

MARKETBEAT BERLIN

Investment Q3 2023



YoY Change 12-Month Forecast

€2.69 bn

Transaction Volume (cum.)



46%

Share of Foreign Capital



4.40%

Office Prime Yield, net



16%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY Change 12-Mo. Forecast

9.3%

Berlin Unemployment Rate (Sep 2023)



863,000

Berlin Office Employees (Sep 2023)



4.50%

ECB Interest Rate (Sep 2023)



2.53%

10-Year Government Bond Yield (Q3 2023)



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

LESS ACTIVITY IN BERLIN'S PROPERTY INVESTMENT MARKET

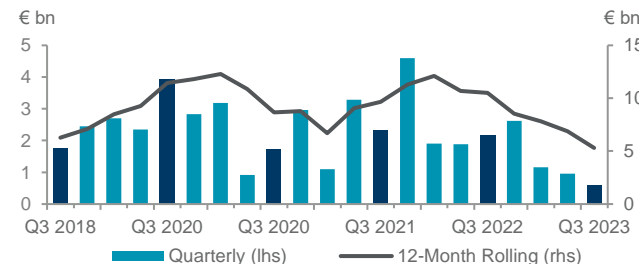
Berlin's commercial real estate transaction volume amounted to €2.69 billion in the first three quarters of 2023. This is 55% less than in the same period last year and 58% less than the 5-year average. At €575 million, the transaction volume in Q3 was once again significantly lower than in the first two quarters.

The few major transactions, such as the pro rata sale of KaDeWe, skewed the contributions of the various property types: With around one third each of the transaction volume, mixed-use properties and retail properties were the property types with the highest turnover in the first nine months of the year. In total, mixed-use properties were traded for €1.05 billion, while retail properties generated a transaction volume of €885 million. The largest transaction in Q3 2023, was the sale of a plot of land for a data centre development and is thus exemplary of this growing asset class.

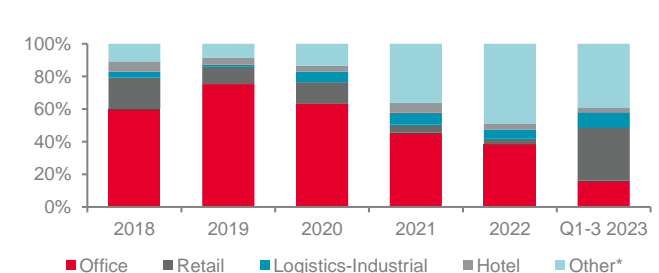
The commercial real estate price reductions which have already taken place are evidently not yet sufficiently strong to reawaken the willingness of a larger investor base to buy. In Q3, the office market again showed lower activity, at €75 million. The transactions which have taken place here are often not typical for the market. Logistics and industrial properties generated a transaction volume of €240 million in the first nine months of the year, while hotels accounted for €80 million.

Investment and asset managers as well as open-ended mutual funds were the main buyers on the Berlin investment market. They accounted for 41% and 21% of the transaction volume respectively. Corporates accounted for 14% and property developers for 8%.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



SIGNA MAKES LARGE CORE INVESTMENTS

The distribution of the transaction volume across risk classes is largely determined by SIGNA's Core sales. Accordingly, Core real estate accounts for by far the largest proportion (61%). This is followed by the Value-add segment with 13%, Opportunistic with 12% and Core+ with 8%.

FEW LARGE DEALS SHAPE THE MARKET

Berlin's CRE investment market recorded five transactions in various asset classes of over €100 million each in the current year. These transactions alone account for over 60% of the total volume.

FURTHER INCREASE IN PRIME YIELD

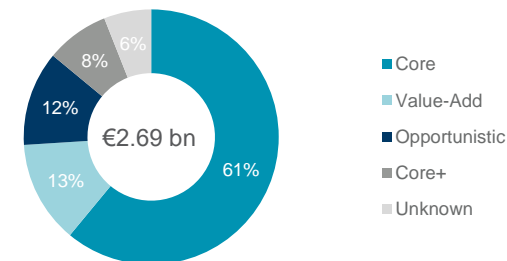
Since the start of the rise in interest rates, prime yields for office properties have risen sharply. In the 3rd quarter, there was a renewed increase to a level of 4.40%. Compared with the previous quarter, this represents an increase of 45 basis points. Over the past twelve months, the cumulative increase is 120 basis points. At around 145 basis points, the spread to the 10-year German government bond is at a historically low level for the fourth quarter in succession, so a further increase in the prime yield is to be expected.

Rising prime yields have also been recorded for both logistics properties and high street retail properties in prime locations. For logistics properties, they rose to 4.30%, and for high street retail properties in prime locations to 4.00%. Over the 12-month period, yields rose by 60 basis points for commercial properties and 70 basis points for logistics properties.

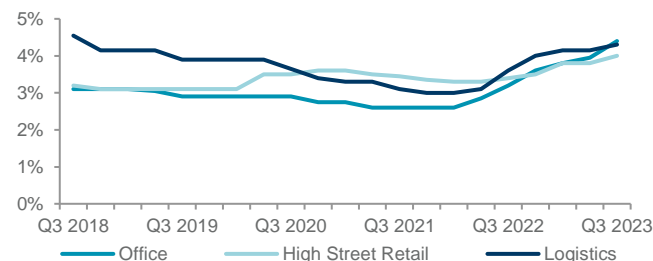
Outlook

- The bond market is signalling that the high interest rate level will last longer than previously expected. Further increases in office yields are therefore likely.
- Prime yields for office properties will continue to rise, so that a level above 4.50% is realistic at the end of the year.
- The current vacancy rate of 6.1% will rise even further next year, meaning that the letting situation of a property will play a greater role in determining the purchase price than in the past.
- This also applies in particular to properties in non-central locations and to properties of simple and medium building quality.

TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2023

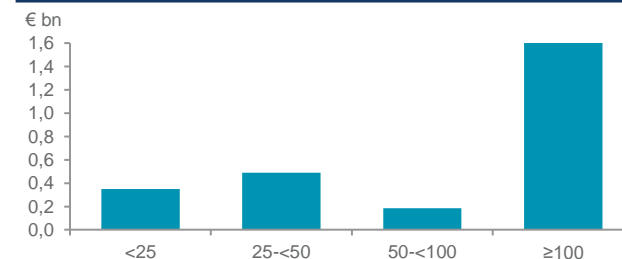


PRIME YIELD BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-3 2023*



* Each size category in euro million

MARKET STATISTICS Q1-Q3 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	2.69	16%	33%	9%	46%	4.40%	4.00%	4.30%
YoY Change	-55%	-32 pp	+31 pp	+3 pp	-15 pp	+120 bp	+60 bp	+70 bp
Top-7 Markets	6.42	30%	22%	13%	39%	4.49%	4.11%	4.30%
YoY Change	-70%	-32 pp	+18 pp	+4 pp	-13 pp	+126 bp	+63 bp	+69 bp
Germany	15.52	21%	27%	23%	36%	-	-	-
YoY Change	-61%	-20 pp	+11 pp	+3 pp	-10 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
Staytion – Forum Pankow	Q3	Mixed-use, Plot	Berlin	Adler / Kondor Wessels	~ 36
Annenstraße 4a	Q1	Plot	Berlin	Aroundtown / Edeka	~ 32
Moabit Office (prev. Volt / Midtown Lofts)	Q1	Office	Berlin	Highbrook / Berenberg	~ 28

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