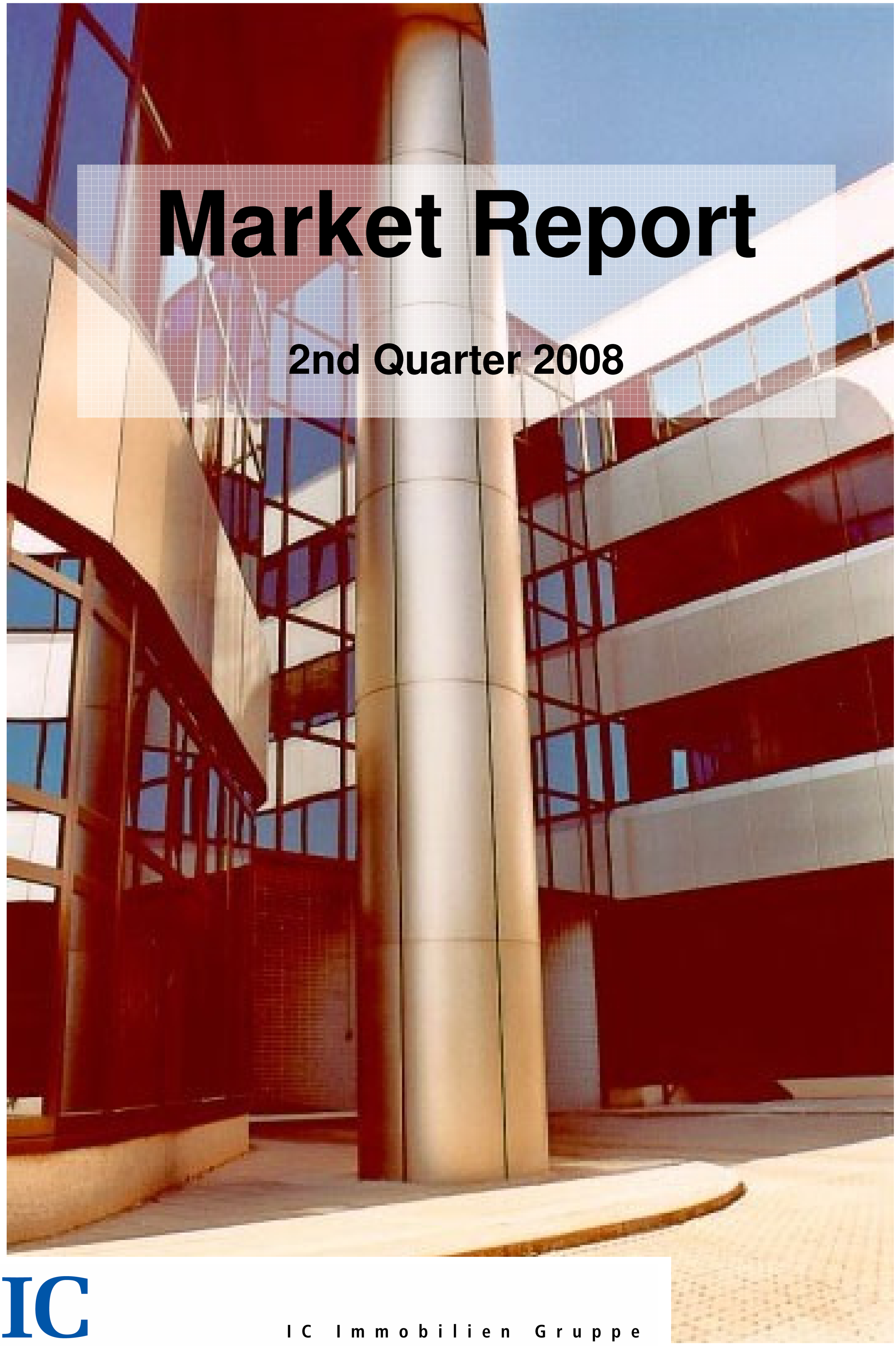
Market Report

2nd Quarter 2008



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1 General Economic Environment

1.1 Global Environment

In the first months of 2008 despite the substantial stresses and strains due to the US real estate crisis and the resulting problems in the financial markets, the world economic situation only moderately suffered dynamic losses. Surprisingly the increase of the material gross domestic product (GDP) in the industrialized countries temporarily accelerated itself. However the signs are there that the economic dynamics will diminish noticeably both in the industry and in developing countries in the coming months and that world economy and world trade will expand in 2008 and 2009 at a more moderate speed compared to previous years. The growth of the GDP of the world is supposed to reach a value of 1.7 in 2008 and 2009.

In addition inflation has risen worldwide on the basis of the undiminished strong increase of the price of raw materials, in particular crude oil and food. The issuing banks hesitate in many countries to follow the Federal Reserve and to relax politics, some also have their monetary policy tightened further. Thus the European Central Bank (ECB) in view of the high inflation in the Euro zone for the first time in a year has raised the main refinancing rate by 25 basis points to 4.25%.

Though the situation in the financial markets in the USA and Europe has relaxed somewhat during the last weeks, the crisis has however not been averted yet. The trust of the banks is still not altogether restored. The clear increase of the granting of credit directives for companies as well as for consumers might negatively affect the loan volume and economic achievement and still dampen the economic situation in the next year. How strongly the world-economic recession precipitates, nevertheless, is primarily dependent on the one hand on further development in the raw material markets, on the other hand, the progress of the US-real estate crisis and the financial market crisis of which the effects are still to be determined.

1.2 Environment in Germany

After a lively start in the German economy in 2008 the economic situation has appeared remarkably robust until spring in spite of the low growth of important markets, the considerable revaluation of the Euro as well as the increase of the prices of oil and other industrial raw materials. Nevertheless, the commercial climate has perceptibly cooled off in June and July. The ifo commercial climate index had clearly decreased for the industrial economy in April, however, recovered unexpectedly in May and sank again significantly now. The real GDP decreased in the second quarter in 2008. The increase of the GDP on average in the first half-year in 2008 seasonally adjusted and calendar-adjusted amounts to 1.5% in comparison to the second half-year in 2007, in the last year's comparison the increase amounts to 2.7%.

In the course of 2008 the overall economic production will presumably pick up again, however, the drive might remain relatively weak. The curbing factors become increasingly apparent for the German economy now and the economic impetus will probably come to an end. German foreign trade might decrease as a result of the cooling of the world economic situation and the rising Euro exchange rate. The high costs of energy sources limit the increase of the company yields and curtail financial scope for new investments. At the same time they limit the real expenses scope of the private households which has negative effects on the consumption possibilities. All in all, the overall economic production will expand on annual average in 2008 by about 2.4% according to investigations of the ifo Institute.

The risk impacts in the money market are still clearly higher than before the onset of the financial market crisis in summer 2007. Nevertheless the terms for companies have only slightly intensified in Germany with regard to loan conditions since the beginning of the turbulence and have not changed for private households. The past development continued and the rate of unemployment decreased from 7.8% in May to 7.5% in June. In last year's equivalent month comparison this corresponds to a decline of 1.3 percentage points. Another, even if clearly restrained decline is expected for the next months and 2009. Compared with June 2007 the consumer price index rose in June 2008 by 3.3% partially because of the higher energy and food prices. This is the highest rate of price increases since December 1993.

