



INTERNATIONAL  
**PROPERTY  
PARTNERS**

A BRIEF OVERVIEW  
ON US  
ON OUR SERVICES  
ON GENERAL PROPERTY MARKET DATA

**2007/08**

## IPP International Property Partners

The IPP-Network was founded in 2004. The idea is to offer real estate investors and users a cross border European real estate service. The members cooperate within the network with leading real estate service providers and project developers across Europe. It creates the opportunity for internationally oriented investors and users to penetrate a number of markets – with the customary philosophy and quality offered by local experts.

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## AUSTRIA

### Economic Indicators

|                                       |                       |
|---------------------------------------|-----------------------|
| GDP (% per annum)                     | 285.6 (forecast 2008) |
| Employment Growth (% per annum)       | 2.2                   |
| Unemployment Rate (%)                 | 4.2                   |
| Inflation (% per annum)               | 2.0                   |
| Long-term Interest Rate (%)           | 4.4                   |
| Producers Confidence                  | n. a.                 |
| Transaction Volume (bn €)             | 4 – 5 (forecast 2008) |
| Total Office Market (m <sup>2</sup> ) | 10,600,000            |
| Vacancy Rate Offices (%)              | 6                     |
| Prime Yield Offices (%)               | 5.9                   |

In 2007, Vienna was exposed to a sole trend of rising prices. National and international investors generated an enormous pressure on the investment market, which drove up the prices in the Viennese market. The yield for numerous commercial properties fell below 5.5% in 2007 and in inner-city locations it was even significantly lower than 5%. Properties with a low rental occupancy rate (under 50%) were sold with yields well below 6% in 2007. Office space letting increased significantly in Vienna in 2007, but the restricted liquidity in the money market is likely to persist. Thus prices must be expected to decline slightly again. However, the continuing demand for investment opportunities was diverted to other property sectors (logistics or properties in the regional capitals) to obtain easier finance because of the higher yield.

Vienna

### Office Market

|  |         |
|--|---------|
| Total available space at end of 2007 in m <sup>2</sup>                                   |         |
| Supply of premises with short-term availability<br>(ready to occupy within three months) |         |
| incl. premises for sub-letting (latent vacancies)  | 620,000 |
| Total demand for space at end of 2007 in m <sup>2</sup>                                  |         |
| Total volume of all requests registered  | 350,000 |
| Space turnover in 2007 in m <sup>2</sup>   |         |
| For rent and use by owner  | 390,000 |
| Forecast turnover in 2008 in m <sup>2</sup> p.a.   |         |
| For rent and use by owner  | 370,000 |
| Top rent* central district 2007 / in €/m <sup>2</sup> p.m.                               | 22.00   |
| Top rent* inner city fringe 2007 / in €/m <sup>2</sup> p.m.                              | 14.50   |
| Top rent* outlying districts 2007 / in €/m <sup>2</sup> p.m.                             | 9.00    |
| Average rent central district 2007 / in €/m <sup>2</sup> p.m.                            | 15.00   |
| Average rent inner city fringe 2007 / in €/m <sup>2</sup> p.m.                           | 10.00   |
| Average rent outlying districts 2007 / in €/m <sup>2</sup> p.m.                          | 6.50    |
| Reserve supply at the end of 2007 / in % (of total office space)                         | 3.50    |
| Forecast of the rent trend in the top price category (trend for 2008)                    | ↗       |

\* weighted, above 3% of the space turnover

**Commercial and service space (figures for end of 2007)**

|  |      |
|--|------|
| Average rents in €/m <sup>2</sup> , new buildings      |      |
| – service space  | 5.00 |
| Average rents in €/m <sup>2</sup> , new buildings      |      |
| – warehouse space                                      | 5.00 |
| Average rents in €/m <sup>2</sup> , existing buildings |      |
| – service space  | 4.00 |
| Average rents in €/m <sup>2</sup> , existing buildings |      |
| – warehouse space                                      | 4.00 |

**Retail (figures for end of 2007)**

|   |                |
|---|----------------|
| Rent in €/m <sup>2</sup> , central business district, 1a location<br>(ground floor < 100 m <sup>2</sup> ) | 290.00         |
| Rent in €/m <sup>2</sup> , central business district, 1b location<br>(ground floor < 100 m <sup>2</sup> ) | 40.00<br>60.00 |
| Rent in €/m <sup>2</sup> , inner city fringe, suburban centre<br>(ground floor < 100 m <sup>2</sup> )     | 10.00<br>12.00 |
| Rent in €/m <sup>2</sup> , arterial road<br>(ground floor < 100 m <sup>2</sup> )                          | 10.00          |
| Rent in €/m <sup>2</sup> , specialist stores on arterial roads<br>(ground floor < 100 m <sup>2</sup> )    | 8.00<br>10.00  |
| Forecast for rent trend in 2008, 1a locations   | ↗              |
| Forecast for rent trend in 2008, 1b locations   | →              |
| Forecast for rental space turnover 2008, 1a locations   | ↗              |
| Forecast for retail turnover 2008, 1a locations   | ↗              |

**Investment market (figures for end of 2007)**

|   |              |
|---|--------------|
| Average initial yield* office and shop buildings,<br>central district, %  | 3.00<br>4.00 |
| Average initial yield* office and shop buildings,<br>inner city fringe, % | 5.00<br>6.00 |
| Average initial yield* for apartment buildings (medium standard)          | 3.50         |
| – new buildings, %  | 6.00         |
| Average initial yield* for apartment buildings (medium standard)          | 2.50         |
| – existing buildings (interest rate b), %                                 | 5.00         |

\* Initial yield: annual rental income to purchase price (%)

## CENTRAL EASTERN EUROPE AND RUSSIA

### Bulgaria / Sofia

The development potential of the Bulgarian property market is increasingly attracting the interest of local and foreign investors. Positive economic growth and the growth prospects of a strong retail trade are enhancing this effect.

