

MARKETBEAT GERMANY

Investment Q1 2022



€18.24 bn

Transaction Volume (cum.)

YoY
Change

12-Month
Forecast

49%

Share of Foreign Capital

2.74%

Office Prime Yield Top-7*

*Average net initial yield in German Top-7 markets

ECONOMIC INDICATORS

3.6%

GDP Growth
(Q1 2022 vs. Q1 2021)

YoY
Change

12-Month
Forecast

5.1%

Unemployment
Rate (Mar 2022)

90.8

Ifo Business Climate Index
(Mar 2022)

0.0%

ECB Interest rate
(Mar 2022)

0.10%

10-Year Government Bond
Yield (Q1 2022)

WAR IN UKRAINE DRIVES INFLATION - MONETARY POLICY TURNAROUND IN SIGHT

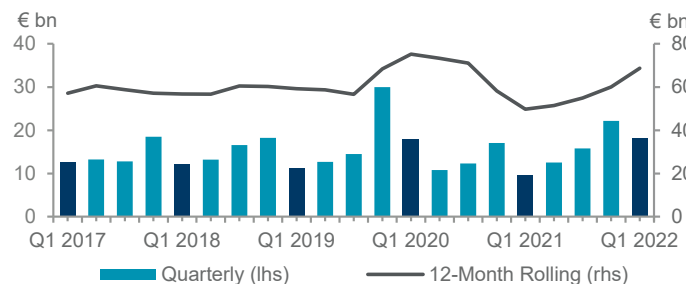
The consequences of the war in Ukraine are already beginning to have an impact on German economic performance. Since the outbreak of the war, the economy has been dampened mainly by the sharp rise in commodity prices, geopolitical sanctions and increasing supply and material bottlenecks. As a result, the inflation rate, which had already risen sharply before the start of the war, reached a level of 7.3% in March 2022, compared to 5.1% in February. The Ifo Business Climate Index fell significantly to 90.8 points in March 2022, down from 98.5 points in February. Expectations of companies in the manufacturing and service sectors are more pessimistic and affected by the high level of uncertainty. Yields on German 10-year government bonds have risen again and are in positive territory due to the high inflation rate and an expected early exit from the ECB's ultra-loose monetary policy. The massive net bond-buying programme is expected to be discontinued by the end of June 2022, so a turnaround in interest rates in the third quarter seems realistic. At the same time, the already increasing debt financing costs are causing a slightly dampened mood among investors with less equity. At the current time, the average interest rate for 10-year mortgage rates is 2.50%. Nevertheless, due to the above-mentioned geopolitical and monetary policy developments of the past weeks, no abrupt or massive turn away from real estate investments is to be expected.

CROPORATE INVESTMENTS SHAPE MARKET ACTIVITY

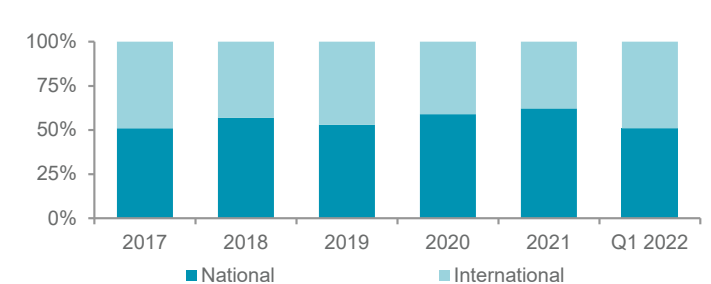
The commercial real estate investment market in Germany achieved a transaction volume of around €18.2 billion in the first quarter of 2022. This result corresponds to the strongest start to the year of the past ten years and is almost twice as high as last year's Q1 transaction volume of €9.5 billion. The 10-year average was even exceeded by 77%. Large corporate acquisitions have contributed significantly to the positive result at the beginning of the year: The acquisition of alstria office REIT-AG by Brookfield Asset Management alone contributed more than €4 billion. Together with the majority takeover of VIB Vermögen by DIC Asset AG and the participation of CPI Property Group in Immofinanz AG, more than 30% of the transaction volume was generated by takeovers.

