



bulwiengesa Property Market Index 1975 - 2014

Commercial and Residential – Rents and Prices – 125 German Cities

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

Continuous price increases in the property market – the bulwiengesa Property Market Index rises +4.0 % over all real estate segments and remains with a positive sign since 2005.

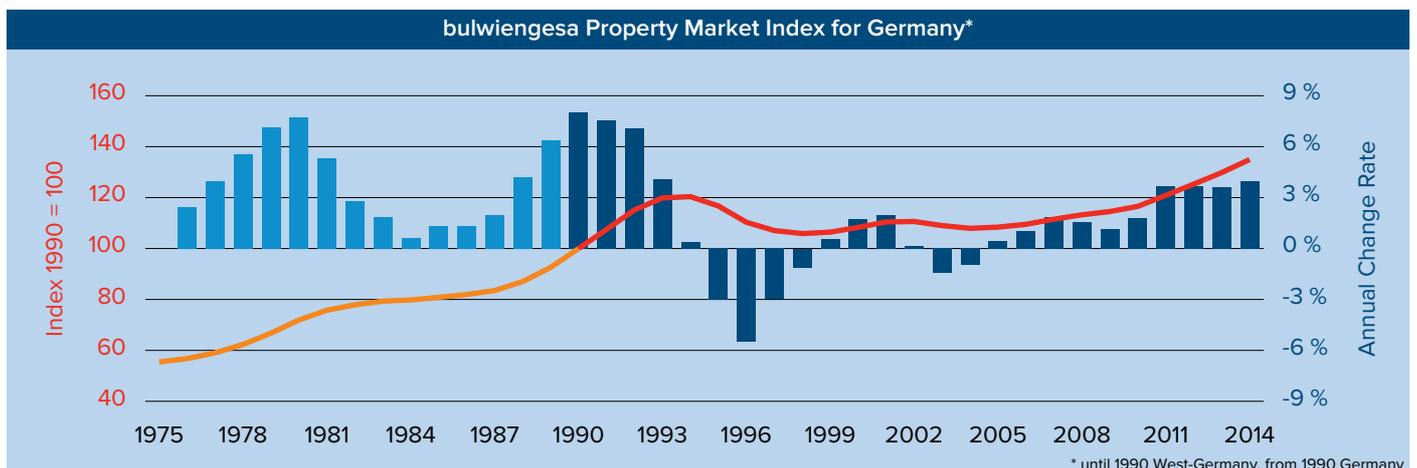
As in previous years residential properties are the growth engine with an increase of +5.1 % in 2014. As a result of low interest rates there is a high demand of private and institutional buyers which lets prices (terraced house +6.4 %, new owner-occupied apartments +5.4 %) grow faster than rents, while rents of newly built (+3.2 %) and existing apartments (+3.0 %) increase in the same pace. A significant reduction in supply and also catch-up effects in price adjustments of land for single-family homes

lead to a plus of +7.6 %, but on a 10-years average this is still a low level compared to the development of prices and rents of buildings.

For the commercial index a significant boost of +2.0 % can be quoted in comparison to previous years. In particular prime pitch retail locations showed a considerably growth with +2.4 %. But also commercial land (+2.1 %) and city-centre office rents documented a shortage of supply as well as interests in leases, property purchases and redevelopment measures. These are focused, however, on the economically prosperous regions and cities.

