

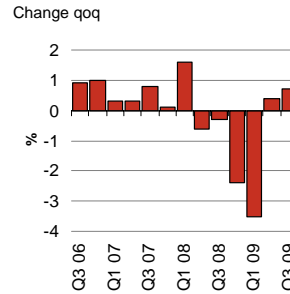
Market Trends

Germany Q4 2009

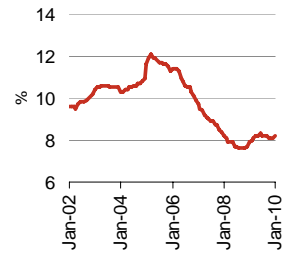
Economy

After the severe contraction of the German economy, GDP growth turned positive in Q2 2009. However, the recovery process will moderate during 2010 as impacts of governmental stimulus packages and catch-up effects in the aftermath of the recession will edge off. As the companies have to adjust their activity to low order books, unemployment, which stayed almost firm during the recession, is going to rise. All in all, the economic fundamentals for the real estate market remain critically.

GDP



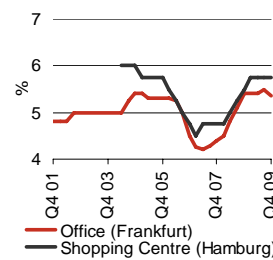
Unemployment Rate



Investment

The German investment market recovered somewhat in H2 2009 as transaction activity rose from low levels. With domestic risk-averse investors in front, which focus on smaller core-properties, prime yields consolidated and price corrections for all type of commercial properties will level off over the next 12 months. Nevertheless, secondary properties are – if at all – only vendible with significant price reductions. Further constraints may also arise from declining letting markets.

Prime Yields



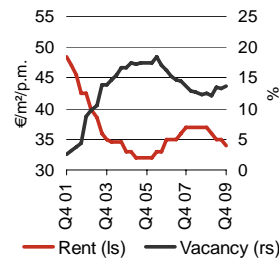
Market Value Changes

Real Estate	Previous 12 Months	Outlook 12 Months
Office	-10%	0%
Retail	-5%	0%
Multi-Family	0%	0%

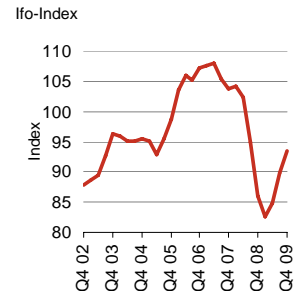
Office

The ongoing consolidation process of enterprises that has been partly bridged by several governmental measures, is expected to gain momentum during 2010. This results in weak demand for office space which is predominantly generated by relocation. Through the entire year market corrections will continue with rising vacancy rates and prime rents remaining under pressure. As a result, in most markets building activity remains weak.

Office Frankfurt



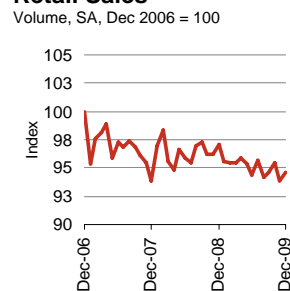
Economic Sentiment



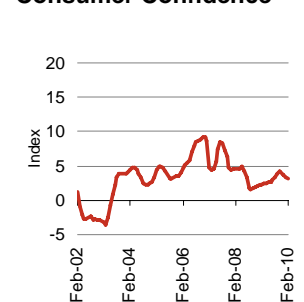
Retail

Up to now, the German retail sector has been relatively unaffected by the economic crisis with firm private consumption and a more or less familiar decline in retail sales. As a result, highly frequented shopping centres and high street retail properties performed relatively well with uncritical vacancy rates and consolidated prime rents. However, risks of weakening fundamentals caused by rising unemployment, wage reductions and fading governmental stimuli impend.

Retail Sales



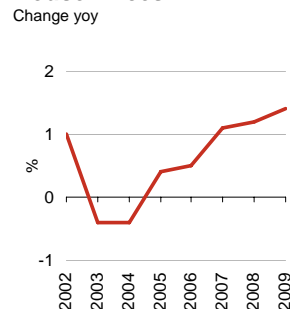
Consumer Confidence



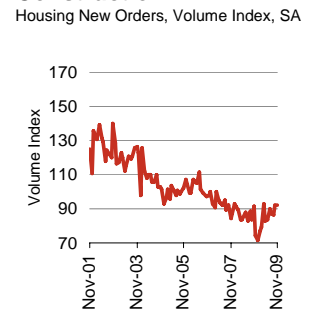
Residential

The current German housing market is predominantly influenced by structural rather than by cyclical impacts. Due to the absence of a distinct housing boom over the last years and comparably low importance of privately owned homes, it bears no risks of market corrections. House prices have increased only gradually over years. Oversupply is not in sight as new orders consolidate on low levels. At the same time, this indicator also reflects the existing weakness on the demand side.

House Prices



Construction



GRM-CR-ABF-RAC Research

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