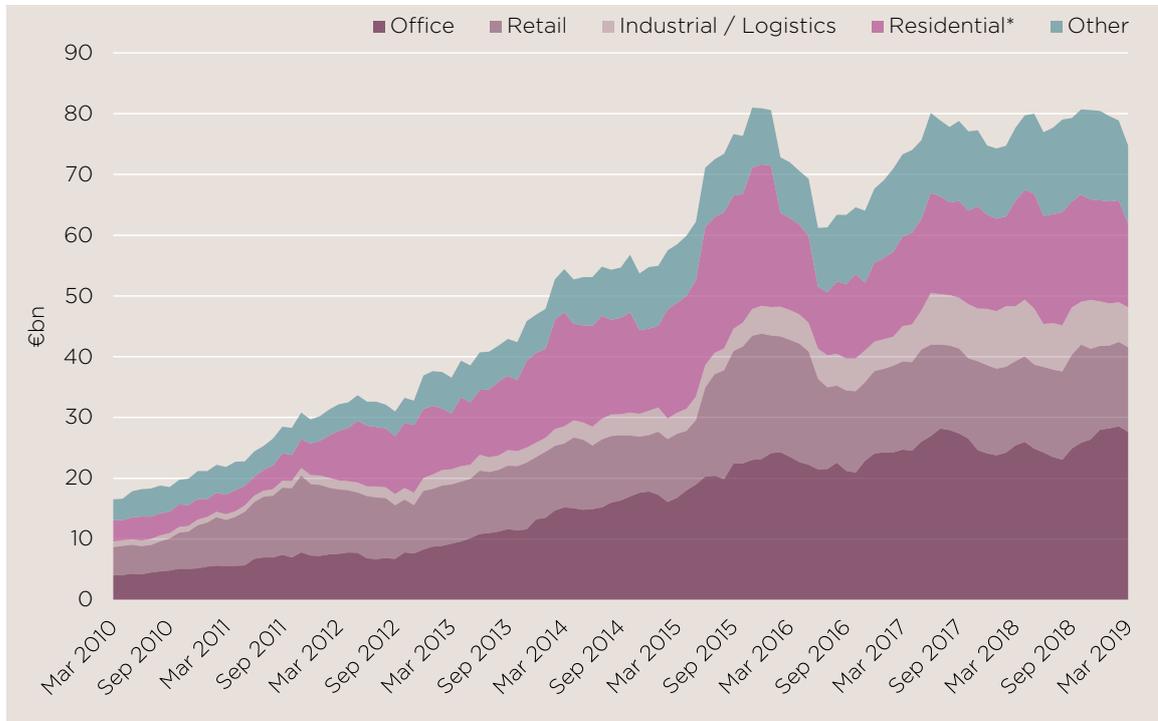


Investment Market Germany



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



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

Fewer transactions, stable yields

Commercial and residential property in Germany changed hands for more than €5.5bn in March. The rolling twelve-month volume stood at €74.8bn, which is 5.2% lower than in the previous month (Table 1). Hence, the consistent decline in the twelve-month volume since November 2018 has recently gained momentum (Graph 1).

Properties changed hands for approximately €13.7bn during the first quarter of 2019. This represents a decline of more than 29% compared with the corresponding period last year and only the fifth highest transaction volume for an opening quarter in the supercycle that has now lasted for more than a decade. Commercial property accounted for approximately €11bn (-20% compared with Q1 18), while residential property changed hands for approximately €2.7bn (-52% compared with

Q1 18). The marked decline in investment in the residential property market is principally attributable to the fact that last year featured the Buwog acquisition, which was one of the largest transactions of recent years. If this stand-out deal is excluded, then this year's opening quarter is in line with last year's.

The consistent decline in the number of transactions for almost two years accelerated at the start of the year. Fewer than 600 transactions were completed during the first three months, representing a decline of almost 11% year on year. The declining number of transactions, along with yield compression coming to an end (Graph 3), suggests that the peak of the current cycle was reached last year. Nevertheless, we still expect an above-average transaction volume for the

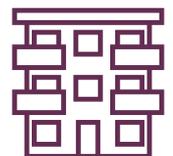
Focus on selected figures



60%
German purchasers have dominated over the last twelve months, accounting for around 60% of investment (five-year average: 58%).



