

STUTT GART – MUNICH – SOUTHERN GERMANY
Investment Market Report 2022/2023

E&G REAL ESTATE



**SPECIAL
AUGSBURG**

Investment Market Stuttgart in transformation

The year 2022 has been challenging for many market participants. Especially property developers were struggling with high construction costs, rising interest rates and rocketing energy prices. In effect, many investors have been holding back on their investment decisions. Recently, prices for commercial property were cooling off to allow for viable returns on investment. In this market scenario, investment opportunities keep popping up for existing assets with ESG-potentials.



“PATIENCE IS
REQUIRED.”

Björn Holzwarth, Managing Partner at E & G Real Estate GmbH.

After a market high for more than ten years, 2022 marks a turn in investment sentiment. In the given economic environment, the market remains on hold until prices and interest rates have found a new balance. As soon as interest rates will have levelled off, new momentum can be expected for the Stuttgart Investment Market.

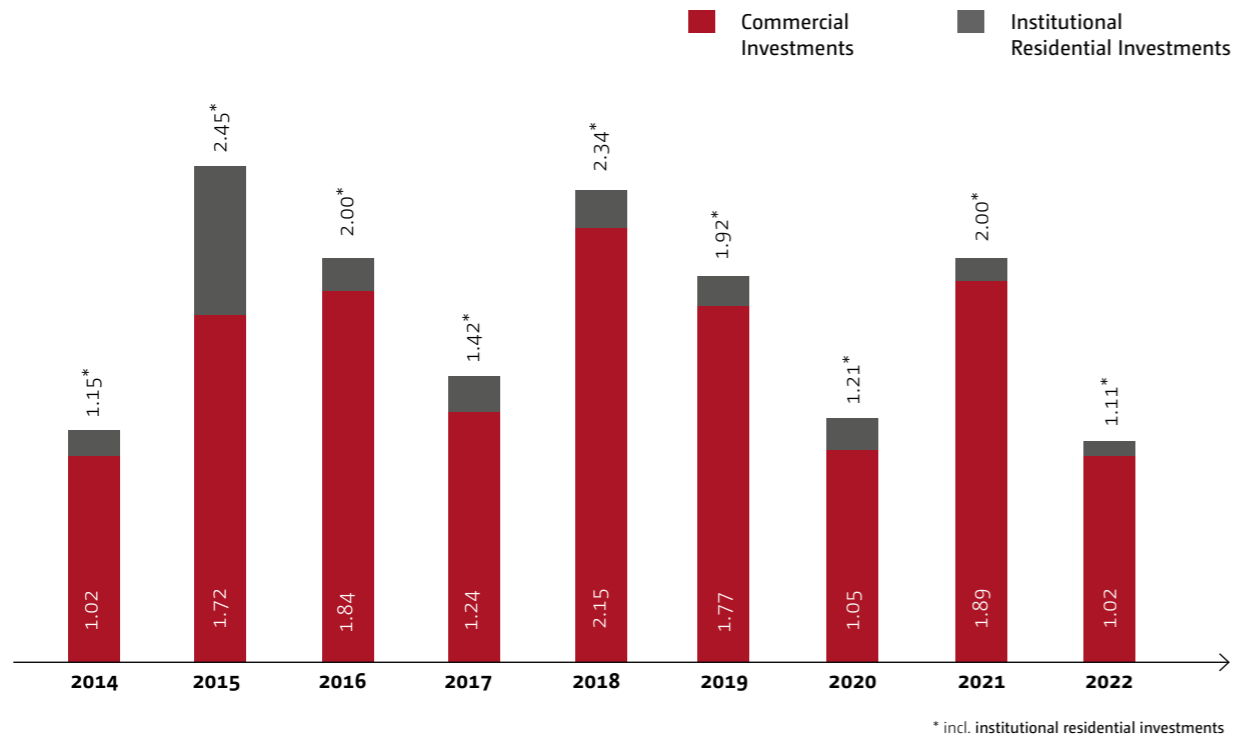
KEY FACTS STUTT GART

- Transaction volume of € 1.1bn
- Setback by more than 45 % compared with 2021
- Falling prices meet rising interest
- Greatest demand from fund managers
- Take-over of Alstria shares by Brookfield
- Focus on inner-city office property (67 % market share)

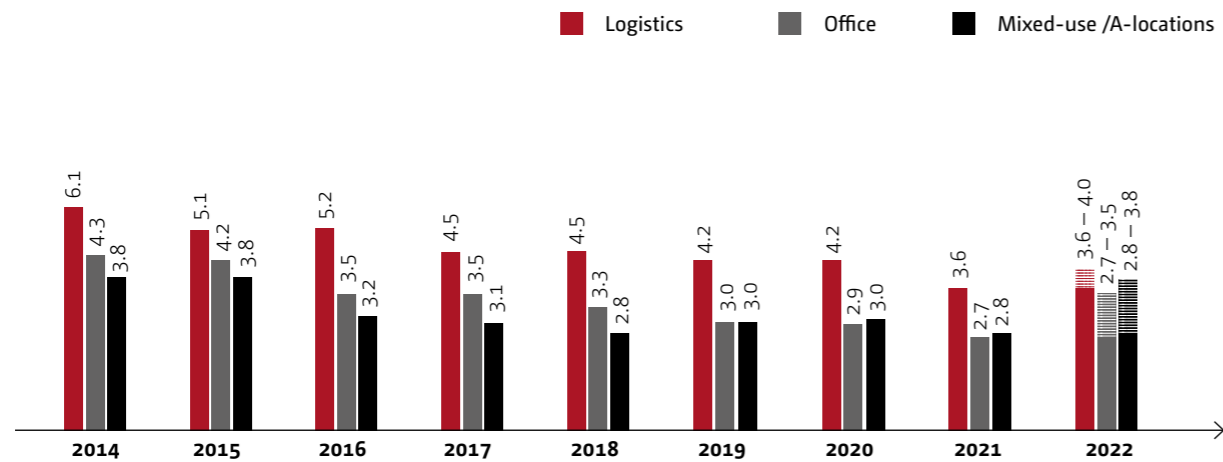
TOP 3 TRANSACTIONS

Object	Vendor	Buyer	Volume
ALH-Portfolio “Rosenberg Duo”, “Silberburg Höfe” and “City Selection”	Hallesche Krankenversicherung	PANDION	approx. €100m
„Green West“ Rotebühlstraße 98-100, Reuchlinstraße 27 – 29	alstria office REIT-AG	SV SparkassenVersicherung	approx. €64,5m
“Atlanta Business Center“ Vaihinger Straße 131	alstria office REIT-AG	E. Züblin	approx. €63m

