In cooperation with
Wüest Partner
Germany

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Housing Market Report Eastern Germany 2017

TAG
Immobilien AG

The entire study is available online at:
https://www.tag-ag.com/service/downloads/wohnungsmarktbericht/

Speakers

Claudia Hoyer (COO)
Management Board
TAG Immobilien AG

Topic:
Intention of the study and presentation of the regions

Martin Thiel (CFO)
Management Board
TAG Immobilien AG

Topic:
Presentation of key findings

Karsten Jungk
Managing Director and Partner
Wüest Partner Germany

Topic:
Data collection

Table of Contents

I. Intention of the study

To map current developments in the 27 large and mid-sized cities analysed in Eastern Germany

- Describe market developments, including housing cost burdens and net migration balances
- Provide current market data on rents, property purchase prices, vacancy rates and yields
- Increase transparency of smaller real estate markets
- Confirm the turnaround in Eastern Germany

Stralsund, Heinrich Mann Straße

Brandenburg an der Havel

Dessau-Roßlau

II. Key findings of the study

1. Purchasing power growth means that the housing cost burden has remained stable or even decreased, despite rising rents.

2. Eastern Germany's mid-sized cities are becoming ever more attractive and are growing – thus fuelling further rent and property purchase price increases.

3. These developments are having a growing impact on the areas surrounding large cities.

4. The flourishing regions of Eastern Germany offer attractive returns for property owners and investors.

Dresden, Georg-Marwitz-Straße

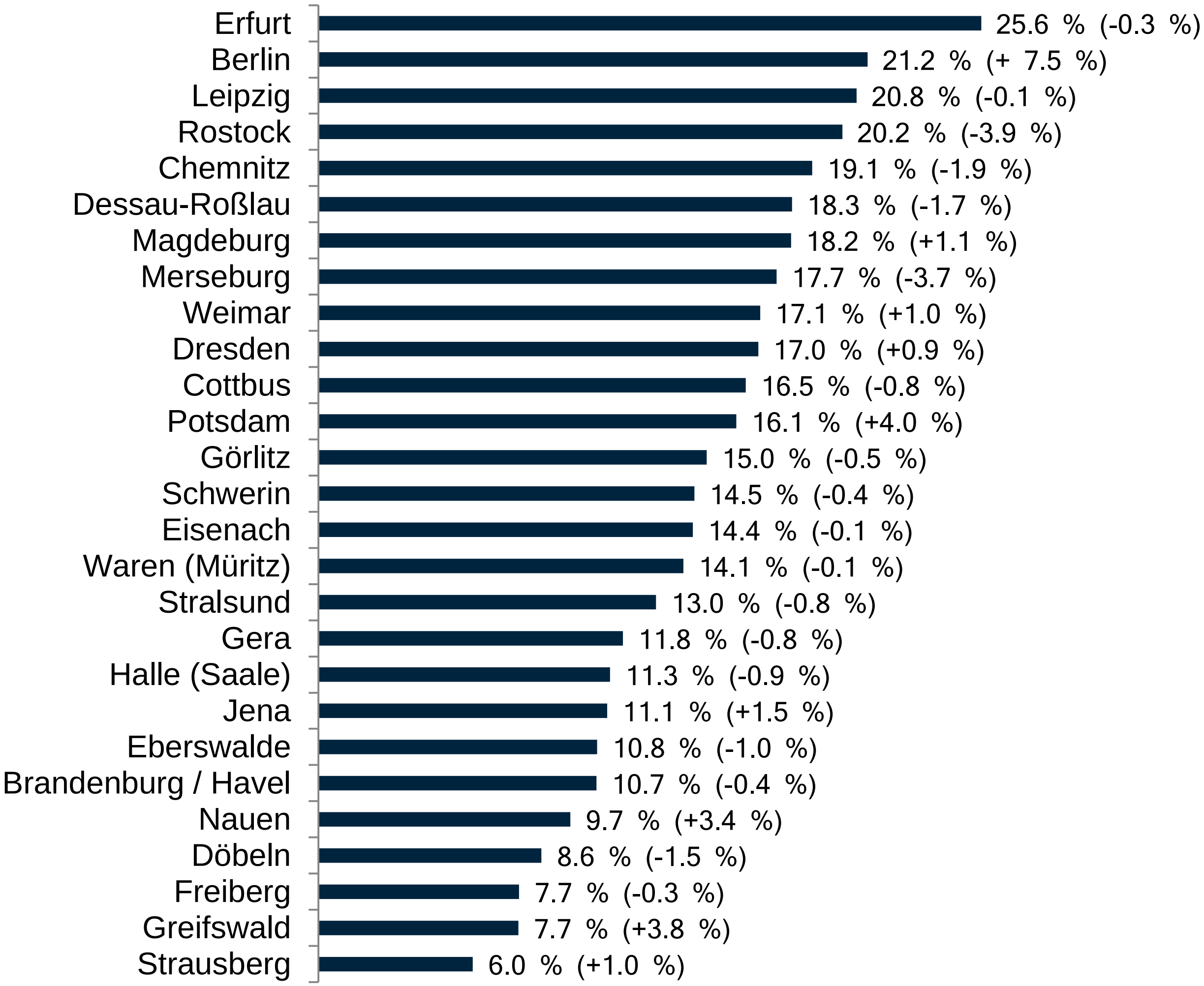
Gera, Otto-Rothe-Straße

Freiberg, Am Mühlenteich

II.1. Purchasing power & housing cost burden

Purchasing power growth means that the housing cost burdens have remained stable or even decreased, despite rising rents.

Development of purchasing power and housing cost burdens



- Increase in purchasing power in all cities surveyed since 2010 – by a minimum of 6.0 % in Strausberg to 25.6 % in Erfurt.
- The housing cost burden increased in just nine of the 27 cities between 2006 and 2017.