Overall, single-property transactions also increased significantly compared to the first quarter of 2021, rising by almost 40% to over €9.8 billion.

COMMERCIAL TRANSACTION VOLUME



SHARE OF TRANSACTION VOLUME BY SOURCE OF CAPITAL



Sources: Moody's Analytics, National Labour Office, ifo institute

MARKETBEAT GERMANY

Investment Q1 2022



OFFICE PROPERTIES STILL MAJOR CONTRIBUTOR TO MARKET

Office properties remained by far the most sought-after asset class among investors in Q1 2022. Overall, the transaction volume was around €9.5 billion; some 52% of the total. Core office properties in established office submarkets with long-term leases and tenants with strong credit ratings continue to be very popular. ESG compliance and sustainability certification are also playing an increasingly important role. Since the second half of 2021, developers in particular have seen positive signals in the office letting markets and opportunities for project developments. The transaction volume for logistics and industrial properties was around €3.8 in Q1 2022 (21% market share); compared to the equivalent period last year, the result has almost doubled. Transaction volume for retail properties has increased significantly and exceeded the previous year's result by around 77%. At around €2.2 billion, this was a contribution of almost 12% to the total.

ALL TOP-7 MARKETS RECORD SIGNIFICANT INCREASES IN TRANSACTION VOLUME

The commercial real estate transaction volume in the top-7 markets was around €9.7 billion in Q1 2022, accounting for 53% of the total. The overall result was significantly influenced by the acquisition of alstria AG, whose portfolio is allocated in all top-7 markets and contributed almost 40% of the top-7 volume. Frankfurt led the ranking with a volume of almost €2.2 billion, followed by Berlin with €1.85 billion and Hamburg with around €1.76 billion.

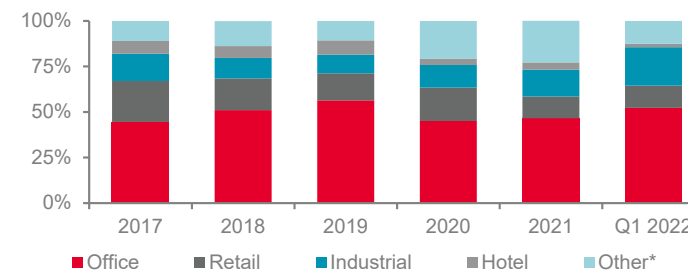
PRIME YIELDS REMAIN LOW

The average prime yield for office properties in the top-7 markets is currently 2.74% and thus 13 basis points lower than in Q1 2021. For logistics properties, the average prime yield compressed by 33 basis points to 3.01%. For high street retail properties, the average prime yield is currently 3.46% and thus 27 basis points below the first quarter of 2021.

Outlook

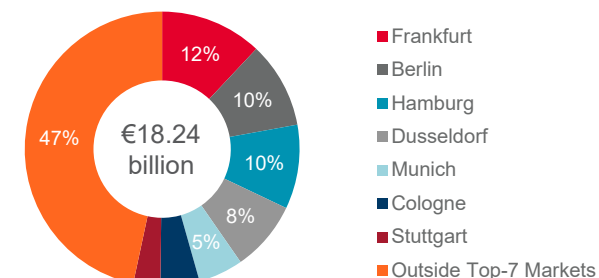
- For 2022, interest in real estate investments remains high, but it remains to be seen how rising financing costs and the threat of an economic slowdown due to the war in Ukraine will affect individual investment decisions.
- The investment pipeline for 2022 remains well filled, both in quantitative and qualitative terms, so that lively transaction activity can be expected throughout the year.
- Given the high inflation rate, competition for low-risk core investments with indexed lease contracts will intensify even further.

