Investment Market monthly **Germany**

July 2018

The market at a glance

Mixed-use still in vogue – foreign residential investors are playing an increasing role

Commercial investment market

■ Mixed-use properties and portfolios containing properties with a variety of uses are attracting more and more attention in the German commercial property investment market. More than 11% of the transaction volume over the last twelve months was attributable to such properties or portfolios compared with a five-year average of around 5%. This suggests that more and more investors are focusing on long-term stability of rental income and attaching less importance to the nature of rental income (see also "Do we need a 'local amenities' asset class?").

■ Not only are the A-cities high on investors' agendas (Table 2), their surrounding regions are also highly popular. Surrounding regions accounted for more than €5.8bn, or 10% of the transaction volume, over the last twelve months compared with a five-year average of around 8%. Potential reasons for this include the higher liquidity compared with many B and C-cities and the favourable growth prospects in these metropolitan areas.

Residential investment market

■ Foreign purchasers accounted for 27% of investment over the last 12 months, which is above the five-year average of 20%. Investors from elsewhere in Europe particularly increased their share of investment activity (Graph 13). In view of the sound fundamental data and expectations of rental growth, demand from foreign investors is likely to remain high.

■ Micro-apartment properties changed hands for around €1.8bn over the last twelve months, accounting for almost 11% of the overall transaction volume for residential property. This is significantly above the five-year average of around 3%. Against a background of sustained buoyant development activity for micro-apartments aimed at students and non-students, (see "Spotlight Student housing Germany"), we also expect such properties to account for a significant proportion of transaction activity going forward.

Commercial investment market

TABLE 1

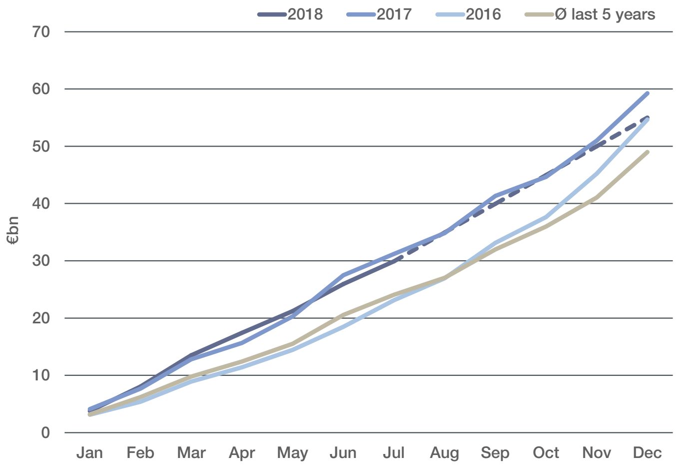
Transaction volume by type of use

	Transaction volume (€m) Jul 2018	Jan to Jul 2018	against Jan to Jul 2017	Aug 2017 to Jul 2018	against Jul 2017 to Jun 2018	against Aug 2016 to Jul 2017
Office	1,659	11,813	-7%	23,134	-3%	-18%
Retail	741	6,174	-8%	13,971	+2%	+1%
Industrial/Logistics	791	4,052	-33%	7,280	+9%	-12%
Hotel	161	1,703	+40%	3,051	+/-0%	-7%
Development land	107	1,137	+57%	1,738	-5%	+34%
Other	522	5,046	+35%	8,790	+3%	+11%
Total	3,980	29,924	-4%	57,964	+/-0%	-8%

