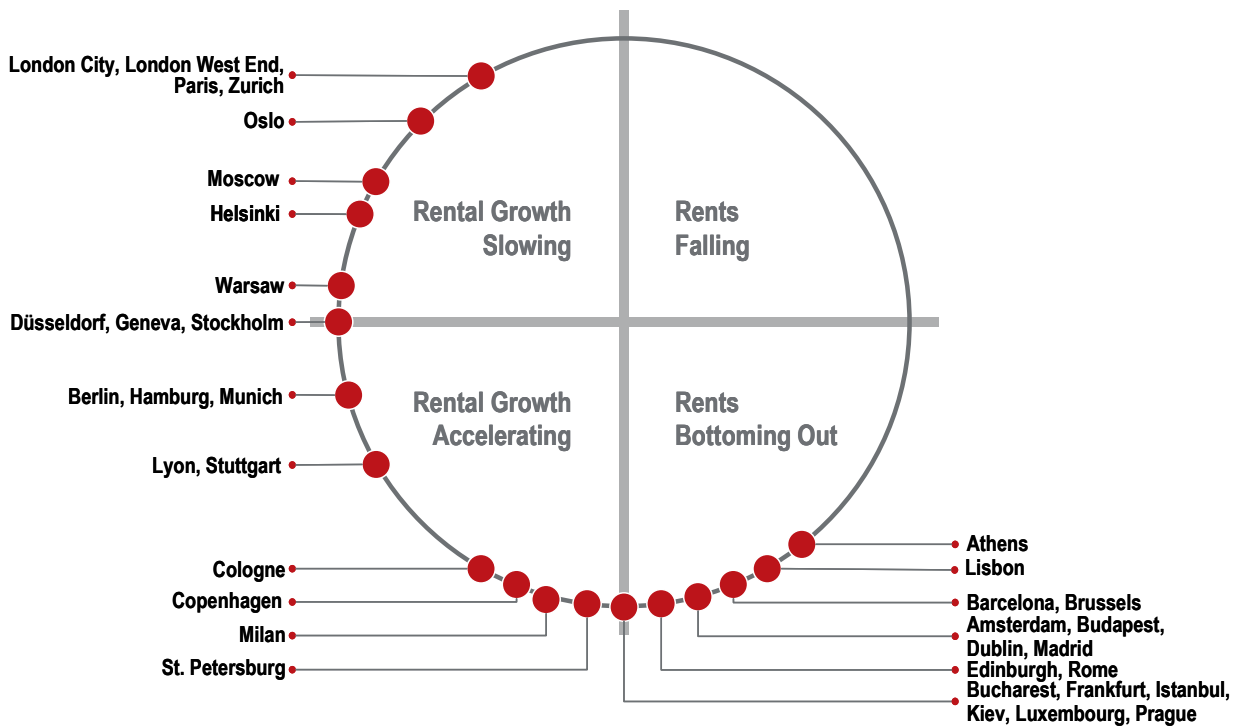


European office markets face stagnation as economic woes keep uncertainty high

Despite the economic nervousness, prime rents in Europe remain broadly unchanged over the quarter

Vacancy rates finally dropped below the 10% mark amidst stable office demand

Very limited capital value growth in prospect with flat rents and yields



Source: Jones Lang LaSalle IP, January 2012

The clock diagram illustrates where Jones Lang LaSalle estimates each prime office market is within its individual rental cycle as at end of December 2011. 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.

European Office Occupational Markets

The Eurozone debt crisis continues to weigh down economic growth prospects across the region. Ongoing efforts, including changes in government, strict austerity measures and high-level inter-governmental summits have not resolved the ongoing strains in credit markets and concerns about a further escalation of the crisis remain high. Recent downgrades to the credit ratings of major European economies and the European Financial Stability Facility (EFSF) are also likely to hinder a quick solution. Despite this serious backdrop key office market indicators showed improvement over the last quarter of 2011 though the picture remains mixed with market conditions in German and Nordic cities showing sustained performance whereas markets in the centre of the crisis continue to struggle. Business and investor sentiment remains fragile and despite certain pockets of growth, this will most likely show stagnation overall, before conditions improve towards the end of 2012. This assumes, of course, a meaningful solution to the Eurozone crisis is implemented.

