

DERECO Real Estate concludes deal for new residential complex in Düsseldorf



All of the apartments in the "Beuth Lofts & Houses" have spacious balconies, terraces or gardens. Singles, couples and also young families who are looking for urban living will find an adequate residential environment here.

DERECO Real Estate, Cologne has successfully concluded the sale of the new residential complex "Beuth Lofts & Houses" in Düsseldorf Pempelfort. The sellers are the project developer PDI Property Development Investors GmbH, Düsseldorf (an associate company of Rickmers Group, Hamburg) and GWI Bauunternehmung GmbH, Düsseldorf. The buyer is a new special fund established by Aachener Grundvermögen Kapitalanlagegesellschaft mbH, Cologne.

The topping out ceremony and the start of rental of the modern and future-oriented residential complex already took place in late September. Completion is expected in spring 2012. The approx. 2,500 m² site will contain approx. 6,000 m² of gross floor area which will be used exclusively for residential purposes. The balanced and user-oriented residential mix includes a total of 51 rental units with one to four rooms. Special highlights are the townhouses and garden lofts being built in the inner quadrangle. The high-quality facilities are underlined, amongst others, by a floor height of 2.70 m and particularly stylish bathrooms.

DERECO Real Estate, Cologne was responsible for transaction initiation and consultancy.

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DERECO Real Estate Cologne fills new positions

After a further successful year, Dereco Real Estate, Cologne, is expanding its investment team. Accordingly, it is looking for professional investment advisors for both the national investment sector as well as the marketing of regional residential rental and investment properties in the Cologne, Bonn and Düsseldorf areas. In addition, a further assistant will be hired for the back office.

Slight deterioration in good climate



- The real estate climate has fallen by a further three percentage points.
- The decrease in the office and commercial sectors is less than that of the previous month.
- The general nervousness has now also spread to the development of the housing climate.

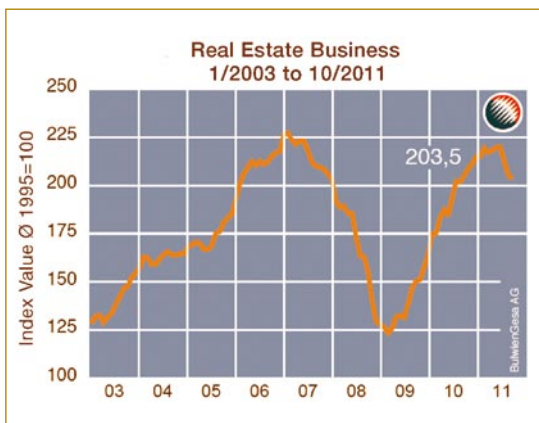
Exactly as during the past two months, the real estate climate continued to deteriorate in November 2011. The King-Sturge Real Estate Business Index currently still shows an index count of 121.6. However, the decline of 3.7 per cent is still less than in August and September. The fall is due equally to the deterioration of the investment climate (-3.6 per cent) and the profit climate (-3.8 per cent). The negative development of the index, which has weakened in comparison with the previous months, is also apparent in the individual real estate segments.



After the uncertainty is before the uncertainty

It is true that the office climate is deteriorating most rapidly and is, therefore, demonstrating the highest volatility of the partial segments. However, at 5.3 per cent the speed of the downwards trend almost halved itself by September (previous month -10.0 per cent). Even the trade sector was also able to throttle its losses on the index scale and currently stands at 2.6 per cent (previous month -4.9 per cent).

A reverse in trend can currently be observed in the residential climate. Although the losses of 2.2 per cent are still lowest here, these have increased in comparison with the previous month (-1.8 per cent).



