Market in Minutes
Germany commercial investment market

Q3 2018

The market at a glance

Strongest third quarter of the cycle with slowing yield compression

■ The list of geopolitical and other risks for the global economy has not shortened and continues to make capital market participants highly risk averse. Evidently, commercial property in Germany remains among the beneficiaries of this scenario. The transaction volume in the third quarter of 2018 totalled almost €15.6bn, making it not only the strongest quarter of the year but also the strongest third quarter in the current cycle (Graph 1, Table 1).

■ The purchaser structure remains highly diverse. By way of example, more than 100 different investors have invested at least €100m during the year to date, which is unprecedented at this point in a year.

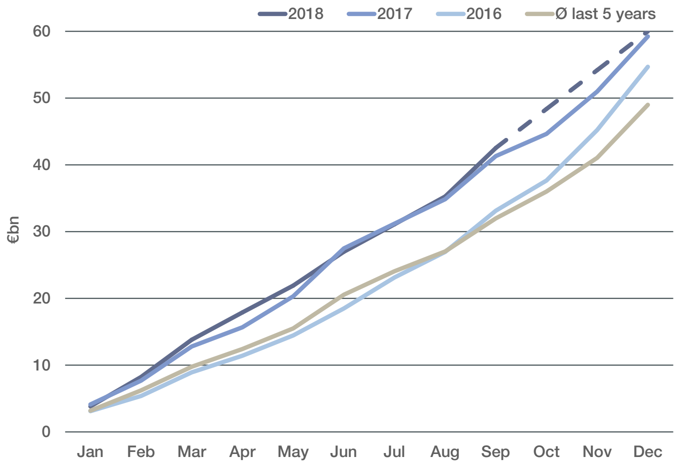
■ What most purchasers have in common is an interest in stable, long-term rental income and/or long-term capital preservation. Risk aversion remains correspondingly high. However, with pressure to invest remaining high and existing AAA product in short supply, development projects are increasingly featuring higher on investors' agendas and, notably, at an earlier stage. Development acquisitions have accounted for around €5.2bn or 12% of the overall transaction volume during the year to date (5-year average: 9%).

■ While the core/core-plus segment continues to enjoy surplus demand, initial yields only hardened selectively. Yield compression is likely to have been exhausted by the end of the year.

