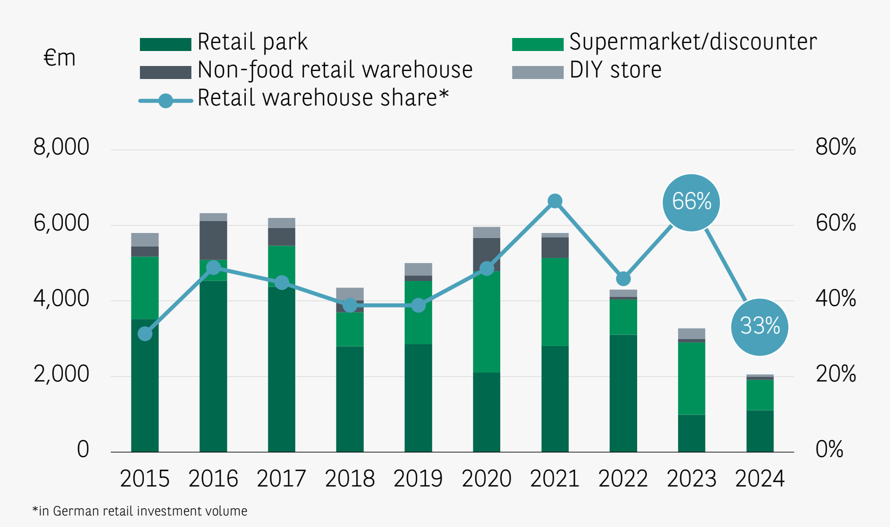
GERMANY

REPORT
GROCERY INVESTMENT MARKET

Q4 2024

German retail warehouse transaction volume

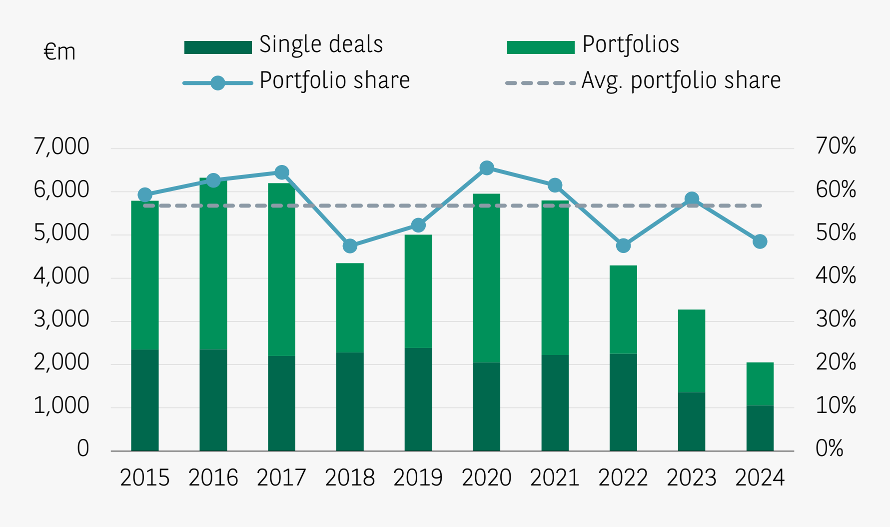


*in German retail investment volume

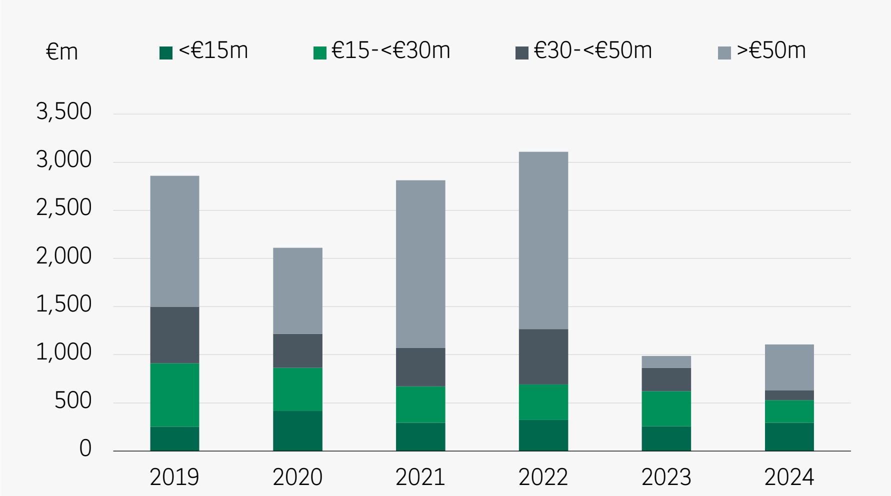
YEAR-END RALLY IN PORTFOLIO SEGMENT POINTS TO POSITIVE SIGNAL FOR 2025; AVERAGE DEAL VOLUME ON THE RISE

