



CUSHMAN &
WAKEFIELD

RESIDENTIAL MARKET INVESTOR SURVEY 2021



CONTENTS



FOREWORD

Residential real estate in Germany is more highly sought after than ever before - hardly surprising, given that investments in this asset class have proven resilient, not only during the Covid-19 pandemic, and are regarded as stable and safe investments. But what exactly are the drivers of increasing investment activity in German residential real estate by domestic and foreign institutional real estate investors? What are the biggest potential risks and challenges for this market? And what do market players expect from residential investments in the short, medium and long -terms?

With a transaction volume of around €19.7 billion in 2020 - the second-highest volume in the last 10 years - the German commercial residential investment market is increasingly establishing itself as the most sought-after component of the country's real estate investment business. Ever more new investors are entering the German residential market and aiming for an increased allocation of capital to this asset class. This consistently results in steadily increasing competition for attractive institutional investment product.

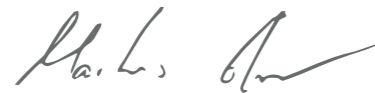
Despite the Covid-19 pandemic, the German housing market has developed very dynamically and continues to experience high demand. But will the demand for housing change due to the increase in working from home? Will more people move to suburbs and small towns? Will the areas surrounding the major German cities experience a significant surge in demand and will rental and purchase prices rise, particularly in these regions?

Via an investor survey, Cushman & Wakefield has collected responses to precisely these questions. The participants in this survey are active real estate investors, property owners and developers. We would like to thank the 150 companies who participated in our survey. In addition to domestic investors, international investors are also represented, so that a comprehensive, representative picture of opinion on the German housing market emerges.

We hope you enjoy reading the results and would like to thank all participants once again!



Jan-Bastian Knod
Co-Head of Residential Advisory
Head of Healthcare Advisory



Markus Elmer
Co-Head of Residential Advisory



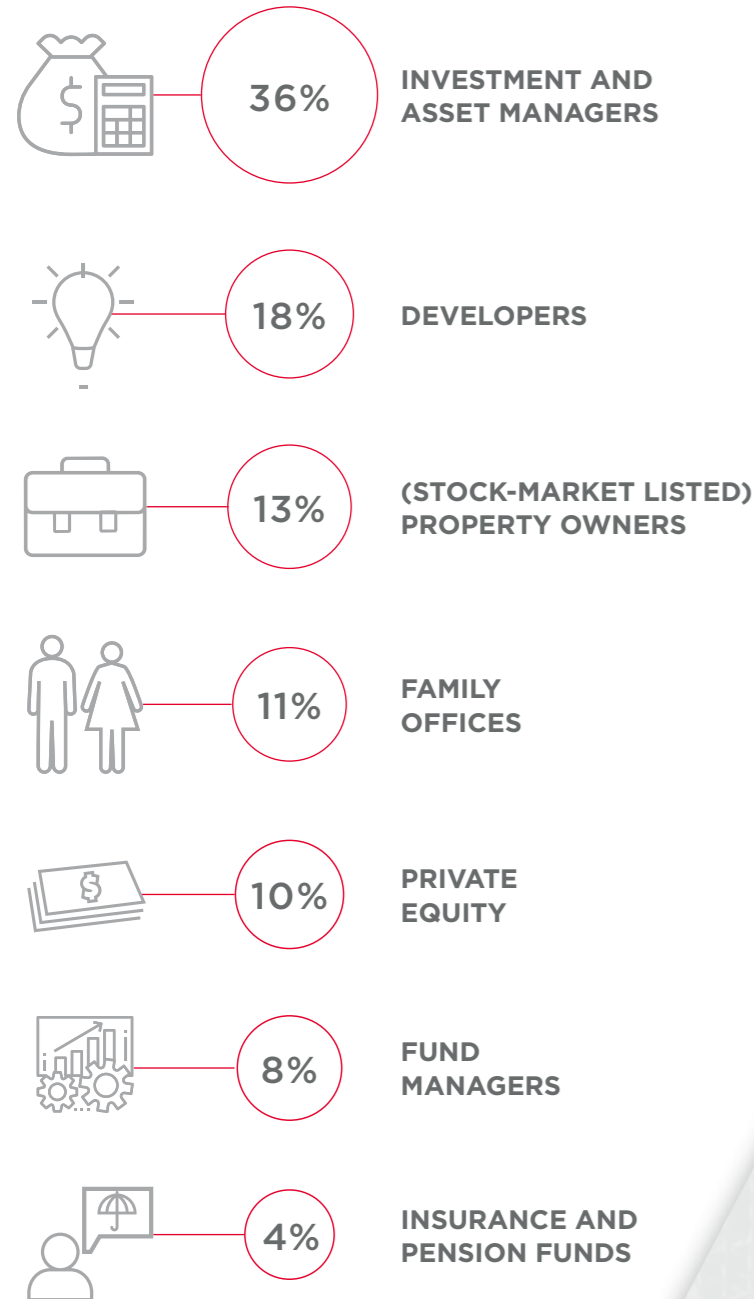
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ABOUT THE SURVEY:
WHO ARE THE
INVESTORS?

THE RESIDENTIAL REAL ESTATE MARKET IN **GERMANY**

INVESTOR CATEGORY

INVESTOR TYPE



Over 150 players in the residential real estate market participated in this survey. Of these, more than 30 investors do not fit just a single category, but cover a broader range of services for business purposes. About one third of the investors are in the category of investment and asset managers and thus represent by far the largest proportion of all participating investors.

INVESTOR SIZE (IN TERMS OF DWELLING UNITS)

Players of various sizes, in terms of residential units held or under development, participated in the survey. Relatively smaller investors with fewer than 2,500 residential units are somewhat more strongly represented than larger ones. The diversified structure of the participating investors provides an excellent insight into the landscape of market participants from small family-run companies or investment boutiques to large, market-dominating institutional investors and property owners.





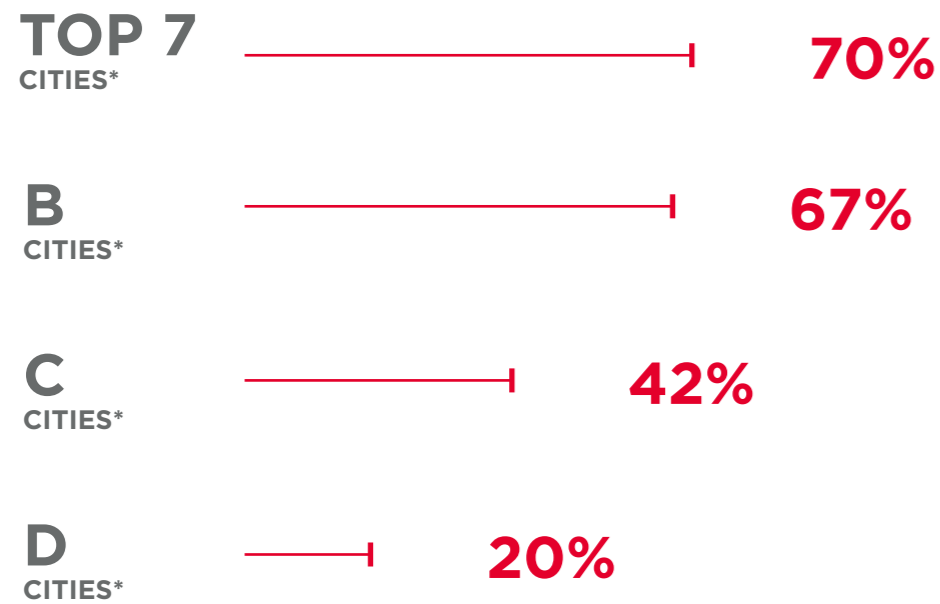
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**INVESTMENT
FOCUS:** WHAT
ARE INVESTORS
LOOKING FOR

