Godewind Immobilien

(CDAX, Real Estate)

WARBURG RESEARCH

Buy	
EUR 4.90	
Price	EUR 3.67
Upside	**33.7 %**

Value Indicators:	EUR
NAV (WRe) 21e:	5.07
FFO-Yield 21e:	4.43

Share data:	
Bloomberg:	GWD GR
Reuters:	GWD.DE
ISIN:	DE000A2G8XX3

Description:

Godewind Immobilien AG is among the largest office property companies in Germany

Market Snapshot:	EUR m
Market cap:	398
No. of shares (m):	109
Freefloat MC:	275
Ø Trad. Vol. (30d):	183.49 th

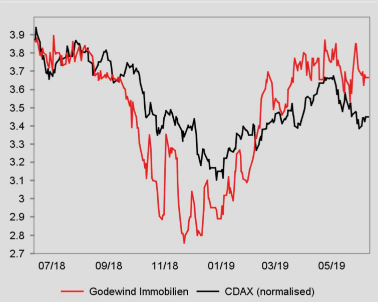
Shareholders:	
Freefloat	69.1 %
Stavros Efremidis	12.0 %
Karl Ehlerding	13.5 %
John Frederik Ehlerding	3.3 %
Karl Philipp Ehlerding	2.0 %

Risk Profile (WRe):	2019e
LTV:	47.7 %
Equity Ratio:	47.4 %

Focused real estate company with NAV growth potential; Initiation with Buy

Godewind Immobilien AG is a dynamically growing real estate company, which is clearly focused on office property in the Core+ and Value-Add segments in Germany. The successful IPO in 2018 generated proceeds of EUR 375m in equity, even though not a single property had been purchased before that (cash box IPO). In its strategy, management is pursuing selective value-accretive acquisitions, which facilitate both NAV and FFO growth. In terms of market capitalisation, Godewind is already among the top five listed real estate companies in Germany with a predominant focus on office property.

- **Quality:** The selective acquisition strategy with the current focus on office property in German A-cities and on real estate with value-enhancing potential (Value Add) as well as an experienced management, which has a already been successful in this area in the past, makes the potential for further value-creation possible, even in a difficult market environment. The portfolio is currently made up of 10 office properties in the four large office property markets, Frankfurt, Düsseldorf, Hamburg and Munich, which are among the top seven highly liquid real estate markets. They show a low vacancy rate (TOP 7 ~4% Ø) and there is still high demand for good quality properties in good locations, which we believe should have a positive impact on the portfolio of Godewind.
- **Growth:** Based on the acquisitions already made, the company has a good opportunity, in our view, to generate both NAV and FFO growth. The average monthly current rent of the Godewind portfolio is EUR 14.7/sqm, which is ca. 7% lower than the market rent, according to company calculations (WRe:~10%). At the time of purchase, the properties had a vacancy rate of 27% which will be reduced by way of operative improvements. The reduction of the vacancy rate to ~4% by end 2022- first successes have already been recorded – will result in net rental income growth potential of 44%, in our view. Alignment of the rents to prevailing market conditions will enable further estimated net rental growth of ~4%. This will happen gradually, in light of a weighted average lease term (WALT) of five years. Apart from organic growth, we are expecting the company to make further acquisitions in the future, also in the form of off-market transactions. The management's experience in the sector gives it access to such transactions. With a current deal pipeline of ~ EUR 2-2.5bn, further growth in the portfolio volume would give rise to economies of scale on the operative side which could lead to stronger involvement by the company in a possible consolidation process within the sector.
- **Sentiment**: As the large-volume portfolio transaction announced at the IPO fell through, doubts arose in 2018 about the credibility of the management, which had a negative impact on the share price development. However, the flexibility in the acquisition process that we believe has been demonstrated with the build-up of a portfolio with a gross asset value (GAV) of ~ EUR 830 million over the last seven months confirms the quality of the management, as already demonstrated in the past. We assume that after the first successes in vacancy reduction through further positive news-flow, the focus will turn to the opportunities offered by the acquired properties.
- **Valuation**: In our initial assessment, we rate the share Buy. Our PT of EUR 4.90 is derived from the valuation on the basis of a fair NAV (WRe) and the FFO yield. The targeted continuous pay-out ratio (div.) of 60% of the FFO should be met with a positive market response.



Rel. Performance vs CDAX:	
1 month:	0.9 %
6 months:	23.9 %
Year to date:	17.3 %
Trailing 12 months:	7.1 %

Company events:	
06.08.19	AGM
13.08.19	Q2
12.11.19	Q3

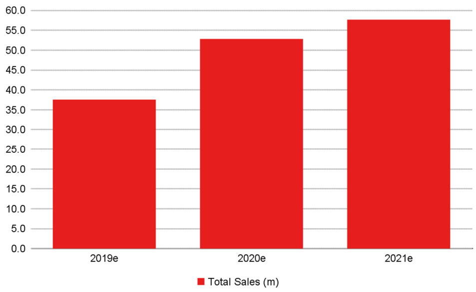
FY End: 31.12. in EUR m	CAGR (18-21e)	2017	2018	2019e	2020e	2021e
Total Sales	332.7 %	0.0	0.7	37.5	52.8	57.7
Rental income		0.0	0.5	27.8	43.7	47.7
Change yoy		n.a.	n.a.	4980.3 %	56.9 %	9.2 %
EBIT	157.8 %	-0.3	3.9	98.1	78.0	66.7
FFO I	-	n.a.	-3.8	7.9	21.0	28.5
FFO I-margin		*n.a.*	*-687.8 %*	*28.5 %*	*48.0 %*	*59.8 %*
Valuation result	47.1 %	0.0	10.8	85.6	51.4	34.2
EBT	153.8 %	-0.3	3.6	93.2	71.0	59.5
Net income	75.7 %	-0.3	9.4	78.6	60.5	50.8
EPS	63.0 %	-0.02	0.11	0.72	0.56	0.47
FFOPS I	-	n.a.	-0.04	0.07	0.19	0.26
DPS	-	0.00	0.00	0.04	0.12	0.16
Dividend Yield		n.a.	n.a.	1.2 %	3.2 %	4.3 %
Book Value / Share		1.22	3.62	4.34	4.86	5.21
EPRA-NAV/Share		n.a.	3.65	4.44	5.01	5.41
P / E		n.a.	32.4 x	5.1 x	6.6 x	7.8 x
Price / Book		n.a.	0.8 x	0.8 x	0.8 x	0.7 x
P / NAVPS		n.a.	1.0 x	0.8 x	0.8 x	0.7 x
FFO I-Yield		n.a.	-1.2 %	2.0 %	5.3 %	7.2 %
ROE		n.a.	4.6 %	18.2 %	12.1 %	9.3 %
LTV		n.a.	-19.7 %	47.7 %	44.8 %	42.6 %

Guidance: 2019: Net rental inc.&EPRA-NAV>>2018, Net-LTV 45-55%, FFO mid-single-digit m fi.

Analyst
Andreas Pläsier
aplaesier@warburg-research.com
+49 40 309537-246

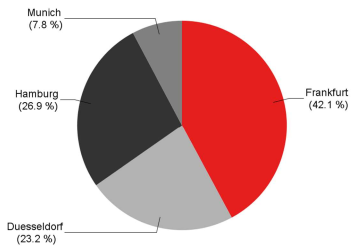
Analyst
Philipp Kaiser
pkaiser@warburg-research.com
+49 40 309537-260

Total Sales development
in EUR m



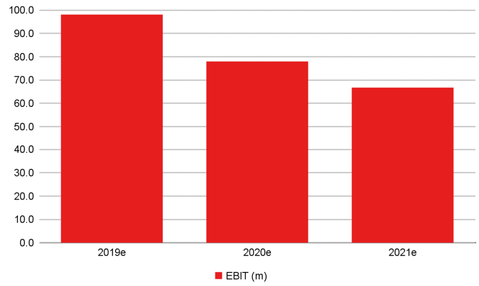
Source: Warburg Research

Regional portfolio split (GAV)
2019e in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

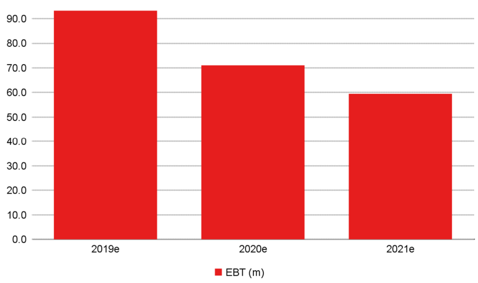
Company Background

- Godewind is specialised in the ownership, management and optimisation of office property in Germany, especially Core+ and Value-Add properties with potential for further development via operative improvement
- The regional focus is currently office property in A-cities in Germany. The portfolio is comprised of 10 office properties in Frankfurt, Hamburg, Düsseldorf and Munich
- After the successful acquisitions, the company intends to continue growing steadily in the coming years but for now, the focus is on vacancy reduction and further operative improvement in the existing portfolio

Competitive Quality

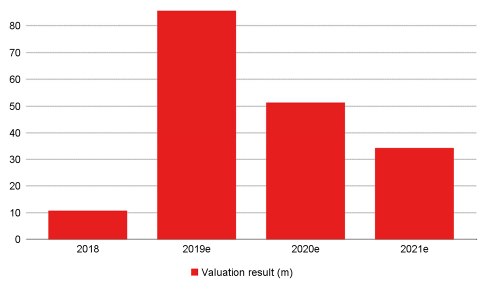
- The management has many years of experience in the real estate sector and an excellent track record of generating shareholder value (WCM). Effective networking should enable off-market deals
- Core+ real estate provides for stable cash flow. Together with Value-Add real estate, there is significant potential for value creation by increasing rental income and reducing the vacancy rate
- Balance sheet figures are very solid even before optimisation with a net LTV of 50%. The planned measures should reduce this figure to below 45%
- As the company is relatively new, there are no inherited liabilities demanding management attention, either from the acquisitions or from a legal or corporate point of view
- The shareholders' interests are very closely aligned with the interests of management, which holds a substantial stake of ca. 12%.

EBT development
in EUR m



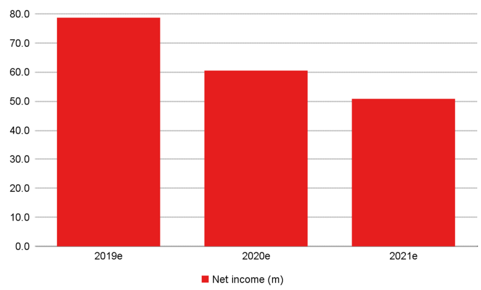
Source: Warburg Research

Valuation result
in EUR m



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

Summary of Investment Case

Investment triggers

- The optimisation of the acquired properties should enable significant value-enhancing potential for the NAV. Successful operative asset management should considerably reduce the acquired vacancy rate of 27% within the next two-and-a-half years and will raise both the NAV and FFO. After the recently-announced success in vacancy reduction, the management is optimistic of achieving further significant progress by year-end.
- As a result of the positive news-flow expected for the individual properties, there should be a change in the current investor reluctance after the announced acquisitions and the visible share overhang.
- The ongoing healthy demand for office space should continue to lead to low vacancy rates in the seven largest real estate markets and support Godewind's focus on value-add real estate. Godewind's management has sufficient experience to implement the improvements necessary for the repositioning of such properties in the market.

Competitive quality

- The management, which is almost the same composition as at WCM, has many years of experience in transactions (>EUR 20 billion transaction volume). It has a very strong network of connections in the real estate sector, and can point to its clearly positive value creation for shareholders in the past.
- The CEO holds a significant stake in the company of about 12% and is the largest shareholder, after the strategic investors from the Ehlerding family (total 19%). This reduces principal-agent conflicts and provides for an alignment of management and shareholder interests.
- There should not be any legacy risks from the build-up of the portfolio since the IPO in April 2018 based on comprehensive due diligence during the acquisition process. Additionally, Godewind has significant tax loss carry forwards (TLCF EUR 355m) from the existing company shell, which can lead to positive growth effects for the future FFO and NAV.

Growth

- Planned investment measures in the properties and the resulting reduction in the vacancy rate of 27% should lead to positive NAV effects and rising net rental income and be reflected in dynamic FFO growth in the medium term. With the reduction of the acquired vacancy rate to ~4%, which in light of normal tenant fluctuation corresponds to full occupancy, results in additional net rental growth of ~44%, according to our calculations.
- The adjustment of rents to prevailing market conditions will enable estimated net rental growth of 4%
- Portfolio growth will continue in the medium term, in our view, with an unchanged selective approach to the acquisition process. Management is aiming for a portfolio volume of EUR 3bn, which would mean a four-fold increase in the current portfolio value. This is to be achieved with the reassessment of loans after revaluation of the properties, a possible bond placement and equity measures, as the company is currently fully invested

Valuation

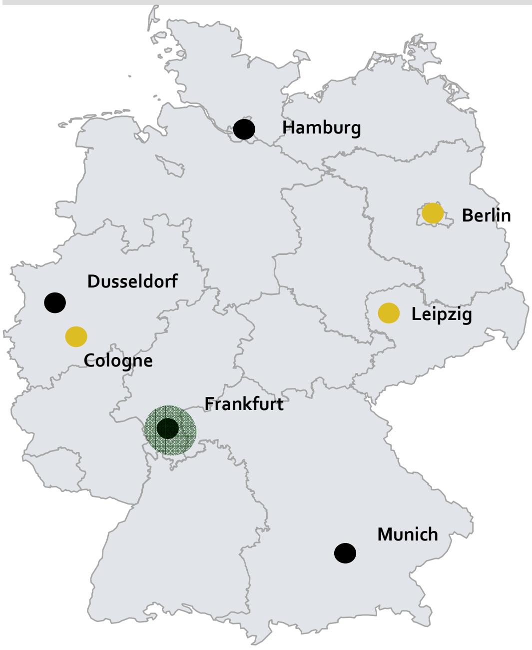
- Based on the estimated investments and the resulting possible growth in net rental income, we use what we regard as a fair rent multiple of 21.5 to derive an NAV of EUR 572. This results in an EPRA-NAV of EUR 5.47 per share in 2021 inclusive EPRA adjustments (e.g. deferred taxes).
- As regards the valuation on the basis of the FFO yield, we take the year 2021, as we believe that only then will the expected operational improvements from organic growth be adequately reflected. The peer group comparison, at an FFO yield of 5.50% results in a fair value per share of EUR 4.43 in 2021.

Warburg versus consensus

- Consensus estimates are currently unavailable but we are assuming that, with the expected news-flow, investor interest will grow and that the liquidity of the share will rise. This should result in the initiation of share analysis by other stockbrokers.