### Serbia / Belgrade

In spite of a very active development in Belgrade, the office property market remains at a constant level compared with other countries. At present, there are approx. 250,000 m<sup>2</sup> of modern office and warehouse properties. More than 140,000 m<sup>2</sup> of office space will probably be developed during 2008. Office rents remained stable at approx. € 19.50/m<sup>2</sup> in 2007.

### Hungary / Budapest

The 4<sup>th</sup> quarter saw a significantly stronger demand than the previous quarters. The rents remained stable in 2007; a slight increase in rents was noted in the new mixed office/industrial complex close to the inner city in the Budapest local market. Vacancies fell again after an increase in the previous quarter, and now stand at approx. 9%.

### Romania / Bucharest

The property trade has been one of the strongest growth areas in the past few years. The demand for good commercial properties far exceeds the supply, so the prices have risen substantially over the last three to four years. Property prices have at least doubled in this period, and land prices have increased even more (sometimes to as much as five times the former price). Now, the price level of Austria has been reached – and in some cases prices are even higher. The phase of explosive growth has ended. The income from rents is still higher than in Austria, but with a downward trend.

## Ukraine / Kiev

The market in the Ukraine is characterized by an enormous shortage of category A offices, hotels and retail premises. The greatest demand is still in the capital city, Kiev. Plots of land in the central business district are rare, and the prices are consistently high. Rents will continue to increase slightly for the next three to five years, and then, depending on the level of construction activity, they will stagnate or start to fall slightly. The top rents for category A offices in the centre were up to € 65.00/m<sup>2</sup> and up to € 130.00/m<sup>2</sup> for top retail premises. Due to the massive shortage of properties in the Kiev market, regional cities such as Dnepropetrovsk, Kharkov, Donetsk, Odessa and Lviv are becoming more and more important and attracting an increasing number of national and international developers and investors.

## Slovakia / Bratislava

The development of the relatively new office market in Bratislava is increasingly characterized by both local and foreign demand. The strategic and central position of Bratislava in the CEE region and the continuing unharnessed development potential are driving the production of new office space. Newly built office premises are unable to meet the surplus of demand. The economic location of Bratislava will also remain attractive and profitable for investors in 2007.

## Croatia / Zagreb

The property market has been relatively stable in the last two years; a price increase is only seen in the Dubrovnik region. Property prices in Zagreb and on the Adriatic coast are significantly higher than in the rest of Croatia. Shop rents in attractive locations in Zagreb are between € 13.00/m<sup>2</sup> and € 46.00/m<sup>2</sup>; locations outside the city centre are between € 7.00/m<sup>2</sup> and € 30.00/m<sup>2</sup>, and further out they are between € 5.00/m<sup>2</sup> and € 13.00/m<sup>2</sup>.

## Russia / St. Petersburg

Due to its size and the available potential, the Russian property market – especially in St. Petersburg – will remain very interesting for foreign investors in 2008 in spite of the higher risk because the initial yields are as much as 8%, which is above the average yield in other eastern European states. There is an enormous backlog in the retail sector, which is benefiting from the growing middle class.

## CENTRAL EASTERN EUROPE

|  | Belgrade | Bratislava |
|--|----------|------------|
| <b>Office Market</b>   |          |            |
| Total available space at end of 2007 in m <sup>2</sup>                                   |          |            |
| Supply of premises with short-term availability<br>(ready to occupy within three months) |          |            |
| incl. premises for sub-letting (latent vacancies)  | 70,000   | 45,000     |
| Total demand for space at end of 2007 in m <sup>2</sup>                                  |          |            |
| Total volume of all requests registered  | 200,000  | 130,000    |
| Space turnover in 2007 in m <sup>2</sup>   |          |            |
| For rent and use by owner  | 180,000  | 130,000    |
| Forecast turnover in 2008 in m <sup>2</sup> p.a.   |          |            |
| For rent and use by owner  | 180,000  | 150,000    |
| Top rent* central district 2007 / in €/m <sup>2</sup> p.m.                               | 30.00    | 18.00      |
| Top rent* inner city fringe 2007 / in €/m <sup>2</sup> p.m.                              | 20.00    | 13.00      |
| Top rent* outlying districts 2007 / in €/m <sup>2</sup> p.m.                             | 14.00    | 11.00      |
| Average rent central district 2007 / in €/m <sup>2</sup> p.m.                            | 27.00    | 14.00      |
| Average rent inner city fringe 2007 / in €/m <sup>2</sup> p.m.                           | 17.00    | 11.00      |
| Average rent outlying districts 2007 / in €/m <sup>2</sup> p.m.                          | 14.00    | 9.00       |
| Reserve supply at the end of 2007 / in %<br>(of total office space)                      | 9.20     | 6.00       |
| Forecast of the rent trend in the top price category<br>(trend for 2008)                 | ↗        | →          |

\* weighted, above 3% of the space turnover

### Commercial and service space (figures for end of 2007)

|  |       |      |
|--|-------|------|
| Average rents in €/m <sup>2</sup> , new buildings      |       |      |
| – service space  | 10.00 | 5.00 |
| Average rents in €/m <sup>2</sup> , new buildings      |       |      |
| – warehouse space                                      | 6.00  | 4.00 |
| Average rents in €/m <sup>2</sup> , existing buildings |       |      |
| – service space  | 8.00  | 4.00 |
| Average rents in €/m <sup>2</sup> , existing buildings |       |      |
| – warehouse space                                      | 5.00  | 3.00 |

