



January 2014

bulwiengesa Property Market Index 1975 - 2013

Commercial and Residential – Rents and Prices – 125 German Cities

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

Real estate as "concrete gold" booms – In 2013 the over-all bulwiengesa Property Market Index reaches +3.3 % and exceeds the level of +3.0 %, for the third time in a row, it is constantly set for growth since 2005.

A closer look at the two submarkets, commercial and residential, reveals that rents and prices for commercial properties show a marginal positive development (+0.9 %), while rents and prices for residential properties are the real price drivers with +4.7 % on average, it is following the results of previous years.

A differentiated view at the commercial index shows an increase of office rents (+1.9 %). Industrial land as well as retail

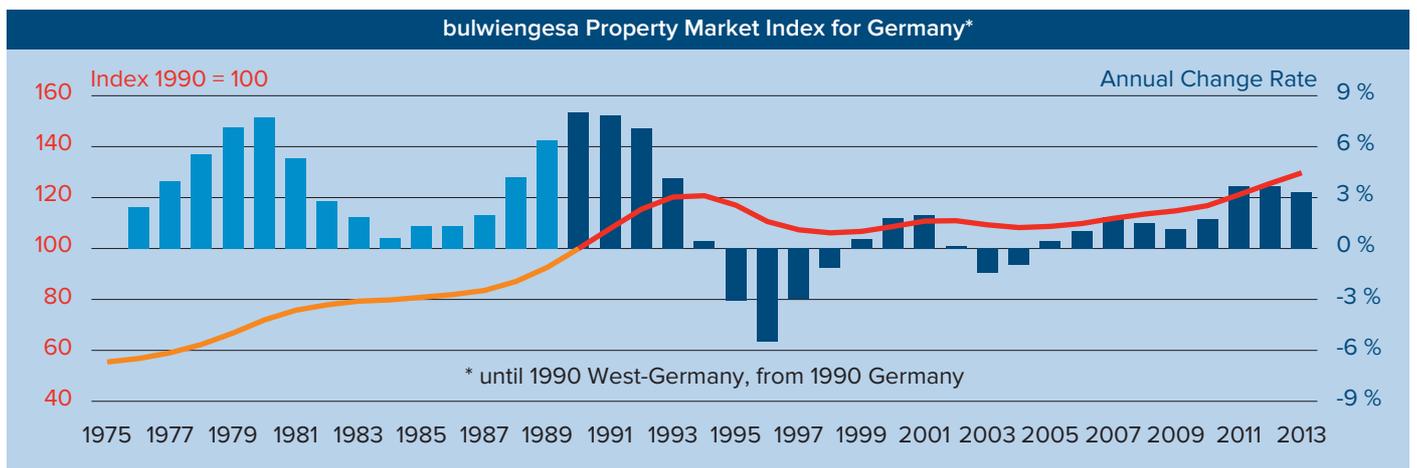
rents rose by a maximum of +1.0 %, yet not enough to compensate for inflation.

Within the residential sector all variables show distinct growth rates. Prices for owner-occupied apartments rose by +6.6 %, rents for new flats by +3.8 %, while rents for existing apartments (+3.0 %) were unable to reach the same growth level. Prices for terraced houses (+4.8 %) and plots for single-family homes (+5.6 %) nearly beat the strong real estate market of the German reunification boom.

These are the major findings of an extensive research and analysis of the German property market published by the independent property research company bul-

wiengesa. 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.



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The quality of this data was accredited by Deutsche Bundesbank in a press release in 2003. 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
- **Rents for new flats:** rents for new apartments, average to good location, 2-bedroom, 65 - 95 sqm living space
- **Rents for existing flats:** 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
- **Terraced house:** price for new terraced house, average to good location, 100 - 120 sqm living space
- **Industrial land:** price for industrial land, developed land in modern technology parks or industrial parks with good communica-tions

