BERLIN

OFFICE LEASING & INVESTMENT

LEASING MARKET

	Q1 13*	Q2 13*
TAKE-UP OF SPACE	↓	↑
VACANCIES	↓	↓
COMPLETIONS	↓	↓
PRIME RENT	→	→
PROPERTY INDEX	↓	↓
	*COMP.: Q1 2012	*TREND

INVESTMENT MARKET

	Q1 13*	Q2 13*
TRANSACTION VOLUME	↑	→
PRIME YIELD: OFFICE	→	→
PRIME YIELD: RETAIL	→	→
PRIME YIELD: INDUSTRY/ LOGISTICS	→	→
	*COMP.: Q1 2012	*TREND

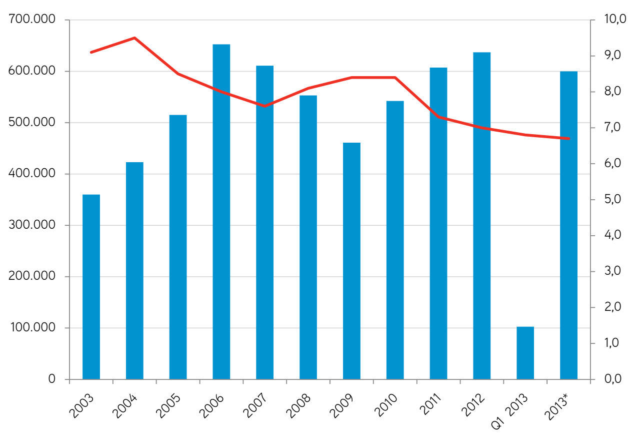
Less office space taken up – transaction volume significantly higher

MARGIT LIPPOLD Head of Research | Berlin

Leasing performance down significantly from last year. At a total of 102,700 m², some 21% less space was taken up on the Berlin office real estate market during the first three months of 2013 than one year before. The significant decline compared with the same period of 2012 was due to a lack of large-scale new signings. Not a single lease for 5,000 m² or more has yet been registered in the German capital this year.

City Center Area East sub-segment still sought-after – City Center West catching up. The City Center Area East sub-segment remains highly sought-after, with take-up of space at approximately 25,500 m², but that figure still represents a decline of approximately 12% year on year. Top office space in the City Center West sub-segment has become more attractive, so the total for newly leased space in this market sub-segment stood at approximately 22,700 m². With contiguous space throughout the city center remaining in short supply, however, there has also been a noteworthy movement toward the City Center Edge and Outer Areas sub-segments. In all, approximately 42,600 m² was newly leased in these areas, accounting for about 41% of the overall total.

Stable rent levels – decrease in vacancies continues. The rent level remained largely stable over the past three months. Compared with the same period of last year, the prime rent is holding steady at € 22.00/m². Spurred by the ongoing shortage of space and rising demand in the high-end segment, the average rent, by contrast, climbed 4%, from € 12.50/m² to € 13.00/m².



Take-up of office space (m²) and vacancy rate (%)

Status: Q1/2013

*Forecast

482 offices in 62 countries on 6 continents

USA: 140
Canada: 42
Latin America: 20
Asia / Pacific: 195
EMEA: 85

- € 1.5 billion in sales worldwide
- 104 million m² of space managed
- Over 13,500 employees

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Accelerating success.

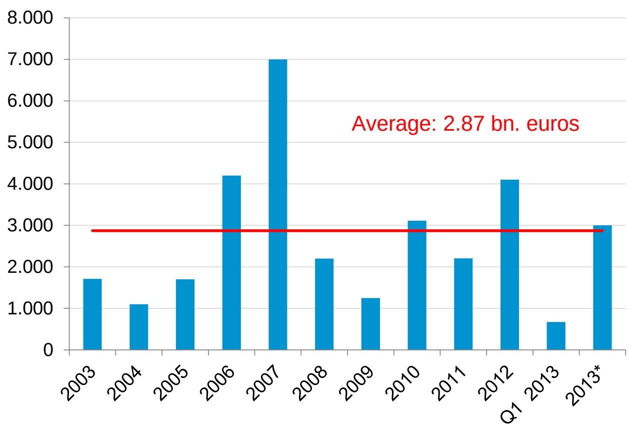
Vacancies have decreased further over the past three months, for a total of 1.23 million m² at the end of the first quarter. That meant the vacancy rate declined slightly from the figure at the end of 2012, sliding from 7.0% to 6.8%. This trend should also continue as the year progresses.

Stunning investment market. The Berlin investment market for commercial properties wrapped up the first quarter with outstanding transaction volume, once more delivering proof of Berlin's appeal as a top investment location – the German capital is still a major focus for German and international investors. Total transaction volume stood at approximately € 673 million, a significant increase – just under 74% – from the same period of 2012. Growing interest is apparent from the portfolio sales that have taken place. One especially noteworthy example was the largest deal, the K195 prime portfolio, which included the office and retail property Kurfürstendamm 195, which went to a Luxem-bourg-based special fund operated by IVG Immobilien AG for € 130 million. The market this quarter was dominated on the investor side by open-ended real estate funds and special funds, which accounted for transaction volume of approximately € 272 million (about 40%), and on the seller side by opportunity funds and private equity funds, at about € 173 million (approximately 26%). Nearly one in three sellers came from a country other than Germany; the figure for buyers was about 15%.

Office properties continue to draw most interest. Office properties have remained far and away the most sought-after type of real estate so far in 2013, as in previous years. This asset class ac-counted for approximately € 584 million (approximately 87%) of the transaction volume. Hotel and retail properties trailed at some distance, as did land, with both segments accounting for about € 30 million, or only about 5% of the total transaction volume.

Prime yield largely unchanged. The prime yield for office properties held steady during the first quarter of the year, at 5.00%. Top properties in excellent locations can bring initial yields of 4.80%.

Summary and forecast. After the relatively modest start the Berlin office market experienced in 2013, we expect take-up of space to begin picking up again starting in the second quarter, as the robust economic upturn continues. As a result, we also anticipate further declines in vacancies as the year advances. For the full year, we expect take-up of space to come to about 600,000 m², somewhat below the stunning result seen in 2012. After robust activity at the start of the year, we can expect activity levels on the Berlin commercial real estate market to remain high throughout the rest of the year. Investors still have great confidence in Berlin as a real estate location. Whether the record results seen in 2012 can be repeated will depend primarily on large-volume transactions. An annual forecast of over € 3 billion seems realistic to us at this time.



Commercial transaction volume (million €)

Status: Q1/2013

*Forecast