

STUTT GART – MUNICH – SOUTHERN GERMANY
Investment Market Report 2020/2021

E&G REAL ESTATE



SPECIAL:
FREIBURG



DESIGN OFFICES



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No shutdown

On the property investment market in Stuttgart

In the wake of a global public health crisis, investors were showing more reluctance to invest in commercial property than in previous years. Despite the overall macro-economic volatility, the property investment market in Stuttgart closed with a solid result of €1.21bn.



Investment Market Stuttgart Shrinks to €1.21bn

The year 2020 had started with promising investments of around €470m, when the Covid19 pandemic struck and investment turnover was diminished to ca. €180m during lockdown in the second quarter. With easements on corona restrictions, the market recovered in the third quarter accounting for transactions of €365m. As public health risks were rising again in the fourth quarter, the investment volume dwindled to €195m.

Like other property investment markets, also the Stuttgart Region was heavily affected by the on-going Covid19 pandemic with all its social uncertainties and macro-economic risks. At the same time, the structural change of the region's industrial sector was gaining momentum with a significant impact on the market environment for commercial property investments. While automotive users are withdrawing from B- and C-locations, market risks are increasing in the entire region. However, also in times of a crisis, the Stuttgart investment market has shown great stability with high and rising prices for inner-city core property.

In the pandemic year 2020, investor focus lay on office property, which accounted for 61% of the overall investment volume. Two major transactions stand out in this asset class: the disposal of the office building "W9" in Stuttgart-Weilimdorf and the inner-city acquisition of "Look 21" near the Stuttgart main station. Plots and project development ranked second with a share of 17% in the total transaction volume.

Insurances were the dominant buyer group on the Stuttgart market with a total investments of around

€430 m and a market share of ca. 36%. Also Project Developers (22%), and Open-ended Property Funds/ German Special Funds (14%) were strongly represented on the Stuttgart investment market. While other vendor groups were rather holding back on disposals, Project Developers gained a market share of 37%, followed by Corporates (21%) and private sellers. All further vendor groups only played a marginal role with a share of less than 10% each.

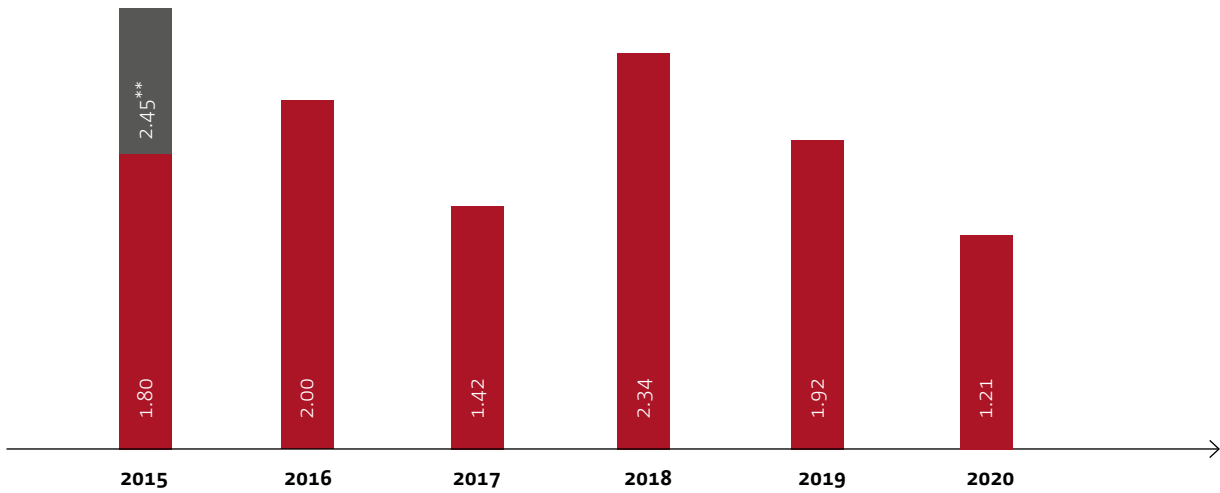
Compared with the previous year, the share of international investors dropped dramatically to 24% on the buyer side and 13% on the vendor side. All in all, both sides contributed just on a small scale to the transaction volume on the Stuttgart investment market.

For fully let Office products, net initial yields were compressed again in 2020, achieving multipliers of up to 32 in relation to the respective annual net rents. This result signifies a net initial yield of ca. 2.9%. In absence of transactions the net initial yield for commercial property in A-locations remains at 3.0%.