### Retail (figures for end of 2007)

|   |        |       |
|---|--------|-------|
| Rent in €/m <sup>2</sup> , central business district, 1a location<br>(ground floor < 100 m <sup>2</sup> ) | 150.00 | 70.00 |
| Rent in €/m <sup>2</sup> , central business district, 1b location<br>(ground floor < 100 m <sup>2</sup> ) | 80.00  | 55.00 |
| Rent in €/m <sup>2</sup> , inner city fringe, suburban centre<br>(ground floor < 100 m <sup>2</sup> )     | 30.00  | 30.00 |
| Rent in €/m <sup>2</sup> , arterial road<br>(ground floor < 100 m <sup>2</sup> )                          | 25.00  | 20.00 |
| Rent in €/m <sup>2</sup> , specialist stores on arterial roads<br>(ground floor < 100 m <sup>2</sup> )    | 25.00  | 20.00 |
| Forecast for rent trend in 2008, 1a locations   | ↗      | ↗     |
| Forecast for rent trend in 2008, 1b locations   | ↗      | →     |
| Forecast for rental space turnover 2008, 1a locations   | ↗      | ↗     |
| Forecast for retail turnover 2008, 1a locations   | ↗      | ↗     |

| Budapest | Bucharest | Prague  | Sofia           | Warsaw         | Zagreb |
|----------|-----------|---------|-----------------|----------------|--------|
| 230,000  | 220,000   | 115,000 | 80,000          | 105,000        | 50,000 |
| 140,000  | 250,000   | 170,000 | min.<br>100,000 | 440,000        | 80,000 |
| 120,000  | 200,000   | 160,000 | 150,000         | 260,000        | 60,000 |
| 120,000  | 250,000   | 200,000 | 180,000         | 350,000        | 80,000 |
| 22.00    | 24.00     | 20.00   | 14.50           | 27.00          | 18.00  |
| 15.50    | 19.00     | 16.00   | 9.00            | 16.00          | 14.00  |
| 12.00    | 15.00     | 13.50   | 7.00            | 14.00          | 10.00  |
| 15.50    | 19.00     | 16.00   | 12.70           | 22.00          | 16.50  |
| 12.50    | 16.00     | 12.50   | 7.00            | 16.00          | 12.00  |
| 10.50    | 12.00     | 10.50   | 5.50            | 13.50          | 9.00   |
| 1.80     | 4.00      | 5.20    | 20.00           | 4.00           | 7.00   |
| →        | ↘         | →       | ↗               | ↗              | ↗      |
| 5.50     | 10.00     | 8.50    | 4.00            | 5.50           | 10.00  |
| 5.50     | 5.00      | 5.00    | 4.00            | 4.75           | 6.00   |
| 4.50     | 8.00      | 6.00    | 3.00            | 4.00           | 8.00   |
| 3.50     | 4.00      | 3.50    | 3.00            | 3.50           | 5.00   |
| 60.00    |           |         | 50.00           | 70.00          | 60.00  |
| 120.00   | 130.00    | 150.00  | 70.00           | 90.00          | 80.00  |
| 60.00    | 50.00     | 90.00   | 20.00<br>40.00  | 65.00<br>70.00 | 40.00  |
| 40.00    | 35.00     | 70.00   | 20.00           | 40.00          | 25.00  |
| 20.00    | 30.00     | 20.00   | 15.00           | 15.00<br>35.00 | 20.00  |
| 20.00    | 25.00     | 20.00   | 15.00           | 7.00<br>15.00  | 15.00  |
| →        | ↗         | ↗       | ↗               | ↗              | ↗      |
| →        | →         | →       | →               | ↗              | →      |
| →        | ↗         | →       | ↗               | ↗              | →      |
| →        | ↗         | →       | ↗               | ↗              | →      |

## CENTRAL EASTERN EUROPE

|  | Belgrade      | Bratislava   |
|--|---------------|--------------|
| <b>Investment market (figures for end of 2007)</b>   |               |              |
| Average initial yield* office and shop buildings, central district, %                                      | 8.00<br>10.00 | 6.00<br>6.50 |
| Average initial yield* office and shop buildings, inner city fringe, %                                     | 9.00<br>12.00 | 6.50<br>7.00 |
| Average initial yield* for apartment buildings (medium standard) – new buildings, %                        | 8.00<br>9.00  | 7.00<br>7.50 |
| Average initial yield* for apartment buildings (medium standard) – existing buildings (interest rate b), % | 8.00<br>10.00 | 7.00<br>7.50 |

\* Initial yield: annual rental income to purchase price (%)

## UKRAINE AND RUSSIA

|   | Kiev    | Moscow    | St. Petersburg |
|---|---------|-----------|----------------|
| <b>Office Market</b>  |         |           |                |
| Total available space at end of 2007 in m <sup>2</sup>                                |         |           |                |
| Supply of premises with short-term availability (ready to occupy within three months) |         |           |                |
| incl. premises for sub-letting (latent vacancies)                                     | 20,000  | 140,000   | 70,000         |
| Total demand for space at end of 2007 in m <sup>2</sup>                               |         |           |                |
| Total volume of all requests registered   | 300,000 | 1,600,000 | 200,000        |
| Space turnover in 2007 in m <sup>2</sup>  |         |           |                |
| For rent and use by owner   | 20,000  | 1,400,000 | 180,000        |
| Forecast turnover in 2008 in m <sup>2</sup> p.a.                                      |         | min.      |                |
| For rent and use by owner   | 100,000 | 1,800,000 | 250,000        |
| Top rent* central district 2007 / **  | 50.00   | 52.00     | 40.00          |
| Top rent* inner city fringe 2007 / **   | 38.00   | 40.00     | 28.00          |
| Top rent* outlying districts 2007 / **  | 16.00   | 35.00     | 15.00          |
| Average rent central district 2007 / **   | 45.00   | 48.00     | 37.00          |
| Average rent inner city fringe 2007 / **  | 30.00   | 35.00     | 24.00          |
| Average rent outlying districts 2007 / **   | 13.00   | 28.00     | 14.00          |
| Reserve supply at the end of 2007 / in % (of total office space)                      | 25.0    | 2.80      | 10.00          |
| Forecast of the rent trend in the top price category (trend for 2008)                 | ↗       | ↗         | →              |

\* weighted, above 3% of the space turnover \*\* in €/m<sup>2</sup> p.m.

