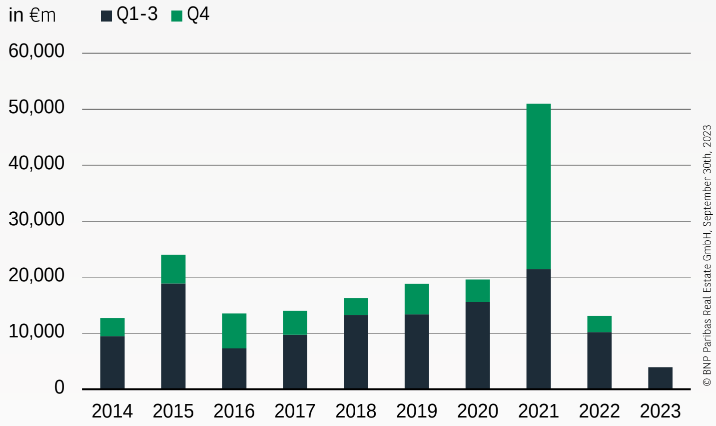
At a Glance Q3 2023

RESIDENTIAL INVESTMENT MARKET GERMANY

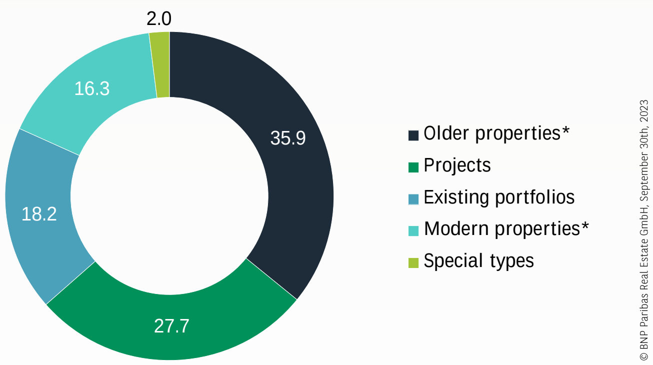
Investment volume residential portfolios



WEAKEST FIRST NINE MONTHS SINCE 2010

After the end of the third quarter of 2023, the investment volume amounted to only around € 3.92 billion. Consequently, the weakest first nine months since 2010 were recorded. Thus, no significant revival on the German residential investment market could be observed in the third quarter either. Regulatory uncertainties as well as the availability and cost of debt and equity continue to determine market activity. This has contributed to a strong restraint and cautious attitude of investors as well as to the postponement or cancellation of projects. Thus, the price-finding and consolidation phase on the housing markets continues. The residential investment market has also lacked large-volume transactions with lighthouse character so far this year as a signal for a clear market revival, although new players are increasingly looking at entering the market.

Investments by asset class Q1-Q3 2023

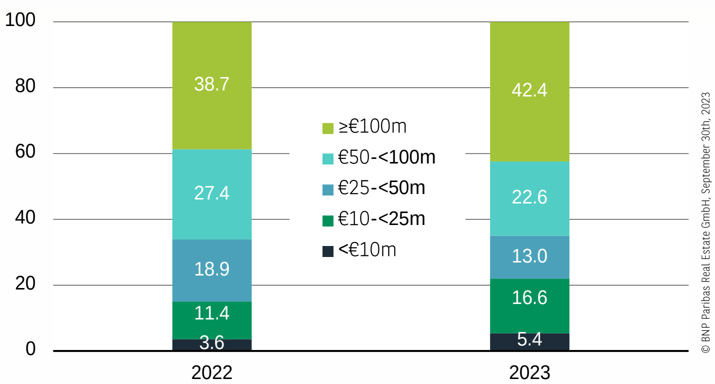


* Block sales in one location

EXISTING PORTFOLIOS NO LONGER A REVENUE DRIVER

Large-volume existing portfolios are usually among the turnover drivers (Ø 10 years: 54%), but in the past nine months they have only been able to record a share of 18%. One reason for this is likely to be the reticence of institutional investors in the market. Compared to the second quarter of 2023, the share of modern portfolio properties recently rose to an above-average 16% (Ø 10 years: 3%). Transaction activity was comparatively brisk for older portfolio properties, which have contributed around 36% to the total volume registered to date (Ø 10 years: 16%). Investors are currently particularly active in this segment, not least to reduce risks in the portfolio and due to a lack of new products.

