

“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!

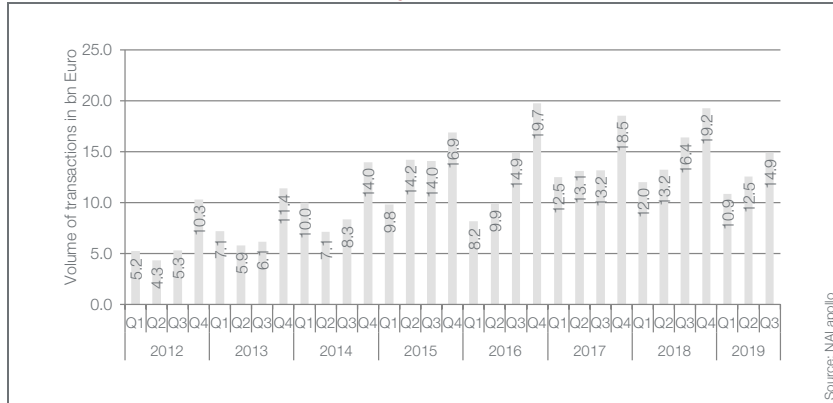


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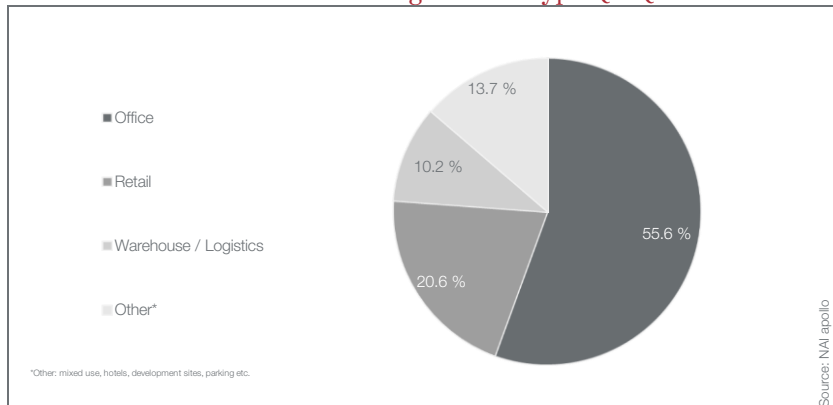


Volume of transactions 2012 –Q3 2019



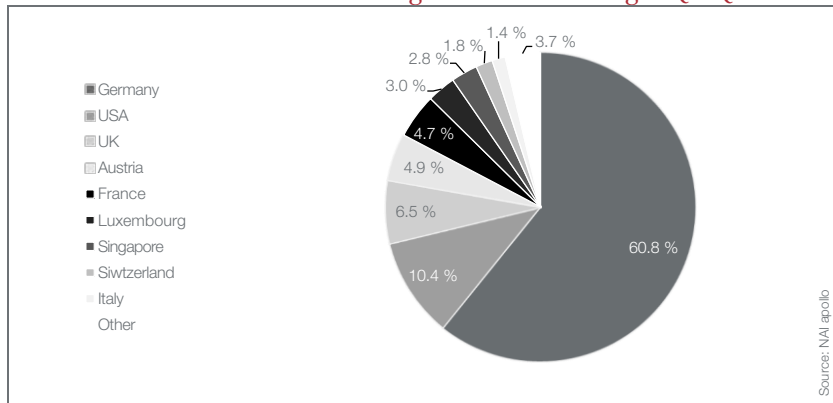
The German investment market for commercial real estate remains in an expansion phase. In the third quarter of 2019, the transaction volume amounted to about €14.9 billion, excluding minority shareholdings. This result is only 9.3 % below the third-quarter value of the previous record year, and exceeds the average for the July-to-September period over the past five years by 11.3 %. (Q3 2014 – Q3 2018: €13.4 billion). The transaction volume for the first three quarters of 2019 totals €38.3 billion, which also clearly exceeds the mid-term average.

