



Facts and Figures

Investment Market for Residential Portfolios Germany
Q3 2022

“The essence of knowledge is, having it, to apply it.”

Quote from Confucius

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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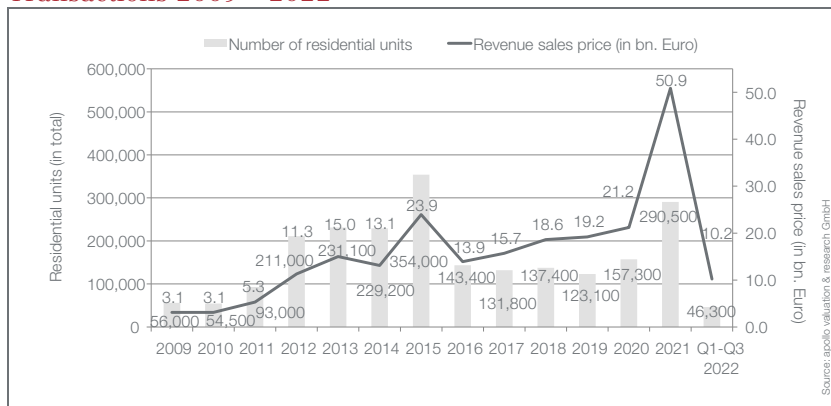


Market overview Q1-Q3 2022

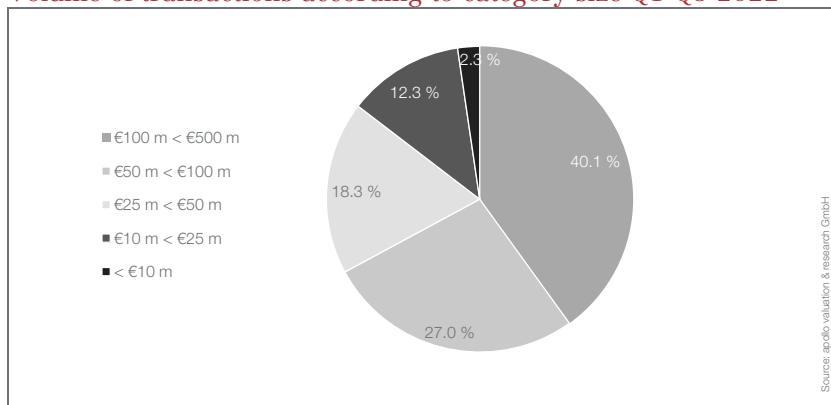
Transaction volume	€10.2 billion represents a decline of more than 33 % compared to the five-year average
Sales of residential units	230 transactions with approx. 46,300 units
Regional focus	North Rhine-Westphalia and Berlin with the most transactions on federal state level, metropolises remain the most popular investment target
Type of investors	"Open-Ended Funds / Special Funds" continue dominant investors
Origin of investors	German investors are strongest market players with purchases of €7.3 billion