TOP 3 TRANSACTIONS

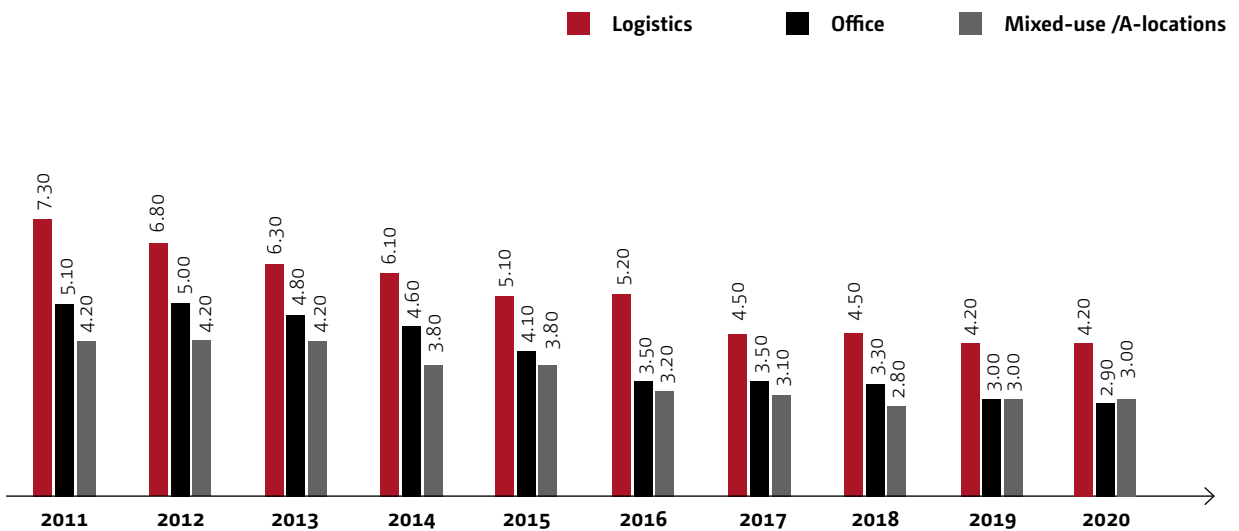
Objekt	Sub-market	Vendor	Buyer	Volume
Bürogebäude W9	Stuttgart-Weilimdorf	Wöhr + Bauer	HanseMerkur GV AG	ca. €140m
Look 21	Stuttgart CBD	USWM-Immobilien	DIC Asset AG	> €110m
NEO	Stuttgart-Vaihingen	W2 / Competo	R + V Versicherung	ca. €105m

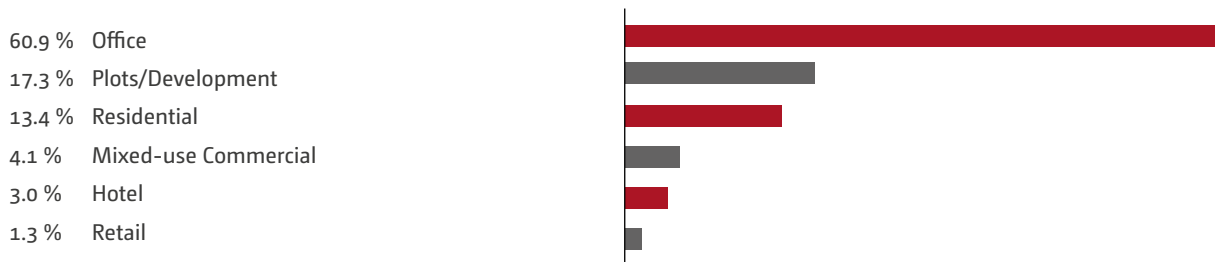
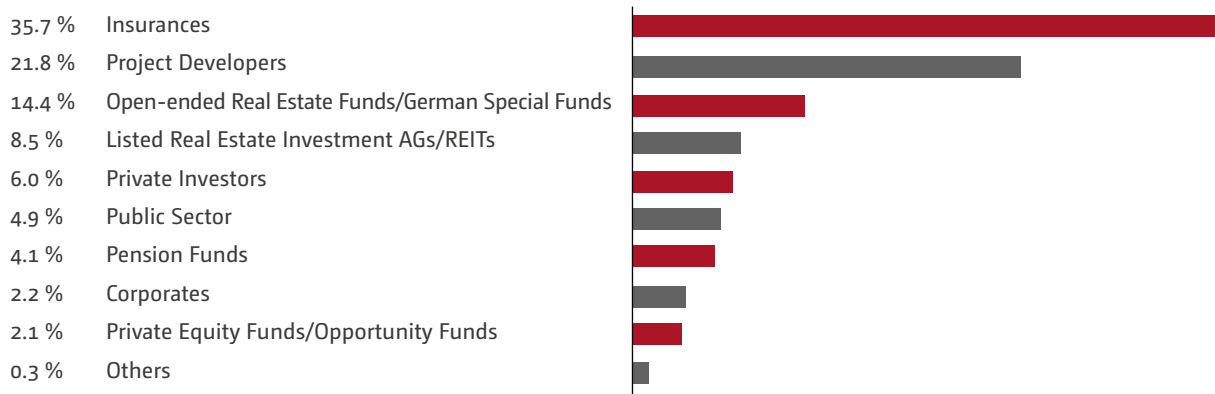
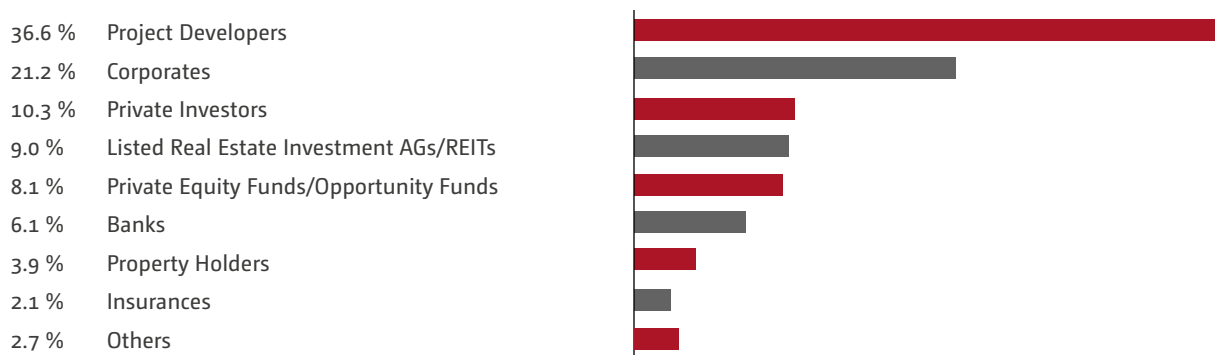
TRANSACTION VOLUME STUTT GART (IN BN €)



