

### Overview

- Moderate volume of take-up during the first half-year
- Positive demand trend
- Decreasing vacancy levels
- Stable prime rent

### Q2 2008

#### year on year

- Take-up →
- Vacancy →
- Prime Rent →

### The Office Market Berlin

#### Economy

The federal capital of Berlin, with its 3.4 million inhabitants, is the economic centre of eastern Germany. Berlin's economic structure is characterised by, amongst other things, its status as the seat of government, within whose area the representative offices of embassies, associations and companies have been established in the recent past. Moreover, Berlin has increasingly been able to establish itself in the past few years as an attractive location for research intensive and innovative service industries. Berlin's economy is in robust shape, despite the tense financial economic environment, according to an assessment by the *Investitionsbank Berlin*. The economic cycle forecast is somewhat troubled, but an increase in the GDP growth rate by 1.3% this year still seems realistic. This estimate is also supported by the Business Climate Indicator by the *Berlin Chamber of Industry and Commerce*. In fact, at 119.4 points at the middle of the year, the indicator exhibited a significantly lower value than at the beginning of the year; nevertheless the business climate is assessed as positive by the Berlin companies who were questioned. The number of employees liable to pay social insurance contributions rose in Berlin at an above average annual rate, to 2.8% (nationally: 2.3%).

#### Office market overview

The Berlin office market appeared stable in the first half-year compared to the same period in the previous year. Office space take-up of around 200,700 sq m was achieved without any large volume transactions and a comparatively low proportion of owner-occupiers, of around 3%. The vacancy level reduced by 1% and fell to approx. 1,650,800 sq m. The prime rent remained constant at € 22.00 /sq m/month compared to the same period last year. In the first half of the year, almost 51,500 sq m of office space was completed on the Berlin office market. Of these, the proportion of speculative completions was around 13%.

#### Economic Key Data

<b>Population</b>	3,416,255	12/2007
<b>Unemployment Rate</b> related to all employees	13.6%	06/2008
<b>Gross Domestic Product</b> in current prices in million €	83,555	2007
<b>Employees subject to social insurance contributions</b> at place of work in 1,000	1,072	12/2007
<b>Purchasing Power Indices</b> per inhabitant	90.3	2008

Source: Regional Authority for Statistics Berlin-Brandenburg, Federal Labour Agency, GfK

Key Data	Q2 2007	Q2 2008	Annual change
<b>Stock in million sq m</b>	17.46	17.47	+ 0.1%
<b>Take-up cumul. in sq m</b>	213,200	200,700	- 5.9%
<b>Vacancy in sq m</b>	1,668,500	1,650,800	- 1.1%
<b>Vacancy Rate in %</b>	9.6	9.4	- 0.2
<b>Prime Rent in €/sq m/month</b>	22.00	22.00	± 0.0%
<b>Prime Yield in %</b>	4.9	5.0	0.1 %-points

Source: CB Richard Ellis

### Office space take-up

In the first half of 2008, a volume of around 200,700 sq m of office space was transacted in Berlin. In comparison with the same period last year, this represented a fall of around 6%. The majority of office space take-up was in the size category of between 5,000 sq m and 10,000 sq m. However, this size category, with a volume of around 42,900 sq m, could not compensate entirely for the lack of transactions in the size category over 10,000 sq m. High quality space continued to enjoy very high demand. This applied in particular to buildings in the "City-East" submarket in the area surrounding the "Gendarmenmarkt" and the boulevard "Unter den Linden". Office space take-up in the relevant "AAA City-East" submarket rose compared to last year by approx. 34% to a volume of 15,500 sq m. There was a positive trend in office space take-up in the "South" submarket, with a volume of just about 29,700 sq m. Very good connections to the Berlin Central - BBI Airport development corridor, in conjunction with reasonable rental prices, made office space in the "South" submarket appear attractive.