TRANSACTION VOLUME STUTTART (IN BN €)



PRIME YIELDS FOR COMMERCIAL PROPERTY IN %



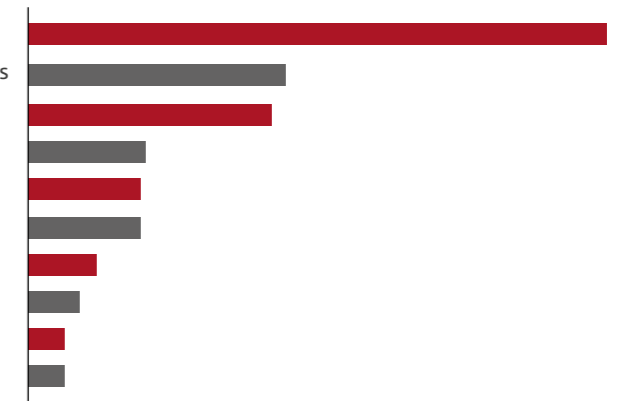
TYPES OF USE

- 67.0 % Office
- 15.0 % Mixed-use Commercial
- 8.0 % Hotel
- 6.0 % Residential
- 3.0 % Plots / Project Developments
- 1.0 % Senior Care Homes



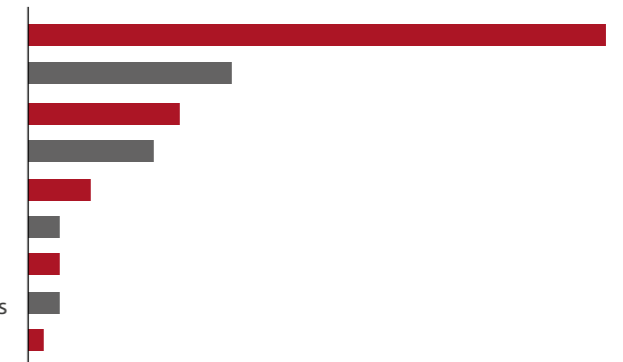
BUYER GROUPS

- 37.0 % Fund Managers
- 17.0 % Open-ended Real Estate Funds/German Special Funds
- 16.0 % Project Developers
- 7.0 % Corporates
- 6.0 % Insurances
- 6.0 % Private Investors
- 4.0 % Property Holders
- 3.0 % Private Equity Funds/Opportunity Funds
- 2.0 % Pension Funds
- 2.0 % Listed Real Estate Investment AGs/REITs

