Investment Market monthly **Germany**

March 2018

The market at a glance

The number of transactions declines while the transaction volume remains high

Commercial investment market

■ Recent months have demonstrated that it is evidently relatively unimportant to property investors whether or not Germany has an elected federal government in office. The transaction volume in the commercial investment market was above average once again, particularly in the office sector (Graphs 1+2, Table 1).

■ Investors are more concerned by the low initial yields in the prime segment (Graph 6). The search for alternatives is also becoming increasingly challenging (we suggest some alternative investment strategies here). The further decline in the number of transactions (Graph 3) could be a reflection of this lack of product.

■ Should the trends from recent quarters continue, we expect an investment volume for the full year of up to EUR 55bn, which would represent a 10% decline compared with last year.

Residential investment market

■ Due to the acquisition of a 73.8% interest in Buwog by Vonovia (Table 6), the transaction volume in the first three months of the current year was the highest for an opening quarter since the record year of 2015. In contrast, the number of apartments sold has already been in decline for some time and came in 39% below the five-year average (Graph 16). The number of transactions has also been in decline for around five months (Graph 10).

■ The number of apartments approved in multi-family houses stagnated last year. Consequently, the number of apartments built will also be insufficient going forward. Hence, there is no relief to the strain in the rental apartment markets on the horizon. The likely outcome of this is that prices in the investment market will remain high (Graph 12).

Commercial investment market

TABLE 1

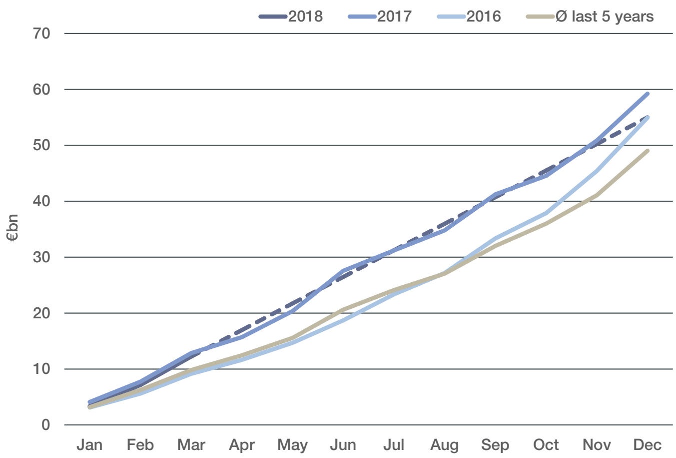
Transaction volume by type of use

	Transaction volume (€m)					
	Mar 2018	Jan to Mar 2018	against Jan to Mar 2017	Apr 2017 to Mar 2018	against Mar 2017 to Feb 2018	against Apr 2016 to Mar 2017
Office	3,224	5,967	+32%	25,534	+6%	+3%
Retail	702	1,941	-41%	12,968	-4%	-11%
Industrial/Logistics	109	1,456	-23%	8,602	-10%	+52%
Hotel	284	671	-4%	2,515	+/-0%	-43%
Development land	223	360	+92%	1,443	+12%	+8%
Other	527	1,825	-20%	7,408	+1%	-5%
Total	5,069	12,220	-5%	58,601	+/-0%	+/-0%

