

Market in Minutes

Germany residential investment market

Q3 2018



The facts at a glance

Development acquisitions are driving prices and transaction volume

■ With a transaction volume of €2.6bn, the third quarter yielded the lowest level of investment of any quarter in the current year. Investment during the first nine months of 2018 totalled almost €11.3bn, representing an increase of 8% compared with the corresponding period last year (Table 1, Graph 1).

■ The increase in the transaction volume is (still), to a large extent, attributable to price rather than volume. The average price per apartment in the A-cities has even exceeded the €200,000 mark for

the first time (Graph 4). This record-high price is largely attributable to the fact that development acquisitions have accounted for more than a third of the overall transaction volume in the A-cities during the year to date.

■ A separate analysis of purchases of developments and existing property reveals that prices in both segments have only increased marginally, i.e. by less than 5% compared with last year.

■ The C-cities and D-cities have witnessed the highest recent levels

of transaction activity. This is also attributable to the acquisition of Buwog by Vonovia, the largest transaction of the year to date, and should not therefore be over-interpreted. Nevertheless, this activity does reflect demand preferences.

■ We expect further investment of approximately €5bn by the end of the year, taking the overall transaction volume for 2018 to around €16bn, which would be broadly in line with the five-year average.

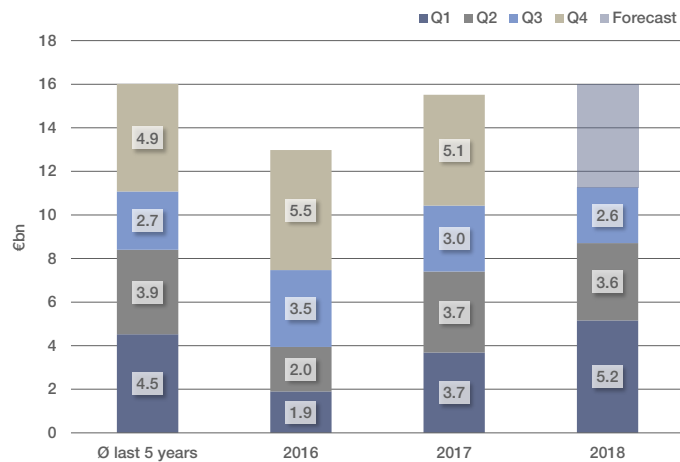
Key figures at a glance

TABLE 1 Transaction volume and prices at a glance

	Transaction volume (€m)				Traded units			
	Q1 - Q3 2018	Annual change	Oct 2017 to Sep 2018	Quarterly change	Q1 - Q3 2018	Annual change	Oct 2017 to Sep 2018	Quarterly change
A-Cities	4,253	-4%	6,882	+3%	21,654	-16%	34,263	+1%
B-Cities	1,890	+13%	2,878	-10%	17,139	-3%	25,445	-18%
C-Cities	1,728	+144%	2,223	-8%	16,105	+152%	19,334	-10%
D-Cities	1,042	+17%	1,379	-9%	14,639	+19%	18,478	-4%
Other	2,354	-13%	2,989	-1%	24,997	-19%	31,630	-11%
Germany	11,267	+8%	16,351	-3%	94,534	+2%	129,150	-9%

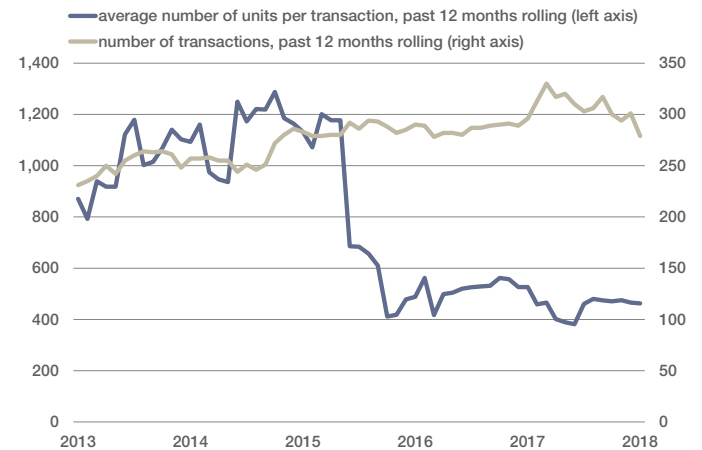
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 1 Transaction volume



