



Facts and Figures

Investment Market for Residential Portfolios Germany
H1 2022

“Knowledge is the child of experience.”

Quote from Leonardo da Vinci

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!



Dr. Konrad Kanzler
Head of Research
+49 (0) 69 - 970 505-614
konrad.kanzler@nai-apollo.de



Stefan Mergen
Managing Partner Valuation
+49 (0) 69 - 970 505-613
stefan.mergen@nai-apollo.de



Lenny Lemler
Director Investment
+49 (0) 69 - 970 505-175
lenny.lemmler@nai-apollo.de



Kalina Atanasova
Senior Consultant Research
+49 (0) 69 - 970 505-623
kalina.atanasova@nai-apollo.de

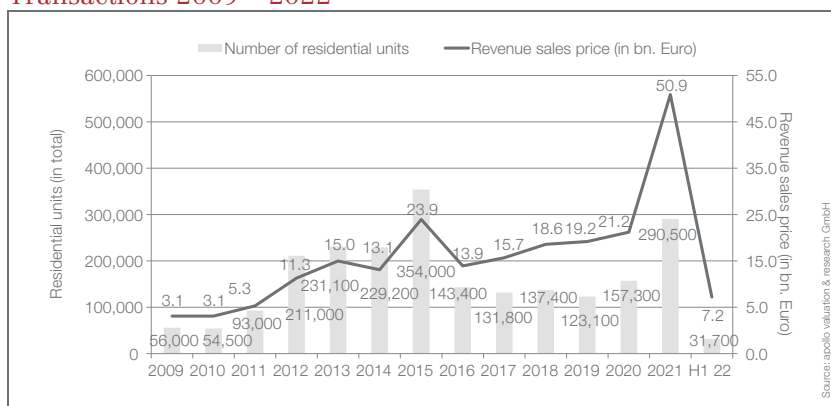


Market overview H1 2022

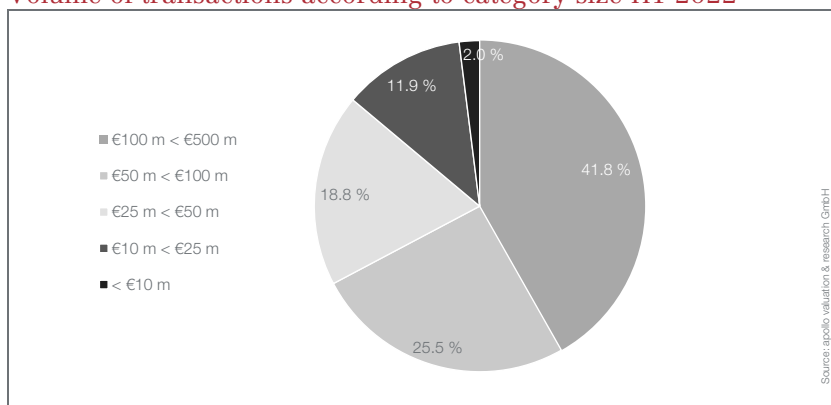
Transaction volume	€7.2 billion represents a decline of more than 25 % compared to the five-year average
Sales of residential units	160 transactions with approx. 31,700 units
Regional focus	North Rhine-Westphalia and Berlin remain the most popular investment target, metropolises and secondary cities with the most transactions
Type of investors	Strongest buyer are the "Open-Ended Funds / Special Funds"
Origin of investors	German investors still with the strongest purchase volume and the highest number of deals