Source: Savills

GRAPH 1

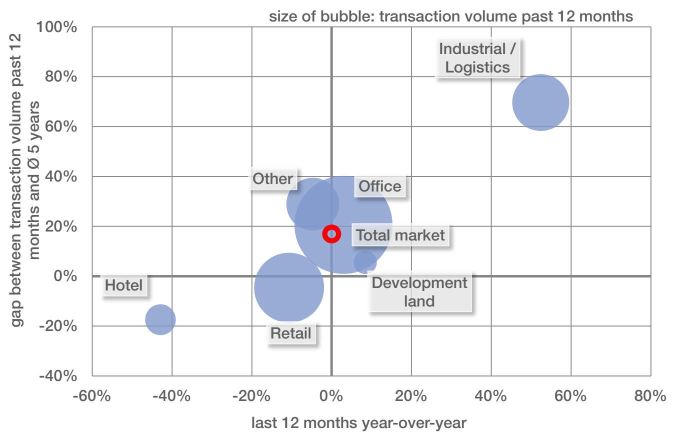
Accumulated transaction volume



Source: Savills / Note: dotted line = forecast

GRAPH 2

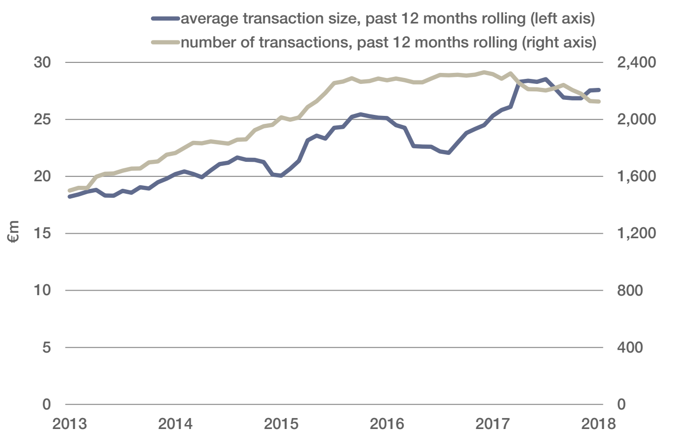
Type of use



Source: Savills

GRAPH 3

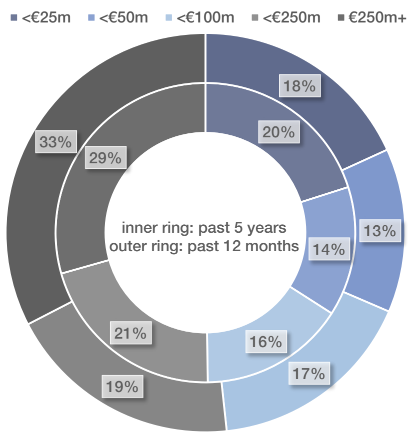
Deal size and number of transactions



Source: Savills / Note: including portfolios

GRAPH 4

Transaction volume by deal size



Source: Savills

Commercial investment market

TABLE 2

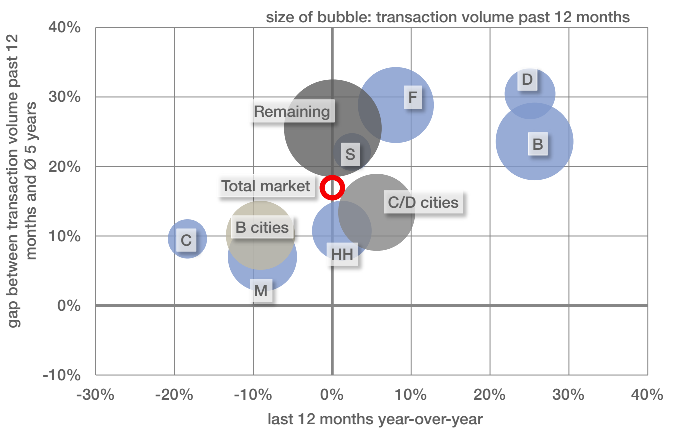
Transaction volume by location

	Transaction volume (€m)					
	Mar 2018	Jan to Mar 2018	against Jan to Mar 2017	Apr 2017 to Mar 2018	against Mar 2017 to Feb 2018	against Apr 2016 to Mar 2017
Berlin (B)	693	1,103	-29%	7,279	+/-0%	+26%
Düsseldorf (D)	396	600	+114%	3,122	+8%	+25%
Frankfurt (F)	954	1,462	+77%	6,942	+15%	+8%
Hamburg (HH)	283	1,003	+68%	4,303	+4%	+1%
Cologne (C)	210	479	-38%	1,857	-1%	-18%
Munich (M)	824	2,024	+37%	5,757	+/-0%	-9%
Stuttgart (S)	413	626	+157%	1,716	+30%	+2%
Germany	5,069	12,220	-5%	58,601	+/-0%	+/-0%