Overview total market

GRAPH 1

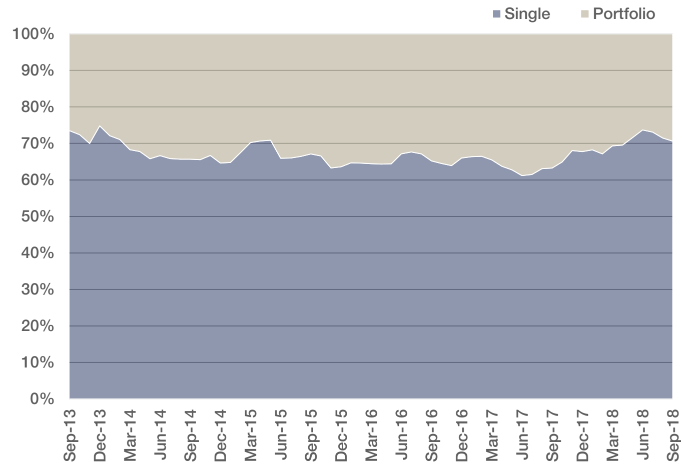
Accumulated transaction volume



Source: Savills

GRAPH 2

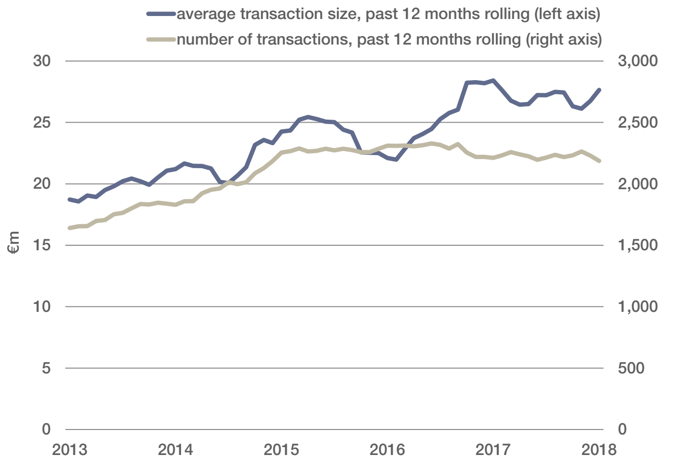
Single and portfolio transaction volume



Source: Savills / Note: always past 12 months rolling

GRAPH 3

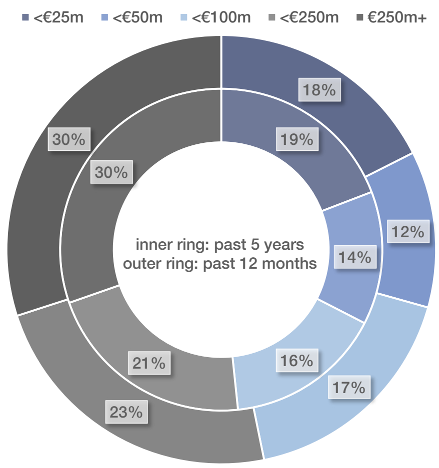
Deal size and number of transactions



Source: Savills

GRAPH 4

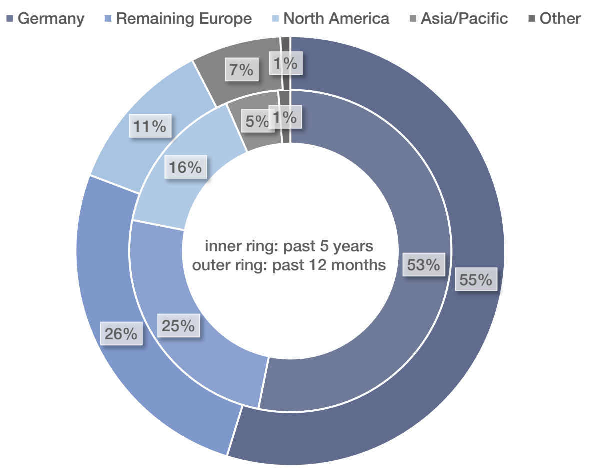
Transaction volume by deal size



Source: Savills

GRAPH 5

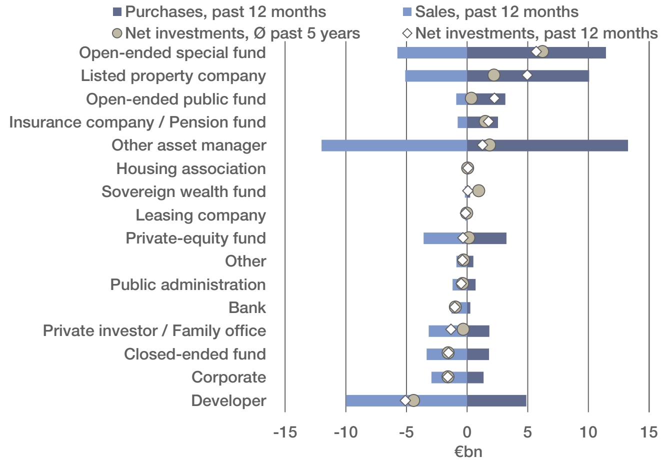
Transaction volume by origin of buyer



Source: Savills

GRAPH 6

Transaction volume by type of investor



Source: Savills

Overview type of use

TABLE 1

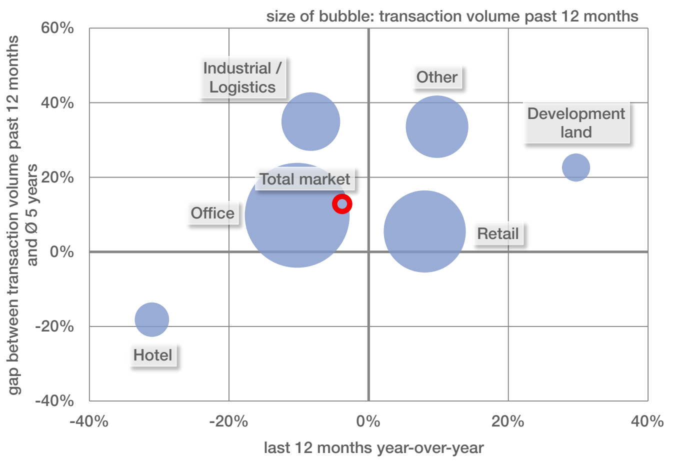
