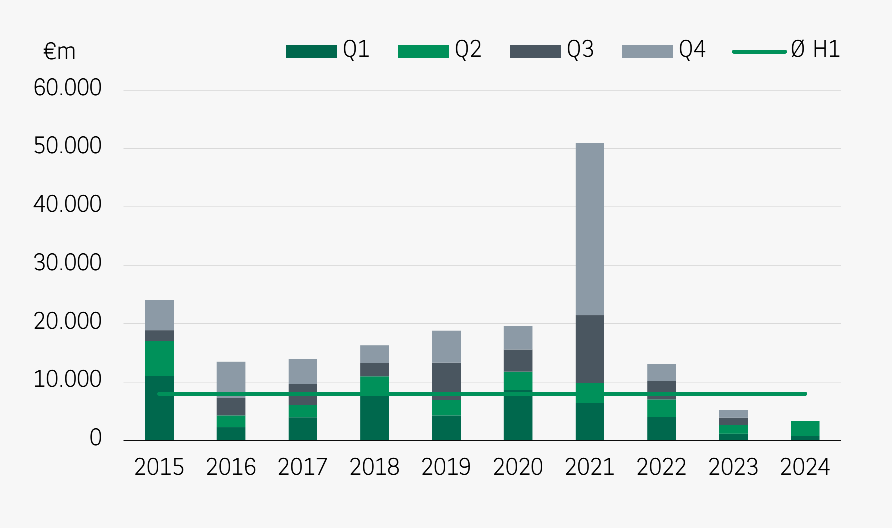
GERMANY

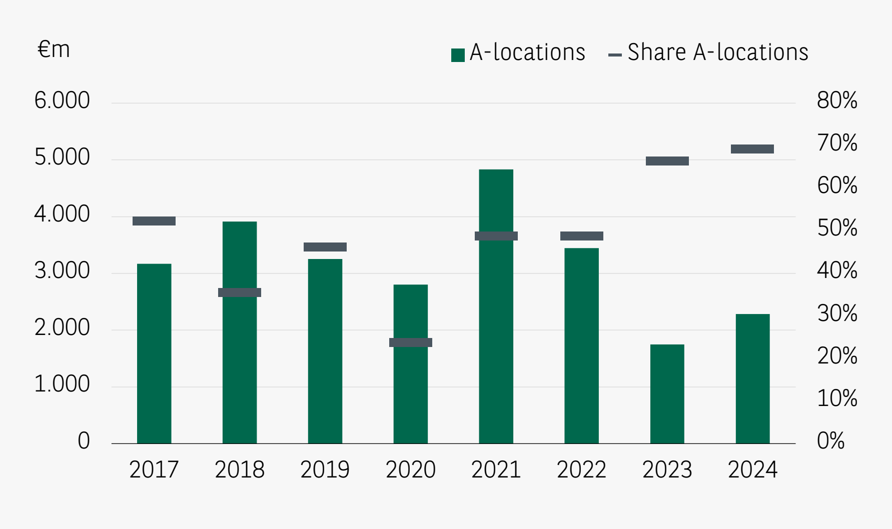
REPORT
RESIDENTIAL INVESTMENT MARKET

H1 2024

Investment volume residential portfolios



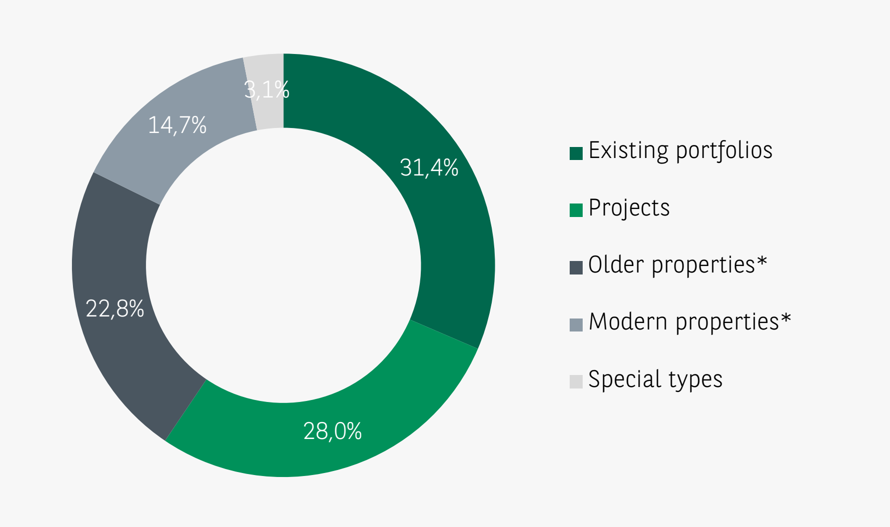
Residential investment volume in A-locations H1



SIGNIFICANT MARKET UPTURN IN Q2

- After a weak start to the year, the second quarter of 2024 recorded a significant upturn in activity on the German residential investment market. The transaction volume increased significantly compared to the previous year. Across Germany, €3.3 billion was invested in larger residential portfolios (30 residential units or more) in the past six months. This exceeded the half-year result of the previous year by 25%, although the long-term average was undercut by 59%.
- The solid investment environment of the A cities was particularly popular in the first six months. The Big Six cities accounted for a far above-average share of around 69% (Ø10 years: 46%) and thus dominated the transaction activity on the German residential investment market.
- Among the Big Six cities, Berlin stands out in particular with the highest share of transactions ever recorded at around 57%. The German capital also sent out a strong signal in absolute terms with an investment volume of €1.87 billion. Transactions from the first half of the previous year (€790 million) were more than doubled and therefore also significantly above the long-term average (€1.68 billion). The sale of a large portfolio (€700 million) from Vonovia to the municipal housing company Howoge made a major contribution to this. These transactions emphasise the good medium and long-term prospects on the German housing markets and the high level of basic confidence in the German capital.

