SKJERVEN GROUP - *Monthly Newsletter*

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Study Shows:

INVESTMENTS IN BERLIN ATTRACTIVE AGAIN

Prices for residential property in Germany have fallen in many places: in 2023, buyers in 384 out of 400 districts and independent cities had to spend less on an average condominium than in the previous year after adjusting for inflation. In 95 per cent of regions, the average purchase price has also fallen compared to the local annual net cold rent for a flat of the same size, according to an analysis by the Hamburg Institute of International Economics (HWWI) for Postbank.

Looking ahead, the experts expect real, i.e. inflation-adjusted, price increases until 2035, particularly in the seven largest metropolises and their surrounding areas, in many other large cities and in rural districts in the south and northwest. By contrast, the experts expect prices to fall in rural areas of eastern Germany beyond the coasts and major cities.

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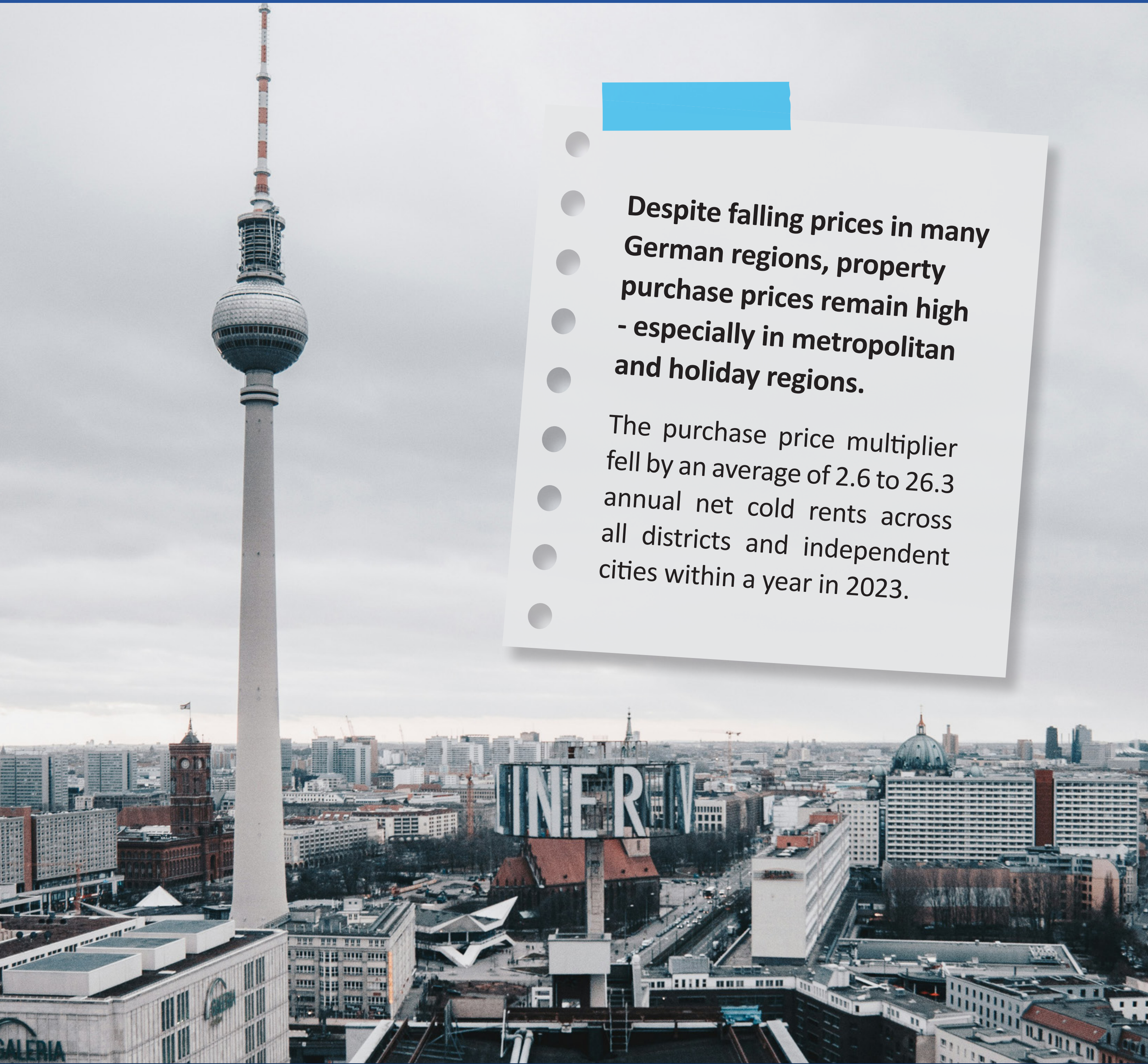

Despite falling prices in many German regions, property purchase prices remain high - especially in metropolitan and holiday regions.

