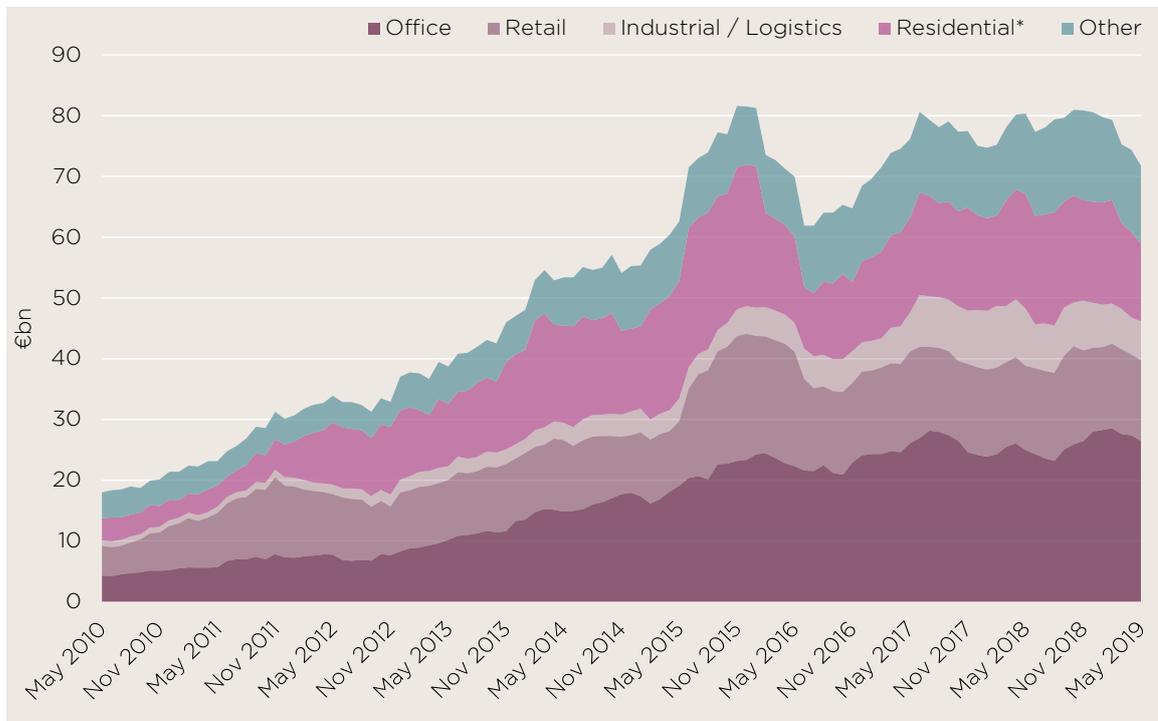


Investment Market Germany



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



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

Portfolio deals on the decline

The downtrend in the transaction volume for commercial and residential property gained momentum in May. Properties changed hands for a total of approximately €3.0bn last month (Table 1). Such a low transaction volume was last witnessed in August 2014. The rolling twelve-month volume stood at approximately €71.8bn, declining by 3.5% compared with the previous month (Graph 1).

Less than 35% of the transaction volume over the last twelve months was attributable to portfolio transactions. The last time portfolios accounted for such a low proportion of investment volume was July 2011. While around 27% of the twelve-month volume in the commercial property market was attributable to portfolios, the corresponding figure in the residential property market (transactions for at least 50 apartments only) stood at around 68%. By way

of comparison, portfolios accounted for around 90% of the residential investment market until 2015. The rolling twelve-month volume for commercial portfolios declined by around 8% year on year, while residential portfolios registered a decrease of 32%.

In terms of the availability of product, the commercial and residential property markets have recently shown diverging trends. While around 11% more commercial portfolios changed hands over the last twelve months compared with a year earlier, the number of apartment portfolios fell by a third. However, the commercial portfolios transacted were significantly smaller than a year ago, with the average transaction size falling by around 17% to approximately €95m. During the same period, the average size of apartment portfolios rose marginally (+2%) to approximately €78m.

