



Facts and Figures

Investment Market for Residential Portfolios Germany
H1 2023

“Reliable information is imperative for the success of an enterprise.”

Quote from Christopher Columbus

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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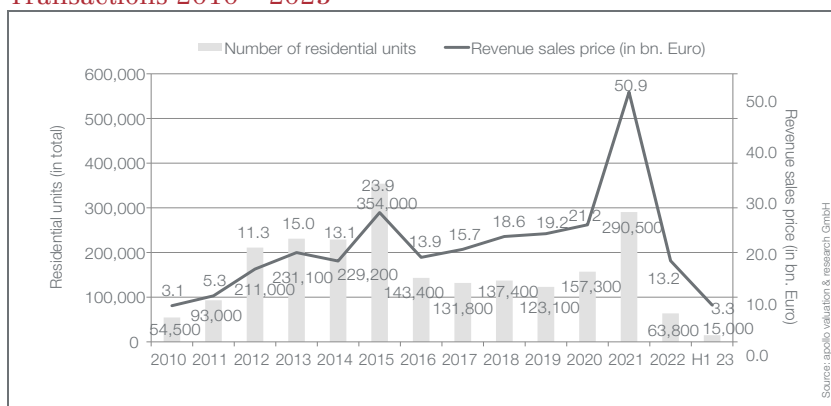


Market overview H1 2023

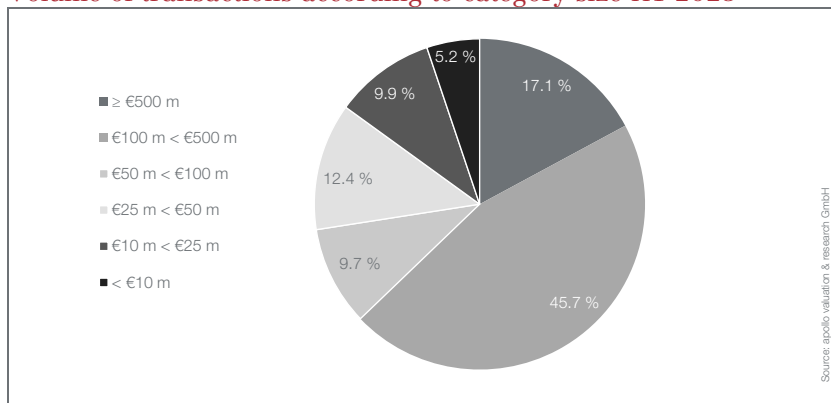
Transaction volume	€3,3 billion at the lowest level since 2011
Sales of residential units	15,000 or over 52 percent less than in the prior-year period
Regional focus	Berlin and North-Rhine Westphalia with most transactions, metropolises in focus of demand
Type of investors	Strongest buyer are the "Asset Managers / Funds Managers"
Origin of investors	German investors dominate buy-side despite decline of over 57 percent

