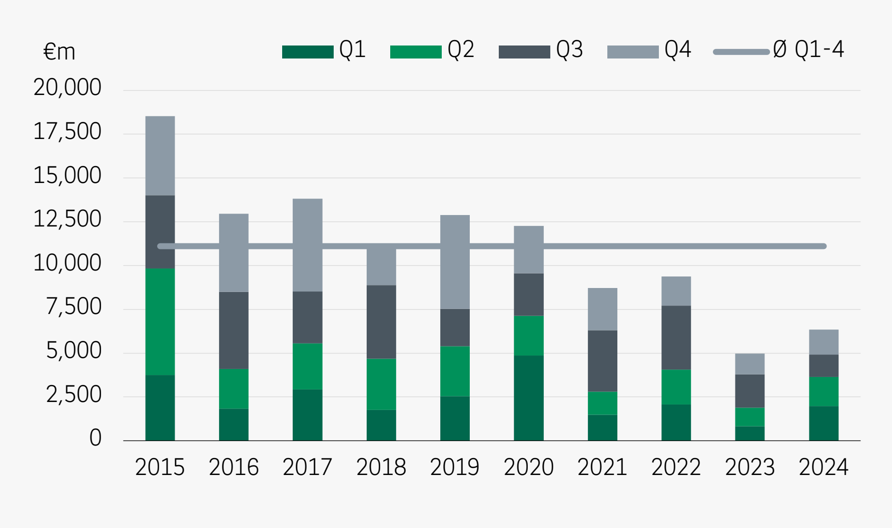
GERMANY

REPORT

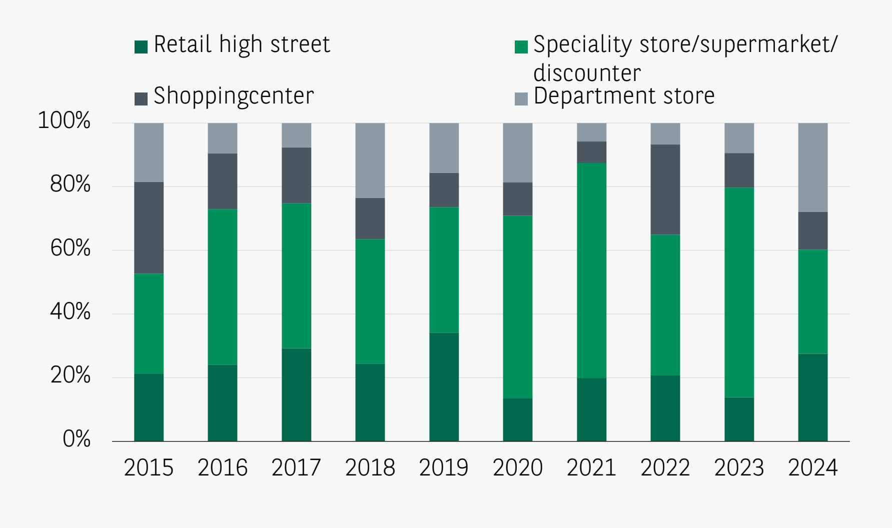
RETAIL INVESTMENT MARKET

2024

Development of retail investment volume



Retail investments by type of property



SIGNIFICANT INCREASE COMPARED TO OTHER ASSET CLASSES THANKS TO YEAR-END RALLY IN PORTFOLIOS

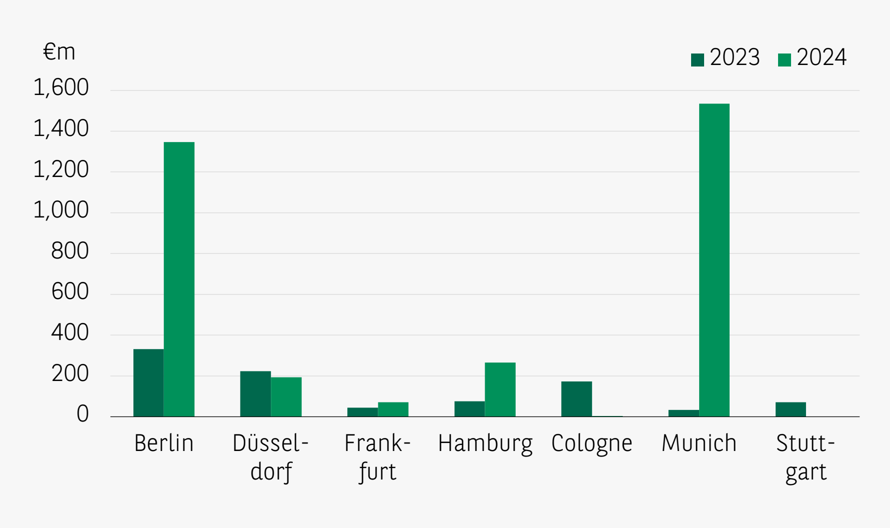
- Even if the results of the years prior to 2023 have not yet been achieved again, the retail investment market was able to take advantage of the continuous improvement in market sentiment over the last 12 months and achieve a good overall result in 2024. With a total transaction volume of around €6.3 billion, the previous year's weak result was exceeded by almost 28%.

- The leading position among property types, which the retail sector held over the course of the year, was narrowly surrendered to logistics investments (around €6.9 billion). However, the biggest jump in turnover by far compared to the previous year was attributable to the retail sector, which is a clear indication of the positive trend in this asset class.

- In the fourth quarter, several food-anchored portfolios crossed the finish line shortly before the end of the year, driving up the portfolio volume. In total, around €1.2 billion flowed into portfolios (share 19%), while individual sales amounted to almost €5.2 billion (share 81%).

- One factor that speaks for the current broad and diverse demand structure in the retail investment segment is reflected in the distribution of volume across property types: three of the four retail segments, the specialist retail and food sector (33%), high street buildings and department stores (around 28% each), have very extensive market shares. In addition, shopping centres also gained significant shares in the second half of the year (12% of the overall result), not least due to the sale of the Pasing Arcaden in Munich. The Pasing Arcaden transaction, which was accompanied by BNP Paribas Real Estate, is one of the largest shopping centre asset deals of the last ten years.