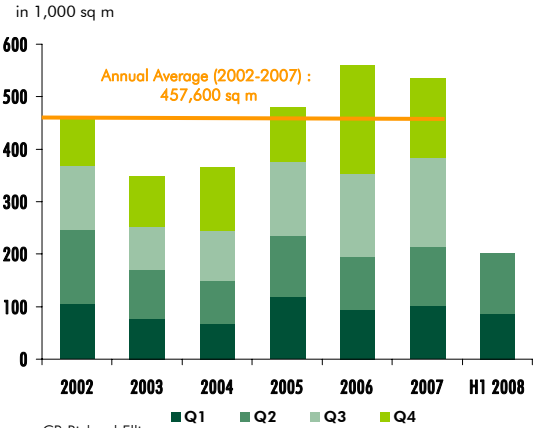
### Office space take-up by sectors

Office space take-up in the first half-year appeared balanced with regard to its sectoral structure. The "Industry, Construction" sector registered the largest proportion of office space take-up with around 12% (24,000 sq m). Following closely behind was the "New Media, Internet" sector with a volume of 21,400 sq m (11%). Just about 70% of the volume was made up of predominantly small lettings in the "City-East" submarket. Office space take-up in the "Associations" sector rose compared to the same period in last year by around 68% (to 16,600 sq m). The "AAA City-East" and "City-East" submarkets, close to the government, generated the focus of lettings. There was a positive trend in take-up, at 18,100 sq m (9%) in the "Health, Social" sector. Lettings in the "Public Service" and "Transport, Traffic" sectors remained below expectations in the first half-year.

### Office space vacancy

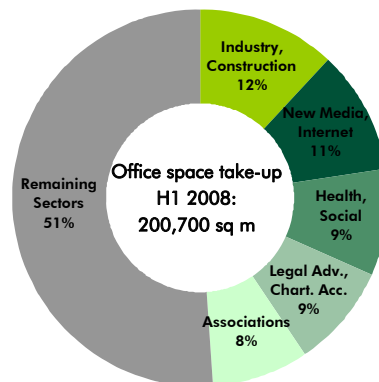
The vacancy rate fell in comparison with the previous year by 0.2 percentage points to 9.4%. The reduction in office space vacancy benefited from office building conversions and relocations. "Associations", such as the *Bundesverband Zeitarbeit Personal-Dienstleistungen*, relocated their headquarters from Frankfurt and the Cologne/Bonn region to the capital city. Vacancy levels in the "City-East" and "South" submarkets, have fallen back by around 14,900 and 6,400 sq m respectively, most significantly in the last twelve months. On the other hand, buildings in "C" locations with outmoded fit outs were not able to benefit from this development, but instead demonstrated rising vacancy. During the first half of 2008, around 51,500 sq m of office space was completed. The USA Embassy building on Pariser Platz alone accounted for around 20,700 sq m of the volume of completions. Furthermore, the *Heinrich-Böll-Foundation* building – also owner-occupied – of around 4,000 sq m was constructed in the "City-East" submarket.

### Office space take-up



Source: CB Richard Ellis

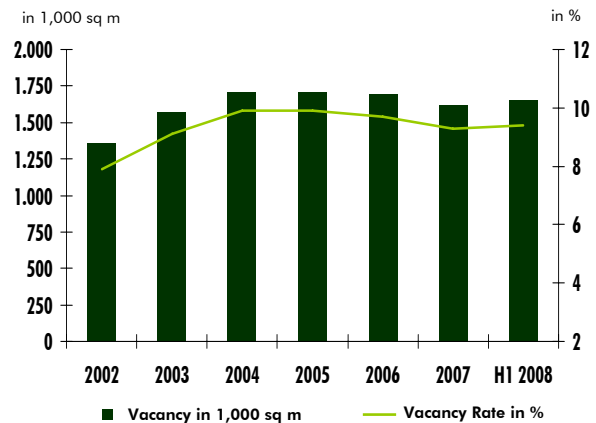
### Office space take-up (cumulated, in %) by sectors\* -Top 5-