Source: apollo valuation & research GmbH

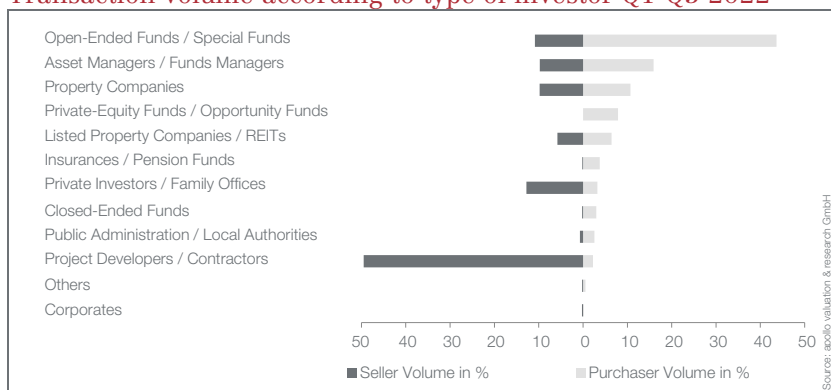
Transactions 2009 – 2022



Volume of transactions according to category size Q1-Q3 2022



Transaction volume according to type of investor Q1-Q3 2022

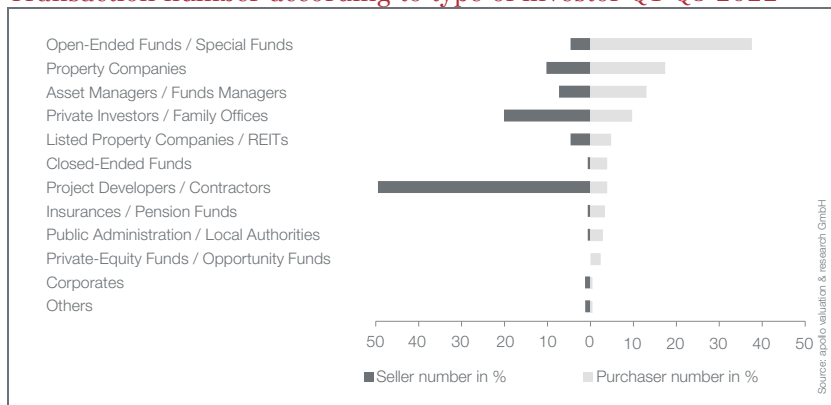


The transaction market for residential portfolios* proved to be more robust in the third quarter than had been anticipated by many market participants in recent months. Residential portfolios worth a total of €3 billion were traded in Germany in the third quarter. This means that the result was almost in line with the prior quarter (Q2 2022: €3.1 billion). At the same time, it was significantly below the Q3 result of the previous year (€11.3 billion) as well as the recent five-year average for third quarters (€5.6 billion), although the latter figure was boosted by last year's record result. A lower three-month result was last registered in the third quarter of 2020, when the residential portfolio transaction volume amounted to €2.9 billion. In the year to date, the transaction volume stands at €10.2 billion, which is well below both the corresponding five-year average (€15.3 billion) and the previous year's result (Q1-Q3 2021: €21.4 billion). However, this comes as little surprise given the wait-and-see attitude of investors as a result of the hike in interest rates, inflation and the threat of recession. At the same time, we should welcome the fact that the market did not slump even further compared to the previous quarter.

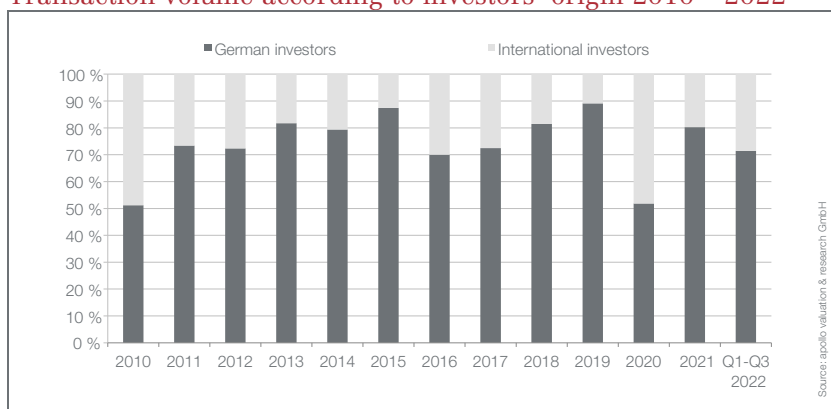
One noticeable feature of the current year is the complete absence of transactions above €500 million. In the same period of the previous year, such deals accounted for a market share of 43.4 % or a volume of €9.3 billion. Without the mega transactions, last year's interim result would have been significantly lower at €12.1 billion. The average price level also fell in the past few months. While the price per residential unit was €236,000 in the first quarter, the average for the year to date is now around €221,000, which admittedly exceeds the previous year's figure.