16%
Commercial and residential property in Berlin has changed hands for almost €12.1bn over the last twelve months. This reflects 16% of the entire volume for Germany.



373
The average number of apartments per transaction over the last twelve months – the lowest figure since August 2011.

Table 1: Transaction volume (€m)

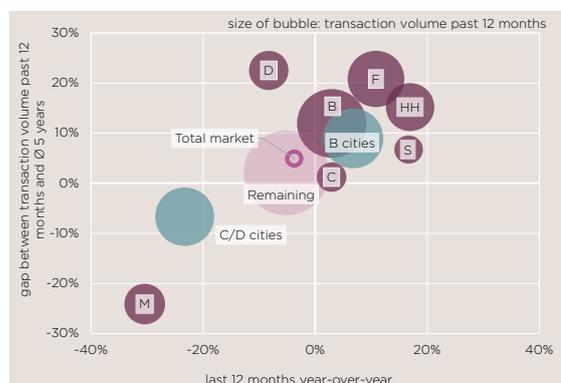
	Mar 2019	last 12 months (Apr 2018 to Mar 2019)	against Apr 2017 to Mar 2018	against Mar 2018 to Feb 2019
Commercial	4,346	61,001	+1.2%	-1.8%
Residential*	1,180	13,750	-20.8%	-18.0%
Total	5,526	74,751	-3.7%	-5.2%

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

whole of 2019. In view of the deferral of interest rate hikes in the USA and Europe, real estate investments remain attractive and there remains a very large volume of capital targeting real estate assets in Germany. We also expect further rental growth in the office and apartment sectors during the remainder of the year despite the rising economic risks. Leveraging rental growth potential can help to realise further capital growth even during the late stage of the cycle. This too suggests that there is no significant downturn in the investment market on the horizon (see also: [Outlook for the German real estate market](#)).

With the exception of Munich and Düsseldorf, transaction volumes in the top seven cities have increased both in short-term and long-term comparison over the last twelve months. B-cities have significantly increased in favour with investors (Graph 2). These include economically strong markets with relatively low volatility. Since they also benefit from higher liquidity than C-cities and D-cities, these are increasingly on the radar of institutional investors.

Graph 2: Level and momentum by locations



Source Savills / Note: city categories based on the Bulwiengesa classification; only residential transactions with at least 50 units

Graph 3: Prime yields (Ø Top 7)



Source Focus Economics, Savills / risk free rate = 10Y government bonds; multi-family: only stock, calculation based on Bulwiengesa

Table 2: Top 10 transactions in March 2019*

Property /Portfolio Location(s)	(Main) Type of property	Volume (€m)↓	Area (sq m in 000s)	Buyer	Seller
Portfolio nationwide	Residential	ca. 685	ca. 191	Deutsche Wohnen AG	Akelius GmbH
Pressehaus Berlin	Office	ca. 365	ca. 36	GEG German Estate Group AG	Tishman Speyer
Zoom Berlin	Retail	ca. 265	ca. 17	CORPUS SIREO	Hines Immobilien GmbH
Am Schlosspark Berlin	Residential	undisclosed	ca. 37	Landesärztekammer Hessen	Otto Wulff, Casada
Portfolio	Logistics, Industry	undisclosed	undisclosed	Barings Real Estate, Tristan Capital Partners	Nagel-Group
Quartier Freilade-bahnhof, Leipzig	Site	undisclosed	ca. 249	Imfarr Beteiligungs GmbH	CG Gruppe
Portfolio i. a. Bentwisch	Retail	ca. 181	ca. 101	unknown Investor (Europe)	Brack Capital Real Estate
Carus-Portfolio Berlin	Residential	undisclosed	ca. 49	Bonner Wohnbau GmbH	i. a. CARISTO Management GmbH
Spreeturm Berlin	Office	undisclosed	ca. 14	NAS Invest	DWI Grundbesitz GmbH
Portfolio i. a. Düsseldorf	Office	undisclosed	ca. 64	Tristan, Wollenberg Investment	Union Investment Real Estate

Source Savills / * only published transactions are shown

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