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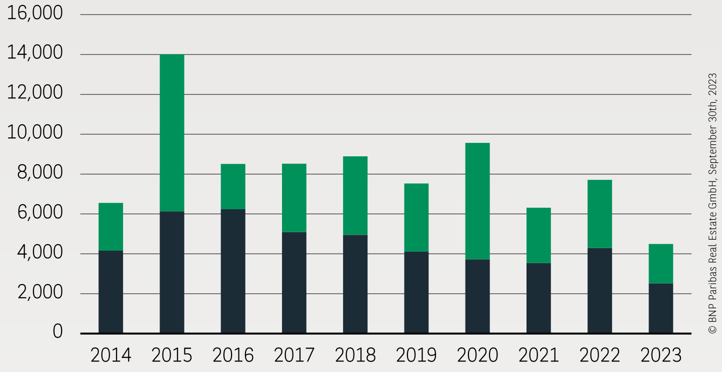
RESEARCH

At a Glance Q3 2023

RETAIL INVESTMENT MARKET GERMANY

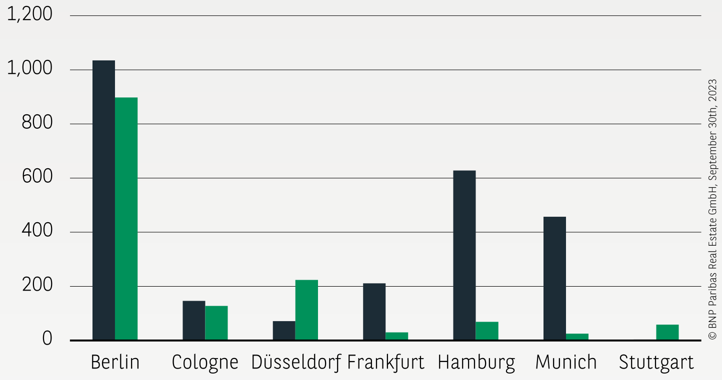
Retail investments in Germany Q1-Q3

in €m ■ Single investments ■ Portfolios



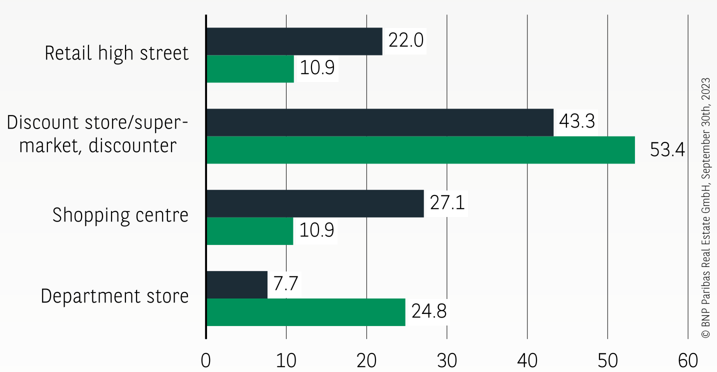
Retail investments in the A-locations Q1-Q3

in €m ■ 2022 ■ 2023



Retail investments by type of property Q1-Q3

in % ■ 2022 ■ 2023



HIGHEST VOLUME IN Q3, BELOW AVERAGE OVERALL

At the end of the third quarter, no fundamental trend reversal has yet been observed in terms of transactions on the retail investment market: With a total transaction volume of just under €4.5 billion, retail investments continue to lag behind both their prior-year result (-42%) and the long-term average (-45%). One positive sign, however, is the fact that almost 1.9 billion were invested in the past three months, the best quarterly result of the current year. This is primarily attributable to two major portfolio transactions in the food sector: the sale of X+Bricks' entire portfolio of food stores to the Canadian company Slate Asset Management, and the acquisition of the company's own stores by Aldi Süd as part of the Royal Blue portfolio. As a result, the retail sector continues to account for the largest share of the nationwide portfolio volume across all asset classes (pro rata 50% and just under €2 billion). In terms of individual investments (totaling a good €2.5 billion), however, there is still a lack of major deals, which is underlined by the fact that market activity since the middle of the year has been almost exclusively in the segments below the €50 million mark.

ONLY BERLIN WITH A LAGER INVESTMENT VOLUME

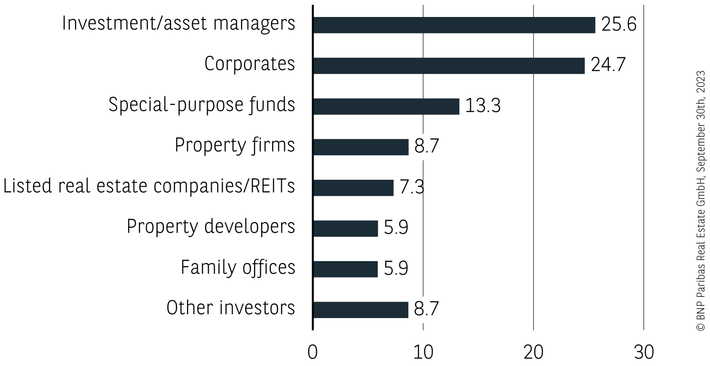
The lack of major transactions in the triple-digit million range is reflected in the investment volume of the A locations. With sales of around €1.4 billion, they are almost 44% down on their prior-year result (a good €2.6 billion). In addition to the partial sale of KaDeWe in Berlin in the first half of the year, the analysis primarily included smaller transactions in the first nine months. However, the fact that no A city in the overall commercial investment market was able to match its prior-year performance shows that the retail investment market remains no exception with this result.