Slower decline in the real estate business

The negative development of the real estate business is currently also weakening. However, the decline was only 1.0 per cent in October. With a total index count of 203.5, the real estate business is moving at just around last year's level. "Uncertain times. Undoubtedly. In Germany, in Europe, throughout the whole world. And it looks as though the uncertainty may mutate into a general rule," Helge Scheunemann, Head of Research at Jones Lang LaSalle, commented. And also, "After the uncertainty is, therefore, before the uncertainty. Sustainability is becoming a permanent topic. Under the given circumstances, no one dares to forecast what will actually happen after the decision in Brussels. Will the lever of the financial market really stabilise politics, society and markets in Europe? Or are the proposed measures still too unrealistic? In Greece, politics are back – with a dramatic destabilisation of the European structure and of the financial market as a consequence. In any case, the management of uncertainty is called for more than ever before, even in the real estate business. Good nerves are just as much in demand as the art of making the right decision in times of uncertainty. In fact, the foundation in the real estate business is as sturdy as in hardly any other business sector."

Imprint

Verlag: Grabener Verlag GmbH, 24105 Kiel, Niemannsweg 8
Copyright: Grabener Verlag GmbH, 24105 Kiel, 2011
Editors: Astrid Grabener v.i.S.d.P., Carl Christopher, Tirza Renebarg

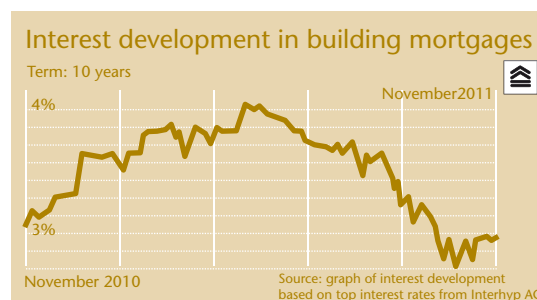
Texts, photos, sources: Jones Lang LaSalle, CB Richard Ellis GmbH, CMS Hasche Sigle, Cushman & Wakefield Inc., GfK SE Germany, IVG Immobilien AG, Messe München GmbH, HypothekenDiscount.de, Bulwien Gesa AG, kfw, CMS Hasche Sigle, Accentro Berlin, Dr. Lübke GmbH, KfW Bankengruppe, Accentro GmbH, empirica / CORPUS SIREO, BNP Paribas Real Estate, DTZ Research Deutschland, Flickr.com, pixelio.de

Layout, graphics, composition: Petra Matzen, Grabener Verlag GmbH

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The best providers offer interest rates under three per cent

For weeks now, the interest for loans has been almost at its lowest for the past 60 years. A distinct increase in the cost of building capital cannot be expected in the



near future, according to a statement by the mortgage broker HypothekenDiscount. The cheapest providers are offering loans with 10-year fixed interest rates for just under three per cent. The most expensive institute is offering the same loan for 4.54 per cent, a surcharge of 52 per cent.

Satisfied exhibitors and visitors: EXPO REAL 2011 draws positive balance



Photo: © Messe München GmbH 2011

Despite the turbulences on the financial markets, EXPO REAL 2011 has proven to be an anchor of stability in this industry. The 14th International Trade Fair for Commercial Real Estate and Investments finished with stable figures for participation: as in the past year, approx. 37,000 participants attended the trade fair.

Despite the insecure situation worldwide, Expo Real reported that this has been the best ever and most successful year for the trade fair. The number and quality of visitors was at the highest level. This assessment was also confirmed by the results of the visitors' survey. Altogether, 97 per cent of the visitors gave the trade fair a grade of excellent to good. 71 per cent of the visitors regard the current economic situation in this industry as positive. 47 per cent are not expecting any changes in the future situation in the industry, while 28 per cent look forward to an improvement and 25 per cent expect it to become worse. The topics at the trade fair revolved around the current debt and currency problems in Europe and their effects on real estate markets.

Of the 37,000 participants, 19,000 were trade visitors and 18,000 representatives from exhibiting companies. Apart from Germany, the top ten list from the total 72 countries from which visitors came included (in this order): Great Britain, the Netherlands, Austria, Switzerland, France, Poland, the USA, the Czech Republic, Russian Federation and Luxembourg. A total of 1,610 companies from 34 countries had stands at the EXPO REAL 2011. The trade fair experienced a strong demand for space from foreign countries. For example, the Netherlands almost doubled their number of exhibitors. There was also an increase in interest from Luxembourg.

