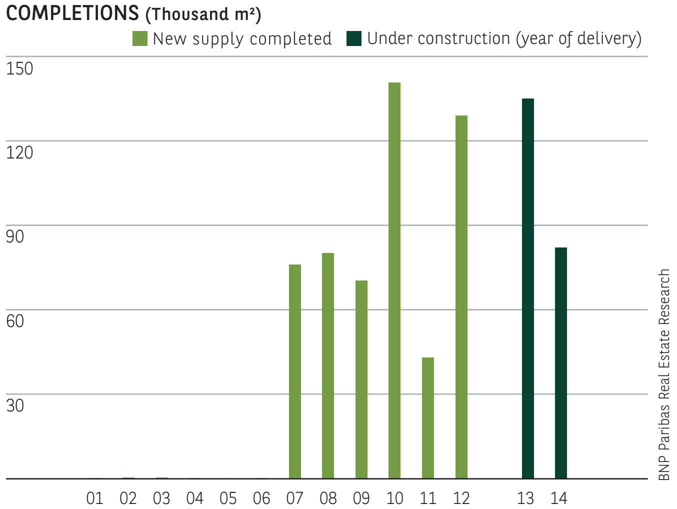

## LOW VACANCY DUE TO LIMITED SUPPLY

Attractive office premises, in the CBD particularly, are still in short supply and disappear rapidly from the market. The vacancy rate in the CBD at the start of the year was at 4.5% and a minor decrease occurred in early 2012 to 4.0%. A low level of newly-built offices came onto the market and major on-going refurbishments are yet to be finished. Demand for office space will keep on growing at a moderate pace and keep vacancies stable. For other sub-markets older offices have continued to lose ground to modern space-efficient offices favoured by tenants. Overall vacancy in Stockholm was around 9 % in late 2012.

VACANT SPACE



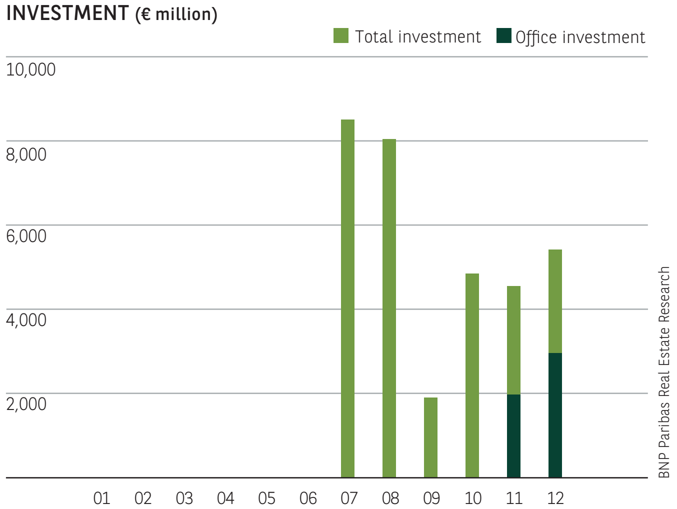
COMPLETIONS (Thousand m²)




## HIGH OCCUPANCY IN NEWLY DEVELOPED OFFICES

New construction picked up again in 2012 and about 130,000 m² were completed in Stockholm. The amount has thereby returned to the high levels reached before the financial turmoil in 2008-2009. Over 90% of the office space completed in 2012 is now let. For 2013, a similar amount of construction is on-going and a few speculative construction projects are currently in progress in Stockholm. A high proportion of pre-letting is showing a steady demand for office premises whereas inefficient offices are being converted for other use, resulting in an average stock increase by about 1% per year over the last five years.

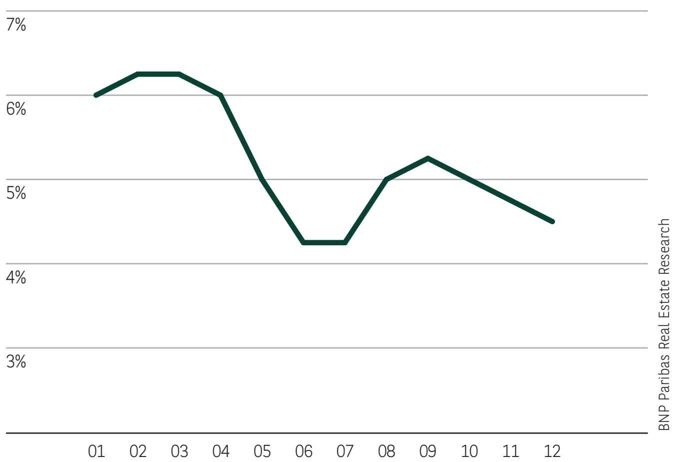
INVESTMENT (€ million)




## STOCKHOLM ATTRACTS RISK-AVERSE INVESTORS

The commercial real estate investment volume in the Stockholm market was relatively modest up until an upsurge in December 2012. For 2012 it amounted to € 5.4bn, in line with the last 6-year average and up 20% against the 2011 figure. A liquid market together with stable occupancy levels makes Stockholm an attractive market in the eye of risk-averse investors. Thus, the share of foreign investors continued to increase in 2012. The interest in the office segment was significant and Stockholm alone attracted around 45 % of all major property investments in Sweden.

NET OFFICE PRIME YIELD




## NO FURTHER PRIME YIELD COMPRESSION

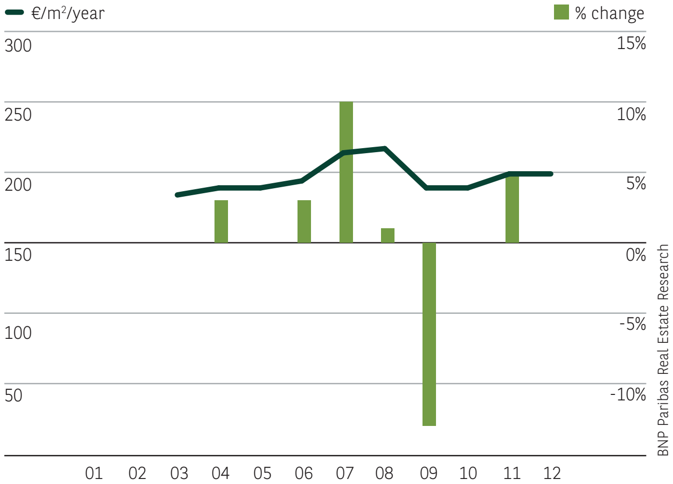
The spread widened between high-quality offices and offices in secondary locations with higher risk in vacancies and short-term lease commitments. The search for stable returns by investors led to an almost exclusive focus on prime offices within Stockholm CBD. This pushed down the yield further to 4.5 %, which seemed to have bottomed out in 2012.

# TALLINN

## NEW PROJECTS PUSHING RENTS UPWARDS

There were no significant changes in office rents in 2012 compared to 2011. The prime rent reached € 200/m² at the end of 2012 whereas average rents for grade B offices ranged between € 114 - € 144/m² depending on the quality of the building, parking facilities and proximity to the city centre. It is expected that the new prime projects, which will be completed in the upcoming years, will increase the prime rent to € 204/m². Upward pressure to rent levels is also to some extent affected by Finnish companies moving to Tallinn.

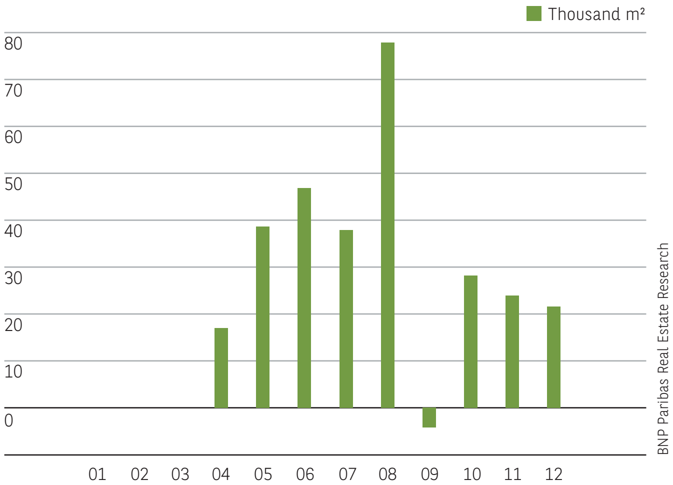
PRIME RENT




## LIMITED SUPPLY NOT SATISFYING OCCUPIER DEMAND

Net absorption of grade A and B offices was approximately 21,500 m² in 2012, which is under the levels recorded in the past two years. This rather low absorption level was mainly caused by unsatisfactory supply. Indeed, the most requested premises were in the 250-350 m² size, whereas most of available spaces did not exceed 200 m². Therefore, it is difficult for companies to find offices which would fully meet their requirements. Large premises are available mainly under the pre-lease conditions of new developments.

