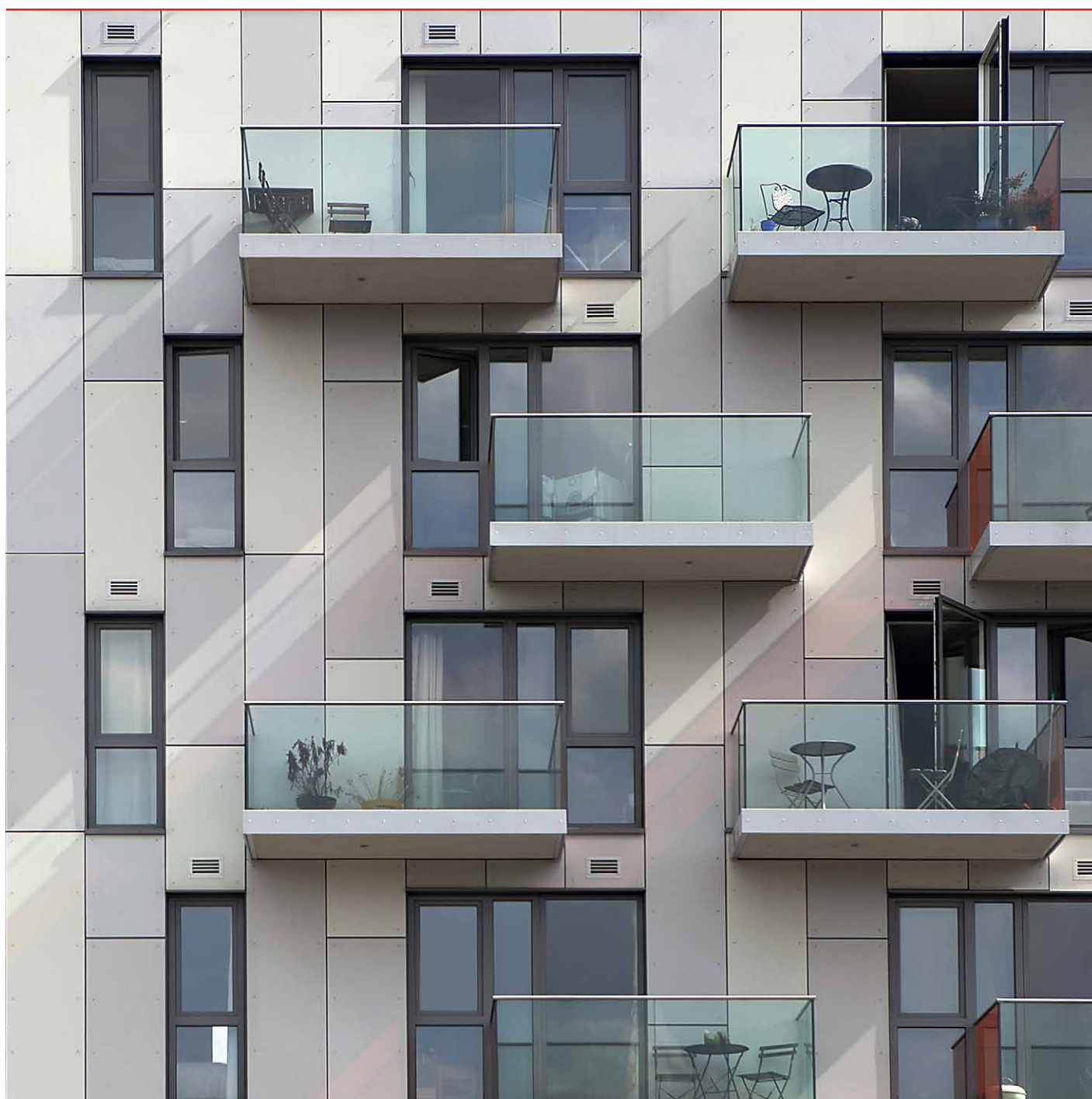


Residential City Profile

Berlin | 2nd half of 2015
Published in February 2016



Socio-economic trends in the second half of 2015

German Economy

According to calculations by the Federal Statistical Office, Gross Domestic Product (GDP) grew by 1.5% in 2015 (price and calendar adjusted), and is therefore at around the same level as the previous year. The primary economic growth impetuses were private consumption, government spending and capital investments. In addition to a rise in exports, the level of imports also increased significantly, resulting in foreign trade contributing only marginally to a positive balance in economic growth.

In the labour market, the positive overall trend of previous years continued. With an average of 43.0 million people in employment over the course of the year, 2015 showed a similar level of growth to the

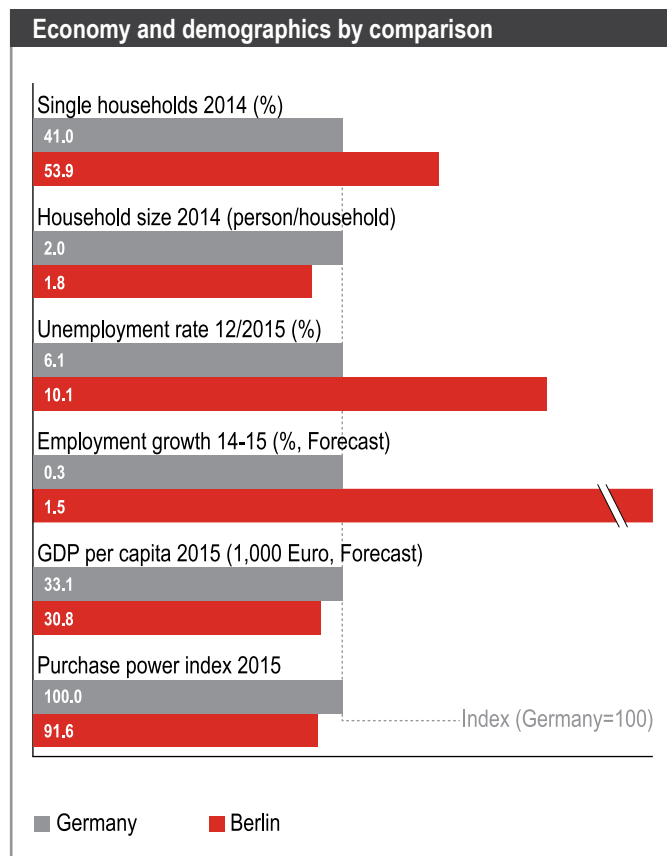
previous year (+0.8%). This means that the number of people in employment has reached a new record level for the ninth year in succession. In December 2015, the unemployment rate fell by 0.3% year-on-year to 6.1%. There was also a rise in actual earnings of 2.4% between the third quarters of 2014 and 2015, which was again higher than the previous year.

Following a significant rise in the ifo Business Climate Index at the start of 2015, the business climate stabilised over the course of the year, reaching a robust index position of 108.7 points in December (+3.1 points year-on-year). The rise was due to the good business prospects, particularly in manufacturing and in the wholesale trade sector, which contributed to the favourable business climate at the end of the year.