Source: Savills

GRAPH 5

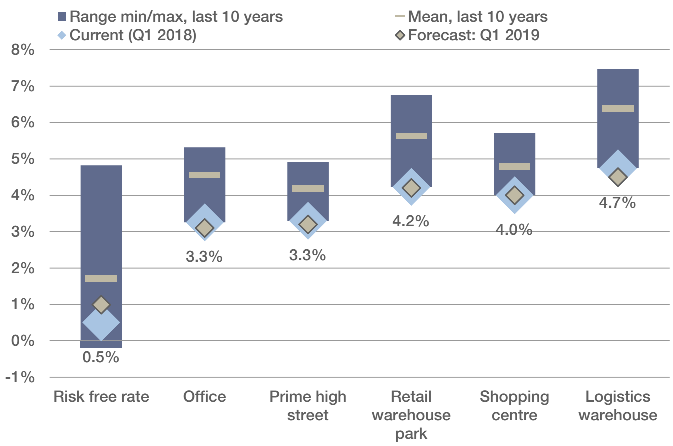
Regional distribution



Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 6

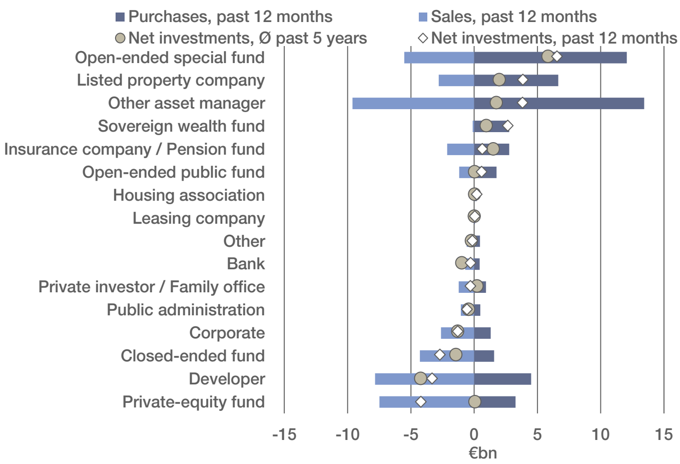
Prime yields



Source: Focus Economics, Savills / Note: always end of quarter values, risk free rate = 10Y Government Bunds, Prime Yields = Ø Top7