Source: Savills

GRAPH 1

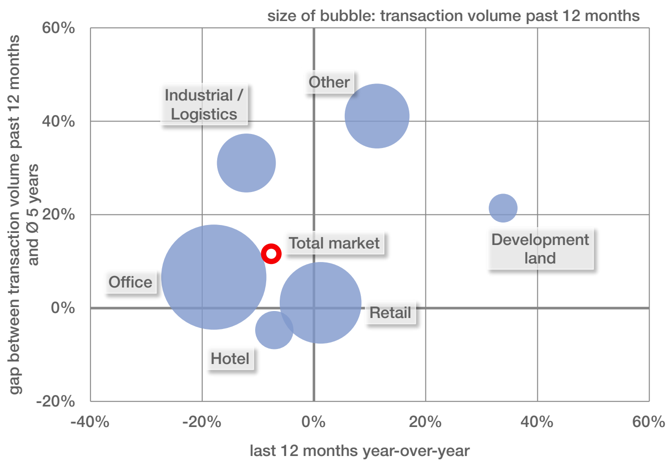
Accumulated transaction volume



Source: Savills / Note: dotted line = forecast

GRAPH 2

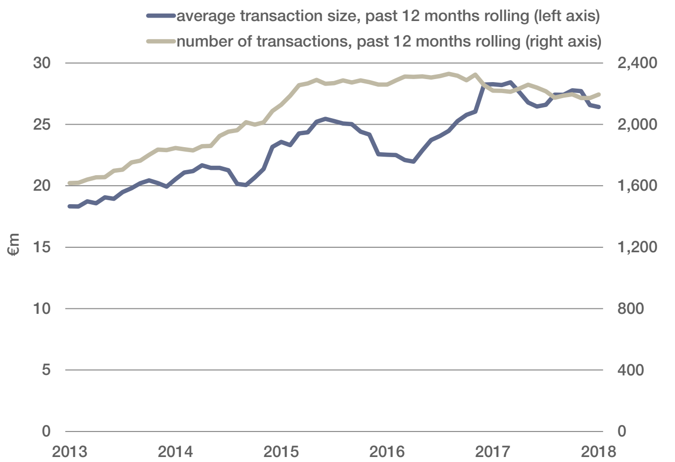
Type of use



Source: Savills

GRAPH 3

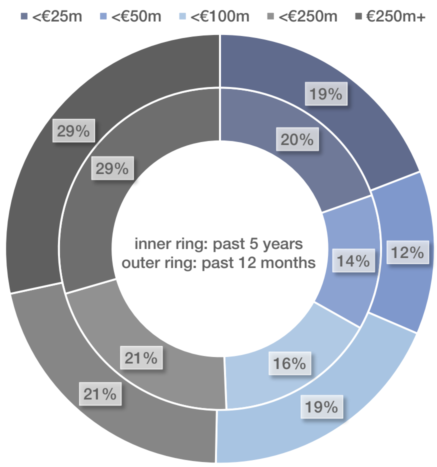
Deal size and number of transactions



Source: Savills / Note: including portfolios

GRAPH 4

Transaction volume by deal size



Source: Savills

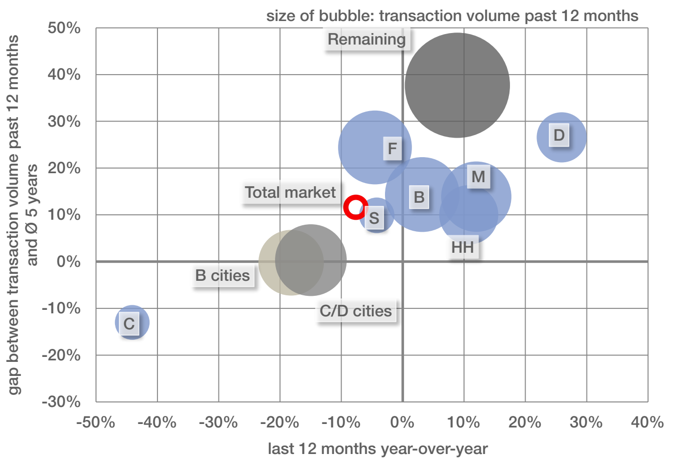
Commercial investment market

TABLE 2
Transaction volume by location

	Transaction volume (€m)					
	Jul 2018	Jan to Jul 2018	against Jan to Jul 2017	Aug 2017 to Jul 2018	against Jul 2017 to Jun 2018	against Aug 2016 to Jul 2017
Berlin (B)	635	3,117	-21%	6,996	-8%	+3%
Düsseldorf (D)	334	1,478	+27%	3,147	+11%	+26%
Frankfurt (F)	36	2,971	+20%	6,826	-5%	-5%
Hamburg (HH)	255	2,547	+49%	4,386	-1%	+11%
Cologne (C)	90	816	-44%	1,516	-5%	-44%
Munich (M)	372	3,122	+48%	6,188	+5%	+12%
Stuttgart (S)	19	854	+35%	1,583	-3%	-4%
Germany	3,980	29,924	-4%	57,964	+/-0%	-8%

