

Market in Minutes

Germany residential investment market

Q1 2018



The facts at a glance

Purchasers of developments are increasingly exploring locations outside of the A-cities

■ The German residential investment market enjoyed the most dynamic start to a year since the record year of 2015. The transaction volume in the first quarter of 2018 totalled around €4bn (see Graph 1), representing an increase of 9% compared with the opening quarter of last year.

■ The top seven cities accounted for 36% of the transaction volume (Table 1), which is materially ahead of the five-year average of 48%. The fundamentals favour investments outside of the A-cities. The number of households, and

hence demand for housing, is expected to rise in around half of all districts (in German: Kreis) and urban districts (in German: Landkreis) by 2030.

■ In the B, C, and D-cities, rents for first-time occupation have risen more sharply than in the A-cities over the last five years. This could explain why locations outside of the A-cities were also responsible for a higher proportion of investment volume with regard to development deals. These locations accounted for 46% of investment volume in the first quarter of 2018 compared with

a five-year average of only around 33%.

■ Average prices per apartment fell marginally in March (Graph 4), which was primarily attributable to the Buwog acquisition. The 11% decline in the number of transactions since 2017 (Graph 2) suggests that the supply has become even scarcer. Consequently, prices are likely to remain at a high level going forward. We expect a transaction volume for the full year of up to EUR 15bn.

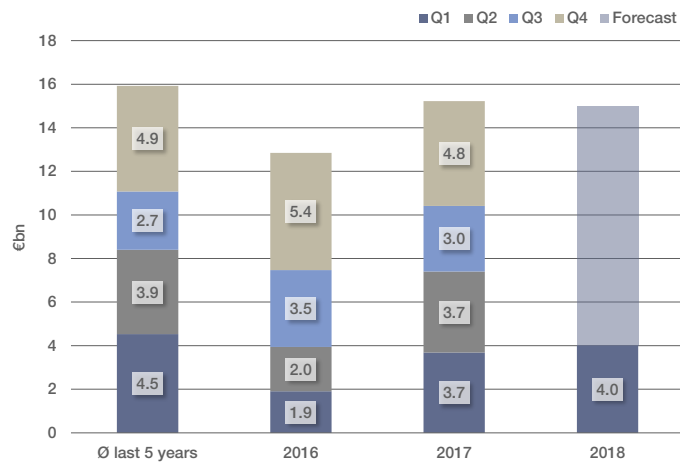
Key figures at a glance

TABLE 1 Transaction volume and prices at a glance

	Transaction volume (€m)				Traded units			
	Q1 18	against Q1 17	Q2 17 - Q1 18	against Q1 17 - Q4 17	Q1 18	against Q1 17	Q2 17 - Q1 18	against Q1 17 - Q4 17
A-Cities	1,339	-33%	6,193	-10%	12,751	+12%	37,940	+4%
B-Cities	496	+11%	2,673	+2%	3,928	-10%	24,865	-2%
C-Cities	991	+826%	2,086	+74%	9,566	+995%	18,323	+90%
D-Cities	392	+50%	1,358	+11%	4,241	-16%	15,308	-5%
Other	787	-9%	3,233	-2%	8,553	-7%	36,188	-2%
Germany	4,006	+9%	15,543	+2%	39,039	+27%	132,624	+7%

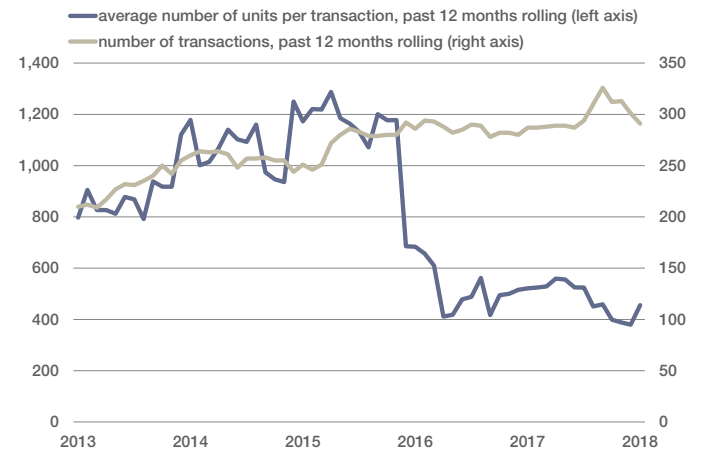
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 1 Transaction volume



