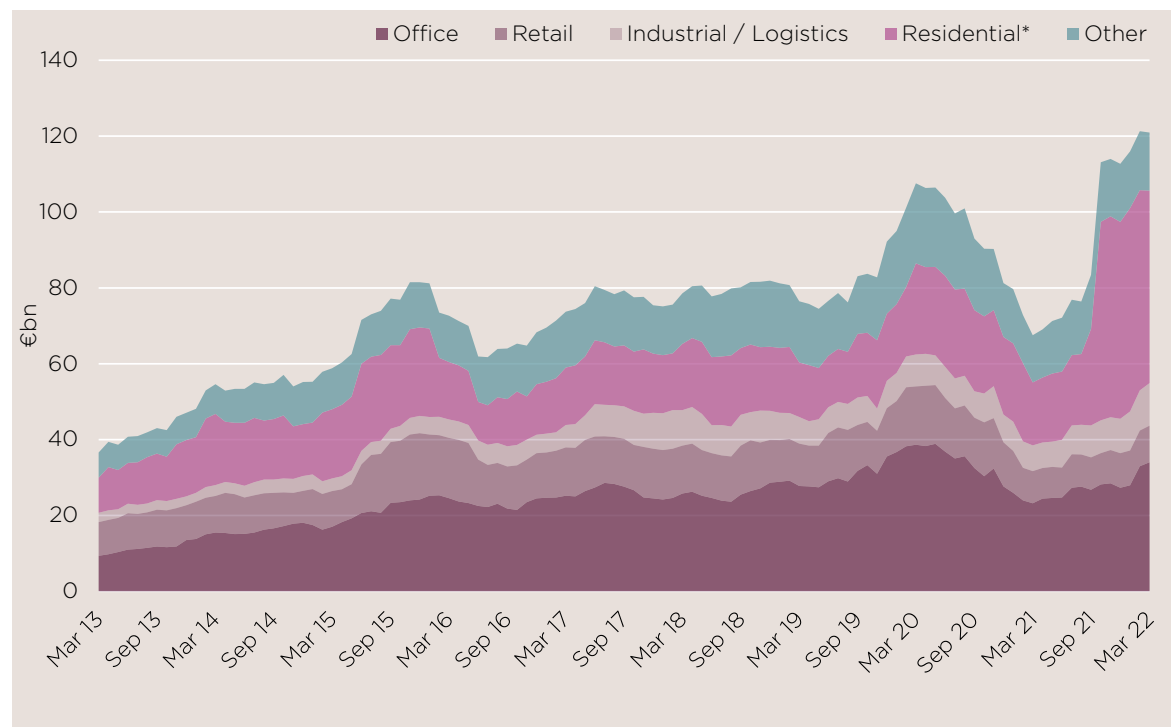


Investment Market Germany

savills

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



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

Strong start, uncertain outlook

Properties in Germany changed hands for approximately €24bn during the first quarter of 2022. Commercial properties accounted for approximately €19.6bn of this while residential properties were responsible for around €4.4bn. This was the second strongest opening quarter for investment on record, with only the first quarter of 2020 producing a higher volume. The transaction volume in March totalled around €6.2bn (Table 1). The rolling transaction volume over the last twelve months stood at €120.9bn, remaining almost unchanged compared with the previous month (Graph 1).

The extremely high transaction volume is also a result of large company mergers and acquisitions in the commercial property market. There were four such transactions in the first quarter, by far the largest being the majority interest taken in Alstria by Brookfield. These transactions had

a combined volume of almost €7bn or 35% of the entire commercial transaction volume. Office properties accounted for approx. 44% of the commercial volume in the first three months. Industrial and logistics property came in second with 23%.

There were no large company acquisitions in the residential investment market during the last three months. If such transactions are excluded, the quarterly volume was around 5% above the five-year average. In terms of risk profiles, investors covered a broad spectrum, with opportunistic investors being disproportionately active in the last three months. Long-term and risk-averse investors remained highly active in purchasing new residential property, which promises long-term and, ideally, inflation-linked income streams and value stability. At the same time, more opportunistic

Focus on selected figures



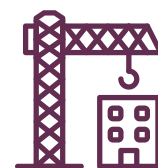
- 10 bps

The prime yield for logistics property hardened by a further 10 basis points to 3.0% during the first quarter. This was the only major sector to show further yield compression.



€640m

Healthcare property changed hands for €640m in the first quarter of 2022, making this the second strongest opening quarter for investment on record.