- Although transaction volume in the retail warehouse segment noticeably fell another 37% to just under €2.1bn in 2024, the asset class is off to a good start in 2025. Retail park transaction volume rose 12% to €1.1bn yoy and market activity picked up at the end of the year. The lack of product particularly stood in the way of higher transaction volume in H1 2024 with 60% of all deals inked in H2 in contrast, 41% of which in a strong Q4.
- The market share generated by portfolios is traditionally consistently high in the retail warehouse segment, as supermarkets/discounters generally change hands within the scope of portfolio deals. This share came to 49% in 2024.
- Deal volume was down for both single-asset and portfolio transactions in 2024, although significantly more deals above the €50m mark were recorded compared to 2023.

Retail warehouse transaction volume: single vs. portfolio deals



Retail park* transaction volume by deal size



*food-anchored

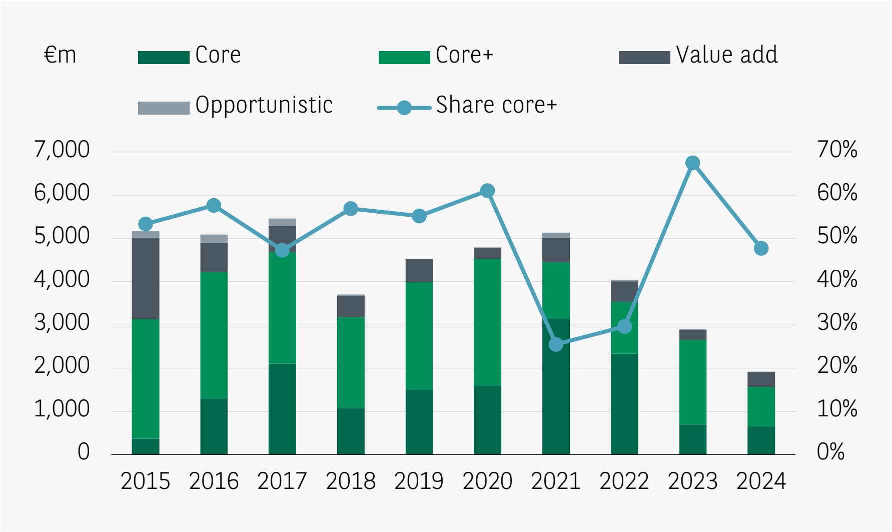
RENEWED INCREASE IN CORE CAPITAL CORE+ & VALUE-ADD: STRONG DEMAND FROM FOREIGN BUYERS

– Investments in well-run food retail assets in established locations offer stability and upside potential in times of uncertainty, mainly driven by high purchasing power in Germany and ongoing rising turnover in the food retail segment. The improvement in the financing environment in H2 2024 spurred further investor interest in this asset class. The retail warehouse segment was also the only one in the commercial investment market to record a slight increase in multipliers for the first time in the wake of the price correction of the past 2 years, particularly around core investments. In line with most years, the core+ risk class accounted for the majority of transaction volume in 2024.

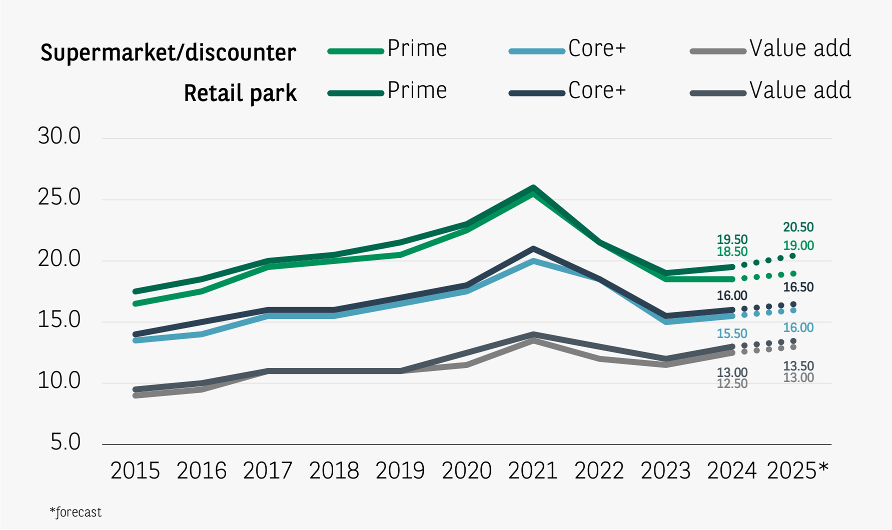
– Within the various product categories in the retail warehouse segment, retail parks generally tend to be slightly more expensive than stand-alone assets (supermarkets/discounters). Price premiums can particularly be achieved for ESG-compliant buildings in excellent locations with a strong tenant mix. Prime retail park multipliers are currently recorded at up to 19.5x while full-range stand-alone stores are currently posting up to 18.5x.

