



Realometer

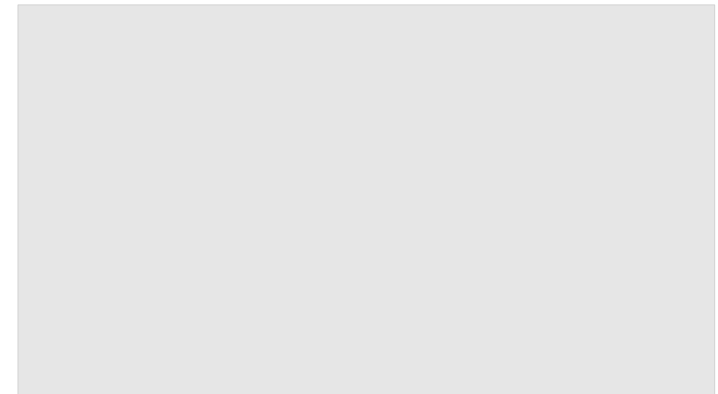
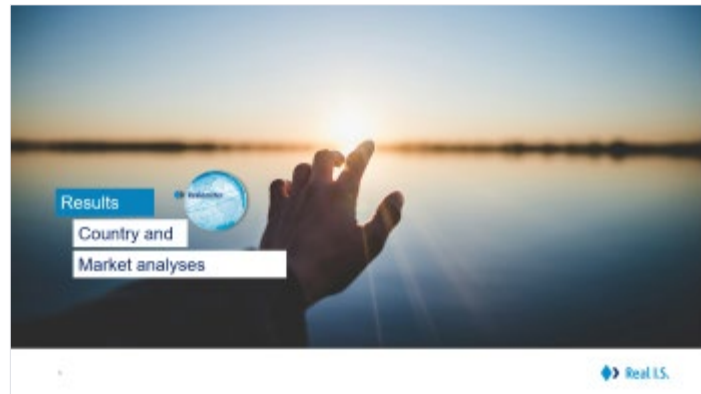
Real I.S. Research Realometer

February 2025

Real I.S. AG / Research and Investment Strategy

Topic Overview

Realometer February 2025



Results



Country and

Market analyses

Key Findings

Yield requirements stabilise at a higher level.
Investment market still weak so far.
Recovery visible, but volatile environment.

- Trend towards falling long-term interest rates uncertain. Property yields are likely to move sideways for the time being.
- Moderate market recovery in some market segments. Purchase prices have stabilised. Investors are looking for opportunities.
- Weak economy offers little tailwind for the letting markets.
- Residential, logistics and hotel properties are currently viewed favourably.
- Value development of existing properties remains strained in individual cases.



Countries

Economy expected to remain weak in 2025, but slightly better than in the previous year. Political and economic risks are currently high (Trump government, German parliamentary elections, French government crisis, Ukraine conflict, etc.)

Office

Persistently weak transaction activity. Yields have stabilised and are at 8-10 year highs. Rental growth in city centre locations, declining rents in secondary locations.

Retail

City retail and retail parks are asked by investors, few transactions in shopping centres. Private consumption is also expected to provide little stimulus for growth in 2025.

Logistics

Logistics is one of the most attractive segments. Despite the weak economy, rental growth is expected to continue in the future.

Hotel

The recovery of the hotel markets continued in 2024. Hotels currently offer the highest prime yields compared to other segments.

