



Facts and Figures

Investment Market for Residential Portfolios 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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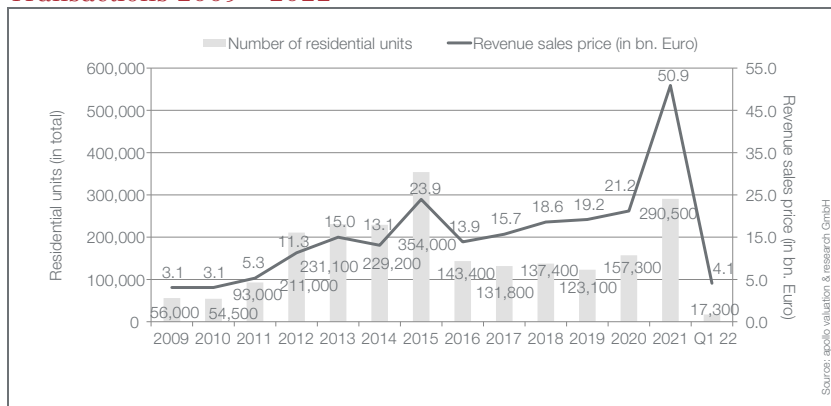
Market overview Q1 2022

Transaction volume	€4.1 billion approx. 36 % below the last year quarter
Sales of residential units	92 transactions with approx. 17,300 units
Regional focus	North Rhine-Westphalia, Berlin and Bavaria with most transactions, metropolises and secondary cities remain the most popular investment target
Type of investors	Dominant buyer are the "Open-Ended Funds / Special Funds"
Origin of investors	German investors with the highest number of transactions and the strongest purchase volume

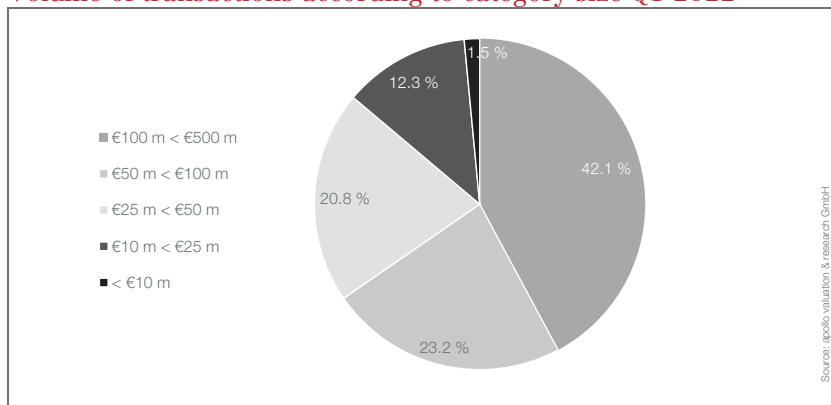
Source: apollo valuation & research GmbH

After the record year of 2021, the transaction market for residential portfolios* in Germany started the current year largely unscathed despite the more uncertain general conditions caused mainly by the ongoing coronavirus pandemic and Russia's war of aggression in Ukraine. The transaction volume in the first three months was around €4.1 billion. This represents a significant decrease compared to the same quarter of the previous year (€6.3 billion) as well as the five-year average (€6.1 billion), which is mainly owing to the current absence of large portfolio transactions above €500 million. If only last year's mega deal between Soka-Bau and investment manager AEW is factored out, the year-on-year difference is reduced to around €1 billion. In view of the current growing uncertainty, the start to the year can be seen as positive. A total of around 17,300 residential units changed hands in the past three months.

Transactions 2009 – 2022

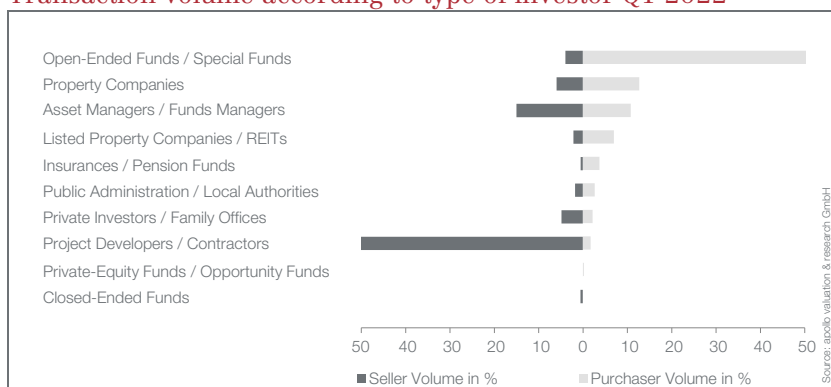


Volume of transactions according to category size Q1 2022



The largest transactions at the beginning of 2022 mainly concerned forward deals. Trading here generated portfolio sales of around €2.2 billion in the first quarter of 2022. This is €600 million or 37 % more than at the beginning of 2021. The average for the first quarters of the past five years was exceeded by around €0.9 billion or more than 64 %.

