

# EMEA Offices

SECOND QUARTER 2007

Robust leasing activity and falling vacancy levels have characterised many European markets this quarter. Supported by stronger economic sentiment rental growth is spreading to a broader range of markets.

## MARKET OVERVIEW

- **Leasing activity improves across Europe**

After a relatively slow first quarter, demand strengthened across most European office markets in Q2 such that total take-up for the key EU-15 markets was up 11% quarter-on-quarter. The first half as a whole is broadly in line with the corresponding period last year. Take-up across the major CEE markets also continued to be robust, with Moscow in particular seeing very high levels of activity.

- **Stronger economic sentiment for 2007**

While most European economies are expected to see lower growth this year than last, the expected degree of slowdown has eased as a result of upward revisions to several forecasts for this year and, in some cases, next year as well. Of particular note is Germany, where forecast GDP growth in 2007 has risen sharply to 2.7%, well above expectations held at the start of the year.





- **Rental momentum spreading beyond major capital city markets**

The CB Richard Ellis EU-27 Rent Index, which includes CEE markets, registered improved growth of nearly 3% in the quarter, and almost 10% year-on-year. In line with the previous quarter many major European cities saw annual growth rates in high double digits, with London, Stockholm, Warsaw and Madrid among the highest growth centres. In addition rental growth has begun spreading to a broader range of markets including Lisbon and Prague.

- **Vacancy rates declining but long-term development pipelines growing**

Further decline in vacancy rates have been evident across the majority of office markets. The CB Richard Ellis EU-27 Vacancy Rate Index is now around 10% lower than a year ago, as a result of robust demand. Although most markets have relatively few new developments scheduled for completion this year, the forecast two-year development pipeline has risen in many European locations, and is significantly higher in CEE markets.

### 2nd QUARTER AT A GLANCE

- Take-up 
- Availability 
- Yields 
- Rental values 

EMEA Rental Cycle Q2 2007



Note: Markets do not necessarily move along the curve in the same direction or at the same speed. The rental cycle reflects the trend in net effective rents, taking into account leasing incentives.

Source: CB Richard Ellis

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## OFFICE RENTS

The CB Richard Ellis EU-27 Rent Index, which includes both CEE and Western European markets, rose by nearly 3% in the second quarter, pushing the year-on-year growth rate up to 9.9%.

Many of the largest increases over the past quarter, and indeed the last year, were recorded in the major capital-city markets such as London, Paris, Madrid, Stockholm and also Warsaw. Most of these saw stronger growth in the second quarter than the first, indicating that short-term rental momentum is well-established across a number of the most important markets. Other centres such as Moscow, Oslo and Dublin are also seeing annual growth rates well into double digits, and in some cases over 25%.

There is also some evidence of rental growth beginning to spread to a broader range of markets. Some growth is now starting to emerge to a lesser extent in certain of the German markets, notably Berlin and Hamburg, and a range of other markets that had seen no growth earlier in the year, such as Prague, Lisbon, Edinburgh and Barcelona.

With short-term expectations for most European economies being revised upwards, and development completions volumes for this year generally subdued, the remainder of the year could well see further growth in markets where it is already established and signs of growth emerging in others.

## OFFICE TAKE-UP

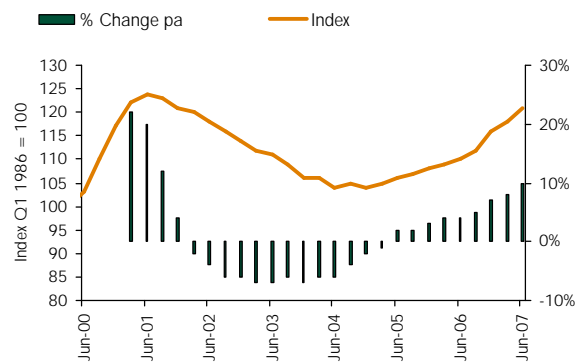
Following a slow first quarter, leasing demand across Europe rebounded in Q2. Take-up in Western Europe started the year with a fall in almost every market, but a strong second quarter has brought the total H1 level for the key EU-15 markets in line with that of the first half of 2006.

Take-up across the CEE markets is also continuing to perform well with even stronger performance in Moscow, which recorded yet another record quarter.

Improving economic sentiment across Europe is the key driving force behind the uplift in office demand. This is particularly evident in the key German cities. The significant recovery of the German economy is encouraging business expansion and hence employment growth. Frankfurt, Munich, Hamburg and Düsseldorf have all recorded quarter-on-quarter and year-on-year increases in take-up levels.

Of the markets recording a fall in leasing activity this quarter Amsterdam and Madrid showed the greatest falls with 33% and 38% respectively. This however follows a particularly strong first quarter in both markets, and therefore H1 totals for this year are still on a par with H1 2006. London West End also recorded a fall in activity, reflecting the very low availability in the market, rather than an inherent lack of demand.