*Sale of residential property portfolios or residential complexes with at least 30 units each as well as the sale of corporate shares which give the purchaser a controlling interest; without consideration of IPOs

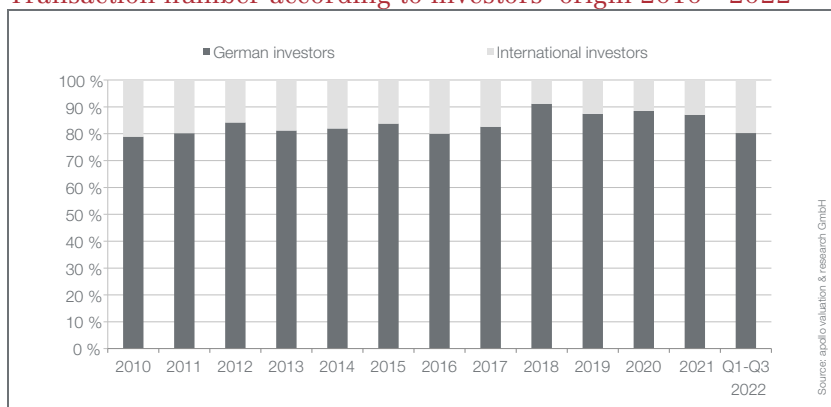
Transaction number according to type of investor Q1-Q3 2022



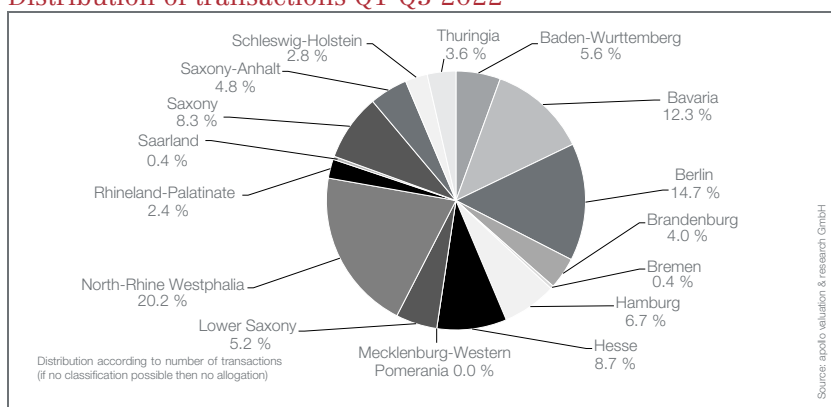
Transaction volume according to investors' origin 2010 - 2022



Transaction number according to investors' origin 2010 - 2022



Distribution of transactions Q1-Q3 2022



The sale of micro-apartment developments, student residences and neighbourhood developments made a significant contribution to this persistently high price level.

When looking at deals in terms of their size, the absence of transactions above €500 million, which played such a dominant role last year, made a substantial contribution to the decline in the transaction volume. Instead, the “€100m < €500m” segment accounted for the biggest market share in the past nine months with around €4.1 billion (Q1-Q3 2021: €5.1 billion), primarily owing to the sale of large portfolios (40.1 % share). Transactions in the medium-sized segment (“€50m < €100m”) totalled around €2.8 billion, which was in line with Q1-Q3 2021. The remaining around €3.4 billion (Q1-Q3 2021: €4.2 billion) is attributable to investments below €50 million. The largest transaction so far this year is the sale of the German portion of Cattella’s Erasmus portfolio to ZBI Group, which in Q3 secured properties in Germany and the Netherlands for the open-ended mutual property fund Unilmmo: Wohnen ZBI. The more than 3,000 units in Germany are located in Hamburg, Lower Saxony, Hesse and North Rhine-Westphalia, among other places. Further portfolio deals in the three-digit million range have mostly taken place in the property hotspot of Berlin.

As of autumn 2022, investments in project developments amounted to around €4.6 billion and accounted for a share of 45.1 % (Q1-Q3 2021: €5.1 billion). However, compared to the record result of €2.2 billion in the first three months of 2022, sales in each of the second and third quarters of 2022 almost halved to €1.2 billion. In view of the increase in the cost of project developments as a result

of higher interest rates, inflation and rising construction and energy costs, further declines are to be expected both in terms of general building activity and the trade in construction projects. As a consequence, investors will turn their attention more to existing buildings that have been renovated with a focus on energy efficiency.

