



Market Report

1st Quarter 2008

IC

IC Immobilien Gruppe

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1 General Economic Environment

1.1 Global Environment

The crisis in the USA property and financial sectors and the resulting turbulence in the worldwide financial markets have resulted in decreased economic expansion in the current and upcoming year. The financing criteria for businesses deteriorated and the loss capabilities of households hinders the private sector. As a result of rising prices, especially with regards to crude oil and food, the purchasing power of private households has been diminished.

The central Banks reacted to these developments in different ways: The Federal Reserve reduced the prime lending rate recession risk for the US economy, whereas some of the European central banks saw an elevated risk in the increased inflation and marginally reduced their prime interest rates.

The damage to dynamics is confined to the world economy. Although the problems in the USA hamper the economic activities in the rest of the world, favorable conditions exist overall for companies in the non-financial sector, in combination with expansive money and stimulating fiscal politics in the USA as well as positive economic development in the emerging markets. The gross domestic product (GDP) is projected at 2.7%, a marginal decrease in comparison to previous years. In 2009 there is no marked increase in growth forecast, even when the expansive powers slowly gain the upper hand. The biggest risk for the worldwide economy lies in barely assessable consequences of the real estate and financial markets crisis in the USA.

1.2 Economic Environment in Germany

The German economy is upwardly positioned albeit with reduced power. Despite the restrictive financial politics during 2007, the increased strength of the Euro and the considerable increase in prices of crude oil and food, mood indicators are optimistic and the parameters for enquiries and production show a positive tendency. This proves that the German economy has become more robust in the past years: the production potential is stronger, the international competition has increased and the German real estate market (in contrast to many other countries) has experienced no overheating. The German banking system has remained relatively stable despite the international markets crisis. The first quarter opinion of the leading economic research institutes indicates a GDP growth rate for 2008 and 2009 of 1.8% and 1.4% respectively. However the prognosis is difficult to evaluate as it is based on considerable uncertainties due to the impact of the financial markets crisis on the German economy.

The conditions in the employment market support the evaluation of a continued positive trend. The unemployment quota was 8.1% in April this year which was 1.4 percentage points lower than the same month in the previous year. The number of people in paid employment receiving social insurance contributions has increased considerably. The unemployment rate reduction will be noticeably reduced in the current year. For 2009 it is expected that the number of unemployed will remain under 3 million for the first time since 1991. The rate of inflation is 3.1% (March 2008) markedly higher than that of the ECB target of 2%. Based on the assumption of a decrease in the rising price tendency for food, an increase in consumer prices of 2.6% is forecast for 2008.

2 Overview of German real estate market

2.1 Rental Market

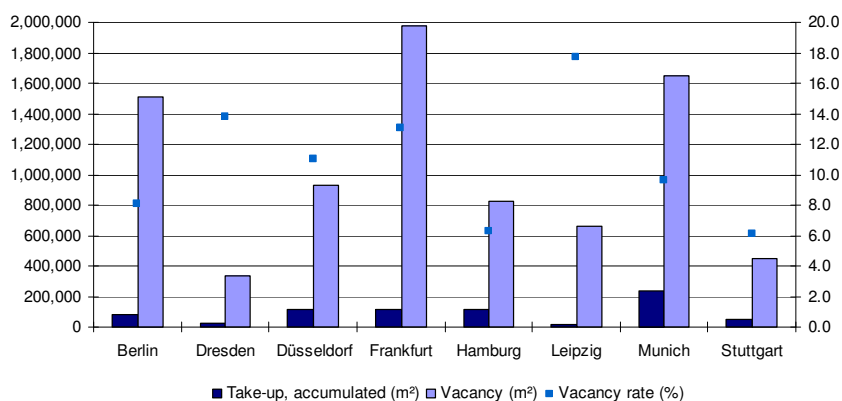
2.1.1 Office Properties

The German office rental market can look back on a positive first quarter on the whole. The increased paid workforce results in a stable demand for office space. The crisis in the international financial markets has no end in sight for the time being. There is a total of 740,900 m² office space registered between the eight office locations. In light of the increased demand situation, vacant office space has been reduced. In comparison with the previous year, vacant office space has decreased in all eight locations. The number of vacant premium furnished premises remains unchanged at a narrow 30%. Should another increase in rentals occur, it is expected that companies will compromise on quality due to cost factors, and thus avoid good value for money.

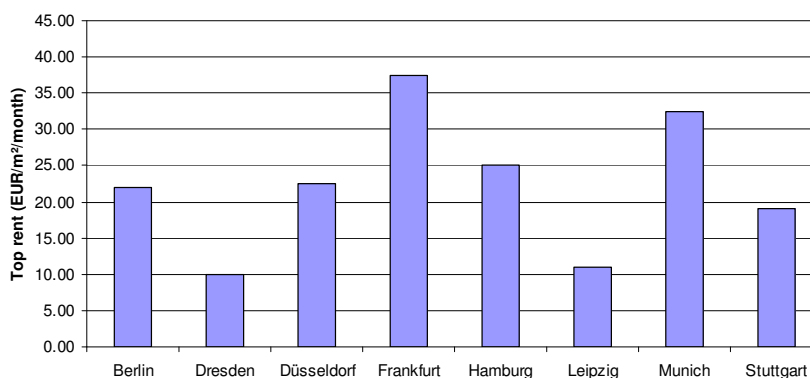
Premium furnished premises are scarce due to the volume shortage of completed buildings. The value in the first quarter (in comparison with the same time span in the previous year) sank by more than 50%. Only half of the completed space is available, the rest is already rented or is occupied by the owner. The top range registered no rental price increase in the past quarter even though

