

IC

IC Immobilien Gruppe

**Market report
4th Quarter 2007**

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1 General economic environment

1.1 Global environment

The world economy expanded in 2007 again very strongly, growing by 5.2%. However, the economic situation risks arising from financial market turbulence rose clearly. One assumes the speed of the world economic situation will noticeably slow down. The Federal Reserve reacted to the crisis within the sub prime range with a very expansive monetary policy and lowered the Federal funds rate since September 2007 by around 225 basis points to 3.0%. The ECB kept the interest unchanged since June 2007 at 4.0%.

The USA is due to reduce expanding consumption and in the process of 2008 recover investments from a further decrease of the growth rate of the gross domestic product. In the Euro region a smaller gross domestic product growth is expected. On the one hand the strong rise in consumer prices (3.2% in January 2008) absorbs the private consumption; on the other hand the investments might expand more weakly than thus far. A 2.5% inflation rate value is prognosticated for the annual average for 2008, clearly over the ECB target. According to expert opinion of the Ifo World Economic Survey, the key interest in the course of the next six months will decrease, while the capital market interest remains roughly stable. In developing countries, in China, the remaining countries of Eastern Asia as well as India and Latin America will likewise be counted on leaving economic situation dynamics.

1.2 Economic situation in Germany

The German economic situation is upwardly positioned, however with reduced strength. The upswing since 2005 continued in 2007. The growth engine was foreign demand although the export rise of 8% did not fall as highly as in 2006.

The German gross domestic product increased in the fourth quarter 2007 in terms of price, season and calendar - adjusted by 0.3%. In the previous quarter the growth rate had amounted to 0.7%. The rise in real gross domestic product for the whole of 2007 was 2.5%, 0.4 percentage points less than the year before. For 2008 the prominent German research institute for economics unanimously predicts a gross domestic product growth between 1.7% and 1.9%.

The unemployment rate was about 8.7% in January 2008, in December the value still amounted to 8.1%. An increase is usual for the turn of the year, the rise however fell less than in the two years before. In the process of 2008 a further drop in the unemployment rate is expected, however more slowly than in the previous year.

The inflation rate rose in December 2007 by around 2.8% and thus around 0.3 percentage points less than in the previous month. After an annual average for 2007 of 2.2% the prognoses for the rise in consumer prices lies between 2.2% and 2.4% for 2008.

2 Overview of the German real estate market

2.1 Rental market

2.1.1 Office space

The recovery of the office letting markets continued into the year-end. Along with the positive overall economic development comes a rise in occupancy, in particular in the service sector, and thus an increased demand for office space. The crisis in the international financial markets hardly left any trace so far on the office letting markets. For the Top-5-locations the fourth quarter was the strongest turnover in past years.

With high-quality equipped surfaces a very small vacancy level is observed. The lack of top spaces - particularly in city situations - leads to the fact that potential tenants increasingly change over to building projects under construction. The new building volume reached its lowest point in 2007, reduced in relation to the previous year by around approximately 12%. The rents continued to increase in the fourth quarter of 2007. The rent point index computed for the five real estate hot spots increased in comparison with the previous year by around 4.6% and achieved the highest stand in four and a half years.

4th Quarter 2007				
Location	Office space take-up (accumulated m ²)	Vacant space (m ²)	Vacancy rate (%)	Top rental (EUR/m ² /month)
Berlin	500,000	1,520,000	8.2 %	22.00
Dresden	63,400	338,500	13.8 %	10.00
Düsseldorf	487,000	923,000	10.9 %	22.50
Frankfurt	629,000	1,990,000	13.3 %	37.50
Hamburg	564,000	830,000	6.3 %	25.00
Leipzig	88,000	671,000	17.9 %	11.00
Munich	834,000	1,650,000	9.6 %	31.00
Stuttgart	165,000	448,000	6.1 %	19.00

Since growth turnover was carried by a very active demand in all markets zones, 2008 assumes a stable and rising market. In the current year a rise in new building volume is expected, with vacancy rate reduction continuing at the same time. Rental growth will continue in 2008, perhaps not with such strong rates of growth as in the previous year.