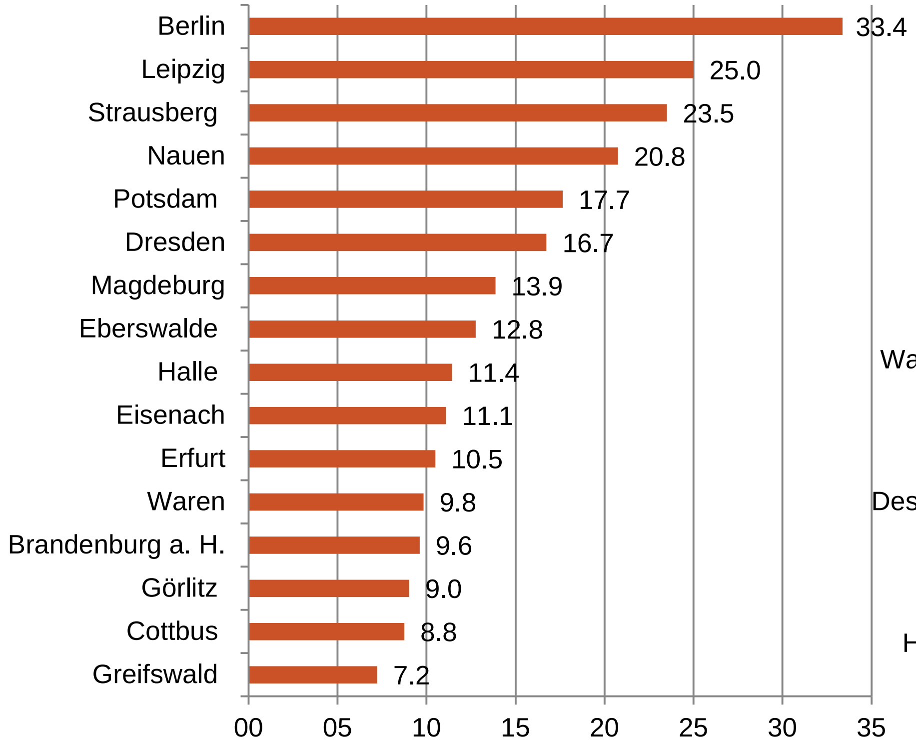
Development of purchasing power (2010-2017), in brackets: Development of housing cost burden (2006 -2017)

II.2. Rents & property purchase prices

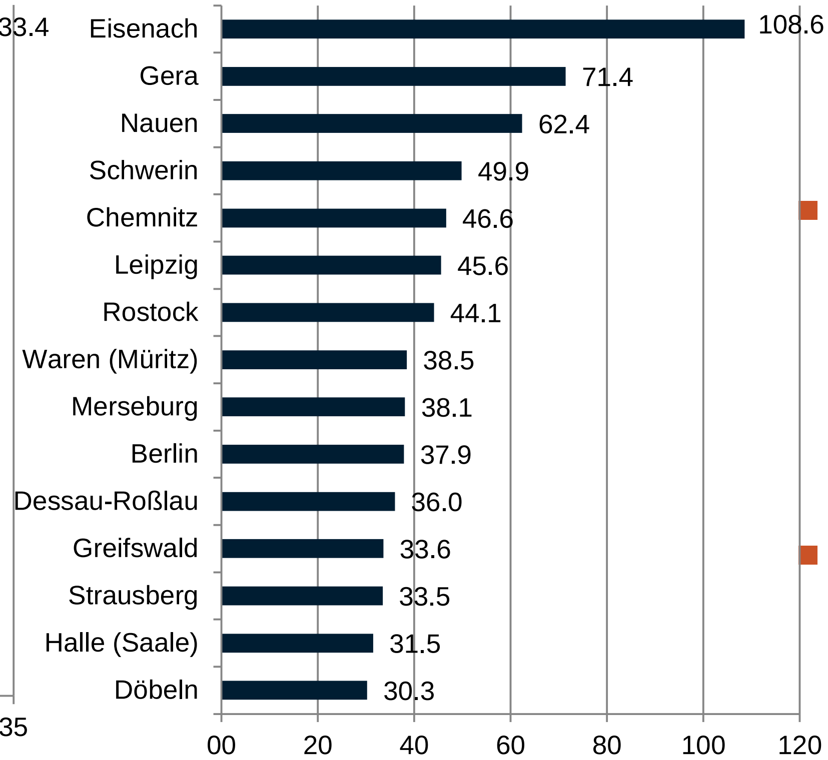
Eastern Germany's mid-sized cities are becoming ever more attractive and are growing – thus fuelling further rent and property purchase price increases.

Development of rents and property purchase prices in selected Eastern German cities

Rents



Purchase prices (new-build)



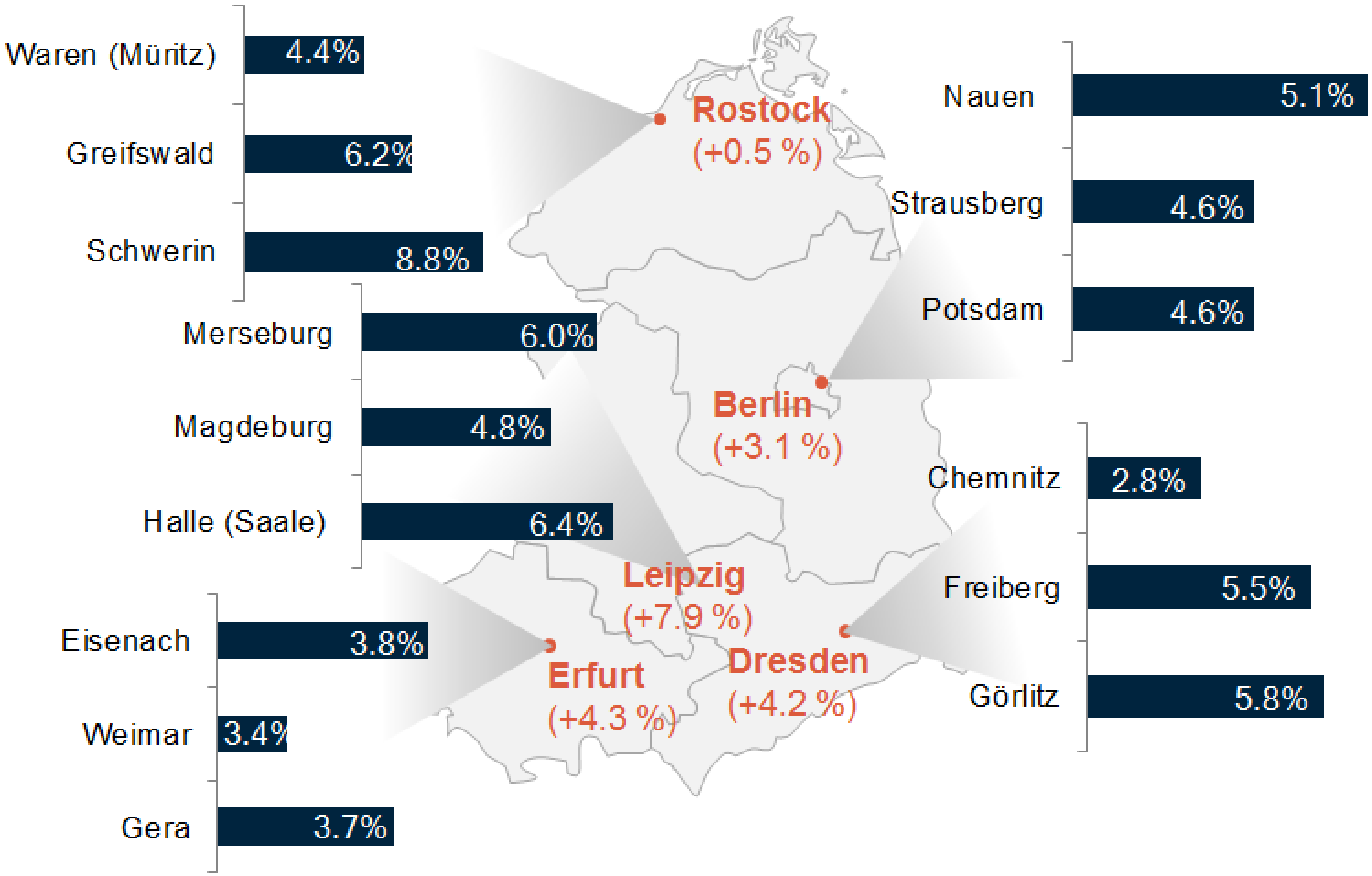
- Rents have increased by between 0.6 % in Jena and 33.4 % in Berlin since 2012 – in 11 cities by more than 10 %.
- In 23 cities, prices in the new-build sector have risen by more than 10 %, ranging from 5.6 % in Freiberg to 108.6 % in Eisenach.
- The largest price increase for existing properties was 74.9 % in Strausberg.

