The facts at a glance

Trade conflicts could prolong the residential market cycle

■ Properties in the German residential investment market changed hands for around €8.8bn in the first half of the year (Graph 1), an increase of 19% compared with the corresponding period last year. Almost 45% of the volume was attributable to two company acquisitions (Table 2).

■ The average size of residential portfolios transacted fell by 15% over the last 12 months (Graph 2), which is likely a consequence of the low supply of large portfolios of existing property. For investors seeking to build larger portfolios, therefore, there is scarcely any alternative to acquiring several smaller portfolios. Against this background, development acquisitions are becoming increasingly important, accounting for 26% of the transaction volume.

■ Transaction activity in the surrounding regions of the A-cities has risen appreciably. These accounted for 5.8% of the investment volume in the first half of the year (five-year average: 3.2%). The surrounding regions are increasingly benefiting from the strained housing markets in the core cities and, in some cases, are growing more quickly than the A-cities themselves (see also “German residential market report”). This is paving the way for further rental growth.

■ In view of the intensifying global trade conflicts, the prospects of rental income which is relatively independent of economic conditions could attract further inflows of capital to the German residential market, meaning that there is no end to the cycle in sight for the time being.
Key figures at a glance

TABLE 1
Transaction volume and prices at a glance

<table>
<thead>
<tr>
<th></th>
<th>Transaction volume (€m)</th>
<th>Traded units</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jan to Jun 2018</td>
<td>Annual change</td>
<td>Jul 2017 to Jun 2018</td>
<td>Quarterly change</td>
<td>Jan to Jun 2018</td>
<td>Annual change</td>
<td>Jul 2017 to Jun 2018</td>
</tr>
<tr>
<td>A-Cities</td>
<td>2,816</td>
<td>-19%</td>
<td>6,426</td>
<td>-6%</td>
<td>14,897</td>
<td>-28%</td>
<td>32,373</td>
</tr>
<tr>
<td>B-Cities</td>
<td>1,684</td>
<td>+82%</td>
<td>3,413</td>
<td>+26%</td>
<td>12,948</td>
<td>+60%</td>
<td>30,787</td>
</tr>
<tr>
<td>C-Cities</td>
<td>1,713</td>
<td>+290%</td>
<td>2,476</td>
<td>+5%</td>
<td>15,458</td>
<td>+341%</td>
<td>21,582</td>
</tr>
<tr>
<td>D-Cities</td>
<td>915</td>
<td>+64%</td>
<td>1,586</td>
<td>+9%</td>
<td>11,857</td>
<td>+33%</td>
<td>19,099</td>
</tr>
<tr>
<td>Other</td>
<td>1,651</td>
<td>-18%</td>
<td>2,988</td>
<td>-14%</td>
<td>19,470</td>
<td>-9%</td>
<td>35,466</td>
</tr>
<tr>
<td>Germany</td>
<td>8,778</td>
<td>+19%</td>
<td>16,889</td>
<td>+/-0%</td>
<td>74,630</td>
<td>+19%</td>
<td>139,307</td>
</tr>
</tbody>
</table>

Source: Savills / Note: based on the Bulwengesa classification

GRAPH 1
Transaction volume

GRAPH 2
Deal size and number of transactions

GRAPH 3
Traded units by size

GRAPH 4
Development of prices

Source: Savills

Source: Savills / Note: always past 12 months rolling
Market players and development of prices

**GRAPH 5**
Transaction volume by origin of buyer

![Diagram showing transaction volume by origin of buyer with categories such as Germany, Remaining Europe, North America, and Other.]

**GRAPH 6**
Transaction volume by origin of seller

![Diagram showing transaction volume by origin of seller with similar categories as Graph 5.]

**GRAPH 7**
Transaction volume by type of investor

![Diagram showing transaction volume by type of investor with categories like Purchases, past 12 months, Sales, past 12 months, etc.]

**GRAPH 8**
Traded units by type of city

![Diagram showing traded units by type of city with categories like A-Cities, B-Cities, C-Cities, and D-Cities.]

**TABLE 2**
The largest transactions of the last 12 months*

<table>
<thead>
<tr>
<th>Date</th>
<th>Name of portfolio Location(s)</th>
<th>Number of units</th>
<th>Volume (£m)</th>
<th>Buyer</th>
<th>Seller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 18</td>
<td>Buwog-acquisition</td>
<td>ca. 27,180</td>
<td>undisclosed</td>
<td>Vonovia SE</td>
<td>Buwog</td>
</tr>
<tr>
<td>Apr 18</td>
<td>Brack Capital-acquisition</td>
<td>ca. 8,400</td>
<td>undisclosed</td>
<td>Adler Real Estate AG</td>
<td>i.a. Redzone Empire</td>
</tr>
<tr>
<td>Dec 17</td>
<td>i.a. Dresden, Düsseldorf, Köln, Leipzig, Offenbach</td>
<td>1,740</td>
<td>ca. 670</td>
<td>Coestate Capital AG</td>
<td>CG Gruppe</td>
</tr>
<tr>
<td>Nov 17</td>
<td>Wasserstadt Mitte Berlin</td>
<td>710</td>
<td>undisclosed</td>
<td>Adler Real Estate AG</td>
<td>Benson Elliot Capital Management, Kauri CAB</td>
</tr>
<tr>
<td>Oct 17</td>
<td>i.a. Dresden, Erfurt, Fürth, Hannover, Kiel, Nürnberg</td>
<td>1,900</td>
<td>ca. 260</td>
<td>Capital Bay</td>
<td>unknown Investor</td>
</tr>
</tbody>
</table>

*Only published transactions are shown.

Source: Savills / Note: based on the Bulwiengesa classification.
Savills Germany

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**Our services**

- Investment
- Agency
- Portfolio Investment
- Debt Advisory
- Valuation

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