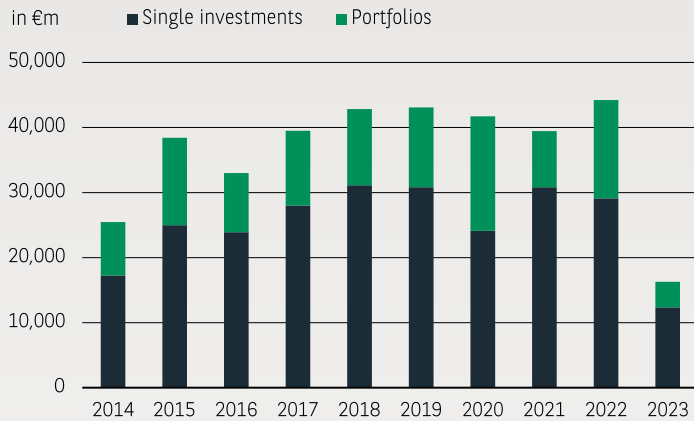




At a Glance **Q3 2023**

INVESTMENT MARKET GERMANY

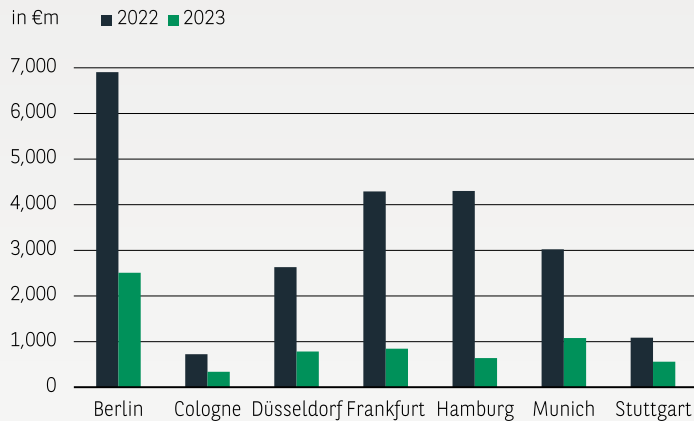
Investment volume in Germany Q1-Q3



▶ SLIGHT UPTURN IN THE THIRD QUARTER

Momentum on the commercial investment markets remained subdued in the third quarter, but nevertheless showed a slight upturn compared with previous quarters. A total of just under €16.3 billion had been invested in commercial real estate by the end of September. Compared with the record figure for the previous year, the decline in investments amounts to around 63%, although the informative value of this comparison is very limited due to the non-comparable financing environment. However, the 10-year average is also undercut by 55%, underlining the current moderate market activity. The transaction volume to date thus remains at roughly the same level as in the years shortly after the financial crisis, albeit with an upward trend. The portfolio segment in particular is showing a slight upturn: At around €2.6 billion, twice as much was invested in portfolios between July and September as in the first half of the year as a whole.

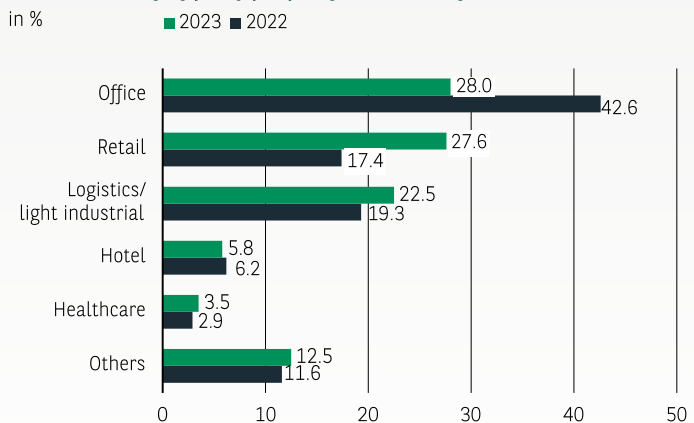
Investment volume in the A-locations Q1-Q3



▶ A-LOCATIONS WITH LOW INVESTMENT VOLUME

In line with the overall market, investment volumes in German A-locations also fell sharply compared with the exceptionally good prior-year period. At just under €6.8 billion, the record result of the previous year was missed by 71%. The main reason for this was the very low proportion of large-volume office transactions, which were only observed in very isolated cases due to the still incomplete pricing phase. Berlin leads the field by a wide margin with transactions worth €2.51 billion (-64%). Munich follows in second place with €1.08 billion (-64%). All other locations remain well below the billion euro threshold.

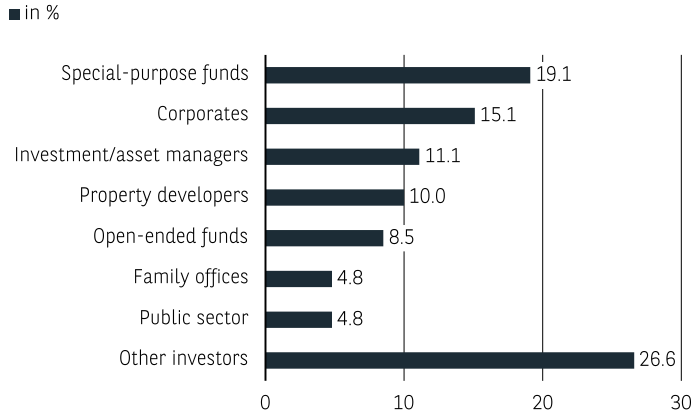
Investments by type of property in Germany Q1-Q3



▶ OFFICES AND RETAIL PROPERTIES ALMOST ON A PAR

Office properties, which have traditionally led the field in the past, accounted for just under €4.6 billion in the first three quarters, a year-on-year decline of around 76%. This is by far the lowest figure in the last ten years. Nearly as much was invested in retail properties, which contributed almost €4.5 billion. Compared with the previous year, the volume of transactions thus decreased by around 42% and the ten-year average was missed by around 46%. Retail properties thus recorded the smallest decline in sales of all asset classes. Logistics properties follow in third place, with a transaction volume of around €3.7 billion. Investment volume in hotels has roughly halved, to date standing at €573 million. In the first three quarters, €943 million was invested in healthcare properties.

