PwC Real Estate Investor Survey

Yields and letting parameters for selected German, Austrian and Swiss submarkets

Germany, Austria
and Switzerland

pwc.de/investor-survey
pwc.ch/realestate
pwc.at/real-estate

Spotlight

Today's menu: mixed use – from investor's point of view

Volume 14
March 2022

PwC Real Estate Investor Survey Germany, Austria and Switzerland | Volume 14

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Introduction

Introduction

The data we retrieved on the submarkets of Germany, Austria and Switzerland show a positive trend in the property market after the impact of COVID. These trends are reflected in the 'all-risk yields' (Yields), which represent the relationship between the stabilised net operating income (NOI) and the net purchase price.

In this volume of the PwC Real Estate Investor Survey, we have interviewed investors regarding the trend of mixed-use concepts on a neighbourhood level as well as on a single asset level.

We gathered our data by interviewing various types of market participants, including funds, investment or asset managers. For an overview of the results and for an overview of our approach and definitions, please refer to the respective section.

Germany

While we observed increasing yields for offices in the Top 7 locations in the last survey, we now notice again decreasing yields in the Top 7 Cities (- 11 bps on average). Similar to the prime locations, yield compressions are also observed for all regional cities and most of the regions.

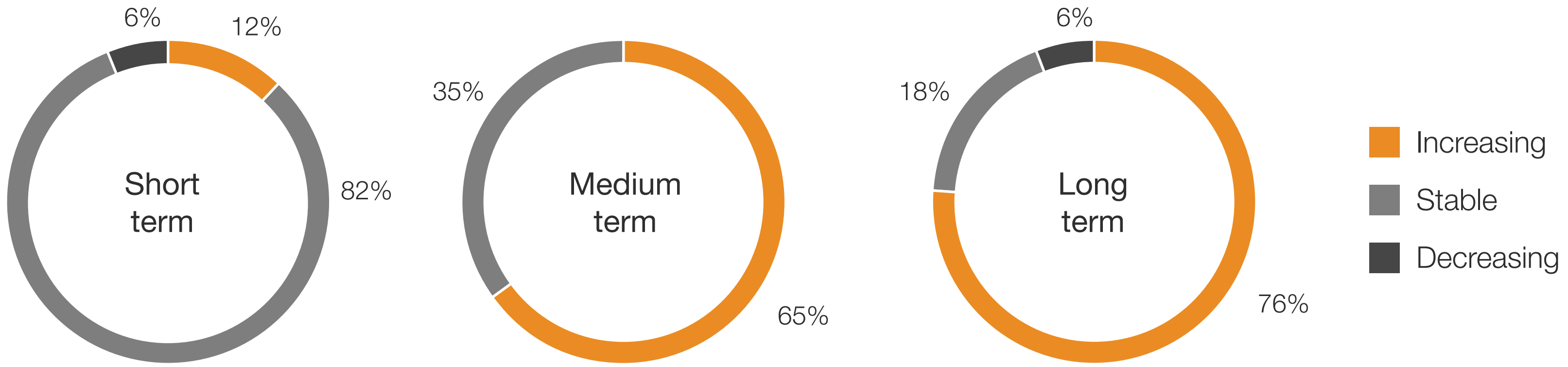
Throughout the German retail investment market, the turnaround in the last survey has stopped with decreasing yields for all locations but conservative expectations regarding market rent developments and reletting assumptions.

Similar to the previous survey, the run on logistic properties continues with increasing annual market rent growth rates especially in the Top 15 Locations.

In a nutshell, logistic continues to be the most attractive German market and as in the last volume of the investor survey, office properties in secondary locations outperform the Top 7 Cities.

Germany

Interest rate expectation



Short term

In line with the survey results from the previous survey, most of the investors still believe that short-term interest rates will remain stable over the next 12 months.

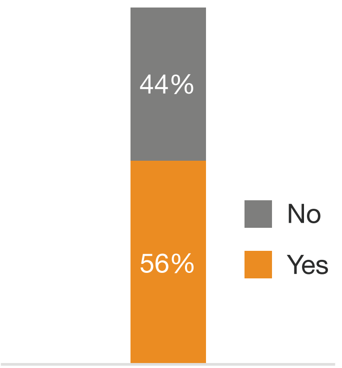
Medium term

For the next five years, the majority of investors continue to believe in increasing interest rates.

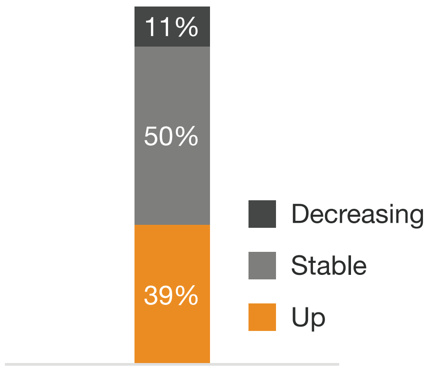
Long term

In the long term, the opinions on the development of interest rates are clear among the investors. 76% expect interest rates to increase.

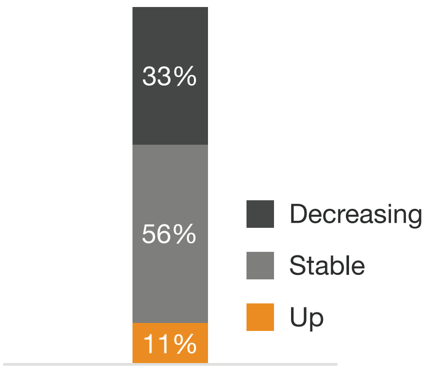
Investors' expectations regarding yields and rent



Will property yields increase in line with general trend in interest rates?



How will rents develop in primary locations?



How will rents develop in secondary locations?

In contrast to the last survey, where most investors expected property yields to not develop in line with interest rates, the majority of the interviewed investors now believe that the development in property yields will follow the trend in interest rates.

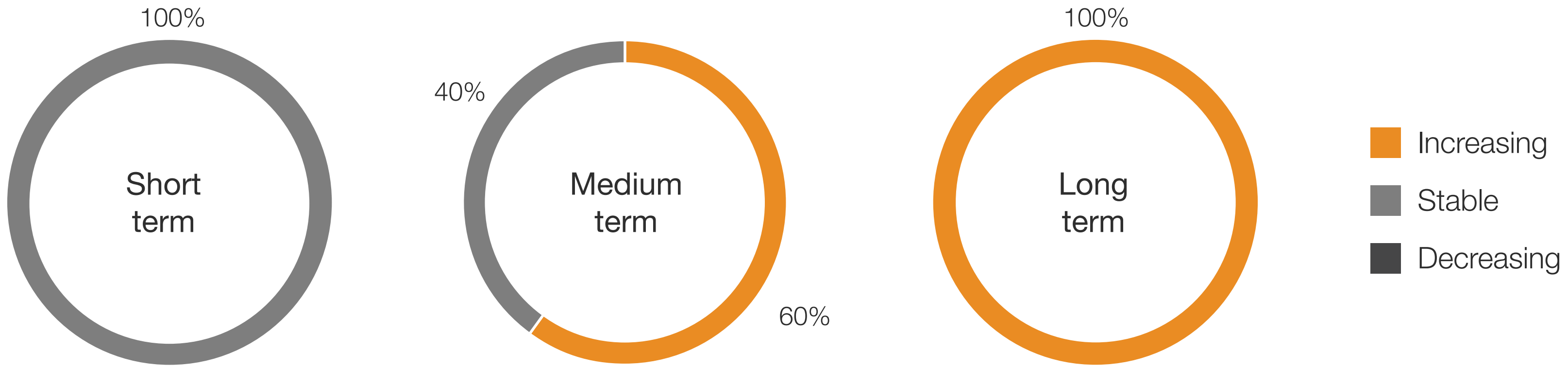
Half of the investors believe that rents will remain stable in prime locations. In secondary locations, 56% of the investors expect stable rents as well. Following the last survey, one third assume decreasing rents in secondary locations.

Austria

Despite the ongoing economic and political turbulence in 2021, investors remain to have confidence in the Austrian real estate market. The available liquidity and low interest rates will continue to ensure high demand. In addition to current transactions, attractive investment opportunities will continue to come onto the market and off-market transactions will take place. Yields remain under pressure in almost all asset classes. Residential, core office, and logistics continue to be the main focus of investors. The prime yield for logistics has fallen by 45 bps compared to the previous year, now finding itself at around 3.6% with further decline expected in 2022. Office and residential were subject to a decline in prime yields of 5 bps each to 3.3% and 3.0%. Overall, Investors are regaining more confidence towards hotel and retail assets. The retail sector, particularly prime yields in high-street retail decreased by 10 bps yoy to 3.4%.

Austria

Interest rate expectation



Short term

In line with the results from the previous survey, the Austrian investors believe that interest rates will remain stable in the next 12 months. Contrary to the previous survey, all participated investors share this opinion.

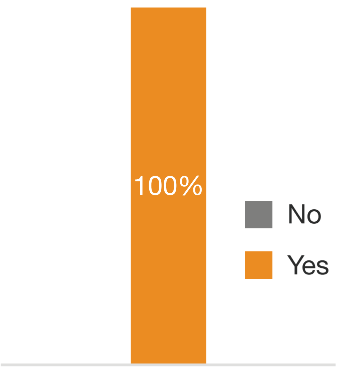
Medium term

Looking at the medium-term projection for a five-year period, the overall perception has changed to the previous survey results, with 60% of the investors believing that interest rates will increase, instead of remaining stable. However, about 40% of the investors assume that the level remains stable in the medium term.

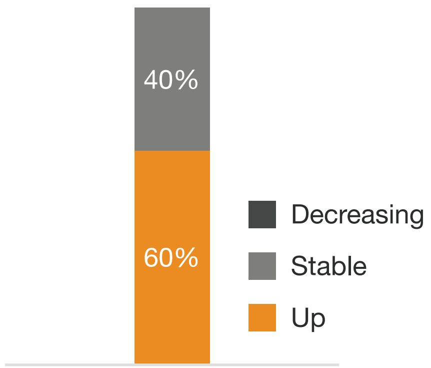
Long term

Similar to the investor perception as of Vol. 13, rather this time all of the participated investors assume an increase of interest rates beyond the next five years.

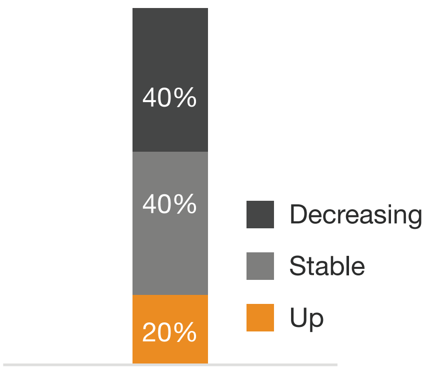
Investors' expectations regarding yields and rent



Will property yields increase in line with general trend in interest rates?



How will rents develop in primary locations?



How will rents develop in secondary locations?

The investors perception of the development in property yields alongside the general trend in interest rates is contrary to the last survey unanimously the case. Furthermore, 40% believe that rents in primary locations remain stable and the majority with 60% even predict an increase. For secondary locations, the picture varies rather distinctively, with 40% of investors expecting a decline in rents.

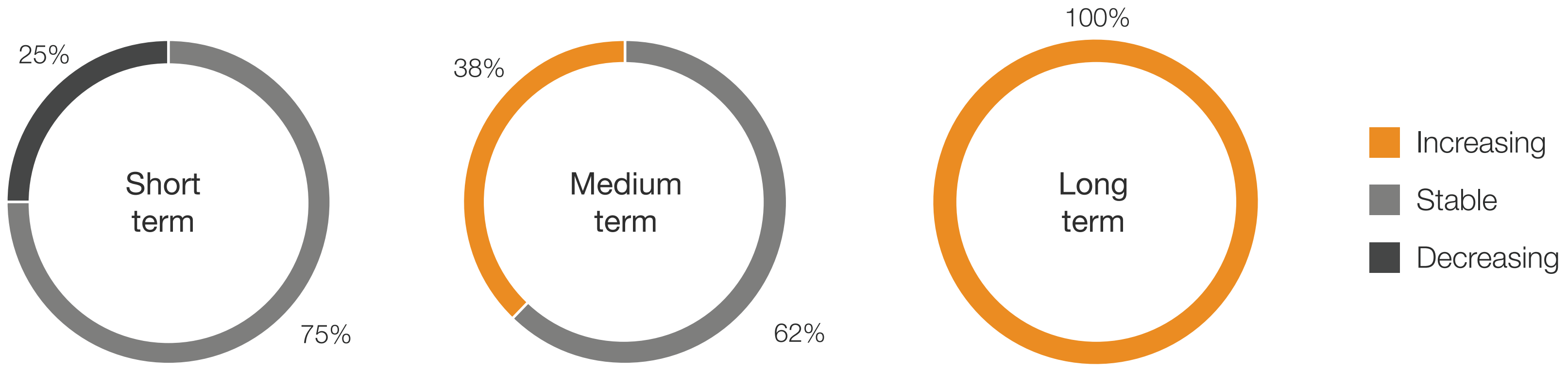
Switzerland

Yields for Swiss residential properties continue to fall as investors exhibit a consistently high willingness to pay for this segment. In the office market, yields for core properties remain fairly stable, while the spread on less-than-core locations increases. However, investors seem to be highly divided about the magnitude of this spread, reflecting different views on the future of demand for office spaces.

Spreads are also increasing in the high-street retail market, with sharp increases in yields for the second and third tier locations.

Switzerland

Interest rate expectation



Short term

75% of investors expect short-term interest rates to remain at their current levels, while only a quarter believes in a further decrease of rates.

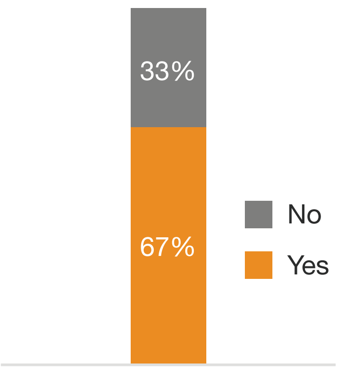
Medium term

The fraction of investors believing in flat interest rates over the two-to-five-years span has risen from 50% to 62% over the past six months. The rest of the investors believe in a rate increase over the medium term.

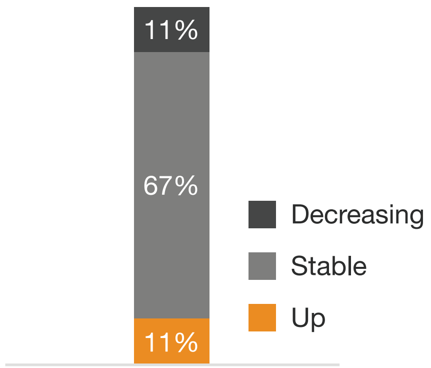
Long term

Over the long term, all Swiss investors expect increasing rates. No one believes that current levels persist over the ten-year horizon.

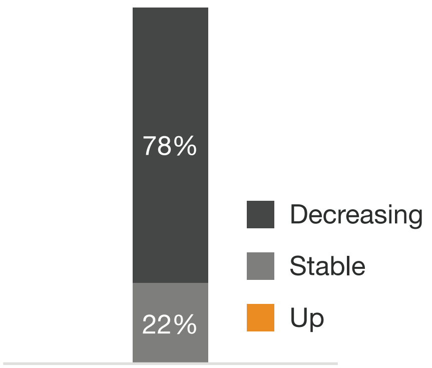
Investors’ expectations regarding yields and rent



Will property yields increase in line with general trend in interest rates?



How will rents develop in primary locations?



How will rents develop in secondary locations?

For prime rents, there is growing consensus among Swiss investors that current market levels are here to stay. A large majority of 67% expect further stable rents for prime properties. Just a group of 11% of the investors believes in increasing rents. At the other end of the spectrum, also views on decreasing prime rents have been fairly stable less popular (11%, up from 9% the previous survey).

For secondary locations, a virtually unchanged majority of Swiss investors (78%) expects further decreases in rents.

Spotlight

Spotlight

Today’s menu: mixed use – from investor’s point of view – the big picture

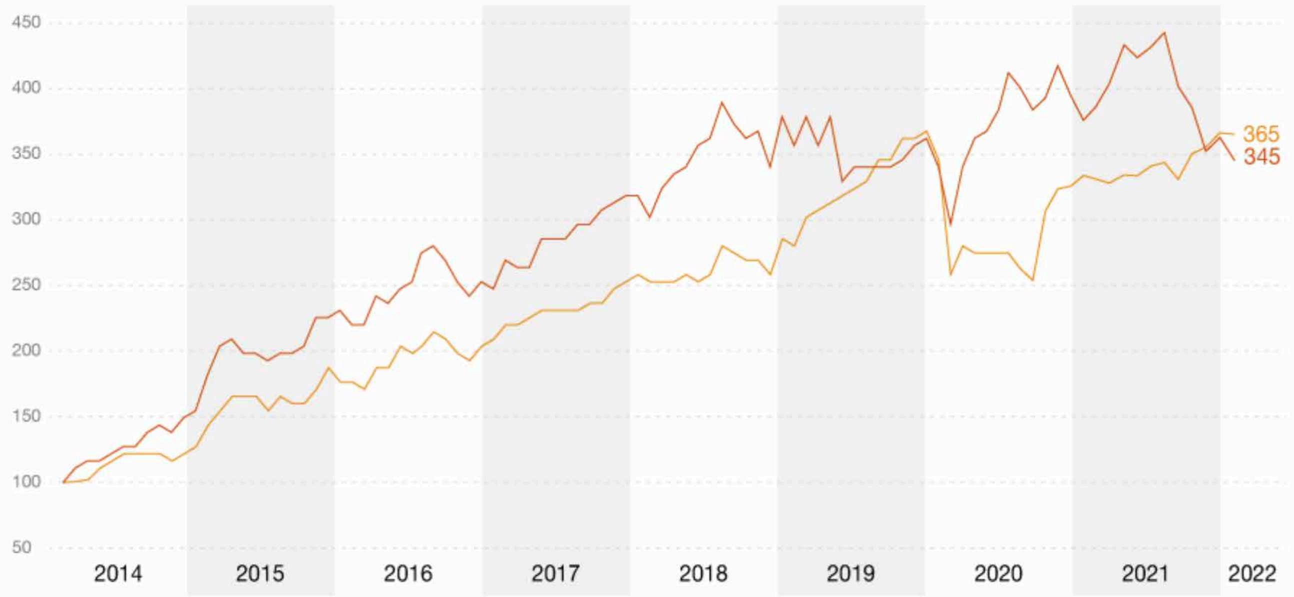
The very positive long-term trend in the real estate sector since 2014 has developed in a much more differentiated manner since 2018. After a turbulent 2020, this continued to be evident in the second pandemic year of 2021. The different developments in the residential and commercial sectors are particularly noticeable. While Commercial, apart from a slight downturn in autumn, showed a moderately positive development overall over the entire year 2021, the trend in the residential sector is significantly less steady.

After a very favourable start at the beginning of the year, the growth development extended over the entire first half of the year. This changed significantly in the second half of the year. The share prices of the housing companies fell significantly and at the end of the year they were even well below the previous year’s value. For the first time since the beginning of the pandemic slipped below the value of the Commercial Index. The reasons for this are complex.

In addition to the significant loss of certain individual company shares, the reasons are obviously a clouding of the further growth potential in the residential construction sector. This is driven, among other reasons, by the persistently unclear prospects for the regulation of the rental markets in the large metropolitan areas.
However, higher construction costs, driven by a shortage of skilled workers in the main construction trade and an increasing scarcity of resources, are also having a negative effect.

PwC Real Estate Monitor

PwC Real Estate Index. Germany (Jan 2014–Jan 2022)



Performance (31 Jan 2022)

Index	YTD	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	5 Years
Commercial	-0.2 %	-0.2 %	4.0 %	7.0 %	11.2 %	-2.0 %	27.7%	74.3 %
Residential	-4.5 %	-4.5 %	-10.6 %	-20.1 %	-12.9 %	-5.1 %	-9.0 %	37.1 %

Source: PwC “Real Estate Monitor”

Spotlight

Today's menu: mixed use – from investor's point of view – neighbourhood level

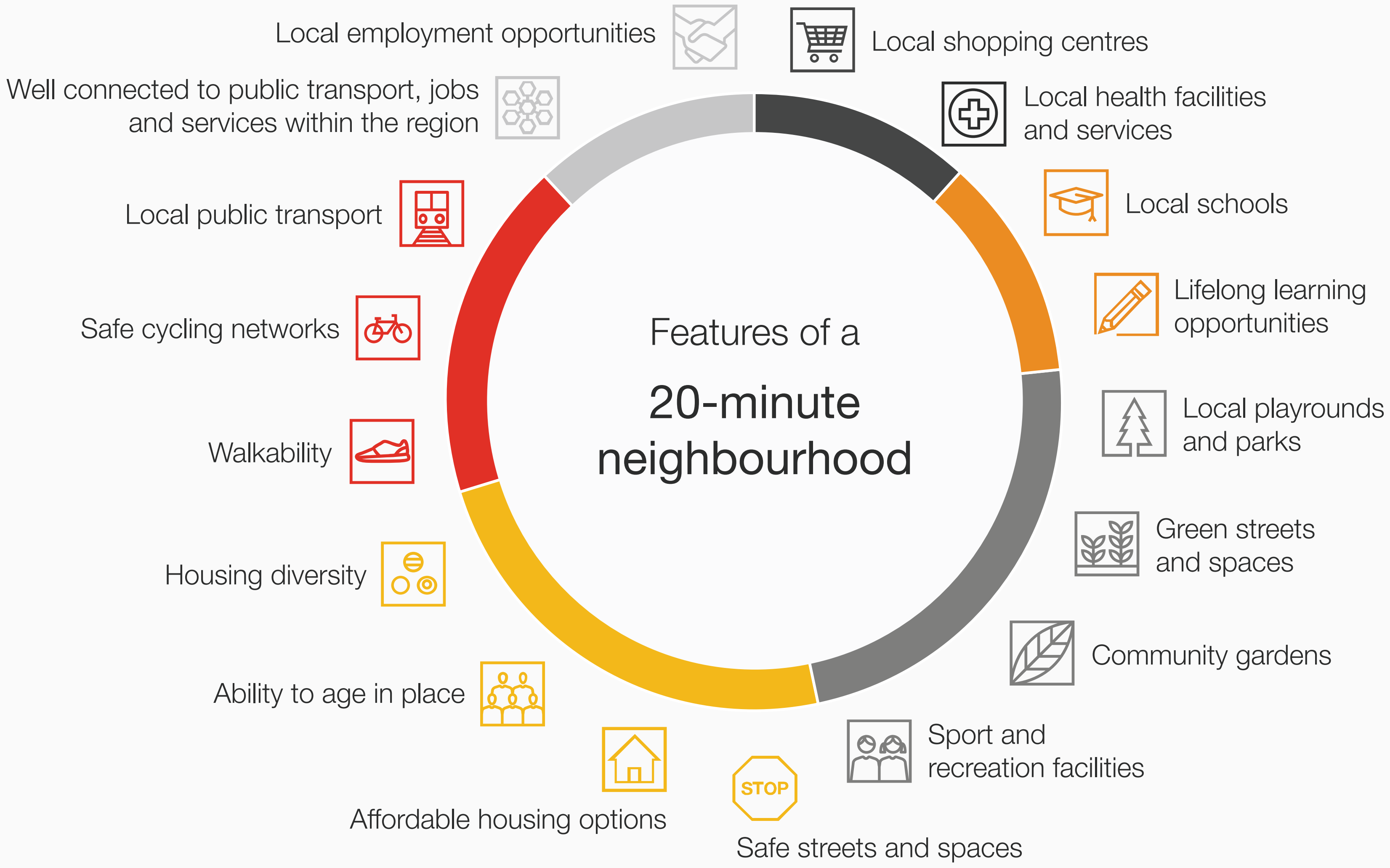
Mixed use

The 'mixed use' trend i.e. the mixture of different types of property uses can be viewed at both the neighbourhood level and the asset level. If the former were to consider the structural mix of real estate uses of an entire city district, the mix of uses within a building or building complex is considered at the asset level.

20–min neighbourhood and urban blocks

In the context of mixed-use quarters, the so-called '20-minute neighbourhood' is being in use often. The mixture of types of use should be based on the needs of the people in the neighbourhoods and guarantee short distances in people's everyday lives. The key to success in urban areas is usually a social and functional mix, despite the high density of buildings. In addition to cities such as Barcelona, examples are the decentralised structure of new, modern metropolises such as Shanghai in Asia, or Melbourne.

> **"When it comes to mixed use, we think less at the neighbourhood level and more at the asset level".**
>
> *German-based Investment Manager*



Features of a 20-minute neighbourhood

Local shopping centres

Local health facilities and services

Local schools

Lifelong learning opportunities

Local playrounds and parks

Green streets and spaces

Community gardens

Sport and recreation facilities

Safe streets and spaces

Affordable housing options

Ability to age in place

Housing diversity

Walkability

Safe cycling networks

Local public transport

Well connected to public transport, jobs and services within the region

Local employment opportunities

Source: "Bee Smart City"

Spotlight

Today’s menu: mixed use – from investor’s point of view – asset level

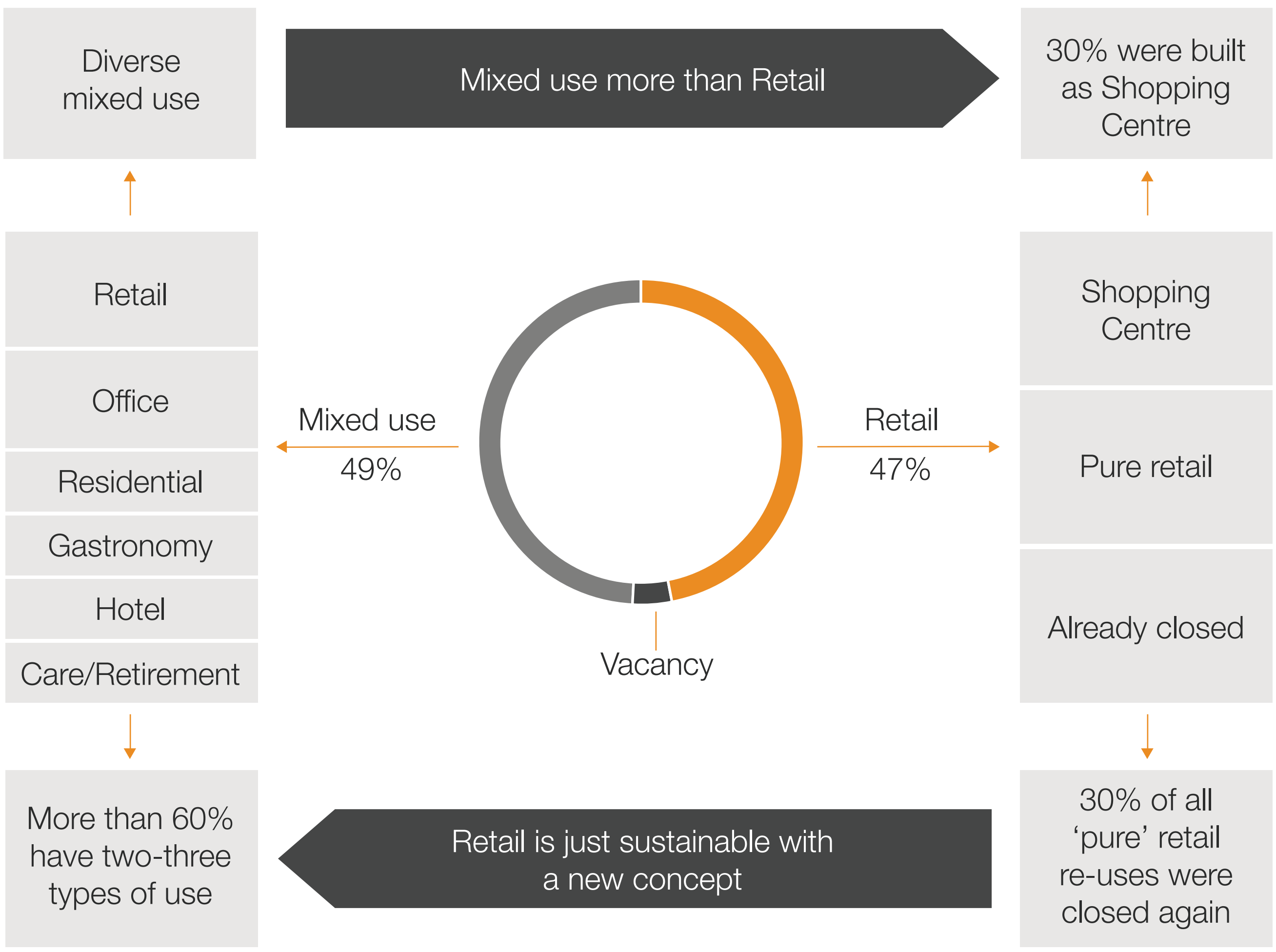
From retail to mixed use – mixed-use inner-city quarter as a sustainable alternative

As part of a PwC research project, we analysed the prospects for success of mixed-use structures at the asset level using the example of real estate that was previously used as a department store. **Die Zukunft der Warenhaus-Immobilie** (The future of department store real estate). In the analysis of the types of subsequent use, it becomes clear that more than half of the closed department store properties have been converted to a mixed-use concept, i.e. at least two different types of use. In contrast to the pure retail re-uses, none of these concepts has been discontinued or closed. For project developers and investors, an inner-city mixed-use quarter seems to be an attractive alternative that also seems more sustainable than pure retail use.

The success of the re-use depends on the mixed use

The explicit compositions of the various mixed-use concepts were also analysed. This made it clear that almost every property had a retail space on the ground floor, which is often available due to the inner-city location. In addition, an admixture of office space and apartments on the floors above was found to be disproportionately frequent. The optimal mixed-use quarter here provides for two to three different types of use, of which the ground floor Retail remains. As tenants, drugstore chains or smaller branches were often observed here. In addition to the general trends towards successful re-use, the analyses have also shown that due to the high degree of heterogeneity of a property, a corresponding re-use concept must always be adapted to the circumstances. This relates both to the respective structural requirements of the property as well as to the structure and demand on the local property market.

Overview of re-use concepts



Diverse mixed use

Mixed use more than Retail

30% were built as Shopping Centre

Retail

Office

Residential

Gastronomy

Hotel

Care/Retirement

Mixed use 49%

Retail 47%

Vacancy

Shopping Centre

Pure retail

Already closed

More than 60% have two-three types of use

Retail is just sustainable with a new concept

30% of all ‘pure’ retail re-uses were closed again

Source: PwC study: "Warenhausimmobilien im Wandel"

Spotlight

Today's menu: mixed use – from investor's point of view

Mixed use mainly at property level

When it comes to mixed use, most of the investors surveyed focus less on district level or neighbourhood quarters, but rather on the individual properties. The right mix of different types of use is the focus in the decision-making process. In the past, market participants have observed that there was limited interest from investors in mixed use, but this has now changed and there is interest. If retail uses were dominant, especially in the inner-city locations on the ground floor, you will see more apartments or offices on the upper floors of properties.

A fund manager from the DACH region reports that third-party mandates (institutional investors) who invest in retail parks, for example, are no longer purely retail properties. Other types of use such as leisure or fitness studios are increasingly integrated into such objects.

