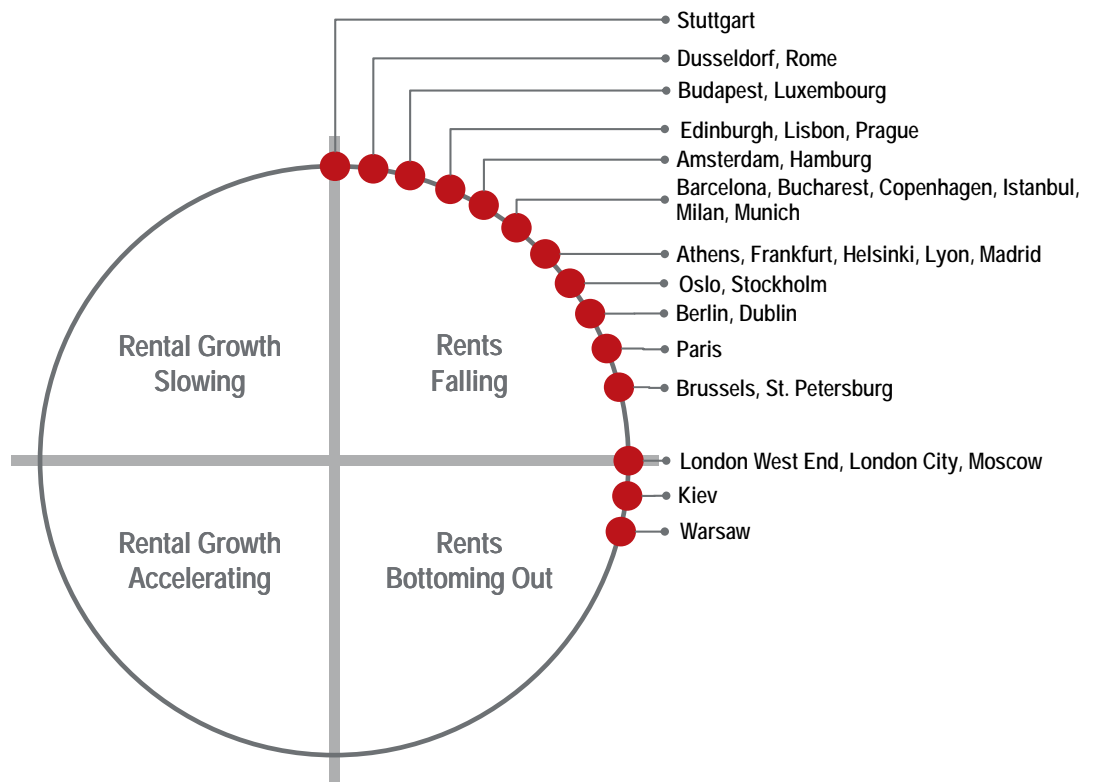


Rising Vacancy puts downward pressure on Europe's Office Rents



This diagram illustrates where Jones Lang LaSalle estimates each prime office market is within its individual rental cycle as at end June 2009.

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 remains in the midst of deep recession with a sustainable recovery not likely to be seen before well into 2010, despite early signs of improvements in economic and business confidence. Prime office rents continued to fall; though at a slower pace than at the beginning of the year. The European Prime Office Rental Index based on the performance of 24 markets decreased by 4.6% over the quarter leading to prime rents standing on average 15.4% lower than one year ago. Rental decreases have been recorded in the majority of European markets led again by Moscow with headline rental falls of 30% over the last three months, followed by Dublin (-18%) and Madrid (-10%). In Moscow, prime rents are now a record 63% lower than one year ago, followed by London (-32%). Both

markets have now reached three o'clock, the peak of rental decline. Given the current pressure on prime rents incentives increased further or remained at high levels, widening the spread between prime and effective rents in many markets.

A significant proportion of occupiers are still reducing staff numbers and seeking to avoid the costs of relocation. However, there is evidence that some tenants are looking to take advantage of current conditions and trying to secure higher quality space in better locations. Overall office demand improved only slightly and remains at low levels across Europe. Office leasing volumes reached 2.1 mil m², an increase of 9% compared to the previous quarter, but 35%

below volumes recorded in the same quarter last year and nearly 30% below the 5-year average. After a particularly slow first quarter, take-up increased in the CEE markets where leasing volumes reached 0.6 mil m² in Q2 and now stand 14% above the 5-year average. Increases over the quarter were also reported in some of the larger western European markets such as Brussels (+51%), Madrid (+46%), London (+43%), Hamburg (+27%) and Munich (+10). However, seven markets saw declines in leasing activity led by Rotterdam (-73%), Frankfurt (-44%) and Dusseldorf (-30%) and Amsterdam (-23%). It should be noted however, that these quarterly changes are based on comparatively low absolute numbers.

Given the current economic environment and tight financing conditions, few new office developments have been started, but due largely to the time lag between project start and delivery to market, 1.9 mil m² has been added to the markets in Q2 2009 despite difficult leasing market conditions. Completion levels declined by 10% over the quarter, with many projects cancelled or postponed, where possible already last year. However, completion levels remain more than 30% above the 5-year average. Together with low or negative net absorption this caused the overall European vacancy rate to increase by another 80 basis points to 9.3%. The vacancy rate increased substantially in CEE to 14.6%, a level not seen since 1999, while in Western Europe the average rate reached 8.8%. The highest vacancy rates are now recorded in Dublin (21.2%), Moscow (18.0%), Budapest (15.0%) and Frankfurt (13.5%). Markets with vacancy rates below the European average include Paris, London, Munich, Hamburg, Madrid, Milan and Warsaw. Though up 130bps over the quarter, Luxembourg remains the market with the lowest vacancy rate (3.7%). With office demand expected to remain weak and another 4.0 million m² due to be completed in the second half of the year it is anticipated that the vacancy rate will increase further over the year and the overall European vacancy rate could exceed 10% at year end.

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Prime Office Rents and Rental Change Q2 2009

	EUR / sqm pa	% Q-o-Q	% Y-o-Y
Europe		-4.6	-15.4
Amsterdam	335	0.0	1.5
Athens	360	0.0	-21.1
Barcelona	270	-4.3	-16.7
Berlin	246	-2.4	-4.7
Brussels	265	0.0	-7.0
Bucharest	264	-8.3	-12.0
Budapest	258	-2.3	-2.3
Copenhagen	242	0.0	-14.3
Dublin	484	-18.2	-25.0
Dusseldorf	270	0.0	0.0
Edinburgh	337	0.0	0.0
Frankfurt	420	-2.8	-5.4
Hamburg	276	0.0	-2.1
Helsinki	288	0.0	0.0
Istanbul	360	0.0	-25.0
Kiev	407	-10.0	-50.0
Lisbon	246	-2.4	-2.4
London City	523	-7.2	-28.0
London West End	872	0.0	-31.8
Luxembourg	456	0.0	-5.0
Lyon	230	-2.1	-8.0
Madrid	378	-10.0	-22.7
Milan	500	-4.8	-12.3
Moscow	527	-30.0	-63.2
Munich	348	-3.3	-4.9
Oslo	363	-13.3	-27.8
Paris	700	-6.7	-15.7
Prague	264	-4.3	2.3
Rome	430	0.0	-4.4
St. Petersburg	527	-6.7	-30.7
Stockholm	355	-2.5	-11.4
Stuttgart	216	0.0	2.9
Warsaw	288	-4.0	-27.3

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

Prime Office Rents Q2 2009 (EUR / sqm pa)