**Commercial and service space (figures for end of 2007)**

|  |       |       |       |
|--|-------|-------|-------|
| Average rents in €/m <sup>2</sup> , new buildings – service space        | 20.00 | 21.00 | 18.00 |
| Average rents in €/m <sup>2</sup> , new buildings – warehouse space      | 11.00 | 15.00 | 10.00 |
| Average rents in €/m <sup>2</sup> , existing buildings – service space   | 16.00 | 16.00 | 15.00 |
| Average rents in €/m <sup>2</sup> , existing buildings – warehouse space | 9.00  | 11.00 | 9.00  |

| Budapest | Bucharest | Prague | Sofia | Warsaw | Zagreb |
|----------|-----------|--------|-------|--------|--------|
| 5.50     | 5.50      | 6.00   | 8.00  | 5.20   | 6.00   |
| 6.25     | 7.50      | 6.50   | 12.00 | 5.70   | 8.50   |
| 6.00     | 6.00      | 6.50   | 10.00 | 5.50   | 7.00   |
| 6.50     | 8.00      | 7.50   | 14.00 | 7.50   | 8.00   |
| 6.50     | 7.00      |        | 8.00  |        | 7.00   |
| 7.50     | 8.00      | n.a.   | 12.00 | n.a.   | 8.00   |
| 6.00     | 6.50      |        | 8.00  |        | 7.50   |
| 7.50     | 8.00      | n.a.   | 12.00 | n.a.   | 8.50   |

## UKRAINE AND RUSSIA

St.  
Kiev    Moscow    Petersburg

### Retail (figures for end of 2007)

|   |        |        |        |
|---|--------|--------|--------|
| Rent in €/m <sup>2</sup> , central business district,<br>1a location (ground floor < 100 m <sup>2</sup> ) | 270.00 | 240.00 | 280.00 |
| Rent in €/m <sup>2</sup> , central business district,<br>1b location (ground floor < 100 m <sup>2</sup> ) | 170.00 | 170.00 | 160.00 |
| Rent in €/m <sup>2</sup> , inner city fringe,<br>(ground floor < 100 m <sup>2</sup> )                     | 130.00 | 140.00 | 120.00 |
| Rent in €/m <sup>2</sup> , arterial road<br>suburban centre (ground floor < 100 m <sup>2</sup> )          | 100.00 | 120.00 | 90.00  |
| Rent in €/m <sup>2</sup> , specialist stores on<br>arterial roads (ground floor < 100 m <sup>2</sup> )    | 70.00  | 70.00  | 70.00  |
| Forecast for rent trend in 2008, 1a locations   | ↗      | ↗      | ↗      |
| Forecast for rent trend in 2008, 1b locations   | ↗      | ↗      | →      |
| Forecast for rental space turnover 2008,<br>1a locations  | ↗      | ↗      | ↗      |
| Forecast for retail turnover 2008, 1a locations   | ↗      | ↗      | ↗      |

### Investment market (figures for end of 2007)

|   |                |               |               |
|---|----------------|---------------|---------------|
| Average initial yield* office and shop buildings,<br>central district, %                                    | 9.00<br>14.00  | 8.00<br>9.00  | 7.00<br>10.00 |
| Average initial yield* office and shop buildings,<br>inner city fringe, %                                   | 10.00<br>15.00 | 9.00<br>11.00 | 8.00<br>14.00 |
| Average initial yield* for apartment buildings<br>(medium standard) – new buildings, %                      | 10.00<br>12.00 |               | 8.00<br>10.00 |
| Average initial yield* for apartment buildings (med.<br>standard) – existing buildings (interest rate b), % | 9.00<br>11.00  |               | 8.00<br>9.00  |

\* Initial yield: annual rental income to purchase price (%)

## DENMARK

### Economic Indicators

|                                 |      |
|---------------------------------|------|
| GDP (% per annum)               | 1.9  |
| Employment Growth (% per annum) | 0.5  |
| Unemployment Rate (%)           | 3.5  |
| Inflation (% per annum)         | 1.7  |
| Long-term Interest Rate (%)     | 4.4  |
| Producers Confidence            | n.a. |
| Transaction Volume (€)          | n.a. |
| Total Office Market             | n.a. |
| Vacancy Rate Offices (%)        | 4.5  |
| Prime Yield Offices (%)         | 5.0  |

- Compared with 2006, several negative economic factors caused prices on the Danish property market to come to a halt, although vacancy rates are still low in modern buildings in and around the CBDs.
- The effects of the subprime crisis is also seen on the Danish property market as the banks are becoming more risk averse, causing leverages and activity to decline, causing a new "cash-is-king" situation.
- Rising interests are expected to put the investment market under pressure. The situation is unsure, taking the fact into consideration that the European Central Bank has a well known anti-inflation policy.
- An intervention caused by so-called "Cadbury-Schweppes case", made the Danish corporate tax rates drop from 28% to 25%. Furthermore, the current linear depreciation percentage for buildings and installations is reduced from 5% to 4% annually, starting from 2008.
- We anticipate – in general – that the credit crisis will cause the yield gap to increase, especially in the outlying districts.
- Still, prime location retail premises in Copenhagen and Aarhus are highly valued, causing rents to increase.
- Prime location office premises are still attractive with an equal supply and demand, giving a quite stable market situation. On a European scale, the levels are comparable to Hamburg, Stockholm and Oslo.

