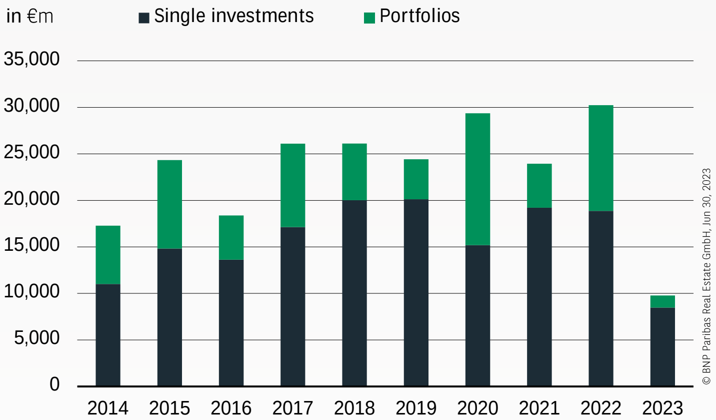
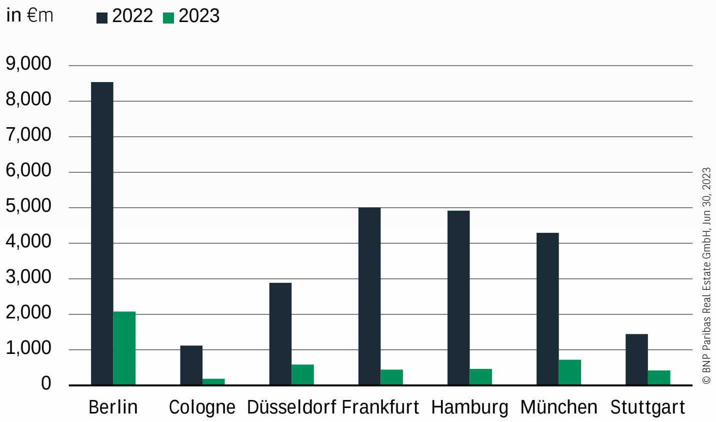
At a Glance Q2 2023

INVESTMENT MARKET GERMANY

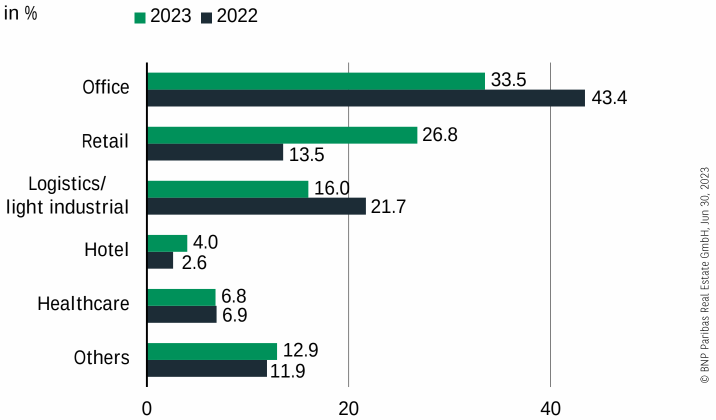
Investment volume in Germany H1



Investment volume in the A-locations H1



Investments by type of property in Germany H1



DIFFICULT ENVIRONMENT CONTINUES TO BURDEN

In the second quarter, the commercial investment markets were again largely determined by the changed financing conditions and the difficult overall economic environment. In total, only just under € 9.8 billion was invested in commercial real estate and development properties in the first half of the year. Compared to the exceptionally good period of the previous year, the decline amounts to almost 68%, even if this comparison is hardly meaningful due to the changed conditions. However, the fact that at the same time the 10-year average was undercut by 57% underlines the current situation of the markets. The transaction volume in the first half of the year is thus roughly at the level of the years shortly after the financial crisis.

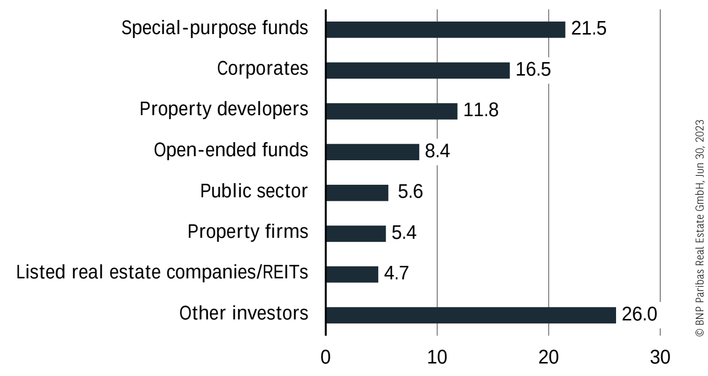
A-CITIES WITH SIMILAR LOSSES AS THE OVERALL MARKET

The investment volume in the German A-locations amounts to just under € 4.8 billion in the first half of the year and falls short of the record result of the previous year by almost 69 %. The ten-year average was also undercut by almost 61%. The development of the top German locations is thus relatively identical to the market as a whole. Particularly in the large investment locations, however, the pricing phase, which has not yet been completed, continues to play a decisive role. An important indication of this is the fact that there have hardly been any large-volume trophy deals in the core segment so far, not least because sellers are hardly coming to the market with such properties in the current market situation.

