

YoY Change 12-Month Forecast

€37.89 bn
Transaction Volume (cum.)



37%
Share of Foreign Capital



2.80%
Office Prime Yield Top-7*



*Average net initial yield in German Top-7 markets

ECONOMIC INDICATORS

YoY Change 12-Month Forecast

2.3%
GDP Growth
(Q3 2021 vs. Q3 2020)



5.4%
Unemployment Rate (Sep 2021)



98.8
Ifo Business Climate Index (Sep 2021)



0.0%
ECB Interest rate (Sep 2021)



-0.41%
10-Year Government Bond Yield (Q3 2021)



Sources: Moody's Analytics, National Labour Office, Ifo Institute

ECB MAINTAINS LOW INTEREST RATE POLICY, FINANCING CONDITIONS REMAIN FAVOURABLE

Numerous Covid-19 restrictions were almost completely lifted in the course of the third quarter and the recovered, vaccinated or tested rule has become established in most parts of Germany. At the same time, the German economy stabilised in the third quarter due to improved consumer sentiment. However, the Ifo business climate index fell slightly in September, with supply-chain problems for important raw materials hindering manufacturing and thus also the economy. Inflation has risen strongly since the beginning of the year, reaching 4.1% in September, mainly due to the expiry of the temporary VAT cut, higher CO2 prices and higher energy and commodity prices. As a result, yields on German government bonds have also risen slightly, but they are still not an attractive alternative to real estate. From the fourth quarter, the European Central Bank will slightly reduce the volume of its crisis bond purchase programme ("PEPP"), but the extremely low key interest rate (0.0%) and deposit rate (-0.5%) will remain unchanged. The interest rate level for medium- to long-term mortgage rates (5 to 10 years) has recently been averaging 1.10%.

LARGE TRANSACTIONS RESPONSIBLE FOR STRONG THIRD QUARTER VOLUME

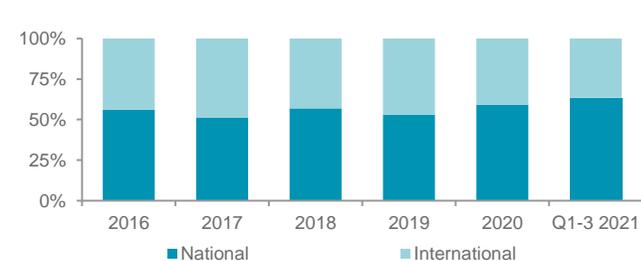
In the first nine months of the current year, the transaction volume of the commercial real estate investment market in Germany totalled €37.9 billion, undershooting last year's €41.1 billion by 8%. Compared to the 10-year average of the first three quarters, transaction volume increased by almost 24%. With a total transaction volume of €15.8 billion, the third quarter is also the strongest of the year so far, seeing some very large transactions, such as the sale of the Frankfurt T1 for around €1.4 billion to Allianz Real Estate and Bayerische Versorgungskammer. In addition, there were some portfolio transactions in the upper three-digit-million-euro range. Among others, Aggregate Holdings took an 85% stake in a total of ten ZAR Real Estate development projects and x-bricks acquired a portfolio of 34 former Real hypermarkets.

International investors contributed around 37% of the total commercial real estate transaction volume in the first three quarters of 2021. Compared to the equivalent period last year, the amount of international capital has only decreased slightly (Q1-3 2020: 39%).

