

German Real Estate News 3/2012

German Press Review – Comments – Facts & Figures about German and European Property Markets (Weeks 5/6)

Volume VII, Issue 3, Date of Publication: February 14, 2012

BulwienGesa Real Estate Index Shows Fastest Growth since 1993 – New Condos +7.3%

Several papers (**HANDELSBLATT**, **FRANKFURTER ALLGEMEINE ZEITUNG**, **IMMOBILIEN ZEITUNG**, and **PLATOW BRIEF**) reported last week that BulwienGesa Real Estate Index 2011 showed a 3.4% increase in rents and prices in 125 German cities. It is the fastest growth rate seen since 1993. The boom is driven in particular by the housing market, which manifested an increase by 4.7%. The steepest growth rates among all price and rent segments surveyed were identified for purchase prices of new condominiums at +7.3% (with terrace housing and plots for single-family homes next in line at +4.3% and +2.3%, respectively). Similarly, rent rates on the residential real estate market repeated their positive performance, rising by +5.2% for first-time lettings and by +4.6% for re-lettings.

Commercial real estate made the record with a growth rate of 1.6% only, and even this rate was driven mainly by retail rents in prime locations, which surged by 2.5%. At the same time, secondary locations stagnated. Office rents showed a rather modest dynamic at +1.3%. Growth leader of the overall index were Class A cities with a +4.6% increase that is primarily attributable to the housing market segments. Rent rates and prices in Class B cities increased by a total of 3.1%, trailed by Class C and Class D cities at +3% and +2.1%, respectively. In the long run, the index reveals a much higher volatility for Class A cities, exposing their increased susceptibility to crises, whereas cities of the classes B, C, and D grew faster than at any other time since the mid-1990s. The papers went on to say that BulwienGesa expects the housing market segment to remain in a stable or upwardly mobile condition in 2012 because of the low interest rates, the high reserves in savings, and the lack of investment alternatives. As far as the commercial real estate market goes, the survey institute predicts a low construction level combined with a reduction in vacancies and modest rent hikes for the office sector. The growth trend in consumer spending will precipitate positive developments in prime locations that are likely to have peaked by the end of 2012.

German Real Estate Market Shows Highest Investment Volume since 2008

As the **BÖRSEN ZEITUNG** reported on February 1, calculations done by BulwienGesa suggest that the German real estate market achieved the highest investment volume since 2008. Approximately 23 billion Euros were committed in German commercial real estate – a year-on-year increase of nearly 20%. Another 4.8 billion Euros were spent on

residential real estate. The share of foreign investors rose from 20.9% to 33.4% for commercial properties, thereby rising in rank to take the place of “other investors” (25.6% to 26.8%) as the largest group on the market. Third in line in 2011 were institutional funds with a decline from 13.1% to 12.2%. Closed-end real estate funds, which had represented the third-largest group of investors the previous year, dropped back to fourth place as their share declined from 18.9% to 10.6%. Insurance companies and pension funds placed fifth (from 9.1% to 8.7%). In 2012, BulwienGesa reportedly expects the conditions for real estate investments to remain sound in spite of the slowing momentum that is explained by the slow economy, the declining inflation trend, and the expansive interest policy of the ECB. According to a survey conducted by Union Investment Real Estate, 55% of the polled European investors quoted the desire for safety as their prime motive for investing in real estate, the second-most important reason being the return on investment (28%). Nearly one in two respondents was convinced that Germany will emerge stronger from the debt crisis.

According to an article the **SÜDDEUTSCHE ZEITUNG** carried on February 3, the transaction volume for housing packages or housing estates of more than 50 housing units rose by 44% year on year, up to 6.12 billion Euros. At the same time, the number of housing units that changed hands rose to 92,000 (+27% compared to 2010) in the course of 194 registered transactions. The market for large housing package of 1,000 housing units or more has picked up steam again. Listed real estate companies were said to have dominated the investment markets with a share of 32% while high-net-worth individuals accounted for roughly 13%.