Source: apollo valuation & research GmbH

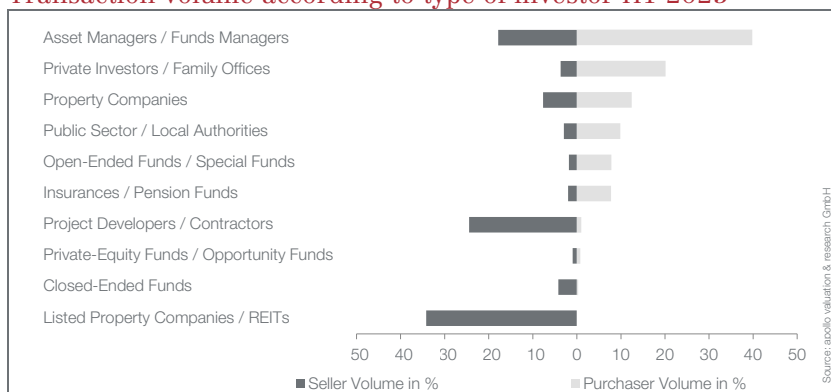
Transactions 2010 – 2023



Volume of transactions according to category size H1 2023



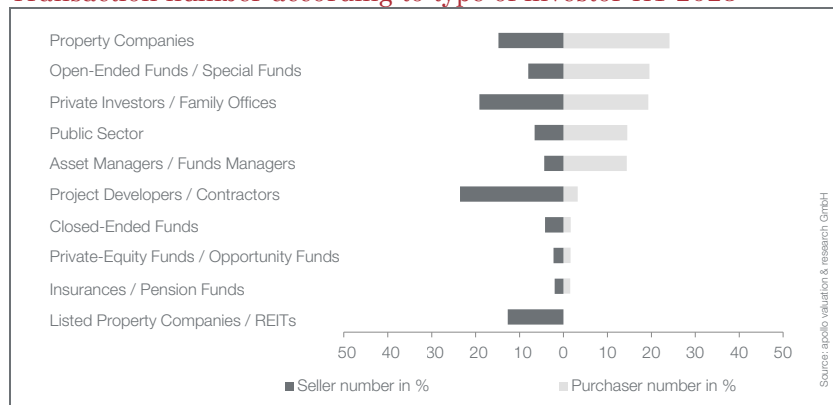
Transaction volume according to type of investor H1 2023



The transaction market for residential portfolios* in Germany again registered a below-average sales volume in the second quarter of 2023. Residential portfolios (with at least 30 residential units) were traded for around €1.3 billion in the past three months. A weaker three-month result was last registered in 2011. Together with the already low result of around €2 billion in the previous quarter, the transaction volume in the first half of 2023 amounted to just under €3.3 billion. This also ranks as the weakest result since 2011, and falls significantly below both the five-year and ten-year averages for first half-years by around 67 % and 64 % respectively. This development is not surprising in view of current market conditions. High inflation, rising financing costs, significant increases in construction prices and the gloomy overall economic outlook continue to shape the market environment and prevent an increase in transaction activity. The diverging price expectations of potential buyers and sellers are coming closer together, but have not yet reached a level that could lead to a real market revival. However, there are also rays of hope. In contrast to the previous quarter and the previous year, a transaction above €500 million has taken place. Vonovia was able to sell a total of 1,350 new residential units to CBRE Investment Management for around €560 million. The analysis did not take into account the investment in Vonovia's "Südevo" residential portfolio of over 21,000 residential units by the US financial investor Apollo. Our condition that a controlling majority must be achieved when acquiring shares in a real estate or property company was not met in this case.

*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 2023



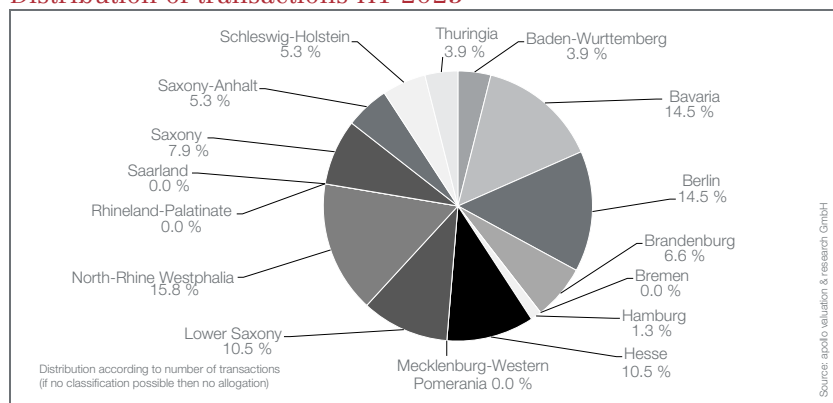
Transaction volume according to investors' origin 2011 – 2023



Transaction number according to investors' origin 2011 - 2023



Distribution of transactions H1 2023



The €500m-plus category achieved the second-highest market share of 17.1 % owing to the major deal between Vonovia and CBRE Investment Management. The €100m < €500m cluster again accounted for the largest share, which increased to 45.7 % (H1 2022: around 41.8 %). However, the traded volume halved compared to the previous year from €3 billion to around €1.5 billion. Declines in both absolute transaction volume and market share were also evident in all segments between €10 million and €100 million, which generated a total volume of €1 billion. This corresponds to a year-on-year decline of 74.1 %. On the other hand, the volume increased in the sub-€10-million category. Around €170 million was achieved here in the past six months, almost 18 % more than in the first half of 2022. Although the pre-crisis level has not been reached either, it is clear that transaction activities on the German residential portfolio market are currently taking place primarily in the segment for smaller deals. In total, only around 15,000 units changed hands, which represents a decline of more than 50 % compared to the same period last year.