Source: CB Richard Ellis

\* In total 20 sectors

### Office space vacancy/Vacancy rate

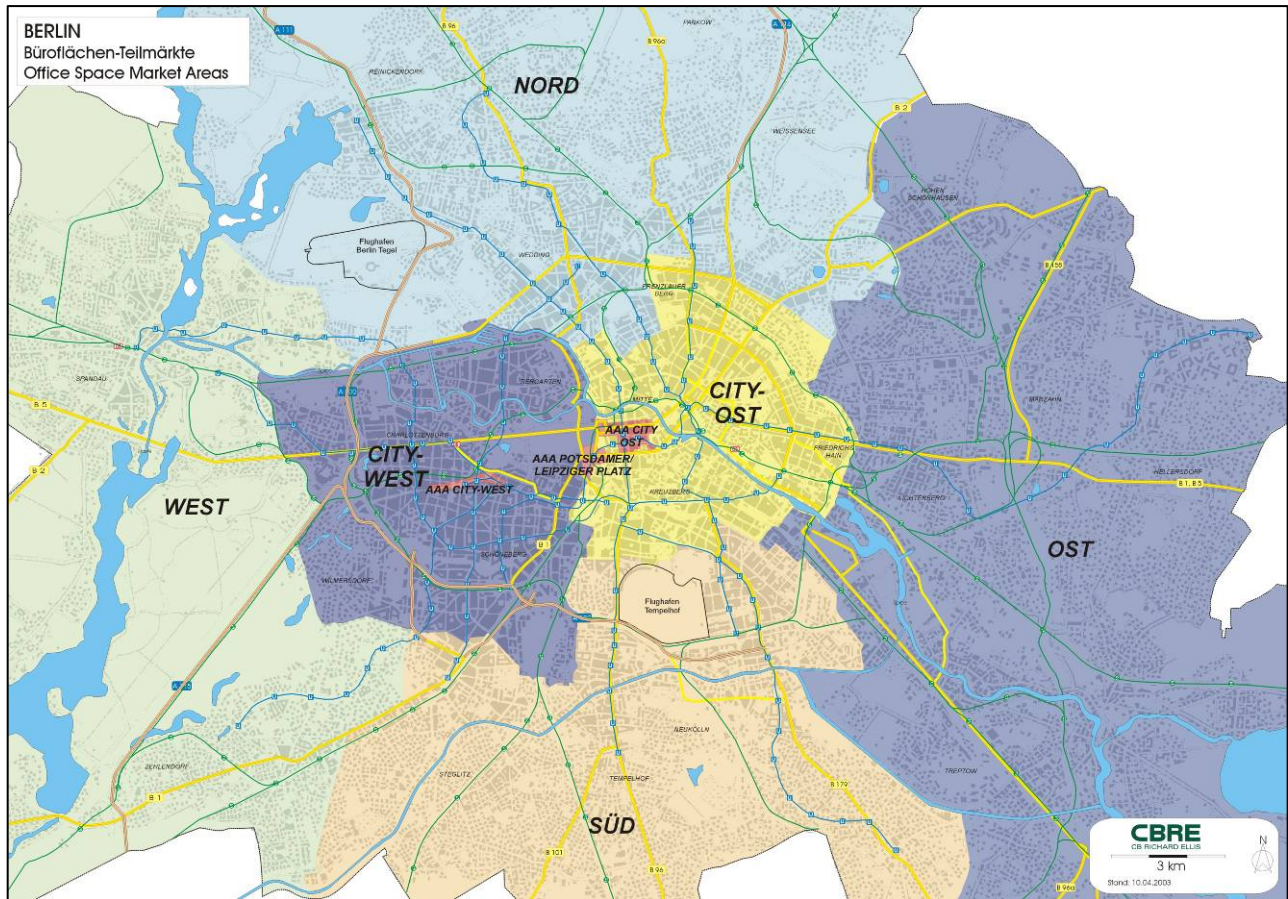


Source: CB Richard Ellis

Submarkets Overview

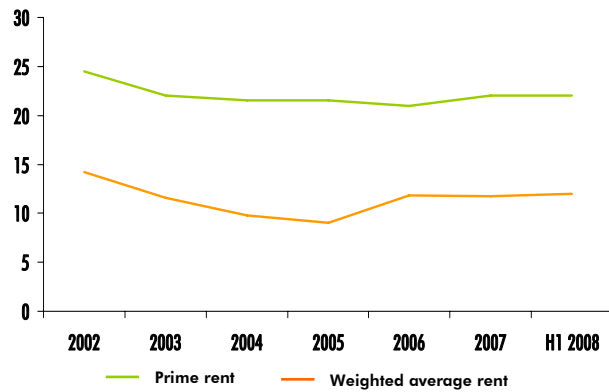
Submarket	Take-up cumul. in sq m	New Developments until 2010 in sq m	Vacancy in sq m	Rental Band in €/sq m/month	Weighted Average Rents in €/sq m/month
AAA City-East	15,500	49,600	65,900	12.00 – 22.00	14.75
AAA City-West	11,200	2,000	65,000	12.00 – 18.50	15.29
AAA Pots. Pl./Leipz. Pl.	13,400	12,000	82,700	14.00 – 22.00	16.62
City-East	92,800	175,400	335,000	7.00 – 16.50	10.94
City-West	35,100	31,200	496,700	8.00 – 14.00	11.27
North	2,200	0	198,100	6.00 – 10.00	n/a
South	29,700	8,200	119,700	6.00 – 10.00	7.47
East	0	40,100	98,200	6.00 – 10.00	n/a
West	800	18,500	189,500	6.00 – 10.00	n/a

