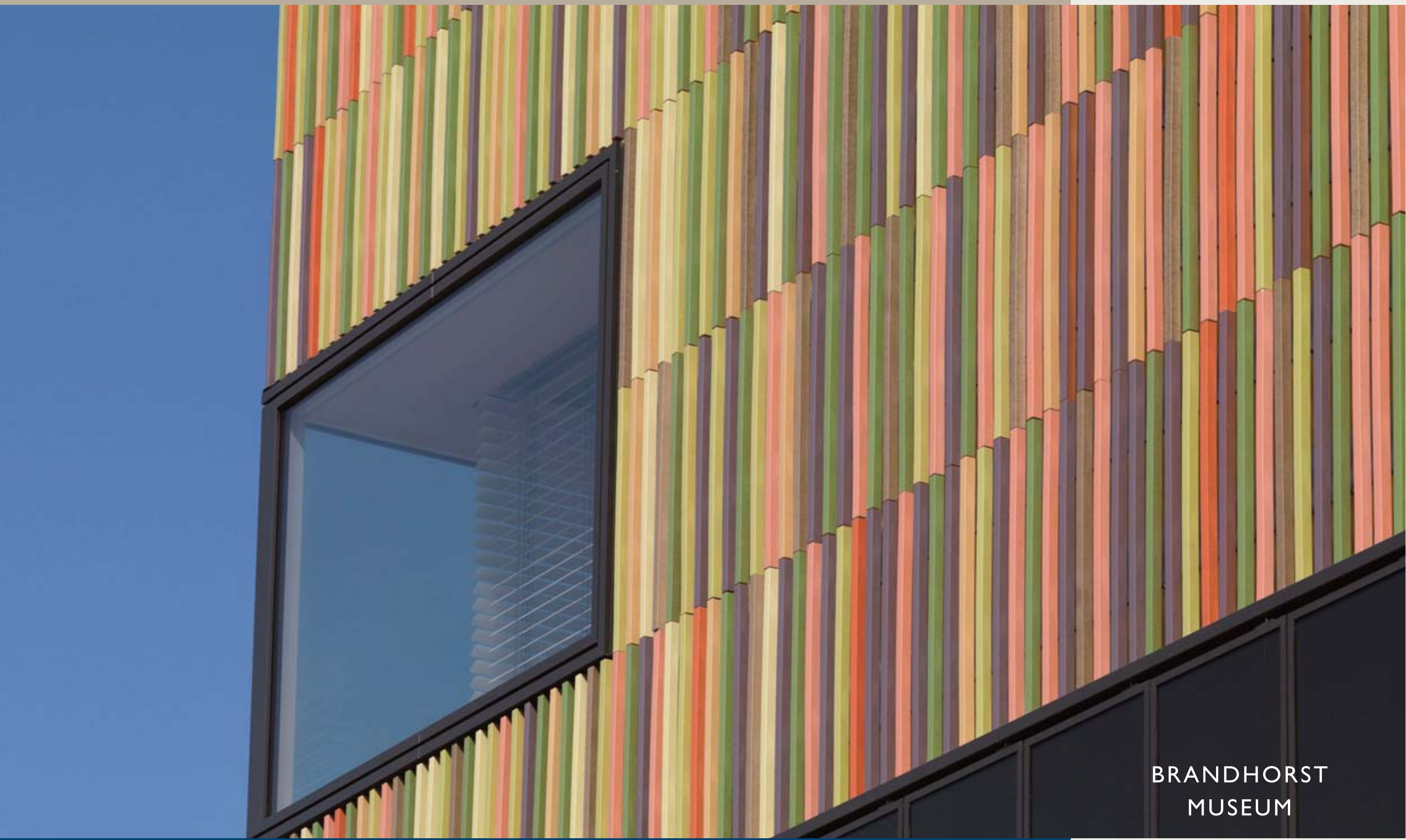


Market Survey

OFFICE LETTING
INVESTMENT

MUNICH I JULY 2009

COLLIERS
PROPERTY PARTNERS

www.colliers-schauer.de

New building of Museum Brandhorst

MUNICH STATISTICS

Population (as of 04/2009)	1,351,859
Unemployment rate (as of 06/ 2009)	4.9 %
Employees paying social security contributions (as of 09/2008)	697,097
Purchasing power index 2009	135.6
Trade tax assessment rate	490 %
Gross domestic product/ resident (as of12/2006)	54,589 €