Development of rents and property purchase prices: 2012 – H1 2017 in %

II.3. Demographic development

Developments are increasingly affecting areas surrounding large cities.

Year-on-year growth in the number of households



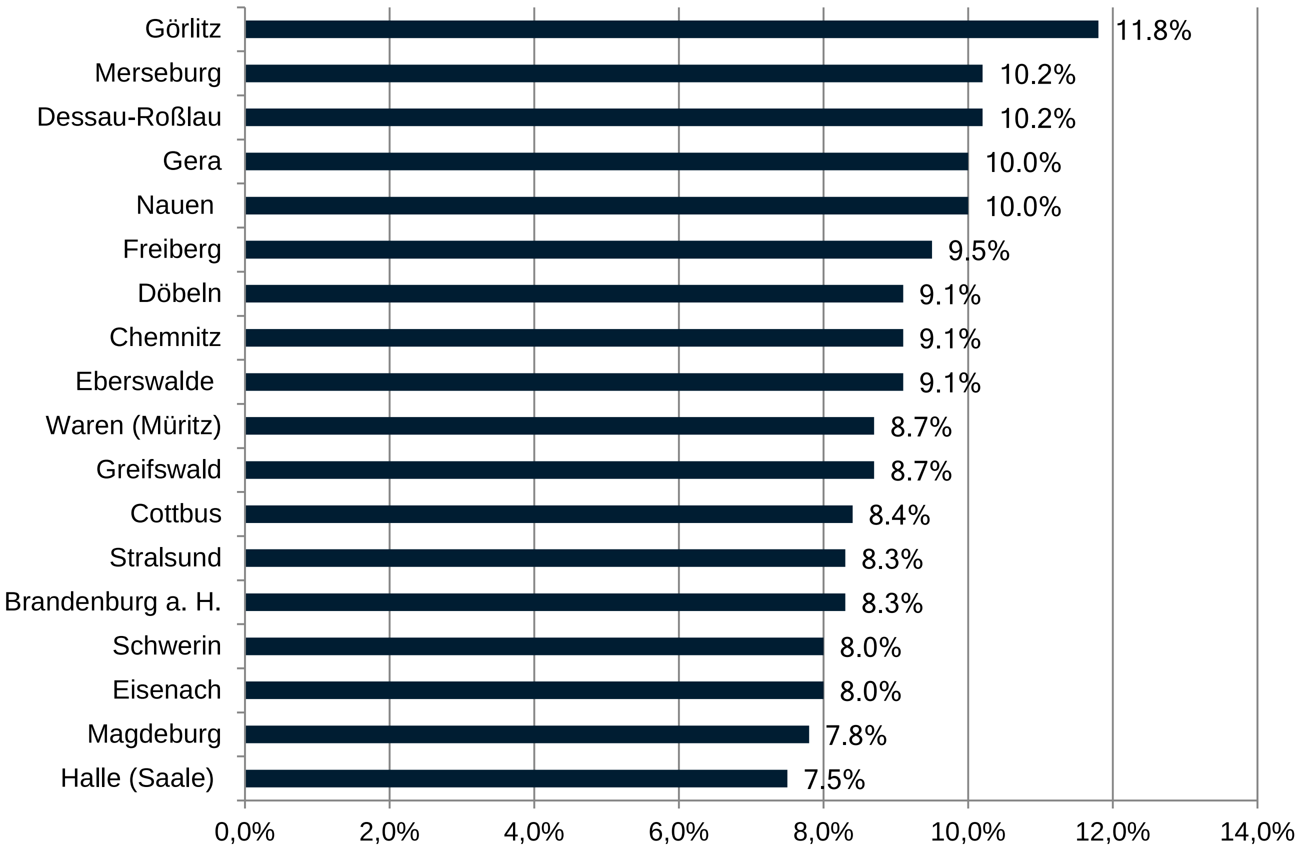
2015/2016 – 2016/2017 in %

- The number of households grew shaprtly – in some places more rapidly than in the region's major cities.
- The strongest growth in the number of households was registered in Schwerin and Leipzig.

II.4. Yields

Flourishing regions offer attractive yields

Average gross yields (shown here > 7.5%)



