

PRESS RELEASE

**BF.Quarterly Barometer:
Sharp downturn in sentiment among real estate financiers in Q1
2017**

- Many respondents scale back optimistic market assessment
- Margins approach lowest level in last two years

Stuttgart, 30 January 2017 – BF.direkt AG, the specialist for real estate project financing, has published the BF.Quarterly Barometer for the first quarter of 2017 as prepared by bulwiengesa AG. The index offers a detailed insight into the sentiment and business climate among real estate financiers in Germany. The key findings: The barometer score has declined significantly from 2.05 to 0.11. A positive barometer score indicates a high propensity for banks to provide financing and a good supply of credit to the real estate industry, while a negative barometer score signifies the opposite. When the barometer is close to zero, as is currently the case, this suggests a balanced market.

The quarterly barometer is calculated as the composite of various individual scores. The biggest change this quarter: The proportion of respondents who consider the current situation on the financing market to be progressive has fallen sharply. 47 percent of those surveyed were optimistic in Q4 2016, while this figure has fallen to just 22 percent in Q1 2017. "We mainly attribute this less optimistic outlook to the increased uncertainty on the market," commented Francesco Fedele, CEO of BF.direkt AG. "We believe this is due to the interest rate hikes in the USA and the lack of clarity concerning the economic policy impact of the Donald Trump presidency." Steffen Sebastian, Professor for Real Estate Finance at the University of Regensburg and scientific adviser for the BF.Quarterly Barometer, added: "Even though the ECB is continuing to pursue its highly expansionary monetary policy, we have been observing a slow but steady rise in long-term interest rates in Germany since October 2016. In addition to reflecting the growing uncertainty, this underlines the fact that monetary policy is important, but by no means the only factor when it comes to interest-related operations."

Margins approach lowest level in last two years

The barometer score was also negatively impacted by the fall in financier margins compared with the previous quarter. Margins for the financing of both development projects and existing properties are now close to their lowest level for the past two years. The average margin for

development projects (across all usage types) declined from 194 basis points in the previous quarter to 181 basis points, while the margin for existing properties fell from 140 to 135 basis points. "We see the sustained strong competition between financiers as the main reason for the falling margins," commented Manuel Köppel, CFO of BF.direkt AG.

BF.direkt and bulwiengesa continued to optimise the barometer in Q1 2017. Instead of the previous presentation of margins as status quo figures at the reporting date, the barometer now presents average margins, LTV (loan-to-value) and LTC (loan-to-cost) over time. In addition, the activities of financiers are now broken down by usage type more comprehensively in order to illustrate the proportion of financiers active in each (usage) segment.

Methodology

The BF.Quarterly Barometer surveys more than 120 experts, most of whom are directly responsible for lending to real estate companies. The panel comprises representatives of different bank types.

The BF.Quarterly Barometer score is a composite of various components of the survey. The components analysed include the respondents' assessment of changes in financing conditions, new business development, the volume of loan tranches newly granted, the risk propensity for lending by asset class, LTV/LTC scores, margin development, the relevance of alternative financing options and the development of liquidity costs.

Download

The full Quarterly Barometer for Q1 2017 can be downloaded in German from the following link: <https://www.bf-direkt.de/unternehmen/quartalsbarometer/>

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About BF.direkt AG

BF.direkt AG is an independent specialist for financing residential and commercial real estate projects. As a leading financing consultant, BF.direkt develops innovative financing strategies and identifies suitable financing partners. BF.direkt knows all financing components available on the market – debt, equity, or mezzanine. BF.direkt also invests in projects directly if required. Customers of BF.direkt include well-known developers and project developers as well as publicly-traded real estate companies, real estate funds, pension funds and family offices at home and abroad. BF.direkt brokered total lending of more than €1 million in the past financial year and supported over €1.5 billion in transactions.

About bulwiengesa

bulwiengesa is one of the largest independent real estate analysis companies in continental Europe. We have supported our partners and clients on matters relating to the real estate industry and location and market analysis for over 30 years. We offer in-depth data services, strategic consulting and bespoke reports. Our clients include project and property developers, institutional investors, banks, municipalities and asset managers.