

Real Estate Barometer: Germany



Winter 2007

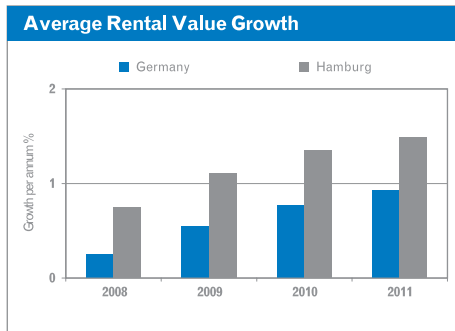
Europe

Global financial market turmoil and an increased cost of borrowing characterized H2 2007. The downward trend in global markets has been mirrored in the UK real estate market. It is uncertain whether European property markets will follow this trend or if they are less exposed to global financial markets. Strong price growth helped Glasgow keep its number one ranking in Experian's real estate barometer for past performance while solid price and financial & business services output growth in Dublin ensures the top ranking going forward. 2008 will be a strong year for the Utrecht office market with average rental growth of 4.4% and price appreciation of 4.3%. Over the medium term, however, rental growth will slow.

Market Ranking	
Ranking Last 5 Years	Ranking Next 5 Years
1 Glasgow (1)	1 Dublin (1)
2 Dublin (3)	2 Oslo (3)
3 Rome (2)	3 Stockholm (5)
4 Manchester (4)	4 Barcelona (6)
5 Birmingham (5)	5 Utrecht (16)

Q2 2007 ranking in parentheses

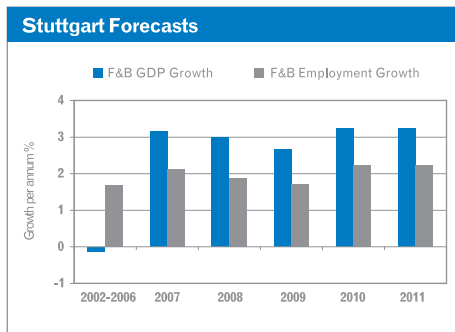
Source: Experian Business Strategies, IPD



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Germany

Take-up reached record highs in Düsseldorf and Hamburg in 2007 at 490,000 sq m and 575,000 sq m respectively, while transactions in Munich and Stuttgart were also in abundance. Letting activity in Frankfurt and Berlin last year did not see improvement to same extent as other cities. Prime rental growth of 3% in Hamburg in 2008 will be the strongest in Germany, filtering through to stronger average rental growth in 2009 and beyond. The direct investment market was active in 2007 with a total of €53.3 bn transacted, representing approximately 20% of the European total. Capital values have been depreciating in all German cities over the past five years but this trend will begin to reverse from 2010.



Source: Experian Business Strategies

One To Watch

Healthy demand in 2007 in the Stuttgart office market resulted in letting transactions reaching a six-year high. Take-up for the year was just under 160,000 sq m. Demand is unlikely to relent in the medium term given accelerated growth of output and employment in the financial & business services sector over the next five years. Stuttgart moved up 12 places in the real estate barometer rankings, overtaking some robust markets such as Marseille, Copenhagen and Paris. The development pipeline for Stuttgart is moderate, but a high proportion of projects are speculative. Oversupply in the medium term is possible if demand were to weaken. Total returns for the Stuttgart office market are forecast to reach 5.1% by 2011.

The Real Estate Barometer takes into account recent and expected performance of various indicators for 39 European office markets. These include rents, capital values, financial and business service employment and financial and business service output. Full forecasts available upon request.

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