Company Overview

Godewind's investment market

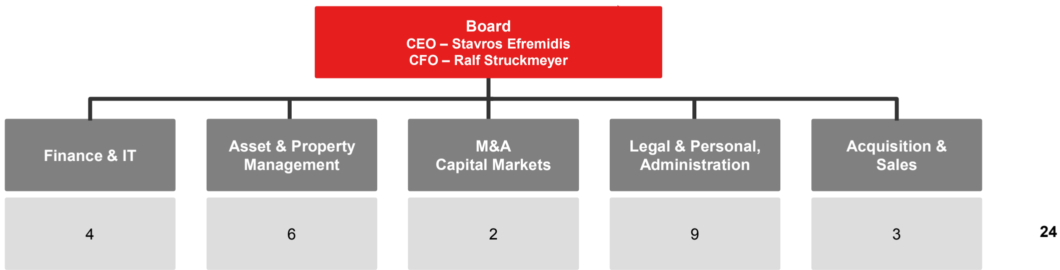


Portfolio: 100% Office properties with a GAV of EUR 830m

Focus: Core+ and Value Add properties

Financing: Net-LTV 54%

Management team



Jan Ohligs

- **Position:** Head of M&A and Corporate Finance

Christian Kaiser

- **Position:** Head of Acquisition and Sales

Marcus Sälinger

- **Position:** Head of Asset Management

Hubert Hesse

- **Position:** Head of Legal

Max Bensel

- **Position:** Head of Accounting

Overview portfolio KPIs

Asset	Lettable area in sqm	Net purchase price in EUR m	Net purchase price/sqm in EUR	Gross Yield*	Net rental income p.a. in EUR m	Ø rent/sqm/month in EUR*	WALT* in years	Vacancy	Vacancy in sqm
ComCon Center	16,264	33.5	2,060	6.1%	*2.000*	11.2	*2.9*	*12.3%*	2,000
Airport Business Center	13,050	40.0	3,065	4.7%	*1.900*	13.6	3.9	*16.6%*	2,166
Sunsquare	19,492	30.5	1,565	2.7%	*1.300*	11.7	5.8	*48.0%*	9,356
Frankfurt Airport Center	48,495	168.0	3,464	6.8%	*11.400*	21.5	5.9	*8.2%*	3,977
Pentahof	24,747	60.6	2,449	4.9%	*3.000*	8.9	4.6	*0.0%*	0
Quartier am Zeughaus	43,522	153.0	3,515	4.8%	*7.900*	13.1	3.7	*4.8%*	2,089
Y2	30,930	52.0	1,681	5.1%	*2.700*	11.1	5.1	*35.3%*	10,918
Eight Dornach	17,612	30.0	1,703	3.6%	*1.100*	10.0	4.0	*51.1%*	9,000
Herzog Terrassen	*55,717*	140.0	2,513	4.8%	*6.600*	19.0	6.1	*45.4%*	25,296
City Gate Tower	*23,308*	85.0	3,647	4.5%	*3.800*	14.6	6.7	*13.4%*	3,123
Total	***293,137***	***792.6***	**2,704**	**5.0%**	***41.700***	**14.7**	**5.0**	***23.2%***	***67,925***

Source: Godewind, Warburg Research

Strategy & Competitive Quality

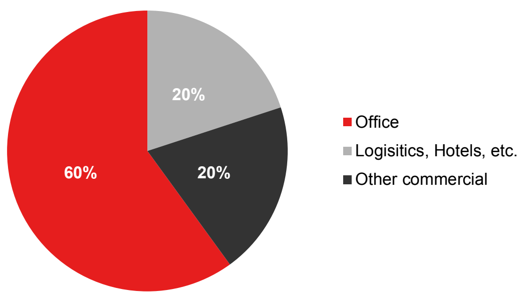
- Godewind is a dynamically growing property company since the IPO in 2018
- The investment focus is on office property in the top seven cities in Germany.
- Successful, rapid build-up of a focused office property portfolio in the Core+ and Value Add asset categories with a gross asset value (GAV) of ~EUR 830m (Phase 1).
- Focus is on organic growth (e.g. vacancy reduction) especially in the investment segment Value Add with the target of a significant NAV improvement (Phase 2).
- Experienced management plans further selective value-accretive growth with a target portfolio volume of EUR 3bn which will generate economies of scale. Together with the vacancy reduction and rental price adjustments, an appreciable FFO margin improvement is targeted (Phase 3).

Business model and strategy

Flexible acquisition strategy possible but …

In its announced corporate strategy, which includes an acquisition strategy and a portfolio strategy, Godewind has defined a relatively broad market area as a potential target size for its activities. In its acquisition strategy, Godewind clearly focuses on office properties with a share of at least 60%. The portfolio can be supplemented by logistics and hotel properties as well as other commercial properties, each with a share of 20%. In our view, however, this also serves to facilitate the company's participation in portfolio transactions, in which various asset classes of real estate are up for sale.

Acquisition strategy



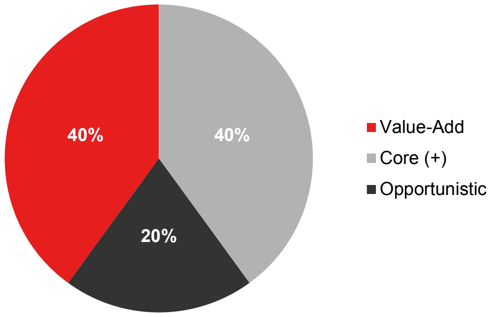
Source: Warburg Research

… acquisition focus on office property

The actual focus, however, according to management, is clearly on **office property**, an area in which management, in our view, has already proved its outstanding expertise in the past, at WCM among others. The focus is also reflected in the current portfolio, which is currently comprised of 10 office properties.

Godewind's portfolio strategy concentrates on the asset categories Value Add and Core+. The Value-Add portfolio has a current vacancy rate of about 26% and a gross yield of 5.4%. The five acquired Core+ properties, which account for a share of ~47% of the portfolio (based on the gross purchase price) are characterised by a lower gross yield of 4.9% and a lower vacancy rate (~10%). The portfolio is thus balanced and is orientated to the portfolio strategy shown in the pie-chart below. The asset category Opportunistic, which should account for a maximum share of 20%, is currently not represented in the portfolio.

Portfolio strategy



Source: Warburg Research

Lower likelihood of windfall profits

The management of Godewind certainly also benefitted from the yield compression in commercial property markets in their former management roles, which we believe was then reflected, along with other factors, in very successful value development for their shareholders (e.g. WCM). Even if further narrowing of yields in the office real estate sector cannot be fully ruled out, we are assuming that the positive momentum will not be anything like that of the last three years. In this respect, a buy-and-hold strategy would not seem to us to be an effective way of achieving significant improvements in the NAV and the FFO.

Focus on active asset management

Consequently, the Godewind management strategy pursues a high level of active asset management to take the change in market conditions into account and to avail of opportunities. The portfolio strategy is made up of the following relevant points:

- The portfolio focus is on office property. It is thus possible that real estate in other asset classes, acquired as part of portfolio deals, would be sold.
- Acquired property in the Value-Add category must show value-increase potential that can be realised with active asset management of the property, meaning especially the reduction of the vacancy rate and adjustment of rents to the prevailing market rates.
- Additionally, further value can be created for shareholders with project developments or own developments in the portfolio.
- Furthermore Godewind is acquiring office property in the Core+ category. These properties normally generate stable cash flow and have a lower vacancy rate. Valuation potential in such properties is normally realised with an extension of the average contractual lease term and by adjusting rents to market level.

Targeted portfolio volume of EUR 3bn

The management would like to continue the steady build-up of the portfolio. Considering the flexibility and target-orientation shown in the portfolio acquisition process to date and in light of the well-filled pipeline of EUR 2-2.5bn, according to management, the announced vision of a commercial real estate portfolio with a volume of EUR 3bn does not seem unrealistic. This is to be achieved through the reassessment of loans after revaluation of the properties already acquired, a possible bond placement and equity measures, as the company is currently fully invested.

A further selective build-up of the real estate portfolio, would be positive from our point of view. For one, economies of scale should have a positive effect on the FFO margin. Furthermore, investor interest in the Godewind share should rise, as the company would then be able to show a significant portfolio size, comparable to other commercial real estate companies (e.g. alstria, TLG). Consolidation among commercial real estate companies could then draw even futher attention to the sector.

In light of the price development and the significant yield compression in the real estate markets in Germany, there is of course the risk that, in order to implement its growth plans, a real estate company is prepared to make purchases that are too expensive which means it is no longer possible to create satisfactory value for shareholders.

Transaction experience, closeness to the market and company shareholdings reduces acquisition risks

In this respect, it is important in our view that the Godewind management has the benefit of many years of experience in real estate transactions with volumes of more than EUR 20bn. The management can also rely on its comprehensive and established network, which offers advantages in the acquisition process and the opportunity to avail of access to off-market transactions. It its portfolio build-up to date, Godewind has said that it was able to complete two off-market deals. The reasons for this are the professional, fast, and reliable processing of the transaction. In Godewind's off-market transactions, there was no structured sale process as Godewind was able to convince the seller of the transaction process advantages offered by Godewind.

Several possible measures to finance growth

The management has already signaled that, after a phase of organic growth based on operative improvements, it is prepared to make further acquisitions. Management intends to raise the necessary funds with the reassessment of loans after revaluation of the properties already acquired, a possible bond placement and equity measures, as the company is currently fully invested. Additionally, in connection with a possible capital increase, the management has repeatedly emphasised that it does not intend to issue new shares for less than the IPO price.

Portfolio Overview

Phase 1: Successful portfolio build-up by selective acquisitions

The first certified property purchases were completed only about six months after the IPO. Originally, the management had planned to announce a large portfolio purchase very shortly after the IPO, for which the majority of the IPO proceeds would already have been used. This transaction fell through owing to differences in opinion as regards the price level, among other issues. The management however was quick to recognise the possible risks for the deal-closure and had been considering viable alternatives to the portfolio purchase.

Phase 2: Operative improvements and organic growth

Since October 2018, the management has conducted 10 individual transactions and has built up a portfolio volume with a gross asset value of EUR 830m. As these were individual transactions, no non-core real estate was purchased so that management can completely concentrate on the second phase of organic growth in the company development. The target is to reduce the acquired portfolio vacancy rate from 27% to 4-5% by the end of 2021, which would correspond to full occupancy.

The following table provides an overview of the most important key figures of the acquired properties:

Overview property portfolio

Real estate portfolio

Asset	Investment category	City/Region	Year of construction	Lettable area in sqm	Parking spaces (underground / outside)
ComCon Center	Core (+)	Frankfurt	2002	16,264	374 (161/213)
Airport Business Center	Core (+)	Dusseldorf	2003	13,050	256 (153/103)
Sunsquare	Value-Add	Kirchheim/Munich	2000	19,492	683 (249/434)
Frankfurt Airport Center	Value-Add	Frankfurt	1988/2016	48,495	183
Pentahof	Core (+)	Hamburg	1997	24,747	460 (113/347)
Quartier am Zeughaus	Core (+)	Hamburg	1927 /(2000)/(2008)	43,522	782
Y2	Value-Add	Frankfurt	1996	30,930	567
Eight Dornach	Value-Add	Aschheim/Munich	1997	17,612	279
Herzog Terrassen	Value-Add	Dusseldorf	1980/2014	*55,717*	962
City Gate Tower	Core (+)	Frankfurt	1966/1993/2018	*23,308*	193 (165/28)
Total				***293,137***	***4,739***

Source: Godewind, Warburg Research

The most important key figures of the acquired real estate:

- Gross purchase price for 10 office properties of ~EUR 830m
- After the first vacancy rate reduction the portfolio generates net rental income of EUR

41.7m annually with a vacancy rate of ~23%. The acquired vacancy rate was about 27%.

- This results in a solid adequate gross yield on the portfolio of 5% in terms of the net purchase price (range for individual properties of 2.7-6.8%). A reduction of the vacancy rate to 4-5% would result in an attractive yield of 6.8%.
- The average monthly rent is EUR 14.7/sqm, which is on average ca. 7% below the market rents calculated by Godewind.
- The average lease duration is five years.

Key figures real estate portfolio

Key figures real estate portfolio

Asset	Gross purchase price in EUR m	Net purchase price in EUR m	Net purchase price/sqm in EUR	Gross Yield*	Net rental income p.a. in EUR m	Ø rent/sqm/month in EUR*	WALT* in years	Vacancy	Vacancy in sqm
ComCon Center	35.8	33.5	2,060	6.1%	*2.000*	11.2	*2.9*	*12.3%*	2,000
Airport Business Center	42.9	40.0	3,065	4.7%	*1.900*	13.6	3.9	*16.6%*	2,166
Sunsquare	32.2	30.5	1,565	2.7%	*1.300*	11.7	5.8	*48.0%*	9,356
Frankfurt Airport Center	168.3	168.0	3,464	6.8%	*11.400*	21.5	5.9	*8.2%*	3,977
Pentahof	63.7	60.6	2,449	4.9%	*3.000*	8.9	4.6	*0.0%*	0
Quartier am Zeughaus	160.0	153.0	3,515	4.8%	*7.900*	13.1	3.7	*4.8%*	2,089
Y2	55.3	52.0	1,681	5.1%	*2.700*	11.1	5.1	*35.3%*	10,918
Eight Dornach	32.2	30.0	1,703	3.6%	*1.100*	10.0	4.0	*51.1%*	9,000
Herzog Terrassen	149.4	140.0	2,513	4.8%	*6.600*	19.0	6.1	*45.4%*	25,296
City Gate Tower	90.4	85.0	3,647	4.5%	*3.800*	14.6	6.7	*13.4%*	3,123
Total	***830.2***	***792.6***	**2,704**	**5.0%**	***41.700***	**14.7**	**5.0**	***23.2%***	***67,925***

Source: Warburg Research

*at the time of the acquisition

Phase 3: Further growth with selective acquisitions

The current portfolio with a gross asset value (GAV) of EUR 830m at the time of the acquisition is expected to be expanded further in the medium term. The management has a target size of EUR 3bn, which would correspond to 4x the present amount. The growth focus however continues to be value-accretive growth by way of operative improvements that can be influenced by the company's own effort. Therefore we are assuming that the management can continue to make very selective acquisitions, and increasingly by way of off-market transactions, to further improve both the NAV as well as the FFO margin, which can have a positive impact on the share price. As Godewind, since the last acquisition, is already fully invested in the context of the existing LTV target size of 45-55%, several measures (reassessment of loans, bond issue, capital increase) should make further growth possible.

We would regard the further selective build-up of the property portfolio as very positive as profitability on the basis of the FFO margin would increase with economies of scale and investor interest would increase as the company increases in size.

