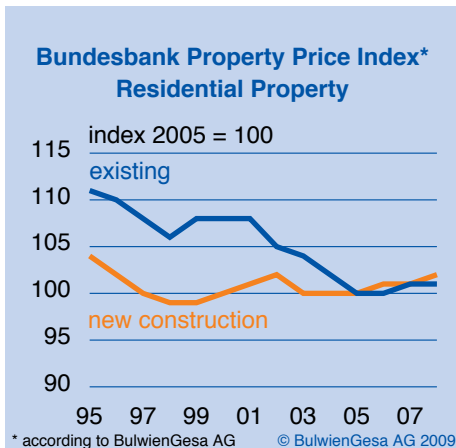


RESIDENTIAL PROPERTY AT THE RISK OF DEVALUATION?

Stable in the Past but how about the Future ...

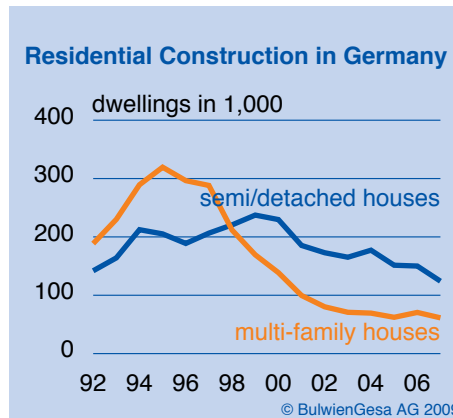
Residential property markets are relevant parameters of the "robust" condition of the German property market. Stable market value and reliability of the building fabric in case of residential stock comprising more than 40 million dwellings and a value of more than 5.8 trillion euros are being discussed intensely against the background of the current recession. In the past these markets were less volatile than those in the surrounding European countries. However regional labour markets, sectoral risks and the general demographic changes are crucial for the quality of property and mortgages.

Current reductions of the key interest rate are passed on credit borrowers with claimed margins. Though of all contracts the existing ones should be critically examined in the present situation and stress tests should be conducted on a case by case basis. Valuation of the equity certainty matters extremely. Furthermore, the regionally specific adaptability for use by third parties as well as possible need of price adaptation are to be evaluated.



According to the February 2009 monthly report by the Bundesbank, based on interpretation of property market data delivered by BulwienGesa, prices for recently built residential property rose slightly in 2008.

These patterns differ regionally. During the upswing phase since 2005, large cities developed in a rather cautious manner. Structural risks can be noticed in smaller cities, yet the property shall always be involved with its own "competence" – What is the neighbourhood like? Is the property's management professional?



The market for new residential properties has contracted considerably in the past years. Construction of detached and semi-detached houses halved, whereas the number of completed flats in multi-family houses reduced even to one-fifth of the maximum from 1995.

A market for the construction of multiple dwellings exists only where population growth can be seen. In more than 200 German districts, that is in nearly half of Germany, less than 50 flats were built in multiple dwellings in 2007.

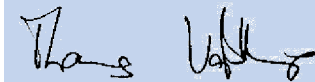
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- Sub-market reports for A-cities 4

Dear Readers,

"Why so optimistic?" headlined the German weekly Die Zeit on March 19th and quoted seven economic experts explaining why the financial crisis shall soon be over. The MIPIM clearly showed polarising signals: good property stays stable in value and neglected in the past years risk management shall be punished. All property market players are currently concerned with sustainable chances and returns. Analysing them and the strategic placement shall be reinvented in the nearest future. The interest in the seminar on municipal development of retail vividly confirmed this tendency. We are the competent and independent partner for you. Let us develop your strategies together.

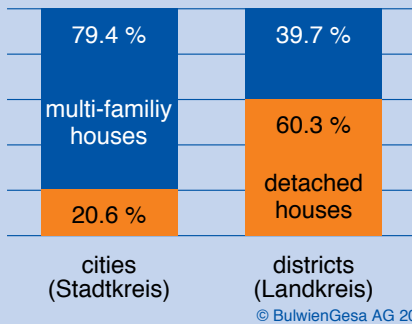
Sincerely Yours



Thomas Voßkamp

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Residential Stock Distribution 2007



Multi-family houses play also an important role within the residential stock – in large cities they constitute nearly 80 % of the entire stock, in rural districts merely 40 %. Nevertheless rural districts offer sustainably lettable multiple dwellings.

Thus the required valuation of the residential property market shall be influenced by diverse components, including location and type as only two aspects among them.

