

# Market Trends

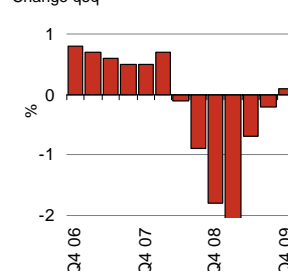
## UK Q4 2009

### Economy

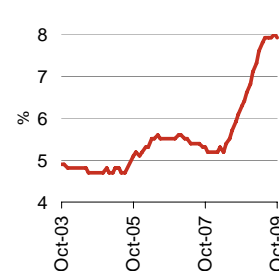
The UK left the recession in Q4 2009 but with just a marginal and disappointing growth in output. The financial market crisis, the indebtedness of consumers and the government's highly negative budget with its implication for the medium term are still weigh heavily on the economy. The positive news is that unemployment seems to have peaked – on a very high level – indicating that additional negative impact from the labour market is fading.

### GDP

Change qoq



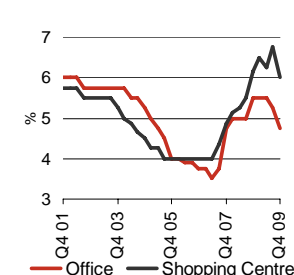
### Unemployment Rate



### Investment

Intensive demand from foreign investors focused on prime properties has driven investment in the second half of 2009 with the volume of transactions for the full year 2009 exceeding the level of 2008. As investors face only little supply of the requested quality prime yields hardened clearly in H2 2009. Hence prices particularly for prime properties rose lately and are expected to show further upward movement in the next 12 months. Secondary stock remains vulnerable.

### Prime Yields London



### Market Value Changes

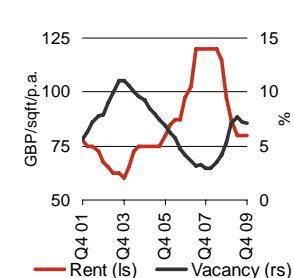
Real Estate

	Previous 12 Months	Outlook 12 Months
Office	-15%	5%
Retail	-15%	5%
Multi-Family	-20%	0%

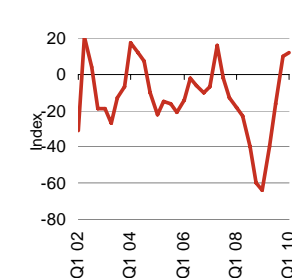
### Office

The Central London office market shows first signs that the downswing looses momentum. Demand picked up clearly at the end of the year although yet remaining below the long term average. Accordingly decline in prime rents began to find a floor with no change in Q4 2009. However, particularly secondary stock may see an increase in availability and further reduction in rents as companies increasingly relocate to secure high quality space for appropriate and reduced conditions.

### Office London



### Economic Sentiment

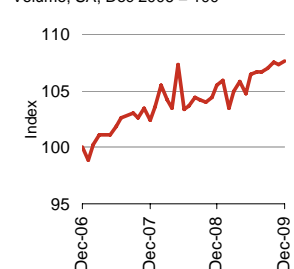


### Retail

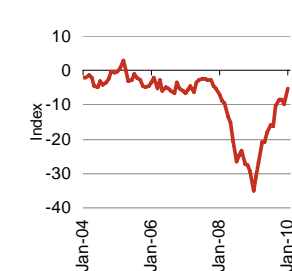
Despite the overall very negative environment retail sales growth proved to be almost resistant during the economic crisis. However, retailers felt increased competition. Consequently vacancy increased and rents declined. Less negative economic prospect will have only little effect on the retail sector, as stagnation in income, tax-rises and increasing interest rates will have a dampening effect on consumption in the medium term.

### Retail Sales

Volume, SA, Dec 2006 = 100



### Consumer Confidence

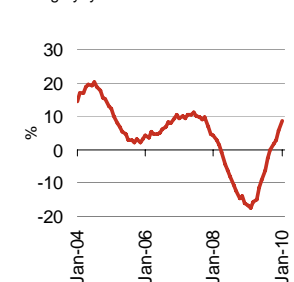


### Residential

The residential market held up firm in recent quarters. House prices edged up further and the number of transactions as well as the construction starts showed some further improvement too. This has been supported by a slightly improved availability of credit and still very low interest rates. The further outlook is, however, still burdened by a weak labour market and the high indebtedness of households.

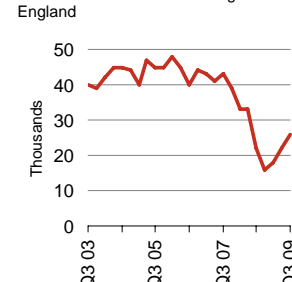
### House Prices

Change yoy



### Construction

Construction Starts of Dwellings in England



### GRM-CR-ABF-RAC Research

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