



## Facts and Figures

Investment Market for Residential Portfolios Germany  
H1 2020

# “Much as I know, I wish I knew more.”

Quote from Johann Wolfgang von Goethe

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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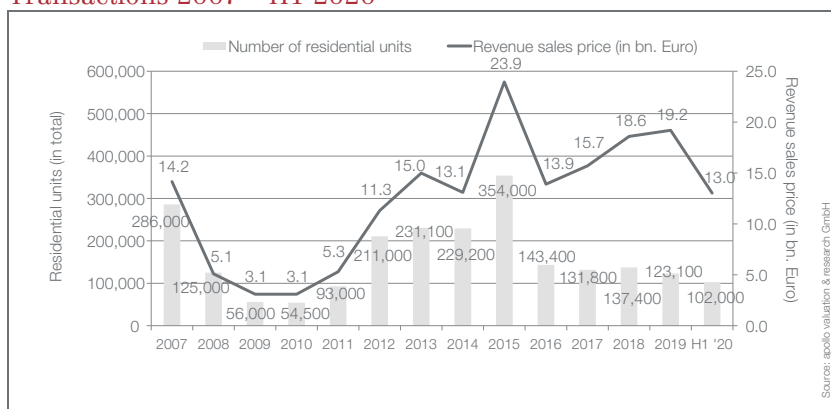


## Market overview H1 2020

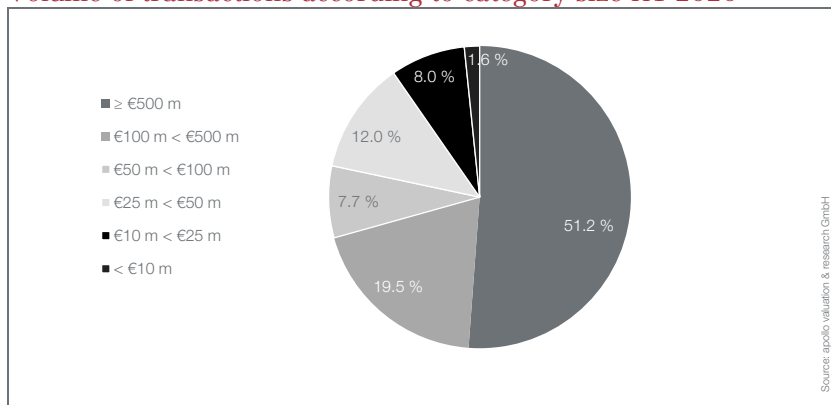
|                            |  |
|----------------------------|--|
| Transaction volume         | €13 billion, approx. 62 % above last year's result   |
| Sales of residential units | 170 transactions with approx. 102,000 units  |
| Regional focus             | German metropolises are in the focus, high market activity also in prospering cities and regions                             |
| Type of investors          | Dominant buyer and seller are the "listed property companies / REITs"  |
| Origin of investors        | International investors are strongest market players with purchases of €7 billion, Germans with the most of the transactions |

