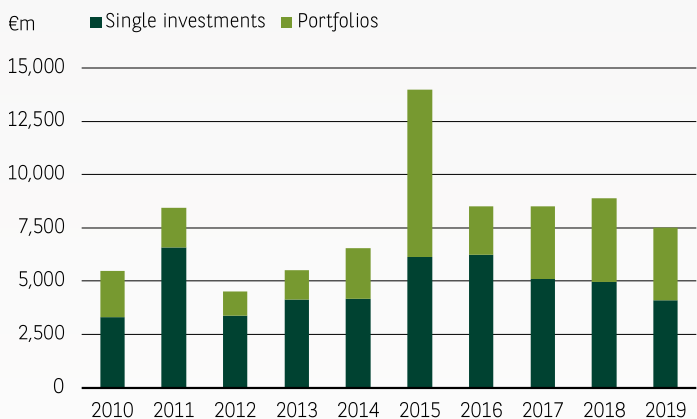




At a Glance **Q3 2019**

# RETAIL INVESTMENT MARKET GERMANY

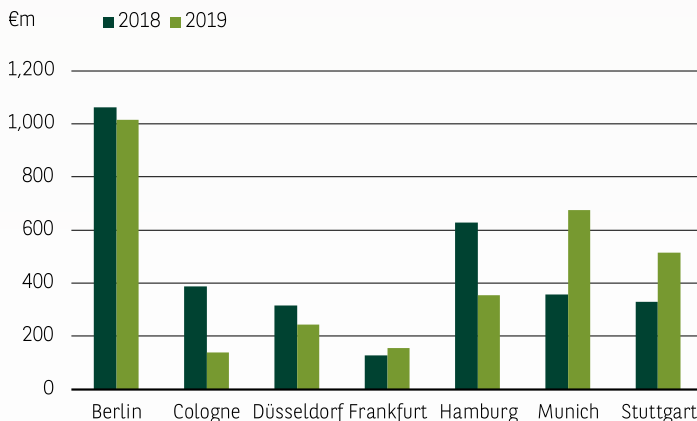
## Retail investments in Germany Q1-3



## MODERATE RESULT DUE TO RESTRAINED THIRD QUARTER

After the retail investment market was able to draw a positive interim balance at the end of the first half of the year, both from a long-term perspective and in comparison with the previous year, the signs are somewhat different after nine months: At a good €7.53 billion, the result is still within the range of the ten-year average (- 3%), but a good 15% below the turnover of the first three quarters of 2018. This development over the course of the year is not least attributable to the fact that no individual transactions in the three-digit million range have been recorded since March, which had still fuelled the volume at the start of the year. Further sales drivers, which primarily included the complete takeover of Galeria Karstadt Kaufhof by Signa in the summer, failed to materialize in the third quarter. The largest transaction of the last three months, the "Salt & Pepper" portfolio, was a package sale in which the Hahn Group secured 13 retail parks nationwide.

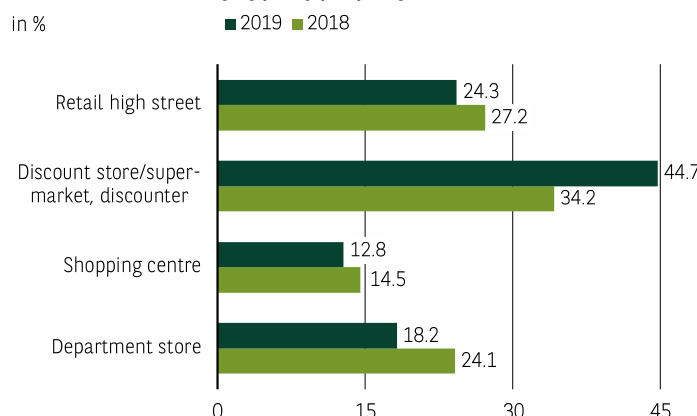
## Retail investments in the A-locations Q1-3



## A-CITIES: HIGHER SHARE WITH SLIGHTLY LOWER VOLUME

A glance at the top cities shows that investors continue to appreciate the good framework conditions at the A-locations and become aware when attractive properties are on the market: at just under €3.1 billion, their balance sheet is roughly at the previous year's level and in the last five years has only been significantly exceeded in 2015. At the same time, the largest German markets account for 41% of the nationwide volume, the highest share in this period. The capital continues to play in its own league, once again breaking the €1 billion mark and following on from last year's excellent result. Not only high street assets such as ZOOM, but also properties in decentralised locations such as the Allee-Center in Hohenschönhausen changed owners. In addition, over half a billion euros were invested in Munich (€676 million) and Stuttgart (€515 million), while Hamburg (€355 million), Düsseldorf (€243 million), Frankfurt (€154 million) and Cologne (€138 million) are well below this level.