Mixed-use assets are becoming increasingly important as relevant investment products, as they have proven their worth over decades. According to our survey, Swiss investors expect these types of developments to become increasingly popular. From a construction perspective, building spaces must be easily adaptable to developing markets demands. Already today, residential units are being converted into law offices or medical spaces or vice versa. These conversions need to be done as part of a redevelopment cycle. Traditional residential uses require structural measures to allow multiple uses on one property. It is difficult, often also due to regulatory and planning requirements, to integrate commercial uses in purely residential areas.

Traditional office space in mixed-use properties will tend to be at a disadvantage as a result of the COVID-19 pandemic, while modern office space such as flexible workplace concepts will be in increased demand. The increasing trend towards online shopping may lead to certain risks for mixed-use properties with retail space on the upper floors. Nevertheless, mixed-use properties in prime locations contribute to the enrichment of the neighbourhood and are therefore considered sound and sustainable investments. The future relevance of mixed-use properties will strongly depend on the location – nevertheless, they will become more interesting in centrally located urban areas. If they are designed in such a way that users/tenants of all included asset types benefit from each other. If such a benefit is not demonstrable for a particular property, investors will prefer single-use properties and discount mixed-use ones.

> **"In the past we have seen that there was little interest from investors in mixed use, but this has now changed".**
>
> *German-based Investment Manager*

Urban planning

Public health

Transportation

Green recovery strategy

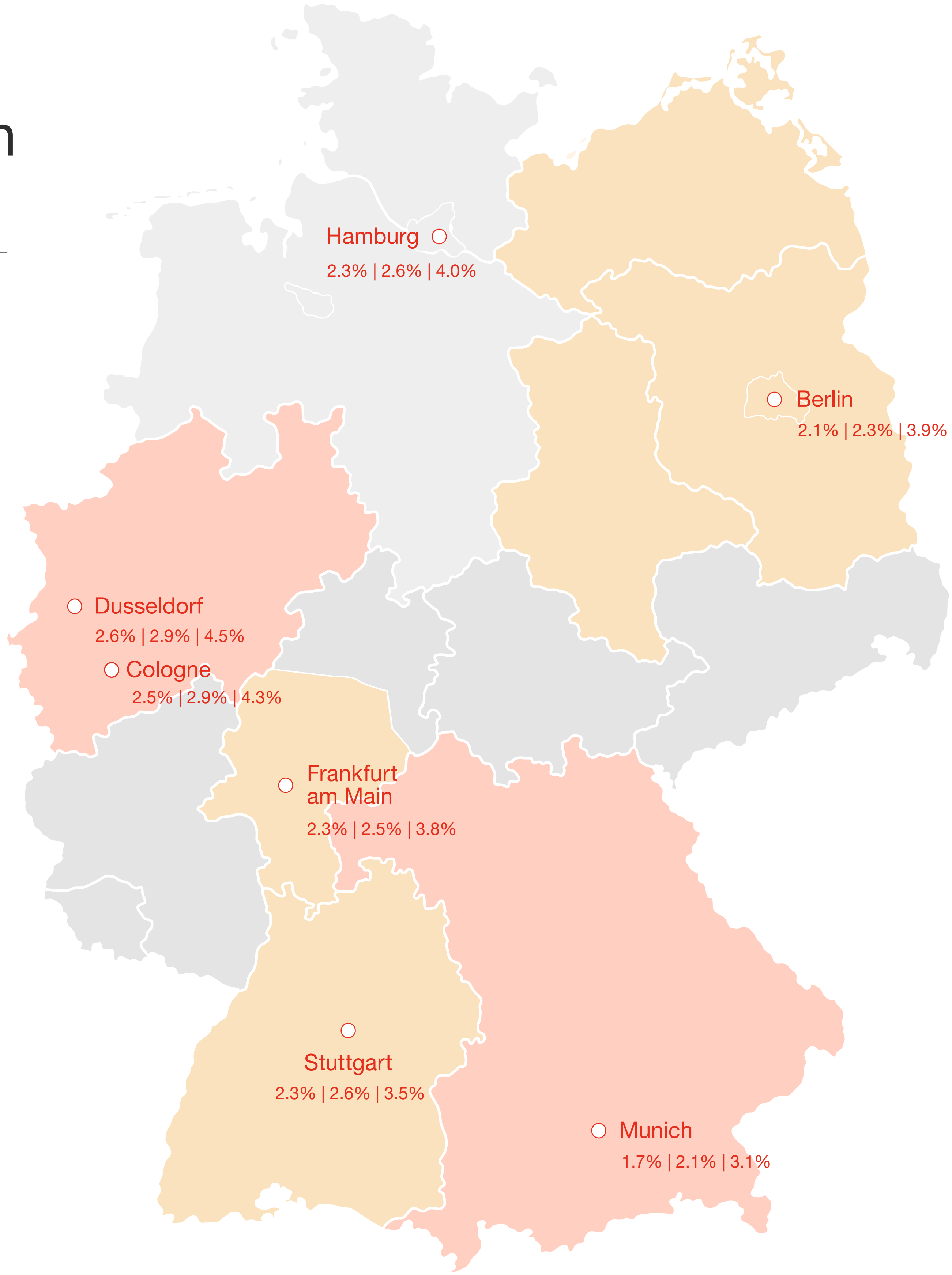
Office environment

Digital recovery strategy

Germany

Residential

Yields in German Top 7 Cities



Top 7 Cities

We collected data for the German residential real estate market for the second time in the history of the PwC Real Estate Investor Survey.

For multifamily houses, the most expensive location among the Top 7 Cities is Munich with a prime yield of 1.7%. Second ranks Berlin (2.1%) followed by Hamburg, Frankfurt am Main and Stuttgart (2.3% each). The average yield for multifamily houses across all Top 7 Cities amounts to 2.2% for core properties, 2.5% for core-plus and 3.9% for value-add properties.

Looking at sales per sqm, Munich is leading with an average maximum price of €20,840/sqm for newly built and an average price of €9,940/sqm for existing apartments. Average prime purchase price for all Top 7 Cities amounts to €15,769/sqm.

In terms of rents for newly constructed residential area, again Munich ranks first €29.5/sqm followed by Stuttgart with €29.0/sqm. The lowest prime rent for newly constructed residential area is recorded in Cologne with €20.1/sqm.

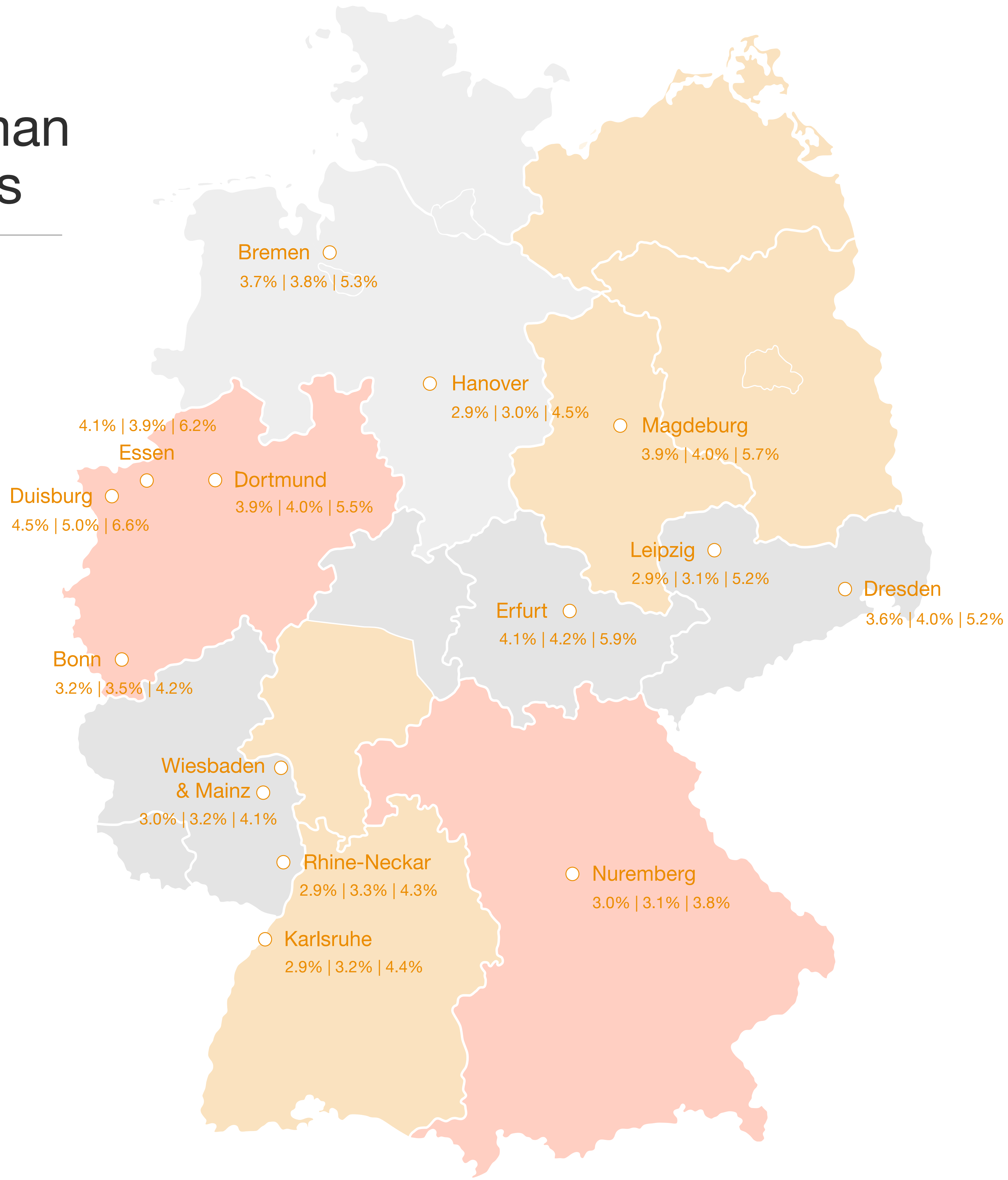
Munich also shows the highest average rent for existing residential space amounting to €19.5/sqm, again followed by Stuttgart with €15.0/sqm. The lowest average rents for existing buildings are reached in Berlin amounting to €11.0/sqm and Dusseldorf with €11.9/sqm.

On average, investors expect an annual rental growth of 2.3%. While the strongest annual rental growth is expected in Hamburg (+3.4%) and Cologne (+3.3%), the weakest annual growth rate is expected in Berlin with 0.8%.

➔ Please refer to the graphs for *Yields ranges* on page 18

Residential

Yields in German Regional Cities



Regional Cities

With an average prime yield of 3.4% for core multifamily houses, the Regional Cities are significantly cheaper than the Top 7 Cities. The gap is wider when looking at core-plus and value-add properties while the average yield for multifamily houses across all Regional Cities amounts 3.6% for core-plus and 5.0% for value-add properties.

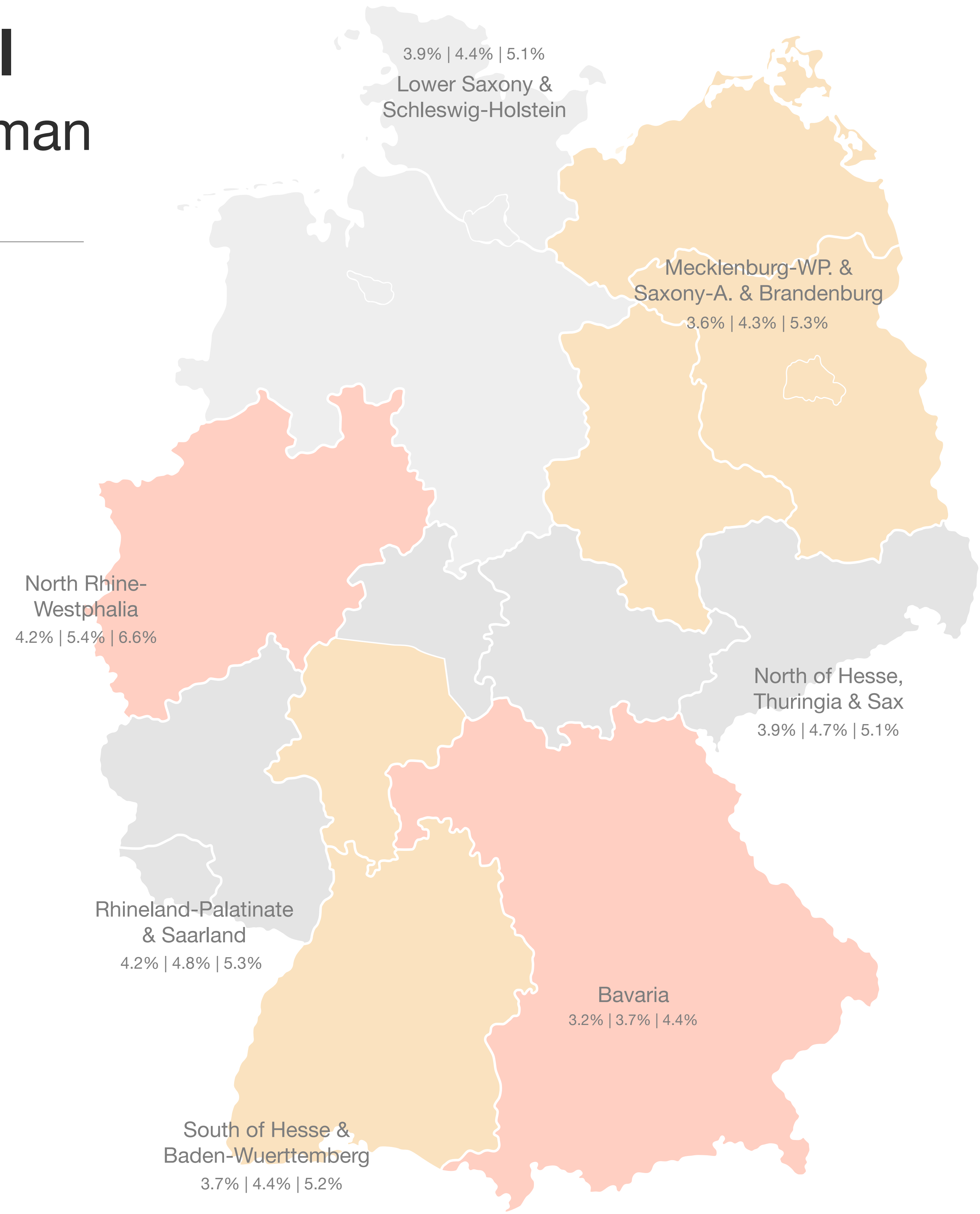
The most expensive locations among the Regional Cities are Karlsruhe, Hanover, Leipzig and Rhine-Neckar with a prime yield of 2.9% each. In comparison to all Regional Cities, Duisburg shows the highest prime yield amounting to 4.5%.

Compared to the Top 7 Cities, Investors expect slightly lower annual rental growth in the Regional Cities with 1.9%. In detail, the greatest upside potential is expected for several cities like Bonn, Bremen, Dresden and Hanover with an expected annual growth rate of 2.0% each.

Please refer to the graphs for *Yields ranges* on page 18

Residential

Yields in German Regions



Regions

Looking at the Regions (excluding Cities and regional centres stated before), the average prime yield for core multifamily houses amounts to 3.8%. For core-plus and value-add properties, the average prime yield stands at 4.5% and 5.3%, respectively.

The most expensive Region for multifamily houses in Germany is Bavaria with a prime yield of 3.2%, while the least expensive Regions are North Rhine-Westphalia and Rhineland-Palatinate & Saarland with prime yield of 4.2% each.

Investors expect an average annual rental growth rate of 1.6% for the Regions which is slightly higher than the expectation of the previous survey (1.3%). In detail, the highest annual rental growth rates are expected in North Rhine-Westphalia, Mecklenburg-Western Pomerania & Brandenburg & Saxony-Anhalt as well as in Lower Saxony & Schleswig Holstein amounting to 2.0% each.

➔ Please refer to the graphs for ***Yields ranges*** on page 18

Letting parameters

Top 7 Cities

	New Construction		Existing Building			
	Prime rent (in EUR/m²/month)	Prime purchase price (in EUR/m²/month)	Average rent (in EUR/m²/month)	Average purchase price (in EUR/m²/month)	Annual market rent growth rate	Annual market purchase price growth rate
Top 7 Cities	**Med.**	**Med.**	**Med.**	**Med.**	**Med.**	**Med.**
Berlin	23.1	14,850	11.0	6,150	0.8%	1.1%
Dusseldorf	21.4	13,590	11.9	5,285	1.7%	0.2%
Frankfurt am Main	25.3	16,345	14.8	6,915	2.3%	0.2%
Hamburg	23.0	16,350	13.3	6,630	3.4%	0.2%
Cologne	20.1	12,875	13.4	4,865	3.3%	0.2%
Munich	29.5	20,840	19.5	9,940	2.5%	0.2%
Stuttgart	29.0	15,530	15.1	5,350	2.0%	0.2%

Yields ranges

Top 7 Cities

Regional Cities

Regions

	Min%	Average %	Max%
Berlin	2.1%	2.3%	3.9%
Dusseldorf	2.6%	2.9%	4.5%
Frankfurt am Main	2.3%	2.5%	3.8%
Hamburg	2.3%	2.6%	4.0%
Cologne	2.5%	2.9%	4.3%
Munich	1.7%	2.1%	3.1%
Stuttgart	2.3%	2.6%	3.5%
Bonn	3.2%	3.5%	4.2%
Bremen	3.7%	3.8%	5.3%
Dortmund	3.9%	4.0%	5.5%
Dresden	3.6%	4.0%	5.2%
Duisburg	4.5%	5.0%	6.6%
Erfurt	4.1%	4.2%	5.9%
Essen	4.1%	3.9%	6.2%
Karlsruhe	2.9%	3.2%	4.4%
Hannover	2.9%	3.0%	4.5%
Leipzig	2.9%	3.1%	5.2%
Magdeburg	3.9%	4.0%	5.7%
Mainz-Wiesbaden	3.0%	3.2%	4.1%
Nuremberg	3.0%	3.1%	3.8%
Rhine-Neckar	2.9%	3.3%	4.3%
Lower Saxony & Schleswig-Holstein	3.9%	4.4%	5.1%
Macklenburg-West Pomerania & Saxony-Anhalt & Brandenburg	3.6%	4.3%	5.3%
Saxony & Thuringia & North of Hesse	3.9%	4.7%	5.1%
North Rhine-Westphalia	4.2%	5.4%	6.6%
Rhineland-Palatinate & Saarland	4.2%	4.8%	5.3%
South of Hesse & Baden-Wuerttemberg	3.7%	4.4%	5.2%
Bavaria	3.2%	3.7%	4.4%

Office

Yields in German Top 7 Cities

↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Top 7 Cities

Berlin and Munich continue to be the most expensive markets for prime office properties with yields of 2.5%. Hamburg still is the third most expensive office investment market with a prime yield of 2.6%. The highest prime office rents are recorded with €45/sqm in Frankfurt am Main, followed by Berlin and Munich with €42/sqm each.

Unlike the previous survey, all the Top 7 Cities now experience a decline in yields. All risk classes are affected by this development: the average decrease in yields for core, core plus and value-add properties amounts to -11 bps, -6 bps and -30 bps, respectively.

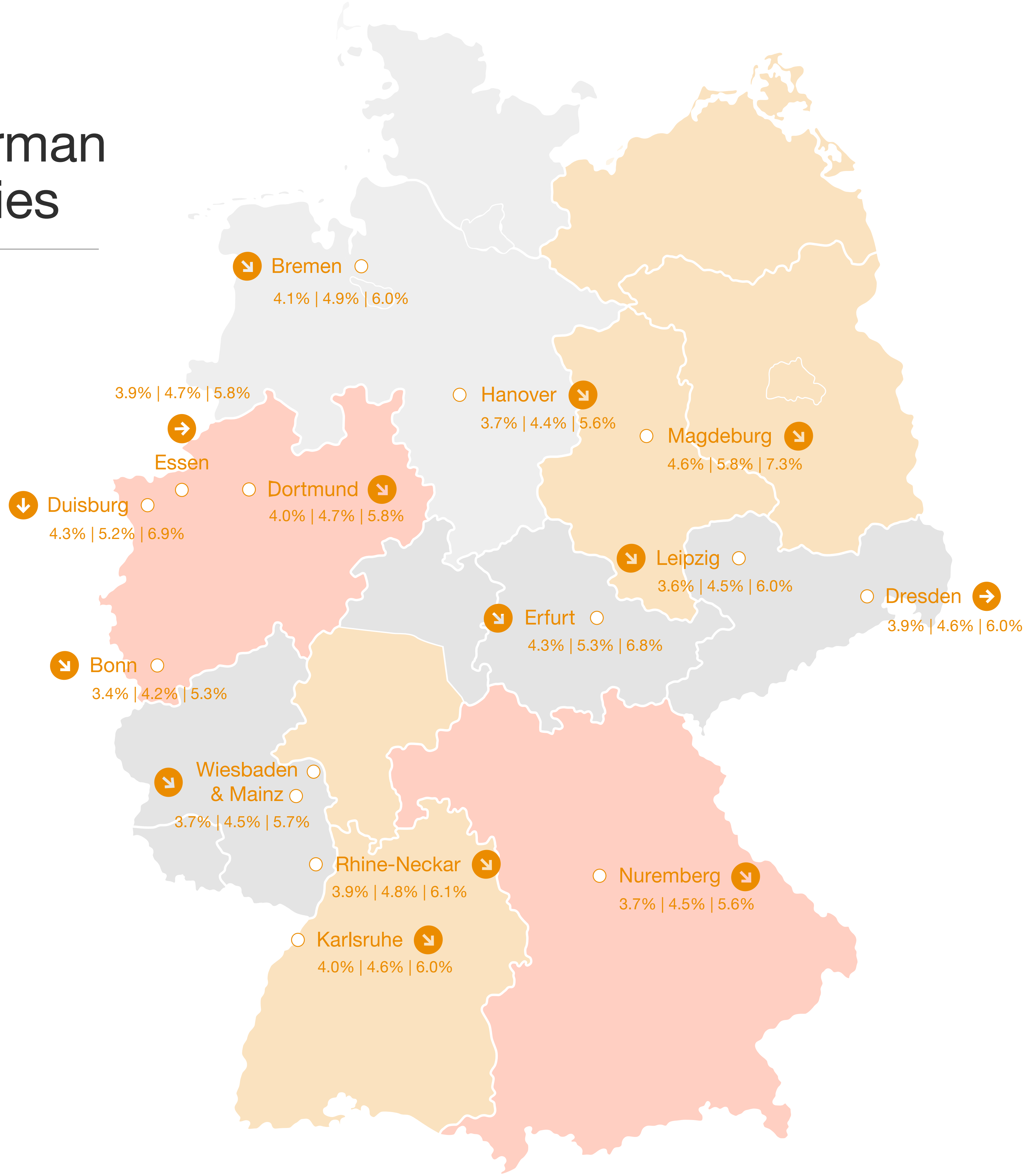
Cologne (-14 bps) and Stuttgart (-12 bps) record the highest average decrease in office property yields across all risk classes among the Top 7 Locations. In Cologne and Stuttgart, the decrease is mainly driven by the yield development for value-add properties with -50 bps and -31 bps, respectively.

All Top 7 Cities show an expected annual rental growth of at least 1.5%. The strongest increase shows Stuttgart (+2.2%), followed by Dusseldorf and Munich (+1.9%, each). This is in contrast to the development of the slightly increasing average duration until reletting.

→ Please refer to the graph for *Yields ranges and compression* on page 23

Office

Yields in German Regional Cities



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

Regional Cities

Investors’ appetite for office properties outside the Top 7 Locations is still high. The yields for office properties in Regional Cities further declined by -9 bps on average. Core properties showed higher compression (-17 bps).

Like in the previous survey, the most preferred Regional city is Bonn with the lowest yields for core properties of 3.4% as well as 4.2% for core-plus and 5.3% for value-add properties. Leipzig ranks second with prime yields of 3.6%.

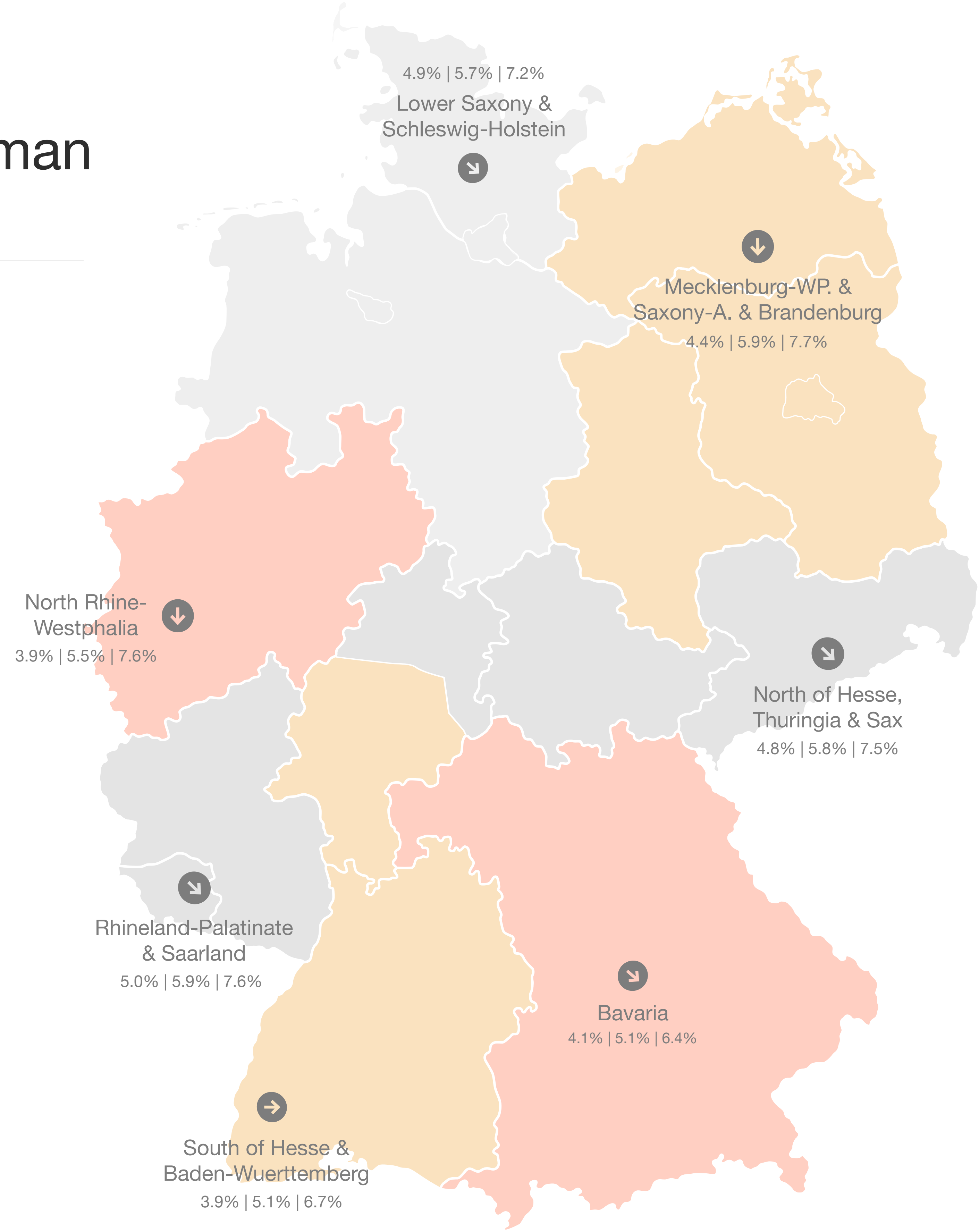
Again, Bonn shows the highest prime rent with €23/sqm, followed by Hanover and Karlsruhe (€18/sqm, each).

The strongest yield compressions are observed in Duisburg (-34 bps in core, -22 bps in core-plus and 0 bps in value-add properties) and Bonn (-24 bps in core, -6 bps in core-plus and -32 bps in value-add properties).

→ Please refer to the graph for *Yields ranges and compression* on page 23

Office

Yields in German Regions



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Regions

Investors' interest in Regions has continued to increase which is underlined by further yield compressions compared to the results in the previous survey. In this context, the focus of the investors is shifting from core-plus to core properties. On average, the Regions have experienced a yield change for core, core-plus and value-add properties of -23 bps, 2 bps and 13 bps, respectively.

Only in South of Hesse and Baden-Wuerttemberg, the office property yields recorded a slight increase on average (+32 bps).

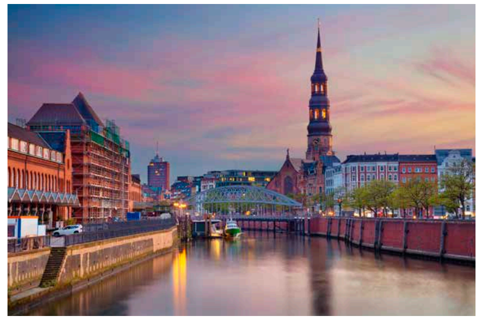
However, South of Hesse and Baden-Wuerttemberg is still the most expensive Region with 3.9% for core, 5.1% for core-plus and 6.7% for value-add properties.

