



Facts and Figures

Investment Market for Residential Portfolios Germany
Q3 2018

“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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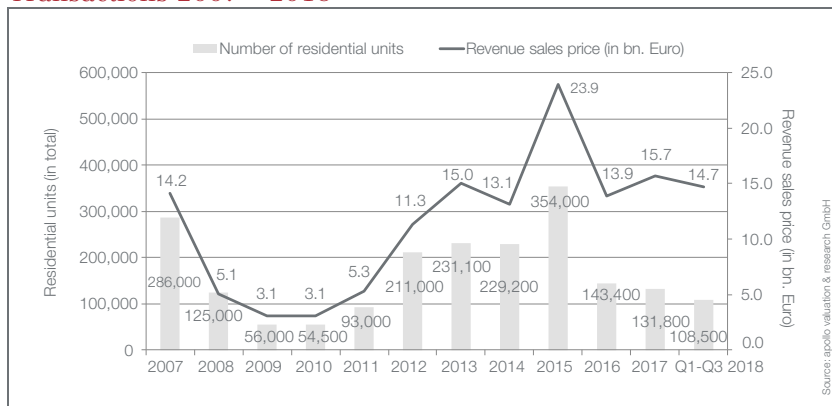
Market overview Q3 2018

Transaction volume	€14.7 billion, 38.7 % above the volume of the previous year
Sales of residential units	380 transactions with approx. 108,500 units
Regional focus	Berlin is the most popular investment target among the metropolises (14.5 % of the transactions), NRW with 17,9 %, investment activity in secondary and tertiary locations is rising
Type of investors	Dominant investors are listed property companies / REITs (€5.1 billion)
Origin of investors	German investors are strongest market players with purchases of €11.3 billion

Source: apollo valuation & research GmbH

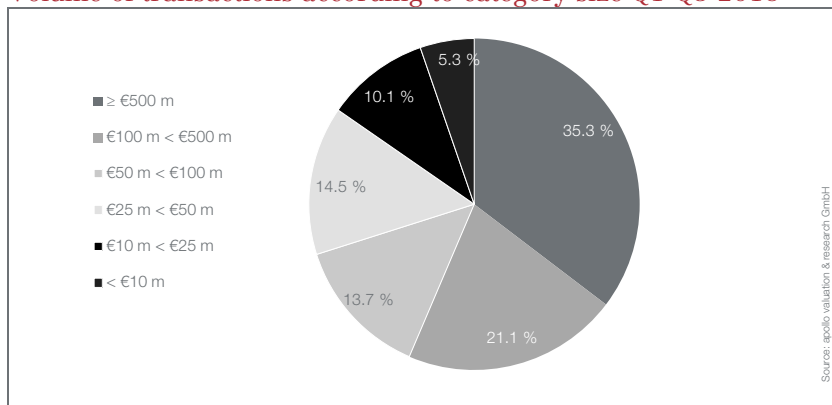
The residential portfolio transaction market* in Germany is well on its way to achieving the second-best transaction volume within the last 10 years. In the third quarter of 2018, the traded volume of €3.7 billion was in fact below the previous year's level (Q3 2017: €4.5 billion), but owing to the two very good previous quarters the volume amounts to €14.7 billion in the year to date. This figure is 38.7 % higher than the year-ago level, and lies just €1 billion below the very good result of 2017 as a whole (€15.7 billion).

Transactions 2007 – 2018



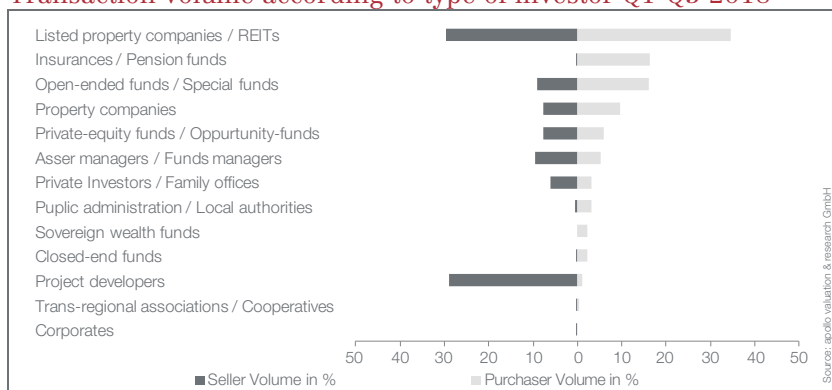
The number of traded residential units also increased, rising by about 14,500 year-on-year to 108,500 by the end of the third quarter.

Volume of transactions according to category size Q1-Q3 2018



The strong transaction result was largely supported by two acquisitions, namely the takeover of Buwog by Vonovia in the first quarter for about €2.9 billion and the acquisition by Adler Real Estate of 70 % of Brack Capital Properties in the second quarter for a calculated amount of €700 million. Two large portfolios also played an important role.