76%

Development projects accounted for 76% of the residential volume for single property sales during the first quarter.

Table 1: Transaction volume (€m)

	Mar-22	last 12 months (Apr 2021 to Mar 2022)	against (Apr 2020 to Mar 2021)	against (Mar 2021 to Feb 2022)
Commercial	5,392	70,193	+37.8%	+2.4%
Residential*	837	50,736	+205.7%	-3.8%
Total	6,229	120,929	+79.1%	-0.3%

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

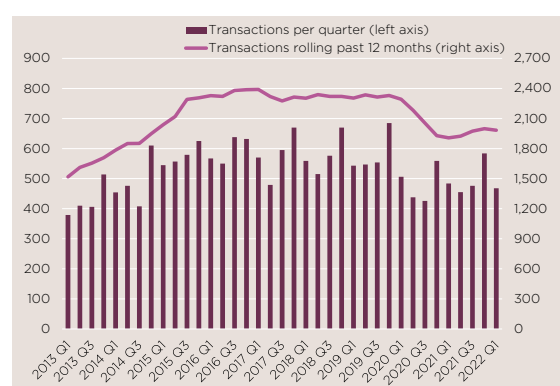
companies are increasingly pursuing manage-to-green strategies and are therefore purchasing existing properties for energy-efficient refurbishment and resale to investors with corresponding sustainability requirements.

In view of rising inflation, interest rate hikes and economic risks owing to the war in Ukraine, the list of stress factors for the German investment market appears longer than it has been for quite some time. The risk aversion among many investors may increase yet further, resulting in an even greater focus on core assets. This would increase the surplus demand in the core segment, which would likely ensure stable and potentially even moderately increasing prices. In contrast, the

non-core segment, the shrinking risk premium on property compared with bonds, and particularly rising financing costs, could have a dampening effect on prices in the medium term. Overall, we expect Germany to remain one of the favoured safe havens for most investors. Nevertheless, the outlook has become more uncertain in recent weeks, which could curb investment activity in the coming months.

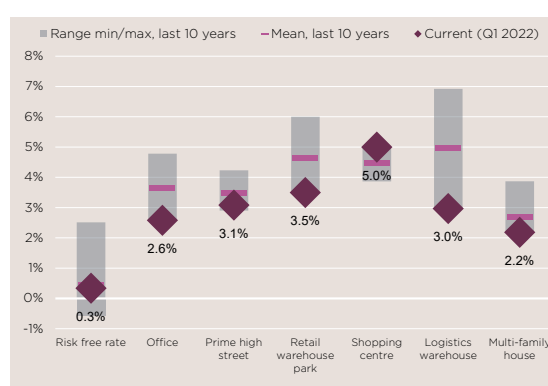
[Download the charts and raw data here](#) 

Graph 2: Transactions*



Source Savills / * commercial and residential properties

Graph 3: Prime yields (Ø Top 6)



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

Table 2: Top 10 transactions in March 2022*

Property /Portfolio Location(s)	(Main) Type of property	Volume (€m)↓	Area (sq m in 000s)	Buyer	Seller
VIB takeover (60% share)	Mixed-use	undisclosed	783	DIC Asset AG	VIB Vermögen AG
Olympia Business Center, Munich	Office	undisclosed	42	i. a. Athos	Bayern Projekt; Europa Capital
Mosse-Zentrum, Berlin	Office	undisclosed	37	Henderson Park Capital	REAL I.S. AG
Prager Spitze, Dresden	Retail	undisclosed	16	VALUES Real Estate	undisclosed
Sheraton Hotel, Berlin	Hotel	ca. 116	n/a	Deutsche Finance Int. (DFI); Cells Group	EVENT Hotelgruppe; Archer Hotel Capital B.V.
Portfolio	Residential	ca. 107	22	Industria GmbH	Ten Brinke Groep B.V.
Lime Portfolio	Logistics/Industrial	ca. 97	n/a	Granite REIT	undisclosed
HangarTwo, Cologne	Office	undisclosed	13	HanseMerkur Versicherungsgruppe	Nessler Projektidee
Sylter Hof, Berlin	Mixed-use	undisclosed	25	Soravia Investment Holding GmbH	unknown Private Investor
Duisburg Central Office, Duisburg	Office	undisclosed	11	Montano Asset Management GmbH	aurelis Real Estate GmbH & Co. KG

Source Savills / * only published transactions are shown

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