Investment Market monthly **Germany**

October 2018

The market at a glance

Frankfurt on track to regain prime position; smaller deals in the residential market

Commercial investment market

■ October may not have produced any landmark deals, with no transactions making the top 20 from the last six months (Table 3). However, investment for the year as a whole remains on a record trajectory (Graph 1).

■ Furthermore, the number of sales in progress suggests that the momentum in terms of deals will be sustained beyond the end of the year. As a result, the continuation of the plateau phase that commenced in 2015 (clearly illustrated in Graph 3) remains our baseline scenario. That is to say, momentum will remain strong but will not increase.

■ Notably, eight of the twenty largest transactions from the last six months have involved properties in Frankfurt. With further large deals in the pipeline, the transaction volume is likely to set a new annual record, allowing the metropolis to regain its status as Germany's number one.

Residential investment market

■ While recent transactions in the commercial investment market have been larger on average (Graph 3), deals in the residential investment market have been increasingly small since the acquisition of Buwog by Vonovia at the start of the year (Graph 10). Almost half of all residential units transacted over the last twelve months have been attributable to deals for less than 1,000 units (Graph 11).

■ The typical purchasers in this size category are special funds, which are also the largest overall net purchasers over the last twelve months (Graph 15) with net investment of €2.1bn. Listed property companies have been the second largest net investors with approximately €1.8bn. Developments in the market going forward will largely depend on whether and to what extent these investors continue to find investment opportunities. Special funds at least will benefit from the development pipeline, which remains very healthy in relative terms.

Commercial investment market

TABLE 1

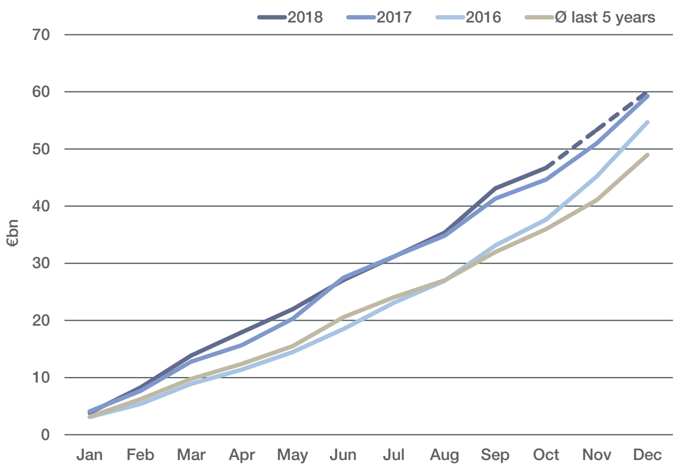
Transaction volume by type of use

	Transaction volume (€m)					
	Oct 2018	Jan to Oct 2018	against Jan to Oct 2017	Nov 2017 to Oct 2018	against Oct 2017 to Sep 2018	against Nov 2016 to Oct 2017
Office	1,326	18,900	+8%	25,544	+2%	-4%
Retail	838	10,704	+8%	15,334	+2%	+16%
Industrial/Logistics	524	5,800	-28%	6,999	-10%	-22%
Hotel	310	2,445	+8%	2,735	+2%	-31%
Development land	258	1,663	+61%	1,957	+10%	+51%
Other	315	7,174	+21%	8,711	+/-0%	+12%
Total	3,570	46,685	+5%	61,280	+/-0%	-1%

