

Prime Residential Market Report Germany

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Introduction

Prime Residential Real Estate in Germany

Germany is the largest European economy and by far the largest residential buy-to-let investment market in Europe. A safe and stable haven for global capital, Germany offers investors a solid economic and political environment that is highly attractive to both domestic and international buyers. Over the past years, we have witnessed an increasing demand from national and international investors in German residential properties. They are being attracted by the secular trends of urbanization, a stable economic environment and a well-established residential market serving owners and tenants.

This brochure introduces residential investment in Germany with a focus on the high-quality apartment sector. JLL is one of the world's leading real estate service companies with over 40 years of experience in Germany and today has nine offices covering all major German markets. Our full-service real estate offering is unrivalled in Germany. We hope you enjoy this in-depth residential market report.



Dr. Konstantin Kortmann
Head of Residential Investment Germany, JLL



Offering long-term financial security and capital gain, Germany continues to be one of the top choices of where to invest global capital. "Made in Germany" has been recognized for decades as a seal of quality. Still valid today, buyers expect a certain type of quality – not only in goods but also in investments.

Zabel Property AG is a German real estate firm with headquarters in Berlin and a focus on selling high-end residential properties in the top urban cities of Germany. With over 20 years of experience in the residential real estate market, we deal with clients from all corners of the globe in catering equally to the demands of both the substantial investor as well as discerning individuals looking for high-end living possibilities in Germany's top real estate markets.



Thomas Zabel
CEO, Zabel Property AG

Overview of Germany

Germany has the strongest economy in Europe and one of the largest worldwide. It plays a leading role in the European Union (EU) and benefits from the customs duty exemptions that membership provides. This membership allows Germany to take advantage of free trade between the community's 28 member states. Germany accounts for 20% of Europe's GDP (EU-28) and is home to 16% of the total European Union population. The German economy is both highly industrialised and diversified – with an equal focus on services and production.

Germany's capital city is Berlin, however as a Federal Republic Germany has sixteen "Bundesländer" (federal states) with each having its own state legislature, political institutions and administration. The federal structure ensures the division of authority between the Federal Government and the "Länder". For this reason there are some differences between the administrative/legislative protocols of the Länder, such as Building Codes or certain tax levels. From an economic perspective, the federal structure, along with the variety of conditions found across the German regions and cities, presents investors with a range of opportunities.

German manufacturing is internationally renowned for its quality and leading-edge design and technology. German chemical, automotive, and machinery & equipment manufacturing industries are globally recognised. Germany's main trading partners include European countries such as France, the UK,

Italy, and the Netherlands, as well as international markets such as the United States, China and Russia.

'Made in Germany' is a synonym for quality. This reputation has been built on the consistent innovation shown by German companies, making them global leaders in the development of new technologies. German dominance in the development of new technologies continues to this day; in 2014 Germany had twice as many patents approved as France and Great Britain combined.

Germany is the leading global force in high-tech solutions with German engineering a globally demanded commodity. This dominance looks set to continue: 11% of all university graduates have an engineering degree.

Environmental research and technologies are also areas in which Germany will continue to lead. Germany's position as a global pioneer in developing renewable and environmental technologies is a trend that looks set to continue.

Germany places strong emphasis on environmental sustainability and encourages large companies to take part in "corporate sustainability" for a healthy world. National targets aim to reduce CO2 emissions by 80% to 60% in 2050.



Germany: 10 Sources of Competitive Advantage

The variety of opportunities and competitive occupational costs make Germany an excellent destination for investment.

- 1 Germany has the highest GDP and largest population in Europe, with four cities having a population of greater than 1 million.
- 2 Premium infrastructure. Germany is Europe's number one logistics market. An excellent transportation and communications network assures just-in-time delivery.
- 3 Germany has nine major international airports: Frankfurt/M, Munich, Düsseldorf, Berlin, Hamburg, Cologne, Leipzig, Hannover and Stuttgart.
- 4 Germany has highly developed economic and political legislation, providing the legal framework required to protect investments.
- 5 Germany, based on a 2014 survey of more than 20,000 people in 20 countries, is the world's most popular country.
- 6 Economic diversity. Manufacturing and the provision of services provide two distinct, yet complementary, grounds that anchor the strong and stable German economy. The manufacturing sector is one of the largest and strongest in the world. Small and medium-sized enterprises (SME) are also an important part of the German economy, with almost 60% of all employees working in SMEs.
- 7 Germany is one of the top three global exporters (alongside China and the US). This supply-side strength is one of the main drivers in making Germany one of the leading destinations for international investors.
- 8 Germany has one of the lowest unemployment rates in Europe and worldwide. Alongside this, Germany benefits from an excellent standard of workforce, due to the quality of education and vocational training available.
- 9 The renewable energy sector in Germany is the most innovative and successful in the world.
- 10 Liquid Markets. Owing to Germany's federal structure, it has many strong cities; this variety brings with it opportunities for diversification (there are 70 cities with more than 100,000 inhabitants).

Investment and development prospects, 2016

Rank	City	Country
1	Berlin	Germany
2	Hamburg	Germany
3	Dublin	Ireland
4	Madrid	Spain
5	Copenhagen	Denmark
6	Birmingham	United Kingdom
7	Lisbon	Portugal
8	Milan	Italy
9	Amsterdam	Netherlands
10	Munich	Germany

Source: pwc, ULI: Emerging Trends in Real Estate®, Beyond the capital, Europe 2016

Legal Overview

In cooperation with



Facts About Real Estate Ownership in Germany

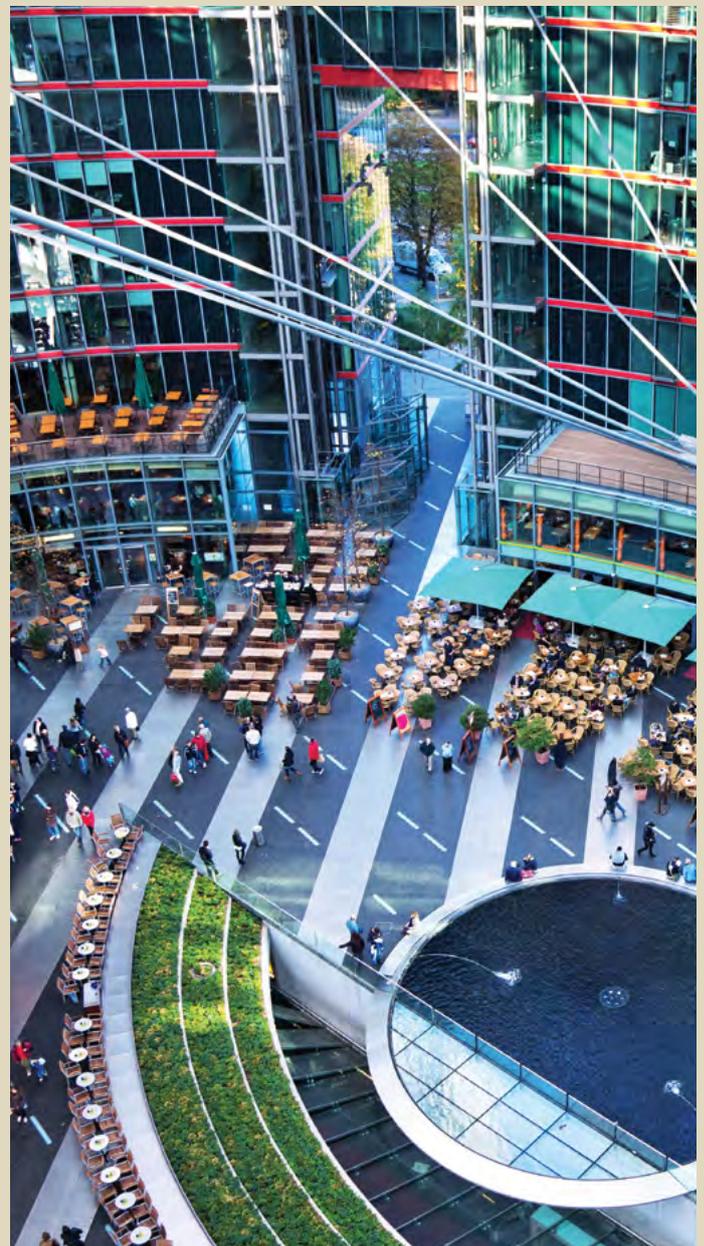
Full freehold title is the most common form of real estate ownership, including condominium ownership (Wohnungseigentum). Renting has historically been common in Germany, with one of world's lowest home ownership rates.

The notary as a public institution serves an important function in the German legal system. In Germany, contracts by which a party undertakes to sell or buy real estate must be notarized. This requirement of a notarial deed applies to property purchase agreements as well as property development agreements. The notarization means that the contract is read out in full by the notary in the presence of the contracting parties (or their representative). This shall protect the parties from the far-reaching consequences of hasty transactions and shall ensure full knowledge of the contract. Following the reading by the notary, the contract is then signed by the parties.

Although the notaries shall be neutral and point out certain legal risks, they do not review the documents the contract refers to or investigate the intentions of the parties and consult on legal or tax matters. Doing so would contradict the notary's neutrality. By contrast, the purchaser's lawyer exclusively represents the purchaser's interests when reviewing the purchase agreements.

Ownership in real estate is not transferred upon conclusion of the notarized agreement, but only passes to the purchaser by registration of the new owner in the land register. As this registration in the land register takes some time, the rights of the purchaser shall be protected during this period by the entry of a so-called priority notice in the land register.

Condominium ownership consists of a share in the commonhold property (Gemeinschaftseigentum), for example, hallways, building structures and special (individual) ownership of the respective unit (Sondereigentum). The distinction between the areas held in commonhold property and the areas held in individual ownership as well as the relation between the owners is established by a contract called the declaration of division, which is also a notarized document.



German Tenancy Law

If an apartment let to a tenant is sold, the new owner automatically becomes the landlord, i.e. a change in ownership does not terminate the lease. All prior agreements remain in force, but between the new owner and the existing tenant. As a general rule, an amendment to the rental agreement is only possible by common consent, i.e. if the tenant and the landlord reach an agreement.

In general, residential rental contracts tend to be entered into for an unlimited period of time, and therefore the rent needs to be adjusted from time to time. If the rental agreement does not provide for such an adjustment (also known as graduated rent), the owner may demand an increase in rent if the following conditions are met:

1. the last increase in rent was at least 15 months ago; and
2. the new rent is not above the local reference rent, which is generally based on the official index of rent prices, i.e. the "Rental Index" (Mietspiegel), which determines the reference rent on the basis of location, age, size and fixtures and fittings of the apartment in each city; and
3. the rent does not increase in total by more than 20% within 3 years (in some metropolitan areas, like Berlin and Frankfurt, 15%).

If these conditions are met, the tenant is obliged to consent to the increase in rent. If the tenant does not, the landlord may sue to obtain consent.

Germany has one of world's lowest home ownership rates and renting has historically been common.

The Rights of Termination

Landlord's rights of termination of apartment contracts are not equal with those of the tenant (who may terminate for convenience). The landlord may only give notice of termination for apartment contracts for (good) cause. Such cause may be, for example, that

- the landlord or a member of his or her close family is going to live in the apartment; or
- the tenant is in material breach of his or her contractual obligations.

The notice period must always be respected in the case of an ordinary termination. Under German law, this is at least 3 months, rising to 6 months after a rental relationship of 5 years and then to 9 months after a rental relationship of 8 years, in each case to the end of the month. Other notice periods are sometimes found in the rental agreement, in which case the longer notice period applies.



Key Tax Issues

In cooperation with



Real Estate Tax

German property is subject to a real estate tax (Grundsteuer), levied annually. The tax base is the 'assessed value' (Einheitswert). The tax depends on several factors including location, size and use. It also depends on the German State (Bundesland) in which the property is located. The owner pays it directly to the tax authority, but under most rental contracts it can be recovered from the tenant. Typically, for a 1-bedroom apartment in Berlin the tax will be around €100-250 per year, which is comparatively low to other countries.

Income Tax

The current profit made by individuals with rental income is taxed as ordinary income. It is subject to the progressive income tax rate. Interest on bank loans provided to finance real estate, expenses and property related costs (e.g. management fees, insurance, legal fees, etc.) can be deducted from the profit, the taxable rental income. Also depreciation of 2% per year (2.5% for properties built before 1925) can be deducted from the profit. The income tax rate itself is progressive from 14-42%.

As a result of the various deductions, the taxable income from an apartment is usually low. A legal or tax advisor can calculate the approximate taxes for a specific project based on the expected costs and income.

The profits from the sale of properties held as private assets (held by a private person, which has sold less than 3 properties in the last 5 years) are currently exempted from tax if the property was owned for over 10 years. Special exemptions apply if the apartment was used by the owners themselves. If none of these tax exemptions apply, the profit from the sale is taxable like ongoing income.

This tax exemption is only applicable for privately owned and sold properties, not for those sold by commercial companies such as a GmbH.

Capital Gains Tax

Capital Gains Tax only plays a role with respect to shares in a legal entity such as a limited liability company (usually GmbH or UG). The taxation follows a different pattern than with individuals. Generally the taxation occurs on two levels:

- a. the company pays 15.83% income tax (Körperschaftsteuer); commercial tax can be avoided if the company is only holding real estate;
- b. the profits paid to a shareholder is taxed with capital gains tax (26.375%) paid by the company. Depending on the respective double taxation treaty and the individual income situation, an application for a reduced tax rate may be possible.

Real Estate Transfer Tax

The transfer of property in Germany is subject to a transfer tax (Grunderwerbsteuer). This differs from state to state. The percentage varies between the German states ranging between 3.5% (Bavaria, Saxony) and 6.5% (Schleswig-Holstein). In Berlin it is currently 6.0% of the purchase price, as it is in Frankfurt (Hesse). There are exemptions for the transfer within family.

Before purchasing a property in Germany professional legal and tax advice is highly recommended.



City Focus: Berlin

The Capital of Germany

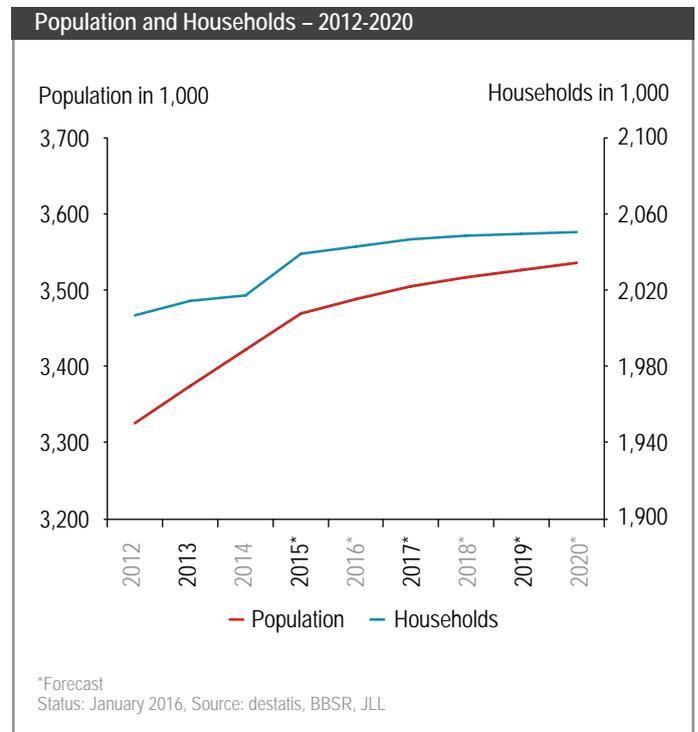
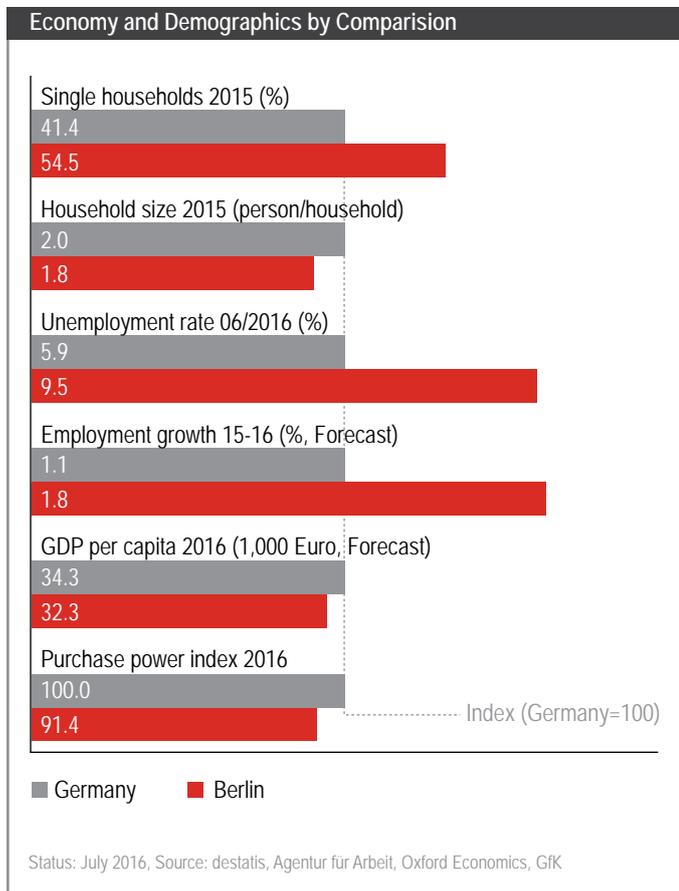


Berlin is the capital city of Germany and the seat of the German government. It is also the largest city in Germany with a population of 3.4 million. The wider Metropolitan Region Brandenburg/Berlin is home to roughly 5.9 million inhabitants. Berlin is also a growing city with a forecasted population growth of 3.0% per year until 2030 (from 2014).

The capital has one of the most modern traffic and transport infrastructure networks in Europe, with long-distance and regional trains as well as the international airport offering comprehensive transport options. The city's geographical location enables Berlin to serve as an important and attractive

trade fair location for central and eastern European countries. Berlin is also a competitive business location. Its highly qualified workforce and excellent universities provide a major reason for companies to locate here.

Berlin is consistently well placed in location rankings and continues to offer a high quality of life. The most important companies headquartered in Berlin include Deutsche Bahn, Siemens, Mercedes Benz, Deutsche Telekom, Zalando and Axel Springer. Berlin is a growing city and offers an attractive environment for business, living and retail.





