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Real Estate Market Report Austria 2005

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Economic development 2005

The Austrian economy is expected to grow by 2.2 % in 2005 after 1.9 % in 2004. The substantial growth is mainly driven by higher exports resulting from the domestic demand in Europe and Austria as well as the positive impact of tax cuts.

However, the high Euro and oil prices constitute a risk for the recovery.

The increase in raw material prices, mainly crude oil and steel, pushed up inflation to 2.1 % in 2004 and is expected to increase to 2.3 % per annum in 2005.

The interest levels show hardly any movement in 2005 compared to 2004. The short-term interest rate (up to 3 months) is expected to remain at 2.1 % and the long-term rate (up to 10 years) at 4.1 %. Forecasts predict increases in 2006 to 2.7 % in the short-term and to 4.3 % in the long-term range.

Although employment gained 0.5 percentage points in 2004 compared to 2003 the unemployment rate remains at 4.5 % and will not decrease in 2005. The demand for employees due to the economic recovery is partly met by foreign workers resulting in an unemployment rate at a considerable high level.

Status and projection of main indicators of the Austrian economy, 2002-2006

Figure, in percent over previous year	2002	2003	2004	2005*)	2006*)
Gross domestic product real	1.2	0.8	1.9	2.2	2.3
Consumer prices	1.8	1.3	2.1	2.3	1.7
Employees	-0.5	0.2	0.7	0.8	0.9
Unemployment rate (according to EUROSTAT)	4.2	4.3	4.5	4.4	4.2
Private consumption real	-0.1	0.6	1.6	2.1	2.2
Industrial production real	0.5	0.2	5.2	4.0	3.7
Asset investments in equipment	-6.5	-5.1	6.0	1.5	3.5
Asset investments in buildings	-0.8	7.0	1.0	1.7	2.0
Goods exports real	4.3	2.5	10.0	6.0	7.0
Financing balance of state in % of GDP	-0.2	-1.1	-1.3	-2.0	-1.8

Source: WIFO status 12/04, *) Projection

Austrian Real Estate Market 2005 - Trends

Market Segment	Office (Vienna)	Retail	Industry	Residential
General Estimate	supply exceeds demand	supply exceeds demand top locations stable	stable	only premium locations booming
Demand	→↗ steady slightly increasing	→↘ decreasing, low demand from multinational chains	→→ steady	→↗ demand for top location and quality; average quality decreasing
Supply	→↘ steady	→↗ slightly increasing, especially outside of top locations	→→ steady	→↘ steady fewer developments, reduced supply
Vacancy	↗↘ stabilizing	→↗ in peripherical locations very high, in top locations none	→↗ steady slightly increasing	↘↘ consistently decreasing
Prices/Rents	→→ stable class A „bottoming out" in class B and C location	→↘ in peripherical locations decreasing, in top locations stable	→↘ rents decreasing	↗→ increasing in very good locations
Yields	→↘ strong demand for fully leased properties	→↘ demand in top locations	→→ steady	→↘ market moves away from being purely demand-led
Investment	↗↗ hardly any properties available	→↗ constant demand for prime locations	→↗ for lack of other investments, increasing demand	→↗ quality rental apartment buildings becoming scarce and expensive

Source: Colliers Columbus

Office

Vienna - Bottoming out

The office market recovered slightly in 2004 after the difficult years 2001 to 2003. The pick-up increased compared to 2003, the vacancy rate slightly increased as well but there will be a turnaround in 2005. The volume of new constructions remained unchanged to its previous years and will decrease in 2005. These positive signs show that the office market is starting to recover and the outlook is encouraging.

Vienna has to defend its superior position in quality of life against Budapest and Prague. The already long time planned infrastructure investments in highways, rail roads and airport expansion will support these efforts.

Positive signs come also from the EU expansion in 2004, the tax reform (group taxation, reduction in income tax) and the slow but steady upswing of the Austrian economy.

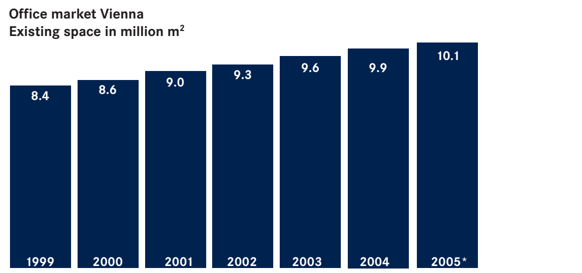
Supply in Vienna

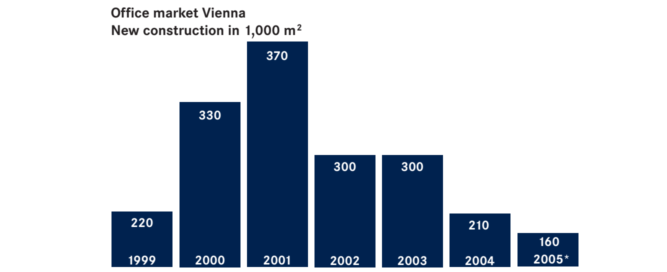
In 2004 new construction volume reached 210,000 m² which was fully picked up bringing old offices back on the market. As a result the vacancy rate increased again. The new constructions followed the trends in improving building management efficiency and cost cutting. Big Biz, Euro Plaza, Office Campus Gasometer, etc. are all low-rise conventional office buildings which were successfully marketed and have a high occupancy rate.

