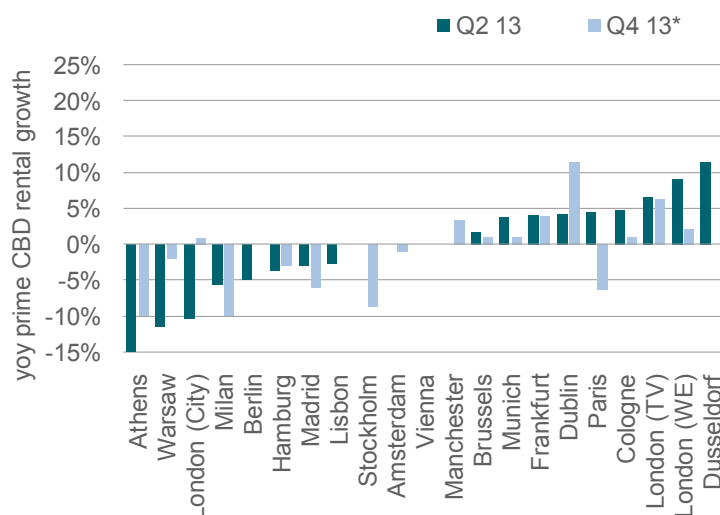


Market report European Offices

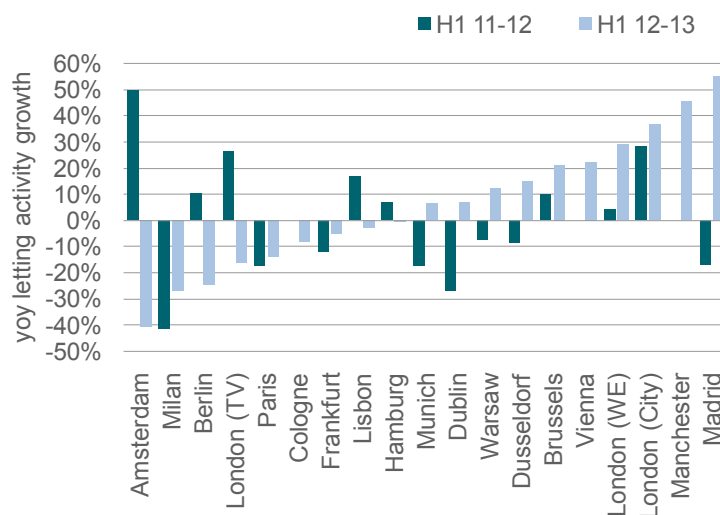
August 2013

GRAPH 1
Prime CBD rental growth



Graph source: Savills / *forecast (base scenario)

GRAPH 2
Take-up change



Graph source: Savills

SUMMARY

Improving business confidence

■ The European economy is showing signs of stabilisation as business sentiment is improving but a number of headwinds will restrain the pace of growth in 2014 and beyond.

■ In H1 2013 overall take-up in the study area decreased by 1.2% compared to the same period last year. This is however better than the -3.1% recorded between H1 2011 and H1 2012. The overall motivation to move offices remains driven by consolidation and cost cutting needs. The most common type of demand is for prime, well located, energy efficient premises.

■ The overall vacancy rate continued to decrease and stood at 10.1% in H1 2013. Appetite for new high spec accommodation brought about a shortage of prime office space in all European business districts whereas Grade B offices are increasingly weighing on the available stock.

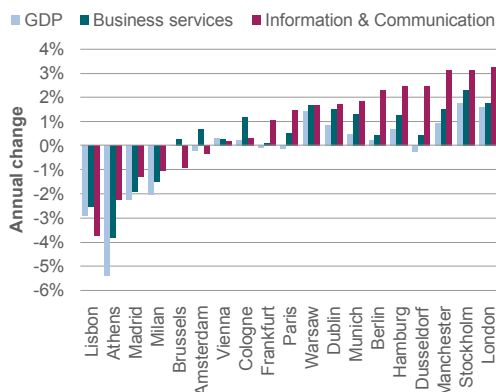
■ The average prime CBD annual rental growth in the area turned negative in the second quarter of the year at nearly -1% compared to 1.4% in Q2 last year due to the lack of prime properties available on the market which has restrained the activity in the prime segment. Different patterns between core and peripheral markets persist.



“Occupier demand remains weak but is showing signs of improving in some markets as business confidence recovers.” Lydia Brissy, Savills European Research

GRAPH 3

Output projection 2013 Information & Communication outperforming



Graph source: Oxford Economics

→ Economy

The economic activity has shrunk almost continuously in both the European Union and the Eurozone since the fourth quarter of 2011, with the Euro area recording six consecutive quarters of negative growth in Q1 2013 (-0.3%) according to Focus Economics. However, the European economy is showing signs of stabilisation as business sentiment is improving. In July the Economic Sentiment Indicator (ESI) increased by 1.2 points in the Euro area (to 92.5) and by 2.4 points in the EU (to 95.0), continuing the upward trend observed since May. Diminishing uncertainty is likely to unlock investment spending and allow real growth to start expanding gradually later in 2013. Yet the weakness of the labour market continues to weigh heavily on

* **Core markets:** Vienna, Brussels, Paris, German cities, Amsterdam, Oslo, Stockholm and London*

Peripheral markets: Athens, Milan, Madrid, Lisbon, Dublin and Warsaw

“Good level of lettings in non-CBD districts is resulting from the shortage of prime office space in the traditional core.”

Lydia Brissy, Savills European Research

domestic demand as well as on office occupier demand.

In the 19 cities covered in the report GDP will grow by 0.4% pa on average at the end of the year according to the latest Oxford Economics data. In the same period the Gross Value Added (GVA) of Business Services is forecast to reach 0.9%. Output growth in the Information & Communication sector is expected to outperform all Business Services and should reach 1.9% at the end of the year with London (3.2%), Manchester (3.1%), Stockholm (3.1%), Hamburg (2.5%), Dusseldorf (2.5%) and Berlin (2.3%) expected to be the cities that will witness the highest GVA growth of the Information & Communication sector.

Demand

Occupier demand is still generally weak across Europe. In H1 2013 overall take-up in the survey area decreased by 1.2% compared to the same period last year. This is however better than the -3.1% recorded between H1 2011 and H1 2012, which may reflect the recent improvement in business confidence and suggests the start of an upswing in letting activity in the coming months.

