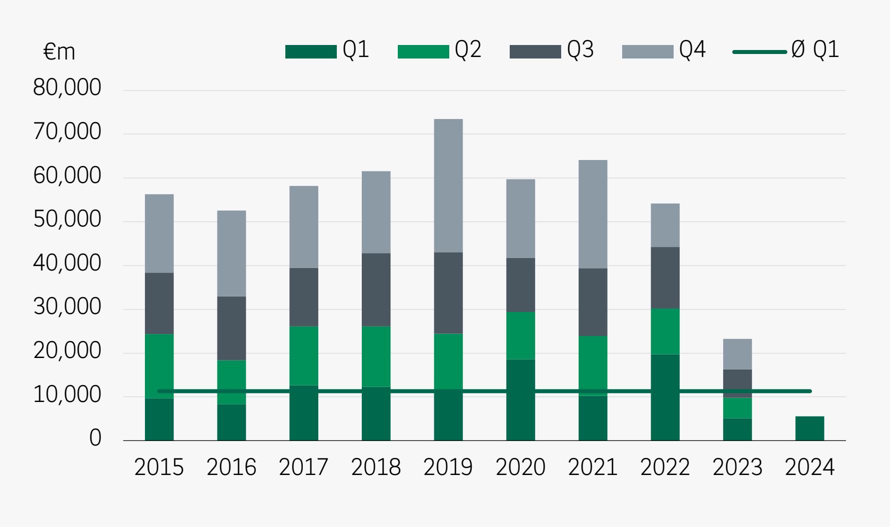
GERMANY

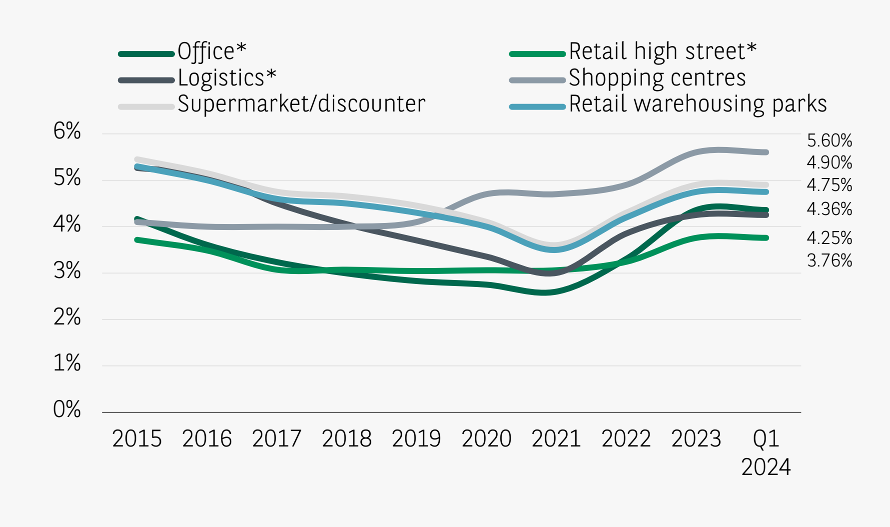
REPORT INVESTMENT MARKET

Q1 2024

Development of investment volume



Net prime yields by type of property



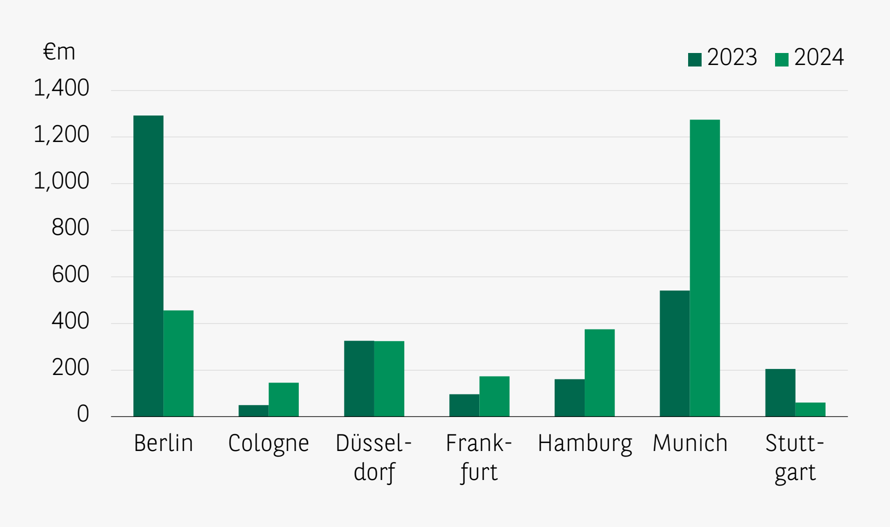
SLIGHT INCREASE IN TURNOVER AND INCREASING MARKET DYNAMICS

- The first quarter saw a noticeable upturn in activity on the investment markets. As expected, however, this is not yet fully reflected in investment volumes. A good €5.5 billion was invested in commercial properties in Q1 2024. Compared to the weak prior-year figure, this corresponds to an 8% increase. Significantly more turnover was recorded in the portfolio segment in particular. In total, just under €1.15 billion (+88% compared to Q1 2023) was generated with portfolio sales in the first quarter of 2024. Nevertheless, as expected, the result remains far below the volumes of previous years.

- By far the most was invested in retail properties. With a volume of just under €2 billion, this asset class accounted for almost 36% of total commercial investment turnover. Logistics properties also achieved a strong result once again (€1.4 billion; 25% share). Meanwhile, office properties only contributed around €871 million (16%) to the volume. In a long-term comparison, this is one of the weakest results ever recorded.

- After prime yields have risen continuously since mid-2022 due to significantly higher interest rates, they have largely stabilised in the first quarter of 2024, as expected. For offices, they average 4.36% in the A-locations. For logistics properties, it remains at 4.25%. City centre high street properties are also stable and currently achieve an average of 3.76%. The yield for retail parks remains unchanged at 4.75%, while discounters/supermarkets (4.90%) and shopping centres (5.60%) are also at the same level as at the end of 2023.