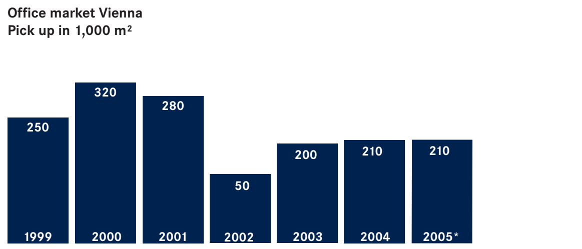
A number of projects were taken off the market and the volume of new office space will decrease in 2005 to 160,000 m².

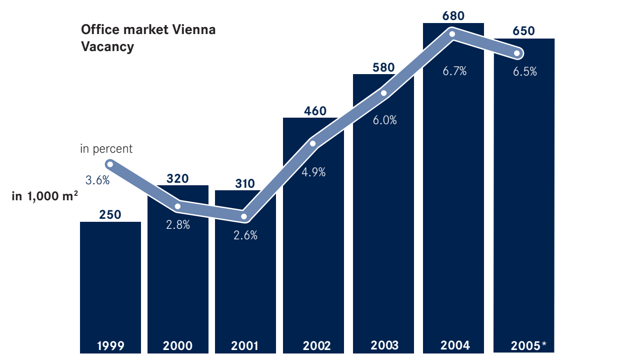
Vienna's office market is still characterized by the large number of new projects which can be built immediately on demand. (Approximately 1 million m² new office space is in different planning stages and could be built as soon as demand increases.) This explains the low office rents in Vienna in comparison with other European cities.

Market	Class A Net Rent Dec 2004 (€/m²/month)	Top Class A Net Rent Dec 2004 (€/m²/month)	Sales Price (€/m²)	Yield (%)
Vienna	12.50	20.00	4,000	5.00
Brussels	15.83	22.92	4,100	6.00
Prague	17.00	19.60	2,500	8.75
Copenhagen	16.25	18.50	3,100	6.30
Paris	45.00	48.33	8,500	6.20
Duesseldorf	13.10	22.00	4,500	5.75
Frankfurt	15.50	34.00	4,800	5.75
Hamburg	12.75	20.08	4,000	5.50
Munich	14.00	32.00	3,500	6.00
Stuttgart	12.20	17.00	2,750	6.00
Budapest	14.00	20.00	1,500	8.50
Milan	29.17	37.50	6,500	6.20
Rome	26.67	33.33	5,500	6.30
Amsterdam	13.33	25.00	2,200	7.30
Warsaw	18.49	22.51	3,000	10.00
Lisbon	20.00	24.50	3,500	7.25
Bratislava	13.50	16.00	1,800	11.75
Madrid	25.00	30.00	5,250	5.75
Stockholm	29.00	35.34	5,400	6.75
Geneva	19.71	25.23	6,500	5.30
Zurich	32.93	43.56	6,000	5.50
London - City	45.89	59.00	8,800	6.25
London - Docklands	30.15	45.89	5,200	7.00
London - West End	65.55	81.94	13,100	6.00









*Source: Colliers Columbus, *Estimate*

Office development axes in Vienna

Legend:

Property (height if tower, m^2 office space, year of completion)

Axis Muthgasse / Gürtel

Industrial and office development area

Business Center Muthgasse ($30,000 m^2$, 2002)
Skyline ($15,000 m^2$, 2005)
Space2move ($46,000 m^2$, 2006)

"DresdnerSpange" Axis Lassallestraße, Nordbahnhof and Handelskai

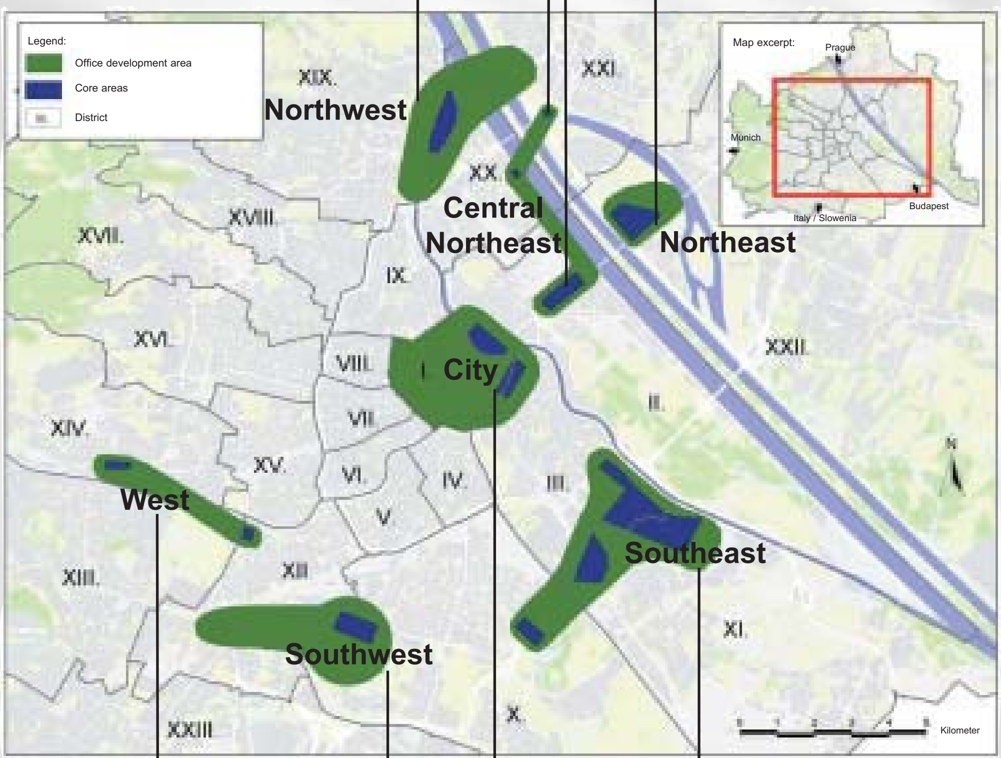
Modern office mile in urban renewal areas close to the city centre