Prime rents were broadly unchanged over the quarter with the European Office Index increasing by a mere 0.4%. Of the 24 Index markets, four saw rental increases (Rotterdam +2.6%, Berlin +2.4%, Düsseldorf +2.1%, Paris +1.3%), whereas rents dropped slightly further in the two major Spanish markets (Barcelona -1.3%, Madrid -1.0%). All other Index markets were unchanged on the previous quarter. The Jones Lang LaSalle's office property clock shows the spread between the 36 markets widen further. Eleven markets are now at or past 9 o'clock, whereas 16 markets remain at or before 6 o'clock. Levels of incentives remain high and are keeping headline rents stable in many markets.

With around 2.9 million sq m of office take-up, demand remained nearly unchanged over the quarter (-2%), though it was 9% below the same quarter a year ago. Despite the slightly weaker final quarter, take-up for 2011 surprised on the upside and was 5% above 2010 and inline with the five-year average. Of the 24 Index

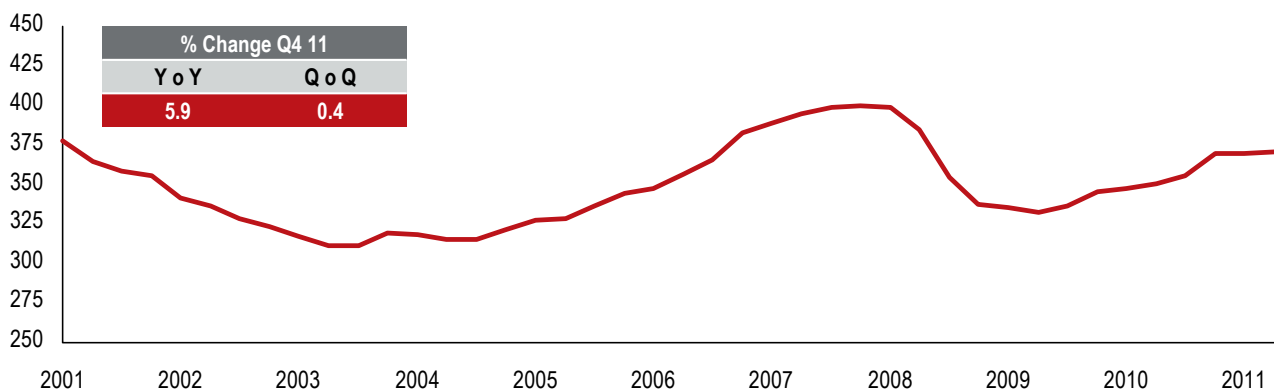
markets, 15 markets saw take-up volumes exceeding 2010 volumes, led by Prague (+81%), Munich (+52%) and Luxembourg (+44%). The picture for Europe's largest market Paris and London is mixed. While both markets saw demand slowing over the quarter, Paris finished 15% ahead of 2010 whereas volumes in London were 45% lower.

Net absorption increased slightly despite the caution in occupier markets. The annual rate of net absorption totalled 3.3 million sq m, an increase of 4.9% over the quarter, though 13% below the same point last year and 10% off the 10 year average. Office occupiers are also increasingly looking for flexible space that allows them to use their space more efficiently. We expect net absorption in the long term to be lower than historic levels.

The slight increase in absorption reduced vacancy. The European vacancy rate moved below 10% for the first time since Q3 2009 with a drop of 20bps to 9.9% based on decreasing vacancy in both Western Europe (-20 bps to 9.4%) and CEE (-60 bps to 14.4%). Of the 24 Index markets, 15 saw declines. In Western Europe, the decline was driven by London, the German markets, Amsterdam and Stockholm. Changes in CEE were largely driven by Moscow and Budapest. Going forward vacancy is expected to decline further, though only slowly with leasing markets more subdued. Second hand space previously released continues to trade sluggishly and ongoing uncertainty will reflect in limited expansion. Occupiers will also start to re-absorb currently surplus space before looking elsewhere.