EXPO REAL 2011: the fair in figures

Total no. of visitors:	37,000
Trade visitors:	19,000
Exhibitors' representatives:	18,000
Visitors' countries of origin:	72
Exhibitor countries:	34
Top-ten-visitors' countries of origin:	

Germany, Great Britain, the Netherlands, Austria, Switzerland, France, Poland, the USA, the Czech Republic, the Russian Federation and Luxembourg

Increasing incomes despite uncertainty

The updated study by GfK Kaufkraft Europa 2011/2012 examines the regional differences in levels of purchasing power in 42 European countries. Despite the current debt crisis and the slow-down of economic activity during the second half of the year, the outlook for available household income in Europe 2011 remains unclouded. According to current results, approx. 8.5 billion euros are available for consumers in Europe to spend on the consumption of goods or save in 2011. This is equivalent to a mean purchasing power among the 42 countries in the study of 12,774 euros per capita. Based on the figures, which were revised upwards in many countries for 2010, a growth rate of 3.1 per cent is expected this year for the purchasing power of these 42 countries. By contrast, the EU 15 member countries show a growth rate of only 2.3 per cent.

Sustainability strategies on the rise

A survey by IVG Immobilien AG among 85 Stock Exchange listed real estate companies in Europe on the subject of Corporate Sustainability (CS) in September 2011 showed remarkable results:

- The main reasons given for commitment to this are, first, a reduction in economic risk and, second, the improvement of the corporate image and an increase in productivity.
- 65 per cent of the companies found that tenants are making increasing demands regarding CS issues.
- 53 per cent indicated that they were striving for so-called 'green leases' in the coming 24 months.
- 22 per cent of the companies have, in the meantime, set up an independent department for CS.
- BREEAM is the certification system used most often in Europe.
- The main activity of these companies during the next two years will deal with reducing the CO2 emissions from building..
- The Scandinavian countries lead the list of CS rankings across Europe, while Poland is in last place.

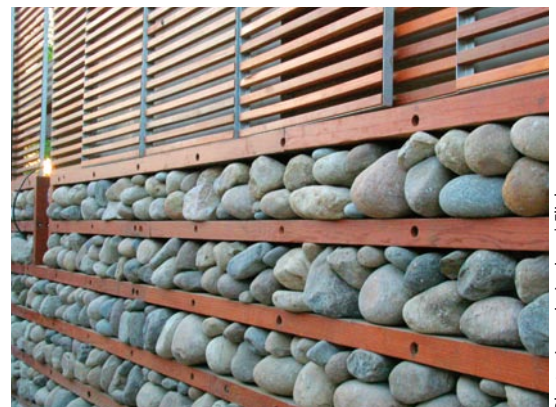


Photo: Jeremin Levine | Flickr.com

New York most successful property investment location in the world



Photo: Allie Caulfield/Flickr.com

Ten of the 25 top locations are currently recording the lowest returns among the world's 50 most significant locations. In June 2011, the average yield of the top 25 locations was 6.3 per cent below the total average.

- **New York heads the list of the most successful real estate investment locations in the world**
- **Investment transactions: 40 per cent are allotted to office properties, 25 per cent to retail, and 11 per cent to industrial properties**
- **The Rhine-Ruhr region lies in second place in the retail sector**

In its report "Winning in Growth Cities", published at the Expo Real, Cushman & Wakefield (C&W) introduced the largest and fastest growing property investment locations in the world. According to this, New York replaced London at the top of the most successful property investment locations in the world during the period fourth quarter 2010 to third quarter 2011. The US commercial property markets have recovered well and are now on the same level of recovery as the European markets. The real estate transaction volume amounted to:

New York	29.7 bill. USD	+ 165.0 per cent
London	27.3 bill. USD	+ 2.4 per cent
Tokyo	18.1 bill. USD	- 12.6 per cent