Rise in Suburbanisation Offset by Inward Migration

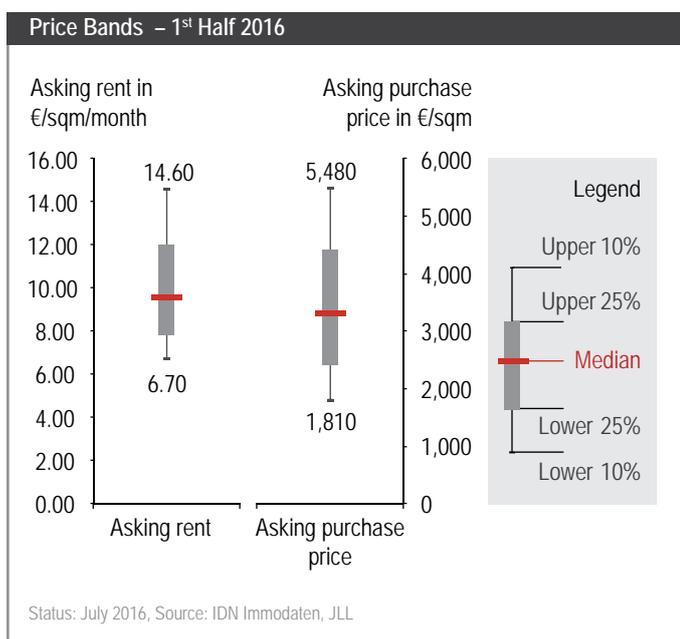
The population trends of previous years continued in 2015. Berlin's population grew by around 47,000. A rise in the number of births and the positive natural balance of the population now accounts for one eighth of this figure. As a result of the inward migration of younger people into the capital, there is an increase in the number of families being established. At the same time, net migration, and particularly inward migration from abroad, is fundamental to the current demographic trends.

For young people in Germany, Berlin remains a dream destination and therefore net migration is particularly positive compared to other federal states. Once again, in 2015, outward migration due to suburbanisation will be more than offset by inward migration from abroad. Over 60% of the population growth is due to inward migration from other European countries.

Current residential projects targeted at the higher end of the market should be easily absorbed, given the rising number of international buyers in the Berlin market.

Only a Slight Increase in the Number of New Building Permits

Building permits were granted for almost 18,000 new residential units in 2015. Although the number of completions is less than half of this figure at 8,700, this is expected to rise significantly over the next few years. In terms of the number of building permits granted, this increased slightly between January and May 2016 and a further minimum rise is likely by the end of the year. However, there is still no evidence that the threshold of 20,000 residential units, which is identified as the minimum number required to meet current requirements, will be reached. The slow-down in growth in terms of the number of building permits being granted is due to a bottleneck in the processing of applications by the local authorities and to the continued shortage of building land, evident from the recent rise in land prices in the capital. In order to alleviate the housing shortage, Berlin's public housing companies are aiming to build around 54,000 new residential units by 2026. It is expected that housing policy will continue to be a major influence on the housing market. In addition to the construction of new condominiums, investors will turn their attention to less regulated housing forms such as student residences and serviced apartments.

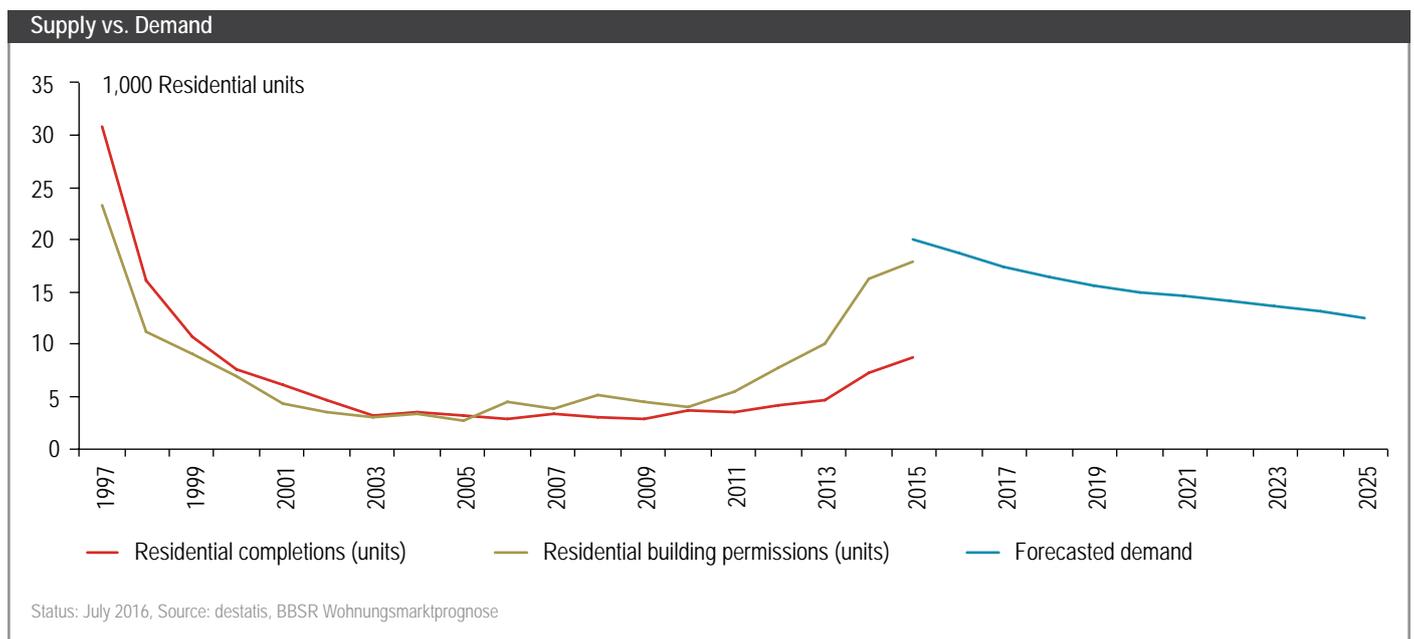


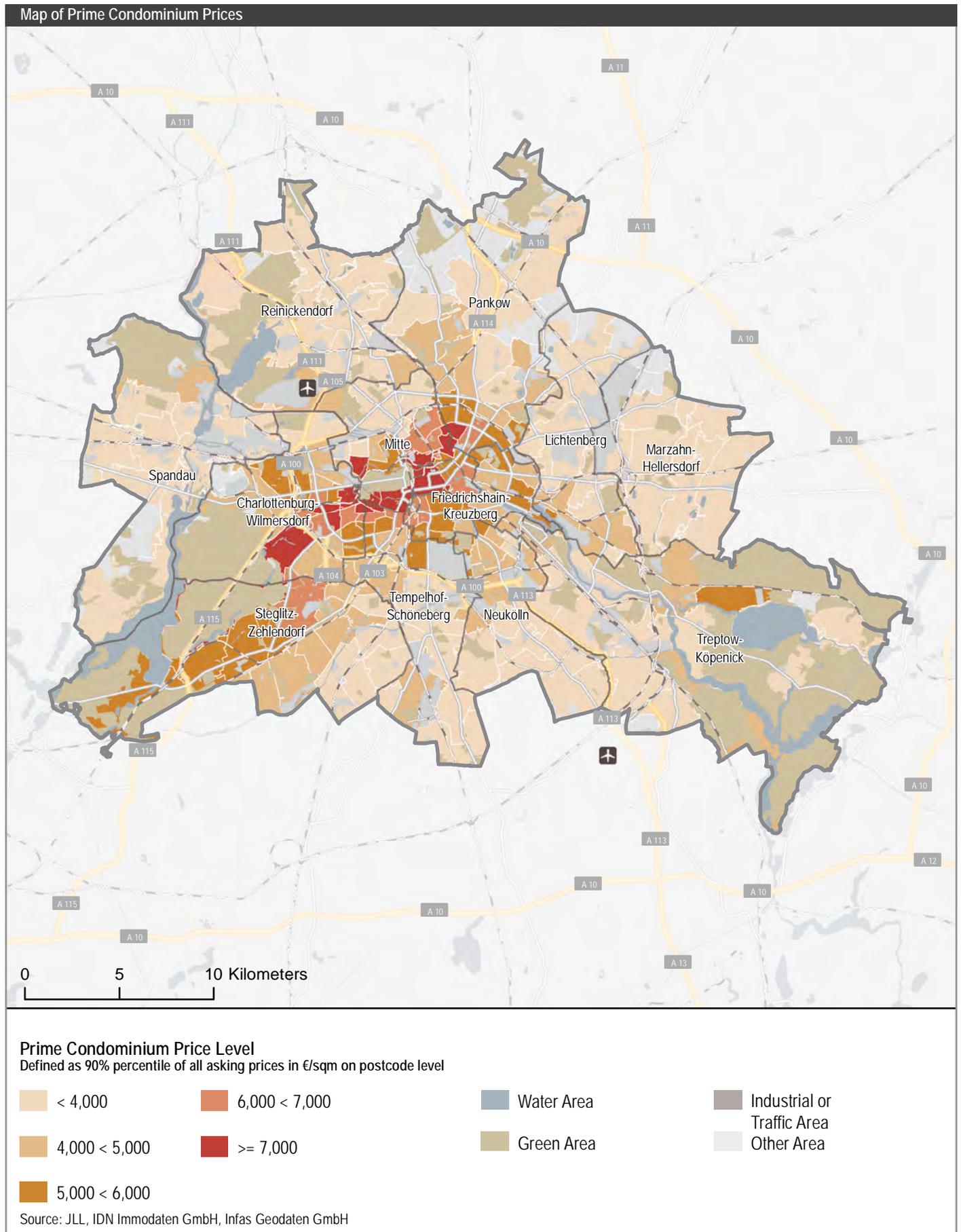
Berlin is among the top three European cities and the most frequently visited city in Germany.

Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
Mitte	203,800	59.9	18.30	6,830
Friedrichshain-Kreuzberg	164,400	62.9	16.65	5,240
Pankow	234,600	60.3	14.50	5,130
Charlottenburg-Wilmersdorf	186,400	58.0	16.10	6,290
Spandau	131,100	53.7	9.35	3,320
Steglitz-Zehlendorf	159,000	52.3	13.15	5,240
Tempelhof-Schöneberg	182,500	50.8	13.05	4,960
Neukölln	169,400	53.4	13.40	4,270
Treptow-Köpenick	138,300	48.0	11.80	4,480
Marzahn-Hellersdorf	134,700	43.4	9.50	3,110
Lichtenberg	160,600	56.0	11.70	3,760
Reinickendorf	133,400	46.9	10.50	3,030
Berlin total	1,998,300	54.5	14.60	5,480

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices





Berlin has witnessed the highest employment growth of all Big 7 cities in 2016.

Rental Housing Market in Berlin

At 5.5%, the first half of the year saw one of the strongest rental growth rates in a six-month period, second only to 2011; however, it must be considered that new-build apartments are a key driver at the moment. Since 2004, the average growth rate for asking rents in Berlin has been around 2.0% per half-year, or 3.9% per year. The increase in rents since then has been 59% or €3.55/sqm/month.

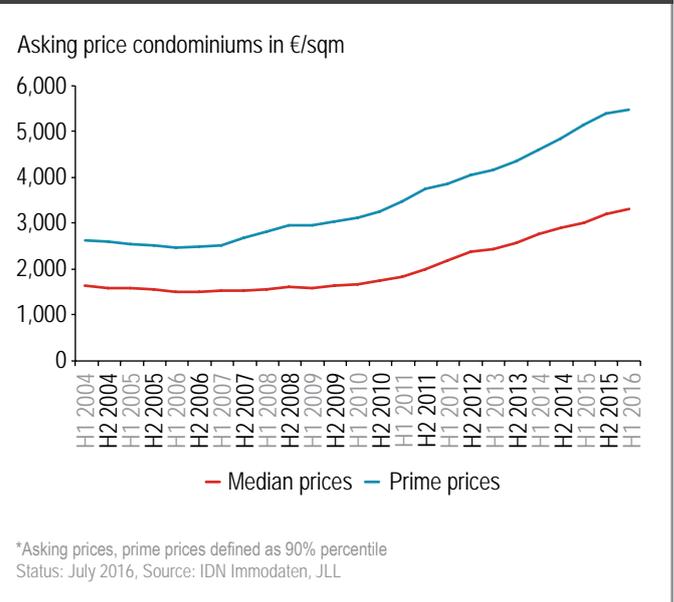
Given the attractiveness of Berlin, also as a business location, demand will remain high. Furthermore, given that most new-building activity is in the high-priced residential segment, this situation is not expected to ease.

Within the S-Bahn [urban railway] ring, it is the current trendy locations such as Friedrichshain, Kreuzberg, Neukölln and Wedding which are seeing the highest rent increases; Charlottenburg-Wilmersdorf is also one of the districts witnessing high rent increases. In the established locations in Mitte and Prenzlauer Berg, which generally record the highest prices, rents are also increasing more sharply than in previous half-years. Across the city, good locations and the high-end segment are seeing above average price increases.

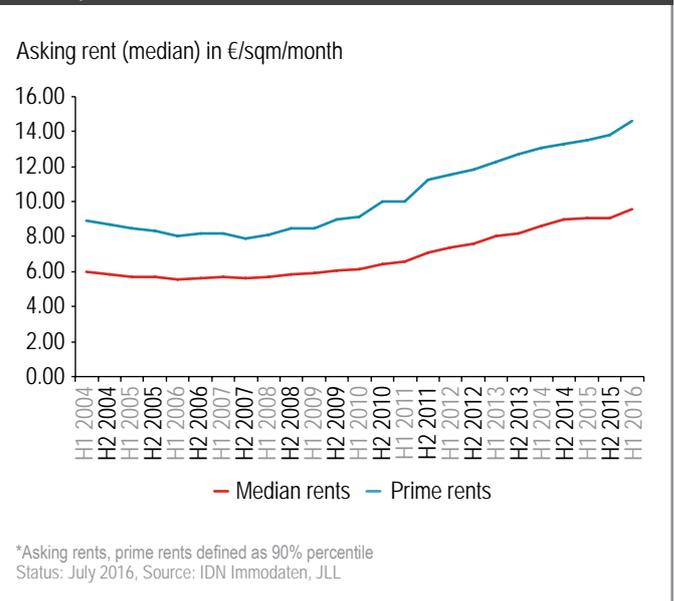
Condominium Market in Berlin

In the first half of 2016, asking prices for condominiums increased by around 3.8% compared to the second half of 2015. However, this rise is only half the average growth rate recorded since the start of the upswing in 2010. Since then, prices have risen at an average of almost 6% per half-year. In effect, prices for condominiums in Berlin have more than doubled or have increased by almost €1,700/sqm.

Development of Median and Prime Condo Prices*



Development of Median and Prime Rents*



City Focus: Cologne

Germany's Media Hub



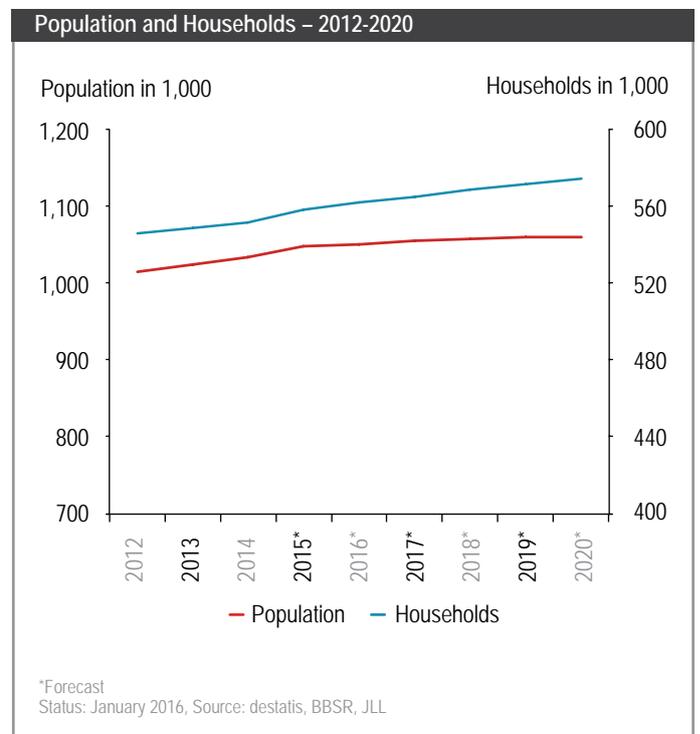
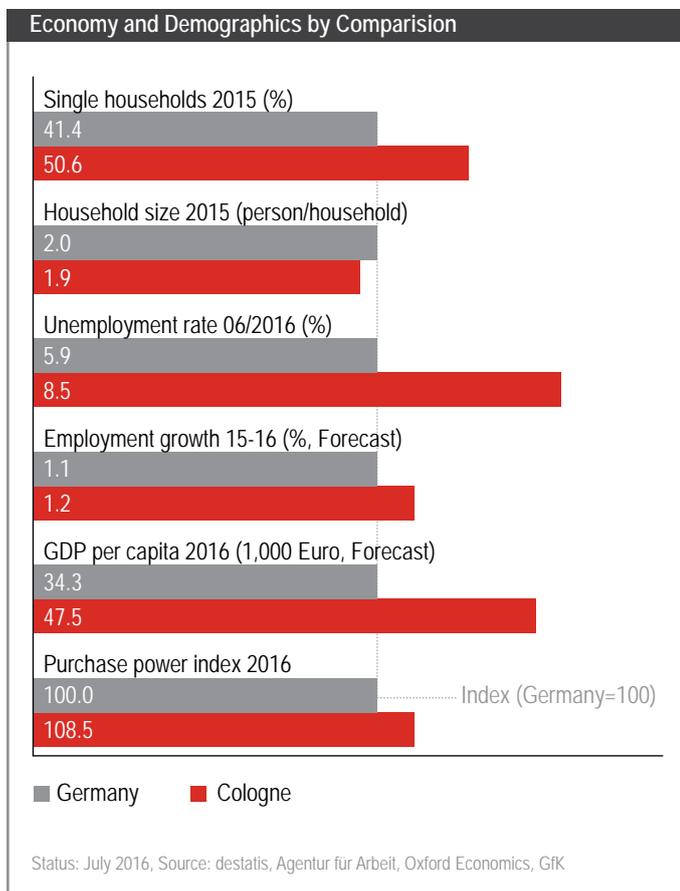
Cologne, with one million inhabitants, is Germany's fourth largest city (after Berlin, Hamburg and Munich) and North Rhine Westphalia's largest city. The wider Rhine-Ruhr Metropolitan Region comprises more than 10 million inhabitants. Cologne is a growing city with a forecast population growth of around 1% per year until 2030 (from 2014).

Cologne benefits greatly from its central location and accessibility to the markets of Central and Western Europe. Cologne has a long tradition as an axis of trade and as such attracts a wide variety of tenants from across the business spectrum. Leading enterprises from the industrial, automotive,

media, chemical, pharmaceutical and engineering sectors are located in Cologne.

Because of its centrality and accessibility, Cologne is a successful European economic and globalised area attracting large companies including Ford, Bayer, Stadtwerke Köln, Rewe, AXA and RWE Power. Cologne plays host to a number of TV stations, record labels and publishing houses underlining the importance the city places on the media and creative industries in Germany.