## Retail investments by type of property Q1-3

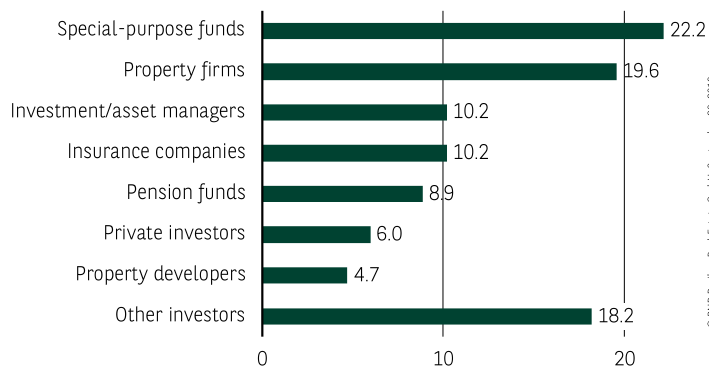


## RETAIL WAREHOUSES STILL IN DEMAND

Where other segments have to leave their mark, the retail warehouse segment remains the most important pillar with €3.4 billion and almost 45%. It is noteworthy, however, that with the Seidnitz-Center (Dresden), the Rathaus-Galerie (Essen) and the Allee-Center (Berlin) several shopping centres with more than €50 million each were sold in the last three months. Despite all this, shopping centres lag behind retail high street properties (24%) and department stores (18%).

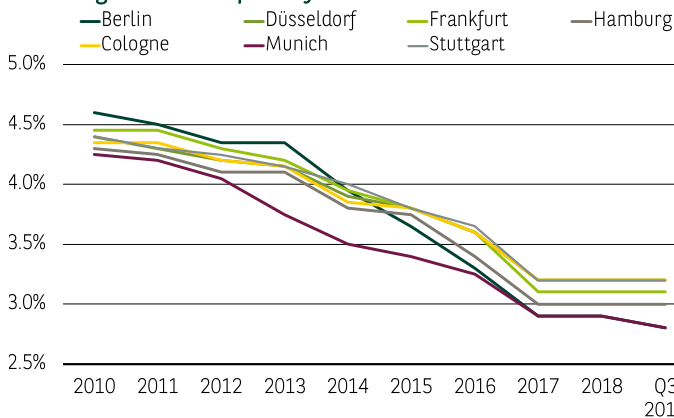
## Retail investments by buyer group Q1-3 2019

in %



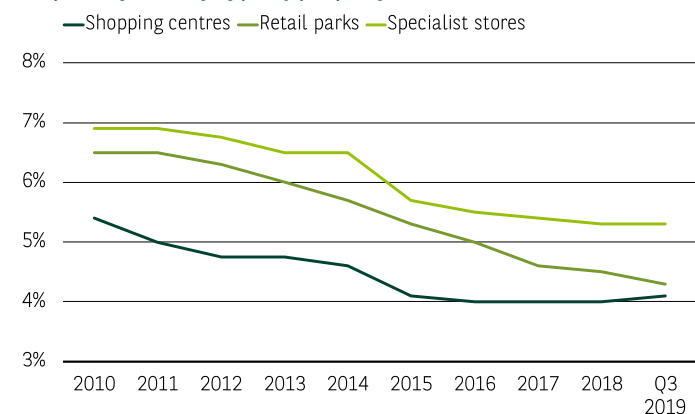
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## Retail high street net prime yields in the A-locations



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## Net prime yields by type of property



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## SPECIAL-PURPOSE FUNDS TAKE THE LEAD

After property firms were able to lead the ranking of the most active investors in the middle of the year, after nine months special-purpose funds once again took the lead as the traditionally strongest buyers. With a good 22% and almost 20% respectively, the two are close to each other, but the acquisition of Galeria Karstadt Kaufhof, with almost 90%, played a decisive role in the performance of the property firms. A much more differentiated picture is provided by the analysis of the more than 50 deals that are attributable to special-purpose funds: More than three-quarters of their volume was generated in the retail warehousing segment, to which cities with up to 100,000 inhabitants made a strong contribution. Investment/asset managers, insurance companies and pension funds, which each achieve between 9% and 10%, also have a major share in the overall result. At 36%, the demand impulses from international investors, most of whom come from other European countries, are similar to those of the prior-year period.

## SHOPPING CENTRE AND RETAIL PARK ALMOST ON A PAR

While after years of decline net prime yields at most A-locations have stagnated since 2017, the yield compression in the two most expensive markets of Berlin and Munich was not yet completely completed in the course of the year: At 2.80% each, retail properties in the top high street locations of the Bavarian metropolis and the capital have once again become somewhat more expensive in a 12-month comparison, thus slightly widening the gap to Hamburg (3.00%). Frankfurt remains on the heels of the Hanseatic city (3.10%) and maintains its position ahead of the Düsseldorf, Cologne and Stuttgart markets (all 3.20%).

A breakdown by type of property reveals contrasting developments: For well-functioning retail parks with good transport connections and tenants with strong credit ratings who are valued by many investors as an attractive investment alternative net prime yields have fallen by 20 basis points to 4.30% since the end of 2018. They are thus approaching the yields of shopping centres, which have increased by 10 basis points and are traded at 4.10%.

## PERSPECTIVES

Even though the third quarter fell well short of the expectations of the good interim results for the first half of 2019, there are still reasons to look to the future: The high share of A locations, the continuing above-average volume in the retail warehousing segment and isolated shopping centre investments in recent months are among the positive market trends. It remains undisputed, however, that an overall result in the range of the long-term average would require large-volume transactions in the three-digit million range, which, however, presupposes a corresponding offer.

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