



Facts and Figures

Investment Market Germany
Q1 2022

“To understand matters rightly we should understand their details.”

Quote from François VI. Duc de La Rochefoucauld

If you require any further information, please do not hesitate to contact us. We can put you in touch with our specialists who are always happy to provide you with expert support. We look forward to hearing from you!



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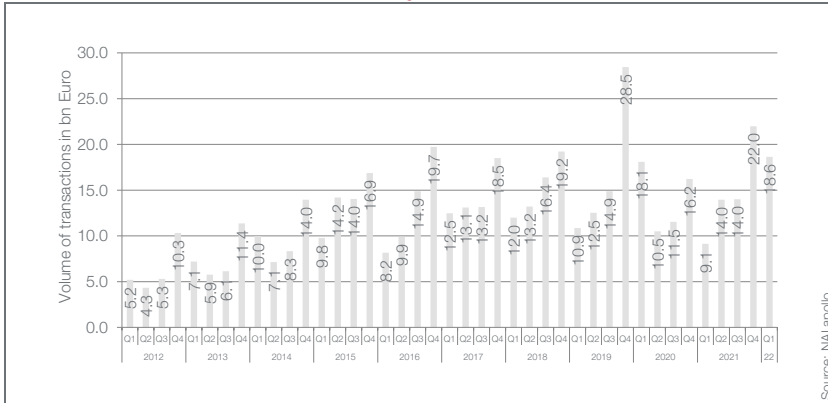
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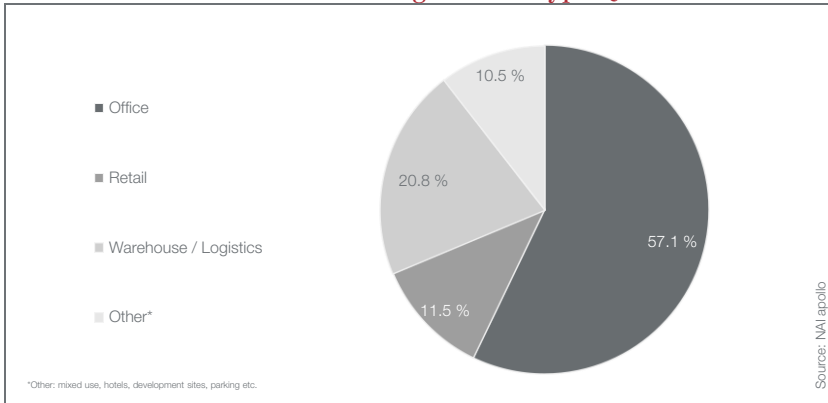


Volume of transactions 2012 – Q1 2022



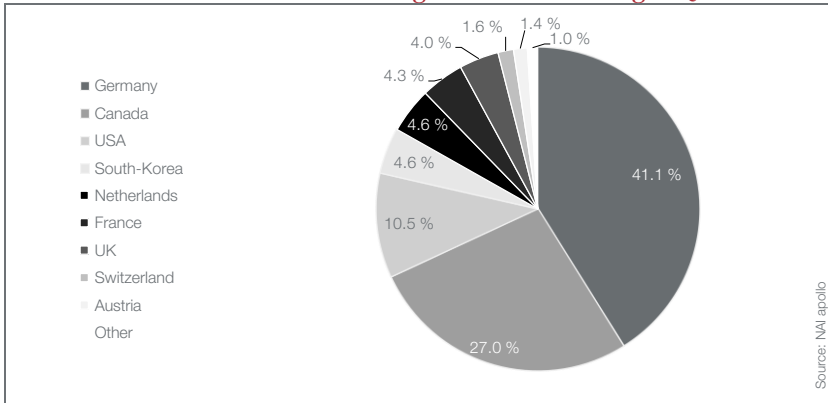
The war in Ukraine so far appears to have had little impact on the German commercial property investment market in 2022. In Q1 2022 the total transaction volume amounted to €18.6 billion. This represents a new record figure for a first quarter that is more than double the volume recorded in Q1 2021 (€9.1 billion) and 50 % above the five-year average (Q1 2017 - Q1 2022: €12.5 billion).