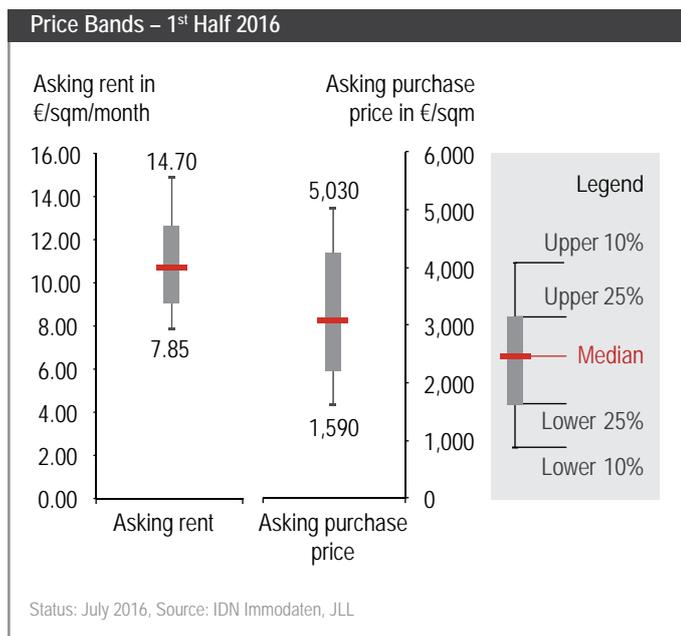
Cologne is also a transportation hub benefiting from excellent infrastructure.





Record Year for Population Growth

Cologne registered a new population growth record in 2015. At over 15,000, this is the biggest increase in the city's population in over 50 years, taking it to around 1,069 million by the end of the year. According to initial estimates by the state of North Rhine-Westphalia, the population is expected to reach 1,190 million by 2030. Thus, the ongoing rise in demand in the housing market will continue. The City also estimates that there will be around 60,000 new households by 2030. Understanding the make-up of this inward migration is also important in order to estimate future demand. As in other major cities, Cologne has been increasingly exposed to international migratory tendencies. In 2015, students and young professionals, an increasing number of whom are coming from abroad, remain an important source of demand in the city's housing market. Even the high-priced and luxury residential sector in exclusive city locations will continue to attract the wealthier segments of the population in the future – after all, city life still appeals to a wide range of income classes.



6,000 New Homes Required Every Year

The increase in construction activity in Cologne over the past few years is a step in the right direction, but will still be far from sufficient to satisfy requirements. In 2015, the target of the City's residential urban development plan, which anticipates an annual requirement of 3,900 new homes, was achieved for the first time. However, given the growth in population and households over the past few years, this assumption appears to be too low. The City of Cologne is now estimating a requirement for around 6,000 additional new homes per annum, a total of 30,000 units by 2019. This is expected to drop to below 4,000 again over the next ten years. In a survey of potential land, the City has identified development sites for around 49,000 new homes, which means that there is sufficient land available. Nevertheless, it can often take a long time to develop this land, which is often privately held. Despite this, the City of Cologne is in a better position than other major cities due, in part, to the extensive annexation of municipalities in the 1970s. However, there is room for improvement in terms of links with surrounding communities, as a wide range of residential properties across the region would also improve Cologne's attractiveness.

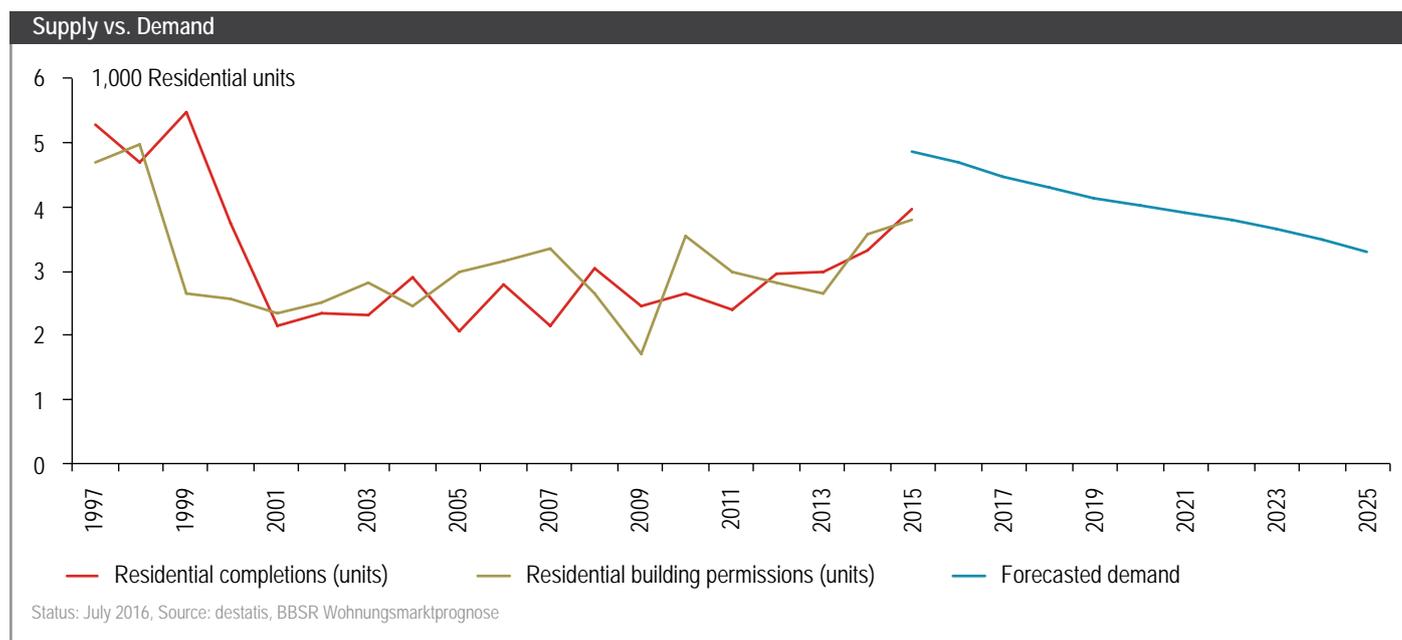


Cologne, as a gate to Central and Western Europe, has witnessed the highest population growth in over 50 years.

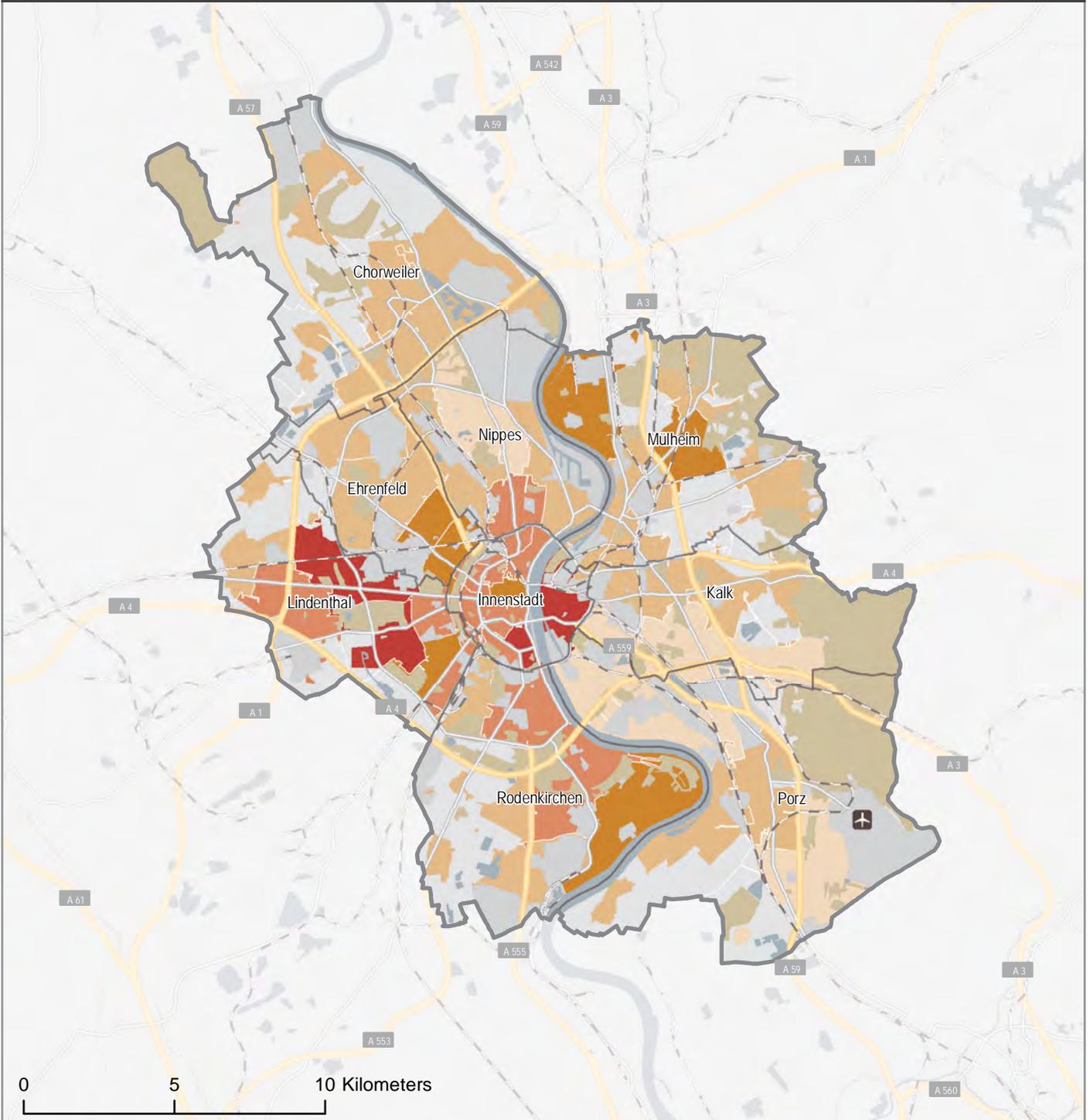
Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
Innenstadt	82,258	67.4	20.25	5,930
Rodenkirchen	53,228	47.2	14.65	5,300
Lindenthal	80,992	53.6	14.40	5,520
Ehrenfeld	58,099	54.1	15.70	4,630
Nippes	60,636	51.4	13.50	4,740
Chorweiler	35,704	32.9	10.45	3,090
Porz	53,529	41.1	11.00	3,150
Kalk	57,891	45.8	11.60	3,150
Mülheim	74,753	47.0	12.20	3,700
Cologne total	557,090	50.6	14.70	5,030

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices

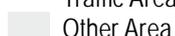


Map of Prime Condominium Prices



Prime Condominium Price Level

Defined as 90% percentile of all asking prices in €/sqm on postcode level

 < 3,000	 5,000 < 6,000	 Water Area	 Industrial or Traffic Area
 3,000 < 4,000	 >= 6,000	 Green Area	 Other Area
 4,000 < 5,000			

Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH

The condominium prices in Cologne have been growing continuously for the last 5 years.

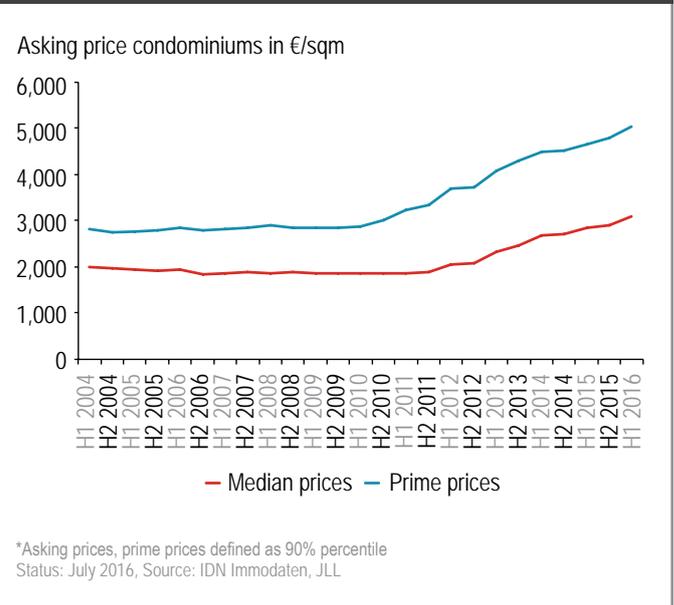
Rental Housing Market in Cologne

With a rise of 5.5%, the first half of 2016 saw the highest growth over any six-month period since records began in 2004. Looking at the entire period under review, average asking rents have grown by 1.6% per year since 2004. Since 2012, they have risen by 2.4% per year, increasing by 5.0% only in 2012 and 2013. It remains to be seen whether the residential rental market will achieve a new record with another above average increase in the second half of the year, or whether it will return to the more moderate growth trends of the past two years. A reduction in net migration could result in less of a rise, but the rental market would still remain tight due to the fact that housing construction continues to lag behind demand. On this basis, an above average rise in rents is likely.

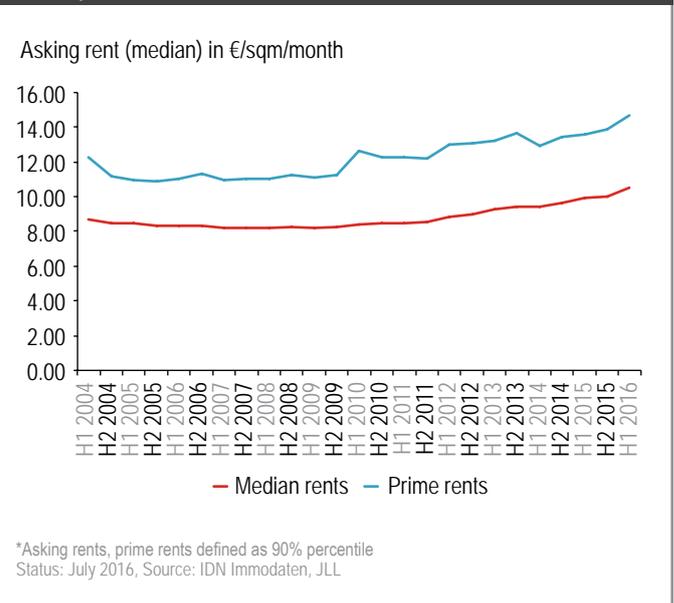
Condominium Market in Cologne

The first half of 2016 exceeded the three previous half-year periods with a rise of 6.5%, approaching the high growth rates observed in 2012 and 2013. Given the relative lack of movement in prices between 2004 and 2011, prices have risen by an average of 3.6% per annum, or more than a half, since records began in 2004. It remains to be seen whether the high price increases of the first half of the year will continue into the second, setting off a new phase of price increases. Although the expansion of construction activity and the supply of condominiums suggest otherwise, factors which could contribute to further price increases include the good financing conditions and attractiveness of the city, which is appealing to an increasing number of international purchasers.

Development of Median and Prime Condo Prices*



Development of Median and Prime Rents*



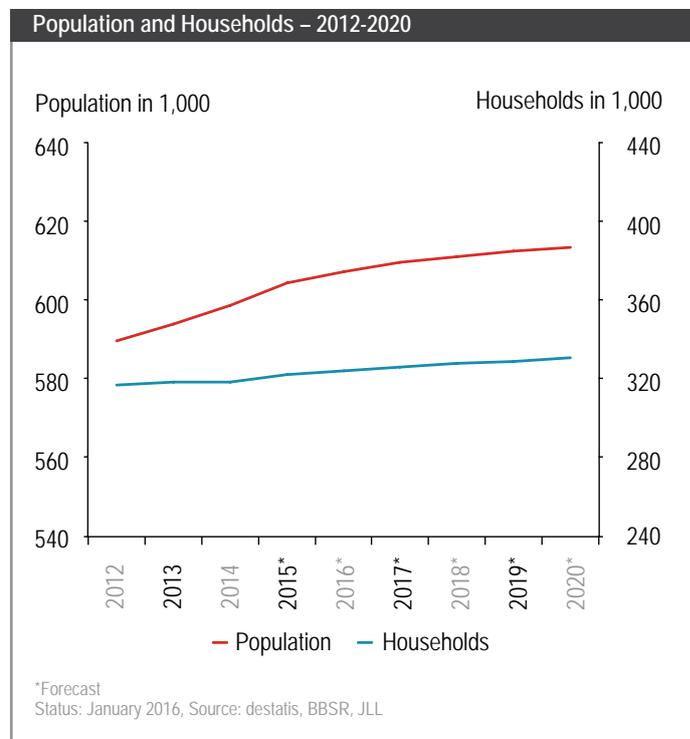
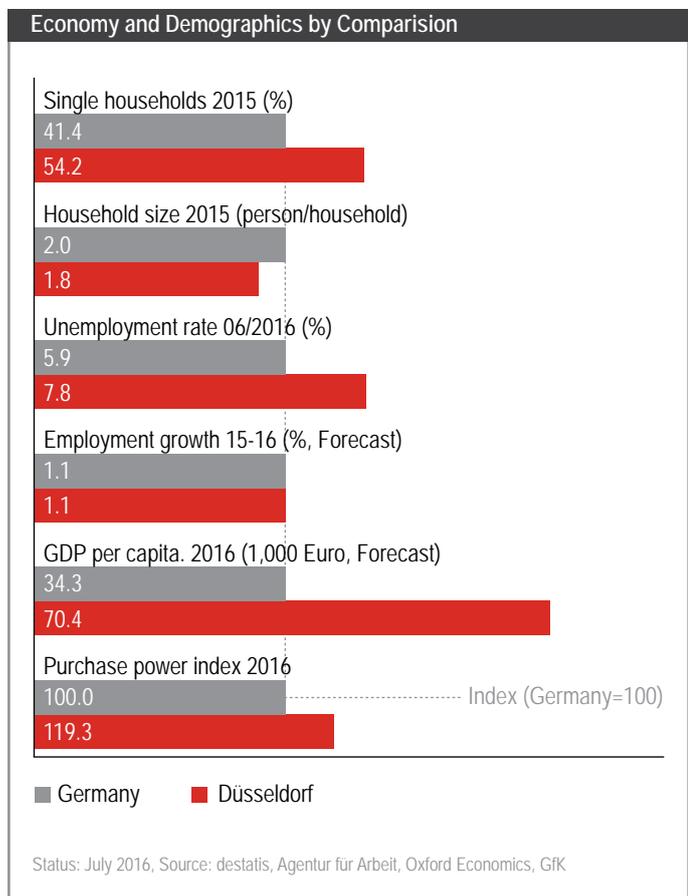
City Focus: Düsseldorf

One of the Most Dynamic and Influential Business Locations



With 601,000 inhabitants and a further 11.6 million inhabitants located within one hour's drive, Düsseldorf is one of the most dynamic and influential business locations in Germany. Düsseldorf is also a growing city, with a forecasted population growth of 2% per year until 2030 (from 2014). It is also one of the most important German commercial centres, playing a leading role in exporting goods from Germany to foreign trade partners. Due to this strong track record in exporting goods, Düsseldorf has attracted internationally oriented service providers such as banks, insurers, logisticians, media experts and tax consultants. The largest companies include Metro, C&A Fashion, Henkel, Rheinmetall, Vodafone and Demag Cranes.

