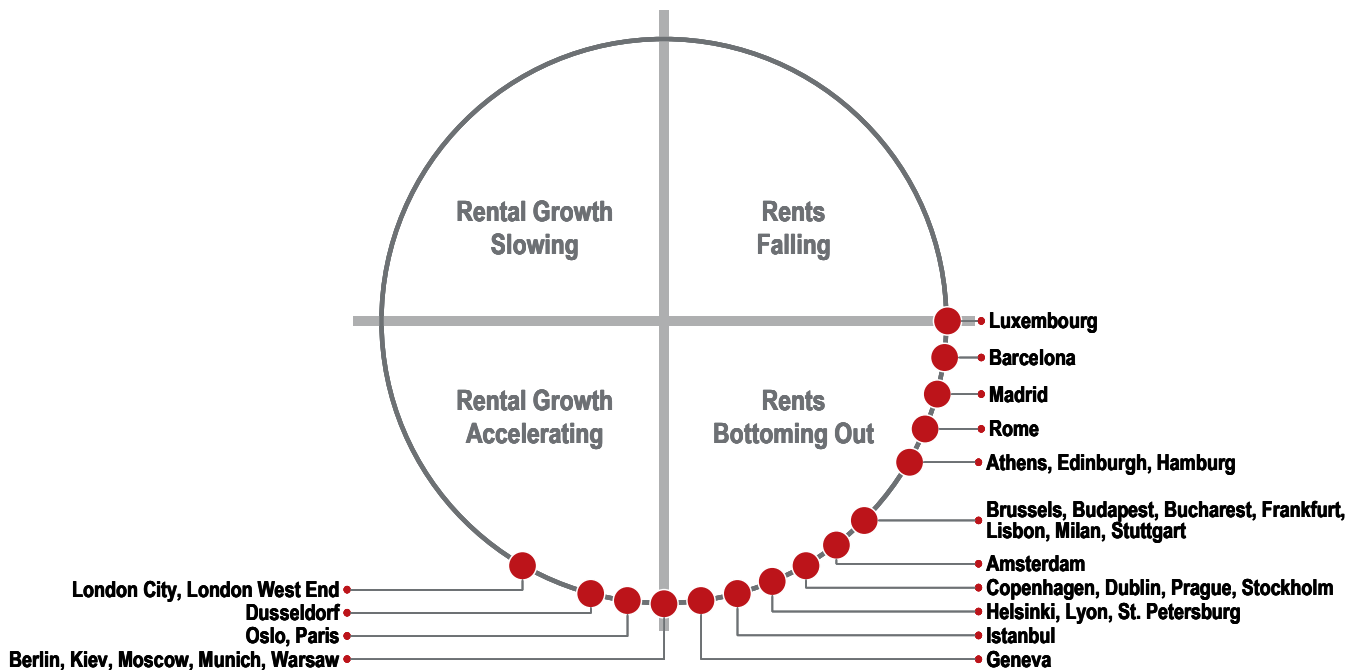


More Positive Signals for European Office Markets

Prime office rents across the region stabilised further with the first markets showing rental growth; The Jones Lang LaSalle Office Rental Index rose by 2.6% over the quarter

Demand for office space improved 34% compared to Q2 2009 and vacancy rates in most markets have reached or passed their peak

Office Capital Values continued to recover; our Capital Value Index increased by 4.3% over the quarter based on the strong performance of London and Paris



Source: Jones Lang LaSalle IP, July 2010

The clock diagram illustrates where Jones Lang LaSalle estimates each prime office market is within its individual rental cycle as at end June 2010. 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 economic recovery is proceeding at different speeds across the region. Austerity measures and concerns surrounding sovereign debt in European economies triggered a new wave of economic uncertainty and volatility in financial markets; however positive signals have increased in the office markets. Prime rental levels stabilised in the majority of locations in Q2 and the Office Index, based on the weighted performance of 24 markets, increased by 2.6% q-o-q, building upon the growth seen during Q1 and showing the first positive growth (+2.1%) on an annual level since Q3 2008. The biggest rise in rents this quarter was seen in London West End (13.3%), Paris (7.1%), London City (5.3%) and Dusseldorf (2.3%). Quarterly rental falls were recorded in Dublin (-5.3%), Frankfurt (-2.9%), Madrid (-2.6%), Barcelona (-2.4%) and Hamburg (-2.2%). Incentives offered by landlords also stabilised with some markets seeing incentives reducing such as London City, London West End, Bucharest and Hamburg. The spread between the markets is reflected in the office clock with five markets now in the rental growth accelerating quadrant and a number of markets at or close to 6 o'clock.