THE RESIDENTIAL REAL ESTATE MARKET IN GERMANY

INVESTMENT FOCUS

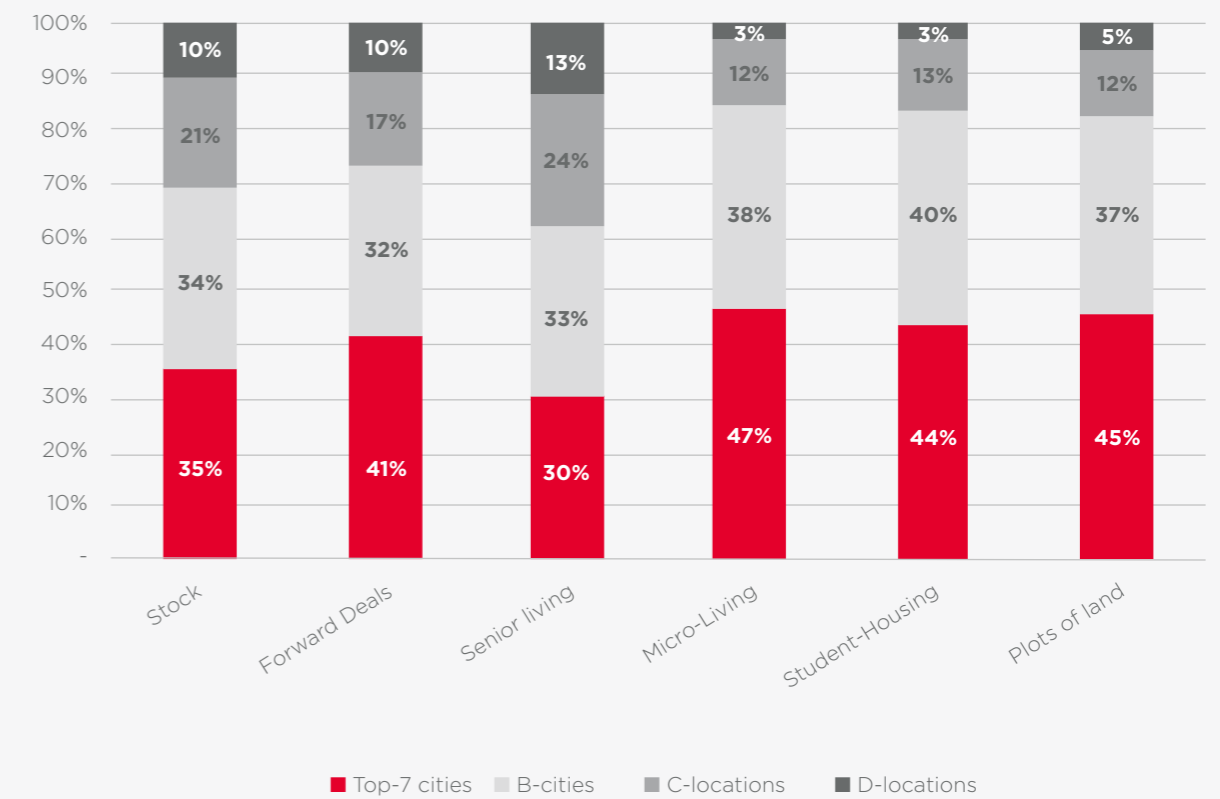
INVESTMENT FOCUS BY REGION



INVESTOR FOCUS IS CLEARLY ON THE TOP-7 AND B-CITIES IN GERMANY.

C and D cities and towns, which play a smaller economic role nationally, are less sought-after. However, B-cities such as Dresden, Leipzig and Nuremberg are almost on a par with Germany's largest cities. Higher yields and in some cases very good fundamental data and forecasts are ever increasingly leading investors to broaden their regional focus. In addition, there is often a lack of suitable product, so greater geographical flexibility is required to achieve acquisition targets.

INVESTMENT FOCUS DIFFERENTIATED BY ASSET CLASS



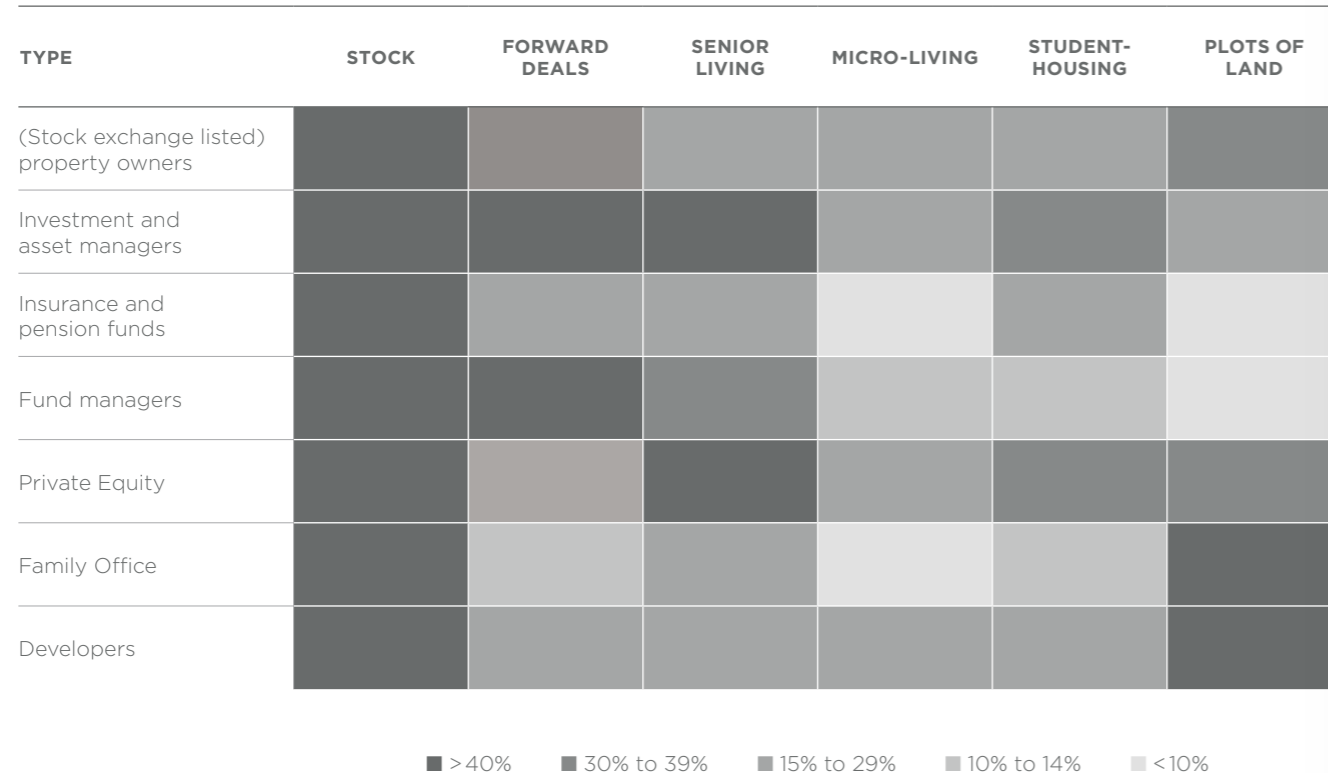
The focus of investors across all asset classes is clearly on the top-7, followed by B and then C locations. However, there are differences in the various asset classes: Senior living is also very attractive in smaller cities - due to the catchment area as well as supply and demand - B to D cities and towns are more in focus here. In a completely different way, investors in Micro-Living and Student-Housing exhibit a higher investment focus in the top-7 or in the B cities.