Source: Savills

GRAPH 1

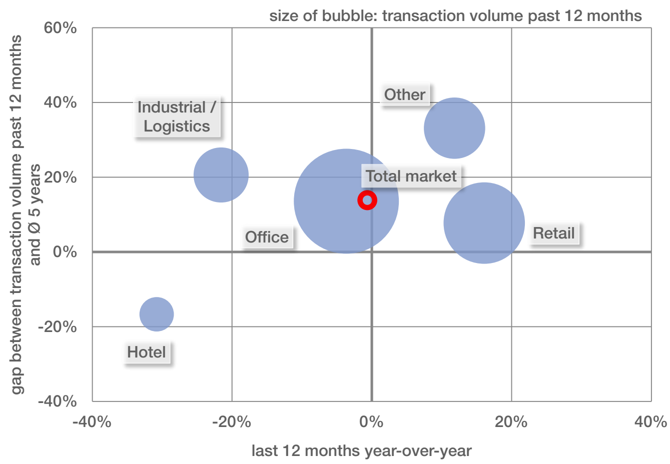
Accumulated transaction volume



Source: Savills / Note: dotted line = forecast

GRAPH 2

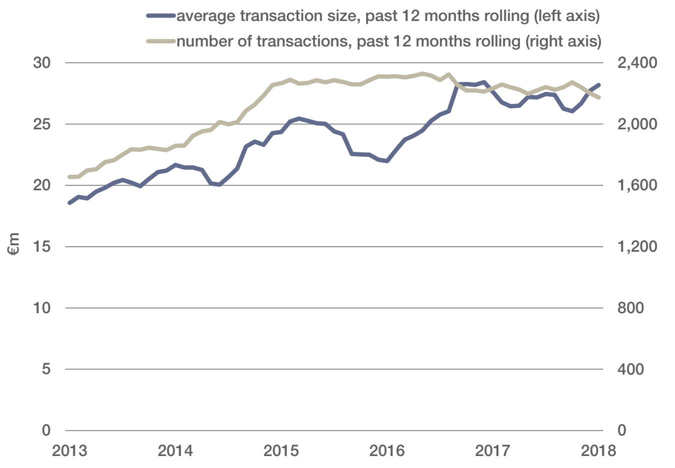
Type of use



Source: Savills

GRAPH 3

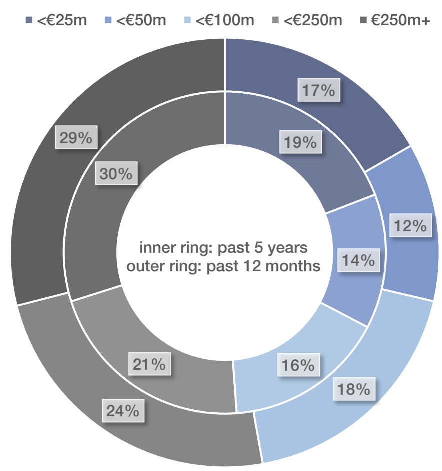
Deal size and number of transactions



Source: Savills / Note: including portfolios

GRAPH 4

Transaction volume by deal size



Source: Savills

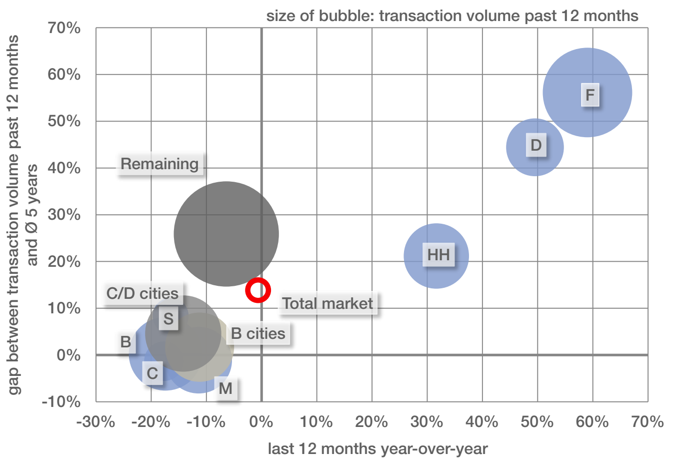
Commercial investment market

TABLE 2
Transaction volume by location

	Transaction volume (€m)					
	Oct 2018	Jan to Oct 2018	against Jan to Oct 2017	Nov 2017 to Oct 2018	against Oct 2017 to Sep 2018	against Nov 2016 to Oct 2017
Berlin (B)	737	5,022	-23%	6,358	+9%	-17%
Düsseldorf (D)	228	2,824	+64%	3,934	+5%	+50%
Frankfurt (F)	342	6,317	+97%	9,444	+3%	+59%
Hamburg (HH)	76	3,764	+65%	5,029	-2%	+32%
Cologne (C)	213	1,424	-18%	1,836	+11%	-18%
Munich (M)	22	3,730	+2%	5,240	-3%	-11%
Stuttgart (S)	30	1,205	+17%	1,541	-11%	-16%
Germany	3,570	46,685	+5%	61,280	+/-0%	-1%