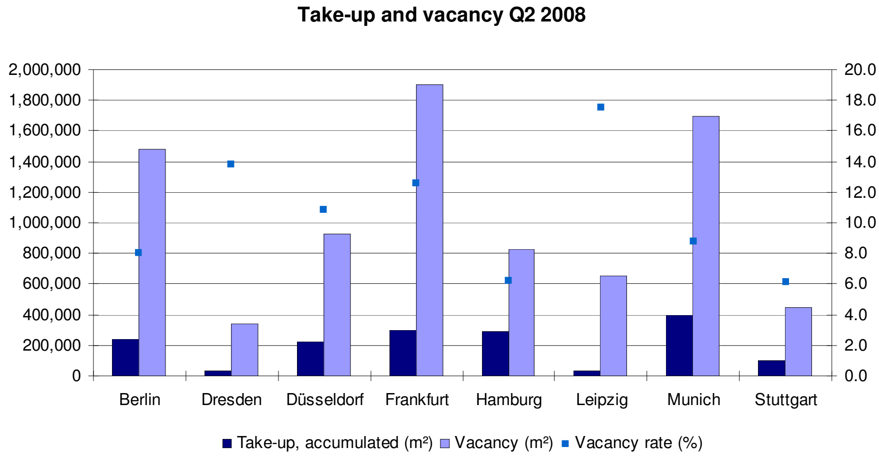
2 Overview German real estate market

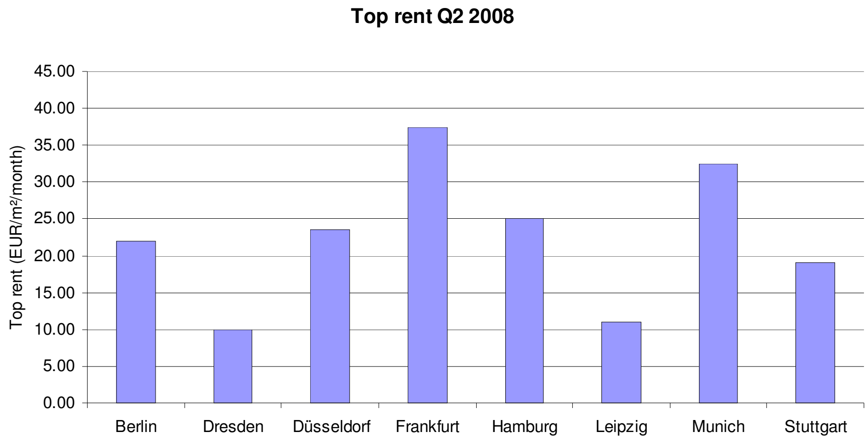
2.1 Rental market

2.1.1 Office properties

The turbulence in the financial markets and difficult world-economic terms hardly affect the German rental markets. In particular in the office sector rising net absorption, reduced vacancy states, rising rents in good locations and a low speculative new building rate provide for a positive sphere. Furthermore a stable demand is determined not by few large contracts, but applies to all market segments. The German office rental markets have even achieved a new record result in the first half-year of 2008. Altogether in eight observed office locations office space was about 1.61 million m².
In the one-year comparison the dismantling of the vacancy rate progressed further on account of the positive demand situation. In the most important market segment, modern vacant spaces, the space offer decreased further. In comparison to the year before the volume of the space under construction has risen in the biggest German office locations by 17% to 2.6 million m². In terms of finished space barely half is currently available to the market, the remaining space is already pre-rented or is utilised by owner-occupiers. The dynamic development of the market is reflected in the rents. In

2nd Quarter 2008				
Location	Office space take-up (accumulated m²)	Vacant space (m²)	Vacancy rate (%)	Top rent (EUR/m²/month)
Berlin	238,000	1,481,000	8.0	22.00
Dresden	30,400	337,000	13.8	10.00
Düsseldorf	220,000	923,000	10.8	23.50
Frankfurt	296,000	1,902,000	12.6	37.50
Hamburg	287,000	823,000	6.2	25.00
Leipzig	37,000	657,000	17.5	11.00
Munich	400,000	1,967,000	8.8	34.50
Stuttgart	101,000	450,000	6.1	19.00





the one-year comparison the top rents have risen in most locations except Leipzig, Dresden and Stuttgart. Frankfurt (37.50 Euros / m² / month) with 7.1% has achieved the clearest increase. For the second half of the year it is assumed on account of present requests that the impetus continues and particularly the modern vacant spaces will decrease further. Hence, rising rents are also expected in some sub markets.

2.1.2 Retail properties

The most topical data of the Gesellschaft für Konsumforschung (GfK) showed strong losses in May and June with regards to economic situation, income expectation as well as with acquisition inclination. Reasons for this are rising inflation fears in connection with the persistent financial markets crisis, a strong Euro, the worldwide downward trend of the inflation rate and rising prices of energy and food. Hence the GfK has revised buyer demand forecasts for July and the whole of 2008 based upon lower values. The Hauptverband des Deutschen Einzelhandels (HDE) has corrected their sales forecast for the whole of 2008 in view of the present figures and July is also down. Up to now the HDE predicted a sales growth in the retail trade of a nominal 2% which would be only achievable, however, if buyer demand improved clearly. Therefore, the new goal is nominal plus 1.5%. Inflation-adjusted this means a deficit of about 1%.

In the first half-year of 2008 the clouded mood could not yet negatively affect the rental market in the retail trade. Nevertheless, this might change in view of the abovementioned factors in the second half of the year.

In Kemper's market analysis a space turnover of 100,000 m² was determined in retail trade. Mostly the space enquired for is in inner-city 1a-locations. Nearly 40% of the space turnover was allotted to local stores with a selling area of 100 to 250 m² in 1a-locations. Renting of space less than 500 m² put out a total of 75%, renting of more than 1,000 m² about 10%. With reference to the business sector textile trade dominated the market as before. 35% of space turnover was rented by ladies wear, mens' clothing companies and young fashion. Followed by companies with shoes (10%) and books (8%). Other important business sectors were telecommunication and accessories.

2.1.3 Logistics / Distribution Warehouses

Space turnover rose in Germany in the first half-year of 2008 in comparison to the first half-year in 2007 by 10% to 1.94 million m². This positive development will continue probably further, even if economic assuagement progresses further and the costs of diesel, transport - and from 2009 tolls - rise. In an economic assuagement the warehouses often fill only before the production is limited. In the regions Berlin, Düsseldorf, Hamburg, Munich and Frankfurt incl. Wiesbaden / Mainz during the first six months achieved warehouse space turnover of 676,000 m² corresponding to a low increase of 4% in comparison to last year's value. However, the average sales volume of the last five years, in each case first half-year, was exceeded by about 14%. This result was mainly caused by the strong increase in Munich of 32% to 161,000 m². On account of complete letting in most of the abovementioned conurbations the completion of new contracts develops with difficulty. On the other hand the locations beyond the conurbations furthermore developed relatively dynamically. With an increase of 14% to about 1.27 million m² these locations are responsible for around two thirds of the whole German warehouse space turnover. More than half of the turnover was allotted to single deals of space of more than 5,000 m². The strongest demand was shown by enterprises from the business sector transport, traffic and warehouses. In this business sector deals were allotted of more than 5,000 m²; about 63% of the sales volume. A good result on the owner-occupier side of 40,000 m² space of a logistics company arose in Neuss. The highest top rentals for warehouse space in the scale of 5,000 m² and for trade parks were achieved in Frankfurt (5.80 Euro / m² / month) and Munich (6.50 Euro / m² / month). The top rents in both categories remained stable in all regions surveyed in comparison to the same month of the previous year.

2.2 Investment Market

The continuing turbulence in the international financial markets is clearly felt in the German real estate investment market. The loss of trust from the banks and the refinancing basis complication along with it have led to liquidity bottlenecks and thereby a more restrictive granting of credit as well as a rise in the price of loans. Many banks clearly demand higher company capital rates and make higher property quality demands.

