

Market in Minutes

Germany residential investment market

Q2 2018



The facts at a glance

Trade conflicts could prolong the residential market cycle

■ Properties in the German residential investment market changed hands for around €8.8bn in the first half of the year (Graph 1), an increase of 19% compared with the corresponding period last year. Almost 45% of the volume was attributable to two company acquisitions (Table 2).

■ The average size of residential portfolios transacted fell by 15% over the last 12 months (Graph 2), which is likely a consequence of the low supply of large portfolios of existing property. For investors seeking to build larger portfolios,

therefore, there is scarcely any alternative to acquiring several smaller portfolios. Against this background, development acquisitions are becoming increasingly important, accounting for 26% of the transaction volume.

■ Transaction activity in the surrounding regions of the A-cities has risen appreciably. These accounted for 5.8% of the investment volume in the first half of the year (five-year average: 3.2%). The surrounding regions are increasingly benefiting from the strained housing markets in

the core cities and, in some cases, are growing more quickly than the A-cities themselves (see also [“German residential market report”](#)). This is paving the way for further rental growth.

■ In view of the intensifying global trade conflicts, the prospects of rental income which is relatively independent of economic conditions could attract further inflows of capital to the German residential market, meaning that there is no end to the cycle in sight for the time being.

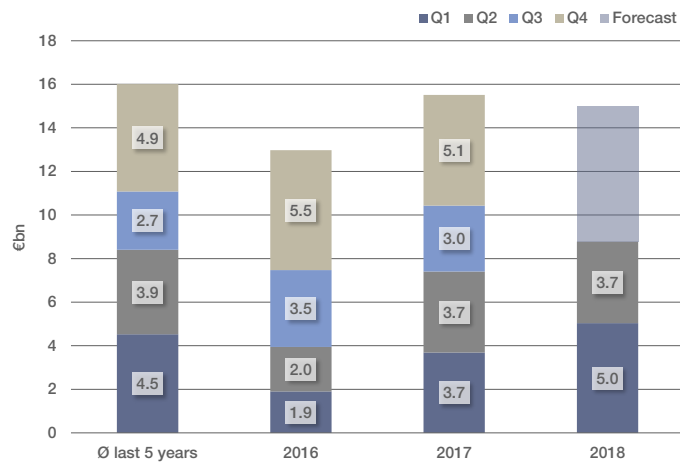
Key figures at a glance

TABLE 1 Transaction volume and prices at a glance

	Transaction volume (€m)				Traded units			
	Jan to Jun 2018	Annual change	Jul 2017 to Jun 2018	Quarterly change	Jan to Jun 2018	Annual change	Jul 2017 to Jun 2018	Quarterly change
A-Cities	2,816	-19%	6,426	-6%	14,897	-28%	32,373	-11%
B-Cities	1,684	+82%	3,413	+26%	12,948	+60%	30,787	+21%
C-Cities	1,713	+290%	2,476	+5%	15,458	+341%	21,582	+1%
D-Cities	915	+64%	1,586	+9%	11,857	+33%	19,099	+12%
Other	1,651	-18%	2,988	-14%	19,470	-9%	35,466	-9%
Germany	8,778	+19%	16,889	+/-0%	74,630	+19%	139,307	+/-0%

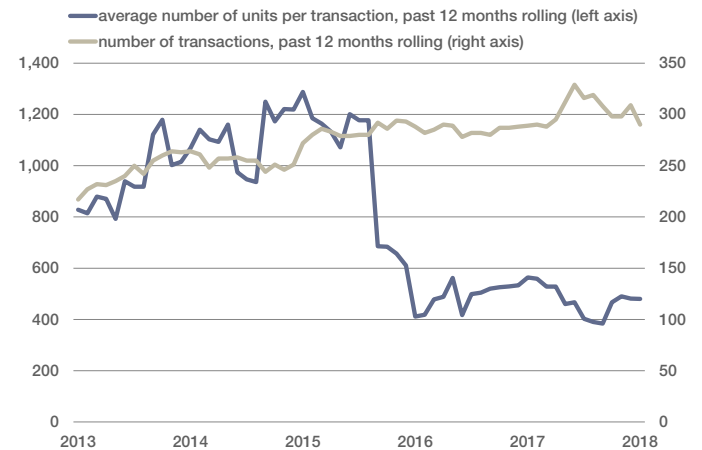
Source: Savills / Note: based on the Bulwiengesa classification