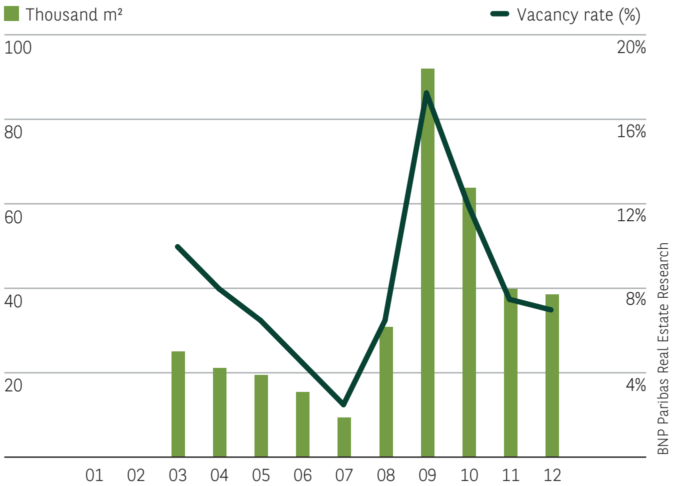
NET ABSORPTION

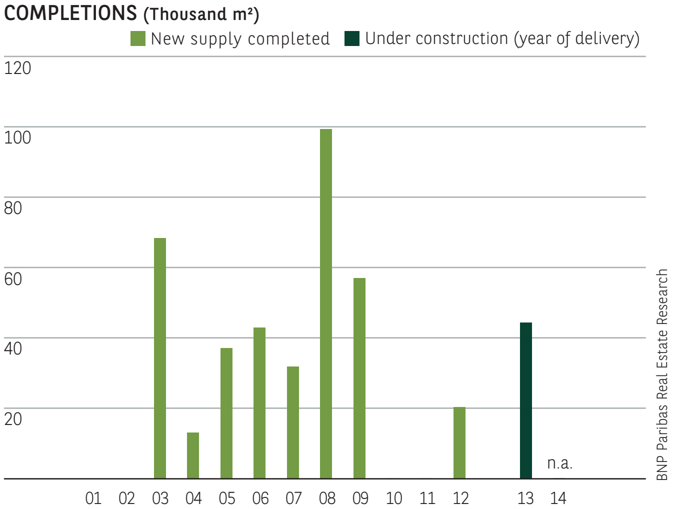



## THE VACANCY RATE ON A DOWNWARD TREND

The overall vacancy rate for grade A and B offices in Tallinn stood at 7% in the end of 2012 compared with 7.5% a year before. In the prime segment it was around 4% and there is no vacant space at all in some grade A buildings; a situation caused by the lack of new deliveries. The shortage of vacant space in prime buildings helped lower grade offices to improve their occupancy rates as they experienced higher demand. New projects will increase availability; however they will not boost vacancy rates significantly.

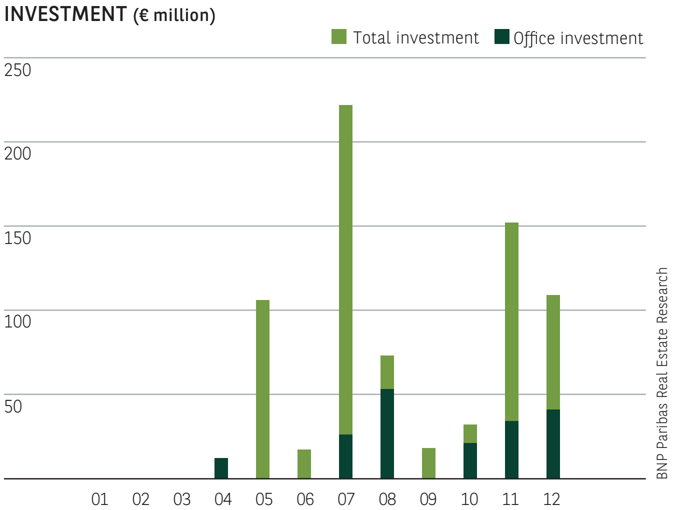
VACANT SPACE





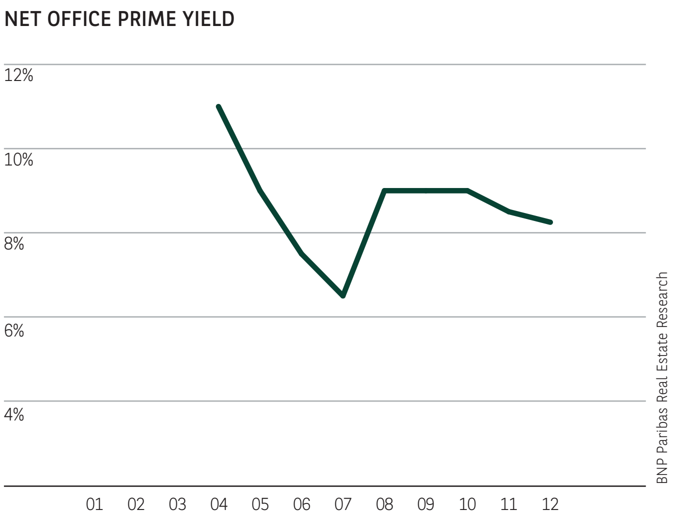

## NEW DEVELOPMENTS AFTER A TWO-YEAR BREAK

The total stock of modern office premises in Tallinn amounted to 531,000 m² at the end of 2011 and rose by an additional 20,300 m² in 2012. These were the first new developments after a two-year break which has caused the record-low vacancies as demand recovered. Several new office buildings are expected to be delivered in 2013: 5 new projects amounting to 44,000 m² of office space will increase total stock by 8%.




## LEADING INVESTMENT MARKET IN THE BALTICS

Total investment volume in 2012 reached € 128 million, of which office investment had a 31% share. This volume makes Tallinn the leading city in the Baltics in terms of investment. Generally Estonia is the most favoured country for international investors within the Baltics because of its close links to Finland and solid economic performance that allowed Estonia to be the first Baltic country to adopt euro.




## POSITIVE OUTLOOK FOR PRIME YIELDS

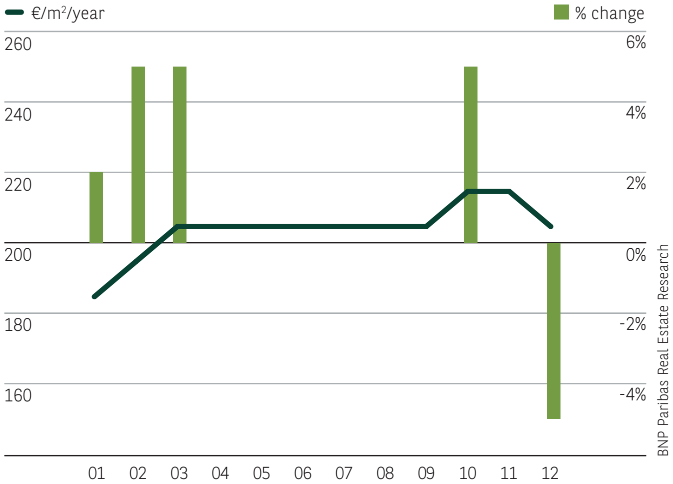
At the end of 2012 the prime yields in the Tallinn office market stood at 8.0-8.25% which is the lowest level amongst Baltic countries. The expected rise in investment demand will put them under downward pressure thus a reduction of around 25-50 bp for office prime yields is forecasted for 2013.

# THE HAGUE

## PRIME RENTS UNDER PRESSURE

Prime rents in The Hague declined by approximately 5% in 2012. Underlying rents decreased for a while due to rising incentives, but during 2012 headline rents were under pressure as well. The fact that the government will release a substantial amount of office space will have a negative impact on rental growth in 2013.

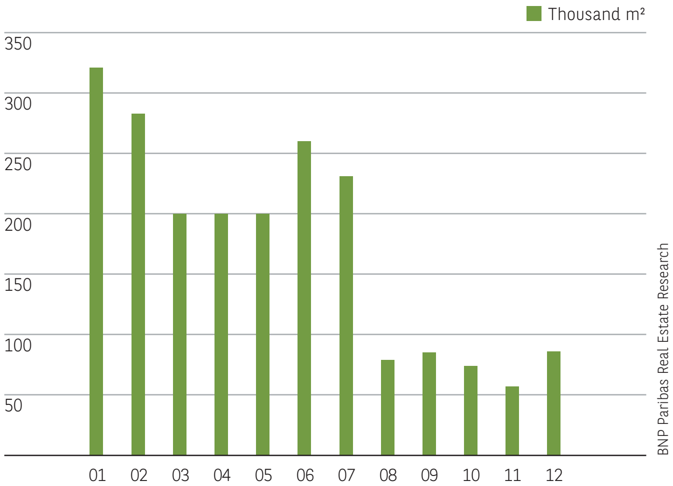
PRIME RENT




## TAKE-UP PICKS UP FROM 2011'S RECORD LOW

In The Hague take-up increased by 50% compared to 2011. Optimism is probably skewed when looking at the 2012 take-up levels as 2011 showed a record low take-up activity. Compared to pre-crisis levels, take-up in 2012 is still 60% lower than the average level for the 1998-2007 period. Take-up is expected to remain at low levels as the government, historically the largest tenant in the region, has announced to decrease their use of office space.

