ANNUAL COMPANY REPORT 2019

Real Estate Portfolio Performance & Financial Development

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alstria Annual Company Report 2019

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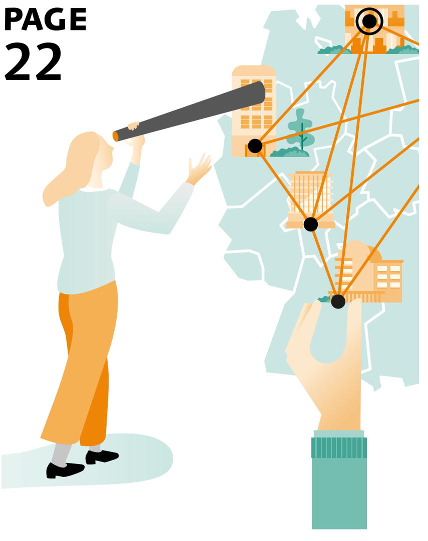

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AT A GLANCE

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Hamburger Str. 1, Hamburg
Development project 2012–2013
Yield on cost: 7.4%

OUR STRATEGIC CORNERSTONES

WHO WE ARE

alstria office REIT-AG is Germany's leading office real estate company. As of December 31, 2019, we own and manage a portfolio of 116 buildings with a lettable area of around 1.5 million m² and a total value of EUR 4.5 billion. Our properties are located in the large and liquid German office markets of Hamburg, Düsseldorf, Frankfurt, Stuttgart, and Berlin, where we are represented by local operating offices. As a fully integrated company, oriented toward the long term, alstria's 165 employees actively manage our buildings throughout their entire life cycle.

▶ KEY NUMBERS

WHAT WE DO

Our corporate strategy is based on three pillars:

Letting real estate
Leasing our assets enables us to generate income that forms the basis of our ability to pay out attractive dividends over the long term.

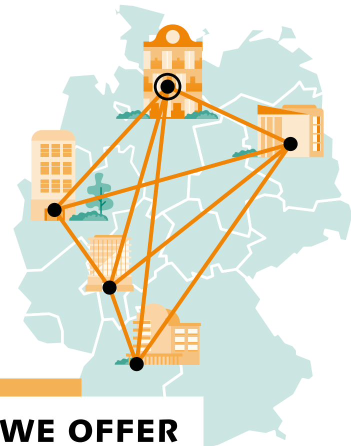
▶ LETTING

Exploiting value creation potential
We increase rental income and property values by making substantial and steady investments in our portfolio.

▶ CAPEX

Capital allocation
Depending on our perception of the real estate cycle, we buy or sell properties to continuously optimize the risk return profile of the portfolio.

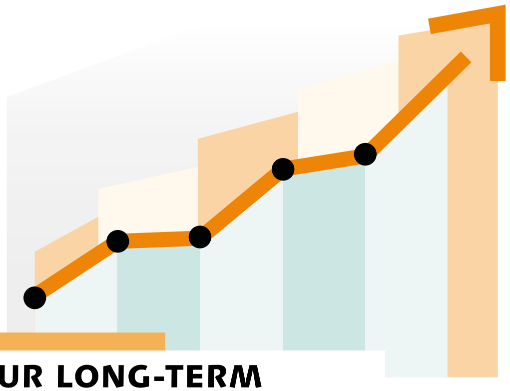
▶ TRANSACTION



WHAT WE OFFER

Through our local presence, we offer our tenants modern and efficient office space, as well as comprehensive local services. Our company's listing on the German stock exchange gives our shareholders access to a first-class, professionally and sustainably managed portfolio of office properties in the most attractive cities of Europe's strongest economy. To our employees, we offer secure and attractive jobs, on the basis of our sustainable strategy.

▶ SHARE



OUR LONG-TERM PORTFOLIO STRATEGY

alstria pursues a total return business, and as such, our balance sheet will shrink or grow depending on the arbitrage that exists between pricing of real estate in the direct market and the public market. Our long-term goal is to grow the company across our markets to a portfolio value of around EUR 6.0 billion. In 2019, the private market priced real estate much more aggressively than in the public markets. We therefore saw limited opportunity to buy and more opportunity to sell and de-risk the portfolio. We invest the proceeds from our disposals into quality-enhancing measures within our own portfolio, which offers higher yields than any acquisition in the market.

▶ PORTFOLIO OVERVIEW

OUR LONG-TERM FINANCING STRATEGY

We believe that in the current volatile macro-environment, maintaining a low leverage and a strong balance sheet is of paramount importance. The current net LTV stands at 27.1 % and represents the lowest level in the company's history. Our intention is to keep the LTV level of the company at or around 35 % across a full real estate cycle.

▶ FINANCIAL PERFORMANCE

OUR LONG-TERM ACHIEVEMENTS

Our three-pillar strategy has generated an average unlevered cash return of 7.4 % per annum for the EUR 1.5 billion of assets that we have acquired, managed, and sold back to the market since the company was founded 13 years ago. We intend to stick to the strict discipline that has enabled us to achieve this strong track record in the past.

▶ UIRR TABLE

MANAGEMENT LETTER

Dear ladies and gentlemen, shareholders, business partners, and tenants

In 2010, alstria was the first German real estate company to publish a sustainability report. In 2013, three years prior to the signature of the Paris Agreement, alstria was one of a handful of European real estate companies to sign the RE100 pledge[1], in which we committed to procure 100 % of our electrical energy from renewable sources (we fulfilled this pledge in 2019). All in all, alstria has been able to reduce its CO_2 footprint[2] for scopes 1 to 3 by 42.5 % since 2013 (or by 52,112 tCO_2e per year). We have been acutely aware of the 'embodied carbon' in real estate construction.

In October 2009, we publicly[3] stated for the first time our view that the most sustainable building is 'the building that was not built.' Our stated policy and approach to real estate is to stay away from green field development and focus on improving the existing stock. More importantly, we have been able to achieve all of the above while still meeting our financial returns. We have reviewed our procurement policy, incorporated the need for sustainable building upgrades in our underwriting, and used every other lever at our disposal to reach both our financial and our sustainability goals. This journey is not over and is now deeply rooted in the culture of alstria.

As we moved forward, we started asking ourselves if and how we could do more and accelerate the path we were taking to reduce our carbon footprint. Now that we have put tools in place to measure and compare our properties, we can identify the underperformers and the reasons for their underperformance. If we were to decide to invest in improving the footprint of these lagging properties now, we could start doing better even faster. There is, however, a catch. Most of these investments, while yielding positive results from a carbon footprint perspective, would not meet our financial hurdles. In other words, most of these investments would cost the company.

We have detailed in our introduction to alstria's latest sustainability report[4] why these investments would not yield a positive return to alstria and why it is preferable (from a financial point of view) not to pursue them. In order to reach this conclusion, we have investigated them, applying the same diligent approach that we apply to financial investments. The only difference is that we have substituted CO_2 return for financial return. What we have tried to do is identify projects that would yield the best CO_2 outcomes for the money spent. Rather than looking at return on investment, we looked at CO_2 saved per Euro invested. How much would our marginal cost be for suppressing an additional ton of CO_2?

We looked at a variety of different projects, but the numbers we were getting out of this approach were underwhelming. The best projects we had would cost between EUR 25,000 and 30,000 per annual tCO_2e saved and have an average life cycle of 25 years. Die-hard climate activists argue that the right annual cost for a ton of carbon should be between EUR 200 and 250. We were cruising 4 to 6 times higher and 20 to 30 times higher than current CO_2 pricing (around EUR 25 per tCO_2e). We paused and started looking around to figure out what we were missing.

[1] For more about RE100 please see www.there100.org/
[2] Market based.
[3] www.alstria.blogspot.com/2009/10/two-fridge-syndrome.html
[4] www.alstria.com/sustainability/

We found a valuable source of information in various newly released 'Green Bond Impact' reports, which financial institutions with green bonds outstanding started to publish. These reports published the Euro amount invested through green bonds in real estate assets as well as the annual CO_2 impact. We could therefore benchmark our own numbers.

Green buildings

	Invested amount (EUR m)	Avoided CO_2 per year (tCO_2e)	Cost per avoided tCO_2e/year (EUR)
ING	1,096.2	23,027	47,603
SEB	88.4	309	286,073
KBC	299.0	4,893	61,108
Raiffeisen	630.0	12,992	48,491
Nordea	202.0	2,500	80,800
Berlin hypo	1,806.0	116,000	15,569
Westpac	567.9	3,743	151,715
Total	**4,689.5**	**163,464**	**28,688**

Renewable

	Invested amount (EUR m)	Avoided CO_2 per year (tCO_2e)	Cost per avoided tCO_2e/year (EUR)
ING	3,816.2	4,126,160	925
SEB	184.1	146,291	1,259
KBC	201.0	40,066	5,017
Nordea	245.0	445,600	550
Westpac	832.8	10,972,870	76
Commerzbank	362.3	410,401	883
Total	**5,641.4**	**16,141,388**	**350**

Source: www.green-dividend.com

Much to our surprise, these reports confirmed our own experience. The EUR 4.7 billion we identified that were invested in real estate had an average yield of EUR 29,000 per annual tCO_2e saved, with the best yield being EUR 15,000 and the worst as high as EUR 290,000 per annual tCO_2e saved.

While compiling these numbers, we also realized that the same green bond had much stronger CO_2 yields when invested elsewhere. The same pool of financial institutions, using the same green bonds, invested EUR 5.7 billion in renewables at an average yield of EUR 350 per annual tCO_2e saved. The best yield was EUR 76, and the worst was EUR 5,000 per annual tCO_2e saved.

As investment professionals, we can draw only one conclusion looking at these numbers. If fighting climate change is our primary objective, then real estate is the wrong asset class to invest in. The marginal cost of saving a ton of CO_2 seems to be 81 times higher in real estate than in renewable. Considering that the current CO_2 pricing is around EUR 25 per ton, it is likely that we would reach a similar conclusion if comparing real estate with industrial companies or other economic activities.

As the saying goes, the road to hell is paved with good intentions. While we took to heart speeding up the company carbon impact above and beyond what we were doing as part of our day-to-day business, we were limiting our thinking to our own realm. We were ignoring other potential investment opportunities simply because we could not access them. In doing so, we were about to make a very bad capital allocation decision. It does not make it better that this misallocation of capital seems to be happening on a much greater scale in the green bond universe, as demonstrated by the numbers above.

What is the 'Green Dividend'?[1)]

The Green Dividend is born out of the above and the following observations and/or beliefs:

- Any investment that yields positive financial returns and is sustainably beneficial will be undertaken in any case and does not need any additional incentive. As such, we are renovating our assets and improving their environmental footprint, industrial companies are implementing projects to reduce costs and save primary goods, and B2C companies are developing and selling environmentally cleaner products for which consumers are ready to pay more.
- The current pace of change being generated out of market-driven investments is not enough to meet the CO_2 targets of the Paris Agreement. If the situation was otherwise, there would be no need for action.
- Any additional investment beyond economically justifiable projects should be focused on maximizing the impact of capital in terms of CO_2 reduction, to achieve the most efficient results at the lowest capital cost (the 'Efficiency Test').
- While companies can identify the most efficient projects within their portfolios, they might not have access to investment opportunities that meet the Efficiency Test in the wider economy.
- Finally, we believe that in the absence of more decisive government intervention (in a form of more realistic carbon pricing), there needs to be a sense of coordinated action to entice more cooperative behavior between the different economic agents involved.

[1)] For more about the Green Dividend concept, please visit www.green-dividend.com

In theory, a dividend payment by a company signals a lack of profitable investment opportunities and therefore a return of capital to shareholders[1]. The Green Dividend is intended for allowing a company to signal the existence of financially nonviable investment opportunities in the field of climate change and to provide the market with an estimate of the CO_2 yield of such investments. It allows the market to understand a company's marginal cost of saving a ton of CO_2.

Our intention in proposing a Green Dividend is to fill the information gap that is, in our view, blurring most decision-making that requires more than a financial view. Our intention is to provide more clarity to the market about the potential opportunities that exist in the field of climate change mitigation. It is also to use the market (or, more specifically, our shareholders) as a sounding board on what is an efficient CO_2 yield for a company to invest toward achieving.

In practice, we have identified a limited number of investments[2] that the company would not realize if we were to rely solely on financial analysis. The company has no legal or contractual obligation to execute these investments, and they would not pay for the company's current cost of capital.

As is customary at alstria, when we introduce a new idea, we start small in order to assess its validity and viability. In that spirit, we will propose increasing our dividend by one cent (from EUR 0.52 to EUR 0.53 per share) at our next general meeting. This one-cent increase to the dividend will be proposed as our Green Dividend.

Shareholders will have the choice either to vote for getting the additional one cent paid off or to vote against the dividend increase. In the latter case, alstria would use the proceeds (around EUR 1.8 million) to implement climate change mitigation projects for an estimated CO_2 yield of 1 tCO_2e saved per year for every EUR 25,000 invested. The company would report back to the AGM after the successful implementation of the projects and present the actual CO_2 savings achieved.

We believe that climate change is the greatest challenge that we will face in the coming years and are committed to addressing this challenge. It has been pushed to the forefront of every company's and investor's agenda. There seems to be a general understanding that it is unlikely that we will be able to reach the target of the Paris Agreement if we keep going on with a 'business as usual' approach.

As a first step, we are earmarking EUR 1.8 million to accelerate the pace of action of the company in reducing its carbon footprint. We have identified the projects that we could implement and quantified the impact it could have. We will be asking our AGM to take a majority vote that will decide whether the company will pay the Green Dividend to all the shareholders or keep the funds. If shareholders decide to receive the Green Dividend, they will be able to invest the proceeds in a more efficient climate mitigation project. On the other hand, if shareholders ask the company to keep the Green Dividend, they will provide us with a clear mandate to invest outside of our financial norms.

Whatever their decision is, alstria would have contributed around 2 % of its dividend toward climate mitigation issues. Our intention is to fully integrate the Green Dividend in our dividend policy. We are looking forward to our discussions.

Kind regards

Olivier Elamine
Chief Executive Officer (CEO)

Alexander Dexne
Chief Financial Officer (CFO)

[1] This is putting aside for a minute the specifics of REIT regimes.
[2] Please see www.green-dividend.com for a more detailed description of these investments, or pages 62–63 of this report.

PORTFOLIO KEY INFORMATION

Our local offices

Graph 1: Tenant split

Annual rent EUR 208.3 million

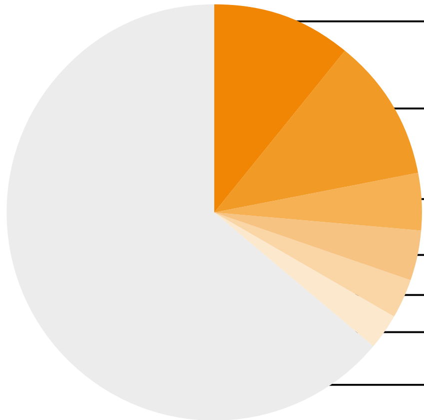


Table 1: Investment regions

	Number of assets	Lettable area (m²)	Investment volume (EUR k)	Contractual rent (EUR k)	Yield (%)
Hamburg	37	385,900	1,429,450	52,382	3.7
Düsseldorf	35	478,500	1,236,490	62,129	5.0
Frankfurt	20	263,600	832,990	44,791	5.4
Stuttgart	10	214,600	535,630	32,180	6.0
Berlin	8	86,200	318,900	10,938	3.4
Others	6	80,400	122,600	5,913	4.8
Total	**116**	**1,509,200**	**4,476,060**	**208,332**	**4.7**

Table 2: Portfolio highlights

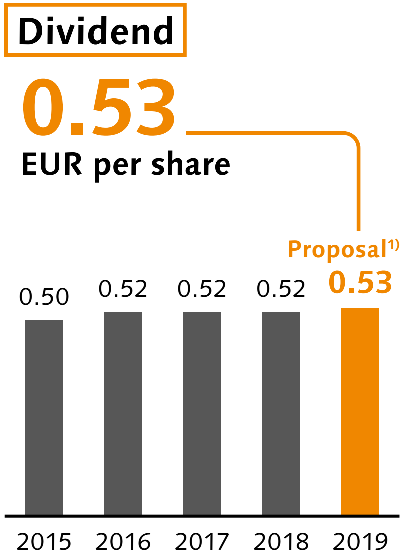
	Dec. 31, 2019	Dec. 31, 2018
Number of properties	**116**	118
Market value (EUR m)	**4,476**	3,985
Contractual rent (EUR m)	**208.3**	197.0
Valuation yield (%)	**4.7**	4.9
Approx. lettable area (m²)	**1,509,200**	1,577,000
EPRA vacancy rate (%)	**8.1**	9.7
Lease length (years)	**6.3**	4.8
Average value per m² (EUR)	**2,966**	2,525
Average rent per m² (EUR per month)	**12.62**	12.25

FINANCIAL KEY INFORMATION

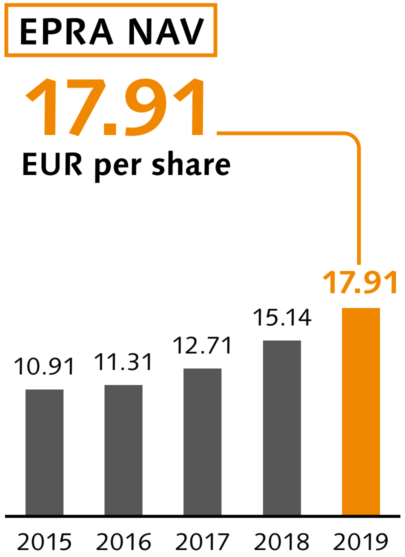
Table 3

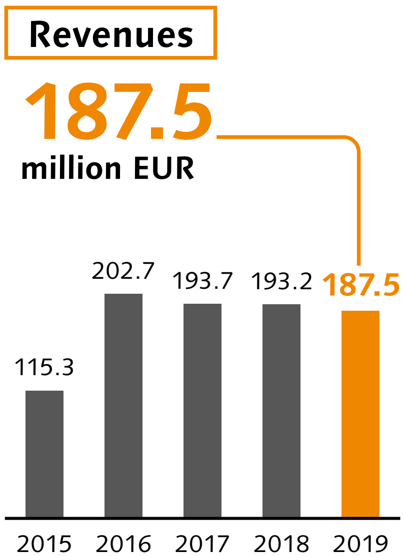
EUR k	2019	2018	2017	2016	2015
Revenues and earnings					
Revenues	187,467	193,193	193,680	202,663	115,337
Net rental income	162,904	169,068	172,911	179,014	102,140
Consolidated profit for the period	581,221	527,414	296,987	176,872	–110,970
FFO (after minorities)	112,571	114,730	113,834	116,410	59,397
Earnings per share (EUR)	3.27	3.02	1.94	1.16	–1.15
FFO per share (EUR)	0.63	0.65	0.74	0.76	0.61
Balance sheet	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2015**
Investment property	4,438,597	3,938,864	3,331,858	2,999,099	3,260,467
Total assets	5,029,328	4,181,252	3,584,069	3,382,633	3,850,580
Equity	3,175,555	2,684,087	1,954,660	1,728,438	1,619,377
Liabilities	1,853,773	1,497,165	1,629,409	1,654,195	2,192,916
NAV per share (EUR)	17.88	15.13	12.70	11.28	10.64
Net LTV (%)	27.1	30.4	40.0	40.9	49.3
G-REIT key figures	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2015**
G-REIT ratio (%)	70.9	67.2	57.1	56.7	49.4
Revenues plus other income from investment properties (%)	100	100	100	100	100
EPRA key figures[1]	**2019**	**2018**	**2017**	**2016**	**2015**
EPRA earnings per share (EUR)	0.61	0.62	0.68	0.57	0.42
EPRA cost ratio A (%)[2]	26.1	23.0	19.6	20.6	26.1
EPRA cost ratio B (%)[3]	21.7	19.0	16.4	16.6	22.1
	Dec. 31, 2019	**Dec. 31, 2018**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2015**
EPRA NAV per share (EUR)	17.91	15.14	12.71	11.31	10.91
EPRA NNNAV per share (EUR)	17.61	14.96	12.45	10.81	10.66
EPRA net initial yield (%)	3.3	4.0	4.6	5.0	5.0
EPRA 'topped-up' initial yield (%)	3.8	4.4	5.0	5.4	5.3
EPRA vacancy rate (%)	8.1	9.7	9.4	9.2	11.2

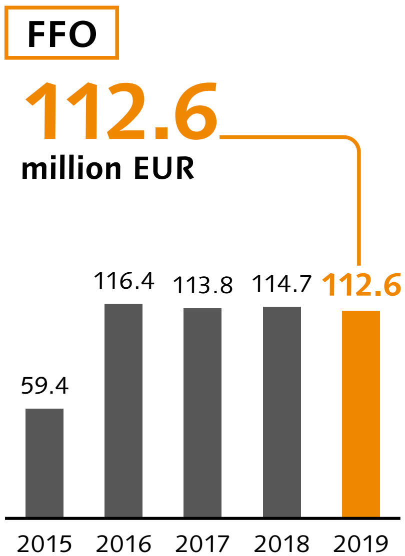
[1] For further information please refer to EPRA Best Practices Recommendations, www.epra.com.
[2] Incl. vacancy costs.
[3] Excl. vacancy costs.



[1] Of which EUR 0.01 Green Dividend.







PORTFOLIO

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Am Wehrhahn 33, Düsseldorf
Development project 2016–2018
Yield on cost: 6.9 %

LETTING

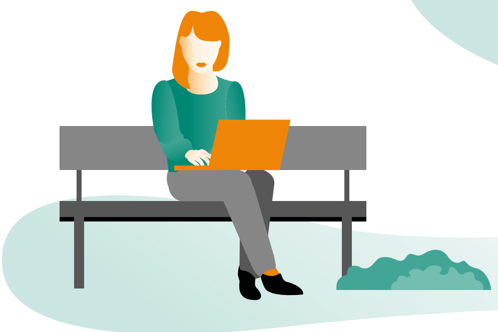
Leasing up office space is the core of our business

alstria invests in five of the main metropolitan cities in Germany. These are cities with a predicted positive demographic trend for the foreseeable future. These cities offer young, qualified people attractive and well-paid jobs, as well as a diverse cultural environment and leisure activities. German corporations are in competition to attract these talents in a time of low unemployment. It has become clear that the office space that a company can offer to its employees is a key competitive advantage in the corporation race for talents. As such demand for attractive, modern office space has remained on a very strong footing in 2019 and alstria has been positioning itself to make the best out of this unique environment.

In 2019, we achieved the highest leasing volume in the company's history, with 197,600 m² of new leases and 171,300 m² of lease extensions. This is a unique testimony to the strength of our portfolio and the ability of the company to create spaces that meet modern corporate demands. Understanding client needs is the basis for a successful leasing strategy and this in turn is the basis of our long-term corporate success.

ALSTRIA'S AVERAGE NEW LEASING CONTRACT

Annual rent: EUR 254,000
Size: 1,300 m²
WAULT: 11 years
Rent per m²/month: EUR 16.20



LEASES

New leases

2019 was a record year in terms of leasing for our company. The signature of our two largest new contracts took place in our development portfolio. It enabled us to increase the pre-leasing rate in this sub-portfolio to 70% and to increase the annual contractual rent to EUR 26.0 million. At 'Solmsstr. 27–37' (Frankfurt) we let 30,900 m² and at 'Gustav-Nachtigal-Str. 3&5' (Wiesbaden) a total of 26,000 m², both to public tenants and thus securing long-term cash flows. Further substantial leasings were made, particularly in the properties 'Am Seestern 1' (Düsseldorf), 'Heerdter Lohweg 35' (Düsseldorf) and 'T-Online-Allee 1' (Darmstadt). Larger lease extensions were signed at 'Alfredstr. 236' (Essen) and 'Vaihinger Str. 131' (Stuttgart).

Table 4: Main new leases in 2019 (> 1,500 m²)

Adress	City	Lettable area (m²)	Lease start	Net rent p.a. (EUR k)	Net rent per m² (EUR)[1]	Lease length (years)	Rent free (in % of lease length)
Solmsstr. 27–37	Frankfurt	30,900	July 01, 2021	6,081	16.50	20.0	1.7
Gustav-Nachtigal-Str. 3&5	Wiesbaden	26,000[2]	Sept. 01, 2022	8,714	28.00	15.0	0.0
Am Seestern 1	Düsseldorf	15,000	Oct. 01, 2020	3,338	16.59	10.0	1.7
Heerdter Lohweg 35	Düsseldorf	13,500	May 01, 2020	1,894	11.70	12.0	7.6
T-Online-Allee 1	Darmstadt	13,300	May 01, 2020	2,242	12.00	5.0	5.0
Georg-Glock-Str. 18	Düsseldorf	6,500	May 01, 2020	1,613	21.50	12.0	2.8
Rotebühlstr. 98–100	Stuttgart	6,300	Oct. 01, 2021	1,627	19.95	15.0	1.7
Gustav-Nachtigal-Str. 5	Wiesbaden	5,400	June 01, 2019	1,415	20.00	1.6	0.0
Kanzlerstr. 8	Düsseldorf	5,000	Mar. 01, 2020	865	13.61	10.0	5.2
Platz der Einheit 1	Frankfurt	4,200	July 01, 2019	1,100	21.00	3.0	8.3
Platz der Einheit 1	Frankfurt	2,900	July 01, 2019	850	24.00	10.0	5.8
Amsinckstr. 28	Hamburg	2,900	May 01, 2020	524	14.10	5.0	0.0
Amsinckstr. 28	Hamburg	2,700	July 01, 2020	529	16.50	10.0	0.0
Schinkestr. 20	Berlin	2,400	Jan. 01, 2020	444	21.60	5.0	0.0
Amsinckstr. 34	Hamburg	2,200	Sept. 01, 2019	424	14.75	5.0	1.7
Maarweg 165	Cologne	2,000	Jan. 01, 2020	364	14.55	10.0	3.3
Pempelfurtstr. 1	Ratingen	1,700	Apr. 01, 2019	179	7.50	10.0	0.0
Epplestr. 225	Stuttgart	1,700	July 01, 2020	370	16.00	5.0	0.0
Süderstr. 23	Hamburg	1,600	Oct. 01, 2019	294	15.30	10.0	2.5
New leases > 1,500 m²		**146,100**					
Others		**51,500**					
Total		**197,600**					

[1] Disregarding parking, storage and other suplementary spaces.
[2] Lease start for 18,400 m² on Sept. 1, 2021 and for 7,600 m² on Sept. 1, 2022.

