



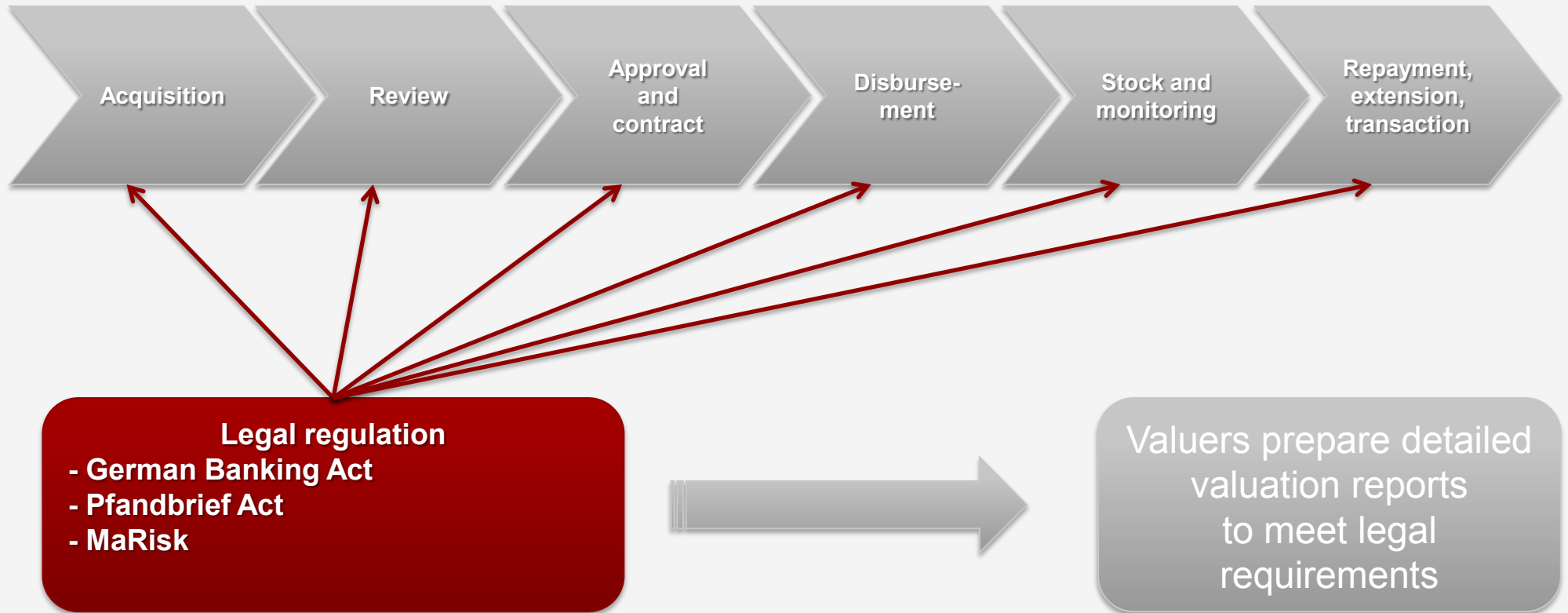
The vdp Transaction Database as a Source for Commercial Property Price Indicators for Germany