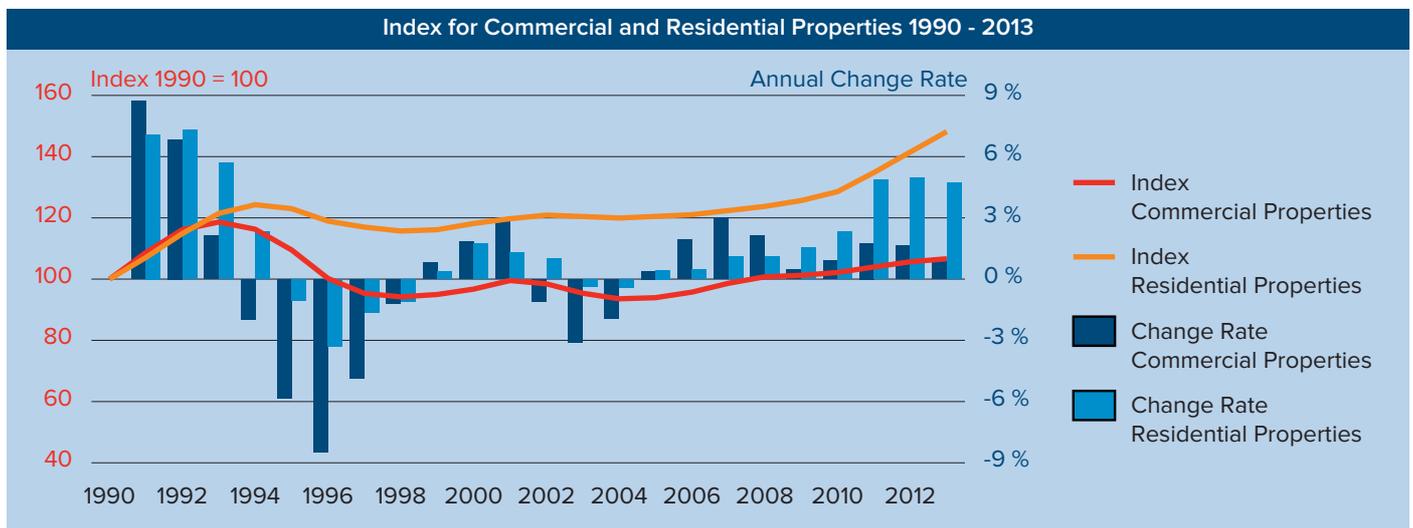
The Index value is calculated by taking an average of these 9 indices for the over-all index; an unweighted average of the 5 residential indicators for the residential index, respectively an un-weighted average of the 4 commercial indicators for the commercial index.

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).

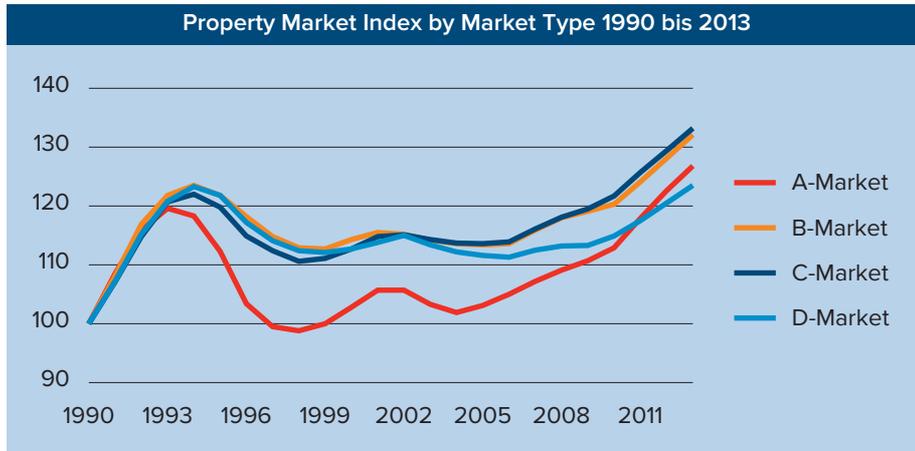
Functional differences

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

- **Average retail rents** stagnate, inde-pendent of its type of city or location. Considerable price increases remain reserved for prime pitches.
- **Office rents in city locations** show slightly increasing trends in all market



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For 2013 an inflation of +1.5 % is accompanied by a Property Market Index change of +3.3 %.

Distinct regional differences

Besides differing trends of property market types, regional differences in price levels and market developments were clearly evident in the past. In recent years the difference in levels can still be noticed, but the small range of the overall index change of all city types manifests a positive development nearly all over the country.

types with the strongest changes in A-Cities (+1.9 %) and the weakest in D-Cities (+1.5 %).