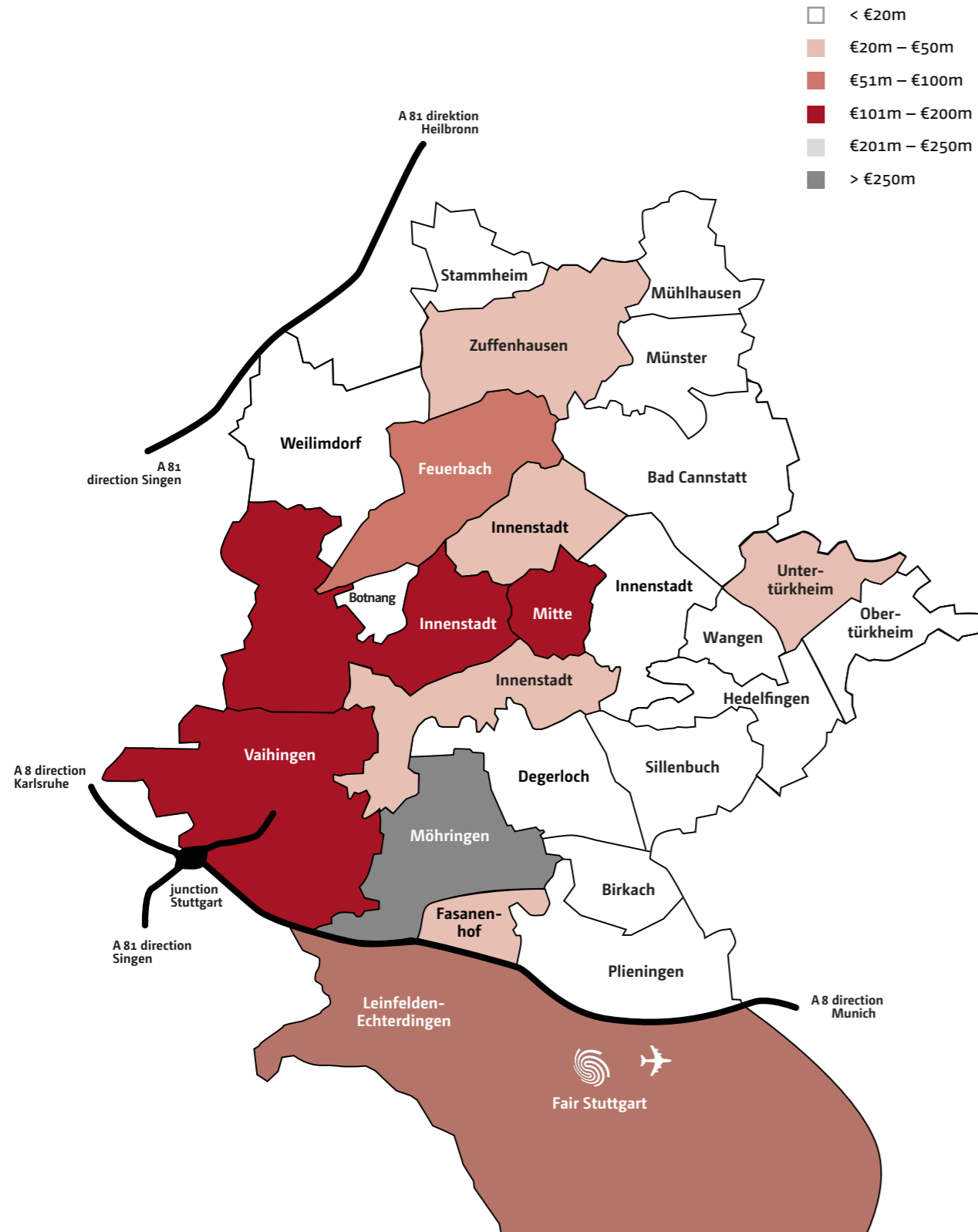


VENDOR GROUPS

- 49.0 % Listed Real Estate Investment AGs/REITs
- 18.0 % Insurances
- 13.0 % Project Developers
- 9.0 % Private Investors
- 4.0 % Corporates
- 2.0 % Fund Manager
- 2.0 % Public Sector
- 2.0 % Open-ended Real Estate Funds/German Special Funds
- 1.0 % Banks



Investment map Stuttgart 2022



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2022

Outlook 2023

In the medium-term, the Stuttgart Investment Market will need to adapt to a new market reality. This investment environment will be shaped by mid-range price levels, longer transaction processes and a higher pre-letting rate for forward deals. Despite all current macro-economic risks, a

consolidation of financing costs as well as of price levels can be expected for the coming year. After all, the need for inflation-safe investments in property will also remain in the future.



Investment Market Munich on hold

Also on the Munich Investment Market, the year 2022 has been defined by the macro-economic effects of the war in Ukraine, high prices for energy and vulnerable supply chains. While some vendors are willing to accept lower price tags, other transaction projects have been stopped until interest rates and price levels are back to an economically viable level. Against this backdrop, all market participants are currently in a wait-and-see mode, which might last until the middle of 2023.



“MARKET OPPORTUNITIES FOR EQUITY INVESTORS.”

Alexander Zigan, Managing Director of E & G Real Estate GmbH.

While the prospects for the first quarter were promising, a toxic mix of macro-economic and financial risk factors hit the Munich Investment Market over the course of the year. In the given market environment, equity investors definitely have a competitive edge.

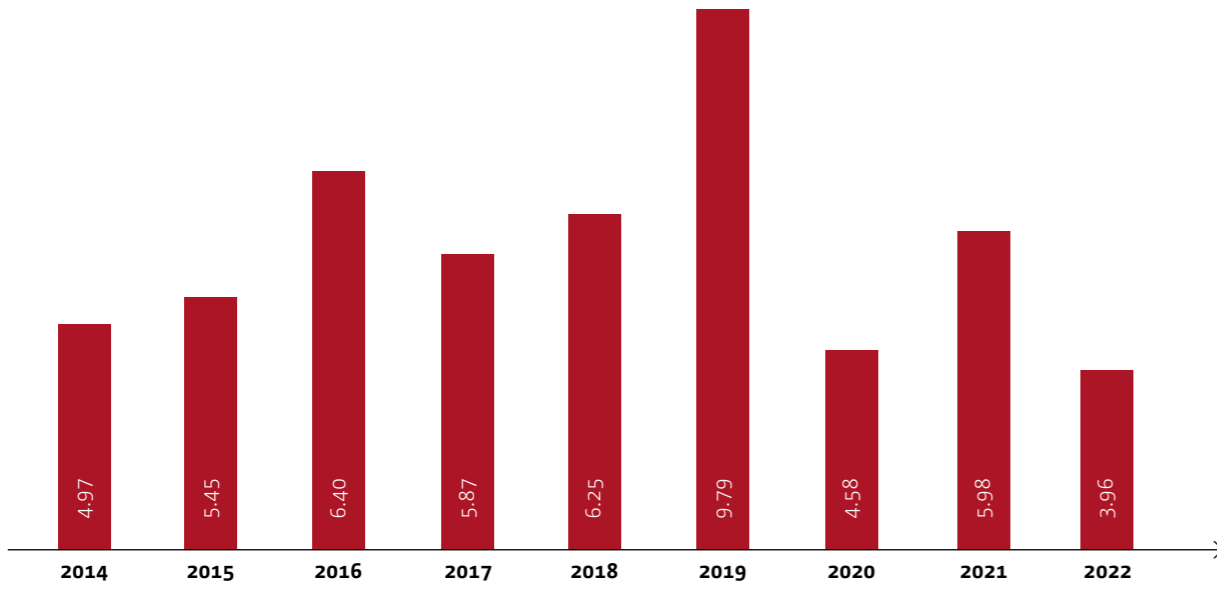
KEY FACTS MUNICH

- Historically low transaction volume of approx. € 4bn
- Setback of 33 % compared with 2021
- Prime yields for office products of 3.1 % – 3.7 %
- Market moment for equity investors
- On-going demand for office property (59 % market share)
- Focus on inner-city and well-connected fringe locations