Source: apollo valuation & research GmbH

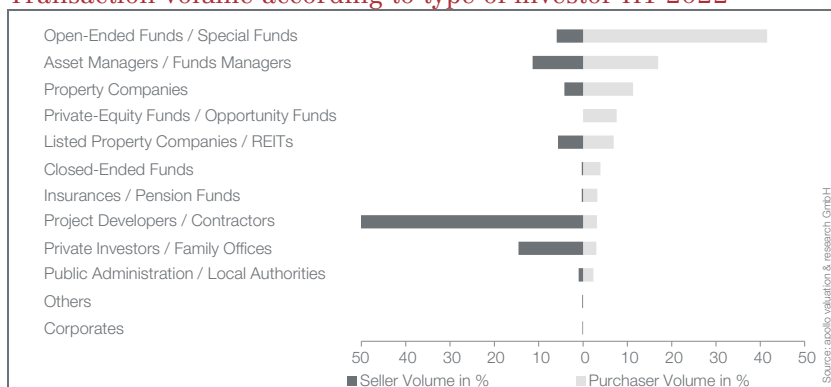
Transactions 2009 – 2022



Volume of transactions according to category size H1 2022



Transaction volume according to type of investor H1 2022

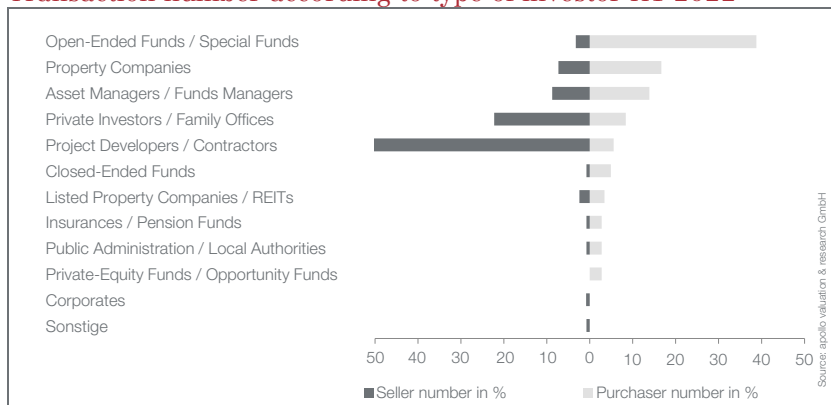


The transaction market for residential portfolios* in Germany weakened in the second quarter after a period of continuous growth. With an investment volume of around €3.1 billion, the results fell short of both the previous quarter (€4.1 billion) and the five-year average of the last second quarters (€3.6 billion). The reasons for this are primarily related to the war in Ukraine, with escalating shortages of raw materials and energy, rapidly rising inflation, deteriorating financing conditions and an increased risk of recession. A downward trend on the residential portfolio transaction market is now evident. Investors increasingly exercised caution and restraint during the second quarter, but this is not yet fully reflected in the sales figures for the first half of the year. Investments by the middle of the year totalled around €7.2 billion, which — owing to the absence of mega deals — represents a decline of more than 25 % compared to the five-year average. A lower half-year result was last registered in the first half of 2017 at around €6.1 billion. The number of residential units to change hands fell by more than 44 % to around 31,700 units, which is far short of the 57,000 units recorded in the more active first-half period of the previous year.

Major transactions in the "€100m - <€500m" cluster have dominated investment activity in the year to date, accounting for around 41.8 % of the overall market (H1 2021: around 30 %). The traded volume remained stable at around €3 billion compared to the previous year.

*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 2022



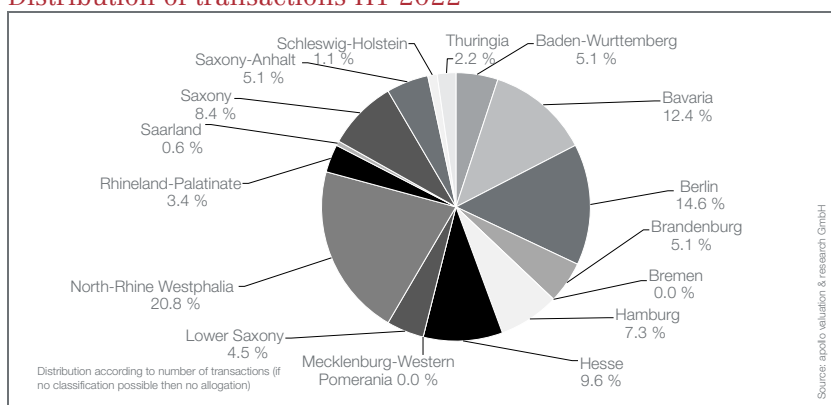
Transaction volume according to investors' origin 2010 - 2022



Transaction number according to investors' origin 2010 - 2022



Distribution of transactions H1 2022



Mega deals above the €500 million mark were completely absent in the year to date, in contrast to H1 2021 (around €1.8 billion). In the medium-sized segment (“€50m - < €100m”), the volume reached €1.8 billion, a decrease of around €400 million compared to the same period last year. Small investments account for the remaining approximately €2.4 billion (H1 2021: €3.1 billion). The two largest portfolio deals in the three-digit million range again took place in the investment hotspot of Berlin in the past three months. A joint venture led by PineBridge Benson Elliot secured a majority stake in a high-quality portfolio of more than 1,000 residential units in the capital. Also in the second quarter of 2022, the Adler Group reported the sale of a portfolio held with a joint venture partner, which comprises around 1,200 residential and commercial units in Berlin.

