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THE 5% STUDY 2025

WHERE IT STILL PAYS OFF TO INVEST

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THE 5% STUDY 2025

WHERE IT STILL PAYS OFF TO INVEST

A Study by bulwiengesa AG

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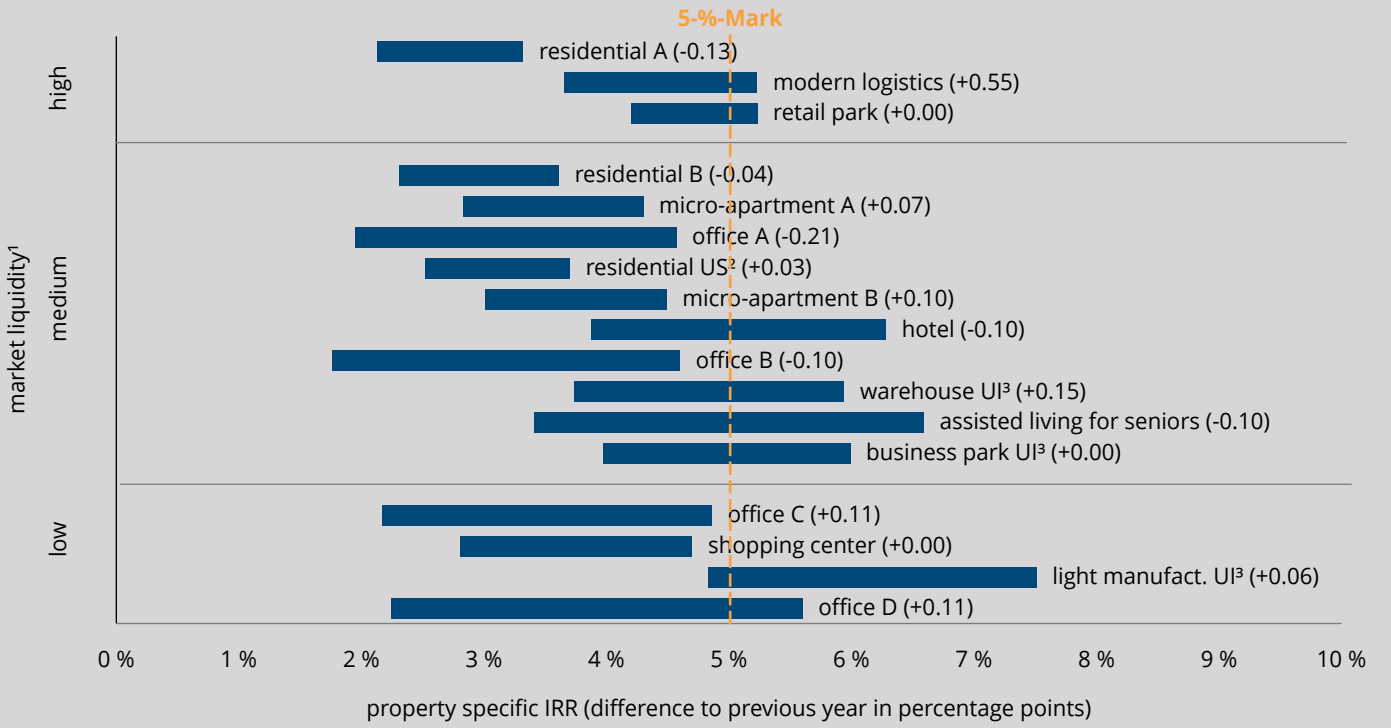
Summary

Core-Matrix[1]



1 Liquidity of asset classes regardless of investment cycles. Within the categories of low, medium and high market liquidity shown in the diagram, there is no further assessment of the liquidity of the individual types of use. 2 US = University Cities. 3 UI = Unternehmensimmobilien.
Source: bulwiengesa AG

» Differentiated yield performance in residentia

The yield performance for residential properties paints a mixed picture for 2025. With good portfolios in A markets, an IRR of around 2.8% is achievable in the base case, representing a decline of 15 basis points on the previous year. The range for core properties is between 2.1% and 3.3%. In B markets and university towns, however, yields are 4 and 3 basis points higher than in the previous year. With inflation currently at 2% to 2.5%, residential property remains an attractive investment alternative, although the markets are becoming increasingly differentiated.

» Slight easing of office yields

Offices continue to be acquired by investors on a very selective basis – caution remains high, even though the uncertainty caused by working from home has eased slightly but is still palpable. Questions remain regarding future demand for office space and the capex requirements for existing properties due to the increased need for energy-efficient refurbishment. They therefore remain at the lower end of the market liquidity scale. Yields will ease slightly in 2025: in the A markets, they fell by around 21 basis points to 3.91%, with up to 4.6% achievable in the core segment. The B, C and D markets follow with 4.4%, 4.8% and 5.6% (base values in each case). The yield gap between the city categories has widened slightly again and currently stands at 49 basis points between A and B markets (38 basis points in 2024). CapEx costs for existing buildings continue to play a relevant role, as they have a greater impact on yields in smaller markets with low rental levels.

» Microliving remains in focus

Furnished apartments remain in high demand, especially in large cities. The ongoing shortage of housing is increasing demand for these flexible living solutions, as there are often few alternatives for people looking for accommodation at short notice. Yields are set to rise significantly in 2025, with base values of 4.11% in A cities and 4.32% in B cities. The core ranges extend from 2.83% to 4.30% in A markets and from 3.01% to 4.49% in B markets, reflecting the increased attractiveness of this asset class.

» Food retail as a stabilising factor

The economic valuation of existing shopping centres remains difficult, with hardly any deals recorded. When shopping centres are traded, it is usually with conversion options. However, with a base value of 4.89%, stable development can be expected for well-established shopping centres. The situation is different for retail parks, which generate constant demand as investments. Retail parks with a strong food offering continue to be viewed positively. The base value of the achievable IRR in 2025 is 4.34%, with 4.2% to 5.2% achievable in the core segment.

» Hotel properties continue to gain momentum

The earnings outlook for hotel properties also remains positive for 2025. Occupancy rates and room prices have stabilised at a robust level. With base values of 4.49% to 4.87% (2- to 4-star hotels), the segment represents an attractive alternative for investors. Here, performance and risk assessment depend heavily on the economic management capabilities of the operator.

» Logistics properties show growth

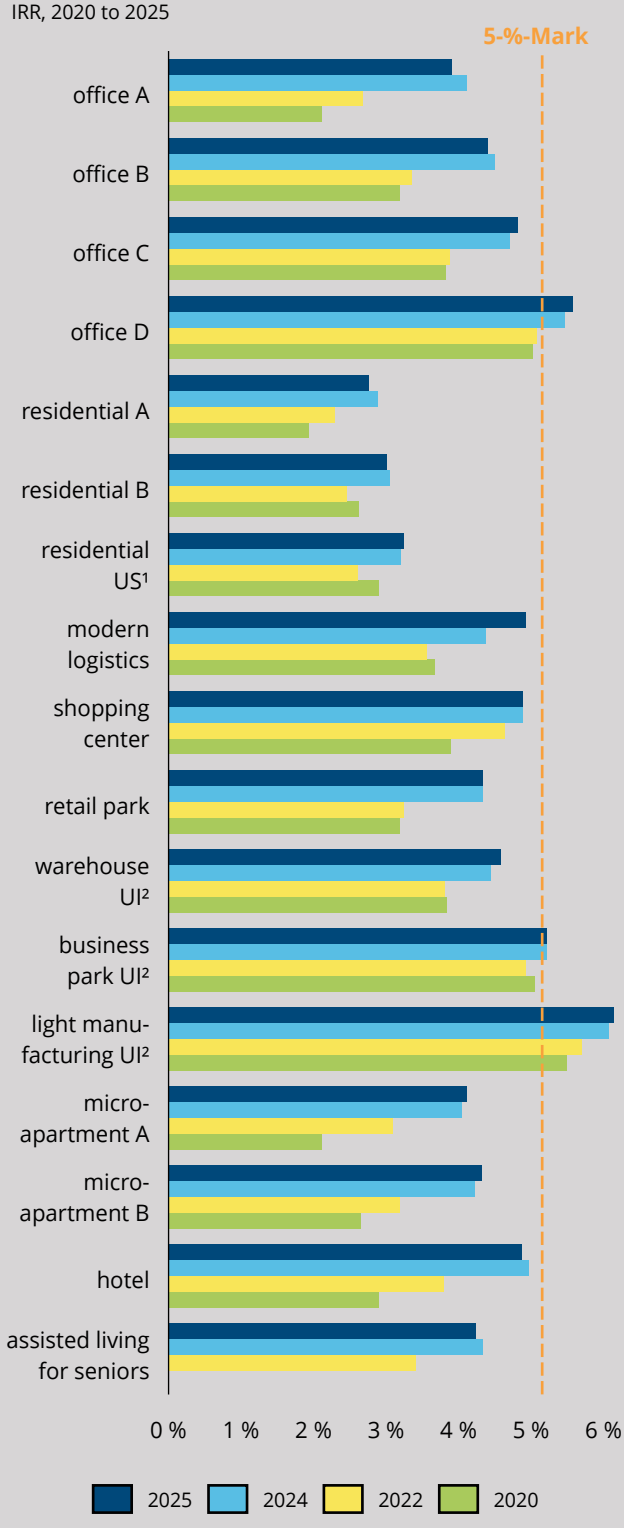
Purchase yields for modern logistics space increased slightly in 2025, which also led to a rise in the IRR. The base value now stands at 4.93%, around 50 basis points above the previous year's level. The achievable margin in the core segment ranges from 3.66% to 5.23%. Uncertainty is increasing in the overall market – the gloomy economic environment and the reorientation of global trade are affecting demand for logistics space.