DTZ Predicts Growing Interest in Secondary Cities

According to an estimate ventured by real estate consulting firm DTZ, the transaction activity beyond Germany’s “Big Seven” cities will gather momentum, as the **IMMOBILIEN ZEITUNG** reported on February 2. DTZ sees primarily international investors as the driving force behind the trend. On the one hand, Germany is the stated investment destination, while, on the other hand, it is getting harder and harder to realise the return targets in the country’s Class A cities. Apart from all that, DTZ was said to have forecast continuity for the German investment market. Both the transaction volume (between 20 and 25 billion Euros) and the weighting by types of use (retail: 45%, office: 30%) will barely change compared to 2011. Thomas Beyerle of IVG was quoted with the assessment that the contracting supply in core properties will cause the very term “core” to become diluted: “We will see a growing tolerance for moving beyond core.”

Real Estate Experts: Sound Investment and Income Climate

The **IMMOBILIEN ZEITUNG** and the **FINANCIAL TIMES DEUTSCHLAND** reported on February 2 that German real estate experts started into the new year on a positive note. The results of the Real Estate Economic Situation Index compiled by Deutsche Hypo, a subsidiary of Nord/LB, suggest that the Real Estate Climate improved by 21.5 points to now 140.9 points (+18%). The surge in sentiment is driven by the two sub-indicators Investment Climate (+27.9%) and Rental Income (+22.9%). Broken down into segments, the Office Climate registered the steepest increase (+30%). The Residential Climate, by contrast, softened slightly by 0.8%.

Rental Growth Lags behind Headline Inflation

As the **BÖRSEN ZEITUNG** reported on January 31, low interest rates have been driving the demand for real estate, pushing up prices for free-standing homes and possibly rents, too. Germany's consumer price index rose by a total of 10.8% between 2005 and 2011, while prices for apartment blocks soared by 19%, or so data released by Destatis, Germany's Federal Statistical Office. That said, the trend has not yet translated into rent hikes nationwide. Indeed, the German rent average rose by clearly less than 1.5%, and thus lagged far behind the headline rate of inflation.

German Real Estate Safe and Affordable in the Eyes of European Investors

As the **FRANKFURTER ALLGEMEINE ZEITUNG** wrote on February 3, the Swiss-based Banque Syz & Co added German real estate to its latest model portfolio for the first time in the bank's history. The low unemployment rate and the relative robustness of the German economy ensure a high level of safety in regard to rent payments. German real estate offers "the foreign investor natural protection in case the Eurozone disintegrates," read the statement on the market outlook. Above all, German real estate prices are noticeably lower than those in most industrialised nations. While Jérôme Schupp of Syz & Co. expects no major price hikes, be it for residential or commercial real estate, in the near future, annual returns of 4% to 6% are realistic for investors to expect – which is obviously a step up from around 1.8% currently paid by ten-year Bunds, for instance.

East German Locations Underrated

On February 3, the **HANDELSBLATT** observed that most investors continue to give the East German states a wide berth, and this even though East Germany does offer opportunities, as both Jochen-Konrad Fromme of TLG Immobilien and Reiner Braun of Empirica noted. Investors no longer able to find investment-grade assets in Class A cities, the paper added, are increasingly straying into Class B cities. The great advantage of East Germany is its low price level. In Dresden, for instance, sound housing portfolios are to be had for multiples as low as 12 annual rent rates, whereas the going rate in Munich is 20 times. The Engel & Völkers estate agency found that many private investors are committing themselves in East Germany, favouring combination residential/ commercial buildings that cost under a million Euros.

GfK Investment Barometer: Germans Deem Homeownership the Most Attractive Investment

The **FINANCIAL TIMES DEUTSCHLAND** (February 9) and the **BÖRSEN ZEITUNG** (February 10) summed up the findings of the most recent GfK Investment Barometer. These suggest that 77% of all Germans consider investing into a free-standing home or a condominium either attractive or very attractive. This contrasts with the fact that only 45% of the survey participants have actually invested into a home of their own. Then again, homeownership takes the lead as most popular form of investment in another eight out of eleven countries surveyed.