Leading economic institutes anticipate a stable development in business in 2016, driven by private consumption and a more positive foreign trade balance. In their autumn report, they estimate GDP growth of 1.6% over the full year.

Berlin

In the autumn of 2015, the positive business climate for companies estimated by the Berlin Chamber of Industry and Commerce was at the same level as the survey from the start of the year. Whilst the business climate was estimated to be better than in the first six months of the year, expectations relating to future business development fell slightly. The retail, hospitality, business services, construction and skilled trades sectors enjoyed a particularly good business climate, driven by the positive consumer sentiment and the above average level of building activity. Companies' employment plans had seen a distinct upswing; however, their inclination to make investments weakened slightly in autumn, but remains at the positive end of the scale. In December 2015, the unemployment rate fell to 10.1% (-0.4% year-on-year).



| Population and households 2014 | | | | | | | |
|--------------------------------|------------------|----------------------------|--------------------|----------------------------|------------------|----------------------------|------------------------------|
| District | Population | | | | Households | | |
| | Total | Development since 2011 (%) | Migration balance* | Natural population growth* | Total | Development since 2011 (%) | Single-person households (%) |
| Mitte | 356,506 | 7.0 | 5,657 | 1,534 | 199,267 | 4.1 | 61.4 |
| Friedrichshain-Kreuzberg | 275,691 | 3.9 | 2,079 | 1,660 | 156,730 | 1.9 | 59.0 |
| Pankow | 384,367 | 5.3 | 4,969 | 1,444 | 227,700 | 6.1 | 59.9 |
| Charlottenburg-Wilmersdorf | 326,354 | 3.6 | 4,186 | -790 | 184,636 | 5.4 | 59.1 |
| Spandau | 230,419 | 4.4 | 3,941 | -643 | 129,635 | 8.4 | 52.5 |
| Steglitz-Zehlendorf | 299,268 | 1.9 | 3,429 | -955 | 156,251 | 5.9 | 50.4 |
| Tempelhof-Schöneberg | 335,767 | 1.9 | 3,120 | -193 | 180,440 | 0.5 | 50.2 |
| Neukölln | 325,716 | 4.0 | 2,645 | 751 | 167,338 | 1.8 | 52.7 |
| Treptow-Köpenick | 249,440 | 3.3 | 2,311 | -359 | 139,182 | 4.3 | 48.5 |
| Marzahn-Hellersdorf | 256,173 | 2.8 | 1,843 | 332 | 135,421 | 4.7 | 43.9 |
| Lichtenberg | 268,465 | 4.8 | 3,870 | 199 | 156,625 | 8.2 | 54.2 |
| Reinickendorf | 254,000 | 3.8 | 3,842 | -734 | 129,959 | 4.7 | 46.3 |
| Berlin | 3,562,166 | 3.9 | 37,113 | 5,054 | 1,963,184 | 4.5 | 53.9 |

* District data due to statutory change in 2013; net migration is the difference between inward and outward migration – natural balance is the difference between the number of births and deaths.

Trend towards internationalisation and suburbanisation

The high level of population growth in the German capital is continuing. Berlin's population at the end of 2014 was around 3.562 million, an increase of almost 4%, or around 130,000 inhabitants since 2011. Population data up to April 2015 indicates that the high level of population growth in the German capital of around 1.4% p.a. over the past three years is likely to continue. A forecast published by the Berlin Senate estimates future population growth of 7.5% until 2030, which appears to be too low an estimate, given the actual population increase over the past few years and the additional numbers of refugees. Whilst in 2010 there was still a positive inward migration of 14,400 Germans, this had decreased to 1,200 p.a. by 2014. The rising rents and purchase prices in Berlin have meant that the city is now experiencing increasing outward migration to the surrounding areas, and now suburbanisation of Brandenburg has become an issue for the first time since the 1990s. At the same time, the city's

population is becoming increasingly international. Almost 90% of the positive migration balance is due to net inward migration from abroad. The positive migration balance is driven by a high level of migration from other European countries which contributed 95% of the entire population growth in 2014. This means that the inward migration of employees from other EU countries is the principal driver of population growth in Berlin. It is estimated that 70,000 refugees came to Berlin in 2015, of which a large proportion will account for an increased demand for apartments over the medium-term. It is expected that international migration will increase in significance for population growth and the residential market over the coming years.

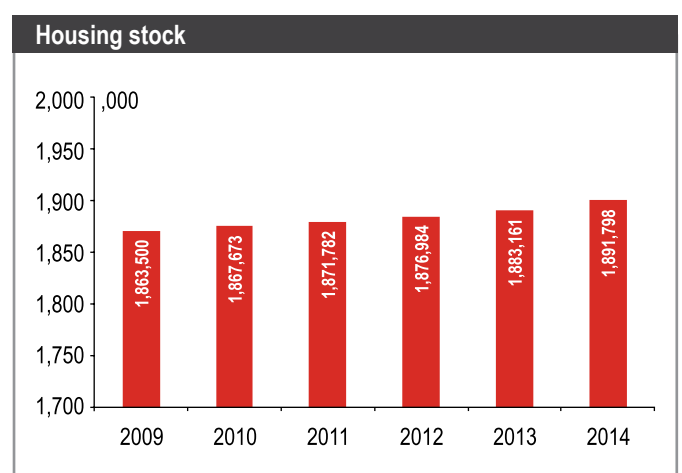
Housing market supply in Berlin in the second half of 2015

| Stock data 2014 | | | | | | |
|----------------------------|-----------------------|----------------------------|------------------|----------------------------|----------------------|-----------------------------------|
| District | Residential buildings | | Housing units | | Housing completions* | |
| | Total | Multi-family buildings (%) | Total | Development since 2010 (%) | Total | thereof in multi-family dwellings |
| Mitte | 13,033 | 93.9 | 190,829 | 1.6 | 1,147 | 1,147 |
| Friedrichshain-Kreuzberg | 9,452 | 95.9 | 147,470 | 1.3 | 687 | 685 |
| Pankow | 35,979 | 44.6 | 209,988 | 2.6 | 1,319 | 1,042 |
| Charlottenburg-Wilmersdorf | 17,773 | 73.7 | 182,569 | 0.9 | 545 | 478 |
| Spandau | 27,563 | 32.8 | 117,964 | 0.9 | 220 | 44 |
| Steglitz-Zehlendorf | 40,074 | 37.4 | 154,956 | 0.9 | 370 | 201 |
| Tempelhof-Schöneberg | 28,396 | 49.3 | 180,493 | 0.4 | 299 | 241 |
| Neukölln | 27,679 | 38.9 | 162,338 | 0.4 | 384 | 243 |
| Treptow-Köpenick | 36,402 | 31.4 | 134,039 | 2.1 | 885 | 648 |
| Marzahn-Hellersdorf | 30,356 | 23.0 | 133,415 | 1.4 | 477 | 137 |
| Lichtenberg | 16,134 | 57.6 | 147,952 | 2.2 | 732 | 459 |
| Reinickendorf | 35,363 | 28.7 | 129,785 | 0.7 | 234 | 113 |
| Berlin | 318,204 | 43.1 | 1,891,798 | 1.3 | 7,299 | 5,438 |

