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# **Press** Release

**For immediate release**
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## German property market remains resilient despite downturn

According to the latest IPD data*, Germany - the largest property market in Europe - is worth an estimated €269bn and accounts approximately 20% of the European market. In the wake of the global financial crisis and economic slowdown, Germany has been hit hard. The German government forecasted GDP to fall by 6% in 2009, but new data show signs of a recovery. In the second quarter of 2009 the German GDP rose by 0.3%. This would correspond to an annualized rise of 1.3%.

So far, the German real estate market has weathered the downturn better than any other nations, delivering positive total returns of 3.5% in 2008 according to IPD. Is this resilience however sustainable? "In the last 18 months, all participants of the market, be it investors, banks or tenants, have adopted a-wait-and-see attitude", commented Iris Schöberl, Managing Director at F&C REIT Asset Management Germany. "But this does not mean that the market dynamics are unaltered. As a matter of fact, we are witnessing major changes", she continued.

On the investment side, the credit crunch has led to a sharp reduction in transaction volumes with only €1.75bn of stock traded in the first quarter of 2009, a drop of 80% from the previous year's level. Overseas investors, who accounted for 80% of investment in 2006, have effectively withdrawn from or shun the market.
"As far as offices rentals are concerned, cities like Hamburg and Munich enjoy a strong demand from companies across all sectors", Schöberl continued. "This positions them better for a more shallow contraction. Although these towns have substantial supply pipelines, there is a limited amount of centrally located Class A space available. This should help sustain rents in core areas".

On the retail side, consumer spending has held up relatively well, boosted by Merkel's two economic stimulus packages. Retail spaces in core major city locations as well as mid-sized cities are expected to see stability.

"We believe that prime retail property is poised to outperform in a challenging market", Schöberl added. Investing in top locations, i.e. choosing prime over secondary, focusing on towns with a diverse occupier base, reasonable levels of affluence and limited new supply are amongst the strategies she reckons can deliver performance in this investment climate.

*Investment Property Databank is the world leader in performance analysis for the owners, investors, managers and occupiers of real estate.

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**Press enquiries**

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**Notes to Editors**

**F&C REIT Asset Management**

- F&C REIT Asset Management is a leading international real estate manager formed through the combination of F&C Asset Management's property business and REIT Asset Management in September 2008.
- F&C REIT is an entrepreneurial, institutionally-partnered force in commercial property and manages a global portfolio worth £7.6 bn (31/03/09)* on behalf of a wide range of individuals, professional investors, property trusts and institutional clients.
- F&C REIT's investment team uses both detailed proprietary and external research, sophisticated forecasting and strategic analysis to find market inefficiencies and opportunities – across property sectors, countries, types and tenants.
- F&C REIT Asset Management offers a comprehensive, integrated range of real estate fund management services with a network of offices spanned across five countries: Germany (Munich), India (Mumbai), Ireland (Dublin), Sweden (Stockholm), and the UK (London).

* 51.1% of the assets under management are recorded at their acquisition cost, reflecting the basis on which income is generated for F&C REIT by these assets