2015-2017 in %

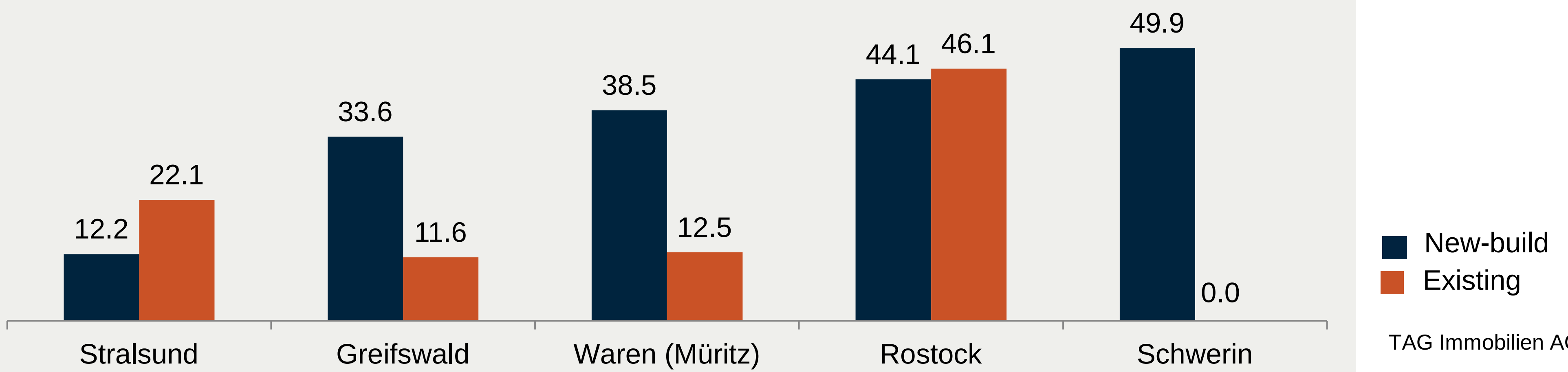
- Top yields range from 7.5 % in Halle (Saale) to 11.8 % in Görlitz.
- Gross yields in Berlin, Potsdam, Dresden, Leipzig and Rostock average between 4.5 % and 5.9%.
- Erfurt, Jena, Strausberg and Weimar offer yields of around 6.6 %.

III. The Rostock Region

Purchase prices continue to rise sharply

- Purchase prices for new and existing buildings in Rostock rose by 44 % and 46 %, respectively, while the rate at which prices for new buildings in Schwerin increased is the fastest in the region, at 50 %.
- Greifswald and Waren (Müritz) also experienced price booms.
- In terms of purchase prices for new-builds, Waren (Müritz) at EUR 2,472/sqm is more expensive than Greifswald (EUR 2,376/sqm) and Stralsund (EUR 2,235/sqm). For existing buildings it even beats Schwerin – only Rostock is more expensive.

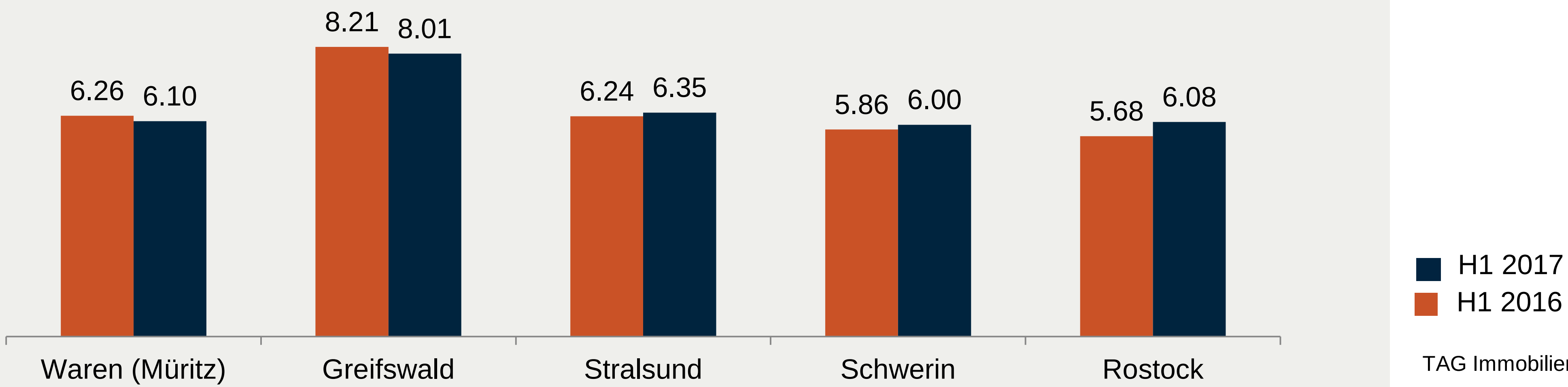
Purchase price growth for new and existing properties (2012 – H1 2017) in %



III. The Rostock Region

- **Housing cost burden:** Rostock’s housing cost burden has fallen by around 4% since 2006.
- Stralsund’s **housing cost burden** has decreased by 0.8 %. Housing cost burdens in Waren (Müritz) and Schwerin remained almost unchanged (-0.1 % and -0.4 %, respectively).
- **Apartment rents increased** year-on-year in Schwerin (2.4 %) and Stralsund (1.7%). In Greifswald and Waren (Müritz) they decreased by around 2.5 %. However, over the last five years, rents rose significantly, by 7.2 % and 9.8 %, respectively.

Apartment rents (EUR/sqm/month)

