



Facts and Figures

Investment Market for Residential Portfolios Germany
Q1 2020

“The essence of knowledge is,
having it, to apply it.”

Quote from Confucius

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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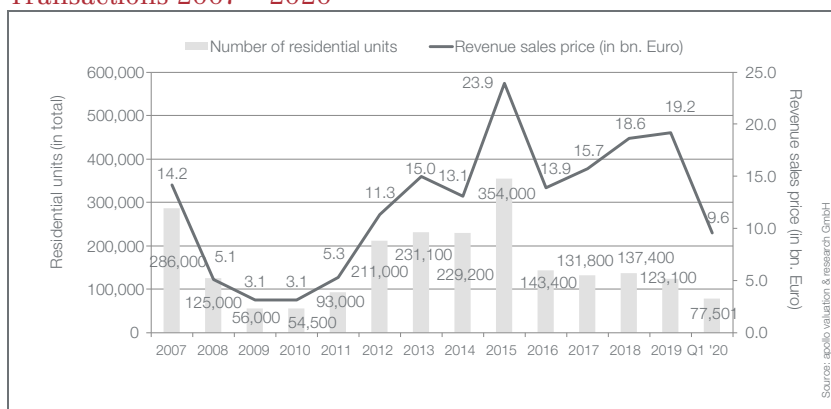
Market overview Q1 2020

Transaction volume	€9.6 billion, the best annual start after the record year 2015
Sales of residential units	95 transactions with approx. 77,500 units
Regional focus	Top 7 cities incl. suburban area, Rhine-Ruhr and Rhine-Main metropolitan regions and East-German growth centres of great importance
Type of investors	"Listed property companies / REITs" most important buyers and seller group
Origin of investors	International investors strongest market players with purchases of €6.4 billion, German with more transactions

Source: apollo valuation & research GmbH

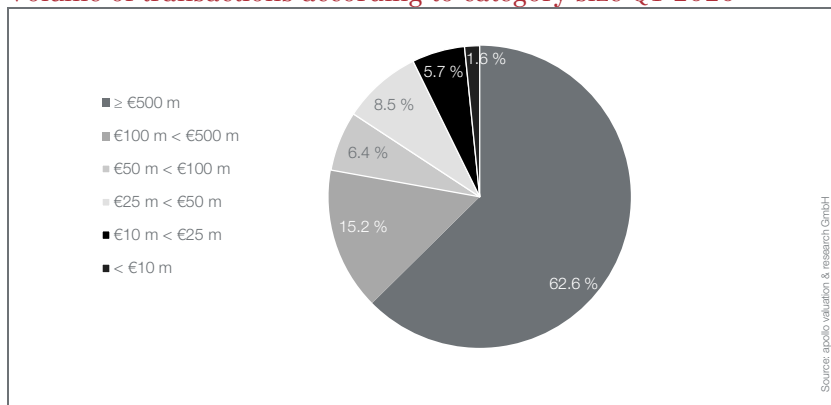
The investment market for residential portfolios* in Germany continued to perform well in the first few months of 2020 following strong development in the past year. In the first quarter of 2020, the transaction volume increased significantly year on year to around €9.6 billion (Q1 2019: €3.9 billion). This also represents the best start to a year since the record period of 2015, when sales reached €10.8 billion. However, the recent result was primarily owing to a single transaction, namely the merger of Adler Real Estate and Ado Properties. This corporate transaction involved 58,000 units and accounted for around 63 % of the total transaction volume. Had it not taken place, the quarterly result would have been around 7 % below the previous year's figure.

Transactions 2007 – 2020

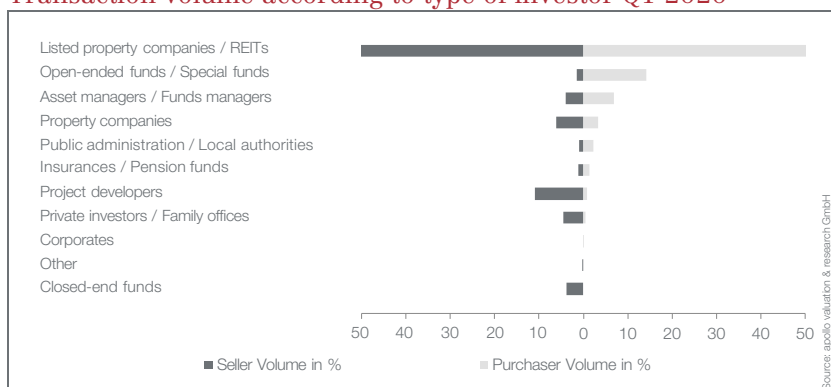


In the first three months of the year, around 77,500 residential units (Q1 2019: 24,500) changed hands. Owing to the high proportion of existing property sales in the value add and opportunistic risk categories, the average price per unit fell by around 20 % to about €124,000. A slight decrease in the transaction volume for project developments to just over €1 billion was also partly responsible for this decline, although demand for new properties remains robust.

