

## Take-up starts to increase.

"Helped by very strong letting activity in Q4, total take-up in 2003 showed an increase compared to 2002."

## MARKET OVERVIEW

The key office market trend that has been evident in Q4 2003 is the very strong level of letting activity in a wide range of European cities.

Foremost of these is Brussels, where the total take-up of 345,000 sq m in Q4 is nearly three times the normal quarterly total. Brussels can be considered as a special case because of the predominance of public sector lettings in the total. However, cities as diverse as Barcelona, Paris, Frankfurt and Madrid also experienced take-up in Q4 well in excess of the typical quarterly level.





As can be seen from the chart below take-up in 2003 as a whole also showed an increase of 4% compared to the 2002 total and is now close to the ten-year average.

The fact that take-up has started to increase ahead of economic recovery might seem unexpected. However, in the last cycle take-up started to increase from 1993. Yet that year was the low point in terms of both GDP growth (-0.4%) and employment growth (-1.8%) in the EU. On the basis of current expectations, 2003 should also turn out to be the low point in terms of GDP growth (0.5%) and employment growth (0.1%).

It should be noted that this improvement in total take-up does not represent a return to net absorption, with vacancy still rising. This was also the case in 1993, when the EU vacancy rate did not peak until mid 1995 despite the increasing take-up.

Q@G

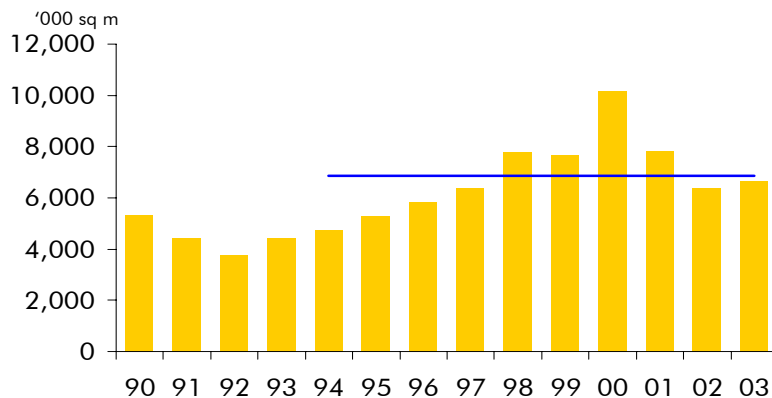
this quarter at a glance

-  prime rental values
-  prime yields
-  vacancy rates
-  take-up

Change Q3-Q4

### EU Office Take-up

Aggregate of 16 EU Cities (with ten-year average)



Source: CB Richard Ellis

## EU Rent Index

Despite rents beginning to bottom out in individual markets across Europe, large falls in several major cities continue to force the EU Rent Index downwards at a sustained rate. Overall, rents fell by 7.7% year-on-year, slightly up on 7.5% three months ago.

In the traditional rental cycle, rents in the larger office markets are often the first to fall away and the first to recover. However, many of the major markets are now experiencing more sustained downward pressure than other secondary markets, where rental decline is slowing. One explanation is that these markets reached higher peaks during the boom period. The fact that banks were willing to fund higher levels of speculative development in the major cities during the boom seems to be a contributing factor.

After appearing to have bottomed out at €686 /sq m/annum, Paris rents showed an unexpected downward correction in Q4. Prime rents in Frankfurt, Munich, Hamburg and Stuttgart all fell by up to 6%. In London, both West End and City top rents continued their readjustment. City rents have now fallen by over 20% over the last twelve months.

There are increasing signs of stability across the region and prime rents have now remained unchanged for over a year in Brussels, Copenhagen, Athens and in regional Netherlands.

## Take-up

After the traditionally quiet third quarter, the EMEA region often experiences an increase in activity towards the year end. However, with the global economy showing only a modest indication of recovery, it was not expected that demand for office space in the fourth quarter would jump as sharply as it did. Q4 take-up in the majority of office markets surpassed that of Q3, raising annual take-up above the levels seen in 2002.

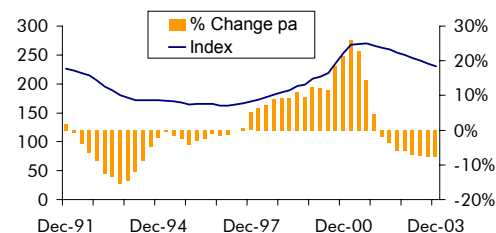
Brussels saw unprecedented levels of take-up in Q4, with a total of 345,000 sq m of office space let. This record level represents nearly three times the typical quarterly take-up and almost 50% of the entire year's take-up. This was due to several major prelettings in the public sector.

