

SEPTEMBER 2021

**DIOK**  
RealEstate

**DIOK REALESTATE AG**

**PORTFOLIO REPORT HY 2021**

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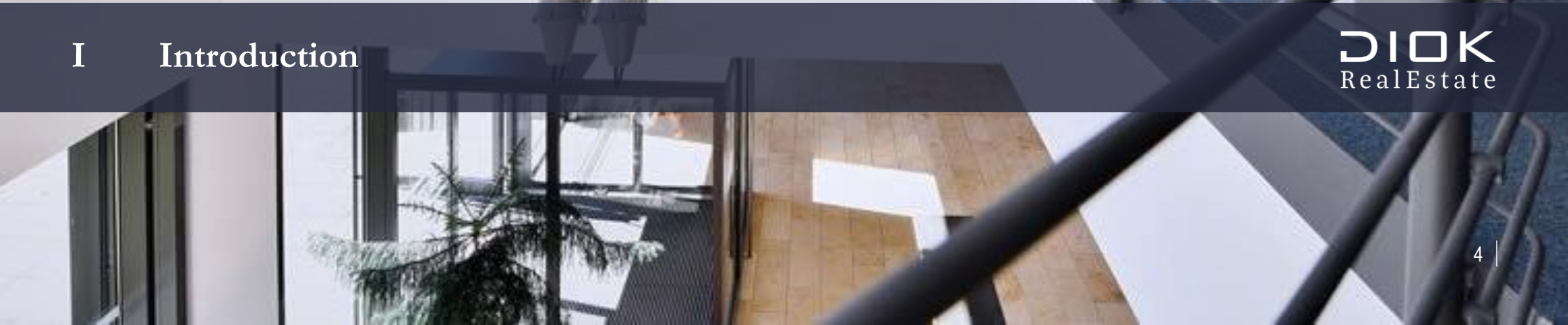
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## I Introduction

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## Overview

HY 2021\*  
**GAV EUR 206.7m**  
 15 Assets  
**112.887 sqm**



Successful  
 Refinancing Exercise  
**Savings of 63 bps**  
**~EUR 920.000**



Rating Update by  
 S&P  
 "B"  
 April 2021



Rent at EUR 10.0mn  
**WALT 4.4 years**  
 1.831 EUR/m<sup>2</sup> GAV  
**Yield (GAV) 4.83%**

\* based on last Valuation 12/2020

## 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.**



## II Market Overview – German Offices in Secondary Locations

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## Secondaries

### The Better Choice

SOX (Secondary-Office-Index)<sup>(1)</sup> vs. Top-7 cities<sup>(2)</sup>



### SOX – Indicators

- 1) 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).
- 2) Public finances:** Basic interest rate according to §247 HGB \*, 10-year government bonds (in%), after Maastricht criteria \*\*
- 3) 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
- 4) 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)
- 5) 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

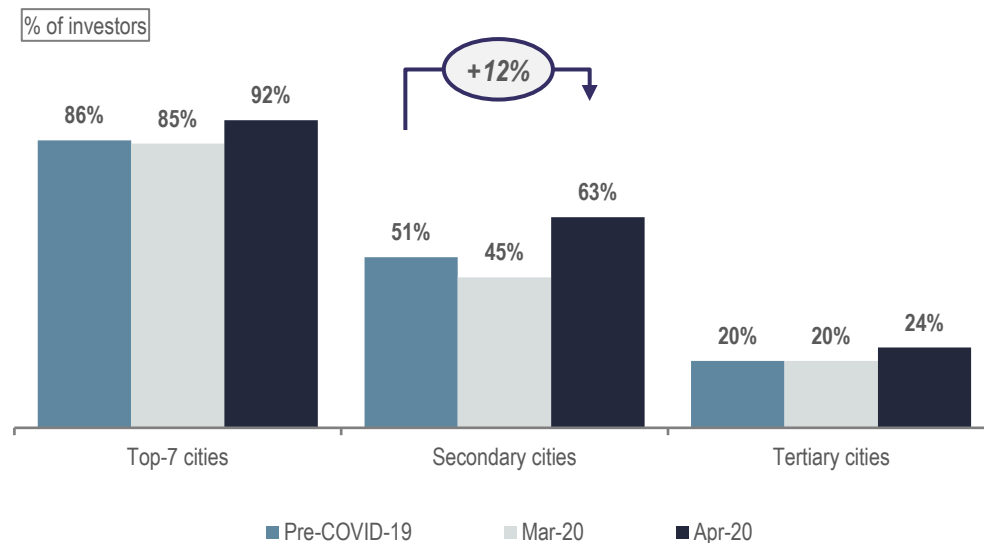
(1) SOX index (created by Bulwiengesa) includes economic activity indicators, interest rates (i.e. basic rate of interest & 10 year government bond yield), employment data, office market data as well as office investment market data

