

Real Estate Monitor

PwC's Real Estate Institute

September 2024

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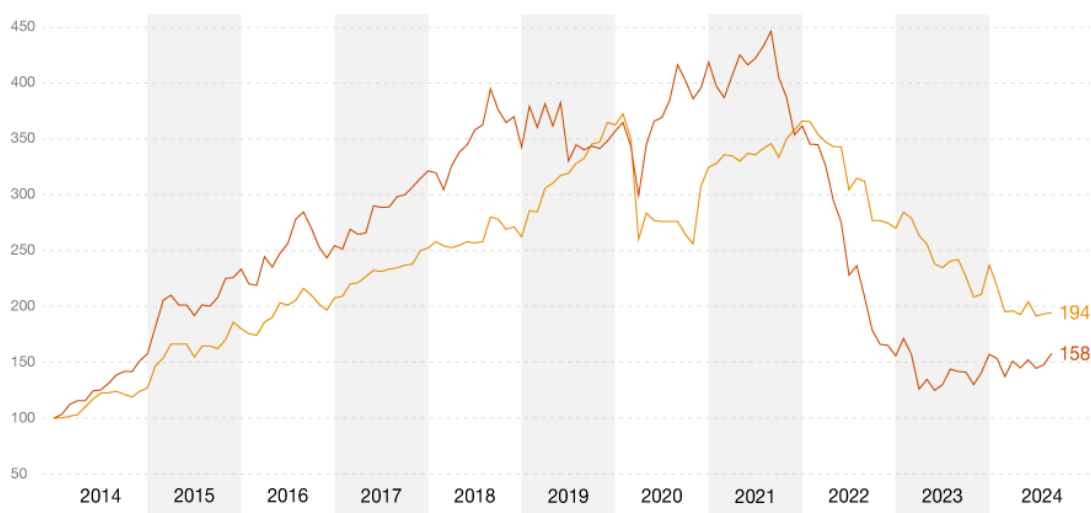
Significant increase of +7% for residential in light of interest rate hopes

Real Estate Monitor, September 2024

In August 2024, the PwC Real Estate Indices for residential and commercial property holders recovered. While the index for residential property holders increased by +7.0% on average to 158 points, commercial slightly rose by +0.4% during the same period, reaching 194 points. The WACC for German real estate companies increased by 5.5% (+10 bps), whereas the global counterpart remained unchanged at 7.5% (+/- 0 bps).

German real estate stocks were among the top performers in a weak market, driven by hopes of interest rate cuts following weak economic data and a positive sector study. Key players in the DAX and MDAX indices saw notable gains, while the SDAX index also had strong performers. Despite some mixed sentiment data, the potential for interest rate cuts by the US Federal Reserve and European Central Bank is expected to benefit the interest-sensitive real estate sector significantly.

PwC Real Estate Index – Germany (Jan 2014 – August 2024)



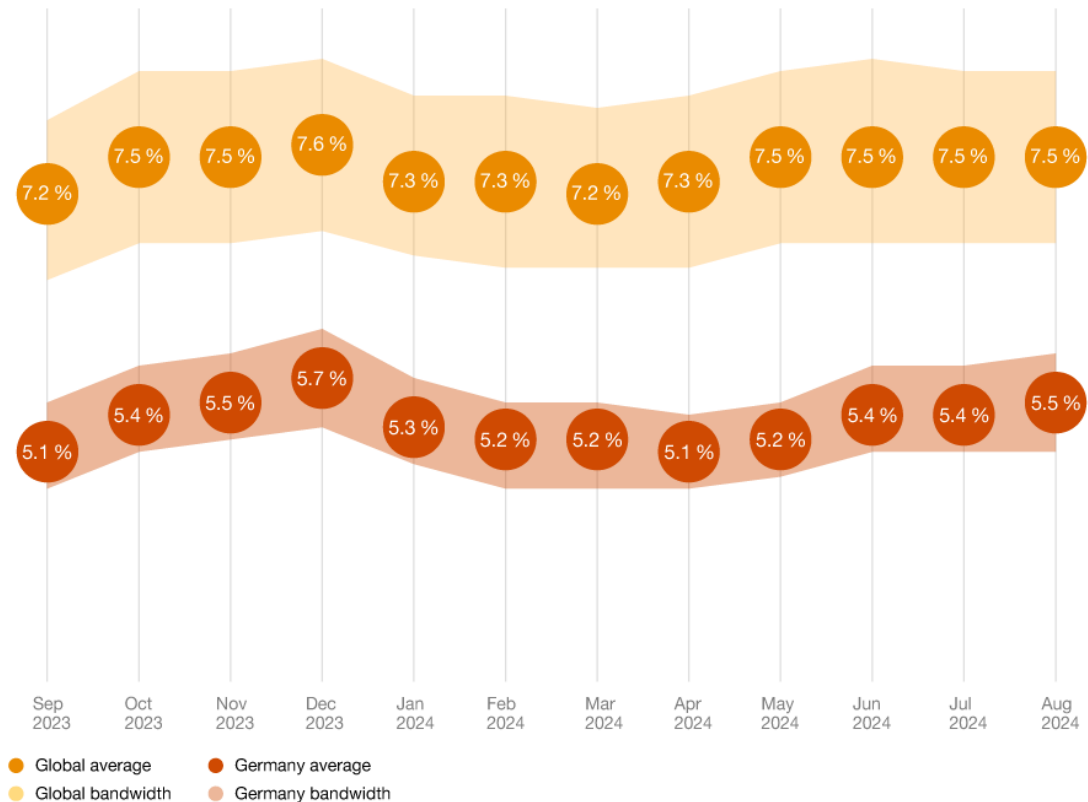
Performance (31 August 2024)