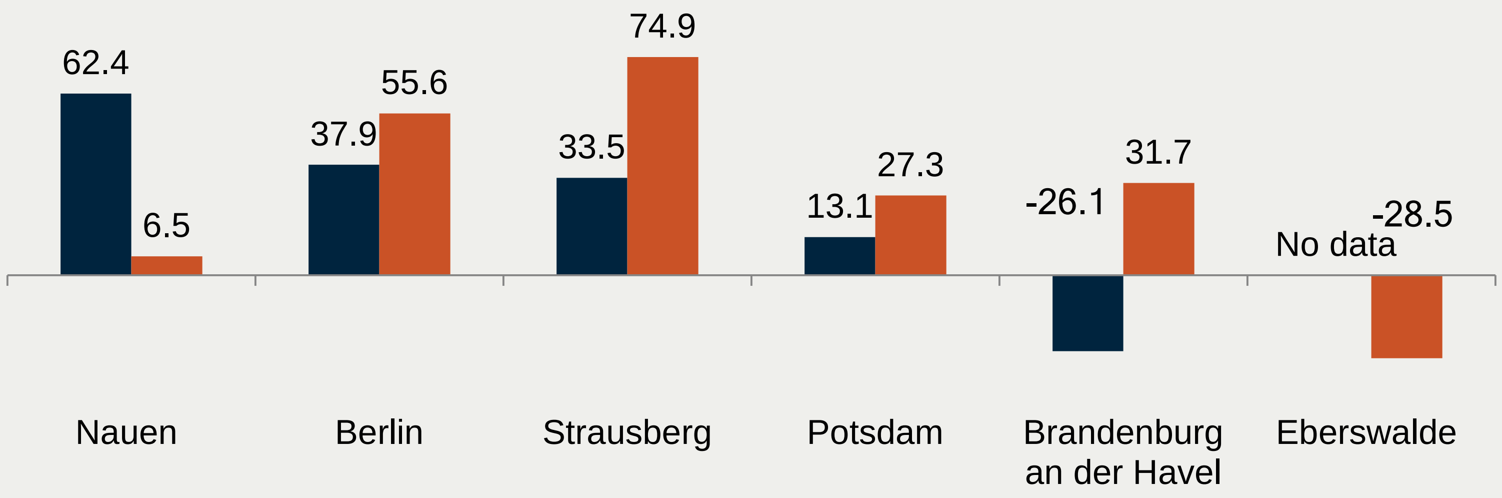


IV. The Berlin/Brandenburg Region

Purchase prices rise rapidly in areas around Berlin

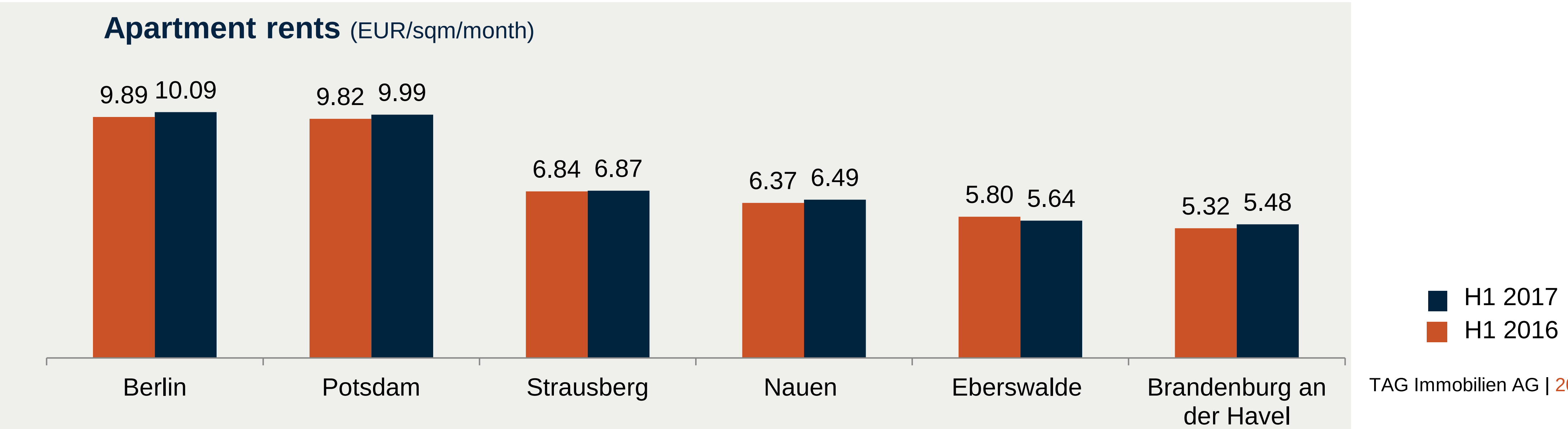
- Nauen experienced the largest jump in prices for new-builds – while prices also rose in Strausberg and Potsdam. The rate for existing properties was even faster – by as much as 75 %.
- However, property purchase prices fell in the peripherals of Brandenburg/Havel (new-build) and Eberswalde (existing properties).

Development of purchase prices – new-build and existing (2012- H1 2017) in %



IV. The Berlin/Brandenburg Region

- The surrounding area is also ahead of the periphery in terms of **the rate of rent increases**: Strausberg and Nauen posted increases of 23.5 % and 20.8 %, respectively, within a five-year period (2012 – H1 2017). Potsdam follows at 17.7 %.
- Rents are also increasing in Eberswalde (12.8%) and Nauen (9.6%).
- In contrast to the other regions, the **housing cost burden** is rising: In Berlin, due to rapid rent increases, the housing cost burden has risen to an average of 31.6 %, in some places to as much as 50 %. Potsdam posted a 4 % increase and Strausberg 1 %.
- Moderate declines were seen in Eberswalde (-1%) and Brandenburg/Havel (-0.4%).

