

Press release

Eastern Germany's towns and cities lure investors with attractive yields

- Housing market report analyses 27 large and mid-sized towns in Eastern Germany
- Gains in attractiveness and population are driving rental and property price increases
- B-cities lure investors with average yields of up to 9 percent
- Regions around major cities enjoy growing popularity

Hamburg, 12 October 2016 – Eastern Germany's medium-sized cities are enjoying a comeback. Not only are population and household numbers on the rise, but labour markets and purchasing power are also increasing in many regions. As Eastern Germany's large and medium-sized towns and cities have gained in attractiveness, rental and property prices in local markets have been driven higher – and yields have remained extremely attractive. This is confirmed by the "Eastern Germany Housing Market Report 2016", published today by TAG Immobilien AG.

For the report, TAG commissioned the real estate advisory company Wüest & Partner Deutschland to analyse 27 large and medium-sized towns and cities in Eastern Germany. The study incorporates data on demographic and economic trends, housing construction activity, rental and property purchase prices, and property investment yields.

The East's hidden gems

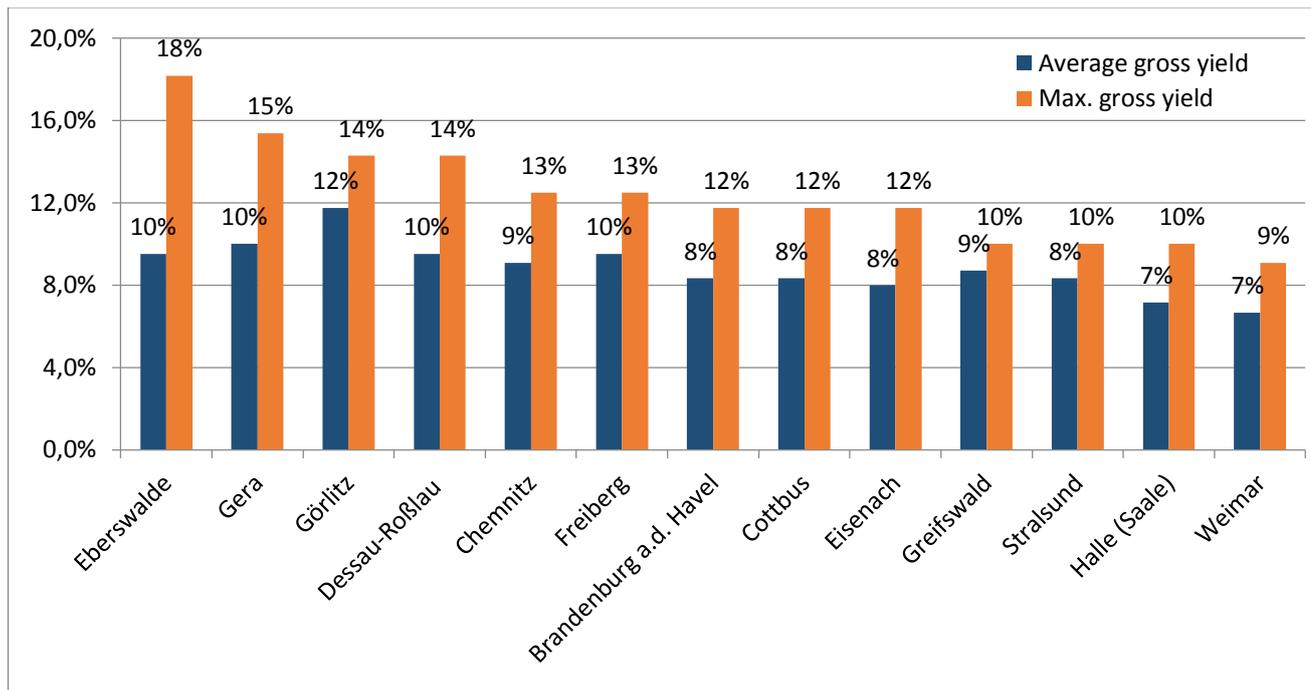
The study reveals that the population declines of the recent past are now a thing of the past, at least in the region's large and medium-sized towns and cities; urban centres are growing again and there have been double-digit declines in unemployment rates almost across the board. Economic growth has led to increased purchasing power, declining vacancy rates and attractive yields in many locations.

"In Saxony's Chemnitz, for example, household purchasing power has surged by almost 15 percent over the last five years. In combination with vacancy rate declines and rental prices that remain at an affordable level, such developments promise investment yields of over 9 percent, peaking at up to 12.5 percent," said Claudia Hoyer, Chief Operating Officer of TAG Immobilien AG. "B locations that boast universities or technical colleges have an extra degree of attractiveness," continued Hoyer. As a university town, neighbouring Freiberg doesn't only attract students. Six years ago this town in the Erzgebirge had a vacancy rate of less than 8 percent. As a result of increased demand for housing, property prices have risen by almost 40 percent in five years. Yields in Freiberg are similar to those in

Chemnitz, and are comparable with those registered for the other Eastern German towns and cities included in the TAG Immobilien study:

Selected gross property yields in Eastern Germany’s medium-sized towns and cities 2015

Source: TAG Immobilien AG / Eastern Germany Housing Market Report 2016



Property in Thuringia is now also more expensive than ever before. The price per square metre for residential property in Jena has reached €2,100, a 22 percent gain between 2011 and H1 2016. Such developments have also benefited Weimar, just under 30 kilometres away. Famous for its culture and university, the town has seen apartment prices increase by around 42 percent within five years, averaging €1,676 in H1 2016. Residential investment properties in the town regularly change hands at price-to-rent ratios of 15, generating average annual property yields of 6.7 percent. In the past five years, rental prices have increased by 14 percent.

