

## Market Trends

## Germany

Q4 2008

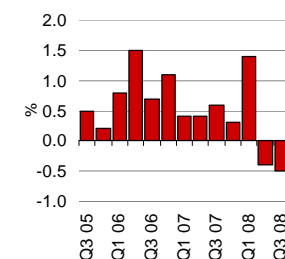
### Economy

#### 12-Months-Outlook ↓

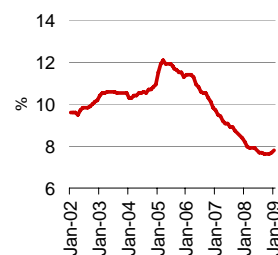
With a negative GDP growth for the second consecutive quarter, the German economy entered the recession in Q3 2008. The rapid fall of the Ifo Index continued and the increase of the unemployment in January heralded the turnaround on the labour market. At least, inflation reduced markedly to a level that do not burden consumer spending and production investment extraordinary. However, GDP is predicted to fall by 2.5% in 2009.

### GDP

Change qoq



### Unemployment Rate

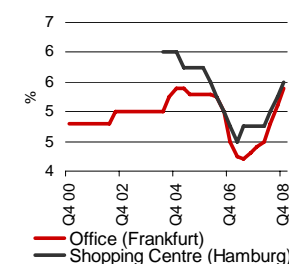


### Investment

#### 12-Months-Outlook ↘

The German investment market is sharply affected by the financial market turmoil and the current recession. The commercial real estate transaction volume declined by 65% in 2008 and is expected to remain on the level seen last year. Due to the restricted availability of capital and the re-adjustment of risk premiums yields moved out in 2008 and are likely to do so in the next quarters, whereas the ongoing correction of market values is moderate compared to those in UK or Spain.

### Prime Yields



### Market Value Changes

Real Estate

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

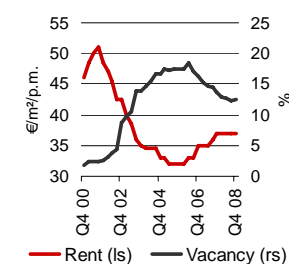
### Office

#### 12-Months-Outlook ↘

With having entered the recession, the underlying fundamentals of the real estate office market in Germany will worsen drastically in the months to come. Although rental levels and vacancy held up fairly well until the end of 2008, weaker demand and the deteriorating prospects for the office space demanding service sector will result in a downswing of the German office markets. However, a limited development pipeline and the little dynamic of the last upswing are likely to dampen the upcoming correction.

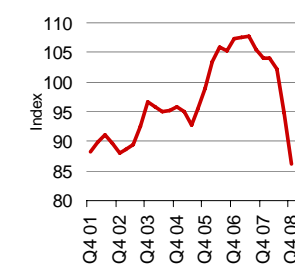
### Office Frankfurt

Vacancy Rate + Prime Rent



### Economic Sentiment

Ifo-Index



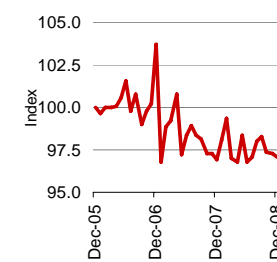
### Retail

#### 12-Months-Outlook ↘

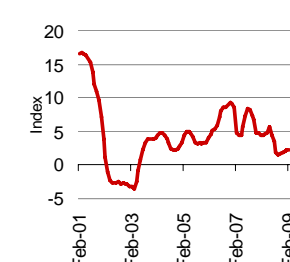
The economic environment for the real estate retail market deteriorates. Although the evolution of purchasing power was supported by reduced inflation and an increase in income over the last few months, consumption stagnated and consumer confidence remains weak. This causes a more intensive competition in the retail market. As a consequence the fluctuations will increase with prolonged re-letting-periods putting pressure on rents particularly in secondary locations and formats.

### Retail Sales

Volume, SA, May 2005 = 100



### Consumer Confidence



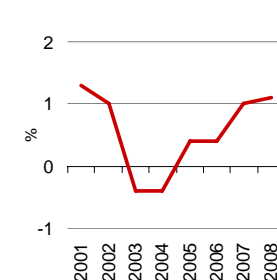
### Residential

#### 12-Months-Outlook →

The fundamentals of the German residential market are robust. Due to the absence of a distinct housing boom over the last years and the comparably low importance of privately owned homes in Germany potential for corrections is low. Consequently, house prices stayed relatively firm in 2008 and are likely to do so in 2009. Nevertheless the housing sector will be strained by concerns of households regarding their income situation and, thus, reduced transaction activity.

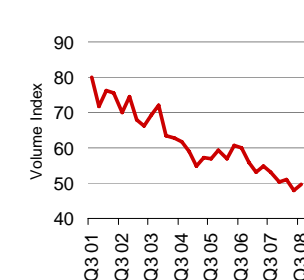
### House Prices

Change yoy



### Construction

New Orders, Volume Index, SA



## ZRP-RAC Research

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