

Property Market Germany

Contrarian Idea
13 September 2022

Structuration: **100% Capital Guarantee** **Shark Note**

Maturity:

- **3 years**

Currency:

- **USD**

Exposure:

- **Worst of**

Underlying's:

- **Vonovia**
- **LEG Immobilien**

Participation:

- **100%**

Barrier Up & Out:

- **185% European**

Rebate:

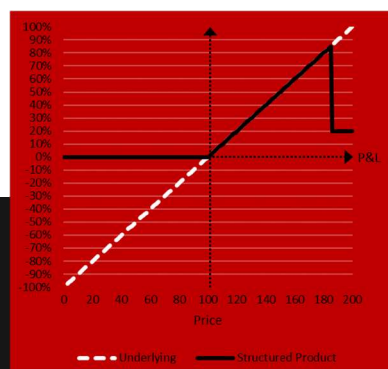
- **20%**

Overview :

We believe that the time to invest in the German Property sector is very interesting.

Indeed, the turmoil in Europe has resulted in an overreaction by the German property sector.

- Main Stocks of the German property market quote have shrunk by around 40% since beginning of the Ukraine crisis. (*Bloomberg 13/09/2022*)
- More than half of the German population are renting their housing. This basic need will be maintained as does the income source for the underlying.
- Despite inflation and interest rates increase the need for housing is strong, housing vacancy is at 1.4%



Why Now ?

1) Stocks of the major property market players have shrunk by 40% since beginning of the Ukraine crisis:

While the Dax index has lost around 20%, the two major player on the property sector have abandoned around 40%. We consider this as an overreaction and see those companies undervalued currently. The business model is based on two pillars, one being the rental income the other the sales of properties. The price per earning is now very competitive.

2) More than half of the German population are renting their housing. This basic need will be maintained as does the income source for the underlying:

58% of the German population rent their home. The rental incomes will remain steady. While the real estate prices have now stabilized, it should stay there as demand exceed offer. Both companies together have around 716'000 units.

3) Despite inflation and interest rates increase, the need for housing is strong, housing vacancy is at 1.4%:

Rents will mirror inflation and interest rates increases. The tension for finding a roof is continuous as the housing vacancy shows; this ensures that the revenues will be kept. On the other hand, the property prices have not reduced but more stabilized, meaning that the assets are upheld.



Which investment vehicles?

We have decided to **select the 2 leaders of the German market.**

- **Vonovia** is the major property actor in Germany. With its 550'000 units, it operates as an integrated residential real estate company in Europe (90% in Germany) in five segments: Rental, Value-Add, Recurring Sales, Development, and Deutsche Wohnen.

(Market Cap. 21.2 B EUR)

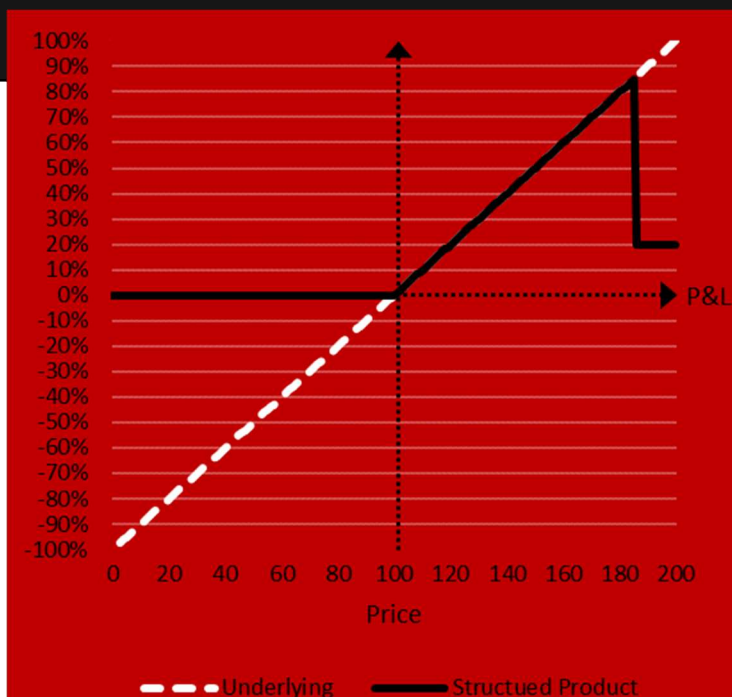
- **LEG Immobilien** operates as an integrated property company in Germany. With 116'000 units it engages in the performance of services and management of equity investments; property management and location development; performance of services for third parties and housing industry services; and generation of electricity and heat. It also provides IT and management services for third-party.

(Market Cap. 5.6 B EUR)

Which Structuration?

100% Capital Guarantee Shark Note:

- Maturity: **3 years**
- Currency: **USD**
- Basket Exposure: **Worst of**
 - Vonovia
 - LEG Immobilien
- Underlying's:
- Participation: **100 %**
- Barrier Up & Out: **185% European**
- Rebate: **20%**



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