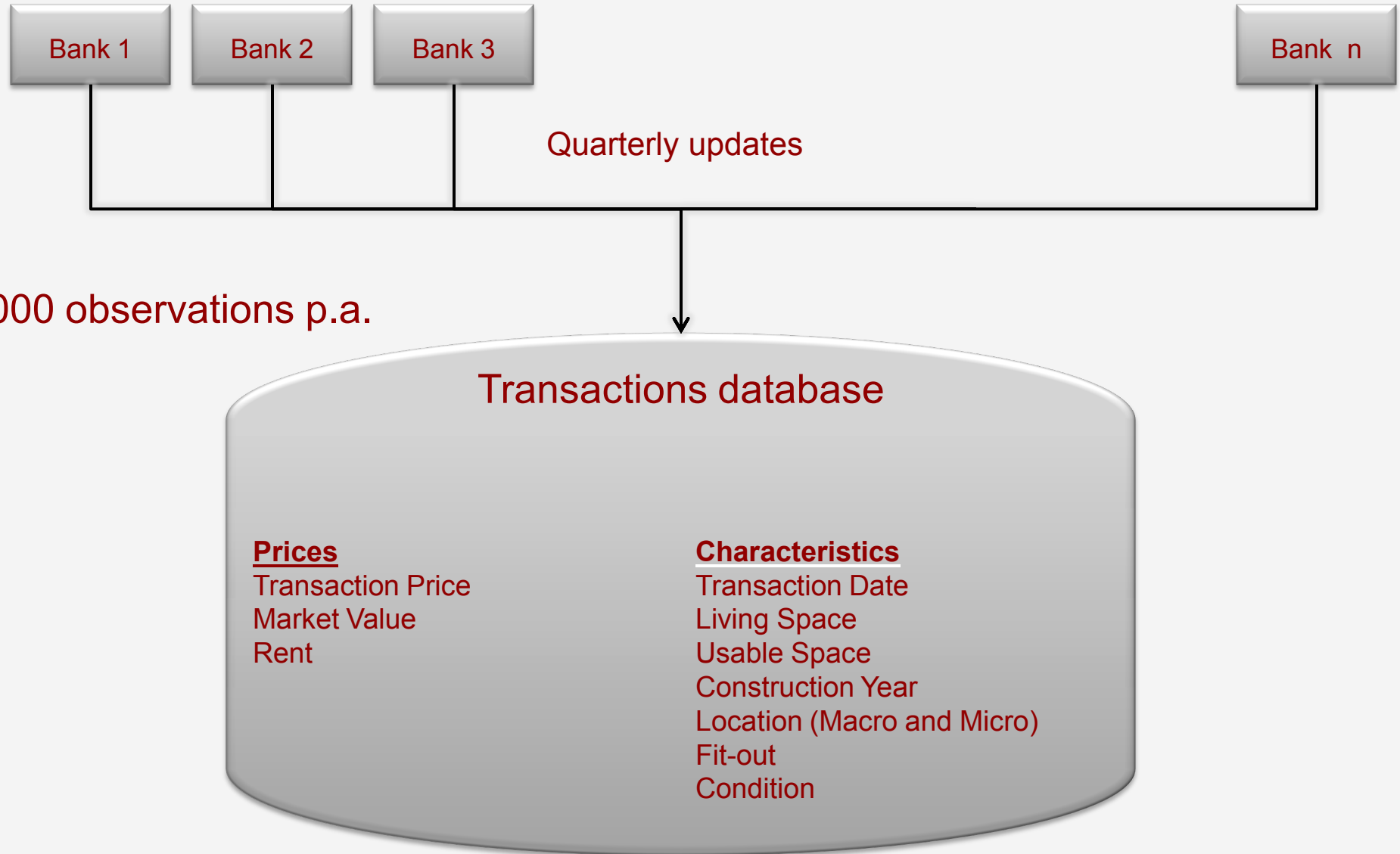
Andreas Kunert / Franz Eilers

Frankfurt am Main, May 2012



Bank Credit Process and Legal Regulation as a Source for Collecting Commercial Real Estate Data