SHARE OF TRANSACTION VOLUME BY ASSET CLASS

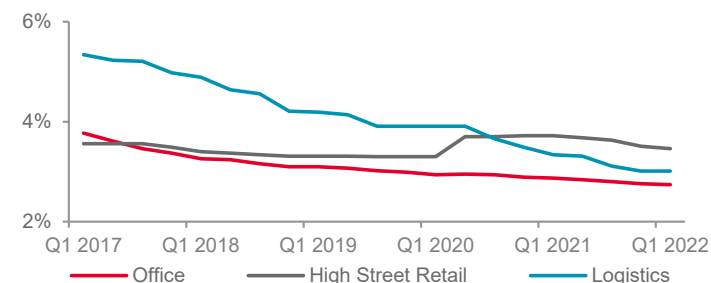


*Other (Leisure, Health Care, Mixed Use, Development Plots)

TRANSACTION VOLUME BY MARKET Q1 2022



PRIME YIELD BY ASSET CLASS*



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

MARKETBEAT GERMANY

Investment Q1 2022 – Office



ALSTRIA TAKEOVER DOMINATES OFFICE TRANSACTION VOLUME

The transaction volume for office properties was around €9.5 billion in the first quarter of 2022. Compared to the equivalent period last year (€3.3 billion), the result has thus almost tripled. Never before has a higher office real estate transaction volume been achieved in any first quarter. The Q1 5-year average volume was also exceeded by around 69%. The takeover of alstria office REIT-AG by Bookfield Asset Management with an office transaction volume of around €4.4 billion played a significant role in this result. Apart from this large takeover, investment activity involving large single-property transactions was also significantly more lively than a year previously. The largest landmark transaction was the acquisition of Frankfurt's Marienturm for over €800 million by the DWS Group for the Korean sovereign wealth fund NPS.

TOP-7 MARKETS WITH EXTRAORDINARILY HIGH TRANSACTION VOLUME INCREASES

The largest share of the office transaction volume in Germany is accounted for by the top-7 markets, contributing around 79% or €7.5 billion. Almost half (49%) of the office transaction volume in Germany was generated in the cities of Frankfurt, Hamburg and Dusseldorf. The contribution of alstria's office portfolio was particularly strong in these three markets. Year-on-year, all of the top-7 markets posted strong growth in office transaction volume in the triple-digit percentage range.

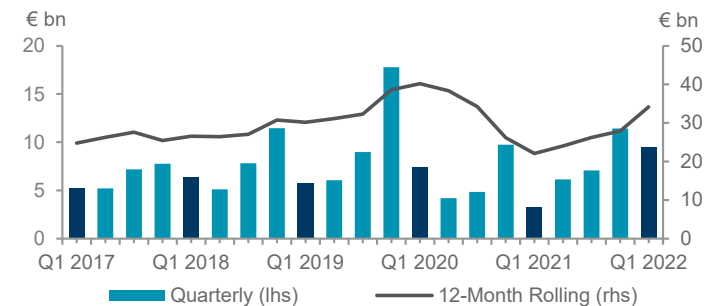
FINANCING ENVIRONMENT PUTS THE BRAKES ON YIELD COMPRESSION

Prime office yields for high-quality core properties in the top-7 markets average 2.74% at the end of the first quarter of 2022. Compared to the same juncture last year, yields compressed by 13 basis points. The increased debt financing costs of the past weeks are already showing the first effects in some bidding processes, so that originally offered purchase prices have to be partially withdrawn. At the same time, rising inflation manifests the high attractiveness and demand for low-risk core products. Slightly rising yields are therefore to be expected for value-add or opportunistic office investments.