*A-cities: Most important German centres with national and partly international significance
 B-cities: Cities with national and regional significance
 C-cities: Major German towns with regional and limited national significance
 D-cities: small, regionally focused locations with a central function for their immediate hinterland.

THE RESIDENTIAL REAL ESTATE MARKET IN **GERMANY**

INVESTMENT FOCUS

INVESTOR TYPE DIFFERENTIATED BY ASSET CLASS



Which investors are focusing more on which asset classes, and can any patterns be discerned here? We have analysed the investor types according to their respective investment focus. Dark grey means that a large proportion of the investor type is investing in the asset class. Light grey means that the asset class is of lesser interest to investors of that category.

The survey results showed that all investors are investing in existing properties to a significant degree. Nevertheless, it is evident that fund managers in particular are interested in forward deals. Investment and asset managers as well as fund managers and private equity companies have a significant investment focus on the asset class Senior living. Meanwhile, Micro-Living and Student-Housing, a comparatively younger asset class, is of interest to private equity companies as well as investment and asset managers. Developers, family offices, private equity companies and property owners are also showing an interest in land for residential development.

INVESTORS BACKING EXISTING PROPERTIES HEAVILY.



ACQUISITION AND SALES TARGETS: INFLUENCE OF THE PANDEMIC

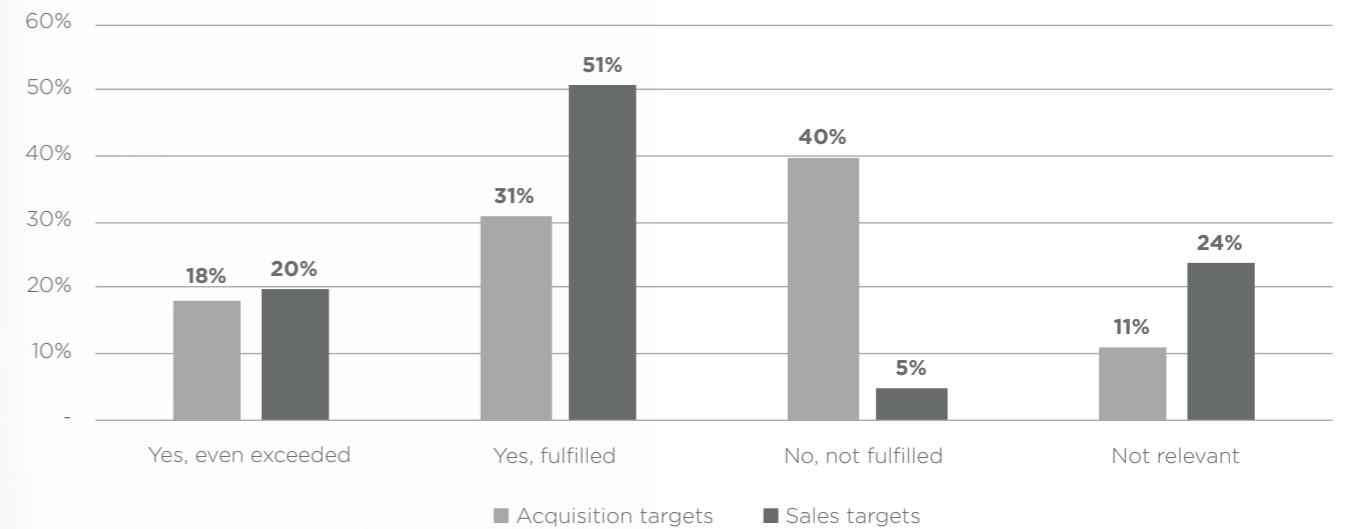


THE INCREASING INTEREST IS DUE TO HIGH SECURITY AND VALUE STABILITY.

THE RESIDENTIAL REAL ESTATE MARKET IN **GERMANY**

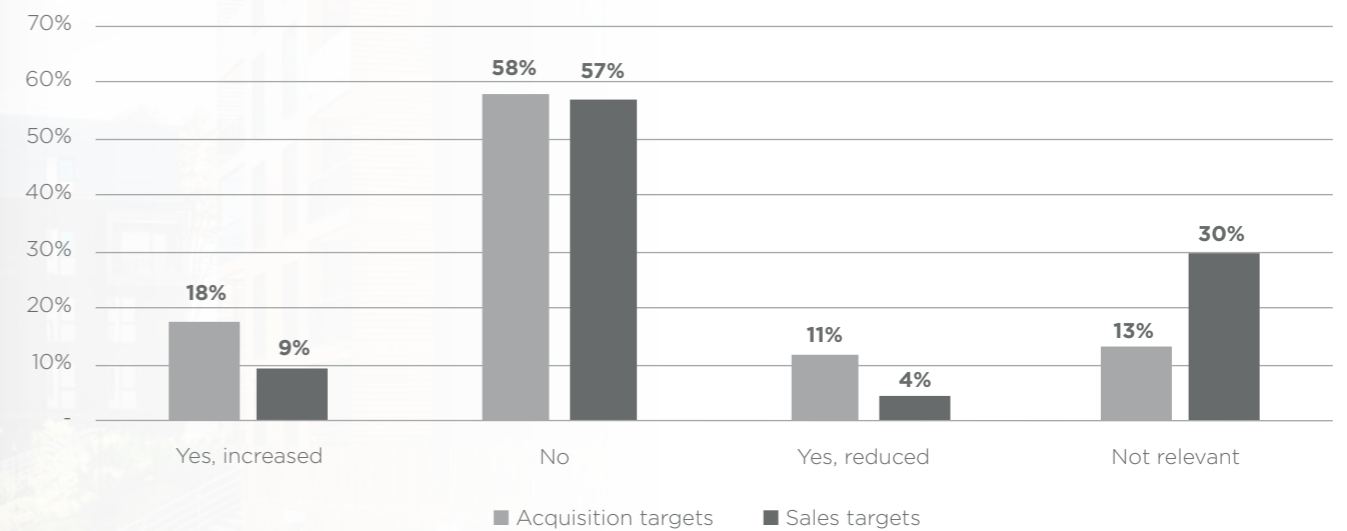
ACQUISITION AND SALES TARGETS

ACQUISITION AND SALES TARGETS IN THE LAST 12 MONTHS



About 40 per cent of the investors have fallen short of their acquisition targets in the last 12 months. On the other hand, more than 70 percent have achieved their sales targets, but for about a quarter of the participating investors sales targets are not relevant or do not exist. Thus, greater investment pressure from investors can be expected in the coming months.

