



Facts and Figures

Investment Market for Residential Portfolios Germany
Q3 2020

“The next best thing to knowing something is knowing where to find it.”

Quote from Samuel Johnson

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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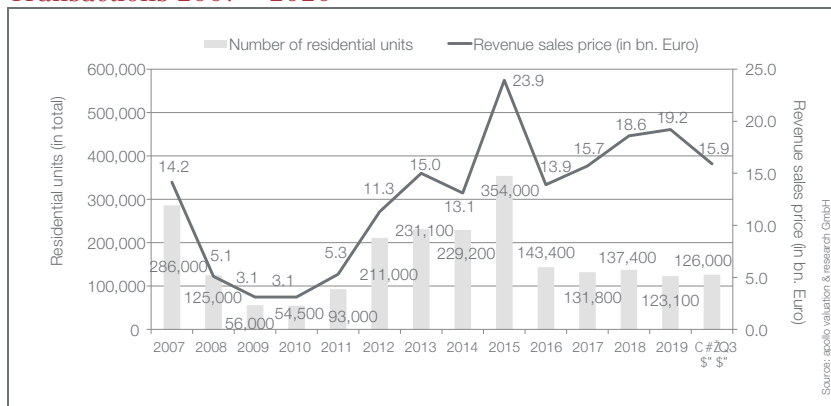
Market overview Q1-Q3 2020

Transaction volume	€15.9 billion, approx. 14 % above the last year result
Sales of residential units	227 transactions with approx. 126,000 units
Regional focus	Metropolises and secondary cities are in the focus, east German growth centers with high market activities
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 €8.7 billion, German with the most of the transactions

Source: apollo valuation & research GmbH

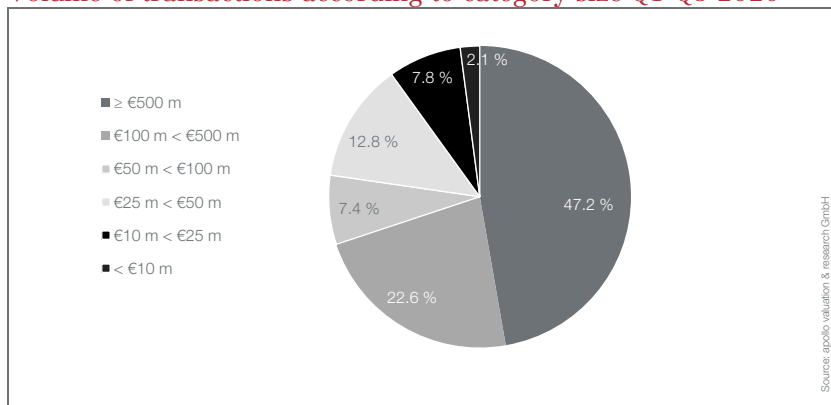
The residential portfolio transaction market* in Germany is again on its way to achieving a top year-end result despite a further decline in market activity during the third quarter. In the year to date, the total volume amounts to about €15.9 billion. The current transaction volume is €2 billion above the already very positive result for the first three quarters of 2019. However, it falls €3.7 billion short of the record result achieved in the first nine months of 2015. The third quarter contributed around €2.9 billion, making it not only the weakest quarter in the current year (Q1 2020: €9.6 billion / Q2 2020: €3.4 billion), but also the poorest performing quarter since Q2 2017.

Transactions 2007 – 2020



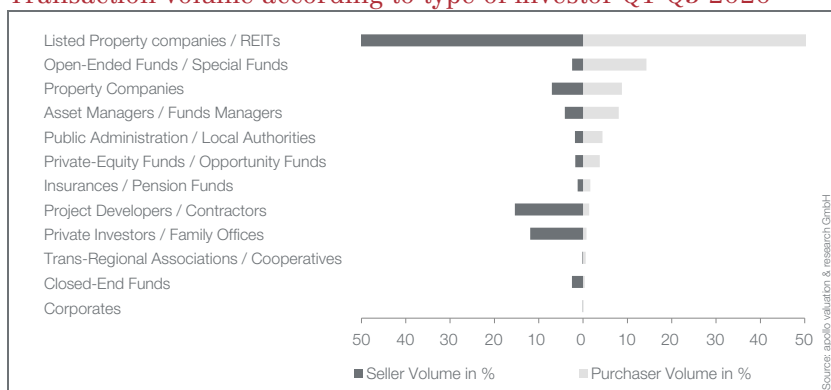
In our view, the primary reason for this decline is the slowdown in processes caused by the coronavirus pandemic. The lockdown in particular led to delays in purchasing processes, which is now affecting the transaction volume. So far this year, a total of 126,000 residential units have changed hands as part of residential portfolio sales, which represents an increase of around 31,000 units compared to the previous year.

