

MARKETBEAT BERLIN

Investment Q1 2023



YoY
Change

12-Month
Forecast

€1.16 bn

Transaction Volume (cum.)



72%

Share of Foreign Capital



3.80%

Office Prime Yield, net



14%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change

12-Mo.
Forecast

9.0%

Berlin Unemployment
Rate (Mar 2023)



839,100

Berlin Office Employees
(Mar 2023)



3.50%

ECB Interest Rate
(Mar 2023)



2.34%

10-Year Government
Bond Yield (Q1 2023)



Sources: Federal Employment Agency, ECB, Moody's Analytics

PRONOUNCED DECLINE ON BERLIN INVESTMENT MARKET DESPITE MAJOR TRANSACTION

For Q1 2023, a transaction volume of €1.16 billion was noted in Berlin's commercial real estate market. This is a decrease of 39% compared to the equivalent period last year and 43% less than the Q1 five-year average.

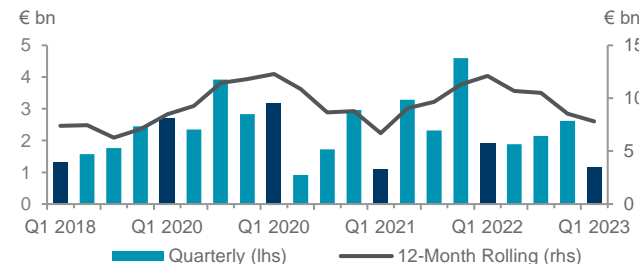
With €730 million and 63% of the total commercial real estate transaction volume, retail properties were the main contributor to transaction volume in Q1. This was largely due to the sale of 49.9% of KaDeWe by Signa to Harnig Central Department Store.

The office property transaction volume was low at €160 million, and only 14% of the commercial real estate total. This represents a decline of 86% year-on-year and a 63% decrease quarter-on-quarter. All other asset classes also fell below the level of the previous year. Sales of commercial development plots totalled €116 million, which corresponds to a proportion of 10% of the total transaction volume. Logistics and industrial properties, at €60 million and -71%, and mixed-use properties, at €34 million and -90%, both achieved a much weaker result than in the previous year. The hotel segment totalled €30 million, down 75% year-on-year.

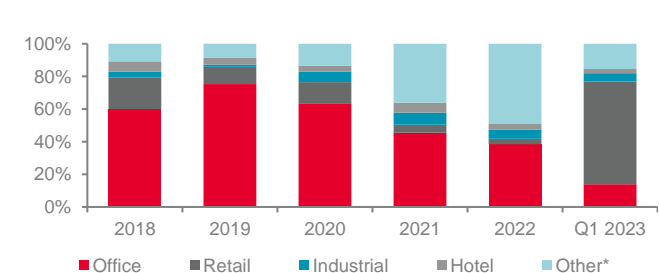
The most active investor groups were investment- and/or asset managers with a market contribution of 83%. Developers accounted for 10% and corporates for 5%.

The transaction volume in Q1 was entirely the result of individual-property transactions. The high proportion of international capital of 72% was heavily influenced by the KaDeWe transaction and is likely to fall significantly as the year progresses.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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

TWO-THIRDS CORE INVESTMENT THANKS PRIMARILY TO KADEWE

The distribution among the risk categories is heavily influenced by the KaDeWe transaction, which is why Core properties contributed the highest proportion of the transaction volume at 66%. This was followed by Value-add at 12%, Opportunistic at 11% and Core+ at 10%.

HIGH PROPORTION OF LARGE-SCALE TRANSACTIONS

Two large transactions of over €100 million, including KaDeWe, made a total contribution of €830 million and 72% of the total transaction volume. This is followed by the size category from €25 million to under €50 million with a proportion of 12%, followed by transactions of less than €25 million with 10%.