→ Please refer to the graph for *Yields ranges and compression* on page 23

Expected five-year yield development

Top 7 Cities

Munich



Hamburg

Berlin

Stuttgart

Frankfurt am Main

Dusseldorf

Cologne

Letting parameters

Top 7 Cities

	Prime rent (in EUR/m²/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
Top 7 Cities	**Med.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Berlin	42	5	↑	4	↗	71%	↗	1.9%	→
Dusseldorf	29	6	↑	6	↗	62%	↗	1.5%	→
Frankfurt am Main	45	7	↑	7	↗	63%	↓	1.8%	→
Hamburg	34	5	↑	5	↗	70%	→	1.5%	→
Cologne	27	6	↑	5	→	64%	↓	1.6%	→
Munich	42	5	↑	4	↗	68%	↓	1.9%	→
Stuttgart	27	5	↗	5	→	72%	↑	2.2%	→

↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

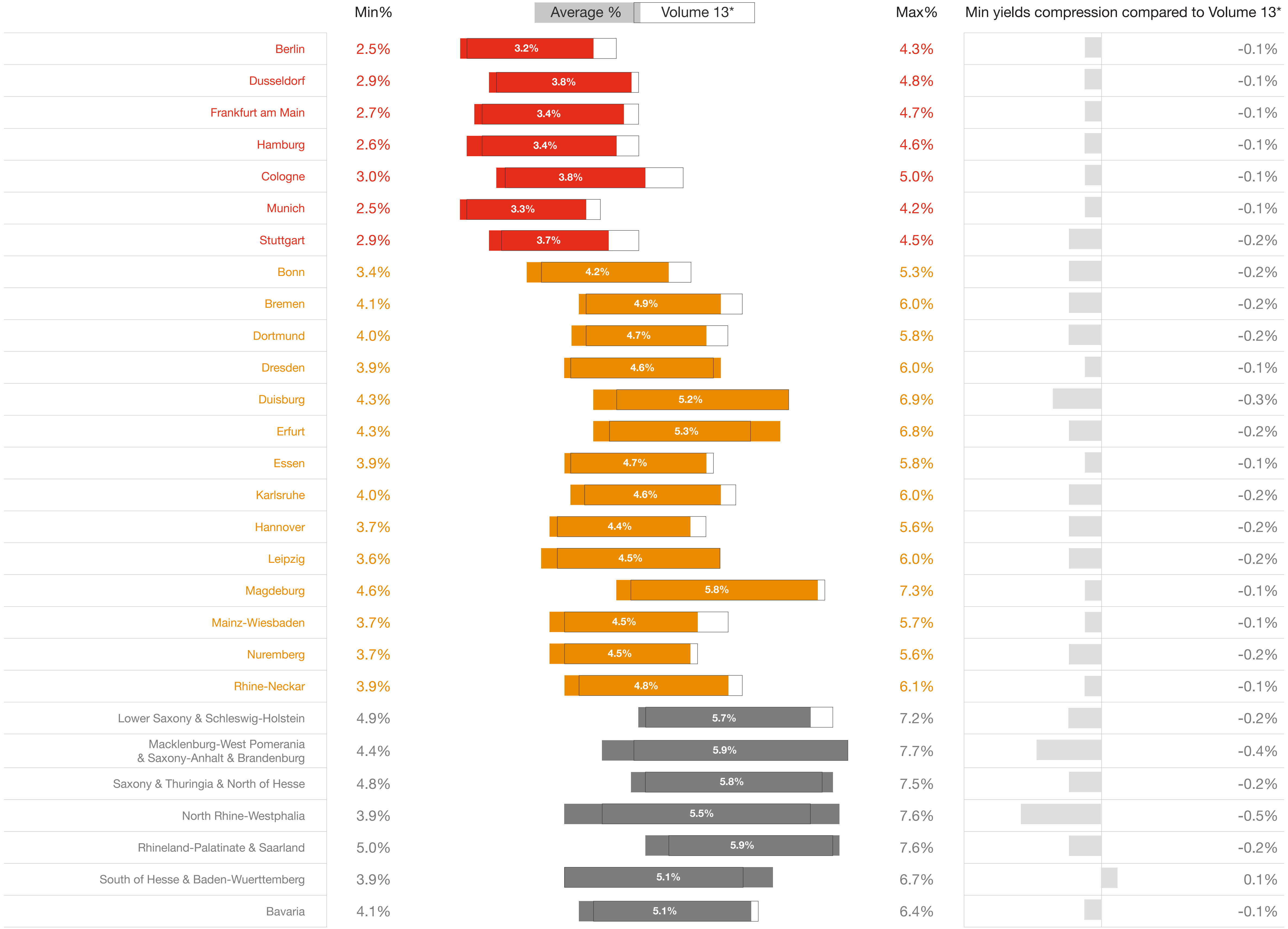
Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 7 Cities

Regional Cities

Regions



	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Berlin	2.5%	3.2%	4.3%	-0.1%
Dusseldorf	2.9%	3.8%	4.8%	-0.1%
Frankfurt am Main	2.7%	3.4%	4.7%	-0.1%
Hamburg	2.6%	3.4%	4.6%	-0.1%
Cologne	3.0%	3.8%	5.0%	-0.1%
Munich	2.5%	3.3%	4.2%	-0.1%
Stuttgart	2.9%	3.7%	4.5%	-0.2%
Bonn	3.4%	4.2%	5.3%	-0.2%
Bremen	4.1%	4.9%	6.0%	-0.2%
Dortmund	4.0%	4.7%	5.8%	-0.2%
Dresden	3.9%	4.6%	6.0%	-0.1%
Duisburg	4.3%	5.2%	6.9%	-0.3%
Erfurt	4.3%	5.3%	6.8%	-0.2%
Essen	3.9%	4.7%	5.8%	-0.1%
Karlsruhe	4.0%	4.6%	6.0%	-0.2%
Hannover	3.7%	4.4%	5.6%	-0.2%
Leipzig	3.6%	4.5%	6.0%	-0.2%
Magdeburg	4.6%	5.8%	7.3%	-0.1%
Mainz-Wiesbaden	3.7%	4.5%	5.7%	-0.1%
Nuremberg	3.7%	4.5%	5.6%	-0.2%
Rhine-Neckar	3.9%	4.8%	6.1%	-0.1%
Lower Saxony & Schleswig-Holstein	4.9%	5.7%	7.2%	-0.2%
Macklenburg-West Pomerania & Saxony-Anhalt & Brandenburg	4.4%	5.9%	7.7%	-0.4%
Saxony & Thuringia & North of Hesse	4.8%	5.8%	7.5%	-0.2%
North Rhine-Westphalia	3.9%	5.5%	7.6%	-0.5%
Rhineland-Palatinate & Saarland	5.0%	5.9%	7.6%	-0.2%
South of Hesse & Baden-Wuerttemberg	3.9%	5.1%	6.7%	0.1%
Bavaria	4.1%	5.1%	6.4%	-0.1%

*Previous survey

Retail | High-street

Yields in German Top 7 Cities

↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Top 7 Cities

In contrast to the previous survey, core retail properties at the Top 7 Cities now record a decrease in yields of -13 bps on average. The strongest yield decline was observed in Dusseldorf and Cologne (-19 bps, each) followed by Hamburg (-17 bps).

The average decrease in yields for core-plus properties was with -9 bps, significantly lower than the increase in yields for value-add properties with -43 bps on average.

Munich is still the most expensive Top 7 City with the lowest yields across all risk classes; core (2.8%), core-plus (3.4%) and value-add (4.1%).

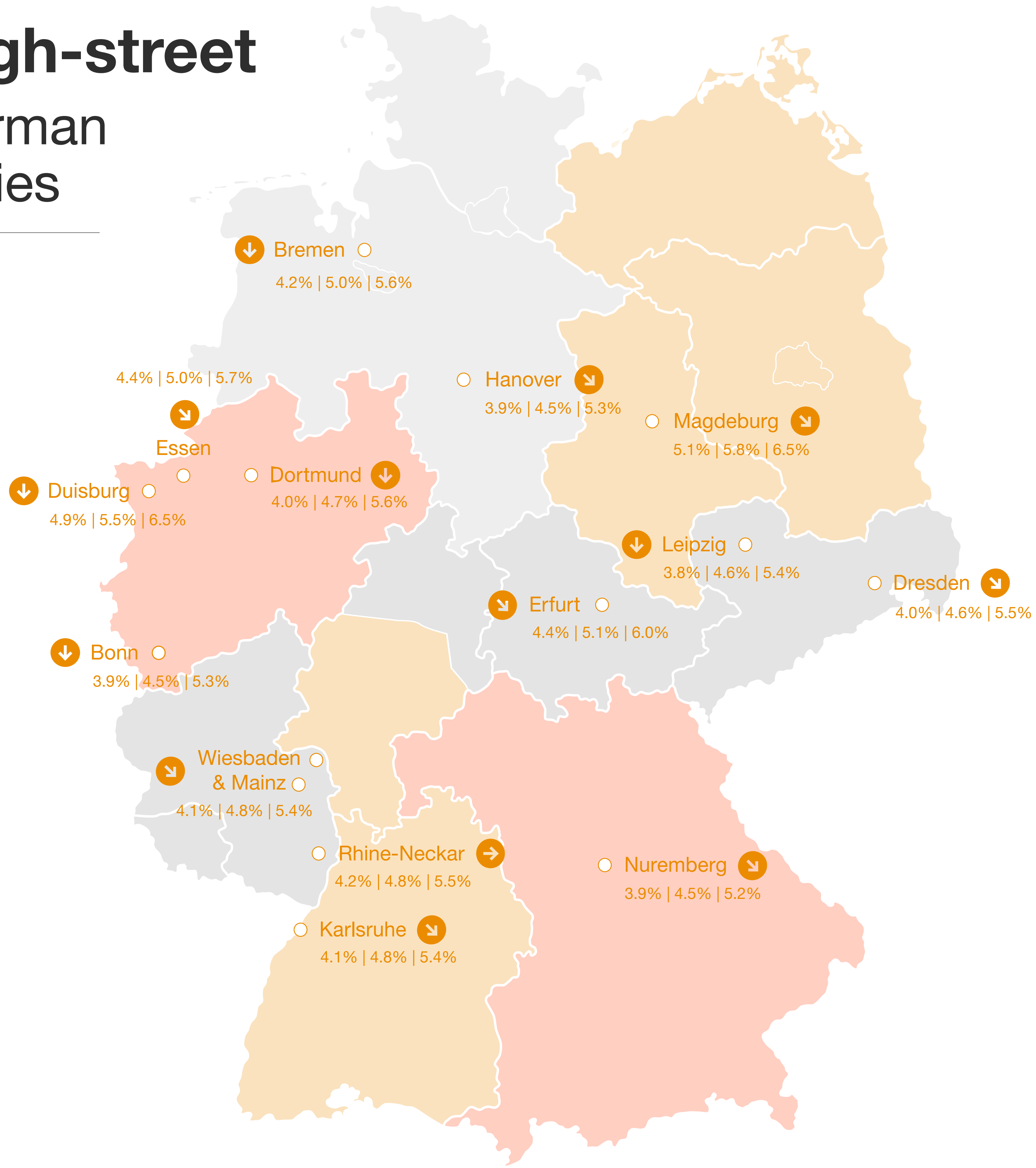
The annual market rental growth rate continued to fall to -0.7% on average (vs -2.4% previous survey). Hamburg had the highest rent decrease of -0.8% followed by Dusseldorf, Cologne and Stuttgart with -0.7%, each.

The prime rent was the highest in Munich again (€327/sqm). On average, the prime retail rents in the Top 7 Cities increased by 0.1% over the last six months. The highest increase in prime rents experienced Munich with almost 7% from €306/sqm to €327/sqm. Only Stuttgart and Cologne recorded an increase in prime retail rents as well from €220/sqm to €228/sqm and from €234/sqm to €236/sqm, respectively.

→ Please refer to the graph for ***Yields ranges** and compression* on page 28

Retail | High-street

Yields in German Regional Cities



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

Regional Cities

Like the Top 7 Cities, all Regional Cities experienced a decrease in yields across all risk classes. The decline was significantly higher than in the Top 7 Locations. On average, the core properties yields have decreased by -20 bps, core-plus by -39 bps and value-add by -66 bps.

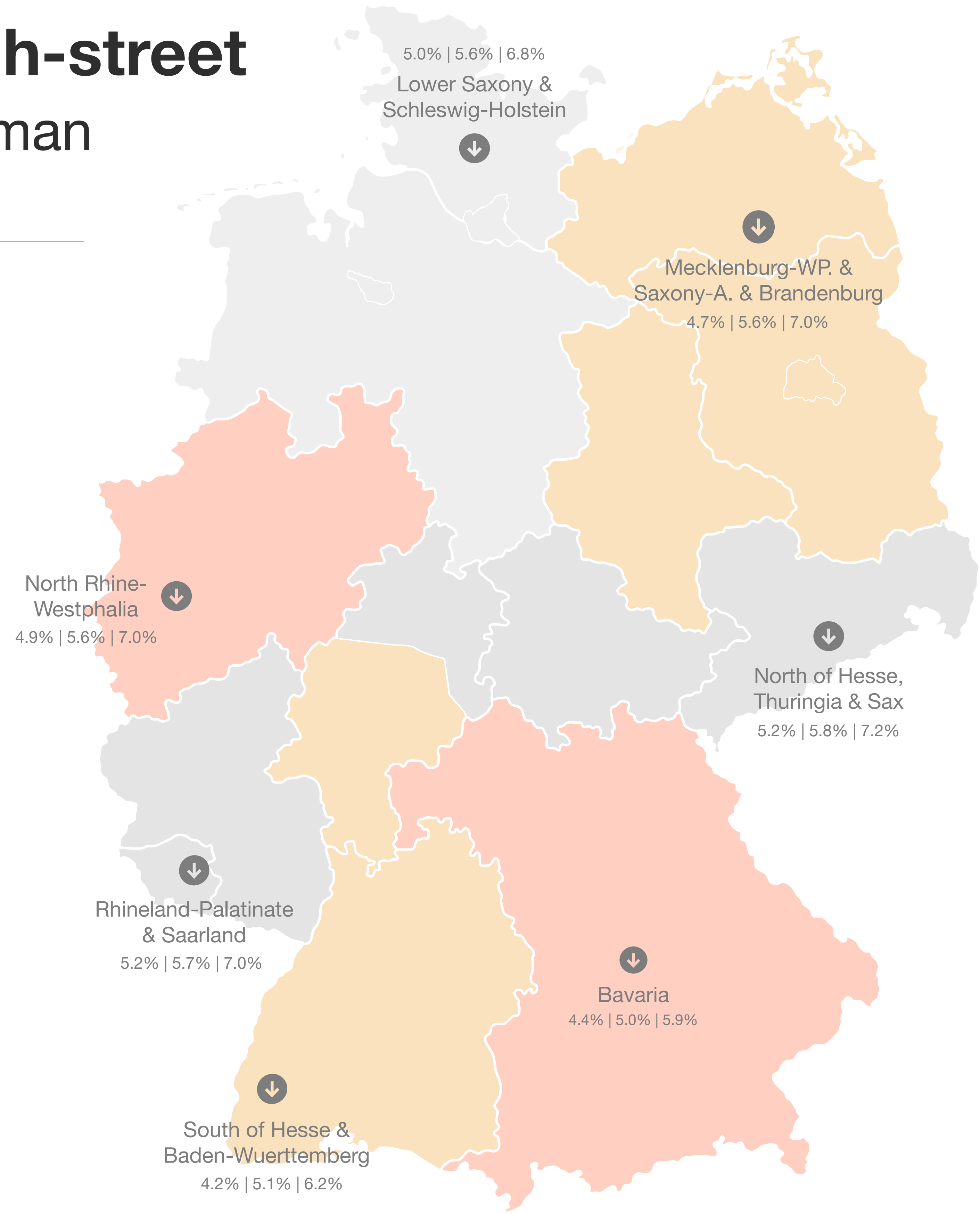
Duisburg recorded the strongest decrease in retail property yields in all risk classes (-33 bps for core, -38 bps for core-plus and -70 bps for value-add properties).

The most expensive Regional City is now Leipzig with a prime yield of 3.8% for core retail properties.

→ Please refer to the graph for ***Yields ranges** and compression* on page 28

Retail | High-street

Yields in German Regions



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

Regions

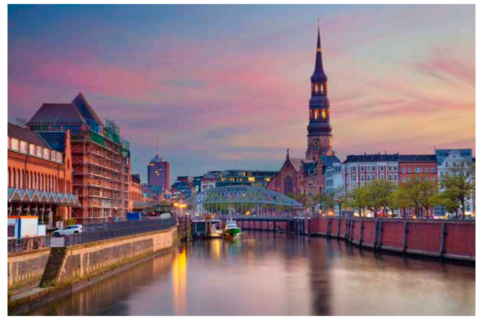
In contrast to the last survey, the trend of increasing yields stops for the Regions. The average decrease in yields for core properties amounts to -49 bps. For core-plus and value-add properties, the yields in the Regions decreased by -48 bps and -93 bps, respectively.

→ Please refer to the graph for ***Yields ranges** and compression* on page 28

Expected five-year yield development

Top 7 Cities

Munich



Hamburg

Berlin

Stuttgart

Frankfurt am Main

Dusseldorf

Cologne

Letting parameters

Top 7 Cities

	Prime rent (in EUR/m²/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
Top 7 Cities	**Med.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Berlin	265	5	↗	6	↘	68%	↑	-0.5%	↑
Dusseldorf	265	5	↗	8	↘	60%	→	-0.8%	↑
Frankfurt am Main	256	5	↗	7	↘	57%	↓	-0.6%	↑
Hamburg	257	5	↘	8	→	68%	↑	-0.8%	↑
Cologne	236	5	↘	8	↘	58%	→	-0.8%	↑
Munich	327	4	↘	7	↘	75%	↑	-0.4%	↑
Stuttgart	228	5	↘	7	↘	63%	↑	-0.8%	↑

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

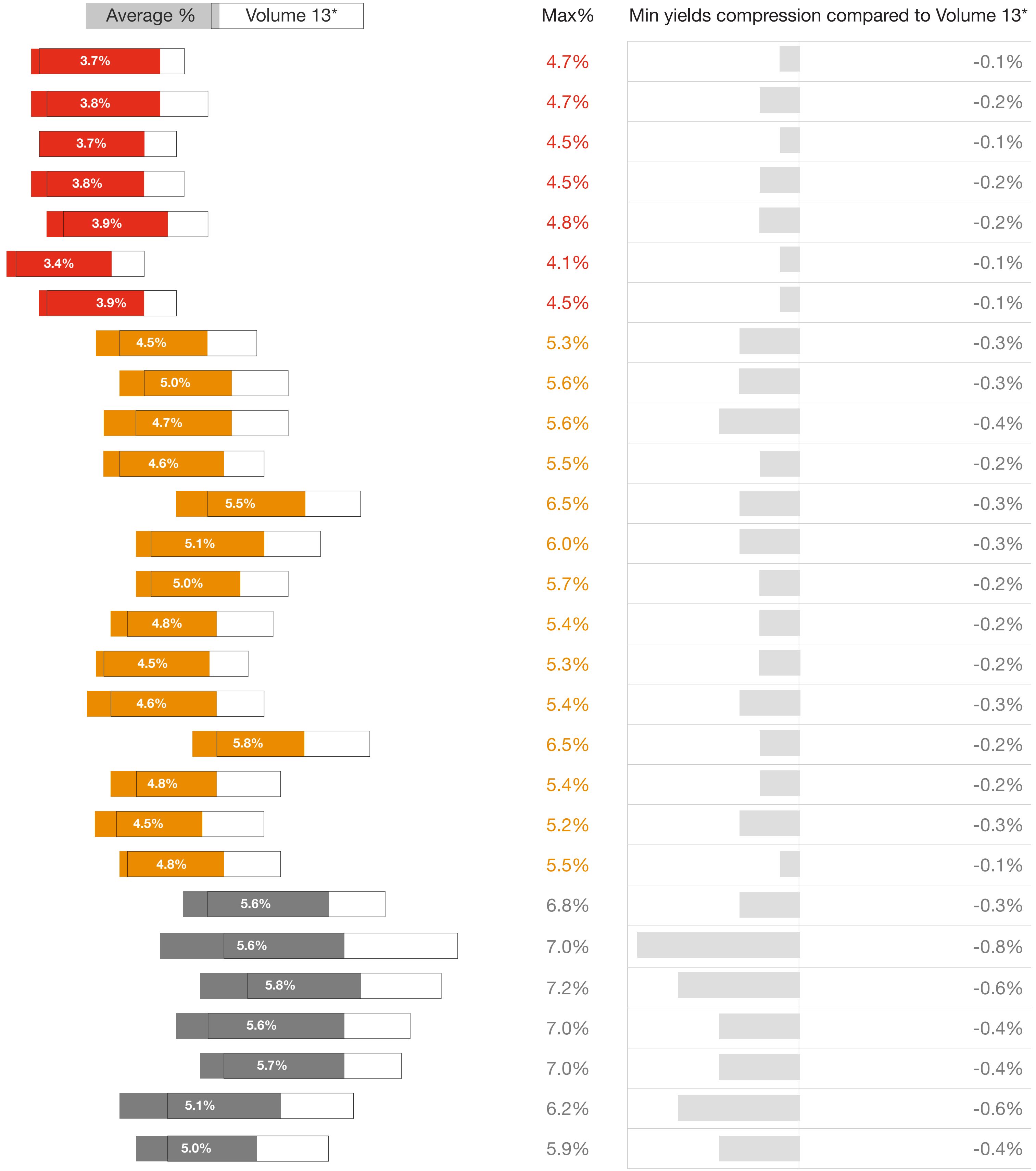
Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 7 Cities

Regional Cities

Regions



	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Berlin	3.1%	3.7%	4.7%	-0.1%
Dusseldorf	3.1%	3.8%	4.7%	-0.2%
Frankfurt am Main	3.2%	3.7%	4.5%	-0.1%
Hamburg	3.1%	3.8%	4.5%	-0.2%
Cologne	3.3%	3.9%	4.8%	-0.2%
Munich	2.8%	3.4%	4.1%	-0.1%
Stuttgart	3.2%	3.9%	4.5%	-0.1%
Bonn	3.9%	4.5%	5.3%	-0.3%
Bremen	4.2%	5.0%	5.6%	-0.3%
Dortmund	4.0%	4.7%	5.6%	-0.4%
Dresden	4.0%	4.6%	5.5%	-0.2%
Duisburg	4.9%	5.5%	6.5%	-0.3%
Erfurt	4.4%	5.1%	6.0%	-0.3%
Essen	4.4%	5.0%	5.7%	-0.2%
Karlsruhe	4.1%	4.8%	5.4%	-0.2%
Hannover	3.9%	4.5%	5.3%	-0.2%
Leipzig	3.8%	4.6%	5.4%	-0.3%
Magdeburg	5.1%	5.8%	6.5%	-0.2%
Mainz-Wiesbaden	4.1%	4.8%	5.4%	-0.2%
Nuremberg	3.9%	4.5%	5.2%	-0.3%
Rhine-Neckar	4.2%	4.8%	5.5%	-0.1%
Lower Saxony & Schleswig-Holstein	5.0%	5.6%	6.8%	-0.3%
Macklenburg-West Pomerania & Saxony-Anhalt & Brandenburg	4.7%	5.6%	7.0%	-0.8%
Saxony & Thuringia & North of Hesse	5.2%	5.8%	7.2%	-0.6%
North Rhine-Westphalia	4.9%	5.6%	7.0%	-0.4%
Rhineland-Palatinate & Saarland	5.2%	5.7%	7.0%	-0.4%
South of Hesse & Baden-Wuerttemberg	4.2%	5.1%	6.2%	-0.6%
Bavaria	4.4%	5.0%	5.9%	-0.4%

*Previous survey

Retail | Non-High-street

Similar to the last survey, where DIY stores and supermarkets recorded the highest yield compressions, these asset classes show yield decline of 65 bps, respectively 32 bps for core properties. However, investors still consider retail parks the most expensive asset class among the non-high-street retail with yields of 3.8% for core, 4.6% for core-plus and 6.0% for value-add properties.

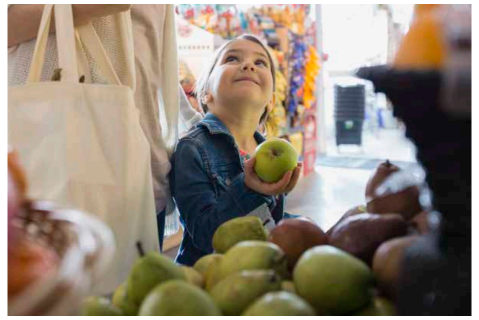
DIY stores record the strongest decrease in yields 65 bps for core, 75 bps for core-plus and 93 bps for value-add properties.

Similar to the last survey, investors only expect negative growth in annual rental for out-of-town shopping centre with 130 bps. Positive rental growth is expected for supermarkets (200 bps) and retail parks (180 bps).

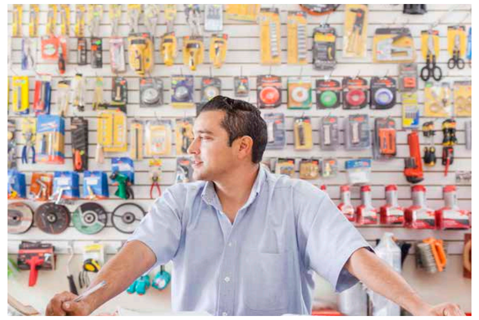
Expected five-year yield development

↑ **Out-of-town Shopping Centre**

→ **Retail Park**



→ **Supermarket**



↗ **DIY Store**

Yields and letting parameters

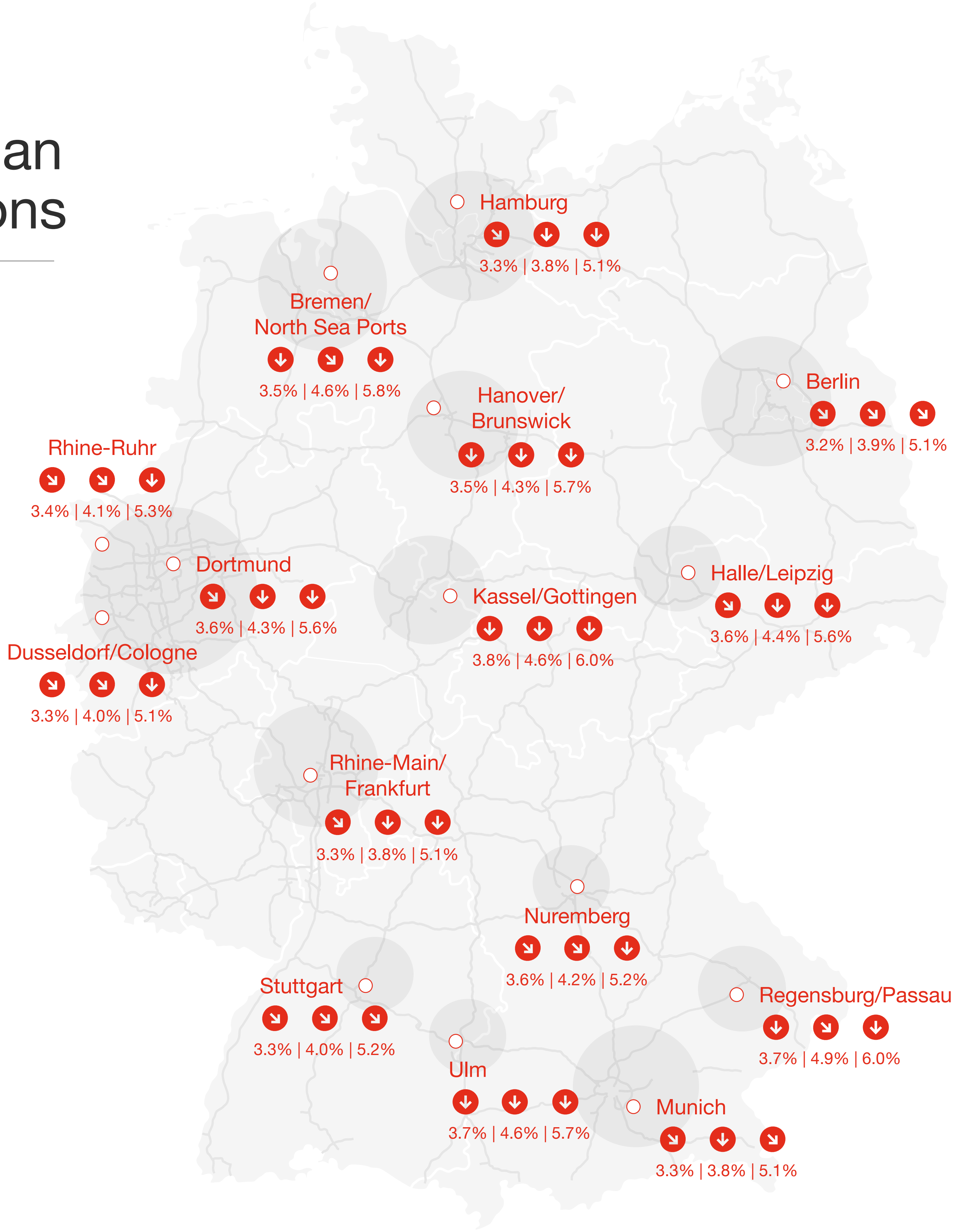
	All-risk-yield			Prime rent (in EUR/m^2/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
	Min.	Med.	Max.	Med.	Med.	Dev.	Med.	Dev.	Med.	Dev.	Med.	Dev.
Out-of-town Shopping Centre	4.9%	5.9%	7.6%	-	5	↓	12	↓	55%	↑	-1.3%	↗
Retail Park	3.8%	4.6%	6.0%	19	3	↓	7	↓	75%	↑	1.8%	↑
Supermarket	3.9%	4.6%	6.0%	19	2	↑	6	↓	83%	↑	2.0%	↗
DIY Store	4.9%	5.7%	6.8%	9	5	→	9	↓	75%	↑	0.0%	→

↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

Compared to the previous survey (majority of responses)

Logistics

Yields in German Top 15 Locations



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

Top 15 Locations

Logistics remains the investor's darling and has shown a similarly positive development as in the previous survey.

Yield compression for core properties continues with 23 bps compared to 24 bps in the previous survey. The strongest compression shows Ulm (-42 bps), followed by Regensburg/Passau (-36 bps) and Hanover/Brunswick (-33 bps). Berlin continues to be the most expensive location, with a 3.2% yield.

In core-plus and value-add properties, the yield compressions are -30 bps and -41 bps and hence similarly strong as in the last survey (-47 bps and -48 bps, respectively).

Investors expect further annual rental growth of 2.5%.

→ Please refer to the graph for *Yields ranges and compression* on page 34

Logistics

Yields in German submarkets

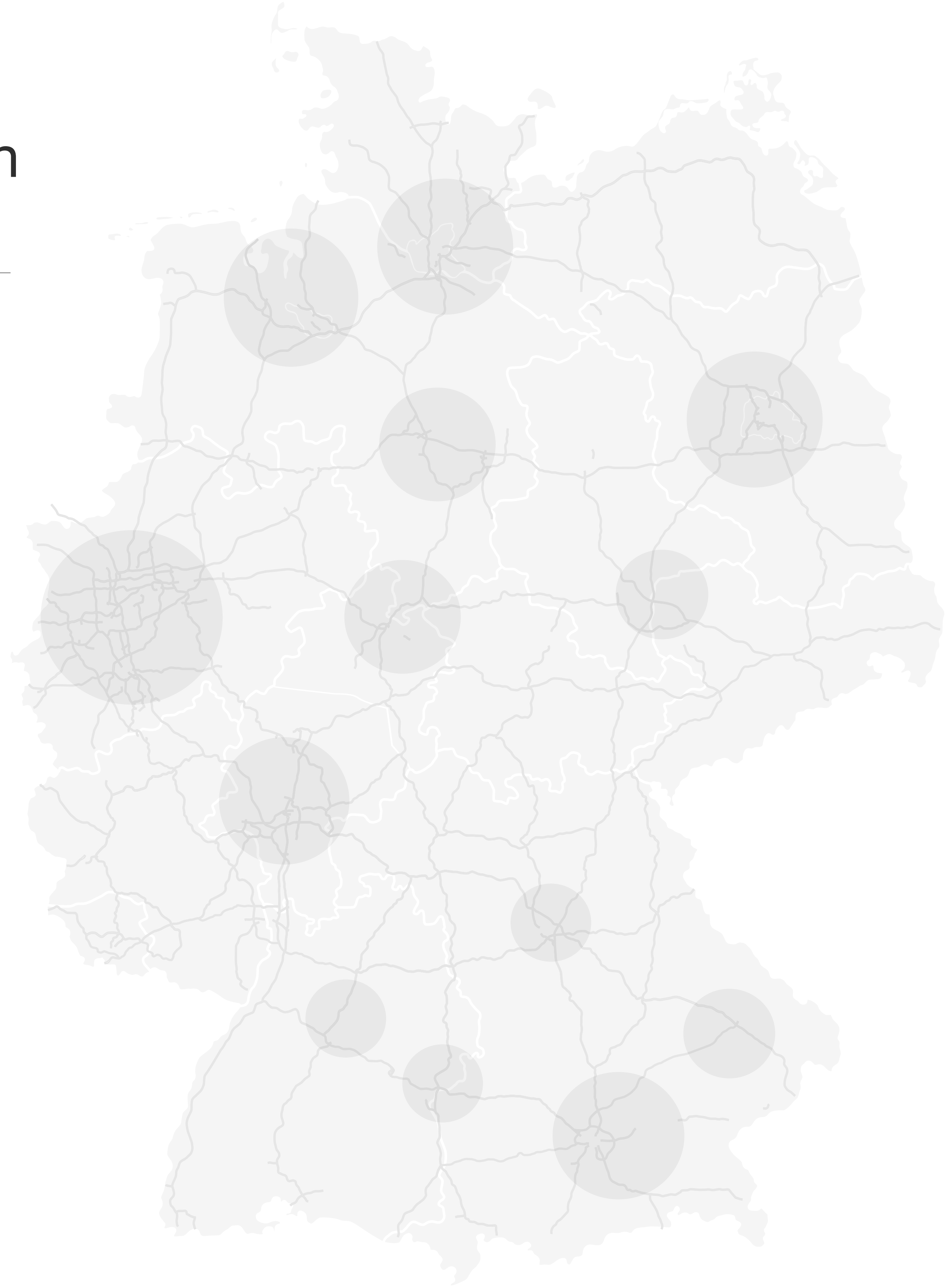
Small Locations
3.6% | 4.5% | 5.5%
↘ ↘ ↓

Rest of Germany
4.1% | 4.8% | 6.0%
↓ ↘ ↓

↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %



Small Locations

Yield compression at Small Locations continues. Yields have further decreased for core, core-plus and value-add properties by -20 bps, -14 bps and -67 bps, respectively.