Volume of transactions according to category size Q1-Q3 2020



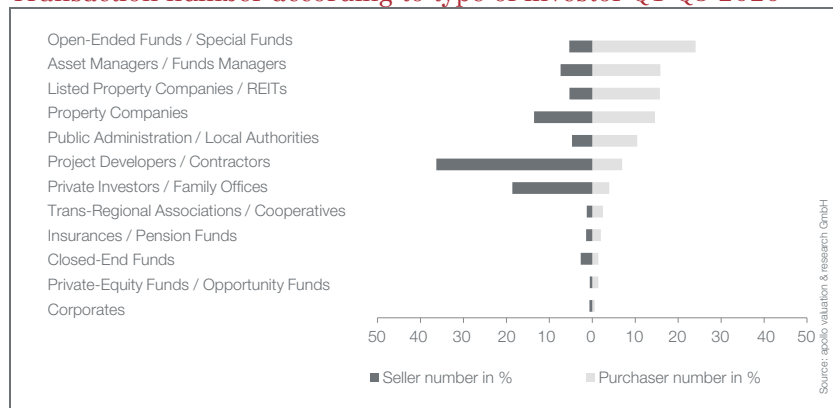
The strong result was largely owing to the mega deal between Ado Properties and Adler Real estate valued at around €6 billion. Several transactions in the upper three-digit million range were also of some significance. In the third quarter, for example, the Swedish housing group Heimstaden Bostad bought approx. 4,100 residential and commercial units in Berlin from a British family office for around €830 million and the new Ado-Adler group sold more than 5,000 residential and commercial units in Lower Saxony, North Rhine-Westphalia and Rhineland-Palatinate.

Transaction volume according to type of investor Q1-Q3 2020



*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 2020



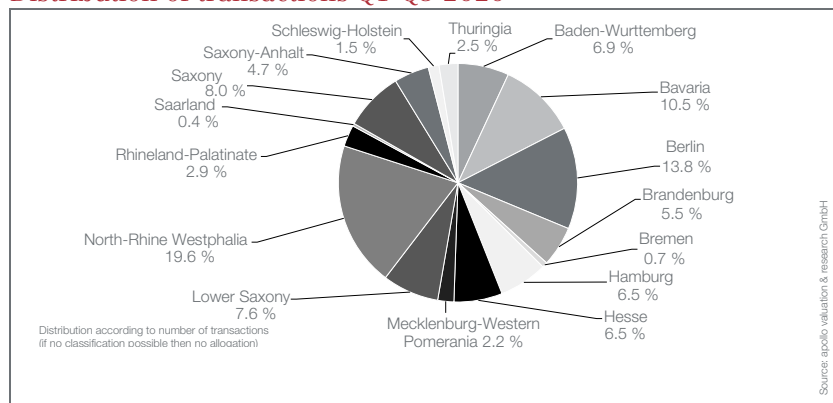
Transaction volume according to investors' origin 2008 - 2020



Transaction number according to investors' origin 2008 - 2020



Distribution of transactions Q1-Q3 2020



In the second quarter, LEG Immobilien acquired almost 7,500 residential units for a total of around €770 million in two acquisitions.

As a result, the “€100m-plus” transaction category accounted for a volume of around €11.1 billion, which corresponds to around 70 % of the total transaction volume. The “sub-€100m” categories accounted for market shares of between 2.1 % (<€10m) and 12.8 % (€25m <€50m). Combined, they amounted to an absolute volume of around €4.8 billion, which corresponds to a decrease of over €600 million compared to the same period of the previous year. Only the “€25m <€50m” category registered an increase (from €1.4 billion to €2 billion) compared to the same period of last year.

More than half of this is related to project developments during 2020, indicating the continuing high popularity of forward deals. However, relevant purchasing activities have changed here in the last few months. In the first half of the year, purchases of large district developments or parts thereof tended to dominate. In contrast, forward deals during the third quarter mainly took place in the sub-€50 million segment. Overall, the transaction volume in the year to date totals €2.3 billion, a decrease of around 30 % compared to the previous year.

Throughout the year, listed property companies and REITs have occupied the top position on both the buy- and sell-side as a consequence of the merger of Ado Properties and Adler Real Estate. Overall, “listed property companies/REITs” have multiplied their transaction volume compared to the first nine months of 2019 and are now the most

Selected residential portfolio transactions > €500 m

Adler Real Estate corporate takeover (main focus in Wilhelmshafen, Duisburg and Leipzig)	
Purchaser	Ado Properties S.A.
Purchase price (approx.)*	€6,000,000,000
Residential units*	58,000
Residential portfolio (Berlin)	
Purchaser	Heimstaden Bostad
Purchase price (approx.)*	€830,000,000
Residential units*	4,110
Residential portfolios (regions South-West and North)	
Purchaser	LEG Immobilien AG
Purchase price (approx.)*	€770,000,000
Residential units*	7,500

*partly includes data concerning commercial shares / partly estimated

Source: naiapollo valuation & research GmbH

important market players in the year to date (buy-side: €8.9 billion/sell-side: €8.1 billion). Open-ended funds and special funds completed most of the purchases and on the buy-side achieved the second-highest market share of 14.3 % or €2.3 billion. Property companies made up the third-largest group of buyers in the first nine months, supported by the Heimstaden Bostad acquisition (Q1-Q3 2020: €1.4 billion). On the sell-side, listed property companies and REITs are followed by project developers and contractors with a 15.4 % share of sales.