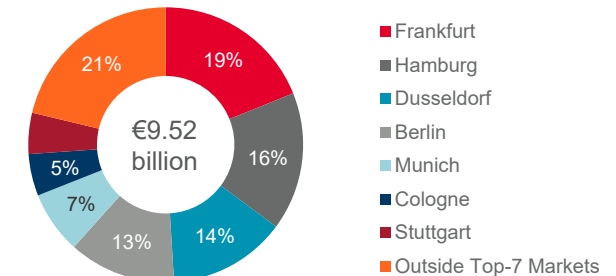
Outlook

- The further increase in inflation will intensify investor competition for low-risk core office properties even more. In view of rising debt financing costs, strong yield compression at the level of the previous quarters is not to be expected.
- Sustainability aspects have become an integral part of the purchasing profiles of numerous institutional investors. Office development projects without a sustainability approach could experience marketing difficulties both in sales and letting.
- Value-add and opportunistic office properties, on the other hand, may offer attractive investment opportunities for strong equity investors.

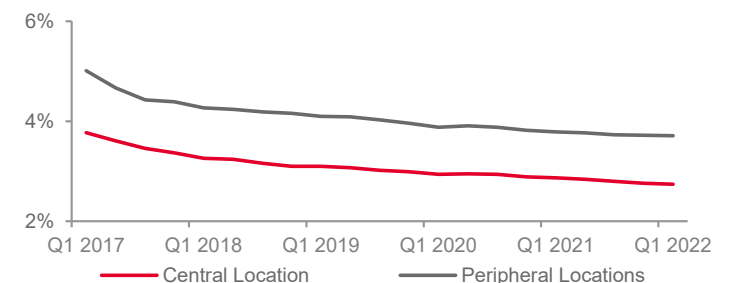
OFFICE TRANSACTION VOLUME



TRANSACTION VOLUME BY MARKET Q1 2022



OFFICE PRIME YIELD BY LOCATION*



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

MARKETBEAT GERMANY

Investment Q1 2022 – Retail



RETAIL REAL ESTATE INVESTMENT MARKET HAS BOTTOMED OUT

Compared to the previous year, the retail real estate transaction volume is clearly more vibrant, with a transaction volume of around €2.2 billion in the first quarter of 2022. Compared to the equivalent period last year, this represents an increase in transaction volume of almost 77%. The Q1 5-year average was however still missed by around 11%. The largest transaction of the first quarter was the sale of the "Truffle" food retail portfolio of 35 properties from Habona Invest to GPEP for around €230 million. Investors continue to be interested in local shopping centres and retail parks. Opportunistic investors are occasionally active in the acquisition of shopping centres with high vacancy rates, as can be seen, for example, in the acquisition of the Blautal Center in Ulm by HLG Real Estate.

RETAIL WAREHOUSES AND RETAIL PARKS CLEARLY IN FOCUS

With around €1.4 billion and a market proportion of almost 63%, the majority of retail real estate transaction volume was generated by retail warehouses and retail parks. Compared to a year previously, the transaction volume for these property types more than doubled (+105%). Transaction volume for high street retail, commercial and department store properties increased in the first quarter of 2022, to around €610 million. Shopping centre transactions remain subdued at around €180 million.

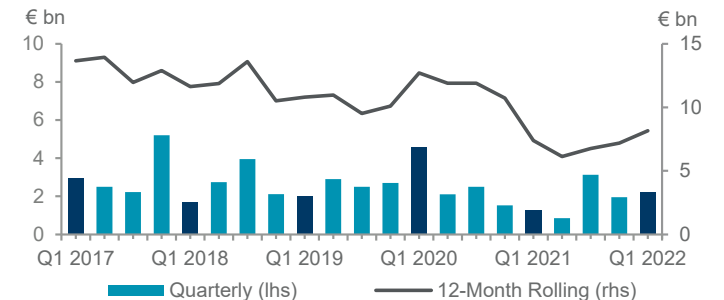
STRONG YIELD COMPRESSION FOR RETAIL PARKS

The average prime yield for retail parks reached a new record level in the top-7 markets in Q1 2022. The average prime yield has compressed by a further 75 basis points over the past 12 months to 3.41%, below the average prime yield of 3.46% for high street retail properties. For both property types, the lowest prime yields are currently in Munich, at 3.00% for commercial properties and 3.20% for retail parks. Since Q4 2021, the average prime yield for shopping centres has remained static at 5.00%.