## EU-27 OFFICE RENT INDEX

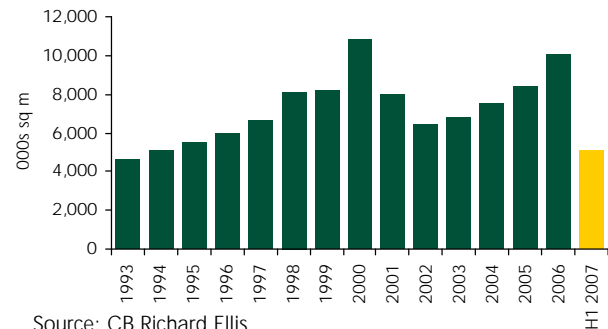


Source: CB Richard Ellis

EU-27 Office Rent Index	Q3 06	Q4 06	Q1 07	Q2 07
Index (Q1 2000 = 100)	112	116	118	121
Quarter on Quarter (% Change)	1.6	3.3	1.8	2.9
Year on Year (% Change)	4.7	7.5	8.0	9.9

Source: CB Richard Ellis

## AGGREGATE OFFICE TAKE-UP – MAJOR 15 MARKETS

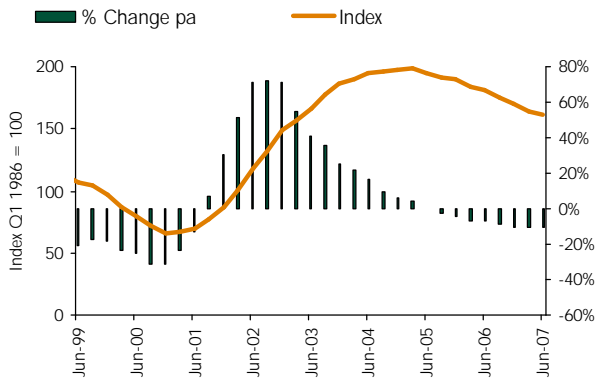


Source: CB Richard Ellis

Office Take-Up (000s sq m)	Q2 06	Q1 07	Q2 07	% Quarterly Change	% Yearly Change
Barcelona	72	75	120	60	67
Brussels	124	80	236	195	90
Central London	338	257	405	58	20
Frankfurt	93	70	95	36	2
Madrid	172	308	190	-38	10
Munich	156	195	185	-5	19
Paris (Ile-de-France)	699	740	684	-8	-2
Moscow	409	481	459	-5	12

Source: CB Richard Ellis

EU-27 VACANCY RATE INDEX

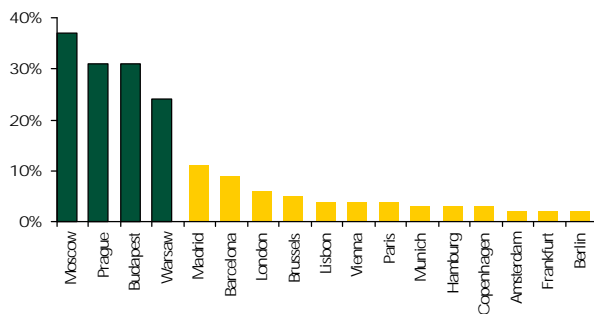


Source: CB Richard Ellis

Office Vacancy	Q2 06 %	Q1 07 %	Q2 07 %
Central London	5.70	3.60	3.10
Paris (Ile-de-France)	5.20	5.00	5.00
Brussels	10.44	9.24	9.08
Madrid	8.16	6.48	6.46
Frankfurt	14.61	13.09	13.07
Munich	8.60	7.91	7.61
Dublin	11.10	10.60	10.30
Prague	11.05	6.09	5.56

Source: CB Richard Ellis

2-YEAR OFFICE DEVELOPMENT PIPELINE AS % OF STOCK



Source: CB Richard Ellis

2-Year Office Development Pipeline	Development Pipeline (000s sq m)	% of stock
Brussels	578	4.6%
Central London	1,243	6%
Frankfurt	217	1.8%
Madrid	1,171	10.6%
Paris (Ile-de-France)	1,805	3.7%
Moscow	2,500	36.6%

Source: CB Richard Ellis

OFFICE VACANCY

The CB Richard Ellis EU-27 Vacancy Rate Index registered a decrease for the ninth consecutive quarter with a fall of 1.6% in Q2 and 10.5% on the last year.

The sustained decline is underpinned by the fact that fourteen of the twenty eight European markets included in the index recorded lower vacancy this quarter. This trend is evident across the majority of office markets as demand characteristics remain strong and short-term development pipelines are largely constrained. Many of the CEE markets and all of the German cities with the exception of Düsseldorf recorded a decrease in vacancy levels.

Vacancy rates are now below 3% in many West European CBDs, with notable examples being London West End, Barcelona and Geneva. In CEE the lowest vacancy rate was recorded in the Moscow CBD and it is unlikely to change rapidly despite a substantial development pipeline. Demand for prime office space in the heart of Moscow is robust and many of the prime projects are already pre-let.

In most cities, availability is expected to continue falling over the remainder of 2007, prompting further support for rents in the short-term.

OFFICE DEVELOPMENT PIPELINE

While vacancy levels are generally expected to see some further short-term reductions, the level of development across Europe is showing signs of increasing. The most significant increases have occurred in Paris Ile-de-France and Moscow, where the two-year development pipeline has increased by 200% compared with two years ago. Central London, Madrid, Berlin and Budapest have also seen a strong rise in the level of development over the same period.