Sources: Landeshauptstadt Munich, Bundesagentur für Arbeit, MB Research. The Bavarian State Office for Statistics and Data Processing

FAST FACTS

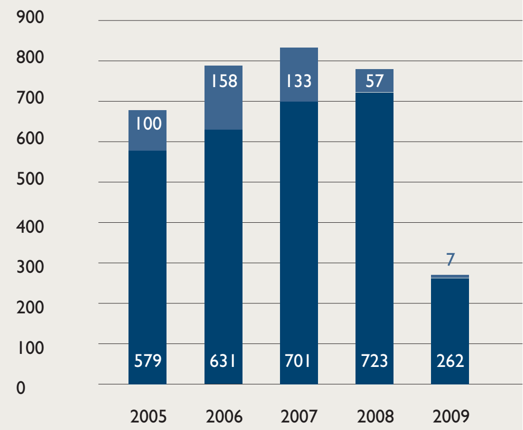
Take-up of space	269,933 m²
Take-up of rent	262,413 m²
Premium rent	€ 30.00 m²
Average rent	€ 13.00 m²
Vacancy rate	7.3 %
Existing space (incl, environs)	21.79 M m²

OFFICE LETS

Turnover

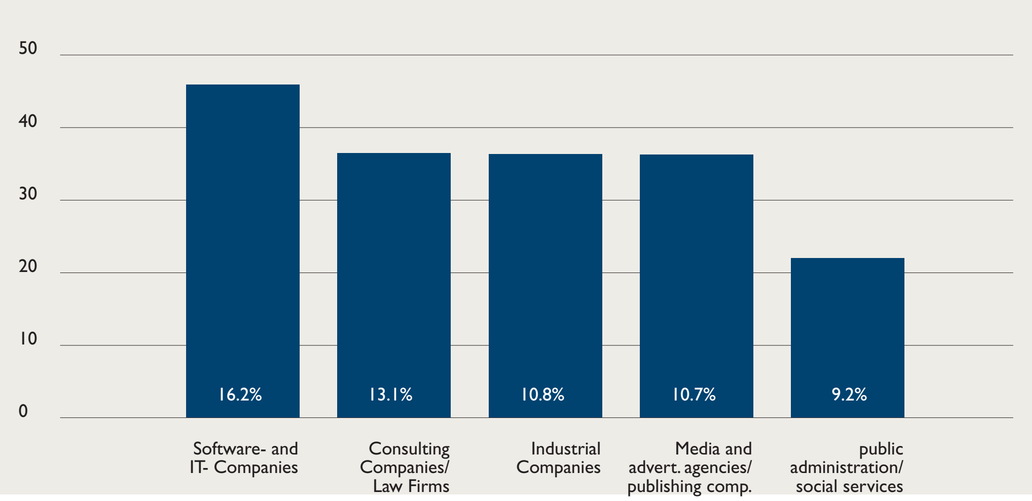
Economic indicators show mid 2009 that the downturn of the entire economic development has slowed down and has slowly bottomed out. Whether a sustainable development has settled in can, however, first be determined in the next months. Despite the ongoing challenging economic environment, Munich's office leasing market has also sent diverse signals which could be interpreted in different ways in the first six months of 2009. The net lease performance without consideration of owner-occupiers was 262,400 m²; the total take-up was 269,900 m². In comparison to the corresponding period of the previous year this represents a decline of approx. 29.2 %, respectively approx. 31.5 %. Compared to the 5-year average (2004 – 2008: 298,300 m²), a reduction of only approx. 12 % was recorded in leased office space. Although 391 lease agreements were registered by midyear, representing approx. 24.2 % fewer concluded contracts compared to a year ago, the result lies however almost at the same level as in the corresponding period of 2007.