Tenant structure

Diversified tenant structure with solvent larger tenants

The tenant mix seems very solid to us against the background of a portfolio of only 10, but large-volume, office properties so far. The top-10 tenants account for about 50% of the rental income. The planned reduction in the acquired vacancy rate of 27% could lower this share and thus lower the individual risks. On the other hand, we are also assuming that current large solvent tenants could request more rented space in order to optimise the area they are renting and to achieve their growth ambitions in the current location.

WALT of ~5 years

The weighted average lease term (WALT) of the lease contracts is ca. five years both for the top-10 tenants as well as over the entire portfolio. Within the top-10 tenants, Lufthansa and Deutsche Telekom (via GMGmbh) with a WALT of 2.8 and 1.3 years respectively, have the shortest remaining lease term. Lufthansa rents the area in the Frankfurt Airport Center. Telekom's rented space is located at the Quartier am Zeughaus.

Lufthansa and Telekom (among the top-10 tenants) have short remaining lease terms

We are assuming that negotiations are already ongoing with these two companies as regards possible prolongations and changes. If either of these companies decide to reduce the rented area required, a re-let at the mentioned locations should be relatively unproblematic.

Positive news-flow possible from prolonation among top-10

However, rather than a reduction in the required area, an increase is far more likely as is an extension of lease term. This should provide for positive news-flow. If investment in the property is required, this should lead to a rent adjustment, considering the low vacancy rate.

Overview top-10 tenants

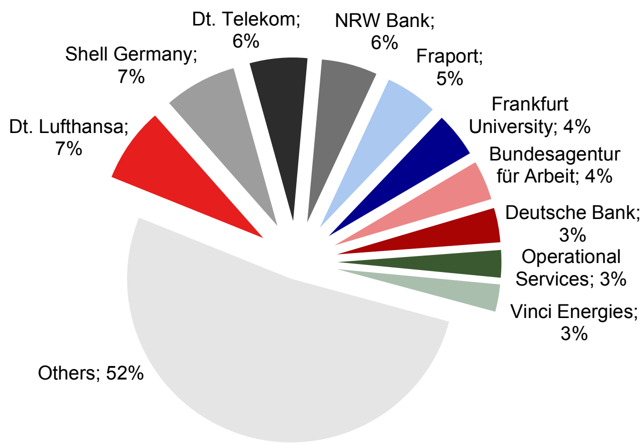
Godewind's Top 10 tenants	Rental income p.a. (in EUR m)	Rental income in %	WALT (in years)	Creditreform Score (100-600)
Lufthansa	3.00	7.4%	2.8	136
Shell Germany	2.92	7.2%	4.7	100
Telekom GMG mbH	2.31	5.7%	1.3	184
NRW.BANK	2.25	5.5%	9.2	121
Fraport	2.13	5.2%	7.8	115
Frankfurt University	1.80	4.4%	6.7	228
Bundesagentur für Arbeit	1.60	3.9%	2.8	211
Deutsche BANK	1.36	3.3%	5.3	127
Operational Services	1.10	2.7%	7.3	141
Vinci Energies	1.10	2.7%	2.6	197
Top Tenants	**19.6**	**48.1%**	**5.0**	**142**
Other tenants	21.1	51.9%	12.5	
Total	40.7	100.0%	12.5	

Source: Godewind, Warburg Research

Balanced tenant mix

In terms of the risk of non-payment of rent among the top-10 tenants, none pose any noteworthy risks according to creditworthiness index of the agency Creditreform. Also in terms of the sector, no cluster risk can be determined, in our view.

Top-10 tenant split



Source: Godewind, Warburg Research

Competitive quality

Godewind is not the only real estate company that currently wishes to benefit from the good economic conditions in Germany and the low interest rate environment. A significant portfolio expansion would be certainly be possible, in our view, for any company, as long as the issues of value accretion and FFO improvement are neglected. Based on the significant stakes held by the Godewind management in the company, however, such dilutive transactions are not expected.

Intensive competition in commercial real estate market in Germany

Additionally, the following points show that the company has a higher **competitive quality** than many competitors in the German real estate market.

- The management has a very strong network of connections in the real estate sector which, in our view, raises the likelihood of off-market acquisitions for Godewind, which make value-accretive measures possible.
- As the management, which is almost the same composition as at WCM, has many years of experience in transactions (EUR >20bn transaction volume), sales processes are generally faster and more reliable, which is an advantage for sellers.

High management stake in the company supports disciplined approach to acquisitions

- The CEO holds a significant share of the company of about 12% and is the largest shareholder after the strategic investors of the Ehlerding family (total 19%). Together, the management and supervisory board hold about 26% of the shares. This reduces principal-agent conflicts and provides for an alignment of management and shareholder interests.
- The financing profile of Godewind is very attractive even without value appreciation, with a net LTV of 50% (excl. City Gate) on an average loan term of ca. four years and a low average interest rate of 1.38%. The favourable conditions (without covenants and with almost no capital repayment) show that Godewind has good access to debt financing.

Professional, fast, and target-focused acquisition process

=> Based on the points mentioned above, sellers should favour Godewind over other market participants as Godewind is able to ensure a more professional, faster and target-focused approach to the transaction process.

- The build-up of the portfolio since the IPO in April 2018 should not come with any legacy risks owing to the comprehensive due-diligence conducted in the acquisition process.
- Godewind benefits from considerable tax loss carry forwards (EUR 355m) from the existing company shell, which can lead to positive growth effects for the future FFO and NAV.

Growth/Financials

- With organic growth, Godewind should achieve a rental income CAGR of 8% (annualised) by 2023 solely on the basis of vacancy reduction. By 2021, absolute growth should be around 35% compared to the time of the acquisition. Additional organic growth of about 4% is possible, in our view, with an adjustment of the portfolio to market rent conditions
- Additional growth should be acheived with further selective acquisitions with which the management is targeting a medium-term portfolio volume of about EUR 3bn.
- The top-line growth and the reduction in the vacancy costs will gradually lead to an improvement in the FFO.
- There rise in operating costs should be below-average as a doubling of the portfolio size to ~EUR 1.5bn can be managed with the existing structures according to the management.

Implementation of the strategy

Phase 1 portfolio build-up complete

Following the IPO in 2018, the company has built up the portfolio with 10 individual acquisitions in the last seven months, successfully completing **Phase 1** of the company's development.

Focus on organic growth in phase 2

In **Phase 2**, the management will now focus on organic growth. This will involve targets such as

a) a speedy reduction in the acquired vacancy rate of 27%,

b) the optimisation of the properties by way of targeted investment

c) the adjustment of rents to market conditions as well as the improvement of the lease terms.

As the last acquisitions were only finalised in May 2019 and letting success will only become visible with time, we regard 2019 as a year of transition for the company in terms of the key operating figures. As regards the valuation of the properties, visible value uplifts can be expected, in our view, based on the first successes in organic growth.

Guidance 2019

Against this background, the **guidance for 2019** as outlined below is relatively vague:

1) Rental income in 2019 should be significantly higher than in 2018 (EUR 0.7m)
2) For FFO, a mid single-digit million sum is expected, as the vacancy costs will still pose a significant burden in 2019.
3) The EPRA NAV will be far higher than in 2018 (EUR 3.65)
4) The net LTV will be between 45% and 55%.
5) For the net result a mid single-digit million figure is expected.

Rental income

We are assuming that, as regards asset management (3 FTEs), the Godewind management will be able to reduce the rental vacancy rate relatively quickly and implement an adjustment of the rents in expiring rental contracts to market rates.

First larger vacancy reduction in the FAC

As early as in May, the company was able to record a first major success in the reduction of the vacancy rate in the Frankfurt Airport Center (FAC). The acquired vacancy (~9,500 sqm) was reduced by 60% with the letting of 5,000 sqm to an M-DAX company. Including the letting of another smaller space of 550 sqm, the vacancy rate in the property was reduced by about 20% to just 8.2%.

FAC is likely to be fully let by the end of 2019

The company is optimistic of achieving full occupancy of the property by the end of the year. This is realistic in our view as, in the adjacent building, “The Squaire”, there is meanwhile no longer any available space and the expansion of the terminal at Frankfurt Airport should generate further demand for office space.

The company has also been successful in reducing vacancy in other properties. In Sunsquare, the vacancy was lowered by 3,000 sqm and the vacancy rate fell from 63% to 48%. In the Zeughaus in Hamburg, an additional 2,400 sqm was let, which reduced the vacancy rate from 10.6% to 4.8%. We regard the rent conditions as particularly positive as these exceed market rents.

The table below shows our estimates as regards the annualised rental income for the years 2019 to 2021 on the basis of a vacancy rate reduction of up to 3.8% by 2022, which corresponds to full occupancy, taking normal tenant fluctuation into account. Godewind is planning for full occupancy with a vacancy rate of ~4-5% by the end of 2021.

Growth in annualised rental income of 35% by 2021

In our planning, we are assuming a rise in the rental income on an annualised basis of 27% to EUR 53m by the end of 2021 based on vacancy reduction. The increase compared to the time of the acquisition would then be 35%. Furthermore, our model derives another 4pp or ~EUR 1.7m in additional rental income from rent adjustment to market rates.

Modeling of annualised rental income with vacancy reduction

Asset	Lettable area	Average rent/sqm/ month in EUR*	Market rent/sqm/ month	WALT* in years	Net rental income p.a. in EUR m	2019e	2020e	2021e
ComCon Center	16,264	11.2	13.5	*2.9*	*2.000*	*2.013*	*2.077*	*2.141*
Airport Business Center	13,050	13.6	14.0	*3.9*	*1.900*	*1.917*	*1.999*	*2.082*
Sunsquare	19,492	11.7	12.0	*5.8*	*1.300*	*1.400*	*1.974*	*3.599*
Frankfurt Airport Center	48,495	21.5	21.0	*5.9*	*11.400*	*11.534*	*13.668*	*13.668*
Pentahof	24,747	8.9	10.5	*4.6*	*3.000*	*2.996*	*2.977*	*2.957*
Quartier am Zeughaus	43,522	13.1	14.5	*3.7*	*7.900*	*7.936*	*8.396*	*8.439*
Y2	30,930	11.1	12.0	*5.1*	*2.700*	*2.786*	*3.214*	*3.643*
Eight Dornach	17,612	10.0	12.5	*4.0*	*1.100*	*1.177*	*1.562*	*1.946*
Herzog Terrassen	55,717	19.0	20.5	*6.1*	*6.600*	*6.950*	*8.702*	*10.454*
City Gate	23,308	14.6	16.3	*6.7*	*3.800*	*3.825*	*3.952*	*4.078*
Total	***293,137***	**14.7**	**15.4**	***5.0***	***41.700***	***42.533***	***48.521***	***53.008***

Source: Godewind, Warburg Research

Vacancy reduction to 6.0% by the end of 2021

The vacany reduction to 6.0% assumed in our estimates is more cautious than the the company’s assumptions. This is to take into consideration that the management cannot yet show a longer dependable track record in vacancy reduction. In the case of numerous noteworthy letting successes across the portfolio, we would review our assumptions. The start to the strategic phase 2 of organic growth has already been a success, at any rate, with the first major letting success in Frankfurt Airport Center and the achievement of other letting successes (Sunsquare, Quartier am Zeughaus).

Vacancy development forecast

Forecast for vacancy development

Asset	Acquired Vacancy in %	2019e	2020e	2021e	2022e	Acquired vacancy in sqm	2019e	2020e	2021e	2022e
ComCon Center	*12.3%*	*10.4%*	*8.4%*	*5.5%*	*4.5%*	2,000	1,683	1,366	890	732
Airport Business Center	*16.6%*	*13.6%*	*10.6%*	*6.0%*	*4.5%*	2,166	1,772	1,377	785	587
Sunsquare	*62.8%*	*48.1%*	*29.5%*	*11.9%*	*6.0%*	12,241	9,241	5,741	2,312	1,170
Frankfurt Airport Center	*19.5%*	*8.2%*	*0.9%*	*0.9%*	*2.0%*	9,457	3,957	457	457	970
Pentahof	*0.0%*	*0.5%*	*1.0%*	*1.8%*	*2.0%*	0	124	247	433	495
Quartier am Zeughaus	*10.6%*	*4.6%*	*3.5%*	*3.5%*	*3.0%*	4,613	2,013	1,513	1,523	1,306
Y2	*35.3%*	*27.6%*	*19.9%*	*8.4%*	*4.5%*	10,918	8,537	6,155	2,583	1,392
Eight Dornach	*51.1%*	*39.5%*	*27.8%*	*10.3%*	*4.5%*	9,000	6,948	4,896	1,818	793
Herzog Terrassen	*45.4%*	*35.2%*	*25.0%*	*9.6%*	*4.5%*	25,296	19,598	13,901	5,356	2,507
City Gate	*13.4%*	*11.2%*	*9.0%*	*5.6%*	*4.5%*	3,123	2,605	2,086	1,308	1,049
Total	***26.9%***	***19.3%***	***12.9%***	***6.0%***	***3.8%***	***78,814***	***56,477***	***37,740***	***17,465***	***11,000***

Source: Godewind, Warburg Research

Assumptions for estimates

We have made the following assumptions for the modelling of our estimates for the development of operating results:

a) The acquired vacancy rate of 27% in the existing portfolio of nine properties will be reduced to a vacancy rate of 3.8% by the end of 2022. This is the equivalent of full occupancy, as renovation measures in the scope of tenant fluctuation and reletting can generally lead to six to 18 months of vacancy. Godewind is targeting a vacancy rate of ~4-5% as soon as year-end 2021.

b) The acquired vacancy of ~78,800 sqm generates non-recoverable operating costs, borne by Godewind, which will burden profitability and the FFO in 2019. We are assuming average **vacancy costs** per square metre per month of EUR 5 which could lead to a burden of EUR 3.9-4.1m in 2019. The gradual vacancy reduction will lead to falling vacancy costs and lower and non-burdening operating costs in 2020 and 2021.

c) The planned investment of EUR 112m in 2019 to 2021 will be capitalised.

d) We estimate the current non-allocable operating costs of the leased space at ~EUR 3.5m (EUR 1.5/sqm/month), which should then gradually rise to about ~EUR 4.4m p.a. based on the declining vacancy.

Base scenario

In its base scenario (excl. City Gate), the company was assuming that with a vacancy reduction to 4-5% by the end of 2021, it would generate rental income (annualised) of EUR 50.6m p.a. From this, deductions must be made for a) expected personnel and administration costs of EUR 7.1m, b) interests costs for the financing of the properties as well as investments of EUR 7.1m (WRe) and c) costs for property management as well as other costs of EUR 9.2m. This leads to an FFO of EUR 27.2m or an FFOPS of EUR 0.25 in the year 2022, which results in an FFO margin of 54% and a current FFO yield of 6.5%. Including City Gate, the base scenario yields an FFO of EUR 30.5m.