2.1.2 Retail Properties

Retail turnover developed in 2007 with restraint. The federation of German retail trade issued an increase of around maximally a percent. The reason for the subdued consumption is the value added tax increase in the first half-year. Concerns prepared retail trade in the context of the taxation of enterprises reform the planned taxation of

the costs of rent and leases, which would be problematic for dealers in the city in particular.

The surface conversion owing to the above average first quarter was approximately 10% higher than the previous year's value. The market is dominated further by demands for smaller surfaces of 250 m², which constitutes more than half of all lettings. The demand for larger surface categories increased noticeably. Most important groups of tenants of all lettings enterprises are the textile trade with over 40%, followed by shoe dealers with over 8%. The trend of agglomeration of the shopping streets in the most important German retail trade locations continues. In almost all substantial main shopping streets, the portion of country wide active branches lies over 80% in the meantime.

4th Quarter 2007	
Location	Top rental (EUR/m ² /month)
Berlin	200.00
Dresden	100.00
Düsseldorf	200.00
Frankfurt	225.00
Hamburg	195.00
Leipzig	115.00
Munich	260.00
Stuttgart	210.00

The competition in the market for top spaces in 1a-areas is high, the rents partly substantially bidden upward. In the Top-10-locations the square meter rents are around EUR 5.00 to 20.00 above the previous year's value, for 160 examined West German cities the rent point rose on average around 2.5%.

2.1.3 Distribution Warehouses

Germany is one of the most important logistics locations in Europe and with 170 EUR billion gained the highest turnover in this area in 2006. The German industrial bank (IKB) assumes for the next years average nominal growth of German logistics turnover of approximately 4% to 5% per year. Last year a turnover of 3.92 million m² was registered for logistics surfaces (renting and own use) which means an increase compared with 2006 of about 20% and the fourth record as a result. With an increase in 2006 from 53% to 2.64 million m², the areas developed beyond Top 5 conurbations exceptionally dynamically. The surface turnovers in the conurbations Berlin, Dusseldorf, Frankfurt, Hamburg and Munich decreased against it by about 17%.

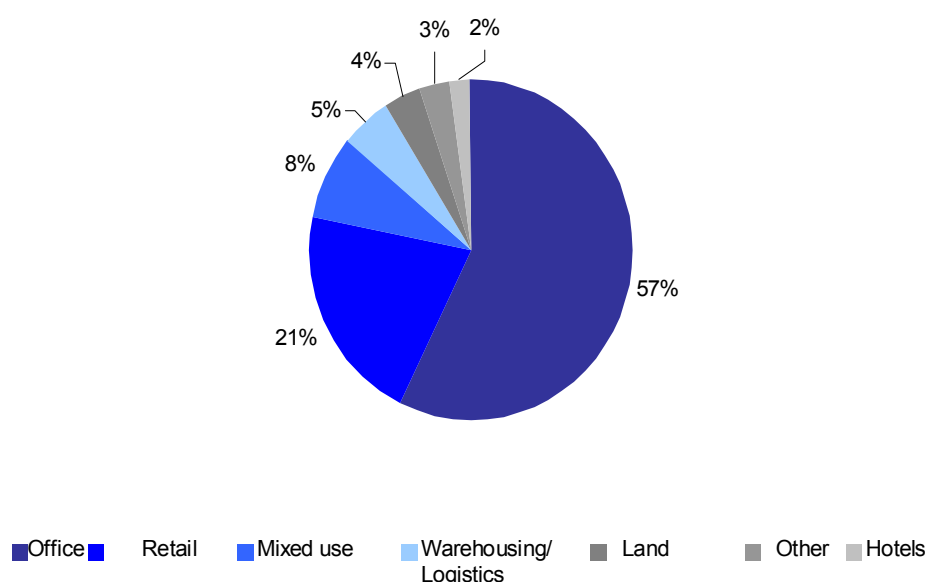
2.2 Investment market

In the first half of 2007 the way was paved by the good financing terms for real estate transactions in an extent never seen before in Germany. Opportunistic mostly foreign investors with high foreign financing portions dominated the market. Due to the sub prime crisis another picture emerged in the second half of the year. The market was