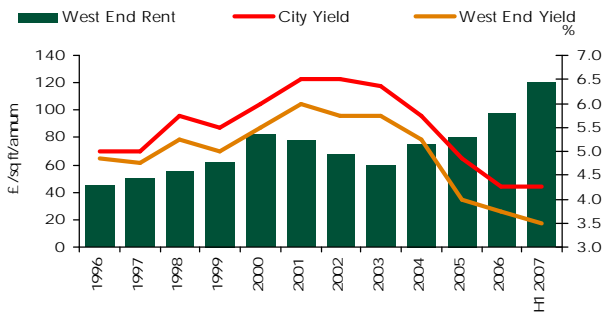
There are significant differences in the level of development as a percentage of stock between Western and Eastern Europe. The average two-year development pipeline in the West is 4% of stock, although Madrid is exceptionally high at 11%. By contrast, the level of development expected to deliver over the next two years is over 20% of the current stock level in Moscow, Prague, Budapest and Warsaw. The difference is indicative of increasing maturity in the Eastern markets which is fuelling development.

In general the build up of new supply over the next two years could act as a brake on rental growth, although the expected timing of development completions across Europe is relatively even. This suggests that excessive short-term supply surges should generally be avoided, giving markets time to adjust to new levels of supply. There are a few exceptions, including Budapest, where a higher concentration of completions is due in the next six months.

Country	City	PRIME OFFICE RENT		% CHANGE		NET EQUIVALENT RENT	PRIME OFFICE YIELD
		Local	€ /sq m/annum	Last 3 months	Last 12 months	€ /sq m/annum	%
Austria	Vienna	€ 20.50/sq m/month	246	0	2.5	259	4.75
Belgium	Brussels	€ 300/sq m/annum	300	0	0	364	5.50
Bulgaria	Sofia	€ 18/sq m/month	216	0	5.9	240	8.00
Czech Republic	Prague	€ 20/sq m/month	240	2.6	8.1	267	5.50
Denmark	Copenhagen	DKR 1,750/sq m/annum	235	0	2.9	277	5.00
France	Lyon	€ 215/sq m/annum	215	2.4	4.9	231	6.10
France	Marseille	€ 210/sq m/annum	210	0	0	226	6.00
France	Paris	€ 771/sq m/annum	771	5.3	13.7	829	3.60
Germany	Berlin	€ 22/sq m/month	264	4.8	4.8	284	4.90
Germany	Frankfurt	€ 34.50/sq m/month	414	0	3	445	5.00
Germany	Hamburg	€ 23.50/sq m/month	282	2.2	4.4	303	4.90
Germany	Munich	€ 30.50/sq m/month	366	0	0	394	4.80
Greece	Athens	€ 28/sq m/month	336	0	0	369	6.80
Hungary	Budapest	€ 22/sq m/month	264	4.8	10	293	6.10
Ireland	Dublin	€ 673/sq m/annum	673	0	13.7	673	3.75
Italy	Milan	€ 460/sq m/annum	460	0	2.2	505	5.25
Italy	Rome	€ 340/sq m/annum	340	0	0	374	5.25
Luxembourg	Luxembourg City	€ 33.30/sq m/month	400	0	0	484	5.75
Netherlands	Amsterdam	€ 325/sq m/annum	325	0	8.3	349	5.00
Norway	Oslo	NKR 3,000/sq m/annum	376	5.3	30.4	418	5.00
Poland	Warsaw	€ 27/sq m/month	324	12.5	35	360	5.50
Portugal	Lisbon	€ 20.25/sq m/month	243	1.3	1.3	267	5.75
Romania	Bucharest	€ 19.50/sq m/month	234	0	5.4	266	6.80
Russia	Moscow	US\$ 875/sq m/annum	646	2.9	27.7	760	9.50
Slovak Republic	Bratislava	€ 18/sq m/month	216	0	0	240	6.25
Spain	Barcelona	€ 26/sq m/month	312	2	6.1	335	4.25
Spain	Madrid	€ 456/sq m/annum	456	4.1	24.6	482	4.25
Sweden	Stockholm	SEK 4,200/sq m/annum	454	9.1	16.7	482	4.25
Switzerland	Geneva	SFR 750/sq m/annum	454	0	5.6	454	5.00
Switzerland	Zurich	SFR 900/sq m/annum	544	0	5.9	544	4.50
UAE	Dubai	AED 360/sq ft/annum	779	2.9	28.6	779	7.75
UK	Belfast	£ 13.5/sq ft/annum	215	0	5.9	215	5.00
UK	Birmingham	£ 30/sq ft/annum	479	0	5.3	479	4.75
UK	Edinburgh	£ 27.50/sq ft/annum	439	3.8	3.8	439	4.50
UK	Glasgow	£ 27.50/sq ft/annum	439	5.8	19.6	439	4.50
UK	London City	£ 60/sq ft/annum	958	1.7	22.4	958	4.25
UK	London West End	£ 120/sq ft/annum	1,915	17.1	37.1	1,915	3.50
UK	Manchester	£ 28.50/sq ft/annum	455	0	0	455	4.85