Residential

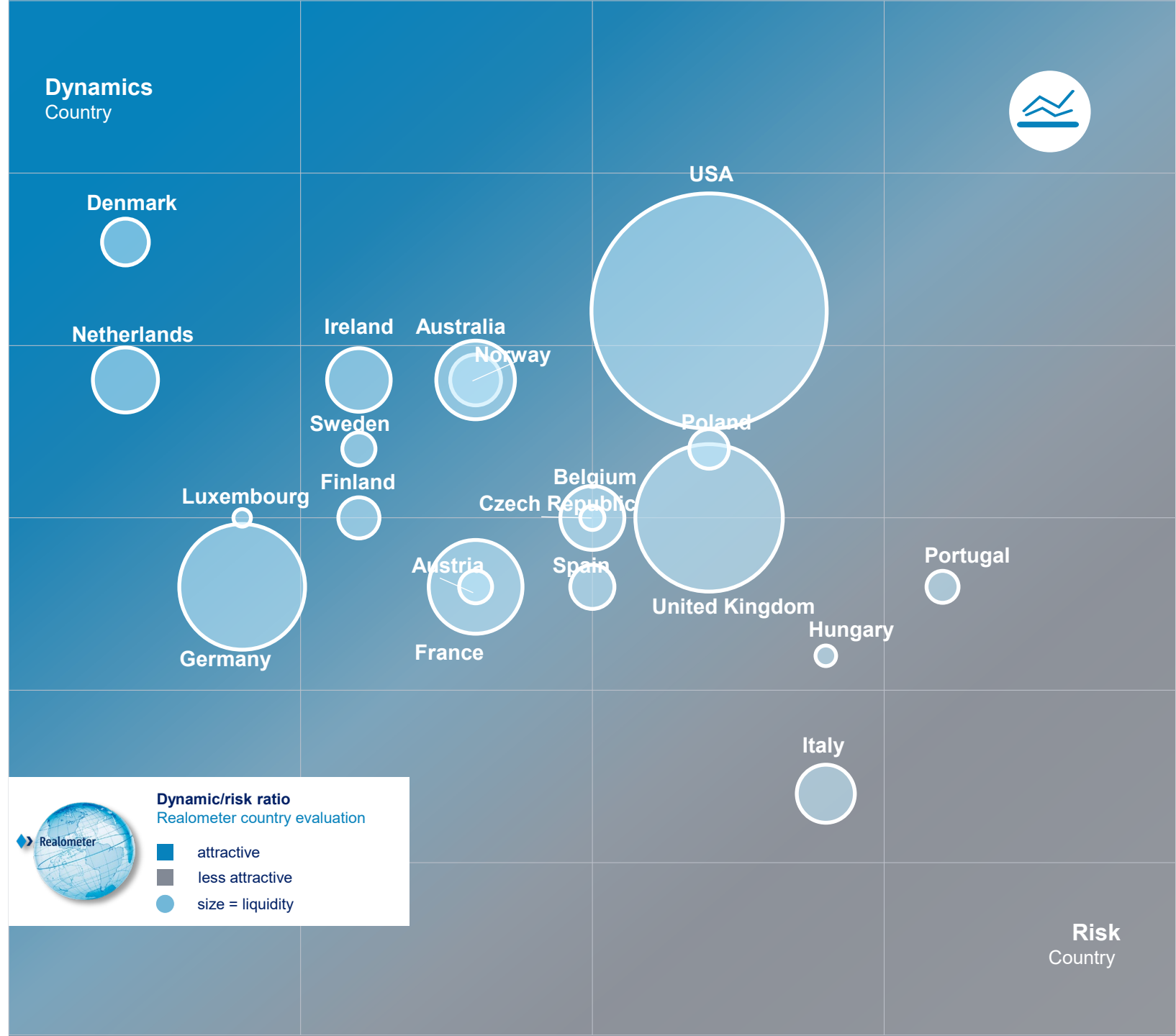
Surplus demand and rising rents offer cash flow security. Sub-sectors such as Serviced Apartments or Student Housing offer higher yield as Multifamily properties.

Country Analysis

Economy remains weak, further decline in interest rates uncertain, political uncertainties currently a burden.

- Little change overall compared to the last analysis in August 2024.
- Growth prospects and competitiveness remain weak in a number of euro countries, particularly in Germany.
- Denmark, the Netherlands, Ireland and Australia are in positive territory. Italy, Hungary and Portugal at the lower end.

Note: Dynamics or return and risk are figures which are determined using a scoring process based on various criteria. These are not net initial yields or volatility, but rather a quantitative estimate of the expected return and risk on country level or city level.



Office

Weak transaction activity. Stabilisation of yields at a higher level. Rental growth in city centre locations.

- Prime yields stable on average at 5.1 % (compared to August 2024).
- Rising vacancy rates weigh on valuation in some locations. The average vacancy rate in all European locations analysed is 7.7%.
- Prime rents are expected to continue to rise in the coming years, averaging over 2.3 % p.a. Little demand for decentralised locations, with rents falling.
- Investments selectively attractive. Institutional investors and family offices are looking for opportunities.

Note: Dynamics or return and risk are figures which are determined using a scoring process based on various criteria. These are not net initial yields or volatility, but rather a quantitative estimate of the expected return and risk on country level or city level.



Retail

City retail and retail parks are asked by investors, few transactions in shopping centres.

- City retail properties and retail parks were the most traded segments in 2024. Some larger transactions are revitalising the German investment market.
- Private consumption is also expected to provide little stimulus for growth in 2025.
- The overall result (including country rating) has changed little compared to August 2024. Ireland, Denmark, Ireland and Poland are best positioned, while the Netherlands also remains attractive.

Note: Dynamics or return and risk are figures which are determined using a scoring process based on various criteria. These are not net initial yields or volatility, but rather a quantitative estimate of the expected return and risk on country level or city level.



Logistics

Logistics is one of the most attractive segments. Despite the weak economy, rental growth is expected to continue in the future.

- Prime yields average is 5.2 %. The spread to government bonds is attractive at around 180 basis points.
- The most liquid markets are the UK, Germany and France. Logistics has the highest transaction volume after residential.
- According to the Realometer scoring, logistics hubs in the Netherlands, Sweden and Denmark are particularly attractive, as are those in Germany, Finland and France.

