GLOBAL OFFICE FORECAST 2012-2013

CUSHMAN & WAKEFIELD®

DECEMBER 2011

A Cushman & Wakefield Research Publication

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GLOBAL OVERVIEW: SLOW RECOVERY, POISED FOR GROWTH

The global office forecast is mixed, with some markets expected to perform better than others

For office markets around the world, 2011 began strongly with robust leasing activity outpacing 2010 figures by up to 30%. Despite tepid employment growth, the pent-up demand from corporations was evident as leasing was on pace to break records.

As occupiers regrouped following the recession and began to make location decisions, the flight to quality became a strong trend. In US markets, class A leasing primarily in central areas accounted for 80% of all activity through the first nine months of the year, and this trend was also in play in many other countries.

However, apprehension arising from the Eurozone sovereign debt crisis and US deficit transformed into pervasive uncertainty by the third quarter, dramatically slowing office performance as business adopted a wait-and-see position.

In this volatile economic and political climate, hopeful signs have emerged that the worst of the Eurozone crisis may in fact be averted, and China's surprise loosening of its monetary policy should serve to spur business activity. Significant job creation in the US is another hopeful sign. However, the overall global economy will remain sluggish, with concerns of recession only slightly alleviated by these positive developments.

A positive factor supporting our cautiously optimistic view is that leasing fundamentals are strong and supply – both development and sublease space – remains limited. The most supply-constrained markets will, in fact, see development in 2012. This includes Moscow, Paris, São Paolo, Seoul and Mumbai. Conversely, the majority of markets have little or no new construction in the pipeline for either 2012 or 2013, despite in some cases extremely tight vacancy rates.

While the financial markets remain in flux and with government leasing at a virtual standstill stalling markets like Washington DC and Brussels, growth industries such as technology, healthcare and energy are fueling markets like Stockholm, San Francisco, Calgary, Houston and Toronto. Demand also remains solid in Mexico and strong in Brazil.

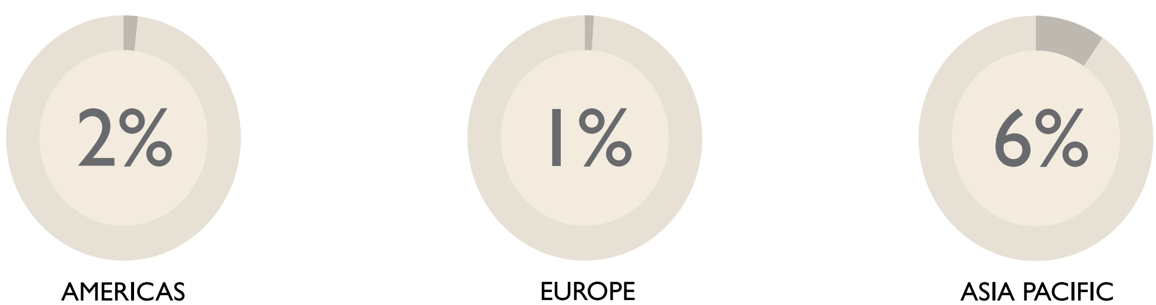
Brussels, Amsterdam, Prague and Frankfurt will work through a gradual recovery and hold their own, while Dublin, Istanbul, Munich, Paris, Stockholm and the prime London market will outpace other European markets.

In Asia, second-tier markets in China will witness accelerated growth while China's GDP will hold strong at 9%. Regional trade now accounts for nearly 50% to 60% of export activity in all countries in the region, and Indonesia and Australia will also fare well in this recovery.

The increased leasing activity in 2011 made little impact on rents although concessions in some markets are not as generous as they were in 2009 and 2010. Significant upward pressure on rents is not forecast until 2013, although rental increases were evident in gateway central markets, as demand exhausted the supply of premium space. Rental values in Asia remain correlated to GDP growth and inflation, and this supports stable to slightly growing rents in the region. In contrast, some European markets will experience downward pressure on rents including Barcelona, Lisbon, Madrid and Milan.

For the reasons outlined, Cushman & Wakefield's global office forecast is best characterized as mixed, with some markets continuing to outpace others through 2013.

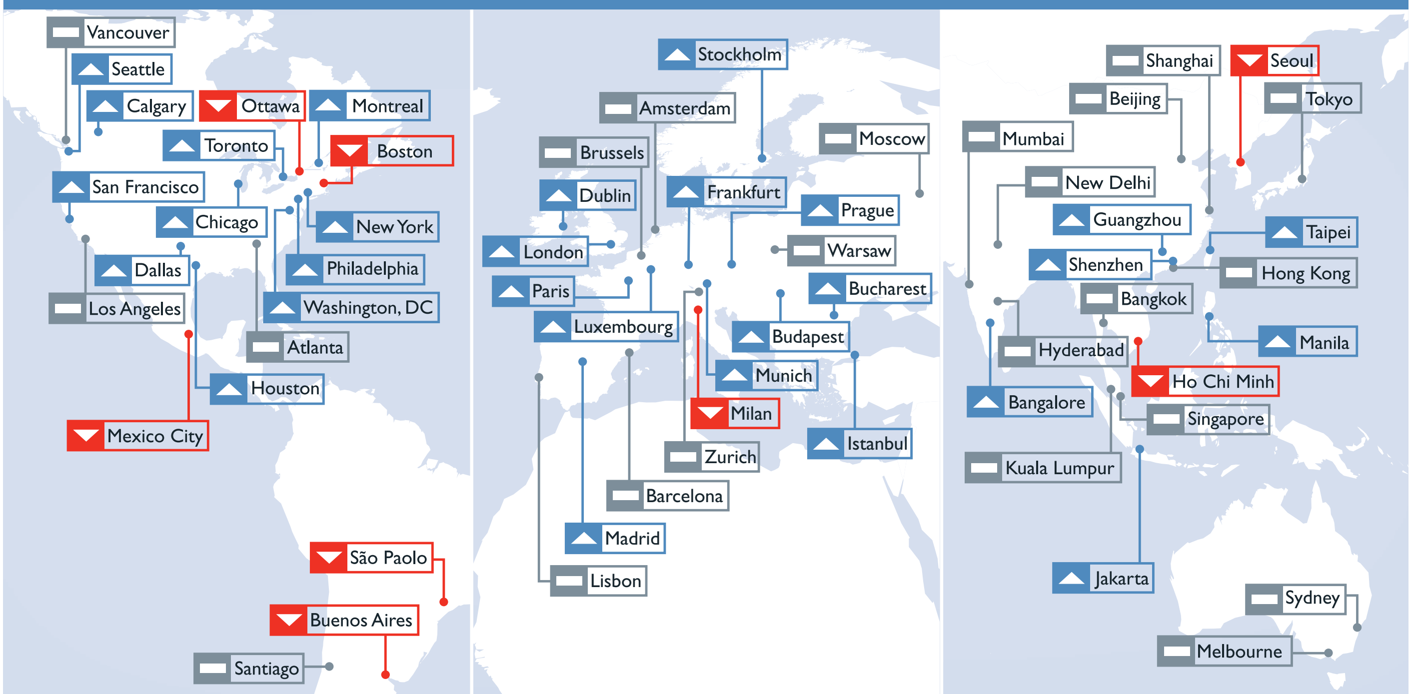
2012 GDP GROWTH FORECAST



SOURCE: CUSHMAN & WAKEFIELD RESEARCH AND VARIOUS

GLOBAL OFFICE MARKETS TO WATCH: VACANCY & ABSORPTION

THE AMERICAS | EUROPE | ASIA PACIFIC



PLEASE CLICK FOR TWO-YEAR FORECAST RESULTS

VACANCY & ABSORPTION — click above

RENT — click above

SUPPLY — click above

TREND

UP | STABLE | DOWN

DISCLAIMER: Interactive map functionality may be limited on certain devices and operating systems. Please refer to the forecast tables throughout the report for detailed trends and data for all of the markets displayed above.

VACANCY & ABSORPTION AS % INVENTORY

Rank	2011-2013	
1	Shenzhen	60%
2	Guangzhou	52%
3	Santiago	37%
4	Bangalore	31%
5	Hyderabad	28%
6	Shanghai	28%
7	Jakarta	28%
8	São Paolo	22%
9	Kuala Lumpur	21%
10	Ho Chi Minh	19%

RENT GROWTH

Rank	2011-2013	
1	Shanghai	22%
2	Bangalore	21%
3	San Francisco	16%
4	Beijing	15%
5	Jakarta	14%
6	Calgary	14%
7	São Paolo	11%
8	Hyderabad	11%
9	Vancouver	10%
10	Shenzhen	10%

NEW SUPPLY AS % INVENTORY

Rank	2011-2013	
1	Guangzhou	66%
2	Shenzhen	58%
3	Ho Chi Minh	51%
4	Santiago	36%
5	São Paolo	32%
6	Hyderabad	32%
7	Kuala Lumpur	29%
8	Shanghai	28%
9	Seoul	26%
10	Jakarta	23%

SPECIAL REPORT: SHIFTING PRIORITIES IN GLOBAL OCCUPIER TRENDS

Real estate strategies address the need for cost constraints while investing in the future

Rick Cleveland
Managing Director, Research & Strategy,
Corporate Occupier & Investor Services

Prolonged economic uncertainty is keeping the pressure on Corporate Real Estate Executives (CREs) to control operating costs across their portfolios. At the same time, CREs are being asked to deliver value back to their organizations beyond the traditional methods of cost cutting by contributing strategically to the overall growth of their businesses.

The trend to linking real estate strategies directly to operational success and change management has brought about a significant shift in the priorities of leading organizations. Once concerned with the tactical practice of real estate, companies are now increasingly focused on taking a more strategic approach to portfolio management, workplace design and CRE operations.

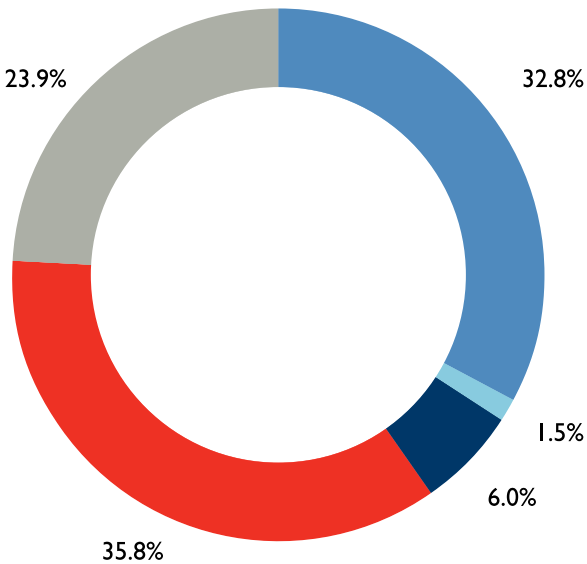
As occupiers focus on deriving increased value and competitive strength from their occupancy strategies, several trends have emerged:

CENTRALIZING CONTROL OF THE REAL ESTATE FUNCTION

Senior executives are discovering firsthand that a more strategic corporate real estate function adds significant value to the overall business. Talent recruitment, employee retention and global branding are top priorities for C-suite executives and they are turning to their corporate real estate departments, in collaboration with other corporate functions such as human resources, to help them meet targets in all of these crucial areas.