Signs of economic recovery are beginning to feed through into office demand, but tenants remain cautious with annual take-up activity expected to remain below long term averages. Office take-up for Q2 increased slightly to 2.6 million sq m across Europe, up 6% on the previous quarter and 34% on Q2 2009. Take up for H1 2010 is now 38% higher than for the same period in 2009, having improved in both Western Europe and CEE by 32% and 73% respectively over the same period. We therefore expect annual volumes to be slightly below the five year average of 11 million sq m.

On the supply side, some 1.4 m sq m of new stock was added, a

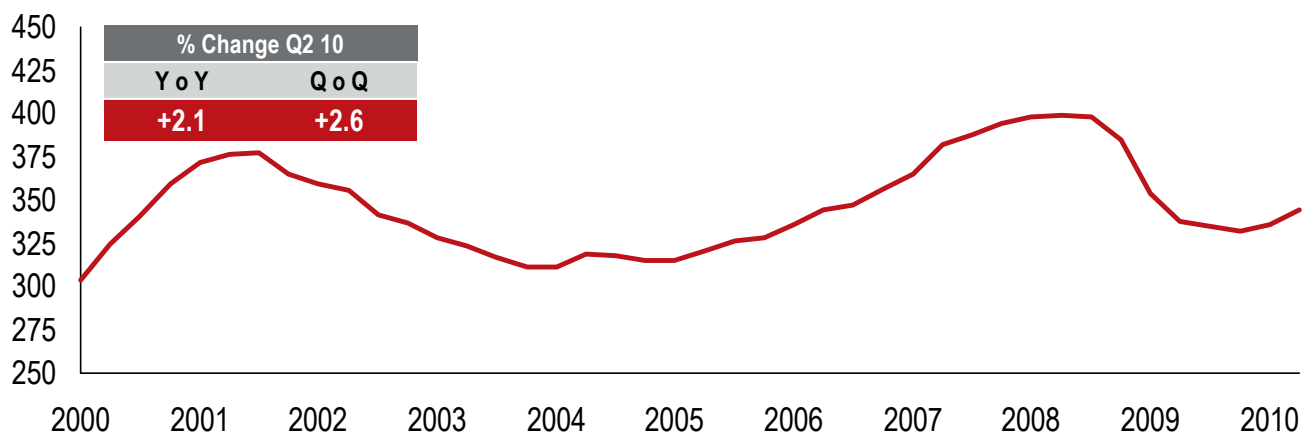
25% increase on the first quarter. Despite these additions, tightening supply of quality product is beginning to lead to shortages for certain product types and sizes driving rental stability and even growth, but there are significant differences in current total supply levels – and sentiment - across the region which have led to differences in outlook.

The average European vacancy rate remained stable this quarter at 10.2%, despite these additions, the same level as in Q1 10 and Q4 09. The vacancy rate increased slightly to 9.8% in Western Europe but fell substantially in CEE from 16.4% to 14.6%. The decline in the CEE was particularly driven by decreases in Moscow and Budapest, whilst increases were recorded in both Prague and Warsaw. Though half of the markets saw vacancy increasing, the pace of increase has eased and we believe most markets have reached or passed their peak. High vacancy rates of over 15% can still be found in Amsterdam, Dublin, Budapest and Moscow and there remains a significant spread across Europe with Paris now showing the lowest vacancy rate at 6.8%.

Quarterly net absorption was positive for the fourth successive quarter, with annual occupied stock across Europe increasing by 2.6 million sq m. This was driven largely by increases seen in Paris and Moscow. Annual net absorption improved significantly and is now inline with the average of the last 10 years.