Copenhagen Aarhus

**Office Market**

|   |       |       |
|---|-------|-------|
| Top rent *  |       |       |
| City 2007 / in €/m <sup>2</sup> p.m.  | 22.00 | 17.00 |
| Top rent *  |       |       |
| city fringe districts 2007 / in €/m <sup>2</sup> p.m.                                 | 14.00 | 8.00  |
| Top rent *  |       |       |
| outlying districts 2007 / in €/m <sup>2</sup> p.m.                                    | 8.00  | 6.50  |
| Average rent City 2007 / in €/m <sup>2</sup> p.m.                                     | 12.00 | 9.50  |
| Average rent  |       |       |
| city fringe districts 2007 / in €/m <sup>2</sup> p.m.                                 | 10.50 | 7.00  |
| Average rent  |       |       |
| outlying districts 2007 / in €/m <sup>2</sup> p.m.                                    | 7.00  | 5.50  |
| Surplus office space at the end<br>of 2007 / in % (of total office space)             | 6.5   | 7.0   |
| Forecast of the rent trend in the respective<br>upper price category (Trend for 2007) | →     | →     |

\* weighted, above 3% of the space turnover

**Retail space (figures for end of 2007)**

|   |        |       |
|---|--------|-------|
| Rent in €/m <sup>2</sup> : 1a city location | 150.00 | 50.00 |
| Forecast demand (2007)                      |        |       |
| 1a locations                                | →      | →     |

**Investment market (figures for end of 2007)**

|   |      |      |
|---|------|------|
| Average initial yield, office<br>and shop buildings: city in %        | 4.00 | 4.75 |
| Average initial yield, office<br>and shop buildings: city fringe in % | 4.75 | 5.25 |
| Average initial yield, office<br>and shop buildings: city fringe in % | 5.75 | 5.50 |
| Average initial yield, office<br>and shop buildings: city fringe in % | 6.50 | 7.00 |

\* initial yield: annual net rental income to purchase price (in %)

## GERMANY

### Economic Indicators

|   |           |
|---|-----------|
| GDP (% per annum)                       | 2.5       |
| Employment Growth (% per annum)         | 1.5       |
| Unemployment Rate (%)                   | 9.1       |
| Inflation (% per annum)                 | 2.2       |
| Long-term Interest Rate (%)             | 4.03      |
| Producers Confidence (01/2008, %)       | 3.3       |
| Transaction Volume (m €)                | 31,400    |
| Total Office Market (m m <sup>2</sup> ) | 350 – 380 |
| Vacancy Rate Offices (%)                | 9.7       |
| Prime Yield Offices (%)                 | 5.1       |

### Climax of the investment boom

The peak of the recent investment cycle in Germany was reached in the middle of 2007. In almost all parts of the market, the volume of transactions, implemented in the first half of the year, exceeded all previously known dimensions. However, in the third and fourth quarter of 2007, the turnover in many market segments fell short of the results in the previous year. Nevertheless, 2007 will go down in the history of many municipalities and regions in Germany as a year of record investments. According to the provisional results which are available at the moment, the turnover from investment sales of commercial properties (only asset deals) throughout Germany rose by about a third from approx. € 64 billion in 2006 to approx. € 85 billion in 2007. Turnovers from the recorded large share deals, however, declined from about € 22 billion in 2006 to about € 12 billion in the following year.

In the sector of residential investments, the record turnover of the previous year was largely equalled in 2007. A transaction volume of about € 24 billion was reached through sales of asset deals, which represents a slight increase of about 3% compared with the previous year (2006: € 23.3 billion). There was a decline in the turnover volume from sales of large housing associations and company shares respectively, which resulted in a total of approx. € 6.7 billion in 2007 (according to provisional figures). In the previous year, a turnover of about € 8.4 billion was recorded throughout Germany from share deals with residential. The German property investment markets were thus among the most sought-after investments areas in an international comparison.

## **The office market** **– sustainable upward phase**

The significant increase in demand which began in the middle of 2006 was then continued at the same rate during 2007.

A large proportion of the turnover resulted from an expansion of the space taken up by individual users. On average, the net absorption of office space reached a similar high level to the previous year of about a third of the turnover of space.

In 2007, the volume of completed office space declined again by about 17%. The absolute volume of the new building work usually is much smaller than the net absorption level, which leads to a significant reduction in vacancies, and this is already leading to shortages of supply in some markets.

The average reduction in vacancies has roughly doubled from about 3% in the previous year to approx. 6% in 2007. Nevertheless, there are very distinct differences between individual areas of each region.

In 2007, the trend toward rising office rents increasingly affected not only the prime premises in the best office locations but also in the good and average locations. Whereas the rent increases in 2006 were just keeping pace with inflation to a large extent, the rises in 2007 also increasingly represented a real growth in the yield, especially if the associated reduction of incentives is taken into account.

## **The market for retail space** **– still no substantial market recovery**

According to provisional figures the retail market did not suffer any drastic drop in turnover, but retailers are only benefiting to a limited extent from the improvements in the economy. The persistently hesitant spending of consumers resulted partly from the increased tax burden (in particular the increase in VAT), and partly from further increases in electricity and heating costs.

Regardless of the comparatively low turnover dynamism, the growth of the volume of space in the German retail market continues.