Source: CB Richard Ellis



### Prime rent/Weighted average rent

in €/sq m/month



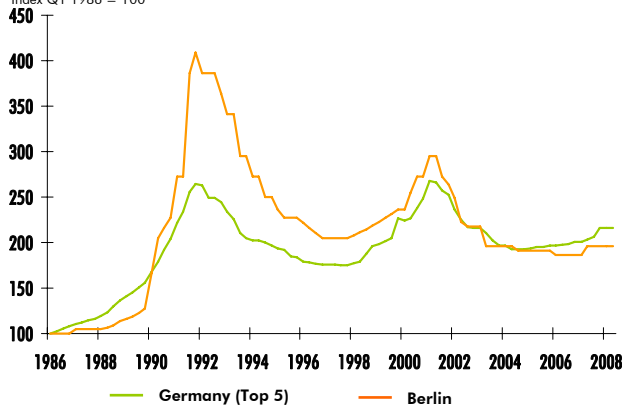
Source: CB Richard Ellis

### Prime rent/Weighted average rent

The sustainably achievable prime rent remained unchanged against the same period last year, at € 22.00 /sq m/month. The weighted average at the end of the first half-year amounted to € 11.97/sq m/month. The comparatively high value transactions in the second half of 2007 led to an increase of 8% against the comparable period. The rental ranges remained practically the same compared to the previous half-year. Currently, in "AAA" locations, rents of between € 12.00 and € 22.00 /sq m/month are achievable. In the city centre "City-East" and "City-West" sub-markets, rents range between € 7.00 and € 16.50 /sq m/month. The breadth of the rental range is explained by the varying quality of the space and buildings, which can be seen even in "AAA" locations.

### Rent index

Index Q1 1986 = 100

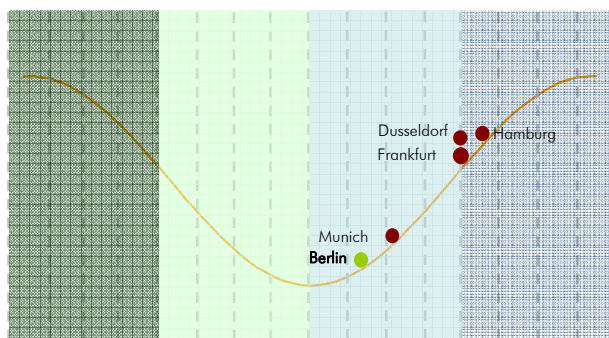


Source: CB Richard Ellis

### Rent index

The CB Richard Ellis Prime Rental Index (Base: Q1 1986) at the end of the first half of 2008 stood at 126 points. Lateral movement, with a minimal falling trend beginning during 2003, continued for the fifth year in a row. However, in comparison with the other German top markets, Berlin is distinguished by stable rental levels.

### Rental cycle



Markets do not necessarily move along the curve in the same direction or at the same speed.

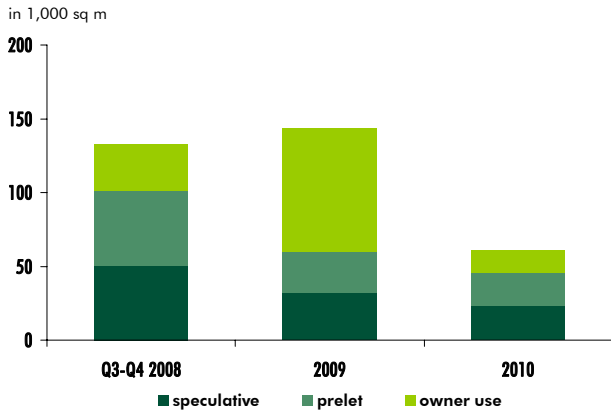
- Rents falling
- Rents bottoming out
- Rental growth accelerating
- Rental growth slowing