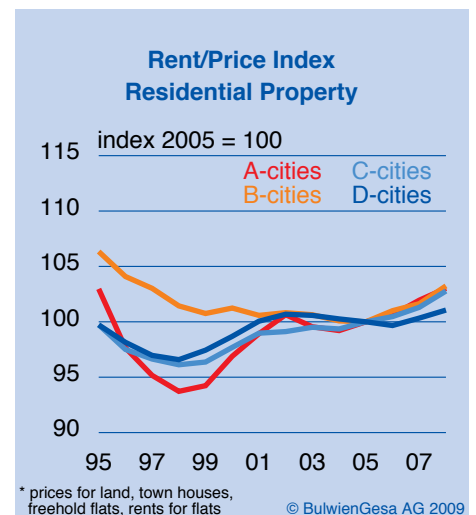
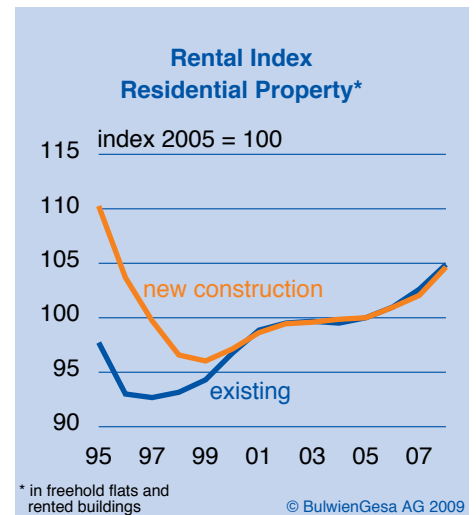
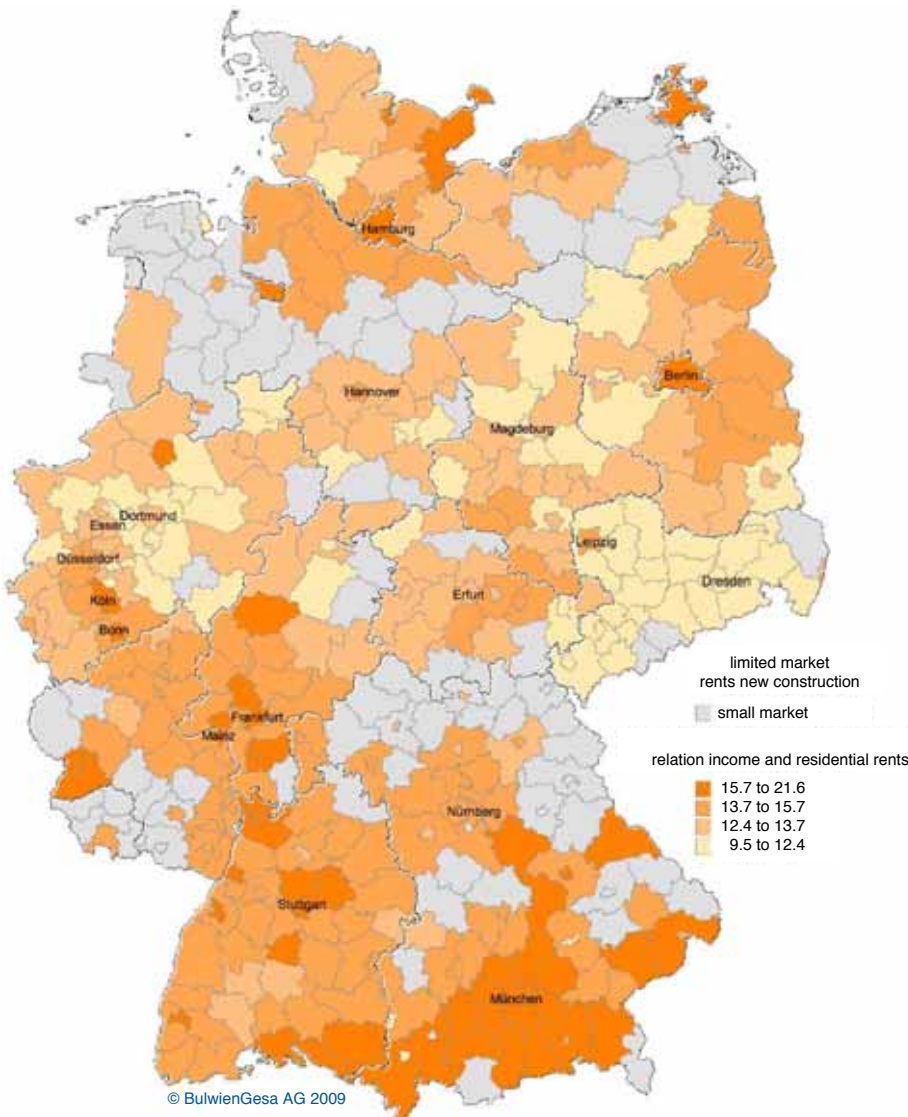
Demographic and economic factors must be classified respectively, since they feature a strong regional component. Expectations concerning the environment (local and suprarregional) must be involved – What shall the consequences of businesses' closing down for financing measures be? Shall incomes exhibit sufficient reserves for financing measures? The sustainable performance must be emphasised.

