BNP PARIBAS REAL ESTATE

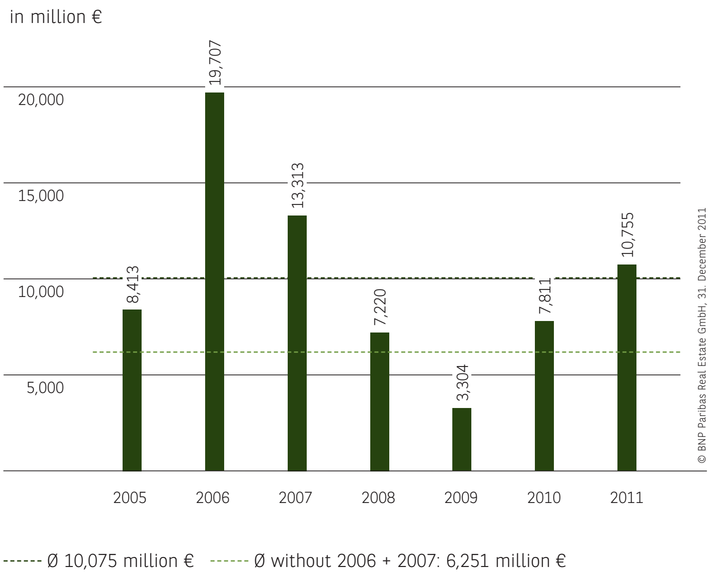
RESEARCH

AT A GLANCE
Retail Investment Market Germany Q4 2011

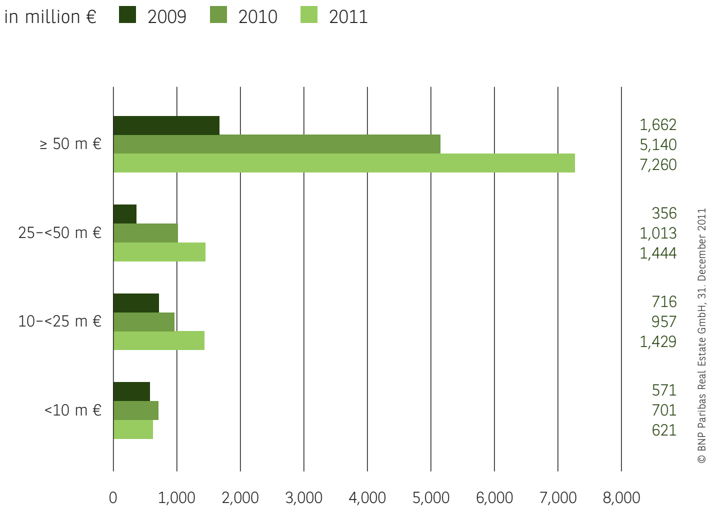
RETAIL ASSETS THE UNCHALLENGED NO. 1

The triumphant advance of retail real estate which began in 2010 continued undiminished last year, producing a transaction volume of close to 10.76 bn €. That was a further improvement of nearly 38 % on the already very good prior-year figure. It was also around 7 % higher than the average of the past seven years, even after the vigorous boost delivered by the boom years of 2006 and 2007. With this outstanding result, retail investments defended their foremost position among all the different forms of occupancy. Accounting for 46 % of all the capital invested in commercial real estate, retail relegated office property (share: 30 %) to second place by a considerable margin. What is particularly pleasing is that all types of retail property performed significantly better than in 2010, showing that the exceptional result was not based solely on developments in individual asset classes. This can be regarded as evidence that investors are generally positive in their assessment of the overall economic environment and the fundamental outlook for retail growth in Germany.