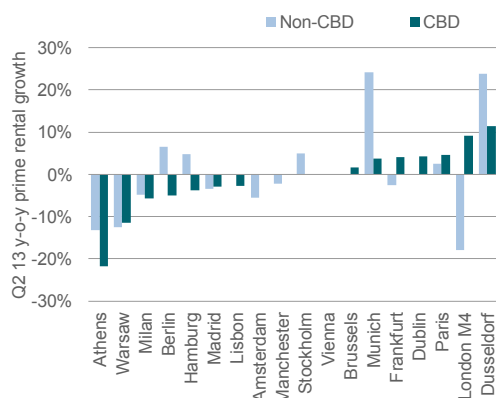
Some cities, including Madrid (+54.9%), Manchester (+45.3%), London City (36.8%), London West End (+21.1%), Vienna (+22.2%), Brussels (+21.3%) and Dusseldorf (+14.7%), have shown some exceptionally high annual take-up growth in view of the general gloomy market trend. This is generally due to a handful of very large lettings, and cannot yet be considered as a real market shift. In Warsaw (+12.0%), Dublin (6.9%), Munich (+6.4%) and Hamburg (+0.8%) letting activity also increased to a lesser extent. In all other markets, leasing volume declined, and in some cases the fall has been very steep, such as in Amsterdam (-40.5%), Berlin (-27.6%) and Milan (-27.0%).

The overall motivation to move offices remains driven by consolidation and cost cutting needs, this is why lease renewal has become an interesting option. As the market is increasingly tenant-friendly, renegotiations talks sometimes end-up with significant rental reduction while avoiding relocation costs.

Many markets still report a strong letting activity driven by the Technology, Media and Telecoms (TMT) sector. This is notably the case

GRAPH 4

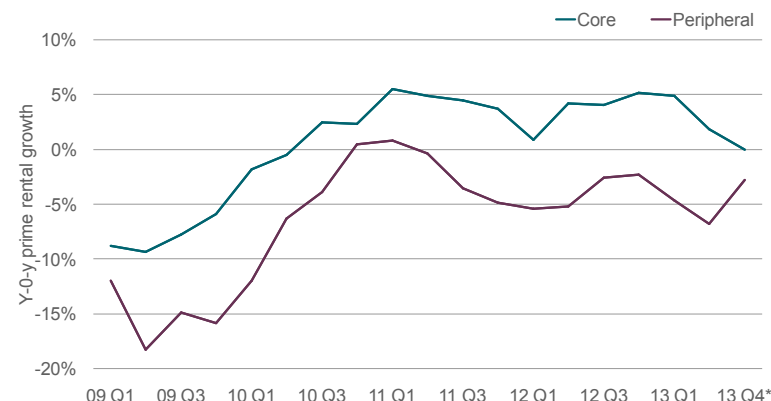
CBD vs Non-CBD prime rental growth Non-CBD districts performing well



Graph source: Savills

GRAPH 5

Prime CBD rental growth The gap between Core and Peripheral markets is expected to narrow



Graph source: Savills / * forecast

in London West End where Google acquired a site for a 74,300 sq m office at King's Cross but also in London City, Manchester, Amsterdam, Milan and Paris.

The most common type of demand is for prime, well located, energy efficient premises which are becoming scarce especially in the traditional business districts as a result of the low development activity recorded in the past four years. Some submarkets with higher levels of Grade A availability are benefiting from this situation. In some cities, appetite for secondary locations is also growing due to the reduction of asking rents, enabling these districts to grab a larger market share than normal.

Supply

The overall vacancy rate has continued to decrease and stood at 10.1% at the end of the first half of 2013. The level of supply reduced in almost all markets with the exception of Warsaw, London City, Lisbon, Vienna and Paris. We believe this trend will continue in the next six months, whilst vacancy is likely to rise in Madrid.

Marked appetite for new high spec accommodation brought about a shortage of prime office space in all cities, especially within the CBD. Therefore the availability is now concentrated in secondary offices and locations. Grade B office stock may require significant upgrading to become more marketable. Conversion into other types of properties notably residential units is increasingly

considered. This is notably the case in Spain, Austria and Germany.

The number of new developments in the pipeline remains limited in most cities which is partly due to the lack of financing. But developers are also still very cautious and reluctant to start speculative developments against the backdrop of the economic uncertainty and the weak letting activity.

Rents

The average prime CBD rental growth in the area turned negative in the second quarter of the year at nearly -1% compared to 1.4% in Q2 last year. On the other hand the average prime non-CBD annual rental growth increased by 0.3%. This is primarily due to the lack of prime properties available on the market which has restrained the activity in the prime segment whereas some submarkets benefiting from higher vacancies of good standards have seen good level of lettings.

Different patterns between core and peripheral markets persist with the annual prime CBD rental growth in core markets at 1.8% whilst it is -6.8% in peripheral markets. In all markets, the growing stock of Grade B office buildings is putting downward pressure on secondary rents. ■

OUTLOOK

Office demand will gradually pick up

■ For 2013 as a whole, Eurozone GDP is forecast to fall by 0.6%. The pace of economic recovery will remain weak in 2014 and beyond. A number of headwinds, including private sector deleveraging, fiscal tightening and the spectre of a further deteriorating labour market, will restrain the pace of growth.

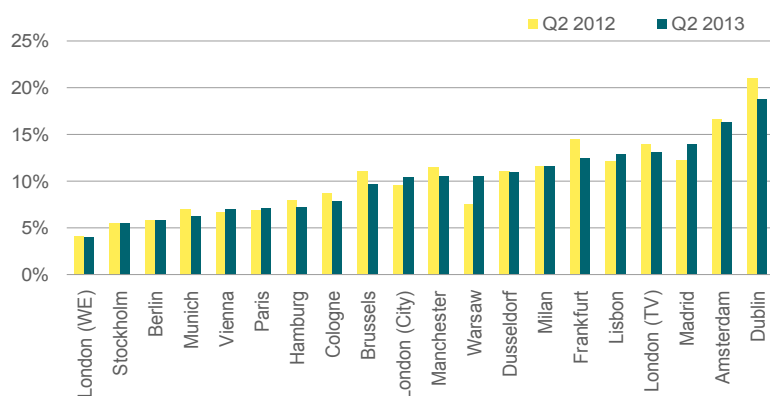
■ Occupier demand will continue to be mainly driven by consolidation and the desire to capitalise on reduced rental levels. However we are of the opinion that the recent improvement in confidence and economic prospects may underpin occupier demand and signal the start of an upswing in letting activity. The scarcity of prime office space in the traditional business district may slow down the activity unless non-CBD districts take advantage of the situation by offering attractive rents. In more than half of the markets we expect take-up to remain stable until the end of the year and in one third we believe leasing volumes will grow.