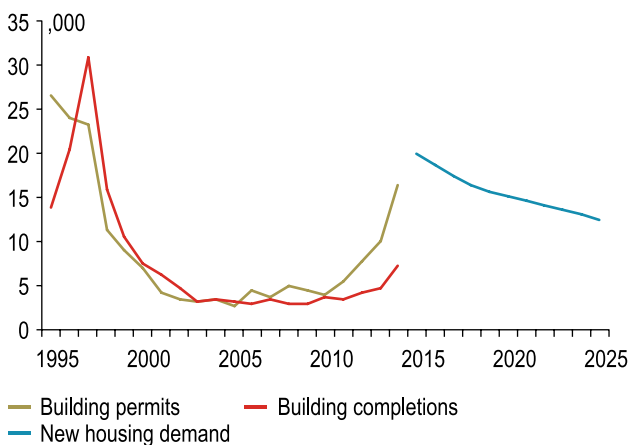
* Completions of units through new buildings

Only a slight increase in the number of new building permits

Since 2010, the stock of residential space in Berlin has risen by 1.3% or 24,000 apartments. The current excess demand in the residential market is explained by the rise of almost 175,000 in the population over the same period. Following the increase in new building permits granted since 2010, from 4,000 to 16,000 p.a., the number of completions showed its first significant increase in 2014 with around 7,300 new apartments. The number of new building permits for new-build apartments rose to a new high point of 16,000 in 2015, which was slightly above the previous year's level. The number of new completions in 2015 should have risen at a faster rate than the number of new building permits and is expected to be somewhere in excess of 10,000 new apartments.



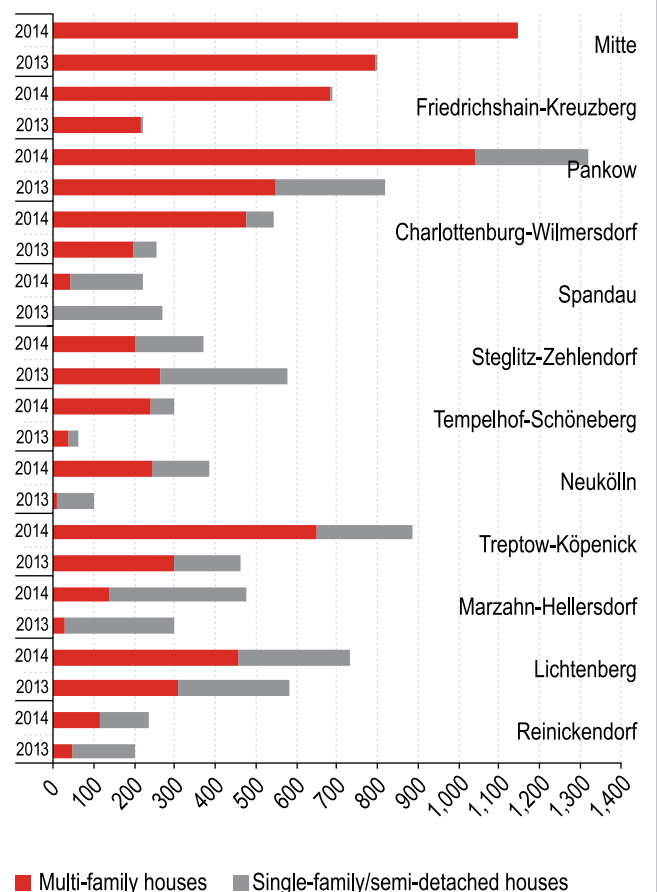
Housing supply and demand for new buildings



New building activity sinking in regulatory quicksand

Despite the high demand, the number of new building permits for new-build apartments in 2015 has not risen as much as expected and will be insufficient to provide the increase in new-build completions required over the medium-term in order to match the demand for 20,000 apartments p.a. If there is not a significant rise in the number of new building permits in 2016, the excess demand will greatly increase, given the tens of thousands of refugees who will additionally crowd onto the residential market. The principal limiting factor regarding the increase in residential new-build is the availability of development sites, rising land prices, increased energy efficiency requirements and the sometimes lethargic activity of the public sector. In addition, the Berlin Model with its requirement for the construction of 25% social apartments is a strain on new-build activity in the private sector. Both authorities and investors are not yet sufficiently experienced in the implementation of the model and therefore previous project calculations will have to be adjusted, prices for non-social apartments raised and, in some

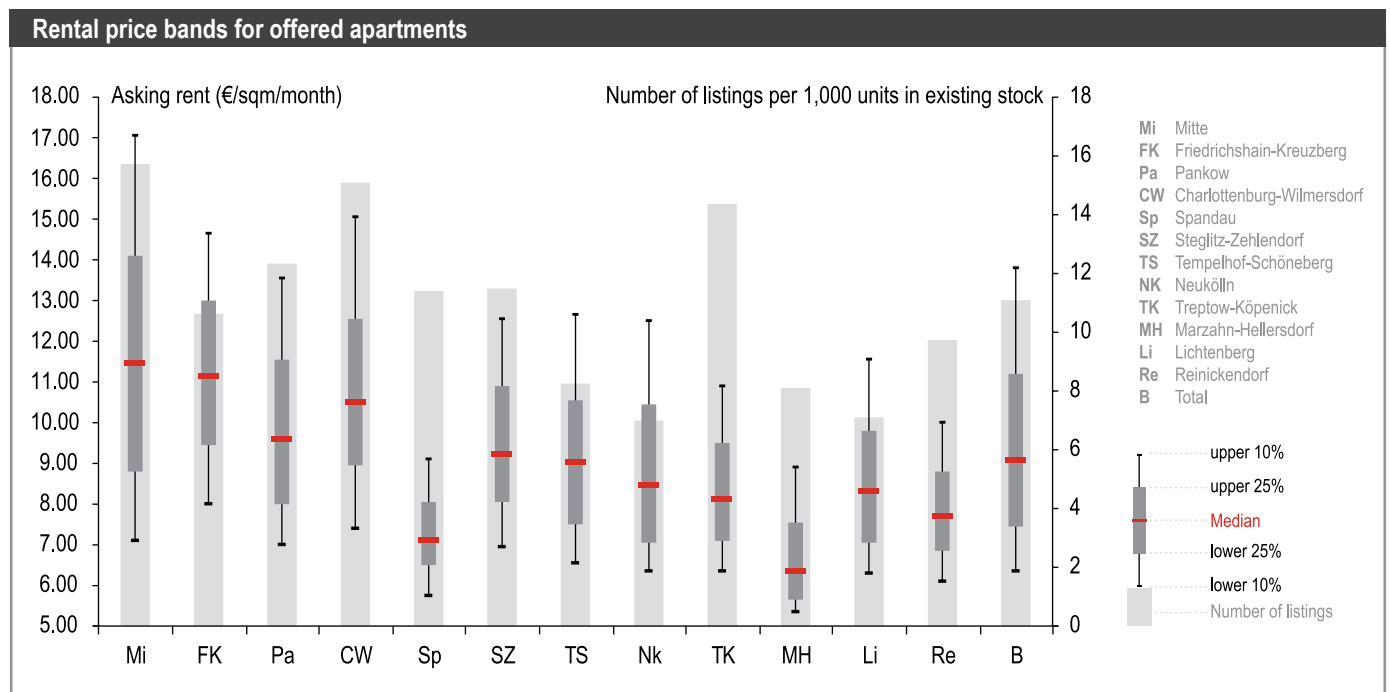
Residential building completions 2013 and 2014