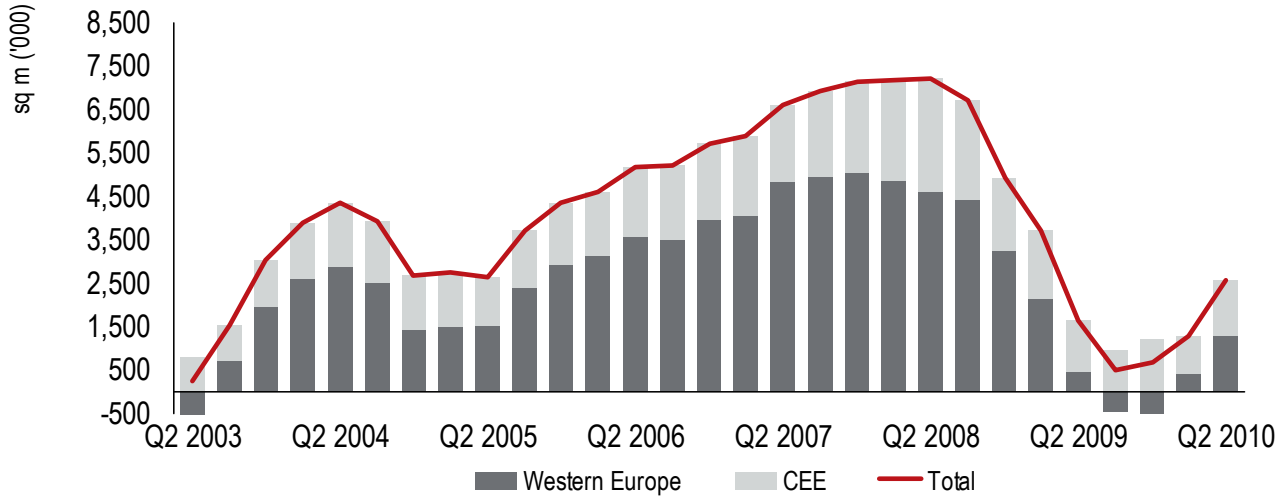
Going forward, developers still face an absence of speculative development finance and remain hesitant. As many projects have been postponed during the credit crunch, a shortage of new supply can be expected as early as 2011 in some markets. Conversely the supply of second hand space is likely to increase further in some markets during 2010 as occupiers seek to rationalise or even upgrade. Grade A supply is therefore likely to see successive declines but the overall vacancy rate will remain above average until after 2014. The rental differential between prime and secondary is therefore expected to widen in most locations over the short to medium term.

Prime Office Rental Index



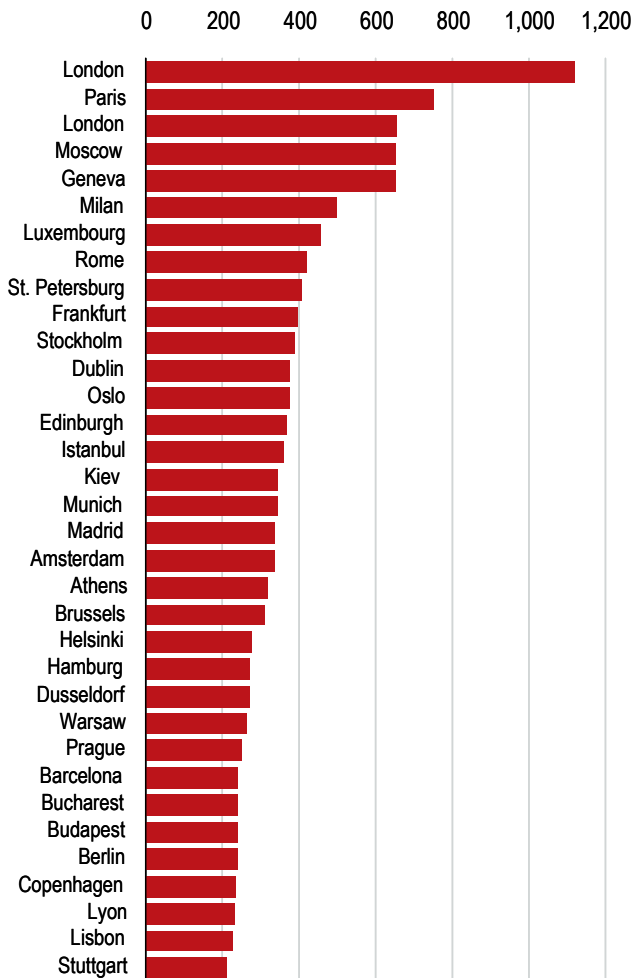
Nominal Rental Trend, 1980 = 100
Source: Jones Lang LaSalle