Blue sky scenario

Based on a blue-sky scenario, we derive the following results: The rental income rises to EUR 58.9m with an assumed vacancy rate of 3.8% as well as positive effects from rent adjustment to market rates for expiring rental contracts. We do not see any noteworthy potential for cost-saving in personnel and administration and assume costs of about EUR 7.2m. The total interest expenses including investment financing are about EUR 7.2m (incl. City Gate), according to our calculations and should be below the company's original planning. Assuming that no cash taxes must be paid, an FFO of EUR 34.4m would result.

Overview scenarios

Overview scenarios

	Base Scenario*	Base Scenario incl. City gate (WRe)	Blue Sky Scenario incl. City gate (WRe)
Net rental income	**50.6**	**54.9**	**58.9**
Admin expenses	7.1	7.2	7.2
Interest expenses	7.1	7.3	7.2
Property management expenses	9.2	10.1	10.1
FFO	27.2	30.4	34.4
FFOPS	0.25	0.28	0.32
No. of shares	108.5	108.5	108.5
FFO-margin	54%	55%	58%
FFO-Yield	6.8%	7.6%	8.6%

*acc. to GDW

Source: Godewind, Warburg Research

Valuation result

In our opinion, the vacancy reduction described above will also be reflected in the revaluation of the acquired properties. We expect the company to generate net valuation gains of around EUR 170m between 2019 and 2021. At the same time, Godewind should capitalise around EUR 110m of planned investments in its properties. Based on these considerations, we expect the gross asset value to grow to EUR 1.12bn by 2021, representing an increase of 35%.

We expect a significantly positive valuation result of around EUR 85m million as early as 2019 due to expected successes in reducing vacancies. A revaluation would seem probably, in our view, as early as mid-year, especially for the Frankfurt Airport Center and Zeughaus.

Value driver vacancy reduction

Asset	Rental income p.a. in EUR m	Vacancy	Rent after vacancy reduction (annualised) 2021e in EUR m	Rental Income Upside 2021e	Revaluation in EUR m*	Valuation upside in EUR m*
ComCon Center	2.000	12.3%	2.141	7.1%	40.7	4.9
Airport Business Center	1.900	16.6%	2.082	9.6%	47.9	5.0
Sunsquare	1.300	48.0%	3.599	176.8%	100.8	68.6
Frankfurt Airport Center	11.400	8.2%	13.668	19.9%	252.9	84.6
Pentahof	3.000	0.0%	2.957	-1.4%	68.0	4.3
Quartier am Zeughaus	7.900	4.8%	8.439	6.8%	194.1	34.1
Y2	2.700	35.3%	3.643	34.9%	66.8	11.5
Eight Dornach	1.100	51.1%	1.946	76.9%	50.8	18.6
Herzog Terrassen	6.600	45.4%	10.454	58.4%	209.1	59.7
City Gate	3.800	13.4%	4.078	7.3%	91.8	1.4
Total	**41.700**	**23.2%**	**53.008**	**27.1%**	**1,122.8**	**292.6**

Source: Godewind, Warburg Research

Financing

No financing necessary as of the end of 2018

At the end of 2018, the transfer of benefits and obligations had only taken place for four of the nine properties acquired. The net purchase price of ~EUR 272m and the ancillary costs were paid from the cash inflow from Godewind's IPO (approx. EUR 375m). By the end of May 2019, closing was completed for all five other properties, so that the 2019 half-year balance sheet will include nine acquired properties. The closing of the City Gate transaction is expected for Q3.

Property financing successfully concluded

Following the successful financing of the Herzog Terrassen, the Quartier am Zeughaus and the three smaller financing agreements for the properties, Y2, Sunsuare and Eight Dornach in April and May of this year, Godewind's current financing volume totals EUR 397m. Godewind had previously concluded an initial loan agreement with DZ Hyp for a volume of EUR 82m for the three ComConCenter properties in Frankfurt, the Airport Business Center in Düsseldorf and the Pentahof in Hamburg. For the latest acquisition, City Gate, financing will take place in Q4 2019 after the successful transition.

Financing partners include a number of well-known German banks from the commercial real estate financing sector (e.g. PBB, Helaba), which place a greater focus on domestic business

Overview financing

Loans	Maturity	Interest rate p.a.	Principal Amount outstanding in EUR m	Gross purchase price in EUR m	Net purchase price in EUR m	Repayment in EUR m	Current LTV *	Interest payments in EUR m p.a.
Loan #1 FAC	2021	1.87%	88.0	168.3	168.0	0.0	52.3%	1.65
Loan #2 ComConCenter, Airport Business Center, Pentahof	2024	1.09%	82.0	142.4	134.1	0.0	57.6%	0.89
Loan #3 Herzog Terassen	2024	1.32%	80.0	149.4	140.0	0.0	53.5%	1.06
Loan #4 Quartier am Zeughaus	2024	1.20%	92.0	160.0	153.0	0.0	57.5%	1.10
Loan #5 Y2	2023	1.38%	30.0	55.3	52.0	0.6	54.2%	0.41
Loan #6 Sunsquare	2024	1.43%	12.5	32.2	30.5	0.0	38.8%	0.18
Loan #7 Eight Dornach	2024	1.43%	12.5	32.2	30.0	0.0	38.8%	0.18
New financing (w/o FAC)		**1.24%**	**309.0**	**571.5**	**539.6**		54.1%	**3.83**
Total Financing		**1.38%**	**397.0**	**739.8**	**707.6**	**0.6**	**53.7%**	**5.47**
Loan #8 City Gate (WRe)		1.50%	55.0	90.4	85.0	0.0	60.8%	0.83
Total financing (planned)		**1.39%**	**452.0**	**830.2**	**792.6**	**0.6**	**54.4%**	**6.30**
			Cash				*w/o valuation uplift	
Net LTV incl. cash			**30.2**				**49.6%**	
Net LTV incl. cash (incl. City Gate)							**54.5%**	

Source: Godewind, Warburg Research

Favourable conditions for the new financing agreements

The interest conditions of the six new loans (without FAC) are, in our view, very attractive with an average interest rate of ~1.25% for a term of five years, especially since, apart from one exception, there are no repayments to be made which burden the cash flow, which, in our view, should primarily be available for necessary capex measures and possible dividend payments.

With a gross purchase price for the properties (excluding FAC & CityGate) of ~EUR 572m (Net purchase price ~EUR 540m), around 54% is financed. The interest payment from the six new financing agreements is ~ EUR 3.8m p.a.

Existing financing for the FAC taken over upon acquisition

For the Frankfurt Airport Center (FAC), the existing financing of around EUR 88m plus a possible expansion reserve of EUR 27m was taken over upon acquisition. This results in an LTV of approx. 52%.

The interest rate of this financing is 1.87% with an estimated interest payment of EUR 1.65m p.a. and this matures in 2021.

Average credit interest rate of 1.38% for the entire portfolio

On the basis of the total financing, the average interest rate is 1.38% with a loan-to-value (LTV) of around 50% based on the gross purchase price.

LTV target for 2019 should be well within reach

Having already recorded a valuation gain of around EUR 10m in 2018, we assume that a further valuation adjustment will be made in the first half of 2019 as a result of the letting successes achieved. This should significantly reduce the net LTV and, as regards the reassessment of loans, could possibly give the company additional financing headroom for new acquisitions.

Acquisitions financed with better conditions than planned

In its planning for the financing, Godewind had assumed a total external financing volume of EUR 414m with an average interest rate of 1.5%. With a total of EUR 397m (incl. FAC) the financing volumes were not quite achieved, as the company did not avail of futher credit lines on properties. In terms of average interest rates, Godewind benefited from improving interest conditions over the past six months. At 1.38%, the interest rate achieved was around 10% or 12 basis points below the original planning.

The annual interest burden from property financing will thus amount to approx. EUR 5.5m, EUR 0.7m less than originally planned (EUR 6.2m).

In our further planning, we assume that Godewind will borrow around 43% of the planned EUR 112m investment in the properties. We assume a higher interest rate of 2%.

Total interest expenses, for the exisiting portfolio, the planned financing of the last acquisition CityGate as well as the planned investments amount to EUR 7.3m.

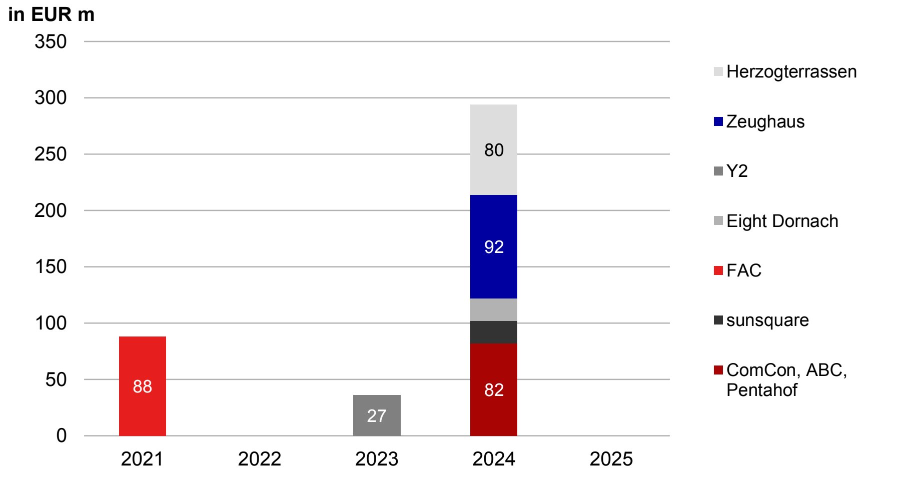
We are assuming that Godewind will have to make almost no capital repayments. Furthermore, according to the company information, there are no significant credit covenants to be taken into account.

In the planned maturity profile of the loans, there will be greater refinancing needs in

Larger refinancing need as of 2021 and 2024

2021 (FAC) and primarily in 2024 (see chart below). On the basis of the expected improvements in the operating cash flow of the properties and higher property values (e.g. FAC), no major difficulties are to be expected, from today's perspective, in the event of a possible prolongation, especially as the individual volumes per property are not too large for a bank.

Loan maturities



Source: Godewind, Warburg Research

Tax loss carry-forwards (TLCFs)

Tax loss carry-forwards of EUR 355m

Godewind Immobilien AG has tax loss carry-forwards (TLCFs) currently amounting to approx. EUR 355m (as of the end of 2018), which according to company information are divided into EUR 180m for corporation tax and EUR 170m for commercial tax. According to the company, the present value of the TLCFs amounts to EUR 51m.

To our understanding, the TLCFs have no time limit and remain available for use. A disproportionate loss of TLCFs due to a transfer of voting rights >25% or a complete loss due to a transfer of >50% is no longer possible for Godewind Immobilen AG according to the company. In our opinion, this means that Godewind will also remain interesting as a takeover target, as the buyer could potentially use the TLCFs.

The use of TLCFs depends on the future taxable income of Godewind Immobilien AG. A surplus to be expected for future years can be offset against tax loss carry-forwards, which would significantly reduce the tax burden of Godewind Immobilien AG.

According to our estimates, annual income of EUR 1m is regarded as tax-free, as is up to 60% of annual income in excess of EUR 1m. The sum then offsets a tax loss that is deductible in the following year.

Present value of TLCFs of EUR 51m

The standard tax rate of 15.825% (corporation tax incl. solidarity surcharge) and 16.1% (commercial tax) is applied to the TLCF in order to capitalise deferred tax assets. We include the TLCFs in our estimates for the operating business.

In our estimates for the utilisation of tax loss carryforwards, we have not assumed any selective disposals by the company, as the management first wants to achieve operational optimisation, which will then have a positive effect on the value development of the property and the FFO development. Of course, sales are still possible on an opportunistic basis, which then influence the present value of the TLCFs.

In addition, Godewind Immobilien AG also has a so-called "tax deposit account" according to §27 KStG of EUR 133m, which allows future dividends to be distributed to shareholders without deduction of withholding taxes, depending on their personal tax

Possible tax-free dividend payout of EUR 1.22 per share

situation. Based on the current number of shares, this would amount to EUR 1.22 per share.

In our opinion, the tax-free distribution primarily reduces the complexity for foreign investors, who can dispense with the necessary tax credit procedures. For German investors, we believe this merely means a postponement of the tax burden.

Since tax regulations are always subject to the risk of changes, there is of course also the risk that a change in tax regulations will reduce or completely eliminate the usability of TLCFs.

Dividends

Management intends to pay a dividend for 2019. The aim is to achieve a payout ratio of 60% in relation to the FFO.

Payout ratio of 60%

As Godewind also needs liquidity for investments (capex) as a result of the planned organic growth, we expect a slightly lower ratio for 2019. According to our calculations, it would make sense to pay a dividend of EUR 0.05 per share, which would mean a dividend yield of ~1.3% at the current share price.

Since the FFO should improve dynamically in the following years 2020 and 2021 as a result of lower vacancy costs and rising rental income, we expect a significant dividend increase for these years.

Market Overview

- Transaction volumes of commercial property at record level in Germany in 2018.
- Office property is still the most popular asset class with a share of 41%
- Low interest rate level continues to stimulate demand for real estate
- Pressure on investors to reinvest as fixed-income securities expire should continue to speak in favour of an investment in real estate
- Expected decrease in transction volumes in 2019 owing to lack of suitable properties
- Further yield compression again possible in light of the low vacancy rates, lack of supply of properties and low interest rates.

Commercial real estate market in Germany

Record level in investment market in 2018

Record transaction volumes of commercial real estate in 2018

With a total of EUR 60.1bn in 2018, the commercial real estate investment market surpassed the former record of EUR 73.1bn set in 2017 by 4%. The momentum was especially driven by the office investment market. Office properties remain the strongest asset class with a hike of 15% in the total capital invested in office real estate compared to 2017. In total, the investment volume in office properties amounted to EUR 31.9bn or 41% of the overall volume, which is above the 10-year average of 38%.

Office property remains in investor focus

Investment volume of commercial real estate market

	2017 (in EUR m)	2018 (in EUR m)	% Change yoy
Total investment volume	**73,097**	**77,251**	**6**
Commercial properties total	**57,546**	**60,075**	**4**
Transaction Type			
Portfolios	31,855	29,729	-7
Single Assets	41,242	47,522	15
Type of use			
Office	27,729	31,918	15
Residential	15,551	17,176	10
Retail	13,896	10,481	-25
Industrial & Logistics	8,687	6,756	-22
Hotel	4,087	3,895	-5
Development Site	1,461	2,516	72

Source: CBRE, Warburg Research

Focus on the top-seven cities

Investor attention is particularly focused on investment centres such as Frankfurt, Berlin or Munich (see table below). The investment volume in the top seven locations increased by 21% compared to 2017. With a total of EUR 35.9bn, 55% of the total German investment volume was attributable to the top seven cities.