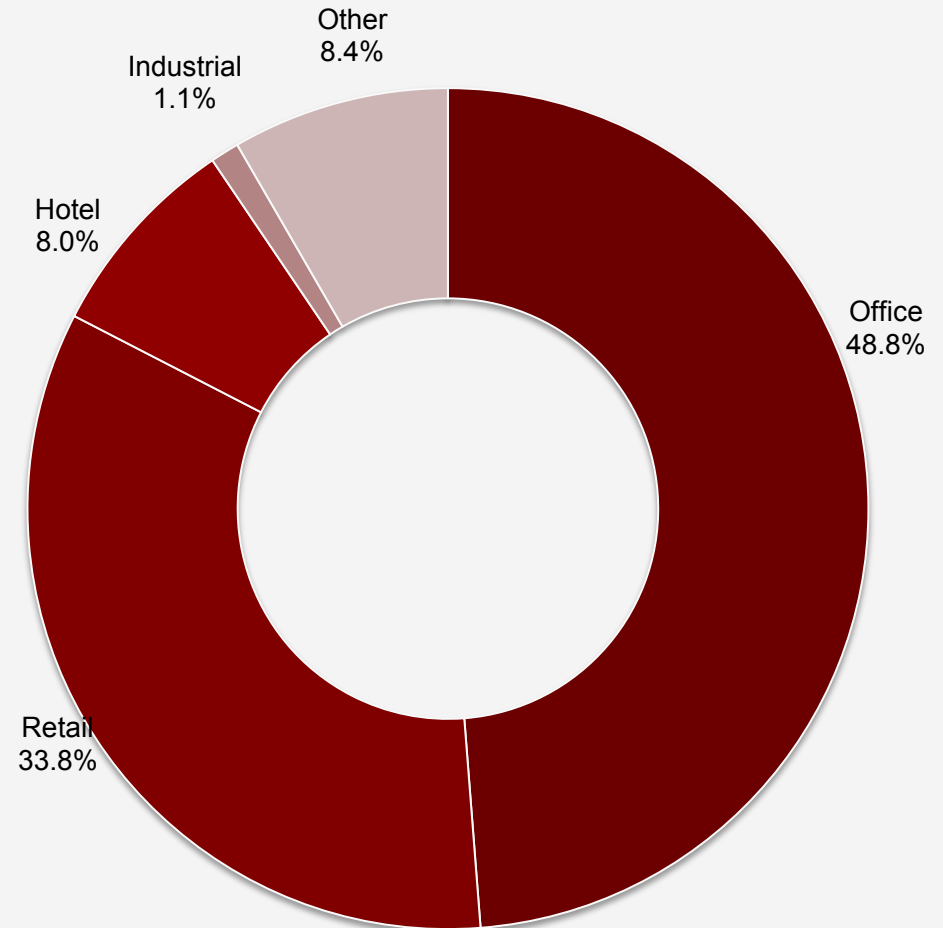
Commercial mortgage lending market

Total Loan outstanding at the end of 2011: 253.3 Bill. €

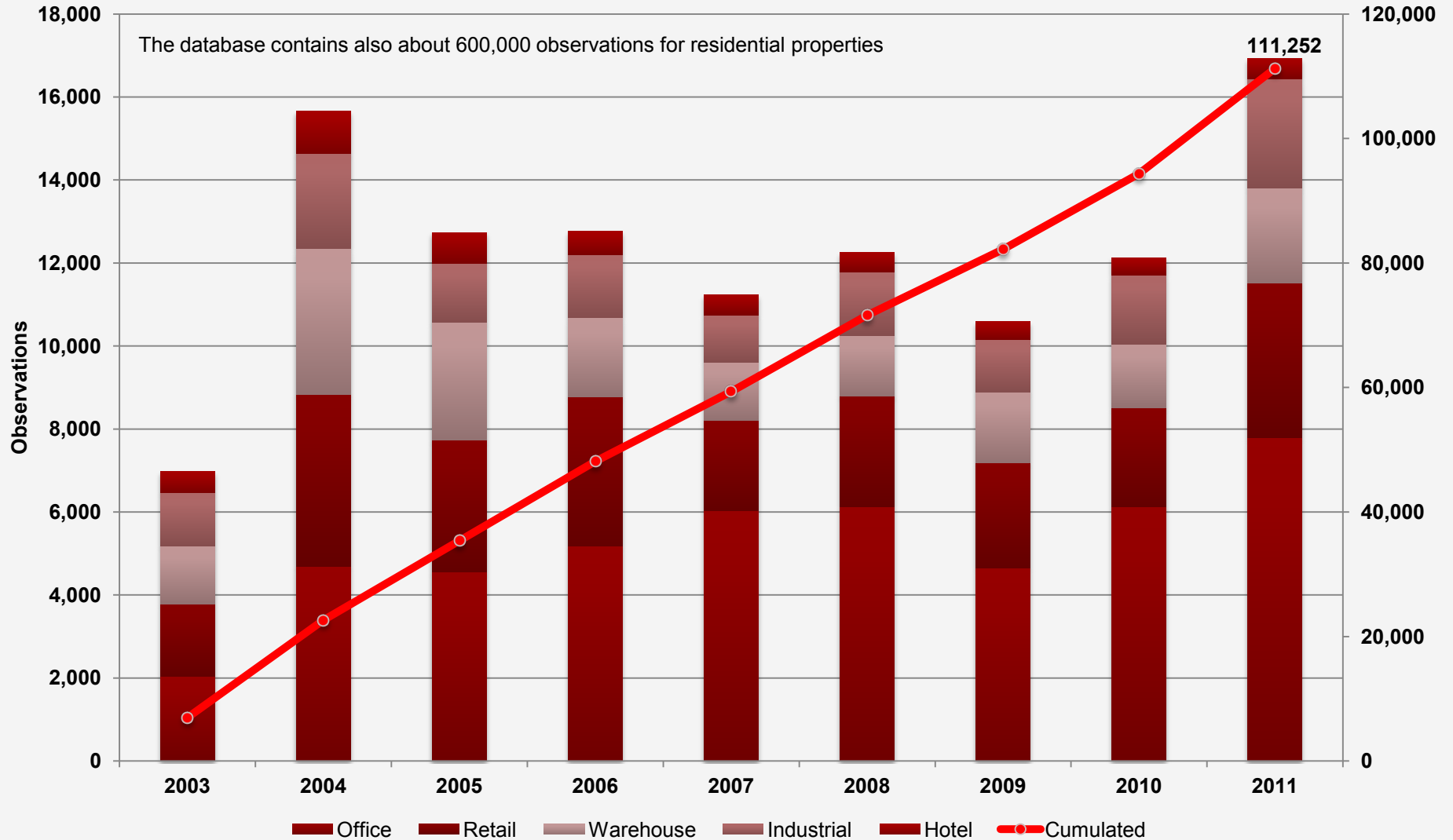
Market share of member banks of vdp: 56.5%

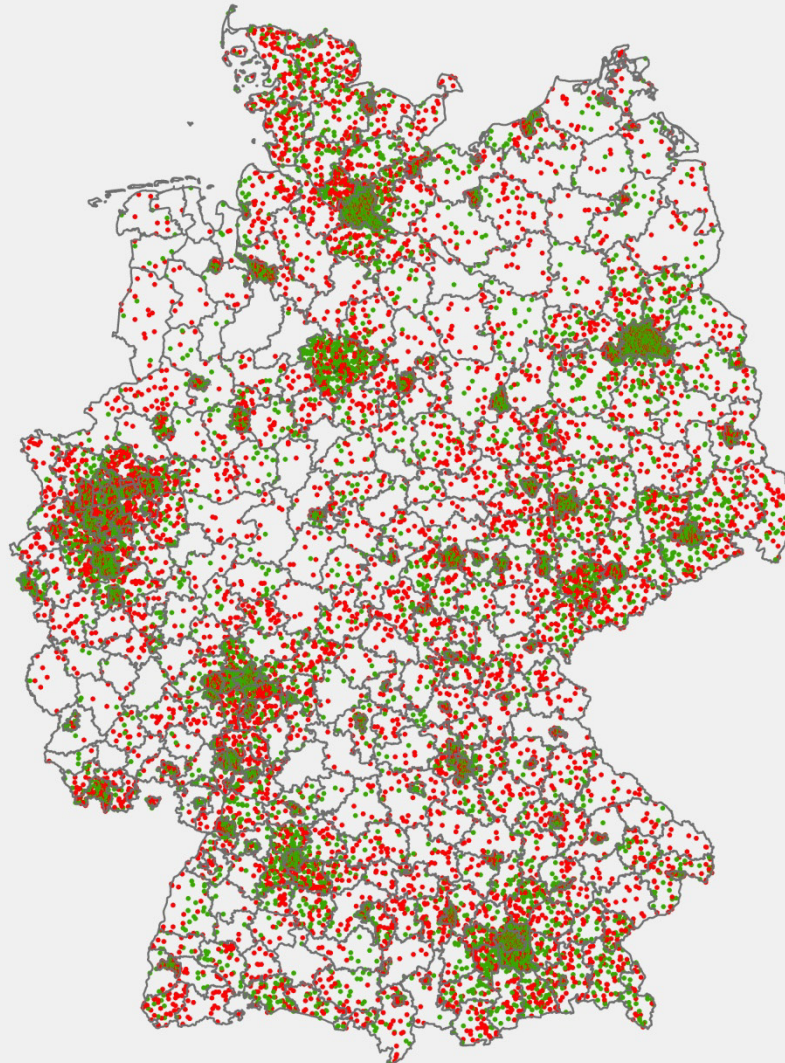
Property type	2010 € million	2011 € million	% Change
Office	23,319	22,066	-5.37%
Retail	11,426	15,300	33.91%
Hotel	2,569	3,603	40.25%
Industrial	699	502	-28.18%
Other	4,651	3,780	-18.73%
Total	42,664	45,251	6.06%
of which Foreign	22,030	21,529	-2.27%