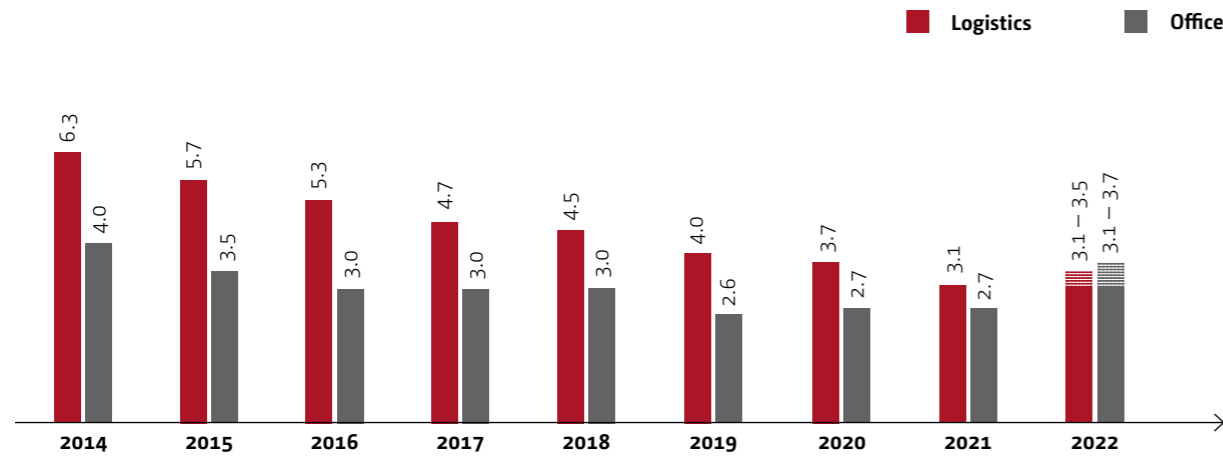
TOP 3 TRANSACTIONS

Object	Vendor	Buyer	Volume
Brienner Straße 22-28	Bayerische Landesbank	Doblinger Unternehmensgruppe	approx €360m
“Olympia Business Center” Georg-Brauchle-Ring 23-25	Europa Capital	Athos Family Office	approx €300m
“Neue Wacker Chemie Zentrale” Gisela-Stein-Straße	Patrizia	Pensionskasse der Wacker Chemie	approx €250m

TRANSACTION VOLUME MUNICH (IN BN €)



PRIME YIELDS FOR COMMERCIAL PROPERTY IN %



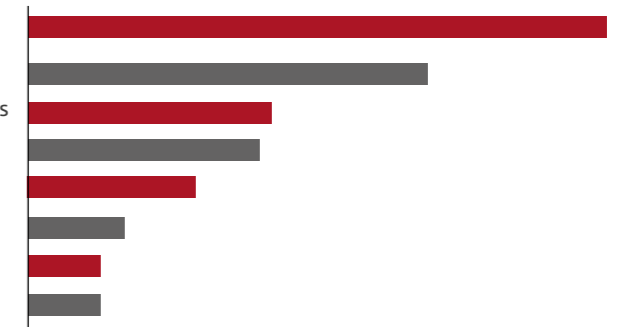
TYPES OF USE

- 59.0 % Office
- 20.0 % Mixed-use Commercial
- 8.0 % Plots / Project Developments
- 7.0 % Hotel
- 6.0 % Retail



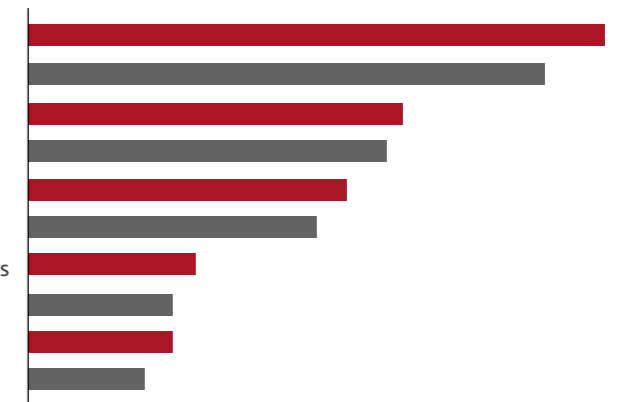
BUYER GROUPS

- 35.0 % Project Developers
- 20.0 % Private Anleger
- 14.0 % Open-ended Real Estate Funds/German Special Funds
- 12.0 % Private Equity Funds/Opportunity Funds
- 8.0 % Pension Funds
- 5.0 % Insurances
- 3.0 % Public Sector
- 3.0 % Others



