In the first half of 2015, investment in sizeable stocks of residential units entered a new dimension to reach a total of 17.05 bn €. That was not only more than 144 % higher than the already very good prior-year figure but actually exceeded all the 12-month turnover totals of the past ten years. This dazzling performance was fuelled primarily by large deals which frequently involved the acquisition of entire companies. Almost half the transaction volume comprised Deutsche Annington's takeover of Gagfah for just under 8 bn €. Deutsche Annington was also responsible for the second-biggest deal, the acquisition of Süddeutsche Wohnen for around 1.9 bn €. The most important package sales included the purchase of about 13,500 residential units by Patrizia AG for almost 900 m € and the takeover of Westgrund AG by Adler Real Estate AG for approx. 800 m €. Just by themselves, these four transactions accounted for around 68 % of the investment total. Even leaving these large packages out of consideration, market activity was very lively – as evidenced by the fact that this survey covered close to 160 sales involving more than 266,000 homes.

Mainly because of the above-mentioned transactions, the asset-class ranking was naturally headed by large existing portfolios of residential units, with more than 88 % of all turnover. Another notable fact, though, has been the ongoing increase in the demand for project developments. These attracted nearly 940 m €, corresponding to a year-on-year rise of almost 50 %. This gave them a turnover share of 5.5 %, which was slightly higher than that registered by block sales of older properties.

Thanks to the mega-deals, the size class upwards of 100 m € accounted for almost 85 % of all turnover. Activity was generally very buoyant, though, as indicated by the fact that most of the other size brackets also attracted appreciably more investment than before in absolute terms. The class of sales up to 10 m €, for instance, expanded by nearly 46 % to generate more than 318 m €. The 50-100 m € bracket registered an even larger increase (+78 %) by contributing more than 926 m € to the result. The only segment to post a decline (~ around 21 %) was that from 25 to 50 m €, with turnover of 656 m €.
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BNP Paribas REAL ESTATE

AT A GLANCE - RESIDENTIAL INVESTMENT MARKET GERMANY - Q2 2015

MAJOR DEALS INFLUENCE BUYER STRUCTURE

For some time now, exchange-listed housing companies and other major owners have been increasingly geared towards fresh buying and takeovers in order to gain market share and thus be able to utilise economies of scale – and this naturally influences the category-structure of investment. Mainly as a result of such large transactions, listed real estate companies have increased their predominance in the investor ranking even further. After contributing around two-thirds to the result in the prior-year period, they have now lifted this proportion to 77 %. All the other investor groupings have been confined to single-digit shares of turnover. They include private investors, with 4.5 %, and property firms and special-purpose funds, each with just under 4 %.

DOMESTIC INVESTORS DOMINATE FIELD

In the first half of 2015, the predominance of German investors was again apparent and has in fact intensified. Overall, they accounted for more than 87 % of all the capital deployed. Accordingly, foreign market players contributed just under 13 %, but it must be borne in mind that they actually increased their absolute investment volume by more than one third. The most active were European investors, with a share of just over 7 % of the total, followed by buyers from the Middle East (just over 3 %). North American investors, on the other hand, did not put in much of an appearance, accounting for only just under 2 %.

WIDER RANGE OF PURCHASE PRICES

The strong demand and the still favourable financing conditions have brought about a somewhat wider spread of purchase prices. This means that buyers wanting for strategic reasons to acquire specific stocks are now more often ready to pay prices above the average market level. This applies chiefly to high-grade project developments in top locations, but increasingly also to larger existing portfolios, for instance to lift market share or to achieve synergy effects.

WHOLE-YEAR TURNOVER BETWEEN 20 AND 25 BN €

Not just because of the turnover generated up to now but also in view of the ongoing very strong scale of demand, the investment total in 2015 is set to produce a record result way beyond anything achieved before. It will definitely pass the 20 bn € threshold and could well even reach 25 bn € if some large purchases or takeovers are actually realised in the second half. In the small-unit segment of the market, too, lively activity can be expected, with consolidation processes creating an additional supply.

Average sales prices according to asset classes

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Price Range (€/m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Older properties*</td>
<td>1,100-1,400</td>
</tr>
<tr>
<td>Existing portfolios</td>
<td>800-1,200</td>
</tr>
<tr>
<td>Modern properties*</td>
<td>1,900-2,200</td>
</tr>
<tr>
<td>Projects</td>
<td>3,000-4,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,400-3,000</td>
</tr>
</tbody>
</table>

* Block sales in one location