Aqua Höfe, Lobeckstrasse 30-35, Berlin, Germany

photo: GSG Berlin © CHL

Significant upside potential in GSG's rents

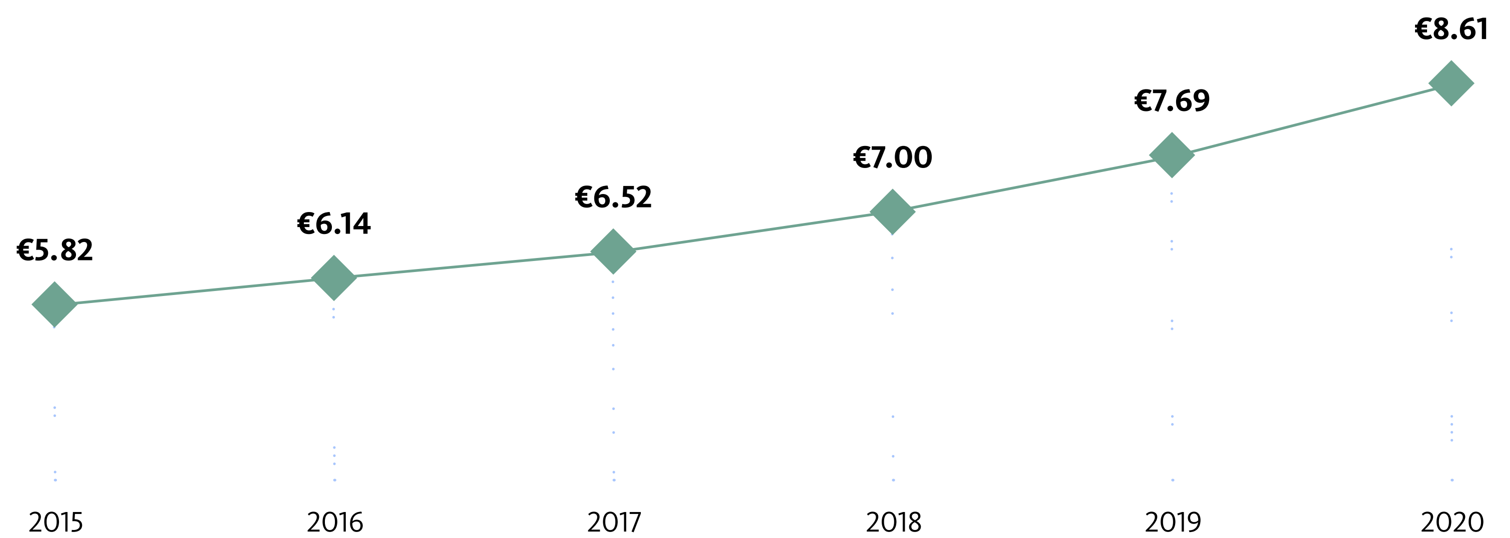
The continued structural supply/demand imbalance in Berlin has consistently driven average rents higher across the city in recent years, even as growth has decelerated slightly in 2020. GSG's average rents increased by 12.1% compared to 2019, rising to €8.61 per m² (versus €7.69 per m²).

According to management analysis in consultation with external advisors, **GSG's average rents are still well below the Berlin market average.**

Savills recent analysis in 2020 suggests that average rents for the portfolio could potentially be €14/m², in contrast to the current overall market average rent of €28/m² and the average rent for the portfolio of €8.6/m² at the end of 2020.

Considering the quality of GSG's portfolio, the Group is optimistic that rents can continue to rise toward the market average over time. GSG's rental income will also benefit more meaningfully in 2021 from new developments completed in late 2020, which were **100% pre-let and with rents in line with prevailing market levels.**

GSG's average rents have continued to increase and still have significant upside



Note: Data relates to (€/m²/month)

Average rent (per m² by Berlin clusters)

	2015	2016	2017	2018	2019	2020
Rest-West	€5.95	€6.30	€6.62	€6.80	€7.43	€8.34
Kreuzberg	€7.22	€8.00	€9.00	€10.44	€11.98	€14.00
econoparks	€4.41	€4.44	€4.48	€4.56	€4.78	€5.06
Total	**€5.82**	**€6.14**	**€6.52**	**€7.00**	**€7.69**	**€8.61**

econopark Wilhelm-von-Siemens-Straße, Berlin, Germany

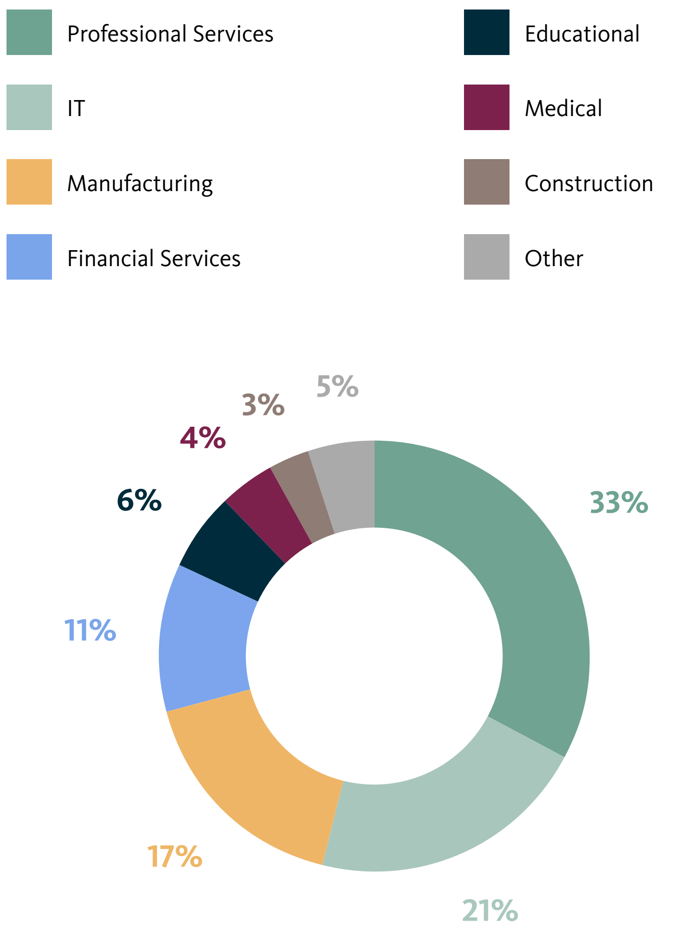
photo: GSG Berlin © CHL

Our tenants

GSG has about 2,000 tenants across nearly one million square meters of office space in Berlin. Healthy markets and active asset management allow us to retain tenants, even as rents are rising across the portfolio. However, naturally, an element of "churn" occurs as we can increase rents, particularly in West Berlin, where existing tenants are occasionally relocated to more affordable locations in our portfolio in East Berlin.

