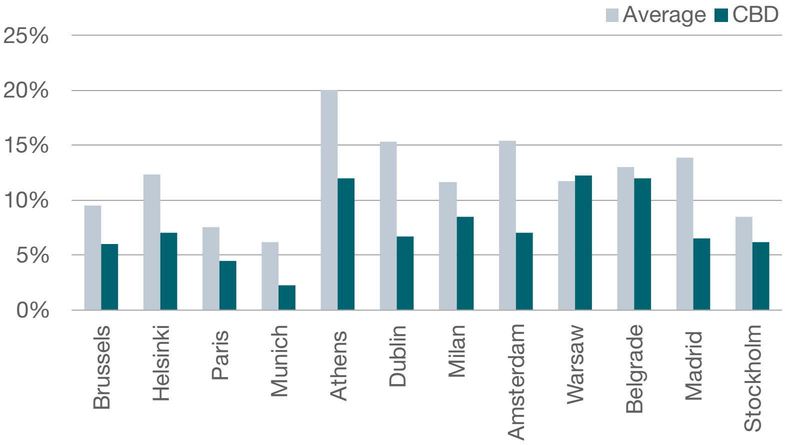
Market report
European Offices

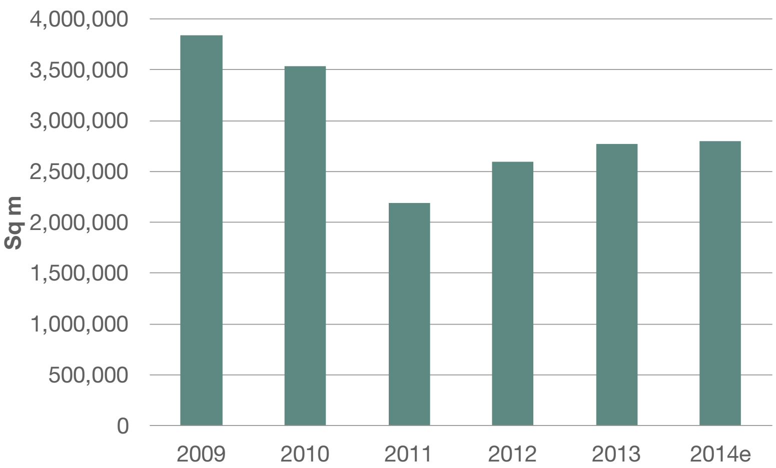
March 2014

GRAPH 1
Average vs CBD vacancy rates



Graph source: Savills

GRAPH 2
Development completions in Europe*



Graph source: Savills (*survey area)

SUMMARY

Supply is tight in the CBDs

■ Europe's economic recovery gathered momentum in Q4 2013, but remains fragile and reliant on rising activity in Germany. GDP expanded by 0.5% yoy, the first positive growth in eight months.

■ Leasing activity trends were mixed last year. The recovery of Dublin and Madrid and the strength of London were counterbalanced by weaker take-up in Paris, Amsterdam and the German markets. Although total take-up in our survey area was 4% lower yoy, there are significant enquiries for high quality space that remain unsatisfied. We predict total take-up for 2014 to be stable or higher in all our markets.

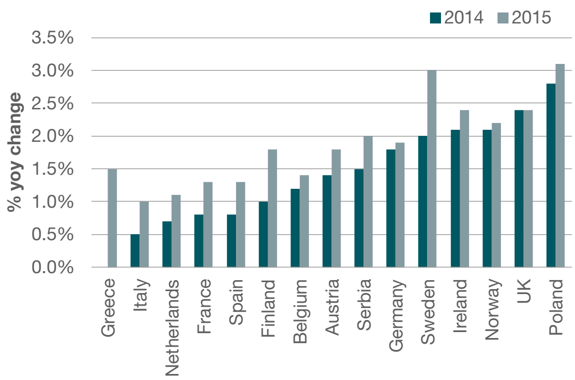
■ The tight supply of prime space is reflected in the falling vacancy rates. The average vacancy rate was 10.2% in Q4 2013, while the average CBD rate was 7.5%. Development completions are picking up and will rise by 6% on average in our markets this year, but the average vacancy rate is predicted to remain in the region of 10%.

■ Last year the annual prime CBD rental growth was stronger in Dublin, in the Scandinavian and in the German cities. In most cases this was the result of the tight demand and supply conditions in the central locations. This year we expect prime CBD rents to increase by 1.5% on average.

"New developments and refurbishments have picked up to satisfy occupier requirements for high quality space." Eri Mitsostergiou, Savills European Research

GRAPH 3

Output projection 2014 The economic outlook for the next two years is positive



Graph source: Oxford Economics, Focus Economics

Economy

Euro area GDP growth gathered momentum in the last quarter of the year although on an annual level it was still slightly negative at 0.4%. According to the latest (March) FocusEconomics Consensus Forecasts the Euro area GDP will grow by 1.0% in 2014 and by 1.4% in 2015.

The Economic Sentiment Indicator (European Commission) picked up in February 2014, marking the highest level since July 2011. All the categories showed improvement, except consumer sentiment.

Other indicators suggest that the weakness of the economy persists. Industrial production contracted 0.8% in the full year 2013, which was nevertheless half of the previous year's drop at 2.5%. The predictions for the next two years are positive at 1.8% yoy in 2014 and 2.6% yoy in 2015.

Unemployment remained unchanged last year at 12%. There is a divergence in labour market developments between core and peripheral economies. Greece (28%) and Spain (25.8%) were the Euro area members with the highest unemployment rates. Austria (4.9%) and Germany (5.0%) recorded the lowest rates. FocusEconomics expects the unemployment rate to remain unchanged this year.

According to the latest (February) Eurostat data consumer prices (HICP) were 0.8% higher yoy. The European Central Bank (ECB) acknowledges that inflation is low but expects that it will stay at current levels and does not see a deflationary threat materialising. In February the ECB kept the refinancing rate unchanged at the record low of 0.25%. The Bank has stated that it is determined to maintain the high degree of monetary accommodation in order to underpin economic activity and a recovery in domestic demand.