Blue Mountains Portfolio | Simbach am Inn

Food retail transaction volume by risk class



Multiplier by asset type and risk class



Selected food retail portfolio deals in the past 10 years*

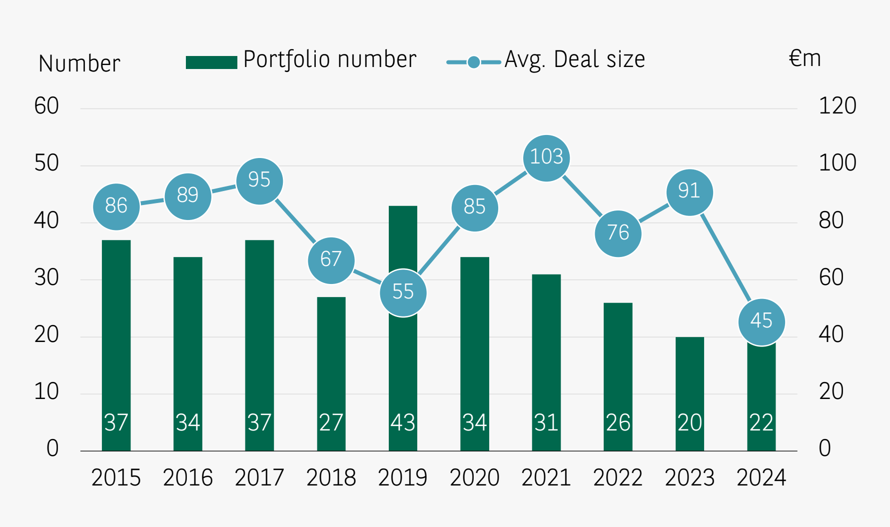
YEAR	PORTFOLIO NAME	VOLUME €M APPROX.	NUMBER OF ASSETS	SELLER	BUYER
2024	Blue Mountains	>200	31	Branicks	GRR
2024	Saphir	120	16	Lidl	Captiva
2023	Kiwano	900	188	X+bricks	Slate
2023	Royal Blue	240	76	Pimco	Aldi Süd
2022	Oceans	380	13	Hahn	CEV
2022	Oyster	100	3	Gold Tree	HIH
2021	Touchdown	440	12	Patrizia	MEAG
2021	Power Bowl	315	50	Patrizia	GPEP
2021	Truffle	230	35	Habona	GPEP
2020	Reverse	490	120	TLG	X+bricks
2020	Tandem	110	6	Edeka Rhein-Ruhr	Redos
2019	Salt and Pepper	310	13	Patrizia	Hahn
2019	Superfood	230	68	Patrizia	GPEP
2018	Olymp	370	12	Nuveen	Redos
2018	Benchmall	150	42	Fundreal	GRR
2017	Quest	400	85	PGIM	Patrizia
2017	Bordeaux	250	10	AEW	Redos
2016	Forum	320	25	Savills IM	Patrizia
2016	Victoria	250	21	LaSalle IM	Patrizia
2015	Ares	350	23	Ares	Rockspring
2015	Basket	285	107	Eurocastle	Patrizia

*2 largest transactions of each year

OVER HALF OF PORTFOLIO VOLUME GENERATED IN Q4

- The significant increase in market momentum over the course of 2024 can mainly be attributed to the portfolio segment, which generated around €1bn and accounted for a good 49% of transaction volume in the retail warehouse segment in 2024. The importance of retail warehouse portfolio transactions for the retail investment market as a whole is highlighted by the fact that these deals accounted for almost 84% of the market share generated by portfolio deals in the retail segment in 2024.
- 55% of total portfolio volume in the food retail segment recorded was generated in Q4 2024 alone. The Blue Mountains portfolio, which consists of 31 assets and was sold for over €200m shortly before the end of the year, deserves special mention here. And as 2025 gets underway, a number of deals are already being marketed or in the pipeline.
- Average food retail portfolio volume in 2024 was comparatively low at €45m, as fewer large portfolios changed hands than in previous years. However, the total number of portfolio deals recently rose to 22.