(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



### 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*

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

“DIOK's portfolio **continued to prove resilient in the face of the COVID-19 crisis** at the end of the first half of 2020. **Rent deferrals in connection with COVID-19** now represent only **around 0.05% of the portfolio's total, annual net in-place rent**. Thanks to **broad risk diversification**, the **high number of different tenants from a variety of industries**, **distribution among different locations** and a strong focus on office buildings, DIOK does not anticipate any negative effects. By contrast, GAV strengthened to about EUR 210.8 million in H1 2020, a period shaped by COVID-19. The portfolio grew to [...] an area totalling more than 116,000 m².”

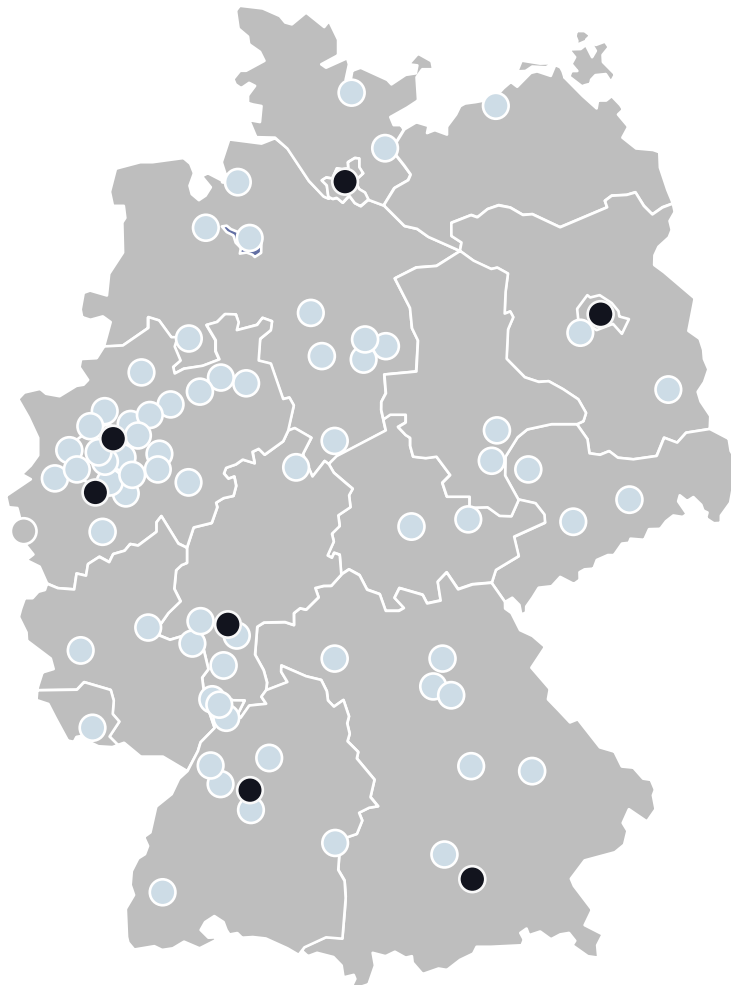
*DIOK PRESS RELEASE, 25-Aug-2020*

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

### III Company and Strategy

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## DIOK Business Model



● Top 7 cities

● Cities >100k inhabitants

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### 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