Survey area: Vienna, Brussels, Belgrade, Paris, Berlin, Frankfurt, Munich, Hamburg, Dusseldorf, Cologne, Amsterdam, Oslo, Stockholm, Helsinki, London, Manchester, Athens, Milan, Madrid, Dublin and Warsaw

"Large enquiries are taking up the best space availabile creating positive growth trend for prime rents." Eri Mitsostergiou, Savills European Research

Demand

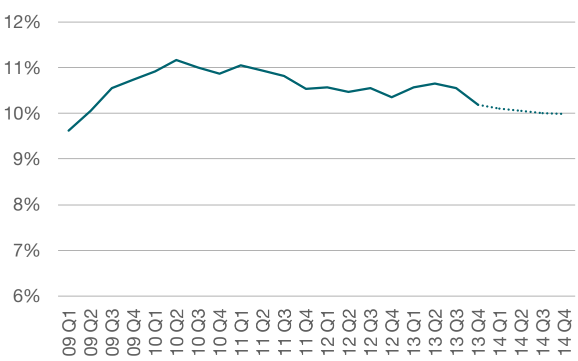
Last year's leasing activity trends in Europe were mixed. Some locations registered an increase in take-up driven by large-scale deals and some improvement in business sentiment (London, Cologne, Dusseldorf, Madrid, Vienna), while in other locations the lack of big transactions or occupier uncertainty had the opposite effect on the total leasing turnover (Berlin, Frankfurt, Paris). Overall total take-up in our area of survey was close to 8m sq m, which is about 4% below last year's total.

Big size enquiries have been a characteristic of most of the markets during the crisis underpinned by corporate consolidation needs. Occupiers have been rationalising their property portfolios, downsizing but also concentrating their operations under one roof. Exploiting their negotiation power they have taken advantage of attractive rents to relocate to better, more efficient, more modern premises.

Demand is now driven by large-scale requirements that can make leasing activity more volatile. Particularly after about three years of lower supply of new office space, we are reaching a

GRAPH 4

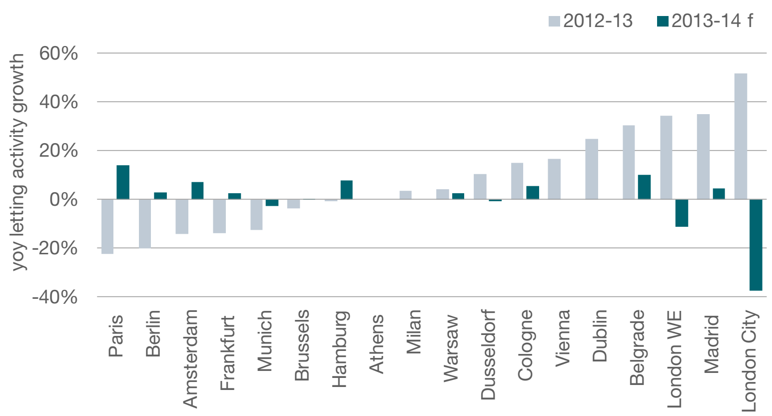
Average vacancy rate is edging downward



Graph source: Savills

GRAPH 5

Take-up Demand in some peripheral markets is improving, take-up to remain broadly stable in 2014



Graph source: Savills

point where the best space in most markets has been absorbed and most of the vacancy is now concentrated in secondary locations and buildings.

Supply

Generally average vacancy rates continue to fall in the majority of the markets we monitor, the average was at 10.2% in the end of 2013 compared to 10.35% a year before. The tightest markets in terms of supply are London, Berlin, Munich and Vienna - all below 7%, while Madrid, Dublin and Amsterdam have the highest average vacancy rates, above 13%.

Most markets are polarised with increasing competition for good quality space in the best locations and rising supply in secondary areas. Consequently, the availability of space is much lower in the CBD's of the major cities compared to the fringe locations. The average CBD rate in our survey area was 7.6% in the end of 2013.

As availability is falling particularly in the core markets (Germany, UK, Belgium, Netherlands) developers are gradually setting off a new cycle of the market. Last year the level of development completions increased by 12% on average with the highest rises noted in Berlin (68%), Frankfurt (99%) and London City (75%). The focus is not only in new developments, but also in refurbishments of older stock in good locations that needs upgrade. Additionally, there is a share of older office stock that will seek new uses in order to remain viable and marketable. Already in Amsterdam and in Frankfurt about 200,000 sq m and 120,000 sq m of office space respectively has changed use contributing to a decrease in supply.

This year the average vacancy rate is expected to drop slightly further to below 10% in all markets except Helsinki, Athens, Berlin and Warsaw. At the same time The development pipeline is projected to rise on average by 10% in the markets we monitor. The German markets of Frankfurt and Munich are expected to see the highest rise in completions with 78% and 47% respectively. The largest drop in development activity is in Paris, which will see a 50% fall in completions.

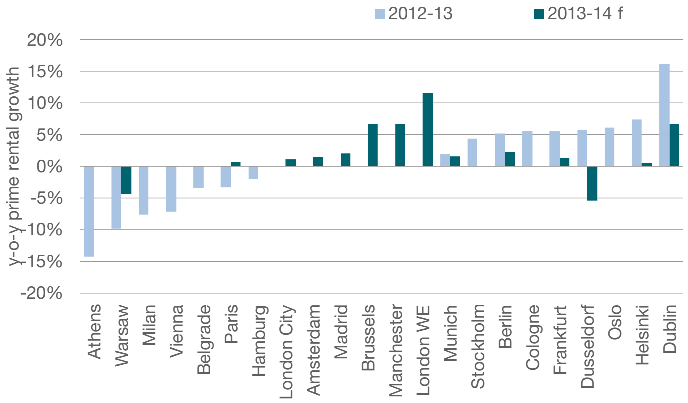
Rents

Tight occupier budgets are reflected in the overall modest rental growth. Although half of the markets covered had zero or negative prime rental growth last year, one third of the markets showed above 4% prime rental growth for CBD offices, with Dublin (16.1%) Helsinki (7.4%), and Oslo (6.1%) at the top of the ranking.

The picture for secondary CBD rents is mixed, with markets such as Paris, Warsaw and Belgrade experiencing over 10% annual discounts and Brussels, Dublin, Oslo, Stockholm and London showing between 5% and 10% growth. Prime rents in non-CBD locations have been broadly stable, while negative movement was noted in secondary non-CBD rents at -1.4% on average.

GRAPH 6

Prime CBD rental growth Mixed picture of rental trends, modest rental growth expectations this year



Graph source: Savills

OUTLOOK

Supply of top quality space to become tighter

■ Euro area GDP is forecast (Focus Economics) to grow by a modest 1.0% this year. There are encouraging signs that growth should pick up in Germany and some peripheral countries. Unemployment is likely to fall as companies will take advantage of any increase of activity to raise productivity and profitability.

■ Take-up this year will be determined on the one hand by the firm improvement of economic conditions and business sentiment and on the other hand by the availability of the type of space that occupiers are seeking, which is sizeable, efficient, sustainable, accessible premises in the best locations. On the whole we expect the take-up volume to be stable or higher in all our markets next year, except London which saw exceptional levels of demand last year. We predict total take-up to be in the region of 7.8m sq m.