Volume of transactions according to category size Q1 2020



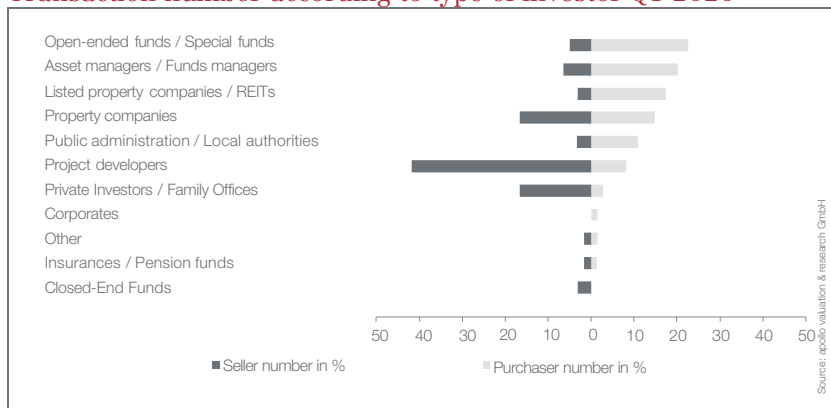
Transaction volume according to type of investor Q1 2020



In addition to the acquisition of Adler Real Estate with an estimated sales price of around €6 billion, several transactions in the price segment between €100 million and €500 million contributed to the good result. The total volume in this category amounted to around €1.5 billion.

*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 2020



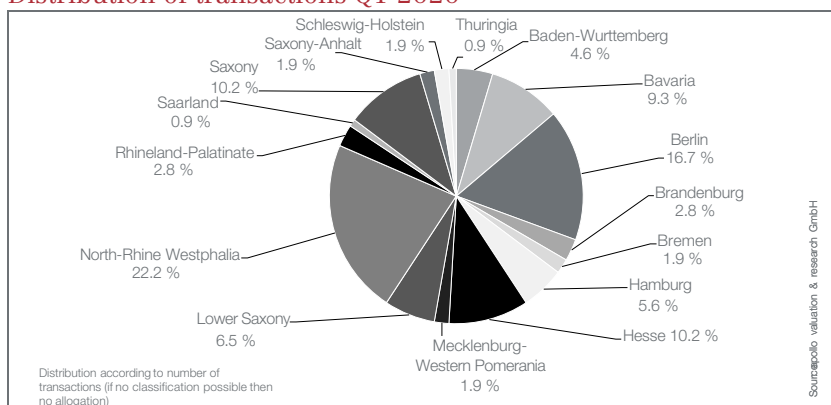
Transaction volume according to investors' origin 2008 – 2020



Transaction number according to investors' origin 2008 - 2020



Distribution of transactions Q1 2020



Portfolio deals above €100 million accounted for a combined market share of about 77.8 %, which is an increase of 19 percentage points compared to the previous year. However, in the first quarter of 2019 there was not a single deal that could compare with the recent Ado-Adler merger. The categories below €100 million accounted for shares of between 1.6 % and 8.5 %, and generated a combined volume of about €2.1 billion. This is around €500 million above the previous year's figure.

The biggest asset deals in the three-digit-million range included the acquisition by Deutsche Asset One of a portfolio (for various open special funds of Union Investment) for more than €300 million. Here, MEAG sold 715 residential and commercial units in Munich and the surrounding area. In addition, Ares acquired a portfolio for one of its funds. According to press reports, around 2,900 residential units changed hands in several German cities, including Berlin, Leipzig, Dresden, Essen and Dortmund. Also worth mentioning is the purchase of a portfolio by Deutsche Wohnen for almost €290 million, including 1,300 residential and 150 commercial units mostly in Dresden and Leipzig.

Demand for forward deals remains robust in 2020, although the sales volume has slightly decreased. Worth noting here are purchases of large quarter developments or parts thereof. For example, Industria Wohnen acquired the Molitor residential quarter in Mainz. Around 347 residential units are to be built on the former hospital site. Bayerische Versorgungskammer bought around 250 residential units in Frankfurt that form part of the Schönhof-Viertel development. The strong demand for new residential developments therefore remained unchanged in the first quarter.