Leasing outlook

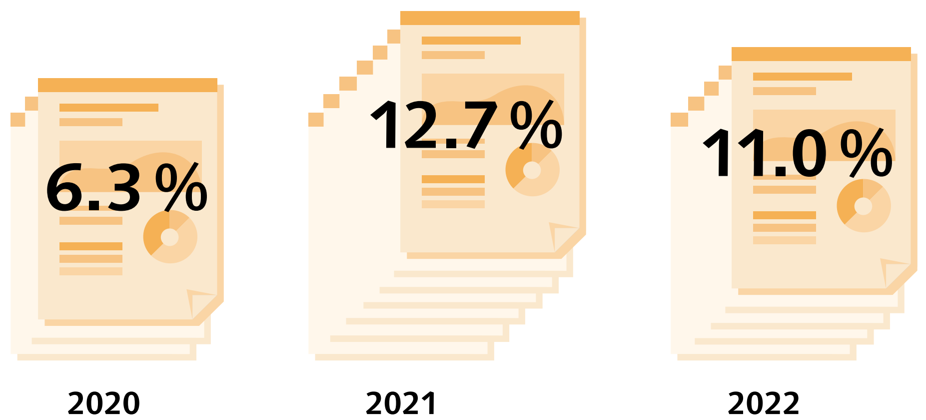
Commercial leases are generally signed for a limited period of time. The standard rental agreement in Germany has a term of 5 years (plus a 5-year extension option). In our portfolio, 30.0 % of the leases (measured by the annualized contract rent) expire over the next three years. In the past, around 70 % of expiring contracts were extended by the current tenants and 30 % were terminated. The latter is our primary good that we will use to enhance our space offering to tenants and realize higher rents for new leasings.

Table 5: Main lease renewals in 2019 (> 5,000 m²)

Adress	City	Lettable area (m²)	Net rent p. a. (EUR k)	Net rent per m² (EUR)[1]	Lease length (years)	Rent free (in % of lease length)
Alfredstr. 236	Essen	30,300	4,150	11.41	4.0	0.0
Vaihinger Str. 131	Stuttgart	21,400	3,785	13.63	1.0	0.0
Epplestr. 225	Stuttgart	19,700	3,412	14.40	2.0	0.0
Hanns-Klemm-Str. 45	Stuttgart	14,900	1,889	10.13	5.0	0.0
Olof-Palme-Str. 37	Frankfurt	10,400	1,601	12.20	6.2	6.8
Epplestr. 225	Stuttgart	8,900	1,574	14.68	1.0	0.0
Ivo-Beucker-Str. 43	Düsseldorf	8,000	1,208	11.50	5.0	0.0
Willstätterstr. 11–15	Düsseldorf	7,700	757	9.25	9.6	3.5
Insterburger Str. 16	Frankfurt	5,500	826	11.50	3.0	8.3
Renewals > 5,000 m²		**126,800**				
Others		**44,500**				
Total		**171,300**				

[1] Disregarding parking, storage and other suplementary spaces.

Graph 2: Lease expiries (in % of annual rent)



RENTS

Like-for-like rental growth of 9.4 %

Capital values of real estate in the direct investment market are at an all-time high. We therefore find more attractive investment opportunities in our own portfolio than in the direct market. Investing in our own portfolio, upgrading the quality of our offerings and generating rental growth were the factors driving the contractual rent growth in 2019. Our internal (like-for-like) growth amounted to 9.4%. This translates into an increase of the contractual rent from EUR 189.9 million as of December 31, 2018 to EUR 208.3 million as of December 31, 2019. Table 6 shows that the rental growth that was generated by the leasing activities in our investment portfolio (EUR 2.4 million) and our development portfolio (EUR 16.0 million) substantially overcompensated the lower rental income from our transactions, as we continued to be a net seller in 2019. In line with EPRA BPR, table 6 also shows the development of contractual rents over the past 24 months, where we have achieved an EPRA like-for-like rental growth of 6.0 %.

Average rent grew to EUR 12.62 per m²

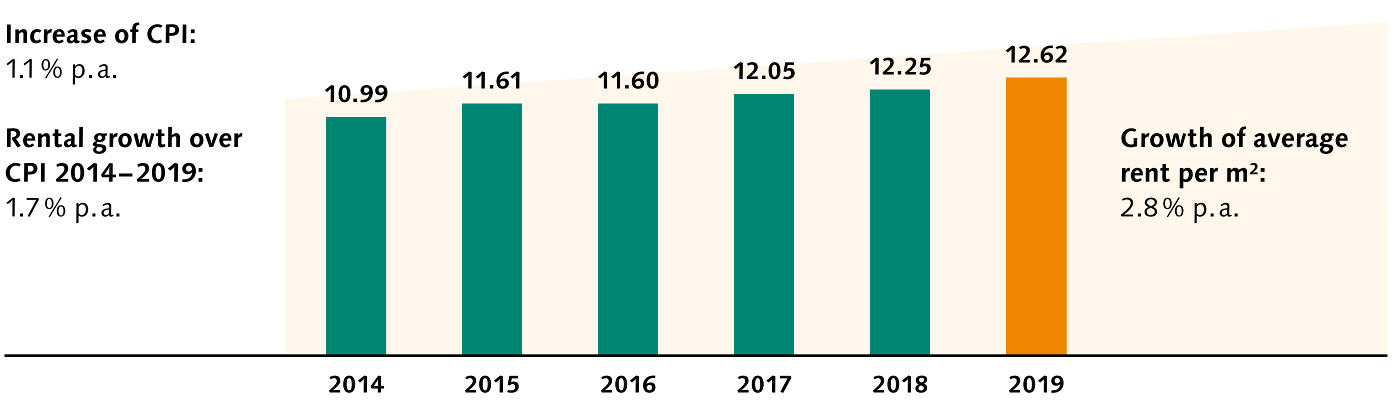
In 2019, continuing its growth trajectory, the average rent per m² in our total portfolio increased by 3.0 % to EUR 12.62 per m² (see graph 3). Besides the like-for-like rental growth, the development of the average rent per m² is an important indicator and shows the impact of our active asset management. Over the longer term, we grew our average rent per m² by 2.8 % p.a., which is at the upper end of our target to increase rents by 1–2 % beyond inflation.

Table 6: Change in rental income[1]

	2 year period (Dec. 31, 2017–Dec 31, 2019)		1 year period (Dec. 31, 2018–Dec 31, 2019)	
	EUR k	%	EUR k	%
Contractual rent as of Dec. 31, 2017	**202,002**	**100.0**		
Contractual rent as of Dec. 31, 2018			**196,967**	**100.0**
+/– Change in rent investment portfolio	3,016	1.5	2,439	1.2
o/w New leases/rent increases	14,811	7.3	13,181	6.7
o/w Lease expiries	–11,795	–5.8	–10,742	–5.5
+/– Change in rent development portfolio	9,014	4.5	16,002	8.1
o/w New leases	23,809	11.8	16,962	8.6
o/w Lease terminations	–14,795	–7.3	–960	–0.5
+/– Change in rent from transactions	–5,699	–2.8	–7,076	–3.6
o/w Rents from acquired assets	8,685	4.3	1,932	1.0
o/w Rents from disposed assets	–14,384	–7.1	–9,008	–4.6
Contractual rent as of Dec. 31, 2019	**208,332**	**103.1**	**208,332**	**105.8**

[1] Based on a total portfolio of EUR 4,476 m (2019), EUR 3,985 m (2018) and EUR 3,409 m (2017).

Graph 3: Development of average rent in EUR per m²



COST OF LETTING

Effective rent rose to EUR 11.20 per m²

A rental contract does not come for free. Before a tenant moves in, the landlord must bear the costs for tenant fit-outs and broker fees. When applicable, concessions like rent-free periods must also be considered. The base rent of a rental contract is what is usually communicated. However, the effective rent is a more useful indicator of the profitability of a rental agreement. We calculate our effective rent by accounting for all the costs incurred in a new lease and deduct them from the base rent as shown in table 7. In 2019, new leases for a leasable office space of 127,900 m² started. The weighted average effective rent for these new leases was EUR 11.20 per m² (+5.5 % compared to 2018), with a weighted average lease term of 6.0 years. The new leases thus generate a future rental income of EUR 123.6 million (2018: EUR 69.5 million).

Table 7: Weighted average effective rent

per m² in EUR	2019	2018	2017
Base rent	13.41	13.78	12.57
Tenant fit-outs	–1.65	–2.35	–1.74
Broker fees	–0.56	–0.48	–0.44
Rent concessions	–0.01	–0.33	–0.18
Effective rent	**11.20**	**10.62**	**10.21**
Weighted average lease term (in years)	**6.0**	**5.7**	**7.6**

Am Seestern 1
Düsseldorf

VACANCY

EPRA vacancy rate down to 8.1 %

The significant lease-up with a net absorption of 83,900 m² had a positive impact on our occupancy in 2019. Relative to December 31, 2019, our EPRA vacancy rate fell by 160 bps to 8.1 %. A more detailed analysis on vacancy is shown in table 8, as it also includes our development assets, which according to EPRA BPR are not part of the EPRA vacancy rate. As shown in table 8, the total vacancy in our portfolio decreased by 540 bps to 9.7 %.

Going forward, we expect a total vacancy rate of between 8 % and 12 %. The exact number depends on how much vacancy we buy, how many fully leased properties we sell and how many buildings we have under development. Vacant space is the primary good we need to be able to create value in our property portfolio.

Table 8: Vacancy schedule

		m²	Vacancy rate (%)
Total lettable area – Dec. 31, 2018	**(A)**	**1,577,000**	
Acquired space		17,600	
Disposed space[1]		–77,500	
Net new built space		–100	
Remeasurements		–7,800	
Total lettable area – Dec. 31, 2019	**(C)**	**1,509,200**	
Vacancy – Dec. 31, 2018	**(B)**	**237,600**	**15.1 (B/A)**
Acquired vacancy		900	
Disposed vacancy		–8,500	
Expiries and breaks		285,000	
Renewals		–171,300	
New leases		–197,600	
Vacancy – Dec. 31, 2019	**(D)**	**146,100**	**9.7 (D/C)**
o/w Developments		38,500	
EPRA vacancy rate[2]			**8.1**

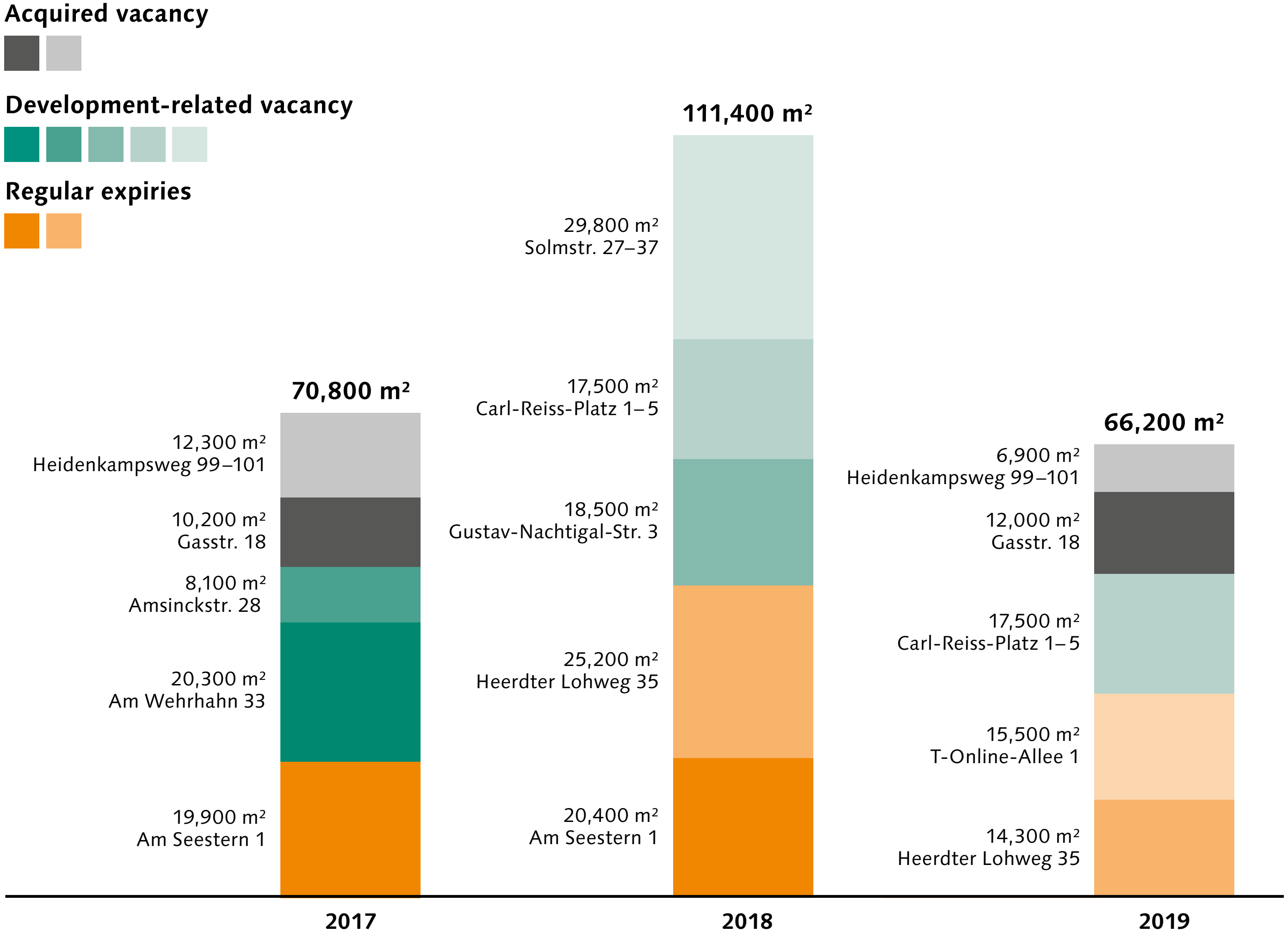
[1] Disposed assets incl. assets held for sale as per Dec. 31, 2018.
[2] For detailled calculation see table 24, page 52.

Heidenkampsweg 99
Hamburg

Average down period of 20 months

For our business model, the average down period of rental space (which provides a dynamic picture of vacancy in the portfolio) is a more meaningful indicator of leasing performance than the vacancy rate (which, by contrast, provides a static picture of vacancy). As of December 31, 2019, the average down period for our vacant space was 20 months (previous year: 15 months). This means that, on average, we needed 20 months (including developments) to re-let vacant space. The dynamic nature of our vacancy is shown by the fact that year by year there is change in our 'Top 5' assets that contribute to the vacancy in our portfolio (see graph 4), whose composition changes every year, thus showing that there are no major structural vacancies in our portfolio.

Graph 4: 'Top 5' vacant assets 2017–2019



CAPITAL EXPENDITURE

Capex is the key to rental growth

In commercial real estate, there is little evidence for the willingness of tenants to pay higher rents without an improvement of the space quality. The most sustainable way to increase rents is to invest money to improve the quality of the building and the amount of incremental rent usually is a function of the amount of capex that is invested. The main challenge in this respect is to find the most efficient combination of capex and rent increase to optimize the return (i.e. yield on capex).

To maximize our yield on capex, we combine the local knowledge of our Real Estate Operations team with the know-how of our Development team. This allows us to unlock the potential of our portfolio. The fact that our portfolio is still leased below market levels gives us the headroom to invest into the space, lift the rents and achieve attractive returns of 6–7 % on our capex, which is much more than the direct investment market currently offers.

CAPEX / OPEX OF EUR 129.7 MILLION IN 2019

Capex volume substantially increased

To provide transparency on our capex, we split our total capex into different categories in line with the new EPRA BPR (table 9). Our development capex relates to the respective sub-portfolio, which undergoes a substantial refurbishment (capex > EUR 1,000 per m²). It was substantially up in 2019 as we increased our capital allocation to the refurbishment program because of the lack of viable alternative investment in the direct market.

The investment portfolio capex relates to our investment portfolio and characterizes modernization capex and tenant fit-outs, which usually amount to below EUR 1,000 per m². The total portfolio capex amount of EUR 116.1 million was capitalized in 2019. In addition to capitalized investments, we were constantly carrying out minor upgrades (EUR 8.5 million) and ongoing repairs (EUR 5.1 million) on our buildings, which were recognized in our income statement and therefore also in our operating profit (FFO). Overall, we invested a total of EUR 129.7 million into our properties in 2019. In the context of the total portfolio, this corresponds to an average amount of EUR 86 per m² or around 4.3 % of the portfolio value (excluding land value).

Like-for-like growth yield of 5.9 %

Over the past 24 months, we leased 572,200 m² and generated an additional rent (like-for-like) of EUR 12.0 million. The capex we spent over this period of time was EUR 202.6 million, leading to a like-for-like growth yield of 5.9 % (table 10).

Table 9: Property related capex / opex

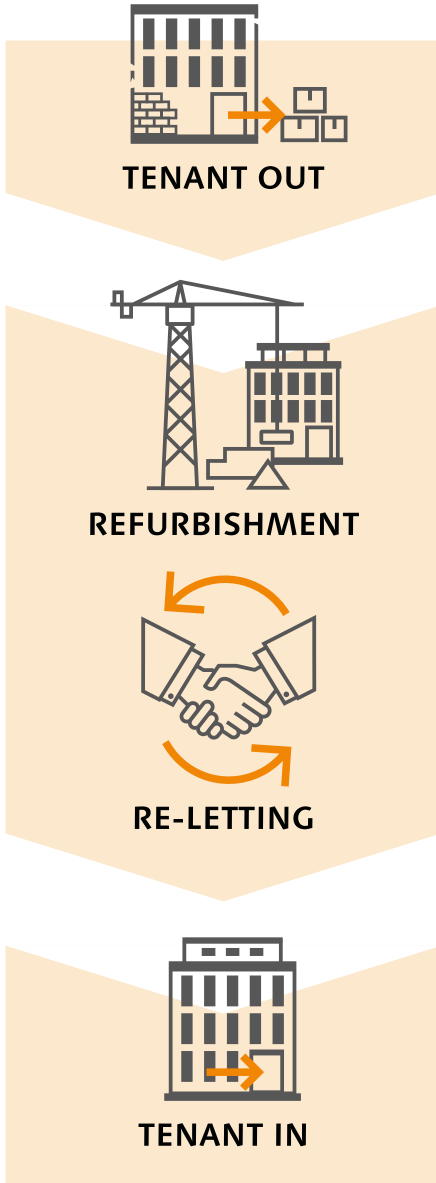
EUR k	2019	2018	2017
Acquisitions	**49,300**	**107,300**	**259,500**
Development	44,105	36,320	18,081
Investment portfolio	72,037	50,100	40,700
o/w Incremental lettable space	0	0	0
o/w No incremental lettable space	29,114	26,508	19,900
o/w Tenant incentives	27,989	21,187	17,900
o/w Other material non-allocated types of expenditure	14,934	2,392	2,900
Capitalized interest	0	0	0
Total capital expenditure	**116,142**	**86,420**	**58,781**
Maintenance[1]	8,476	8,532	9,086
Running repairs[1]	5,095	4,802	4,275
Operating expenditure	**13,571**	**13,334**	**13,361**
Total Capex / Opex	**129,713**	**99,754**	**72,142**

[1] Incl. in P&L and FFO.

Table 10: Like-for-like growth yield

	EUR k
Change rental income 2018 and 2019[1]	**12,029**
o/w Investment portfolio	3,016
o/w Development portfolio	9,014
Capex 2018 and 2019[2]	**202,562**
Like-for-like growth yield	**5.9 %**

[1] See table 6, page 15.
[2] See table 9, page 20 (EUR 116.1 m for 2019 and EUR 86.4 m for 2018).



DEVELOPMENT PORTFOLIO

Significant progress in the course of 2019

To effectively exploit the potential of our property portfolio, we have around 8 % of portfolio volume under development. The development buildings are sourced from our investment portfolio and are intended to be returned into the investment portfolio after completion. Our current development pipeline comprises eight projects, with a total lettable area of 184,000 m². In 2019, we took advantage of the strong leasing market to pre-lease a substantial part of our development portfolio, therefore significantly de-risking the process. The two main projects in Gustav-Nachtigal-Str. 3 & 5 (Wiesbaden) and Solmsstr. 27–37 (Frankfurt) are fully leased and are in the process of refurbishment. The assets will be handed over to the tenants in 2021 and 2022. Rents on both buildings increased by 52 %, reflecting the new quality of the assets.

Planned development capex of EUR 238.4 million

For the current development portfolio, we plan a capex volume of EUR 238.4 million, which is EUR 1,300 per m². Taking into account the current book value, the required capex and the rent that we will achieve after completion, the all-in cost yield of our current development portfolio will be around 6.3 %.

Table 11: Key data

Adress	City	Lettable area (m²)	OMV at start of development (EUR k)	Total capex (EUR k)	Cost to complete (EUR k)	Target rent on completion (EUR k)	All-in-cost yield (%)
			(A)	(B)		(C)	(C/A+B)
Besenbinderhof 41	Hamburg	5,000	6,500	11,300	10,100	1,198	6.7
Carl-Reiß-Platz 1–5, TG	Mannheim	17,500	16,900	40,600	38,000	3,400	5.9
Deutsche Telekom Allee 7	Darmstadt	24,700	40,100	16,800	16,800	3,500	6.2
Georg-Glock-Str. 18	Düsseldorf	10,800	28,800	14,900	3,400	2,649	6.1
Gustav-Nachtigal-Str. 3 & 5	Wiesbaden	26,100	28,800	63,700	53,700	8,710	9.4
Rotebühlstr. 98–100	Stuttgart	8,400	22,000	15,700	14,000	2,059	5.5
Solmsstr. 27–37	Frankfurt	30,900	68,000	43,600	37,500	6,081	5.4
T-Online-Allee 1	Darmstadt	60,600	140,100	31,800	29,900	9,500	5.5
Total		**184,000**	**351,200**	**238,400**	**203,400**	**37,097**	**6.3**

Table 12: Pre-let status

Adress	City	Lettable area (m²)	Pre-letting (% of target rent)	Secured rent (EUR k)	Target rent on completion (EUR k)	Status	Expected completion date
Besenbinderhof 41	Hamburg	5,000	0	0	1,198	Construction	Q2 2021
Carl-Reiß-Platz 1–5, TG	Mannheim	17,500	0	0	3,400	Construction	Q4 2022
Deutsche Telekom Allee 7	Darmstadt	24,700	0	0	3,500	Planning	n/a
Georg-Glock-Str. 18	Düsseldorf	10,800	100	2,649	2,649	Construction	Q2 2020
Gustav-Nachtigal-Str. 3 & 5	Wiesbaden	26,100	100	8,710	8,710	Construction	Q3 2022
Rotebühlstr. 98–100	Stuttgart	8,400	100	2,059	2,059	Construction	Q3 2021
Solmsstr. 27–37	Frankfurt	30,900	100	6,081	6,081	Construction	Q3 2021
T-Online-Allee 1	Darmstadt	60,600	68	6,461	9,500	Planning	n/a
Total		**184,000**	**70**	**25,960**	**37,097**		

TRANSACTIONS

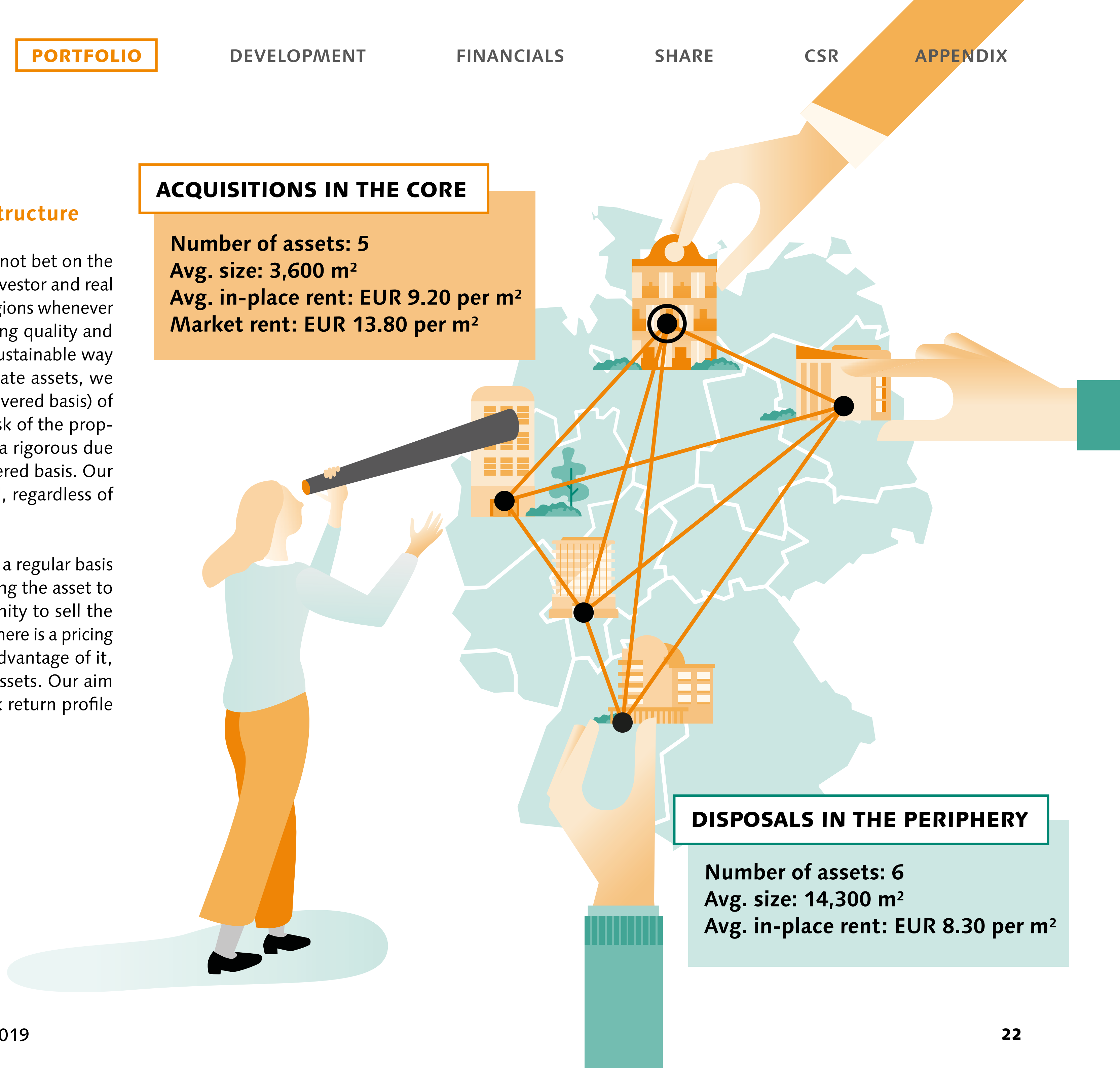
Capital recycling optimizes the structure of our portfolio

alstria is not a trading company and we do not bet on the real estate cycle. As a long-term oriented investor and real estate operator, we buy assets in our core regions whenever we see the potential to improve the building quality and to generate higher rents. This is the most sustainable way to create value. When we acquire real estate assets, we strive for internal rates of return (on an unlevered basis) of 6% to 8%, depending on the individual risk of the property. Potential acquisition targets undergo a rigorous due diligence and have to perform on an unlevered basis. Our pricing discipline has remained unchanged, regardless of the current low interest rate environment.

