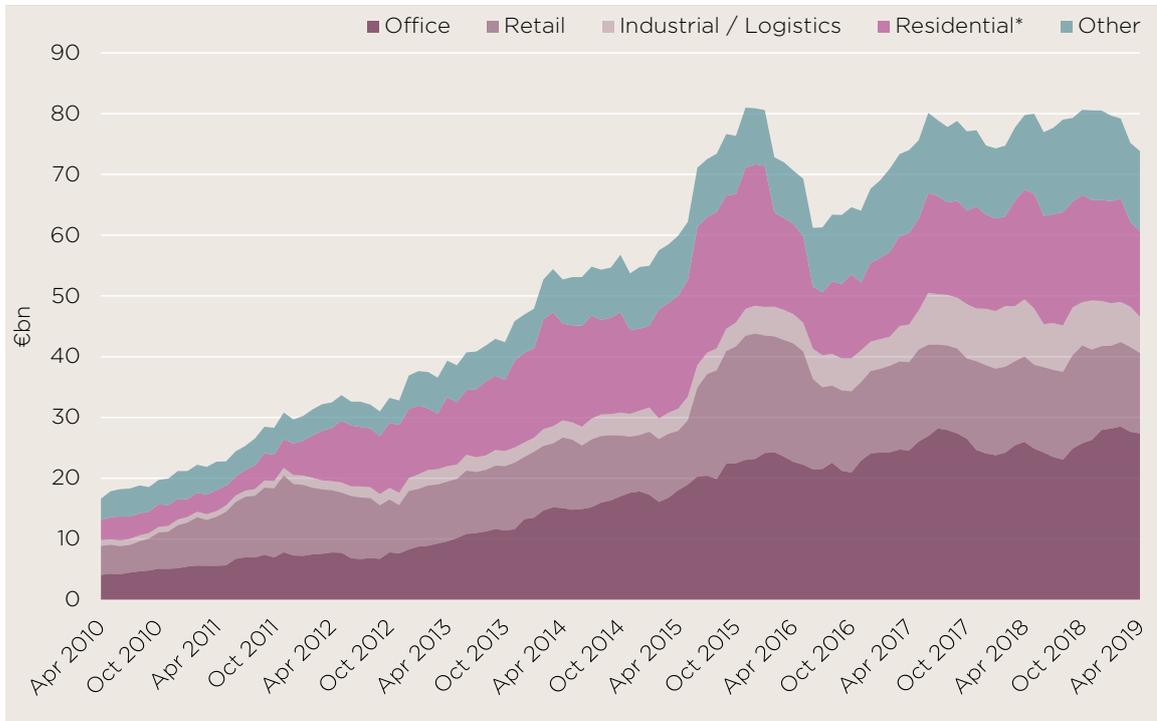


# Investment Market Germany



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



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

## Yields hit by liquidity

Following the noticeable decline in the transaction volume in the first quarter (see: [German Investment Market in Minutes April 2019](#)), there was no reversal of the trend in the German commercial and residential property investment markets in April. Properties changed hands for a total of approximately €4.4bn last month (Table 1). The rolling twelve-month volume stood at €73.8bn, declining by 1.8% compared with the previous month (Graph 1).

In terms of locations, investors continue to focus on the top seven cities to an above-average extent. While the overall market, as well as B-cities C-cities and D-cities, registered declining transaction volumes on a short-term basis (i.e. change in volume over the last twelve months compared with the previous year), volumes rose in five of the top seven cities (Graph 2). These seven cities have accounted for around 54%

of the overall transaction volume over the last twelve months, which is the highest percentage since August 2016. While yields in these cities are at historic lows (Graph 3), many investors expect rents to continue to rise (see also: [Market in Minutes Top-6 Office Markets](#)) and are obviously attaching a very high level of importance to market liquidity.

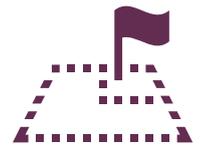
Although office properties in B-cities, C-cities and D-cities offer higher yields (average 5.7%) along with often relatively low volatility in the occupier markets (see also: [European Investment Market in Minutes](#)), the dominance of the top seven cities in the office investment market is particularly high. These seven cities have accounted for approximately 76% of the transaction volume over the last twelve months, although the total office stock in the B-cities, C-cities and D-cities is around a third larger. It is notable that the two

### Focus on selected figures



#### €3.0bn

The market for community welfare property is booming. The investment of around €3bn over the last twelve months is 68% higher than the five-year-average.



