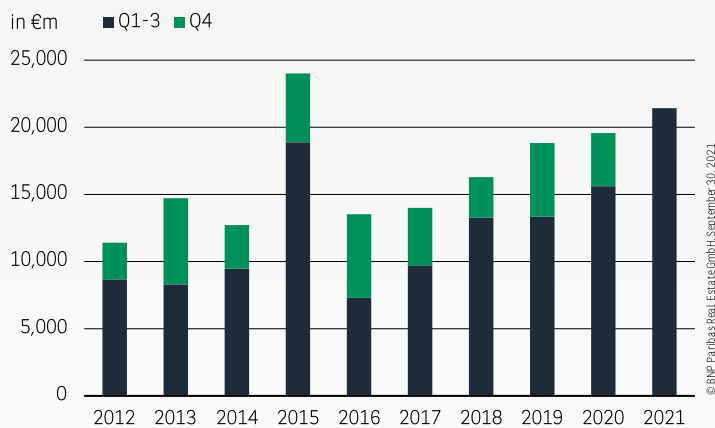




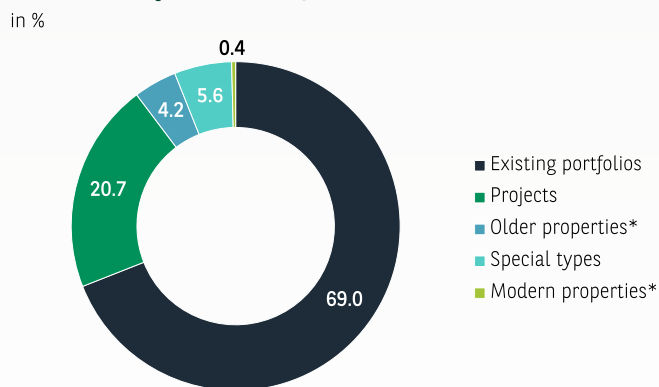
At a Glance **Q3 2021**

RESIDENTIAL INVESTMENT MARKET GERMANY

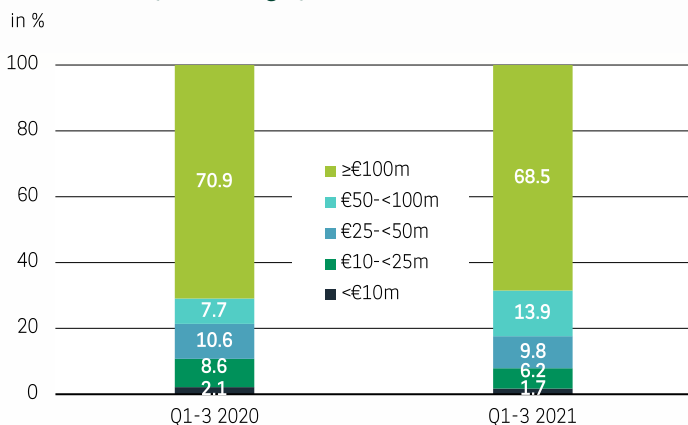
Investment volume residential portfolios



Investments by asset class Q1-3 2021



Investments by size category



INVESTMENT MARKETS REMAIN ON TRACK WITH RECORD

The high level of market activity on the residential investment markets continued in the third quarter. With a nationwide investment volume of a good €21.4 billion, a new record turnover was set for the first three quarters and the already good result of the previous year was exceeded by more than 37%. The ten-year average was even topped by an impressive 70%. Thus, the German housing markets continue to present themselves more or less unimpressed by the effects of the Corona pandemic. Investors remain convinced of a positive development of the markets, especially in the large conurbations. This statement is also underlined by the largest deal in the current year so far: for around €5 billion, Heimstaden Bostad took over the German residential portfolios of Akelius in Berlin and Hamburg with a total of a good 17,600 residential units. Against the background of the local political conditions in the capital, this is quite a remarkable transaction. In total, more than 270 sales have been recorded so far in the first three quarters, of which 33 sales were in the three-digit million range.

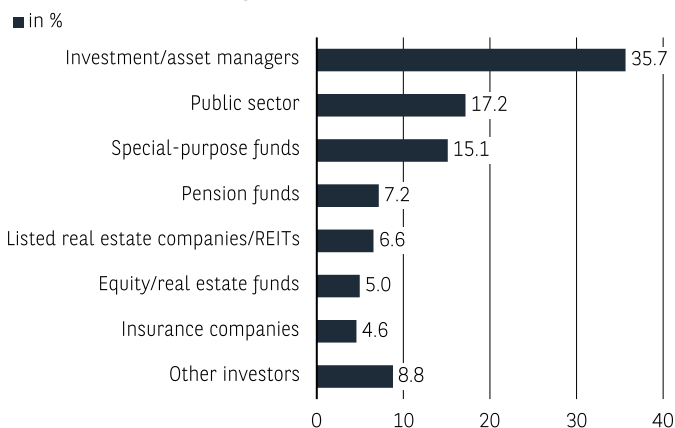
NEW RECORD WITH PROPERTY DEVELOPMENTS

Due to the sales of the Akelius properties and the takeover of around 15,000 flats from Vonovia and Deutsche Wohnen by the State of Berlin, by far the largest part of the transaction volume (69%) is accounted for by existing portfolios, as expected. Buyers also showed particular interest in the acquisition of property developments, which at just under 21% account for a high share, even in a long-term comparison. The absolute volume is particularly remarkable. At over €4.4 billion, a new record was set and the previous high from 2019 was exceeded by almost 60%. Special forms of housing (e.g. micro-apartments, student housing) account for a further 6% (€1.2 billion).