Our offices cater to strong demand from dynamic, creative IT and professional services-focused companies and other small businesses. At the same time, tenant diversity and granularity are key strengths as GSG also attracts large international companies.

GSG tenants by type (according to headline rent)



Berlin office market

Total office take-up over the year amounted to 660,500 m², representing a 34% drop versus record 2019 levels. Temporary declines and a wait-and-see attitude particularly impacted smaller leases of up to 1,000 m². However, with a volume of over 230,000 m², take-up in the fourth quarter closed the year on a firm footing.

Despite the drop in take-up, the Berlin market remains fundamentally strong, with vacancy rates still close to historical levels, significant supply/demand imbalance and meaningfully lower rents versus many other major European cities.

The vacancy rate rose by around 120 basis points year-over-year to 2.3% at the end of 2020, remaining the lowest of Germany's top office markets. In addition to the drop-off in demand, the rise in vacancies was partly due to a higher volume of sublease space which rose towards the end of the year.

Despite the rising vacancy rate, the prime rent in Berlin rose by 3% over the year to €38.50/m²/month. However, the weighted average rent increased even more for the year (+8%) to reach its current level of around €28/m²/month. Given the relatively low average rents of GSG's portfolio compared to prime market levels, the notably higher increase of weighted average rents is significant.

Part of the driving force behind the trajectory in demand of the Berlin market has been the burgeoning growth of technology-focused start-ups. Despite only representing 4.4% of the German population and 4.3% of national GDP, close to 60% of all investment in German start-ups was invested in Berlin-based companies in 2020, a similar share to 2019. Of the largest cities in Germany, Berlin was the top-ranked in all start-up industries and especially dominant in e-commerce (88% market share) and Fintech (62%).

In terms of the investment market, Berlin once again topped the charts amongst the big seven cities in Germany, attracting €1.466 billion of investment. Although total 2020 transactions fell significantly versus a record-breaking 2019, it was nevertheless a significant 30% higher than the 10-year average. The market also picked up considerable momentum in the final quarter of the year, recording 34% of the overall annual investment volume. The average prime yield in Berlin fell by five basis points to 2.65% at the end of 2020 – a new record.

