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Knight Frank:

German Real Estate is Highly Valued by Global Investors Even in 2021

German real estate is clearly one of the winners of the Corona crisis.

The international real estate consultants Knight Frank come to the conclusion in their Active Capital Report that the leading German metropolitan regions have numerous investments in store for international investors in the coming year in view of their five-year business plans.

The Covid 19 crisis has led to more restrained investment activity in the commercial real estate market worldwide. According to Knight Frank, the total volume of cross-border transactions fell by 16% to around 91 billion US dollars in the first half of 2020 - due to the uncertainties caused by the pandemic.

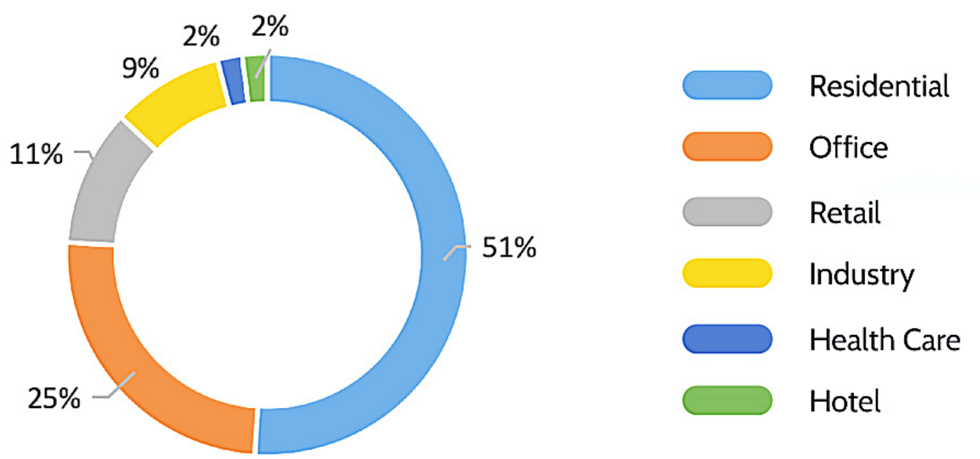
Crisis winner Germany

Germany has so far mastered the pandemic in an exemplary manner. For many international investors, this positive development has further supported the image of Germany as a safe haven. For example, Germany was one of the few countries to record growth between the second quarter of 2019 and the second quarter of 2020: In the second quarter of 2020, capital flows into the German commercial real estate market amounted to USD 16.6 billion - an increase of 27% compared to the second quarter of 2019. This means that Germany is now the second most popular destination for global real estate investors. Only the USA is in first place with an investment volume of 32.3 billion US dollars in this period.

CONTINUE TO P. 02

On an European level, Germany is the market leader across all sectors. There are differences in the global inflow of capital depending on the asset classes: The sub-markets "residential" - including multi-tenant properties with ten or more rental units, senior and student housing and social housing among the commercial real estate investments examined - experienced the strongest growth at 66%, senior and nursing care properties (41%) as well as offices (11%) and industry (10%). Residential also holds the largest share of the overall German market at 51%, followed by office with 25% and industry with 9%.

Domestic and cross-border transactions on the German commercial investment market in Q2/2020



Source: Knight Frank

Number 3 worldwide

According to Knight Frank's study, Germany remains one of the most attractive investment locations for global capital due to its market stability and resilience, and will be the second most attractive destination for U.S. investors in Europe in 2021.

Knight Frank sees Germany in 2021 as the world's third leading destination for global capital investment. For the ten largest cross-border capital flows, the real estate consultant forecasts a total volume of more than 58 billion US dollars.