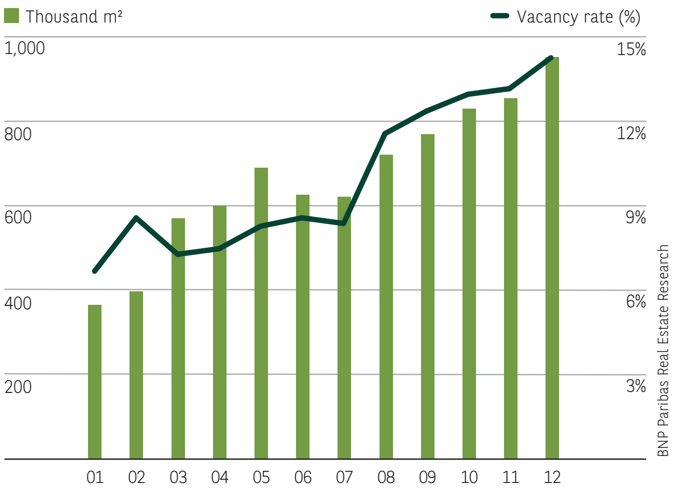
TAKE-UP



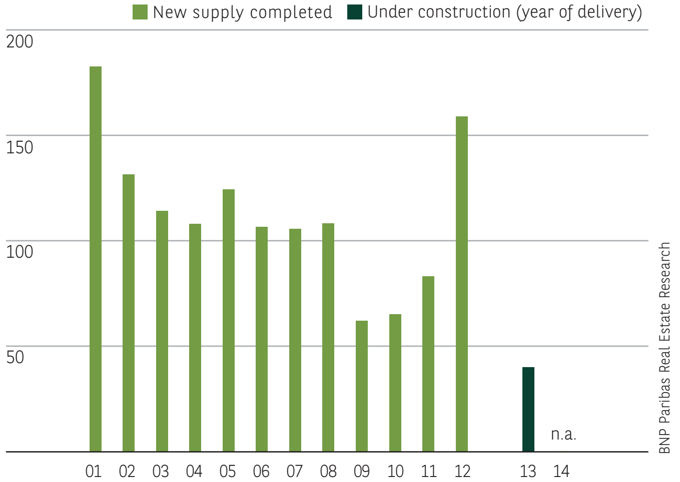

## SUPPLY IS INCREASING AS GOVERNMENT CUTS BACK

Due to the government's housing strategy, vacancy levels further increased over 2012. The Hague is trying to focus on other segments besides traditional financial services such as institutions like international law and peace, law enforcement and recently international cyber-crime. The relative importance of these markets has been further exacerbated since the office space taken up by the Dutch government has been decreasing.

VACANT SPACE



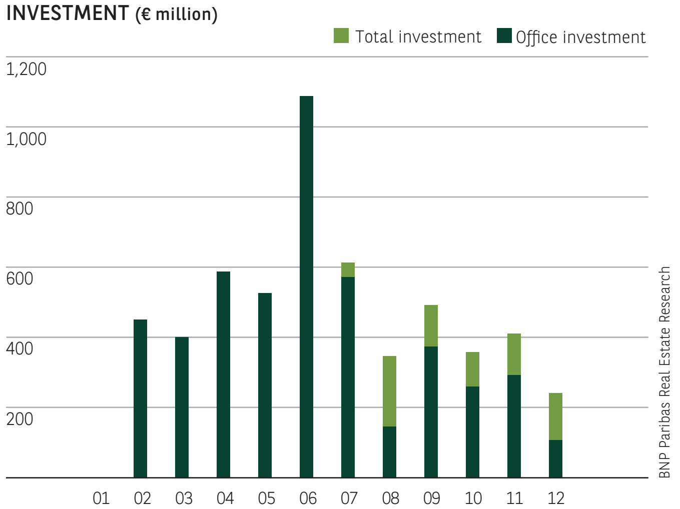
**COMPLETIONS** (Thousand m²)




## REDEVELOPMENT SET TO SHIFT ITS FOCUS

After the completion of the ministry of justice and internal affairs (120,000 m²) the development pipeline is low. With the Dutch government withdrawing approximately 500,000 m² of office space, often older and outdated properties, the focus for the coming years will be on redevelopment. As most of these properties are within the city centre, alternative uses such as hotel or apartments are the tools to prevent the vacancy rate in The Hague from increasing to unhealthy levels.

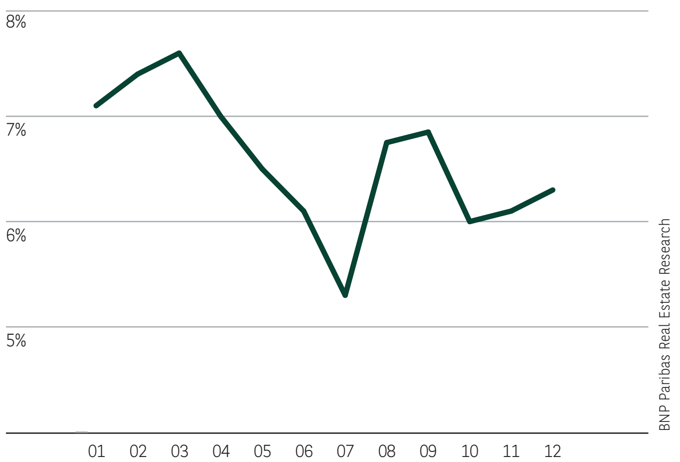
**INVESTMENT** (€ million)




## STOCK LIMITATIONS CREATE LOW INVESTMENT ACTIVITY

Total investment activity in The Hague was at a record low level of € 240 million. This is a decrease of more than 40% compared to 2011. Due to a limited amount of prime offices, and the fact that previous investment volumes were particularly high, it is expected that investment volumes will remain at lower levels as compared to the 5-year average.

**NET OFFICE PRIME YIELD**




## OFFICE PRIME YIELDS INCREASED SLIGHTLY IN 2012

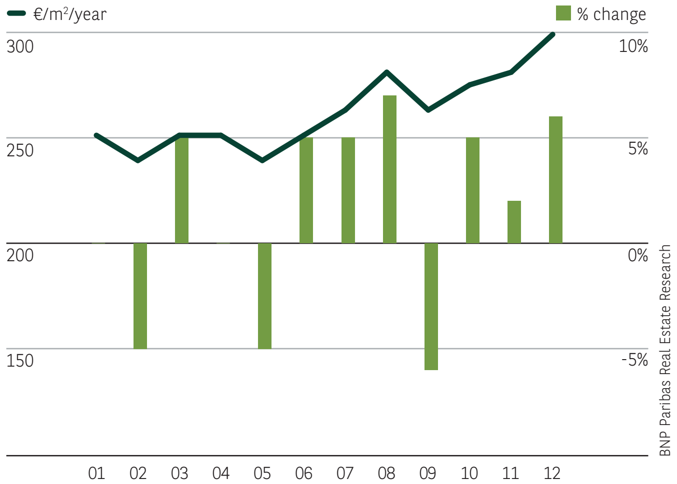
Prime yields moved up by 20 bp to 6.30% over 2012. Good properties in good locations are still able to perform as demand for this kind of office space is still evident. Therefore investor demand for these products is still high, while availability for such assets is limited. Yields are expected to remain at these levels or increase slightly over 2013 at most.

# VIENNA

## PRIME RENTS MAY SEE FURTHER INCREASES IN 2013

Prime rents increased to € 300/m² since 2011 thanks to the exceptional location and fit out of modern offices in the core area. Rents for modern office space located in the inner districts, bordering the city centre and with a good connection to the underground system, ranged between € 144 and € 228/m². These remained stable in 2012, whilst older office space rental levels slightly decreased.

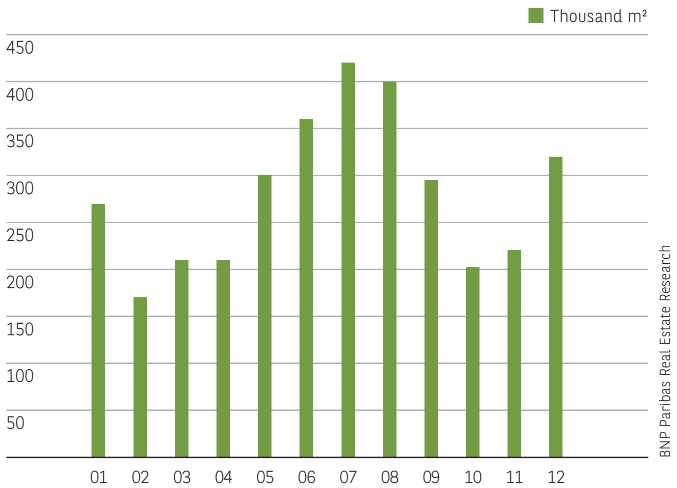
PRIME RENT




## TAKE-UP INCREASED IN 2012

Total take-up reached 320,000 m² in 2012, representing a 45% increase on 2011. Activity was strongest in the second and fourth quarters of 2012 particularly in top locations offering good connections to public transport, especially Vienna's underground system. Outside the CBD, demand was driven by companies looking for relocation from older premises into modern offices with good public transport. In 2013, take-up is expected to rise further to approximately 350,000 m².

