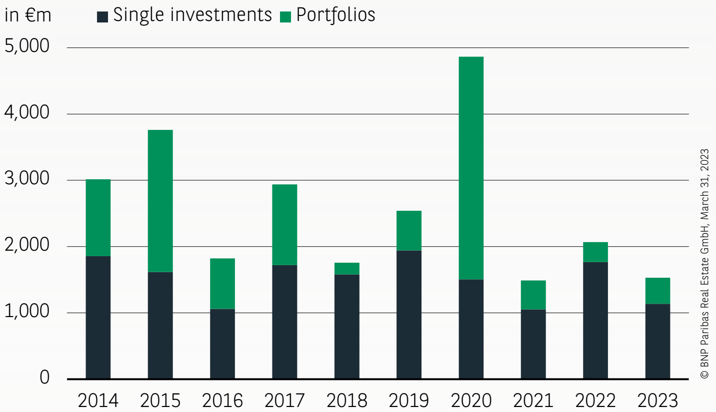
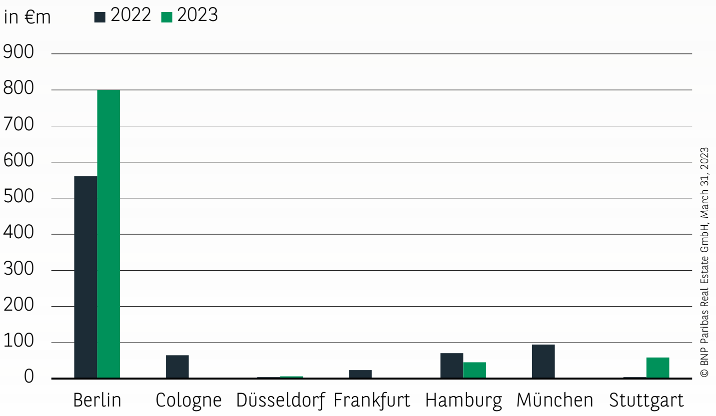
At a Glance Q1 2023

RETAIL INVESTMENT MARKET GERMANY

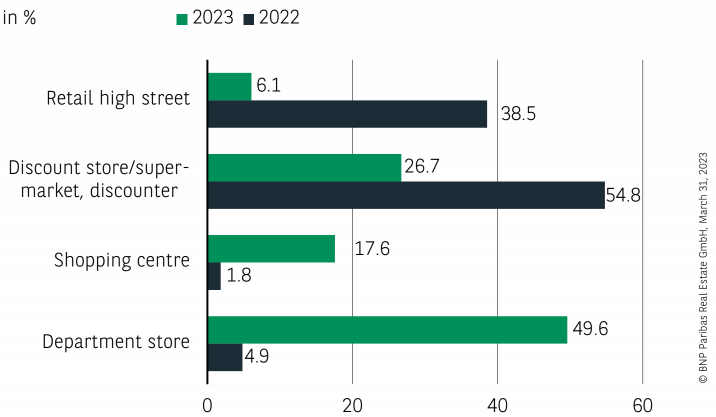
Retail investments in Germany Q1



Retail investments in the A-locations Q1



Retail investments by type of property Q1



DIFFICULT ENVIRONMENT, LEADING ASSET CLASS

Transaction activity on the retail and overall commercial investment market was decisively impacted by a number of external factors in the first quarter, which led to a very subdued market activity. The challenging financing environment and consequently the persistent price finding process resulted in very few transactions being registered, especially in the single-deal segment. Therefore, the investment volume on the retail investment market at the beginning of the year fell by 26% year-on-year and 41% long-term to around €1.5 billion. Nevertheless, retail assets performed at a comparable level to office properties (around € 1.3 billion), showing the difficult investment market environment for sellers and investors across all asset classes. Measured in terms of quantity, around 90% of single deals were below €50 million, reflecting the current situation of financial markets. Big-ticket investments, usually the main driver of high investment volumes, were thus limited to a few share deals in the first three months of the year, rather than to single-asset investments.

A-CITIES: RESTRAINED START DUE TO EXTERNAL FACTORS

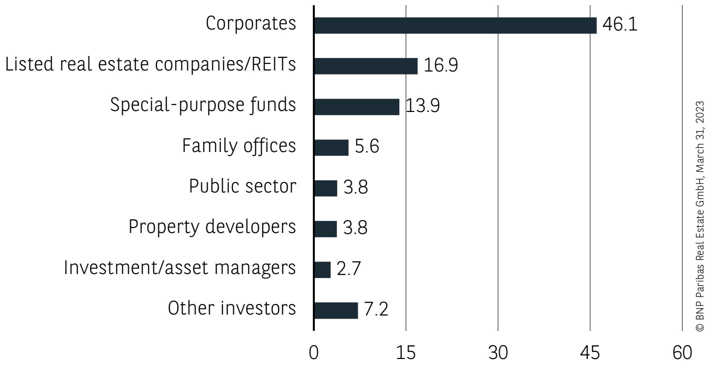
The lack of large transactions in the triple-digit million range is reflected in the investment volume of the A-locations. Although the top markets with a total of €910 million achieved a slightly better result than in the previous year (€822 million), this is mainly due to the partial takeover of the KaDeWe in Berlin, which contributed the lion's share of the volume in the A-cities. Apart from this deal, only a few smaller transactions were registered in the major investment locations at the start of the year. Overall, however, this weak performance must be considered a snapshot, as it is directly influenced by the overall economic situation.