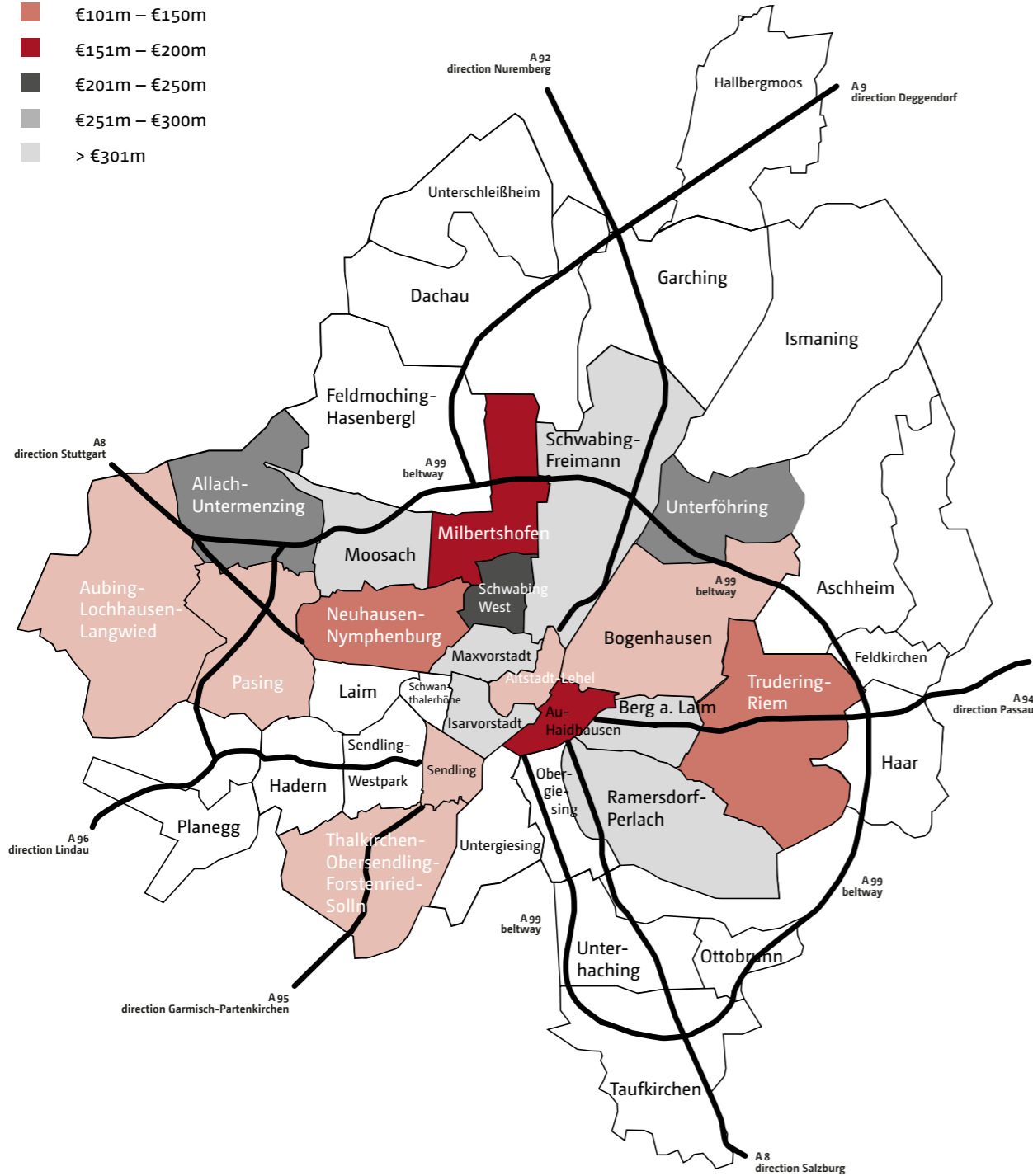
VENDOR GROUPS

- 19.0 % Project Developers
- 17.0 % Banks
- 13.0 % Private Investors
- 12.0 % Closed Real Estate Funds
- 10.0 % Private Equity Funds/Opportunity Funds
- 9.0 % Insurances
- 6.0 % Open-ended Real Estate Funds/German Special Funds
- 5.0 % Listed Real Estate Investment AGs /REITs
- 5.0 % Pension Funds
- 4.0 % Others



Investment map Munich 2022

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



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2022

Outlook 2023

The investment environment for commercial property transactions remains challenging for all market players. Hope remains that investment activities will pick up again by the middle of 2023, once interest rates and price levels have found their new normal. Location factors will remain

a key benchmark for commercial property transactions in Munich. Already, investors are zooming in on central locations and well-connected fringe settings. Furthermore, existing products and new builds with good ESG-ratings are bound to find their buyers in the coming years.



Augsburg an attractive alternative

Augsburg is a UNESCO World Heritage city with universities, a university hospital as well as research and science centres. A growing population of about 300,000 inhabitants lives in this modern city with innovation power, family flair and the charms of a renaissance town.



“AUGSBURG OFFERS A
SOLID FOUNDATION.”

Stefan Balzer, Head of Acquisitions Germany at Catella Real Estate AG

Mr. Balzer, you have acquired an office building in Neusäß near Augsburg via a forward deal in 2021. What makes the region interesting as a location for property investments?

The transformation of Augsburg Hospital into a university hospital has led to numerous positive knock-on effects in recent years. Not only have research institutes, professorships and students been attracted to Augsburg, but also the attractiveness for companies with a connection to the university hospital has increased. Due to the north-western location of the university hospital, the town of Neusäß was able to benefit from this development. In response to the university hospital's large demand for space, an office building was constructed in Neusäß for the university hospital and the medical faculty of the university. Augsburg itself is a very good investment location due to its growing population, its very good infrastructure and its proximity to Munich. The city is very well connected by public transport as well as by road traffic.

With the building in Gutenbergstraße, we have acquired a highly modern property in terms of sustainability. In addition to the property's KfW 55 standard, we have a building in timber hybrid construction with a PV system and a heat exchanger for the building's air-conditioning system.

Which micro-locations in Augsburg do you deem especially attractive, and where do you see development potentials for the future?

Depending on the type of use, a distinction must be made here, as in every city. The city centre, the Anton-, Bismarck- and university quarters as well as Göggingen and Spickel Herrenbach are very attractive for residential investments and also have a lot of potential in the future.

The area around the university hospital (NW Augsburg, Gersthofen and Neusäß) is ideal for occupiers in the healthcare sector.

For industrial and logistics property, the freight transport centre in the north of Augsburg and locations on the A8 motorway and along the B2 federal speedway are also of particular interest.

Augsburg's city centre, the Innovation Park in the south of Augsburg and Dayton Park, which is currently under construction, are attractive areas for office assets. The city centre and established locations for retail parks (see our acquisition of a retail park in Donauwörther Straße in 2021) are best suited for retail use.

Next to office property, are there further types of use you would consider acquiring in the Augsburg Region?

Without a doubt, logistics and light industrial uses are very interesting for us. In addition, retail parks in established locations with a long WALT and anchor tenants from the food and drugstore sectors. Furthermore, residential and commercial buildings in very good locations.

Augsburg is a classical B-city. How do you see its competitiveness in terms of demand compared with other B-cities in southern Germany?