After weak take-up in the mid year period, lettings in Barcelona picked up strongly. The 95,000 sq m of office space let in Q4 was also a record quarterly total for the city.

Some of the secondary markets, such as Berlin, Hamburg and Outer London also saw a quarter-on-quarter rise in take-up, although total space let in 2003 did not meet 2002's total. Nevertheless, these levels were often higher than initial expectations.

## EU Office Rent Index

Index (Q1 1986 = 100)



Source: CB Richard Ellis

EU Office Rent Index	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Index (Q1 1986 = 100)	245	240	235	230
Quarter on Quarter (% Change)	-2.0	-1.9	-2.0	-2.0
Year on Year (% Change)	-6.9	-7.5	-7.5	-7.7

Office Take-up ('000 sq m)	Q4 2002	Q4 2003	% Change
Central London	171	243	42.1%
Paris (Ile-de-France)	385	502	30.4%
Madrid	152	160	5.3%
Barcelona	70	95	35.7%
Frankfurt	155	174	12.3%
Brussels	121	345	285%

Office Take-up ('000 sq m)	Q1&2 2003	Q3&4 2003	% Change
Central London	378	443	17.2%
Paris (Ile-de-France)	840	866	3.1%
Madrid	303	267	-11.9%
Barcelona	110	135	22.7%
Frankfurt	205	309	50.7%
Brussels	299	428	43.1%

Country	City	Prime Office Rent		% Change		Net Equivalent Rent Euros/m <sup>2</sup> pa	Prime Office Yield %
		Local	Euros/m <sup>2</sup> pa	Last 3 months	Last 12 months		
Austria	Vienna	€ 20 m <sup>2</sup> pm	240	0	0	253	5.00
Belgium	Brussels	€ 275 m <sup>2</sup> pa	275	0	0	333	6.50
Botswana	Gaborone	P 60 m <sup>2</sup> pm	133	0	9.1	130	13.00
Czech Rep.	Prague	€ 19 m <sup>2</sup> pm	228	0	-5.0	253	8.80
Denmark	Copenhagen	DKr 1,700 m <sup>2</sup> pa	229	0	0	269	6.25
Finland	Helsinki	€ 280 m <sup>2</sup> pa	280	-1.8	-3.4	276	7.00
France	Paris	€ 675 m <sup>2</sup> pa	675	-1.6	-1.6	726	5.90
Germany	Berlin	€ 22 m <sup>2</sup> pm	264	0	-10.2	284	5.00
Germany	Frankfurt	€ 35 m <sup>2</sup> pm	420	-2.8	-12.5	452	4.80
Germany	Hamburg	€ 20 m <sup>2</sup> pm	240	-4.8	-4.8	258	5.00
Germany	Munich	€ 30 m <sup>2</sup> pm	360	-3.2	-6.3	387	5.00
Greece	Athens	€ 30 m <sup>2</sup> pm	360	0	0	396	8.00
Hungary	Budapest	€ 16.50 m <sup>2</sup> pm	198	0	-2.9	220	8.50
Ireland	Dublin	€ 480 m <sup>2</sup> pa	480	0	-3.0	480	5.50
Israel	Tel Aviv	US\$ 10 m <sup>2</sup> pm	103	-9.1	-16.7	129	10.50
Italy	Milan	€ 490 m <sup>2</sup> pa	490	0	11.4	538	6.00
Italy	Rome	€ 425 m <sup>2</sup> pa	425	0	-7.6	467	6.70
Netherlands	Amsterdam	€ 315 m <sup>2</sup> pa	315	-1.6	-6.0	339	6.25
Norway	Oslo	NKr 1,600 m <sup>2</sup> pa	196	0	-20.0	218	6.75
Poland	Warsaw	US\$ 25 m <sup>2</sup> pm	259	0	-3.8	287	9.10
Portugal	Lisbon	€ 240 m <sup>2</sup> pa	240	0	-9.1	264	7.25
Romania	Bucharest	US\$ 18 m <sup>2</sup> pm	186	0	0	212	11.50
Russia	Moscow	US\$ 525 m <sup>2</sup> pa	453	1.0	1.0	533	13.00
Slovak Rep.	Bratislava	€ 17 m <sup>2</sup> pm	204	0	-5.6	227	10.00
South Africa	Cape Town*	R 70 m <sup>2</sup> pm	101	7.7	16.7	81	10.50
South Africa	Durban	R 70 m <sup>2</sup> pm	101	4.5	11.1	72	13.50
South Africa	Jo'burg**	R 75 m <sup>2</sup> pm	108	0	0	87	11.00
Spain	Barcelona	€ 280 m <sup>2</sup> pa	280	0	-6.7	311	5.75
Spain	Madrid	€ 312 m <sup>2</sup> pa	312	-3.7	-17.9	333	6.00
Sweden	Stockholm	SEK 3,400 m <sup>2</sup> pa	378	0	-5.6	397	6.70
Switzerland	Geneva	SFr 700 m <sup>2</sup> pa	452	-2.8	-5.4	452	4.75
Switzerland	Zurich	SFr 800 m <sup>2</sup> pa	517	-2.4	-4.8	517	4.75
Turkey	Istanbul	US\$ 14 m <sup>2</sup> pm	145	-6.7	-6.7	173	13.00
UK	Birmingham	£ 27.50 ft <sup>2</sup> pa	424	0	1.9	424	6.75
UK	Edinburgh	£ 26.50 ft <sup>2</sup> pa	409	-1.9	-5.4	409	6.00
UK	Glasgow	£ 23.00 ft <sup>2</sup> pa	355	0	0	355	6.50
UK	London City	£ 43.50 ft <sup>2</sup> pa	671	-3.3	-20.9	671	6.50
UK	London WE	£ 60.00 ft <sup>2</sup> pa	926	-4.0	-14.3	926	5.75
UK	Manchester	£ 24.75 ft <sup>2</sup> pa	382	0	0	382	6.75
Zimbabwe	Harare	Z\$ 7,500 m <sup>2</sup> pm	95	275	1,054	103	6.00