cases, it will be necessary to find project partners for social housing developments. In the medium-term, the private sector may pull out of rental apartment construction, a move which has already been observed in Munich. This would mean that the public sector would be the only sector responsible for resolving the scarcity of rental apartments.

Rental housing market in Berlin

in the second half of 2015



| Rental price bands for offered apartments (2 nd half of 2015 in €/sqm/month) | | | | | | |
|---|-------------|-------------|-----------------------|-----------------------------------|--------------|--------------|
| District | 10% | 25% | Median rent* (50%) | Development since H2 2014 in % | 75% | 90% |
| Mitte | 7.10 | 8.80 | 11.40 | 5.6 | 14.10 | 17.05 |
| Friedrichshain-Kreuzberg | 8.00 | 9.45 | 11.10 | 4.5 | 13.00 | 14.65 |
| Pankow | 7.00 | 8.00 | 9.55 | 2.0 | 11.55 | 13.55 |
| Charlottenburg-Wilmersdorf | 7.40 | 8.95 | 10.45 | 2.1 | 12.55 | 15.05 |
| Spandau | 5.75 | 6.50 | 7.10 | 2.7 | 8.05 | 9.10 |
| Steglitz-Zehlendorf | 6.95 | 8.05 | 9.20 | 2.3 | 10.90 | 12.55 |
| Tempelhof-Schöneberg | 6.55 | 7.50 | 9.00 | 4.5 | 10.55 | 12.65 |
| Neukölln | 6.35 | 7.05 | 8.45 | 3.2 | 10.45 | 12.50 |
| Treptow-Köpenick | 6.35 | 7.10 | 8.10 | 6.0 | 9.50 | 10.90 |
| Marzahn-Hellersdorf | 5.35 | 5.65 | 6.35 | 5.3 | 7.55 | 8.90 |
| Lichtenberg | 6.30 | 7.05 | 8.30 | 4.0 | 9.80 | 11.55 |
| Reinickendorf | 6.10 | 6.85 | 7.70 | 4.3 | 8.80 | 10.00 |
| Berlin | 6.35 | 7.45 | 9.05 | 1.1 | 11.20 | 13.80 |

* Median rent: 50 per cent of the listings are above 50 per cent below this figure

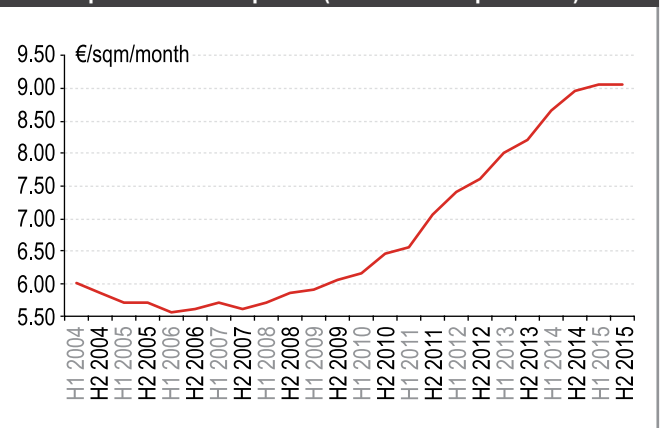
Strongest rental price growth in the new-build sector and lower market segment

In the second half of 2015, rental prices for new leases have reached around € 9.05 per sqm and month, a rise of 1.1% year-on-year. The highest annual growth was in Treptow-Köpenick (+6.0%). The rise in the Mitte district was almost as high where expensive new-build apartments, amongst others, are driving the price increases. The overall trend from the first half of the year is continuing. The most significant increases were in locations which had seen below-average rental prices in the past. One example of this was the considerable rise in the Marzahn-Hellersdorf district, which is still one of the most reasonably priced areas. Conversely, rental price increases have slowed down significantly in the expensive districts such as Charlottenburg-Wilmersdorf and highly priced locations such as Prenzlauer Berg, and is now limited almost exclusively to the high specification new-build apartments in the market. The market has become noticeably more subdued in the Neukölln district, which had seen significant growth rates over the past few half years. Today, this is the only district which has seen a slight decrease in rental prices compared to the first half year. Rental price rises have moved to the lower market segment and the new-build sector, whilst rents in the medium price segment have all but stagnated.

Rental prices stagnating in the second half year

There has been no increase in rental prices in the second half of 2015 for the first time since 2007; instead, prices have stagnated at the same level as the previous half year. There is no obvious connection between this and the introduction of the rental price cap on 1st June 2015. Rental levels fell slightly over the months July to October, but rose again considerably over the past two months, reaching their highest level of the year in December. It remains to be seen how rents will develop in 2016. However, the slowing down of the rental dynamic has already resulted in weaker growth rates over the past few half years. In addition to relocations to the surrounding area and shifts to the condominium market or to more reasonably priced locations, the willingness of tenant households to pay rent has often

Development of rental prices (Median in €/sqm/month)



been exhausted. The rental price cap is obviously just one further reason for the weakening in rental price growth. Demand pressure in the residential market is still high and is expected to result in local rental price increases in future, especially in city centre districts such as Wedding, Tempelhof and Lichtenberg.

In the second half of 2015, the average rent for new-build apartments in Berlin was around € 12.45 per sqm and month. The most expensive new-build apartments are currently being constructed in the Mitte district, where they are being offered at an average rent of € 14.30 per sqm and month. In the other city centre districts, average new-build rents range from € 11.50 to € 13.50 per sqm and month. In peripheral locations around the capital, new-build apartments are being constructed for rents ranging from € 9.00 to € 11.00 per sqm and month.