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 - 2014

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 communications

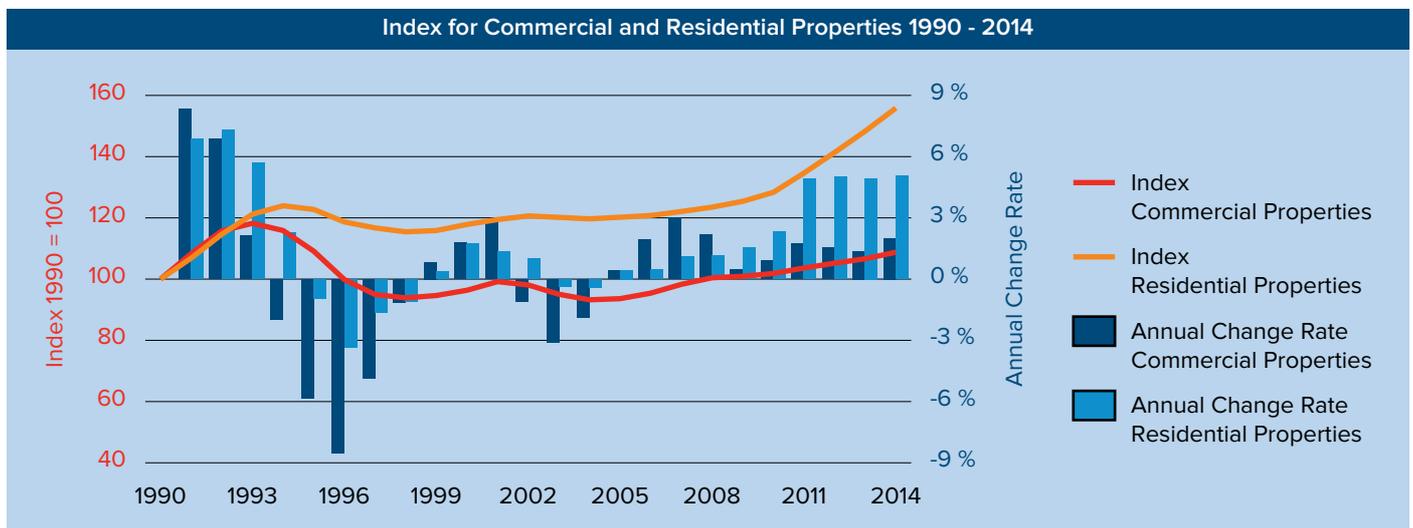
The index value is calculated by taking an average of these 9 indices for the over-all index; an unweighted average of the 5 residential indicators for the residential index, respectively an unweighted average of the 4 commercial indicators for the commercial index.

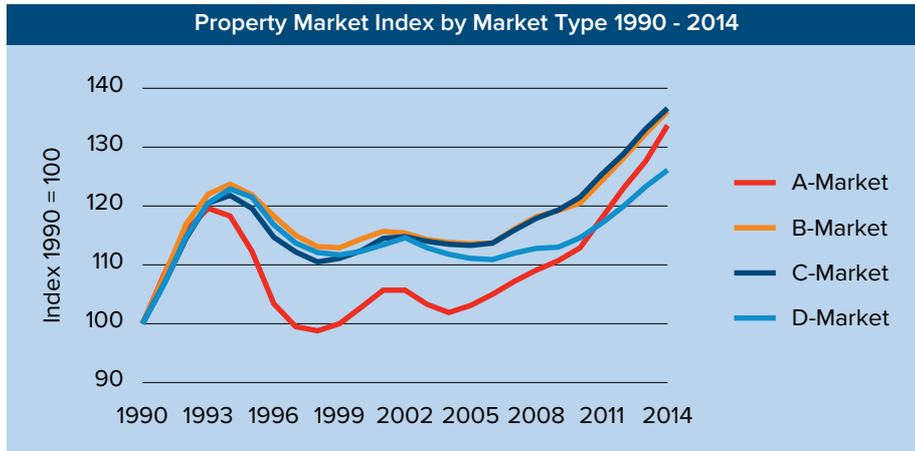
In addition to a sectoral analysis of the property market, a regional and functional differentiation shows interesting results. The 125 cities are grouped into 4 market types, according to their function, size and influence or reach on international, national, regional or local levels. A-Markets are the 7 biggest markets, B-Markets are cities with a population above 200,000 inhabitants and of national functional importance. The remaining 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.

- **Rents and prices of residential properties** increased in all market types. Rents of newly built apartments increased by +2.5 % (D-City) up to +3.4 % (A-City), regarding prices all market types beat the +4.9 % of A-Cities.