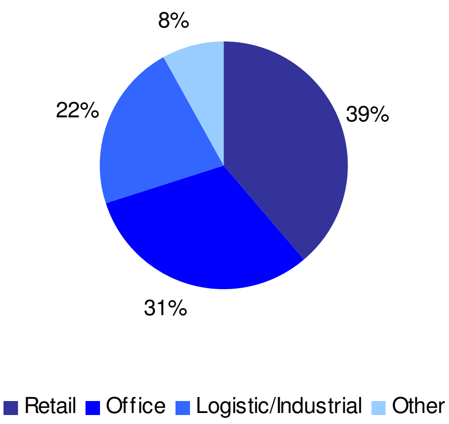
The basic conditions of financing, the lack of outside financing or of suitable objects as well as insecurity about the not foreseeable end of the financial crisis and possible results for the markets, have led to the fact that after the record turnover in the German real estate investment market in 2007 the realised investment volume from January to June 2008 has been perceptibly lower. The price expectations gaped with sellers and buyers increasingly and deals often did not come about. Thus many potential buyers have been reserved in expectation of sinking purchase prices in the first half of 2008. In Germany only 13.1 billion Euros were invested in commercial real estates in this period, according to calculations by Atis Real. With it the transaction volume decreased in comparison to the last year by about 53%.

From a total of 13.1 billion Euros 5.8 billion Euros (45%) were allotted to portfolio sales – a decline of 64% compared with the year before. With the single deals the decrease of 46% was a little lower. Top-single objects sold well, mainly to investors with a higher company capital application. Small and medium transactions accounted for a large part of the market volume and will furthermore gain prominence. In comparison from first to the second quarter the number of large transactions decreased more than 100 million Euros along with their portion in the transaction volume. Particularly portfolio purchases with investment volumes of more than 500 million Euros will arise more and more seldom, because the banks rarely grant loans and the loan costs rise. The dominating kind of utilisation in the first half-year 2008 was by the sales of the Arcandor-portfolio (Karstadt department stores) the retail trade, followed by office real estates and logistics real estates or industrial real estates. While the retail trade-related transaction volume registered only one deficit of just 9% in comparison to the first half-year 2007, however, office investments with approx. 77% decreased strikingly. Logistics real estates and industrial real estates increased on the other hand as the only asset class by about 15%.

On the sales side about 42% of the transaction volume was allotted to the large package sales (Sony Centre, Arcandor, Post-Portfolio) to the enterprises at which real estates do not belong to the core business. The strongest represented investor's group at the real estate investment market in the first half-year were asset and fund managers with around one quarter of the whole investment volume before the listed real estate corporations and the private equity/hedge funds.

In the first half-year 2008 the trend of rising beginning yields has continued with office real estates. With high-class office real estates in the best locations the net beginning yields have risen during the last 12 months by about 50 basis points price based partially cushioned by rising rents. Also with the other asset classes on average an in-

Transaction volume by type of use



crease was observed of 25 (logistics), and 75 basis points (shopping centre). In the course of the year the yields will presumably remain rather steady, another sign for the relatively high stability of the German property market.
In spite of the continuing uncertainty many reasons speak for the fact that in the second half of 2008 the investment market will revive again. Germany is equally attractive for German and foreign investors and many market participants are confident that Germany remains attractive, because the rental markets prove robust. Many investors have substantial equity sums. The investment pressure grows and demands for investments to realise the investment aims for 2008. Many potential buyers who have been reserved up to now will presumably show a stronger engagement in the market in the second half of the year. The dismantling of the trust loss resulting from the financial crisis is decisively for it. Risks for the German property market are seen in an even more significant fall of other markets, as for example in the USA, in Great Britain or in France, because this action would raise the attraction for investors to the German market.

2.3 Real estate share market

The prices in the real estate share market have fallen since the middle of 2007 nearly worldwide due to concerns about assessment reductions or refinancing problems and in parts have fallen by more than 50%. Throughout Europe the rates of the listed real estate corporations fell since the beginning of 2008 by about 40%. The recovering in Germany, which had begun on account of decreasing recession fears, received a renewed damper in the second half of May. In June the securities of bigger German real estate corporations lost value, equally the performance of the whole market decreased – the Dax lost about 10%. On average the values of several bigger real estate corporations lost 17%. Both German REITs took the cut better: The Alstria share gave about 9%, the Fair Value REIT AG about 16%. A study by Merrill Lynch at this time caused a further drawback of the prices of the real estate shares. Particularly for both biggest listed German flat enterprises Deutsche Wohnen AG and Gagfah the devaluation by Merrill Lynch meant a fall of the shares.
Critics, among others, the analysts of Sal. Oppenheim, think that real estate shares will develop during the next 12 to 18 months depending on the financial crisis. However, the scope of action of real estate corporations to procure capital is limited. The financing banks would be reserved during the next months. This might put pressure on the real estate assessments.

According to Lehman Brothers the high outside fund rate of 75% with the big German real estate corporations is problematic. Moreover, Feri Rating & Research only recently in their first transparency rating criticised the German real estate corporations of insufficient transparency. The Fair Value REIT-AG which was booked in second place after the Polis AG in the transparency rating was excluded from this. Missing transparency in an already weak market sphere can lead to worse assessments and risk reductions by unnerved analysts. This could also be the explanation that at many societies the stock market value clearly lies under the Net Asset Value (NAV).

In contrast to this several analysts believe in a recovery of the real estate shares, if the confidence returns to the capital market. First the liquid titles would experience a recovery, in a second wave the less liquid titles would follow. Other analysts consider the sector underestimated. As a good indication the experts rate the course of most real estate shares noted under the NAV. One year ago the courses still partly noted up to 30% over the NAV. Besides German real estate values are very favourable in the international yardstick. In addition an attractive dividend yield exists for some real estate values.

3 Location details

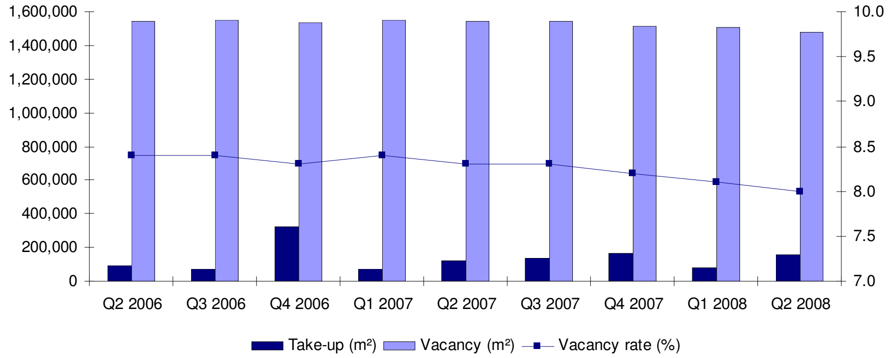
3.1 Berlin

3.1.1 Rental market

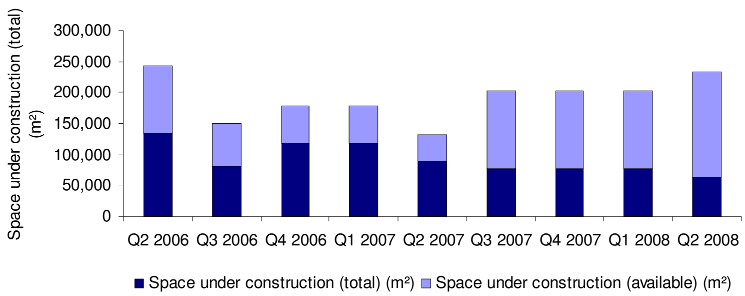
The space turnover in the first half-year of 2008 amounted to 238,000 m² and exceeded last year's value by about 23%. The volume spread relatively steadily for all space dimensions, which concludes a stable demand situation. The most important demand group was still the other services (26% of the overall turnover), followed by the information and communication companies with 17.3% and consultation societies with 13.3%. The most important sub segment was the city zone in which about 45% of the turnover was achieved. The biggest lease in the second quarter of 5,950 m² occurred in Magazinstrasse in Berlin centre through the law office Becker Büttner Held.
The biggest contract completion in the first half-year was by the Gasag AG of more than 8,800 m². Vacancy sank in comparison to last year's value by 4.2% to 1.48 million m² and the vacancy rate fell to 8.0%. The decrease of vacancy of the modern equipped space accelerated (- 18.9%). The modern vacant space of 31% contributed to the total vacant state. The available space under construction decreased in the first half-year of 2008 in comparison to the first half-year of 2007 by about 30% to 63,000 m².

