



Facts and Figures

Investment Market for Residential Portfolios Germany
Q3 2023

“Progress depends on the exchange of knowledge.”

Quote from Albert Einstein

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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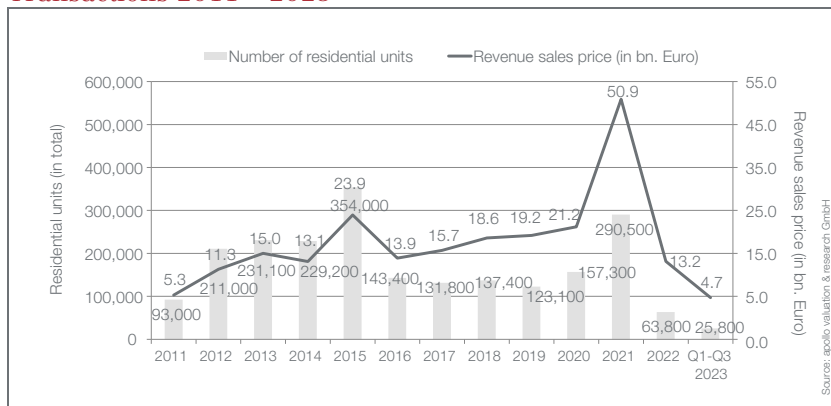
Market overview Q1-Q3 2023

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|----------------------------|---|
| Transaction volume | €4.7 billion at the lowest level since 2011 |
| Sales of residential units | 25,800 or 44 percent less than in the prior-year period |
| Regional focus | Berlin with most transactions, growth regions 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 51 percent |

Source: apollo valuation & research GmbH

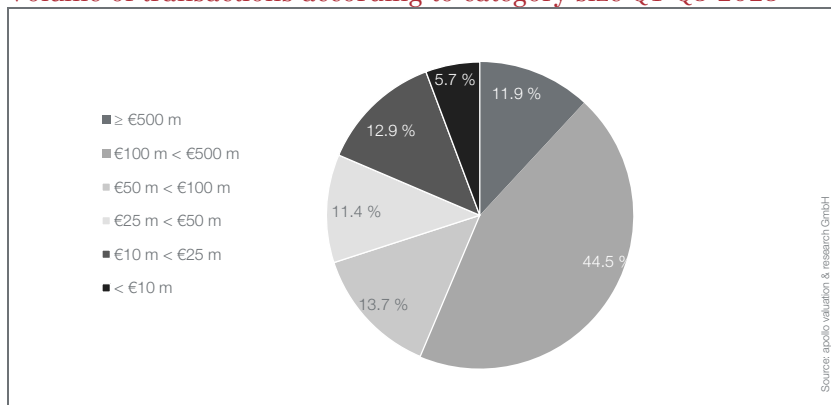
The German residential portfolio transaction market* still failed to gain any significant momentum in the third quarter of 2023. Residential portfolios in Germany were traded for over €1.4 billion in the past three months. This represents the second lowest quarterly result after the previous quarter (Q2 2023: €1.3 billion) of the last twelve years. The result in the year to date result amounts to around €4.7 billion as autumn gets underway. The last time a weaker result was registered for the first nine months was in 2011. As expected, the figure is well below both the result of the previous year (Q1-Q3 2022: €10.2 billion) and the recent five-year average (€15.2 billion).

Transactions 2011 – 2023



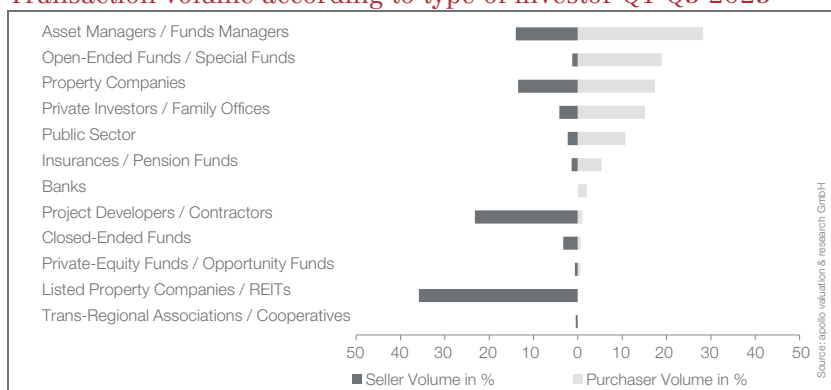
There continues to be an absence of large-volume deals, although this is also not surprising in view of the current complex constellation of different factors. The European Central Bank raised the key interest rate to 4.5 % in September. This further complicates pricing on the property transaction market and drives up financing costs.