Furthermore, many international businesses are represented in Düsseldorf such as Fujifilm (Japan), HSBC (UK), L'Oreal (France), TATA Steel (India), Huawei (China) and Statkraft (Norway). Due to this, 40 consulates and 33 foreign chambers of commerce are also based here. Düsseldorf is the state capital of the region North Rhine-Westphalia and is home to all ministries of the provincial government.



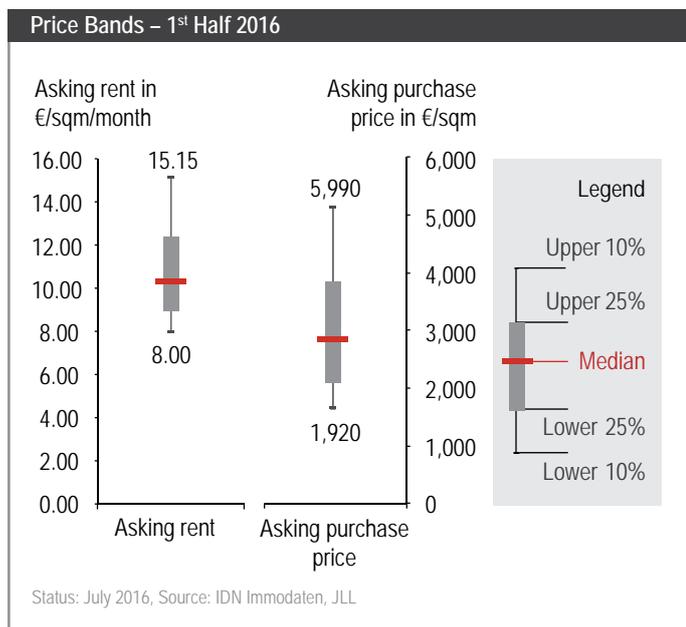


Rate of Population Increase Has Doubled Since 2012

Düsseldorf has registered faster population growth every year since 2012. Whilst the population grew by around 0.7% in 2012, the rate of growth had already reached around 1.3% in 2015. Most of this growth has been due to positive net migration. Düsseldorf is a popular place to live and work for young professionals and students. The increased outflow of young families to the suburbs continued in 2015 as a result of rising rents and purchase prices, but for the time being this will be largely offset by even higher inward migration. According to population forecasts by the State of North Rhine-Westphalia, the population in Düsseldorf is expected to grow by around 12% or 73,000 inhabitants by 2040. This equates to average annual growth of around 2,900 people or 0.5% per annum. Whilst initial growth rates are in the order of 0.8% (4,800 people), this is expected to reduce as of 2032 to 0.2% per annum (2,500 people). Therefore, a significant reduction in inward migration in Düsseldorf can be anticipated. Nonetheless, the current net migration figure of around 8,600 people in 2015 is almost double the forecast, which would suggest that the forecast is based on a very conservative scenario and at the lower end of the range of possible trends.

Requirement for at Least 3,000 New Homes Every Year

Population growth in 2015 alone has generated additional demand for an estimated > 5,000 new homes. However, the construction of new units is less than half of this figure, with an average of 1,500 constructed every year over the past five years. Moreover, housing construction has never exceeded 2,800 units a year since the 1990s. This clearly demonstrates the major challenges faced by the housing market in Düsseldorf. The forecast from the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), which calculates the requirement for new homes at around 1,700 in 2016, is clearly too low given the current situation. Even if population growth slows, the demographic trends of the past few years would suggest that at least 3,000 new homes must be constructed every year to meet demand. In addition to the volume of building activity, prices for new-build apartments are no longer affordable for most new arrivals, and therefore the City of Düsseldorf has developed the 'Düsseldorf Model' in its efforts to address the housing issue. Under this model, when fresh planning permission is obtained for a development project, 40% of the homes must be designated as social (20-30%) and affordable housing (10-20%).

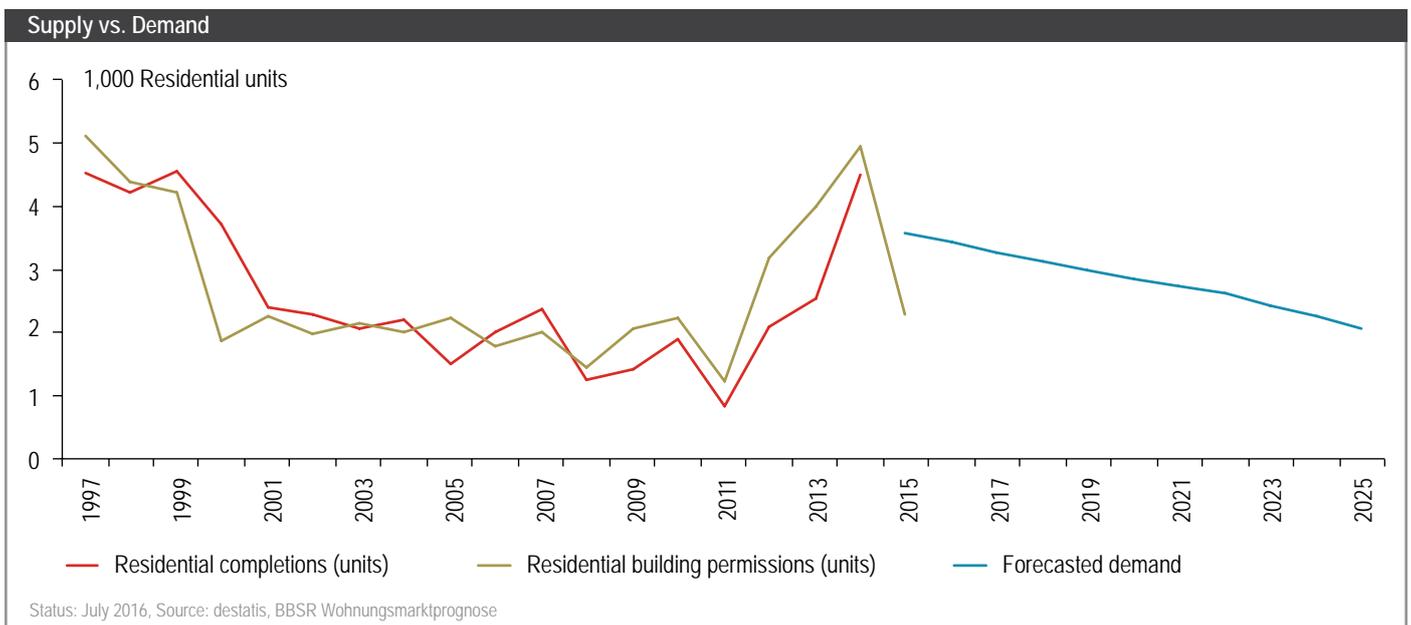


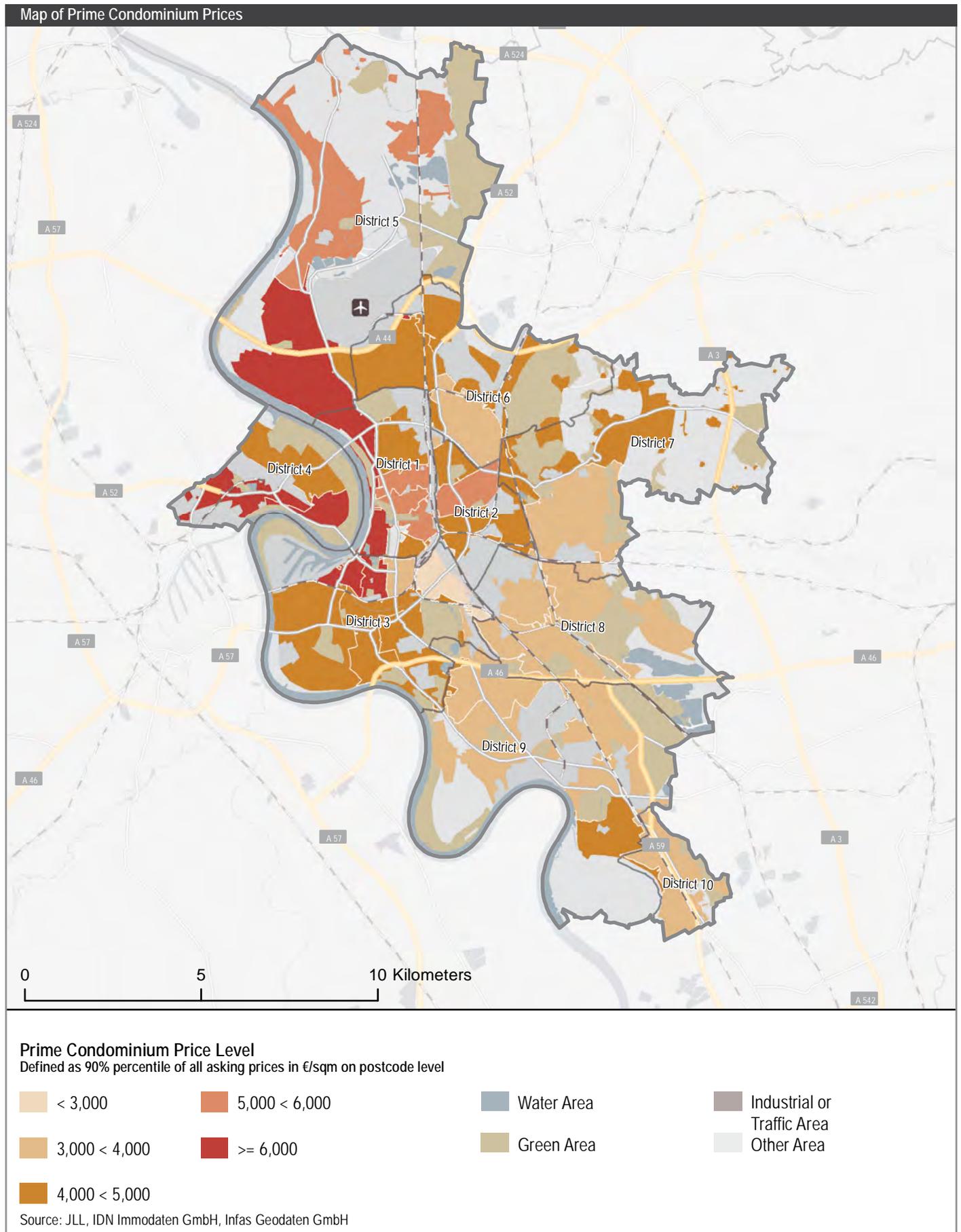
Düsseldorf is a popular place for young professionals and students and has attracted many international service providers.

Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
District 1	54,400	64.4	16.95	7,330
District 2	36,752	59.8	14.25	4,920
District 3	74,187	63.0	16.00	5,900
District 4	23,328	52.5	17.15	7,880
District 5	16,389	41.8	15.00	6,570
District 6	32,771	47.3	12.45	3,980
District 7	24,080	46.7	12.85	3,940
District 8	31,152	47.4	11.15	3,650
District 9	46,966	46.5	11.55	3,590
District 10	11,625	37.2	9.50	3,000
Düsseldorf total	351,650	54.2	15.15	5,990

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices





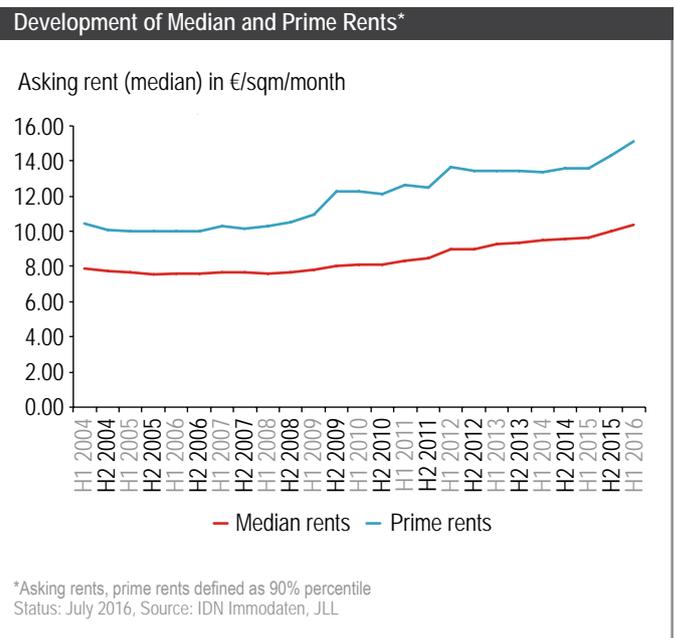
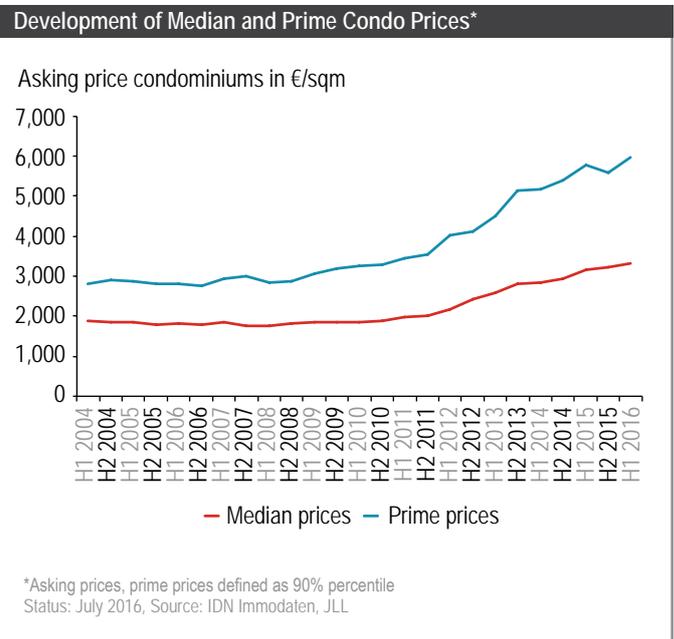
Prices for prime condominiums have almost doubled within the last 10 years.

Rental Apartment Market in Düsseldorf

The strong rental growth of 3.6% observed in the rental housing market in Düsseldorf in the final six months of 2015 continued at almost the same level in the first half of 2016 (3.5%). This means that rental growth was only stronger in the first half of 2012 than in the previous two half-year periods, and almost three times the average growth rate since 2004 of 1.2% per half-year and 2.3% per annum. Since then, asking rents have risen by around a third, or €2.50/sqm/month. As a result of the reduction in the number of building permits granted and high inward migration figures, this above average rise in rents is likely to continue beyond 2016. Even over the medium term, construction activity will not be sufficient to provide the city with enough new housing, assuming that the current level of inward migration does not change, pointing to further rental growth over that period.

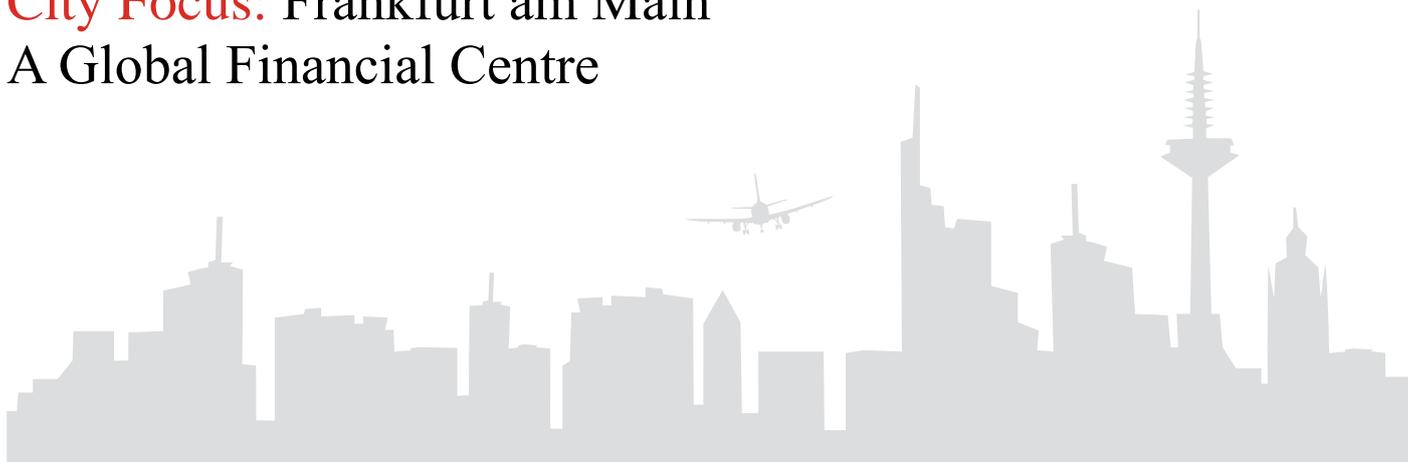
Condominium Apartment Market in Düsseldorf

At 2.5%, prices for condominiums rose just as quickly in the first half of 2016 as in the previous six months. However, this growth is moderate when compared to 2012 and 2013, which recorded price increases of over 15% per annum. Nonetheless, this is roughly in line with the long-term trend in Düsseldorf's market, a figure of 2.4% per half-year. The market for condominiums will not profit directly from the inward migration of a mainly young population with below-average earnings. However, moderate growth is expected to continue, driven by attractive financing conditions and the prospect of a further fall in the volume of completions.