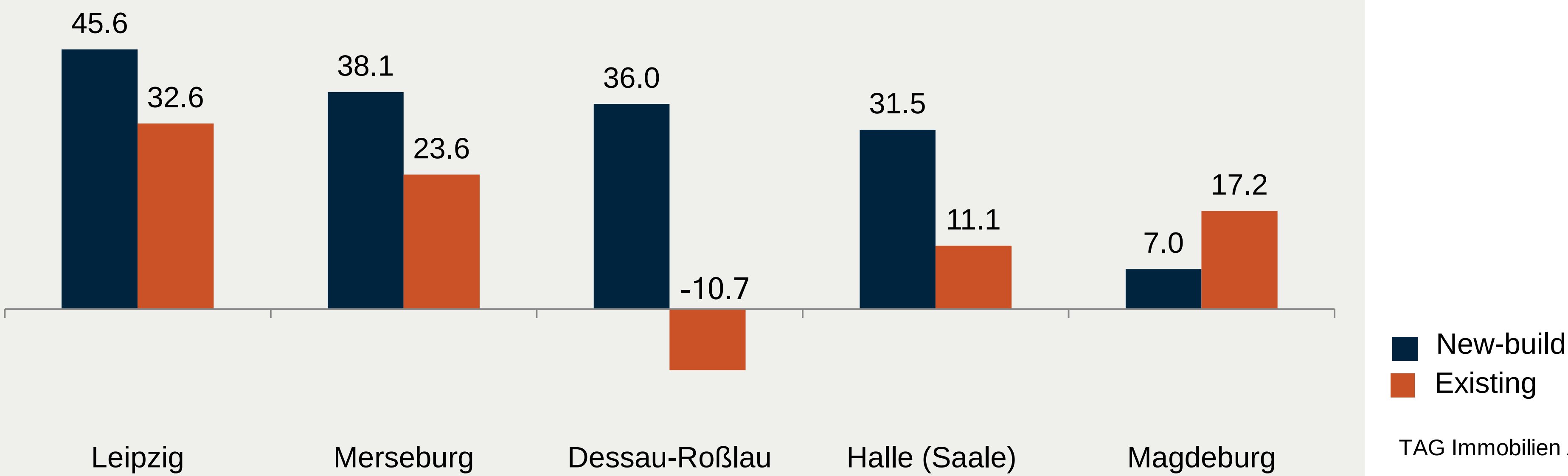


V. The Leipzig Region

Rapid growth in the number of households in Leipzig and beyond

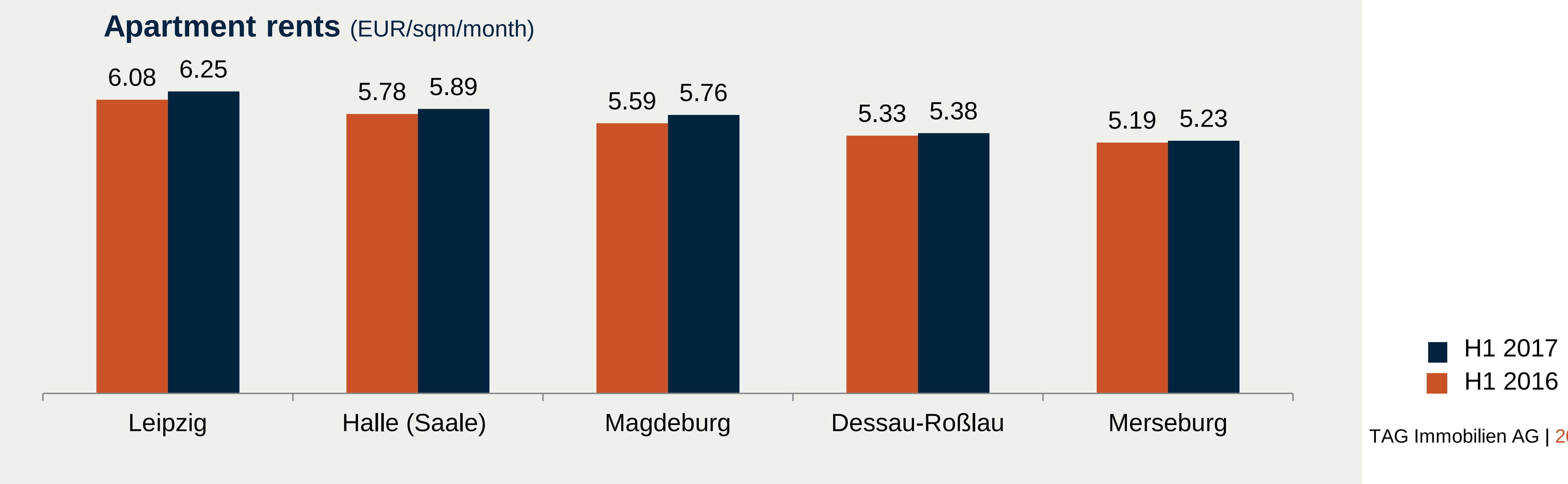
- The number of households is not only growing in the city of Leipzig (by 7.9% within a single year). The regional centres of Halle (Saale), Merseburg and Magdeburg also reported an increase in the number of households (H1 2016 – H1 2017) of 4.8 % to 6.4 %.
- The strong rise in demand has had a noticeable impact on purchase prices in the new-build sector – especially in Leipzig, Merseburg, Dessau-Roßlau and Halle (Saale).

Development of purchase prices – new-build and existing (2012- H1 2017) in %



V. The Leipzig Region

- Within one year, Magdeburg recorded an increase in median rents of 3.1%, even topping Leipzig (2.8 %). The other regional centres also registered increases of between 0.7 % and 1.8 %.
- In terms of the five-year trend, Leipzig is still ahead with increases of 25 %. Magdeburg and Halle registered increases of more than 10 %.
- Rapid rises in purchasing power (of between 11.3 % and 20.8 %) have caused **housing cost burdens** to decline across the board. In Merseburg by as much as 3.7 %. Magdeburg was the only regional centre to register an increase in the housing cost burden of 1.1 %.

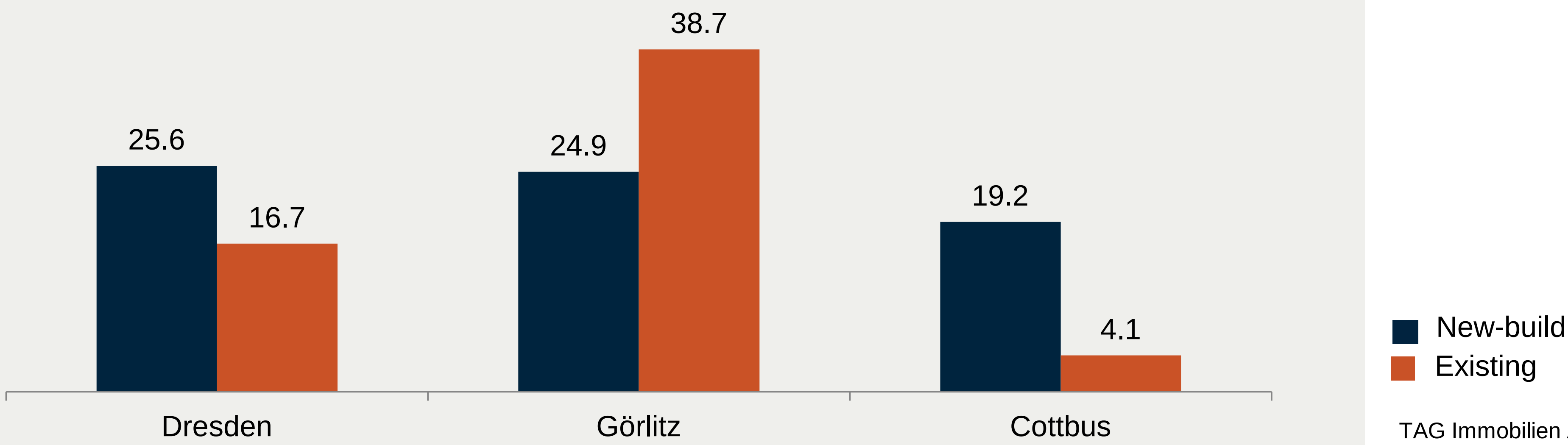


VI. The Dresden Region

Purchase prices for new and existing properties have risen sharply

- For new-builds, purchase prices have risen almost uniformly – by between 19.2 % in Cottbus and 25.6 % in Dresden.
- Prices for existing residential property in Görlitz rose by 38.7 %.
- These increases have been fuelled by rapid growth in the number of households – +4.2 % in Dresden and +5.8 % in Görlitz. In addition, the number of employees subject to social security contributions increased by around 10 % in both cities.

