SKJERVEN GROUP - *Monthly Newsletter*

Berlin - October 31, ISSUE #57/2024

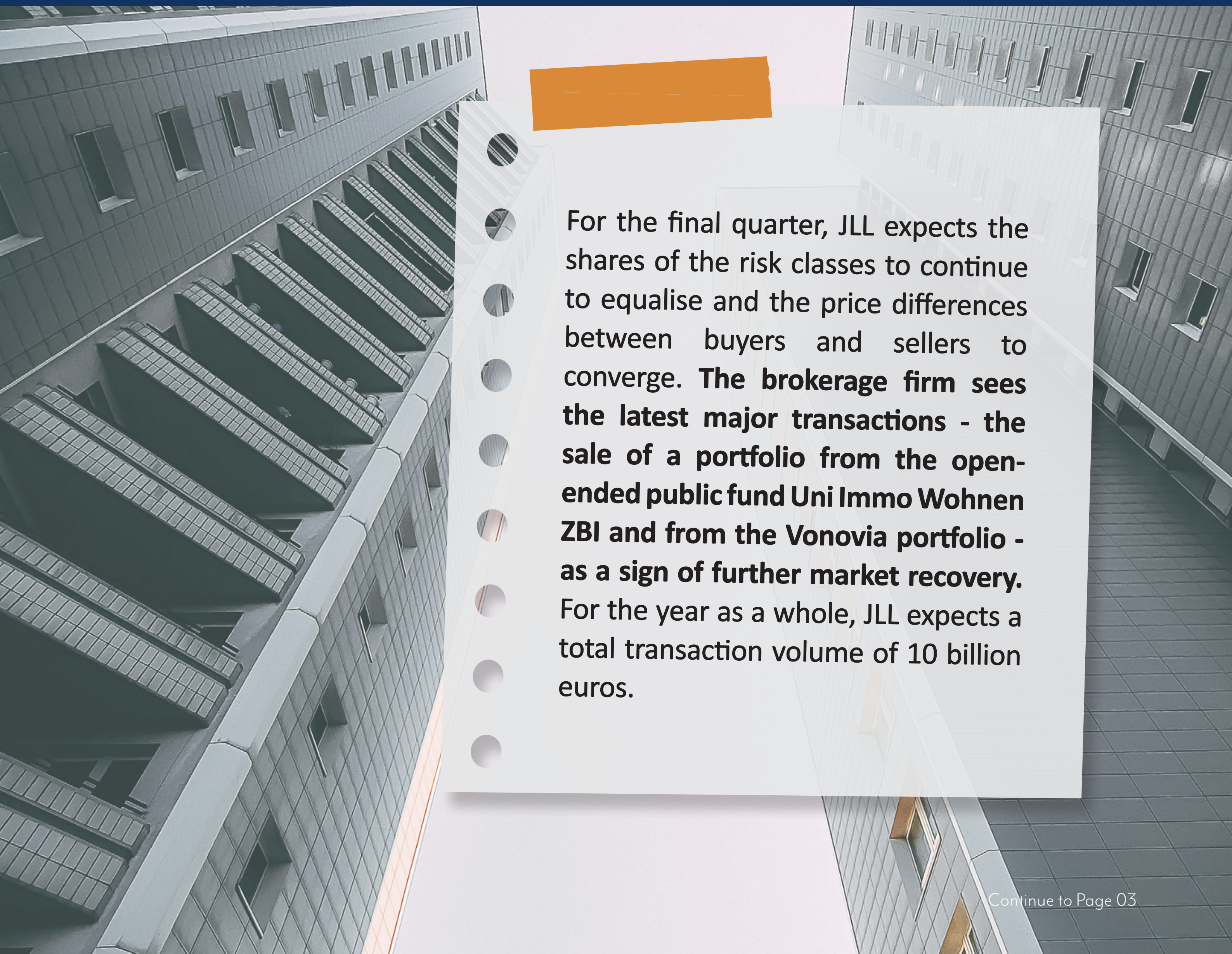
Reports of JLL, Savills, Colliers and BNP:

RESIDENTIAL INVESTMENT MARKET MORE ACTIVE AGAIN

Brokerage firms put residential property turnover in the first three quarters of this year at between 4.8 billion euros (Savills) and 7 billion euros (Colliers). BNP Paribas Real Estate, NAI Apollo and JLL put the figure at around €6bn. Most estate agents agree that the transaction volume has increased compared to the same period last year. JLL, for example, reports +5%, CBRE +16%; only Savills reports a decline of 5%. The third quarter in particular has seen a lot of movement, according to reports. **According to JLL, the volume doubled compared to the third quarter of 2023 to just under €2.8 billion.**

Continue to Page 02

According to BNP Paribas Real Estate, deals with a volume of more than €100 million each had a significant impact in the three quarters of 2024: They added up to 3.5 billion euros or 60% of the total transaction volume calculated by BNP Paribas Real Estate. The real estate agent sees this as 'evidence of the availability of capital and the increasing importance of large-volume deals'. According to BNP, forward deals also account for a notable 33% of the total transaction volume. JLL observes 'a normalisation of market activity' with regard to the risk classes. In the past two years, the core-plus segment accounted for the lion's share of transactions; in the third quarter, demand for the core and value-add segments also increased.



