Location, location, location.

How IMMO uses data to identify the best places to invest

IMMO uses data to identify the best-performing locations for investment

Institutional investors look for scalable access to:

1 **Secure, real assets** with time-tested strong performance,

2 **Stable income** underpinned by defensive investment characteristics,

3 **Income and value growth** from favourable demand and supply dynamics, including socio-demographic trends.

Residential property offers all three characteristics. As the largest global asset class, we expect institutional grade portfolios across Europe to grow, as has been the case in the USA – to the point where 18% of homes in the US had been purchased by institutions in 2021 (Redfin).

However, many European investors face multiple issues:

1 **Deploying capital at scale and speed** requires tech, data and specialised residential market insight.

2 **Making inflation-beating, consistent returns** requires the right strategies, acquisitions in the right geographies and intricate on-the-ground management.

3 **Minimising exposure** requires detailed geographical and asset insight, data processing and reporting.

Scaling institutional grade residential portfolios is hard.

As a result, investors focus on 'Build to Rent'. However, BTR is not a substitute for what Single Family Rental (SFR) offers: accessing 98% of the market with proven and growing values and income streams. By contrast, Build to Rent portfolios come with high concentration, development and timeline risks (on average 7 years to cash flow positive), as well as typically targeting only the wealthiest, most transient residents.

We are increasingly approached by investors who want to explore SFR. The first question they ask us is this:

"How do you know where to invest?"

IMMO uses tech and data to give investors access to ESG-focused investments offering yield and stability

IMMO is a leading European proptech platform creating single-family rental portfolios at **speed and scale.**

We use market-leading technology and data analytics to unlock **98% of the residential market** made up of individual flats and houses, which has previously been ignored by investors. Then, we systematically retrofit properties to deliver quality housing in the places it's most needed.

We are allocating **£2.5 billion of capital** on behalf of institutional investors to income-generating residential portfolios across Germany and Spain, and United Kingdom.

Our vision is to use our market-leading technology at each stage of the value chain to **transform the largest asset class on the planet** whilst solving the problems of all parties: investors, residents and sellers.

Identifying the best geographies for investment

Accessing house price growth and consistent, growing income from property whilst keeping risks to a minimum comes down to understanding where people want to live, where their jobs are, what they can afford, as well as what the competition is.

At IMMO, we objectively assess each asset, including which geographies will optimise returns, and minimise risk. By fully understanding fundamentals such as favourable socio-demographic trends and proximity/accessibility to local employment hubs through to local crime rates, we can establish a suitable investment strategy for investors needs.

Our data-driven approach ensures investors avoid the common mistake of emotional investments, or only focus on familiar locations by:

- Focusing on the right countries,
- Zooming in on the best city clusters,
- Focusing on superior locations, down to the street level, within city clusters,
- Identifying the best value assets.

The hunt for stability and resilience

German residential real estate market offers the best opportunity to implement core+ investments:.

- Strong rental demand backed by robust economic performance, stable through recessions
- Highest renter share in Eurozone countries: 49.5% of the 83 million population in rental accommodation, making Germany the biggest lettings market in Europe (DeStatis).
- Rent growth synchronised with inflation, making rental cash flow a strong hedge against rising inflation.

Chart 1: *2005-2021 Inflation, Rent and house price increases*
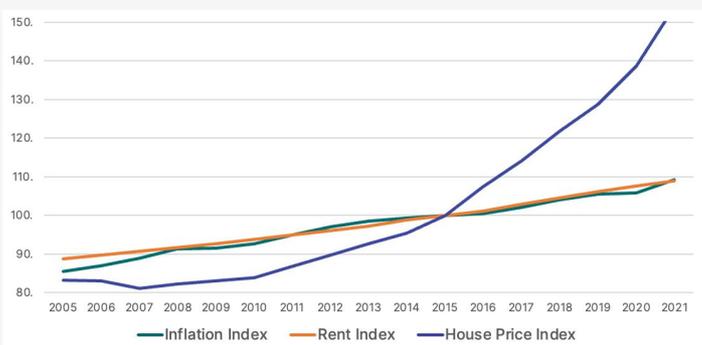
Data-driven market selection framework

We first identify the regional economic and population centres, and include the commuter areas to define regional clusters as our main investment targets.

IMMO then uses a sophisticated ranking system of all the targets in Germany based on 20+ housing market and socio-economic metrics to identify the best clusters to deploy the core+ investment strategy. Those are broken down into three main categories:

- **Market basics:** We measure yield, volume and liquidity, which ensures performance on investment return, and deployment speed.
- **Growth potential:** We track economic growth and demographic changes to secure the long term SFR investment viability of the region.
- **Demand and supply risks:** We monitor measures including unemployment, household income, building permits, land price to quantify risk.

