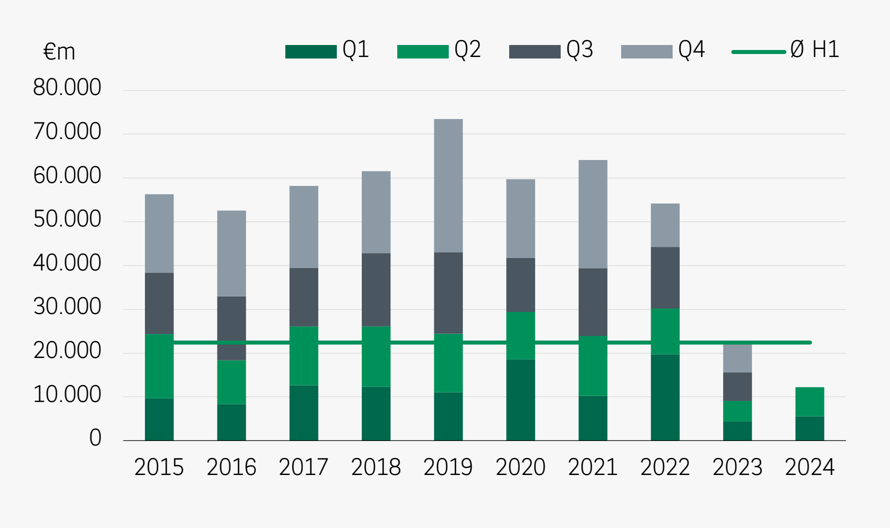
GERMANY

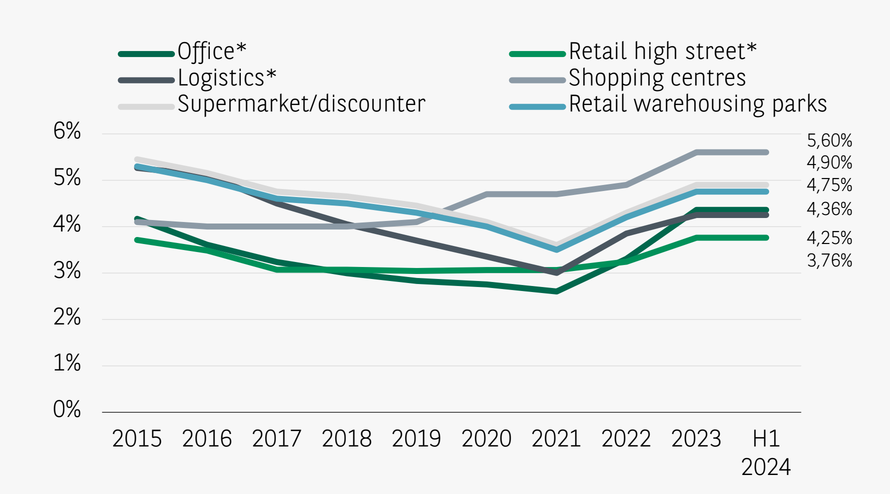
REPORT INVESTMENT MARKET

H1 2024

Development of investment volume



Net prime yields by type of property

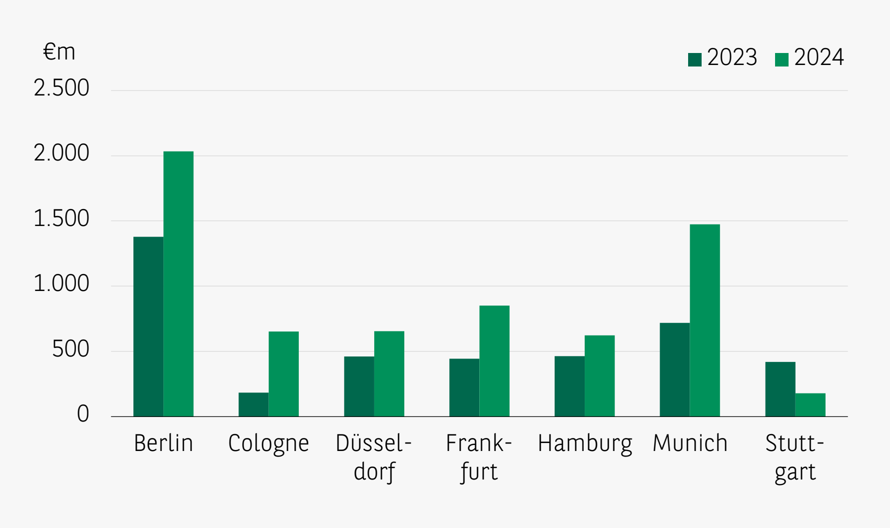


* Ø A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart)