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	238,000 m²	+ 22.7 %
Vacant space	1,481,000 m²	- 4.2 %
Vacany rate	8.0 %	- 0.3 percentage points
Space under construction (total)	23,000 m²	+ 77.9 %
Space under construction (available)	63,000 m²	- 30 %
Top rent	EUR 22.00 per m²	+ 5.8 %

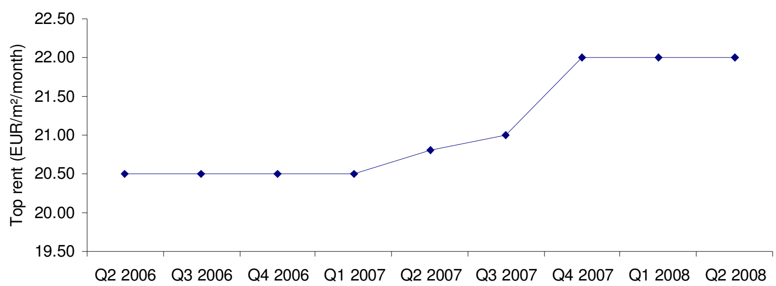
Berlin: Development of take-up and vacancy



Berlin: Development of space under construction



Berlin: Development of the top rent



The total space under construction amounted to about 233,000 m². Regarding to the top rent an increase was registered by 5.8% in comparison to the year before, this is topically 22.00 Euros per m² per month (Topcity Ost). An increase in the average rents was also observed. This is a result of an increasing concentration in the demand for new spaces with accordingly higher rents, which is also reflected in a big portion of modern spaces in the overall turnover.
After a rather restrained start in 2008 the respectable demand and the restricted available space under construction might form a good base for other moderate empty spaces dismantling which will limit itself mainly to modern space. For the remainder of 2008 a lively demand is forecast.

3.1.2 Investment market

In the first half-year of 2008 the investment turnover in Berlin amounted to 1.62 billion Euros, about 41% less than in the same period last year, however, clearly more than on the long-standing average. The capital stands at the head of the big investment locations. Particularly the sale of the mixed used Sony Centre on Potsdamer Platz contributed to this result. Hence, the other real estates put out just 47% of the volume, followed by retail trade objects and office business houses in each case with about 25%. The most important group of buyers was the group of equity/real estate funds with a portion of more than 47.2% of the overall turnover. This is also mainly because of the sale of the Sony Centre. The second most important group of buyers were real estate enterprises (17.6%), followed by private investors (10%). The portion of foreign investors rose in comparison to the first half-year of 2007 by 18 percentage points to 90%.

3.2 Dresden

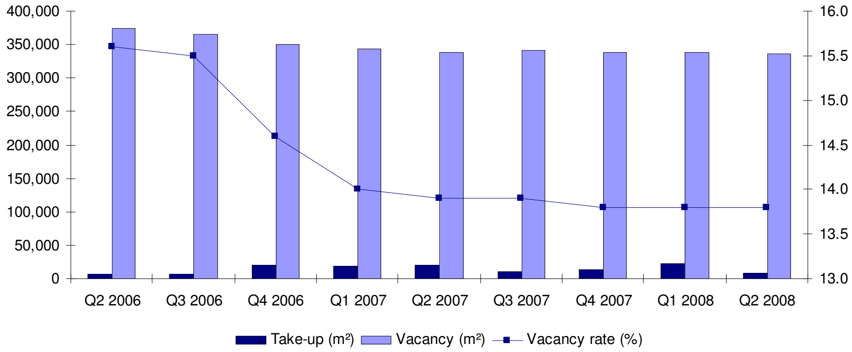
In the first half-year of 2008 the office space turnover sank in Dresden in contrast to most other observed office centres whose office space turnover achieved clear increases. In Dresden about 30,400 m² office space was moved, 22% less than in the first half-year of 2007. Nevertheless, in the five-year comparison this result qualifies itself.

The most important sub markets were the city locations and the locations near the highway, e.g., Kaditz/Mickten. The biggest rental completion of a contract in the second quarter of 1,100 m² occurred through the Prowa Ingenieurgesellschaft in Dresden-Süd. There were hardly any big and medium sized completions in comparison to the preceding quarters. The most important business sector in the second quarter have been IT enterprises, differing from the first quarter, when public management, banks, assurance and financial service enterprises as well as enterprises in the health, social and education sector were pushed by large completions (e.g. Staatsbetrieb Sächsische Informationsdienste, Dresdner Bank, Stesad GmbH) to the top positions.

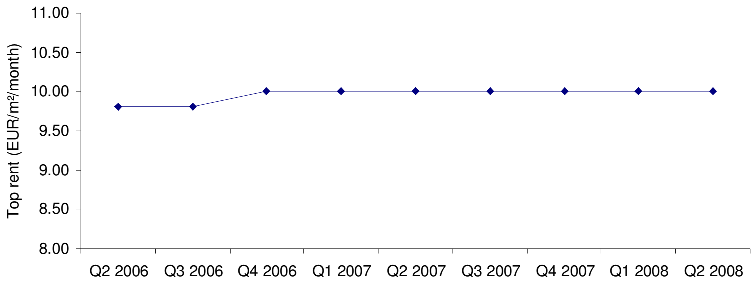
The top rent consistently lies at 10.00 Euros / m² / month and is achieved in the situations Altmarkt and Prager Straße. The vacant space has decreased on

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	30,400 m²	- 23.4 %
Vacancy	337,000 m²	- 0.4 %
Vacancy rate	13.8 %	- 0.1 percentage point
Top rent	EUR 10.00 per m²	unchanged

Dresden: Development of take-up and vacancy



Dresden: Development of the top rent



account of the low net absorption only a little and amounts to about 337,000 m², this corresponds to a vacancy rate of 13.8%.
Prior to the background of the present market situation the construction activity in Dresden remained low. Project development and revitalisation projects are only realised normally when extensive users exist. Hence, it is expected that the vacancy rate will reduce slightly.

