



January 2016

bulwiengesa Property Market Index 1975 - 2015

Commercial and Residential – Rents and Prices – 125 German Cities

Owner-Occupied Apartments • Terraced Houses • Residential Rents • Building Land • Retail Rents • Office Rents

Market trend remains on an upward path – the bulwiengesa Property Market Index rises +3.7 % over all real estate segments in 2015 and proceeds its positive growth for the 11th consecutive year.

In spite of slightly lower growth rates of +4.2 (2014: +5.3 %) residential properties reveal once again a promising market segment. Properties (new owner-occupied apartments +6.1 %, terraced houses +5.7 %, land for single-family homes +3.1 %) are highly requested in the buyers' favour. Especially high-growth regions show considerable excess of demand.

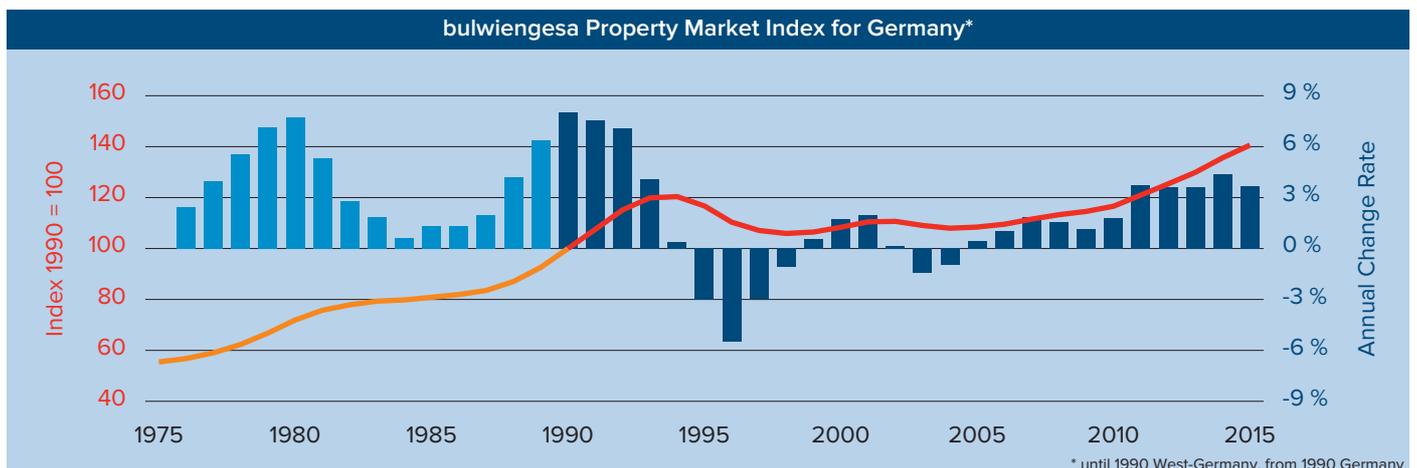
Residential rents become more expensive as well. In that case rents of existing

apartments (+3.3 %) exceed rents of newly built apartments (+3.2 %), though insignificantly. The residential market reacts on the high demand by clearly rising completions and planning permissions.

The development of the commercial index (+2.6 %) sets to repeat last year's good result (2014: +2.9 %). Particularly a plus of +3.7 % for commercial land stands out. City-centre office rents (+2.2 %), prime pitch retail locations (+2.2 %) and suburban retail rents (+2.0 %) show a robust growth. The growing number of employment and positive domestic consumer spending gives stability to Germany's commercial real estate market.

This analysis "Immobilienindex" or "Property Market Index" has been monitoring the property market in 50 West-German cities since 1975, and in 125 German cities since 1990.

The data is based on empirical research and data collection performed by bulwiengesa. In order to acquire the relevant information basis numerous real estate agents, banks, building associations, local development agencies and other semi-public and public organisations are interviewed. Additionally various press-releases and publications concerning the property market are analysed and taken into account. And, last but not least, the knowledge and experience of bulwiengesa ensures high reliability and comparability.



