

MARKETBEAT BERLIN

Investment Q2 2023



YoY
Change

12-Month
Forecast

€2.12 bn

Transaction Volume (cum.)



48%

Share of Foreign Capital



3.95%

Office Prime Yield, net



17%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change

12-Mo.
Forecast

8.9%

Berlin Unemployment
Rate (Jun 2023)



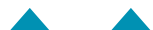
860,100

Berlin Office Employees
(Jun 2023)



4.00%

ECB Interest Rate
(Jun 2023)



2.43%

10-Year Government
Bond Yield (Q2 2023)



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

FURTHER DECLINE IN TRANSACTION VOLUME ON THE BERLIN INVESTMENT MARKET

A commercial real estate transaction volume of €2.12 billion was registered for the Berlin market in H1 2023. This is 44% less in a year-on-year comparison and 48% less than the 5-year average. At €955 million, the transaction volume in Q2 was lower than in Q1. Rolling 12-month sales fall again to €6.88 billion.

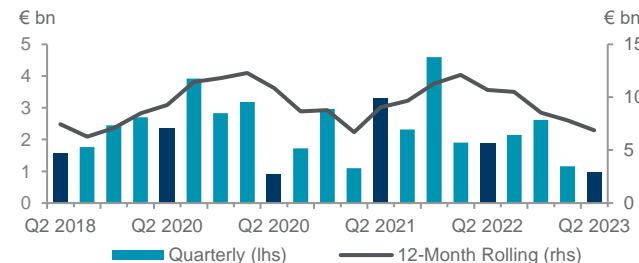
With a share of around one third each in the transaction volume, mixed-use properties and retail properties were the highest-turnover types of use in the first half of the year. Mixed-use properties were traded for a total of €820 million. Retail properties had a volume of €780 million. Two transactions dominated activity in this segment: the partial sale of KaDeWe in the 1st quarter and that of the "Mynd" project with the "Galeria Weltstadthaus" in the second quarter.

Major transactions in Berlin were carried out by SIGNA, but in each case with existing investors on terms known only to the contracting parties. A general comparability is therefore difficult to assess.

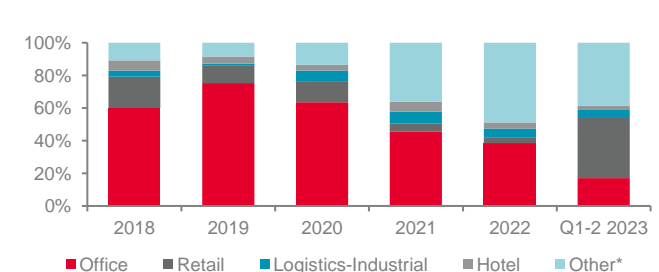
The effects of the difficult financing environment are clearly reflected in the reduced transaction volume on the land market. In the 1st half, land was purchased for €184 million, which is almost half the figure for the 1st half of 2022 and is based on only a few transactions. Logistics and industrial properties were traded for €105 million. This corresponds to 5% of the commercial market volume. Hotels came to a volume of €50 million in the first half of the year.

The most important investor types were investment and asset managers with a 47% share of the purchase volume. Banks and financial institutions accounted for 26%, followed by corporates with 11%. Project developers accounted for 8% of the volume.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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

VERY HIGH SHARE OF CORE INVESTMENTS MAINLY DUE TO SIGNA

The distribution of risk classes is largely determined by SIGNA's transactions, with core real estate accounting for by far the largest share of the transaction volume at 74%. This is followed by the Value-Add segment with 12%, and Opportunistic and Core+ with 6% each.

PREDOMINANTLY LARGE-SCALE TRANSACTIONS

Four major transactions over €100 million, including KaDeWe, totaled €1.54 billion and accounted for 73% of the transaction volume. This is followed by the size category from €25 to under €50 million with a 13% share of sales, followed by transactions under €25 million with 9%.