Transaction volume by type of use

	Transaction volume (€m)				
	Q1 - Q3 2018	Annual change	15 month rolling	Quarterly change	Annual change
Office	17,151	+3%	24,577	+2%	-10%
Retail	9,859	+6%	15,081	+8%	+8%
Industrial/Logistics	5,189	-23%	7,688	+10%	-8%
Hotel	2,102	+4%	2,648	-15%	-31%
Development land	1,387	+47%	1,766	-8%	+30%
Other	6,857	+22%	8,711	+1%	+10%
Total	42,545	+3%	60,470	+3%	-4%

Source: Savills

GRAPH 7

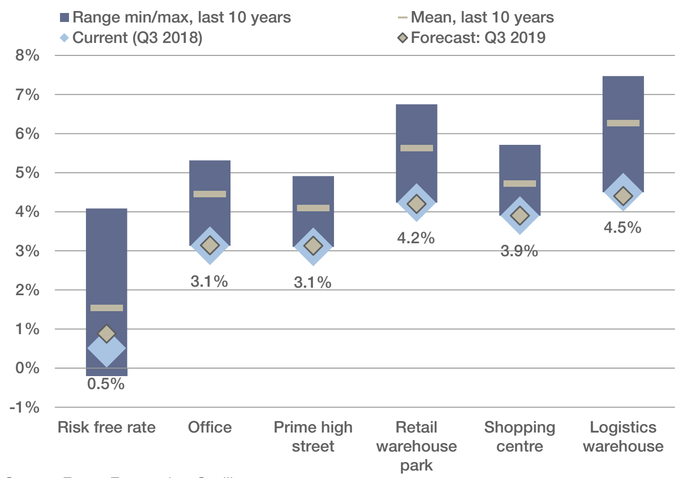
Investment activity: level and momentum



Source: Savills

GRAPH 8

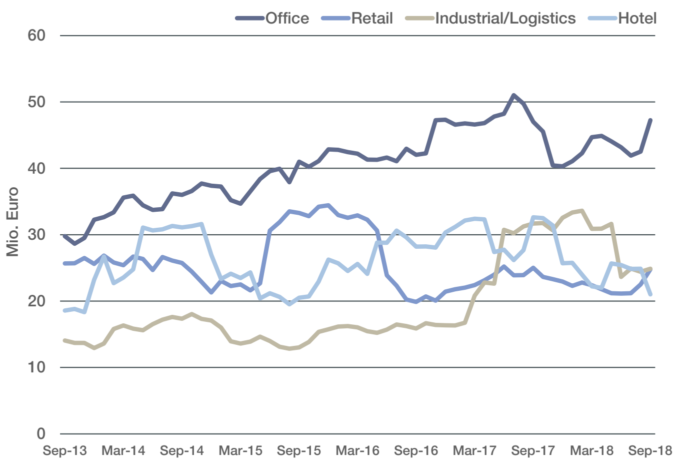
Prime yields



Source: Focus Economics, Savills
Note: always final values of the month, min/max = local extremes, Prime Yields = Ø Top7