* until 1990 West-Germany, from 1990 Germany

BULWIENGESA PROPERTY MARKET INDEX 1975 - 2015

The quality of this data was first accredited by Deutsche Bundesbank in a press release in 2003 and has been published in various publications. Having examined several data sources available on the market, the Bundesbank decided to use bulwiengesa's data to calculate their own index, which they are providing to European Central Bank.

Methodical outline

The bulwiengesa Property Market Index is a year-by-year population weight average of the data for 125 German cities. This method ensures that over-all functional structures can be taken into account, both regional and temporal changes can be considered.

The 9 variables which add up to the Property Market Index are representative enough to be able to describe general trends. Experience shows that other sub-markets usually follow these indicators:

- **Owner-occupied apartments:** prices for new apartments, average to good location, 2-bedroom, 65 - 95 sqm living space
- **Terraced houses:** price for new terraced houses, average to good location, 100 - 120 sqm living space
- **Rents for new apartments:** rents for new apartments, average to good location, 2-bedroom, 65 - 95 sqm living space
- **Rents for existing apartments:** rents for existing (pre-let) apartments, average to good location, 2-bedroom, 65 - 95 sqm living space
- **Land for family-home:** price for building land for single-family home or detached house, good location, average plot size
- **Retail rents, prime location:** average rent for retail unit in prime pitch, ground floor unit, approx. 100 to 200 sqm floorspace
- **Retail rents, suburban location:** average rent for retail unit in suburban centres, ground floor unit, approx. 200 to 400 sqm floorspace
- **Office rents:** average rent for office space in city location, good settings regarding technical outfit and layout, utilisable for small and medium sized lettings
- **Industrial land:** price for industrial land, developed land in modern technology parks or industrial parks with good communica-tions

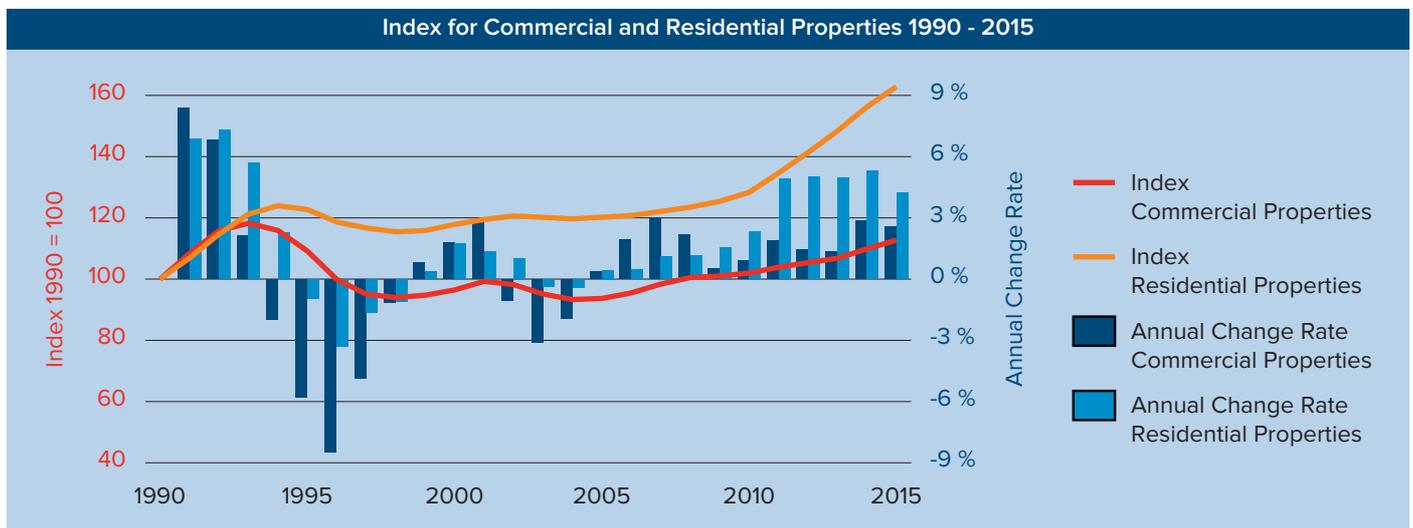
The index value is calculated by taking an average of these 9 indices for the over-all index; an unweighted average of the 5 residential indicators for the residential index, respectively an un-weighted average of the 4 commercial indicators for the commercial index.

