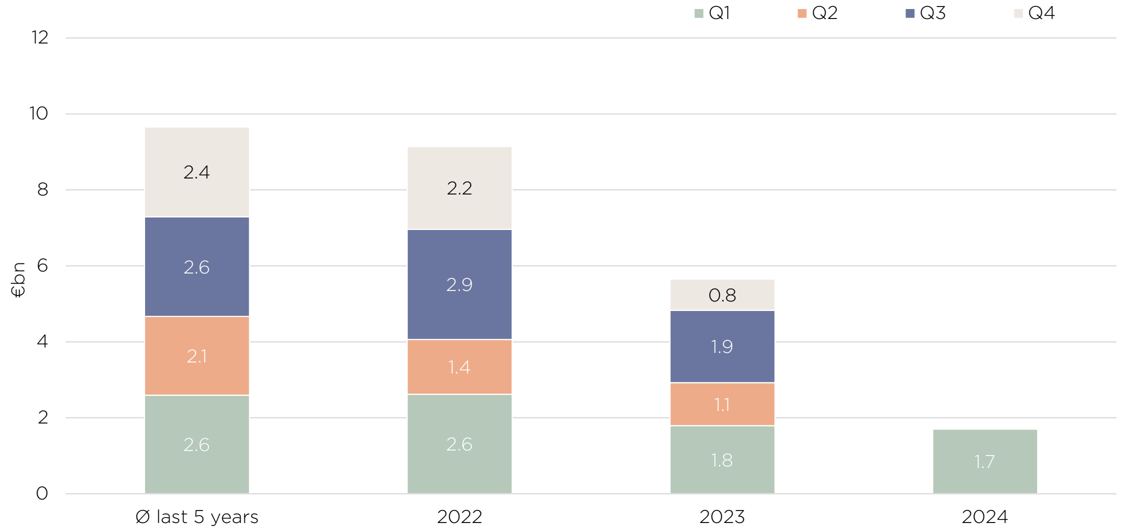
Germany Retail - April 2024

Retail Property Market

Graph 1: Retail transaction volume Germany



Source Savills

Between a run and a standstill

In the first three months of the year, the transaction volume on the German retail property market amounted to around €1.7bn. This is roughly the same figure as in the same period last year. So has the market reached the bottom? Possibly not yet, as the result is being driven by two very large-volume commercial property transactions. This becomes clear when looking at the number of transactions: Only 44 transactions were registered in the 1st quarter, the second lowest number since our records began. Only in 2009 was there a quarter with even fewer transactions. The fact that so few transactions took place in the last quarter is probably also due to the fact that comparatively little product has been on the market so far. Discussions at MIPIM showed that there is still money available for purchases in all risk classes. On the other hand, there are basically portfolio holders willing to sell. However, as so often in recent months, transactions are still failing because owners and potential buyers cannot find a price match. The willingness to pay is not increasing and the pressure to sell, for example due to insolvency sales, is only sporadic, which is hindering the realisation of transactions.

Who is buying shopping centres?

The above-mentioned insolvency sales include the acquisition of a commercial property in Munich's Maximilianstrasse. This transaction and the sale of the Fünf Höfe commercial property, also in Munich, resulted in a transaction volume of over one billion euros for commercial properties in the first quarter. In contrast, the transaction volume for shopping centres was extremely low. Only €35m

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€11bn

At €11 bn, department stores were the retail segment with the lowest transaction volume.

96,1

The HDE consumer barometer climbed to 96.1 points in March, rising for the third month in a row.

Table 1: Retail market indicators at a glance

	Q1 2024	Y-O-Y CHANGE	PAST 12 MONTH	Q-O-Q CHANGE
High street properties	1,077	+781%	1,430	+201%
Retail warehouse parks	276	+12%	800	+4%
Departments stores	11	-98%	517	-58%
Shopping centres	35	-88%	342	-42%
Supermarkets/discounter	135	-51%	2,076	-6%
Other	166	+17%	398	+7%
Total	1,700	-5%	5,563	-2%

Source Savills / transaction volume in million Euro were realised here in the 1st quarter. There is much to suggest that the shopping centre investment market, with the exception of the opportunistic and value-add segment, will remain illiquid for the time being. On the one hand, the high property volumes of many shopping centres exceed the current investment limits of investors. This situation is further exacerbated by the difficult financing conditions. Cancelled shopping centre transactions in recent months have also shown that the willingness of potential buyers to pay does not match the price expectations of the owners. The pressure to sell was not great enough to make concessions and the properties were taken off the market again. However, as there are now only a few risk-averse buyers with correspondingly low yield requirements, in many cases a sale can probably only be realised through the price. It remains to be seen whether the pressure to sell will rise to a level that leads to more transactions again.