New Commercial Mortgage Loans by Property Type in 2011



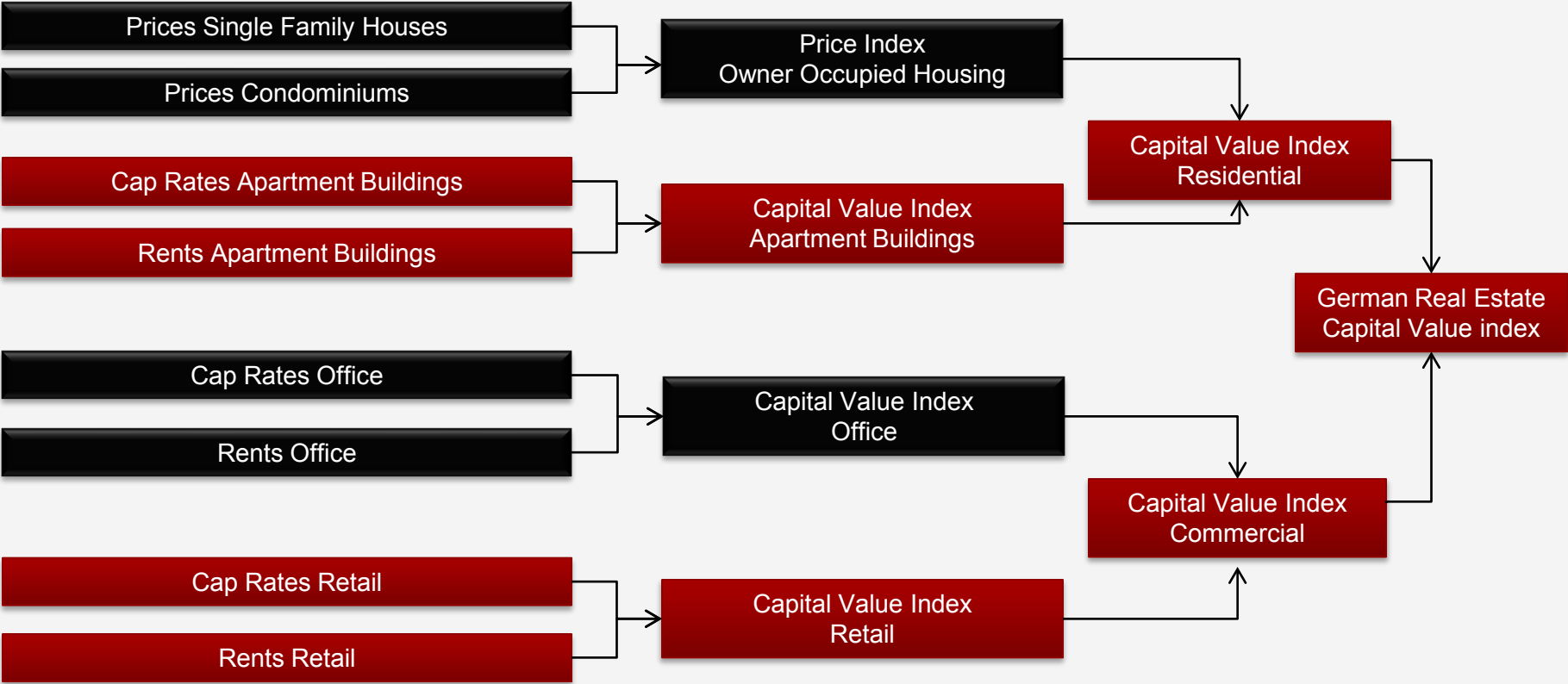
Observations by Property Type and Transaction Year