Rental price by unit size (Median* in €/sqm/month)

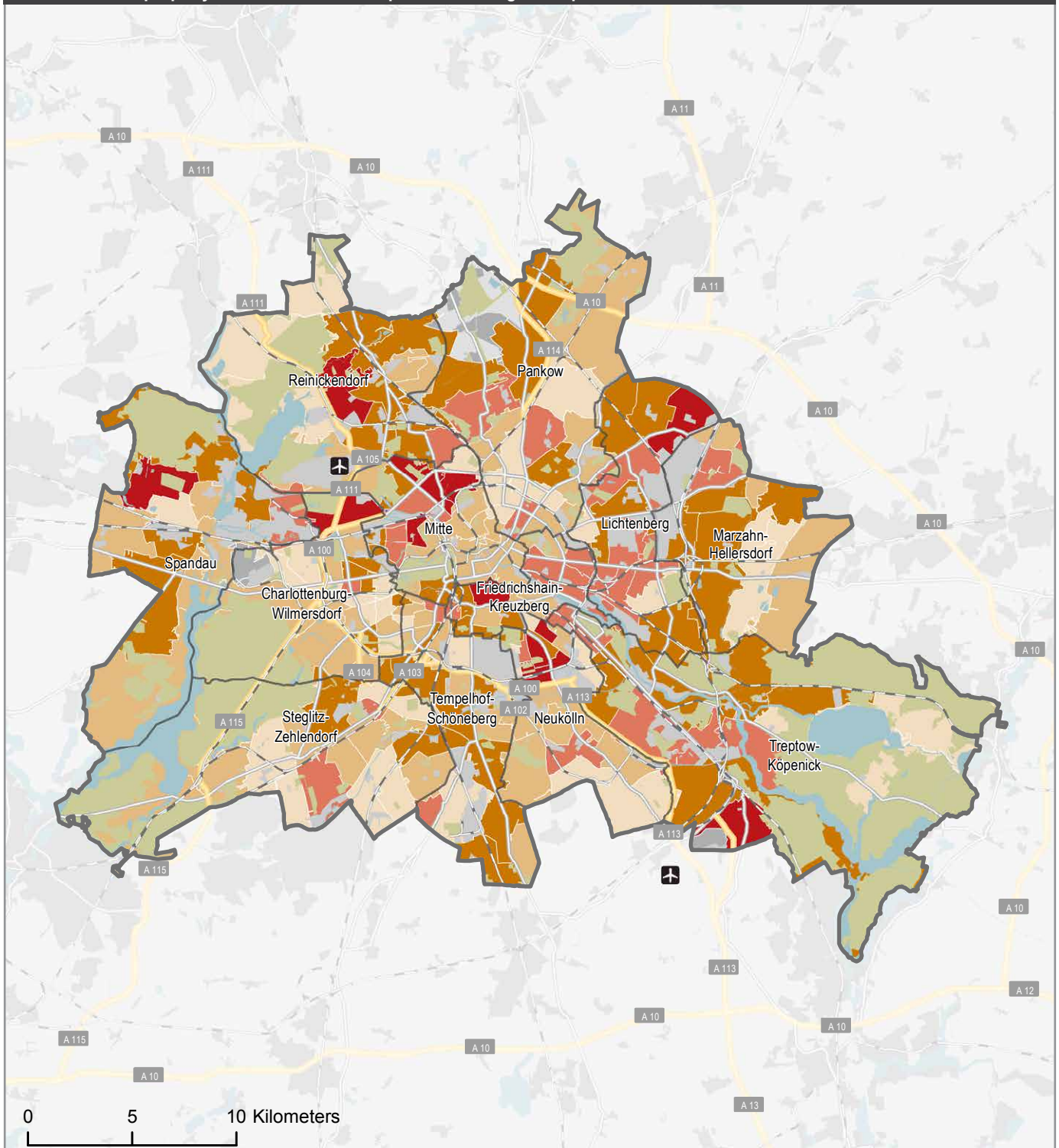
| District | <45 sqm | 45-65 sqm | 66-90 sqm | >90 sqm |
|----------------------------|--------------|-------------|-------------|--------------|
| Mitte | 11.10 | 10.20 | 10.95 | 12.50 |
| Friedrichshain-Kreuzberg | 11.80 | 11.15 | 11.00 | 11.05 |
| Pankow | 10.75 | 9.10 | 8.95 | 10.75 |
| Charlottenburg-Wilmersdorf | 11.65 | 10.25 | 10.00 | 10.60 |
| Spandau | 8.35 | 7.25 | 6.80 | 7.30 |
| Steglitz-Zehlendorf | 9.55 | 9.05 | 8.80 | 9.60 |
| Tempelhof-Schöneberg | 10.70 | 8.55 | 8.45 | 9.45 |
| Neukölln | 10.30 | 8.40 | 7.95 | 8.85 |
| Treptow-Köpenick | 8.80 | 7.80 | 8.05 | 8.55 |
| Marzahn-Hellersdorf | 7.85 | 6.65 | 5.80 | 7.05 |
| Lichtenberg | 8.85 | 8.30 | 7.75 | 9.15 |
| Reinickendorf | 9.15 | 7.60 | 7.45 | 7.85 |
| Berlin | 10.15 | 8.65 | 8.45 | 10.00 |

Rental price by building age (Median* in €/sqm/month)

| District | <1919 | 1920-1945 | 1946-1960 | 1961-1975 | 1976-1990 | 1991-2010 | >2011 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Mitte | 10.00 | 8.50 | 10.30 | 10.55 | 8.05 | 12.55 | 14.30 |
| Friedrichshain-Kreuzberg | 10.60 | 10.55 | 10.15 | 10.35 | 10.60 | 10.85 | 13.10 |
| Pankow | 10.05 | 8.70 | 7.30 | 7.45 | 7.25 | 8.25 | 12.55 |
| Charlottenburg-Wilmersdorf | 10.25 | 9.60 | 10.00 | 10.25 | 9.50 | 11.05 | 13.25 |
| Spandau | 7.50 | 7.15 | 7.40 | 6.50 | 6.85 | 7.50 | 9.40 |
| Steglitz-Zehlendorf | 9.20 | 10.25 | 8.65 | 8.50 | 8.25 | 9.90 | 12.00 |
| Tempelhof-Schöneberg | 10.00 | 8.50 | 8.80 | 8.00 | 7.30 | 8.40 | 11.65 |
| Neukölln | 10.30 | 8.80 | 7.50 | 7.00 | 6.95 | 8.00 | 9.10 |
| Treptow-Köpenick | 8.00 | 7.75 | 7.00 | 6.75 | 7.10 | 8.10 | 10.25 |
| Marzahn-Hellersdorf | 8.75 | n/a | n/a | n/a | 6.00 | 7.40 | 9.50 |
| Lichtenberg | 8.90 | 8.25 | 7.50 | 6.90 | 7.00 | 8.05 | 10.55 |
| Reinickendorf | 8.00 | 7.45 | 7.65 | 6.85 | 7.30 | 8.35 | 9.25 |
| Berlin | 9.65 | 8.50 | 8.90 | 7.65 | 7.05 | 8.55 | 12.45 |

* Median rent: 50 per cent of the listings are above 50 per cent below this figure

The residential property market Berlin: Development of asking rental prices between 2013 and 2015