Source: apollo valuation & research GmbH

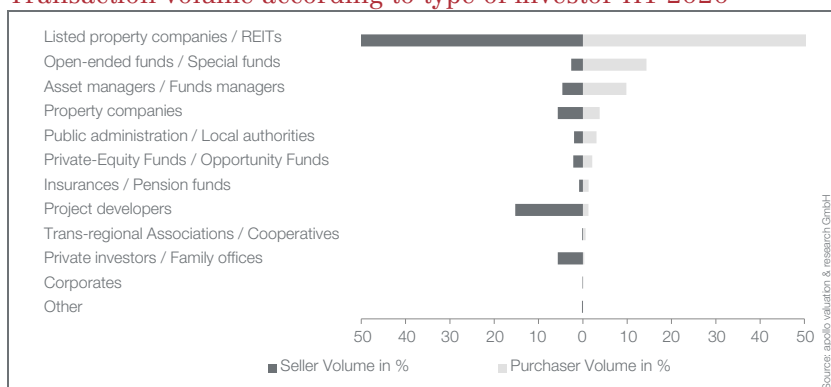
## Transactions 2007 – H1 2020



## Volume of transactions according to category size H1 2020



## Transaction volume according to type of investor H1 2020



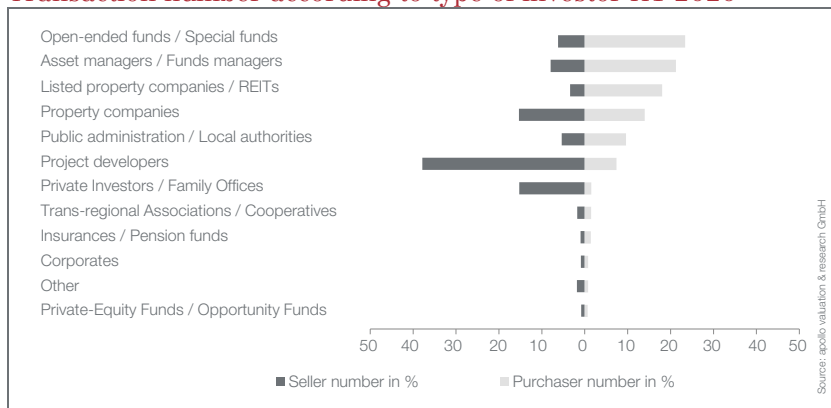
The investment activity on the German market for residential portfolio transactions\* slowed down in the second quarter of 2020 compared to the previous year, but the year is still heading towards an above-average final result despite the current economic uncertainty. In total, residential portfolio transactions amounted to €3.4 billion in the past three months, corresponding to a decrease of around 19 % compared to the previous year. The transaction volume for the first half of the year amounted to a total of €13.0 billion. The half-year result is around 62 % higher compared to the same period last year. The number of traded residential units rose by around 71 % year-on-year to 102,000 units. There is certainly no indication of a market slump as a result of the COVID-19 pandemic.

The total transaction volume achieved by the middle of the year was to a large extent owing to a single transaction in the first quarter, the Adler Real Estate acquisition by Ado Properties, which accounted for a share of around 46 %. Without this mega deal, the half-year result would have been around €7 billion. The quarterly transaction volumes would be almost at the same level. Investments in the value-added and opportunistic risk classes still play a significant role, and contributed to a year-on-year decrease in the average unit price of around 5.6 % to €127,700.

In addition to the mega-deal between Ado Properties and Adler Real Estate, which was valued at around €6 billion, several transactions in the three-digit-million range contributed to the positive half-year result. These include the purchase by LEG Immobilien of two large portfolios with almost 7,500 residential units for a total of around €770 million.

\*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 H1 2020



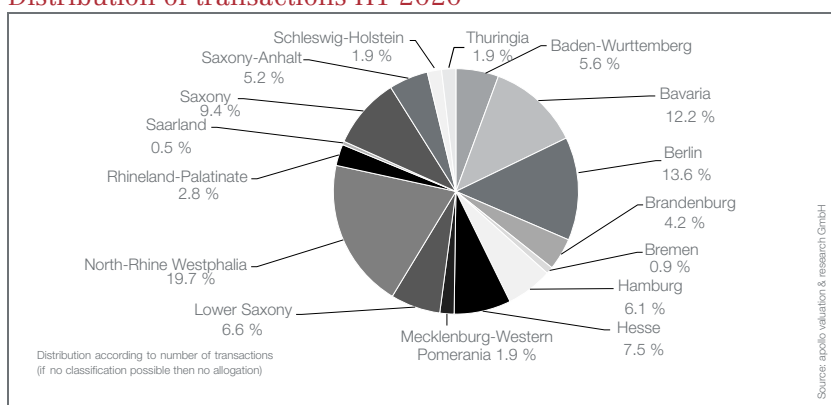
## Transaction volume according to investors' origin 2008 – H1 20



## Transaction number according to investors' origin 2008 – H1 20



## Distribution of transactions H1 2020



The last quarterly report already referenced the purchase of a portfolio from Deutsche Asset One with 715 residential and commercial units in Munich and the surrounding area for various Union Investment special funds at a price of over €300 million. Further deals in the second quarter included the purchase of around 800 residential and 125 commercial units by private-equity investment manager Meyer Bergman. The acquired properties are located in Frankfurt am Main and neighbouring municipalities in the Rhine-Main area.

As a result of the large-scale transactions, deals in the “€100 million-plus” category accounted for the largest percentage of the transaction volume with a combined €9.2 billion and a 70.7 % share. Deals above €500 million accounted for around €6.7 billion, and those between “€100 million and €500 million” for around €2.5 billion. The remaining segments including “sub-€100 million” deals account for between 1.6 % and 12.0 %.

Forward deals with project developers remained extremely popular in the second quarter of 2020. Compared to the first half of the previous year, the sales volume generated by this segment rose by around 5 % to over €2 billion. Large residential developments or parts of such projects continue to be of great interest to investors. For example, after buying the Molitor residential area in Mainz in the first quarter, Industria Wohnen has now acquired 288 apartments as a part of the residential area on Eduard-Rosenthal-Strasse in Weimar. Also in the second quarter, Vonovia acquired the first construction phase of the “Gmunder Höfe” residential development in Munich for around €250 million.

## Selected residential portfolio transactions > €200 m

| Adler Real Estate corporate takeover (main focus in Wilhelmshaven, Duisburg and Leipzig) |  |
|--|--|
| Purchaser  | Ado Properties S.A.  |
| Purchase price (approx.)*  | €6,000,000,000   |
| Residential units*   | 58,000   |
| Residential portfolios (regions South-West and North)                                    |  |
| Purchaser  | LEG Immobilien AG  |
| Purchase price (approx.)*  | €770,000,000   |
| Residential units*   | 7,500  |
| Residential portfolio (Munich, Unterhaching and Oberhaching-Deisenhofen)                 |  |
| Purchaser  | Deutsche Asset One for special funds from Union Investment |
| Purchase price (approx.)*  | €300,000,000   |
| Residential units*   | 715  |

\*partly includes data concerning commercial shares / partly estimated

Source: Apollo valuation & research GmbH

The sellers of the 322 residential units are the Rock Capital Group, Baywobau and UBM Development.