■ This year the average vacancy rate is expected to drop slightly further to below 10% in all markets except Helsinki, Athens, Berlin and Warsaw. At the same time the development pipeline is projected to rise on average by 10% in the markets we monitor. The German markets of Frankfurt and Munich are expected to see the highest rise in completions with 78% and 47% respectively. The largest drop in development activity is in Paris, which will see a 50% fall in completions.

■ The picture of rental growth trends is expected to polarise further with stable or rising prime rents in the best locations and falling secondary rents due to higher availability and rising incentives in secondary locations and older buildings. Nevertheless, even in the top end of the market we do not expect dramatic rises in rents, we predict 1.5% average annual growth for the CBD, as overall occupiers remain price sensitive. We predict that the markets to show highest rental growth trends next year will be London West End (11.6%), Dublin, Manchester and Brussels all by 6.7%.

European city review

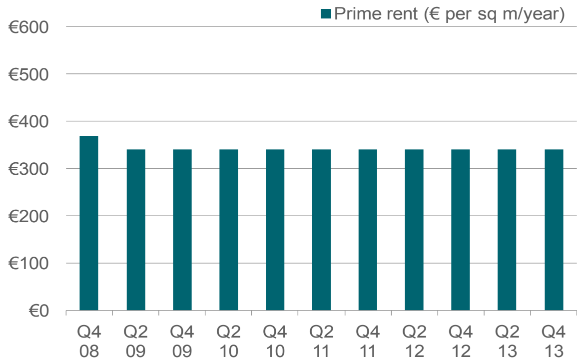
Amsterdam

In 2013 demand wad stable and reached 247,000 sq m in line with the long-term average. Over 2013 business services were responsible for the largest share of occupier demand (39%), while the TMT sector, important in Amsterdam, accounted for 14.4% of demand. Largest share of demand was allocated to Amsterdam Centre (29%). During the second half of 2013 supply decreased, mainly due to the obsolete properties being transformed to other uses, like student housing, hotels and residential. Currently supply stands at 1.04m sq m in the Amsterdam agglomeration, resulting in an overall availability of 14.8%. However, availability in the city centre (6.3%) and the South Axis (6.7%) is low and decreasing. Prime rent levels remained stable at €340 per sq m per year and are supported by the low and dropping availability at the prime areas. Secondary rents however will remain under downward pressure since owners increasingly compete on asking rents. With the economy turning for the better a growth in occupier dynamics might be expected.

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

GRAPH 7

Amsterdam



Graph source: Savills

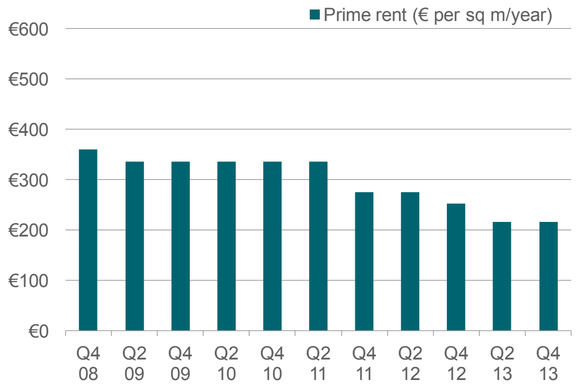
Athens

Market activity in 2013 has been driven exclusively by relocations and renegotiations, reaching a similar turnover as the year before in the region of 40,000 sqm. This is 40% of the long term average. In a market with rising availability and falling rents occupiers have had the opportunity to combine cost cutting and rationalisation with relocation in better premises. This means that although the overall vacancy rate (Grade A-B) has climbed above 20%, available space is either in older stock or in owner-occupied buildings. This year economic conditions are expected to stabilise with some small employment creation in the service sector. After five years of negative rental growth, the market is reaching its bottom and average prime rents should stabilise within 2014. Average prime rents are at the most about €15 per sq m/month, which is almost 40% below their peak in 2008.

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

GRAPH 8

Athens



Graph source: Savills

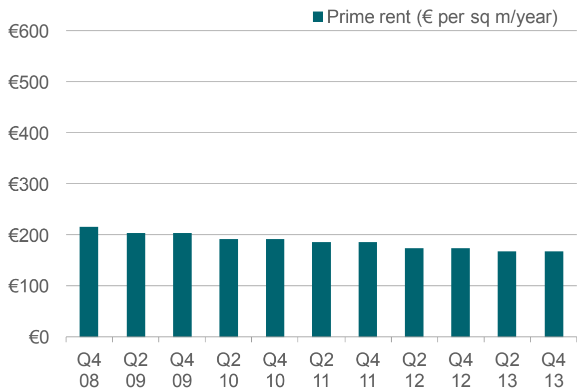
Belgrade

The overall take-up of office space in 2013 recorded increase of 30.3% yoy and reached level of 58,500 sq m. It included about 70 transactions with the average deal size being 490 sq m. The office market faced the lack of new supply during 2013 and no large projects have launched construction. The total office stock in 2013 remained at the level of app. 720,000 sq m of GLA. In comparison with other capital cities in CEE and SEE, modern office stock in Belgrade is still very scarce. As there were no large deliveries in the last 18 months, vacancy dropped from 14.5% in 2012 and revolved around 13%, which is the lowest since 2009. In comparison with the last year, the level of rents in 2013 for A and B class recorded a modest decrease. The average prime CBD rents in 2013 were €168 per sq m/year (-3.45% yoy). Rental values are expected to be stable in 2014.

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

GRAPH 9

Belgrade



Graph source: CoresideSavills

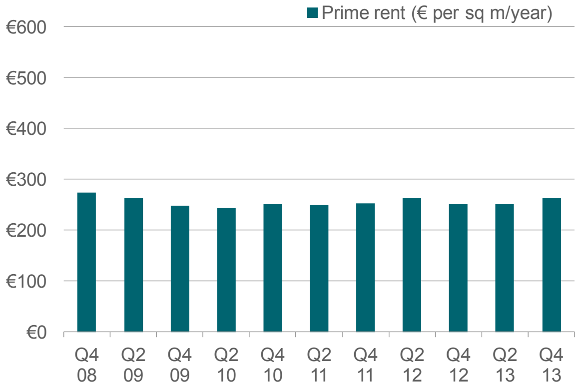
Berlin

In 2013, 680,500 sq m of office space was taken up, which is almost 23% less than in the year before. Mainly major letting transactions failed to appear in 2013. The decline is mainly due to a lack of supply of contiguous office spaces of at least 5,000 sq m in the central submarkets. In these locations a slow change in the direction of a landlord`s market takes place. Nevertheless take-up was in line with the ten-year average, whereas prime and average rents increased to €264 per sq m/year (+5.3% yoy) and €148 per sq m/year (+2.8% yoy), respectively. Rental values are expected to slightly increase further in 2014. Vacancy rate decreased by 40 basis points and stood at 5.0% at the end of 2013. That is the lowest value of all major German office markets. Since completion volume will remain low (approx. 200,000 sq m) and is predominantly pre-let (58%), vacancy rate will remain low in 2014. Since a couple of major letting transactions are to be completed, take-up is expected to increase this year.

