

DIOK REALESTATE AG

PORTFOLIO REPORT HY 2020

www.diok-realestate.de



- 1. INTRODUCTION**
- 2. MARKET OVERVIEW**
- 3. COMPANY AND STRATEGY**
- 4. PORTFOLIO OVERVIEW**
- 5. SELECTED ASSETS**



INTRODUCTION



FY 2019
GAV EUR
204.6m
15 Assets
113.752 sqm



HY 2020
GAV EUR
210.2m
16 Assets
116.341 sqm



Acquisition of
Minden in Q2
2020
+EUR 5.6m GAV
+ 4.729 sqm
- Strategic sale¹
- 2.140 sqm



Rent at EUR 11.8mn
WALT 4.4 years
1.807 EUR/m² GAV
Yield (GAV) 5.7%

¹Planned demolition instead sale, not reflected in Valuation

MISSION STATEMENT.



DIOK RealEstate acquires **commercial real estate** in Germany with **cash flow positive** generating assets, while maintaining a **lean organizational structure**.

The company is building a portfolio, focused on the **sizable and liquid EUR 25bn p.a. market** for **secondary office locations** in Germany.

As an **active property portfolio manager** and with a **highly experienced Management Team** the goal is it to combine a **manage-to-core strategy** with a **steady growth** of value and income.

DIOK RealEstate stands out with **superior sourcing capabilities**, leveraging on its extended network from management, shareholders and supervisory board members.

The **medium-term goal of DIOK RealEstate**, as defined by management and founders, is to acquire and to manage a real estate **portfolio of more than EUR 2bn GAV**.

With its **extensive deal pipeline and knowledge**, DIOK RealEstate is best positioned for **profitable growth** in its targeted **niche market** within the German commercial real estate segment.



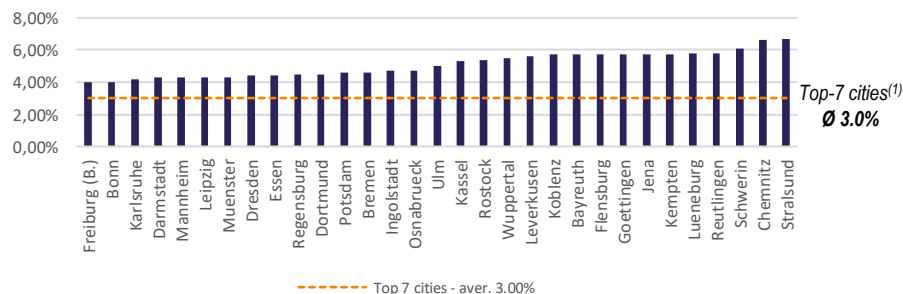
MARKET OVERVIEW – GERMAN OFFICES IN SECONDARY LOCATIONS



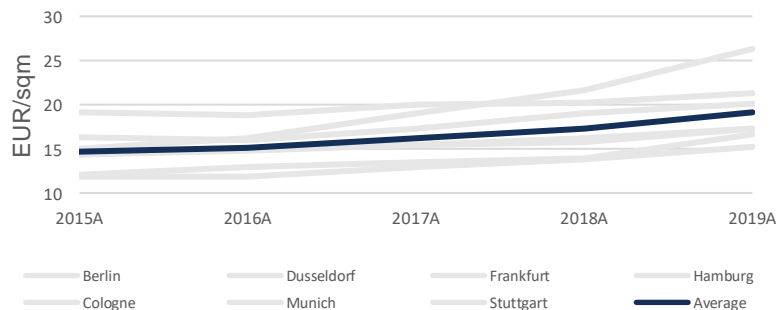
OFFICE MARKET OVERVIEW.

STRONG FUNDAMENTALS

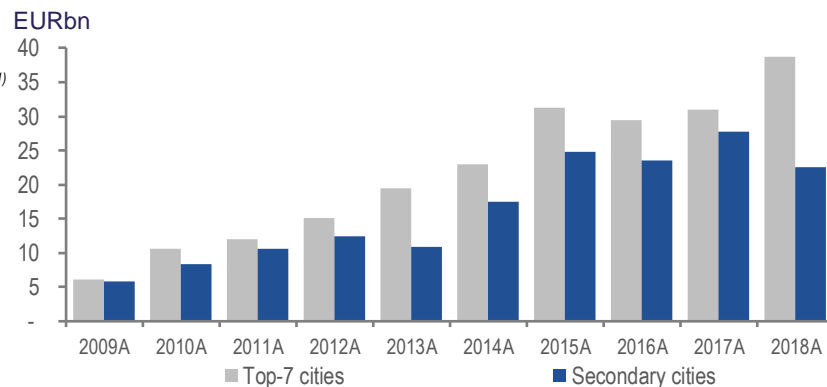
Comparison of office yields in selected secondary and Top-7⁽¹⁾ cities (2018A)