Nordbahnhof area ($250,000 m^2$, property cleared for development)
McHenry / McArthur ($70,000 m^2$, 2002/2003)
Kiranda ($12,000 m^2$, 2003)
Florido Tower (115 m, $36,000 m^2$ offices, 2001)
Millenium Tower (202 m, $38,000 m^2$ offices, 1999)
BigBiz ($58,000 m^2$, 2002/2004)
Handelskai (approx. $20,000 m^2$ offices, 2003/2004)
E-Zone ($21,000 m^2$, 2006)
Le Bureau ($5,300 m^2$, 2005)

Axis Donaucity, Donauplatte, IZD

Vienna´s new Central Business District (CBD) with the developments Donaucity, "Donauplatte" and "Internationales Zentrum Donaustadt"

Vienna DC ($72,000 m^2$, at planning stage)
Strabag Haus (45 m, $18,000 m^2$, 2003)
IZD Tower (126 m, $63,500 m^2$, 2001)
Ares Tower (100 m, $40.000 m^2$, 2001)
Tech Gate Vienna ($15,000 m^2$, 2001);
Tech Gate Tower ($18,000 m^2$, 2005)
Generali Building (60 m, $18,500 m^2$, 1999)
Andromeda Tower (113 m, $37,000 m^2$, 1998)
Crowne Plaza Hotel, 225 rooms (1998)
Saturn Tower (95 m, $33,000 m^2$, 2004)



Axis West exit
Major projects at the feeder road axis

Hietzinger Kai (approx. $30,000 m^2$ offices 1990/2000)
Office Centre West ($7,300 m^2$, 2003)
Forum Schönbrunn ($25,000 m^2$, at planning stage)
Workstation Vienna West ($27,000 m^2$, 2003)

Axis Wienerberg
Euro Plaza ($26,000 m^2$ by 2002, $16,600 m^2$ by 2004; $18,000 m^2$ by 2005; Tower at planning stage , 2007/2008)
Twin Tower (138 m, $48,500 m^2$, 2001)
Business Park Vienna ($67,500 m^2$, 1994)
Ericsson Office Building ($17,500 m^2$, 1996, rebuilding at planning stage)
Breitenfurter Str. / Altmannsdorferstr. (2 office buildings, $14,000 m^2$, 2003)
U4 Center ($7,500 m^2$, 2005)

City and adjacent sites
Large buildings bordering the historical centre

Dr. Karl Luegerplatz ($5,700 m^2$, 2005)
Europay Marxerbrücke ($25,000 m^2$, 2003)
Wien Mitte ($55,000 m^2$, 2006)
Vienna City Tower (87 m, $22,000 m^2$, 2003)
Office building UNIQA ($33,000 m^2$, 2004)
Galaxy 21 ($18,000 m^2$, 2002)
K 47 ($4,200 m^2$, 2003)
Mobil Building Schwarzenbergplatz ($17,000 m^2$, 1983)
Kohlmarkt ($15,000 m^2$, 2005)
Renngasse 1 ($10,800 m^2$, 2004)
Hilton Sky Office ($2,500 m^2$, 2004)

Axis Erdberg and Aspang
Former industrial sites are being remodelled into multifunctional centres
Screen ($5,340 m^2$, 2005)
Gate2 Modecenterstr. ($32,000 m^2$, 2006)
Office Campus Gasometer ($51,000 m^2$; 1st phase $20,000 m^2$, 2004; 2nd phase 2005/2006)
Schlachthausgründe (St. Marx slaughterhouse grounds): 14-hectare-sized area under development
T-Center ($84,000 m^2$, 2003/2004, tenant T-Mobile)
Campus Vienna Bio Center ($4,000 m^2$, 2003)
Der Adler und die Ameise ($21,800 m^2$, 1999/2000)
Albatros ($36,000 m^2$ / 1st phase $11,000 m^2$, 2005)
Laaer-Berg-City: Construction company develops $100,000 m^2$ property on city motorway by 2007; first step: Office Provider ($16,000 m^2$, 2001); second step: 2 office towers (115 m, 2005); project part 1: completion ready for occupancy in 2005 (residential, offices, retail)
Office Garden: Food industry company creates business park with retail and entertainment spaces on its own properties; approx. $33,000 m^2$ office spaces; approx. $50,000 m^2$ additional spaces, N/A)
TownTown: from 2003, $120,000 m^2$ total usable space, 21 buildings (first building PriceWaterhouseCoopers 2002)
Brehmstr. ($21,000 m^2$, 2002/2003)
Davidgasse ($40,000 m^2$, 2006)
ß-Office ($19,500 m^2$, 2004)
modul-003 ($63,000 m^2$, 3 phases, N/A)

Long-term large-scale projects; as yet without specific zoning

Eurogate: 22-hectare area, from 2004 to 2014, gross area of $450,000 m^2$, thereof $200,000 m^2$ offices
Triple A ($40,000 m^2$, 1st phase 2007)

Demand

The pick up in 2004 was 210,000 m^2.

