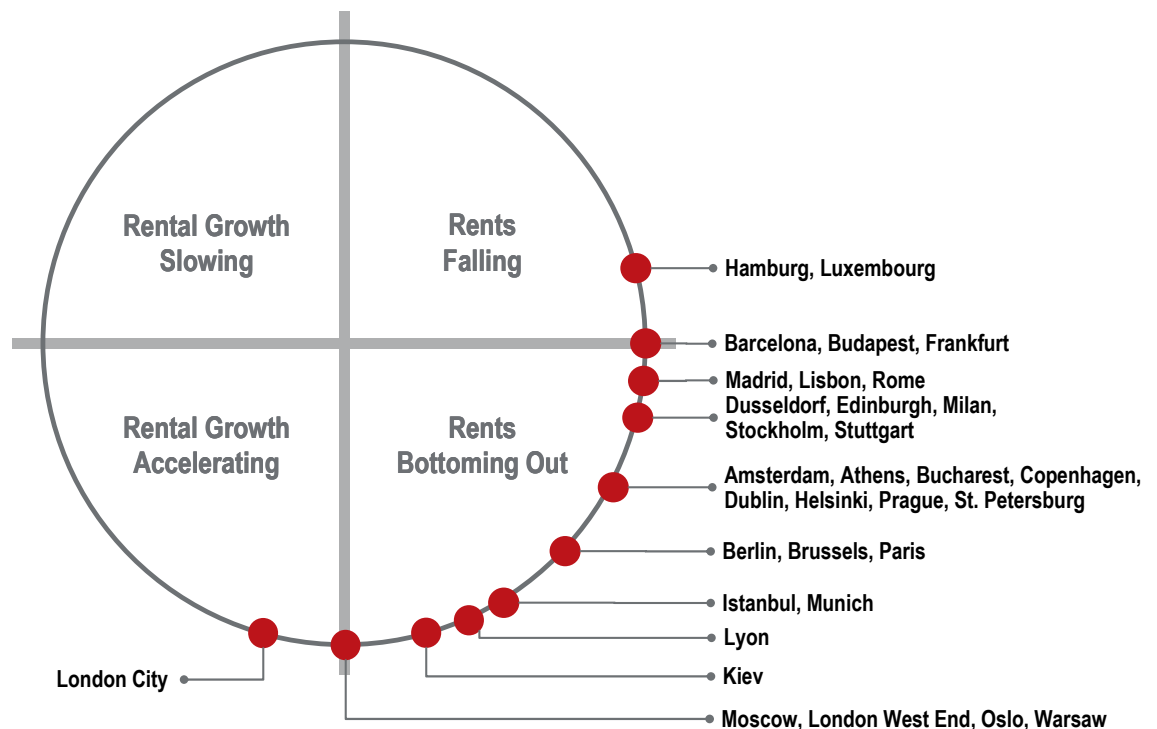


Office Rents Approach Stability as Future Supply Risks Moderate



This diagram illustrates where Jones Lang LaSalle estimates each prime office market is within its individual rental cycle as at end March 2010. Markets can move around the clock at different speeds and directions. The diagram is a convenient method of comparing the relative position of markets in their rental cycle. Their position is not necessarily representative of investment or development market prospects. Their position refers to prime face rental values. Markets with a "step pattern" of rental growth do not tend to follow conventional cycles and are likely to move between the "hours" of 9 and 12 o'clock only, with 9 o'clock representing a jump in rental levels following a period of stability

Europe's economies continue to recover from the global economic crisis and business sentiment has now improved for four consecutive quarters. There remains a time lag between the wider economy and occupier markets, although positive signals have increased. Prime rents and incentives continued to stabilise in the majority of European markets in Q1 2010, with the European Prime Office Rental index, based on the weighted performance of 24 markets, increasing 1.2% q-o-q, the first quarterly increase since Q2 2008. Prime office rents, however, remain 5.0% below the level seen one year ago. The biggest rise in rents this quarter was seen in Moscow (14%) and London City (6%). Achieved rents in Brussels also indicated 17% growth but this was due to one exceptional deal in the Leopold district that was not indicative of the wider market. Some markets still saw further softening with the greatest falls seen in Dublin (-7.6%), Madrid (-2.5%) and Budapest (-2.4%), although in Dublin there has been some stabilisation in the wider market. This quarter's office clock reflects the range of rental conditions and

prospects, but also shows how all markets are moving through "rents bottoming out" and toward growth. This quarter, London City entered the "rental growth accelerating" quadrant and several markets were at, or approaching, 6 o'clock.

Signs of economic recovery are beginning to feed through into office demand, but tenants remain cautious and cost sensitive. In the absence of strong economic growth, current market activity remains driven by lease events, portfolio churn and corporate activity including office consolidation and the realisation of space efficiencies rather than expansionary plans. Take-up for Q1 fell slightly to 2.4 million sq m across Europe, a fall of 9% on the previous quarter although it is worth remembering that the final quarter is usually the strongest. This decline was driven mainly by Western Europe (-12%) whereas take-up increased slightly in the CEE region (+6%). Despite this, take-up for Q1 2010 was 38% up

on Q1 2009 with both Western Europe and CEE seeing annual increases. Overall, nearly half of the 24 index markets showed an increase in demand over the year, with Dusseldorf, Barcelona and Dublin showing the sharpest improvement though these markets rose from very low levels.