Note: Dynamics or return and risk are figures which are determined using a scoring process based on various criteria. These are not net initial yields or volatility, but rather a quantitative estimate of the expected return and risk on country level or city level.



Hotel

The recovery of the hotel markets continued in 2024. Hotels currently offer the highest prime yields compared to other segments.

- Prime yields average is around 5.3 %.
- The number of overnight stays in most locations in 2024 was higher than before the coronavirus pandemic in 2019.
- Room rates in most markets are well above pre-crisis levels.
- Further increases in room revenues (RevPARs) are expected in all markets in the coming years.

Note: Dynamics or return and risk are figures which are determined using a scoring process based on various criteria. These are not net initial yields or volatility, but rather a quantitative estimate of the expected return and risk on country level or city level.

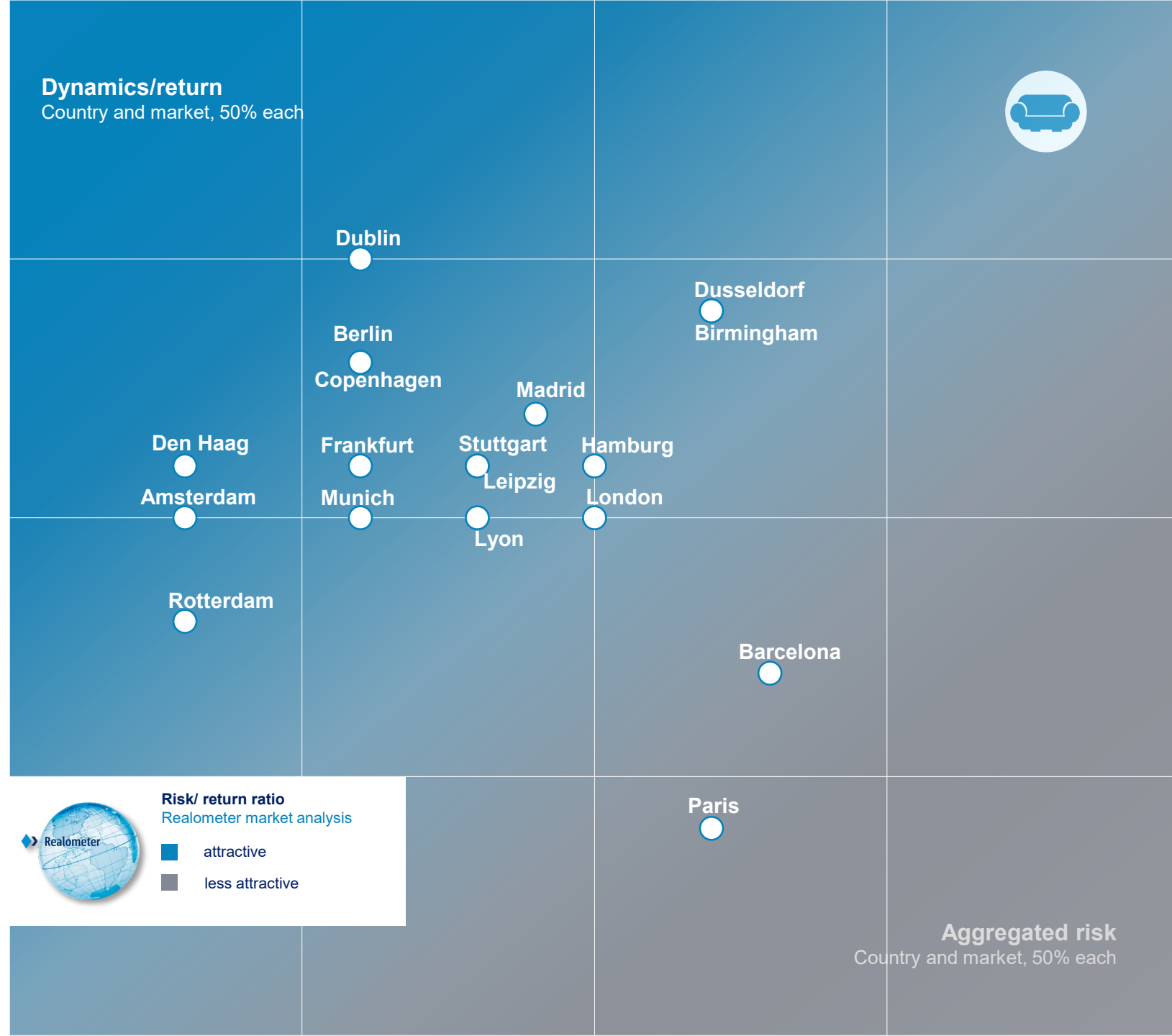


Residential

Surplus demand and rising rents offer secure cash flow.

- The average net prime yields are 4.3 %.
- Rents set to rise in almost all markets (+12 % on average by 2028).
- Sub-sectors such as Serviced Apartments or Student Housing offer higher yield as Multifamily properties.
- Dublin, Copenhagen, Amsterdam, but also German locations are attractively valued.