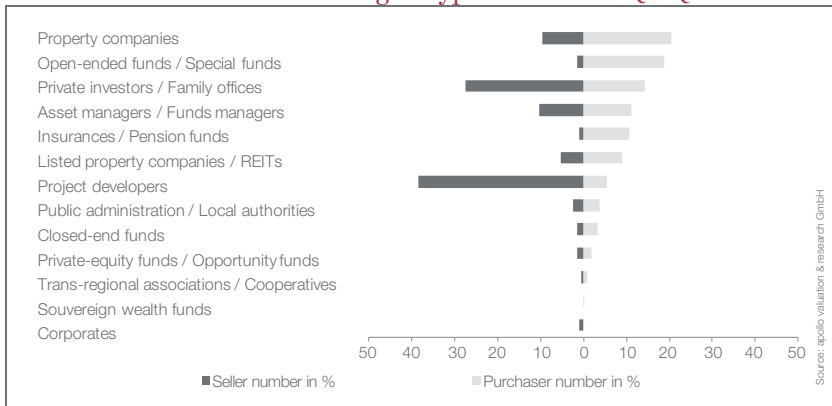
Transaction volume according to type of investor Q1-Q3 2018



For example, in the third quarter the Danish pension fund PFA acquired the Century portfolio with more than 3,500 residential units in cities such as Berlin, Munich and Hamburg for about €900 million. Also worth noting is the purchase of a project portfolio with micro apartment complexes (Q1) in major cities in the states of Hesse, North Rhine Westphalia and Saxony for €670 million by Corestate Capital for the umbrella fund of the Bayerische Versorgungskammer.

*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 2018



As a result, the '€500m-plus' transaction category accounted for over a third of overall activity on the transaction market for residential portfolios with a volume of €5.2 billion and a market share of 35.3 %. Compared to the first three quarters of the previous year, when a volume of €0.7 billion was registered, this category thus increased its investment volume more than seven-fold.

Transaction volume according to investors' origin 2007 - 2018



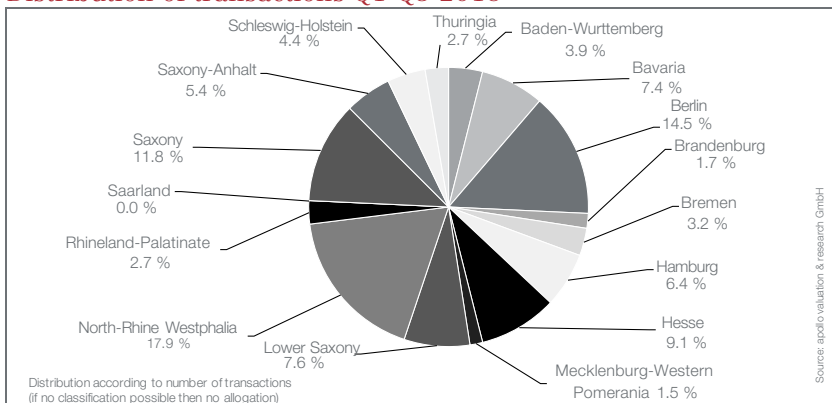
The second-largest category, including transactions between €100m and €500m, followed in second place with a volume of €3.1 billion and a 21.1 % market share. This category therefore shrank in absolute terms compared to the previous year (Q1-Q3 2017: €4.2 billion). The remaining size categories with deals below €100m increased in absolute terms by €0.6 billion year-on-year to €6.4 billion (43.6 %) by the end of the third quarter.

Transaction number according to investors' origin 2007 - 2018



The 20.1 % rise in the purchase price per residential unit to €135,500 compared to the prior year (Q1-Q3 2017: €112,800 / unit) was caused by the strong increase in prices for existing properties as well as the growth in forward deals. Off-plan sales accounted for 26.3 % of the total volume with a transaction volume of €3.9 billion. Compared to the same period last year, this represents an increase of €1.2 billion or 44.4 % (Q1-Q3 2017: €2.7 billion). The two portfolio sales with new micro apartment complexes and student residences in the first quarter and the sale of the Century portfolio with a very high average price per residential unit had a considerable impact on price growth.