Global occupiers with multiple locations are actively taking steps to centralize their real estate function. Fragmented and regionally run models lack the sufficient framework needed to execute a global real estate strategy. Centralized functions allow for greater synergy across portfolios through the application of standardized, transparent processes that support smart decisions and solutions. Companies

SURVEY OF C&W TOP GLOBAL CORPORATE CLIENTS (OCTOBER 2011)



Over 53% of clients surveyed had global portfolios in excess of 10 million square feet and about 37% had global portfolios in excess of 25 million square feet.

Clients were asked: In the next 12 months, do you anticipate your portfolio will:

- Expand significantly
- Expand moderately
- Stay in the game
- Contract moderately
- Contract significantly

35.8% ▲ **32.8%** ▼

As the responses show, plans for moderate expansion in 2012 edged out contraction plans – but not by much

SOURCE: CUSHMAN & WAKEFIELD CORPORATE OCCUPIER & INVESTOR SERVICES that have adopted centralized systems are discovering the advantages – and logic – of aligning the goals and objectives of the real estate function with overall business objectives. As change and competitive pressure intensify, corporations will increasingly see their real estate strategy as a core priority.

LESS SPACE MAY SPELL HIGHER PRODUCTIVITY

Advancing technology has dramatically changed work habits and the way corporations communicate with their employees and customers. Technology is becoming an ongoing game changer that requires constant management. The nature of work continues to evolve into something people can do anytime and anywhere, and is less reliant on a place where people need to gather through the week. Changing work habits, facilitated by technology, will be a driver of continuing change in the workplace.

Corporations are recognizing that older office environments are no longer capable of supporting collaborative work and the use of mobile technology and are actively investing in, or exploring alternative workplace strategies. While it remains to be seen what effect these solutions will ultimately have on the demand for new square feet, current trends suggest that most occupiers are pursuing a strategy of "less space is more" through the use of better workplace design and mobility.

QUALITY SPACE IS CRITICAL

As global occupiers focus on investing in productive work environments that are adaptable to change and support a more collaborative, connected and mobile workforce, they are seeking and developing high-quality facilities that have the proper physical and technical infrastructure. Amenities are being given greater consideration and fit-outs are increasingly common in transactions. The demand for quality space is intensifying as new workplace strategies make their way from large global occupiers to middle-market and smaller organizations. With the pressure on to reduce capital expenditures and technology driving relentless change, building owners and occupiers that neglect to invest in upgrading their facilities risk becoming uncompetitive and even obsolete.

PORTFOLIO EXPANSION TO REMAIN MODERATE

In a recent survey of Cushman & Wakefield's top global clients, only 6% of respondents indicated that their global portfolios would increase significantly in size over the next 12 months. On the other hand, only 1.5% of respondents indicated that their portfolios would contract significantly during the same period. A closer look at the results (shown in the chart) indicates that net-portfolio expansion will essentially be stable over the next 12 months, with 36% of respondents indicating moderate expansion, 33% indicating moderate contraction and 24% indicating no expansion. This level of activity is being driven by two major factors: First, confidence in the global economy remains weak and therefore, occupiers are reluctant to make any significant commitments beyond what is deemed necessary to support their business, and; second, CREs have spent the last 24-to-36 months streamlining their organizations and exploring new ways to more efficiently use their existing footprint.

CENTRAL LOCATIONS REMAIN IN FOCUS

Global Central Business Districts (CBDs) are continuing to see the bulk of occupier demand. The desire for companies to locate in-and-around urban or other densely populated areas is being driven by the competitive need to access a wide array of talent and intellectual capital. Central locations also allow companies to take advantage of the benefits of broader trends in urban revitalization and the desire of many to live closer to their place of work. In addition, as much as occupiers will continue to support more open and mobile work habits, they equally know that innovation and productivity are still linked to employees sharing ideas and knowledge in person. To provide "face-to-face" opportunities for those working remotely around the world, it is more-and-more critical that corporations provide easy access and amenities to out-of-town employees and associates.

Expectations for moderate portfolio expansion in 2012 are being driven by two major factors:

Confidence in the global economy remains weak,

and therefore, occupiers are reluctant to make any significant commitments beyond what is deemed necessary to support their business.

CREs streamlining

Over the last 24 to 36 months, CREs have been streamlining their organizations and are exploring new ways to more efficiently use their existing footprint.

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AMERICAS: SOLID PROSPECTS SUBDUED

Maria T. Sicola
Executive Managing Director,
Americas Research

FUNDAMENTALS STILL STRONG

Still steering in the right direction, prospects for the Americas region remain solid despite existing headwinds. GDP continues to grow in all major markets, consumers keep spending, and businesses are still investing with long-run returns in sight.

While the prevailing mood remains somber given near-term unknowns, the dynamics that drive growth in the Americas – abundant resources, growing populations, labor productivity and relatively low capital costs – are actively at work, compelling firms to position themselves to ride atop the next economic wave.

FROM WARM TO HOT

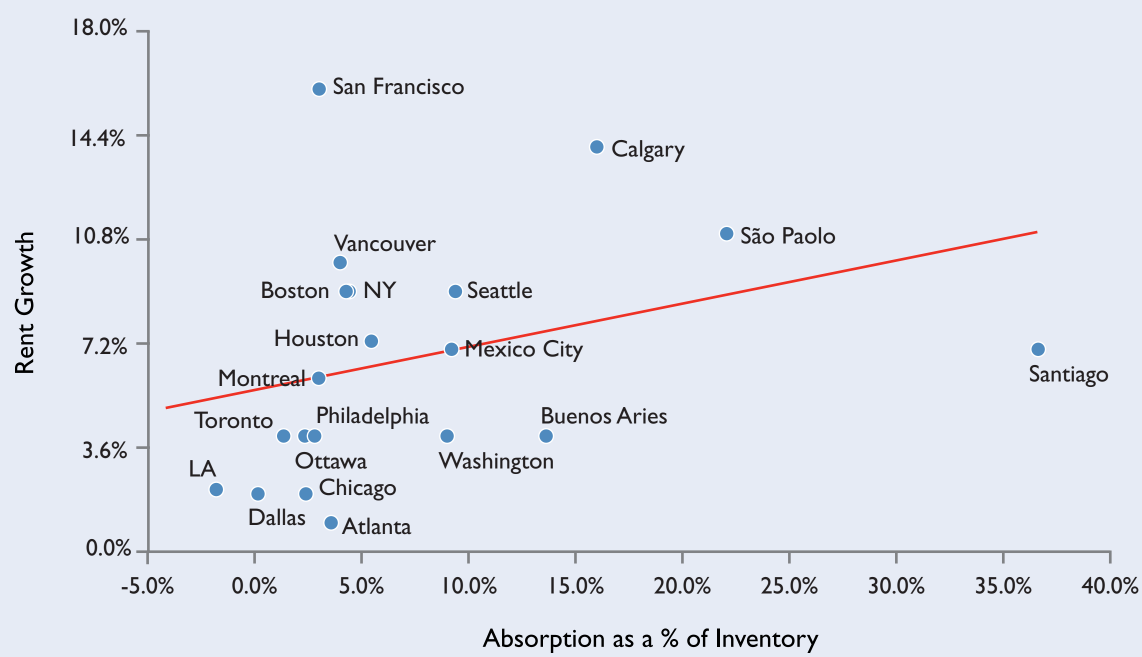
Despite some expected slowing in office markets throughout the Americas into 2012, prime centers are expected to tighten further once the current economic malaise lifts. In US cities, including New York, San Francisco and Seattle, we see demand for class A space on the rise, construction deliveries modest and rental rate cycles beginning to turn upward.

The Canadian story has been one of central area demand resilience throughout the downturn, as central markets rebounded much faster than expected. Despite weaker demand fundamentals expected in early 2012, Vancouver, Toronto and Montreal will see continued tightening of class A vacancies, leading to further new construction starts or announcements. Meanwhile, Calgary's office market is once again in the midst of a boom cycle, due to higher oil prices and major oil-sands projects.

In Latin American markets, including Mexico City, Santiago São Paolo and Buenos Aires, new supply continues to be delivered at record levels only to be met with ever-increasing appetites for higher-quality facilities backed by a growing willingness and ability to pay.

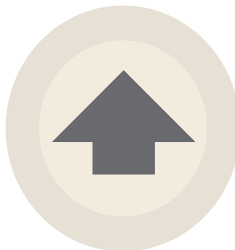
Through 2012, we expect leasing activity to pull back from pent-up demand-driven levels of 2011, yet absorption should remain positive in most markets and rental rate growth is likely to moderate (not decline) during the year. In the US and Canada, a dearth of new supply will see landlords of prime space holding their ground in the face of limited competition and rising – however slowly – demand.

ABSORPTION AS A PERCENTAGE OF INVENTORY VS. RENT GROWTH, 2011-2013



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

In Mexico and South America, growth in domestic consumption and trade with Asia and within the region will help offset expected decreases in European demand, providing momentum for corporate players in these markets to move ahead with expansion plans. In turn, developers of new speculative product should continue to see a healthy lease up of properties. By 2013, all major markets in the Americas are projected to be back on solid footing, marked by increased leasing activity, higher absorption levels and steady occupier interest, setting the stage for continued growth.



RENTAL RATES

The heightened scarcity of high-quality office product is likely to result in significantly higher rental rates

SUPPLY SHORTAGES COME INTO SHARP FOCUS

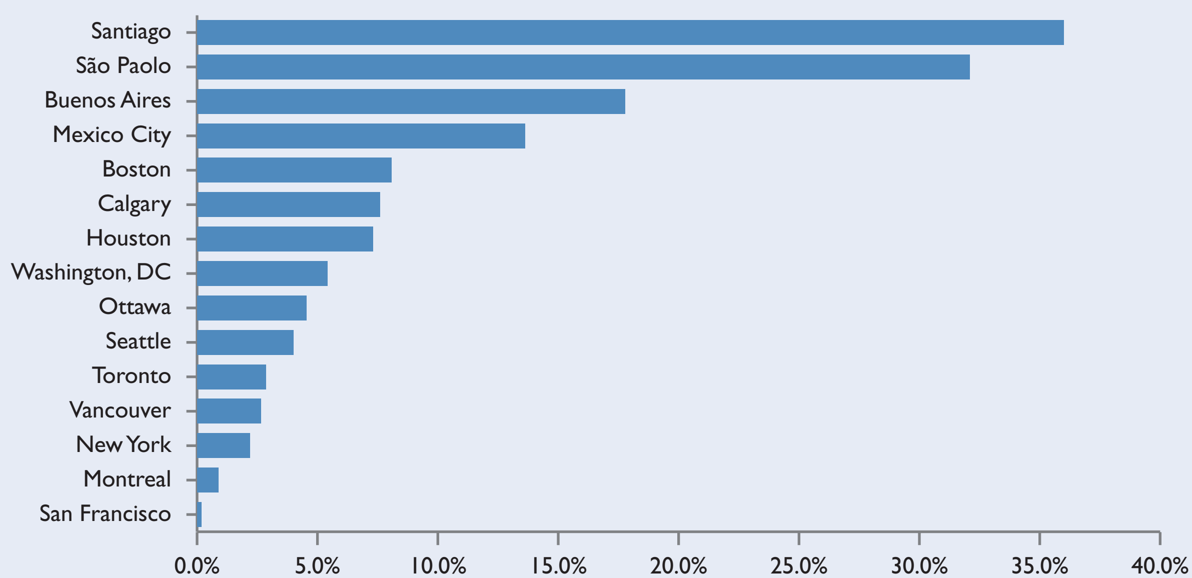
Prime office markets in the Americas should be able to hold their own and come through this storm relatively unscathed, provided an orderly resolution to Europe's financial troubles is negotiated.