The purchase price multiplier fell by an average of 2.6 to 26.3 annual net cold rents across all districts and independent cities within a year in 2023.

Many major cities were also affected by a high discrepancy between rent and purchase price in 2023. Hamburg had the highest multiplier among the “Big 7” metropolises at 38.9 - a decrease of 4.5 compared to 2022. Buyers in Munich, Berlin, Frankfurt am Main and Düsseldorf also had to pay more than 30 annual net cold rents for a comparable condominium. However, unlike in previous years, the multiplier fell in all regions: among the Big 7, it fell the most in Berlin, by 6.9. In Munich, it fell by 5.3 annual net cold rents, in Düsseldorf by 4.7, in Frankfurt by 3.6 and in Cologne by 3.0.

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34 REGIONS WITH GOOD INVESTMENT OPPORTUNITIES

From all 400 German regions, the HWWI has filtered out the 34 areas that are currently the most attractive for prospective buyers. The 4 major cities, 4 medium-sized cities and 26 rural districts in 11 federal states had comparatively moderate multipliers of less than 25 in 2023 and at the same time promise real price increases for owner-occupied flats until 2035.

ATTRACTIVE PURCHASE PRICES AND GROWTH POTENTIAL

Berlin is among the regions offering attractive purchase prices relative to rent and has a positive price development forecast until 2035. This makes Berlin a prime location for investment, combining affordability with promising growth prospects.

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Einar Skjerven, Managing Director of Skjerven Group, sees Berlin as a strategic location for attractive risk rewarded return:

“Berlin’s robust economic and demographic trends, including ongoing population growth and increasing household incomes, are key drivers behind the city’s rising property values. The forecast indicates that Berlin will continue to be an attractive hub for both residents and investors.”

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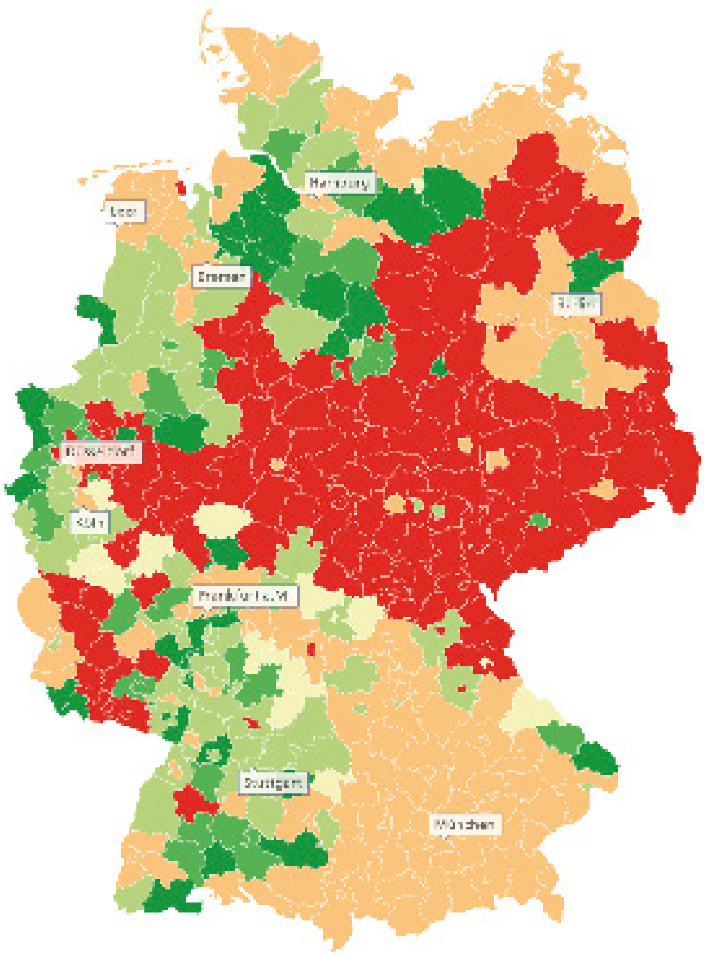
The Postbank Housing Atlas 2024:

34 Regions offer moderate purchase prices compared to rent as well as forecast price increases

The Postbank Housing Atlas shows where the conditions for real estate investments are still attractive