ADJUSTMENT DUE TO COVID-19

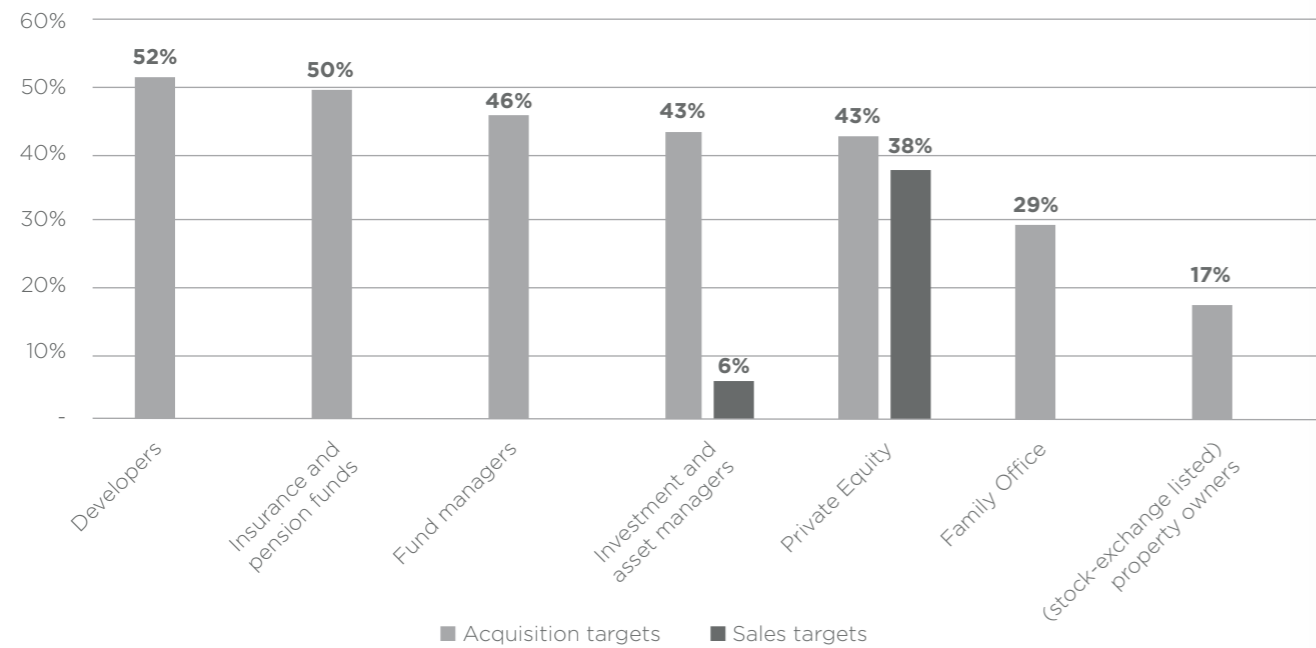


More than half of the investors have not adjusted their acquisition or sales targets due to the Covid-19 pandemic. However, some investment managers, as well as international residential property owners, have actually increased their acquisition targets. This increasing interest - also for international portfolio holders - is due to the high security and value stability of German residential real estate, aspects which gain in importance in times of crisis.

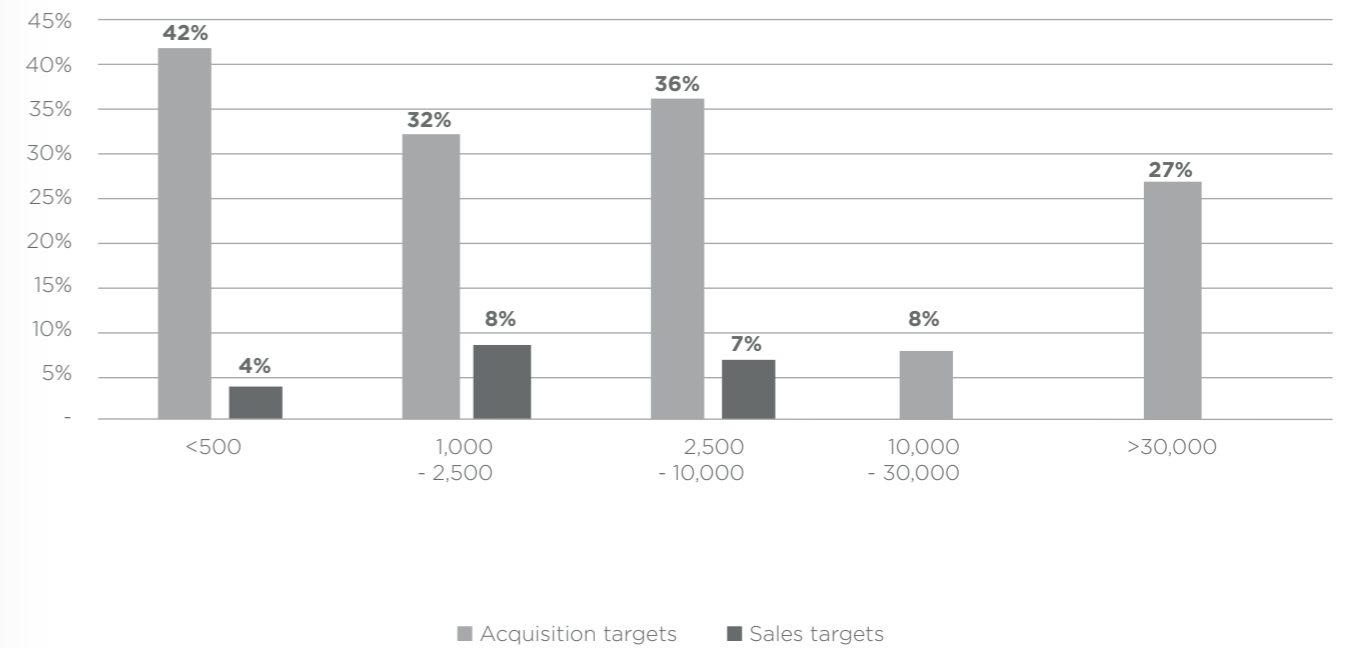
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ACQUISITION AND SALES GOALS

Investors who fell short of their targets



Most investors met their residential sales targets in the last 12 months. However, almost half of the private equity funds did not achieve them, nor did a small proportion of the investment managers. Some of the investors, however, do not have a set sales target, so the pressure to sell is not universal. The situation is quite different for set acquisition targets: while portfolio holders and family offices have achieved their acquisition targets comparatively well, developers as well as insurance and pension funds have had much greater difficulties.



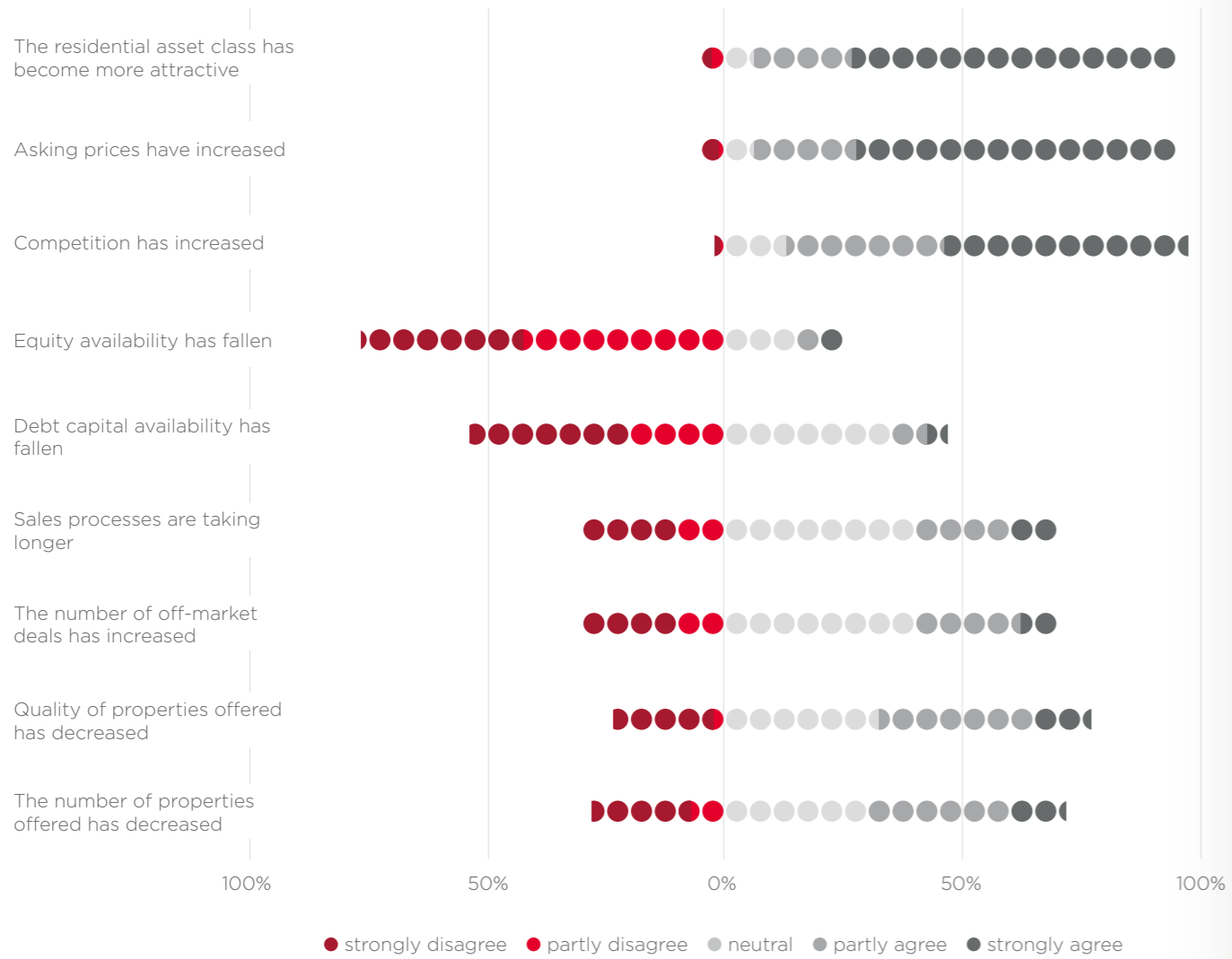
The weighting of the missed acquisition and sales targets shows that investors with fewer residential units tended to fall short of their targets. Almost every second investor with less than 10,000 residential units under management did not reach their acquisition targets. **It is therefore assumed that there will be greater investment pressure in 2021.**