Source: CB Richard Ellis

### Rental cycle

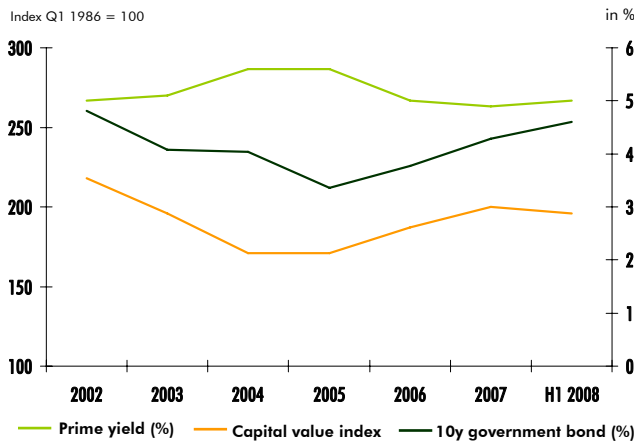
The polycentric structure of Berlin, which is also reflected in the number of high quality office locations, reduces any higher potential for growth in the prime rent. This does not, however, preclude the possibility that the sustainably achievable prime rent will be exceeded in individual cases for prominent, exclusive office space. In Berlin, changes in rents are recorded less through the prime rent, than through changes in rents at property level. The shifts take place mostly within the given rental range of the individual submarkets.

### Office space future supply



Source: CB Richard Ellis

### Prime yield/Capital value index and benchmark yield



Source: CB Richard Ellis

### Trend (six months)

- Take-up →
- Vacancy →
- Prime rent →

Source: CB Richard Ellis

### Office space future supply

The Berlin office property market is currently experiencing only a very minor expansion of stock. In the first six months, with the exception of the already let "Hackesches Quartier", no well-known development projects were started. Speculative expansion of stock is currently being experienced by the Berlin office market only in exceptional cases. Office space is generally only brought onto the market speculatively if pre-lettings for retail or hotel space have already taken place beforehand or luxury apartments attached to the building have been sold. At the present time, a volume of completions of around 337,000 sq m can be expected by the end of 2010. The proportion of speculative office space herein amounts to around 31%. This office space will be developed predominantly in prestigious locations, such as on "Kurfürstendamm" or "Unter den Linden".

### Investment market

The ongoing tense financial economic environment also afflicted Berlin's investment market in the first half-year. As expected, investors behaved distinctly conservatively; however, due to the sale of the "Sony Centre", this has so far been barely reflected in the volume of transactions. At the end of the second quarter, increased interest was again noticeable. For investors with strong equity capital, the opportunity has now arisen to purchase high quality buildings in well-known locations with reduced competitive pressure. The prime rent rose marginally by 0.1 percentage points to 5.0%.

### Trend

For the second half-year, rising take-up of office space and stable rents are expected. In our opinion, take-up in the order of the 2002-2007 average of 457,600 sq m is realistic if predominantly large space lettings should take place again in the second half-year. Office space vacancy will reach its peak at the end of the year due to, amongst other things, the volume of speculative completions. Against the background of the continuing tense financial economic environment and rising construction costs, certain imponderables arise with regard to the supply of future completions from 2009.

## Definitions

### Take-up

This is the sum of all office space that is let, leased, or sold to an owner-occupier in a defined (sub) market and a defined period. Take-up also includes sublets of leased premises or owner-occupied space. Lease renewals are registered as space take-up if the office space let is larger than the space previously occupied. Only the additional space in an existing location will be added to take-up.

### Vacancy

This is the sum of all completed office space which, at the time the information was registered, was not occupied or was offered for let or sale (for the purposes of further use) and which may be occupied within three months. Sublettings are not considered in vacancy figures and are registered separately.

### Supply

Supply includes the sum of all office space on offer, which is intended for marketing at the time of observation (each quarter's end) and which is still available. This includes vacant space, space to sub-let and speculative completions in the next 12 months.

### Prime rent

Prime rents are the highest sustainable nominal rent in €/sq m/month achieved in prime locations, and top-quality buildings with top-quality fit outs. These are based as much on lease transactions concluded within the defined period as on the market overview of the local letting department.

### Weighted average rent

The weighted average rent represents the weighted average rent for space let for a defined region. It is based on all lease contracts concluded during a year. In principle, at least ten lease contracts have to be concluded in the relevant market and reporting period, in order to be used as a base.

For lettings to businesses that can deduct input tax, rents are inclusive of statutory value-added-tax. For lettings to value-added-tax exempt businesses, the rent may include a payment of a variable amount to compensate for the non-deductible input tax paid by the lessor for services provided in the construction or fit out of the demised premises.

### Prime yield

The prime yield is the ratio between annual net rental income (rent less non-recoverable costs) and the total amount invested (purchase price plus purchasers' on-costs), expressed as a percentage figure, achievable in the relevant prime location in a building with first-class fit out, let according to market conditions. It is based both on sale & purchase contracts concluded during a period and also on the market overview of the local investment department.

