

German Retail Properties - an interesting market for RE Investment in prime locations

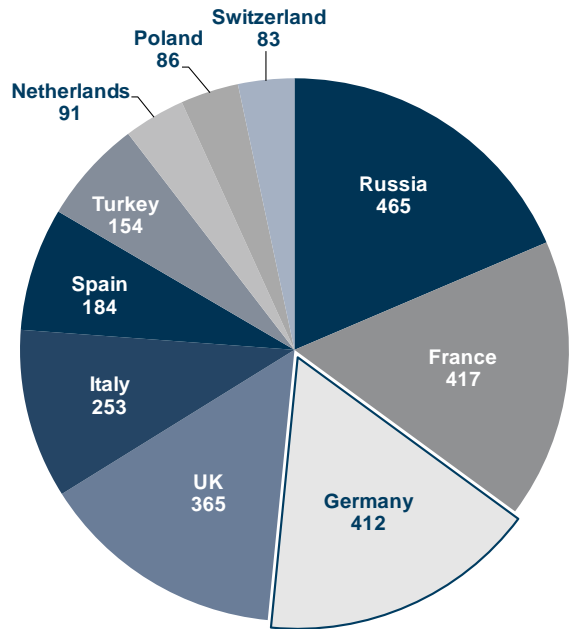
COMFORT - Survey of key data with a special view on medium size cities

Content

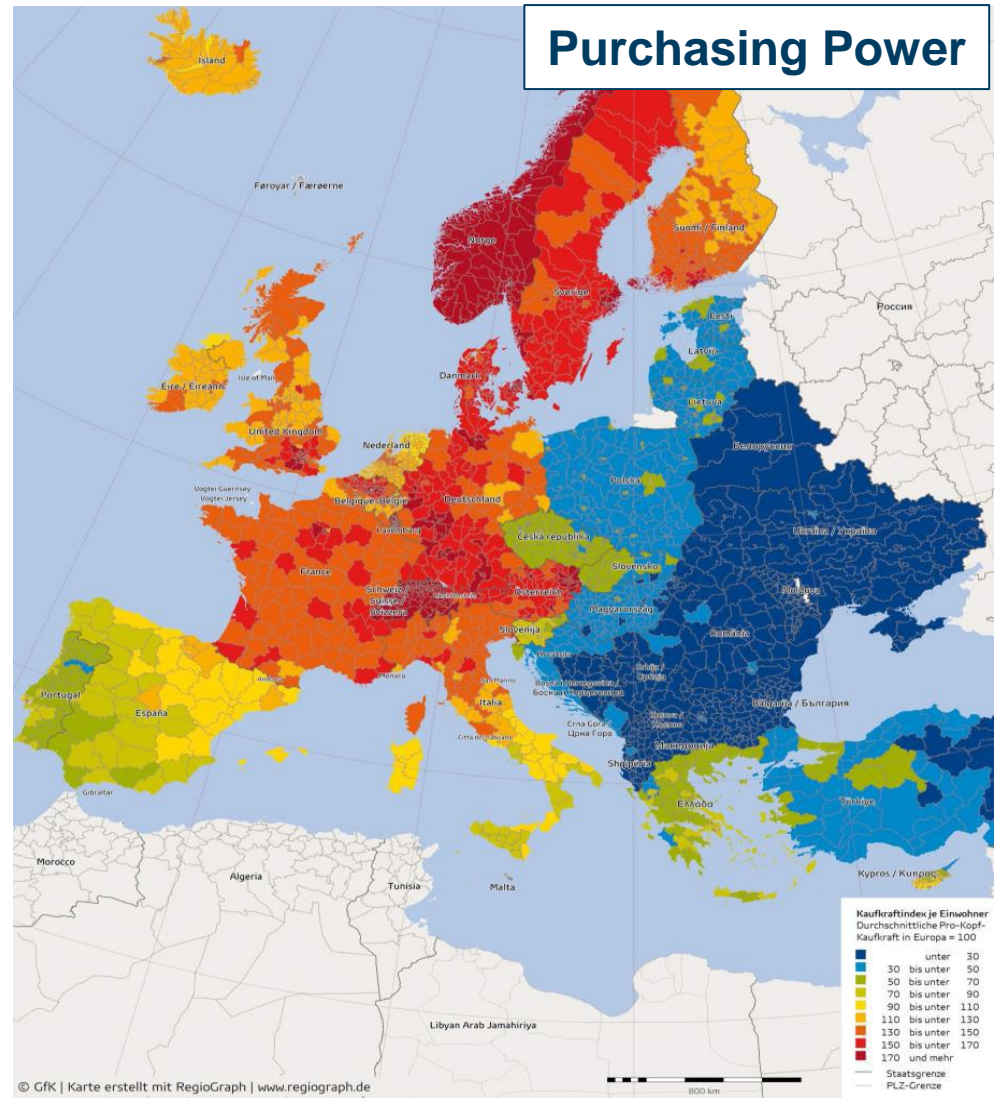
I. Germany in comparison.....	3
II. German retail market.....	5
III. Prime retail rents.....	8
IV. Multiplier for prime properties.....	13
V. Retail space demand.....	18
VI. Summary and conclusions.....	20
VII. Annex.....	21

I. Germany in comparison

Stationary retail sales in billion € 2013



- With **81 Mio. inhabitants** biggest country in the EU
- **Purchasing power** with approx. **21.600 € per capita** clearly above European average (approx. 13.100 € per capita); positive development.
- Together with France biggest retail market in Europe: sales of more than **400 mio. € p.a.** (*Russia today is far less because of collapsing currency*)