» Corporate real estate remains a niche wit

The term ‘corporate real estate’ encompasses business parks, production properties and small-scale storage space. These types of properties are characterised by stable cash flows and show little fluctuation in yield development in 2025. As management-intensive asset classes, they represent a sustainable alternative to conventional types of use.
The various categories are particularly attractive alternatives for specialised investors:

- Business parks: base 5.22%, core 3.97% to 5.99%
- Light manufacturing properties: base 6.14%, core 4.83% to 7.51%
- Warehouses: base 4.59%, core 3.74% to 5.94%

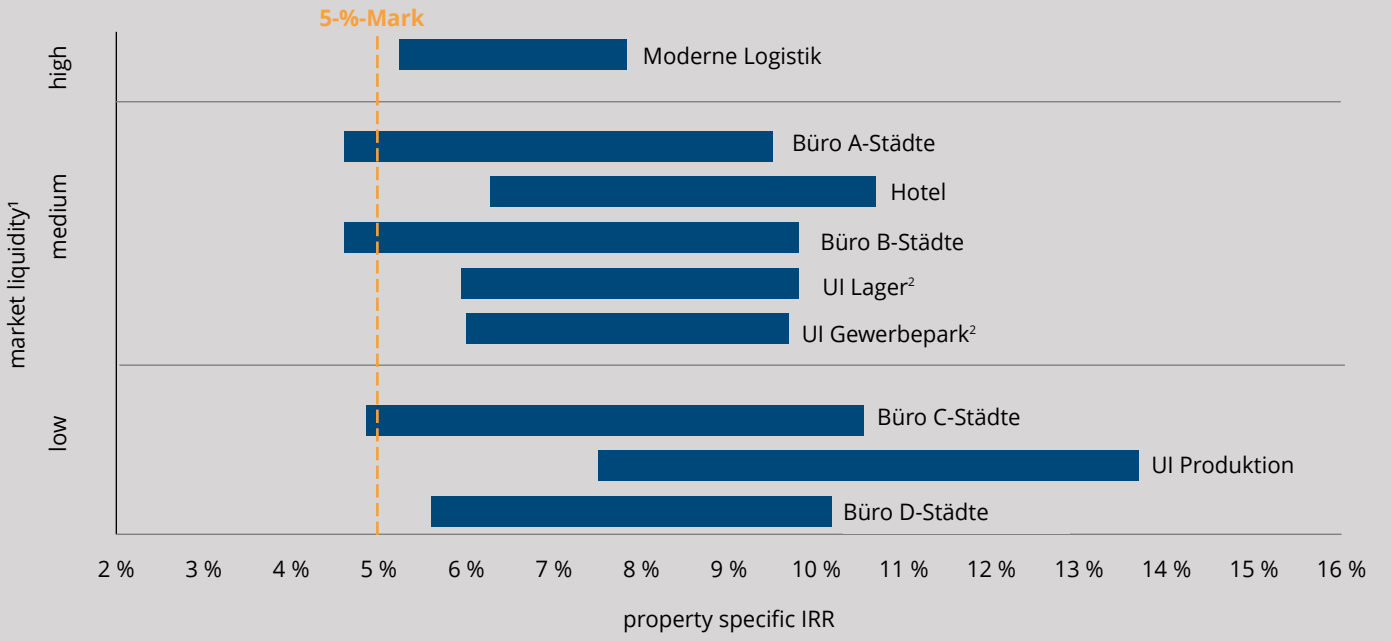
Overview Core Properties
IRR, 2020 to 2025



1 US = University Cities. 2 UI = Unternehmensimmobilien.
Source: bulwiengesa AG

Summary

Non-Core-Matrix[1]



1 Liquidity of asset classes regardless of investment cycles. Within the categories of low, medium and high market liquidity shown in the diagram, there is no further assessment of the liquidity of the individual types of use. 2 UI = Unternehmensimmobilien.
Source: bulwiengesa AG

Non-core investors[1] are currently conducting an intensive analysis of the real estate market in order to identify opportunities arising in particular from financial bottlenecks. However, there is often a significant discrepancy between the asking prices of buyers and sellers. At the same time, investors are adjusting their strategic approaches, as simply speculating on a rising market and acquiring vacant properties is no longer sufficient in the current market situation. Instead, successfully overcoming these challenges requires additional management expertise.

» Return-oriented investors are increasingly finding attractive opportunities in the distressed real estate segment, while institutional investors are shying away from these properties.

Properties with outdated standards face a dilemma: comprehensive energy-efficient modernisation is often not worthwhile, yet these properties generate continuous income. They are practically unviable for institutional investors due to their lack of ESG compliance – but yield-oriented private investors are discovering lucrative niches here.

» The key challenge is which distressed properties can still be refurbished for the institutional market.

Office properties are a prime example of this tension: while returns of 10% beckon, there is also the threat of total loss. The commercial and logistics property segment also offers highly profitable prospects – but only for investors with strong technical management expertise, which is the key to investment success.

» Professional solutions for complex real estate situations

In view of these market dynamics, bulwiengesa offers a specialised consulting service for properties with vacancies and marketing problems. The range of services includes the systematic analysis of reuse strategies through to complete change of use – a crucial component in repositioning even problematic properties on the market and realising their value potential.

[1] In this study, non-core properties are properties with a higher risk profile and therefore higher performance opportunities. They have management deficits such as vacancies, are generally located away from central locations and have unstable letting structures. These buildings also only fulfil minimumenergy requirements.

The 6-Percenters

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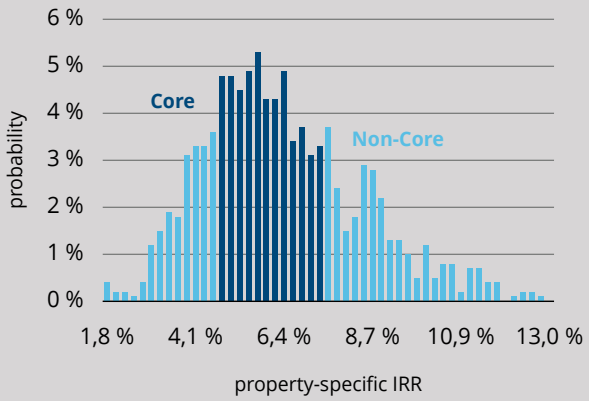
The 5.50- to 6.49-Percenters

Property-Specific IRR

The Market for Light Manufacturing (UI)

IRR Range UI Light Manufacturing



Results Range

IRR base value	6.14 %

performace expectation	Who should invest?
4.8 - 7.5 %	**Core-Investors**
4.8 - 7.8 %	previous year
up to 13.7 %	**Non-Core-Investors**
up to 13.1 %	previous year

Conclusion

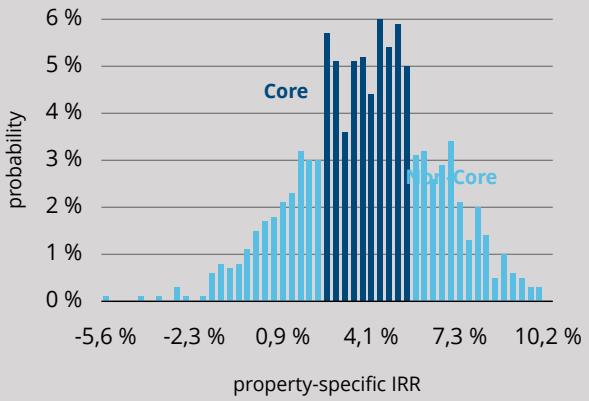
Production properties continue to attract investors with above-average returns – a clear advantage over traditional real estate investments. On the other hand, however, their close link to economic fluctuations must be taken into account, as this often significantly increases the risk profile.

Market Environment

investment demand	national to international
demand for space	regional to national
liquidity	low
volatility	medium
marketable size	from 5 million euros upwards

The Market for Office Properties in D Cities

IRR Range Office D Cities



Results Range

IRR base value	5.57 %

performace expectation	Who should invest?
2.2 - 5.6 %	**Core-Investors**
2.0 - 5.6 %	previous year
up to 10.2 %	**Non-Core-Investors**
up to 11.3 %	previous year

Conclusion

Regional players dominate investment activity in smaller office markets, with large institutional investors remaining on the sidelines. Due to the generally low rental income, ambitious manage-to-green strategies often only make sense for owner-occupiers.

Market Environment

investment demand	regional to international
demand for space	regional to national
liquidity	low
volatility	low
marketable size	approx. 3 to 18 million euros

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The 5-Percenters

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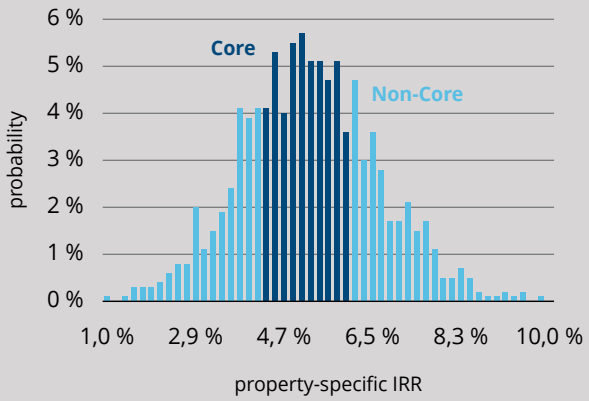
The 4.50- to 5.49-Percenters

Property-Specific IRR

The Market for Business Parks (UI)

IRR Range UI Business Park



Results Range

IRR base value	5.22 %

performace expectation	Who should invest?
4.0 - 6.0 %	**Core-Investors**
4.1 - 6.1 %	previous year
up to 9.7 %	**Non-Core-Investors**
up to 10.3 %	previous year

Conclusion

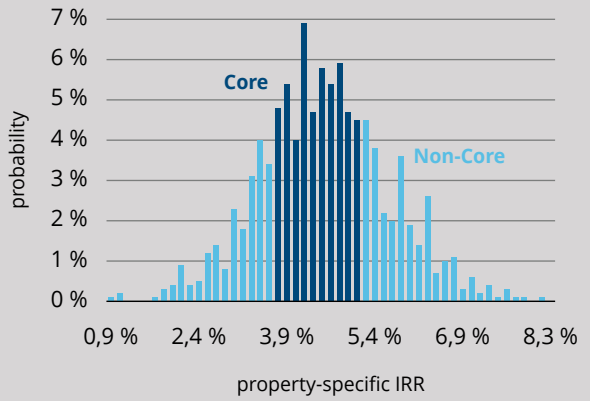
Business parks score points for their versatility: the mix of offices, storage space, service areas and laboratories creates a risk diversification that other commercial asset classes cannot offer.

Market Environment

investment demand	regional to international
demand for space	local to national
liquidity	low
volatility	medium
marketable size	approx. 2 to 70 million euros

The Market for Modern Logistics Properties

IRR Range Modern Logistics



Results Range

IRR base value	4.93 %

performace expectation	Who should invest?
3.7 - 5.2 %	**Core-Investors**
3.3 - 4.8 %	previous year
up to 7.8 %	**Non-Core-Investors**
up to 7.5 %	previous year

Conclusion

Demand for high-quality properties remains strong, causing rents to continue rising. Investment volumes for 2025 are expected to be similar to those of the previous year.