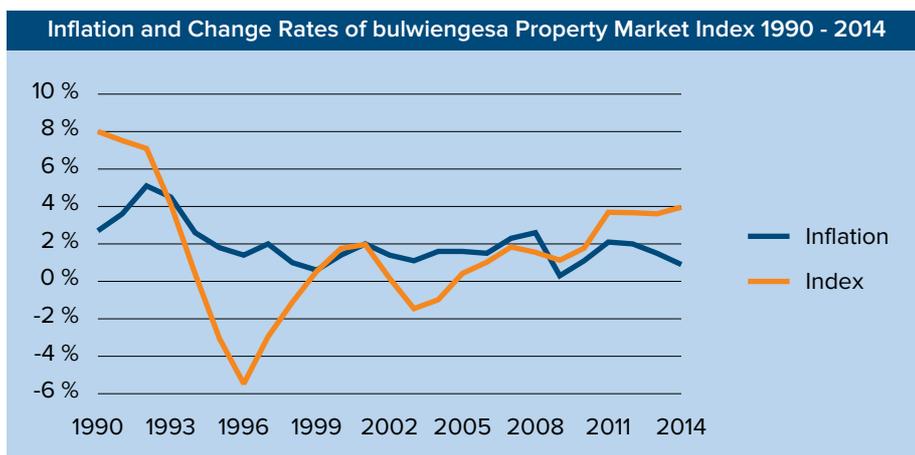
- **Land prices for family homes** grew in A-Cities (+12.2 %) much more than in the rest of our market area.
- **Average retail rents** increased in the metropolitan areas of A- (+3.3 %) and B- (+1.7 %) Cities. Smaller cities stagnated with a slight upward trend.
- **Office rents in city locations** rose more evidently than in the previous years, but exclusively in A-Cities (+ 2.9 %) which show international demand. The other market types could not exceed +1.0 %.

With regard to the over-all index, the strongest positive change occurred in A-Markets (+4.8 %), mainly due to rising residential rents (+6.2 %), but also a restrengthening of the commercial sector. Rents and prices in B-Markets increased by +2.9 %, which is the second best re-

sult. C- and D-Markets increased by +2.6 % or +2.3 %.

The chart of the index trend by market types since 1990 shows a similar characteristic of B- and C-Markets. In the meantime D-Cities build up a growing backlog. Leader in recent years is the rapid growth of A-Cities with increasing surplus of significance in the future.

Comparing inflation with property market rents and prices of the past, 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 2005 showed also no or even negative price changes. Since 2009 the property market index lies above the level of inflation. For 2014 an inflation



of +0.9 % is accompanied by a Property Market Index change of +4.0 %.

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 positive over-all index change of nearly all cities manifests a positive development nearly all over the country. Only a few cities' property market index change is left behind the inflation rate.

- Particularly positive developments can be seen at the coastline of the North- and Baltic-Sea as well as at the alpine upland, which both have got a high level of tourism. Strong economic regions around the A- and B-Cities dominated as well.
- Parts of eastern Germany (border with Poland) and selected communities in the Ruhr area could not participate in the massive upswing. Here, the price increases were below the level of inflation.

Rank of Ø Change Rates since 1975 – All Segments		
Rank	City	Ø p. a.
1	München	3.5 %
2	Regensburg	3.3 %
3	Rosenheim	3.2 %
4	Wiesbaden	3.1 %
5	Trier	3.0 %
6	Frankfurt	3.0 %
7	Mainz	2.9 %
8	Heidelberg	2.9 %
9	Ulm	2.9 %
10	Aachen	2.8 %
:	:	:
41	Lübeck	2.0 %
42	Duisburg	2.0 %
43	Krefeld	1.9 %
44	Bochum	1.9 %
45	Bremen	1.9 %
46	Bielefeld	1.8 %
47	Saarbrücken	1.8 %
48	Siegen	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	2014	1990-2014 total	p. a.	2013 -2014
O-o* Apartments	1,313	2,053	56.3 %	3.0 %	2,026	3,132	54.6 %	1.8 %	5.4 %
Terraced houses (Euros)	128,310	212,295	65.5 %	3.4 %	206,087	299,172	45.2 %	1.6 %	6.3 %
Rents (new)	4.12	6.81	65.3 %	3.4 %	6.79	9.68	42.6 %	1.5 %	3.2 %
Rents (existing)	2.54	5.17	103.5 %	4.9 %	4.49	7.79	73.5 %	2.3 %	3.0 %
Sites for family homes	106	235	121.5 %	5.4 %	152	249	63.5 %	2.1 %	7.6 %
Prime retail rents	33.80	68.74	103.4 %	4.8 %	55.63	75.88	36.4 %	1.3 %	2.4 %
Suburban retail rents	10.74	18.39	71.2 %	3.7 %	16.38	13.68	-16.5 %	-0.7 %	1.3 %
Prime office rents	6.21	10.99	77.0 %	3.9 %	12.33	11.23	-8.9 %	-0.4 %	2.0 %
Industrial land	69	123	79.3 %	4.0 %	106	131	24.1 %	0.9 %	2.1 %
bulwiengesa Property Market Index			80.3 %	4.0 %			34.9 %	1.3 %	4.0 %
		Residential	79.1 %	4.0 %			55.9 %	1.9 %	5.1 %
		Commercial	82.0 %	4.1 %			8.8 %	0.4 %	2.0 %