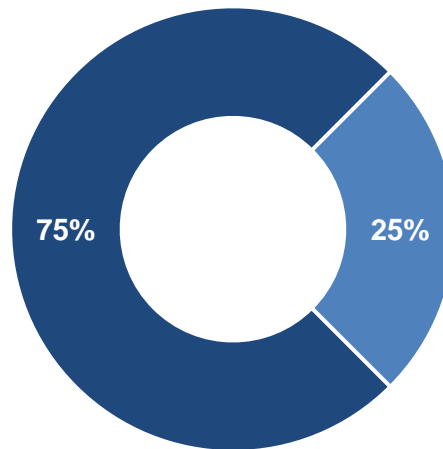
## MANAGE-TO-CORE



### Core Portfolio

#### WALT >5 years

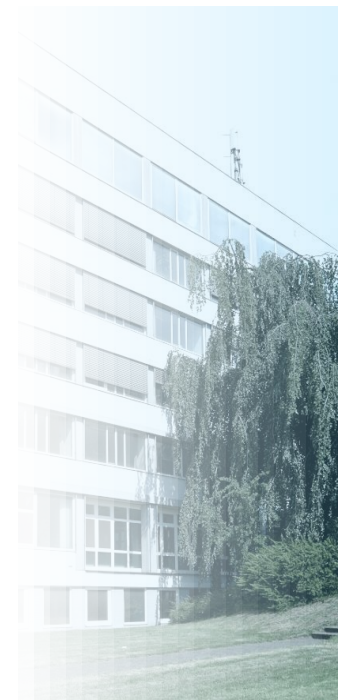
- Strong tenant base
- Highly diversified
- Sustainable profitability



### Value Add

#### WALT <5 years

- Potential for successor tenants
- Above average yields



#### High yield properties in secondary locations

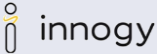




- no flagship assets in tier one locations

#### Strict focus on existing properties

- no development, no projects involving high risk capex

# High Quality

## Selected Tenants

	Location	Industry	Gross Rental Income (in % of Total GRI)	Sales 2020 (EURbn)	Employees (k)	Rating
<b>NOKIA</b>	Ulm	Networks	6.8%	21.9	92	BB+
 innogy	Essen	Power	6.3%	60.9	38	BBB
<b>amadeus</b>	Aachen	Travel Software	4.2%	41.1	4	BBB-
 SAP	SAP	IT, Software	8.9%	27.3	102	A
<b>SIEMENS</b>	Ulm	Conglomerate	1.4%	57.1	293	A+
<b>jobcenter</b> 	Hattingen	Federal authority	1.3%	(budget) 61	95	AAA <sup>1</sup>
<b>ABB</b>	Minden	Robotics, Power	4.2%	26.1	105	BBB-
 	Gelsenkirchen	Government	6.6%	(budget) 84.1	300	AA