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

GRAPH 10

Berlin



Graph source: Savills

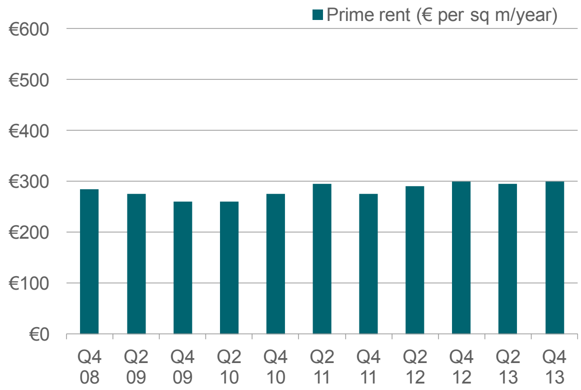
Brussels

In 2013, more than 65% of the total Belgian take-up was carried out in Brussels where activity was maintained at a steady level compared to the five-year average with 335,000 sq m recorded, 4% below 2012. In Brussels, one third of the volume (110,000 sq m) took place in the Leopold district that was boosted by two large deals involving the EU comprising a total 57,500 sq m. However, overall demand remained driven by corporates in 2013, accounting for 74% of lettings. EU institutions followed with 17%. Only 7,000 sq m of new speculative developments have been delivered in Brussels during 2013. This has had a positive impact on the market as the overall vacancy continued to drop for the third year in a row, now standing at 9.5% (vs. 10.5% in 2012). The average rent remained relatively stable at €166 per sq m per year if we include take-up from the periphery and €180 per sq m excluding the periphery. In the best areas of the Leopold district prime rents are still at €300 per sq m per year but are expected to increase to approx. €320 per sq m in 2014 with the completion of the Black Pearl building and the lack of new office space available.

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

GRAPH 11

Brussels



Graph source: Savills

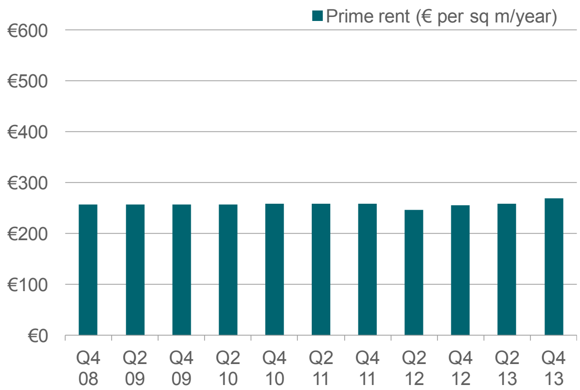
Cologne

Due to several major letting transactions office take-up accounted for 270,000 sq m, which is 14.9% more than in 2012. Moreover this value is slightly above the ten-year average of 260,000 sq m. Besides the risen number of major letting transactions, many lease prolongations took place - in some cases because of a lack of alternatives. Thus the shortage of supply prevented an even higher take-up in 2013. Another consequence of the lack of Grade A supply was an increase of prime rent to €270 per sq m/year (+5.6% yoy). Vacancy rate decreased by 120 basis points and stood at 7.1% at the end of the year. For 2014, prime rental values are expected to remain on their current levels since the majority of demand is focused on the City submarket, which had a share of 40% of total take-up in 2013. Due to the low number of developments shortage of supply in terms of well-located Grade A space is even expected to increase. However, the majority of tenants are still rather price sensitive, so the average rent is expected to move sideways in 2014. By reason of a strong demand in all size categories and ongoing contract negotiations of major tenants, take-up is expected to reach at least the past year's level.

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

GRAPH 12

Cologne



Graph source: Savills

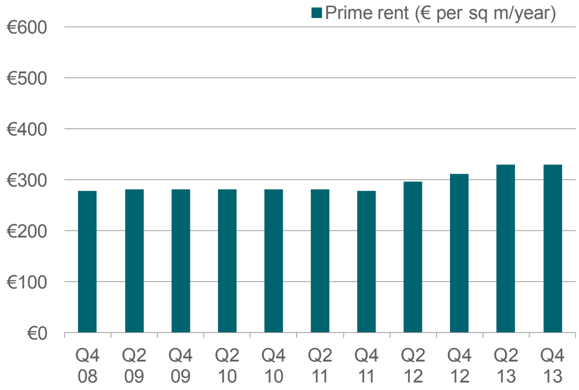
Dusseldorf

The market saw a take-up of 342,400 sq m, meaning an increase of 10.5% yoy. Besides Cologne, Dusseldorf was the only German market, which showed an increase in take-up in 2013. The increase was mainly driven by a number of major transactions above 5,000 sq m. The high demand for high-quality office space in particular led to an increase in prime rents by 5.8% yoy to €330 per sq m/year. Vacancy rate decreased by 30 basis points to 10.8% but is rather unequally distributed. Whilst vacant Grade B and C office space in peripheral submarkets attracted low demand, supply in CBD is characterised by a shortage of high-class office space. For 2014, an easing of the situation in the CBD is not to be expected, as new projects won't come onto market before 2015/16. For that reason, more potential tenants were looking for other locations close to the CBD, such as Kennedydamm. In general, 2014 take-up is expected to be in line with the past year's figure while completion volume will slightly increase to approx. 140,000 sq m. Consequently, vacancy rate will decline further. However, prime rent is expected to slightly decrease.

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

GRAPH 13

Dusseldorf



Graph source: Savills

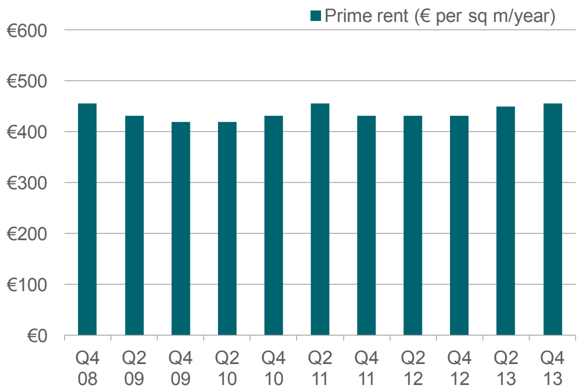
Frankfurt

Office take-up decreased by 13.9% yoy to 439,000 sq m in 2013. Primarily the low number of major letting transactions is responsible for not even reaching the five-year average (451,000 sq m). Only four deals of at least 10,000 sq m took place in 2013. This is not due to a lack of demand but due to lacking high-quality office space of at least 5,000 sq m, particularly in central locations. Therefore many lease prolongations took place. Despite the shortage of supply, low completion volume and several conversions from office to residential properties led to a further reduction of vacancy. The vacancy rate decreased by 240 bps and stood at 11.9% at the end of the year. Prime rents slightly increased to €456 per sq m/year (+5.6% yoy) while average rents decreased to €210 per sq m/year (-2.8% yoy). These divergent developments should continue in 2014. Scarce supply in prime locations should result in slightly increasing prime rents, while rents in peripheral locations will likely decrease further. On account of an increasing number of major letting transactions take-up is expected to reach at least 500,000 sq m in 2014.