COMMERCIAL TRANSACTION VOLUME



SHARE OF TRANSACTION VOLUME BY SOURCE OF CAPITAL



OFFICE PROPERTIES REMAIN CENTRE OF ATTENTION, INDUSTRIAL VERY POPULAR

Office properties continue to be very popular with the majority of investors and achieved a transaction volume of around €16.5 billion in the first three quarters of 2021. This corresponds to almost 42% of the total commercial real estate transaction volume. Compared to last year's equivalent figure, the proportion increased slightly, but the volume remained almost unchanged (Q1-3 2020: €16.4 billion). There continues to be strong excess demand and high investor competition for low-risk core office properties with tenants who have strong credit ratings and long-term lease contracts. Demand for industrial and logistics properties continued to intensify over the course of the year. From January to September, generating a transaction volume of around €5.7 billion and thus an increase of almost 9% compared to the equivalent period last year. With a share of 15%, this is now the second-strongest asset class in the German investment market. Thanks to a strong third quarter with several large-volume transactions, retail properties achieved a total volume of €5.2 billion (share: 14%). Hotel transaction activity continues to be very restrained contributing only €1.4 billion, or 3% of the total. The restrictive attitude of banks towards hotel financing is also a decisive factor for the low transaction volume.

BERLIN WITH HIGHEST TRANSACTION VOLUME

With a transaction volume of €1.2 billion, the top-7 markets were responsible for more than half of the total German volume increasing their result by almost 2% compared to the equivalent period last year. Berlin is the clear front-runner with a transaction volume of €6.7 billion. Frankfurt and Cologne are the markets with the strongest increase in transaction volume compared to a year previously (38 % and 26 %). Only Hamburg and Düsseldorf lagged behind last year's volumes (-45% and -38%).

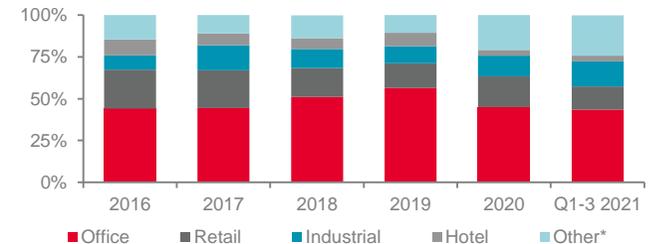
LOGISTICS SEEING STRONGEST YIELD COMPRESSION

The average prime yield for office properties in the top-7 markets is currently 2.80%, 14 basis points below the level of Q3 2020. For logistics properties, the average prime yield has compressed by 55 basis points over the past twelve months to its current 3.11%. The prime yield for high street retail properties is currently 3.63%, seven basis points lower than at the end of September 2020.

Outlook

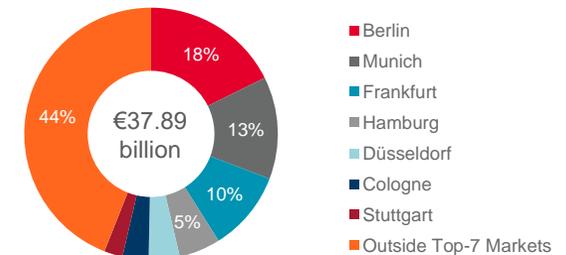
- In view of the continuing low-interest-rate phase and the lack of attractive alternative investments, real estate will continue to be investors' investment focus.
- Sustainability aspects as well as ESG criteria are playing an increasingly important role within the various property use types in the investment market.
- To the end of the year, there will be further slight yield compression due to the continuing high demand pressure for core properties in the main use types.
- By the end of the year, the transaction volume will clearly exceed the €50 billion threshold.

SHARE OF TRANSACTION VOLUME BY ASSET CLASS



*Other (Leisure, Health Care, Mixed Use, Development Plots)

TRANSACTION VOLUME BY MARKET Q1-3 2021



PRIME YIELD BY ASSET CLASS*



* Average net initial yield in German Top-7 markets, each by type of asset

OFFICE INVESTMENT WITH STRONG THIRD QUARTER

The office transaction volume has steadily increased in the course of the year and achieved a cumulative volume of €16.5 billion in the first three quarters of 2021. This result is thus just above the level of the equivalent figure for last year (+€35 million). Compared to the Q1-Q3 5-year average, investment volume is down by just under 6%. The sale of the T1 office tower in Frankfurt, part of the Four development project for €1.4 billion to Allianz Real Estate and Bayerische Versorgungskammer provided a significant boost to transaction volume in the third quarter. Single-property transactions are mainly responsible for the good volume in the current year. Around 71% of the office transaction volume in the three-digit-million-euro range was generated by single-property transactions.