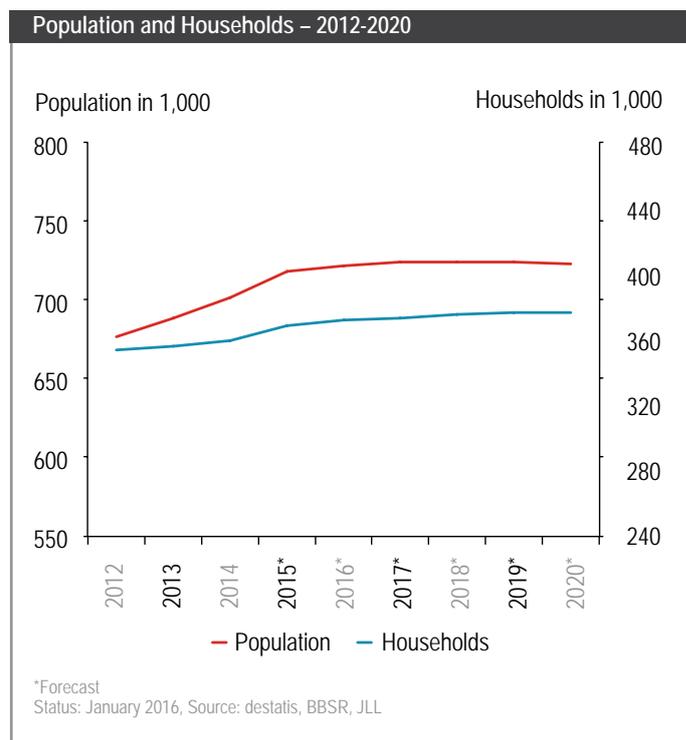
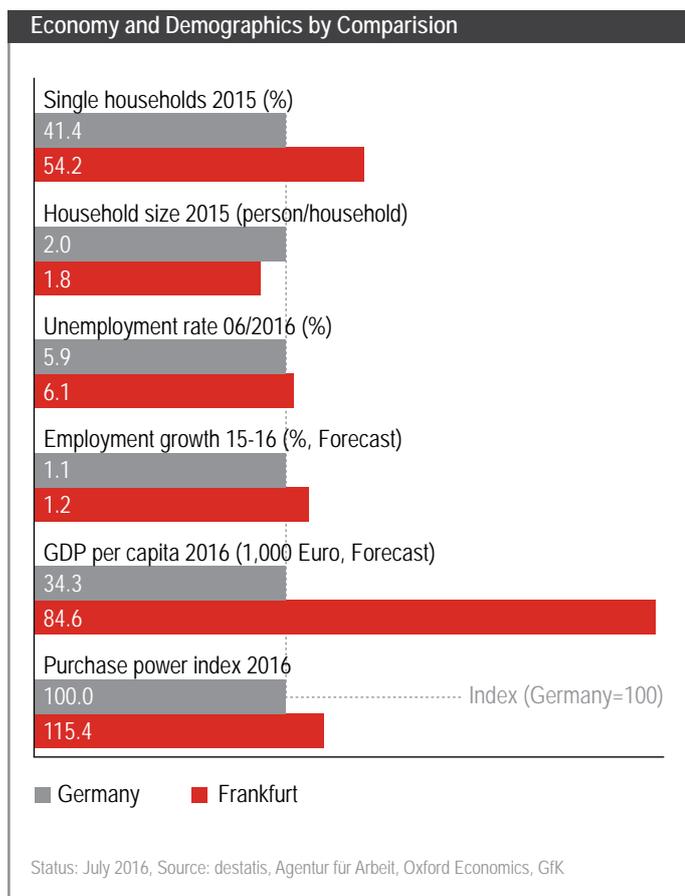
City Focus: Frankfurt am Main

A Global Financial Centre



Frankfurt am Main is located pretty much in the centre of Germany. With approximately 725,000 inhabitants, it is the fifth largest city in Germany, after Berlin, Hamburg, Munich and Cologne. The wider metropolitan region, Rhine-Main, comprises over 5.6 million inhabitants and is the second largest region in Germany. Forecasts for Frankfurt's population growth vary: while the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) expects the population to decrease by 2% by 2040, the

City of Frankfurt itself expects the growth trend (which has been continuous for some 15 years now) to continue, with a forecasted growth of 14% by 2030 (from 2014). Frankfurt is the financial centre of Germany and the largest in continental Europe. The European Central Bank, the German Federal Bank and the German Stock Exchange as well as several large commercial banks like Deutsche Bank and Commerzbank are located in Frankfurt.





First Class Infrastructure

Frankfurt Central Station is one of the largest stations in Europe, serving approximately 400,000 commuters and travellers daily. Furthermore Frankfurt Airport numbers amongst the busiest airports worldwide and the Frankfurter Kreuz motorway junction is one of the busiest in Europe. The Frankfurt Trade Fair is the world's second largest exposition group. It has a presence in more than 160 countries and generated turnover of 544 million Euros in 2014. Frankfurt offers a high quality of life. It is known as a 'green city' with protected green areas making up more than 50% of the city centre. Frankfurt has ranked among the top 10 in the global Mercer Quality of Living Survey for many years.

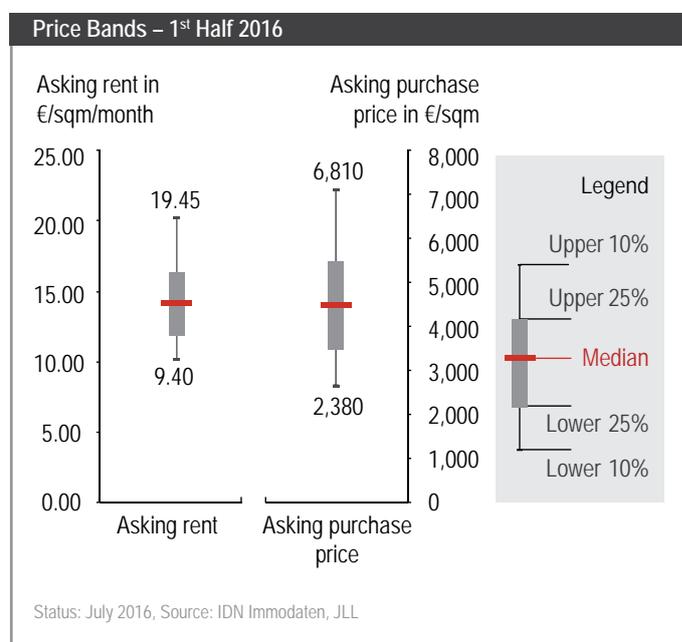
Record Population Growth

By the end of 2015, Frankfurt's population had grown to around 725,000. This equates to a rise of almost 16,000, or 2.3% over the course of a year, and therefore a new record making Frankfurt one of the fastest growing cities in Germany. The official forecast for 2015 of 11,400 new inhabitants was also surpassed, and therefore it is possible that the 800,000 mark which, according to the city of Frankfurt's forecasts, should be achieved in 2027, could be reached earlier. Inward migration is vastly driven by economic migration into the economically robust city on the Main River. Around two thirds of Frankfurt's new residents did not have a German passport, similar to the trend in all major cities which are growing as a result of inward migration. In 2015, one fifth came from within the EU and 43% from non-EU countries. The sub district with the highest population growth in 2015 was once again Gallus (City Centre I), which continued the trend started in 2010. The highest growth was observed in central and peripheral districts. This was mainly due to the large new-build residential estates such as the Europaviertel and Riedberg.

Despite Strong Growth, Construction Activity Is Too Low

Looking at the population growth in 2015, the volume of completions is insufficient despite reaching a record level. With around 4,100 new homes, the volume of completions was the highest recorded in a single year for over 20 years. However, this is far below current demand which, taking account of population growth in 2015 alone, is likely to be in the order of 10,000 new homes. Whilst construction costs are becoming more expensive, there is another cost item for new-build which has seen

a sharp rise: land prices stand on average at €800-900/sqm, but can often be double that level due to the increasing shortage of development land in the city itself. Whilst in its forecast the City of Frankfurt assumes a requirement for around 7,000 new homes every year until 2020, a figure of 10,000 new homes per annum would appear to be required given the level of inward migration over the last few years. A stronger regional perception of the problem could help ease pressure on the housing market and this is an approach which the Regionalverband FrankfurtRheinMain is pursuing. The association has assessed a requirement for around 184,000 new homes in the whole region by 2030 and a development reserve of 92,000 new homes in the land use plan, which could provide some relief for the Frankfurt housing market.



Frankfurt is the financial powerhouse of continental Europe, home to the European Central Bank, the German Federal Bank and the German Stock Exchange.

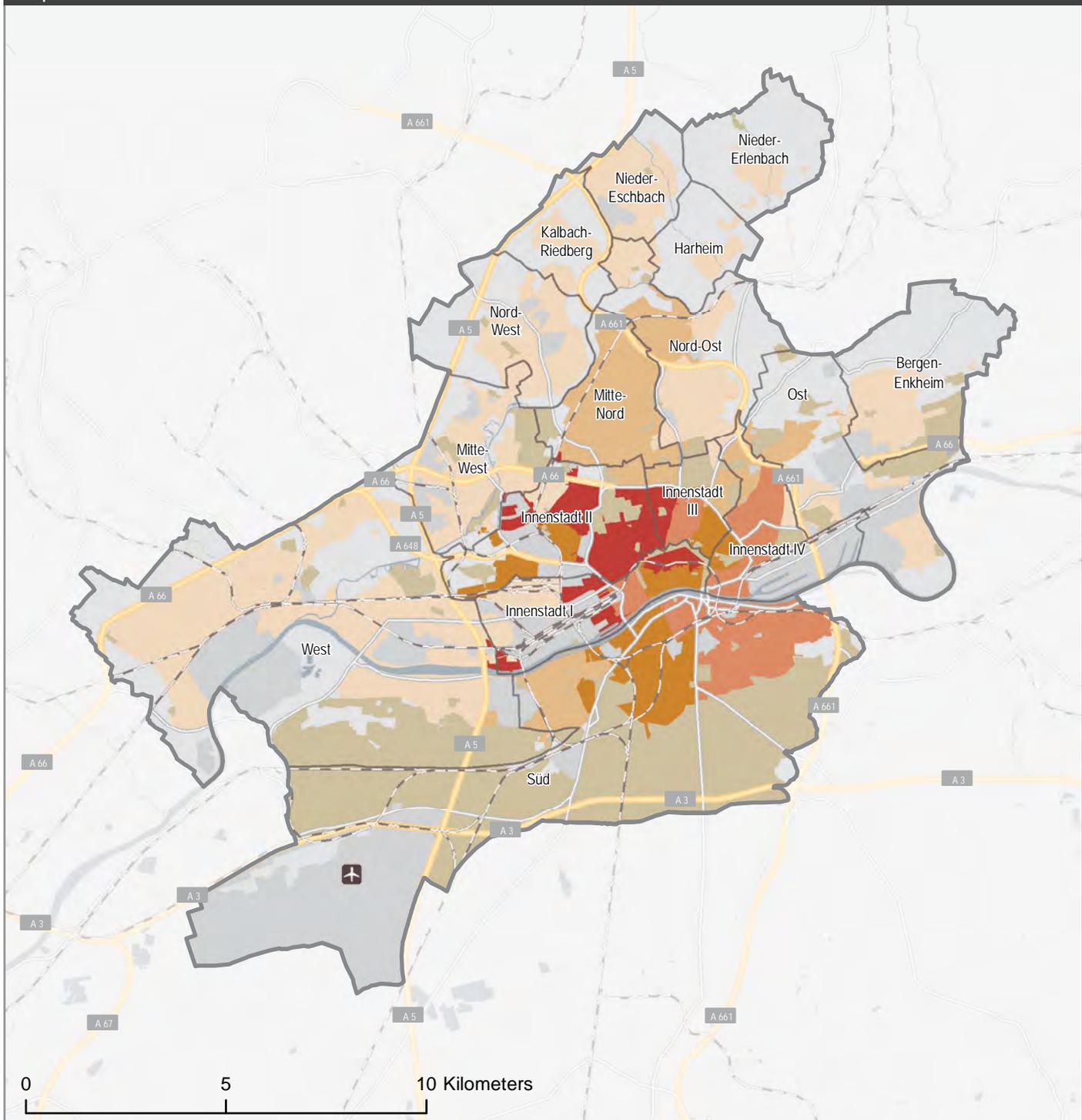
Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
Innenstadt I	33,495	63.1	22.70	7,340
Innenstadt II	40,955	60.3	21.00	9,020
Innenstadt III	34,683	63.5	22.95	7,740
Innenstadt IV	36,582	62.6	21.10	7,040
Mitte-Nord	27,427	52.5	17.20	5,510
Mitte-West	22,236	50.6	15.25	4,900
Nord-Ost	23,333	45.3	14.65	4,200
Nord-West	16,597	45.8	14.10	4,330
Ost	16,285	49.7	14.95	4,130
Süd	57,328	57.9	17.15	6,230
West	66,599	47.4	13.00	3,850
Außenbezirke	25,901	39.3	13.65	4,660
Frankfurt total	401,421	54.2	19.45	6,810

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices



Map of Prime Condominium Prices



Prime Condominium Price Level

Defined as 90% percentile of all asking prices in €/sqm on postcode level

 < 5,000	 7,000 < 8,000	 Water Area	 Industrial or Traffic Area
 5,000 < 6,000	 >= 8,000	 Green Area	 Other Area
 6,000 < 7,000			

Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH

International buyers play an increasingly important role in the prime residential property market.

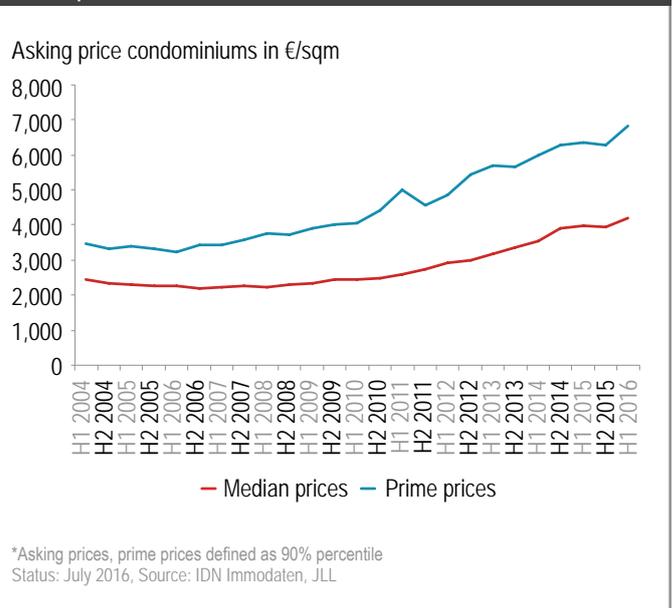
Rental Apartment Market in Frankfurt

After a slowdown in momentum in the second half of 2015, rents resumed their strong growth in the first half of the current year. The half-yearly rise of 2.7% was one of the highest recorded since records began in 2004, and significantly above the average observed since the current upswing started in 2006 (of 1.8% per half-year). This means that, apart from Munich, Frankfurt has experienced the longest sustained upswing of the Big 7 cities under review. Looking at the population growth indicators, limited housing construction and strong economic trends, Frankfurt will continue to see rents rise over the next few half-year periods. The rental price cap introduced in November 2015 does not appear to be affecting asking rents.

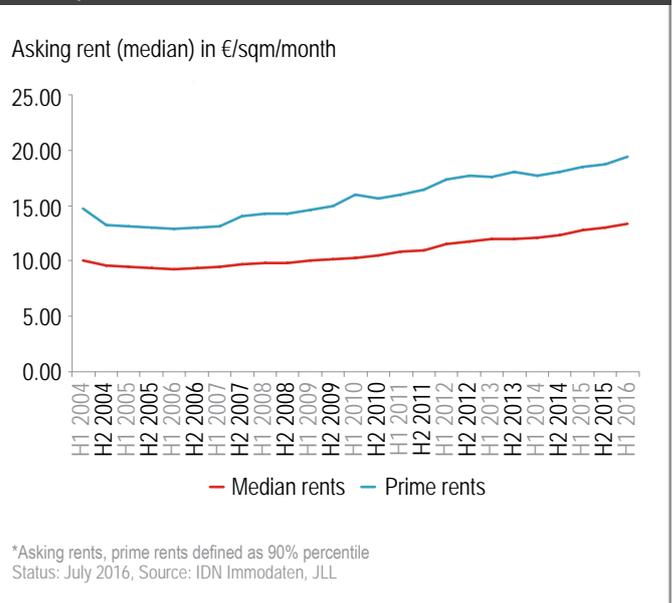
Condominium Apartment Market in Frankfurt

Following a slight fall in the previous half-year due to a shortage of high-priced new homes in the market and a moderate rise in the first six months of 2015, asking prices for condominium apartments in Frankfurt are once again rising at a significant rate. In fact, the 6.6% rise over the past six months is the third highest half-yearly increase ever recorded. Since 2004, prices have risen by 75%, or an average growth rate of 4.6% per annum. The average growth rate since the onset of the current upswing is even higher at 8.6% per annum. The strong price increases for existing dwellings and the expansion of the stock of new-build homes also point to a continuation of this upward trend over the second half of the year. Indicators from the positive population growth and attractive financing conditions also point to further positive tendencies in the market. The already high price level in Frankfurt does not appear to be slowing down, as international purchasers also play an increasingly important role here.

Development of Median and Prime Condo Prices*



Development of Median and Prime Rents*



City Focus: Hamburg

A Gateway to the World

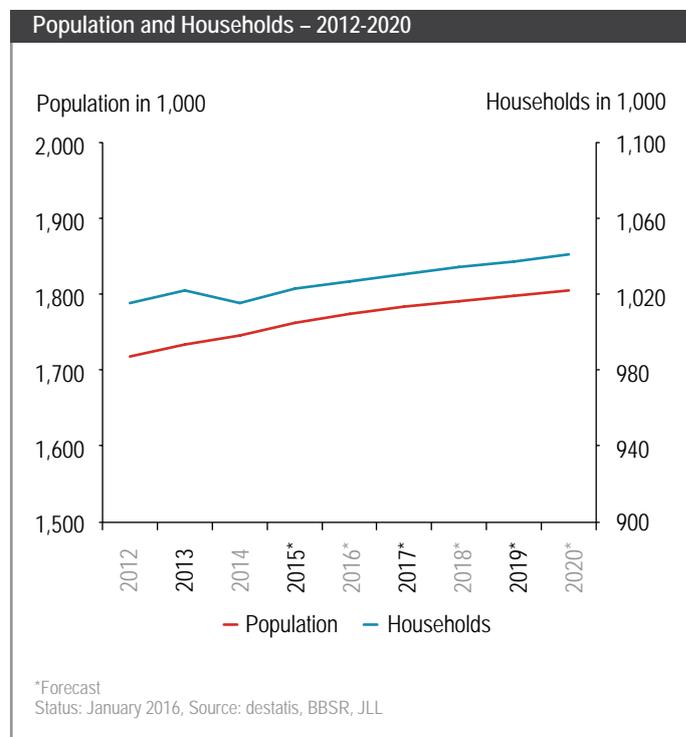
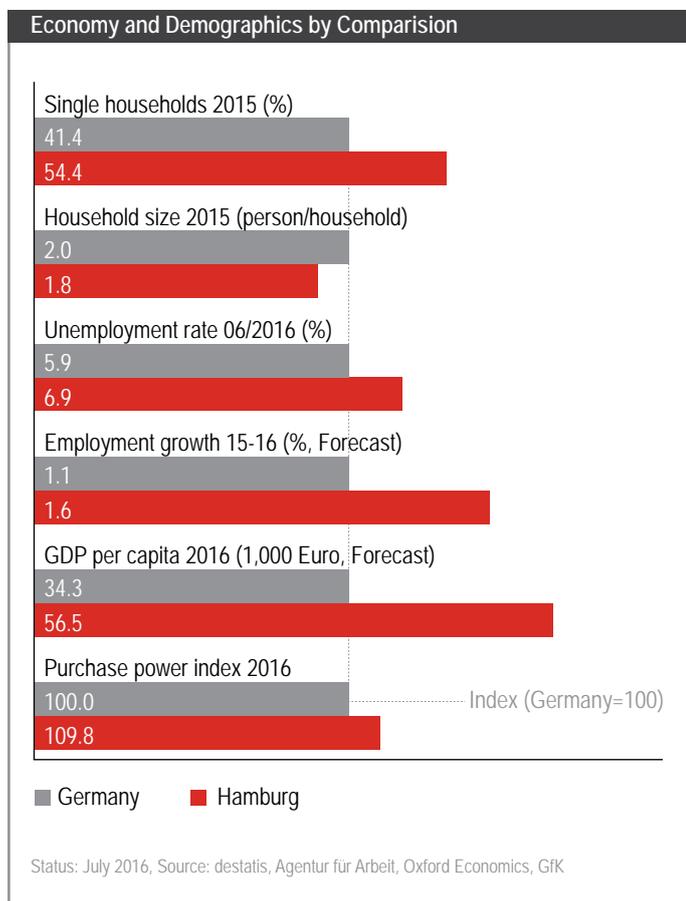


With 1.8 million inhabitants, Hamburg is the second largest city in Germany after Berlin. The wider metropolitan region comprises over 5 million inhabitants with approximately 300,000 commuters to Hamburg. Hamburg is a growing city with a forecasted population growth of around 3.5% per year until 2030.