A major advantage is the proximity to Munich and the infrastructure there, especially the airport. Augsburg is also a very diversified business location with companies from the fields of mechanical engineering, aerospace technology and IT development. This means that there is no dependence on one economic sector, such as in Ingolstadt (automotive industry). In addition, Augsburg profits from its situation between Stuttgart and Munich (east-west axis).

Catella manage a German Special Fund, which invests solely in southern Germany. What makes this economic region so attractive?

Our IWS Special Funds are a genuine success story for our bank. Now that our IWS II is fully invested, we have already received distribution approval from Bafin for the follow-up product „IWS III - Wirtschaftsregion Süddeutschland Plus“. The new Special Fund was approved in accordance with Article 8 of the German Disclosure Regulation and underlines the will of our Bank to further promote and expand our focus on sustainability. Southern Germany in particular offers a solid foundation with very good framework conditions for robust real estate markets.

We see a close correlation between macro-economic fundamentals and real estate markets. Good economic framework conditions serve as an important basis for a positive development in the corresponding real estate markets. The traditionally low unemployment rates in Baden-Württemberg and Bavaria illustrate the strength of the economic region of southern Germany.

The settlement of numerous international companies in the region underscores the need for adequate property. In addition to office buildings, our investment strategy focuses primarily on logistics and production facilities. The

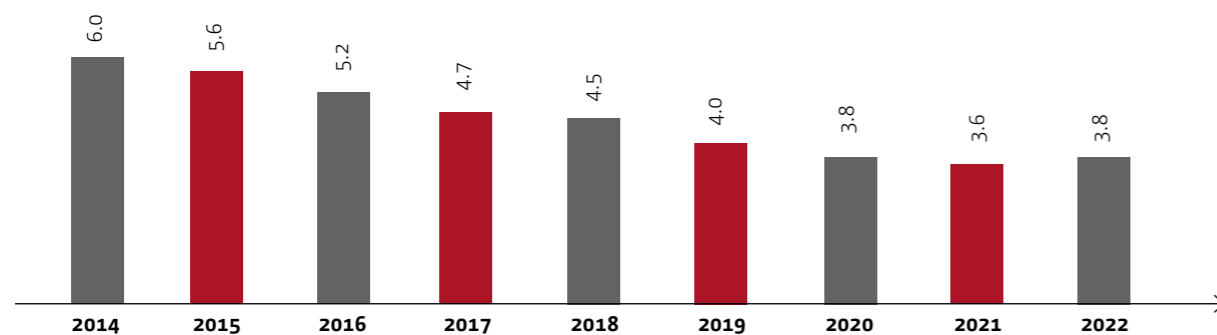
good economic structures in southern Germany are also attracting numerous high-income households. This in turn promotes a positive development on the demand side for residential properties. After all, Bavaria and Baden-Württemberg accounted for almost 34% of the gross value added of all 16 German federal states in 2021.

We therefore continue to feel very comfortable in our home markets and want to successively expand our commitment with a risk-diversified and sustainable investment strategy.

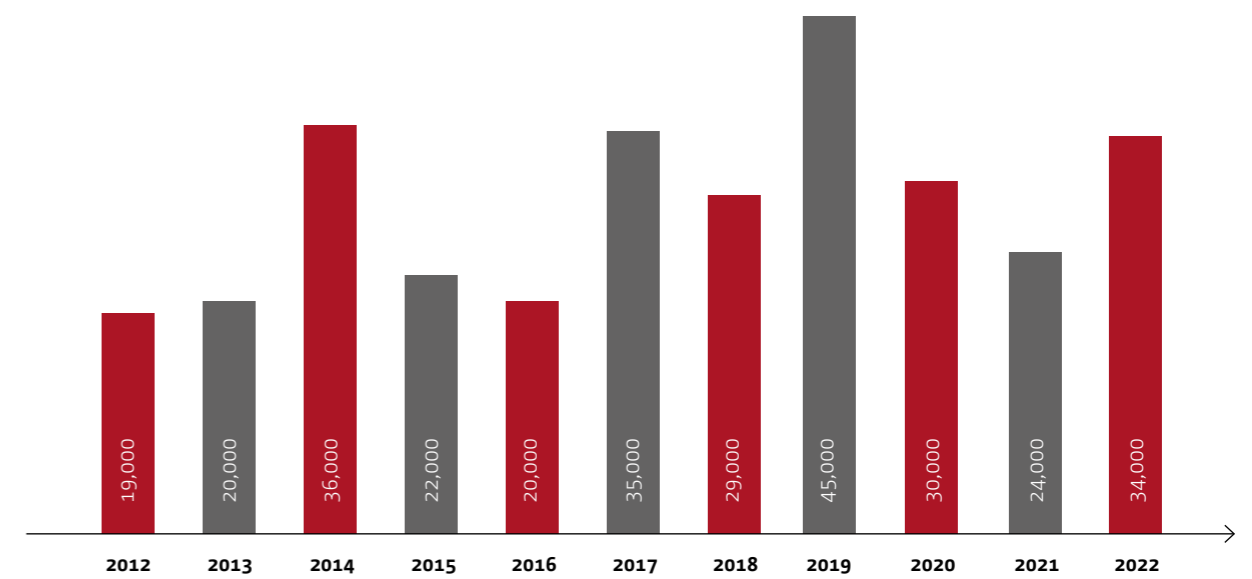
ABOUT CATELLA

Catella Real Estate AG are a European investment management boutique based in Munich. The company acts as a licensed Capital Investment Company in compliance with the German Capital Investment Act (KAGB). As consultants for property investment, Catella design, develop and manage open-ended real estate AIF on German and on European level.