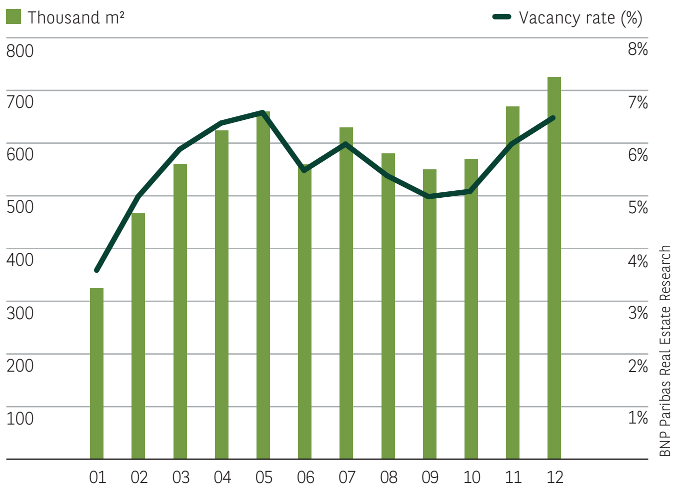
TAKE-UP

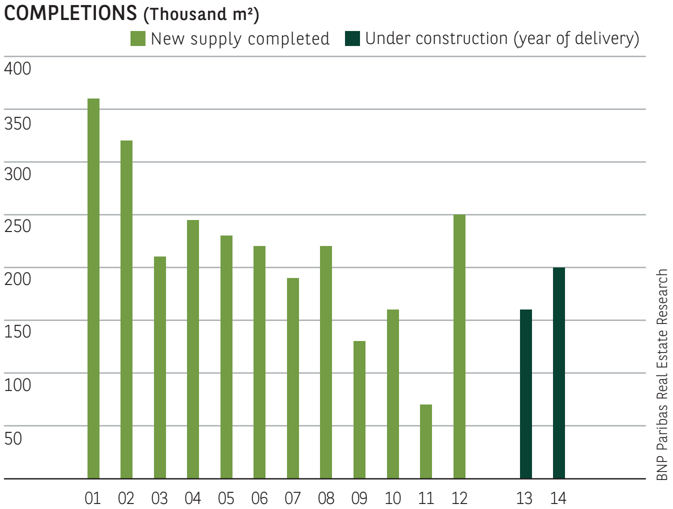



## GROWTH IN SECONDARY SUPPLY CONTINUED TO PUSH UP VACANCY RATES

Total office stock at the end of 2012 reached almost 11.4 million m² with a vacancy rate of 6.5%. As demand was mainly targeting high quality and new premises, supply for second hand offices continued to grow in 2012.

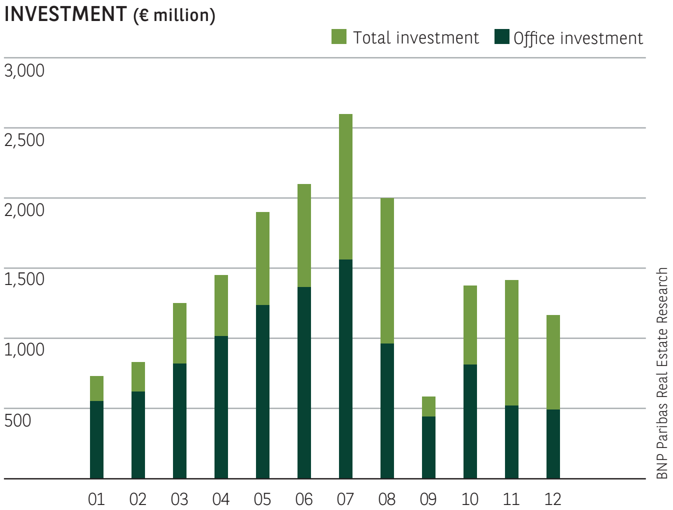
VACANT SPACE





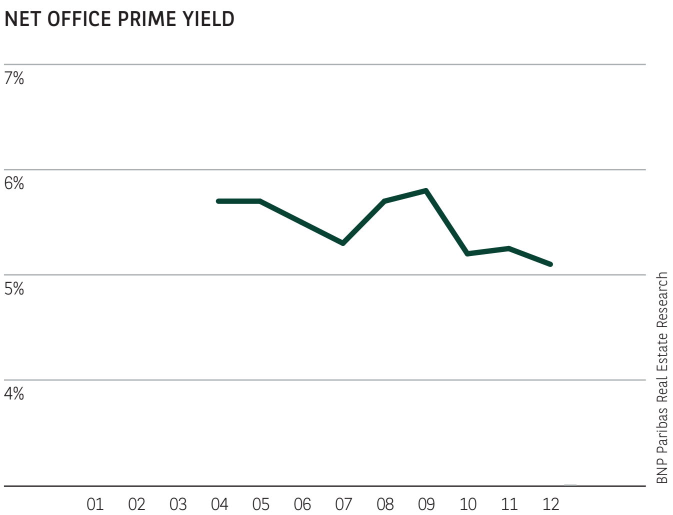

## SHARP CONTRACTION IN OFFICE COMPLETIONS EXPECTED IN 2013

Completions, including new construction and redevelopments, amounted to 250,000 m² during 2012 which was the highest level recorded over the past ten years. The most significant deliveries in 2012 included "Wien Mitte" (62,000 m²), "Space2Move" (19,000 m²), "Green Worx" (19,000 m²) and "Haus an der Wien" (14,000 m²). In 2013 the completion pipeline will be somewhat lower nearing 160,000 m², despite the expected completion of "DC Tower 1" (81,000 m²) by the end of the year.




## LOCAL BUYERS ENSURE MOST OF THE INVESTMENT ACTIVITY IN 2012

The total investment volume for the year 2012 reached € 1.2 billion in Vienna recording a 13% drop compared to 2011 results. Especially Q4 was very strong. The main buyers were Austrians (68%), represented by local institutions, private investors and family trusts. They were followed by German funds (20%). The demand for prime grade A office buildings remained very strong at the end of 2012.




## PRIME YIELDS REDUCED SLIGHTLY

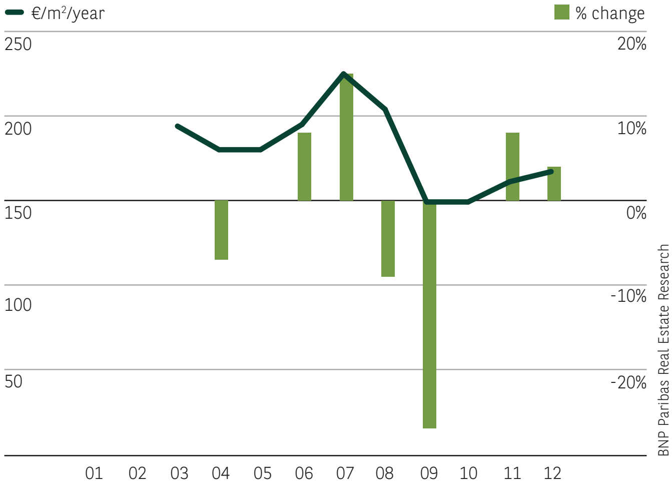
The office prime yield in the CBD fell slightly by 15 basis points during the course of the year 2012 to stand at 5.1 %. In 2013, the prime yield will remain stable. Yields for modern offices in secondary locations ranged between 6.0% and 6.75 %, and remained stable in 2012. Offices in poor locations, of poor quality or without good public transport, witnessed continued increases in yields. There was also a rise in opportunistic investors looking for properties with an uplift potential and at a discounted price.

# VILNIUS

## FURTHER INCREASE IN RENTS IS EXPECTED

Since the real estate market turmoil in 2008-2009 office rents have been recovering. In 2012 the prime rent increased by an additional 4% thanks to improving demand and the insufficient supply of high quality office premises. The highest office rents in Vilnius were recorded in the Central Business District (€ 168/m²) whereas for grade B office space they were approximately 25% lower. A slight increase in prime rents is expected to continue in 2013 as well.

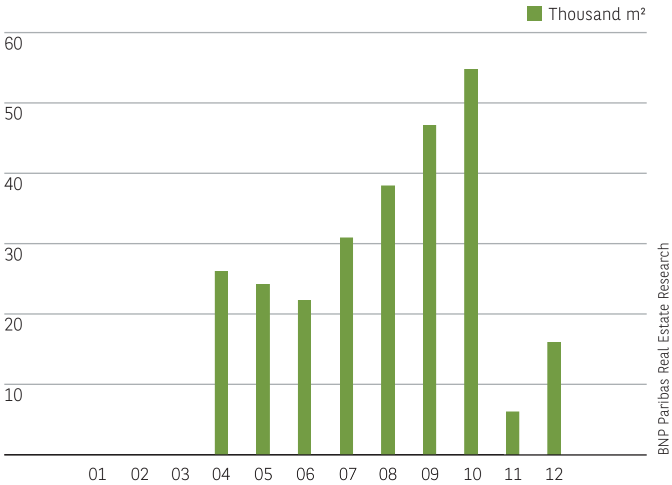
PRIME RENT




## A SLOWDOWN IN THE MARKET ACTIVITY

A total of approximately 30,000 m² of modern office space was leased in 2012 in Vilnius. About half of it was relocations while the other half could be considered as net absorption. The market was quite active not only in prime locations but also in modern buildings located in the outskirts of the CBD. Low volume of new supply and limited available space had a negative impact on annual take up results both in 2011 and 2012.

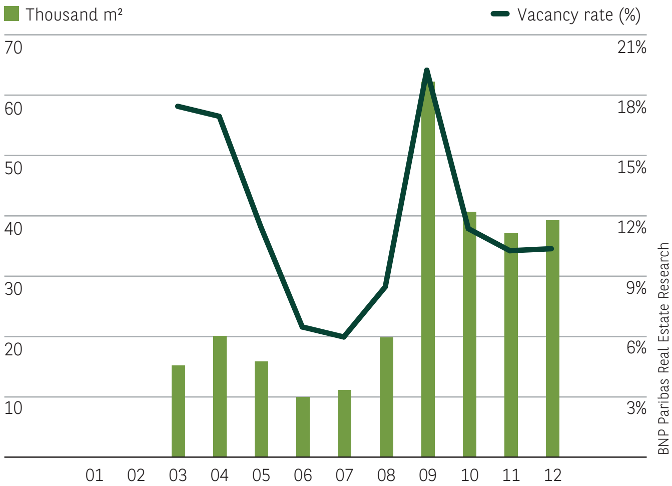
NET ABSORPTION



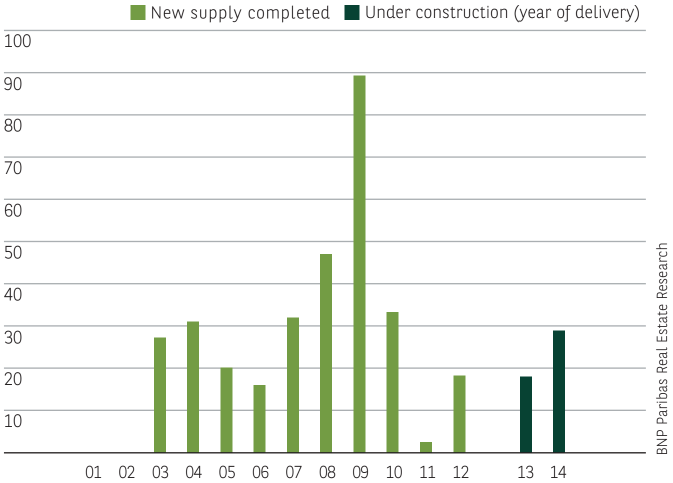

## LOW VACANCY IN THE CBD

The overall vacancy rate for grade A and grade B offices stood at 10.4% at the end of 2012 versus 10.3% in 2011. Although total availability did not change significantly, the vacancy rate decreased notably since 2009. There is currently a lack of large office spaces still available for letting in the CBD. New projects in the upcoming years will increase the leasable space however the vacancy rate is not expected to go up considerably.