1. Quarter 2008				
Location	Office space take-up (accumulated m ²)	Vacant space (m ²)	Vacancy rate (%)	Top rent (EUR/m ² /month)
Berlin	78,000	1,509,000	8.1	22.00
Dresden	21,900	338,000	12.8	10.00
Düsseldorf	113,000	933,000	11.0	22.50
Frankfurt	116,000	1,977,000	13.1	37.50
Hamburg	113,000	828,000	6.3	25.00
Leipzig	14,000	665,000	17.7	11.00
Munich	236,000	1,650,000	9.6	32.50
Stuttgart	49,000	450,000	6.1	19.00

Take-up and vacancy Q1 2008



Top rent Q1 2008



there was an upward trend in rentals in many other sub-segments. The concentration of renters in premium premises leaves a lot to be desired. The renters give way to other sub-segments, partly due to the lack of premium space.

2.1.2 Retail properties

The latest information from GfK indicates a strong increase for both the economy and income development as well as for buying propensity. As a result of the financial markets turbulence and the increase in prices, especially for food and energy, the consumer continues to be uncertain and buying power restraint only decreases slowly. The HDE has calculated a turnover increase of two percent for the whole of 2008. The market for retail properties in inner cities 1a areas started positively in 2008. Due to the marked expansion of successful and credit worthy companies and the limited number of premium spaces available, the race for first class spaces progresses. The race is won by textile, book and shoe stores, as well as telecommunication branches. Over 40% of the retail space for first quarter falls within the category of between 100 and 250 m² and approximately one fifth of the category between 250 and 500 m² as well as between 500 and 2,000 m². In reference to the industry the textile trade dominates the market and more than a quarter of the converted space is rented by ladies and men's clothing companies as well as young fashion. It is followed by the book trade with about 17% and the shoe trade with 14%. Other important enquiries in the inner city 1a areas are pharmacies/perfumeries, telecommunication, accessories and gastronomy/coffee.

2.1.3 Logistics/ Distribution warehouses

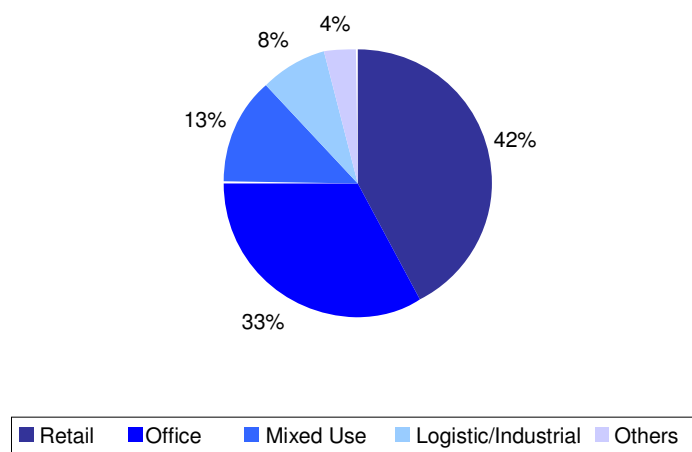
According to a study by des Fraunhofer Instituts in 2007, Germany is one of the most important European logistical locations and produces the highest turnover in Europe of EUR 189 million (+8% in one year comparison). The study further predicts an increase of 8% in the current year. The IKB growth rate is between 10% and 13%. In the first quarter the regions of Berlin, Düsseldorf, Hamburg, Frankfurt, Munich and Wiesbaden/Mainz warehouse turnover achieved 287,000 m², the second highest in the past five years. The increase amounts to 8% compared to the same quarter in the previous year. In Frankfurt, Berlin and Wiesbaden/Mainz there is a decrease in turnover recorded because the turnover for the regions of Hamburg and Munich increased by 12% and 16% respectively. The largest turnover increase occurred in the region of Düsseldorf through a logistical company deal in Neuss (40,000 m²), turnover more than doubled. Just short of half the turnover consists of space over 5,000 m². A bigger portion of the larger spaced rentals is hindered due to the magnitude of the lack of offers. Roughly half of the space is rented by companies from the transport, traffic and warehousing sectors, for spaces over 5,000 m² the share is 81%. The prime rentals for spaces from 5,000 m² remain largely unchanged since the end of 2007. The highest prime rental has increased from EUR 5.80 to EUR 6.50 per m² per month in the regions of Frankfurt and Munich.

2.2 Investment market

The international financial markets crisis has left a lasting imprint on the investment market. Because the securitization sector is almost totally disrupted, the investors are finding it difficult to obtain financing for their transactions. For this reason intensive activities of equity investors are being monitored. Foreign investors have almost totally backed away from the market and are concentrating on activities in asset management to optimize their assets. Investors are returning to the market with long term orientation and risk awareness and real estate fundamentals are becoming a focus

once again. The transaction volume in the first quarter 2008 is lagging with EUR 7.9 million, 19% lower than the same quarter last year, but 11% above the average of the previous three years. This serves to back up the assessment that the record results of the past two years will not continue, despite this 2008 is an active ready to go investment market. The rental markets unaffected by the subprime crisis contribute to a positive market sentiment in the property market. Financing or asset driven sellers are experiencing liquidity in the market. Transactions in the range up to EUR 200 million will be affecting the market in the current year and are financed by foreign investors with corresponding equity security.