Index	YTD	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	5 Years
Commercial	-18.0 %	0.4 %	-4.8 %	-0.4 %	-19.7 %	-37.8 %	-43.9 %	-41.6 %
Residential	0.3 %	7.0 %	3.7 %	14.5 %	11.3 %	-24.5 %	-64.7 %	-53.6 %

Source: PwC "Real Estate Monitor"

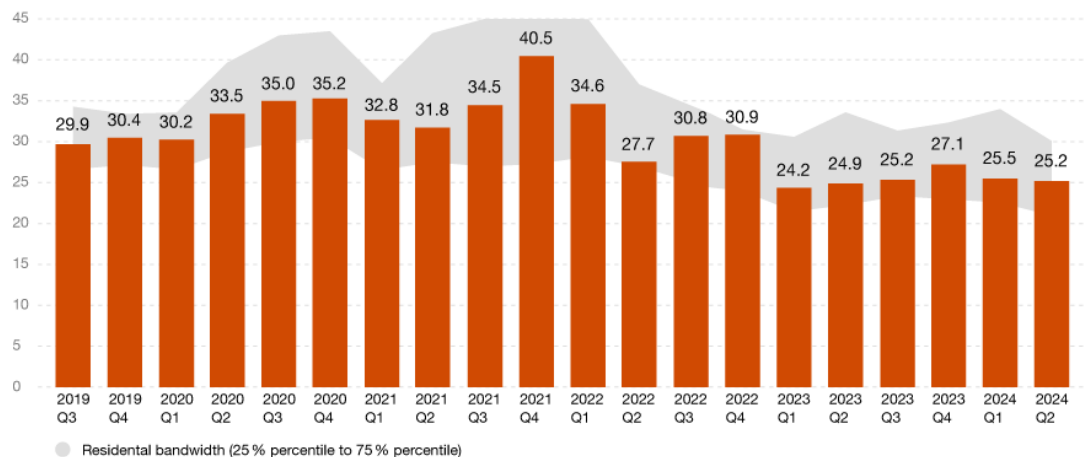
Stock price data per company within the respective peer group is collected using the S&P Capital IQ Data Item „IQ_ClosePrice_Adj“. Capital IQ defines the Close Price as: The closing price of the day, calculated once per day after the market close. Close prices are adjusted for stock splits, cash dividends, rights offerings, and spin-offs. The underlying peer groups are revised and adjusted once per year on 31 December. New players on the German real estate market are thus identified and included, while delisted companies are excluded.