made up of large-volume portfolios or the sales were shifted time-wise. Investors oriented towards company capital (such as open real estate funds) only partially compensated the almost entire retreat of investors predominantly financed by outside capital. On account of the rising interest rates level, strengthened and accelerated by the credit crisis, risk consciousness returned for the long term oriented investors in the market and the real estate-economic basic data moved again to the centre of an investment decision.

With a transaction volume of about 55 EUR billion with single and portfolio sales in the areas of office, hotel, logistics, retail trade, special real estates and properties, an increase of 11% was achieved in 2007 in comparison to the year before and was the highest value registered. Against the expectations of the market participants the investment volume in the fourth quarter of 13.2 EUR of billion lay at an unexpectedly high level. A reason for it was, among others, two transactions beyond the milliard border (Allianz "Charlotte" portfolio, DaimlerChrysler Areal).

Transaction volume by type of use



From the total volume of 2007 more than half was allotted to office and a good one fifth to retail trade real estates, followed by mixed used real estates, logistics real estates and industrial real estates, properties and hotels. In the process, real estate to the value of 34.4 EUR billion (63%) was sold within the scope of portfolio transactions. The strongest represented investor's groups at the real estate investment market for the last year were asset and fund managers who place persistent recovery of the rental market with rising rent levels, as well as real estate corporations whose competitive position might further also improve in 2008. The dominance of foreign market participants is falling (50% in the first half-year, 34% in the second half-year), while the portion of German investor's increases (20% in the first half-year, 31% in the whole year). The net starting yields for high-quality office real estates in premium situations in German Top 5 locations rose in the course of the last year by just 20 basis points to an average 4.58%. With up to 50 basis points the yield increase in worse situations and in B locations was substantially clearer.

For the current year another yield increase is expected with office objects of around up to 20 basis points. In the retail trade or logistics area an upward trend of the yields is also forecast in the scale of approximately 20 basis points. Even if the record results of 2007 cannot be attained in the current year, on account of the good total economic and real estate-economic basic conditions and the vast liquidity of national and international real estate investors, positive development of the investment market is assumed.

3 Location details

3.1 Berlin

3.1.1 Rental market

With 500,000 m² the office surface turnover in 2007 in Berlin lay at just 15% under the previous year's value (586,000 m²). With this the second-best result was achieved since 2001. The main cause for the drop in sales is the clearly lower enquiry rate by the public administration, which in the year before accounted for nearly one third of the surface turnover. In the course of the year a steady increase in enquiries was observed, only in the fourth quarter about one third of the annual turnover was affected. The strongest sales office market zone was Potsdamer/Leipziger Platz last year. Central inner city situations lost dominance somewhat; city peripheral zones and adjacent areas could therefore strengthen their position. Turnover for surfaces of more than 5,000 m² clearly decreased, while smaller surface classes could increase portions from 4 to 6 percentage points. The strongest enquiry group was the collective position of the other services (25.5%).

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	500,000 m ²	- 14.7 %
Vacant space	1,520,000 m ²	- 1.2 %
Vacancy rate	8.2 %	- 0.1 percentage points
Space under construction (total)	203,000 m ²	+ 14.0 %
Space under construction (available)	77,000 m ²	- 34.7 %
Top rent	EUR 22.00 per m ²	+ 7.3 %

The vacancy rate sank by 1.2% to 1.52 million m², the vacancy rate amounts to 8.2%. While modern equipped surfaces registered a vacancy rate decline of more than 15%, the vacancy rate rose with un-renovated, difficultly marketable surfaces by about 27%. The surfaces under construction increased last year by about 14% to 203,000 m². About 77,000 m² (-35%) of this is available to the market. With top rentals an increase was registered of about 7.3%, this lies typically with 22.00 EUR per m² per month (top city the east). Also in most other office market zones the top rentals increased, a mostly clear increase of the average rents was observed.