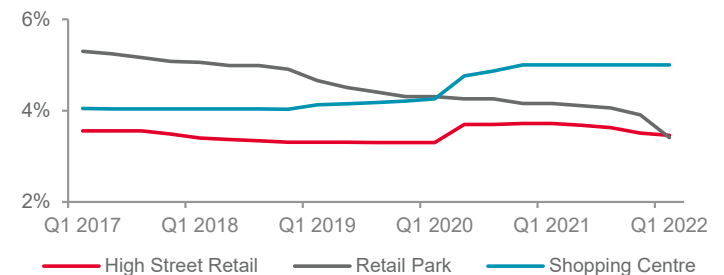
Outlook

- Retail properties such as supermarkets, food discounters and retail parks with grocery-based anchor tenants will remain the focus of numerous investors for the remainder of 2022.
- In the case of opportunistic or value-add shopping centres, attractive investment opportunities for targeted repositioning measures are occasionally available. Good investment opportunities can arise for equity-strong investors.
- The increasing retail take-up, especially in high street retail properties, sends positive signals to increase investors' propensity to buy again in the future.

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 2022



MARKETBEAT GERMANY

Investment Q1 2022 – Industrial



RECORD LOGISTICS AND INDUSTRIAL PROPERTY TRANSACTION VOLUME

The transaction volume for logistics and industrial properties was around €3.8 billion in the first quarter of 2022. Never before has such a higher quarterly result been achieved for this asset class. Compared to the equivalent period last year, the industrial real estate transaction volume has almost doubled, adding around 96%, and even exceeding the Q1 5-year average, by almost 117%. Market activity was largely dominated by several large-volume portfolio transactions. These include the sale of UBS real estate to Prologis comprising eleven logistics properties for an estimated €450 million.

MANY LARGE-VOLUME TRANSACTIONS OUTSIDE THE TOP-7 MARKETS

The majority of German logistics and industrial transaction volume is traditionally generated outside the top-7 markets. Around 22% of the total, or around €850 million, was generated in the top-7 markets. Here, the transaction activity is dominated by sales in the price segment up to €30 million. At around €280 million, the highest transaction volume was achieved in Frankfurt in the first quarter of 2022, followed by Cologne with around €160 million. With the exception of Berlin and Hamburg, all other top locations recorded significant increases in transaction volume compared to the equivalent period last year.

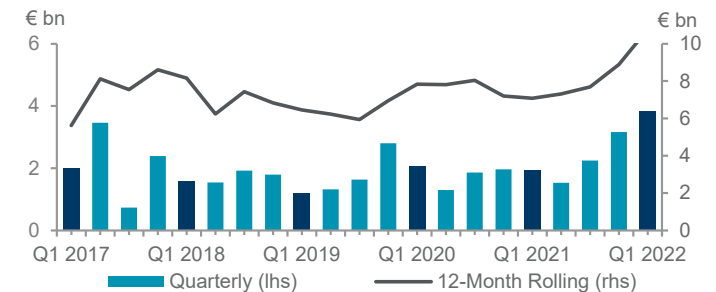
PRIME YIELD FOR LIGHT INDUSTRIAL PROPERTIES SHARPLY LOWER

The average prime yield for logistics properties in the top-7 markets is currently 3.01%. Compared to the first quarter of 2021, the prime yield for prime logistics properties has compressed by 33 basis points. While the yield compression for logistics properties is gradually levelling off, the sharp decline for light industrial properties continues. Over the past twelve months, the average prime yield in the top-7 markets has declined by 105 basis points to the current 4.51%. At the end of Q4 2021, the average yield here was at 4.76%.

