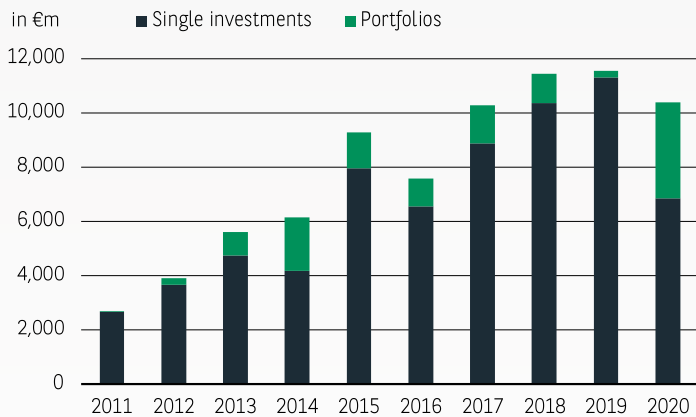




At a Glance **Q2 2020**

OFFICE INVESTMENT MARKET GERMANY

Office investments in Germany H1

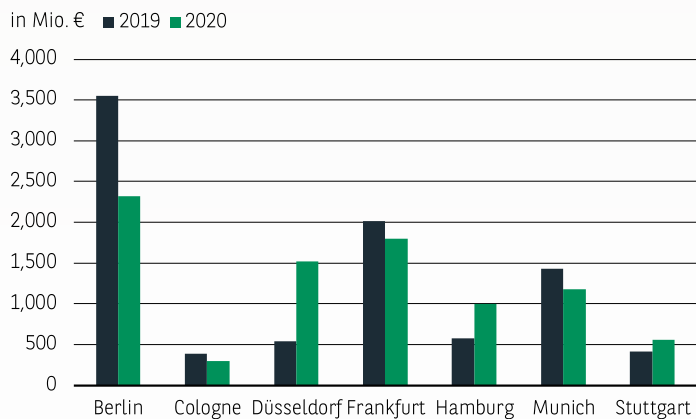


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OFFICE INVESTMENTS SLIGHTLY ABOVE 10-YEAR AVERAGE

The nationwide office property transaction volume amounted to almost €10.4 billion in the first half of the year. This represents a decrease of 10% when compared with the previous year, yet slightly exceeded the ten-year average. However, an analysis of this result must take into account that it is influenced by an unusually high proportion of portfolio product. At €3.5 billion, portfolios account for about one third of revenue. Particularly the TLG takeover by Aroundtown, and the sale of Godewind's shares to Covivio have had a particularly strong impact on this result. Furthermore, the effects of lockdown and contact restrictions were clearly felt in the second quarter. A number of large-volume deals were put on hold for the time being to await further developments. Many of these deals are now restarting the transaction process and should be concluded in the second half of the year. As a result, investment turnover in Q2 was also lower than in recent years at just under €4.1 billion. Nonetheless, it is still slightly above the long-term average. Among the most important transactions were the sale of Westend Carree in Frankfurt, I/D Cologne in Cologne, Ericus-Contor in Hamburg, the Schützenstrasse quarter in Berlin and Bertelsmann's Munich headquarters.