* including Leinfelden-Echterdingen
 ** including residential portfolios

PRIME NET INITIAL YIELDS (IN %)



TYPES OF USE**BUYER GROUPS****VENDOR GROUPS**

Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Investment map Stuttgart 2020



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Outlook 2021

In 2020, investors were reluctant to invest in commercial property outside the inner city of Stuttgart or in office products at B-locations. In addition, more time was required for transaction and financing processes. Despite these market risks, the year closed with a surprisingly solid overall result and a significant deal pipeline for 2021. In times

of crisis, the property investment market in Stuttgart is holding steady with stable yields for Core products. As this trend is due to continue in the coming year, E & G Real Estate expect a transaction volume for 2021 to the amount of €1.5bn.





Turn-around in Q4.2020 Battling the Covid19 crisis

After a challenging year shaped by the Covid19 pandemic, the market for commercial property investments in Munich closed with a transaction volume of €4.58bn. This result signifies a dramatic drop of more than 50% compared with the record year 2019.

Investment Market Munich

50% less turnover

The result of 2020 falls €1bn short of the average transaction volume for commercial property in recent years (€5.5bn). Facing lockdown and economic volatility, the year still closed with more than a sign of life and a solid result of €4.58bn.

Especially the final quarter brought a turn-around on the property investment market in Munich with a share of 35% in the annual transaction volume. Despite this positive ending, the year saw an overall drop in property transactions by more than 30%. This result reflects the general uncertainty during the coronavirus pandemic and the lockdown in the first two quarters of 2020.

Again, office property was the most sought-after asset class with transactions of €2.95bn and a market share of ca. 65%. Also commercial plots played a significant role on the Munich market, as well as mixed-use commercial property and products from the industrial & logistics segment. However, in each of these asset classes the transaction volume did not break the €1-bn-margin in 2020. Several triple-digit million deals contributed to the overall result of €4.58bn. A new build at the office campus "Neue Balan" sold for ca. €320m, and two buildings of "WeiBes Quartier" were bought by Deka for ca. €280m. In times of a global

public health crisis, investor focus lay on Core products, which accounted for more than 50% of the transaction volume in 2020.