Transaction volume by type of use



The dominant utilization in the first quarter of 2008 was a result of the sale of the Arcandor-Portfolios (Karstadt-Warenhäuser) the retailer, followed by office properties, mixed use objects and logistics and industrial properties respectively. The most strongly represented investment groups in the property investment market in the past quarter were asset and fund management with one fifth of the total investment volume. The interests of the sellers is lead by companies since property does not belong to the core business.

The large packet sales (Sony-Center, Arcandor, PostPortfolio) accounted for about 61% of the transactions volume. In the first quarter of 2008 the upward trend for average initial returns of prime site office properties continued with about 15 basis points. Secondary sites for office properties as well as mixed use objects recorded an average return of about 20 basis points.

3 Location details

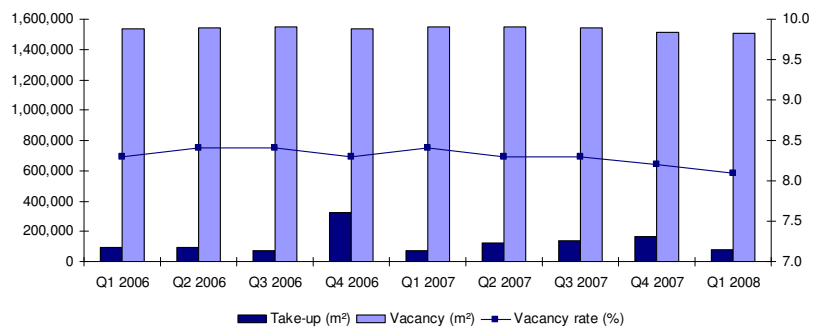
3.1 Berlin

The take-up for the first quarter accounts for 78,000 m² and exceeds the previous year's worth by a marginal 10%. In long-term comparison this amount is rated as average. The main enquiries received were from other services (29% of the total space), followed by trade companies which showed a large share percentage due to an abnormally large rental. The most important sub-segment market was the city zone, which accounted for 50% of the turnover.

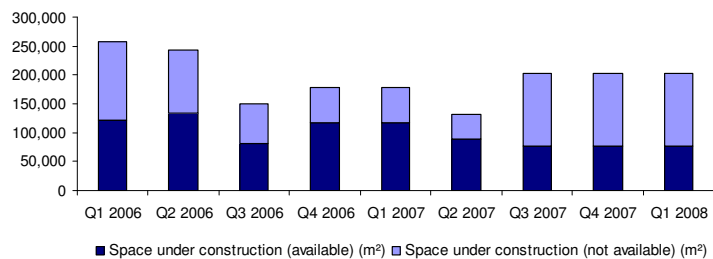
The number of vacancies dropped by 2.6% to 1,509 million m², the vacancy rate quota averages 8.1%. In terms of modern furnished areas a vacancy decrease of 14% was recorded. This only contributes 32% to the total vacant space. Space under construction grew by 14% to 203,000 m², in comparison to the previous year. Of this approximately 77,000 m² is available (-35%). With regards to prime rental an increase of 7.3% was recorded, this is an actual amount of EUR 22.00 per m² per month (Topcity Ost). In most of the other office market locations the high rentals increased and a clear increase of the average rentals was evident. Despite the cautious start in 2008 the overall year should end with a good surface turnover. The sound enquiry

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	78,000 m ²	+ 9.9 %
Vacant space	1,509,000 m ²	- 2.6 %
Vacancy rate	8.1 %	0.2 percentage points
Space under construction (total)	203,000 m ²	+ 14.0 %
Space under construction	77,000 m ²	- 34.7 %
Top rent	EUR 22.00 per m ²	+ 7.3 %

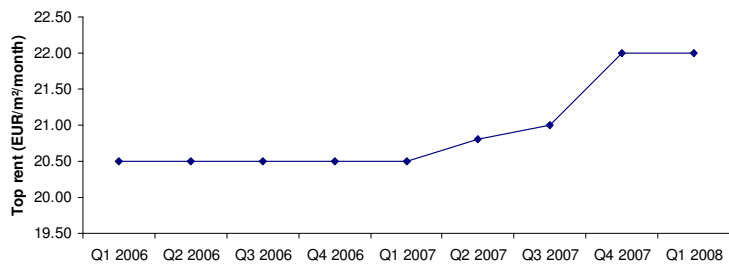
Berlin: Development of take-up and vacancy



Berlin: Development of space under construction



Berlin: Development of the top rent



rate together with the moderate new build activity results in a further reduction in vacant space. A disproportional decrease in vacancies is expected with regards to prime spaces.