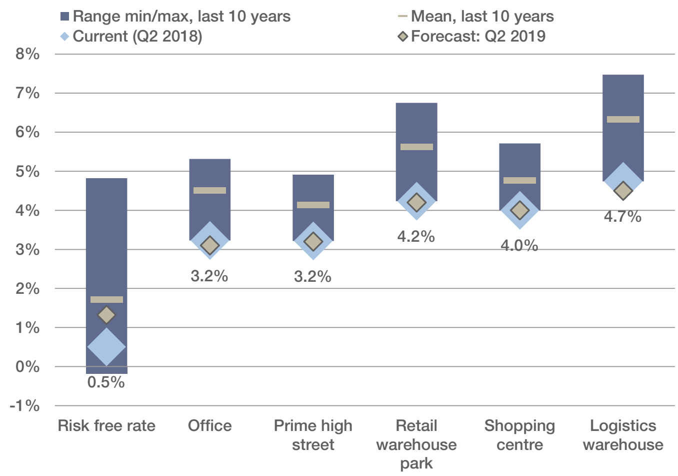
Source: Savills

GRAPH 5
Regional distribution



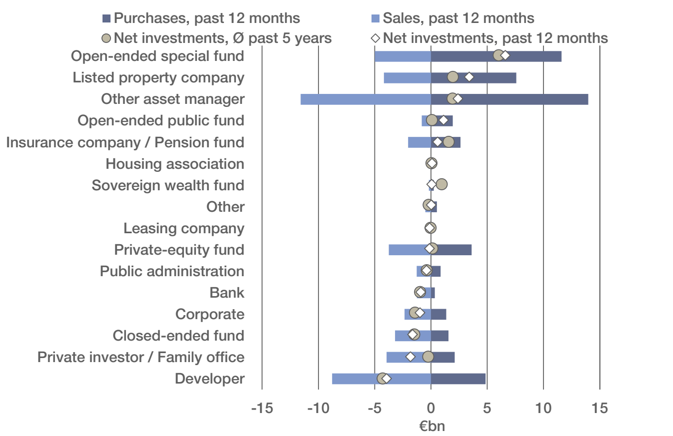
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 6
Prime yields



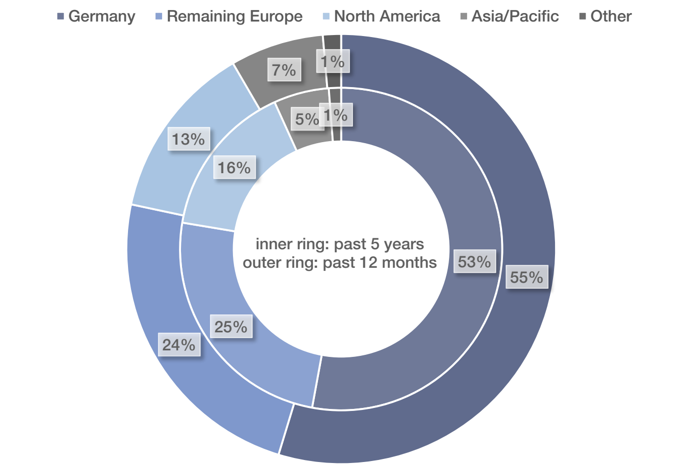
Source: Focus Economics, Savills / Note: always end of quarter values, risk free rate = 10Y Government Bunds, Prime Yields = Ø Top7

