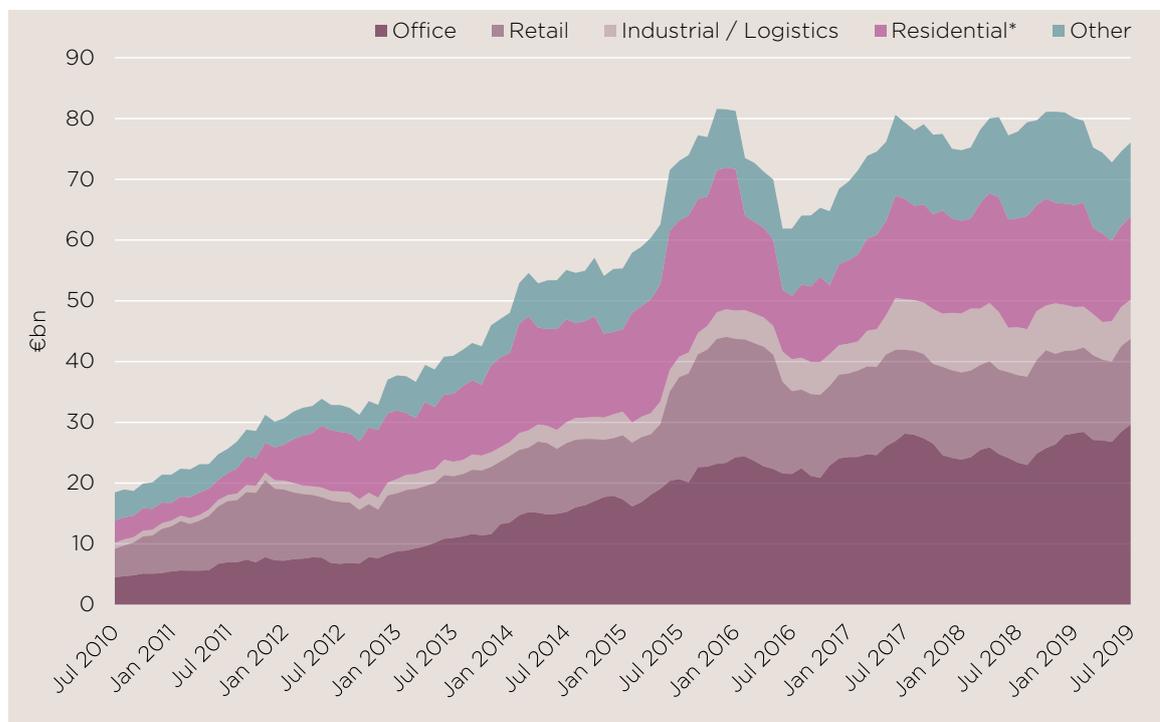


Investment Market Germany



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



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

Still more building activity in B-locations

Commercial and residential properties changed hands for a total of approximately €6.4bn in the German real estate investment market in July (Table 1). This is 5.2% above the average monthly transaction volume over the last five years. The rolling twelve-month volume stood at €76.1bn at the end of July, rising marginally compared with the previous month (Graph 1), underlining the sustained strong momentum in the investment market.

With the US central bank cutting its key interest rate and all German government bonds showing negative yields for the first time, the yield differential with real estate has widened. Hence, from a yield perspective, investing in German property has become more attractive. This should contribute towards ensuring that many investors continue to favour real estate investments (see also [Market in Minutes](#)

[Investment Market Germany July 2019](#)).

Economic risks have increased further. German industrial production has fallen appreciably, the Ifo Business Climate Index has deteriorated significantly and, in the labour market, the decline in unemployment appears to be over. However, recent developments are yet to have any noticeable negative impact on the office lettings markets. Based upon the latest data, in fact, the top seven cities are expected to witness further growth in the number of office employees. It appears likely in most locations that demand will continue to rise more sharply than supply, which should also cause rents to increase further (see also [Top Six German Office Markets in Minutes](#)).

