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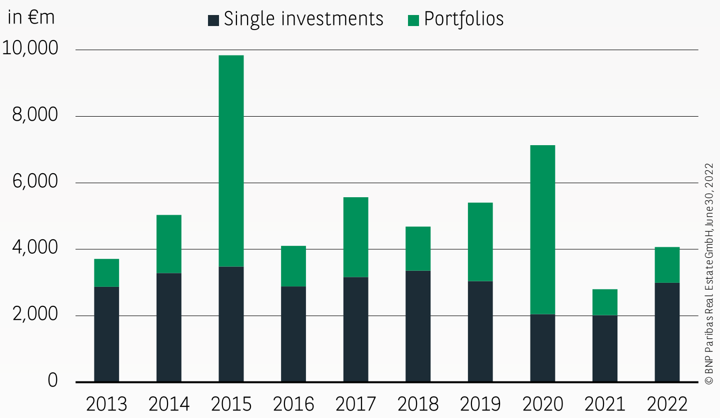
RESEARCH

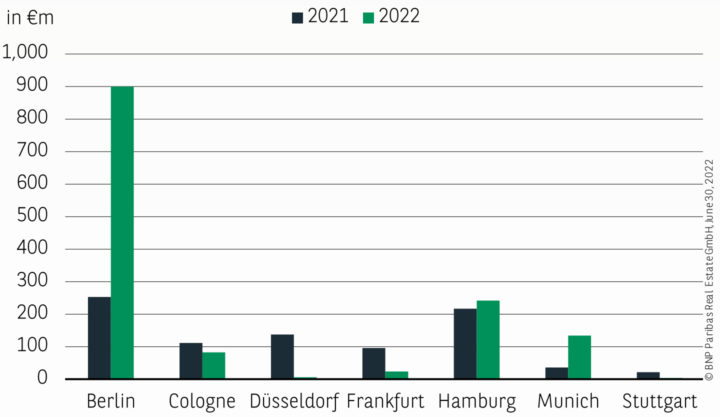
At a Glance Q2 2022

RETAIL INVESTMENT MARKET GERMANY

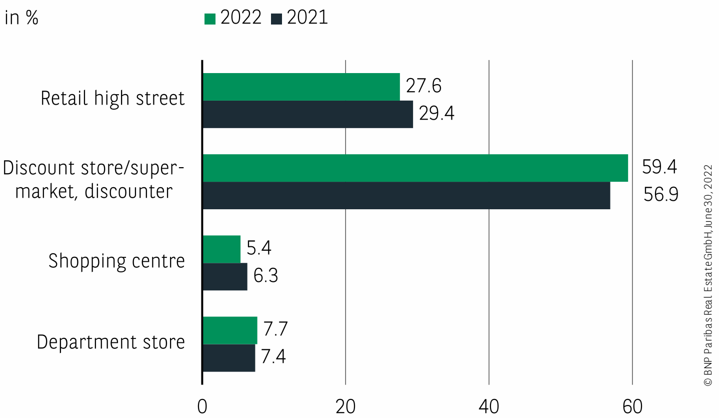
Retail investments in Germany H1



Retail investments in the A-locations H1



Retail investments by type of property H1



H1 BETTER THAN 2021, INDIVIDUAL DEALS ON TRACK

Even though the retail investment market, with a total of just over €4 billion, missed the long-term average by almost 22%, there are some positive factors at mid-year that put the result into perspective: On the one hand, the result of the previous year was topped by a good 45% and, on the other hand, a volume in the range of the long-term average value was achieved for individual transactions (€3 billion). It is also pleasing that the changed interest rate environment in the second quarter has not yet been reflected in the result of the last three months: With a good €2 billion each, the volume at mid-year is evenly distributed over the first two periods of the year. In the months between April and July, large-volume individual transactions of various property types were concluded, such as the Rosi office and retail building in Berlin, which was built by VALUES, the Klöpperhaus in Hamburg or the Gera Arcaden. The portfolio segment was once again able to make decisive gains over the course of the year, generating €785 million in the second quarter alone, or 73% of the running portfolio volume. The food segment played a significant role in this. Whether and to what extent this momentum can be carried over into the third quarter remains to be seen, however, due to the changed financing environment.

BERLIN DRIVES UP RESULT IN THE A-CITIES

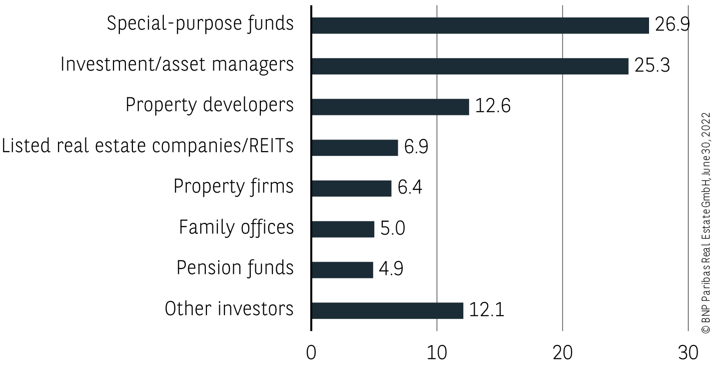
A total of €1.4 billion, or 34% of the total, was invested in the top markets in the first half of the year. However, it should be noted here that Berlin, where alone almost €900 million (65%) was invested, is a major contributor to the overall result of the A-cities. Hamburg follows at a great distance (€242 million), where the Klöpperhaus, a former department store, will be repositioned by the new owner Tishman Speyer. In addition, more than €100 million was invested only in Munich (€134 million), while Cologne (€83 million), Frankfurt (€24 million) Düsseldorf (€6 million) and Stuttgart (€4 million) remained below this mark.