Note: Dynamics or return and risk are figures which are determined using a scoring process based on various criteria. These are not net initial yields or volatility, but rather a quantitative estimate of the expected return and risk on country level or city level.





Realometer

Focus

on selected markets

London office market

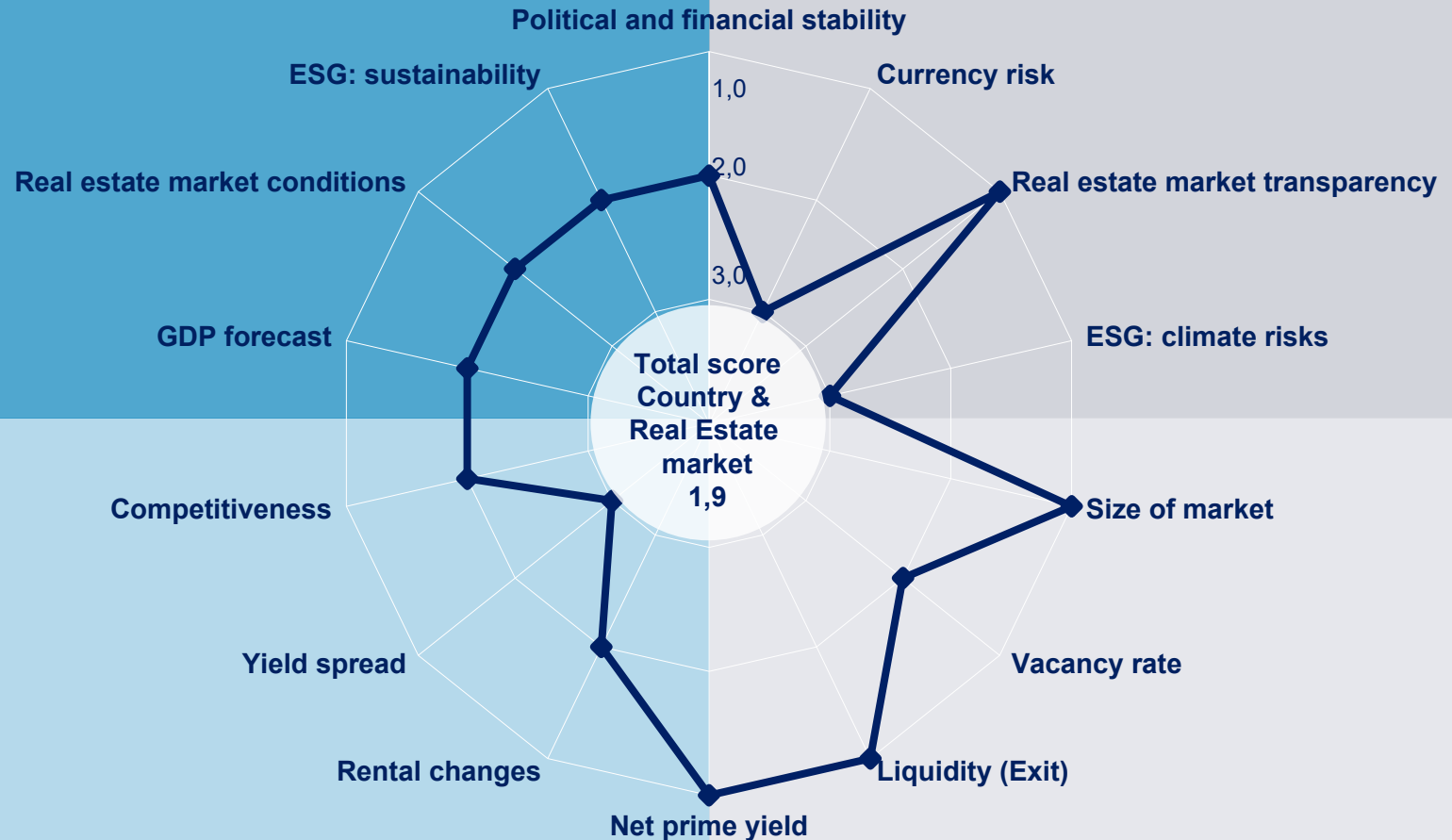
London currently offers attractive yields and positive prospects.

- London is the largest and most liquid property investment market in Europe and offers a high level of professionalism.
- London (City) currently offers a historically high yield level. A net prime yield of 5.6% was last recorded 15 years ago at the beginning of 2010.
- Rents should continue to rise at an above-average rate in the coming years (around + 3 % p.a.).
- The low yield spread to bonds (10Y UK bond well over 4%), the currency risk and higher climate risks than in Central Europe are rated negatively.

