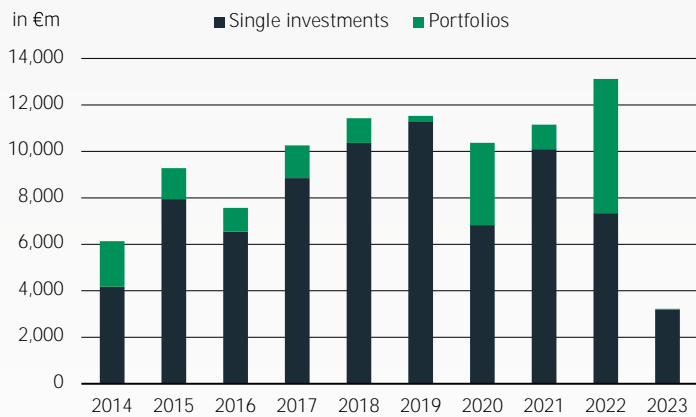




At a Glance **Q2 2023**

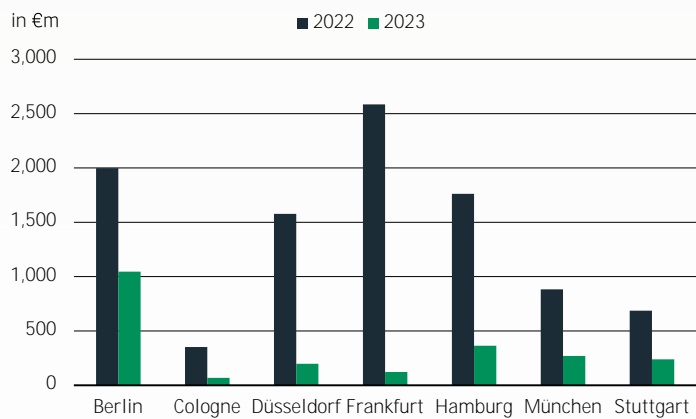
OFFICE INVESTMENT MARKET GERMANY

Office investments in Germany H1



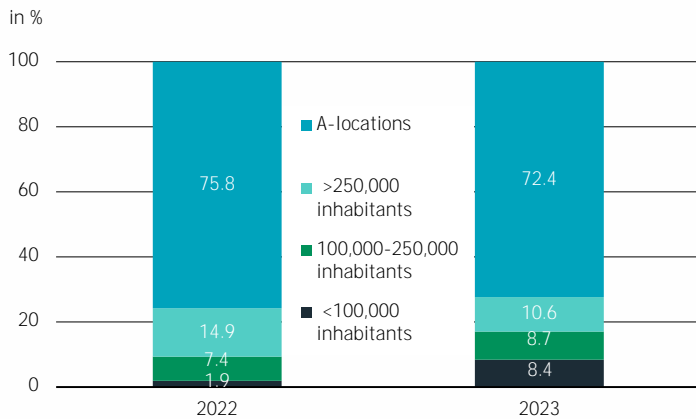
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Office investments in the A-locations H1



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Office investments by city size H1*



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* excl. portfolios

➤ CHALLENGING ENVIRONMENT RESTRAINS INVESTMENTS

Office investments continued to face a difficult environment in the second quarter. Besides the still challenging financial conditions and the still ongoing price discovery phase, the economic situation is also slowing down investment activity. At just under € 3.2 billion, the transaction volume in the first half of the year was consequently weak, as expected, and 75 % below the previous year's figure. The ten-year average was undercut by around two-thirds as well. Nevertheless, office properties have once again been the most important asset class so far this year, contributing around one third of the total commercial investment volume. The decisive factor for the low transaction volume is among other things the restrained investment activity of many companies as a result of the difficult overall economic situation and technical recession which has hit Germany. As a result, the performance of the occupier markets has been weak with a take-up 32% below the previous year's level. Even though the extent of the decline is not unusual given a negative GDP growth, it does lead to a certain degree of uncertainty among investors regarding the short-term outlook for the office markets.

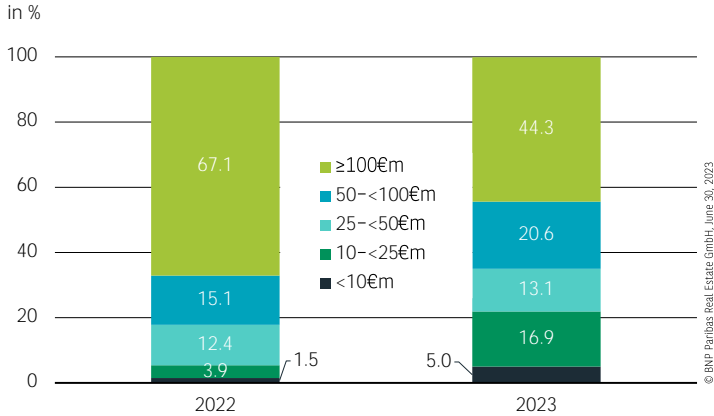
➤ BERLIN BY FAR THE NUMBER 1

Approximately €2.3 billion was invested in office properties in the A-locations in the first half of the year. With a decline of just under 77 % compared to 2022, the top locations are roughly in line with the nationwide trend. The significantly lower volume of large-scale transactions was one of the main drivers of the result. In total, only six transactions in the triple-digit million range were registered. Berlin once again came out on top with € 1.05 billion. The German capital is thus the only location to exceed the billion-euro mark. Hamburg comes second with €363 million, followed by Munich with €270 million and Stuttgart with €239 million. Düsseldorf with €197 million (-87%) and Frankfurt with only €122 million (-95%) recorded particularly strong declines in turnover. Cologne finishes last in the half-year ranking. Only € 69 million has been registered in the cathedral city so far.