\*Claremont

\*\*Sandton

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

## Paris

There is strong evidence that the Paris market is now at, or close to its turning point in the supply/demand cycle, ahead of most other European cities.

On the supply side, the vacancy rate in Paris CBD was stable at 5.5% at the end of 2003. In the Ile-de-France area as a whole the increase in the amount of vacant space has been only marginal. Moreover the development pipeline remains tight, with expected completions over the next two years only around 1% of the current stock.

On the demand side, there was a significant increase in leasing activity in the final quarter of 2003. Over 500,000 sq m of office space was let (or sold to owner occupiers) in the last three months of the year. This was 30% higher than in the same quarter of 2002. Take-up was dominated by large occupiers, with 42% of space let being in units of more than 5,000 sq m.

The prospects of rental growth in the Paris market in the near future is generating intense interest from investors into the office sector. With only a limited number of investment opportunities being brought to the market, the weight of money from these investors has driven up prices and the prime office yield has fallen to 5.9%. German investors are particularly important in driving this trend, 38% of buyers in 2003 were German, with the open-ended funds making up the majority.

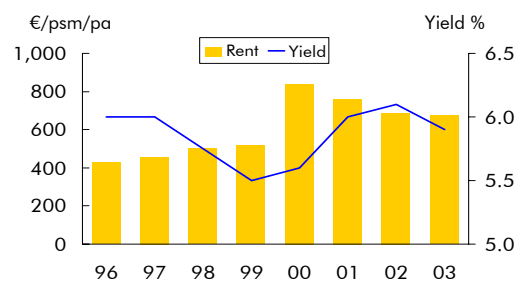
## Frankfurt

Take-up in Frankfurt has been extremely resilient over the last year. For 2003 as a whole, the amount of office space let (or sold to owner occupiers) was 17% higher than in 2002. The last three months of the year were particularly strong, with 174,000 sq m of offices let. This is the highest quarterly total since 2001.

Despite this letting activity, the vacancy rate continues to rise. The problem is that the majority of new deals being agreed are companies relocating at the end of existing leases. These companies are taking advantage of the current over-supply in order to negotiate attractive deals on good quality space. In many cases they are also downsizing in terms of the amount of space they occupy. The result is negative net absorption and rising amounts of space on the market.

