

**Press release**

# New Study on the Real Estate Market by BulwienGesa and WGF AG

- Hotel real estate benefits from the increase in overnight stays
- Highest vacancy rate for office real estate in Frankfurt
- Positive trend for residential real estate

**Düsseldorf, 2011-03-04** – Hotel real estate is among the winners of the real estate market in 2010. This is one of the outcomes of the recent study on the real estate market issued regularly by the renowned research institute BulwienGesa AG on behalf of WGF AG. “Hotel real estate might be the most discussed issues at the international real estate fair MIPIM in Cannes”, is Pino Sergio expecting, CEO of WGF AG. The study analyses the evolution of the categories hotel, office, retail and residential real estate in 2010 with a specific focus on the last quarter of the year.

The German **hotel chains** in 2010 performed better than in most of the other industrial countries. German A-cities benefit significantly from the still growing city tourism as well as from the number of international business travelers and conference visitors, which is now increasing again. Due to their price-performance-ratio particularly economy and midrange hotels will benefit from the further increase in the overnight stays. The RevPAR (revenue per available room) increased in Frankfurt for example in 2010 by 20% compared to the previous year. In 2010 the transaction volume of about €800 million in the German hotel investment market has more than doubled compared to the previous year. Foreign investors returned to the

German hotel investment market – they account for 63% of the investment volume whereas in the previous year it was only 21%. In addition to the A-locations high potential is identified also for the B- and C-locations, where mid-sized private hotels with outdated facilities have dominated up to now.

The prime rents for **office real estate** predominantly showed a stable lateral movement. Traditionally the highest prime rent of €33 per square meter of the rentable area was invoiced in Frankfurt. However, the highest vacancy rate of 18,4% is located there, too. In the 4<sup>th</sup> quarter of 2010 the letting turnover increased by 9% compared to the previous quarter. In 2010 over one million square meters of office area had been completed in German A-cities. Compared to the previous year Berlin was the most dynamic city and by about 18,4 million square meters it offered the highest supply of office space.

A gross turnover of about €407 bil. is forecasted for the 2010 German **retail real estate market**. The prime retail rents mostly remained constant compared to the previous quarter. The highest prime rents were listed in Munich (285€), Frankfurt (245€) and Hamburg (225€). A slight rent increase compared to the previous year occurred in Düsseldorf and Hamburg. However, since 2001 the prime retail rents in A-cities have increased successively. The purchasing prices for retail real estate in the core-segment remained constant in the 4<sup>th</sup> quarter as well, but due to the rent increase there is a slight yield compression.

In the **residential sector** the positive trend during the last years for the average rent at first occupation is ongoing. Traditionally the highest rents are claimed in Munich at €12,90 per square meter, which by the way represents a historical record level. Frankfurt am Main and Stuttgart recorded minor losses of 10 Cent per square meter. Düsseldorf showed during the last months a lateral movement. The highest rent increases of the year 2010 occurred in Berlin by 6%, followed by Hamburg and Munich by approximately 5% and Düsseldorf by about 3%. The construction activity for new buildings in the rent segment increased during the year significantly. The positive economic development with a decreasing unemployment

rate has also positive effects on the demand of newly built residential real estate for rent in B-cities. Thus construction activity and rents for newly built real estate are increasing across the board. The investment volume of residential portfolio sales amounted in 2009 to €3,3 bil. and increased in 2010 to €3,8 bil.

In addition the study „**WGF-Immobilienperspektive**“ documents the current real estate portfolio of WGF AG and the most important real estate transactions of the last months. The company acquired for example the earlier headquarters of the former producer of luxury bags Goldpfeil in Offenbach, or a vacant office real estate in Stuttgart, which the company is converting to a premium apartment house. You can also find information about the company's performance and about new fields of activity of the WGF Finance Group, for example the segment Hotel Development, which started successfully, and the planned founding of a capital investment company (KAG) for real estate special funds.

*The complete "WGF-Immobilienperspektive 4<sup>th</sup> Quarter 2010" (in German language) is available for download from [www.wgfaq.de](http://www.wgfaq.de), menu item Real estate.*

**The Company:** The WGF Westfälische Grundbesitz und Finanzverwaltung AG was founded in 2003. Based on real estate transactions it covers today the entire value added chain of the real estate business. The hotel development is a new strategic business area. The WGF Finance Group includes a closed-end real estate funds company; the application for the permission to operate a real estate capital investment company is submitted.

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