➤ SMALLER CITIES WITH INCREASED VOLUMES

In nearly all city categories, a lower investment volume has been observed. At € 268 million (+89 %), only small cities with up to 100,000 inhabitants experienced a significantly higher investment volume than in the previous year's period. This finding suggests that the price finding phase has progressed further in smaller markets.

Office investments by € category H1



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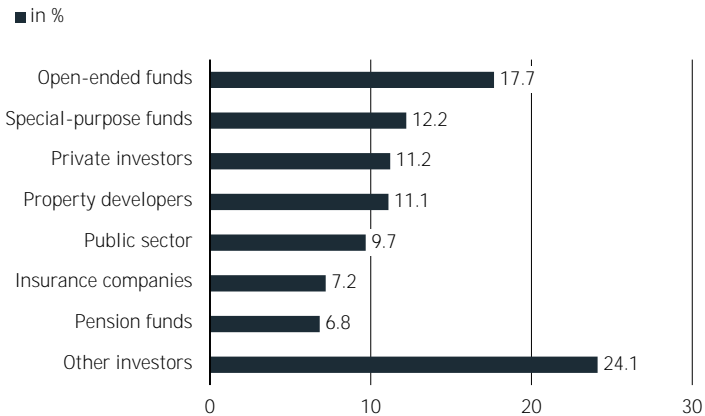
SMALLER DEALS GAINING RELATIVE IMPORTANCE

In the second quarter, large deals over € 100 million increased their share slightly, although with a contribution of 44 % at the end of the first half of the year, it is still noticeably below the long-term average. Overall, the distribution by size category has shifted considerably, as anticipated. Smaller properties with an investment volume of € 25 million or less, for instance, gained relative importance and currently contribute almost 22 % to the total volume. In the first half of 2022, on the other hand, where take-up rates were very high, they only reached a good 5 %. In absolute terms, though, they also almost reached their 2022 value.

FIVE BUYER GROUPS WITH DOUBLE-DIGIT SHARES

The overall distribution across the various buyer groups is fairly balanced. Five investor types achieve double-digit shares. Open-ended funds took the lead with almost 18 %, followed by special-purpose funds with a good 12 %, private investors and property developers with around 11 % each and the public sector with just under 10 %.

Office investments by buyer group H1

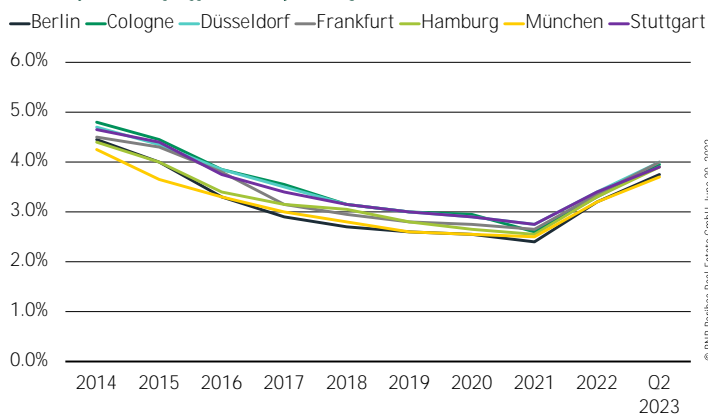


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FURTHER YIELD EXPANSION AS EXPECTED

Net prime yields continued to expand in the second quarter, which does not surprise considering further interest rate hikes by central banks. A-locations have increased by an average of 30 basis points. Cologne recorded the sharpest increase (40 basis points), with the current yield of 3.95%. Düsseldorf and Frankfurt recorded the slightest increase, with currently 4.00%. In Hamburg and Stuttgart, the prime yields now stand at 3.90%. The most expensive location remains Munich at 3.70 %, which puts the Bavarian capital just ahead of Berlin with 3.75 %.

Development of office net prime yields



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OUTLOOK

The prevailing conditions suggest that the office investment markets will continue to struggle for the rest of the year. At the same time, there are increasing signs that the price discovery processes may accelerate. A rising number of pitch requests as well as a slight increase in signed and closed deals in the smaller market segment demonstrate this. From today's perspective, overall conditions should gradually improve from 2024 onwards. The main factors here are a slowly recovering economy, partly driven by catch-up effects, significantly declining inflation, improved financial stability, increasing office take-up and rent prices. The medium-term outlook therefore suggests excellent opportunities for real estate investments, as it always has been following a crisis.

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