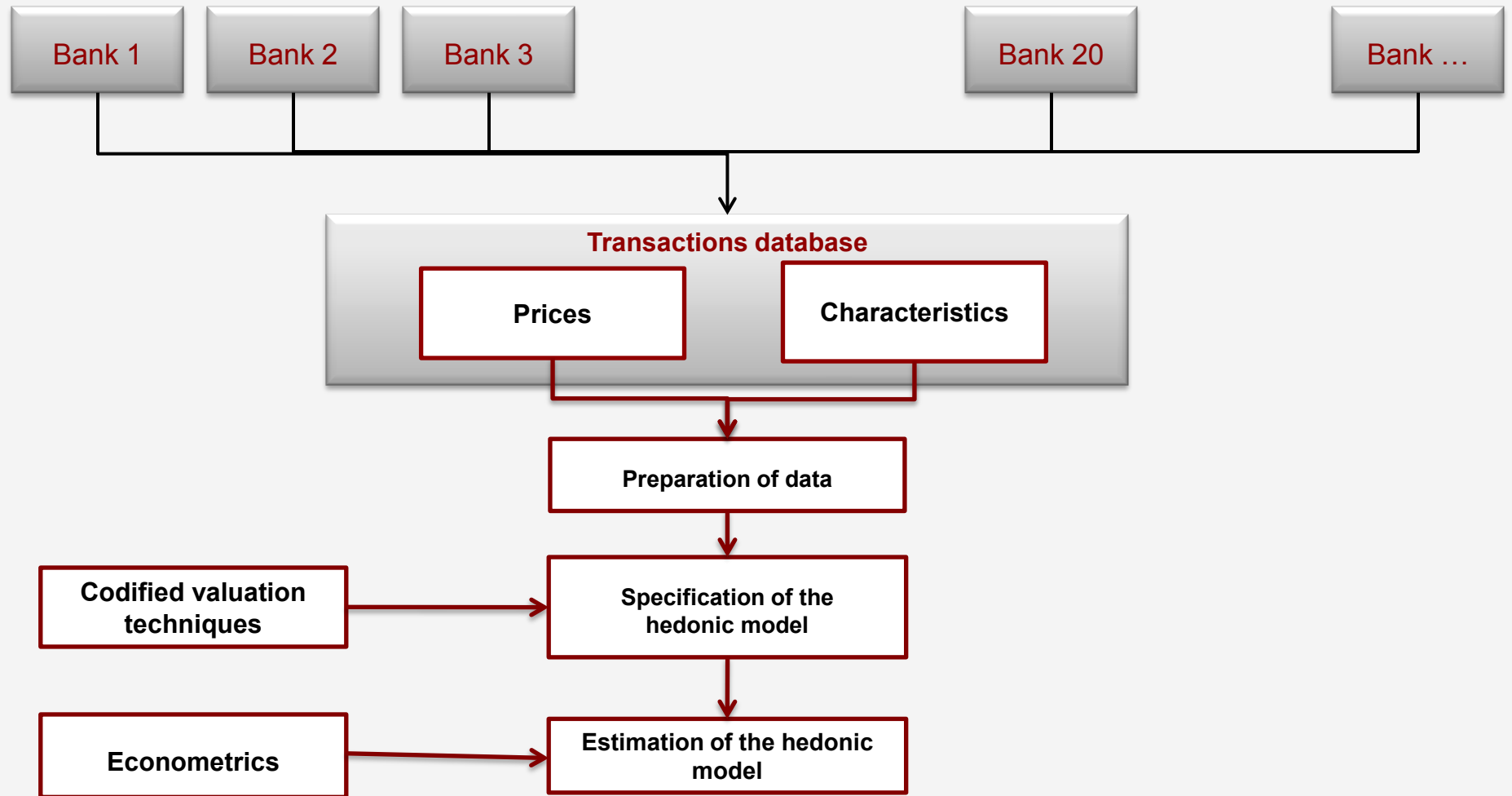


Legend
● Office
● Retail

- The regional distribution of observations in the database is driven by the main urban and economic areas.
- Nevertheless the database covers also rural areas of Germany.