Market Environment

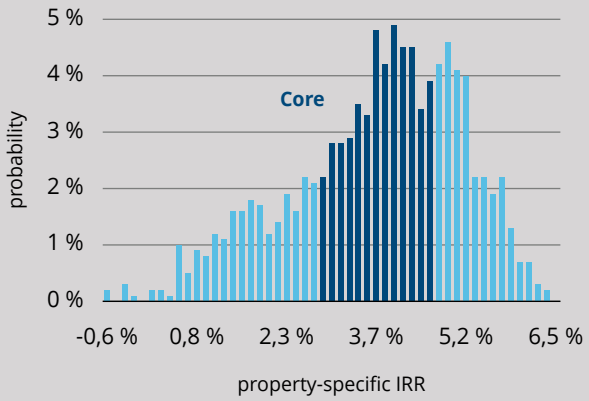
investment demand	national to international
demand for space	regional to international
liquidity	medium to high
volatility	low
marketable size	from approx. 10 million euros

The 4.50- to 5.49-Percenters

Property-Specific IRR

The Market for Shopping Centers

IRR Range Shopping Center



Results Range

IRR base value	**4.89 %**

performace expectation	Who should invest?
2.8 - 4.7 %	**Core-Investors**
2.9 - 4.9 %	previous year

up to 6.5 %

up to 6.6 % previous year

Conclusion

Pure shopping centres remain a rarity on the transaction market. Potential returns are often seen in restructuring, including changes of use.

Market Environment

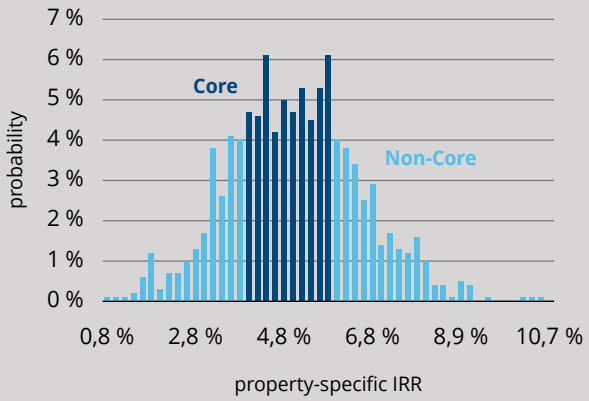
investment demand	national to international
demand for space	national to international
liquidity	low
volatility	high
marketable size	approx. 80 to 500 mill. euros

The 4.50- to 5.49-Percenters

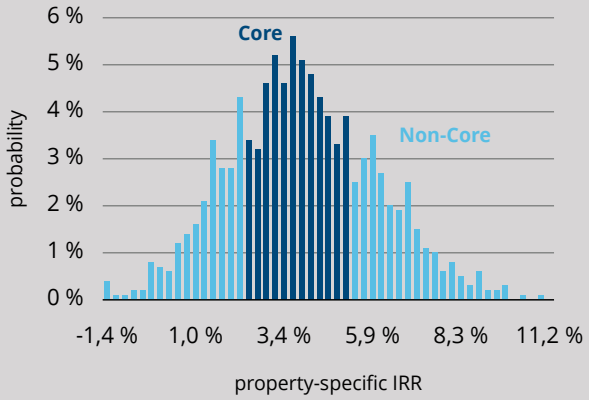
Property-Specific IRR

The Market for Hotel Properties

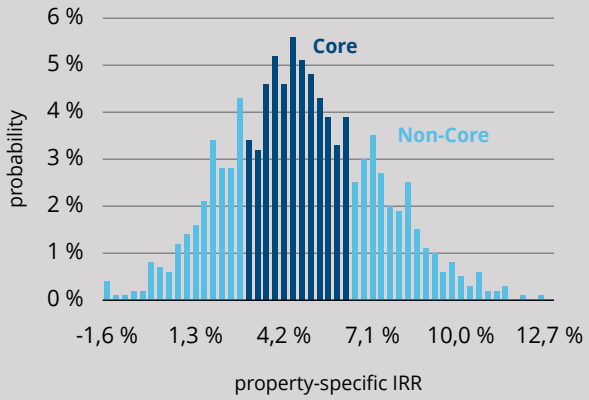
IRR Range Economy Hotel



IRR Range Midscale Hotel



IRR Range Upscale Hotel



Results Range

IRR base value	4.49 - 4.87 %

performace expectation	Who should invest?
3.0 - 6.3 %	**Core-Investors**
3.3 - 6.5 %	previous year
up to 12.7 %	**Non-Core-Investors**
up to 13.6 %	previous year

Conclusion

The positive fundamentals for hotels appear to be gradually reflecting on the transaction market. The first half of 2025 shows a significant increase compared to the same period last year.

Market Environment

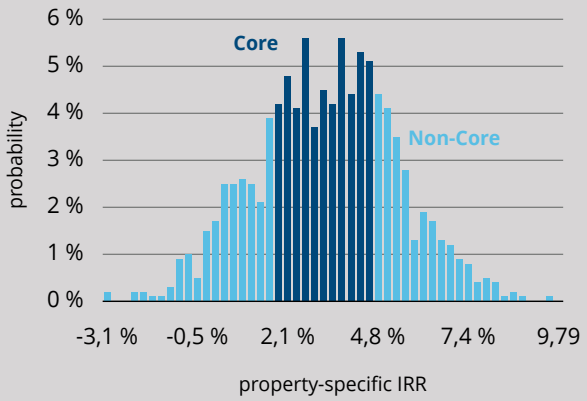
type of market	Hotels in the former ‘Magic Cities’
investment demand	national to international
demand for space	national to international
liquidity	medium
volatility	high
marketable size	approx. 5 to 100 million euros

The 4.50- to 5.49-Percenters

Property-Specific IRR

The Market for Office Properties in C Cities

IRR Range Office C Cities



Results Range

IRR base value	4.82 %

performace expectation	Who should invest?
2.2 - 4.9 %	**Core-Investors**
1.8 - 4.8 %	previous year
up to 10.5 %	**Non-Core-Investors**
up to 9.2 %	previous year

Conclusion

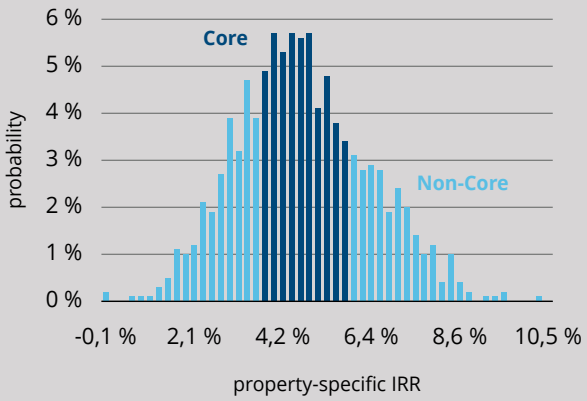
The upcoming energy renovation requirements are becoming a challenge for office property owners. Many portfolio holders are facing existential investment decisions that are thinning out the available investment opportunities for institutional investors.

Market Environment

investment demand	regional to international
demand for space	regional to national
liquidity	low
volatility	low
marketable size	approx. 5 to 100 million euros

The Market for Warehouse Properties (UI)

IRR Range UI Warehouse



Results Range

IRR base value	4.59 %

performace expectation	Who should invest?
3.7 - 5.9 %	**Core-Investors**
3.5 - 5.7 %	previous year
up to 9.8 %	**Non-Core-Investors**
up to 10.5 %	previous year

Conclusion

Demand for warehouse properties remains consistently high, particularly from users. At the same time, the limited supply of properties suitable for investment is significantly slowing down market momentum.

Market Environment

investment demand	regional to international
demand for space	local to national
liquidity	medium
volatility	medium
marketable size	approx. 1 to 10 million euros

6

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The 4-Percenters

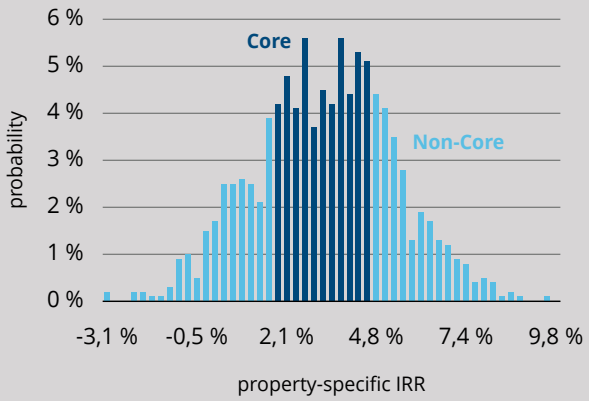
3

The 3.50- to 4.49-Percenters

Property-Specific IRR

The Market for Office Properties in B Cities

IRR Range Office B Cities



Results Range

IRR base value	4.40 %

performace expectation	Who should invest?
1.8 - 4.6 %	**Core-Investors**
1.7 - 4.6 %	previous year
up to 9.8 %	**Non-Core-Investors**
up to 9.2 %	previous year

Conclusion

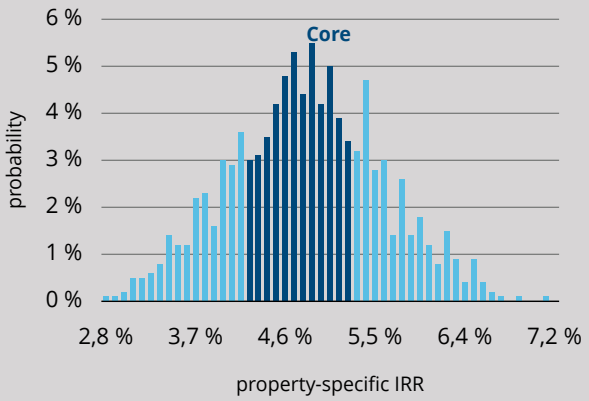
As in the A-markets, investor caution is also evident here. Market activity remains fragmented and continues to move within narrow ranges.

Market Environment

investment demand	national to international
demand for space	national to international
liquidity	medium
volatility	medium
marketable size	up to approx. 20 million euros

The Market for Specialist Retail Parks

IRR Range Specialist Retail Parks



Results Range

IRR base value	4.34 %

performace expectation	Who should invest?
4.2 - 5.2 %	**Core-Investors**
4.2 - 5.2 %	previous year
up to 7.1 %	
up to 7.3 %	previous year

Conclusion

Food-oriented specialist stores and retail parks remain sought-after retail investment properties. Larger properties with a diversified tenant mix increasingly require strategic repositioning in order to remain competitive.