Office investments in the A-locations H1

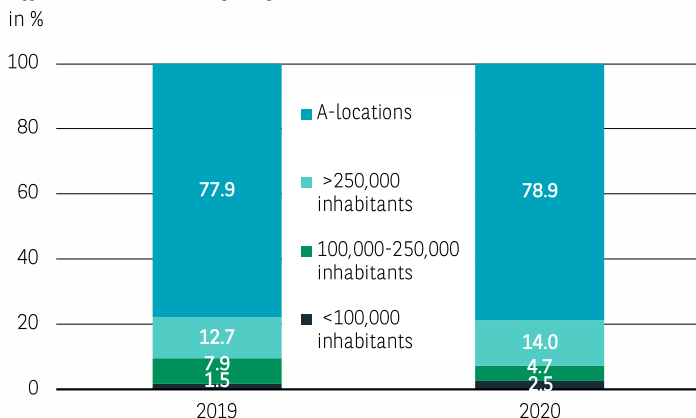


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PRIME SITES NEARLY AT THE PREVIOUS YEAR'S LEVEL

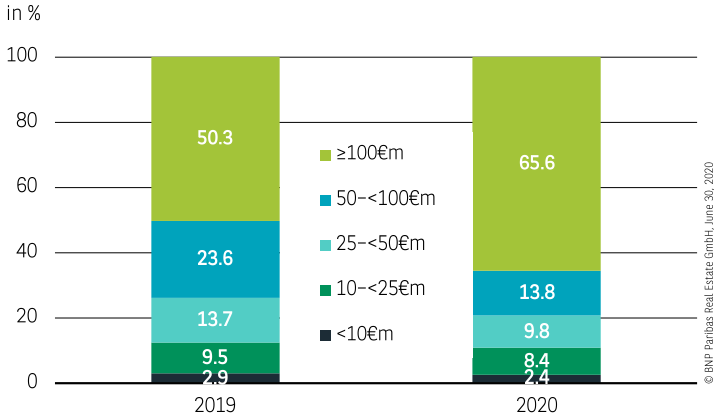
German prime locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) recorded sales of just under €8.7 billion. While missing the previous year's figure by 3%, the 5 year average was exceeded by 7%. Prime locations also benefited from portfolio sales, albeit to varying degrees. However, individual cities exhibited very different trends. Berlin once again secured the top position at €2.3 billion (-35%), proving that the capital remains the focus of investors even in difficult times. Frankfurt follows in second place with €1.8 billion (-11%). Somewhat surprisingly, Düsseldorf is in third place with €1.5 billion (+180%). In addition to brisk market activity, the Rhine metropolis has benefited from several major deals. Munich and Hamburg also recorded good turnover with just under €1.2bn (-18% and +75% respectively). As expected, the volume was somewhat lower in Stuttgart with €562 million (-36%) and Cologne with €294 million (-24%). Outside the prime cities, the volume of sales from individual deals fell noticeably. At €1.4 billion, smaller cities are 42% below the previous year's result. This is attributable both to insufficient supply and to economic uncertainty.

Office investments by city size H1

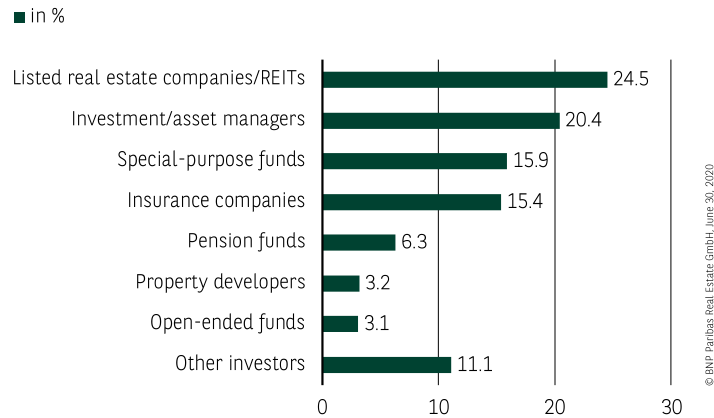


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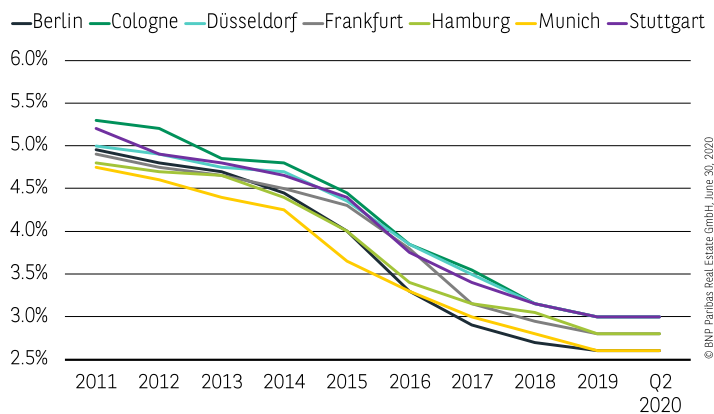
Office investments by € category H1



Office investments by buyer group H1



Development of office net prime yields



LARGE DEALS DOMINATE THROUGH PORTFOLIO SALES

Extensive large-volume portfolio sales have resulted in deals worth over €100 million, accounting for almost two thirds of sales. Though the long-term average shows that only about half of the transaction volume is derived from this size category. Together with properties of €50 to 100 million (14%), larger deals therefore account for around 80% of total revenues. But the market was very active even in the smaller segment up to €50 million where a total of over €2.1 billion was invested.

FOUR BUYER GROUPS PARTICULARLY ACTIVE

A total of four buyer groups account for double-digit shares of turnover. Portfolio sales have put listed real estate companies/REITs at the top of the list with almost a quarter of investment turnover. As expected, investment managers, for whom the vehicle behind the sale cannot be clearly identified, and special funds also account for a very high share of sales (36%). The quartet is completed by insurance companies with 15%. Around three quarters of transaction volume was derived from these four investor types. In fifth place are pension funds, accounting for a good 6% of the result.

STABLE PRIME YIELDS

Scarcely any price adjustments were observed in the core segment, primarily down to continuing high levels of investor interest, and when, then generally only in connection with more expensive financing. As a result, net prime yields remained stable in the major cities in the second quarter as well. They remain lowest in Berlin and Munich at 2.60%. Frankfurt and Hamburg follow in third place with 2.80% each. Outside the four absolute top locations (i.e. in Cologne, Düsseldorf and Stuttgart), the figure remains unchanged at 3.00%.

OUTLOOK

In summary, although the situation has deteriorated noticeably as a result of the Corona crisis, markets are still a long way from stagnation or complete collapse. It also takes into account that the mood has gradually brightened in recent weeks and that a number of large transactions, previously suspended, have restarted and are now fully underway or nearing completion. There are many indications that the third quarter will see a measurable market revival. Although it remains difficult to make a forecast for the year as a whole, there are many indications that investment turnover in excess of EUR 20 billion and thus a more than average result is quite possible.

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