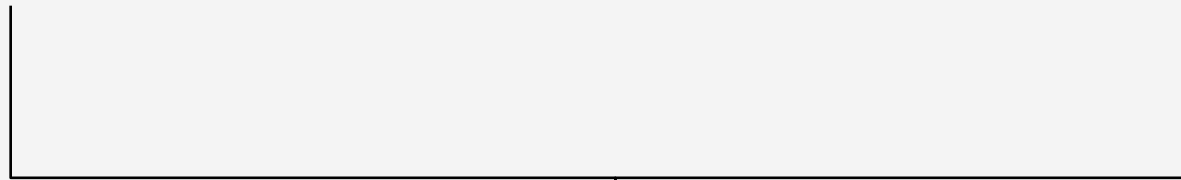


- released
- Under construction



Hedonic
Rent index
for office space

Hedonic
Cap rate index
for office space



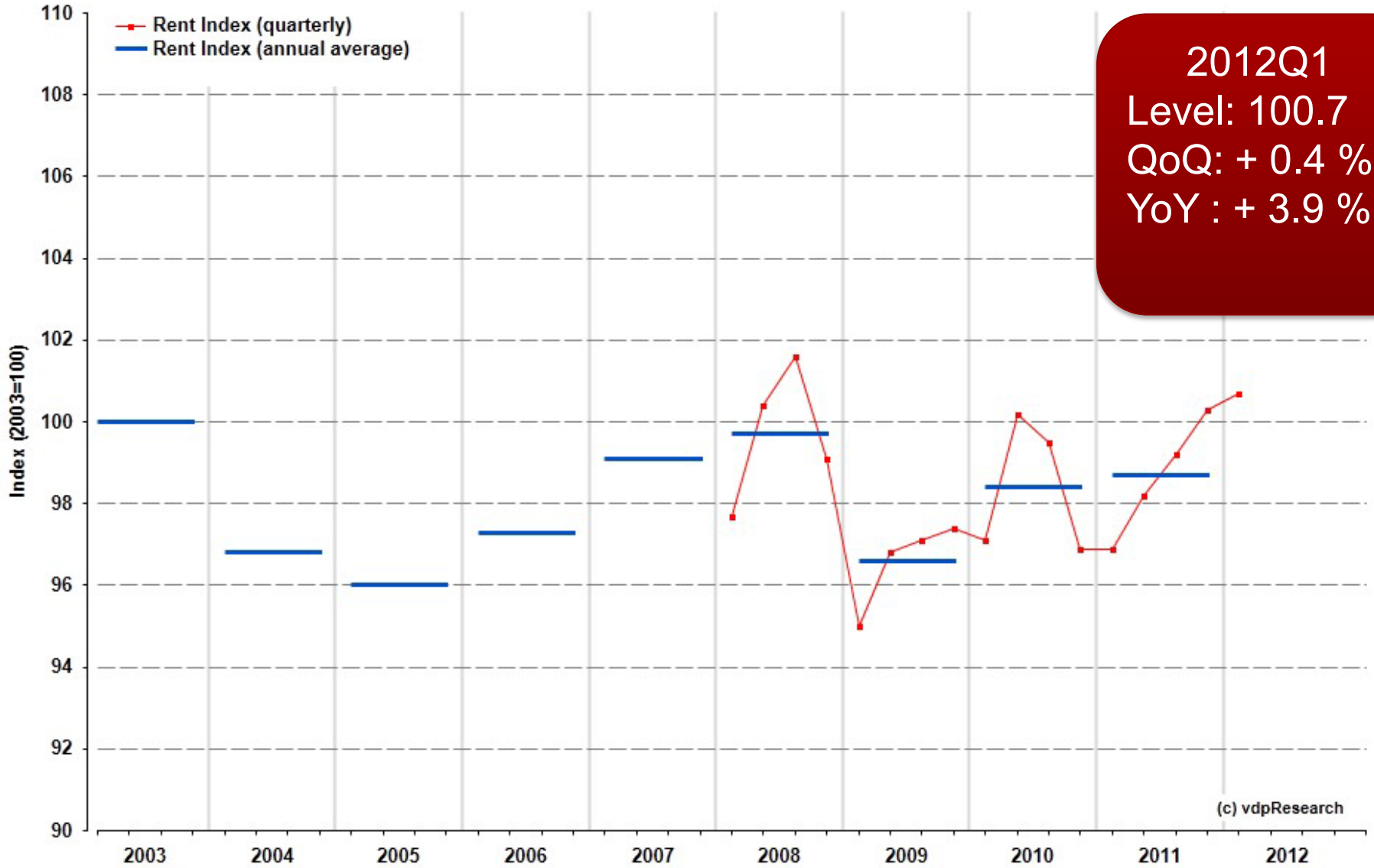
Capital value index
for office space
=
Rent index/Cap Rate-
Index

- Rent: Net rent per square meter floor space
- Regressors
 - Macro location (municipality)
 - Micro location (street level)
 - Construction year
 - Fit-out and condition
 - Rented space
 - Object size (overall space available)
- The sample contains 52.000 lease contracts between 2003 Q1 and 2011Q4

$$\text{Capitalization Rate}_t = \frac{\text{Net Cash Flow}_t}{\text{Transaction Price}_t}$$