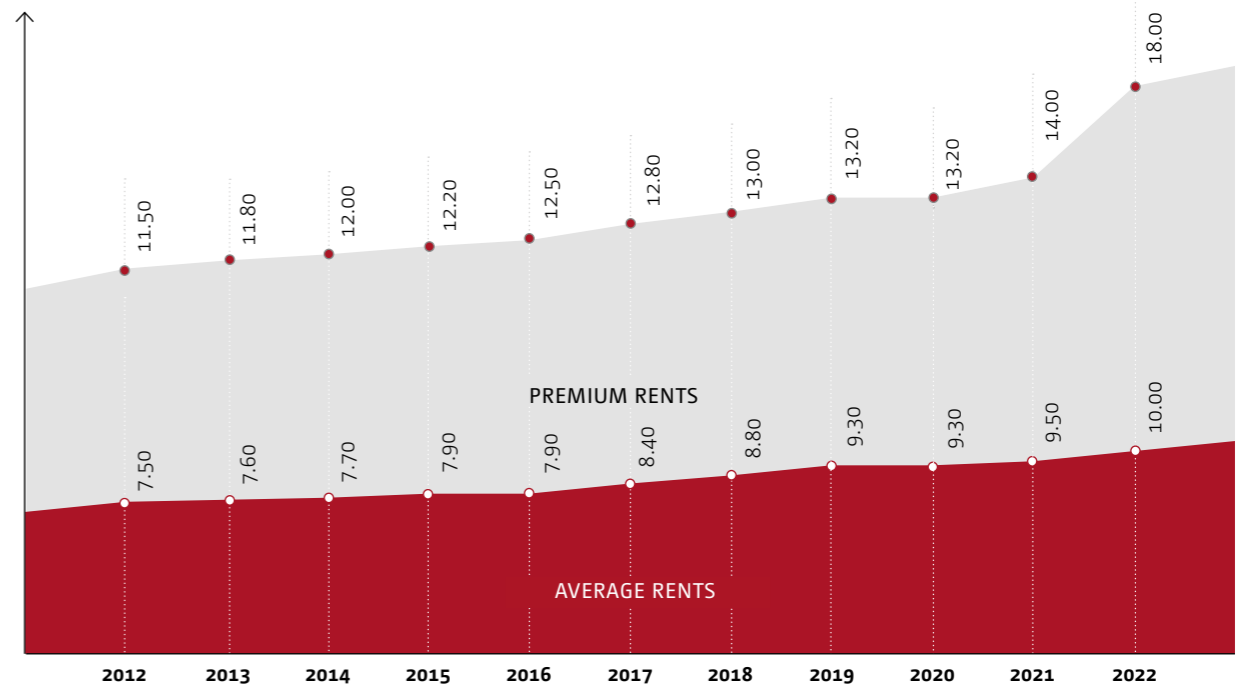
PRIME YIELDS FOR OFFICE PROPERTY IN %



OFFICE TAKE-UP 2012 TO 2022 IN M²








PREMIUM AND AVERAGE RENTS 2012 TO 2022 IN €/M²



Quelle: RIWIS/bulwiengesa

Regional markets in Southern Germany

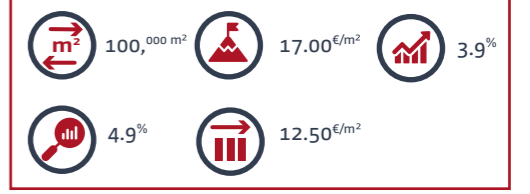
Market data 2022

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

MANNHEIM



NUREMBERG



KARLSRUHE



REGENSBURG



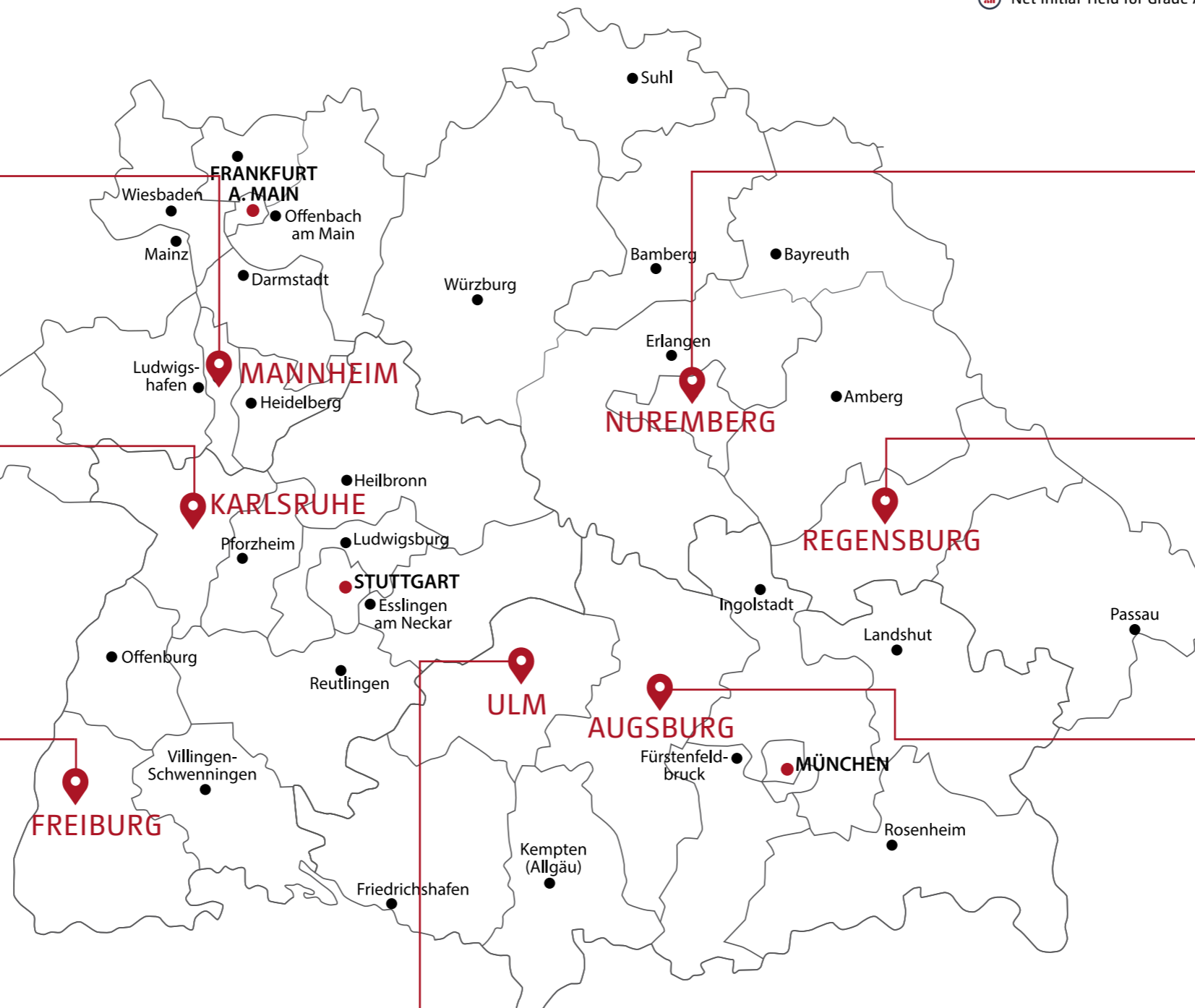
FREIBURG



AUGSBURG



ULM



In 2022, E & G Real Estate GmbH supported the disposal of the property asset "Kobelweg 82/ 