## For additional information:

### Agency Contact:

Matthias Hauff  
Director,  
Head of Agency Berlin  
Matthias.Hauff@cbre.com  
Tel: +49 30 726154 0

### Research Contact:

Dr. Jan Linsin  
Associate Director,  
Head of Research Germany  
Jan.Linsin@cbre.com  
Tel: +49 69 170077 663

### Research Contact:

Pascal Ries  
Research Analyst  
Pascal.Ries@cbre.com  
Tel: +49 30 726154 263

### Berlin:

CB Richard Ellis GmbH | Hausvogteiplatz 11A | 10117 Berlin  
Tel: +49 30 726154 0 | Fax: +49 30 726154 100 | www.cbre.de

## DISCLAIMER 2008 CB Richard Ellis GmbH

Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis GmbH clients, and cannot be reproduced without prior written permission of CB Richard Ellis GmbH.

### EMEA Offices

Abu Dhabi (971) 2 681 4399	Kolding CB Richard Ellis Cederholm A/S (45) 70 22 9603
Aarhus CB Richard Ellis Cederholm A/S (45) 70 22 9602	Leeds (44) 113 233 7666
Aix-en-Provence (33) 4 42 60 01 31	Lisbon (351) 21 311 4400
Amsterdam (31) 20 626 2691	Liverpool (44) 151 227 4611
Athens CB Richard Ellis- Atria (30) 210 360 3667	London (44) 20 7182 2000
Barcelona (34) 93 444 7700	Lyon (33) 4 72 83 48 48
Belfast (44) 28 9043 8555	Madrid (34) 91 598 1900
Belgrade (381) 11 222 3407	Malaga (34) 95 207 0710
Berlin (49) 30 72 61 54 0	Manchester (44) 161 455 7666
Birmingham (44) 121 609 7666	Marbella (34) 95 276 5130
Bratislava (421) 2 3255 3300	Marseille (33) 4 96 11 46 11
Bristol (44) 117 943 5757	Milan (39) 02 303 7771
Brussels (32) 2 643 3333	Moscow (7) 495 258 3990
Bucharest CB Richard Ellis Eurisko (40) 21 3131020	Munich (49) 89 2420 600
Budapest (36) 1 374 3040	Nairobi (254) 20 272 4848
Bulawayo (263) 9 630 20	Neuilly sur Seine (33) 1 46 24 53 46
Cape Town Broll Property Group (27) 21 419 7373	Oslo - CB Richard Ellis Atrium (47) 40 00 57 66
Casablanca (212) 229 532 50	Palma de Mallorca (34) 97 145 6768
Copenhagen CB Richard Ellis Cederholm A/S (45) 70 22 9601	Paris (33) 1 53 64 00 00
Dubai (971) 4 362 0818	Port Elizabeth Broll Property Group (27) 41 363 5559
Dublin (353) 1 618 5500	Porto (351) 226 167 240
Durban Broll Property Group (27) 31 277 2900	Poznan (48) 61 855 1931
Edinburgh (44) 131 469 7666	Prague (420) 224 814 060
Frankfurt (49) 69 17 00 77 0	Pretoria - Broll Property Group (27) 12 431 7180
Gaborone (267) 3188 200	Rome (39) 06 4523 8501
Geneva CB Richard Ellis PI Performance (41) 22 322 80 60	Sofia - Elta Consult AD (359) 2 987 7647
Glasgow (44) 141 204 7666	Southampton (44) 23 8033 8811
Gothenburg (46) 8 4101 8700	Stockholm (46) 8 4101 8700
Hamburg (49) 40 80 80 20 0	Saint Petersburg Moris Properties LLC (7) 812 346 5900
Harare (263) 4 707 101	Tel Aviv - M.A.N. Properties Real Estate Consultants (972) 3 561 6161
Helsinki Realia Management Oy (358) 207 80 3750	The Hague (31) 70 750 8900
Hoofddorp (31) 23 585 7700	Thessaloniki CB Richard Ellis-Atria (30) 2310 279248
Istanbul (90) 212 259 36 29	Toulouse (33) 5 62 72 44 60
Jersey (44) 1534 874141	Valencia (34) 96 316 2890
Johannesburg Broll Property Group (27) 11 441 4000	Vienna (43) 1 533 4080
Kampala (256) 41 345165	Warsaw (48) 22 544 8000
Kyiv (38) 44 390 0000	Wroclaw (48) 71 719 8908
Kosice (421) 911 611745	Zagreb (385) 1 6187 336
Krakow (48) 12 626 0168	Zaragoza (34) 97 648 4635
	Zurich CB Richard Ellis PI Performance (41) 44 226 30 00