The transaction market for residential portfolios has become more fragmented. Listed Property Companies & REITs, a grouping that dominated the market in previous years thanks to its substantial acquisitions, is currently not engaging in purchasing activity. Instead, these investors have taken the leading position on the seller side with a sales volume of over €1.1 billion or a market share of 34.2 %. After years of large-scale purchases financed with high levels of debt capital, the focus of Listed Property Companies & REITs is on securing and increasing equity capital, which also results in a higher sales

supply. Instead, equity-strong investors have now become the strongest buyers. Asset Managers & Funds Managers currently occupy first place with €1.3 billion (market share: 39.9 %), followed by the group comprising Private Investors & Family Offices, whose market share has now increased from 3 % in the previous year to 20.2 %. The absolute purchase volume of Private Investors & Family Offices thus amounts to almost €660 million, which is more than triple the volume in the first half of 2022.

High construction and financing costs have caused a steady decline in both general construction activity and trading in project developments over the course of 2023. As a result, the transaction volume generated by forward deals fell from €3.4 billion in the same period of the previous year to around €750 million (of which around €630 million in Q1) at the end of June 2023. The new-build segment is still in demand, but costs here are so high that financing is difficult for potential buyers. This certainly further increases the attractiveness of ESG-compliant residential stock in the core segment. At the same time, demand is increasing for value-add properties in particular, which are higher risk but offer greater potential for value appreciation with appropriate management-to-ESG strategies.

Domestic investors continue to play a dominant role. German buyers accounted for a share of 67.8 % (-4.6 percentage points compared to H1 2022). At the same time, they completed the most transactions with a share of 85.8 %. Accordingly, international investors increased their share of the transaction volume to 32.2 %. In both cases, however, there were significant year-on-year declines in the volumes traded. For example, the volume traded by domestic buyers fell by 57.4 % to €2.2 billion. Compared to the first six months of 2022, the volume generated by international investors dropped 47.1 %.

The German residential portfolio transaction market has generally proved to be lacking in momentum so far this year, which caused the further decline in transaction activity in the last three months. In recent quarters, there has been a reassessment of risk on the residential portfolio transaction market because of rising interest rates, ESG and new requirements regarding sustainability and energy efficiency. As a result, many market players have scaled down their investment programmes and are being very selective. Some sales, including those by Listed Property Companies & REITs, took place in order to secure liquidity. This could also contribute to a market revival in the non-core segment and offers room for players with a higher risk appetite.

General economic sentiment has recently deteriorated again, and the economy is therefore not yet expected to have a positive influence on the transaction market in the coming months. However, in view of improving economic forecasts as well as a subsequent stabilisation of interest rates assuming that inflation will fall, it is conceivable that we will see a revival of market activity on the residential portfolio transaction market next year.

The end of the price negotiation phase between buyers and sellers has not yet been reached, but there are some signs of rapprochement. One positive aspect is the stable rental market. The current and strongly growing imbalance between scarce housing supply and increasing housing demand will continue to drive up rents in future, which will become all the more important for investors in times of falling purchase price factors. An increasing number of forced sales is also expected for the coming months. At the same time, various property companies are also aiming for larger portfolio sales in the short to medium term. This supports the market, but a significant increase in market activity is not to be expected under the current conditions.

