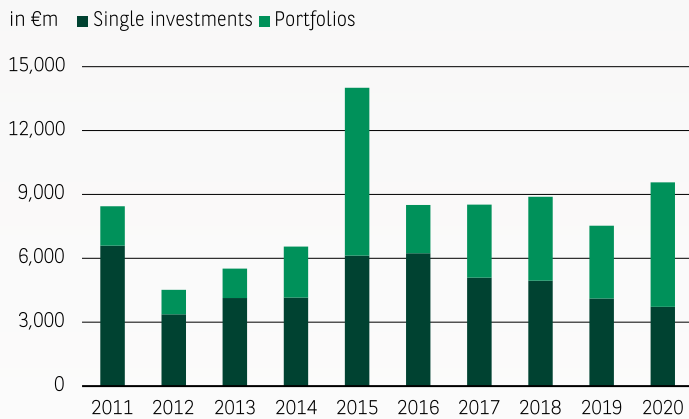




At a Glance **Q3 2020**

RETAIL INVESTMENT MARKET GERMANY

Retail investments in Germany Q1-3

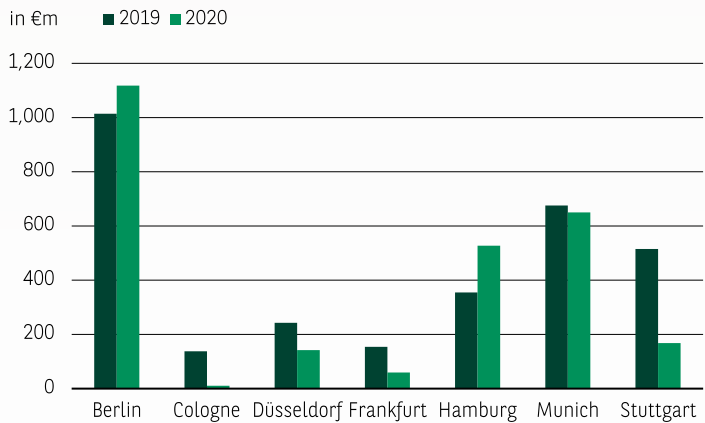


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PORTFOLIOS & SPECIALTY STORES PUSH RETAIL VOLUMES

Despite the effects of the corona pandemic, the retail investment market's performance looks excellent after three quarters: At € 9.6 billion, both the previous year's result and the long-term average figure were clearly outperformed by 27% and 17% respectively. However, this overall result conceals various developments which work like an undercurrent: While single deals generated a volume that is certainly below average in the past nine months, the retail investment market can rely on two strong sub-segments with the portfolios and retail warehousing sales. In figures, package sale volumes amounted to around € 5.8 billion (61% share). In the past ten years, only the record year 2015 saw higher investments in portfolio transactions than the current year. The retail warehousing segment has sent out very promising signals during lockdown and proves crisis-resistant so far. With € 5.2 billion invested in this segment, the annual total for 2019 was already surpassed by the end of September.

Retail investments in the A-locations Q1-3

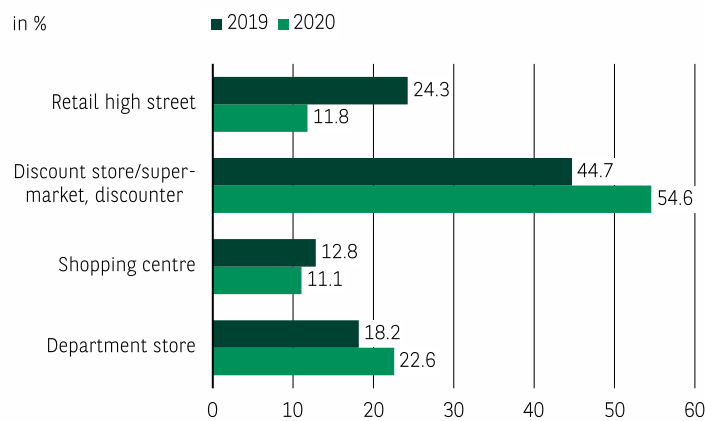


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A-CITIES: NOTICEABLE UPTURN IN THE THIRD QUARTER

The few large volume individual sales, which usually make all the difference between high and low volumes in the top markets, are reflected in the results of the A-locations: although volumes in the most important retail metropolises fell by 14% to € 2.7 billion, this represents a relatively moderate decline against the background of the current economic situation. The largest transactions, including the two Karstadt stores in Hamburg and Perlach Plaza in Munich, were concluded in recent months. As a result, Munich with a total of € 650 million and Hamburg with € 527 million were able to secure second and third place behind Berlin (€ 1.1 billion). In the capital city, one of the largest single transactions, the Schloss-Straßen-Center, was concluded in the third quarter. In addition, over €100 million was also invested in Stuttgart (€ 168 million) and Düsseldorf (€ 142 million), while Frankfurt and Cologne only reached € 60 million and € 10 million respectively.

