

CapitalBAY

PROFESSIONALIZATION
OF THE TRANSACTION MANAGEMENT

REAL ESTATE TRANSACTION MANAGEMENT

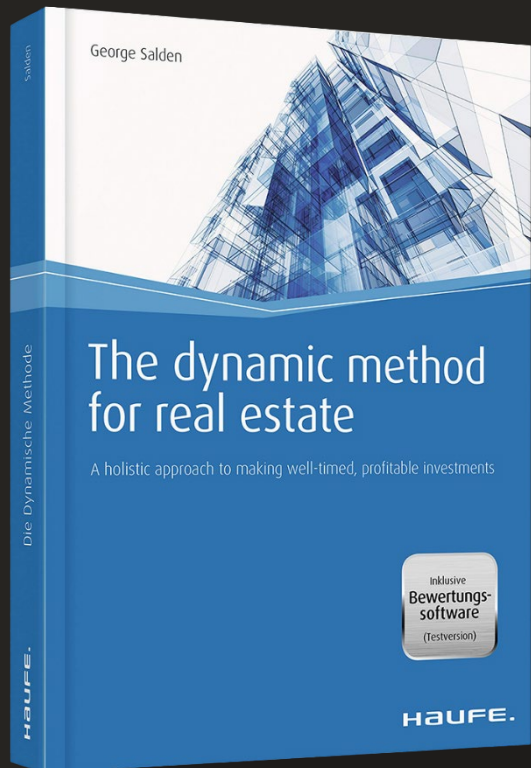
WHITE PAPER



George Salden,
CEO Capital Bay Group

Foreword

The foundation of successful real estate investments is built in transaction management. Transaction managers bear a great responsibility and require extensive interdisciplinary expertise as well as strong soft skills. Therefore, Capital Bay attaches great importance to the training and professionalization of transaction managers. Based on the dynamic method



by George Salden, essential skills are taught to recognize the complexity of all sub-processes of a transaction and to evaluate them adequately. Equally in focus is the ability to grasp and effectively utilize the full potential of digitalization in the real estate industry.

The problem

Low level of digitization, lack of expertise, intransparency of data & no uniform data pool

75% of all assets in Germany are in the real estate sector. However, the current level of digitization is less than 5%, while other tangible assets can already be traded completely online. The main problems include the intransparency of the data and its lack of availability. This means that legal, technical, economic and tax analyses are associated with a great deal of effort.

Currently, there is no single data pool that notes real estate information in a standardized way. Each step requires an individual analysis, with different tools being used. For this reason, isolated solutions and the associated media discontinuities arise. In addition, there is often a lack of expertise on the extensive sub-areas of a transaction. This leads to considerable

delays and information gaps within the transaction process. Similarly, there is no comprehensive transaction tool that accompanies a transaction digitally and in real time, from the receipt of the offer to the closing. In addition to the need for complete digitization of the transaction process, it is necessary to ensure standardized training and continuing education for the transaction manager. Buyers and sellers in large transactions are predominantly advised by transaction managers and brokers on the sale side and/or buy side. However, neither of the two professional groups has standardized training.


The Ku`damm in Berlin represents exemplarily the cycle of a real estate property, that a successful investment is dependent on timing. This can be seen from numerous historical influences, such as the Golden Twenties, the Great Depression, the National Socialist era, the economic miracle and the fall of the Berlin Wall. So-called black swans lead to significant increases or decreases in value. The established DCF method cannot take such developments into account. Future income and expenses are arbitrarily discounted up and down using a discount rate.

The derivation of sustainable rental rates is thus not explained on the basis of provable data but is mostly based on so-called empirical values of a valuer, which are very often subjective in nature. Unfortunately, the

transaction market is controlled by these approaches of the **Regulation on the Determination of the Mortgage Lending Value (BelWertV)** and the **Discounted Cash Flow (DCF) method**. The principle that a property is primarily influenced by its location (Location. Location. Location) is outdated, as location alone is no longer a decisive factor for the investment. Rather, it is the tenant who determines demand and ensures a stable cash flow.

Innovation in the area of processes and professional groups is urgently needed to enable sustainable value creation, to bonify, to create a higher transparency as well as guarantee full automation of the processes.





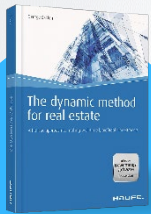
„The change in housing demands requires a new way of looking at rents. Net rents will be replaced by all-in rents in the medium term.“

George Salden, CEO Capital Bay Group

Solution

Quality through qualification in transaction management

The Capital Bay Group stands for more transparency and qualification in the transaction business. The goal is to make the market for real estate more transparent, professional and digital. To enable transaction managers to meet the complex challenges in the transaction business, Capital Bay offers the following tools for professionalization.



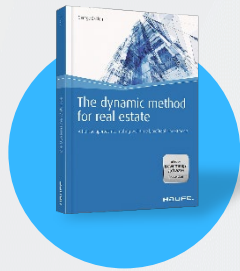
The method



The software



The study



The method

The dynamic method

Real estate valuation requires a holistic approach to determine the exact value of a property. This is ensured by analyzing the potential increases in value (so-called dynamics) and their implementation within the entire investment cycle, on the principle of the dynamic method. As a consequence, it is able to provide reliable, sustainable and cycle-based analyses of residential real estate. As a result, a more profitable and realistic basis for investment decisions can be created. The Dynamic Method includes eight basic mechanisms.