Volume of transactions according to asset type Q1-Q3 2019



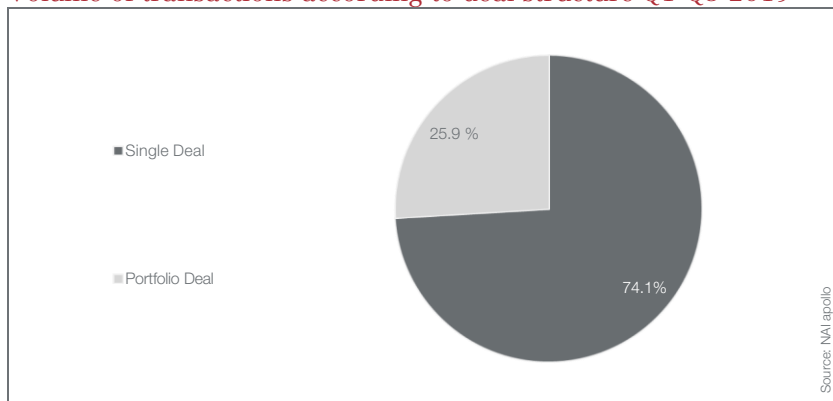
Single-asset transactions again form a key pillar for the transaction volume, accounting for around €28.3 billion. This means such transactions have increased their market share from 70.4 % last year to 74.1 %. As in the previous quarters, portfolio deals generated a lower transaction volume, although last year’s result was somewhat exceptional (Q1-Q3 2018: €12.3 billion). In total, approx. €9.9 billion was invested in portfolios in the first nine months of 2019.

Volume of transactions according to investors' origin Q1-Q3 2019

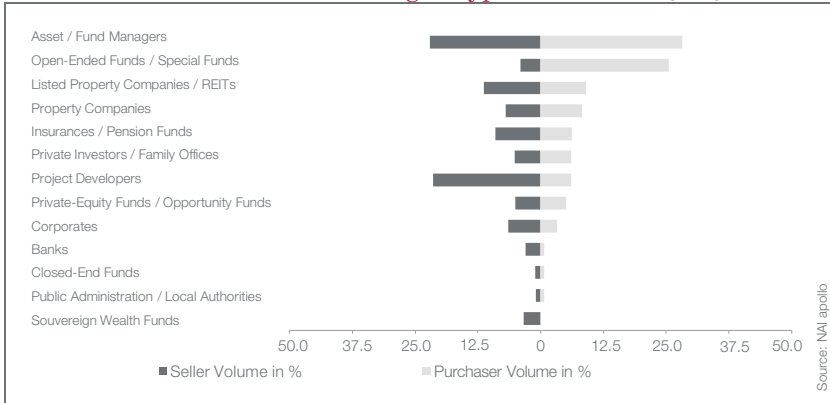


In terms of asset classes, office property was again the most dominant category with a transaction volume of €21.3 billion. This was 5.6 % higher than the previous year’s level, and also equated to a 55.6 % market share. Retail property registered investments amounting to around €7.9 billion, followed by logistics with €3.9 billion. The latter two asset classes also experienced a slight decline each. “Other uses” generated a transaction volume of €5.2 billion, of which hotels accounted for €2.4 billion.

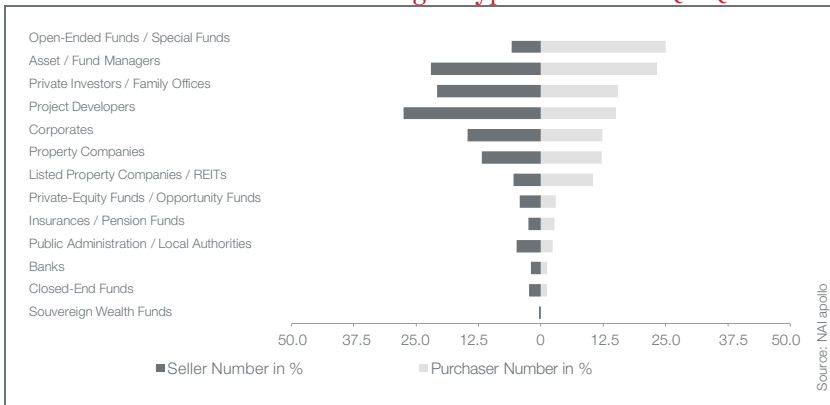
Volume of transactions according to deal structure Q1-Q3 2019



