

Market in Minutes

Germany retail investment market

Q4 2015



The facts at a glance

Boom in German retail property investment continues

■ The investment market for retail property is witnessing exceptional levels of activity. Almost €19.4bn was invested in German retail property in 2015, which is more than double the volume achieved in the previous year.

■ High-street properties were particularly sought-after with a total volume of more than €7bn. However, large stores and department stores accounted for the highest transaction volume, which rose by more than five-fold compared with 2014.

■ The overall transaction volume was divided equally between individual deals and portfolios. The three largest transactions of the year were the acquisition of the Kaufhof portfolio by a joint venture between HBC and Simon Property Group, the acquisition of Corio by Klépierre and the purchase of a portfolio of high-street properties by Deka.

■ The market is currently dominated by foreign purchasers. These accounted for 61% of the transaction volume last year.

■ Initial yields hardened significantly last year, most notably on retail parks. The prime yield in this segment hardened by 50 basis points during 2015 to 5.1%.

■ Since demand continues to exceed supply and will do so for the foreseeable future, yield compression is expected to persist across all segments. However, since this is likely to be less pronounced in 2016 compared with last year, rental growth potential will become more important from an investor's perspective.

Key figures and composition of transaction volume

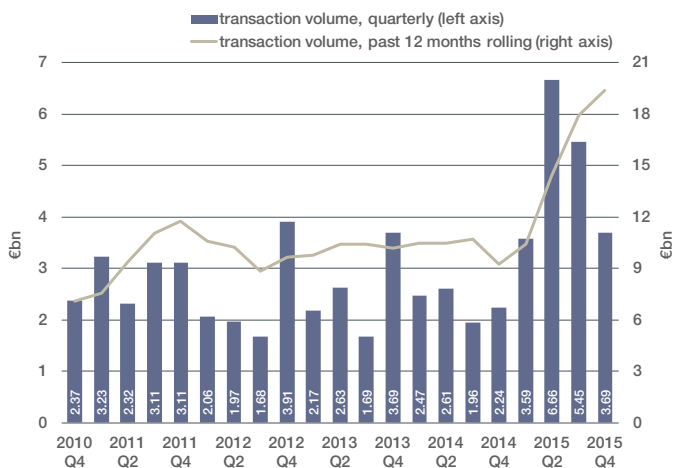
+++ Investments in department stores rose by more than five-fold | Berlin in focus +++

TABLE 1
Key investment market figures

	Transaction volume (€m)			Prime yield* (%)			
	Q1-Q4 2015	against Q1-Q4 2014	against Q4 2014 - Q3 2015	Q4 2015	against Q4 2014	against Q3 2015	Trend next 6 months
High street properties	7,047	+ 127%	+ 12%	3.7%	- 37bps	- 1bps	→
Retail warehouse parks	1,850	+ 52%	- 6%	5.1%	- 50bps	- 10bps	↓
Department stores	3,680	+ 422%	+ 16%	-	-	-	-
Shopping centres	4,288	+ 157%	+ 4%	4.2%	- 40bps	+/- 0bps	→
Other	2,530	- 2%	+ 6%	-	-	-	-
Total	19,394	+ 109%	+ 8%	-	-	-	-

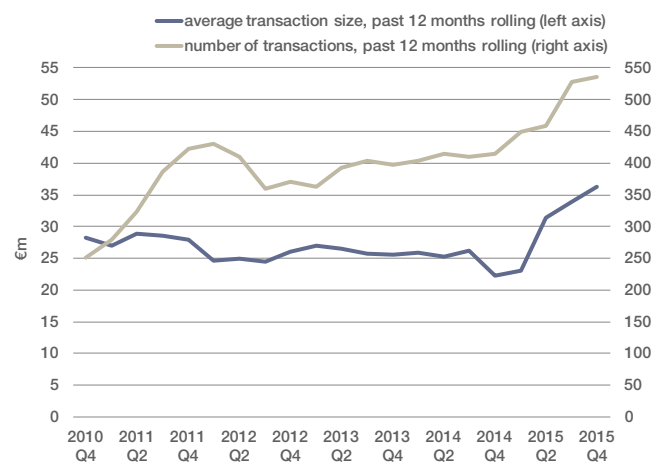
Source: Savills / * average of Top 7 markets