Most of the top 25 locations in the ranking are in the USA, followed by eight European locations, whereby Frankfurt records the largest growth rate of 126 per cent with a volume of 4.3 billion USD. The main contribution to this was paid by two major transactions: the sale of the Twin Towers of the Deutsche Bank and that of the Opera Tower. Investors in the Asian-Pacific region finally appear in third place, whereby Seoul recorded the strongest increase with an investment growth of 109.1 per cent (8.3 bill. USD). Although New York is the location with the highest real estate transaction volume, internationally active investors are most frequently interested in London, followed by Paris, New York, Singapore and Beijing. Global economic insecurity has put a brake on the recovery of the markets over the last few months, was the explanation given by Dr. Martin Braun, Head of the Capital Markets Group of C&W in Germany. Institutional investors still rely on markets that appear economically and politically stable and can provide evidence of sufficiently high liquidity.

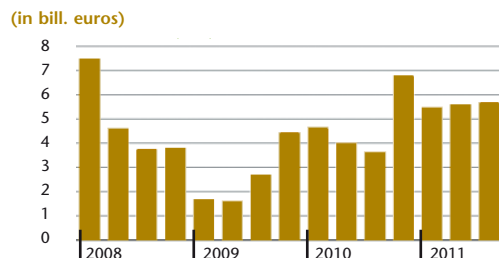
Private equity investors increasingly disinterested

"As a result of the uncertainty that is making itself felt everywhere, a noticeable damper has been put on Private Equity (PE)," says Dr. Joachim Dietrich from the law office of CMS Hasche Sigle. Many market participants are currently just standing by. The experts at CMS Hasche Sigle fear that the PE market in Germany will act with restraint as long as the turbulences on the financial markets do not die down. Also, business prospects for portfolio companies are worsening. Here, the forecasts fall 20 per cent short of those made in May. However, a recession is not imminent. PE managers are still losing their enthusiasm for new deals. All 15 sectors reviewed by the FINANCE Private Equity Panel have suffered a considerable loss in attractiveness. Those worst affected are mechanical engineering, chemical and electronics companies. "Good targets will stay in demand even in these times, because the private equity companies still have plenty of capital," was how Dr. Tobias Schneider, partner at CMS Hasche Sigle, put the decline in attraction values into perspective. "For these deals, buying prices will hardly fall, because competition continues to be high. Companies that are in less demand could, however, become shelf-warmers."

German investment market in the black

During the first three quarters of 2011, about 16.8 bill. euros and, therefore, 37 per cent more than during the same period last year were invested on the investment market for commercial properties in Germany, according to CB Richard Ellis (CBRE). At approx. 5.7 bill. euros, the transaction volume was only slightly above the figure of the previous quarter (by 1.5 per cent), but this was one of the strongest quarters since 2007. In the five largest German investment centres (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) a total of 7.15 bill. euros of transactions were registered and, therefore, 34 per cent more compared with the previous year. A total of 39 per cent of the whole federal investment turnover is allocated to the five top locations. With a transaction volume of just under two bill. euros (+ 97 per cent compared with the same period in the previous year) Frankfurt takes first place ahead of Munich with 1.54 bill. euros (+ 37 per cent) and Hamburg with 1.53 bill. euros (+ 55 per cent).

Volume of property transactions



Source: CB Richard Ellis 2011

New residential buildings: quieter development expected in the second half of 2011

The chief economist of the KfW Banking Group, Dr. Norbert Irsch, expects “the number of new apartments to rise to about 156,000 units during the whole of 2011”. The positive trend in new housing development should also continue during the current year, but with a decrease in impetus. During the first half of 2011, investments in housing development rose, adjusted for price, by about seven per cent in comparison with the corresponding period last year. For the second half, one can still expect further expansion, but at a slower pace. According to the current KfW Indikator Eigenheimbau (indicator for private residences) in September 2011, only 29.3 per cent of the borrowers supported within the framework of the KfW Residential Property Development Programme planned a new building or the purchase of a newly built home. Compared with the past six months, this is a decrease of 7.8 per cent.

Turnover in housing sales increased by 15.6 per cent



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Residential property investments still remain the focus of potential buyers, particularly in the major German cities and their outskirts. Often, the supply cannot cover the great demand.