Distribution of transactions Q1-Q3 2018



Selected residential portfolio transactions > €500 m

Buwog takeover	
Purchaser	Vonovia
Purchase price (approx.)*	€2,925,000,000
Residential units*	27,000
Century-Portfolio	
Purchaser	Pension funds PFA
Purchase price (approx.)*	€900,000,000
Residential units*	above 3,500
Brack Capital Properties 70 %-takeover	
Purchaser	Adler Real Estate
Purchase price (approx.)*	€700,000,000
Residential units*	approx. 7,700
Project portfolio with micro-apartment buildings in Dresden, Dusseldorf, Cologne, Leipzig & Frankfurt / Offenbach	
Purchaser	Corestate for a fund of funds for Bayerische Versorgungskammer (BVK)
Purchase price (approx.)*	€670,000,000
Residential units*	approx. 1,800
*partly includes data concerning commercial shares / partly estimated	

Source: apollo valuation & research GmbH

The most active investor group in the first three quarters of 2018 comprised listed property companies and REITs with a purchase volume of €5.1 billion (34.7 % share). This was €1.4 billion higher than in the previous year (€3.7 billion / 35.1 %). Insurance companies and pension funds were next in line by some margin, although this group has spent far more than usual this year. Their share increased from €0.4 billion (3.8 %) in the same period of 2017 to €2.4 billion (16.3 %). Open property funds and special funds were close behind in third place with about €2.4 billion (16.0 %). This group had also increased its volume by €0.5 billion at the end of the reporting period compared to a year previously (€1.9 billion / 17.8 %).

Listed property companies and REITs were also the most important market players on the seller's side in the first nine months of 2018, just ahead of project developers. They achieved a sales volume of €4.4 billion and a 29.7 % share of the transaction volume, increasing their sales volume more than three-fold compared to the previous year (€1.2 billion / 11.5 %). Project developers sold residential property with a value of €4.2 billion (28.9 %), which was in line with the corresponding period of 2017.

In terms of investor origin, both international buyers and German investors increased their investment activity. Compared with last year, foreign investors increased their purchase volume by 21.4 % to €3.4 billion in the year to date and currently account for a 23.4 % market share.

Domestic players increased their volume from €7.8 billion in the same period of 2017 to €11.3 billion, corresponding to a 76.6 % market share.

Among the major cities, Berlin is the top investment location with a 14.5 % share based on the number of transactions. At regional level, North Rhine Westphalia is the most important territorial state with 17.9 % of transactions. Saxony registered the strongest growth after rising to 11.8 % of the total number of transactions from 7.7 % in the same period of the previous year, primarily owing to the numerous transactions carried out in Leipzig and Dresden. Cities categorised as B or C in Germany are still in demand as viable alternative investment options to the top cities. For example, major transactions again took place in Zwickau (3,000 residential units), Dortmund and Bochum (2,000 units), as well as in Duisburg, Essen, Gelsenkirchen and Hagen (3,750 units), among others.

The final quarter of the year generally tends to generate a high volume of sales. Thus greater portfolio sales are also likely in the coming months. We can also expect to see a further increase in residential property prices, as these will be further fuelled by off-plan sales. In view of the high transaction volume already recorded by the end of the third quarter, an annual result of €18 billion to €20 billion on the residential investment market is expected. This would make 2018 one of the three strongest years since data collection started in the early 2000s. However, latest figures suggest that the record result of €23.9 billion for 2015 is out of reach.

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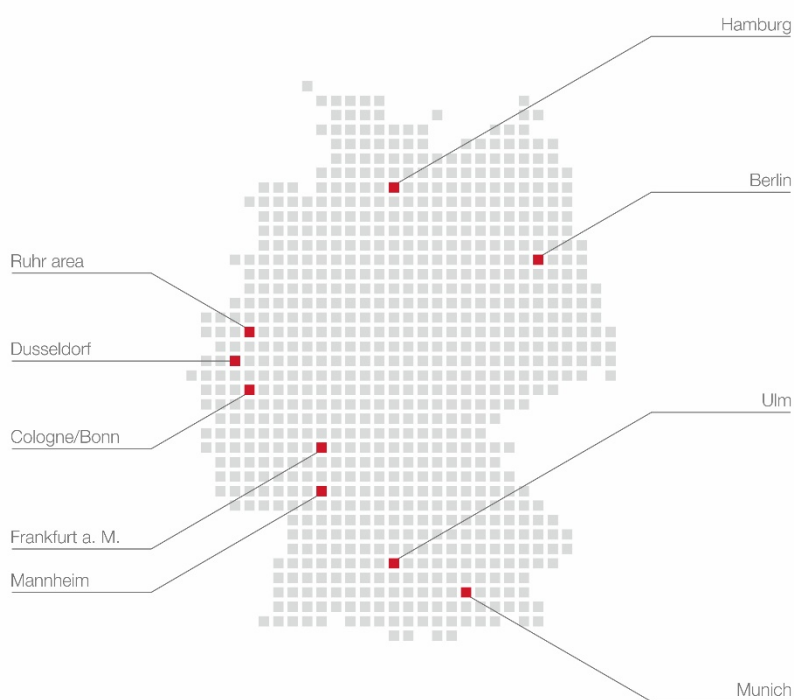
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