Volume of transactions according to asset type Q1 2022



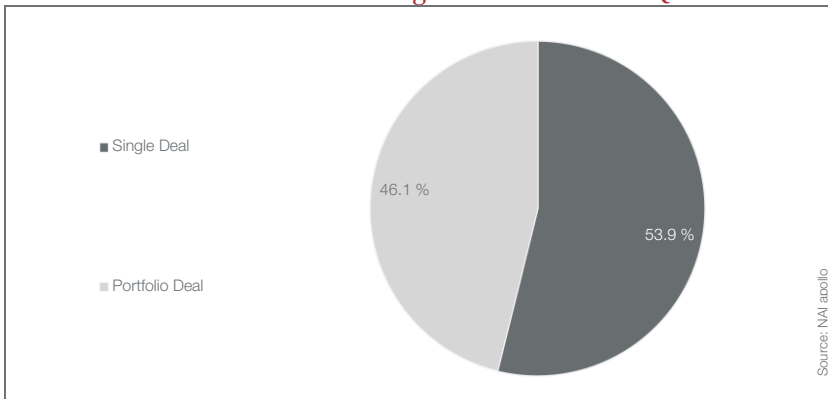
The very good result was primarily driven by a significant increase in portfolio sales, which rose fourfold compared to last year. A total of €8.6 billion was invested in portfolios, of which almost €4.6 billion related to the acquisition of Alstria by Brookfield. Other large portfolio deals include the (majority) acquisitions of VIB Vermögen by DIC Asset AG and Deutsche Industrie REIT-AG by dutch CTP. The value of the deals was around €900 million and €800 million respectively.

Volume of transactions according to investors' origin Q1 2022

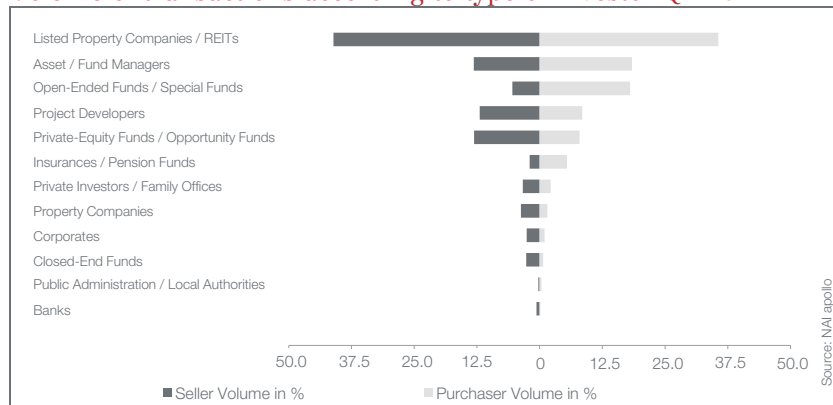


Single asset sales also rose strongly by 43.6 % to about €10.0 billion. For example, DWS acquired the “Marienturm” in Frankfurt for the National Pension Service of Korea for more than €800 million. A further example of a large single asset deal is the Olympia Business Centre (OBC) in Munich, valued at around €300 million. In Berlin, Henderson Park acquired the historic “Mosse-Zentrum”. Also in Berlin, Tishman Speyer bought the “Q207” property.

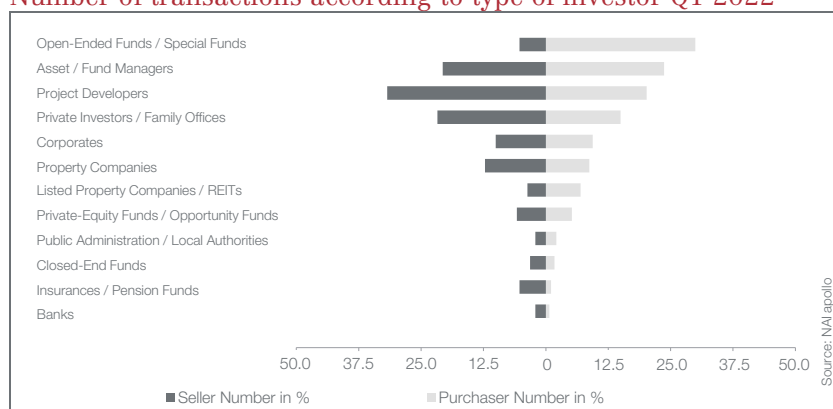
Volume of transactions according to deal structure Q1 2022