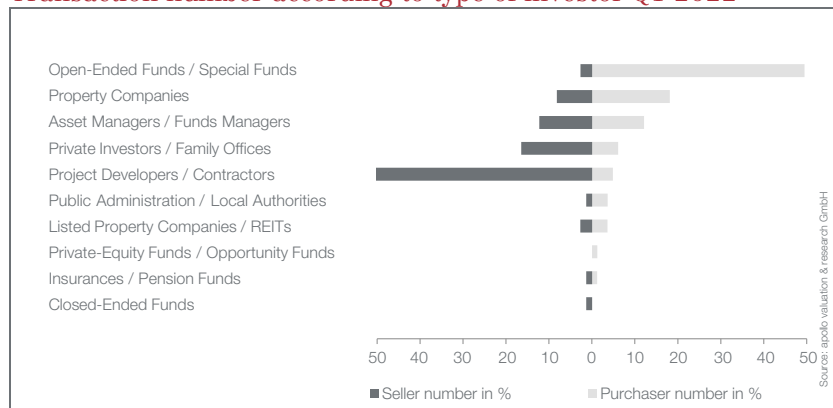
Transaction volume according to type of investor Q1 2022



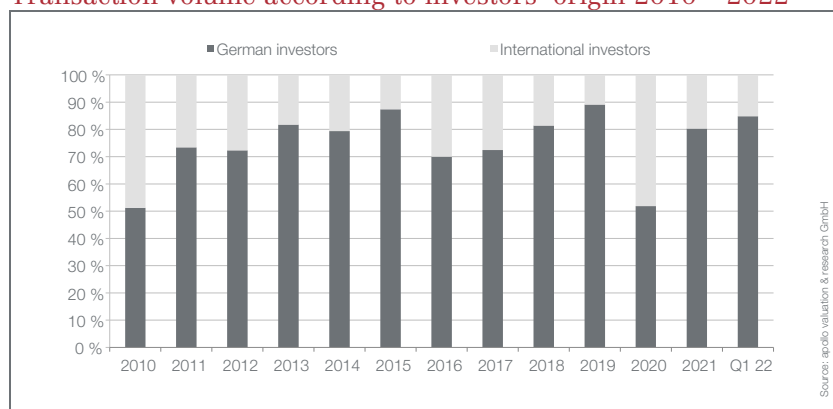
Mainly as a result of the high proportion of forward deals, the average price per residential unit in the residential portfolio market climbed to a historic level of around €236,000. In the first quarter of 2021, the average price per unit was still around €172,000.

*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

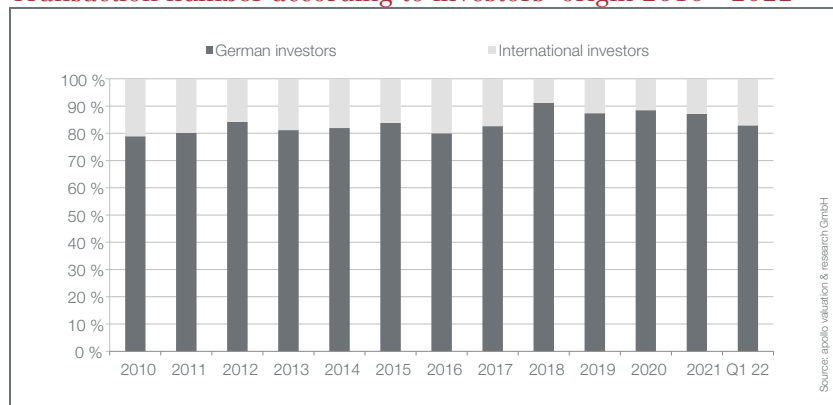
Transaction number according to type of investor Q1 2022



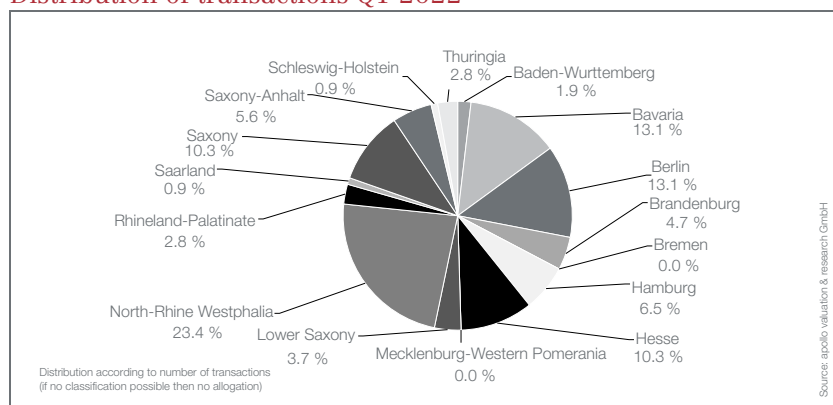
Transaction volume according to investors' origin 2010 - 2022