■ TMT companies should remain key players in terms of letting volume as the Information & Communication sector is expected to show the highest growth in terms of output according to the latest Oxford Economics forecasts.

■ Although development activity is slowly picking up in a few markets it remains mostly driven by turnkey and refurbishment projects. We do not expect to see major speculative developments in the future until there is a firm improvement in economic prospects and financial conditions. The stock of Grade B offices is likely to grow unless significant upgrading is undertaken or asking rents become attractive. On the other hand, the lack of prime product available in the market, notably in the CBD, is likely to restrain office demand as soon as it will pick up.

■ We predict an average prime CBD rent change of -0.8%pa at the end of 2013. The gap between core and peripheral markets will narrow as prime rents in Dublin are forecasted to rise by 11% while some of the core CBD should see significant prime rental adjustment such as Stockholm (-8.7%), Paris (-6.4%) and Hamburg (-3%). Downward pressure on secondary rents will continue.

GRAPH 6 **Vacancy rate** The level of vacancy has declines in most markets



Graph source: Savills

European city review

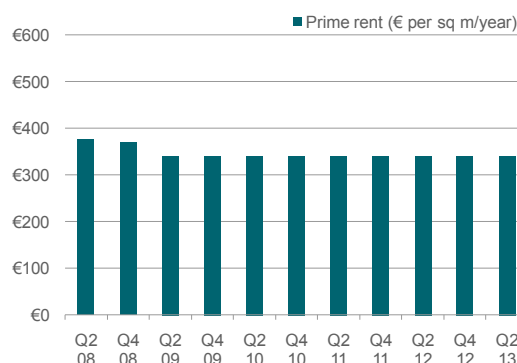
Amsterdam

Office demand is weakening on the back of the lacklustre economic situation. Take-up in Amsterdam ended up just below 100,000 sq m in H1 2013, lower than the two previous half-years. Business services accounted for the largest share of the occupier demand (44%), while the TMT sector, accounted for 25%. Office demand was mainly concentrated in Amsterdam Southeast (43%). The 15,300 sq m leasing of the De Entree I office building by Das Rechtsbijstand has been the largest transaction in

Amsterdam. The area stretching from the Centre, the South and the South Axis towards Buitenveldert accounted for 60% of the total take-up. Supply increased slightly in the past six months (1.19m sq m), resulting in an overall vacancy rate of 17.1%. However, availability in the City Centre (8.5%) and the South Axis (9.0%) is decreasing. The prime rent remained stable at €340 per sq m/year. Secondary rents however will remain under downward pressure since the competition between owners on asking rents is fierce.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **stable**

GRAPH 7
Amsterdam



Graph source: Savills

Athens

The leasing activity is almost exclusively driven by consolidation and rationalisation, which means downsizing in most cases. The most common type of demand is for prime, well located, energy efficient premises in the region of 1,000 to 3,000 sq m. Occupiers are benefiting from significantly reduced occupancy costs for good quality space and therefore the availability is now concentrated in secondary offices and locations. The sizeable enquiries for the relocation

of large scale public administration operations can neither be satisfied from the existing stock, nor from new developments as they would not be viable to commence at the low rental levels required. We believe that Grade B office stock may require significant upgrading to become more marketable, as occupiers demand higher property standards. Prime achievable office rents should bottom out this year having dropped by another 10-15% compared to 2012.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **stable**

GRAPH 8
Athens



Graph source: Savills

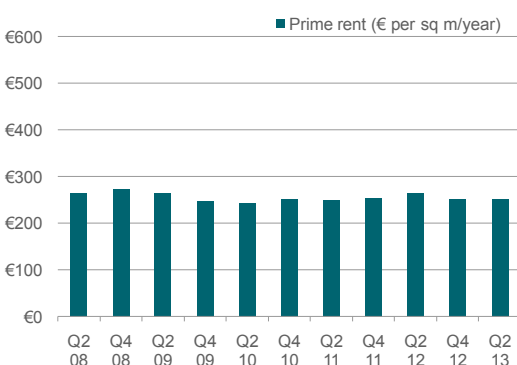
Berlin

In H1 2013, 324,800 sq m of office space was taken up, which is 28% less than in the same period last year. The decline is mainly due to the absence of transactions exceeding 5,000 sq m. Current office requirements suggest that the second half may be more dynamic. We expect the annual take-up to reach 700,000 sq m. The vacancy rate remained stable at 5.8% at the end of June with 1.1m sq m being vacant. However, as roughly 50% of the vacant stock can be classified as structural vacancy

actual choices for tenants are much tighter. As obtaining sufficient finance is still difficult, only developers with enough equity can take advantage of the current surplus in demand. In the next couple of years a significant increase in rents is unlikely. However, the negotiating power of landlords is slowly improving. Compared to H1 2012, the prime rent has decreased by 5% and stood at €250.8 per sq m/year at the end of June. Average rents decreased by 0.8% to €142.4 per sq m/year. Both values are expected to remain stable over the next months.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **stable**

GRAPH 9
Berlin



Graph source: Savills

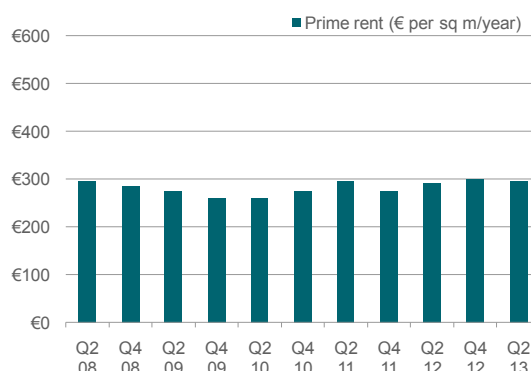
Brussels

The Brussels office market has seen a rise in letting activity in H1 2013. Take-up increased by 21% compared to the same period last year. 214,000 sq m were transacted in H1 2013, in line with the 10-year average. EU agencies were very active, two transactions accounted for 27% of the total take-up. The Leopold district remains the most active area accounting for nearly half of the take-up. The periphery and the decentralised district follow with shares of 31% and 13% respectively. Demand was mostly driven by corporates who accounted for 71% of overall lettings. The global vacancy

rate fell further below the 10% mark with development activity still at a slow pace. Within the CBD, vacancy continues its downward trend now standing at 6.5% while vacancy outside the CBD remains high (16%). The average rent and top-quartile rent remained relatively stable at €150 and €216 per sq m/ year respectively. The prime headline rent was recorded on the Schuman roundabout in the Leopold district at €295 per sq m/year.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **stable**

