



GERMANY

REPORT

RETAIL INVESTMENT MARKET

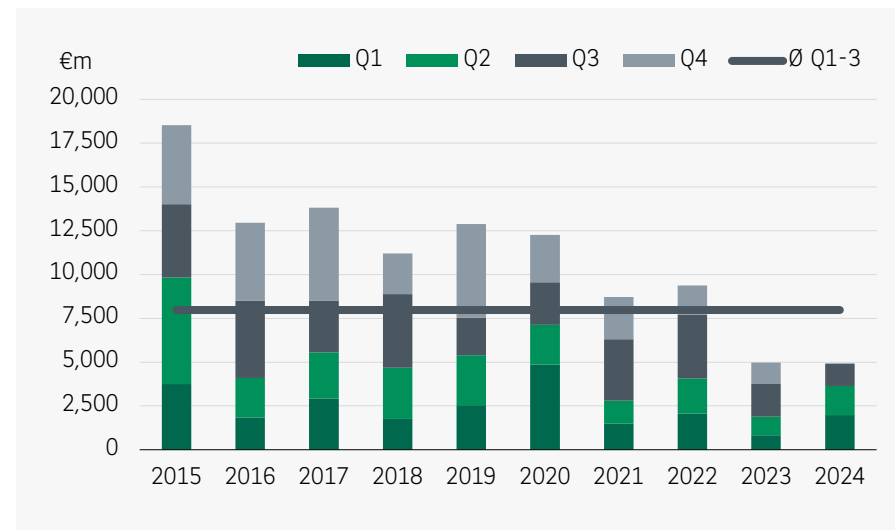
Q1-3 2024



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REAL ESTATE for a changing world

Development of retail investment volume Q1-3



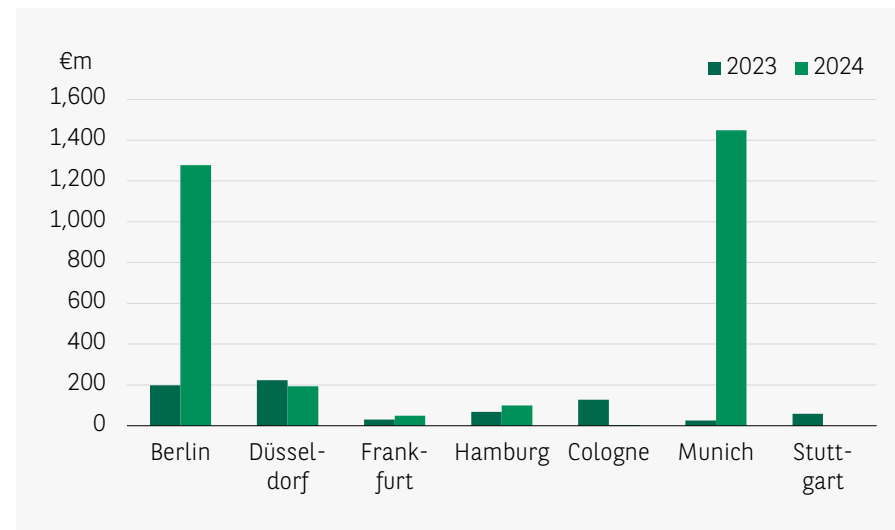
Retail investments by type of property



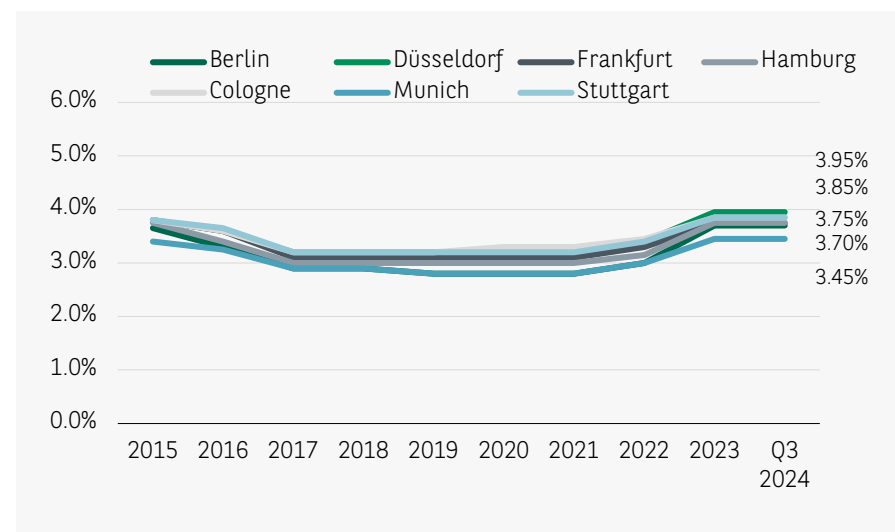
RETAIL FURTHER AHEAD IN ASSET CLASS RANKING, 30% GROWTH IN TURNOVER

- Against the backdrop of slowly improving market conditions, the retail investment market can report a satisfactory result at the end of Q3. Even though the long-term average (€8 billion) has not yet been reached with a transaction volume of €4.9 billion (-38%), the significant increase compared to 2023 can be seen as an indication of returning investor confidence that the pricing phase will soon come to an end. In this context, the volume at the end of September was already at the level of the full year 2023 and +30% compared to Q1-3 2023.
- Retail property tops the list of major asset classes for the third consecutive quarter. With a 27% share of turnover, they are ahead of logistics (€4.4 billion; 25%) and office investments (€3.6 billion; 20%).
- Looking at the two segments of individual deals and portfolio sales, transactions involving individual retail assets stand out in particular: with a volume of around €4.2 billion, they are even above average compared to the last five years (+20%). In the portfolio sector (€703 million), market activity in the smaller segments is brisk, while large turnover drivers, which are often associated with company takeovers, are currently lacking.
- In terms of property types, shopping centres (14% share) were able to catch up with the Pasing Arcaden in Munich, among others, and record the largest deal in recent months. The three other segments of department stores and retail warehouses as well as specialist stores are close together with high market shares of between 25 % and 31 %, which speaks in favour of the good momentum in the high street and food sector.