FURTHER INCREASE IN THE TOP YIELD

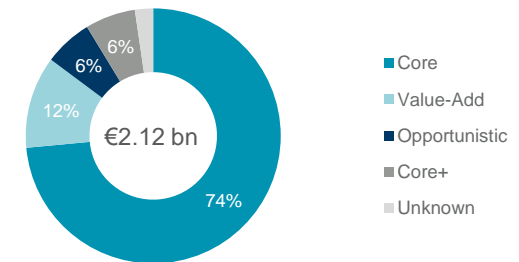
After the start of the rise in interest rates, prime yields for office properties rose sharply. In the second quarter, there was also an increase, but this was somewhat lower than in the previous quarters. The prime yield is at 3.95%. In the last 12 months, the increase added up to 110 basis points. At around 152 basis points, the spread to the 10-year German government bond is at a historically low level for the third quarter in succession, so a further increase in the prime yield is to be expected.

Top yields for both logistics properties and commercial buildings in prime locations remained at the same level as in the first quarter. For example, prime yields for logistics properties remain unchanged at 4.15% and 3.80% for commercial properties in prime locations. Over the 12-month period, yields rose by 105 and 50 basis points, respectively.

Outlook

- The bond market is signaling that the end of the rate hike cycle is not far off, but also that interest rates are likely to remain high for a long time. This could at least remove the previous uncertainty about future interest rate levels from the market.
- A significant increase in the volume of transactions compared with the first half of the year is also not expected in the further course of the year.
- Prime yields for office properties will continue to rise and reach a level well above the 4% mark by the end of the year.
- Particularly for low-quality properties outside prime locations, even higher risk premiums will have to be paid than before, as the rental market in this segment has clouded over.

TRANSACTION VOLUME BY RISK CATEGORY Q1-2 2023

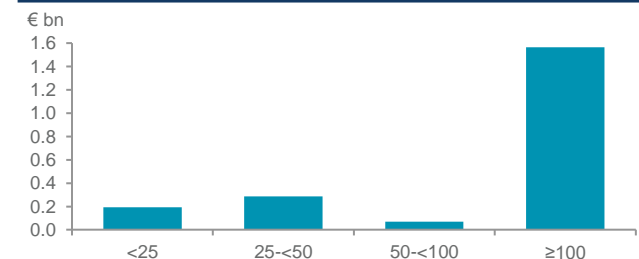


PRIME YIELD BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-2 2023*



* Each size category in euro million

MARKET STATISTICS Q2 2023

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Logistics-Industrial Volume	Share of International Capital	Office Prime Yield*	Retail High Street Prime Yield*	Logistics Prime Yield*
Berlin	2.12	17%	37%	5%	48%	3.95%	3.80%	4.15%
YoY Change	-44%	-25 pp	+34 pp	-5 pp	-17 pp	+110 bp	+50 bp	+105 bp
Top-7 Markets	4.80	28%	24%	14%	45%	4.04%	3.90%	4.15%
YoY Change	-67%	-39 pp	+20 pp	+3 pp	-16 pp	+105 bp	+53 bp	+104 bp
Germany	9.81	24%	25%	17%	34%	-	-	-
YoY Change	-65%	-20 pp	+12 pp	-4 pp	-14 pp	-	-	-

*Prime yield is net initial yield, displaying achievable values. Prime yield Germany = Average of Top-7 Markets
pp = percentage points; bp = basis points

SELECTED TRANSACTIONS 2023

Property / Address	Quarter	Type of Use	City	Vendor / Buyer	Price (€ million)
Ensemble MYND und Galeria Weltstadthaus (80%)	Q2	Mixed-use, Plot	Berlin	SIGNA / Commerz Real	Confidential
KaDeWe (49,9 %)	Q1	Retail	Berlin	SIGNA / Harg Central Department Store	Confidential
Annenstraße 4a	Q1	Plot	Berlin	Aroundtown / Edeka	~ 32
Moabit Office (prev. Volt / Midtown Lofts)	Q1	Office	Berlin	Highbrook / Berenberg	~ 28

Clemens von Arnim

Head of Capital Markets Berlin
Tel: +49 30 72 62 18 241
clemens.arnim@cushwake.com

Karl Klaffke

Research Analyst
Tel: +49 30 726 214 66
karl.klaffke@cushwake.com

Helge Zahrt, MRICS

Head of Research & Insight Germany
Tel: +49 40 300 88 11 50
helge.zahrt@cushwake.com

Robert Schmidt

Senior Research Analyst
Tel: +49 30 72 62 18 280
robert.schmidt@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com