Weighted Average Cost of Capital (WACC)

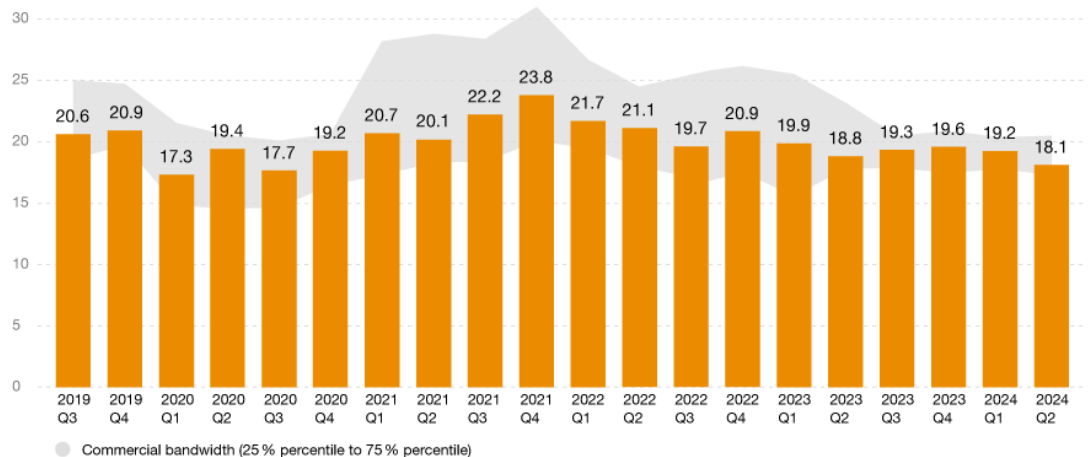


Source: PwC "Real Estate Monitor"

EBITDA Multiple – Residential Germany (per quarter)



EBITDA Multiple – Commercial Germany (per quarter)



Source: PwC "Real Estate Monitor"



Real Estate Monitor

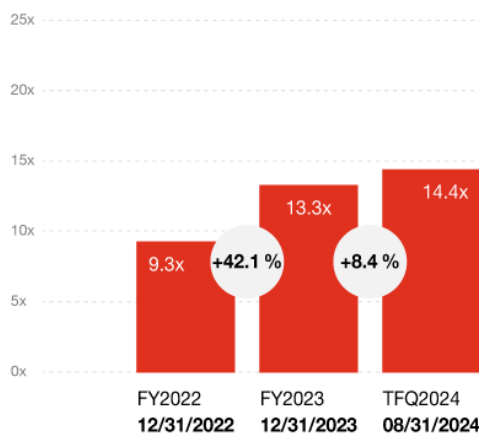
PwC's Real Estate Institute – Real Estate KPIs

Relative valuation level based on sector-specific key figures

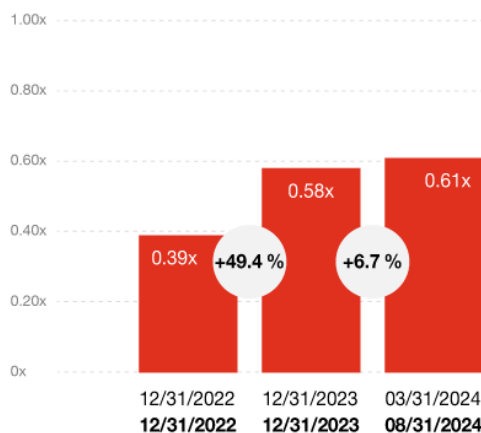
In order to gain insight into the changes in value of 17 major players in the German real estate market, we have analysed the sector-specific Real Estate KPIs FFO 1 and EPRA NTA from the financial periods FY2022, FY2023 and TFQ2024 (TFQ: Trailing Four Quarters). We have put the share prices as of the balance sheet dates 31 Dec 2022, 31 Dec 2023 and 31 Aug 2024 in relation to the above-mentioned key figures from the corresponding financial periods. The resulting average ratios by segment are shown in the figures below.