The major tenants were the public sector and related organisations which moved into modern buildings.

Office Campus Gasometer	21,000 m^2	Statistik Österreich
Workstation Wien West	11,000 m^2	Allianz Elementar
Adler und Ameise	6,000 m^2	Behörde
Brehmstraße	8,000 m^2	Hauptzollamt
Euro Plaza	3,000 m^2	Atos Origin
BIGBIZ	8,000 m^2	Buchhaltungsagentur
Rennweg	5,400 m^2	Group 4 Falck
Florido Tower	6,000 m^2	Pfizer

Moderate increases in employment over the coming 4 years will lead to growing pick-up (220.000 m^2 in 2005). The main tenants will still come from public sectors as they follow the trend to move to efficient new offices with modern infrastructure.

Private large tenants also realise that the market for long-term leases is in their favour at the moment and consider relocations.

Vacancy

In 2004 the vacancy rate peaked at 6,7 % with 680,000 m^2 empty office space showing a slight increase compared to 2003. For 2005 a turnaround is predicted resulting in a moderate decrease to 6.5 %. However, it is difficult to do a solid forecast as there are still many projects in the pipeline with valid building permits. The vacancy rate is also distorted by sub-leases put on the market from tenants who have reduced space requirements and look for a drop in their leasing costs.

The vacancy is noticeably a problem for older buildings whereas new office projects in excellent locations are leased up fairly quickly.

Rents

Rents have stabilized on a level of maximum € 20.- per m^2 per month for top offices in 2004. High rents of € 22.- are still asked for the top floors in some towers and for luxury CBD offices. However these rents are not typical for the market.

New office developments with flexible usage in good locations are rented for € 13 to € 17/m^2/month, in class B locations for € 11 to € 13/m^2/month and in poor locations with lower equipment standards for € 7 to € 10/m^2/month.

Typical Lease Conditions in Vienna

Duration	5-10 years
Class A rates	€ 13-20/m^2/net/month
Class B rates	€ 11-13/m^2/net/month
Class C rates	€ 7-10/m^2/net/month
Services charges incl. heating and aircondition	€ 2.5-4/m^2/net/month
Deposit/Bankguarantee	3-6 months
Yearly increase	According to CPI

Retail

The trend continues: Top locations become fewer and stay expensive, and at the other end of the market more and more former shopping streets disappear completely from the map of retail locations. In 2002 the growth of retail turnover was negative for the first time since 1945 (-2%). 2003 showed only modest growth (+0.5 %) – which, considering inflation means a 4.8 % negative growth in 2 years. There was no real recovery in 2004. For 2005 a turnaround is expected due to large income tax cuts effective as of Jan, 1 2005.

The market seems saturated, hardly any top locations remain for international chains, more and more local firms give up, and many traditionally grown shopping streets die a slow but certain death or can only attract discount stores such as KIK, Takko, Reno, etc. The fight for the top spaces continues to keep the rents at a high level. But there are only few chains planning to come to Austria in the near future and the desire to increase the number of locations has been restricted due to the poor growth in the last 4 years.

Retail real estate in Vienna

Classic retail businesses with a low numbers of outlets, often owned by old-established Austrian family firms, have gradually been replaced by international chains. In recent years the most expansive branches were the telephone and souvenir industry while the urge of textile chains to expand has slowed down. In addition, the reduced economic growth accelerates the structural change in areas, where local chains are giving up, which traditionally entails their further downswing. Exclusive international designers have only one shop in Vienna, in the top location of the City. They increasingly focus on Kohlmarkt and Graben, where demand still exists and where rentals have reached a peak.

Mariahilfer Strasse is the only shopping street not in the heart of the Inner City that managed to prevail as premium-quality shopping street. Some top locations of former years, like Landstrasser Hauptstrasse, Favoritenstrasse, Meidlinger Hauptstrasse or Thaliastrasse are having problems, but are still considered “AA locations”. Rents in B and C locations have dropped below residential rents.

Shopping centres, FOCs and power centres

The 100 largest shopping centres in Austria have a sales area of approx. 1.6 millions m²; Vienna and Lower Austria account for 48% thereof. With approx. 136,000 m² , the biggest shopping centre in Austria – Shopping City Süd – is one of the largest in Europe. The biggest shopping centre in Vienna (Donauzentrum, 77,000 m²) is planning an extension – and in Linz Plus City – with a total of 75,000 m² - has opened another 20,000 m². Europark Shopping Centre in Salzburg is adding another 19,000 m² sales area. Austria's up to now only Factory Outlet Centre McArthur Glen in Parndorf (Burgenland) was joined by Freeport on the Czech border in May 2003, two more FOCs are currently planned south of Vienna (Leobersdorf and SCS). Another one is planned in Salzburg (Airport Center). In addition, a strong trend has been going in the direction of building "cheap" and large power centres on the outskirts of all major cities. The 18 most important power centres in Austria comprise a total area of 427,550 m².