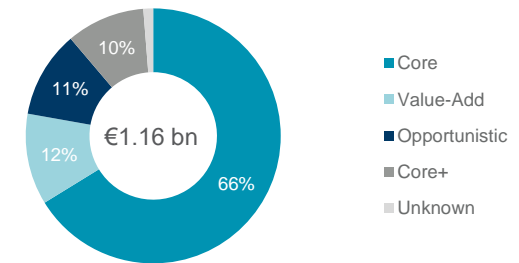
FURTHER RISE IN PRIME YIELD FOR ALL ASSET CLASSES

The new interest rate environment continues to drive up net initial yields across all asset classes, given that the spread to yields on low-risk government bonds is still very narrow, despite adjustments to valuations already having taken place. The prime office yield rose by 120 basis points over the past twelve months and by 20 basis points over the previous quarter and now stands at 3.80%. The spread to the 10-year German government bond is around 155 basis points, which is still only about half as wide as the average during the low interest rate period between the beginning of 2010 and the beginning of 2022. The prime yield for logistics properties also rose again and is now 4.15%. This is 15 basis points more than in the previous quarter and 115 basis points more than a year previously. The repricing of city centre high street retail properties is also in progress. At 3.80%, the prime yield here is 30 basis points higher quarter-on-quarter and 50 basis points above the previous year's figure.

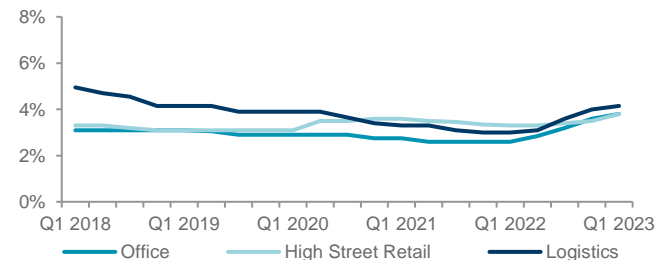
Outlook

- The bond market is signalling that the end of the interest rate hiking cycle is nearing, which could become a positive factor for the second half of the year, as long as the change of direction by the central banks is not caused by strong deterioration of the economy.
- Due to the recent stress in the banking sector related to the liquidity problems of several banks and considering the inverse yield curve, it may be assumed that banks will tighten their lending standards, making it even more difficult to finance transactions.
- At the same time, risks in the letting market are also increasing, which may put additional pressure on transaction volume and yields in subsegments of the market.
- Overall, a weak transaction volume is expected for 2023. Opportunities are primarily only available to high-equity buyers.

TRANSACTION VOLUME BY RISK CATEGORY Q1 2023

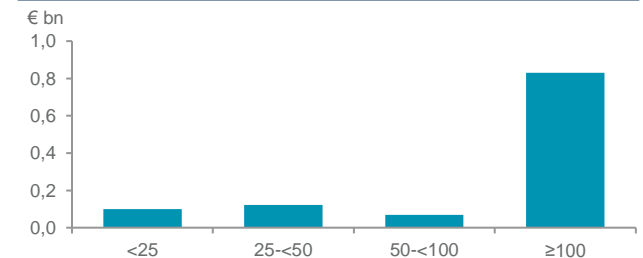


PRIME YIELD BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1 2023*



* Each size category in euro million

MARKET STATISTICS Q1 2023

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	1.16	14%	63%	5%	72%	3.80%	3.80%	4.15%
YoY Change	-39%	-45 PP	+60 PP	-6 PP	+8 PP	+120 bps	+50 bps	+115 bps
Top-7 Markets	2.62	23%	38%	13%	53%	3.83%	3.90%	4.15%
YoY Change	-73%	-53 PP	+35 PP	+4 PP	-16 PP	+109 bps	+53 bps	+114 bps
Germany	5.08	21%	31%	16%	34%	3.83%	3.90%	4.15%
YoY Change	-72%	-31 PP	+19 PP	-5 PP	-15 PP	+109 bps	+53 bps	+114 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 2023

Property / Address	Quarter	Type Of Use	City	Vendor / Buyer	Price (€ million)
KaDeWe (49.9%)	Q1	Retail	Berlin	Signa / Harng Central Department Store	Confidential
Plot QH Crown 1 (Crown North)	Q1	Plot	Berlin	Aggregate Holdings / Confidential	Confidential
Annenstraße 4a	Q1	Plot	Berlin	Aroundtown / Edeka	~ 32
Moabit Office (former Volt / Midtown Lofts)	Q1	Office	Berlin	Highbrook / Berenberg	~ 28

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