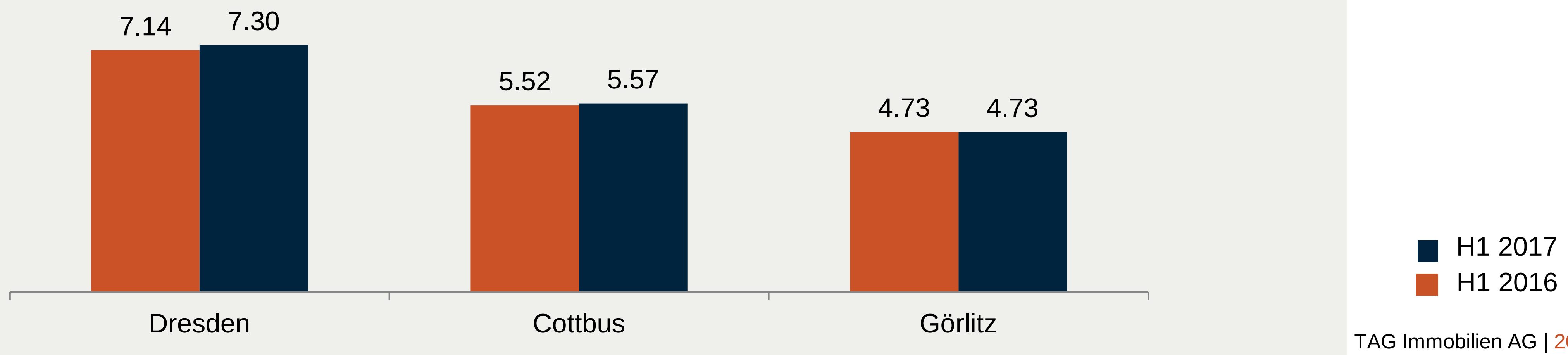
Development of purchase prices – new-build and existing (2012- H1 2017) in %



VI. The Dresden Region

- Median rents in Dresden rose by 16.7 % within a five-year period (since 2012) – and by 2.1 % in comparison to the previous year. Even Cottbus and Görlitz have posted increases of around 9 % since 2012, which reflects the increase in demand for housing.
- The **housing cost burden** in Dresden rose by a moderate 0.9 % between 2006 and 2017. In Cottbus and Görlitz there were even slight declines, of 0.8 % and 0.5 %, respectively.

Apartment rents (EUR/sqm/month)

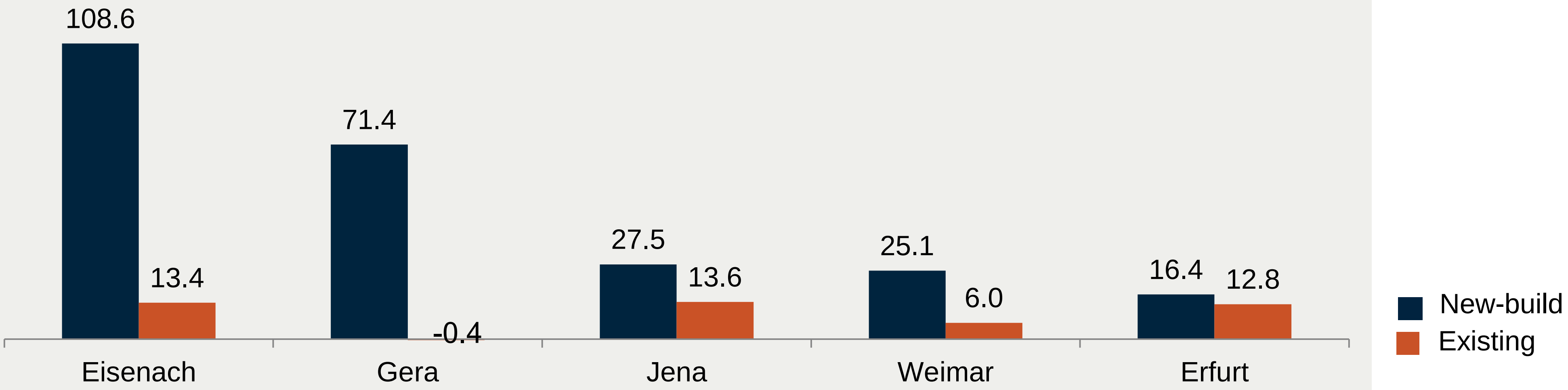


VII. The Erfurt Region

Purchase price boom in Eisenach and Gera

- Purchase prices in Eisenach's new-build residential sector surged by 108.6 %. Gera also posted rapid purchase price growth of over 71 %.
- Strong demand is fuelled by the increasing number of households (up by 3 % in Jena and 4.3 % in Erfurt) and, in some cases, dramatic falls in unemployment of between 25.6 % and 34.8 % (in Jena, the unemployment rate is down by 13.1 %).
- In contrast, purchase prices for existing property in Jena, Eisenach and Erfurt are rising at a more moderate rate of 13 %.

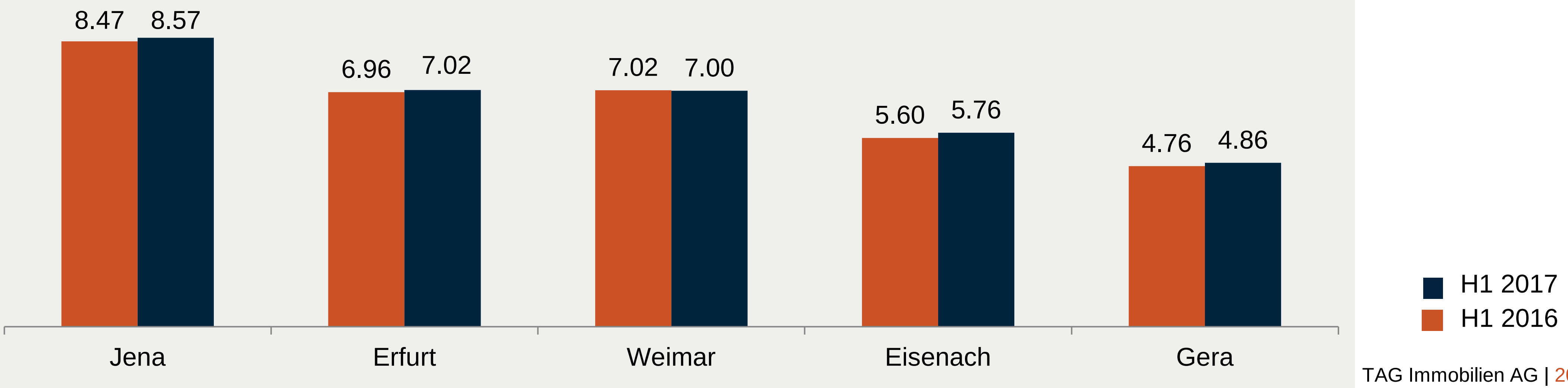
Development of purchase prices – new-build and existing (2012- H1 2017) in %