MARKET SENTIMENT:
HOW WILL THE
ASSET CLASS
DEVELOP?

THE RESIDENTIAL REAL ESTATE MARKET IN GERMANY

MARKET SENTIMENT - DEVELOPMENTS IN THE LAST 12 MONTHS

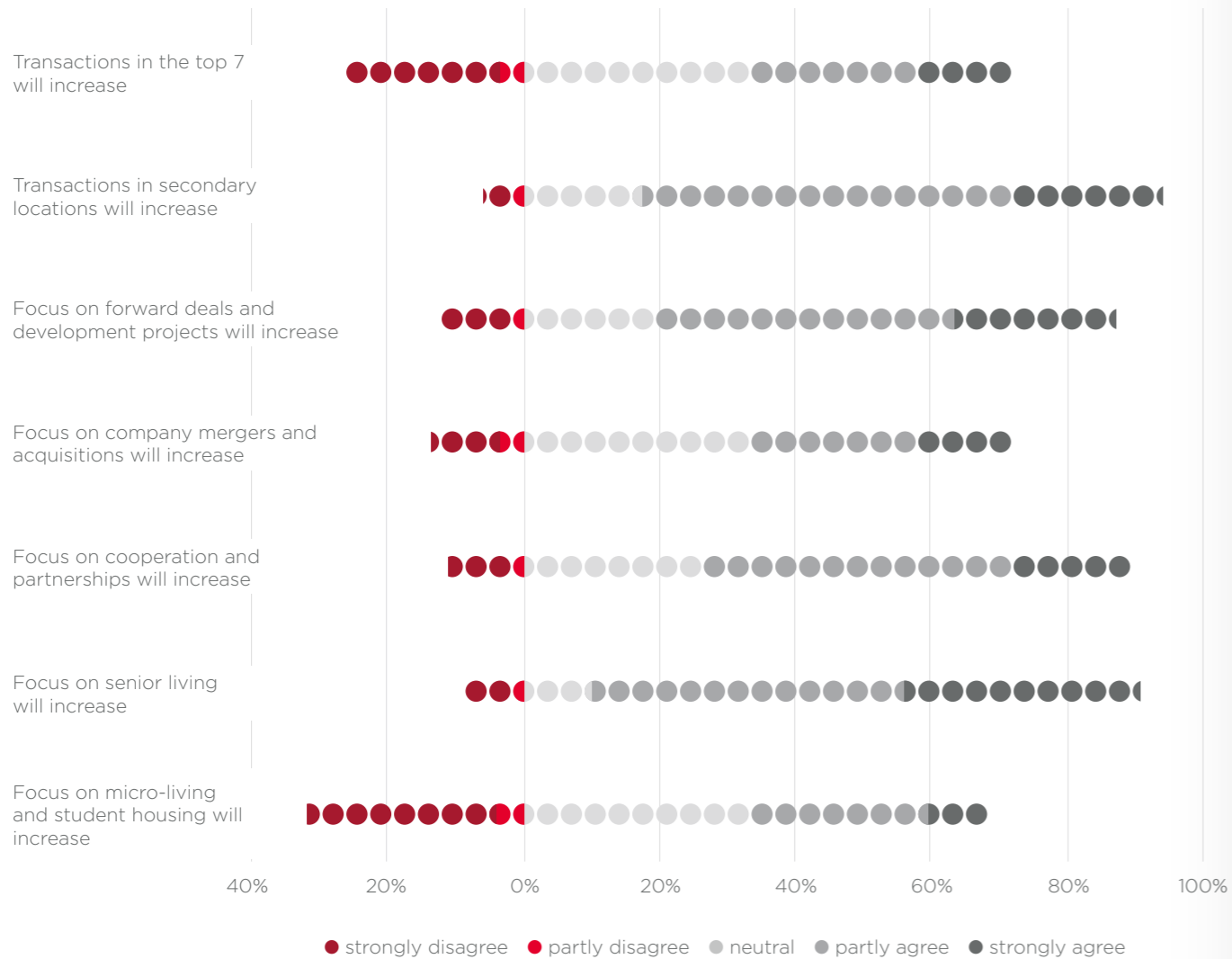


Residential real estate has proven to be extremely resilient and crisis-proof over the past 12 months. Almost all survey participants agree that the asset class has become very attractive and that competition has increased, as have asking prices. In addition, the majority of investors state that the availability of equity and debt capital has hardly declined in the last 12 months. Sales processes have lengthened in some cases, and off-market deals have increased in others. Finally, many investors agree that the number and quality of opportunities to make acquisitions has declined.



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MARKET SENTIMENT - FUTURE DEVELOPMENT