GRAPH 10
Brussels



Graph source: Savills

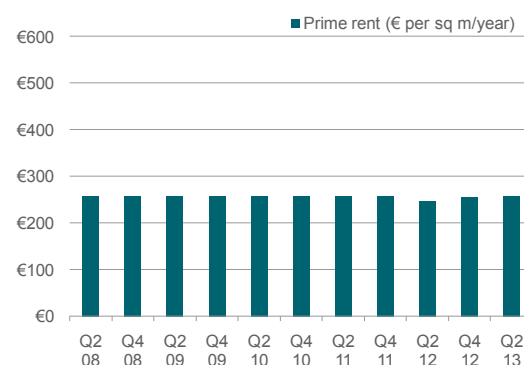
Cologne

Letting activity in the Cologne office market picked up in the second quarter, bringing the half year result to 115,000 sq m which is 8.2% less than in the same period last year. One of the main reasons for the slow start into the year was the absence of large transactions of more than 10,000 sq m, and on the other hand robust activity in the smaller segment (<500 sq m). Larger transactions were predominantly recorded in fringe locations, as for example the letting of 4,000 sq m to Volvo in Deutz. Nonetheless, prime rents increased by 5% year-on-year to €259 per

sq m/year, also due to two larger transactions, and a couple of deals going beyond the €288 per sq m/ year mark. The vacancy rate currently stands at 7.8% which equates to 610,000 sq m of vacant space, slightly below the 8.2% mark recorded in H1 2012. Several large requirements for space of over 5,000 sq m currently on the market will keep up demand. Thus we expect full-year take-up to be consistent with the 2012 level and reach about 230,000 sq m. Rents and vacancy levels should remain stable until the end of the year.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **stable**

GRAPH 11
Cologne



Graph source: Savills

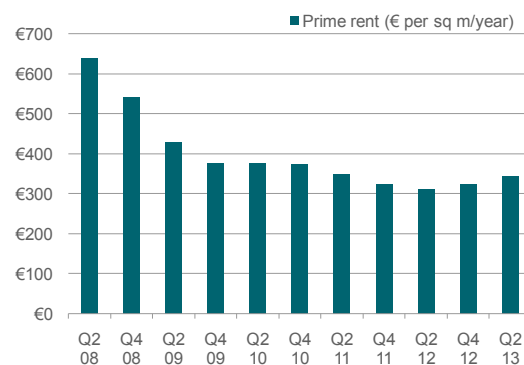
Dublin

Strong demand in 2012 carried through into the first half of 2013. Take-up in Q1 was a healthy 43,285 sq m. And, although Q2 lettings were a little disappointing at 18,965 sq m, this was due to timing as much as anything – terms are either agreed or in advanced negotiation on a further 70,000 sq m of space. This suggests that lettings in the second half of 2013 should be reasonably strong. Several large suburban lettings in H1 slightly obscure the reality that occupier demand remains primarily concentrated on the city centre and most of the deals currently under negotiation are focused on this sub-market. Assuming that

these contracts are signed, just two prime buildings of over 10,000 sq m will remain available in the core Dublin 2 and 4 sub-markets. Moreover, the availability of prime space in the 2,000-5,000 sq m category is also becoming restricted. This will limit the choices available to occupiers and is likely to drive prime rents upwards. With net absorption of 21,570 sq m in the first half of 2013, the suburban market has also tightened considerably. However there is good supply of older second hand stock in all of these locations which should be sufficient to meet the foreseeable requirements.

End-year outlook Take-up: **up** Supply: **stable** Prime Rents: **up**

GRAPH 12
Dublin



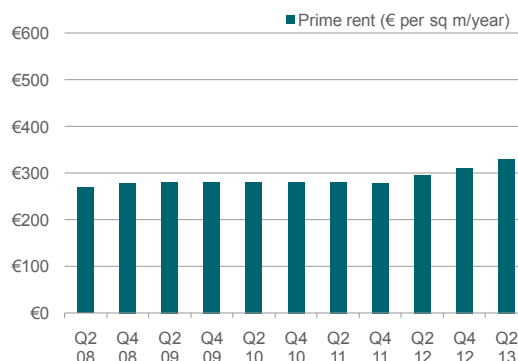
Graph source: Savills

Dusseldorf

The Düsseldorf office market saw a take-up of 77,000 sq m and thus a strong Q2 2013. H1 take-up summed up to 150,300 sq m, which is 15% more than in the same period last year. Due to roughly 20 large-scale requirements in the market, we estimate that take-up will be higher in the second half of the year. The total take-up for 2013 will therefore amount to about 320,000 sq m – 10,000 sq m more than in 2012. Rents are already at an exceptional high level and increasing. With a rise of 11% compared to last year,

the prime rent reached an all-time high of €330 per sq m/year. This is mainly due to several lettings in project developments. Average rents increased moderately by 2% to €170.2 per sq m/year. A major driving force behind the rising rental level is the lacking supply of high-quality space in central locations, which is highly sought-after by occupiers. However, the overall vacancy rate is still at a high level of 10.9%. As the completion level is expected to remain low, vacancy should slightly reduce in the second half of the year.

GRAPH 13
Dusseldorf



Graph source: Savills

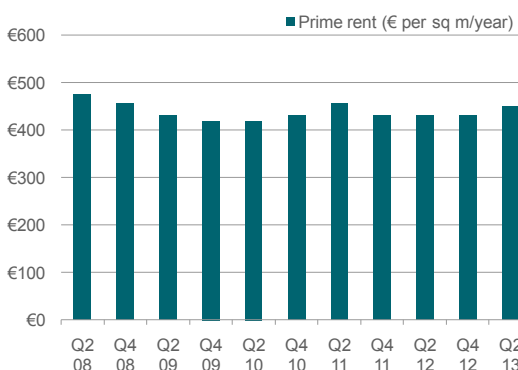
End-year outlook Take-up: **up** Supply: **down** Prime Rents: **stable**

Frankfurt

In H1 2013 take-up in Frankfurt was roughly 199,500 sq m, 5% less than in the same period last year. Numbers nearly reached the previous year's level only due to a single transaction of 46,000 sq m. Reasons for the market activity to be moderate are diverse. First closing dates are prolonged and the financial sector is lacking momentum. Second, supply misses marketable products, especially small-scale office spaces in prime locations. Frankfurt's total vacancy rate has further decreased and stood at 12.4% in June (14% in June 2012).

