

MARKETBEAT BERLIN

Investment Q3 2021



YoY Change 12-Month Forecast

€6.70 bn

Transaction Volume (cum.)



52%

Share of Foreign Capital



2.60%

Office Prime Yield, net



37%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY Change 12-Mo. Forecast

9.4%

Berlin Unemployment Rate (Sep 2021)



789,300

Berlin Office Employees (Dec 2020)



0.0%

ECB Interest Rate (Sep 2021)



-0.41%

10-Year Government Bond Yield (Q3 2021)



Sources: Federal Employment Agency, Moody's Analytics

ABOVE-AVERAGE INVESTMENT TRANSACTION VOLUME ON THE BERLIN MARKET

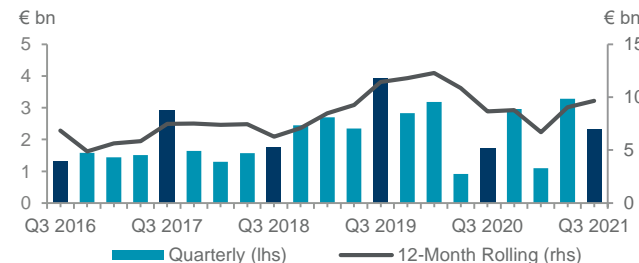
Transaction volume of around €6.7 billion was generated in the Berlin investment market for commercial real estate in the first nine months of 2021. Compared to the same period last year, this represents a 15% increase and exceeds the average of 2016 to 2020 by 17%. The third quarter accounted for €2.3 billion. At 52%, the proportion of international capital was in line with the five-year average.

Office properties were the most traded asset type in the year to date, accounting for 37% of turnover, although their contribution to the total volume was below average (five-year average Q1-3: 62%). The largest office transactions were the Victoriastadt Lofts with €425 million and the Ministry of Health with €214 million. Mixed-use properties contributed a comparatively high proportion transaction volume at 30% and €2.0 billion. Many of the mixed-use properties also have a significant office component and were therefore of interest to investors who usually focus on the office asset class. This applies particularly to the large-volume "Fürst" development with office areas comprising of almost 60% of the lettable space.

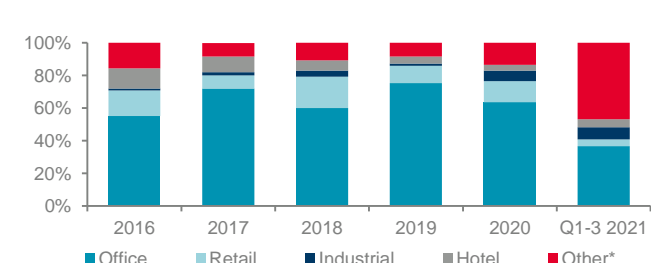
Logistics properties performed well, accounting for 7% (€500 million) of Q1-3 volume. Compared to the already above-average strong equivalent period last year, this is another increase of 208%. Only 4 % of the transaction volume so far was contributed by retail properties. The registered €270 million represents a decline of 75% relative to the same period a year ago. Restraint continues to prevail for high street retail buildings and shopping centres. In contrast, at €960 million, a high level of capital was invested in commercial land plots.

41% of the total transaction volume was from investment and asset managers. This was followed by developers with 20% and insurance companies / pension funds with 14%.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASSES



*Office, Retail, Logistics/Industrial, Hotel, Other (Leisure, Health Care, Mixed Use, Development Plots)

CORE PROPERTIES STILL IN FOCUS, BUT RISK APPETITE IS INCREASING

The preference for reliable cash flows, which has become more prevalent since the beginning of the pandemic, is still reflected in the allocation of the investment volume to the various risk categories. A good 43% of total transaction volume went into Core properties and 14% to the Core+ risk category. However, risk appetite is now increasing, which is for example reflected in the great interest shown in development plots. Value-add and Opportunistic risk classes accounted for 23% and 14% of transaction volume respectively.

HIGH PROPORTION OF LARGE-SCALE TRANSACTIONS

Around 63% of Berlin's investment transaction volume was generated by the €100 million and above price category, where the sales of 18 properties generated a total transaction volume of over €4.2 billion. The second most important size category was that of €50 million to less than €100 million with a 20% share. With around €370 million (6%), the category below €25 million played only a minor role.

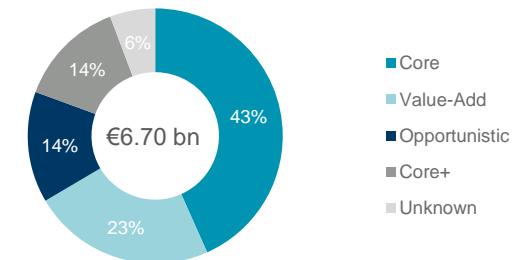
RECORD YIELDS FOR OFFICES OCCUPIED BY TENANTS WITH HIGH CREDIT RATINGS

The prime yield for office properties currently stands at 2.60%, 30 basis points below the level of a year ago. Pronounced yield compression is observed in particular for properties occupied by tenants with excellent credit ratings, such as government departments. Given these conditions, net yields of just over 3% are now possible in peripheral locations in some cases. Logistics properties are currently trading at a prime yield of 3.10%, which is 55 basis points below their level of a year ago. The prime yield for high street retail properties was 3.45% at the end of the third quarter, down 5 basis points year on year.