On the basis of the upturn of enquiries at the end of the year in 2007 a similarly high surface turnover is expected there for the current year. On account of the further rising base vacancy rate, the vacancy rate will decrease altogether probably slowly. The low speculative construction activity leads to a shrinking continuance of modern equipped office surfaces. Hence, another rent rise in prices is to be expected for high-quality surfaces.

3.1.2 Investment market

In Berlin a new record result was reached in 2007 with a transaction volume of nearly 6.9 EUR billion. Last year's result was outperformed by just 65%. Besides, proportionately considered portfolio deals contributed about 57% to the overall turnover. Relating to the volume of the single transactions, certain deals of more than 50 EUR million had a portion in the overall turnover of 61% of the market development.

The most important investors last year were equity and real estate funds again, to which attributed a good 26% to the total result. The other places were allocated to open funds (19%), real estate corporations (14%) and private investors (12%). The portion of local buyers rose noticeably. Local buyers dominated real estate enterprises (26%), open funds (19%) and project developers (10%). Foreign market participants were fonder of sales than in 2006 and contributed a good 13% to the sales volume. In terms of type of utilization, office real estates with a sales portion of just 35% start the ranking list, followed by retail trade real estates (28.2%), other real estates (20.9%, incl. Daimler-Areal), trade objects and industrial objects (9.4%) as well as land (6.7%). Favored situations were top city (43.5%), city (25.6%), and city edge (18.8%). The deceleration of the yields was stopped by the turbulence in the international finance markets and they grew in the third quarter of 2007 again. In the fourth quarter the yields remained mainly stable. For 2008 a dynamic investment market is forecast, however this will not tie in with the record results of the year before. Dominant investors will be long-term oriented investors with a high level of own resources.

3.2 Dresden

Dresden office space market turnover achieved 63,400 m² in 2007 (without own users). Last year's result was excelled by more than one third. A clear increase was to be registered in the area of completions of more than 1,000 m² (e.g. AOK Saxony, 5,400 m², Techniker Krankenkasse 4,500 m²). The top-selling branch was the group of the banks, assurances and financial service enterprises with a share of the market of approximately 24%. The office market zone with the highest sales volume was the Altstadttring with 16,500 m².

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	63,400 m ²	+ 33.8 %
Vacant space	338,500 m ²	- 3.6 %
Vacancy rate	13.8 %	- 0.8 percentage points
Top rent	EUR 10.00 per m ²	unchanged

The vacant space decreased at end of 2007 by about 12,700 m² to 338,500 m². The vacancy rate amounted to 13.8%. The top rent remains over one year steadily at 10.00 EUR per m² per month. It is achieved in the office market zone Altmarkt/Prager street. For the current year a continuation of the positive trend is expected. For high-quality surfaces near the Altstadttring another profit gain is forecast. The rent price increases accompanying it already appeared at the end of the last year in the office market zones Königstrasse and Äußere Neustadt.

3.3 Düsseldorf

3.3.1 Rental market

With an office take-up of 487,000 m² a new record result for 2007 was achieved in Düsseldorf, the previous year's result (293,000 m²) was increased by a good 66%. Several completions of the contract of the public authorities contributed more than a total of 140,000 m² to it. The highest surface take-up was reached with 94,500 m² in the office market zone Friedrichstadt. The magnitude completions contributed more than 10,000 m² with just 39% in comparison to the previous year an unusually strong result (in 2006: 13.6%). The biggest enquiries in the market for office spaces were by the public authorities, with 30% of the overall take-up.