Source: Savills

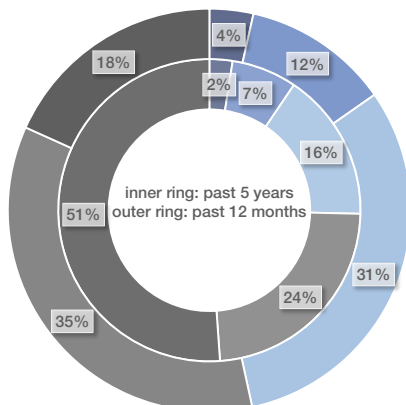
GRAPH 2 Deal size and number of transactions



Source: Savills

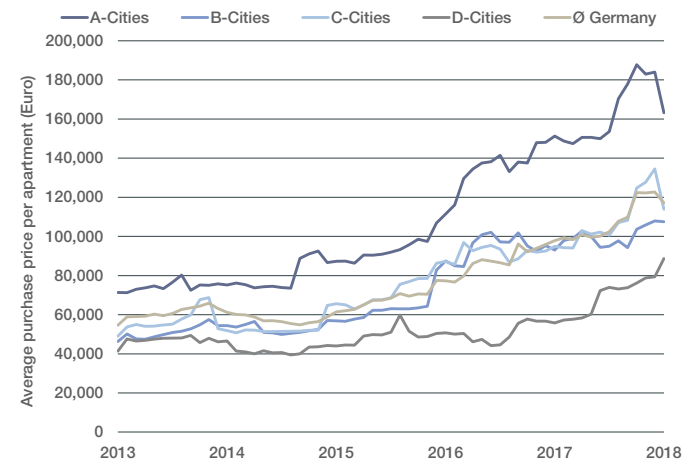
GRAPH 3 Traded units by size

- 50 < 100 units
- 100 < 250 units
- 250 < 1,000 units
- 1,000 < 5,000 units
- > 5,000 units



Source: Savills

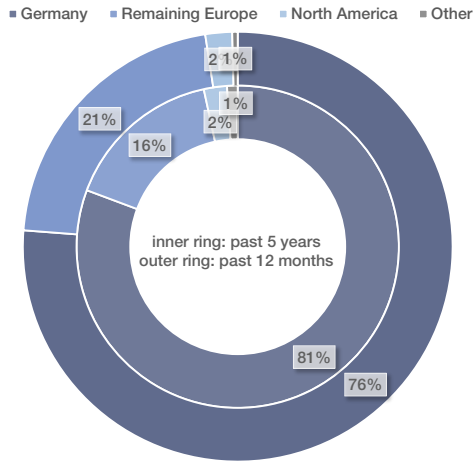
GRAPH 4 Development of prices



Source: Savills / Note: always past 12 months rolling

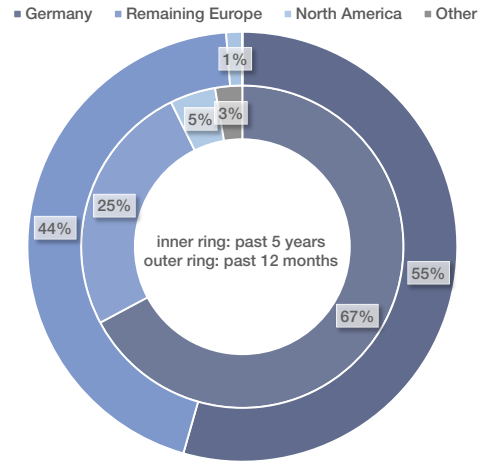
Market players and development of prices