Already, we see signs of growth re-emerging in sectors that support office market demand, including natural-resource development, scientific research, professional and business services, technology, health care, education and domestically consumed goods and services.

As this takes hold, the heightened scarcity of high-quality office product is likely to result in significantly higher rental rates and, ultimately, more construction to satisfy growing needs. In markets not facing supply shortages, rental costs should still rise, but the impacts on occupiers will be partially offset by greater operating efficiencies and "greener" energy use.

An expansionary cycle lies beyond 2012, and firms will profit by focusing on long-term corporate strategies and growth. Organizational planning, facility-needs assessments and cost management remain crucial underpinnings to business success. The pro-active anticipation of future requirements before the next upturn will do much to position firms ahead of their competition.

NEW SUPPLY AS A PERCENTAGE OF INVENTORY, 2011-2013



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

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AMERICAS: VACANCY AND ABSORPTION

	CBD CLASS A VACANCY %			ABSORPTION AS % INVENTORY			TREND 2011-2013	COMMENTARY
	2011	2012	2013	2011	2012	2013		
UNITED STATES								
Atlanta	22.4	21.6	20.6	1.8	0.8	1.0	▬	Prime vacancies edge downward, but absorption as a share of inventory decelerates. Job growth resumes in 2012, but at a sluggish pace, and picks up significantly in 2013, creating stronger market momentum.
Boston	12.5	13.9	14.2	0.7	0.4	3.4	▼	Expect CBD vacancy rates to increase as new supply outstrips demand in the near-term. Class A demand remains positive, however, and quickly gathers steam in 2013 as overall economic conditions improve.
Chicago	10.9	10.1	9.0	0.5	0.8	1.0	▲	Chicago's class A vacancy levels are likely to decrease steadily as demand intensifies and rental rate growth remains subdued. With no new supply on the horizon for at least 3 years, options noticeably dwindle.
Dallas	21.3	20.5	19.5	-1.6	0.8	0.9	▲	Above-average job growth in the Dallas metro area should boost class A demand in the CBD over the next few years and bring vacancy down. Absorption as a share of inventory, however, still leaves vacancy elevated.
Houston	10.7	9.2	8.4	2.6	1.5	1.8	▲	Class A vacancy rates should continue to fall in Houston's CBD. Absorption should remain positive going forward, but is likely to pull back from 2011's above-average surge to more normalized levels.
Los Angeles	18.7	18.6	18.2	-2.3	0.2	0.4	▬	Vacancy rates stabilize, then edge slowly downward in 2012 and 2013 as Los Angeles' class A CBD market starts to recover. Absorption levels are unlikely to normalize until job growth picks up substantially.
New York	7.9	7.3	6.9	1.4	0.7	2.3	▲	New York's class A market tightens further despite anticipated construction and slowing momentum in 2012. Its well-capitalized business base and role as a global center for finance and culture keep it above the fray.
Philadelphia	9.7	9.0	7.8	0.9	0.6	1.3	▲	Recovery in Philadelphia's CBD market continues near term, although 2012 performance may be less robust than in 2011. Expanding CBD tenants have a big impact thereafter, limiting options for those slow to act.
San Francisco	9.5	8.8	7.4	0.8	0.8	1.4	▲	Demand for class A space in San Francisco's CBD should hold steady through 2012, then escalate sharply in 2013 as job growth accelerates. Supply constraints result in frictionally-low vacancy rates and rising rents.
Seattle	19.3	15.5	15.0	4.4	3.7	1.6	▲	Seattle's prime market rebounded more quickly than many other US CBDs, and this trend is likely to continue over the next two years. Take-up rates may slow, but remain robust nonetheless.
Washington, DC	13.5	13.2	10.8	4.8	1.2	3.5	▲	Washington, DC, escaped the recession's brunt, with class A absorption staying positive for the past decade. As elections loom, though, this market to cool a bit in 2012 then regain momentum as the dust settles.
CANADA								
Calgary	3.3	1.2	0.5	6.0	8.3	1.9	▲	Prime class A demand outstrips supply, and construction doesn't come online fast enough to prevent vacancy rates from reaching extreme lows. By 2013 absorption levels drop only due to lack of space.
Montreal	6.4	5.2	5.0	0.5	1.2	1.1	▲	Take-up of class A space in Montreal's CBD holds steady in the near term, bringing vacancy levels down to historically low levels. Absorption as a share of inventory picks up as recovery strengthens.
Ottawa	5.0	7.0	5.8	3.2	-1.9	1.2	▼	New construction and tenant reconfigurations drive Ottawa's class A vacancies higher. Yet rates remain low by historical standards, and positive absorption resumes by 2013.
Toronto	5.7	5.7	5.3	1.7	0.0	0.5	▲	Vacancy rates in Toronto's CBD will remain flat for prime property classes in 2012, but edge down over the course of 2013 as absorption levels gradually normalize.
Vancouver	2.5	1.9	3.0	1.0	0.6	0.9	▬	Demand should hold relatively steady in the near term, pulling back slightly in 2012, then edging back up by 2013. New construction remains modest, causing vacancy rates to stabilize at extremely low levels.
MEXICO/SOUTH AMERICA								
Buenos Aires	7.5	15.7	13.2	8.1	3.0	3.9	▼	Expect demand will moderate over the next few years as economic growth slows. Vacancy rates jump in 2012 as new product comes online, but steadily decrease afterwards as absorption remains positive.
Mexico City	7.6	8.7	10.7	2.6	2.5	4.8	▼	Vacancy rates will move upward as new supply is delivered, but demand is expected to remain positive and will serve to lower rates in the medium term. Domestic players will be key drivers in the next two years.
Santiago	4.5	6.2	4.8	14.6	14.8	15.3	▬	Economic growth fuels Santiago's prime office market, where adequate supply of space challenges developers to work hard to keep pace. This trend should continue in the near term.
São Paolo	13.5	15.6	14.4	7.1	11.5	9.4	▼	São Paolo's vacancy rates will move higher in the near term as new build-to-suit construction delivers ahead of expected occupancy. Aggregate take-up levels, however, should increase as economic growth remains solid.

TREND ▲ UP ▬ STABLE ▼ DOWN

AMERICAS: CLASS A PRIME RENTS

	CLASS A PRIME RENTS						TREND 2011-2013	COMMENTARY
	2011		2012		2013			
	LOCAL CURRENCY	US$D/ SqFt/Yr	LOCAL CURRENCY	US$D/ SqFt/Yr	LOCAL CURRENCY	US$D/ SqFt/Yr		
UNITED STATES								
Atlanta (US$/SqFt/Yr)	26.44	26.44	26.42	26.42	26.74	26.74	STABLE	Class A rents remain depressed over the next 12 to 16 months, but begin to appreciate modestly thereafter. Spreads between asking and effective rates to narrow as concessions are gradually reigned in.
Boston (US$/SqFt/Yr)	46.45	46.45	46.77	46.77	50.67	50.67	UP	Rental rate growth moderates in 2012, but strengthens significantly in 2013 and beyond as demand begins to outpace to new supply and market conditions tighten. Landlords gain the upper hand as time progresses.
Chicago (US$/SqFt/Yr)	37.51	37.51	37.89	37.89	38.44	38.44	UP	Look for prime rents in Chicago's CBD to start growing at or near the pace of inflation as overall market conditions improve and landlord confidence resurfaces. Large spikes are not likely in the near term.
Dallas (US$/SqFt/Yr)	23.74	23.74	23.87	23.87	24.29	24.29	UP	Rents should gradually increase over the next two years as demand improves and landlords become increasingly reluctant to absorb higher operating costs. High-credit tenants maintain the upper hand.
Houston (US$/SqFt/Yr)	37.43	37.43	38.42	38.42	40.15	40.15	UP	Houston is likely to realize significant rental rate appreciation in the next two years as market conditions continue to tighten and scarcity of class A product becomes increasingly evident.
Los Angeles (US$/SqFt/Yr)	35.33	35.33	35.67	35.67	36.09	36.09	UP	Three consecutive years of rental rate declines should start to turn around starting in 2012, but class A rates are not likely to reach pre-recession levels by 2013. Tenants realize good value in the near term.
New York (US$/SqFt/Yr)	66.50	66.50	69.49	69.49	72.17	72.17	UP	Rental rate appreciation will be significant over the next few years, especially in Midtown and Midtown South Manhattan. Downtown should also see rates surge when new product hits the market in 2013.
Philadelphia (US$/SqFt/Yr)	27.08	27.08	27.52	27.52	28.07	28.07	UP	With vacancy rates below 10%, expect class A rents in Philadelphia to rise in coming periods, exceeding pre-recession levels by 2013. Large spikes, however, are unlikely in this relatively stable market.
San Francisco (US$/SqFt/Yr)	45.32	45.32	48.48	48.48	52.47	52.47	UP	San Francisco's class A rents are set to rise at the fastest pace of any other CBD market in the US over the next two years as the market continues to tighten and very little new space comes online.
Seattle (US$/SqFt/Yr)	32.32	32.32	33.90	33.90	35.15	35.15	UP	Demand for class A space in Seattle's CBD should continue to drive both asking and effective rents higher in coming periods. Concessions become less generous, but landlords preserve favors for high-credit tenants.
Washington, DC (US$/SqFt/Yr)	59.45	59.45	59.90	59.90	61.78	61.78	UP	Rent growth in Washington, DC, should flatten in 2012 as demand pulls back and landlords look to stay competitive in "off-season." As the new political cycle starts, however, escalations will resume in earnest.
CANADA								
Calgary (CAD/SqFt/Yr)	46.69	45.67	49.99	48.90	53.03	51.87	UP	Lack of supply and steady demand drive prime rents up. Tenants push back to control costs, but landlords have the upper hand.
Montreal (CAD/SqFt/Yr)	39.71	38.84	40.88	39.98	42.06	41.15	UP	Rents steadily increase as supply tightens, but in the mid-single digits. Landlords are wary of pricing themselves out of the market, but mindful of rising operating costs and need to boost margins.
Ottawa (CAD/SqFt/Yr)	49.97	48.88	50.95	49.84	51.97	50.83	UP	Recent rental rate appreciation slows, but remains respectable growing at an average annual rate of around 2%. As competition dwindles in the medium term, however, faster rate rises become increasingly likely.
Toronto (CAD/SqFt/Yr)	48.14	47.09	49.15	48.07	50.01	48.92	UP	Toronto should realize modest rental rate appreciation in the near term despite sluggish demand as higher-priced space returns to the market.
Vancouver (CAD/SqFt/Yr)	50.33	49.23	52.90	51.74	55.59	54.38	UP	Uncertainty about Europe's economic uncertainty raises expectations that recent rental rate appreciation will slow in 2012. Yet very tight market conditions will lead to significant rental rate appreciation thereafter.
MEXICO/SOUTH AMERICA								
Buenos Aires (ARS/SqM/Yr)	136.23	28.50	138.43	28.96	142.11	29.73	STABLE	Rents should remain relatively stable even as demand slows in coming periods. Developers remain competitive, but unwilling to short pro-forma expectations in the medium term and will look to push rates.
Mexico City (MXN/SqM/Yr)	385.36	28.21	390.75	28.61	412.38	30.19	UP	Expect rent growth to stabilize in 2012, then pick up significantly as more high-quality product delivers at a higher price point. Above-average appreciation will result.
Santiago (CLN/SqM/Yr)	12,867.15	25.19	13,269.43	25.98	13,823.74	27.06	UP	As in Mexico City, rental rate growth for prime space in Santiago will be driven primarily by development costs and investor expectations. Mid-single digit spikes should be anticipated.
São Paolo (R$/SqM/Yr)	112.51	63.53	116.76	65.93	125.10	70.64	UP	With supply leading demand by two to three quarters, prime rents for vacant available space in São Paulo are expected to increase significantly in the near term, especially after 2012.