Dynamics 2.0

Macro level United Kingdom

Risk 2.2



Return 2.0

London office market

Risk 1.5

Dublin residential market

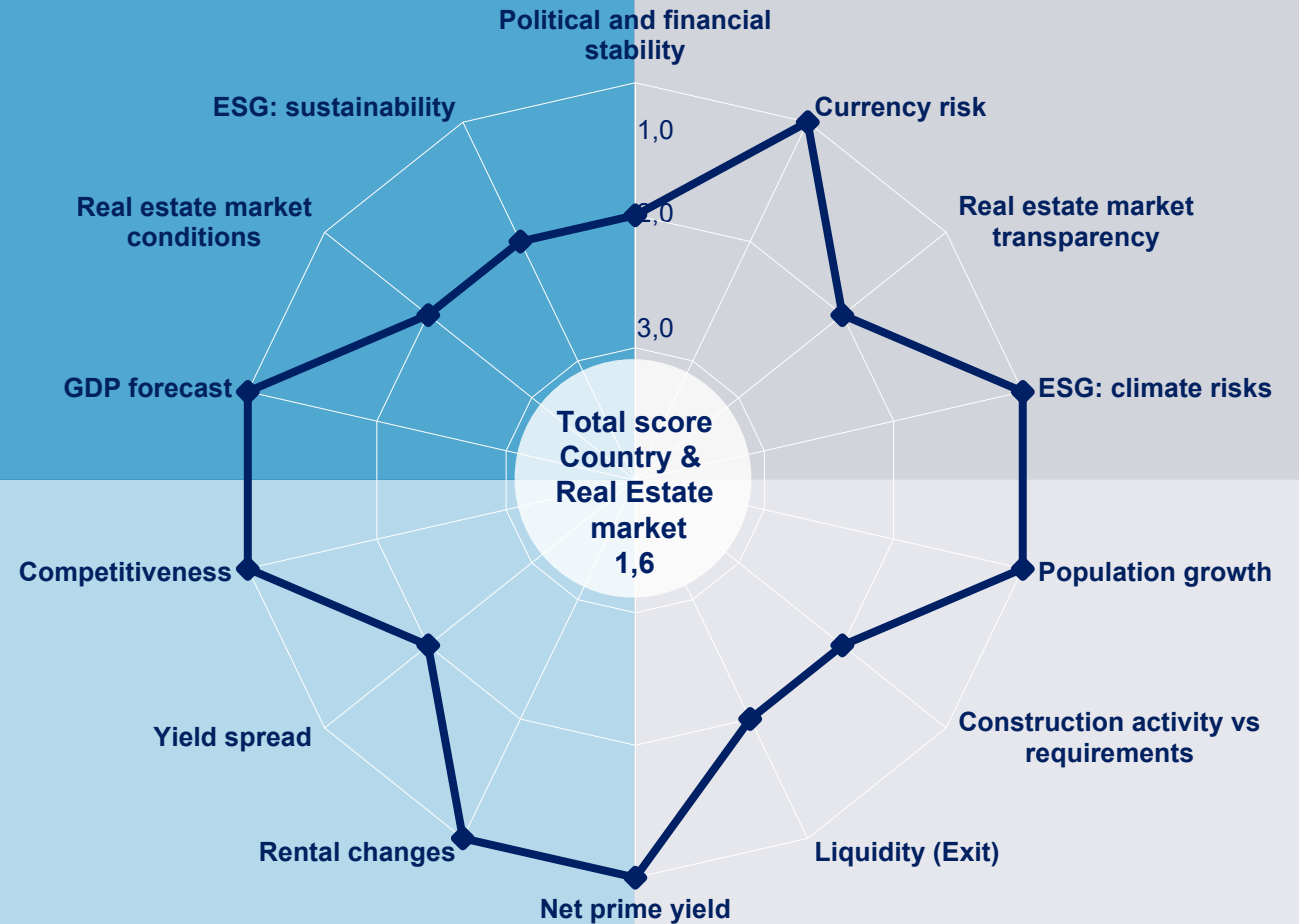
Residential assets in Dublin offer comparatively high yields with a positive outlook.

- The Irish residential property market is benefiting from the highest population growth of all the markets under review.
- As in other markets, there is a structural excess demand in Dublin.
- The Dublin housing market (lower half of the diagram) is currently one of the best rated cities in Europe.
- ESG climate risks have improved compared to the evaluation in August 2024.