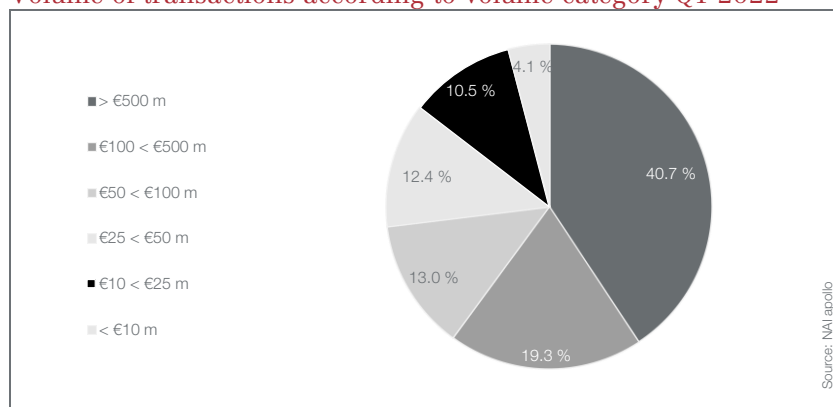
Volume of transactions according to type of investor Q1 2022



Number of transactions according to type of investor Q1 2022



Volume of transactions according to volume category Q1 2022



Prime yields Q1 2022

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	2.40 %	2.90 %	3.00 %
Dusseldorf	2.80 %	3.25 %	3.10 %
Frankfurt a. M.	2.70 %	3.15 %	3.05 %
Hamburg	2.60 %	3.10 %	3.05 %
Munich	2.50 %	2.90 %	3.00 %
Total	Ø = 2.60 %	Ø = 3.05 %	Ø = 3.05 %

The Alstria takeover provided a noticeable boost to the office investment volume in the first three months of 2022, although there would still have been a considerable increase even without this transaction. In total, office investments amounted to €10.65 billion, indicating that this asset class continues to dominate the market with a share of 57.1 %. Next were warehouses and logistics properties, which registered an 81 % increase to about €3.88 billion. This provides further confirmation that the logistics and storage segment has established itself as the second-strongest asset class with a total share of 20.8 %. Retail investments accounted for €2.15 billion in the first three months of 2022, which was 61 % more than in Q1 2021. “Other uses” recorded a transaction volume of around €2.0 billion, of which hotels accounted for €0.46 billion and were slightly up on the previous year.

Foreign buyers proved to be a dominant force in most of the commercial transactions. Here, too, the purchase of Alstria AG by Brookfield played a major role. The capital invested by foreign investors amounted to almost €11.0 billion, which was more than triple the figure reported for the first three months of 2021. Among the foreign nations, Canada registered the highest transaction volume with around €5.0 billion. Next was the USA with almost €2.0 billion, followed by South Korea and the Netherlands with investments below €1.0 billion. Domestic investors, meanwhile, generated a purchase volume of more than €7.6 billion, an increase of more than a fifth.

Among the investor types, “listed property companies/REITs” stand out with more than €6.6 billion, followed by “asset/fund managers” and “open-ended property funds/special funds”. Overall, these three investor types were responsible for 72.1 % of the transaction volume. “Project developers/contractors”, “private equity funds/opportunity funds” and “insurance companies/pension funds” also invested above the €1 billion mark.

The large company takeovers affect the distribution of investments among the size categories, in that the “>€500m” cluster accounts for the highest market share at over 40 %. In a year-on-year comparison, the “€100m < €500m” and “€10m<€25m” segments also performed particularly well.