Investment volumes in the top seven urban areas in Germany

Strong transaction growth in Hamburg, Stuttgart &Frankfurt

	Investment Volume (in EUR m)			Share of foreign investors		Office prime yield (net)	
	2017	2018	change yoy	2017	2018	Q4 2017	Q4 2018
Berlin	7,424	6,807	-8%	72%	55%	3.10%	3.10%
Düsseldorf	3,216	4,084	27%	66%	43%	3.40%	3.30%
Frankfurt	6,789	9,570	41%	52%	47%	3.20%	3.20%
Hamburg	3,629	5,789	60%	49%	29%	3.20%	3.00%
Munich	5,438	6,017	11%	36%	39%	3.00%	2.90%
Cologne	2,040	1,767	-13%	42%	60%	3.65%	3.54%
Stuttgart	1,226	1,927	57%	54%	60%	3.50%	3.40%
Top 7 total	29,762	35,963	21%	55%	45%	3.28%	3.19%
Germany	57,546	60,075	4%	51%	45%		

Source: CBRE, Warburg Research

Outlook for 2019 transaction volumes

Outlook: Due to a stable and robust economic environment, good labour market development and low interest rates, a high transaction volume for commercial real estate in Germany can also be expected for 2019. Continued good demand for high-quality real estate continues to meet a low supply, which should ensure a stable price level.

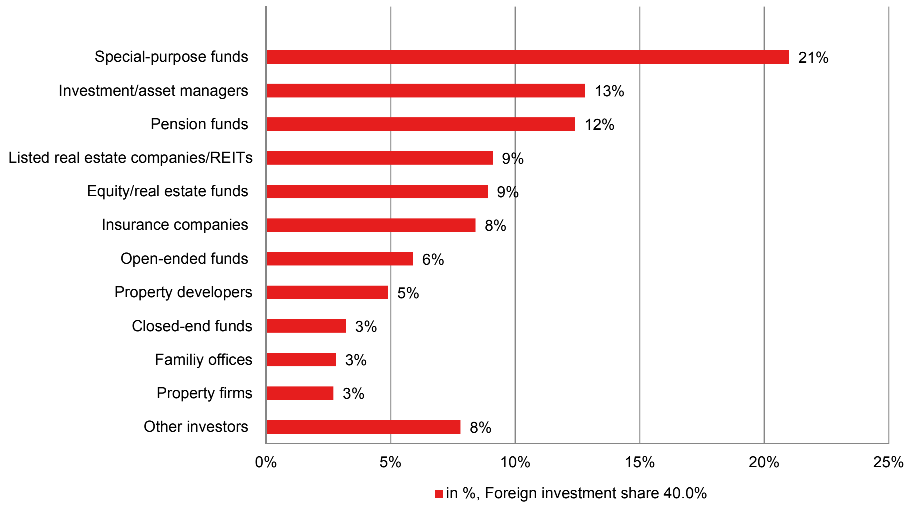
Closer look at the office investment market

Rise in individual transactions in office property market

As mentioned above, 2018 was a record year for the office investment market. This outstanding performance was mainly attributable to individual deals. With an increase of 34% compared to the previous year, single deals set a new record with a total of EUR 27.1bn (85% of the total volume). Especially large-scale office buildings like the Gallileo and the Omniturm in Frankfurt or the Oskar in Munich have attracted the attention of investors. In contrast, portfolio deals declined by almost one-third yoy. Main reason for the decline was the shortage of suitable supply.

Long-term institutional investors continue to show a high level of interest

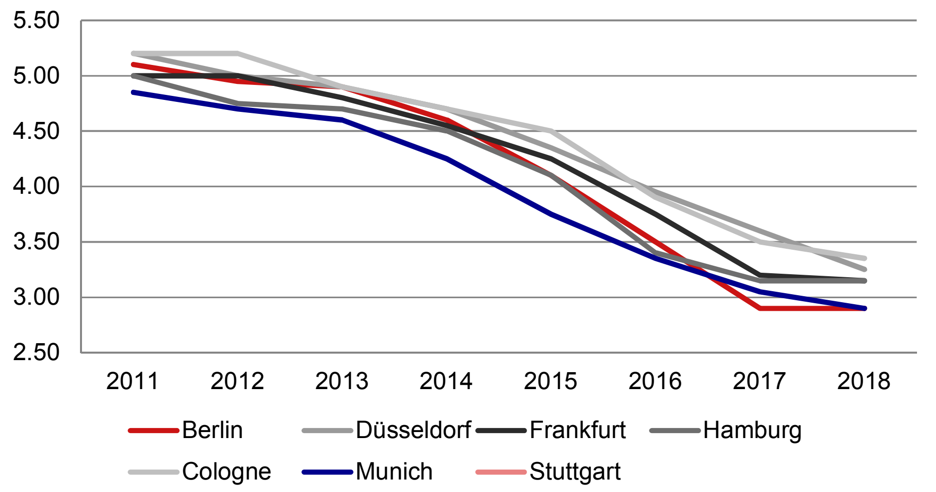
Office investment by buyer group in Germany



Source: BNP Paribas, Warburg Research

Development of prime yields in the A-Locations since 2011

Significant decline in peak yields since since 2011



Source: Statista,

The strong interest in investing in office real estate is also reflected in the development of prime yields. Yields in the top seven cities continued to fall, declining by 3%. In Berlin and Frankfurt, it is even below 3%, with Frankfurt showing the sharpest decline in Q1 2019 with 20 basis points.

Yield compression could continue

After the significant price increases for office properties since 2011 due to significantly falling capital market interest rates, the major real estate brokers such as JLL or CBRE did not expect any further yield compression for 2019 at the end of last year. In view of a significantly lower interest rate level again, a lack of investment alternatives on the fixed-interest capital market and a lack of supply of adequate office properties, a further positive price development does not appear unlikely.

In a year-on-year comparison in Q1/2019, all top sevevn cities except Hamburg and Berlin reported falling prime yields according to JLL.

Prime yields office in %

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Berlin	2.90	2.90	2.90	2.90	2.90
Düsseldorf	3.45	3.35	3.25	3.20	3.20
Frankfurt/M	3.25	3.25	3.25	3.15	2.95
Hamburg	3.05	3.05	3.05	3.05	3.05
Cologne	3.45	3.45	3.45	3.20	3.20
Munich Region	3.20	3.20	3.20	3.20	3.10
Stuttgart	3.50	3.50	3.30	3.05	3.05

Source: Statista, Warburg Research

Rental market

German office market still very healthy

Strong take-up of office space in 2018 signals a continuation of the strong demand for good rental space

Following the record year 2017, the take-up of office space in the office property market remained at a very high level in 2018. With a take-up of just under EUR 4bn in the seven most important German locations (Berlin, Düsseldorf, Frankfurt/M, Hamburg, Cologne, Munich and Stuttgart), the statistics for 2018 as a whole include the second-best result ever. Despite a decline of 7% compared to the all-time high of the previous year, take-up in 2018 exceeded the 10-year average by more than 20%.

Office space take-up incl. owner occupier (sqm)

	2017	2018
Berlin	944,800	841,700
Düsseldorf	390,600	415,000
Frankfurt/M	711,300	633,300
Hamburg	640,000	580,000
Cologne	306,900	305,200
Munich	995,000	975,000
Stuttgart	254,700	215,300
Total	**4,243,300**	**3,965,500**

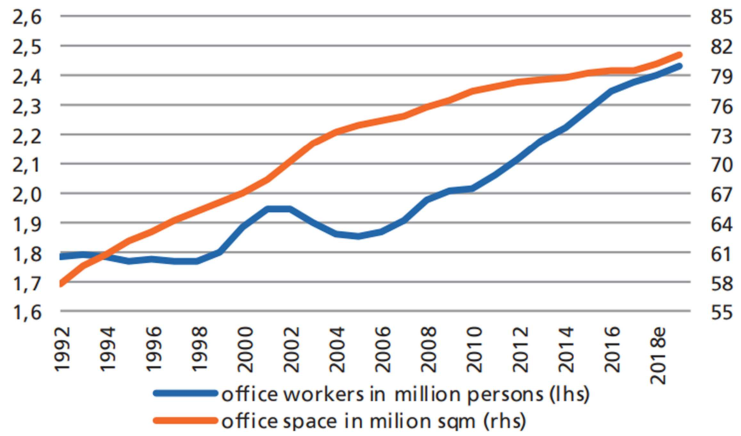
Source: JLL,Warburg Research

The decline is by no means a sign of worsening conditions on the German office market, but is rather a reflection of the scarcity of supply in the respective cities. This is also illustrated by a look at the net absorption of office space in 2018, which at 1.2 million sqm was 10% higher than in the record year of 2017 and represents the highest value in the last five years.

Positive effects from the labour market

The office real estate market is supported, among other things, by the steadily rising number of employees. While the number of office employees (in the top seven cities) has grown from 500,000 to 2.4m in the last 10 years, an increase of almost 25% p.a., office space in these cities has only increased by 6%.

Growth in employee-number significantly stronger than office space growth in top cities



Source: BulwienGesa, Feri, DZ Bank ,Warburg Research

Outlook 2019 office space market

Outlook office space market: For 2019, too, a slight decline in take-up is expected compared to the previous year. However, sales will remain at a very high level. As in 2018, the main reason for the decline will be the very scarce supply.

Decreasing vacancy rate in all top locations

Vacancy rate below 4% in 2018 in the top seven cities

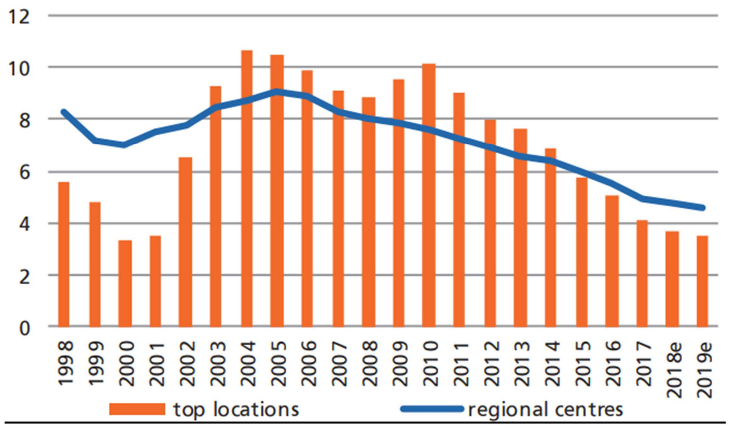
The consistently high demand for office properties, coupled with a continued very tight supply, led to a further reduction in the vacancy rate in all top seven locations. For the "big seven", the vacancy rate fell below the 4%-mark at the end of 2018 for the first time. At an average of 3.6%, the vacancy rate in the core markets is very low. Over the past five years, the vacancy rate in the top locations has thus more than halved

Particularly in the three conurbations of Berlin, Stuttgart and Munich, structural vacancies are virtually non-existent. At the end of the year, Berlin had a vacancy rate of just under 2%. The rate in Stuttgart, at 2.2%, was only marginally higher. In Munich it fell below the

...corresponds to almost full occupancy

3%-mark for the first time. In our opinion, this corresponds to full occupancy, as a change of tenant in an office property naturally takes some time, allowing for renovation and conversion measures. In some districts, the vacancy rate in these cities is even below 1%.

Development of the vacancy rate in the top seven office property markets

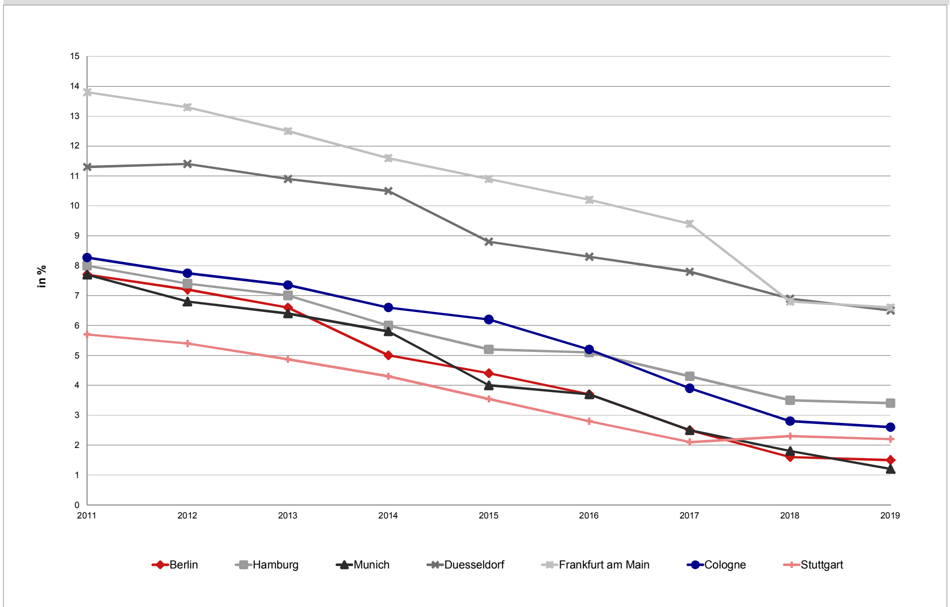


Source: BulwienGesa, DZ Bank, Warburg Research

Outlook for the vacancy rate

Outlook vacancy rate: Despite some revisions of economic growth rates for Germany and Europe, we expect the labour market and economic growth in Germany to remain robust in the coming years. This is accompanied by consistently high demand for office properties in Germany's top locations, which is why we assume that the vacancy rate will continue to decline in 2019

Development of the vacancy rate in the top seven office markets



Source: JLL,Warburg Research

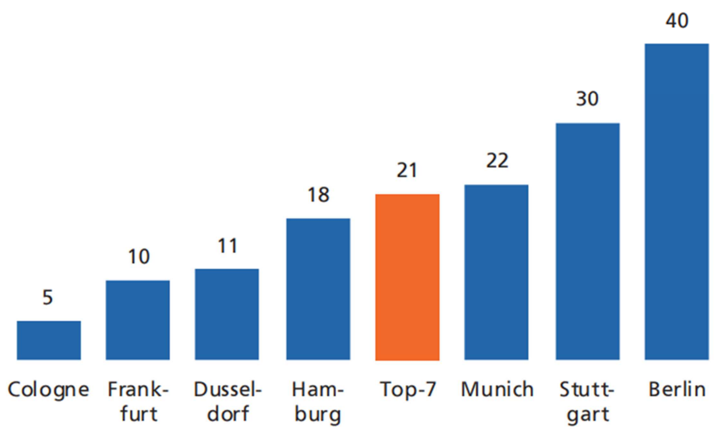
Rents expected to continue rising

The persistent gap between high demand for office properties and low supply of properties has led to an increase in rents in all top seven locations over the past 10 years. In a year-on-year comparison (2018 vs. 2017), Berlin recorded the strongest

Rent rises gained momentum in 2018

increase with a plus of 13.3%, followed by Cologne with 6.8%. On average, rents in all seven locations rose by 6.4% in 2018.