Average office rents in German Top-7⁽¹⁾ cities



Office investment volume indicates high liquidity in German secondary cities



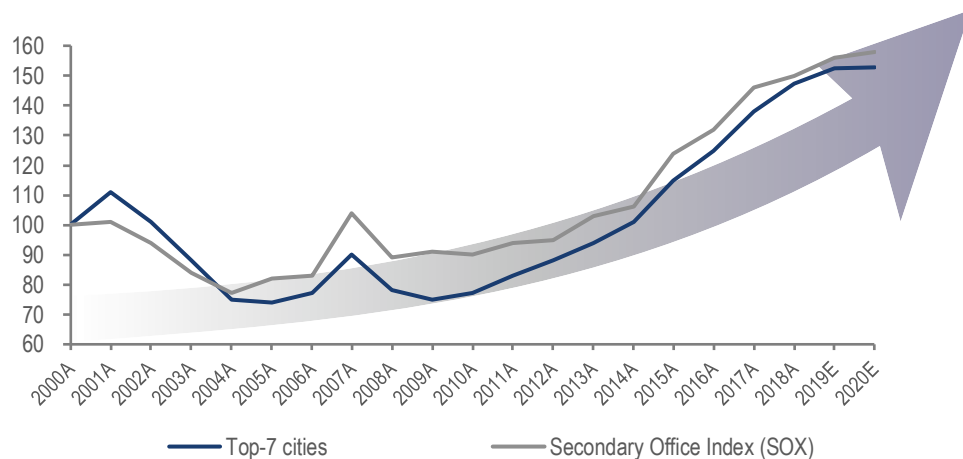
- High Liquidity in the Market for secondary office investments
- Office property segment is consistently the most active across asset types

(1) Top-7 cities defined as Berlin, Cologne, Duesseldorf, Frankfurt, Hamburg, Munich and Stuttgart

SECONDARIES.

THE BETTER CHOICE

SOX (Secondary-Office-Index)⁽¹⁾ vs. Top-7 cities⁽²⁾



SOX – Indicators

- Economy:** DAX – German Stock Index, DIMAX – German Real Estate Stock Index, ESI - Economic Sentiment Indicator (seasonally adjusted, in points), Real gross domestic product (regional) in million Euros (change compared to previous year).
- Public finances:** Basic interest rate according to §247 HGB *, 10-year government bonds (in%), after Maastricht criteria **
- Labor market:** SVP employment (change from Previous year), Office employment (change compared to Previous year), Quote: Office workers at SVP employees, SVP commuter (place of work), Migration balance, Number of students at universities
- Office market:** Approval of office and administrative buildings (in sqm NF), new office space access (in sqm MFG), office space per office worker (in sqm), Vacancy rate Office MFG (in%), office space turnover (in sqm MFG), average rent Office City (in EUR / sqm MFG)
- Office investment market:** Investment volume (in million Euros), net initial yield office (in%), Capital Growth (year-on-year change in%)

Secondary locations outperformed primary locations over the last two decades

Source: Company information, CBRE, Bulwiengesa

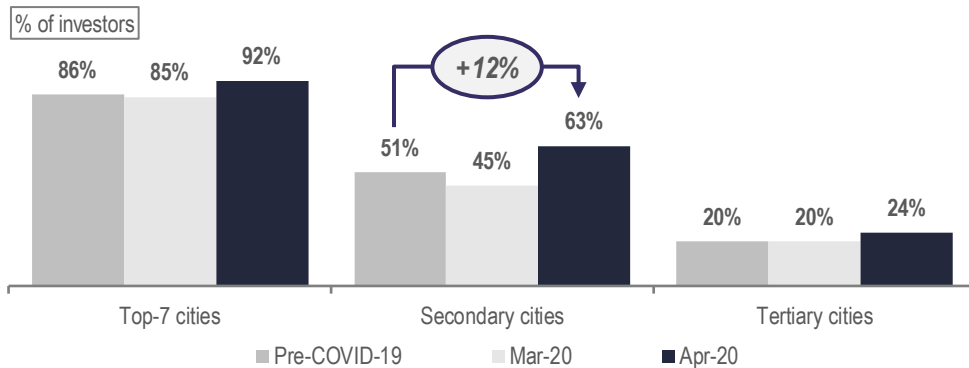
(1) SOX index (created by Bulwiengesa) includes economic activity indicators, interest rates (i.e. basic rate of interest & 10 year government bond yield), employment data, office market data as well as office investment market data

(2) Top-7 cities defined as Berlin, Cologne, Duesseldorf, Frankfurt, Hamburg, Munich and Stuttgart

IMPACT OF COVID-19.