We do, however, review our investment on a regular basis and assess the risk return prospect of holding the asset to execute our business plan vs. the opportunity to sell the asset in the market. If and when we believe there is a pricing dislocation in the market, we try to take advantage of it, either to buy more assets or to sell some assets. Our aim is to systematically improve the overall risk return profile of the portfolio.

ACQUISITIONS IN THE CORE

Number of assets: 5
Avg. size: 3,600 m²
Avg. in-place rent: EUR 9.20 per m²
Market rent: EUR 13.80 per m²



DISPOSALS IN THE PERIPHERY

Number of assets: 6
Avg. size: 14,300 m²
Avg. in-place rent: EUR 8.30 per m²

ACQUISITIONS & DISPOSALS 2019

Buy the core – sell the periphery

In 2019, we saw and took advantage of the strong demand for German office real estate to dispose of the weaker assets in our portfolio (usually located in the periphery of our core markets), with the intention to re-invest the sale proceeds into the core of our markets, either through our refurbishment program or, if available, through selective acquisitions. As such, we were net seller for the year (we sold EUR 139.7 million and acquired EUR 49.3 million of assets). This capital re-allocation process is allowing us to continuously improve the risk return of the portfolio. Considering the current market environment, we expect to remain being a net seller in 2020.

Unlevered return of 6.6 % in 2019

We measure the return on our properties over their entire holding period, on the basis of an unlevered internal return (UIRR = unlevered rate of return). Over their holding period, the buildings sold in 2019 generated an unlevered profit of EUR 49.2 million and an estimated UIRR of 6.6 %. This result is in line with our target return and serves as proof of our realistic view on real estate investments throughout the cycle. The properties we disposed in 2019 were sold at a gain of 11.2 % compared to the FY 2018 appraised value.

Table 13: Acquisitions

Adress	Lettable area (m²)	Vacancy rate (%)	Acquisition price[1] (EUR k)	Annual rent (EUR k)	Transfer of benefits and burden
Lehrter Str. 17, Berlin	2,400	1.0	9,100	300	Feb. 01, 2019
Handwerkstr. 4, Stuttgart	5,700	5.9	7,900	400	Mar. 01, 2019
Maxstr. 3a, Berlin	3,800	0.0	11,000	448	June 01, 2019
Hauptstr. 98–99, Berlin	3,000	6.7	13,000	416	Apr. 30, 2019
Adlerstr. 63, Düsseldorf	2,700	0.0	8,300	335	Sept. 11, 2019
Total	**17,600**	**3.2**	**49,300**	**1,899**	

[1] Incl. 7 % transaction costs.

Table 14: Disposals

	Table 14: Disposals						UIRR				
Adress	Lettable area (m²)	Vacancy rate[1] (%)	Transfer of benefits and burden	Historical acquisition price (EUR k)	Annual rent[1] (EUR k)	Gain to book value (EUR k)	Disposal price (EUR k)	Rent collected (EUR k)	Total capex (EUR k)	Unlevered profit (EUR k)	UIRR[2] (%)
Opernplatz 2, Essen	24,300	0.0	2015–2019	36,700	2,802	700	38,900	8,486	3,394	8,309	5.7
Ingersheimer Str. 20, Stuttgart	12,900	0.0	2015–2019	23,100	1,811	11,500	41,500	5,168	911	22,585	19.8
Berner Str. 119, Frankfurt	14,900	25.8	2015–2019	20,200	1,344	2,800	27,000	3,982	1,133	9,620	10.7
Stiftsplatz 5, Kaiserslautern	8,900	27.8	2015–2019	12,100	895	1,250	12,750	2,805	1,306	2,151	4.4
W.-v.-Siemens Platz 4, Laatzen	21,000	18.7	2007–2019	27,700	1,411	–370	16,680	22,208	3,912	6,708	2.4
Balgebrückstr. 13, Bremen	4,200	14.7	2015–2019	3,800	297	–1,850	2,900	910	118	–136	–9.0
Total	**86,200**	**12.7**		**123,600**	**8,560**	**14,030**	**139,730**	**43,559**	**10,774**	**49,237**	**6.6**

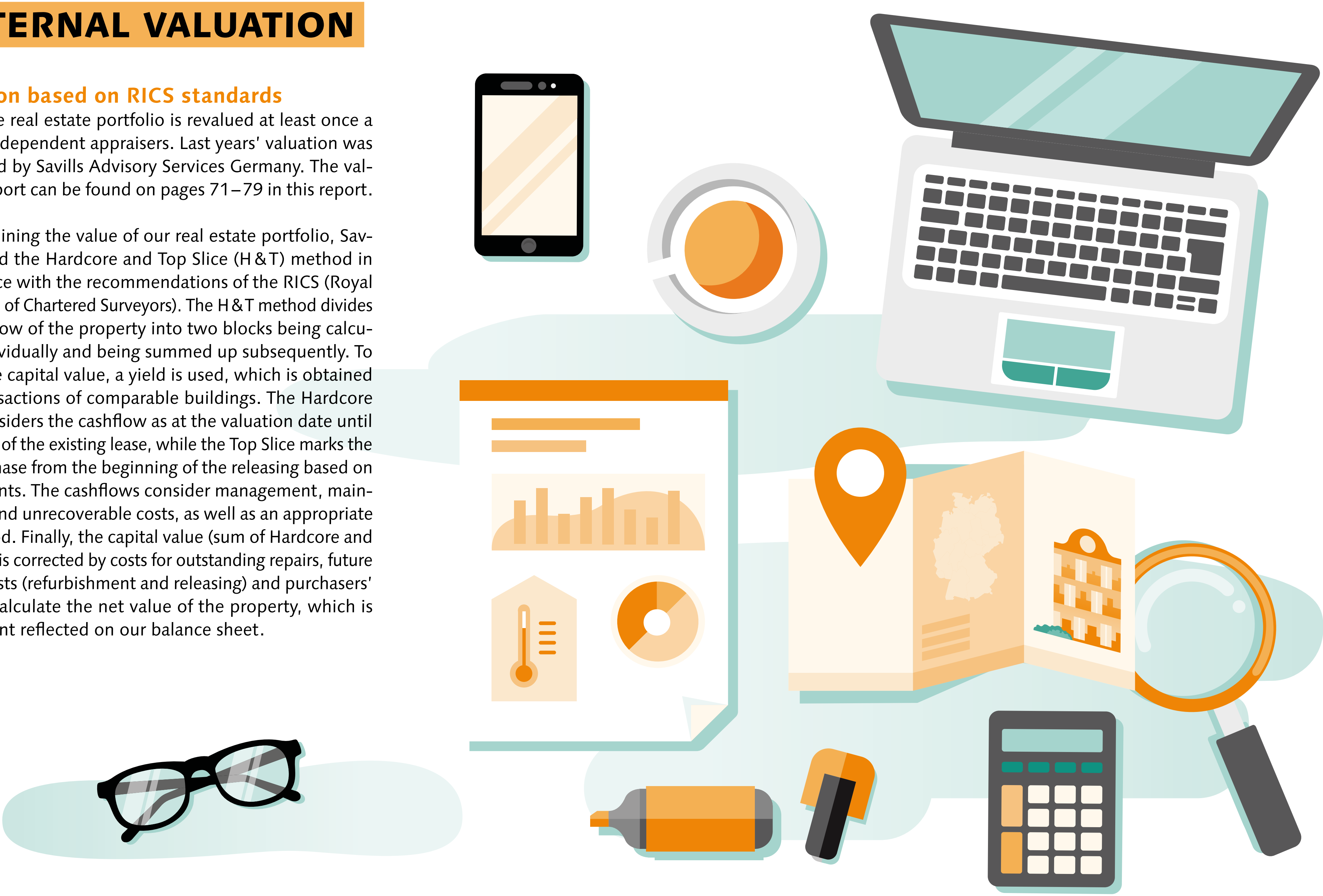
[1] At the time of the signing of the SPA.
[2] Incl. 6 % transactions costs and 5 % real estate operating expenses.

EXTERNAL VALUATION

Valuation based on RICS standards

Our entire real estate portfolio is revalued at least once a year by independent appraisers. Last years' valuation was conducted by Savills Advisory Services Germany. The valuation report can be found on pages 71–79 in this report.

In determining the value of our real estate portfolio, Savills applied the Hardcore and Top Slice (H&T) method in accordance with the recommendations of the RICS (Royal Institution of Chartered Surveyors). The H&T method divides the cashflow of the property into two blocks being calculated individually and being summed up subsequently. To derive the capital value, a yield is used, which is obtained from transactions of comparable buildings. The Hardcore block considers the cashflow as at the valuation date until the expiry of the existing lease, while the Top Slice marks the second phase from the beginning of the releasing based on market rents. The cashflows consider management, maintenance and unrecoverable costs, as well as an appropriate void period. Finally, the capital value (sum of Hardcore and Top Slice) is corrected by costs for outstanding repairs, future capital costs (refurbishment and releasing) and purchasers' costs to calculate the net value of the property, which is the amount reflected on our balance sheet.



PORTFOLIO VALUE

Increase of EUR 454.8 million

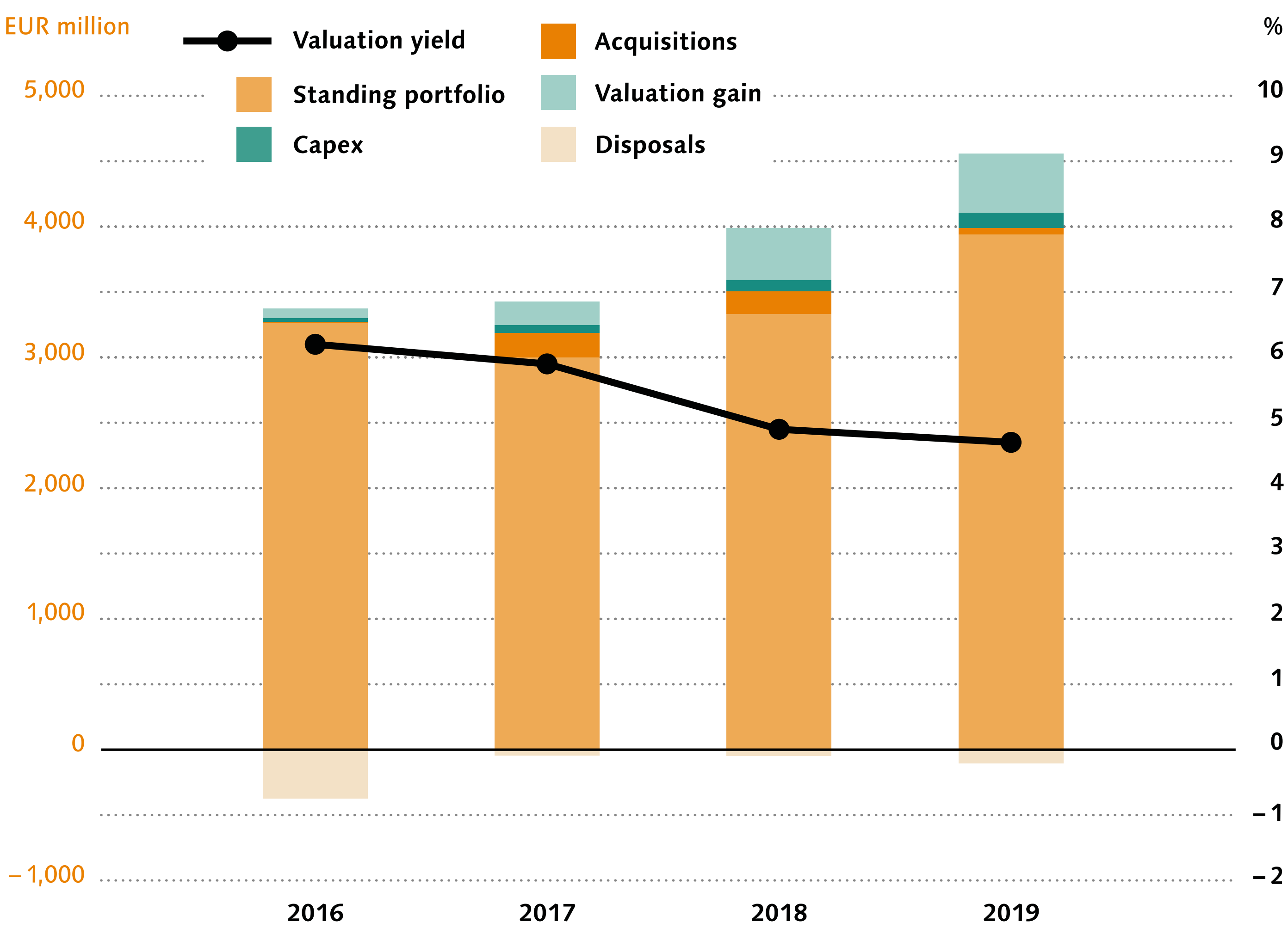
For the overall portfolio, the 2019 valuation process resulted in a total increase of EUR 454.8 million (net of capex and acquisitions) over the course of 2019. 104 properties experienced an increase in value amounting to EUR 573.0 million, while 8 buildings were devalued by a total of EUR 13.2 million. The valuation increase not only reflects the change in the underlying real estate market, but also mirrors the capex spent on the portfolio (EUR 116.1 million).

Significant valuation gains were generated particularly by the assets in Solmsstr. 27–37 (Frankfurt) and Gustav-Nachtigal-Str. 3 & 5 (Wiesbaden) reflecting the leasing progress and in our long-term leased assets in Hamburg.

Portfolio value grew by 37 % since 2016

Over the past four years, our investment portfolio grew by 37 % to EUR 4.5 billion. During this time period, we sold slightly more than we bought and concentrated our portfolio to the core of our markets. We spent EUR 292.8 million of capex to improve the quality of our assets. Finally, the strong price increase in the German office market has led to a valuation increase of EUR 1.1 billion since 2016. The strong investment market was reflected by a yield that came down from 6.2 % in 2016 to 4.7 % in 2019.

Graph 5: Portfolio value 2016–2019



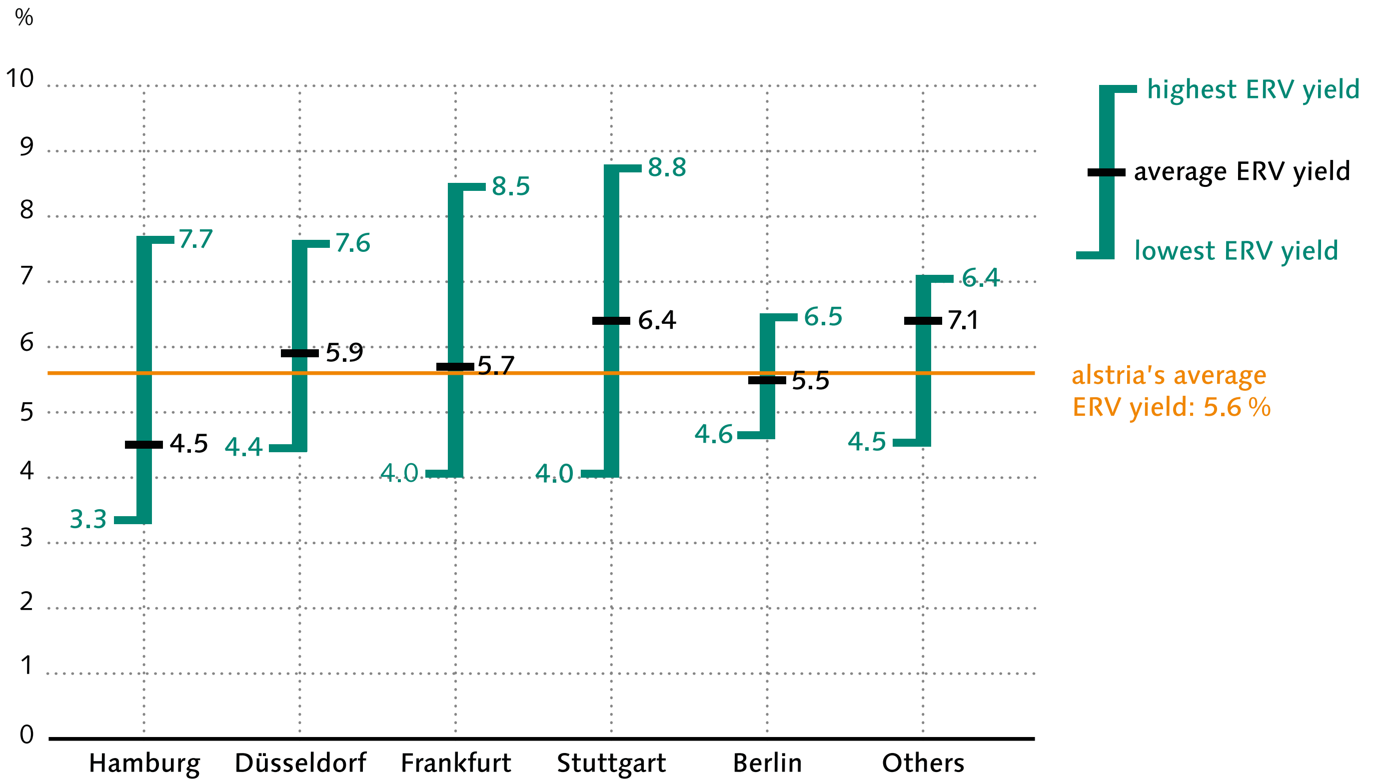
RANGE OF YIELDS

ERV yields between 3.3 % and 8.8 %

The valuation yield on our portfolio stands at 4.7 % as per December 31, 2019, whereas the market yield (ERV yield) amounts to 5.6 %. However, there is a wide range of yields reflecting the characteristics of each individual property (see Graph 6). The range of ERV yields (excluding development portfolio assets) represents the difference between the building with the lowest ERV yield and the building with the highest ERV yield in the respective region. The value within the range is the average ERV yield in the local portfolio. The lower end of the yield usually represents buildings with longer-term leases and the higher end of the range represents properties with shorter leases in the respective region.

Graph 6: Range of ERV yields[1] in alstria's portfolio

as of December 31, 2019



[1] The ERV yield is the market value of the asset (OMV) in relation to its market rent (ERV). The valuation yield is 4.7 % as of Dec. 31, 2019.

PORTFOLIO OVERVIEW

116 buildings generating sustainable returns

We own and manage office buildings located in the large German office markets and offer our investors an efficient gateway into the German commercial real estate market. The concentration on the big and liquid German office markets presents a fair reflection of the underlying strength of the German economy and at the same time allows us to efficiently manage sizable sub-portfolios from our local offices.

We usually prefer to own smaller assets concentrated in a geographical area rather than larger assets. By construction, our portfolio is therefore very granular, which allows us to spread our operational risk over a much larger number of assets. The average building has a leasable area of 13,000 m² and a market value of EUR 38.6 million. We believe that from a risk return perspective a greater number of smaller assets is more beneficial than a smaller number of larger assets, despite a higher management complexity.

ALSTRIA'S AVERAGE BUILDING

Size: 13,000 m²
Value: EUR 38.6 million
Value per m²: EUR 2,970
Rent per m²: EUR 12.62

PORTFOLIO MOVEMENT

Total portfolio value of EUR 4.5 billion

The value of our total property portfolio has grown by 12.4% to EUR 4.5 billion in 2019. To improve the transparency of our reporting, we split the change into the impact from transactions, capital expenditure and valuation. Table 15 shows that the portfolio movement has been driven primarily by a positive valuation result of EUR 454.8 million in 2019, which was due to the combined effect of the strong operational result and the strong underlying investment market. We used this strong investment market to dispose non-core assets, putting us into a net-seller position. To capture the opportunities of the strong office market and to meet the demand for high quality office space, we invested an amount of EUR 116.1 million into our assets. Besides our investment property portfolio, we held assets for sale and the assets in our own use on our balance sheet. The total portfolio value as per December 31, 2019 amounted to EUR 4.5 billion. A detailed asset-by-asset portfolio description can be found on the following pages and downloaded from our website ▶ www.alstria.com/portfolio/

Table 15: Movements property portfolio

	EUR k
Investment properties as of Dec. 31, 2018	**3,938,900**
+ Transactions	–53,900
o/w Acquisitions[1]	49,900
o/w Disposals (book value)	–103,800
+ Capital expenditure	116,100
o/w Development portfolio[2]	44,100
o/w Investment portfolio	72,000
+ Valuation result	454,800
o/w Development portfolio[1]	103,300
o/w Investment portfolio	351,500
+ Reclassification	–20,600
o/w Assets held for sale (book value)	–20,600
o/w Owner occupied properties	0
+ Other adjustments	3,300
= Investment properties as of Dec. 31, 2019	**4,438,600**
+ Fair value of owner occupied properties as of Dec. 31, 2019	23,000
+ Assets held for sale	19,600
– Other adjustment	–5,100
= Total portfolio value as of Dec. 31, 2019	**4,476,100**

[1] Including acquisition costs.
[2] Assets classified as development assets as of Dec. 31, 2018 and Dec. 31, 2019.

Platz der Einheit 1
Frankfurt

TABLE 16: PORTFOLIO OVERVIEW

	Lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV [1] (EUR)	OMV [1] (EUR)	Capex (EUR)	Wault (years)	ΔRental income (2018/19) (%)	ΔOMV (2018/19) (%)
Investment portfolio	1,325,300	1,069,900	107,600	178,707,400	212,727,600	3,988,350,000	81,234,000	5.4	5.9	14.3
Current development portfolio	183,800	163,100	38,500	29,624,800	35,737,100	487,710,000	34,908,600	11.8	54.2	34.8
Total portfolio [2]	**1,509,200**	**1,233,000**	**146,100**	**208,332,200**	**248,464,700**	**4,476,060,000**	**116,142,500**	**6.3**	**10.8**	**16.2**

[1] According to the year-end valuation by Savills Advisory Services.
[2] The entire portfolio is held as freehold assets.

Investment portfolio

Asset	City	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV [1] (EUR)	OMV [1] (EUR)	Capex (EUR)	Wault (years)	ΔRental income (2018/19) (%)	ΔOMV (2018/19) (%)
Hamburg											
Alte Königstr. 29–39	Hamburg	4,300	3,600	0	637,100	738,200	16,200,000	0	6.4	0.0	8.9
Alter Steinweg 4	Hamburg	32,000	28,000	0	4,502,000	5,403,600	147,000,000	158,000	6.4	0.0	15.3
Amsinckstr. 28	Hamburg	8,700	8,200	200	1,587,400	1,555,300	30,800,000	3,245,800	6.7	n/a	62.1
Amsinckstr. 34	Hamburg	6,600	6,500	3,300	647,700	1,192,400	22,300,000	3,467,500	5.3	193.8	39.4
Bäckerbreitergang 73–75	Hamburg	2,700	2,600	0	562,200	610,200	16,500,000	–18,200	5.2	0.5	25.0
Basselweg 73	Hamburg	2,700	1,900	0	295,600	328,500	6,790,000	0	6.1	0.4	4.5
Borsteler Chaussee 111–113	Hamburg	5,400	3,600	0	654,200	678,100	13,900,000	82,600	3.2	3.1	7.8
Buxtehuder Str. 9, 9a, 11, 11a	Hamburg	7,700	5,100	1,500	622,400	922,500	12,000,000	8,300	6.4	0.0	1.7
Drehbahn 36	Hamburg	25,700	20,200	0	3,688,100	4,394,500	118,400,000	173,900	16.4	0.1	9.6
Ernst-Merck-Str. 9	Hamburg	17,500	15,200	100	3,093,300	3,444,800	100,600,000	3,647,600	10.0	11.5	25.8
Essener Bogen 6a–d	Hamburg	5,400	4,500	0	741,900	734,400	9,810,000	0	3.5	4.3	12.2
Essener Str. 97	Hamburg	1,400	900	0	158,800	173,800	2,220,000	11,500	2.4	2.5	11.0
Garstedter Weg 13	Hamburg	3,600	2,700	0	390,300	476,900	8,270,000	900	1.4	0.0	3.4
Gasstr. 18	Hamburg	26,100	21,200	12,000	2,130,900	4,353,500	56,000,000	4,233,000	4.3	8.8	12.7
Grindelberg 62–66	Hamburg	18,400	17,400	0	2,362,300	2,761,300	61,400,000	244,000	6.4	0.0	9.1
Hamburger Str. 1–15 (MOT)	Hamburg	9,500	8,300	400	1,934,200	2,152,600	35,400,000	–98,300	3.2	3.0	18.0
Hamburger Str. 1–15 (MUC)	Hamburg	12,700	0	200	2,467,900	2,743,700	42,200,000	28,100	3.5	3.8	–3.0
Hammer Steindamm 129	Hamburg	7,200	6,300	0	620,000	776,700	14,400,000	0	6.4	0.0	2.9

[1] According to the year-end valuation by Savills Advisory Services.