GRAPH 5
Transaction volume by origin of buyer



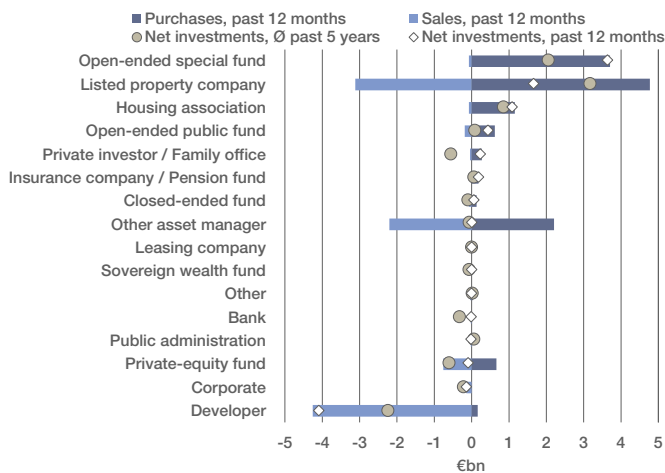
Source: Savills

GRAPH 6
Transaction volume by origin of seller



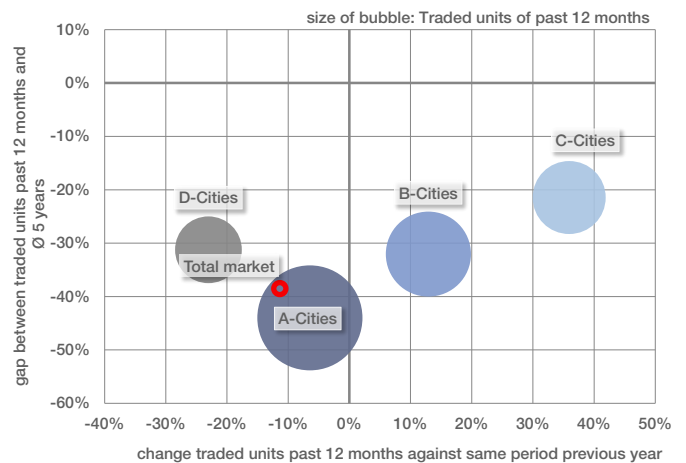
Source: Savills

GRAPH 7
Transaction volume by type of investor



Source: Savills

GRAPH 8
Traded units by type of city



Source: Savills / Note: based on the Bulwiengesa classification

TABLE 2
The largest transactions of the last 12 months*

Date	Name of portfolio Location(s)	Number of units	Volume (€m)	Buyer	Seller
Mar 18	Buwog acquisition (share of 73.8%)	ca. 24,700	undisclosed	Vonovia SE	Buwog - Bauen und Wohnen Gesellschaft mbH
Dec 17	i. a. Dresden, Düsseldorf, Cologne, Leipzig, Offenbach	1,740	ca. 670	Corestate Capital AG	CG Gruppe
Nov 17	Berlin	710	undisclosed	Adler Real Estate AG	Benson Elliot Capital Management, Kauri CAB
May 17	Düsseldorf, Neuss	1,800	undisclosed	LEG Immobilien	In-West Immobilien, Benson Elliot Capital Management
Oct 17	i. a. Dresden, Erfurt, Fürth, Hannover, Kiel, Nuremberg	1,900	ca. 260	Capital Bay	unknown Investor

Source: Savills / * only published transactions are shown

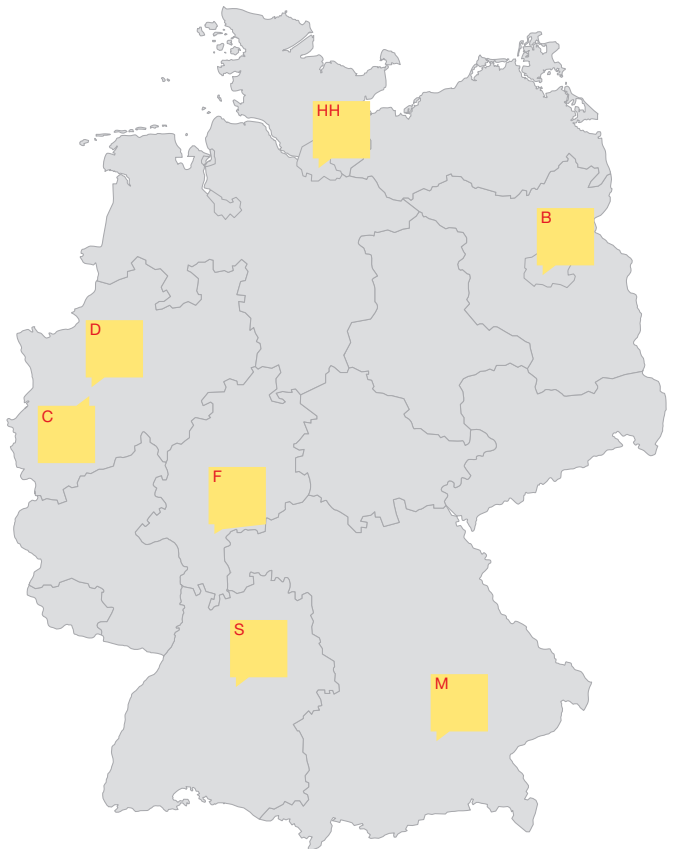
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