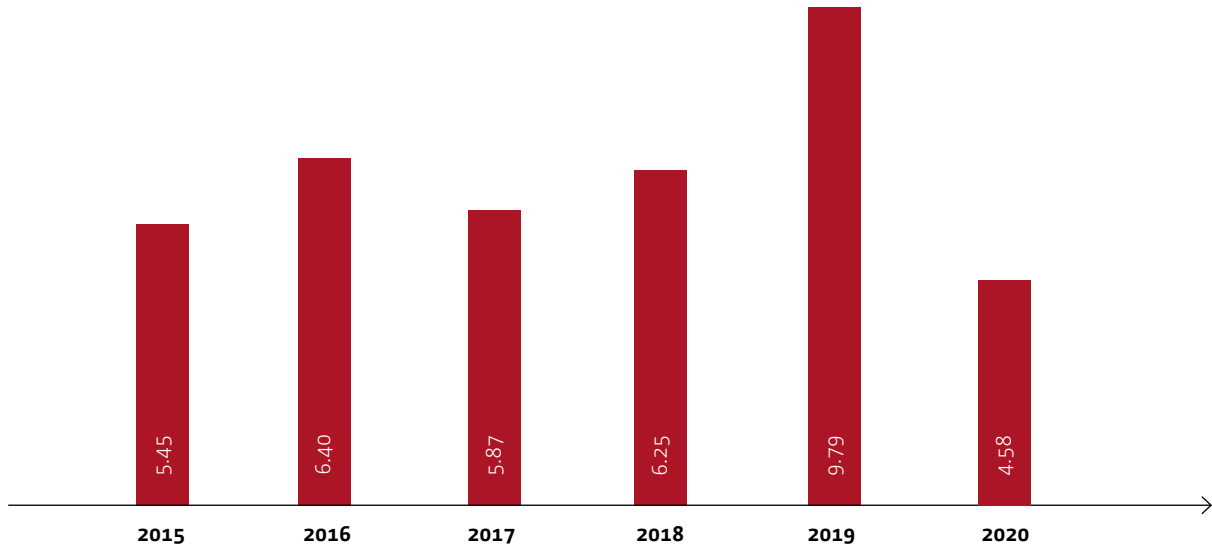
Over the course of the year, net prime yields for office products stalled at 2.6%. The liquidity in the market and consequently the demand for property investment products are set to remain high in the coming year, while the supply side is not going to meet this demand. Against this backdrop, both yields and the high price level for commercial property in Munich are bound to remain stable in 2021.

Despite lockdown and travel restrictions, international investors were able to secure 36% of the overall transaction volume in 2020. This result shows the continued confidence of international investors in Germany as a "safe investment haven" and the economic strength of the Munich Region. Regarding buyer and vendor groups, project developers were the dominant market players in both categories in 2020.