TAKE-UP OF SPACE (IN 000s m²)
LEASES / OWNER-OCCUPIER

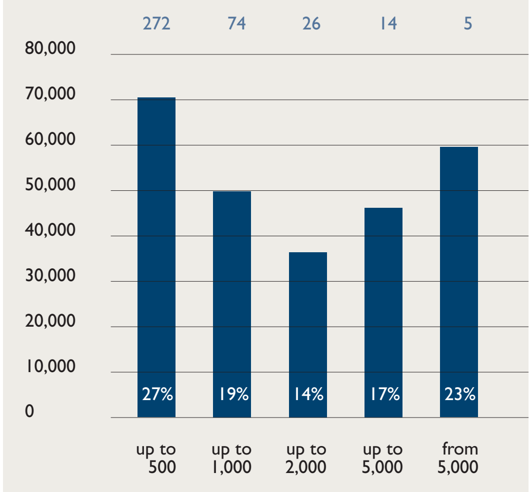


In the first half of 2009 the most office space with about 38 % was leased in city center areas, although none of the five large leases exceeding 5,000 m² were in these districts. These districts were dominated by smaller leases up to 500 m² with a share of approx. 36.2 %. Both of Hypo Real Estate's large volume contracts (approx. 13,000 m²) in Unterschleißheim and Bosch Sicherheits-

TAKE-UP BY INDUSTRIES – TOP FIVE (IN 000s m² EXCL. OWNER-OCCUPIERS)



TAKE-UP OF OFFICE SPACE BY SIZE (IN M² EXCL. OWNER-OCCUPIERS) AND NUMBER OF CONTRACTS



systeme's lease (approx. 19,000 m²) in Grasbrunn were concluded for office properties, which are located in Munich's surrounding communities. Thus sub-market Environs South-East is in second place with a lease take-up of 30,600 m² following sub-market City North-East (33,100 m²).
The largest lease take-up was generated in the size category for space up to 500 m² with 70,500 m² in the first half of 2009. Although the result is 17.8 % below the corresponding period in 2008, it is at the same level of that in 2007. Approx. 70 % (272) of all lease agreements were, however, concluded in the smaller segment. Large leases accounted for 59,600 m² or approx. 22.7 % of the total lease volume. It is remarkable that only one or two fewer contracts were registered in the assessed period compared to 2007 and 2008 recording six and seven contracts. It is noticeable that large companies are taking advantage of the current situation to consolidate and to reevaluate their business strategies up to now. In the next six months the market will be strongly influenced by companies with large inquiries and whether they actually conclude lease contracts or postpone their plans.

LOCATION		LEASE TAKE-UP	SUSTAINABLE RENTS	VACANCY (1)	SPACE POTENTIAL (2)	SUPPLY OF SPACE (3)
Centre	1	18,290	12.50 - 35.00	60,745	8,455	69,200
Centre North-West	2	19,986	10.00 - 24.00	144,783	29,684	174,467
Centre North-East	3	12,258	10.00 - 27.50	43,964	27,751	71,715
Centre South-East	4	21,161	10.00 - 15.50	160,196	19,166	179,362
Centre South-West	5	27,717	9.00 - 19.50	97,435	75,894	173,329
City North-West	6	6,996	8.00 - 16.00	103,352	17,175	120,527
City North-East	7	33,054	8.50 - 22.00	186,411	102,577	288,988
City South-East	8	27,158	7.50 - 15.00	185,768	18,737	204,505
City South-West	9	24,264	9.00 - 16.00	126,575	29,159	155,734
City		190,884		1,109,229	328,598	1,437,827
Environs South-West	10	5,815	7.00 - 13.50	19,461	1,485	20,946
Environs North-West	11	14,777	7.00 - 12.00	33,326	5,263	38,589
Environs North-East	12	20,377	6.00 - 12.50	293,971	64,742	358,713
Environs South-East	13	30,560	5.00 - 12.50	128,318	4,912	133,230
Environs		71,529		475,076	76,402	551,478
Total		262,413		1,584,305	405,000	1,989,305

1) Vacant office space: New buildings with vacant space within 3 months + existing vacant space

2) Space potential: New buildings with vacant space within 12 month + existing vacant space

3) Supply: Vacant office space + space potential

Supply and Vacancy

1.584 million m² of office space are vacant in Munich and its surrounding area at mid 2009 and therefore approx. 44,000 m² more than mid 2008. The vacancy rate rose to 7.3 % as a result of the slight increase in the supply of space, which is about 21.79 million m² due to the completion of projects, and the rise in absolute vacancy. If you add the office space which is to become available or to be completed within the next three months to the space potential, meaning office space which can be occupied within the coming three to twelve months, the current total supply amounts to approx. 1.989 million m². The value of the corresponding period of the previous year is surpassed by approx. 9.7 %.