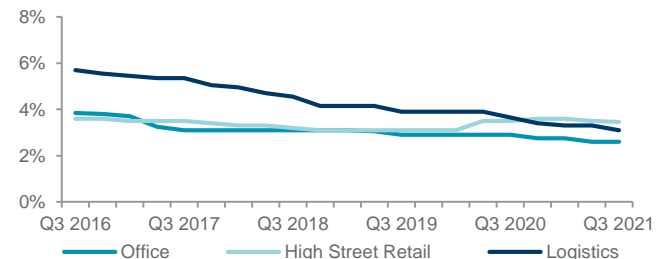
Outlook

- The recovering office letting market is having a positive effect on the investment market. Also, recent decades show that the fourth quarter is usually the strongest in terms of transaction volume. C&W therefore expects a transaction volume of at least €9.0 billion across all commercial asset classes to the end of the year.
- Given the high liquidity in the capital markets and the continued high demand for properties occupied by tenants with excellent credit ratings such as government departments, a further minor degree of yield compression is to be expected for the office prime yield to the end of the year. Prime logistics properties should also see a fall in yields. For retail properties in prime pitch locations, no further changes are expected over the next three months following the latest slight compression in yields.

TRANSACTION VOLUME BY RISK CATEGORIES Q1-3 2021

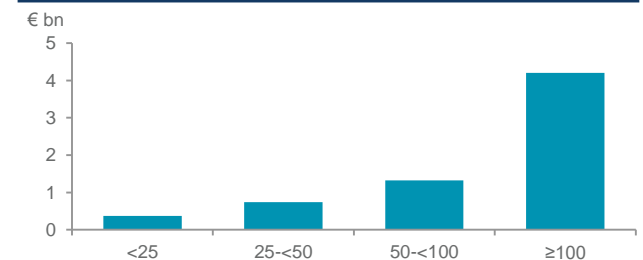


PRIME YIELD BY ASSET CLASSES*



* Net initial yield

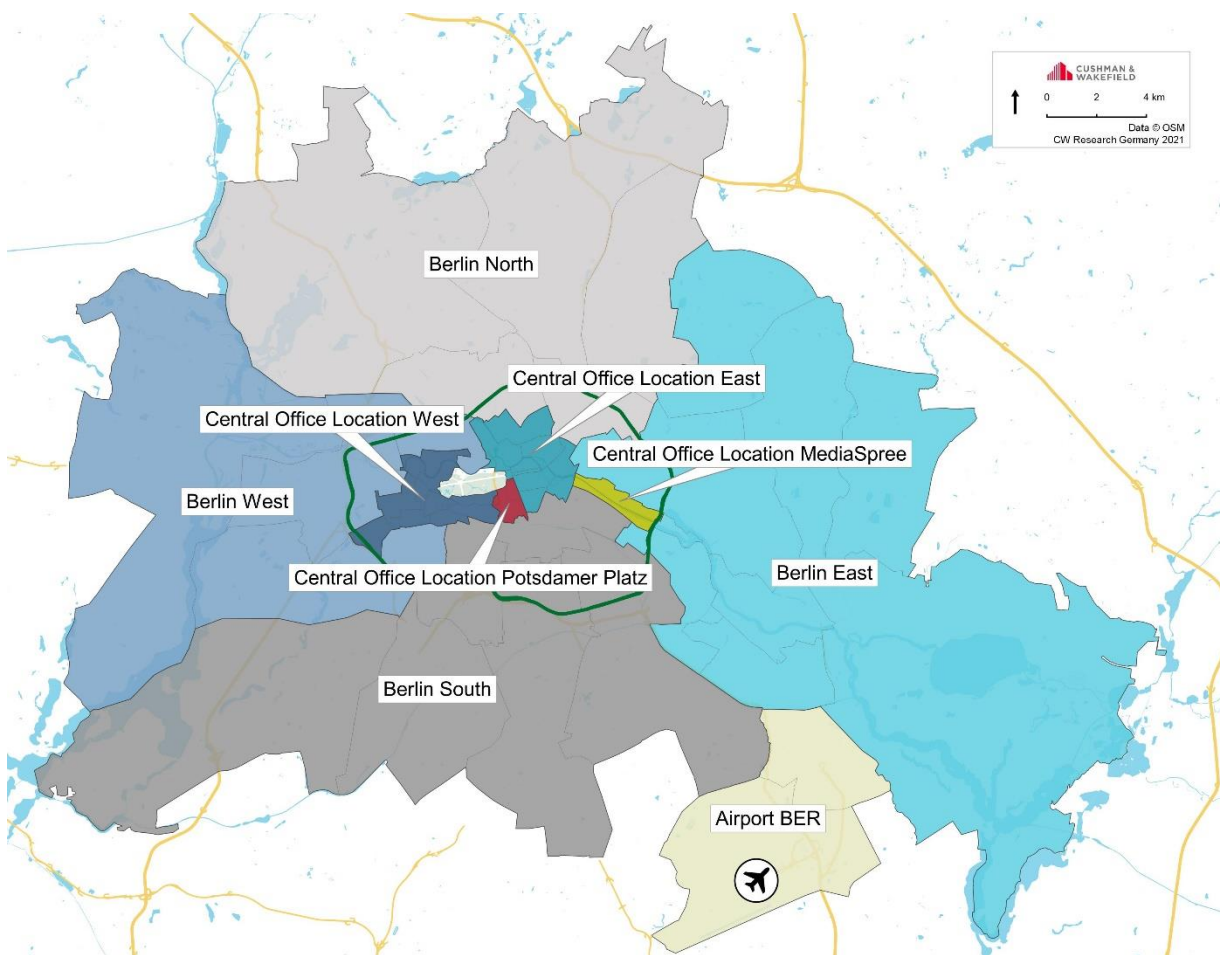
TRANSACTION VOLUME BY SIZE CATEGORIES Q1-3 2021*



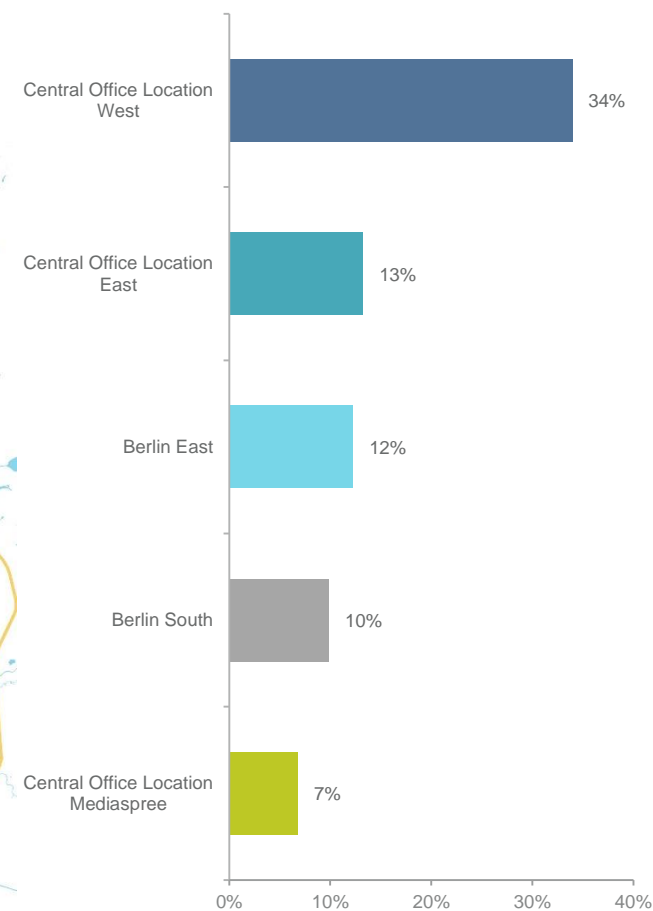
* Each size category in euro million



SUBMARKET OVERVIEW



TOP-5 SUBMARKETS BY TRANSACTION VOLUME*



*Q1-Q3

MARKET STATISTICS Q1-3 2021