FRANKFURT AND MUNICH DOMINATE OFFICE INVESTMENT MARKET

The largest proportion of office transaction volume in Germany, at around 76% or €12.6 billion, was contributed by the top-7 markets, with 54% alone contributed Frankfurt and Munich. At the same time, Munich also shows the strongest annual growth (Q1-3) among the top locations, with an increase in transaction volume of around 91%. The office volume in Berlin, Düsseldorf, Hamburg and Stuttgart is below the equivalent period last year. The decreases within these markets range from -23% in Stuttgart to -58% in Düsseldorf.

YIELDS IN PERIPHERAL LOCATIONS REMAIN UNDER PRESSURE

The average prime office yield for high-quality core properties in the top-7 markets stood at 2.80% at the end of the third quarter of 2021. Compared to the same point last year, this corresponds to a decline of 14 basis points. Numerous investors have increasingly shifted their attention to office properties in peripheral locations due to better product availability. In the past 12 months, the average prime yield (top-7 markets) here has compressed by 15 basis points to 3.73%.

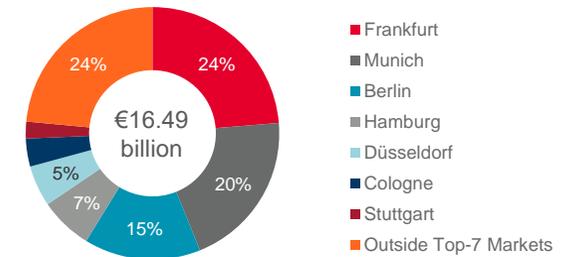
Outlook

- The continuing strong demand for low-risk core office properties will further intensify investor competition and also put further pressure on prime yields.
- Structural upheavals in the office sector and low product availability of core properties offer good investment opportunities for investors with an affinity for risk in the direction of value-add investments.
- Sustainability aspects are becoming more important and are becoming a "must-have" for institutional investors' portfolio holdings.
- Due to the traditionally strong final quarter, an office transaction volume of at least €24 billion is forecast for the year as a whole.

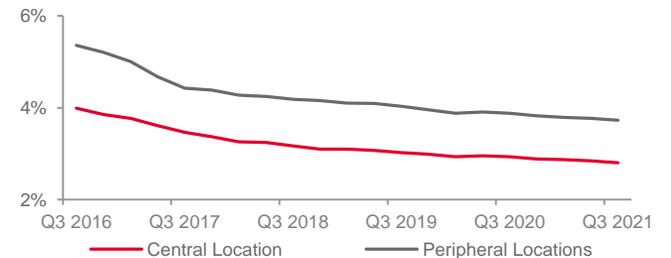
OFFICE TRANSACTION VOLUME



TRANSACTION VOLUME BY MARKET Q1-3 2021



OFFICE PRIME YIELD BY LOCATION*



* Average net initial yield in German Top-7 markets, each by type of location

RETAIL PROPERTY TRANSACTION VOLUME TAKES OFF IN Q3

The retail property transaction volume totalled around €5.2 billion in the first nine months of 2021. Compared to the equivalent period last year, the decline amounts to almost 43%. After three successive quarterly decreases, the transaction volume did however increase significantly between July and September. At €3.1 billion, this result is at pre-pandemic level. The sale of a portfolio comprising a total of 34 former real markets by the SCP Group to x-bricks for around € 1.0 billion contributed significantly to the positive result. Patrizia also sold two retail park portfolios in the third quarter with a purchase price of more than €100 million each.

RETAIL WAREHOUSE AND RETAIL PARK PROPERTIES CLEARLY DOMINANT

With around €3.9 billion, almost 75% of the total retail volume was contributed by retail warehouse and retail park transactions. Since the beginning of the pandemic, demand and purchasing activities have again shifted significantly towards this property type. In the case of shopping centres and high street retail buildings, transaction volume has remained subdued so far this year.