Investment portfolio

Asset	City	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV[1] (EUR)	OMV[1] (EUR)	Capex (EUR)	Wault (years)	Δ Rental income (2018/19) (%)	Δ OMV (2018/19) (%)
Heidenkampsweg 44–46	Hamburg	4,500	4,000	400	444,400	585,900	8,010,000	233,000	3.6	10.1	14.4
Heidenkampsweg 51–57	Hamburg	10,200	9,400	0	1,695,400	1,812,500	36,300,000	139,000	3.5	2.9	6.8
Heidenkampsweg 99–101	Hamburg	19,400	18,900	6,900	1,804,900	3,263,500	50,400,000	8,621,900	4.8	22.3	38.8
Herthastr. 20	Hamburg	3,300	2,700	0	335,600	404,400	6,610,000	–2,300	1.4	0.0	1.1
Johanniswall 4	Hamburg	14,100	10,500	0	1,940,400	2,148,800	63,900,000	–300	15.2	0.2	12.1
Kaiser-Wilhelm-Str. 79–87	Hamburg	5,600	4,400	0	1,191,200	1,254,200	33,900,000	–45,600	2.7	4.5	21.1
Kattunbleiche 19	Hamburg	12,400	9,800	0	1,717,700	1,583,300	47,300,000	83,300	16.4	0.0	1.1
Ludwig-Rosenberg-Ring 41	Hamburg	4,900	4,100	100	534,600	560,400	11,200,000	85,600	6.7	0.2	1.8
Max-Brauer-Allee 89–91	Hamburg	9,800	7,000	0	1,022,700	1,182,500	25,700,000	0	6.4	0.0	7.1
Nagelsweg 41–45	Hamburg	6,900	6,300	100	1,000,200	1,156,700	23,500,000	1,229,700	8.7	0.3	24.9
Öjendorfer Weg 9–11	Hamburg	6,100	5,900	0	637,100	727,000	14,400,000	0	6.4	0.0	2.9
Rahlstedter Str. 151–157	Hamburg	2,900	2,900	0	329,600	364,100	7,040,000	0	6.4	0.0	2.8
Schaartor 1	Hamburg	5,200	4,400	0	962,400	1,184,200	28,000,000	–47,100	3.2	1.5	19.1
Sonninstr. 24–28	Hamburg	22,200	19,900	1,100	2,633,900	3,566,500	72,400,000	130,800	5.8	9.0	32.6
Steinstr. 10	Hamburg	26,800	22,200	0	3,689,100	4,259,100	123,200,000	637,000	6.4	0.0	19.9
Steinstr. 5–7[2]	Hamburg	22,400	18,700	100	4,360,700	4,806,500	125,800,000	–39,900	8.3	1.4	23.8
Süderstr. 24	Hamburg	6,600	6,200	300	985,700	1,131,300	23,000,000	2,588,100	4.2	46.0	27.8
Total		**380,900**	**313,500**	**26,700**	**52,381,900**	**63,431,900**	**1,414,850,000**	**28,797,900**	**7.3**	**7.8**	**16.7**
Düsseldorf											
Adlerstr. 63	Düsseldorf	2,700	900	0	335,000	420,400	7,820,000	–3,800	11.8	n/a	n/a
Alfredstr. 236	Essen	30,300	27,700	0	4,150,000	4,587,000	83,700,000	0	4.0	–33.5	13.9
Am Seestern 1	Düsseldorf	35,700	31,800	6,200	5,608,200	5,856,600	93,300,000	4,817,200	8.7	131.9	18.6
Am Wehrhahn 28–30	Düsseldorf	2,600	1,500	400	368,600	441,600	9,050,000	163,400	5.3	0.9	7.7
Am Wehrhahn 33	Düsseldorf	24,100	18,100	4,600	4,520,400	5,660,400	125,000,000	8,204,700	5.9	21.2	25.0
An den Dominikanern 6	Cologne	27,500	0	0	3,396,000	4,284,100	91,600,000	0	5.6	0.0	9.0
Bamlerstr. 1–5	Essen	33,100	28,400	700	3,837,700	4,098,700	61,600,000	199,300	2.3	0.0	6.2
Berliner Str. 91–101	Ratingen	33,900	24,100	6,400	3,871,000	4,471,900	63,600,000	275,800	5.3	–2.1	4.3
Carl-Schurz-Str. 2	Neuss	12,700	12,700	3,700	938,700	1,358,900	17,000,000	426,900	2.9	–14.1	–1.2

[1] According to the year-end valuation by Savills Advisory Services.
[2] Own used property, partly classified as property, plant and equipment.

Investment portfolio

Asset	City	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV[1] (EUR)	OMV[1] (EUR)	Capex (EUR)	Wault (years)	Δ Rental income (2018/19) (%)	Δ OMV (2018/19) (%)
D2-Park 5	Ratingen	5,700	5,100	0	739,100	716,800	9,220,000	443,100	1.0	0.0	12.4
Earl-Bakken-Platz 1	Meerbusch	8,000	7,200	0	1,175,200	1,175,200	20,000,000	309,400	6.7	0.0	6.4
Elisabethstr. 5–11[2]	Düsseldorf	10,200	9,100	300	2,173,100	2,343,100	52,700,000	38,700	6.2	0.6	19.2
Emanuel-Leutze-Str. 11	Düsseldorf	8,300	7,500	1,100	936,700	1,183,600	18,700,000	579,200	3.2	2.4	16.9
Frauenstr. 5–9	Trier	16,900	900	100	1,530,300	1,936,700	27,700,000	–1,100	4.7	0.3	1.5
Friedrich-List-Str. 20	Essen	9,000	7,900	0	1,477,600	1,466,700	21,200,000	0	1.5	0.0	2.9
Friedrichstr. 19	Düsseldorf	2,200	1,300	0	377,500	453,300	8,900,000	50,300	3.7	0.2	14.4
Gartenstr. 2	Düsseldorf	4,800	4,700	400	909,600	1,028,800	16,900,000	–6,500	1.7	–4.7	0.6
Gereonsdriesch 13	Cologne	2,500	2,100	0	384,800	469,200	8,710,000	–13,900	3.2	0.3	16.8
Graf-Adolf-Str. 67–69	Düsseldorf	4,900	2,900	500	555,200	620,600	10,300,000	11,600	3.4	16.6	9.6
Hansaallee 247	Düsseldorf	5,700	4,300	0	776,400	782,600	13,700,000	197,000	3.8	–0.2	17.1
Hans-Böckler-Str. 36	Düsseldorf	7,700	6,500	0	1,155,900	1,312,800	29,900,000	4,000	9.1	8.1	19.6
Heerdter Lohweg 35	Düsseldorf	37,600	33,400	14,300	3,405,600	5,633,600	74,500,000	6,283,600	8.0	99.1	10.0
Horbeller Str. 11	Cologne	6,600	5,800	0	659,000	788,700	12,100,000	290,500	6.9	0.7	24.7
Immermannstr. 40	Düsseldorf	8,200	7,200	500	1,217,500	1,461,700	27,100,000	99,600	2.7	–5.3	23.7
Immermannstr. 59	Düsseldorf	6,500	5,100	0	1,067,500	1,038,300	20,400,000	394,600	3.9	8.2	4.1
Ivo-Beucker-Str. 43	Düsseldorf	8,000	7,700	0	1,208,000	1,124,400	16,200,000	443,200	4.7	15.8	40.9
Josef-Wulff-Str. 75	Recklinghausen	19,900	0	0	2,042,300	1,965,600	27,700,000	295,800	1.2	7.5	–6.1
Kaistr. 16, 16a, 18	Düsseldorf	9,300	8,900	0	2,333,200	2,445,500	53,700,000	94,100	2.8	5.3	23.4
Kampstr. 36	Dortmund	3,100	1,400	700	505,300	635,100	9,490,000	512,500	5.3	28.2	31.8
Kanzlerstr. 8	Düsseldorf	9,000	7,500	1,100	1,273,100	1,304,200	18,400,000	1,969,800	7.4	112.0	6.4
Karlstr. 123–127	Düsseldorf	5,700	5,200	0	794,000	990,800	16,000,000	0	3.5	1.7	19.4
Maarweg 165	Cologne	22,800	20,400	8,800	2,040,100	3,470,800	53,800,000	1,034,500	4.0	–31.0	7.2
Pempelfurtstr. 1	Ratingen	18,500	17,000	5,200	1,539,500	1,825,000	28,600,000	1,208,800	5.4	–8.3	–13.5
Willstätterstr. 11–15	Düsseldorf	24,000	16,700	2,500	2,177,600	2,703,800	44,900,000	2,074,000	7.2	3.9	4.2
Total		**467,700**	**341,000**	**57,500**	**59,479,700**	**70,056,500**	**1,193,490,000**	**30,396,300**	**5.1**	**7.4**	**12.4**

[1] According to the year-end valuation by Savills Advisory Services.
[2] Own used property, partly classified as property, plant and equipment.

Investment portfolio

Asset	City	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV[1] (EUR)	OMV[1] (EUR)	Capex (EUR)	Wault (years)	Δ Rental income (2018/19) (%)	Δ OMV (2018/19) (%)
Frankfurt											
Am Hauptbahnhof 6	Frankfurt	7,700	5,900	600	1,582,200	1,712,800	38,300,000	137,600	5.7	0.6	0.0
Goldsteinstr. 114	Frankfurt	8,500	7,900	800	1,066,400	1,195,300	19,500,000	540,000	5.0	21.3	19.8
Gustav-Nachtigal-Str. 4	Wiesbaden	800	700	800	101,100	166,800	1,340,000	800	0.4	17.1	5.1
Hauptstr. 45	Dreieich	8,100	7,000	0	1,449,700	1,026,100	25,200,000	183,500	8.2	1.9	2.4
Insterburger Str. 16	Frankfurt	13,000	12,900	300	1,816,700	2,042,600	31,900,000	452,500	3.8	–0.7	10.0
Mainzer Landstr. 33a	Frankfurt	3,300	2,800	100	615,100	683,300	15,000,000	22,700	1.9	3.3	13.2
Mergenthalerallee 45–47	Eschborn	5,100	4,800	1,900	308,400	477,900	5,650,000	78,900	1.3	9.9	0.9
Olof-Palme-Str. 37	Frankfurt	10,400	9,300	0	1,608,500	1,695,200	27,000,000	524,800	6.2	0.0	2.7
Platz der Einheit 1[2]	Frankfurt	30,100	28,700	4,300	6,628,500	7,963,000	197,400,000	3,979,000	3.6	–5.1	3.1
Siemensstr. 9	Neu-Isenburg	9,600	9,300	900	1,112,400	1,251,500	17,200,000	65,000	3.5	0.3	11.7
Stresemannallee 30	Frankfurt	9,000	7,700	0	1,357,200	1,438,400	26,400,000	441,300	4.2	3.7	29.0
Taunusstr. 45–47	Frankfurt	7,300	5,500	700	1,076,900	1,235,900	29,500,000	66,300	3.4	0.2	17.5
Wilhelminenstr. 25	Darmstadt	8,400	3,500	1,100	1,169,200	1,303,600	21,700,000	409,000	4.6	3.0	7.4
Total		**121,300**	**106,000**	**11,500**	**19,892,300**	**22,192,400**	**456,090,000**	**6,901,400**	**4.4**	**0.0**	**6.7**
Stuttgart											
Breitwiesenstr. 5–7	Stuttgart	25,100	20,100	0	3,091,100	3,878,600	60,100,000	506,200	5.5	3.1	8.7
Eichwiesenring 1	Stuttgart	12,300	5,100	800	1,556,200	1,910,200	30,300,000	88,500	5.0	–1.7	8.2
Epplestr. 225	Stuttgart	107,200	101,700	1,500	16,609,400	17,181,600	260,000,000	10,395,700	2.9	–1.3	10.6
Handwerkstr. 4	Stuttgart	5,700	2,100	600	395,100	669,500	7,610,000	0	4.4	n/a	n/a
Hanns-Klemm-Str. 45	Böblingen	14,900	14,100	0	1,897,200	1,966,900	30,000,000	560,700	5.5	0.0	9.5
Hauptstätter Str. 65–67	Stuttgart	8,600	7,700	0	1,735,600	1,736,800	43,500,000	–13,300	7.9	1.2	11.5
Kupferstr. 36	Stuttgart	5,100	4,700	0	584,100	752,800	10,800,000	–700	3.3	2.1	6.9
Kurze Str. 40	Filderstadt	5,900	4,200	1,500	504,300	701,700	8,320,000	118,500	3.2	2.8	4.0
Vaihinger Str. 131	Stuttgart	21,400	18,500	0	3,785,200	3,633,900	54,300,000	121,800	2.2	0.0	5.8
Total		**206,200**	**178,200**	**4,400**	**30,158,200**	**32,432,000**	**504,930,000**	**11,777,400**	**3.6**	**1.0**	**11.2**

[1] According to the year-end valuation by Savills Advisory Services.
[2] Own used property, partly classified as property, plant and equipment.

Investment portfolio

Asset	City	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV[1] (EUR)	OMV[1] (EUR)	Capex (EUR)	Wault (years)	Δ Rental income (2018/19) (%)	Δ OMV (2018/19) (%)
Berlin											
Am Borsigturm 13–17, 19, 27–29, 31–33	Berlin	15,300	15,100	0	1,713,400	2,407,100	36,800,000	86,700	2.7	7.0	26.9
Am Borsigturm 44–46, 52–54	Berlin	10,700	8,400	700	991,200	1,448,100	22,300,000	105,600	3.3	13.7	17.4
Darwinstr. 14–18	Berlin	22,500	21,400	0	3,412,100	5,603,800	107,400,000	203,100	7.1	0.7	19.3
Hauptstr. 98–99	Berlin	3,000	2,500	200	416,500	671,800	13,200,000	0	2.0	n/a	n/a
Holzhauser Str. 175–177	Berlin	7,900	7,600	300	841,500	1,125,900	20,000,000	30,200	2.6	11.2	25.0
Lehrter Str. 17	Berlin	2,400	2,300	0	337,300	657,600	10,900,000	0	1.3	n/a	n/a
Maxstr. 3a	Berlin	3,800	3,700	0	448,100	539,000	11,800,000	20,600	2.1	n/a	n/a
Rankestr. 17[2]	Berlin	4,900	4,000	400	705,700	1,354,200	25,300,000	375,300	3.3	14.5	28.9
Schinkestr. 20	Berlin	2,600	2,400	200	444,400	705,700	13,800,000	0	5.0	64.6	46.8
Tempelhofer Damm 146	Berlin	3,600	1,700	300	586,100	730,300	11,300,000	202,000	4.9	7.8	8.7
Uhlandstr. 85	Berlin	9,500	6,300	600	1,041,400	2,275,100	46,100,000	44,300	4.6	3.0	2.3
Total		**86,200**	**75,400**	**2,700**	**10,937,700**	**17,518,600**	**318,900,000**	**1,067,800**	**4.5**	**20.7**	**33.7**
Others											
Arndtstr. 1	Hannover	10,900	7,300	0	1,272,400	1,341,600	29,500,000	–32,200	12.6	5.0	12.5
Balgebrückstr. 13	Bremen	4,200	3,800	600	296,600	373,700	3,090,000	2,000	3.6	–13.8	–34.9
Friedrich-Scholl-Platz 1	Karlsruhe	26,800	26,800	0	2,877,700	3,246,000	51,000,000	2,349,400	6.0	10.0	7.4
Werner-von-Siemens-Platz 1	Laatzen	21,000	18,000	3,900	1,411,000	2,134,800	16,500,000	–26,400	0.7	–21.6	–3.2
Total		**62,900**	**55,900**	**4,500**	**5,857,700**	**7,096,100**	**100,090,000**	**2,292,800**	**6.0**	**–1.9**	**4.8**

[1] According to the year-end valuation by Savills Advisory Services.
[2] Own used property, partly classified as property, plant and equipment.

Development assets

Asset	City	Total lettable area (m^2)	Office space (m^2)	Vacancy (m^2)	Contractual annual net rent (EUR)	ERV [1] (EUR)	OMV [1] (EUR)	Capex (EUR)	Wault (years)	Δ Rental income (2018/19) (%)	Δ OMV (2018/19) (%)
Besenbinderhof 41	Hamburg	5,000	3,500	5,000	0	1,198,100	14,600,000	1,177,600	0.0	n/a	128.1
Carl-Reiß-Platz 1–5	Mannheim	17,500	14,800	17,500	0	3,130,500	21,000,000	2,561,800	0.0	n/a	39.3
Carl-Reiß-Platz TG	Mannheim	0	0	0	55,200	269,300	1,510,000	0	2.2	26.8	0.7
Deutsche Telekom Allee 7	Darmstadt	24,700	23,300	0	3,646,700	3,911,300	39,700,000	–16,500	0.2	1.0	–2.5
Georg-Glock-Str. 18	Düsseldorf	10,800	10,200	500	2,648,800	2,457,600	43,000,000	11,524,800	10.2	> 100	34.4
Gustav-Nachtigal-Str. 3	Wiesbaden	18,500	16,500	0	6,078,300	3,585,400	63,700,000	7,356,600	16.0	> 100	225.0
Gustav-Nachtigal-Str. 5	Wiesbaden	7,600	6,900	0	2,632,000	1,513,200	27,300,000	2,643,300	15.0	> 100	255.7
Rotebühlstr. 98–100	Stuttgart	8,400	6,400	0	2,022,300	2,059,000	30,700,000	1,673,300	12.6	24.2	39.5
Solmsstr. 27–37	Frankfurt	30,900	27,400	0	6,080,900	6,161,700	108,400,000	6,130,100	20.0	> 100	41.1
T-Online-Allee 1	Darmstadt	60,600	54,000	15,500	6,460,600	11,451,000	137,800,000	1,857,600	6.0	–48.9	–1.6
Total		**184,000**	**163,000**	**38,500**	**29,624,800**	**35,737,100**	**487,710,000**	**34,908,600**	**11.8**	**54.2**	**34.8**

[1] According to the year-end valuation by Savills Advisory Services.

▶ DOWNLOAD
Portfolio overview (Excel)
www.alstria.com/portfolio/

DEVELOPMENT

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Poststr. 11, Hamburg
Development project 2010–2011
Sold 2012
Profit: EUR 59.6 million

OUR APPROACH TO INTERNAL GROWTH

Jesko, you head up the development at alstria. Can you briefly describe how your department is structured?

We are specialists in the revitalization and extension of office buildings of all ages. Our experienced team of architects, engineers, urban planners and business economists has a wealth of experience in the field of retrofitting old assets. When we do so, we do not necessarily keep the office use, but always strive to achieve the best for the asset. We have indeed converted office assets into residential assets or hotels, and even into a theatre. The responsibility for success is always clearly defined: Every project manager leads his project from conception to successful completion.

Development is an integral part of alstria's business model. Why do buildings need substantial modernization from time to time?

Buildings are depreciating assets and they have a life cycle. While the structure can be used for more than 100 years, the technical lifetimes of windows, facades, heating and plumbing are more likely to be 30–40 years and of cooling, ventilation, lifts and lighting only 20–30 years. The requirements of the users regarding room concepts, functionality and equipment are changing even faster. In terms of design, 10 years is already a new generation. The aim of our development projects in existing buildings is to meet the requirements of tomorrow's tenants while continuing to use the building substance in a sustainable and cost-saving manner.

Many real estate companies concentrate on transactions and the rental business, but engage external service developers for their refurbishment projects. alstria runs an integrated approach. What is the advantage of doing the development work in-house?

First of all, it is always interesting to keep the development margin for yourself, as long as you can manage the risk. As we only develop properties within our own portfolio, we know the buildings inside and out and we are in a position to design and plan the project while the asset is still yielding, which saves us a lot of time. Furthermore, every sale and subsequent purchase of a property costs alstria time and transactions costs.
We save these costs and keep the building if the developed product fits into our core portfolio. If we come to the conclusion that it makes sense to sell the building after the development, we are open to do that. The disposal proceeds and the realized gains usually fund the next development projects. Service development also has the decisive disadvantage that the service provider bears significantly less risk than the owner. This motivates risky decisions and is therefore not sustainable.

Jesko Lohr
Head of Development

Construction capacities are scarce and the prices for construction services are rising. How does alstria ensure that projects are completed on time and on budget?

This is indeed an important point. Yields are compressing as property prices are growing faster than rents. To keep returns at an economically viable level, our clear target is to optimize rental growth in relation to capital expenditure, i.e. to realize an efficient yield on cost. This concept usually allows us to be better off than the market, but we cannot escape the price increases entirely. The overall economic forecast must be adequately reflected in the expected rent and cost planning of development projects. Our experience shows that we achieve good results by tailoring the specifications to the respective core competencies of efficient specialist companies with whom we make early contact. For these individual contracts, services critical to deadlines can be prioritized at a very early stage in order to compensate for the longer order or delivery times.

How do you manage the risks? Are the projects already pre-leased before construction begins?

Long-term vacancies are one of the fundamental risks in project development. That is why we always aim to create a unique, convincing product. In the long term, this is considerably more valuable than a high pre-leasing rate. Our projects are the best proof of this. In fact, we usually succeed in binding tenants at an early stage with our convincing product. However, these leasings often only take place after the start of construction. Despite our high product quality, we always assume target rents carefully and keep a close eye on the rental space during the planning process. At the same time, our risks are manageable due to the project sizes, as we never have more than 10% of our space under development at any moment in time. The average investment volume currently is EUR 30 million per project, which limits the risk. Last but not least, the comprehensive experience and interdisciplinary competence of our employees in conjunction with clear project responsibility is also crucial for risk management.

alstria's Development Team

CASE STUDY: GUSTAV-NACHTIGAL-STR. 3 & 5 WIESBADEN

With an expected investment volume of EUR 63 million, the project at Gustav-Nachtigal-Str. 3 & 5 in Wiesbaden is the largest development project in alstria's corporate history. Verena and Markus, our responsible project managers, give more insight into the project.

Markus Wydmuch
Developer

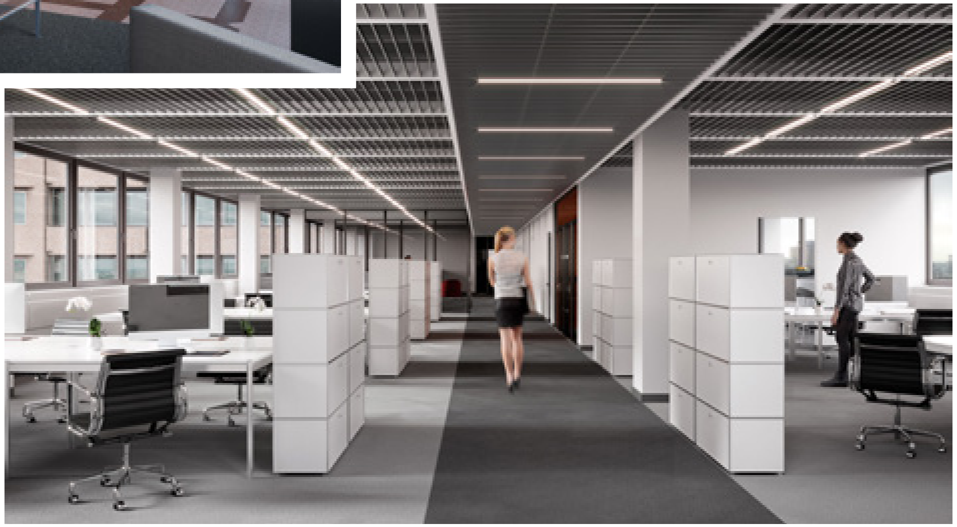
Verena Intorp
Senior Developer

Recently, our Frankfurt team signed a lease agreement for 26,000 m² with a term of 15 years for Gustav-Nachtigal-Str. 3 & 5. This is a great success because the campus is now fully leased.

Yes, indeed. Now we can start the construction work. The buildings in Gustav-Nachtigal-Str. 3 and 4 have been part of our portfolio since 2008. In combination with the neighboring building Gustav-Nachtigal-Str. 5, which we acquired last year, we were able to market a campus with 26,000 m² of leasable space. Our colleagues in Frankfurt have been in contact with the Federal Agency for Real Estate regarding a lease to a major federal institution for the past two years. In the case of such a tenant, negotiations are complex and lengthy due to the involvement of various authorities and the complex development measures. But all these efforts have paid off, because in the end we have more than tripled the annual rent on the buildings and will realize a return of more than 9 % for our shareholders.

Since you now have planning security, you will face special challenges with the refurbishment of the building. What makes this project so special?