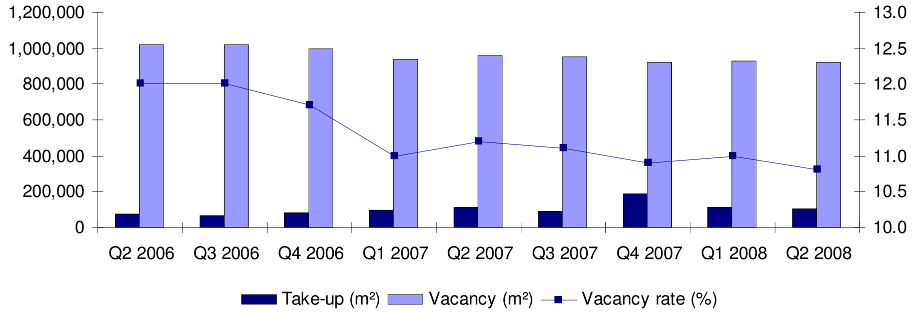
3.3 Düsseldorf

3.3.1 Rental market

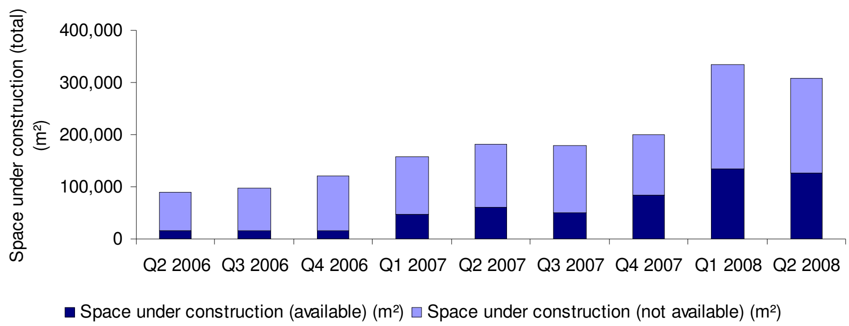
In the first half-year of 2008 Düsseldorf achieved a new half-year record. The office space turnover increased compared to last year's period by about 6% to 220,000 m². This result was caused by large completions and a lively demand in the middle and smaller space categories. On account of several large completions (e.g. Victoria Versicherung) the office market zone Derendorf in the city edge with 28% (60,500 m²) had the biggest portion in the turnover, followed by Düsseldorf north/airport with 10% (22,000 m²). The biggest demand group was other services with about 20% of the turnover, followed by consultation companies with 13.6% and public management with 12.8%. Vacancy has sunk in comparison to last year's period by about 4% to 923,000 m², above all with the modern space (-15,4%) which reduced to a portion less than 25%. The biggest vacancy is found in the city centre with 97,000 m² and in Düsseldorf west on the left side of the Rhine river (87,000 m²). The vacancy rate decreased at the end of the second quarter to 10.8%. The space under construction has risen in comparison to the first half-year in 2007 by 69% to 307,000 m². However, of this only about 40% (126,000 m²)

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	220,000 m²	+ 5.8 %
Vacant space	923,000 m²	- 3.8 %
Vacany rate	10.8 %	- 0.4 percentage points
Space under construction (total)	307,000 m²	+ 68.7 %
Space under construction (available)	126,000 m²	+ 106.6 %
Top rent	EUR 23.50 per m²	+ 6.8 %

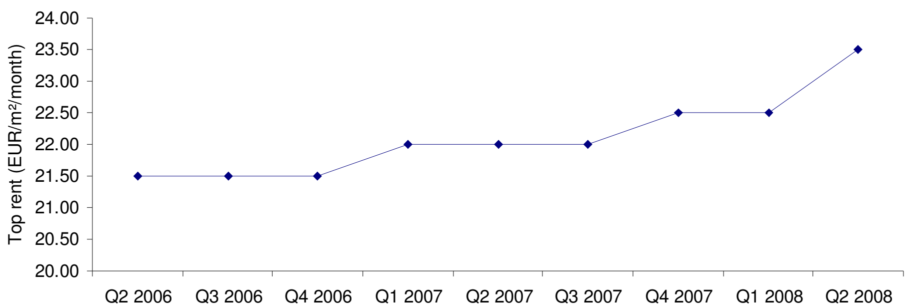
Düsseldorf: Development of take-up and vacancy



Düsseldorf: Development of space under construction



Düsseldorf: Development of the top rent



are available to the market. The top rent increased in the same period by about 7% to 23.50 Euros / m² / month and is not achieved as before in the banking quarter, but in the Medienhafen. The average rents also registered an increase.
Large completions and the generally good demand allow hope for a very good space turnover for the whole year. This will positively affect the other vacancies dismantling and the decline of the modern vacant spaces might take place considerably faster than the reduction of the whole vacant space. The top rent could rise even further, because the offer of modern spaces is still limited.

3.3.2 Neuss

The office market zone Neuss in the first half-year of 2008 achieved a space turnover of 3,000 m². The vacant space sank in comparison to last year's value by 32.1% to 9,500 m². The top rent rose in the same period by about 4.8% to 11.00 Euro/ m² / month.

3.3.3 Investment Market

In Düsseldorf around 531 million Euros were invested in the first half-year of 2008. The record result of the first half-year of 2007 was missed by about 42%, however, the transaction volume lies clearly higher than the long-standing average. A clearly lower portion of the turnover than in the year before was generated by proportionately included real estates from portfolio sales (27%). About 50% of the turnover (265 million Euros) was allotted to office real estates, followed by retail trade properties with about 121 million Euros (approx. 23%). The most popular sub market was Neuss, conditioned by sales of logistical real estates or commercial parks, followed by Kennedydamm.
The most important buyers were again the fund constructions with value added or core plus orientation with an investment volume of 238 million Euros (45%), real estate corporations (21.3%) and real estate enterprises (16.9%). Düsseldorf is the only location besides Berlin in which the portion of the foreign investors has risen (about 14% to 70%).

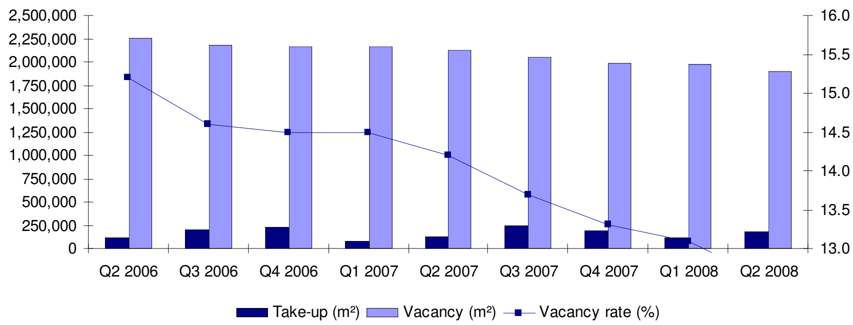
3.4 Frankfurt

3.4.1 Rental market

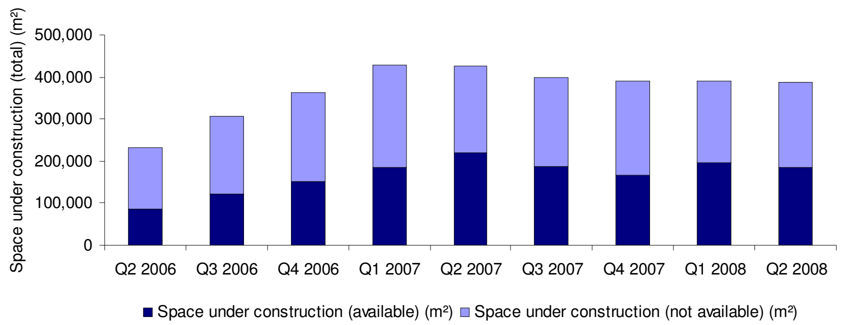
In the first half-year of 2008 an office space turnover of 296,000 m² was achieved in Frankfurt – an increase compared with last year's value of nearly 47% and thereby the strongest of all big German office locations. 268,000 m² were allotted to the narrower market area - not least because of some large contracts. Altogether the large contracts in Frankfurt have become more important in comparison to the first half-year of 2007, the category of 10,000 m² was responsible for more than one quarter of the result, primarily due to the deals with Deutsche Börse AG (around 65,000 m²) and BNP Paribas (11,350 m²). In particular due to the deal with Deutsche Börse AG Eschborn with 25% (74,600 m²) had the biggest portion of the whole space turnover, followed by city centre with around 60,000 m² (20%). The most important demand group were banks and financial service providers with a portion of 39.4%, followed by consultation companies (11.2%). Vacancy was 1.9 million m² and decreased in comparison to last year's value by 10.6%. Besides, the vacant space reduction of modern space decreased by approx. 12% stronger than the older existing space.