Investments in A-locations Q1

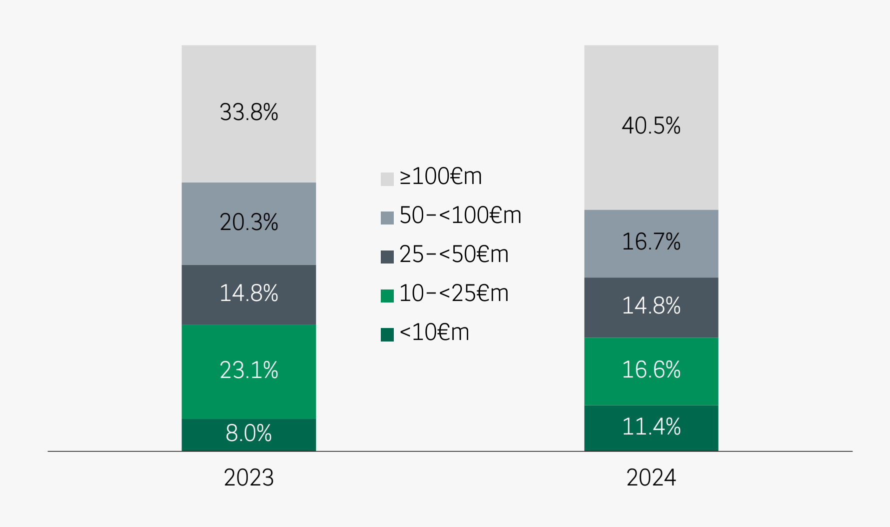


A-LOCATIONS WITH A SLIGHT UPWARD TREND

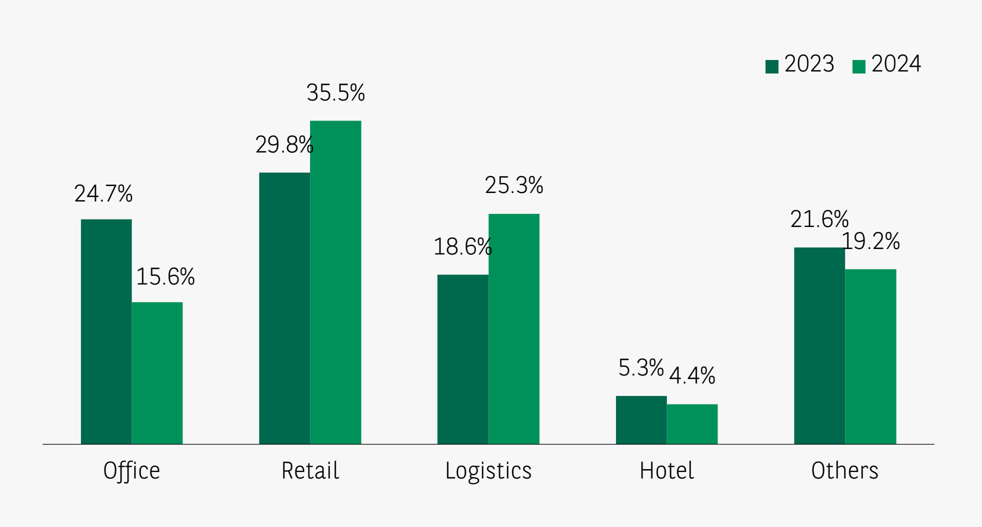
– The investment volume in the German A-locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) was a good 5% higher at the start of the year than in the same period of the previous year. However, at just over €2.8 billion, one of the weakest results of the last ten years was achieved.

– Munich came out on top with €1.28 billion (+135%), which is primarily due to two large-volume sales of retail properties (Fünf Höfe & Maximiliansstrasse 12-14). Berlin is in second place. However, at €457 million, the result was almost two thirds lower than in the same period of the previous year. In Stuttgart, the loss in volume amounts to 70%; only €61 million was recorded here. Meanwhile, significant growth was recorded in Hamburg (€376 million; +133 %), Frankfurt (€174 million; +81%) and Cologne (€145 million; +190%). In contrast, Düsseldorf was able to maintain the previous year's level at €325 million.

Investments by € category Q1



Investments by type of property Q1



OUTLOOK

- The outlook for the investment markets for the remainder of the year is still characterised by difficult conditions on the one hand, but on the other hand there are also positive signs that should support a gradual recovery. The main limiting factor is the persistently weak economy. As a result, there are some indications that demand on the occupier markets will remain subdued in the current year. The office markets will continue to be particularly affected by this, meaning that no significant increase in investment volume is expected in this market segment. This applies in particular to large-volume transactions in the three-digit million range. The geopolitical situation should also be seen as a further risk.
- At the same time, however, there are also increasing positive signs from which the investment markets will benefit. These include, not least, the continuous decline in inflation, which gives central banks room for manoeuvre for the first interest rate cuts. As a result, the rate of recovery of the economy as a whole is likely to accelerate and, at the same time, financing will become more favourable again. The investment markets will benefit from both aspects. It can also be assumed that the supply of properties for sale will increase, not least because more and more sellers are accepting the new price levels. In addition, owners may also have to sell their properties due to financing constraints. Although it is extremely difficult to make a forecast in the current environment, an increase in investment volume of up to 20 % is certainly within the realms of possibility. In terms of prime yields, stabilisation is the most likely scenario for the coming months.

Key facts investment market Germany

INVESTMENT VOLUME	Q1 2023	Q1 2024	CHANGE
Total (€m)	**5,127**	**5,568**	**+8.6%**
Portfolio share	11.9%	20.6%	+8.7%pts
Share above €100 million	33.7%	40.5%	+6.8%pts
Office share	24.7%	15.6%	-9.0%pts
Share of A-cities	52.1%	50.8%	-1.3%pts
Share of foreign investors	40.3%	35.0%	-5.3%pts

NET PRIME YIELDS*	Q1 2023	Q1 2024	CHANGE
Office	3.59%	4.36%	+76bps
Retail	3.49%	3.76%	+27bps
Logistics	3.95%	4.25%	+30bps

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