HIGH DEMAND FOR RETAIL PARKS DRIVES UP PRICES

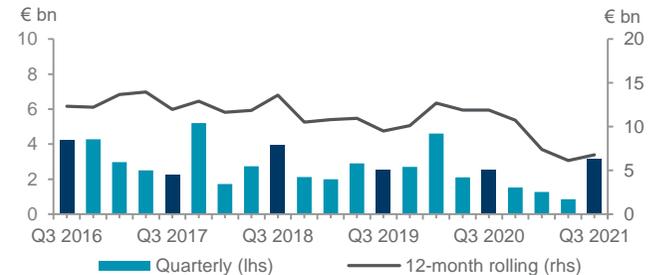
Prime yields for high street retail properties remain the lowest among the three retail types. The average level in the top-7 markets at the end of the third quarter was 3.63%, a slight fall of 7 basis points compared to the equivalent point last year. Munich remains the most expensive market (3.15%), while Cologne, Stuttgart and Düsseldorf offer more attractive prices with yields at 3.80% each. A significantly stronger yield compression of 20 basis points was recorded for retail parks. The average retail park prime yield of the top-7 markets is currently 4.06%.

Prime yields for shopping centres have now averaged 5.00% since the fourth quarter of 2020. Only Munich is significantly below the average at 4.60%.

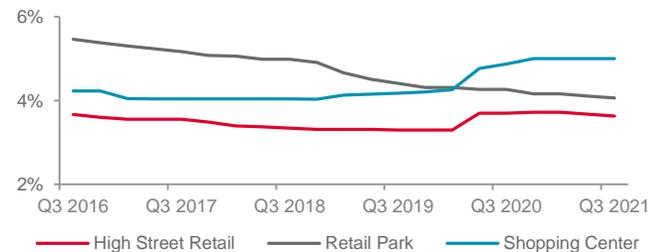
Outlook

- Retail properties with anchor tenants from the food, drugstore and DIY sectors remain the preferred investment target among retail properties.
- In the case of high street retail properties, the creditworthiness and lease conditions (term, break options, turnover rents) of the tenant mix will play an even greater role in the purchase price and investors' decision-making processes.
- In the future, department store properties and shopping centres will have to reposition themselves. A good mix of shopping, leisure, gastronomy and residential uses will become increasingly important.
- In the case of opportunistic or value-add shopping centres or department stores, value enhancement potential can be exploited via targeted restructuring measures.

RETAIL TRANSACTION VOLUME



PRIME YIELD BY TYPE OF PROPERTY



* Average net initial yield in German Top-7 markets, each by type of property

TRANSACTION VOLUME BY TYPE OF PROPERTY Q1-3 2021



INDUSTRIAL PROPERTIES WITH STRONG TRANSACTION VOLUME IN Q3

The high level of industrial property transaction activity continues and reached a transaction volume of €5.7 billion in the first three quarters of 2021. Compared to the equivalent period last year, this represents an increase in transaction volume of almost 9%. Compared to the Q1-Q3 5-year average, the result even corresponds to an increase of 20%. Since the beginning of the pandemic, the third quarter of 2021 also achieved the highest transaction volume, with around €2.2 billion. In addition to some large portfolio sales, individual transactions in the three-digit-million-euro range were also registered.

LOW PRODUCT AVAILABILITY IN TOP MARKETS

At around €4.1 billion, the vast majority of the transaction volume is attributable to the German regions outside the top-7 markets. Only two transactions with a purchase price above €100 million took place in the top-7 markets. The low transaction volume is mainly due to the low product availability. There are also hardly any suitable existing properties or development sites available in peripheral submarket locations of the top-7 markets for distribution centres, which are highly sought-after.

STRONG YIELD COMPRESSION FOR LIGHT INDUSTRIAL

Due to strong demand and the limited supply of attractive and low-risk industrial properties, yields remain under pressure. The average prime yield for logistics properties in the top-7 markets at the end of the third quarter is 3.11%, 55 basis points below the level at the same point last year.