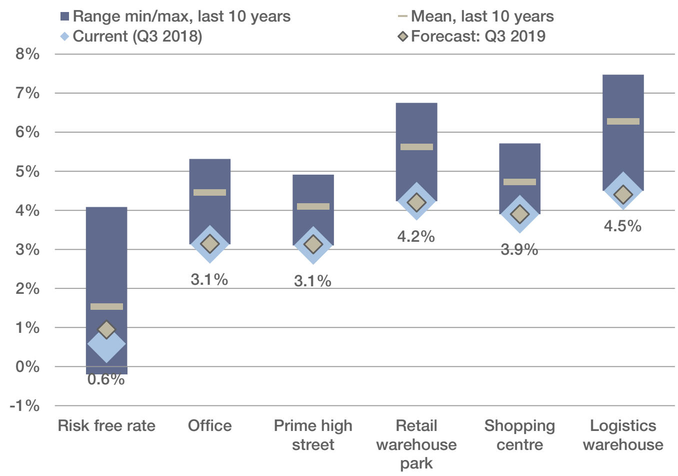
Source: Savills

GRAPH 5
Regional distribution



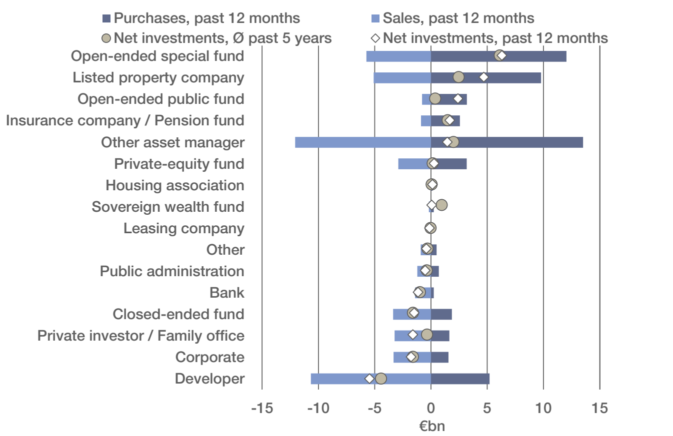
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 6
Prime yields



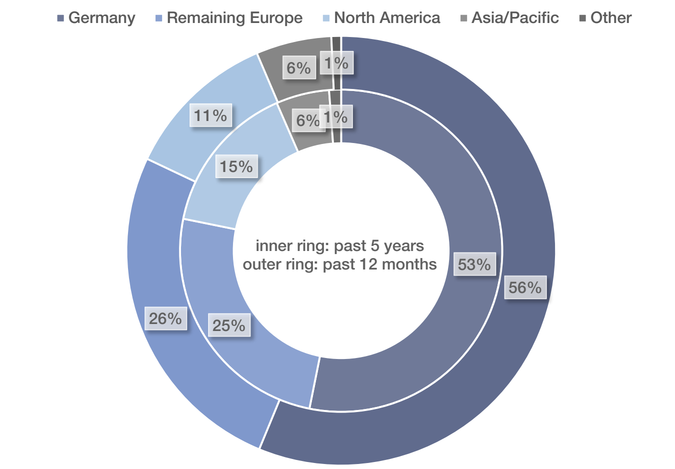
Source: Focus Economics, Savills / Note: always end of quarter values, risk free rate = 10Y Government Bunds, Prime Yields = Ø Top7