Retail investments by type of property Q1-3

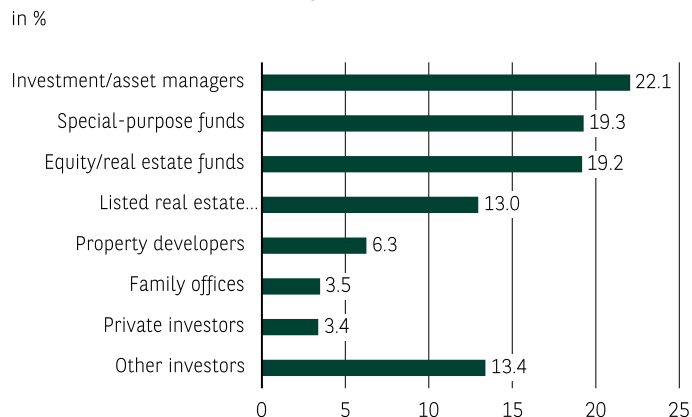


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DESPITE CRISIS: RETAIL WAREHOUSING AT RECORD LEVEL

Whether through company takeovers or individual and portfolio deals, investors continue to rely apparently unchecked on specialist stores and retail parks, which account for almost 55% of the total volume. The focus was also on department stores (23%), which, depending on location and property, may be subject to new utilization in the future. The group of most sought after property types is completed by retail high street buildings and shopping centers, each accounting for between 12 % and 11 %.

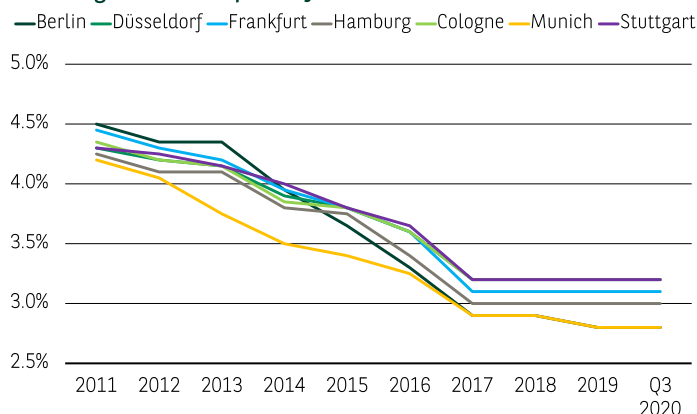
Retail investments by buyer group Q1-3



BROAD BASE OF VERY ACTIVE INVESTORS

In the lee of the current market development, it is not surprising that the ranking of buyers was dominated by those who were most active in the portfolio segment. Investment/Asset Managers, who in addition to the REAL acquisition were responsible for further extensive investments in the retail warehousing segment, reached a good 22%, just ahead of special-purpose funds and equity/real estate funds (each 19%). The latter appeared primarily in the department store segment, among others through American players such as RFR or Apollo. They were followed by listed real estate companies/REITs (approx. 13%), which benefitted from the TLG takeover by Aroundtown and numerous smaller investments. Property developers, who in many cases aim to exploit the development potential of department store properties, are also considerably involved in investment activities (a good 6%). Compared to the overall commercial real estate market, the share of foreign investors is still above average, amounting to a good 44%.

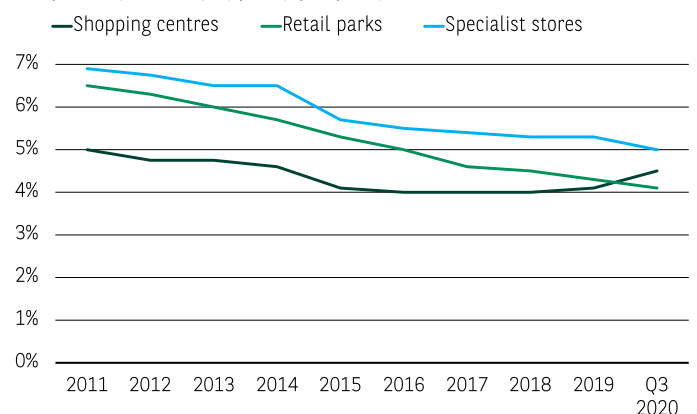
Retail high street net prime yields in the A-locations



RETAIL PARKS OUTPERFORM SHOPPING CENTERS

In terms of A-locations, the prime net yields achieved for highstreet investments in the first nine months are unchanged since the end of 2019. Accordingly, prime yields in the absolute top locations of Berlin and Munich remain at the same level (2.80 % each), ahead of Hamburg (3.00 %), Frankfurt (3.10%) and Düsseldorf, Cologne and Stuttgart (3.20 % each). However, the yield development differs noticeably between the various property types: Top yields for well-functioning retail parks with favorable transport connections (4.10%) as well as individual specialist stores / retail warehousing (5.00%) fell by 20 and 30 basis points respectively in the third quarter. This means that top-notch retail warehousing parks are now more expensive than shopping centers. The prime yields for the latter has risen by 40 basis points, now trading at 4.50 %.

Net prime yields by type of property



OUTLOOK

The excellent interim investment figures cannot hide the fact that M&A activities was the main driver for this good result. The high investment dynamic in the specialty store / retail warehousing segment also backed the overall market performance. However, latest signals indicate also a rise in market activity in the highstreet and single deals segment. The number of transactions has risen in the third quarter and this includes some larger deals. Against this background, investors' appetite also for large scale retail properties with attractive pricing in a good location is expected to rise in the final quarter of the year.

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Further Information BNP Paribas Real Estate GmbH | Christoph Scharf, Head of Retail Services | Phone +49 (0)30-884 65-0 | christoph.scharf@bnpparibas.com | www.realestate.bnpparibas.de