Volume of transactions according to category size Q1-Q3 2023



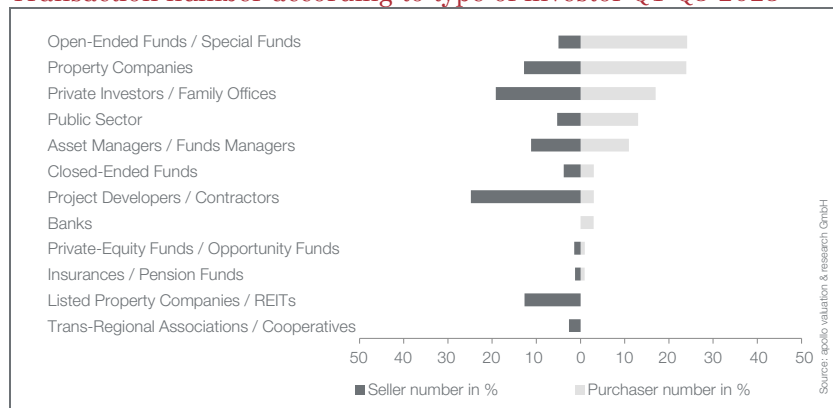
However, certain market-stabilising factors are still in place. Rents are rising for both old and new properties amid an increase in surplus demand on the rental markets, further supported by essential investments in energy-efficient refurbishments as well as upgrades of rented accommodation. This will continue in the coming months. The potential for rent increases is even more important for investors in view of falling purchase price factors, as this contributes to the stabilisation of capital values.

Transaction volume according to type of investor Q1-Q3 2023



*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

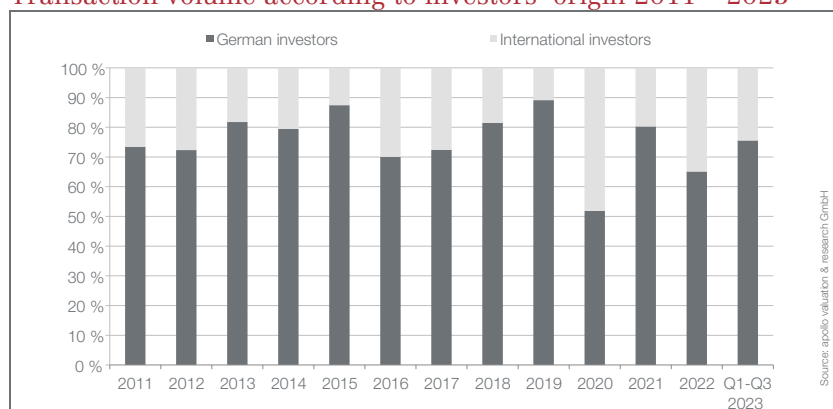
Transaction number according to type of investor Q1-Q3 2023



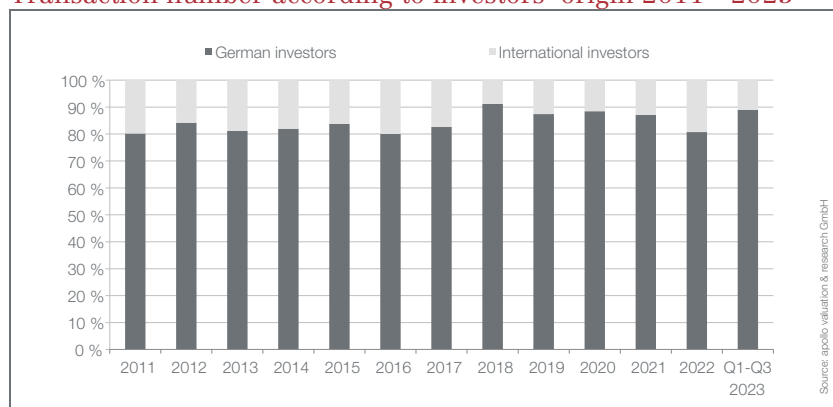
The number of transactions so far in 2023 has fallen by 50 % compared to the previous year. In total, around 25,800 residential units changed hands in the past nine months.

Limited investment activity in the large-volume segment is the primary cause of the low overall volume. Only one large transaction above €500 million has taken place so far, namely the sale of 1,350 new residential units by Vonovia to CBRE Investment Management in the previous quarter, giving this price category the second highest market share of 11.9 %. Although the €100m-€500m segment accounts for the largest share of the volume at 44.5 % (+4.4 percentage points), the traded volume here almost halved in absolute terms to €2.1 billion compared to the previous year. Sales in other segments also declined by 50 % to almost 80 %, with one exception: smaller deals below €10 million exceeded the previous year's result by 13.5 %.