Market Environment

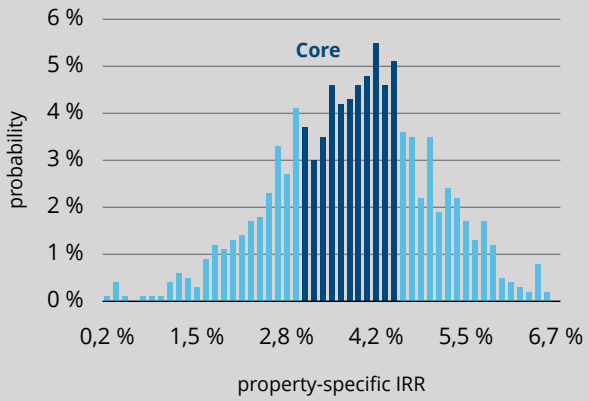
investment demand	international
demand for space	regional to national
liquidity	medium to high
volatility	medium
marketable size	approx. 5 to 50 million euros

The 3.50- to 4.49-Percenters

Property-Specific IRR

The Market for Micro-Apartments in B Cities

IRR Range Micro-Apartments B Cities



Results Range

IRR base value	**4.32 %**

performace expectation	Who should invest?
3.0 - 4.5 %	**Core-Investors**
2.8 - 4.3 %	previous year

up to 6.7 %
up to 6.4 % previous year

Conclusion

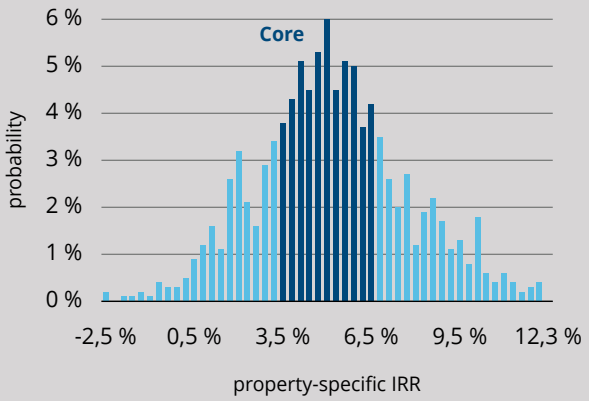
Strategic precision is required in smaller markets and secondary cities: only those who analyse urban structures and demand patterns in detail will make the right investment decisions. Concepts with a clear target group focus – e.g. students – offer the greatest potential for success.

Market Environment

investment demand	regional to international
demand for space	national
liquidity	medium
volatility	medium
marketable size	up to approx. 20 million euros

The Market for Assisted Living for Seniors

IRR Range Assisted Living for Seniors



Results Range

IRR base value	**4.24 %**

performace expectation	Who should invest?
3.4 - 6.6 %	**Core-Investors**
3.5 - 6.9 %	previous year

up to 12.3 %
up to 13.3 % previous year

Conclusion

Demographic change is making assisted living a future market with enormous potential. Concepts with low care requirements that appeal to a broad target group are particularly attractive to investors.

Market Environment

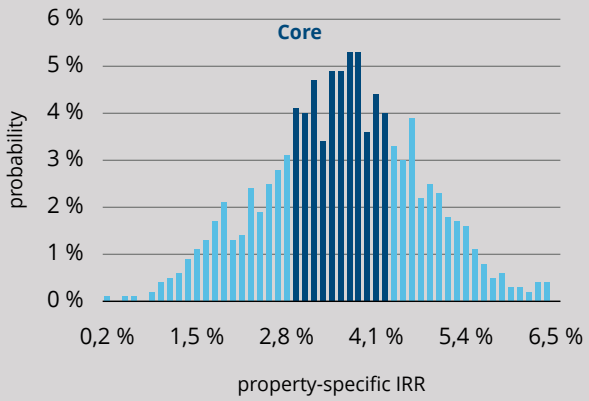
investment demand	national
demand for space	regional to national
liquidity	medium to low
volatility	medium to low
marketable size	from 10 million euros

The 3.50- to 4.49-Percenters

Property-Specific IRR

The Market for Micro-Apartments in A Cities

IRR Range Micro-Apartments A Cities



Results Range

IRR base value	**4.11 %**

performace expectation	Who should invest?
2.8 - 4.3 %	**Core-Investors**
2.6 - 4.3 %	previous year
up to 6.6 %	
up to 6.5 %	previous year

Conclusion

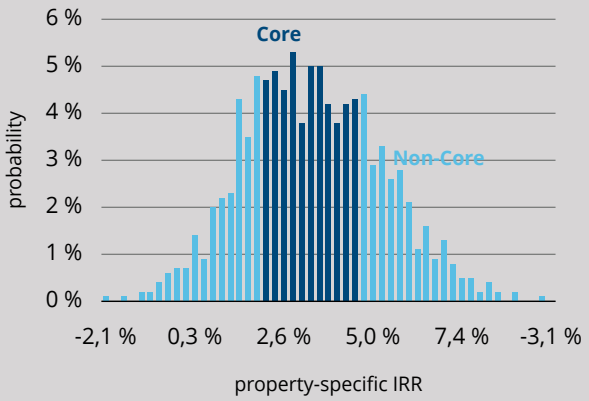
Furnished apartments in major cities remain attractive to investors: chronic housing shortages coupled with the unabated appeal of large cities are driving demand and creating a solid investment base.

Market Environment

investment demand	national to international
demand for space	national to international
liquidity	medium to high
volatility	medium
marketable size	up to approx. 60 million euros

The Market for Office Properties in A Cities

IRR Range Office A Cities



Results Range

IRR base value	**3.91 %**

performace expectation	Who should invest?
2.0 - 4.6 %	**Core-Investors**
1.9 - 4.6 %	previous year
up to 9.5 %	**Non-Core-Investors**
up to 9.5 %	previous year

Conclusion

The office investment market remains highly selective and shows little movement. The price expectations of buyers and sellers often remain far apart, with little price discovery taking place. As a result, the transaction market remains at a low level.

Market Environment

investment demand	national to international
demand for space	regional to international
liquidity	medium
volatility	high
marketable size	approx. 3 to 500 million euros

6

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4

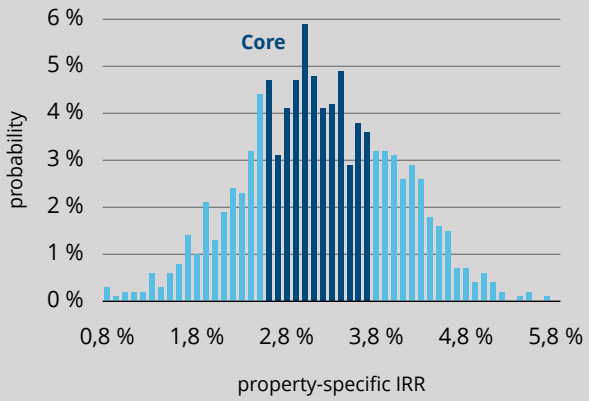
The 3-Percenters

The 3.50- to 4.49-Percenters

Property-Specific IRR

The Market for Residential Properties (US) in University Cities

IRR Range Residential University Cities



Results Range

IRR base value	3.24 %

performace expectation	Who should invest?
2.5 - 3.7 %	**Core-Investors**
2.5 - 3.7 %	previous year

up to 5.8 %

up to 5.3 % previous year

Conclusion

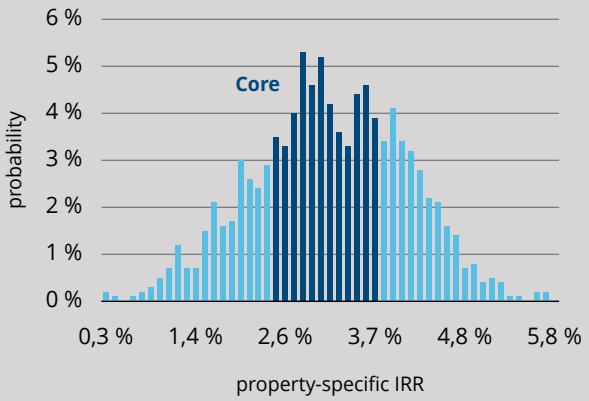
User demand is no longer limited to metropolitan areas – many university towns are also characterised by chronic housing shortages coupled with high demand.

Market Environment

investment demand	regional to international
demand for space	regional to national
liquidity	medium
volatility	low
marketable size	up to approx. 50 million euros

The Market for Residential Properties in B Cities

IRR Range Residential B Cities



Results Range

IRR base value	3.01 %

performace expectation	Who should invest?
2.3 - 3.6 %	**Core-Investors**
2.4 - 3.6 %	previous year

up to 5.7 %

up to 5,6 previous year

Conclusion

Interest in residential investments increased significantly in 2025, particularly outside the prime markets. This trend is likely to continue.

Market Environment

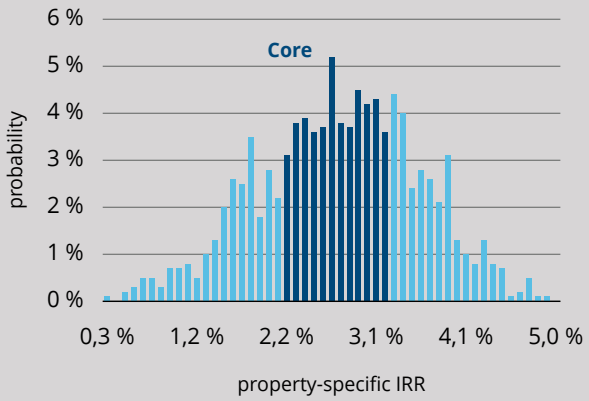
investment demand	national to international
demand for space	regional
liquidity	medium to high
volatility	medium
marketable size	approx to 3 to 50 million euros

The 2.50- to 3.49-Percenters

Property-Specific IRR

The Market for Residential Properties in A Cities

IRR Range Residential A Cities



Results Range

IRR base value	**2.76 %**

performace expectation	Who should invest?
2.1 - 3.3 %	**Core-Investors**
2.3 - 3.4 %	previous year

up to 4.9 %	
up to 5.1 %	previous year

Conclusion

Demand for residential property in metropolitan areas remains consistently high. As little new living space is being created at the same time, this market tension is set to continue in the future.