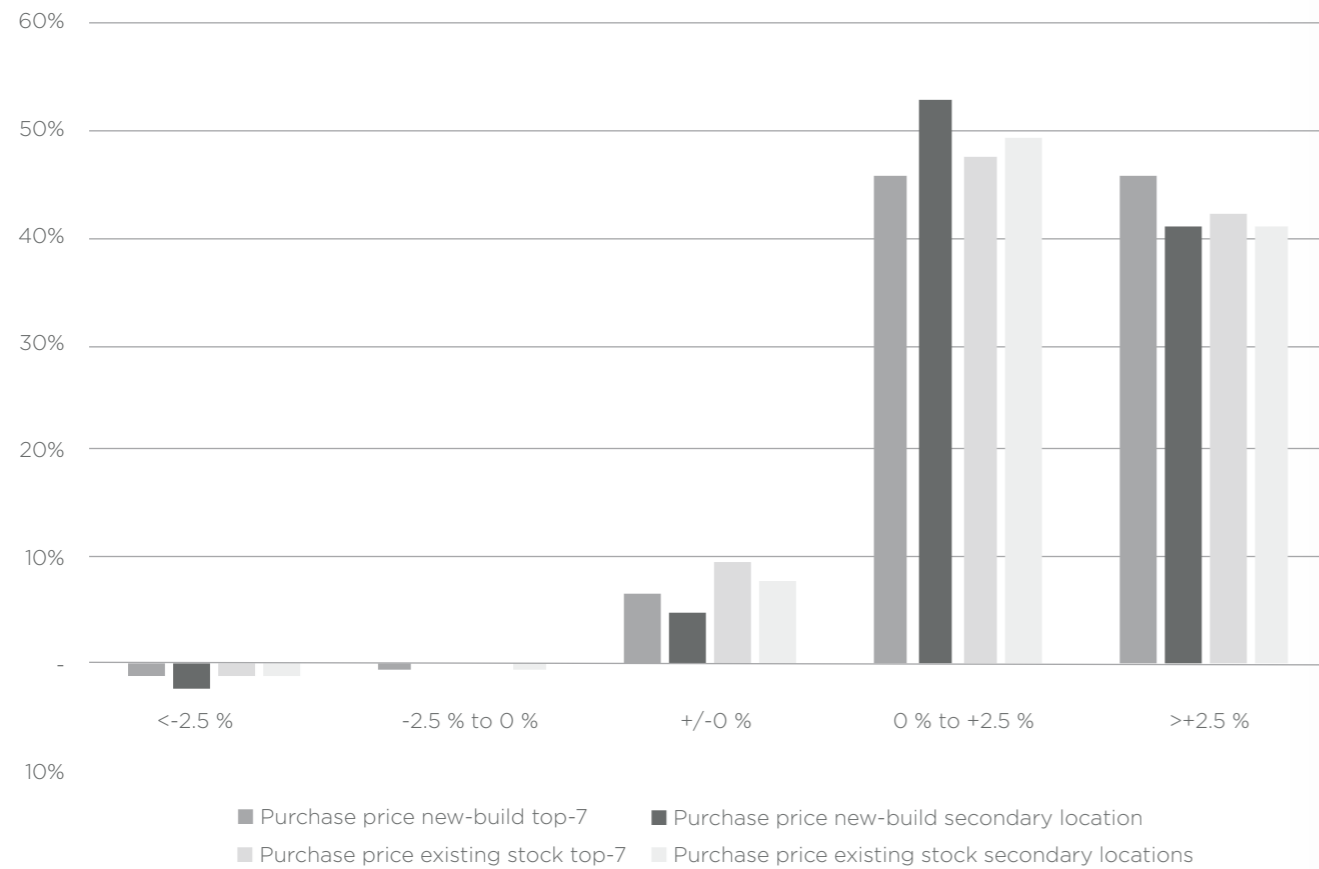
According to the investors surveyed, transactions will increase slightly in the top-7 cities, and even more respondents expect transactions to increase in secondary locations. In addition, many expect forward deals, development project transactions as well as corporate acquisitions, collaborations and partnerships to increase. Investors most clearly agree that the asset class of senior residences with flats for assisted living will come into increasingly strong focus. However, expectations diverge regarding whether Micro-Living and Student-Housing will become stronger.



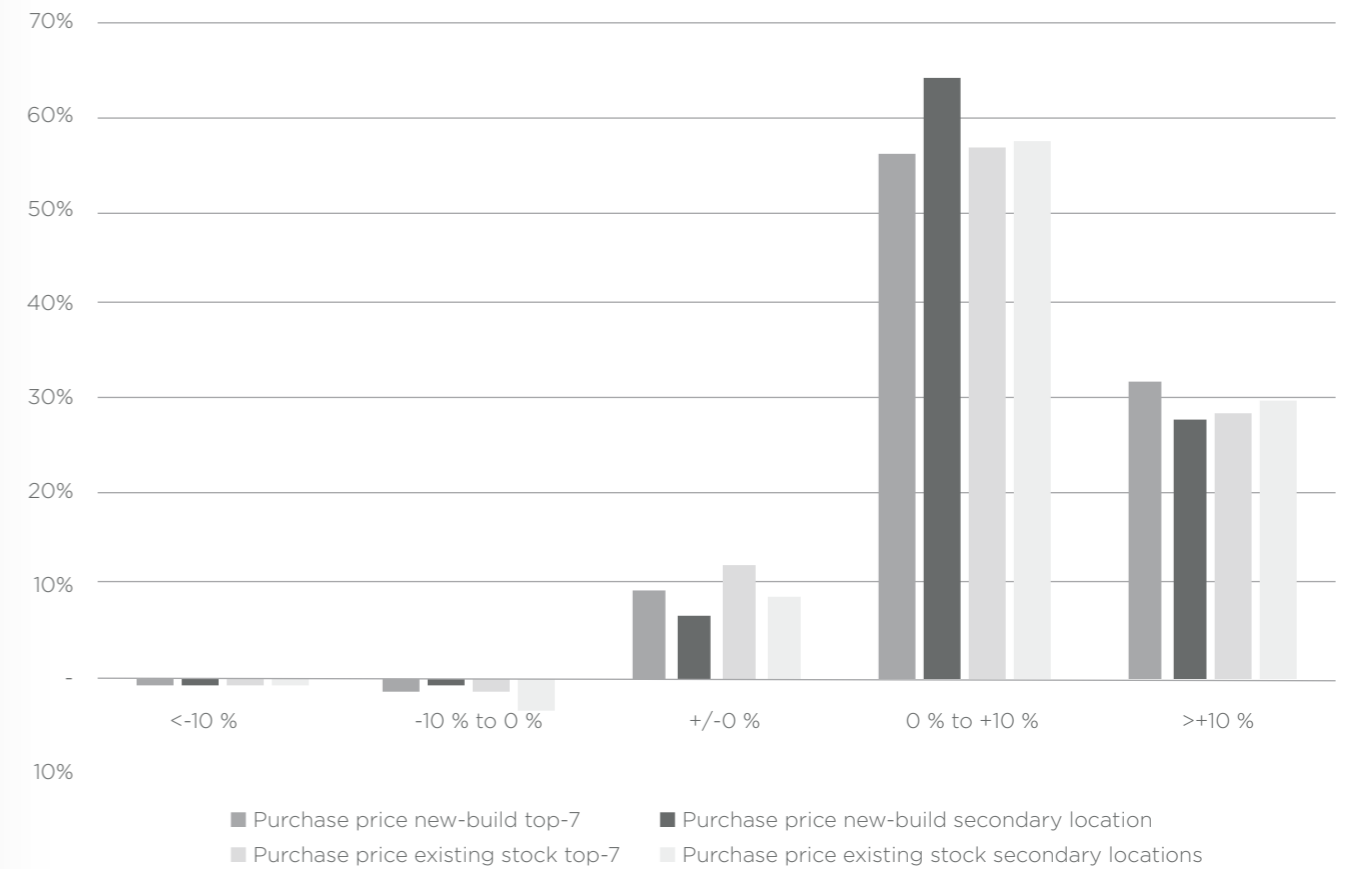
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MARKET SENTIMENT - DEVELOPMENT OF PURCHASE PRICES

EXPECTED DEVELOPMENT IN THE NEXT 12 MONTHS



EXPECTED DEVELOPMENT IN THE NEXT 5 YEARS



The expectations of investors with regard to purchase prices are very positive, regardless of the locations and whether these are new or existing properties. Almost 90 percent of the respondents see no end in sight to the price increases for residential property, either in the short or medium term.