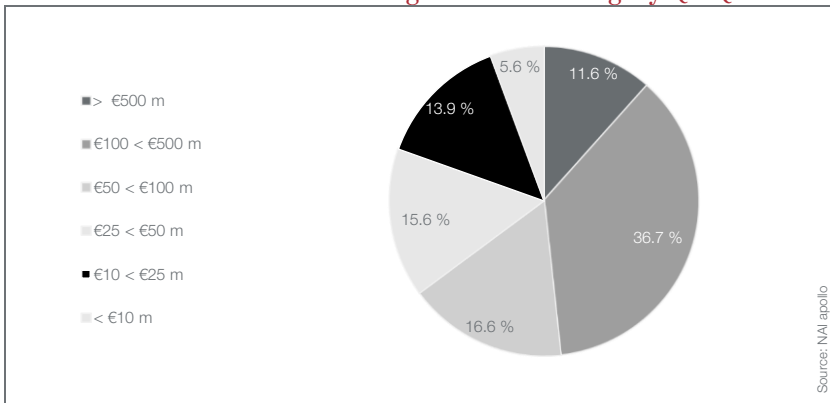
Volume of transactions according to type of investor Q1-Q3 2019



Number of transactions according to type of investor Q1-Q3 2019



Volume of transactions according to volume category Q1-Q3 2019



Prime yields Q3 2019

| | Prime office yields | Prime retail yields | Prime logistics yields |
|-----------------|---------------------|---------------------|------------------------|
| Berlin | 2.75 % | 2.80 % | 3.85 % |
| Dusseldorf | 3.15 % | 3.10 % | 3.90 % |
| Frankfurt a. M. | 2.90 % | 3.00 % | 3.85 % |
| Hamburg | 2.90 % | 3.00 % | 3.85 % |
| Munich | 2.75 % | 2.80 % | 3.80 % |
| Total | Ø = 2.90 % | Ø = 2.95 % | Ø = 3.85 % |

Source: NAI apollo

German investors still represented the most active players on the transaction market during the first nine months of 2019. They generated an overall investment volume of €23.3 billion, and were able to increase their market share by a further 1.4 %-points to 60.8 %. The traditionally strong English-speaking countries such as the USA and the UK were still among the most active foreign investor nations. Austria moved into third place due to Signa’s complete acquisition of Galeria Karstadt Kaufhof.

With regard to the different types of investors, “asset / fund managers” and “open-ended funds / special funds” had a decisive influence on the market in the first three quarters of 2019, accounting for respective shares of 28.2 % and 25.5 % of the investment volume. Next in line were “listed property companies /REITs”, “property companies”, “insurances / pension funds”, “private investors / family offices” and “project developers”, with each group investing between €2.3 billion and €3.5 billion in the first nine months. The most prominent divestors of commercial property included “asset / fund managers” with a 22.0 % share and “project developers” with 21.5 %.

The sale of the Millennium Portfolio, which was acquired by the Hausinvest fund of Commerz Real, the full acquisition of Galeria Karstadt Kaufhof and the sale of Frankfurter Welle helped ensure that deals above €500 million accounted for an 11.6 % market share. However, by far most investments took place in the “€100m < €500m” segment, with a share of 36.7 %.

Selected commercial transactions Q1-Q3 2019

| Millennium Portfolio | |
|-------------------------------------|-----------------------------|
| Purchaser | Commerz Real |
| Purchase Price (ca.) | €2,600,000,000 |
| Asset Type | Office, Retail, Residential |
| Kaufhof-Portfolio (50 %-Share) | |
| Purchaser | Signa |
| Purchase Price (ca.) | €1,250,000,000 |
| Asset Type | Retail |
| Die Welle, Frankfurt | |
| Purchaser | Invesco Real Estate |
| Purchase Price (ca.) | €620,000,000 |
| Asset Type | Office |
| Oberbaumcity, Berlin | |
| Purchaser | Blackstone / Quincap |
| Purchase Price (ca.) | €475,000,000 |
| Asset Type | Office |
| Siemens-Campus, Munich (60 %-Share) | |
| Purchaser | RFR / Aroundtown |
| Purchase Price (ca.) | €450,000,000 |
| Asset Type | Office |
| T8, Frankfurt | |
| Purchaser | Wirtgen Invest |
| Purchase Price (ca.) | €400,000,000 |
| Asset Type | Office |
| Neuer Kanzlerplatz, Bonn | |
| Purchaser | Union Investment |
| Purchase Price (ca.) | €400,000,000 |
| Asset Type | Office |
| Kustermann Park, Munich | |
| Purchaser | Henderson Park / Swiss Life |
| Purchase Price (ca.) | €400,000,000 |
| Asset Type | Office |
| Blue Chip Portfolio | |
| Purchaser | GreenOak / Apeiron |
| Purchase Price (ca.) | €350,000,000 |
| Asset Type | Logistics |
| Ludwig, Munich | |
| Purchaser | Pacific Eagle / KanAm |
| Purchase Price (ca.) | €350,000,000 |
| Asset Type | Office |