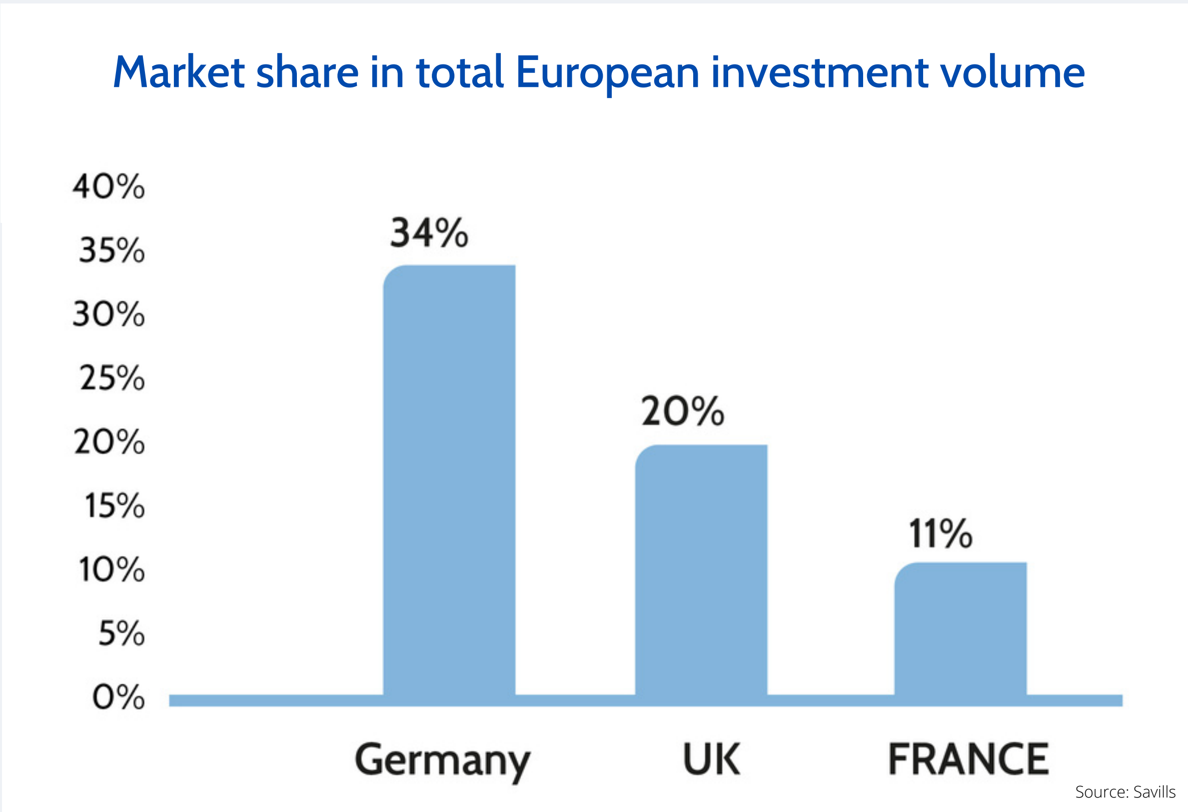
According to Knight Frank, most of the capital invested in German commercial real estate will come from the USA in 2021, followed by the UK and France. According to the forecasts, the ten largest cross-border capital flows to Germany next year are expected to amount to 20.2 billion US dollars.

CONTINUE TO P. 03

Germany's Share of the European Real Estate Investment Market Increases

According to Savills' latest European Investment Spotlight, Germany's market share of the total European investment volume rose to 34% (Q1 to Q3-2020) compared to 28% on average over the last five years.

Germany thus continues to secure the top position - followed by the UK (20%, compared to 27% on a five-year average) and France (11%, compared to 10%).



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At the same time, investors' activities in the various asset classes on the European market have shifted slightly: the share of investments in office properties fell from 40% in 2019 to 34% in the first three quarters of the current year. At the same time,

an increase was observed in retail from 13% to 15% and in multi-family buildings from 12% to 17%. The share of logistics real estate remained almost stable at 13%.

The average prime yields for offices also remained virtually unchanged at 3.6%. However, a divergence between core and non-core markets can be observed: In the first three quarters of 2020, yields for offices in Oslo (-40 basis points), Milan (-25 basis points), Paris CBD (-15 basis points), Stuttgart (-10 basis points) and Hamburg (-10 basis points) fell. In contrast, they increased in Warsaw (+40 basis points), Manchester (+25 basis points), Paris La Défense (+25 basis points) and Helsinki (+10 basis points). Due to the high financing, business and liquidity risks resulting from the Corona pandemic, investors outside the core markets are cautious.