Figure 1: Top ranked cities in Germany

Market Selection - Total Rank (Cluster)

Cluster	City Tier	Total Rank	Median GEY	Sales Volume	Rank Liquidity	Rank Growth Potential	Rank Demand	Rank Supply
Berlin	City Tier 1	1	2.67%	18,985	1	5	2	5
Hanover	City Tier 2	2	3.32%	6,702	4	3	4	11
Cologne	City Tier 1	3	3.03%	4,338	4	4	7	2
Leipzig	City Tier 2	4	3.06%	4,658	9	1	3	9
Munich	City Tier 1	5	2.28%	9,953	2	8	6	10
Bremen	City Tier 2	6	3.71%	4,181	9	13	10	6
Stuttgart	City Tier 1	7	3.02%	3,364	8	9	11	2
Dortmund	City Tier 2	8	3.68%	1,984	12	6	4	15
Hamburg	City Tier 1	9	2.49%	9,201	3	7	16	13
Dresden	City Tier 2	10	3.00%	2,834	15	2	1	4
Cologne	City Tier 2	11	3.49%	2,294	12	11	8	11
Nuremberg	City Tier 2	12	2.85%	4,098	6	15	16	6
Frankfurt	City Tier 1	13	2.51%	3,881	7	10	15	6
Wuppertal	City Tier 2	14	3.84%	1,672	16	13	14	1
Duisburg	City Tier 2	15	4.05%	1,777	17	12	9	17
Essen	City Tier 2	16	3.70%	2,004	14	17	12	14
Dusseldorf	City Tier 1	17	2.68%	3,050	11	16	12	16

Adaptive ranking system for changing markets

The ranking system offers incredible in-depth knowledge of regional markets in Germany. Moreover, by changing the weights of the ranking, it can adapt to other investment strategies as the market and investment objective changes.

Clusters to neighbourhoods

The next step is to choose the neighbourhoods and specific assets. We optimise for:

- Locational value: transport, green space, crime, noise levels, and amenities including grocery shops, restaurants and hospitals.
- Micro-location residential market factors: postcode level yield, price and liquidity.

We maximise performance and minimise asset risks by sourcing high locational value and above micro-market average assets.

Figure 2: Locational value of postcodes in Berlin
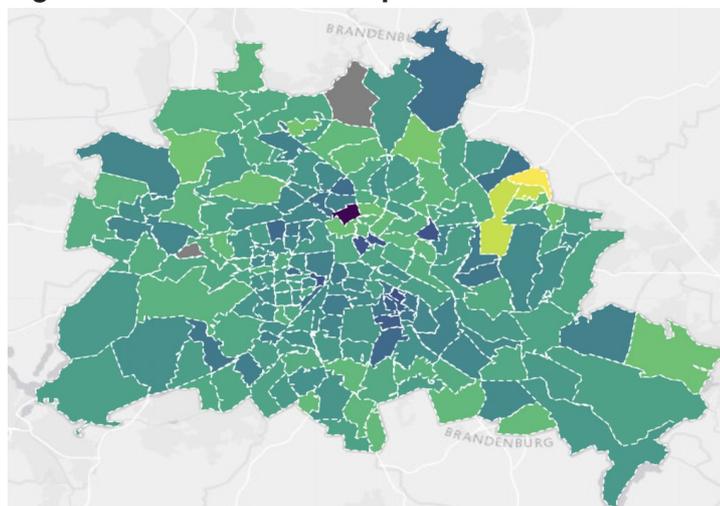
Case Study: IMMO German City Portfolio I

We applied our Market Selection approach in our most recent portfolio. The portfolio of 133 assets focus on Hamburg, Cologne, Dusseldorf and Bonn targeting SUR assets in areas with high growth potential, liveable and accessible and high tenant demand.

Gross entry yield	Value uplift post renovation
3.7%	**10.2%**

Post Renovation gross asset value	3 month rolling occupancy rate
€50m	**99%**

IMMO – A Unique Investment Toolkit

IMMO is a real estate and technology company with over 150 employees across the U.K., Germany, Spain and India. We are building Europe's largest residential platform to enable programmatic SUR investment at scale.

IMMO's German Cities Residential Strategy was developed using a combination of breakthrough technology and real estate expertise. The strategy is led by a team with extensive experience across real estate, investment/capital markets and technology. IMMO Capital leverages in-house digital and automation tools to originate, underwrite and invest in low-risk and low-volatility residential properties.

IMMO's Technology Platform

AUTOMATED SOURCING
Our origination platform sources >45,000 available properties in city centres. It offers precision and scale that a human team alone could not process efficiently.

STANDARDISED INSPECTIONS
Our inspection app captures 280+ data points, ensuring accurate valuations and micro-location analysis of properties.

ACQUISITION
Our investment model runs over 400 variables and 9,000 decisions and can underwrite assets in minutes, which allows a move to purchase offer within 48 hours, helping to secure attractive opportunities.

SMARTER MANAGING
Streamlined leasing and property management ensures reliable tenant vetting, high probability of tenancy renewals and reduced cost. Tenant satisfaction is proven with IMMO's 99% occupancy rate.

DIGITAL REPORTING
The fully digitised investor portal provides 24/7 access to strategy information, real time portfolio and asset updates, performance metrics and interactive charts in excel and PDF, using the same encryption methods as some of the world's largest banks.