Sector-specific KPIs FFO 1 and EPRA NTA Residential

FFO 1 multiple

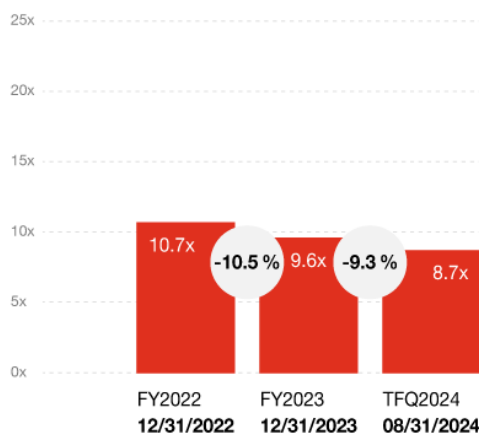


Price/EPRA NTA ratio

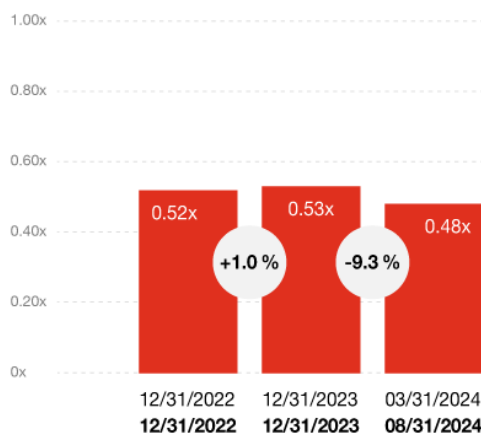


Sector-specific KPIs FFO 1 and EPRA NTA Commercial

FFO 1 multiple



Price/EPRA NTA ratio



FFO 1 multiples and Price/EPRA NTA ratios by segment

The table below shows the individual FFO 1 multiples and Price/EPRA NTA ratios of our peer group by segment. The key figures relate to the financial periods FY2022, FY2023 and TFQ2024 and the share prices as of 31 Dec 2022, 31 Dec 2023 and 31 Aug 2024.

Reading example: TAG Immobilien AG was valued by the market at 13.5x of its FFO 1 as of 31 Dec 2023, whereas on 31 Aug 2024, it was valued at 15.0x of its FFO 1.

Stock price as of KPI (FFO and NTA) as of	FFO 1 multiple			Price/EPRA NTA ratio		
	12/31/2022 FY2022	12/31/2023 FY2023	08/31/2024 TFQ2024	12/31/2022 12/31/2022	12/31/2023 12/31/2023	08/31/2024 03/31/2024
RESIDENTIAL						
Deutsche Wohnen SE	15.2x	17.6x	16.7x	0.39x	0.56x	0.50x
Grand City Properties SA	7.9x	9.4x	11.6x	0.30x	0.43x	0.53x
LEG Immobilien SE	9.3x	12.9x	14.4x	0.40x	0.63x	0.69x
Phoenix Spree Deutschland Limited				0.55x	0.50x	0.49x
TAG Immobilien AG	5.6x	13.5x	15.0x	0.29x	0.72x	0.80x
Vonovia SE	8.6x	12.9x	14.2x	0.38x	0.61x	0.67x
25%-Percentile	7.9x	12.9x	14.2x	0.32x	0.52x	0.51x
Average	9.3x	13.3x	14.4x	0.39x	0.58x	0.61x
75%-Percentile	9.3x	13.5x	15.0x	0.40x	0.63x	0.69x
COMMERCIAL						
alstria office REIT-AG	13.1x	7.4x	7.6x	0.54x	0.40x	0.38x
Aroundtown SA	9.0x	8.2x	7.8x	0.32x	0.34x	0.31x
Branicks Group AG	5.6x	5.4x	3.4x	0.53x	0.28x	0.17x
DEFAMA Deutsche Fachmarkt AG	12.9x	12.0x	12.8x			
Deutsche EuroShop AG	10.5x	10.1x	10.3x	0.59x	0.71x	0.72x
Deutsche Konsum REIT-AG	6.6x	3.9x	3.4x	0.48x	0.31x	0.25x
Deutsche Real Estate AG	15.4x	12.0x	9.8x			
FCR Immobilien AG	15.5x	17.0x	12.0x			
Hamborner REIT AG	10.7x	10.1x	9.7x	0.57x	0.68x	0.64x
Sirius Real Estate Limited	10.1x	13.4x	15.9x	0.76x	1.15x	1.17x
VIB Vermögen AG	9.0x	6.3x	3.4x	0.38x	0.34x	0.18x
25%-Percentile	9.0x	6.9x	5.5x	0.46x	0.33x	0.23x
Average	10.7x	9.6x	8.7x	0.52x	0.53x	0.48x
75%-Percentile	13.0x	12.0x	11.2x	0.58x	0.69x	0.66x

Source: PwC "Real Estate Monitor"

Valuation level (measured by RE KPIs)

Compared to the end of FY2023, Commercial's current valuation level (as of 31 Aug 2024) has decreased by -9.3% (FFO 1 multiple) and -9.3% (Price/EPRA NTA ratio). On the other hand, the current valuation level of Residential has increased by +8.4% (FFO 1 multiple) and +6.7% (Price/EPRA NTA ratio).

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