Housing sales in Germany

- 8,5 per cent more sales
- Turnover figures growing more than sales
- Strong gradient from south to north

per cent. However, with 5,326 units sold, Germany’s fourth largest city was able to maintain its fourth place in home sales. “Around 75 per cent of the cities surveyed recorded positive figures in 2010,” said Mingazzini in summary of the development. “That means five per cent more than in 2009.” Noteworthy, for example, was the rapid increase in Frankfurt, where a total of 3,254 apartments and homes were sold in 2010, more than 25 per cent more than during the previous year.

The number of housing sales in the 80 largest German cities increased in 2010 by 8.5 per cent. The turnover figures even rose by 15.6 per cent, from 15.9 to 18.8 billion euros. This follows from the Accentro Residential Property Report 2011. “An even stronger year 2010 followed the strong year 2009,” says Jacopo Mingazzini, Managing Director of Accentro GmbH. “And currently it certainly looks as if the growth in turnover and transactions could also persist in 2011.” The leader in sales figures is once again Berlin. In Germany’s largest city, the number of housing sales increased by 21.3 per cent from 14,279 to 17,324. Munich and Hamburg ranked second and third, respectively. In Munich, the number of transactions rose by 9.3 per cent to 14,177 homes sold. Hamburg, with a growth of 9.4 per cent, reached 7,354 units sold. In Cologne, contrary to the trend, the number of home sales declined by 20.7

More than a third of residential investment volume in Berlin

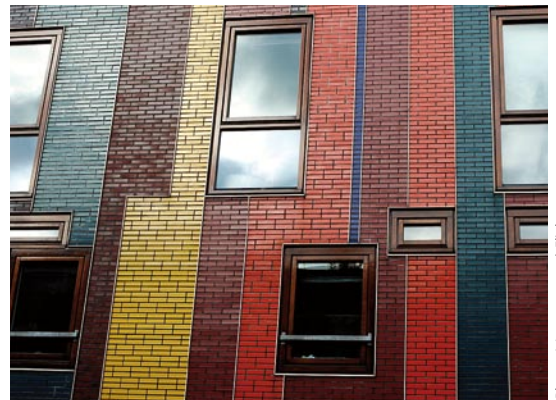


Photo: Mattmangum | Flickr.com

According to Dr. Lübke Research, the focus of investments in the housing investment sector clearly lay in Berlin, with 1.3 bill. euros (35.4 per cent) of turnover. For the time being, the German capital is/remains the most solvent market in Germany with great potential for rent increase, ahead of Munich and Hamburg. The reasons lie in the forecast household development, low ratio of new buildings, especially in rental apartment buildings, and, in a nationwide comparison, the disproportionate increase in portfolio properties prevailing since 2001 (2001-2010: 0.15 per cent p.a.; Germany: 0.4 per cent). Further major investment markets were Munich with over 330 mil. euros (approx. 2,875 units), Düsseldorf with 183.9 mil. euros (approx. 2,900 units) and Leipzig with 87 mil. euros (approx. 3,170 units). Of the federal states, North Rhine-Westphalia recorded the highest share of traded residential units at twelve per cent. Bavaria and Saxony participated in housing investments with almost four per cent and more than three per cent, respectively.

Market activity dominated by portfolio transactions

According to a current analysis by the consulting company Dr. Lübke, the major part of housing investments has been generated by portfolio transactions with a turnover share of 60 per cent (2.2 billion euros). The average number of residential units per deal lay around 504, whereby a yield of 860 euros per square meter was achieved. The average buying price per unit was around 51,700 euros. On average, a transaction volume of 25.4 mil. euros was turned over. Individual transactions made up around eleven per cent (394 mill. euros) of the investment volume. 41 residential units were sold on average in individual transactions. The square metre price was around 1,380 euros, the price per unit around 85,700 euros. The higher buying price in comparison with portfolio transactions resulted, among other things, from a large number of incorporated investment properties and new buildings or project developments. Share deals have an investment volume share of 29 per cent (1.06 billion euros). Due to the takeover of 50 per cent of the Colonia Real Estate AG and the capital increase to 70 per cent that took place in the course of the year, TAG Immobilien AG is responsible for the major part of the share deals.