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Industrial Volume	Share of International Capital	Office Prime Yield*	High Street Retail Prime Yield*	Logistics Prime Yield*
Berlin	6.70	37%	4%	7%	52%	2.60%	3.45%	3.10 %
YoY Change	+15%	-23 PP	-14 PP	+3 PP	-1 PP	-30 bps	-5 bps	-55 bps
Top-7 Markets	21.22	59%	2%	8%	39%	2.80%	3.63%	3.11 %
YoY Change	+2%	-1 PP	-8 PP	+3 PP	-2 PP	-14 bps	-7 bps	-55 bps
Germany	37.89	44%	14%	15%	37%	2.80%	3.63%	3.11 %
YoY Change	-8%	+4 PP	-9 PP	+2 PP	-2 PP	-14 bps	-7 bps	-55 bps

*Prime yield is net initial yield, displaying achievable values. Prime yield Germany = Average of Top-7 Markets

PP = Percentage Points bps = Basis Points

SELECTED TRANSACTIONS 2021

Property / Address	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
FÜRST, Kurfürstendamm 207, 208	Q2	Mixed Use	Central Office Location West	Vivion / Aggregate Holdings S.A.	~ 1,250
Victoriastadt Lofts, Schreiberhauer Straße 30	Q3	Office	Berlin East	Schroders / Signa	~ 425
Gloria Galerie, Kurfürstendamm 13-15	Q2	Mixed Use	Central Office Location West	Centrum / Generali	~ 275
Gesundheitsministerium, Friedrichstraße 108	Q3	Office	Central Office Location East	Momeni / HanseMerkur	~ 214
Q206, Friedrichstraße 71	Q2	Mixed Use	Central Office Location East	Credit Suisse / RFR	~ 220

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