Development of prime rents in the top seven locations from 2007 to 2017



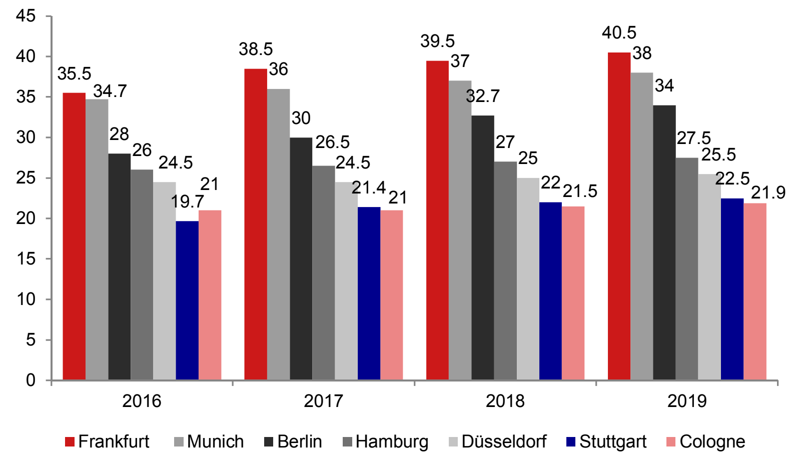
Source: BulwienGesa, DZ Bank Research, Warburg Research

Rather moderate increase in prime rents in the last 10 years…

… with the expection of Berlin and Stuttgart

Between 2007 and 2017 rents in the seven cities rose by 21%. However, viewed in the context of good economic growth and a strong labour market, the increase is not quite as strong. A closer look reveals that growth in Cologne, Frankfurt and Düsseldorf was rather moderate at 5%, 10% and 11% respectively. Development in Hamburg and Munich almost matched the average at 18% and 22% respectively. Only Stuttgart (30%) and Berlin (40%) recorded significant increases in rents.

Prime rent for office property (2016-2019)



Source: empirica, Verband deutscher Pfandbriefbanken, Warburg Research

Outlook for rent: The forecasts of the leading real estate brokers for the development of rental prices for office properties, especially in CBDs (Central Business District), continue to be positive. In our opinion, these forecasts are supported by the following factors, which point to further increases in rents in the inner cities of the top seven office property markets:

Positive outlook for rent

a) Despite an expected slowdown in economic growth in Germany, the economic development is very solid. The GDP growth forecasts for 2019 and 2020 are 0.7% and 1% respectively.

b) The vacancy rate in the top seven markets is very low at 3.5% on average. Over the past five years, the vacancy rate in the top seven real estate markets for office properties has fallen from 7.1% to 3.5%. The development over the last two years in particular shows that there is virtually no structural vacancy in the cities of Munich, Berlin and Stuttgart in view of a vacancy rate of around and below 3%. In our opinion, this corresponds to full occupancy, as a change of tenant in an office property naturally takes longer, allowing for renovation and conversion measures.

c) The volume of speculative development projects is manageable with an estimated new area of 3.8m sqm, or 4% of a rentable area of 93m sqm in the top seven markets (JLL). The reason for this is the lack of development opportunities in urban areas, as land is generally not used for new commercial buildings but for residential construction. In addition, the construction costs for new buildings are not very attractive at an estimated average cost of EUR 2,500 per sqm. Thus, in our opinion, the rental market and the investment market can absorb the new space being added. This is reflected in a high pre-letting rate of 50-70% due to good demand for locations with adequate equipment and a lack of properties, especially in the Core and Core+ segments.

   We assume that the excess demand for good properties in both the rental and investment markets will continue for some time to come. The demand for high-quality office space in central locations remains strong, also because employers attach importance to an attractive and central workplace location to attract skilled workers and to be a more attractive employer than their competitors.

d) In an international comparison, top office rents abroad are still significantly higher than in the top seven German office property markets. Although, this is of course also thanks to the lower level of centralisation in Germany, the level of rents has not yet been fully exploited in view of the good and stable economic development in Germany in the past.

Thus, a further increase in rents in the big seven can also be expected for 2019. New buildings will probably only be flushed onto the market to a noticeable extent in 2020, which means that the large gap between demand and supply will continue to exist. Also given the robust economic development in Germany, we do not yet consider the rent level to be fully exhausted.

Godewind should benefit from the market outlook for office property

⇨ In view of the market outlook presented for office space, vacancy rates and rental prices, Godewind, with its strategy of selective acquisitions in the Core+ and Value Add categories for office properties and active asset management with a focus on vacancy reduction, should have significant value creation potential that can also be realised with experienced management.

Valuation

- Our price target of EUR 4.90 is derived from our NAV model and a fair FFO return. On the basis of our NAV valuation, we derive a PT of EUR 5.07 or, on the basis of the FFO yield, EUR 4.43. We select a weighting of 75% and 25% to sufficiently take account of the more short-term NAV potential resulting from value creation through organic growth.
- A dividend discount model underscores the upside potential.
- Dividend yield becomes increasingly attractive as FFO increases more dynamically.

For the valuation of the Godewind share, we use our NAV model and a fair value based on the FFO return.

We weight the fair value of the NAV model at 75% in order to take sufficient account of the more short-term NAV potential resulting from the value added by organic growth.

Price target of EUR 4.90

The fair value based on the FFO return is lower due to the business model. In the medium term, however, an adequate FFO margin of over 50% in 2021 will result in upside potential of nearly 20%.

In our estimates, which serve as the basis for the valuation, we have not taken any further acquisitions into account, but only use the current equity base and the developments from the portfolio already acquired. The total current net value of the tax loss carry forwards, which according to company statements is EUR 51m (corresponds to ~ EUR 0.50 additional NAV per share), has only been partly considered in the NAV via our estimates for the operating business.

NAV valuation

The following table shows the development oft he NAV and the EPRA-NAV on the basis of our estimates. By as soon as 2020, an EPRA-NAV of about EUR 5 should be reached, which corresponds to an increase of almost 40% and takes the expected success in the vacancy reduction into account.

Expected NAV development based on operating performance

NAV

in EUR Mio.	2018	2019e	2020e	2021e	2022e
Investment Properties	301	998	1,079	1,133	1,143
Cash	158	16	11	23	38
Other assets	44	26	36	43	45
Total assets	503	1,039	1,125	1,199	1,226
- Liabilities	106	546	573	607	615
- Minority interest	4	22	25	26	28
NAV (IFRS/book value)	393	471	527	565	583
NAV per share	**3.62**	**4.34**	**4.86**	**5.21**	**5.37**
Adjustments (Derivatives/Deferred taxes)	4	11	17	22	23
EPRA NAV	396	482	544	587	606
EPRA NAV je Aktie	**3.65**	**4.44**	**5.01**	**5.41**	**5.58**

Source: Godewind, Warburg Research

On the basis of, what we regard to be, a fair multiple of the annual rental income for 2021 for the current portfolio properties, we derive a fair value of EUR 5.47 in 2021. From this we derive a price target of EUR 5.07 in 12 months (see the table below).

NAV sensitivity analysis

Price target on the basis of our NAV valuation

	Rent multiple 2021						
	20.0	20.5	21.0	21.5	22.0	22.5	23.0
Investment Properties	1,060	1,087	1,113	1,140	1,166	1,193	1,219
Cash	43	43	43	43	43	43	43
Other assets	23	23	23	23	23	23	23
Total assets	1,126	1,152	1,179	1,205	1,232	1,258	1,285
- Liabilities	607	607	607	607	607	607	607
- Minority interest	26	26	26	26	26	26	26
NAV (book value)	492	519	545	572	598	625	651
NAV per share	4.54	4.78	5.03	5.27	5.51	5.76	6.00
Adjustments (Derivatives/Deferred taxes)	22	22	22	22	22	22	22
EPRA NAV	514	540	567	593	620	646	673
EPRA NAV je Aktie	**4.74**	**4.98**	**5.22**	**5.47**	**5.71**	**5.96**	**6.20**
Fair value (12 months)				5.07			

Source: Warburg Research

FFO yield

Owing to the acquired vacancy rate of 27% we expect a relatively low FFO for 2019 and 2020, which should also be burdened by vacancy costs and agents' costs. In 2021, we are assuming a clear improvement in the FFO margin to more than 50%. With an assumed valuation return for the FFO of 5.5%, we derive a 12-month price target of EUR 4.43 for 2021.

FFO yield

Price target based on our FFO valuation

2019e	**7.9**	**FFO-yield**	4.75%	5.00%	5.25%	**5.50%**	5.75%	6.00%	6.25%
		Fair Value 12months	1.57	1.49	1.42	**1.36**	1.30	1.24	1.19
2020e	**21.0**	**FFO-yield**	4.75%	5.00%	5.25%	**5.50%**	5.75%	6.00%	6.25%
		Fair Value 12months	3.96	3.76	3.58	**3.42**	3.27	3.13	3.01
2021e	**28.5**	**FFO-yield**	4.75%	5.00%	5.25%	**5.50%**	5.75%	6.00%	6.25%
		Fair Value 12months	5.13	4.88	4.64	**4.43**	4.24	4.06	3.90

Source: Warburg Research

Peer group comparison

Peer group comparison

Godewind Immobilien AG focuses primarily on office properties and has acquired solely office properties in its reported acquisitions to date. In a peer group comparison, we only consider listed real estate companies whose real estate portfolio consists predominantly of office properties.

The peer group includes alstria-Office REIT AG, Aroundtown SA, DIC Asset AG, Fair Value REIT AG, Hamborner REIT AG and TLG Immobilien AG.

Peer Group – German CRE comparables

Company	LC	Price in LC	MC in LC m	SO in LC m	FFO yield 19e	FFO yield 20e	FFO yield 21e	Dividend yield 19e	Dividend yield 20e	Dividend yield 21e	NAVPS 19e	NAVPS 20e	NAVPS 21e	NAV in m 19e	NAV in m 20e	NAV in m 21e
alstria office REIT-AG	EUR	13.98	2,480.3	177.4	4.6%	4.7%	5.0%	3.7%	3.8%	4.0%	15.8	16.4	17.0	2,798	2,908	3,007
Aroundtown SA	EUR	7.34	8,281.5	1,128.6	5.7%	6.3%	6.9%	3.8%	4.4%	4.7%	8.6	9.3	10.3	9,720	10,541	11,670
DIC Asset AG	EUR	9.69	699.8	72.2	10.3%	10.7%	12.5%	5.3%	5.7%	6.2%	15.2	15.2	17.2	1,100	1,098	1,242
Fair Value REIT-AG	EUR	8.20	115.0	14.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hamborner REIT AG	EUR	9.32	743.2	79.7	7.2%	7.6%	7.9%	5.0%	5.1%	5.3%	11.1	11.1	11.3	885	886	900
TLG Immobilien AG	EUR	26.10	2,699.9	103.4	5.3%	5.5%	5.9%	3.7%	3.9%	4.1%	28.2	29.7	31.5	2,916	3,072	3,261
Godewind Immobilien AG	**EUR**	**3.73**	**405.6**	**32.2**	**2.0%**	**5.2%**	**7.1%**	**1.2%**	**3.2%**	**4.3%**	**4.3**	**4.9**	**5.2**	**471**	**527**	**565**

Source: FactSet, Warburg Research

Peer Group – German CRE comparables

Company	LC	Price in LC	MC in LC m	EV in LC m	FFOPS growth 20e	FFOPS growth 21e	DPS growth 20e	DPS growth 21e	NAV premium / discount 19e	NAV premium / discount 20e	NAV premium / discount 21e	NAVPS growth 20e	NAVPS growth 21e
alstria office REIT-AG	EUR	13.98	2480.29	177.42	1.5%	6.5%	1.9%	5.9%	-11.4%	-14.7%	-17.5%	3.9%	3.4%
Aroundtown SA	EUR	7.34	8281.52	1128.58	9.5%	10.3%	14.3%	6.7%	-14.8%	-21.4%	-29.0%	8.4%	10.7%
DIC Asset AG	EUR	9.69	699.75	72.21	3.5%	16.9%	n.a.	9.1%	-36.4%	-36.3%	-43.7%	-0.2%	13.2%
Fair Value REIT-AG	EUR	8.20	115.04	14.11	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hamborner REIT AG	EUR	9.32	743.21	79.72	6.0%	4.0%	2.1%	2.1%	-16.0%	-16.1%	-17.4%	0.0%	1.6%
TLG Immobilien AG	EUR	26.10	2699.94	103.44	3.6%	6.5%	6.2%	4.9%	-7.4%	-12.1%	-17.2%	5.4%	6.2%
Godewind Immobilien AG	**EUR**	3.73	405.6	32.2	164.7%	36.1%	164.7%	36.1%	-13.9%	-23.0%	-28.2%	11.8%	7.3%

Source: Fact Set, Warburg Research

Weaknesses and risks

Weaknesses:

- The company does not yet have a long track record in active asset management. A significantly higher company valuation will only be possible with successful active asset management in our opinion.
- As the portfolio volume and the number of properties are still low, the portfolio is determined by the operating performance of three larger properties.
- In view of the further growth plans through acquisitions, further capital requirements are to be expected which could lead to dilution.

Risks:

- In view of the demand for office properties, there is strong competition for interesting properties, which could lead to less attractive acquisition prices.
- The risk of significantly rising market interest rates, which would then be reflected in poorer credit terms, appears low, but cannot be ruled out.
- In view of the opportunities it has identified in the office real estate market, management would like to continue to grow. A prolonged weakness of the share price would make it more difficult to achieve potential positive growth through further selective acquisitions.
- A significant economic weakness with a reduction in employment would be likely to dampen demand for office space and thus make it more difficult to reduce vacancies.

Company Background

- Successful cash-box IPO im April 2018
- Rapid, selective development of a focused office real estate portfolio in the Core+ and Value-Add asset categories with a gross asset value (GAV) of ~EUR 830m
- Godewind already ranks among the top five listed real estate companies in Germany with a predominant focus on office properties.
- A well-coordinated and experienced management team plans further value-creating selective growth in the medium term
- CEO holds a significant stake in the company of 12%

Successful IPO in 2018

Net inflow of funds of EUR 365 million in IPO

Godewind Immobilien AG made its stockmarket debut in April 2018. Even though it had not purchased a single property before that, the IPO was nevertheless successful. Altogether, 93.8m shares were placed at a share price of EUR 4. The company had an inflow of liquidity of EUR 375m before costs. The net inflow of funds amounted to EUR 365m and served as the basis for the build-up of the portfolio.