Transaction number according to investors' origin 2010 - 2022



Distribution of transactions Q1 2022



Owing to the absence of major transactions above €500 million, the “€100m - <€500m” category accounted for the biggest market share. A total of around €1.7 billion was invested in this segment, which corresponds to a 42.1 % share of the transaction volume (Q1 2021: 29.5 % with €1.9 billion). This is followed by the clusters in the mid-price segment (€50m - <€100m and €25m - <€50m), which together account for around €1.8 billion. The smaller price categories below the €25 million mark were responsible for around €0.6 billion. Forward deals played a significant role in all clusters. In the “€100m - <€500m” segment, such deals make up almost 70 % of the traded volume, while in the mid-size cluster they account for almost half and in the smaller price categories more than a third.

The largest three-digit million deal in the quarter concerned the residential portion of a portfolio consisting of four partly mixed-use neighbourhood developments with a residential and commercial area of 80,000 sqm. Here, the project developer Quarterback Immobilien sold 650 new apartments in Dresden, Leipzig and Jena to the open-ended funds hausInvest of Commerz Real. One of the largest portfolio transactions involved the purchase of 640 apartments by Covivio for over €150 million from Nox Capital Holding, which was announced at the beginning of the year. The units are located in central areas of Berlin. Investors were still in a buying mood. In view of stable or rising rents and the generally high demand, investors are also willing to pay very high prices.

With regard to the market shares of the different investor types, “Open-Ended Funds / Special Funds” stood out in the first three months of the year with a 58.9 % share (+12.7 percentage points). In absolute terms (€2.4 billion), however, this group invested less compared to the previous year. The purchasing activities of “Property Companies” are worth highlighting here. Their transactions rose by 26.9 % to over €0.5 billion compared to the same quarter of the previous year. This group now occupies second place with a market share of 12.7 %. On the seller side, the dominance of forward deals means that “Project Developers / Contractors” are in first place with a volume of €2.7 billion (Q1 2021: €1.9 billion). Despite staff shortages in the construction industry, rising construction costs and a lack of land, “Project Developers / Contractors” represented the most active sellers with a market share of over 65 %.

As was the case in the previous year, the residential portfolio market was dominated by German investors. Domestic buyers’ share of the investment volume even increased from 73.6 % to around 84.8 % at the beginning of the year. At the same time, however, the transaction volume fell from €4.7 billion in the same quarter of the previous year to €3.5 billion. This was mainly owing to the absence of large sales, in which German players were increasingly involved during the past year. Foreign investors have recently been less active on the German market. In the first quarter of the current year they were responsible for €0.6 billion or around 15.2 % of the purchase volume. Their transaction volume fell by 63.1 % year-on-year. In terms of location, at the beginning of the year most transactions (by number) at state level again took place in North Rhine-Westphalia, Berlin and Bavaria with market shares of 13.1 % to 23.4 %. At municipal level, the large German cities remained the hotspots, with Berlin at the top. Demand in various secondary and tertiary locations is also consistently high, with Leipzig and Dresden again standing out here.

The German residential portfolio market has been in very good shape over the past two years despite coronavirus-related uncertainties, and was even able to achieve a new record result at the end of 2021. The start of 2022 may have been a little weaker, but it can still be seen in a positive light. However, challenges will increase in the coming months. Recent developments related to the war in Ukraine, such as the increase in raw material and energy prices, could have a stronger impact on the economy than was

assumed just a few weeks ago. In addition, the pandemic is not yet completely over, inflation is increasing and construction costs are rising. Added to that, we also expect the ECB to increase the base interest rate in the medium term. These factors, whose further development is hard to predict, influence the property markets to varying degrees and make forecasting difficult. Nevertheless, the German housing market has proven its high level of resilience. As a seemingly crisis-proof investment target, the residential segment should therefore continue to meet strong demand in the future. The importance of forward-deals, that are considered to be low-risk, remains high. Portfolio adjustments, partly as a result of the growing pressure to renovate, are also expected to increase the supply of existing properties. We currently expect to see a transaction volume of over €20 billion for 2022, which would be broadly in the range of the 2020 result (€21.2 billion). Growth in prices could present a problem in the medium term. In the new construction segment especially, rising raw material and energy prices as well as an increase in building regulations to reduce greenhouse gas emissions and deteriorating financing conditions mean that a further, significant increase in residential purchase prices will be unavoidable. These will then often no longer be economically viable for buyers seeking an adequate return from rental income. This is a challenge for political leaders, whose goal is to significantly expand construction activity.