Selected residential portfolio transactions > €200 m

Adler Real Estate corporate takeover (main focus in Wilhelmshafen, Duisburg and Leipzig)	
Purchaser	Ado Properties S.A.
Purchase price (approx.)*	approx. €6,000,000,000
Residential units*	58,000
Residential portfolio (Munich, Unterhaching and Oberhaching-Deisenhofen)	
Purchaser	Deutsche Asset One for open-ended special funds from Union Investment
Purchase price (approx.)*	€300,000,000
Residential units*	715
Residential portfolio (Dresden and Leipzig)	
Purchaser	Deutsche Wohnen AG
Purchase price (approx.)*	€290,000,000
Residential units*	1,450

Source: Apollo
valuation &
research GmbH

*partly includes data concerning commercial shares / partly estimated

“Listed property companies and REITs” were notably active both as buyers and sellers in the recent quarter. Following the Ado-Adler acquisition, this investor group increased its transaction volume considerably compared to the start of 2019. This group of buyers and sellers accounted for more than two thirds of the total volume as a result of this major transaction. “Open property funds and special funds” also registered an impressive increase in their transaction volume from around €600 million in the first quarter of 2019 to €1.4 billion, accounting for a share of 14.2 % and ranked in second place as buyers. “Project developers and contractors” represented the second-largest group of sellers, generating a sales volume of €1 billion in the first three months and accounting for a 10.9 % market share.

The proportion of foreign buyers increased significantly to around 67 % (Q1 2019: 15.2 %), primarily owing to the acquisition of the entire Adler portfolio from Luxembourg’s Ado Properties. This is equivalent to an increase in the transaction volume from around €590 million in the previous year to €6.4 billion. However, this does not indicate that German investors are reducing their buying activity. The opposite is the case. Around 92 % of the deals were completed by domestic buyers, which represents an increase of 8 percentage points compared to the previous year. That signals a high level of investment activity on the part of local players.

As was the case in the same quarter of the previous year, most of the transactions (by number) in the first quarter took place in North Rhine Westphalia and Berlin with market shares of 22.2 % and 16.7 % respectively. At municipal level, the focus continues to be primarily on the top 7 German cities. Owing to the shortage of supply, the surrounding areas of top cities and metropolitan regions such as the Rhine-Main and Rhine-Ruhr are also areas of interest. In addition, east German growth centres such as Leipzig and Dresden continue to experience increasing demand.

It’s difficult to provide a reliable forecast for the rest of 2020 given the Covid-19 crisis. Most investment players are currently in a standby position, which will reduce the transaction volume in the short term. In the medium to long term, critical factors will be how long the shutdown lasts and how severe the economic downturn is. Ultimately, one essential factor, the demand for living space, will not be completely eliminated, so that the effects on the housing market will be less apparent in comparison to other asset classes. Nevertheless we expect a considerable dampening of the transaction activity at least in the quarter.

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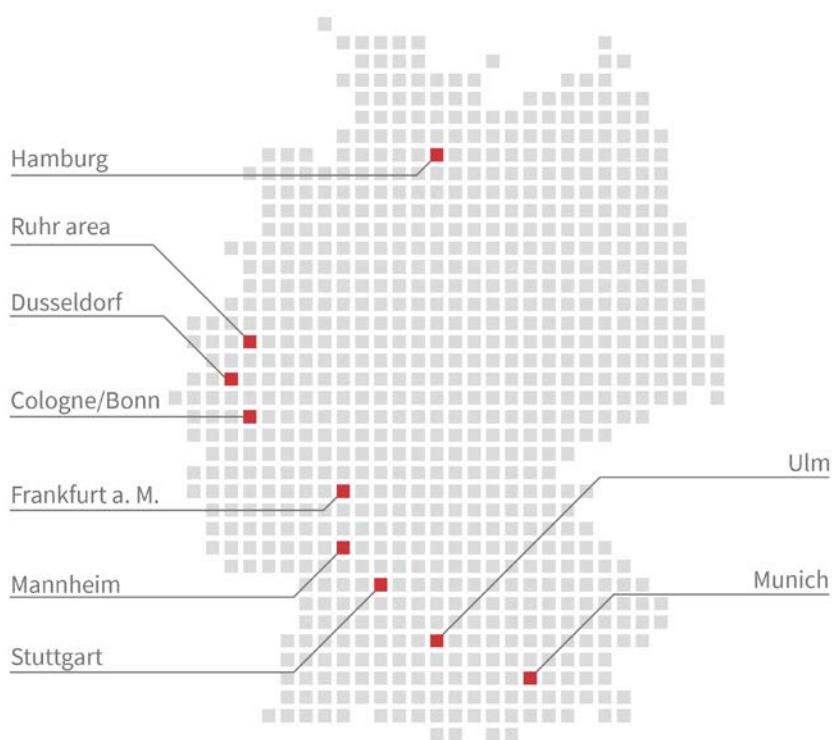
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