Market Environment

investment demand	regional to international
demand for space	regional to international
liquidity	medium to high
volatility	low
marketable size	up to approx. 150 mill. euros

The Results in Detail

Detailed overview

Property-Specific IRR

Office A, B, C and D Cities in Detail – Property Specific IRR

type	city	Core-I. from	Core-I. to	Non-Core-I. up to
A	Berlin	1.9 %	4.8 %	10.9 %
A	Düsseldorf	1.8 %	4.1 %	8.1 %
A	Frankfurt (Main)	1.8 %	4.4 %	10.4 %
A	Hamburg	2.0 %	4.5 %	10.1 %
A	Köln	1.4 %	4.3 %	9.2 %
A	München	2.0 %	4.7 %	9.2 %
A	Stuttgart	1.9 %	4.5 %	9.5 %
B	Bochum	1.9 %	4.9 %	10.8 %
B	Bonn	1.5 %	4.2 %	11.1 %
B	Bremen	1.6 %	4.7 %	10.9 %
B	Dortmund	1.9 %	4.4 %	9.5 %
B	Dresden	1.8 %	4.4 %	11.0 %
B	Duisburg	1.9 %	4.7 %	9.7 %
B	Essen	1.9 %	4.5 %	9.4 %
B	Hannover	2.0 %	5.1 %	11.2 %
B	Karlsruhe	1.7 %	4.4 %	10.1 %
B	Leipzig	1.8 %	4.7 %	10.1 %
B	Mannheim	2.0 %	4.4 %	8.5 %
B	Münster	1.4 %	3.9 %	8.7 %
B	Nürnberg	1.7 %	4.4 %	9.9 %
B	Wiesbaden	1.4 %	4.0 %	8.8 %
C	Aachen	2.1 %	5.0 %	10.8 %
C	Augsburg	1.6 %	4.8 %	12.0 %
C	Bielefeld	2.3 %	5.6 %	13.2 %
C	Braunschweig	1.8 %	5.0 %	10.3 %
C	Darmstadt	1.8 %	4.6 %	8.8 %
C	Erfurt	1.6 %	4.7 %	11.6 %
C	Erlangen	2.1 %	4.8 %	10.4 %
C	Freiburg (Breisgau)	1.8 %	4.4 %	9.2 %
C	Heidelberg	1.9 %	4.2 %	8.6 %
C	Kiel	1.7 %	4.7 %	8.9 %
C	Lübeck	1.3 %	4.5 %	10.5 %
C	Magdeburg	1.9 %	4.7 %	11.1 %
C	Mainz	1.9 %	4.6 %	9.7 %
C	Mönchengladbach	2.3 %	5.0 %	9.6 %
C	Mülheim (Ruhr)	1.9 %	5.2 %	10.5 %
C	Offenbach (Main)	2.1 %	4.7 %	9.1 %
C	Osnabrück	2.1 %	4.8 %	10.4 %
C	Potsdam	2.0 %	4.7 %	11.2 %
C	Regensburg	2.0 %	4.7 %	9.3 %
C	Rostock	1.9 %	4.9 %	10.8 %
C	Saarbrücken (Stadt)	1.1 %	4.4 %	9.3 %
C	Wuppertal	1.7 %	4.6 %	10.2 %
D	Albstadt	0.5 %	5.2 %	12.0 %
D	Aschaffenburg	2.4 %	5.3 %	11.6 %
D	Bamberg	2.0 %	5.1 %	11.4 %
D	Bayreuth	1.6 %	4.8 %	10.7 %
D	Bergisch Gladbach	2.0 %	4.9 %	10.5 %
D	Bottrop	2.7 %	6.0 %	11.8 %
D	Brandenburg (Havel)	-0.4 %	4.3 %	10.9 %
D	Bremerhaven	-0.8 %	3.6 %	9.9 %
D	Chemnitz	2.0 %	5.1 %	10.2 %
D	Coburg	2.1 %	5.5 %	11.7 %
D	Cottbus	0.6 %	4.3 %	10.9 %
D	Dessau	0.2 %	4.9 %	12.0 %
D	Detmold	1.2 %	4.9 %	11.3 %
D	Düren (Stadt)	1.5 %	4.8 %	9.4 %
D	Eisenach	0.1 %	4.7 %	12.6 %
D	Flensburg	1.8 %	4.9 %	10.0 %
D	Frankfurt (Oder)	0.4 %	4.6 %	11.7 %
D	Friedrichshafen	2.6 %	5.5 %	9.5 %
D	Fulda (Stadt)	1.8 %	4.9 %	10.6 %
D	Fürth	2.4 %	5.5 %	11.5 %
D	Gelsenkirchen	1.6 %	5.0 %	11.7 %
D	Gera	0.4 %	5.2 %	12.8 %
D	Gießen (Stadt)	2.2 %	5.1 %	10.3 %
D	Görlitz	-1.3 %	3.7 %	10.8 %
D	Göttingen (Stadt)	3.1 %	6.1 %	12.5 %
D	Greifswald	2.9 %	6.5 %	13.4 %
D	Gütersloh (Stadt)	1.1 %	4.5 %	10.6 %
D	Hagen	2.9 %	6.2 %	13.4 %
D	Halberstadt (Stadt)	-3.0 %	3.7 %	13.3 %
D	Halle (Saale)	1.6 %	5.0 %	11.7 %
D	Hamm	2.0 %	5.3 %	13.4 %
D	Hanau	2.0 %	4.9 %	10.7 %
D	Heilbronn	2.3 %	4.8 %	10.8 %
D	Herne	2.2 %	5.7 %	10.9 %
D	Hildesheim (Stadt)	1.8 %	5.0 %	11.0 %
D	Ingolstadt	2.1 %	4.8 %	9.5 %
D	Jena	2.2 %	5.1 %	10.2 %
D	Kaiserslautern	1.5 %	4.7 %	11.0 %
D	Kassel	1.7 %	4.9 %	10.1 %
D	Kempten (Allgäu)	2.2 %	5.2 %	9.9 %
D	Koblenz	2.2 %	5.2 %	10.9 %
D	Konstanz (Stadt)	2.5 %	5.3 %	9.1 %
D	Krefeld	2.6 %	6.1 %	13.3 %
D	Landshut	2.6 %	5.5 %	11.1 %
D	Leverkusen	1.9 %	4.8 %	10.5 %
D	Lüdenscheid	2.0 %	5.2 %	11.1 %
D	Ludwigshafen	3.1 %	6.2 %	12.2 %
D	Lüneburg (Stadt)	2.8 %	5.5 %	10.3 %
D	Marburg	3.0 %	5.6 %	9.9 %
D	Minden	1.8 %	5.3 %	12.6 %
D	Moers	2.4 %	5.6 %	12.3 %
D	Neubrandenburg	1.9 %	5.6 %	11.4 %
D	Neumünster	2.3 %	5.3 %	11.0 %
D	Neuss (Stadt)	1.5 %	4.3 %	8.9 %
D	Oberhausen	1.5 %	4.8 %	10.9 %
D	Offenburg	2.1 %	5.2 %	11.9 %
D	Oldenburg	2.0 %	4.7 %	11.8 %
D	Paderborn (Stadt)	1.6 %	5.0 %	12.0 %
D	Passau	2.0 %	5.3 %	11.4 %
D	Pforzheim	1.3 %	4.8 %	13.4 %
D	Plauen	-1.3 %	4.6 %	16.2 %
D	Ratingen	2.1 %	4.9 %	9.7 %
D	Ravensburg (Stadt)	2.5 %	5.5 %	10.5 %
D	Recklinghausen (St.)	1.9 %	5.2 %	10.8 %
D	Remscheid	1.1 %	4.9 %	10.4 %
D	Reutlingen (Stadt)	2.4 %	5.3 %	10.7 %
D	Rosenheim	2.8 %	5.5 %	11.0 %
D	Salzgitter	0.0 %	4.3 %	10.7 %
D	Schweinfurt	2.2 %	5.7 %	11.8 %
D	Schwerin	1.8 %	5.1 %	10.7 %
D	Siegen (Stadt)	2.5 %	5.7 %	11.4 %
D	Solingen	2.4 %	6.1 %	12.3 %
D	Stralsund	1.0 %	4.5 %	10.7 %
D	Suhl	-2.3 %	4.4 %	12.1 %
D	Trier	2.2 %	5.2 %	9.3 %
D	Tübingen (Stadt)	2.7 %	5.7 %	11.2 %
D	Ulm	2.4 %	5.0 %	9.9 %
D	Villingen-Schwenn.	2.6 %	5.8 %	11.9 %
D	Weimar	0.4 %	4.3 %	11.0 %
D	Wilhelmshaven	1.9 %	5.9 %	12.1 %
D	Witten	1.4 %	5.0 %	10.3 %
D	Wolfsburg	2.5 %	5.1 %	11.0 %
D	Würzburg	2.7 %	5.3 %	10.4 %
D	Zwickau	0.9 %	5.3 %	10.7 %

