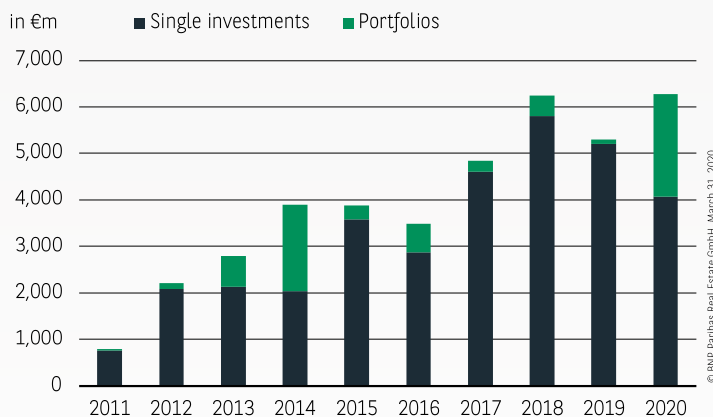




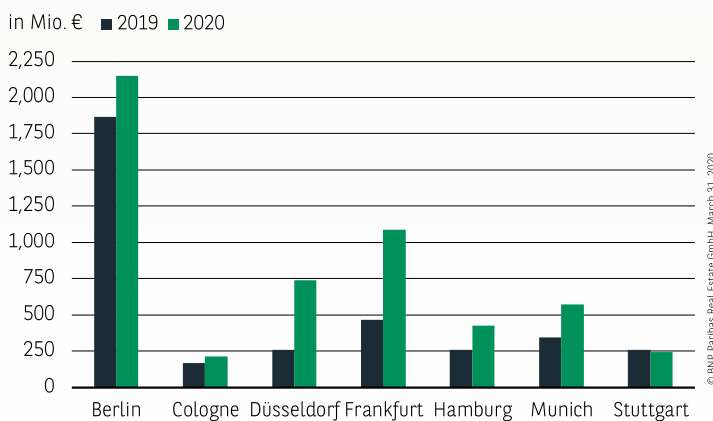
At a Glance **Q1 2020**

# OFFICE INVESTMENT MARKET GERMANY

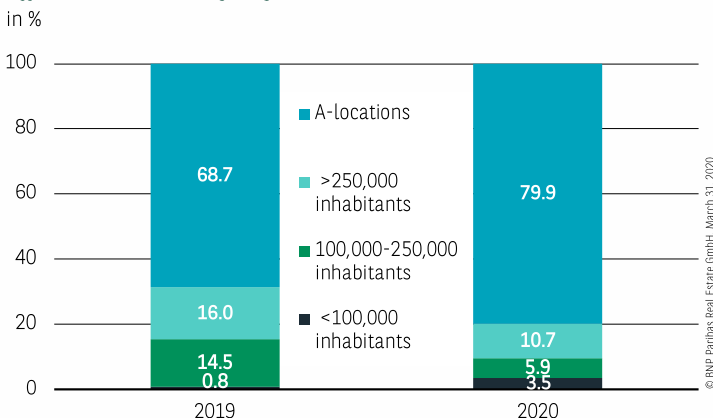
## Office investments in Germany Q1



## Office investments in the A-locations Q1



## Office investments by city size Q1



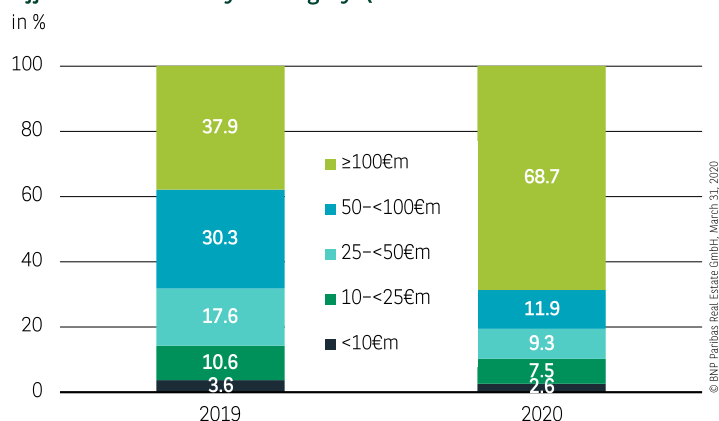
## NEW RECORD IN OFFICE INVESTMENTS

Office investments remained the most popular asset class in the first quarter of 2020. With a nationwide transaction volume of around €6.28 billion, they not only increased their revenues by 18.5% compared to the previous year, but also set a new all-time high. At the same time, the ten-year average was exceeded by 58%. An exceptional result was achieved above all by portfolios that contributed almost €2.22 billion. Only in 2007 could an even higher turnover in package sales be observed. However, it should be noted that by far the largest share was accounted for by Aroundtown's acquisition of TLG, which contributed a good €1.8 billion to office investments. A good €4.06 billion is attributable to individual deals, which thus did not quite match the top values of the last two years and recorded a 22% decline in turnover. Nevertheless, it still represents the fourth best result ever recorded. Altogether, a total of 12 sales of individual properties in the three-digit million range have already been counted. Among the most important transactions were the sale of Westend Carree in Frankfurt, I/D Cologne in Cologne and the Bertelsmann headquarters in Munich. In summary, no concrete effects of the Corona pandemic were observed in the first quarter.