As more than a third of the vacant area is not marketable, actual choices for tenants are even lower. Even though high-quality options are getting scarce, speculative developments are nowhere to be seen. Financing is still difficult to obtain and of the 200,000 sq m new office space in the pipeline 80% are already let. As further large-scale requests are still outstanding, we stick to our estimated take-up of 450,000 sq m for 2013. Prime rents stood at €450 sq m/year and may further increase, while the average rent is likely to remain at €213 sq m/year.

GRAPH 14
Frankfurt



Graph source: Savills

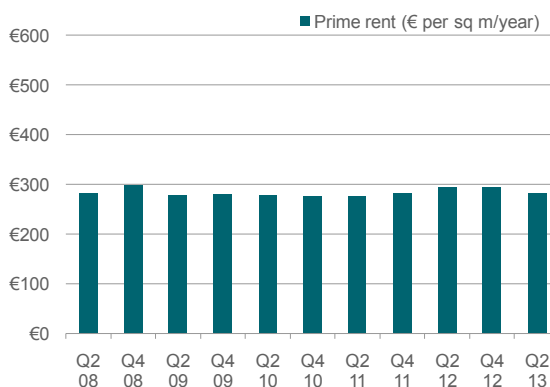
End-year outlook Take-up: **stable** Supply: **down** Prime Rents: **stable**

Hamburg

Roughly 216,000 sq m office space was taken up in Hamburg in the first half of 2013, almost exactly as in the same period last year. 'City South' was the most sought-after as four out of eight transactions exceeding 5,000 sq m took place there. That is mostly due to the unwillingness of tenants to pay the higher rents in the city centre and the lack of available space there. Rents were below last year's level with prime rent decreasing by 4% to €282 sq m/year and average rent declining by even 8% to €153.3 sq m/year. The overall vacancy level also fell slightly. At the end of the first half

of 2013, 7.2% of the office space was vacant in Hamburg (8.1% in H1 2012). Low vacancy rates and the lack of space is bringing developers to begin speculative development schemes in central locations. A general recovery is perceivable in the development market and for 2013 roughly 230,000 sq m new office space is expected to come onto the market. Due to high dynamics in the small-sized segment we predict a total turnover of 480,000 sq m for 2013.

GRAPH 15
Hamburg



Graph source: Savills

End-year outlook Take-up: **up** Supply: **stable** Prime Rents: **stable**

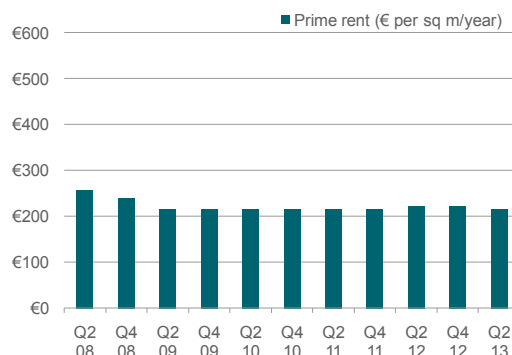
Lisbon

Business confidence continues at a low ebb, with both public and private investment still falling. The additional austerity measures included in the 2013 budget are likely to maintain this situation during 2013 and may even last until 2014 or 2015. Take-up for the first half of the year was just under 30,000 sq m which clearly implies another sluggish year, even compared to take-up in 2012 which reached 102,000 sq m, slightly better than in 2011 but still considerably lower than the previous five years average of 130,000 sq m. Demand is still weak with rental values still under

pressure and despite the lack of new construction, company downsizing has forced the vacancy rate in the CBD to increase again, to 8.24% up from 7.75% in the previous quarter. Lisbon's overall vacancy rate also rose again to 12.43% after two consecutive quarterly falls. The most active market this year has been in the Parque das Nações office district, responsible for almost a third of lettings including the largest letting to-date of 4,000 sq m to EDP. The main driver for this increase has been a recent reduction in their asking prices, enabling this district to grab a larger market share than normal.

End-year outlook Take-up: **stable** Supply: **down** Prime Rents: **stable**

GRAPH 16
Lisbon



Graph source: Abacus

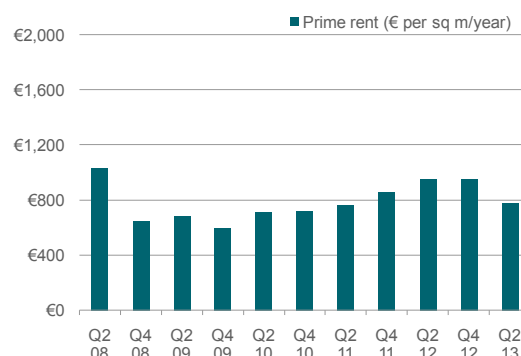
London City

Take-up is 27% up on average, currently standing at 2.8 million sq ft. There is a continued preference for Grade A quality space, with a large proportion of offices taken in the first half of 2013 being either new or recently refurbished. This includes substantial transactions by online retailer Amazon, law firm Bird & Bird, and insurance company Amlin. The take-up of large Grade A units is expected to continue into the second half of the year as Sellar and Qatari Diar complete the letting of 430,000 sq ft at the Place to News Corp, and Cameron McKenna sign up to

take 140,000 sq ft at Cannon Place. TMT companies and Insurance firms continue fill the gap left by the Banking sector, which accounts for no more than 2% of space leased this year. Above average development activity will continue into 2014 which means we are unlikely to see any significant decrease in supply over the next 12 months, this is despite relatively high levels of demand. However, the pre-letting of brand new units has had a positive impact on rents; the average prime rent is £55.81 per sq ft (+2.8% on Q4 2012) and the average Grade A rent is £48.04 per sq ft (+1% on Q4 2012).

End-year outlook Take-up: **up** Supply: **stable** Prime Rents: **stable**

GRAPH 17
London City



Graph source: Savills

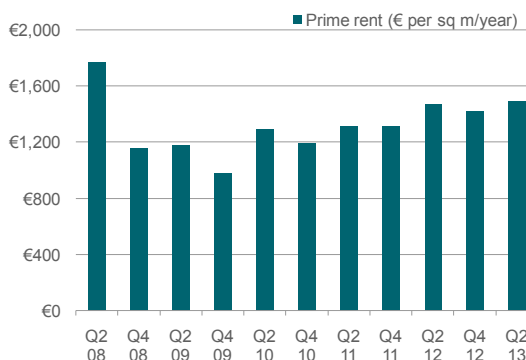
London West End

Thanks to Google's acquisition of a 800,000 sq ft site for its new headquarters at King's Cross, West End office take-up reached 2.1m sq ft in 1H 2013, the highest half yearly take-up figure since 2007. The Google deal helped mask subdued levels of take-up, this can be attributed to no significant improvement in occupier sentiment and occupiers being constricted by low vacancy levels, which currently stands at 4%. The latter has resulted in a pick-up of traditional West End occupiers heading eastwards to Midtown and City fringe markets in the search of more property

options and lower rents. Indeed, the highest rent achieved in H1 2013 was £120 per sq ft, this is the highest rent seen since Q3 2008, this transaction and several others in excess of £100 per sq ft pushed average prime rents to £99.61 per sq ft. Technology, Media and Telecoms (TMT) sector continues to account for the largest share of West End take-up taking a 22% share. This sector will continue to drive demand accounting for 1.3m sq ft (44%) of the total 2.9m sq ft of requirements circulating in the market.

