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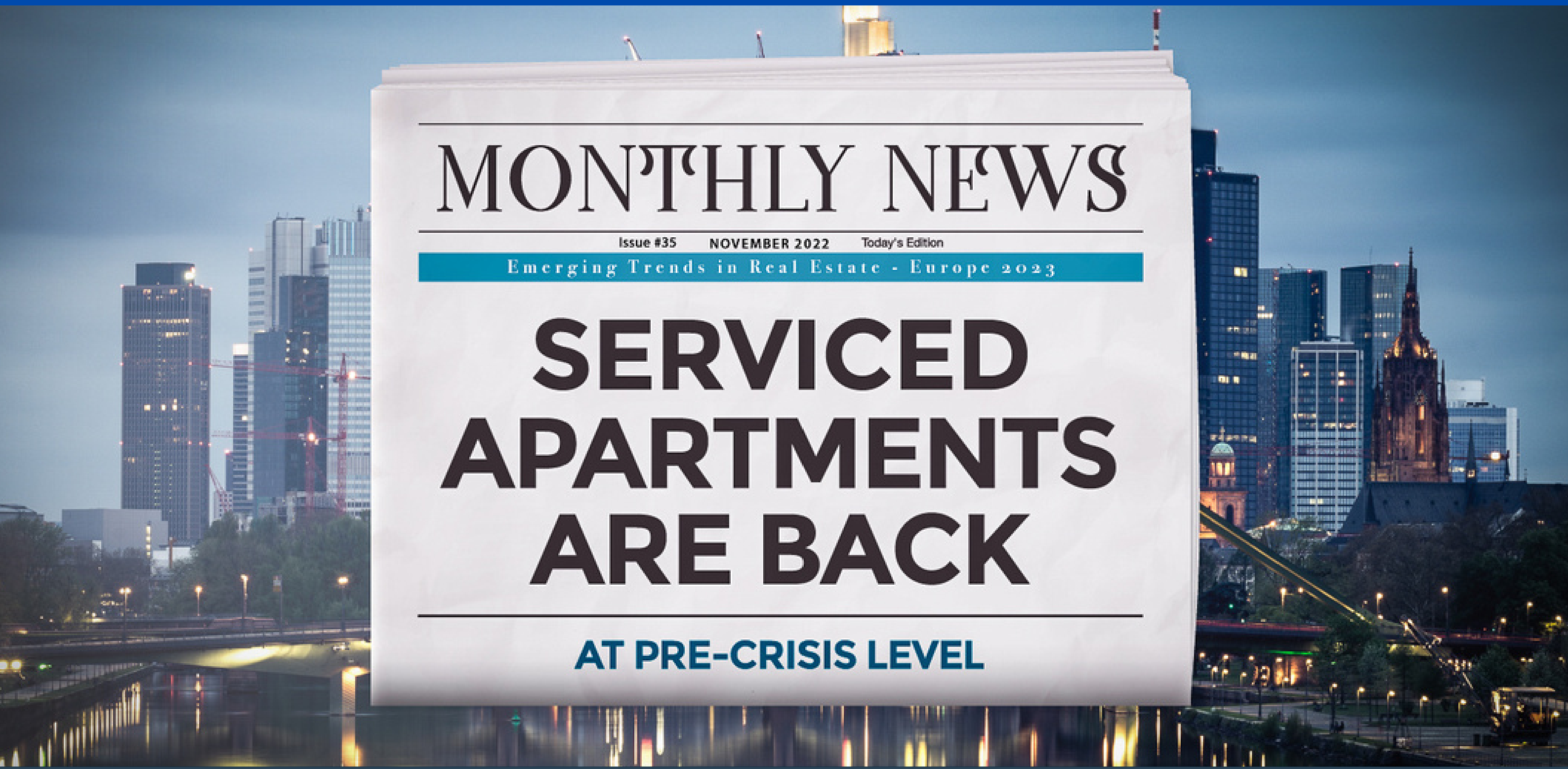

The recovery from the corona shock seems to have succeeded faster than hoped in the serviced apartment segment. This is indicated by the latest results of a survey conducted by consultant Apartmentservice.

Serviced apartments have not only come through the darkest days of corona better than feared, they also seem to have recovered from the general slump caused by the pandemic faster than hoped. At least, that's what the results of a survey conducted by the consulting firm Apartmentservice for its annual market report suggest. The segment counts more than 43,000 units in Germany. Around 75% of the operators surveyed rated the economic development of their property as good or very good. Almost eight out of ten respondents currently expected to achieve the sales target for 2022.

The reason for this is likely to be the apparent increase in occupancy rates, particularly since April. Whereas at the beginning of the year the hotels were only operating at around 50% capacity, this figure remained stable at around 80% over the summer months. In the first eight months of the current year, serviced apartment operations in Germany achieved an average occupancy rate of 73%. In 2021, the occupancy rate had still been just 61%.