Investors expect a higher annual rental growth (+2.0%) compared to the result of the previous survey (+1.5%).

Rest of Germany

In line with the last survey, Rest of Germany now shows a yield compression of -27 bps for core properties. For core-plus and value-add properties, the decrease in yields has intensified by -23 bps and -47 bps, respectively.

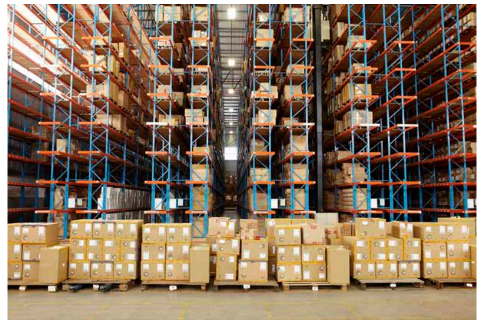
Investors expect stronger annual rental growth for the Rest of Germany of 1.8% compared to Small Locations (0.7%).

→ Please refer to the graph for *Yields ranges and compression* on page 34

Expected five-year yield development

→ Top 15 Locations

↓ Small Locations



↓ Rest of Germany

Letting parameters

	Prime rent (in EUR/m²/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
	Med.	Med.	Dev.	Med.	Dev.	Med.	Dev.	Med.	Dev.
Top 15 Locations	7	3	↗	3	↘	77%	↓	2.5%	↗
Small Locations	-	3	→	5	↘	75%	↑	2.0%	↗
Rest Germany	-	4	↓	5	→	63%	↓	1.8%	↓

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

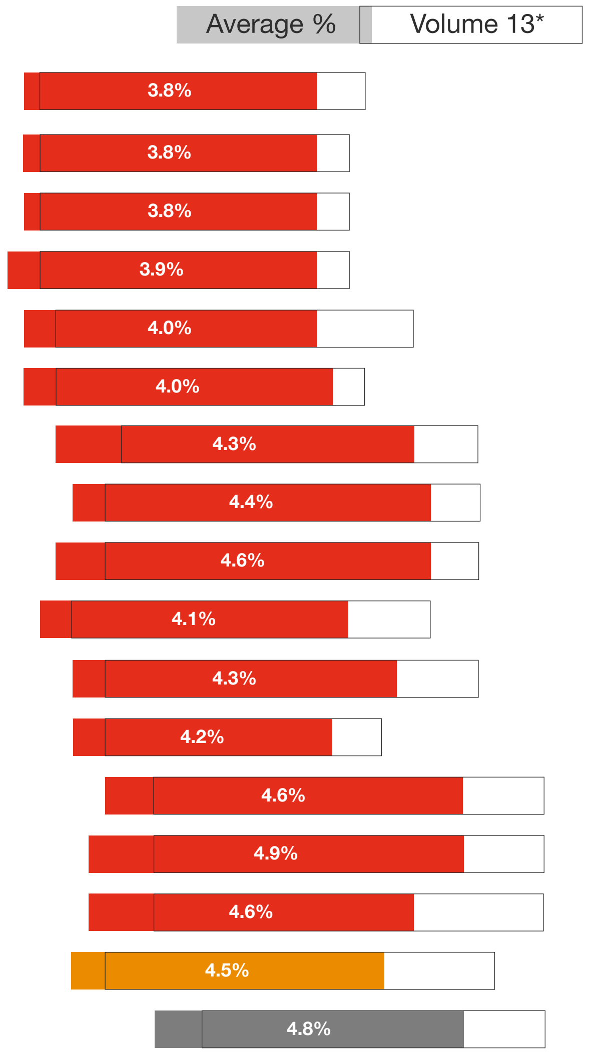
Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 15 Locations

Small Locations

Rest Germany

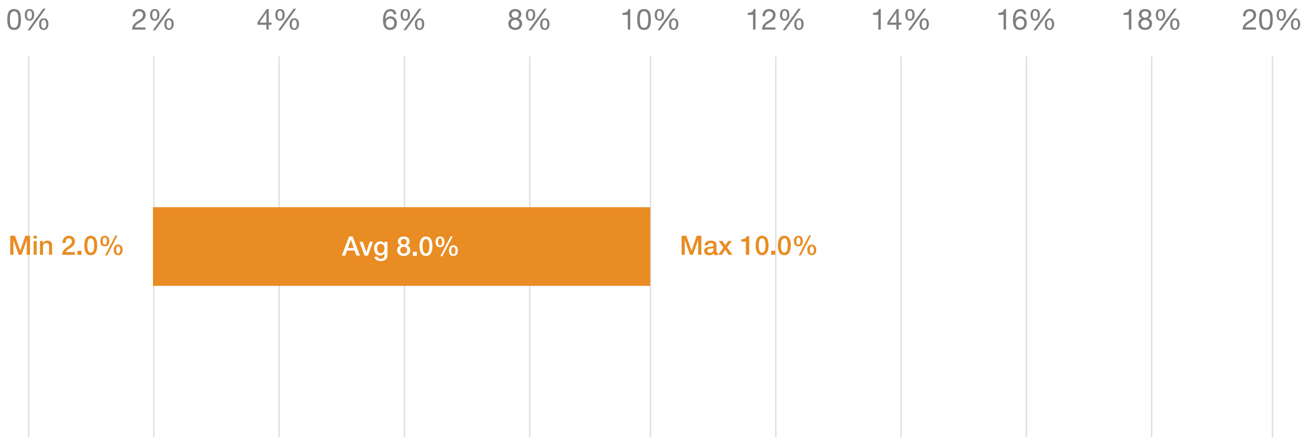


	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Hamburg	3.3%	3.8%	5.1%	-0.1%
Munich	3.3%	3.8%	5.1%	-0.2%
Rhein-Main/Frankfurt	3.3%	3.8%	5.1%	-0.2%
Berlin	3.2%	3.9%	5.1%	-0.2%
Dusseldorf/Koln	3.3%	4.0%	5.1%	-0.2%
Stuttgart	3.3%	4.0%	5.2%	-0.2%
Hannover/Braunschweig	3.5%	4.3%	5.7%	-0.3%
Halle/Leipzig	3.6%	4.4%	5.6%	-0.2%
Bremen/Nordseehafen	3.5%	4.6%	5.8%	-0.3%
Rhein-Ruhr	3.4%	4.1%	5.3%	-0.2%
Dortmund	3.6%	4.3%	5.6%	-0.2%
Nuremberg	3.6%	4.2%	5.2%	-0.2%
Kassel/Gottingen	3.8%	4.6%	6.0%	-0.3%
Regensburg/Passau	3.7%	4.9%	6.0%	-0.4%
Ulm	3.7%	4.6%	5.7%	-0.4%
Small locations	3.6%	4.5%	5.5%	-0.2%
Rest Germany	4.1%	4.8%	6.0%	-0.3%

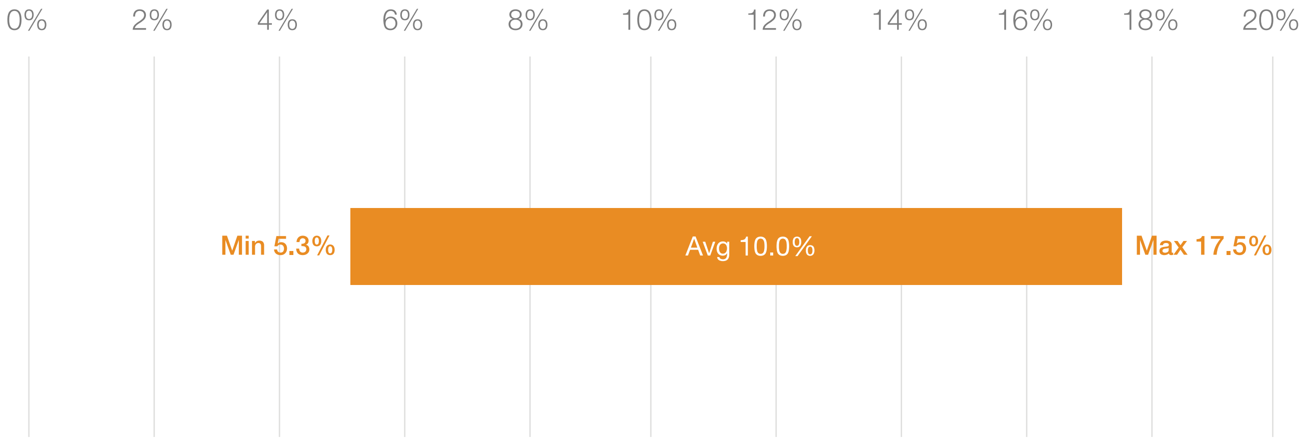
*Previous survey

NOI Analysis

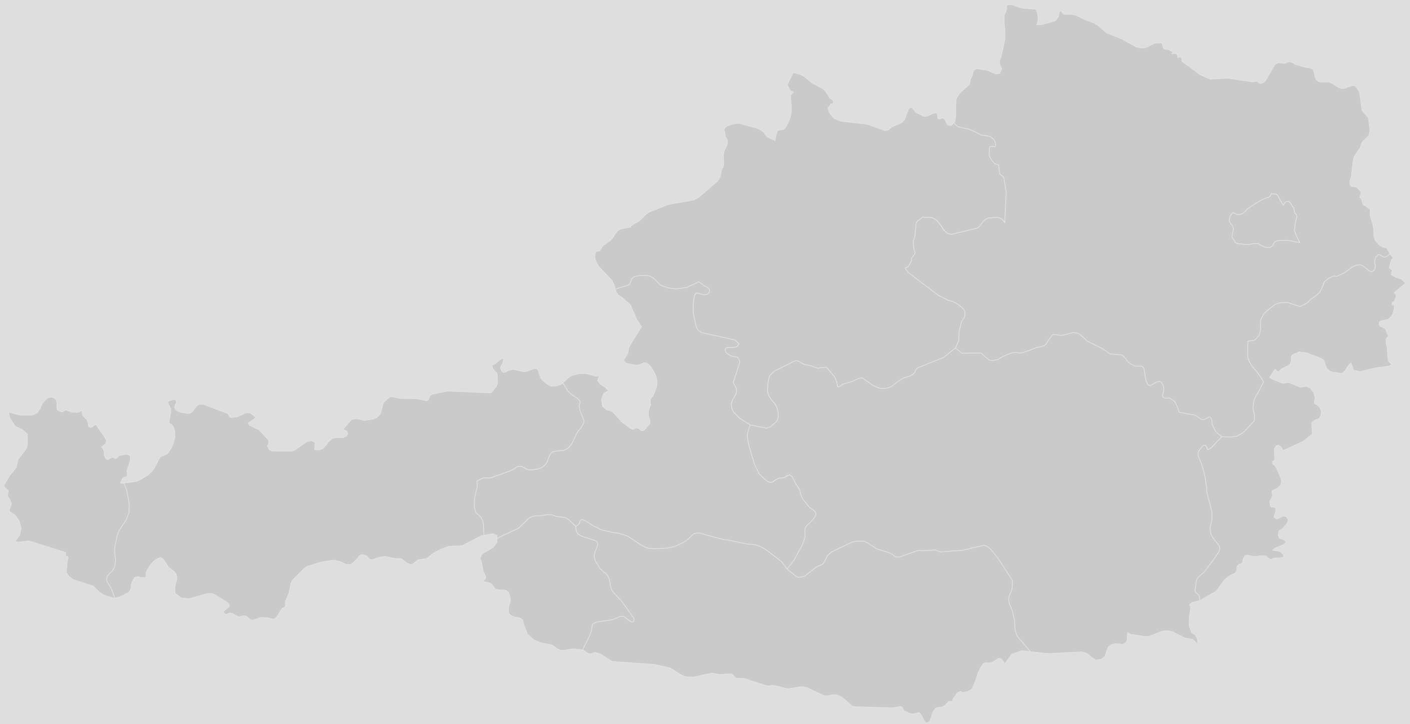
NOI leakage for German Office



NOI leakage for German Retail

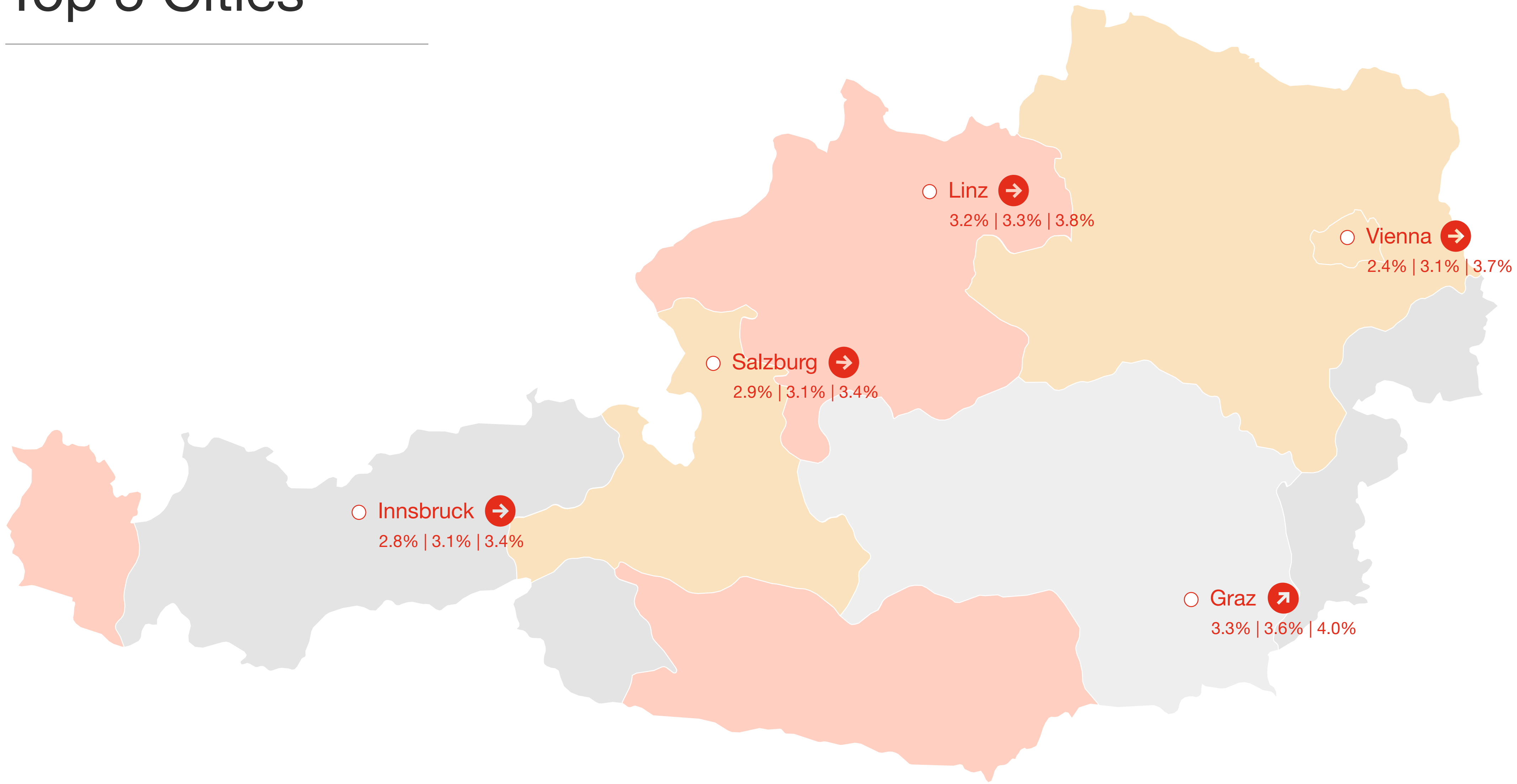


Austria



Residential

Yields in Austrian Top 5 Cities



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Top 5 Cities

The pandemic has not had a lasting negative impact on the housing market to this point. Nor can any stagnation be noted – rather, only changes with a positive trend can be observed. The almost constant increase in purchase prices in Vienna has continued in 2021. After an increase of 10% in 2020, the average purchase price of flats has risen by approx. 5% compared to the previous survey.

Prime rents in Vienna, Innsbruck and Salzburg remained stable, and as investment locations continue to be the most expensive markets for prime residential properties with average minimum yields of 2.4%, 2.8%, and 2.9% respectively. These cities also have the leading prime rents in the country at €20/sqm in Vienna, €17/sqm in Innsbruck and €16/sqm in Salzburg. Minimum prime yields and prime rents have remained predominantly stable since the last edition. Prime purchase prices assigned to these cities in the same order within the residential sector range around €18,250/sqm, €9,400/sqm and €9,250/sqm.

Compared to the previous survey results as of prime yields, the Austrian capital, Innsbruck, Salzburg and Linz remained stable, whereas Graz slightly increased at +12 bps. Regarding a preferred investment location, the majority of investors generally commit themselves to residential investments in Vienna.

The annual market rent growth rate is expected to be at 1.0% in Innsbruck, Salzburg and Linz with 1.0%, followed by Vienna with 0.7% and Graz with 0.5%. Looking at the five-year development, yields for all Top 5 Cities in Austria are forecast to remain stable.

→ Please refer to the graph for ***Yields ranges and compression*** on page 39

Expected five-year yield development

Top 5 Cities

→ Vienna

→ Graz

→ Linz

→ Salzburg

→ Innsbruck

Letting parameters and other KPIs

Top 5 Cities

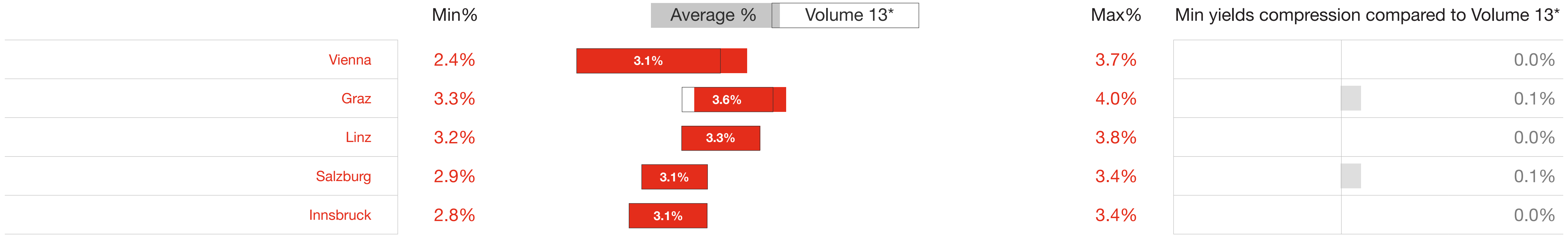
	Prime rent (in EUR/m^2/month)		Prime purchase price (in EUR/m^2)		Annual market rent growth rate	
	Med.	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Vienna	20	↘	18,250	↗	0.7%	→
Graz	14	→	5,500	↘	0.5%	→
Linz	14	↘	6,150	→	1.0%	→
Salzburg	16	→	9,250	→	1.0%	→
Innsbruck	17	→	9,400	↘	1.0%	→

↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 5 Cities

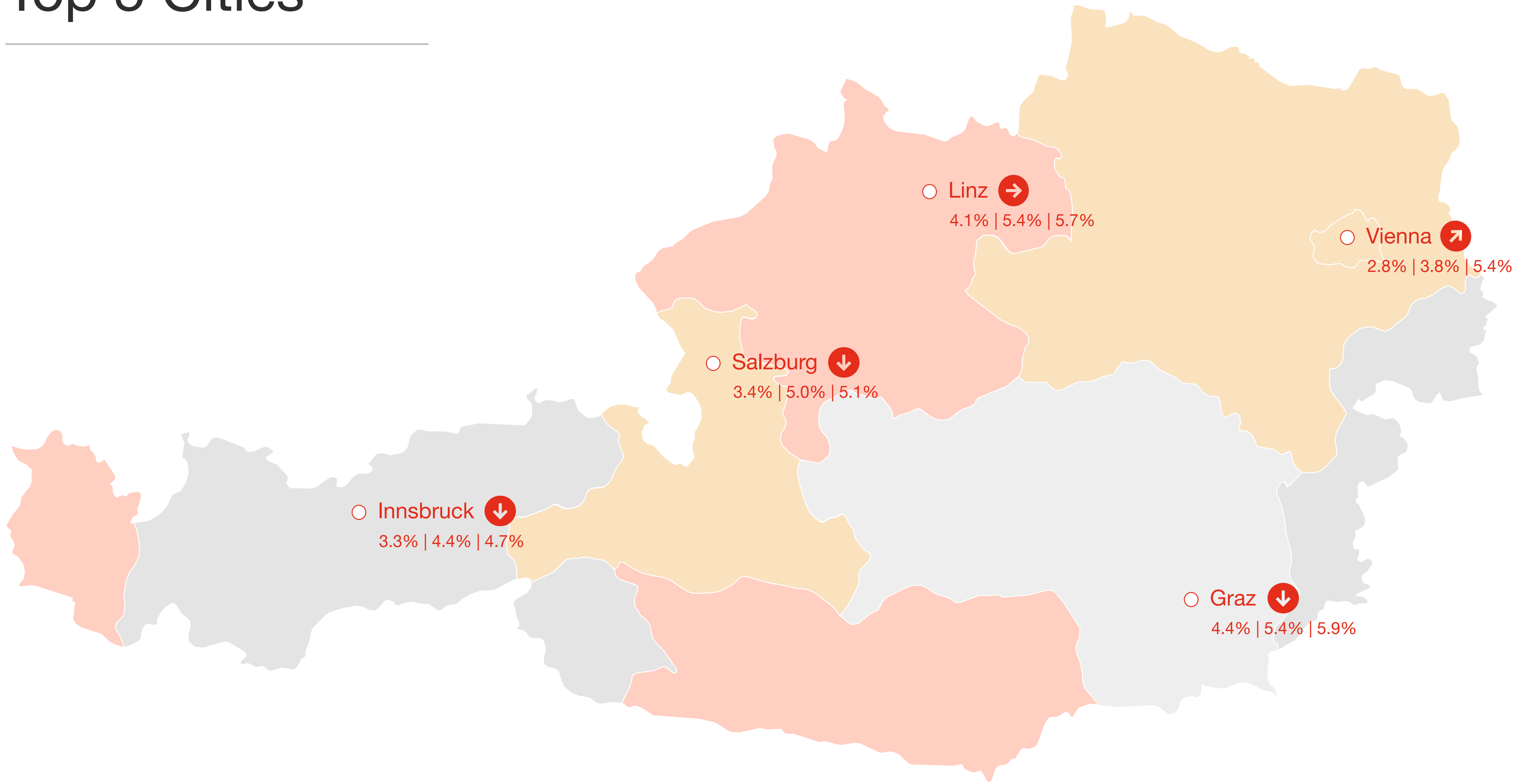


	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Vienna	2.4%	3.1%	3.7%	0.0%
Graz	3.3%	3.6%	4.0%	0.1%
Linz	3.2%	3.3%	3.8%	0.0%
Salzburg	2.9%	3.1%	3.4%	0.1%
Innsbruck	2.8%	3.1%	3.4%	0.0%

*Previous survey

Office

Yields in Austrian Top 5 Cities



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

Top 5 Cities

While demand for office and residential was already strong before COVID, prime yields in these asset classes have continued a downward trend due to limited supply since the outbreak of the pandemic. Office properties recorded a further, albeit more moderate decline in prime yields in 2021.

As throughout the years before, Vienna is the top office market with a minimum yield of 2.8% and an average prime rent of €28/sqm. Followed by the other primary office investment locations led by Innsbruck and Salzburg with yields of 3.3% and 3.4% and prime rents, equally to Vol. 13 of €17/sqm and €16/sqm respectively. However, the main geographical focus in the office market, as well as in other classes of use, remains almost exclusively on Vienna.

With regard to the development of minimum yields within the last six-month period compared to the previous survey, the strongest decrease in contrast to our last survey can be observed for Graz, Salzburg, and Innsbruck all within the bandwidth of -30 to -35 bps. Furthermore, the expected average annual rental growth in the Top 5 Cities is 1.1%, with growth of 1.5% expected for Vienna, followed by the other top 4 cities with 1.0% each.

The spread for core office properties is currently around 200–350 bps, with a slight downward trend. Secured cash flows as of rental income and the quality of the location continue to be the top priorities for many investors. Long-term leased office properties will therefore continue to be in high demand, especially in Vienna.

→ Please refer to the graph for ***Yields ranges and compression*** on page 42

Expected five-year yield development

Top 5 Cities

→ Vienna

→ Graz

→ Linz

→ Salzburg

→ Innsbruck

Letting parameters

Top 5 Cities

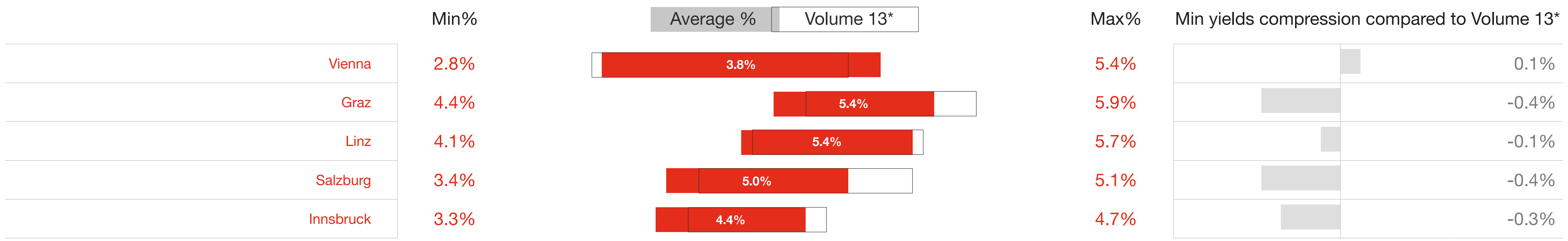
	Prime rent (in EUR/m²/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
Top 5 Cities	**Med.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Vienna	28	7	→	6	→	75%	→	1.5%	→
Graz	14	7	↗	6	→	75%	→	1.0%	→
Linz	14	7	↗	6	→	75%	↘	1.0%	→
Salzburg	16	7	↗	6	→	75%	↓	1.0%	→
Innsbruck	17	7	↗	6	→	75%	↘	1.0%	→

↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 5 Cities

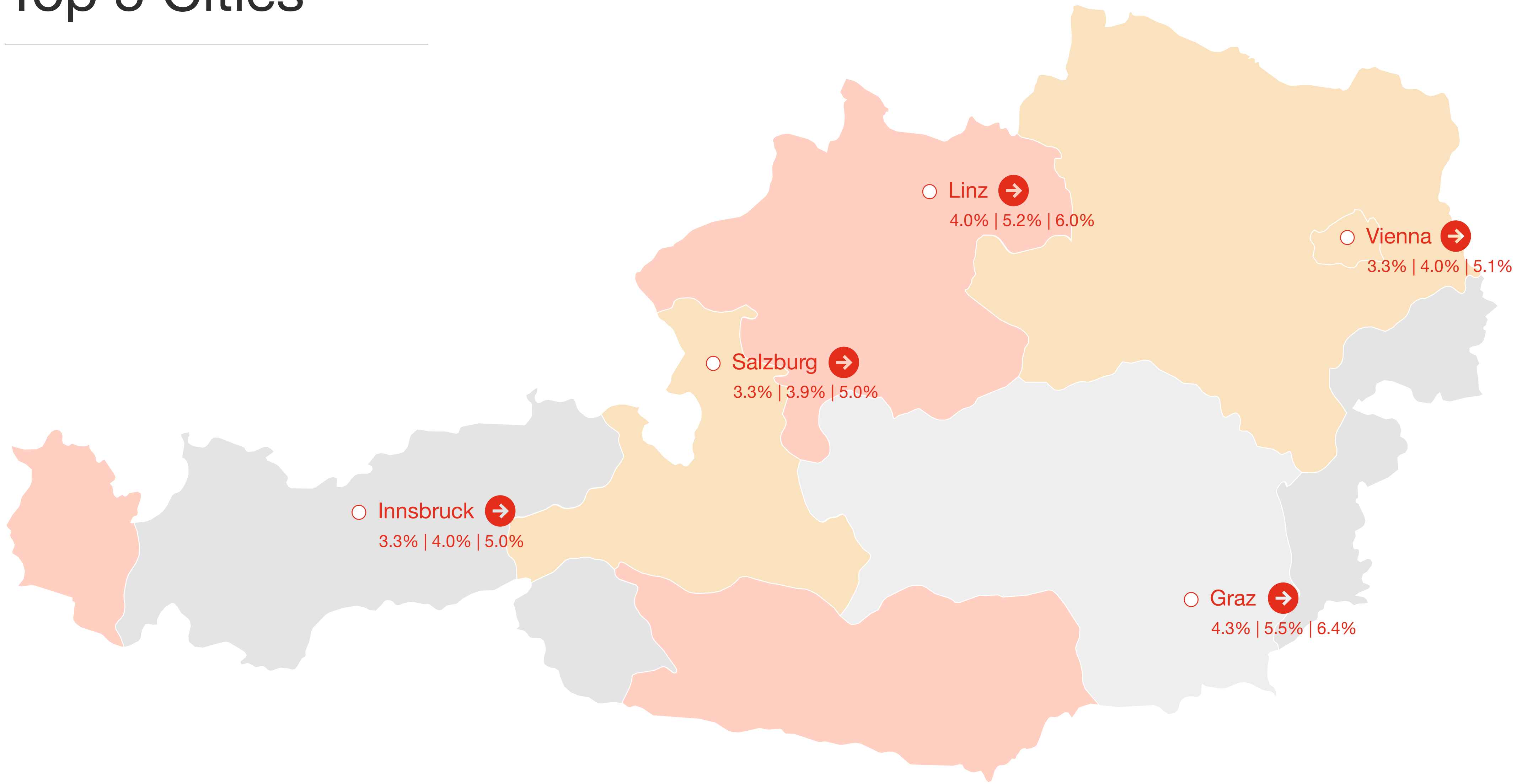


	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Vienna	2.8%	3.8%	5.4%	0.1%
Graz	4.4%	5.4%	5.9%	-0.4%
Linz	4.1%	5.4%	5.7%	-0.1%
Salzburg	3.4%	5.0%	5.1%	-0.4%
Innsbruck	3.3%	4.4%	4.7%	-0.3%

*Previous survey

Retail | High-street

Yields in Austrian Top 5 Cities



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Top 5 Cities

The first six months of 2021 saw the highest number of new retail entrants since 2018, partly resulting from COVID-related lagging effects. Nevertheless, even after the opening of the retail and hospitality sectors, the sector is still below the level of 2019. However, due to good demand for prime locations, no change is expected in the area of prime rents and yields. Vienna, as expected, is the top retail market with a minimum yield of 3.3% (-10 bps) and an average prime rent of €300/sqm. Followed by Salzburg and Innsbruck with a minimum yield of 3.3% each, with no change as of Salzburg and -10 bps for Innsbruck compared to the last survey. Average prime rents were seen at €260/sqm each. Linz and Graz are somewhat behind with yields of 4.0% and 4.3% (no change) and an analogue prime rent of €120/sqm and €140/sqm accordingly. Nevertheless, the main geographical focus in the retail market as well as in other classes of use is almost exclusively on Vienna.