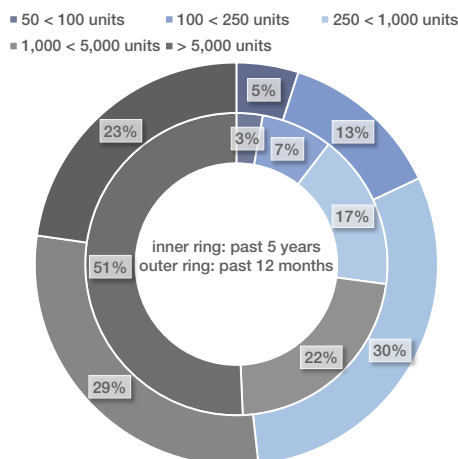
Source: Savills

GRAPH 2 Deal size and number of transactions



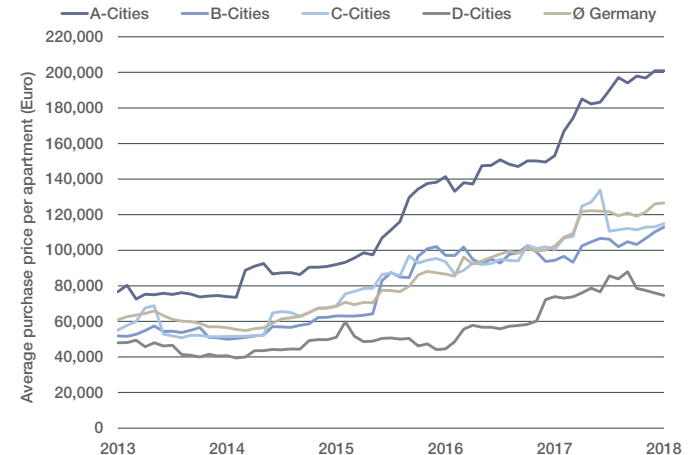
Source: Savills

GRAPH 3 Traded units by size



Source: Savills

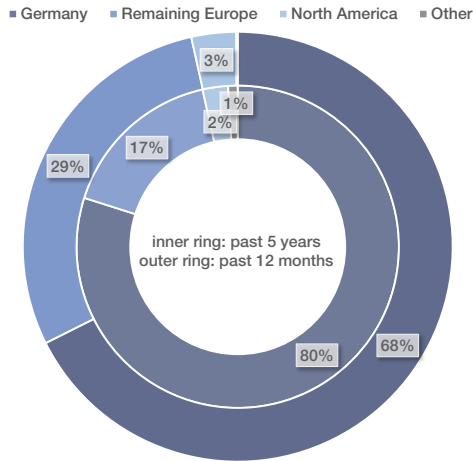
GRAPH 4 Development of prices



Source: Savills / Note: always past 12 months rolling

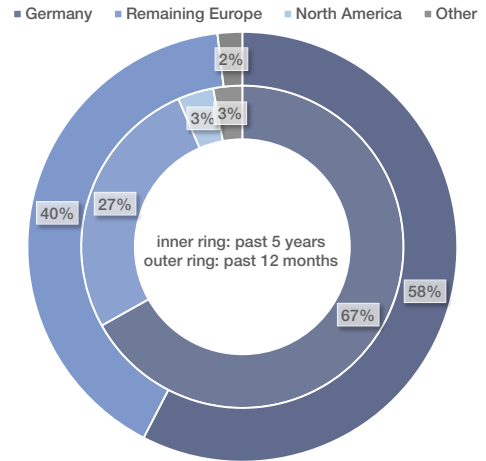
Market players and development of prices