According to present knowledge approx. 643,000 m² of new office space, of which a good half is already leased or to be owner-occupied, will be completed by the end of 2010. As a reaction to the crisis and restrictive financial conditions hardly any new projects are to be started by 2011 unless significant prelease rates are met. Should the average lease performance of the past years of about 200,000 m² in new building and projects not be achieved this year and only amount to approx. 150,000 m², a considerable surplus production of new office space, however, is not expected. It does not matter if a net absorption takes place or not, a stronger competitiveness will occur be-tween new and existing space. The determining factor is that according to experience newly built space is preferred when selecting a location.

Demand

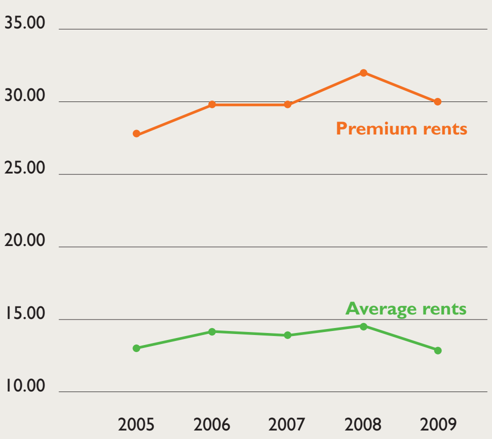
In the first half of 2009 companies in the computer and information technology sectors were especially active when leasing office space. They generated a lease turnover of 42,500 m², which represents approx. 16 % of the total volume. Consulting firms and legal advisors came in second place with 34,500 m² (approx. 13 %) and therefore lost the top position in an annual comparison. Industrial companies and companies in media and advertising sectors as well as publishers followed neck and neck with about 28,000 m² (approx. 11%).

The assessment of the volume of new inquiries shows however surprising results, especially against the background of ongoing crisis reports of the real economy and global recession tendencies. The volume of inquiries is about 531,000 m² mid 2009 and is therefore approx. 15 % above that of mid 2008. Although this indicates a remarkable result, the trend concerning the deteriorating quality of inquiries for the current year, which we mentioned in the past, has continued to strengthen. The volume in the large segment is not, among other things, influenced by expansion plans. In addition companies are testing the market waters for favorable alternatives without any existing pressure to relocate.

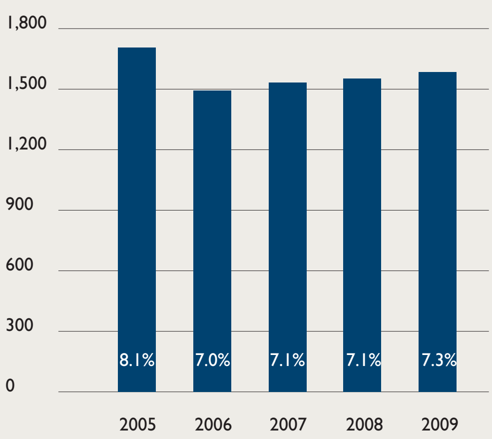
Rent Prices

As a result of the lack of large volume, high-priced lease contract conclusions in this year, the sustainable premium rent price has slightly decreased and is at € 30.00/m² approx. 2.9 % below the midyear level of 2008. Nevertheless six contracts were concluded with rent prices of € 30.00/m² and more in the best city center locations in the first six months of 2009. For a comparison nine contracts were concluded in the corresponding period in 2008. Existing real estate with structural flaws are noticeably being faced with difficulties to realize required rent prices, which is manifested in the decrease of 9.9 % in the average rent price, which is currently € 12.92/m².

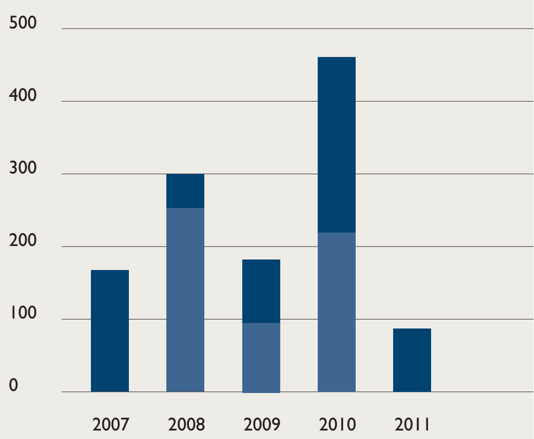
PREMIUM AND AVERAGE RENTS (IN €/M²)



VACANCY (IN M M²) AND VACANCY RATE (IN %)



VOLUME OF NEW SPACE (IN 000 M²) AND PRELEASE / OWNER-OCCUPIERS



Within Munich's city limits €14.37/m² is being paid on average and € 9.37/m² in its surrounding area. It is here that one single large volume deal with a below average rent makes its mark and is responsible for the decline of approx. 8.6 %.