Top Shopping Centres in Austria, 2005

Shopping Centre	Municipality, Province	Sales Area m² ***	Number of Shops
Shopping City Süd	Voesendorf, Lower Austria*	136,000	240
Donauzentrum	22nd district, Vienna **	77,000	173
Plus City	Linz, Upper Austria	75,000	180
Shoppingcity Seiersberg	Graz, Styria	56,000	108
City Park	Graz, Styria	43,000	100
Uno Shopping	Linz, Upper Austria *	38,000	90
DEZ Einkaufszentrum	Innsbruck, Tyrol	38,000	110
Europark	Salzburg, Salzburg *	23,000	90

*Source: Colliers Columbus, *expansion 2005, **expansion 2006, *** excluding cineplex, stand alone retail space*

Retail rents

In the Austrian location spread, Vienna holds 4, the towns with 40,000 or more inhabitants a total of 13 AAA (=highest-quality) locations. In such top locations in the Vienna City, in exceptional cases, rents reach € 290.- to € 360.- per m² and month for a sample store with 70 m², the complex location criteria and existing usage make it impossible to determine rents categorically.

Rents for Retail Locations in Vienna, 2005

Vienna	Sample Location	from € per m² and month**	to € per m² and month**
AAA* top locations City	Pedestrian zone Kaerntner Strasse Graben, Kohlmarkt	100*	290 (360***)
AAA* top shopping streets	Mariahilfer Strasse	45*	110*
AAA top shopping centres	Shopping City Süd, Donauzentrum	25	75
AA* shopping streets	Rotenturmstrasse, Landstrasser Hauptstrasse, Favoritenstrasse, Meidlinger Hauptstrasse	20*	50*
A shopping centres	Lugner City, Galleria	15	25
A good locations	District centres	15	18
B locations	Seilergasse, Naglergasse, Spiegelgasse Habsburgergasse, etc.	22	70
C locations	Reinprechtsdorfer Strasse, Praterstrasse, Wiedner Hauptstrasse, etc.	5	11

Source: Colliers Columbus

** These rents are known as "adequate" rents in Austria and are mostly only imaginary since key money must also be paid, and this sum has be calculated into the rent.*

**** Rents are exclusive of operating costs and VAT*

***** Exemptions in City-Ptime locations*

Industrial

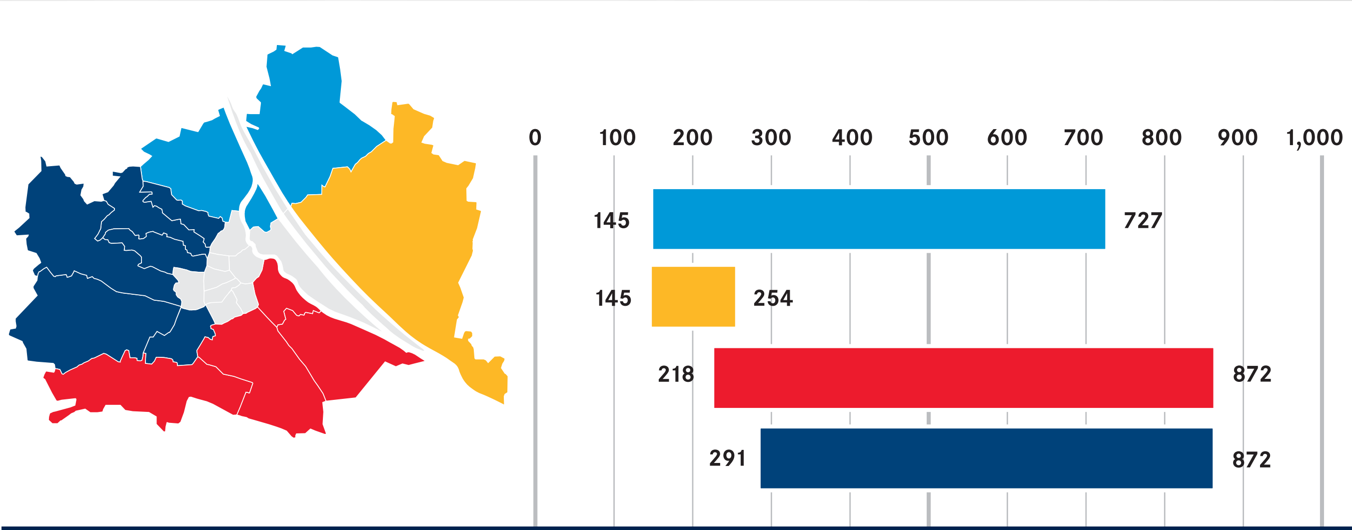
Stable market with sales and rentals taking up to two years!

The last years were characterized by lengthier negotiations. While in the past it took less than a year to sell or lease an existing industrial property, we meanwhile have to accept at least 2 years, depending on location and size. This refers especially to warehouses of 10,000 m² and more.