Food retail portfolios: number and deal volume



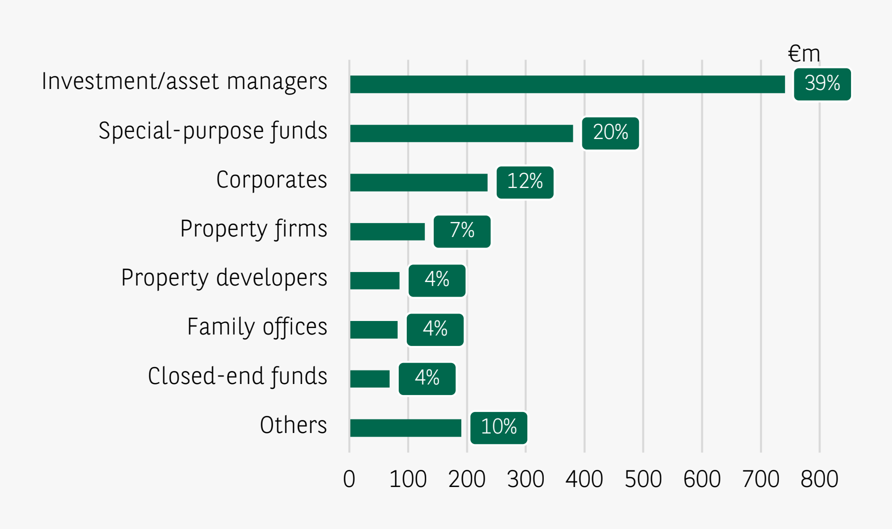
LIVELY ACTIVITY FROM INVESTMENT MANAGERS AND FUNDS

– Investment/asset managers invested by far the most (€741m) in 2024, although the underlying vehicles could not be clearly identified at the time of data analysis. Most assets, however, were likely integrated into special funds with around €380m clearly attributable to this segment in 2024. The currently attractive valuation in combination with stable cash flows and low vacancy risk is enabling food retail funds to offer institutional investors an extremely attractive mix of security and high distribution yields, an investment case that is currently unmatched in the rest of the real estate market.

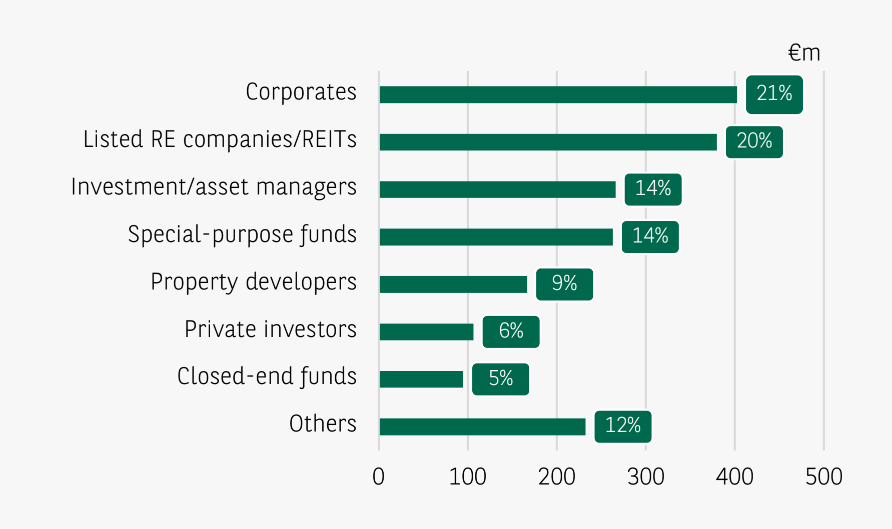
– Corporates were the most active sellers in 2024 at around €400m. These are usually larger retailers who sell their owner-occupied properties to free up capital for their core business. A prime example of this in 2024 was the Saphir portfolio consisting of 16 stores, which Lidl sold to Captiva for more than €100m.