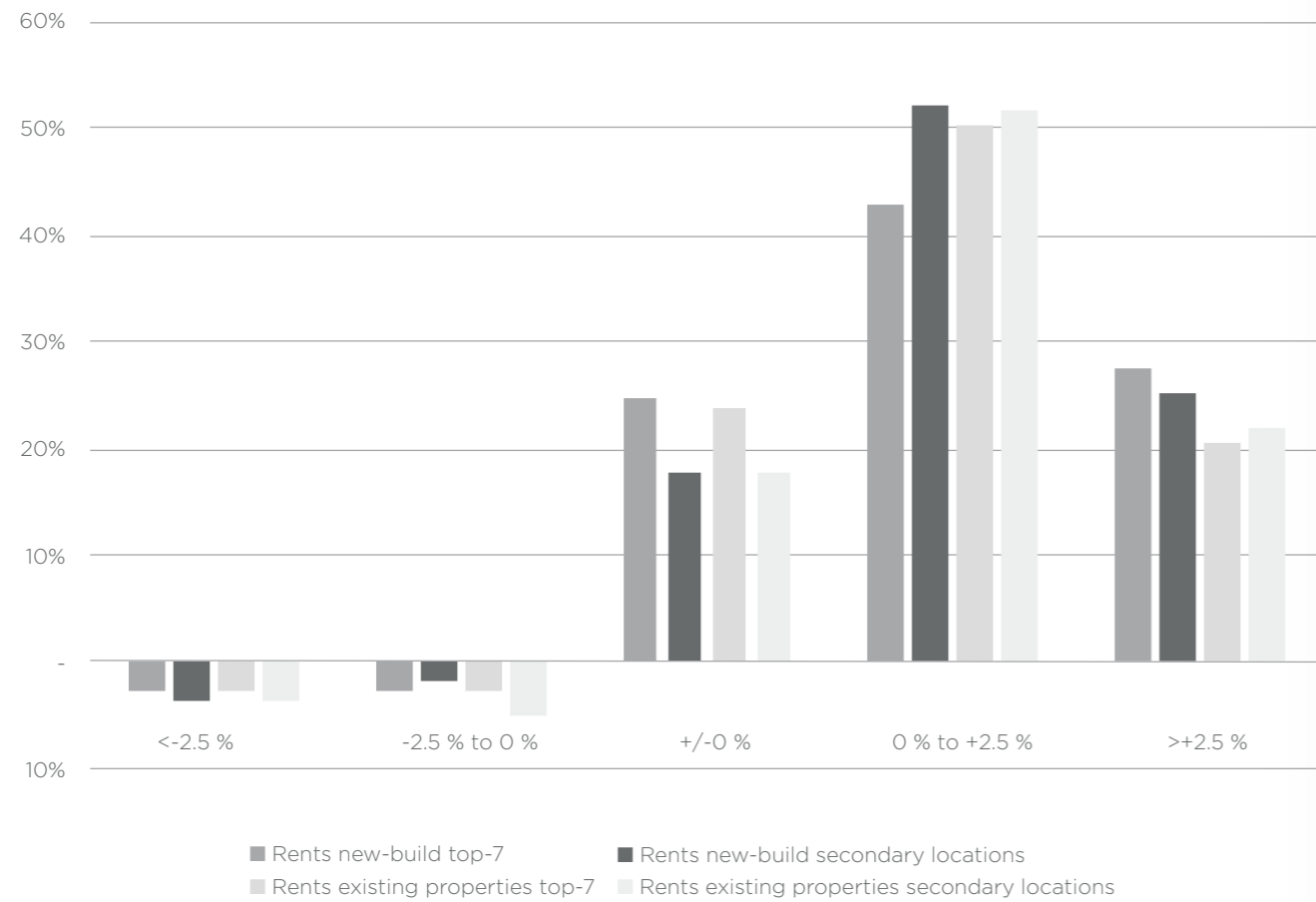
Almost half of the investors expect prices to rise by up to two and a half percent in the short term, and about 40 percent even expect a larger increase in the next 12 months. More than half of the investors also expect purchase prices to rise by up to ten percent over the next five years, almost 30 percent of the investors expect even more than ten percent.

NO END TO RISING RESIDENTIAL REAL ESTATE PRICES IN SIGHT.

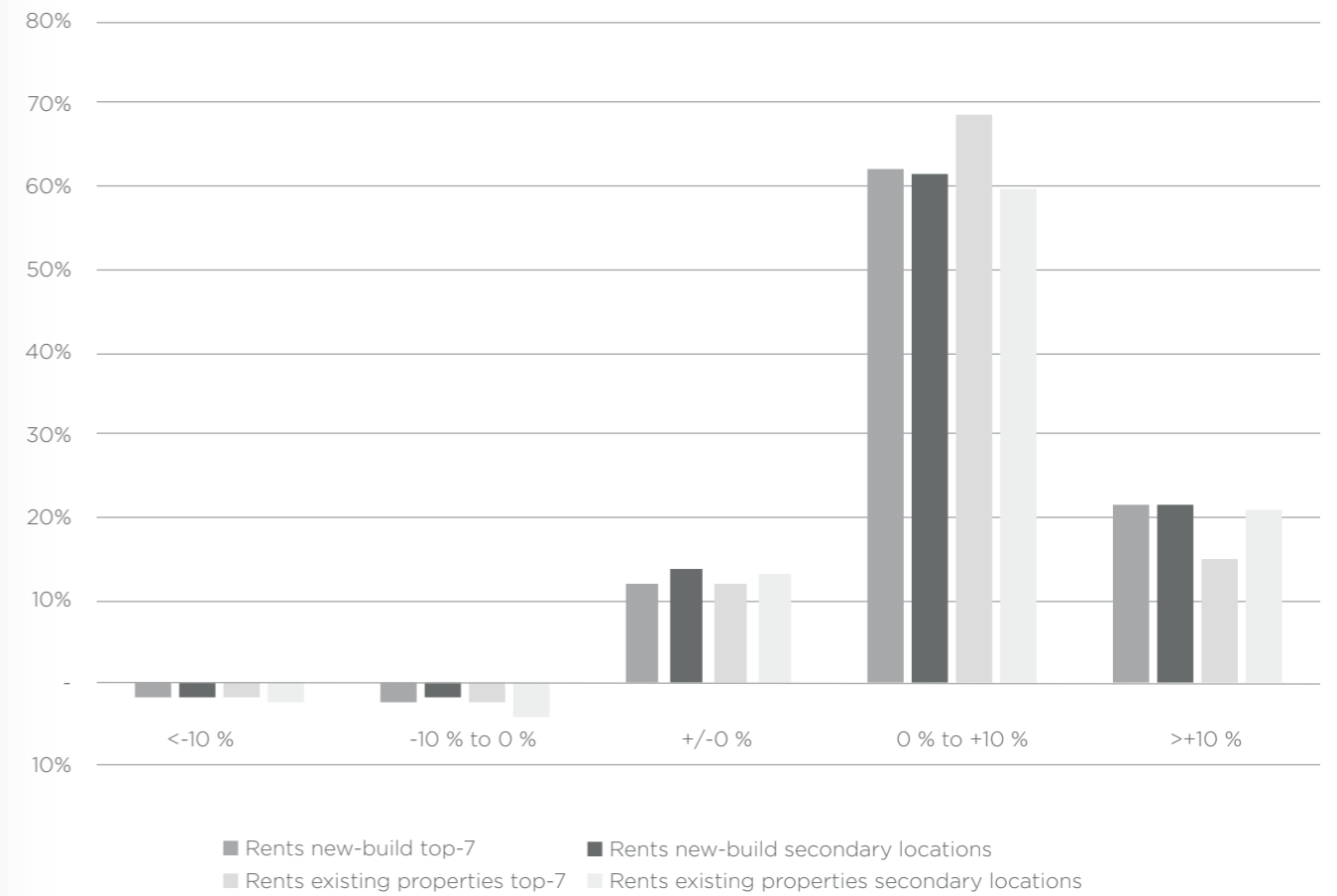
THE RESIDENTIAL REAL ESTATE MARKET IN GERMANY

MARKET SENTIMENT - RENTAL PRICE DEVELOPMENT

EXPECTED DEVELOPMENT IN THE NEXT 12 MONTHS



EXPECTED DEVELOPMENT IN THE NEXT 5 YEARS



The majority of investors expect a positive development in rents for new buildings and existing properties in the top-7 and secondary locations. However, investors are somewhat more cautious about rent increases.

About a quarter of investors expect little change in rents over the next 12 months. However, almost 60 per cent expect rents to rise by up to ten per cent over the next five years and almost 20 per cent of investors expect rents to rise by more than ten per cent.