Most problematic are so-called "industrial ruins", i. e. warehouses with a height of 12 metres, production areas on different floors, as well as properties in areas with mixed usage. In these cases, it may take even longer to finalize a deal. As a consequence, sellers are more flexible in their price expectations.

Despite these negative assumptions, the year 2004 was a very successful one: A couple of large industrial companies have been relocated, new production sites were constructed and numerous industrial properties with an average size of 3,000 to 5,000 m² were let. Some sales were also effectuated, mostly existing plants.

Land Prices per m², Purchase Price in Euro, Vienna, Frequency and Industrial area, 2005



Source: Colliers Columbus

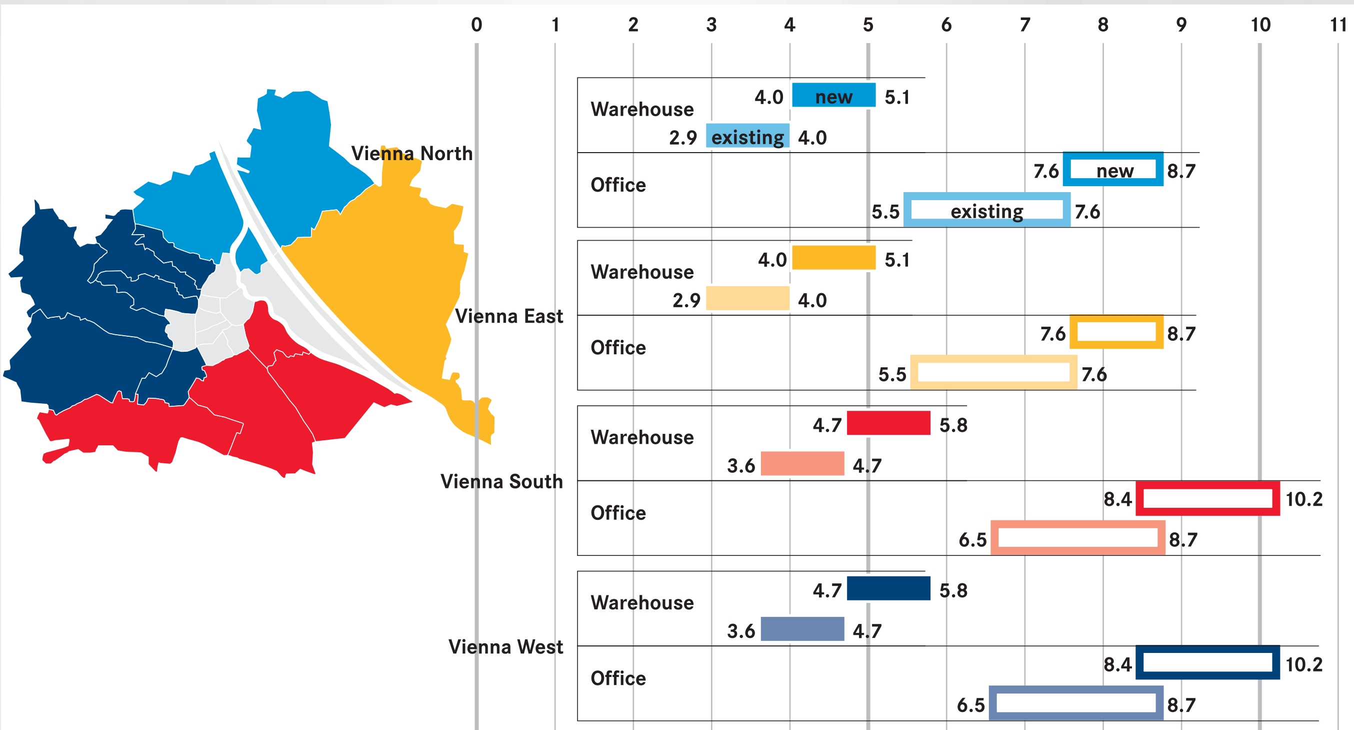
The selling of vacant industrial plots stagnated. The prices of plots have remained stable, with the exception of locations with geographic advantages such as high frequency or near main exit roads.

Rents for offices and warehouses remain unchanged: in Vienna per m² and month between € 2.90 and € 5.40 for warehouses and between € 5.50 and € 10.20 for offices, depending on location, condition and age of building.

The enlargement of the EU in May 2004 constituted another relevant factor. One can expect relocations, migrations of workforce, tax advantages in the new member states, changed competitive abilities and much more, and the market will have to react accordingly. Counter measures as the reduction of income taxes for corporations effective from 2005 have a positive effect on the industrial segment.

Improvement of the transportation systems to the new member states will have a certain impact on the development of industrial production and businesses in Eastern Austria. Officials have been inactive for a very long time in this sector and as a result, the region is confronted with a handicap for attracting investments.

Rents of industrial properties per m² and month, Rent rage in Euro, Vienna, New constructions and existing properties, 2005



Source: Colliers Columbus

Residential

Residential market prices continue to move in different directions: decreasing supply in top locations, increasing demand for top quality and location.

Prices for buildings, constructed between 1950 and 1995, in medium or bad locations will stay on the present low price level or might even drop a little.

Contrary to this, we expect prices to rise in recently renovated fin de siecle buildings (1890 – 1920) and newly constructed apartments in good or very good locations. The increase could be 5 to 10 % in the coming 18 months.