GRAPH 9

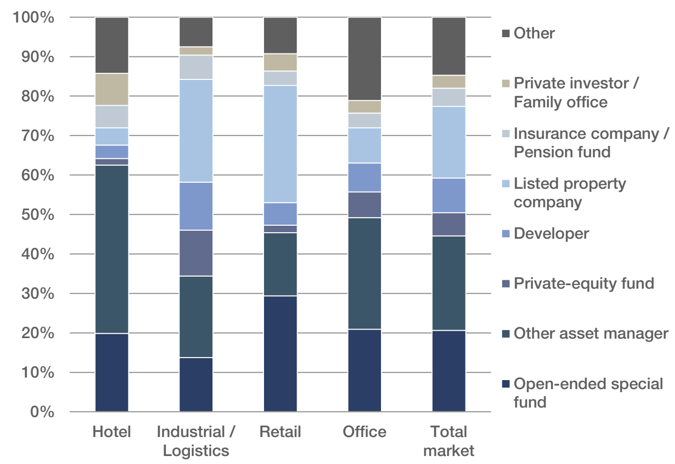
Average size of transaction



Source: Savills / Note: always past 12 months rolling

GRAPH 10

Structure of buyer



Source: Savills / Note: values always past 12 months

Overview locations

TABLE 2

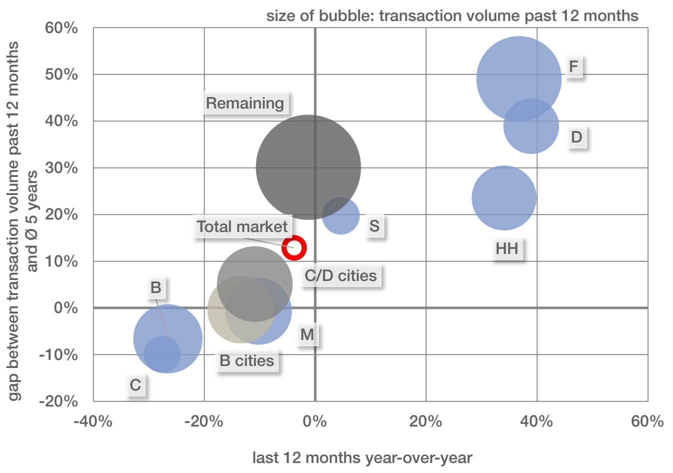
Transaction volume and yields by location

	Transaction volume (€m)				Prime Yield Office			Prime Yield Highstreet		
	Q1 - Q3 2018	Annual change	12 month rolling	Quarterly change	Q3 2018	q-o-q change	y-o-y change	Q3 2018	q-o-q change	y-o-y change
Berlin (B)	4,271	-32%	5,809	-25%	3%	-10bps	-20bps	3%	-10bps	-20bps
Düsseldorf (D)	2,596	+54%	3,743	+32%	3%	+/-0bps	-40bps	3%	-10bps	-50bps
Frankfurt (F)	5,578	+80%	8,810	+22%	3%	-10bps	-10bps	3%	-10bps	-30bps
Hamburg (HH)	3,664	+74%	5,110	+16%	3%	-30bps	-30bps	3%	-10bps	-10bps
Cologne (C)	1,183	-30%	1,633	+1%	4%	-20bps	-20bps	4%	+/-0bps	+/-0bps
Munich (M)	3,708	+6%	5,380	-11%	3%	+/-0bps	+/-0bps	3%	+/-0bps	-50bps
Stuttgart (S)	1,167	+45%	1,722	+6%	3%	+/-0bps	+/-0bps	4%	-30bps	-30bps
Germany*	42,545	+3%	60,470	+3%	3%	-10bps	-17bps	3%	-10bps	-27bps