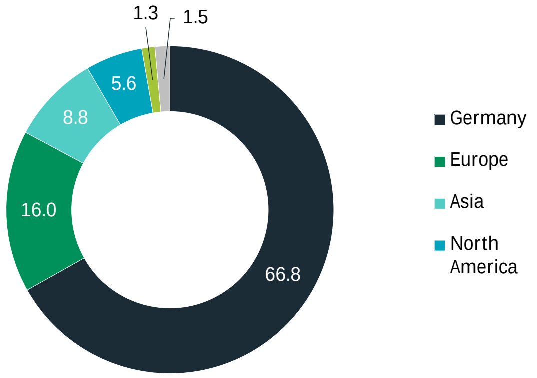
OFFICES STILL AHEAD DESPITE SHARP DECLINE IN TURNOVER

Despite a decline of around 75%, offices are once again at the top of the most important asset classes with a turnover share of one third (€ 3.23 billion). Retail properties are in second place, contributing 26.5% to the overall result with an investment volume of € 2.59 billion. This is around 36% less than in the same period of the previous year, which is by far the smallest decline of all asset classes. Logistics properties also suffered a significant decline in turnover, with a drop of 76%, which is comparable to the decline in office properties. With an investment volume of just under € 1.55 billion, they contributed around 16% to the overall result. Hotels did comparatively well, with € 390 million invested, which corresponds to a share of 4% of the total turnover. Healthcare real estate accounted for another 7% of the transaction volume, contributing almost € 660 million to the total turnover.

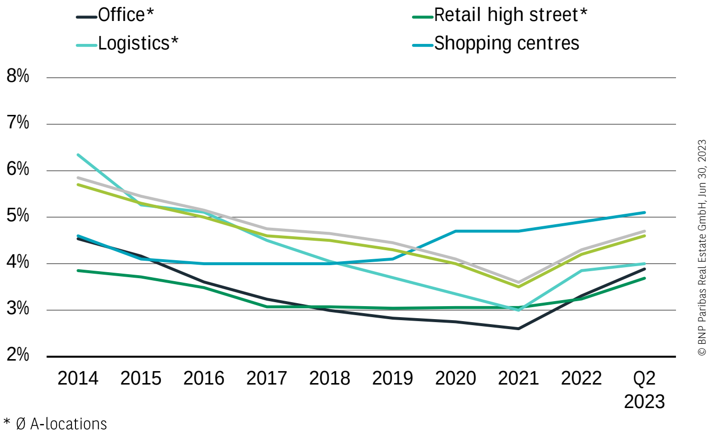
Investments by buyer group H1 2023



Investments by origin of capital H1 2023



Development of net prime yields



* Ø A-locations

CORPORATES AND PROJECT DEVELOPERS VERY PRESENT

In the first half of 2023, special funds lead the buyer groups with 21.5%. Corporates ranked second with 16.5% and thus registered an exceptionally high share in a long-term comparison. Project developers also made a double-digit contribution with 11.8% and thus occupy third place. Other notable contributors of more than 5% were open-ended funds (8.4%), the public sector (5.6%) and real estate companies (5.4%).

RISE IN YIELDS STILL CONTINUING

Net prime yields have continued to move upwards in the second quarter of the current year. In the office segment, they have risen by an average of 30 basis points in the A locations. Cologne recorded the strongest increase (+40 basis points), now at 3.95%. The smallest increases were in Düsseldorf and Frankfurt, where the current rate is 4.00%. In Hamburg and Stuttgart the net prime yields are now 3.90%. The most expensive location remains Munich at 3.70%, just ahead of Berlin at 3.75%. Only slight increases were observed for logistics properties. Here the prime yield increased by 5 basis points to 4.00%. Retail parks (4.60%) and the discounter/supermarket segment (4.70%) both rose by 20 basis points. The growth in shopping centres, which had already increased significantly in the previous quarters, was somewhat lower. The current figure is 5.10% (+10 basis points).

OUTLOOK

The current investment turnover and general conditions indicate that the investment markets will continue to be in difficult situation in the second half of the year. Hopes of a faster decline in inflation, which would give central banks more mobility, have unfortunately not been fulfilled so far. Consequently, everything points to further, albeit probably moderate, interest rate steps in the second half of the year. This will also prolong the price discovery phase, the conclusion of which, however, is a prerequisite for more security and confidence on the part of investors and thus a noticeable revival of the investment markets. However, if the interest rate hike phase ends in the second half of the year, there is a realistic chance that the new price formation could be completed by the end of the year at the latest. However, this does not change the fact that investment turnover in the second half of the year will still be at a low and below-average level in a long-term comparison, as very little, if any, tailwind is to be expected from the economic side. As a result, the user markets are also likely to be largely absent this year as a stabilizing and sustainably stimulating factor for the market.

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