VACANT SPACE



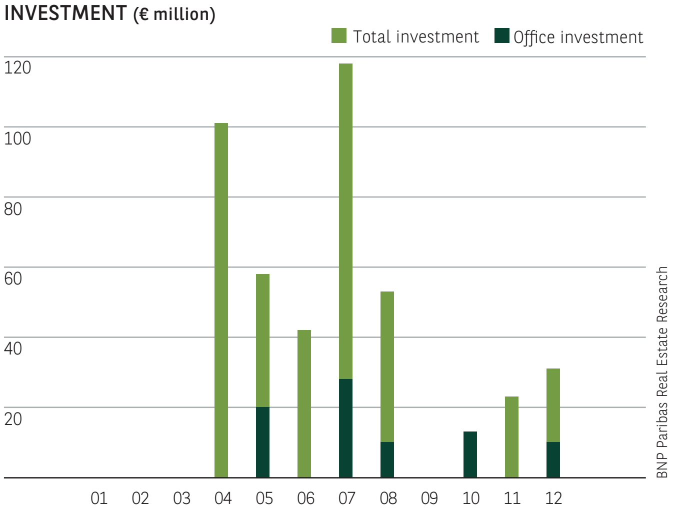
COMPLETIONS (Thousand m²)




## OFFICE DEVELOPMENT STARTED TO PICK UP AGAIN

At the end of 2012 the stock of modern office premises in Vilnius totalled around 376,500 m² with the completion of 18,200 m² office space in 2012. This consisted of six new schemes but none of them was large - the leasable area of the new office buildings varied from 2,000 m² to 4,400 m². Office stock in Vilnius is forecast to expand by another 5% in 2013, whereas projects expected for 2014 are currently only in the planning stage.

INVESTMENT (€ million)




## FIRM BASIS FOR FUTURE INVESTMENT

Total investment volume in Vilnius in 2012 reached € 31 million which is considerably lower than pre-crisis volumes. Office investment represented around one third of the total volume. Although 2012 could be considered as a moderate year in terms of investment volume, it was a very important year in two aspects. Firstly, supply strengthened significantly offering more prime assets and, secondly, the Baltics are favourably viewed by more international investors thanks to their sound economies. This forms a firm basis for more transactions in 2013.

NET OFFICE PRIME YIELD


## POSITIVE SENTIMENT FOR PRIME YIELDS

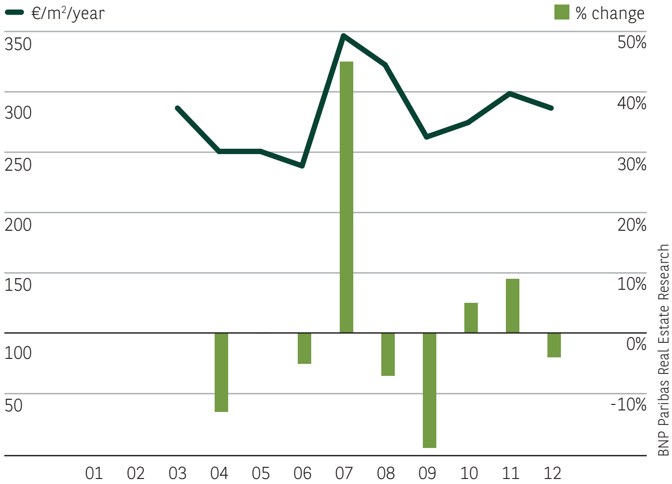
After reaching the highest level of 10.5% in 2009 the prime yields in the Vilnius office market stood at the level of 8.5% in the end of 2012. Yields for secondary assets were 50-100 bps higher. Despite a limited number of large institutional investors, the amount of money ready to be invested in the Baltics is quite substantial thus a contraction by around 25-50 bps for office prime yields is forecast in 2013.

# WARSAW

## DROP IN PRIME RENTS AS NEW SUPPLY ENTERS MARKET

At the end of 2012, office prime rents stood at € 288/m² in Warsaw city centre, which represented a 4% decrease compared to 2011. In non-central locations rents stood around € 180/m². The downward trend in rents is primarily due to the high new supply of modern office space and will continue in 2013. Indeed, an additional increase in supply is expected for the 2013-2014 period.

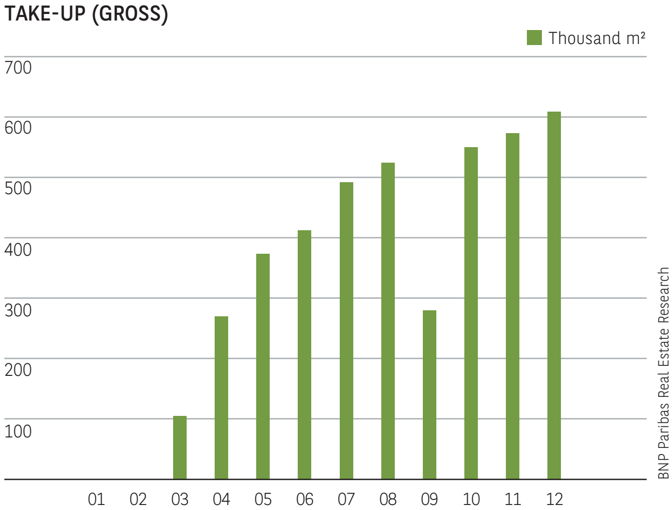
PRIME RENT




## TAKE-UP STILL INCREASING

Gross take-up in 2012 reached the record level of 608,000 m², of which 440,000 m² were represented by new leases; in Q4 2012 alone, office transactions totalled 153,000 m². Pre-let deals remain popular among tenants and accounted for 35% of all deals signed in the final quarter whilst lease renewals had a 23% share.

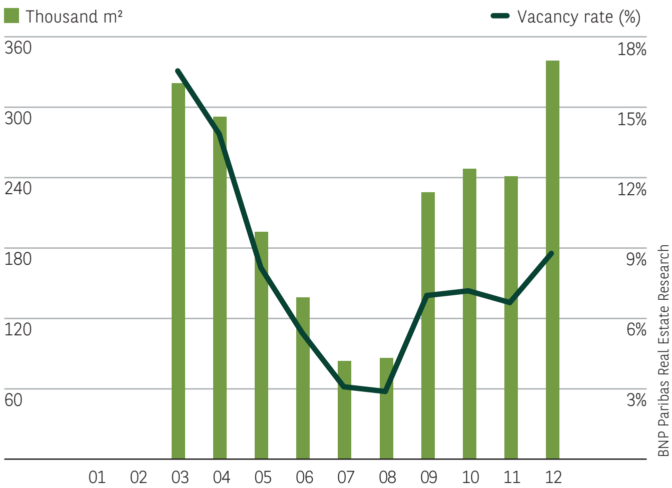
TAKE-UP (GROSS)



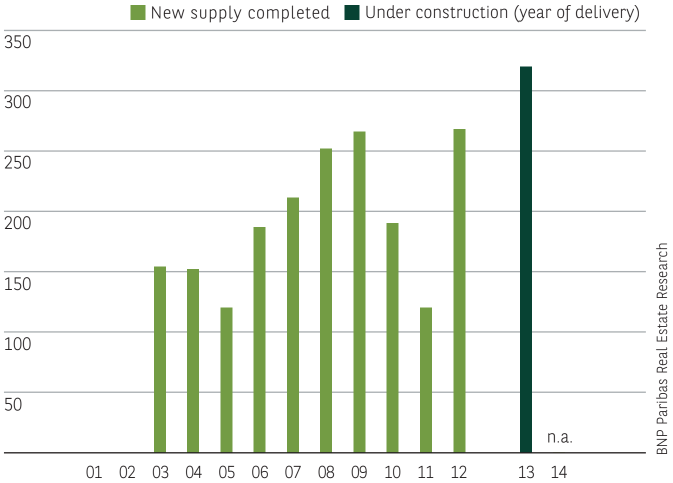

## VACANCY RATE RISES IN 2012 TO 8.8%

At the end of 2012 the vacancy rate stood at the average level of 8.8%, which represented an increase of 210 basis points compared to 2011. Despite record demand, the high level of new supply that came into the market in 2012 impacted the vacancy rate, in particular that of second-hand space.