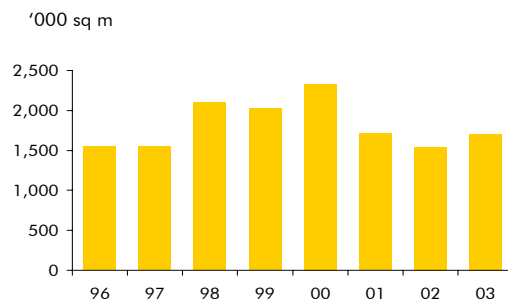
The trend in rental values has been such that as five year contracts now come to an end, occupiers have the opportunity to achieve significant savings by re-locating or renegotiating now. This will certainly generate turnover, to the benefit of developers with new space on the market. However, economic growth is not yet strong enough to generate significant net absorption and so it will be some time before the overall vacancy rate starts to drop.

### Paris Prime Office Rents and Yields



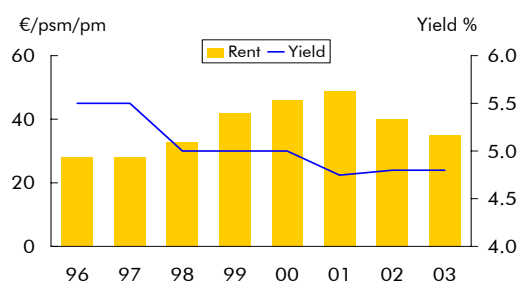
Source: CB Richard Ellis

### Ile-de-France Office Take-up



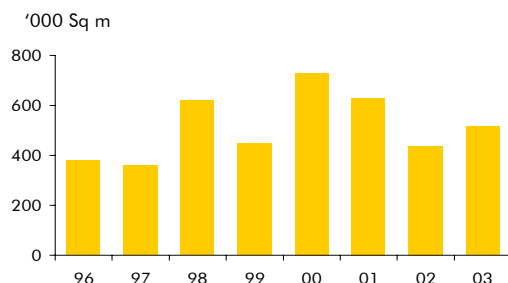
Source: CB Richard Ellis

### Frankfurt Prime Office Rents and Yields



Source: CB Richard Ellis

### Frankfurt Office Take-up



Source: CB Richard Ellis

## London (City)

Against a background of increasingly positive indicators for the financial sector, including a revival in merger and acquisitions activity, City office take-up rose in Q4 to around 84,000 sq m. This represents a 15% increase on the Q3 level and takes full-year take-up for 2003 to 299,000 sq m. Our expectation is for continued improvement in 2004. This is mostly due to an increase in the take-up of secondhand space, with take-up of new space and particularly pre-lets remaining subdued. The key banking & finance sector accounted for 24% of 2003's take-up, a third of which was in the final quarter, suggesting the beginnings of a recovery.

On the supply side, the availability of City office space rose marginally in Q4 to just under 1.14 million sq m. By comparison with the previous two quarters, during each of which availability rose by about 100,000 sq m, this is a very modest increase and suggests that the three-year upward trend in availability may be close to peaking. The void rate for ready-to-occupy space remains above 14%, but is expected to ease as market conditions improve over the year.

The reduction in the rate of rental decline evident over recent quarters, continued into Q4. The City rent index was down only 2% in the final quarter and prime rents were down slightly from £45.00 /sq ft/annum to £43.50 /sq ft/annum. This represents a considerable slowdown in the rate of decline compared with the first three quarters. The market remained highly attractive to investors, with a total of £1.4 billion transacted, taking the full-year total to above £3.5 billion.

## London (West End)

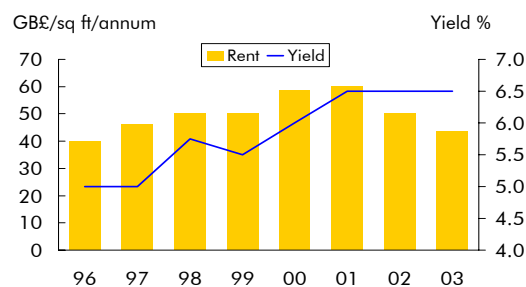
Take-up in the West End saw a near 30% increase in the final quarter to 108,000 sq m, as the effects of stronger market sentiment were more clearly reflected in increased transactions.

The final quarter surge represented the highest quarterly total since mid-2002 and boosted the annual aggregate to 334,000 sq m, 5% higher than in 2002. While this remains below the ten-year average of 395,000 sq m it is above recent expectations and reflects both a large number of small deals as well as four transactions of approximately 4,000 sq m. The increase in transactions in the final quarter, coupled with the fact that over 70,000 sq m remains under offer, provides an encouraging basis for further improvements over the course of 2004.