## GERMANY

Berlin

**Office Market**

|   |           |
|---|-----------|
| Total available space at end of 2007 in m <sup>2</sup>  |           |
| Supply of premises with short-term availability<br>(ready to occupy within three months)<br>incl. premises for sub-letting (latent vacancies) | 1,580,000 |
| Total demand for space at end of 2007 in m <sup>2</sup>   |           |
| Total volume of all requests registered   | 250,000   |
| Space turnover in 2007 in m <sup>2</sup>  |           |
| For rent and use by owner   | 605,000   |
| Forecast turnover in 2008 in m <sup>2</sup> p.a.  |           |
| For rent and use by owner   | 550,000   |
| Top rent* central district 2007 / in €/m <sup>2</sup> p.m.  | 21.50     |
| Top rent* inner city fringe 2007 / in €/m <sup>2</sup> p.m.   | 15.00     |
| Top rent* outlying districts 2007 / in €/m <sup>2</sup> p.m.  | 12.00     |
| Average rent central district 2007 / in €/m <sup>2</sup> p.m.   | 16.00     |
| Average rent inner city fringe 2007 / in €/m <sup>2</sup> p.m.  | 9.50      |
| Average rent outlying districts 2007 / in €/m <sup>2</sup> p.m.   | 7.30      |
| Reserve supply at the end of 2007 / in %<br>(of total office space)   | 8.90      |
| Forecast of the rent trend in the top price category<br>(trend for 2008)  | ↗         |

\* weighted, above 3% of the space turnover

**Commercial and service space (figures for end of 2007)**

|   |      |
|---|------|
| Average rents in €/m <sup>2</sup> , new buildings<br>– service space        | 5.50 |
| Average rents in €/m <sup>2</sup> , new buildings<br>– warehouse space      | 4.50 |
| Average rents in €/m <sup>2</sup> , existing buildings<br>– service space   | 4.20 |
| Average rents in €/m <sup>2</sup> , existing buildings<br>– warehouse space | 2.50 |

**Retail (figures for end of 2007)**

|   |        |
|---|--------|
| Rent in €/m <sup>2</sup> , central business district, 1a location<br>(ground floor < 100 m <sup>2</sup> ) | 210.00 |
| Rent in €/m <sup>2</sup> , central business district, 1b location<br>(ground floor < 100 m <sup>2</sup> ) | 75.00  |
| Rent in €/m <sup>2</sup> , inner city fringe, suburban centre<br>(ground floor < 100 m <sup>2</sup> )     | 35.00  |
| Rent in €/m <sup>2</sup> , arterial road<br>(ground floor < 100 m <sup>2</sup> )                          | 15.00  |
| Rent in €/m <sup>2</sup> , specialist stores on arterial roads<br>(ground floor < 100 m <sup>2</sup> )    | 9.00   |
| Forecast for rent trend in 2008, 1a locations   | ↗      |
| Forecast for rent trend in 2008, 1b locations   | →      |
| Forecast for rental space turnover 2008, 1a locations   | →      |
| Forecast for retail turnover 2008, 1a locations   | ↗      |

|  | Bremen  | Dusseldorf | Frankfurt | Hamburg | Leipzig | Munich    |
|--|---------|------------|-----------|---------|---------|-----------|
|  | 100,000 | 865,000    | 1,750,000 | 938,000 | 740,000 | 1,500,000 |
|  | 35,000  | 200,000    | 200,000   | 300,000 | 60,000  | 350,000   |
|  | 122,000 | 510,000    | 560,000   | 552,000 | 86,300  | 820,000   |
|  | 100,000 | 400,000    | 600,000   | 450,000 | 80,000  | 700,000   |
|  | 12.00   | 22.50      | 37.00     | 23.00   | 10.00   | 30.50     |
|  | 12.50   | 18.00      | 22.50     | 14.00   | 7.50    | 19.00     |
|  | 11.40   | 13.00      | 16.00     | 12.50   | 6.00    | 14.00     |
|  | 7.80    | 17.00      | 23.00     | 15.00   | 6.80    | 16.00     |
|  | 7.50    | 13.50      | 13.50     | 12.50   | 6.00    | 13.00     |
|  | 6.50    | 11.00      | 11.00     | 9.90    | 5.30    | 10.50     |
|  | 3.10    | 10.30      | 15.00     | 7.40    | 22.00   | 8.50      |
|  | →       | ↗          | ↗         | →       | →       | ↗         |
|  |         |            | 6.00      |         | 2.50    | 5.00      |
|  | 4.00    | 7.00       | 8.00      | 5.50    | 3.00    | 7.50      |
|  |         |            | 5.00      |         | 2.50    | 6.00      |
|  | 4.00    | 5.00       | 6.00      | 5.80    | 3.50    | 7.00      |
|  |         |            | 5.00      |         | 2.00    | 4.50      |
|  | 3.00    | 5.50       | 7.00      | 4.00    | 2.50    | 7.00      |
|  |         |            | 3.50      |         | 2.00    | 4.00      |
|  | 2.50    | 3.50       | 5.00      | 4.50    | 2.50    | 5.00      |
|  |         |            |           | 165.00  |         | 110.00    |
|  | 120.00  | 205.00     | 220.00    | 210.00  | 110.00  | 250.00    |
|  | 12.00   |            |           | 65.00   |         | 40.00     |
|  | 30.00   | 95.00      | 80.00     | 110.00  | 40.00   | 60.00     |
|  | 10.00   |            |           | 28.00   | 10.00   | 12.00     |
|  | 15.00   | 40.00      | 50.00     | 41.00   | 12.00   | 21.00     |
|  | 5.00    |            | 8.00      | 11.00   | 7.00    | 11.00     |
|  | 9.00    | 15.00      | 12.00     | 17.50   | 9.00    | 16.00     |
|  | 7.00    |            | 8.00      |         | 7.00    |           |
|  | 8.00    | 10.00      | 12.00     | n.a.    | 10.00   | 16.00     |
|  | →       | ↗          | ↗         | ↗       | ↗       | ↗         |
|  | →       | →          | ↗         | →       | →       | →         |
|  | →       | ↗          | ↗         | ↗       | ↗       | →         |
|  | →       | ↗          | →         | ↗       | ↗       | →         |

