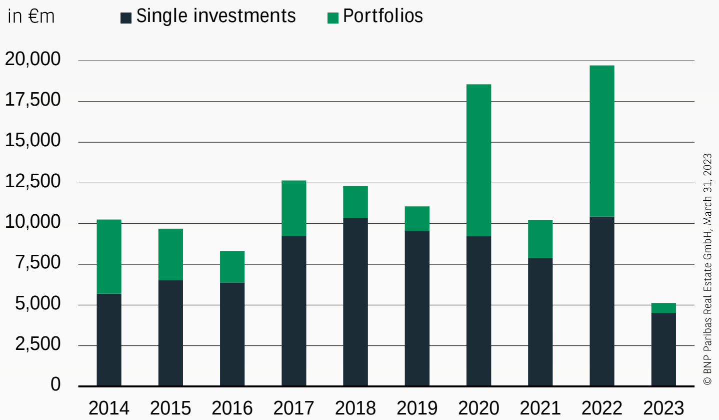
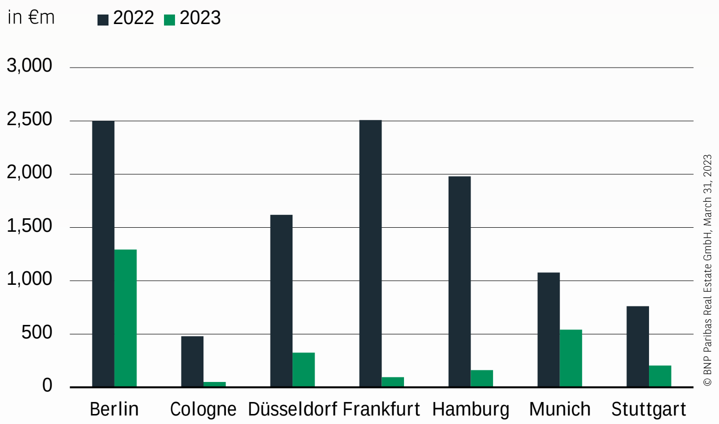
At a Glance Q1 2023

INVESTMENT MARKET GERMANY

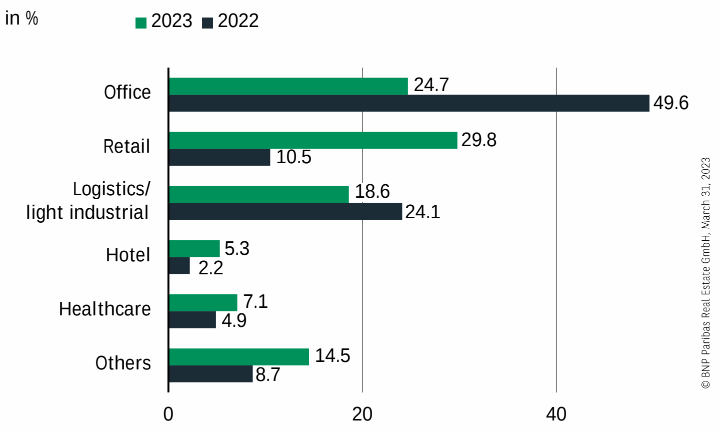
Investment volume in Germany Q1



Investment volume in the A-locations Q1



Investments by type of property in Germany Q1



WEAKEST START TO THE YEAR SINCE 2010

The German commercial real estate investment market had its weakest start into the new year since 2010. The total registered investment volume was only about €5.1 billion. A comparison with the previous year's record from the first quarter of 2022 of €19.7 billion (-74%) is almost impossible due to the fundamentally changed conditions on the financial and occupier markets, although a long-term perspective also highlights the significantly below-average performance. The current result is 56.5% below the 10-year average and is on a par with the years 2010 to 2012, when the market was still clearly overshadowed by the global financial crisis.

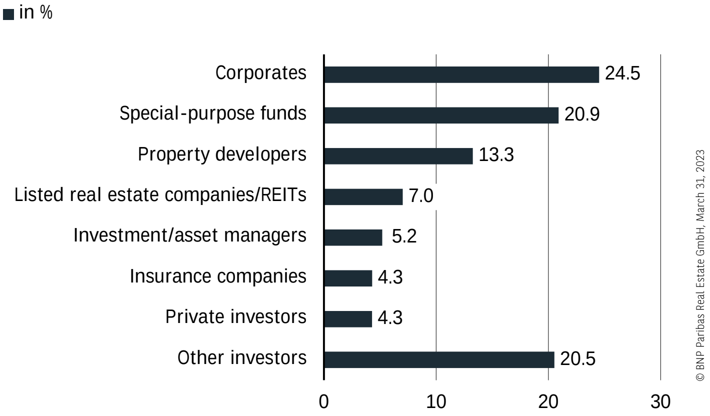
A-LOCATIONS WITH SIGNIFICANT LOSSES

With a total of just under €2.7 billion, not only the excellent result of the A-locations from the previous year was missed by 76%, but also the long-term average (€6 billion). Berlin leads the field by far and is also the only market in which the 1 billion mark was surpassed. The investment volume in Berlin amounts to just under €1.3 billion, although the result falls 22% short of the long-term average. Munich ranks second (€540 million), undercutting the 10-year average by a good 50%. Düsseldorf has secured the third spot with €325 million (-46%). Next in line are Stuttgart with €205 million (-47%), Hamburg with €161 million (-82%) and Frankfurt with €96 million (-91%). The lowest figure was recorded in Cologne with an investment volume of €50 million (-84%).