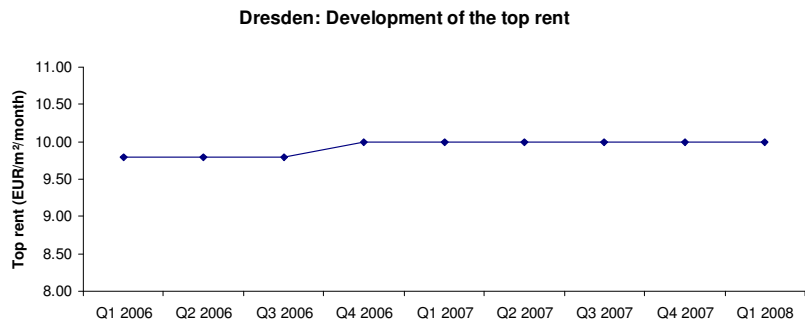
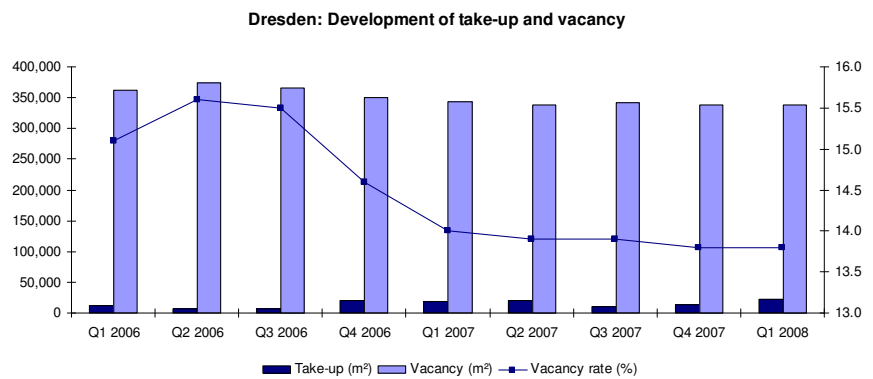
3.2 Dresden

The positive trend of the past year continues into the first quarter of 2008 – the Dresden office space market began successfully in the new year. With a take-up of 21,900 m², one of the most successful results attained in past years, the increase amounts to 15.3%

The fundamental branches were – in each case favoured by a large acquisition – the public authorities (Staatsbetrieb Sächsische Informationsdienste 2,300 m²), banks, insurance and financial services companies (Dresdner Bank 1,600 m²) and companies in the health, social and education sectors (Stessad GmbH 2,600 m²). In the beginning of the year the rental of spaces in the region of 500 and 1,000 m² clearly increased. At the same time increased take-up excluding the Innenstadt/City – in particular the sub markets East and West – were recorded. The deficiency of prime space in the Altstadt ensures that larger spaces in other segments are necessary.

As a result of the low new build volumes and the consistently high demand from companies already resident in Dresden, as well as from new settlements, the vacancy rate has been reduced by 1.7% to 338,000 m². The vacancy rate is 13.8%.

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	21,900 m ²	+ 15.3 %
Vacancy	338,000 m ²	- 1.7 %
Vacancy rate	13.8 %	- 0.2 percentage points
Top rent	EUR 10.00 per m ²	unchanged



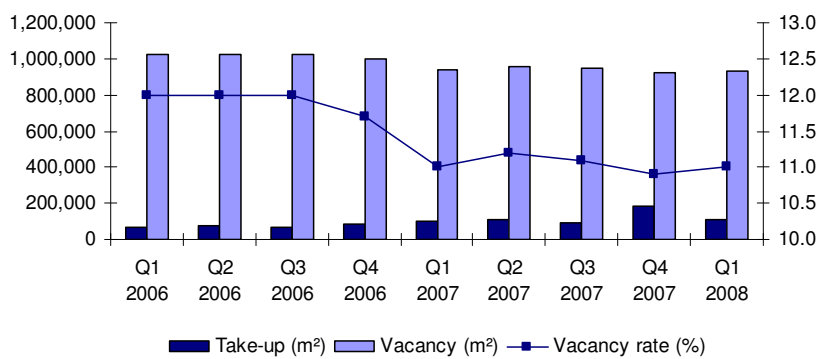
Despite the increased space turnover the prime rental remains stable at EUR 10.00 per m² per month. It is achieved in the office space zone of Altmarkt/Prager street. In the remaining sub segments no marked changes in the rental prices level was evident. The current revitalization projects being carried out should ensure that the demand surplus within Altstadtrings should disappear in the medium term. In nearby and outskirt areas favorable asking prices and the German currency of incentives will furthermore shape the picture.

3.3 Düsseldorf

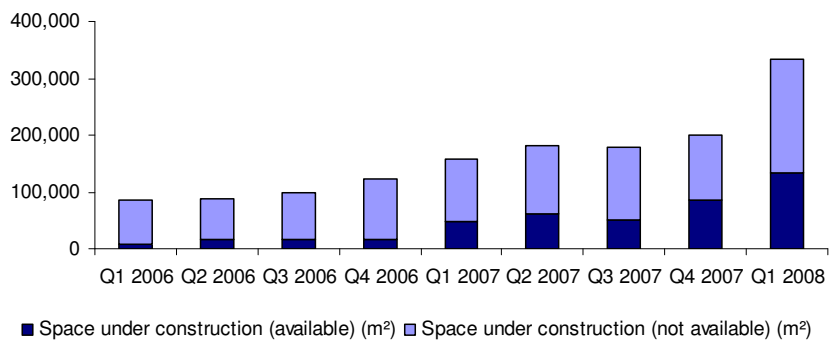
The office space turnover in Düsseldorf in comparison to the previous year's quarter, increased once again, with a good 14% to 113,000 m². The top-selling market segment was at 40,000 m² achieved by a large completion (Landesamt für Besoldung und Versorgung 28,000 m²) the city edge, followed by the adjacent areas with 36,500 m². Through the influence of the above mentioned completion the public administration is positioned with 25.6% of the take-up, it is also the largest enquiries group, still ahead of information technologies and communication technologies by a good 20%. Despite the numerous enquiries, the vacant space stagnated somewhat in comparison with the previous year's level (933,000 m²) however the portion of modern space decreased further to under 25%. The adjacent sites (278,000 m²) and the peripherals (268,000 m²) make up a big portion of the empty space. The vacancy rate quota amounts to 11.0% at the end of