Share buy-back

Share buy-back as a signal to the capital market

After a significant fall in the share price, management decided to conduct a share buy-back in mid-December 2018. In the scope of the programme, 1.5m shares (corresponding to 1.38% of the share capital) were bought back for EUR 4.845m by February 20, 2019. In the buy-back the average price per share was EUR 3.23 and thus 12% below the year-end EPRA-NAV of EUR 3.65. Further share buy-backs are not expected considering the investment now expected in the purchased properties and the targeted operational optimisation of this real estate.

Management & shareholder structure

Executive board

The experienced Executive Board currently consists of **CEO Stavros Efremidis** and **CFO Ralf Struckmeyer**. They are responsible for the management, strategic objectives and corporate functions of Godewind Immobilien AG.

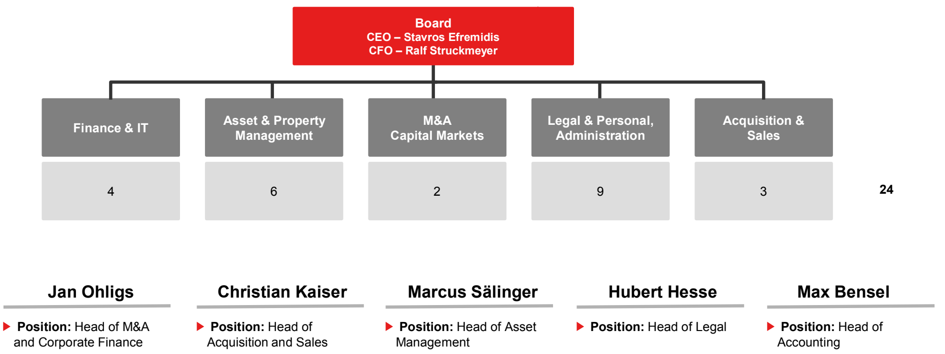
We regard the previous cooperation of the board of directors and other executives in their roles in WCM as an important advantage in the current market environment, as Godewind thus has a team that is well-rehearsed in the operational processes and is also able to act very quickly in negotiations with thrid parties and companies (e.g. in transactions) in our opinion.

- **Stavros Efremidis (CEO)** has almost 30 years of experience in the real estate business in Germany. He was CEO of listed real estate companies for more than 10 years. As CEO of WCM, he impressively built up the company from 2014 onwards and, by selling the company to TLG Immobilien, was able to achieve a significant increase in shareholder value, more than doubling it by 2017. Prior to that, Efremidis was CEO of Kommunale Wohnen AG (KWG) from 2007 to 2013, which he left strategically by selling a majority stake in Conwert (now acquired by Vonovia) and became managing director of Conwert with responsibility for the German business (~30,000 units).

  At Godewind Immobilien AG, Efremidis is responsible for strategy, capital markets, investor relations and M&A. We view his substantial stake of currently approx. 12% in the company as positive, as his objectives do not conflict with the interests of the shareholders.

- **Ralf Struckmeyer (CFO)** has more than 17 years of experience in real estate investment and finance. Already in 2016 and 2017 Struckmeyer worked successfully as CFO with Efremidis at WCM. As Head of M&A and Corporate Finance since the end of 2014, he had already played a key role in building WCM's portfolio there. In total, he was involved in real estate transactions of more than EUR 20bn. In his previous position as Director at Evercore from 2004 to 2015 (formerly Kuna & Co., Corporate Finance), he gained transaction experience particularly in a EUR 4.6bn portfolio transaction in the core asset area.

Management structure of Godewind



Source: Warburg Research

Supervisory board

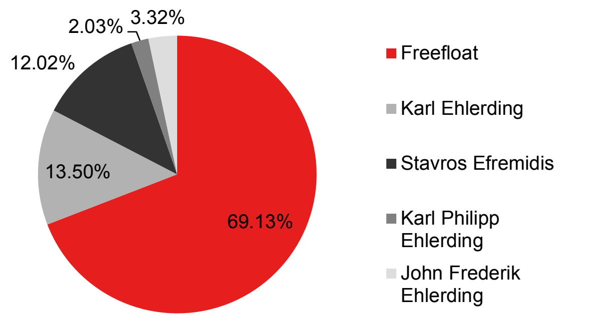
The tasks of the Supervisory Board of Godewind Immobilien AG include the general supervision of management, the appointment or dismissal of members of the Management Board and advising the Management Board on important decisions. The Supervisory Board of Godewind currently consists of three members

- **Dr. Bertrand Malmendier** is Chairman of the Supervisory Board. He has around 20 years of professional experience as a lawyer in Berlin and specialises in commercial law and the real estate sector. He was involved in project developments and transactions of portfolios as well as of individual properties. His experience also includes cross-border transactions in the energy, commodities, infrastructure and construction sectors worldwide.
- **Dr. Roland Folz**, has more than 25 years of experience in the banking and financial sector. He gained expertise in the areas of financial services, mobility and telecommunications. He currently holds the position of Chairman of the Management Board of solarisBank AG. He has held various CFO and senior management positions at Deutsche Bank AG. Prior to this, he held management positions at Deutsche Telekom AG, Daimler Chrysler Bank AG and Direkt Anlage Bank AG. He also held various supervisory board positions at Deutsche Asset- und Wealth Management Investment GmbH, Nürnberger Beteiligungs-AG, Fürst Fugger Privatbank AG and Studio Babelsberg AG.
- **Karl Ehlerding** has held various management and supervisory board positions in German listed and private companies since 1970. Mr. Ehlerding is a member of the supervisory boards of Maternus-Kliniken AG and Elbstein AG. As a major shareholder of WCM AG, the Ehlerding family paved the way for the commercial real estate portfolio holder to develop into one of the leading commercial real estate companies in Germany. The company was taken over by TLG Immobilien AG in 2017 for around EUR 450m.

Shareholder structure

The Ehlerding family currently holds around 19% of the company, making it the largest block of shareholders. Management holds a substantial 12% stake through CEO Stavros Efremidis. We see this positively due to the rather common interest orientation of investors and management, namely the creation of value for the company.

Shareholder structure



Source: Warburg Research

Godewind Immobilien AG is currently listed in the Prime Standard of the stock exchanges in Munich, Frankfurt, Hamburg and Stuttgart.

The free float is 69% with a free float market capitalisation (FFMC) of around EUR 300 million. In view of the FFMC and the currently still low liquidity, the company is currently not included in any index. Godewind is currently ranked 168 and 188 respectively in the German stock exchange ranking in terms of market capitalisation and stock exchange turnover.

In our opinion, the planned medium-term portfolio growth to EUR 3 billion (quadrupling) will be accompanied by a higher market capitalisation due to necessary growth-related equity measures and the value-creating operational improvements in the existing portfolio. This should also further improve the liquidity of the share, as we assume that the existing core shareholders will have to allow for a partial dilution of their holdings be diluted in some cases.

NAV

	Rent multiple 2021						
	20.0	**20.5**	**21.0**	**21.5**	**22.0**	**22.5**	**23.0**
Investment Properties	1,060	1,087	1,113	1,140	1,166	1,193	1,219
Cash	43	43	43	43	43	43	43
Other assets	23	23	23	23	23	23	23
Total assets	1,126	1,152	1,179	1,205	1,232	1,258	1,285
- Liabilities	607	607	607	607	607	607	607
- Minority interest	26	26	26	26	26	26	26
NAV (book value)	492	519	545	572	598	625	651
NAV per share	4.54	4.78	5.03	5.27	5.51	5.76	6.00
Adjustments (Derivatives/Deferred taxes)	22	22	22	22	22	22	22
EPRA NAV	514	540	567	593	620	646	673
EPRA NAV je Aktie	**4.74**	**4.98**	**5.22**	**5.47**	**5.71**	**5.96**	**6.20**
Fair value (12 months)				**5.07**			

Peer Group

Company	LC	Price in LC	MC in LC m	SO in LC m	FFO yield 19e	FFO yield 20e	FFO yield 21e	Dividend yield 19e	Dividend yield 20e	Dividend yield 21e	NAVPS 19e	NAVPS 20e	NAVPS 21e	NAV in m 19e	NAV in m 20e	NAV in m 21e
alstria office REIT-AG	EUR	13.98	2,480.3	177.4	4.6%	4.7%	5.0%	3.7%	3.8%	4.0%	15.8	16.4	17.0	2,798	2,908	3,007
Aroundtown SA	EUR	7.34	8,281.5	1,128.6	5.7%	6.3%	6.9%	3.8%	4.4%	4.7%	8.6	9.3	10.3	9,720	10,541	11,670
DIC Asset AG	EUR	9.69	699.8	72.2	10.3%	10.7%	12.5%	5.3%	5.7%	6.2%	15.2	15.2	17.2	1,100	1,098	1,242
Fair Value REIT-AG	EUR	8.20	115.0	14.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hamborner REIT AG	EUR	9.32	743.2	79.7	7.2%	7.6%	7.9%	5.0%	5.1%	5.3%	11.1	11.1	11.3	885	886	900
TLG Immobilien AG	EUR	26.10	2,699.9	103.4	5.3%	5.5%	5.9%	3.7%	3.9%	4.1%	28.2	29.7	31.5	2,916	3,072	3,261
Godewind Immobilien AG	**EUR**	**3.73**	**405.6**	**32.2**	**2.0%**	**5.2%**	**7.1%**	**1.2%**	**3.2%**	**4.3%**	**4.3**	**4.9**	**5.2**	**471**	**527**	**565**

- …

Valuation

	2017	2018	2019e	2020e	2021e
P / E	n.a.	32.4 x	5.1 x	6.6 x	7.8 x
P / NAVPS	n.a.	1.0 x	0.8 x	0.8 x	0.7 x
Price / Book	n.a.	0.8 x	0.8 x	0.8 x	0.7 x
P / FFOPS I	n.a.	n.a.	50.2 x	19.0 x	13.9 x
FFO I-Yield	n.a.	-1.2 %	2.0 %	5.3 %	7.2 %
ROE	n.a.	4.6 %	18.2 %	12.1 %	9.3 %
Equity Ratio	95 %	79 %	47 %	49 %	49 %

Consolidated profit and loss

In EUR m	2017	2018	2019e	2020e	2021e
Total Sales	**0**	**1**	**38**	**53**	**58**
Rental income	**0**	**1**	**28**	**44**	**48**
Change yoy	n.a.	n.a.	4980.3 %	56.9 %	9.2 %
Property operating costs	0	0	14	15	15
Property management costs	0	0	0	0	0
Rental profit	0	1	24	38	42
Income from property sales	**0**	**0**	**0**	**0**	**0**
Other revenues	**0**	**0**	**0**	**0**	**0**
Gross profit	**0**	**1**	**24**	**38**	**42**
Administration expenses	1	3	3	3	3
Personnel expenses	0	4	6	6	6
Other operating income/expenses	1	0	-3	-2	-1
EBITDA	**0**	**-7**	**12**	**27**	**32**
Valuation result	0	11	86	51	34
EBITA	**0**	**4**	**98**	**78**	**67**
Goodwill amortisation	0	0	0	0	0
EBIT	**0**	**4**	**98**	**78**	**67**
Interest income	0	0	0	0	0
Interest expenses	0	0	5	7	7
Other financial income (loss)	0	0	0	0	0
Financial result	**0**	**0**	**-5**	**-7**	**-7**
EBT	**0**	**4**	**93**	**71**	**59**
Margin	*n.a.*	*511.2 %*	*248.3 %*	*134.5 %*	*103.1 %*
Total taxes	0	6	-11	-7	-5
Net income before minorities	**0**	**10**	**82**	**64**	**54**
Minority interest	0	-1	-3	-3	-3
Net income	**0**	**9**	**79**	**61**	**51**
Number of shares, average	15	87	109	109	109
FFO (II)	**n.a.**	**-4**	**8**	**21**	**29**
FFO I-margin	*n.a.*	*-687.8 %*	*28.5 %*	*48.0 %*	*59.8 %*
FFOPS I	**n.a.**	**-0.04**	**0.07**	**0.19**	**0.26**
EPS	**-0.02**	**0.11**	**0.72**	**0.56**	**0.47**
EPS adj.	-0.02	0.11	0.72	0.56	0.47

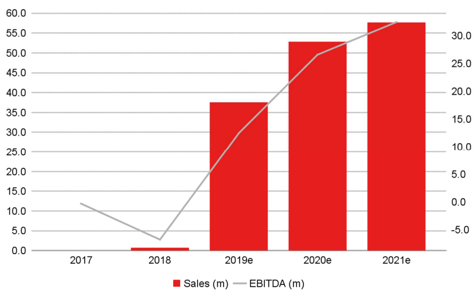
*Adjustments made for:

Guidance: 2019: Net rental inc.&EPRA-NAV>>2018, Net-LTV 45-55%, FFO mid-single-digit m fi.