GRAPH 7
Type of investor



Source: Savills

GRAPH 8
Transaction volume by origin of buyer



Source: Savills

Commercial investment market

TABLE 3

Top 20 transactions of the last six months*

Date	Property / Portfolio	Location(s)	(Mayn) Type of property	Volume (€m) ↓	Area (sq m)	Buyer	Seller
Sep 18	Karstadt-Kaufhof-Merger	nationwide	Retail	undisclosed	533,900	SIGNA Holding	Simon Property Group, Hudson's Bay Company (HBC)
Jun 18	Klinikportfolio (50%-share)	nationwide	Community welfare property	ca. 815	n/a	Primonial	Medical Properties Trust
Sep 18	Omniturm	Frankfurt am Main	Office	ca. 700	54,300	Commerz Real AG	Tishman Speyer
Sep 18	Karstadt-Kaufhof-Merger	Düsseldorf, Köln	Retail	ca. 430	146,000	SIGNA Holding	Simon Property Group, Hudson's Bay Company (HBC)
Aug 18	Junghof Plaza	Frankfurt am Main	Mixed-use property	ca. 400	32,700	Triuva Kapitalverwaltungsgesellschaft mbH	PGIM Real Estate, FGI Frankfurter Gewerbeimmobilien
Sep 18	Portfolio (2 properties)	Frankfurt	Office	undisclosed	53,700	Warburg-HIH	aurelis Real Estate GmbH & Co. KG
Aug 18	Community welfare-Portfolio	Hamburg	Community welfare property	undisclosed	n/a	Deutsche Wohnen AG	Oaktree Capital Management LP
Sep 18	Neue Mainzer Straße 32-36	Frankfurt am Main	Office	undisclosed	33,000	Hansainvest - Hanseatische Investment GmbH	GEG German Estate Group AG
May 18	Gallileo	Frankfurt am Main	Office	ca. 356	40,500	CapitaLand Limited	Triuva Kapitalverwaltungsgesellschaft mbH
Jun 18	TSK1	Frankfurt am Main	Office	undisclosed	65,500	i. a. Credit Suisse (Deutschland) AG	Officefirst
Jun 18	Highstreet Leipziger Platz	Berlin	Retail	ca. 300	22,500	BMO Real Estate Partners	RFR-Holding GmbH, DC Values
May 18	Hilton Berlin	Berlin	Hotel/Gastronomy	ca. 297	n/a	Aroundtown Property Holdings Plc.	Park Hotels & Resorts Inc., unknown Investor
Jun 18	Quartier Four - Tower 4	Frankfurt am Main	Office	undisclosed	22,700	Union Investment Real Estate GmbH	Groß & Partner Grundstücksentwicklung
Aug 18	Portfolio (17 properties)	i. a. Bonn, Frankfurt, Hannover	Community welfare property	undisclosed	n/a	Deutsche Wohnen AG	SHI Management GmbH
Sep 18	Garden Tower	Frankfurt am Main	Office	ca. 275	27,500	GEG German Estate Group AG	Tristan Capital Partners
Sep 18	Metro-Straße 1	Düsseldorf	Office	ca. 270	75,500	Arminius Kapitalgesellschaft mbH	Triuva Kapitalverwaltungsgesellschaft mbH
Jun 18	Olympus Zentrale	Hamburg	Office	undisclosed	48,400	Ärzteversorgung Westfalen-Lippe, Hines Immobilien	Zech Group, unknown Investor
Aug 18	Das Schloss	Berlin	Retail	undisclosed	42,000	Deka Immobilien Investment GmbH	WealthCap Wealth Management Capital Holding GmbH
Jul 18	Portfolio (2 properties)	Ergolding, Marl	Logistics and Industry buildings	undisclosed	283,200	i. a. Goodman Property Investors	Goodman Property Investors
Jul 18	"Portfolio (5 properties)"	i. a. Apfelstädt, Duisburg	Logistics and Industry buildings	undisclosed	263.000	Blackstone Group Deutschland GmbH	Hines Immobilien GmbH

Source: Savills / * only published transactions are shown

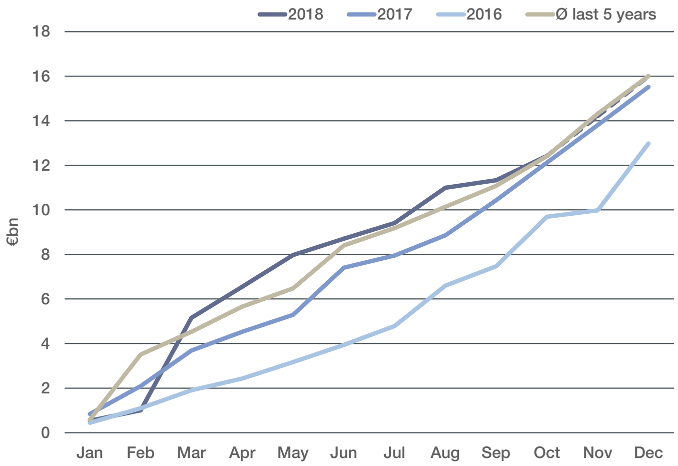
Residential investment market

TABLE 4
Transaction volume by city category

	Transacton volume (€m)					
	Oct 2018	Jan to Oct 2018	against Jan to Oct 2017	Nov 2017 to Oct 2018	against Oct 2017 to Sep 2018	against Nov 2016 to Oct 2017
A-cities	646	4,899	-5%	6,833	-1%	+10%
B-cities	174	2,064	-1%	2,626	-9%	-7%
C-cities	185	1,913	+114%	2,221	+/-0%	+47%
D-cities	34	1,092	+5%	1,278	-8%	+10%
Other	50	2,454	-17%	2,855	-6%	-22%
Germany	1,089	12,422	+2%	15,814	-4%	+3%