In addition to a sectoral analysis of the property market, a regional and func-tional differentiation shows interesting re-sults. The 125 cities are grouped into 4 market types, according to their function, size and influence or reach on interna-tional, national, regional or local levels. A-Markets are the 7 biggest markets, B-Markets are cities with a population above 200,000 inhabitants and of na-tional functional importance. The remain-ing cities are either C-Markets (regional centres) or D-Markets (local centres).

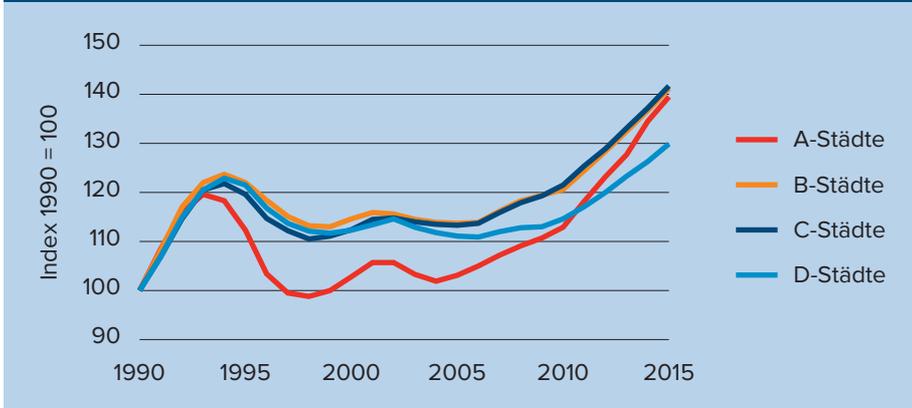
Functional differences

An analysis of last year's changes by market type (A-, B-, C- and D-Markets) paints the following picture of 2015:

- **Rents and prices of residential prop-erties** increase in all market types. Prices of newly built owner-occupied apartments rise by +5.3 % (D-City) up to +6.9 % (B-City). Rents of newly built apartments show a range of +2.5 % (A-City) to +3.9 % (C-City).



Property Market Index by Market Type 1990 - 2015



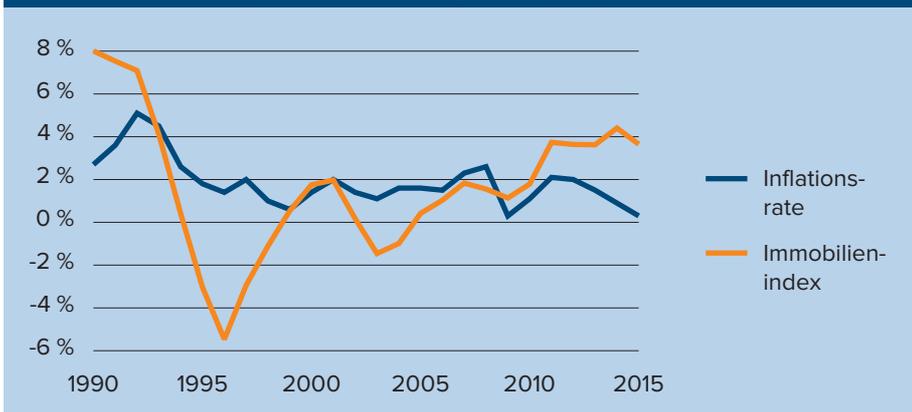
- **Land prices for family homes** grow mostly in C-Cities (+4.6%). A-Cities (+2.2%) look weak compared to 2014.
- **Average retail rents** increase strongly in A-Cities (+2.8%), all other market types cannot exceed +0.4 to +1.7%.
- **Office rents in city locations** rise evidently in A-Cities (+2.8%), in all other markets only moderate (+1.4 to +1.7%) but slightly improved compared to 2014.