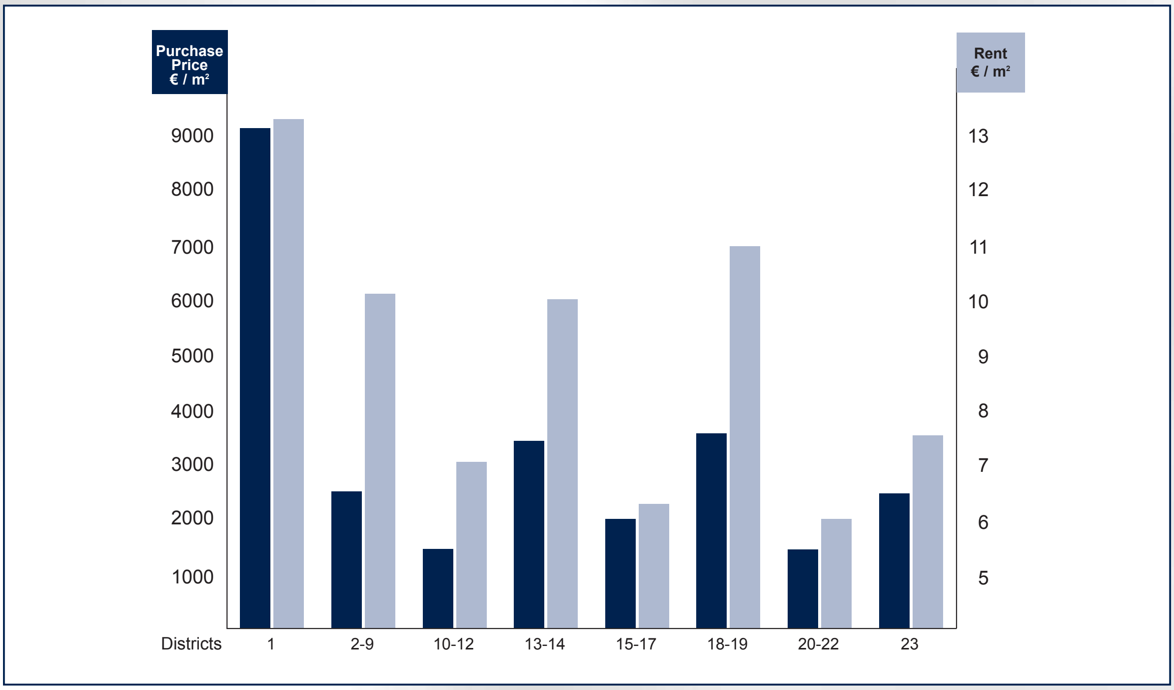
Vienna is still characterized as a buyers market. In spite of stagnant building permits, there is still a lack of apartments, and a change in this trend is not foreseen within the coming two years. We expect a turn to a sellers market in 2006.

Compared to other large cities in Europe, Vienna continues to offer relatively favourable rents for apartments, while the purchase prices in top locations have reached international level. New constructions in the city (CBD) and in prime locations in the 19th district have a completely different performance compared to the rest of the market. Attic apartments in the city are sold for € 8,500 per m², class A apartments in the green suburbs for € 6,000 per m².This results in yields of only 2 to 3 % if rented, which is not attractive for international investors.

Within the last years, the pressure on developers has increased due to internationally required standards, such as air conditioning, alarm system, outside blinds, etc. and high-quality kitchens and bathrooms.

Vienna has still only a limited offer of units larger than 150 m² - both for property and rent-while there is a constant demand in the class A sector for such apartments which have been easier to market during the past years. There is also an advantage for investors in this segment as the legal rental restrictions do not apply. The large supply of smaller apartments (50 to 120 m²) has been slightly more difficult to rent and sell.

Purchase Prices and Rents of Apartments in Vienna, per m² in Euro, 2005



Turn-of-the-century properties ("City or Cottage-Villas") with an average living area of approx. 400 m² and a plot size of approx. 800 m² in good condition in the 18th, 19th and partly 13th districts achieve a purchase price of € 1.5 to € 2.0 million. For high-quality rental apartments in the coveted living districts 1, 8, 9, 13 or 18 and 19, one must expect a square metre rent of € 8.70 up to € 11.-.

For villas (districts 18 and 19 are sought after), monthly rents are between € 4,000.- and € 7,000.-, but they are hard to find. Residential construction sites are purchased by private individuals only in the green districts for approx. € 800.- per m², depending on construction class and zoning regulations. The price level outside of Vienna is lower, with the exception of tourism centres in Salzburg and Tyrol as well as lake properties and plots of land immediately south of Vienna.

Multi units rental apartment buildings - Booming market

The run for multi unit rental apartment building continues in 2005. 15 % increase in value over the last 12 months confirms the trend.

A growing number of market players, some of them are joint stock companies, enhance the real estate business in this special product range.

Some market players are specialised in low standard houses and their refurbishment. Others focus on houses with decent lease structures. Investors rely again on the security of investments in real estate after the crash on the stock markets.

Investments in the first district are characterised by decent profits in the long turn. There is one principle - the better the location the smaller the yield. Investor expectations for growth in value and a safe investment can be met. Yields in good Viennese locations have reached 5.5 %. Professional management of the buildings adds to the profit.