HIGHLY RESILIENT

Impact of COVID-19 on demand for secondary real estate



Impact of the COVID-19 pandemic on Diok's operations

"To date, none of the more than 40 office tenants has asked for deferral of rent payments, nor have there been any rent losses. Corresponding requests were only received from four tenants in smaller practice areas [...], which together represent [...] around 0.17 percent of the total annual net cold rent of the portfolio" [Rent payments have already partially resumed by respective tenants]

DIOK PRESS RELEASE, 20-Apr-2020

Source: Company information, McKinsey, Colliers, Federal Ministry of Finance, Federal Ministry for Economic Affairs and Energy

German governmental response to the COVID-19 pandemic

"The German economy has been growing for many years. At the same time, the **sound fiscal policies of recent years have steadily increased the resilience of German public finances.** The federal government is therefore able to support people and the economy both during the short-term response to the crisis and after the acute phase of the crisis is over"

GERMAN STABILITY PROGRAM, FEDERAL MINISTRY OF FINANCE, 28-Apr-2020

"The main aim of economic policy in this situation must now be to alleviate uncertainty. No healthy company should go bankrupt due to corona, no job should be lost. **We are therefore putting a comprehensive protective shield in place for employees and companies"**

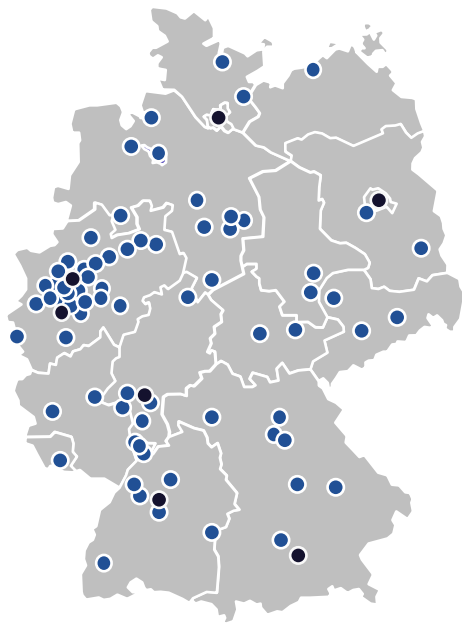
PETER ALTMAIER, FEDERAL MINISTER FOR ECONOMIC AFFAIRS AND ENERGY, 13-Mar-2020



COMPANY AND STRATEGY



DIOK BUSINESS MODEL.



● Top 7 cities

● Cities >100k inhabitants

**OFFICE PURE PLAY**

DIOK focusses exclusively on office buildings with reputable tenants, while outsourcing property management

**FOCUS ON SECONDARY LOCATIONS IN GERMANY**

Secondary cities with appealing fundamentals are DIOK's sweet spot in terms of rent levels and target tenant base

**EXPLOITING NICHE MARKETS**

DIOK's target deal size is in the range of EUR 5-25m with a focus on off-market transactions

**CASH FLOW POSITIVE FROM DAY ONE**

Strict focus on commercial real estate with cash flow positive producing assets

**DIVERSIFIED RISK PROFILE**

Risk management via geographic and tenant diversification as well as through overhead minimization and outsourcing activities