By the end of June, forward deals accounted for 47.6 % (H1 2021: 34.3 %) of the overall volume. However, in Q2 2022 their transaction volume almost halved to €1.2 billion compared to the record volume of €2.2 billion in the first quarter of the year. High construction costs and rising inflation combined with significantly increasing interest rates on loans have prompted investors to hold back in recent weeks due to the expected increase in project development prices. Delivery bottlenecks and construction delays are also slowing down transactions. At the same time, this could increase the attractiveness of older, marketable units.

The purchase price per residential unit has increased by about 29 % to around €227,000 compared to the same period last year (H1 2021: around €176,000).

However, this fell short of the average purchase price achieved in Q1 2022 (€236,000). Trading in planned micro-apartment complexes, student residences and district developments has contributed significantly to the current high price level.

As was the case at the beginning of the year and in the first half of the previous year, “Open-Ended Funds and Special Funds” accounted for the biggest market share on the buy side with 41.5 % (-4.3 percentage points), followed by “Asset Managers and Funds Managers” with 17 % (+4.4 percentage points) and “Listed Property Companies / REITs” with 11.3 % (+1 percentage point). In absolute terms, all three groups bought less than in the previous year. On the sellers’ side, “Project Developers and Contractors” again achieved the highest market share (56.5 % or €4.1 billion) by mid-year. While the market share increased by 16.4 percentage points, the volume was almost unchanged compared to the previous year (H1 2021: 40.1 % or €4.0 billion). This in turn underscores the high market relevance of forward deals to date.

Domestic investors have continued to play a significant role on the German residential portfolio transaction market in recent months. German buyers have been dominant this year with a 72.4 % share of the transaction volume (-1.1 percentage points compared to H1 2021). At the same time, they completed most of the transactions with an 80 % share and a total volume of €5.2 billion (H1 2021: €7.4 billion). International investors increased their market share to 27.6 %, which corresponds to a volume of €2.0 billion (H1 2021: €2.7 billion or 26.5 % share).

Although the transaction volume in the first half of 2022 was weaker compared to the record results of previous years, it can still be seen as a positive result. The German housing market has proven its resilience even during the height of the coronavirus crisis, but the combination of different influences is currently affecting the market. In addition to the never-ending pandemic, rising inflation and economic uncertainty, the significantly increasing interest rates are now slowing down transaction activities. Sellers often still demand the high prices that have been prevalent in the market up to now, but these are increasingly unacceptable to buyers in the current market environment. Particularly affected by this is the project development business, which has been booming in recent years but is now coming under additional pressure from spiralling raw material and energy prices as well as major material and delivery bottlenecks.

These factors are currently prompting investors to hold back, which is causing a slowdown in market activity. The situation here could improve in the second half of the year, when there is more visibility over the development of construction costs and interest rates and price expectations of buyers and sellers become more aligned. Demand for residential space remains high among users and this will contribute to a further easing of the market situation. A further positive influencing factor is that property offers some protection against inflation.

For the coming months, it can be expected that forced sales will increase. At the same time, large portfolio sales from various large property companies have also been announced in the short to medium term. Based on the half-year result, the absence of mega deals and the current market downturn we expect the 2022 transaction volume to fall below the €15 billion threshold. This would then be far short of the five-year average (€25.1 billion) but within range of the results for 2016 (€13.9 billion) and 2017 (€15.7 billion).