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

GRAPH 14

Frankfurt



Graph source: Savills

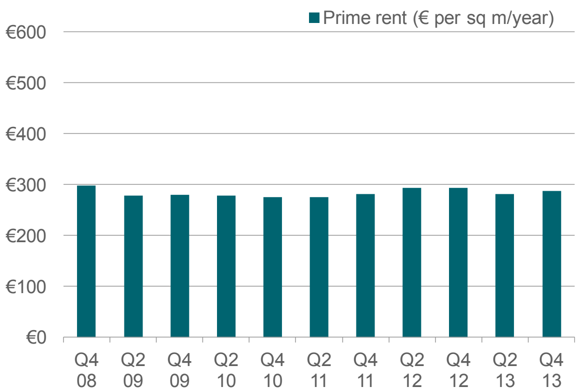
Hamburg

Approximately 427,000 sq m was taken up in 2013, almost exactly the same volume as in the year before (-0.7% yoy). This is 5% below the ten-year average of 451,000 sq m. Nearly one-third of take-up was registered in the City submarket, where several major letting transactions were closed. For the first time since Q2 2012, the prime rent showed an increase in Q4 13. However, with reaching €288 per sq m/year it was still 2.2% below its level one year before. The vacancy rate decreased by 90 basis points yoy and stood at 7.2% at the end of 2013. The vacant office stock amounted to 940,000 sq m. The development pipeline for 2014 comprises approx. 180,000 sq m but is predominantly pre let. As demand is still high, a slight increase of prime rent is could materialise but is not likely to exceed €488 per sq m/year in 2014. Take-up is expected to increase to about 460,000 sq m in 2014.

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

GRAPH 15

Hamburg



Graph source: Savills

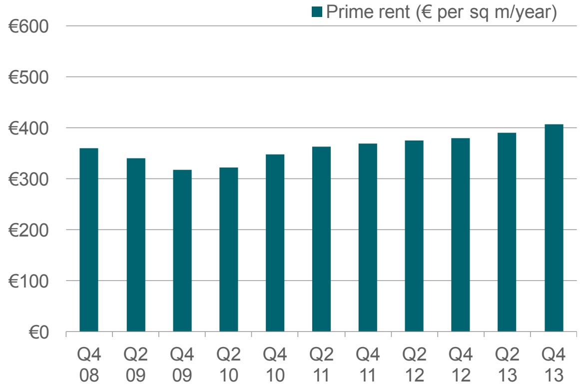
Helsinki

The Helsinki Metropolitan Area (HMA) consists of the cities of Helsinki, Espoo and Vantaa. The vacant office space in the HMA has increased substantially due to brisk new construction and stagnating economy and is nearly at 12.5 %. The highest vacancies are shown in the areas, where the property stock is older and the location less attractive. Although office construction decreased by 50 % yoy in 2013 and hardly any building permits were granted in late 2013, in December 2013 there was still some 110,000 square meters of new office space under construction, which will further increase lettability challenges of non-prime properties. The downward trend in the economy is reflected in decreasing demand and take-up as well as prolonged decision-making. Mainly lease renewals and renegotiations maintain the activity. Demand has been mostly driven by the occupiers' relocation either to well located modern office premises or to more efficient premises. Increased vacancy rates continue to create downward pressure in rents of older stock and of new leases. The sentiment in the occupational market is subdued and a recovery in rental demand is not expected in H1/2014.

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

GRAPH 16

Helsinki



Graph source: Realia Management

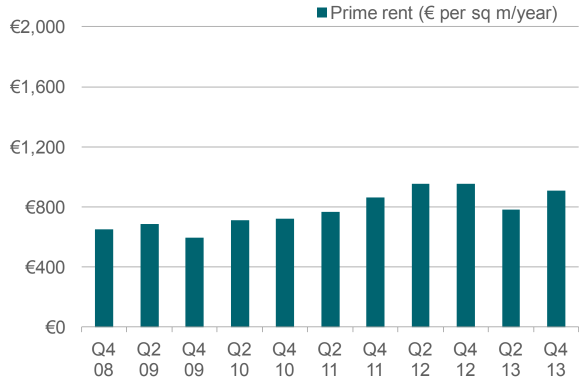
London City

Tenant demand rebounded strongly in the second half of 2013, especially from larger (>100,000 sq ft) tenants. This meant that the total take-up reached just over 7m sq ft, its highest level since 2000. Banking tenants accounted for only 1% of total take-up. However, this low level of demand was compensated for by strong take-up by the insurance, legal, accountancy and TMT sectors. 2013 saw a continuation of the trend of more footloose tenant requirements, with traditional West End tenants choosing to locate in the City fringes for operational or cost reasons. The supply-side story continued to improve in the second half of 2013, with the vacancy rate falling from 10.4% in June, to 8.3% at the end of December. Top rents remained flat in the second half of last year, with rents of £70/sq ft achieved in some of the new tower space. The average prime rent however rose by 20% last year, reaching £64.45/sq ft in the final quarter of 2013. In 2014 we expect that total take-up will be slightly down on the exceptional level that was reached in 2013. The vacancy rate is forecast to continue to fall while upward pressure will continue on prime rents. We are forecasting 3.7% pa average growth over the next five years.