DISTRIBUTION OF SIZE CLASSES WITH A FAMILIAR PICTURE

The distribution of the transaction volume among the different size classes shows the familiar picture from previous years: About 69% of the result is accounted for by sales in the three-digit million range due to the large deals mentioned. A further almost 14% is contributed by transactions between €50 and 100 million, which are thus somewhat stronger involved than in the two previous years. But also the classes between €10 and 50 million each come to absolute volumes clearly above €1 billion and thus underline the great demand in all segments.

Investments by buyer group Q1-3 2021



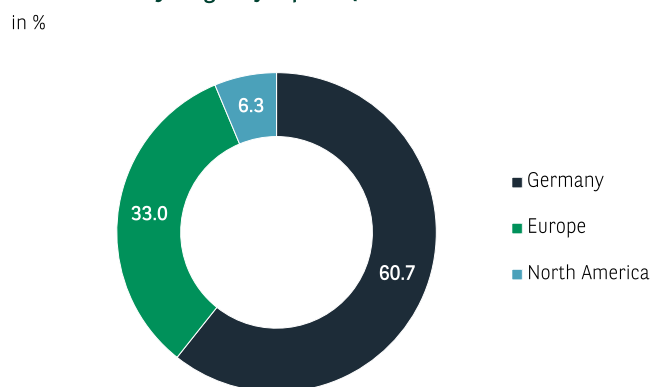
➤ LARGE DEALS DETERMINE BUYER STRUCTURE

The structure of the buyer groups involved reflects the large portfolio sales. In first place, with a share of around 36%, are investment managers, to which the Akelius takeover contributed significantly. The share of foreign investors, which is unusually high at a good 39%, is also significantly influenced by this. The disproportionately high share of the public sector, at around 17%, results from purchases of Vonovia and Deutsche Wohnen portfolios by the State of Berlin. As expected, the leading trio is completed by special-purpose funds, which contribute over 15% to the result. In fourth and fifth place come pension funds with a good 7% and listed real estate companies/REITs with 6.5%.

➤ PRICE INCREASE CONTINUES

The unchanged high demand for flats in Germany has caused prices to continue to rise in the current year. This trend applies to both existing and new properties. In Germany's A-locations, the net prime yields in the new construction segment are now 2.70% or lower. Munich continues to be the most expensive, with a prime yield of 2.45%. But the capital Berlin is also catching up rapidly and is now quoted at 2.50%.

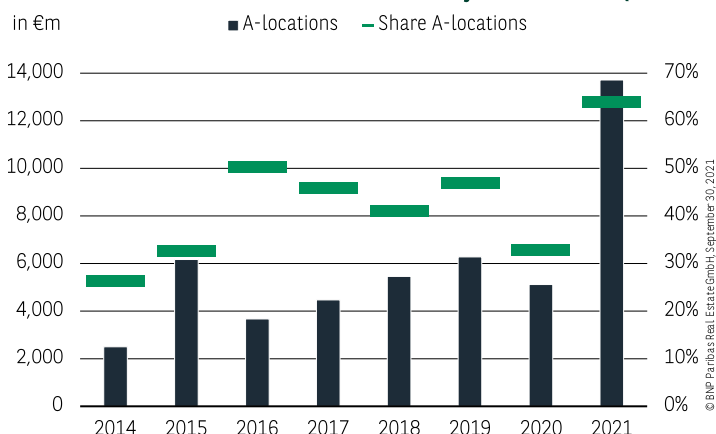
Investments by origin of capital Q1-3 2021



➤ A-CITIES WITH NEW INVESTMENT RECORD

The aforementioned large deals have also led to the share of A-cities in total investment volume setting new records, both in relative terms (64%) and in absolute terms (a good €13.7 billion). Berlin is once again the undisputed leader with an investment volume of almost €8.35 billion. A new all-time high was also achieved in Hamburg, where the takeover of the Akelius portfolio pushed the result to almost €2.4 billion. Munich just missed the billion mark with a good €950 million, which is nevertheless a new record. The same applies to Cologne (a good €450 million) and Stuttgart (just under €425 million).

Investment volume A-locations and share of total volume Q1-3



➤ OUTLOOK

The lights for the German residential investment markets remain green. Even though the rise in rents has slowed down, there is still potential for rent increases that will keep investors' interest high. The only restriction is the limited supply. Nevertheless, everything points to a new record result in 2021, as the takeover of Deutsche Wohnen AG by Vonovia is becoming increasingly likely. Consequently, a transaction volume in the range of €45 to 50 billion or even higher seems possible. However, even without this extraordinary transaction, high investment volumes are on the horizon in the final quarter, so that further slight declines in yields cannot be ruled out.

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