Source: GfK Geomarketing GmbH

I. Germany in comparison

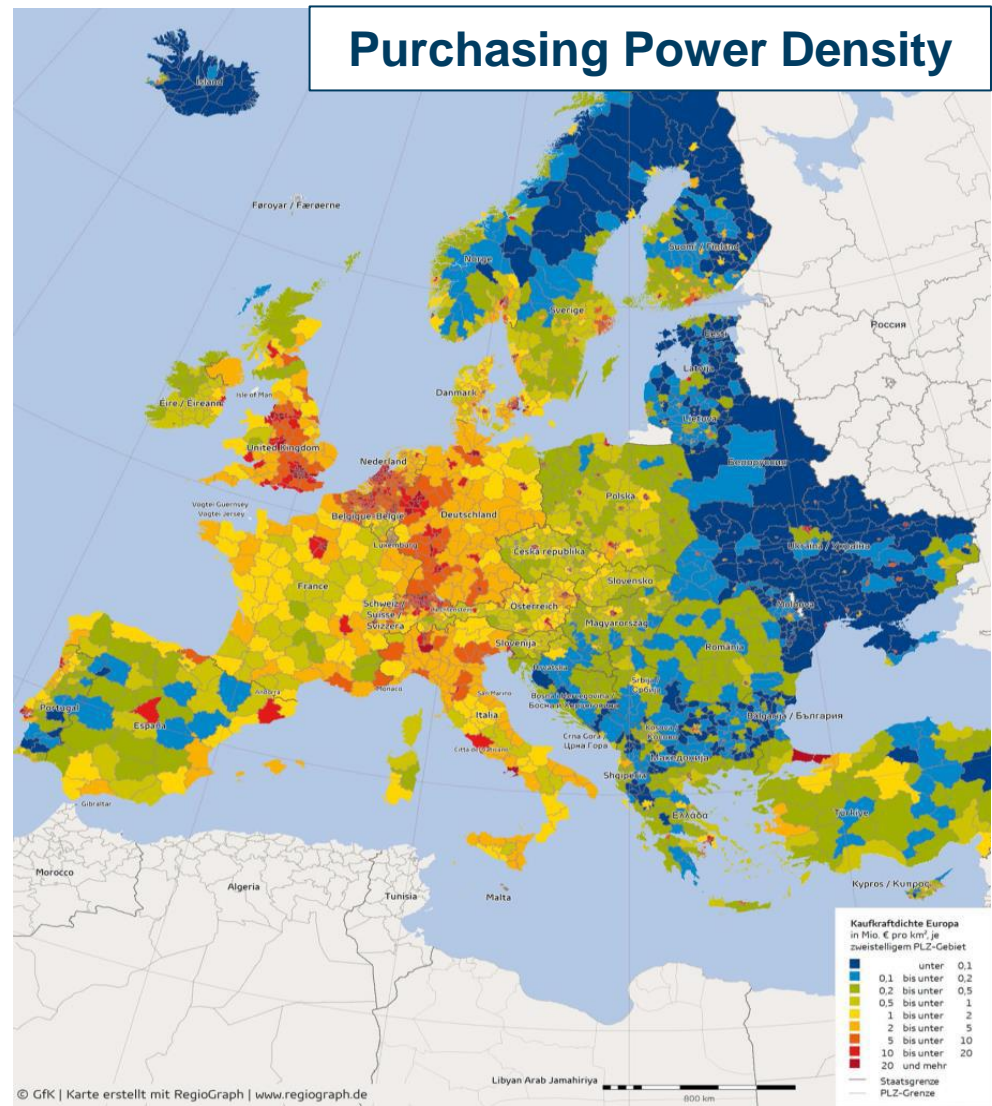
- In contrast to the other important European countries **Germany** is characterized through a far more **decentralized structure**.
- So the capital Berlin has about 3.5 mio. Inhabitants, further 14 cities > 500.000 and another 25 cities > 200.000.

To compare:

UK: Greater London: 8.5 mio. people, only further two cities > 500.000 and another 19 > 200.000.

France: Ile de France around Paris : 12 mio. people, only Marseille also > 500.000 and another 11 cities > 200.000.

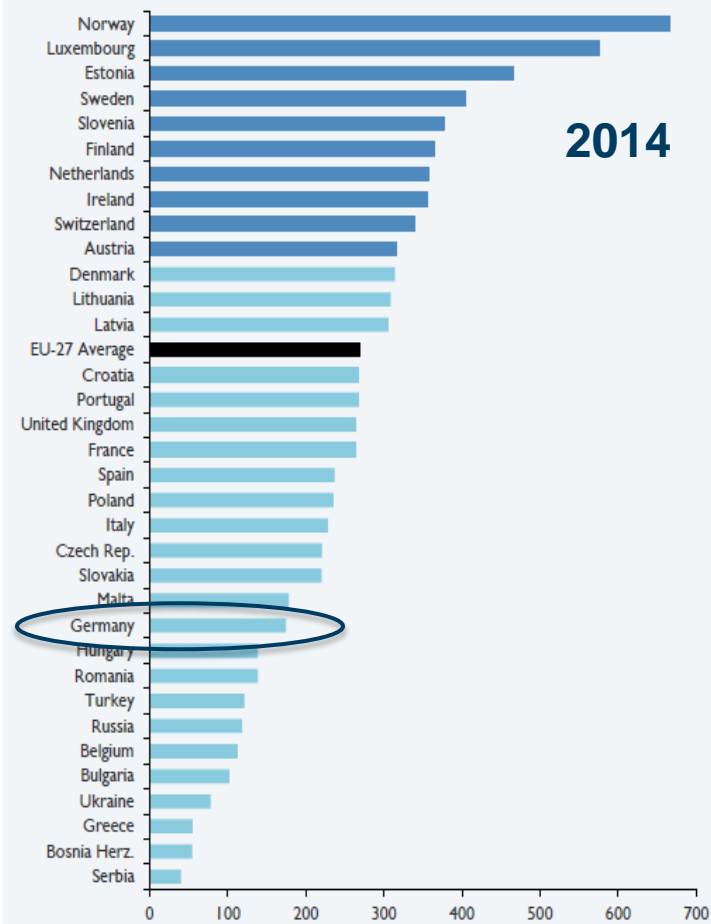
- Broad regions with high relatively high **purchasing power density** (means purchasing power multiplied with number of people) in Germany, not only in metropolises.