IVD Survey: Homeownership High in Demand

On February 10, the **SÜDDEUTSCHE ZEITUNG** covered a survey by the IVD Federal Investment and Asset Management Association on the demand for homes and condominiums. According to the estimate ventured by 750 polled estate agents, it will continue to rise in 2012. Respondent estate agents expect the investor demand for apartment blocks to grow fastest, as 74% assume that this segment will develop along positive lines. Positive demand growth forecasts were also made for free-standing family homes (71%), condominiums for owner-occupation (70%), and buy-to-let condominiums (66%).

Germany the Favoured Destination for Pro Investors

The upshot of a survey conducted by Schrodgers Property among 112 institutional investors is that large-scale investors on the ground intend to invest mainly in Germany during H1 2012, or so the **FINANCIAL TIMES DEUTSCHLAND** reported in its February 9 issue. Nine out of ten respondents were said to be aiming for German real estate, while 88% intend to commit themselves in Western Europe. One in four is planning acquisitions in North America, and 21% are seeking to buy Asian property.

Residential Investments: Highest Yield Potential in Zwickau

The **IMMOBILIEN ZEITUNG** (February 9) and the **FRANKFURTER ALLGEMEINE ZEITUNG** (February 10) covered an analysis of the yield opportunities associable with residential investments in Germany that was conducted by BulwienGesa and IREBS. The findings suggest that investors are ill advised to assume that hefty returns lay in wait beyond the prime locations. Fact is that prices outpaced rent rates in many Class B cities, too, in recent years. At the same time, the survey warns against the unreflected assumption that apartments in Germany's top cities are too pricy. Except for certain submarkets in the "Big Seven," the market shows no sign of overheating. The most pronounced yield risk was diagnosed in Cologne, the highest yield potential in Zwickau. Given the persistent uncertainty on the bond markets, and the still minimal lending rates, Tobias Just of IREBS and Andreas Schulten of BulwienGesa expect the growth in German home prices to outpace the rental growth this year as last year.

Superior Residential Locations Priciest in Frankfurt

On February 8 and 10, **DIE WELT** covered a survey published by the ECA International human resource consultancy. It queried the rent rates for unfurnished 3-bedroom apartment of about 80 sqm in size in preferred locations in 130 cities. The rent average in Berlin was 775 Euros/ month. This puts the German capital in place 85 worldwide. Higher rents are paid in Düsseldorf (rank 80), Hamburg (64), and Munich (57). Ranking 55th in the world and 1st in Germany is Frankfurt am Main with a going rate of 1,050 Euros/ month. Places one and two of the international ranking went to Tokyo and London.

Residential Real Estate in Berlin Coveted by International Investors

Berlin remains an Eldorado for international condominium buyers. This is the verdict reached by the **IMMOBILIEN ZEITUNG** on February 9. This year as last year, the paper argued, rent rates and purchase prices in preferred districts of Berlin have clearly pointed upward. Landesbausparkasse LBS Nord was cited with the assessment that apartments located inside the rapid transit circle line (*Ringbahn*) will remain particularly popular in 2012. Demand dramatically exceeds supply in the districts of Mitte, Friedrichshain, Prenzlauer Berg, and parts of Kreuzberg. Indeed, demand has spilled over into now coveted location in the eastern part of Wedding and in the direction of Reinikendorf. Rent hikes from 5 Euros/ sqm to somewhere between 8 and 10 Euros/ sqm for new letting contracts are not a rare thing to see.