GRAPH 1
Transaction volume



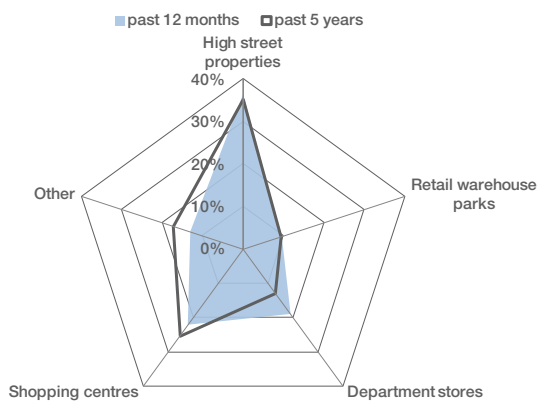
Source: Savills

GRAPH 2
Deal size and number of transactions



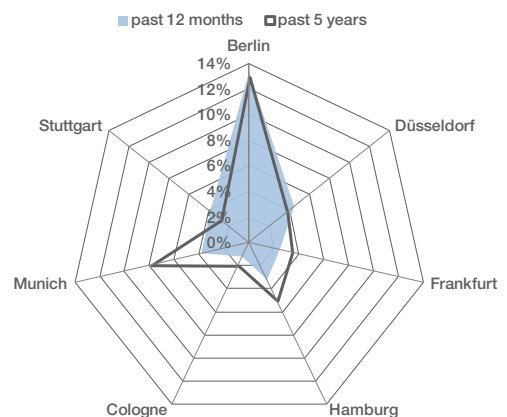
Source: Savills

GRAPH 3
Transaction volume by type of property



Source: Savills

GRAPH 4
Transaction volume by location*

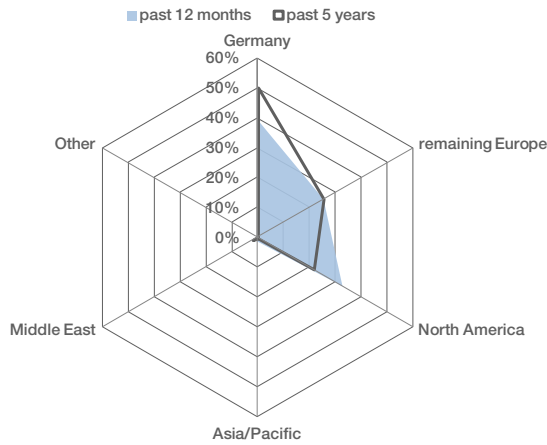


Source: Savills / * share of other locations 68% (past 12 months) and 62% (past 5 years) resp.

Investors, yields and largest transactions

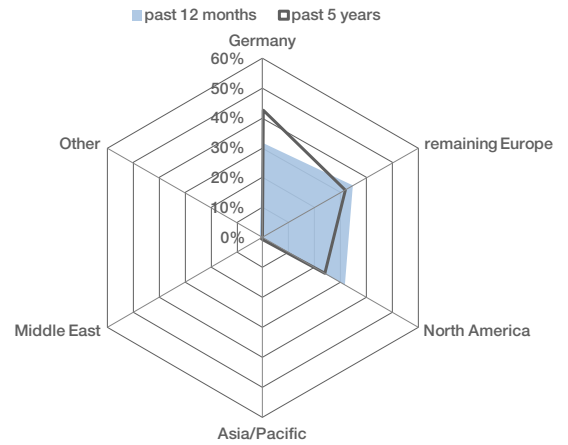
+++ North Americans most active buyers | Yields reached record low +++