Annual Office Net-Absorption



Source: Jones Lang LaSalle

Prime Office Rents Q2 2010 (EUR / sq m pa)



Source: Jones Lang LaSalle

Prime Office Rents and Rental Change Q2 2010

	EUR / sqm pa	% Q-o-Q	% Y-o-Y
Europe		2.6 ▲	2.1 ▲
Amsterdam	335	0.0 ▶	0.0 ▶
Athens	318	0.0 ▶	-11.7 ▼
Barcelona	240	-2.4 ▼	-11.1 ▼
Berlin	240	0.0 ▶	-2.4 ▼
Brussels	310	0.0 ▶	17.0 ▲
Bucharest	240	0.0 ▶	-9.1 ▼
Budapest	240	0.0 ▶	-7.0 ▼
Copenhagen	235	0.0 ▶	-2.8 ▼
Dublin	377	-5.3 ▼	-22.2 ▼
Dusseldorf	270	2.3 ▲	0.0 ▶
Edinburgh	368	0.0 ▶	-3.4 ▼
Frankfurt	396	-2.9 ▼	-5.7 ▼
Geneva	651	0.0 ▶	0.0 ▶
Hamburg	270	-2.2 ▼	-2.2 ▼
Helsinki	276	0.0 ▶	-4.2 ▼
Istanbul	360	0.0 ▶	0.0 ▶
Kiev	343	0.0 ▶	0.0 ▶
Lisbon	228	0.0 ▶	-7.3 ▼
London City	657	5.3 ▲	11.1 ▲
London West End	1118	13.3 ▲	13.3 ▲
Luxembourg	456	0.0 ▶	0.0 ▶
Lyon	230	0.0 ▶	0.0 ▶
Madrid	336	-2.6 ▼	-11.1 ▼
Milan	500	0.0 ▶	0.0 ▶
Moscow	653	0.0 ▶	14.3 ▲
Munich	342	0.0 ▶	-1.7 ▼
Oslo	377	3.4 ▲	-7.7 ▼
Paris	750	7.1 ▲	7.1 ▲
Prague	252	0.0 ▶	-4.5 ▼
Rome	420	0.0 ▶	-2.3 ▼
St. Petersburg	408	0.0 ▶	-28.6 ▼
Stockholm	388	0.0 ▶	-5.1 ▼
Stuttgart	210	0.0 ▶	-2.8 ▼
Warsaw	264	0.0 ▶	-8.3 ▼

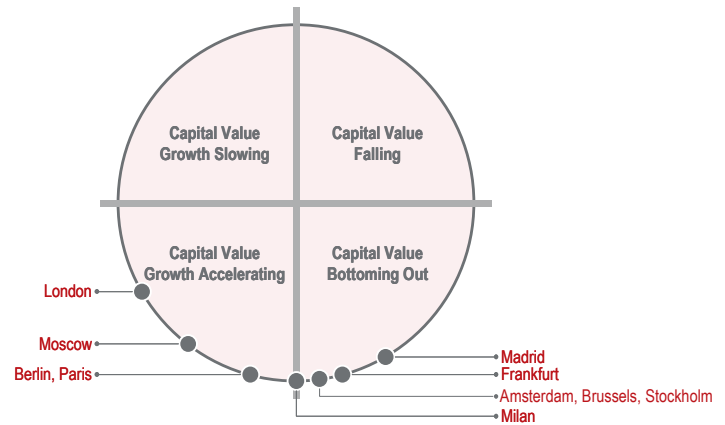
Note: 1. Prime Office Rent represents the top open-market rent that could be expected for a notional office unit of the highest quality and specification in the best location in a market, as at the survey date (normally at the end of each quarter period). The rent quoted normally reflects prime units 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 currency.