End-year outlook Take-up: **down** Supply: **stable** Prime Rents: **stable**

GRAPH 18
London West End



Graph source: Savills

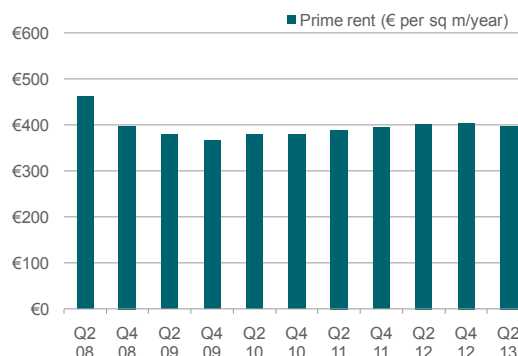
London Thames Valley

As a reflection of higher business confidence and improved hiring intentions, take-up in the Thames Valley is expected to improve during the next few quarters. The Thames Valley market has seen H1 take-up total 116,600 sq m, the highest since H1 2008. The largest deal was BP taking 12,000 sq m near Heathrow Airport. There is a growing level of lease expires in the market during the next few years and this will assist in depleting the current grade A supply. So far this year, office availability has fallen by nearly 6%; for grade A the fall has been over 7% highlighting the

preference for newer offices. Choice in some locations is limited and this will push rents higher, but some locations have a good supply of grade A office options. Overall, the net balance will be rents gradually rising during the next few years at around 3.5% per annum. Development activity has increased during the past couple of years in anticipation of the low grade A supply in key locations. 2013 will see 45,000 sq m, which is 132% higher than 2012. However, nearly half of this is in one building at Chiswick Park and was pre-let to Aker Solutions. Overall, development completions are 14% below the 10-year average this year.

End-year outlook Take-up: **up** Supply: **down** Prime Rents: **up**

GRAPH 19
London Thames Valley



Graph source: Savills

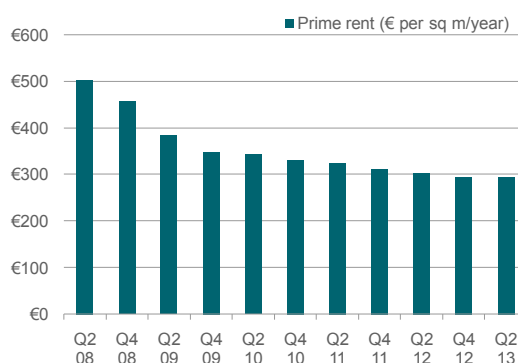
Madrid

The letting volume recorded during the first half of the year beat thoroughly that of H1 2012, due to several large deals signed in Q1 2013 that distorted the real market overview. However, take-up barely reached 60,000 sq m in Q2 2013, the lowest level since 2000 for a second quarter. The decreasing number of deals reflects the weakness in the office occupier activity. Office demand mainly came from the business services and IT sectors accounting for 38% and 35% of the half-year take-up, directly influenced by the Vodafone letting signed in Q1

(50,000 sq m in a new development in the A-2 area). Development activity remains at a standstill but due to lower letting activity the volume of vacant stock increased by 2% q-o-q and reached 1.8m sq m in Q2 2013 reflecting a vacancy rate of nearly 14%. However the vacancy rate in the CBD remains at a healthy level, at around 6%. Thus the prime CBD rent remained stable for the third consecutive quarter at €294 per sq m/year.

End-year outlook Take-up: **up** Supply: **up** Prime Rents: **stable**

GRAPH 20
Madrid



Graph source: Savills

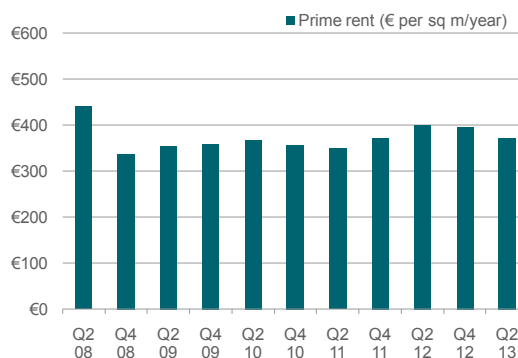
Manchester

Take-up for the first half of 2013 totaled 440,000 sq ft, an impressive 43% up on the same period last year. 12% was Grade A compared to only 3% at the same time in 2012. Concentrating on demand, the level of requirements active in Manchester has remained fairly steady throughout this year. 2013 will see a moderate improvement in take-up, but we do not expect to see above average levels of leasing activity until 2014. Much has been made of the lack of Grade A development stock being delivered within Manchester CBD, with less attention being given to the diminishing availability of large

floor plate Grade B stock. With notable lettings at Sunlight House and Riverside over the last six months, along with activity at Churchgate and Lee House availability of Grade B floor plates has dropped by over 30% in the last 18 months. The Business & Consumer Services sector remained the most active acquirer of office space in the City last year, with a 23% share of the market. However, the TMT sector accounted for 22% of the total take-up. Top rents reached £30 per sq ft in the first quarter of the year, with World Pay taking 22,000 sq ft at 3 Hardmand Square.

