

Market Trends

France

Q4 2008

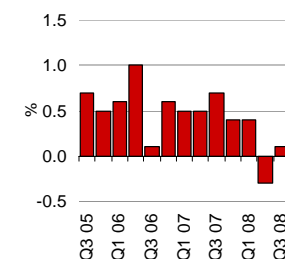
Economy

12-Months-Outlook ↓

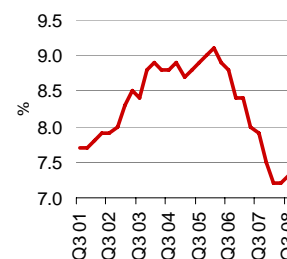
Although the French economy rebounded with slightly positive GDP growth rates in Q3 2008 and, thus, escaped from recession in the short run, the economic downturn is clearly underway as the freefall in economic sentiment indicates. GDP growth is estimated to amount to 0,6% in 2008 and will fall to -1,9% in 2009. Against this background, consumer spending will deteriorate with regard to increased unemployment rates indicating the turnaround on the labour market.

GDP

Change qoq



Unemployment Rate

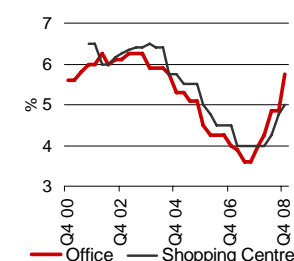


Investment

12-Months-Outlook ↘

Investment activity on the real estate markets reduced significantly in 2008 particularly due to constrained access to debt capital. The few registered transactions showed significantly corrections of market values over the last 12 months. Depreciation particularly for secondary properties will continue during the course of 2009. Against the background of worsening letting markets investor's sentiment will deteriorate further.

Prime Yields Paris



Market Value Changes

Real Estate

| | Previous 12 Months | Outlook 12 Months |
|--------------|--------------------|-------------------|
| Office | -10% | -5% |
| Retail | -5% | -5% |
| Multi-Family | -10% | -5% |

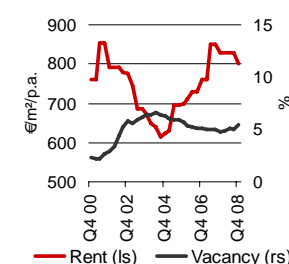
Office

12-Months-Outlook ↘

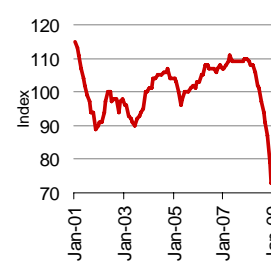
Resulting from the turmoil on the financial markets and the economic downswing, but also due to the achieved high rental level take-up was less dynamic during the course of 2008. Rising unemployment figures particularly in the business service sector and plummeting sentiment indicators point to a suspension in letting activity in 2009. With deteriorating demand and the increase in vacancy rates which will be fuelled by rising new supply, the decrease of rents accelerates over the next months.

Office Paris

Vacancy Rate + Prime Rent



Economic Sentiment



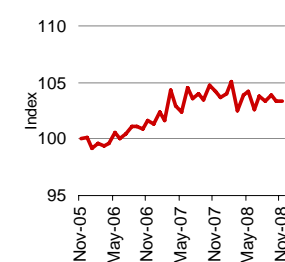
Retail

12-Months-Outlook ↘

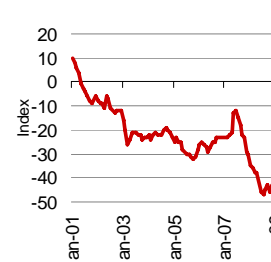
Although private consumption has temporarily been supported by disinflation, impacts of the economic downturn and negative wealth-effects from decreasing house prices will diminish purchasing power in 2009. Plummeting consumer confidence and the levelling-off of retail sales reflects the subdued outlook for the retail sector. However, demand for scarce retail space in prime locations remains high resulting in stable prime rents. In contrast, the shopping center segment is increasingly affected by fierce competition due to rising sales floor.

Retail Sales

Volume, SA, Nov 2005 = 100



Consumer Confidence



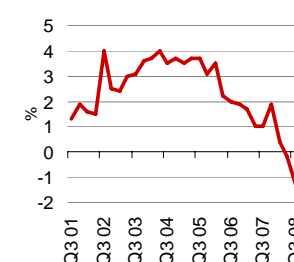
Residential

12-Months-Outlook ↓

The correction on the overheated housing market continues with the house price index turning negative in Q2 2008. In connection with tighter financing conditions for home buyers and a worsening income situation, the downswing on the residential market will get more dynamic during the months to come. Decreasing orders for new construction in line with shrinking housing permits point out that the crisis has not peaked yet.

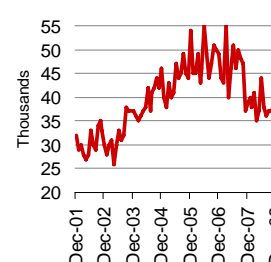
House Prices

Change qoq



Construction

Housing Permits Authorised in France



ZRP RAC Research

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