Since the beginning of the year, “Open-Ended Funds / Special Funds” have been the most active buyers with a combined market share of 43.6 % or €4.5 billion, followed by “Asset Managers / Funds Managers” with 15.9 % (€1.6 billion). “Listed Property Companies / REITs”, which were last year’s market leaders, dropped to third place with 10.7 % (€1.1 billion). On the seller side, “Project Developers / Contractors” are still the undisputed leaders in line with the demand for forward deals, with a volume of €5.1 billion or a market share of 49.5 %.

As in the previous year, German investors are dominating the residential portfolio market in 2022. Domestic buyers increased their share of the investment volume from 60 % to around 71.4 %. At the same time, the domestic transaction volume has fallen from €12.8 billion in the same period of the previous year to €7.3 billion. This is primarily owing to the absence of transactions above €500 million, in which German players were more involved last year. Foreign investors were responsible for €2.9 billion or around 28.6 % of the purchase volume in the first nine months of the current year. Their investment volume fell by 65.7 % year-on-year.

The outlook for the German residential portfolio property market is correlated to uncertainties as well as a looming recession that is probably no longer avoidable in the coming year. The combination of low interest rates and a stable economic environment that has been driving value for years no longer exists. The war in Ukraine and its consequences, such as the energy crisis, rising inflation and increases in key interest rates, are having a significant negative impact on economic development and property markets. Supply chain problems have not been resolved in recent months and, together with the increased raw material and energy prices, have led to higher risks and costs in the implementation of project developments. However, some residential market factors have a more stabilising effect. Particularly worth mentioning here is the further increase in user demand combined with a simultaneous decline in residential construction activity, from which the rental markets in particular should benefit in the coming months. However, a slowdown in many residential markets, especially outside the growth regions, is still likely. A wait-and-see attitude currently prevails on the residential portfolio market, mainly owing to the difference in price expectations between sellers and buyers. However, given the current framework conditions, a fall in prices

seems inevitable and is now becoming a reality. At the same time, investors are still interested in acquisitions, while property groups have announced the sale of sub-portfolios. In the medium term, we also expect to see a larger supply of property that no longer meets the investment objectives of investors due, among other things, to sustainability criteria that cannot be met. This will counteract a major slump on the investment markets, but it is difficult to make a specific forecast for the coming months due to the many influencing factors. Although the transaction volume so far in 2022 has declined after the record results of previous years, it can still be rated as positive in the current market environment. Based on sales in the last nine months as well as the current market conditions, NAI apollo maintains its forecast that the total volume in 2022 will remain below €15 billion. This figure is well below the five-year average (€25.1 billion) and sits between the results for 2016 (€13.9 billion) and 2017 (€15.7 billion).

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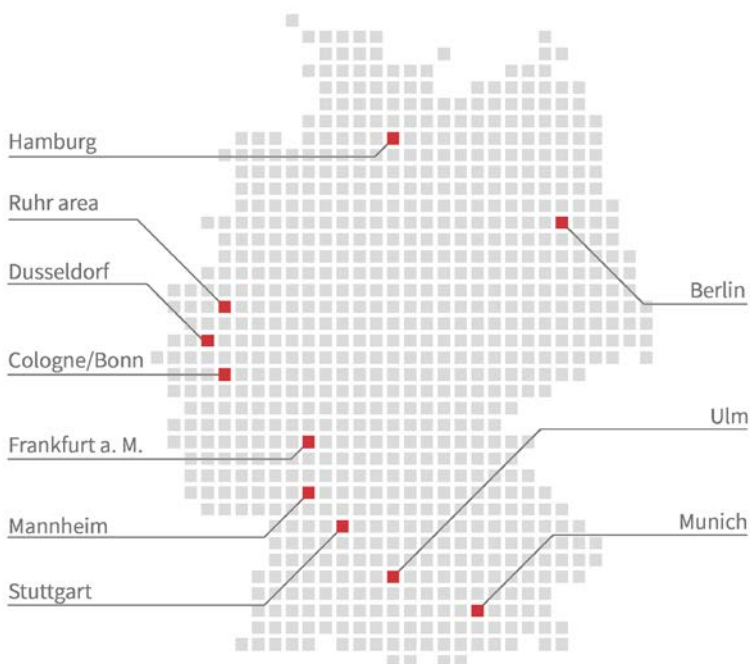
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