Logistics Take-Up Hits New High-Water Mark

On February 9, the **IMMOBILIEN ZEITUNG** has a new record to report: Nearly 6 million square metres in logistics space were marketed to tenants and owner-occupiers in Germany last year, according to figures released by JLL. This equals a year-on-year increase by 36%, after a one-year increase of 33% in 2010. The take-up in Germany's top five conurbations Berlin, Düsseldorf, Frankfurt am Main (including Wiesbaden and Mainz), Hamburg, and Munich rose by a quarter to 2.25 million square metres. Rainer Koepke of JLL noted that there were a number of major deals. The single biggest deal involved a warehouse of 150,000 sqm raised for Edeka in Lauenau near Hanover. Prime rents for storage space of 5,000 sqm or more were said to have perked up in the top regions. For instance, JLL registered a 5% increase up to 6.30 Euros/ sqm in Munich. Going rates in other metropolises include 5.90 Euros/ sqm in Frankfurt, 5.5 Euros/ sqm in Hamburg, and 5.40 Euros/ sqm in Düsseldorf. Berlin was on record with the lowest prime rent at 4.70 Euros/ sqm.

VDF Industry Figures for 2011: Fundraising up 38% for Germany Real Estate Funds

The **HANDELSBLATT**, the **FINANCIAL TIMES DEUTSCHLAND**, and the **BÖRSEN ZEITUNG** (all on February 8), as well as the **FONDSZEITUNG** (February 9) covered the 2011 figures released by the VGF German closed-end fund association on February 7. The papers reported that providers of closed-end funds achieved a better fundraising result than expected. The figure quoted by VGF for 2011 was approximately 5.85 billion Euros in placed equity, which is almost level with the volume paid into closed-end funds the year before. With a view to the sometimes very low sentiment in the industry, market observers had anticipated a decline. It is believed that the industry owes the unexpectedly positive result to institutional investors who committed approximately 1.04 billion Euros to closed-end funds, which is 67% more than in 2010. At the same time, the subscription volume of private investors dropped by a total of 8%, down to approximately 4.81 billion Euros. Then as now, real estate remains the most popular investment class. Funds investing in German real estate, for instance, increased their share of the market by 38% to approximately 2.24 billion Euros. Real estate funds holding properties outside Germany were said to have increased their fundraising volume by 10% year on year (approx. 795 million Euros in equity placed). In terms of

subscription volume, funds for German real estate saw higher commitments from both private and institutional investors (+33% and +72%, respectively). “Real estate is number one, and this is not about to change,” said Eric Romba, Chief Managing Director of VGF. He rated the rising popularity of closed-end funds among institutional investors as an indication for a shift in the industry. Initiators, he added, are turning into “asset managers with structuring competence” who manage the investment assets and offer these through vehicles that satisfy the requirements of a given investor.

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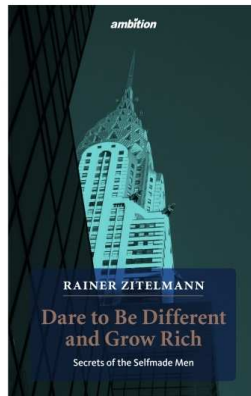
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Recommended Reading by Jürgen Michael Schick

**Made My Classic Reading List:
“Dare to be Different and Grow Rich”**



Dare to be Different and Grow Rich by Rainer Zitelmann is a book about and for successful individuals. Its idea is to save its readers vast amounts of time, and to enhance their performance the quick way. Efficiency means to achieve the best results with the lowest possible effort, the author argues, and it is as concise a definition as it could be. If you do not feel like working your way through the biographies of 50 overachievers, but prefer to be presented with the essence of the professional and personal lives of Warren Buffet, Steve Jobs, Heidi Klum and many other successful individuals, then Dare to Be Different and Grow Rich is definitely the right book to read.

What I personally like about the book is its structure. Many suggestions Zitelmann has distilled from these biographies are rather easy to put to practical use. “I set a goal, visualized it very clearly, then created the drive, the hunger for turning it into a reality. There’s kind of a joy in that kind of ambition, in having a vision in front of you. With that kind of joy, discipline isn’t difficult or negative or grim,” is how Arnold Schwarzenegger described his recipe for success.