There is now growing evidence that availability in the West End is diminishing, with a 3% drop, during Q4 to 759,000 sq m. Availability, whilst rising since the end of 2000, now appears to be entering a period of decline, with limited development activity, and reduced pressure for occupiers to dispose of surplus accommodation.

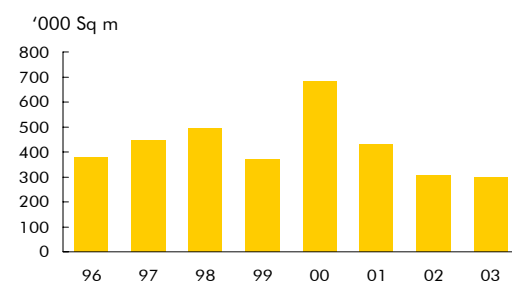
Overall, West End rents were effectively stable in the final quarter although prime headline rents slipped slightly to £60 /sq ft/annum. Signs of increased competition for the best space suggest that this figure will begin to recover in the near term. Investment activity remains robust, with £800m of transactions completed in the final quarter.

### City of London Prime Office Rents & Yields



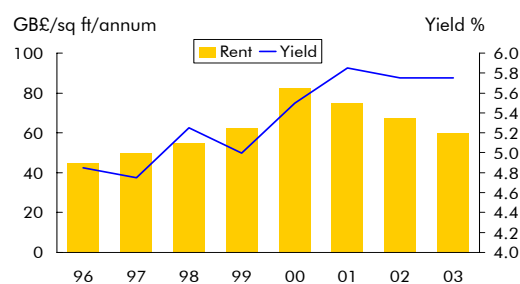
Source: CB Richard Ellis

### City of London Office Take-up



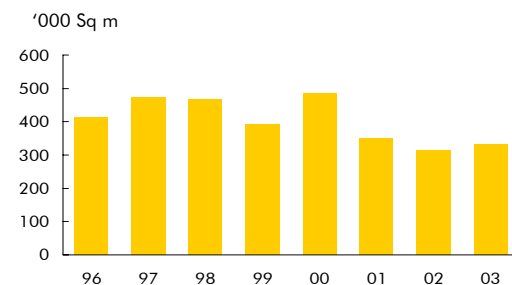
Source: CB Richard Ellis

### London (West End) Prime Rents and Yields



Source: CB Richard Ellis

### London (West End) Office Take-up



Source: CB Richard Ellis

## Madrid

The relatively strong rate of economic growth in Spain has been reflected in the level of office take-up in Madrid over the whole of this year. However, leasing activity in the final quarter of the year was particularly high, with a total of 160,000 sq m let (or sold to owner occupiers). This is the highest quarterly total since Q4 2000, at the end of the technology boom. As strong economic growth continues, demand is expected to increase further in 2004.

Despite this strong take-up, prime rents and indeed rents in Madrid's other sub-markets, continue to fall. The reason for this is that although the letting market is active, the amount of office development completions is even higher. Some 614,000 sq m of offices were constructed in 2003, and this compares to the total take-up of 570,000 sq m. Development activity has slowed somewhat, but even so it is anticipated that a further 470,000 sq m will be delivered in 2004.

Inevitably, the vacancy rate for Madrid has risen, reaching 8.7% by the end of 2003. Nevertheless, the rise in vacancy is mostly limited to the peripheral sub-markets (M-30 and M-40). A further slight increase in vacant space is to be expected in the early part of 2004, given the level of development in the pipeline, but the rate of growth is slowing.

## Brussels

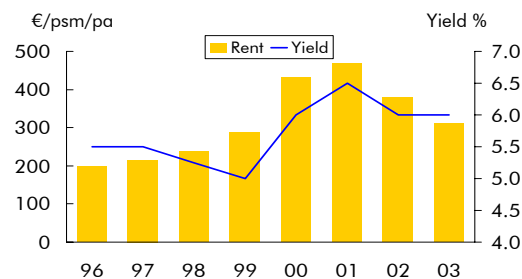
Q4 take-up in Brussels was the highest quarterly total on record. Even taking into account the market's buoyant performance in recent quarters, this figure exceeded all expectations. Since the slowdown in the national economy, demand for office space has come predominantly from the public sector, and Q4 was no different. Several major prelettings by the government in both the North and South submarkets took Q4 take-up to 345,000 sq m. After several quarters of declining take-up from the private sector, demand picked up once more in the latter half of 2004. Nevertheless, demand from this sector is not expected to regain full strength before 2005.