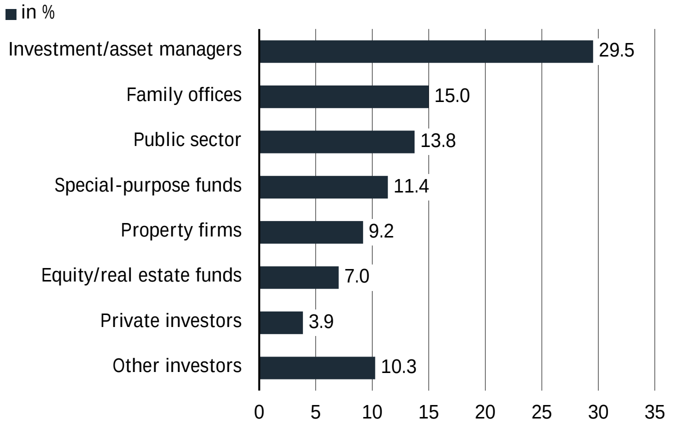
Investments by size category Q1-Q3



MARKET STILL SMALL-SCALE

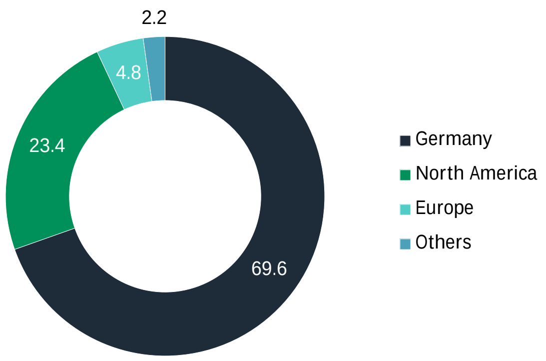
After the first nine months, an above-average share of turnover (Ø 10 years: 16%) was recorded by medium-sized deals (€ 50-100 million) with 23%. This segment contributed around € 886 million to turnover. The reason for the nevertheless low total volume is the very low investment activity in the large-volume segment. Although the segment above €100 million accounts for a relatively high turnover share of 42%, in absolute terms the cumulative volume of €1.66 billion (six registered large transactions in 2023, two of them in Q3) is still very low in a long-term comparison (Ø 10 years: €7.49 billion). The average investment volume per deal was only around €36 million. Consequently the market is still much smaller than in previous years.

Investments by buyer group Q1-Q3 2023

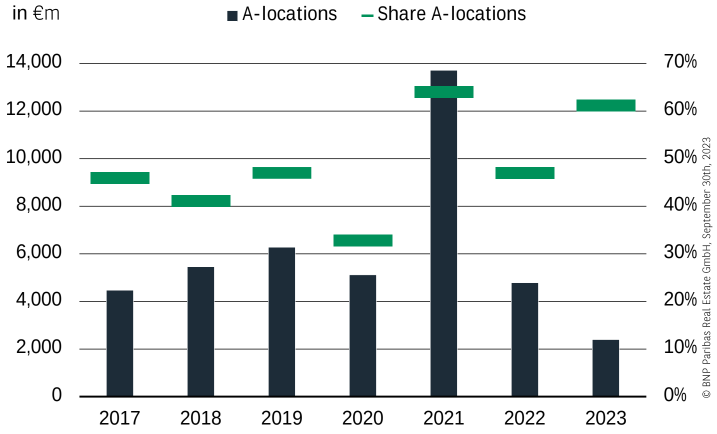


Investments by origin of capital Q1-Q3 2023

in %



Investment volume A-locations and share of total volume Q1-Q3



GERMAN CAPITAL DOMINATES

The buyer group of investment managers made by far the largest contribution to transaction volume with almost 30% (Ø 10 years: 12%). They are followed by family offices with an above-average share of 15% (Ø 10 years: 3%). The solid equity base probably explains the increased demand from this group of buyers. In contrast to these two groups of buyers, the focus of real estate AGs/ REITs is on re-financing. This buyer group, which usually dominates investment activity, was unable to registered a single transaction in the first nine months.

FURTHER INCREASE IN NET PRIME YIELDS

Debt financing again became slightly more expensive in the third quarter. Accordingly, the net prime yields for new buildings increased moderately in the third quarter. The increase compared to the previous quarter was in the range of 10 to 15 basis points. Munich remains the most expensive location (3.45%). It is followed by Berlin and Frankfurt at 3.50% and Hamburg and Stuttgart at 3.55%. Düsseldorf and Cologne, the two cheapest A-locations, are currently at 3.65%.

SHARE OF A-LOCATIONS SLIGHTLY ABOVE AVERAGE

In the first three quarters, investors particularly sought out the solid investment environment of A-cities. These accounted for a share of just under 61% (Ø 10 years: 45%).

OUTLOOK

Even after the first nine months, the German residential investment market has not yet found its way out of the price discovery phase. However, the large-volume Quantum deal in Berlin may be an initial signal that the buy and sell sides are converging again. Due to the expected decline in inflation and an increasingly stuttering economic engine, the time for strong and rapid interest rate hikes is probably over. As a result, borrowing costs are likely to stagnate or at most rise slightly in the coming months. The still healthy fundamentals on the demand side, coupled with a renewed improvement in the risk/reward ratio, as well as the significant growth in rents that is also to be expected in the future, should once again ensure new capital in the German residential investment markets. Nevertheless, it is unlikely that the last three months of 2023 will still result in quarterly turnover on the scale of recent years. In anticipation of a financing environment with greater planning certainty and an economic recovery, turnover should initially increase slightly in the first half of 2024 before there is a significant revival in the German residential investment market in the second half of the year

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