Source: GfK Geomarketing GmbH

II. German retail market

SHOPPING CENTRE GLA (SQ.M) PER 1,000 POPULATION



Source: Cushman & Wakefield

Importance of city retail trade according to city size in Germany

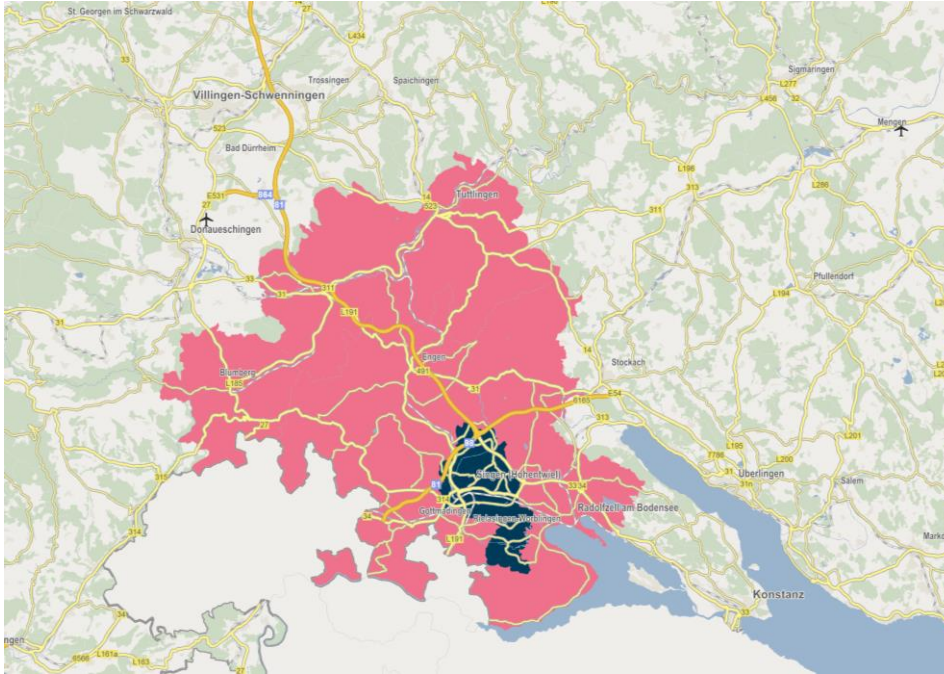
	Proportion of city retail space 2013 in %	Proportion of city sales in 2013 in %	City productivity in 2013 in EUR/m ²
Ø > 1Mio. inhabitants	18	20	5.300
Ø 500T ≤ 1Mio. Inhabitants	26	28	4.200
Ø 200T ≤ 500T inhabitants	25	28	3.600
Ø 100T ≤ 200T inhabitants	30	36	3.600
Ø 50T ≤ 100T inhabitants	31	39	3.500

Source: COMFORT High Streets Report 2015

- In German retail market the city centres represent by far the most important location in terms of sales area and sales regarding qualified shopping. This is a specialty in European retail landscape.
- In contrast to the other advanced countries the ratio of shopping centre space per capita is relatively low.

II. German retail market

SINGEN – City centre catchment



- Medium size cities (< 100.000 inh.) often play a very important role due to a catchment area which reaches much further than the city border.
- E.g. Singen: nearly 50.000 inhabitants within the city and more than 168.000 inhabitants in the further German catchment - with a surplus of many Swiss shopping tourists coming across the national border with the aim Singen.

	inhabitants	households	Retail purchasing power in mill. €	Retail purchasing power index (Germany = 100)
Zone I	45.355	22.321	246,3	96,0
Zone II	168.488	75.829	982,8	103,1
Total	213.843	98.150	1.229,1	101,6

Source: GfK Geomarketing GmbH, COMFORT Hamburg – Research & Consulting

II. German retail market

Online sales are on the rise but offline retail still performs very stable!



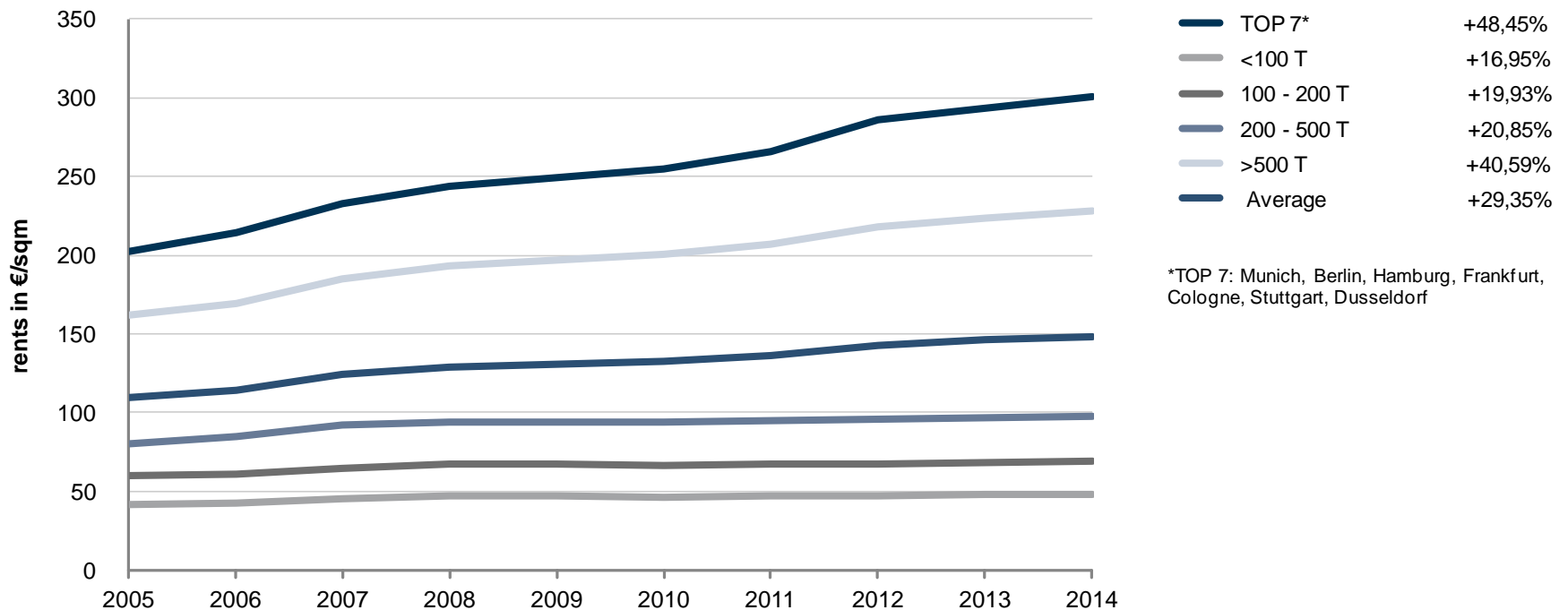
- Corresponding to the solid economic performance of Germany also German retail sales perform very stable.
- During the last years Online-Sales definitely increased faster than shop retail, but it was and is still growing.