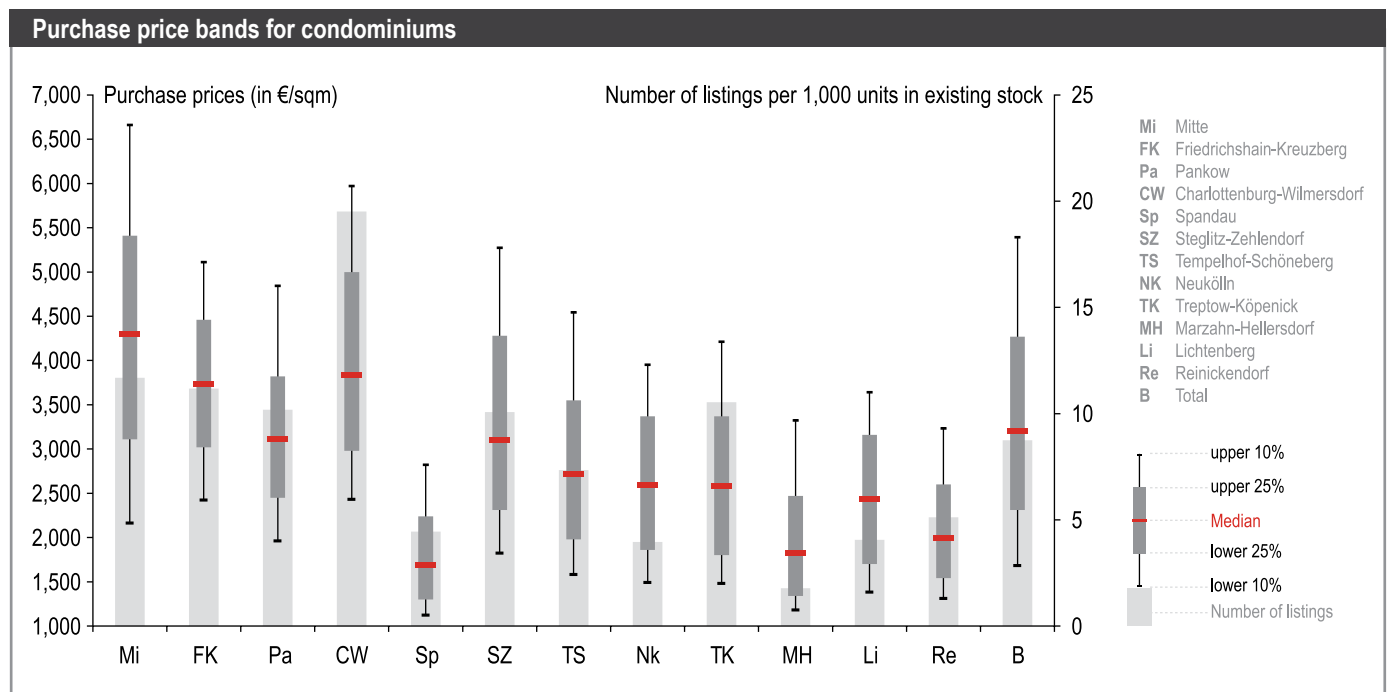
Development of Offered Rental Prices

Development of Offered Rental Prices
in % 2nd half of 2013 - 2nd half of 2015 (on postcode level)



Condominium market in Berlin

in the second half of 2015



| Purchase price bands for condominiums (2 nd half of 2015 in €/sqm) | | | | | | |
|---|--------------|--------------|-----------------------|-----------------------------------|--------------|--------------|
| District | 10% | 25% | Median rent* (50%) | Development since H2 2014 in % | 75% | 90% |
| Mitte | 2,160 | 3,110 | 4,290 | 6.9 | 5,410 | 6,660 |
| Friedrichshain-Kreuzberg | 2,420 | 3,020 | 3,730 | 8.7 | 4,460 | 5,110 |
| Pankow | 1,960 | 2,450 | 3,100 | 9.1 | 3,820 | 4,840 |
| Charlottenburg-Wilmersdorf | 2,430 | 2,980 | 3,830 | 17.5 | 5,000 | 5,970 |
| Spandau | 1,120 | 1,300 | 1,680 | 15.0 | 2,240 | 2,820 |
| Steglitz-Zehlendorf | 1,820 | 2,310 | 3,090 | 11.2 | 4,280 | 5,270 |
| Tempelhof-Schöneberg | 1,580 | 1,980 | 2,710 | 17.4 | 3,550 | 4,540 |
| Neukölln | 1,490 | 1,860 | 2,590 | 15.8 | 3,370 | 3,950 |
| Treptow-Köpenick | 1,480 | 1,800 | 2,580 | 2.4 | 3,370 | 4,210 |
| Marzahn-Hellersdorf | 1,180 | 1,340 | 1,820 | 13.6 | 2,470 | 3,320 |
| Lichtenberg | 1,380 | 1,700 | 2,430 | 7.1 | 3,160 | 3,640 |
| Reinickendorf | 1,310 | 1,540 | 1,990 | 7.5 | 2,600 | 3,230 |
| Berlin | 1,680 | 2,310 | 3,200 | 10.5 | 4,270 | 5,390 |

* Median price: 50 per cent of the listings are above 50 per cent below this figure

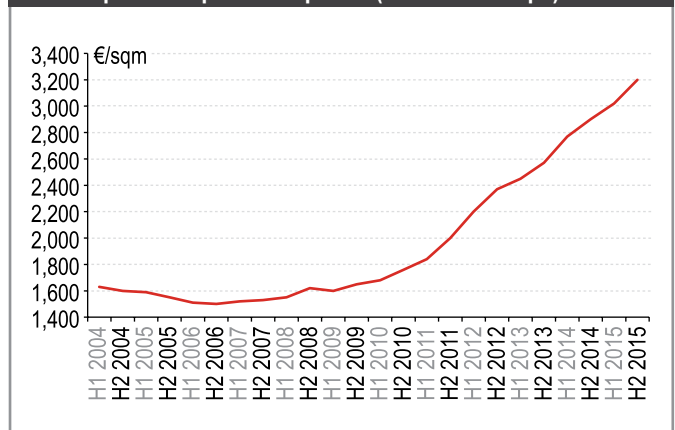
Prices rise by up to a fifth

Prices for condominium apartments in Berlin continue to rise. In the second half of 2015, the average asking price for a condominium apartment was around € 3,200 per sqm, 10.5% more than a year ago. Average price rises around the city were distributed equally across the various price categories, although there were much higher variations within individual districts over the last half year. The most expensive districts such as Mitte and Friedrichshain-Kreuzberg, and Prenzlauer Berg in the Pankow district, have experienced below-average growth rates of 7% to 9%, which is still at a high level. Price rises also remained at a moderate level in Treptow-Köpenick, Lichtenberg and Reinickendorf. The highest price rise of 18% in the past six months was in Charlottenburg-Wilmersdorf, driven in part by new-build projects. At the same time, there were below-average price rises in the western and southern districts from Spandau to Neukölln, as well as in Marzahn-Hellersdorf. Asking prices in the upper half of the market in Steglitz-Zehlendorf rose by almost a fifth year-on-year.