But even this is beaten by Greifswald to the north. Housing is in short supply in this popular university town, despite a great deal of housing construction activity. The average rent here has risen by more than 17 percent in five years, climbing to €8.21/sqm per month – outpacing the rate of rental price growth in Rostock or Schwerin. The average per square metre price for residential property had climbed to €1,630 by the end of H1 2016. This represents an average price increase of some 15 percent for residential property in Greifswald over the last five years.

Localities around major towns and cities step into the limelight

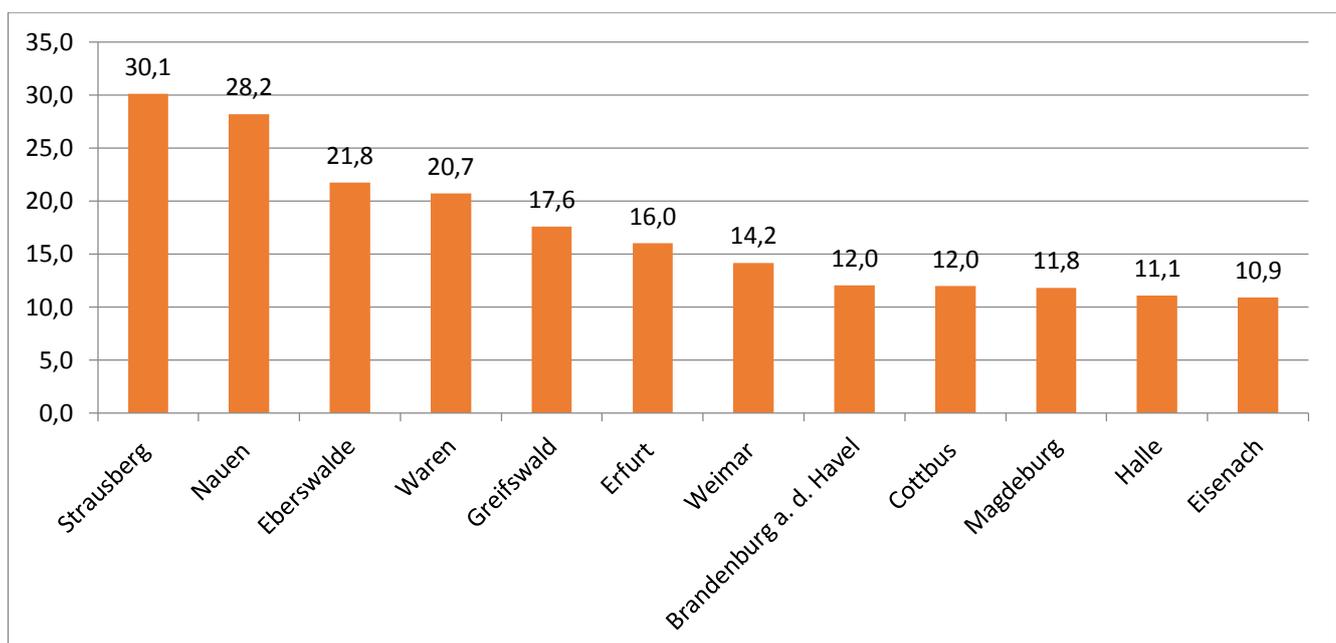
It is not only B cities that are experiencing unprecedented demand, the same applies to smaller towns in the regions around major cities, especially those that boast convenient rail and bus links to their larger neighbours.

The extremely positive economic and population growth in Berlin has increased the pressure on an already overheated and over-priced housing market. Households are able to find more favourable conditions in the city’s surrounding region – for example, in Strausberg. With about 26,000 inhabitants, the housing market in this small town is flourishing as it attracts growing numbers of residents who appreciate its established public transport infrastructure. The price of an apartment building here has risen to 25 times annual net rental income. Over the last five years, rental prices have increased by some 30 percent, and reached €6.84/sqm at the close of H1 2016.

What is true for Berlin is true for the other major cities in Eastern Germany that have experienced enormously dynamic growth over the previous five years – above all Dresden and Leipzig. As a “magnet town” in close proximity to Dresden, Freiberg is now attracting many more residents than it was able to do just five years ago. Neighbouring Döbeln has also become more attractive for investors as a result of strong economic growth. Price-to-rent ratios have hit 11 – and average yields stand at over 9 percent, peaking at 12.5 percent.

Percentage rental price growth in selected Eastern German cities, 2011 to 2016

Source: TAG Immobilien AG / Eastern Germany Housing Market Report 2016



Further results and the full “Eastern Germany Housing Market Report 2016” study are available for free via the following link: <http://www.tag-ag.com/en/service/downloads/housingmarketreport/>.

About TAG Immobilien AG

TAG Immobilien AG is an MDAX-listed company with a more than 125-year history. Its primary focus is on the Greater Hamburg and Berlin areas, the Salzgitter region, as well as Thuringia / Saxony and North Rhine-Westphalia. The company currently manages via its brand TAG Wohnen nearly 80,000 dwellings and their associated commercial areas, garages and parking spaces. The company's goal is to improve the quality of housing for its tenants. In line with this, TAG adapts its holdings to modern living needs, gets involved in the communities of its residential quarters, and promotes a positive neighbourhood spirit. The Group continually reduces vacancies and increases the value of its total portfolio via the prudent management of its properties and future-oriented development of its overall portfolio.

Press contact:

RUECKERCONSULT GmbH

Nikolaus von Raggamby

Managing Director

Tel. + 49 (0) 30 2844987 40

Fax +49 (0) 30 2844987 99

vonraggamby@rueckerconsult.de

TAG Immobilien AG

Dominique Mann

Head of Investor & Public Relations

Tel. +49 (0) 40 380 32 300

Fax +49 (0) 40 380 32 388

pr@tag-ag.com