THE RESIDENTIAL REAL ESTATE MARKET IN GERMANY

MARKET SENTIMENT - INFLUENCE OF GENERAL TRENDS

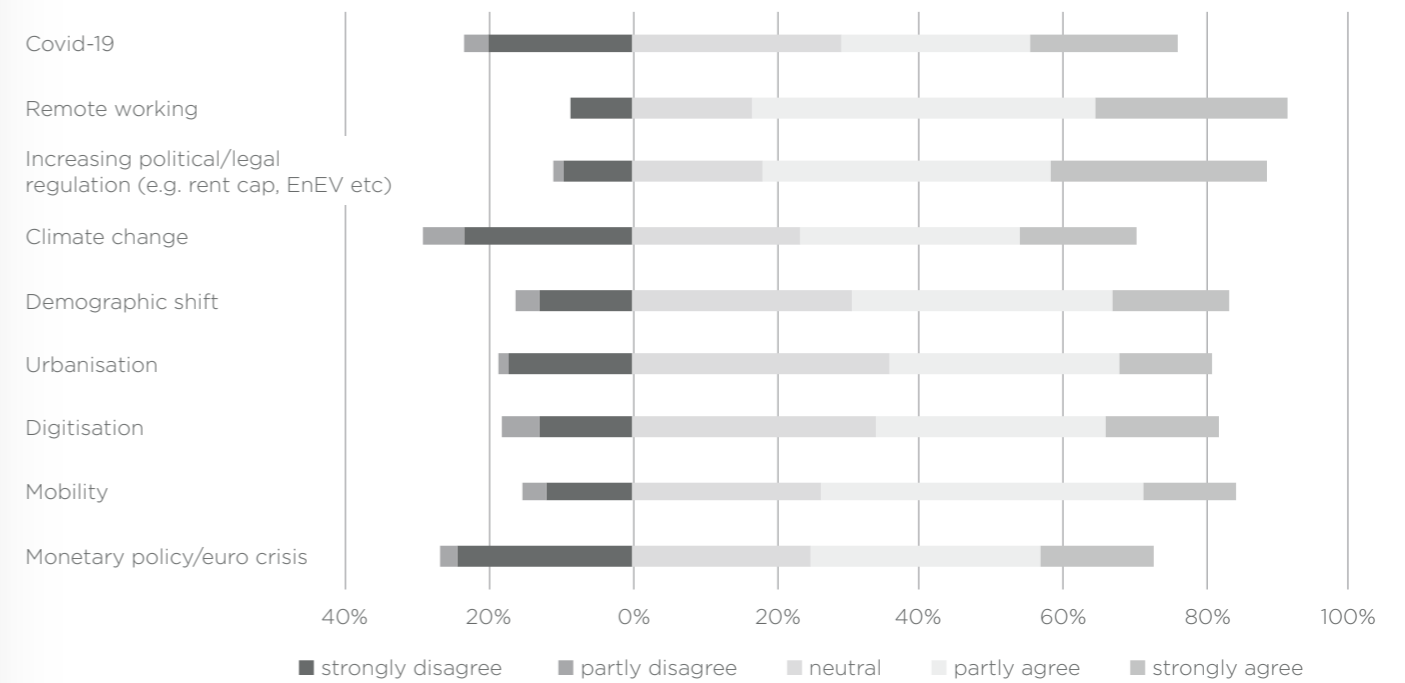
Macroeconomic developments such as changes in the regulatory framework, or mega-trends that influence our society and equally the housing market, are particularly important for short-, medium- and long-term planning.

Half of the respondents expect the Covid-19 pandemic to have only a short-term impact on the housing market. However, they expect working from home to remain relevant in the short as well as the long term. Regarding an increase in legal regulations, investors are planning less in the short term, but more in the long term.

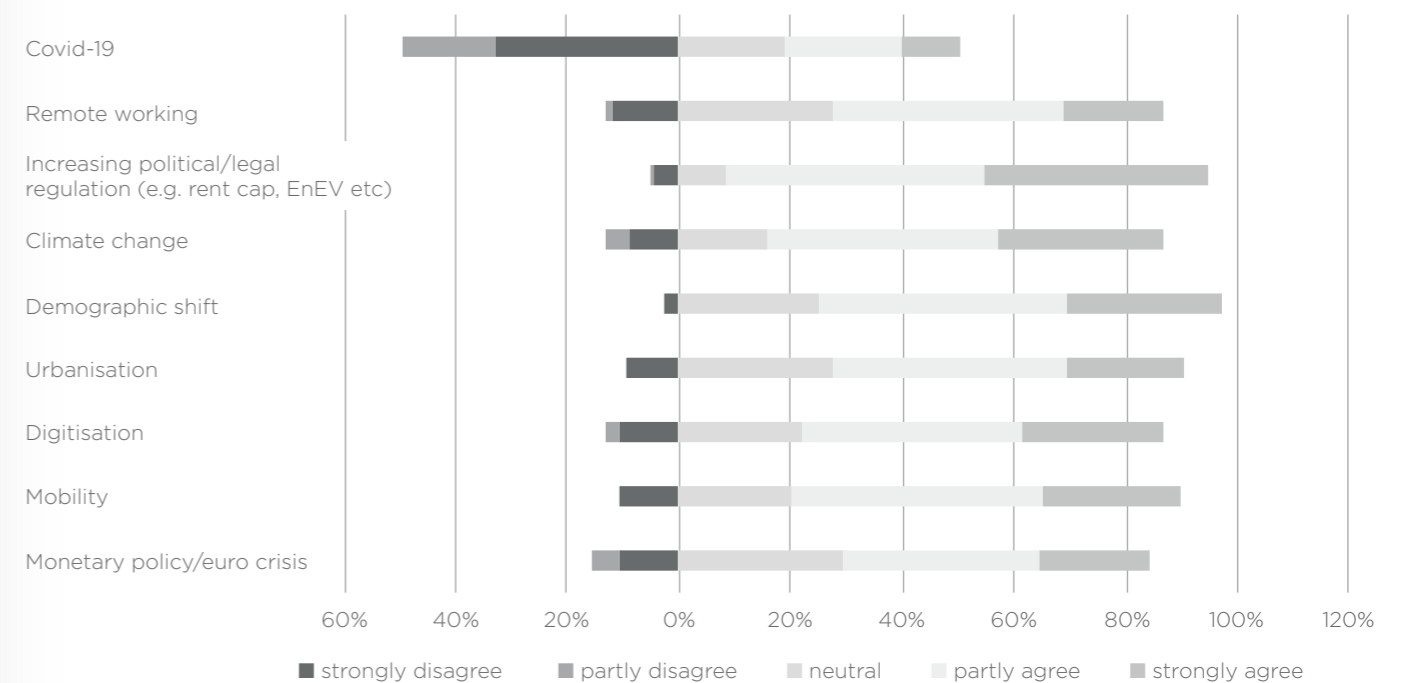
Mega-trends such as the demographic shift, digitisation and urbanisation will also become increasingly relevant in the coming years. However, there is no clear tendency regarding short-term influences on the housing market. Almost a quarter of investors consider climate change and its implications to be less relevant, but over 70 percent expect an impact on the housing market in the medium and long terms.



INFLUENCE IN THE NEXT 12 MONTHS



INFLUENCE IN THE NEXT 5 YEARS



CONTACT

Jan-Bastian Knod


Co-Head Residential Advisory
Head of Healthcare Advisory

T: +49 69 50 60 73 261
M: +49 151 18 83 09 53
E: jan-bastian.knod@cushwake.com

Markus Elmer

Co-Head Residential Advisory

T: +49 69 50 60 73 238
M: +49 151 18 83 09 87
E: markus.elmer@cushwake.com



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