GRAPH 1 Transaction volume



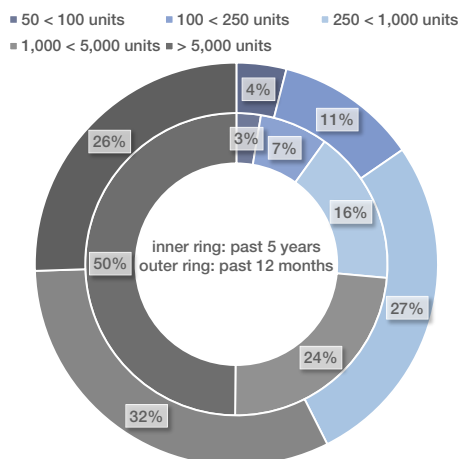
Source: Savills

GRAPH 2 Deal size and number of transactions



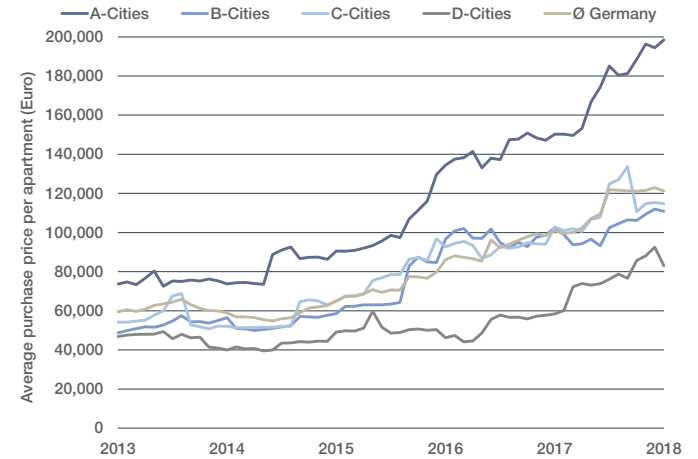
Source: Savills

GRAPH 3 Traded units by size



Source: Savills

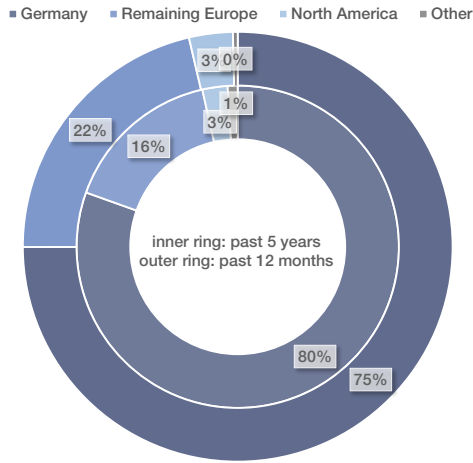
GRAPH 4 Development of prices



Source: Savills / Note: always past 12 months rolling

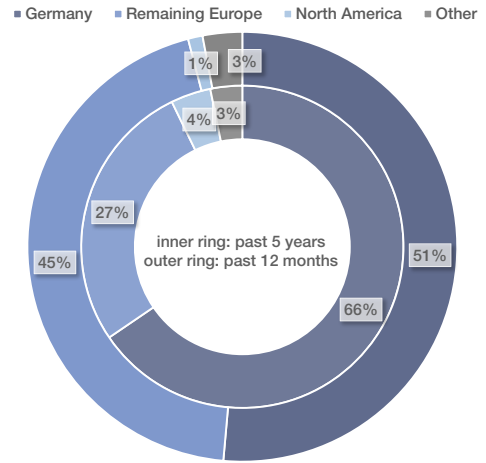
Market players and development of prices