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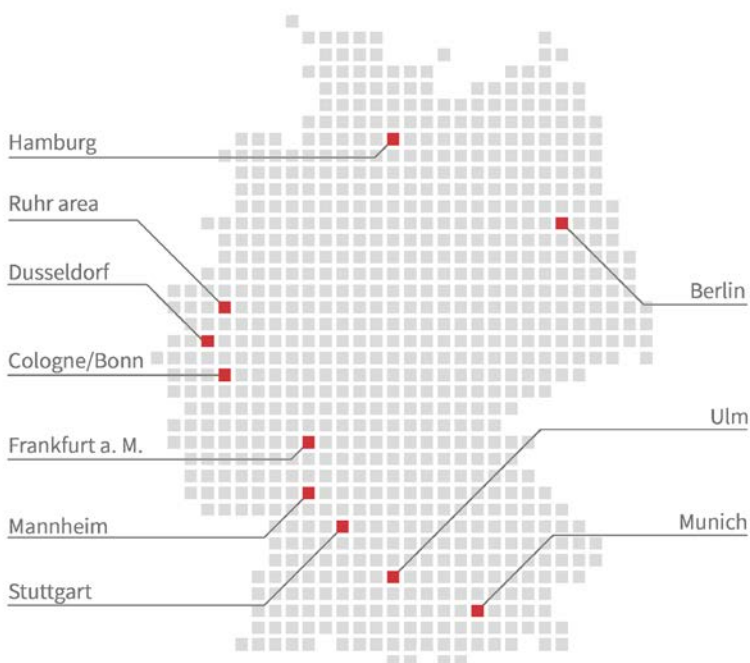
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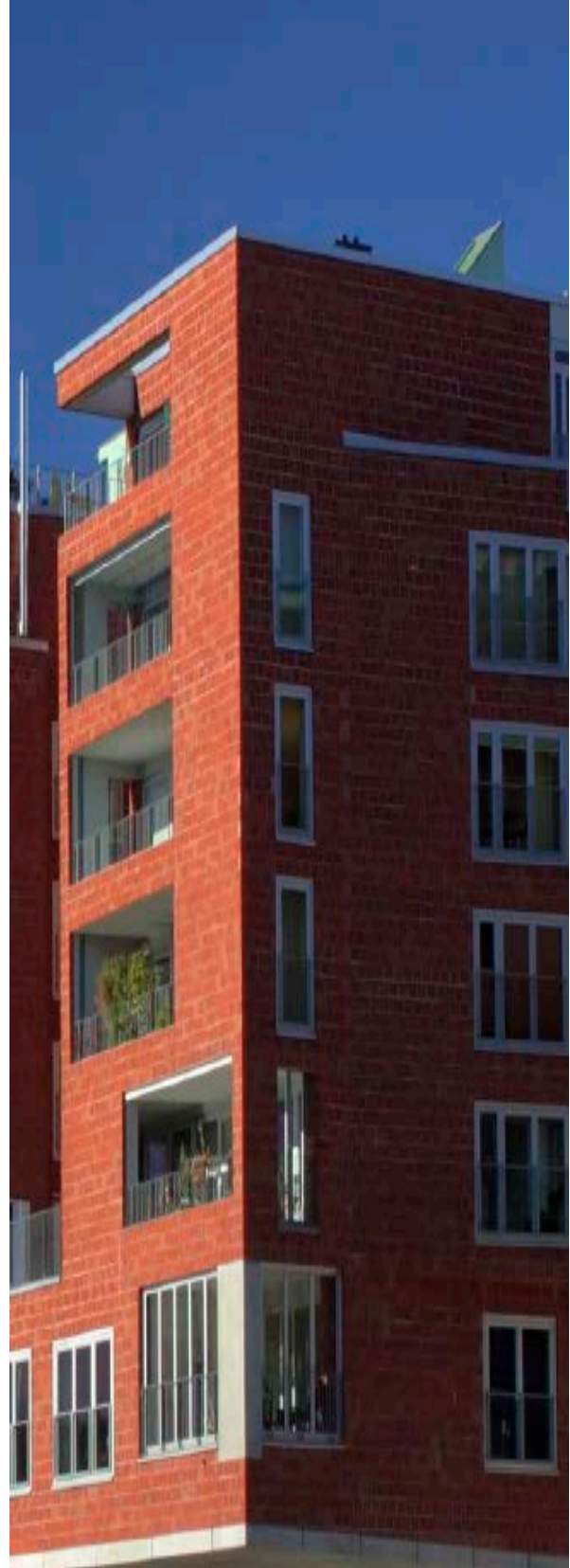
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