THE RECOVERY OF INVESTMENT MARKETS CONTINUES TO GAIN MOMENTUM

- The slight upturn in the investment markets that was already evident at the beginning of the year accelerated further in the second quarter. As a result, total commercial property investment volume amounted to €12.2 billion in the first half of 2024. Compared to the previous year, this corresponds to an increase of around one third. In the portfolio segment, the transaction volume more than doubled to €2.7 billion. Even though revenue is still moderate in the long term comparison (-46 % compared to the 10-year average), a clear upward trend can nevertheless be recognised.
- The structure of investment volume reflects that retail properties lead the field. With an investment volume of over €3.6 billion (+92% compared to 2023), they account for almost 30% of total revenue. Logistics properties are responsible for over 23% of the overall result with a good €2.8 billion (+84%). Meanwhile, office properties only accounted for €2.2 billion (-31%), which is largely due to the uncertainty regarding the future development of the office occupier markets and the cautious attitude of many investors regarding the final price trend, particularly in the higher priced and large volume market segment.
- As expected, the stabilisation phase of yields that began in the first quarter of 2024 has solidified. As a result, no changes were observed in prime yields across all asset classes. The net prime yields for offices remain at an average of 4.36% in A locations. In the logistics market, the prime yield remained at 4.25% and the prime yield for mixed-used highstreet assets in A locations with focus on retail is unchanged at 3.76%.