Source: NAI Apollo

In the office property segment, the prime yield in four of the five top locations dropped by five basis points. Although Dusseldorf recorded an unchanged yield of 3.15 %, returns in Frankfurt and Hamburg currently stand at 2.90 % in both cases. Berlin and Munich now achieve prime yields of 2.75 %.

In the logistics property segment, all top 5 locations experienced a 0.10 %-point decline in the prime yield. Thus prime yields range between 3.80 % in Munich and 3.90 % in Dusseldorf.

As in the previous quarter, retail prime yields remained unchanged in the top 5 markets in the third quarter of 2019. Returns are still 2.80 % in both Berlin and Munich, 3.00 % in Frankfurt and Hamburg, and 3.10 % in Dusseldorf.

A record performance is expected for the fourth quarter of 2019, and this will have a noticeably positive effect on the overall annual result for the commercial property transaction market. It's unlikely that this will translate into a new all-time high for 2019, although the expected transaction volume of about €55 billion will represent one of the best annual results since records began.

The first slight signs of a possible recession in Germany as well as the resumption of the bond repurchase programme make it likely that the ECB will maintain its zero-interest rate policy beyond 2020. As a consequence, it comes as no surprise that property investors are constantly adjusting their expectations for returns on investment. In the third quarter of 2019, for example, there was a further, at times significant, reduction in yields in individual asset classes. The average office prime yield for the top 5 markets is around four basis points lower than in the previous quarter, while the average logistics prime yield for the top 5 markets fell by as much as 10 basis points. Only the retail property segment registered stable yields.

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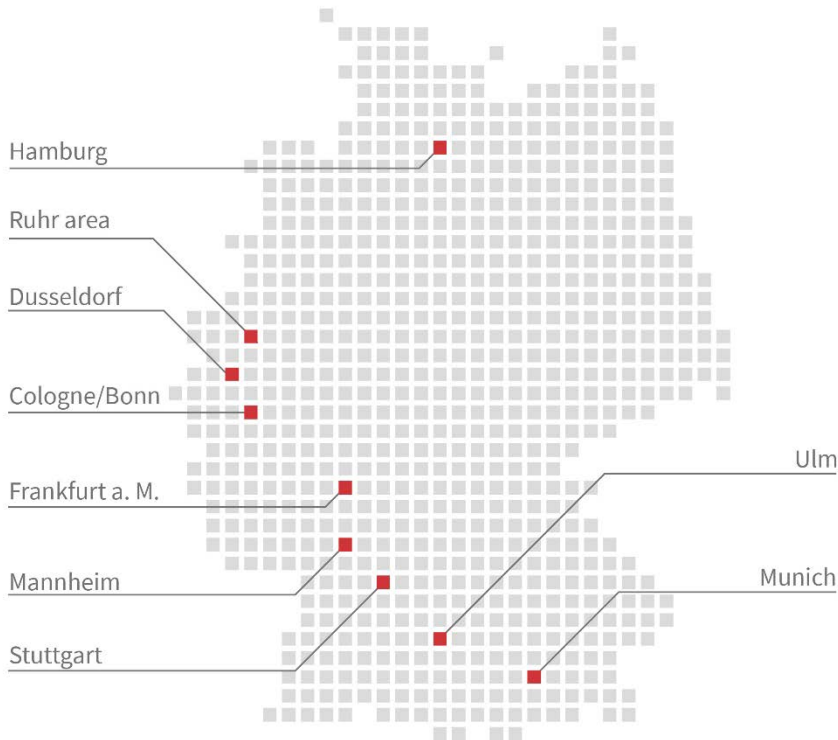
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