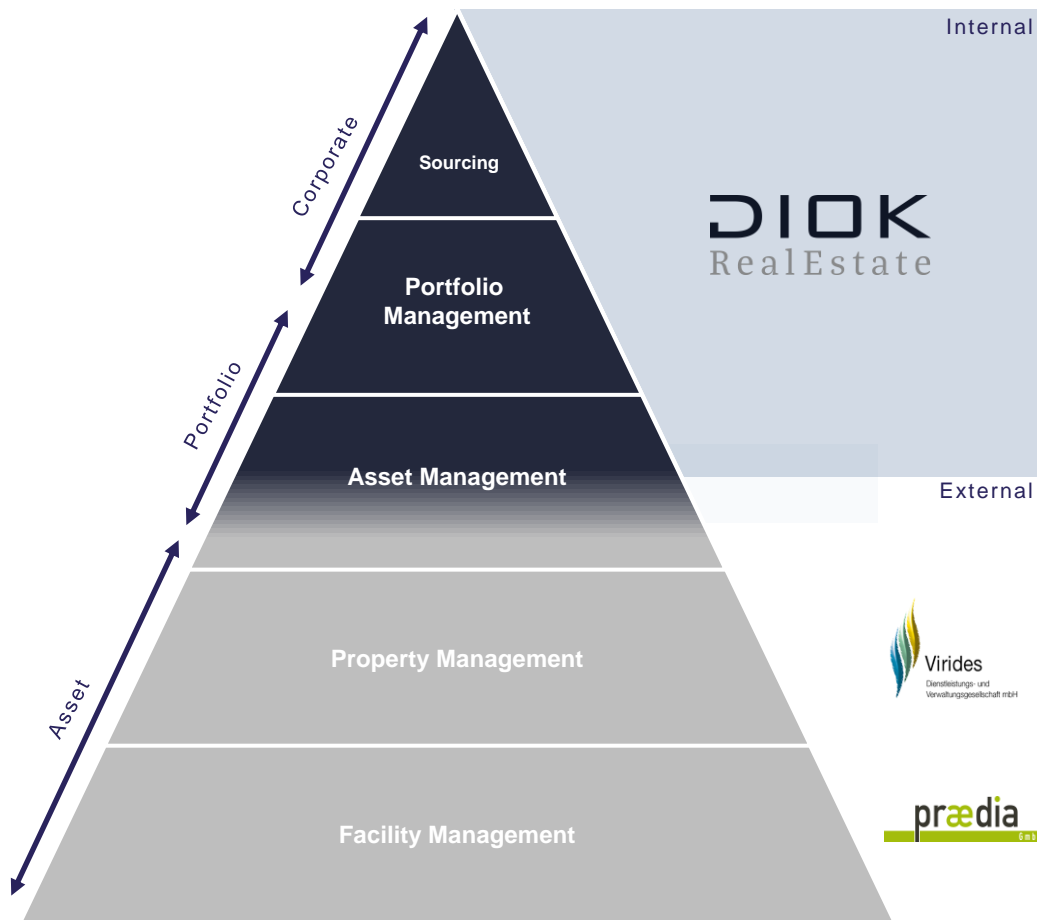
 Diversified, blue chip tenant base with long standing rental contracts as a key of pillar of DIOK's de-risked business model

 Limited dependency on single tenants due to large tenant base

Note: Tenant data based on public annual reports

# External Experts

## Outsourcing PM/FM



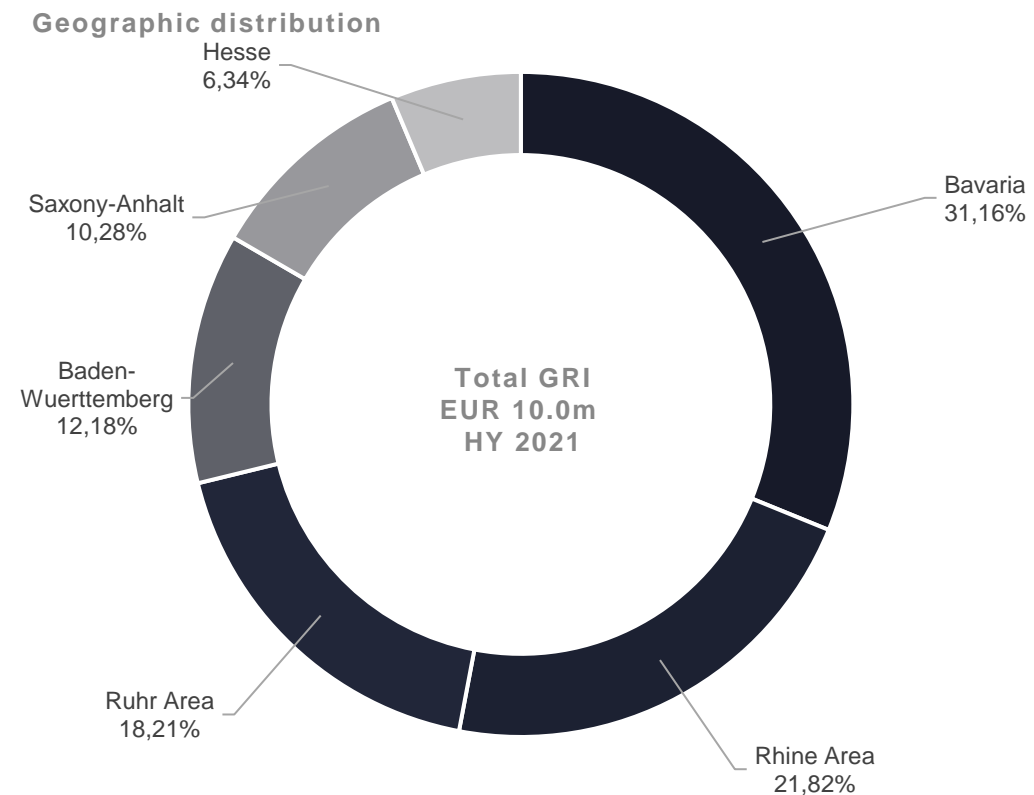
- **DIOK RealEstate** has an exclusive contract with **VIRIDES Asset and Property Management, Berlin**
- **VIRIDES** is an **Asset and Property Manager** for real estate
  - Over 20 years of experience
  - In the top, **VIRIDES** managed a portfolio with a valuation of more than EUR 10bn with 650 employees
- **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