The expected average annual rental growth in the Top 5 Cities for high-street retail is expected to be at 0.8%.

Only the Top 5 Cities were covered, as the investment activities of the participants are not significantly present in the Regions.

→ Please refer to the graph for ***Yields ranges and compression*** on page 45

Expected five-year yield development

Top 5 Cities

→ Vienna

→ Graz

→ Linz

→ Salzburg

→ Innsbruck

Letting parameters

Top 5 Cities

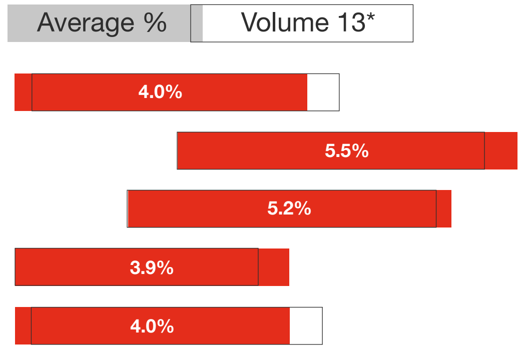
	Prime rent (in EUR/m²/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
Top 5 Cities	**Med.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Vienna	300	3	→	12	↓	60%	→	0.7%	↑
Graz	140	6	→	18	→	50%	↗	0.5%	↑
Linz	120	6	→	16	↗	50%	→	1.0%	↑
Salzburg	260	5	↗	12	↘	60%	→	1.0%	↑
Innsbruck	260	5	↗	12	↘	60%	→	1.0%	↑

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 5 Cities



	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Vienna	3.3%	4.0%	5.1%	-0.1%
Graz	4.3%	5.5%	6.4%	0.0%
Linz	4.0%	5.2%	6.0%	0.0%
Salzburg	3.3%	3.9%	5.0%	0.0%
Innsbruck	3.3%	4.0%	5.0%	-0.1%

*Previous survey

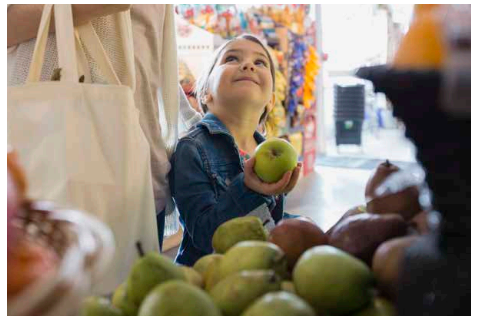
Retail | Non-High-street

Apart from high-street retail, yields in the non-high-street retail sector are at a minimum between 4.4% and 5.4%. Out-of-town shopping centres and supermarkets have the lowest yields at 4.4% and 4.7% respectively, while the yields of retail parks and DIY stores range between 5.0% and 5.4%. Investors expect the annual rent for the non-high-street retail sector to remain at current levels.

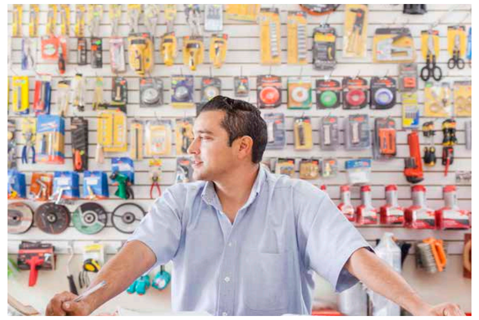
Expected five-year yield development

→ Out-of-town Shopping Centre

↘ Retail Park



→ Supermarket



→ DIY Store

Yields and letting parameters

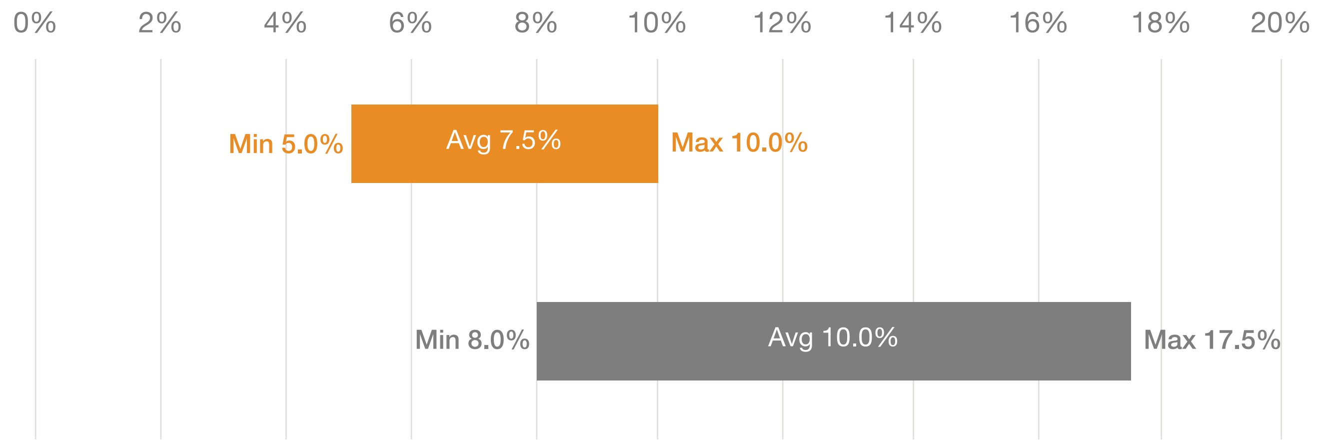
	All-risk-yield			Prime rent (in EUR/m²/month)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
	Min.	Med.	Max.	Med.	Med.	Dev.	Med.	Dev.	Med.	Dev.	Med.	Dev.
Out-of-town Shopping Centre	4.4%	4.8%	6.3%	200	12	↑	6	↘	30%	↓	0.0%	→
Retail Park	5.0%	5.5%	6.0%	21	12	↑	5	↘	30%	↓	0.0%	↘
Supermarket	4.7%	5.8%	6.8%	25	12	↑	6	↓	30%	↓	0.0%	→
DIY Store	5.4%	6.2%	6.8%	15	12	↑	6	↓	30%	↓	0.0%	→

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

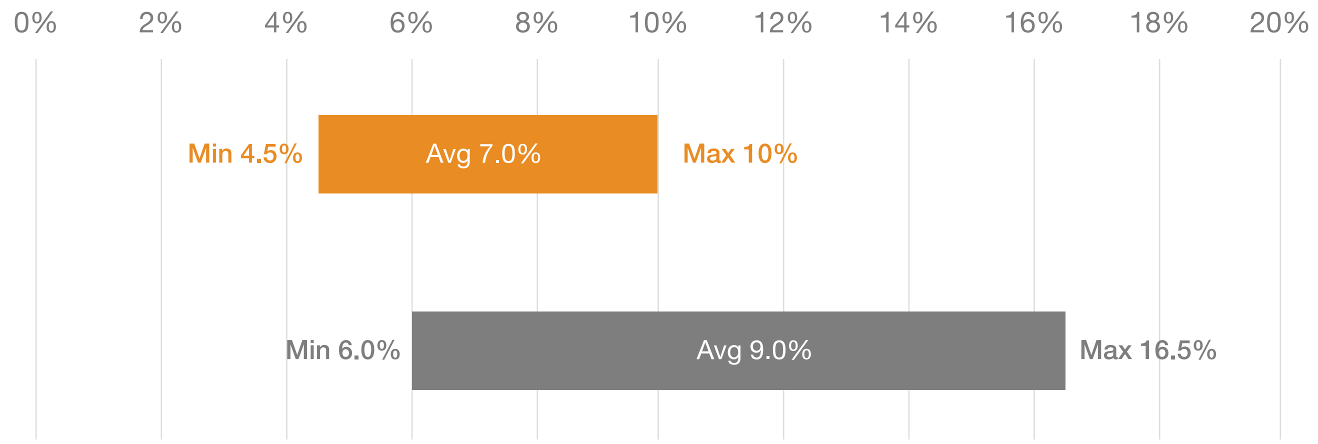
Compared to the previous survey (majority of responses)

NOI Analysis

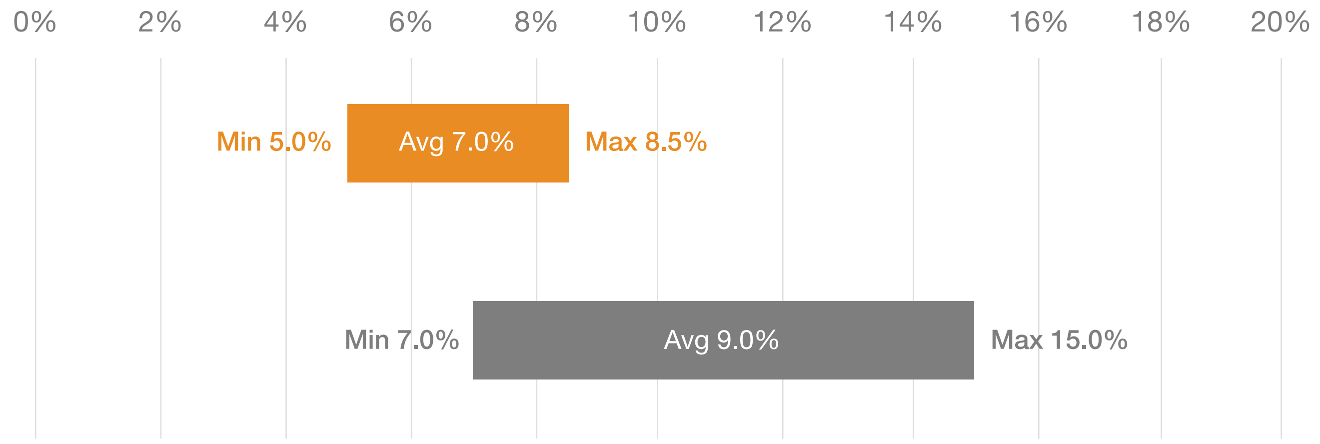
NOI leakage for Austrian Office



NOI leakage for Austrian Residential



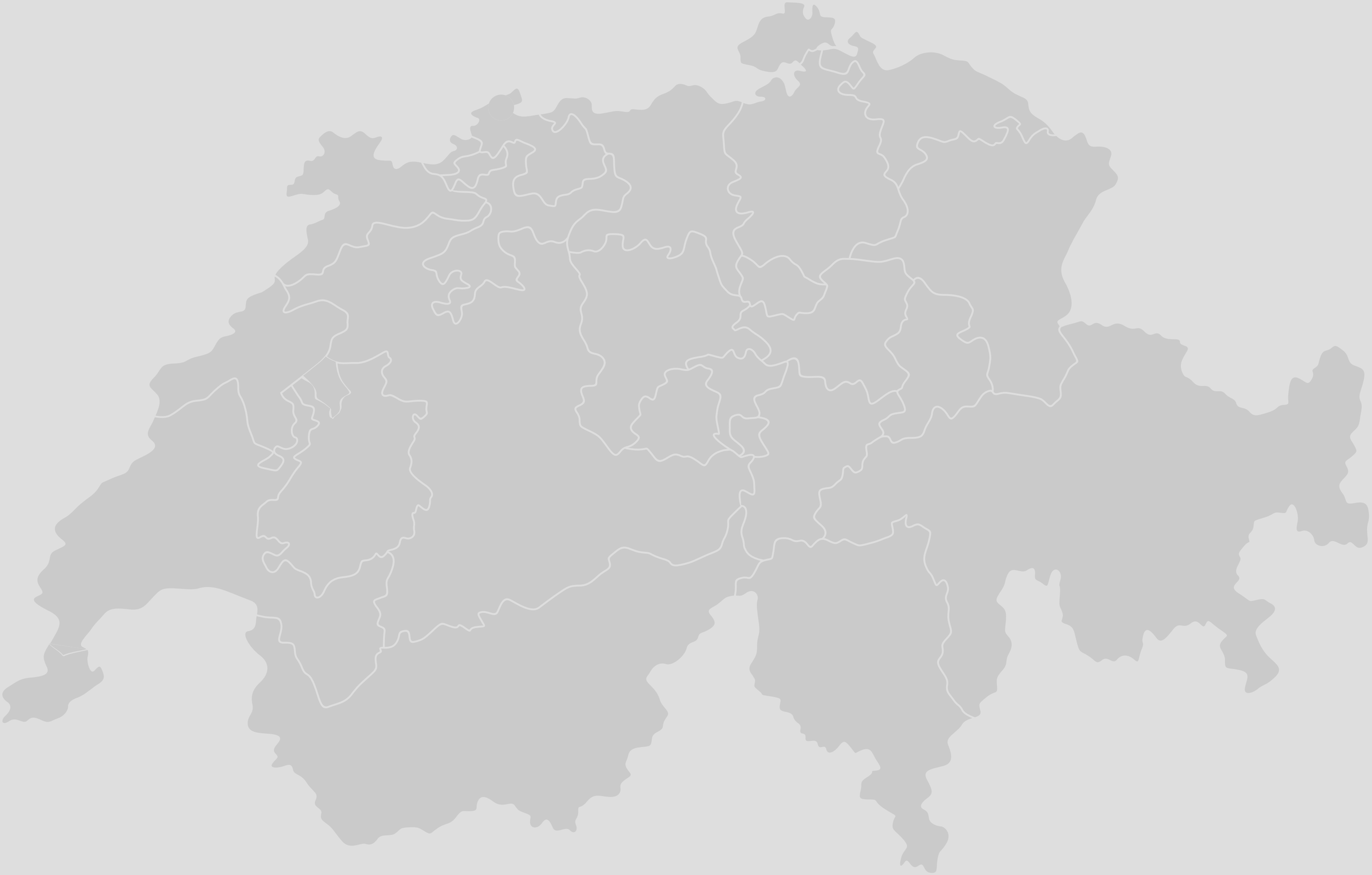
NOI leakage for Austrian Retail



🟧 Excluding Capex ◼ Including Capex

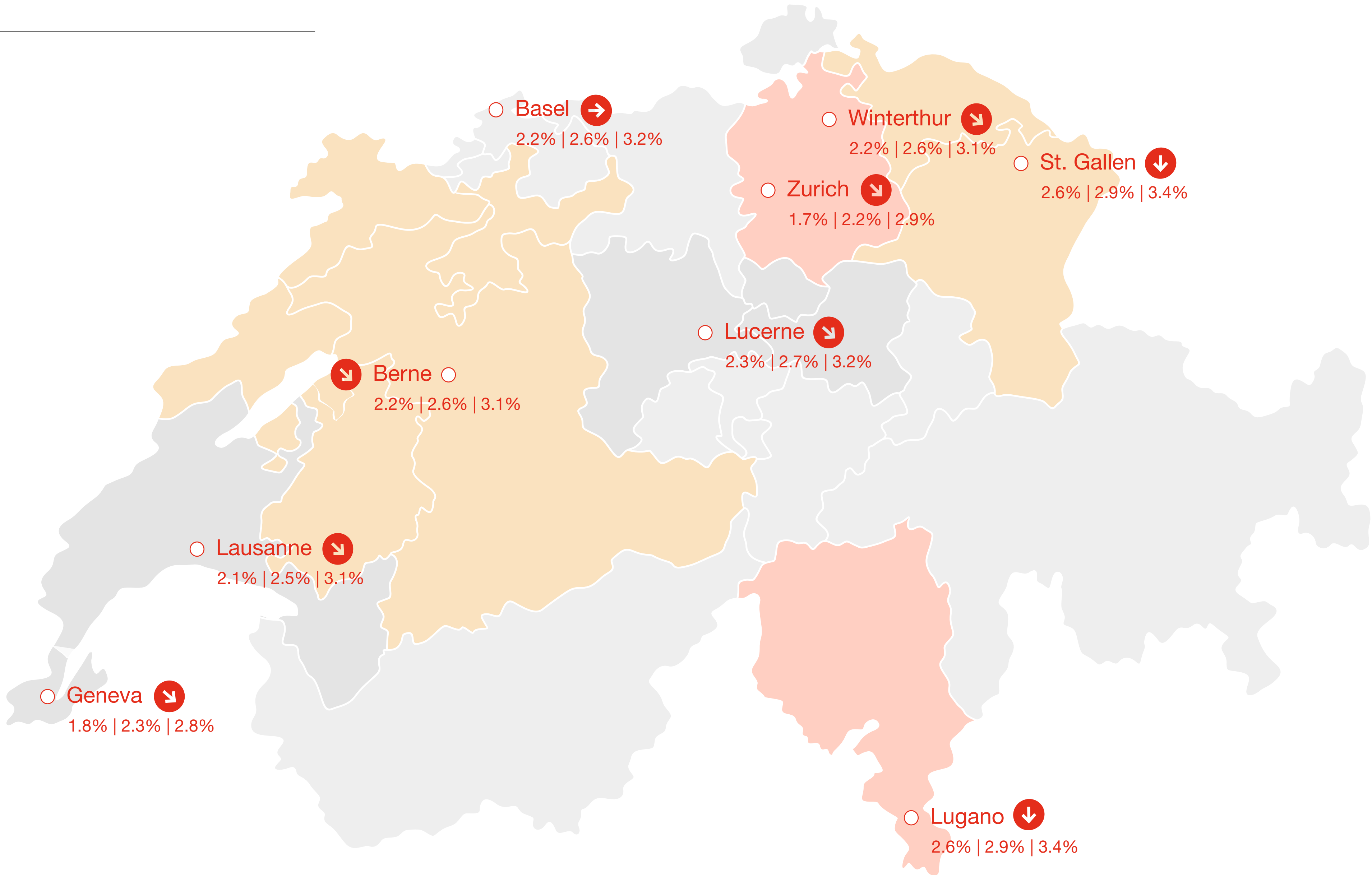
Switzerland

Residential	50	Retail	60
Office	55		



Residential

Yields in Swiss Top 9 Cities



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

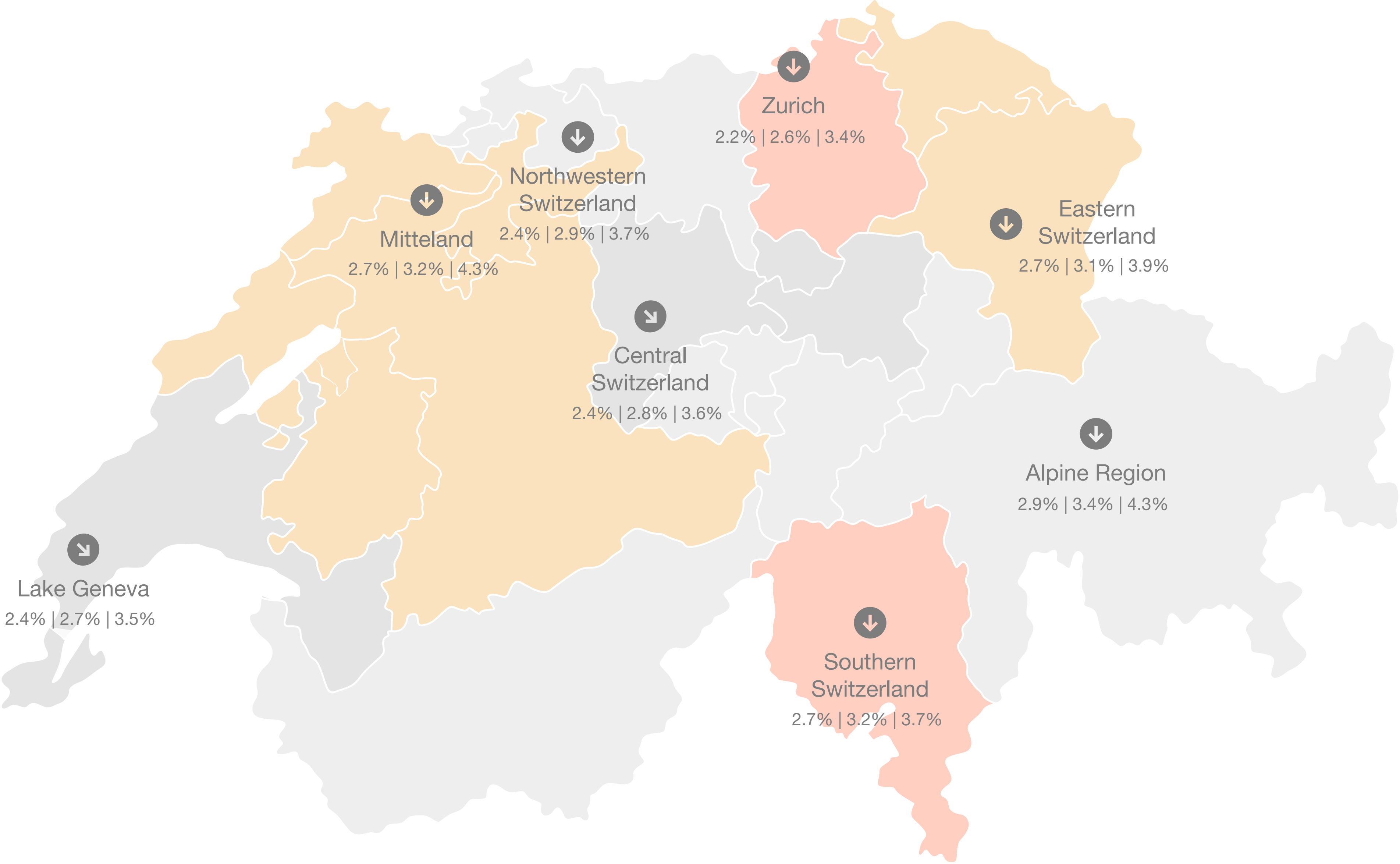
Top 9 Cities

Yields for Swiss residential properties continue their downward trajectory observed since the inception of this study in 2018. Compression across Swiss cities, particularly in the core segment, brings yields below 2.0% in Zurich and Geneva, and only slightly higher in Lausanne, Basel, Berne, Lucerne and Winterthur. Even the traditionally weaker markets in St. Gallen and Lugano have decreasing yields of -39 bps and -54 bps, respectively.

→ Please refer to the graph for ***Yields ranges** and compression* on page 54

Residential

Yields in Swiss Regions



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Regions

Outside the big cities, investors see a further yield compression for prime properties in all regions. The yields for core properties experience the highest compression in the Alpine Region with -68 bps and is below 3% in every region. In the average and value-add segment, investor responses reflect slightly decreased caution and quality awareness.

→ View the graph for ***Yields ranges*** *and compression* on page 54

Expected five-year yield development

Top 9 Cities

→ **Zurich**

→ **Geneva**

→ **Basel**

→ **Berne**

→ **Lausanne**

→ **Winterthur**

→ **Lucerne**

→ **St. Gallen**

↗ **Lugano**

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

Compared to the previous survey (majority of responses)

Letting parameters

Top 9 Cities

	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Annual market rent growth rate	
	Med.	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Zurich	0	→	1	→	0.4%	→
Geneva	0	→	1	→	0.4%	→
Basel	0	→	2	↗	0.4%	→
Berne	0	→	2	→	0.0%	→
Lausanne	0	→	2	↗	0.2%	→
Winterthur	0	→	2	→	0.4%	→
Lucerne	0	→	2	→	0.4%	→
St.Gallen	0	→	3	→	0.1%	→
Lugano	0	→	2	→	-0.8%	→

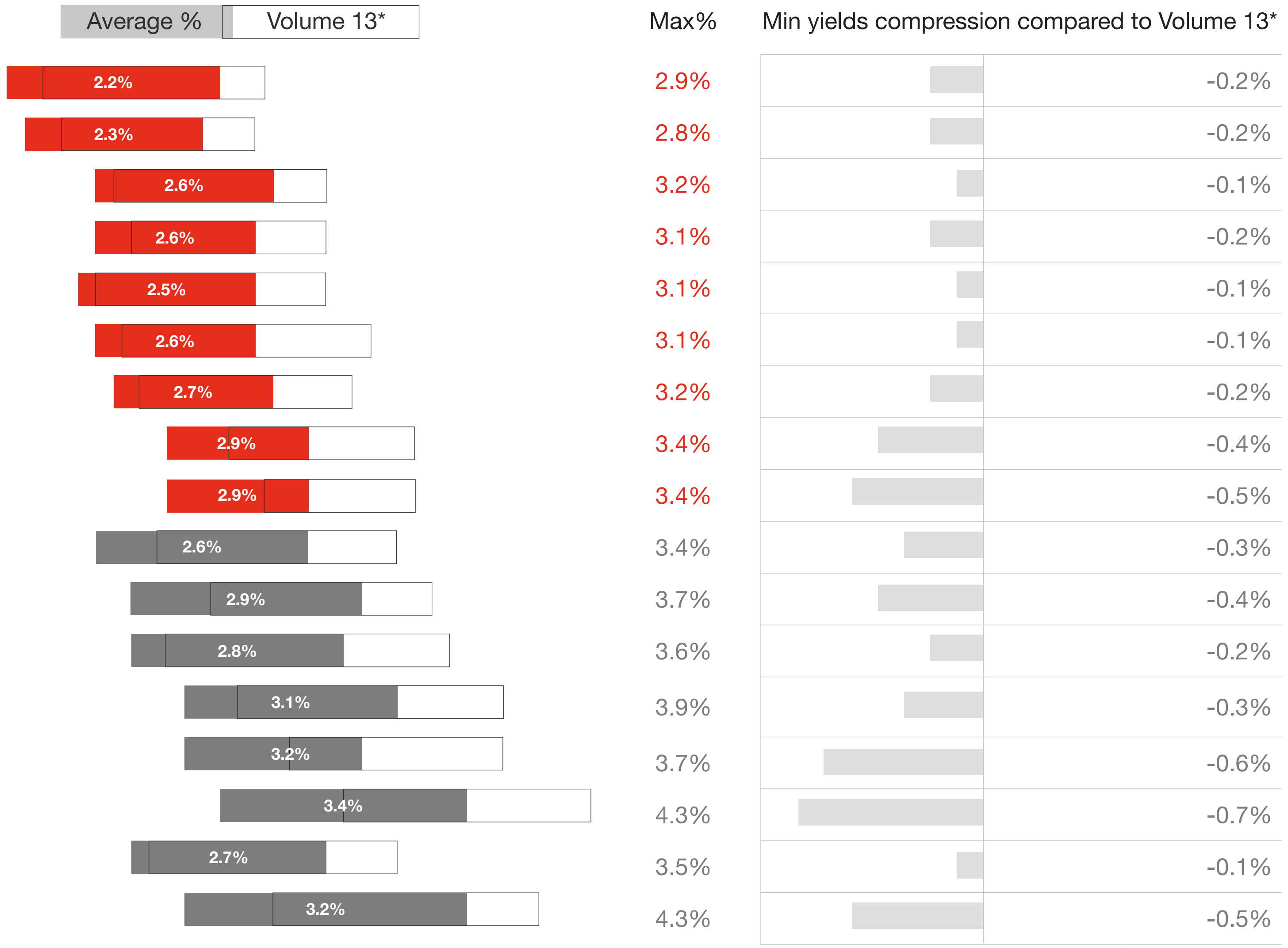
↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 9 Cities

Regions

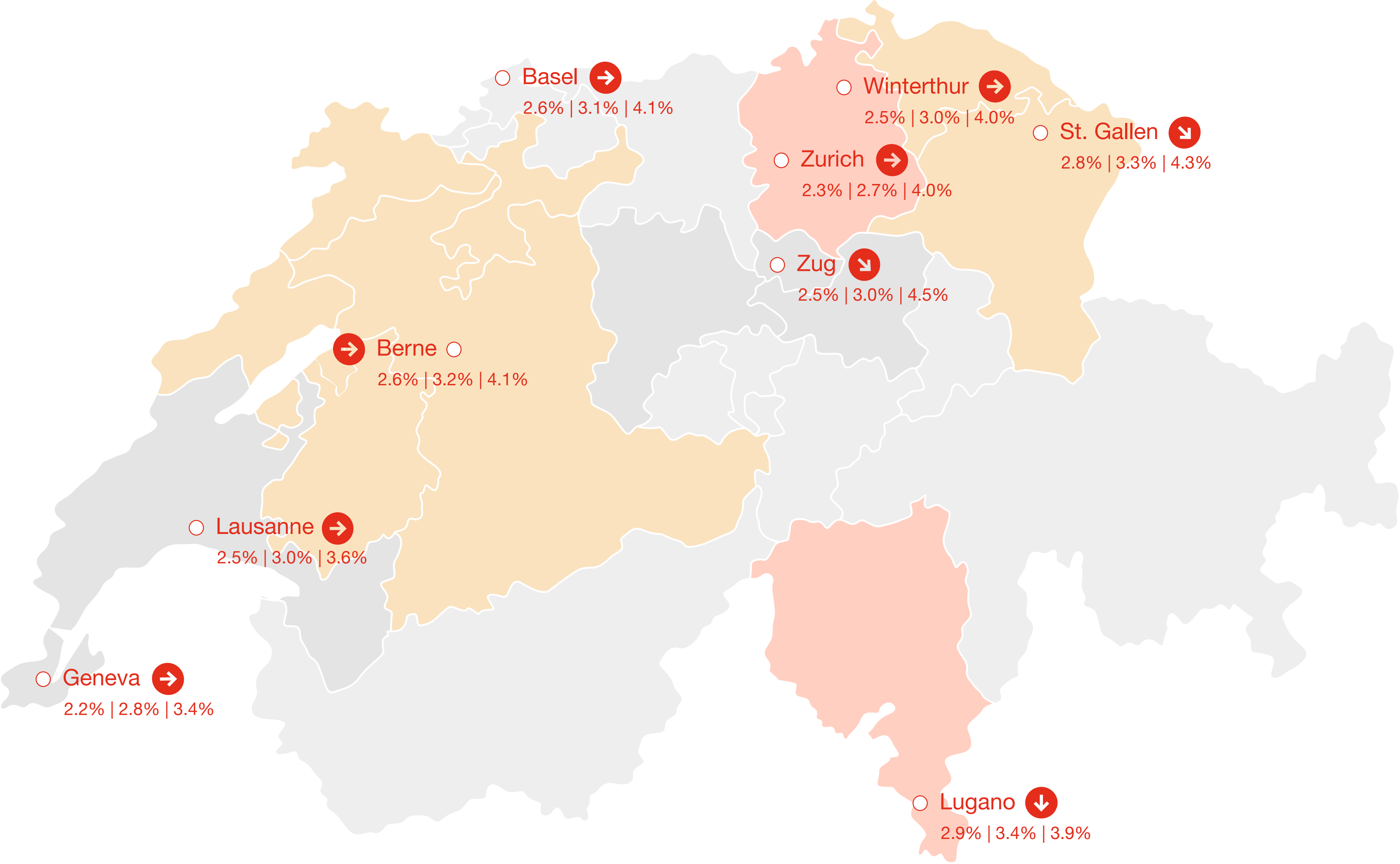


	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Zurich	1.7%	2.2%	2.9%	-0.2%
Geneva	1.8%	2.3%	2.8%	-0.2%
Basel	2.2%	2.6%	3.2%	-0.1%
Berne	2.2%	2.6%	3.1%	-0.2%
Lausanne	2.1%	2.5%	3.1%	-0.1%
Winterthur	2.2%	2.6%	3.1%	-0.1%
Lucerne	2.3%	2.7%	3.2%	-0.2%
St. Gallen	2.6%	2.9%	3.4%	-0.4%
Lugano	2.6%	2.9%	3.4%	-0.5%
Zurich	2.2%	2.6%	3.4%	-0.3%
Northwestern Switzerland	2.4%	2.9%	3.7%	-0.4%
Central Switzerland	2.4%	2.8%	3.6%	-0.2%
Eastern Switzerland	2.7%	3.1%	3.9%	-0.3%
Southern Switzerland	2.7%	3.2%	3.7%	-0.6%
Alpine Region	2.9%	3.4%	4.3%	-0.7%
Lake Geneva	2.4%	2.7%	3.5%	-0.1%
Mittelland	2.7%	3.2%	4.3%	-0.5%