Completions of new office space jumped in the final quarter by 41%, passing 1 million sq m, after a year which witnessed the lowest quarterly volumes for a decade. Nevertheless, completions in 2011 as a whole were 43% below the 10 year average. The pipeline for 2012 and onwards sees a dramatic increase in potential completions. However, ongoing uncertainty and a worsening supply of finance will result in further postponement s and cancellations and in reality the majority of what will complete between now and the end of 2013 is already under construction.

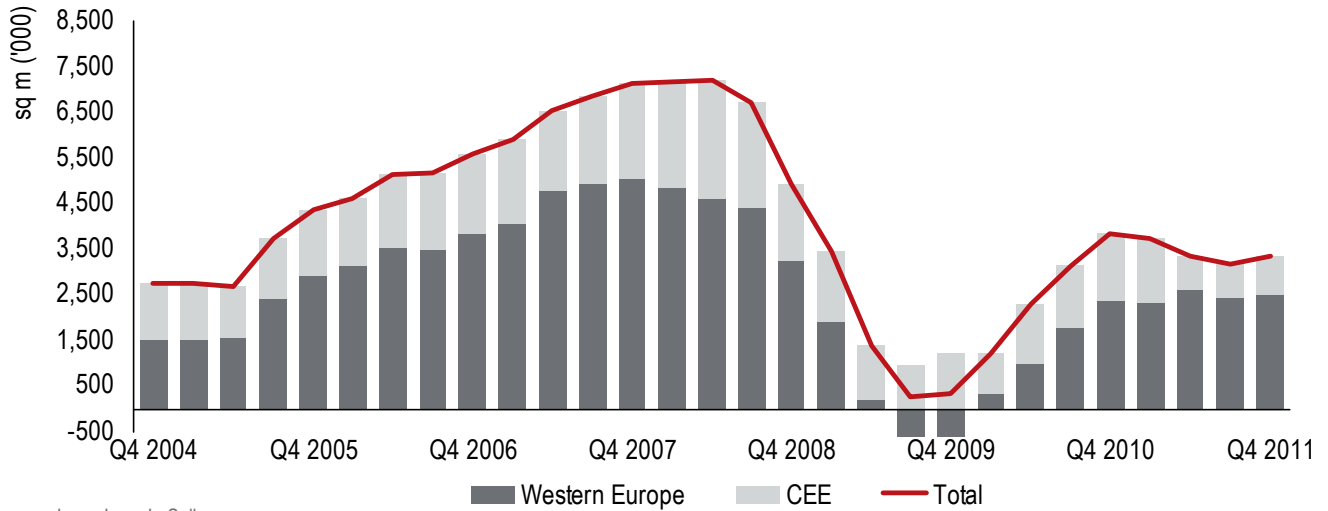
Prime European Office Rental Index



Weighted Nominal Rental Trend, 1980 = 100

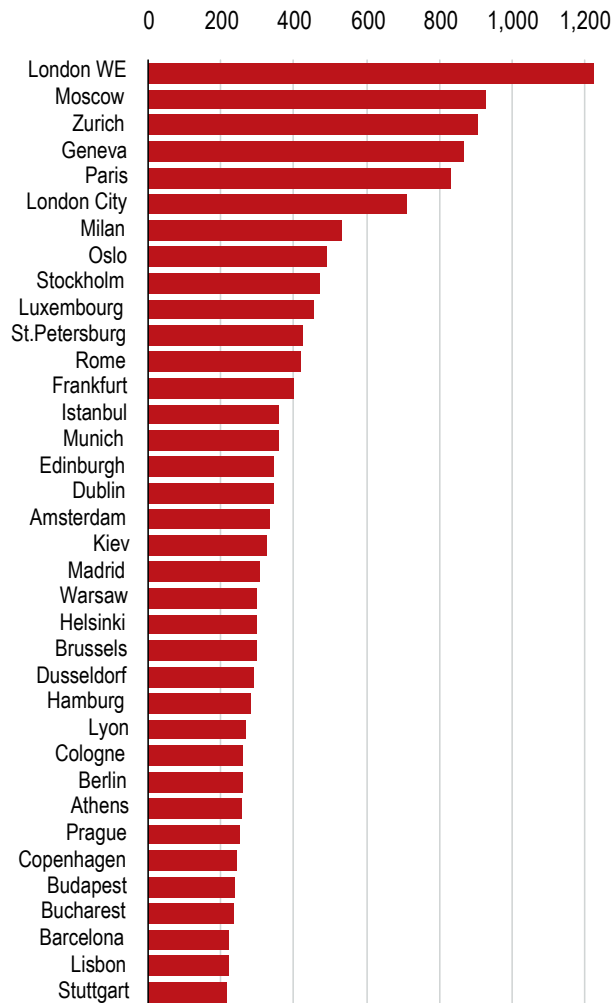
Source: Jones Lang LaSalle

Annual Office Net-Absorption



Source: Jones Lang LaSalle

Prime Office Rents Q4 2011 (EUR / sq m pa)



Source: Jones Lang LaSalle

Prime Office Rents and Rental Change Q4 2011

	EUR / sqm pa	% Q-o-Q	% Y-o-Y
Europe		0.4	5.9
Amsterdam	335	0.0	0.0
Athens	255	-5.6	-16.7
Barcelona	222	-1.3	-3.9
Berlin	258	2.4	4.9
Brussels	300	0.0	-3.2
Bucharest	234	2.6	2.6
Budapest	240	0.0	0.0
Cologne	258	0.0	0.0
Copenhagen	242	0.0	5.9
Dublin	344	0.0	-8.6
Düsseldorf	288	2.1	4.3
Edinburgh	348	0.0	-1.8
Frankfurt	396	0.0	0.0
Geneva	865	0.0	7.1
Hamburg	282	0.0	4.4
Helsinki	300	2.0	6.4