Dynamics 1.4

Macro level Ireland

Risk 1.6



Return 1.2

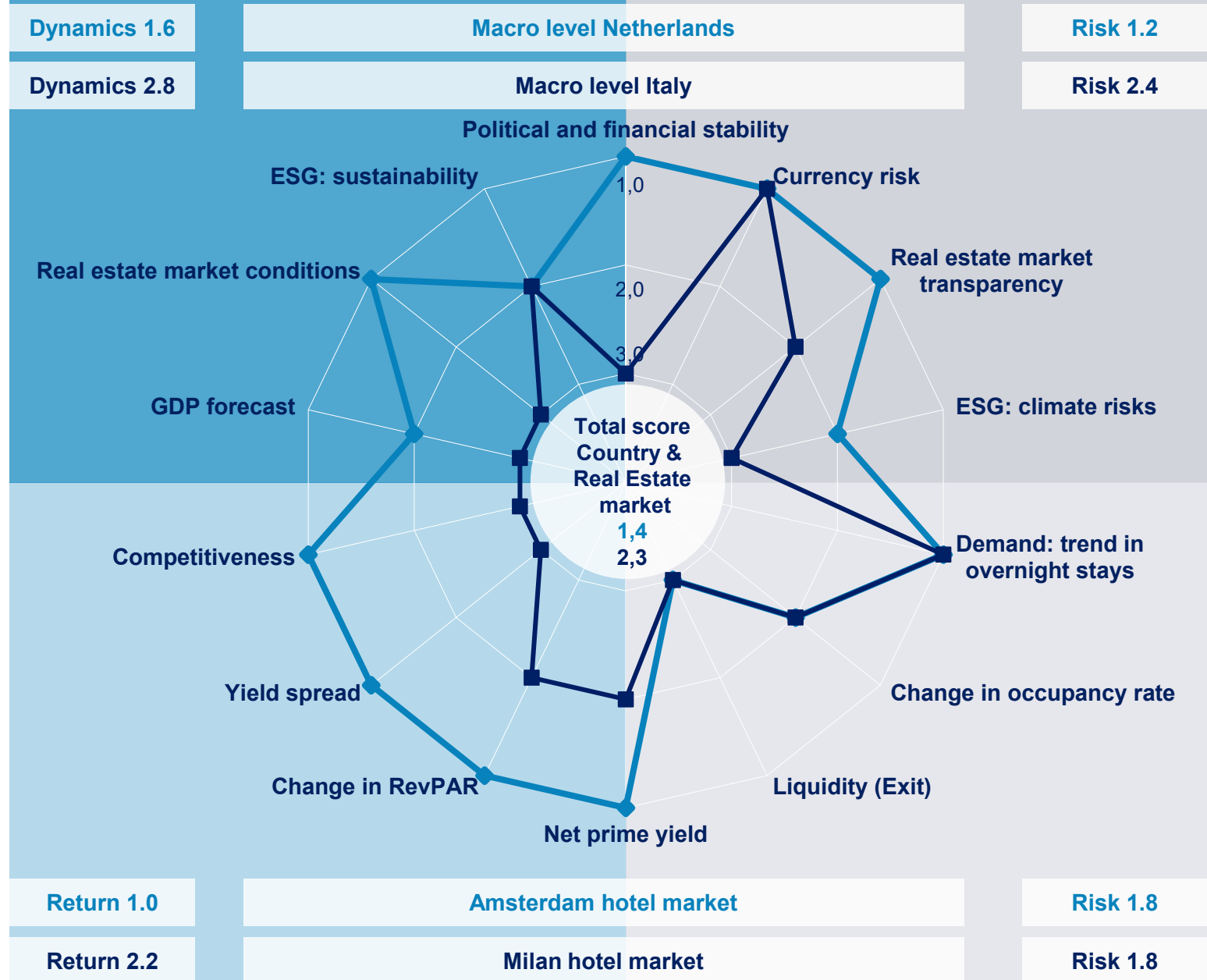
Dublin residential market

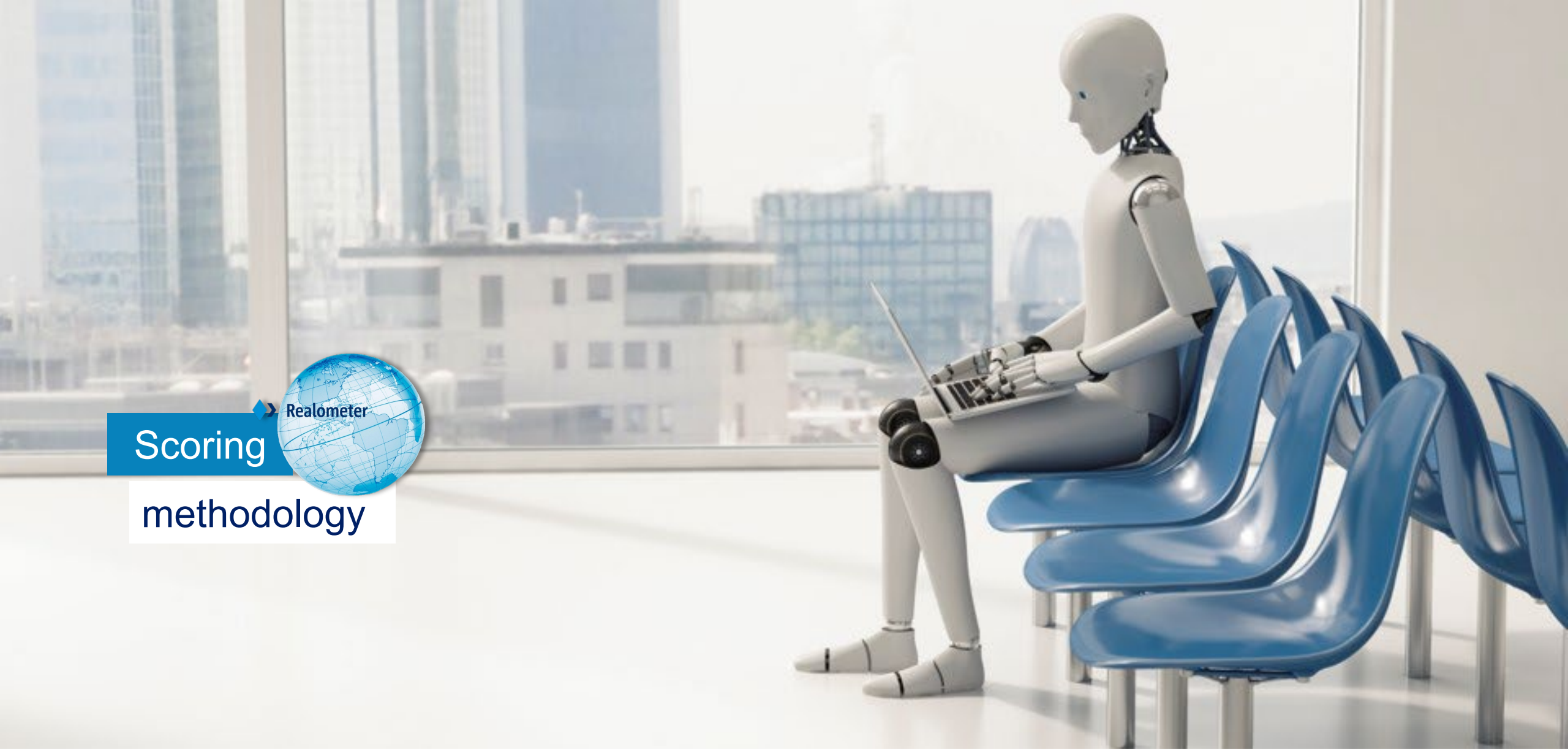
Risk 1.6

Comparison Hotel market Amsterdam vs. Milan

Hotels in Amsterdam have a more balanced profile and offer better investment prospects with lower risks.

- At the macro level, the Netherlands outperforms Italy in most criteria.
- At around 5.5%, Amsterdam offers the highest net hotel yields in the eurozone alongside Brussels and Vienna. Milan achieves 50 basis points less (it should be noted that the data may be distorted due to the low number of transactions).
- According to the classification of the individual criteria, the overall rating is clearly in favour of the Netherlands (1.4 vs. 2.3).





Realometer

Scoring methodology

Realometer scoring methodology: Criteria, weightings and indicators

Macro level (country)

| | Criteria | Weighting | Indicator |
|-----------------|-------------------------------------|-----------|--|
| Dynamics | 1 Competitiveness | 10% | World Competitiveness Center Rankings from IMD (International Institute for Management Development) |
| | 2 GDP forecast | 20% | Average Consensus Economics GDP forecast current year and next year |