Lighthouse Portfolio | Lengerich

Top buyer groups in food retail 2024



Top seller groups in food retail 2024

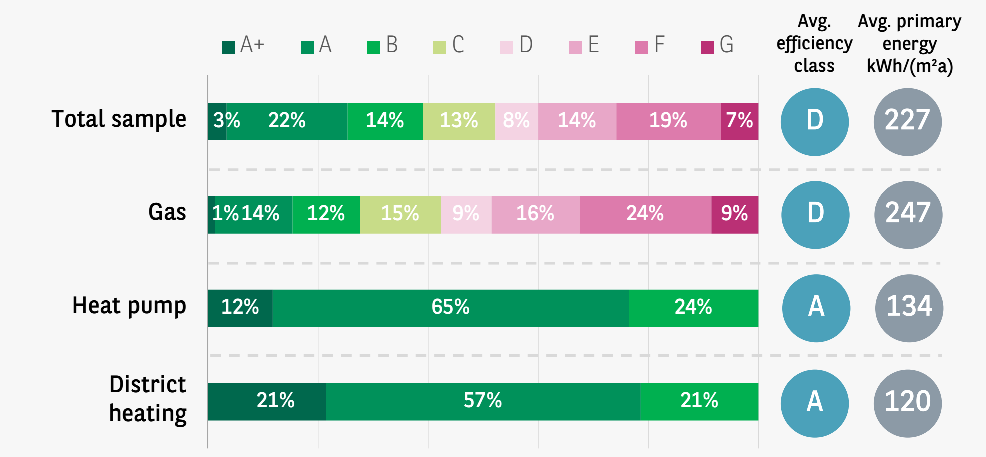


Primary and final energy by year built and certificate type

	Avg. primary energy kWh/(m²a)	Avg. final energy Heat kWh/(m²a)	Avg. final energy Electricity kWh/(m²a)
EPC demand-based	**149**	**95**	**37**
Built before 2000	232	193	30
Built before 2010	196	127	37
Built after 2010	127	77	38
EPC consumption-based	**287**	**61**	**160**
Built before 2000	325	65	154
Built before 2010	299	57	168
Built after 2010	211	73	132
EPC total	**227**	**75**	**108**

Note: EPC = energy performance certificates; Sample of 245 retail warehouses, discounters/supermarkets (stand-alone and retail parks) based on year built or modernised

Properties by efficiency class and energy source



Note: Sample of 245 retail warehouses, discounters/supermarkets (stand-alone and retail parks)
Efficiency classes calculated according to BVI method

INVESTORS TEND TO FAVOUR LOW ENERGY CONSUMPTION AND SUSTAINABLE ENERGY SOURCES

– BNPP RE's analysis of the energy requirement and consumption certificates of 245 retail warehouses carried out early 2025 impressively illustrates the significantly lower energy demand of buildings completed after 2010 compared to older buildings. Average primary energy consumption of modern properties is around 45% lower than that of properties built before 2000. Even more striking is the gap of 60% when it comes to the average final energy of heat.

– According to the analysis panel, the electricity consumption recorded in consumption certificates is significantly higher than that recorded in energy requirement certificates. This can be traced back to the fact that consumption certificates record actual electricity consumption, while energy requirement certificates calculate the electricity demand independently of user-specific consumption. This leads to significant differences in the results indicated by different types of certificates, particularly when it comes to food retail stores, which generally use electricity-heavy refrigerated shelves.

– The samples from recent transactions also show that very few buildings with excellent energy certificate performance are currently on the market. High investor demand for modern buildings with sustainable energy sources is facing very tight supply. As a result, such properties tend to come with a price premium.

CONCLUSION & KEY TAKEAWAYS

- Demand in the retail warehouse segment, particularly for food-anchored assets, has gradually increased in recent months as evidenced by an increase in transaction volume at the end of the year thanks to the sale of several larger portfolios. There are currently many indications that this trend is likely to continue in the coming months.

- Availability of core capital has recently improved noticeably, a clear indication that the risk/return profile in this asset class is currently highly attractive. This also applies to larger single-asset deals above €40m, which have been quite scarce in the past 2 years. Foreign investors are particularly showing a lot of interest in core+ and value-add assets, pointing to the attractiveness of the German market.

- After the slight price increases for prime retail parks recorded in 2024, there are now many indications that prime assets in the supermarket/discounter segment are also again likely to see their first slight yield compression in 2025.

Key figures

INVESTMENT VOLUME	2023	2024	CHANGE
Retail warehouses total	3,275	2,057	-37.2%
Portfolio share	58.4%	48.5%	-9.9 pp
Share of foreign investors	42.6%	18.6%	-23.9 pp
MULTIPLIER	**2023**	**2024**	**CHANGE**
Supermarket/discounter prime	18.5	18.5	+0.0
Supermarket/discounter core+	15.0	15.5	+0.5
Supermarket/discounter value add	11.5	12.5	+1.0
Retail parks prime	19.0	19.5	+0.5
Retail parks core+	15.5	16.0	+0.5
Retail parks value add	12.0	13.0	+1.0

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