We think that rising interest rates will terminate the hype for multi unit rental apartment buildings. Many of the buildings have been debt financed and will be put on the market again if the interest burden increases.

Prices in Vienna (Districts 1-23)

Prices per square meter net living space resp. retail space in Euro

	Apartment buildings with units in the categories A to D	Apartment buildings with units in the categories A to C
1. District	1.300 – 850	Up to 2.100 (*1)
2. District	450 – 300	Up to 750
3. District	550 – 350	Up to 990
4. District	600 – 400	Up to 990
5. District	450 – 300	Up to 520
6. District	510 – 340	Up to 990 (*2)
7. District	510 – 340	Up to 990 (*2)
8. District	590 – 390	Up to 990
9. District	520 – 310	Up to 990
10. District	360 – 250	Up to 440 (*3)
11. District	360 – 250	Up to 420
12. District	360 – 250	Up to 500
13. District	430 – 360	Up to 990
14. District	380 – 250	Up to 520
15. District	360 – 250	Up to 520
16. District	360 – 250	Up to 520
17. District	360 – 250	Up to 520
18. District	520 – 330	Up to 990
19. District	520 – 350	Up to 990
20. District	330 – 230	Up to 480
21. District	330 – 220	Up to 420
22. District	330 – 220	Up to 420
23. District	360 – 230	Up to 480

*1; Premium for City retail location, *2; Premium for Mariahilferstraße, *3; Premium for retail location

Real estate investment

A strong demand for real estate continued in Austria in 2004. According to various reports foreign funds have invested another € 600 Million, whereas investments by Austrian investors peaked at a record of € 3.8 Billion.

The unique sale of 5 state-owned real estate companies has to be noted. An Austrian group won the bid against foreign bidders after a long bidding process. The successful bidder – a consortium of banks, insurance and real estate companies - bought the companies with more than 60,000 apartments in their portfolio.

The yield for these apartment houses is about 4 %, whereas the yields for commercial properties drop below 6 %. The demand from foreign investors still exceeds the offer which leads to falling yields. Investments are effected in office buildings, hotels, department stores and shopping centres. Investors have also left Vienna to look for appropriate objects in regional cities as the Viennese market is practically sold out.

The biggest transaction from a foreign investor was the acquisition of the Saturn Tower and T- Center by GENO Asset Finance. The demand for products will continue in 2005 as foreign open and closed funds as well as Austrian real estate companies and real estate funds are well stocked with cash and eager to invest their money. Reduced investment due to changes in the tax allowances for German investors has not eventuated.

Initial Net Yield in Vienna Top Locations by Real Estate Category, 1998 to 2005

Category	1998	1999	2000	2001	2002	2003	2004	2005
Office	6.00%	6.25%	6.25%	6.00-6.50%	5.50-6.25%	5.50-6.25%	5.25-6.00%	5.25-5.75%
Industry	6.75%	6.75%	6.75%	6.50-7.00%	6.75-7.50%	6.75-7.50%	6.50-7.50%	6.50-7.25%
Retail buildings **Shopping centres**	4.50%	5.00%	5.00%	4.50-5.50%	4.50-5.50%	4.50-5.50% 6.00-6.50%	4.50-6.00% 6.00-6.50%	4.50-5.25% 6.00-6.25%

Source: Colliers

Transactions 2004

- T-Center, Rennweg, 85,000 m², € 304 Mio, 6.5 %
- Saturn Tower, Leonhard-Bernsteinstrasse, 33,000 m², € 118 Mio, 6.5 %
- Siemens Office Building, 66,000 m², 7,0 %
- Office Campus Gasometer, 24,500 m², 5,8 %
- 5 state-owned real estate companies, 63,000 apartments, € 2,600 Mio, 4,0 %
- Vienna Competence and Bio Center, 10,100 m², € 27 Mio, 6,3 %

Colliers International is among others conducting the following sales transactions.

- Hotel development in Aspernbrückengasse, € 4.3 Mio
- Package of apartment houses, € 6.0 Mio
- Office building Kratochwijestrasse, € 50 Mio
- Hotel Mariahilferstrasse, € 36 Mio

Outlook for 2005

Strong institutional investment interest is expected, since Vienna has established itself as an internationally recognized investment market; three factors are decisive:

- Relatively low vacancy risk in modern office buildings in good locations.
- Stable rent at a low level compared to office rents in other European capitals.
- Considerable potential through EU enlargement by which Vienna will strengthen its position against the new EU members and move from a border location into the heart of Europe.

We also see an increase in sale and lease back activities by banks and insurance companies.

Real Estate Fund law

A new Real Estate Fund law (for open and closed Real Estate funds similar to Germany), which was passed by the parliament in 2003 increases market activities. The development of new products will raise the liquidity of the real estate market all over Austria.

Hotel real estate

The massive revitalizations by major Viennese luxury hotels in 2002 (Intercontinental), 2003 (Hilton), 2005 (Sacher) and the demand from other luxury chains for new locations in the Vienna City Center characterize the hotel market. 2003 another five star hotel opened (Le Meridien) and at least five more such hotel projects (Schubertring, Schwarzenbergplatz, Aspernbrückengasse, Messe Wien, Wagramerstrasse) are in the planning stage.

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