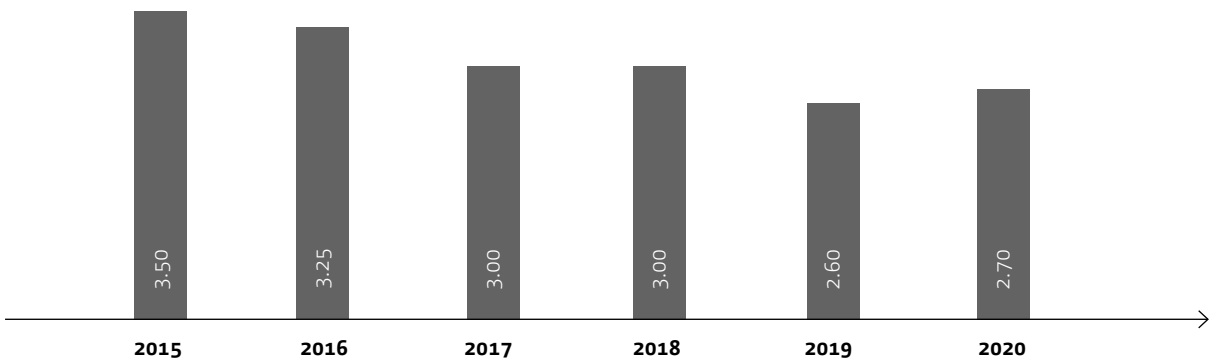
TOP 3 TRANSACTIONS

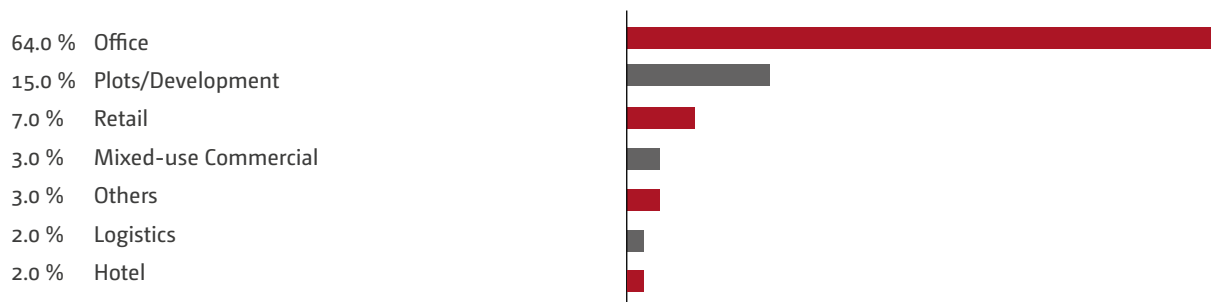
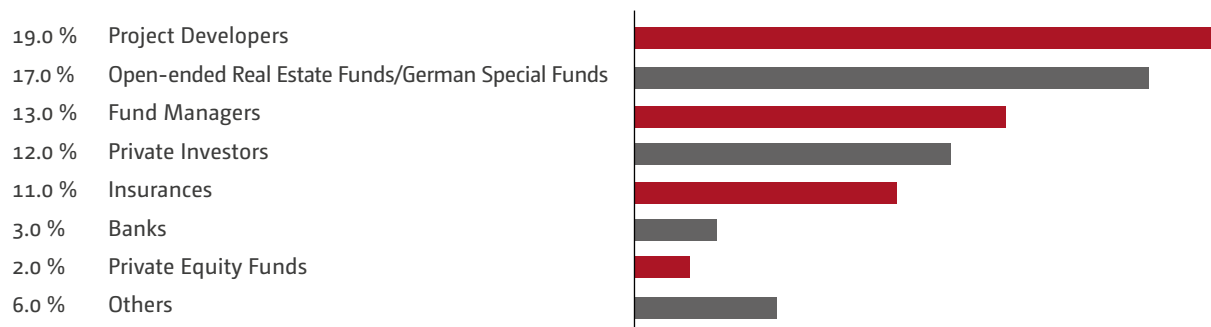
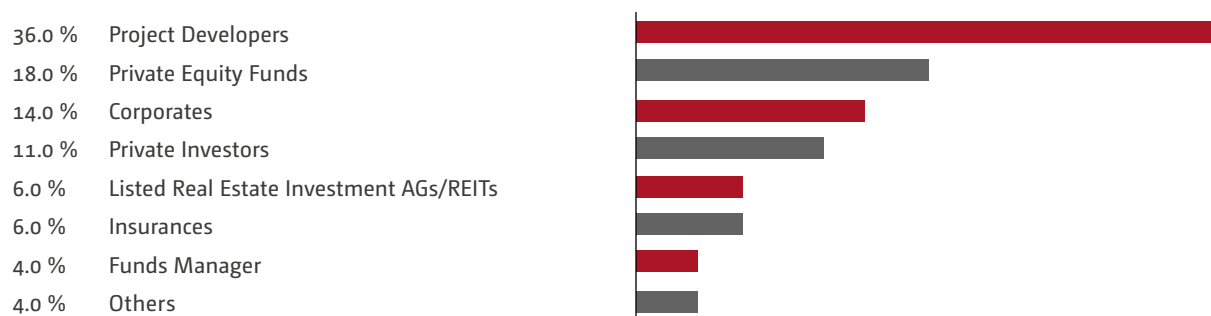
Property	Vendor	Buyer	Volume
Neue Balan 27/St.-Martin-Str. /Ecke Balanstr.	Allgemeine Südboden	Union Investment	ca. €320 m
„WeiBes Quartier“ Bauteil 1 + 2/St.-Martin-Str.	InfraRed	Deka	ca. €280 m
„Perlach Plaza“ Hanns-Seidl-Platz	Concrete Capital & BHB Bauträger	KGAL	ca. €250 m

TRANSACTION VOLUME MUNICH (IN BN €)



OFFICE PRIME NET INITIAL YIELDS (IN %)