Istanbul	360	0.0	0.0
Kiev	324	0.0	0.0
Lisbon	222	-2.6	-2.6
London City	709	0.0	0.0
London West End	1,224	0.0	7.4
Luxembourg	456	0.0	0.0
Lyon	270	0.0	12.5
Madrid	309	-1.0	-4.6
Milan	530	0.0	1.9
Moscow	924	0.0	41.2
Munich	360	0.0	3.4
Oslo	490	5.6	18.8
Paris	830	1.3	10.7
Prague	252	0.0	0.0
Rome	420	0.0	0.0
St. Petersburg	424	0.0	10.0
Stockholm	472	0.0	5.0
Stuttgart	216	0.0	2.9
Warsaw	300	0.0	13.6
Zurich	906	0.0	10.0

Note: Q-o-Q and Y-o-Y rental change is based on the local currency.

Source: Jones Lang LaSalle

European Office Capital Values

European investment volumes were robust in the final quarter of the year. Preliminary numbers suggest that around €35-36bn was traded, reflecting an increase of 23% quarter on quarter. As a result, volumes for 2011 are expected to exceed €115bn, an increase of 13% in comparison with 2010. The UK market continues to attract investors due to its perception as a “safe haven” and overall activity has been in line with a healthy 2010. Given that activity was slower to pick up on the continent following the credit crisis, other areas have recorded stronger growth over 2011, including Scandinavia (+33%), Germany (+28%), France (+26%), Russia (+81%) and Poland (+33%) – demonstrating continued investor preference for core markets and those with a relatively strong economic fundamentals.

