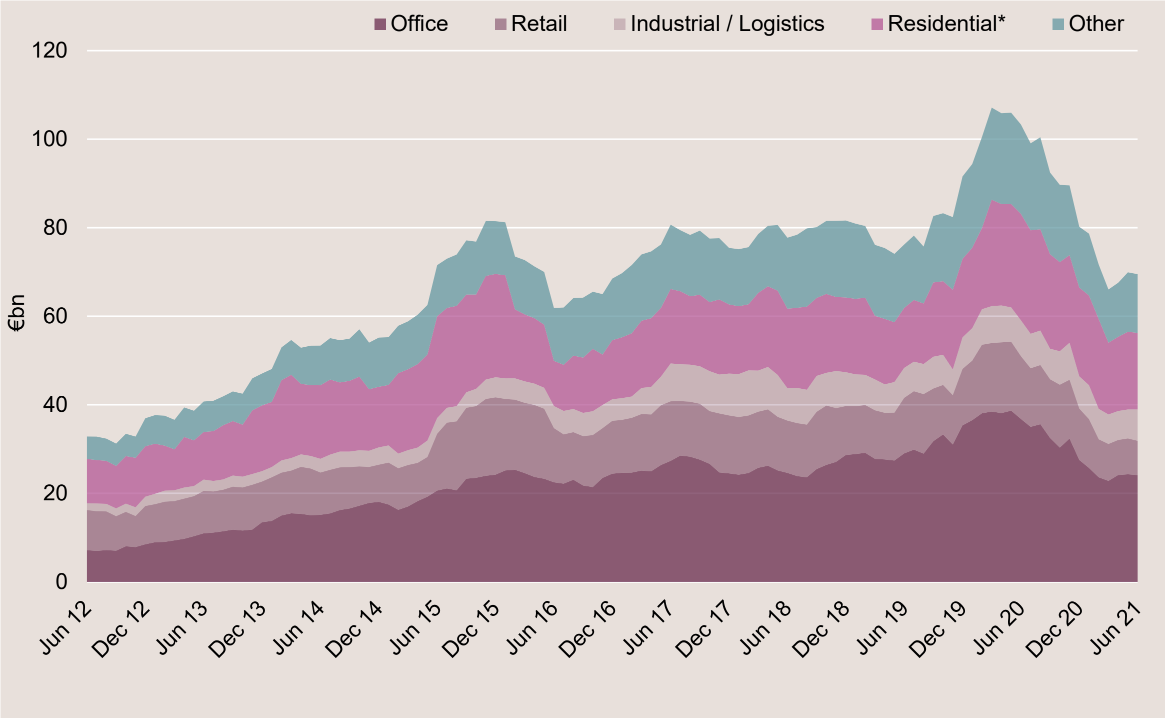
July 2021

Investment Market Germany

MARKET IN MINUTES
Savills Research

Graph 1: Transaction volume Germany (past 12 months rolling)



Source Savills / * only residential transactions with at least 50 units

More supply on the horizon

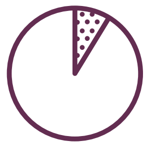
Commercial and residential property in Germany changed hands for approximately €32.8bn during the first half of 2021. Commercial properties accounted for approximately €22.9bn of this while residential properties were responsible for around €10.0bn. The transaction volume over the last twelve months totalled approximately €69.5bn (Graph 1), reflecting a decrease of one third year on year. In June, properties changed hands for €5.5bn, which was 5% below the twelve-month average.

Activity in the commercial property investment market was rather subdued in the first six months of the year. There were fewer than 900 individual and portfolio transactions throughout Germany, which represents the lowest number of sales in a half year since 2013 (Graph 2) and a decrease of around 7% compared with the second half of 2020. The third wave of the pandemic at the start of the year was a hindrance, with owners of large-volume property in particular deferring plans to put properties on the market owing to the travel and contact restrictions. With vaccines being rolled out and restrictions loosening, there are signs that significantly more product will be brought to the market in the second half of the year. Since investor demand remains very high, the market is expected to enjoy an upturn in the second half of the year. The transaction volume in the commercial property market is likely to exceed the €50bn mark by the end of the year.

The number of transactions in the residential investment market rose once again. Since apartments cannot be substituted and the fundamental data remains favourable for owners in many locations, apartments remain more sought-after than ever. Should the acquisition of Deutsche Wohnen

Focus on selected figures

€9.1bn
The office sector received the highest investment in H1-21 with approx. €9.1bn or 40% of the commercial volume. Industrial and logistics followed in second place with €3.5bn.