In order to develop an approach, which would deliver answers beyond standard

scenarios, a matrix comprising all the indicators would be helpful, presenting regional, sectoral and income relevant risks and displaying them perspectively against the background of property marketability.

Yet market data exists only where markets exist, where supply and demand are unhindered to show a result. We are familiar with enough examples of local situations lacking activity. Thus we would be welcome to present you our approach to data, regional scoring and equity efficiency, in order to deliver you significant information in these cases as well.

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INVESTMENT MARKET METROPOLE RUHR

Underestimated Potentials Accompanied by Great Stability

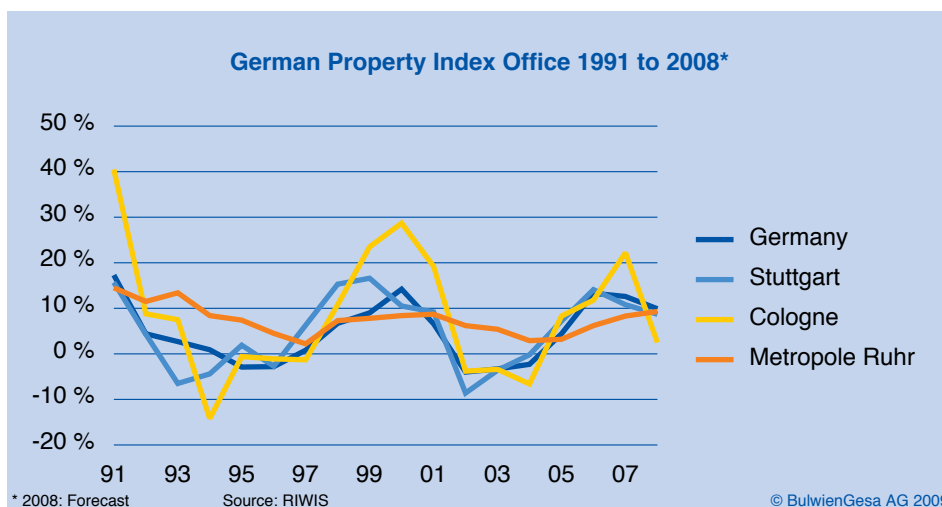
Metropole Ruhr counts among the largest urban agglomerations in Europe. Following years of structural transformation, its central location in the proximity of other Continental European markets turns it into an excellent location for entrepreneurial activity. The regional property market benefits from this development.

In 2008 the financial crisis led to a major collapse of the investment volume. Metropole Ruhr was also affected by it, achieving an investment volume of only 2.3 billion euros and thus unable to hold the high result of 2007. Especially concerning investments in the commercial sector, their volume decreased to 605 million euros. Though, the volume of residential property investments remained stable.

For 2009 a rather tense market environment is expected to prevail in Germany and in Metropole Ruhr as well, leading to a redefinition of purchaser groups and investments. In the light of highly volatile stock markets, many investors with sufficient equity reconsider advantages of the comparatively more stable value asset class property. This is where the German market and the regional property market of Metropole Ruhr, with its stable general economic conditions and a sound risk-return-ratio, have potentials.

When comparing yields, property in B-cities, such as Essen and Dortmund, lie noticeably above the level of A-cities. Thus B-cities usually feature more favourable return-at-risk ratios than A-cities, where strong fluctuations of market rents represent a significant risk. When comparing different locations according to risk-return-ratios, Metropole Ruhr comes off very well; consequently it offers attractive room for investment, securing long-term cash flows for portfolios, due to its positive qualities.

Against the background of the current general economic condition, BulwienGesa assumes that in the next two years Metropole Ruhr, with its traditionally low volatili-



ty, shall presumably develop more favourably than A-cities.

The sale of the LEG NRW portfolio to Whitehall Funds was probably the last major portfolio deal of the recent upswing phase. At present, certain insecurity prevails on the market, so that definite purchase intentions fail due to different market valuations. Furthermore, from now on restrictive credit approval processes and the to some extent low equity involvement inhibit portfolio sales. It can be anticipated that in the coming twelve months the trend to dealing smaller residential portfolios with less than 1,000 dwellings will continue. The price level shall stabilise. However the large volume of residential stock in Metropole Ruhr offers major investment opportunities and potentials in the future.

The retail sector in Metropole Ruhr is characterised by a large volume of customers with respectively high purchasing power volume. Owing to the central location and very good transport connection, Metropole Ruhr disposes additionally of a wide-ranging catchment area attracting external purchasing power. Its versatile retail stock comprises shopping centres, malls and some innovative concepts. The relatively low amount of shopping centre floor space per capita offers further development and investment potentials.