Sources: JLL, CBRE, EY: Start-up-Barometer Deutschland

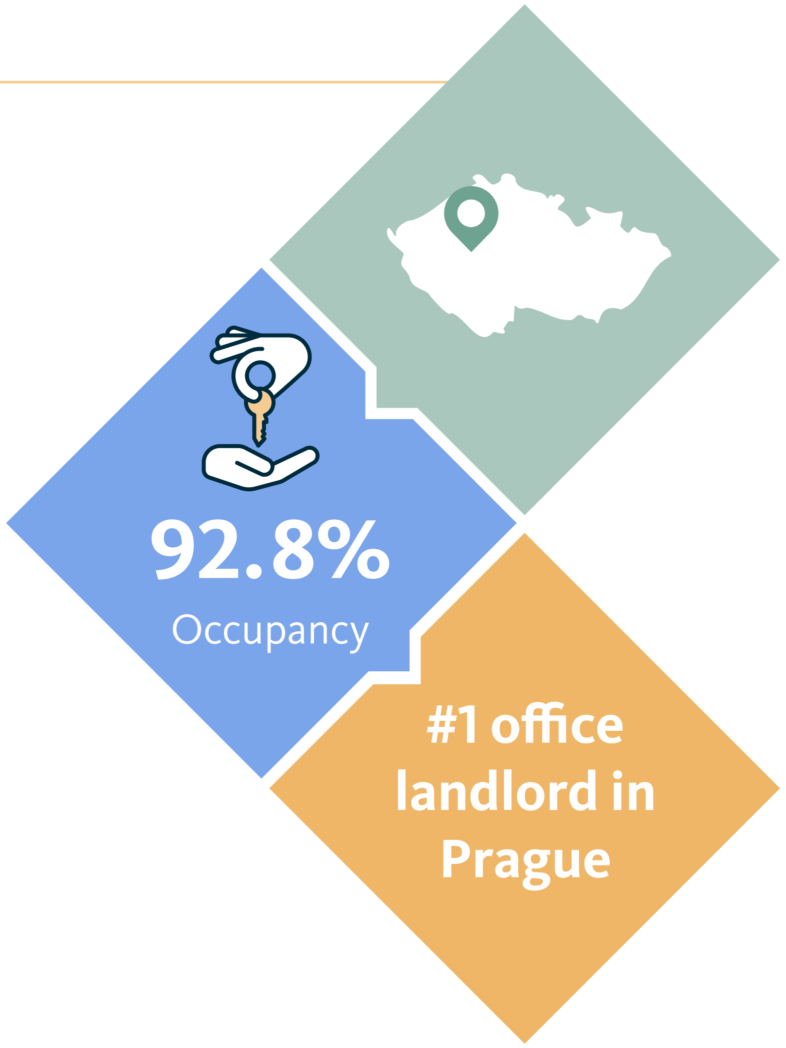
Prague

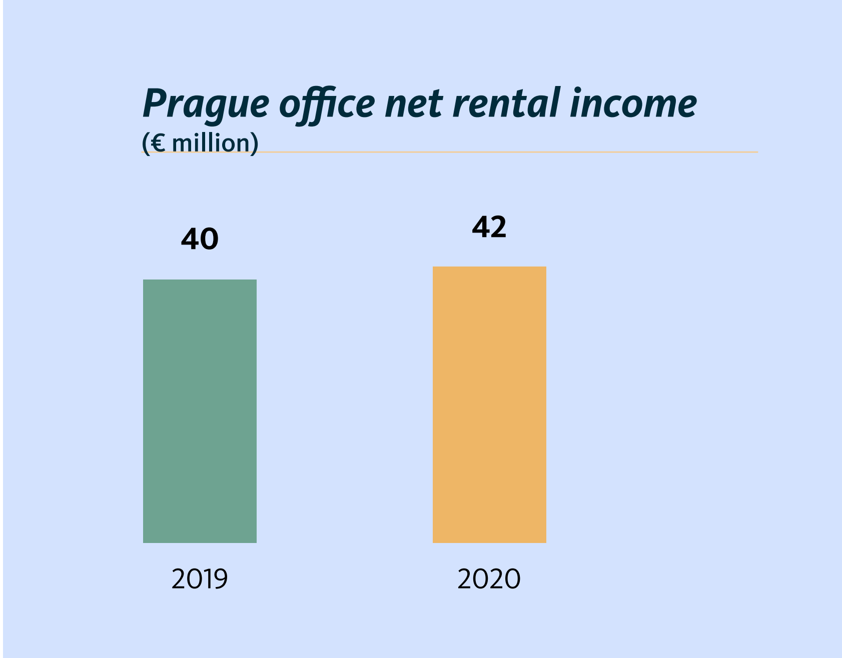
The value of our office portfolio in Prague **increased by 8% to €834 million** at the end of 2020. The majority of the increase relates to the completion of an extensive refurbishment and efficiency upgrade of Bubenská 1 (the new Prague headquarters of WPP) which was completed and handed over in November 2020. Valuations were firm across the portfolio, supported by **low vacancy, close to 100% collection rates, and resilient leasing and investment markets for offices in Prague.**

The completion of Bubenská 1 was also the primary driver behind the decrease in occupancy of 2.3 p.p. to 92.8% since the property was 65% occupied at the end of 2020. Excluding Bubenská 1, occupancy **across the rest of the Prague office portfolio was 95.5% at the end of 2020, 0.4 p.p. higher than 2019.** Thanks to leases signed in Q4 2020 with WOLT and Kantar, the office part of Bubenská 1 **achieved 100% occupancy on a forward-looking basis.**

Net rental income increased by 5% to €42 million, due to increased occupancy and robust like-for-like rents across the portfolio, particularly driven by increases in City West B2 & B3 (Siemens) and BB Centrum Buildings, together with the partial contribution from Bubenská 1, which is expected to contribute more significantly to rental income in 2021. CPIPG also leased a significant portion of the remaining space in the MAYHOUSE building.

Throughout 2020 CPIPG was able to continue signing new leases on favourable terms. In the period of the year most affected by the pandemic (Q2-Q4), our team managed to sign **new leases comprising around 13,000 m², with an average increase in headline rents of over 11%.** Furthermore, **extensions and prolongations comprising over 23,000 m² were achieved with an average increase in rents of over 1%.**

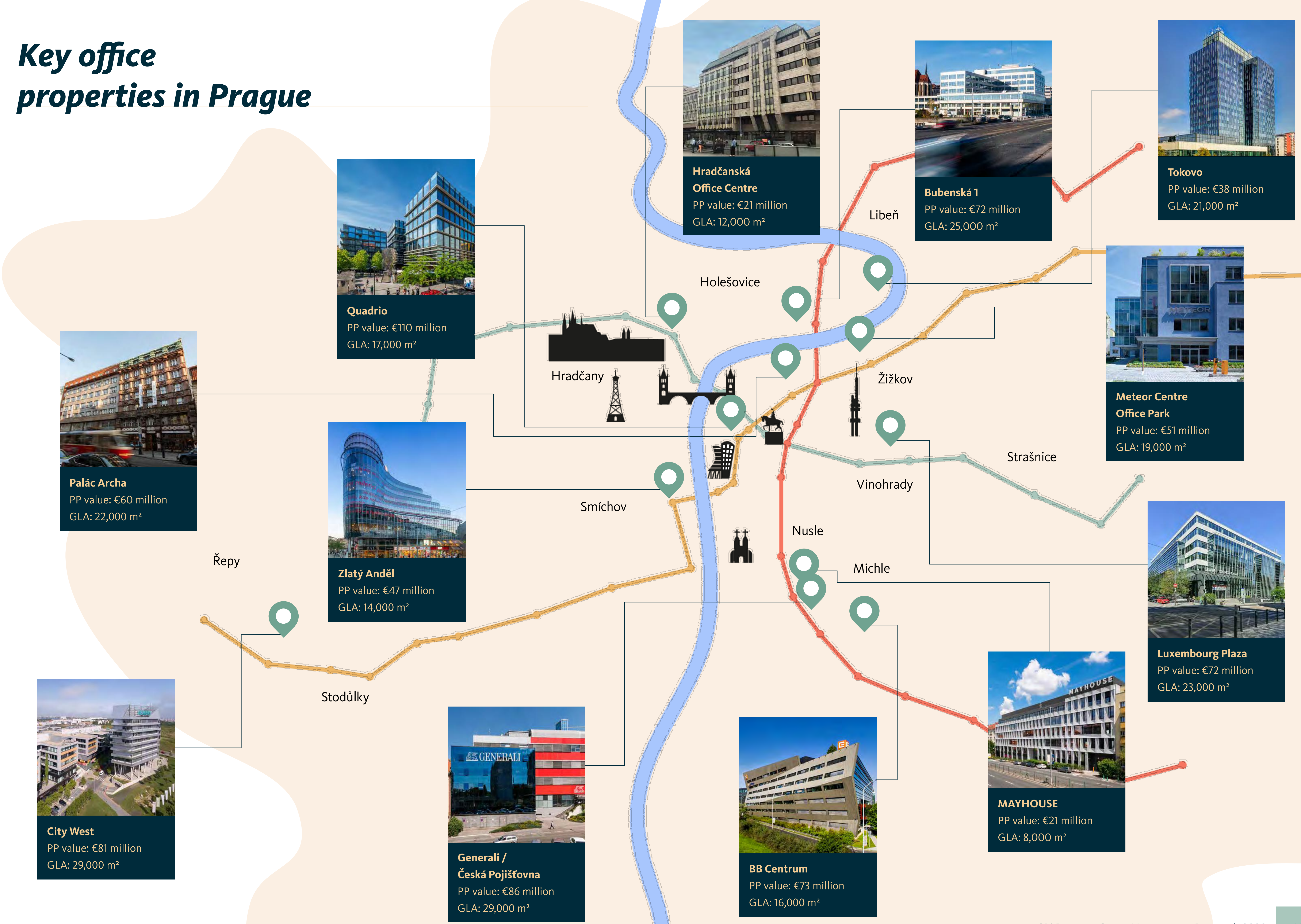




We maintained our leadership in the Prague office market, where our tenants are solid and leasing activity remained encouraging despite the pandemic.