| | 3 Real estate market conditions | 10% | Qualitative analysis, e.g. lease contract legislation, ancillary purchase costs |
| | 4 ESG: sustainability | 10% | Sustainability rating of the country based on the Global Sustainability Competitiveness Index by SolAbility |
| Risk | 5 Political and financial stability | 20% | S&P Rating |
| | 6 Currency risk | 10% | Maximum negative change of exchange rates within three years from 1999 to today, daily exchange rate data (rolling time slots) |
| | 7 Real estate market transparency | 10% | JLL Real Estate Transparency Index |
| | 8 ESG: climate risk | 10% | Climate Risk Index based on the World Risk Index of the Ruhr University Bochum, Germany |

Office real estate market (location)

| | Criteria | Weighting | Indicator |
|---------------|------------------------|-----------|---|
| Return | 1 Net prime yield | 10% | Net prime yield (based on most recent data available) |
| | 2 Rental price changes | 30% | Rental price changes in percent, current vs forecast next 4-5 years |
| | 3 Yield spread | 10% | Net prime yield minus 10-year government bond |
| Risk | 5 Size of market | 15% | Office stock (in million sqm) |
| | 6 Vacancy rate | 25% | Vacancy rate in percent (based on most recent data available) |
| | 7 Liquidity (Exit) | 10% | Annual volume of office real estate transactions |