Table 1: Transaction volume (€m)

	May 2019	last 12 months (Jun 2018 to May 2019)	against Jun 2017 to May 2018	against May 2018 to Apr 2019
Commercial	2,749	59,000	-4.0%	-2.2%
Residential*	262	12,769	-32.4%	-9.4%
Total	3,011	71,769	-10.7%	-3.5%

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

Focus on selected figures



€784m

Hanover registered the eighth highest volume of any city in the commercial market over the last twelve months. On the five-year average, it ranks eleventh.



-5%

The last twelve months produced around 2,170 commercial transactions, the lowest total since July 2015 and 5% below the previous year's figure.



€132,400

The average price paid on apartments transacted in the last twelve months was 7.4% higher than a year ago.

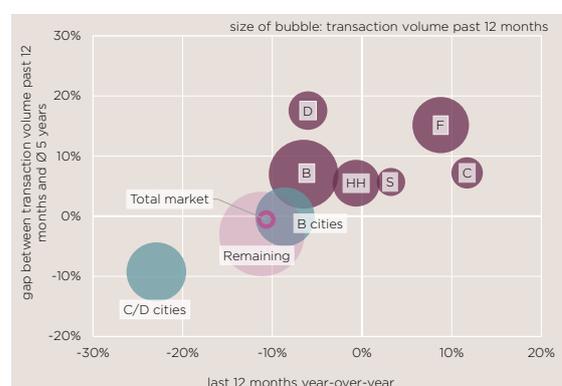
In the residential property market, the declining significance of portfolios is primarily explained by the fact that the number of large company acquisitions by property companies has decreased over the last four years. In recent years, the market has been particularly dominated by long-term purchasers with a buy-and-hold strategy, causing a significant decrease in the availability of large portfolios.

In the commercial investment market, on the other hand, the composition of portfolios has changed significantly. Industrial and logistics portfolios accounted for approximately 21.2% of the transaction volume over the last twelve months,

surpassing office portfolios, which were responsible for 21.1% of investment. The five-year averages for these sectors stood at 17.6% and 25.1% respectively. Retail portfolios continued to account for the largest proportion of the commercial portfolio market with around one third of the investment volume.

Portfolios with strong food anchors were an increasing target for investors. The market for care home properties, which is undergoing structural growth, also witnessed a significant increase in investment activity. During the remainder of the year, it is likely that the logistics, care home and food retail sectors will further increase their respective shares of overall investment volume.

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 May 2019*

Property /Portfolio Location(s)	(Main) Type of property	Volume (€m)↓	Area (sq m in 000s)	Buyer	Seller
Blue Chip Portfolio i. a. Löhne	Logistics	ca. 350	ca. 294	GreenOak, Apeiron, Hana, Tiger	Tilad
Partial Sale Kölnisch Quartier, Cologne	Mixed-use	undisclosed	undisclosed	Family Office	FREO, Tristan Capital Partners
Portfolio i. a. Duisburg	Hotel	undisclosed	undisclosed	SoReal Invest GmbH	Heureka Development, SGE
Outokumpu-Areal, Düsseldorf	Industrial	ca. 100	undisclosed	CG Gruppe	Outokumpu
Karstadt-Zentrallager, Unna	Logistics	undisclosed	undisclosed	Mubadala Investment	Barings Real Estate
Airport Center, Hamburg	Office	undisclosed	ca. 35	Investcorp International	Ares Management LLC
City Gate, Frankfurt	Office	ca. 85	ca. 23	Godewind Immobilien	HRO Group
Luv, Ludwigshafen	Residential	undisclosed	ca. 16	Dawonia	Diringer & Scheidel
Home24 Storage, Kabelsketal	Office	undisclosed	ca. 69	BNP Paribas REIM	Goodman Property Investors
Portfolio i. a. Offenburg	Retail	ca. 71	ca. 74	DEMIRE	RFR-Holding GmbH

Source Savills / * only published transactions are shown

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