- **Rents for new and existing flats** increase most in A-Cities, but also smaller cities' rents rise by +3.0 % (new flats) or +1.9 % (existing flats).
- **Land prices for family homes** grow in A-Cities (+8.0 %) much more than in the rest of our market area.

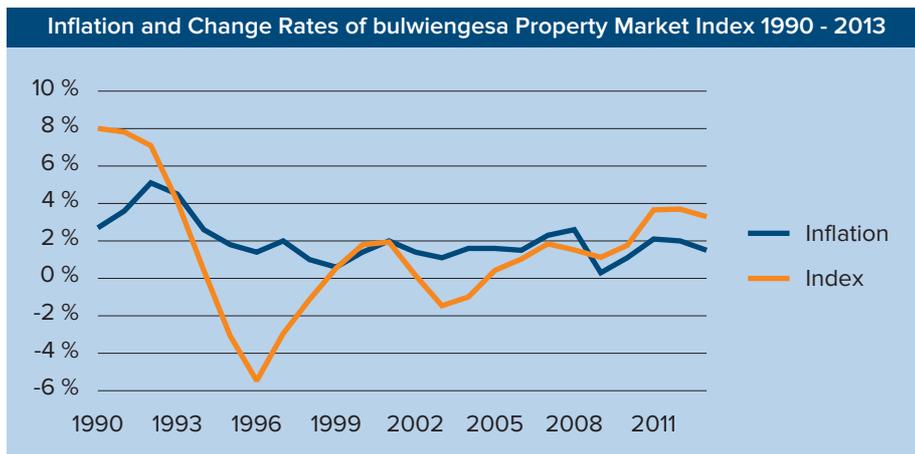
With regard to the over-all Index, the strongest positive change can be seen in A-Markets (+3.5 %), mainly due to rising residential rents (+5.5 %). Rents and prices in B-Markets increase by +3.1 %, which is the second best result. C- and D-Markets increase by +3.0 % or +2.5 %.

The Index trend from 1990 to 2013 shows that A-Markets are most volatile and react rather quickly to changes of the economic situation.

On the other hand, change rates in B-, C- and D-Markets have hardly exceeded ±1 % since the end of the 1990s. Thus these markets are far less volatile in general. The highest positive rate of change since the mid 1990s can be seen in the current period of 2011 to 2013.

Comparing inflation with property market rents and prices of the last 20 years, it shows that the property market has been changing with rates mostly below inflation. Only at the beginning of the 1990s inflation was lower than price changes. At the end of the boom, following the German unification, drastic price reductions on the property market occurred. The second crisis 2002 to 2004/2005 showed also no or even negative price changes. With +1.1 % in 2010, inflation got over its long time low in 2009 and – which is more unique – below the change rate regarding property prices.

- Growth spreads between real estate types are much more evident than differences on a regional level. In general the residential sector shows a considerable increase of prices, whereas the commercial sector is currently more of a steady nature.
- When comparing the general level of all property segments, a distinct gap between North-East Germany (cities with prices below average) and South-West Germany (cities with prices above average) is evident.



Rank of Ø Change Rates since 1975 All Segments

Rank	City	Ø p. a.
1	München	3.3 %
2	Regensburg	3.3 %
3	Rosenheim	3.2 %
4	Wiesbaden	3.1 %
5	Frankfurt	3.0 %
6	Trier	2.9 %
7	Heidelberg	2.9 %
8	Mainz	2.9 %
9	Ulm	2.9 %
10	Aachen	2.7 %
:	:	:
41	Duisburg	2.0 %
42	Kiel	2.0 %
43	Krefeld	1.9 %
44	Bochum	1.9 %
45	Bielefeld	1.9 %
46	Bremen	1.8 %
47	Saarbrücken	1.8 %
48	Siegen (Stadt)	1.7 %
49	Hildesheim	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	2013	1990-2013 total	p. a.	2012 -2013
o-o* Apartments	1,313	2,053	56.3 %	3.0 %	2,025	2,968	46.6 %	1.7 %	6.6 %
Terraced houses (Euros)	128,310	212,295	65.5 %	3.4 %	205,624	278,311	35.3 %	1.3 %	4.8 %
Rents (new)	4.12	6.81	65.3 %	3.4 %	6.79	9.37	38.0 %	1.4 %	3.8 %
Rents (existing)	2.54	5.17	103.5 %	4.9 %	4.48	7.56	68.8 %	2.3 %	3.0 %
Sites for family homes	106	235	121.5 %	5.4 %	152	231	52.2 %	1.8 %	5.6 %
Prime retail rents	33.80	68.74	103.4 %	4.8 %	55.42	74.03	33.6 %	1.3 %	0.7 %
Suburban retail rents	10.74	18.39	71.2 %	3.7 %	16.33	13.51	-17.3 %	-0.8 %	0.2 %
Prime office rents	6.21	10.99	77.0 %	3.9 %	12.32	10.95	-11.1 %	-0.5 %	1.9 %
Industrial land	69	123	79.3 %	4.0 %	105	128	21.4 %	0.8 %	1.0 %
bulwiengesa Property Market Index			80.3 %	4.0 %			29.7 %	1.1 %	3.3 %
		Residential	79.1 %	4.0 %			48.2 %	1.7 %	4.7 %
* owner-occupied		Commercial	82.0 %	4.1 %			6.6 %	0.3 %	0.9 %