We bring the buildings optically and technically up to date. Sustainability plays a decisive role here, as the German government intends to make the buildings climate-neutral by 2050. Fire protection is also an important issue. In addition, tenants' quality demands have risen sharply in recent years, and in this case the requirements for the building itself and the embedded technology are particularly high. Usually the ratio here is 70 % (building) to 30 % (technology), but in this project it is 50 % to 50 %. For example, we will install four times as many sockets and data connections at each workstation as is normally the case.



How difficult is it to consider the tenants' needs in a project like this?

A high-quality tenant such as the federal agency usually expresses strict requirements in terms of its real estate needs. In a project like this one, we tailor our project to the tenant's needs, and have a joint definition of the final product with the tenant's teams. The final rent that will be paid by the tenant is not only a function of the location of the asset, but also a function of the quality of the space that we have produced, and the duration of its commitment to the space.

We have already successfully finalized extensive developments in recent years. What is the approach to this special project?

In general, every revitalization should create a unique property. The tenant should recognize the building through its significance and individual appearance. This is how we stand out from our competitors. The project in Wiesbaden is a little different because the function of the building is the absolute focus here. Our flexible development concept allows us to successfully implement even the highest requirements in terms of technology. We are in close coordination with the tenant in order to optimally realize his specifications together with the external service providers. Through close exchange with all parties involved, we have developed a common understanding of the tasks and approaches and are well on the way to completing this demanding project successfully and on time.

CASE STUDY: GEESTHOF HAMBURG

Built in 1927, the 'Geesthof' in the heart of Hamburg impresses with its architecture, which is typical of the 1920s. In 2018, we started the refurbishment of the historic building and today the project managers Klara and Matthias give us some exclusive insights behind the facade of the Geesthof.

Matthias Lehmann
Senior Developer

Klara Meister
Developer

Klara and Matthias, could you please give us some more details about the project?

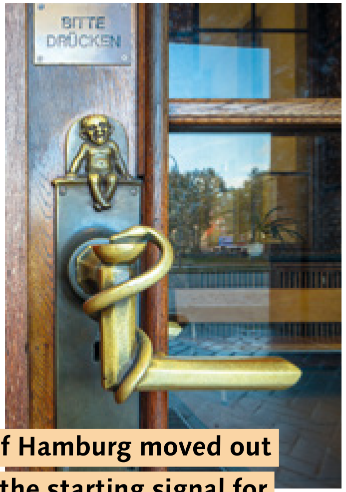
The Geesthof is a listed property, which was occupied by the City of Hamburg until 2018. The last substantial refurbishment took place more than 30 years ago and the Second World War caused considerable damage to the building, so that over the last 100 years the building has lost its original appearance. The move out of the City of Hamburg now gives us the opportunity to reconstruct and comprehensively modernize this historic building in the heart of Hamburg. The Geesthof has been part of Hamburg's history since the 1920s. We started the project with the aim of giving the building back its former look and ensuring a sustainable use over the next decades.

The development of the Geesthof is quite complex. How did you prepare for the construction phase?

In simple terms, we started looking at the options the building offers. For this purpose, we carried out a feasibility study. Within the scope of this study, we examined which types of use the Geesthof provides due to its location and structural characteristics. Taking these aspects and history into account, we then designed a concept for how the Geesthof should look after modernization.

The appearance of the Geesthof is impressive with its expressionistic front, south-eastern facade in Bauhaus style and art nouveau elements in the interior. Were these elements included in the concept?

Yes, of course. Due to the historical appearance, we have developed a concept in the style of the 1920s, which integrates influences from the art of that time. The charm of the existing building structure is reinterpreted and combined with modern elements. During the Second World War, the Geesthof was badly damaged, losing almost two floors and its distinctive crown. We will put the crown back on the building and return it to the original form it has lost. At this point, we also see our duty as a responsible citizen, as we have a direct impact on the appearance of the cities in which we invest.

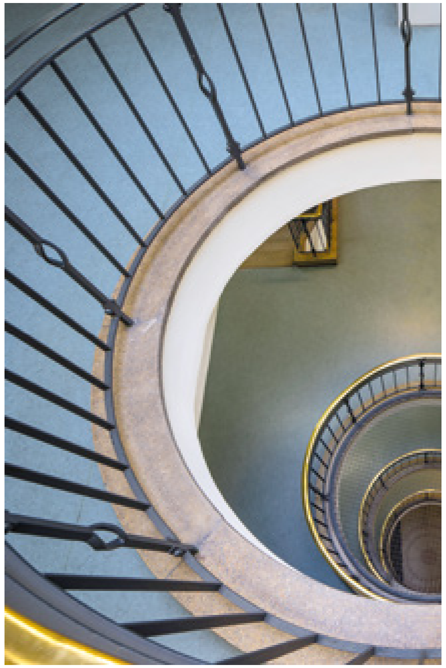


In August 2018, the City of Hamburg moved out of the Geesthof. Was this the starting signal for the construction work?

Yes, we were in a position to start right away because we had developed a coherent concept, the approval planning and the building application had been submitted and the contractors were ready. This is important because we want to keep vacancies in our buildings as short as possible. As we are planning an open office concept, we started with the demolition of the non-load-bearing walls. Here we found a historical wall painting from the 1920s, created by the artist Otto Fischer-Trachau, whose works during the Nazi era belonged to the so-called degenerate art. We included the painting in our planning concept and it will be professionally restored. As the mural, like many other parts of the Geesthof, is under a preservation order, we coordinate closely with the relevant authorities. The cooperation is excellent, and the monument protection authority supports us in our project to give the Geesthof back its original appearance.

Can you already foresee when the development will be completed and the Geesthof will be filled with life again?

The complexity of the Geesthof with all its special architectural characteristics is very exciting and challenging to implement. In addition to the buildings' historical value for the cityscape, we also have clear financial targets. We plan to invest EUR 11 million into the building. The considerable improvement in the quality of the space will allow for significantly higher rents, so that we will achieve a return of around 6 %. Our team is working with great commitment at the Geesthof and we are aiming for completion in mid-2021.



CURRENT DEVELOPMENT PROJECTS

Georg-Glock-Str. 18, Düsseldorf

Lettable area:	10,800 m²
Post refurbishment rent:	EUR 21.40 per m²

Carl-Reiß-Platz 1–5, Mannheim

Lettable area:	17,500 m²
Letting status:	vacant

T-Online-Allee 1, Darmstadt

Lettable area:	60,600 m²
In-place rent:	EUR 12.00 per m²

Rotebühlstr. 98–100, Stuttgart

Lettable area:	8,400 m²
Post refurbishment rent:	EUR 20.10 per m²

Solmsstr. 27–37, Frankfurt

Lettable area:	30,900 m²
Post refurbishment rent:	EUR 16.40 per m²

Deutsche-Telekom-Allee 7, Darmstadt

Lettable area:	24,700 m²
In-place rent:	EUR 12.30 per m²

REFURBISHMENT CANDIDATES – MID-TERM

Immermannstr. 40, Düsseldorf

Lettable area: 8,200 m²
In-place rent: EUR 13.20 per m²

Garstedter Weg. 13, Hamburg

Lettable area: 3,600 m²
In-place rent: EUR 9.10 per m²

Maxstr. 3a, Berlin

Lettable area: 3,800 m²
In-place rent: EUR 9.80 per m²

Taunusstr. 45–47, Frankfurt

Lettable area: 7,300 m²
In-place rent: EUR 13.70 per m²

Lehrter Str. 17, Berlin

Lettable area: 2,400 m²
In-place rent: EUR 11.70 per m²

Heidenkampsweg 44–46, Hamburg

Lettable area: 4,500 m²
In-place rent: EUR 8.90 per m²

REFURBISHMENT CANDIDATES – LONG-TERM

Alter Steinweg 4, Hamburg

Lettable area: 32,000 m²
In-place rent: EUR 11.70 per m²

Karlstr. 123–127, Düsseldorf

Lettable area: 5,700 m²
In-place rent: EUR 11.70 per m²

Sonninstr. 24–28, Hamburg

Lettable area: 22,200 m²
In-place rent: EUR 9.80 per m²

Am Hauptbahnhof 6, Frankfurt

Lettable area: 7,700 m²
In-place rent: EUR 18.50 per m²

Uhlandstr. 85, Berlin

Lettable area: 9,500 m²
In-place rent: EUR 9.80 per m²

An den Dominikanern 6, Cologne

Lettable area: 27,500 m²
In-place rent: EUR 10.30 per m²

FINANCIALS

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Große Bleichen 23–27, Hamburg
Development project 2014–2016
Sold 2017
Profit: EUR 58.3 million

P&L AND FFO

FFO margin up to 60.0 %

In 2019, the operating performance of our company was in line with our plans. Due to the disposal of properties and a corresponding reduction of our lettable area, revenues fell slightly by EUR 5.7 million, from EUR 193.2 million to EUR 187.5 million in the course of 2019. The consolidated net result increased to EUR 581.2 million in 2019 (EUR 527.4 million in 2018) and was substantially impacted by the revaluation result of our property portfolio.

The FFO (after minorities) amounted to EUR 112.6 million, which is in line with the forecasted level of EUR 112.0 million. The decline by EUR 2.1 million compared to the prior year period is directly linked to the lower revenue base but was partly compensated by lower financing costs. However, the FFO margin increased to 60.0 % in 2019 and was up by 60 bps compared to the prior year period.

FFO adjustments 2019

Table 17 provides information on the adjustments we made to reconcile our P&L into our FFO. In general, non-cash and non-recurring items do not contribute to the FFO, as the purpose of this number is to give a clear picture of the operating performance of the company. The most meaningful adjustments we made are the revaluation result (non-cash) and the disposal gain (non-recurring), but also the release of accruals (EUR 10.5 million) and other one-off items (EUR 3.2 million), which are included in other operating income. Other operating expenses were adjusted by one-off items amounting to EUR 5.2 million and non-cash items of EUR 8.5 million related to the increase of the minority share in alstria office Prime Portfolio GmbH & Co. KG.

Table 17: Consolidated income statement

for the period from January 1 to December 31, 2019

	2019			2018		
EUR k	**P&L**	**Adjustments**	**FFO**	**P&L**	**Adjustments**	**FFO**
Revenues	187,467	0	187,467	193,193	0	193,193
Service charge income	37,038	0	37,038	39,160	0	39,160
Real estate operating expenses	–61,601	0	–61,601	–63,285	0	–63,285
Net rental income	**162,904**	**0**	**162,904**	**169,068**	**0**	**169,068**
Administrative expenses	–9,545	1,106	–8,439	–8,834	794	–8,040
Personnel expenses	–18,441	2,544	–15,897	–15,910	1,304	–14,606
Other operating income	16,185	–13,644	2,541	10,656	–9,728	928
Other operating expenses	–15,230	13,824	–1,406	–13,746	12,752	–994
Net result from fair value adjustments on investment property	454,767	–454,767	0	398,954	–398,954	0
Gain on disposal of investment property	17,350	–17,350	0	14,887	–14,887	0
Net operating result	**607,990**	**–468,287**	**139,703**	**555,075**	**–408,719**	**146,356**
Net financial result	–27,460	3,331	–24,129	–29,497	1,238	–28,259
Share of the result of joint ventures	–170	126	–44	–70	0	–70
Net result from fair value adjustments on financial derivatives	0	0	0	2,452	–2,452	0
Pre-tax income (EBT)	**580,360**	**–464,830**	**115,530**	**527,960**	**–409,933**	**118,027**
Income tax expense	861	–861	0	–546	546	0
Consolidated profit/loss for the period	**581,221**	**–465,691**	**115,530**	**527,414**	**–409,387**	**118,027**
Minorities	0	–2,959	–2,959		–3,297	–3,297
Consolidated profit after minorities/ Funds from operations (FFO)	**581,221**	**–468,650**	**112,571**	**527,414**	**–412,684**	**114,730**
Maintenance capex			–14,276			–11,924
Adjusted funds from operations (AFFO)			**98,295**			**102,806**
Number of shares outstanding (k)			177,593			177,416
FFO per share (EUR)			**0.63**			**0.65**
AFFO per share (EUR)			**0.55**			**0.58**

CASH FLOW

FFO in line with operating cash flow

The FFO of a real estate company should be comparable to its operating cash flow. In 2019, our operating cash flow was EUR 122.0 million, slightly higher than the FFO generated (EUR 112.6 million), thereby underscoring the conservative character of our FFO calculation. In recent years, both figures have developed to square perfectly with our expectations. Our operating cash flow over the past five years was at 101.4 % of our FFO.

Table 18: Consolidated statement of cash flows

for the year ended December 31, 2019

EUR k	2019	2018
1. Cash flows from operating activities		
Consolidated profit for the period	581,221	527,414
Interest income	–575	–745
Interest expense	28,035	30,241
Result from income taxes	–861	546
Unrealized valuation movements	–445,940	–389,465
Other non-cash income (–) / expenses (+)	663	5,616
Gain (–) / loss (+) on disposal of investment properties	–17,350	–14,887
Depreciation and impairment of fixed assets (+)	1,106	794
Decrease (+) / Increase (–) in trade receivables and other assets that are not attributed to investing or financing activities	867	–1,055
Decrease (–) / increase (+) in trade payables and other liabilities that are not attributed to investing or financing activities	–1,093	–369
Cash generated from operations	**146,073**	**158,090**
Interest received	814	745
Interest paid	–24,674	–26,658
Income taxes paid	–520	–13,163
Net cash generated from operating activities	**121,693**	**119,014**

EUR k	2019	2018
2. Cash flows from investing activities		
Acquisition of investment properties	–164,915	–253,119
Proceeds from sale of investment properties	139,777	119,200
Payment of transaction cost in relation to the sale of investment properties	–179	–139
Acquisition of other property, plant and equipment	–287	–2,145
Proceeds from the equity release of interests in joint ventures	7,350	0
Payments for investment in financial assets	–238,864	0
Proceeds from the repayment of financial assets	36,567	0
Net cash used in / generated from investing activities	**–220,551**	**–136,203**
3. Cash flows from financing activities		
Cash received from cash equity contributions	0	193,072
Payment of transaction costs of issue of shares	0	–2,611
Payments for the acquisition of minority interests	–73	–101
Distributions on limited partnerships of minority shareholders	–1,947	–1,941
Proceeds from the issuing of bonds and borrowings	393,596	60,000
Payments of transaction costs / redemption of leasing obligations	–1,141	–151
Payments of dividends	–92,257	–92,170
Payments of the redemption of bonds and borrowings	–34,000	–108,088
Net cash used in financing activities	**264,178**	**48,010**
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	165,320	30,821
Cash and cash equivalents at the beginning of the period	132,899	102,078
Cash and cash equivalents at the end of the period	**298,219**	**132,899**

BALANCE SHEET

Value of investment properties up by 12.7 %

The balance sheet of our company is as simple and transparent as it can be. All real estate and associated land are 100 % owned by the company. These real estate assets are on the assets side of our balance sheet and currently account for 89 % of our balance sheet total (including owner-occupied space). Cash / cash equivalents and financial assets make up 10 %, and other assets account for just 1 % of the balance sheet total. The increase of the balance sheet total by EUR 848.1 million to EUR 5.0 billion as per December 31, 2019, was mainly driven by the increase of our investment properties, which grew by 12.7 % to 4.4 billion in 2019, reflecting revaluation gains and capital expenditure. Cash and financial assets were up by EUR 365 million following the placement of a capital market bond in September 2019. The proceeds will serve to repay the maturing debt coming up in 2020 and 2021 in the amount of EUR 363.8 million.

On the liabilities side, the company's equity is the largest item, representing 63 % of the balance sheet total. Financial liabilities account for 34 % and other liabilities for 3 % of the balance sheet. Total equity was up by 18.3 % to EUR 3.2 billion as a result of net profit contribution in 2019. Financial debt was temporarily up by EUR 390.0 million due to the bond placement. With the repayment of the maturing debt in 2020 / 2021, the level of debt will substantially decline.

Table 19: Consolidated balance sheet

as of December 31, 2019

Assets

EUR k	Dec. 31, 2019	Dec. 31, 2018
Non-current assets		
Investment property	4,438,597	3,938,864
Equity-accounted investments	1,070	8,589
Property, plant and equipment	19,055	18,972
Intangible assets	232	349
Financial assets	39,108	36,737
Total non-current assets	**4,498,062**	**4,003,511**
Current assets		
Trade receivables	3,877	6,865
Financial assets	199,750	0
Tax receivables	1,231	43
Other financial receivables	8,601	8,314
Cash and cash equivalents	298,219	132,899
Assets held for sale	19,588	29,620
Total current assets	**531,226**	**177,741**
Total assets	**5,029,328**	**4,181,252**

Equity and liabilities

EUR k	Dec. 31, 2019	Dec. 31, 2018
Equity		
Share capital	177,593	177,416
Capital surplus	1,448,709	1,538,632
Retained earnings	1,545,768	964,554
Revaluation surplus	3,485	3,485
Total equity	**3,175,555**	**2,684,087**
Non-current liabilities		
Liabilities minority interest	70,504	64,013
Long-term loans, net of current portion	1,661,080	1,336,090
Other provisions	1,226	1,275
Other liabilities	11,532	5,010
Total non-current liabilities	**1,744,342**	**1,406,388**
Current liabilities		
Liabilities minority interest	24	47
Short-term loans	50,590	14,171
Trade payables	4,611	4,400
Profit participation rights	457	530
Liabilities of current tax	5,793	5,945
Other provisions	2,505	5,477
Other current liabilities	45,451	60,207
Total current liabilities	**109,431**	**90,777**
Total liabilities	**1,853,773**	**1,497,165**
Total equity and liabilities	**5,029,328**	**4,181,252**

BALANCE SHEET RATIOS

Solid balance sheet

As of December 31, 2019, our G-REIT equity ratio reached a new record level of 70.9 % and clearly exceeded the legally required figure of 45 %. At the same time, our net LTV fell further to 27.1 %.

IFRS NAV per share + 18.3 %

Our IFRS net asset value per share rose by EUR 2.77 to EUR 17.88 as of the reporting date. The revaluation of our properties resulted in an increase of EUR 2.56 per share, and the operating profit covered the dividend payment in May 2019.

Table 20: Balance sheet ratios

EUR k		2019	2018
Investment properties		4,438,597	3,938,864
Carrying amount of owner occupied properties		17,217	17,585
Assets held for sale		19,588	29,620
Equity value of JV	**(A)**	**1,070**	**8,589**
Carrying amount of immovable assets	**(B)**	**4,476,472**	**3,994,657**
Adjustments to fair value of owner occupied properties		5,240	1,144
Fair value of immovable assets	**(C)**	**4,481,712**	**3,995,801**
Cash on balance sheet	**(D)**	**497,969**	**132,899**
IFRS equity	**(E)**	**3,175,555**	**2,684,087**
Interest bearing debt	**(F)**	**1,711,700**	**1,345,700**
G-REIT equity ratio (%)	**(E)/(B)**	**70.9**	**67.2**
Corporate LTV (%)	**(F)/(B)**	**38.2**	**33.8**
Corporate Net LTV (%)	**(F-D)/(B-A)**	**27.1**	**30.4**

Table 21: Movement in net asset value (NAV)

	EUR k	EUR per share
IFRS NAV as of Dec. 31, 2018[1]	**2,684,087**	**15.11**
Portfolio revaluation	454,767	2.56
Profit on disposals	17,350	0.10
Adjusted profit for the year	109,104	0.61
Dividend payment	–92,257	–0.52
Other adjustments	2,504	0.01
IFRS NAV as of Dec. 31, 2019	**3,175,555**	**17.88**
EPRA NRV as of Dec. 31, 2019[2]	**3,492,621**	**19.67**
EPRA NTA as of Dec. 31, 2019[2]	**3,180,892**	**17.91**
EPRA NDV as at Dec. 31, 2019[2]	**3,128,097**	**17.61**

[1] Fully diluted.
[2] Calculation see table 27, page 54.

FINANCIAL DEBT

Proactive debt management

Over the course of 2019, we continued to actively shape the structure of our financial liabilities. The main event on the debt side was the refinancing of the capital market bond we issued in 2015 with a volume of EUR 327 million (coupon: 2.25 %). This bond will be redeemed toward the end of 2020. Given the favorable refinancing conditions, we decided for an early issuance of a new bond, which had a volume of EUR 400 million at a coupon of 0.5 %. The lower cost of debt will substantially reduce our financing expenses going forward.

Net debt / EBITDA of 8.5

Besides the LTV, the net debt / EBITDA is a widely accepted KPI with regard to the indebtedness of a real estate company. In the current stage of the cycle after a multi-year upswing in real estate prices, we regard the net debt / EBITDA as an important indicator, because it is not impacted by the volatility of property valuation. Our net debt / EBITDA was roughly stable at 8.5 and therefore meets our target level as per December 31, 2019. A second debt indicator that is not blurred by property valuation and therefore is a sensible indicator for the indebtedness of a real estate company is the net debt per m², which stood at EUR 804 as per December 31, 2019.

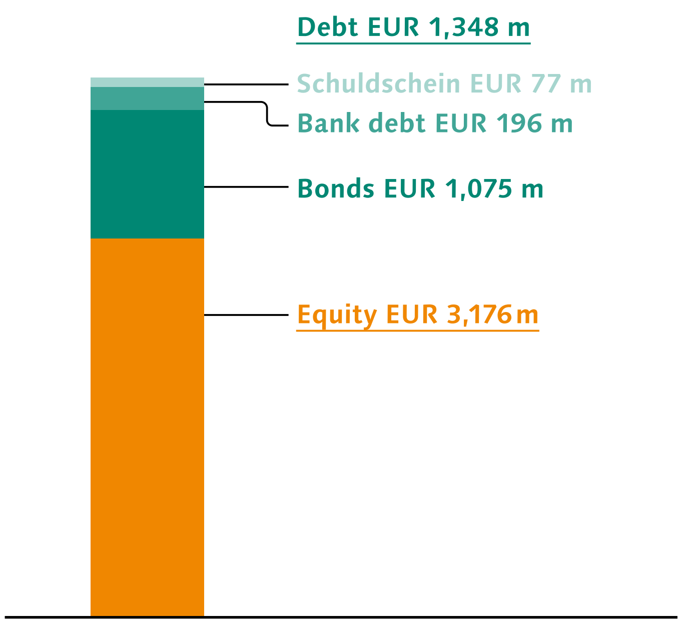
Table 22: Cash cost of debt[1)]

as of December 31, 2019

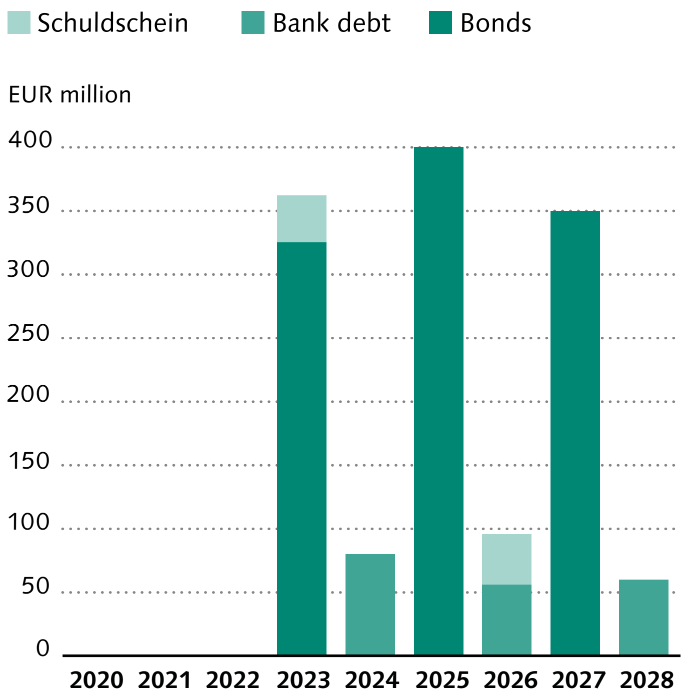
	Nominal amount (EUR k)	Cost of debt (%)	Average maturity (years)
Bonds	1,075,000	1.3	5.7
Bank debt	195,900	1.1	6.3
Schuldschein	77,000	2.5	5.0
Total	**1,347,900**	**1.3**	**5.8**

Graph 7: Net debt / EBITDA

Graph 8: Sources of financing[1)]



Graph 9: Debt maturity profile[1)]



[1)] Assuming repayment of Schuldschein (EUR 37 m) and bond (EUR 327 m) maturing in 2020/21 using available cash.

OUTLOOK 2020

Based on the current portfolio, we expect revenues of EUR 179 million and an FFO of EUR 108 million for the 2020 fiscal year. The slight year-on-year decline in revenues is mainly due to the disposal of properties. With regard to our transaction activities, we will continue to take advantage of the strong investment market in Germany and most likely remain a net seller in 2020. However, the new leases signed in 2019 are a solid foundation for our top line and bottom line growth in the years to come.

Lower revenues will also have an impact on our operating profit (FFO) in 2020. However, declining cost will partially compensate for the loss in rental income. Our FFO margin is expected to exceed previous years level.

This report contains forward-looking statements about expected developments. These statements are based on current assessments and naturally subject to risks and uncertainties. Actual events may differ from those described herein.

Carl-Reiß-Platz 1–5
Mannheim

EPRA KPI'S

EPRA earnings

Earnings reported in the income statement as required under IFRS do not provide stakeholders with the most relevant information on the operating performance of real estate companies. For real estate investment companies, a key measure of a company's operational performance and the extent to which its dividend payments to shareholders are underpinned by earnings is the level of income arising from operational activities. Unrealized changes in valuation, gains or losses on disposals of properties and other non-operating items are therefore taken out.

EPRA vacancy

Vacancy disclosures are not consistently defined in the real estate industry. Consistent disclosure of vacancy measures will always be a challenge between companies because property markets around Europe have different characteristics and each measure can serve a different purpose. To encourage the provision of comparable and consistent disclosure of vacancy measures, EPRA has identified a single vacancy measure that can be clearly defined and is shown in table 24.