David Votřel, Head of Office Asset Management CZ

Key office properties in Prague



Tokovo, Prague, Czech Republic

Prague office market

Overall in 2020, total new supply reached 150,600 m², and at the end of the year, total modern office stock increased to 3.75 million m². The largest office district is still Prague 4 (26% of the total stock), followed by Prague 5 (17%) and Prague 8 (15%). In Q4 2020, the only office building completed was the Group's major refurbishment Bubenská 1 in Prague 7.

The slowdown of construction activity in 2020 continued during Q4 with 136,400 m² currently under construction (-50% below the 5-year average). The total new supply for 2021 is estimated to reach 98,100 m², which would be the lowest annual new supply since 2016.

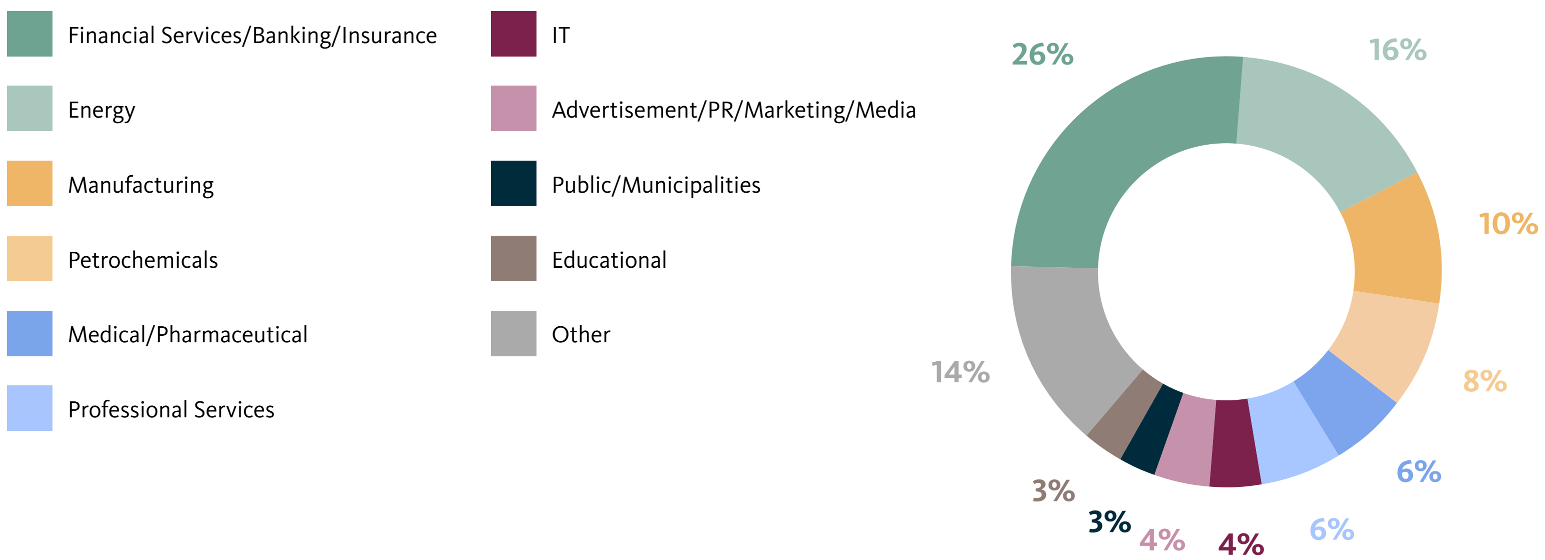
In 2020, leasing volumes were impacted by economic uncertainty, as gross take-up reached 332,800 m² (-24% year-on-year) while net take-up (excluding renewals) amounted to 179,100 m² (-34% year-on-year). However, the last quarter of the year is traditionally strong in leasing activity, and Q4 2020 was no exception, with net take-up 61% and gross take-up 18% higher in Q4 versus Q3, respectively, demonstrating a more favourable market backdrop heading into 2021.

Compared to the end of 2019, prime headline rents in the city centre softened slightly to €21.00–22.00 m²/month. However, the inner city and outer city rents held relatively firm.

In Q4 2020, net absorption was positive and reached about 19,200 m². During the entire year, net absorption amounted to 75,200 m², representing a decrease of 58% compared to 2019. In 2020, total new supply (150,600 m²) exceeded the net absorption, and therefore the vacancy rate increased from 5.4% at the end of 2019 to the current level of 7.0% at the end of 2020. Nevertheless, the vacancy rate remains relatively low in a historical context. The COVID-19 pandemic had a more marked impact on the sublease market, which has continued to grow over the year.

Source: JLL

Prague office tenants by type (according to headline rent)



Warsaw

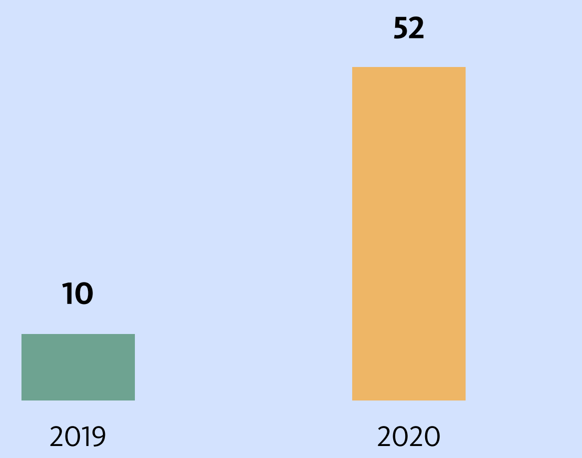
The Warsaw office portfolio grew to nearly €1 billion in 2020, from €708 million at the end of 2019, primarily due to the acquisition of six properties for more than **€260 million**. At the end of 2020, the portfolio comprised 14 properties and 316,000 m² of space, making CPIPG the **largest office landlord in the city.**

Like-for-like valuations were flat to slightly positive compared to the end of 2019, with small increases recorded in properties held before Q4 2019 as well as recent acquisitions.

