

### Commentary King Sturge



#### **Skilled Professionals are the Backbone of the Real Estate Business**

The latest extra evaluation of the King Sturge Real Estate Economy index shows:

Many of the interviewed real estate experts have a much brighter outlook on the development of human resources

than they have on the performance of sales and the economic situation. Thus, the human resource development must be considered much more stable than the sales expectation in and of itself, and this in turn suggests that the real estate business cultivates a rather clear sense of perspective even in times when other sectors are reporting layoffs.

A lot of decision makers obviously favour a sustainable HR strategy over short-term cost cuts. It is yet another aspect illustrating not only that real estate represents is a comparatively safe asset class, but that the real estate industry is also an essential player in the national economy that provides comparatively safe jobs. By implication, it also makes it safe to say that the real estate business definitely deserves more attention from the political arena. After all, everybody needs a place to live, crisis or no crisis, and economically induced cuts in household income do not automatically translate into a decision to move. By analogy, if only to a certain extent, this surely applies to the office and retail markets, too.

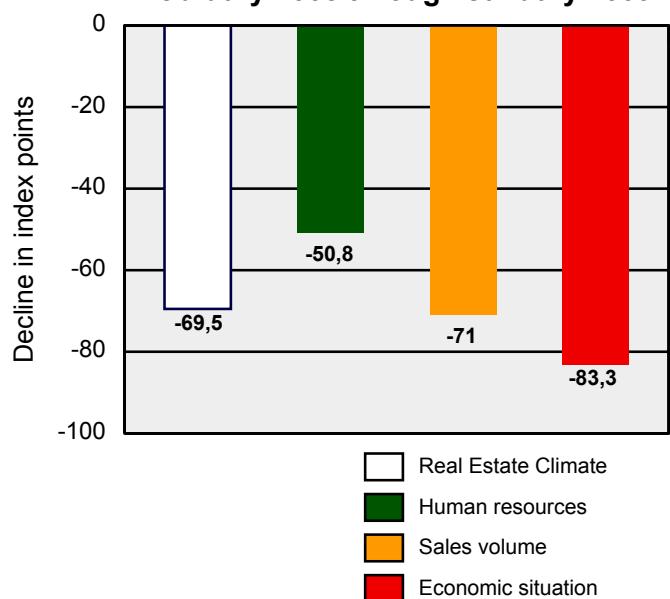
In the long run, the demographic changes will precipitate a shortage in skilled professionals. The industry has already started preparing itself for the situation by launching superb training and qualification systems. It should by all means persist in these efforts and continue to adequately sponsor them. After all, well-trained and experienced staff are decisive for success in terms of the intensifying dynamics, internationalism, and complexity of the real estate industry, and while this applies to any single business, it ultimately goes for the business location of Germany as whole.

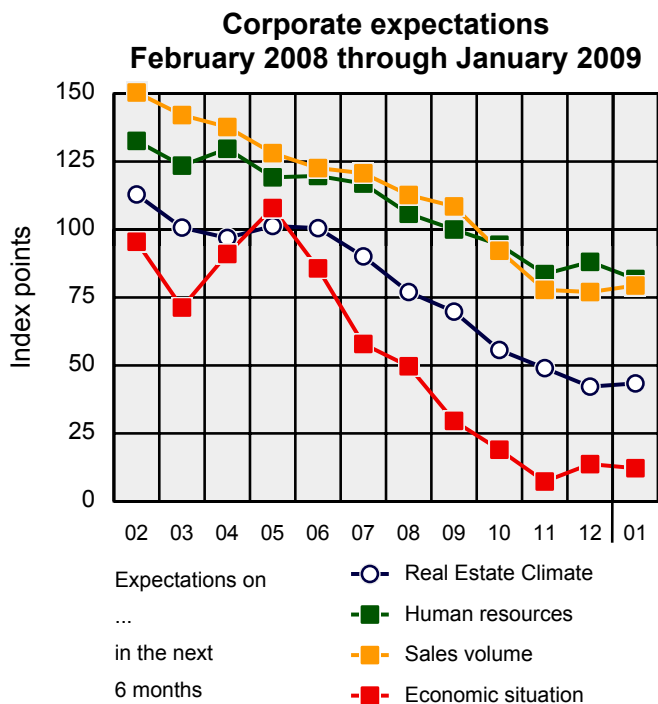
Herzlichst,  
Ihr Sascha Hettrich

### Relatively Few Job Cuts Planned

With a response rate above 30%, the panel of the King Sturge Real Estate Economy index draws a rather accurate picture of the German real estate business. Thus, the economic data published monthly are just as interesting as the operative situation of the companies. The panel members are interviewed monthly in regard to their expectations in human resource development and other economic or operative fundamentals. During the past year, we captured a sufficient number of data tuples for a time series analysis, and can present the replies to these questions within the framework of an extra evaluation. Since the developments of economic situation, sales, and human resources are interwoven, we have studied them in the form of a synopsis and juxtaposed them with the Real Estate Climate. While showing a certain synchronicity with the Real Estate Climate, their systemic differences do not permit any direct comparison. Then again, the synopsis clearly reveals that these developments do follow a common

The ratios of decline:  
February 2008 through January 2009





Source: BulwienGesa AG

trend during certain time periods.

### Appreciation of the Human Capital

As the overview suggests, the polled companies have manifested a high sense of appreciation for their human capital in the course of the year, and are planning or expecting comparatively few layoffs. In February 2008, the corresponding indicator stood at about 133, meaning that a large number of companies were either planning or expecting to pursue an expansive HR policy. By January 2009, this indicator had lost roughly 51 index points as it hit a level close to 82, and yet the survey participants do not expect to pursue consolidating HR policies, except under duress.

### Economic Worries out of Proportion with Actual Decline in Sales

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Compared to the HR development, the expectations among the respondents regarding the sales and economic development, respectively, show a bleaker picture. In the case of the sales expectations, the climate cooled off by 71 index points, from 150.4 points in January 2008 down to 79.4 index points in January 2009. The imminence of a recessive tendency became apparent as early as February 2008. At 95.5 points, the expectations vested in the economic development were already marred by first signs of slowing growth. The January 2009 nosedive by 83.3 down to 12.2 points illustrates the sombre outlook prevailing among the respondents. Yet it was the survey of last November that marked the absolute low point, approximating zero with its economic expectation of 7.3 points.

### Downward Trend Levelling out

Since November 2008, the time series history has shown that the pace of the downturn has slackened, and that the series development is inclining toward a stable lateral movement. In fact, the January evaluation shows a first tendency toward a slight climatic improvement that is yet to be confirmed by successive surveys.

### Sustainable HR Strategy Called for

With a volatility of 16 points, the human resource development has shown more stability during the period covered by the survey than the sales expectations (24 volatility points). The comparatively lower volatility rate in the human resource development documents the stability of personnel structures. The risk of losing valuable tacit, empirical know-how along with the established networks of real estate experts tends to outweigh the problem posed by temporary staff redundancies. This goes to show that many respondents deem a sustainable human resource strategy simply more important than short-term cost-cutting effects.

### Imprint

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