Table 23: EPRA earnings & earnings per share

EUR k	2019	2018
Earnings per IFRS income statement	**581,221**	**527,414**
(a) Changes in value of investment properties, development properties held for investment and other interests	–454,767	–398,954
(b) Profits or losses on disposal of investment properties, development properties held for investment and other interests	–17,350	–14,887
(c) Tax on profits or losses on disposals	0	0
(d) Changes in fair value of financial instruments	2,731	–2,452
(e) Acquisition costs on share deals	250	0
(f) Deferred tax in respect to EPRA adjustments	0	0
(g) Adjustments (a) to (c) above in respect of joint ventures	0	0
(h) Non-controlling interest on adjustments	–3,141	–2,813
EPRA earnings	**108,695**	**108,308**
EPRA earnings per share (EUR)	**0.61**	**0.62**

Table 24: EPRA vacancy rate

EUR k	Dec. 31, 2019	Dec. 31, 2018
Estimated rental value (ERV)	212,728	220,912
ERV of vacant space	17,263	21,435
Vacancy rate (%)	**8.1**	**9.7**

EPRA NAV and EPRA NNNAV

The target of the EPRA NAV is to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. It adjusts the company's IFRS NAV. Adjustments are made to include properties and other investment interests at fair value and to exclude certain items that are not expected to crystallize in a long-term investment property business model.

New EPRA NAV metrics

However, the evolution of property companies into actively managed entities, including non-property operating activities, has resulted in more active ownership, higher asset turnover, and the shifting of balance sheet financing from traditional bank lending into capital markets. Therefore, EPRA has set up a new standard on NAV reporting, containing three different metrics (see table 26).

Table 25: EPRA NAV per share

EUR k	Dec. 31, 2019	Dec. 31, 2018
NAV (IFRS equity ex. minority interest)	**3,175,555**	**2,684,087**
Share 'A' (outstanding shares)	177,593	177,416
NAV per share (EUR)	**17.88**	**15.13**
Effect of exercise of options, convertibles and other equity interests	0	0
'New' Shares B	0	0
Share A + B	177,593	177,416
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,175,555**	**2,684,087**
Dilluted NAV per share (EUR)	**17.88**	**15.13**
Revaluation of investment properties (if IAS 40 cost option is used)	5,746	1,143
Fair value adjustments of financial instruments	–177	394
EPRA NAV	**3,181,125**	**2,685,624**
EPRA NAV per share (EUR)	**17.91**	**15.14**
Fair value of financial instruments	–177	–394
Fair value of debt	–53,204	–30,619
EPRA NNNAV	**3,127,744**	**2,654,611**
EPRA NNNAV per share (EUR)	**17.61**	**14.96**

Table 26: EPRA cost ratio

EUR k		2019	2018
Administrative / operating expense line per IFRS income statement		–52,904	–48,898
Service fees / recharges		355	28
Management fees		5,065	5,594
Share of joint ventures expenses		–160	–79
Exclude:			
Investment Property Depreciation		0	298
EPRA Costs (including direct vacancy costs)	**(A)**	**–47,644**	**–43,057**
Direct vacancy costs		8,077	7,482
EPRA Costs (excluding direct vacancy costs)	**(B)**	**–39,567**	**–35,575**
Gross Rental Income less ground rents		187,467	193,193
Less: service fee and service charge costs components of gross rental income		5,065	–5,594
Gross rental income	**(C)**	**182,402**	**187,599**
EPRA cost ratio (%) (including direct vacancy costs)	**(A / C)**	**26.1**	**23.0**
EPRA cost ratio (%) (excluding direct vacancy costs)	**(B / C)**	**21.7**	**19.0**

New EPRA NAV reporting standard

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes are included.

The underlying assumption of the EPRA Net Tangible Assets measure assumes entities buy and sell assets, thereby crystallizing certain levels of deferred tax liability.

Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. For this purpose, the EPRA Net Disposal Value provides the information with a scenario where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, including tax exposure not reflected in the balance sheet, net of any resulting tax. This measure should not be viewed as a 'liquidation NAV' because, in many cases, fair values do not represent liquidation values.

Table 27: New EPRA NAV metrics

EUR k	EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**3,175,555**	**3,175,555**	**3,175,555**
Include/exclude			
I) Hybrid instruments	0	0	0
Dilluted NAV	**3,175,555**	**3,175,555**	**3,175,555**
Include:			
II. a) Revaluation of IP (if IAS 40 cost option is used)	5,746	5,746	5,746
II. b) Revaluation of IPUC (if IAS 40 cost option is used)	0	0	0
II. c) Revaluation of other non-current investments	0	0	0
III.) Revaluation of tenent leases held as finance leases	0	0	0
IV.) Revaluation of trading properties	0	0	0
Dilluted NAV at fair value	**3,181,301**	**3,181,301**	**3,181,301**
Exclude:			
V) Deferred tax in relation to fair value gains of IP	0	0	–
VI) Fair value of financial instruments	–177	–177	–
VII) Goodwill as a result of deferred tax	0	0	0
VIII. a) Goodwill as per the IFRS balance sheet	–	0	0
VIII. b) Intangibles as per the IFRS balance sheet	–	–232	–
Include:			
IX) Fair value of fixed interest rate debt	–	–	–53,204
X) Revaluation of intangibles to fair value	0	–	–
XI) Real estate transfer tax/acquisition costs	311,497	0	–
NAV	**3,492,621**	**3,180,892**	**3,128,097**
Fully diluted number of shares	177,593	177,593	177,593
NAV per share	**19.67**	**17.91**	**17.61**

EPRA Yield

There is variation in the nature and extent of yield disclosures and yield measurements used are not consistently defined. Consistent disclosure of yield measurements such as net initial yield, 'topped-up' yields and equivalent yields will always be a challenge between companies because each measure serves a different purpose depending on the user and the local property market. To encourage the provision of comparable and consistent disclosure of yield measures across Europe, EPRA has defined two yield measures shown in table 28.

EPRA NIY is calculated as the annualized rental income based on the cash rents passing at the balance sheet date minus non-recoverable property operating expenses, divided by the gross market value of the property. The EPRA 'topped-up' NIY is calculated by making an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

Table 28: EPRA Yield

EUR k		Dec. 31, 2019	Dec. 31, 2018
Portfolio value			
Investment properties (on balance sheet)		4,438,597	3,938,864
Trading property		19,588	29,620
Development assets		–487,710	–187,830
Completed portfolio		**3,970,475**	**3,780,654**
Acquisition cost		258,081	245,743
Gross up completed property portfolio valuation	**(A)**	**4,228,556**	**4,026,397**
Income			
Contractual rent		208,332	196,967
Contractual rent developments		–29,625	–2,175
Contractual rent (excluding developments)		**178,707**	**194,792**
Rent-free periods		–19,391	–12,524
Annualized cash passing rent		**159,316**	**182,268**
Property outgoings		–17,871	–19,479
Annualized net cash rents	**(B)**	**141,445**	**162,789**
Rent free periods		19,391	12,524
'Topped-up' net annulized rent	**(C)**	**160,836**	**175,313**
EPRA Net initial yield (%)	**(B/A)**	**3.3**	**4.0**
EPRA 'topped-up' Net initial yield (%)	**(C/A)**	**3.8**	**4.4**

Elisabethstr. 5–11
Düsseldorf

ALSTRIA'S SHARE

57 Share price performance
58 Shareholder structure
59 IR activities

Ernst-Merck-Str. 9, Hamburg
Development project 2016–2018
Yield on cost: 5.8%

SHARE PRICE PERFORMANCE

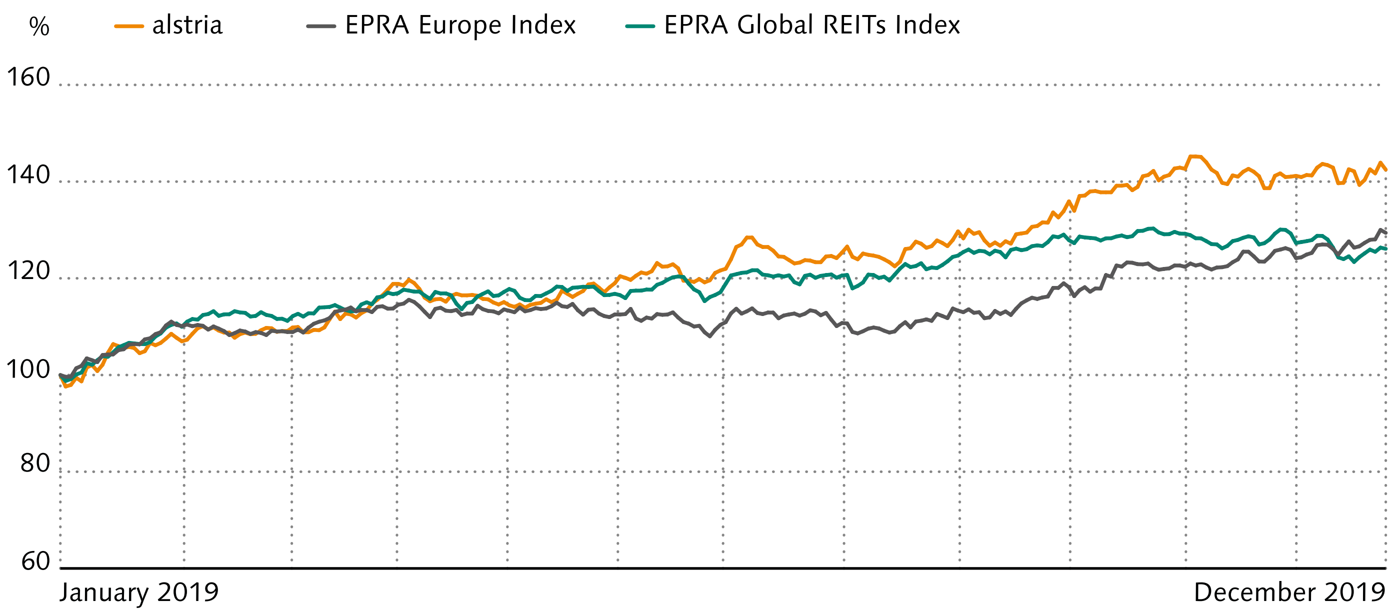
42.5 % total shareholder return in 2019

alstria measures the performance of its shares based on the development of total shareholder return (TSR). The TSR includes the development of the share price plus the dividend reinvested. For 2019, the TSR of alstria's share was 42.5 % and therefore performed much better than most of its peers and also clearly beat the broad market. The strong performance was primarily a reflection of the strong NAV growth. alstria's share clearly outperformed the broad German stock indices in 2019 (DAX30: 25.5 %, MDAX: 31.2 %) and the European sector indices (EPRA Europe: 29.4 %). As the real estate business requires a long-term perspective, multi-year performance is an important indicator of the attractiveness of our share. Over the past five years (2015–2019), the average annual TSR has been 14.4 %, once again demonstrating the strength of our business model in a strong real estate market.

Table 29: Key share data

ISIN	DE000A0LD2U1
Symbol	AOX
Market segment	Financial Services
Industry group	Real Estate
Prime sector	Prime Standard, Frankfurt
Indices	FTSE EPRA / NAREIT Global Real Estate Index Series, FTSE EPRA / NAREIT Europe Real Estate Index Series, MDAX, RX REIT Index, GPR 250 Index Series, GPR 250 REIT Index Series, EURO STOXX 600
Designated Sponsor	M. M. Warburg & CO

Graph 10: Share price development



SHAREHOLDER STRUCTURE

100 % free float

alstria's shares are 100 % free float as defined by Deutsche Börse. More than 95 % of the outstanding shares are held by institutional investors, mainly large pension funds and specialized real estate investors. At the end of 2019, alstria's top 20 investors held approximately 60 % of the outstanding shares. Geographically, approximately 24 % of alstria's shareholders are located in the USA / Canada and 21 % in Asia. European investors hold 55 % of the shares, of which 16 % are held by shareholders domiciled in France, 10 % in the UK, 8 % in Germany and 6 % in the Netherlands. Our international shareholder structure is a consequence of our REIT status, as REIT is a globally established brand for listed real estate companies.

Coverage by analysts

The interest of analysts and financial journalists in the development of alstria office REIT-AG remained high in 2019. A total of 19 investment banks and brokers regularly reported on the development of the company. alstria thus continues to be one of the best-covered companies in the German MDAX.

Table 30: Key share data

		Dec. 31, 2019	Dec. 31, 2018
Number of shares	thousand	177,593	177,416
thereof outstanding	*thousand*	*177,593*	*177,416*
Closing price[1)]	EUR	16.75	12.20
Market capitalization	EUR k	2,974,690	2,164,475
Free float	%	100.0	100.0
		2019	**2018**
Average daily trading volume (all exchanges)	EUR k	8,797	9,935
thereof XETRA	EUR k	6,049	5,042
Share price: high[1)]	EUR	17.60	13.49
Share price: low[1)]	EUR	11.91	11.87

[1)] Xetra closing share price.

Free-Float

100 %

IR ACTIVITIES

260 meetings with investors

In 2019, alstria's investor relations activities remained focused on informing investors, financial analysts and the business press about the company's performance and the market environment. Management roadshows and participation in numerous investment conferences in Europe and the USA ensured a continuous dialogue between the company and its shareholders. Over the course of the year, we held more than 260 meetings with investors and analysts in Germany and abroad. In addition to management personnel, our supervisory board was also involved in the roadshow activities and available to investors for discussions on all aspects of corporate governance. As capital market bonds with a volume of EUR 1 billion are the main source of our debt financing, the special information requirements of our investors in the bond market are also an integral part of our investor relations work. In addition to our presence at roadshows and conferences, we conducted several property tours with analysts and shareholders, particularly in Hamburg, Frankfurt and Düsseldorf.

Digital communication with investors has always played an important role for alstria. All interested parties are invited to participate in the presentation of our annual and quarterly results via live stream on alstria's website. All relevant information is available on our website ▶ ww.alstria.com/investor/

CORPORATE SOCIAL RESPONSIBILITY

61 Integral part of our business
62 Green dividend

Kaiser-Wilhelm-Str. 79–87, Hamburg
Development project 2013–2014
Yield on cost: 7.0 %

INTEGRAL PART OF OUR BUSINESS

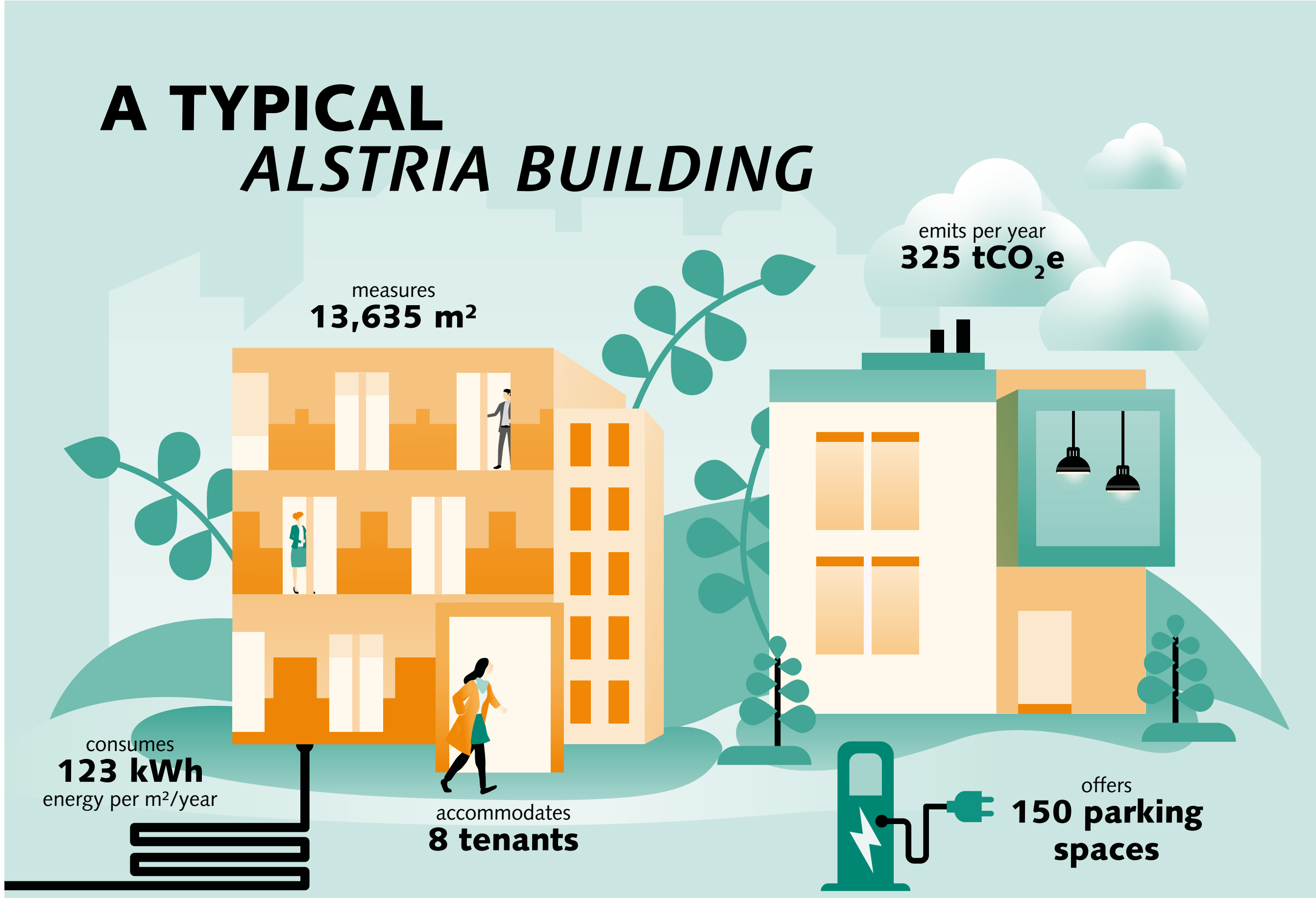
Sustainability is at the core of what we do

Sustainability is an integral part of our business strategy, governance, and operations. The integration of sustainability into the design, construction, and operation of our properties helps us to ensure that our buildings continue to meet the needs of their tenants and surrounding communities while also minimizing our impact on the environment.

We take responsibility for climate change

Toward decarbonizing our portfolio, we managed to procure 100% renewable energy for the electricity that we control and achieved our RE100 target in 2018. Our business activities also emitted 42% less carbon emissions compared to the base year 2013. Finally, our comprehensive sustainability strategy was recognized with numerous ESG ratings, including MSCI, CDP, and ISS-oekom.

For further information, please visit the sustainability section of our website and our sustainability report 2018/19.
▶ www.alstria.com/sustainability/



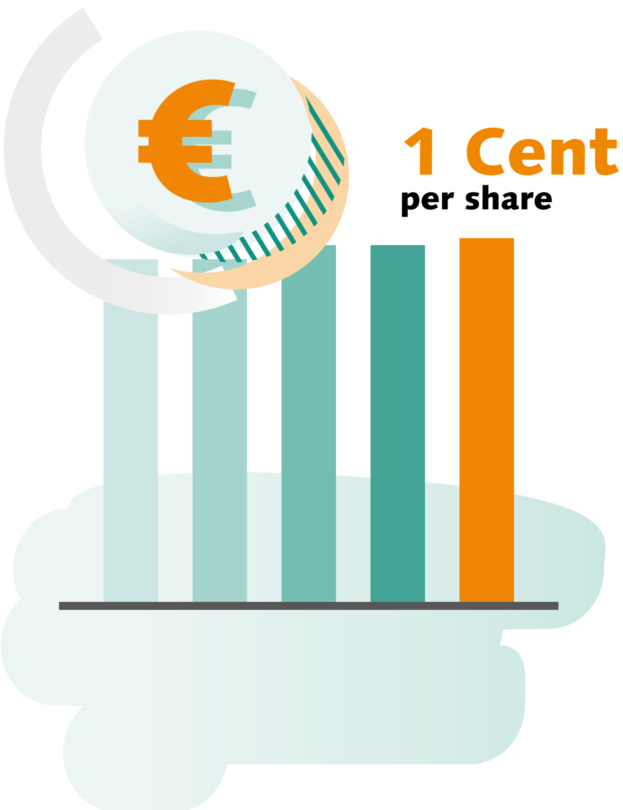
Reporting date: Dec. 31, 2018.

GREEN DIVIDEND HOW DOES IT WORK?

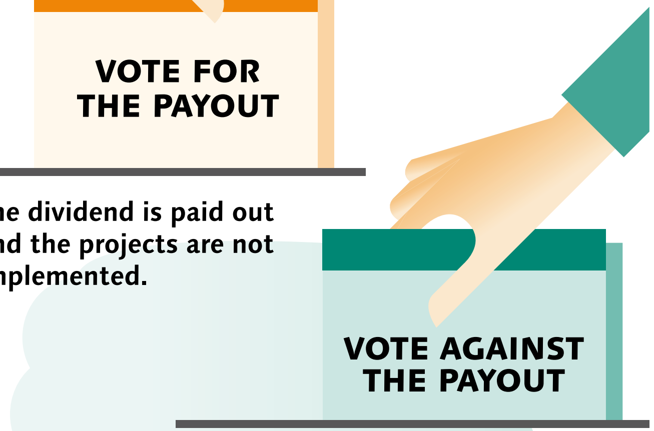
The Company indentifies projects that would not be financed solely based on financial criteria, as well as expected non financial benefits.

A Euro amount needed to finance these projects is proposed to the Annual General Meeting as 'Green Dividend'.

Shareholders are asked to cast their vote for the payout or against the payout (majority rule apply).



The dividend is paid out and the projects are not implemented.



The dividend is not paid out and the projects are implemented by the Company, which will report on progress at the next Annual General Meeting.

PROJECTS THAT WOULD BE FINANCED WITH THE GREEN DIVIDEND

Öjendorfer Weg 9–11, Hamburg	
Heating performance:	107 KW per m²
Underperformance:	35 %
Lowering demand:	Windows, LED
Renewable energy:	Solar panels
Potential saving:	45 tCO_2e per year
Investment:	EUR 750,000
CO_2 yield:	EUR 16,500 per tCO_2e saved annually
In-place rent:	EUR 8.70 per m²

Hammer Steindamm 129, Hamburg	
Heating performance:	97 KW per m²
Underperformance:	30 %
Lowering demand:	Windows
Renewable energy:	Solar panels
Potential saving:	50 tCO_2e per year
Investment:	EUR 950,000
CO_2 yield:	EUR 19,000 per tCO_2e saved annually
In-place rent:	EUR 7.20 per m²

There is no technical, legal or contractual reason why these investment would need to be realized. The existing equipment is properly maintained and reflects the current contractual agreement between alstria and the tenant. The investments described would not offer alstria its expected returns and would only be undertaken with the aim of improving alstria's carbon footprint.

APPENDIX

65 Calculation of yields
67 Achieved UIRR 2006–2019
71 Valuation certificate
80 Management Compensation Scheme
81 Glossary
84 Imprint

Schaartor 1, Hamburg
Development project 2013–2014
Yield on cost: 6.8%

CALCULATION OF YIELDS

Different yields – but all are based on the same portfolio value

The calculation of portfolio yields is sometimes confusing, as it is always the same portfolio, but a different outcome. In tables 31–33, we summarized the calculation schemes of the different yields that we use to indicate the valuation of our portfolio. It is important to note that the calculations are different, but they all start on the same basis, which is the portfolio value, conducted by our external appraisers.

Our own portfolio yield of 4.7 % is the contractual rent in relation to the portfolio value on our balance sheet (table 31).

The EPRA calculation (table 32) starts at the same basis but corrects the portfolio value for development assets and trading properties. On the income side, the EPRA concept also adjusts for the impact of rent-free periods and property costs ('property outgoings').

Table 31: alstria's calculation

EUR k		Dec. 31, 2019	Dec. 31, 2018
Portfolio value			
Investment properties (on balance sheet)		4,438,597	3,938,864
Value of own used property		22,964	18,728
Assets held for sale		19,588	29,620
Other adjustments		–5,089	0
Prepayments of properties		0	–1,944
Total portfolio value	**(A)**	**4,476,060**	**3,985,268**
Income			
Contractual rent	**(B)**	**208,332**	**210,425**
Real estate operating expenses (5 %)		–10,417	–10,521
Contractual net rent	**(C)**	**197,916**	**199,903**
Yield (%)	**(B / A)**	**4.7**	**5.3**
Net yield (%)	**(C / A)**	**4.4**	**5.0**

Table 32: EPRA calculation

EPRA

EUR k		Dec. 31, 2019	Dec. 31, 2018
Portfolio value			
Investment properties (on balance sheet)		4,438,597	3,938,864
Trading property		19,588	29,620
Development assets		–487,710	–187,830
Completed portfolio		**3,970,475**	**3,780,654**
Acquisition cost		258,081	245,743
Gross up completed property portfolio valuation	**(A)**	**4,228,556**	**4,026,397**
Income			
Contractual rent		208,332	196,967
Contractual rent developments		–29,625	–2,175
Contractual rent (excluding developments)		**178,707**	**194,792**
Rent-free periods		–19,391	–12,524
Annualized cash passing rent		**159,316**	**182,268**
Property outgoings		–17,871	–19,378
Annualized net cash rents	**(B)**	**141,445**	**162,890**
Rent free periods		19,391	12,524
'Topped-up' net annulized rent	**(C)**	**160,836**	**175,414**
EPRA Net initial yield (%)	**(B/A)**	**3.3**	**4.0**
EPRA 'topped-up' Net initial yield (%)	**(C/A)**	**3.8**	**4.4**

Our appraiser uses a different methodology (table 33), again starting with the portfolio value he calculated, and which is reflected on our balance sheet. Adjustments are made for the value of our own used properties, estimated acquisition costs and capital costs (required capex), as the appraiser calculates the market yield from the perspective of the buyer. On the income side, adjustments are made for property expenses and an estimated rent reversion.

