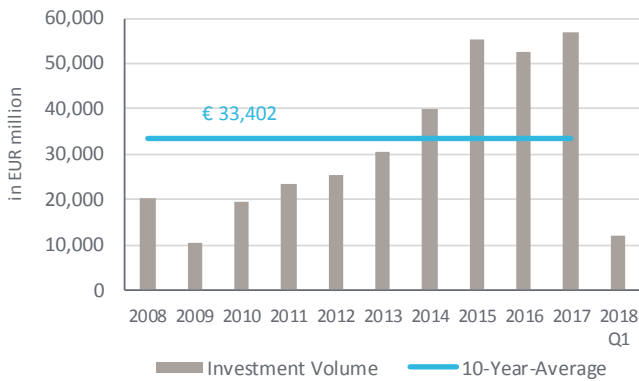


# INVESTMENT MARKET Q1 2018

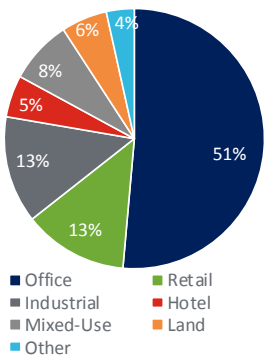
## Investment Volume



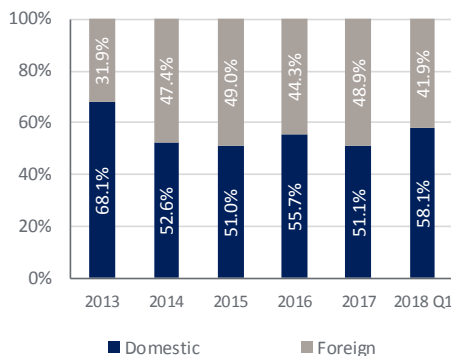
## Investment Market Germany

- The German commercial investment market again achieved an excellent result. The investment volume amounted to EUR 12.1 billion and was thus almost at the previous year's level of some EUR 12.2 billion.
- With an amount of EUR 6.2 billion or 51%, office properties accounted for the largest share of investments (+27% y-o-y). This segment also includes the largest deal of the quarter, the sale of the authorities center in Frankfurt for EUR 500 million to Aroundtown.
- The investment volume was driven by individual transactions in the first three months. They account for approx. 84%. By comparison, in Q1 2017, its share was approximately 68%.
- Around 17% of investors came from other European countries, 14% from North America. Overall, foreign investors were responsible for 42% of investments.

## Market Share by Segment



## Investor Origin



## Economic Background

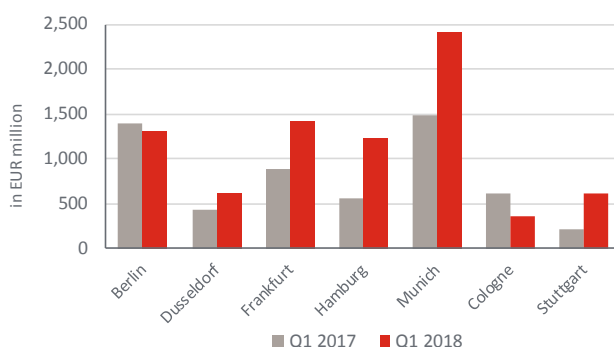
- unemployment at the lowest level since 1991
- number of employees at a record high
- wages and salaries tending upward
- inflation at 1.6%
- interest rates at a stable, low level
- consumption will continue to rise in 2018
- GDP expectations for 2018 at 2.3%
- sound public finances

## GERMANY

|                             |              |
|-----------------------------|--------------|
| population (06-2017)        | 82.7 million |
| unemployment rate (03-2018) | 5.5%         |

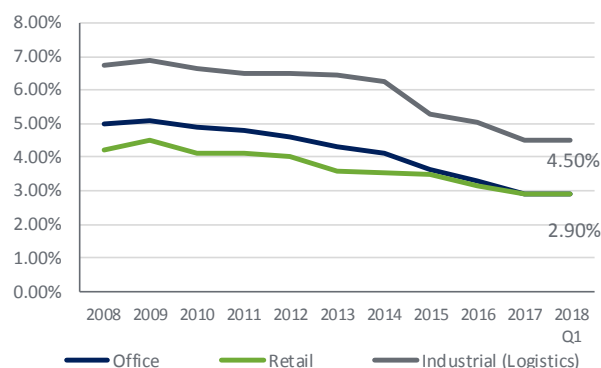
## Investment Volume by City (Top-7)

- Munich dominated the city ranking with around EUR 2.4 billion (+63% y-o-y). While the big deals took place in Berlin and Frankfurt at the end of 2017, some contract negotiations in Munich took a little longer. Frankfurt took second place with around EUR 1.4 billion.
- Overall, the country's top 7 cities accounted for 66% of the total.



## Prime Yields by Sector (net initial)

- The prime yield for core office assets remained stable at 2.90% in Q1, but is still 30 BPS below the previous year's level. However, in B-locations and for value-add products prices continued to rise.
- In the retail sector, yield compression was limited to retail parks.
- As prices remain under upward pressure, yields may occasionally continue to decline. In the medium term, there will be a turnaround at the end of the low interest rate policy.



## Prospect: "Stability at record levels"

Domestic and international players continue to be under investment pressure. Despite the Dieselgate, potential trade war and unknown Brexit consequences, Germany continues to be one of the world's most attractive investment markets with its sound economic and political environment. Hence, an investment volume beyond the 50 billion euro mark for the full 2018 year is realistic.

## Market Figures

|                                  | Germany | Berlin | Dusseldorf | Frankfurt | Hamburg | Munich | Cologne | Stuttgart |
|----------------------------------|---------|--------|------------|-----------|---------|--------|---------|-----------|
| Investment volume in EUR million | 12,090  | 1,310  | 610        | 1,420     | 1,235   | 2,410  | 360     | 610       |
| Prime Yield in % (office)        | 2.90    | 2.90   | 3.50       | 3.25      | 3.20    | 3.15   | 3.50    | 3.50      |

| Prime Yield in % |            |                 |                  |                       |                        |
|------------------|------------|-----------------|------------------|-----------------------|------------------------|
| Office           | Highstreet | Shopping Center | Retail Warehouse | Retail Warehouse Park | Industrial (Logistics) |
| 2.90             | 2.90       | 4.05            | 5.40             | 4.60                  | 4.50                   |

Sources: Thomas Daily, RCA, Bundesbank, GfK, Destatis, Bundesagentur für Arbeit, Avison Young

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