The geopolitical and economic situation has changed completely following Russia’s invasion of Ukraine. Before the start of the war, a strong economic recovery had been expected in Germany. Now, only moderate economic growth is anticipated at best. The high rate of inflation, triggered by supply bottlenecks caused by the strong recovery in the global economy after the pandemic-related slump on the one hand, and by additional delivery difficulties as a result of the war in Ukraine on the other, will continue for longer and with greater severity than was anticipated at the turn of 2021/2022. A further rise in costs for energy, food, building materials and so on, and the danger of a wage-price spiral should also be mentioned here. Taking all this into account, the ECB will have to make a clear intervention in order to fulfill its mandate of price stability. This has already been partly priced in by the capital markets. Federal bond yields and property financing costs have already increased noticeably in recent months.

As a result, prime yields appear to have halted their downward spiral for the time being. Although they remained stable in all commercial asset classes compared to the previous quarter, a reversal in the trend towards rising returns is already evident in some transactions. Accordingly, the average prime yield for office properties in the top 5 locations is still 2.60 %, while the rate for warehouse and logistics properties as well as high street properties stood at 3.05 % in each case at the end of the first quarter. Compared to the same period of the previous year, prime yields for office properties in the top 5 are around 20 basis points lower, while for warehouses and logistics properties the average yield for the top 5 has fallen by as much as 35 basis points. High street properties, on the other hand, show no change compared to the previous year.

Within the top 5 cities, Berlin remained the location with the lowest prime yield for office properties in Q1 at 2.40 %. Next are Munich (2.50 %), Hamburg (2.60 %), Frankfurt (2.70 %) and Dusseldorf (2.80 %).

For the warehouse and logistics property asset class, the prime yields in Berlin and Munich amounted to 3.00 % in Q1 2022. In Frankfurt and Hamburg, the rates are slightly higher at 3.05 %, followed by Dusseldorf at 3.10 %.

For high street properties, the prime yields in the top 5 locations range between 2.90 % in Berlin and Munich and 3.25 % in Dusseldorf.

Although there is still strong interest in core office properties, warehouse and logistics properties as well as food-anchored retail properties, investors are tending to be far more selective in view of the current situation and the changing interest rate environment. In this respect, it will become more difficult to market non-performing assets or buildings that do not meet absolute core standards in the coming months. Nevertheless, 2022 is likely to end with an above-average volume in a long-term comparison, supported by the very strong first quarter. It is nevertheless difficult to provide an exact forecast for the transaction volume this year in view of the current economic and geopolitical climate.

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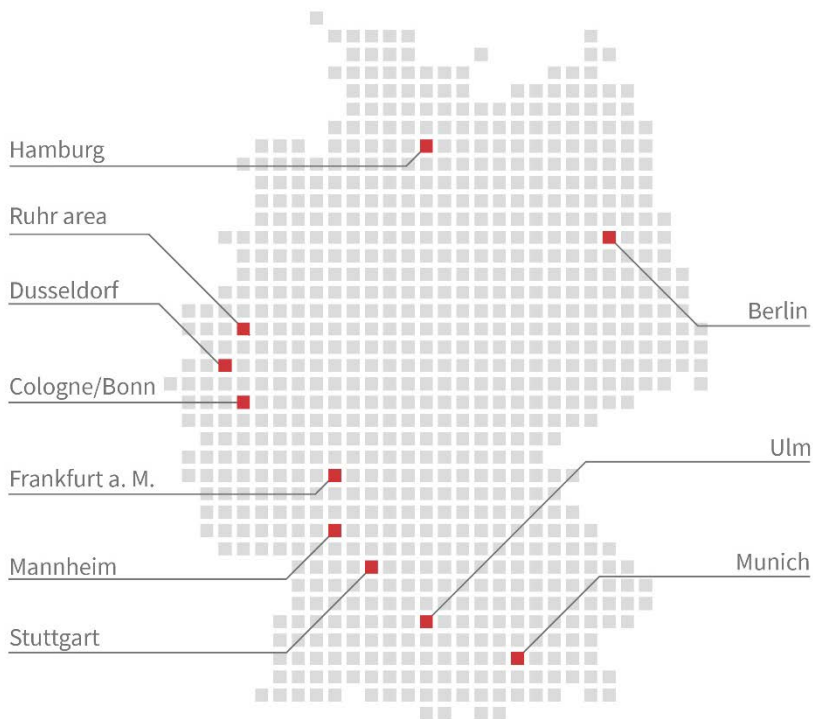
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