Admittedly, Schwarzenegger may not be everyone’s role model, yet the former bodybuilder, actor, and Governor of California is a good example of what you can achieve even within a very short period of time by developing an iron will and sophisticated motivation techniques – and this is precisely the point Zitelmann is making. He has pinpointed role models who show clearly what sort of attitude will help you succeed. He believes that one of the most important secrets of success is to identify, adapt and readjust the success recipes of others until you have accomplished your ends.

Download the eBook at:

<http://www.libreka.de/9783942821971>

<http://www.weltbild.de/3/17232398-1/ebook/dare-to-be-different-and-grow-rich.html>



Feri Real Estate Market Rating

The Feri Real Estate Market Rating provides a forward-looking assessment of potentials and risks for investment return on regional real estate markets. Ratings are based on detailed econometric forecasts of regional real estate markets including regional economic development. The rating currently includes more than 150 cities in Europe, in the United States and in Asia.

In this issue:

Real Estate Market Rating for Regensburg

Regensburg is traditionally an industrial center, and the output share of its industrial sector remains far above average. The region's industrial sector is most strongly focused on vehicle assembly (BMW AG), machinery production, and electrical engineering. For the most part, these enterprise segments have sustained quite a good performance in recent years. This comparatively strong showing by the industrial sector is favorably distinguishes Regensburg from many other industrial regions, as during this recent period, the industrial sector as a whole faced severe adjustment pressure, and industrial activity declined notably in many locations. Meanwhile, Regensburg's service sector has also been steadily gaining importance. With a university and colleges, Regensburg offers a favorable research infrastructure. Over the medium term, Regensburg's proximity to newly opened, expanding markets in Eastern Europe will confer a further economic advantage.

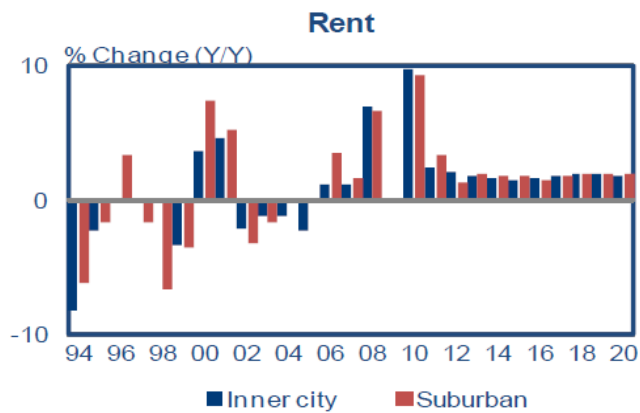
Feri rates Regensburg as a business location "A", which is an upgrade compared to the 4th quarter 2010. It translates into "high potential, low risk". With this rating result, the city ranks 3rd in the comparison of German B – Centers.

Office Real Estate

Regarding office real estate Feri rates Regensburg "B" which is an upgrade compared to the 4th quarter 2010. The city ranks 8th among office locations of German B – Centers. Feri awards the office top locations "B+" and the side locations "B".

In recent years, the office vacancy rate has risen less notably in Regensburg than in many other regions. New building activity has been limited, and particularly so for speculative projects. Nevertheless, the region has experienced recurrent periods of decreasing rents for office space attributable to cyclical economic weakness. Usually, the suburban office segment – which suffers from the disadvantage of unfavorable traffic connections – fared worse during such times. In 2010, due to the effects of the latest economic downturn, Regensburg's office market registered virtually flat rents. In coming years, provided the anticipated economic recovery takes hold, Regensburg