While prime yields on the residential market have also remained stable recently after years of decline, they fell again in the logistics segment. Between the first and third quarters, they fell by an average of 7 basis points across Europe to 4.84 %.

Savills is observing a strong return to core strategies, but also expects more transactions in the core-plus segment and therefore more clarity about price developments in this segment.

CONTINUE TO P. 05

Survey:

Residential Real Estate Comes out of the Pandemic Valley Much Faster Than Office

According to the Germany-wide autumn survey by the analysis house Fahrländer Partner Raumentwicklung (FPRE), the real estate experts questioned are significantly more optimistic about price expectations for residential real estate than they were six months ago. In the coming twelve months almost 60% of the participants expect rising or even strongly increasing prices for residential real estate.

In the office market, on the other hand, there is no recovery and the effects of the pandemic are unmistakable. Here, the experts forecast falling rents for office space and a decline in transaction prices for office and commercial buildings.

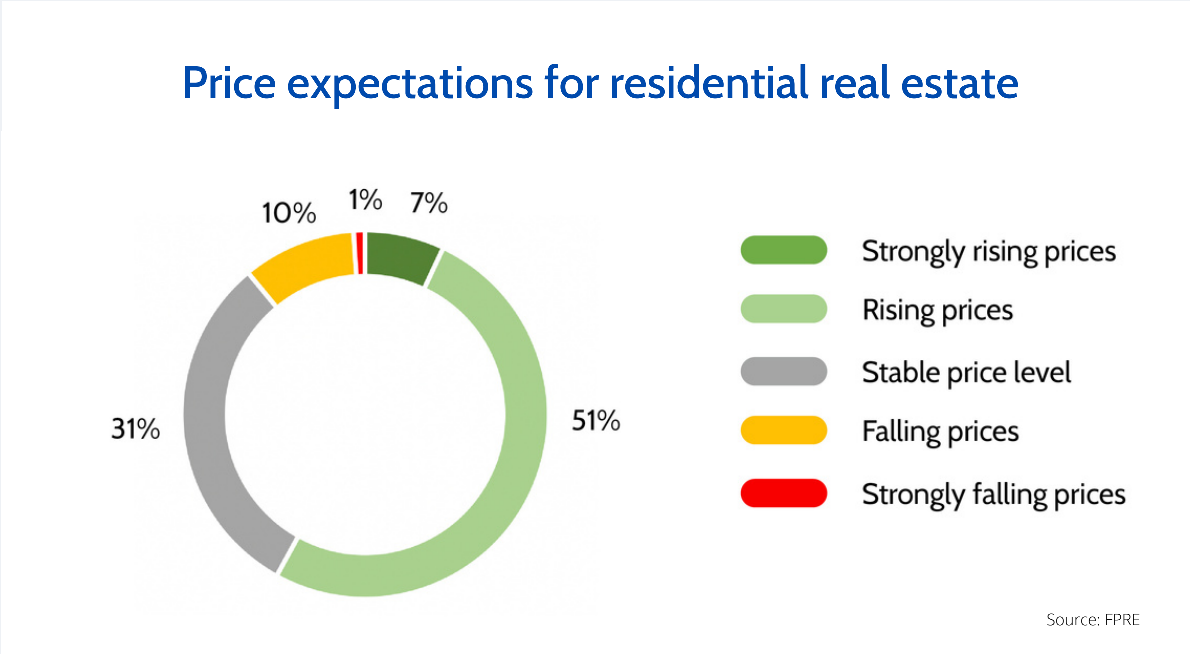
These are essentially the current results of the survey on the price development of real estate in Germany, which is conducted by FPRE every six months. The results of the survey conducted in the first two weeks of November are condensed into price expectation indices, which can range between -200 and 200 points. The indices provide an indication of the future development of various real estate segments. More than 500 experts from all federal states took part in FPRE's autumn 2020 survey.