Source: Jones Lang LaSalle

European Office Capital Values

The continuing economic recovery has fed through into European real estate investment, with transaction volumes increasing 19% over the second quarter. After a phase of yield compression, prime office yields remained broadly stable across Europe in Q2 2010, with only eight of the 24 markets covered in the Prime Capital Value Index seeing yields compressing, led by Moscow (-50bps). Going forward further movements in capital values will largely be driven by the recovery in office rental levels, highlighting the importance of understanding local market conditions and thus identifying markets of outperformance. Prime office capital values increased on a weighted average by 4.3% for Europe on the quarter with the two markets witnessing by far the strongest growth being Paris and London West End at 12% and 13% respectively. Whereas Capital Value growth in London West End was entirely based on the rise in rents, values in Paris rose on a combination of a 25bps drop in yields and a prime rent increase of 7%. However, nominal capital values in these locations remain significantly below their levels seen in summer 2007 (Paris 40% below peak, London 36% below peak). Our capital growth forecasts to 2014 do not currently project parity with 2007 at a regional level although certain markets could surprise on the upside. Other markets seeing prime capital values growing over the quarter included Berlin, Lyon and Moscow where growth was entirely based on yield compression. Capital values in Moscow grew by 5% as yields compressed further by 50bps. In Dusseldorf and Madrid, capital values improved too, but whereas growth in Dusseldorf was the result of a rise in rents and a 10bps yield compression in Madrid growth was only achieved as the compression in yields managed to compensate the rental decline.

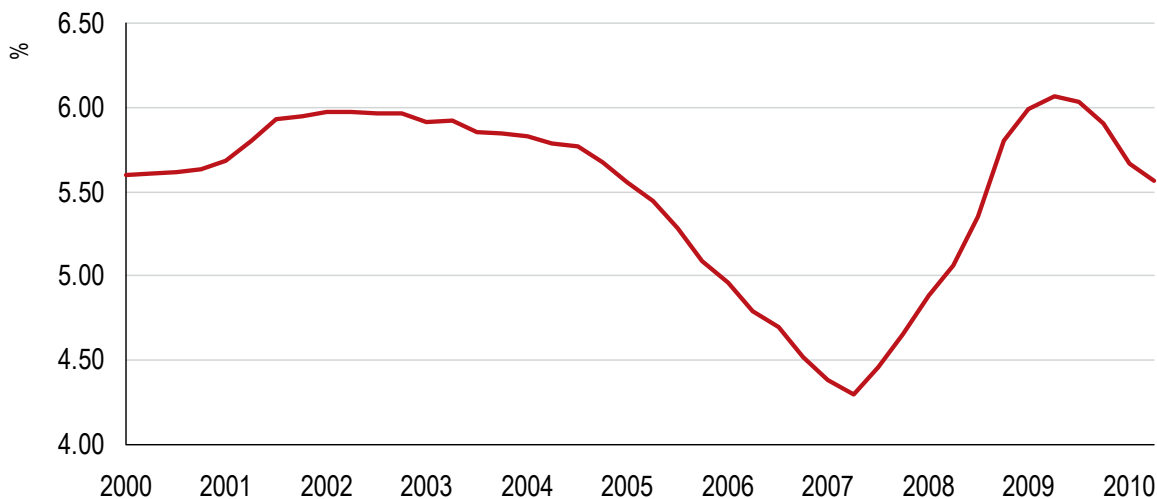
Prime European Office Capital Values Q2 2010*