## A LOCATIONS WITH SIGNIFICANT INCREASE IN SALES VOLUME

The German A-locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) have benefited particularly from the strong investment turnover in office properties. At €5.43 billion, an exceptionally good result was achieved, which is 50% above the previous year's figure. One of the reasons for this is a disproportionately high volume in package deals. Across all locations, portfolios accounted for 38.5% of total turnover, which is around three times the average. Berlin, where the acquisition of TLG is particularly noticeable, Frankfurt and Hamburg benefited from this development. With the exception of Stuttgart, where sales are almost 8% lower at €241 million, all cities were able to increase sales. The capital Berlin took the lead with € 2.15 billion (+15%), followed by Frankfurt with €1.09 billion (+135%) and Düsseldorf with €739 million (+186%). Only in fourth place is Munich with €573 million, despite an increase of two thirds. The rise is at the same level in Hamburg, where €425 million was achieved. The result in Cologne increased by around 25% (€211 million). Outside the A cities, on the other hand, the investment volume almost halved to only € 816 million. Cities with populations over 100,000 were particularly affected by the decline. This is due to the fact that sufficient supply in these cities tends to be occasional rather than regular.

## Office investments by € category Q1



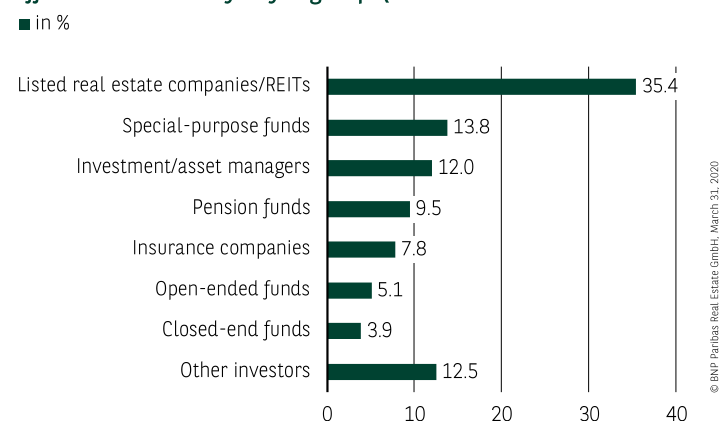
## LARGE DEALS PUSH UP SALES VOLUME

When analysing the result by size class, the influence of large-volume portfolios, in particular the TLG acquisition, must be taken into account. This special situation has led to the fact that almost 69% of the turnover is accounted for by sales of more than €100 million. Compared with the previous year's figure, this corresponds to an increase of around 30 percentage points and an absolute gain of a good €2.3 billion. In all other size categories, both the relative share and the absolute transaction volume decreased noticeably. This shows that the disproportionate contribution of large portfolio sales in particular is responsible for the positive development of the transaction volume.

## BUYER SPECTRUM REMAINS DIVERSIFIED

Office properties continue to attract great interest from broad groups of buyers. Listed real estate companies/REITs have taken the lead with a share of a good 35%, most of which can be attributed to the TLG deal. As expected, special-purpose funds and investment managers follow in second and third place with almost 14% and 12%, respectively. But also core investors with a high equity capital base continue to focus on German office real estate, as can be seen from the further positions. Pension funds account for 9.5%, insurance companies for just under 8% and open-ended funds contribute a good 5% of sales.

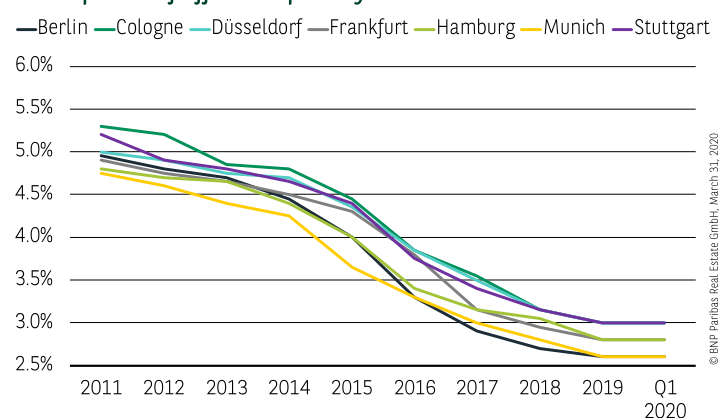
## Office investments by buyer group Q1



## PRIME YIELDS UNCHANGED IN THE FIRST QUARTER

At the beginning of the year, slight price increases were still apparent. Ultimately, however, the sales concluded in the first quarter, many of which were already at an advanced stage of negotiations at the beginning of the year, generated yields comparable to those at the end of 2019. Since the introduction of the measures to contain the corona crisis, no significant properties have been sold that would reflect a changed yield level. Accordingly, no adjustments have been made so far. The top net yield for offices in the first quarter was thus 2.60% in Berlin and Munich, 2.80% in Frankfurt and Hamburg and 3.00% in Düsseldorf, Cologne and Stuttgart.

## Development of office net prime yields



## OUTLOOK

Even though the investment markets got off to a very good start to the year, it can be assumed that the effects of the corona crisis will also be felt on the investment markets as the year progresses. At this point, the expected transaction volume for the year 2020 cannot be reliably estimated due to the still unchanged uncertainty about the further course of the crisis. However, the probability that results will be significantly lower than in 2019 is very high. The future development of yields also remains to be seen at present.

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