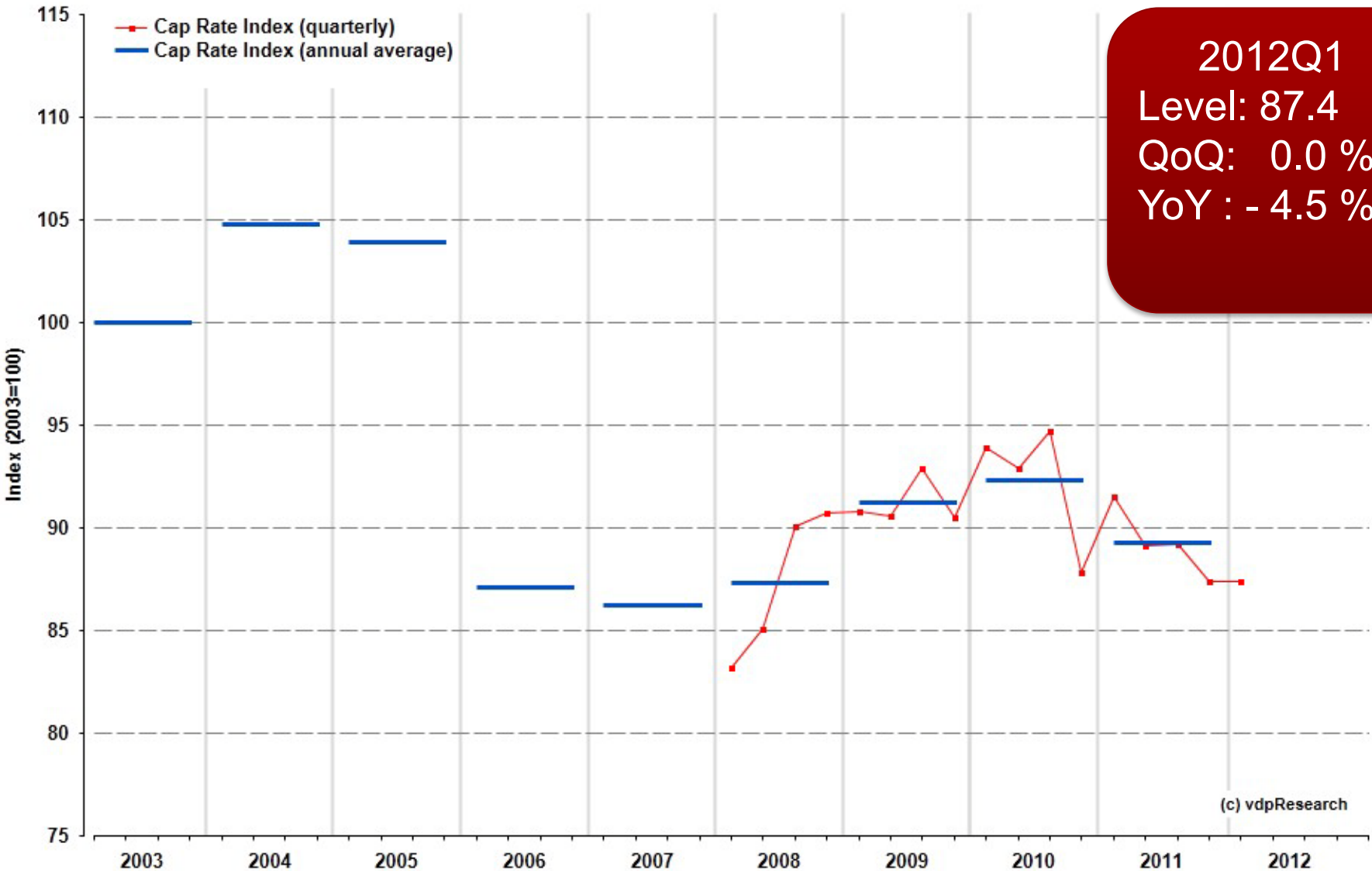
- For the estimation the same hedonic model has been used as in the rent equation
- The sample contains 14.400 transactions of office buildings between 2003 Q1 and 2011:Q4

vdp Rent Index – Office, 2003 – 2012:1



(c) vdpResearch

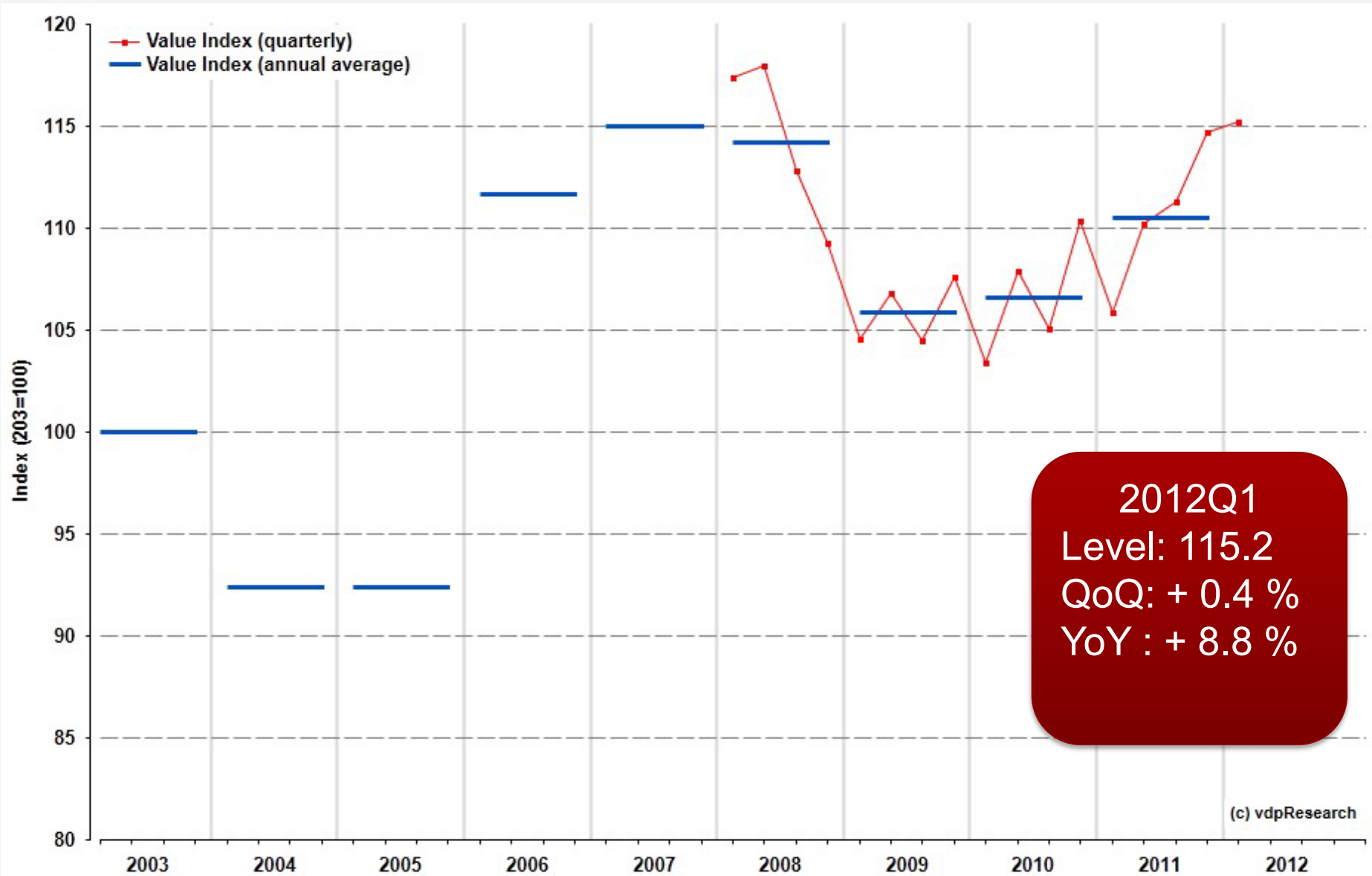
vdp Cap Rate Index – Office, 2003 – 2012:1