MARKET DYNAMIC FOR FOOD INVESTMENTS INCREASED

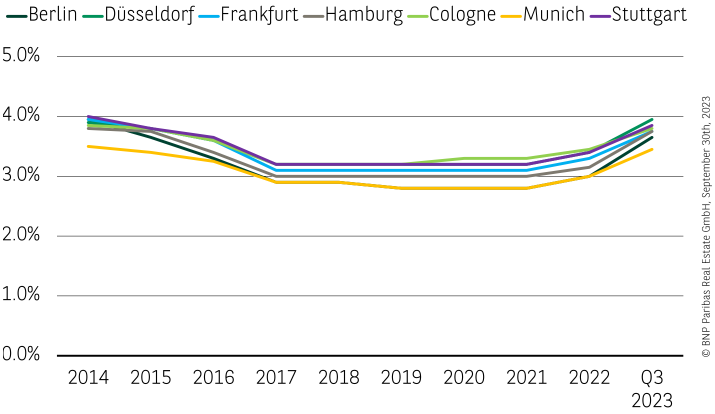
Market activity on the retail investment market focused primarily on the food sector in the third quarter: With a share of sales of around 81% in the last three months, the majority of the investment volume in this period was attributable to the specialist stores and food sector. The X+Bricks and Royal Blue portfolios in particular contributed to this. Overall, retail properties accounted for a good 53% by the end of September. Department stores also accounted for a larger share (just under 25%), while high street properties and shopping centers each accounted for almost 11%.

Retail investments by buyer group Q1-Q3 2023

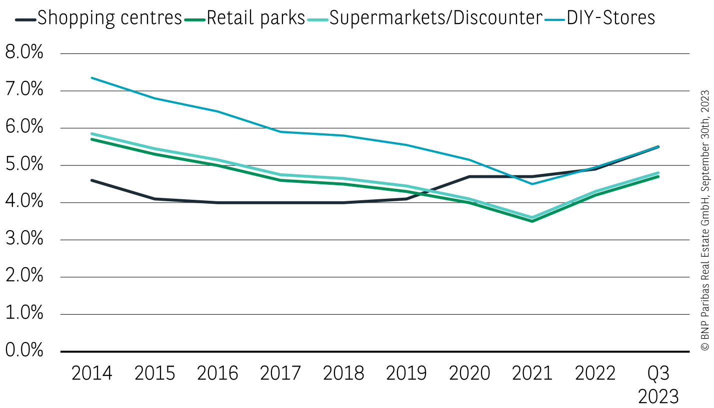
in %



Retail high street net prime yields in the A-locations



Net prime yields by type of property



CORPORATES & INVESTMENT/ASSET MANAGERS IN THE LEAD

The distribution of investment volume by buyer group reflects the influence of the few major deals in the first nine months: Investment/asset managers accounted, among other things, for the transaction of the X+Bricks portfolio and, with a total of almost 26%, also for the highest contribution to total sales. Corporates (around 25%) followed only closely behind, with the KaDeWe shares and the Royal Blue portfolio among the most noteworthy drivers of investment volume. In the specialist store segment, special-purpose funds were again active and accounted for a further 13% of total volume. Above the 5% mark are real estate companies, which contribute just under 9%, mainly through their investments in Galeria properties, as well as listed real estate companies/REITs (a good 7%), property developers and family offices (each with around 6%). In terms of the origin of investors, international buyers account for around 51%, just ahead of German investors and thus achieve an above-average figure compared with commercial investments as a whole (35%).

RISE IN YIELDS CONTINUES

Since the second half of 2022, it has not been possible to maintain the high prices due to the significant change in financing conditions, even in the premium high-street sector. As a result, further increases in net prime yields were inevitable in the first nine months of the current year. In the ranking of A-locations, Munich (3.45%) is currently ahead of Berlin (3.65%). Hamburg remains in third place together with Frankfurt (both 3.75%), ahead of Cologne (3.80%), Stuttgart (3.85%) and Düsseldorf (3.95%). Since the beginning of the year, there have also been further price adjustments for the other property types: retail parks (4.70%) and supermarkets/discounters (4.80%) have risen by 50 basis points, while DIY stores (5.50%) have risen by 55 basis points so far this year and shopping centers by as much as 60 basis points to their current level of 5.50%.

OUTLOOK

The overriding influencing factors continued to have a significant negative impact on investment activities across all asset classes in the third quarter. However, the recovery in the portfolio segment in recent months gives a positive signal for possible further major transactions, which are currently still in the marketing phase. In addition to the general momentum in the portfolio segment, the retail sector is benefiting from the diversified structure and, above all, the crisis resilience of the food sector. Even if the long-term average of around €8.2 billion is likely to be missed and further increases in net prime yields cannot be ruled out, it is generally expected that market sentiment will brighten further in the final quarter.

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