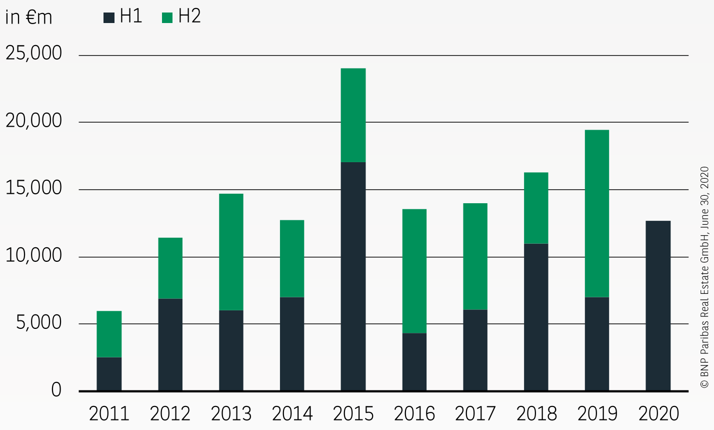
At a Glance **Q2 2020**

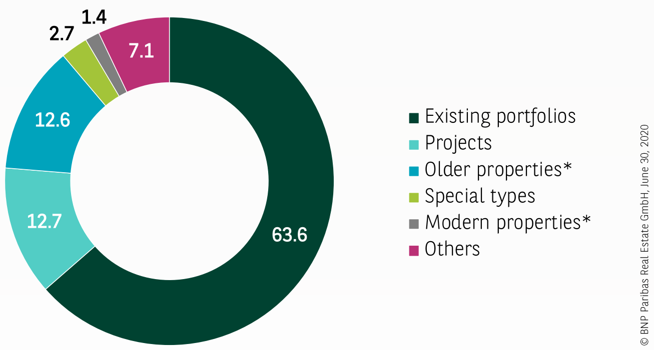
RESIDENTIAL INVESTMENT MARKET GERMANY

Investment volume residential portfolios



Investments by asset class H1 2020

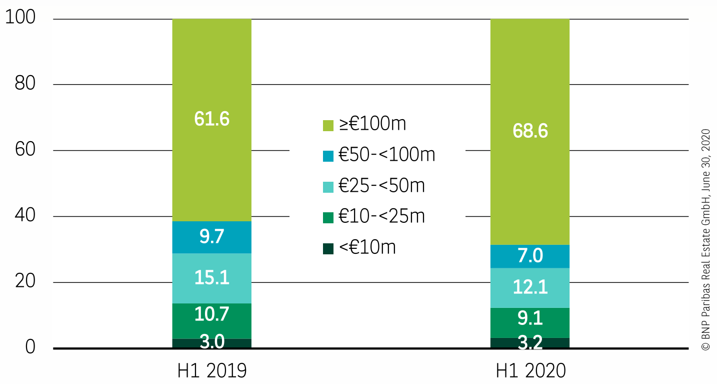
in %



* Block sales in one location

Investments by size category

in %



SECOND BEST RESULT OF ALL TIME

The residential investment markets in Germany continue to develop extremely positively and, when compared to other asset classes, are much less affected by the negative effects of the Corona pandemic. Investment volume with larger residential portfolios (30 residential units and more) amounted to just under €12.7 billion in the first half of 2020, an increase of more than 80% over the same period in the previous year. Even when solely concentrating on the second quarter, when lockdown and contact restrictions were in full effect, the picture is encouraging. At €3.35 billion, this quarter also saw the best result of the past five years, and exceeded the long-term average by 16%. The acquisition of Adler Real Estate by Ado Properties, accounted for almost half of the result and made a major contribution to this outstanding result. However, the fact that major deals have a significant impact on total sales is not a peculiarity of this year. Examples from previous years include the Gagfah deal in Q1 2015 or the takeover of Buwog in Q1 2017. Further evidence of lively market activity is the number of recorded deals, which stands at around 220, of which around 100 were concluded in the second quarter.

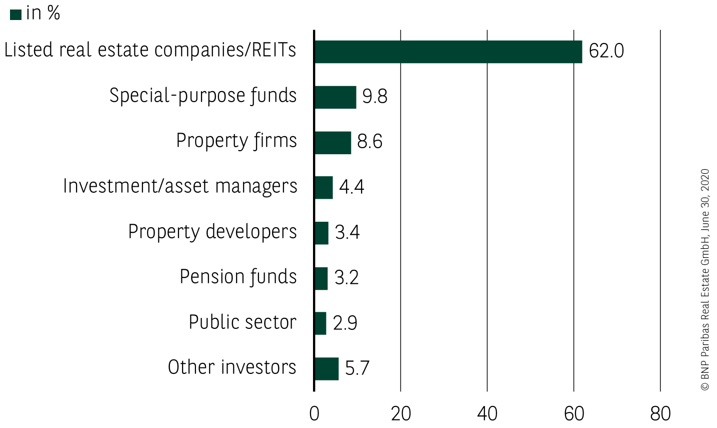
PORTFOLIOS CLEARLY IN THE LEAD

In view of the Adler acquisition, it is not surprising that portfolios once again contributed by far the most to total sales and have clearly taken the lead with just under 64%. This puts them on a par with the long-term average, which is around two-thirds. In contrast, the share of project developments is noticeably lower than in previous years at just under 13%. However, this is not due to lower investor interest, but rather to the continuing shortage of land in the major German cities. In absolute terms, over €1.6 billion was invested in forward deals, a similar amount to the average of the last five years.