## IV Portfolio Overview

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# Portfolio

## Diversified Locations



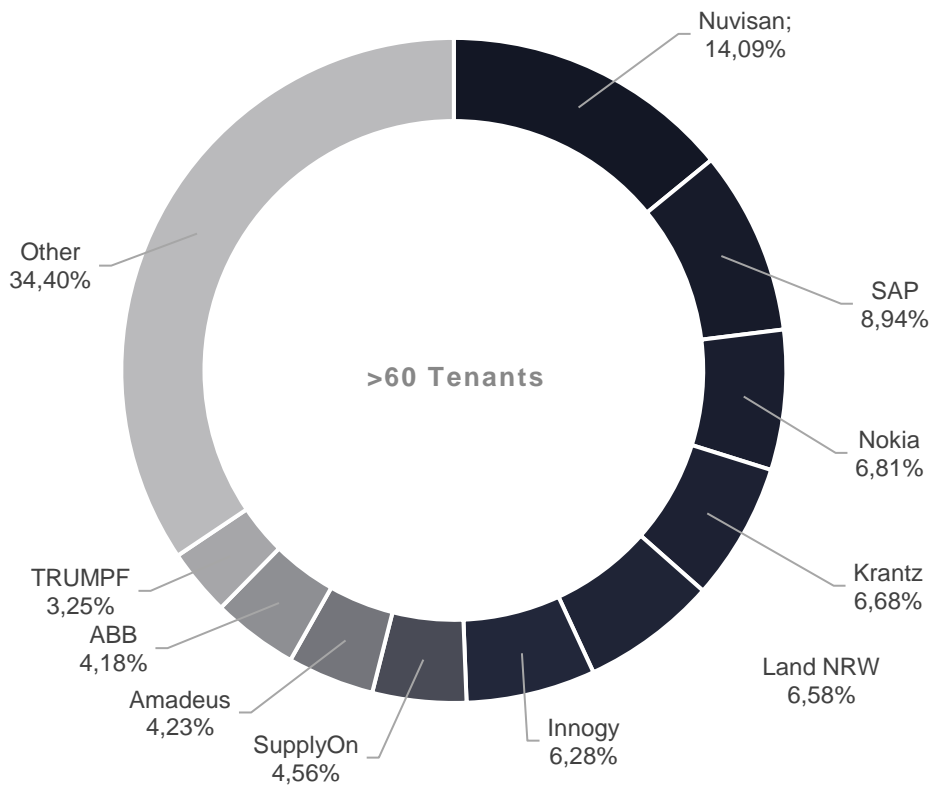
## Strong Underlying Portfolio Locations

- 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

# Portfolio

## Diversified Locations

### 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, Federal state of north rhine-westphalia, 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:  
4.8%

Net rental income:  
€10m

Portfolio size:  
112k sqm

Number of units:  
15

Vacancy rate:  
15.7%

GAV:  
€206.7m

### Impressions



### Geographic footprint



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## V Selected Assets

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## Selected Assets <sup>(1)</sup>



HALLBERGMOOS

GELSENKIRCHEN



AACHEN

ULM



NEU-ULM

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

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