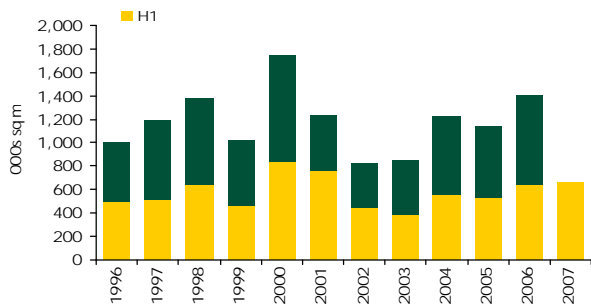
Note: Net equivalent rent calculated from prime rent, deducting any element of tax or service charge and converting from gross area to net internal area

**CENTRAL LONDON  
PRIME OFFICE RENT & YIELD**



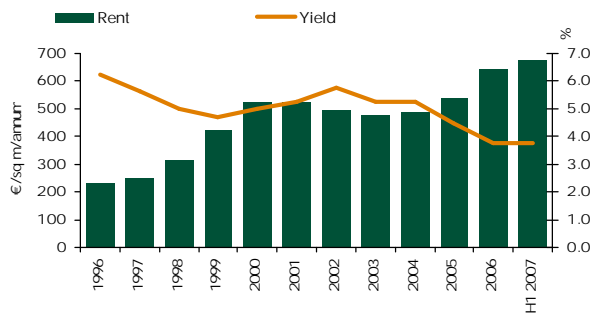
Source: CB Richard Ellis

**CENTRAL LONDON  
OFFICE TAKE-UP**



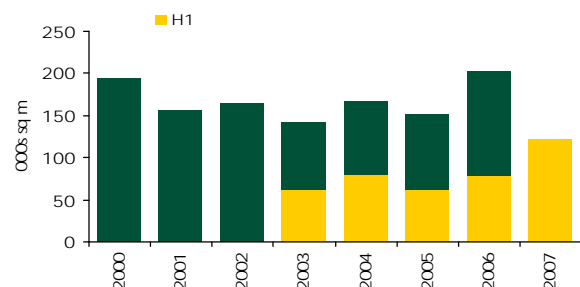
Source: CB Richard Ellis

**DUBLIN  
PRIME OFFICE RENT & YIELD**



Source: CB Richard Ellis

**DUBLIN  
OFFICE TAKE-UP**



Source: CB Richard Ellis

**CENTRAL LONDON**

After a relatively subdued first quarter, Central London take-up reached 405,000 sq m for the second quarter. This brought the total level of leasing activity in H1 this year to 662,000 sq m, showing a slight improvement on the same period last year. The improvement this quarter was driven by increases in all Central London submarkets except the West End and Midtown.

As a result of the strong leasing activity, the vacancy rate was pushed down to 3.1% in the second quarter. For some markets, there is emerging evidence of low availability restricting take-up. In the West End, a vacancy rate of 2.5% reflects the low supply of space, particularly new ready-to-occupy space.

The strong market conditions are reflected in rental growth for this quarter. The CB Richard Ellis index of prime Central London rents increased by 6.9% in the second quarter and 23.1% on the year. Growth in the West End was significantly higher, whilst there was a slight rise in the Docklands market.

The amount of space under construction also increased this quarter reaching 1.05 million sq m, the highest level since 2003. As development activity picks up in the wake of strong rental growth, increasing additions to stock will temper the rate of growth.

**DUBLIN**

Demand for office space in Dublin remained strong in Q2. Total take-up in the second quarter of the year reached over 65,000 sq m representing an increase of over 55% on the same period last year. More than 45% of office lettings were signed in the city centre, with almost half of it located in the Dublin 2/4 district.

Financial and business services continue to account for the largest proportion of current office demand in Dublin, with half of overall take-up located in the city centre. Demand for suburban office accommodation has increased on the back of improving public transport provision and was boosted by the current trend of relocating back-office operations to more cost effective locations in the suburbs.

On the supply side, the overall vacancy rate in Dublin is decreasing sharply and is now at 10.3%, while the vacancy rate in the Dublin 2/4 sub-market is 4.2%. More than 150,000 sq m of new office developments are due to come on stream in Dublin before the end of 2007, with almost half of it in the prime Dublin 2/4 market. Of this, over 55% has already been pre-let.

Prime rents in Dublin remained stable this quarter, but they have continued to edge upwards during the first six months of 2007 and are now fast approaching €700/sq m/annum. This level, however, generally only applies to smaller lettings in prime locations in the city centre. Prime rents in the south suburbs are also now increasing having remained stable for a number of years.

## PARIS

Economic sentiment in France following the recent election is positive and GDP growth is stable at around 2%. For the Ile-de France area as a whole, take-up has fallen by 2% year-on-year. This reflects a fall in take-up in the Western Crescent, but masks an increase in take-up in both Paris Centre West and La Defense on both an annual and quarterly basis. As a consequence, the vacancy rate has fallen to 3.8% in the CBD and to 4.5% in La Defense, but the overall rate remains constant at 5% as the drop in vacant space in these areas was cancelled out by an increase in the Western Crescent.

Prime rents are only achievable in the Paris Centre West market, and the falling vacancy rate in this sub-district has pushed prime rents up by 5.3% quarter-on-quarter to reach €771/sq m/annum. The supply – demand imbalance across the whole Ile-de-France region has been exacerbated because only 20% of the available space is new or refurbished buildings, which are most in demand.