TREND: UP | STABLE | DOWN

AMERICAS: CLASS A NEW SUPPLY

	CLASS A NEW SUPPLY						TREND 2011 TO 2013	COMMENTARY
	2011		2012		2013			
	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF		
UNITED STATES								
Atlanta (Sq Feet)	0	0	0	0	0	0	STABLE	Elevated vacancy levels and relatively weak rental rate growth provide little incentive for developers to launch new speculative projects in Atlanta's CBD by 2013.
Boston (Sq Feet)	778,011	778,011	760,000	760,000	1,662,790	1,662,790	UP	Several build-to-suit projects are underway in Boston's CBD that will deliver over the next two years, but speculative development remains on the back burner despite anticipated rent growth.
Chicago (Sq Feet)	0	0	0	0	0	0	STABLE	No new development is scheduled to be delivered in the near term. Any new projects undertaken will likely require substantial pre-leasing at above-market rents to justify breaking ground.
Dallas (Sq Feet)	0	0	0	0	0	0	STABLE	Even though prime CBD market conditions should improve, with vacancies edging down and rental rates starting to rise, prevailing dynamics do not warrant adding speculative completion at this time.
Houston (Sq Feet)	1,801,039	1,801,039	0	0	284,745	284,745	UP	While nothing is currently in the pipeline, opportunities for new CBD development look favorable as vacancies approach frictional levels and rental rate growth escalates.
Los Angeles (Sq Feet)	0	0	0	0	0	0	STABLE	New CBD construction in Los Angeles will not resume until rents are high enough to cover development costs. Given anticipated constraints, this CBD market's skyline should be fixed for some time.
New York (Sq Feet)	0	0	330,000	330,000	5,107,013	5,107,013	UP	With almost 5.5 msf slated for delivery by 2013, New York will see the most new CBD construction in the US. Yet this will grow current inventory by just 2.2%, well below anticipated absorption levels.
Philadelphia (Sq Feet)	0	0	0	0	0	0	STABLE	Philadelphia's CBD will not have any new projects deliver given development constraints and rental rates that will likely not approach replacement costs in the near term.
San Francisco (Sq Feet)	0	0	70,000	70,000	0	0	UP	With one, relatively small new expansion expected to deliver in 2012, activity in San Francisco's CBD will technically increase compared to prior years. This amount is still insufficient to meet expected demand.
Seattle (Sq Feet)	776,184	776,184	0	0	355,000	355,000	DOWN	Just one build-to-suit project in Seattle's CBD is coming on-line in 2013, and supply is not expected to keep pace with near term demand. Tighter vacancy and higher rents this spawns improve prospects thereafter.
Washington, DC (Sq Feet)	991,861	991,861	474,145	474,145	682,507	682,507	STABLE	Construction deliveries come down from previous heights, but activity persists. Both build-to-suit and speculative projects underway satisfy near-term demand, yet volumes should noticeably increase after 2014.
CANADA								
Calgary (Sq Meter)	0	0	174,825	1,881,800	32,975	354,935	UP	Construction is ramping up, but development constraints prevent deliveries from keeping up with anticipated demand. Tenants make due and stay put until more options become available.
Montreal (Sq Meter)	0	0	0	0	21,368	230,000	UP	One new speculative project is underway in Montreal's CBD, scheduled to deliver in 2013. While demand remains positive, developers hesitate to launch new construction without assured rental returns.
Ottawa (Sq Meter)	44,129	475,000	0	0	0	0	DOWN	Build-to-suit development remains the rule in Ottawa's CBD, and no new projects are projected to come online until after 2013. As conditions tighten further, rising rents may spur some speculative projects in the future.
Toronto (Sq Meter)	61,047	657,106	0	0	0	0	DOWN	After the delivery of 657,106 sf of new construction in the final quarter of 2011, new construction is not slated to be completed again until after 2013. This should allow the market to stabilize before demand picks up again.
Vancouver (Sq Meter)	12,390	133,360	0	0	28,663	308,530	UP	New development in the pipeline will taper off next year, but pick up steadily thereafter as demand holds steady and supply remains extremely tight.
MEXICO/SOUTH AMERICA								
Buenos Aires (Sq Meter)	71,400	768,543	191,657	2,062,975	28,388	305,565	DOWN	Construction activity should slow in 2013 from heights seen in recent years, but deliveries are unlikely to keep up with anticipated supply in the medium term. Quality is the product of choice in Buenos Aires.
Mexico City (Sq Meter)	43,608	469,393	101,700	1,094,690	217,000	2,335,769	UP	Mexico City is expected to see over 3 msm of prime new product delivered in the next two years, with new supply exceeding demand in the near term. Steady take-up is still likely to avoid prolonged overhang.
Santiago (Sq Meter)	135,872	1,462,509	249,398	2,684,498	249,398	2,684,498	UP	Santiago remains in growth mode, and new deliveries are expected to pick up in order to keep pace with escalating demand. At least 250,000 msm should be delivered by 2013.
São Paolo (Sq Meter)	267,440	2,878,699	408,024	4,391,934	282,003	3,035,455	UP	After a surge in new construction projects completing in 2012, deliveries will taper down. Yet, they are still expected to exceed 2011 levels for the next several years.

TREND: UP | STABLE | DOWN

EUROPE: OCCUPIERS IN THE DRIVER'S SEAT

David Hutchings
Partner, Head of the European Research Group

RECOVERY DELAYED, NOT CANCELLED

European office markets face a tougher and more fragile forecast for 2012 than seemed likely just a few months ago. As late as August most areas seemed set for a slow recovery, with much of the 2011 data showing vacancy down and take-up and prime rents up on 2010.

Of course, conditions in the fourth quarter of 2011 changed markedly, with the sovereign debt crisis, a stalling in the labor market and lower confidence hitting new business investment. Indeed, from steadily moving towards being a landlords' market, occupiers are now more likely to remain in the driving seat. However, their ability to take advantage of this situation will be hampered not just by wider uncertainties, but also by the falling availability of top-quality space. For landlords, it appears that the market faces a recovery delayed rather than cancelled.

PREMIUM SUPPLY SHORTAGES

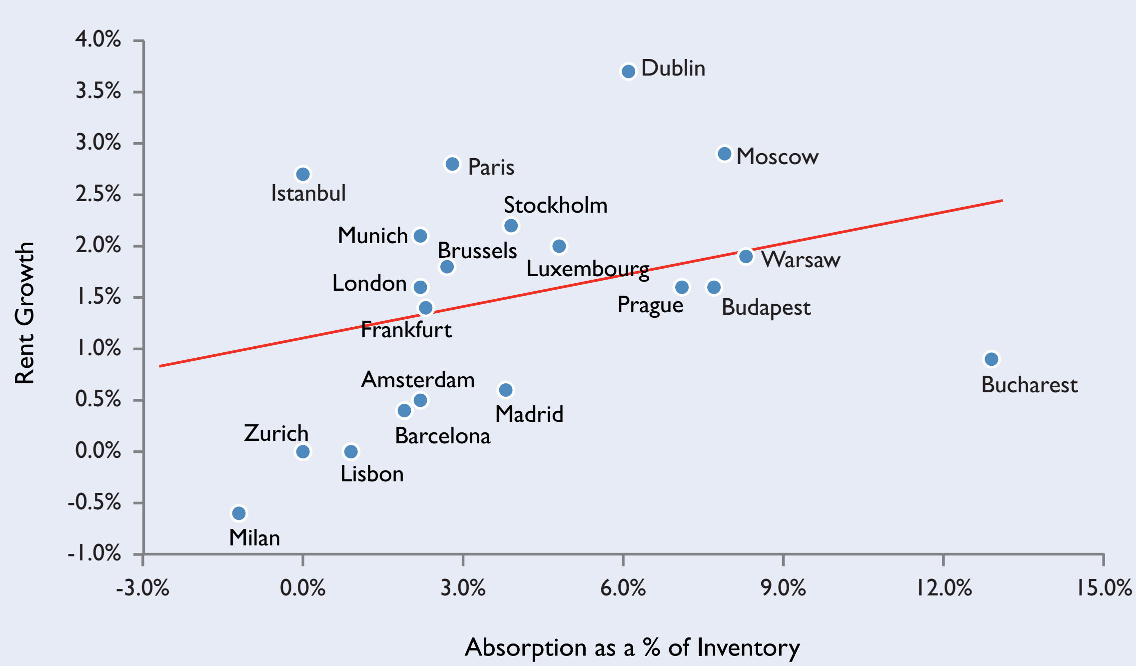
Even if cyclical drivers are weakening, structural drivers for change are still at work as businesses look to raise productivity and cut costs, and property is seen as playing an increasingly significant role in achieving such objectives.

Whether occupiers need to replace older space, consolidate, re-organize or achieve greater sustainability, they are often coming up against a market with an increasing dearth of grade A availability. This will not only support prime rents in the short-term but actually drive growth in some markets.

Of course, patterns of performance throughout Europe will vary significantly by market. Overall vacancy, for example, is expected to see a modest fall, but some cities will see an increase due to lower demand or more development.