VACANT SPACE



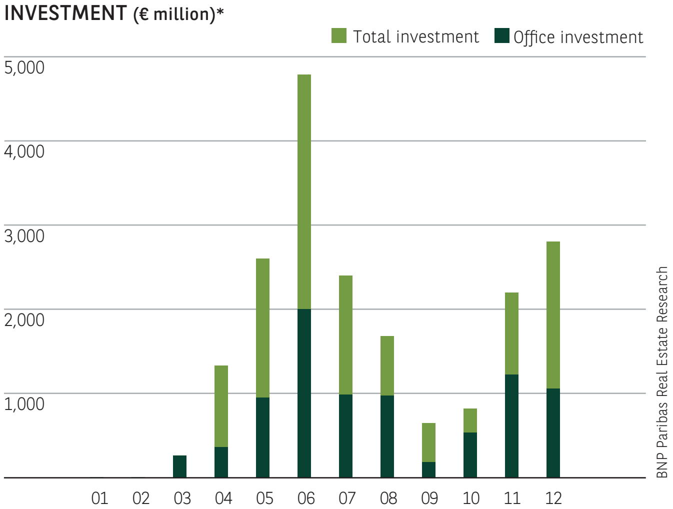
COMPLETIONS (Thousand m²)




## LARGE NUMBER OF DELIVERIES IS EXPECTED IN COMING YEARS

In 2012 as much as 268,000 m² of office space was delivered to the market, which was more than twice the new supply in the previous year. The largest buildings delivered to the market were the Green Corner (24,500 m²) and the Business Garden with its two buildings totalling 22,000 m² of office space. It is estimated that 2013 is going to be a record year in terms of new supply with around 320,000 m² of modern office space.

INVESTMENT (€ million)*

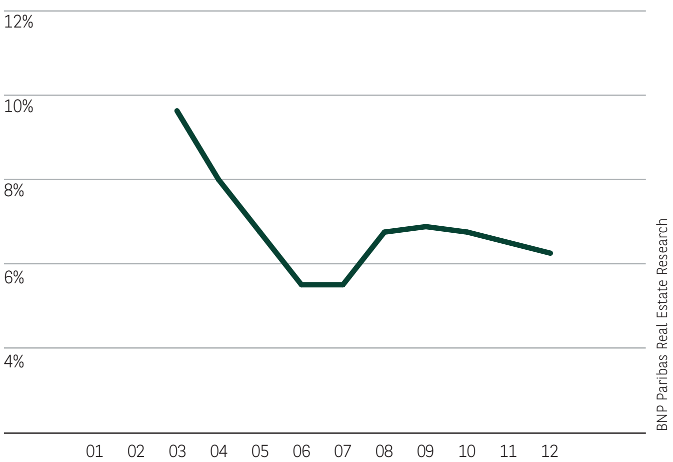



* Total investment volume in Poland

## OFFICE INVESTMENT STAYED HIGH BUT LOST MARKET SHARE

In 2012 the total volume of investment in commercial real estate in Poland recorded a 27% increase compared to 2011. Despite a slowdown in office investment, the volume remained above € 1 billion. Moreover, almost all office transactions in Poland took place in Warsaw.

NET OFFICE PRIME YIELD




## STABLE SITUATION IN THE POLISH INVESTMENT MARKET

The office prime yield is estimated to be around 6.25% at the end of 2012, a 25 bp decrease compared to Q4 2011. This reflects the on-going demand for the best offices building in Warsaw.

# COMPARATIVE ECONOMIC DATA

## GDP GROWTH (ANNUAL RATE %)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012* | 2013** | 2014** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro area | 0.9 | 0.7 | 2.0 | 1.8 | 3.3 | 3.3 | 0.5 | -3.8 | 2.0 | 1.6 | -0.4 | -0.4 | 1.0 |
| Austria | 1.6 | 0.9 | 2.3 | 2.7 | 3.6 | 3.7 | 1.1 | -3.5 | 2.2 | 2.7 | 0.5 | 0.7 | 1.8 |
| Belgium | 1.4 | 0.8 | 3.2 | 1.8 | 2.7 | 2.9 | 1.0 | -2.7 | 2.4 | 1.8 | -0.2 | 0.0 | 1.2 |
| Bulgaria(1) | 4.7 | 5.4 | 6.9 | 6.5 | 6.5 | 6.8 | 6.0 | -5.7 | 0.5 | 1.8 | 0.6 | 1.7 | 2.9 |
| Czech Republic | 2.1 | 3.8 | 4.6 | 6.8 | 7.2 | 5.7 | 2.9 | -4.4 | 2.3 | 1.9 | -1.1 | 0.3 | 1.9 |
| Estonia(1) | 6.6 | 7.8 | 6.3 | 8.9 | 10.1 | 7.5 | -4.2 | -14.1 | 3.3 | 8.3 | 2.8 | 3.1 | 4.0 |
| Finland | 1.8 | 2.0 | 4.1 | 2.9 | 4.4 | 5.3 | 0.3 | -8.5 | 3.3 | 2.7 | 0.3 | 1.0 | 1.5 |
| France | 0.9 | 0.9 | 2.3 | 1.9 | 2.6 | 2.3 | -0.2 | -3.1 | 1.6 | 1.7 | 0.1 | 0.0 | 0.9 |
| Germany | 0.0 | -0.4 | 0.7 | 0.8 | 3.9 | 3.4 | 0.8 | -5.1 | 4.0 | 3.1 | 0.9 | 0.5 | 2.2 |
| Greece | 3.4 | 5.9 | 4.4 | 2.3 | 5.5 | 3.5 | -0.2 | -3.1 | -4.9 | -7.1 | -6.6 | -4.6 | -0.1 |
| Hungary | 4.5 | 3.8 | 4.6 | 4.1 | 3.9 | 0.1 | 0.7 | -6.7 | 1.3 | 1.6 | -1.3 | -0.3 | 1.1 |
| Ireland | 5.7 | 3.9 | 4.4 | 5.9 | 5.4 | 5.4 | -2.1 | -5.5 | -0.8 | 1.4 | 0.2 | 1.5 | 2.2 |
| Italy | 0.4 | 0.0 | 1.6 | 1.1 | 2.3 | 1.5 | -1.2 | -5.5 | 1.8 | 0.6 | -2.1 | -0.7 | 0.7 |
| Latvia(1) | 7.4 | 7.9 | 8.1 | 10.3 | 11.4 | 9.9 | -3.1 | -17.5 | -1.4 | 5.2 | 4.5 | 3.0 | 5.0 |
| Lithuania(1) | 6.8 | 10.2 | 7.1 | 8.1 | 7.9 | 9.7 | 2.8 | -14.8 | 1.5 | 6.0 | 3.4 | 3.7 | 5.5 |
| Luxembourg(1) | 4.1 | 1.7 | 4.4 | 5.3 | 4.9 | 6.6 | -0.8 | -4.1 | 2.9 | 1.7 | 0.5 | 1.3 | 3.1 |
| Netherlands | 0.1 | 0.3 | 2.0 | 2.2 | 3.5 | 3.9 | 1.8 | -3.7 | 1.6 | 1.1 | -0.9 | -0.3 | 0.9 |
| Norway | 1.5 | 1.0 | 4.0 | 2.6 | 2.3 | 2.7 | 0.0 | -1.4 | 0.2 | 1.3 | 2.9 | 1.9 | 2.0 |
| Poland | 1.5 | 3.9 | 5.2 | 3.6 | 6.2 | 6.8 | 5.0 | 1.6 | 3.9 | 4.3 | 2.1 | 1.3 | 3.5 |
| Portugal | 0.8 | -0.9 | 1.6 | 0.8 | 1.4 | 2.4 | 0.0 | -2.9 | 1.9 | -1.6 | -3.1 | -2.7 | -0.4 |
| Romania(1) | 5.1 | 5.3 | 8.0 | 5.0 | 7.5 | 6.6 | 6.6 | -5.8 | -1.9 | 2.2 | 0.1 | 0.8 | 3.8 |
| Russia | 4.7 | 7.9 | 7.2 | 6.4 | 8.2 | 8.5 | 5.2 | -7.8 | 4.3 | 4.3 | 3.8 | 3.2 | 4.0 |
| Serbia(1) | 3.2 | 0.8 | 8.8 | 4.4 | 4.3 | 4.4 | 4.5 | -3.6 | 1.3 | 1.5 | -0.95 | 0.95 | 1.72 |
| Slovakia(1) | 4.6 | 4.8 | 5.1 | 6.7 | 8.3 | 10.5 | 5.8 | -4.9 | 4.4 | 3.2 | 2.3 | 2.3 | 3.2 |
| Spain | 2.7 | 3.1 | 3.3 | 3.6 | 4.1 | 3.5 | 0.9 | -3.7 | -0.3 | 0.4 | -1.4 | -1.8 | 0.0 |
| Sweden | 2.5 | 2.5 | 3.7 | 3.2 | 4.6 | 3.4 | -0.8 | -5.0 | 6.3 | 3.8 | 0.9 | 1.3 | 3.1 |
| Switzerland | 0.2 | 0.0 | 2.4 | 2.7 | 3.8 | 3.9 | 2.2 | -1.9 | 3.0 | 1.9 | 0.8 | 2.0 | 2.7 |
| Turkey | 6.2 | 5.3 | 9.4 | 8.4 | 6.9 | 4.7 | 0.7 | -4.8 | 9.2 | 8.5 | 3.0 | 5.0 | 5.0 |
| UK | 2.4 | 3.8 | 2.9 | 2.8 | 2.6 | 3.6 | -1.0 | -4.0 | 1.8 | 0.9 | -0.1 | 0.9 | 1.6 |
| Ukraine | 5.2 | 9.5 | 12.1 | 3.0 | 7.4 | 7.6 | 2.3 | -14.8 | 4.1 | 5.2 | 0.6 | 2.4 | 4.0 |