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

GRAPH 17

London City



Graph source: Savills

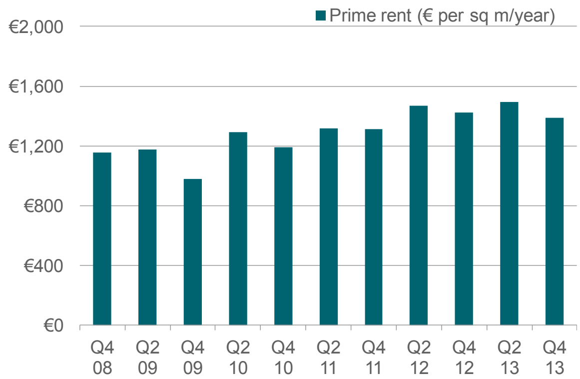
London West End

The second half of 2013 saw a similar level of take-up to the first half, and this brought the total take-up for the year to an above trend 4m sq ft. This is 1m sq ft higher than the total achieved in 2012, a reflection of strong business confidence. The dominant business sector was the Technology sector, which accounted for 26% of all the space leased. This was heavily skewed upwards by Google's acquisition of more than 800,000 sq ft for their new headquarters at Kings Cross. The banking sector which is important high rent payer to the West End accounted for 1% of the activity. The level of availability remains exceptionally tight, with an overall vacancy rate of 3.8%, down from 4.0% at the mid-year, which is putting upward pressure on Grade A rents. The top rent achieved in the second half of 2013 was £120/ sq ft, and the average prime rent achieved grew by 20% over the year to reach £99.85/sq ft. Improving business confidence will ensure that the take-up level remains above average, with particularly strong activity in the more affordable fringe markets. Low levels of vacancy in the core will support rental growth, and our current forecast for prime West End office rental growth is 6.0% pa over the next five years.

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

GRAPH 18

London West End



Graph source: Savills

Oslo

Despite the recent pessimism about the economy's prospects, business activity, in contrast, appears to be on a more solid footing, underpinned by stronger external demand. The rental market in Oslo has remained stable. Prime rents at CBD were at NOK 3,500 per year in the end of 2013, which was 6% higher than the year before. Other centrally located and attractive offices achieve rent levels in range of NOK 2,500-3,000 per sqm / year. Vacancy in the Oslo area is at 8% level amounting to 760,000 sqm as of yearend 2013. This has been caused by high supply of new buildings (440,0000 sqm) over the past two years. We expect vacancy rates to remain at 8-8,5% during 2014-2015. In spite of the vacancy situation in Oslo, the we predict a slight rent increase in attractive areas, as large office tenants focus increasingly on modern premises close to public transportation. The demand for modern and efficient offices is predicted to remain solid for the coming years, whereas the demand for less attractive offices with second rate location will fall even further in the coming years.

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

GRAPH 19

Oslo

Graph source: Heilo Eiendom

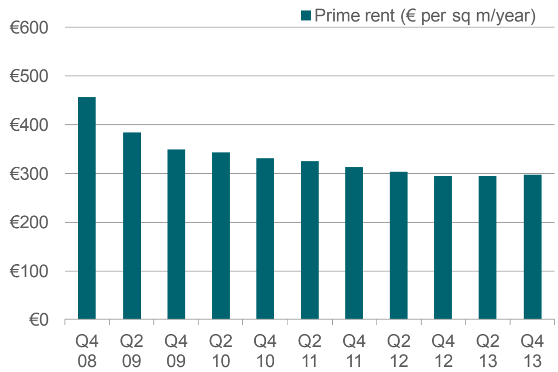
Madrid

Annual gross take-up volume stood at 385,000sq m in 2013, which represents +35% compared with the 2012 figure. It is important to say that the volume is strongly distorted by several megadeals, which accounted for 22% of the total take-up volume. Despite the increase in take-up, recovery is not firm yet and the weak demand is reflected in the 15% decrease in the number of lettings. The vacancy rate dropped slightly in Q4 but it is still in the region of 14%. The vacant office space from the companies involved in megadeals, should be subject to refurbishment and is not included in the supply yet. But in the medium term the available empty space will increase. The standstill in the new speculative development projects will soften the growth. The CBD begins to show some positive signs. The vacancy rate has returned to a healthy level, around 6%, and a soft increase has been detected in the closing rental values. Additionally, the rest of the market inside the M-30 points to soft symptoms of stabilization, both at supply and at rental level.

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

GRAPH 20

Madrid



Graph source: Savills

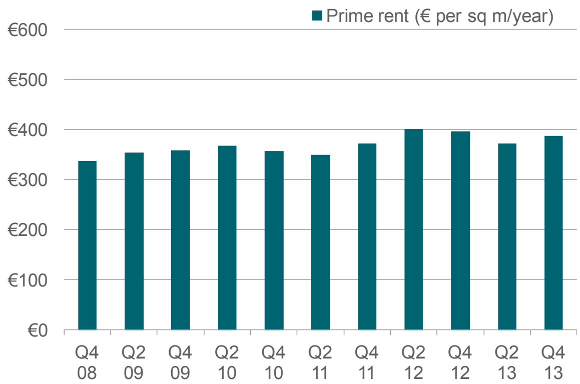
Manchester

The Manchester office market has witnessed a significant increase in take-up in the first quarter of 2014 and a notable increase in the size of lettings and requirements circulating the market. 2013 take-up was 869,000 sq ft, which was broadly in line with the long term year end average. However, we expect 2014 to end the year at over a million sq ft, up on the long term average and the best year since our records began. With less than two years worth of Grade A supply in the market and with a large amount of lease events coming up over the next 36 months, one of the big questions concerning the city is where will the 'suitable space' come from to accommodate this increased demand? The highest rent achieved in 2013 was £30 per sq ft at 3 Hardman Square. However, we expect to see rents reach £32 per sq ft at 1 St Peter's Square during 2014.

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

GRAPH 21

Manchester



Graph source: Savills

Milan

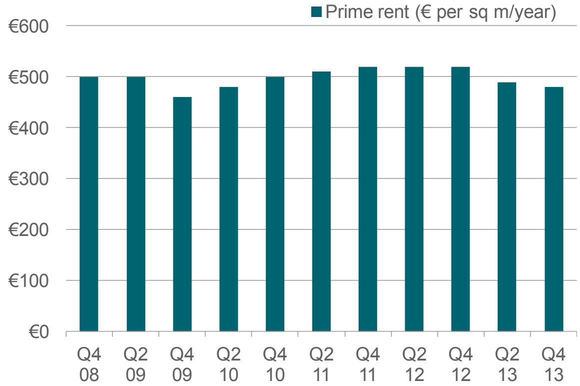
A number of larger deals were the reason of the high leasing activity of the last quarter of 2013, which pushed the total take-up of the year close to 230,000 sq m. This is 4% higher compared to last year's figure. Relocations, rationalisation and renegotiations of current leases are the key characteristics of the market. The availability of high quality space is becoming tighter, and the average vacancy rate remains in the region of 11.6%. The amount of new developments in the pipeline is low with a high share of refurbishments.

Prime CBD rents stabilised during the last two quarters of the year and in Q4 2013 they were 4% lower compared to the end of 2012. We expect them to remain stable during 2014, in the region of €480 per sq m / year. Prime rents in fringe locations were 8% lower compared to the year before at around €385 per sq m / year.