Detailed overview

Property-Specific IRR

Residential A, B and University Cities (US) in Detail – Property-Specific IRR

type	city	Core-l. from	Core-l. to	Non-Core-l. up to	type	city	Core-l. from	Core-l. to	Non-Core-l. up to	type	city	Core-l. from	Core-l. to	Non-Core-l. up to
A	Berlin	1.8 %	3.2 %	4.9 %	US	Bamberg	2.5 %	3.7 %	5.1 %	US	Koblenz	2.5 %	3.8 %	6.4 %
A	Düsseldorf	2.1 %	3.2 %	5.0 %	US	Bayreuth	2.3 %	3.4 %	5.0 %	US	Konstanz (Stadt)	2.3 %	3.6 %	5.5 %
A	Frankfurt (Main)	2.4 %	3.6 %	5.2 %	US	Bielefeld	2.2 %	3.5 %	5.6 %	US	Lübeck	2.5 %	3.9 %	5.8 %
A	Hamburg	2.2 %	3.3 %	5.0 %	US	Braunschweig	2.2 %	3.3 %	5.4 %	US	Lüneburg (Stadt)	2.4 %	3.6 %	5.5 %
A	Köln	1.7 %	3.1 %	4.5 %	US	Chemnitz	1.5 %	2.9 %	5.1 %	US	Magdeburg	1.6 %	3.0 %	4.6 %
A	München	2.1 %	3.4 %	5.2 %	US	Cottbus	2.3 %	3.7 %	6.1 %	US	Mainz	2.6 %	3.9 %	6.0 %
A	Stuttgart	2.2 %	3.2 %	4.8 %	US	Darmstadt	2.6 %	3.8 %	5.3 %	US	Marburg	2.7 %	3.7 %	5.5 %
B	Bochum	2.6 %	4.0 %	5.9 %	US	Erfurt	2.4 %	3.6 %	5.3 %	US	Mönchengladbach	2.4 %	3.7 %	5.7 %
B	Bonn	2.5 %	3.8 %	5.9 %	US	Erlangen	2.5 %	3.5 %	5.1 %	US	Oldenburg	2.3 %	3.6 %	5.2 %
B	Bremen	2.4 %	3.6 %	5.7 %	US	Flensburg	2.5 %	3.9 %	5.9 %	US	Osnabrück	2.8 %	4.1 %	6.0 %
B	Dortmund	2.2 %	3.5 %	5.4 %	US	Frankfurt (Oder)	2.1 %	3.5 %	5.6 %	US	Paderborn (Stadt)	2.1 %	3.4 %	5.1 %
B	Dresden	2.0 %	3.2 %	5.0 %	US	Freiburg (Breisgau)	2.4 %	3.7 %	5.3 %	US	Passau	2.6 %	3.9 %	5.9 %
B	Duisburg	2.2 %	3.7 %	5.8 %	US	Gießen (Stadt)	2.3 %	3.4 %	4.8 %	US	Potsdam	2.1 %	3.4 %	5.5 %
B	Essen	2.5 %	3.8 %	6.2 %	US	Göttingen (Stadt)	2.9 %	3.8 %	5.0 %	US	Regensburg	2.3 %	3.4 %	5.0 %
B	Hannover	2.3 %	3.5 %	5.5 %	US	Greifswald	2.8 %	3.9 %	5.9 %	US	Rostock	2.4 %	3.6 %	5.3 %
B	Karlsruhe	2.4 %	3.8 %	5.9 %	US	Halle (Saale)	2.0 %	3.3 %	5.4 %	US	Saarbrücken (Stadt)	2.6 %	3.9 %	6.2 %
B	Leipzig	1.8 %	3.2 %	5.2 %	US	Heidelberg	2.5 %	3.8 %	5.8 %	US	Siegen (Stadt)	2.3 %	3.5 %	5.4 %
B	Mannheim	2.7 %	4.0 %	6.0 %	US	Heilbronn	2.5 %	3.7 %	5.3 %	US	Trier	3.1 %	4.4 %	6.5 %
B	Münster	2.3 %	3.5 %	5.4 %	US	Hildesheim (Stadt)	2.2 %	3.6 %	5.4 %	US	Tübingen (Stadt)	2.7 %	3.8 %	5.4 %
B	Nürnberg	2.3 %	3.5 %	5.4 %	US	Jena	2.6 %	3.7 %	5.7 %	US	Ulm	2.2 %	3.5 %	5.7 %
B	Wiesbaden	2.4 %	3.6 %	5.1 %	US	Kaiserslautern	2.5 %	3.9 %	5.7 %	US	Wuppertal	2.2 %	3.6 %	5.5 %
US	Aachen	2.3 %	3.6 %	5.4 %	US	Kassel	2.3 %	3.5 %	5.4 %	US	Würzburg	2.4 %	3.6 %	5.4 %
US	Augsburg	2.3 %	3.6 %	5.4 %	US	Kiel	2.6 %	3.7 %	5.6 %					

Micro-Apartments A and B Cities in Detail – Property-Specific IRR

type	city	Core-l. from	Core-l. to	Non-Core-l. up to	type	city	Core-l. from	Core-l. to	Non-Core-l. up to	type	city	Core-l. from	Core-l. to	Non-Core-l. up to
A	Berlin	2.4 %	4.2 %	7.0 %	B	Bochum	3.0 %	4.7 %	7.2 %	B	Hannover	2.8 %	4.5 %	6.6 %
A	Düsseldorf	2.6 %	4.2 %	6.6 %	B	Bonn	3.1 %	4.7 %	7.0 %	B	Karlsruhe	3.0 %	4.8 %	7.9 %
A	Frankfurt (Main)	3.5 %	5.1 %	7.3 %	B	Bremen	2.9 %	4.4 %	6.7 %	B	Leipzig	2.3 %	4.0 %	6.6 %
A	Hamburg	2.8 %	4.3 %	6.2 %	B	Dortmund	2.8 %	4.3 %	6.5 %	B	Mannheim	3.4 %	5.0 %	8.0 %
A	Köln	2.4 %	3.9 %	6.6 %	B	Dresden	2.5 %	4.0 %	5.9 %	B	Münster	2.7 %	4.4 %	7.9 %
A	München	2.8 %	4.4 %	6.8 %	B	Duisburg	2.7 %	4.3 %	6.9 %	B	Nürnberg	2.9 %	4.4 %	6.8 %
A	Stuttgart	2.8 %	4.2 %	6.2 %	B	Essen	3.0 %	4.7 %	7.5 %	B	Wiesbaden	2.9 %	4.4 %	6.5 %

Logistics Regions in Detail – Property-Specific IRR

logistics region	Core-l. from	Core-l. to	Non-Core-l. up to	logistics region	Core-l. from	Core-l. to	Non-Core-l. up to	logistics region	Core-l. from	Core-l. to	Non-Core-l. up to
A 4 Sachsen	3.8 %	5.4 %	8.1 %	Hamburg	3.4 %	4.9 %	7.6 %	Oberrhein	4.4 %	5.9 %	8.5 %
A 4 Thüringen	3.6 %	5.2 %	8.6 %	Hannover/Braunschweig	3.5 %	5.0 %	7.7 %	Ostwestfalen-Lippe	4.4 %	6.1 %	9.1 %
Aachen	4.0 %	5.5 %	8.2 %	Kassel/Göttingen	3.7 %	5.3 %	8.7 %	Rhein-Main/Frankfurt	3.4 %	5.0 %	7.7 %
Augsburg	3.8 %	5.3 %	7.8 %	Koblenz	4.2 %	5.9 %	8.7 %	Rhein-Neckar	4.5 %	6.1 %	8.8 %
Bad Hersfeld	4.3 %	6.0 %	8.4 %	Köln	3.4 %	4.9 %	7.4 %	Rhein-Ruhr	3.7 %	5.3 %	8.2 %
Berlin	3.6 %	5.0 %	7.7 %	Magdeburg	3.7 %	5.3 %	8.2 %	Saarbrücken	4.2 %	5.7 %	8.9 %
Bremen u. Nordseehafen	3.2 %	4.7 %	7.2 %	München	3.8 %	5.6 %	8.7 %	Stuttgart	3.5 %	5.0 %	8.0 %
Dortmund	3.7 %	5.2 %	7.8 %	Münster/Osnabrück	3.9 %	5.6 %	8.7 %	Ulm	3.9 %	5.4 %	8.6 %
Düsseldorf	3.7 %	5.2 %	7.3 %	Niederbayern	4.3 %	5.8 %	8.4 %				
Halle/Leipzig	3.0 %	4.5 %	7.4 %	Nürnberg	3.9 %	5.4 %	7.9 %				

Content and Methodology

» Content of the Study

Using dynamic performance measurement, the 5 % study provides a new approach for describing property markets. The yield prospects of various asset classes are presented on the basis of an analysis of the internal rate of return on an investment. In light of the recognition that a single data point can reflect the complexity of a market only to a very limited extent, this study also highlights the range of investment profitability. Descriptions of property markets in market reports are usually based on top properties that generate prime rents and are accordingly traded at prime yields. However, this does not take account of the high diversification of the investor landscape, where extremely security-focussed investors increasingly find themselves alongside players seeking to identify and take advantage of market opportunities. This study also offers these players an overview of the market.

The subject matter analysed in this 5 % study is the performance expectations in the asset classes that currently dominate the German investment market. These include:

- office
- residential
- shopping centres and specialist retail centres
- hotels
- modern logistics properties

as well as the newer property types:

- micro-apartments and business properties (Unternehmensimmobilien UI)

» Basic Concept

The study uses a dynamic model to determine the probable internal rate of return (IRR) on an investment, assuming a holding period of ten years. It is assumed that the investment takes place at typical parameters for the market in question. A cash flow approach was applied, describing the anticipated future cash flows (purchase, rental income, property and operating costs, sale). The internal interest rate on these cash flows represents the IRR.

» No Financing Effects

In addition to the success of the properties themselves, successful real estate investments are also dependent on financing strategies (e.g. taking advantage of interest leverage through increased borrowing). There is typically a very wide range of variants on the market in this respect.

To allow for clear statements regarding the property performance, these effects and investor-specific adjustments were not included in the model.

» No Project Developments

This model assumes that the investment is made in buildings that do not require renovation or restructuring. Project developments as part of asset management strategies are therefore not included in the analysis.

» Procedure

It was assumed that the success of the investment may be influenced by various different determinants such as management performance and market fluctuations. Accordingly, a simulation (Monte Carlo) of possible results was performed on the basis of changing parameters. To this end, the relevant characteristics affecting the success of the investment were assigned fluctuation ranges that were derived in advance based on consideration and analysis of the respective market. Using Monte Carlo simulation, the probability of occurrence of the individual results was also calculated on the basis of 1,000 draws.

» Monte Carlo Simulation

Monte Carlo Simulation is a stochastic model for the projection of a forecast or base value. Put simply, this statistical method is a sort of limited random number generator that operates within framework conditions and values defined by the user. To map these parameters realistically and in line with market conditions as far as possible, a base value can also be defined in addition to a value range. After the simulation has been performed, the user receives a large number of results (depending on the number of draws) taking account of the predefined conditions. The modelling calculates probabilities of occurrence for the individual results within this range. The value range itself has a probability of occurrence of 100 %.

For the performance of the simulation, base values and ranges were defined – depending on the asset class under review – for groups of variables including the rent, vacancy rate, property costs and operating costs. The internal rate of return on the investment resulting from the cash flow calculation was set as the forecast value or IRR base value.

» Core Versus Non-Core

Core and Non-Core have become established as terms for investment strategies on the market, but there are no fixed definitions for them (at property level). Instead, there are a wide range of attempts at definitions, most of which are suggested by the respective investors themselves.

This study does not aim to add a further suggestion to these definitions. The division into core and non-core investors is therefore made at a purely statistical level. In the study, the corridor for core and non-core investors was delimited based on the assumption that core investors assume less risk and accept lower yields while non-core investors are less risk-averse but have higher yield targets.

Accordingly, the Monte Carlo results/IRRs between the 25 % quantile and the 75 % quantile (corresponding to a 50 % probability) are defined as the range within which core investors operate. The rest of the range – starting from an attainable rate of return of 6.49 % as the IRR base value – is seen as being for non-core investors. Here, there is a probability of 25 % that internal rates of return beyond the core range will be achieved. However, non-core investors may also fall below the attainable rate of return for core investors and in some cases may even generate negative IRRs.