Apartments: Return to pre-crisis level

The optimistic expectations from the spring of 2020 for residential real estate have become even more entrenched, while predominantly stable prices for residential real estate have

CONTINUE TO P. 06

become even more entrenched. While predominantly stable prices for residential property were expected at that time, more than half of those surveyed (51%) now expect prices for residential property to rise again. 7% even expect prices to rise sharply. Around one third assume that the price level will remain stable. One tenth of those surveyed expect prices to fall. Only 1% expect prices to fall sharply.



These estimates apply to both condominiums and single-family homes. An upward trend can be observed in all federal states of Germany. The respective price expectation indices have thus returned to the previous year's level in spite of the corona crisis.

Positive expectations also for residential rents and multi-family-houses

Also with the housing rents the expectations are more optimistic than still a half year ago. While the price expectations index for residential rents was still slightly negative in spring 2020 (-5.0 points), it is now back in positive territory at 19.0 points. In Berlin, 20% expect rents to rise strongly or at least to increase. 57% expect stable rents.

For multi-family houses, the nationwide price expectation index of 50.5 points is also significantly higher than in spring (14.1 points). More than half of the experts expect rising or strongly increasing transaction prices. 32% expect prices to remain stable, while 13% anticipate falling or sharply decreasing values.

CONTINUE TO P. 07

Office and commercial buildings: Outlook remains pessimistic

Those surveyed are far less optimistic with regard to office and commercial buildings and office space. The latter in particular are largely expected to show a negative trend. Overall, the picture on the office markets remains cloudy and there can be no talk of a recovery. At -65.7 points, the price expectations index for office space remains at the level of spring 2020, after the index was still clearly positive a year ago (31.6 points).

The survey participants are also pessimistic about transaction prices for office and commercial buildings. The corresponding price expectation index remains at -38.5 points and the pandemic is leaving clear traces.

Micro Living:

71% of the Surveyed Investors continue to invest as before the pandemic

The Micro-Living initiative has presented its second market report, for which the operating data of 23,600 residential units in 115 apartment buildings were evaluated. According to the report, the average occupancy rate was 90% at the end of the report.

In times of Corona, concepts with studio apartments are particularly beneficial, because tenants prefer their own four walls to a room in a shared apartment. Also popular are apartment building with a concierge service, which can, for example, ensure basic care during a possible quarantine.

In a survey conducted in conjunction with the market report, 71% of those surveyed stated that they had pushed ahead with new construction projects and acquisitions in September of this year with the same intensity as before the corona pandemic. Most respondents expect business to return to normal in the second half of 2021, which shows the potential that market participants ascribe to the segment.

Fewer international tenants

The monthly all-in rent has recently averaged around 520 euros, but the range extends from 261 euros to 1,289 euros. Students make up a good 45% of all tenants and are therefore a key target group for the apartments.

This is problematic in that the respondents indicated that it is currently easier to rent to non-students. Another result of the survey is that the proportion of tenants from abroad is declining for 64% of those surveyed.

Hardly any loss of rent

In the survey, 85% stated that in the wake of the corona pandemic, ensuring sufficient unit occupancy was challenging or very challenging. Cancellations were faced by 64% of respondents, while only 14% had to deal with loss of rent. Rent deferrals also appeared to be hardly an issue in recent months.