Source: GfK Geomarketing GmbH

III. Prime retail rents

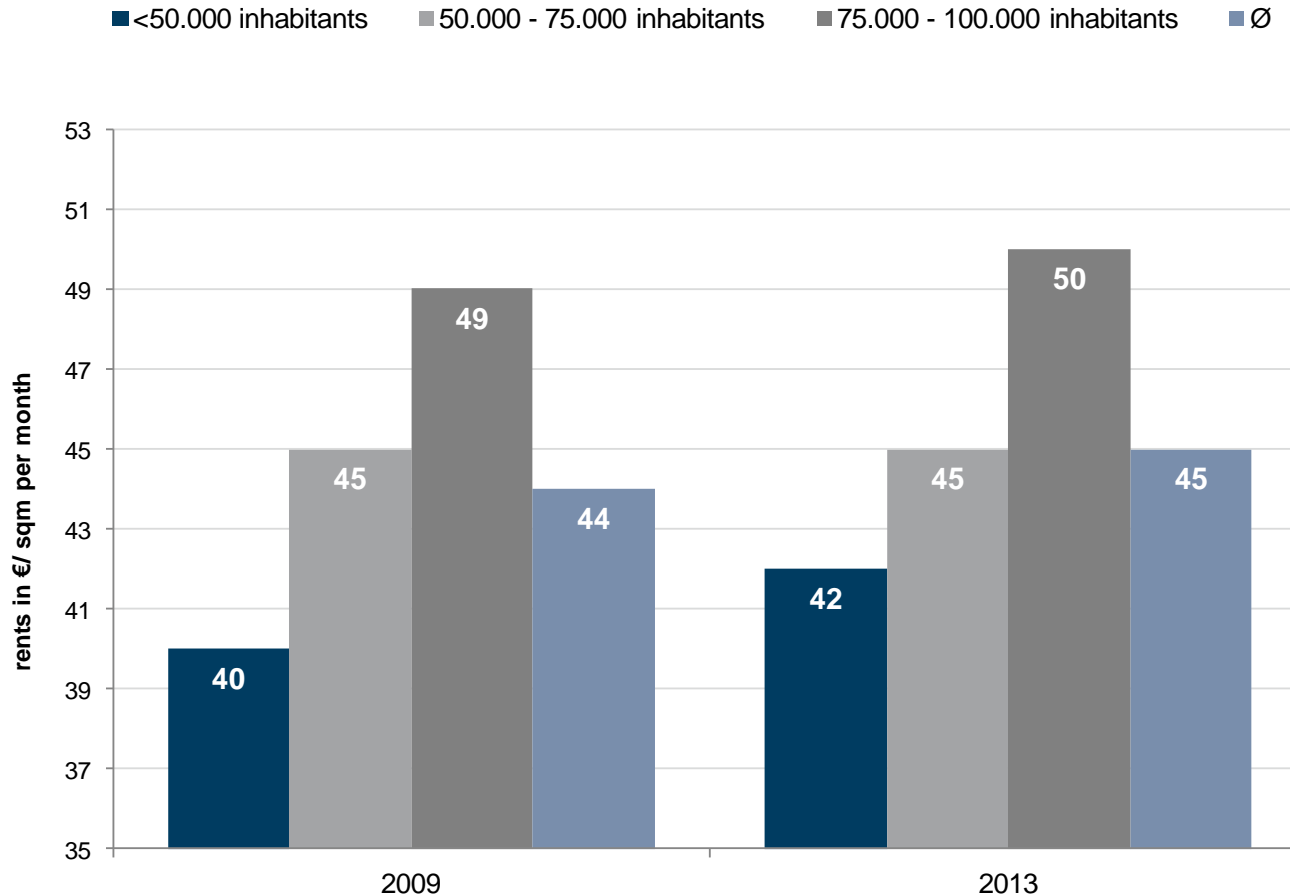
The development of retail rents (80 - 120 m²) to population size

- Longterm development since 2005 shows significant prime retail rent growth for all city sizes.
- The bigger the city size the higher is the rent growth.
- But also medium size cities show a significant increase



III. Prime retail rents

Rent level and development of small size shops in prime locations (80 - 120 m²) 2009 and 2013



Closer look on the cities beyond 100.000 inhabitants: average top rents differentiated for three city sizes:

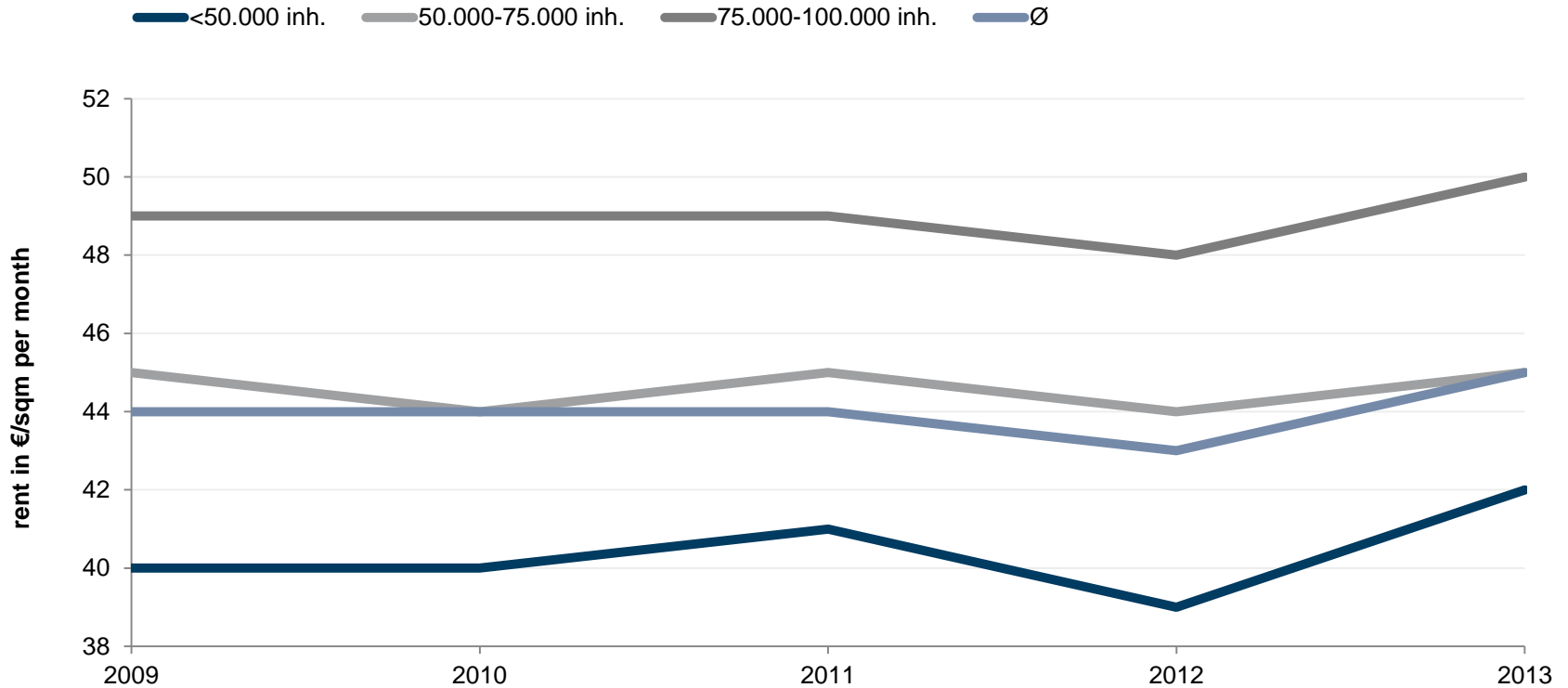
75 - 100.000 inh. : 26 cities

50 - 75.000 inh.: 44 cities

< 50.000 inh. : 46 cities

III. Prime retail rents

Rent level and development of small size shops in prime locations (80 - 120 m²) 2009 - 2013



III. Prime retail rents

Best performer - retail rents of small size shops in prime locations (80 - 120 m²) 2009 and 2013

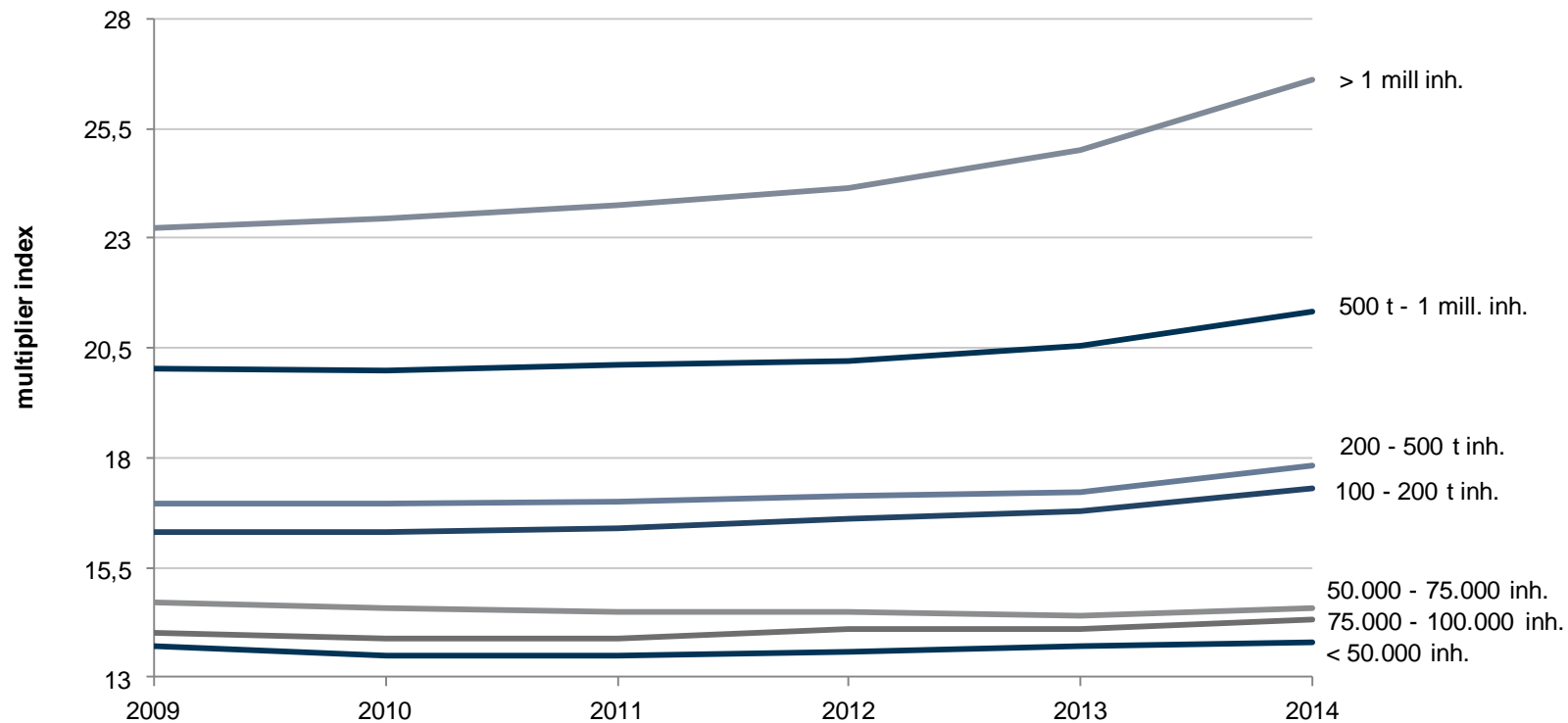
ranking	city	retail rent €/sqm
1	Lüneburg	90,00
1	Rosenheim	90,00
2	Gießen	89,00
3	Bamberg	80,00
3	Flensburg	80,00
3	Konstanz	80,00
3	Ravensburg	80,00