As these transactions were largely prelets they had minimal impact on the Brussels' vacancy rate, which continued to rise. Total available space across the city now exceeds 10% of stock. The vacancy rates in the Leopold and central submarkets are still low in comparison with other European cities, whilst vacancy rates in non-central submarkets range from 13% as high as 23%.

Availability is expected to rise further in the short due to the volume of space that will be completed. However, with an improvement in the national and European economies leading to a sustained rise in take-up, vacancy is expected to stabilise.

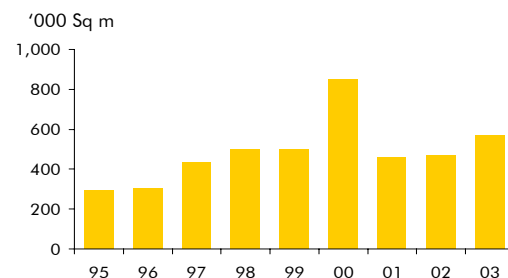
Recent lettings of prime space maintained the top rental norm at €275 /sq m/annum and further lettings expected this year may push this level even higher. Brussels is one of the few office markets not to have experienced a fall in prime rents since 2000.

### Madrid Prime Office Rents and Yields



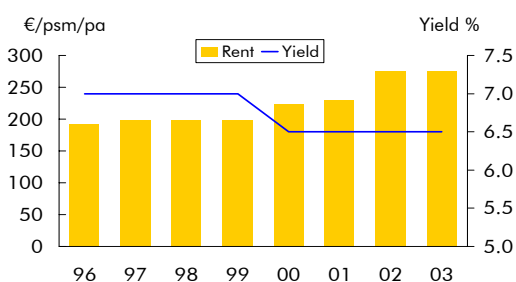
Source: CB Richard Ellis

### Madrid Office Take-up



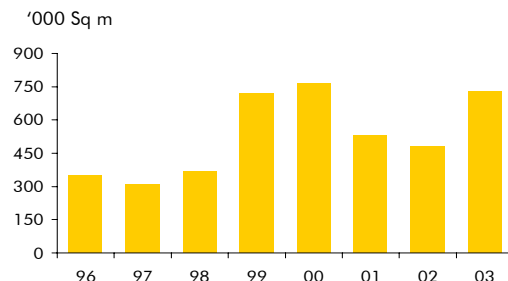
Source: CB Richard Ellis

### Brussels Prime Office Rents and Yields



Source: CB Richard Ellis

### Brussels Office Take-up



Source: CB Richard Ellis

## Budapest

After a slow start to 2003, letting activity in Budapest gathered pace and a strong final quarter ensured that annual take-up reached approximately 138,000 sq m. This represents a 6.2% increase on the previous year's total.

Despite a relatively healthy letting market in the face of slowing economic growth, the availability of office space has not fallen. This is because much of the space let was to existing occupiers looking to relocate and did not necessarily result in net absorption.

Healthy demand and a minimum of development completions in 2003 prevented the city-wide vacancy rate from rising any further. This currently stands at approximately 20%, a figure which bears comparison to other emerging Central & Eastern European markets.

Whilst undergoing steady readjustment since the end of the Communist era, rents have now remained unchanged for twelve months. Prime office buildings in the Budapest CBD can achieve rents in the region of €16.50 /sq m/month. As high levels of oversupply are slowly absorbed in line with economic recovery, Budapest is well placed to see some rental growth in the medium to long term. All Hungarian property markets are likely to see some benefit from the imminent accession into the EU.

## Birmingham

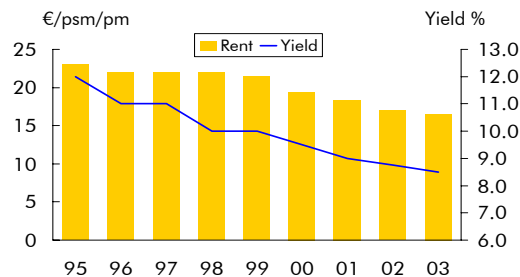
At the end of 2003 availability of office space in central Birmingham stood at 1.2m sq m, representing only a very modest increase on 2002's end-year figure. This is in contrast to other UK cities where the increase in vacancy has been significantly greater. Most of the increase in Birmingham has come from occupiers returning surplus space back to the market.