Continued high price rises for condominium apartments

Compared to the slowdown in the rental apartment market, the growth in prices for condominium apartments quickened in the second half of 2015. Compared to the first half of the year, asking prices rose by € 180 per sqm or 6.0%, following rises of just 4% to 5% over the previous two half years. This price increase has nothing to do with the increase in new-build supply: the condominium apartment market benefits from historically low financing rates, often under 1.5%, and the economic upswing, both in Germany as a whole and Berlin in particular. Nonetheless, the slowdown in price rises in the most expensive locations points to a levelling out of the upswing in highly priced locations. Berlin currently benefits greatly from the shift in demand to secondary locations and previously more reasonably priced city districts. Asking prices for condominium apartments in Berlin have risen by three quarters or around

Development of purchase prices (Median in €/sqm)



€ 1,400 per sqm since 2011, an average growth of 12.7% p.a. The annual growth rate over the whole of the review period since 2004 is 6.0%, as there were price decreases observed in the Berlin market over the initial few years.

In the second half of 2015, the average asking price for new-build condominium apartments in Berlin is around € 4,300 per sqm. This means a further significant price rise of € 280 per sqm compared to the previous half year. In the Mitte district, the average price level has exceeded the € 5,000 per sqm mark. Even in Charlottenburg-Wilmersdorf, the average asking price for new-build apartments is around € 5,000 per sqm. There are very few new-build apartments on the market in the city centre districts at under € 4,000 per sqm; however, it is still possible to purchase apartments in peripheral locations for around € 3,000 per sqm.

Purchase price by unit size (Median* in €/sqm)

| District | <45 sqm | 45-65 sqm | 66-90 sqm | >90 sqm |
|----------------------------|--------------|--------------|--------------|--------------|
| Mitte | 2,880 | 3,490 | 4,320 | 4,730 |
| Friedrichshain-Kreuzberg | 2,890 | 3,240 | 3,580 | 4,020 |
| Pankow | 2,950 | 2,640 | 2,960 | 3,500 |
| Charlottenburg-Wilmersdorf | 3,030 | 3,250 | 3,690 | 4,320 |
| Spandau | 1,380 | 1,450 | 1,830 | 2,110 |
| Steglitz-Zehlendorf | 2,460 | 2,320 | 2,700 | 3,740 |
| Tempelhof-Schöneberg | 2,400 | 2,310 | 2,370 | 3,110 |
| Neukölln | 2,120 | 2,070 | 2,250 | 2,800 |
| Treptow-Köpenick | 1,890 | 1,960 | 2,530 | 3,150 |
| Marzahn-Hellersdorf | n/a | 1,520 | 1,520 | 2,250 |
| Lichtenberg | 2,040 | 1,700 | 2,570 | 3,060 |
| Reinickendorf | 1,540 | 1,610 | 1,970 | 2,600 |
| Berlin | 2,600 | 2,610 | 3,000 | 3,800 |

Purchase price by building age (Median* in €/sqm)

| District | <1919 | 1920-1945 | 1946-1960 | 1961-1975 | 1976-1990 | 1991-2010 | >2011 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Mitte | 3,330 | 3,660 | 2,550 | 3,260 | 2,860 | 4,400 | 5,180 |
| Friedrichshain-Kreuzberg | 3,330 | 3,150 | 3,010 | 3,070 | 2,220 | 3,080 | 4,410 |
| Pankow | 3,160 | 2,420 | 1,850 | 1,570 | 2,250 | 2,450 | 3,610 |
| Charlottenburg-Wilmersdorf | 3,670 | 4,130 | 2,890 | 2,800 | 3,190 | 3,550 | 5,000 |
| Spandau | 1,290 | 1,370 | 1,440 | 1,580 | 2,600 | 2,100 | 3,360 |
| Steglitz-Zehlendorf | 3,130 | 2,600 | 2,120 | 2,360 | 3,050 | 3,020 | 4,440 |
| Tempelhof-Schöneberg | 3,060 | 1,860 | 1,870 | 2,080 | 2,060 | 2,510 | 4,230 |
| Neukölln | 2,790 | n/a | 2,000 | 1,600 | 2,080 | 2,420 | 3,610 |
| Treptow-Köpenick | 2,330 | 1,680 | 1,440 | 1,440 | 1,660 | 2,130 | 3,430 |
| Marzahn-Hellersdorf | n/a | 1,920 | n/a | n/a | 1,280 | 1,690 | 2,980 |
| Lichtenberg | 2,140 | 1,970 | n/a | 1,310 | 1,410 | 2,500 | 3,160 |
| Reinickendorf | 2,100 | 1,610 | 1,520 | 1,800 | 2,640 | 2,180 | 3,350 |
| Berlin | 3,200 | 2,310 | 2,150 | 2,250 | 2,610 | 2,550 | 4,300 |

* Median price: 50 per cent of the listings are above 50 per cent below this figure

Transaction market for residential property in the second half of 2015

Merger fever drives residential property transaction volume to new record level

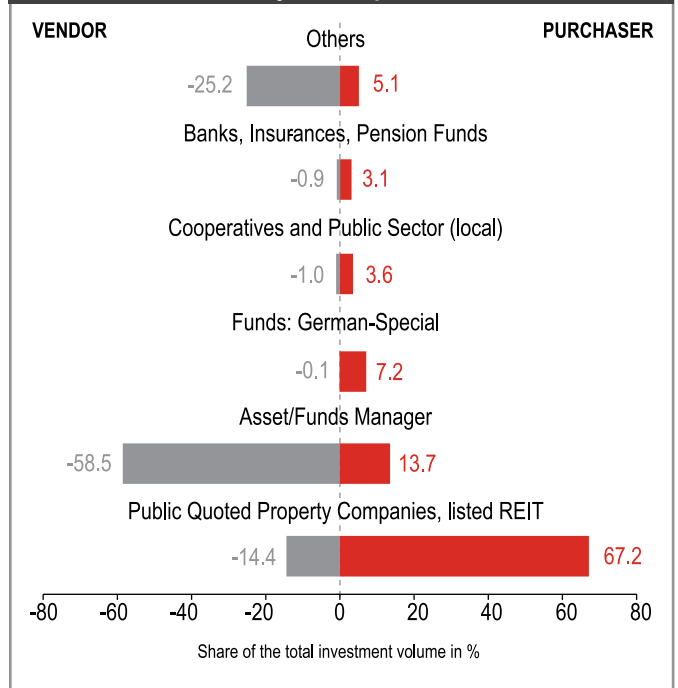
There were more transactions in the residential property investment market in 2015 than ever before. More than € 5.0 bn was transacted in the fourth quarter, bringing the annual total to € 25 bn involving almost 360,000 apartments.