Retail investments from 2005 to 2011 in Germany



Retail investments according to € catgories in Germany



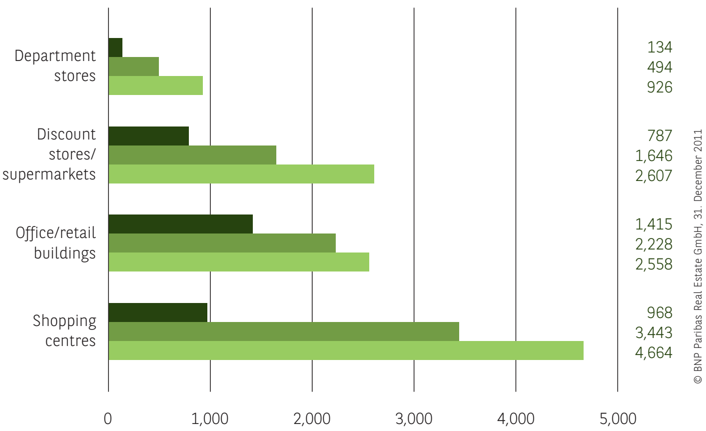
With GDP growth rates of 3.7 % (2010) and 3.0 % (2011), Germany is Europe's flagship and up to now has been defying the financial and currency crisis far better than any other country. One factor which plays a particular role in bracing retail trade is that this positive development is fuelled by domestic consumption to a greater extent than in the past. Despite the foreseeable slow-down in the economy in 2012, all the available indicators suggest that unemployment will continue to fall and that disposable incomes will rise. So the main influences affecting the success of retail investments are set to stay positive in this coming year. This is particularly so in view of the fact that Germany's status as a safe haven within Europe – especially in difficult times – is actually likely to be strengthened. Against this background, it is hardly surprising that international investors are highly active and in 2011 generated 39 % of the total transaction volume. The fact that they view Germany as a safe investment location is underlined, for instance, by benchmark deals, such as the acquisition of the PEP shopping mall in Perlach, Munich, where a net yield of less than 5 % was registered.

SHOPPING CENTRES LEAD THE FIELD

Shopping centres were the favourite of investors in 2011, attracting more than 43 % of all the capital invested and increasing their transaction volume year-on-year by 35 % to around 4.66 bn €. Approximately half of this volume was generated in the Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich). In second place, with a share of just over 24 %, came specialized discount stores and supermarkets (2.6 bn €), closely followed by office/retail buildings (2.56 bn €). Both these segments significantly improved their results compared to the year before. The volume of investment in department stores – close to 926 million € – nearly doubled, to give them a 9 % share of the total. This was partly due to the sale of a number of Karstadt stores, such as Oberpollinger in Munich. The relatively broad spread of the transaction volume across different types of property once again underlines the fact that retail real estate as a whole forms an area of major interest for investors.

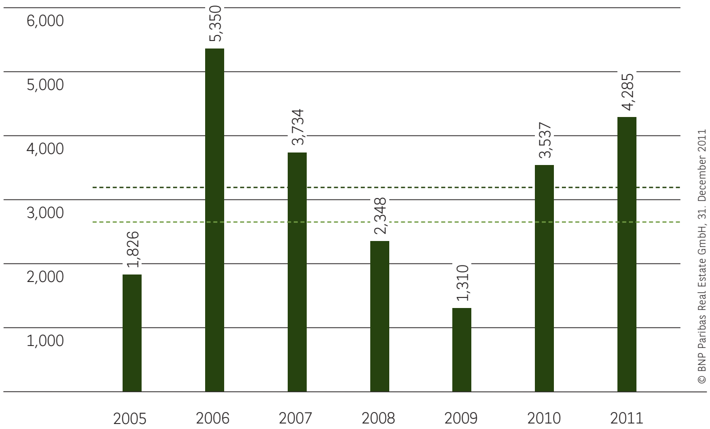
Retail investments according to type of property

in million € ■ 2009 ■ 2010 ■ 2011



Retail investments from 2005 to 2011 in the Big Six*

in million €



* Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich

------ Ø 3,198 million € ------ Ø without 2006 + 2007: 2,661 million €

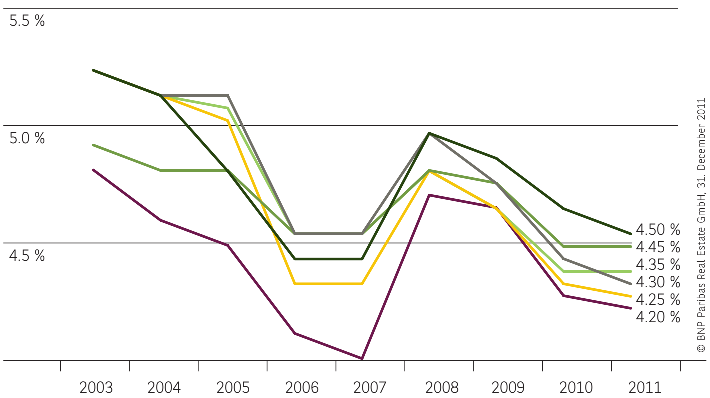
TOP LOCATIONS ALSO LIFT TURNOVER

With an investment volume of nearly 4.29 bn €, the Big Six locations stepped up their prior-year total by 21 %. The result was the second-best ever registered. Only 2006 produced a higher volume of investment in retail assets. The very good performance exceeded the long-term average by 34 %. In the Big Six, just like nationwide, shopping centres and office/retail buildings were the two most important types of property, with shares of around 53 % and 29 % respectively.