More developments are due for completion within the next six months than at any time since the start of 2003, and the development pipeline is expected to remain full as developers respond to the shortage of high quality space in the market. Speculative developments should start to push up the vacancy rate, but there will still be shortages of good space in many areas including Paris Centre West and these localized shortages will cause the prime rent to increase further.

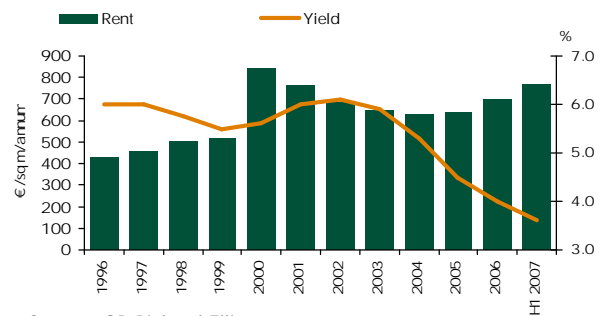
## MADRID

Leasing activity in Q2 eased back from the exceptional levels recorded in the previous two quarters to 190,000 sq m, which is still in line with typical levels over the last three years. Taking the first half of the year as a whole, take-up is nearly 20% up on the corresponding period last year and is on course for a second successive annual total of around 900,000 sq m.

The overall level of availability barely changed over the quarter, remaining at just over 700,000 sq m, with the vacancy rate also unchanged at 6.5%. These trends have produced further increase in prime rents, which have now reached €456/sq m/annum, a rise of 25% over the past year. Strong investment demand, mainly driven by domestic investors, is sustaining prime office yields of 4.25%.

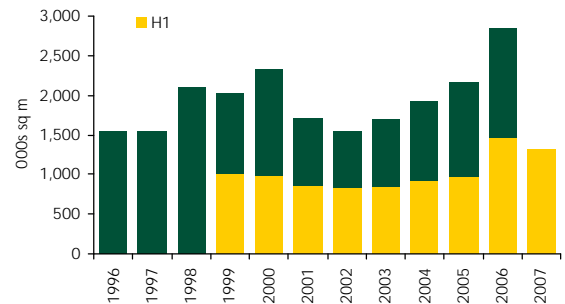
It is notable, however, that the growth rate of average rents exceeded that of the prime figure this quarter. In part this reflects the growing competitiveness of a number of out-of-centre districts, such as M-30 and M-40 which have accounted for the majority of recent lettings. These areas display higher vacancy rates than the central districts and are the main focus for recent and forthcoming new development. The expansion of occupier choice in these areas is producing a more decentralised structure to the office market.