GRAPH 5
Transaction volume by origin of buyer



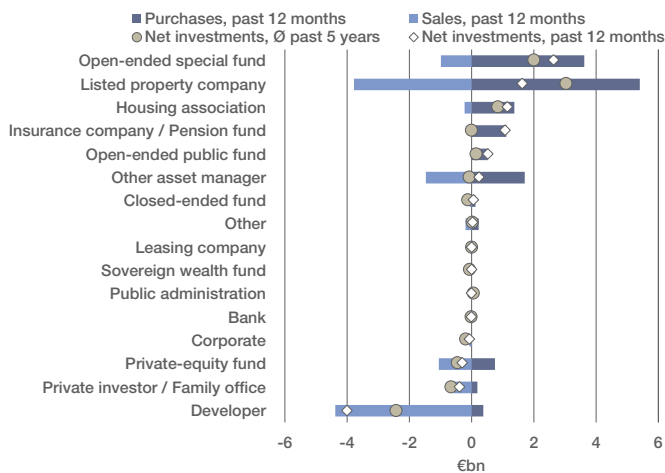
Source: Savills

GRAPH 6
Transaction volume by origin of seller



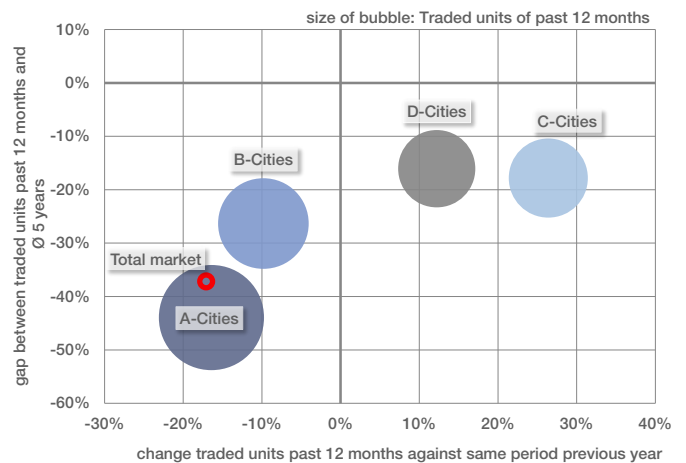
Source: Savills

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	ca. 27,180	undisclosed	Vonovia SE	Buwog
Aug 18	Century i. a. Berlin, Hamburg	ca. 3,700	ca. 900	PFA Pension, Domicil Beteiligungs GmbH	Industria GmbH
Dec 17	i. a. Dresden, Düsseldorf, Köln, Leipzig, Offenbach	1,740	ca. 670	Corestate Capital AG	CG Gruppe
Nov 17	Wasserstadt Mitte Berlin	710	undisclosed	Adler Real Estate AG	Benson Elliot Capital Management, Kauri CAB
Oct 17	i. a. Dresden, Erfurt, Fürth, Hannover, Kiel, Nürnberg	1,900	ca. 260	Capital Bay	unknown Investor

Source: Savills / * only published transactions are shown

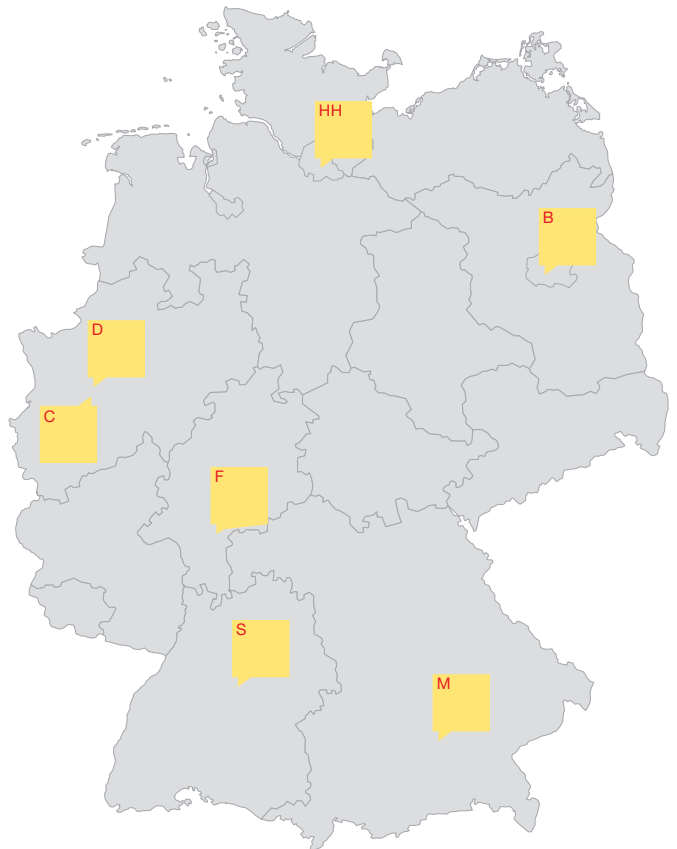
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