Conclusion and Forecast

Munich's office market leaves the first half of 2009 with a black eye. The lease market did not experience any similar big hype as the commercial investment market and did not achieve any new highs, neither in lease performance nor in premium and average rents. Therefore no comparably strong decline in lease performance and no market downturn were recorded. Decisive factors are the balanced structure of sectors and the low volatility among others contrary to markets in Frankfurt or London, where dominating sectors have substantial influence. Existing rents are increasingly coming under pressure. A stable rent level was recorded for newly built space. Due to the high volume of inquiries, thereof also many relatively large inquiries, the signs are looking good that a break even and acceptable result will be achieved by year end. We expect that our prognosis of an approx. 550,000 m² lease take-up will take place even if the provisions of the real economy have initially a delayed impact on the real estate market from experience. It can not be seen up to now, how the proceedings on the real estate market will develop, when a further cut in jobs is to take place after the end of short-time work and the expiring of government economic programs.

PropertyIndex Immax

The Property Market Index, Immax for short, illustrates the development of the supply and demand situation on the market for office space in the Greater Munich area. The index represents the relation between the supply at a specific point in time and the completion and turnover of office space over the previous 12 months. It therefore makes it possible to make a statement concerning time-comparative trends.

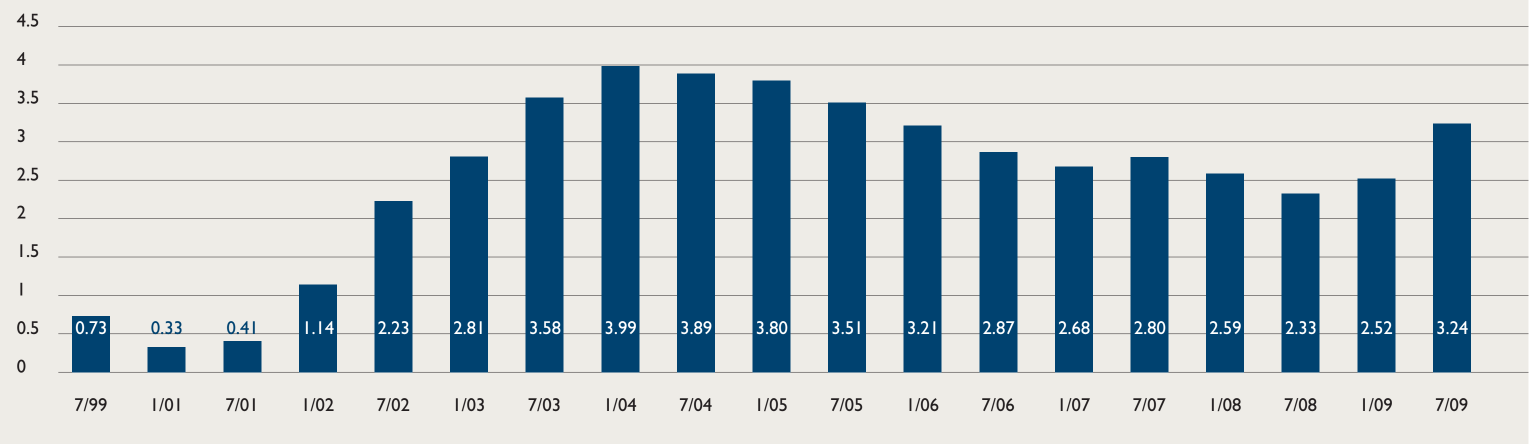
The supply takes into consideration both vacant space at the beginning of the year as well as the potential space, which will become available through the completion of new buildings in addition to existing space becoming vacant within a period of 12 months.

When looking at turnover, the volume of office lease take-up during the previous 12 months is included in the calculation. Office space occupied by owner-occupiers has not been taken into account.

$$\text{Immax 07/2009} = \frac{1{,}989{,}305\ \text{m}^2}{613{,}760\ \text{m}^2} = 3.24$$

The PropertyIndex Immax with a value of 3.24 has once again surpassed the value of the previous quarter. An annual comparison also shows an increase in the Immax. The rise is accounted for by the higher supply of space with a simultaneously lower take-up. We expect that the PropertyIndex will still slightly increase due to continuing growth in the supply of space and the tendential decline in lease take-up by the end of the year.