### PARIS (ILE-DE-FRANCE) PRIME OFFICE RENT & YIELD



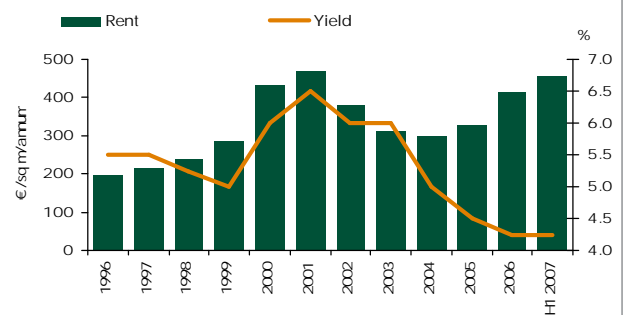
Source: CB Richard Ellis

### PARIS (ILE-DE-FRANCE) OFFICE TAKE-UP



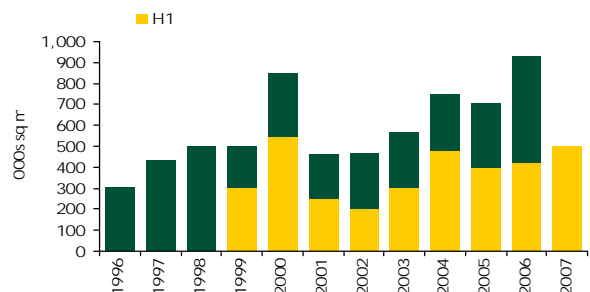
Source: CB Richard Ellis

### MADRID PRIME OFFICE RENT & YIELD



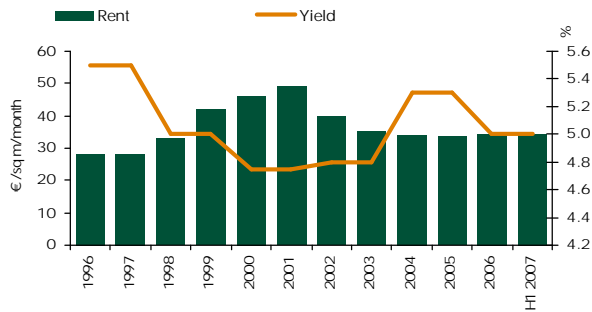
Source: CB Richard Ellis

### MADRID OFFICE TAKE-UP



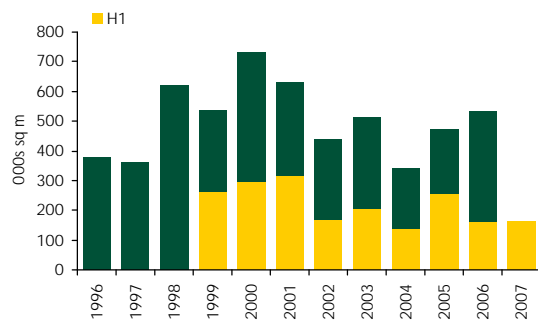
Source: CB Richard Ellis

**FRANKFURT**  
PRIME OFFICE RENT & YIELD



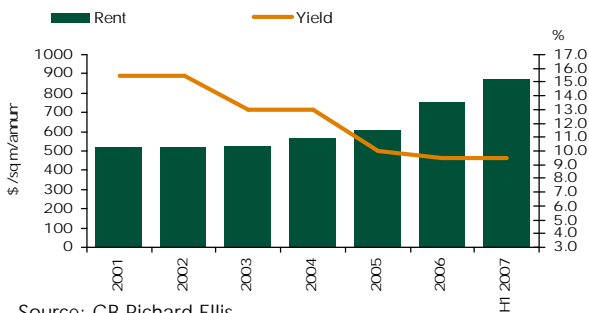
Source: CB Richard Ellis

**FRANKFURT**  
OFFICE TAKE-UP



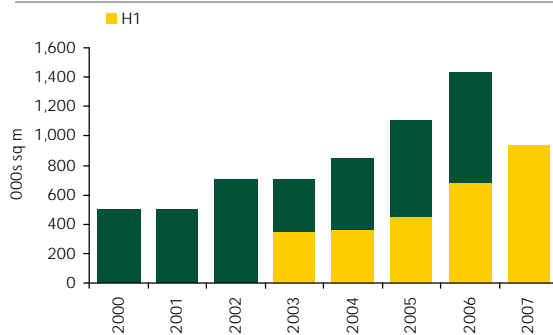
Source: CB Richard Ellis

**MOSCOW**  
PRIME OFFICE RENT & YIELD



Source: CB Richard Ellis

**MOSCOW**  
OFFICE TAKE-UP



Source: CB Richard Ellis

**FRANKFURT**

Growing business optimism associated with the improvement in the German economy, is driving an increase in leasing activity.

Take-up levels in Frankfurt reached 97,000 sq m in Q2, which represents a 37% increase on last quarter. This sharp increase however is a result of a particularly weak first quarter, and levels are still over 17% lower than the five-year average quarterly take-up.

In line with recent trends, the Banking and Finance sector dominated this quarter's occupier profile, with 27% of total take-up, followed by real estate and insurance companies with around 10% each.

Following the recovery in leasing demand the vacancy rate has fallen to 10.6%. This trend is likely to continue as less than 3,200 sq m of speculative supply is expected to reach the market in the next six months. As only a small proportion of the vacant space is of high-quality, specification, the lack of new supply may result in upward pressure in prime rents.

The prime rent for Frankfurt of €34.50/sq m/month, remained stable this quarter, however average rents have been on the increase since the beginning of the year, reaching €18.26/sq m/month and incentives are also falling across most submarkets.

**MOSCOW**

The second quarter continued the trend of high levels of letting activity in the Moscow office market. Take-up in Q2 reached 459,000 sq m bringing H1 total to a record of 940,000 sq m. More than 22% of office lettings were signed in the city centre and over 51% in the periphery between third and outer rings. Demand for office space was mostly stimulated by occupiers from the banking and insurance, industrial and telecom sectors. Unlike the previous quarter, net absorption accounted for only 58% of total Q2 take-up, which indicates that relocation was the significant driver of demand in Q2.

The level of new development completions in Moscow is high and is likely to surpass 1 million sq m by the end of 2007. This, however, will not have a substantial impact on the vacancy as demand fundamentals are strong and the average vacancy is not expected to increase from its original level.

Moscow is currently the fourth most expensive capital in Europe after London, Paris and Dublin. Prime rents have registered growth for the third consecutive quarter and reached the level of €655/sq m/annum (US\$875/sq m/annum) at the end of Q2. This is a 3% increase quarter-on-quarter and 28% year-on-year. Further rental growth is still expected this year as the vacancy rate in grade A office stock is below 2% and many new office developments scheduled for completion in 2007 are substantially pre-let.

## STOCKHOLM

Swedish economic growth exceeded 4.5% last year, with only a moderate reduction in the growth rate expected this year, partly resulting from expectations of higher interest rates.

Against this background, Stockholm office rents continue to rise. Prime rents in the CBD rose to SEK4,200/sq m /annum, a 9% increase on the Q1 level. This has been accompanied by a slight reduction in the vacancy rate for the CBD which, at just under 10%, nevertheless remains higher than that for many other markets. Occupier demand is closely linked with corporate consolidation and expansion, which is strongly focussed on high quality modern stock and markedly weaker for older properties in inferior locations.

Quarterly rent increases of 5% or more have been recorded in several other commercial districts in Stockholm including the remainder of the inner city core, the major suburban markets and the out-of-town Kista market. Upward rental momentum in the Stockholm market is expected to persist for at least another year.