**ONE PARTNER. ALL SERVICES. ALL ASSET CLASSES.
OFFICE – RETAIL – LOGISTICS – RESIDENTIAL**

ASSET MANAGEMENT

VALUATION AND RESEARCH

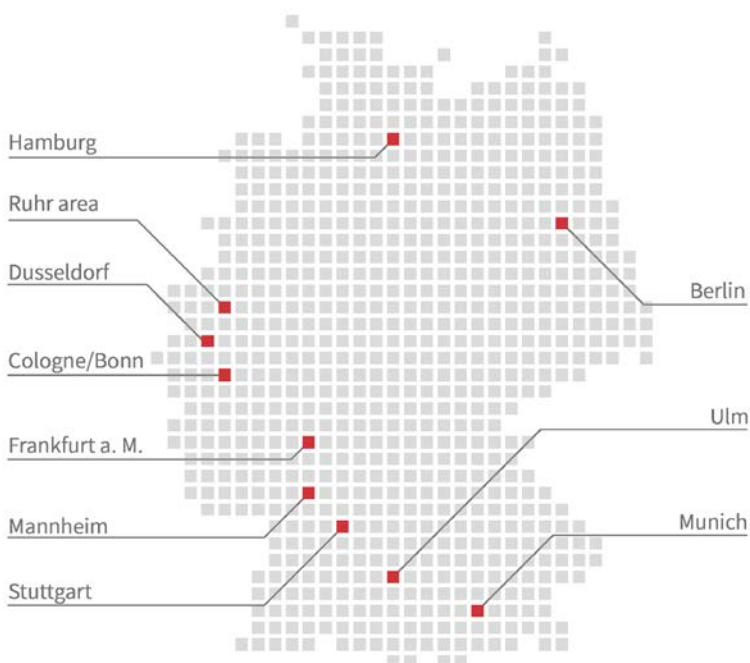
CORPORATE FINANCE ADVISORY

CORPORATE REAL ESTATE SERVICES

HEALTHCARE

SALES

LETTING



**YOUR PROPERTY PARTNER –
WE DISTINGUISH OURSELVES BY**

OWNER-MANAGED

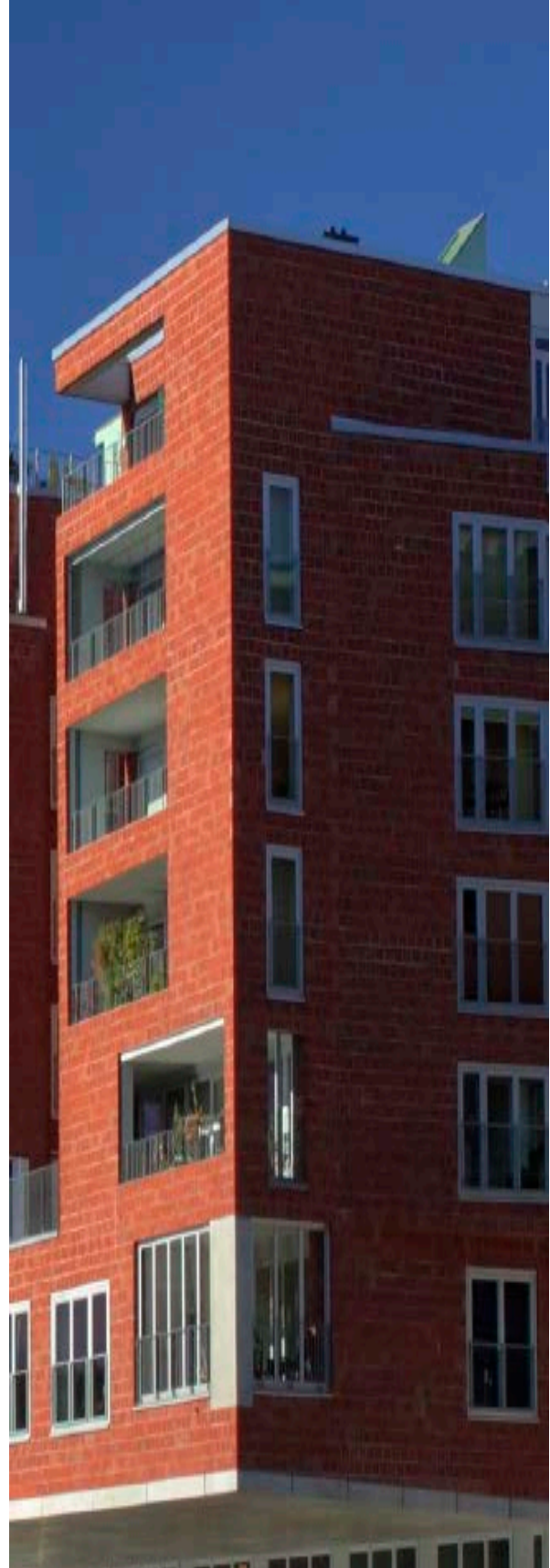
PARTNER ACTIVE IN DAY-TO-DAY BUSINESS

MORE THAN 30 YEARS OF MARKET EXPERIENCE

INDEPENDENT – INNOVATIVE – SOLUTION-ORIENTED

LOCAL – NATIONAL – TOP NETWORK

FLEXIBLE – CUSTOMER-FOCUSED – COMPETENT



Copyright © apollo valuation & research GmbH, 2022.

This report is for information purposes only. It was compiled with the utmost care and is based on information from sources that we regard as being reliable, but for which we assume no liability for their accuracy, completeness or correctness. Estimates, figures and forecasts contained in this document are for guidance only. This report does not pursue the aim of promoting the purchase or sale of a particular financial investment and thus should not be considered as such an offer. The reader of this report must make his or her own independent decisions in regards to correctness and completeness. The apollo valuation & research GmbH assumes no liability for direct or indirect damage that arises through inaccuracies, omissions or errors in this report. We reserve the right to make changes and/or additions to the information contained therein at any time. Neither the report nor parts thereof may be published, reproduced or passed on without the written consent of the apollo valuation & research GmbH.