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	113,000 m ²	+ 14.1 %
Vacant space	933,000 m ²	- 0.6 %
Vacancy rate	11.0 %	unchanged
Space under construction (total)	334,000 m ²	+ 111.4 %
Space under construction (available)	134,000 m ²	+ 179.2 %
Top rent	EUR 22.50 per m ²	+ 2.3 %

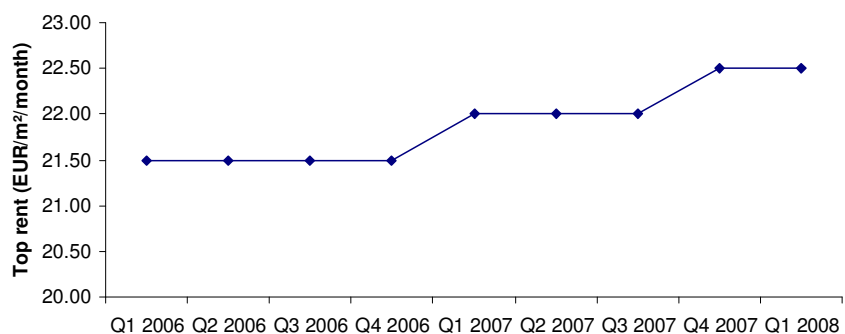
Düsseldorf: Development of take-up and vacancy



Düsseldorf: Development of space under construction



Düsseldorf: Development of the top rent



the first quarter.

The space under construction has more than doubled (334,000 m²) in a one-year period. The space still available also clearly increased. The positive enquiry situation is reflected in a rise of the top rent (+ 2.3%) to 22.50 EUR per m² as well as in an increase of the average rentals. Because several big contracts are due to be concluded soon, a good take-up turnover and a reduction of the vacant space is furthermore reckoned. The consistently high demand for modern, high-quality spaces makes an increase in new building operations likely. In view of the positive trading conditions in total, another increase in the top rent also seems possible.

3.4 Frankfurt

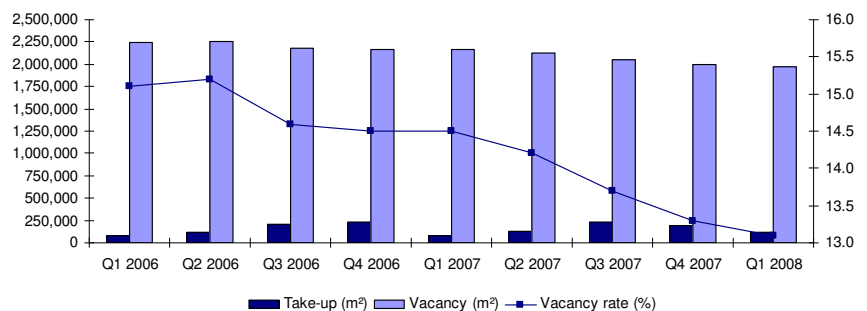
In the first quarter of 2008 Frankfurt office space take-up totaled 116,000 m², an increase compared to the previous year's quarter of almost 60%. Almost half of the turnover was attributed to the adjacent sites, favored by some large acquisitions (among other things German stock exchange AG 19,400 m²; Siemens IT Solutions 6,000 m²). The most important enquiry groups were enterprises of the finance service branch (35%), followed by consultation societies (19%) and public management (18%).

The vacancy rate is just short of the 2 million mark and decreased by 8.6% in comparison to the same time period the previous year. The vacancy rate in modern space was disproportionately high, this space comprises one third of the total vacancies. The vacancy rate at the end of the quarter is around 13.1%.

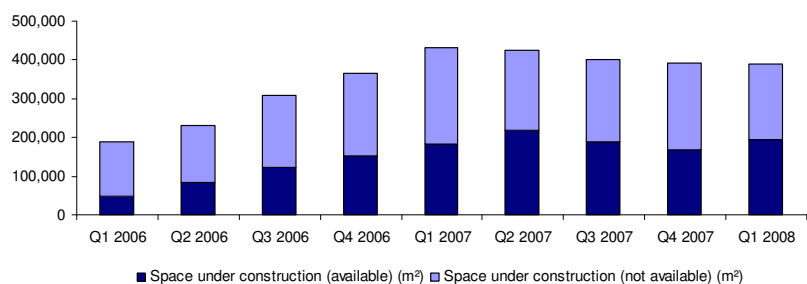
With 390,000 m² the new build surfaces under construction decreased by 10%, the available portion grew slightly to 196,000 m². The market segment Westend achieved top rent amounting to 37.50 EUR per m² and thereby increased within one year by a good 7%. An increase of the top rents as well as the average rents was also observed in many other market seg-

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	116,000 m ²	+ 58.9 %
Vacant space	1,977,000 m ²	- 8.6 %
Vacancy rate	13.1 %	- 1.4 percentage points
Space under construction (total)	390,000 m ²	- 9.3 %
Space under construction (available)	196,000 m ²	+ 6.5 %
Top rent	EUR 37.50 per m ²	+ 7.1 %