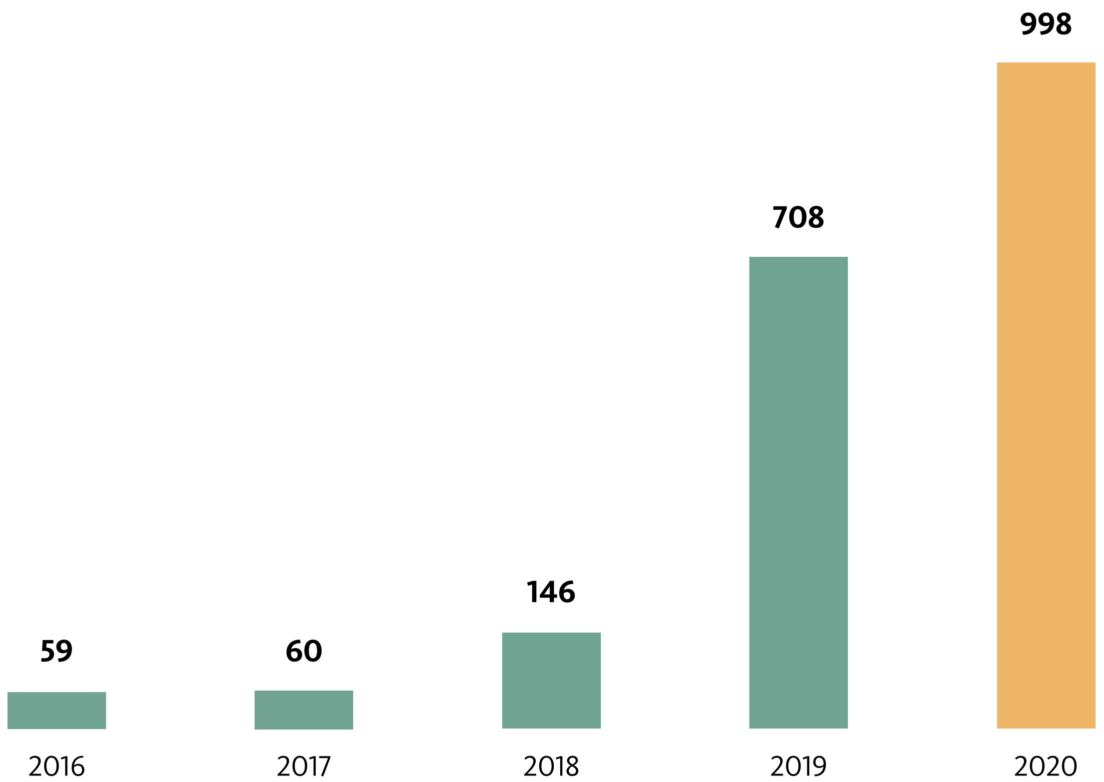
Net rental income increased dramatically in 2020 to €52 million, driven primarily by the contribution from recent acquisitions but also supported **improvements in occupancy and like-for-like rents** in recently acquired properties.

Since Q4 2019, when the Group commenced its acquisition pipeline in Warsaw, **headline rents increased by close to 17% on average across all renegotiated leases. Like-for-like rents increased by over 3% for the entire portfolio.**

Warsaw office net rental income
(€ million)



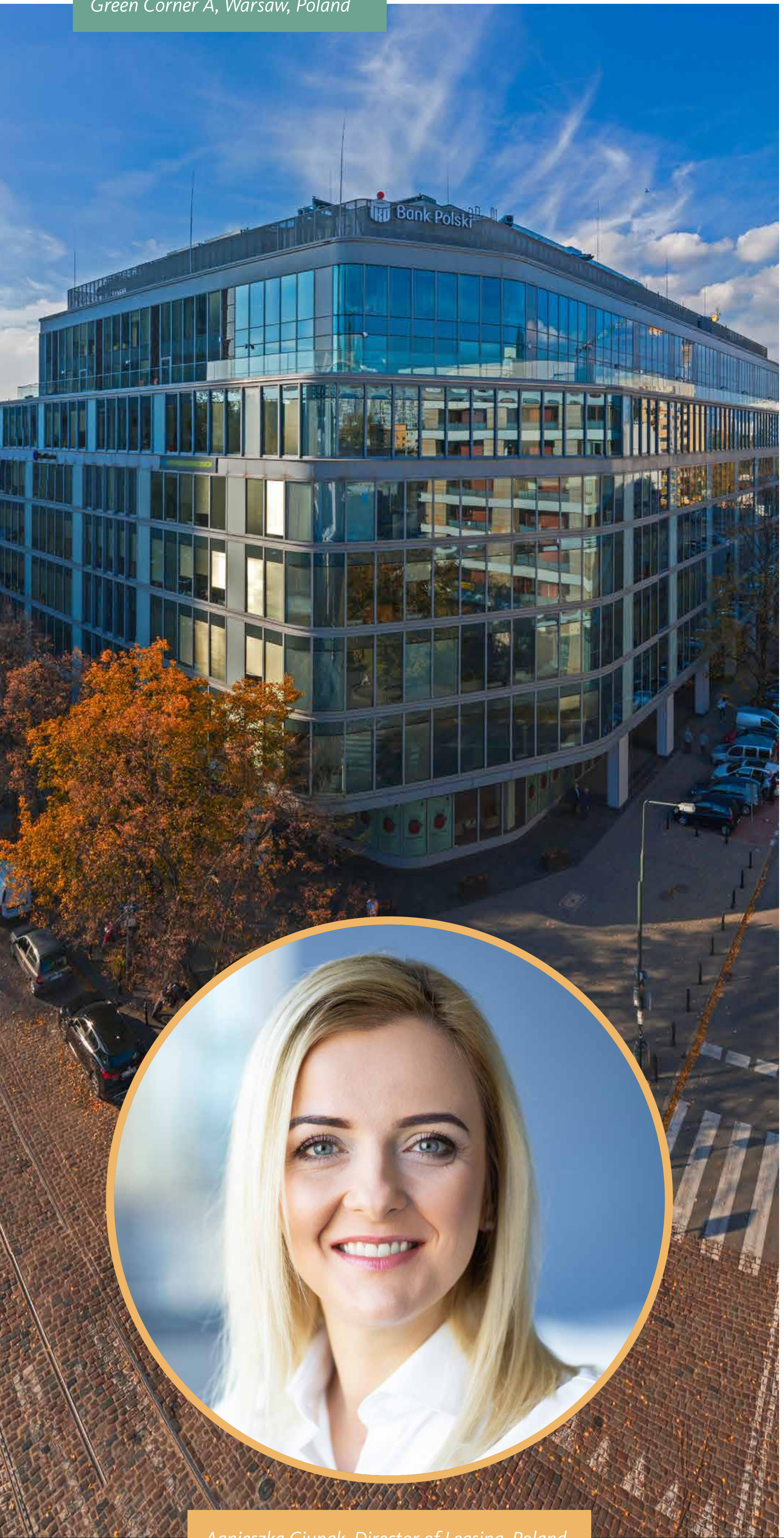
Warsaw office property portfolio evolution (€ million)



We are proud to have gained the leading position in the Warsaw market and the strong performance demonstrated by the portfolio.

