

Market Trends

UK Q2 2009

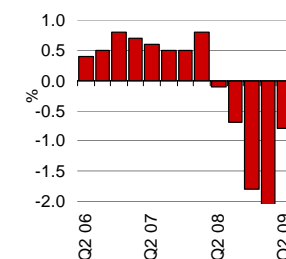
Economy

12-Months-Outlook ↘

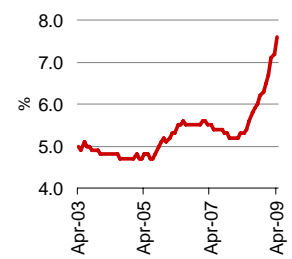
The recession in the UK continues, whereas contraction of GDP has already lost momentum in Q2 2009. As some sentiment indicators recently recovered clearly or at least moved out from their lows the economy seems to stabilize in the months to come. However, the labour market continues to deteriorate further with the rise of unemployment yet showing no signs of abating. This is likely to have continued negative impacts on the real estate markets.

GDP

Change qoq



Unemployment Rate

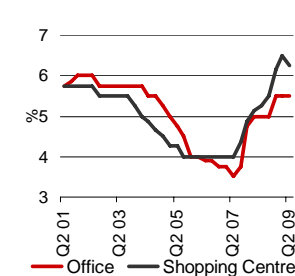


Investment

12-Months-Outlook →

The real estate investment market seems to have bottomed out due to a recovering interest of investors - particularly for prime properties with a secured long term income. Accordingly the outward movement of yields seems to have come almost to an end, whereas pressure from weakening letting markets on market values continues. Project pipelines in all segments are drying up, helping to stabilize the letting markets in the medium term with positive impacts on market value adjustments.

Prime Yields London



Market Value Changes

Real Estate

	Previous 12 Months	Outlook 12 Months
Office	-30%	0%
Retail	-30%	-5%
Multi-Family	-25%	-5%

Office

12-Months-Outlook ↘

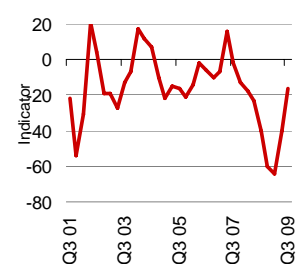
The Central London office market has experienced a strong downturn with rental decline and increasing vacancy. However, the major part of correction is assumed to be already realised. Particularly the City market has attracted potential tenants as the significantly reduced rental level is considered to be increasingly attractive. Nevertheless Central London take-up remains below the long term average and negative net-absorption is likely to continue as long as the labour market weakens.

Office London

Vacancy Rate + Prime Rent



Economic Sentiment



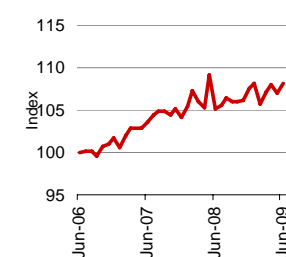
Retail

12-Months-Outlook ↘

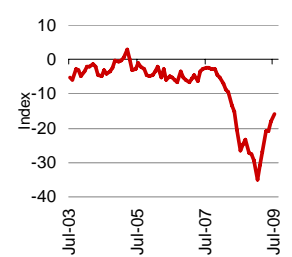
Although all retail sales hold up comparably well yet, particularly non-food retailers are facing a tough trading environment with reduced turnover and growing numbers of failures. Hence vacancy is on the rise and rentals are under pressure, what is increasingly affecting established shopping centres too. Although consumer confidence recovered sharply, it continues to be very low with regard to its history. The medium term outlook is clouded as consumers are still facing high indebtedness and flattening income situation.

Retail Sales

Volume, SA, Jun 2006 = 100



Consumer Confidence



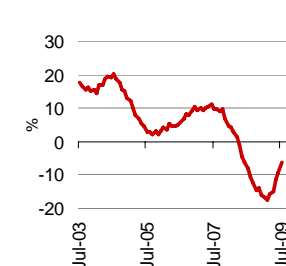
Residential

12-Months-Outlook →

The UK housing market surprised positively in the recent months. Hopeful signs already occurred in Q1 2009 turned into a stabilization of house prices. The house price growth has been positive for a second consecutive month, bolstered by a less negative capital market environment and reduced supply on the market. Although several indicators seem to have bottomed out or recovered to the positive particularly the weakening labour market bears risks regarding a potential setback.

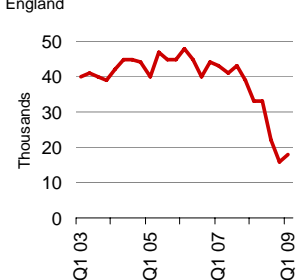
House Prices

Change yoy



Construction

Construction Starts of Dwellings in England



ZRS RAC Research

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