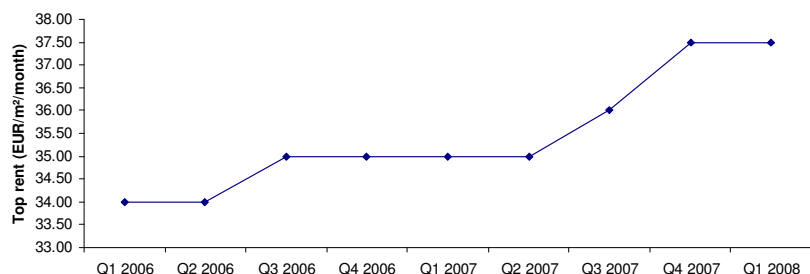
Frankfurt: Development of take-up and vacancy



Frankfurt: Development of space under construction



Frankfurt: Development of the top rent



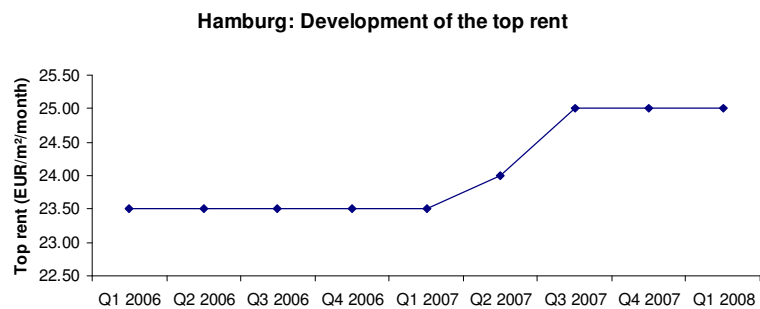
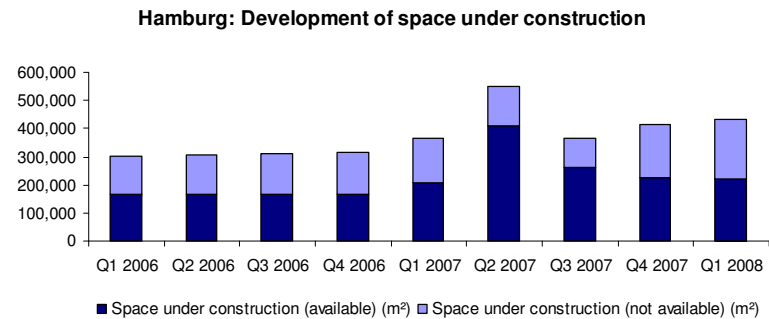
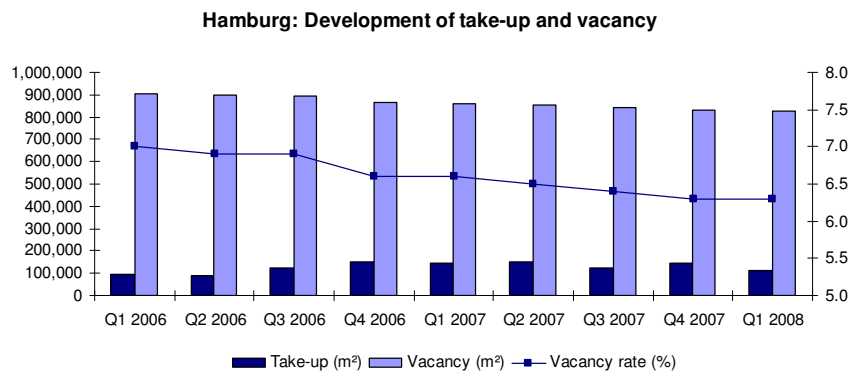
ments. For the current year a total surface turnover which improves on last year's result is expected. The top rents in prime areas will experience a further boom. The existing enquiry rate corroborates this, in particular with regards to high-quality and large spaces. Due to the moderate new building volumes the vacant areas will reduce further.

3.5 Hamburg

On account of the shortage of conclusions with surfaces more than 5,000 m² a drop in sales was registered in Hamburg of more than 20% to 113,000 m². The converted surfaces increased steadily in three market segments namely city, city edge and adjacent sites; in the eastern harbor edge and in the harbor city very low surface turnovers were achieved. The most important enquiries were from other service enterprises (26.5%), consultation companies (14.2%) and trade (13.7%). The vacant space reduction continued, in particular with spaces with modern fittings, typically 828,000 m² stand empty (-3.6%). The vacancy rate amounts to 6.3%.