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)	(Mayn) Type of property	Volume (€m) ↓	Area (sq m)	Buyer	Seller
Apr 18	Brack Capital-Portfolio (70%)	nationwide	Mixed-use property	undisclosed	722,000	Adler Real Estate AG	i. a. Redzone Empire Holding Limited
Jun 18	Klinikportfolio (50%-share)	nationwide	Community welfare property	ca. 815	n/a	Primonial	Medical Properties Trust
Mar 18	Behördenzentrum	Frankfurt am Main	Office	ca. 500	88,200	Aroundtown Property Holdings Plc.	WealthCap Wealth Management Capital Holding GmbH
Feb 18	Alpha-Portfolio (18 properties)	nationwide	Logistics and Industry buildings	undisclosed	447,500	Frasers Centrepoint Limited	Alpha Industrial GmbH & Co. KG
Apr 18	Geneba-Portfolio (17 properties)	nationwide	Logistics and Industry buildings	ca. 450	431,600	Frasers Centrepoint Limited	Frasers Centrepoint Limited
May 18	Gallileo	Frankfurt am Main	Office	ca. 356	40,500	CapitaLand Limited	Triuva Kapitalverwaltungsgesellschaft mbH
Feb 18	Portfolio (100 properties)	n/a	Mixed-use property	undisclosed	n/a	Round Hill Capital	unknown private Investor
Feb 18	Boulevard (18 properties)	i. a. Berlin, Böblingen, Bochum	Retail	undisclosed	80,000	unknown Pension Scheme (Germany)	BMO Real Estate Partners
Jun 18	Geschäfthaus-ensemble	Berlin	Retail	ca. 300	22,500	BMO Real Estate Partners	RFR-Holding GmbH, DC Values
May 18	Hilton Berlin	Berlin	Hotel/ Gastronomy	ca. 297	n/a	Aroundtown Property Holdings Plc.	Park Hotels & Resorts Inc., unknown Investor
Jun 18	Quartier Four - Tower 4	Frankfurt am Main	Office	undisclosed	22,700	Union Investment Real Estate GmbH	Groß & Partner Grundstücksentwicklung
Jun 18	Olympus Zentrale	Hamburg	Office	undisclosed	48,400	Ärzteversorgung Westfalen-Lippe, Hines Immobilien	Zech Group, unknown Investor
Jul 18	Portfolio (2 properties)	Ergolding, Marl	Logistics and Industry buildings	undisclosed	283,200	Goodman Property Investors, EPF	Goodman Property Investors
Mar 18	Aviva Munich	Munich	Office	undisclosed	60,000	Korea Investment Corporation (KIC)	KGAL GmbH & Co. KG
Jul 18	Portfolio (5 properties)	i. a. Apfelstädt, Duisburg	Logistics and Industry buildings	undisclosed	263,000	Blackstone Group Deutschland GmbH	Hines Immobilien GmbH
Feb 18	SZ Tower	Munich	Office	ca. 244	62,200	Art-Invest Real Estate GmbH & Co KG	AXA Real Estate Investment Managers
Jun 18	TSK1	Frankfurt am Main	Office	ca. 237	65,500	Credit Suisse (Deutschland) AG	Officefirst
Jul 18	Zalando-Campus	Berlin	Office	ca. 235	43,800	Hines Immobilien GmbH	Capstone Asset Management, L'Etoile
May 18	Portfolio (4 properties)	i. a. Aschheim, Düsseldorf	Office	ca. 230	101,000	LGT Capital Partners, JP Morgan Asset Management	publity AG
Feb 18	Pollux-Portfolio (10 properties)	i. a. Duisburg, Düsseldorf	Cinema	undisclosed	91,000	Aermont Capital LLP	Berlinovo Immobilien Gesellschaft mbH

Source: Savills / * only published transactions are shown

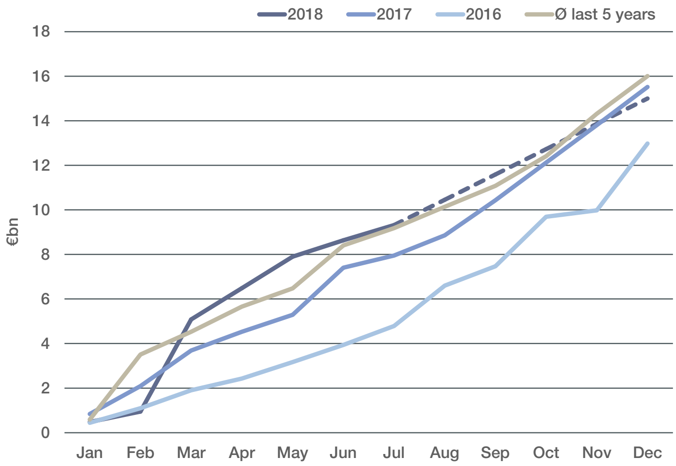
Residential investment market

TABLE 4
Transaction volume by city category

	Transacton volume (€m)					
	Jul 2018	Jan to Jul 2018	against Jan to Jul 2017	Aug 2017 to Jul 2018	against Jul 2017 to Jun 2018	against Aug 2016 to Jul 2017
A-cities	415	3,444	-6%	6,878	+4%	+11%
B-cities	110	1,556	+53%	3,194	+1%	+45%
C-cities	38	1,681	+219%	2,355	-2%	+61%
D-cities	13	850	+21%	1,376	-9%	+4%
Other	107	1,787	-13%	3,076	+2%	-38%
Germany	682	9,318	+17%	16,879	+1%	+5%