Sweden continues to attract high levels of investment interest, one result of which was a further quarter-point reduction in prime office yields to 4.25%. Yields in commercial districts outside the CBD are typically 50-100 basis points higher, and in many cases have also seen downward pressure over the quarter.

## ZURICH

Higher occupier demand, resulting from strong labour market conditions, was particularly evident this quarter in the Zurich office market.

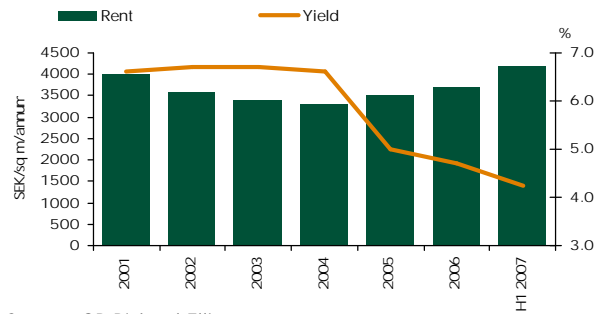
The improvement in leasing activity was most pronounced in the CBD submarket, where availability of ready to occupy space has fallen by 50% since the beginning of the year. Further strengthening of demand for this submarket is anticipated in the second half of 2007 as a result of a new trend emerging for the Zurich office market, with occupiers increasingly moving back to the CBD.

Although this is causing availability to rise in non-central markets such as Zurich North and Altstteten submarkets, the overall vacancy for Zurich is trending down.

The prime rent of SF900/sq m/annum is currently recorded in the historic office complex, Bellevue within the CBD submarket. Due to the concentration of activity in the CBD, where supply is constrained, we are likely to see further escalations in prime rents.

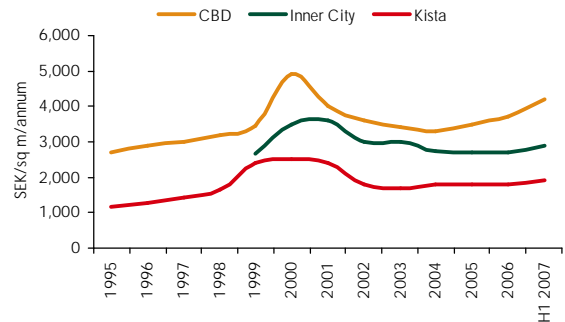
While demand is expected to remain robust over the coming quarters, a further 200,000 sq m of stock will be delivered to the market in the next two years, which is expected to dampen some of the current upward pressure on prime rents.

### STOCKHOLM PRIME OFFICE RENT & YIELD



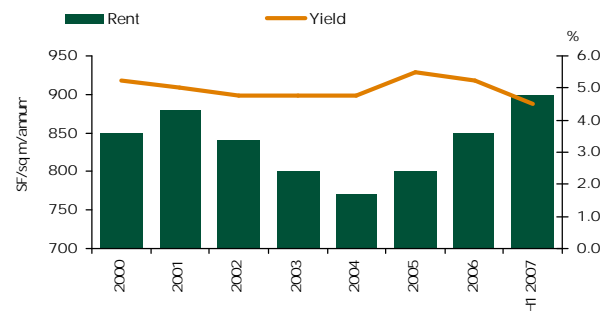
Source: CB Richard Ellis

### STOCKHOLM PRIME RENTS IN KEY SUBMARKETS



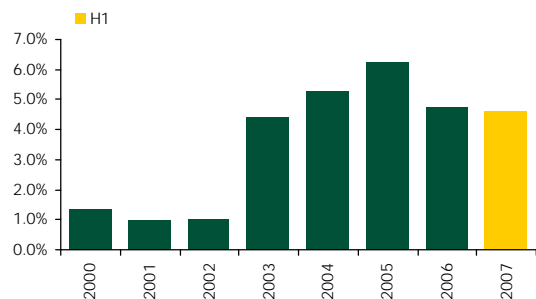
Source: CB Richard Ellis

### ZURICH PRIME OFFICE RENT & YIELD



Source: CB Richard Ellis

### ZURICH OFFICE VACANCY



Source: CB Richard Ellis

## OTHER MARKETS



The H1 take-up figure of 243,000 sq m in Amsterdam is 11% higher than a year ago despite lower than expected activity this quarter. Speculative developments are increasing and the vacancy rate remains high, so rents are still static.

Market fundamentals for Athens offices remained stable this quarter. Prime rents are still at €28/sq m/month, however a polarization of rents is now even more pronounced. Occupiers are less likely to consider second quality space as the supply of new high-quality developments is continuing grow.

Prime rents edged up to €26/sq m/month in Barcelona on the strength of increased take-up, and despite a slight rise in vacancy. Limited short-term development activity is expected to restrain any further expansion in vacancy.

There are currently many new developments under construction, scheduled for completion within the next six months in Belfast. Although prime rents remained stable over the course of Q2 2007, prime yields decreased to the level of 5% as a result of strong investors' interest.

The Berlin office market recorded a 5% rise in prime rents this quarter. Occupier demand also recovered, with take-up levels of 112,000 sq m, nearly double those of a very slow first quarter. Vacancy rate fell by 10 basis points to 9.6%.