*Previous survey

Office

Yields in Swiss Top 9 Cities



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

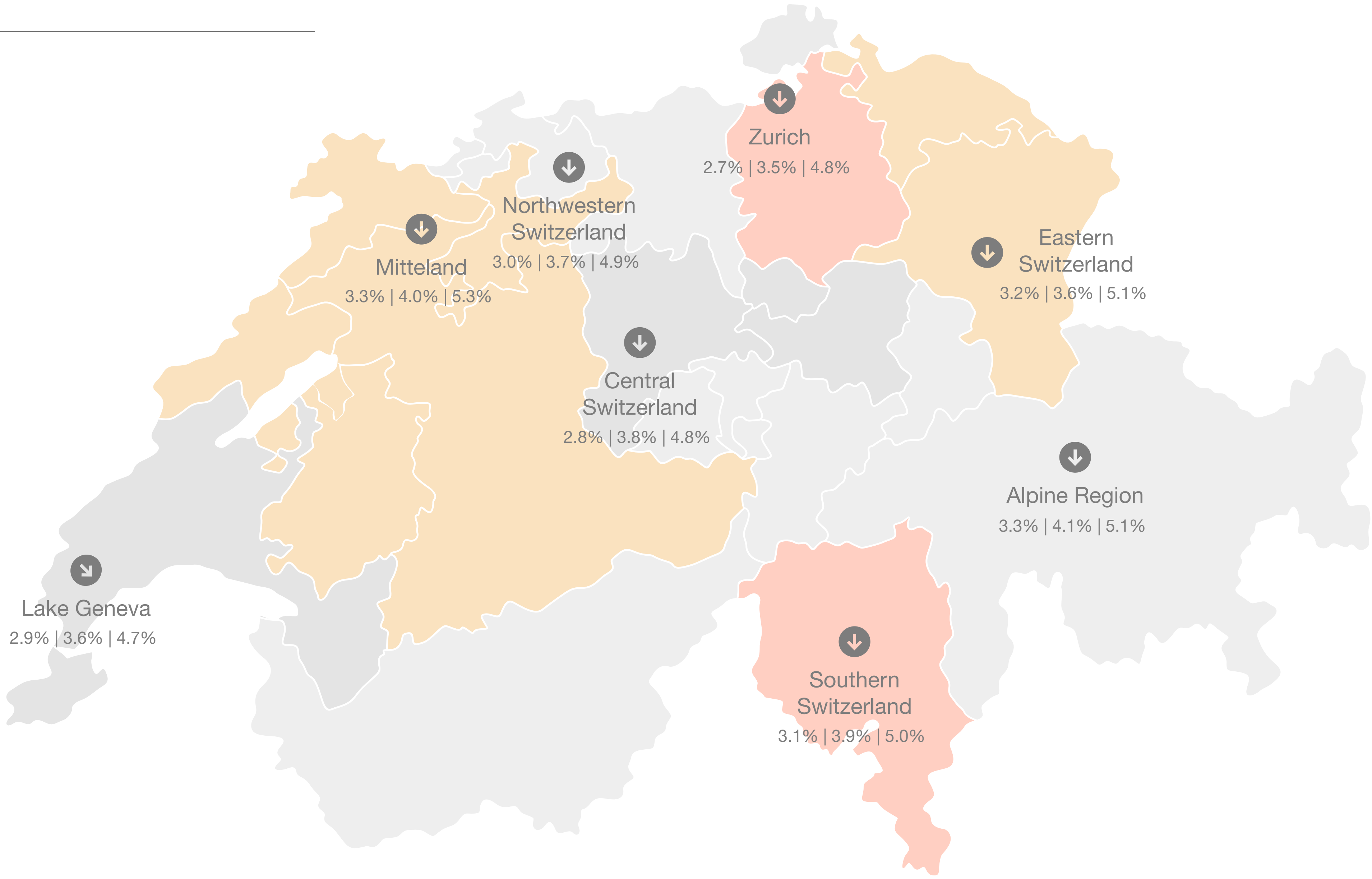
Top 9 Cities

While Swiss residential yields show a relatively consistent trajectory, the image for office yields is more mixed. At the lower end of the spectrum, yields in Zurich remain fairly stable. In Geneva, the sharp increase from last autumn is reversed and core properties come back to similar levels as in Zurich (2.2%). In Lausanne, Winterthur, Zug, St. Gallen and Lugano, the spread between core properties and those in the value-add segment increases significantly, reflecting a more pronounced awareness for high-quality properties and locations among investors.

→ Please refer to the graph for ***Yields ranges** and compression* on page 59

Office

Yields in Swiss Regions



↑ ↗ → ↘ ↓

Minimum yields movement compared to the previous survey

Min. % | Average % | Max. %

Regions

Outside of the urban centres, only the Zurich and Lake Geneva Regions see a further decrease in core yields. In the average and value-add segment, investors report increasing yields across the board. The most significant increases can be observed in the Alpine Region and the Mittelland, but also the remaining regions experience increasing investor caution for their non-core properties. Apart from the direction of the moves, there is a large disparity in the investors' answers. This points to a variety in investor views with regards to the future of office properties, especially in less central locations.

→ Please refer to the graph for ***Yields ranges** and compression* on page 59

Expected five-year yield development

Top 9 Cities

→ Zurich

→ Geneva

→ Basel

→ Berne

→ Lausanne

→ Winterthur

→ Lucerne

→ St. Gallen

↓ Lugano

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

Compared to the previous survey (majority of responses)

Letting parameters

Top 9 Cities

	Prime rent (CHF/m² p.a.)	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
	Med.	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Zurich	775	3	→	5	→	48%	↓	-0.6%	→
Geneva	775	3	→	4	→	64%	→	-0.8%	→
Basel	475	3	→	7	↗	48%	↓	-1.4%	↘
Berne	463	4	↗	6	→	53%	↘	-0.8%	→
Lausanne	425	4	→	6	→	70%	↗	-0.8%	→
Winterthur	375	4	→	7	→	49%	↘	-0.6%	→
Lucerne	400	4	→	6	→	49%	↓	-0.6%	→
St.Gallen	325	4	→	8	→	53%	↘	-1.2%	→
Lugano	350	5	↘	9	→	80%	↑	-1.1%	→

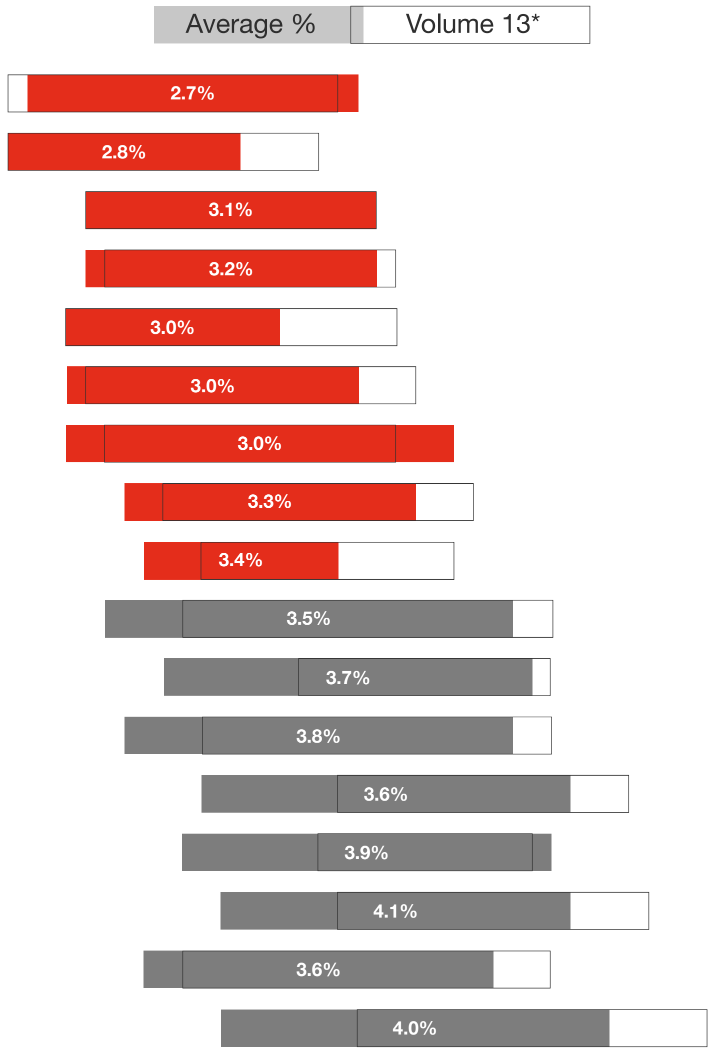
↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 9 Cities

Regions

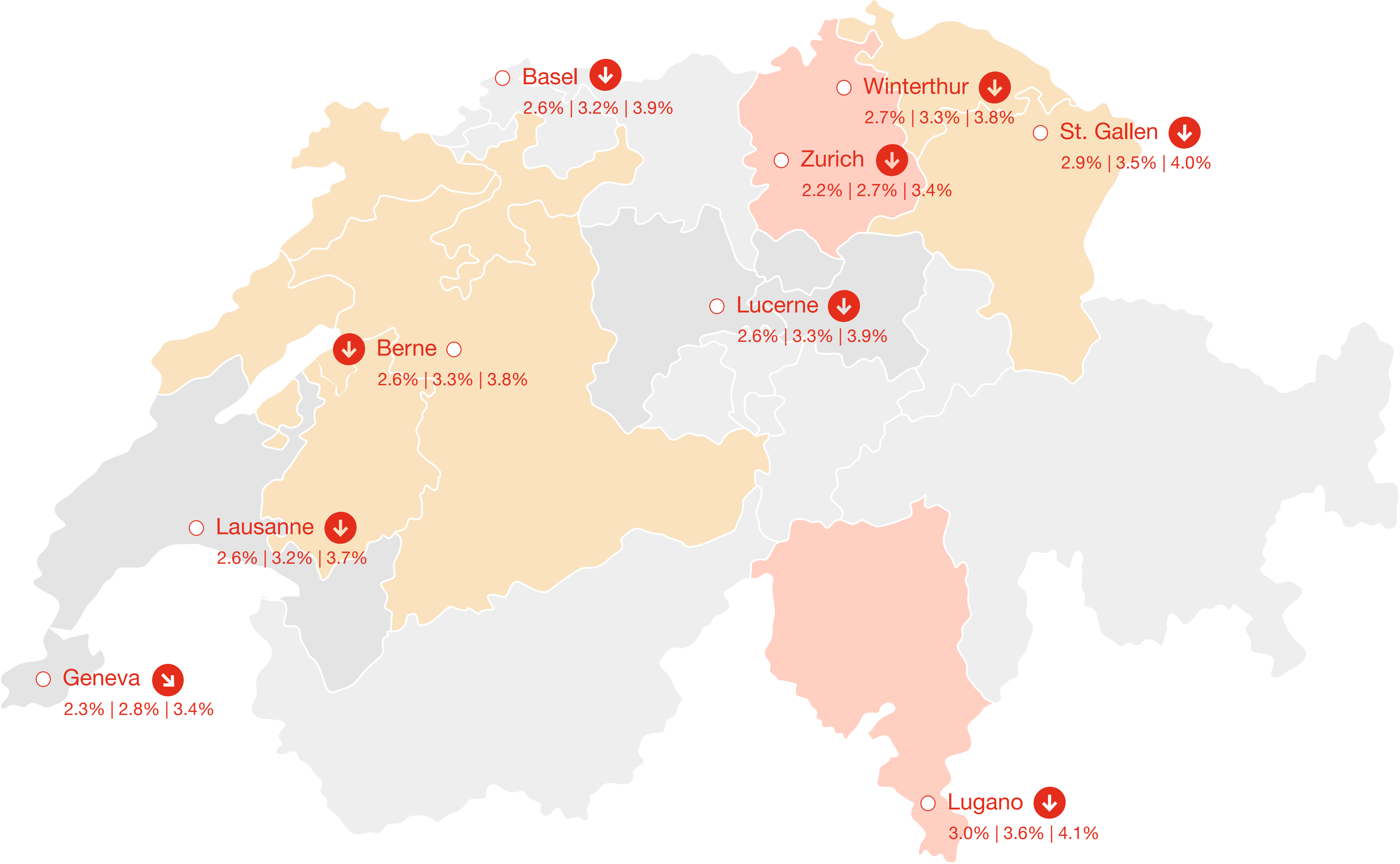


	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Zurich	2.3%	2.7%	4.0%	0.1%
Geneva	2.2%	2.8%	3.4%	0.0%
Basel	2.6%	3.1%	4.1%	0.1%
Berne	2.6%	3.2%	4.1%	-0.1%
Lausanne	2.5%	3.0%	3.6%	0.0%
Winterthur	2.5%	3.0%	4.0%	-0.1%
Zug	2.5%	3.0%	4.5%	-0.1%
St. Gallen	2.8%	3.3%	4.3%	-0.2%
Lugano	2.9%	3.4%	3.9%	-0.3%
Zurich	2.7%	3.5%	4.8%	-0.4%
Northwetern Switzerland	3.0%	3.7%	4.9%	-0.6%
Central Switzerland	2.8%	3.8%	4.8%	-0.4%
Eastern Switzerland	3.2%	3.6%	5.1%	-0.6%
Southern Switzerland	3.1%	3.9%	5.0%	-0.7%
Alpine Region	3.3%	4.1%	5.1%	-0.6%
Lake Geneva	2.9%	3.6%	4.7%	-0.2%
Mittelland	3.3%	4.0%	5.3%	-0.7%

*Previous survey

Retail | High-street

Yields in Swiss Top 9 Cities



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

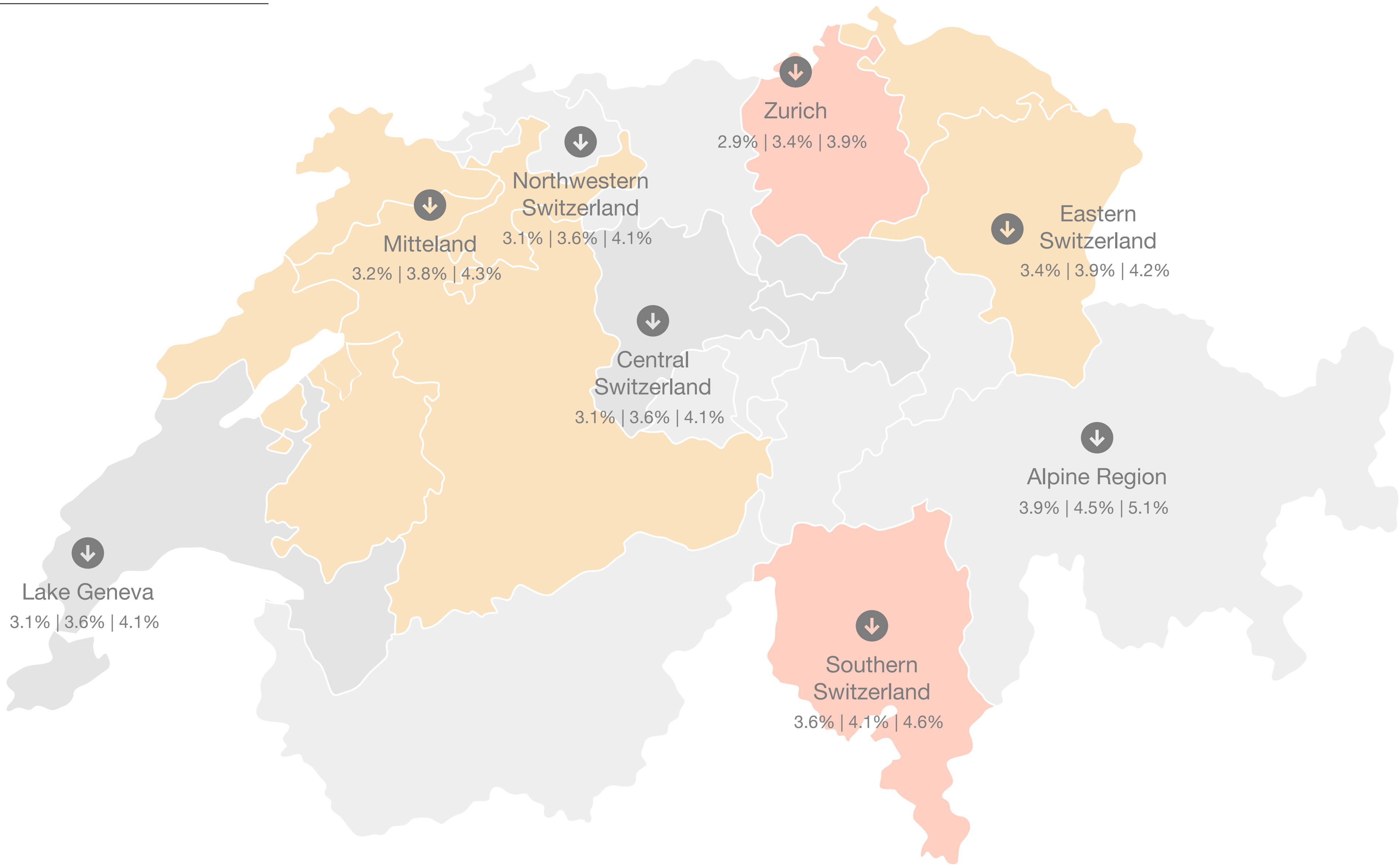
Top 9 Cities

While retail property yields had remained surprisingly stable in the last issue of this study in spring 2021 and investors seemed to be divided about the proper pricing of this market segment post-COVID, the general market sentiment is more palpable now. Core retail yields in Switzerland's largest cities are expected to increase only slightly, between 0 and 10 bps. In the less frequented segments of high-street retail, yield increases vary from +10 to +50 bps. Most significant are the increases in yields for the cities of Lugano and Lucerne – two places particularly affected by the pandemic and the resulting downturn in the tourism industry.

→ Please refer to the graph for ***Yields ranges** and compression* on page 64

Retail | High-street

Yields in Swiss Regions



↑ ↗ → ↘ ↓

Minimum yields
movement compared to
the previous survey

Min. % | Average % | Max. %

Regions

Yields on high-street properties outside the large centres show a similar pattern to their urban peers. Yields increase across all parts of high-street but are most stable in the prime locations. This leads to a further increase in the spread between the most and least frequented parts of commercial areas. The regions with the highest increases in yields are the Mittelland and the Alpine Region.

→ Please refer to the graph for ***Yields ranges** and compression* on page 64

Expected 5-year yield development

Top 9 Cities

→ Zurich

→ Geneva

→ Basel

→ Berne

→ Lausanne

→ Winterthur

↗ Lucerne

↗ St. Gallen

↗ Lugano

↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

Compared to the previous survey (majority of responses)

Letting parameters

Top 9 Cities

	Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
	Med.	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Zurich	4	↘	6	→	50%	→	2.3%	↑
Geneva	4	→	6	→	50%	↗	2.3%	↑
Basel	5	→	9	→	58%	↑	0.5%	↗
Berne	5	→	9	↗	58%	↑	1.3%	↗
Lausanne	5	→	9	↗	58%	↑	1.5%	↗
Winterthur	5	→	9	↗	58%	↑	0.5%	→
Lucerne	6	↗	9	↗	65%	↑	1.5%	↗
St.Gallen	5	↘	11	↗	58%	↑	-0.5%	→
Lugano	6	→	9	↘	65%	↑	-0.5%	→

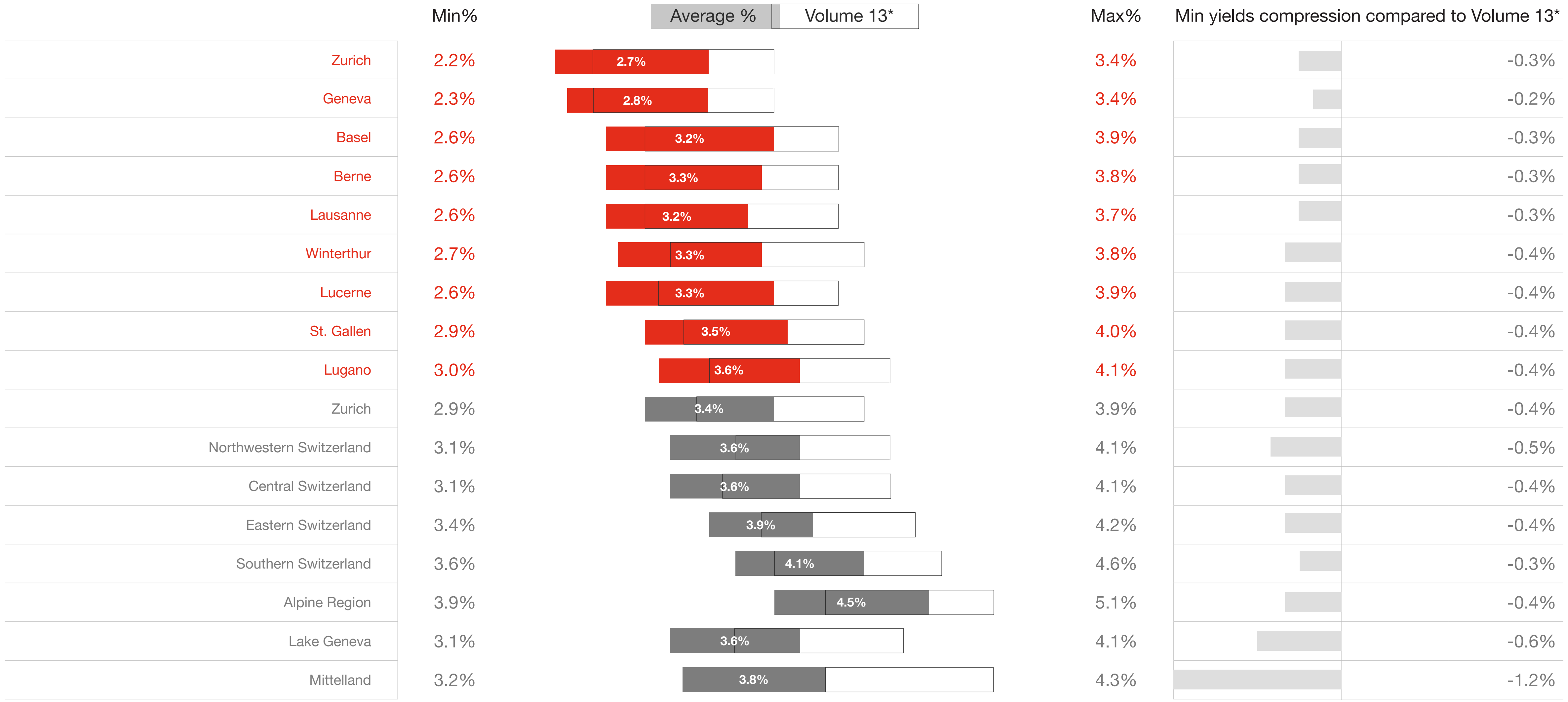
↓ <-1%   ↘ -1.0% to -0.25%   → -0.25% to 0.25%   ↗ 0.25% to 1.0%   ↑ >1.0%

Compared to the previous survey (majority of responses)

Yields ranges and compression

Top 9 Cities

Regions



	Min%	Average %	Max%	Min yields compression compared to Volume 13*
Zurich	2.2%	2.7%	3.4%	-0.3%
Geneva	2.3%	2.8%	3.4%	-0.2%
Basel	2.6%	3.2%	3.9%	-0.3%
Berne	2.6%	3.3%	3.8%	-0.3%
Lausanne	2.6%	3.2%	3.7%	-0.3%
Winterthur	2.7%	3.3%	3.8%	-0.4%
Lucerne	2.6%	3.3%	3.9%	-0.4%
St. Gallen	2.9%	3.5%	4.0%	-0.4%
Lugano	3.0%	3.6%	4.1%	-0.4%
Zurich	2.9%	3.4%	3.9%	-0.4%
Northwestern Switzerland	3.1%	3.6%	4.1%	-0.5%
Central Switzerland	3.1%	3.6%	4.1%	-0.4%
Eastern Switzerland	3.4%	3.9%	4.2%	-0.4%
Southern Switzerland	3.6%	4.1%	4.6%	-0.3%
Alpine Region	3.9%	4.5%	5.1%	-0.4%
Lake Geneva	3.1%	3.6%	4.1%	-0.6%
Mittelland	3.2%	3.8%	4.3%	-1.2%

*Previous survey

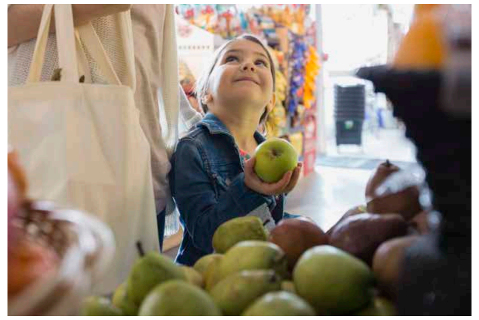
Retail | Non-High-street

Among non-high-street retail properties, the out-of-town shopping centre experiences the largest correction in yields since the previous survey. In the wake of continued restrictions on in-person shopping and the pandemic-induced boost on e-commerce, investors further adjust their pricing of this asset type by +25 to +60 bps. For the remaining three categories of non-high-street retail properties, investors partly correct their strong pricing adjustments in autumn 2020. The lowest yields can be seen for supermarkets and DIY Stores, which have proven robust through the pandemic, due to their essential nature and relatively mild restrictions on customers.