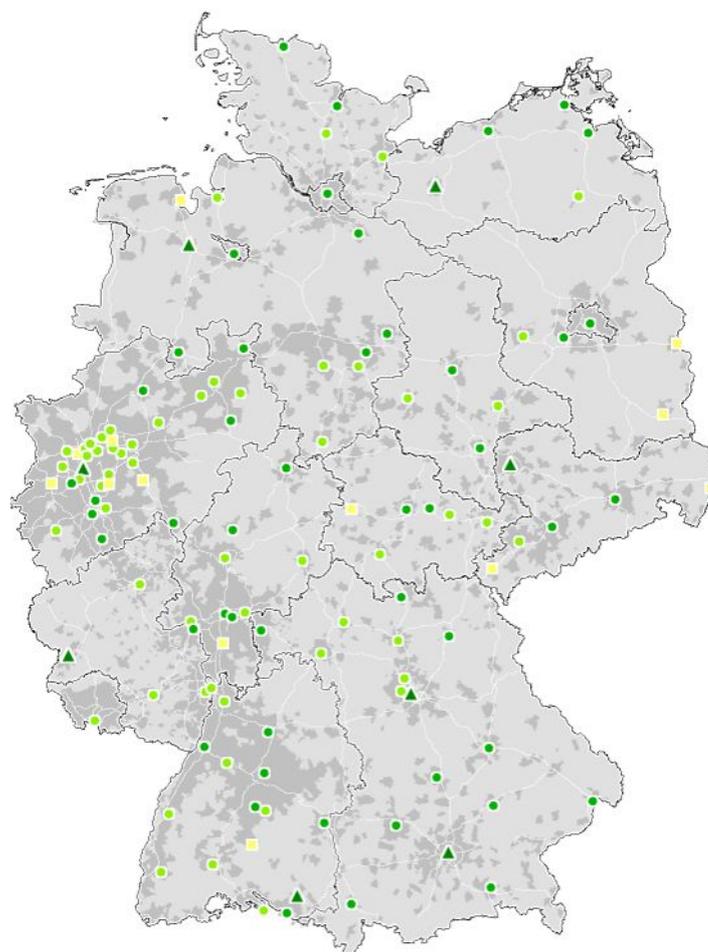
Expectations for the future

The bulwiengesa property market index continuously points in only one direction for many years. This upward trend will continue in 2015, because the financial markets and the real economy send positive signals due to low interest rates, limited alternative investment vehicles and high level of employment. Geopolitical crises seem to have only peripheral influence on the German property market. But all market participants should keep in mind that they are acting in the upper level of the current real estate cycle.

In the residential market moderate price increases are expected, agreed building permits indicate ongoing construction activities. The most important factor for private players will be the skillful use of long-term interest rate fixations with corresponding repayment. The commercial construction volume will confirm last years results, whereas the development success depends on pre-lettings and the reduced dynamics of the commercial real estate market in recent years reduces potential profits compared to the housing market.

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 (2013-2014)
 ▲ significant growth ● growth ● moderate growth ● stable trend

CONTACT

Franziska Wenzel (wenzel@bulwiengesa.de)
 Jan Finke (finke@bulwiengesa.de)
www.riwis.de, riwis@bulwiengesa.de

bulwiengesa AG
 Nymphenburger Straße 5
 80335 München, Germany

Tel. +49 89 23 23 76-0
 Fax +49 89 23 23 76-76
www.bulwiengesa.de