Focus on selected figures



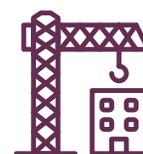
55.4m

The average transaction size for office property over the last twelve months was €55.4m. This is a new record.



42%

In the retail investment market, purchasers from Europe have become more prominent, accounting for 42% of the volume over the last twelve months (five-year average: 29%).



+267,000

In 2018, there were 267,000 more apartments than in 2017, illustrating that construction activity remains modest.

Table 1: Transaction volume (€m)

	Jul 2019	last 12 months (Aug 2018 to Jul 2019)	against Aug 2017 to Jul 2018	against Jul 2018 to Jun 2019
Commercial	5,391	62,400	+4.1%	+1.9%
Residential*	1,043	13,664	-23.7%	+2.6%
Total	6,434	76,064	-2.3%	+2.0%

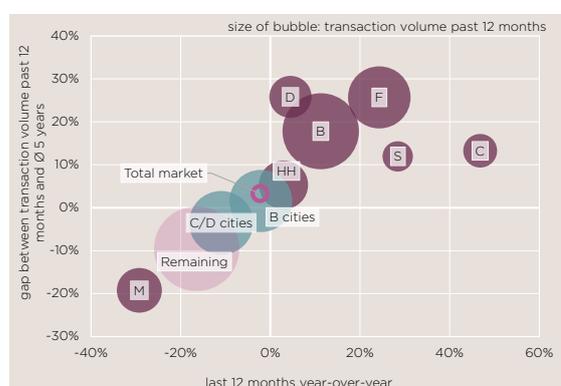
Source Savills / * only residential transactions with at least 50 units

In view of the strong demand for real estate, there is intensive competition for development sites. Undeveloped commercial sites changed hands for approximately €2.3bn over the last twelve months, representing an increase of 20% year on year. Consequently, commercial development sites registered the second highest growth in the German investment market, exceeded only by the office sector. Around 44% of the transaction volume was attributable to the top seven cities, with Hamburg and Berlin witnessing by far the highest investment volumes of €344m and €334m respectively. B-cities accounted for around 21% of investment, which is significantly above the five-year average (11%). A significant

proportion of this investment was due to the disposal of the Leipzig Freiladbahn site, however. If this stand-out deal is excluded, there is no significant change in investment activity in any locations outside of the top seven cities. This reflects the relatively high risk aversion in the current stage of the market cycle.

Within the top seven cities, on the other hand, it is notable that a large proportion of sites that changed hands over the last twelve months were situated in B-locations. This suggests that the current increase in development activity outside of the CBDs will be sustained going forward.

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 July 2019*

Property /Portfolio Location(s)	(Main) Type of property	Volume (€m)↓	Area (sq m in 000s)	Buyer	Seller
Northstar Portfolio i. a. Berlin	Office	undisclosed	ca. 76	Axa Investment Managers	NorthStar
Portfolio i. a. Graben, Ketzin	Logistics	ca. 320	ca. 207	Frasers Centrepoint Limited	Frasers Centrepoint Limited
Portfolio i. a. Hamburg	Office	undisclosed	ca. 55	PGIM Real Estate	undisclosed
74.9% share of GWB Elstertal	Residential	undisclosed	undisclosed	Free State of Thuringia	Benson Elliot Capital Management
Karl-Marx-Allee 82, Berlin	Residential	undisclosed	undisclosed	GEWOBAG	Predac Immobilien Management AG
Edge Hafen City, Hamburg	Office	undisclosed	ca. 22	Allianz Real Estate GmbH Germany	OVG Real Estate
Portfolio nationwide	Care Home	undisclosed	ca. 120	Primonial	EQT AB
Focus Teleport, Berlin	Office	ca. 150	ca. 29	Quest, Allianz Real Estate	Officefirst
KNV Logistics centre, Erfurt	Logistics	undisclosed	ca. 175	Thelen Holding GmbH	Insolvency Administrator
Schiersteiner Berg, Wiesbaden	Office	undisclosed	ca. 64	OFB Projektentwicklung	PATRIZIA

Source Savills / * only published transactions are shown

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