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	296,000 m²	+ 46.5 %
Vacanct space	1,902,000 m²	- 10.6 %
Vacany rate	12.6 %	- 1.6 percentage points
Space under construction (total)	386,000 m²	- 9.2 %
Space under construction (available)	186,000 m²	- 15.1 %
Top rent	EUR 37.50 per m²	+ 7.1 %

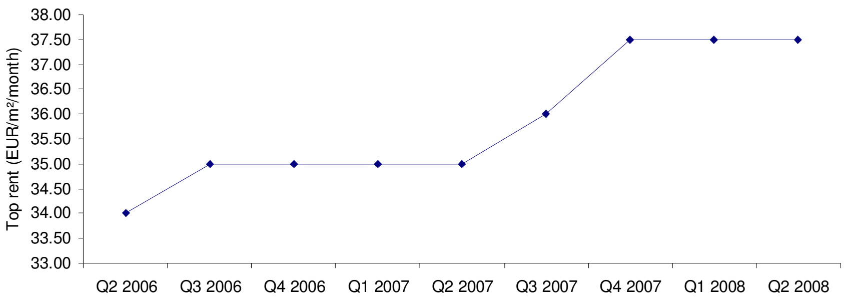
Frankfurt: Development of take-up and vacancy



Frankfurt: Development of space under construction



Frankfurt: Development of the top rent



Only about 37% of all empty office space displayed a modern equipment standard. The vacant space at the end of the half-year was 12.6%. With 386,000 m² the space under construction decreased by around 9%, the available portion of it fell by about 15% to 186,000 m². Against the background of that a large part of this space is allotted to only few large-scale projects means that the new building offer is to be classified as rather low. The achieved top rent in the sub market Westend amounted of 37.50 Euros / m² / month. An increase in the average rents was also observed in many other sub segments.
In the second half-year the space turnover will probably boom further. Thus some great completions stand out specifically and the demand for middle space dimensions is lively. For the whole of 2008 a result over last year's result of 629,000 m² is expected. The reduction of vacancy will presumably continue above all with modern spaces. On account of the high demand for high-quality space and the offers becoming scarce in this segment a continuation of the rent increase is possible for the coming quarters with space of high quality.

3.4.2 Eschborn

The most important office market zone in the second half-year 2008 was Eschborn with a portion of about 25% of the overall turnover in Frankfurt; this equates to 74,600 m². The large contract of the Deutsche Börse AG of about 45,000 m² is mainly responsible for this in this sub market.
The vacancy has sunk in comparison to the first half-year of 2007 by 38.5% to 116,800 m². The space under construction amounted to 13,100 m². These were still available to the market at the end of the first half-year. The top rent achieved in Eschborn has risen in the one-year comparison by 42.3% to 18.50 Euros / m² / month.

3.4.3 Investment market

In Frankfurt the turbulence of the financial market crisis is also felt. With an investment turnover of about 882 million Euros the result lay about 81% under last year's value. However, consider again that the years 2006 and 2007 showed record values. The present transaction volume lies above the values of 2004 and 2005. Portfolio sales had a really low portion in the turnover with just 14%. Office real estates with about 89% put out the biggest portion in the investments, followed by retail trade real estates with only 4.6%.
The dominant investor's group was the open funds with a portion of nearly 34%, which increasingly invest again in prime real estates in Frankfurt. In second places equity/real estate funding (about 30%), followed by real estates AGs (8%). The portion of foreign investors with only 46% lay about 39 percentage points lower than last year's comparison value (85%).
For the second half-year a transaction volume at the level of the first half-year is expected, nevertheless, a light increase by the end of the year is possible. If another positive development of the rent prices and the space turnover at the office rental markets takes place, the purchase prices will remain stable. The yields will probably move up at the end of the year at a similar level.

3.5 Hamburg

3.5.1 Rental market

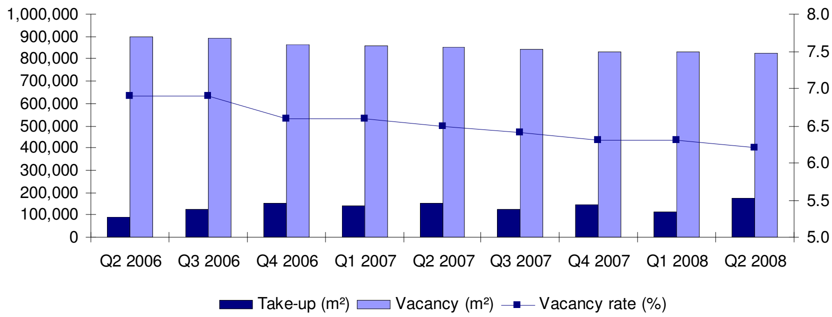
In the first half-year of 2008 the office space turnover decreased in comparison to last year's period by about 3% to 287,000 m². About 25% of the turnover was allotted to the city (72,000 m²), followed by the enlarged city centre with 47,000 m². The most important demand groups were other services (29.9%), consultation companies (15.6%) and management of industrial approvals and planning permissions (12%). With the last-named group the group Transport and Traffic accounted for a portion of 10%, which has a great importance traditionally in the port city of Hamburg.

The vacancy reduction continued, topically 823,000 m² office space stand empty (just 4%); of it there are only 18% modern space (148,000 m²). The vacancy rate amounted to 6.2% at the end of the half-year. The space under construction has decreased in comparison to the first half-year of 2007 by about 8% to 504,000 m². The decline of nearly 31% to 284,000 m² of space under construction still available was even stronger.

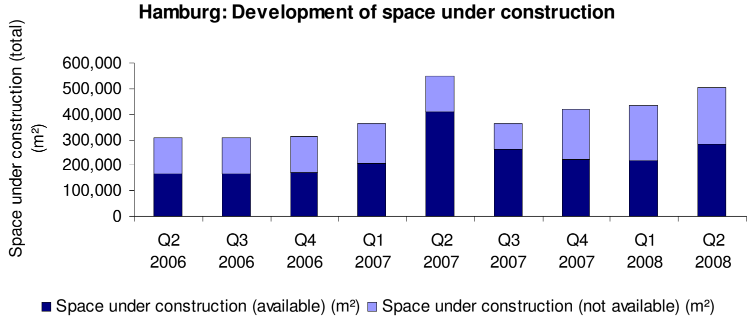
The top rent of 25.00 Euros per m² per month was attainable in the Hafencity. Also in other sub segments the peak value of 24.00 Euros / m ² / month could be achieved. The city as well as the premium loca-

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	287,000 m²	- 2.7 %
Vacant space	823,000 m²	- 3.5 %
Vacancy rate	6.2 %	- 0.3 percentage points
Space under construction (total)	504,000 m²	- 8.4 %
Space under construction (available)	284,000 m²	- 30.6 %
Top rent	EUR 25.00 per m²	+ 4.2 %

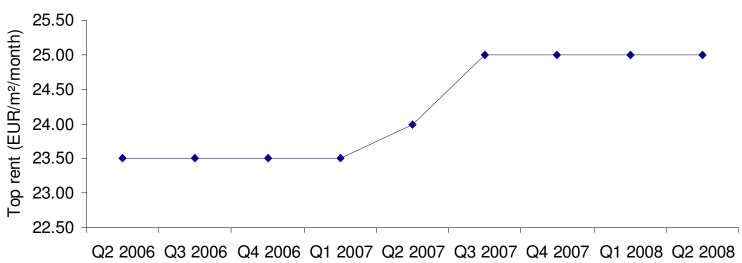
Hamburg: Development of take-up and vacancy



Hamburg: Development of space under construction



Hamburg: Development of the top rent



tions western harbour edge and Alster belong to this which indicates the popularity of space close to water. Altogether the top rents as well as the average rents have risen during the past twelve months.
The consistently strong demand should also provide a good space turnover for the second half-year, so that until the end of the year more than 500,000 m² space could be moved. The respectable demand and the construction of more fashionable qualitatively high-quality space in good situations - mostly with water relation - lead to the fact that premium space still has possibilities of development with the rent price trend.