## GERMANY

Berlin

**Investment market (figures for end of 2007)**

|   |              |
|---|--------------|
| Average initial yield* office and shop buildings,<br>central district, %                                      | 4.30<br>6.30 |
| Average initial yield* office and shop buildings,<br>inner city fringe, %                                     | 6.10<br>7.70 |
| Average initial yield* for apartment buildings<br>(medium standard) – new buildings, %                        | 5.00<br>6.50 |
| Average initial yield* for apartment buildings<br>(medium standard) – existing buildings (interest rate b), % | 5.70<br>7.70 |

\* Initial yield: annual rental income to purchase price (%)

|  | Bremen | Dusseldorf | Frankfurt | Hamburg | Leipzig | Munich |
|--|--------|------------|-----------|---------|---------|--------|
|  | 5.50   | 4.80       | 4.20      | 5.40    | 6.20    | 4.00   |
|  | 7.00   | 7.00       | 6.30      | 5.90    | 7.50    | 6.50   |
|  | 6.50   | 6.30       | 6.20      | 5.80    | 7.50    | 6.50   |
|  | 8.50   | 8.50       | 7.50      | 6.70    | 9.50    | 7.50   |
|  | 5.00   | 5.00       | 5.00      |         |         | 4.00   |
|  | 6.00   | 5.50       | 6.50      | 5.70    | n.a.    | 6.50   |
|  | 6.50   | 5.70       | 5.50      | 5.00    | 7.00    | 4.70   |
|  | 8.00   | 7.80       | 7.50      | 7.00    | 8.50    | 7.00   |

## SWEDEN

### Economic Indicators (forecast 2008)

|   |         |
|---|---------|
| GDP (% per annum)                       | 3.0     |
| Employment Growth (% per annum)         | 1.6     |
| Unemployment Rate (%)                   | 5.6     |
| Inflation (% per annum)                 | 3.5     |
| Long-term Interest Rate (%)             | 4.5     |
| Producers Confidence                    | n. a.   |
| Transaction Volume (MSEK)               | 100,000 |
| Total Office Market (m m <sup>2</sup> ) | 30      |
| Vacancy Rate Offices (%)                | 7       |
| Prime Yield Offices (%)                 | 4.50    |

- Since the beginning of 2006 the Swedish economy has boomed. The growth rate is expected to peak in early 2008.
- Take-up of commercial space still increases due to the economic development and higher confidence. Corporate investment and relocation activity is expanding to meet the higher demand from the large exporters.
- Office supply contains mostly second hand offices. It is only in the very largest cities that new construction takes place.
- A growing demand for high quality offices leads to an increasing rental gap between new and older offices.
- Average prime rents remained stable or even raised in 2007. Increasing demand during first quarter of 2008 leads to an increase of prime rents.
- The high number of transaction performed during the last three years peaked during 2007. The number of large deals during the first three months in 2008 is lower than in 2006 and 2007. Some of the domestic large institutions have lately been large buyers of office buildings.
- During early 2008 most of the highly geared international investors was replaced by long-term non-geared investors on the buying side.
- Most banks have lowered the maximum mortgage from +90% to around 60% of expected market value.

|   | Stockholm | Gothenburg | Malmö |
|---|-----------|------------|-------|
| <b>Office Market</b>  |           |            |       |
| Top rent* central district 2007 / **  | 40.00     | 19.00      | 21.00 |
| Top rent* inner city fringe 2007 / **   | 34.00     | 14.00      | 17.00 |
| Top rent* outlying districts 2007 / **  | 21.00     | 11.00      | 13.00 |
| Average rent central district 2007 / **   | 28.00     | 17.00      | 17.00 |
| Average rent inner city fringe 2007 / **  | 26.00     | 11.00      | 13.00 |
| Average rent outlying districts 2007 / **   | 15.00     | 9.00       | 10.00 |
| Reserve supply at the end of 2007 in %<br>(of total office space)                     | 8.00      | 9.00       | 10.00 |
| Forecast of the rent trend in the respective<br>upper price category (Trend for 2008) | ↗         | ↗          | ↗     |
| * weighted, above 3% of the space turnover ** in €/m <sup>2</sup> p.m.                |           |            |       |

### Commercial and service space (figures for end of 2007)

|  |       |      |      |
|--|-------|------|------|
| Average rents*, new buildings – service space        | n.a.  | n.a. | n.a. |
| Average rents*, new buildings – warehouse space      | 10.00 | 7.00 | 7.00 |
| Average rents*, existing buildings – service space   | n.a.  | n.a. | n.a. |
| Average rents*, existing buildings – warehouse space | 7.50  | 5.00 | 5.50 |