#### +43%

Commercial development land has changed hands for almost €2.3bn over the last twelve months. This is 43% above the five-year average.



#### +47%

Residential volume in Rhineland Palatinate grew by 47% compared with the five-year average – the highest increase nationwide.

**Table 1: Transaction volume (€m)**

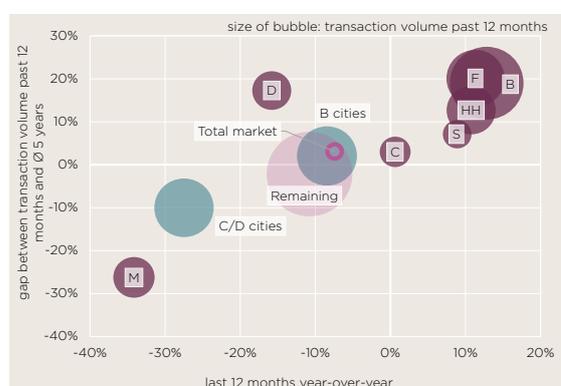
	Apr 2019	last 12 months (May 2018 to Apr 2019)	against May 2017 to Apr 2018	against Apr 2018 to Mar 2019
<b>Commercial</b>	2,847	59,784	-3.1%	-2.3%
<b>Residential*</b>	1,583	14,047	-22.3%	+0.2%
<b>Total</b>	4,430	73,831	-7.4%	-1.8%

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

dominant purchaser groups in the office property investment market, namely open-ended special funds and asset managers, are focusing particularly strongly on the major markets. Approximately 80% of the capital invested by asset managers in office property over the last twelve months has been invested in the top seven cities. The corresponding figure for open-ended special funds stands at 72%. The financial backers of these purchaser groups are often relatively risk-averse investors with long-term investment horizons who are redeploying capital from the bond market to the real estate market. The same is true of insurance companies and pension funds, with the top seven cities accounting for 91%

of their investment volume in the office market. The origin of the capital flows might explain why higher liquidity is of correspondingly high importance. In the event that capital needs to be shifted back from the real estate market to the bond market, a property outside of the top seven cities could potentially find fewer prospective purchasers than a comparable property in one of the core markets. In view of the very good fundamental data in some of these cities, however, investing against this trend could well be a promising strategy (see also: [Savills blog - Where to invest over the next six months?](#)).

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 April 2019\*

Property /Portfolio Location(s)	(Main) Type of property	Volume (€m)↓	Area (sq m in 000s)	Buyer	Seller
BGP-Takeover	Residential	undisclosed	ca. 1,099	ZBI, Union Investment	Morgan Stanley
Portfolio i. a. Garbsen	Retail	undisclosed	ca. 52	Corestate Capital AG	unknown Investor
St Martin Tower, Frankfurt am Main	Office	ca. 130	ca. 26	publity	Hansa AG
EDU Einkaufspark Duckwitz, Bremen	Retail	undisclosed	ca. 45	Corestate Capital AG	Metro Group Asset Management
Portfolio	Retail	ca. 100	ca. 56	PATRIZIA Immobilien	Marathon Asset Management
ModeCentrum, Hamburg	Office	ca. 100	ca. 78	GLO Properties	Family Luserke
Portfolio, i. a. Hamburg	Hotel	undisclosed	undisclosed	Plaza Hotel Group	unknown Investor
Schatzbogen 6, Munich	Logistics, Industry	undisclosed	ca. 46	Avignon, Pierce Capital Partners, Hyundai	Private Investor
Posthochhaus, Frankfurt am Main	Office	ca. 62	ca. 21	Aroundtown Property Holdings Plc.	PHOENIX Real Estate, Groß & Partner
Portfolio i. a. Hürth, Kassel	Logistics, Industry	ca. 59	ca. 46	PATRIZIA Immobilien	Cromwell Funds Management

Source Savills / \* only published transactions are shown

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