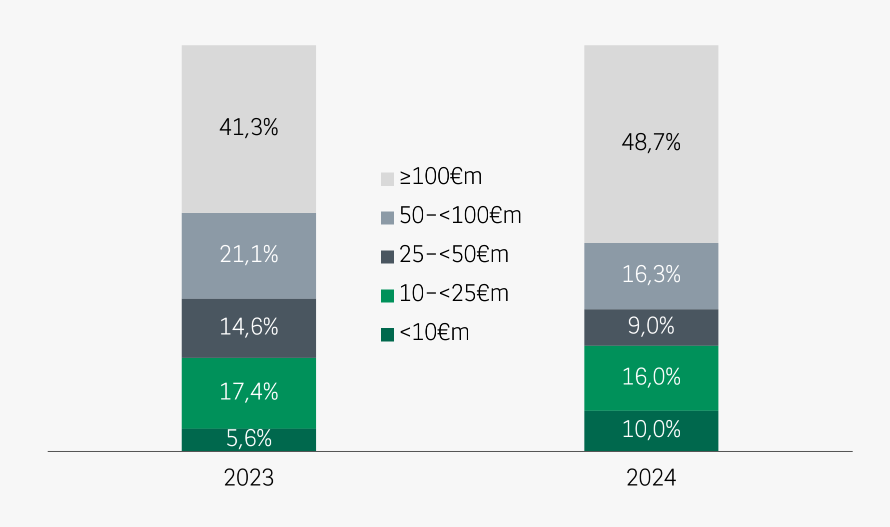
Residential investments by asset class H1 2024



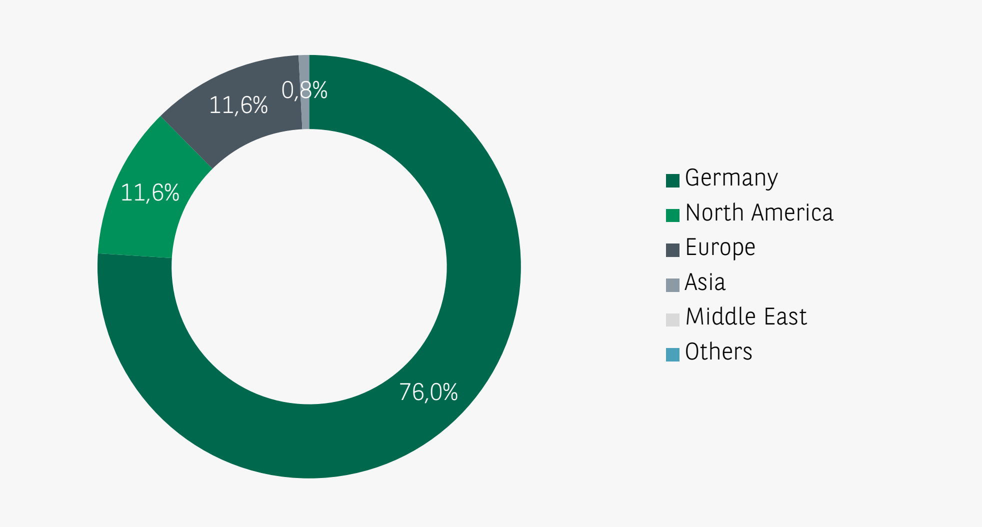
LARGE-SCALE SEGMENT REGAINS STRENGTH

- Although the usually dominant larger portfolios (Ø10 years: 47%) accounted for only 31% in H1 2024, they at least contributed significantly more to the half year result than in the past two years.
- Encouragingly, the market share of the large volume segment has recovered compared to the first quarter. Almost half (49%) of the investment volume is attributable to deals in the segment over €100 million (Ø10 years: 51%). A total of €1.61 billion was invested in this segment. However, this indicates that the consolidation phase is coming to an end.
- German capital is significantly more dominant than in the previous year, contributing 76% to investment volume (Ø10 years: 75%). The public sector is by far the strongest buyer group with a revenue of around €1.18 billion or a market share of 36% (Ø10 years: 9%).

Residential investments by € category H1



Residential investments by origin of capital H1 2024



OUTLOOK

- The first half of the year indicates that the consolidation and pricing phase is now coming to an end. Investors have already adapted to the new " state of normality" - the persistently higher financing costs. Buyers are once again increasingly focusing on the improved and fundamentally good demand side and are taking advantage of the opportunities currently opening up in the market. Although transactions are still concentrated to an above average extent in the safe environment of the Big Six cities, the first transactions outside of the top locations have already been observed. At the same time, the general market conditions are continuing to improve. The key interest rate cut by the ECB in June was the first step in the descent from the interest rate plateau. Against the backdrop of a downward trend in inflation, further steps are likely to follow in the coming quarters. This will simplify borrowing and reduce capital costs. The healthy fundamentals on the demand side are determined, among other things, by significant population growth in the last two years, which is likely to continue in the short and medium term, albeit at a slower pace. The pressure on the rental property market therefore remains high, which has already been reflected in the highest rental price growth for many years. On the supply side, however, hardly any relief is to be expected in the near future due to the slump in new residential construction. A further improvement in the supply/demand ratio therefore indicates a favourable investment climate for German residential property. Accordingly, the German residential property investment market is expected to continue to recover and become significantly more dynamic in the second half of the year.

Key facts residential investment market Germany

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	**2.629**	**3.297**	**+25,4%**
Share above €100 million	41,3%	48,7%	+7,4%pts
Share of A-cities	66,5%	69,3%	+2,8%pts
Share of foreign investors	41,6%	24,0%	-17,6%pts
Ø-number of units per transaction	182	184	+1,1%

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