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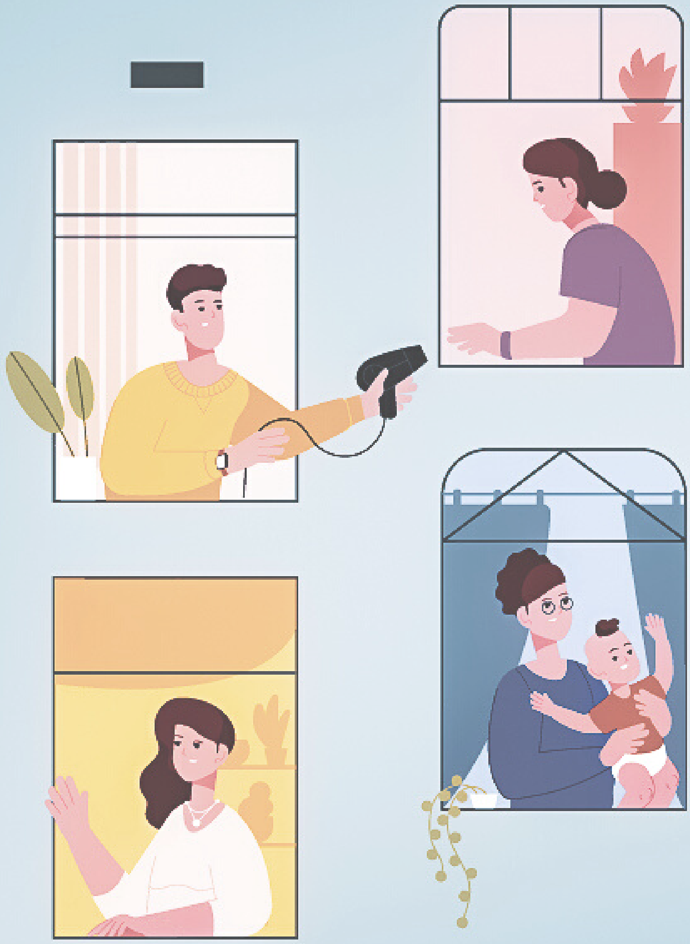
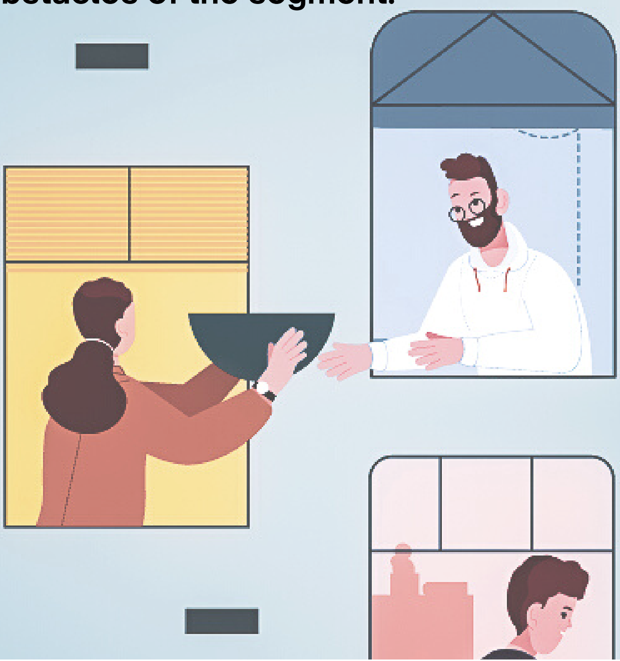
Another positive aspect is that the higher occupancy rate cannot be explained by lower rates. On the contrary: in the first six months of the current year, the average daily rate has increased by a third. This applies both to the long-stay segment and to the short-stay segment, which is increasingly benefiting from vacationers. However, business travelers remain the core clientele of the serviced apartment segment.

Study:

Housing affordability offers opportunities for coliving



Urban Land Institute (ULI) and JLL have jointly prepared a coliving report for which market players have assessed both the opportunities and the obstacles of the segment.



Several acute, but also long-term, trends are having a positive impact on the development of the European coliving segment in the real estate market.

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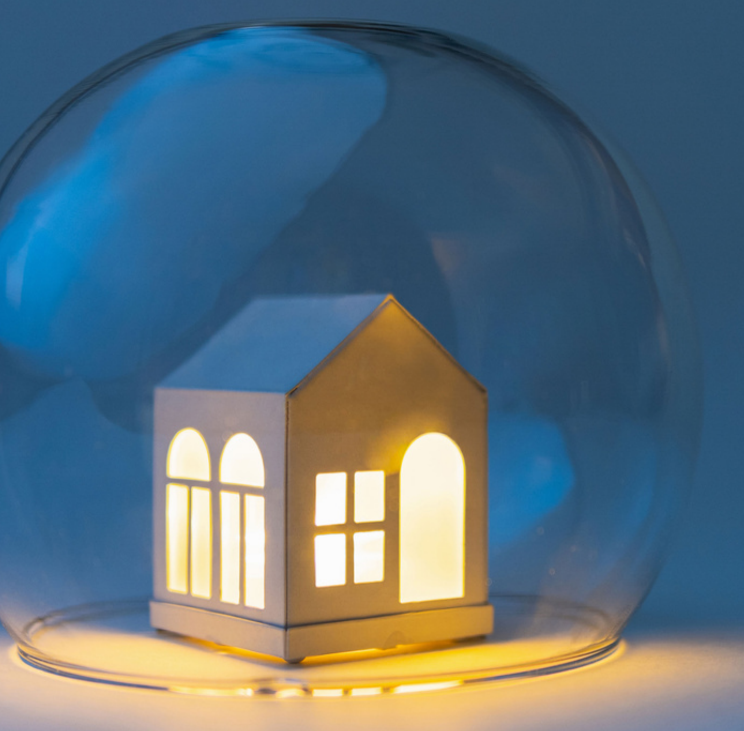
This is the result of a study conducted by ULI together with JLL. According to both companies, 175 market participants were surveyed for the report, 49% of whom identified housing affordability as a clear growth driver for the segment. In addition, the respondents apparently see a sustainable growth opportunity in the willingness of younger people to move when starting a job and in the opening up of the segment to older target groups as well (49%). The ever-growing number of single-person households in the past is also recognized as a growth driver (40%), as is the desire for flexibility (34%) and ongoing urbanization (34%).