Investors competing for local supply properties

With a transaction volume of €276m, retail parks recorded an increase of 12% compared to the same quarter of the previous year. More than four-fifths of this volume was attributable to smaller local supply centres with a food anchor. Only two transactions achieved a volume of more than €30m. In contrast, the transaction volume for supermarkets and discounters was 51% below the same quarter of the previous year at €135m and well below the quarterly average of the last five years (approx. €560m). In our view, however, the declining investment volume in the supermarket segment cannot be equated with a drop in investor interest, but is rather due to product scarcity. This is because food retail is on the agenda of almost all investors, and the number of investors is likely to continue to rise. Whether there will be an increase in offerings at the same time is questionable, as the willingness of large portfolio holders to sell is currently considered low. In addition, retailers are increasingly acting as investors themselves. The rental price development is making it increasingly attractive for them to buy their properties instead of renting them. If retailers in turn buy their properties, the market supply will be further reduced in the long term. In the future, prices for local retailers could rise again. On the one hand, demand appears to exceed supply. On the other hand, retailers are in a position to pay one or two factors more. The same applies to new investors who want to enter the market at a higher price.

Consumer sentiment rises, but uncertainty remains

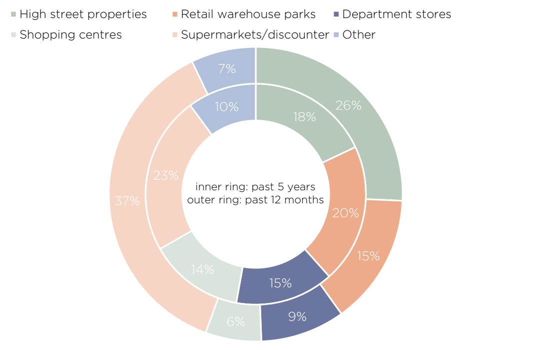
The HDE consumer barometer shows a slight but steady increase in consumer sentiment over the last three months. Nevertheless, according to the HDE, consumers are not expected to make any leaps in spending. The improvement in the consumer climate has not yet brought any noticeable relief to retailers either. The coming months are likely to be similar to those of the past and retailers will act cautiously. Although there are retailers willing to expand, there is no pressure and they are correspondingly cautious when it comes to renting. Nevertheless, the situation has eased somewhat and not only have rents remained relatively stable in recent months, but incentives have not risen any further either. However, we have noticed that the number of interested parties for attractive space is significantly lower than it was a few years ago. Outlook: Between increasing supply and restrained demand.

More pressure, more deals

As in recent months, the development of transaction activity in the near future will largely depend on the extent to which property owners come under pressure to sell. If this increases, there will be enough potential buyers on the other side waiting for even more attractive prices. And although we are currently seeing more preparations for sales, it can be assumed that transaction momentum will remain low for the time being.

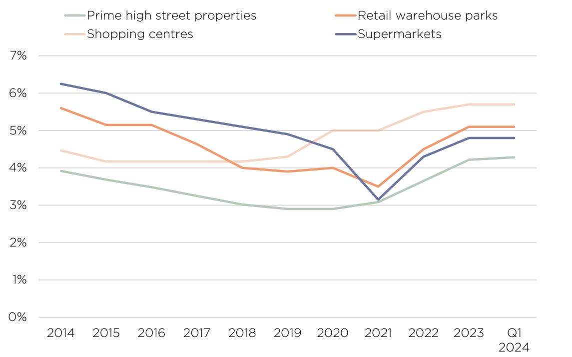
Download the charts and raw data here

Graph 2: Transaction volume by type of use



Source Savills

Graph 3: Prime yields retail properties



Source Savills / Note: The yields for shopping centres shown for 2023/2024 reflect the midpoint of the spread of +/- 20 basis points (yield range reflects the different purchase price expectations of vendors and buyers)

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