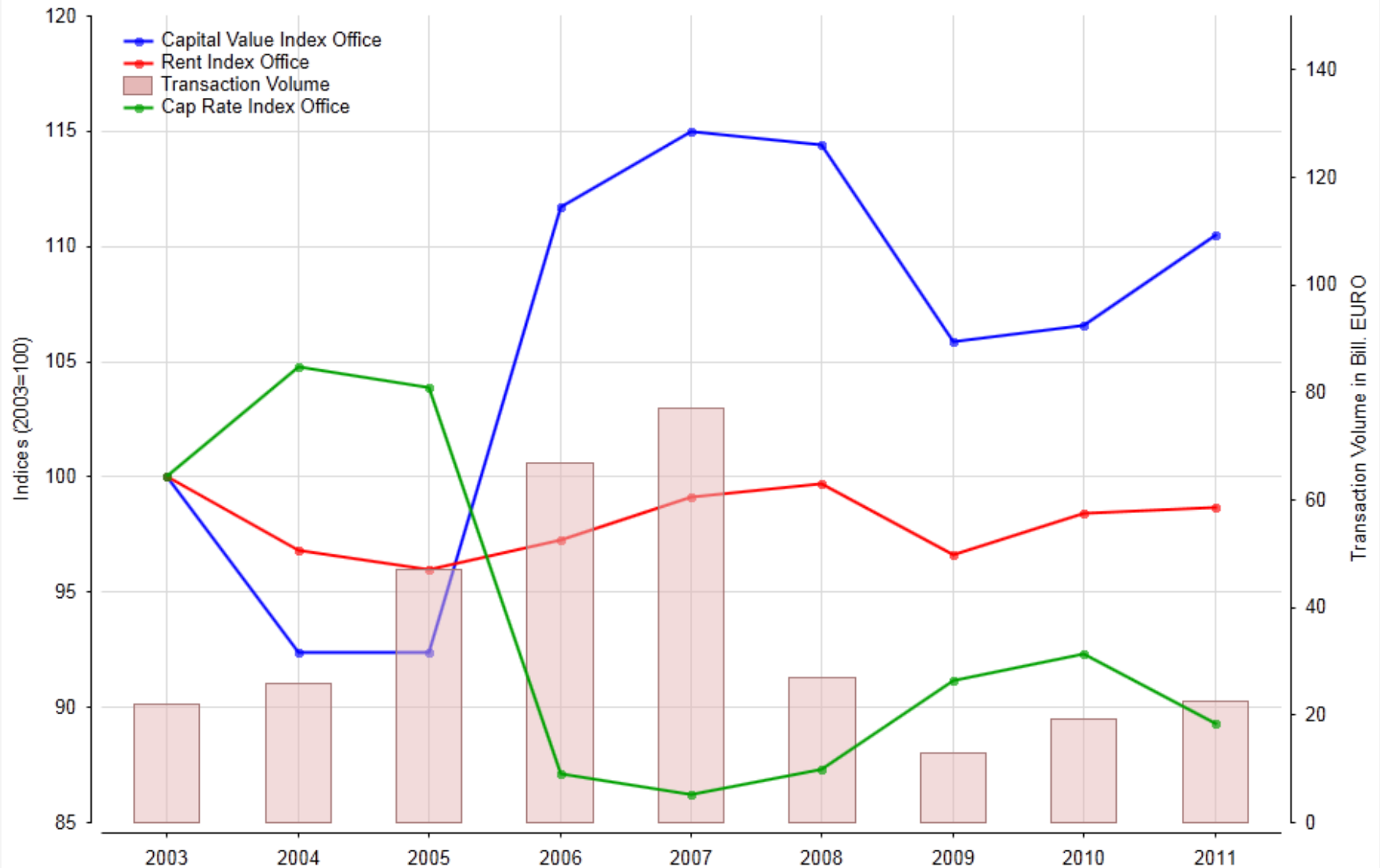
2012Q1
Level: 87.4
QoQ: 0.0 %
YoY : - 4.5 %

(c) vdpResearch

vdp Capital Value Index – Office, 2003 – 2012:1



Office Market Germany - Rents, Cap Rates and Capital Values (annual average)



Source: vdpResearch, CBRE (Transaction Volume)

- A unique feature of the vdp transaction database is the fact that besides the transaction price the database also contains the price building characteristics
- Due to new participating banks the database will increase at a higher rate
- Price indices for owner occupied housing and for the office market are published quarterly, six weeks after end of the preceding quarter

www.vdpResearch.de