In some areas, occupiers will see a slight improvement in opportunity, as new building completions increase next year in Milan, Warsaw, and Stockholm, and then in London and Frankfurt in 2013. Overall however, development is falling across Europe, with completions as a percentage of stock peaking at 3.7% on average in 2009 and are forecast to fall to 1.7% in 2011 and 1.4% in 2012/13.

ABSORPTION AS A PERCENTAGE OF INVENTORY VS. RENT GROWTH, 2011-2013



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

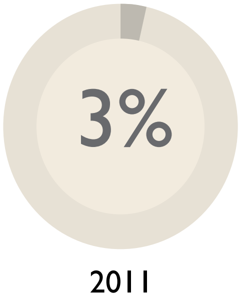
SLOW DEMAND

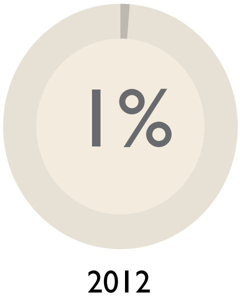
In terms of demand, the number of active occupiers is forecast to increase over the period, but 2012 is widely expected to be a slower year. At the same time, the majority of available space will continue to become more secondary in nature. Gross take-up is estimated to have increased 5%-10% in 2011, but net absorption fell over 10% as older stock was released to the market. What is more, secondary oversupply will grow further in 2012, with a 10%-15% fall in net absorption forecast across top cities.

Most markets are expected to see absorption soften next year and then bounce back in 2013. The highest net absorption relative to stock will continue to be in the Central and Eastern European markets, while Frankfurt will see a steady improvement and Budapest, Dublin, Madrid and Amsterdam will see increased relative activity.

Overall, occupiers face a diverse set of challenges in European markets in 2012. They will also face differing rental costs and cost trends. Prime growth is likely to slow overall – from 3% in 2011 in major cities to less than 1% in 2012. Growth will generally increase again in 2013, with Paris, Istanbul, Dublin, Luxembourg, Munich and Stockholm forecast to see the highest growth over the next two years and Moscow to perform well after 2012.

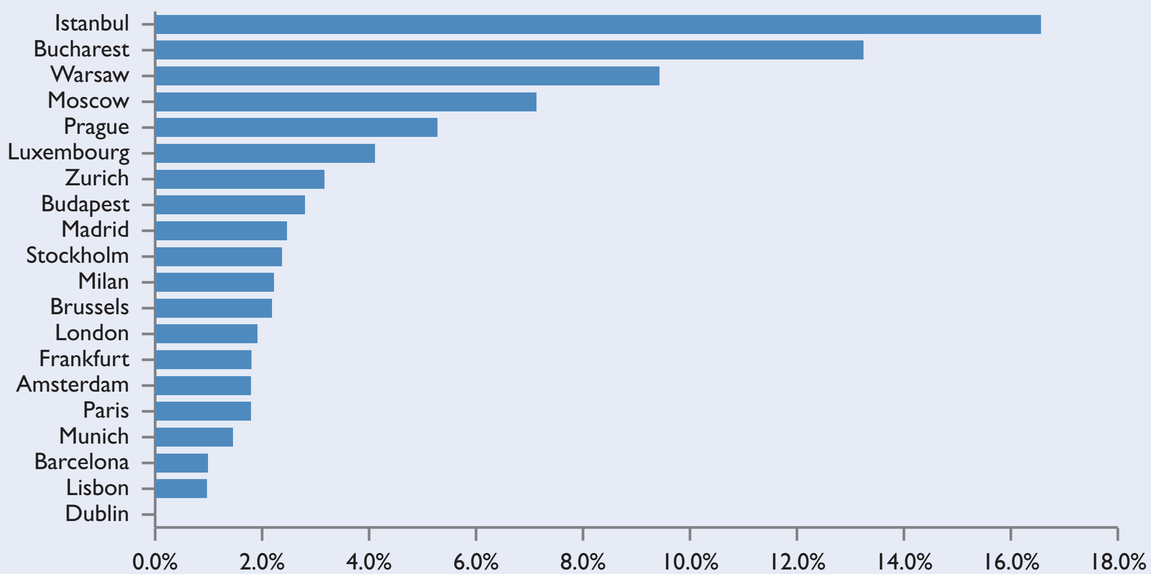
Outright rental falls are forecast in some cities next year, but growth rates will be higher in 2012 than 2011 in about half of the markets examined. In 2013, 14 out of 20 markets are forecast to see higher growth, pointing to perhaps a smaller window of opportunity for occupiers than many might expect, at least for grade A space.





Prime growth in major cities is likely to slow overall – from 3% in 2011 to less than 1% in 2012

NEW SUPPLY AS A PERCENTAGE OF INVENTORY, 2011-2013



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

EUROPE: VACANCY AND ABSORPTION

	VACANCY %			ABSORPTION AS % INVENTORY			TREND 2011-2013	COMMENTARY
	2011	2012	2013	2011	2012	2013		
WESTERN EUROPE								
Amsterdam	16.0%	16.3%	15.3%	-0.6%	0.6%	1.6%	▬	Vacancy is unlikely to ease until 2013 as occupiers continue to consolidate their property and leasing focuses on prime product.
Barcelona	13.3%	13.1%	12.3%	1.8%	0.7%	1.2%	▬	Limited speculative construction in the pipeline should help vacancy rates to fall in the next couple of years as demand begins to tentatively pick up and erodes the supply overhang.
Brussels	9.9%	9.9%	9.2%	1.5%	1.1%	1.6%	▬	Occupier activity expected to pick up slightly for the public sector over 2012 and 2013. This additional demand will help drive down vacancy.
Dublin	20.8%	18.6%	14.7%	2.1%	2.1%	4.0%	▲	The vacancy rate is expected to fall, as limited new properties are under construction and as the occupier market takes steps towards a recovery.
Frankfurt	13.7%	13.2%	13.0%	0.6%	1.0%	1.3%	▲	The vacancy rate in Frankfurt is expected to continue to fall as demand is likely to remain strong for prime office properties in the city centre in particular.
Lisbon	11.3%	11.8%	11.3%	-0.1%	0.1%	0.8%	▬	Due to the current economic climate in Portugal, it is unlikely that there will be significant improvements in the office market, but an increasing shortage of grade A space will be seen.
London	6.3%	6.2%	5.8%	1.1%	0.9%	1.3%	▲	Prime London remains a strong office market, and with a constant level of demand expected, vacancy rates are expected to fall.
Luxembourg	5.9%	5.0%	5.0%	2.5%	2.1%	2.8%	▲	Improved leasing activity in 2011 is expected to continue over the next couple of years, and help to decrease the already low vacancy rate.
Madrid	10.4%	10.0%	9.0%	0.3%	2.0%	1.8%	▲	Demand expected to be subdued, with improvements over 2012. Vacancy remains high despite a high proportion of pre-lets in the pipeline as second hand supply takes time to be absorbed.
Milan	15.4%	17.8%	18.3%	0.3%	-0.7%	-0.5%	▼	Rationalisation and upgrading is expected to continue to drive activity in the next couple of years with a preference for built-to-suit projects and new grade A buildings. Grade B & C will suffer more.
Munich	8.7%	8.4%	7.9%	1.3%	0.9%	1.3%	▲	2011 so far has seen very strong leasing performance in Munich, and this is expected to continue and erode vacancy as it does.
Paris	7.0%	6.6%	5.9%	1.7%	1.3%	1.5%	▲	Renewed confidence sees some large requirements dusted down and once satisfied, a steady decline in the vacancy rate will follow, complemented by limited speculative completions.
Stockholm	9.9%	9.3%	8.2%	2.3%	1.8%	2.1%	▲	With good economic growth and further falls in unemployment anticipated, occupier activity is expected to increase and see a steady decline in the vacancy rate.
Zurich	4.5%	5.0%	5.4%	na	na	na	▬	Larger corporates looking for efficiency gains relocate out of the city centre impacting negatively on the vacancy rate, as smaller occupiers become more dominant in the CBD.
CENTRAL AND EASTERN EUROPE								
Bucharest	9.0%	8.4%	8.1%	9.6%	6.8%	6.6%	▲	Slowly improving demand will help to reduce the vacancy rate, but progress will be slow. The financial services sector, medical and IT & C sectors will underpin the bulk of activity.
Budapest	24.0%	21.3%	18.4%	0.6%	3.2%	4.6%	▲	Improving demand, albeit from a low base, will help to reduce the significant overhang of space as renewals and new leases are signed.
Istanbul	10.0%	9.5%	9.3%	na	na	na	▲	The lack of quality space and urban migration which is supporting the expansion of the service sector, will see demand strengthen and the overall vacancy rate edge down.
Moscow	13.0%	12.4%	11.3%	5.0%	4.0%	4.0%	▬	Instability in the European economy and the expected changes to Russia's political scene with the 2012 presidential elections, will temper demand in Moscow and so vacancy will only fall marginally.
Prague	11.5%	10.8%	9.1%	4.4%	3.3%	3.9%	▲	With pre-lets required for development finance, demand in the market is eroding the overhang of space. However, vacancy remains on the high side.
Warsaw	6.5%	8.2%	7.0%	4.6%	3.8%	4.6%	▬	With a large majority of speculative developments put on hold, current activity will erode the vacancy rate before developers dust down their projects once again.