Office markets: secondary cities more stable than A locations



Photo: UggboyUggGirl | Flickr.com

Secondary cities:

- Aachen
- Bonn
- Bremen
- Dortmund
- Dresden
- Essen
- Hanover
- Karlsruhe
- Leipzig
- Mainz
- Mannheim
- Munster
- Nuremberg
- Wiesbaden

In view of the great demand for properties in many German A cities such as Frankfurt/Main, Munich, Düsseldorf or Berlin, it has already become difficult to find suitable properties at reasonable prices.

The majority of the office markets in secondary cities are developing in a more stable manner than at classical A locations. This is the result of a current survey by empirica in 14 German cities. The vacancy rate there lies below five per cent in half of the locations surveyed; with the exception of Nuremberg and Bonn, the returns on acquisitions lie well above six per cent. Top rents vary at all locations between approx. 12 and 13 euros; only Dresden and Leipzig are less expensive at just below eleven euros. The survey period 2008 to 2011 shows higher rent increases in the 14 cities and more stable, less volatile rent development than in the A locations. In the long term, the stability of secondary cities becomes even more distinct: the fluctuation range of top rents is much less than in the big cities. The reason for this: the office markets of A locations are much more strongly tied to the cycles of global economic development and, correspondingly, vary with these.

On the other hand, in secondary cities, office properties are less affected by economic fluctuations and more strongly incorporated in regional structures. The lower spread of rental prices is particularly noticeable in comparison with the large cities: rent in the majority of properties lies between five and ten euros per square metre. On the other hand, at A locations, rent is often tripled in the top segment in comparison with the more inexpensive level. From this comparison, one can clearly see the greater differentiation in locations for office buildings in the major cities.

The basis for the survey by empirica was the evaluation of 550,000 property adverts (online portals and daily papers) during the period 2008 to 2011, as well as the employment forecast by empirica. The cities are compared in the survey with German metropolises: the classical A locations of Berlin, Hamburg, Munich, Cologne, Düsseldorf, Stuttgart, Frankfurt/Main.

London: increased office letting activities

In London City, the turnover of area during the third quarter amounted to 115,200 square metres and is, therefore, higher than during the previous quarter (80,800 m²). The top rents in Midtown rose to 644 euros per square metre in the course of the year. This development was powered in particular by demand from the traditional West End tenants, who are moving their locations eastwards in order to take advantage of a wider range of offers and lower rents. The top rents in the West End continue to be stable at 1,227 euros per square metre and year and are, therefore, almost double as high as in Midtown. Altogether, rents in the West End have risen in the course of the past twelve months by 18 per cent. "Due to the extremely restricted rental areas available in Mayfair, Soho and St. James at present, many tenants who tend to be traditionally based in the West End, such as companies in the technology, media and telecommunications sector (TMT), are moving their offices to Midtown and the City," Dan Bayley, Managing Director of BNP Paribas Real Estate Central London, explained..

Good office turnover in Berlin

During the third quarter, 135,000 square metres of office area were rented. In comparison with the same quarter of last year, this means a growth rate of 38 per cent. Since January, a total of 411,600 square metres was turned over, around 29 per cent more than during the same period last year. "Comparing the top five German locations, Berlin is currently the second strongest market after Munich," Ursula Neißer, Head of DTZ Research in Germany, commented on the results. During the first three quarters, 598,000 square metres were let in the Bavarian capital. On the other hand, Hamburg (380,000 square metres), Frankfurt (321,000 square metres) and Düsseldorf (268,000 square metres) reported considerably lower area turnover figures than Berlin. For the first three quarters, DTZ determined a weighted average rent of 12.50 euros per square metre and month. This corresponds to a rise of six per cent compared with the same period last year. The median of the most expensive newly concluded leases increased from 21 to 22 euros per square metre. The office vacancy rate has declined in Berlin during the third quarter by about one per cent to 1.5 million square metres, continuing the trend that began during the second quarter. Vacancies now lie at 8.4 per cent.



Photo: Rolf Handke | Pictello.de