1.1 VACANCY REDUCTION

The fastest and most effective solution to increase the annual net rent of the property, is the elimination of vacancies. Due to vacancy, empty apartments incur ancillary, operating and management costs, while the units themselves do not generate any income.

1.2 INCREASE IN EXISTING RENT

The increase in existing rents is a process clearly defined by law, which is regulated by the German Civil Code in sections 557 to 561. For example, an increase in existing rents to the level of the local rent index is only possible by 20 percent (in tight housing

markets by 15 percent) within three years.

1.3 RENT INCREASE IN CASE OF FLUCTUATION

Within the framework of the fluctuation-related tenant move-outs and move-ins, the rent for the space to be rented can be achieved at market level, in compliance with the statutory provisions, and thus the average rent for the property can be successively increased. In accordance with §556 d of the German Civil Code (BGB), this can be a maximum of 10% above the local comparative rent for existing buildings in tight housing markets as determined by the state governments.

1.4 AREA EXPANSION IN EXISTING BUILDINGS

This value driver aims to optimize the utilization structure of the property through small structural measures, such as the addition of balconies or floor plan optimizations by eliminating passageways or hallways. The aim is to tailor the apartment even better to the needs of the tenant. This also includes redensification, such as the expansion of attic space.

revenue streams for the landlord.

1.5 AREA EXPANSION AT THE EXISTING SITE

Space expansions on the existing building stock are understood as additional new construction on the property. The measures generate more leasable space and lead to additional increases in value.

1.6 CONVERSION

The conversion of a property are measures that go far beyond a mere refurbishment. Conversion describes the alteration in the course of a change of use of an existing building. In today's market, disused office or hotel properties are often repositioned on the market and converted into residential/micro-living properties.

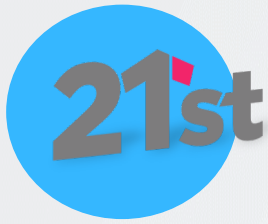
1.7 PRIVATIZATION

Apartment privatization is the conversion of rental apartments into condominiums and the resulting sale of the individual units in apartment buildings to private buyers.

1.8 HUMING

Hume is an innovative platform that focuses on the tenant and their everyday life, while generating new

The software



On the way to online trading

Successful investments require being aware of the price level and the specifics of the respective asset classes in the corresponding markets. A digital and industrial buying process is generated by online trading - without media breaks from offer to closing.

[>> learn more](#)





The study

A Qualified Study - The Basis for Successful, Standardized and Professional Investments

Together with the IRE|BS Real Estate Academy, we create a standardized training in all sub-areas of the transaction business, so that opportunities can be optimally assessed by the transaction manager on the market. Starting with the acquisition to identify investment opportunities and the conception of an individual acquisition strategy, future transaction managers must be able to adequately assess all opportunities and risks. Negative effects of an investment can thus be identified. In addition, the market is becoming increasingly professionalized by graduates. Legal, technical, commercial as well as tax aspects must be understood in their entirety and

evaluated accordingly. This includes, among other things, the market developments of supply and demand, the dynamics of rental and purchase prices as well as cap rates. In addition, future political, building law and regulatory requirements as well as financing and purchase structures must be included in the investment.

Graduates of the intensive Real Estate Transaction Management program hold the title "Real Estate Transaction Manager (IRE|BS)".

[to the IRE|BS study program >](#)

At a glance

About Capital Bay

Capital Bay Group is the only fully integrated investment manager in Europe with an exclusive and strategic alliance to an operator platform with strong brand diversification.

Capital Bay Group is an owner-managed, independent investment, asset, property and facility manager for real estate of all types, integrated at all stages of the value chain. In total, Capital Bay Group manages real estate assets of EUR 7.5 billion with a focus on Germany. Within the Capital Bay Group, the German Capital Bay GmbH is responsible for transaction management, development and property management.

Capital Bay Fund Management Sarl, a fully regulated, independent Alternative Investment Fund Manager (AIFM) based in Luxembourg, serves national and international, institutional and semi-professional

investors in all areas of real estate investments.

Capital Bay Group thus offers institutional and semi-professional investors the full range of direct and indirect regulated and non-regulated real estate investments.

In addition, Capital Bay Group has access to a platform for the operational management of operator properties through its exclusive cooperation partner, 360 Operator GmbH. The portfolio of the internationally operating 360 Operator GmbH comprises over 70 properties with more than 11,000 units.

Fund & Investment Management

- EUR 1.7 billion AuM
- 9 Funds
- 30+ employees worldwide

Real Estate Management

- EUR 5.8 billion AuM
- 200+ employees worldwide

360 Operator Brand World

- 11 strong brands
- 3,500+ employees worldwide
- 70+ Assets under Operation
- 11,000+ units under operation

Mentors & Speakers



George Salden

As CEO and founder of Capital Bay Group, George Salden is primarily responsible for transaction, M&A, marketing and strategic people development. He looks back on more than 15 years of professional and management experience and has managed a transaction volume of more than 7 billion Euros. In addition, he is the author of the book "The Dynamic Method" as well as the inventor and co-founder of the evaluation and transaction software UVALUATE, later 21ST.



Stephanie Kühn

Stephanie Kühn is Director of CB Transaction Management GmbH and is responsible for all acquisitions in the residential and micro living sectors. She looks after existing clients and is expanding the mandate business. Internally, she structures the development of the CB Transaction Academy and supports the digitalization of the acquisition process. Before joining Capital Bay Group, she worked for Arbireo Capital AG & Dr. Lübke & Kelber GmbH. Ms. Kühn has nearly 15 years of professional experience and has managed transactions of €1 billion.

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