

INITIATIVE UNTERNEHMENS IMMOBILIEN



Initiative Unternehmensimmobilien (a German initiative for light industrial and commercial real estate) publishes its market report for the second half of 2014

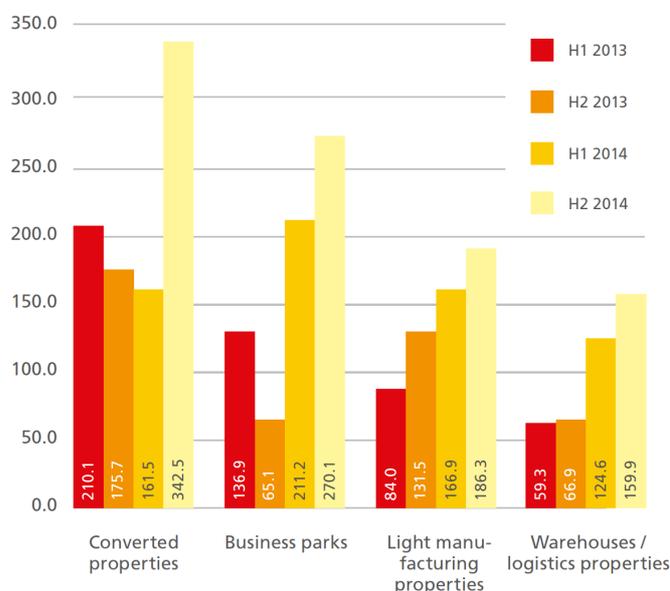
2014 saw a 75-percent increase in sales volume to 1.6 billion euros

- High demand reduces top yields
- 480,000 square meters of leased space in the second half of 2014 boost cash flow
- Corpus Sireo, Garbe and Investa join the initiative

Berlin, March 10th 2015 – Sales and rentals in the real estate sector of “Unternehmensimmobilien” in Germany significantly increased in the second half of 2014. All key market indicators – including investments, yields and the development of rents – point to growth. Furthermore, the general situation on the German market of commercial real estate is positive.

The term Unternehmensimmobilien refers to mixed-use commercial properties, typically with a tenant structure comprising medium-sized companies. Types of use normally include offices, warehouses, manufacturing, research, services and/or wholesale trade and clearance space.

Investments in millions of euros by property type



Transaction volume in 2014 increased by 75 percent year-on-year

“The market for Unternehmensimmobilien continues to grow,” says Andreas Schulten, CEO of bulwiengesa and publisher of the Initiative’s latest market report. “With total transactions of around 1.62 billion euros in 2014, figures were around 75 percent higher than in 2013.” In Germany, 40.5 billion euros were invested in commercial

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real estate in 2014. Unternehmensimmobilien accounted for around 4 per cent of this total, up 0.5 percent from the previous year. “Unternehmensimmobilien are gradually developing their own market share. This is partly due to improved transparency,” remarks Schulten. There is now a broader basis for collecting data for the Initiative’s reports. Corpus Sireo, Garbe Logistic and Investa, three leading players in the German real estate industry, have joined founding members ATOS, aurelis, BEOS, Hansteen, GSG Berlin, SEGRO, Sirius and Valad for the purposes of this second report.

With sales worth over 500 million euros, converted properties accounted for the largest single category of transaction among Unternehmensimmobilien – up by 30 percent compared to the previous year. In the latter half of the year alone, sales of 343 million euros were recorded for converted properties. Business parks were another popular choice, attracting investments of 480 million euros – which constitutes a year-on-year increase of 140 percent. In fact, all four categories saw a significant rise in demand compared to 2013. The sales volumes for production facilities and warehouses/logistics properties rose by 64 percent and 125 percent respectively. With regard to the latter, Schulten comments: “The Initiative Unternehmensimmobilien does not take large-scale facilities for contract logistics into account. Instead, it focuses on smaller integrated units. This is in contrast to logistics market reports that tend to document large-volume warehouses without including Unternehmensimmobilien.”