3.5.2 Investment market

In the first half-year of 2008 1.02 billion Euros were invested – about 60% less than in the year before. Nevertheless, besides Berlin Hamburg counts as the only big investment location in Germany which has achieved a volume of more than one billion Euros. In the first half-year of 2007 only two portfolios already had a volume of one billion Euros. Currently the portion of the real estate packages lies at 29%. The structure of investments has changed: in the first half-year of 2008 a large part of the transaction volume was invested with 31% in office real estates and not as before in retail trade real estates as well as office and business houses. The structure of the buyers has also changed clearly in last year's comparison. Real estate corporations had the biggest portion in the transaction volume with 26.2%, followed by real estate companies (24.2%), special funds (18.4%) and closed funds (12.1%). The portion of foreign investors reduced within one year from about 80% to just 44%.

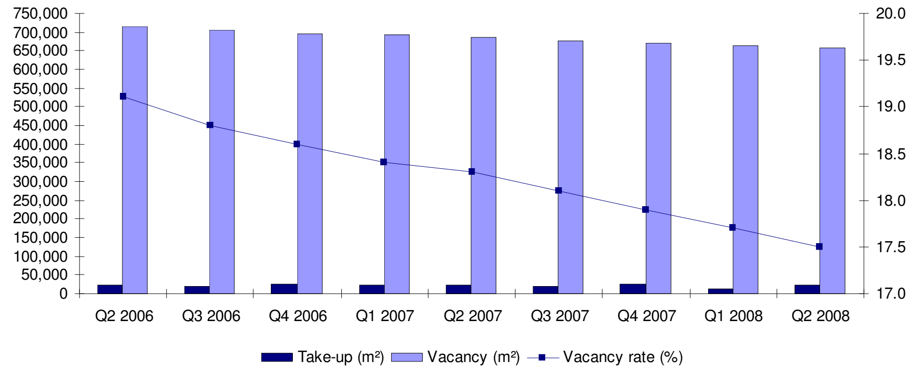
3.6 Leipzig

In the first half-year Leipzig with 37,000 m² reached only 16% of the office space turnover of last year's period, because in particular completions were absent in the scale from 5,000 m². About 70% of the turnover was allotted to space up to 1,000 m². The top-selling sub segment was the adjacent areas, among other reasons because of three important contract completions in the first half-year with BBW Berufsbildungswerk Leipzig (3,000 m²), O2 Germany (1,100 m²) and Facility Management (950 m²). The most important business sectors were other service enterprises (30.8%), information and communication technology companies (18.2%) as well as management of industrial enterprises and building contractors (17.3%).

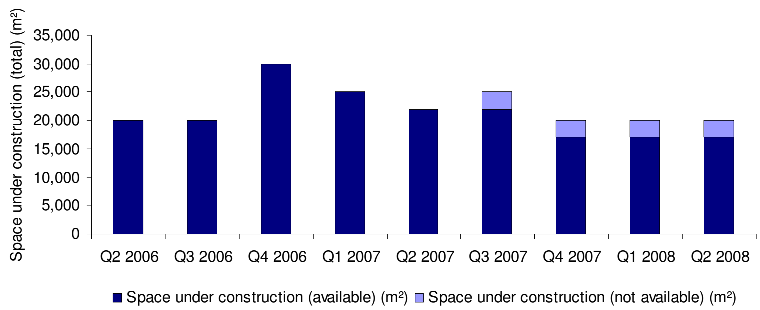
Within a period of one year the vacancy sank by 4% to 657,000 m². Around half is allotted to modern space quality. The vacancy rate amounted to 17.5%. Vacancydiminished in Leipzig on account of low construction activity. In comparison to last year's value the spaces under construction decreased by 9% to 20,000 m². Of this the prevailing part is still available to the market (17,000 m²). The top rent amounted to 11.00 Euros / m² / month and was attained in city centre locations. In the sub markets strong demand in the

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	37,000 m²	- 15.9 %
Vacancy	657,000 m²	- 4.1 %
Vacancy rate	17.5 %	- 0.8 percentage points
Space under construction (total)	20,000 m²	- 9.1 %
Space under construction	17,000 m²	- 22.7 %
Top rent	EUR 11.00 per m²	unchanged

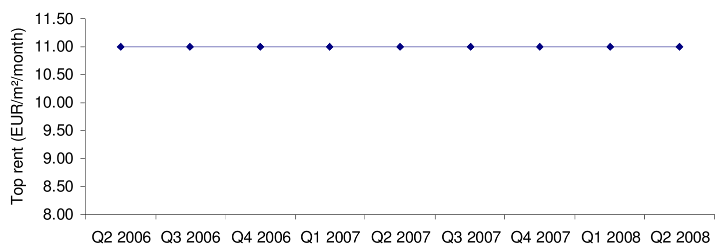
Leipzig: Development of take-up and vacancy



Leipzig: Development of space under construction



Leipzig: Development of the top rent



Graphisches Viertel, Leipzig West and Neue Messe stabilised the average rents from 5.00 to 6.00 Euros / m².
For the second half-year no significant changes are expected with the rent price levels. The space turnover could rise noticeably in spite of the moderate result of the first half-year for the coming quarters because of lease contracts currently in negotiation for bigger leasing space. The vacant spaces will probably decrease further.

3.7 Munich

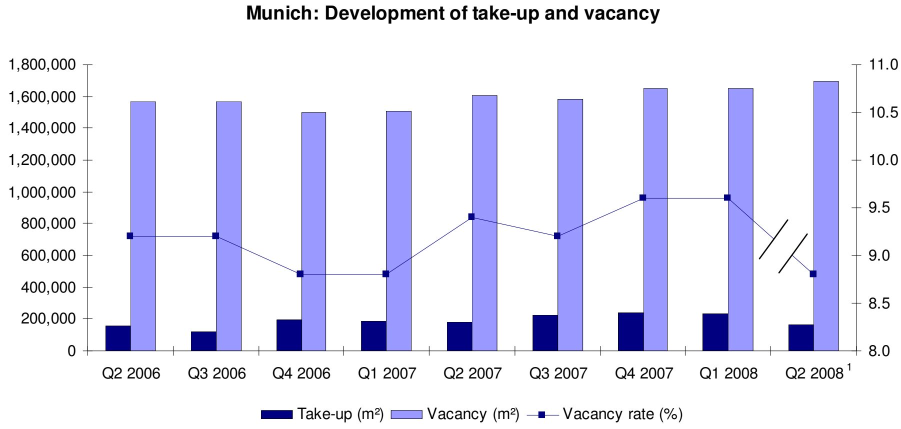
3.7.1 Rental market

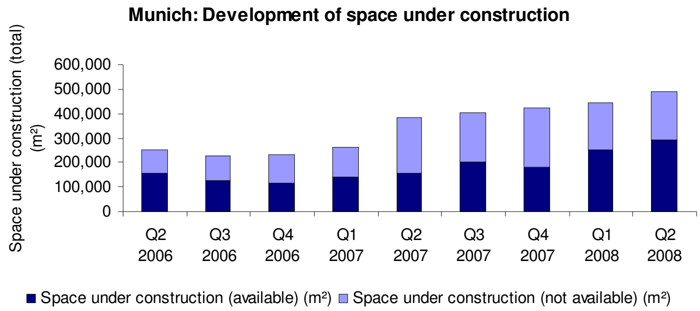
The space turnover in the Bavarian capital in the first half-year of 2008 was 400,000 m² and about 8% above the value of last year's result. This was the best half-year result achieved in the last seven years. The portion of big contracts of more than 10,000 m² astonishingly accounted for about 11% of the space turnover; one year ago it was still 29%. The respectable demand is based therefore homogeneously on all segments.

