

M&G MAKES FIRST RESIDENTIAL ACQUISITION IN GERMANY

- *Strong investor demand for Private Rented Sector schemes in major German cities due to housing shortage*
- *Deal provides investors with good rental growth prospects given limited residential pipeline in Continental Europe*

London, Frankfurt, 14 September, 2021 - M&G Real Estate (M&G) has made its first private rented sector (PRS) deal in Germany following an agreement to finance the construction of 230 apartments in Bad Homburg vor der Höhe, near Frankfurt. The funding has been agreed on behalf of the €4.4 billion M&G European Property Fund, managed by David Jackson and Simon Ellis, as part of the Fund's expansion into residential markets across Continental Europe.

Germany has retained its crown as Europe's safe haven market in 2020, but population growth and vacancy are the key reasons for the Fund's investment into the residential sector. In the last decade, Frankfurt and the surrounding region have experienced a strong increase in population, which is forecast to rise by a further 5% by 2030. Vacancy rates are below 1% due to the lack of development of high quality residential accommodation in this prime location, which has limited future development sites.

The deal marks the Fund's first residential acquisition in Germany, bringing its investments in the country to more than €1 billion across the retail, office and logistics sectors. The Fund will finance three out of the seven construction sites within the Victoria Gärten development, which is located within easy reach of Frankfurt's central business district.

Classified as a KfW Efficiency House 55¹ Victoria Gärten will use 45% less energy than a standard new building and will be served by a centralised energy efficient heating system serving the entire district. The development, which has been designed to appeal to a wide demographic, will provide step-free 1 to 5-bedroom-apartments, suitable for home working due to their size and layout and will be ready for occupation in 2023.

Thomas Kächele, Director of Investment & Asset Management at M&G Real Estate for Germany,

comments: "During the COVID-19 pandemic, the residential sector has demonstrated its resilience across most markets in Europe, with Germany leading the list of the go-to markets and investment volumes into the country holding up year-on-year."

“The pandemic has also shifted the debate on the traditional work-life equilibrium, with living spaces best configured for home working being increasingly sought-after. Bad Homburg has excellent connections to the city and is an area where demand for good quality homes is increasing steadily. The populations of Bad Homburg and Frankfurt are expected to rise over the coming years, making Victoria Gärten a strong asset to respond to this growing demand, offering families and retirees a balanced lifestyle at more affordable rents.”

David Jackson, Manager of M&G European Property Fund, adds: “Like all global markets, Europe has experienced a major economic shock due to COVID-19, with virus containment measures fuelling market uncertainty. Nonetheless, European property continues to offer healthy value spreads over government bonds, with the lower-for-longer era of interest rates expected to remain in the medium term.

“Victoria Gärten is our first residential acquisition in Germany, a key step in the Fund’s expansion into Europe’s residential markets, boosting the portfolio’s diversification between different countries and economic cycles within the continent. This is our fifth European residential acquisition in the last 12 months, bringing the Fund’s exposure to the sector closer to our target of 20%. We expect this growth to continue in the coming months, given our current pipeline.”

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Notes to editors:

¹ Please find more information of the KfW Efficiency House Programmes here:

<https://www.kfw.de/inlandsfoerderung/Companies/Energy-and-the-environment/>

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M&G recognises the importance of responsible investing and is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and is a member of the Climate Bonds Initiative Partners Programme. Its €45.6 billion property arm (as at 30 June 2021 including cash), M&G Real Estate, is a leading financial solutions provider for global real estate investors, has a sector leading approach to responsible property management and is committed to continuously improving the sustainability performance of its funds.

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