The surfaces under construction rose in comparison to the year before by about 18% to 432,000 m². Of this 219,000 m² is still available to the market. The market segments with the biggest construction activity are the city (155,000 m²) and the harbor city (113,000 m²). The top rent lies at 25.00 EUR m² (+ 6.4%) per month and is achieved in the new building projects in the harbor city. Also in the other market segments an increase of the top rent is registered in the annual comparison. The popularity of properties close to

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	113,000 m ²	- 21.5 %
Vacant space	828,000 m ²	- 3.6 %
Vacancy rate	6.3 %	- 0.3 percentage points
Space under construction (total)	432,000 m ²	+ 18.4 %
Space under construction (available)	219,000 m ²	+ 4.8 %
Top rent	EUR 25.00 per m ²	+ 6.4 %

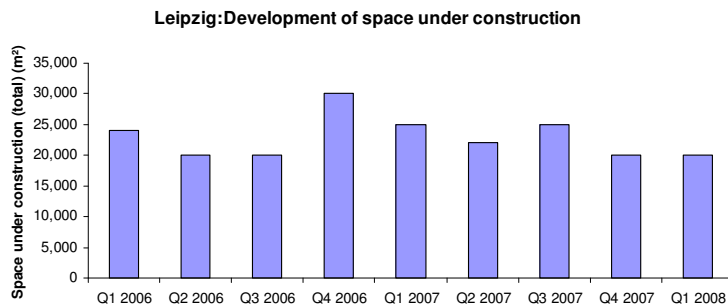
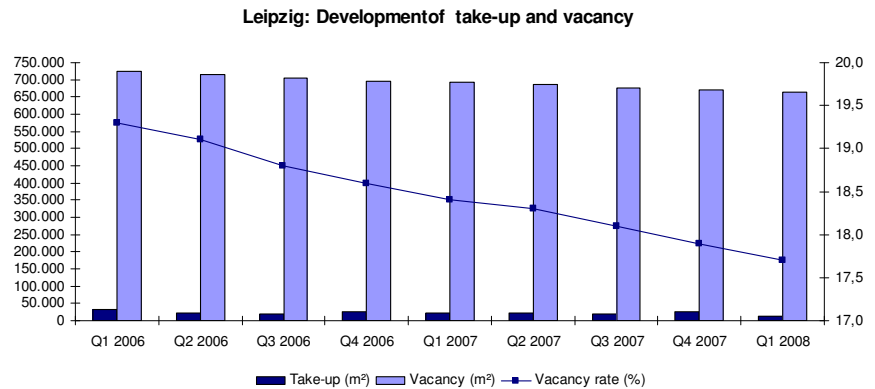


water is indicated through the high rent prices for up to 24.00 EUR per m² in the western harbor edge and in Alster. The continual high demand should result in a good turnover for the current year. The big volume of the surfaces under construction provides for a consistently high offer of modern surfaces, which influences the reduction of vacant space. Another rise in the top rents is rather unlikely.

3.6 Leipzig

With 14,000 m² in the first quarter in 2008 Leipzig achieved only two thirds of the office space take-up compared to last year's quarter. There were in particular no completions in the region of 2,000 m². The top-selling market segment was the Graphisches Viertel/Prager Straße with one quarter of the overall turnover. The most important industries were other service enterprises (42%), information technology companies and communication technology (19%) as well as healthcare (17%). Within a period of one year the vacant stand quota sank by just 4% to 665,000 m². The biggest vacant stands are in the market segment Graphisches Viertel/Prager Straße (145,000 m²), city (128,000 m²) and in the ring area (101,000 m²). In contrast to most other locations nearly half of the empty space is equipped with modern surfaces, which reflects the preferences of the enquiries received. On account of the large vacant areas, new building activity is held back. In comparison to the same quarter last year the surfaces under construction decreased once again by about 20% to 20,000 m². Of this the prevailing share is still available to the market (17,000 m²).

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	14,000 m ²	- 33.3 %
Vacancy	665,000 m ²	- 3.8 %
Vacancy rate	17.7 %	- 0.7 percentage points
Space under construction (total)	20,000 m ²	- 20.0 %
Space under construction (available)	17,000 m ²	- 32.0 %
Top rent	EUR 11.00 per m ²	unchanged



The top rent stagnates further with 11.00 EUR per m² per month and is achieved, as before, in Leipzig city.

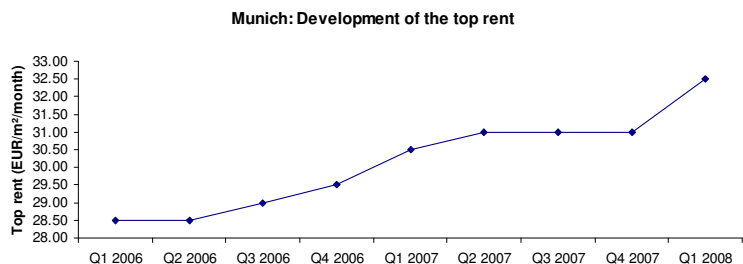
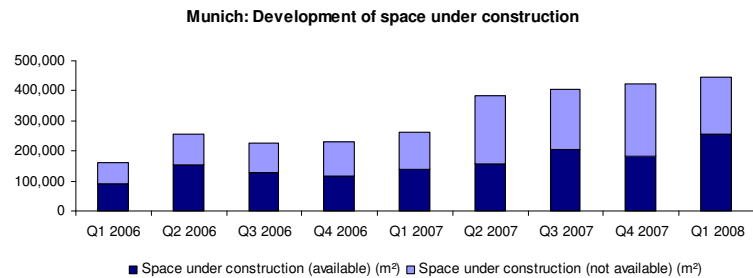
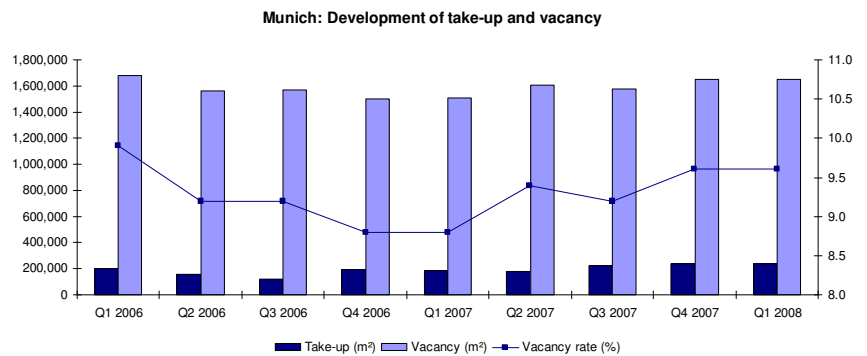
Since rental contracts currently being negotiated are for larger spaces, a noticeable rise in surface turnover is calculated for the coming quarters. With top rent no significant change is to be expected for the current year. The consolidation of the market will continue in the current year at a low level.