Source: Eurostat - (1) Forecast provided by Oxford Economics - * Estimate - ** Forecast

## TOTAL EMPLOYMENT GROWTH (ANNUAL RATE %)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012* | 2013** | 2014** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro area | 0.7 | 0.5 | 0.8 | 1.0 | 1.6 | 1.8 | 0.9 | -1.8 | -0.5 | 0.1 | -0.6 | -0.4 | 0.0 |
| Austria | -0.2 | 0.8 | 0.6 | 1.2 | 1.7 | 1.8 | 1.9 | -0.7 | 0.8 | 1.7 | 1.2 | 1.0 | 1.2 |
| Belgium | -0.2 | -0.1 | 1.0 | 1.4 | 1.1 | 1.7 | 1.8 | -0.2 | 0.7 | 1.3 | 0.1 | -0.2 | 1.0 |
| Bulgaria(1) | 0.2 | 3.0 | 2.6 | 2.7 | 3.3 | 3.2 | 3.3 | -3.2 | -6.2 | -3.4 | -0.4 | 0.8 | 0.7 |
| Czech Republic | 0.6 | -0.8 | -0.3 | 2.1 | 1.3 | 2.1 | 1.6 | -1.4 | -1.0 | 0.1 | -1.2 | -1.2 | 0.2 |
| Estonia(1) | 1.4 | 1.4 | 0.0 | 2.0 | 5.4 | 0.8 | 0.2 | -9.3 | -4.2 | 6.7 | 1.8 | 0.1 | 0.1 |
| Finland | 0.9 | 0.1 | 0.4 | 1.4 | 1.8 | 2.2 | 2.6 | -2.6 | -0.1 | 1.1 | -0.2 | 0.1 | 0.3 |
| France | 0.5 | 0.1 | 0.1 | 0.7 | 1.1 | 1.4 | 0.5 | -1.3 | -0.1 | 0.5 | -0.1 | -0.7 | 0.0 |
| Germany | -0.6 | -0.9 | 0.3 | -0.1 | 0.6 | 1.7 | 1.2 | 0.1 | 0.6 | 1.4 | 0.9 | 0.2 | 0.5 |
| Greece(1) | 2.3 | 1.2 | 2.4 | 0.8 | 1.8 | 1.6 | 1.1 | -1.1 | -2.6 | -6.8 | -8.1 | -5.0 | -1.0 |
| Hungary | -0.1 | 0.0 | -1.0 | -0.3 | 0.4 | 0.0 | -1.2 | -2.5 | 0.0 | 0.8 | 1.2 | -0.2 | 0.1 |
| Ireland | 1.6 | 1.9 | 3.4 | 4.9 | 4.4 | 3.6 | -1.1 | -8.1 | -3.8 | -0.9 | 0.9 | 0.3 | 0.8 |
| Italy | 1.7 | 1.5 | 0.4 | 0.6 | 2.0 | 1.3 | 0.7 | -1.5 | -0.6 | 0.3 | 0.0 | -0.5 | 0.5 |
| Latvia(1) | 2.9 | 1.9 | 1.2 | 1.6 | 4.9 | 3.6 | 0.6 | -12.6 | -4.3 | 3.2 | -0.2 | 1.5 | 2.5 |
| Lithuania(1) | 3.6 | 2.2 | 0.0 | 2.5 | 1.8 | 2.8 | -0.9 | -6.8 | -5.1 | 2.0 | 2.4 | 0.8 | 1.6 |
| Luxembourg(1) | 3.2 | 1.8 | 2.2 | 2.9 | 3.6 | 4.5 | 3.4 | 1.3 | 1.6 | 2.1 | 0.8 | 0.4 | 1.2 |
| Netherlands | 0.5 | -0.5 | -0.9 | 0.5 | 1.7 | 2.6 | 2.7 | -0.5 | -1.1 | 0.0 | -1.1 | -1.3 | -0.1 |
| Norway | 0.4 | -1.2 | 0.5 | 1.3 | 3.5 | 4.1 | 3.3 | -0.6 | 0.0 | 1.4 | 4.2 | 4.3 | 4.2 |
| Poland | -3.0 | -1.2 | 1.3 | 2.3 | 3.4 | 4.4 | 3.7 | 0.4 | 0.6 | -1.7 | 0.2 | -0.6 | 0.1 |
| Portugal | 0.6 | -0.6 | -0.1 | -0.3 | 0.5 | 0.0 | 0.5 | -2.8 | -1.5 | -2.8 | -4.2 | -2.8 | 0.3 |
| Romania(1) | -2.7 | 0.0 | -1.7 | -1.5 | 2.8 | 1.1 | 2.3 | -2.6 | -1.5 | 1.4 | -1.2 | -0.5 | -0.2 |
| Russia(1) | 2.3 | -0.3 | 1.4 | 1.3 | 0.9 | 2.5 | 0.5 | -2.2 | 0.6 | 1.3 | 0.9 | 0.2 | -0.6 |
| Slovakia(1) | 0.1 | 1.1 | -0.2 | 1.6 | 2.1 | 2.1 | 3.2 | -2.8 | -2.0 | 1.5 | -1.0 | -0.1 | 0.9 |
| Spain | 2.5 | 3.2 | 3.6 | 4.1 | 4.0 | 3.0 | -0.5 | -6.8 | -2.3 | -1.9 | -3.8 | -2.0 | 0.2 |
| Sweden | 0.0 | -0.6 | -0.7 | 0.3 | 1.7 | 2.3 | 1.1 | -2.1 | 1.0 | 2.1 | 0.4 | 0.8 | 1.5 |
| Switzerland(1) | 0.7 | -0.3 | 0.3 | 0.7 | 2.1 | 2.6 | 2.4 | 0.5 | 0.7 | 2.5 | 1.2 | 0.2 | 0.4 |
| Turkey(1) | 6.2 | 5.3 | 9.4 | 8.4 | 6.9 | 4.7 | 0.7 | -4.8 | 9.2 | 8.5 | 2.3 | 1.2 | 1.2 |
| UK | 0.7 | 1.0 | 1.0 | 1.3 | 1.1 | 0.7 | 0.4 | -1.6 | -0.5 | 0.2 | 1.0 | 0.5 | 0.7 |

Source: Eurostat - (1) Forecast prepared by Oxford Economics - * Estimate - ** Forecast

