



GERMAN ECONOMIC RESURGENCE CREATES SUPPLY SQUEEZE

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Germany's accelerating rate of economic growth, which is expected to double in the near term, could lead to a sharp tightening in supply in the office market, according to research by pan-European real estate investment manager Tristan Capital Partners.

'With unemployment in Germany the lowest since the early 1990s and real wage growth at a five-year high, Tristan forecasts that emerging strong pent-up demand will squeeze real estate supply, particularly for offices, over the next year or so,' commented Ric Lewis, CEO of Tristan Capital.

The last few months have seen a remarkable increase in leasing activity, not just in the prime retail and office locations of bigger cities, but also in smaller markets all across the country, the company said. 'This is reflected in the 33 leases that we have either re-gearred or signed for over 11% of the G3P fund's total rental roll in just the past eight months,' added Ralf Nöcker, managing director of Tristan's German Properties Performance Partners Fund (G3P).

German GDP expanded three times faster than the Eurozone average last year and this has helped to strongly boost consumer sentiment and underpin retail sales. However, the economic growth has not yet translated into higher office take-up volumes, reflecting the normal lag between firms becoming more confident in the outlook and them executing strategic real estate decisions.

Tristan claims pent-up demand for office space is building, and once positive business sentiment has reached a critical level, could be released. With vacancy rates at multi-year lows, supply-shortages are probable in the next year or two.

The G3P Fund manages a diversified portfolio of 44 properties, of which roughly half are offices and 40% retail, based on income contribution, with a total floor area of 168,912 m2 located in Germany's 'Big-5' cities and a range of regional centres. Tristan Capital took over the fund's management in September 2013 at the request of the existing investors and has since stabilised and restructured the portfolio.

The increase in German leasing activity has not been confined to prime locations in major cities. Secondary markets that were, until recently, seen as peripheral and less attractive have also been picking up speed, the company said. Noteworthy deals closed recently by G3P include a 10-year 1,700 m2 office lease extension in suburban Cologne, and a new office tenant signing in Bochum despite the adverse economic impact on the city caused by the closure of a local Opel car plant.

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About Tristan Capital Partners

Tristan Capital Partners is an employee-owned investment management boutique specialising in public and private market real estate investment strategies across the UK and Continental Europe.

Tristan is the Portfolio Manager for Curzon Capital Partners III and for the private equity funds European Property Investors, LP, European Property Investors Special Opportunities, LP and European Property Investors Special Opportunities 3, LP. Its pan-European real estate funds include core-plus and value-added/opportunistic strategies with total assets under management of €3.5 Billion. Tristan's headquarters are in London and it has offices in Luxembourg, Milan, Paris, Stockholm, Dusseldorf and Warsaw.



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