Retail investments in A-locations

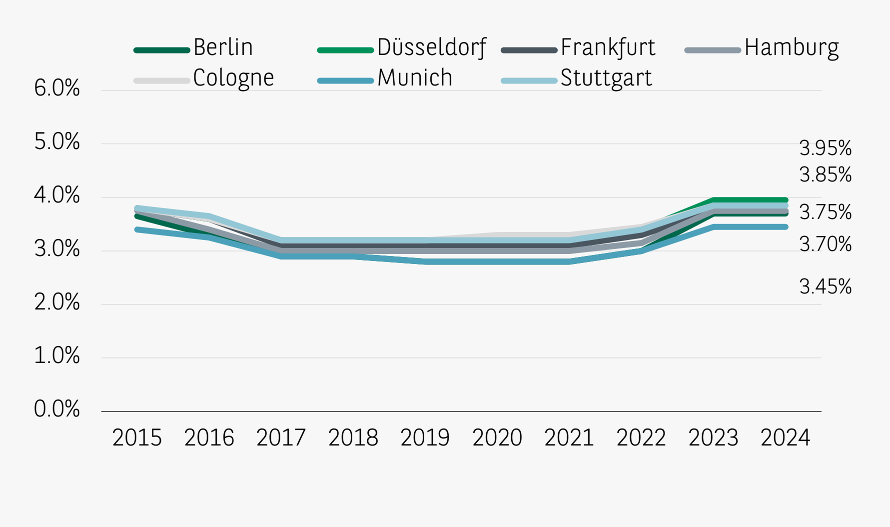


RETAIL PARKS WITH FIRST YIELD COMPRESSION

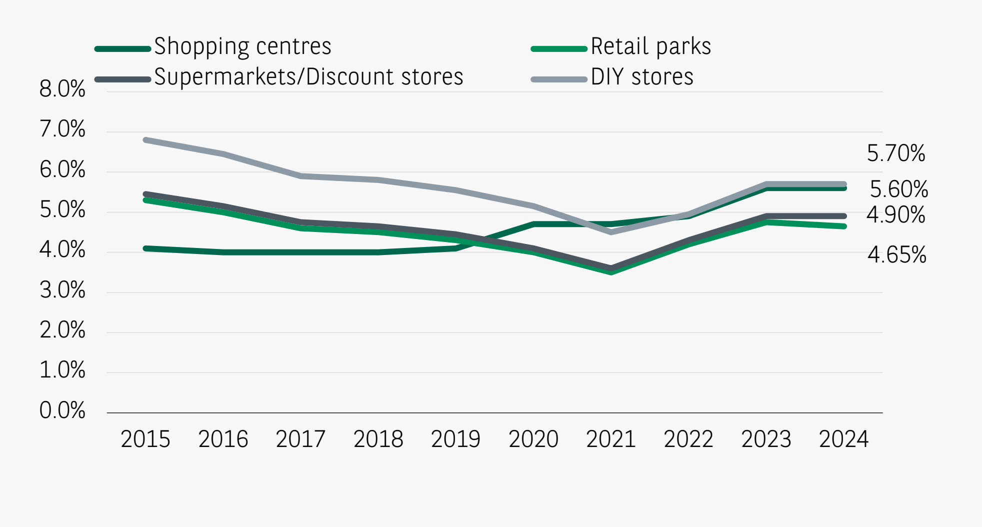
- In the top markets, the retail investment volume continues to be closely linked to individual major transactions in the three-digit million range. Accordingly, only Munich (over €1.5 billion) and Berlin (around €1.3 billion) were able to generate high volumes with the Fünf Höfe, Pasing Arcaden, Maximilianstrasse 12-14 and KaDeWe deals. In addition to these turnover drivers, smaller high street and department store deals as well as transactions in the food sector are repeatedly recorded in the A-cities, although these only have a minor impact on total turnover. At around €3.4 billion (+257% compared to 2023), the total volume for the A-locations is the highest since 2020.

- Due to the high demand, the net prime yields for retail parks fell again for the first time in the fourth quarter (4.65%; -10 basis points). All other property types remained stable at the end of the year: individual food retailers are still at 4.90%, shopping centres at 5.60% and DIY stores at 5.70%.

Retail high street net prime yields in A-locations



Retail net prime yields by type of property



*excl. portfolios

OUTLOOK

- The retail investment market can look back on a good year in 2024, in which the asset class continued to outperform other property types. The overall positive development in the past year is likely to provide an additional tailwind for the coming 12 months. In view of the significant increase in volume, it is particularly pleasing that the result was achieved without any major company takeovers, which usually drive up turnover significantly.