GRAPH 7

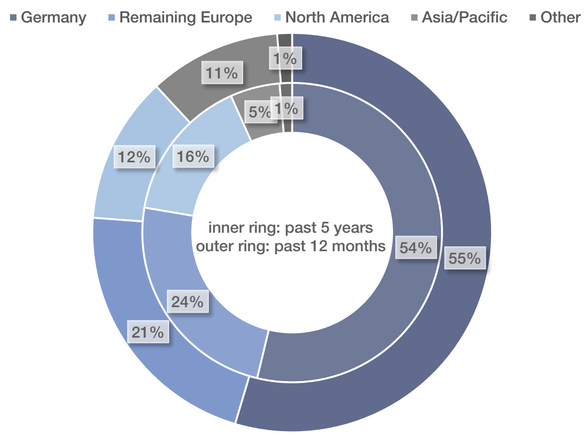
Type of investor



Source: Savills

GRAPH 8

Transaction volume by origin of buyer



Source: Savills

Commercial investment market

TABLE 3

Top 20 transactions of the last six months*

Date	Property / Portfolio	Location(s)	(Main) Type of property	Volume (€m) ↓	Area (sq m)	Buyer	Seller
Nov 17	Primus (5 properties)	Berlin, Frankfurt, Hamburg, München	Mixed-use property	ca. 1,500	127,800	SIGNA Holding	RFR-Holding GmbH
Nov 17	Tower 185	Frankfurt am Main	Office	ca. 775	102,000	Deka Immobilien Investment GmbH	i. a. CA Immo-Gruppe
Oct 17	Gazeley (23 properties)	Kandel, Kassel, Werder, Winsen	Logistics and Industry buildings	undisclosed	558,800	Global Logistic Properties (GLP)	Brookfield Europe LP
Dec 17	Steinmetz-Portfolio (13 properties)	i. a. Dresden, Hamburg, Nürnberg	Retail	ca. 650	n/a	RFR-Holding GmbH	BSG Investments Real Estate - Five Mounts Properties
Mar 18	Behördenzentrum	Frankfurt am Main	Office	ca. 500	88,200	Aroundtown Property	Wealth Management Capital Holding GmbH
Feb 18	Alpha-Portfolio (18 properties)	n/a	Logistics and Industry buildings	undisclosed	447,800	Frasers Centrepoint Limited	Alpha Industrial GmbH
Dec 17	Springer Quartier	Hamburg	Mixed-use property	ca. 400	56,000	i. a. Ärzteversorgung Mecklenburg-Vorpommern	Black Horse Investments, Momeni Projektentwicklung
Feb 18	Portfolio (100 properties)	n/a	Mixed-use property	undisclosed	n/a	Round Hill Capital	unknown private investor
Nov 17	Vodafone Campus Teilverkauf	Düsseldorf	Office	ca. 280	46,400	Mirae Asset Global Investments	AGC Equity Partners
Dec 17	Japan Center	Frankfurt am Main	Office	ca. 280	29,000	GEG German Estate Group AG	Commerz Real AG
Jan 18	Correo Quartier	Munich	Office	ca. 275	45,300	Credit Suisse	Deutsche Postbank AG
Dec 17	Portfolio (6 properties)	Bad Rappenau, Graben, Mainz	Logistics and Industry buildings	ca. 257	75,500	Frasers Centrepoint Limited	ECE Projektmanagement GmbH & Co. KG
Mar 18	aviva Munich	Munich	Office	undisclosed	60,000	Korea Investment Corporation	KGAL GmbH & Co. KG
Dec 17	Goodman-Azurite (9 properties)	i. a. Dortmund, Halle, Hamm	Logistics and Industry buildings	ca. 250	239,700	Blackstone Group Deutschland GmbH	Goodman Property Investors
Dec 17	Rhein-Ruhr-Zentrum	Mülheim an der Ruhr	Retail	undisclosed	92,000	Morgan Stanley Real Estate Investment GmbH	Blackstone Group Deutschland GmbH
Dec 17	Main Airport Center (MAC)	Frankfurt am Main	Office	ca. 245	54,400	CapitaLand Limited, Lum Chang Holdings Limited	Finch Properties, Och-Ziff Capital Management Group
Feb 18	SZ Tower	Munich	Office	ca. 244	62,200	Art-Invest Real Estate GmbH & Co KG	AXA Real Estate, Norges Bank
Nov 17	MIK	Düsseldorf	Office	ca. 240	53,000	Quantum Immobilien AG	Blackstone Group Deutschland GmbH
Nov 17	Bordeaux-Portfolio (10 properties)	n/a	Retail	ca. 240	257,800	Redos Real Estate GmbH	Invesco Real Estate, AEW Europe, CILOGER
Dec 17	East Side Offices	Munich	Office	ca. 235	63,000	InfraRed Capital Partners Limited	Officefirst

Source: Savills / * only published transactions are shown

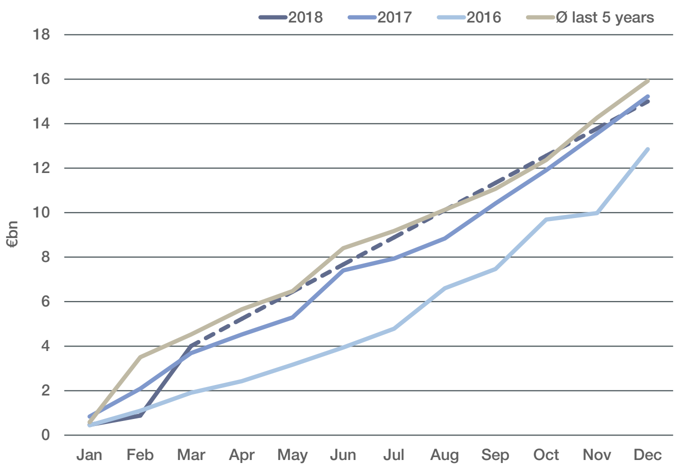
Residential investment market

TABLE 4
Transaction volume by city category

	Transacton volume (€m)					
	Mar 2018	Jan to Mar 2018	against Jan to Mar 2017	Apr 2017 to Mar 2018	against Mar 2017 to Feb 2018	against Apr 2016 to Mar 2017
A-cities	1,051	1,339	-33%	6,193	+1%	+1%
B-cities	277	496	+11%	2,673	+6%	+30%
C-cities	795	991	+826%	2,086	+57%	+63%
D-cities	348	392	+50%	1,358	+16%	+22%
Other	659	787	-9%	3,233	+12%	-20%
Germany	3,130	4,006	+9%	15,543	+11%	+6%