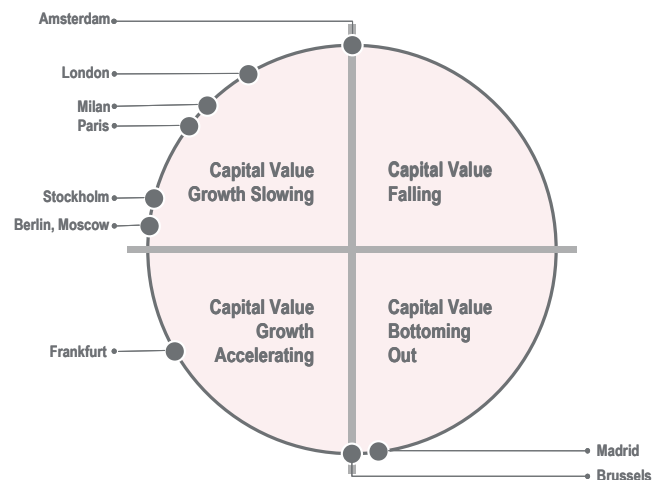
The weighted European Office Yield increased slightly, by a marginal 2 bps. Of the 24 Index markets, five markets saw yields changing over the quarter. Strong investor demand for prime product led to yields compressing in Luxembourg (-25 bps), Düsseldorf (-20 bps) and Frankfurt (-5 bps), whereas the ongoing difficulties in Spain and Italy forced yields up in Madrid (+50bps) and Milan (+15bps).

With rents and yields broadly stable, prime office capital values grew by a marginal 0.1% over the quarter (up 6.6% year-on-year) on aggregate. In total, only six of the 24 Index markets saw capital value increase over the quarter with Düsseldorf being the only market that benefited from both rental growth and yield compression. Milan as investor confidence declined and Madrid were the only markets that witnessed declines. Changes in Milan were entirely based on yield decompression as investor confidence declined whereas values in Madrid were affected from both yield decompression and rental falls.

For the year ahead, investor demand for office product is expected to be maintained, but there will be a continued polarisation between highly-sought after prime assets and less attractive secondary assets where risk is far higher. This is likely to keep prime yields at current levels, whereas yields (and capital values) for secondary assets will remain under pressure. The availability of debt finance will remain constrained, with banks being forced to increase their equity buffers in order to protect against sovereign contagion, combined with Basel III requirements to hold more capital. In addition disposals can be expected from banks as more refinancing looms and business plans created in 2011 begin to be actioned.

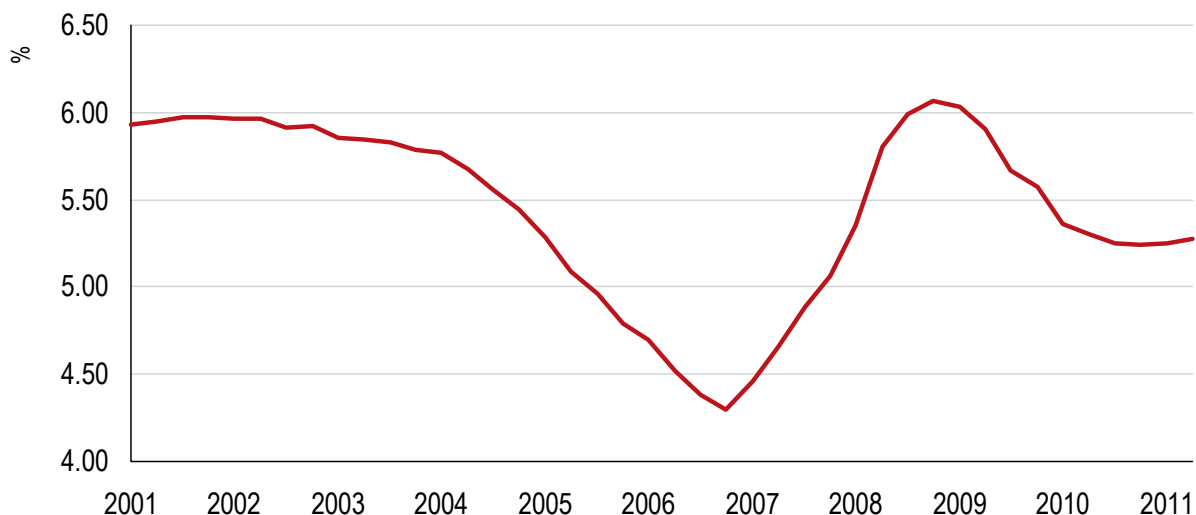
With investors continuing to focus on prime assets and with restrained debt markets, prime office yields are expected to remain unchanged with softening elsewhere. Capital value growth will be limited to those markets with better economic conditions and leasing markets offering rental growth. For many investors income returns will remain key in this subdued year, but by the second half of 2012, assuming Eurozone issues are worked through, markets offering the best rental growth prospects in 2013 should become far more interesting.