The group comprising “listed property companies and REITs” are in the foreground this year primarily because of the merger of Adler Real Estate and Ado Properties. In addition, other real estate giants such as Vonovia, LEG Immobilien, Deutsche Wohnen and Grand City Properties are very active on the market. Overall, “listed property companies and REITs” increased their transaction volume several times over compared to the first half of 2019, and are currently the most active market players (buy-side: €8.2 billion/sell-side: €7.5 billion). By end-June the “open-ended property funds and special funds” achieved a market share of 14.3 % or €1.9 billion on the buyer side, mainly owing to a strong first quarter. This means that last year’s leaders have now dropped into second place. This group is followed by “asset managers and fund managers”, which slightly increased their purchase volume compared to 2019 after investing around €1.3 billion (9.8 % share). On the seller side, “listed property companies and REITs” are followed by “project developers and contractors” with a market share of 15.3 %.

When looking at the different nationalities of buyers, international investors are playing a dominant role on the domestic market this year with a transaction volume of around €7 billion, again primarily owing to the large Ado Properties deal. Thus international investors accounted for a combined 54 % share (H1 2019: €0.8 billion or 9.4 % share). With regard to German investors, the transaction volume decreased by 17.8 % to around €6 billion. At the same time, domestic buyers were responsible for around 90 % of registered deals. This represents an increase of four percentage points compared to the same half of the previous year and underscores the continuing importance of domestic investors for the German residential portfolio transaction market.

With regard to the regional distribution of transactions at state level, North Rhine-Westphalia and Berlin remain the most important investment targets with respective shares of 19.7 % (H1 2019: 17.1 %) and 13.6 % (H1 2019: 16.6 %). At municipal level, investment activity is centered on so-called “A” cities - especially Berlin and Hamburg in terms of the number of transactions. Purchases are high in booming second-tier cities, especially in the new federal states. Here, most of the transactions took place in Leipzig, Dresden and Magdeburg.

The consequences of the COVID-19 pandemic, including the shutdown and the economic downturn, so far appear to have had little effect on the German residential portfolio market. Based on the very positive half-year result, the slight increase in large transactions and the continuing high demand for existing properties and forward deals in particular, we are currently forecasting an above-average transaction volume for the full year. However, last year’s volume of €19.2 billion is unlikely to be attained. Purchases in the value added and opportunistic risk classes will again feature strongly in the second half of the year. At the same time, an aversion to risk is steering demand towards core products. The postponement of transactions and a decline in supply may persist in the coming months because of the current crisis. On the other hand, there is also the potential that the recession could lead to an increase in supply as a result of emergency sales or the divestment of problem properties, as well as price reductions in isolated cases.

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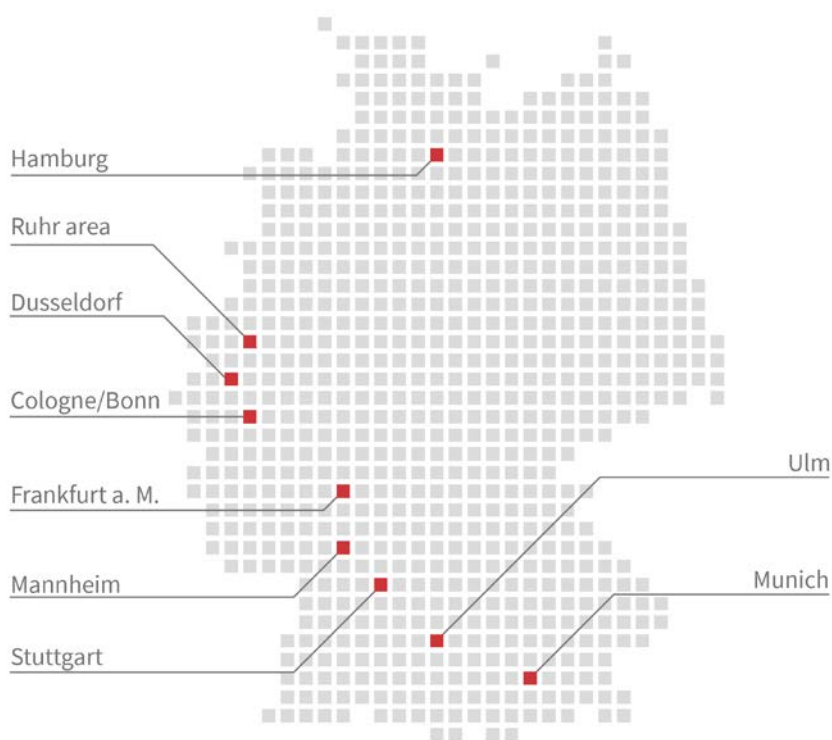
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