*selected markets

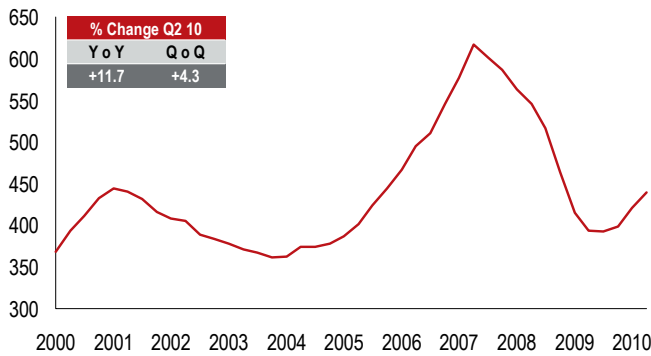
Source: Jones Lang LaSalle

Weighted European Prime Office Yield



Source: Jones Lang LaSalle

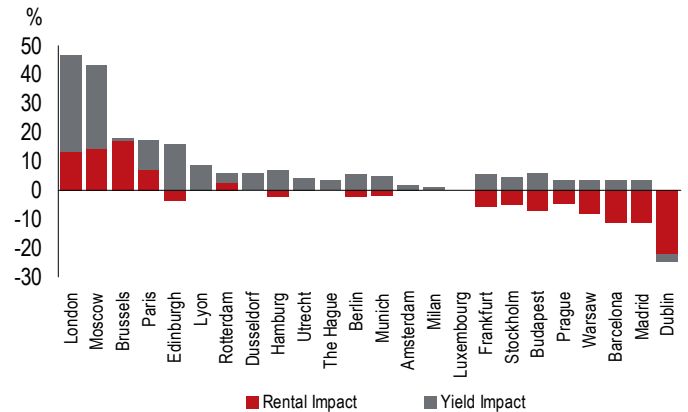
Prime Office Capital Values Index Q2 2010



Nominal Capital Value Trend, 1980=100

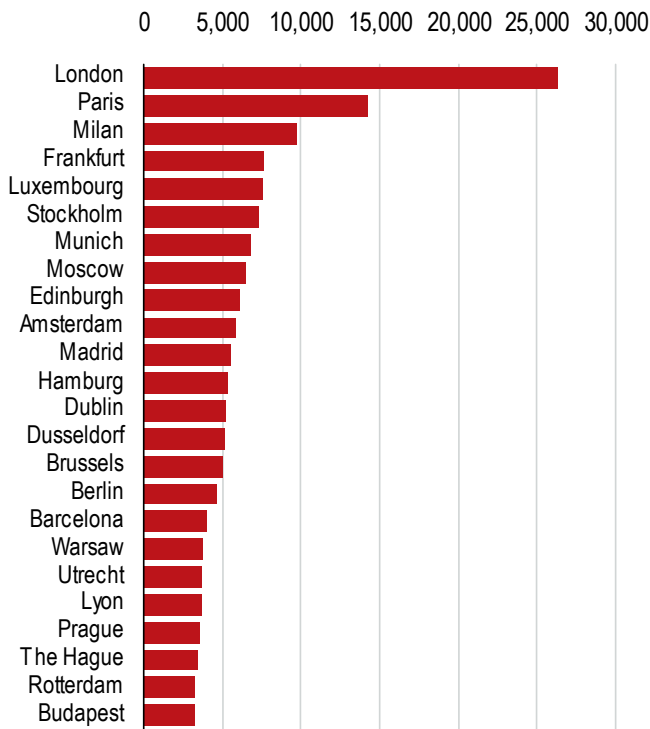
Source: Jones Lang LaSalle

Prime Office Capital Value Drivers: 12 months to Q2 2010



Source: Jones Lang LaSalle

Prime Office Capital Values Q2 2010 (EUR / sq m)



Source: Jones Lang LaSalle

Prime Office Capital Values and Capital Value Change Q2 2010

	EUR / sqm	% Q-o-Q	% Y-o-Y
Europe		4.3	11.7
Amsterdam	5,877	0.0	1.8
Barcelona	4,000	1.6	-7.4
Berlin	4,615	1.0	3.2
Brussels	5,000	0.0	17.9
Budapest	3,200	0.0	-0.8
Dublin	5,200	-5.3	-24.9
Dusseldorf	5,192	4.2	5.8
Edinburgh	6,135	0.0	12.7
Frankfurt	7,615	-2.0	-0.3
Hamburg	5,400	-2.2	4.7
London	26,294	13.3	46.7
Luxembourg	7,600	0.0	0.0
Lyon	3,680	2.4	8.8
Madrid	5,600	-0.2	-7.4
Milan	9,804	0.0	1.0
Moscow	6,531	5.0	42.9
Munich	6,840	0.0	3.2
Paris	14,286	12.2	17.3
Prague	3,600	0.0	-1.1
Rotterdam	3,250	0.0	6.1
Stockholm	7,394	0.0	-0.6
The Hague	3,500	0.0	3.3
Utrecht	3,719	0.0	4.1
Warsaw	3,771	0.0	-5.1

Q-o-Q and Y-o-Y capital value changes are based on local currency

Source: Jones Lang LaSalle



Real value in a changing world

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The Jones Lang LaSalle Office Property Clock – Q2 2010
Pulse reports from Jones Lang LaSalle are frequent updates on real estate market dynamics.

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