- Instead, the retail investment segment is currently benefiting from a wide range of volume drivers: with the deals for Pasing Arcaden, Fünf Höfe, Maximilianstrasse 12-14, KaDeWe and the numerous food portfolios, shopping centre transactions as well as high street and food investments made a significant contribution to the good overall result. Accordingly, the highly diversified product portfolio of the retail sector currently appears to be an important competitive advantage compared to other asset classes, which retail investments are increasingly able to exploit.
- In 2025, the aim is to confirm the positive trend that has already begun. However, the conditions for this must be right not only on the demand side, but also on the supply side. Some deals were concluded shortly before the end of the year, meaning that only a few investment opportunities were taken into the new year. However, there are initial signs that the pipeline in the supply segment is already filling up again at the start of the year.
- Meanwhile, the development of prime yields confirms the trend that price adjustment processes are continuing to lose momentum and stabilization tendencies are consolidating on a sustained basis. Slightly falling prime yields are even a realistic scenario for the coming quarters - retail parks have already made a start.

Key facts retail investment market Germany

INVESTMENT VOLUME	2023	2024	CHANGE
Total (€m)	**4,970**	**6,343**	**+27.6%**
Portfolio share	50.3%	18.8%	-31.5%pts
Share above €100 million	42.1%	52.7%	+10.6%pts
Share of A-cities	19.2%	53.8%	+34.6%pts
Share of foreign investors	38.4%	37.2%	-1.2%pts

NET PRIME YIELDS	2023	2024	CHANGE
Berlin	3.70%	3.70%	0bps
Düsseldorf	3.95%	3.95%	0bps
Frankfurt	3.75%	3.75%	0bps
Hamburg	3.75%	3.75%	0bps
Cologne	3.85%	3.85%	0bps
Munich	3.45%	3.45%	0bps
Stuttgart	3.85%	3.85%	0bps

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