For the final quarter, JLL expects the shares of the risk classes to continue to equalise and the price differences between buyers and sellers to converge. **The brokerage firm sees the latest major transactions - the sale of a portfolio from the open-ended public fund Uni Immo Wohnen ZBI and from the Vonovia portfolio - as a sign of further market recovery.** For the year as a whole, JLL expects a total transaction volume of 10 billion euros.

Continue to Page 03

“The residential investment market has reached a turning point. There are increasing signs that the upturn is slowly returning. The latest interest rate cuts will further stimulate the market.”

Comments Einar Skjerven, Managing Director of the Skjerven Group, on the figures from the estate agents.

Continue to Page 04

FORTRESS WANTS TO FINANCE GERMAN PROPERTY WITH UP TO 80% LTV

Fortress Investment Group has committed around 1 billion euros to a new financing initiative aimed at the German property market, as reported by Börsen-Zeitung.

This initiative will provide whole loans ranging from 50 to 300 million euros, featuring loan-to-value (LTV) ratios of 70–80%. Designed to serve areas of the market typically viewed as too high-risk for traditional banks, the program will support projects and developers who may struggle to secure funding through conventional lending channels. FAP is acting as investment advisor.

Continue to Page 05

Investment Turnover With Retail Properties At Just Under EUR 5 Billion In The First Three Quarters

In the first three quarters, the brokerage firm CBRE recorded a turnover of €4.8 billion in German retail property. This is around 30% more than in the same period last year. This makes retail property the strongest asset class of all commercial properties in the current year. The main focus of investors is on food retail properties. However, shopping centres are also being traded again. City centre commercial properties are in demand from family offices and private individuals. BNP Paribas Real Estate cites a turnover of 4.9 billion euros, while Savills' research puts the figure at 4.3 billion euros.

Continue to Page 06

HEALTHCARE REAL ESTATE:

INVESTOR CONFIDENCE SLOWLY RETURNING

In the first three quarters of the current year, healthcare properties worth €596 million were traded in Germany.

This was 48% less than in the same period of the previous year. With a transaction volume of just 130 million euros, the third quarter was significantly weaker than the two previous quarters and was also the weakest quarter in terms of turnover in the last five years. An average of 13 transactions per quarter have taken place since the beginning of the year, which is even fewer than in the previous year, which was already characterised by low transaction volumes. Despite the below-average transaction figures to date, there has been more movement again in recent months, which is why the market can be expected to pick up in the final quarter. The fact that yields have been stable since the beginning of the year and care home operators are reporting success in negotiating higher investment cost rates is having a positive effect on current and pending transactions. However, the difficult situation of many healthcare providers remains a stumbling block, which continues to make risk-averse buyers in particular hesitant and has shifted demand towards medical centres and assisted living facilities, which are considered lower-risk.

Continue to Page 07

The prime yield for nursing homes remained stable for the third time in a row and stood at 5.2% at the end of the 3rd quarter. The prime yield for assisted living facilities did not move either and remained at 4.5%.

While many buyers are currently focussing on assisted living and medical centres, transaction volumes for both property types are being dampened by a lack of core and core-plus properties. Accordingly, care homes were once again the most liquid segment on the investment market with a volume share of 60%. As there are still some larger care home portfolios on the market, the volume share of care homes is likely to increase further by the end of the year. The transaction volume is expected to rise to just over one billion euros by the end of the year.

FAR TOO LITTLE TRAFFIC ON THE OFFICE INVESTMENT MARKET

The commercial investment market is slowly getting into gear, but offices are still difficult to sell despite all the lip service - at least at the prices being asked. Significant discounts, such as for the Hamburg headquarters of the bank HCOB, are acting as a catalyst: Signa paid around €220 million at the end of 2020 - now the purchase price has almost halved.

Continue to Page 08

Brokers Disagree:

The commercial investment market is picking up again, there is more liquidity on the move again - even without many institutional investors and open-ended mutual funds. Brokers at BNP Paribas Real Estate, for example, see the upturn on the commercial investment markets in the seven A cities continuing. A good EUR 17.9 billion by the end of September represents an increase of 15%.

Colliers, on the other hand, headlines its interim report with the words: **'Waiting for the upturn on the investment market continues'.** Colliers recorded an investment turnover of 17.1 billion euros - roughly the same level as the previous year.

Although the market is brightening somewhat thanks to interest rate cuts, the gloomy overall economic climate is dampening the propensity to buy. Forced sales under price pressure are likely to remain a not insignificant source of turnover for the investment market.

Continue to Page 09

Brokerage houses are also unable to find a common denominator for office investment markets: Cushman & Wakefield sees around €2.4bn invested in German offices in the top 7 cities in the first nine months - 23% more than a year earlier. CBRE puts the volume of office transactions across Germany at €4.2bn - only a small increase of 2%. JLL has yet to see a noticeable upturn in the office sector and announces: 'Quarterly volumes have remained constant at around €1.2 billion since the first quarter of 2023.'

By the end of the third quarter, BNP Paribas Real Estate had only recorded office property deals with a total volume of €3.6 billion in Germany. This represents a further decline of around 20% compared to the already very subdued result of the previous year. The ten-year average was even missed by around 75%. The bottom line is the lowest result since 2009.

CONCLUSION:

Unlike the other major asset classes of retail, logistics and hotels, the office segment has not yet seen any recovery.