Legend
Investment opportunities 2023

- Price development >= 0, Duplicator < 25
- Price development > = -0,5%, < 0, Duplicator < 25
- Price development >= 0 %, Duplicator >= 25 and < 27,5
- Price development >= -0,5%, Duplicator >= 25 to < 27,5
- Price development >= -0,5%, Duplicator >= 27,5
- Price development < -0,5%



Source: Postbank- a branch of Deutsche Bank AG

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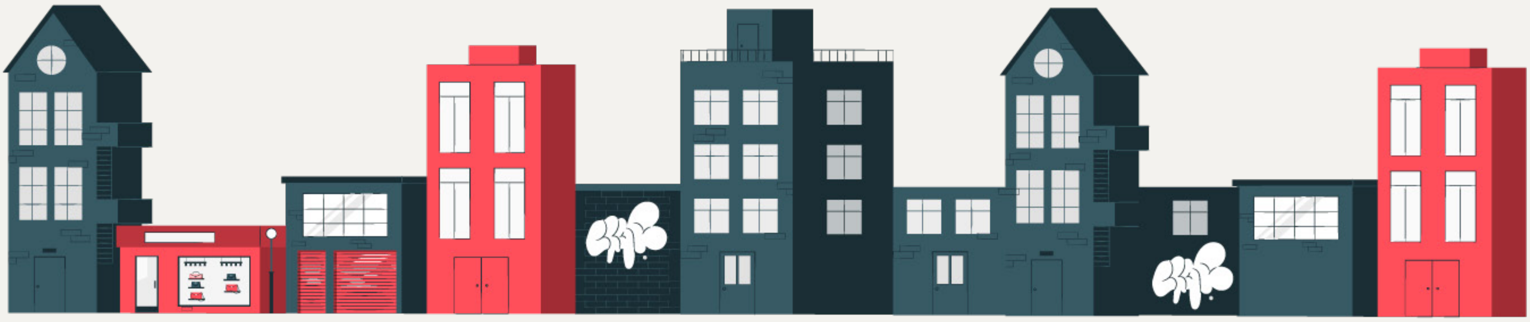

MULTI-FAMILY HOUSES: THE PERFECT TIME TO INVEST

It has not been this favorable to invest in multi-family houses in Berlin for the last two years. Those who will seize the opportunities now can benefit from the future price upswing.

A survey of 2,000 private and commercial investors conducted by Schick Immobilien also shows that the current market situation is ideal for investments. 58% expect residential property prices to remain stable or even increase and want to buy now.

The semi-annual survey conducted by Schick Immobilien on sentiment among residential investors shows a more optimistic picture than in November 2023, with most respondents rating investment opportunities as “medium” (around 41%) and around a quarter rating them as “good” or “poor”. Market sentiment has thus brightened considerably compared to the November 2023 survey, in which the majority of respondents still rated investment opportunities as negative. The majority of participants voted in favour of “rather poor” or “poor”.

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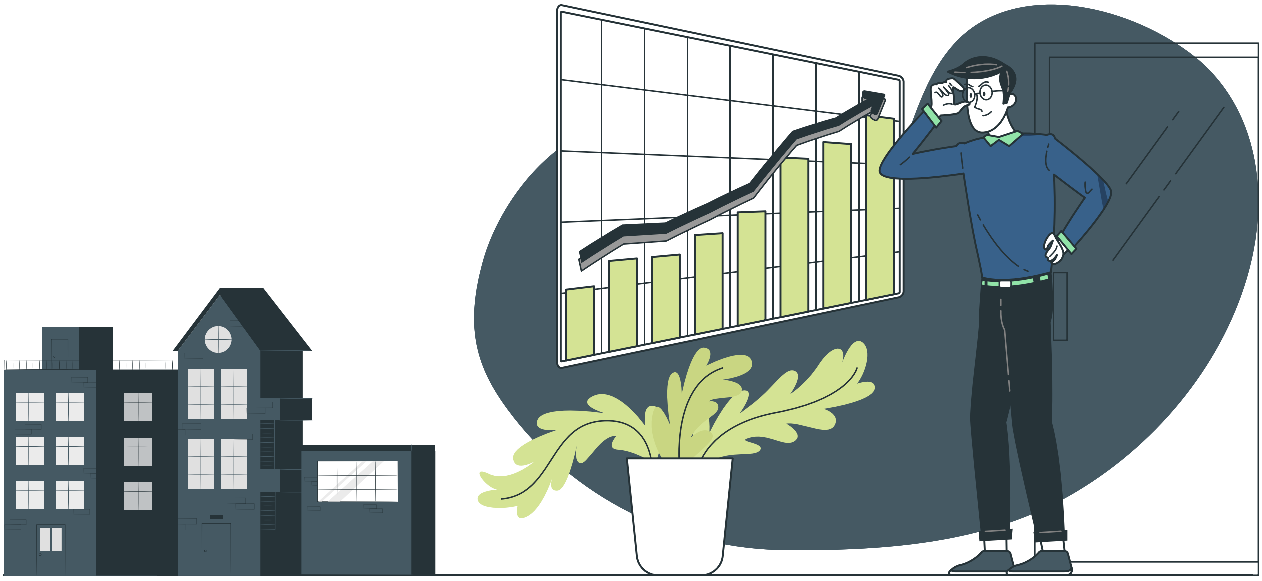