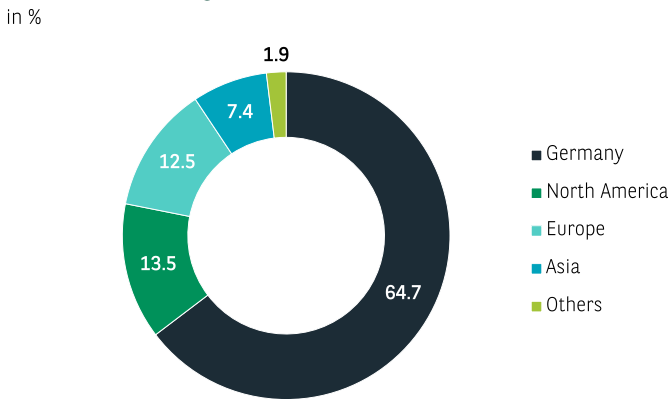
Investments by buyer group Q1-Q3 2023



SPECIAL-PURPOSE FUNDS MOST ACTIVE

With a share of around 19%, special-purpose funds have led the buyer group rankings so far this year. Corporates are in second place with a good 15%, which corresponds to a remarkably high contribution to overall turnover in a long-term comparison. Investment/asset managers (11%) and property developers (10%) are also in double digits. Other notable contributors are open-ended funds (8.5%), family offices and the public sector (just under 5% each).

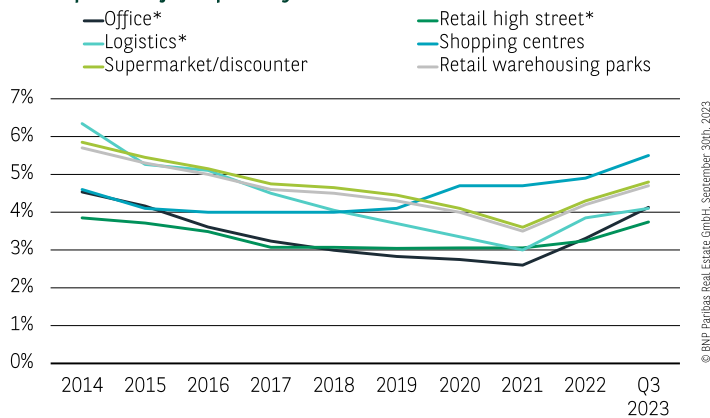
Investments by origin of capital Q1-Q3 2023



AS EXPECTED, YIELDS UP SLIGHTLY

Following the interest rate steps taken by the major central banks, net prime yields continued to rise slightly in the third quarter, as expected. In the office segment, they increased by an average of 24 basis points in the A locations. Munich is the only location under 4%, with a prime yield of 3.95%. Berlin is in second place with 4.00%, followed by Hamburg with 4.05%. In Cologne and Stuttgart, it now stands at 4.20%, and in Frankfurt and Düsseldorf, 4.25%. Slight increases were also observed in the other asset classes. For logistics properties, the prime yield rose by 10 basis points to 4.10%. Inner-city commercial properties are currently averaging 3.75%, as the most important target group here is often private buyers with high equity shares. Retail parks (4.70%) and the discounter/supermarket segment (4.80%) both increased by 10 basis points. The increase was more pronounced for shopping centers, where the current rate is 5.50% (+40 basis points).

Development of net prime yields



OUTLOOK

The general conditions for the investment markets will not change significantly in the final quarter of the year. As inflation remains at a distance from the inflation target of the leading central banks and is falling only comparatively slowly, there are many indications that both the ECB and the FED will still implement at least one interest rate hike in 2023. At the same time, there are increasing signs that the interest rate cycle should have peaked at the end of the year. The harmonized consumer price index in Germany, which recently fell to 4.3% and is the key indicator for the ECB to assess price stability, also gives cause for hope. Against this background, there is a high probability that yields will pick up again somewhat in the fourth quarter. Subsequently, stabilization in 2024 is the most likely scenario from today's perspective. For the remainder of the year, we continue to expect only moderate investment turnover, albeit with a slight upward trend as in Q3. In conjunction with a probable recovery in the economy and the expected planning certainty in the financing environment, investment revenues are likely to rise again significantly in the first half of 2024.

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate GmbH.

The statements, notifications and forecasts provided here correspond to our estimations at the time when this report was prepared and can change without notice. The data come from various sources which we consider reliable but whose validity, correctness or exactness we cannot guarantee. Explicitly, this report does not represent a recommendation of any kind, nor should it be regarded as forming a basis for making any decisions regarding investment or letting or renting property or premises. BNP Paribas Real Estate can accept no liability whatsoever for any information contained or statements made herein.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 30.09.2023

Further Information BNP Paribas Real Estate GmbH | Sven Stricker, Co-Head Investment | Phone +49 (0)30-884 65-0 | sven.stricker@bnpparibas.com | www.realestate.bnpparibas.de