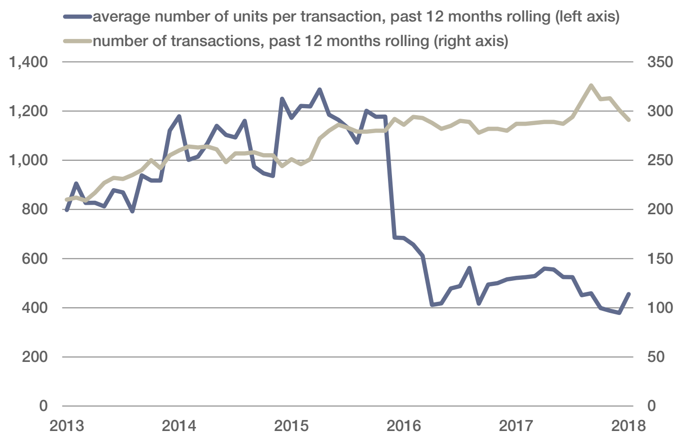
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 9
Accumulated transaction volume



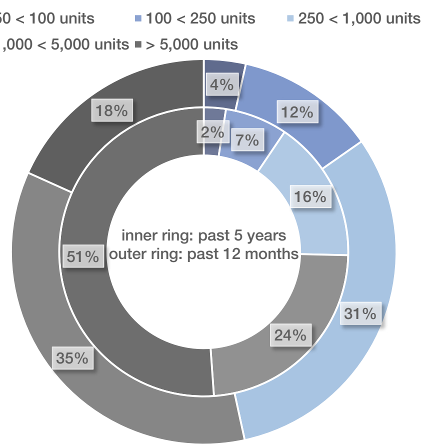
Source: Savills / Note: dotted line = forecast

GRAPH 10
Deal size and number of transactions



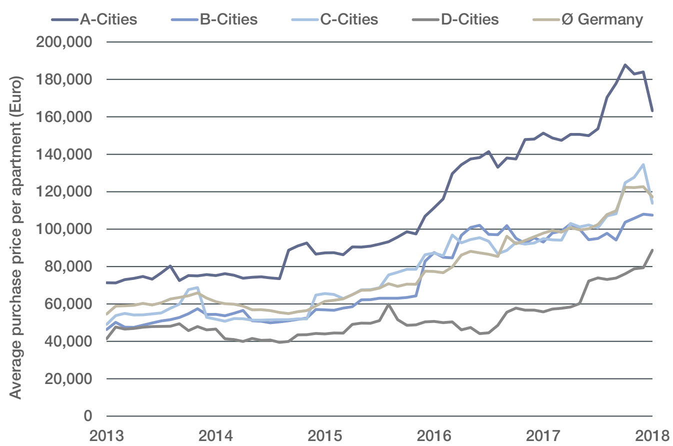
Source: Savills / Note: including portfolios

GRAPH 11
Traded units by size



Source: Savills

GRAPH 12
Development of prices



Source: Savills / Note: values are 12 months rolling

Residential investment market

TABLE 5

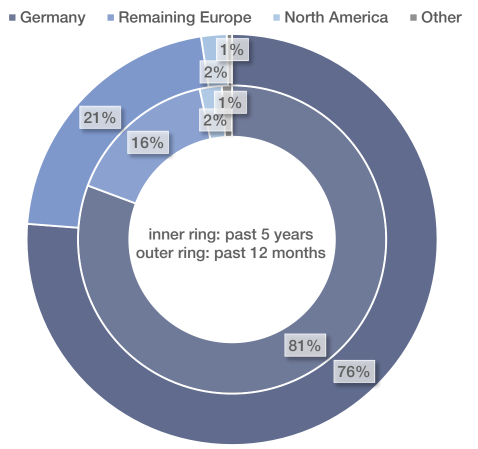
Traded units by city category

	Traded units					
	Mar 2018	Jan to Mar 2018	against Jan to Mar 2017	Apr 2017 to Mar 2018	against Mar 2017 to Feb 2018	against Apr 2016 to Mar 2017
A-cities	10,612	12,751	+12%	37,940	+14%	-6%
B-cities	2,899	3,928	-10%	24,865	+6%	+13%
C-cities	8,565	9,566	+995%	18,323	+85%	+36%
D-cities	3,667	4,241	-16%	15,308	+4%	-23%
Other	7,454	8,553	-7%	36,188	+10%	-33%
Germany	33,197	39,039	+27%	132,624	+16%	-11%

Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 13

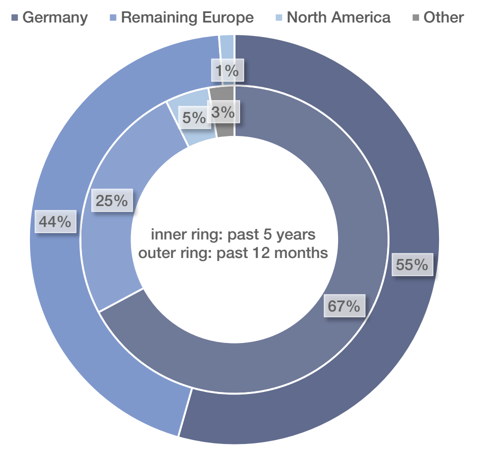
Transaction volume by origin of buyer



Source: Savills

GRAPH 14

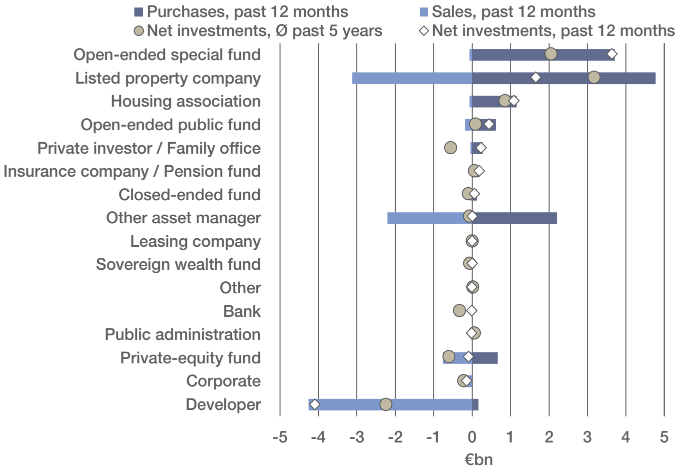
Transaction volume by origin of seller



Source: Savills

GRAPH 15

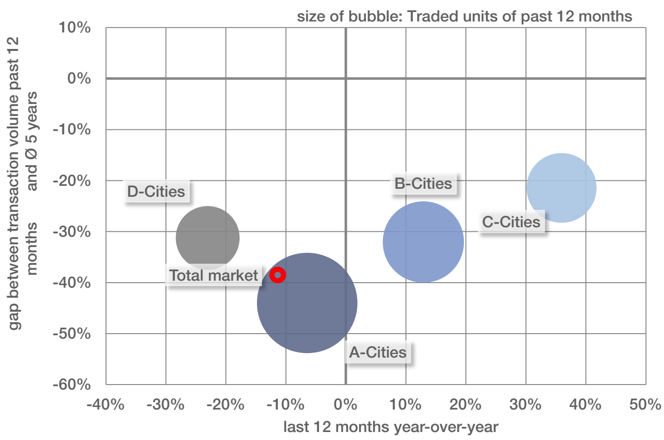
Transaction volume by type of investor



Source: Savills

GRAPH 16

Traded units by city category



Source: Savills / Note: based on the Bulwiengesa classification

Residential investment market

TABLE 6

Top 20 transactions of the last six months*

Date	Name of portfolio Location(s)	Number of units	Volume (€m) ↓	Buyer	Seller
Mar 18	Buwog acquisition (share of 73.8%)	24,687	undisclosed	Vonovia SE	BUWOG
Dec 17	i. a. Dresden, Düsseldorf, Cologne, Leipzig, Offenbach	1,742	ca. 670	Corestate Capital AG	CG Gruppe
Nov 17	Wasserstadt Mitte Berlin	710	undisclosed	Adler Real Estate AG	Benson Elliot, Kauri CAB Management
Oct 17	i. a. Dresden, Erfurt, Fürth, Hannover, Kiel, Lübeck	1,900	ca. 260	Capital Bay	unknown investor
Nov 17	Bochum, Duisburg, Essen, Gelsenkirchen	2,710	undisclosed	VELERO PARTNERS	unknown investor
Oct 17	i. a. Berlin, Dresden, Duisburg	1,500	undisclosed	Deutsche Asset One GmbH	unknown investor
Oct 17	Mühlenquartier Düsseldorf	364	undisclosed	Vivawest Wohnen GmbH	i. a. Artemis Development GmbH, Convalor
Dec 17	Staytoo-Portfolio i. a. Berlin, Bonn	1,123	undisclosed	Harrison Street	MPC Münchmeyer Petersen Capital GmbH