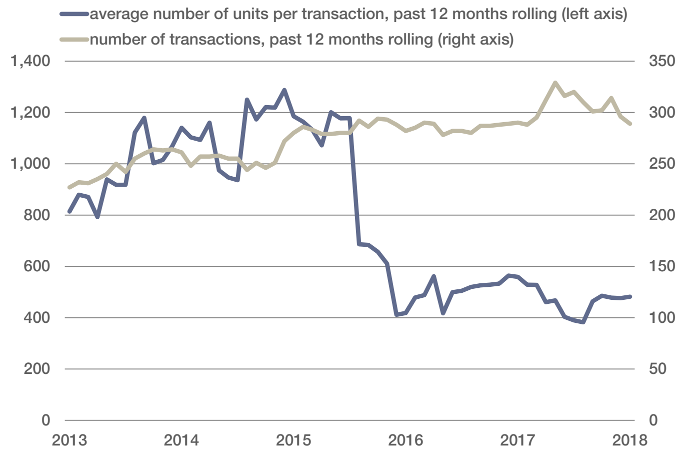
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 9
Accumulated transaction volume



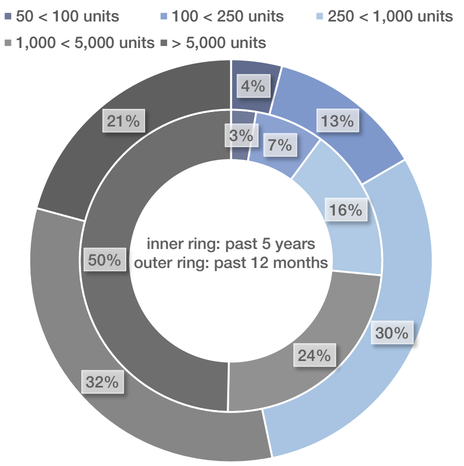
Source: Savills / Note: dotted line = forecast

GRAPH 10
Deal size and number of transactions



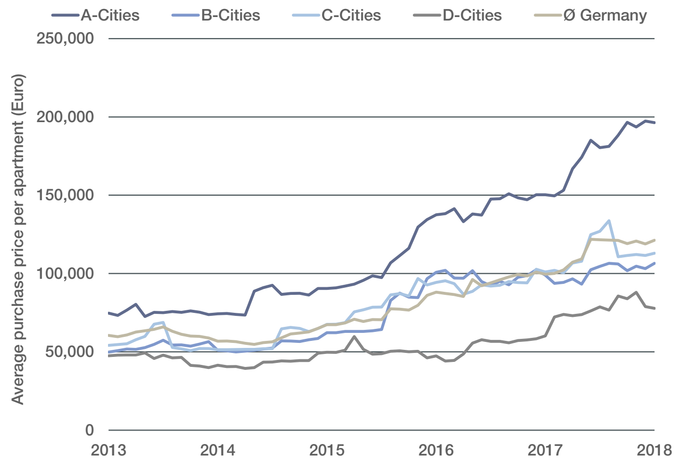
Source: Savills / Note: including portfolios

GRAPH 11
Traded units by size



Source: Savills

GRAPH 12
Development of prices



Source: Savills / Note: values are 12 months rolling; based on the Bulwiengesa classification