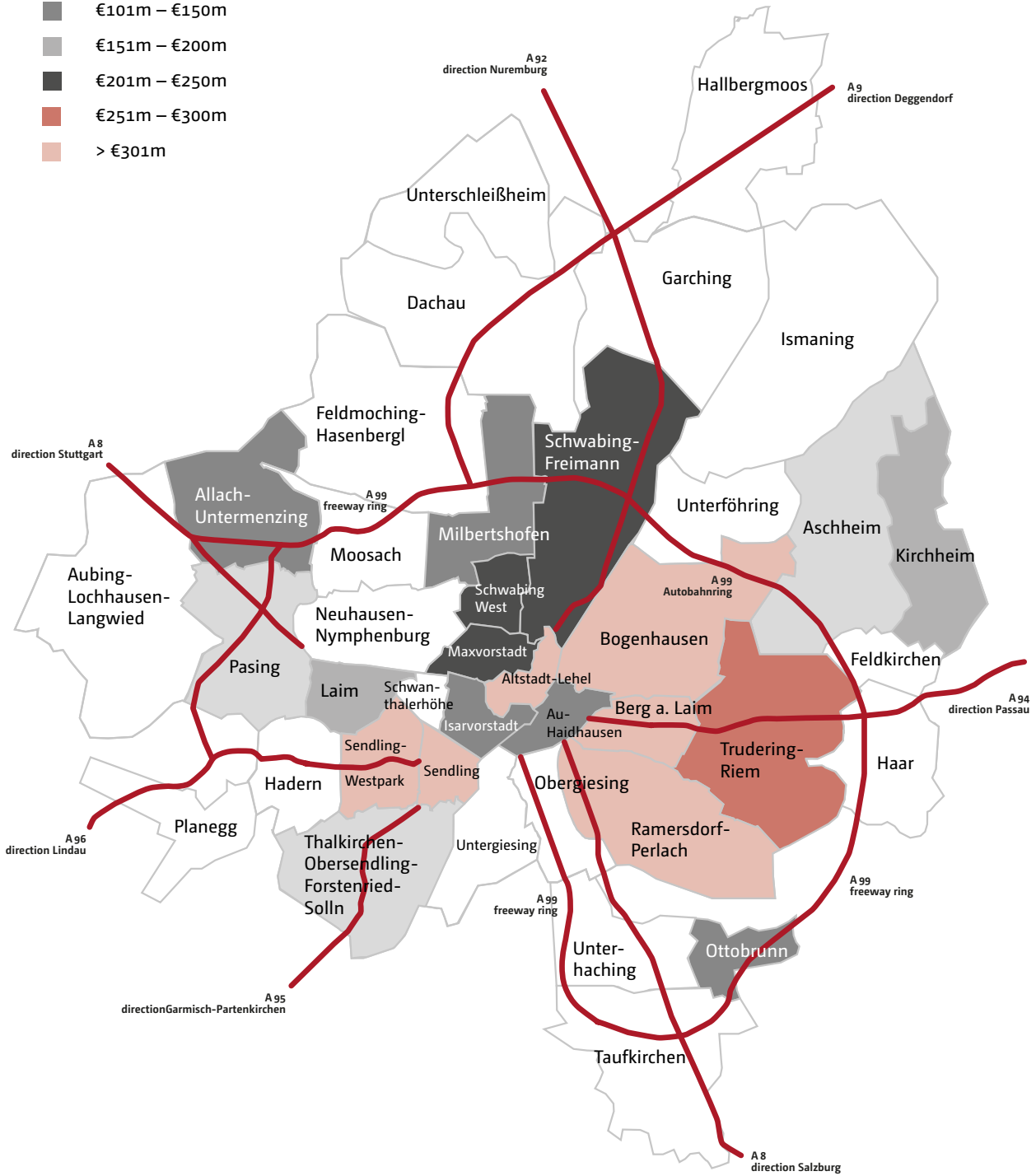


TYPES OF USE**BUYER GROUPS****VENDOR GROUPS**

Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Investment map Munich 2020

- < €50m
- €51m – €100m
- €101m – €150m
- €151m – €200m
- €201m – €250m
- €251m – €300m
- €301m – €350m
- > €301m



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Outlook 2021

The year 2020 has seen a significant shortfall in transaction volume, especially in comparison with the record year 2019. In view of the tremendous restrictions and the prevailing economic uncertainty during the Covid19-crisis, the overall result is still satisfactory.

The prospects for a successful handling of the coronavirus pandemic over the course of 2021 are good. Further market benchmarks such as a positive investment climate, persistently low interest rates and a high

pressure to invest are all calling for a recovery of the property investment market in the coming year. At the same time, the supply of property investment products will remain low in the entire Munich Region. Yet, some forward deals are already in the pipeline and will contribute to an above average transaction volume. Against this backdrop of increasing market dynamics, E & G Real Estate expect a transaction volume between €5.5bn and €6 bn in the year 2021.





Spotlight Freiburg

An ideal location for project developments

STRABAG Real Estate GmbH is one of the leading project developers, not only in Germany but also in Europe. As a vital part of STRABAG SE the development specialist profits from the advanced innovation and capital power of a trans-European technology concern for construction services. Next to own project developments, STRABAG Real Estate also acts as a servicer to other developers.

Interview with Martin Lauble

Branch Manager of STRABAG Real Estate GmbH Freiburg

Mr Lauble, for many years STRABAG Real Estate has been setting quality and design standards in office and hotel developments in the Freiburg Region. How has the market been performing in recent years?

Lauble: The space take-up on the office market has been relatively stable in the past 12 years. In the past decade, rents for new build office space have gone up by 3% p.a. Due to a low vacancy rate and a shortage of suitable development plots a low level of volatility can be expected also in the future. The market for hotel development had some catching up to do, and was therefore booming until March 2020. Numerous hotel developments have emerged in the past 5 years. Due to the on-going coronavirus pandemic, it remains to be seen how the market will stabilize in the near future.