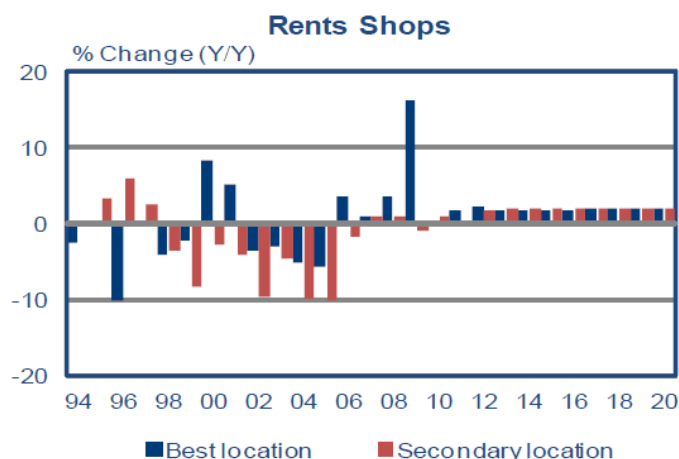
should continue gaining importance as a center of service sector activity – a trend that will animate demand for office space. In this context, both inner city and suburban office rents are forecast to rise quite steadily.



Retail Real Estate

In the comparison of German B – Centers regarding retail real estate Regensburg placed 17th with a rating result of “C”, unchanged compared to the 4th quarter 2010. Feri awards the retail top locations “C” and the side locations “B”.

Regensburg is a regional retail center with an attractive city center, but its retail shops face strong competitive pressure from the "Donau-Einkaufszentrum," the "Alex-Center," the "Regensburg Arcaden" and other peripheral shopping centers. The major adverse impact that large scale development of peripheral shopping centers had on top retail locations in Regensburg's city center can be seen in a long-term tendency toward declining rents. The weak rent performance reflects both the siphoning off of purchasing power and a greatly augmented stock of retail space. Rents have also performed poorly, at times, due to restrained consumer spending during cyclical economic downturns. Nonetheless, rents for space in Regensburg's best retail locations seem to recover. In coming years, rents for space in both top and secondary retail locations are expected to rise modestly.



Residential Real Estate

When it comes to residential real estate, Regensburg placed 32nd among German B – Ceners with a rating result of “D-”, unchanged compared to the 4th quarter 2010.

Regensburg's rental housing market exhibits a bifurcated performance. For large, modern apartments, especially in preferred inner city districts, demand exceeds supply. Conversely, smaller, ordinary apartments draw just minimal demand. On average, though, rents for both new and existing dwelling units in Regensburg have mostly risen in recent years. Moreover, supply is currently tightening due to low new building activity in the multifamily housing segment. A continuously rising number of households, and a solid overall economic outlook, further brighten the prospects for the region's housing market. This combination of factors supports a projection that rents for both new and existing apartments in Regensburg will continue to increase during the years ahead.

On Regensburg's residential sales market, prices developed weakly, especially for condominiums, for a long time. But in recent years, a big oversupply that had prevailed for over a decade finally showed signs of being absorbed. Thus, all segments of the region's housing sales market started to show a better price performance in 2006, although the recent recession induced a short-term episode of flat to slightly declining prices. The outlook is quite optimistic for the years ahead, based on projections for low new building activity, positive demographic development in the region, and a growing trend of investment in residential property as a retirement-age financial security strategy. Sale prices in all residential segments are expected to rise steadily from 2011 on. A city program to make housing space available for families designated a number of building lots for both single-family houses and town houses.



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Feri Real Estate Market Rating

The "Feri Real Estate Market Ratings" issued by Feri appraise the value potential of regional real estate markets, taking into account the attendant risks. The methodological approach underlying Feri Real Estate Market Ratings is rooted in the empirical observation that the performance of a given real estate market depends essentially on the economic power of the respective city. Before this background, Feri develops a separate prognostic model for each city, mapping the regional economy as a system of independent equations.

For the purpose of compiling its ratings, Feri uses a detailed regional forecast to analyse the socio-economic development, the economic structure, as well as the ten-year indicators specific to the respective real estate market. The forecast findings are evaluated using a mathematical rating algorithm.

The objective behind the ratings is to make the markets more transparent, and thereby to support pending investment decisions of private and institutional investors. Feri ratings are updated on a quarterly basis, and are currently available for 67 German cities and counties, as well as for 60 European cities outside Germany, and 45 cities in the United States.

Feri EuroRating Services AG

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For more information on Feri EuroRating Services, please go to <http://fr.feri.de/en/our-company.aspx>.