TREND ▲ UP ▬ STABLE ▼ DOWN

EUROPE: CLASS A PRIME RENTS

	CLASS A PRIME RENTS						TREND 2011-2013	COMMENTARY
	2011		2012		2013			
	LOCAL CURRENCY	US$D/ SqFt/Yr	LOCAL CURRENCY	US$D/ SqFt/Yr	LOCAL CURRENCY	US$D/ SqFt/Yr		
WESTERN EUROPE								
Amsterdam (€/SqM/Yr)	360	45.24	360	45.24	365	45.87	Stable	As occupiers become more selective and leave older properties to seek prime space, incentives will gradually be withdrawn but rents are likely to remain stable.
Barcelona (€/SqM/Mo)	18.75	28.58	18.50	27.90	19.00	28.65	Stable	Prime rents are expected to see limited downward pressure in 2012 and overall prime rents will remain relatively stable.
Brussels (€/SqM/Yr)	275	34.56	285	35.82	290	36.44	Up	Prime rents are expected to see modest growth over the next couple of years as grade A supply in select city centre submarkets dries up.
Dublin (€/SqM/Yr)	305	38.33	310	38.96	340	42.73	Up	No further falls are expected in prime rents, as demand for grade A CBD properties remains active and is expected to improve, with more growth in 2013 as supply falls short of demand.
Frankfurt (€/SqM/Mo)	35.00	52.78	35.50	53.54	36.50	55.04	Up	Some marginal increases in rent are expected for the prime properties in Frankfurt as demand remains at a healthy pace.
Lisbon (€/SqM/Mo)	18.50	27.90	18.00	27.14	18.50	27.90	Stable	Weak demand and cost cutting occupiers will put rents under pressure, however there is a lack of quality supply and a preference among landlords to boost incentives rather than lower rents.
London (£/SqFt/Yr)	105	165.80	107.50	169.74	110	173.69	Up	Despite anticipated slow economic and employment growth, a lack of supply is supporting prime rents which may edge up further.
Luxembourg (€/SqM/Yr)	480	60.32	490	61.58	510	64.09	Up	The Luxembourg office market is showing signs of recovery and as such an increase in activity will cause some increases in prime rents.
Madrid (€/SqM/Mo)	27.00	40.72	26.50	39.96	27.50	41.47	Stable	Low activity could squeeze prime rents further during 2012, after which an expected improvement in the economy and office market should reinvigorate the market.
Milan (€/SqM/Yr)	540	67.86	530	66.60	530	66.60	Down	Weak demand is expected to continue in to 2012 and further pressure on prime rents may be seen, however this will be limited due to the amount of incentives currently on offer.
Munich (€/SqM/Mo)	30.50	45.99	31.50	47.50	32.50	49.01	Up	The strength of the leasing market is expected to cause some small increases in prime rents as competition increases for the best properties.
Paris (€/SqM/Yr)	760	95.51	780	98.02	825	103.60	Up	The lack of grade A space and strengthening performance of the occupier market will see rents record positive annual growth, following a period of relative stagnation.
Stockholm (SKr/SqM/Yr)	4,500	61.68	4,650	63.74	4,800	65.79	Up	As the vacancy rate falls and quality supply dries up, central areas of Stockholm will see increased competition for grade A space, supporting rental growth between 2011 and 2013.
Zurich (SFr/SqM/Yr)	775	78.63	775	78.63	775	78.63	Up	Larger occupiers are moving to peripheral areas of Zurich, but sustained demand from the professional services sector is supporting rents, with growth in 2013 as new supply tightens.
CENTRAL AND EASTERN EUROPE								
Bucharest (€/SqM/Mo)	18.50	27.90	18.50	27.90	19.00	28.65	Stable	As demand begins to recover in 2012 rents are expected to stabilise. 2013 should see positive growth as rising levels of take-up outstrips new supply and vacancy rates come under pressure.
Budapest (€/SqM/Mo)	20.00	30.16	20.00	30.16	21.00	31.67	Up	As Budapest struggles with a very high vacancy rate and a fragile economy, rental growth will be slow to take hold, only moving into positive territory in 2013 and marginal even then.
Istanbul (US$/SqM/Mo)	36.00	40.15	37.00	41.26	39.00	43.49	Up	Short supply of grade A space, strong economic growth and plans by the government to turn Istanbul into the 'financial centre' of the wider region will maintain upward pressure on rents.
Moscow (US$/SqM/Yr)	1,100	102.22	1,100	102.22	1,200	111.52	Up	Prime rents may slip over the next 12 months despite a fall in development as occupiers test the market and push rents down. Limited supply and more robust fundamentals will see growth in 2013 and beyond.
Prague (€/SqM/Mo)	21.00	31.67	21.50	32.42	22.00	33.18	Up	As availability of quality space falls to a more manageable level and assuming growth remains positive, prime rents are expected to climb, with stronger growth in 2013 as supply falls further.
Warsaw (€/SqM/Mo)	26.00	39.21	26.50	39.96	27.50	41.47	Up	The leasing market has been buoyant on the back of falling rents and attractive incentive packages. This has spurred landlords to withdraw incentives for the very best space and rents to rise.

TREND: UP | STABLE | DOWN

SOURCE FOR EXCHANGE RATES FOR EUROPE: FINANCIAL TIMES | 18 NOV 2011, CLOSING PRICE

EUROPE: NEW SUPPLY

	NEW SUPPLY						TREND 2011-2013	COMMENTARY
	2011		2012		2013			
	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF		
WESTERN EUROPE								
Amsterdam (Sq Meter)	42,850	461,100	74,300	799,527	47,900	515,442	STABLE	Completions in 2011 will be relatively low on a historical basis, before picking up somewhat in 2012, then falling again in 2013. Speculative supply is evident but pre-lets increasing sought.
Barcelona (Sq Meter)	70,062	753,922	31,972	344,044	26,809	28,8486	DOWN	For the next couple of years new supply is expected to be limited in Barcelona, as no space currently under construction within the CBD.
Brussels (Sq Meter)	221,439	2,382,858	162,500	1,748,628	152,500	1,641,020	DOWN	The relatively high vacancy rate in Brussels has been curtailing the amount of construction, and completions are expected to slow.
Dublin (Sq Meter)	12,364	133,046	0	0	0	0	DOWN	The high vacancy has led to a halt in construction and as a result no new completions are expected in 2012 and 2013, helping to stabilize underlying market fundamentals.
Frankfurt (Sq Meter)	245,600	2,642,849	75,100	808,376	147,000	1,582,308	STABLE	New supply of properties in Frankfurt is expected to be low in the next couple of years, and those that are going to complete are largely pre-let.
Lisbon (Sq Meter)	63,526	683,590	26,826	288,669	17,500	188,314	DOWN	Construction in Lisbon has slowed, as office demand remains low and lending conditions are tight. As a result completions will be minimal and mostly pre-let.
London (Sq Feet)	2,202,501	2,202,501	2,300,693	2,300,693	2,696,331	2,696,331	UP	Completions in London have slowed in the last couple of years, but speculative construction has started on several new schemes that are due to open in 2013 and beyond.
Luxembourg (Sq Meter)	66,000	710,212	43,400	467,018	97,500	1,049,177	UP	The amount of properties under construction is limited, and of the properties underway, most have at least some of the property pre-let.
Madrid (Sq Meter)	63,308	681,244	200,472	2,157,237	100,000	1,076,079	UP	2011 will be a historical low in new completions with very few speculative projects currently under construction. 50% of available supply coming to the market in 2012 is offered by a single project.
Milan (Sq Meter)	46,000	494,996	199,000	2,141,397	20,000	215,216	UP	There is a relatively large amount of speculative space currently under construction, that is expected to complete in the next few years, although little of this is within the CBD itself.
Munich (Sq Meter)	208,900	2,247,929	136,000	1,463,904	159,000	1,710,965	DOWN	Construction of office properties has declined in the last year or so in Munich, and as a result completions are expected to be relatively low in the next two years.
Paris (Sq Meter)	733,204	7,889,853	515,418	5,546,304	445,000	4,788,551	DOWN	A decline in overall new supply and an increase in the amount of space under pre-let agreements will both support further stability in the underlying property market fundamentals.
Stockholm (Sq Meter)	17,000	182,933	149,300	1,606,586	120,000	1,291,295	UP	From a very low base, new supply is expected to increase, but unlikely to negatively impact on market fundamentals as much of the space is pre-let and demand expected to remain robust.
Zurich (Sq Meter)	200,000	2,152,158	95,000	1,022,275	105,000	1,129,883	DOWN	Despite an overall easing in the supply pipeline, a large proportion is expected to be delivered on a speculative basis.
CENTRAL AND EASTERN EUROPE								
Bucharest (Sq Meter)	135,500	1,458,087	131,000	1,409,663	140,500	1,511,891	STABLE	Significant falls have been witnessed in the development pipeline as financiers act with caution and developers mitigate risk by looking for pre-lets before commencing construction.
Budapest (Sq Meter)	90,122	969,784	19,000	204,455	57,000	613,365	DOWN	Expect a drastically diminishing pipeline as development finance is difficult to obtain and developers put plans on hold and wait for more stability in the market before breaking ground.
Istanbul (Sq Meter)	220,000	2,367,373	240,000	2,582,589	255,000	2,744,001	UP	Despite a healthy pipeline this is not expected to disrupt market fundamentals as current grade A space is at a low level, with much vacancy contained within older and lesser stock.
Moscow (Sq Meter)	670,000	7,209,728	530,000	5,703,217	450,000	4,842,354	DOWN	With congestion and site assembly issues in the central areas, the bulk of development is now taking place around the city centre fringe areas where land is more readily available.
Prague (Sq Meter)	109,000	1,172,926	84,000	903,906	73,000	785,538	DOWN	The declining pipeline and high proportion of pre-let space are both acting to steady underlying fundamentals and will go some way to rebalancing supply and demand over the next 24-36 months.
Warsaw (Sq Meter)	133,827	1,440,084	226,000	2,431,938	150,000	1,614,118	STABLE	With demand lower than the 10-year average and difficulties in obtaining development finance, many planned projects have been halted as developers wait for the market to recover.

TREND: UP | STABLE | DOWN

A Cushman & Wakefield Research Publication

ASIA PACIFIC: STRONG BUT SLOWING

Sigrid Zialcita
Managing Director,
Research, Asia Pacific

ECONOMIC GROWTH INTACT

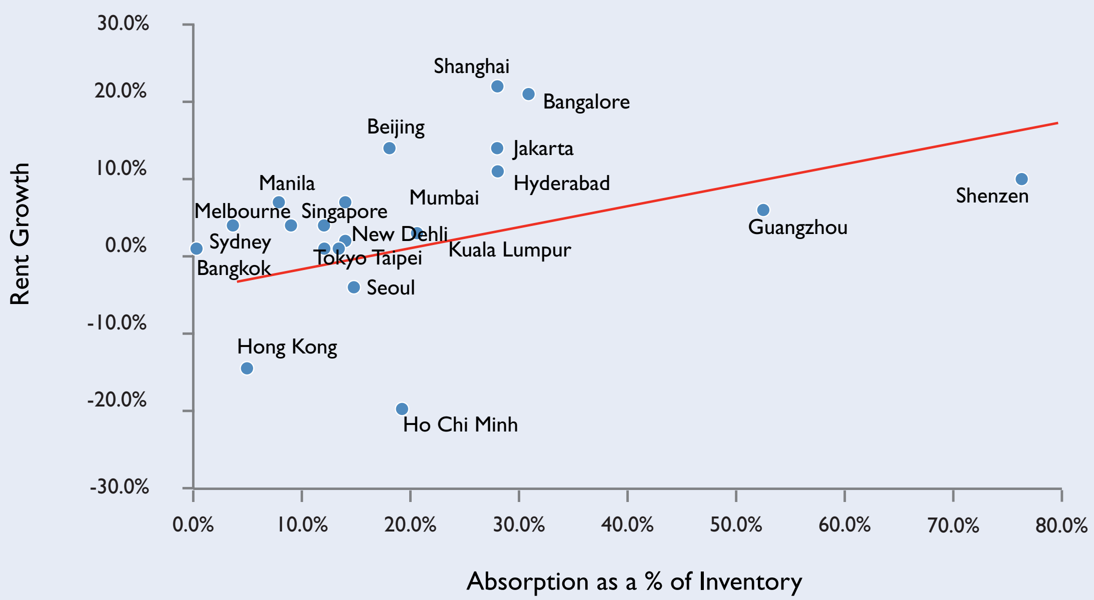
The economic slowdown that began in the third quarter of 2011 is set to continue next year; nonetheless, the Asia Pacific region remains well positioned to weather any sustained global decline. The combination of continuing solid consumption (on the back of strong employment and wage growth), investment, intra-Asia trade and strong government balance sheets will be the growth impetus. The reconstruction in Japan and Thailand are also set to provide a boost to the region. On aggregate, regional growth will hover around 6% through 2012 after expanding nearly 8% in 2010. Export-oriented and open economies such as Hong Kong, Singapore, Malaysia and Taiwan will expand more slowly than their potential while domestic-demand-driven and closed economies such as China, Indonesia and India will fare better and serve as the engine of growth. However, inflation will remain a challenge particularly for India and Vietnam. We expect most central banks to pause their rate-hike cycle for as long as uncertainty remains exceptionally high, though some will continue to cut interest rates as growth concerns escalate due to a weakness in the global economy, and so long as inflationary pressures further subside.