RETAIL STRONGEST ASSET CLASS

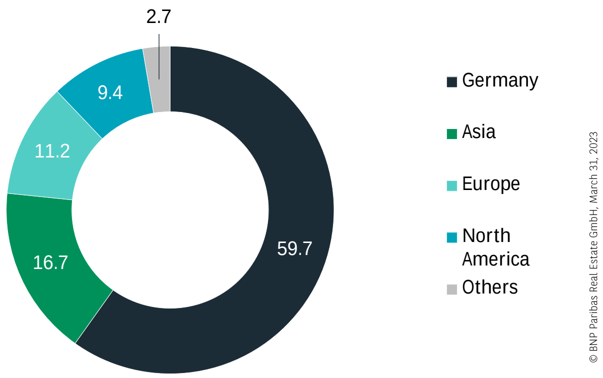
Retail assets regained the top spot with a market share of just under 30% for the first time since 2011. Around €1.5 billion was invested in German retail properties in the first quarter, recording a year-on-year decline of almost 26% and a drop of almost 41% compared to the long-term average. Office assets rank second with an investment volume of just under €1.3 billion, which is the weakest result since 2011, representing a market share of just under 25%. The previous year's record of around €9.8 billion was missed by a good 87% and the long-term average by 74%. The logistics segment has so far generated €951 million Germanywide, bringing the market share of this asset class to just under 19%. Healthcare investments contributed 7% (€362 million) to the quarterly result, while investments in hotels totaled €272 million (5% market share).

Investments by buyer group Q1 2023

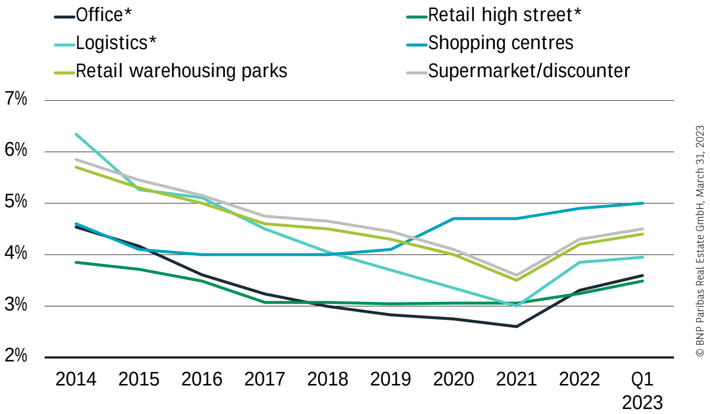


Investments by origin of capital Q1 2023

in %



Development of net prime yields



* Ø A-locations

BROAD DISTRIBUTION ACROSS THE BUYER GROUPS

Despite the difficult market period, all important buyer groups contributed to the overall result. Corporates, which were particularly involved in development sites and department stores, lead the field with 24.5%. Special-purpose funds, occupying second place with a good 21%, were very active in all asset classes. Property developers have also invested substantially with a share of 13%, underscoring the still positive long-term potential of the market. The market share of foreign investors remains at a good and average level, with 40%.

YIELDS CONTINUE TO EXPAND

The expansion of prime yields continued across the board. Net prime yields increased by around 30 basis points on average in the office segment, although the pace of the increase varied considerably between the top markets. Munich remains Germany's most expensive location at 3.35%. The prime yield in the Bavarian capital rose by only 15 basis points. Berlin (3.40%) and Stuttgart (3.60%) recorded bigger increases of 20 basis points. In Hamburg and Cologne, the net initial yield has increased by 25 basis points to currently 3.55%. An increase of 45 and 50 basis points respectively applies to Düsseldorf and Frankfurt, whose prime yields in the office segment now stand at 3.85%. The prime yields for logistics properties rose by 10 basis points to 3.95% nationwide. Retail warehousing parks and retail warehousing stand alone registered an increase of 20 basis points to currently 4.40% and 5.00% respectively, while the discounter/supermarket segment also rose by 20 basis points to 4.50%. In contrast, the prime yield of shopping centres has expanded by only 10 basis points to 5.00%.

YIELDS CONTINUE TO EXPAND

In the first quarter, the lowest investment activity of the past 13 years has been registered, reflecting the current uncertainties regarding real estate investments. Financial markets are currently quite fragile, inflation is stickier than anticipated a few months ago and the range for further interest rate hikes has not become any tighter since the end of 2022. At the moment, a short-term relief on the investment markets is not in sight, as the issues are too complex and far-reaching. We do, however, expect that first and reliable answers to many of the most urgent questions for investors, in particular concerning the further range of interest rates, may materialise by mid-year, so that the currently ongoing price finding process, which will be accompanied by further yield increases, should then come to an end. Consequently, we expect investment activity to pick up again across the board, although the year-end result is likely to remain significantly below the average.

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Further Information BNP Paribas Real Estate GmbH | Sven Stricker, Co-Head Investment | Phone +49 (0)30-884 65-0 | sven.stricker@bnpparibas.com | **www.realestate.bnpparibas.de**