Retail investments in A-locations Q1-3



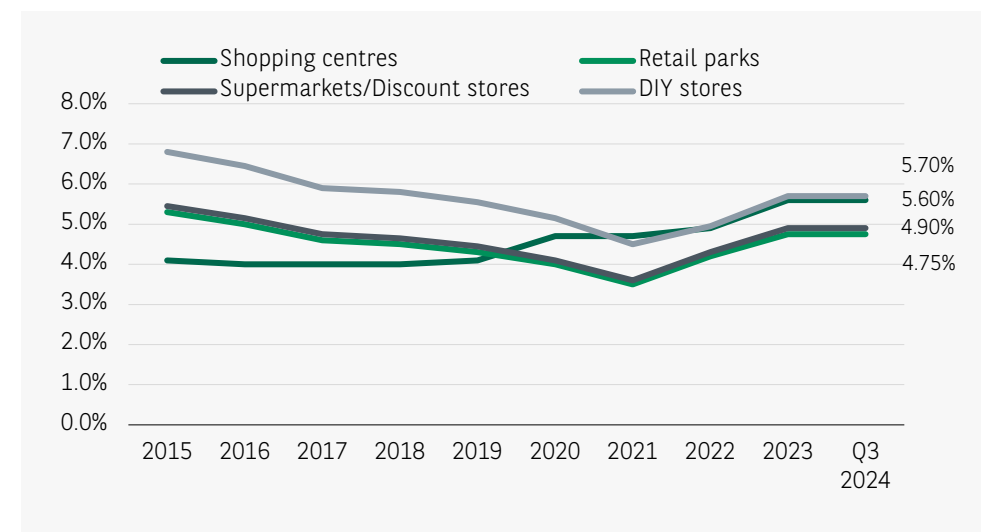
Retail high street net prime yields in A-locations



A-CITIES: €3.1BN FROM LARGE-SCALE SINGLE DEALS

- In the top markets, the retail investment volume continues to be closely linked to individual major transactions in the three-digit million range. Accordingly, only Munich (almost €1.5 billion) and Berlin (almost €1.3 billion) were able to generate high volumes through the Fünf Höfe, Pasing Arcaden, Maximilianstrasse 12-14 and KaDeWe deals. In addition to these sales drivers, smaller high street and department store deals as well as transactions in the food sector are repeatedly recorded in the A-cities, which only have a minor impact on the total volume. After the first three quarters, the A-locations totalled around €3.1 billion (62% share).
- There were no further adjustments to the net prime yields in the first nine months. This puts the seven A-locations in a range between 3.45% and 3.95%. Meanwhile, retail parks are quoted at 4.75 %, individual food retailers at 4.90%, shopping centres at 5.60% and DIY stores at 5.70%.

Retail net prime yields by type of property



*excl. portfolios

OUTLOOK

- After the first three quarters, there are clear signs that the recovery phase on the investment markets is not yet complete, but is progressing steadily.
- The retail investment market currently occupies a special position in this respect, as it appeals to a comparatively large range of investors primarily due to its broad spectrum of different property types with very different risk/return profiles. The highly diversified product portfolio of the retail sector appears to be an important competitive advantage compared to other asset classes, which retail investments can increasingly utilise to their advantage.
- In addition to the broad distribution of turnover across property types, the increased momentum in the high street sector, the good volume in the single deal segment and the increasing number of large deals being finalised speak in favour of the noticeably improved market sentiment.
- Against this backdrop, a year-end rally is not expected for the final quarter, but a significant increase in the investment volume is very likely. In order for the result to return to the long-term average, large-volume portfolios, which can currently only be observed sporadically across asset classes, are missing. However, there are still some sales processes in this segment in particular that are already on the home straight.
- The trend in prime yields confirms that the price adjustment processes have now noticeably lost momentum. From today's perspective, no further prime yield adjustments are therefore expected for the fourth quarter.

Key facts retail investment market Germany

| INVESTMENT VOLUME | Q1-3 2023 | Q1-3 2024 | CHANGE |
|----------------------------|-----------|-----------|-----------|
| Total (€m) | 3,793 | 4,917 | +29.6% |
| Portfolio share | 52.0% | 14.3% | -37.8%pts |
| Share above €100 million | 47.9% | 58.6% | +10.7%pts |
| Share of A-cities | 19.3% | 62.4% | +43.2%pts |
| Share of foreign investors | 42.0% | 44.7% | +2.7%pts |

| NET PRIME YIELDS | Q3 2023 | Q3 2024 | CHANGE |
|------------------|---------|---------|--------|
| Berlin | 3.65% | 3.70% | +5bps |
| Düsseldorf | 3.95% | 3.95% | +0bps |
| Frankfurt | 3.75% | 3.75% | +0bps |
| Hamburg | 3.75% | 3.75% | +0bps |
| Cologne | 3.80% | 3.85% | +5bps |
| Munich | 3.45% | 3.45% | +0bps |
| Stuttgart | 3.85% | 3.85% | +0bps |

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