

ARLINGTON CAPITAL

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Continued Attractiveness of the German Residential Real Estate Investment Market

The German residential investment market has, over the past 10 years, been experiencing a period of exceptional capital value increase, supported by solid rental level increases. From an investment perspective, the sector has been delivering very attractive and stable returns to investors. Over the past 12 to 18 months, however, many investors have been asking themselves whether the German residential market has topped out.

Arlington Capital firmly believes that this is not the case. Our reasoning is that Germany has one of Europe's lowest home ownership levels at c. 51% whilst the German population, coupled with the massive immigration influx over the past 3-4 years, has actually increased steadily. For the German residential real estate investment market to peak, it would be necessary for the building industry to supply a huge amount of residential stock in the short term. German policies, the German building application process, as well as the intricate planning process for new developments, do not allow for this, and as such it is not likely that we shall see a reversal of the positive trend experienced in recent years, from a supply and demand perspective.

The current pandemic is likely to detrimentally affect global real estate. In these unprecedented times, the German Residential real estate sector is again likely to fare far better than its commercial real estate counterpart, seeing that, crisis or not, people still need to have somewhere to live.

Recently, investors are increasingly asking us whether the current crisis will put downward pressure on German real estate. We are convinced that this is not so. We at Arlington Capital believe the German residential investment market continues to represent, in overall terms, the safest real estate investment allocation opportunity in Europe, as it derives granular, flexible income from multiple tenants, collateralised by real assets that we do not find exposed to a supply overhang, backed by the largest, strongest and most creditworthy European economy.

For further detailed German residential real estate market information please visit the following weblink which was kindly made available to us by Felix von Saucken and Emanuel Eckel from Colliers International Germany.

https://www2.colliers.com/en-DE/Research/Residential-2019_2020

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