82a" as well as the development plot "kurzes Gelände" mandated by SV SparkassenVersicherung Lebensversicherung AG.

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.

RANGE OF SERVICES



FUTHER PUBLICATIONS

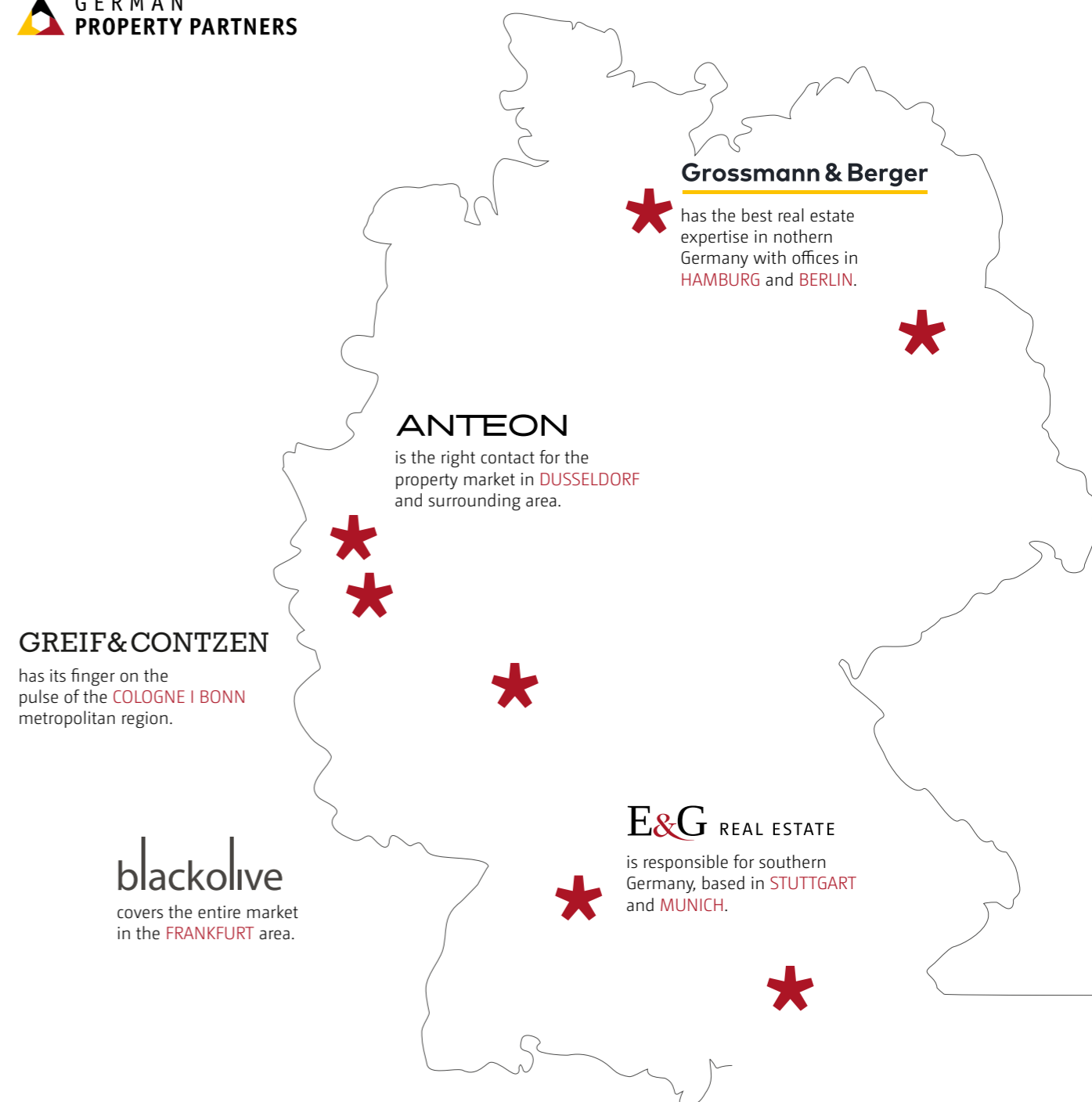
- Investment Market Report – Southern Germany
- Office Market Report – Stuttgart
- Office & Investment Market Report – Munich
- GPP Markt Report – Germany

These publications may be obtained free of charge per email at info@eug-re.de or at www.eug-realestate.de.

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