» Parameters and Fluctuation Ranges

bulwiengesa's data system (RIWIS) was generally used as the source for rental, vacancy and yield information. For business properties, information from the Business Properties Initiative was selected as the basis. The data for hotels and retail properties were also checked for plausibility using analyses of investment transactions and other secondary sources (e.g. data from HypZert).

The cost data were calculated using primary analyses (where possible) and on the basis of typical market assumptions.

The fluctuation ranges for costs and income were defined individually for each type of use and are based on typical market parameters. Extreme values were excluded in this context.

» The Internal Rate of Return Method

The internal rate of return method shows the rate of return for which the net cash flows/the net present value is exactly zero. It thus represents the average rate of return on an investment. The internal rate of return method is not to be recommended as the sole basis for an investment decision, since it has a number of methodological shortcomings – the reinvestment assumption is criticised, for example. However, calculating the internal rate of return offers the advantage that this represents the success of a certain investment period (in the case of this study, ten years). This differentiates it from the static yield assessments that are typical on the market. In addition, the internal rate of return method is used by many investors and thus enjoys widespread acceptance.

» Performance measurement – reading aid

In view of the complex subject matter, guidance for readers is provided below for better understanding of the results. This guidance relates to the sections on the 5-, 4-, 3- and 2-Percenters.
In general, all calculations in the study are based on property sizes and parameters in line with the market.
The „Selected Model Assumptions“ table on page 37 shows the key parameters incorporated in the cash flow calculation and simulation.
The results columns present/summarise the results of the Monte Carlo simulation.
In the diagram, the x-axis shows the projected IRRs based on the Monte Carlo simulation, while the y-axis shows the probability of occurrence for each projected IRR.
The dark blue bars represent the IRR range relevant to core investors as defined by the study. This has a 50 % probability of occurrence and is delimited by the 25 % and 75 % quantiles. In line with this, the top results box shows the core range with values.
The rest of the range – relevant to non-core investors according to the study's definition – is marked in light blue. This is above the core range in 25 % of cases, but may also be below this range. The maximum attainable IRR according to the simulation is specified in the bottom results box below the core range.
The internal rate of return on the investment (IRR), calculated using the base values in line with the cash flow method, also corresponds to the base value of the simulation.

Definitions and Comments

Overview A, B, C, D and University-Cities (US)

city	category	city	category	city	category	city	category
Berlin	A	Lübeck	C/US	Gelsenkirchen	D	Neuss	D
Düsseldorf	A	Magdeburg	C/US	Gera	D	Oberhausen	D
Frankfurt (Main)	A	Mainz	C/US	Gießen	D/US	Offenburg	D
Hamburg	A	Mönchengladbach	C/US	Görlitz	D	Oldenburg	D/US
Köln	A	Mülheim (Ruhr)	C	Göttingen	D/US	Paderborn	D/US
München	A	Offenbach (Main)	C	Greifswald	D/US	Passau	D/US
Stuttgart	A	Osnabrück	C	Gütersloh	D	Pforzheim	D
		Potsdam	C/US	Hagen	D	Plauen	D
Bochum	B	Regensburg	C/US	Halberstadt	D	Ratingen	D
Bonn	B	Rostock	C/US	Halle (Saale)	D/US	Ravensburg	D
Bremen	B	Saarbrücken	C/US	Hamm	D	Recklinghausen	D
Dortmund	B	Wuppertal	C/US	Hanau	D	Remscheid	D
Dresden	B			Heilbronn	D/US	Reutlingen	D
Duisburg	B	Albstadt	D	Herne	D	Rosenheim	D
Essen	B	Aschaffenburg	D	Hildesheim	D/US	Salzgitter	D
Hannover	B	Bamberg	D/US	Ingolstadt	D	Schweinfurt	D
Karlsruhe	B	Bayreuth	D/US	Jena	D/US	Schwerin	D
Leipzig	B	Bergisch Gladbach	D	Kaiserslautern	D/US	Siegen	D/US
Mannheim	B	Bottrop	D	Kassel	D/US	Solingen	D
Münster	B	Brandenburg (Havel)	D	Kempten (Allgäu)	D	Stralsund	D
Nürnberg	B	Bremerhaven	D	Koblenz	D/US	Suhl	D
Wiesbaden	B	Chemnitz	D/US	Konstanz	D/US	Trier	D/US
		Coburg	D/US	Krefeld	D	Tübingen	D/US
Aachen	C/US	Cottbus	D	Landshut	D	Ulm	D/US
Augsburg	C/US	Dessau	D	Leverkusen	D	Villingen-Schwenn.	D
Bielefeld	C/US	Detmold	D	Lüdenscheid	D	Weimar	D
Braunschweig	C/US	Düren	D	Ludwigshafen	D	Wilhelmshaven	D
Darmstadt	C/US	Eisenach	D	Lüneburg	D/US	Witten	D
Erfurt	C/US	Flensburg	D/US	Marburg	D/US	Wolfsburg	D
Erlangen	C/US	Frankfurt (Oder)	D/US	Minden	D	Würzburg	D/US
Freiburg	C/US	Friedrichshafen	D	Moers	D	Zwickau	D
Heidelberg	C/US	Fulda	D	Neubrandenburg	D		
Kiel	C/US	Fürth	D	Neumünster	D		

» General Classification of cities

Classification as A, B, C and D cities was used to categorise the German real estate market. This was based on the functional significance of the cities for the international, national and regional or local real estate market:

A Cities
The most important centres in Germany with national and sometimes international significance. Large, well-functioning markets in all segments.

B Cities
Large cities with national and regional significance.

C Cities
Major German cities with regional and limited national significance and an important impact on the surrounding region.

D Cities
Small, regionally focussed locations with a central role for their direct surroundings; lower market volume and sales.

University cities (US)
47 cities with at least 7,000 students are classified as university cities in this study, not including A- and B-cities since these are analysed separately.

>> Yields/Multipliers

(source: gif e. V.)

Gross initial yield
The gross initial yield is a simple comparison of the contractual rent to the purchase price, not including incidental acquisition costs. The gross initial yield is equivalent to the reciprocal of the multiplier that is typically used in the market (e.g. 12.5 times the contractual rent = 8 % p.a. gross initial yield).

Gross initial yield = contractual rent / net purchase price

Net initial yield
The net initial yield represents net rental income in relation to the purchase price plus property-specific incidental acquisition costs. For the sake of clarification, please note that other non-recurring costs and revenue losses/risks are not deducted from the net rental income.
However, calculatory items (e.g. maintenance costs) are also taken into account in the operating costs or in the gross purchase price. The valuations used for this must be in line with the market standard and must be reported separately when stating the net initial yield. They can be disclosed either individually for each item or for the cost block as a whole, in which case they can be referred to „operating costs“ and „incidental acquisition costs“ as a simplification (e.g. „net initial yield x.x % p.a. including y % operating costs and z % incidental acquisition costs“).

Net initial yield = net rental income / gross purchase price

>> Short Glossary for Office Property

Vacancy
Vacancy refers to vacant office space at the end of the respective year. It takes account of marketable properties only; structural vacancy therefore is not included.
The vacancy rate shows the ratio of vacancy to total space.

Take-up
Take-up is defined as an annual amount. It describes mostly office space taken up for rent, but also includes project developments focussing on owner-occupiers. The take-up date is the conclusion of the contract in the case of letting and the start of construction in the case of owner-occupiers.

Rents
Office rents are reported in euros per sqm rentable area according to gif e.V. (RA-C) and apply to office space in a marketable (technical/spatial) condition with good fixtures and fittings and small to medium-sized rental units. The reported rents are nominal values. The nominal rent is the initial rent shown in the contract, not including incentives, ancillary costs or local taxes.
The prime rent relates the top price segment – in relation to the respective market area – with a market share of between 3 % and 5 % of rental revenues (not including owner-occupiers) in the past twelve months and represents a median value. At least three concluded contracts should be included. It does not correspond to the absolute top rent (defined as outliers). To calculate the average rent, the individual rents for all new rental agreements concluded in the defined period are weighted according to the space rented in each case and an average is calculated.

>> Short Glossary for Residential Properties/ Micro-Apartments

Residential rents
Residential rents for re-letting are reported in euros per sqm of residential space and ideally apply to an apartment with three rooms, around 65 to 95 sqm of residential space and standard fixtures and fittings. Because the fixtures and fittings and the sizes are standardised, the degree of variation shown in the rent range is influenced mainly by the location and the micro-location. The reported rents are nominal values.
The rents are stated without including ancillary costs or taking account of other benefits. Average rents represent the average value across the whole of the defined market.
The stated rents are average values intended to map a typical or usual level. They do not represent the strict arithmetic mean, the mode (most frequent value) or the median (central value) in a mathematical sense

Micro-apartments
Micro-apartments or business apartments are generally found in larger complexes with 100 to 300 units. They are offered as partly or fully furnished one-room apartments measuring between 18 and around 35 sqm, with a small kitchen and a separate bathroom. Optional services often include a concierge service, fitness facilities and laundry service. In terms of tax law, micro-apartments represent private-sector letting rather than operator-managed properties, meaning that rental agreements are concluded directly between the investor and the tenant.

» Short Glossary for Retail Property

Specialist retail parks
Specialist retail park are defined as follows: They have:
- gross lettable area (GLA) of 10,000 sqm or more
- locations on the city outskirts with good transport con nections, they are generally easy to reach, including for the wider surroundings
- ground-level floor space and extensive parking space, usually also at ground level
- simple functionality in terms of their appearance
- discount retailers with aggressive price strategies that have a crowd-pulling effect and are supplemented by retailers and service providers with small amounts of space.

Shopping centers
Shopping centers are large-scale facilities that are constructed on the basis central planning and cover short-, medium- and long-term requirements.
They are characterised by:
- a spatial focus on retail, catering and service businesses of different sizes
- a generous supply of parking spaces
- central management/administration
- joint performance of certain functions by all tenants (e.g. advertising)
- and generally have sales space of at least 10,000 sqm.

» Short Glossary for Unternehmensimmobilien

(Source: Initiative Unternehmensimmobilien)

The statements on Unternehmensimmobilien (UI) in this study are based on the market data of the Initiative Unternehmensimmobilien published in its Market Reports No. 10. According to these data, UI are mixed-use commercial properties, typically with a SME-dominated tenant structure. The mix includes office, warehouse, production, research, service and/or wholesale space as well as open space.
Unternehmensimmobilien comprise four different property categories:
- Converted properties (not included in the study due to their very high degree of variation)
- Business parks
- Light manufacturing properties
- Warehouse properties

All four categories are characterised by the features of capacity for alternative uses, use reversibility and fundamental suitability for multi-party structures. This means that the strengths of Unternehmensimmobilien lie in their flexibility with regard to not only the use but also the users.