Source: Savills / * Prime Yields = Ø Top 7

GRAPH 11

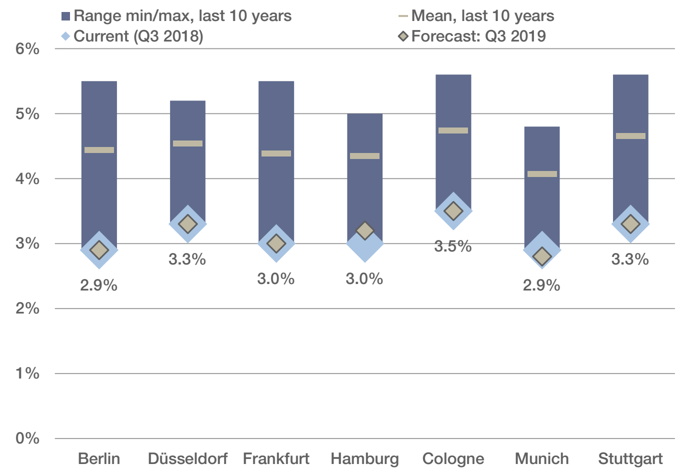
Investment activity: level and momentum



Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 12

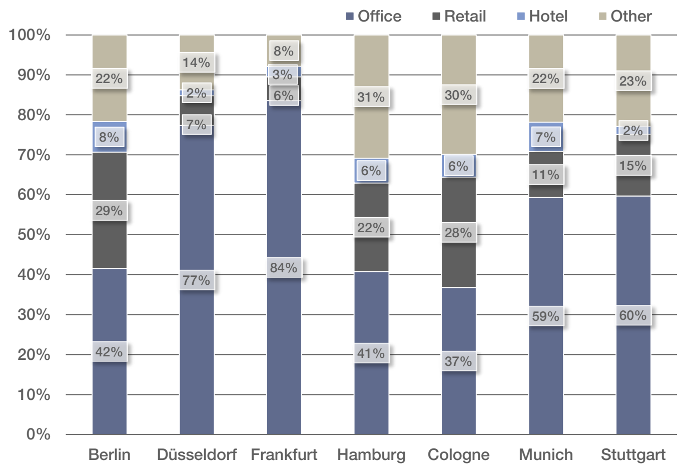
Office prime yields



Source: Savills
Note: always final values of the quarter, min/max = local extremes, Prime Yields = Ø Top7