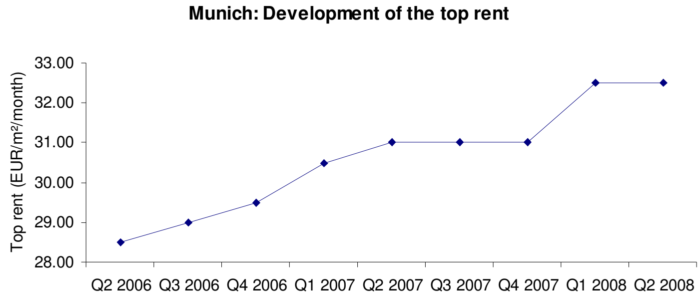
The trend towards the lease of space in central locations has stopped. Thus the city mostly moved with 24% of the overall turnover (97,000 m²) once again. Together with the remaining city a portion of about 74% of the space turnover was allotted to this office market zone. The biggest portion of the turnover was covered by business sectors of other service enterprises (16.2%), consulting firms (14.5%) as well as IT and telecommunication companies (13.5%). The structure was altogether as well balanced as during the years before.

The rise of vacancy by 5.7% to just 1.7 million m² is owed not least to extensive construction completions. The positive situation in the Munich office space market is also reflected in new building activity. The total space under construc-

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	400,000 m²	+ 8.1 %
Vacant space	1,697,000 m²	+ 5.7 %
Vacancy rate	8.8 %	n.a.
Space under construction (total)	491,000 m²	+ 27.5 %
Space under construction (available)	294,000 m²	+ 87.3 %
Top rent	EUR 32.50 per m²	+ 4.8 %







tion increased by about 27.5% to 491,000 m²; of this 294,000 m² were still available in the middle of 2008 and this is about 87% more than in the middle of 2007. The vacancy rate[1] lies topically at 8.8%. The top rent increased by 5% in last year's comparison to 32.50 Euros / m² / month and is achieved in the city. The top rents in other office market zones have also increased, above all in some city edge situations.
For the second half of 2008 lively demand and very good space turnover are anticipated. Because of the high concentration of high-quality spaces in good locations it is assumed that a slight increase is possible in this market segment. Vacant space dismantling and space offers will not develop for the time being, because other space are supplied to the market, among the rest, by the completion of new projects.

3.7.2 Investment market

The investment volume sank in comparison to the first half-year of 2007 by 69% to 861 million Euros. As a result Munich has achieved the worst sales result after Frankfurt for the first half year of 2008. Retail trade objects (35.9%) and office real estates (34.6%) had the biggest portion of the investments. The transaction volume decreased partly because of the low turnover in office real estates. In the other categories it consolidated as even a little bit more than in the first half-year of 2007 was invested. The proportionately included portfolio deals accounted for 328 million Euros only about one third of last year's value.
According to groups of buyers, real estate enterprises (26.4%) and equity/real estate funding (26.1%) took the top positions. Furthermore real estate corporations have invested (13.1%), special funds (10.2%) and assurances (9.3%) to a bigger extent. The portion of foreign investors of 73% lay about 10 percentage points lower than in last year's period.

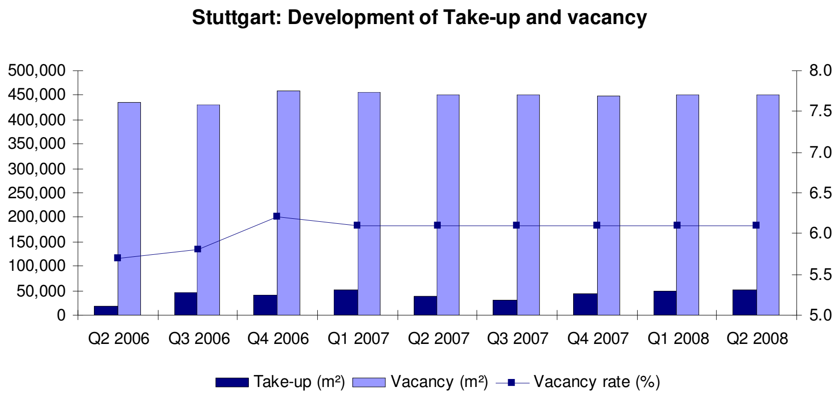
[1] Note: Due to a new survey the most important market participants have agreed on adjusting existing space to current information. Therefore the vacancy rate is not comparable to earlier publications.

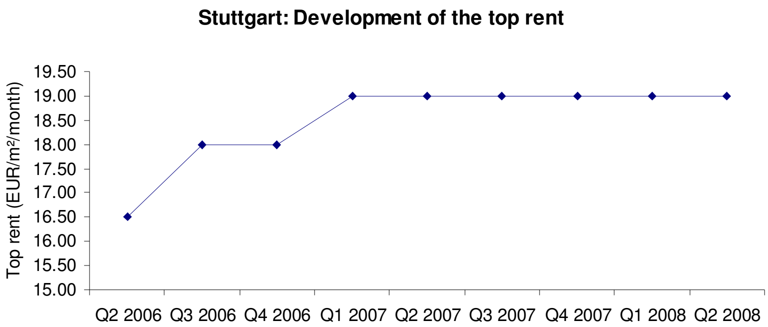
3.8 Stuttgart

3.8.1 Rental market

In Stuttgart the positive development in the office market has continued. The space turnover in the first half-year of 2008 rose in comparison to last year's value by 12% to 101,000 m². As a result the best half annual output of the last six years was achieved. After a completion of a rather big contract in the first quarter, smaller and medium sized contracts were concluded in the second quarter. The biggest lease in the second quarter occurred with approx. 4,000 m² through the telecommunication service provider Versatel in Bad Cannstatt. Through such completions the city centre was allotted about half of the space turnover, also the sub segments Vaihingen, Möhringen, Weilimdorf, Bad Cannstatt and Wangen are demanded office locations. The biggest portion in turnover was allotted to the banks, financial service providers, enterprise-related service providers and the industry.
Vacancy amounted to 450,000 m². The vacancy rate remained consistent at 6.1%. The top rent remains consistent for a year at 19.00 Euros / m² / month and is achieved in the city centre. Rent price increases were registered in the city west and Weilimdorf.
Altogether in 2008 ap-

	2nd Quarter 2008	Change year-on-year
Take-up (accumulated)	101,000 m²	+ 12.2 %
Vacancy	450,000 m²	unchanged
Vacancy rate	6.1 %	unchanged
Top rent	EUR 19.00 per m²	unchanged





proximately 100,000 m² of new building space ready for occupation will come onto the market. Indeed a large part (80%) is already pre-rented of it or is established for owner-occupiers. Together with the high pre-renting rate of the high-quality new building space this could lead to the upward movement of the rent price level.

3.8.2 Investment market

In the first half-year of 2008 the financial market turbulence affected the investment volume in Stuttgart at the rate of 299 million Euros. The strongest asset class was office real estates with 155 million Euros (52%). Followed by retail trade real estates with 25% of the whole investment volume and logistics real estates and industrial real estates with 10%. The most active group of buyers were closed funds with a portion of 37%. The portion of foreign investors lay at 55%. On the sales side open funds at 25% accounted for the biggest portion of the whole volume.

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- ifw Institut für Weltwirtschaft
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- Jones Lang LaSalle
- Kemper's
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