Within the space currently available in Birmingham, there is a distinct lack of grade A accommodation. This situation will not be resolved in 2004 as there are only two developments currently under construction. The only future development scheme of any significance is the 20,000 sq m Baskerville House, which will not complete until 2005.

Despite the limited availability of grade A space, occupiers looking to relocate are unwilling to lease secondhand offices. The total amount of space let in 2003 was in the region of 34,000 sq m, a sharp drop compared to 2002's record level.

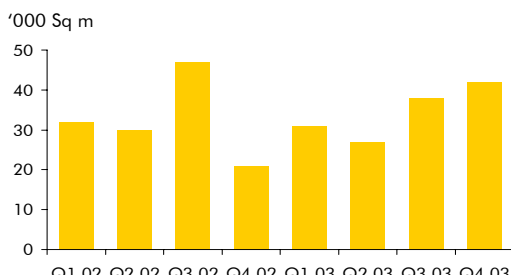
The supply situation is keeping rents from slipping from their peak of £27.50 /sq ft/annum. It is expected that prime rents will remain relatively stable over the course of 2004 and, depending on the timing of a recovery in demand, will pick up again in 2005.

### Budapest Prime Office Rents and Yields



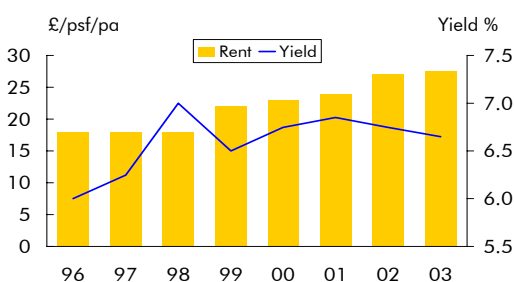
Source: CB Richard Ellis

### Budapest Office Take-Up



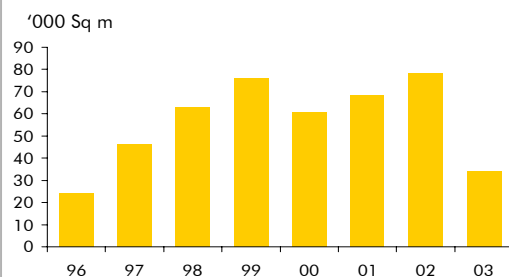
Source: CB Richard Ellis

### Birmingham Prime Office Rents and Yields



Source: CB Richard Ellis

### Birmingham Office Take-Up



Source: CB Richard Ellis

## Record take-up in Barcelona and Brussels

Barcelona and Brussels were good examples of the strong letting market at the end of 2003. Both cities experienced record levels of take-up in the final quarter of the year.

## MARKET BRIEFING

Letting activity in the periphery boosted overall take-up levels in **Barcelona** in Q4, resulting in the highest ever quarterly total. Occupiers are opting for space in non-central locations largely due to the lack of high-quality, large office buildings in the city centre.

**Cape Town** saw very little in the way of net absorption in 2003, as most lettings were relocations. The oversupply of grade B and C space in the CBD is falling, as developers look to convert offices to more profitable residential units.

The vacancy rate in **Copenhagen** has reached a record high, although positive signs from the economy should feed through to the office market towards the latter half of 2004 and stimulate letting activity. A lack of future developments will prevent the prime rent from slipping.

Inexpensive, decentralised office markets in **Durban** have attracted occupiers away from an overpriced CBD market. Nevertheless, the city-wide vacancy remains very high at over 20%. This compares unfavourably to other South African office markets, such as Johannesburg, Cape Town and Pretoria.

Top rents in **Dublin** have not moved for 12 months, as demand for offices remains strong. The vacancy rate is relatively high at 14% but is coming under slight downward pressure. Some submarkets will continue to be oversupplied for some time.

Whilst the overall vacancy rate in **Geneva** is very low, some areas are experiencing vast oversupply. The airport submarket has seen a lot of speculative construction recently and rents are falling. However, demand is expected to pick up over the course of 2004.

Rising unemployment has had an undesirable effect on the office market in **Grenoble**. Companies in the high-tech sector returned space to the market and overall levels of take-up fell in Q4. Nevertheless, prime rents are holding steady at €150 /sq m/annum.

The **Harare** office market has seen very little activity over the final quarter of 2003. Lack of supply is forcing up rents and prime office buildings remain attractive to investors. Property investments are proving an excellent hedge against inflation, which is currently in excess of 500%.

Despite low levels of activity, prime rents in **Helsinki** have not fallen far from their 2002 peak. This is due to the lack of available space across the city, the vacancy rate of 7% being well below the EU average.