PROPERTY INDEX IMMAX

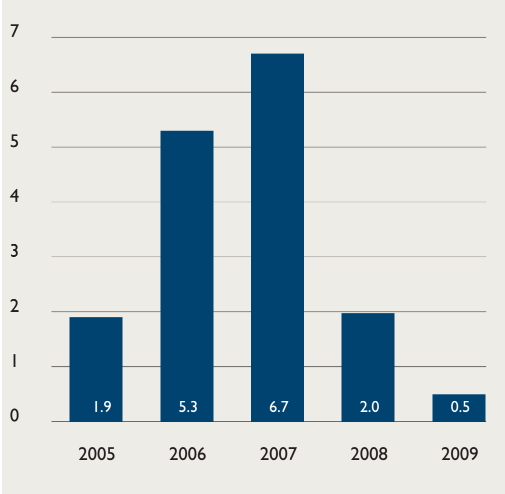


INVESTMENT

Transaction Volume

The cautious activity in the first quarter of 2009 has continued on the commercial investment market in Munich in the second quarter. All things considered the transaction volume on Munich's investment market after the first half of 2009 is significantly below the value of the first six months of 2008. About € 500 million of investment volume for

TRANSACTION VOLUME (IN BN €)



commercial real estate represents a plunge of approx. 62 % compared to the corresponding period in the previous year. In the phase of which the financial crisis has already showed its first signs, investors have, in spite of it all, still invested about € 1.3 billion within the scope of commercial transactions. In addition institutional investors invested nearly € 150 million in residentially used properties by the end of the first half of 2009. So far large transactions have remained scarce during the course of this year – with the exception of the sale of a newly built office building for slightly more than € 100 million in the first quarter. Most transactions were concluded in the price segment between € 10 and € 25 million. The most prominent real estate sale was "Munich City Tower" in the second quarter. The building complex, located directly at Donnersberger bridge, consists of a multi-story and a flat roofed building and was sold to FREO GmbH.

The activity on the commercial investment market in the state capital was focussed on central locations in the first six months of 2009. Around 86 % of the total volume was generated in submarkets within Mittlerer Ring, especially in submarket Center North-West. The office building "ATMOS" was mainly responsible for the strong investment turnover in this particular submarket. In comparison to the corresponding period last year the shares of portfolio sales in terms of transaction volume considerably dropped. In the first half of 2008 approx. 31 % of investment volume was still generated by portfolio sales. In the course of 2009 it has accounted for only approx. 11 %. Single asset deals dominated with a share of approx. 89 %.

Buyer and Seller Groups

Open real estate funds were by far the most active investor group with a share of approx. 31 % of the transaction volume. Compared to the first half of 2008 they have increased their investment volume by approx. 32 %. The determining factor was particularly the investment by Union Investment Real Estate AG for slightly more than € 100 million in Arnulfpark. A significant share of the commercial investment volume was also accounted for by closed real estate funds (approx. 21 %) and private investors (approx. 19 %). When looking at sellers, one investor also dominated this side of the market. With a share of approx. 39 % in generated volume, real estate plc were the most active seller. Lagging somewhat behind real estate developers (approx. 15 %) and opportunity/equity funds (approx. 12%) took the following places. Non-property companies, which had a very strong share of approx. 37 % of turnover in the first half of 2008, played a minor role (approx. 3 %) from January until June 2009. Since mid 2008 it has already been noted that international investors dominate Munich's market to a lesser degree than in previous

FAST FACTS

Transaction volume	€ 0.5 BN
Largest buyer group:	
Open Real Estate Funds	31.3 %
Largest seller group:	
Real Estate plc.	38.9 %
Most requested type of property:	
Office	67.3 %
Premium yield office	4.75 %