Prime European Office Capital Value Clock Q4 2011*

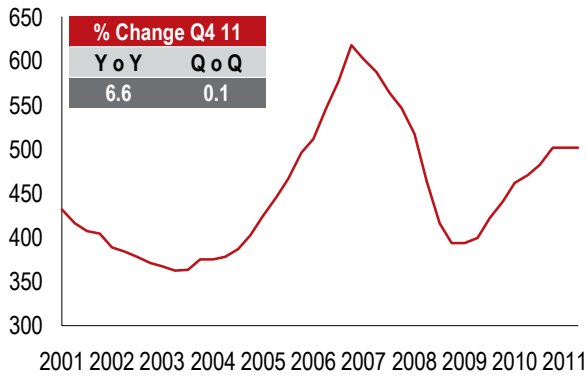


*selected markets

Weighted European Prime Office Yield



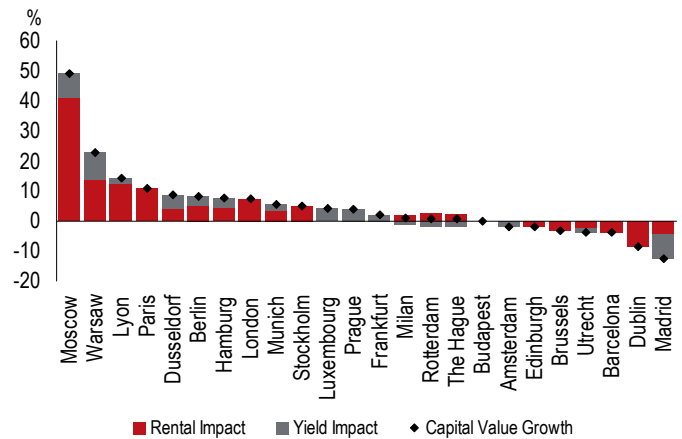
Prime European Office Capital Values Index Q4 2011



Weighted Nominal Capital Value Trend, 1980=100

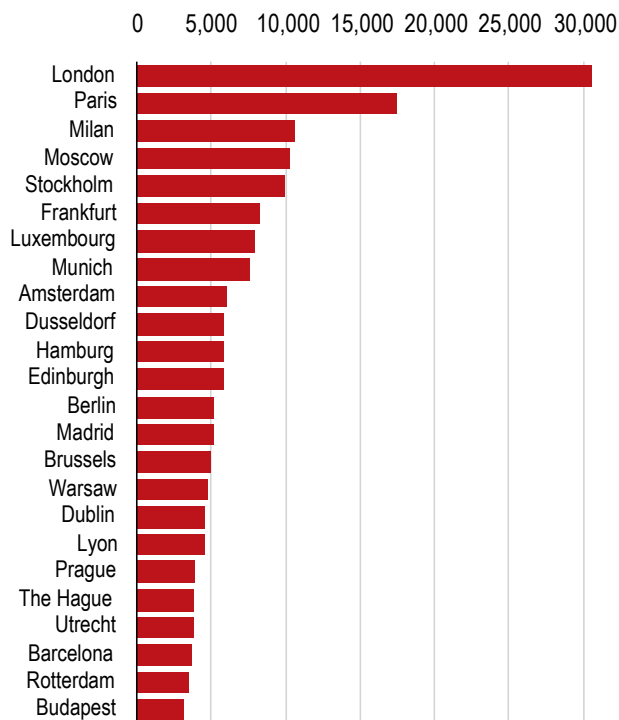
Source: Jones Lang LaSalle

Prime Office Capital Value Drivers: 12 months to Q4 2011



Source: Jones Lang LaSalle

Prime Office Capital Values Q4 2011 (EUR / sq m)