On the supply side, completions are beginning to decline from the cyclical high of 2009. In Q1 2010, some 1.2 million sq m of office space completed and in London shortages for certain product types and sizes is already being experienced amidst falling vacancy rates. Since the credit crunch a lack of speculative finance, a lack of developer confidence and uneconomic development appraisals has combined to prevent new speculative commencements. Across most EMEA markets developers are still subject to the above conditions and so remain hesitant to commit to new space. This will help to ease the imbalance between supply and demand and may even create a "supply gap" of new space in the medium term.

With declining completions and the first signs of improving demand, the European vacancy rate remained stable over the quarter at 10.2% - the first quarter of stability since Q2 2008 (7.1%). This was driven by Western Europe, where the aggregated vacancy rate remained at 9.7% while in the CEE markets vacancy increased modestly, from 16.1% to 16.4%. Over the quarter, vacancy decreased in 7 of the 24 index markets led by London. The highest quarterly increase in vacancy was registered in The Hague (+160 bps), Luxembourg (+110bps) and Barcelona (+90bps); however these were exceptions. There remains a significant spread across Europe with the highest vacancy rate in Dublin (21.9%) and the lowest rate at 6.4% in Luxemburg. This, however, is still high for that market.

Looking forward, the differentials in the supply dynamic, GDP and employment growth across the region will accentuate differences in recovery. This will determine the window of opportunity for occupiers seeking to secure prime space or larger floor plates at competitive prices. Tightening supply pipelines will start to stabilise conditions in many markets but, as the office clock shows, risks remain prevalent in others.

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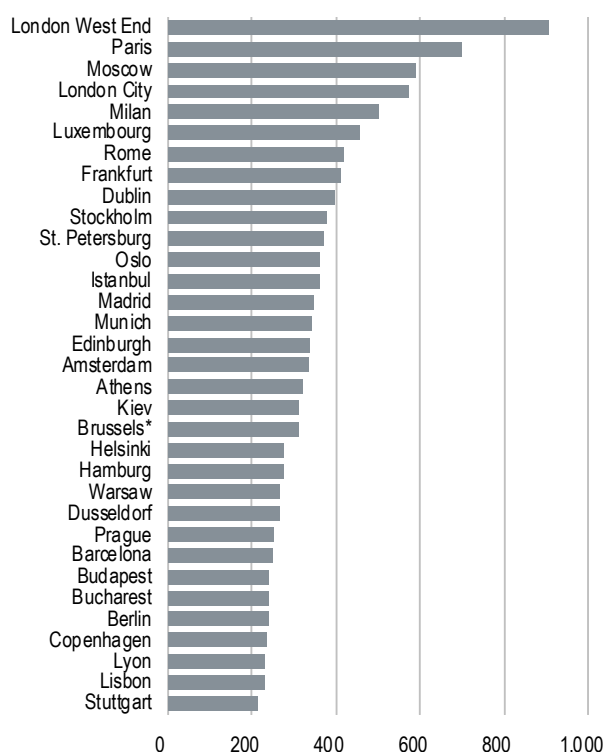
Prime Office Rents and Rental Change Q1 2010

	EUR / sqm pa	% Q-o-Q	% Y-o-Y
Europe		1.2 ↑	-5.0 ↓
Amsterdam	335	0.0 ↔	0.0 ↔
Athens	318	0.0 ↔	-11.7 ↓
Barcelona	249	-1.2 ↓	-11.7 ↓
Berlin	240	0.0 ↔	-4.8 ↓
Brussels*	310	17.0 ↑	17.0 ↑
Bucharest	240	-4.8 ↓	-16.7 ↓
Budapest	240	-2.4 ↓	-9.1 ↓
Copenhagen	235	0.0 ↔	-5.4 ↓
Dublin	398	-7.6 ↓	-32.8 ↓
Dusseldorf	264	0.0 ↔	-2.2 ↓
Edinburgh	338	0.0 ↔	-3.4 ↓
Frankfurt	408	0.0 ↔	-5.6 ↓
Hamburg	276	0.0 ↔	0.0 ↔
Helsinki	276	0.0 ↔	-4.2 ↓
Istanbul	360	0.0 ↔	0.0 ↔
Kiev	310	0.0 ↔	-30.0 ↓
Lisbon	228	0.0 ↔	-9.5 ↓
London City	573	5.6 ↑	-2.1 ↓
London West End	905	0.0 ↔	0.0 ↔
Luxembourg	456	0.0 ↔	0.0 ↔
Lyon	230	0.0 ↔	-2.1 ↓
Madrid	345	-2.5 ↓	-17.9 ↓
Milan	500	0.0 ↔	-4.8 ↓
Moscow	591	14.3 ↑	-20.0 ↓
Munich	342	0.0 ↔	-5.0 ↓
Oslo	361	0.0 ↔	-22.7 ↓
Paris	700	0.0 ↔	-6.7 ↓
Prague	252	0.0 ↔	-8.7 ↓
Rome	420	0.0 ↔	-2.3 ↓
St. Petersburg	370	-9.1 ↓	-33.3 ↓
Stockholm	380	0.0 ↔	-7.5 ↓
Stuttgart	210	0.0 ↔	-2.8 ↓
Warsaw	264	0.0 ↔	-12.0 ↓

Note: 1. Prime Office Rent represents the top open-market rent that could be expected for a notional office unit of the highest quality and specification in the best location in a market, as at the survey date (normally at the end of each quarter period). The rent quoted normally reflects prime units of over 500 m² of lettable floorspace, which excludes rents that represent a premium level paid for a small quantity of space. 2. Q-o-Q and Y-o-Y rental change is based on the local currency.

*Based on exceptional deal, not indicative for wider market

Prime Office Rents Q1 2010 (EUR / sqm pa)



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