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	487,000 m ²	+ 66.2 %
Vacant space	923,000 m ²	- 7.8 %
Vacancy rate	10.9 %	- 0.8 percentage points
Space under construction (total)	200,000 m ²	+ 63.9 %
Space under construction (available)	85,000 m ²	+ 466.7 %
Top rent	EUR 22.50 per m ²	+ 4.7 %

The vacant space decreased about 7.8% to 923,000 m². This corresponds to a vacancy rate of 10.9%. A disproportionately strong vacant space decline was registered of nearly 22% in the segment of high-quality office spaces. The surfaces under construction rose since the end of 2006 by approximately 64% to 200,000 m². The surfaces available increased in the same period from 15,000 to 85,000 m². The volume of projected surfaces sank by a good 5% to about 1.4 million m².

The top rent rose during the course of the last year by just 5% to 22.50 EUR m² per month. The average rents increased in many office market zones noticeably. On account of the very high enquiries and the positive economic sphere, a very good take-up is to be expected in Düsseldorf in 2008. The low completion volume will probably affect other vacant space dismantling. The shortage of surfaces will lead in all probability in particular in the high-quality segment to further rent price increases.

3.3.2 Investment market

With a transaction volume of approximately EUR 2.29 billion in 2007 on the Düsseldorf Investment market the previous years result could not be completely achieved. Thus the North-Rhine/Westphalia state capital is the only large German Investment location that exhibited an easy decrease in sales volume in the past year. Reason for this is, among other things, with EUR 1.1 billion around approximately EUR 300 million smaller volumes proportionately considered portfolio transactions. The turnover portion of larger conclusions of over EUR 50 million sank around 8 per cent points to 43%.

On the buyer side certain equity and real estate funds (30%), real estate enterprises (16%) as well as real estate corporations and closed funds (in each case 15%) accounted for the market events. The portion of foreign buyers was reduced from nearly

87% in 2006 to 64.5% in the past year. The most important groups of salesmen were project developers with 27% of the turnover portion, owner-occupier (15.5%), private investor (13.9%) and open funds (13.4%). Foreign salesmen, who were hardly represented in 2006 (1% turnover portion), were responsible for a good fifth of the transaction volume in 2007.

In terms of types of use, office real estates (61%) dominated, retail trade objects (14%) and the category other kinds of real estate (13%), in which hotels are predominant. Approximately one third of the transaction volume was generated in Düsseldorf City, followed by adjacent areas (a good 27%), suburban areas (26.2%) and peripheral situations (scant 14%). After their all time low at midyear the net yields in the second half of 2007 tightened easily.

For 2008 an above average good investment turnover is expected. The interest of both German and international investors in the Düsseldorf property market is unbroken. The numbers of the yearly run off will however not be completely reached.

3.4 Frankfurt

3.4.1 Rental market

With 629,000 m² in Frankfurt an office take-up was reached scarcely above the previous year's level (621,000 m²). The strongest turnover office market zone was the city center with a portion of scarcely 24% of the total volume. Continuously high demand in all market segments for office space distributed evenly over all size classes gives reference to this. In 2007 the consulting companies stated the rank list of the industries (29% of the gross income) and thereby displaced the banks and financial service enterprises at second place (23%).

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	629,000 m ²	+ 1.3 %
Vacant space	1,990,000 m ²	- 8.2 %
Vacancy rate	13.3 %	- 1.2 percentage points
Space under construction (total)	391,000 m ²	+ 7.4 %
Space under construction (available)	167,000 m ²	+ 9.2 %
Top rent	EUR 37.50 per m ²	+ 7.1 %

The vacant space decreased by 8.2% to approximately 1.99 million m². Thus the vacancy rate for the entire market area (including periphery) amounts to 13.3%, while it amounts to scarcely 13.5% in the smaller market area.

The surfaces under construction and those in the letting market still the available increased in the process of the past yearly in each case to 391,000 m² and 167,000 m². Nearly two thirds of the surfaces however only come into the market in 2009 or later.