Take-up was very strong this quarter in Brussels and largely stimulated by the private sector. Although the level of new developments was modest in Q2, another 119,000 sq m are in the pipeline for this year, with the Covent Garden, the largest project in the North area, partially pre-let to the European Commission.

Demand for office space in the Düsseldorf market was inline with recent levels, prime rents remained stable. As a result of low levels of new completions this quarter, the trend in vacancy rates remained downward for the market as a whole.

Take-up in Geneva remained low this quarter, however due to the low level of development, vacant space continues to fall. Prime rents remained the stable, however they are likely to increase as a result of the tight supply situation.

The Hamburg office market continued to record strong occupier demand levels, and developers are responding with strong levels of new supply. The prime rent increased by 2% to €23.50/sq m/month. Prime yields remained stable at 4.9%.

With no new completions this quarter, the pressure on supply in Lisbon, particularly in the CBD, is increasing. Prime rents here have increased by 1.35% to €20.25/sq m/month this quarter, and yields fell in every submarket by 25 basis points.

Demand is improving in Milan, but more and more back office activities are being relocated to the periphery due to lack of supply of adequate quality in the city centre. This means that while good quality space in the city centre is in sought after, secondary space is not.

As a result of strong take-up levels of 380,000 sq m for the first half of 2007, vacancy levels in Munich fell 30 basis points to 7.6%. Despite the high volume of development completions expected to reach the market in H2 this year, vacancy is likely to fall further as demand intensifies. Prime rents remained stable at €30.5/sq m/month.

Rents increased by €1 in Oporto to €18/sq m/month, and yields fell 25 basis points to 7.5%. Both the rent and yield change are reflective of the trend in Lisbon.

There is steady demand from the public and quasi-public sector in Rome. Occupiers continue to relocate out of the centre to areas such as EUR due to lack of suitable buildings in the city centre.

Take-up in Rotterdam fell 45% year-on-year to 56,000 sq m for H1 2007. This was rather unexpected as the Dutch economy is developing strongly. GDP growth for the rest of the year remains above the Eurozone average at 2.9% so take-up may well correct itself over the next few months.

The high level of take-up in Q2 in Vienna brought H1 2007 total to a record figure of 230,000 sq m as a result of strong demand for high quality office space and companies' expansion.



Leasing activity was healthy in Copenhagen in Q2 2007. Prime Rents remained stable at DKR 1,750/sq m/annum. However, there is an upward pressure on average rents as a consequence of soaring construction costs and increasing demand for office space.

Prime rents in the Gothenburg office market edged up to SEK2,000/sq m/annum, with supply levels tightening. Sustained investment demand has pushed prime office yields down to 5.25%.

There is a current lack of high-specification buildings in Helsinki and this is fuelling developer activity as well as putting pressure on rents – which are likely to increase soon. Strong GDP and economic growth forecasts are bolstering future demand prospects. This pushed yields down 10 basis points to 5% over the quarter.

Continuing strong demand has pushed prime rents in Oslo up to NOK3,000/sq m/annum. With vacancy levels diminishing there is sustained upward pressure on rents particularly in the core CBD.

## OTHER MARKETS



Strong demand in the **Bratislava** office market resulted in a declining vacancy rate. While office rents have decreased outside of Bratislava city centre to some extent there is a stability in the rents in the city centre.

Slight increase in occupier demand has been recorded in the first half of 2007 in the **Belgrade** office market. Development activity is also intensifying with around 280,000 sq m expected to reach the market within the next 2 years. This will have a tremendous impact on vacancy rates as it is more than double the current modern stock.

Despite the strong take-up of 124,000 sq m, the vacancy rate for **Bucharest** office remained stable at 4.4%. Development activity is still high, however prime rents are likely to see some good growth levels as new developments would provide higher quality office space.

**Budapest** office prime rents increased this quarter by 5% to €22/sq m/month. This was a consequence of a record leasing demand recorded in the first 6 months of the year. Vacancy rate fell by 50 basis points to 11.5% and investment yields reached an all time low at 6.1%

Take-up dropped significantly in **Prague** this quarter to 29,000 sq m, which was also 33% lower than a year ago. However low levels of new supply entering the market resulted in lower vacancy rate, and 2.5% rise in prime rents to €20/sq m/month. Prime yields dropped to 5.25%.

The **Warsaw** office market continued to show strong levels of activity in Q2, with prime rents rising for the third consecutive quarter to the level of €27/sq m/month. They are expected to approach €30 per sq m by the end of 2007 as a result of strong demand for office space and tightening supply in the City Centre.

Prime rents for **Zagreb** offices increased by 5% quarter-on-quarter reaching €15.75/sq m/month. The increase was a result of the strong demand for prime office space.



The **Abu Dhabi** office market continued to record strong occupier demand levels, however no new completions are anticipated until the end of 2008. Occupancy rate is at 99% which is reflected in prime rents, which now stand at AED250/sq ft/annum.

The demand for offices in **Dubai** remained strong throughout Q2 2007 as no significant amount of space expected to enter the market in the short term. Prime rents increased to AED360/sq ft/annum.

**Tel Aviv** experienced strong demand for modern office space, vacancy rate in the city continues to fall, prime rents increased to \$20/sq m/month.

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