Hamburg is known as a gateway to the world because of its port, which is one of the most important harbours in Europe. However this reputation also comes from the city's concentration of foreign trade professionals and internationally oriented service providers, such as bankers, insurers, logisticians, media experts and legal and tax consultants. Hamburg continually achieves top positions in location rankings and performs equally well in terms of quality

of life. The largest companies include Airbus, Lufthansa, Asklepios Kliniken, Beiersdorf, Hamburger Hochbahn and Otto Group.

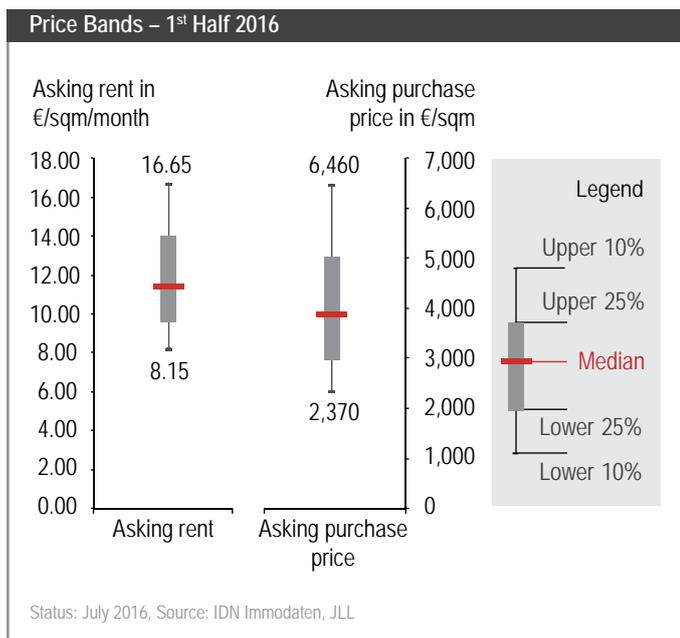
Many of the companies in Hamburg are involved in foreign trade as import and export traders, several of them as subsidiaries of foreign parent companies, reinforcing Hamburg's role as a hub for external trade mainly with the Baltic Sea region and China. In addition to this, around 100 consulates are based here, as well as the International Tribunal for the Law of the Sea. The city centre is growing and offers space for working, living and retail. The Hafencity is Europe's largest centre-city development project: a completely new urban district on an area of 157 hectares.





Continued Population Growth

With over 30,000 new arrivals in 2015, the growth of Hamburg's population continues. It has now risen to around 1.834 million. This increase is around twice as high as 2014 and is significantly higher than in the years since 2010, which saw the population grow by about 57,000 and therefore by an average of around 14,000 per year. Calculations by the Federal Statistical Office show that Hamburg's population is expected to grow by more than 100,000 by 2030, resulting in a requirement to house an additional 70,000 households. If this forecast is correct, population growth will have to shrink significantly over the next 14 years, as this would equate to around 7,400 people per year. Although the very high immigration numbers are expected to decline over the next few years, this forecast is still considered to be rather conservative. Even an additional demand from around 70,000 households will pose a major challenge to the Hamburg housing industry, especially in terms of the availability of land and the issue of housing.



Record Volume of Completion

Nearly 7,700 new homes were built in 2015. The last time so many new homes were constructed was 1996. Around 82% of these new homes are part of multi-family dwellings. The focuses of construction activity are popular locations in the districts of Altona and Hamburg-North, although Hamburg-Mitte also saw above average completion volumes in 2015 compared to the existing stock.

Whilst building completions reached a record level in 2015, there has been a noticeable reduction in the number of building permits granted for new-builds, which fell by more than 1,000 from a high of 10,000 approved new homes in 2014 to its current level of 8,600. The number of building permits granted between January and April 2016 would suggest that there will be no turnaround in construction volumes. Whilst the construction of single-family and semi-detached dwellings increased in the first few months of 2016, there was a substantial fall in the number of approvals for owner-occupier homes. Meanwhile, the Hamburg Senate published a new housing construction target in spring 2016. Instead of the previous figure of 6,000 per annum, 10,000 new homes must now be constructed every year. This slightly exceeds the requirement projected in 2015 by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) of over 9,000 new homes.

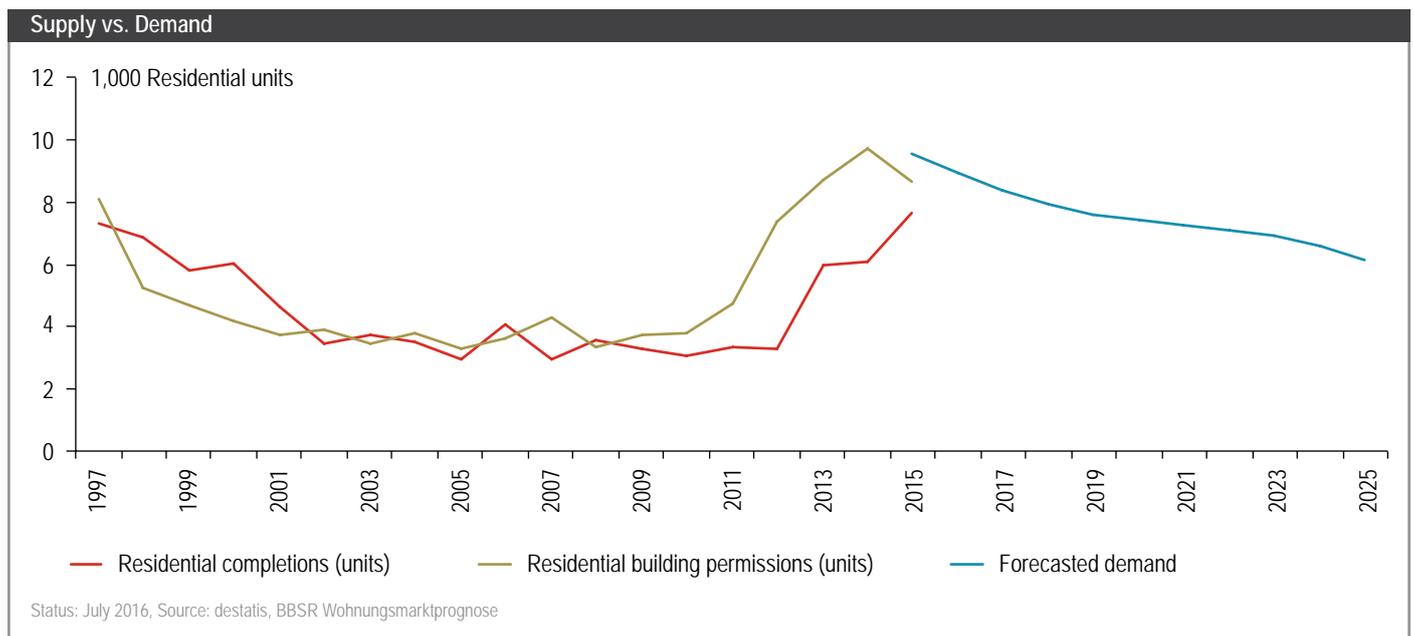


Hamburg is the second largest city in Germany and centred around one of the most important deep water ports in Europe.

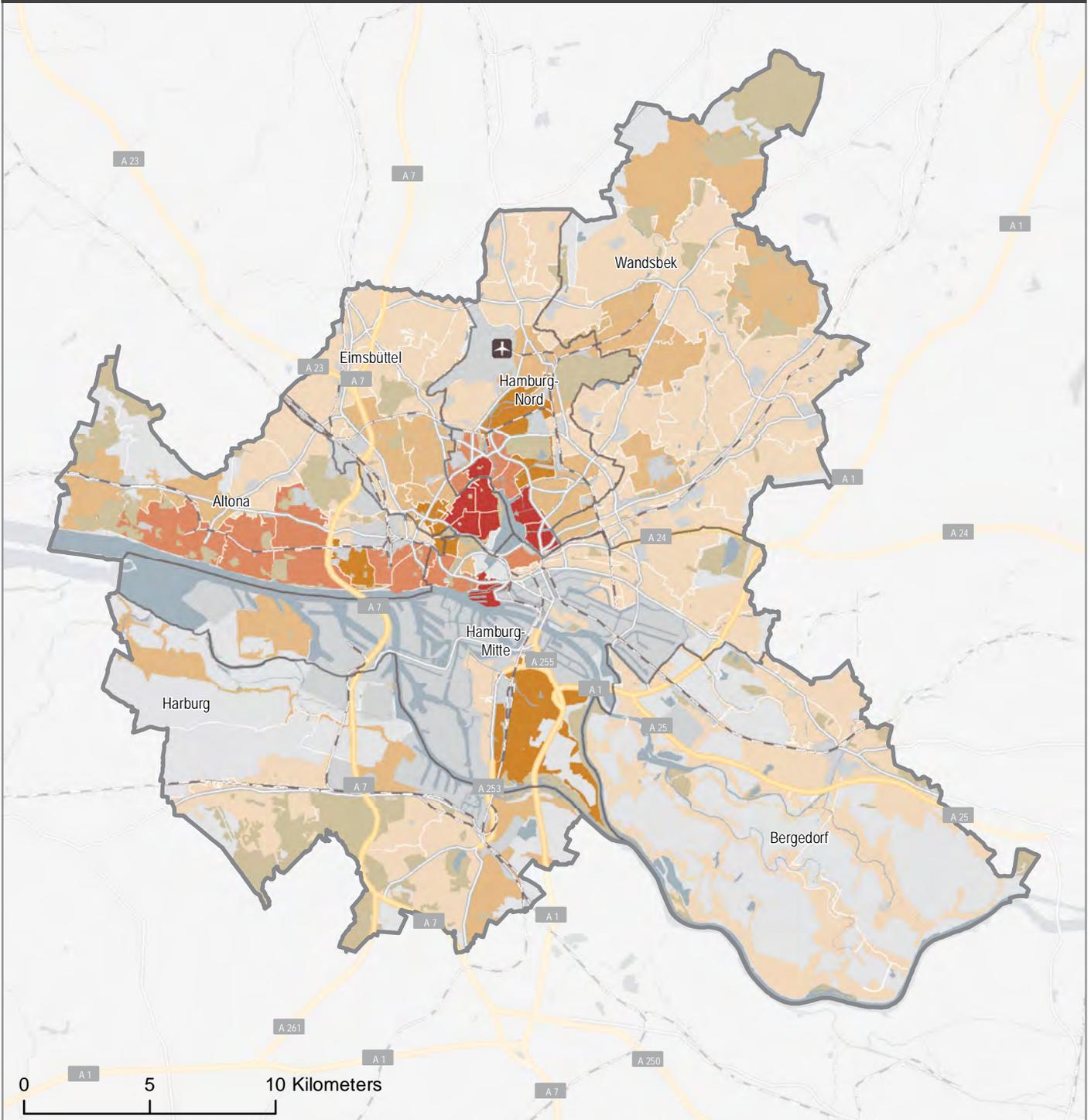
Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
Hamburg-Mitte	164,086	58.0	17.70	7,000
Altona	145,112	53.6	16.65	6,990
Eimsbüttel	151,005	57.1	19.65	7,150
Hamburg-Nord	188,192	63.1	18.30	7,340
Wandsbek	222,799	48.2	13.45	4,820
Bergedorf	60,747	43.1	12.55	3,820
Harburg	82,372	48.7	12.05	3,830
Hamburg total	1,014,313	54.4	16.65	6,460

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices



Map of Prime Condominium Prices



Prime Condominium Price Level

Defined as 90% percentile of all asking prices in €/sqm on postcode level



Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH

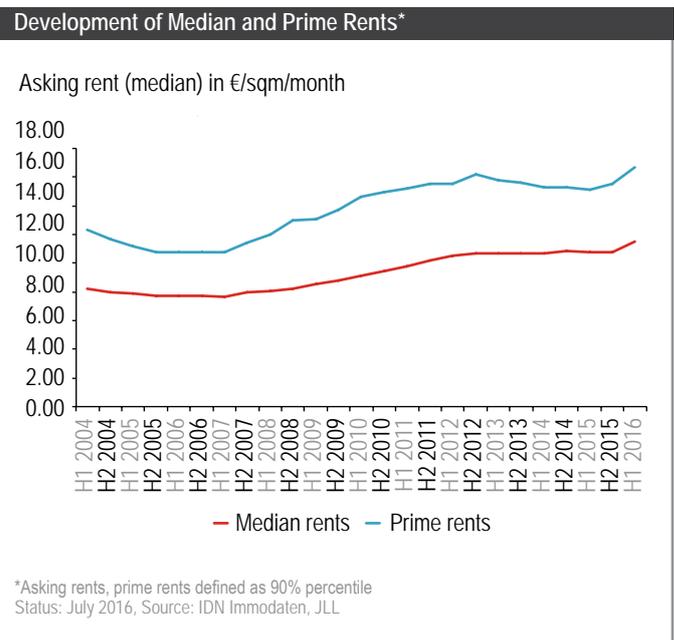
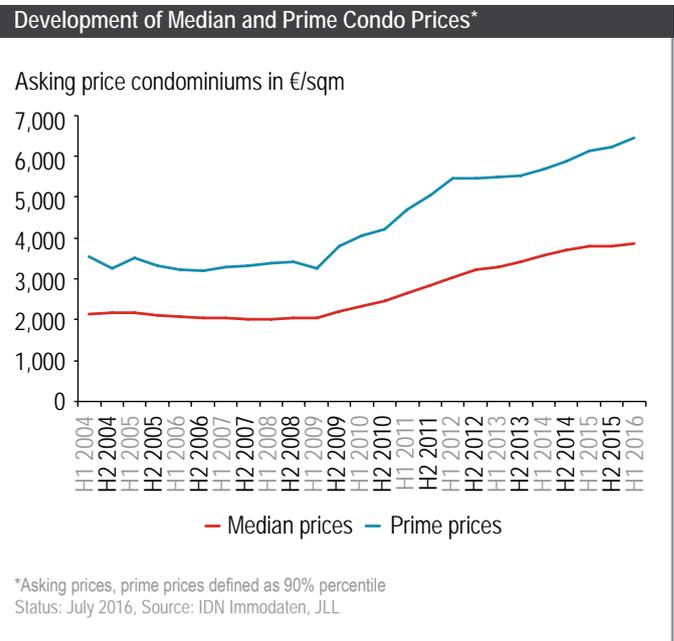
A 60% growth of prime rents in Hamburg since 2011 means the highest increase of the Big 7.

Rental Apartment Market in Hamburg

After four years of stagnation, rents in Hamburg started to rise again in the first half of 2016. Rental price increases for existing dwellings more than offset the slight decreases observed for the first time in the latter part of last year, sending a positive signal to project developers and the housing industry to continue to build new homes. If the steady growth in population continues and construction activity remains at its current level, a further rise in rents seems likely over the next six-month period. There has been an annual rise of around 3.1% over the period under review starting in 2004, and this is almost twice as high as the average rise in inflation over the same period. This means that since 2004, Hamburg has seen one of the sharpest rental increases of all of the rental housing markets in Germany.

Condominium Market in Hamburg

The stagnation observed in asking prices for condominiums over the last six months of 2015 has not continued. The price rise in the first half of the current year for both existing and new homes ensured that the upward trend in Hamburg's housing market continued. Since the onset of the current cycle in 2008, prices have increased by an average of 8.5% per annum. This means that the current annual increase is well below the average rise recorded over the last few years. But even the long-term price rise of 5.0% per annum since 2004 is almost twice as high as the current growth rate. On a positive note, it can be said that, at 2.4%, the half-yearly growth rate for the first six months of 2016 was considerably higher than the corresponding figure in 2015. The times of double-digit annual growth rates are at an end in Hamburg, but further moderate price increases are still likely.



City Focus: Munich

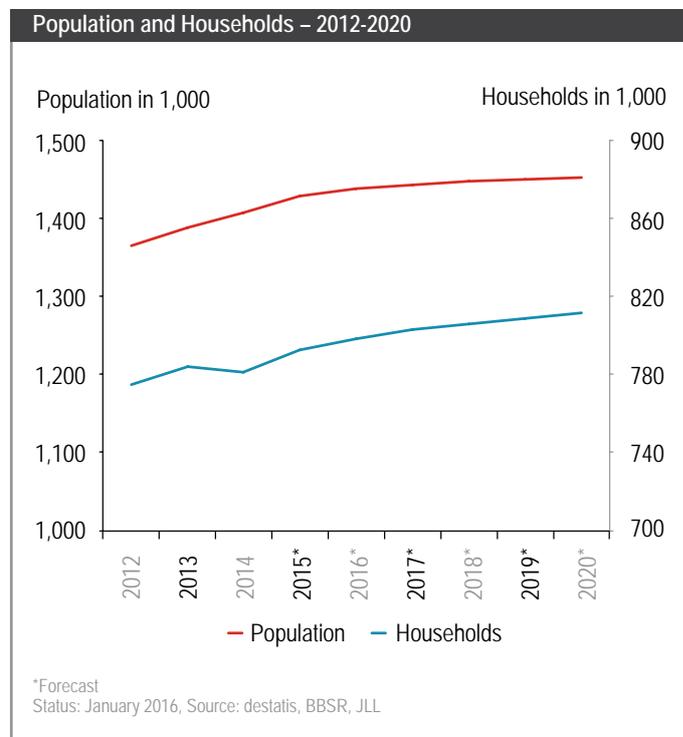
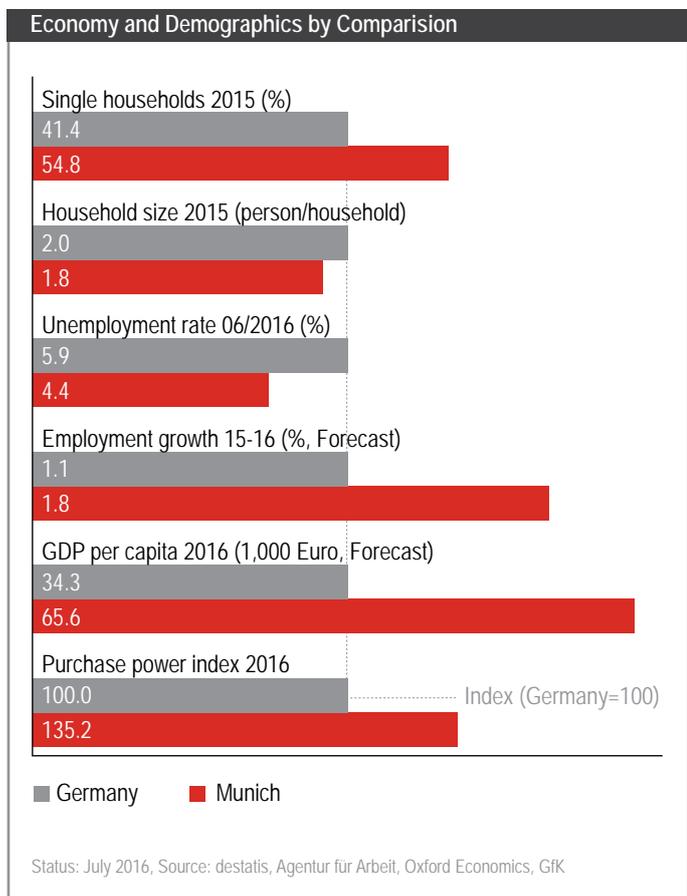
Mixture of Strong Economy and a High Quality of Life



With 1.5 million inhabitants, Munich is Germany's third largest city after Berlin and Hamburg. Munich is a growing city. With a forecast population growth of 3% per year until 2025, it will be one of the highest growth cities in Germany. The wider metropolitan region comprises 5.5 million inhabitants. Munich is also the city with the lowest unemployment rate (below 5%) and the highest purchasing power in comparison to all other major cities in Germany. The strong mixture of companies of different sizes and varied industries is very important for the economy in Munich. The city is also the number one insurance location in Germany. Other important industries are services,

the automobile industry, science, medicine, environmental science and communication-technology.