3.7 Munich

The capital city of Bavaria started very successfully in 2008. The take-up is 236,000 m², which is almost a quarter higher than that of the same time period the previous year. With top-selling office markets the city lies just ahead with 30% of the total turnover. The biggest portion of the turnover relates to branches from other service enterprises (16%), consulting firms (15%) as well as IT and telecommunication enterprises (14%).

The rise in vacant space of nearly 10% is owed to the completion of a big property as well as a new definition of the vacant space category. The increase is concentrated above all in the city. The vacancy rate amounts to 9.6%. The positive situation in the Munich office space market is also reflected in the new building activity: with the surfaces under construction a significant increase was to be registered of about 70% to 446,000 m² of which 254,000 m² (57%) are still available to the market. The top rent moved clearly by 7% to 32.50 EUR per m². In the current year a total rental result is expected at least at the level of the year before. No decline in vacant stands shall be registered by the active new building activity. For quality prime locations a moderate price increase is to be expected.

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	236,000 m ²	+ 24.2 %
Vacant space	1,650,000 m ²	+ 9.6 %
Vacancy rate	9.6 %	+ 0.8 percentage points
Space under construction (total)	446,000 m ²	+ 68.9 %
Space under construction (available)	254,000 m ²	+ 82.7 %
Top rent	EUR 32.50 per m ²	+ 6.6 %



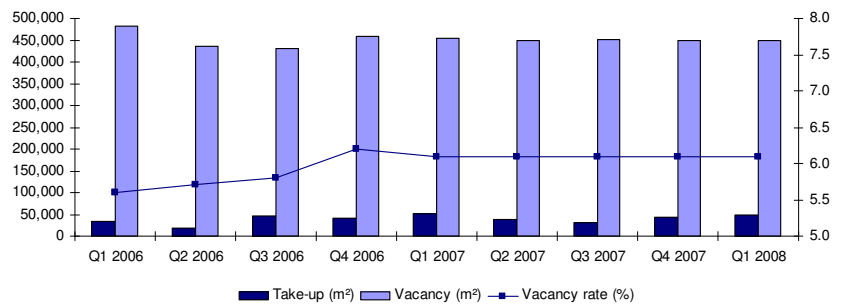
Stuttgart

In Stuttgart the office space turnover of the comparative quarter last year was scarcely amiss (-5.8%), with 49,000 m² it lies clearly above the average of the past four quarters. Several big contracts (among others the regional bank Baden-Württemberg with 10,000 m² had a decisive contribution to this result; Robert Bosch GmbH, 5,500 m²; Deutsche Bahn AG 4,200 m²). The big contract conclusion of the LBBW banks and financial service enterprises ensured that they were the top-selling industry, followed by other service enterprises and the producing trade. The vacant space has decreased in annual comparison marginally (-1.1%). The vacant space rate remains consistent at 6.1%.

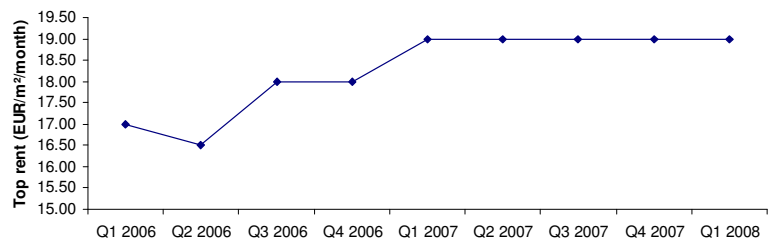
In the current year approx. 100,000 m² new building surfaces ready for occupation will come on to the market from the middle of the year. However, a large portion thereof is already pre-rented or for owner-occupants. The top rent is 19.00 EUR per m² and is achieved in the city ring. In comparison with the previous year's quarter there is no change. For the rest of 2008 a shortage is expected from first-class equipped take-up in the scale of between 300 and 500 m² in prime locations. Together with the high pre-rental rate of the new building surfaces, this should lead to a boom in the rental price levels.

	1. Quarter 2008	Change year-on-year
Take-up (accumulated)	49.000 m ²	- 5,8 %
Vacancy	450.000 m ²	- 1,1 %
Vacancy rate	6,1 %	unchanged
Top rent	EUR 19,00 per m ²	unchanged

Stuttgart: Development of Take-up and vacancy



Stuttgart: Development of the top rent



4 Sources

- Atisreal
- German Federal Employment Agency
- Dr. Lübke Makler & Consultants
- Joint diagnosis spring time 2008, 17. April 2008
- IKB Deutsche Industriebank
- Jones Lang LaSalle
- German Federal Statistical Office