The high surface conversions with declining offers at the same time leads to rising rents, in particular in the segment of high-quality office surfaces. The top rent amounts to EUR 37.50 per m² per month and is achieved in the west end. For 2008 a surface conversion in a comparable order of magnitude with the previous year is

prognosticated. Due to the low volume of completion of building a further reduction in vacant surfaces is expected. In parallel in the year the commencement of construction of several projects is expected which will clearly increase the surfaces under construction.

3.4.2 Investment market

The Frankfurt investment market obtained a record result during the year. With a good EUR 7.9 billion the value lay clearly above the very good result of the previous year of EUR 4.34 billion. Thus Frankfurt could once again defend its top position within the large German investment locations. The high transaction volume is particularly due to sales of open funds and the extremely high demand from foreign countries. It also reflects the good development of the Frankfurt office market, from which investors promise themselves a potential high renting increase. Approximately 38% of the conversions were obtained with proportionately considered portfolio deals. With regards to transactions with a volume of more than EUR 50 million accounts for approximately 73% of the turnover.

The most important sales group in the Frankfurt market were foreign equity and estate funds (44.5%), real estate corporations (18.3%) and closed funds (8.8%). The portion of foreign investors reduced by a good nine percentage points, however still out with scarcely 76%. As salesmen stepped in particular open funds into the equation (38%), followed from project developers (18%) and banks (11%).

The clearly dominating type of use was office real estates with a portion of the transaction volume of approximately 82%. The further ranks followed properties (8.1%), retail trade (3.8%) and logistics real estates (2.9%). The most in demand situations were in the year run off Frankfurter City (57.3%), adjacent areas (25.1%) and town center edge zones (good 12%). Also in Frankfurt the net yields rose in consequence of the financial market turbulences in the second half-year 2007, after they had sunk further in the first half-year.

For the current year an above average transaction volume is expected, which has however clearly fallen below the record result of the past year. A whole number of well-rented project developments will come on the market in 2008. Altogether Frankfurt is considered as one the most popular investment locations in Europe with internationally comparative attractive net yields and high transparency.

3.5 Hamburg

3.5.1 Rental market

In 2007 Hamburg exceeded the sales volume of the previous year by around 23% and with 564.000 m² achieved the best result ever obtained. The outstanding result was carried by a broad demand basis over all surface categories and partial markets. The highest conversion was registered in the office market zone city center (96,000 m²). The strongest enquiries, with scarcely 30% of the sales volume, were the other services.

The vacancy rate decreased in comparison to the previous year by a good 4% and amounted at the end of the fourth quarter 2007 to 830.000 m². A particularly strong vacancy dismantling was to be observed with scarcely 31% in the segment of the

qualitatively high-quality office surfaces. The vacancy rate sank easily to 6.3%, the lowest ratio of the large German office locations.

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	564,000 m ²	+ 22.9 %
Vacant space	830,000 m ²	- 4.3 %
Vacancy rate	6.3 %	- 0.3 percentage points
Space under construction (total)	417,000 m ²	+ 32.4 %
Space under construction (available)	n/a	n/a
Top rent	EUR 25.00 per m ²	+ 6.4 %

The surfaces under construction rose in the comparison to the previous year around nearly a third to 417.000 m². Also the projected surfaces increased by approximately 9%, which underlines the lasting upswing and the gain in prestige in the Hamburg office market.

The top rent is EUR 25.00 for each m² per month and is obtained because of the western edge port. An altogether lighter rise was to be registered for both the highest and the average rents in nearly all office market zones in the past year.

For the current year positive development in Hamburg office market is prognosticated. The vacant space will probably be reduced with the high volume of surfaces under construction. A further renting rise is to be expected only for high-quality equipped surfaces in the desired situations near water.