End-year outlook Take-up: **stable** Supply: **down** Prime Rents: **stable**

GRAPH 21
Manchester



Graph source: Savills

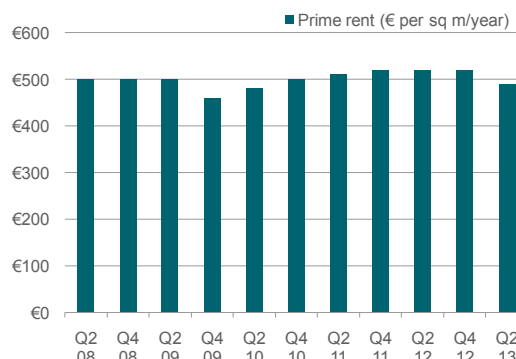
Milan

The first half of 2013 saw take-up of office space fall by 27% compared to H1 2012, with the outlook to year end reflecting this trend. Some multinationals are able to acquire new premises and to expand, however overall occupier requirements tend to focus on consolidation of space. Thus, office occupier take-up stood at ca 49,000 sq m in the second quarter of 2013, up 85% on the first quarter but still 10% lower year-on-year. This take-up focussed on Milan's periphery, where over 18,000 sq m were let in Q2 2013. The city centre stood a close

second, with over 17,000 sq m being taken up. In Q2 2013 the vacancy rate across all submarkets stood at 11.6%, up by 0.5% on the first quarter. In fact, this year's relatively low level of development completions relates primarily to projects already commenced some time ago and are non-speculative. Prime rental levels in Milan's CBD have tightened slightly to stand currently at €490 per sq m/year. Rental levels for prime properties in other submarkets have remained stable or have also fallen.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **down**

GRAPH 22
Milan



Graph source: Savills

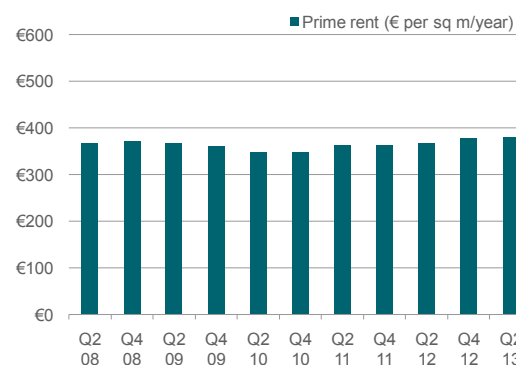
Munich

Robust demand for quality office space in Munich did result in rising take-up and prime rental levels in the first half of 2013. Lettings in the small and medium sized category (<3,000 sq m) remained very active, although the only two large lettings were of decisive weight; this included the acquisition of 36,000 sq m by insurer Allianz for their own occupation. Total take-up in H1 2013 reached 333,400 sq m, 6.4% more than in the same period last year. The submarket "City West" accounted for 65,000 sq m or 20% of all transactions as it offers the sought-after good quality accommodation

in a central location. Due to the lack of financing, the number of new developments coming onto the market is limited, although demand for space, particularly in the city centre, is very strong. This year, 150,000 sq m of new space will be developed of which more than 70% have already been pre-let. Prime rents have thus increased slightly, now standing at €380 per sq m/year, a level which had last been reached in H1 2002. We expect the demand-supply imbalance to continue for the remainder of the year, meaning that rental levels will continue to rise.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **up**

GRAPH 23
Munich



Graph source: Savills

Paris

The volume of letting transactions totalled 831,875 sq m at the end of the first half of the year. This is well below the average half-year result recorded since 2006 (1,134,600 sq m), and 14% down on the same period in 2012.

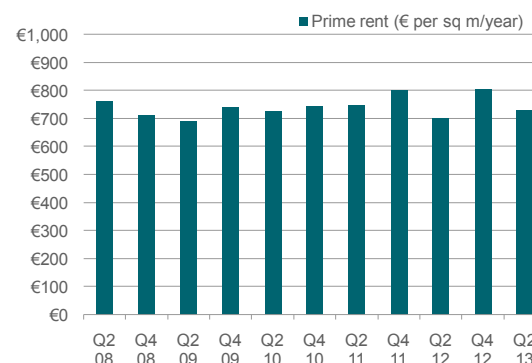
The share of transactions exceeding 5,000 sq m represents 32% of the take-up. The size of letting deals currently ranges between 5,000 and 15,000 sq m whereas letting activity was fuelled in the past years by consolidations of very large companies or administrations taking floor space above 20,000 sq m. Additionally,

as the market is becoming more tenant-friendly the number of lease renewals is growing. It allows tenants to negotiate down their rent while avoiding moving costs and landlords to retain their tenants.

The vacancy rate remained stable at 7.1% but this hides large differences between submarkets. Within the city centre of Paris under supplied pockets persist. The prime rent increased by 4.6% y-o-y and stands at €730 per sq m/year and the average rent stand at €310 per sq m/year.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **down**

GRAPH 24
Paris



Graph source: Savills

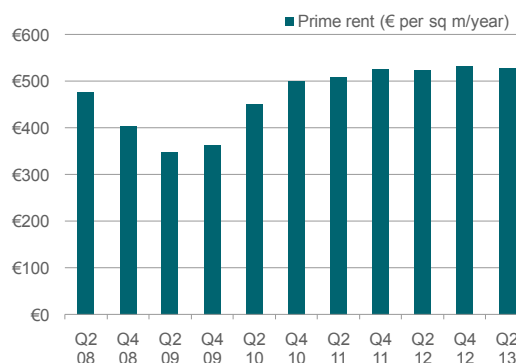
Stockholm

The continued financial turmoil across Europe and the high uncertainty regarding the direction of the Swedish economy has led to a cautious attitude among tenants and lettings processes have increased. However prime rents have remained stable. The main drivers behind this is that most markets suffer from a lack of modern office space in the CBD zones. Vacancy level also has remained stable in the CBD. The future is still uncertain however, as large vacancies are coming on to the market in 2013 and 2014, due to tenants relocating to suburban

locations. Some of the perceived risk has been reduced following the decision from the Nordic bank SEB to retain their CBD offices instead of relocating to a city fringe location. On the other hand the City of Stockholm has taken the decision to move some of their staff to the suburbs in order to cut costs. We expect market rents to remain stable throughout 2013 with a high degree of uncertainty regarding 2014, due to partly macro-economic factors and partly due to the effect of the coming vacancies.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **down**

GRAPH 25
Stockholm



Graph source: Savills

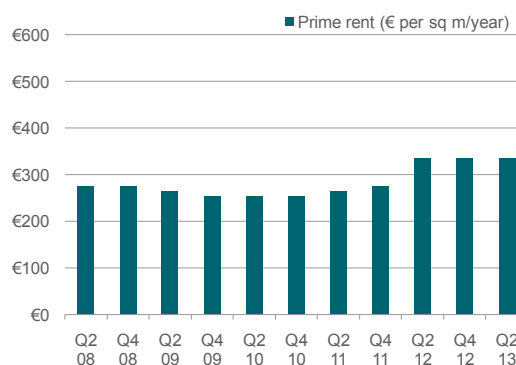
Vienna

The Viennese office market still lives up to its reputation as a stable location. In H1 2013 take-up was at 100,000 sq m, 10% up on the same period last year. Most notable is the rising number of large-scale lettings exceeding 2,000 sq m as well as an increase in lettings in the medium to higher price segment. Both are positive signals, that last year's take-up will be exceeded. The letting of 5,800 sq m to Austrian newspaper Kurier in the Space2move building as well as two lettings of 4,000 and 2,600 sq m in the Greenworx building, Austria's first office building certified LEED Platinum,

were the most significant deals in H1. Demand continues to focus on modern and energy-efficient buildings with efficient office layouts, good connection to public transport and located in the Vienna city centre where an extraordinary amount of high-quality office space has come onto the market during the past two years. The vacancy rate is at 7% and is expected to remain stable since deliveries are still low (170,000 sq m). Out-dated office space comes under rising pressure and can only be re-let after extensive refurbishment. Prime rents remain stable at €324 per sq m/year.