Table 33: Savills' calculation[1]

EUR k		Dec. 31, 2019	Dec. 31, 2018
Portfolio value			
Investment properties (on balance sheet)		4,438,597	3,936,920
Value of own used property		22,964	18,728
Assets held for sale		19,588	29,620
Other adjustments		–5,089	0
Total portfolio	**(A)**	**4,476,060**	**3,985,268**
Acquisition cost	(B)	311,497	272,197
Capital cost	(C)	363,313	271,297
Gross value	**(D)**	**5,150,870**	**4,528,762**
Income			
Initial passing gross rents	**(E)**	**182,513**	**185,619**
Non-recoverable expenses		–22,708	–14,788
Initial net rents	**(F)**	**159,806**	**170,831**
Reversions		65,952	48,799
Estimated net rents	**(G)**	**230,575**	**219,630**
Savills Net initial yield	**(F/A+B)**	**3.3%**	**4.0%**
Savills Reversionary yield	**(G/A+B)**	**4.8%**	**5.2%**

[1] Yields 2019 and 2018 not fully comparable.

ACHIEVED UIRR 2006–2019

Average UIRR of 7.4 % from 2006–2019

The company's history, over the past 13 years, impressively demonstrates our ability to achieve an unlevered IRR of 7–8 % per year over the cycle. This result is based on a portfolio consisting of 80 individual properties with a volume of EUR 1.5 billion, which we bought, managed and sold on the market between 2007 and 2019 (see table 34). We achieved this result, on the one hand, through our asset management skills and, on the other hand, by applying a strict acquisition discipline. Low interest rates have never tempted us to enter into risky transactions and pure speculation on future market-driven rental growth has never motivated us to buy properties. Instead, we always took a realistic view of the rental market and increased rents through quality-enhancing investments.

Table 34: Unlevered returns (UIRR) 2006–2019

Asset	City	Region	Ownership start	Disposal date	Total lettable area (m²)	Gross purchase price[1] (EUR k)	Rent Collected[2] (EUR k)	Capex (EUR k)	Disposal proceeds (EUR k)	Unlevered profit (EUR k)	UIRR (%)
Balgebrückstr. 13	Bremen	Others	01.11.2015	29.02.2020	4,153	3,798	910	118	2,900	–136	–0.9
Werner-von-Siemens-Platz 1	Laatzen	Others	01.04.2007	29.02.2020	21,027	27,693	22,208	3,912	16,675	6,708	2.4
Stiftplatz 5	Kaiserslautern	Others	01.11.2015	31.10.2019	8,942	12,079	2,805	1,306	12,750	2,151	4.4
Opernplatz 2	Essen	Düsseldorf	01.11.2015	30.01.2019	24,271	36,743	8,486	3,394	40,000	8,309	5.7
Berner Str. 119	Frankfurt	Frankfurt	01.11.2015	30.04.2019	14,852	20,199	3,982	1,133	27,000	9,620	10.7
Brödermannsweg 5–9	Hamburg	Hamburg	01.11.2015	28.02.2019	1,374	2,260	430	48	4,300	2,403	21.0
Ingersheimer Str. 20	Stuttgart	Stuttgart	01.11.2015	31.03.2019	12,895	23,142	5,168	911	41,500	22,585	19.8
Jagenbergstr. 1	Neuss	Düsseldorf	01.10.2007	31.12.2018	20,400	49,660	30,644	3,804	23,400	145	0.0
Gathe 78	Wuppertal	Düsseldorf	01.10.2007	01.01.2019	8,400	11,331	10,827	1,535	9,120	6,883	5.9
Washingtonstr. 16	Dresden	Others	01.10.2007	31.12.2018	20,500	16,801	12,715	3,535	28,080	20,066	8.7
Harburger Ring 17	Hamburg	Hamburg	01.10.2007	31.08.2018	3,600	3,392	2,260	4,352	10,000	4,486	8.3
Lötzener Str. 3	Bremen	Others	01.11.2015	30.06.2018	5,000	3,445	803	98	3,600	749	7.4
Eschersheimer Landstr. 55	Frankfurt	Frankfurt	01.11.2015	01.04.2018	8,700	27,300	3,018	606	44,000	19,112	20.1
Frankfurter Str. 71–75	Eschborn	Frankfurt	01.11.2015	01.03.2019	6,700	15,700	2,500	206	16,200	2,794	5.9
Doktorweg 2–4	Detmold	Düsseldorf	01.04.2008	31.12.2017	9,800	8,569	4,889	699	11,300	6,921	7.5
Carl Benz Str. 15	Ludwigsburg	Stuttgart	01.11.2015	30.08.2017	32,500	19,300	2,764	294	19,600	2,770	6.3

[1] Incl. 6 % transaction costs.
[2] Incl. 5 % real estate operating expenses.

Disclaimer: The data shown in the table above can differ from the IFRS accounting numbers.

Table 34: Unlevered returns (UIRR) 2006–2019

Asset	City	Region	Ownership start	Disposal date	Total lettable area (m²)	Gross purchase price[1] (EUR k)	Rent Collected[2] (EUR k)	Capex (EUR k)	Disposal proceeds (EUR k)	Unlevered profit (EUR k)	UIRR (%)
Vichystr. 7–9	Bruchsal	Stuttgart	01.11.2015	30.08.2017	20,200	12,600	1,668	347	13,400	2,121	8.4
Grosse Bleichen 23–27 (JV)	Hamburg	Hamburg	01.01.2010	31.08.2017	18,300	31,164	11,912	5,774	83,300	58,274	17.3
Zellescher Weg 18–25a	Dresden	Others	01.04.2006	31.01.2017	6,539	8,576	7,977	183	10,500	9,718	11.1
Feldstr. 16/Gutenbergstr.	Weiterstadt	Frankfurt	01.11.2015	31.12.2016	14,200	6,700	385	33	7,350	1,002	15.1
Gutenbergstr. 1	Ismaning	Munich	01.11.2015	31.12.2016	12,200	12,800	917	465	14,100	1,752	13.9
Oskar-Messter-Str. 22a–24a	Ismaning	Munich	01.11.2015	31.12.2016	12,400	16,700	1,445	8	18,400	3,137	19.0
Nägelsbachstr. 26/ Nürnberger Str. 41	Erlangen	Others	01.11.2015	31.12.2016	11,600	18,500	1,526	949	11,200	–6,722	–36.8
Lina-Ammon-Str. 19	Nürnberg	Others	01.11.2015	31.12.2016	11,200	15,100	1,191	0	15,100	1,191	8.0
Richard-Wagner-Platz 1	Nürnberg	Others	01.11.2015	31.12.2016	6,800	14,400	1,106	221	17,000	3,485	24.5
Bahnhofstr. 1–5	Heilbronn	Stuttgart	01.11.2015	30.11.2016	14,700	28,400	2,224	654	33,650	6,820	24.3
An den Treptowers 3	Berlin	Berlin	01.11.2015	30.09.2016	85,400	209,300	12,188	965	228,431	30,354	14.7
Ludwig-Erhard-Str. 49	Leipzig	Others	01.04.2006	30.09.2016	6,290	10,307	7,746	267	9,450	6,622	6.9
Taunusstr. 34–36	Munich	Munich	01.11.2015	31.08.2016	11,200	26,400	1,404	28	26,830	1,806	6.9
Wandsbeker Chaussee 220	Hamburg	Hamburg	01.10.2007	30.06.2016	3,156	5,671	3,026	226	5,920	3,049	6.4
Max-Eyth-Str. 2	Dortmund	Düsseldorf	01.10.2007	31.12.2016	7,042	7,791	434	73	4,625	–2,805	–5.1
Landshuter Allee 174	Munich	Munich	05.06.2007	30.06.2016	7,151	11,342	3,071	1,849	14,000	3,881	4.3
Hofmannstr. 51	Munich	Munich	01.04.2007	30.06.2016	22,151	41,764	21,009	782	44,987	23,450	6.2
Dieselstr. 18	Ditzingen	Stuttgart	01.04.2007	25.06.2016	9,639	3,100	0	8,986	13,395	1,309	34.1
Emil-von-Behring-Str. 2	Frankfurt	Frankfurt	01.04.2007	31.12.2015	9,308	15,370	9,254	3,696	12,800	2,988	2.9
Arnulfstr. 150	Munich	Munich	01.04.2006	31.12.2015	5,871	16,258	8,074	138	16,500	8,177	6.6
Halberstädter Str. 17	Magdeburg	Others	01.04.2006	30.11.2015	7,527	10,417	5,089	304	6,200	568	0.8
Siemensstr. 31–33	Ditzingen	Stuttgart	01.04.2007	01.11.2015	15,051	28,620	12,097	900	22,300	4,878	2.5
Englische Planke 2	Hamburg	Hamburg	01.04.2011	31.12.2014	4,623	12,065	2,804	431	15,530	5,838	15.2
Hamburger Str. 43–49	Hamburg	Hamburg	28.12.2006	30.11.2014	21,777	36,010	18,227	401	41,662	23,478	9.1
Spitzweidenweg 107	Jena	Others	03.03.2008	31.10.2014	2,880	1,993	1,064	106	1,415	380	3.7
Ernsthaldenstr. 17	Stuttgart	Stuttgart	03.03.2008	31.05.2014	2,472	2,714	1,663	662	3,300	1,587	10.0
Max-Brauer-Allee 41–43	Hamburg	Hamburg	01.06.2008	31.03.2014	3,226	4,569	1,665	852	6,150	2,395	7.2
Joliot-Curie-Platz 29–30	Halle	Others	02.05.2008	31.12.2013	1,080	1,325	475	19	610	–259	–5.3

[1] Incl. 6 % transaction costs.
[2] Incl. 5 % real estate operating expenses.

Disclaimer: The data shown in the table above can differ from the IFRS accounting numbers.

Table 34: Unlevered returns (UIRR) 2006–2019

Asset	City	Region	Ownership start	Disposal date	Total lettable area (m²)	Gross purchase price[1] (EUR k)	Rent Collected[2] (EUR k)	Capex (EUR k)	Disposal proceeds (EUR k)	Unlevered profit (EUR k)	UIRR (%)
Bornbarch 2–12	Norderstedt	Hamburg	01.05.2012	31.12.2013	12,351	6,466	1,357	660	10,320	4,552	68.8
Johannesstr. 164–165/ J.-Gagarin-Ring 133–135	Erfurt	Others	01.04.2006	31.10.2013	5,846	8,127	3,791	187	5,850	1,328	2.7
Am Roten Berg 5	Erfurt	Others	03.03.2008	31.07.2013	5,284	2,756	791	35	1,060	–940	–9.7
Schweinfurter Str. 4	Würzburg	Others	01.01.2007	30.06.2013	5,076	7,950	2,875	161	4,530	–706	–1.9
Helene-Lange-Str. 6/7	Potsdam	Others	01.04.2006	30.06.2013	3,292	6,866	2,705	232	5,700	1,307	3.0
Kanalstr. 44	Hamburg	Hamburg	03.03.2008	31.05.2013	8,094	10,854	4,624	488	15,000	8,281	14.3
Lothar-Streit-Str. 10b	Zwickau	Others	01.04.2006	23.05.2013	1,034	1,583	599	30	350	–665	–11.6
Benrather Schlossallee 29–33/ Ludolfstr. 3	Düsseldorf	Düsseldorf	01.04.2008	01.02.2013	4,941	8,684	2,614	510	7,620	1,040	2.7
Zwinglistr. 11/13	Dresden	Others	03.03.2008	31.12.2012	2,924	1,982	725	31	2,640	1,352	15.4
Schopenstehl 24/ Kleine Reichenstr. 2	Hamburg	Hamburg	01.08.2009	30.06.2012	2,122	3,509	498	999	5,040	1,031	8.0
Am Gräslein 12	Nürnberg	Others	01.04.2006	31.03.2012	2,708	3,769	1,344	71	3,400	904	4.3
Poststr. 11	Hamburg	Hamburg	01.06.2006	30.03.2012	7,356	36,302	5,211	30,100	120,839	59,648	17.0
Bertha-von-Suttner-Platz 17	Bonn	Düsseldorf	01.04.2006	30.09.2011	1,388	1,624	990	50	2,100	1,416	16.7
Kümmellstr. 5–7	Hamburg	Hamburg	01.06.2006	09.11.2010	15,666	26,325	6,094	305	25,279	4,744	4.6
Lenhartzstr. 28	Hamburg	Hamburg	01.06.2006	09.11.2010	1,131	1,788	466	23	4,221	2,875	28.8
Schloßstr. 60	Hamburg	Hamburg	01.06.2006	22.09.2010	11,945	15,141	4,009	200	17,001	5,669	9.1
Steckelhörn 12	Hamburg	Hamburg	01.06.2006	22.09.2010	14,720	36,616	7,797	390	35,200	5,992	4.2
Gänsemarkt 36	Hamburg	Hamburg	01.06.2006	31.03.2010	20,900	66,341	12,889	644	68,700	14,603	5.5
Gorch-Fock-Wall 15, 17	Hamburg	Hamburg	01.06.2006	31.03.2010	7,700	16,013	3,368	168	15,500	2,686	4.3
Eserwallstr. 1–3	Augsburg	Others	01.04.2006	31.12.2009	5,564	10,583	2,510	126	10,556	2,358	7.7
Rheinstr. 23	Darmstadt	Frankfurt	01.04.2006	31.12.2009	2,696	5,060	1,132	57	4,197	212	1.5
Mecumstr. 10	Düsseldorf	Düsseldorf	01.04.2006	31.12.2009	8,638	21,452	4,377	219	18,128	834	1.4
Vahrenwalder Str. 133	Hannover	Others	01.04.2006	31.12.2009	7,142	16,869	3,529	176	18,587	5,071	10.2
Bonner Str. 351/351a	Cologne	Düsseldorf	01.04.2006	31.12.2009	10,907	23,192	5,259	263	21,736	3,541	5.4
Steubenstr. 72–74	Mannheim	Frankfurt	01.04.2006	31.12.2009	4,070	7,898	1,896	95	7,844	1,748	7.6
Regensburger Str. 223–231	Nürnberg	Others	01.04.2006	31.12.2009	8,938	15,489	3,582	179	14,877	2,791	6.3

[1] Incl. 6% transaction costs.
[2] Incl. 5% real estate operating expenses.

Disclaimer: The data shown in the table above can differ from the IFRS accounting numbers.

Table 34: Unlevered returns (UIRR) 2006–2019

Asset	City	Region	Ownership start	Disposal date	Total lettable area (m²)	Gross purchase price[1] (EUR k)	Rent Collected[2] (EUR k)	Capex (EUR k)	Disposal proceeds (EUR k)	Unlevered profit (EUR k)	UIRR (%)
Poststr. 51	Hamburg	Hamburg	01.06.2006	07.10.2009	1,681	7,347	1,283	64	6,500	372	1.8
Eppendorfer Landstr. 59	Hamburg	Hamburg	01.06.2006	30.09.2009	3,293	7,423	1,228	61	6,622	365	1.7
Ottenser Marktplatz 10/12	Hamburg	Hamburg	01.06.2006	30.09.2009	934	2,687	470	24	2,375	134	1.8
Marburger Str. 10	Berlin	Berlin	01.04.2008	29.09.2009	6,219	13,155	747	37	12,950	504	3.9
Gorch-Fock-Wall 11	Hamburg	Hamburg	01.06.2006	30.06.2009	8,693	20,405	2,886	144	19,600	1,936	3.3
Nikolaistr. 16	Leipzig	Others	01.01.2007	30.11.2008	1,191	2,438	363	18	2,000	–93	–2.0
Düsternstr. 10	Hamburg	Hamburg	01.06.2006	31.10.2008	2,156	4,463	583	29	4,950	1,040	11.6
Osterbekstr. 96	Hamburg	Hamburg	01.06.2006	30.09.2008	7,393	10,067	1,126	56	11,000	2,003	9.9
Richard-Strauß-Allee 10–14a	Wuppertal	Düsseldorf	01.04.2006	13.07.2007	1,258	1,394	139	7	1,545	284	21.3
Schellenbecker Str. 15–21	Wuppertal	Düsseldorf	01.04.2006	13.07.2007	1,854	1,944	177	9	2,155	379	20.5
Total					**774,204**	**1,325,927**	**348,087**	**92,116**	**1,524,501**	**452,640**	**7.4**

[1] Incl. 6 % transaction costs.
[2] Incl. 5 % real estate operating expenses.

Disclaimer: The data shown in the table above can differ from the IFRS accounting numbers.

VALUATION CERTIFICATE

Project 'Portfolio of alstria office REIT-AG'

Opinion of Market Value

as at 31 December 2019

on behalf of

alstria office REIT-AG
Steinstraße 7
20095 Hamburg
Germany

Commercial Portfolio of alstria office REIT-AG
Valuation date: 31 December 2019

Client	**Prepared by**
alstria office REIT-AG	Savills Advisory Services Germany GmbH & Co. KG
Steinstraße 7	Taunusanlage 19
20095 Hamburg	60325 Frankfurt am Main
Germany	Germany

A. Executive Summary

Portfolio Overview

Subject to this report are 116 commercial properties with a total lettable area of approx. 1,521,084 sqm. The properties are located mainly in the north, west and southwest of Germany.

Tenure

All properties are held on the German equivalents of freehold title

Location Analysis

Approx. 57 % of the total gross rental income are generated by the top three locations Hamburg, Stuttgart and Düsseldorf.

Top 10 municipalities by current rental income

#	Municipality	Lettable area sqm	Lettable units number	Current rental income EUR p. a.	Average remaining lease term years	Current rental income with lease expiry
1	Hamburg	385,956	–	50,553,738	7.59	95.9
2	Stuttgart	193,903	–	28,863,930	4.27	99.6
3	Düsseldorf	227,578	–	25,105,341	5.46	98.3
4	Frankfurt am Main	120,315	–	15,363,234	4.41	97.3
5	Essen	72,386	–	11,567,625	3.22	99.7
6	Berlin	86,253	–	10,519,177	4.40	95.4
7	Darmstadt	104,946	–	8,979,115	3.94	99.0
8	Ratingen	58,118	–	6,197,259	4.87	99.5
9	Köln	59,423	–	6,026,918	5.35	98.3
10	Karlsruhe	26,762	–	2,877,705	6.01	100.0
> 10	Remaining	185,442	21,803	16,162,061	6.22	97.3

B. Valuation Results

I. Total Rental Income ('Current Rent')

According to the provided tenancy schedule, the current rental income as at 31 December 2019 amounts to:

EUR 182,512,997 p.a.
(ONE HUNDRED EIGHTY TWO MILLION FIVE HUNDRED TWELVE THOUSAND NINE HUNDRED AND NINETY SEVEN EURO)

II. Opinion of Net Estimated Rental Value (ERV)

The estimated rental value as at 31 December 2019 amounts to:

EUR 248,464,720 p.a.
(TWO HUNDRED FORTY EIGHT MILLION FOUR HUNDRED SIXTY FOUR THOUSAND SEVEN HUNDRED AND TWENTY EURO)

III. Opinion of Market Value

We are of the opinion that the Market Value of the freehold interests in the subject properties as at 31 December 2019 is:

4,476,060,000 EUR
(FOUR BILLION FOUR HUNDRED SEVENTY SIX MILLION AND SIXTY THOUSAND EURO)

Market Value in EUR per sqm	2,943
Gross Multiplier on Current Rent	24.52
Gross Multiplier on Market Rent	18.01
Net Initial Yield (NIY) on Current Rent in %	3.34
Net Yield (NY) on Market Rent in %	4.80

C. Instructions and Sources of Information

We are of the opinion that the Market Value of the freehold interests in the subject properties as at 31 December 2017 is:

I. Scope of Instruction

Report Date
13 January 2010

Instruction
In accordance with the Instruction Letter dated 01 August 2017, the 1. Amendment dated 06 December 2017 and 2. Amendment dated 19 March 2019, we carried out a valuation of all 116 commercial properties of the respective portfolio.

Please note that since the last valuation (30 June 2019) the following properties were acquired respectively sold:

- VU2197 – Adlerstraße 63, 40211 Düsseldorf (purchased)
- VU2154 – Stiftsplatz 5, 67655 Kaiserslautern (sold)

Therefore, the valuation portfolio comprises 116 commercial properties at the valuation date of 31 December 2019.

Instructing Party
This valuation statement is addressed to and may be relied upon by:

alstria office REIT-AG
Steinstraße 7
20095 Hamburg
Germany
Hereinafter referred to as 'Client'

Conflict of Interest
We hereby confirm that we have no existing potential conflict of interest in providing the valuation report, either with the Principal or with the properties.

Furthermore, we confirm that we will not benefit (other than from receipt of the valuation fee) from this valuation instruction.

Currency
The relevant currency for this valuation is EUR.

Portfolio Assumption
Each property will be valued individually, and no discount or addition is made in the aggregate value to reflect the fact that it may form part of a portfolio.

Tenure
All properties are held on the German equivalent of freehold title.

Purpose of Valuation
The Instructing Party requires this valuation for accounting purposes.

Disclosure of Excerpts of Savills' Reports in the Company Reports
Savills agrees to the disclosure of an excerpt of Savills' reports (which include the Valuation Certificate and Annex 1 thereto but exclude any other Annexes or information) in the Company Reports of the Instructing Party ('Company Report') with the proviso, and under the condition, that Savills is liable to the Instructing Party only, and no third party (in particular no recipients of the Company Reports) may raise any claims against Savills in connection with Savills' report or the disclosure of parts thereof in the Company Report. The Instructing Party shall procure that

the Company Reports contain (i) a statement that the disclosure in the Company Reports is made on a non-reliance basis, and no third party (other than the Instructing Party) will be entitled to raise claims against Savills, and (ii) the information that the knowledge of the excerpts of Savills' report disclosed in the Company Reports do not constitute a sufficient basis for business decisions of the recipients of the Company Reports.

Reliance
Our valuation is for the use of the party to whom it is addressed only and for the specific purpose referred to above. No responsibility is accepted to any other party than the instructing party.

Liability
The liability of Savills is limited to a maximum amount of EUR 3 million under Sec. 6 of the General Terms. Savills is prepared to increase this maximum amount for this instruction up to EUR 50m (fifty million EUR). This increased maximum amount is valid for this instruction only and does not apply for any other present or future instructions, agreements or legal relationships between the Instructing Party and Savills. Where there is more than one Addressee to this Report, the aforementioned maximum amount of our liability is a total limit to be allocated between the Addressees, such allocation being entirely a matter for the Addressees. Savills does not accept any duty, liability or responsibility to any party other than the Instructing Party with respect to the report unless and to the extent otherwise agreed with such party in writing.

Nature and Source of Information relied on
The valuation has been substantially and mainly based upon the information supplied to us by the Instructing Party and/or entitled advisors. For details please refer to the chapter 'Sources of Information and Inspection'.

Basis of Valuation
Our valuation has been carried out in accordance with the RICS Valuation – Global Standards 2017 (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS), London, which was effective from 1 July 2017. We have been instructed to value the properties on the basis of Market Value in accordance with Valuation Practice Statements VPS 4 of the RICS Valuation – Professional Standards (the 'Red Book') which is defined as follows:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion.'

Furthermore, we confirm that the determined Market Value corresponds with the German 'Verkehrswert' (§194 BauGB) and is also conform to the International Valuation Standards (IVS).

Date of Valuation
31 December 2019

Savills' Team
The responsible project managers for this valuation were Klaus Trautner MRICS, CIS HypZert (F) and Christian Quandt CIS HypZert (F) who are well experienced in the valuation of office properties.

Besides the project manager the following Savills team was involved in the valuation of the subject properties:

› Drazenko Grahovac MRICS
› Sebastian Arndt
› Erik Matthes MRICS
› Magda Podniece MRICS
› Tanja Künne
› Desiree von Holt
› Oliver Risopp
› Konstantinos Yfantidis

Verification, Liability
This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us.

We recommend that the addressee of this report satisfies itself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuations. Our valuations should not be relied upon pending this verification process.

Should any of the information or assumption on which Savills' valuation is based be subsequently found incorrect or incomplete our value conclusion may be incorrect so that our valuation may need to be amended. Savills therefore cannot accept any liability for the correctness of this assessment or for any loss or damage resulting there from.

General Terms and Conditions
The 'General Terms and Conditions' (Appendix V) of Savills Advisory Services Germany GmbH & Co. KG apply to this agreement. We specifically draw your attention to these.

II. Sources of Information and Inspection

Information Sources
For the purpose of this update valuation we have relied on our initial valuation certificates as at 29 January 2018, 14 January 2019, 30 July 2019 and the following new information, provided to us by the client:

› Rent roll for the properties including future leases information received by email on 06 January 2020
› Information regarding penalty payments for potential break options received by email on 05 November 2019
› Information regarding development properties received by email on 14 November 2019
› Final capex list as at 31 December 2019 received by email on 26 November 2019
› Additional specific documents in course of the Q&A process

Furthermore we relied (which means we assumed that the respective information provided by alstria is complete, correct, up to date and not misleading) on the following information for the one new subject property:

› Land register copies of
› Land register excerpts,
› Cadastral maps,
› Excerpts regarding public easements,
› Building permissions,
› Information regarding planning law (land utilization plan, development plan, information from planning authorities)

Unless otherwise stated in the Report, Savills based its valuations on the aforementioned documents and information received in the course of the initial and update valuations as at 31 December 2017, 31 December 2018 and 30 June 2019.

We have also included the following sources into our valuation report:

› Savills Research
› Local Land Valuation Boards and other local authorities
› Geoport
› Empirica
› RIWIS online database

Extent of Inspections
For the purpose of this valuation (as at 31 December 2019) 4 subject properties were fully inspected by Savills in October 2019.