Since the beginning of the year, foreign buyers have accumulated a market share of around 54.7 % (Q1-Q3 2019: 10.8 %). This corresponds to an increase of €7.2 billion in transactions compared to the previous year. The Ado/Adler deal was again a decisive factor in this development. At the same time, domestic players can hardly be described as inactive, accounting for over 45 % of the purchase volume and ultimately responsible for 90 % of the transactions.

In terms of the geographic distribution, most residential portfolio investments (by number of transactions) in the first nine months of 2020 took place in North Rhine-Westphalia and Berlin, with market shares of 19.6 % (Q1-Q3 2019: 16.0 %) and 13.8 % (Q1-Q3 2019: 15.6 %) respectively. At municipal level, investment activity was still concentrated on Germany's primary and secondary locations — particularly Berlin, Hamburg, large cities in the Ruhr area and, as before, growth centres in the new federal states (including Leipzig, Dresden and Magdeburg) in terms of the number of transactions.

Final quarters often turn out to be periods of strong investment activity, and large asset purchases are also expected in the coming months. This expectation is reinforced by larger transactions that have already been announced and are about to be finalised.

In terms of location, we see an increasing supply in Berlin, where property owners are selling real estate primarily for strategic reasons. We find that some buyers can be more hesitant, but at the same time a large number of investors still rate the long-term growth potential very highly, so that suitable offers will quickly find a buyer. In addition, the residential segment in Germany has so far shown itself to be almost resistant to the coronavirus crisis. Rents and prices are rising to the greatest extent possible, and residential portfolios remain a secure and sought-after investment. As a result, there have been no major price discounts to date. However, the coronavirus-related slowdown in transaction processes continues to have a dampening effect.

Against this background, and following the strong sales already achieved in the first three quarters, we are not anticipating a further decline in investment activity in the next three months. This means that a transaction volume in line with the previous year or even higher could be achieved for 2020 as a whole. In 2019, the volume was €19.2 billion, which represented the second-best annual result since NAI apollo began compiling data.

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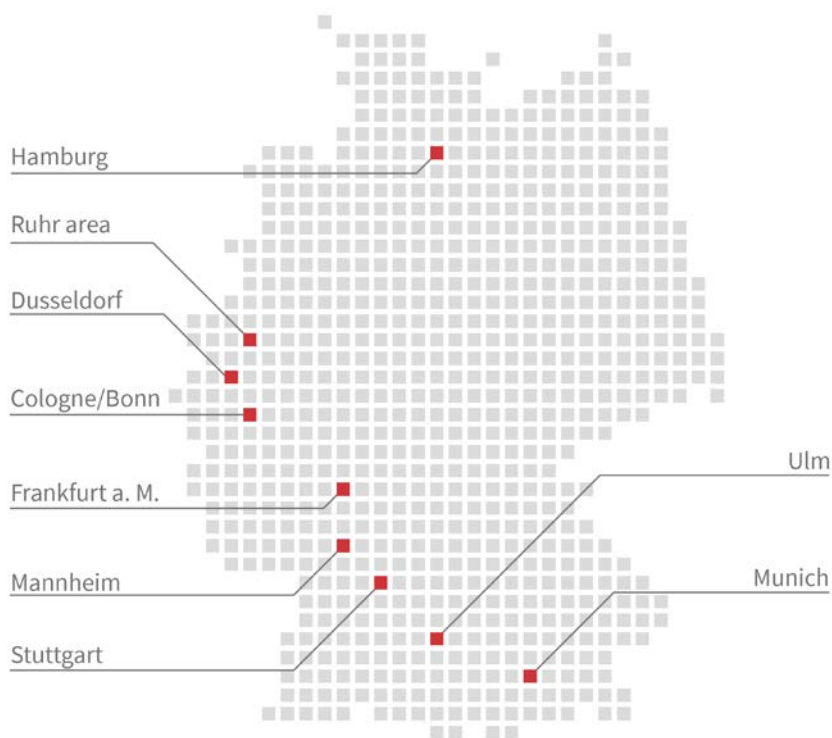
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