Realometer scoring methodology: Criteria, weightings and indicators

Retail

| | Criteria | Weighting | Indicator |
|--------|------------------------|-----------|---|
| Return | 1 Net prime yield | 10% | Net prime yield (based on most recent data available) |
| | 2 Rental price changes | 30% | Rental price changes in percent, current vs forecast next 4-5 years |
| | 3 Yield spread | 10% | Net prime yield minus 10-year government bond |
| Risk | Private consumption | 25% | Average change in consumer spending in the previous year, the current year and the forecast for the coming year |
| | 6 Share of e-commerce | 15% | Share of e-commerce in aggregate retail spending (based on most recent data available) |
| | 7 Liquidity (Exit) | 10% | Annual volume of retail real estate transactions |

Logistics

| | Criteria | Weighting | Indicator |
|--------|-------------------------------|-----------|---|
| Return | 1 Net prime yield | 10% | Net prime yield (based on most recent data available) |
| | 2 Rental price changes | 30% | Rental price changes in percent, current vs forecast next 4-5 years |
| | 3 Yield spread | 10% | Net prime yield minus 10-year government bond |
| Risk | 5 Logistics Performance Index | 20% | World Bank Logistics Performance Index |
| | 6 Retail Spending | 20% | Average change in retail spending in the previous year, current year and forecast for the coming year |
| | 7 Liquidität (Exit) | 10% | Annual volume of logistics real estate transactions |

Realometer scoring methodology: Criteria, weightings and indicators

Hotel

| | Criteria | Weighting | Indicator |
|--------|------------------------------------|-----------|---|
| Return | 1 Net prime yield | 10% | Net prime yield (based on most recent data available); hotel type of business lease/rental contract (no management contract or hotel building without contractual obligation) |
| | 2 Change in RevPAR | 30% | Change in RevPAR (revenue per available room) in percent, current vs forecast next 4-5 years |
| | 3 Yield spread | 10% | Net prime yield minus 10-year government bond |
| Risk | 5 Demand: trend in overnight stays | 20% | Change in the average number of overnight stays in hotels over the last three years* |
| | 6 Change in occupancy rate | 20% | Change in RevPAR (revenue per available room) in percent, current vs forecast next 4-5 years* |
| | 7 Liquidity (Exit) | 10% | Annual commercial investment volume |
| | | | |

Residential

| | Criteria | Weighting | Indicator |
|--------|---|-----------|--|
| Return | 1 Net prime yield | 10% | Net prime yield (based on most recent data available) |
| | 2 Rental price changes | 30% | Rental price changes in percent, current vs mid-term forecast (5 years) |
| | 3 Yield spread | 10% | Net prime yields minus 10-year government bond |
| Risk | 5 Population growth | 20% | Forecast population growth over the next 5 years |
| | 6 Construction activity vs requirements | 20% | Net growth in number of units in relation to change in number of households over the last five years |
| | 7 Liquidity (Exit) | 10% | Annual volume of institutional real estate transactions on the local housing market |
| | | | |

* Due to the sharp slump in 2020 during the lockdown phases of the coronavirus pandemic and the correspondingly large percentage changes in the following year or years, the analysis of annual rates of change may not be meaningful. Other meaningful key figures are then determined, e.g. reference is made to the level before the pandemic.

Contact

If you have any questions, please do not hesitate to contact us

Marco Kramer

Head of Research &
Investment Strategy
Tel. +49 89 489 082 130
marco.kramer@realisag.de

Luca Gudewill

Director Research &
Investment Strategy
Tel. +49 89 489 082 440
luca.gudewill@realisag.de

Sven Scherbetitsch

Director Research &
Investment Strategy
Tel. +49 89 489 082 132
sven.scherbetitsch@realisag.de

Julian Truxa

Director Research &
Investment Strategy
Tel. +49 89 489 082 167
julian.truxa@realisag.de

Disclaimer

Emphasis has been placed on ensuring that the information presented in this document is accurate and up to date. Despite all the care taken in preparing this document, Real I.S. (Real I.S. AG and Real I.S. Investment GmbH) cannot accept any liability or guarantee that the information provided here is up to date, correct and complete. Real I.S. is unable to do so because, for example, the data used may have changed in the meantime. This exclusion does not apply if Real I.S. acted with intent or gross negligence, or if it involves death, bodily injury or damage to health. Past performance is no guarantee of future results. Only prospectus and subscription documentation, such as the sales prospectus, investment memorandum, general or special investment terms and conditions and the tripartite agreement, are deemed to be legally binding documents. The information provided in this document does not constitute an offer, an invitation to subscribe to or purchase financial instruments, nor a recommendation to purchase them. The information is not intended to form the basis of any contractual or other obligation, nor is it a substitute for legal and/or tax advice or investment advice. Moreover, Real I.S. reserves the right to make changes or additions to the information provided. The content and structure of the presentation are protected under copyright law. The reproduction of information or data, especially the use of texts, text excerpts or image material, is only permitted if the source is cited and prior written approval has been obtained from Real I.S.