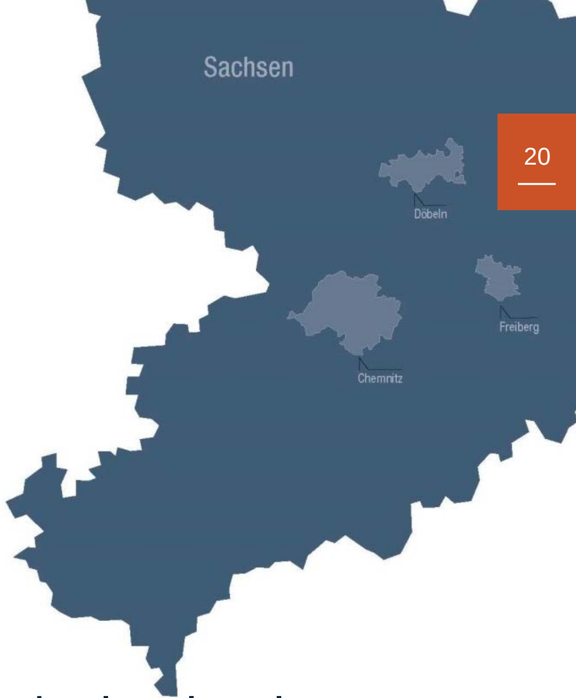
VII. The Erfurt Region

- Within a year, median rents increased by between 0.9 % in Erfurt and 2.7 % in Eisenach. Only Weimar recorded a minimal decline of 0.3 %.
- The five-year trend is positive in all cities. The front-runners are Eisenach and Erfurt, where median rents have increased by around 11 %.
- The across-the-board, double-digit increase in purchasing power since 2010 has led to a decline in **housing cost burdens**. The burden for households in Gera, for example, has fallen slightly (by 0.8 %).
- In Jena and Weimar, households are already subject to a relatively high housing cost burden in 2017 (26.6 % and 24.9 %), with rates up by 1.5 % and 1 %, respectively.

Apartment rents (EUR/sqm/month)



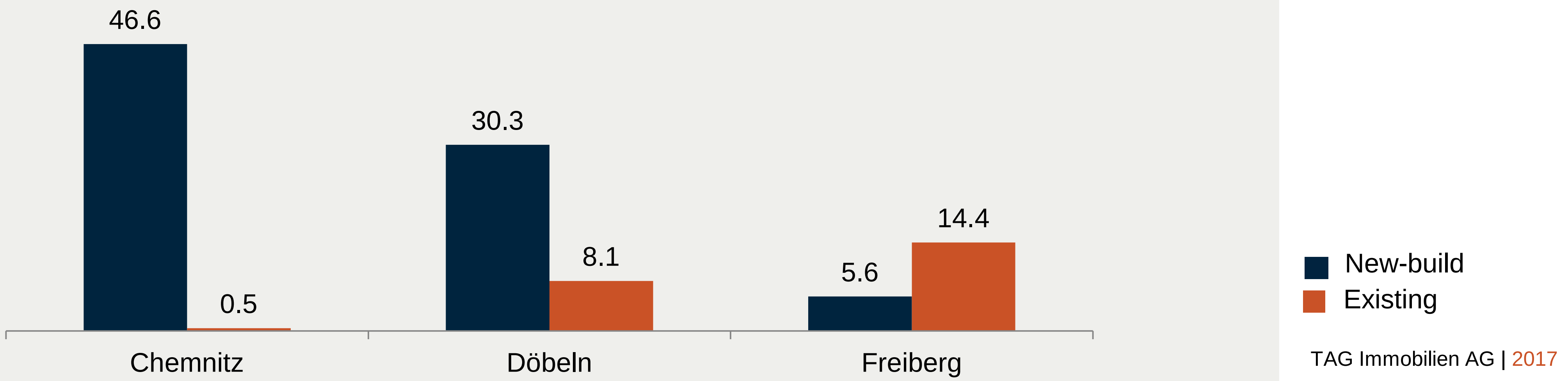
VIII. The Chemnitz Region



Higher demand in Chemnitz drives purchase prices for new-builds

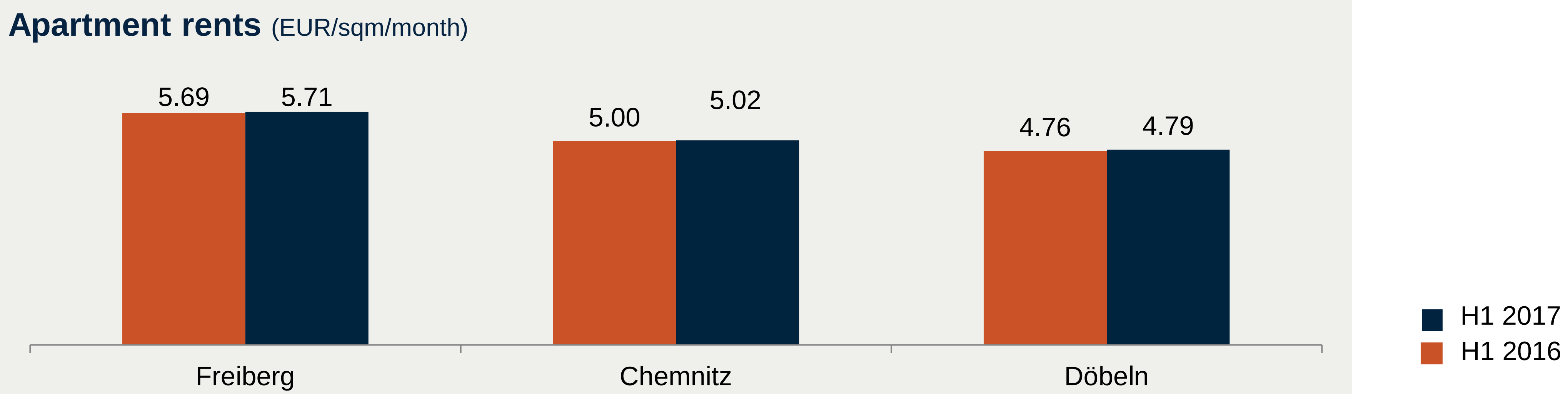
- Purchase prices (new-builds) in Chemnitz have risen by almost 50 % since 2012. Factors influencing this development are the 19 % increase in purchasing power since 2010, coupled with a 33 % reduction in the unemployment rate.
- Döbeln also registered noticeable price increases, fuelled in part by the low level of residential construction of just 0.7 apartments per 1,000 inhabitants (2009-2015, p.a.).

Development of purchase prices – new-build and existing (2012- H1 2017) in %



VIII. The Chemnitz Region

- From 2016 to 2017, median rents in the region registered moderate growth of between 0.4 % and 0.7 %.
- The **housing cost burden** has fallen by a noticeable 1.9 % in Chemnitz and 1.5 % in Döbeln since 2006 and now stands at a relatively low 17.5 % in Chemnitz and 20.0 % in Freiberg.



TAG Contacts

Dominique Mann
Head of Investor & Public Relations

Phone: +49 40 380 32-305
Fax: +49 40 380 32-388

ir@tag-ag.com

TAG Immobilien AG

Steckelhörn 5
20457 Hamburg

Phone: +49 40 380 32-0
Fax: +49 40 380 32-388

www.tag-ag.com