Investments in A-locations H1

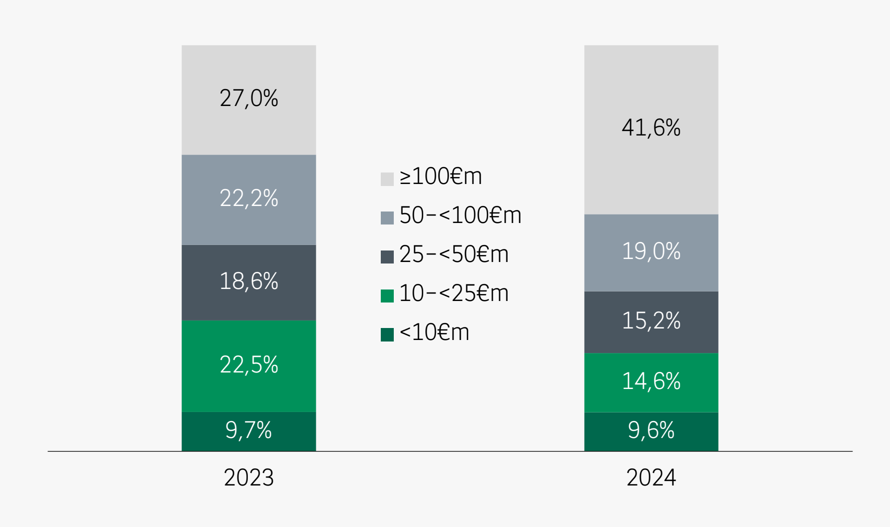


A-LOCATIONS WITH SIGNIFICANT INCREASE

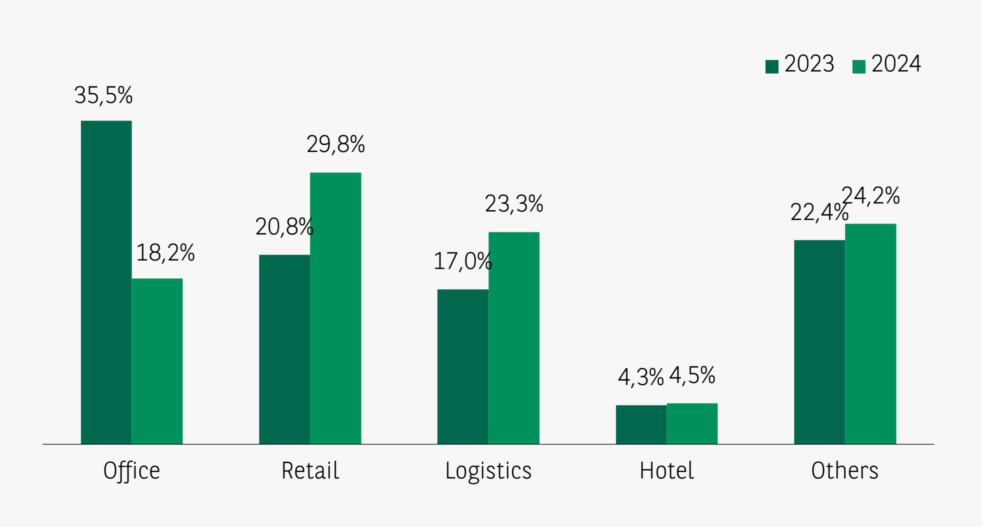
- The investment volume in the A locations totalled almost €6.5 billion in the first half of 2024. This is 59% higher than in the previous year and represents an above average contribution to the overall positive development of the German investment markets.

- With the exception of Stuttgart, where only €179 million (-57%) investment volume was recorded, all other locations were able to increase their results, in some cases significantly. The top position was once again taken by Berlin, where a good €2.03 billion was realised, corresponding to an increase of 48%. The capital is therefore the only location in which the €2bn mark was exceeded. Munich follows in second place. Commercial investment volume in Bavarian capital more than to almost €1.48 billion. Frankfurt secured third place with €852 million. (+92 %). The remaining three cities follow each other in short distance. With €655 million (+42%), Düsseldorf is just ahead of Cologne (€652 million; +251%) followed by Hamburg with €622 million (+34%).

Investments by € category H1



Investments by type of property H1



OUTLOOK

- The outlook on Germany's investment markets in the coming quarters will be determined by two competing key trends. On the one hand, key factors that impact the markets are moving more slowly and more moderately than anticipated at the start of the year. This particularly includes the delay in an economic upturn, which is also proving an obstacle for demand on the occupier markets. In addition, corporate sentiment is improving more slowly than hoped, a trend that is also reflected in key sentiment indicators such as the ifo Index. This is combined with the fact that the drop in key interest rates along with noticeable improvement in financing conditions is taking somewhat longer than many market participants predicted at the start of the year.
- On the other hand, there are a number of clearly positive developments. First and foremost, there is a noticeable improvement in sentiment on the investment markets, which is reflected in higher market activity, rising investment volumes and significantly more sales transactions. Investors are becoming increasingly confident in both the current and future market environment. In addition, there is a growing range of products on offer, providing attractive opportunities.
- From today's perspective, a moderate upward trend is therefore likely, which should accelerate somewhat in the second half of the year. Although it remains extremely difficult to make predictions in the current environment, as things stand today we consider a 25% to 30% increase in transaction volume to be realistic. A stabilisation of prime yields is the most likely scenario in the coming quarters. Although we cannot entirely rule out an initial slight yield compression towards the end of the year, yields are more likely to start falling after we move into 2025

Key facts investment market Germany

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	**9,083**	**12,201**	**+34.3%**
Portfolio share	14.4%	22.4%	+8.1%pts
Share above €100 million	27.0%	41.6%	+14.6%pts
Office share	35.5%	18.2%	-17.3%pts
Share of A-cities	44.8%	53.0%	+8.2%pts
Share of foreign investors	28.0%	38.1%	+10.1%pts

NET PRIME YIELDS*	H1 2023	H1 2024	CHANGE
Office	3.89%	4.36%	+47bps
Retail	3.69%	3.76%	+7bps
Logistics	4.00%	4.25%	+25bps

* Ø A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart)

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