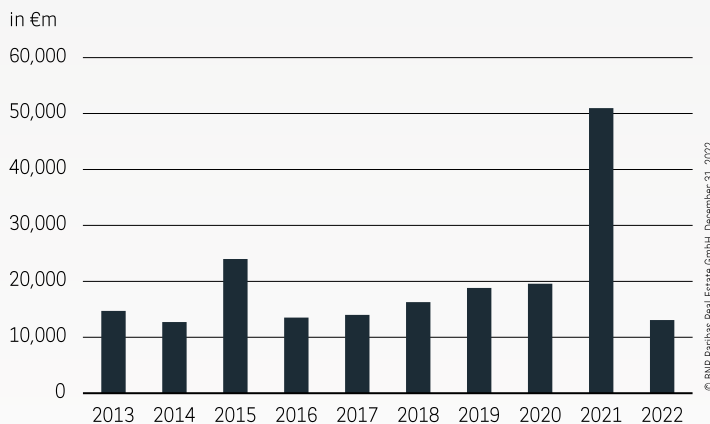




At a Glance **Q4 2022**

RESIDENTIAL INVESTMENT MARKET GERMANY

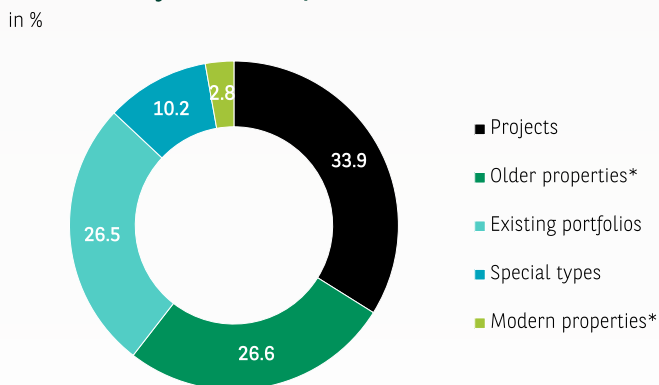
Investment volume residential portfolios



MODERATE FULL-YEAR RESULT

The significant interest rate hikes, a weakening economy and an inflation at historically high level ensured that the German residential investment market was noticeably more restrained in 2022 than in previous years. Last year, a good €13.1 billion was invested in larger residential portfolios (30 or more residential units) throughout Germany. The outstanding record result from the previous year was thus missed by around 74 %, whereby it must be taken into account that in 2021, among other things, the acquisition of Deutsche Wohnen by Vonovia, worth more than €22 billion, distorted the result upwards. The long-term average, which was missed by around a third, is therefore much more relevant.

Investments by asset class Q1-4 2022

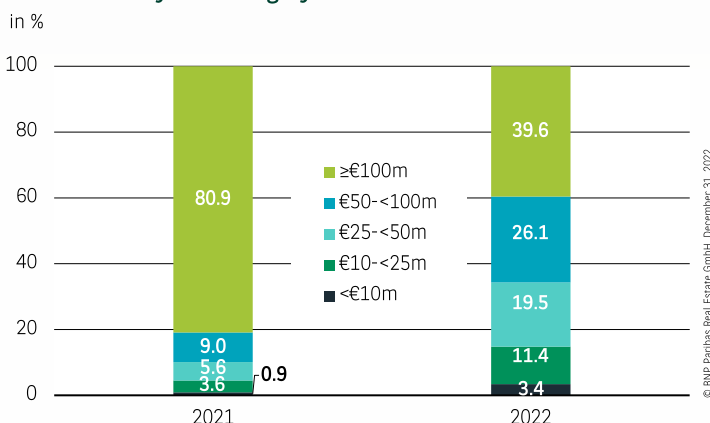


SINGLE DEALS WITH RECORD VOLUME

Due to the low number of large-volume portfolio transactions, the distribution of investment volume by asset class shows an unusual picture. Usually, existing portfolios lead the ranking by a wide margin. In the past year, however, they accounted for only 26.5% or €3.47 billion of the investment volume, which is their lowest value of the past 10 years. There was a significant increase in activity of (single) older properties, which reflects the current small-scale nature of the market. Around 150 single transactions pushed the segment to a record volume of just under €3.49 billion (27% share of turnover). Meanwhile, projects are clearly in the lead. However, a differentiated analysis by quarter shows that the very good start to the year is mainly responsible for this.