The best result was achieved by Munich, with 1.03 bn €. It was followed by the two cities that are traditionally strong in retail: Berlin (940 million €) and Hamburg (916 million €). However, Frankfurt also posted an exceptional result (788 million €), putting it ahead of Düsseldorf and Cologne, where transaction volumes were somewhat lower (359 million € and 252 million € respectively). This was not due to any lack of investor interest, though, but mainly to the shortage in the supply of suitable products.

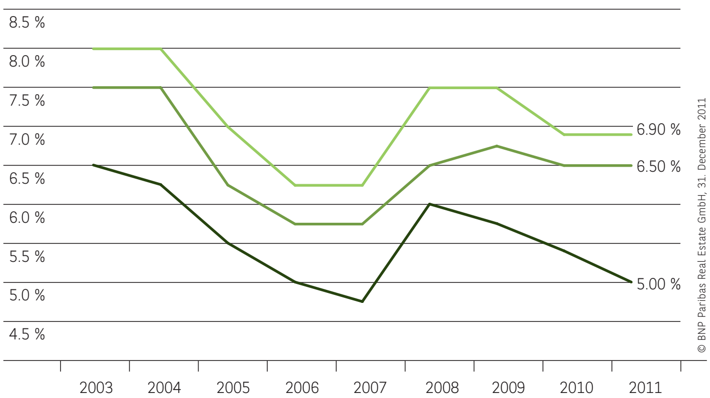
Prime yields (net) office/retail in the Big Six

in % ■ Berlin ■ Frankfurt am Main ■ Cologne ■ Düsseldorf ■ Hamburg ■ Munich



Prime yields (net) according to type of property

in % ■ Shopping centres ■ Specialist retail centres ■ Specialized discount stores



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FUNDS AS THE MOST ACTIVE INVESTORS

Funds, in particular, played a leading role in the ranking of the most important investor groups in 2011. With a share of 22 % of aggregate turnover, special-purpose funds finished well ahead in first place. They were followed by equity/real estate funds (16 %), which predominantly invested in portfolios. Pension funds and closed-end funds each accounted for a transaction volume in excess of 1 bn €, giving them each a share of 10 %. Just close behind came open-ended funds, which were responsible for 9 % of all investment. Altogether, these five investor groups generated more than two-thirds of aggregate turnover. But private investors also contributed more than 800 million € to the total.

YIELDS IN SECOND HALF LARGELY STABLE

Prime yields remained stable almost everywhere in the second half of 2011. Downturns were registered only in the case of shopping centres, where yields edged down again to reach – and in exceptional cases even fall below – 5.0 % (net). Prime yields for inner-city office/retail buildings ranged from 4.2 % in Munich to 4.5 % in Berlin. At present, the figures for the other cities are: Hamburg 4.25 %, Düsseldorf 4.3 %, Cologne 4.35 % and Frankfurt 4.45 %. The prime yield for stand-alone specialized discount stores and supermarkets remains unchanged at 6.9 %. The yield for specialist retail centres is somewhat lower, at 6.5 %.

Selected retail investments 2011

Item	Seller	Buyer	Type of property	Location	Purchase price* in million €
Metro portfolio	Metro owner families	Promontoria	Cash & Carry markets	Nationwide	700
Centro (50 %)	Stadium Group	Canada Pension Plan Investment Board	Shopping centre	Oberhausen	650
PEP shopping mall	Deutsche Bank (grundbesitz europa)	US-pension funds TIAA-CREF	Shopping centre	Munich	410
Gropius-Passagen	WealthCap	mfi	Shopping centre	Berlin	340
Skyline Plaza (80 %)	ECE/CA Immo	Allianz Real Estate	Shopping centre	Frankfurt am Main	290
Hamburger Meile (85 %)	ECE/Bruhn Group	Real I.S.	Shopping centre	Hamburg	250
Karstadt portfolio	Highstreet-Consortium	Quantum	Department stores	Hamburg, Münster	250
Karstadt/Karstadt-Sport	Highstreet-Consortium	Signa Holding/Centrum	Department stores	Munich	250
Rheinpark Center (94,9 %)	Unimo	Union Investment Real Estate	Shopping centre	Neuss	230

* estimated

PROSPECTS REMAIN BRIGHT

Despite the still unresolved financial market and currency crisis, there are currently no signs in any decline in the scale of investor interest. On the contrary, Germany's position as the safest investment location in Europe could even be enhanced. Because of the downgrading of other core eurozone countries by Standard & Poors, German bond yields are expected to stay very low for some time to come, so German core properties are likely to retain their appeal as a secure investment. Against this backdrop, there is a realistic chance that the transaction volume could again top 10 bn € in 2012.

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