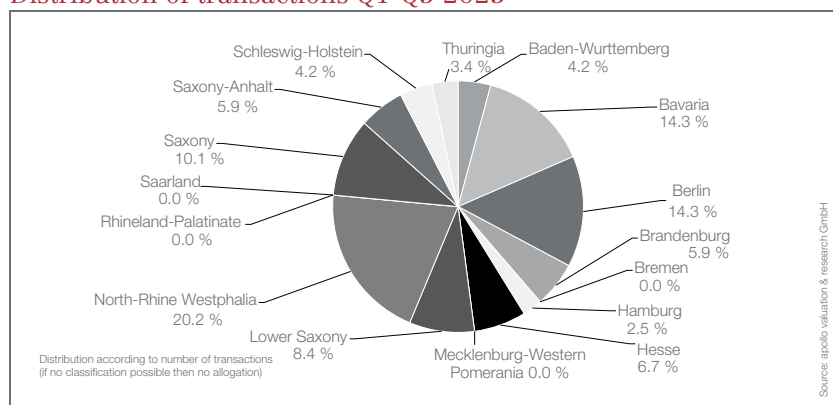
Transaction volume according to investors' origin 2011 - 2023



Transaction number according to investors' origin 2011 - 2023



Distribution of transactions Q1-Q3 2023



The current crisis has the project development market in particular in its grip. Sharply increased interest rates combined with high construction costs have brought the bulk of new construction and conversion activities to a standstill. As a result, new construction activity and trading in project developments have decreased. The transaction volume generated by forward deals has fallen to just under €1 billion at the start of autumn 2023 compared to €4.6 billion in the same period last year. The third quarter contributed only around €230 million to this volume.

Newly built properties are still on investors' shopping lists, but the costs are very high. As project developments become more expensive, investors' attention is being drawn more to existing, ESG-compliant residential units in the core and core-plus segments. At the same time, there is also interest in portfolios in the value-add and opportunistic risk classes, which offer particular potential for value enhancement when implementing manage-to-green strategies.

Since the beginning of the year, "Asset Managers and Funds Managers" have played a dominant role on the buy-side with a current market share of 28.3 % or €1.3 billion. They are followed by "Open-Ended Funds and Special Funds" with 18.9 % (€890 million) and "Property Companies" with 17.4 % (€820 million). The Listed Property Companies, which stood out in previous years owing to their large portfolio purchases, are currently only engaged in sales activities. Accordingly, Listed Property Companies and REITs have further consolidated their leading position on the sell side with a sales volume of almost €1.7 billion or a market share of 35.9 % over the course of the year.

In terms of investor origin, domestic investors remained the dominant players on the German residential portfolio transaction market in the first nine months of 2023. In absolute terms, however, their investment volume halved from €7.3 billion to almost €3.6 billion compared to the previous year. This corresponds to a market share of 75.5 %, which is 4.1 percentage points higher. Correspondingly, the share of foreign investors has fallen to 24.5 %. In absolute terms, the purchase volume of international investors fell 60.6 % to around €1.2 billion.

The overall economic mood in Germany has deteriorated further. As a result, many market players have further scaled back their investment plans or are proceeding very selectively, also owing to the growing importance of sustainability aspects.

Some sales have recently taken place primarily to secure liquidity, especially on the part of Listed Property Companies and Project Developers. The situation will remain uncertain for a few more months, even if investors are increasingly coming to terms with the new reality. Market prices have not yet bottomed out, but price expectations between market participants are converging. The current price downturn may represent an opportunity for long-term equity investors. In addition, an increase in forced sales is to be expected. At the same time, various property companies continue to pursue larger portfolio sales. In the short term, however, this will not lead to any significant market revival. The further development of the overall economic situation as well as construction and financing costs will remain decisive. We can only expect the market to pick up momentum when there are at least some signs of stabilization.

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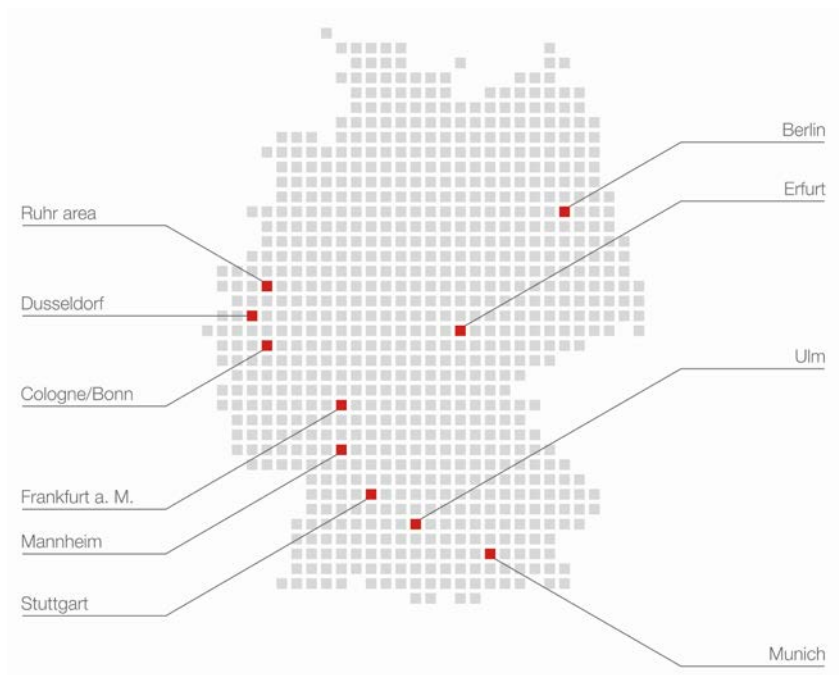
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