End-year outlook Take-up: **up** Supply: **down** Prime Rents: **stable**

GRAPH 26
Vienna



Graph source: EHL

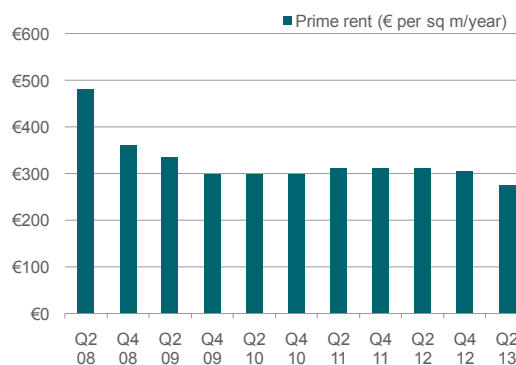
Warsaw

Tenant activity remained high during the first half of 2013 with close to 334,000 sq m transacted during that period. When compared to the corresponding period last year gross take-up increased by 12%. Approx. 31% of the volume was lease extensions and renegotiations whereas 16% of the volume took the form of pre-lets. While take-up was high the absorption of office space was much lower at 70,900 sq m, which together with almost 152,500 sq m of new supply lead to an increase in vacancy rate to 10.5%. Developer activity is still high with ca 570,000 sq

m of office space under construction city wide of which 154,500 sqm is to be delivered in the second half of the year. The majority of space in the largest developments due in H2 2013 is already committed to Bouygues Immobilier and Quatar Holding's 43,700 sq m Miasteczko Orange will be the new headquarters for Orange. Prime headline rents currently stand at €264 – 276 per sq m/year in the city centre and €168– 180 per sq m/year in non-central locations.

End-year outlook Take-up: **stable** Supply: **stable** Prime Rents: **down**

GRAPH 27
Warsaw



Graph source: Savills

Key office indicators

Prime¹ CBD rents², letting data in Q2 13 and projections for Q4 13

City	National GDP growth 13*	Service sector growth 13*	TMT sector growth 13*	Prime rent Q2 13	Rental growth ³ Q2 12-13	Rental growth ³ Q4 12-Q4 13** base scenario	Rental growth ³ Q4 12-Q4 13** high scenario	Take-up growth ⁴ Q2 12-13	Vacancy rate Q2 13	<p>Note 1: Prime rents refer to modern office space, minimum 1,000 sq m</p> <p>Note 2: All costs are in Euros per sq m/year</p> <p>Note 3: Rental growth is annual and calculated in local currencies</p> <p>Note 4: Take-up growth is annual</p>
Amsterdam	-0.9%	-0.7%	-0.3%	340	0.0%	-1.0%	NA	-40.5%	16.3%	
Athens	-5.5%	-3.9%	-2.3%	216	-21.7%	-10.0%	-15.0%	NA	17.0%	
Berlin	0.3%	0.4%	2.3%	251	-4.9%	0.0%	1.0%	-27.6%	5.8%	
Brussels	-0.1%	0.3%	-0.9%	295	1.7%	1.0%	2.5%	21.3%	9.6%	
Cologne	0.3%	0.7%	3.2%	259	4.9%	1.0%	3.0%	-8.2%	7.8%	
Dublin	0.8%	1.5%	1.7%	323	4.2%	11.5%	NA	6.9	18.8%	
Dusseldorf	0.3%	0.4%	2.5%	333	11.5%	0.0%	3.0%	14.7%	10.9%	
Frankfurt	0.3%	0.1%	1.1%	450	4.2%	4.0%	6.0%	-4.9%	12.4%	
Hamburg	-0.3%	1.2%	0.4%	282	-3.8%	-3.0%	-1.0%	0.2%	7.2%	
Lisbon	-2.8%	-2.6%	-3.8%	216	-2.7%	0.0%	NA	-2.6%	12.9%	
London West End	1.0%	1.8%	3.2%	1,491	9.1%	2.1%	NA	29.1%	4.0%	
London City	1.0%	1.8%	3.2%	780	-10.4%	0.8%	NA	36.8%	10.4%	
London Thames Valley	1.0%	1.8%	3.2%	398	6.7%	6.3%	NA	-16.5%	12.5%	
Madrid	-1.7%	-1.9%	-1.3%	294	-3.0%	-6.1%	-2.0%	54.9%	13.9%	
Manchester	1.0%	2.0%	3.1%	373	0.0%	3.3%	NA	45.3%	10.5%	
Milan	-1.9%	-1.5%	-1.1%	490	-5.8%	-10.0%	0.0%	-27.0%	11.6%	
Munich	0.3%	1.3%	1.9%	380	3.8%	1.0%	3.0%	6.4%	6.2%	
Paris	-0.2%	0.5%	1.5%	730	4.6%	-6.4%	-8.9%	-11.4%	7.1%	
Stockholm	1.5%	2.3%	3.1%	528	0.0%	-8.7%	0.0%	NA	NA	
Vienna	1.0%	0.3%	0.2%	336	0.0%	0.0%	0.0%	0.0%	7.0%	
Warsaw	0.9%	1.7%	1.7%	276	-11.5%	-2.0%	-6.0%	-2.0%	10.5%	

Source: Savills / *Oxford Economics forecast / ** Savills projections

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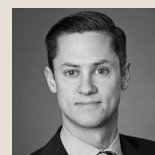
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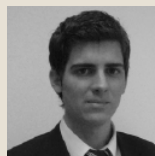
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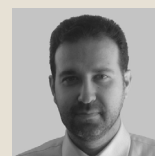
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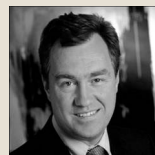
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