

pbb launches new office property market index pbbIX

- New index family with individual indices plus an aggregated index for the big seven German office property markets – to be published quarterly
- German office property market continues to outperform its long-term average during the third quarter of 2018
- Economic growth, scarcity of space, and high investment demand as drivers of strong performance

Munich, 8 November 2018 – On Thursday pbb Deutsche Pfandbriefbank published the new pbbIX office property market index for the first time. The index shows that the big seven German office property markets have been outperforming their long-term average during the third quarter of 2018 – both individually and aggregated. The pbbIX index family comprises the composite index, as well as seven individual indices tracking the key German office property markets of Berlin, Cologne, Dusseldorf, Frankfurt/Main, Hamburg, Munich and Stuttgart, including their respective catchment areas. The indices, which pbb publishes in cooperation with vdp Research, provide investors and lenders with comprehensive information on the current performance of office properties in Germany.

The pbbIX indices are conceptually different from other real estate indices, in that they incorporate macroeconomic developments as well as trends in the rental and investment markets. Index calculation is based on verifiable statistical data, which is processed using an established method of economic cycle analysis.

The indices will be published on a quarterly basis, always at the middle of the second month in each quarter at pbbIX.de. Interested parties may obtain index data directly from pbb, by sending an e-mail to pbbIX@pfandbriefbank.com. The index is available free of charge.

Key statements concerning pbbIX for the third quarter of 2018

The composite pbbIX Germany index covering the top seven German office property markets stood at 0.99 points for the third quarter of 2018. The higher the index reading is above the zero line, the stronger the market is growing relative to its long-term average. Several reasons have driven the current positive state of office property markets, as expressed by the pbbIX: firstly, sustained economic growth – combined with moderate inflation and low interest rates – is leading to an increase in employment. With regard to their cyclical development, office property markets traditionally are strongly influenced by macroeconomic ups and downs. This applies in particular to the current market trend: the economic upswing of recent years has increased the number of workplaces to a much stronger extent than seen for a long time. Accordingly, there are hardly any vacant offices for rental or sale on the market today.

Secondly, office space in Germany is scarce and expensive; considering relatively moderate new construction activity, there is little chance that this situation will change for the foreseeable future. Thirdly, growth on investment markets – with substantial funds invested – is worth mentioning, even though initial yields have reached very low levels, given the high purchase price for office properties, relative to rents.



DEUTSCHE
PFANDBRIEFBANK

Index history

Looking at the performance of the German office property market over the past two decades, a permanent change between good and bad times is obvious. For instance, the dot-com boom around the millennium triggered very strong demand for new office space. Shortly afterwards, strong new construction activity – driven by this trend – led to a pronounced correction phase, when falling rents and rising vacancies led to significant price losses and impairments.

The subsequent phase was characterised by strong interest from international investors. From 2004 onwards, the German office property market saw an unprecedented buying spree of yield-driven investors, which only came to an abrupt end in 2009, in the wake of the financial markets crisis. The pbbIX hit its low at the end of 2008 and the beginning of 2009 (Q4 2008: -2.55; Q1 2009: -2.42).

The big 7 markets for office properties in Germany have seen an extraordinarily long uptrend ever since, supported by both the rental and the investment market. The pbbIX Germany index reached its peak of 1.56 points in the fourth quarter of 2016.

Media contacts

Walter Allwicher, +49 89 2880-28787, walter.allwicher@pfandbriefbank.com

Nina Lux, +49 89 2880-11496, nina.lux@pfandbriefbank.com

pbb Deutsche Pfandbriefbank (www.pfandbriefbank.com) is a specialist lender for commercial real estate finance and public investment finance in Europe and the United States of America. pbb is a major issuer of Pfandbriefe, which makes it also an important player in the European covered bond markets overall. pbb is listed on the Frankfurt Stock Exchange.

In *real estate finance*, the bank's primary target of new business is professional real estate investors and developers. Core asset classes financed include office, retail, residential, logistics/warehouse properties and hotels. The regional focus is on Germany, the UK, France, the Nordic Countries, selected countries in Central and Eastern Europe and Spain. pbb is also active in selected regions in the US.