- The adjoining top performing cities, all have a substantial rural environment, therefore a natural catchment area. None of them belongs to a densely populated metropolitan area.
- Between 2009 and 2013 they all showed a positive prime rent performance in a range of +1 % (Gießen) and + 20 % (Ravensburg, Konstanz).
- In general the growth potential for prime rents is lower than in the bigger cities but they do perform quite stable with low ,downside' potential.

IV. Multiplier for prime properties

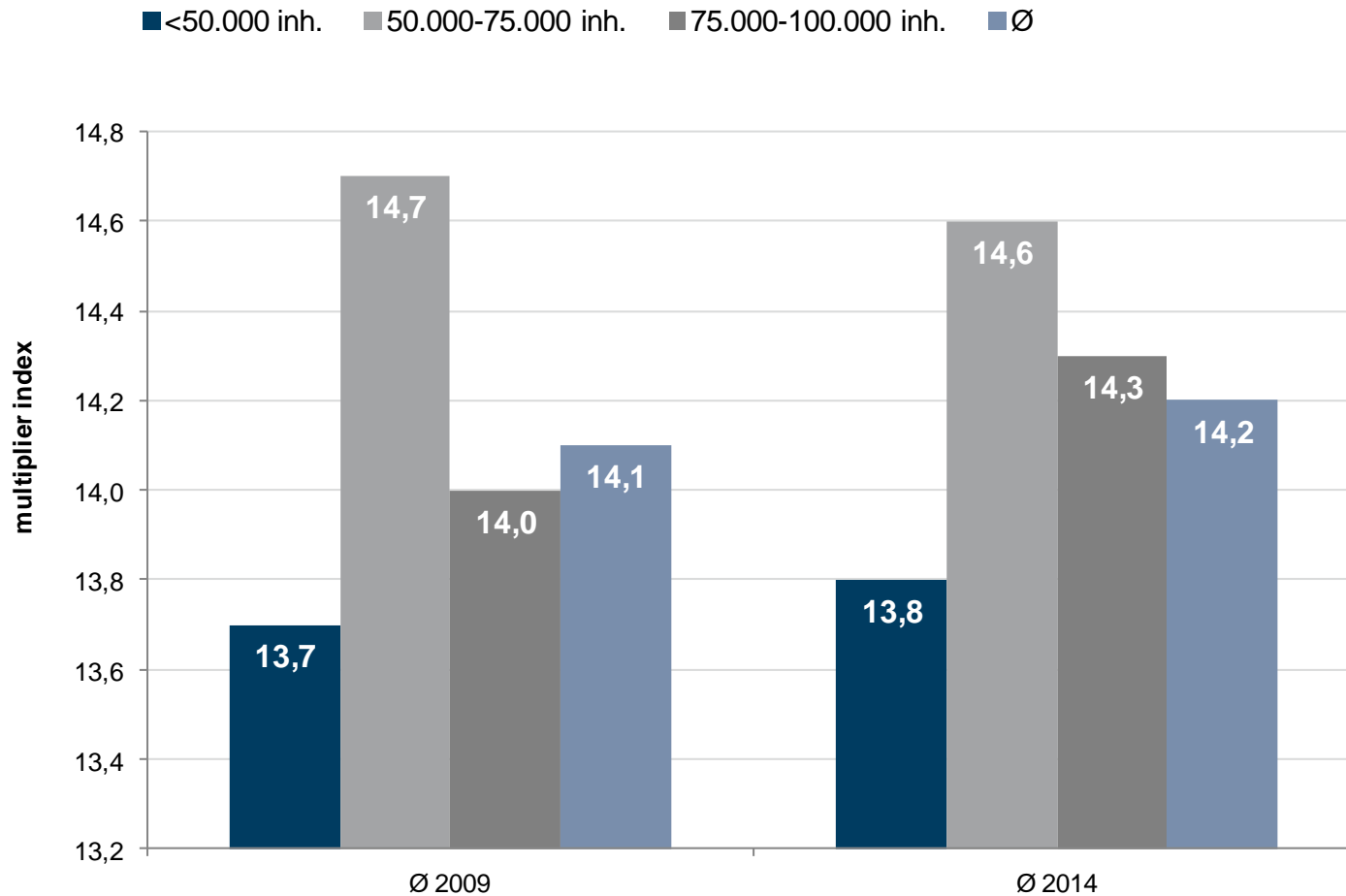
Average multiplier-development of medium size cities in comparison with bigger city sizes

- Multipliers in the medium size cities are very stable and significantly lower than in the bigger cities.
- Yield compression is already taking place for the established bigger cities. Due to the high investment interest on Germany it will also reach medium size cities because the big cities become too expensive and the purchasing opportunities are very rare ⇒ there arises 'upside'-potential for medium size cities in the future!