With regard to the over-all index in 2015, the strongest positive change can be seen in A-Markets (+3.7%), followed by B- and C-Markets (+3.3%) and D-Markets (+2.8%). The results show a tight spread which takes up the 2013 results, after the wider spread in 2014 due to the A-Cities' high growth at that time.

The chart of the index trend by market types since 1990 shows a similar level of A-, B- and C-Markets for 2015, resulting from a steeper catching-up process of the A-Cities, especially in the last 5 years. Despite a positive trend the D-Cities cannot follow the enormous development speed of the other market types.

Except for the period after the German reunification the property market index ran mostly below the inflation rate, accompanied by a massive drop in prices after the economic special effects were fading away. Since 2009 the picture has changed. The high growth rates of the property market index can continuously exceed the inflation rate. In 2015 a growth by +3.7% of the property market index was accompanied by an inflation rate of only +0.3%, which is one of the largest positive spreads in the course of time.

Inflation and Change Rates of bulwiengesa Property Market Index 1990 - 2015



Distinct regional differences

The overall property market index results does not show any negative development in the bulwiengesa city selection in 2015. Despite the general positive overall view the well-known disparities between growing and shrinking regions and also the price difference between eastern and western Germany still exist.

- Particularly positive developments can be seen in large regions of Bavaria (high demand) as well as eastern and northern Germany (catch-up effects/new potentials from increased construction works). Agglomerations and tourist areas complete the winner side.
- Parts of eastern Germany (border with Poland) and selected communities in the Ruhr area are able to grow, but can not participate in the massive upswing. Nevertheless, the price increases were higher than the level of inflation.

Rank of Ø Change Rates since 1975 – All Segments

Rank	City	Ø p. a.
1	Munich	3.6 %
2	Regensburg	3.4 %
3	Rosenheim	3.2 %
4	Wiesbaden	3.1 %
5	Trier	3.0 %
6	Heidelberg	2.9 %
7	Frankfurt (Main)	2.9 %
8	Mainz	2.9 %
9	Ulm	2.9 %
10	Aachen	2.8 %
∴	∴	∴
41	Bonn	2.1 %
42	Kiel	2.1 %
43	Bremen	1.9 %
44	Duisburg	1.9 %
45	Krefeld	1.9 %
46	Bielefeld	1.9 %
47	Saarbrücken (Stadt)	1.8 %
48	Siegen (Stadt)	1.7 %
49	Hildesheim (Stadt)	1.6 %

Note: only cities in West-Germany

Rents and Prices for Residential and Commercial Property in Germany									
(Euros/sqm)	WEST-GERMANY incl. Berlin (West)				GERMANY				
	Value		Change (nominal)		Value		Change (nominal)		
	1975	1990	1975-1990 total	p. a.	1990	2015	1990-2015 total	p. a.	2014-2015
O-o* Apartments	1,313	2,053	56.3 %	3.0 %	2,026	3,339	64.8 %	2.0 %	6.1 %
Terraced houses (Euros)	128,310	212,295	65.5 %	3.4 %	206,087	316,290	53.5 %	1.7 %	5.7 %
Rents (new)	4.12	6.81	65.3 %	3.4 %	6.79	10.02	47.6 %	1.6 %	3.2 %
Rents (existing)	2.54	5.17	103.5 %	4.9 %	4.49	8.06	79.5 %	2.4 %	3.3 %
Sites for family homes	106	235	121.5 %	5.4 %	152	257	69.1 %	2.1 %	3.1 %
Prime retail rents	33.80	68.74	103.4 %	4.8 %	55.63	78.29	40.7 %	1.4 %	2.2 %
Suburban retail rents	10.74	18.39	71.2 %	3.7 %	16.47	14.05	-14.7 %	-0.6 %	2.0 %
Prime office rents	6.21	10.99	77.0 %	3.9 %	12.33	11.56	-6.2 %	-0.3 %	2.2 %
Industrial land	69	123	79.3 %	4.0 %	106	139	31.2 %	1.1 %	3.7 %
bulwiengesa Property Market Index			80.3 %	4.0 %			40.6 %	1.4 %	3.7 %
		Residential	79.1 %	4.0 %			62.9 %	2.0 %	4.2 %
		Commercial	81.9 %	4.1 %			12.7 %	0.5 %	2.6 %