3.5.2 Investment market

On the Hamburg investment market a transaction volume of over EUR 5 billion could mark a new highest level. Despite a strong breakdown in the fourth quarter the previous year's result was exceeded by around a scant 30%. Portfolio deals allotted a sales volume of EUR 3.2 billion. The most important size class was with a portion of 51.7% transactions over EUR 50 million.

The buyer side was predominantly foreign equity and estate funds (54.3%), real estate corporations (19.7%) and closed fund (6.7%) dominated. Contrary to most other large German Investment locations the portion of foreign investors increased on that Hamburg market by approximately 9 percentage points to 73.3%. The rank list of the most important groups of salesmen was led by builders and project developers with a portion of 56.3%, followed by owner occupiers (9.1%) and real estate enterprise (8.5%). Foreign market participants with a portion of 5.2% on the salesman side play a subordinated role.

The most in demand objects were predominantly office real estates (73% of the transaction volume), retail trade objects (good 13%) and those hotels containing the category other kinds of real estate (7.4%). 37.7% of the investment turnover was obtained in the town center edge zones. The city center situations lost in comparison between years of 13 percentage points and for 2007 were a portion of 34.5%. After the net yields in the first half-year of 2007 continued their decrease, they recovered in the second half-year due to the financing conditions worsened by the sub prime crisis.

The Hamburg market remains attractive with stable net yields and positive renting perspectives for investors. Not least by the smaller number of large portfolios in the current year the record result of 2007 will however hardly be reachable.

3.6 Leipzig

Leipzig could not completely reach the previous year's value (102,000 m²) with an office surface conversion of 88.000 m². The five-year average of 86.000 m² could meanwhile easily be exceeded. The demand for smaller surfaces increased clearly, nearly 64% of the gross income was allotted to surfaces below 500 m². With larger surfaces against it a smaller conclusion of contracts volume was to be registered than in the previous year. The largest surface conversion was obtained again in the office market zone Graphisches Viertel/Prager Straße. Turnover-strongest industries were again in 2007 the other service enterprises with a turnover portion of scarcely a third.

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	88,000 m ²	- 13.7 %
Vacant space	671,000 m ²	- 3.7 %
Vacancy rate	17.9 %	- 0.7 percentage points
Space under construction (total)	20,000 m ²	- 33.3 %
Space under construction (available)	17,000 m ²	- 43.3 %
Top rent	EUR 11.00 per m ²	unchanged

The vacant surfaces could be reduced in the past year further to a present 671,000 m². The vacancy rate sank to 17.9%.

Due to the large surface overhang only limited new construction activity is determined. The office surfaces under construction sank in 2007 around a third to 20.000 m². Of it 85% are still at the disposal to the market. Also the projected surfaces reduced by approximately 10% to 132.000 m². On commencement of construction these surfaces are to be counted only if sufficient pre-rental quota were reached.

The top rent stagnates at EUR 11.00 per m² per month and as before is obtained in the Leipzig town center. The average rents moved in 2007 to the level of the previous year.

For 2008 in view of the small amount of new construction activity and the constant demand, a slow continuation of the vacancy and dismantling is prognosticated. Concerning the rents no significant changes are to be expected for the current year. The consolidation begun in the market will continue in 2008 at a low level.

3.7 Munich

3.7.1 Rental market

In Munich an office surface turnover of 834,000 m² excelled the good previous year's result once again by about one quarter. Several owner-occupier projects decisively contributed to this result (e.g., ADAC, ONE). In the office market zone City the biggest portion of the sales volume was reached with 239,000 m². The other service enterprises provided a good 19% to the biggest sales portion. Concerning the size

classes a clear change arose in 2007 in comparison to the year before: Approx. 28% of the sales volume was cancelled to large contracts more than 10,000 m² (in 2006: 15%). A total but homogeneous distribution of the turnover for all size classes testifies from a broadly scattered and stable enquiry rate.