In contrast, the yields for light industrial properties are significantly more attractive. In the top-7 markets, this is currently 5.01% on average, compared to 5.76% at the same time last year.

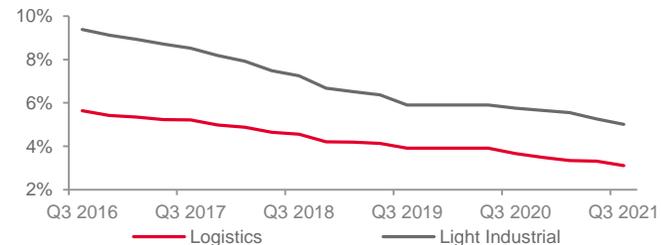
Outlook

- As before, no easing on the demand side is expected for industrial properties.
- Further yield compression is to be expected, especially for light industrial properties.
- On the supply side, the availability of attractive logistics properties within the urban areas remains very limited.
- It remains to be seen to what extent the further increase in demand for last-mile warehouses can will be a factor in possible conversion scenarios for department store properties.

INDUSTRIAL TRANSACTION VOLUME

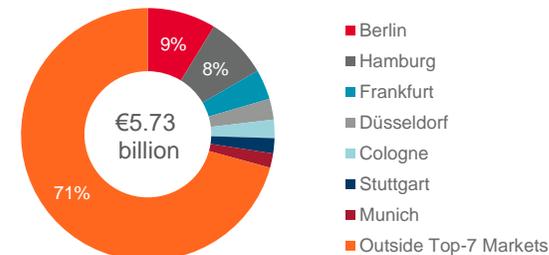


PRIME YIELD BY TYPE OF PROPERTY



* Average net initial yield in German Top-7 markets, each by type of property

TRANSACTION VOLUME BY MARKET Q1-3 2021



Market	Transaction Volume (€ billion)	Change YoY (%)	Share Office Volume (%)	Share International Capital (%)	Office Prime Yield (%)	High Street Retail Prime Yield (%)	Logistics Prime Yield (%)
Berlin	6.70	15	37	52	2.60	3.45	3.10
Düsseldorf	1.50	-38	58	39	2.80	3.80	3.10
Frankfurt	4.97	38	79	17	2.75	3.65	3.10
Hamburg	2.00	-45	56	23	2.80	3.75	3.10
Cologne	1.26	26	47	65	3.00	3.80	3.10
Munich	3.90	9	85	42	2.50	3.15	3.10
Stuttgart	0.89	5	40	39	3.15	3.80	3.20
Germany	37.89	-8	44	37	2.80*	3.63*	3.11*

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

SELECTED TRANSACTIONS 2021

Property / Transaction	Quarter	Type of Use	Location	Seller / Buyer	Price (€ million)
T1 (Frankfurt Four), Große Gallusstraße 10-14	Q3	Office	Frankfurt am Main	Groß & Partner / Allianz Real Estate, BVK	~ 1,400
Fürst, Kurfürstendamm 207-208	Q2	Mixed use	Berlin	Vivion / Aggregate Holdings	~ 1,250
34 former Real Hypermarkets	Q3	Retail	National	SCP Group / x+bricks	~ 1,000
Summit Portfolio (69 Assets)	Q2	Office	National	Summit Real Estate / Tristan Capital	~ 900
10 Development Plots	Q3	Development Plot	National	ZAR Real Estate / Aggregate Holdings	~ 670
MediaWorks Munich, Rosenheimer Straße 145	Q2	Office	Munich	Blackstone / Union Investment	~ 660
Highlight Towers, Mies-van-der-Rohe-Straße	Q2	Office	Munich	Commerz Real / Imfarr	~ 650
O2 Tower & Campus C, Georg-Brauchle-Ring	Q2	Office	Munich	GIC / DIC Asset	~ 640

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