Dortmund, where retail prime rents grew by 20% within the past eight years, is the most popular city centre retail location in Metropole Ruhr.

Location and accessibility turn Metropole Ruhr to one of the most relevant locations for technology and logistics. Not only the large supply with commercial space, but also concentrated locations, such as logport Duisburg, MST.factory, Technologie-Zentrum Dortmund or the projected Bio-MedizinPark-Ruhr can meet individual expectations of customers.

Metropole Ruhr disposes of a major and, due to the large number of universities, well skilled labour force potential. Furthermore is the technical competence one of the most relevant hard location factors characterising Metropole Ruhr, as it established itself in the course of the structural transformation.

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Polarising MIPIM-Signals at BulwienGesa-Booth

"Better than expected" was the initial résumé agreed on during MIPIM-talks regarding the current market disposition. However the longer we discussed the situation with our partners and customers, the more obvious it became, that the difficulty lies in the detail. The most significant point is - after the MIPIM as well, we are experiencing a financial and economic crisis and no original property market crisis.



Property transaction shall - in Germany predominantly in case of open-ended property funds, insurance companies, pension funds and emitters of closed-end property funds - increase again, compared to the past six months. In consequence, prices for very good properties and locations shall stabilise. This trend is expected by many market players. In Germany, investors are currently seeking for shopping

centres and top office properties, bearing to some extent good prospects when competing with other property offered in (Western) European locations, such as London, Paris or Scandinavia. Yet the prospects for property portfolios with structurally weak existing property are not that optimistic in the nearest future. In these cases the macroeconomic crisis scenario is accompanied by vacancy problems, high investment backlog and regional economic crises.

The monetary stability in the eurozone as well as possible consequences of a high inflation were both widely discussed subjects. Scenarios resulting from respective crises might have some more powerful leverage effect than the comforting revival of the relatively small transaction market for top property. Major structural tasks for the coming years shall, according to "strategists", focus rather on the residential property market than on commercial real estate, and that applies for both property companies and municipalities.

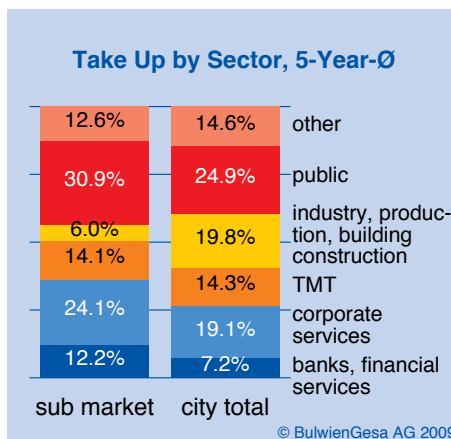
- For further information please contact [Andreas Schulten](mailto:schulten@bulwiengesa.de) (phone +49-30-2787 680, schulten@bulwiengesa.de) and [Ralf-Peter Koschny](mailto:koschny@bulwiengesa.de) (phone +49-40-42 32220, koschny@bulwiengesa.de).

Office Sub-Market Reports for 7 A-Cities

As of now, four page reports on 95 German office sub-markets in 7 A-cities are available. The most relevant market key figures are:

- Take-up
- Owner-occupier construction launches
- Turnover shares according to demander groups
- Completions
- Office stock
- Vacancy rate
- Development of rents

The reports, tables and graphs, include property lists (stock, completions, property under construction) as well as letting comparables in detailed area maps.



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Aspekts of Municipal Retail Development

Seminar for municipalities, business development agencies, chambers, project developers and investors

- Award procedures
- Scope of their legal design
- Central supply areas

In the course of the current discussions within municipalities, two subjects are in the focus of interest: award procedures and conflict potentials between regional planning and urban land-use planning concerning viability of retail projects.

Our seminar attends to these subjects with experts' presentations and a controversial discussion between representatives of the retail industry and administration.

BulwienGesa and FIRU-mbh, in cooperation with the joint practice Graf von Westphalen, offer an all-day seminar for municipalities, business development agencies, chambers, project developers and investors and would like to invite you to participate. Get informed about the dynamics of award procedures as well as the European contracting law. Use the opportunity to meet and discuss with your colleagues from municipalities, business development agencies, chambers as well as project developers and investors. Our experts will be pleased to meet your questions and suggestions.

Date: Monday, May 11th, 2009, 9-17h
Place: Munich, Hotel Maritim, Goethestr. 7

For more details and information please visit our internet site, where you find the detailed seminar's agenda (in German). (www.bulwiengesa.de/seminar/EHSEminar.pdf)

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