\* in €/m<sup>2</sup>

### Retail (figures for end of 2007)

|   |        |       |       |
|---|--------|-------|-------|
| Rent in €/m <sup>2</sup> , central business district,<br>1a location (ground floor < 100 m <sup>2</sup> ) | 90.00  | 50.00 | 40.00 |
| Rent in €/m <sup>2</sup> , central business district,<br>1b location (ground floor < 100 m <sup>2</sup> ) | 130.00 | 75.00 | 60.00 |
| Rent in €/m <sup>2</sup> , central business district,<br>1b location (ground floor < 100 m <sup>2</sup> ) | 70.00  | 40.00 | 30.00 |
| Rent in €/m <sup>2</sup> , inner city fringe, suburban<br>centre (ground floor < 100 m <sup>2</sup> )     | 35.00  | 25.00 | 20.00 |
| Rent in €/m <sup>2</sup> , arterial road<br>(ground floor < 100 m <sup>2</sup> )                          | 25.00  | 18.00 | 15.00 |
| Rent in €/m <sup>2</sup> , specialist stores on<br>arterial roads (ground floor < 100 m <sup>2</sup> )    | 25.00  | 15.00 | 15.00 |
| Forecast for rent trend in 2008, 1a locations   | →      | →     | →     |
| Forecast for rent trend in 2008, 1b locations   | →      | →     | →     |
| Forecast for rental space turnover 2008,<br>1a locations  | →      | →     | →     |
| Forecast for retail turnover 2008, 1a locations   | →      | →     | →     |

### Investment market (figures for end of 2007)

|   |      |      |      |
|---|------|------|------|
| Average initial yield* office and shop buildings,<br>central district, %                                    | 4.00 | 5.00 | 5.00 |
| Average initial yield* office and shop buildings,<br>inner city fringe, %                                   | 5.00 | 5.50 | 5.50 |
| Average initial yield* office and shop buildings,<br>inner city fringe, %                                   | 4.50 | 5.50 | 5.50 |
| Average initial yield* for apartment buildings<br>(medium standard) – new buildings, %                      | 5.50 | 6.50 | 6.50 |
| Average initial yield* for apartment buildings<br>(medium standard) – new buildings, %                      | 2.50 | 3.00 | 3.50 |
| Average initial yield* for apartment buildings (med.<br>standard) – existing buildings (interest rate b), % | 5.00 | 5.00 | 5.50 |
| Average initial yield* for apartment buildings (med.<br>standard) – existing buildings (interest rate b), % | 2.00 | 2.25 | 2.80 |
| Average initial yield* for apartment buildings (med.<br>standard) – existing buildings (interest rate b), % | 4.50 | 4.50 | 4.50 |

\* Initial yield: annual rental income to purchase price (%)

## THE NETHERLANDS

### Economic Indicators

|   |         |
|---|---------|
| GDP (% per annum)                       | 3.0     |
| Employment Growth (% per annum)         | 1.2     |
| Unemployment Rate (%)                   | 4.8     |
| Inflation (% per annum)                 | 2.0     |
| Long-term Interest Rate (%)             | 4.6     |
| Producers Confidence (%)                | 6.4     |
| Transaction Volume (m €)                | 7,900   |
| Total Office Market (m m <sup>2</sup> ) | 47      |
| Vacancy Rate Offices (%)                | 12 – 13 |
| Prime Yield Offices (%)                 | 5 – 5.5 |

- Decline of supply in 2007 in one year's time by 6%, total office space of 4,690.00 m<sup>2</sup>
- Rising take-up and declining supply have narrowed the Dutch office market.
- Dutch office market is still a broad market.
- Old vacant buildings difficult to lease due to good alternatives.
- Decline of new stock will appear.
- The economic growth rate amounted to 3% in 2007.
- The employment market will get tighter, resulting in labour costs and accelerating inflation.
- The current credit crises might slow economic growth in The Netherlands, but there is still a small impact on the users' side of the office market as the employment rate keeps going up.
- The investment market is still high for quality buildings.
- If the rise in interest rates continues, the opportunity driven investments, up to now usually fuelled by leveraged finance, might be tempered.

|  | Amsterdam | The Hague | Rotterdam | Utrecht |
|--|-----------|-----------|-----------|---------|
| <b>Office Market</b>   |           |           |           |         |
| Top rent *   |           |           |           |         |
| central district 2007 / in €/m <sup>2</sup> p.m.                                 | 31.00     | 17.50     | 16.25     | 20.08   |
| Top rent *   |           |           |           |         |
| inner city fringe 2007 / in €/m <sup>2</sup> p.m.                                | 25.00     | 16.50     | 15.00     | 14.58   |
| Top rent *   |           |           |           |         |
| outlying districts 2007 / in €/m <sup>2</sup> p.m.                               | 21.00     | 12.50     | 14.17     | 12.50   |
| Average rent   |           |           |           |         |
| central district 2007 / in €/m <sup>2</sup> p.m.                                 | 16.50     | 12.50     | 12.08     | 12.92   |
| Average rent   |           |           |           |         |
| inner city fringe 2007 / in €/m <sup>2</sup> p.m.                                | 13.50     | 11.67     | 13.33     | 11.25   |
| Average rent   |           |           |           |         |
| outlying districts 2007 / in €/m <sup>2</sup> p.m.                               | 12.50     | 10.00     | 11.25     | 11.25   |
| Forecast of the rent trend in the respective top price category (Trend for 2008) | ↗         | →         | →         | →       |

\* weighted, above 3% of the space turnover

#### Investment market (figures for end of 2007)

|  |      |      |      |      |
|--|------|------|------|------|
| Average initial yield, office and shop buildings, central district, %  | 5.00 | 5.50 | 5.50 | 5.50 |
| Average initial yield, office and shop buildings, inner city fringe, % | 6.00 | 6.00 | 6.00 | 6.00 |
| Average initial yield, office and shop buildings, inner city fringe, % | 6.50 | 6.50 | 6.50 | 6.50 |
| Average initial yield, office and shop buildings, inner city fringe, % | 8.00 | 8.50 | 8.50 | 8.50 |

\* initial yield: annual net rental income to purchase price (in %)

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