Residential investment market

TABLE 5

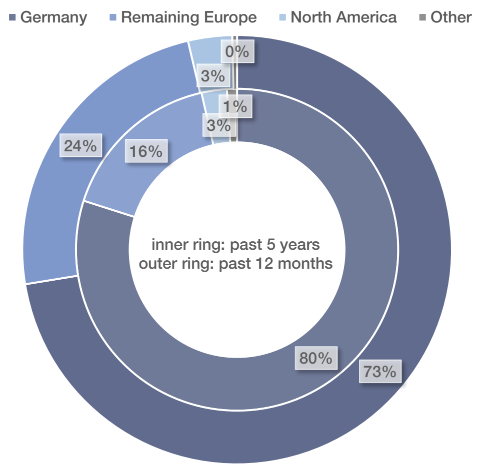
Traded units by city category

	Traded units					
	Jul 2018	Jan to Jul 2018	against Jan to Jul 2017	Aug 2017 to Jul 2018	against Jul 2017 to Jun 2018	against Aug 2016 to Jul 2017
A-cities	2,242	18,405	-15%	35,037	+4%	-15%
B-cities	523	13,471	+43%	29,990	-3%	+35%
C-cities	176	15,634	+254%	20,847	-3%	+44%
D-cities	39	11,896	+15%	17,699	-7%	-20%
Other	785	20,550	-8%	35,582	-1%	-43%
Germany	3,765	79,956	+17%	139,155	-1%	-14%

Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 13

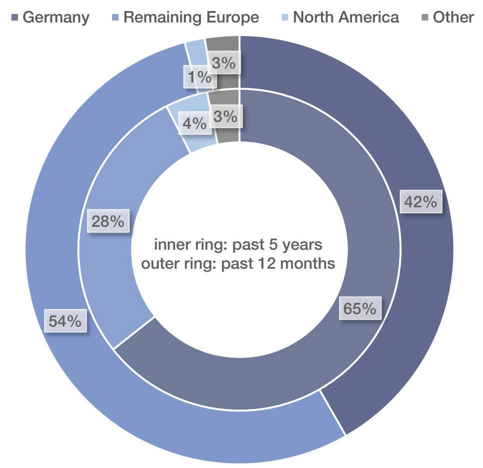
Transaction volume by origin of buyer



Source: Savills

GRAPH 14

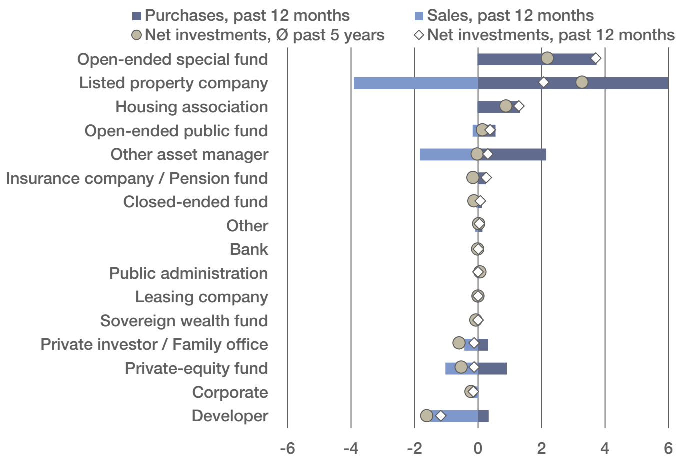
Transaction volume by origin of seller



Source: Savills

GRAPH 15

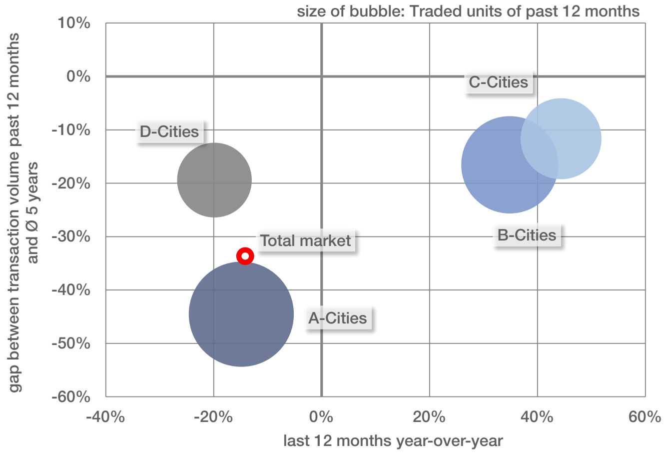
Transaction volume by type of investor



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-takeover	27,176	undisclosed	Vonovia SE	BUWOG - Bauen und Wohnen Gesellschaft mbH
May 18	Berlin, Magdeburg	2,500	undisclosed	Blackstone Group Deutschland GmbH	Kauri CAB Management GmbH, Apeiron Capital Ltd.
Mar 18	Bochum, Dortmund	2,000	ca. 151	Forte Capital Deutschland GmbH, Proprium Capital	Angelo Gordon
May 18	Berlin	690	undisclosed	GEWOBAG	Off Immobilien-Beteiligungs GmbH
Mar 18	Frankfurt, Wiesbaden	925	undisclosed	Round Hill Capital, Star-wood, Stepstone Real Estate	unknown Investor
Feb 18	Erfurt	535	undisclosed	Gemeinnützige Woh-nungsgesellschaft Hessen	unknown Developer
Apr 18	nationwide	2,843	ca. 115	Benson Elliot Capital, Adler Real Estate AG	Adler Real Estate AG
May 18	Berlin	undisclosed	ca. 111	Covivio Immobilien GmbH	unknown Investor
Mar 18	Düren, Düsseldorf, Leichlingen, Leverkusen	964	undisclosed	unknown Investor	Deutsche Invest Immobilien (d.i.i.)
Jun 18	Berlin, Butzbach, Mainz	391	ca. 106	Industria GmbH	Ten Brinke Groep B.V.
Jul 18	Berlin, Dresden	undisclosed	ca. 106	Covivio Immobilien GmbH	unknown Investor
Mar 18	Hamburg	160	undisclosed	BMO Real Estate Partners	Aug. Prien Immobilien, DC Residential
Jun 18	Berlin	568,	undisclosed	Covivio Immobilien GmbH	Akzent Berlin-Weißensee Am Steinberg GbR
May 18	Heidenheim an der Brenz	1,075	undisclosed	Peach Property Group AG	unknown Investor
May 18	Bonn	276	undisclosed	Bayerische Versorgungskammer	Instone Real Estate
Mar 18	Hamburg	321	undisclosed	Accentro Real Estate AG	unknown Investor
Jun 18	Zwickau	2,940	undisclosed	ZBI Zentral Boden Immobil-ien, Union Investment	Vonovia SE
Mar 18	Düren, Haan, Leverkusen, Wuppertal	940	undisclosed	Vivawest Wohnen GmbH	Deutsche Invest Immobilien (d.i.i.)
Mar 18	Regensburg	190	ca. 80	Deutsche Asset One GmbH	Hubert Haupt Immobilien, Bucher Properties GmbH
Mar 18	Bremen, Hannover, Lübeck, Lüneburg	725	ca. 73	BUWOG - Bauen und Wohnen Gesellschaft mbH	unknown Investor

Source: Savills / * only published transactions are shown

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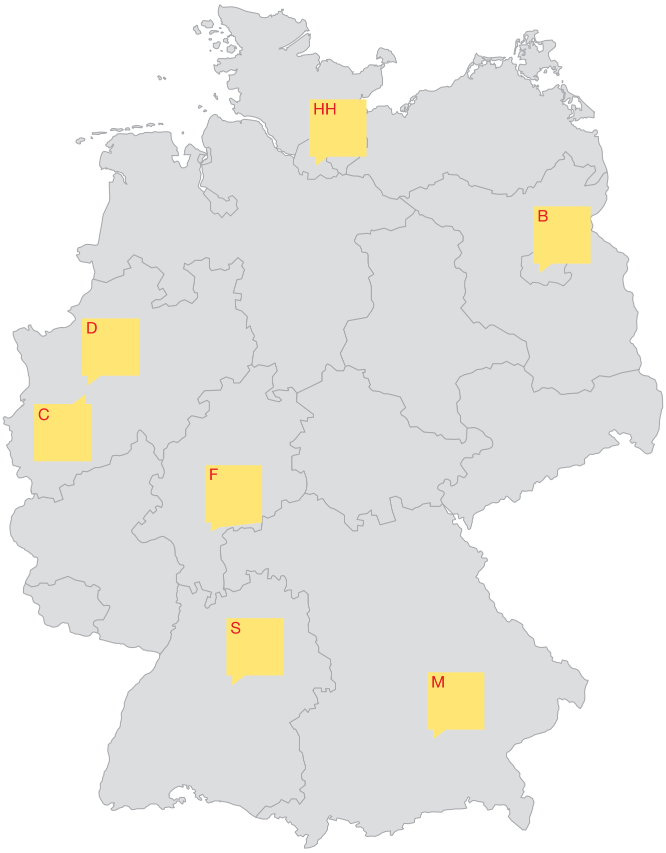

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