Barbara Topolska, Country Manager, Poland

Green Corner A, Warsaw, Poland



Agnieszka Ciupak, Director of Leasing, Poland

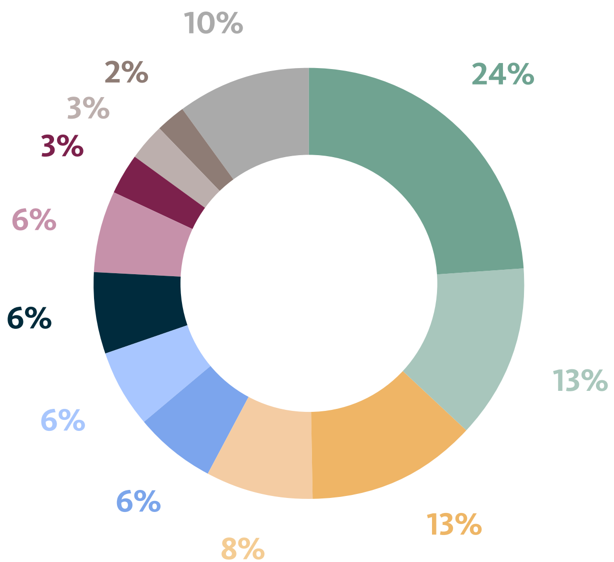
Occupancy increased to 94.7% from 91.4% at the end of 2019. Recently purchased properties were acquired with 100% or close to full occupancy. Despite the impact of COVID-19, the team in Warsaw was able to sign a number of new leases, **increasing occupancy in four out of the six properties acquired in 2020, in addition to a 1.4 p.p. increase in the existing portfolio.** Such success can be partly attributed to the recently created in-house leasing department, led by Agnieszka Ciupak, combined with the transition to entirely in-house property management, which puts CPIPG closer to its tenants.

OCCUPANCY

94.7%

Warsaw tenants by type (according to headline rent)

- Financial Services/Banking/Insurance
- IT
- Public/Municipalities
- Consumer Goods
- Legal
- Medical/Pharmaceutical
- Construction/Development
- Energy
- Professional Services
- Advertisement/PR/Marketing/Media
- Educational
- Other



Warsaw office market

Demand for office space in 2020 was 31% lower than in 2019, with the vacancy rate increasing by 2.2 p.p. by the end of the year. Despite the raft of new supply expected in 2020, several projects have been pushed into 2021.

In terms of demand for traditional offices in Warsaw in 2020, the total was 602,000 m². The two top districts, comprising over ⅔ of total demand, are the City Centre and Mokotów. Renewals in occupied office buildings accounted for 37% of tenant activity.

In 2020, new supply was 314,000 m². However, after many years, developer activity is now beginning to slow down, and they are more cautious about starting new construction.

The dampened market sentiment influenced the vacancy rate. In Q4 2020, it increased to 9.9% in Warsaw (8.5% in Central zones and 10.8% in the Non-Central zones), which was a 2.1 p.p. increase versus the end of 2019. Subleasing activity increased notably, with approximately 130,000 m² on the Warsaw market at the end of 2020, with around 60% of this located in central parts of the city. Flexible space providers have also seen increased interest in their product.

Despite the pandemic and its implications, 2020 turned out to be surprisingly strong in the investment market. Office investments in Warsaw totalled €1.3 billion, down 47% on 2019's record-breaking result but still up 21% on the ten-year average (2009-2019). As in previous years, office assets, located in Warsaw's city centre, attracted the most interest, representing 59% of total turnover.

At the end of 2020, prime office yields in Warsaw were at around 4.50%. Discounts, observed in the previous year, diverged between 25 and 50 bps compared to pre-COVID expectations.

Source: Cushman & Wakefield, CBRE

CPIPG's platform in Warsaw is unmatched

6.5%
average acquisition yield in 2019–2020

>€800 m
acquired in 2019–2020

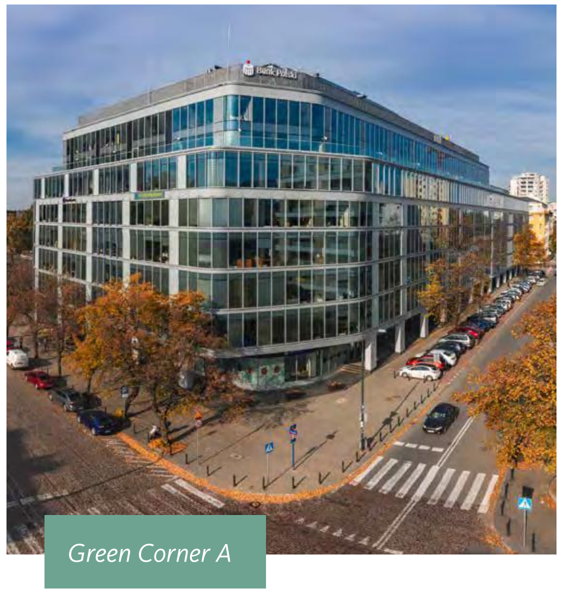
Strong green certifications

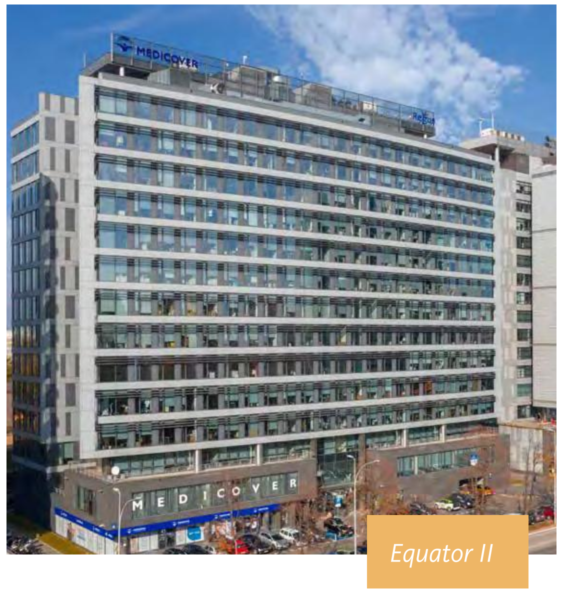
CPI Poland's Country Manager Barbara Topolska was recognised at the **2020 Top Woman in Real Estate awards in Poland, winning in the Top Management category.** On winning her prize, Barbara commented:

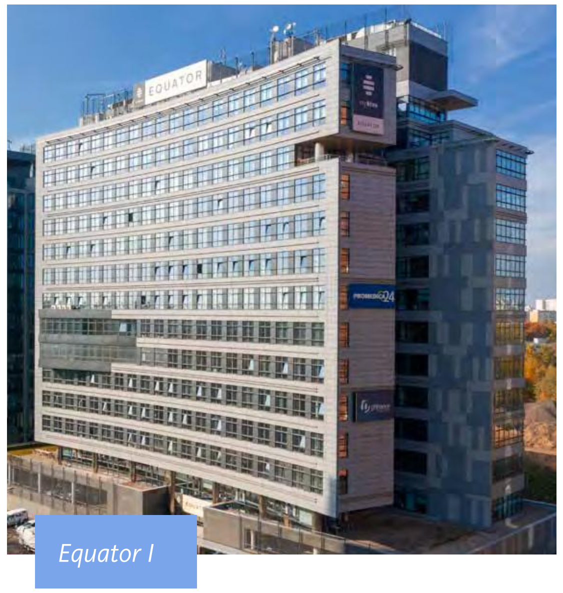
"The road to the top for both women and men is exactly the same. It requires commitment, work, constant self-improvement, ambition, clear goals, but most of all – the right people on your team."

Warsaw Office portfolio acquisition timeline

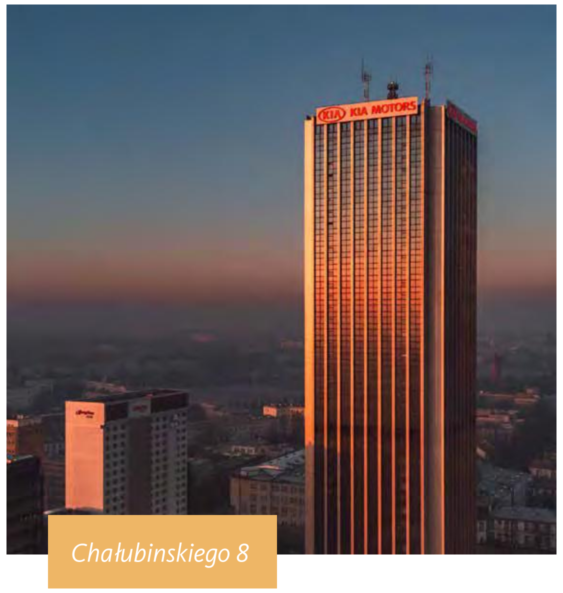
	Acquisition Date	GLA (m²)	Green Certification
Equator IV	Nov-2019	21,000	BREEAM Very Good
Eurocentrum	Nov-2019	85,000	LEED Platinum
Warsaw Financial Center	Dec-2019	50,000	LEED Gold
Green Corner A	Jan-2020	15,000	LEED Platinum
Equator II	Jan-2020	23,000	BREEAM Very Good
Equator I	Mar-2020	19,000	BREEAM Very Good
Moniuszki 1A	Mar-2020	10,000	BREEAM Excellent
Oxford Tower	Apr-2020	23,000	
Concept Tower	Aug-2020	9,000	LEED Gold

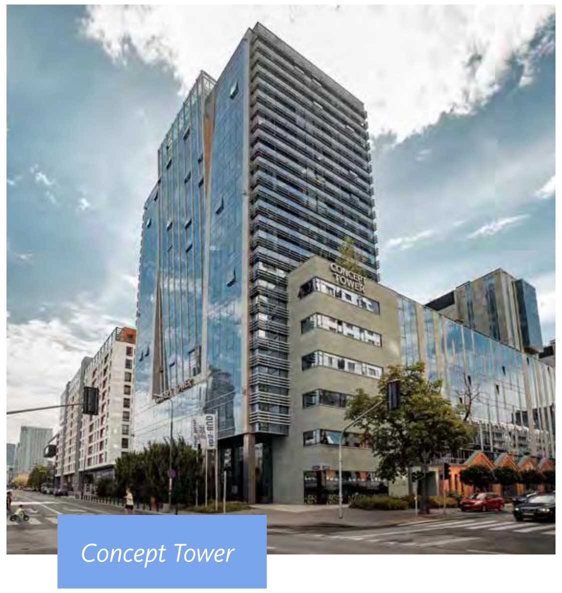

Green Corner A


Equator II


Equator I


Moniuszki 1A


Chałubinskiego 8


Concept Tower

CPIPG's office footprint in Warsaw

Budapest

The value of the Hungary office portfolio remained relatively stable at €303 million at the end of 2020, primarily due to like-for-like revaluations holding up resiliently.

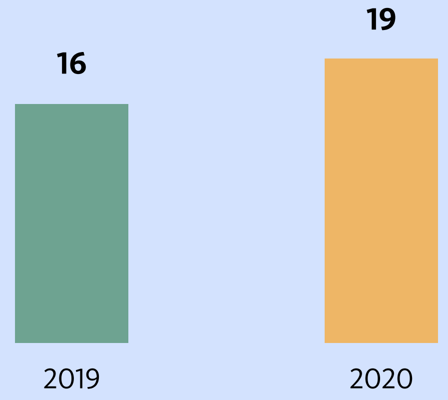
NRI increased by 19% to €19 million given a 4.1% increase in like-for-like rents, and the more significant contribution from recent developments Balance Hall and Airport E-F building in Airport City Logistics Park.