21%
Portfolios accounted for 21% of the commercial volume in H1-21. This compares with a five-year average of 32%. Especially hetero-geneous portfolios were met with reservation.

+10bps
While the prime yield on office and logistics properties hardened, yields on high-street properties softened by 10bps (Graph 3).

Table 1: Transaction volume (€m)

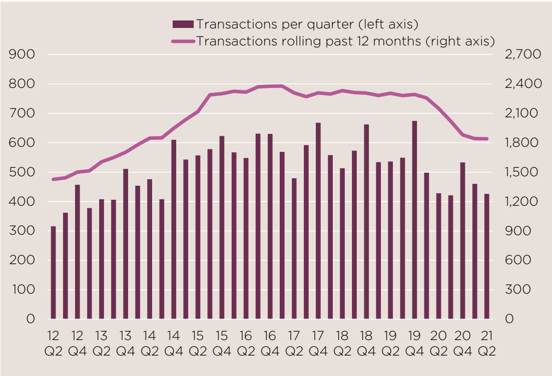
	Jun 2021	last 12 months (Jul 2020 to Jun 2021)	against Jul 2019 to Jun 2020	against Jun 2020 to May 2021
Commercial	3,994	52,209	-34.2%	-0.3%
Residential*	1,515	17,294	-28.0%	-1.4%
Total	5,509	69,502	-32.7%	-0.6%

Source Savills / * only residential transactions with at least 50 units by Vonovia be completed, the transaction volume will leave all historic figures in the shade.

Besides a higher number of transactions and rising volumes in the market as a whole, the remainder of the year is likely to be characterised by two developments. On the one hand, risk-averse capital continues to dominate the demand side and will create further yield compression on core property. The definition of core is even narrower than prior to the outbreak of the pandemic, particularly in the office property sector. At the same time, structural upheaval in the occupier markets is creating increasing opportunities for investors with a strong appetite for risk. Hence, in addition to the large volume of risk-averse capital, a growing provision of capital for non-core investment strategies can also be observed. In view of both the increased quality requirements for office space and the growing importance of ESG criteria, there will be an increasing need to upgrade office properties. In the retail sector, the long-standing upheaval offers potential for the conversion of centrally located properties. The same applies to the hotel sector, in which we are witnessing an increasing number of conversion projects.

Download the charts and raw data here

Graph 2: Commercial Transactions



Source Savills

Graph 3: Prime yields (Ø Top 7)

Source Focus Economics, Savills / risk free rate = 10Y government bunds

Table 2: Top 10 transactions in June 2021*

Property /Portfolio Location(s)	(Main) Type of property	Volume (€m)↓	Area (sq m in 000s)	Buyer	Seller
O2-Tower / Campus C, Munich	Office	ca. 635	62	DIC Asset AG	GIC
Portfolio	Residential	undisclosed	381	Brookfield	DEGAG; Northeimer Wohnungsgesellschaft
Portfolio	Residential	undisclosed	143	LEG Immobilien	Deutsche Wohnen
Quartier 206, Berlin	Retail	ca. 220	26	RFR-Holding	Insolvency administration
Spectrum, Hamburg	Logistics/ Industrial	undisclosed	98	DWS Investment	Fiege
Mittelrheinstraße 1, Worms	Logistics/ Industrial	undisclosed	82	BentallGreenOak	Aquila Capital
Interpark 10, Offenbach a.d.Q.	Logistics/ Industrial	undisclosed	81	BentallGreenOak	BentallGreenOak
Senator-Apelt-Straße 90, Bremen	Logistics/ Industrial	undisclosed	183	Tchibo	BLG
Portfolio	Logistics/ Industrial	undisclosed	47	Frasers Property Limited	Frasers Property Limited
Portfolio	Logistics/ Industrial	undisclosed	99	Dream Industrial REIT	Clarion Partners Europe

Source Savills / * only published transactions are shown

Savills Team

Please contact us for further information

Marcus Lemli
CEO Germany / Head of Investment Europe
+49 (0) 69 273 000 12
mlemli@savills.de

Matti Schenk
Associate
Research Germany
+49 (0) 30 726 165 128
mschenk@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 39,000 employees worldwide. Savills is present in Germany with more than 300 employees with eight offices in the most important estate sites.