Market Trends

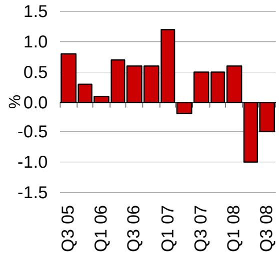
Japan
Q4 2008

Economy

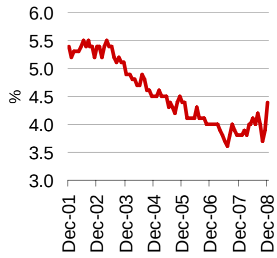
12-Months-Outlook ↓

GDP growth turned negative in 2008 and Japan's economy slipped into recession. The outlook for 2009 is even worse due to decreasing exports and weakening domestic demand as a consequence of the ongoing global economic crisis. The economic downturn has reached the labour market with an unemployment rate increasing during the last two months of 2008 with 70bp.

GDP
qoq



Unemployment Rate

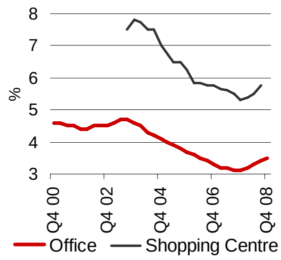


Investment

12-Months-Outlook ↓

Tightening lending standards resulted in a weakened investment activity. Loans are just available for selected, well-located properties. Interest rate spreads have increased 100 to 150 bp over those on offer in 2007 pointing to a more risk-oriented lending. Initial yields for prime office properties rose during 2008 steadily (by about 40 bp) and are expected to do so further. Secondary properties have been hit harder. Japan's real estate investment market faces significant corrections in 2009.

Yields Tokyo



Market Value Changes
Real Estate

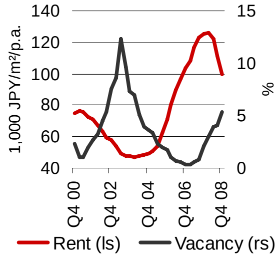
	Previous 12 Months	Outlook 12 Months
Office	**-5%**	**-15%**
Retail	**-5%**	**-15%**
Multi-Family	**-5%**	**-15%**

Office

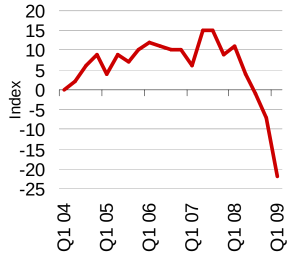
12-Months-Outlook ↓

Due to the economic recession and the sharply decreasing business expectations the office demand even in prime locations is softening significantly. The vacancy rate picked up during 2008 and will see a further drastic increase in 2009. Reduced demand and increasing vacancy put pressure on rents. Effective rent has lost about 20% during 2008 in the CBD of Tokyo. A further decline is expected in 2009 and 2010.

Office Tokyo



Business Condition
Tankan, All Ent., Business Serv., NSA

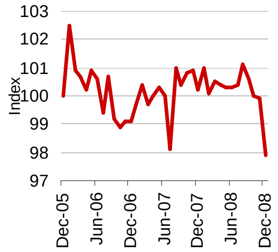


Retail

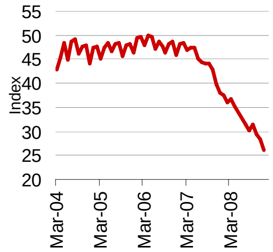
12-Months-Outlook ↓

Retail sales growth turned negative during Q4 2008 yoy and the consumer confidence index reached its lowest level ever. Consumer indebtedness will increase due to the ongoing economic downturn and the tightening of the financial crisis. This will put additional pressure on the real estate retail sector which faces a significant downswing already. Vacancies will rise and together with longer re-letting periods this will negatively influence retail rents.

Retail Sales
Index, SA, 2005=100



Consumer Confidence
Index, NSA

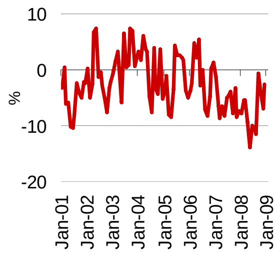


Residential

12-Months-Outlook ↘

Construction starts and the investment environment saw major setbacks from the tightening credit availability, revised building standard law, rising construction costs and real estate related bankruptcies. Companies will cut back staff and therefore the demand from expatriates, especially in Tokyo and Osaka, will decrease. This will put additional pressure on rents and vacancy rates.

House and Land Rents
Change yoy, Current Prices, NSA



Construction
Housing Construction Started, SA