However, there are also factors that limit growth prospects in the eyes of market participants. Lack of inventory was cited as a limiting factor by 38%. Negative planning interventions (36%) and still limited market awareness (27%) also played a role. 24% of respondents also say a lack of operators is a hurdle, and 22% cited land availability.



Apartment deals now only have small volume

There are still a few deals in the residential market, but they are all small-volume. Pricing is difficult and completion figures are rather low, says JLL's Residential Market Monitor for the third quarter of 2022.

According to the latest figures from JLL, the transaction volume on the German residential investment market was around €10 billion at the end of the third quarter of 2022, which represents a decline of around 50% compared with the same period in 2021. . In the third quarter of 2022 alone, €3.1 billion was traded, compared with €11.3 billion in the same period in 2021 (-73%).

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The number of units traded decreased from 58,800 to around 15,000 (-74%). In contrast, the volume of deals increased from 84 to 110 (+31%). So there are some small-volume deals, but the big ones were completely absent. Completion numbers are expected to remain low. JLL forecasts only a total of 285,000 completed apartments in 2022.

There are no clear statements on price levels. There are certainly price corrections in isolated cases. But the development of the overall market is obscured to a large extent by the low level of market activity. This increases the lack of transparency and thus also the uncertainty with which market participants currently have to operate.

Empirica:

Purchase price factors fall for the first time since 2011

The risk of a bubble on the German residential real estate market is on the decline, according to figures from the Empirica institute for the 3rd quarter. One important indicator:

Purchase price factors fell overall for the first time since 2011.

Looking at the seven top German cities separately, there has been a decline in the multiplier, which indicates the ratio of purchase price to achievable annual rent, for the first time since 2013, according to Empirica. The ratio of prices to incomes also fell slightly for the first time since 2008. The so-called setback potential, i.e. the relative gap between purchase prices for condominiums and rents, is also demonstrably falling. In the top 7, it stands at 43%, compared with 49% at the beginning of the year. Rents have recently risen more strongly than prices, as construction activity has declined slightly but demand has risen.

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Bubble risk remains

Nevertheless, according to Empirica, all major German cities still show a rather high bubble risk. While it has fallen in Hamburg and Dresden compared with the previous quarter due to lower new construction activity, it has risen slightly in Cologne due to higher new construction.

Europace:

Residential property prices fall again

Prices for condominiums and existing one- and two-family houses fell in September - and thus for the third month in a row. This is reported by the financing platform Europace.

Accordingly, prices for condominiums fell in September compared to August by 1.01%, after -0.6% and -0.86% in the previous two months. On an annual basis, the price increase is 4.22%, but lower than before. Almost as much as for apartments, prices for existing one- and two-family houses went down in September, more precisely: by 1.03%. Compared with the same month last year, they rose by 4.62%. In contrast, prices for new houses increased: compared to the previous month by 0.47%, compared to the same month last year by 11.13%.

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"That prices would fall was foreseeable and I have already predicted this in my past statements,"

says Einar Skjerven, Managing Director of Skjerven Group.

Vonovia Places Two Green Bonds Worth € 1.5 Billion

The two bonds, which comply with the social and environmental conditions of the EU taxonomy, each have a volume of € 750 million. Vonovia had to offer an annual coupon of 4.75% for the 4.5-year bond. The eight-year bond has an interest rate of 5%. According to Vonovia, the bonds were oversubscribed almost 6 times.

The proceeds from the issue will be used to buy back two bonds that expire next year and in 2024. The interest rates of these bonds range only between 0 and 2.25%. The extent to which financing conditions have changed is also shown by the fact that Vonovia was still able to raise €2.5 billion in March for just under 1.9% interest with maturities of 3.85 to 10 years.

The prices for the lower-interest bonds have fallen significantly in recent months. If there is still money left over from the bond issue after the buyback, Vonovia intends to reduce further debt. Vonovia also intends to use proceeds from the sale of properties from its portfolio to buy back further bonds.

THANK YOU!