## CONSUMER PRICES (ANNUAL RATE %)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013** | 2014** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro area | 2.3 | 2.2 | 2.1 | 2.2 | 2.3 | 2.0 | 3.0 | 1.6 | 0.9 | 2.3 | 2.5 | 1.8 | 1.5 |
| Austria | 2.0 | 1.5 | 1.5 | 2.2 | 1.8 | 1.8 | 3.0 | 1.6 | 1.0 | 2.7 | 3.1 | 2.0 | 2.1 |
| Belgium | 2.0 | 1.4 | 1.6 | 2.3 | 2.5 | 1.9 | 3.4 | 2.2 | 0.9 | 3.2 | 3.1 | 1.9 | 1.5 |
| Bulgaria(1) | 6.6 | 2.9 | 5.1 | 5.5 | 7.6 | 6.4 | 11.1 | 6.8 | 2.1 | 3.6 | 2.5 | 2.3 | 2.6 |
| Czech Republic | 3.2 | 0.1 | 1.4 | 2.0 | 2.1 | 2.1 | 5.4 | 3.0 | 0.6 | 1.8 | 3.4 | 2.1 | 1.0 |
| Estonia(1) | 4.6 | 2.3 | 1.8 | 4.0 | 4.3 | 5.3 | 9.6 | 5.2 | 0.5 | 4.6 | 4.6 | 3.0 | 2.2 |
| Finland | 2.4 | 1.6 | 0.6 | 0.4 | 1.1 | 1.4 | 2.9 | 2.8 | 1.4 | 2.7 | 3.2 | 2.8 | 2.5 |
| France | 1.9 | 2.0 | 2.3 | 2.1 | 2.0 | 1.6 | 2.7 | 1.4 | 0.9 | 2.0 | 2.4 | 1.7 | 2.1 |
| Germany | 1.7 | 1.1 | 1.3 | 1.9 | 2.0 | 1.8 | 2.8 | 1.3 | 0.6 | 1.9 | 2.1 | 1.6 | 1.8 |
| Greece | 3.9 | 3.7 | 3.1 | 3.3 | 3.4 | 3.1 | 3.9 | 2.5 | 3.0 | 4.3 | 1.1 | -0.7 | -0.5 |
| Hungary | 6.8 | 4.7 | 6.0 | 4.9 | 3.3 | 6.8 | 7.0 | 4.4 | 4.9 | 4.1 | 5.8 | 5.7 | 3.6 |
| Ireland | 4.4 | 4.4 | 2.9 | 2.3 | 2.5 | 2.7 | 3.2 | 0.7 | -2.2 | 0.1 | 1.6 | 1.0 | 1.4 |
| Italy | 2.4 | 2.8 | 2.5 | 2.2 | 2.3 | 2.0 | 2.9 | 2.1 | 1.1 | 2.3 | 3.4 | 2.1 | 1.7 |
| Latvia(1) | 2.7 | 2.1 | 4.6 | 6.8 | 6.9 | 7.7 | 14.1 | 9.3 | -0.9 | 2.3 | 3.4 | 2.5 | 2.5 |
| Lithuania(1) | 1.5 | -0.9 | -0.3 | 2.5 | 3.2 | 4.6 | 9.2 | 8.0 | 1.4 | 3.1 | 3.7 | 2.8 | 2.3 |
| Luxembourg(1) | 2.0 | 2.5 | 2.6 | 3.6 | 3.7 | 2.4 | 3.8 | 1.5 | 1.7 | 3.3 | 3.3 | 2.1 | 2.0 |
| Netherlands | 4.6 | 3.0 | 1.7 | 1.4 | 1.6 | 1.6 | 1.9 | 1.8 | 0.7 | 1.8 | 2.7 | 2.3 | 1.7 |
| Norway | 1.3 | 2.0 | 0.7 | 1.2 | 2.1 | 1.6 | 2.1 | 3.1 | 2.3 | 1.7 | 0.7 | 1.7 | 2.3 |
| Poland | 3.4 | 0.9 | 2.1 | 3.4 | 1.4 | 1.9 | 3.7 | 4.0 | 3.4 | 3.2 | 3.8 | 1.9 | 2.3 |
| Portugal | 3.9 | 3.7 | 2.7 | 2.3 | 2.8 | 2.6 | 2.7 | 0.7 | 0.0 | 2.8 | 2.6 | 1.0 | 0.8 |
| Romania(1) | 27.9 | 17.8 | 13.6 | 10.0 | 8.1 | 5.0 | 7.0 | 6.8 | 5.2 | 6.9 | 3.7 | 3.7 | 2.8 |
| Russia | 15.8 | 13.7 | 10.9 | 12.7 | 9.7 | 9.0 | 14.1 | 11.7 | 6.9 | 8.4 | 5.1 | 7.7 | 6.3 |
| Serbia(1) | 19.5 | 9.9 | 11.0 | 16.1 | 11.7 | 5.8 | 11.9 | 8.7 | 6.1 | 11.0 | 6.5 | 5.0 | 4.5 |
| Slovakia(1) | 5.3 | 5.8 | 8.4 | 4.6 | 3.7 | 2.9 | 3.0 | 2.6 | 0.4 | 2.5 | 4.0 | 3.0 | 2.3 |
| Spain | 3.1 | 3.5 | 2.9 | 3.3 | 3.7 | 2.9 | 3.9 | 1.6 | 0.8 | 2.8 | 2.5 | 2.5 | 0.9 |
| Sweden | 2.6 | 2.1 | 1.5 | 0.9 | 1.3 | 1.5 | 2.7 | 2.5 | 2.0 | 1.6 | 0.9 | 0.6 | 2.5 |
| Switzerland | 0.7 | 0.7 | 0.8 | 1.2 | 1.1 | 0.7 | 2.4 | -0.5 | 0.7 | 0.2 | -0.7 | 0.5 | 1.1 |
| Turkey | 47.0 | 25.3 | 10.1 | 8.1 | 9.3 | 8.8 | 10.5 | 6.3 | 8.6 | 6.5 | 9.0 | 7.3 | 5.9 |
| UK | 1.3 | 1.3 | 1.3 | 1.7 | 2.2 | 2.5 | 2.7 | 3.1 | 2.7 | 3.9 | 2.8 | 2.5 | 2.0 |
| Ukraine | 0.8 | 5.2 | 9.0 | 13.6 | 9.1 | 12.8 | 25.2 | 15.9 | 9.4 | 8.0 | 1.2 | 7.0 | 5.1 |

Source: Eurostat - (1) Forecast prepared by Oxford Economics - ** Forecast

## LONG-TERM INTEREST RATES (ANNUAL AVERAGE RATE %)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013** | 2014** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Austria | 4.97 | 4.15 | 4.15 | 3.39 | 3.80 | 4.29 | 4.26 | 3.88 | 3.22 | 3.32 | 2.37 | 2.15 | 2.70 |
| Belgium | 4.99 | 4.18 | 4.15 | 3.43 | 3.81 | 4.33 | 4.42 | 3.90 | 3.46 | 4.23 | 3.00 | 2.65 | 3.15 |
| Bulgaria(1) | 0.00 | 6.45 | 5.36 | 3.87 | 4.18 | 4.54 | 5.38 | 7.21 | 6.00 | 5.36 | 4.50 | 3.77 | 4.07 |
| Czech Republic | 4.88 | 4.12 | 4.82 | 3.54 | 3.80 | 4.30 | 4.63 | 4.84 | 3.88 | 3.71 | 2.80 | 2.25 | 3.25 |
| Finland | 4.98 | 4.13 | 4.11 | 3.35 | 3.78 | 4.29 | 4.29 | 3.74 | 3.01 | 3.01 | 1.89 | 2.05 | 2.55 |
| France | 4.86 | 4.13 | 4.10 | 3.41 | 3.80 | 4.30 | 4.23 | 3.65 | 3.12 | 3.32 | 2.54 | 2.45 | 2.85 |
| Germany | 4.78 | 4.07 | 4.04 | 3.35 | 3.76 | 4.22 | 3.98 | 3.22 | 2.74 | 2.61 | 1.49 | 1.75 | 2.35 |
| Greece | 5.12 | 4.27 | 4.26 | 3.58 | 4.07 | 4.50 | 4.80 | 5.17 | 9.09 | 15.75 | 22.50 | n.a. | n.a. |
| Hungary | 7.08 | 6.82 | 8.19 | 6.60 | 7.12 | 6.74 | 8.24 | 9.12 | 7.28 | 7.63 | 7.89 | 6.05 | 7.45 |
| Ireland | 5.01 | 4.13 | 4.08 | 3.33 | 3.76 | 4.31 | 4.53 | 5.22 | 5.74 | 9.60 | 6.17 | 4.95 | 4.85 |
| Italy | 5.04 | 4.25 | 4.26 | 3.55 | 4.05 | 4.49 | 4.68 | 4.31 | 4.03 | 5.42 | 5.49 | 4.50 | 4.85 |
| Luxembourg(1) | 4.70 | 4.03 | 4.18 | 3.37 | 3.92 | 4.56 | 4.61 | 4.23 | 3.17 | 2.92 | 1.82 | 1.77 | 2.00 |
| Netherlands | 4.89 | 4.12 | 4.09 | 3.37 | 3.78 | 4.29 | 4.23 | 3.69 | 2.99 | 2.99 | 1.93 | 2.05 | 2.55 |
| Norway | 6.38 | 5.05 | 4.37 | 3.75 | 4.08 | 4.77 | 4.46 | 4.00 | 3.53 | 3.14 | 2.12 | 3.00 | 3.80 |
| Poland | 7.36 | 5.78 | 6.90 | 5.22 | 5.23 | 5.48 | 6.07 | 6.12 | 5.78 | 5.96 | 5.00 | 4.40 | 5.00 |
| Portugal | 5.01 | 4.18 | 4.14 | 3.44 | 3.91 | 4.42 | 4.52 | 4.21 | 5.40 | 10.24 | 10.55 | 9.54 | 9.35 |
| Romania(1) | n.a. | n.a. | n.a. | n.a. | 7.23 | 7.13 | 7.70 | 9.69 | 7.34 | 7.29 | 6.68 | 6.33 | 6.22 |
| Slovakia(1) | 6.93 | 4.99 | 5.03 | 3.52 | 4.41 | 4.49 | 4.72 | 4.71 | 3.87 | 4.45 | 4.55 | 5.29 | 5.24 |
| Spain | 4.96 | 4.12 | 4.10 | 3.39 | 3.78 | 4.31 | 4.37 | 3.98 | 4.25 | 5.44 | 5.85 | 5.50 | 5.35 |
| Sweden | 5.30 | 4.64 | 4.42 | 3.38 | 3.70 | 4.17 | 3.89 | 3.25 | 2.89 | 2.60 | 1.59 | 2.05 | 2.95 |
| Switzerland | 3.20 | 2.66 | 2.74 | 2.10 | 2.52 | 2.93 | 2.90 | 2.20 | 1.63 | 1.47 | 0.65 | 0.80 | 1.35 |
| UK | 4.91 | 4.58 | 4.93 | 4.46 | 4.37 | 5.06 | 4.50 | 3.36 | 3.36 | 2.94 | 1.74 | 2.20 | 2.75 |

Source: Datastream - (1) Forecast prepared by Oxford Economics - ** Forecast

## EXCHANGE RATES (QUARTERLY AVERAGE Q4 2012)

| | |
|---|---|
| Norway | 1 NOK = € 0.1358 |
| Sweden | 1 SEK = € 0.1159 |
| Switzerland | 1 CHF = € 0.8278 |
| United Kingdom | £ 1 = € 1.2384 |

Source: European Central Bank

# 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 aand/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/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.

# NOTES

# NOTES

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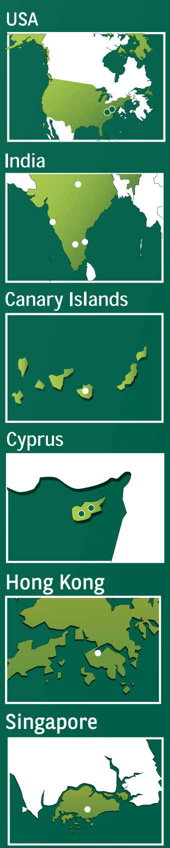
## INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS





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| | |
|---|---|
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| AUSTRIA | RUSSIA |
| BULGARIA | SERBIA |
| CYPRUS | SLOVAKIA |
| ESTONIA | SWEDEN |
| FINLAND | SWITZERLAND |
| GREECE | TURKEY |
| LATVIA | UKRAINE |
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