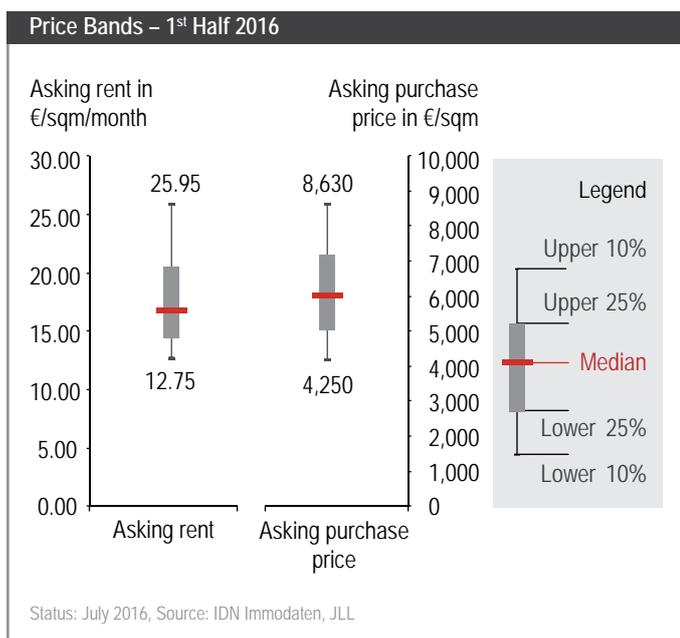
Munich holds a top position in location rankings, acts as a hub for knowledge and offers a high quality of life. The largest companies include Allianz, BMW, Bosch, Siemens, MAN and EADS. Munich's central location in Southern Germany means it is very close to Central, Southern and Eastern Europe and to the high-performing regions of Austria, Italy and Switzerland.





New Arrivals Favour City Centre Locations

By the end of 2015, Munich's population had grown to over 1,521 million. This means that the population of the Bavarian capital has grown for 16 years in succession. With over 30,000 new arrivals, the population grew by 2.1% more than in previous years. This was principally due to strong international inward migration particularly economic migration and without this, many jobs in Munich could not have been filled. The City of Munich expects further population growth of over 200,000 people by 2030, to over 1.7 million. As a result of the high rents and property prices, suburbanisation pressure is also once again on the rise. An increasing number of young families in particular have moved to the suburbs in recent years. Nonetheless, the population of Munich continues to grow because the outflow is being more than compensated for by the inflow of younger people. Most inward migration is being observed in central and popular locations such as Schwabing, Maxvorstadt and Ludwigvorstadt. On the one hand, most new arrivals, as single person households, only require a small living area which they tend to find in shared apartments.



They also have little knowledge of the Munich housing market outside the central areas and would prefer to live centrally, close to the city's amenities.

Construction Activity Focusing on Brownfield Land

There were approx. 6,500 new homes built in 2015. Around two thirds of these were apartments in multi-family dwellings. Whilst comparatively few apartments are being built in central locations due to the shortage of land, much construction activity is shifting to commercial brownfield sites or to development sites on the edge of the city.

According to a forecast by the City of Munich, the number of households is expected to grow by 115,000 by 2030, which equates to around 8,000 households per annum. Consequently, the City is aiming to provide 8,500 new homes every year. Fast-track building permits should enable a further 3,000 new homes to be constructed before 2020. However, this is insufficient when the current rise in the number of households is compared with construction activity. For instance, since 2011 Munich has registered an increase of around 10% additional households, but only a 4% increase in the housing stock. The Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) has already assessed a much higher requirement for housing of around 11,200 homes in 2015. In order to meet current demand, it is likely that 15,000-20,000 new homes would probably be required every year, which would also help to reduce the excess demand from previous years.

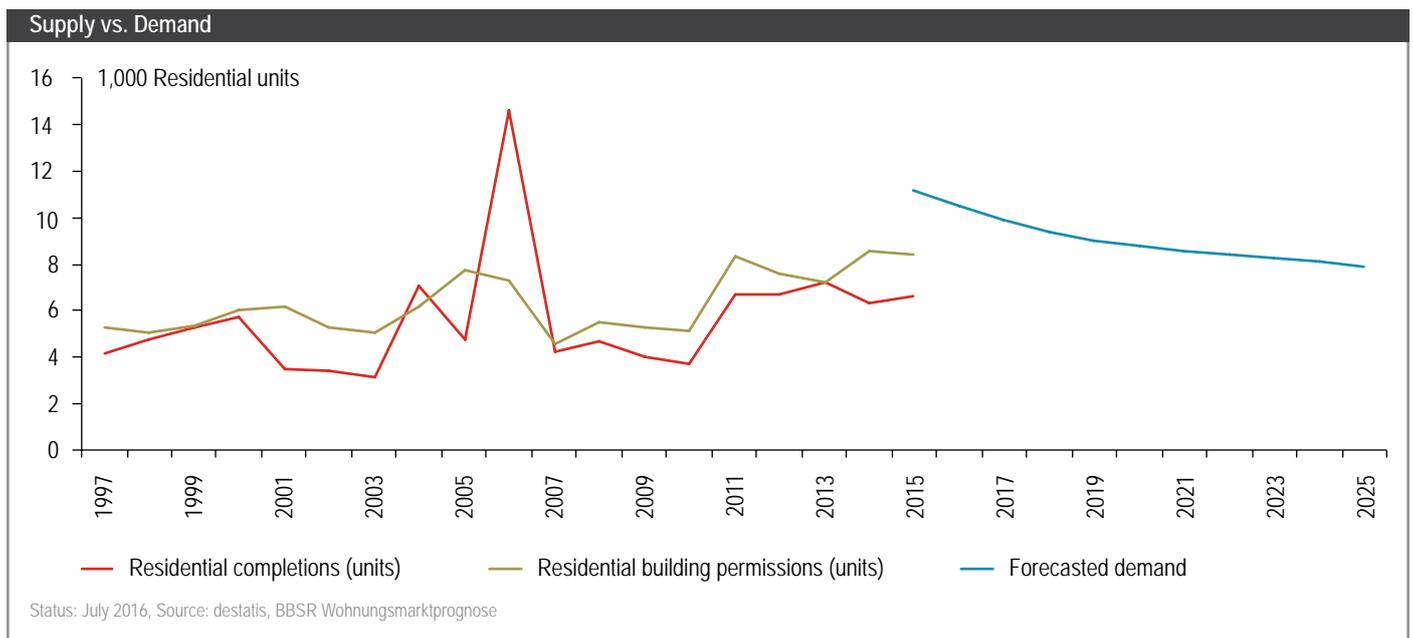


Munich claims the highest rents and purchase prices in Germany, ranking among the most important European metropolitan centres.

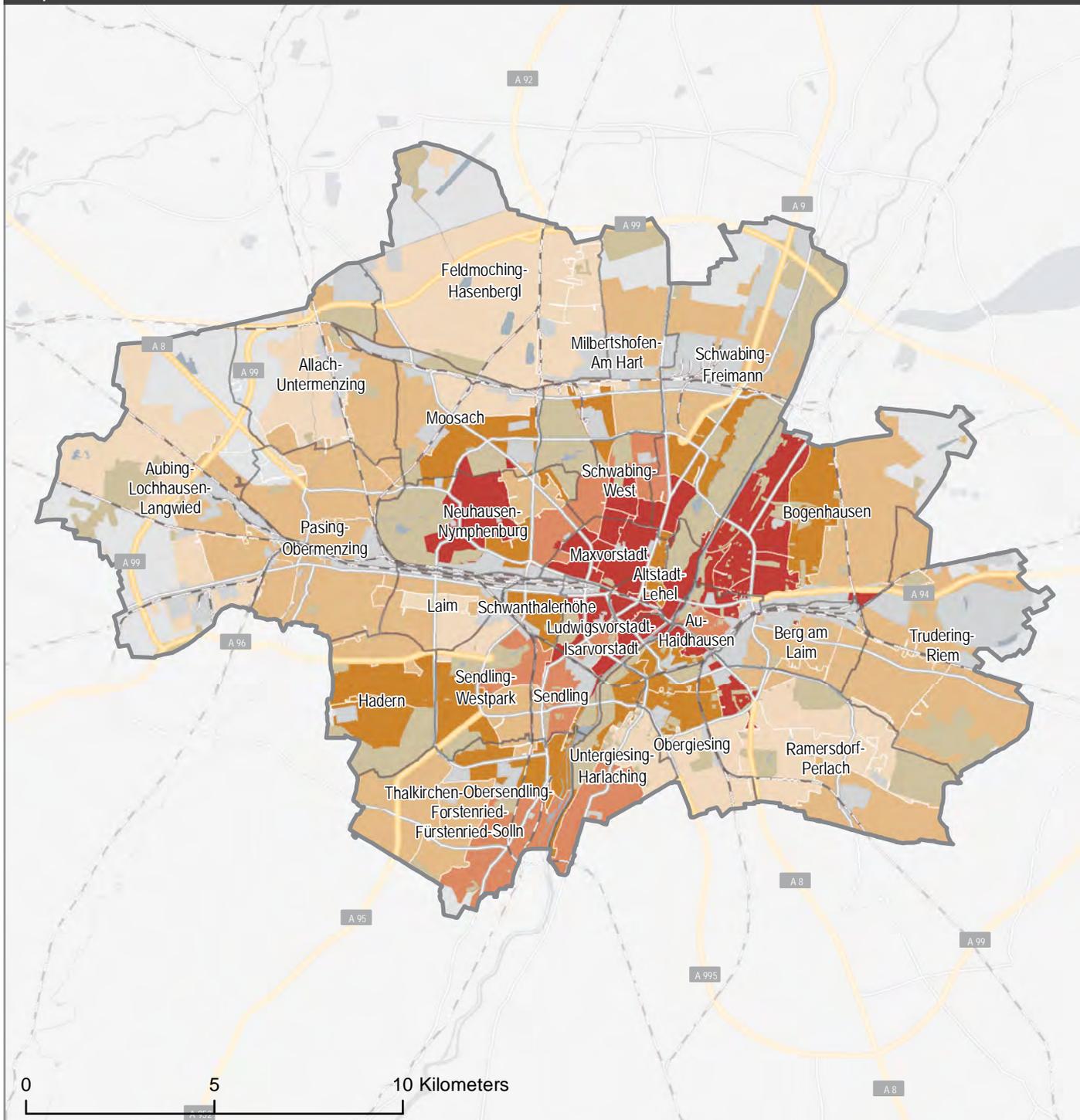
Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
Mitte-Nord	89,263	62.0	27.25	10,790
Mitte-Süd	99,421	62.7	28.70	10,720
Nord	95,466	50.1	24.20	8,370
Nord-Ost	124,600	56.9	29.00	9,870
Süd	61,745	58.9	24.90	9,080
Süd-Ost	114,042	47.6	22.10	7,280
Süd-West	164,794	54.7	22.30	8,460
West	73,538	45.7	18.60	7,500
Munich total	822,906	54.8	25.95	8,940

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices



Map of Prime Condominium Prices



Prime Condominium Price Level

Defined as 90% percentile of all asking prices in €/sqm on postcode level

 < 7,000	 9,000 < 10,000	 Water Area	 Industrial or Traffic Area
 7,000 < 8,000	 >= 10,000	 Green Area	 Other Area
 8,000 < 9,000			

Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH

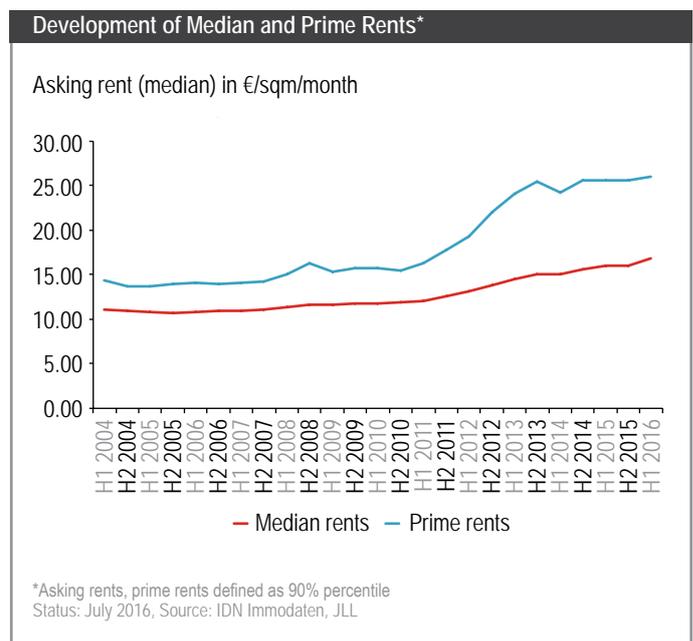
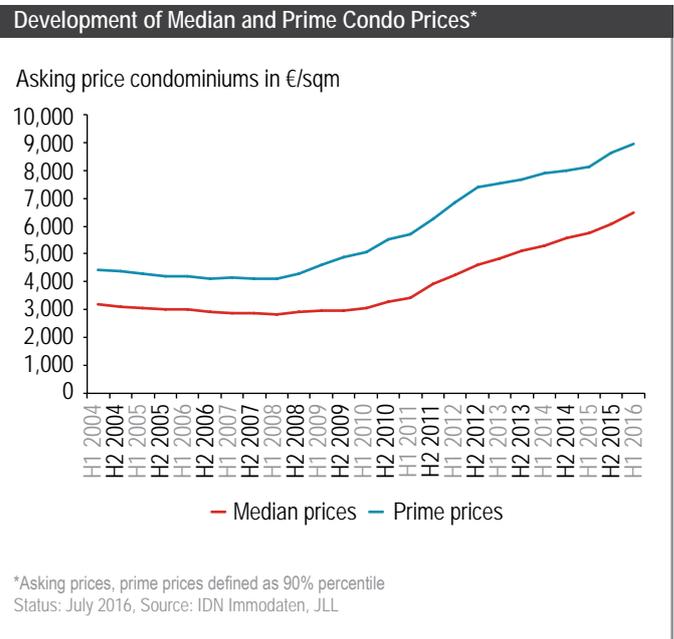
High demand for residential properties despite persistent low yields.

Rental Apartment Market in Munich

After almost grinding to a standstill in the last half-year, rents have increased by 5.6% over the past six months, the biggest rise recorded since records began in 2004. Of all the cities under review, Munich is therefore enjoying the longest phase of rising rents. Since as early as 2006, apart from a few half-year periods during which rents were stable, the price trend for rents has been upwards. Since then, rents have risen by around €6.10/sqm/month, or at an average growth rate of 4.5% per annum. Housing will remain in short supply, even in the future, and people looking for accommodation will still be prepared to pay market rents to secure an apartment. The average asking rent for new homes in popular locations has now reached the €20.00/sqm/month mark.

Condominium Market in Munich

In the first half of 2016, asking prices increased by 6.7%, faster than that of any time since 2012. In Munich, the upward trend in the market for condominiums started in the second half of 2008. Since then, prices for condominiums have increased by an average of 10.9% per annum, or almost €3,600/sqm. They have already more than doubled since records began in 2004. As a result of several half-years with falling prices, the average growth rate since then has been around 6.0% per annum. This means that prices have almost doubled compared to rents in the same period. The continued limited availability of new homes, due to a scarcity of building land and strong interest in home ownership, as well as a growing proportion of international purchasers, would suggest that prices will rise further over the coming half-years. A yield analysis is irrelevant for many purchasers and loan interest rates also play a lesser role for equity rich investors, as in many cases the aim is protection against inflation, and because international purchasers consider Munich to be one of the most important destination markets in Germany.