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

GRAPH 22

Milan



Graph source: Savills

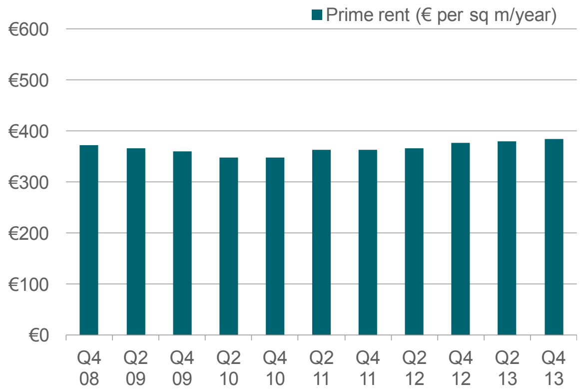
Munich

In 2013, more than 616,000 sq m of office space was taken up, which is almost 13% less than in the year before. While take-up in the small and medium size category declined, the letting volume in terms of transactions of at least 5,000 sq m each increased by 65% compared to the previous year. Due to these large lettings, which were closed at the end of the year in particular, take-up was in line with the ten-year average. Prime rents increased to €384 per sq m/ year (+1.9% yoy). Since demand for premium office spaces is subdued, prime rents are expected to remain rather stable in the next months. Vacancy rate decreased by 70 basis points and stood at 6.2% at the end of 2013. As the number of major letting transactions is expected to be lower this year, take-up is not likely to increase in the first half of the year. However, the expected increase in economic dynamics should lead to a higher demand for the second half of 2014. Therefore, take-up will probably reach the mark of 600,000 sq m again. Against this background vacancy rate is expected to decrease slightly.

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

GRAPH 23

Munich



Graph source: Savills

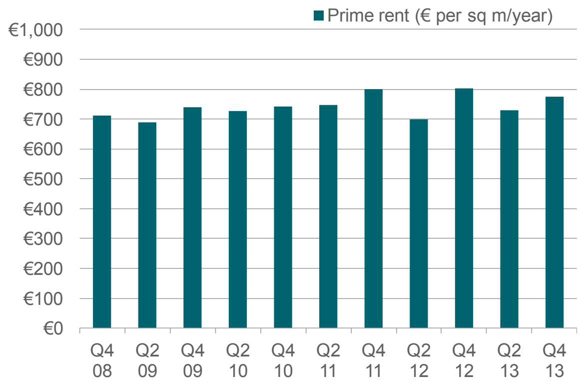
Paris

Annual take-up decreased by 25% yoy in 2013 to 1.8m sq m. The large-scale deals (>5,000 sq m) that had boosted the rental market in 2011 and 2012 were down to half of last year's activity. The Western Crescent was the only area where take-up increased by 16% yoy. IDF immediate supply increased by 9% to 3.9m sq m at the end of the year. It is the most significant increase of available stock since 2009. The delivery of some developments and the slowdown in demand explain this rise. The vacancy rates rose in 2013 but remain nevertheless very moderate: Paris (5.1%); The Inner Suburb in (9.3%); The Outer Suburb (8.7%). Only La Defense and the Western Crescent are markets of higher supply with 12% and 15.6% vacancy respectively. The development pipeline for the next two years amounts to 1.2m sq m in IDF. The prime rent decreased by 3% yoy to settle at €775 per sq m/year at the end of 2013. The average rent, € 514 per sq m/year, decreased lightly (-2.4% yoy). Incentives remain frequent and significant, for long leases in particular. We expect take-up to increase during 2014 (2.1m sq m) and rents to stabilise. The rental market should become more dynamic for large transactions above 5,000 sq m.

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

GRAPH 24

Paris



Graph source: Savills

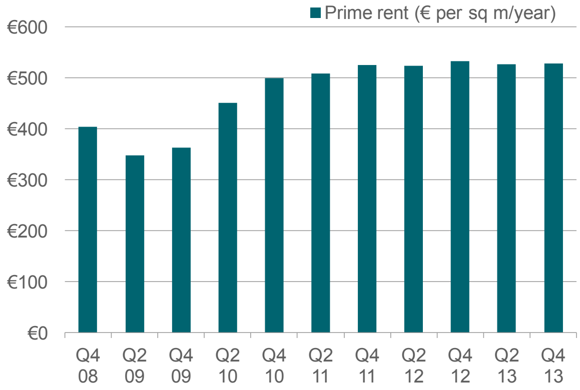
Stockholm

In spite of relatively positive forecast for the Swedish economy, the GDP increased modestly by approximately 1%. Economic uncertainty in Europe combined with weaker domestic growth has led to a hesitant tenant behaviour. Letting processes tend to be lengthy, but market rents have remained stable and are expected to remain so in the near future. A number of large office properties have become vacant or will be vacated in the near future, which will push vacancies upwards in the coming years. However, most of these properties are in need of significant refurbishment, which will delay vacancies. Development in the suburbs has picked up and some of the projects have been initiated on a speculative basis, but it is more likely that they will attract tenants already located in the suburbs, so not a main threat to the CBD. However, the coming vacancies in the CBD are likely to make it possible for larger office tenants to relocate from older buildings which would increase tenant turnover in the coming years. Some suburban locations face more serious challenges with relatively high vacancy rates, thus rental growth potential is limited.

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

GRAPH 25

Stockholm



Graph source: Savills

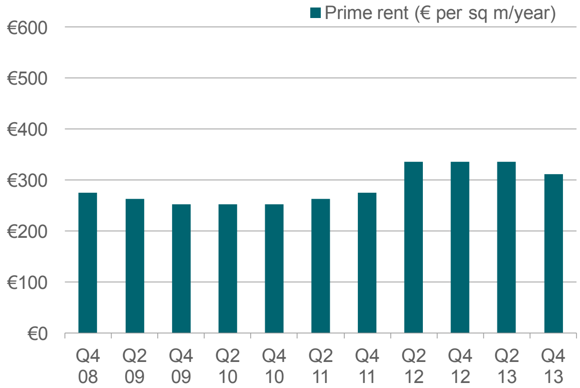
Vienna

The Viennese office market has performed well in 2013. The slight increase in take-up from 260,000 to 270,000 sqm does not completely reflect the positive changes the market underwent. Especially the second half of the year showed a significant increase in take-up, indicating a positive outlook for 2014. Additionally, two trends reflect the positive development. Firstly, the number of large-scale lettings (above 5,000 sqm) increased. This trend will continue in 2014 since negotiations with several tenants are in an advanced status and will most likely be completed in the first quarter of the year. Secondly, there has been a considerable shift between market segments from the low and medium priced segments to the higher priced segment.
Deliveries reached a record low of 170,000 sqm in 2013 and will further decrease in 2014 to only 140,000 sqm. This will positively affect the vacancy rate, which is expected to decline slightly from 7% to 6.6%.
Average rents will remain stable in 2014 at €13.50 per sq m/month, prime rents in the newly refurbished prestigious buildings in the city centre are €26 per sq m/month.