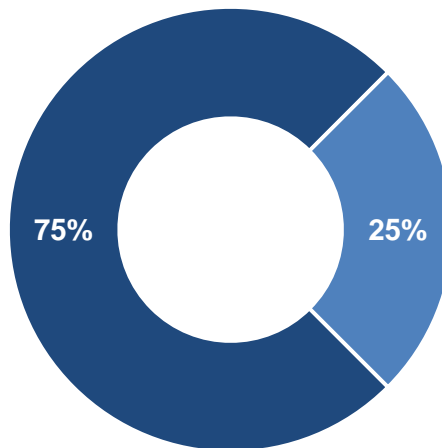
INVESTMENT STRATEGY. MANAGE-TO-CORE



Core Portfolio

WALT >5 years

- Strong tenant base
- Highly diversified
- Sustainable profitability



Value Add

WALT <5 years

- Potential for successor tenants
- Above average yields






High yield properties in secondary locations

- no flagship assets in tier one locations

Strict focus on existing properties

- no development, no projects involving high risk capex

HIGH QUALITY. SELECTED TENANTS

	DIOK Location	Industry	Gross Rental Income (in %)	Sales 2018 (EURbn)	Employees (k)	S&P Global Rating
NOKIA	Ulm	Networks	5,7%	23.3	98	BB+
 innogy	Essen	Power	5,2%	35.4	35	BBB
amadeus	Aachen	Travel Software	3,5%	5.6	18	BBB-
	Freiberg a.N.	Software	10,2%	26.9	100	A
PHILIPS	Ulm	Conglomerate	2,7%	3.8	14	BBB+
SIEMENS	Ulm	Conglomerate	1,2%	86.8	385	A+
jobcenter 	Hattingen	Federal authority	1,3%	(budget) 35	96	AAA ¹
ABB	Minden	robotics, power	3,5%	28.0	144	A



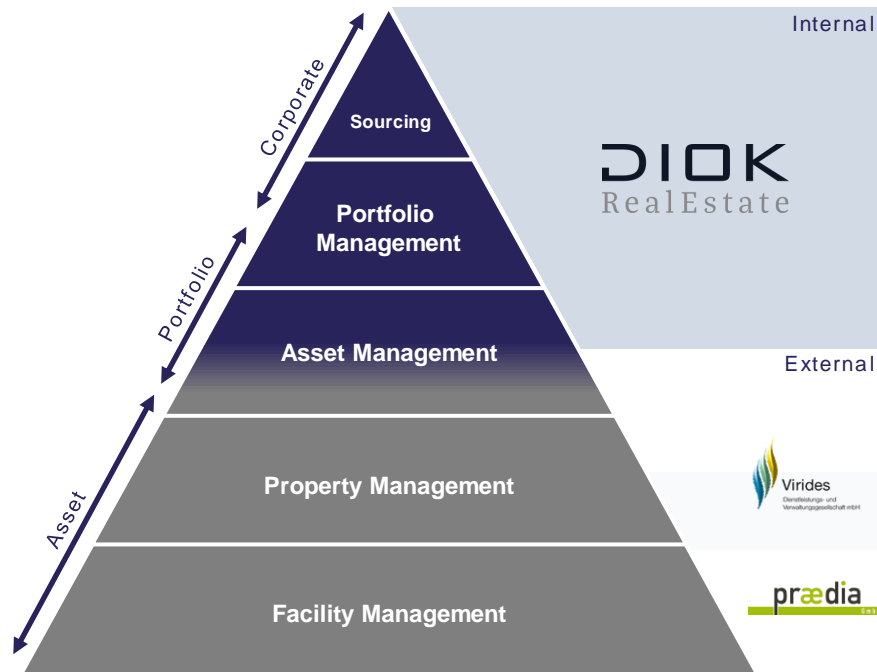
Diversified, blue chip tenant base with long standing rental contracts as a key of pillar of DIOK's de-risked business model



Limited dependency on single tenants due to large tenant base

Note: Tenant data based on public annual reports. ¹ Germany sovereign rating.

EXTERNAL EXPERTS. OUTSOURCING PM/FM



DIOK
RealEstate



- **DIOK RealEstate** has an exclusive contract with **VIRIDES Asset and Property Management, Berlin**
- **VIRIDES** is an **Asset and Property Manager** for real estate
 - Over 20 years of experience
 - In the top, **VIRIDES** managed a portfolio with a valuation of more than EUR 10bn with 650 employees
- **Specialised in**
 - **Reducing property running costs** and
 - **Technical and accounting controlling competence**
 - **Reducing vacancies**
- By partnering with **VIRIDES**, **DIOK** is able to participate in **VIRIDES' highly efficient IT and reporting system**
- Given they are **DIOK's** exclusive partner, we have **access to one single set of reporting data** for the entire portfolio
- The fee structure of the asset management contract incentivizes **VIRIDES** to maximize apportionable service charges