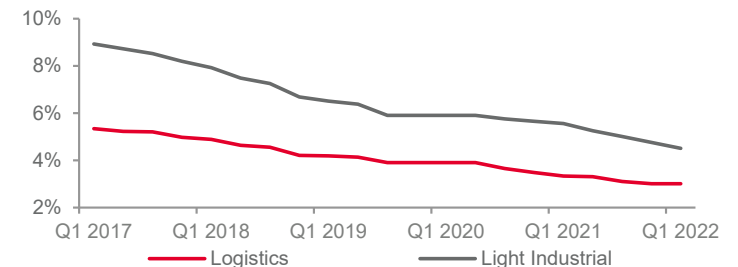
Outlook

- The dynamic transaction activity will continue over the course of the year and consolidate the position of logistics and industrial properties as the second-strongest asset class.
- The main drivers of the high demand remain the uninterrupted strong growth of the e-commerce sector, the high investment pressure on the investor side and a lack of alternative low-risk asset classes beyond office properties.
- In view of the changed financing costs, some bidding processes are no longer expected to be highly competitive at the level of the previous quarter. However, prime yields are still expected to compress further in the course of the year.

INDUSTRIAL TRANSACTION VOLUME

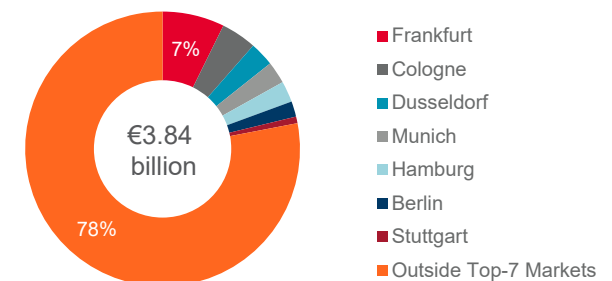


PRIME YIELD BY TYPE OF PROPERTY



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

TRANSACTION VOLUME BY MARKET Q1 2022



MARKETBEAT GERMANY

Investment Q1 2022



Market	Transaction Volume (€ billion)	Change YoY (%)	Share Office Volume (%)	Share International Capital (%)	Office Prime Yield (%)	High Street Retail Prime Yield (%)	Logistics Prime Yield (%)
Berlin	1.85	69	65	66	2.60	3.30	3.00
Dusseldorf	1.51	250	87	81	2.90	3.65	3.00
Frankfurt	2.19	126	82	70	2.60	3.40	3.00
Hamburg	1.81	151	86	83	2.65	3.60	3.00
Cologne	0.84	372	56	29	2.80	3.65	3.00
Munich	0.96	113	73	20	2.50	3.00	3.00
Stuttgart	0.58	241	79	92	3.10	3.65	3.10
Germany	18.24	91	52	49	2.74*	3.46*	3.01*

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

SELECTED TRANSACTIONS 2022

Property / Transaction	Quarter	Type of Use	Location	Seller / Buyer	Price (€ million)
Takeover alstria office-REIT AG	Q1	Office	Nationwide	alstria office REIT-AG / Brookfield Asset Management	~ 4,500
Takeover VIB	Q1	Various	Nationwide	VIB Vermögen AG / DIC Asset	~ 900
Marienturm, Taunusanlage 9-10	Q1	Office	Frankfurt am Main	Pecan Holdings / DWS Group	~ 820
UBS Portfolio (11 Objekte)	Q1	Logistics, Industrial	Nationwide	UBS / Prologis	~ 450
Takeover Immofinanz AG	Q1	Office	Dusseldorf	Immofinanz AG / CPI Property Group	~ 330
Q207 Galeries Lafayette, Friedrichstraße 76-78	Q1	Mixed use	Berlin	Allianz Real Estate / Tishman Speyer	~ 300

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