Half the annual total was due to four mega-deals. By far the largest deal was the takeover of Gagfah by Deutsche Annington for a price of more than € 8 bn. The newly created residential property company Vonovia SE is even quoted on the DAX stock exchange and has a market capitalisation of almost € 13 bn. Also, the sector's number two player Deutsche Wohnen AG was one of the year's most active purchasers, alongside LEG NRW, Adler AG and Vivawest.

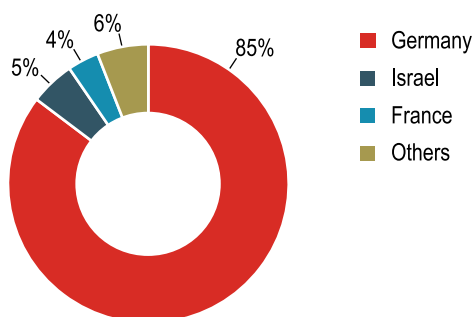
The continued significant appeal of residential investments was also evident in the market for smaller lot sizes with fewer than 4,000 residential units per transaction. There were over 450 deals in this sector with a new record value of € 9.8 bn.

In terms of the sale of residential properties and portfolios, 20% of the total turnover was transacted in the Berlin region. This was significantly ahead of Hamburg (€ 880m) and Frankfurt (€ 780m). As before, the buy-side of the German residential transaction market was dominated by domestic players. The proportion of turnover in

Portfolio transactions by vendor/purchaser in %



Investors origin (% of transaction volume)



Transaction volume H2 2015: € 25.0 bn

the German residential market attributable to direct investments by foreign investors was just 15%. However, it should be noted that international investors provide funds for German stock exchange listed residential property companies and fund vehicles, and are therefore indirectly active on the buy-side.

The outlook for 2016 remains positive. The transaction volume is largely dependent on whether there will be further mergers involving listed companies after the failed takeover of Deutsche Wohnen AG by Vonovia. With further mergers, a transaction volume at the 2015 level is quite conceivable. Otherwise, a volume of € 13 - € 15 billion is probable.

Every fifth Euro invested in German residential property is spent in Berlin

Traditionally, Berlin is by far the most important German investment location for residential property. Every fifth Euro invested in residential property was spent in the city on the Spree and Havel rivers. A total transaction volume of € 5 bn (51,000 apartments) was invested in 2015. This was not only almost 60% more than in the previous year, but after 2013, is also the second highest volume since records began. Conversely, half of the 2015 transaction volume was due to nine sales and not to a company takeover as was the case in 2013. The biggest increase in net assets with almost € 470 m was attribut-

able to co-operatives and public sector residential property companies, which have been pursuing their objective of making more public sector apartments available. In second place were large residential property companies and REITs, which increased their stock of residential assets by almost € 430m, headed up by Deutsche Wohnen AG which purchased three large portfolios (>1,000 apartments). In third place with around € 425 m were special funds which acted as fund managers for national and international investors. The latter were also active purchasers of project developments. Developers were one of the most active groups on the sell-side in 2015 with their highest ever sale volume of more than € 830 m.

Selected residential portfolio transactions

| Location | Vendor | Purchaser | Housing units | Purchase price in € million | Date | Annotations |
|---|------------------------------------|---|---------------|-----------------------------|---------|------------------------------------|
| Various | Free float | Vonovia | 144,000 | 8,010 | Q1 2015 | Takover Gagfah |
| Stuttgart, Ulm, Mannheim, Karlsruhe, Kornwestheim | Patrizia Immobilien led consortium | Vonovia | 16,900 | 1,900 | Q2 2015 | Südewo (former LBBW) |
| Berlin, Kiel, Munich | Patrizia Immobilien | Deutsche Wohnen | 13,500 | 1,200 | Q4 2015 | Harald-Portfolio |
| Berlin, Kiel, Munich | Norwegian and Swedish owners | Patrizia Immobilien | 13,500 | 900 | Q2 2015 | Obligo-Portfolio |
| Various | Free float | Adler Real Estate | 16,100 | 800 | Q2 2015 | Takeover Westgrund |
| Various | Vonovia | LEG NRW | 13,800 | 600 | Q4 2015 | NRW Portfolio |
| Berlin | Deutsche Wohnen | ADO Properties | 5,800 | 380 | Q1 2015 | Carlos-Portfolio |
| Berlin | Berlin IV A/S | Foncière Développement Logements (Immeo Wohnen) | 2,700 | 350 | Q4 2015 | |
| Berlin | Reggeborgh | Deutsche Wohnen | 4,600 | 350 | Q2 2015 | Two residential property companies |
| Leipzig i. a. | Adurion Family Office | Grand City Properties | 10,500 | 330 | Q2 2015 | Gutburg Portfolio i. a. |

Division of Berlin districts and areas

| District | Area |
|----------------------------|---|
| Mitte | Hansaviertel, Tiergarten, Moabit, Gesundbrunnen, Wedding, Mitte |
| Friedrichshain-Kreuzberg | Friedrichshain, Kreuzberg |
| Pankow | Prenzlauer Berg, Weißensee, Blankenburg, Heinersdorf, Karow, Pankow, Blankenfelde, Buch, Französisch Buchholz, Rosenthal, Wilhelmsruh |
| Charlottenburg-Wilmersdorf | Charlottenburg, Charlottenburg-Nord, Grunewald, Halensee, Schmargendorf, Westend |
| Spandau | Spandau, Haselhorst, Siemensstadt, Wilhelmstadt, Gatow, Kladow, Hakenfelde, Falkenhagener Feld, Staaken |
| Steglitz-Zehlendorf | Dahlem, Düppel, Lankwitz, Lichterfelde, Nikolassee, Schlachtensee, Steglitz, Südende, Wannsee, Zehlendorf |
| Tempelhof-Schöneberg | Schöneberg, Friedenau, Mariendorf, Marienfelde, Lichtenrade |
| Neukölln | Neukölln, Britz, Buckow, Rudow, Gropiusstadt |
| Treptow-Köpenick | Alt-Treptow, Plänterwald, Baumschulenweg, Johannisthal, Niederschöneweide, Altglienicke, Adlershof, Bohnsdorf, Oberschöneweide, Köpenick, Friedrichshagen, Rahnsdorf, Grünau, Müggelheim, Schmöckwitz |
| Marzahn-Hellersdorf | Marzahn, Hellersdorf, Biesdorf, Kaulsdorf, Mahlsdorf |
| Lichtenberg | Malchow, Wartenberg, Falkenberg, Neu Hohenschönhausen, Alt-Hohenschönhausen, Fennpfuhl, Alt-Lichtenberg, Rummelsburg, Friedrichsfelde, Karlshorst |
| Reinickendorf | Frohnau, Heiligensee, Hermsdorf, Lübars, Konradshöhe, Märkisches Viertel, Reinickendorf, Tegel, Waidmannslust, Wittenau |

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Table “Rental price bands for offered apartments”: IDN ImmoDaten GmbH, JLL

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