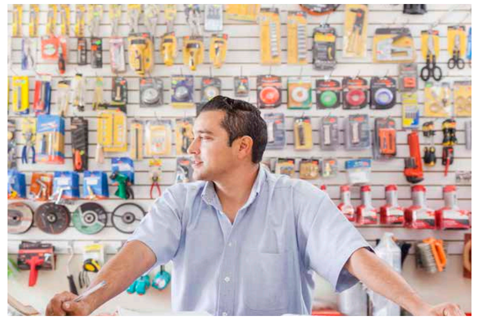
Expected five-year yield development

↘ Out-of-town Shopping Centre

↓ Retail Park



→ Supermarket



→ DIY Store

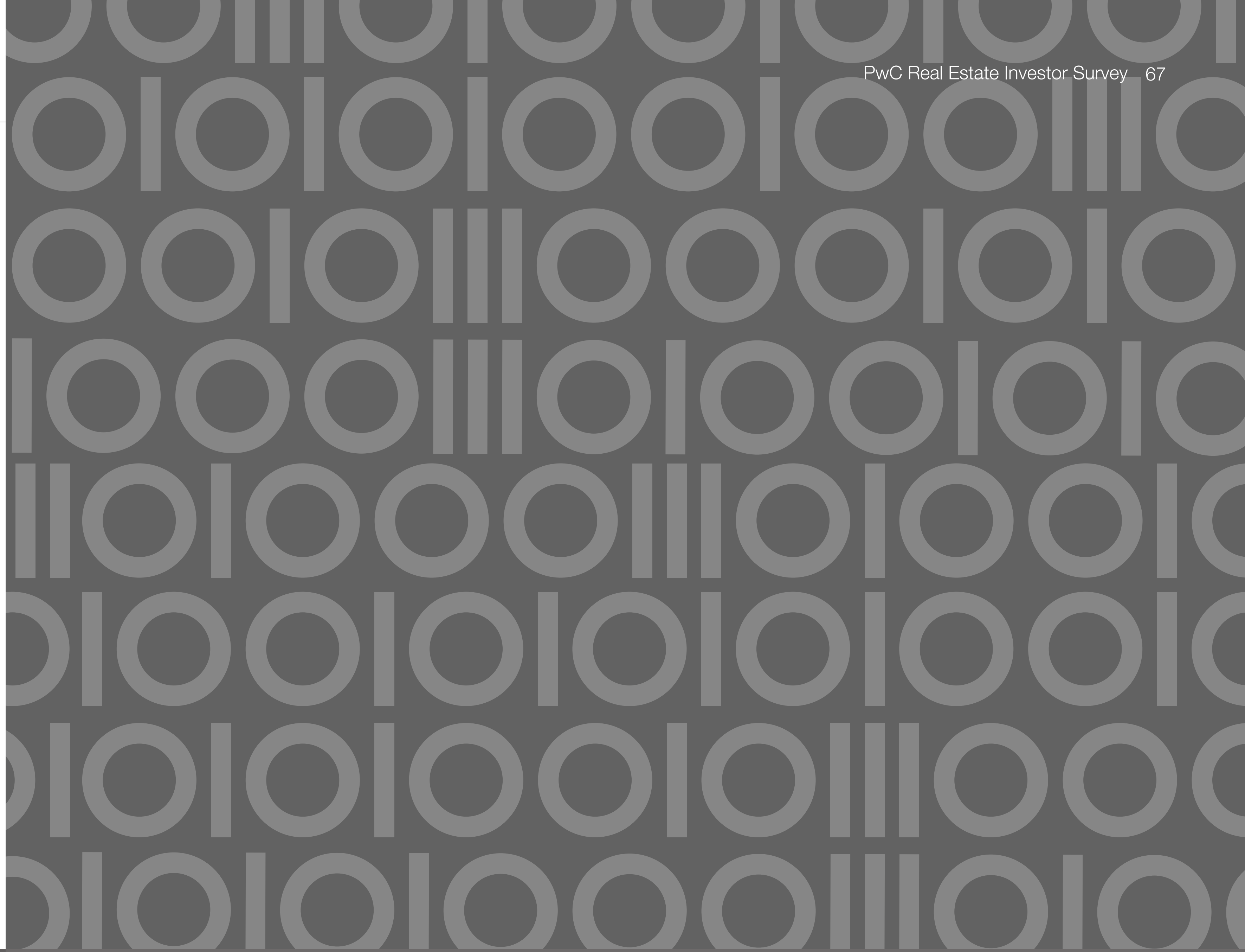
Letting parameters

	All-risk-yield			Granted rent-free period (Med. in months)		Duration until reletting (Med. in months)		Extension probability		Annual market rent growth rate	
	Min.	**Med.**	**Max.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**	**Med.**	**Dev.**
Out-of-town Shopping Centre	3.5%	4.0%	4.5%	8	→	9	→	40%	→	-2.0%	→
Retail Park	2.4%	2.9%	3.4%	7	→	8	→	50%	→	-2.0%	→
Supermarket	2.2%	2.8%	3.4%	5	↗	6	↘	60%	→	-0.5%	→
DIY Store	2.9%	3.5%	4.0%	5	→	6	→	60%	→	-1.0%	→

↓ <-1% ↘ -1.0% to -0.25% → -0.25% to 0.25% ↗ 0.25% to 1.0% ↑ >1.0%

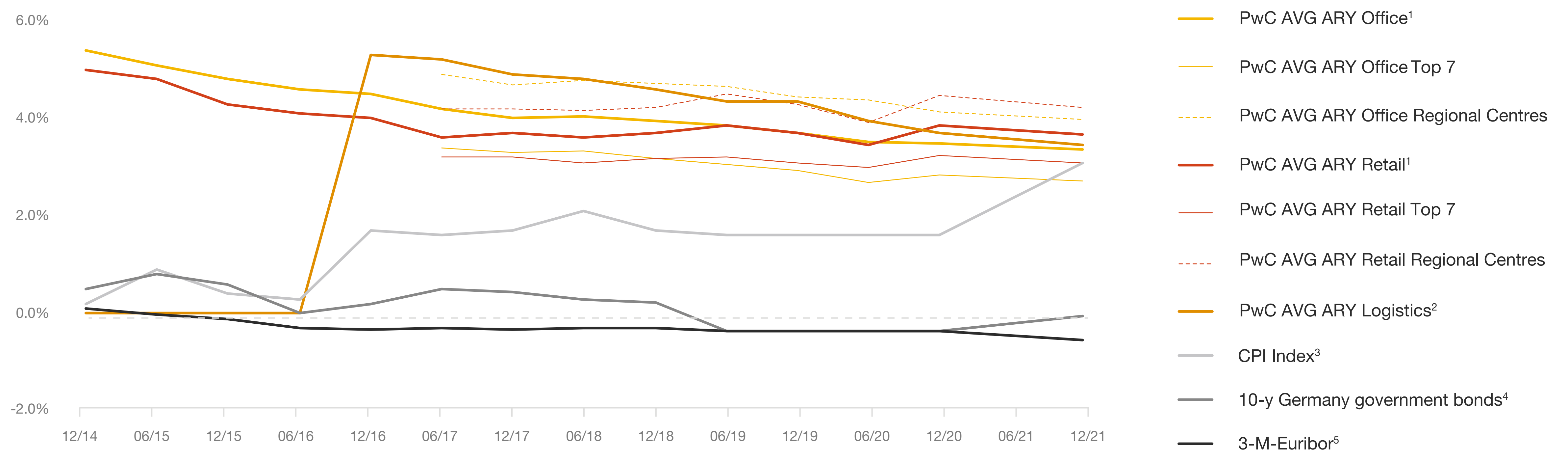
Compared to the previous survey (majority of responses)

Overview of the results

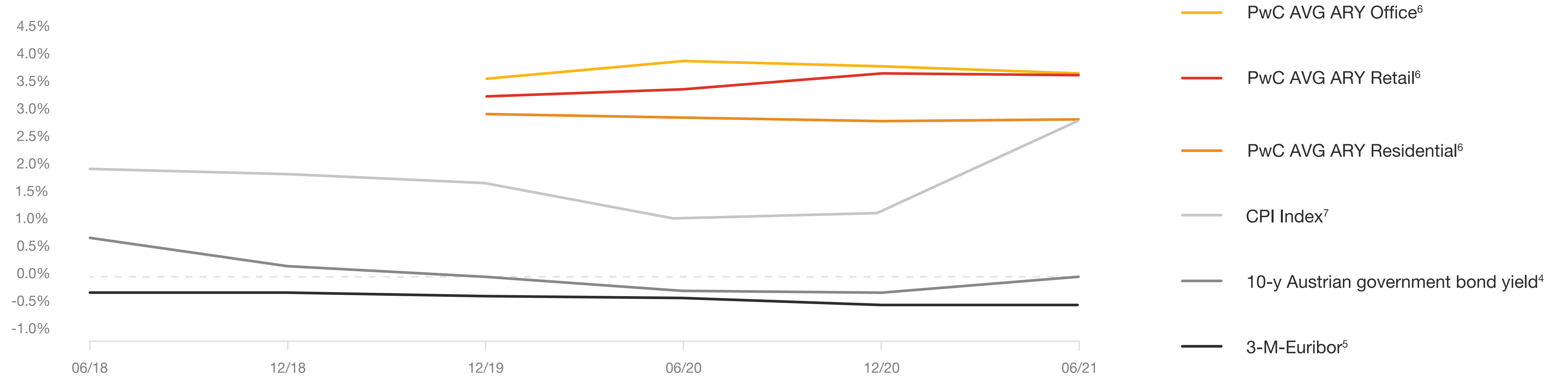


Yields comparison

Germany



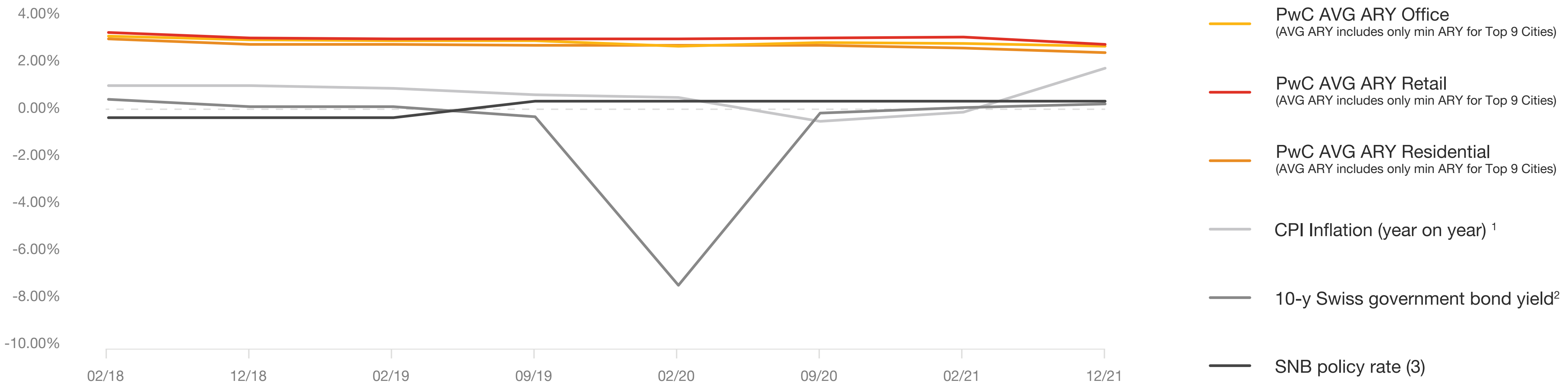
Austria



1. AVG ARY includes only min ARY for Top 7 Cities and Regional Cities
2. AVG ARY includes only min ARY for Top 15 Locations
3. Statistisches Bundesamt
4. Bloomberg
5. ECB: Historical close, average of observations through period
6. AVG ARY includes only min ARY for Top Cities
7. Statistics Austria

Yields comparison

Switzerland



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1. Bundesamt für Statistik
2. Swiss National Bank
3. Swiss National Bank *in June 2019 the SNB policy rate replaced the 3-M Libor

Result overview Germany

Residential

		Current (Volume 14)		
		Min.	Avg.	Max.
Top 7 Cities	Berlin	2.1%	2.3%	3.9%
	Dusseldorf	2.6%	2.9%	4.5%
	Frankfurt am Main	2.3%	2.5%	3.8%
	Hamburg	2.3%	2.6%	4.0%
	Cologne	2.5%	2.9%	4.3%
	Munich	1.7%	2.1%	3.1%
	Stuttgart	2.3%	2.6%	3.5%
Regional Cities	Bonn	3.2%	3.5%	4.2%
	Bremen	3.7%	3.8%	5.3%
	Dortmund	3.9%	4.0%	5.5%
	Dresden	3.6%	4.0%	5.2%
	Duisburg	4.5%	5.0%	6.6%
	Erfurt	4.1%	4.2%	5.9%
	Essen	4.1%	3.9%	6.2%
	Karlsruhe	2.9%	3.2%	4.4%
	Hannover	2.9%	3.0%	4.5%
	Leipzig	2.9%	3.1%	5.2%
	Magdeburg	3.9%	4.0%	5.7%
	Mainz-Wiesbaden	3.0%	3.2%	4.1%
	Nuremberg	3.0%	3.1%	3.8%
	Rhine Neckar MA/HD/LU	2.9%	3.3%	4.3%
Regions	Lower Saxony & Schleswig-Holstein	3.9%	4.4%	5.1%
	M-WP. & Sax.-A & Brandenburg	3.6%	4.3%	5.3%
	North of Hesse & Thu. & Sax	3.9%	4.7%	5.1%
	North Rhine-Westphalia	4.2%	5.4%	6.6%
	Rhineland-P & Saarland	4.2%	4.8%	5.3%
	South of Hesse & BaWue	3.7%	4.4%	5.2%
	Bavaria	3.2%	3.7%	4.4%

Result overview Germany

Office

		Current (Volume 14)				Volume 13			Volume 12		
		Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Top 7 Cities	Berlin	2.5%	3.2%	4.3%	1.9%	2.6%	3.3%	4.6%	2.3%	3.1%	4.5%
	Dusseldorf	2.9%	3.8%	4.8%	1.5%	3.0%	3.8%	4.9%	2.9%	3.7%	4.9%
	Frankfurt am Main	2.7%	3.4%	4.7%	1.8%	2.8%	3.4%	4.9%	2.6%	3.3%	4.8%
	Hamburg	2.6%	3.4%	4.6%	1.5%	2.8%	3.5%	4.9%	2.6%	3.3%	4.7%
	Cologne	3.0%	3.8%	5.0%	1.6%	3.1%	4.0%	5.5%	3.1%	3.7%	5.3%
	Munich	2.5%	3.3%	4.2%	1.9%	2.6%	3.2%	4.4%	2.3%	3.0%	4.1%
	Stuttgart	2.9%	3.7%	4.5%	2.2%	3.1%	3.8%	4.9%	2.9%	3.5%	4.9%
Regional Cities	Bonn	3.4%	4.2%	5.3%	0.3%	3.6%	4.3%	5.6%	3.8%	4.6%	5.9%
	Bremen	4.1%	4.9%	6.0%	0.2%	4.2%	5.0%	6.3%	4.3%	5.2%	6.3%
	Dortmund	4.0%	4.7%	5.8%	0.1%	4.2%	4.8%	6.1%	4.5%	5.1%	6.5%
	Dresden	3.9%	4.6%	6.0%	0.3%	4.0%	4.7%	5.9%	4.3%	5.0%	6.6%
	Duisburg	4.3%	5.2%	6.9%	-0.1%	4.6%	5.4%	6.9%	4.9%	5.6%	7.2%
	Erfurt	4.3%	5.3%	6.8%	0.3%	4.5%	5.3%	6.4%	4.8%	5.5%	6.7%
	Essen	3.9%	4.7%	5.8%	0.2%	4.0%	4.7%	5.9%	4.4%	5.2%	6.4%
	Karlsruhe	4.0%	4.6%	6.0%	0.6%	4.2%	4.8%	6.2%	4.3%	4.9%	6.2%
	Hannover	3.7%	4.4%	5.6%	0.6%	3.8%	4.6%	5.8%	4.0%	4.8%	5.9%
	Leipzig	3.6%	4.5%	6.0%	0.5%	3.8%	4.6%	6.0%	4.1%	4.7%	6.5%
	Magdeburg	4.6%	5.8%	7.3%	0.0%	4.8%	5.9%	7.4%	5.3%	6.0%	7.4%
	Mainz-Wiesbaden	3.7%	4.5%	5.7%	0.6%	3.9%	4.6%	6.1%	3.9%	4.8%	6.0%
	Nuremberg	3.7%	4.5%	5.6%	0.6%	3.9%	4.4%	5.7%	3.9%	4.7%	6.1%
	Rhine Neckar MA/HD/LU	3.9%	4.8%	6.1%	0.6%	4.1%	5.0%	6.3%	4.3%	4.9%	6.4%
Regions	Lower Saxony & Schleswig-Holstein	4.9%	5.7%	7.2%	0.2%	5.0%	5.8%	7.5%	5.0%	5.9%	7.3%
	M-WP. & Sax.-A & Brandenburg	4.4%	5.9%	7.7%	0.5%	4.8%	5.9%	7.7%	5.1%	6.1%	7.8%
	North of Hesse & Thu. & Sax	4.8%	5.8%	7.5%	0.0%	5.0%	5.9%	7.4%	5.2%	6.2%	7.7%
	North Rhine-Westphalia	3.9%	5.5%	7.6%	0.0%	4.4%	5.4%	7.2%	4.6%	5.6%	7.2%
	Rhineland-P & Saarland	5.0%	5.9%	7.6%	0.0%	5.3%	6.0%	7.5%	5.4%	6.1%	7.5%
	South of Hesse & BaWue	3.9%	5.1%	6.7%	0.5%	3.9%	4.8%	6.3%	4.1%	5.0%	6.4%
	Bavaria	4.1%	5.1%	6.4%	0.7%	4.3%	5.1%	6.5%	4.2%	5.3%	6.6%

1. Annual market rent growth rate

Result overview Germany

Retail | High-street

		Current (Volume 14)				Volume 13			Volume 12		
		Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Top 7 Cities	Berlin	3.1%	3.7%	4.7%	-0.5%	3.2%	3.8%	5.0%	3.0%	3.9%	4.7%
	Dusseldorf	3.1%	3.8%	4.7%	-0.8%	3.3%	4.0%	5.3%	3.2%	3.7%	4.7%
	Frankfurt am Main	3.2%	3.7%	4.5%	-0.6%	3.2%	3.8%	4.9%	2.9%	3.5%	4.5%
	Hamburg	3.1%	3.8%	4.5%	-0.8%	3.3%	3.9%	5.0%	3.0%	3.6%	4.4%
	Cologne	3.3%	3.9%	4.8%	-0.8%	3.5%	4.0%	5.3%	3.2%	3.8%	4.7%
	Munich	2.8%	3.4%	4.1%	-0.4%	2.9%	3.4%	4.5%	2.6%	3.1%	4.0%
	Stuttgart	3.2%	3.9%	4.5%	-0.8%	3.3%	3.9%	4.9%	3.0%	3.6%	4.2%
Regional Cities	Bonn	3.9%	4.5%	5.3%	-1.0%	4.2%	4.9%	5.9%	3.6%	4.4%	5.4%
	Bremen	4.2%	5.0%	5.6%	-1.0%	4.5%	5.4%	6.3%	3.9%	4.8%	5.6%
	Dortmund	4.0%	4.7%	5.6%	-1.0%	4.4%	5.2%	6.3%	3.9%	4.7%	5.6%
	Dresden	4.0%	4.6%	5.5%	-1.0%	4.2%	5.0%	6.0%	3.8%	4.5%	5.5%
	Duisburg	4.9%	5.5%	6.5%	-1.0%	5.3%	5.9%	7.2%	4.5%	5.1%	6.2%
	Erfurt	4.4%	5.1%	6.0%	-1.0%	4.6%	5.5%	6.7%	4.2%	4.8%	5.8%
	Essen	4.4%	5.0%	5.7%	-1.0%	4.6%	5.4%	6.3%	4.0%	4.7%	5.5%
	Karlsruhe	4.1%	4.8%	5.4%	-1.0%	4.3%	5.1%	6.1%	3.6%	4.4%	5.2%
	Hannover	3.9%	4.5%	5.3%	-1.0%	4.0%	4.9%	5.8%	3.7%	4.3%	5.1%
	Leipzig	3.8%	4.6%	5.4%	-1.0%	4.1%	5.2%	6.0%	3.8%	4.5%	5.4%
	Magdeburg	5.1%	5.8%	6.5%	-1.0%	5.4%	6.1%	7.3%	4.7%	5.3%	6.4%
	Mainz-Wiesbaden	4.1%	4.8%	5.4%	-1.0%	4.4%	5.2%	6.2%	3.8%	4.4%	5.2%
	Nuremberg	3.9%	4.5%	5.2%	-1.0%	4.2%	5.0%	6.0%	3.6%	4.3%	5.0%
	Rhine Neckar MA/HD/LU	4.2%	4.8%	5.5%	-1.0%	4.3%	5.1%	6.2%	3.6%	4.2%	5.0%
Regions	Lower Saxony & Schleswig-Holstein	5.0%	5.6%	6.8%	-1.0%	5.3%	5.9%	7.5%	4.8%	5.5%	7.0%
	M-WP. & Sax.-A & Brandenburg	4.7%	5.6%	7.0%	-1.0%	5.5%	6.4%	8.4%	5.0%	6.0%	7.6%
	North of Hesse & Thu. & Sax	5.2%	5.8%	7.2%	-1.0%	5.8%	6.3%	8.2%	5.0%	5.8%	7.4%
	North Rhine-Westphalia	4.9%	5.6%	7.0%	-1.0%	5.3%	5.9%	7.8%	4.8%	5.6%	7.2%
	Rhineland-P & Saarland	5.2%	5.7%	7.0%	-1.0%	5.5%	6.1%	7.7%	4.9%	5.7%	7.1%
	South of Hesse & BaWue	4.2%	5.1%	6.2%	-1.0%	4.8%	5.5%	7.1%	4.4%	5.3%	6.6%
	Bavaria	4.4%	5.0%	5.9%	-1.0%	4.8%	5.5%	6.8%	4.3%	5.1%	6.3%

1. Annual market rent growth rate

Result overview Germany

Retail | Non-High-street

	Current (Volume 14)				Volume 13			Volume 12		
	Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Out-of-town Shopping Centre	4.9%	5.9%	7.6%	-1.3%	5.1%	6.1%	8.2%	4.6%	6.3%	8.0%
Retail Park	3.8%	4.6%	6.0%	1.8%	3.9%	4.9%	6.5%	5.1%	6.8%	8.2%
Supermarket	3.9%	4.6%	6.0%	2.0%	4.2%	5.2%	6.5%	5.4%	6.8%	8.4%
DIY Store	4.9%	5.7%	6.8%	0.0%	5.5%	6.4%	7.7%	6.2%	7.5%	9.0%

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1. Annual market rent growth rate

Result overview Germany

Logistics

		Current (Volume 14)				Volume 13			Volume 12		
		Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Top 15 Locations	Hamburg	3.3%	3.8%	5.1%	2.5%	3.4%	4.1%	5.4%	3.6%	4.6%	6.1%
	Munich	3.3%	3.8%	5.1%	-	3.4%	4.1%	5.3%	3.5%	4.4%	5.5%
	Rhine-Main/Frankfurt	3.3%	3.8%	5.1%	-	3.4%	4.1%	5.3%	3.6%	4.5%	5.6%
	Berlin	3.2%	3.9%	5.1%	-	3.4%	4.1%	5.3%	3.5%	4.6%	6.1%
	Dusseldorf/Cologne	3.3%	4.0%	5.1%	-	3.5%	4.3%	5.7%	3.8%	4.9%	6.2%
	Stuttgart	3.3%	4.0%	5.2%	-	3.5%	4.3%	5.4%	3.8%	4.8%	6.1%
	Hannover/Brunswick	3.5%	4.3%	5.7%	-	3.9%	4.7%	6.1%	4.1%	5.2%	6.5%
	Halle/Leipzig	3.6%	4.4%	5.6%	-	3.8%	4.8%	6.1%	4.1%	5.2%	6.6%
	Bremen/North Sea Ports	3.5%	4.6%	5.8%	-	3.8%	4.7%	6.1%	4.1%	5.2%	6.4%
	Rhine-Ruhr	3.4%	4.1%	5.3%	-	3.6%	4.4%	5.8%	3.9%	5.0%	6.6%
	Dortmund	3.6%	4.3%	5.6%	-	3.8%	4.6%	6.1%	4.0%	5.3%	6.6%
	Nuremberg	3.6%	4.2%	5.2%	-	3.8%	4.4%	5.5%	4.2%	5.1%	6.2%
	Kassel/Gottingen	3.8%	4.6%	6.0%	-	4.1%	5.0%	6.5%	4.3%	5.4%	6.5%
	Regensburg/Passau	3.7%	4.9%	6.0%	-	4.1%	5.0%	6.5%	4.2%	5.4%	7.1%
	Ulm	3.7%	4.6%	5.7%	-	4.1%	5.1%	6.5%	4.3%	5.3%	6.4%
Small Locations	Small Locations	3.6%	4.5%	5.5%	2.0%	3.8%	4.6%	6.2%	5.0%	5.4%	7.2%
Rest of Germany	Rest of Germany	4.1%	4.8%	6.0%	1.8%	4.4%	5.1%	6.5%	5.3%	6.0%	7.7%

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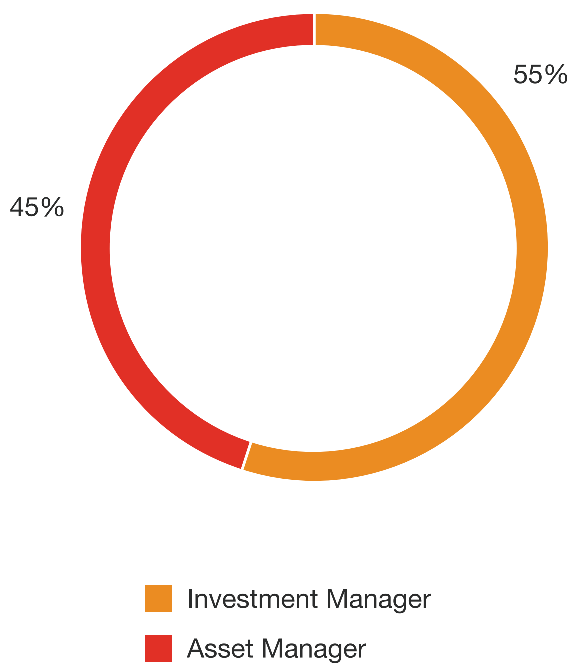
1. Annual market rent growth rate

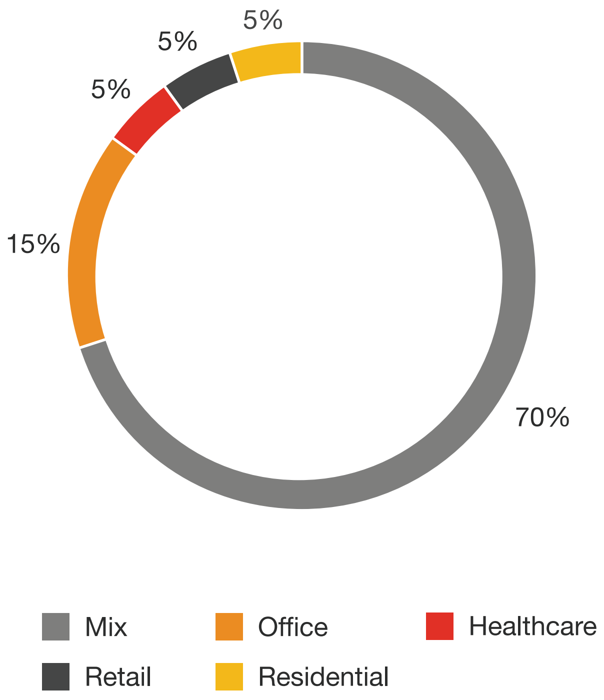
Result overview Germany

Participants

Participant type



Participant investment focus



Result overview Austria

Residential

Top 5 Cities

	Current (Volume 14)				Volume 13			Volume 12		
	Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Vienna	2.4%	3.1%	3.7%	1.0%	2.4%	3.0%	3.5%	2.6%	2.9%	3.3%
Graz	3.3%	3.6%	4.0%	1.0%	3.2%	3.6%	3.9%	3.3%	3.4%	3.6%
Linz	3.2%	3.3%	3.8%	0.8%	3.2%	3.5%	3.8%	3.2%	3.5%	3.8%
Salzburg	2.9%	3.1%	3.4%	1.2%	2.9%	3.2%	3.4%	3.0%	3.3%	3.6%
Innsbruck	2.8%	3.1%	3.4%	1.1%	2.8%	3.3%	3.4%	3.0%	3.1%	3.3%

Office

Top 5 Cities

	Current (Volume 14)				Volume 13			Volume 12		
	Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Vienna	2.8%	3.8%	5.4%	-0.3%	2.7%	4.0%	5.1%	3.1%	4.0%	4.9%
Graz	4.4%	5.4%	5.9%	0.0%	4.7%	5.4%	6.3%	4.7%	5.3%	6.2%
Linz	4.1%	5.4%	5.7%	-0.2%	4.2%	5.4%	5.8%	4.4%	5.3%	5.8%
Salzburg	3.4%	5.0%	5.1%	0.0%	3.7%	5.1%	5.7%	4.0%	5.0%	5.8%
Innsbruck	3.3%	4.4%	4.7%	-0.2%	3.6%	4.3%	4.9%	3.7%	4.4%	4.7%

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1. Annual market rent growth rate

Result overview Austria

Retail | High-street

Top 5 Cities

	Current (Volume 14)				Volume 13			Volume 12		
	Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Vienna	3.3%	4.0%	5.1%	-0.3%	3.4%	4.2%	5.3%	2.7%	4.1%	5.3%
Graz	4.3%	5.5%	6.4%	-0.3%	4.3%	5.7%	6.2%	4.0%	5.8%	6.2%
Linz	4.0%	5.2%	6.0%	-0.1%	4.0%	5.3%	5.9%	3.8%	5.2%	5.8%
Salzburg	3.3%	3.9%	5.0%	-0.4%	3.3%	3.7%	4.8%	2.8%	3.8%	4.7%
Innsbruck	3.3%	4.0%	5.0%	0.0%	3.4%	4.1%	5.2%	3.0%	4.0%	5.0%

Retail | Non-High-street

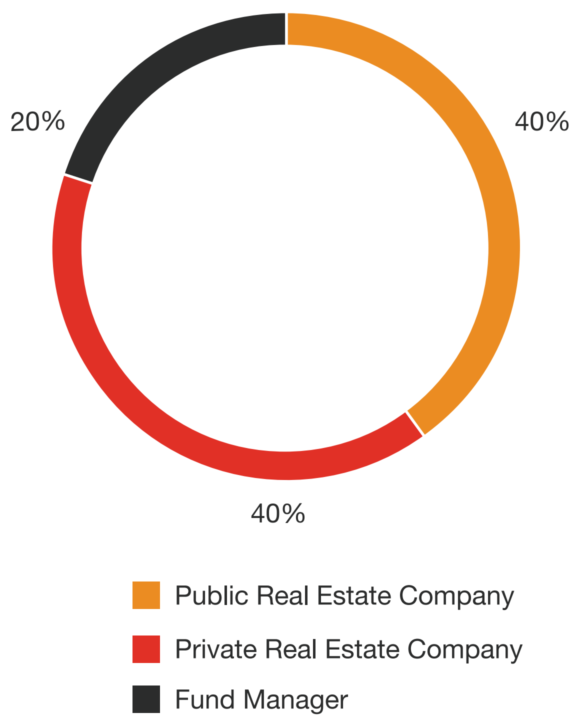
	Current (Volume 14)				Volume 13			Volume 12		
	Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Out-of-town Shopping Centre	4.4%	4.8%	6.3%	0.0%	4.5%	4.9%	6.6%	4.2%	5.0%	6.5%
Retail Park	5.0%	5.5%	6.0%	0.0%	4.9%	5.8%	6.6%	4.8%	5.9%	6.5%
Supermarket	4.7%	5.8%	6.8%	0.0%	4.7%	5.8%	6.8%	4.5%	5.7%	6.8%
DIY Store	5.4%	6.2%	6.8%	0.0%	5.6%	6.4%	7.3%	5.5%	6.5%	7.5%

[1] Annual market rent growth rate

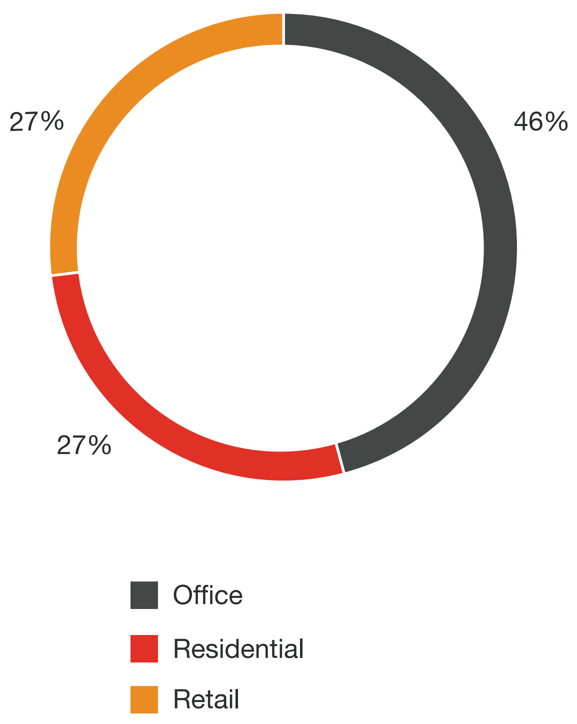
Result overview Austria

Participants

Participant type



Participant investment focus



Result overview Switzerland

Residential

		Current (Volume 14)				Volume 13			Volume 12		
		Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Top 9 Cities	Zurich	1.7%	2.2%	2.9%	0.4%	1.9%	2.4%	3.2%	2.0%	2.5%	3.0%
	Geneva	1.8%	2.3%	2.8%	0.2%	2.0%	2.7%	3.1%	2.2%	2.7%	3.2%
	Basel	2.2%	2.6%	3.2%	0.2%	2.3%	2.9%	3.5%	2.5%	3.0%	3.5%
	Berne	2.2%	2.6%	3.1%	0.2%	2.4%	2.9%	3.5%	2.5%	3.0%	3.5%
	Lausanne	2.1%	2.5%	3.1%	0.4%	2.2%	2.8%	3.5%	2.5%	2.8%	3.4%
	Winterthur	2.2%	2.6%	3.1%	0.3%	2.4%	3.2%	3.8%	2.6%	3.0%	3.7%
	Lucerne	2.3%	2.7%	3.2%	0.4%	2.5%	3.1%	3.7%	2.6%	3.0%	3.7%
	St Gallen	2.6%	2.9%	3.4%	0.0%	3.0%	3.5%	4.0%	3.0%	3.2%	4.0%
	Lugano	2.6%	2.9%	3.4%	-0.2%	3.2%	3.6%	4.0%	3.0%	3.4%	4.0%
Regions	Zurich	2.2%	2.6%	3.4%	0.2%	2.6%	3.3%	3.9%	2.7%	3.2%	4.0%
	Northwestern Switzerland	2.4%	2.9%	3.7%	-0.1%	2.9%	3.5%	4.1%	2.9%	3.5%	4.2%
	Central Swizterland	2.4%	2.8%	3.6%	0.0%	2.6%	3.4%	4.2%	3.0%	3.4%	4.0%
	Eastern Switzerland	2.7%	3.1%	3.9%	-0.4%	3.0%	4.0%	4.5%	3.2%	3.8%	4.5%
	Southern Switzerland	2.7%	3.2%	3.7%	-0.8%	3.3%	3.9%	4.5%	3.2%	3.9%	4.5%
	Alpine Region	2.9%	3.4%	4.3%	-0.8%	3.6%	4.1%	5.0%	3.4%	4.0%	4.6%
	Lake Geneva Region	2.4%	2.7%	3.5%	0.0%	2.5%	3.3%	3.9%	2.7%	3.1%	3.6%
	Mittelland	2.7%	3.2%	4.3%	-0.5%	3.2%	4.0%	4.7%	3.2%	3.6%	4.5%