Dec 17	Tannhaus Berlin	undisclosed	undisclosed	Global Student Accomoda-tion (GSA)	Cresco Capital Ltd.
Mar 18	i. a. Frankfurt, Mainz, Wies-baden	925	undisclosed	Round Hill Capital, Starwood Capital, Stepstone	unknown investor
Nov 17	Berlin	325	ca. 130	Hansainvest - Hanseatische Investment GmbH	Groth Development GmbH & Co.KG
Oct 17	i. a. Berlin, Bielefeld, Dres-den, Hamburg	undisclosed	ca. 120	Empira	unknown investor
Feb 18	Erfurt	535	undisclosed	Gemeinnützige Woh-nungsgesellschaft Hessen	unknown developer
Nov 17	Berlin, Cologne	420	ca. 110	Industria GmbH	Ten Brinke Groep B.V.
Oct 17	Neon Wood Frankfurter Tor Berlin	552	undisclosed	Global Student Accomoda-tion (GSA)	Cresco Capital Ltd.
Mar 18	i. a. Düsseldorf, Leverkusen	964	undisclosed	unknown investor	Deutsche Invest Immobilien
Nov 17	i. a. Berlin, Bremen, Delmen-horst, Hamburg, Oldenburg	576	undisclosed	Corpus Sireo Asset Manage-ment Residential GmbH	A/S Tyske Metropoler
Mar 18	Hamburg	160	undisclosed	BMO Real Estate Partners	Aug. Prien Immobilien Ge-sellschaft, DC Residential
Nov 17	i. a. Amberg, Berlin, Deggen-dorf, Kitzingen	833	ca. 90	PATRIZIA Immobilien Kapital-anlagegesellschaft mbH	Peakside Capital
Mar 18	Hamburg	321	undisclosed	Accentro Real Estate AG	unknown investor

Source: Savills / * only published transactions are shown

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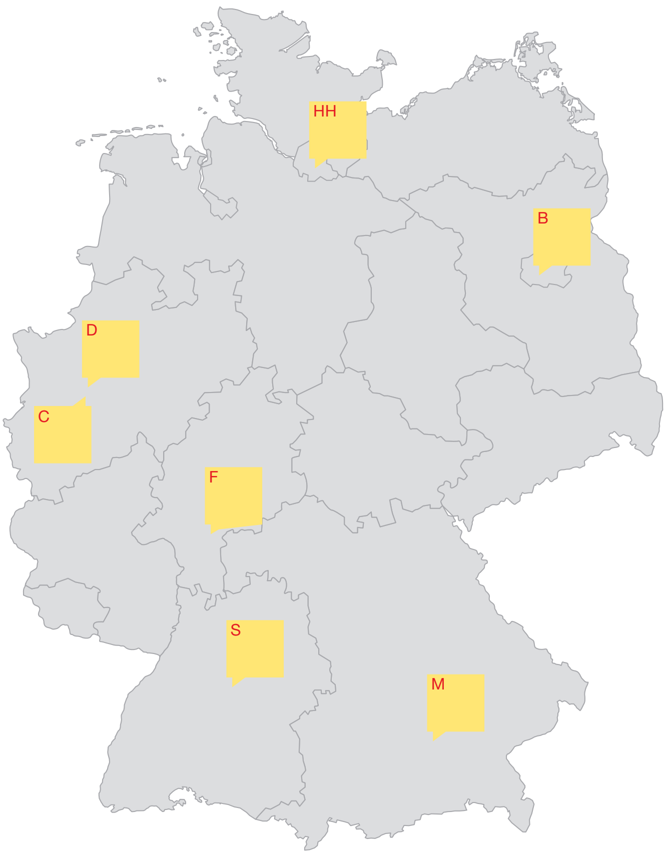

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