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

GRAPH 26

Vienna



Graph source: EHL

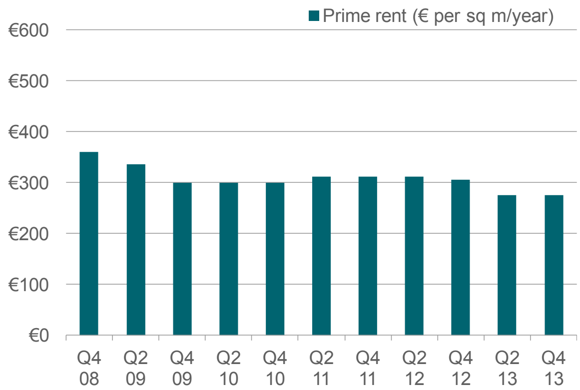
Warsaw

Development activity is high with almost 643,000 sq m of office space under construction and another 242,800 sq m in the pipeline. As a result total office stock may exceed 5m sq m by the end of 2016. Total letting activity in 2013 reached 632,500 sq m which is 4% higher than in 2012. The share of renewals and renegotiations was 29% of total, new lettings and relocations 35% and another 24% of total volume took the form of pre-lets. Office space of up to 500 sq m captured about 50% share in the analysed number of lettings. Availability reached 483,200 sq m, which represents 11.7% of total stock. It was the highest vacancy rate recorded in Warsaw since 2004. Approx. one fifth of total vacant space was located in buildings completed during the past 12 months. Despite high vacancy rates across the city prime headline rents remained almost unchanged in Q4 2013. They are now at €22.00 – 23.00 per sq m/month in CBD and €14.00 – 14.75 per sq m/month outside the City Centre. As vacancy is expected to increase in the next 24 months the level of rents will be pushed downwards and incentives upwards especially in buildings struggling with high availability of office space.

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

GRAPH 27

Warsaw



Graph source: Savills

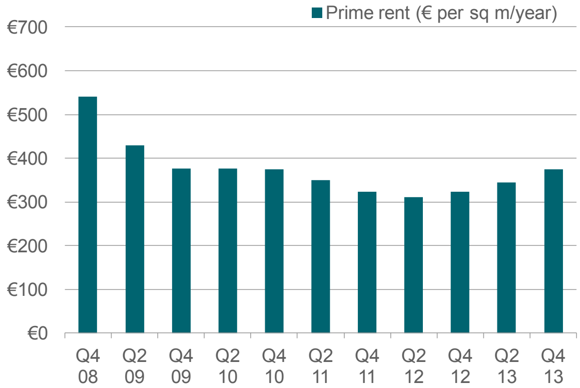
Dublin

The improvement in service sector employment over the past three years has translated into an increase in take-up and a particularly dynamic last quarter last year. Overall, 2013 take-up was 25% up yoy exceeding 170,000 sq m, which is the strongest turnover since 2008. The increase was driven by jobs recovery in ICT and professional services in particular. As net absorption is increasing there was a decline in vacancy rates, with the average down to 15.3% in the end of last year compared to over 20% a year ago. The average vacancy rate in the traditional CBD is considerably lower at 6.7%. We expect the vacancy rate to fall further as vacant stock is redeveloped. The impact on rental values is also positive. While secondary rents are stabilising, prime CBD rents have started recovering and in Q4 13 they were already 16.1% higher compared to Q4 12 at 375 per sq m / year. We expect positive rental growth to continue this year.

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

GRAPH 28

Dublin



Graph source: Savills

Key office indicators

City	National GDP growth 14*	Nationsl Employment growth 14*	Prime rent Q4 13	Prime rent Q1 14**	Rental growth³ Q4 12-13	Rental growth³ Q4 13-14** base scenario	Take-up growth⁴ Q4 12-13	Take-up growth⁴ Q4 13-14**	Vacancy rate Q4 13
Amsterdam	0.7%	-0.2%	340	345	0.0%	1.5%	-14%	7.0%	15.4%
Athens	0.0%	-0.9%	216	216	-14.3%	0.0%	0.0%	0.0%	20.0%
Belgrade	1.5%	0.3%	168	168	-3.4%	0.0%	30%	10.0%	13.0%
Berlin	1.8%	0.3%	264	264	5.2%	2.3%	-20%	3.0%	5.0%
Brussels	1.2%	0.0%	300	320	0.0%	6.7%	-4%	0.0%	9.5%
Cologne	1.8%	0.3%	270	270	5.5%	0.0%	15%	6.0%	7.1%
Dublin	2.1%	1.2%	375	375	16.1%	6.7%	25%	0.0%	15.3%
Dusseldorf	1.8%	0.3%	330	330	5.8%	-5.5%	10%	-1.0%	10.8%
Frankfurt	1.8%	0.3%	456	456	5.6%	1.3%	-14%	3.0%	11.9%
Hamburg	1.8%	0.3%	288	288	-2.0%	0.0%	-1%	8.0%	7.2%
Helsinki	1.0%	0.2%	408	420	9.4%	0.5%	NA	NA	12.0%
London WE	2.4%	0.9%	1,388	1,388	0.0%	11.7%	34%	-11.0%	3.8%
London City	2.4%	0.9%	910	910	0.0%	1.1%	52%	-38.0%	8.3%
Oslo	2.1%	0.7%	420	420	6.0%	0.0%	NA	NA	NA
Madrid	0.8%	0.6%	297	297	1.0%	2.0%	35%	4.0%	13.8%
Manchester	2.4%	2.0%	413	387	0.0%	6.7%	15%	61%	10.5%
Milan	0.5%	-0.5%	480	480	-7.8%	0.0%	4%	NA	11.6%
Munich	1.8%	0.3%	384	384	1.9%	1.6%	-13%	-3.0%	6.2%
Paris	0.8%	0.1%	775	768	1.0%	0.6%	-23%	14%	7.5%
Stockholm	2.0%	0.8%	528	528	4.4%	0.0%	NA	NA	8.5%
Vienna	1.4%	-0.1%	312	312	-7.1%	0.0%	17%	0.0%	6.9%
Warsaw	0.9%	0.8%	276	276	-9.8%	-4.3%	4%	3.0%	11.7%

Note 1: Prime rents refer to modern office space, minimum 1,000 sq m

Note 2: All costs are in Euros per sq m/year

Note 3: Rental growth is annual and calculated in local currencies

Note 4: Take-up growth is annual

Source: Savills / *Focus Economics, Oxford Economics, European Commission /** Savills projections

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