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1. Annual market rent growth rate

Result overview Switzerland

Office

		Current (Volume 14)				Volume 13			Volume 12		
		Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Top 9 Cities	Zurich	2.3%	2.7%	4.0%	0.0%	2.2%	3.0%	3.9%	2.3%	3.0%	3.8%
	Geneva	2.2%	2.8%	3.4%	-0.6%	2.2%	2.8%	3.8%	2.5%	3.1%	3.9%
	Basel	2.6%	3.1%	4.1%	-0.5%	2.6%	3.2%	4.1%	2.7%	3.4%	4.2%
	Berne	2.6%	3.2%	4.1%	-0.4%	2.7%	3.4%	4.2%	2.7%	3.4%	4.1%
	Lausanne	2.5%	3.0%	3.6%	-0.5%	2.5%	3.4%	4.2%	2.5%	3.2%	4.0%
	Winterthur	2.5%	3.0%	4.0%	-0.6%	2.6%	3.5%	4.3%	2.8%	3.2%	4.0%
	Lucerne	2.5%	3.0%	4.5%	0.1%	2.7%	3.4%	4.2%	2.5%	3.1%	3.9%
	St Gallen	2.8%	3.3%	4.3%	-0.9%	3.0%	3.8%	4.6%	3.2%	3.7%	4.4%
	Lugano	2.9%	3.4%	3.9%	-1.3%	3.2%	3.8%	4.5%	3.0%	3.5%	4.1%
Regions	Zurich	2.7%	3.5%	4.8%	-0.8%	3.1%	4.0%	5.0%	3.3%	3.6%	4.7%
	Northwestern Switzerland	3.0%	3.7%	4.9%	-0.8%	3.7%	4.2%	5.0%	3.6%	4.0%	5.0%
	Central Swizterland	2.8%	3.8%	4.8%	-0.8%	3.2%	4.2%	5.0%	3.1%	4.0%	5.1%
	Eastern Switzerland	3.2%	3.6%	5.1%	-0.8%	3.9%	4.5%	5.4%	3.5%	4.3%	5.4%
	Southern Switzerland	3.1%	3.9%	5.0%	-1.0%	3.8%	4.5%	4.9%	3.2%	4.3%	5.5%
	Alpine Region	3.3%	4.1%	5.1%	-1.0%	3.9%	4.9%	5.5%	3.8%	4.5%	5.3%
	Lake Geneva Region	2.9%	3.6%	4.7%	-1.0%	3.1%	4.1%	5.0%	3.5%	4.0%	4.7%
	Mittelland	3.3%	4.0%	5.3%	-1.3%	4.0%	4.8%	5.8%	3.8%	4.5%	5.2%

[1] Annual market rent growth rate

Result overview Switzerland

Retail | High-street

		Current (Volume 14)				Volume 13			Volume 12		
		Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Top 9 Cities	Zurich	2.2%	2.7%	3.4%	-0.4%	2.5%	3.3%	3.9%	2.4%	3.1%	3.8%
	Geneva	2.3%	2.8%	3.4%	-0.4%	2.5%	3.3%	3.9%	2.6%	3.1%	3.6%
	Basel	2.6%	3.2%	3.9%	-1.4%	2.9%	3.6%	4.4%	2.9%	3.3%	4.1%
	Berne	2.6%	3.3%	3.8%	-1.1%	2.9%	3.7%	4.4%	2.9%	3.4%	4.2%
	Lausanne	2.6%	3.2%	3.7%	-1.1%	2.9%	3.7%	4.4%	2.8%	3.3%	3.9%
	Winterthur	2.7%	3.3%	3.8%	-1.3%	3.1%	3.9%	4.6%	3.0%	3.4%	4.1%
	Lucerne	2.6%	3.3%	3.9%	-1.5%	3.0%	3.7%	4.4%	2.8%	3.2%	4.0%
	St Gallen	2.9%	3.5%	4.0%	-1.6%	3.2%	3.9%	4.6%	3.2%	3.8%	4.3%
	Lugano	3.0%	3.6%	4.1%	-1.8%	3.4%	4.1%	4.8%	3.2%	3.7%	4.3%
Regions	Zurich	2.9%	3.4%	3.9%	-0.1%	3.3%	3.9%	4.6%	3.2%	3.6%	4.3%
	Northwestern Switzerland	3.1%	3.6%	4.1%	-2.3%	3.6%	4.2%	4.8%	3.4%	3.9%	4.6%
	Central Swizterland	3.1%	3.6%	4.1%	-1.0%	3.5%	4.1%	4.8%	3.4%	3.9%	4.5%
	Eastern Switzerland	3.4%	3.9%	4.2%	-2.0%	3.8%	4.3%	5.0%	3.6%	4.1%	4.7%
	Southern Switzerland	3.6%	4.1%	4.6%	-3.5%	3.9%	4.5%	5.2%	3.8%	4.2%	4.8%
	Alpine Region	3.9%	4.5%	5.1%	-3.0%	4.3%	4.9%	5.6%	3.9%	4.3%	5.0%
	Lake Geneva Region	3.1%	3.6%	4.1%	-2.0%	3.6%	4.2%	4.9%	3.4%	3.9%	4.5%
	Mittelland	3.2%	3.8%	4.3%	-3.0%	4.3%	4.9%	5.6%	3.5%	4.3%	4.6%

Retail | Non-High-street

	Current (Volume 14)				Volume 13			Volume 12		
	Min.	Avg.	Max.	Exp. Growth[1]	Min.	Avg.	Max.	Min.	Avg.	Max.
Out-of-Town Shopping Centre	3.5%	4.0%	4.5%	-2.0%	4.0%	4.7%	5.5%	3.7%	4.3%	4.9%
Retail park	2.4%	2.9%	3.4%	-2.0%	4.0%	4.7%	5.5%	4.1%	4.9%	5.7%
Supermarket	2.2%	2.8%	3.4%	-1.5%	3.8%	4.5%	5.3%	3.9%	4.8%	5.2%
DIY Store	2.9%	3.5%	4.0%	-2.5%	3.8%	4.6%	5.4%	3.9%	4.9%	5.4%

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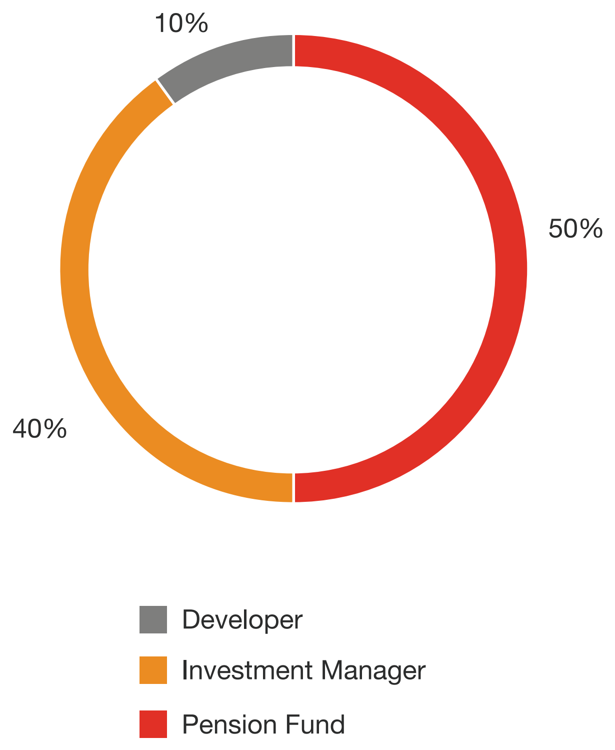
[1] Annual market rent growth rate

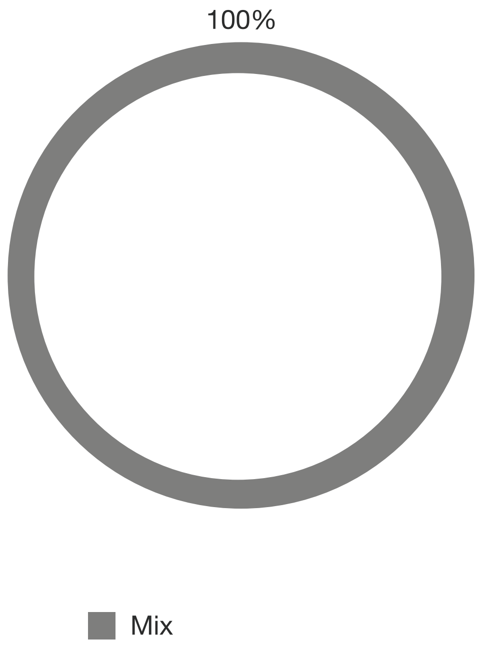
Result overview Switzerland

Participants

Participant type



Participant investment focus



Approach and definitions

Classification for yields ranges

In our survey, we focussed on all-risk-yields or ARYs (Yields), as these reflect the relationship (capitalisation rate) between stabilised net operating income (NOI) and an expected purchase price. It thus takes into account the individual risk-return relationship and provides an insight into future market trends and developments in rent levels. The YIELD is the capitalisation rate that is used in the direct capitalisation method. The yields presented in our results are a simple average of the single data points received for the respective submarkets.

To account for a broader market – comprising Core, Core+, and Value-Add properties – we put the yields into three categories: minimum (Core), maximum (Value-Add) and average (Core+). Using office properties in Frankfurt am Main as one example, we have defined these categories as follows.

The maximum yield does not cover assets that cannot be valued with a direct capitalisation method – that is to say, where there is no sustainable cash flow or opportunistic development assets.

Office

	Location	WAULT	Vacancy	Age
Min	CBD (eg, Frankfurt Financial District)	> 5	~ 5%-10%	< 5 years
Average	Immediate vicinity to CBD (eg, Frankfurt trade fair)	~ 5	~ 10% -15%	~ 5–20 years
Max	Peripheral office locations (eg, Frankfurt-Niederrad)	< 4	>15%-40%	> 25 years

For logistics properties we have defined three categories (minimum, maximum and average) as follows:

Logistics

	Motorway access	Third-party usability	WAULT	Age
Min	< 5 minutes	excellent	~ 10%	< 5 years
Average	~ 5-15 minutes	good	~ 5	~ 5–20 years
Max	> 15 minutes	limited	< 4	> 25 years

Retail High-street

	Location/Retail class	WAULT	Vacancy	Age
Min	City centre High-street or 1a shopping centre (Frankfurt Goethestrasse)	> 5	< 5%	< 5 years
Average	Lesser frequented sections of the High-street	~ 5	~ 5%	~ 5–15 years
Max	Close proximity to the High-street, within 100m distance	< 4	~ 20%	> 15 years

Retail Non-High-street

	Competition	WAULT	Vacancy	Age
Min	Dominant situation	> 5	< 5%	< 5 years
Average	In competition with equal competitors	~ 5	~ 5	~ 5–15 years
Max	Inferior to competitors	< 4	~ 25	> 15 years

Regarding the retail sector, we separated in-town High-street retail from location-independent retail. Out-of-town shopping centres, retail parks, single grocery stores (supermarkets) and DIY stores represent typical subclasses of the location-independent retail market.

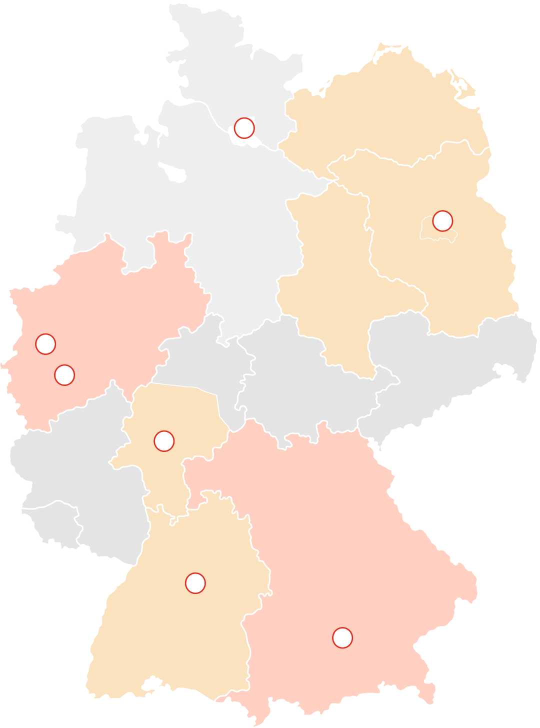
Within non-High-street retail, we observe macro-locations to be of less importance, given that individual competition, performance and accessibility are the factors driving the value of such retail properties.

As a result, we have divided the definition of retail as seen above.

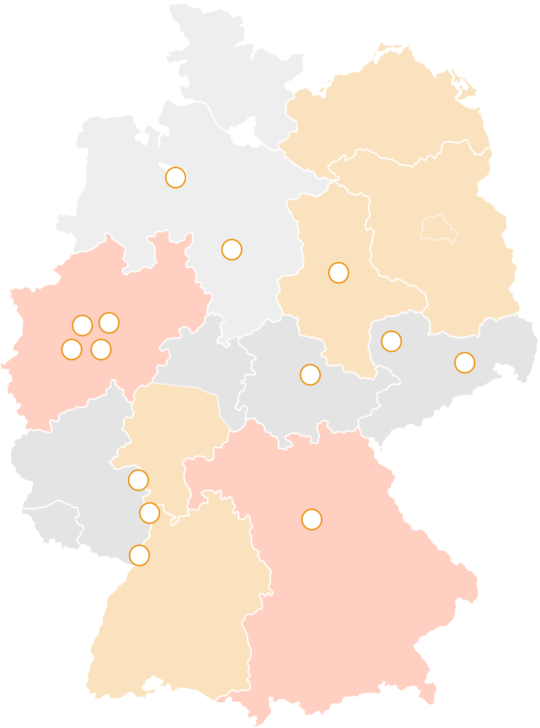
Identified submarkets

Germany

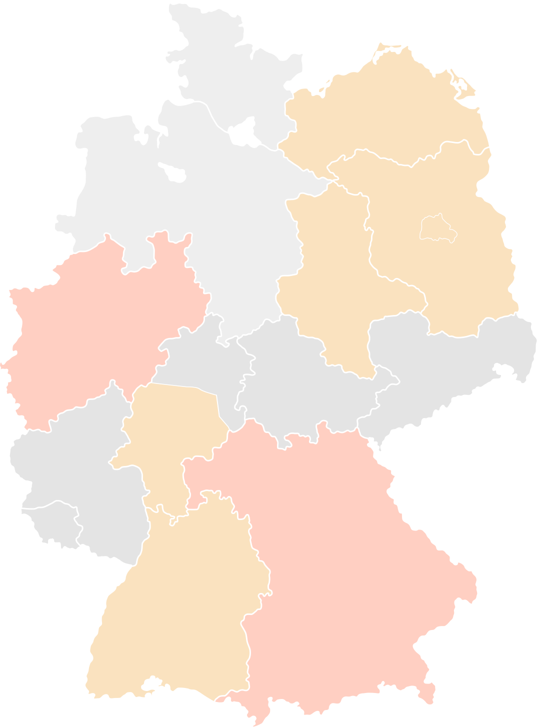
Top 7 Cities



Regional Cities

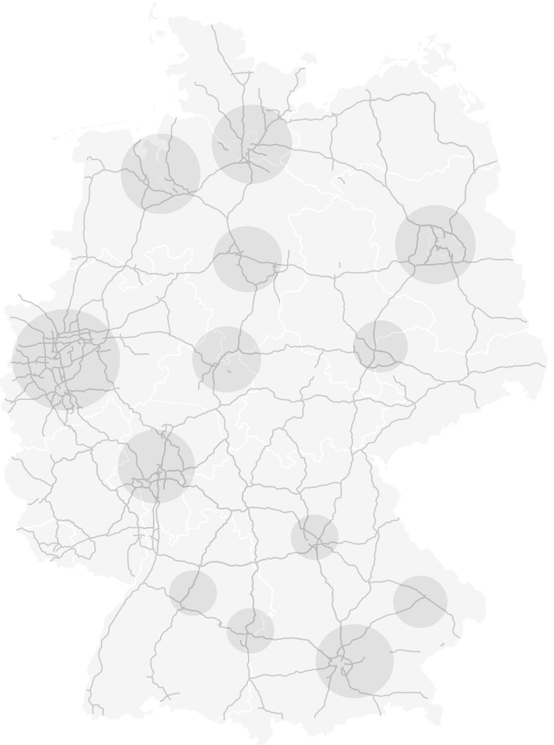


Regions



Based on Germany's geographical structure, we have identified three categories of markets for residential, office and retail properties: i) Top 7 Cities, ii) Regional Cities and iii) Regions. The Top 7 Cities reflect the Yields of the seven most populated cities in Germany. Regional Cities represent a selection of 14 cities with a population ranging from 200,000 to 600,000. The Regions provide the yields in the respective areas, excluding all Top 7 Cities and Regional Cities.

Logistics

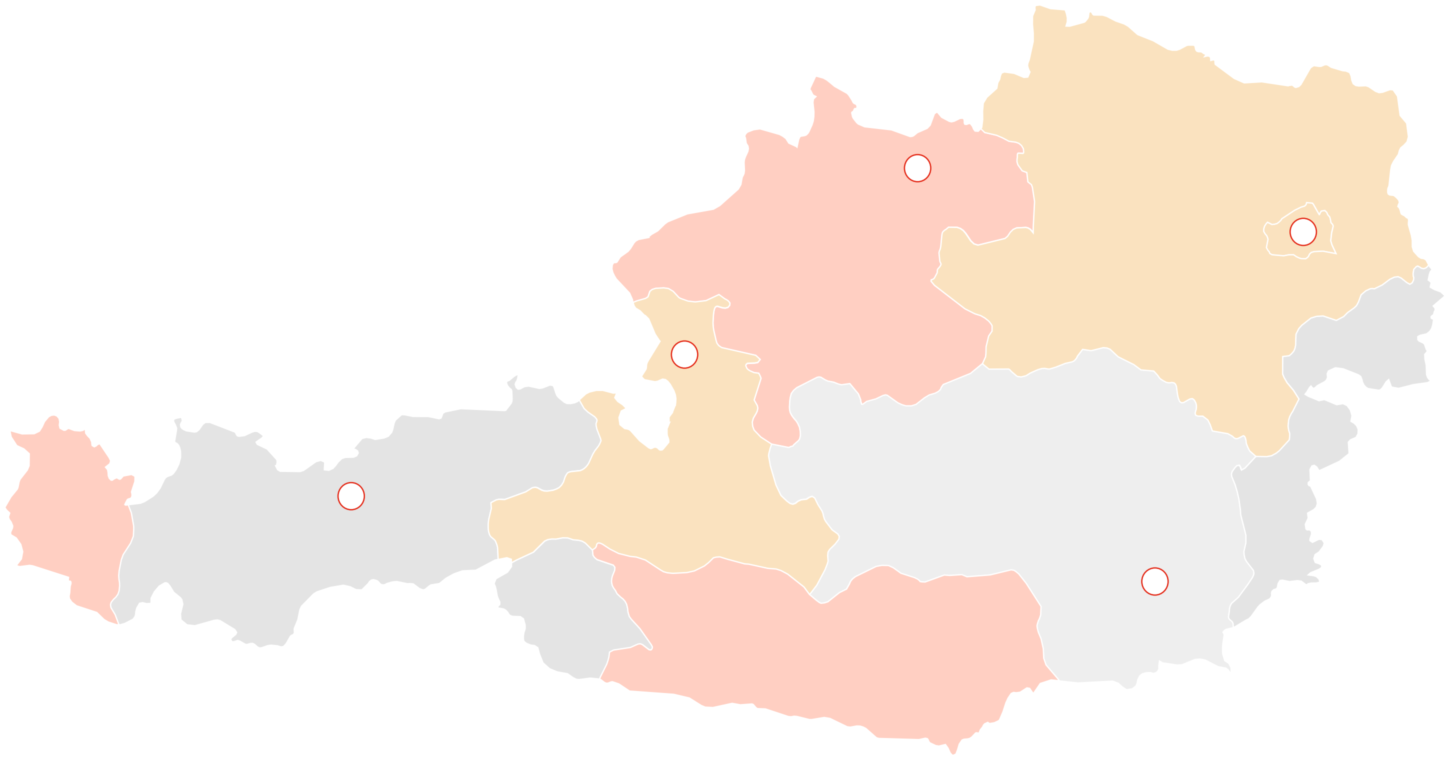


We identified two additional markets for logistics properties which result from varying location requirements: i) Top 15 Locations and ii) Small Locations.

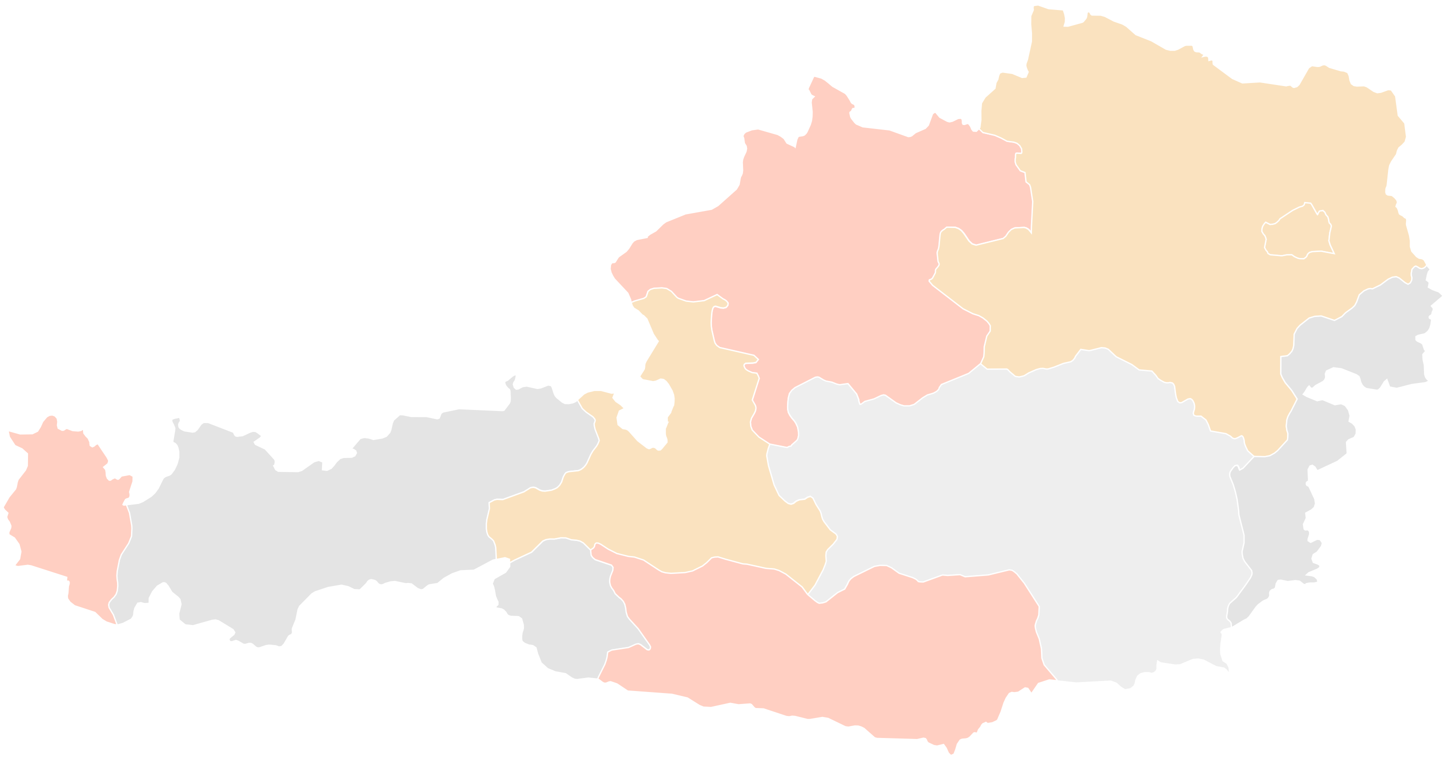
The Top 15 Locations reflect the Yields of the 15 most successful logistics locations in Germany in respect of the investment volume of the last five years and min yields of the last two years. Small Locations represent the remaining established logistics regions in Germany.

Identified submarkets
Austria

Top 5 Cities



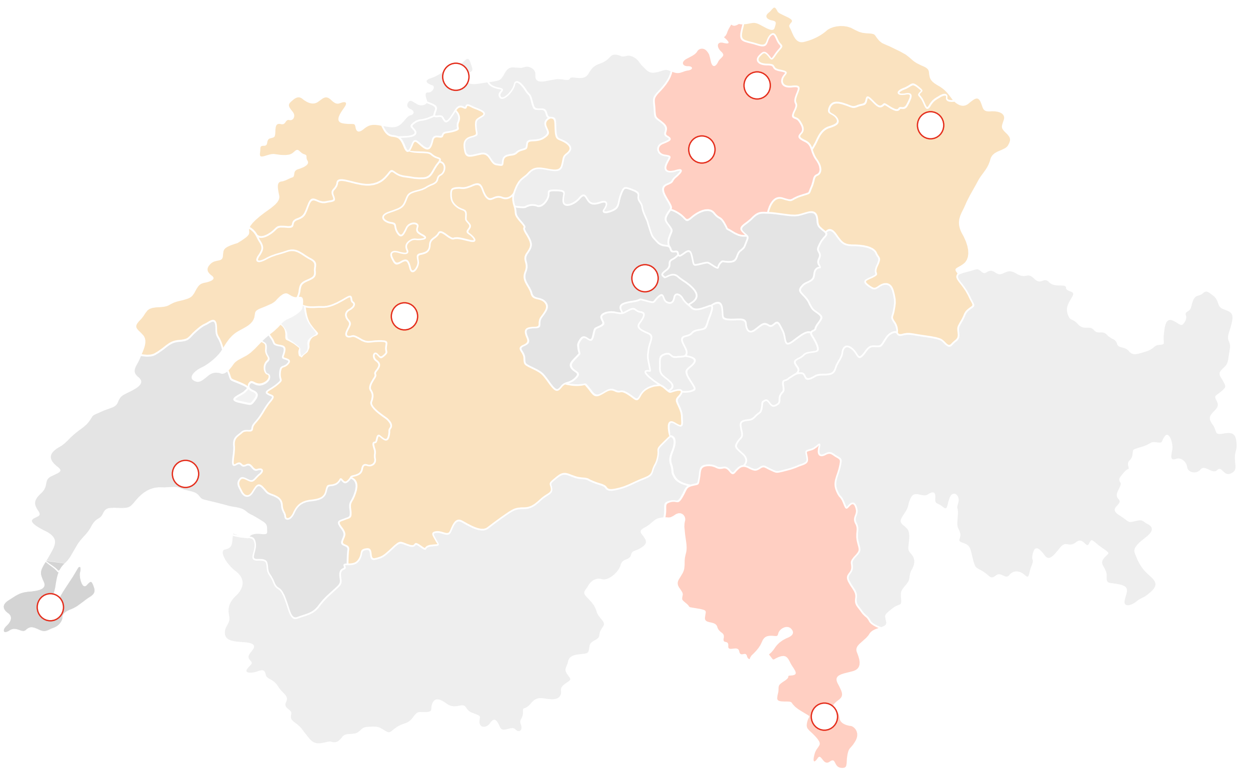
Regions



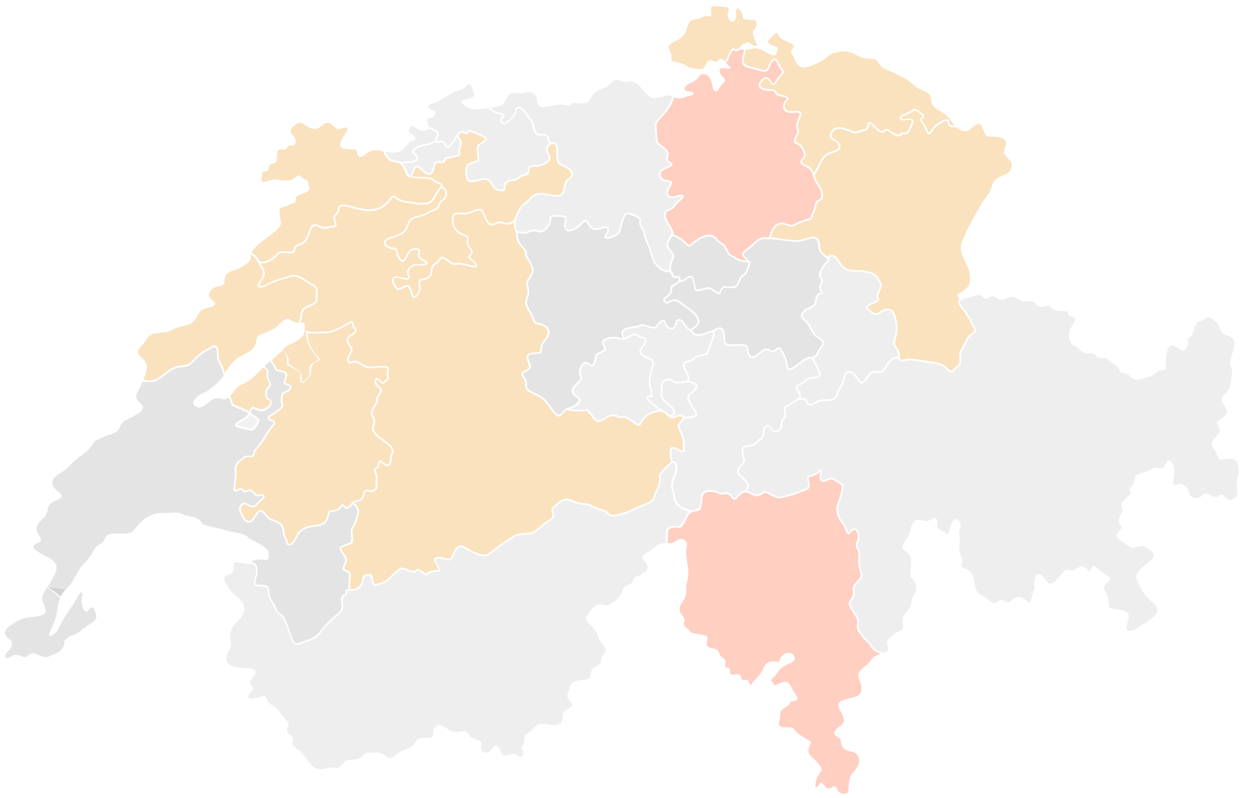
Identified submarkets

Switzerland

Top 9 Cities



Regions



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