Upturn in demand reduces yields

Unternehmensimmobilien are still reaping relatively high yields. All four categories observed in the report showed similar results – with an average gross initial yield (GIY) of 9.6 percent. Warehouses/logistics properties had an average GIY of 8.9 percent, the lowest rate of the four. Business parks still have relatively low purchase prices, delivering higher returns and GIY of 10.6 percent. “Looking at average values is just one side of the coin,” says Schulten. “There was a noticeable yield compression of top yields in the latter half of 2014.” The segment with the highest number of transactions was business parks. Here, prime yields sank to 5.7 percent. This was closely followed by converted properties with 5.9 percent. Manufacturing facilities and warehouses/logistics properties were close to one another and recorded relatively high maximum returns of 6.5 percent and 6.7 percent respectively. “This clearly underlines the level of competition for first-rate properties in Germany,” says Schulten. “There is scope to reap these kind of yields in Unternehmensimmobilien but only for properties with exceptional potential.”

Letting market gathers pace in second half of 2014, but still lags behind 2013

The second half of 2014 saw a marked increase in transactions of Unternehmensimmobilien. However, the rental market also made significant progress during these six months. The companies participating in the Initiative leased 481,000 square meters between July and December, around 10 percent more area than in the first six

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months of the year. For the entire fiscal 2014, the total take-up stood at 920,000 square meters. This figure indicates a slightly lower demand than for 2013, which was a particularly dynamic year.

Prime rents increase across almost all regions and categories

High demand on the letting market has led to a shortage of available space in some segments and regions. This pressure is also reflected in the development of top rents in correlation with floor area, which have, in some cases, risen sharply.

The largest spike in rents was recorded for manufacturing facilities where highs of 7.10 euros per square meter were recorded. Increasingly, these are high-quality, specialist spaces that are more expensive than the properties required for simple production processes. A similar trend was observed in the development of prime rents for warehouses and small-scale logistics facilities, where rents of up to 12.50 euros per square meter were recorded. These levels are achievable in particular when logistics properties are part of a business park or a converted property and offered in combination with other types of space (e.g. offices). Prime rents for flexible real estate (flex spaces) also slightly increased, with the current maximum value standing at 10.60 euros per square meter.

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About the Initiative

At present, eleven market players and the leading German independent research institute for Unternehmensimmobilien are members of the "Initiative Unternehmensimmobilien". Corpus Sireo, Garbe Logistic and Investa, three leading businesses in this sector, have recently joined, expanding the available data for accurate market analysis.

The Initiative's second market report enhances transparency in this real estate segment and delivers up-to-date facts and figures on this heterogeneous real estate category to a broad audience. The new method of centrally gathering data on both sales and rentals, presenting it in a clearly structured way and analyzing it independently has been met with great interest.

About Unternehmensimmobilien

Unternehmensimmobilien covers four different real estate categories:

- Converted properties
- Business parks
- Light manufacturing properties
- Warehouses / Logistics properties

All four categories are characterized by alternative use potential, reversibility of use and a general suitability for multitenant structures. This means that the strength of industrial real estate is its flexibility, not just in terms of use but also occupiers.

Converted properties:

- converted and renovated commercial properties
- mostly former production plants or brownfield sites with potential for further densification
- often benefiting from the special charm of an historic industrial space (red-brick character)
- often located relatively close to city centres
- often conveniently accessible by private and public transportation
- often a mix of renovated period buildings and newly constructed buildings
- all types of floor space available

Business parks:

- usually specifically planned and built to be let to companies
- composed of several distinct buildings forming a cluster
- uniformly organized management and facilities
- providing any floor space type (office share generally between 20 and 50 %)
- usually fringe locations with good accessibility

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Light manufacturing properties:

- mainly production halls with minor office share
- suitable for a variety of manufacturing processes
- halls principally suitable for other types of use such as storage, research and services, as well as for wholesale and retail purposes
- alternative use potential depends essentially on the location

Warehouses/Logistics properties:

- mainly existing buildings with predominantly simple storage space and some general purpose accommodation
- in the context of Unternehmensimmobilien, distinguished from modern logistics warehouses by a size limit of 10,000 square meters maximum
- various fit-outs and quality standards
- flexible and inexpensive types of floor space
- usually reversible and suitable for higher-spec use (e.g. by retrofitting ramps and gates)

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