GRAPH 5
Transaction volume by origin of buyer



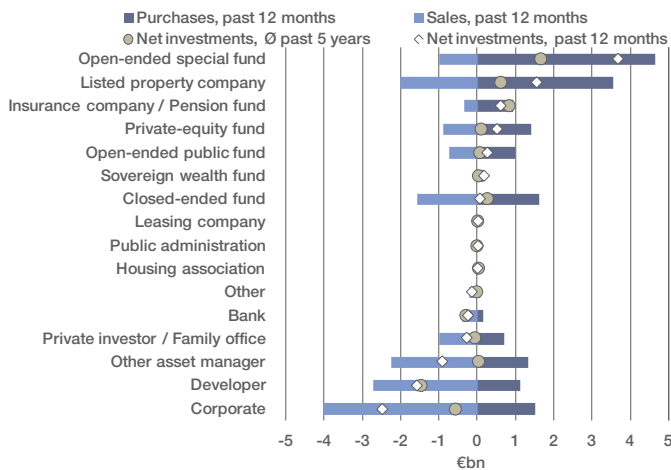
Source: Savills

GRAPH 6
Transaction volume by origin of seller



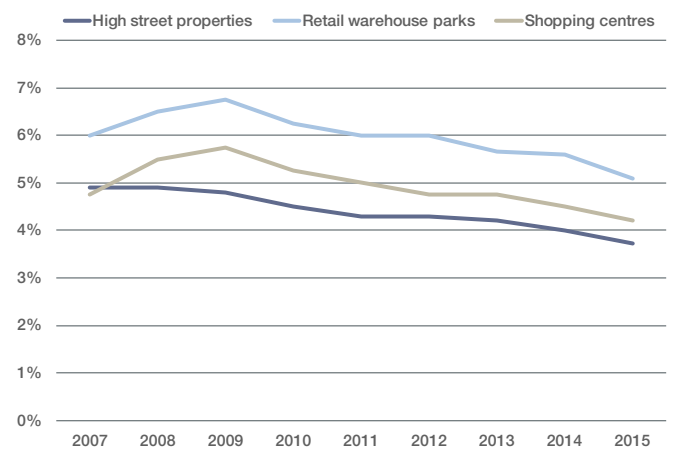
Source: Savills

GRAPH 7
Transaction volume by type of investor



Source: Savills

GRAPH 8
Prime yields*



Source: Savills / * average of Top 7 markets

TABLE 2
The largest transactions in Q4 2015 at a glance*

Property / Portfolio	Type of use	Location(s)	Volume	Buyer	Vendor
Kaufhof properties	Department stores	across Germany	undisclosed	Ivanhoe Cambridge et al.	HBC
Portfolio (18 properties)	Supermarkets / specialist markets	across Germany	undisclosed	Patrizia	unknown fund
Portfolio (16 properties)	mixed retail	across Germany	undisclosed	Pramerica / QInvest	Hahn / Indigo Invest
Portfolio (20 properties)	High street properties	across Germany	approx. €125m	Corestate	unknown investor
Zwickau-Arcaden	Shopping center	Zwickau	undisclosed	ECE	Ivanhoe Cambridge

Source: Savills / * only published transactions are shown

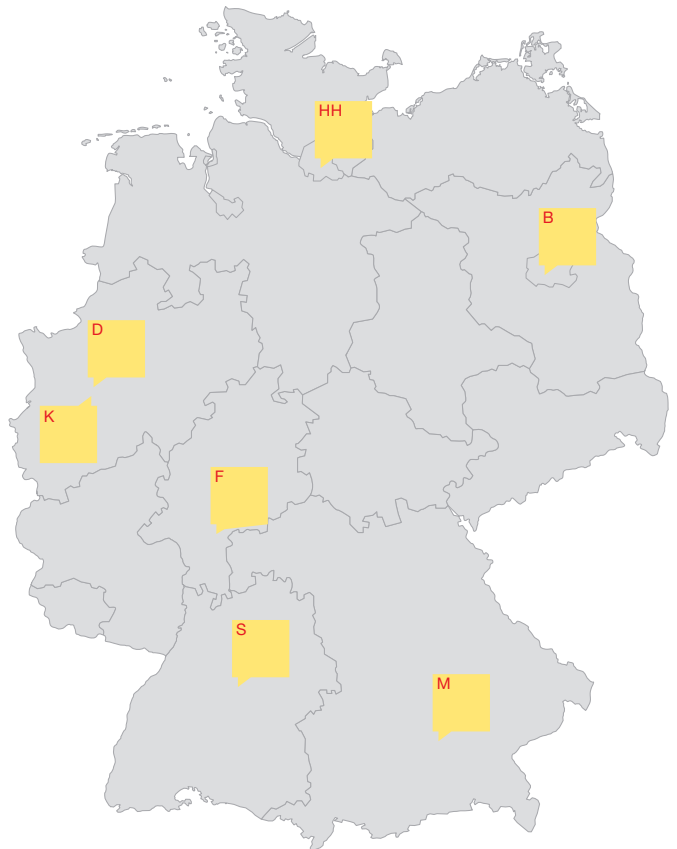
Savills Germany

Savills is present in Germany with around 200 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart. Today Savills provides expertise and market transparency to its clients in the following areas of activity:

Our services

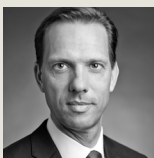
- » Purchase and sale of single assets and portfolios
- » Corporate Finance - Valuation
- » Leasing of office and retail buildings
- » Leasing and sale of industrial and warehouse properties
- » Landlord and Occupier Services

www.savills.de

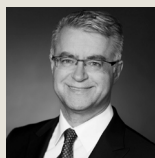


Savills Germany

Please contact us for further information



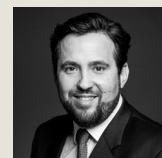
Marcus Lemli
Investment Europe
+49 (0) 69 273 000 11
mlemli@savills.de



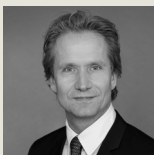
Andreas Wende
Investment Germany
+49 (0) 40 309 977 110
awende@savills.de



Karsten Nemecek
Corp. Finance - Valuation
+49 (0) 30 726 165 138
knemecek@savills.de



Drazenko Grahovac
Corp. Finance - Valuation
+49 (0) 30 726 165 140
dgrahovac@savills.de



Jörg Krechky
Retail Investment
+49 (0) 40 309 977 144
jkrechky@savills.de



Matthias Pink
Research Germany
+49 (0) 30 726 165 134
mpink@savills.de

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 30,000 employees worldwide. Savills is present in Germany with around 200 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart.

This bulletin is for general informative purposes only. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The bulletin is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.
© Savills January 2015