Financial Ratios

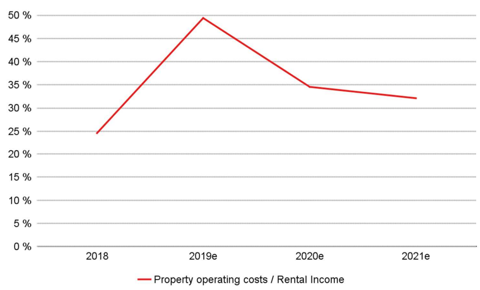
	2017	2018	2019e	2020e	2021e
Property operating costs / Rental Income	n.a.	24.6 %	49.4 %	34.6 %	32.1 %
Operating Leverage (Real Estate)	n.a.	n.a.	0.0 x	4.7 x	14.7 x
Rental profit / interest expenses	0.0 x	2.2 x	4.9 x	5.4 x	5.8 x

Sales, EBITDA
in EUR m



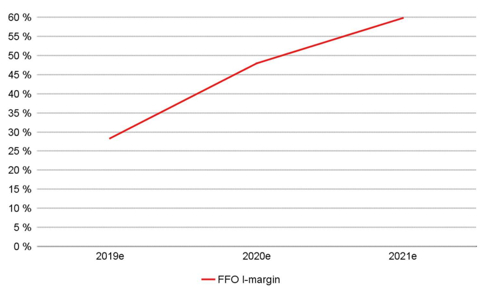
Source: Warburg Research

Rental expense ratio
in %



Source:

FFO margin



Source: Warburg Research

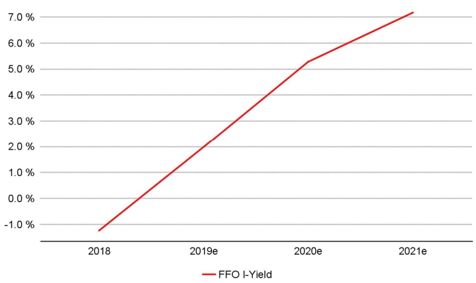
Consolidated balance sheet

In EUR m	2017	2018	2019e	2020e	2021e
Assets					
Goodwill and other intangible assets	0	0	6	6	6
thereof other intangible assets	0	0	0	0	0
thereof Goodwill	0	0	0	0	0
Property, plant and equipment	0	0	2	2	2
Investment properties	0	301	998	1,079	1,133
Financial assets	0	0	0	0	0
Other long-term assets	0	42	16	26	32
Fixed assets	**0**	**343**	**1,021**	**1,112**	**1,173**
Inventories	0	0	0	0	0
Accounts receivable	0	0	0	0	0
Liquid assets	19	158	16	11	23
Other short-term assets	0	2	2	2	2
Current assets	**19**	**160**	**18**	**13**	**26**
Total Assets	**19**	**503**	**1,039**	**1,125**	**1,199**
Liabilities and shareholders' equity					
Subscribed capital	15	109	109	109	109
Capital reserve	0	259	259	259	259
Retained earnings	3	25	104	160	198
Other equity components	0	0	0	0	0
Shareholders' equity	**18**	**393**	**471**	**527**	**565**
Minority interest	0	4	22	25	26
Provisions	1	0	0	0	0
thereof provisions for pensions and similar obligations	n.a.	n.a.	n.a.	n.a.	n.a.
Financial liabilities (total)	0	88	474	476	488
thereof short-term financial liabilities	0	0	22	112	60
Accounts payable	0	5	2	2	2
Other liabilities	0	18	92	120	143
Liabilities	**1**	**110**	**568**	**598**	**634**
Total liabilities and shareholders' equity	**19**	**503**	**1,039**	**1,125**	**1,199**

Financial Ratios

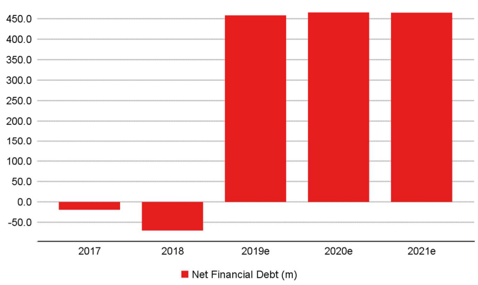
	2017	2018	2019e	2020e	2021e
Return on Capital					
ROA	n.a.	3.6 %	10.2 %	5.6 %	4.4 %
ROE	n.a.	4.6 %	18.2 %	12.1 %	9.3 %
FFO I / Equity	n.a.	0.0 x	0.0 x	0.0 x	0.0 x
Solvency					
Net Debt	n.a.	n.a.	n.a.	n.a.	n.a.
Net Financial Debt	-19	-70	458	465	465
Net Fin. Debt / EBITDA	n.a.	n.a.	36.7 x	17.5 x	14.3 x
LTV	n.a.	-19.7 %	47.7 %	44.8 %	42.6 %
Equity Ratio	95.1 %	79.0 %	47.4 %	49.0 %	49.3 %

FFO-Yield



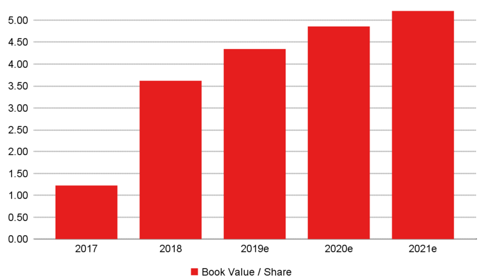
Source: Warburg Research

Net financial debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

Consolidated cash flow statement

In EUR m	2017	2018	2019e	2020e	2021e
Net cash provided by operating activities [1]	**0**	**-2**	**10**	**21**	**29**
Net cash provided by investing activities [2]	**6**	**-223**	**-564**	**-28**	**-28**
Net cash provided by financing activities [3]	**19**	**158**	**16**	**11**	**23**

Financial Ratios

	2017	2018	2019e	2020e	2021e
Cash Flow					
FFO (II)	n.a.	-4	8	21	29
FFOPS I	n.a.	-0.04	0.07	0.19	0.26
FFOPS I diluted	n.a.	-0.04	0.07	0.19	0.26
FFO I-Yield	n.a.	-1.2 %	2.0 %	5.3 %	7.2 %
FFO I-margin	n.a.	-687.8 %	28.5 %	48.0 %	59.8 %
Interest Paid / Avg. Debt	n.a.	0.6 %	1.7 %	1.5 %	1.5 %
Management of Funds					
Maint. Capex / Net rental income	n.a.	n.a.	n.a.	n.a.	n.a.
Capex/Investment Properties	n.a.	n.a.	n.a.	n.a.	n.a.
Avg. Working Capital / Sales	n.a.	-327.0 %	-8.4 %	-3.3 %	-3.1 %
Dividend Payout Ratio	0.0 %	0.0 %	5.8 %	19.8 %	31.6 %

LEGAL DISCLAIMER

COPYRIGHT NOTICE

DISCLOSURE ACCORDING TO §85 OF THE GERMAN SECURITIES TRADING ACT (WPHG), MAR AND MIFID II INCL. COMMISSION DELEGATED REGULATION (EU) 2016/958 AND (EU) 2017/565

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model (see also http://www.mmwarburg.de/disclaimer/disclaimer.htm#Valuation). The result of this fundamental valuation is modified to take into consideration the analyst’s assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company’s products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

Additional internal and organisational arrangements to prevent or to deal with conflicts of interest have been implemented. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg-Group.

All prices of financial instruments given in this investment recommendation are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin. M.M.Warburg & CO (AG & Co.) KGaA is additionally subject to the supervision of the European Central Bank (ECB).

SOURCES

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

Additional information for clients in the United States

1. This research report (the "Report") is a product of Warburg Research GmbH, Germany, a fully owned subsidiary of M.M.Warburg & CO (AG & Co.) KGaA, Germany (in the following collectively "Warburg"). Warburg is the employer of the research analyst(s), who have prepared the Report. The research analyst(s) reside outside the United States and are not associated persons of any U.S. regulated broker-dealer and therefore are not subject to the supervision of any U.S. regulated broker-dealer.

2. The Report is provided in the United States for distribution solely to "major U.S. institutional investors" under Rule 15a-6 of the U.S. Securities Exchange Act of 1934.

3. Any recipient of the Report should effect transactions in the securities discussed in the Report only through J.P.P. Euro-Securities, Inc., Delaware.

4. J.P.P. Euro-Securities, Inc. does not accept or receive any compensation of any kind for the dissemination of the research reports from Warburg.

Reference in accordance with section 85 of the German Securities Trading Act (WpHG) and Art. 20 MAR regarding possible conflicts of interest with companies analysed:

-1-	Warburg Research, or an affiliated company, or an employee of one of these companies responsible for the compilation of the research, hold a **share of more than 5%** of the equity capital of the analysed company.
-2-	Warburg Research, or an affiliated company, within the last twelve months participated in the **management of a consortium** for an issue in the course of a public offering of such financial instruments, which are, or the issuer of which is, the subject of the investment recommendation.
-3-	Companies affiliated with Warburg Research **manage financial instruments**, which are, or the issuers of which are, subject of the investment recommendation, in a market based on the provision of buy or sell contracts.
-4-	MMWB, Warburg Research, or an affiliated company, reached an agreement with the issuer to provide **investment banking and/or investment services** and the relevant agreement was in force in the last 12 months or there arose for this period, based on the relevant agreement, the obligation to provide or to receive a service or compensation - provided that this disclosure does not result in the disclosure of confidential business information.
-5-	The company compiling the analysis or an affiliated company had reached an **agreement on the compilation of the investment recommendation** with the analysed company.
-6-	Companies affiliated with Warburg Research **regularly trade** financial instruments of the analysed company or derivatives of these.
-6a-	Warburg Research, or an affiliated company, holds a **net long position of more than 0.5%** of the total issued share capital of the analysed company.
-6b-	Warburg Research, or an affiliated company, holds a **net short position of more than 0.5%** of the total issued share capital of the analysed company.
-6c-	The issuer holds shares of more than 5% of the total issued capital of Warburg Research or an affiliated company.
-7-	The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

This report has been made accessible to the company analysed.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Godewind Immobilien	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A2G8XX3.htm

INVESTMENT RECOMMENDATION

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

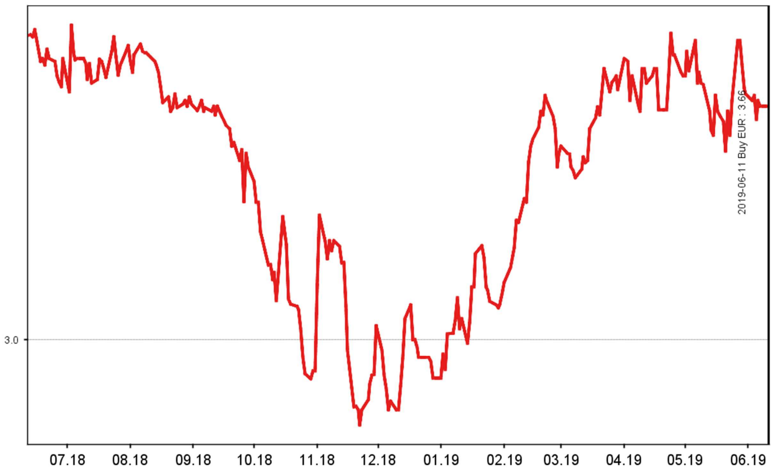
Rating	Number of stocks	% of Universe
Buy	122	62
Hold	66	33
Sell	4	2
Rating suspended	6	3
Total	**198**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	32	82
Hold	5	13
Sell	0	0
Rating suspended	2	5
Total	**39**	**100**

PRICE AND RATING HISTORY GODEWIND IMMOBILIEN AS OF 11.06.2019



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Matthias Rode Head of Equities	+49 40 3282-2678 mrode@mmwarburg.com		

RESEARCH

Michael Heider Head of Research	+49 40 309537-280 mheider@warburg-research.com	**Andreas Pläsier** Banks, Financial Services	+49 40 309537-246 aplaesier@warburg-research.com
Henner Rüschmeier Head of Research	+49 40 309537-270 hrueschmeier@warburg-research.com	**Franz Schall** Automobiles, Car Suppliers	+40 40 309537-230 fschall@warburg-research.com
Jan Bauer Renewables	+40 40 309537-155 jbauer@warburg-research.com	**Malte Schaumann** Technology	+49 40 309537-170 mschaumann@warburg-research.com
Jonas Blum Telco, Construction	+40 40 309537-240 jblum@warburg-research.com	**Patrick Schmidt** Leisure, Internet	+49 40 309537-125 pschmidt@warburg-research.com
Christian Cohrs Industrials & Transportation	+49 40 309537-175 ccohrs@warburg-research.com	**Oliver Schwarz** Chemicals, Agriculture	+49 40 309537-250 oschwarz@warburg-research.com
Felix Ellmann Software, IT	+49 40 309537-120 fellmann@warburg-research.com	**Cansu Tatar** Cap. Goods, Engineering	+49 40 309537-248 ctatar@warburg-research.com
Jörg Philipp Frey Retail, Consumer Goods	+49 40 309537-258 jfrey@warburg-research.com	**Marc-René Tonn** Automobiles, Car Suppliers	+49 40 309537-259 mtonn@warburg-research.com
Marius Fuhrberg Financial Services	+49 40 309537-185 mfuhrberg@warburg-research.com	**Robert-Jan van der Horst** Technology	+49 40 309537-290 rvanderhorst@warburg-research.com
Ulrich Huwald Health Care, Pharma	+49 40 309537-255 uhuwald@warburg-research.com	**Andreas Wolf** Software, IT	+49 40 309537-140 awolf@warburg-research.com
Philipp Kaiser Real Estate	+49 40 309537-260 pkaiser@warburg-research.com		
Thilo Kleibauer Retail, Consumer Goods	+49 40 309537-257 tkleibauer@warburg-research.com		
Eggert Kuls Engineering	+49 40 309537-256 ekuls@warburg-research.com		

INSTITUTIONAL EQUITY SALES

Marc Niemann Head of Equity Sales, Germany	+49 40 3282-2660 mniemann@mmwarburg.com	**Michael Kriszun** United Kingdom	+49 40 3282-2695 mkriszun@mmwarburg.com
Klaus Schilling Head of Equity Sales, Germany	+49 40 3282-2664 kschilling@mmwarburg.com	**Sanjay Oberoi** United Kingdom, USA	+49 69 5050-7410 soberoi@mmwarburg.com
Tim Beckmann United Kingdom	+49 40 3282-2665 tbeckmann@mmwarburg.com	**Simon Pallhuber** Switzerland, France	+49 69 5050-7414 spallhuber@mmwarburg.com
Lyubka Bogdanova Ireland, Poland, Australia	+49 69 5050-7411 lbogdanova@mmwarburg.com		
Jens Buchmüller Scandinavia, Austria	+49 69 5050-7415 jbuchmueller@mmwarburg.com		
Alexander Eschweiler Germany	+49 40 3282-2669 aeschweiler@mmwarburg.com	**Julia Fesenberg** Roadshow/Marketing	+49 69 5050-7417 jfesenberg@mmwarburg.com
Matthias Fritsch United Kingdom	+49 40 3282-2696 mfritsch@mmwarburg.com	**Juliane Willenbruch** Roadshow/Marketing	+49 40 3282-2694 jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merckel Head of Sales Trading	+49 40 3282-2634 omerckel@mmwarburg.com	**Bastian Quast** Sales Trading	+49 40 3282-2701 bquast@mmwarburg.com
Elyaz Dust Sales Trading	+49 40 3282-2702 edust@mmwarburg.com	**Jörg Treptow** Sales Trading	+49 40 3282-2658 jtreptow@mmwarburg.com
Michael Ilgenstein Sales Trading	+49 40 3282-2700 milgenstein@mmwarburg.com	**Jan Walter** Sales Trading	+49 40 3282-2662 jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude Macro Research	+49 40 3282-2572 cklude@mmwarburg.com	**Dr. Christian Jasperneite** Investment Strategy	+49 40 3282-2439 cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research	research.mmwarburg.com/en/index.html	Thomson Reuters	www.thomsonreuters.com
Bloomberg	MMWA GO	Capital IQ	www.capitaliq.com
FactSet	www.factset.com		

For access please contact:

Andrea Schaper Sales Assistance	+49 40 3282-2632 aschaper@mmwarburg.com	**Kerstin Muthig** Sales Assistance	+49 40 3282-2703 kmuthig@mmwarburg.com