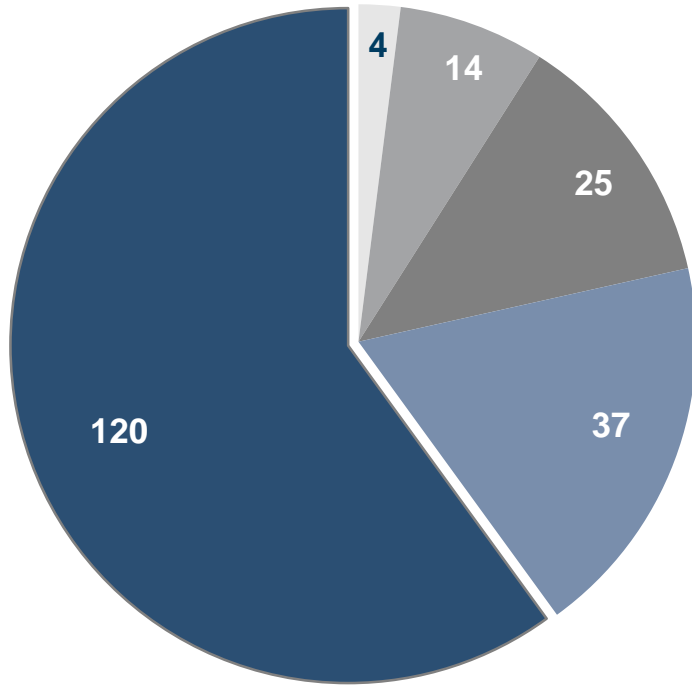
IV. Multiplier for prime properties

Level of multipliers differentiated regarding city size 2009 and 2014



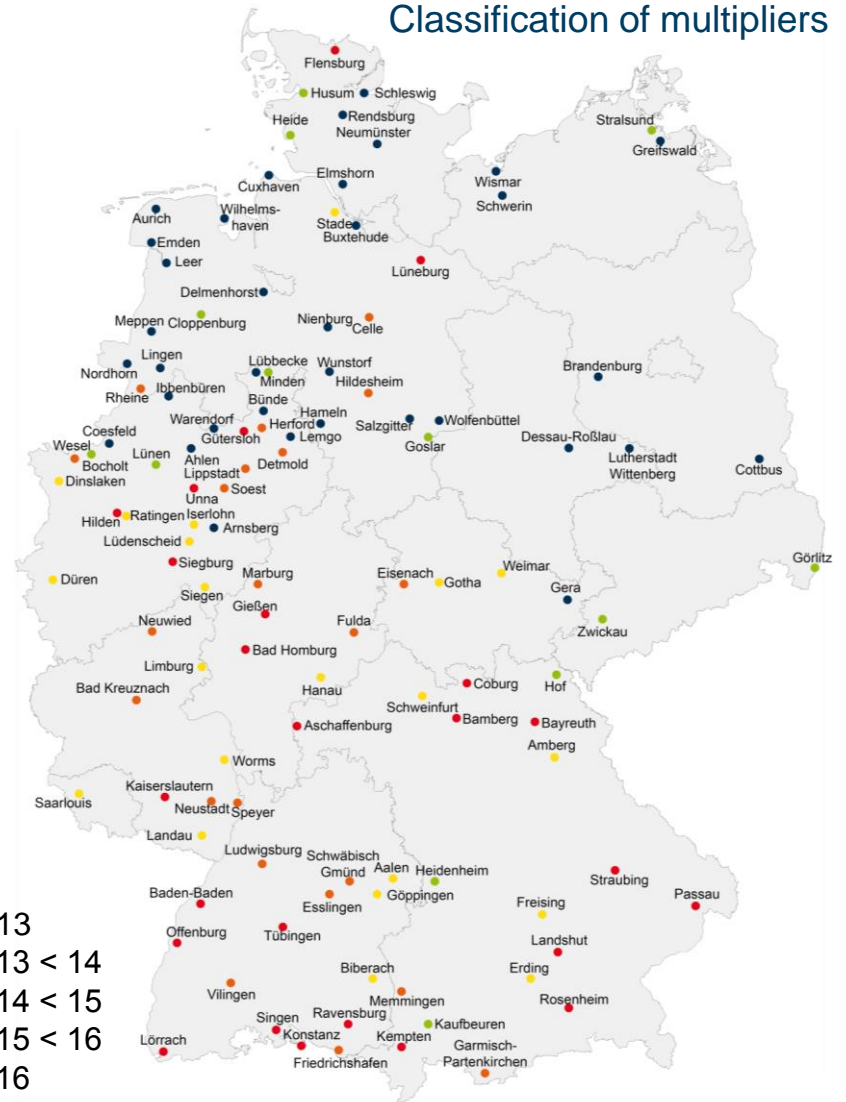
IV. Multiplier for prime properties

German cities by size of population



- > 1 mio. inh.
- 500 th - 1 mio. inh.
- 200 th - 500 th inh.
- 100 - 200 th inh.
- 50 th - 100 th inh.

Classification of multipliers



- < 13
- ≥ 13 < 14
- ≥ 14 < 15
- ≥ 15 < 16
- ≥ 16

Source: Federal Statistical Office of Germany, COMFORT – Research & Consulting



IV. Multiplier for prime properties

Best performer – multiplier level of the top cities in total

ranking	TOP-CITY	multiplier 2014
1	Konstanz	20,0
2	Baden-Baden	19,5
3	Rosenheim	18,5
4	Ravensburg	18,0
5	Tübingen	17,5
5	Lüneburg	17,5
5	Offenburg	17,5
5	Bad Homburg v. d. Höhe	17,5
6	Flensburg	17,0
6	Bamberg	17,0
6	Landshut	17,0
6	Kempten (Allgäu)	17,0
6	Straubing	17,0
7	Passau	16,5
7	Siegburg	16,5
8	Hildesheim	16,0
8	Kaiserslautern	16,0
8	Gütersloh	16,0
8	Gießen	16,0
8	Unna	16,0
8	Hilden	16,0

- Most of the top performing cities are also located in a relatively low populated environment and do have a kind of natural catchment area.