* Block sales in one location

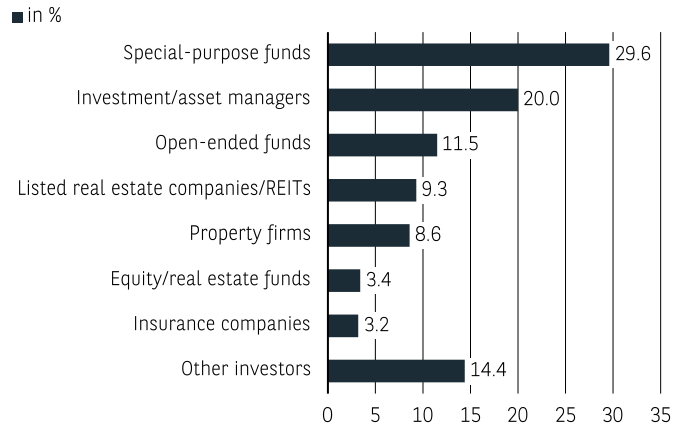
Investments by size category



NUMBER OF DEALS SIMILAR TO PREVIOUS YEARS

Around 310 transactions have been registered in the 2022, a figure that is roughly in line with the long-term average. At the same time, however, the average volume per deal quotes at only €42 million and thus significantly below the values of previous years. This is mainly due to the comparatively low activity in the large-volume segment. Thus in 2022, only around €5.2 billion was invested in portfolios with a volume in the triple-digit million range, which corresponds to the lowest value of the last 10 years. By contrast, the segments below the €100 million mark achieve a combined volume of €7.9 billion, which is equivalent to a plus of 14% compared to the long-term average.

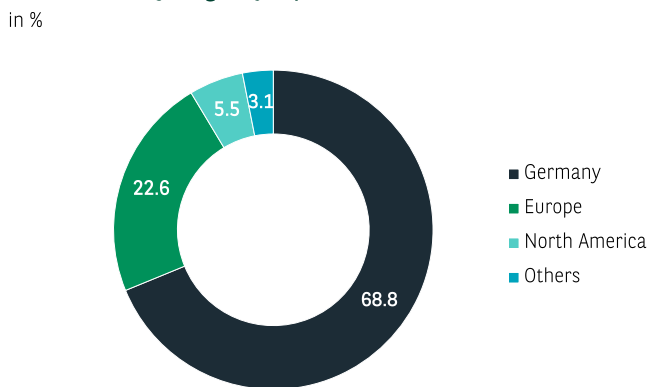
Investments by buyer group Q1-4 2022



SPECIAL-PURPOSE FUNDS MOST ACTIVE

The breakdown of the investment volume by buyer group has changed noticeably compared to previous years. The usually very strongly represented listed real estate companies/REITs are currently responsible for only €1.22 billion, of which a considerable share is accountable to the acquisition of S Immo by CPI Property. As their equity availability is significantly lower than in previous years, they rarely appeared as buyers. In contrast, the fact that special-purpose funds (30 %) and investment/asset managers (20 %) together invested more than €6.5 billion proves the attractiveness of residential real estate for institutional investors despite all the current economic uncertainties.

Investments by origin of capital Q1-4 2022



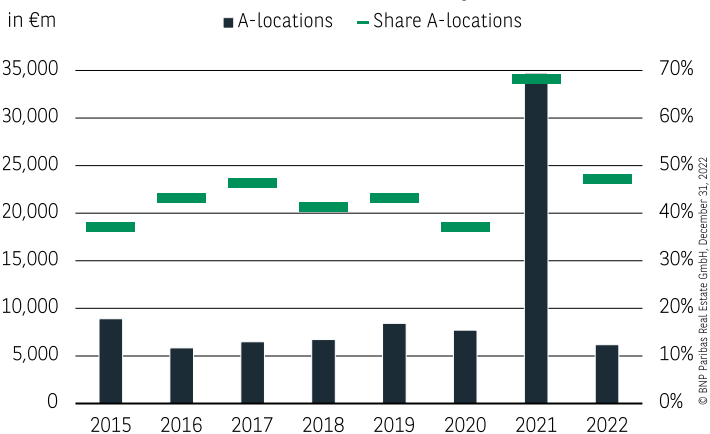
YIELDS STILL EXPANDING AT THE END OF THE YEAR

Due to the further increase in financing costs, the net prime yields for new buildings also increased noticeably at the end of the year. The increase compared to the first half of the year was in the range of 15 to 25 basis points. The most expensive location remains Munich (2.80%), followed by Berlin, Frankfurt and Stuttgart, each at 2.85%. Düsseldorf, Hamburg and Cologne are currently at 2.90%.

A-CITIES STILL INVESTMENT HOTSPOT

With a share of 47% of the nationwide transaction volume, the A-cities continue to be the investment hotspot of the German residential investment market. This translates into a good €6.18 billion invested in the seven largest German cities in 2022, which is, however, around one-third below the long-term average. With a volume of €3 billion, Berlin is once again playing in a league of its own, but nevertheless recorded the lowest volume since 2014. Hamburg, meanwhile, recorded a remarkably good result. With a volume of €1.42 billion, the Hanseatic city is the only top location to achieve a result above the long-term average (+33%).

Investment volume A-locations and share of total volume Q1-4



OUTLOOK

Not least the subdued fourth quarter is clear evidence that the pricing process on the residential investment market is still in full swing. Against the background of further interest rate hikes and rising financing costs which are likely to remain the dominant topics on the market at the beginning of the year, it is currently the most likely scenario that the price finding phase will continue until the middle of the year. From today's perspective, however, there is much to suggest that an end to interest rate hikes will be foreseeable in the course of the second quarter. Accordingly, the market should be noticeably more dynamic in the second half of the year.

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