Where do you see a need for change in Freiburg, or also missed chances in the past?

Lauble: The need for change lies primarily in the transformation of areas with aging building stock in Freiburg, whose use space requirements have changed or are not given any more. For a sustainable management of the existing developed land, the city is striving for infill development, which makes sense in Freiburg. An essential aspect of this strategy will be the coordination of an increasing level of mobility. Next to current initiatives for a better cycle path network, especially the public transport infrastructure needs to be further developed.

Do you believe, that the current effect of the coronavirus pandemic will entail long-term changes in the real estate sector, especially in the office and hotel segments?

Lauble: In terms of office letting, the past few years were shaped by the desire for open plan offices. This trend has been stopped and, as I see it, is currently receding. Instead, social space at offices will be gaining importance regarding size and fit-out. This increases the

attractiveness of offices and lures staff back from a widely established home office routine. The hotel market will probably recover. Yet, there will be some victims of the pandemic. Especially owner-operated hotels are struggling. In my opinion, the trend for more hotel chains will gain further significance.

You are currently very successful with your project BUSINESSMILE (see picture on the left), an office development on the former postal services area with various construction stages. Also, the new building for Volksbank Freiburg is nearing completion. This is your first project as a Service Developer. What are STRABAG's plans for the coming years in Freiburg?

Lauble: Our project BUSINESSMILE will keep us busy until completion in ca. 3 years. But we're already planning the next office campus. It will be called ".haid'pa:k". Here we're striving to create even more attractive working environments – be surprised. We are also active as a Service Developer, currently working on a large-scale project for a local company.

Mr Lauble, thank you for this interview.