Demand for office space in **Istanbul** appears to be on the increase, as both the economy and currency begin to stabilise. Development of new offices has resulted in a decrease in rents for older premises, attracting medium-sized occupiers wishing to relocate. Traditionally a stable market in terms of rents, prime rents have also fallen slightly to US\$14 /sq m/month.

Whilst landlords are offering increasing lease incentives, occupiers in **Johannesburg** are choosing to relocate to prime buildings. Parts of the CBD have also been reclassified as "City Improvement Districts" which benefit from lower rates and rents, as well as both improved security and a higher standard of cleanliness.

In **Lille**, a number of schemes under construction will put upward pressure on the current vacancy rate of 2.8%, one of the lowest in Europe. The current prime rent of €165 /sq m/annum has been unchanged for nine months.

The office vacancy rate in **Lyon** has risen steadily over the last two years and, with three major developments due to be delivered in 2004, may increase further in the short term. Contrary to many EMEA office markets, the amount of space let in 2003 was lower than that in the previous year.

The first phase of the much-publicised Euroméditerranée redevelopment in **Marseille** was completed in the final quarter of 2003. The market suffers from an oversupply of small office units, although the city-wide vacancy rate is relatively low at 4.5%.

## MARKET BRIEFING

## EMEA Offices

## CB Richard Ellis

Aix-en-Provence (33) 4 42 60 01 31	Milan (39) 02 303 7771
Amsterdam (31) 20 626 2691	Munich (49) 89 2420 600
Barcelona (34) 93 444 7700	Neuilly sur Seine (33) 1 4624 5346
Berlin (49) 30 72 61 54 0	Paris (33) 1 5364 0000 (33) 1 4562 5132
Birmingham (44) 121 609 7666	Prague (420) 224 814 060
Bologna (39) 051 421 0546	Rome (39) 06 323 2320
Bristol (44) 117 943 5757	Stockholm (46) 8 4101 8700
Brussels (32) 2 643 3333	Valencia (34) 96 316 2890
Bucharest (40) 21 312 7000	Vienna (43) 1 533 4080
Budapest (36) 1 430 2626	Warsaw (48) 22 653 7000
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**Milan** prime rents have remained unchanged for the last six months, as multinational occupiers seeking to relocate continue to support demand for prime space. The vast majority of space available is of grade B or C quality, although several new developments approaching completion will redress this imbalance.

Rents for prime office space in **Montpellier** have not fallen far from their peak, as availability is largely confined to secondhand offices. Demand for new space is still relatively high and new schemes which came onto the market in 2003 were quickly let.

A distinct lack of modern office buildings in **Nice** is preventing prime rents from falling. All of the space on the market is of secondhand quality. However, overall levels of take-up remained low throughout 2003.

The rate of rental decline experienced in **Oslo** over the last 18 months is slowing and will stabilise by mid-2004. The current vacancy rate lies at 10%, although there are a number of occupiers expected to return surplus space to the market which may result in a slight increase. A dearth of developments will ensure that vacancy stabilises in the medium term.

The **Prague** office market has been improving steadily. A very strong final quarter boosted annual take-up to above 2002's level and the city-wide vacancy rate continues to fall. Prime rents remained unchanged at €19 /sq m/month throughout 2003.

Improved road and rail links into **Tel Aviv**, the commercial epicentre of Israel, have allowed occupiers to relocate to less expensive offices in the periphery or even nearby cities. This has forced down rents in central Tel Aviv to half of the 2001 peak. High levels of availability mean that prime rents are unlikely to recover to their previous peak for several years.

Take-up of office space in **Vienna** doubled in the second half of 2003, largely boosted by public sector lettings. 160,000 sq m of space was let in Q3 and Q4, compared to 80,000 sq m in Q1 and Q2. Nevertheless, rents continue to come under slight downward pressure due to the large amounts of new office space coming on to the market.

Letting activity in **Warsaw** increased gradually throughout 2003 and a strong finish to the year ensured that total take-up exceeded that of 2002. However, a number of completions took the total office stock up to 1.9m sq m and put further upward pressure on availability.

In contrast with many other EMEA cities, the **Zurich** office market did not experience a strong finish to 2003. The weak IT and financial sectors are delaying any significant recovery in demand and overall availability continues to increase, albeit from a low level. The current vacancy rate of 4.4% is the highest since 1997.

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