Prime Office Capital Values and Capital Value Change Q4 2011

	EUR / sqm	% Q-o-Q		% Y-o-Y	
Europe		0.1	▲	6.6	▲
Amsterdam	6,036	0.0	▶	-1.8	▼
Barcelona	3,700	-1.3	▼	-3.9	▼
Berlin	5,212	2.4	▲	8.1	▲
Brussels	5,000	0.0	▶	-3.2	▼
Budapest	3,200	0.0	▶	0.0	▶
Dublin	4,593	0.0	▶	-8.6	▼
Dusseldorf	5,818	6.3	▲	8.6	▲
Edinburgh	5,799	0.0	▶	-1.8	▼
Frankfurt	8,250	1.0	▲	2.1	▲
Hamburg	5,814	0.0	▶	7.7	▲
London	30,606	0.0	▶	7.4	▲
Luxembourg	7,930	4.3	▲	4.3	▲
Lyon	4,500	0.0	▶	14.4	▲
Madrid	5,150	-9.2	▼	-12.6	▼
Milan	10,600	-3.0	▼	0.9	▲
Moscow	10,271	0.0	▶	49.0	▲
Munich	7,579	0.0	▶	5.6	▲
Paris	17,474	1.3	▲	10.7	▲
Prague	3,877	0.0	▶	3.8	▲
Rotterdam	3,540	2.6	▲	0.7	▲
Stockholm	9,936	0.0	▶	5.0	▲
The Hague	3,805	0.0	▶	0.6	▲
Utrecht	3,793	0.0	▶	-3.9	▼
Warsaw	4,800	0.0	▶	22.7	▲

Q-o-Q and Y-o-Y rental change is based on the local currency.

Source: Jones Lang LaSalle

Definitions

Prime 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. 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. The Prime Rent reflects an occupational lease that is standard for the local market. It is a face rent that does not reflect the financial impact of tenant incentives, and excludes service charges and local taxes. The Prime Rent represents Jones Lang LaSalle's market view and is based on an analysis/review of actual transactions for prime office space, excluding any unrepresentative deals. Where an insufficient number of deals have been made for prime office space, an assessment of rental value is provided by reference to transactions generally in that market adjusted accordingly to equate to prime.

Prime Yield

Represents the best (i.e. lowest) "rack-rented" yield estimated to be achievable for a notional office property of the highest quality and specification in the best location in a market, as at the survey date. The property should be let at the prevailing market rent to a first class tenant with an occupational lease that is standard for the local market. The prime initial net yield is quoted, i.e., the initial net income at the date of purchase, expressed as a percentage of the total purchase price, which includes acquisition costs and transfer taxes. The Prime Office Yield represents Jones Lang LaSalle's "market view", based on a combination of market evidence where available and a survey of expert opinion.

Prime Capital Value

Represents the top open-market capital value (per square metre) that could be expected for a notional office property of the highest quality and specification in the best location, as at the survey date. Prime capital values are derived from prime office rents and prime office yields (net initial): $\text{Capital Value} = (\text{Prime Annual Rent} / \text{Prime Yield}) * 100$. This method will provide notional gross capital values, i.e. purchase price including acquisition costs and transfer taxes.

Annual Net-Absorption

Represents the change in the occupied stock within a market during one year. Net Absorption is calculated on the basis of "top-down" estimates of occupied stock derived by subtracting vacant office stock from the total office stock of that market. Mothballed stock, i.e. floorspace held vacant and not being offered for letting, usually pending redevelopment or refurbishment, is excluded.





Real value in a changing world

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The Jones Lang LaSalle Office Property Clocks – Q4 2011

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