HIGH MARKET ACTIVITY IN SMALLER MARKET SEGMENTS

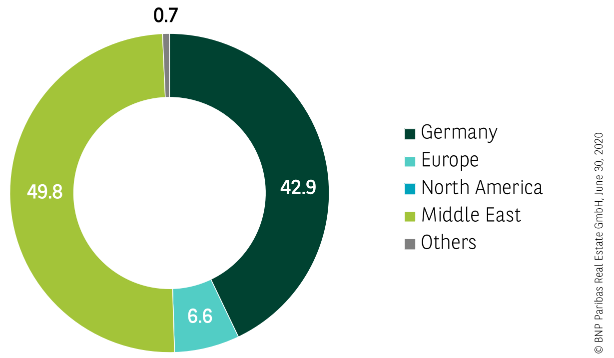
Although, thanks to the aforementioned takeover, more than two thirds of sales are accounted for by contracts in the triple-digit million range, a great deal of movement was also observed in the small and medium-sized market segment in particular. In total, deals of up to €100 million generated sales of just under €4 billion in the first half of the year, which represents an increase of almost 50% compared with the same period last year. The average of the last five years was slightly exceeded in this market segment too, despite the Corona epidemic.

Investments by buyer group H1 2020

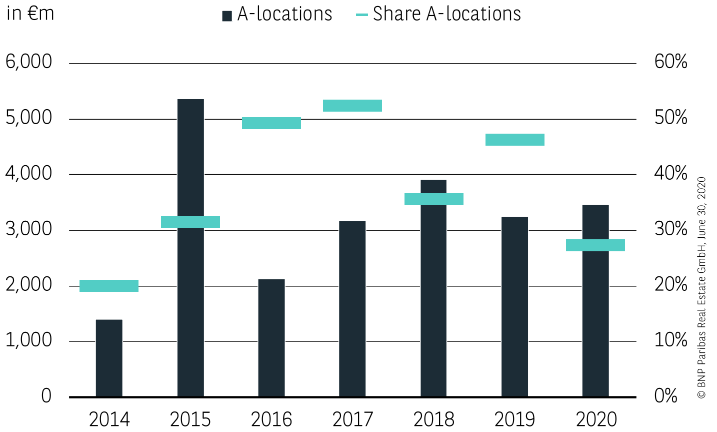


Investments by origin of capital H1 2020

in %



Investment volume A-locations and share of total volume H1



LISTED RE COMPANIES/REITS OUTRIGHT #1

As has often been the case in the past, Listed real estate companies/REITs are by far the most important group of buyers and account for around 62% of the total volume. This shows that large acquisitions inevitably have a disproportionately high impact on the key structural indicators of market activity. If one disregards this particular situation, it is gratifying that a whole range of different types of investors continue to show great interest in residential investments. In addition to special-purpose funds (just under 10%) and property firms (just under 9%), pension funds (a good 3%), have also made extensive investments.

HIGH INTERNATIONAL SHARE DUE TO ADLER TAKEOVER

After recent years in which the residential investment market was clearly in the hands of domestic investors, foreign investors dominated in the first half of the year with 57%. This is also a reflection of the Adler acquisition. In the course of the year, the ratio is likely to shift in favour of German investors again.

ÍNVESTORS CONTINUE TO FOCUS ON PRIME LOCATIONS

The share of prime locations in nationwide investment turnover is, compared to some previous years, disproportionately low at 27% in the first half of the year. This is the result of the overall very high turnover. In contrast, absolute volume, which amounts to almost €3.5 billion, is of the same order of magnitude as in the three previous years. As always, most investments were made in Berlin at €1.4 billion, followed by Hamburg with around €655 million. Düsseldorf also achieved a very good result with almost €430 million. However, extensive investments were also made in larger residential portfolios in Munich (€406 million), Frankfurt (€389 million) and Cologne (€165 million).

OUTLOOK

Results for the first half of the year clearly show that excess demand on the housing markets fundamentally persists and that investors are therefore placing great emphasis on residential property. In addition, cash flows are very stable and the risk of major rent losses is considerably lower than for commercial properties. Against this background, it is not surprising that purchase prices are stable despite the Corona pandemic and isolated regulatory restrictions. This situation will not change in the further course of the year and it is certainly within the realm of possibility that investment turnover of more than €20 billion is achievable.

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