RETAIL WAREHOUSE SEGMENT DOMINATES

Market activity on the retail investment market was decisively shaped by two property types in the first half of the year: On the one hand, it was once again the retail warehouse segment, and here especially food investments, which came to just under 59% and increased their volume by 52%. On the other hand, high street properties benefited from many and partly larger investments and, measured by volume (+36% YoY), increased significantly to a share of 28%. In contrast, department stores (8%) and shopping centres (5%) have had a smaller impact on the result so

Retail investments by buyer group H1 2022

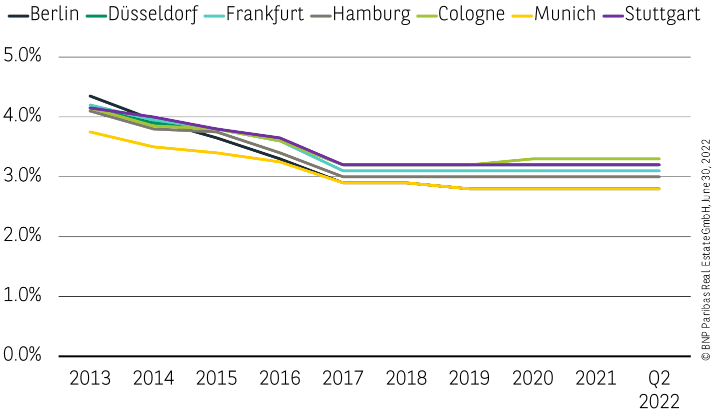
in %



SPECIAL-PURPOSE FUNDS AT THE TOP OF THE TABLE

The distribution of the investment volume among the different buyers was clearly dominated by two groups in the first half of the year: With almost 27%, special-purpose funds narrowly won the race in the investor ranking and displaced investment/asset managers, who contributed a good 25% to the total, from their top position from the first quarter. The two groups of buyers differ in their investment focus: While special-purpose funds clearly focus on specialist retail and food investments in the individual and portfolio segment, investment/asset managers also make a significant contribution to the volume achieved, among others, by larger high street investments. Property developers also have a substantial share, to which the Klöpperhaus in Hamburg's Mönckebergstraße contributed first and foremost (almost 13%). In addition, with the real estate companies/REITs (just under 7%), property firms (a good 6%) and family offices (around 5%), three further investor groups can contribute at least 5% to the result.

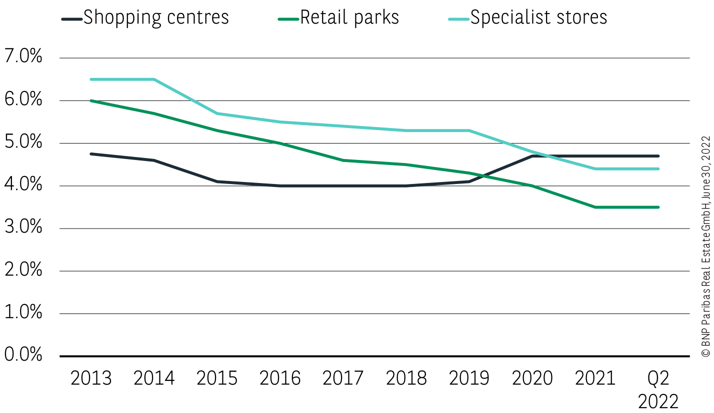
Retail high street net prime yields in the A-locations



YIELDS STILL STABLE SO FAR DESPITE INTEREST RATE RISE

Despite the changed interest rate environment, no movements have yet been observed in prime yields in the retail segment, unlike in the other asset classes. This is primarily due to the fact that office and logistics yields have undergone a continuous yield compression in recent years, while a sideways movement was observed in retail high street yields. Against this backdrop, top yields for high street properties in the absolute prime locations are still equal in Berlin and Munich (2.80% each), ahead of Hamburg (3.00%), Frankfurt (3.10%), Düsseldorf (3.20%), Stuttgart (3.20%) and Cologne (3.30%). The prime yields in the retail warehouse sector, which have fallen in the recent past, also remained stable: they are currently at 3.50% and 4.40% for well-functioning retail parks with good transport connections and individual specialist stores. Shopping centres are currently trading at 4.70%, as in the first quarter.

Net prime yields by type of property



OUTLOOK

Overall, the retail investment market can look back on a satisfactory first half-year, with the food segment in particular, and not least the food portfolio segment, as well as a few larger high-street investments being among the main drivers. For the second half of the year, however, it should be noted that against the backdrop of the changed framework conditions in the financial sector, slower marketing processes with smaller groups of bidders are a realistic scenario, especially for core investments. How this will affect the development of prime yields and the investment volume remains to be seen from today's perspective.

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