City Focus: Stuttgart

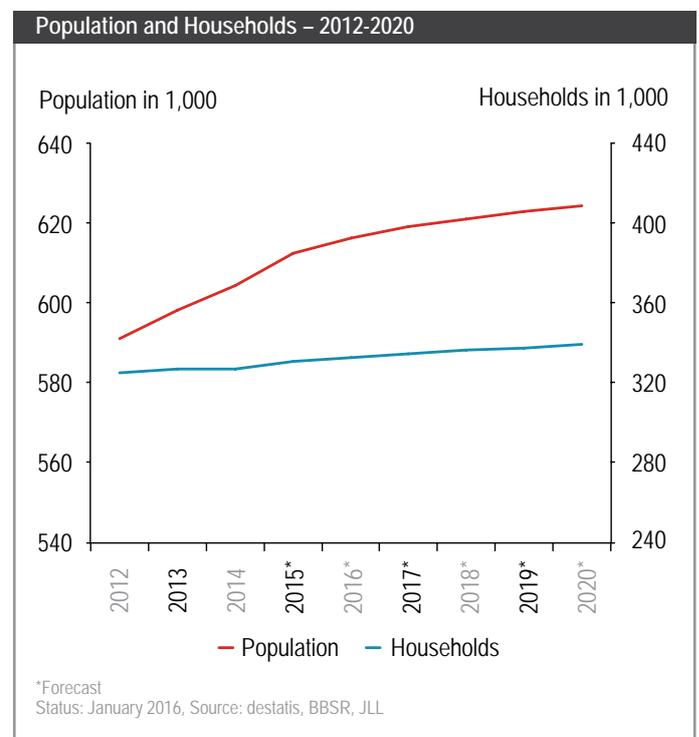
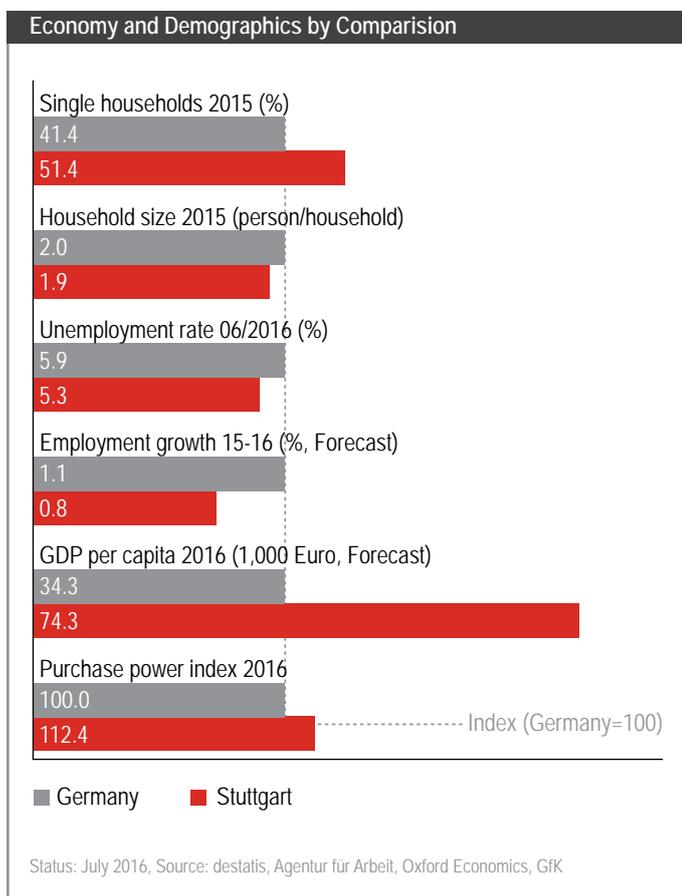
Germany's Automotive Powerhouse



The city of Stuttgart is the capital of the state of Baden-Württemberg. It has a population of around 604,000 and ranks amongst the six largest cities in Germany. The wider Stuttgart Metropolitan Region hosts more than five million inhabitants with more than 200,000 commuters into Stuttgart. The population is expected to increase by 2.6% by 2030.

Stuttgart is one of the most economically significant cities, owing to its central location and status as an innovative high-tech region. Stuttgart achieves top positions in location rankings and offers a high quality of cultural life. Key industries are the automobile industry (Daimler, Porsche), electronics industry (Bosch) and the IT sector (Hewlett Packard, IBM) as well as finance and insurance sectors.

North of the city centre, one of the largest German urban development projects is currently underway. Stuttgart 21 is a railway and urban development project in which the main train station will be transformed from a terminus to an underground through station. Part of this process is the redesign of around 134 hectares of city centre railway areas which will provide space for urban development. On 50 hectares, a total of 1.4m sqm GLA is planned for all use types. Besides large-scale retail developments, approx. 700,000 sqm of office space for around 24,000 employees is in the planning stage as well as residential developments for about 11,000 residents.





Rapid Growth in Stuttgart

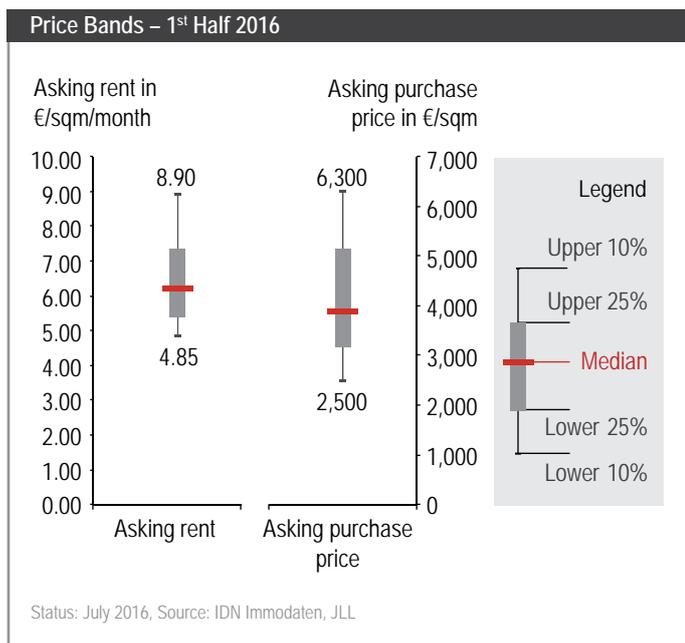
Stuttgart's population passed the 600,000 mark again in 2015, corresponding to a 1.6% rise or 9,400 more residents within one year. This means that Stuttgart's population has once again reached the record levels last seen in the mid-1970s, making it one of the fastest growing cities in the country. At an average of around 10%, the natural population balance of births over deaths has made only a minor contribution to population growth over the past few years. Inward migration has been the main driver of population growth in Stuttgart, and this is reflected in the positive migration balance, with an increase of over 8,700 inhabitants in 2015. In previous years, it fluctuated between 5,000 and 6,000. The most important factor in terms of inward migration in 2015 was inward migration from abroad. Around 20,000 people moved to Stuttgart from abroad in 2015. The majority were from other EU countries coming to work in Germany, without whom many jobs in Stuttgart could not have been filled. Similar to the trend in other economically robust major German cities with rising residential market rents and purchase prices, migration to the

surrounding region is on the increase once again. This suburbanisation trend is of a similar size to that seen in the mid-1990s, when the residential market in Stuttgart was also very tight. However, unlike in the 1990s, the trend towards suburbanisation is now more than offset demographically by inward migration from abroad.

Construction Activity Hampered by Shortage of Development Land

Approx. 1,900 new homes were built in 2015. Over 90% of the units were in multi-family dwellings, reflecting the shortage of available land and the space saving policies of the local government. The majority of this new-build volume is to be found in the densely populated city centre districts which have also seen the most new development over recent years. Many of the new homes are being constructed on brownfield sites.

However, residential construction activity in Stuttgart is still insufficient to cater for the growth in the population and number of households. Whilst the number of households in Stuttgart has grown by 3.8% since 2012, there has been only a marginal 1.4% uplift in the housing stock over the same period. In fact, construction activity between 2012 and 2015 would have needed to be 60% higher per annum in order to provide sufficient accommodation for the new arrivals. The forecast published by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) is still based on low population growth and shows a requirement for the construction of around 3,900 residential units in 2015. However, given the excess demand backlog going back several years, the current market requirement appears to be 5,000 residential units per annum.

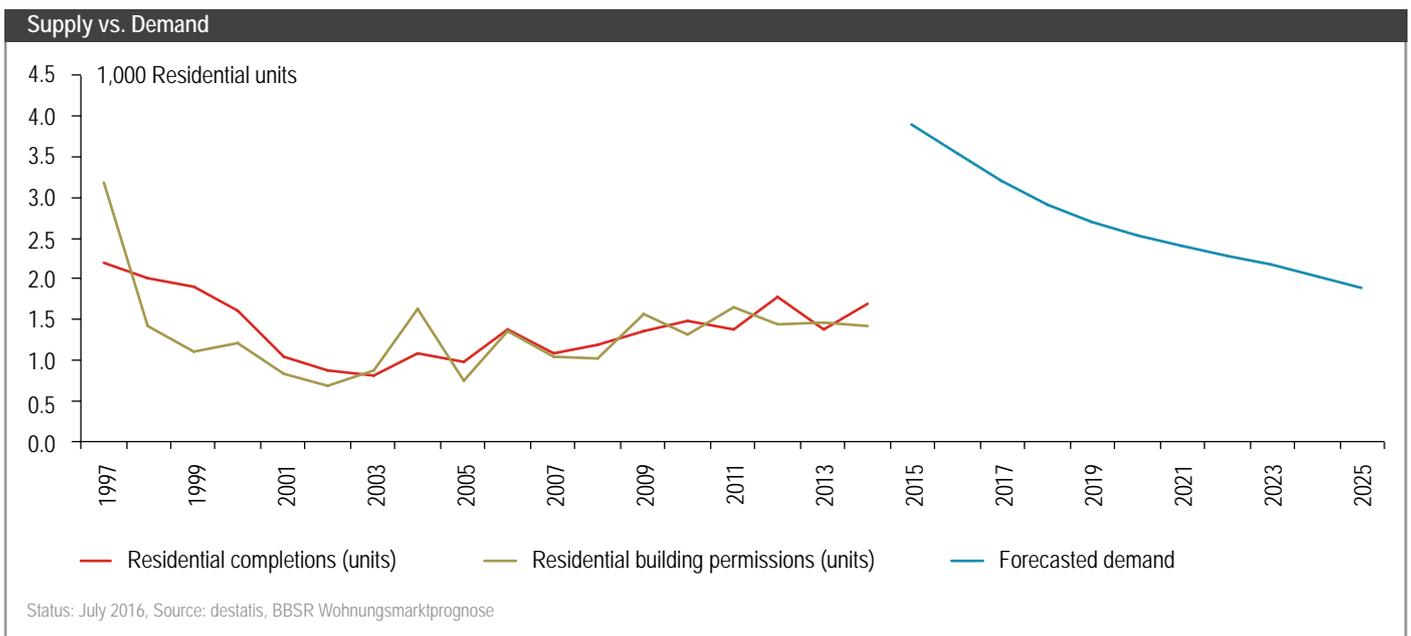


Stuttgart is one of the most economically significant cities because of its central location and is known as an innovative, high-tech region in Europe.

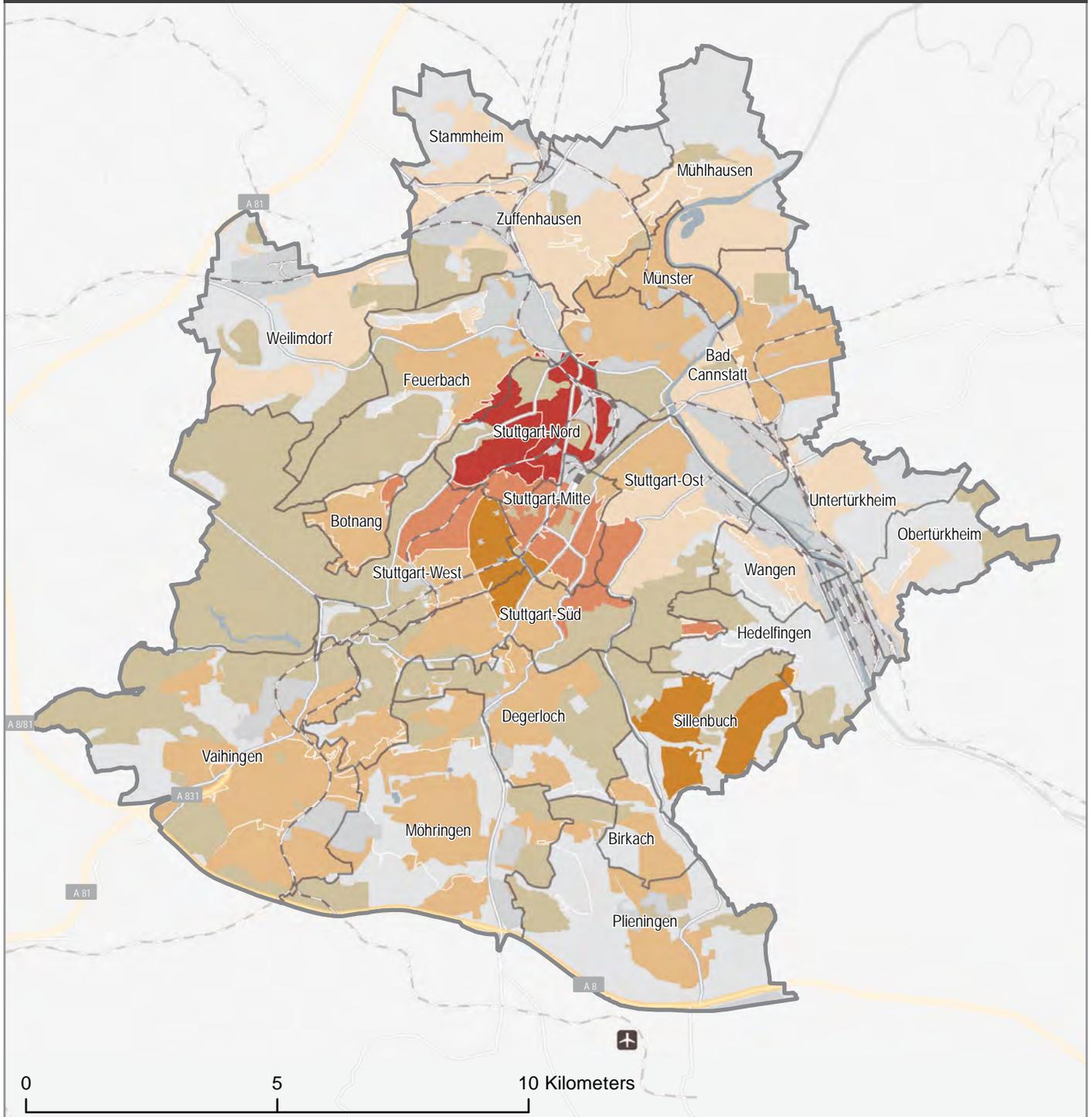
Overview				
District	Households	Single-person households (%)	Prime rent*	Prime condominium price*
Innenstadtbezirke	113,183	59.3	20.55	7,110
Nord-West	36,616	44.5	21.70	7,020
Nord-Ost	51,937	47.5	17.10	4,110
Nord	24,575	45.5	19.40	4,370
Süd	59,737	49.6	19.85	5,510
Ost	34,593	46.4	18.40	5,550
Stuttgart total	320,641	51.4	19.85	6,300

Status: July 2016, Source: Federal and municipal statistical offices, JLL

*Prime prices defined as 90% percentile of all asking prices

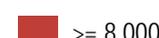
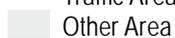


Map of Prime Condominium Prices



Prime Condominium Price Level

Defined as 90% percentile of all asking prices in €/sqm on postcode level

 < 5,000	 7,000 < 8,000	 Water Area	 Industrial or Traffic Area
 5,000 < 6,000	 >= 8,000	 Green Area	 Other Area
 6,000 < 7,000			

Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH

Residential construction activity in Stuttgart is still insufficient in catering to the growing population.

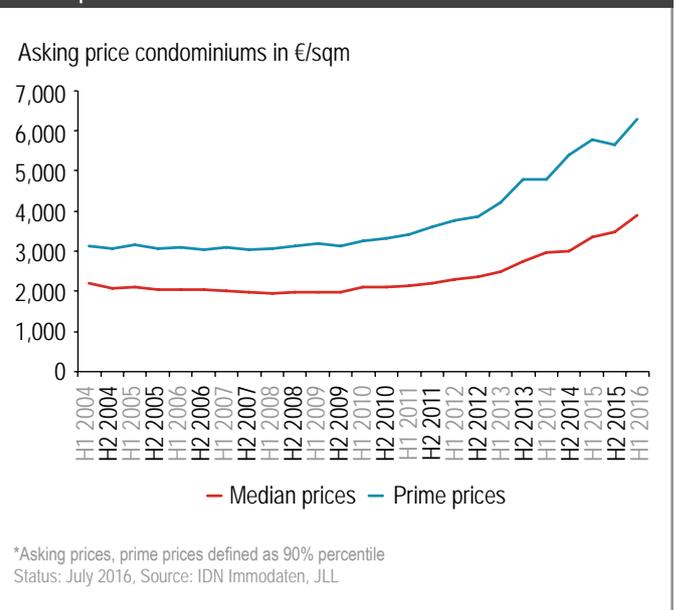
Rental Apartment Market in Stuttgart

In the first half of 2016, there was a significant slowdown in the pace of the upswing in Stuttgart following the above average increases in 2015. Rents rose by around 1.2% in the first six months of this year, compared to the 3.3% increase noted in the final six months of 2015; this was lower than the average growth rate for the current cycle (which commenced in 2007). Since then, asking rents have increased by an average of 2.2% per half-year, and a rise of almost 50%, or around €4.05/sqm, has been registered since 2007. Rents have risen by around 44% over the entire review period since 2004, due to a fall in several half years prior to 2007. In view of the increasing, albeit still insufficient level of new-build activity and high inward migration, a further rise in rents is likely over the medium-term, and growth rates, as observed in the last six months, are likely to be more moderate than in previous years.

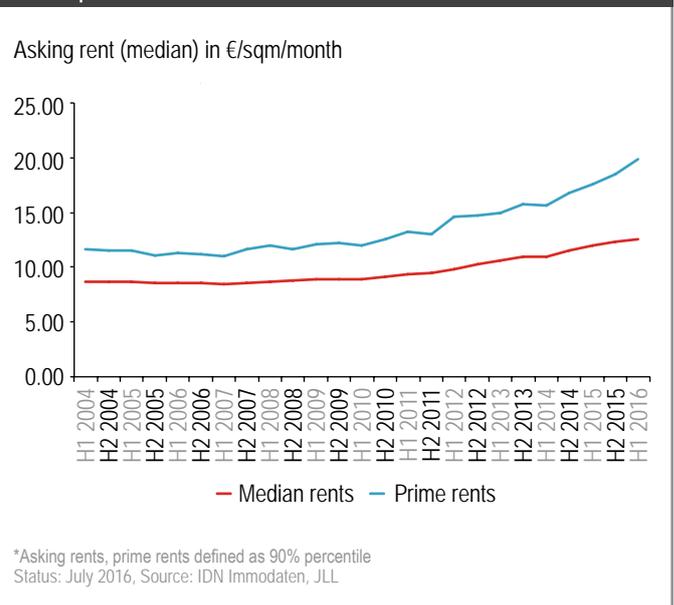
Condominium Market in Stuttgart

A new record was set in price increases for condominiums in the first half of this year. At 12.4%, asking prices have grown by an unprecedented level since the beginning of recording in 2004. Since the onset of the upswing in 2009, prices have risen by an average of 5.4% per half-year. This means that prices have increased by a total of almost €2,000/sqm and have therefore almost doubled. As prices have also fallen in a number of half years, the overall price increase over the review period since 2004 is 4.8% per annum, or a total of 77%. In view of the continued low construction activity, high purchasing power and good financing conditions on offer, further price increases are likely, although they are more likely to return to the average of the increases seen since 2009 than to the record level of the last six months.

Development of Median and Prime Condo Prices*



Development of Median and Prime Rents*



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