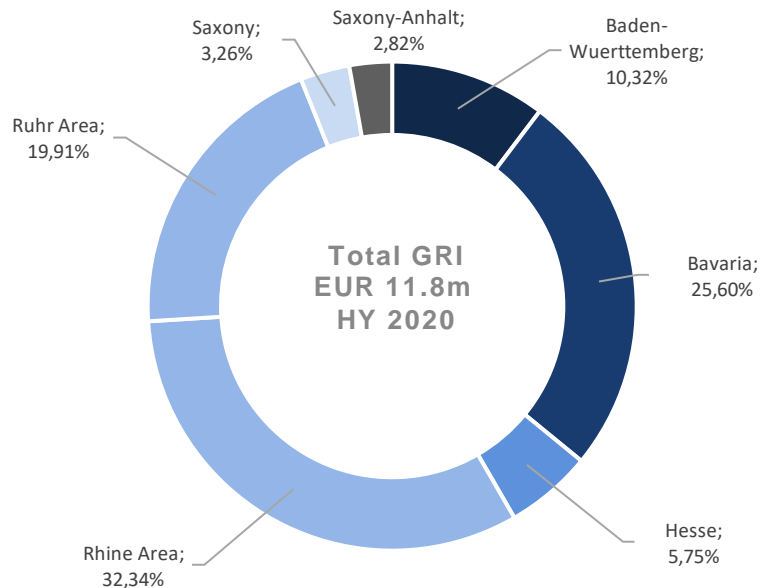
PORTFOLIO OVERVIEW



PORTFOLIO.

DIVERSIFIED LOCATIONS

Geographic distribution

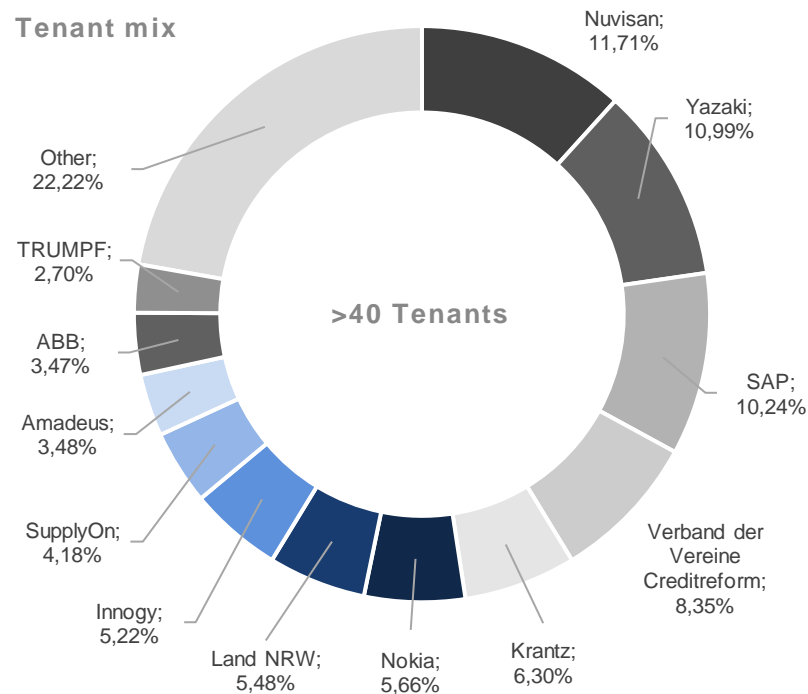


Strong Underlying Portfolio Locations

- Focus on secondary cities with positive fundamentals and economic growth while at the same time providing a resilient rent and yield profile
- Portfolio locations are centered around densely populated areas with the key portfolio locations in large cities outside the Top 7
- The majority of the portfolio is located in metropolitan areas and the commuter belts of larger German cities with strong macroeconomic fundamentals

HIGH QUALITY. TENANT BASE

Tenant mix



... with income predictability

- More than 40 high-quality tenants across our existing portfolio
- Our tenant base is composed of blue chip (70%), German Mittelstand (25%) and small enterprise (5%) tenants
- Bluechips include SAP, Siemens, STEAG, Nokia, Philips, Creditreform, Jobcenter, Innogy and Amadeus
- 4.4 years WALT provides high visibility of future cash flows
- Typical contract is a double net lease and indexed
- Growing tenant base diversification with growing asset base

PORTFOLIO OVERVIEW

KPIs.

Portfolio KPIs

NRI yield:

5.7%

Net rental income:

€11.8m

Portfolio size:

116k sqm

Number of units:

16

Vacancy rate:

6.1%

GAV:

€210.2m



Geographic footprint





SELECTED ASSETS¹

HALLBERGMOOS



AACHEN



GELSENKIRCHEN



ULM



NEU-ULM



¹Note: For more Information check: <https://www.diok-realestate.de/de/portfolio.html>



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