112 subjected properties were not inspected for this valuation (as at 31 December 2019). Nevertheless, we have been carried out inspections for 75 subject properties between April and May 2019 and for 37 subject properties between August 2017 and September 2017. We have assumed that there were no material changes on the properties that could have an impact on the valuation during the time of the inspection and the valuation date.

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested. All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

D. Valuation Methods

I. H&T (Hardcore & Top Slice)

In determining the market value for commercial properties we therefore have applied the Hardcore and Top Slice Method (H&T). Using the H&T method, the cash flows from the property are divided into two blocks with the cash flow of each block being calculated individually and being summed up subsequently.

The H&T method is a static calculation approach which makes no explicit refection of rental growth: the effects of rental growth and potential changes in other market and financial factors are implicit in the yield, which is normally obtained from the analysis of comparable transactions. Hardcore considers the cash flow as at the date of valuation until the expiry of the existing lease and therefore considers the contractual rents. Management and maintenance costs as well as other unrecoverable costs of the owner are deducted from the current achievable gross annual yield (Gross Income). The remaining Net Income is capitalized by the annuity factor.

Top slice marks the second phase from the beginning of reletting, if required under consideration of an appropriate vacancy period. The calculation of cash flows is based on the estimated market rent. The costs of any outstanding repairs ('deferred maintenance') or other capital costs that would be immediately incurred are deducted from the total capital value. Future capital costs (e.g. renovation or refurbishment before renewed letting) are estimated and discounted for an appropriate period before being deducted.

After the deduction of the purchaser's costs (real property transfer tax, notary and agent costs) and immediately required capital expenditure, the result is the Net Value.

E. Valuation Considerations

In this chapter we comment on our individual considerations in order to arrive with our opinion of value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our indication of value is based on our General Assumptions and Conditions enclosed in Appendix V to this Report.

Our General Assumptions and Conditions will be amended by our individual considerations, including underlying individual valuation assumptions, as described in the following sections. Our individual considerations are based on these additional assumptions which were adopted specifically with respect to our opinion of value of the assets which are subject to this Report.

In case of any discrepancies with our General Assumptions and Conditions, our individual valuation assumptions as described in the following do prevail. If any of the aforementioned assumptions (General or individual valuation assumptions or other) are subsequently found to be incorrect or invalid, our opinion of value may need to be reconsidered.

I. Portfolio Considerations

1. Legal Aspects

Land Register
According to the provided land register excerpts, all properties are held on freehold title

There are several encumbrances regarding the subject properties like pipeline way leaves, cable rights, right of ways and restricted personal easement.

For the subject property VU2107 – Hamburg, there is a superstructure payment in an amount of EUR 6,383.71 p.m. (Überbaurente) in favour of the respective owner of land register Uhlenhorst folio 3403. We have considered these costs in our valuation approach.

Except for the subject property VU2107 – Hamburg, we are of the opinion that the encumbrances and restrictions registered under Section II do not affect the use of the subject properties. They are therefore assumed to have no impact on value.

Further legal Aspects
We were provided with some information regarding legal issues. This legal information partially include information regarding:

- Public encumbrances
- Planning law, zoning specification
- Historical listings
- Soil and building contamination

According to this information, we are of the opinion that the further legal aspects do not affect the use of the subject properties, therefore we have assumed no impact of value.

2. Technical Aspects

Maintenance Backlog and Capital Expenditure
Based upon the inspection as well as the documents and information provided by the client we have assumed that the continuing repair and maintenance of the properties have been carried out accordingly.

We were provided with a Capital expenditures overview with estimations for 'Major Refurbishment costs' and for 'Re-letting costs' for vacant units.

The total Capital expenditures for major refurbishments amount to ca. EUR 261.22m and for re-letting to EUR 102.09m.

This leads to total Capital expenditures of ca. EUR 363.31m for the 77 subject properties (ca. 8.0 % of the portfolio value).

We have considered the costs for Capital expenditures in our valuation approach.

Please refer to Appendix II ('Detailed Valuation Overview') for more details of individual aspects.

3. Tenancy Aspects

Our valuation is based on the rent roll for the subject properties received from the client via email on 06 January 2020. We assume that the document reflect the status quo of all tenancies as at valuation date 31 December 2019 to a true and comprehensive extent. Please note that we cannot accept any reliance on the correctness nor the completeness of the provided information of tenancies.

For details of all tenancies, please refer to pp. 7 of the 'Detailed Valuation Overview' in Appendix II.

II. Basic Cash Flow Considerations

In the following section, we like to comment on all input parameters in our valuation model. Besides a general description of each parameter, the applied ranges of those parameters will be stated, too. For more detailed information on a property level please refer to Appendix II 'Detailed Valuation Overview'.

The Estimated Rental Value (ERV)
Estimated rental values ('market rents') indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the property, being subject to market conditions that are either current or are expected in the short term. They are based on our experience of the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or the closest comparable use, where applicable and available. In few cases we also considered asking rents.

Applied ERVs range as follows in the subject portfolio:

Market rent

	Minimum EUR per sqm p.m.	Maximum EUR per sqm p.m.	Average* EUR per sqm p.m.
Office	–	28.00	13.56
Storage	0.50	10.00	5.00
Nursing home	8.25	13.00	10.51
Retail	–	75.00	17.82
Other Area	–	50.00	6.85
Hotel	11.25	12.00	11.56
Surgery	8.50	22.50	12.55
Residential	5.00	14.50	12.63
Restaurant	1.49	25.00	9.28
Fitness	5.50	9.50	6.82
Theatre	3.25	3.25	3.25
Cinema	9.25	9.25	9.25
External Parking	–	180.00	46.03
Internal Parking	–	180.00	72.84
Antenna	–	2,350.00	613.07
Advertisement	–	1,200.00	239.82
Other Unit	–	1,869.16	171.18

*weighted by sqm/units

Our individually-applied rental values are included for each unit in the 'Detailed Valuation Overview' enclosed in Appendix II to this report.

Non-Recoverable Costs
Ancillary costs of a property are generally costs of

› ongoing maintenance,
› management and
› other non-recoverable costs.

These costs can generally be allocated to the responsibility of tenants in commercial leases – at least to a very high degree of total costs – whereas there are much stricter regulations for residential leases. Residential tenants may only be obliged to bear services charges as defined in the Ordinance of Services Charges *(Betriebskostenverordnung)* but must never – by law – be made responsible for costs of maintenance or management.

For the purpose of valuing the subject properties, we did not receive details of the amount of non-recoverable costs which remains to be borne by the owner. Therefore, we applied common appropriate assumptions in our valuation.

For costs of ongoing maintenance we have assumed the following for the respective types of use:

Maintenance

	Minimum EUR per sqm p.a.	Maximum EUR per sqm p.a.	Average* EUR per sqm p.a.
Office	7.00	10.00	8.04
Storage	7.00	10.00	8.08
Nursing home	4.00	4.00	4.00
Retail	7.50	10.00	8.02
Other Area	–	10.00	7.27
Hotel	7.50	7.50	7.50
Surgery	7.50	9.00	7.61
Residential	7.50	11.00	8.10
Restaurant	7.50	10.00	8.13
Fitness	7.50	9.00	7.99
Theatre	8.50	8.50	8.50
Cinema	9.00	9.00	9.00
External Parking	–	80.00	29.93
Internal Parking	–	80.00	76.60

*weighted by sqm/units

Our approach considers both, that commercial tenants bear a considerable portion of maintenance costs, i.e. in their units and of all fixtures and fittings, but that it is also likely that the owner shall bear costs of maintaining the roof and structure ('Dach und Fach'). We assume the applied cost estimation to be sufficient to at least maintain the respective property in the current condition.

The portfolio contains three elderly homes (#2133, #2139 and #2155) which are leased on a triple-net-basis. For these properties we applied only maintenance costs of EUR 4.00 per sqm and partially 0.5 % for other non-recoverable costs. For the subject properties we have allowed management costs as a percentage of the annual market rent:

Management costs

	Minimum % of Market Rent	Maximum % of Market Rent	Average % of Market Rent
Office	1.00	4.00	1.93
Storage	1.00	3.00	1.84
Nursing home	1.00	2.00	1.21
Retail	1.00	4.00	2.61
Other Area	1.00	3.00	1.95
Hotel	1.00	3.00	2.15
Surgery	2.00	3.00	2.67
Residential	1.01	8.59	1.84
Restaurant	1.00	3.00	2.82
Fitness	2.00	3.00	2.46
Theatre	2.50	2.50	2.50
Cinema	3.00	3.00	3.00
External Parking	1.00	3.00	1.88
Internal Parking	1.00	3.00	1.96
Antenna	1.00	3.00	2.46
Advertisement	1.00	3.00	2.90
Other Unit	1.00	3.00	1.59

Our approach is to reflect a common level of management costs under consideration of the type and complexity of the asset and relevant utilisation(s). We generally assumed the subject asset to require a normal management effort.

We considered other non-recoverable costs between of 0.50 % and 15.00 % of the market rent for the subject properties, VU2122, VU2133, VU2139, VU2155, VU2156, VU2107 and VU2186.

The other non-recoverable costs such as:

› leasing commissions (for rental agents)

are taken into account by the applied yields as in our initial valuation.

Reletting Costs (tenant improvement costs for unit fit-out)
These costs were taken into account in accordance with the provided Reletting Capital expenditures by the client which amount to ca. EUR 102.09m. Please see section I.2. Technical Aspects for detailed numbers.

Non-Recoverable Costs on Vacancy
These are generally non-recoverable service charges, for example any operational costs, which may need to be borne by the landlord should a tenant become unable to pay for any reason (e.g. insolvency) or in the general case of vacancy. These costs are incurred in addition to the regular non-recoverable ancillary costs as explained above.

In the absence of more detailed information of actual non-recoverable costs in the case of vacancy, we considered non-recoverable ancillary costs per sqm p.m. for vacant area as follows:

Vacancy costs

	Minimum EUR per sqm p.a.	Maximum EUR per sqm p.a.	Average* EUR per sqm p.a.
Office	–	1.50	1.93
Storage	–	1.50	1.84
Nursing home	1.00	1.50	1.21
Retail	0.25	1.50	2.61
Other Area	–	1.50	1.95
Hotel	1.50	1.50	2.15
Surgery	1.50	1.50	2.67
Residential	0.25	1.50	1.84
Restaurant	1.00	1.50	2.82
Fitness	1.00	1.50	2.46
Theatre	1.00	1.00	1.00
Cinema	0.50	0.50	0.50

* weighted by sqm / units

Please note that these costs will only be applied to vacant space and only for the assumed duration of vacancy.

Void Periods for Currently Vacant Space & Future Void Periods on Renewed Letting
Voids generally represent the time period between the expiry of a lease and the start date of a new lease.

Depending on the quality of situation and the respective property, the current rental situation and the local vacancy rate we have assumed an initial void period for current vacancy and future void periods until re-letting after the expiry of leases of rental units.

There is currently some initial vacancy in the subject properties. For these units, we have estimated 'Void Periods of Current Vacancy' which are starting at the beginning of the next full month following the reference date of this valuation (the 'projection date').

We have assumed the following void periods for current vacancy:

Void period of current vacancy

	Minimum month	Maximum month	Average * month
Office	3.00	30.00	15.57
Storage	2.00	30.00	12.99
Retail	9.00	24.00	15.31
Other Area	6.00	24.00	11.80
Surgery	18.00	18.00	18.00
Residential	12.00	24.00	23.53
External Parking	3.00	26.00	17.11
Internal Parking	2.00	30.00	13.96
Antenna	9.00	18.00	15.71
Advertisement	6.00	6.00	6.00
Other Unit	9.00	12.00	10.85

* weighted by market rent

We have set a void period of current vacancies of 0 months for hotel, nursing home, restaurant, fitness, theatre and cinema because these types of use are currently fully let.

Those units which are currently let and which become vacant in the future will be subject to the 'Void Periods after Expiry of Leases'.

For all units where leases expire in the future and during the upcoming DCF term of 10 years, we considered the following void periods:

Void Period after expiry of leases

	Minimum month	Maximum month	Average * month
Office	3.00	4.00	12.08
Storage	3.00	3.00	11.14
Nursing home	12.00	2.00	13.49
Retail	6.00	4.00	11.96
Other Area	–	3.00	11.26
Hotel	12.00	3.00	15.45
Surgery	12.00	3.00	15.25
Residential	1.00	8.59	4.73
Restaurant	6.00	3.00	15.05
Fitness	12.00	3.00	12.00
Theatre	10.00	2.50	10.00
Cinema	12.00	3.00	12.00
External Parking	3.00	3.00	12.76
Internal Parking	3.00	3.00	12.35
Antenna	2.00	3.00	10.38
Advertisement	2.00	3.00	5.70
Other Unit	–	3.00	6.32

* weighted by market rent

The above discussed considerations are shown as the number of months for each existing unit within the rent roll in the 'Detailed Valuation Overview' enclosed in Appendix II to this report.

Remaining lease time until lease expiry
For current lease contracts without fixed lease expiry date we applied half of the previous rental period as remaining lease term (e.g. a lease contract is running for 6 years as at valuation date, than we applied 3 years as remaining lease term).

Leased rental units by alstria office REIT-AG
Alstria office REIT-AG currently occupies rental areas and in the following properties:

- VU2053: Steinstraße 5–7, Hamburg
- VU2054: Friedrichstraße 19, Düsseldorf
- VU2118: Elisabethstraße 5–11, Düsseldorf
- VU2150: Platz der Einheit 1, Frankfurt am Main
- VU2176: Rankestraße 17, Berlin

For each of these properties we have agreed to make a Special Assumption that alstria office REIT-AG occupies the accommodation on a typical commercial Dach und Fach lease term for a duration of 5 years commencing on the valuation date, and is paying the applied Market rent. This Special Assumption is made on the basis that alstria office REIT-AG undertakes to enter into such a lease either of these properties be sold.

Permanent Void Allowance / Structural Vacancy
At the date of valuation the portfolio of alstria office REIT-AG has a total vacancy area of 285,661 sqm. We have appointed 3,375 sqm of this area as structurally vacant. The Portfolio thus has a cumulative vacancy rate of approximately 18.8%.

Structural Vacancy

Subject Property			Lettable Area	Structurally Vacant Area	
	Property Adress	Municipality	sqm	sqm	%
VU2032	Ernst-Merck-Straße 9	Hamburg	17,566	41	0.23
VU2039	Johanniswall 4	Hamburg	14,113	38	0.27
VU2044	Ludwig-Rosenberg-Ring 41	Hamburg	4,895	88	1.79
VU2106	Hamburger Straße 1–15 (MOT)	Hamburg	9,473	171	1.80
VU2118	Elisabethstraße 5–11	Düsseldorf	10,169	301	2.96
VU2125	Heidenkampsweg 51–57	Hamburg	10,192	58	0.57
VU2137	Berliner Straße 91–101/ Brandenburger Straße 2–6	Ratingen	33,905	889	2.62
VU2138	Pempelfurtstraße 1	Ratingen	18,543	925	4.99
VU2145	Mergenthalerallee 45–47	Eschborn	5,061	534	10.55
VU2150	Platz der Einheit 1	Frankfurt am Main	30,158	45	0.15
VU2179	Kanzlerstraße 8	Düsseldorf	8,993	104	1.16
VU2180	Am Wehrhahn 28–30	Düsseldorf	2,610	161	6.17
VU2197	Adlerstraße 63	Düsseldorf	2,686	19	0.72

Applied calculations Yields

We applied the following range of yields for the subject portfolio considering the individual cash-flows, locations, as well as use types and building qualities.

Internal yields and rates

	Minimum	Maximum	Average *
Office	2.80	12.00 %	15.57 %

* Equivalent Yield weighted by Gross Present Value

Costs of Transaction

For our opinion of value, we applied costs of transaction as follows:

- Real Estate Transfer Tax: 4.50 %–6.50 % (depending on federal state relevant to an asset)
- Notary fees: 0.25 %–0,50 %
- Agency fees: 0,50 %–1.00 %

These costs are chosen as they are common in ordinary course of business, i.e. in an asset deal, and for the subject type of properties. Costs of transaction may, however, differ in the actual individual case – depending on the type of transaction.

Closure

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

For and on behalf of
Savills Advisory Services Germany GmbH & Co. KG

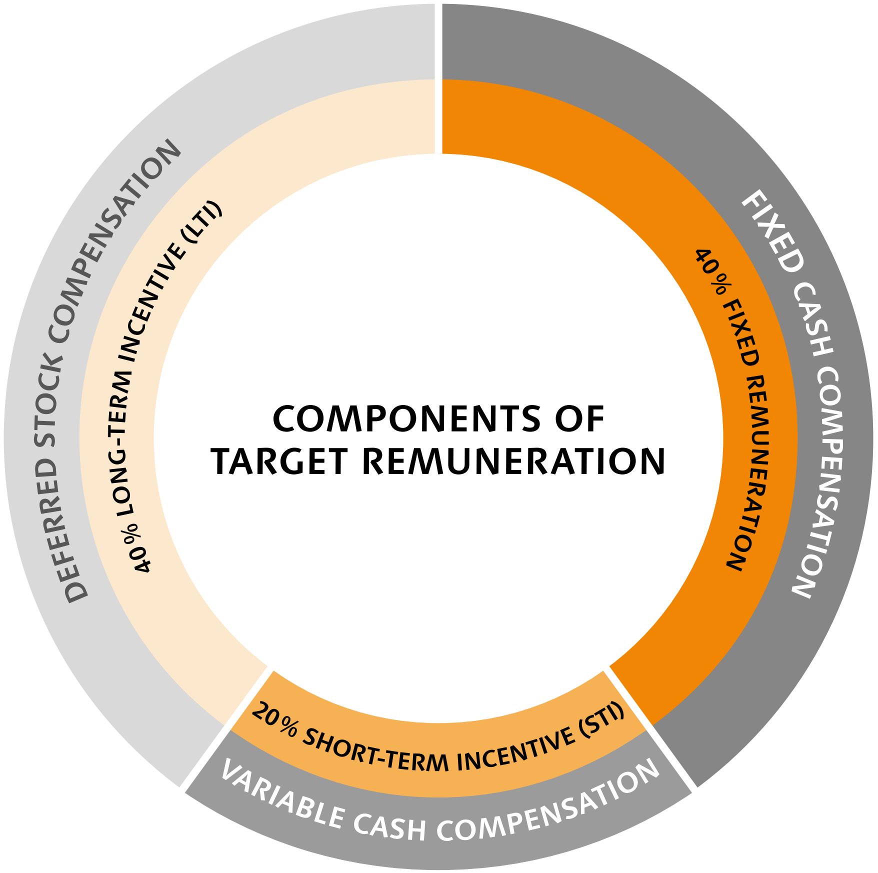
Draženko Grahovac MRICS
RICS Registered Valuer

Klaus Trautner MRICS
RICS Registered Valuer,
CIS HypZert(F)

MANAGEMENT COMPENSATION SCHEME

Transparent and in-line with shareholders interest

› More detailed information on management compensation can be found in the Annual Report 2019 – IFRS Financial Report.



40% FIXED REMUNERATION › All cash	**BASIC SALARY**
20% SHORT-TERM INCENTIVE (STI) **VARIABLE REMUNERATION** › All cash	**PERFORMANCE MEASURE**
FFO PER SHARE	Like-for-like budgeted FFO per share, adjusted by impact of material acquisitions and disposals/changes in share capital
40% LONG-TERM INCENTIVE (LTI) **VARIABLE REMUNERATION** Stock awards (holding period of 4 years)	**PERFORMANCE MEASURE**
75% Relative total shareholder return (TSR)	Total shareholder return relative to FTSE EPRA/NAREIT Developed Europe Index
25% Absolute total shareholder return (TSR)	Absolute total shareholder return

Share ownership guidelines:
Investment of three times annual fixed remuneration in company shares.

GLOSSARY

A

AFFO
The adjusted funds from operations (AFFO) is equal to the FFO (funds from operations) with adjustments made for capital expenditures used to maintain the quality of the underlying investment portfolio.

Annual financial statements
The annual financial statements include the balance sheet and the profit and loss account of a company. In respect of a joint stock company, these are prepared by the Management Board, audited by a chartered accountant for compliance and checked by the Supervisory Board.

Asset management
Value-driven management and / or optimization of real estate investments through letting management, refurbishment, repositioning and tenant management.

Average cost of debt
The cost of finance expressed as a percentage of the weighted average of borrowings during the period.

B

Broker fees
Fees paid to an intermediary in connection with the brokerage of rental space or a real estate transaction.

C

Cash flow
The cash flow statement shows how the cash and cash equivalents of the Group changed in the course of the financial year as a result of cash received and paid. In accordance with IAS 7, a distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

CO_2
Carbon dioxide, a gas produced primarily through the combustion of fossil fuels, is believed to be the main cause of climate change.

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred to the investment portfolio from the development programme during the reporting period.

Contractual rent
At a given date, the contractual rent reflects the total annualised rent taking into consideration all signed rental contracts.

Coverage
Information provided on a listed public company by banks and financial analysts in the form of studies and research reports.

CSR
Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

D

Development capex
Investments related to the substantial modernization / renovation of a building.

Development portfolio
Part of the real estate portfolio on which modernization / renovation work took place during the reporting period.

Dividend
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he holds.

E

EPRA
The European Public Real Estate Association is an organization that represents the interests of the major European property management companies and supports the development and market presence of European public property companies.

ERV
The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.

F

Fair value (or open market value [OMV])
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value for alstria's investment properties is reviewed regularly by external appraisers.

FFO
alstria calculates Funds From Operations as EBT, decreased/increased by the net gain/loss from fair value adjustment on investment property, decreased/increased by the net gain/loss from fair value adjustment on financial derivatives, increased/reduced by the profit/loss on disposal of investment property, decreased/increased by the net gain/loss from fair value adjustments on investment property of joint ventures, decreased/increased by non-recurring items, plus non-cash-expenses and less cash taxes paid.

G

G-REIT
Real Estate Investment Trusts are public listed companies, fully tax-transparent, which solely invest in properties.

I

IFRS
The international financial reporting standards (IFRS) are adopted by the International Accounting Standards Board (IASB). The objective is to achieve uniformity and transparency in the accounting principles that are used by companies and other organisations worldwide for financial reporting. IFRS have applied to listed companies since January 1, 2005.

Investment property
Property, land and buildings, which are held as financial investments to earn rents or for growth and not used for the Company's own purpose. The value of the investment property is determined according to IAS 40.

L

LTV and Net LTV
alstria calculates loan to value (LTV) by dividing the total loans outstanding to finance investment properties by the value of all mortgaged investment properties. The calculation of alstria's Net LTV also deducts the available non-restricted cash on the respective balance sheet date, which is deducted from the gross debt amount.

M

MDAX
Mid Cap Index; it contains, with variable weighting, the prices of the 50 most important, in terms of market capitalization and turnover, German joint stock companies which are not included in DAX30. In addition to dividend payments, subscription right proceeds are also included when calculating the index.

N

NAV (net asset value)
Reflects the economic equity of the Company. It is calculated from the value of assets less debt.

Net absorption
Reduction of vacant space in a real estate portfolio, which remains unchanged over two reporting periods.

Net debt/EBITDA
The Net debt/EBITDA ratio gives an indication as to how long a company would need to operate at its current level to pay off all its debt.

NNNAV (triple net asset value)
The Company computes NNNAV as total equity as reported in the IFRS consolidated statement of financial position, which accounts for the carrying amount and the fair value of financial instruments and financial liabilities, adjusted for hidden reserves and hidden losses in immovable assets and financial liabilities.

O

Office building
Property where at least 75% of the lettable area is destined for office use (disregarding potential ground-floor retail).

Opex (Operating expenditure)
Maintenance costs of buildings that are not capitalized but are immediately recognized in the income statement.

P

Passing rent
Annual gross rental income as per a certain date, excluding the net effects of straight-lining for lease incentives.

Performance
The term performance describes the percentage appreciation of an investment or a securites portfolio during a given period.

Pre-let
A lease signed with a tenant prior to completion of a development.

Property management
Property management is the management of real estate assets including the processes, systems and manpower required to manage the life cycle of a building.

R

Rent concession
Granting of rent-free periods in connection with a lease.

Roadshows
Corporate presentations to institutional investors.

S

Share
The term 'share' describes both the membership rights (holding in the joint stock company) and the security that embodies these rights. The holder of a share (shareholder) is a 'sharer' in the assets of the joint stock company. Their rights are protected by the regulations contained in the Companies Act.

Share capital
The capital stipulated in a corporation's articles of association. The articles also specify the number of shares into which the share capital is divided. The Company issues shares in the amount of its share capital.

Supervisory Board
The Supervisory Board is one of the three executive bodies of a joint stock company: Annual General Meeting, Management Board and Supervisory Board. The Supervisory Board appoints the Management Board and provides supervision and advice regarding management of the company's business.

Sustainability
Alignment of an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value.

T

Tenant fit outs
Costs related to the fit out of rental space due to special tenant requirements.

Tenant incentives
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs.

TSR (Total shareholder return)
Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.

Transparency
A principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes. It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably.

U

UIRR
The Unlevered internal rate of return (UIRR) is a key indicator to assess the attractiveness of an investment. It is the rate needed to discount the unlevered sum of the future cash flow to equal the initial investment.

V

Vacant space
Vacant space refers to the sum of all lettable space that at the end of a calendar year is unoccupied or offered for lease.

W

WAULT
Weighted average unexpired lease term. Remaining lease length of a rent contract.

X

XETRA
An electronic stock exchange trading system that uses the open order book and thus increases transparency.

Y

Yield
Key performance indicator, which is determined at a given date by the contractual rent in relation to the fair value of the property.

BUILDING *YOUR* FUTURE

alstria office REIT-AG is a member of DIRK (Deutscher Investor Relations Verband, the German Investor Relations Association).

Other reports issued by alstria office REIT-AG are posted on the Company's website.

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Teresa Henkel

Forward-looking statements
This annual report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based not occur, or if risks should arise the actual results could differ materially from the results currently expected.

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