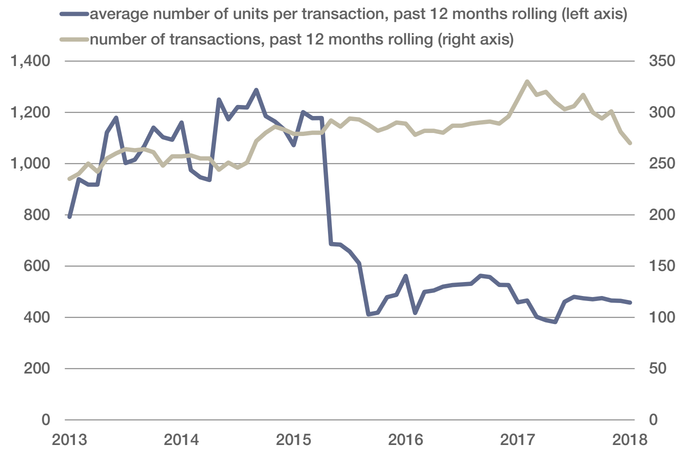
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 9
Accumulated transaction volume



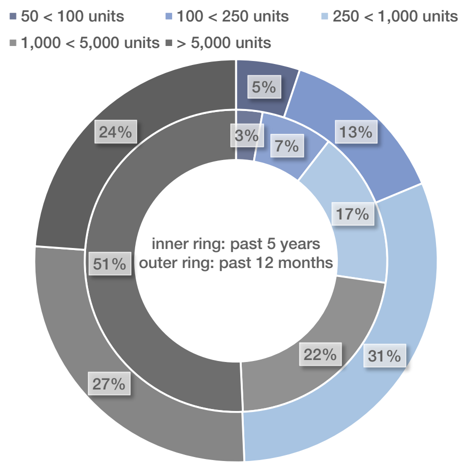
Source: Savills / Note: dotted line = forecast

GRAPH 10
Deal size and number of transactions



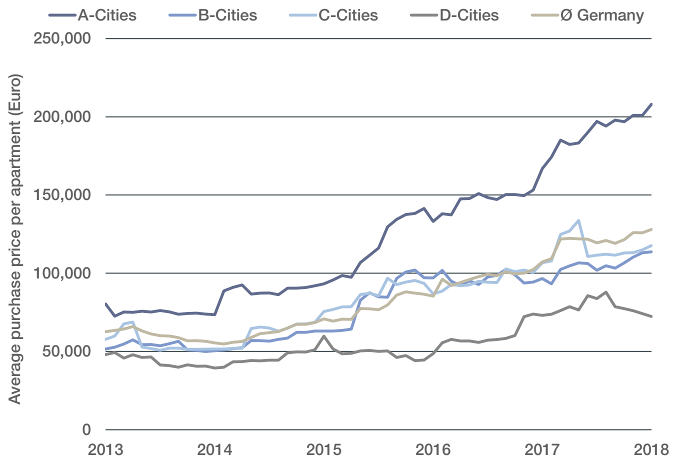
Source: Savills / Note: including portfolios

GRAPH 11
Traded units by size



Source: Savills

GRAPH 12
Development of prices



Source: Savills / Note: values are 12 months rolling; based on the Bulwiengesa classification