OPTIMAL TIME TO ENTER THE MARKET

The historical price trends of multi-family houses and apartments in Berlin offer valuable insights for making investment decisions. The recent price decline from the 2022 peak to Q1 2024 presents a buying opportunity. Investing during this market correction can yield significant gains as prices stabilize and recover.

The long-term upward trend indicates strong growth potential for both property types. Investing now, with a focus on holding properties for several years, is likely to result in substantial returns.

Multi-family houses typically have lower square meter prices than individual apartments, which will most likely result in higher returns for larger investments. Apartments, with slightly higher prices, offer steady growth and are suitable for diversified investment portfolios or private smaller investors. Investors should be aware of market volatility and plan for short-term fluctuations. A balanced approach with investments in both property types can mitigate risks.

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“Investing in Berlin multi-family houses during the current market correction offers a good investment opportunity. A valid assumption is to leverage the historical growth trends and capitalize on the current downturn to secure attractive return”

Einar Skjerven, Managing Director of Skjerven Group.

SURVEY:
Institutional Investors Prefer To Invest In Residential Property Rather Than Offices

The Lagrange Advisory fund barometer shows a historically low willingness among institutional investors to put new money into office strategies. The approval rate for this asset class was only 6% in May - a historic low. In contrast, 13% would like to invest their capital in residential property.

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The ice age for office investments is not over yet. At the Investment Expo in Berlin, fund consultant Lagrange presented the results of the survey, which is carried out every six months among a fixed group of 30 major German institutional investors and surveys interest in various asset classes, among other things. According to the survey, 13% would like to invest capital in residential property and 12% in logistics. Office investments (6%) rank behind the niche topics of microliving (8%) and data centres (7%) in terms of popularity. Retail and business parks are more in demand (11% each).

Another figure from the Lagrange Barometer also gives pause for thought: when asked whether and from which shares in special funds they would like to divest, 38% of respondents said “office”. On the buyer side, however, only 12% were interested in buying office funds via the secondary market.

“The results of the Lagrange Barometer are not surprising. In times of crisis, investors prefer the safe haven of residential property,”

comments Einar Skjerven, Managing Director of the Skjerven Group.

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SURVEY:
European Residential Investors Expect Higher Returns

Professional European property investors want to buy residential property and hotels worth 64 billion euros over the next three years. The apartment blocks and student accommodation segments are at the top of their lists, according to a Savills survey. According to the survey, expectations of yields have risen.

Savills enquired about European investors' plans for residential and hotel investments between the beginning of February and the beginning of March. 63 property investors with assets under management of more than 700 million euros took part in the survey. The majority of them, namely 63%, are based in the UK, while the other companies are based on the continent.

According to the survey, 84% of respondents plan to invest in apartment blocks in the next three years. 63% would like to buy student flats, while 49% of investors - primarily UK-based - have single-family homes in their sights. Of the 64 billion euros to be invested in total, 16.5 billion euros are earmarked for apartment blocks. Those surveyed would like to buy student flats for a further 12.2 billion euros and detached houses for around 8 billion euros.

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Return expectations have increased compared to those of the investors surveyed in the previous year: For the next three to five years, around a quarter expect a total return of 8% to 10% p.a. from investments in residential and/ or hotels, and just under 40% expect a total return of more than 10%. Core strategies are primarily pursued by investors based on the continent (32% of respondents). Last year, around 15% of respondents expected a total return of between 8% and 10% p.a. or more than 10%. Companies in the UK are more willing to take risks. In this year's survey, 16% stated that they were pursuing a core strategy, compared with 32% of investors in continental Europe.