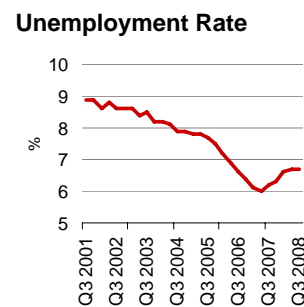
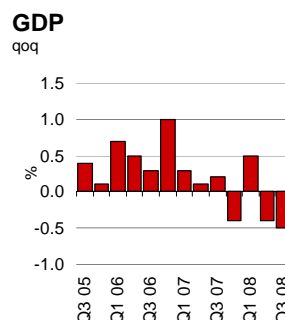


# Market Trends

## Italy Q4 2008

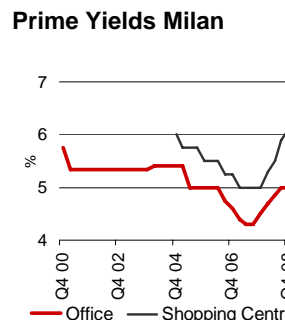
### Economy 12-Months-Outlook ↘

Italy's economy slipped technically into recession in Q3 2008 with negative GDP growth qoq. The outlook for 2009 is even worse due to the ongoing global economic crisis, decreasing private consumption, a consumer confidence which reached the lowest level ever and structural problems in common. The influence of the economic downswing on the labour market can be seen in a slightly increasing unemployment rate.



### Investment 12-Months-Outlook ↘

The international credit crisis has affected the investment market resulting in less available lending and fewer active investors. Property yields for all types of property and location increased as a consequence of the credit crisis. Prime yields for office properties rose by about 50-75 bp and for shopping centers by about 80 bp during 2008. A further rise is expected in 2009 and the widening between prime and secondary yields will go on with secondary properties hit harder.

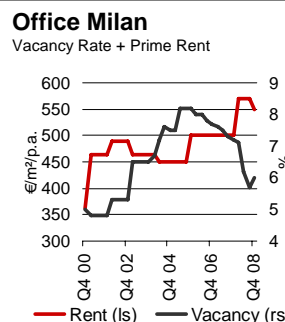


### Market Value Changes Real Estate

	Previous 12 Months	Outlook 12 Months
Office	0%	-5%
Retail	-5%	-5%
Logistics	0%	-5%

### Office 12-Months-Outlook ↘

Due to expected declining demand for office properties as a result of worsening business expectations the environment for Italy's real estate office market has become more challenging. Increasing supply especially in Milan during the next years will put further pressure on the office market. The vacancy rate increased the first time for years in Q4 2008 and is expected to see further rising. As a consequence rents decline and an ongoing of this development is expected for 2009 and 2010.



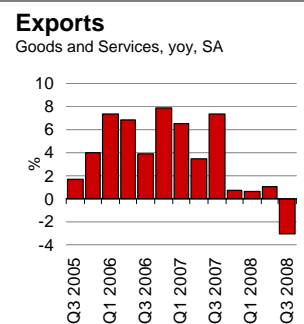
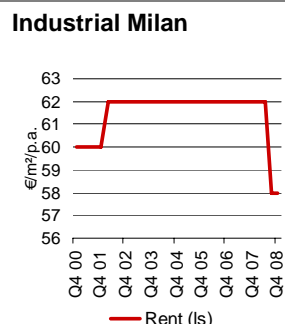
### Retail 12-Months-Outlook ↘

Retail confidence saw a slight increase in January 2009 but is still at a very low level. Retail sales as well as private consumption decline yoy reflecting the worsening environment for the real estate retail market. Together with the tightening of credit availability and the economic downswing vacancy will rise in the course of 2009. High street and shopping center rents hold up well until now but particularly secondary locations and formats will come under pressure due to increasing vacancy.



### Logistics 12-Months-Outlook ↘

As a consequence of the economic situation and decreasing exports demand for logistics space both in Rome and Milan declined in Q3 2008. Unsurprisingly retail warehouse rents soften in the last two quarters of 2008 following a long period of stability. Demand is focused on high quality buildings which will put pressure on secondary properties.



## ZRP RAC Research

This publication is intended to provide general information only. The report is derived from selected public sources we believe to be reliable. No warranty is made regarding the accuracy or completeness of the information presented. All opinions expressed reflect the current judgement of the author(s), they do not necessarily reflect the opinions of EUROHYPO AG or any subsidiary or affiliate of the EUROHYPO AG and may change without notice. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, neither the author, nor the EUROHYPO Group accepts any liability, whatsoever, with respect to the use of this publication, except as provided for under applicable regulations or except in the case of fraudulent misinterpretation. This publication, in whole or in part, may not be copied, transmitted or distributed to any other party without the express written permission of the EUROHYPO Group.