GRAPH 5 Transaction volume by origin of buyer



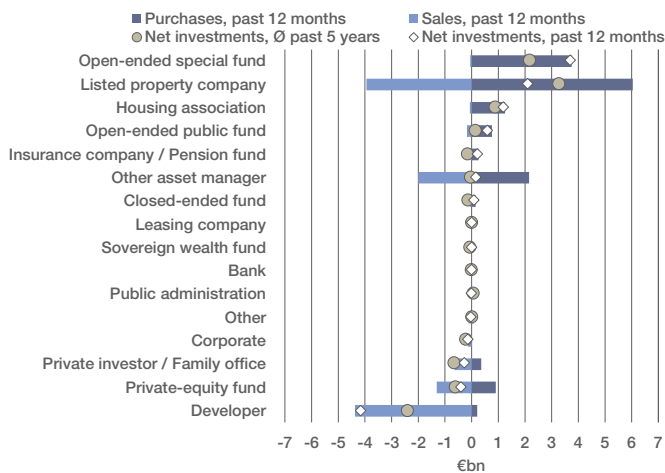
Source: Savills

GRAPH 6 Transaction volume by origin of seller



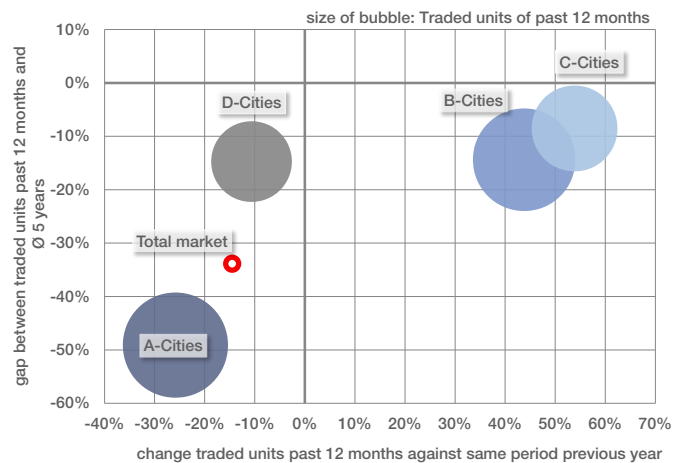
Source: Savills

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
Apr 18	Brack Capital-acquisition (70%-share)	ca. 8,400	undisclosed	Adler Real Estate AG	i.a. Redzone Empire
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

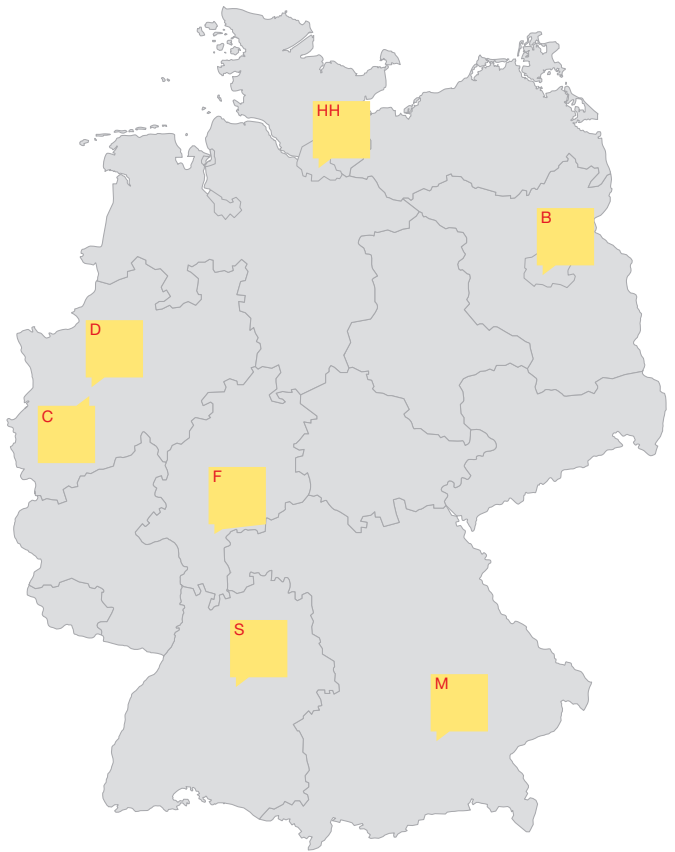
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