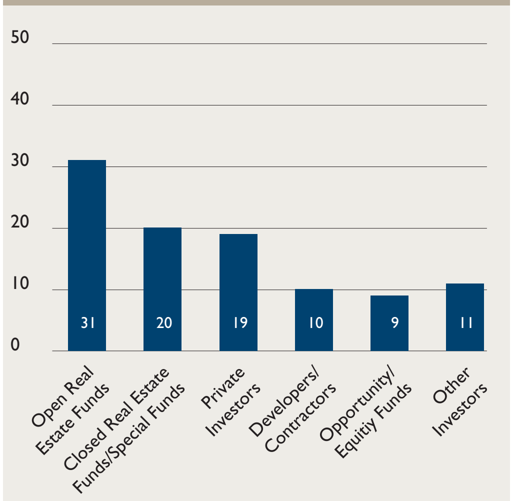
years. This development has also been confirmed in the first half of 2009. International investors accounted for about 15 % of the commercial investment turnover. This represents a significantly lower value than a year ago, which amounted to approx. 40 % at that time.

market in the Bavarian state capital in comparison to past years, it is very important to differentially view the current market situation. In doing so the determined turnover volume is not necessarily the focal point of the discussion, but rather the current yields generated by the sale of commercial real estate. The individual conditions and aspects

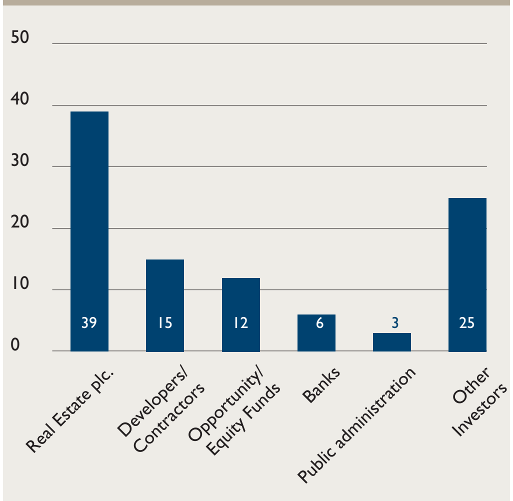
Conclusion and Forecast

Although Munich's investment market is marked by very withdrawn market activity in the first half of 2009, national and international investors are still focussing on the market due to its economic conditions (wide economic base, balanced distribution of sectors, functioning employment market). It is necessary to take a critical look at the

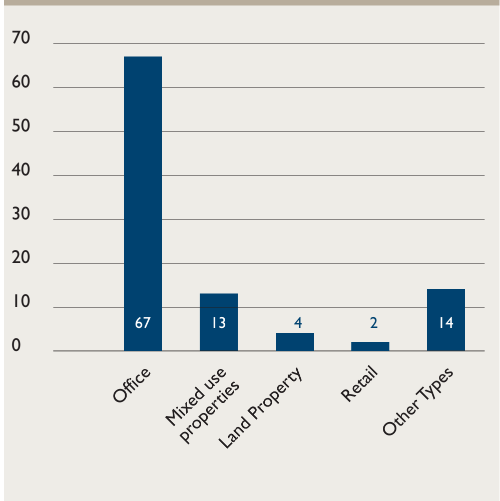
BUYERS (IN %)



SELLERS (IN %)



TYPE OF PROPERTY (IN %)



Investment Properties

In the first half of 2009 office properties were the most sought after asset by investors. They had a share of about 67 % in the commercial investment volume and dominated market activity. Ap-prox. 13 % of the total turnover was invested in commercial buildings with office and retail use. Properties with only retail use played a minor role in transactions up to now this year. In the corresponding period last year retail properties made up approx. 43 % of the commercial investment volume, thus accounting for a share of only approx. 2 % in the first two quarters of 2009 collectively. Last year the Arcandor portfolio sale strongly influenced the result and was together with the sale of MIRA shopping center a crucial factor for the high turnover.

Especially due to the still very cautious market activity on the commercial transaction

of a transaction muss be analysed more now than ever in order to get a complete picture of the market. Core products in established in economies and locations continue to be very high in demand. Properties which fulfill these expectations (complete occupancy, central location, good creditability, longterm leases) will continue to obtain attractive yields in the future. The premium yields for office real estate is currently 4.75 %. In good and established office locations the yield range lies between 5.50 and 6.70 % at the moment.

activities and it is important not to jump to any conclusions concerning the current situation to soon. A general fall in prices for top locations is not to be recorded on Munich's commercial real estate market and will also not occur in the future, although transaction activity has slowed. The supply in the core segment continues to be very manageable. Demand far exceeds supply. The time needed to close a deal has grown considerably longer. The reason for this is mainly due to the fact that the property and the detailed valuation of its fundamental facts are once again increasingly at the forefront. We expect that investment activities will significantly increase after the summer break and could make the last three months of the year the strongest quarter.

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