Residential investment market

TABLE 5

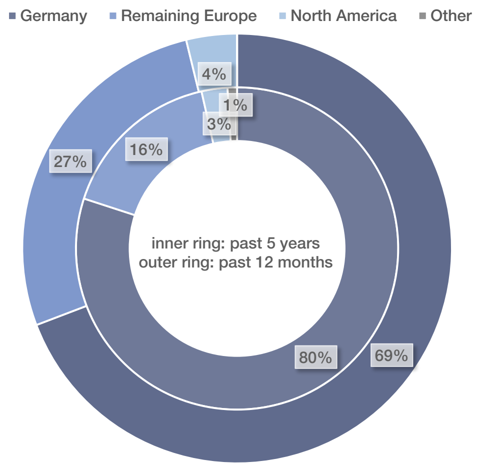
Traded units by city category

	Traded units					
	Oct 2018	Jan to Oct 2018	against Jan to Oct 2017	Nov 2017 to Oct 2018	against Oct 2017 to Sep 2018	against Nov 2016 to Oct 2017
A-cities	2,870	24,524	-18%	32,853	-4%	-12%
B-cities	1,364	18,503	-13%	23,094	-9%	-21%
C-cities	1,219	17,324	+115%	18,881	-2%	+33%
D-cities	450	15,405	+11%	17,659	-6%	+11%
Other	750	26,768	-19%	31,016	-5%	-34%
Germany	6,653	102,524	-4%	123,503	-5%	-14%

Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 13

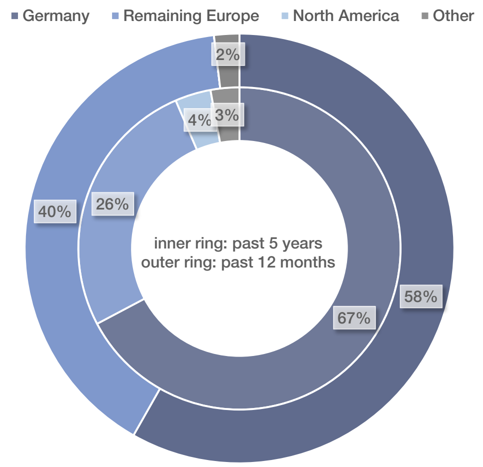
Transaction volume by origin of buyer



Source: Savills

GRAPH 14

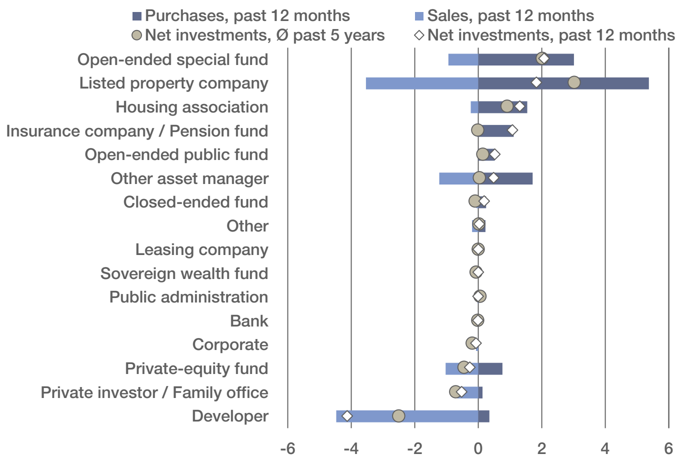
Transaction volume by origin of seller



Source: Savills

GRAPH 15

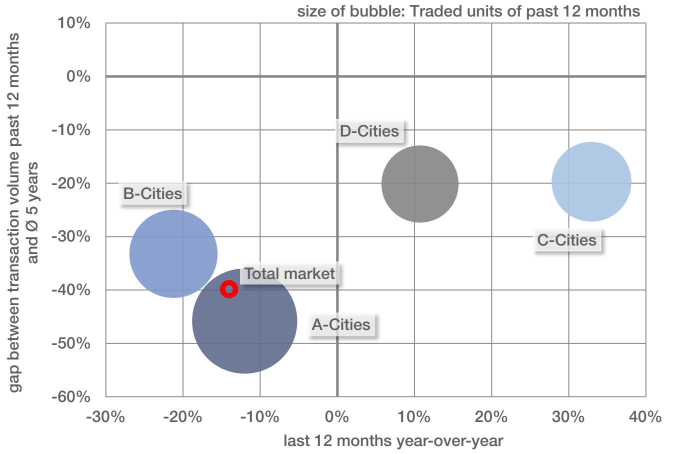
Transaction volume by type of investor



Source: Savills

GRAPH 16

Traded units by city category



Source: Savills / Note: based on the Bulwiengesa classification

Residential investment market

TABLE 6
Top 20 transactions of the last six months*

Date	Name of portfolio Location(s)	Number of units	Volume (€m) ↓	Buyer	Seller
Aug 18	Century-Portfolio	3,700	ca. 900	PFA Pension, Domicil Beteiligungs GmbH	Industria GmbH
May 18	Berlin, Magdeburg	2,500	undisclosed	Blackstone Group Deutschland GmbH	Kauri CAB Management GmbH, Apeiron Capital Ltd.
Oct 18	Düsseldorf	450	undisclosed	Vivawest Wohnen GmbH	BEMA Rheinland Projekte, ABG-Unternehmensgruppe
Aug 18	Duisburg, Essen, Gelsenkirchen, Hagen	3,750	undisclosed	LEG Immobilien	Vivawest Wohnen GmbH
May 18	Berlin	690	undisclosed	GEWOBAG	Off Immobilien-Beteiligungs GmbH
Oct 18	Frankfurt am Main	509	undisclosed	Invesco Real Estate	LBBW Immobilien Development GmbH
May 18	Berlin	775	ca. 111	Covivio Immobilien GmbH	unknown Investor
Jun 18	Berlin, Butzbach, Mainz	391	ca. 106	Industria GmbH	Ten Brinke Groep B.V.
Jul 18	Berlin, Dresden, Langebrück, Schönborn	721	ca. 106	Covivio Immobilien GmbH	unknown Investor
Oct 18	Chemnitz, Kassel, Mannheim, Wuppertal	1,500	ca. 100	Primus Valor AG	unknown Investor
May 18	Berlin	568	undisclosed	Covivio Immobilien GmbH	unknown Investor
May 18	Heidenheim	1,075	undisclosed	Peach Property Group AG	unknown Investor
May 18	Bonn	276	undisclosed	Bayerische Versorgungskammer	Instone Real Estate
Jun 18	Zwickau	2,940	ca. 90	ZBI Zentral Boden Immobilien AG, Union Investment	Vonovia SE
Oct 18	i. a. Hamburg, Leipzig, Magdeburg, Saarbrücken	750	ca. 90	Deutsche Asset One GmbH	unknown Family Office (Germany)
Aug 18	i. a. Berlin, Bielefeld, Düsseldorf	500	ca. 86	WealthCap Wealth Management Capital Holding GmbH	Domicil Beteiligungs GmbH
Sep 18	Münster	282	undisclosed	Vivawest Wohnen GmbH	CM Immobilien Entwicklung
Oct 18	Darmstadt	318	undisclosed	Industria GmbH	J. Molitor Immobilien GmbH, Klotz Gruppe
Oct 18	Berlin	362	ca. 75	Round Hill Capital, Ivanhoe Cambridge Europe	unknown Investor
Oct 18	Berlin	485	undisclosed	Gewoba AG Wohnen und Bauen	unknown Investor

Source: Savills / * only published transactions are shown

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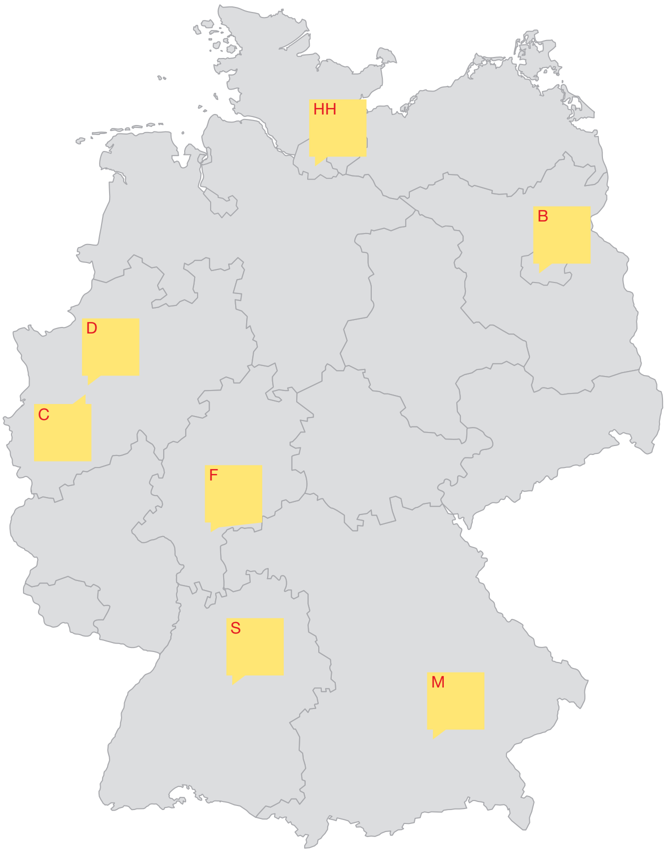

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