Business parks
- Usually planned and constructed specifically to be let out to companies
- Consist of several individual buildings forming a complex
- Management and infrastructure are organised uniformly
- Have all types of space (share of office space generally between 20 % and 50 %)
- Usually located on the outskirts of cities and easily accessible

Light manufacturing properties
- Predominantly individual hall properties with a moderate office share
- Suitable for a variety of types of production
- In principle, hall space can also be used for other purposes such as storage, research, services, wholesale and retail
- Capacity for alternative uses depends primarily on the location

Warehouse properties
- Predominantly existing properties with mainly basic storage facilities and in some cases service space
- Within Unternehmensimmobilien, distinguished from modern logistics halls by a maximum size of 10,000 sqm
- Varying fit-out and quality standards
- Flexible and inexpensive types of space
- Generally reversible and suitable for higher-value uses (e.g. through retrofitting of ramps and gates)

» Short Glossary for Logistics Properties

The study relates to a modern logistics property with hall space of more than 10,000 sqm.
Rents for warehouse/logistics space are reported in euros per sqm of hall space and apply to a heatable hall with standard fixtures and fittings, not including high-bay warehouses or similar, that are located in a conventional industrial area with good connections. The reported rents are nominal values.

The rents are stated without including ancillary costs or taking account of other benefits. Maximum and average values are shown. The maximum rents represent an average value for the top 3 to 5 % of the market. They do not correspond to the absolute top rent (defined as outliers). Average rents represent the average value across the whole of the defined market.

The stated rents are average values intended to map a typical or usual level. They do not represent the strict arithmetic mean, the mode (most frequent value) or the median (central value) in a mathematical sense

» Short Glossary for Hotels

„Magic Cities“
This term refers to the former city alliance Magic Cities e. V., which included the following cities as its members: Berlin, Cologne, Dresden, Düsseldorf, Frankfurt am Main, Hamburg, Hanover, Leipzig, Munich, Nuremberg and Stuttgart. These cities are characterised by above-average tourist demand and a corresponding diverse offering for tourists.

Classification
This study is based on the following breakdown:
Economy: 1 or 2 stars
(Upper) midscale: 3 stars (3+ stars)
(Upper) upscale: 4 stars (4+ stars)
Luxury: 5 stars
The breakdown is based on the hotel classification used by DEHOGA (German Hotel and Restaurant Association), while the number of stars is taken from the online portals expedia.de and booking.com.

» List of abbreviations

Overview of abbreviations used in the study

ECB	European Central Bank
GDP	Gross Domestic Product
gif e. V.	gif Gesellschaft für immobilienwirtschaftliche Forschung e. V.
IRR	Internal Rate of Return
(Non-)Core-I.	(Non-)Core-Investors
RA-C	Rentable Area according to gif e. V.
sqm	square metres
UI	Unternehmensimmobilien
US	University Cities

» Notes on the Model

In general, renovations and project developments are not included. All calculations in the study are based on data, forecasts and analyses by bulwiengesa AG and its knowledge of the market. In addition to rent loss risk, vacancy risk is also taken into account in the cash flow calculation.

Terminology
Market liquidity is defined as investment demand irrespective of economic cycles.
Fluctuation refers to changes in tenants assumed at predefined dates – depending on the asset class.

Office
The study presents 127 office markets, broken down into A, B, C and D cities. A notional existing office property with average-quality space is assumed. The property size varies depending on the volume of the office market and the average take-up over the past ten years. The model also assumes annual fluctuation of 10 % of the property size and a three-year term for newly concluded rental agreements. The office rents are index-linked. The market rent in the year of the respective contract conclusion corresponds to the company's own forecast, while the ageing process of the property is taken into account with a rent discount. The purchase yield (net initial yield) in the model corresponds to the exit yield, so as to avoid distortions.

Residential
The study presents 68 residential markets, broken down into A, B and (other) university cities. The calculation is based on the assumption of an existing apartment building with 4,000 sqm of residential space and 55 residential units and with average fixtures and fittings. Annual fluctuation of 200 sqm is assumed. The fluctuation corresponds to the respective newly let space and a one-month vacancy p.a. For existing rental agreement space, rent adjustments to the market level every three years are assumed. The purchase yield (gross initial yield) in the model corresponds to the exit yield, so as to avoid distortions.

Micro-Apartments
A, B and (other) university cities – a total of 68 cities – are analysed. The calculation is based on the assumption of a property with 4,000 sqm of residential space and 200 fully furnished residential units of 20 sqm each. The base scenario assumes annual fluctuation of two-thirds of the total residential space, but the simulation also includes fluctuation of 0 % and 100 %. The purchase yield (gross initial yield) in the model corresponds to the exit yield, so as to avoid distortions. An operator model is not assumed.

Specialist Retail Parks
The model is based on an ideal specialist retail centre with floor space of around 20,000 sqm. The user structure consists of several retail spaces. Two anchor tenants and a use mix in line with the market are assumed.

Shopping Centres
The model is based on a three-storey shopping centre (including a basement level). It assumes one anchor tenant, a total of 78 retail spaces and sales space of 48,000 sqm.

Modern Logistics Properties
The model assumes an existing modern distribution/handling centre. Good divisibility and capacity for alternative uses are assumed. The hall space totals 20,000 sqm. Office space accounts for less than 10 % of the hall space, meaning that it can be assumed that the amount of space for administration of the logistics hall is in line with demand. For reasons of simplification, office space therefore is not taken into account separately in the model.

Business Parks (UI)
An existing business park with rental space of 12,000 sqm is assumed, with office use accounting for 30 % and warehouse use accounting for 70 %. All assumptions and data are based on information from the Initiative Unternehmensimmobilien and its Market Report No. 10.

Warehouses (UI)
A simple existing warehouse with 10,000 sqm of warehouse space is assumed. In contrast to modern logistics space, there is only limited divisibility and capacity for alternative uses and the property quality is lower (including with regard to hall height, floor load capacity etc.). All assumptions and data are based on information from the Initiative Unternehmensimmobilien and its Market Report No. 10.

Light manufacturing (UI)
A light manufacturing hall with 10,000 sqm of production space is assumed. In view of the high level of user specificity, longer lease terms (five years) are assumed than for the other types of described Unternehmensimmobilien. All assumptions and data are based on information from the Initiative Unternehmensimmobilien and its Market Report No. 10.

Hotels
The calculations in this study relate to chain hotel businesses, defined as businesses with four or more individual hotels.
In addition, the analysis is based on fundamental assumptions that reflect only part of the market. For example, it was assumed that a lease contract is concluded; operator contacts and hybrid forms were not included in the analysis. Another fundamental assumption is that the contract has a long term. The presentation of short-term contracts in the case of yield-focussed investments with additional capex requirements on expiry of the lease contract (generally two to three annual rents) was ensured by means of risk premiums and yield mark-ups. The model is based on city hotels with business customers and city tourists as their target groups. A high level of tourist demand is also assumed.

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Disclaimer

Results and conclusions base on the experience and knowledge of bulwiengesa AG with broad competence in research and consulting services for German and European property market issues. Currently, there are still both economic and political risks that make a reliable assessment of the medium- to longer-term market development much more difficult. In the analyses, the market and planning data available on the reporting date are used and assessed on a property-specific basis, taking into account the current situation.

Forewords

» German real estate market: Seizing opportunities, unlocking potential

The German real estate market is at a turning point. While demand for housing continues to rise, particularly in urban areas, new residential construction remains far behind both demand and political targets. At the same time, other asset classes are also coming under pressure: in the commercial sector, too, high regulatory requirements, lengthy approval procedures and ongoing uncertainties are still holding back investment. Despite initial signs of improvement, the result is continued noticeable caution in the market – despite ongoing demand.

The extent to which overregulated conditions are contributing to market distortion is particularly evident in residential construction. Rent controls, conversion bans, detailed building regulations and complex approval processes mean that even economically viable projects are at least stalling. On the one hand, the government is sending signals that it wants to create more housing, but on the other hand, it is erecting high administrative and legal barriers that ultimately slow down development and/or interest in urgently needed investment. This tension affects not only private investors, but also municipal and cooperative players.

In order to reactivate the enormous potential of the German real estate market, a fundamental change of perspective is needed: less regulation does not mean less responsibility – it means more scope for high-quality, sustainable and economically viable projects. What is needed is intelligent deregulation that speeds up processes, creates legal certainty and enables investment once again. More competition through increased supply also offers a real opportunity to ease the overheated residential rental market.

Specifically, industry players are proposing, among other things, a nationwide housing construction acceleration act, the standardisation of state building regulations and realistic, planning-secure regulations for index-linked rents, furnished rentals and short-term use. Digitised approval processes, temporary restrictions on legal remedies in urban land-use planning procedures and greater flexibility in redensification, conversion and expansion of existing buildings could also provide impetus – in residential construction as well as in commercial projects and social infrastructure.

An investment-friendly framework is not an end in itself. It is a prerequisite for economic stability, urban development and social participation. After all, real estate is more than just a capital investment – it shapes living spaces, creates jobs and enables social integration. With a clear, reliable and market-oriented regulatory policy, Germany can maintain its role as an attractive investment location and unleash the urgently needed growth in the real estate sector.

Klaus Beine and Florian Baumann, ADVANT Beiten

With its many years of experience, ADVANT Beiten provides advice on all phases of property management: from financing to the land purchase and project development through to letting or selling the property. We implement innovative forms of property sales and trading, as well designing German and foreign real estate funds.

» The German property market: differentiation as the key to success

This is the eleventh edition of our 5% study – an anniversary that invites reflection. Since its launch in 2015, the German property market has undergone fundamental change: Whereas relatively uniform return expectations prevailed at that time, we are now seeing marked differentiation between asset classes, locations and risk classes. This development is not temporary, but rather an expression of market maturity that will strengthen Germany as an investment location in the long term.

This year's results impressively illustrate this new reality: While light manufacturing properties lead the rankings with over 6%, core investor markets remain roughly at the previous year's level. They appear to be in a kind of holding pattern – there has been little change since last year. At the same time, specialised segments such as microliving are benefiting from structural market changes, and B markets and university cities are developing into attractive alternatives. Today more than ever, the market rewards professional management and specialised expertise – a development that separates successful investors from passive ones.

With this study, we would like to offer you a sound basis for decision-making for your investment strategy. The market players remains an attractive investment location, but requires a differentiated, professional approach. Markets that are prepared to take this path will be rewarded with corresponding returns.

Sven Carstensen, CEO of bulwiengesa AG