POSITIVE LEASING MOMENTUM

Our 2012 economic forecast portends enough moderate strength to fuel activity in the occupier market. Consequently, take-up levels are likely to remain positive in most markets, but uneven as weakening global conditions dampen business confidence and thus the sense of urgency to make real estate decisions. In addition, occupiers are likely to increasingly focus on controlling expenses, and will tend to focus on the more efficient use of their existing space or search for cost-effective locations.

Demand will remain broad-based in the upcoming year. The banking sector, which has been the demand catalyst for the office property markets in the region since 2010, will continue to be a vital player in key financial centers within the region. While its appetite for expansion is likely to shrink from slowing global growth prospects, the sector continues to position itself strategically in this challenging period. A case in point is Hong Kong, which is promoting itself as an offshore yuan trading center to attract banking and commercial business and further its appeal as a financial hub. Meanwhile, continued global outsourcing and information technology (IT) spending will continue to benefit the IT and IT enabled serves sector in India. Pharmaceutical firms are

ABSORPTION AS A PERCENTAGE OF INVENTORY VS. RENT GROWTH, 2011-2013



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

stepping up efforts for new sources of growth as their product lines age and price pressures intensify in the West; emerging markets like India and China are among their prime targets to capitalize on their growing middle class and large population base as well as Japan, given its aging population. The booming mining sector is also expected to be a critical growth driver in Australia and Indonesia.

STILL SOLID OFFICE PROPERTY FUNDAMENTALS

Fundamentals are expected to be softer along with a moderating economic backdrop, but the magnitude will be further impacted by new supply and sentiment. The construction pipeline in the region remains well stocked at over 250 million square feet, the highest globally. While a significant portion is expected to be absorbed, availabilities remain high in projects under way in Guangzhou, Chengdu, Mumbai, Hyderabad, National Capital Region, Ho Chi Minh City and Seoul's CBD where grade A vacancies are already in double digits. Indeed, such combination of a sizeable construction pipeline and elevated vacancies presents significant attractively-priced opportunities for occupiers in those markets. In Tokyo, new buildings under construction are also aplenty but should benefit from the growing demand for office buildings that conform to superior seismic standards. Hence, grade A rents in Tokyo, which are currently at their 10-year lows, are likely to stabilize or improve next year. Meanwhile, flat-to-moderately declining occupancies will sustain modest increases in rents in Jakarta, Shenzhen, Sydney and Melbourne, while limited new supply will sustain a tight office market in Bangalore, Beijing and Shanghai. However, a sustained global slowdown could heighten vulnerability of open economies such as Hong Kong and Singapore and trigger rent volatility in those markets. Nonetheless, three-year leases expiring in 2012 should expect rents to remain well above rates secured in 2009, the lowest point in the cycle.

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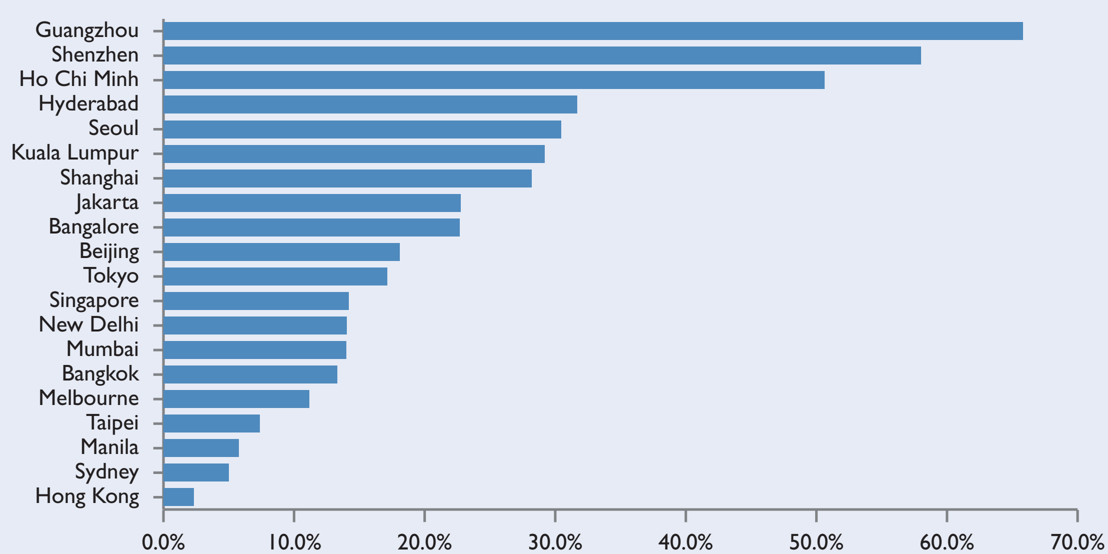
The construction pipeline in the region remains well stocked at over 250 million square feet, the highest globally

While the region will not be immune from shocks, office market fundamentals should remain supportive of the investment sales market. Volatility in the stock market, combined with ongoing issues in sovereign bonds, indicate that yield-producing investments are dwindling. Hence, it is reasonable to expect that well-leased core assets in gateway cities in the region will continue to generate income and attract investor capital. As sentiments and macroeconomic fundamentals improve, we also believe that investments will trickle down to well let grade B properties and prominent secondary markets due to relatively high yields and possibly acceptable risk profiles.

NEW SUPPLY AS A PERCENTAGE OF INVENTORY, 2011-2013



SOURCE: CUSHMAN & WAKEFIELD RESEARCH

ASIA PACIFIC: VACANCY AND ABSORPTION

	CBD CLASS A VACANCY %			ABSORPTION AS % INVENTORY			TREND 2011-2013	COMMENTARY
	2011	2012	2013	2011	2012	2013		
SOUTHEAST ASIA PACIFIC								
Singapore	6.6	9.6	7.4	6.6	1.5	4.5	Stable	Vacancies are likely to rise in 2012 due to the high level of supply as well as the lack of visibility of developed economies to resolve the ongoing debt problems.
Taipei	12.2	10.1	9.8	2.8	3.7	4.4	Up	Absorption is expected to remain firm due to the limited amount of supply that is expected to come onstream within the next two years.
Manila	7.0	4.9	3.8	2.6	3.2	2.2	Up	The sustained demand for prime office spaces will continue to drive office vacancies downward in the near term. The main source of demand will come from the Business Process Outsourcing companies that are actively expanding their operations in the Philippines.
Kuala Lumpur	15.7	17.4	18.2	7.7	11.3	3.8	Stable	The government is aggressively promoting the "Invest KL" initiative due to an expected oversupply of office space in the next two years. The potential influx of MNCs into Klang Valley will provide some absorption capacity but this is only expected in the medium term.
Jakarta	10.1	8.5	8.3	11.9	13.1	6.0	Up	Higher net office absorption is expected to occur in 2012 and is projected to surpass the last peak in demand in 2008. The vacancy rate is expected to decrease to 8.5% by the end of 2012.
Ho Chi Minh	15.5	38.3	44.1	10.2	8.6	7.4	Down	The expected supply of new office space will not support market recovery given demand expectations. Vacancies are expected to remain elevated in the mid- to long term.
Bangkok	26.7	26.6	26.1	-0.4	0.1	0.5	Stable	In 2011, CBD grade A supply has expanded 100,500 sqm (1.08 msf), about 13% of existing supply. Annual take-up is expected to be approximately 5,000 sqm (54,000 sf) per year from 2012-13.
Melbourne	3.7	4.1	5.8	5.3	2.4	2.2	Stable	Melbourne's vacancy will remain consistently low over the forecast period, sustaining the trend of the past five years which has seen strong absorption despite a large construction pipeline.
Sydney	9.1	9.1	9.3	1.6	1.0	1.0	Stable	Sydney's vacancy is currently at a high level but the market will tighten as there is very little new supply on the horizon. Demand is expected to be moderate due to tenants being cautious to expand or spend money on relocation in times of economic uncertainty across the globe.
EAST ASIA								
Guangzhou	19.5	31.5	23.9	25.3	29.6	15.3	Up	With such a rapid onset of supply over such a short period, vacancy rates are expected to rise.
Hong Kong	4.7	4.5	2.5	1.1	1.4	0.6	Stable	There are growing concerns that some occupiers will reduce their space requirements in light of the weakened economic outlook. New set-ups and expansions are set to slow, however the market is expected to see positive demand for space.
Shanghai	8.3	5.0	6.4	13.4	9.3	7.3	Stable	Much of 2012's supply will be located in non-CBD areas. CBD area rentals will experience rapid growth and see vacancy continue falling as a result of the reduced supply.
Beijing	4.7	2.6	5.8	8.0	5.9	5.7	Stable	Persistent strong demand for office space and limited class A supply are expected to drive vacancy to a near record low in 2012. Vacancy will climb in 2013 as more new projects are completed.
Shenzhen	12.9	11.8	10.7	48.0	25.9	37.7	Up	Notwithstanding the high volume of new supply, demand for office space is expected to stay resilient; vacancy rates are expected to remain stable.
Tokyo	8.4	8.4	9.0	3.9	3.4	5.4	Stable	Vacancy rates are likely to increase, relative to 2011, due to completion of new supply. Absorption rates are not expected to grow significantly.
Seoul	12.7	14.1	15.6	3.5	6.2	6.3	Down	The vacancy rate is expected to rise with the new supply, particularly in the CBD and Yeiodo, while remaining relatively low in Gangnam due to limited new supply. The overall absorption rate will continue to grow as tenants as take advantage of abundant space options.
INDIA								
Bangalore	8.1	6.5	4.5	12.4	11.2	10.7	Up	Stable demand is expected considering healthy pre-commitments and expansions in IT/ITeS. Vacancy will decline given constrained supply in 2011, early 2012 and consistently high takeup rate.
Hyderabad	14.5	12.7	12.5	11.5	11.0	9.4	Stable	Continued demand for grade A Special Economic Zone spaces due to an expanding IT/ITeS sector will reduce vacancy rates. The city's overall demand-supply situation is likely to remain balanced for the next 1-2 years.
New Delhi	12.6	13.0	12.7	5.2	4.8	4.8	Stable	Pre-commitments noted in the recnet times depicts that positive sentiment remains intact. Vacancies are projected to rise marginally in 2012.
Mumbai	23.7	24.4	24.0	5.1	5.0	4.8	Stable	The existing oversupply situation in the city is likely to last at least for the next 2-3 years due to modest demand. Increasing migration to the suburbs could continue in 2012-13 owing to cost arbitrage.