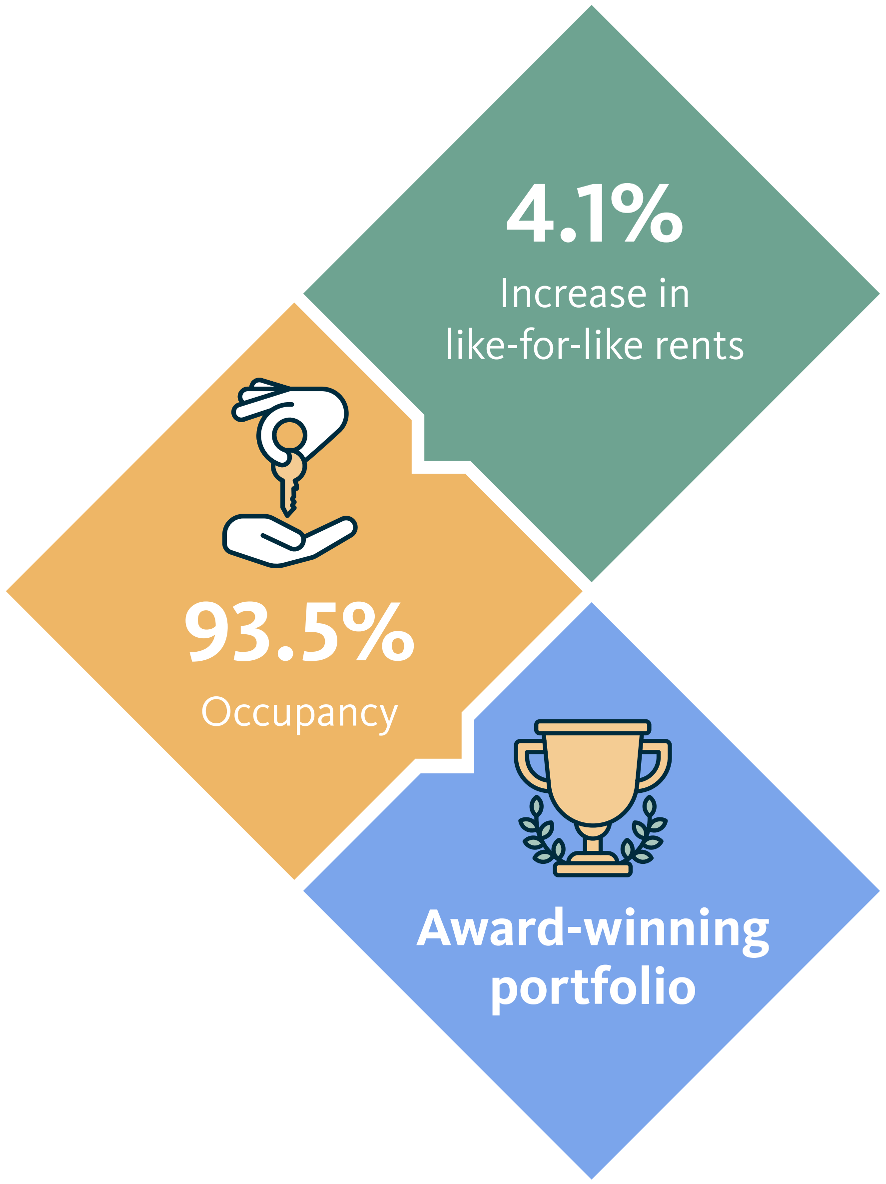
Occupancy of the Budapest office portfolio increased to 93.5% mainly due to the increase in occupancy of Balance Hall, which was nearly 60% occupied at the end of 2019 on an EPRA basis, and since increased to 74% at the end of the year (albeit almost 90% on a forward-committed basis). All other properties have remained fully or close-to-fully occupied.

Leasing activity was exceptionally robust despite the challenges posed by COVID-19, as the Group signed multiple new leases, lease extensions and renewals with tenants during the period. In Q2-Q4 2020, the period affected by the COVID-19 pandemic, CPI Hungary signed new leases, extensions and prolongations comprising almost 17,000 m² of space, where an **increase in headline rents of over 8%** on average was achieved.

Budapest office net rental income

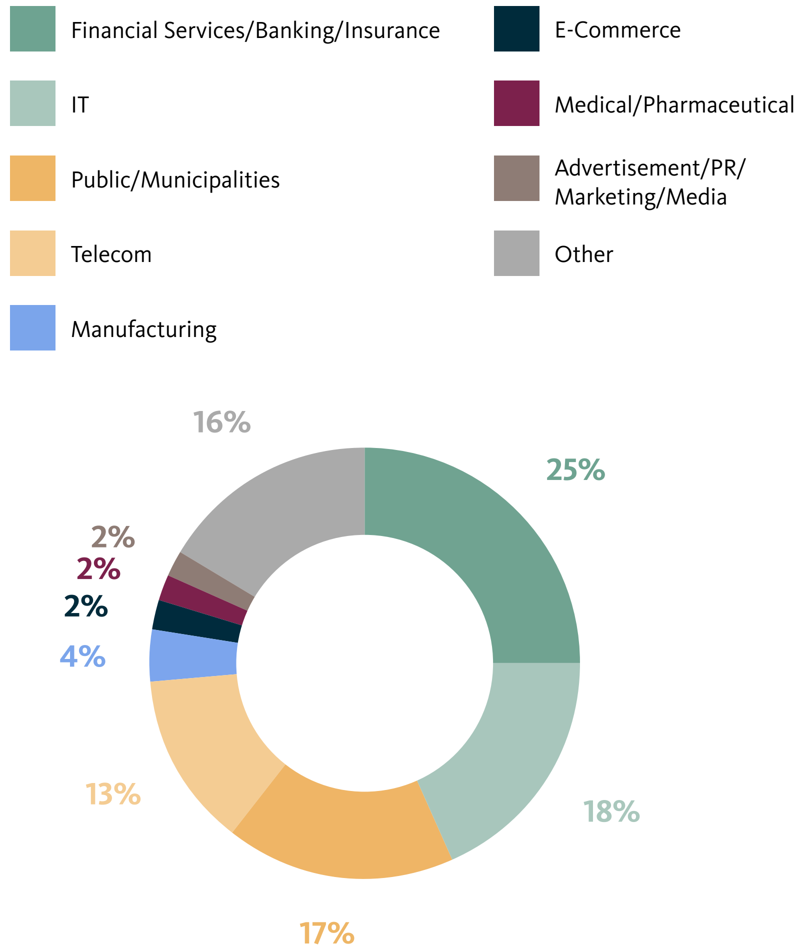
(€ million)





Budapest office tenants by type

(according to headline rent)



CPI Hungary's modern and sustainable office portfolio performed well in 2020 and is well-positioned for the future.

Mátyás Gereben, Country Manager, Hungary