Expectations for the future

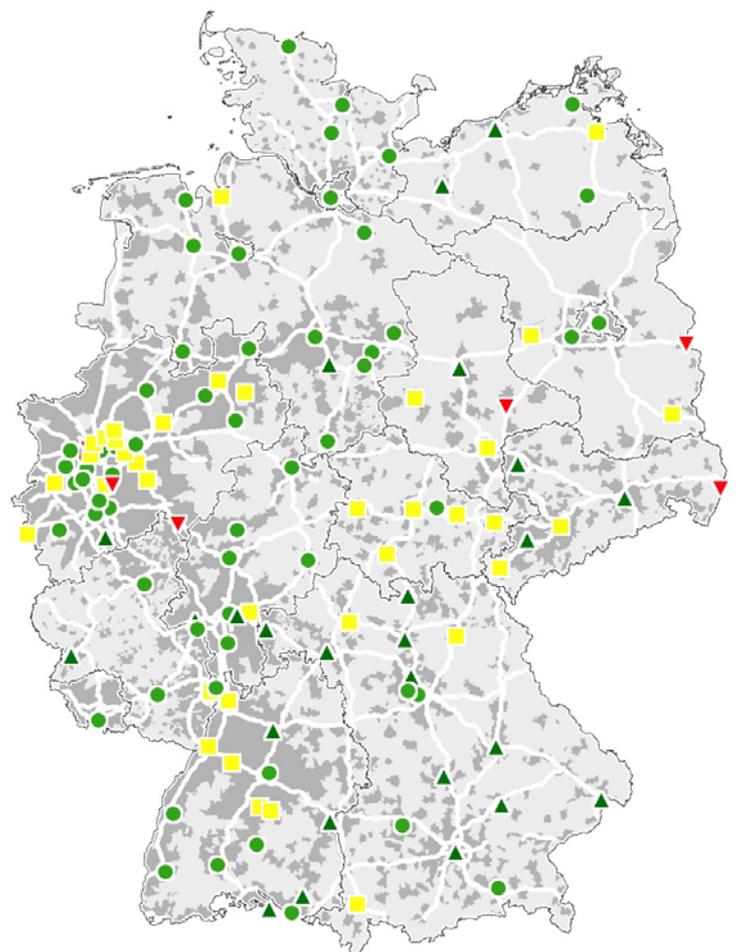
bulwiengesa expects a continuous growth for Germany in 2014. The lack of core real estate in investment centres enhances the picture of regional centers and B-Markets. Obligatory criteria for investments will be stable values, safety and calculability of cash flow. Germany's strong domestic economic trends constitute good perspectives for all asset classes.

The residential market is characterised by an excess demand due to population growth and low construction activities in prosperous regions. Investment opportunities and increasing prices can be realised aside the main markets, when the currently high sales prices are appraised professionally.

Regarding commercial property, office assets remain an attractive part of risk-averse investment strategies in times of continuing employment growth. Especially B-Cities will profit of regionally more wide spread investments. Rising consumer spendings will probably have positive effects on retail rents in prime locations. A more detailed outlook will be available in our property market forecasts in spring 2014.

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.



Index Change (2012-2013)

- ▲ significant growth
- moderate growth
- stable trend
- ▼ decreasing trend



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