DEPARTMENT STORES WITH HIGH INVESTMENT MOMENTUM

The subdued market activity in the first quarter so far is also reflected in the volume distribution across the different asset classes: Driven by the partial takeover of the KaDeWe, department stores lead the ranking with almost 50% of the total result. In addition, some smaller transactions and portfolios were also observed in the Discount store/supermarket segment (almost 27%). Shopping centres account for just under 17% and high-street properties for around 6% of the market.

Retail investments by buyer group Q1 2023

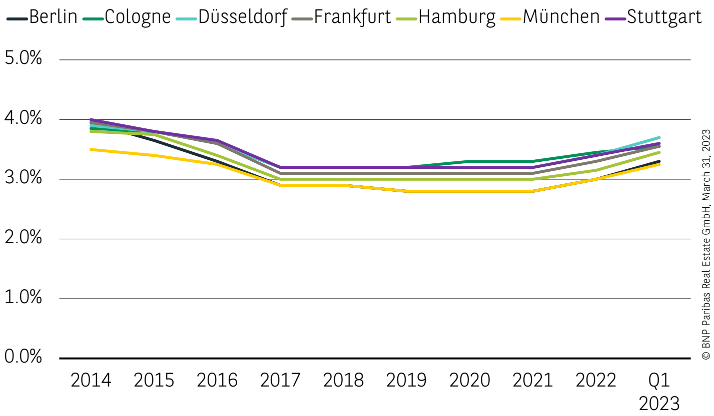
in %



CORPORATES AHEAD DUE TO THE KADEWE

Just like the distribution of the investment volume by property type, the breakdown by buyer groups also shows a rather unusual picture after the first quarter: Corporates, due to the partial take-over of the KaDeWe, contributed 46%, accounting for the highest share of the total turnover. Listed real estate companies/REITs, which follow in second place, primarily participated through investments in various shopping centres (almost 17%). Special-purpose funds once again proved to be the most important investors in the retail park segment. They account for almost 14% of the total volume. Beyond that, only family offices exceed the 5% mark, contributing just under 6% to the total volume. Foreign investors lead the field with a share of 52%. However, this result also only reflects a temporary situation for the time being, and does not reflect a market trend, rather the impact of a few large deals.

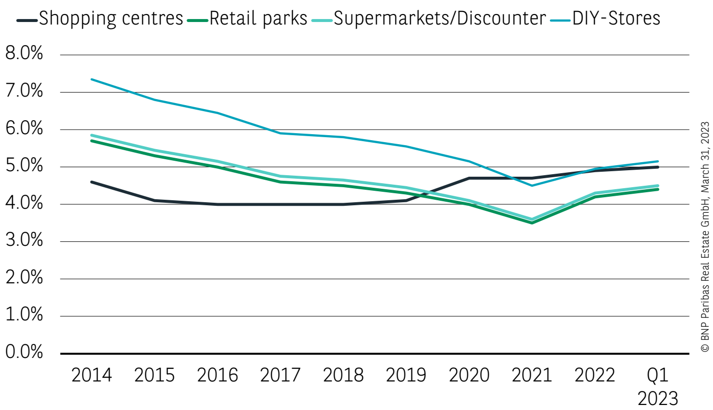
Retail high street net prime yields in the A-locations



YIELD EXPANSION ACROSS ALL PROPERTY TYPES AND CITIES

In the course of 2022, retail high-street investments were able to hold their prime yields a little longer than office or logistics properties, as these had already undergone sideways movements for several years. Since the second half of the year, however, it was also barely possible to maintain the high prices in the premium high-street sector. Consequently, further yield increases were recorded in the top markets since the turn of the year. Munich (3.25%) is currently positioned just ahead of Berlin (3.30%) in the ranking of A-locations. Hamburg (3.45%) remains in third place, while Frankfurt and Cologne (both 3.55%) are tied, placing Stuttgart (3.60%) and Düsseldorf (3.70%) at the bottom. However, there have also been further price adjustments for the other property types since the beginning of the year: Retail park yields (4.40%) increased by 20 basis points, as well as supermarkets/discount stores (4.50%) and DIY stores (5.15%). Shopping centres now quote at 5.00% (+10 bps since year-end 2022).

Net prime yields by type of property



OUTLOOK

During the first quarter, external factors led to generally subdued market activity on the investment markets, which also affected the retail investment sector. However, the retail segment benefits from its diversified structure with various property types and different risk-return profiles. The food anchored sector in particular stands out as a resilient product, meaning that the price expectations of buyers and sellers in this sector differ significantly less than in other segments. Against this backdrop, the portfolio segment should pick up noticeably, especially in the retail park segment. Although the overall conditions remain tense for now, there is a good chance that investment volumes will increase over the course of the year compared to the other major asset classes.

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