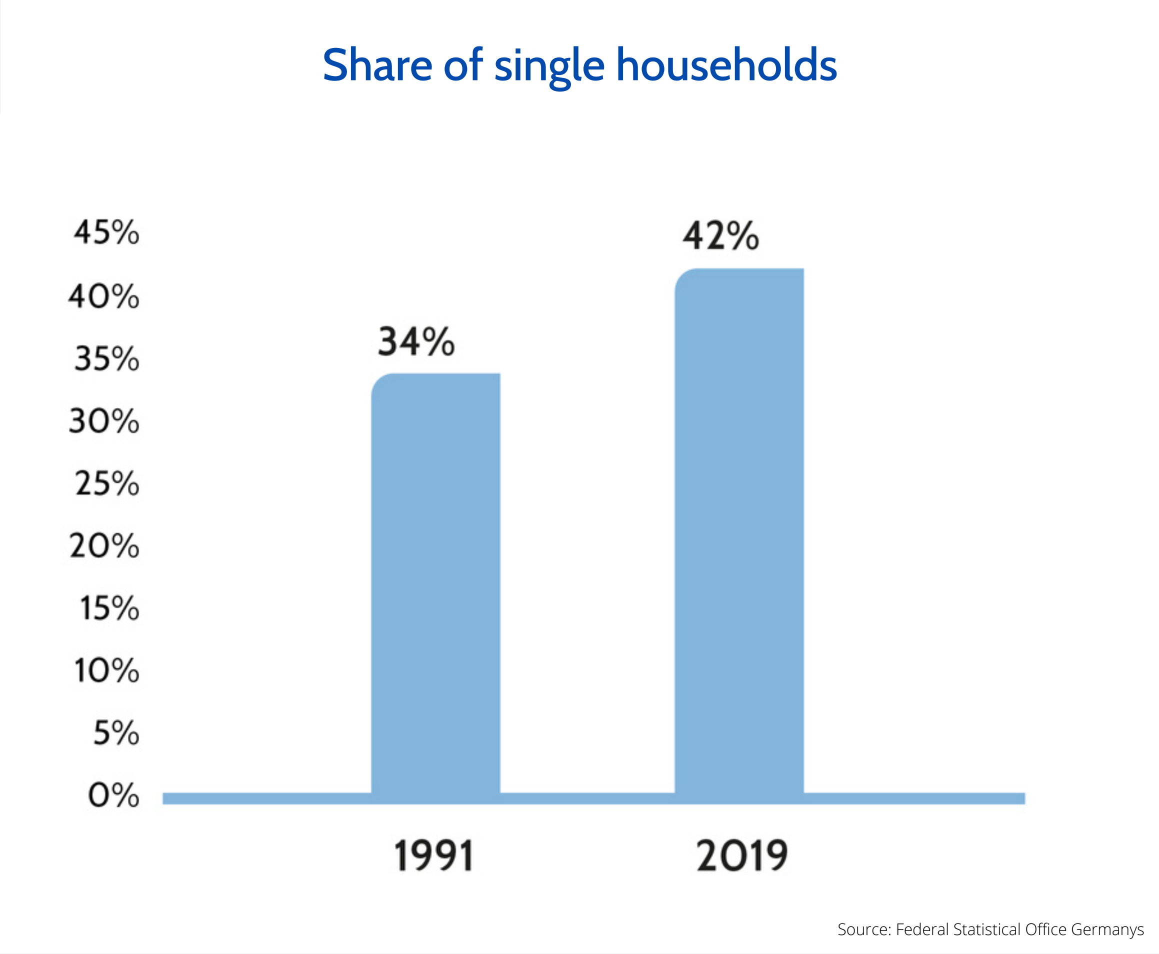
Germany:
Number of Single Households Continues to Rise

Studio apartments in Germany are becoming increasingly popular with investors.

They are following an old investor's wisdom: The trend is your friend. Because the trend is clearly going more and more in the direction of single households. According to the Federal Statistical Office, the proportion of people living alone in Germany has been growing steadily for years. Especially younger men and women over 60 live alone.

CONTINUE TO P. 09

According to a statement by the Federal Statistical Office, the proportion of single households in Germany was 42% (17.6 million people) at the end of 2019. For comparison: in 1991, this figure was only 34%. The single-person household is thus the most common household form in Germany, ahead of two-person households (13.8 million).



Most live in the big cities

According to the statistics office, almost half of those living alone live in large cities with populations of 100,000 or more, and almost every third single person (32%) lives in small communities with fewer than 20,000 inhabitants. In the medium-sized communities, the figure is 26%. Especially young men and older women live alone. While more than one in three (38%) of the nearly 8.5 million men living alone were between 20 and 39 years old, the 60 to 79-year-olds made up the largest group of women living alone, at around 34%. From the age of 80 onwards, the number of women living alone is almost four times higher than that of men, partly because of the higher life expectancy. In 2019, a total of around nine million women were living alone.