GRAPH 13

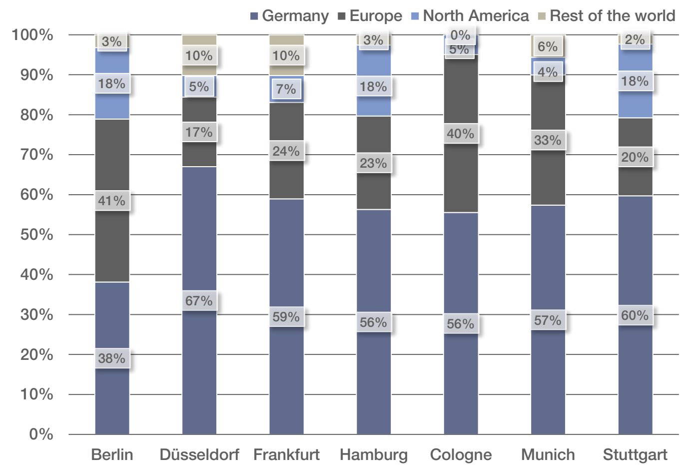
Transaction volume by type of use



Source: Savills / Note: values always past 12 months

GRAPH 14

Transaction volume by origin of buyer



Source: Savills / Note: values always past 12 months

Overview transactions

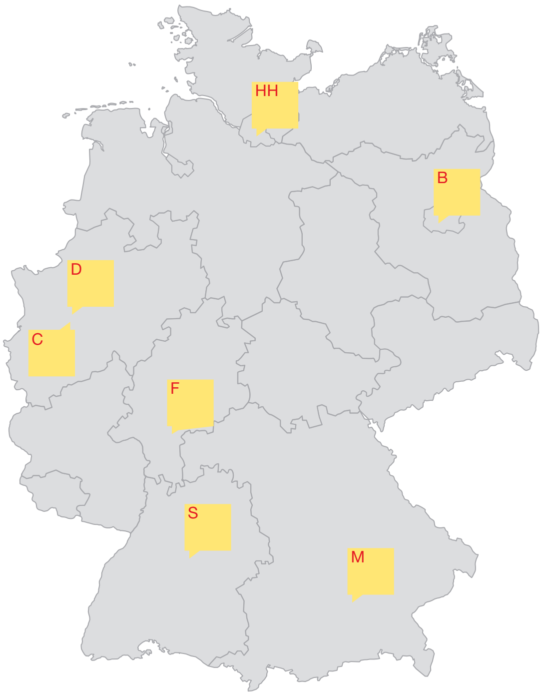
TABLE 3

Top 20 transactions of the last twelve months*

Date	Property / Portfolio	Location(s)	(Main) Type of property	Volume (€m) ↓	Area (sq m)	Buyer	Seller
Nov 17	Primus (5 properties)	i.a. Berlin, Frankfurt, Hamburg	Mixed-use property	ca. 1500	127,800	SIGNA Holding	RFR-Holding GmbH
Sep 18	Karstadt-Kaufhof-Fusion	nationwide	Retail	undisclosed	533,900	SIGNA Holding	Simon Property Group, Hudson's Bay Company (HBC)
Apr 18	Übernahme Brack Capital	Bremen, Hannover, Kiel, Leipzig	Mixed-use property	undisclosed	722,000	Adler Real Estate AG	i.a. Redzone Empire Holding Limited
Jun 18	Klinikportfolio (71 properties)	nationwide	Community welfare property	ca. 815	n/a	Primonial	Medical Properties Trust
Nov 17	Tower 185	Frankfurt am Main	Office	ca. 775	102,000	Deka Immobilien Investment GmbH	CA Immo-Gruppe, unknown Open-Ended Special Fund
Sep 18	Omniturm	Frankfurt am Main	Office	ca. 700	54,300	Commerz Real AG	Tishman Speyer
Oct 17	Gazeley (23 properties)	Kandel, Kassel, Werder, Winsen	Warehouse/ Logistics	undisclosed	558,800	Global Logistic Properties (GLP)	Brookfield Europe LP
Dec 17	Steinmetz-Portfolio (13 properties)	i.a. Dresden, Hamburg,	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 Holdings Plc.	WealthCap Wealth Management Capital Holding GmbH
Feb 18	Alpha-Portfolio (18 properties)	nationwide	Warehouse/ Logistics	undisclosed	447,500	Frasers Centrepoint Limited	Alpha Industrial GmbH & Co. KG
Apr 18	Geneba-Portfolio (17 properties)	nationwide	Warehouse/ Logistics	ca. 450	431,600	Frasers Centrepoint Limited	Frasers Centrepoint Limited
Sep 18	Karstadt-Kaufhof-Fusion	Düsseldorf, Köln	Retail	ca. 430	146,000	SIGNA Holding	Simon Property Group, Hudson's Bay Company (HBC)
Aug 18	Springer Quartier	Hamburg	Mixed-use property	ca. 400	56,000	Ärzteversorgung Mecklenburg-Vorpommern	Black Horse Investments GmbH
Jan 18	Junghof Plaza	Frankfurt am Main	Mixed-use property	ca. 400	32,700	Triuva Kapitalverwaltungsgesellschaft mbH	PGIM Real Estate, FGI Frankfurter Gewerbeimmobilien
Aug 18	Pflegen & Wohnen-Portfolio	Hamburg, Hamburg-Insel Neuwerk	Community welfare property	undisclosed	n/a	Deutsche Wohnen AG	Oaktree Capital Management LP
Sep 18	Neue Mainzer Straße 32-36	Frankfurt am Main	Office	undisclosed	33,000	Hansainvest - Hanseatische Investment GmbH	GEG German Estate Group AG
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
Jun 18	TSK1	Frankfurt am Main	Office	undisclosed	65,500	Credit Suisse (Germany) AG, unknown Investor (Germany)	Officefirst
Feb 18	Boulevard (18 properties)	i.a. Berlin, Böblingen, Bochum	Retail	undisclosed	80,000	unknown Pension Scheme (Germany)	BMO Real Estate Partners

Source: Savills / * only published transactions are shown

Savills Germany



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Please contact us for further information

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

Philipe Fischer
National Investment
+49 (0) 30 726 165 169
pfischer@savills.de

Steffen Pulvermacher
Investment Berlin
+49 (0) 30 726 165 187
spulvermacher@savills.de

Stefan Mellies
Investment Düsseldorf
+49 (0) 211 22 962 221
smellies@savills.de

Jürgen Schmid
Investment Frankfurt
+49 (0) 69 273 000 18
jschmid@savills.de

Sascha Hanekopf
Investment Hamburg
+49 (0) 40 309 977 141
shanekopf@savills.de

Elmar Wirths
Investment Cologne
+49 (0) 221 933 313 11
ewirths@savills.de

Michael Gail
Investment Munich
+49 (0) 89 427 292 213
mgail@savills.de

Dr. Frank Urfer
Investment Stuttgart
+49 (0) 711 21 390 310
furfer@savills.de

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

Draženko 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

Bertrand Ehm
Industrial Investment
+49 (0) 40 309 977 140
behm@savills.de

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