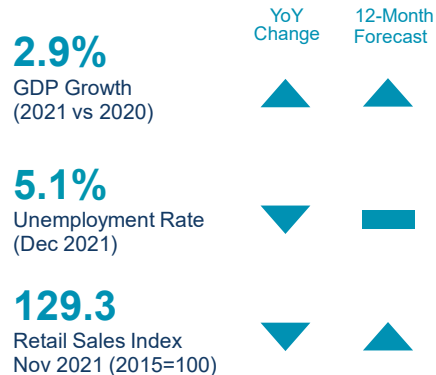


Source: s GfK, National Statistical Office; all figures as of December 2021, Price index 2015=100

ECONOMIC INDICATORS



Source: Moody's Analytics, National Labour Office, National Statistical Office

OMICRON AND INFLATION CHALLENGE RETAIL SALES

In the fourth quarter, the Omicron variant of the Sars-Cov2 virus spread rapidly in Germany, with government regulations to reduce physical contact sharpened in response in November, including restricting access to shops selling non-essential goods to customers who had recovered from Covid-19 or were fully vaccinated. Sales in bricks-and-mortar non-food retail therefore remained lower than expected with online sales increasing. Inflation in Germany reached its highest level for 30 years – the annual average was 3.1% y-o-y with a December figure of 5.3%. Increasing energy prices were the major driver but there was also a bounce-back effect due to the expiry of reduced rates of VAT at the end of 2020. In 2022 inflation is forecast to remain at a significantly higher level than pre-2021.

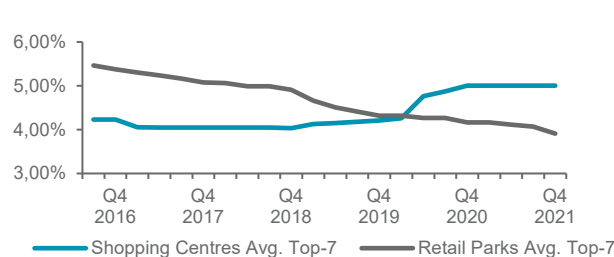
DEMAND FOR RETAIL SPACES RETURN

Despite the ongoing challenges for bricks-and-mortar retail demand for retail space increased in the second half of 2021 not least as more spaces in attractive city locations became available due to the pandemic. Operators offering daily necessities, including quick commerce, and gastro stores were very active but a couple of fashion labels have also leased space. New entrants into the German market in the fourth quarter included the second-largest Turkish fashion label DeFacto, opening its first store with an area of 1,400m² in Berlin, and US sportswear label Fabletics, also starting in Berlin with a 150m² flagship store. Dutch non-food discounter Action reported 16 new openings in the fourth quarter. Food discounter Lidl opened its first timber-construction store in Germany including a photovoltaic array on the roof, thus progressing with its carbon reduction strategy. Transaction volume for retail assets reached €1.95 billion in the fourth quarter pushing the annual figure to €7.19 billion (-36% y-o-y). The sale of retail warehouses and retail parks contributed most to the result (71%). The largest shopping centre transaction was the sale of the Boulevard Berlin.

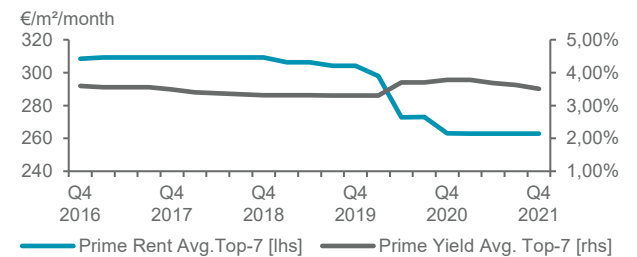
YIELD GAP BETWEEN SHOPPING CENTRES AND RETAIL PARKS WIDENS FURTHER

Prime rents for new lets in the major high streets remained stable, while prime rents in shopping centres decreased by approximately 1% y-o-y. Prime yields for high street properties re-commenced their downward trend but are still higher than in pre-pandemic times. The average yield gap between retail parks and shopping centres widened to 109bps by the end of 2021.

PRIME YIELDS – SHOPPING CENTRES/RETAIL PARKS



HIGH STREET RETAIL - PRIME RENTS and YIELDS





MARKET STATISTICS

Markets	Prime Rent* High Street	Change YoY	Prime Rent* Shopping Centres	Change YoY	Prime Rent* Retail Parks	Change YoY	Prime Rent** Super-markets	Change YoY	Prime Yield** High Street	Change YoY	Prime Yield** Shopping Centres	Change YoY	Prime Yield** Retail Parks	Change YoY	Prime Yield** Super-markets	Change YoY
Berlin	270	0.0%	34.50	-1.4%	15.20	7.0%	15.20	1.3%	3.35%	-25bps	5.00%	15bps	3.90%	-25bps	4.65%	-25bps
Cologne	240	0.0%	34.50	-1.4%	14.70	0.0%	14.70	0.0%	3.70%	-25bps	5.10%	15bps	3.90%	-25bps	4.65%	-25bps
Düsseldorf	250	0.0%	39.00	-1.3%	14.70	0.0%	14.70	1.4%	3.70%	-25bps	5.10%	15bps	4.00%	-25bps	4.65%	-25bps
Frankfurt	265	0.0%	37.80	-1.3%	15.50	2.0%	15.50	0.0%	3.45%	-35bps	5.10%	15bps	4.00%	-25bps	4.65%	-25bps
Hamburg	260	0.0%	39.50	-1.3%	15.50	2.0%	15.50	0.0%	3.65%	-25bps	5.00%	15bps	3.90%	-25bps	4.65%	-25bps
Munich	320	0.0%	46.60	-1.1%	16.75	2.8%	16.75	0.0%	3.05%	-25bps	4.60%	0bps	3.70%	-25bps	4.15%	-25bps
Stuttgart	235	0.0%	38.00	-1.3%	15.20	0.0%	15.20	0.0%	3.70%	-25bps	5.10%	15bps	4.00%	-25bps	4.65%	-25bps

*EUR/m²/month; ** net initial

SELECTED LEASE TRANSACTIONS Q4 2021

Property	Market	Tenant	m ²	Type
Haus Cumberland, Kurfürstendamm 193-194	Berlin	Balenciaga	330	Flagship Store
Kant Garagen, Kantstraße 126-128	Berlin	Stilwerk	9,500	Including gastro floor, vent floor, Penthouse; opening Q2 2022
Levantehaus, Mönckebergstraße	Hamburg	Abercrombie & Fitch	400	Relocation from Poststraße, including downsizing of space

SELECTED SALES TRANSACTIONS Q4 2021

Property	Market	Seller / Buyer	m ²	Price (€ million)
30 Supermarkets	Various	KRE Group / Slate AM	n/a	~ 250
6 Cash & Carry Markets	Various	Revcap / Mideal Group	130,000	~ 250
Boulevard Berlin, Shopping Centre	Berlin	Klepierre / York Capital Management	76,000	~ 236
Warnow Park, Shopping Centre	Rostock	Corestate / Confidential	40,000	~ 90

SELECTED CONSTRUCTION COMPLETIONS Q4 2021

Property	Market	Major Tenant	m ²	Owner / Developer
City Galerie, Aschaffenburg - Refurbishment	Aschaffenburg	C&A, Galeria, H&M	55,000	Princiapl Real Estate Europe

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