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	834,000 m ²	+ 24.3 %
Vacant space	1,650,000 m ²	+ 10.0 %
Vacancy rate	9.6 %	+ 0.8 percentage points
Space under construction (total)	423,000 m ²	+ 83.4 %
Space under construction (available)	181,000 m ²	+ 53.4 %
Top rent	EUR 31.00 per m ²	+ 5.1 %

Since a substantial part of the converted surfaces in objects are not yet finished, despite the high sales volume, hardly any surfaces are taken in the market. Thus the vacancy rose in relation to the previous year around approximately 10% and was appropriate for end of the past year at 1.65 million m². This corresponds to a vacancy rate of 9.6%.

The continuously positive demand situation led to a rise of the surfaces under construction of around 84% to 423,000 m². Of it 181,000 m² are at the disposal of the letting market. The surfaces projected to the year-end 2007 lie at 849,000 m², approx. 20% above the previous year's value.

The top rent amounts to EUR 31.00 per m² per month (+ 5.1%). In some office market zones a rise of on the average obtained rents could be registered. From the positive development of the rents however almost exclusively qualitatively high-quality surfaces with modern equipment profited.

For 2008 the Munich office surface market proceeds from a high surface conversion. Due to the rise in new construction activity a further rise of the empty surfaces is prognosticated. The differentiation between modern and well-equipped surfaces and older inventory surfaces on the other side will continue in the current year. For qualitatively high-quality surfaces in good situations rent increases are expected in 2008.

3.7.2 Investment market

Munich's investment market increased by nearly 37% compared with last year's result. With it a record value was reached for the transaction volume of about 6.7 EUR billion. A value of 3.15 EUR billion (47%) was allotted to proportionately considered portfolio deals. The size class was outbalanced with a portion of just 68% of transactions of more than 50 EUR of million. On the buyer's side certain equity and real estate fund (36%), real estate corporations (20%), project developers and closed funds (in each case 12%) made up the market events. The portion of foreign investors easily rose to 74%. The most important sales groups for 2007 were project developers (28%), real estate enterprise (21%), assurances (15%) and open funds (10%). Foreign buyers increased last year's portion in the transaction volume by about 7 percentage points to a good 16%.

In 2007 office real estates (74%), properties (14%) and retail trade real estates (4%) accounted for the mostly demanded kinds of utilization. The turnover spread very steadily on the city edge (24.6%), the adjacent areas (24.7%), the city (24.6%) and the periphery (24.1%). The turbulence in Munich provided by the international finance markets and the deteriorations resulting from it of the financing terms caused rising yields in the third and fourth quarter of 2007. The high surface turnovers at the Munich office market might positively affect the investment events. Therefore a positive development of the investment market is forecast in the current year, although the record result of 2007 will probably not be reached.

3.8 Stuttgart

In the state capital of Baden-Württemberg altogether 165,000 m² could be converted into office space in the past year. This corresponds to an increase in comparison between years of around 17.9%. Most important enquiries were received from chartered accountants, tax counsels and attorneys, medical service enterprises as well as enterprises of the IT-industry. The demand concentrated primarily on surfaces between 300 and 500 m². Largest renting (16,400 m²) in Stuttgart took place in the Heilbronner Straße via the university.

	4th Quarter 2007	Change year-on-year
Take-up (accumulated)	165,000 m ²	+ 17.9 %
Vacant space	448,000 m ²	+ 2.6 %
Vacancy rate	6.1 %	- 0.1 percentage points
Top rent	EUR 19.00 per m ²	+ 5.6 %

With an office surface existence of 7.35 million m² located in Stuttgart at year-end 2007 448,000 m² is empty. This corresponds to a vacancy ratio of 6.1%.

The top rent rose in the comparison to the year-end 2006 by around 5.6% to EUR 19.00 per m² per month. The average rent reduced easily.

For 2008 with a similar development as in the past year is expected. The surface demand will focus itself on central situations and smaller surfaces and also in the future this demand will only partly be satisfied. Thus Stuttgart will remain (in particular central locations) a stable rental market.

4 Sources

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