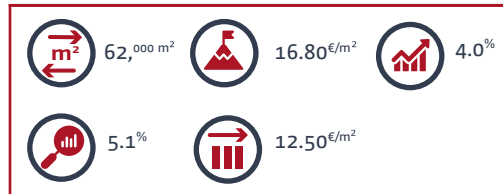


Martin Lauble, STRABAG Real Estate GmbH

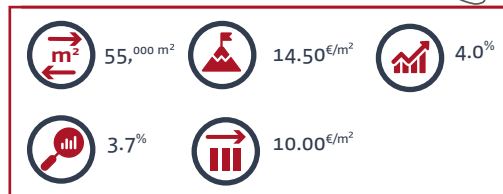
Regional markets in Southern Germany

Market Data 2020

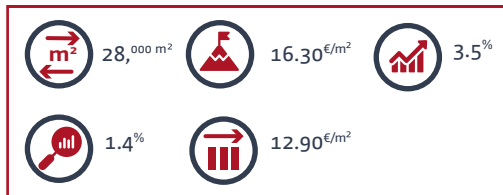
MANNHEIM



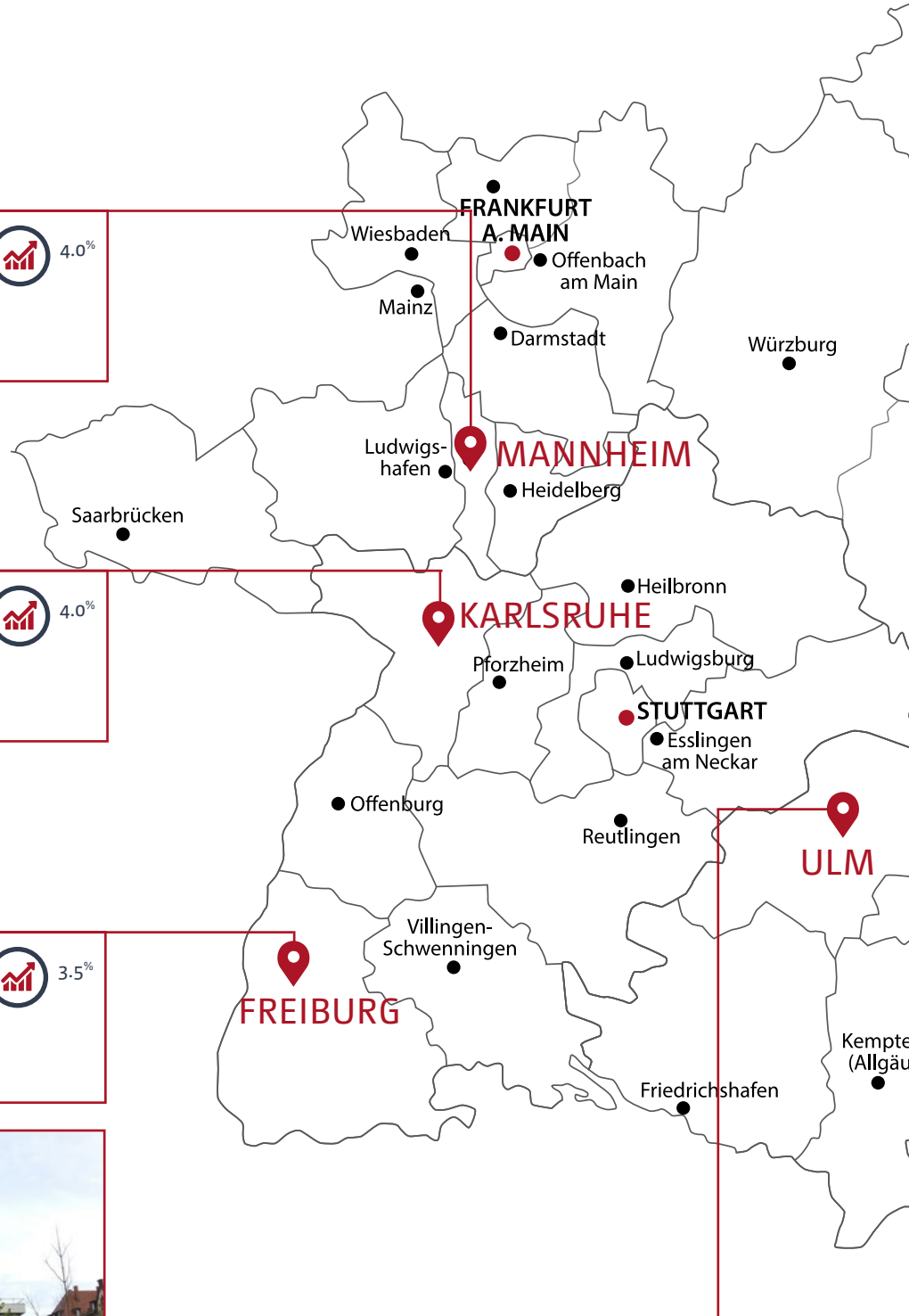
KARLSRUHE



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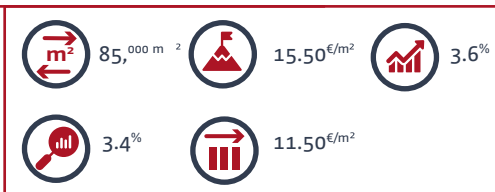
In 2020, E & G Real Estate exclusively accompanied the sale of Bismarckallee 18-20 on behalf of CLS Germany.



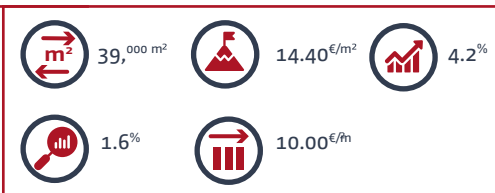
-  Space Take-up Office
-  Vacancy Office
-  Prime Rents CBD
-  Average Rent Office CBD
-  Net Initial Yield for Grade A Office



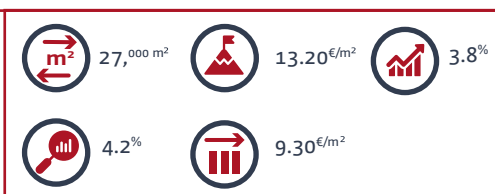
NUREMBERG



REGENSBURG



AUGSBURG



ULM



Data base: RIWIS/bulwiengesa

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Looking forward to consulting you!



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E & G Real Estate

Thinking about tomorrow – today

With more than 80 years of market experience and a broad expertise, E&G Real Estate are leading specialists for commercial property in southern Germany. Our clients appreciate the long-standing excellence in property consulting and the absolute discretion of our expert team. They know: at E&G Real Estate, their commercial property projects are in good hands.

PERSONALITY AND SERVICE

E & G Real Estate stands for best practice consulting and full-scale services in commercial property. From attractive office premises to multi-functional industrial & logistics space, our letting experts will always find the right property for your individual needs.

Also when it comes to investments in commercial and residential real estate, we are a preferred partner to institutional and semi-institutional investors. Our experienced consultants look forward to bringing your property projects to a good close.

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Constant market monitoring and analysis



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Personal support throughout the entire transaction process

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- Office Market Report – Stuttgart
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- GPP Markt Report – Germany

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German Property Partners - or GPP is a nationwide network for commercial real estate in Germany. GPP bundles the expertise of leading commercial property companies in a nationwide alliance for regional competence. National and international clients can profit from one face to the customer and from the local expertise of our partners. In short: one contact partner for all Big 7 property markets in Germany.



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- Cologne
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- Munich



Find out more about the top 7 commercial real estate markets in our GPP Market report at:
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