V. Retail space demand

Preliminary remarks:

The results are based on the analysis of COMFORT data bank regarding the currently existing requests of tenants (retailers, gastronomy, other services) for rental spaces in city centre locations in the studied 116 medium size cities.

- **Size of demand:** There is a very substantial demand of retailers!

Total demand for this city type typically lies in a range between 3.000 to 10.000 sqm (5-15 requests).

„Leaders“ are Rosenheim (more than 25.000 sqm rental space demand, result of 20 requests) ahead of Lüneburg (approx. 18.000 sqm, 29 requests).

- **Demand of tenants:** For medium size cities the retail space demand typically represents a mixture of the following types of tenants (including big differences in terms of quality corresponding to the total size of demand: the bigger this size the more quality and variety of demand).

Retail spaces

> 1.000 sqm



V. Retail space demand

Retail spaces

> 500 sqm, < 1.000 sqm



Retail spaces

> 150 sqm, < 500 sqm



Retail spaces

< 150 sqm



VI. Summary and conclusions

- Germany has to be characterized as a **very interesting RE investment market**, e.g. because of its size of population and retail market, purchasing power as well as its decentralized country structure with many cities as shopping destinations.
- In German retail market the **city centres** represent by far the most important location in terms of sales area and sales regarding qualified shopping. This is a specialty in European retail landscape.
- Here often **medium size cities** do play a very important role and their city centres reach wide catchment areas outside of the city borders.
- Specific COMFORT analysis of medium size cities (< 100.000) prepared on a wide and absolutely significant statistical basis of 116 cities confirmed that in terms of retail real estate here one can find a generally **highly appealing** and often underestimated **part of the investment market**.
- During the period of investigation from 2009 to 2013/ 2014 the results of the rents and multipliers averagely showed a very **stable performance**. But there is a high spread of performances which the investor has to keep an eye on.
- The basically stable position of German medium size cities goes along with a remarkable **demand for retail spaces** for these types of cities. The general size and variety of demand for classical city-centre product categories can be classified as being satisfying and absolutely encouraging for the foreseeable future.
- Yield compression is already taking place for the established bigger German cities. Due to the high investment interest on Germany it will also reach medium size cities because the metropolises become too expensive and the purchasing opportunities here are very rare. From there significant **'upside'-potential** for many medium size cities and their prime properties will occur in the future. So far as a professional selection procedure takes place regarding the typical object-/site-/tenant-relevant matters as well as on the regional position and competition of the city centres this will generate interesting investment opportunities at least in the next two years.

VII. Annex

Definitions

- **Prime retail rent:**

TOP-rent level in primary locations in Germany measured as monthly rent (net, without ancillary costs and VAT) per sqm rental area, in shops 80 – 120 sqm on the ground floor.

- **Multiplier:**

Purchase price in Germany measured as multiplier of the yearly net rent income (without VAT and not assignable ancillary costs) of the property; e.g. a multiplier of 17,5 for Lüneburg means on the basis of a yearly net rent income of 4 mio. € the purchase price would exceed 70 mio. €.

Kontakt // COMFORT-Gruppe

Holding

COMFORT Holding GmbH
Kaistraße 8A, 40221 Düsseldorf
E-Mail: duesseldorf@comfort.de
Ihr Ansprechpartner / Contact:
Helge T. Strobel
Fon: +49 211 9550-0
Fax: +49 211 9550-155

Düsseldorf

COMFORT Düsseldorf GmbH
Kaistraße 8A, 40221 Düsseldorf
E-Mail: duesseldorf@comfort.de
Ihre Ansprechpartner / Contact:
Jürgen Kreutz, Frank Kaiser
Fon: +49 211 9550-0
Fax: +49 211 9550-150

Leipzig

COMFORT Berlin-Leipzig GmbH
Goethestraße 1, 04109 Leipzig
E-Mail: leipzig@comfort.de
Ihre Ansprechpartner / Contact:
Ronald Steinhagen, Björn Gottschling
Fon: +49 341 339681-0
Fax: +49 341 339681-10

Zürich (CH)

COMFORT High Streets Swiss AG
Schiffplände 16, 8001 Zürich
E-Mail: swiss@comfort-swiss.ch
Ihr Ansprechpartner / Contact:
Holger Schiekiera
Fon: +41 44 25226-26
Fax: +41 44 25226-28

Berlin

COMFORT Berlin-Leipzig GmbH
Joachimstaler Straße 34, 10719 Berlin
E-Mail: berlin@comfort.de
Ihre Ansprechpartner / Contact:
Ronald Steinhagen, Björn Gottschling
Fon: +49 30 780961-0
Fax: +49 30 7845015

Hamburg

COMFORT Hamburg GmbH
COMFORT Research & Consulting
Mönckebergstraße 13, 20095 Hamburg
E-Mail: hamburg@comfort.de
Ihre Ansprechpartner / Contact:
Günter Rudloff, Frank Reitzig,
Olaf Petersen, Thomas A. Heckh
Fon: +49 40 300858-0
Fax: +49 40 300858-5

München

COMFORT München GmbH
Rindermarkt 6, 80331 München
E-Mail: muenchen@comfort.de
Ihre Ansprechpartner / Contact:
Manfred A. Schalk, Thorsten Sondermann
Fon: +49 89 219988-0
Fax: +49 89 296948

Wien (AT)

COMFORT Austria GmbH
Weihburggasse 22/5, 1010 Wien
E-Mail: austria@comfort-austria.at
Ihre Ansprechpartner / Contact:
Alexander Koller, Michael Oberweger
Fon: +43 1 512 06 21
Fax: +43 1 957 96 46

Center Consulting

COMFORT Center Consulting GmbH
Neuer Zollhof 1, 40221 Düsseldorf
E-Mail: ccc@comfort.de
Ihr Ansprechpartner / Contact:
Helge T. Strobel
Fon: +49 211 540063-0
Fax: +49 211 540063-20