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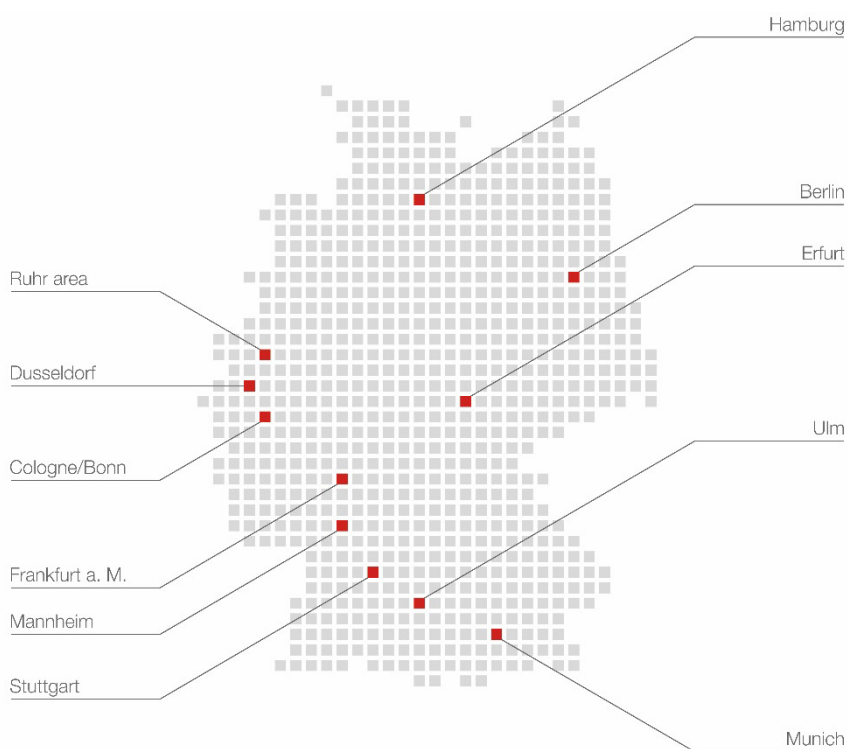
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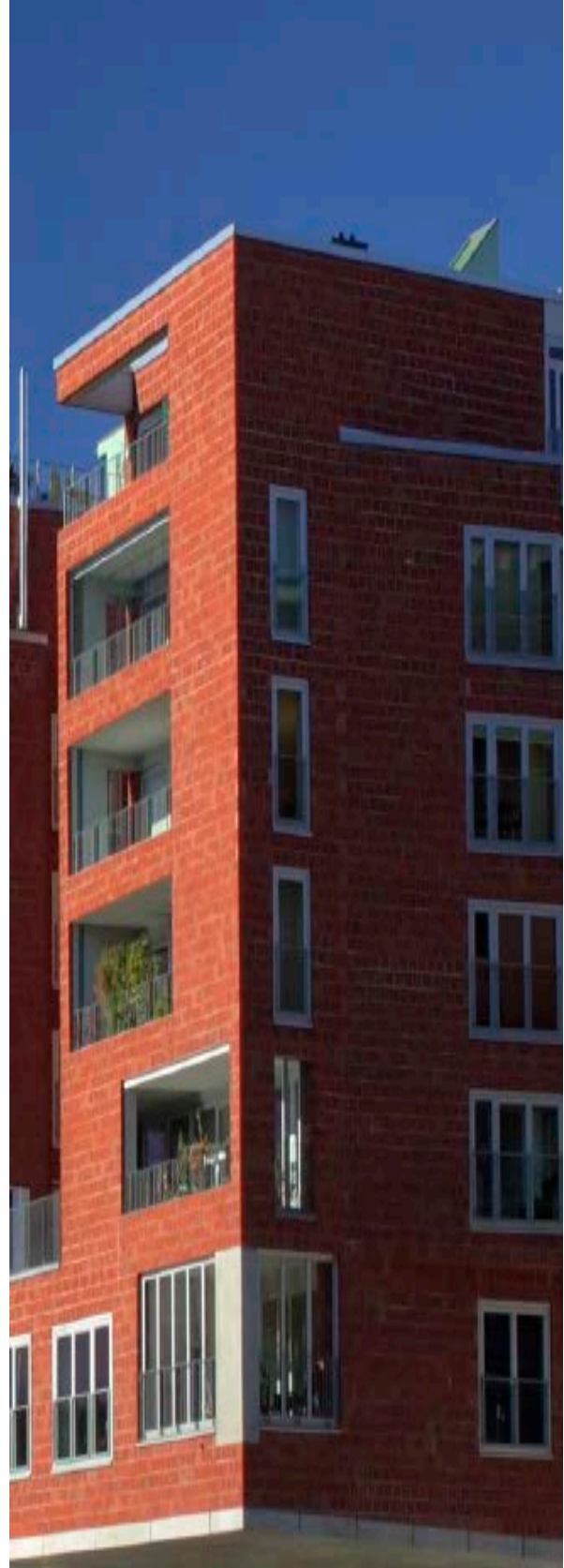
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