TREND: UP | STABLE | DOWN

ASIA PACIFIC: CLASS A PRIME RENTS

	CLASS A PRIME RENTS						TREND 2011-2013	COMMENTARY
	2011		2012		2013			
	LOCAL CURRENCY	US$D/SqFt/Yr	LOCAL CURRENCY	US$D/SqFt/Yr	LOCAL CURRENCY	US$D/SqFt/Yr		
SOUTHEAST ASIA PACIFIC								
Singapore (SPD/SqFt/Mo)	10.63	98.36	10.74	99.41	11.03	102.09	UP	Rents are expected to be flat in 2012 due to a large amount of supply and higher vacancies at older buildings. This imbalance is likely to improve as new supply in 2013-14 will not be significant.
Taipei (NT$/ping/Mo)	3,860.53	43.03	3,882.60	43.28	3,897.21	43.44	STABLE	Rents are expected to increase marginally, as the increase in demand is expected to be met largely by existing stock.
Manila (PHP/SqM/Mo)	850.04	21.83	881.52	22.64	905.36	23.25	UP	As office vacancies continue to trend downwards due to healthy demand from BPO companies, we expect prime rents to rise consequently.
Kuala Lumpur (MYR/SqF/Mo)	6.35	24.09	6.48	24.59	6.54	24.82	UP	Rental rates are expected to increase marginally as the demand for good quality office space is expected to be sustained over the next 2 years.
Jakarta (US$/SqFt/Mo)	258,529.84	31.95	282,136.41	34.87	293,787.28	36.31	UP	Average rental rates are expected to increase further in line with stronger demand and rising building operational costs. Some of this increase may be seen as early as January 2012 when landlords adjust the service charge levels for the year ahead.
Ho Chi Minh (USD/SqM/Mo)	40.30	44.93	36.59	40.79	32.34	36.05	DOWN	Recent significant drops in rents are due to record entry rates at the beginning of the lease term. Rents are expected to decrease further in 2012 due to the high volume of new supply.
Bangkok (THB/SqM/Mo)	712.00	26.24	717.67	26.45	719.12	26.50	STABLE	Rents are expected to be flat in 2012 due to a large amount of supply and higher vacancies at older buildings.
Melbourne (AUD/SqM/Yr)	589.65	55.08	606.78	56.68	616.14	57.55	UP	Rents will increase over the forecast period as market fundametals (low vacancy rate and solid demand) will remain strong.
Sydney (AUD/SqM/Yr)	1,013.68	94.69	1,037.44	96.90	1,052.51	98.31	UP	Rents will increase marginally over the next several quarters, as lack of supply in 2012 will cause the market to tighten and incentives to fall.
EAST ASIA								
Guangzhou (RMB/SqM/Mo)	213.52	37.45	221.21	38.80	226.69	39.76	UP	With a high level of new supply, rental growth is likely to slow in the short to medium term.
Hong Kong (HK$/SqFt/Mo)	118.91	183.25	106.74	164.49	101.07	155.75	DOWN	Negative rental growth will be facilitated by a number of factors including slowing economic growth, weakened demand from the financial sector as well as new supply. Rents have already begun to fall in Central area and a trickling effect will occur in neighboring areas in 2012.
Shanghai (RMB/SqM/Mo)	457.67	80.28	508.39	89.18	557.51	97.80	UP	While demand fundamentals are unchanged, 2012's supply will be less than half than that of 2011. This will contribute to steady rises in office rents.
Beijing (RMB/SqM/Mo)	524.29	84.64	572.45	92.53	599.75	97.32	UP	The shortage of available space will fuel higher rents in the market. While demand is expected to grow, rental growth will slow in the midterm as new supply enters the market.
Shenzhen (RMB/SqM/Mo)	232.70	40.82	244.62	42.91	256.93	45.07	UP	As a large volume of supply is expected in 2013, rental growth is likely to slow as these projects enters the market.
Tokyo (JPY/tsubo/Mo)	29,857.41	130.94	30,097.78	131.99	30,140.08	132.18	STABLE	Rents will remain stable or post modest increases as occupiers gravitate towards new facilities due to superior seismic standards.
Seoul (KRW/SqM/Mo)	39,852.28	39.01	39,163.57	38.34	38,372.23	37.56	DOWN	Face rents in the Seoul's grade A office market will edge up because of newly-completed buildings. However, with new supply entering the CBD market, effective rents are expected to continue to decrease.
INDIA								
Bangalore (INR/SqFt/Mo)	98.00	22.91	109.03	25.48	119.03	27.82	UP	Given the scarcity of options, continued demand and lower availability of space, rental rates will likely to jump 20%-25% by 2013.
Hyderabad (INR/SqFt/Mo)	55.75	13.03	59.87	13.99	61.87	14.46	UP	Continued demand from IT/ITeS sector for grade A space and the scarcity of options for the next 1-2 years would fuel rental value appreciations.
New Delhi (INR/SqFt/Mo)	280.00	65.45	284.95	66.60	286.95	67.07	UP	Rents, which have recently attained the peaks reached in 2007, are expected to grow steadily in 2012 and 2013 due to prevalent demand. Abundance of space options and higher vacancy rates could add pressure on rentals in Gurgaon and Noida.
Mumbai (INR/SqFt/Mo)	322.50	75.38	339.11	79.26	344.11	80.43	UP	Rentals have recently registered a correction due to the increase in vacancy levels. However, a modest appreciation is expected by 2013 owing to constricted supply.

TREND: UP | STABLE | DOWN

ASIA PACIFIC: CLASS A NEW SUPPLY

	CLASS A NEW SUPPLY						TREND 2011-2013	COMMENTARY
	2011		2012		2013			
	LOCAL MEASURE	SF	LOCAL MEASURE	SF	LOCAL MEASURE	SF		
SOUTHEAST ASIA PACIFIC								
Singapore (Sq Feet)	2,095,921	2,095,921	1,397,700	1,397,700	808,200	808,200	▼	The bulk of new spaces will be in the Marina Bay area, which touted as the island's new CBD, commands higher rentals. New supply completions are expected to be lower from 2014-15.
Taipei (Sq Feet)	6,200	66,736	10,000	218,260	26,043	270,529	▲	The pipeline of new supply remains limited and is amongst the lowest in the Asia Pacific region.
Manila (Sq Meter)	94,765	1,020,042	120,000	1,291,669	120,000	1,291,669	▲	Supply is expected to gradually increase in 2012-2013 with the expected completion of several construction projects in the Makati and Fort Bonifacio area. Additional supply will also come from Quezon City in the next few years.
Kuala Lumpur (Sq Feet)	344,824	344,824	540,000	540,000	208,000	208,000	▲	New supply is expected to peak in 2012 and slow in 2013.
Jakarta (Sq Feet)	1,301,357	1,301,357	3,495,967	3,495,967	1,833,309	1,833,309	▲	In CBD area, nearly all of the 324,800 sqm (3.5 msf) expected to be delivered to the market in 2012 is classified as grade A space.
Ho Chi Minh (Sq Meter)	-	-	86,930	935,707	63,300	681,356	▲	New supply coming on in 2012 is expected to increase total stock by over 60%. However, due to current economic uncertainty, future projects might be postponed/delayed in the short to mid-term.
Bangkok (Sq Meter)	100,500	1,142,051	-	-	-	-	▼	No potential new supply is expected in 2012-2013.
Melbourne (Sq Meter)	46,673	502,384	112,818	1,214,363	81,367	875,827	▲	Melbourne will have over 100,000 sqm (1.1 msf) of supply next year which is in line with historical levels.
Sydney (Sq Meter)	125,000	1,345,489	55,000	592,015	70,000	753,474	▼	There is little supply to come online in 2012 and a moderate amount in 2013. New developments require pre-commitments before works are commenced.
EAST ASIA								
Guangzhou (Sq Meter)	244,057	2,627,008	1,296,944	13,960,200	321,428	3,459,822	▲	It is expected that around 1.6 million sqm (148,645 sf) of grade A offices will enter the office market in Guangzhou during Q4 2011 to 2012, of which 87% will be in the Pearl River New City submarket.
Hong Kong (Sq Feet)	233,700	233,700	132,200	132,200	198,900	198,900	▬	New supply in Greater Central will remain tight with only 30,751 sqm (331,000 sf) expected to enter the market in 2012 to 2013. Should the economic outlook worsen, limited supply will help mitigate the impact of a further decline in demand on rents over the following year.
Shanghai (Sq Meter)	889,555	9,575,090	453,000	4,876,051	664,000	7,147,237	▼	A brief lull in new supply entering the market will be followed by approximately 300,000 sqm (3.2 msf) of new office space being delivered in the final quarter of 2011. 2012 is slated to see less than half of 2011's new supply.
Beijing (Sq Meter)	436,900	4,702,752	295,500	3,180,736	739,300	7,957,759	▲	The future supply in major submarkets will remain low until 2014.
Shenzhen (Sq Meter)	69,000	742,710	235,800	2,538,130	553,600	5,958,901	▲	Approximately 0.44 million sqm (4.74 msf) of new supply is expected to enter the market in 2012, with Shenzhen's Futian district receiving the largest share.
Tokyo (Tsubo)	833,169	8,968,156	395,959	4,262,067	749,000	8,062,169	▼	New supply of class A will slow down going into 2013, as compared to 2011.
Seoul (Sq Meter)	529,666	5,701,277	588,502	6,334,583	679,690	7,316,122	▲	Approximately 1.8 million sqm (19.4 msf) of new office space will be added to the market until 2013, and supply is expected to exceed demand. Seoul is expected to be a tenants' market in the next two years.
INDIA								
Bangalore (Sq Feet)	3,980,000	3,980,000	9,300,000	9,300,000	9,200,000	9,200,000	▲	New supply, which was somewhat constricted in 2011, is expected to grow in 2012 and thereafter in accordance with demand strength.
Hyderabad (Sq Feet)	4,220,000	4,220,000	5,100,000	5,100,000	5,500,000	5,500,000	▲	Competitive rentals, lower vacancy rates, pre-commitments and scarcity of options are likely to boost the supply in suburban market.
New Delhi (Sq Feet)	6,050,000	6,050,000	5,600,000	5,600,000	5,110,000	5,110,000	▼	Demand for grade A space in Special Economic Zones (SEZ) are expected to remain stable in the short term, and the pace of construction of non SEZ developments is likely to take a hit, thereby reducing the overall supply in 2012.
Mumbai (Sq Feet)	10,000,000	10,000,000	6,500,000	6,500,000	5,400,000	5,400,000	▼	The current oversupply situation, restrained demand and reduced space take-ups in BFSI are likely to impact the upcoming supply.

TREND ▲ UP ▬ STABLE ▼ DOWN

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