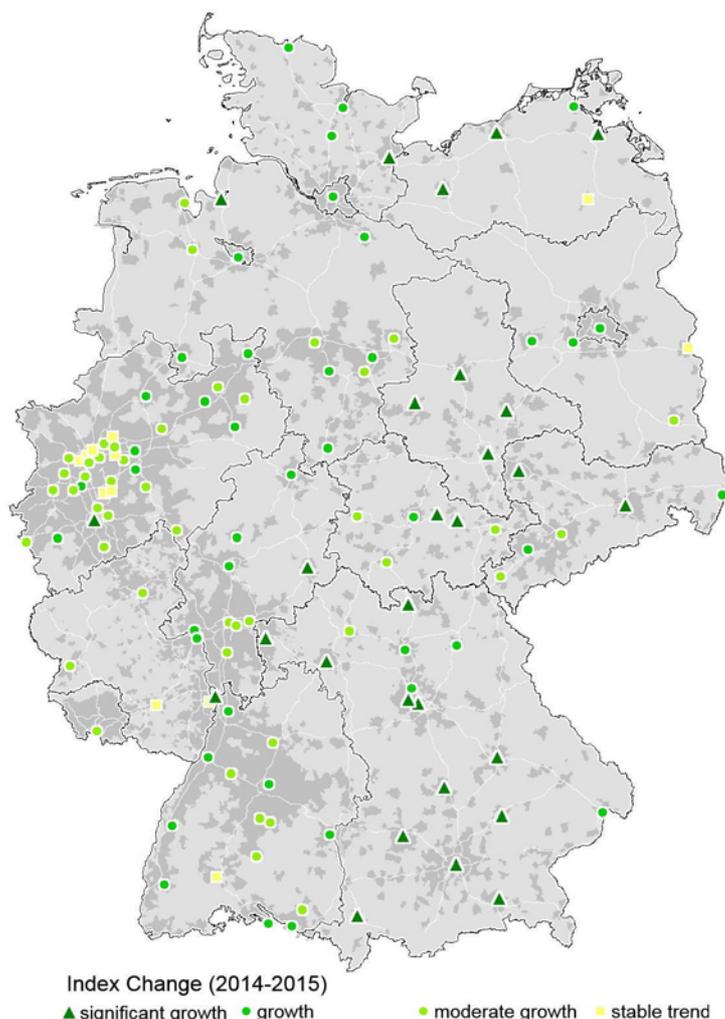
Expectations for the future

The German real estate market will be able to write a new chapter of its current growth story. Even though we can notice an advanced property cycle there are no hints on real estate bubbles or an ending upward trend. In 2016 foreign investors will reinforce their activities on the basis of a low-interest environment and possible currency effects. Therefore the rate-induced uncoupling of investment and rent markets continues. New investment records are possible.

The residential market will be dominated by a persistent high demand and consequently high rents and prices, that will be better hold in check than in previous years due to a higher construction activity. The effects of the agreed rental control "Mietpreisbremse" and the challenge to integrate refugees in the residential market will possibly be the major issues. In the field of commercial real estates an ongoing reduction of supply will be forced by a steady employment-growth and a consumption-oriented stable economy. Especially prospering regions will have to face increasing rents, yield compressions and further reduction in vacancies.

Further Details

Further details of this analysis and bespoke reports on the German property market can be ordered separately. We also invite you to visit our Online Database Service RIWIS at www.riwis.de. For any further questions, please do not hesitate to contact us.



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